



CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town



2021 QUARTER 4

(October-December)

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ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town. The EPIC publication presents and analyses economic (and related) trends in Cape Town on a quarterly basis.

This edition focuses on the fourth quarter of 2021, covering the period 1 October to 31 December 2021.

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FOREWORD

The last quarter of 2021 brought some unexpected challenges to Cape Town and South Africa, but there were also several positives thanks to the City's partnerships, innovation and the hard work of City employees.

In October, the UK finally removed South Africa from its travel red list. This occurred around the same time that the City launched its destination awareness campaign in some of our key source markets such as Munich, New York and London. Unfortunately, South Africa, along with several other African countries, was added back onto travel ban lists a short time later, when scientists in our country shared news of their discovery of the Covid-19 Omicron variant in November.

Despite these setbacks, the Mother City enjoyed an increase in visitors over the last quarter of 2021, with Cape Town International Airport reporting 66% of 'normal' arrivals for domestic arrivals and 29% for international arrivals during the December holiday period, compared to the same period in 2019.

This recovery was largely a result of domestic travel campaigns that were launched at the beginning of December through Cape Town Tourism (CTT). These campaigns were delivered across various booking platforms like Travelstart, SafariNow and Club Travel and offered discounts on flights, accommodation and destination experiences, thereby making the Cape Town tourist experience more logistically and financially accessible to all South Africans. As a result of the increased visitor numbers, local tourism and hospitality businesses enjoyed a much-needed boost after a protracted period of depressed trade. The metro's top five tourist attractions experienced a similar recovery in visitor numbers in the fourth quarter.

Having witnessed what many of our tourism businesses and employees have gone through in the last few years, I feel privileged to have had the opportunity to work with organisations such as CTT to bring to fruition a campaign that brought back

some much-needed revenue.

Cape Town's tourism sector is a major generator of jobs and is vital to numerous other industries such as retail, hospitality and transport. As such, we will continue to drive initiatives that boost 'tourismpreneurs', such as the Neighbourhood Development Manual, which is free and available in three languages, and which guides small businesses, step-by-step, on optimising the operations of their platforms and being more effective tourism service providers. At the same time, we will continue to promote Cape Town as the ideal destination for travel.

Looking at the economy as a whole, the Western Cape experienced a rebound similar to that of the tourism industry in the last quarter of 2021. However, there is still much work to be done, and in the coming years, we will build on our successes and continue to learn from the challenges.

Under the new City of Cape Town administration, the Economic Growth Directorate now oversees both the macro and micro economies. This will serve to further cement our relations with, and management of, Cape Town's informal business

sector. We are determined to work closely with all participants in this key segment of our city's economy and provide them with the systems and infrastructure that will make their lives easier and help them to grow their businesses.

We also intend continuing with the rollout of our successful Workforce Development Programmes, which bring job and training opportunities to the Capetonians who need them most, while simultaneously driving a pipeline of skilled workers to Cape Town's high-growth industries.

Similarly, we will provide ongoing backing and support to the city's small businesses and start-ups, which are in many ways the engine room of jobs and innovation. This support will be delivered under the banner of enterprise development programmes offered via the City's Business Hub as well as through partnerships with organisations like Productivity SA and the South African Renewable Energy Incubator.

In closing, I would like to thank the officials and colleagues who work with, and support, me in this position – both those who have been with me since the previous administration, and those who recently joined this directorate. Your dedication to your work and the people of Cape Town is highly appreciated. Let us keep pushing to create an economy of inclusivity, confidence and hope.



Alderman James Vos
Mayoral Committee Member
for Economic Growth

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INTRODUCTION

In this 35th edition of the quarterly EPIC publication, we present statistics and analyses of Cape Town's key economic trends. This edition focuses on quarter 4 of 2021, covering the period 1 October to 31 December 2021.

The recovery trend picked up again in quarter 4 after the negative growth in quarter 3, albeit at a slow pace. GDP in the Western Cape, a proxy for GDP in Cape Town, performed better than expected in the first and second quarter of 2021 due to low interest rates that encouraged spending, business' ability to adapt to new circumstances, and higher than normal exports. Seasonally adjusted and annualised provincial GDP growth in quarter 3 of 2021 then dropped to -7,3% due to the July unrest in certain parts of the country and the third wave of the Covid-19 pandemic. This dip increased the gap between pre-Covid-19 (2019 Q3) GDP and 2021 Q3 levels to -2,6%, with restoration to 2019 GDP only likely to occur in the second half of 2022.

