CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

INVEST CAPE TOWN
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EPIC

Economic Performance Indicators for Cape Town

Quarter 4 (October – December) **2016**

SECTOR FOCUS: FOOD AND BEVERAGE MANUFACTURING

Making progress possible. Together.

Document navigation shortcuts

- Entries on the Contents pages link to the relevant page.
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- The document title in the footer of each page links to the first Contents page.

This document is available from the City of Cape Town's Department of Trade and Investment website at:
http://www.capetown.gov.za/work%20and%20business/doing-business-in-the-city/business-support-and-guidance/economic-resources-and-publications

Foreword

As the popular saying goes: 'If America sneezes, the world catches a cold.' It is intended to emphasise the influence of the United States on the global economy but also the intense interconnectedness thereof. Indeed, we have seen in the recent past how developments in the United States, as well as Europe and China, have impacted our country. But if that metaphor can be used in relation to how a foreign economy can affect other national economies, how much more apt is it in describing how the anaemic performance of a national economy can affect the cities within that country? 'If South Africa's economy sneezes, our city economies catch a cold.'

Developments at a national level fundamentally affect the ability of Cape Town's economy to produce efficiently and create jobs sustainably. Our country's economic performance has been in the doldrums for the last two years and while Cape Town's economy has largely outperformed the South African economy during this period, including in the most recent quarter, it is still stubbornly tied to the temperamental swings of the nation's economy.

Recent developments that have led to sovereign credit rating downgrades make our job of trying to set a new growth trajectory for the City just that little bit harder. The rand is expected to weaken, hurting our consumers and driving up inflation, and interest rates are anticipated to rise, thus dampening already constrained spending levels.

Yet there are opportunities to steer a different course and to provide an alternative story. As a city administration, we are determined to continue building an enabling environment for economic growth and job creation. Our ambitious Organisational Development and Transformation Plan has established the new strategic priorities for the next five years. These include positioning Cape Town as a forward-looking, globally competitive business city; dense and transit-orientated growth and development; an efficient, integrated public transport system; leveraging technology for progress, and resource efficiency and security. Each of these priorities is supported by numerous programmes and initiatives designed to make Cape Town an attractive destination to visit and in which to live, work, play and invest.

One factor in our favour is that the City of Cape Town retains a high credit rating from Moody's. Our good budgetary performance, strong liquidity position and moderate debt levels have previously been mentioned by Moody's as reason for the City's rating. This is in strong contrast to the sub-investment grade status of our national government.

The food and beverage manufacturing industry in the city, a focus of this edition of the Economic Performance Indicators for Cape Town (EPIC), is well placed to exploit the export opportunities that can be gained by a weak exchange rate. The industry has grown exports well over the past five years, and has seen the fastest employment growth of all our manufacturing industries. With a much-improved growth forecast for the sub-Saharan Africa region in 2017, there is substantial scope for our food and beverage manufacturers to tap into the increasing demand for diversified, value-added food and beverage products.

If the city can harness the opportunities presented to our dynamic export industries, including tourism which recently reported a record number of visitors, we can write a different story – one that does not simply read off the national script but tells of an inclusive and growing city economy.

As usual, EPIC provides City officials and stakeholders with up-to-date economic information and analysis on the state of the Cape Town economy. I encourage you to engage with its contents as the basis for critical conversations on our city's economic future.

P. de Lille

Patricia de Lille
Executive Mayor

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INVEST CAPE TOWN
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Over the next five years the City of Cape Town has set as one of its strategic priorities the positioning of Cape Town as a forward-looking, globally competitive business city. In November 2016, the **Invest Cape Town** initiative was launched. It was the start of a process to develop a business brand narrative that emphasises the unique characteristics of the city-region. It concerns itself with crafting an authentic narrative about what Cape Town stands for as an investment destination, building on the compelling success stories and competitive advantages of the destination.

The essence of the narrative is that Cape Town is a functional African hub where ideas come to life through the energy and ambition of its people. Cape Town plays an important role in enabling growth across the continent by linking businesses to new insights, opportunities and unconventional solutions. It is a switched-on, in-tune and globally connected city with a business ecosystem driven by innovation and creativity. It is Africa's ideas centre.

The narrative will be further developed in 2017. For information visit www.investcapetown.com

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Introduction

This is the 15th 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 fourth quarter of 2016, covering the period 1 October to 31 December 2016.

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 annually. 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.

Aim of publication, and key principles

The **principal aim** is for the publication to become a credible source of relevant and up-to-date economic information for the City, as well as to provide councillors and officials with critical inputs for their decision-making processes. More specifically, the publication:

- aims to synthesise various sources of quarterly economic data currently available within the City into a single printed publication;
- will present the latest statistics and data as well as analysis of key economic trends; and
- will act as a measure of the economy's performance by tracking data over time and at regular intervals.

In order for the publication to promote a greater understanding of the latest trends in Cape Town's economy by a multiplicity of stakeholders within the city, three key principles were followed. They can be summed up by the acronym 'AIR':

1. **A**ccessible: Making the publication accessible and understandable to a wide range of stakeholders from various disciplines and backgrounds
2. **I**nsightful: Presenting economic intelligence and analysis rather than bland, raw economic information
3. **R**elevant: Focusing on localised (Cape Town-specific, wherever possible) economic performance trends measured by the latest quarter

Acknowledgements

The *EPIC* quarterly publication is a collaborative product of the Organisational Policy and Planning Department of the City of Cape Town, together with Wesgro. The publication is authored, consolidated and edited by the Economic Research Unit within the City's Research Branch, Department of Organisational Policy and Planning.

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A multiplicity of other data and information sources were used in the publication, including Statistics South Africa, the Reserve Bank, Quantec, IHS Global Insight and the International Monetary Fund. These, along with other sources, are reflected in the list of references at the end.

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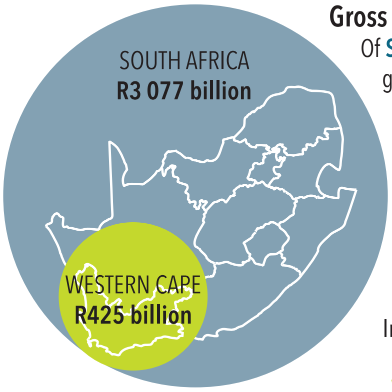
wesgro
cape town & western cape
tourism, trade & investment

CAPE TOWN AT A GLANCE



Gross domestic product (GDP)

Of South Africa's R3 077 536 million gross domestic product generated in the fourth quarter of 2016, the Western Cape[1] accounted for R425 898 million.

13,84%

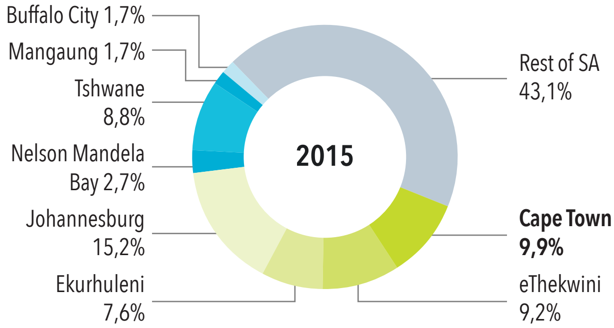
Source: Quantec, March 2017.

GDP per capita

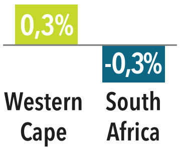
In 2015, South Africa had a GDP per capita of R55 651, while the Western Cape value was R67 146 and Cape Town's rate was R74 283.

Source: IHS Global Insight, March 2017.

Gross geographic product (GGP) contributions



Source: Own calculations based on IHS Global Insight ReX regional data 2017.

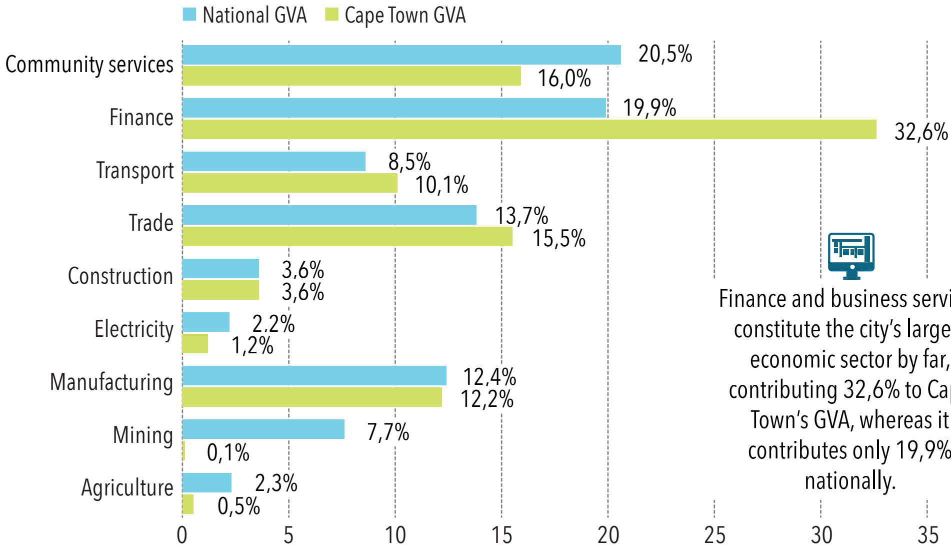


GDP growth

During the fourth quarter of 2016, the Western Cape had a quarter-on-quarter GDP growth of -0,2%, against a national growth of 0,2%.

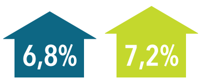
Source: Quantec, March 2017.

Cape Town's gross value added (GVA) versus national GVA 2015



Finance and business services constitute the city's largest economic sector by far, contributing 32,6% to Cape Town's GVA, whereas it contributes only 19,9% nationally.

Source: Own calculations based on IHS Global Insight ReX regional data 2016.



Inflation

At the end of the fourth quarter of 2016, the Western Cape had a higher rate of inflation – 7,2% – than the rest of South Africa at 6,8%.

Source: Stats SA, Consumer Price Index December 2016.

Passenger vehicle sales

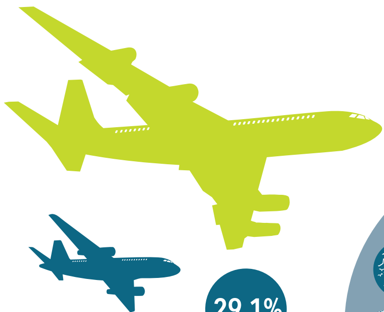
Of the 87 190 new passenger vehicles sold in South Africa during the fourth quarter of 2016, 10 161 were sold in the Western Cape.

Source: NAAMSA, February 2017.

Air passenger movements

Of the 9 669 911 passenger movements through South Africa's three international airports during the fourth quarter of 2016, 2 811 026 were through Cape Town International Airport.

Source: ACSA, February 2017.



29,1%

Visitor attractions

In the fourth quarter of 2016, tourists and residents made 8 587 895 visits to Cape Town's six major attractions[2].

Source: Wesgro, February 2017.

Cargo tonnage handled at ports

During the fourth quarter of 2016, 58 980 197 tons of cargo were handled at South Africa's ports, of which the Port of Cape Town handled 1 003 409 tons.

Source: Transnet, National Ports Authority, February 2017.

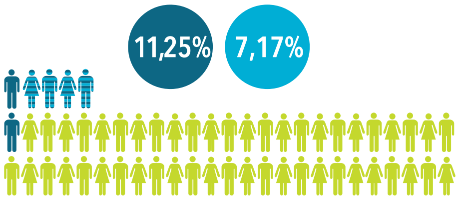
Containers handled at ports

During the fourth quarter of 2016, 1 077 646 containers were handled at South Africa's ports, of which the Port of Cape Town handled 199 052.

Source: Transnet, National Ports Authority, February 2017.

18,5%

1. GDP figures are not available for Cape Town on a quarterly basis so Western Cape figures are used as a proxy.
2. Excluding the Victoria & Alfred Waterfront.



Population

South Africa has 55 908 865 people[3]: 6 293 200 live in the Western Cape and, of those, 4 012 441 are resident in Cape Town.
Source: Stats SA, City of Cape Town.

Gini coefficient

In 2015, South Africa had a Gini coefficient[4] of 0,63, while Cape Town had a slightly lower value of 0,62.
Source: IHS Global Insight, March 2017.

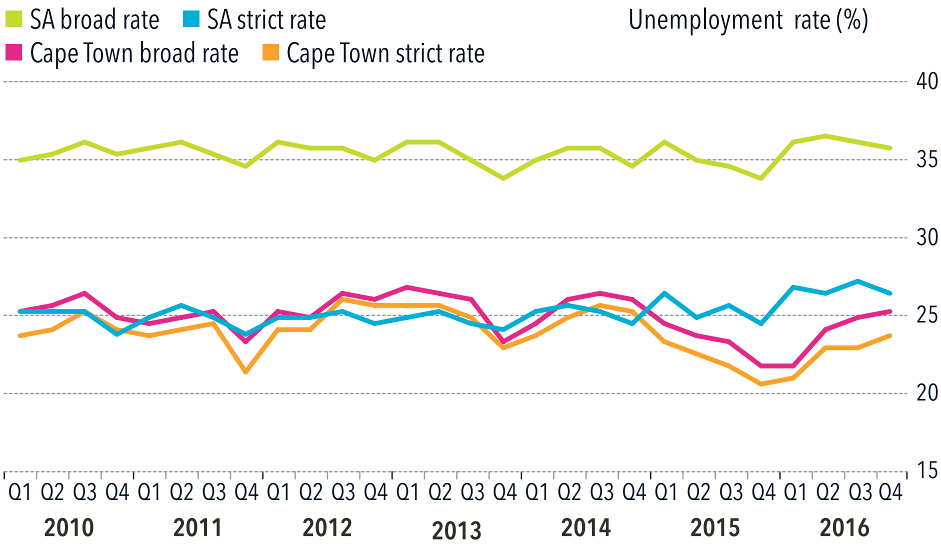
Human development index

In 2015, South Africa had an HDI[5] of 0,65, while Cape Town's was 0,75.
Source: IHS Global Insight, March 2017.

Functional literacy

South Africa has a functional literacy rate of 83%, while Cape Town has a rate of 92,3%.
Source: IHS Global Insight, March 2017.

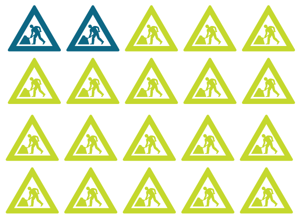
Strict vs broad unemployment rates for Cape Town (Q1, 2010 to Q4, 2016)



Source: Stats SA, November 2017.

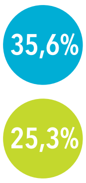
Working-age population

Of the 36 904 749 people aged 15–64 in South Africa, 2 814 274 are resident in Cape Town.
Source: Stats SA, Quarterly Labour Force Survey (QLFS), February 2017.



Expanded labour force

Of South Africa's 24 968 529 labour force participants, 1 984 431 live in Cape Town.
Source: Stats SA, QLFS, February 2017.



Expanded unemployment

Of the 8 899 918 unemployed people in South Africa during the fourth quarter of 2016, 502 245 live in Cape Town.
Source: Stats SA, QLFS, February 2017.

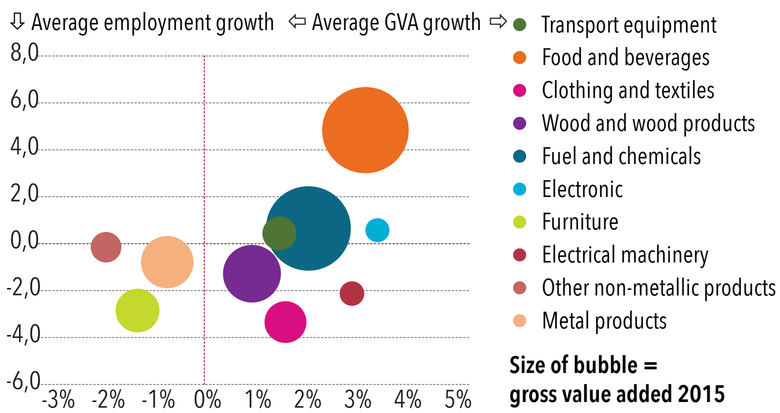
Labour absorption rate

South Africa had a 43,5% absorption rate – the percentage of the working-age population in employment – in the fourth quarter of 2016, while Cape Town had a rate of 52,7%.
Source: Stats SA, QLFS, February 2017.

SECTOR FOCUS – FOOD AND BEVERAGE MANUFACTURING

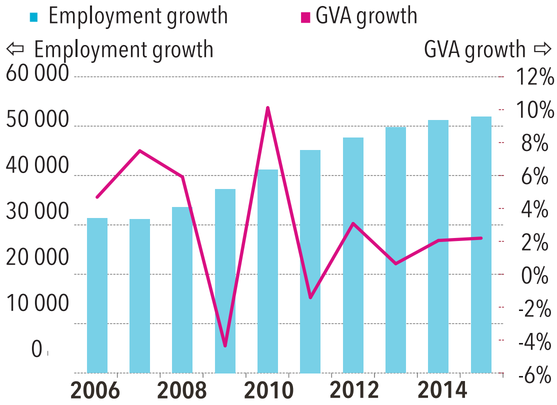
Cape Town is an established hub for food and beverage manufacturing, boasting some of the country's largest companies in the sector. The city's proximity to a productive agricultural hinterland, its large international port, and a relatively strong skills base, makes it a very competitive location.

Comparative performance of Cape Town's manufacturing industries



Source: IHS Global Insight, 2017.

Food and beverage industry employment and GVA growth



Source: IHS Global Insight, 2017.

3. Mid-year estimates, 2016.
4. The Gini coefficient measures inequality in levels of income. Lower values represent greater equality. Values are for 2015.
5. The human development index (HDI) is a composite statistic of life expectancy, education and income indices. Higher values are better. Values are for 2015.

1

Overview

Cape Town's economy is the second-largest municipal economy in the country and the second-most-important contributor to national employment. The industries in which Cape Town has the most pronounced comparative advantage as compared to the country as a whole are fishing, textiles and clothing, real estate, food and beverage manufacture, finance and insurance, other business activities, wood-product manufacturing, post and telecommunications and air transport activities.

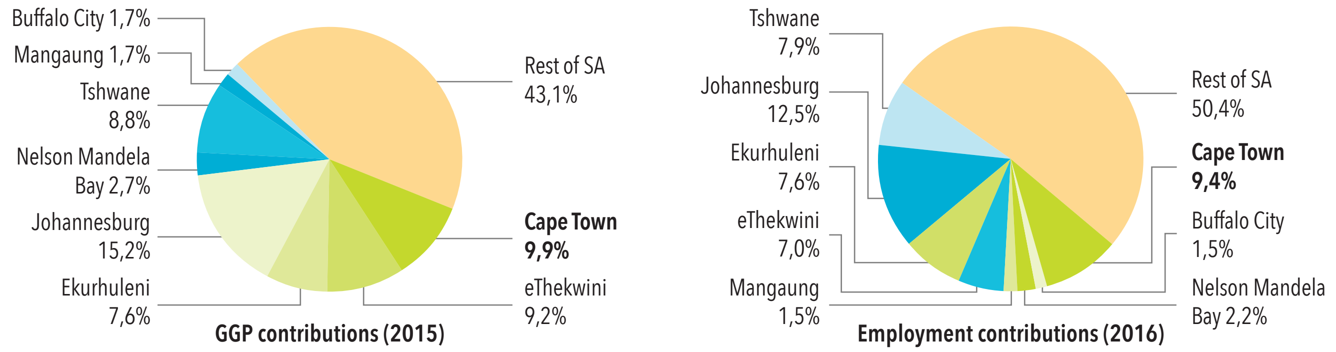
CAPE TOWN'S ECONOMY IN CONTEXT

Cape Town's economy is the second-largest municipal economy in the country.

As measured by gross geographic product (GGP), Cape Town's economy (contributing 9,9% to national gross domestic product in 2015) is the second-largest municipal economy in the country. The City of Johannesburg has the largest economy (contributing 15,2% to national GDP in 2015), while eThekwini (9,3%) and Tshwane (8,7%) closely follow behind Cape Town. Together, these four metropolitan municipalities accounted for 43,1% of the country's economic output in 2015.

Metropolitan areas are also major employers in the national economy, although they tend to be less labour-intensive than non-metro areas, where activities such as agriculture dominate employment. While the four largest municipalities contributed 43,2% of the country's output value in 2015, they accounted for only 35,1% of the country's total employed population. Cape Town is the second-most-important contributor to national employment.

Figure 1: Gross geographic product (GGP) contributions and employment contributions, 2015/2016

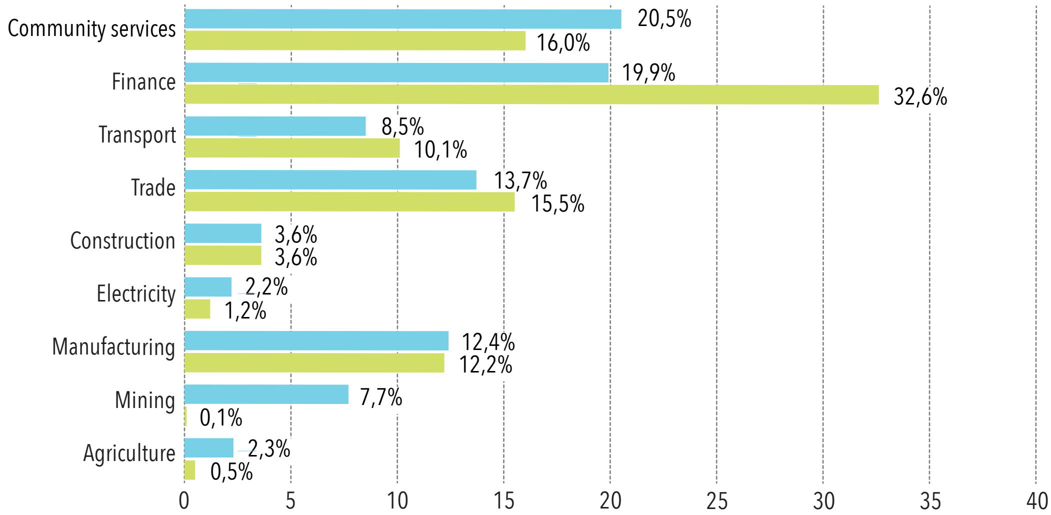


Source: Own calculations based on IHS Global Insight ReX data 2017, and Statistics South Africa's QLFS data 2017.

THE STRUCTURE OF CAPE TOWN'S ECONOMY

Figure 2 compares the sectoral distribution of gross value added (GVA) for Cape Town's economy to that of the national economy. The distribution differs from the national economy predominantly in terms of the smaller relative size of the primary sector (agriculture and mining) and the greater relative size of the tertiary sector (particularly finance and insurance). Finance and business services constitute the city's largest economic sector by far, contributing 32,6% to Cape Town's GVA, whereas it contributes only 19,9% nationally. At the other end of the scale, mining and quarrying contribute only 0,1% in Cape Town, as compared to 7,7% nationally.

Figure 2: Cape Town's GVA versus national GVA, 2015



Source: Own calculations based on IHS Global Insight ReX regional data, 2016.

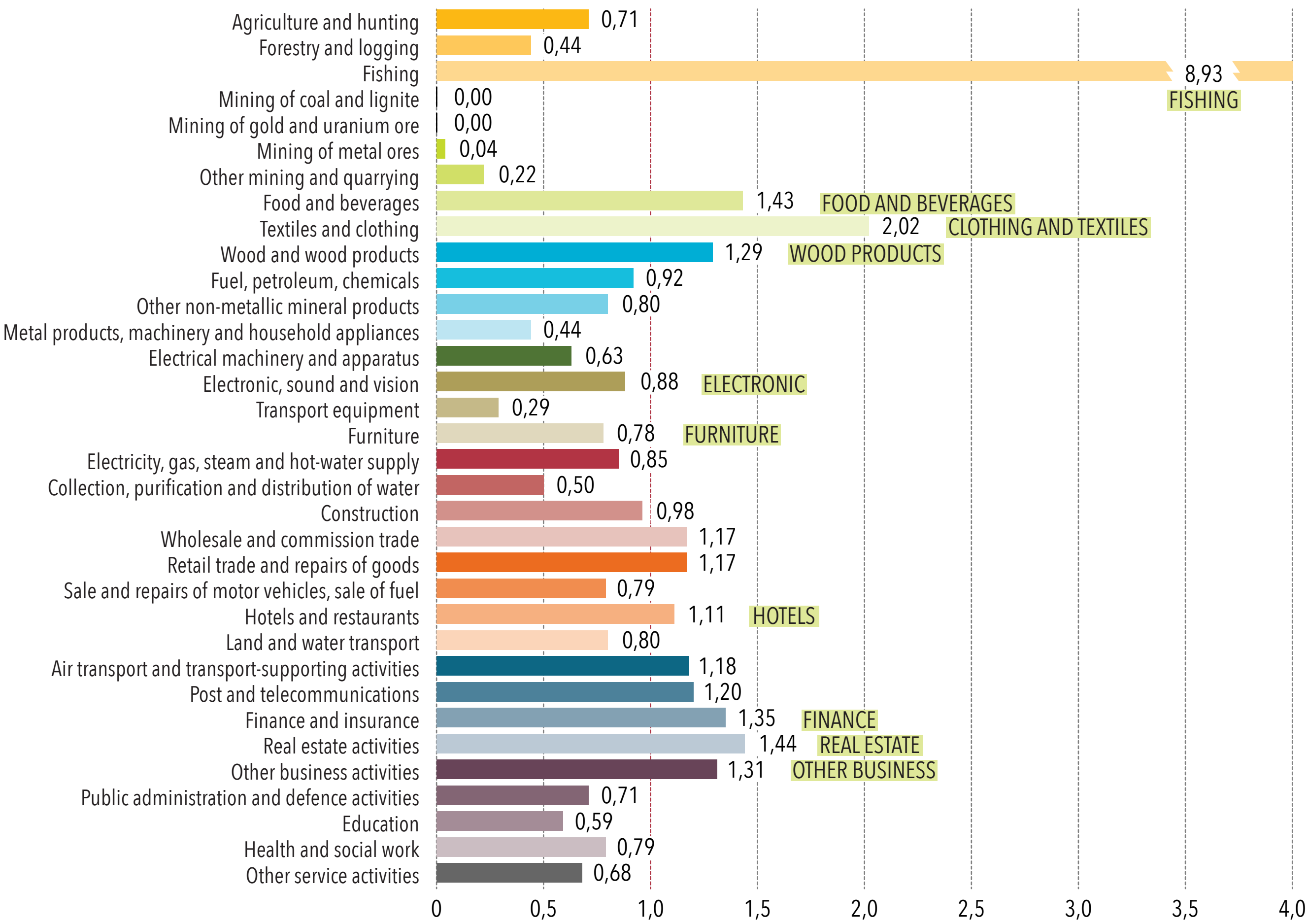
Finance and business services constitute the city's largest economic sector by far, contributing 32,6% to Cape Town's GVA.

CAPE TOWN'S COMPARATIVE ADVANTAGES

While the previous analysis shows the degree to which Cape Town's economy is structured differently to the national economy, it is not specific in terms of where the city's comparative advantages lie. Using a location quotient analysis, figure 3 provides an indication of Cape Town's comparative advantages as compared to the rest of the metros. A location quotient value of greater than one indicates that a sector has a comparative advantage.

The industries in which Cape Town has the most pronounced comparative advantage as compared to the country as a whole are fishing, textiles and clothing, real estate, food and beverage manufacture, finance and insurance, other business activities,

Figure 3: Location quotients for industries in Cape Town (compared to other metros)



Source: Own calculations based on IHS Global Insight ReX regional data, 2016.

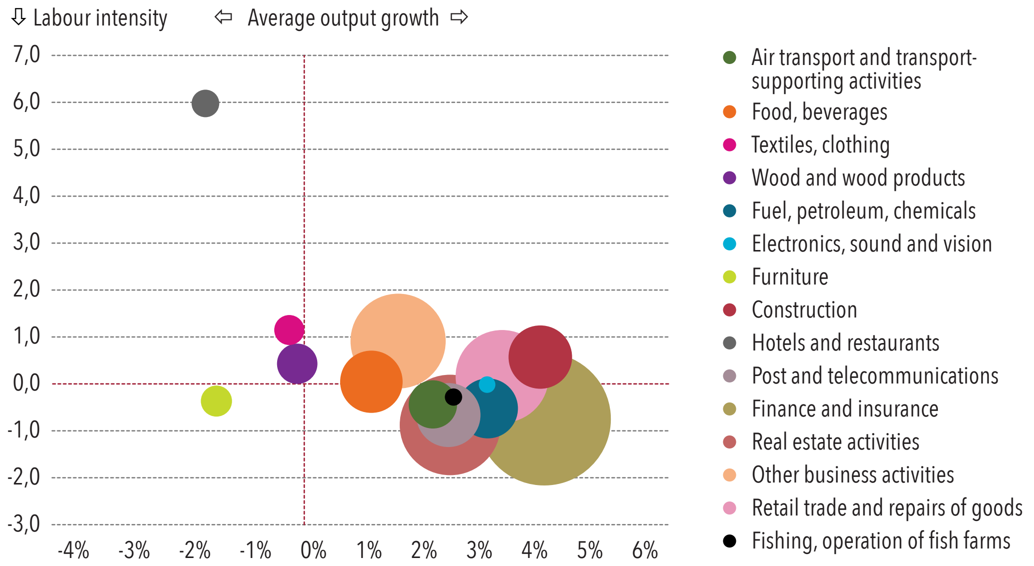
wood-product manufacturing, post and telecommunications and air transport activities. These industries contribute a greater share of the city's economic output than they do to the combined economic output of all the metros in South Africa. While this analysis provides some idea of specific industries in which Cape Town has a comparative advantage, it is a static and one-dimensional analysis that fails to take into account the dynamic nature of the city's economy and the extent to which individual industries contribute to employment creation. In this respect, figure 4 provides a more nuanced, dynamic picture of the performance of some of Cape Town's industries that have a comparative advantage.Figure 4 plots the degree of labour intensity on the vertical axis (>0 indicates that a sector is labour-intensive, while <0 indicates a capital-intensive sector). Average economic growth in the sector is plotted on the horizontal axis (>0 implies that the sector is growing at a faster-than-average rate for Cape Town's economy over a 10-year period). The size of the bubble is the relative size of the sector as measured by GVA.

