



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

EPIC

Economic Performance Indicators for Cape Town

2017: Quarter 3 (July - September)

Introduction

This is the 18th edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the third quarter of 2017, covering the period 1 July to 30 September 2017. As a result of the current water shortages the city is experiencing and the consequent need to re-prioritise resources, this edition is an abbreviated version of previous editions. It nevertheless covers the key economic indicators and presents up to date information and analyses as well as a new insert on water.

Rationale for a quarterly economic publication

Accurate and up-to-date economic information is critical in providing direction for economic development strategies. It is essential to understand the nature, composition and performance of the local economy to know what must be done. While there is a wealth of economic statistics and information available for Cape Town, it often exists in discrete, isolated parcels customised to serving a specific purpose at a given time. Furthermore, in most cases, relevant economic information is only presented on an annual basis. This period is sometimes simply too long to inform immediate policy decisions or to get a proper grasp of the dynamic nature of economic trends. These factors underpin the need for a consolidated, quarterly economic performance publication for the City of Cape Town.

Acknowledgements

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CAPE TOWN OVERVIEW – 2017 Q3



Of South Africa's R3 109 661 million gross domestic product (GDP) generated in the third quarter of 2017, the **Western Cape** accounted for **R427 332 million**. Whilst GDP data is not available at the city-level on a quarterly basis, annually, **Cape Town** contributes around **70%** of the provincial GDP.^a

During the third quarter of 2017, the **Western Cape** had a quarter-on-quarter GDP growth rate of **1,3%**, compared to a **national** growth rate of **2%**.^b

In 2016, **South Africa** had a GDP per capita, of **R77 987**, while the **Western Cape's** GDP per capita was **R92 621** and **Cape Town's** was **R100 471**.^c



At the end of the third quarter of 2017, **South Africa** had a lower rate of inflation – **5,1%** – than the **Western Cape** which had a rate of **6,3%**.^d



South Africa has **55 908 865** people: **6 293 200** (11,26%) live in the **Western Cape** and, of those, **4 012 441** are resident in **Cape Town**.^g

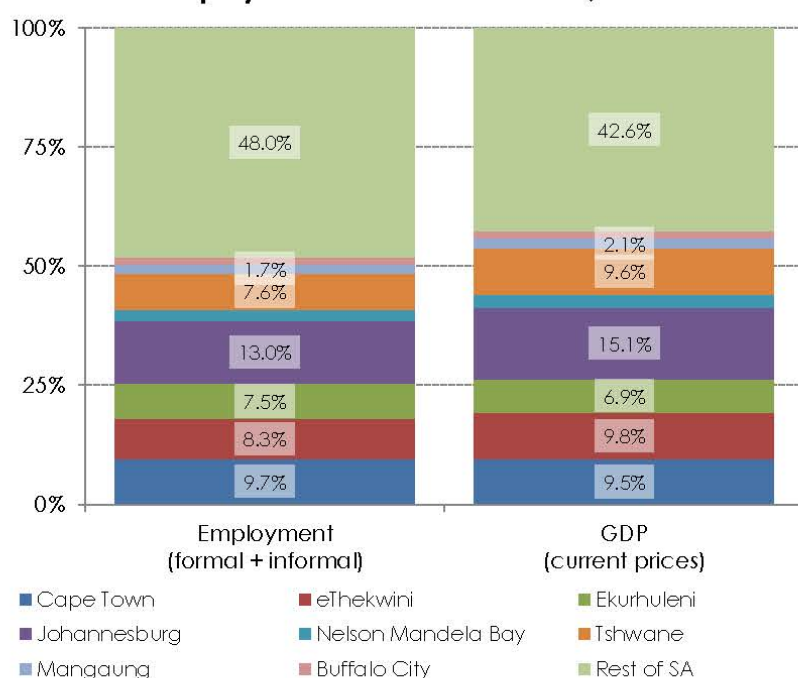


In 2016 **South Africa** has a Gini coefficient of **0,63**, while **Cape Town** has a slightly lower value of **0,62**.^h

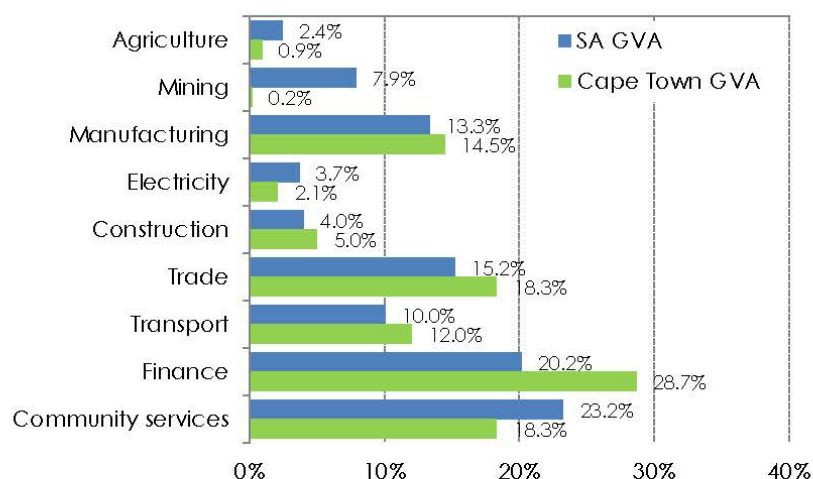


Of the **94 463** new passenger vehicles sold in **South Africa** during the third quarter of 2017, **10 646** were sold in the **Western Cape**.ⁱ

Cape Town gross geographic product & employment contributions to SA, 2016^e



Cape Town gross value added (GVA) versus national GVA, 2016^f



In the third quarter of 2017, tourists and residents made, **6 421 875** visits to **Cape Town's six major attractions**.^j



Of the **9 467 170** passenger movements through **South Africa's 3 international airports**^k during 2017 Q3, **2 549 787** were through **Cape Town International Airport**.^l

a,b. At constant 2010 prices. Source: Quantec, 2017.

c,f. At current prices. Source: IHS Markit, 2017.

d. Source: Statistics South Africa (StatsSA), 2017.

e. GGP at current prices. Source: IHS Markit, 2017.

g, h. Source: IHS Markit, 2017.

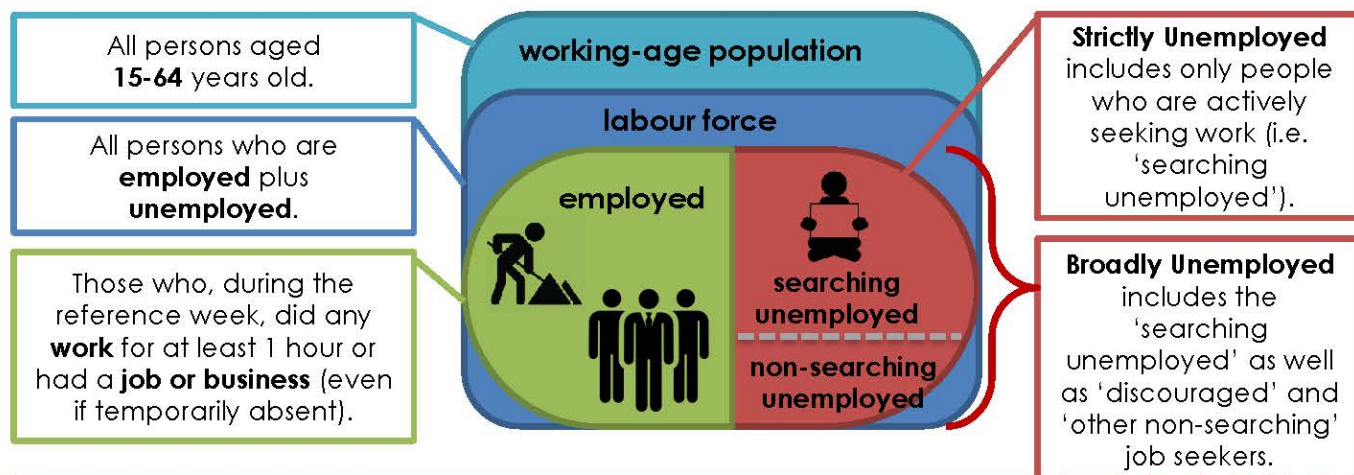
i. Source: NAAMSA, 2017.

j. Source: Cape Town Tourism and Wesgro, 2017.

k. Cape Town, OR Tambo and King Shaka.

l. Source: ACSA, 2017.