In the fourth quarter of 2021, in line with the national economy's performance (4,7%), the Western Cape economy rebounded to record annualised quarter-on-quarter growth of 6,0%. The sectors that contributed most to this growth were agriculture, trade and hospitality, manufacturing and community and social services. The growth in the manufacturing sector comes despite a NUMSA strike, load-shedding and continued supply shortages. While the Purchasing Managers' Index (PMI) reflected growth from 43 index points in Q3 to 49,5 in Q4, it still remains below its recording of 57 in Q2. This suggests that, while actual manufacturing production experienced quarterly growth in Q4, the level of output may remain below where it was in the second quarter. Quarterly electricity usage also declined for both large- and small-scale electricity users in the city compared to the previous quarter.

Unfortunately, due to declining response rates to the telephonic interviewing system used in the Quarterly Labour Force Survey (QLFS), the metro-level data

for Q4 were found to be unreliable and were not released by Statistics SA. With Cape Town-specific data unavailable, Western Cape employment metrics are the best proxy for Q4 labour trends. These results continue to show the enduring consequences of Covid-19 on the labour market. Although the QLFS reported that around 37 000 jobs were gained in the Western Cape from Q3 to Q4, total employment in the Western Cape is still around 75 000 less than quarter 4 of 2019. The negative net employment changes as a result of Covid-19 have compounded, resulting in an increase in the unemployment rate. This deficit in jobs is exacerbated by the 93 000 additional people joining the working age cohort (15–64yrs) from quarter 4 of 2020. It is becoming increasingly difficult for those entering the labour force to find gainful employment and the strict unemployment rate is rising faster than the broad rate, as more people begin actively searching for employment. In quarter 4 of 2021, the Western Cape's strict unemployment rate was the highest ever recorded, at 28%, increasing by 5,5 percentage points from quarter 4 of 2020.

Increasing prices have been a major theme in the fourth quarter, with CPI reaching 5,9% in December, which is at the cusp of the upper end of the SARB inflation targeting band. Producer prices also reached highs last experienced in 2008.

Cape Town import values also exceeded R50 billion for the first time in the fourth quarter of 2021, reinforced by increasing global oil prices. Tariff increases of up to 24% at the port, above inflationary increases for bulk electricity purchases, and rising oil prices are all expected for 2022. Increasing prices sometimes accompany growth in the economy, however, care needs to be taken that rising prices in Cape Town, spurred on by supply chain disruptions and commodity price increases, don't lead to stagflation shocks, which is a situation in which low growth persists alongside low job-creation levels and high prices. In Q4 the SARB increased the repurchase rate by 25 basis points to 3,75%, with

further increases expected going forward. The SARB has a tightrope to walk, using intervening monetary policy to keep prices stable, but at a pace that allows room for spending and growth. This will be even more important in 2022, with the war in Europe and its impact on global energy and food supply resulting in further price rises.

The increase in prices, coupled with weaker global growth prospects, will be a challenge for producers (with some, such as citrus farmers affected more than others) as well as consumers, and may hamper economic growth in Cape Town in the forthcoming quarters. In a relatively constrained economic environment, with depressed demand conditions, it is imperative that supply-side obstacles are removed from the path of businesses and investors. In this regard, two major programmes of the City of Cape Town will be critically important in stimulating economic growth. These are the City's drive to eliminate load-shedding and its commitment to improve the ease of doing business. These priorities will feature prominently in the Integrated Development Plan for the new term of office, which will guide how the City operates over the next five years.

Jodie Posen

Senior Economist: Economic Analysis

NOTE

For this edition, it is important to be mindful that year-on-year changes could be elevated due to the impact of Covid-19 and the lockdown restrictions during the fourth quarter of 2020. For this reason, several chapters in this edition will include comparisons to the fourth quarter of 2019 to provide insight into whether the respective market conditions have recovered or worsened when compared to pre-pandemic levels.

KEY FINDINGS FOR THE FOURTH QUARTER OF 2021

In the fourth quarter of 2021, the **Western Cape economy rebounded with 6,0% quarter-on-quarter growth**, mirroring the national trend. The growth was mainly driven by agriculture (58,3%), along with four other sectors that recorded positive growth during the same period.