Figure 4 plots the degree of labour intensity on the vertical axis (>0 indicates that a sector is labour-intensive, while <0 indicates a capital-intensive sector). Average economic growth in the sector is plotted on the horizontal axis (>0 implies that the sector is growing at a faster-than-average rate for Cape Town's economy over a 10-year period). The size of the bubble is the relative size of the sector as measured by GVA.

The importance of the tertiary sector is strongly reflected in figure 4, with the four largest bubbles being finance and insurance, real-estate activities, other business activities and retail trade. Of these industries, finance is the only industry also growing rapidly in the city, developing above the average industry growth rate for Cape Town's economy. Unfortunately, a number of Cape Town's growth industries are also below 0 on the y-axis, indicating that they are capital-intensive as opposed to labour-intensive. This is true of finance and insurance; real estate activities and post and telecommunications. The industries that are growing fast, which are labour-intensive, and therefore offer good opportunities for employment creation, are construction and other business services.

The industries that are growing fast, which are labour-intensive, and therefore offer good opportunities for employment creation, are construction and other business services.

Figure 4: Industry performance for Cape Town



Source: Own calculations based on IHS Global Insight ReX regional data, 2016.

Size of bubble = gross value added

Comparative advantages in certain industries are derived from a number of factors that improve the competitiveness of these industries, such as natural, infrastructural, institutional or locational advantages, among others.

Some of Cape Town's comparative-advantage factors are as follows:

- The second-busiest container port in South Africa
- The second-busiest airport in South Africa
- Good public transport linkages in the city
- Strategic positioning on the west coast of Africa
- Servicing a vast agricultural hinterland, acting as a processing, trade and retail hub for agricultural products
- Established business culture and clustering of financial institutions
- Scenic beauty and natural sights that attract international visitors and make Cape Town globally recognisable
- Three major universities within the metro region (among these, the top university in Africa, namely the University of Cape Town) and another highly regarded university (Stellenbosch) just outside the metro boundaries

2

Global economic developments and outlook

As a mid-sized, middle-income city on the international stage, Cape Town is highly interconnected with the rest of the world and strongly affected by developments in the global economy. In a globalised world, understanding the economic performance of an open, international city requires a sound understanding of the current global economic climate.

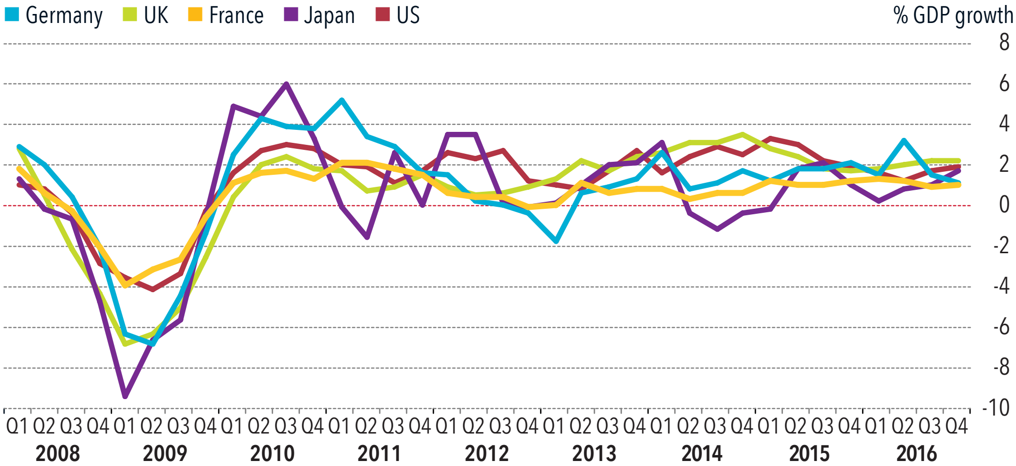
RECENT GLOBAL ECONOMIC DEVELOPMENTS

Developed economies

While year-on-year[6] GDP growth remained stable for most developed economies during the fourth quarter of 2016, Germany once again observed a decline from 1,5% in the third quarter of 2016 to 1,2% in the fourth quarter of 2016. Falling short of forecast estimates, Germany's weaker performance came on the back of lower foreign trade despite positive domestic demand. The United Kingdom (UK) remained at 2,2% growth for the second consecutive quarter, whilst the United States (US) and France observed minimal increases of 0,2 and 0,1 percentage points respectively in the fourth quarter of 2016 to growth rates of 1,9% and 1,1% respectively. Japan's continuing expansion in the fourth quarter (increasing by 0,6 percentage points), is attributed to government spending, increased exports as well as private non-residential investment.

Falling short of forecast estimates, Germany's weaker performance came on the back of lower foreign trade despite positive domestic demand.

Figure 5: Economic growth trends in developed countries (Quarter 1, 2008 to Quarter 4, 2016)



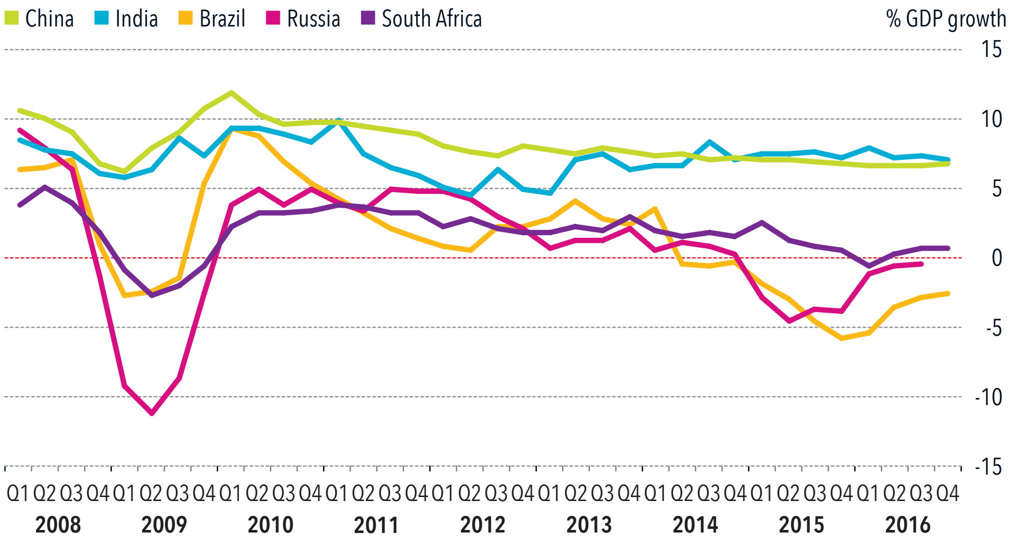
Source: Trading Economics, February 2017.

Emerging economies

Year-on-year GDP growth trends in the BRICS (Brazil, Russia[7], India, China and South Africa) economies have been diverse with high, positive growth in India and China and mild reprieve from recessionary trends in Brazil. China and India's economic growth has, on average, tended towards 7% and 8% year-on-year GDP growth since 2010. However, China's GDP growth has started steering away from 7% year on year in recent quarters. While in the fourth quarter of 2016, China's growth increased by 0,1 percentage points to 6,8%, India experienced a decline from 7,4% in the third quarter to 7,0% in the fourth quarter of 2016. The lower than expected performance of the Indian economy was impacted by an increase in imports, despite an

While in the fourth quarter of 2016, China's growth increased by 0,1 percentage points to 6,8%, India experienced a decline from 7,4% in the third quarter to 7% in the fourth quarter of 2016.

Figure 6: Economic growth trends in emerging economies (Quarter 1, 2008 to Quarter 4, 2016)



Trading Economics and Stats SA, March 2017.

6. 'Year-on-year' is used here instead of annual to reflect that the comparison is between the same quarters in two different years (Quarter 4, 2016 versus Quarter 4, 2015) as opposed to comparisons across different whole completed years (i.e. 2016 versus 2015). 'Quarter-on-quarter' refers to the comparison between the current quarter and the previous one (Quarter 4, 2016 versus Quarter 3, 2016).
7. Fourth quarter GDP data for Russia was not available for inclusion at the time of writing.

Idling India:
India experienced a decline from 7,4% in the third quarter to 7,0% in the fourth quarter of 2016.

increase in government and private spending as well as improved fixed investment levels. The case is quite different for the Brazilian economy, however, which recorded an 11th consecutive contraction mainly impacted by slowing household consumption and fixed investment levels. Despite this, Brazil's year-on-year GDP growth has improved (by 3,3 percentage points from the fourth quarter of 2015 to the fourth quarter of 2016), indicative that the economy may well be moving towards exiting its recessionary trend in the future. The South African economy observed a year-on-year growth rate of 0,7% in the fourth quarter of 2016, on par with year-on-year growth in the previous quarter. The chapter on economic growth delves deeper into the reasons for this.

Global economic outlook

According to the latest World Economic Outlook (WEO) Update (2017) published in January 2017, the IMF expected global growth for 2016 to be unchanged at 3,1% as the update preceded the year's final GDP results. This is expected to be confirmed in the next IMF release. Based on these expectations, 2017 global growth is estimated to rise to 3,4%. For the advanced economies the IMF expected growth to remain at 1,6% for 2016, whilst the outlook for 2017 was revised upward by 0,1 percentage points to 1,9%. Growth in emerging market and developing economies is expected to come in at 4,1% for 2016, and is expected to increase to 4,5% in 2017, each revised downwards by 0,1 percentage points.

Following an improvement from -0,4% growth in 2013 to 0,9% growth in 2014, the IMF reported positive growth of 2% in the Eurozone in 2015. As predicted in the IMF's October 2016 report, the forecast for 2016 growth was retained at 1,7%, with the IMF's latest report projecting that growth will slow to 1,6% in 2017 – a 0,1 percentage point improvement since the previous forecast estimates.

The IMF reported growth of 6,9% for China in 2015, and revised its projections upward for 2016 and 2017 to 6,7% and 6,5% respectively (from previous estimates of 6,6% and 6,2%) – possibly indicative of the successful rebalancing of the Chinese economy following recent policy support. However, its forecast for 2017 reflects the anticipation of a slowing Chinese economy. Despite the expectation of continued policy support, reliance thereon, coupled with rapid credit expansion and slow progress in addressing corporate debt, increases the risk of a slowdown in growth. According to the IMF (2017), while the country is experiencing lower growth rates than that of the past two decades, its economic expansion still remains notably high on a global scale.

Growth forecasts for India remain positive, with the economy expected to grow by 6,6% for 2016, a noticeable downward revision by 1 percentage point since the IMF's October forecast. This is largely attributed to the temporary negative consumption shock related to the recent currency note withdrawal and exchange initiative. The demonetisation of the 500 and 1 000 rupee notes in November 2016 resulted in large cash shortages and payment disruptions throughout the Indian economy. For 2017 however, India's economy is expected to once again pick up 7,2% growth as new currency notes continue being introduced into the economy.

Sub-Saharan Africa's economic growth projection for 2016 has been revised upwards by 0,2 percentage points to 1,6%. The relatively low growth forecast is attributable to challenging macroeconomic conditions in some of its largest economies, driven mainly by lower commodity revenues. Growth is, however, anticipated to rise to 2,8% in 2017 based on an expectation that commodity prices will recover and that policy implementation will be more timely. South Africa's economic growth forecast for 2017 predicts a modest improvement with a growth projection of 0,8%.

Sub-Saharan Africa's economic growth is anticipated to rise to 2,8% in 2017 based on an expectation that commodity prices will recover and that policy implementation will be more timely.

Overall, global output growth in 2016 is expected (once fourth quarter GDP figures are incorporated) to be driven by growth of 4,1% in emerging market and developing economies and 1,6% in advanced economies in 2016. The growth estimate for advanced economies in 2016 is the result of "stronger-than-expected pickup" including some recovery in the manufacturing sector (IMF, 2017: 2). However, the IMF notes that more clarity is expected in its next update once more detail around the impact of US policies and the implications of its change in administration emerge. In 2017, the IMF anticipates some recovery in global growth, led by growth in emerging market and developing economies. This is premised on the perception that there will be a normalisation of growth rates in countries and regions currently under stress or growing well below potential in 2016/17. It also reflects the increasing reliance of the world economy on China and India's above-global-average growth, particularly as growth in advanced economies continues to remain subdued.

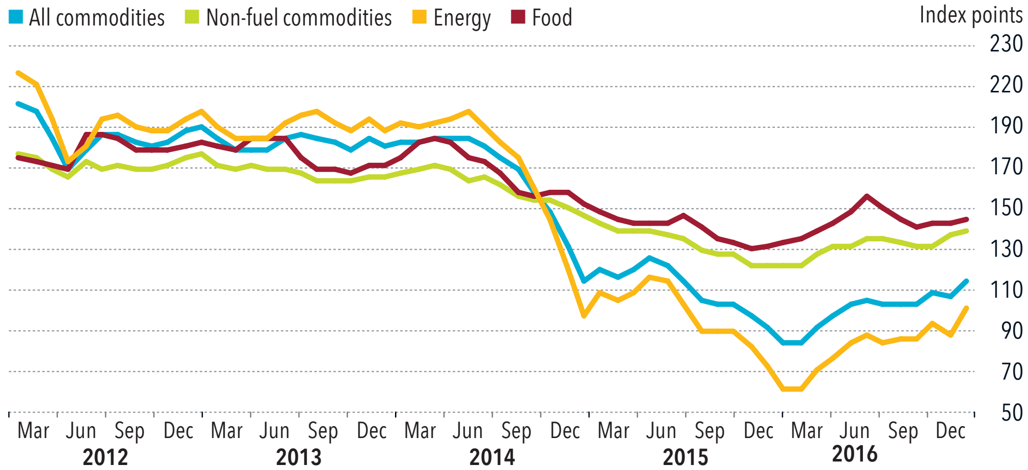
COMMODITIES

Commodity indices are important indicators for measuring the economic performance of emerging and developing economies. In developing countries such as South Africa, commodities make up a significant proportion of the country's export basket, generating valuable foreign exchange inflows.

The all-commodities index showed signs of improvement from its downward trend in 2015 for most of 2016, improving

The all-commodities index saw its first decrease since January 2016 in July 2016, and then plateaued for three months.

Figure 7: World commodity indices (March 2012 to December 2016)



Source: IMF, January 2017.

at the end of the fourth quarter. The all-commodities index saw its first decrease since January 2016 in July 2016, and then plateaued for three months. Despite another decrease in November 2016, the index increased overall from 83,22 index points in January 2016 (its lowest value since 2004) to 114,53 index points in December 2016.

A number of factors drove activity in the all-commodities index in the fourth quarter of 2016, predominant among which was an 11,4% quarter-on-quarter increase in energy prices. The non-fuel index increased by 1,8% quarter on quarter. In contrast, the food index declined by 1,4% quarter on quarter, reversing the upward trend in the first two quarters of 2016.

Crude oil prices increased at the start of the quarter, observed a decline in November and then experienced a notable uptick in December – driving the same trend observed for the energy index. On 30 November 2016, the Organization of the Petroleum Exporting Countries (OPEC) agreed to reduce crude oil output to 32,5 million barrels per day as of January 2017. The affects thereof on the energy index will become apparent in the first quarter of 2017, assuming all OPEC members comply with this agreement.

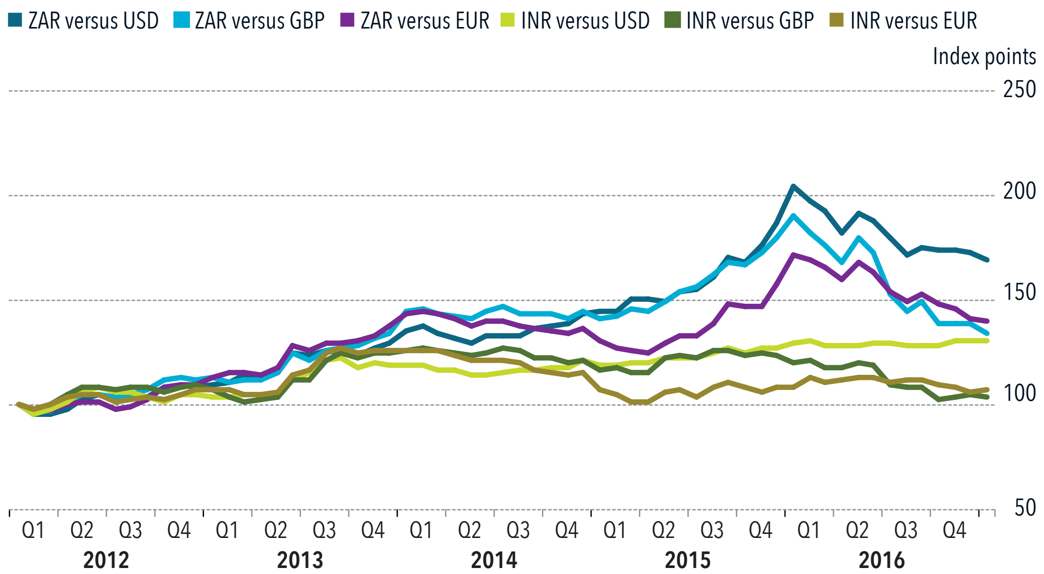
Crude oil prices increased at the start of the quarter, observed a decline in November and then experienced a notable uptick in December.

Futures markets anticipate oil prices to increase to US$54,92 a barrel in 2017 and to US$55,66 a barrel in 2018. In terms of agricultural commodity prices, the outlook remains mixed for the foreseeable year ahead. This is due to the upside risk of higher energy prices and weather variability relative to the potential downside risk of a rise in the supply of agricultural products from China, which is bringing accumulated stocks to the market in response to the elimination of price floor systems (IMF, 2017).

EXCHANGE RATES

The performance of the South African rand (ZAR) is measured by comparing the exchange rate with three other currencies, namely the US dollar (USD), the British pound (GBP) and the euro (EUR). Further, the Indian rupee (INR) is used as a proxy to measure the impact of global financial market developments on other emerging countries in respect to its rate of exchange with the US dollar, British pound and the euro[8].

Figure 8: Indexed nominal exchange rate trends (January 2012 to January 2017)



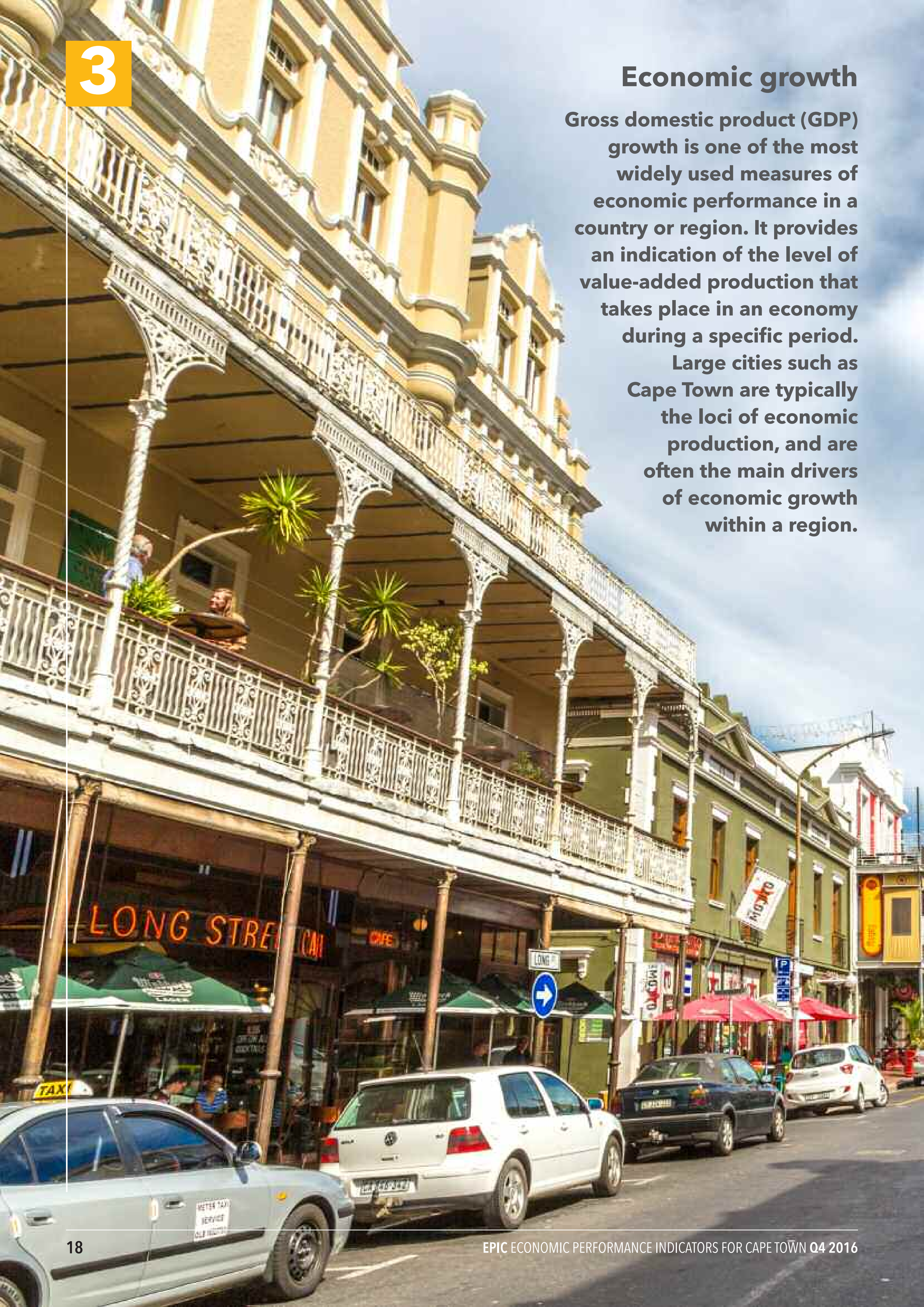
Source: South African Reserve Bank and OANDA Solutions for Business, February 2017.

For the fourth quarter of 2016 the rand, on average, continued to appreciate in value relative to the US dollar, the British pound and the euro. Domestically, economic growth in the fourth quarter was sluggish. However, this was offset somewhat by a sharp decline in maize futures prices and relatively stable oil prices (BER, 2017). The rand's exchange rate against the US dollar and euro was strongest in December 2016, and against the British pound it was at its strongest in October 2016. On the international front, the appreciation of the rand to the pound could be credited to the continued aftereffect of the United Kingdom's decision to exit the European Union (Brexit). The appreciation of the rand against the dollar slowed between September 2016 and January 2017. In December 2016, the US Federal Reserve Bank tightened its monetary policy which countered the anticipated dollar weakening effects of the US presidential election and could explain why the rand was not able to better capitalise on these developments.

The rand's exchange rate against the US dollar and euro was strongest in December 2016, and against the British pound it was at its strongest in October 2016. The appreciation of the rand to the pound could be credited to the continued aftereffect of the United Kingdom's decision to exit the European Union (Brexit).

The Indian rupee similarly displayed moderate movement against the three developed currencies. It experienced a substantial appreciation against the pound at the beginning of the fourth quarter but subsequently appreciated slightly at the end of the quarter, also likely in response to Brexit.

8. Note that all currencies were indexed to 100 in the base period (January 2012) in order to normalise them and contrast the relative trajectories these followed until the end of the period analysed (October 2016).



3

Economic growth

Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of economic production, and are often the main drivers of economic growth within a region.


LONG STREET
HOTEL
TAXI
BUITEN
TAXI

ECONOMIC GROWTH IN SOUTH AFRICA

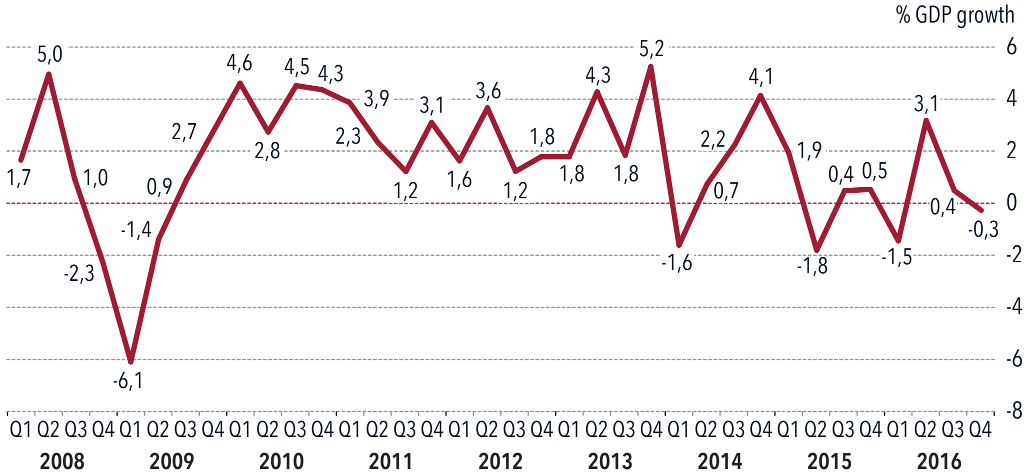
Quarter-on-quarter gross domestic product (GDP) growth rate

South Africa's fourth quarter growth figure was lower than the 0,5% anticipated by the BER and below the 0,3% growth predicted by the IMF's October 2016 World Economic Outlook report.

In 2016 the South African economy slowed to an average annual year-on-year growth of 0,3% (BER, 2017). In the fourth quarter it contracted by 0,3% quarter on quarter, a decline from its 0,4% growth in the third quarter of 2016. The fourth quarter growth figure was also lower than the 0,5% anticipated by the BER and below the 0,3% growth predicted by the IMF's October 2016 World Economic Outlook report. The economic slowdown was brought about by notable contractions in the mining (11,5%), manufacturing (3,1%) and agricultural (0,1%) sectors. Growth in all other sectors could not outweigh the contractions in these industries. The sectors which observed economic gains notably included transport (2,6%), utilities (2,4%), trade (2,1%) and finance (1,6%).

In contrast to its quarterly performance, the South African economy grew on a year-on-year basis, recording a rate of 0,4% in the fourth quarter of 2016. While growth remained positive in the fourth quarter, year-on-year growth was still 0,2 percentage points lower than in the fourth quarter of 2015.

Figure 9: Real GDP growth in South Africa (Quarter 1, 2008 to Quarter 4, 2016)



Source: Stats SA, March 2017.

Sectoral determinants of GDP growth in South Africa

The poor performance of the South African economy in the fourth quarter of 2016 was driven by a contraction in the mining, manufacturing and agriculture sectors in particular (Statistics South Africa, 2016). The primary sector declined by 9% quarter on quarter, a notable slowdown from its 3% growth in the third quarter of 2016 (BER, 2016). The mining sector observed a quarter-on-quarter growth rate of -11,5%, down markedly from its 4,2% growth in the third quarter of 2016. The manufacturing sector continued its downward trend, contracting at a rate of 3,1%, albeit slower than its contraction in the third quarter (3,3%). Although the agricultural sector continued to decline in the fourth quarter of 2016, it did so at a slower pace (-0,1%) than in the previous quarter, contracting for the eighth consecutive quarter.

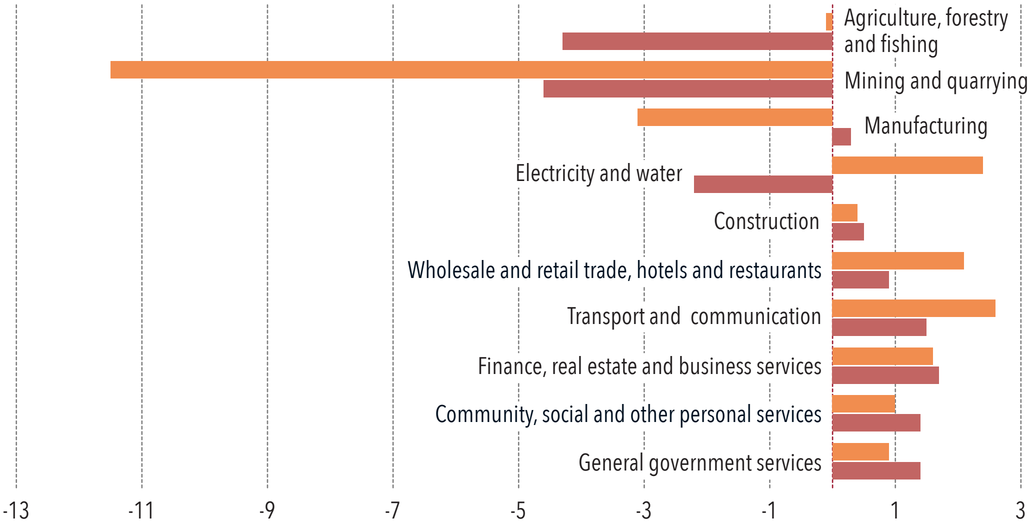
The primary sector declined by 9% quarter on quarter, a notable slowdown from its 3% growth in the third quarter of 2016.