LABOUR OVERVIEW – 2017 Q3



A '**discouraged job seeker**' is a person who was not employed during the reference period, was available, but did not take active steps to find work during the last 4 weeks.

		Cape Town					South Africa				
		Recorded	Q-on-Q		Y-on-Y		Recorded	Q-on-Q		Y-on-Y	
Number (thousands, '000's)	Working-age population	2 875	↑	14	↑	57	37 373	↑	156	↑	623
	Labour Force	2 012	↑	33	↑	104	22 402	↑	125	↑	696
	Employed: total	1 545	↑	14	↑	76	16 192	↑	92	↑	359
	Employed: Formal sector	1 273	↑	24	↑	61	11 379	↑	186	↑	350
	Employed: Informal sector	176	↑	4	↑	24	2 689	↓	-72	↑	48
	Unemployed	467	↑	19	↑	27	6 210	↑	33	↑	337
	Not economically active	845	↓	-19	↓	-47	14 971	↑	30	↓	-73
	Discouraged work-seekers	19	↑	2	↑	6	2 436	↑	75	↑	145
	Other	826	↓	-20	↓	-53	12 536	↓	-44	↓	-217
Rate (percentage, %)	Official/strict unemployment	23,2	↑	0,5	↑	0,2	27,7	-	0,0	↑	0,6
	Broad/expanded Unemployment	25,0	↑	0,8	↑	0,2	36,8	↑	0,2	↑	0,5
	Absorption	54,1	↑	0,2	↑	1,7	43,3	-	0,0	↑	0,2
	Labour Force Participation	70,4	↑	0,8	↑	2,2	59,9	-	0,0	↑	0,8
		↑ increase	↓ decrease		improvement		deterioration		- No change (due to rounding)		

Source: StatsSA, 2017.

Note:

- A 'quarter-on-quarter' comparison is between the current quarter and the previous one (for example, Quarter 2, 2017 versus Quarter 3, 2017).
- A 'year-on-year' comparison is between the same quarters in two consecutive and different years (for example, Quarter 3, 2017 versus Quarter 3, 2016).

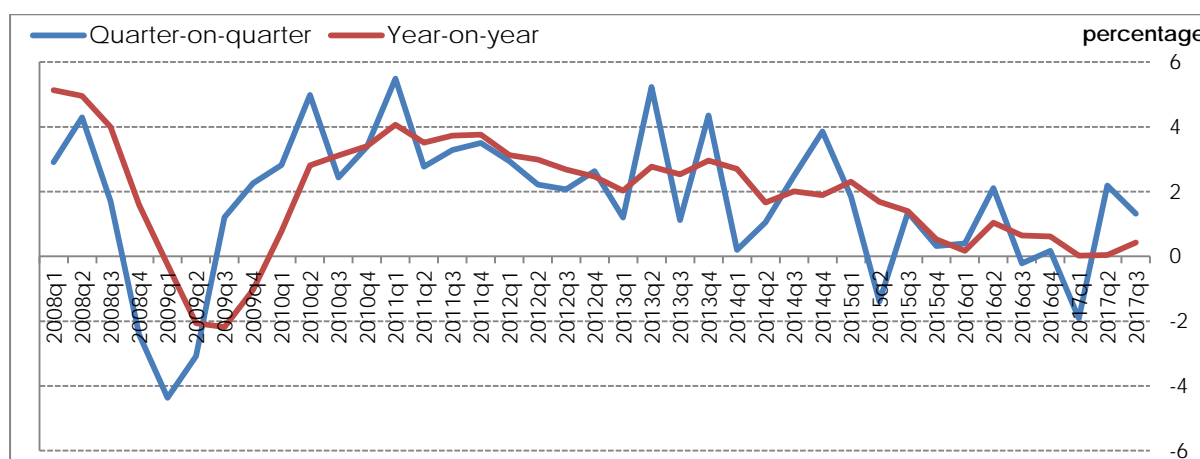
1. Economic Growth

a. Quarter-on-quarter GDP-R growth rate

The Western Cape economy contributes around 14% of national GDP (IHS Markit, 2017). The province's economic performance is strongly influenced by national economic conditions and, in line with the quarter-on-quarter growth trend at the national level, growth in the Western Cape economy declined by 0,9 percentage points from the previous quarter to 1,3% in the third quarter of 2017. As with growth at a national level, growth in the third quarter was driven by the agriculture, manufacturing and finance sectors which saw quarter-on-quarter growth rates of 14,7%, 4,6% and 1,2%, respectively. As Figure 1 shows, on a year-on-year basis, the province's economy saw a slight improvement in its growth compared to the second quarter of 2017 (increasing from 0% to 0,4%).

While GDP-R statistics for Cape Town are not available on a quarterly basis, the performance of the metropolitan municipality's economy can be expected to typically mirror that of the provincial economy. This is because the city contributes around 70% of the provincial economic output (IHS Markit, 2017). On average, in the last 10 years, the variation of the city's GGP growth rate from the provincial rate has been 0,2 percentage points. If this were to hold true for the third quarter of 2017, a plausible range for Cape Town's quarter-on-quarter economic growth is between 1,1% and 1,5%.

Figure 1: Real GGP growth for the Western Cape, quarter 1, 2008 to quarter 3, 2017



Source: Quantec, December 2017.

b. Sectoral drivers of economic growth in the Western Cape

The Western Cape's economy grew in the third quarter of 2017 but was underpinned by a mixed performance of its sectors. The most prominent contributors to the Western Cape's total GVA (rand value) were the finance (30,7%), trade (15,9%) and manufacturing (15,1%) sectors (Quantec, 2017). Of these, the manufacturing and finance sectors were amongst the largest contributors to the province's quarterly economic growth rate contributing 0,69 and 0,38 percentage points, respectively. The agricultural sector, despite constituting a relatively small share of the Western Cape's total GVA (4,1%), was also a large contributor to growth in the third quarter contributing 0,55 percentage points to the total growth rate.