The Western Cape recorded an **inflation rate of 5,9%** at the end of the fourth quarter of 2021, an increase from the 5,1% at the end of the previous quarter. The national inflation rate was also recorded at 5,9%.

Cape Town's **top five tourist attractions** received a total of 488 668 visitors in the fourth quarter of 2021. Despite a year-on-year improvement of 37,0%, visitor numbers remain 63,2% lower than those of the same period in 2019.

Cape Town accommodation establishments recorded an **occupancy rate of 54,9%** in the fourth quarter of 2021. Despite the improvements within the market, however, the industry remains subdued due to persistent low numbers of international visitors.

Air passenger movements across the country's international airports increased on a quarter-on-quarter basis. In the fourth quarter of 2021, Cape Town International recorded **1 693 631 passenger movements**, however, this remains 42,7% lower than the same period in 2019.

On a quarter-on-quarter basis, Cape Town's trade showed a **decrease in exports and an increase in imports** in the fourth quarter. Exports were mainly led by refined petroleum oils. On a year-on-year basis, fourth quarter exports recorded an increase of 2,9% from levels shown in the fourth quarter of 2020, and a 17,8% increase on the same period in 2019.

In the fourth quarter of 2021, the City recorded a **year-on-year increase in building plan submissions** to 4 707. However, the total value of building completions is lower than over the same period in 2020 (-13,3%) as well as 2019 (-11,1%).

01





OVERVIEW

CAPE TOWN OVERVIEW 2021: QUARTER 4

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R651 billion^a** of the **R4,5 trillion gross domestic product (GDP)** generated by **South Africa** in the fourth quarter of 2021. While GDP data are not available at a city level on a quarterly basis, **Cape Town** typically contributes around **72%** of the provincial GDP annually.^b

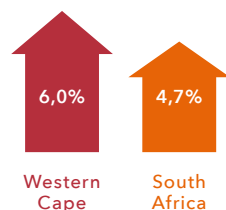


^a At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

^b Source: IHS Markit, 2021.

GDP GROWTH RATE

During the fourth quarter of 2021, the **Western Cape** recorded a quarter-on-quarter GDP growth rate of **6,0%**, compared to national GDP growth of **4,7%**.^c



^c At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

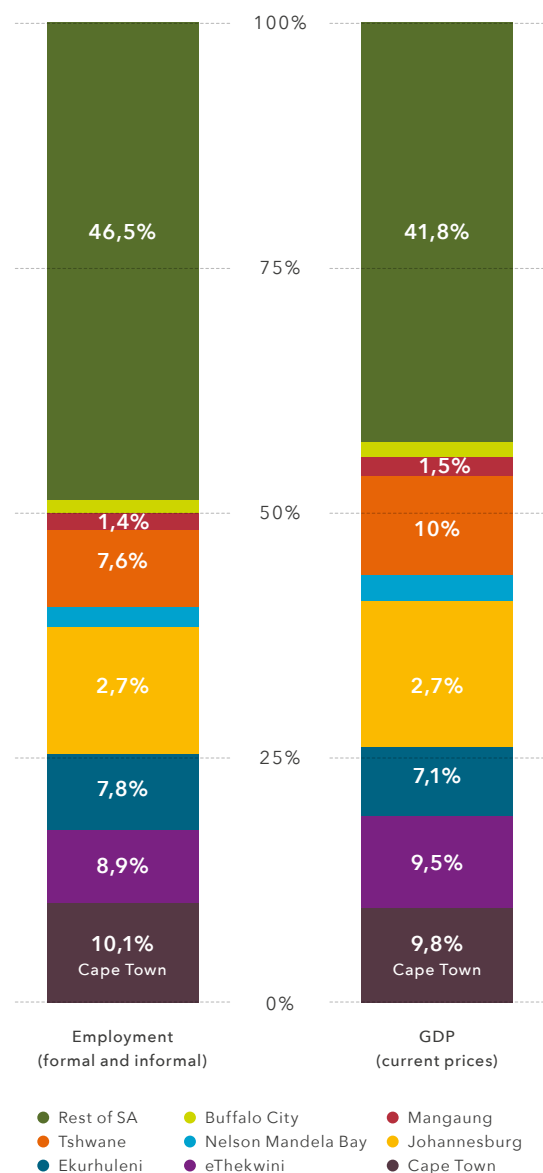
GDP PER CAPITA

In 2020, **South Africa** had a GDP per capita of **R83 163**, while the **Western Cape's** GDP per capita was **R97 698** and **Cape Town's** was **R106 987**.^d