The secondary sector's output contracted by 1,8% in the fourth quarter of 2016, resulting from a decline in manufacturing output of 3,1% quarter on quarter. Statistics South Africa reports that much of this decrease in manufacturing output was the result of declines in the food and beverages division, in the petroleum, chemical products, rubber and plastic products division, and in the motor vehicles, parts and accessories as well as other transport equipment division. In contrast to its third quarter performance, the electricity, gas and water industry grew by 2,4%. This was largely driven by an increase in electricity consumed in the fourth quarter (Statistics South Africa, 2017: 3).

The tertiary sector was the only aggregate sector to observe growth in the fourth quarter, growing by 1,6% quarter on quarter, notably up from its 0,8% growth recorded in the third quarter of 2016 (BER: 2017: 2). Statistics South Africa reported that all services-related sectors grew in the fourth quarter of 2016. For some sub-sectors this growth exceeded that observed in the third quarter, including for the trade (2,1%), transport (2,6%) and finance (1,6%) sub-sectors. However, the government (0,9%) and personal services (1%) sectors observed lower growth rates relative to the third quarter of 2016.

Figure 10 shows that the agriculture, forestry and fishing as well as mining and quarrying sectors experienced quarter-on-quarter and year-on-year contractions in the fourth quarter. This was, to some degree, mitigated by expansions in the general government, community, social and other personal services, finance, real estate and business services, wholesale and retail trade, and construction, which experienced positive year-on-year and quarter-on-quarter growth rates. The manufacturing sector experienced positive year-on-year growth but a quarter-on-quarter contraction.

Figure 10: Sectoral GDP growth rates for South Africa (Quarter 4, 2016)



Source: Stats SA, March 2017.

The agriculture, forestry and fishing as well as mining and quarrying sectors experienced quarter-on-quarter and year-on-year contractions in the fourth quarter.

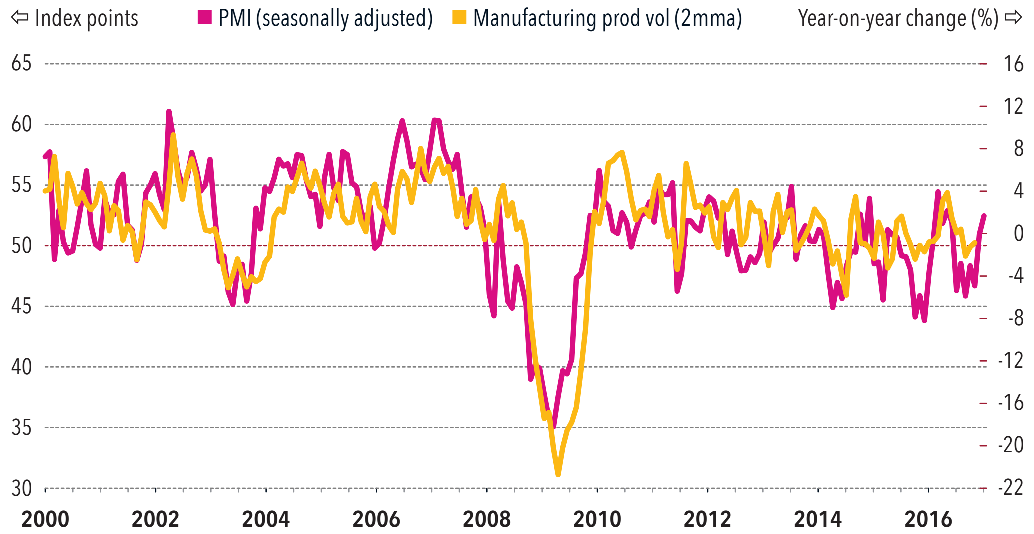
Economic growth outlook for South Africa

The tertiary sector has been the main source of growth in the South African economy since 2008, and has often counterbalanced the volatility of the mining and manufacturing sectors. However, the dampened performance of the tertiary sector over the last two years has exposed the country to the volatility of the primary and secondary sectors. Some of the factors that undermined growth in the productive sector of the economy and restrained growth in the tertiary sector in 2015 resonated in 2016, leading many analysts to predict that the South African economy is set for a rough ride in the next two years.

While the contraction in the mining sector during the fourth quarter may have been tempered by higher commodity prices, the strength of the rand could dampen this positive gain. However, the manufacturing sector may be spurred by improvements in the agricultural sector to rebound from its poor performance in the fourth quarter.

The Barclays/Absa Purchasing Managers' Index (PMI)[9] averaged a value of below the 50-point neutral mark in the fourth quarter. The index stood at 45,9 index points in October, steadily increased to 48,3 index points in November, but then decreased to 46,7 index points by December. By December 2016, the Barclays/Absa PMI index had been below the 50 index point mark for five consecutive months. The BER reports that this was a sharp divergence from the continued rise in the global PMI since the middle of 2016. This downward trend was likely driven by dampened domestic demand. The business activity index remained below the 50 index point level for the entire second half of 2016, despite a positive performance in the second quarter of 2016. The new sales orders index picked up in November 2016 to reach 50,9 index points by December

Figure 11: Purchasing Managers' Index for South Africa



Source: BER, February 2017. PMI™ and Purchasing Managers' Index™ are trademarks of Stellenbosch University.

By December 2016, the Barclays/Absa PMI index had been below the 50 index point mark for five consecutive months.

9. A PMI value of more than 50 indicates expected future growth in manufacturing, while a value of less than 50 suggests that the sector is expected to contract.

The BER anticipates moderate quarter-on-quarter economic growth of 1% during 2017, driven by expectations of a rebound in the agricultural and manufacturing sectors.

while the inventories index stayed below it at 44,8 index point by December 2016 for the second consecutive month. BER (2017) reports that output growth may expand as demand continues to outstrip inventories. Manufacturers expressed positive expectations of business conditions in six months' time. While the rand exchange rate was comparatively stronger in December, a sharp increase in Brent crude oil prices meant the purchasing price index[10] retained its 65,5 index points level.

It remains to be seen whether the South African economy can, as it did after the contraction in the first quarter of 2016, reboot and achieve positive growth in the first quarter of 2017. The BER anticipates moderate quarter-on-quarter economic growth of 1% during 2017, an improvement from its 0,3% projection for growth in 2016. This is driven by expectations of a rebound in the agricultural and manufacturing sectors. However, the BER also notes that inflation moderation, fuelled by the rand's strength, a drop in maize futures prices and stable oil prices might be tempered by the personal income tax hikes announced in the February 2017 Budget Speech.

Several domestic factors could affect consumer and investor confidence going forward. One determinant of investor confidence is the credit rating of sovereign credit rating agencies including Fitch, Moody's and Standard & Poor's. Trading Economics (2017) reports that Fitch recently revised its outlook for South Africa to negative from stable, but kept its rating unchanged at BBB-. Standard & Poor's credit rating for the country currently also stands at BBB- with a negative outlook, while Moody's rating is Baa2 with a negative outlook. Ratings agencies have accredited political uncertainty as a notable concern affecting macroeconomic performance.

External risks to the South African economy include the political turmoil in Europe and a speedier than anticipated hike in US interest rates. These threaten to hurt already fragile business and consumer confidence (BER, 2017). Uncertainty embedded in the direction of future foreign economic policy in the UK and US because of the Brexit and the outcomes of a Trump-led leadership in the US, present further potential impacts to the South African economy much as it presents impacts to other emerging market economies globally.

In light of these considerations, the BER anticipates downside risks to growth in the South African economy in the forthcoming 12 to 18 months.

ECONOMIC GROWTH IN THE WESTERN CAPE

Quarter-on-quarter regional gross domestic product (GDP-R) growth rate

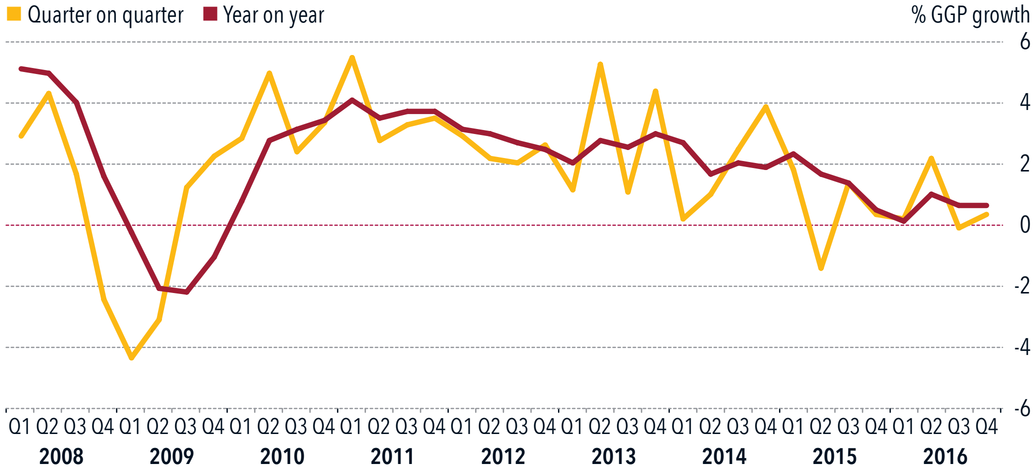
The Western Cape economy managed to avert a contraction and achieved growth of 0,3% quarter on quarter in the fourth quarter of 2016.

The Western Cape economy contributes around 14% of national GDP (IHS Global Insight, 2015). While strongly influenced by the national economic conditions, the Western Cape economy managed to avert a contraction and achieved growth of 0,3% quarter on quarter in the fourth quarter of 2016. The comparative lack of mining in the Western Cape compared to the country as a whole (this sector observed the greatest contraction at the national level in this quarter) might explain this. On a year-on-year basis the Western Cape economy performed even better with 0,7%, growth, in line with its performance in the preceding quarter.

While GDP-R statistics for Cape Town are not available on a quarterly basis, the performance of the metro's economy can be expected to typically mirror that of the provincial economy. This is because the metro contributes about 72% of the provincial economic output (IHS Global Insight, 2016). On average, in the last 15 years, the variation of the city's GGP growth rate from the provincial rate has been 0,08 percentage points.

10. This is a price index generated by the BER as part of its Purchasing Manager Index.

Figure 12: Real GGP growth for the Western Cape (Quarter 1, 2008 to Quarter 4, 2016)



Source: Quantec, March 2017.

Provincial economic growth comparisons

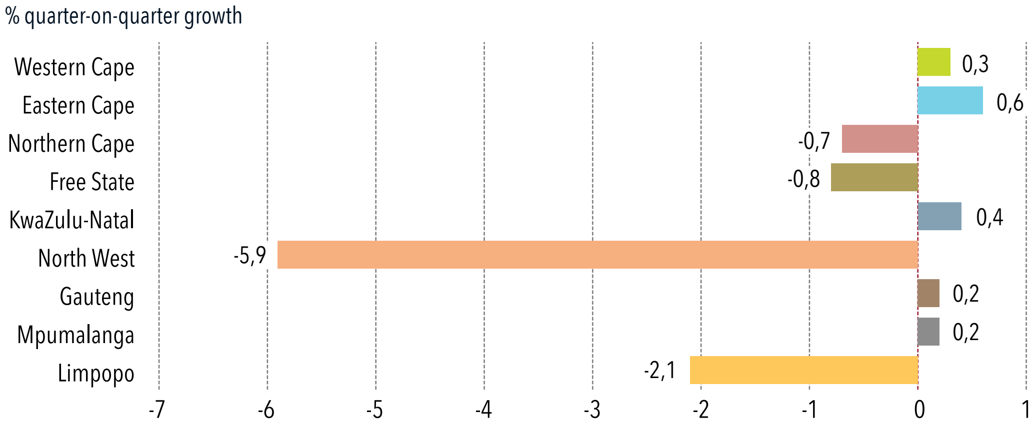
Four provincial economies experienced negative growth in the fourth quarter of 2016, namely Limpopo (-2,1%), North West (-5,9%), Free State (-0,8%) and Northern Cape (-0,7%), seemingly driven by contractions in the primary sector. In contrast, five provinces observed positive economic growth, namely Mpumalanga (0,2%), Gauteng (0,2%), KwaZulu-Natal (0,4%), Eastern Cape (0,6%) and the Western Cape (0,3%).

The largest year-on-year growth in the Western Cape's output came from transport and communication (1,8%), finance, real estate and business services (1,4%), community, social and personal services (1,4%), general government (1,3%) and wholesale and retail trade (1%) closely following the national trend.

Cape Town is not significantly affected by changes in the primary sector but the city is strongly affected by the performance of the tertiary sector, which accounts for 81% of its GDP (IHS Global Insight, 2016).

Five provinces observed positive economic growth, namely, Mpumalanga (0,2%), Gauteng (0,2%), KwaZulu-Natal (0,4%), Eastern Cape (0,6%) and the Western Cape (0,3%).

Figure 13: Provincial comparisons of real GDP-R growth rates (Quarter 4, 2016)



Source: Quantec, March 2017.

Sectoral drivers of economic growth in the Western Cape

The Western Cape's economy saw positive growth in the fourth quarter of 2016, however sectoral growth varied. Much as per the national trend, the province's manufacturing sector saw a contraction resulting in quarter-on-quarter growth of -3,4%, in line with its similar reduction by -3,3% in growth in the third quarter. However, some positive quarter-on-quarter sector growth was seen in the Western Cape's electricity and water utilities (0,1%) and construction (0,1%) sectors as well as all the services sectors (wholesale and retail trade (2,2%), transport and communication (3%), financial services (1%), community and other services (1%) and general government (0,7%)). Of these, the largest gains on the previous quarter were witnessed in the electricity and water utilities and wholesale and retail trade which saw percentage point increases of 4,5 and 4,1 respectively, relative to the second quarter of 2016.

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, 85% of the Western Cape's finance and business services, 76% of wholesale and retail trade, and 63% of manufacturing can be attributed to the metropolitan area (IHS Global Insight, 2016). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the fourth quarter. However, these sectors'

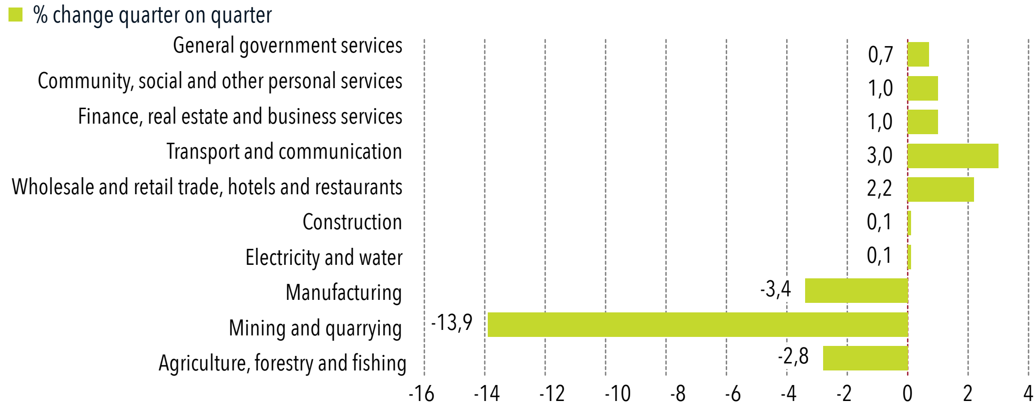
As per the national trend, the province's manufacturing sector saw a contraction of -3,4% quarter on quarter.

greater contribution to the city's economy means that they would have had a larger effect on its economic growth rate.

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 11% (IHS Global Insight, 2016). 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, as the primary sector contributes less than 1% to Cape Town's GGP. The performance of the city's economy in the fourth quarter would have been driven by the slowdown in the manufacturing sector as well as by positive strides in the city's wholesale and retail trade, transport and communication, financial services, community and other services, and general government sectors.

Cape Town's location, aesthetics and accessibility present it with a special opportunity to take advantage of buoyant international demand.

Figure 14: Sectoral real GDP-R growth rates in the Western Cape (Quarter 4, 2016)



Source: Quantec, March 2017.

Growth outlook for Cape Town and the Western Cape

The main sources of growth for the Western Cape (and by extension for Cape Town) in the fourth quarter of 2016 were upticks in the wholesale and retail trade, transport and communication and financial services sectors. Growth in the construction, community, social and other general services and general government sectors seemed to retreat from their third-quarter levels. Despite this, these sectors did boast positive year-on-year growth in the fourth quarter.

Cape Town's location, aesthetics and accessibility present it with a special opportunity to take advantage of international demand. Despite the rand's strengthening in the fourth quarter, it remains at historically weak levels and manufacturers continued to report higher export orders (BER, 2016). Manufacturers have benefited from declining fuel prices, a prospect which Cape Town's manufacturing industry should be encouraged to harness particularly as OPEC's decision to constrain supply may reverse the favourability of such prices.

The turnaround of the Barclays PMI suggests that the manufacturing sector may achieve a rebound in 2017.

The January 2017 turnaround of the Barclays PMI to above the neutral 50-point mark, coupled with a notable increase in the index measuring expected business conditions in six months' time, and prospects of an improvement in the agricultural sector, suggests that the manufacturing sector may achieve a rebound in 2017. Assuming this sector does pick up, this could bode well for Cape Town's manufacturing sector which took a second consecutive knock in the fourth quarter. This sector comprises 12,2% of Cape Town's GVA making it the fourth largest contributor to GVA in the city. A turnaround in this sector could have positive spillover effects in terms of employment. In addition, in a malaise of more positive business sentiments, this could lead to expanded exports.

The ability of the city's economy to realise the opportunities presented by international demand for exports, FDI inflows into Africa, and increased tourism in the region will determine whether the city can move onto a sustained higher growth path in 2017.

4 Inflation

The December inflation rate was the highest since 2011.

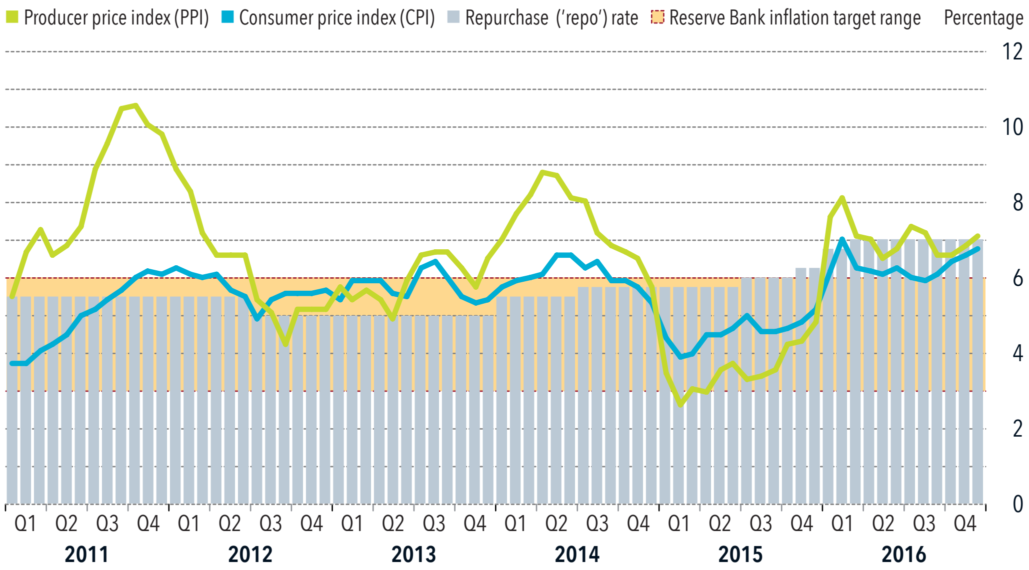
SOUTH AFRICA'S INFLATION OVERVIEW

For the fourth quarter of 2016, the headline consumer price index (CPI) inflation rate increased when compared to the third quarter of 2016. It drifted slightly upward away from the upper threshold of inflation (6%) as it recorded 6,4% in October, 6,6% in November and 6,8% in December 2016. The December inflation rate is the highest recording for the period indicated on figure 15. The price escalation for this quarter was largely driven by higher international oil prices and the continuous upward pressure from rising domestic food prices. According to the Monetary Policy Committee's (MPC) statement (January 2017), the December 2016 recording was unexpected and key factors such as housing rentals, recreation and culture activities as well as restaurants played a substantial role in this upward movement.

Similarly, the producer price index (PPI) increased when compared to the end of the third quarter of 2016. It logged rates of 6,6% for October, 6,9% for November and 7,1% for December 2016. The main contributors were food products, beverages and tobacco products (contributing 3,9 percentage points to the increase in PPI), metals, machinery, equipment and computing equipment (contributing 0,9 of a percentage point to PPI) as well as coke, petroleum, chemical, rubber and plastic products (contributing 0,8 of a percentage point to PPI).

The headline consumer price index (CPI) inflation rate increased when compared to the third quarter of 2016.

Figure 15: CPI and PPI trends for South Africa (January 2011 to December 2016)



Source: CPI and PPI extracted from Stats SA, 2016/17, and repurchase rate extracted from SARB, 2016.

Figure 15 also illustrates changes in the repurchasing rate (repo rate). As indicated on the graph, the repo rate remained at 7% throughout the fourth quarter of 2016. At the time of the MPC statement in January 2017, inflation deteriorated in December 2016 as well as the inflation trajectory. However, the positive impact of the stronger exchange rate has allowed for some relief. As a result, the MPC kept the repo rate unchanged for November 2016 and January 2017.

Table 1: Inflation levels by household expenditure groups

Quintiles	Level	Monthly expenditure	Inflation rate as at December 2016
1	Very low	R0 to R1 213/month	8,4%
2	Low	R1 214 to R1 939/month	7,9%
3	Middle	R1 940 to R3 062/month	7,4%
4	High	R3 063 to R6 596/month	6,7%
5	Very high	R6 597 and more	6,6%
	Average		**6,8%**

Source: Statistics South Africa, February 2017.

The first quintile, the household quintile with the lowest level of monthly expenditure, experienced the highest inflation rate (8,4%).

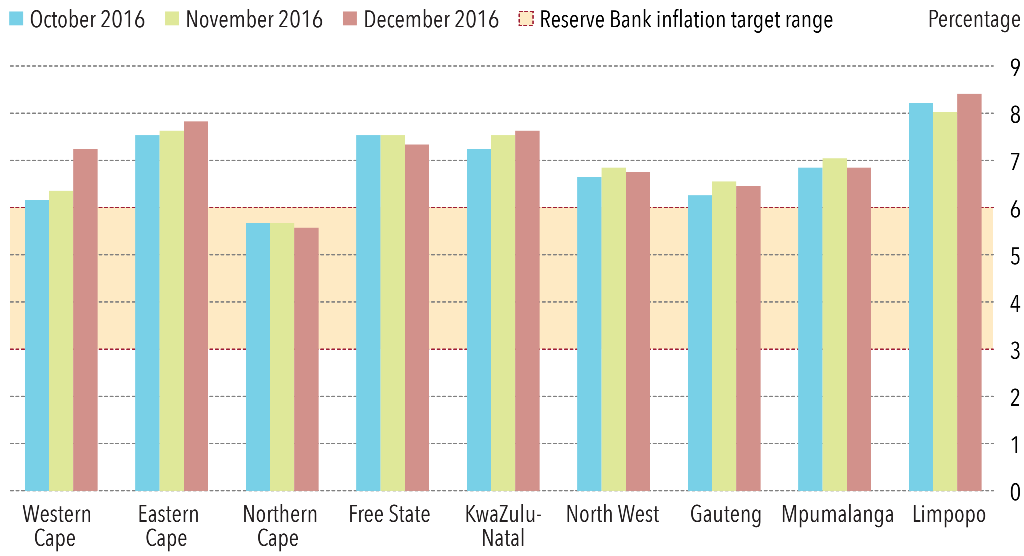
Table 1 indicates how different expenditure groups are affected by inflation. In the fourth quarter of 2016, inflation remained above 6% across all quintiles. When compared to September 2016, inflation rates increased significantly across all quintiles especially for the latter three. The first quintile, the household quintile with the lowest level of monthly expenditure, experienced the highest inflation rate (8,4%), whilst the fifth household quintile with the highest level of monthly expenditure recorded the lowest (6,6%) inflation. One reason for this disparity is that the price of food and petrol increased strongly (by 68 cents overall) during the fourth quarter of 2016.

GEOGRAPHICAL INFLATION

Food price inflation in the Western Cape was 10,9% in December 2016, while nationally it was higher at 12,9%.

The Western Cape recorded a higher inflation rate (7,2%) than the national inflation rate (6,8%) at the end of the fourth quarter of 2016. Four of the provinces experienced a consistent increase in inflation over the three-month period whilst the Northern Cape and Free State were the only provinces to experience a clear decrease. As illustrated in figure 16, the Northern Cape continued to record the lowest inflation rate (5,6%) at the end of December 2016 and was the only province to remain within the target range for the entire fourth quarter. The rest all logged recordings above 6%. The highest inflation rates at the end of the fourth quarter were recorded by Limpopo (8,4%), the Eastern Cape (7,8%) and KwaZulu-Natal (7,6%). Food price inflation in the Western Cape was 10,9% in December 2016 (having increased from 10,7% in November), while nationally it was higher at 12,9% (having increased from 12,8%). Non-alcoholic beverages' price inflation in the Western Cape was 10,2% in December 2016 (having increased from 9% in November), while nationally it was lower at 10,1% (having increased from 9,6%). Higher inflation in the Western Cape was recorded in restaurants and hotels (11,1% compared to 6,8% nationally), whereas lower inflation was experienced in water (4,1% compared to 8,1% nationally) as well as recreation and cultural activities (4,4% compared to 7,9% nationally).

Figure 16: CPI inflation rate at provincial level (October 2016 to December 2016)



Source: Stats SA, February 2017.

INFLATION OUTLOOK

The positive impact of the appreciated rand may motivate for the repo rate to stay unchanged after the next MPC meeting.

By the end of 2016, the MPC indicated that the inflation outlook in the near term had deteriorated. The inflation rate for December 2016 (6,8%) was the highest it has been in six years. A key driver of this upward escalation in overall price is the consistent pressure from the increase in domestic food prices. This pressure continues to exist as a consequence of the ongoing drought. During the previous two quarters of 2016, food price inflation continued to log recordings above the 12% mark nationally, double that of the fourth quarter of 2015.

The rise in international oil prices has also added to the worsening of the inflation rate. At the end of December 2016, the price of oil was R56,73, the highest it has been since June/July 2015. As a result, the SARB's inflation outlook has worsened to an average of 6,2% for 2017 from a previous 5,8%.

Positively, the strengthening of the rand over the past few months has countered some of the negative impacts which allowed the Reserve Bank to keep the repo rate unchanged. With persistent food price pressure brought on by the drought, higher oil prices and a worsening economic outlook, the MPC could however increase the repo rate in the near future. The positive impact of the appreciated rand may motivate for the repo rate to stay unchanged after the next MPC meeting.

PRICE BASKET ANALYSIS

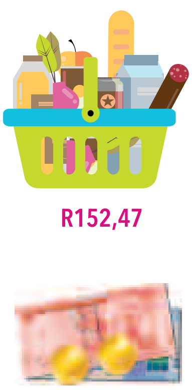
In order to better understand the effect that increases in the general price level (inflation) have on Cape Town households, the Economic Research Unit started collecting price data for typical grocery products in September 2016[11]. This section looks at which items have experienced the largest price increases, and how the total cost of a notional basket of basic grocery items has changed between September 2016 and January 2017.

Price changes over time

The following indicates a notional price basket of potential food items that a household might consume during a month.

Diagram 1: Monthly average price for selective food items for a notional price basket for Cape Town, September 2016 – January 2017

September 2016



R152,47

	Percentage point contribution to price increase
White bread 700 g	0,07
Long life milk 1 ℓ	-0,08
Eggs (18)	4,70
Potatoes per kg	1,18
Onions per kg	0,52
Rice (white) 2 kg	1,97
Baked beans 410 g	-0,67
Fish: pilchards (can)	0,82
Chicken: 250 g	-1,95
Cereal: oats	-1,02
Total	**5,55**

January 2017

5,55%

R160,94

A tin of baked beans would need to be removed to keep the price of the basket of goods at the September 2016 level.

Source: Economic Research, own calculations.

The price of the basket increased from a value of R152,47 in September 2016 to a R160,94 in January 2017, reflecting an upward price change of 5,6%. The basket reached the highest value of R164,08 in December 2016. This could be the result of a seasonal increase in demand associated with the festive season. The key driver to the increase of the value of the notional

11. A few clarifications are required.
- This price basket is not related to the extensive one used by Stats SA to derive CPI, but rather is a limited and subjective selection of typical household grocery items.
- The base data, which is collected monthly, consists of the average price of products across the main supermarket chains in Cape Town. The data gathering period took place at the end of each month.
- There is no assumption that these iitems are the only goods being consumed by households.
- The value of the basket reflects a weekly consumption.

basket was the price of eggs. The table below identifies the items that experienced the fastest price growth between September 2016 and January 2017 as well as those that experienced price declines.