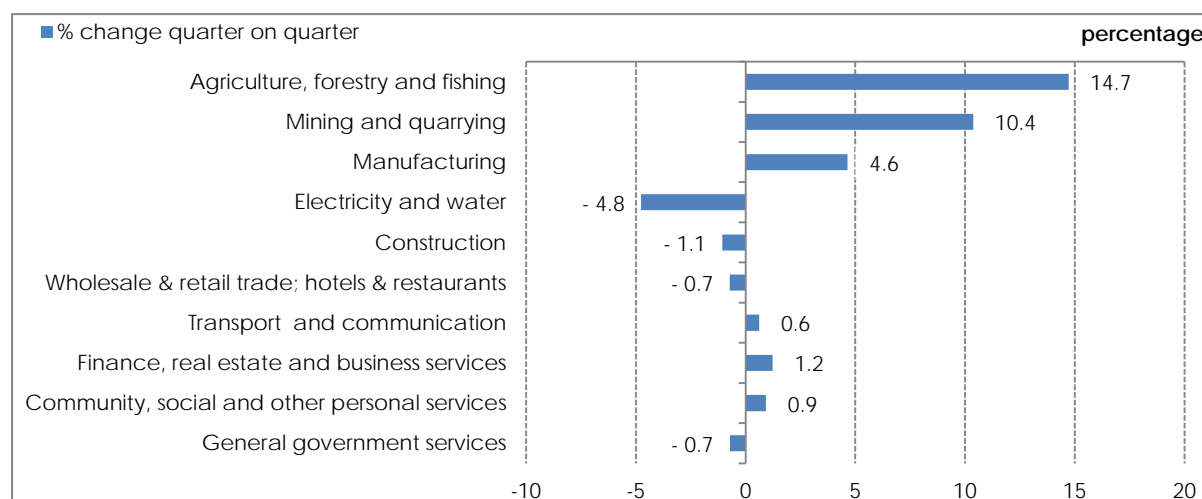
In terms of quarter-on-quarter growth of these prominent sectors (Figure 2), the agricultural sector continued its recovery with a quarterly growth rate of 14,7% in the third quarter of 2017, following poor growth levels throughout 2015 and 2016. The manufacturing sector also

continued its recovery with 4,6% growth, an improvement of 2,9 percentage points from the previous quarter. The finance sector grew by only 1,2% in the third quarter of 2017, a decline of 1,3 percentage points since the previous quarter's growth - this may be reflective of weak levels of business confidence. Whilst the electricity and water sector contracted by 4,8%, possibly reflecting the impact of the drought on water production in the province, an even greater contraction was experienced at the national level. The trade, construction and government sectors in the Western Cape also all declined in line with national trends.

Similar sectoral growth rates can be expected for Cape Town, as the city is the major contributor to most economic sectors in the province. In particular, 82% of the Western Cape's finance and business services, 77% of its transport, 72% of its wholesale and retail trade, 67% of manufacturing, and 62% of its construction sectors can be attributed to the metropolitan area (IHS Markit, 2017). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the third quarter of 2017.

In contrast to Cape Town's contribution to the tertiary sector output of the province, its contribution to the province's total primary sector GGP is only 19% (IHS Markit, 2017). Thus, it is difficult to make inferences about the performance of the city's primary sector based on primary sector GGP growth in the Western Cape. However, even if Cape Town's primary sector (agriculture, in particular) did mirror provincial trends, it is unlikely that this would have had a large impact on the overall growth rate of the city, as the primary sector contributes only 1% to Cape Town's total GGP. Rather, the performance of the city's economy in the third quarter of 2017 would have been driven by the upticks in the finance, transport and manufacturing sectors that comprise 29%, 12% and 14% of the city's economy, respectively, whilst also being affected by the contraction of the trade sector that contributes 18% towards the city's economy.

Figure 2: Sectoral real GDP-R growth rates in the Western Cape, third quarter, 2017



Source: Quantec, December 2017.

2. Inflation

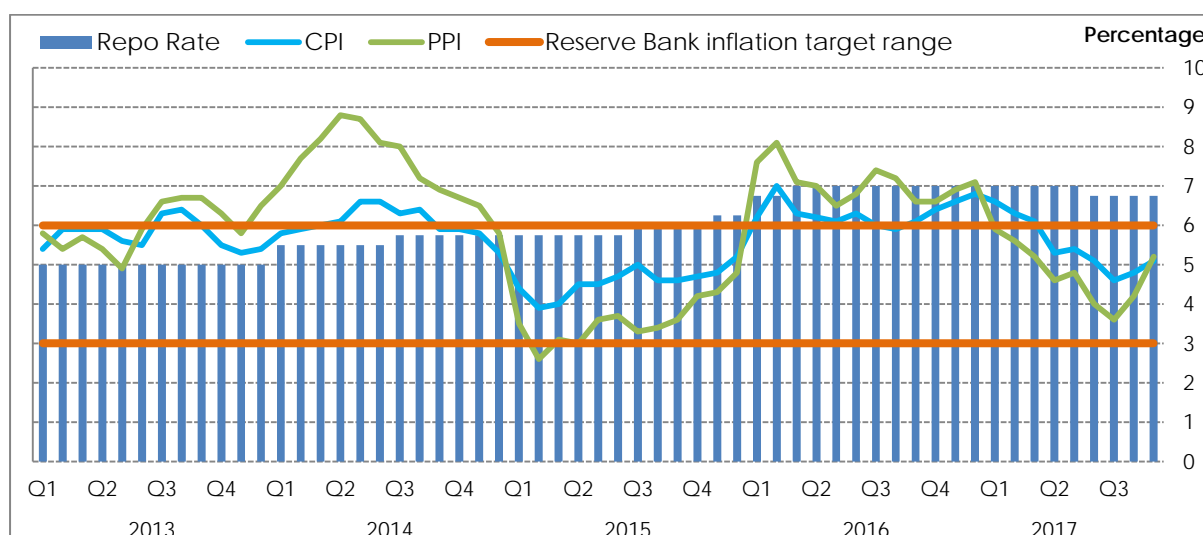
Inflation rates capture the changes in the cost of living for households (consumer price index inflation rate) and the changes in the cost of production for businesses (producer price index inflation rate). Both measures quantify price fluctuations of goods and services in an economy.

a. Inflation overview

In the third quarter of 2017, the headline consumer price index (CPI) inflation rate decreased when compared to the end of the second quarter of 2017. Although decreasing initially, the CPI moved slightly upward within the quarter recording 4,6% in July, 4,8% in August and 5,1% in September. According to the Monetary Policy Committee (MPC) statement of September 2017, key factors influencing the overall improved CPI for this quarter included the moderation of food and non-alcoholic beverage prices (South African Reserve Bank (SARB), 2017: 2).

The producer price index (PPI) increased at the end of the third quarter of 2017 when compared to the end of the second quarter of 2017. Similar to CPI, the PPI remained within the target range with recordings of 3,6% in July, 4,2% in August and 5,2% in September 2017. The main contributors to the PPI inflation (in terms of final manufactured products) were the prices of food, beverages and tobacco products (contributing 0,9 percentage points to PPI), coke, petroleum, chemical, rubber and plastic products (contributing 0,6 percentage points to PPI) and wood plus paper products (contributing 0,7 percentage points to PPI).

Figure 3: CPI and PPI trends for South Africa, January 2013 to September 2017



Source: CPI and PPI extracted from Statistics South Africa, 2017, and repurchase rate extracted from SARB, 2017.

Figure 3 also illustrates changes in the repurchase rate (repo rate). As indicated on the graph, the repo rate remained the same for the third quarter of 2017. At the time of the MPC statement in September 2017, inflation had fallen below the 6% inflation target in the third quarter. As a result of the improved inflation outlook and the deteriorated growth outlook, the MPC decided to keep the repo rate unchanged at 6,75% per annum. Although the inflation outlook has improved, upward risks still remain such as the vulnerability of the rand exchange rate, global monetary developments and potential further credit ratings downgrades.¹