Table 2[12]: Fastest change in price of items during September 2016 and January 2017

Rank	Item from basket	Units	Min (R) over the period	Max (R) over the period	Average monthly growth rate (%)	Total growth rate (%)
Fastest increases in prices						
1	Eggs	18 eggs	27,22	40,19	7,57	26,32
2	Onions	per kg	8,59	12,79	4,48	8,01
3	Potatoes	per kg	9,99	11,99	4,36	18,02
4	Rice (white)	2 kg	17,97	21,17	4,3	16,76
5	Apples (Golden Delicious)	1,5 kg	17,59	22,19	3,63	13,85
6	Mineral water	1,5 ℓ	8,99	10,19	3,29	13,35
7	Orange squash (concentrate)	2 ℓ	24,99	32,38	3,15	8,00
8	Peanut butter	400 g	22,22	25,16	3,05	12,44
Fastest decreases in prices						
1	Longlife milk	1 ℓ	12,15	12,31	-0,26	-1,03
2	Chips	125 g	11,38	11,78	-0,27	-1,2
3	Rooibos tea	80 bags	28,78	32,99	-0,45	-3,06
4	Spaghetti	500 g	10,56	11,16	-0,62	-2,7
5	Sunflower oil	750 ml	18,57	20,22	-0,95	-4,22
6	Oats	1 kg	22,18	23,74	-1,63	-6,56
7	Baked beans	410 g	7,30	8,62	-2,82	-11,85
8	Chicken (whole)	per kg	44,77	59,46	-4,64	-19,99

Source: Economic Research, own calculations

With chicken meat being imported at a relatively cheaper cost, South African chicken farmers and retailers have been forced to reduce their markup to sell at a competitive price, hence the significant decline in the price of chicken.

Noticeably, the price of eggs has increased the fastest with an average monthly growth rate of 7,57%. According to the South African Poultry Association (SAPA, 2017), the number of hens reaching the end of their productive lives is increasing which is dampening the stock supply of eggs. Egg farmers have been feeling the economic pressure with input cost increases caused by the drought negatively influencing the supply of eggs and forcing some to exit the market. The prices of onions, potatoes and apples have also been sensitive to the pressure of the existing drought and the lack of rain has allowed for a decline in the quantity available for purchase. Outbreaks by African armyworms have further hampered the stock levels. Similarly, the higher price of mineral water could also be attributed to the drought as the demand for water increases in line with limited water supply.

Interestingly, chicken meat has indicated the fastest decline in price. As reported in the latest[13] quarterly publication of SAPA, the number of poultry imports has increased significantly since January 2015. The latest statistics published for 2016 Q3 reflected that 94% of total poultry meat comprised chicken, with Brazil being the key importer. With chicken meat being imported at a relatively cheaper cost, South African chicken farmers and retailers have been forced to reduce their markup to sell at a competitive price, hence, the significant decline in the price of chicken.

12. The following table is compiled from a broader item list on which data was gathered.
13. South African Poultry Association Publication 2016 Quarter 3.

5

Labour market trends

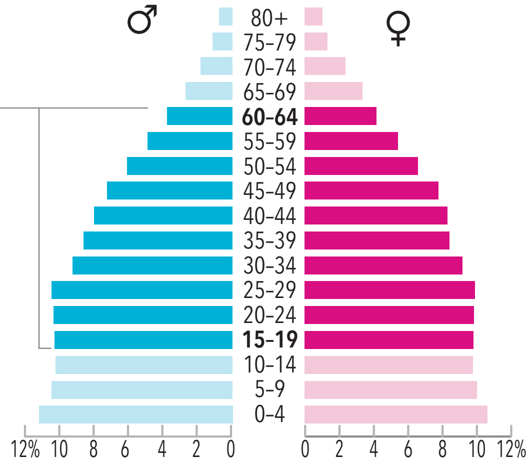
The labour market is the point at which economic production meets human development. This chapter reflects on the employment of human resources as both an input into and an outcome of production. Employment creation and unemployment reduction are top priorities of both national and city-level economic strategies, and are critically important to the country's development.

THE STRUCTURE OF THE CAPE TOWN LABOUR MARKET

THE WORKING-AGE POPULATION

Cape Town has **2 814 274** people aged between 15 and 64. This group forms the **working-age population**. This is the value from which employment and unemployment figures are derived.

2 814 274
working-age population



Age distribution in the Western Cape

The dependency ratio
This refers to how many people depend on those of working age.
In Cape Town **45,6%** of those of non-working age depend on those of working age.

EMPLOYMENT

*The definition of **employment** is 'those aged 15-64 years who, during the reference week, did any work for **at least one hour**, or had a business or job, but were not at work (temporarily absent)'.*

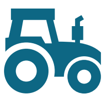
Of the **2 814 274** people who make up the **working-age population**, **1 482 186** – 52,7% – are **employed**. This percentage is also known as the labour absorption rate.

1 482 186
employed people

52,7% labour absorption rate

*The **labour absorption rate** (employment-to-population ratio) measures the proportion of the working-age population that is employed.*

Of the **1 482 186 employed Capetonians**, the majority are employed in the formal sector, with 11,2% in the informal sector.



Agriculture
11 086
(0,7%)

Private households
98 865
(6,7%)

Informal sector
165 438
(11,2%)

Formal sector
1 206 797
(81,4%)

The informal sector is defined as 'employees working in establishments that employ fewer than five employees, which do not deduct income tax from their salaries/wages; employers, own-account workers and persons helping unpaid in their household, and businesses that are not registered for either income tax or value-added tax'.

How these figures are calculated

Statistics South Africa publishes quarterly labour force surveys (QLFS), which provide data on the number of people in the labour market.

This includes the number of people who are employed, unemployed and not economically active. The data is broken down by industry, province, sex, age and sector. It covers both the formal and informal sectors.

Respondents are asked about their employment activity in the week prior to the survey, which is known as the 'reference week'.

The surveys are conducted in 30 000 private households and worker hostels across the country. The results are then weighted (adjusted) to accommodate factors such as rural and urban variations and to ensure that they are representative of the population as a whole.

THE STRUCTURE OF THE CAPE TOWN LABOUR MARKET

UNEMPLOYMENT

There are two measures of unemployment – strict and broad. The strict measure specified by the International Labour Organisation (ILO) is used in developed countries with mostly formal employment, and is useful for international comparisons. The broad definition is more useful in describing the scale of unemployment in developing economies with large numbers of discouraged job seekers.

Strict unemployment
The 'strict' definition of unemployment includes only people who are actively seeking work. By that definition, Cape Town has **466 685 unemployed people** – 23,9% of the strict labour force.

Strict rate

Searching unemployed / Labour force (employed + searching) = **23,9%**

WORK WANTED

Broad rate

Searching + non-searching unemployed / Broad labour force (employed + searching + non-searching) = **24,8%**

Broad unemployment
The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers. By that definition, Cape Town has **502 245 unemployed people** – 24,8% of the broad labour force.

***Unemployed persons** are those aged 15–64 years and **actively searching** for work who:*
- *were not employed in the reference week; and*
- *actively looked for work or tried to start a business in the four weeks preceding the survey interview; and*

↑**SEARCH CRITERIA**
- *were available for work, i.e. would have been able to start work or a business in the reference week; or*
- *had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.*

The youth unemployment rate

48,0% This refers to people between the ages of 15 and 24 who are not employed, despite being willing and able to work. The strict youth unemployment rate is 48,0%, while the broad youth unemployment rate is 49,3%. **49,3%**

Some unemployed youth are meaningfully engaged in education or training. The NEET (not in employment, education or training) indicator captures those youth not actively participating in the economy in any way.

27,0% **The youth NEET rate in Cape Town is 27%.**

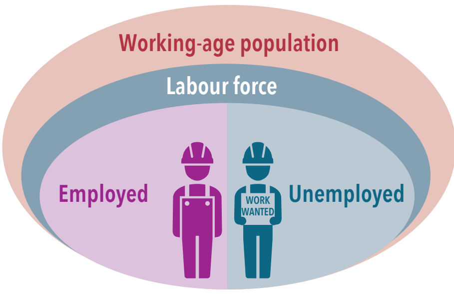
*A **'discouraged job seeker'** is a person who was not employed during the reference period, wanted to work, was available to work or start a business, but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring their skills; lost hope of finding any kind of work.*
*Other **non-searching work seekers** are the searching unemployed and those who have not fulfilled the search criteria.*
- *Discouraged work seekers and other non-searching work seekers are accommodated in the broad definition through the removal of the search criteria.*

↑**SEARCH CRITERIA**

THE LABOUR FORCE

The labour force comprises all persons of working age who are employed, plus all persons of working age who are unemployed.

Strict labour force = 1 948 872
The 'strict' definition of the labour force includes both those in employment and those unemployed people who are actively seeking work. By that measure, the Cape Town labour force is 1 948 872 strong, being made up of **1 482 186 employed people** and **466 685 job seekers**.



Broad labour force = 1 984 431
The 'broad' definition of the labour force includes those under the 'strict' definition, and 'non-searching' job seekers. By this measure, Cape Town's labour force is 1 984 431 strong, being made up of **1 482 186 employed people, 466 685 job seekers, 10 792 discouraged** and **24 768 other non-searching unemployed**.

THE LABOUR FORCE

1 482 186 EMPLOYED	466 685 SEARCHING UNEMPLOYED	35 560 DISCOURAGED AND OTHER NON-SEARCHING UNEMPLOYED

STRICT: **69,2%** — LABOUR FORCE PARTICIPATION RATE — BROAD: **70,5%**

Labour force participation rate

Labour force / Working-age population

*The **labour force participation rate** is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work. It provides an indication of the relative size of the supply of labour available.*

Sources: Stats SA Quarterly Labour Force Survey (QLFS), City of Cape Town.

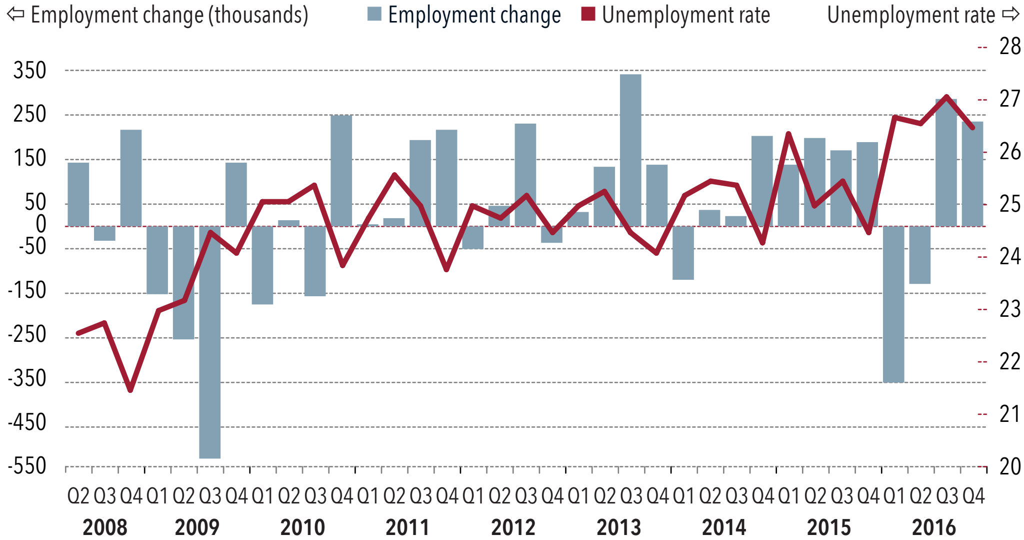
The sectors that contributed significantly to quarterly employment growth in South Africa were community and social services, transport as well as manufacturing.

OVERVIEW OF THE LABOUR MARKET IN SOUTH AFRICA

In the fourth quarter of 2016, South Africa's labour force increased by 143 000 individuals compared to the third quarter of 2016. The number of employed people increased by 236 000 to 16,07 million from a previous figure of 15,83 million. Overall, the majority of the sectors displayed positive employment growth. The sectors that contributed significantly to quarterly employment growth were community and social services (73 000), transport (46 000) as well as manufacturing (44 000) whilst mining (-17 000) and construction (-9 000) were the only sectors that observed negative employment growth.

On a year-on-year basis 638 000 more people were added to the labour force and employment increased by 51 000 individuals when compared to the fourth quarter of 2015. The transport (61 000), agriculture (59 000) as well as finance and other business services (56 000) sectors added significantly to year-on-year employment growth. The mining sector observed the largest year-on-year contraction in employment (-62 000). In contrast to their positive quarterly performance, the trade (-58 000), community and social services (-53 000) and manufacturing (-11 000) sectors observed a reduction, year on year.

Figure 17: Employment trends vs strict unemployment rate in South Africa (Q2, 2008 to Q4, 2016)



Source: Stats SA, February 2017.

In the fourth quarter of 2016, unemployment in South Africa decreased by 92 000 quarter on quarter to a total of 5,78 million individuals. As a result, the official (strict) unemployment rate decreased to 26,5% from a previous rate of 27,1%. The number of discouraged work-seekers, who are only included in the expanded measure of unemployment, increased minimally by 1 000. The above figure illustrates the predominantly inverse relationship between employment creation and the unemployment rate. As indicated on the graph, consecutive increases in employment growth typically lead to a decrease in the unemployment rate.

LABOUR MARKET TRENDS FOR CAPE TOWN

A broad overview of the Cape Town labour market

In the fourth quarter of 2016, the working-age population of Cape Town increased by approximately 14 000 individuals compared to the third quarter of 2016, and by nearly 56 000 individuals on a year-on-year basis. On a quarter-on-quarter basis Cape Town's labour force increased by 41 000 individuals to a total of 1,9 million in the fourth quarter, which led the labour force participation rate to increase by a percentage point to 69,2%. This remains higher than the national rate of 59,2%, pointing to the greater inclusiveness of Cape Town's labour market.

Table 3: Labour market indicators: South Africa and Cape Town*

Indicator	South Africa			Cape Town		
Unit: Thousands ('000s)	Q4:2016	Q3:2016	Q4:2015	Q4:2016	Q3:2016	Q4:2015
Working-age population	36 905	36 750	36 272	2 814	2 800	2 758
Labour force	21 849	21 706	21 211	1 949	1 908	1 901
Employed	16 069	15 833	16 018	1 482	1 469	1 511
Employed by the formal sector	11 156	11 029	11 180	1 207	1 212	1 231
Employed by the informal sector	2 695	2 641	2 684	165	152	175
Unemployed	5 781	5 873	5 193	467	440	390
Not economically active	15 055	15 044	15 061	865	892	856
Discouraged work-seekers	2 292	2 291	2 279	11	13	9
Other	12 763	12 753	12 782	855	879	847
Unemployment rate (%)	26,5	27,1	24,5	23,9	23,0	20,5
Youth unemployment rate (%) (15 to 24)	50,9	54,2	50,4	48,0	49,1	45,1
NEET** as % of working-age population	39,4	40,1	38,2	34,1	33,3	31,9
Absorption rate (%)	43,5	43,1	44,2	52,7	52,4	54,8
Labour force participation rate (%)	59,2	59,1	58,5	69,2	68,2	68,9

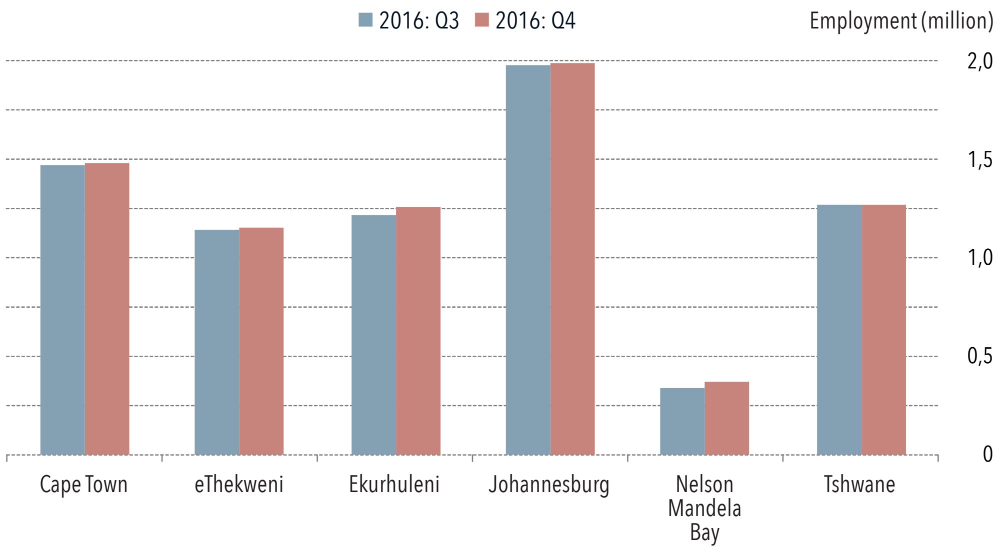
*Source: Stats SA, February 2017. * Figures in tables may not exactly add up due to rounding off. ** Not in employment, education or training.*

The number of people employed in Cape Town in the fourth quarter of 2016 increased by 13 000 individuals on a quarterly basis whereas it decreased by nearly 29 000 individuals on a year-on-year basis. The formal sector absorbs the bulk of those employed in Cape Town, and recorded a decrease of 5 000 in the fourth quarter of 2016, relative to the third quarter of that year. Contrastingly, employment increased in the informal sector by 13 000 on a quarter-on-quarter basis and decreased by 10 000 individuals on a year-on-year basis. The share of total employment contributed by the informal sector increased to 11,2% from a previous figure of 10,3% in the third quarter of 2016. Further, private households reflected positive quarter-on-quarter employment growth in the fourth quarter of 2016.

To measure Cape Town's job creation performance, a comparison with the other metros in the country is helpful. From a

On a quarter-on-quarter basis Cape Town's labour force increased by 41 000 individuals to a total of 1,9 million in the fourth quarter, which led the labour force participation rate to increase by a percentage point to 69,2%.

Figure 18: Employment comparison with other metros (Quarter 3, 2016 to Quarter 4, 2016)



Source: Stats SA, February 2017.

Cape Town has the second largest number of people employed in the country, with 1,48 million people employed in the city.

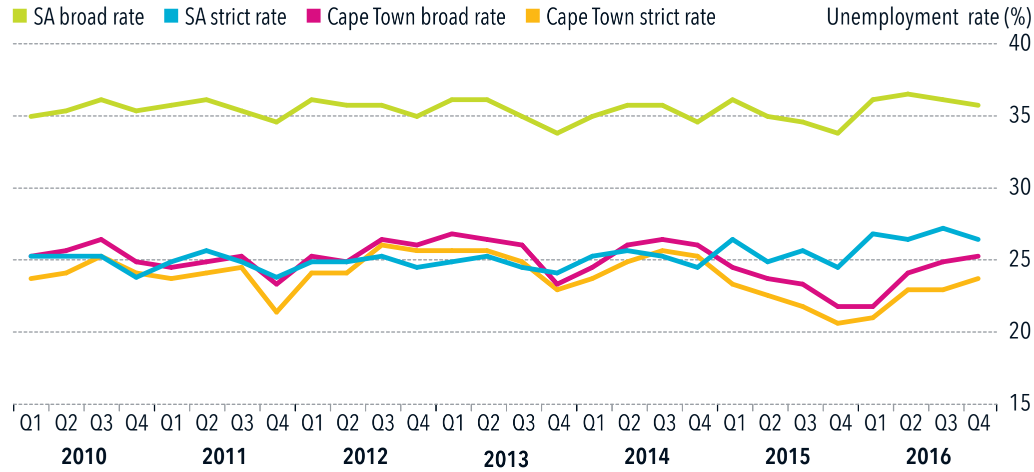
static point of view, Cape Town has the second largest number of people employed in the country, with 1,48 million people employed in the city compared to Johannesburg's 1,94 million. This is to be expected as Johannesburg has a significantly larger population.

Turning attention to employment creation in the fourth quarter, as measured by the difference between the third-quarter and fourth-quarter employment levels, all metros displayed positive employment growth except Tshwane. The metros which experienced a significant increase in employment were Ekurhuleni (42 282) and Nelson Mandela Bay (26 232). Tshwane had a marginal decrease in employment (-1 263). On a year-on-year basis, Cape Town shed jobs at the fastest rate (-1,9%), while employment in Nelson Mandela Bay grew fastest (6,6%).

Unemployment in Cape Town

Cape Town experienced an increase (26 799) in the number of unemployed people in the fourth quarter of 2016 compared to the previous quarter and by 76 502 compared to the corresponding period in the previous year. This resulted in the strict unemployment rate increasing by 0,9 percentage points to 23,9% by the fourth quarter. The youth unemployment rate, defined as the strict unemployment rate for individuals aged 15 to 24, in Cape Town was estimated at 48% in the fourth quarter of 2016, having decreased from 49,1% in the previous quarter. Although the youth unemployment rate observed a decline compared to the first quarter of 2016, it still remained higher when compared to the fourth quarter of 2015. While this is below the national rate of 50,9%, it is nonetheless remarkably high by developing-country standards, and poses a key challenge to economic policymakers in the city.

Figure 19: Strict vs broad/expanded unemployment rates for Cape Town (Quarter 1, 2010 to Quarter 4, 2016)



Source: Stats SA, February 2017.

South Africa's expanded unemployment rate in the third quarter of 2016 was 36,3%, compared to Cape Town's expanded rate of 24,8%.

By excluding discouraged work-seekers, the strict rate of unemployment does not always reflect the true ability of the labour market to absorb those individuals wishing to work. It is thus revealing to present both the strict and expanded rates of unemployment. As illustrated by figure 19, over the last few years the two rates of unemployment for Cape Town have remained relatively close although over the last three quarters of 2016 there was a slight deviation. Cape Town's strict unemployment rate has, since the first quarter of 2015, diverged from the national strict rate. However, over the third and fourth quarter of 2016 the two strict rates have been moving closer together. As a result, the gap between Cape Town's strict unemployment rate and that national strict unemployment rate has shrunk to nearly 2,6 percentage points in the fourth quarter of 2016 from a previous 4 percentage points difference in the fourth quarter of 2015. On average, the expanded unemployment rate in Cape Town is only 1,01% higher than the city's strict rate. However, it is important to consider the expanded definition of unemployment, as South Africa's expanded and strict rates of unemployment are widely divergent (as depicted in figure 19). South Africa's expanded

Table 4: Official vs expanded unemployment rates

Metro	Official			Expanded		
	2016:Q4	2016:Q3	2015:Q4	2016:Q4	2016:Q3	2015:Q4
Cape Town	23,9	23,0	20,5	25,3	24,8	21,8
eThekweni	22,0	20,2	15,9	28,0	28,4	24,3
Ekurhuleni	30,6	31,7	30,8	34,4	35,5	33,0
Johannesburg	27,8	28,2	27,9	30,2	30,8	29,2
Nelson Mandela Bay	29,6	31,8	30,6	30,2	33,2	30,6
Tshwane	25,7	26,2	23,4	29,1	29,6	27,4

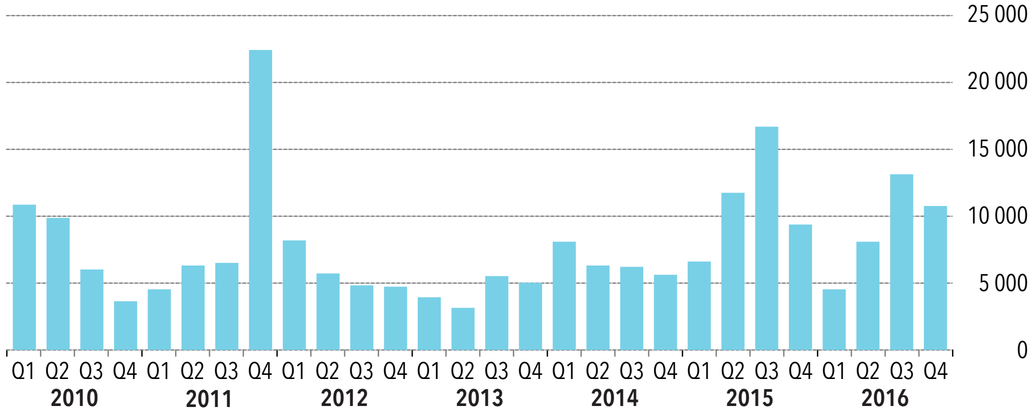
Source: Stats SA, February 2017

unemployment rate in the fourth quarter of 2016 was 35,6%, compared to Cape Town's expanded rate of 25,3%. On this basis, Cape Town's labour market can be considered better performing and more inclusive than the national labour market.

While comparing Cape Town's unemployment trends with South Africa as a whole is important, it is perhaps more revealing to compare these trends to other metros that have similar labour market dynamics. Cape Town was the only metro that recorded increases in both the official and expanded unemployment rates in the fourth quarter of 2016. Contrastingly, Ekurhuleni, Johannesburg, Nelson Mandela Bay and Tshwane experienced a decrease in both its rates. From a static point of view, Ekurhuleni had the highest strict (30,6%) and expanded unemployment rate (34,4%), while Cape Town had the lowest expanded unemployment rate (25,3%) and eThekwini the lowest strict rate (22%). What is also notable from table 4 is that for Cape Town and Nelson Mandela Bay there is minimal difference between the expanded and official unemployment rates, whereas in eThekwini the expanded rate is almost 6 percentage points higher than the strict rate.

Cape Town had the lowest expanded unemployment rate (25,3%), amongst the metros.

Figure 20: Discouraged work-seekers in Cape Town (Quarter 1, 2010 to Quarter 4, 2016)



Source: Stats SA, February 2017.

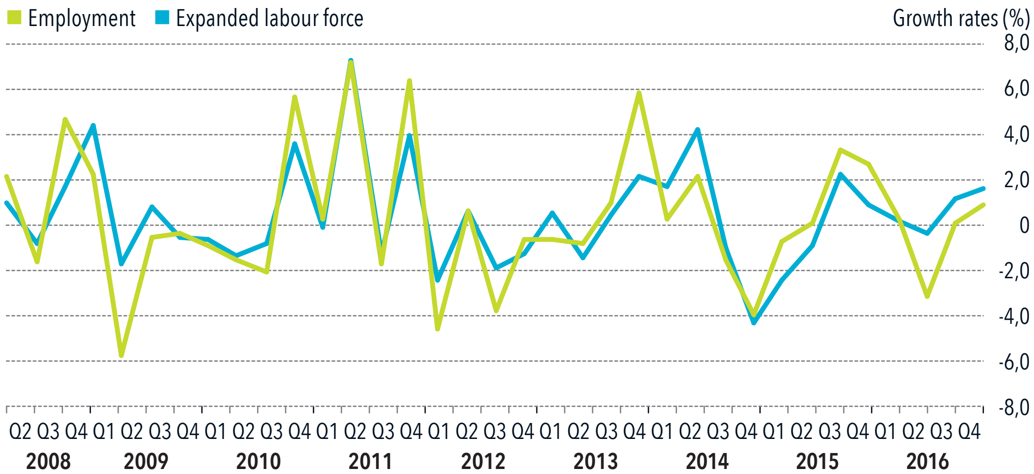
The reason for the small disparity between Cape Town's strict and expanded unemployment rates, when the rest of the country experiences such profound differences, is the relatively low number of discouraged work-seekers in Cape Town. Discouraged work-seekers are included in the expanded unemployment figure, which explains why this is slightly higher than the strict unemployment figure. The number of discouraged work-seekers in Cape Town decreased to 10 792 in the fourth quarter of 2016 from 13 151 in the third quarter of 2016.

Apart from the outliers in the fourth quarter of 2011 and third quarter of 2015 and third quarter of 2016, figure 20 shows that the number of discouraged work-seekers has consistently been below 12 000 individuals. For one of South Africa's major metropolitan regions, Cape Town contributes a disproportionately small percentage (0,48%) to the country's total number of discouraged work-seekers.

Labour force and employment

Two factors determine whether the expanded rate of unemployment increases or decreases: a change in the expanded labour force and a change in the level of employment. When the rate of employment growth is exceeded by the rate at which the

Figure 21: Expanded labour force and employment growth rates for Cape Town (Q2, 2008 to Q4, 2016)



Source: Stats SA, February 2017.

expanded labour force grows, the expanded unemployment rate increases. Figure 21 shows that in the fourth quarter of 2016, the growth in Cape Town's broad labour force exceeded the growth in employment. This resulted in an increase in the expanded unemployment rate for the period under review.

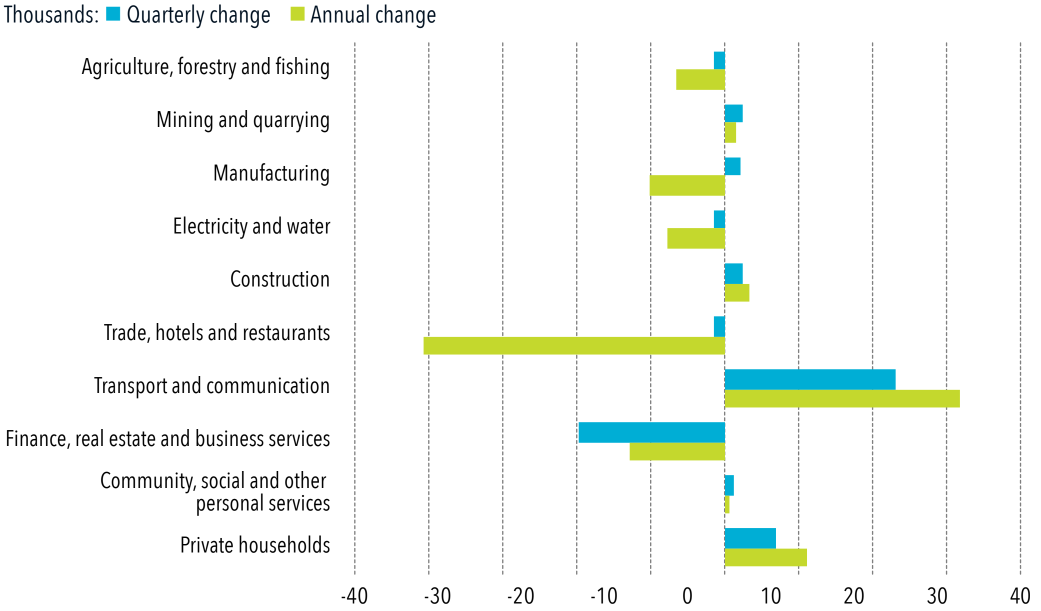
Sector employment trends for Cape Town

Figure 22 displays the change in the level of employment by sector within Cape Town. Overall six sectors displayed a positive contribution towards employment creation when compared to the previous quarter. The sectors that added significantly to job creation were transport (23 001) and private households (6 809). Manufacturing, construction and mining added minimally to employment. The key sectors that recorded job losses for this quarter were finance and other business services (-19 742), utilities (-1 565), trade (-1 559) as well as agriculture (-1 405).