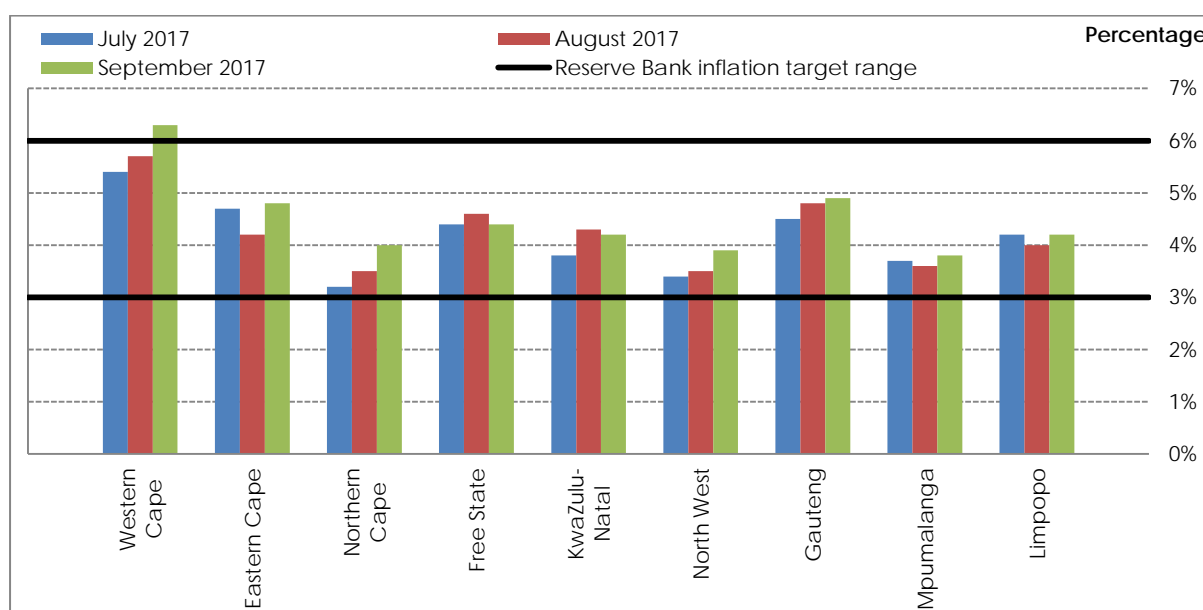
¹ At the time of writing, Standard & Poor's and Fitch, two of the three globally recognised sovereign credit rating agencies had downgraded South Africa's local and foreign currency government debt to sub-investment grade (junk status). Moody's rating stood at one level above investment grade but was on review for a downgrade. Slow economic growth coupled with political instability were the basis of the downgrades.

b. Geographical inflation

The Western Cape recorded a higher inflation rate (6,3%) than the national inflation rate (5,1%) at the end of the third quarter of 2017. Furthermore, it recorded the highest inflation rate throughout this quarter when compared to the other provinces and was the only province to breach the upper end of the target range. This could be explained by the comparatively higher food inflation rate observed in the Western Cape (driven by drought conditions plaguing the province), as compared to the national food inflation rate.

According to Figure 4, eight provinces experienced an increase in the inflation rate when comparing July to September 2017; the Free State was the only province to remain at the same level. In July and August, the Northern Cape recorded the lowest inflation rate, however, at the end of the third quarter in September 2017, Mpumalanga recorded the lowest inflation rate (3,8%). Food price inflation in the Western Cape was 6,5% in September 2017 (having decreased from 6,8% in August), while nationally it was lower at 4,8% (having decreased from 5% in August). Non-alcoholic beverages' price inflation in the Western Cape was 3,4% in September 2017 (having decreased from 4,3% in August), while nationally it was higher at 5,5% (having decreased from 5,8% in August). Higher inflation in the Western Cape was recorded in private transport fuel (12,4% compared to 12,2% nationally), whereas lower inflation was experienced in electricity (3% compared to 2,2% nationally).

Figure 4: CPI inflation rate at a provincial level, July to September 2017



Source: Statistics South Africa, November 2017.

3. Labour Market

The labour market is the point at which economic production meets human development. As such employment creation and unemployment reduction are top priorities for all spheres of government. Labour market performance is tracked through a variety of indicators, many of which are reflected on in this section.

a. Cape Town's labour market performance

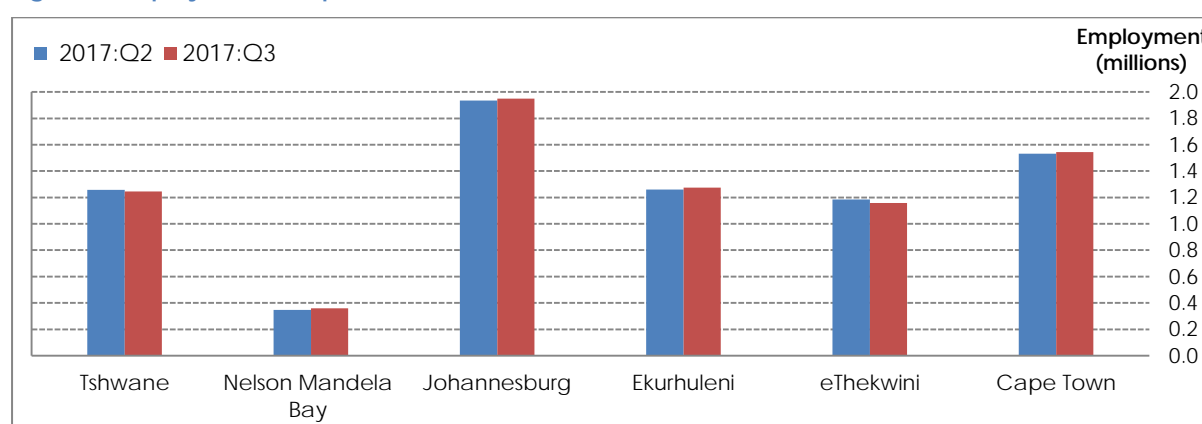
Overall in the third quarter of 2017, Cape Town's working age population (2,86 million) and labour force (2,01 million) increased when compared to the second quarter of 2017 and the

third quarter of 2016. Employment (1,56 million) increased by 14 000 individuals on a quarter-on-quarter basis and by 76 000 individuals on a year-on-year basis, leading to an increase in the labour absorption rate to 54,1% from 53,9% in the previous quarter. Similarly, the labour force participation rate increased on a quarter-on-quarter basis to a rate of 70,4%. Furthermore, increases were experienced in both formal and informal sector employment.

b. Employment comparison of metros

To measure Cape Town's job creation performance, a comparison with the other metros in the country is helpful. In the third quarter of 2017, Cape Town had the second largest number of people employed in the country, with 1,54 million people employed in the city compared to Johannesburg's 1,95 million. This is to be expected as Johannesburg has a significantly larger population.

Figure 5: Employment comparison with other metros, Quarter 2, 2017 vs. Quarter 3, 2017



Source: Statistics South Africa, October 2017.

Turning attention to employment trends in the third quarter of 2017, as measured by the difference in employment levels between the second and third quarters of 2017, eThekweni and Tshwane both experienced declines in employment. The metros which experienced an increase in employment were Cape Town (14 039), Ekurhuleni (14 579), Johannesburg (16 646) and Nelson Mandela Bay (12 108). eThekweni experienced the highest decline with 27 282 jobs shed, followed by Tshwane with a decline in employment of 11 201. On a year-on-year basis, Tshwane shed jobs at the fastest rate (-1,9%), while employment in Cape Town grew fastest (5,19%).

c. Unemployment in Cape Town

Cape Town experienced an increase (18 392) in the number of unemployed people in the third quarter of 2017 compared to the previous quarter, as well as an increase in the number of people unemployed (26 818) compared to the corresponding period in the previous year. This resulted in the strict unemployment rate increasing, on a quarter-on-quarter basis, by 0,55 percentage points to 23,2%. The youth unemployment rate, defined as the strict unemployment rate for individuals aged 15 to 24, in Cape Town was estimated at 47,3% in the third quarter of 2017, having decreased from 48,5% in the previous quarter, and from 49,1% in the third quarter of 2016. While this is below the national rate of 52,2%, it is nonetheless remarkably high by developing-country standards, and poses a key challenge to economic policymakers in the city.

Whilst traditional comparisons of Cape Town's unemployment trends with that of South Africa as a whole are important, it is perhaps more revealing to compare these trends to other metros that have similar labour market dynamics. Cape Town, eThekweni, Ekurhuleni, Nelson Mandela Bay and Tshwane recorded increases in both their official and expanded unemployment rates in the third quarter of 2017. Contrastingly, Johannesburg experienced decreases in both its official and expanded unemployment rates. In the third quarter of 2017, Nelson Mandela Bay had the highest strict unemployment and expanded unemployment rates (36% and 36,2%, respectively), while Cape Town had the lowest strict unemployment and expanded unemployment rates (23,2% and 25%, respectively). Notably, Table 1 indicates the vast differences between the strict and expanded unemployment rates for the six metros, with Nelson Mandela Bay recording a 0,2 percentage points difference, whereas eThekweni recorded a 7,2 percentage points difference.

Table 1: Official (strict) versus expanded (broad) unemployment rates

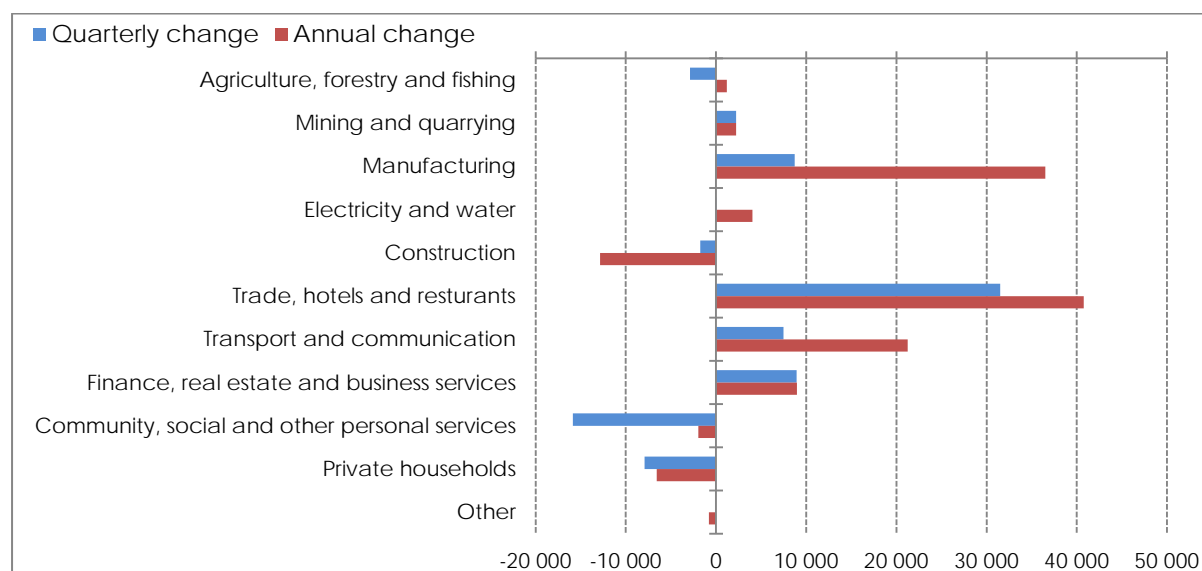
Metro	Official (strict)			Expanded (broad)		
	2017: Q3	2017: Q2	2016: Q3	2017: Q3	2017: Q2	2016: Q3
Cape Town	23,2	22,7	23,0	25,0	24,2	24,8
eThekweni	23,3	21,8	20,2	30,5	29,3	28,4
Ekurhuleni	32,2	31,2	31,7	35,0	34,4	35,5
Johannesburg	29,6	30,1	28,2	31,2	31,8	30,8
Nelson Mandela Bay	36,0	34,5	31,8	36,2	35,4	33,2
Tshwane	27,9	27,2	26,2	31,6	30,5	29,6

Source: Statistics South Africa, October 2017.

d. Sector employment trends for Cape Town

Figure 6 presents the change in the level of employment by sector within Cape Town in the third quarter of 2017. Overall, six sectors made a positive contribution to employment creation when compared to the previous quarter. The sectors that added significantly to job creation in Cape Town in the third quarter of 2017 were Trade, hotels and restaurants (31 492), Finance, real estate and business services (8 933), Manufacturing (8 733) as well as Transport and communication (7 492). Mining and quarrying added marginally to employment while Electricity and water added the least to employment. The key sectors in Cape Town that recorded the largest job losses for this quarter were Community, social and other personal services (-15 864), Private households (-7 913), Agriculture, forestry and fishing (-2 868) and Construction (-1 747).

Figure 6: Quarterly and annual change in employment per sector for Cape Town, quarter 3, 2017



Source: Statistics South Africa, October 2017.

On a year-on-year basis, the sectors performed slightly better when compared to their quarterly performance, with seven sectors displaying positive employment growth and four sectors displaying negative employment growth.

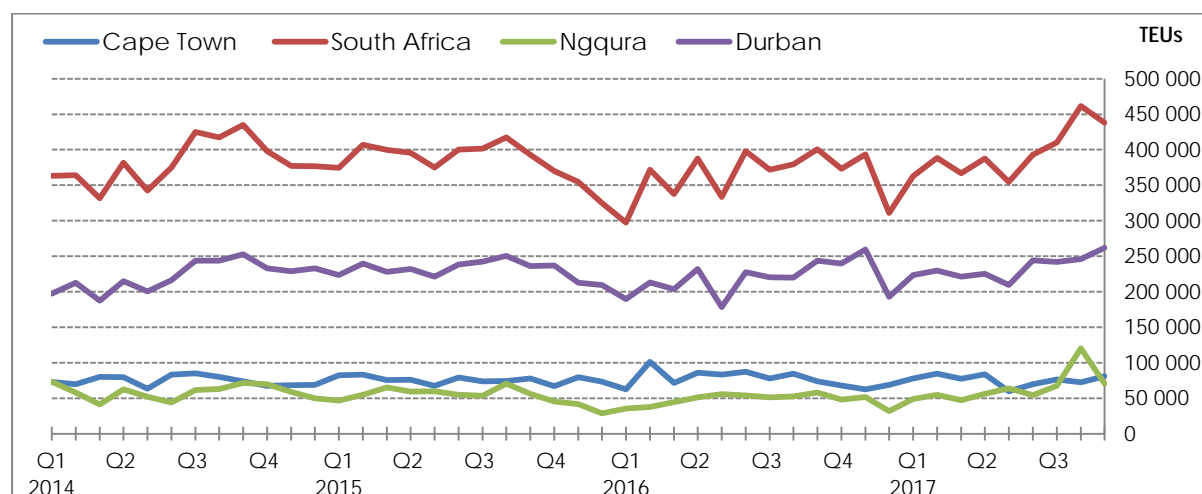
4. Infrastructure

Cape Town is often promoted as the gateway to South Africa, and to Africa more generally. This status is sustained by the city's well-developed transportation infrastructure, with Cape Town being home to South Africa's second-busiest airport as well as its' second-busiest container port. In light of the current drought which is affecting the city and the Western Cape more broadly, this chapter also includes an insert on the state and nature of water consumption in Cape Town.

a. Cape Town port movements

Container traffic is very seasonal, as Figure 7 indicates, thus it is best to compare total containers handled over the period of a year. The number of containers handled at the Port of Cape Town decreased from 236 037 in the third quarter of 2016 to 229 881 in the third quarter of 2017 – a decrease of 2,61%. In the third quarter of 2017 the Port of Durban was the largest container handling port in the country, followed by The Port of Ngqura and the Port of Cape Town. This was the first time that Ngqura has handled more containers in a quarter than Cape Town and can be attributed to an unusually high volume of container handling in August. Capacity constraints experienced at the Port of Cape Town mean that Ngqura could permanently overtake it as the country's second-largest container-handling port. That said, Transnet has approved plans for a multibillion-rand upgrade to Cape Town's container-handling facilities, which should alleviate congestion problems in the medium term.