On a year-on-year basis, the sectors displayed a similar performance when compared to their quarterly performance. Similar to its quarterly performance, transport (31 782) made the highest contribution to employment with private households (10 970) following suit. Trade (-40 659), finance and other business services (-12 816), manufacturing (-10 003), utilities (-7 682) as well as agriculture (-6 518) observed negative employment changes, year on year.

The sectors that added significantly to job creation were transport and private households.

Figure 22: Quarterly and annual change in employment per sector for Cape Town (Quarter 4, 2016)



Source: Stats SA, February 2017.

Labour market outlook

At the end of the fourth quarter of 2016, Cape Town's labour market conditions worsened when compared to the previous quarter and the same quarter of 2015. Employment grew slightly for this quarter, however, it was not sufficient to absorb the increases in the labour force. Unemployment thus increased in the fourth quarter and is now 2,6 percentage points higher than it was at the end of 2015. Similarly, the expanded unemployment rate has increased steadily as discouraged work-seekers have increased to more than double the figure of the first quarter of 2016. Although the expanded unemployment rate has increased, it still remained the lowest of all the metros.

In contrast, youth strict unemployment has slowly declined and the labour force participation rate and absorption rate increased for the fourth quarter of 2016, when compared to the previous quarter. Unemployment rate increases in the past two quarters can be attributed to increases in the labour force exceeding increases in employment growth, rather than a shedding of jobs.

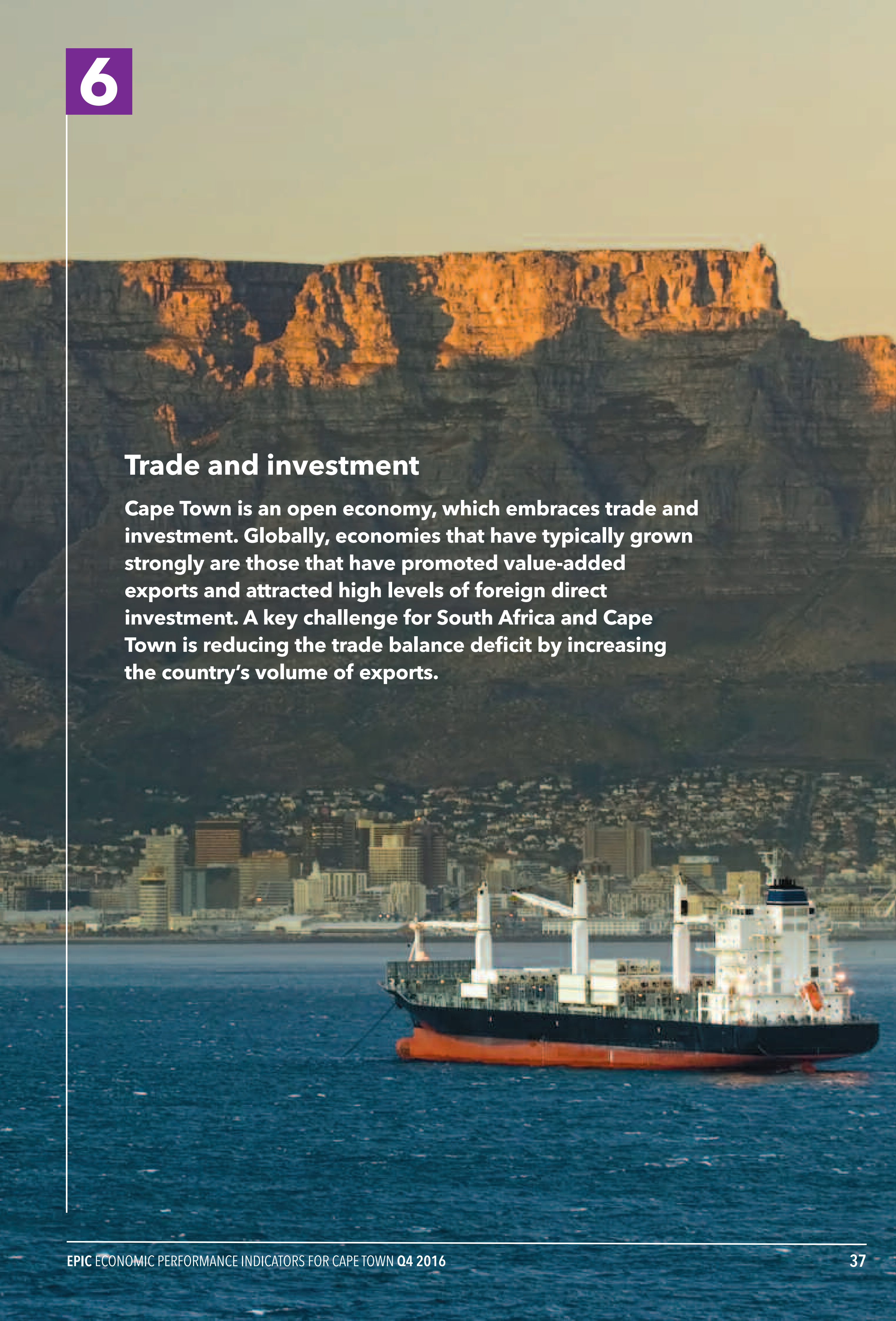
The anticipated rebound in the agricultural sector may have positive spillovers into the manufacturing sector, moderating the negative impact of a persistent contraction of the manufacturing sector.

The poor economic growth of the fourth quarter of 2016 would have undermined the labour market's ability to create jobs during that quarter. While the Western Cape observed positive economic growth (of 0,3% quarter on quarter) in the fourth quarter, deviating strongly from the national economy's contraction, growth in the manufacturing sector in the province continued to decline. It is possible that this may affect employment in the manufacturing sector in the forthcoming quarter. However, the anticipated rebound in the agricultural sector may have positive spillovers into the manufacturing sector (BER, 2017), moderating the negative impact of a persistent contraction of the manufacturing sector.

6

Trade and investment

Cape Town is an open economy, which embraces trade and investment. Globally, economies that have typically grown strongly are those that have promoted value-added exports and attracted high levels of foreign direct investment. A key challenge for South Africa and Cape Town is reducing the trade balance deficit by increasing the country's volume of exports.



The weakness of trade in 2015 was due to a number of factors, including an economic slowdown in China, a severe recession in Brazil, falling prices for oil and other commodities, and exchange rate volatility.

TRADE

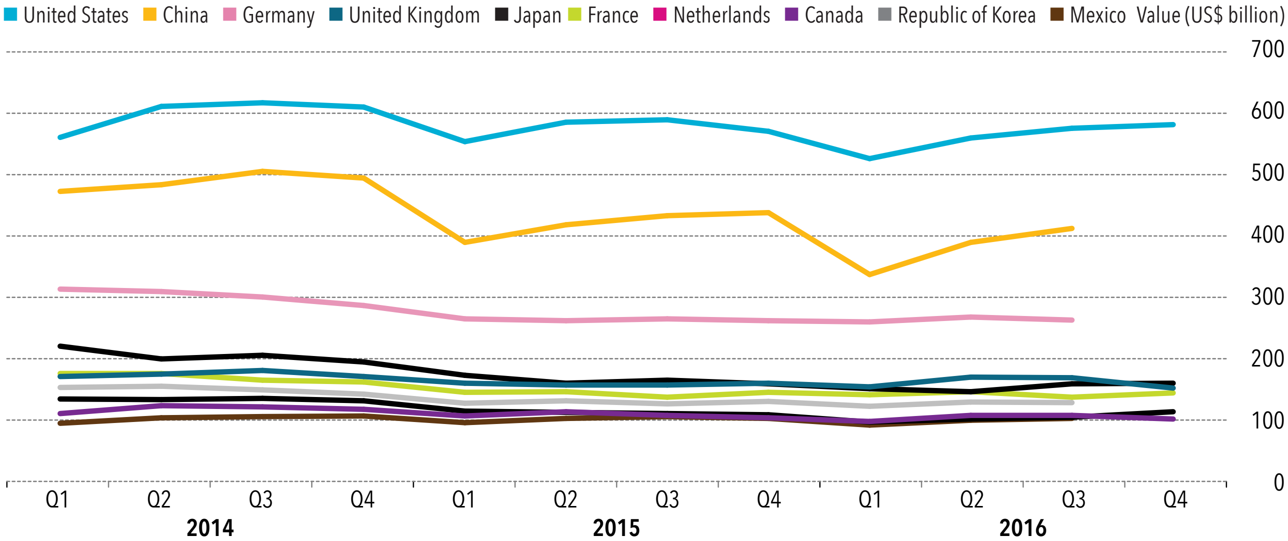
Global trade

Based on the most recently available trade estimates, the world's largest importer of goods remains the US[14]. Overall the annual value of global imports decreased by 12,8% between 2014 and 2015. However, the volume of world trade in 2015 grew by 2,7%. The weakness of trade in 2015 was due to a number of factors, including an economic slowdown in China, a severe recession in Brazil, falling prices for oil and other commodities, and exchange rate volatility (World Trade Organisation (WTO), 2016).

The WTO trade forecast issued on 27 September 2016[15] foresaw world merchandise trade growth of 1,7% in 2016 and growth between 1,8% and 3,1% in 2017. The World Trade Outlook Indicator (WTOI)[16] currently suggests that trade volumes may begin to recover in the fourth quarter of 2016 once data becomes available (World Trade Organisation, 2017).

Available data on a year-on-year assessment of the top importers in the fourth quarter of 2016 indicates that in dollar terms, an increase in imports was reported for the Republic of Korea (4%), the US (1,8%) and Japan (0,6%) while imports by the UK, Canada and France decreased by 5%, 1,9% and 0,9% respectively.

Figure 23: Global imports of goods (Quarter 1, 2014 to Quarter 4, 2016)



Values in US$ bn	Q1-'14	Q2-'14	Q3-'14	Q4-'14	Q1-'15	Q2-'15	Q3-'15	Q4-'15	Q1-'16	Q2-'16	Q3-'16	Q4-'16
• US	563	614	620	613	556	588	592	573	528	562	578	584
• China	474	485	507	496	390	419	434	439	337	390	413	–
• Germany	313	309	300	286	264	261	264	261	259	267	262	–
• UK	169	173	179	169	158	155	155	158	152	168	167	150
• Japan	219	198	204	193	171	158	163	157	149	144	157	158
• France	174	174	163	160	143	144	135	143	139	144	135	142
• Netherlands	151	153	147	140	125	129	124	128	120	127	126	–
• Canada	108	121	119	115	104	111	105	101	95	105	105	99
• Korea, Republic of	132	131	133	129	112	110	108	106	94	99	102	111
• Mexico	92	101	103	104	93	100	103	100	89	97	100	–

Source: International Trade Centre, February 2017.

South African trade

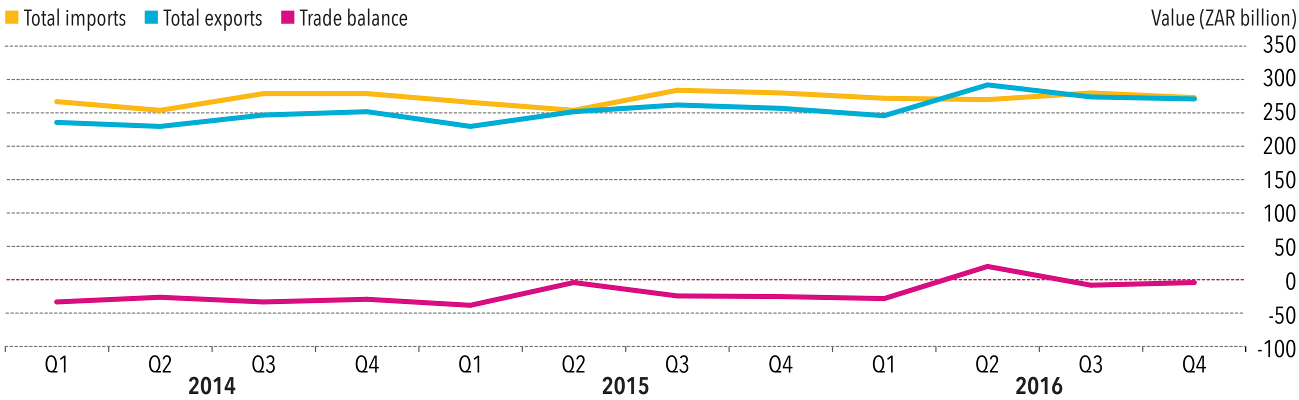
The trade balance for South Africa decreased in the fourth quarter of 2016 to a deficit of R2 billion, from R6 billion in the third quarter of 2016.

South African exports experienced a quarter-on-quarter decrease of 1,1% in the fourth quarter of 2016 compared to the third quarter in rand terms. In contrast, in year-on-year terms, exports increased by 8,1%. The trade balance for South Africa decreased in the fourth quarter of 2016 to a deficit of R2 billion, from R6 billion in the third quarter of 2016. This was a result of imports decreasing more (by 2,5%) than exports (1,1%) in the fourth quarter of 2016.

Amongst the top 10 exports, South Africa's exports to the UK saw the largest decrease in the fourth quarter of 2016 compared to the third quarter, followed by its exports to Germany, Belgium, Japan and the US. The decrease in exports to the UK was mainly the result of a decrease in the exports of motor vehicles for the transport of goods and parts, platinum, chemical wood pulp, fruit and nuts and parts of aeroplanes or helicopters.

14. Note, however, that trade data for the fourth quarter of 2016 for China, Germany, the Netherlands and Mexico had not yet been reported at the time of writing.
15. Note that trade data for the completed year 2016 is not yet available.
16. The World Trade Outlook Indicator is a leading indicator of world trade, designed to provide 'real time' information on the trajectory of merchandise trade three to four months ahead of trade volume statistics.

Figure 24: South Africa's exports, imports and trade balance (Quarter 1, 2014 to Quarter 4, 2016)[17]



Values in ZAR bn	Q1-'14	Q2-'14	Q3-'14	Q4-'14	Q1-'15	Q2-'15	Q3-'15	Q4-'15	Q1-'16	Q2-'16	Q3-'16	Q4-'16
Exports	237	231	248	253	231	253	263	258	247	293	275	272
Imports	268	255	280	280	267	255	285	281	273	271	281	274
Trade balance	-31	-24	-31	-27	-36	-2	-22	-23	-26	22	-6	-2

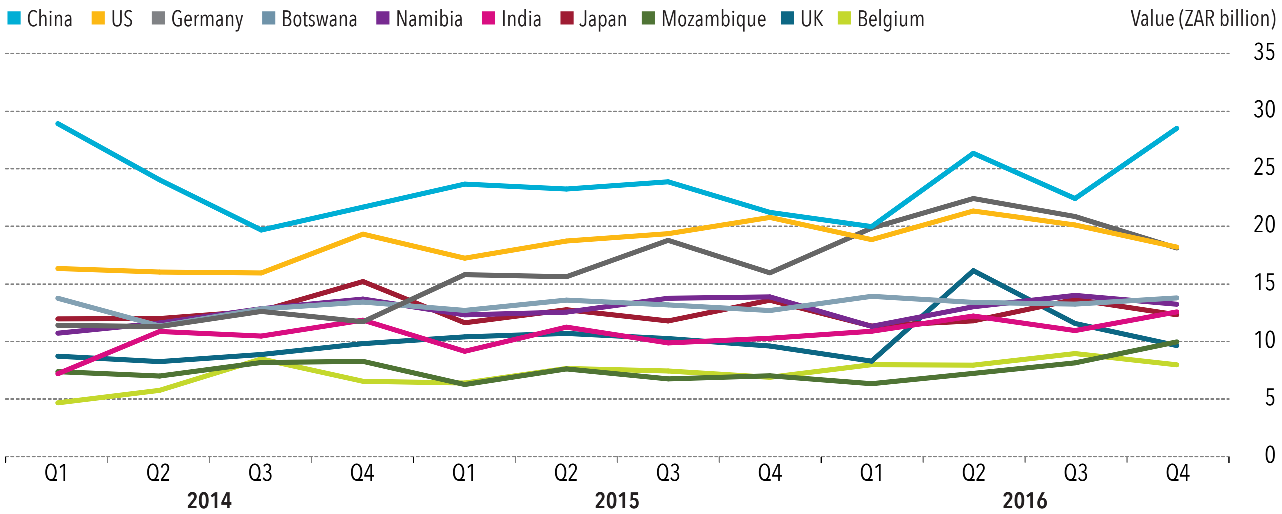
Source: Quantec, February 2017.

China was South Africa's largest export destination in the fourth quarter of 2016, with exports reaching R28,7 billion in the fourth quarter of 2016. The US was South Africa's second-largest export market, followed notably by Germany, Botswana and Namibia as the third-, fourth- and fifth-largest export markets, respectively.

Among the top 10 export markets, China, Mozambique and India were the three fastest-growing export markets for South Africa, growing by 27,2%, 22,3% and 14,9% respectively, from the third quarter of 2016 to the fourth quarter of 2016.

The demand for iron, manganese, chromium, ferro-alloys, wool, niobium, tantalum, vanadium or zirconium and chemical wood pulp drove South Africa's exports to China. Exports to Mozambique were stimulated by increased demand for chromium, ferro-alloys, electrical energy, copper, refined petroleum oils and other oils obtained from bituminous minerals, coal, electrical transformers and motor vehicles for the transport of goods. South Africa's exports to India increased due to growth in demand

Figure 25: South Africa's export markets (Quarter 1, 2014 to Quarter 4, 2016)



Values in ZAR bn	Q1-'14	Q2-'14	Q3-'14	Q4-'14	Q1-'15	Q2-'15	Q3-'15	Q4-'15	Q1-'16	Q2-'16	Q3-'16	Q4-'16
China	29,09	24,18	19,80	21,80	23,81	23,38	24,01	21,34	20,10	26,50	22,55	28,68
US	16,44	16,13	16,05	19,44	17,34	18,84	19,48	20,90	18,96	21,46	20,24	18,31
Germany	11,48	11,37	12,69	11,79	15,90	15,72	18,90	16,06	19,97	22,55	20,98	18,23
Botswana	13,84	11,42	12,91	13,51	12,78	13,68	13,26	12,77	14,01	13,48	13,33	13,87
Namibia	10,79	11,68	12,93	13,77	12,39	12,63	13,84	13,96	11,39	13,10	14,09	13,32
India	7,25	10,94	10,54	11,93	9,21	11,32	9,94	10,35	10,96	12,29	11,02	12,65
Japan	12,04	12,07	12,74	15,30	11,70	12,84	11,86	13,67	11,41	11,87	13,74	12,40
Mozambique	7,43	7,05	8,23	8,33	6,31	7,67	6,80	7,07	6,38	7,28	8,20	10,03
UK	8,78	8,31	8,93	9,88	10,47	10,77	10,32	9,67	8,35	16,25	11,64	9,71
Belgium	4,71	5,80	8,54	6,59	6,44	7,71	7,49	6,94	8,04	8,00	9,01	8,03

Source: Quantec, February 2017.

17. Please note that the trade figures in this edition may differ from previous editions as the values may have been adjusted for any previous errors as well as additional delayed country information.

Among the top 10 export markets, China, Mozambique and India were the three fastest-growing export markets for South Africa.

for coal, iron, manganese and chemical wood pulp and park-ignition reciprocating.

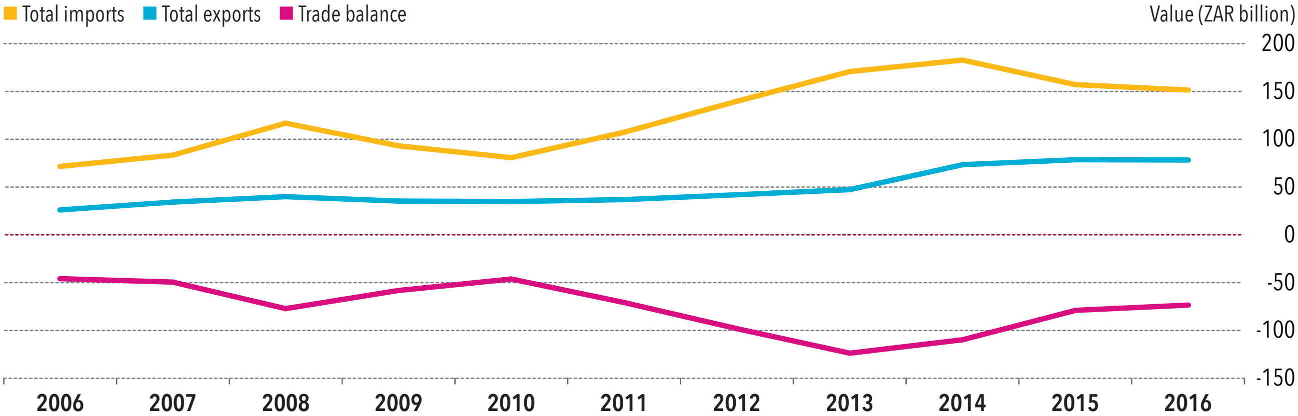
African markets appeared prominently among South Africa's top 10 export markets in the fourth quarter of 2016. Botswana, Namibia and Mozambique were South Africa's top export markets in Africa. Africa was the second fastest region for South Africa's exports growing by 4% from the third quarter of 2016 to the fourth quarter of 2016, behind Asia which grew by 10,7%. The SADC, excluding SACU, was the fastest growing African region for South Africa's exports growing by 9,9% from the third quarter of 2016 to the fourth quarter of 2016. This was followed by West Africa that grew by 6,0% and East Africa at 2,3%. Exports to Middle Africa, North Africa and SACU, excluding South Africa, decreased by 13,1%, 9% and 0,3% respectively in the period of analysis.

Cape Town global trade

Cape Town's exports have shown strong and consistent growth over the past 10 years reaching R78,7 billion in 2016 and growing by an average annual growth rate of 12,9% between 2007 and 2016. It is encouraging to see that imports have slowed down to 3,6% growth during 2016. This can be attributed to the lower fuel prices experienced globally. The slightly larger decrease in imports compared to exports has resulted in a decrease in the trade deficit by R5,5 billion between 2015 and 2016.

Africa was Cape Town's largest export region in 2016, accounting for 43,4% of the city's global exports, followed by Europe with a share of 24,2%. African markets appear prominently among Cape Town's export markets with five of the top 10 markets coming from Africa. Namibia was Cape Town's top export market in 2016, valued at R9,5 billion and accounting for 12% of all exports. Other top export markets were Botswana, the US and the UK. Mozambique was the fastest growing export market,

Figure 26: Cape Town trade (2006 to 2016)



Values in ZAR bn	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports	26,4	34,6	40,3	35,7	35,2	37,2	42,3	47,7	73,8	79,0	78,7
Imports	72,0	83,8	117,3	93,6	81,2	107,8	140,3	171,4	183,4	157,7	152,0
Trade balance	-45,6	-49,2	-77,0	-58,0	-46,0	-70,6	-98,0	-123,7	-109,6	-78,8	-73,3

Source: Quantec, February 2017.

Table 5: Top 10 export and import markets for Cape Town (2016)

	Top 10 Cape Town export markets, 2016			Top 10 Cape Town import markets, 2016		
Rank	Market	Value 2016 (Rbn)	% growth 2015-16	Market	Value 2016 (Rbn)	% growth 2015-16
1	Namibia	9,47	-3,04%	China	31,86	8,86%
2	Botswana	5,87	1,36%	Saudi Arabia	14,77	26,91%
3	US	5,44	17,97%	Angola	9,48	-13,20%
4	UK	4,14	3,41%	India	9,00	-44,28%
5	Netherlands	3,65	1,50%	Nigeria	6,92	57,53%
6	Mozambique	2,74	68,44%	United Arab Emirates	6,61	14,60%
7	Germany	2,71	-7,75%	Germany	6,40	17,30%
8	China	2,12	14,75%	United Kingdom	6,35	-10,01%
9	Lesotho	2,04	6,94%	United States	5,66	0,38%
10	Zambia	1,98	-0,45%	Italy	4,27	-17,63%
TOTAL		**78,73**	**-0,29%**		**152,00**	**-3,63%**

Source: Quantec, February 2017.

among the top 10 with 68% growth between 2015 and 2016, followed by the US and China with growth of 18% and 14,8% respectively.

Asia was the largest import region for Cape Town accounting for 53% of all global imports. This demand was dominated by China with imports amounting to R31,86 billion in 2016, having increased by 9% from its 2015 level.

Cape Town's largest export remains petroleum oils and oils obtained from bituminous minerals (refined petroleum preparations) at R13,9 billion. This product experienced a decline in its export value due to the decline in oil prices experienced during 2014. Citrus fruit exports reached R4,9 billion with exports of this product growing by 0,7% in 2016. Notable growth in exports was demonstrated by products such as fish fillets and other fish meat (30,4%), frozen fish, excluding fish fillets (24,1%) as well as beauty or make-up preparations (21,1%).

Cape Town imported R40 billion in crude petroleum oils in 2016 and this import product experienced an increase of 11,8%. This was followed by refined petroleum oils and oils obtained from bituminous minerals valued at R16,5 billion.

Table 6: Top 10 export and import products for Cape Town (2016)

	Top 10 exports from Cape Town, 2016			Top 10 imports to Cape Town, 2016		
Rank	Product	Value 2016 (ZAR m)	% growth 2015-16	Product	Value 2016 (ZAR m)	% growth 2015-16
1	Refined petroleum oils and oils obtained from bituminous minerals	13,89	-22,20%	Crude petroleum oils and oils obtained from bituminous minerals	39,57	11,78%
2	Citrus fruit	4,85	0,74%	Refined petroleum oils and oils obtained from bituminous minerals	16,45	-42,14%
3	Fresh apples, pears and quinces	3,71	15,55%	Electric generating sets and rotary converters	3,64	39,37%
4	Fresh or dried grapes	2,93	3,73%	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80%; spirits, liqueurs and other spirituous beverages	2,09	-4,04%
5	Cigars and cigarettes	1,82	-1,03%	Diodes, transistors and similar semiconductor devices photosensitive semiconductor devices	1,92	-18,38%
6	Fish fillets and other fish meat	1,62	30,37%	Other footwear with outer soles and uppers of rubber or plastics	1,85	1,08%
7	Yachts and other vessels for pleasure or sports; rowing boats and canoes	1,54	18,16%	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts	1,59	3,40%
8	Beauty or make-up preparations and preparations for the care of the skin	1,50	21,01%	T-shirts, singlets and other vests, knitted or crocheted	1,54	10,16%
9	Frozen fish, excluding fish fillets	1,45	24,13%	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts	1,41	20,44%
10	Engine parts	1,35	-17,27%	Frozen fish, excluding fish fillets	1,40	32,74%
TOTAL		**78,73**	**-0,29%**		**152,00**	**-3,63%**

Source: Quantec, February 2017.

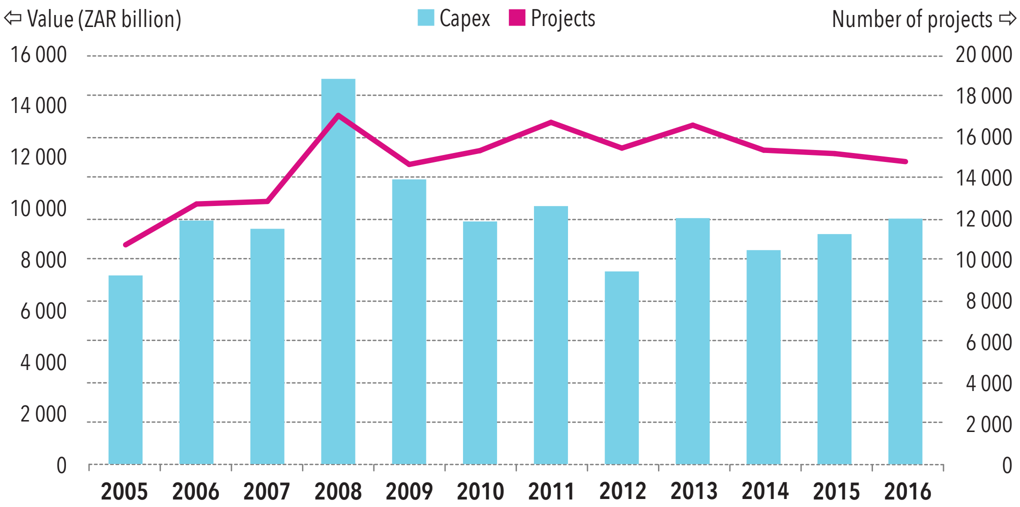
INVESTMENT[18]

> **Over the period 2004 to 2016 both capex and projects grew by an annual average growth rate of 3,6% and 4,2% respectively.**

Global foreign direct investment (FDI)

Global foreign direct investment (FDI) grew by 6,7% (in capex terms) between 2015 and 2016 to reach R9,7 trillion. Project numbers declined by 2,6% between 2015 and 2016 with 395 fewer projects than the previous year. Over the period 2004 to 2016 both capex and projects grew by an annual average growth rate of 3,6% and 4,2% respectively. Over the past three years, the trend line for projects indicates that the number of investments taking place globally is beginning to decrease, however, capex values over the past few years have indicated that the FDI projects are of a greater value. Nevertheless, neither capex nor projects have recovered to their 2011 values (*Financial Times*, 2017).