Figure 7: Total containers handled (TEUs)², January 2014 to September 2017

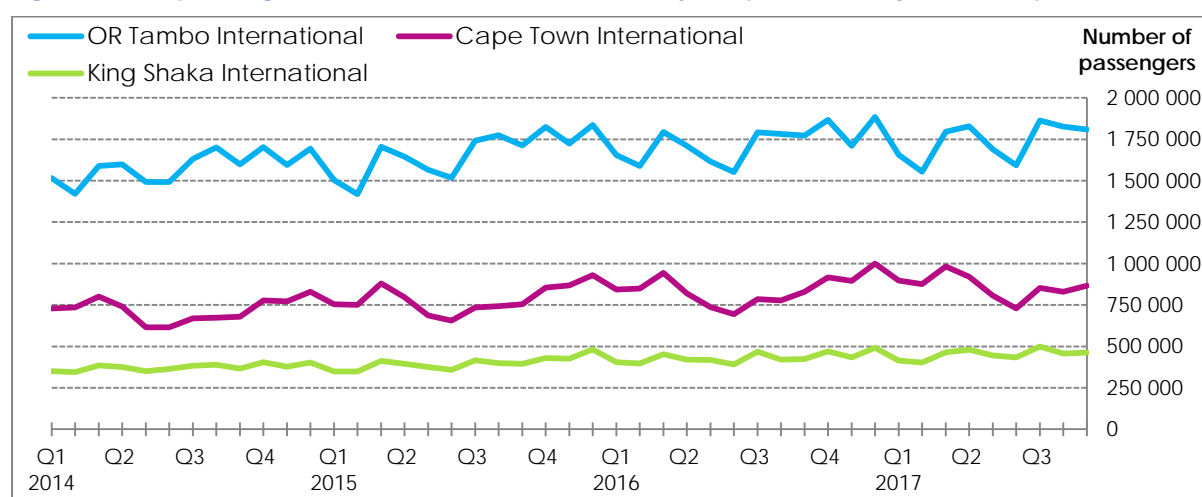


Source: Transnet National Ports Authority, November 2017.

b. Cape Town airport statistics

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,54 million total passenger movements in the third quarter of 2017 compared to 5,50 million passenger movements at OR Tambo International and 1,41 million at King Shaka International airports during the same period. Total passenger movements at Cape Town International in the third quarter of 2017 was 6,56% higher compared to the third quarter of 2016, when 2,39 million passenger movements were recorded. OR Tambo International observed a lower year-on-year growth rate in passenger movements of 2,91%.

Figure 8: Total passenger movements at South Africa's major airports, January 2014 to September 2017



Source: ACSA, November 2017.

Figure 8 indicates the pronounced degree of seasonality in Cape Town's air passenger movements, with these consistently declining in the second quarter when the city enters its

² A TEU (20-foot equivalent) is an inexact unit of cargo capacity, based on the volume of a 20-foot long (6,1m) container. There is a lack of standardisation with regard to height, ranging between 4 feet 3 inches (1,30m) and 9 feet 6 inches (2,90m), with the most common height being 8 feet 6 inches (2,59m). The 40-foot (12,2m) or 45-foot (13,7m) containers – the sizes most frequently used – are both defined as two TEU.

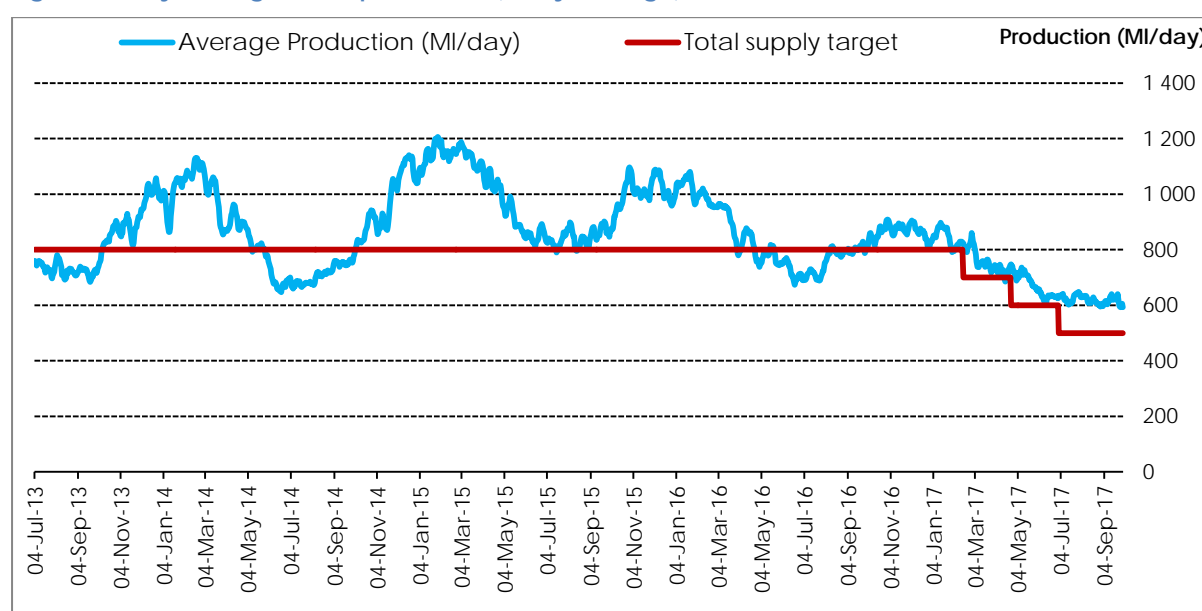
winter months. In contrast, OR Tambo International shows a more erratic distribution with a less-defined seasonal trend. This reflects Cape Town's standing as a popular tourist destination, subject to seasonal demand, and Johannesburg's standing as the country's foremost business destination, thereby subject to the more variable nature of business trends.

5. Water

Cape Town is currently experiencing its worst drought in recorded history. With dam levels very low, the City is pursuing a range of augmentation options for alternative water supply, including seawater desalination, wastewater reuse and groundwater extraction.

The City has implemented a range of water restrictions and tariff changes to induce a reduction in water demand in line with a total water supply target of a maximum of 500 million litres (ML) per day. As Figure 9 shows, water production³ in the City has been on the decline over the past year relative to its historical trend, but is still above this target.

Figure 9: Daily average water production (7 day average)



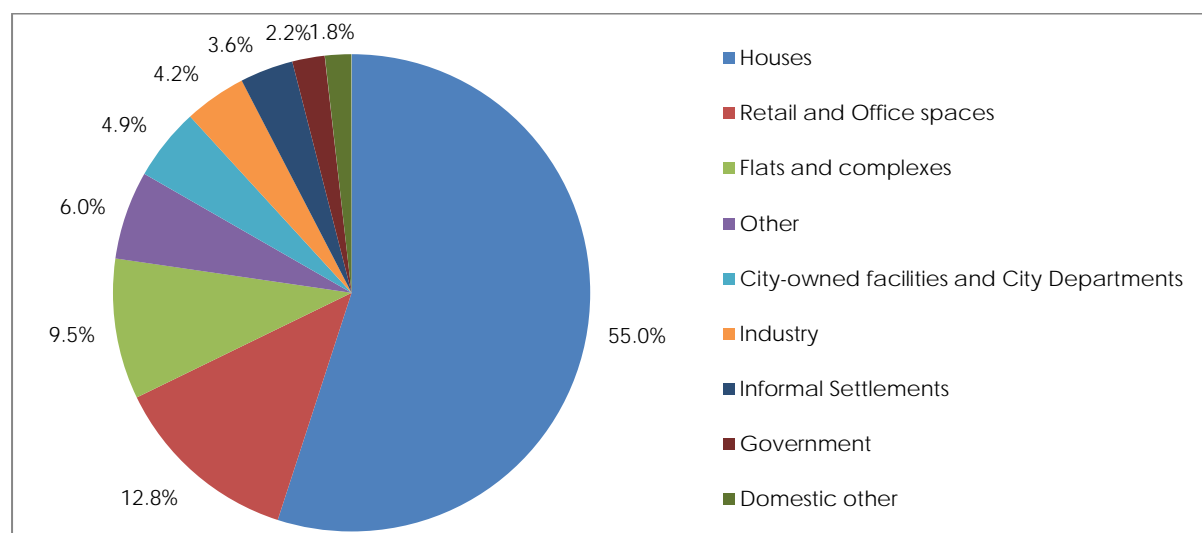
Source: City of Cape Town: Department of Water & Sanitation, 2017

Drinking water consumption in 2016/17, as illustrated in Figure 10, was largely dominated by domestic⁴ and commercial (Retail and Office spaces) categories, which respectively accounted for approximately 70% and 13% of total water consumption. This was followed by Other customer types (6%), City-owned facilities and City Departments (4,9%), Industry (4,2%) and Government (2,2%).

³ Readers are cautioned to not interpret this water production indicator as synonymous with water consumption in Cape Town, as it includes losses (for example, due to leaks), as well as treated water provided to external customers like neighbouring municipalities.

⁴ Which comprises the following categories: Houses (55%), Flats and complexes (9,5%), Informal Settlements (3,6%) and Domestic other (1,8%).

Figure 10: Drinking water consumption by use category (2016/2017)



Source: City of Cape Town: Department of Water & Sanitation, 2017

6. Tourism

Cape Town is a well-known tourist destination, both locally and internationally, and the tourism sector is a valuable economic contributor. The occupancy and revenue figures presented in Table 2 are derived from a monthly survey of an average of 73 tourism accommodation establishments in the Cape Town metro area. Occupancy rates at city accommodation establishments decreased by an average of 1,6 percentage points in the third quarter of 2017 compared to the same period in 2016. The month of September recorded the highest occupancy rate (69,8%) in the third quarter of 2017, with a slight year-on-year decrease of 0,5 percentage points. The average room rate increased year-on-year in the third quarter of 2017 by R119. Similarly, the revenue per room increased by R49 during this period. Overall, tourist accommodation in Cape Town, on average, performed marginally weaker than the corresponding period last year. In terms of an occupancy breakdown by type of establishment, the highest occupancy rate in the third quarter of 2017 was achieved by self-catering establishments (62%).

Table 2: Income derived from tourist accommodation, Quarter 3, 2016 versus Quarter 3, 2017

Indicator	July		August		September		Third-quarter average	
	2016	2017	2016	2017	2016	2017	2016	2017
Occupancy rate	50,3%	49,6%	63,9%	59,4%	69,3%	69,8%	61,2%	59,6%
Average room rate	R1,319	R1,467	R1,372	R1,468	R1,445	R1,557	R1,379	R1,497
Revenue per room	R664	R728	R876	R872	R1,001	R1,087	R847	R896

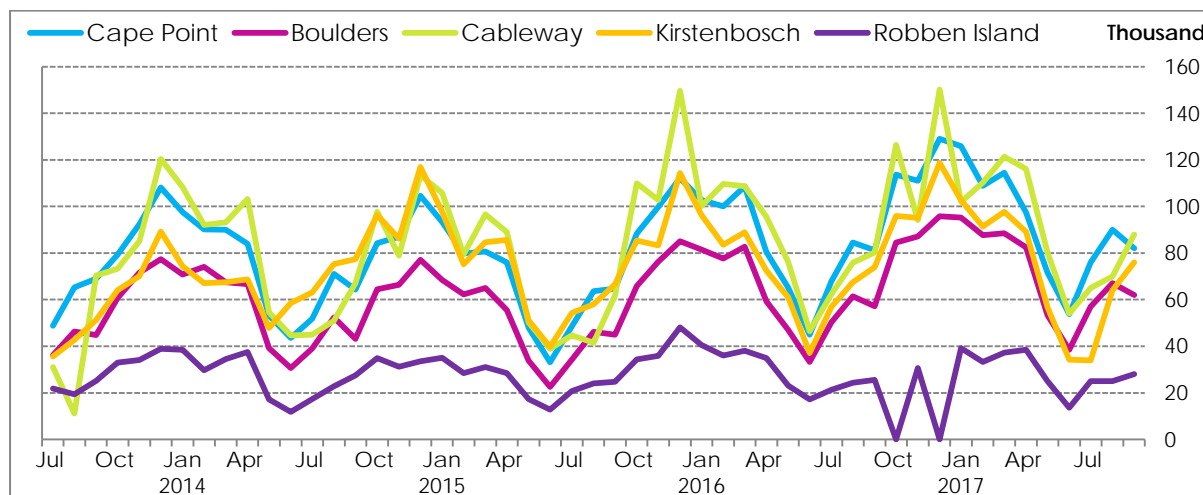
Source: Derived from Cape Town Tourism data, November 2017.

On a year-on-year basis only two of the five major Cape Town tourist attractions⁵ recorded increases in the number of visits, namely Table Mountain National Park: Cape of Good Hope

⁵ Due to its substantially higher share of tourist visits, the Victoria and Alfred (V & A) Waterfront is not included amongst the tourist attractions listed. It is however a major tourist attraction in the city.

observing the largest increase (46,71%) with visit numbers increasing by 78 922, and Robben Island (8,66%) with visit numbers increasing by 6 173. Table Mountain Aerial Cableway (-4,4%), Kirstenbosch National Botanical Gardens (-20%) and Boulders Beach (-6,2%) recorded declining year-on-year visits for the third quarter of 2017.

Figure 11: Total visits to the top 5 tourist destinations of Cape Town⁶, quarter 3, 2013 to quarter 3, 2017



Source: Derived from Wesgro and Cape Town Tourism data, November 2017.

Figure 11, illustrates that Cape Town's attractions are subject to strong seasonality, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are seen during the period May to July, which are Cape Town's winter months. Despite the mixed performance across the individual attractions, visits to Cape Town's five major attractions in total grew by 2,11% in the third quarter of 2017 compared to the same period last year.

7. Additional Indicators

In addition to macroeconomic indicators, administrative data capture specific consumer trends and provide strong indications of the performance of the local economy. In particular, building plan statistics and property development are key indicators of the levels of confidence in the economy, while passenger vehicle sales mirror trends in the business cycle and are regarded as a leading indicator of GDP growth.

a. Building developments

The economic growth data for the third quarter of 2017 highlights that output in the national construction industry contracted by 1,1%, its third consecutive contraction. On a year-on-year basis the sector contracted by 0,4% in the third quarter of 2017 as compared to its (revised) year-on-year growth of 0,01% in the second quarter of 2017 (Quantec, 2017). The Western Cape's construction industry also contracted by 1,1% quarter-on-quarter in the third quarter of 2017, and by 0,4% on a year-on-year basis, putting it on par with the national trend. Furthermore, the First National Bank(FNB)/BER composite Building Confidence Index⁷