Figure 27: Global FDI (2005 to 2016)[19]



Values in ZAR bn	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capex	7 440	9 606	9 282	15 200	11 234	9 574	10 181	7 604	9 708	8 446	9 080	9 691
Projects	10 810	12 825	12 952	17 194	14 779	15 464	16 857	15 588	16 720	15 489	15 321	14 926

Source: Financial Times, *February 2017.*

Global FDI reached R2,1 trillion in the fourth quarter of 2016. In terms of projects, there were 3 336 projects recorded in the fourth quarter of 2016. The US was the largest global source market for FDI in terms of the number of projects (661 investment projects), followed by Germany, the UK and France with 343, 271 and 245 investment projects respectively. China was the largest global source market by capex value (R424 billion) in the fourth quarter of 2016.

The top sub-sectors globally for FDI (in terms of projects) in the fourth quarter of 2016 were clothing and clothing accessories with a 9,3% share of total projects, followed by software publishers, except video games at 7,1% and freight or distribution services at 3,1%. In terms of capex value, the real estate sector (with 24,8%), renewable energy (8,5%) and coal, oil and natural gas (6,1%) received the bulk.

18. Investment in this section is defined as cross-border greenfield investments in a new physical project or expansion of an existing investment which creates new jobs and capital investment. Joint ventures are only included where they lead to a new physical operation. Mergers and acquisitions (M&A) and other equity investments are not tracked (FDI markets, 2017).
19. Please note that global FDI figures in this edition may differ from previous editions as the values may have been adjusted for any previous errors as well as exchange rate fluctuations.

Cape Town foreign direct investment (FDI)

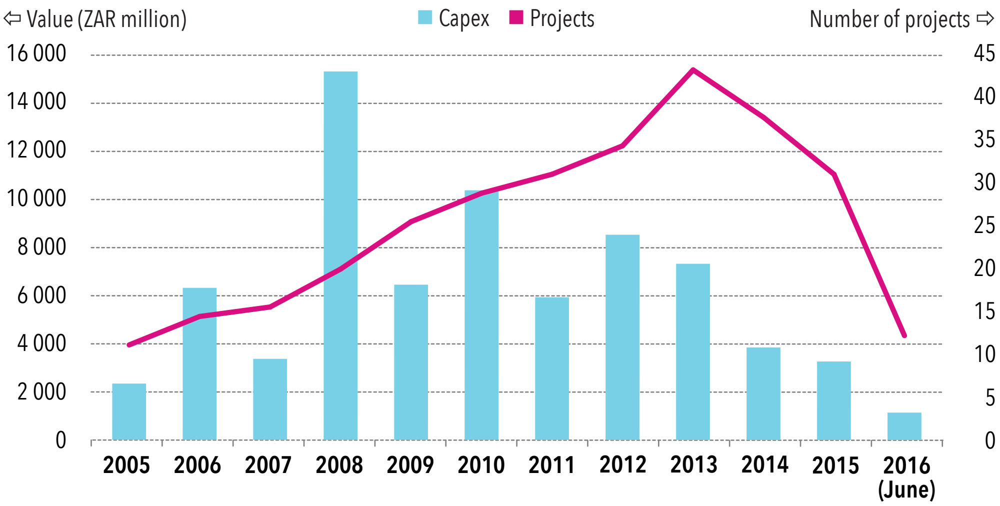
FDI flows into Cape Town in terms of capital investment have not recovered to the precrisis levels attained in 2008. The number of FDI projects received into Cape Town increased from 11 projects in 2003 to 28 projects in 2015. Although projects decreased in 2014 and 2015, relative to 2012 and 2013, they have remained above the precrisis levels attained in 2008.

From January to June 2016, Cape Town attracted 11 investment projects worth R1, 012 million. The sectors attracting FDI in Cape Town are business services, financial services, aerospace, chemicals, communications, industrial machinery, equipment and tools, pharmaceuticals, and software and IT services.

Five of the 11 investments in the first half of 2016, with a combined value of R400 million, were made by UK firms. The largest capital investment was from Johnson & Johnson from the US with an investment valued at R208 million. The second largest investment of R129 million was by Nomura Holdings from Japan. According to Nomura's Jonathan Lewis, head (EMEA), 'South Africa is a key economic hub on the African continent and global investors and corporates are increasing investment in the region' (*Financial Times*, 2017). The most recent investment was made by NSSL Global from Norway. According to Peter Crafter, Director of Sales at NSSL Global, 'With good infrastructure and easy access to the surrounding regions, Cape Town provides a perfect base to help local sub-Saharan African business to tackle their communication challenges and create better growth prospects' (ibid).

The sectors attracting FDI in Cape Town are business services, financial services, aerospace, chemicals, communications, industrial machinery, equipment and tools, pharmaceuticals, and software and IT services.

Figure 28: Foreign direct investment (FDI) flows into Cape Town (2005 to June 2016)



Values in ZAR m	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
• Capex	2 074	5 605	2 987	13 588	5 725	9 207	5 263	7 569	6 499	3 414	2 895	1 012
• Projects	10	13	14	18	23	26	28	31	39	34	28	11

Source: Financial Times, *February 2017.*

Investment facilitation

Between October and December 2016, Wesgro facilitated one new investment project into Cape Town worth an estimated R50 million into the real estate sector.

7

IMAGE COURTESY OF JACK BLACK'S BREWING COMPANY

Sector focus: Food and beverage manufacturing

The food and beverage industry is one of the few manufacturing industries in which Cape Town has a positive trade balance and is a very important earner of foreign exchange for the city. Recent growth in the industry's exports provides reason to believe that the sector is well placed to realise the opportunities presented by growing demand for food and beverage products on the continent.


5 6

IMAGE BY BRUCE SUTHERLAND, COURTESY OF PENINSULA BEVERAGE COMPANY

There are few product categories that can be certain of continued demand in the foreseeable future. Technological and process improvements have seen demand decline for certain minerals and fossil fuels in the past few decades. The same cannot be said of food and beverage products, which are considered essential and are expected to experience sustained demand growth as long as populations increase and incomes rise. This positive outlook is particularly pronounced in Africa where relatively rapid population growth, coupled with a growing middle class, fuels demand for an increasing volume and diversity of food and beverage products. Subsistence farming and local commercial production is no longer sufficient in many developing nations (especially in Africa) to cater for the growing tastes and preferences of consumers. These changing tastes and preferences often favour more value-added food and beverage products, which require complex manufacturing processes. This shortfall must be filled by imports from countries and regions which have well-developed, sophisticated food processing and beverage manufacturing capacity.

Cape Town is an established hub for food and beverage manufacturing, boasting some of the country's largest companies in the sector. The city's proximity to a vast and productive agricultural hinterland with distinctive agricultural yields (including grapes, deciduous fruits and ostriches), its large international port, a growing consumer population and a relatively strong skills base, makes it a very competitive location in which to base food and beverage manufacturing operations. The industry is one of the few manufacturing industries in which Cape Town has a positive trade balance and is a very important earner of foreign exchange for the city. Recent growth in food and beverage exports provides reason to believe that the sector is well placed to realise the opportunities presented by growing demand for food and beverage products on the continent.

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THE NATURE AND SCOPE OF THE INDUSTRY IN CAPE TOWN

The value chain for food and beverage products is extensive, linking agricultural producers of intermediate goods, agricultural producers of final goods, processers, value-added manufacturers, storage and refrigeration solution providers, logistics companies and retailers. This value chain branches across primary, secondary and tertiary activities. While the agricultural sector is important to Cape Town's economy, its direct contribution is very low. As such the focus of this chapter is on the manufacturing component of the food and beverage value chain[20]. The manufacturing

20. It is assumed that the retail and logistics sectors are endogenously determined by consumer demand within the city.

IMAGE COURTESY OF JACK BLACK'S BREWING COMPANY

of food and beverage products is often described as agro-processing or agri-processing. Agro-processing is defined by the Food and Agricultural Organisation (1997) as:

'a subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agro-processing thus means transforming products originating from agriculture, forestry and fisheries.'

Subsequent definitions have also introduced the concept of 'post-harvest activities' to distinguish agro-processing from activities taking place as part of the primary production process (Partridge and Pienaar, 2015). However, these definitions are still too broad for the purposes of this chapter as they implicitly include clothing and textiles, leather products, rubber and wood manufacturing. Unlike agro-processing, food and beverage manufacturing is specified here to only include products that can be ingested, so it excludes clothing and textiles and the various other manufacturing activities associated with transforming agricultural output for purposes other than eating or drinking. As indicated in table 7 (overleaf), the city produces a wide range of food and beverage products. Unlike other manufacturing industries in Cape Town, especially the oil and gas industry, food and beverage manufacturing is highly diverse and a multitude of industry classifications are represented.

Competitive clusters lie in:

- The manufacture of spice and saucing products – Innovative companies such as Freddy Hirsch and popular brands such as Ina Paarman form part of a strong cluster of spice and saucing companies in Cape Town.
- The processing of fish products – Because of the deep sea fish stocks off Cape Town's coast, made accessible by the City's port and harbour, the country's three largest seafood companies have their headquarters and main production facilities here.
- The manufacture of grain mill products (especially cereals) – Atlantis is home to one of only three wheat biscuit factories (Bokomo) in the world.
- Beer brewing – South African Breweries (SAB) has a major production facility in Newlands but it is in the area of craft beer production that Cape Town really stands out, being home to two of the largest craft beer companies in the country, Jack Black's Brewing Company and Devil's Peak Brewing Company.
- Soft drink production – one of only two license holders for the bottling and distribution of Coca-Cola products in South Africa is based in Cape Town, as well as a number of newer high-growth soft-drink producers (including Twizza, Jive and Coo-ee), and the well-established fruit juice manufacturers under the Pioneer Group and Quality Beverages.

South African Breweries (SAB) has a major production facility in Newlands but it is in the area of craft beer production that Cape Town really stands out, being home to two of the largest craft beer companies in the country, Jack Black's Brewing Company and Devil's Peak Brewing Company.

IMAGE BY BRUCE SUTHERLAND, COURTESY OF PENINSULA BEVERAGE COMPANY

Table 7: Classification of food and beverage businesses in Cape Town

	Main division	Sub-divisions	Cape Town companies	Examples of products in Cape Town
FOOD	101 Processing and preserving of meat	1010 Processing and preserving of meat	• Anchor Foods • Excellent Meat • Klein Karoo • Frankie Fenner	Burger patties, sausages, braaiwors, cured meat, venison
	102 Processing and preserving of fish	1020 Processing and preserving of fish	• Sea Harvest • Oceana Group • I&J	Fresh fish (especially hake), value-added fish products (including nuggets and fish fingers), shellfish and other seafood
	103 Processing and preserving of fruit and vegetables	1030 Processing and preserving of fruits and vegetables	• Del Monte Foods • Associated Food Processors • Argana	Canned vegetables and fruits, fruit juices, squashes, concentrates, fruit preparations/puree, flavoured syrups
	104 Manufacture of vegetable and animal oils	1040 Manufacture of vegetable and animal oils	• Soill The Home of B-well • BM Food Manufacturers	Sunflower oil, olive oil, pesto
	105 Manufacture of dairy products	1050 Manufacture of dairy products	• Fair Cape Dairies • Clover • Dairy Belle • Gatti's ice cream	Milk, cream, yoghurt, ice cream
	106 Manufacture of grain mill products	1061 Manufacture of grain mill products	• Bokomo • Sasko Grain • Pioneer Food Group • Alpen Food Company	Cereals, muesli, maize meal, rice, whole grain flakes, nutrific cereals, biscuits
		1062 Manufacture of food starches	• Tongaat Hulett • Alibaba Foods • Tiger Brands	Halaal products, rotis
	107 Manufacture of other food products ans starches	1071 Manufacture of bakery products	• Albany Bread • Cape Cookies • Golden Crust	Bread, biscuits, cakes
		1073 Manufacture of chocolate, cocoa and confectionery	• Honest Chocolate • Cocoa Fair	Artisanal chocoloate
		1074 Manufacture of macaroni, nood les and similar fairnaceous products	• Pasta Factory • Heinz Foods	Pasta, frozen dough, pies
		1079 Manufacture of spices	• Freddie Hirsch • Zemcor • Exim International • Cape Herbs and Spices • Ina Paarman	Herbs and spices, basting sauces, seasoning products
	108 Manufacture of prepared animal feeds	1080 Manufacture of prepared animal feeds	• Promeal • Royal Canin	Conventional and gourmet cat and dog food, livestock feed
BEVERAGES	110 Manufacturing of beverages	1102 Manufacture of wines	• Durbanville Hills • Groot Constantia • Orange River Cellars	Wine including fortified wine
		1103 Manufacture of malt liquors and malt	• SAB Miller • Jack Black's • Devil's Peak	Mainstream and craft beer
		1104 Manufacture of soft drinks	• Twizza • Peninsula Beverages • Real Beverage Company • Quality Beverages • Pioneer Group	Soft drinks, fruit juices (Ceres, Liquifruit)

Source: Own compilation

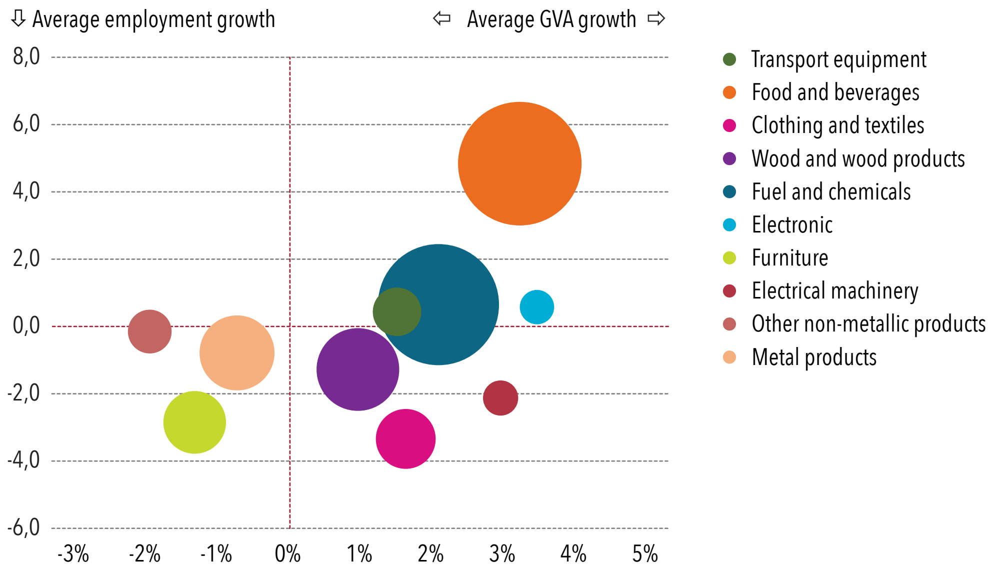
Cape Town food and beverage companies tend to be clustered around the downstream (more value-added) components of the manufacturing value chain. Time-sensitive manufacturing activities, which involve fresh produce (with the exception of seafood processing), typically take place outside the city. Key food and beverage clusters that are not well represented in the city include sugar production, distillation of spirits, potato chip processing, and the canning of fruit and vegetables. While Cape Town, like any large city, has a number of meat processors, the province in which it is situated only contributes 4% of total beef production in the country (WC DEDAT, 2016). In contrast, while the Western Cape accounts for almost all of the wine production in the country, Cape Town itself is not a major producer in relation to the surrounding municipalities.

Cape Town food and beverage companies tend to be clustered around the downstream (more value-added) components of the manufacturing value chain. Time-sensitive manufacturing activities, which involve fresh produce (with the exception of seafood processing), typically take place outside the city.

Cape Town's manufacturing powerhouse

Food and beverage manufacturing is the largest of Cape Town's manufacturing industries, contributing 4% of Cape Town's GVA and 3,8% of its formal employment. The industry has a metro location quotient of 1,46, meaning that it is relatively more important to Cape Town's economy than it is to other metros and can thus be considered a comparative advantage industry for the city. Figure 29 provides a comparative analysis of the various manufacturing industries in Cape Town. In addition to food and beverage manufacturing being the largest manufacturing sector by output, it also recorded the highest growth rates in GVA (3,0%) and employment (4,9%) over a 10-year period. The industry's employment growth rate was particularly impressive given that, on average, other manufacturing industries shed jobs at a rate of -1,44%.

Figure 29: A comparison of the performance of Cape Town's manufacturing industries (2005 to 2015)



Source: IHS Global Insight, 2017.

Size of bubble = gross value added 2015

The food and beverage industry's employment growth rate of 9,8% in the recession of 2008–2010 is a testament to the resilience of the industry.

Recent economic performance

The food and beverage industry's employment growth rate of 9,8% in the recession period (2008–2010) is a testament to the resilience of the industry and the confidence of business owners in general who, despite low output growth, expanded labour capacity in anticipation of the strong post-recession recovery in food and beverage prices. Since the recession, output growth has stabilised and is gradually gaining momentum but employment growth, positive for eight consecutive years, seems to be slowing.

More recent national data from the Industrial Development Corporation (IDC, 2017) reveals an increase of 0,4% in food production and 0,5% in beverage production in the first half of 2016. Employment in the second quarter of 2016 grew strongly at 6,1% (year on year) in food manufacturing but decreased by -1,2% in beverages. The latter decline may be related to a 9,5% increase in gross monthly remuneration per worker. Income from restaurants, coffee shops, takeaway outlets and catering services increased by 0,4% between 2015 and 2016. This is in line with the slowing domestic economy during this period. However, manufacturing activities that focus on export markets can circumnavigate the troubled waters of the struggling domestic economy.

Figure 30: Employment levels and GVA growth in the food and beverage industry (2006 to 2015)

Source: IHS Global Insight, 2017.

IMAGE BY BRUCE SUTHERLAND, COURTESY OF THE OCEANA GROUP

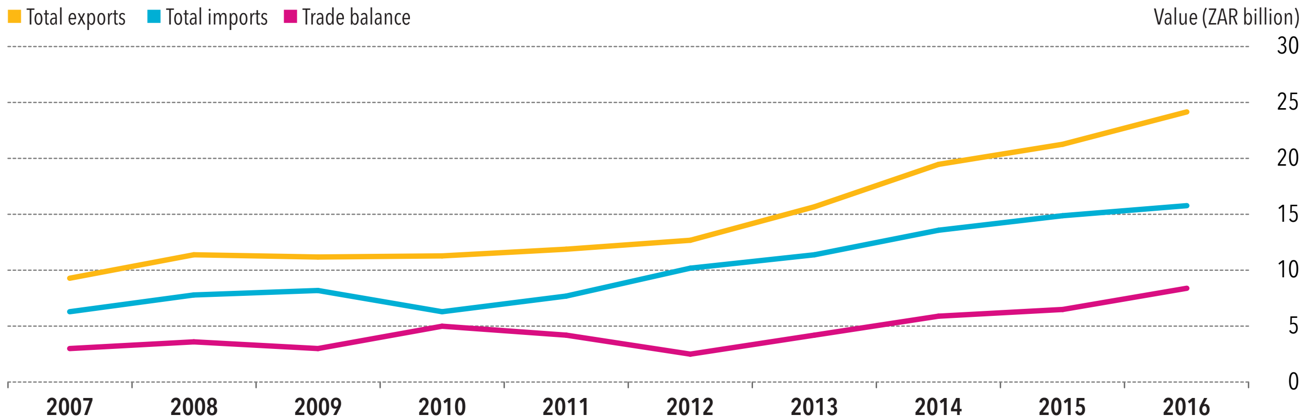
Promising export growth

As indicated in figure 31, the past five years have seen strong growth in the export of food and beverage products – averaging 15,5%. In conjunction with slower growth in the import of food and beverage products, this has resulted in the city achieving an R8,4 billion trade surplus in food and beverage trade in 2016. However, some caution is needed with these statistics. Firstly, the trade data does not neatly distinguish between manufactured products and primary agricultural products and as such includes the export of products such as fresh fruits. Secondly, although Cape Town is primarily a hub for food and beverage manufacturing as opposed to primary production, the way the trade data is recorded by the South African Revenue Service (SARS) means that export products emanating from surrounding agricultural areas but exported through the Port of Cape Town can mistakenly be attributed to Cape Town's economy. As such, the large export of fruit and vegetable products may also be picking up agricultural production from surrounding areas.

In terms of the downstream products that the food and beverage industry in Cape Town is best known for, beverage exports grew by 21% between 2015 and 2016 and fish exports, the vast majority of which are processed in Cape Town, grew by 22,7%. Cape Town's largest export market for fish products is Europe which is also Cape Town's largest export market overall.

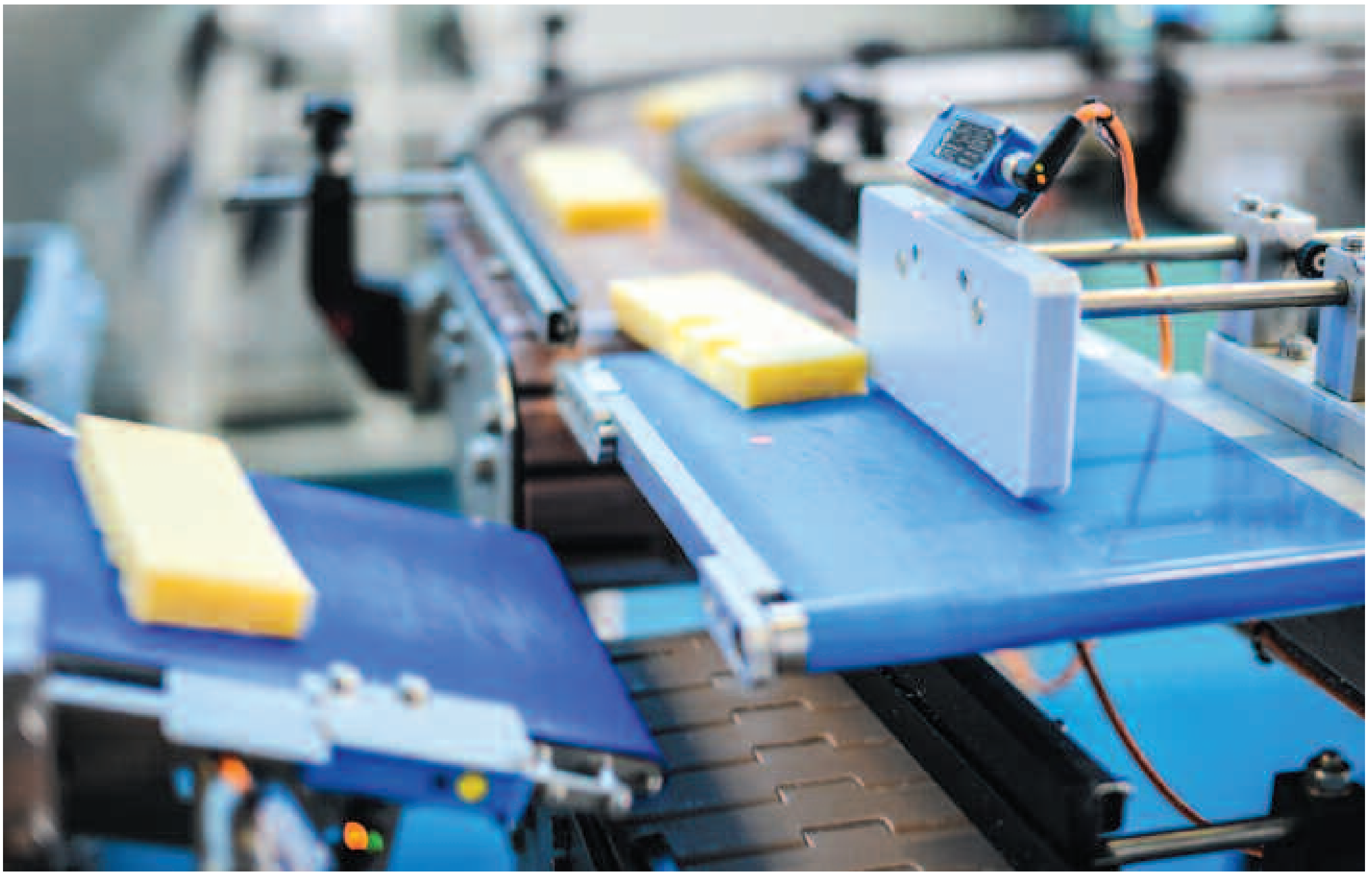
The past five years have seen strong growth in the export of food and beverage products – averaging 15,5% – resulting in an R8,4 billion food and beverage trade surplus in 2016.

Figure 31: Cape Town's food and beverage trade performance (2007 to 2016)



Values in ZAR bn	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
• Imports	6,3	7,8	8,2	6,3	7,7	10,2	11,4	13,6	14,9	15,8
• Exports	9,3	11,4	11,2	11,3	11,9	12,7	15,7	19,5	21,3	24,2
• Trade balance	3,0	3,6	3,0	5,0	4,2	2,5	4,2	5,9	6,5	8,4

Source: Quantec Easy Data, 2017.

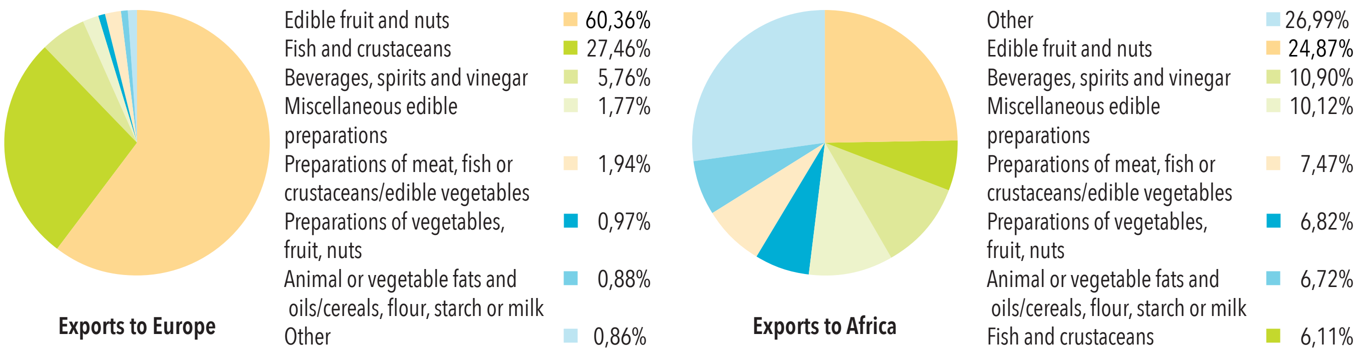


Exports to Africa reflect strong representation in beverages, cereals and other food products, prominent among which are dairy products, oils and spices, all of which tend to have a greater value-added component.

While strong export growth has been seen in the European market (16,8%) in the last year, some of the greatest long-term potential lies within developing markets. Euromonitor (2015) states, '531 emerging cities will account for nearly 30% of global growth in the food and non-alcoholic beverages category between 2015 and 2016. Shanghai, Jakarta, Beijing, Manila, Tianjin and Lagos will constitute the prime growth markets.' The export opportunities for Cape Town in developing countries will often be markedly different from those in developed countries. Figure 32 compares the composition of Cape Town's total food and beverage exports to Africa and Europe.

Exports to Europe tend to be heavily composed of fresh, minimally transformed products, prominent among which is fruit and nuts and fish. Exports to Africa, in contrast, reflect a far more diverse export basket, with stronger representation in beverages, cereals and other food products, prominent among which are dairy products, oils and spices, all of which tend to have a greater value-added component. The implication of this comparison is that Cape Town could improve its terms of trade by aiming to grow more exports into Africa.

Figure 32: A comparison of Cape Town's food and beverage exports to Europe and Africa



Source: Quantec, 2017.

Specific opportunities identified by food and beverage manufacturers in Cape Town

Notwithstanding the weak economic climate, incomes are steadily rising in Cape Town and Africa more broadly. Off a low-income base this leads to greater spend on higher volumes of food and a shift toward more processed products, while off a high-income base it leads to greater demand for healthier, whole foods. Companies that can position themselves either to serve a growing low-income consumer base or take advantage of higher income trends are best placed to achieve growth.

IMAGE BY BRUCE SUTHERLAND, COURTESY OF THE OCEANA GROUP

Opportunities include:

- Manufacturing for niche markets – This includes the halal segment which has been identified by provincial government through Project Khulisa as a major growth market and for which a halal food park is being planned.
- High-end 'craft' goods – Increasingly informed consumers are shifting from large commercial producers and processors to smaller scale alternative producers. Cape Town is in an excellent position to leverage its reputation, already established in the artisanal chocolate and craft beer industries, and its entrepreneurial nous to position itself as the primary 'craft' and whole food production hub in the country.
- Hake exports (white gold) – Europe's depleted hake stocks have sent the global price of hake skyrocketing and companies like Oceana, I&J and Sea Harvest are capitalising on the resulting insatiable demand for exported hake.
- E-commerce – Linking with Cape Town's numerous e-commerce companies to provide dynamic logistics solutions for the retail of food and beverage products, including the delivery of high-quality, ready-made meals.

Europe's depleted hake stocks have sent the global price of hake skyrocketing and companies like Oceana, I&J and Sea Harvest are capitalising on the resulting insatiable demand for exported hake.