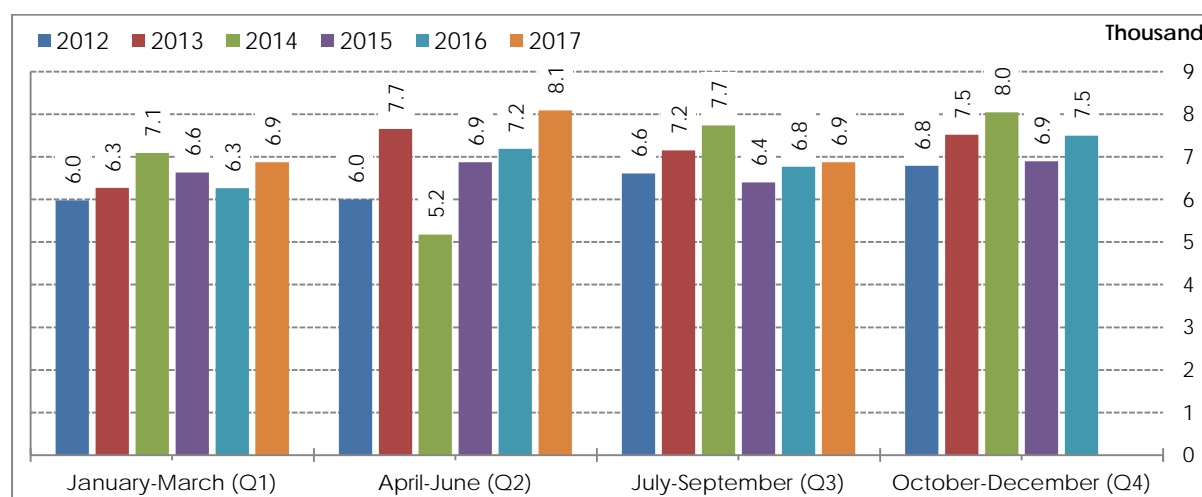
⁶ Excludes the V&A Waterfront.

⁷ The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with or wary of the prevailing business conditions.

for the third quarter of 2017 remained below 50 points, albeit slightly improving from 32 to 35 index points, mirroring the subdued performance of the construction sector.

Building plans submitted to the City of Cape Town (City) in the third quarter of 2017 decreased by 15% from the previous quarter. Figure 12 provides an annual comparison of the number of building plans submitted in each of the quarters over the past six years, thereby controlling for seasonal trends in the building and construction industry. Building plans submitted to the City in the third quarter of 2017 increased by 1,6% compared to the corresponding period in 2016.

Figure 12: Building plans submitted to the CCT, 2012-2017



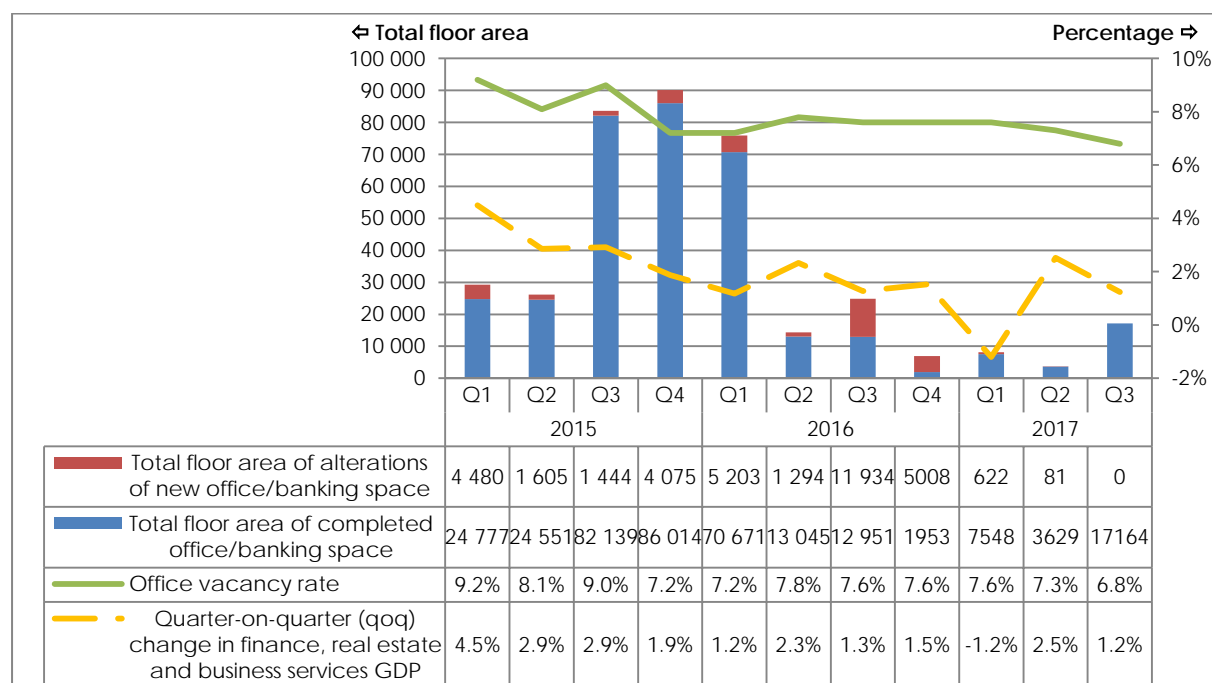
Source: Transport Development Authority: Business Support Department, CCT, December 2017.

b. Commercial property developments

The performance of the commercial property market can be tracked in a number of ways. An indicative trend analysis is provided in figure 13 by review of the observed variation in the quarterly office vacancy rate, the total floor area of completed office buildings added to the office property stock, the total floor area of completed office building alterations and the quarter-on-quarter percentage change in provincial GVA for the finance and business services sector. The service sector is the largest in Cape Town and as such this indicator is a useful measure of economic activity.

In the third quarter of 2017, construction of 17 164 m² of new office or banking space was reported to have been completed and no office or banking space alterations were completed. In terms of new office or banking space completed, this represents an increase in completions when compared to the second quarter of 2017 in which construction of 3 629m² new office or banking space was completed. In the third quarter there was a decline in office or banking space alterations relative to the second quarter of 2017 when 81m² of office or banking space alterations were completed. While there was a quarter-on-quarter decline in alterations and an incline in new completions, the Jones Lang LaSalle (JLL) Cape Town Office Market Report notes that the office market has continued to display resilience in the third quarter of 2017.

Figure 13: Office/banking space sector developments, January 2015 to September 2017



Source: Transport Development Authority: Business Support Department, CCT; Jones Lang LaSelle, November 2017; and Quantec, December 2017.

As Figure 13 shows, Cape Town's office vacancy rate in the third quarter of 2017 decreased by 0,5 percentage points to a rate of 6,8% (JLL, 2017). The finance and business services sector in the Western Cape reported a decline in GVA growth from 2,5% in the second quarter to 1,2% in the third quarter. According to the South African Property Owners Association (2017), a sustained improvement in the office vacancy rate (i.e. return to the natural vacancy rate), depends on the strength of key economic drivers such as economic growth and business confidence.

c. New vehicle sales

Total vehicle sales in the Western Cape increased from 14 625 vehicles sold in the second quarter of 2017 to 16 112 in the third quarter of 2017. Year-on-year results, which offer a more precise reflection of vehicle sales' performance over time, saw an increase of 891 from the 15 221 total vehicle sales in the corresponding period in 2016 in the Western Cape. Passenger vehicle sales, which are the private consumer segment of the market, increased from 9 415 in the second quarter of 2017 to 10 646 in the third quarter of 2017 in the Western Cape. Year-on-year results saw an increase of 744 vehicles (7,15%) from the 9 415 passenger vehicles sold in the corresponding period in 2016. Nationally there was a 6,38% increase in the number of passenger vehicles sold in the third quarter of 2017 compared to the corresponding period in 2016 (NAAMSA, 2017).

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Abbreviations

- ACSA: Airports Company South Africa
- BER: Bureau for Economic Research
- CCT/City: City of Cape Town
- CPI: consumer price index
- FNB: First National Bank
- GDP: gross domestic product
- GDP-R: regional gross domestic product
- GGP: gross geographic product
- GVA: gross value added
- HDI: Human Development Index
- MI: million litres
- MPC: Monetary Policy Committee
- NAAMSA: National Association of Automobile Manufacturers of South Africa
- PPI: producer price index
- SARB: South African Reserve Bank
- V&A: Victoria and Alfred