Constraints identified by food and beverage manufacturers in Cape Town

- The imminent 2020 revision of the fishing quota and diminishing total allowable catches due to stock depletions – This has unsettled a number of the big players in the fishing industry who are afraid that their 'takes' will be reduced at a time when they are struggling to meet the booming European demand. Supply constraints could be addressed by the development of increased aquaculture capacity, which could be considered another opportunity for the industry.
- Broiler chicken dumping – The South African Poultry Association (2017) statistics show a sustained decline in chicken production around the country, something that is directly linked to the dumping of uncompetitively priced broiler chicken on South African markets by the US and Brazil.
- Extreme climatic conditions – Food and beverage manufacturers are affected by climate change in two ways. They rely on agricultural products (including crop yields and livestock) as intermediate inputs into their production processes and then directly consume water during these processes. The current shortage of water and associated tariff increases hinder expansion in food and beverage manufacturing in the city.
- High import duties on intermediate products not found in South Africa – This includes durum wheat used by Cape Town companies to make pasta, and malt used by brewers to make beer.
- Transportation – A number of food and beverage companies in Cape Town incorporate downstream elements of the value chain and are responsible for the distribution of their products. High levels of congestion in the city can lead to serious delivery delays and thereby reduce logistical efficiency.
- Sugar tax – This is seen as a major concern by the city's beverage producers.
- Lack of sufficient food testing labs and refrigeration facilities – This hampers the development of new, innovative products.

8

Infrastructure

Cape Town is home to South Africa's second-busiest airport as well as its second-busiest container-handling port, and is connected to the rest of the country by two major highways and an extensive railway network. These crucial transport infrastructure assets enable Cape Town to act as a gateway to South Africa, and to the west coast of Africa more broadly.

Cape Town is often promoted as the gateway to South Africa, and to Africa more generally. This status is in part historically derived from the use of Cape Town as a refreshment station for ships embarking on long voyages to the East, but is currently sustained by the quality of the transport infrastructure that exists within the city, ensuring that it is globally and locally well connected. Cape Town is home to South Africa's second-busiest airport as well as the second-busiest container port in the country. The city also benefits from two major national highways connecting it to the rest of the country as well as an extensive rail network. This section provides statistics relating to the performance of these crucial transport infrastructure facilities on a quarterly basis.

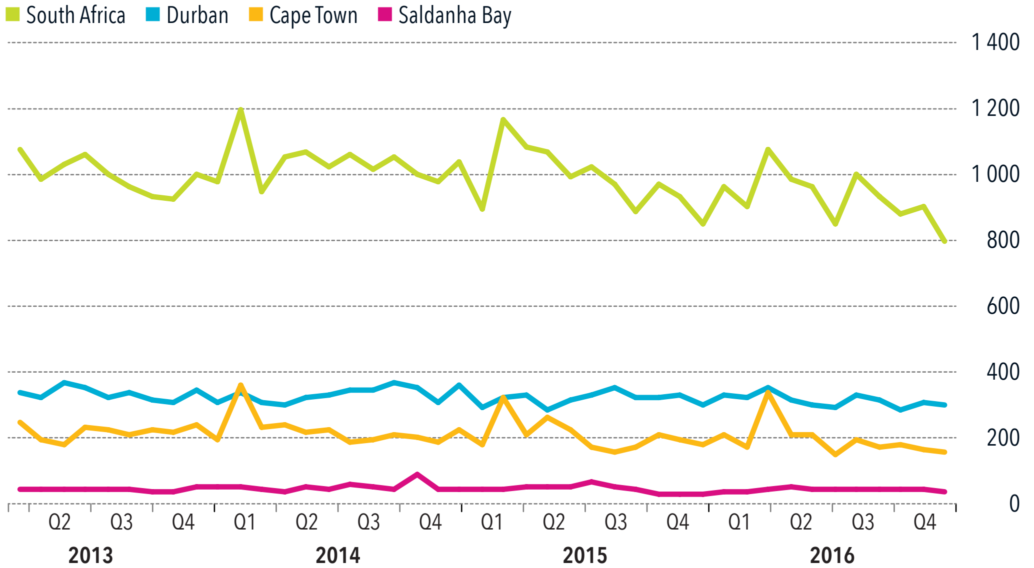
CAPE TOWN PORT MOVEMENTS

Volume of vessels

The total volume of vessels arriving in South African ports decreased by 216 vessels from 2 789 in the third quarter of 2016 to 2 573 in the fourth quarter of 2016. The Port of Cape Town's overall contribution to the total number of vessel arrivals in South Africa in the fourth quarter of 2016 was 496 vessels – representing a decrease on the previous quarter's figure of 517 vessels. This meant the Port of Cape Town accounted for 19% of total vessels in the fourth quarter of 2016, down from its 21% contribution in the fourth quarter of 2015. On a year-on-year basis, vessel arrivals in Cape Town in the fourth quarter of 2016 decreased by 84 vessels. The Port of Saldanha, the closest to the Port of Cape Town, sees far fewer vessel arrivals per month (averaging 48 vessels per month over the fourth quarter of 2016), as it currently focuses on the shipment of bulk cargo, predominantly steel and iron ore, and does not have container-handling facilities, which limits the volume of vessels utilising the port. The average tonnage per vessel handled at Saldanha, however, is substantially higher than at Cape Town. On average, the Port of Durban has more vessel movements than Cape Town, the exception usually being in the peak fishing month of April although Durban had 19 more vessel movements than Cape Town in April 2016.

The Port of Cape Town's overall contribution to the total number of vessel arrivals in the fourth quarter of 2016 was 496 vessels.

Figure 33: Total number of vessels (March 2013 to December 2016)



Source: Transnet National Ports Authority, February 2017.

Cargo (gross tonnage) and container handling

In the fourth quarter of 2016, South African ports handled 58,9 million tonnes of cargo compared to 53,7 million in the third quarter of 2016 and 57,8 million in the fourth quarter of 2015. The Port of Cape Town experienced an increase in cargo handling, from 899 012 tonnes in the third quarter of 2016 to just over 1 million tonnes in the fourth quarter of 2016. There was a year-on-year decrease of 4,12% relative to the 1,04 million tonnes handled in the fourth quarter of 2015. Cape Town does not have extensive cargo-handling facilities, nor is it considered a cargo-handling hub (unlike the Saldanha and Richards Bay ports). Therefore, it does not have a significant impact on the national cargo-handling performance. The Port of Durban experienced a quarter-on-quarter increase in cargo handled of 9,2%, whereas the Port of Saldanha experienced a decrease of 0,4% in the fourth quarter of 2016. Year-on-year results, which are a more precise reflection of whether cargo handling has grown over time, revealed a 2,8% increase in cargo handled at the Port of Saldanha and a 0,9% decrease for the Port of Durban.

The Port of Cape Town experienced an increase in cargo handling from the third quarter of 2016 to just over 1 million tonnes in the fourth quarter.

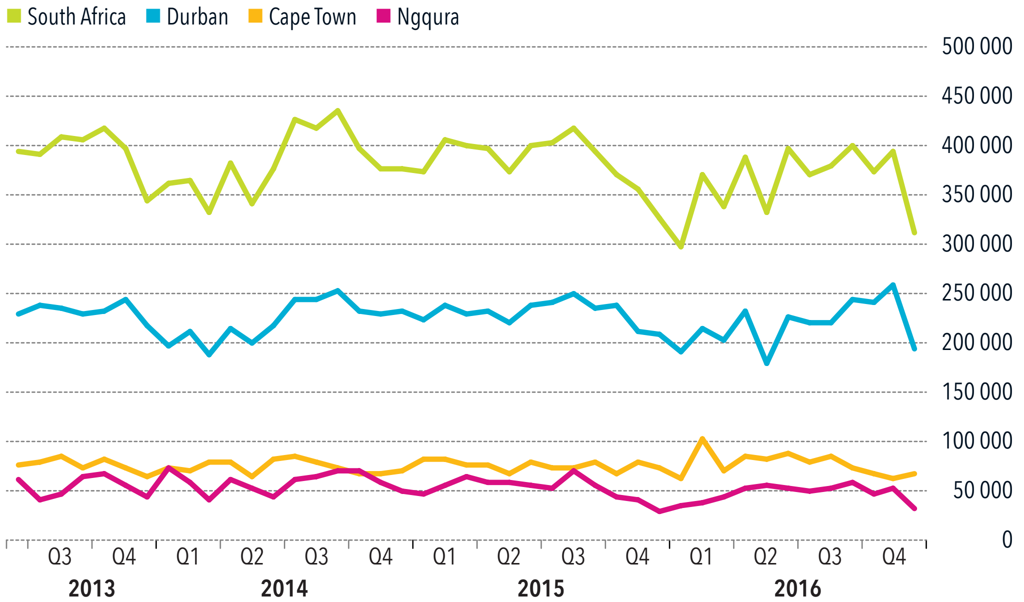
The Port of Durban is South Africa's main container-handling port and contributed more than half (64,2%) of the total containers handled in South African ports in the fourth quarter of 2016. Although the Port of Cape Town is the second-busiest

container-handling port in the country, it handles far fewer containers than Durban and accounted for only 18,5% of all containers handled in South African ports in the fourth quarter of 2016.

Container traffic is very seasonal, as figure 34 indicates, so it is more meaningful to compare total containers handled over the period of a year. The number of containers handled at the Port of Cape Town decreased from 219 852 in the fourth quarter of 2015 to 199 052 in the fourth quarter of 2016 – a decrease of 9,5%. In 2013 and 2014, the Port of Cape Town appeared to be losing ground to the Port of Ngqura in terms of container handling, as the latter port recorded a large increase in containers handled in those years. In recent years, Ngqura has slipped notably behind Cape Town with respect to container handling despite recording a year-on-year increase to 131 543 containers handled in the fourth quarter of 2016 from 115 967 in 2015. While the Port of Ngqura lags behind Cape Town in terms of the volume of containers handled, capacity constraints experienced at the Port of Cape Town mean that Ngqura could 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.

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 34: Total containers handled (TEUs[21]) (June 2013 to December 2016)



Source: Transnet National Ports Authority, February 2017.

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

CAPE TOWN AIRPORT STATISTICS

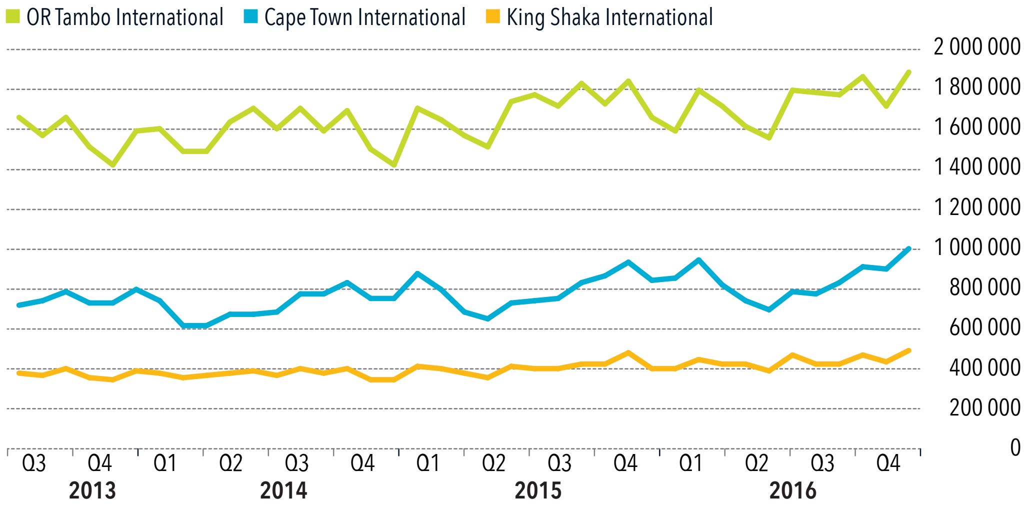
Total passenger movements

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport. It recorded 2,81 million total passenger movements in the fourth quarter of 2016 compared to 5,46 million passenger movements at OR Tambo International and 1,39 million at King Shaka International airports during the same period. Total passenger movements at Cape Town International in the fourth quarter of 2016 were higher compared to the fourth quarter of 2015, when 2,65 million passenger movements were recorded. OR Tambo International and King Shaka International also recorded increases in passenger numbers in the fourth quarter compared to the same period in the previous year.

A quick glance at figure 35 indicates a pronounced degree of seasonality in Cape Town's passenger movements, with these declining in the second quarter when the city enters its 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 erratic nature of business trends.

Total passenger movements at Cape Town International in the fourth quarter of 2016 (2,81 million) were higher compared to the fourth quarter of 2015, when 2,65 million passenger movements were recorded.

Figure 35: Total passenger movements at South Africa's major airports (June 2013 to December 2016)

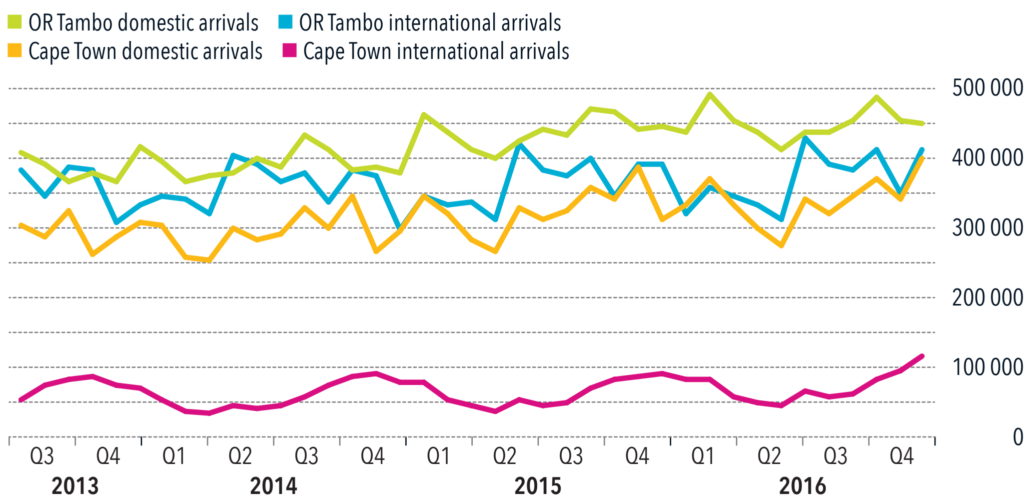


Source: ACSA, February 2017.

International versus domestic arrivals for South Africa's two busiest airports

The direct international proportion of passenger arrivals to Cape Town International for the fourth quarter of 2016 constituted 21% of the airport's total passenger arrivals. In contrast, in the same period, OR Tambo International's share of direct international arrivals constituted 45,8% of its total passenger arrivals. This reflects the fact that Airports Company South Africa (ACSA) operates OR Tambo as the international airport hub for South Africa. The figure for direct international arrivals highly underestimates total international tourist arrivals to the city, as many take advantage of the greater number

Figure 36: International and domestic passenger arrivals for Cape Town and OR Tambo International airports



Source: ACSA, February 2017.

of flight options to Johannesburg, flying to OR Tambo first and then connecting to Cape Town on a domestic flight.

Direct international arrivals to Cape Town display a greater seasonal pattern than international arrivals to Johannesburg, with the summer months of December to March being the peak period for travel to the city. Cape Town's domestic arrivals, however, show far more variation, with peaks and troughs dispersed throughout the year (clearly visible in figure 36). The total number of passenger arrivals to Cape Town International in the fourth quarter of 2016 increased by 6% year on year, with international arrivals increasing by 23%.

While some of the growth in international arrivals can simply be attributed to increased occupancy on existing flight routes, the efforts of Cape Town International Airport, Wesgro, provincial government and the City of Cape Town to attract more direct international flights also appear to be paying off. This is evident in the growth of the number of international aircraft arrivals at Cape Town International, which observed an increase of 49,6% quarter on quarter and 27% year on year in the fourth quarter 2016.

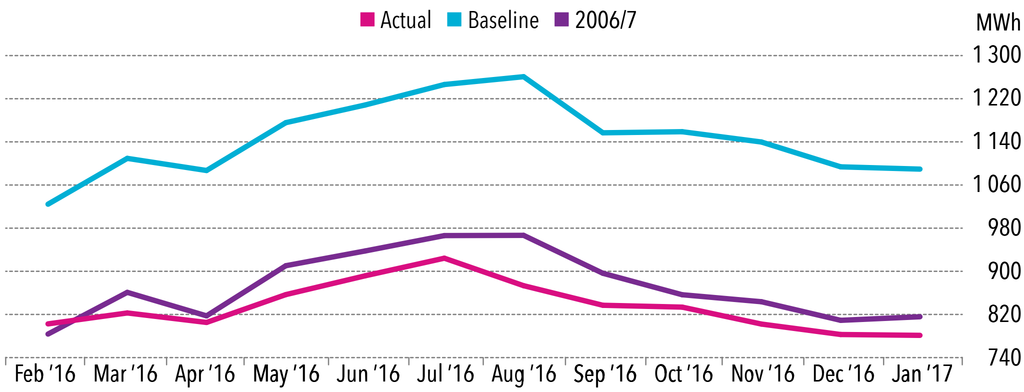
Although Cape Town International received the Best Airport in Africa award for 2016 by SkyTrax (SkyTrax World Airports Awards, 2016), if it is to continue being able to accommodate increased tourist numbers it needs to expand its capacity. In line with this, ACSA has proposed the realignment of the runway at Cape Town International to make room for larger aircraft and accommodate greater passenger numbers. The proposal, which includes extending the runway length by 300 metres, would allow between 10 and 14 additional aircraft to land and take off each hour, as well as enable larger aircraft to land at the airport (SRK Consulting, 2014). The project is critical to Cape Town's strategic goals of attracting multinational investment and enhancing its global business and tourist appeal.

ELECTRICITY

South Africa generates two-thirds of Africa's electricity and is one of the four cheapest electricity producers in the world (Department of Energy, Republic of South Africa, 2016). Eskom, the state-owned electricity utility, generates approximately 95% of the electricity used in South Africa. A review of South Africa's energy mix reveals that almost 90% of the country's electricity is generated in coal-fired power stations and the rest through nuclear, hydropower and renewable energy sources.

Eskom's primary mandate is to ensure energy: security, efficiency and sustainability in South Africa. In 2008 and again in 2015, however, energy security became a pressing economic issue as Eskom battled to balance the supply and demand of electricity. This led to the implementation of a load-shedding programme and resulted in upward pressure on electricity prices as Eskom sought to provide a reliable and predictable electricity supply. Eskom is currently in the third year of the Third Multi-Year Price Determination (MYPD3). In February 2017, the National Energy Regulator of South Africa (NERSA) granted Eskom the right to raise electricity tariffs by 2,2% in 2017/2018 as part of MYPD3.

Figure 37: City of Cape Town electricity consumption (February 2016 to January 2017)



MWh	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16	Jan '17
• Actual	802,5	822,8	805,2	856,8	891,6	924,3	873,3	837,0	833,6	802,2	782,8	781,3
• Baseline	1 024,4	1 109,4	1 086,9	1 175,6	1 208,4	1 246,3	1 260,8	1 156,8	1 158,8	1 139,7	1 093,7	1 089,5
• 2006/7	783,6	861,0	817,4	910,4	937,7	966,2	966,7	896,3	856,6	843,6	809,1	815,7
% saving	21,7%	25,8%	25,9%	27,1%	26,2%	25,8%	30,7%	27,6%	28,1%	29,6%	28,4%	28,3%

Source: City of Cape Town, Electricity Services Department, January 2017.

Electricity consumption in Cape Town is still less than its 2006/7 level.

The figure above shows the actual electricity consumption for the period of February 2016 to January 2017 versus baseline electricity consumption (i.e. assuming electricity consumption growth of 3% year on year). As such, the percentage difference between these two is reflected in the '% saving'. Cape Town's actual electricity falls significantly below the baseline suggesting that it has been consistently experiencing negative electricity consumption growth as more energy-saving measures have been implemented. The 2006/7 curve illustrates a projection of electricity consumption at the pre-load shedding scale. After the first set of load shedding in 2008, the City set a target to try and limit electricity consumption to that of our 2006/7 consumption in order to try and prevent further load shedding and to reduce the pressure on the electrical network. Figure 37 illustrates that electricity consumption in Cape Town is still less than its 2006/7 level.

Tourism developments

In a global climate of relatively subdued economic performance, tourism continues to outshine traditional economic sectors. As an internationally renowned tourist destination boasting iconic and world-class tourist attractions, including one of the New7Wonders of Nature, Cape Town is well placed to take full advantage of the vigorous global growth of the tourism industry.

9

While growth in tourist numbers was spread relatively evenly across the globe, the Middle East was the one outlier with arrivals declining.

INTERNATIONAL TOURISM DEVELOPMENTS

According to the United Nations World Tourism Organisation's (UNWTO) *World Tourism Barometer* for January 2017, international tourist arrivals grew by 3,9% year on year in 2016, reaching a total of 1,235 million. This constituted an increase of about 46 million additional tourists compared to the same period in 2015. Arrival growth in the third quarter picked up after a slow second quarter, and continued to increase into the fourth quarter. The UNWTO reported that 2016 was the seventh consecutive year of sustained growth following the 2009 global financial crisis.

In terms of regional year-on-year performance, growth in international arrivals for the period of January to November 2016 was driven by Asia and the Pacific (8,4%), while Africa rebounded strongly with growth of 8,1% after two weaker years. Arrivals in the Americas increased by 4,3%, consolidating the solid results recorded in the last two years. Arrivals in Europe grew by (2%), reflecting an uneven performance across the region with double-digit growth in some destinations offset by decreases in others. While growth in tourist numbers was spread relatively evenly across the globe, the Middle East was the one outlier with arrivals declining by an estimated 4,1%[22]. There were uneven results among the region's destinations, with positive results in some destinations and large declines in others. All the regions in Asia and the Pacific recorded strong arrivals growth but Oceania, in particular, stood out with a growth rate of 9,7%. South America and Central America led growth in the Americas, recording a growth rate of 6,3% and 6,1% respectively, followed by the Caribbean and North America with arrivals growth of 4,3% and 3,6% respectively.

Western Europe and Southern Mediterranean Europe's tourist arrivals (which grew at 1,4% and declined by 0,4% respectively) were affected by safety and security concerns but the sub-regions of Northern Europe and Central Europe recorded growth rates of 5,7% and 4,3% respectively. Africa's strong arrivals growth was driven by sub-Saharan destinations (10,7% growth) rebounding from a weak performance in 2015. After consecutive declines in the last two years, arrivals to North African destinations showed some improvement with a growth rate of 3%. The weak, albeit improved, growth in arrivals to North Africa is due to persistent safety concerns in that region. Conversely, the robust growth in arrivals to sub-Saharan Africa is likely reflective of the strong performance of the South African tourism industry following the lightening of its visa regulations.

The UNWTO has declared 2017 the International Year of Sustainable Tourism for Development and continues to have a positive outlook for tourism for all of the five regions. Europe is expected to grow at 2% while higher growth is anticipated for Asia and the Pacific as well as Africa, as both regions are expected to grow at 5% to 6%. The Americas is expected to demonstrate growth at 4% to 5% and the Middle East at 2% to 5%. The UNWTO projects international tourist arrivals worldwide to grow at a rate of 3% to 4% in 2017.

SOUTH AFRICAN TOURISM DEVELOPMENTS – TOURIST ARRIVALS IN SOUTH AFRICA

South Africa is the premier tourist destination in sub-Saharan Africa and, indeed, Africa as a whole. As table 8 shows, in November 2016, 809 349 foreign tourists visited the country. Tourist arrivals to South Africa increased by 4,5% year on year for the period, slightly more than the average global growth rate in international tourist arrivals. Arrivals from other parts of Africa (South Africa's largest tourist source market) increased by 1% with arrivals from the overseas market increasing by 13,1%, reversing the decline seen in 2015. The growth in tourist arrivals can be attributed to the easing of the onerous regulatory measures relating to visas in 2015, the strong performance in the country's leading overseas tourist source markets and continuous security concerns in many other parts of the world making South Africa a more favourable tourist destination.

Europe remains South Africa's biggest regional overseas tourist market, having grown by 16,2% year on year.

Table 8: International tourist arrivals in South Africa

Region	November 2016	November 2015	% change	% change Jan–Nov 2015 to Jan–Nov 2016
Europe	168 222	144 788	16,2%	16,6%
Russia	992	847	17,1%	13,1%
North America	32 306	30 794	4,9%	15,6%
Central and South America	7 157	4 025	77,8%	28,3%
Brazil	4 522	2 205	105,1%	22,9%
Australasia	8 894	8 986	-1,0%	11,6%
Asia	27 411	28 069	-2,3%	32,8%
China	10 884	12 548	-13,3%	47,7%
India	7 367	7 769	-5,1%	23,3%
Middle East	6 027	4 487	34,3%	37,1%
Overseas total	250 017	221 149	13,1%	18,9%
Africa	554 696	549 344	1,0%	11,6%
Total	**809 349**	**774 378**	**4,5%**	**13,3%**

Source: South African Tourism, February 2017.

22 The UNWTO advises that results from both Africa and the Middle East should be read with caution as they are based on limited available information.

Examining arrivals from the overseas market, Europe remains South Africa's biggest regional overseas tourist market. It accounted for 168 222 tourist arrivals in November 2016, having grown by 16,2% year on year. Within the European region, the UK, Germany, Netherlands and France were South Africa's largest source markets. Of these, arrivals from Germany and France grew more strongly (by 29,3% and 20,1% respectively) than arrivals from the UK (12,5%) and the Netherlands (17,9%). While these countries were the largest source markets in terms of absolute tourist arrivals, Poland (35,9%) and Sweden (27,3%) showed the highest growth rates. In the Americas, the largest single overseas source market for South Africa in November 2016 was the US, with 26 847 tourist arrivals from that country in November 2016 at a year-on-year growth rate of 9,9%.

Tourist arrivals to South Africa from most emerging markets increased year on year in November 2016. Tourist arrivals from Russia and Brazil increased by 17,1% and 105,1%, respectively, year on year. In contrast, tourist arrivals from China and India experienced a decline of 13,3% and 5,3%, respectively, year on year. However, Chinese and Indian arrivals for the year to date (January to November 2016) have rebounded strongly from the previous year, growing by 42,7% and 23,3% respectively. This positive outcome is the result of systems put in place to improve visa and immigration regulations, with additional visa processing centres operating in both China and India. For this reason, Chinese and Indian tourist arrivals are expected to increase further in the year ahead.

Tourist arrivals from Russia and Brazil increased by 17,1% and 105,1%, respectively, year on year.

South Africa as a tourist destination has performed well in the fourth quarter of 2016, reflecting increasing confidence in the sector and the increasing attractiveness of the country as a tourist destination.

CAPE TOWN'S TOURISM DEVELOPMENTS

Tourist accommodation in Cape Town

Accommodation spending typically constitutes the largest portion of total visitor spend at a destination. Thus, it has the largest downstream impacts on employment within the industry. As such, accommodation demand statistics provide an insightful measure of the performance of the tourism industry within the city. The occupancy and revenue figures presented in table 8 were derived from a survey of approximately 71 tourism accommodation establishments in the Cape Town metro area for the fourth quarter of 2016.

Occupancy rates at city accommodation establishments increased by an average of 4,7 percentage points in the fourth quarter of 2016 compared to the same period in 2015. The month of November recorded the highest occupancy rate (86,8%) with a year-on-year increase of 3,6 percentage points. October recorded the highest year-on-year increase (6,9%). On a year-on-year comparison, the average room rate and revenue per room increased in the fourth quarter, by R224 and R256 respectively. Overall, tourist accommodation in Cape Town did very well in the fourth quarter of 2016, compared to the corresponding period last year. All three accommodation performance indicators for Cape Town reported positive growth rates.

In terms of an occupancy breakdown by type of establishment, the highest average occupancy rate in the fourth quarter of 2016 was achieved by hotels (83,8%), up by 5,3 percentage points from the same period in 2015. All establishment types experienced average occupancy rate increases compared to the fourth quarter of 2015, except for bed and breakfast estab-

All three accommodation performance indicators for Cape Town reported positive growth rates.

lishments, which recorded a decline of 4 percentage points. Hotel establishments also achieved the highest growth rate in average revenue per room (21,8%). By geographic location, the Northern Suburbs experienced the highest average occupancy rate in the fourth quarter of 2016 at 83,5% occupancy.

Cape Town Tourism's (2017) accommodation performance review showed that approximately 54,1% of room nights sold in the fourth quarter of 2016 were sold to the overseas market, followed by 38,7% to the domestic market. The regional (African) market only accounted for approximately 7,2% of room nights sold during this period. A further analysis revealed that visitors preferred travelling in pairs (61%), mainly for holiday purposes (97%), and that three to four nights (25%) were the most popular duration of stay.

Table 9: Income derived from tourist accommodation – Cape Town

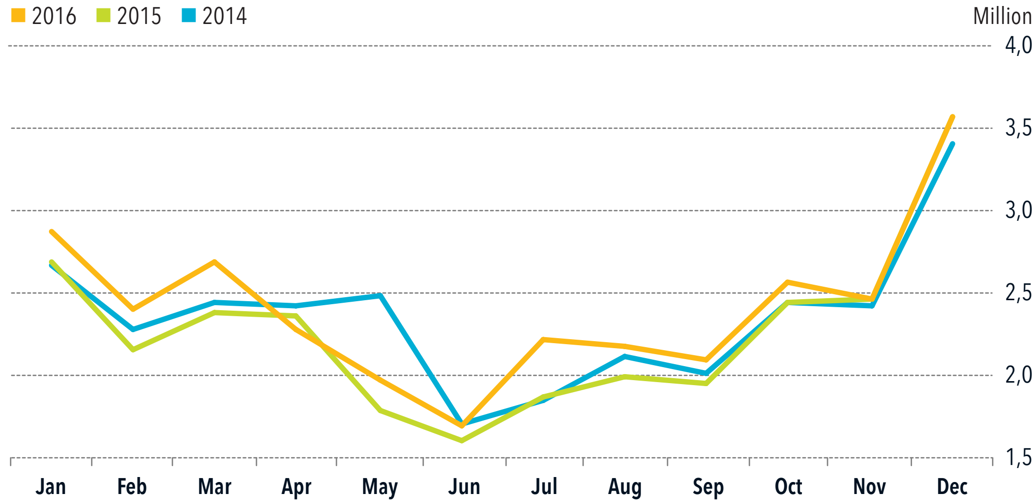
Indicator	October		November		December		Fourth-quarter average	
	2016	2015	2016	2015	2016	2015	2016	2015
Occupancy rate	79,3%	72,4%	86,8%	83,2%	79,9%	76,2%	82,0%	77,3%
Average room rate	R1 666	R1 469	R1 816	R1 590	R1 873	R1 625	R1 785	R1 561
Revenue per room	R1 321	R1 064	R1 576	R1 323	R1 496	R1 239	R1 464	R1 209

Source: Cape Town Tourism, February 2017.

Performance of Cape Town's top visitor attractions

For this section, visitor statistics for six major tourist attractions in Cape Town were reviewed. These include the city's most popular tourist attractions for which visitor information is available, and encompass a diverse set of sights and sounds. The six attractions are the world-famous Table Mountain (specifically the Table Mountain Aerial Cableway), Kirstenbosch National Botanical Garden, Boulders Beach, Cape of Good Hope, the V&A Waterfront and Robben Island. Figure 38 illustrates the cumulative number of visits by tourists to these attractions since October 2013. While all of them are open to everyone – resident or non-resident, domestic, regional or international – they attract large proportions of tourists, and are used in this section as a proxy for tourism demand in Cape Town.

Figure 38: Total visits to Cape Town's major (top six) tourist destinations (2013 to 2016)



Source: Derived from Wesgro data, March 2017.

The fourth quarter of 2016 reported a quarter-on-quarter increase of 32,46% in the number of visits to the six tourist attractions and this can be attributed to improved weather conditions.

From figure 38, it is clear that the frequency of visits to Cape Town's top attractions is subject to pronounced seasonality as higher tourist volumes are experienced in the summer period between November and March, followed by a decline during winter months and increasing slightly during the third quarter as weather conditions start improving. The fourth quarter of 2016 reported a quarter-on-quarter increase of 32,46% in the number of visits to the six tourist attractions and this can be attributed to improved weather conditions. When the impact of seasonality is removed by comparing the visitor statistics on an annual basis, the figure shows that visits to Cape Town's top attractions performed well relative to the corresponding period in 2015, with a 1,44% year-on-year increase in the number of visits.

It is important to note that the visitor attraction data are strongly skewed to the V&A Waterfront. The V&A contributed approximately 84% of the total number of visits to the six attractions analysed in the fourth quarter of 2016. This includes a greater proportion of non-tourists than the other five attractions, and is possibly as much representative of resident retail trends as it is of tourism trends. When the V&A Waterfront figure is removed, the number of visits to the five attractions decreases to 1 417 027 in the fourth quarter of 2016, representing a year-on-year increase of 9,73%.

The strong performance of Cape Town's tourism market continued in the fourth quarter of 2016 suggesting the city was a favourable destination for visitors. In addition, local tourism has been benefiting from an increasing number of domestic travellers seeking local holiday destinations as they try to reduce travelling costs in the tough economic conditions. Further, the relaxation of the onerous visa regulations of 2015 has contributed strongly to the rebound in overseas tourist arrival figures this year.

Most-visited tourist attractions

Table 10 indicates that, in terms of number of visits, the V&A Waterfront undisputedly outperforms any of the other major tourist destinations in Cape Town. However, for reasons described above, a more accurate reflection of the performance of major tourist attractions in Cape Town can be derived from the performance of the other five attractions. In this respect, the Table Mountain Aerial Cableway recorded the second-highest number of visits (370 734) while the Table Mountain National Park Cape of Good Hope section had the third-highest number of visits (353 777), after the V&A Waterfront, for the period under review. The number of visits to Robben Island increased by 44 007 from the previous quarter, reporting a 61,74% quarter-on-quarter increase. However, year-on-year visits declined by 2,65%.

Table 10: Ranking of the most-visited tourist attractions in Cape Town

Rank*	Quarter 4, 2016	Quarter 3, 2016	Quarter 4, 2015	Year-on-year growth rate (%)
V&A Waterfront	7 170 868	5 592 802	7 174 918	-0,06%
Table Mountain Aerial Cableway	370 734	218 482	362 419	2,29%
Table Mountain National Park: Cape of Good Hope	353 777	233 553	300 259	17,82%
Kirstenbosch National Botanical Garden	309 755	198 387	283 054	9,34%
Table Mountain National Park: Boulders Beach	267 479	168 977	227 233	17,71%
Robben Island	115 282	71 275	118 416	-2,65%
Total	**8 587 895**	**6 483 476**	**8 466 299**	**1,44%**
Total (excluding V&A Waterfront)	1 417 027	890 674	1 291 381	9,735%

** Most-visited tourist destination in green; second-most-visited tourist destination in blue.*

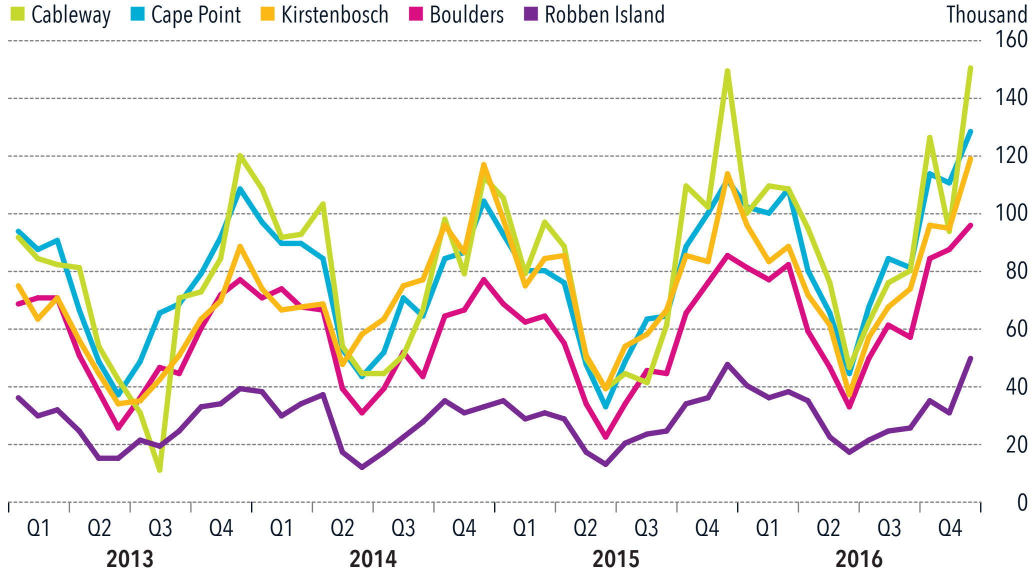
Source:Derived from Wesgro data, March 2017.

All attractions reported positive quarter-on-quarter growth rates and the Table Mountain Aerial Cableway had the highest quarter-on-quarter increase (69,69%). The increase can be attributed to the improved weather conditions in the fourth quarter. On an annual basis, all attractions, except the V&A Waterfront recorded an increase in the number of visits. The V&A Waterfront declined by 4 050 (from 7 174 918 to 7 170 868) year on year in the fourth quarter. The Cape of Good Hope recorded the highest year-on-year growth of 17,82%, with the number of visits increasing by 53 518 in the fourth quarter of 2016 as compared to the fourth quarter of 2015. Boulders Beach recorded the second highest year-on-year growth, increasing by 17,71%.

As figure 39 shows, all 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. Overall, in the fourth quarter of 2016 Cape Town's visitor attraction statistics demonstrated strong performance compared to the same period last year and this reflects an overall improvement in the tourism industry in South Africa.

Table Mountain Aerial Cableway recorded the second-highest number of visits, after the V&A Waterfront.

Figure 39: Total tourist visits to the top five tourist destinations of Cape Town (excluding the V&A Waterfront)



Source: Derived from Wesgro data, March2017.

10

Additional indicators

In addition to macroeconomic indicators, which provide overall estimates of economic activity, administrative data capture specific consumer trends and provide strong indications of the performance of a local economy. Building plan developments, commercial property developments and passenger vehicle sales are three such sources of data. Building plans submitted and completed are key indicators of the level of economic development in Cape Town, and passenger vehicle sales mirror trends in the business cycle and are regarded as a leading indicator of GDP growth.

BUILDING DEVELOPMENTS

This chapter focuses on building developments recorded by the City of Cape Town for the fourth quarter of 2016. Building development statistics are key inputs in deriving the GDP for South Africa, and offer important insights into the levels of confidence in the national economy. From the City's perspective, building plan submissions and building plans completed are key indicators of the level of economic development occurring within the city.

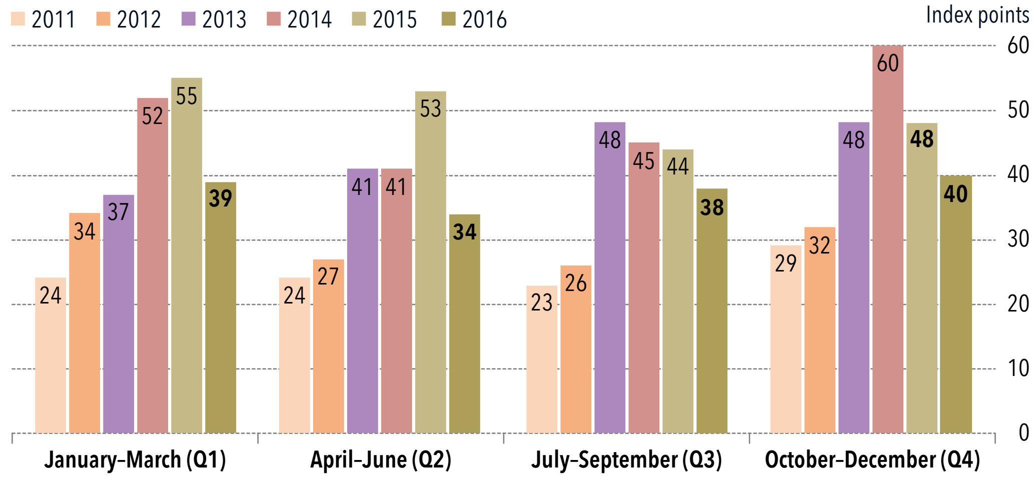
Construction industry overview

The Western Cape construction industry grew at rates of 0,4% and 0,1% on a year-on-year and quarter-on-quarter basis, respectively.

The economic growth chapter showed that output in the national construction industry grew by 0,4% quarter on quarter in the fourth quarter of 2016. On a year-on-year basis the sector observed growth of 0,5% in the fourth quarter, making it the sixth-fastest-growing industry in South Africa. The Western Cape construction industry grew at rates of 0,4% and 0,1% on a year-on-year and quarter-on-quarter basis, respectively.

The First National Bank (FNB)/BER (2015b) composite Building Confidence Index (BCI) 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. The building confidence index rose from 38 points in the third quarter of 2016 to 40 points in the fourth quarter of 2016. Confidence declined by 8 index points on a year-on-year basis.

Figure 40: Building confidence index (2011 to 2016)



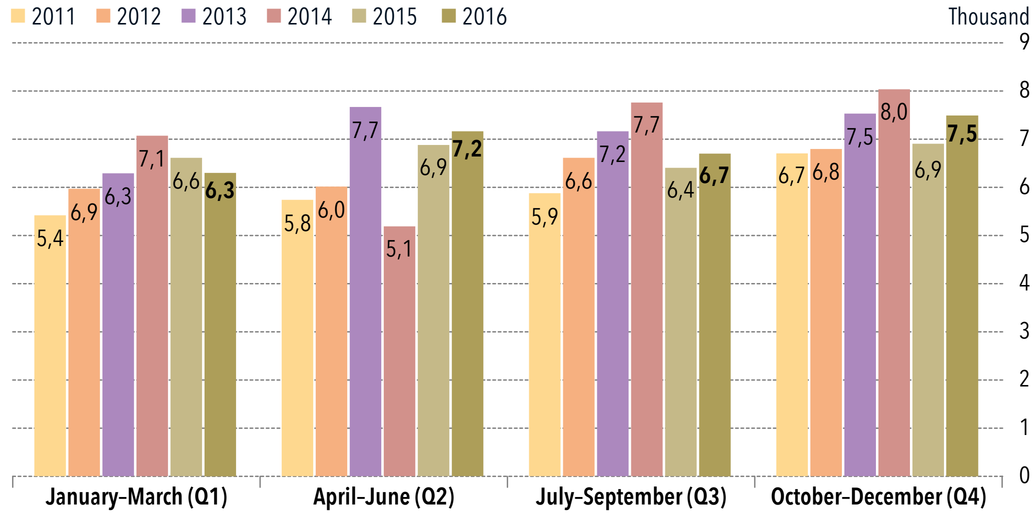
Source: BER, 2016b.

Building plan applications in Cape Town

Building plans submitted to the City of Cape Town in the fourth quarter of 2016 increased by 10,8% from the previous quarter. Figure 41 provides an annual comparison of the number of building plans submitted in each of the quarters over the past six years, thereby accounting for seasonal trends in the building and construction industry. Building plans submitted in the fourth quarter of 2016 increased by 8,8% compared to the corresponding period in 2015.

Building plans submitted in the fourth quarter of 2016 increased by 8,8% compared to the corresponding period in 2015.

Figure 41: Building plans submitted (2011 to 2016)



Source: City of Cape Town, February 2017c.

Building plans completed

While the number of building plans submitted is certainly an indicator of the level of confidence in the construction industry, and points to its future performance, it does not measure the current actual output of the industry. The better indicator of actual growth in the industry is the number of building plans completed. These represent actual construction activity as opposed to building plans submitted, which represents the anticipated level of construction activity in the future. While building plan approvals must have a turnaround time of 30 to 60 days after submission, the completion of building work can take up to five years after approval. The completion of building plans reflects the current economic climate within a region. By measuring the actual work undertaken to complete a building plan, actual economic activity – including employment and remuneration as well as spending on materials – is captured.

Cape Town recorded a year-on-year increase of 20,2% in the rand value of building plans completed during the fourth quarter.

Table 11: Building plans completed in the fourth quarter of 2016

	Cape Town		South Africa	
Measure	**Number/value**	**Year-on-year change**	**Number/value**	**Year-on-year change**
Building plans completed	6 144	28,1%	N/A	N/A
Value of building plans completed	R4 652 million	20,2%	R17 121 million	4,2%

Source: City of Cape Town, February 2017c; Statistics South Africa, 2017.

Table 11 reviews the number of completed building plans in Cape Town in the fourth quarter of 2016. It suggests that Cape Town experienced an upward trend (28,1% increase year on year) in the number of completed building plans in the fourth quarter of 2016.

The table also compares the value of building plans completed in Cape Town and South Africa in the fourth quarter of 2016. In Cape Town these completions amounted to R4,7 billion, which accounted for 27,2% of the total value (R17 billion) of building plans completed in South Africa's larger municipalities. Cape Town recorded a year-on-year increase of 20,2% in the rand value of building plans completed during the fourth quarter. Similarly, South Africa recorded a year-on-year increase of 4,2%. The increase in the rand value of building plans completed in Cape Town was driven by year-on-year increases across all forms of building plan completions, including residential (34,2%), non-residential (30,9%), additions and alterations (0,5%) and minor works (28,9%).

COMMERCIAL PROPERTY DEVELOPMENTS

Cape Town's services industry represents the largest sector of the economy, as measured by Gross Value Add (GVA). Within this broad sector, the finance sector is also the fastest growing sector of the city's economy and comprised 33% of the city's GVA in 2015 (IHS Global Insight, 2016). Considering the importance of the services sector to the city's economy, an understanding of the factors that underpin its performance provides useful insights into Cape Town's economic performance as a whole. In addition to being the largest sector of the economy, the services industry is also the largest consumer of office space and the uptake thereof is an indication of business confidence in an economy (Rode, 2015). In light of this, this section provides an overview of commercial property trends in Cape Town as a means of understanding trends in business confidence in the city's economy. Commercial property is here understood to encompass two categories of property development, namely office or banking space and shopping or retail space.

Performance of Cape Town's office and banking property market

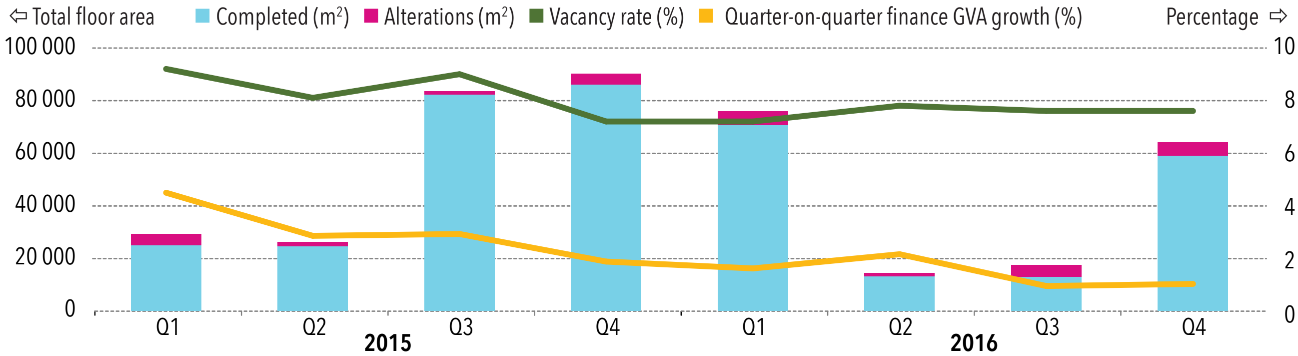
The performance of the commercial property market can be tracked in a number of ways. An indicative trend analysis is provided in figure 42 by review of observed variation in the quarterly office vacancy rate[23], the total floor area of completed office buildings added to the office property stock, 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 fourth quarter of 2016, 59 005 m^2 of new office or banking space was reported to have been completed and 5 008 m^2 of office or banking space alterations were completed. This represents a notable increase in completions when compared to the third quarter in which 12 951 m^2 of new office or banking space was completed. Investor and occupier confidence remains strong, however the Jones Lang LaSalle (JLL) Cape Town Office Market Report notes that the lack of available large office developments remains a challenge for the city as it looks to attract new business and investment. As a result, Johannesburg tends to hold a higher rate of large occupiers with spaces in excess of 3 000 m^2 (JLL, 2017). As a share of all new buildings and alterations completed in Cape Town, office and banking space represents 16% of rand value of all completions in the fourth quarter of 2016.

As a share of all new buildings and alterations completed in Cape Town, office and banking space represents 16% of rand value of all completions.

23. Rode (2015) defines this as the floor area available for leasing at any given time, irrespective of whether there is still a valid lease over the space. Here it is expressed as a percentage of the stock in rentable m².

Figure 42: Office/banking space sector developments (January 2015 to December 2016)



	Q1-'15	Q2-'15	Q3-'15	Q4-'15	Q1-'16	Q2-'16	Q3-'16	Q4-'16
• Total floor area of alterations office/banking space	4 480	1 605	1 444	4 075	5 203	1 294	4 540	5 008
• Total floor area of completed office/banking space	24 777	24 551	82 139	86 014	70 671	13 045	12 951	59 005
• Office vacancy rate	9,20%	8,10%	9,00%	7,20%	7,20%	7,80%	7,60%	7,60%
• Q-on-Q change in finance, real estate and business services GDP	4,49%	2,85%	2,92%	1,87%	1,61%	2,15%	0,94%	1,02%

Source: Planning and Building Development Management Department, City of Cape Town, August 2016; Jones Lang LaSalle (JLL), November 2016; and Quantec, December 2016.

Cape Town's office vacancy rate in the fourth quarter of 2016 remained at its third quarter rate of 7,6%, making it 3,1 percentage points below the national average of 10,7%.

As figure 42 shows, Cape Town's office vacancy rate in the fourth quarter of 2016 remained at its third quarter rate of 7,6%, making it 3,1 percentage points below the national average of 10,7%. The finance and business services sector reported an increase in GVA of 0,09 percentage points to 1,02% compared to the previous quarter's growth of 0,94%. According to the South African Property Owners Association (SAPOA), 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.

While it might prove insightful to contrast economic growth with the evolution of building completions and the office vacancy rate, readers are cautioned that there tends to be a significant lag between these relationships. In the case of GDP and the office vacancy rate in particular, this lag can be up to 12 months. Vacancies are a function of supply meaning that vacancies may still increase with GDP if there happens to be an excess supply of office space. In general, however, vacancies are sticky downwards due to the contractual obligations of rental agreements. Similarly, in terms of the relationship between GDP and building completions, the effects of changes in the former are often lagged by a number of quarters (McGaffin and Viruly, 2016). Overall, these relationships are best assessed through the use of econometric modelling analyses and over a longer (annualised) time series.

Top commercial developments

In the fourth quarter of 2016, there were 11 new commercial buildings completed, down by six from the previous quarter, with a total rand value of R663 million and a combined total floor area of 90 708 m². Office or banking space developments accounted for eight of these buildings and shopping space accounted for the remainder. In some cases, developments were mixed use in nature.

In the fourth quarter of 2016, there were 11 new commercial buildings with a total rand value of R663 million and a combined total floor area of 90 708 m².

Table 12: Top 10 commercial property developments – Cape Town

No.	Area	Property segment	Building description	Rand value	Total floor area (m²)
1	Cape Town	Office/bank space	Offices	281 031 330	36 639
2	Bellville	Shopping space	Shopping mall parking	156 316 160	23 296
3	Tygerberg	Office/bank space	Offices and storage	70 778 060	7 390
4	Cape Flats	Shopping space	Shops	62 210 940	7 986
5	Blaauwberg	Office/bank space	Offices	28 262 500	3 230
6	Joostenberg Vlakte	Office/bank space	Warehousing	25 500 480	6 312
7	Somerset West	Office/bank space	Offices and storage	16 114 110	1 953
8	Durbanville	Office/bank space	Offices	9 825 600	2 208
9	Somerset West	Office/bank space	Offices and storage	7 828 670	973
10	Cape Town	Shopping space	Shops and offices	3 548 140	421

Source: Planning and Building Development Management Department, City of Cape Town, January 2017

Future developments

According to JLL's Cape Town Office Market Outlook report for the fourth quarter of 2016, both the rental and vacancy rates suggest a continued growth in the city's office rental market (JLL, 2017). New developments in the first quarter of 2017 are expected to amount to 31 000 m², notably less than the 60 000 m² reported in the first quarter of 2016. Developments continue to be concentrated in business hubs such as the Cape Town CBD, V&A Waterfront and Century City. Century City alone contributed to 40% of new completions in 2016.

On the demand side, Vodacom and Innovation have both secured CBD leases for 5 500 m² and 4 000 m² respectively while Century City has attracted Derivco (2 500 m²) and MasterCard (1 100 m²). This, coupled with moderate developments, should see a decline in the office vacancy rate. The shortage of large office space (over 3 000 m²) remains an obstacle for big occupiers looking to locate in Cape Town (JLL, 2017).

Overall, the prospects for Cape Town's 2017 property market continue to look positive. Global confidence in the city is reflected in its strong placing on two reputable world rankings – 21st for its FDI strategy in the *Financial Mail*'s FDI Intelligence Report and 37th as a city where property investors should invest by Wealth X. The city has observed growing interest by international occupiers such as DSG and the Norwegian Investment Fund. Combined with renewed commitments by KPMG and EY, this should strengthen Cape Town's commercial property market (JLL, 2017: 2).

The city has observed growing interest by international occupiers.

NEW VEHICLE SALES

This section tracks new vehicle sales in the province on a quarterly basis. Typically, vehicle sales – especially passenger vehicle sales – are considered to mirror trends in the business cycle and are often regarded as a leading indicator for GDP growth. New vehicle sales are sensitive to changes in economic indicators like the interest rate, inflation, disposable income, and consumer and business confidence levels. As such an analysis of vehicle sales can provide an indication of the current stage or health of the business cycle. If sales decrease consistently, the economy is likely to be in a contraction phase while if sales reflect a sustained growth trend then the economy may be entering an expansion phase.

In South Africa, new vehicle sales are tracked and analysed by the National Association of Automobile Manufacturers of South Africa (NAAMSA). The total vehicle sales in the Western Cape increased from 15 473 vehicles sold in the third quarter of 2016 to 15 645 in the fourth quarter of 2016. Year-on-year results, which offer a more precise reflection of vehicle sales' performance over time, saw a decrease of 2 350 from the 17 995 total vehicle sales in the corresponding period in 2015 in the Western Cape. Passenger vehicle sales, which are the private consumer segment of the market, increased slightly from 10 137 in the third quarter of 2016 to 10 161 in the fourth quarter of 2016 in the Western Cape. Year-on-year results saw a decrease of 1 999 vehicles (-16,44%) from the 12 160 passenger vehicles sold in the corresponding period in 2015. Nationally there was a 12,12% decrease in the number of passenger vehicles sold in the fourth quarter of 2016 compared to the corresponding period in 2015.

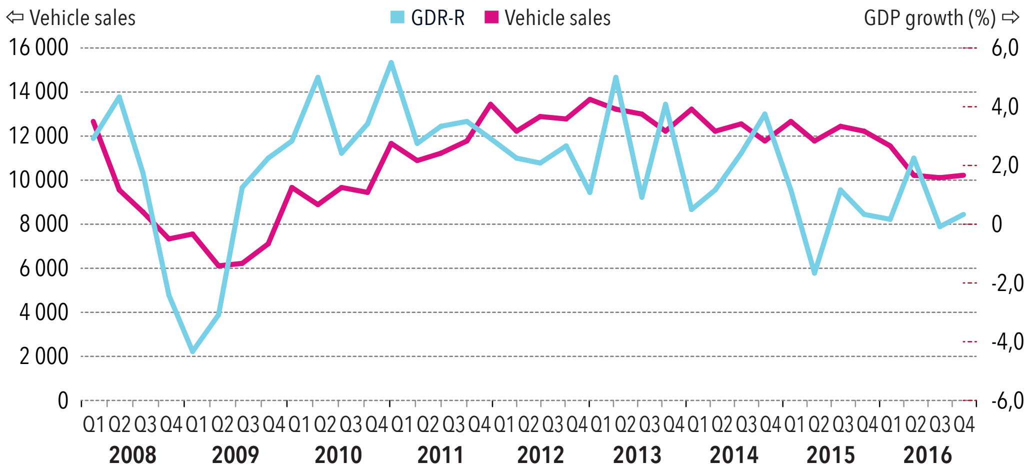
The year-on-year decrease in passenger vehicle sales in the Western Cape during the fourth quarter is seemingly in line with the prevailing macroeconomic conditions in the country. This includes a contraction in the manufacturing sector in the fourth quarter of 2016 as well as low consumer spending levels (BER, 2017).

Year-on-year results saw a decrease of 2 350 from the 17 995 total vehicle sales in the corresponding period in 2015 in the Western Cape.

Figure 43 plots the total passenger vehicle sales per quarter alongside the quarter-on-quarter GDP-R for the Western Cape. The SARB includes new passenger vehicle sales as one of the variables in its leading indicator for GDP growth, with the assumption that new passenger vehicle sales and GDP growth are positively correlated and that passenger vehicle sales 'lead' GDP growth. This assumption is not unique to the Reserve Bank as passenger vehicle sales have been used as a leading variable in a number of leading indicator models.

It is not immediately clear from figure 43 which indicator leads which, although it would appear that vehicle sales are far less erratic than GDP and respond to long-term trends not short-term movements. This said, the actual nature of this relationship can only be fully appreciated when one isolates the impact that passenger vehicle sales have on GDP through the use of regression analysis. The City of Cape Town is currently working on a composite leading indicator for GDP growth, which will analyse these relationships in more detail.

Figure 43: Passenger vehicle sales vs GDP-R for the Western Cape (Quarter 1, 2008 to Quarter 4, 2016)



Source: NAAMSA, Stats SA, March 2017.

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LIST OF ABBREVIATIONS

ACSA:	Airports Company South Africa
City:	City of Cape Town
BCI:	Building Confidence Index
BER:	Bureau for Economic Research
BREXIT:	British Exit
BRICS:	Brazil, Russia, India, China and South Africa
CBD:	Central Business District
CPI:	consumer price index
FDI:	foreign direct investment
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
ICT:	information and communications technology
IDC:	Industrial Development Corporation
IMF:	International Monetary Fund
JLL:	Jones Lang Lasalle
MPC:	Monetary Policy Committee
NAAMSA:	National Association of Automobile Manufacturers of South Africa
NPA:	National Ports Authority
OPEC:	Organization of the Petroleum Exporting Countries
PMI:	(Barclays/Absa) Purchasing Managers' Index
PPI:	producer price index
QLFS:	Quarterly Labour Force Survey
SADC:	Southern African Development Community
SAB:	South African Breweries
SARB:	South African Reserve Bank
SARS:	South African Revenue Service
SAPOA:	South African Property Owners Association
SIC:	Standard Industrial Classification
UK:	United Kingdom
UNWTO:	United Nations World Tourism Organisation
US:	United States
US Fed:	United States Federal Reserve Bank
V&A:	Victoria and Alfred
WEO:	World Economic Outlook

CITY OF CAPE TOWN
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