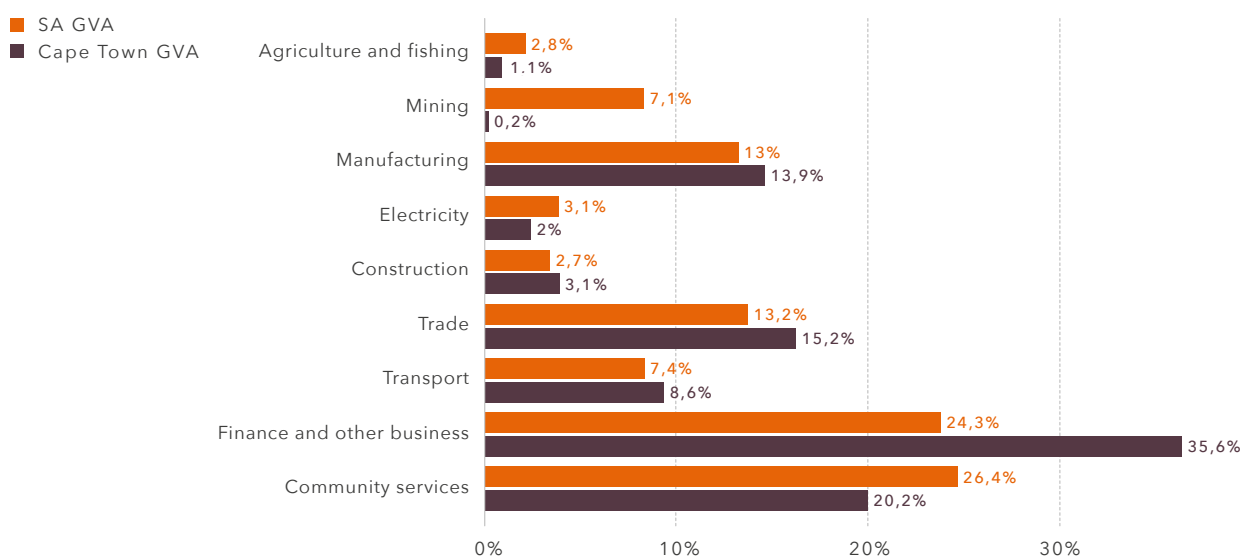
^d At current prices. Source: IHS Markit, 2021.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2020^e



^e At current prices. Source: IHS Markit, 2021.

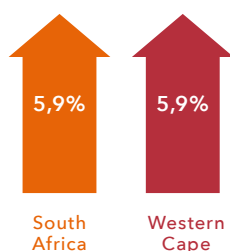
SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2020^f



^f At current prices. Source: IHS Markit, 2021.

INFLATION

At the end of the fourth quarter of 2021, **South Africa** had an inflation rate of **5,9%**. The **Western Cape's** inflation rate for the same period was also **5,9%**.^g



^g Source: Statistics South Africa (Stats SA), 2022.

POPULATION

South Africa has a population of **59 622 350**. A total of **7 005 741** people (11,8% of the national population) live in the **Western Cape**. Of those, **4 604 986** are residents of **Cape Town**.^h

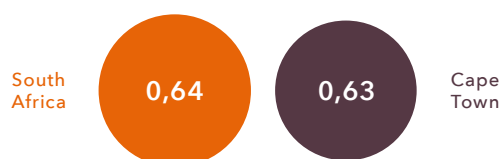


^h Source: City of Cape Town, 2021a.

GINI COEFFICIENT

In 2020, **South Africa** had a Gini coefficient of **0,64**, while **Cape Town** had a slightly lower value of **0,63**.ⁱ

* The Gini coefficient measures inequality in levels of income.



ⁱ Source: IHS Markit, 2021.

VISITOR ATTRACTIONS

In the fourth quarter of 2021, tourists and residents made **488 668** visits to **Cape Town's five major attractions**.^j



^j Source: Wesgro, 2022.

AIR PASSENGER MOVEMENTS

Of the **5 435 079** passengers that moved through **South Africa's three international airports**^k during the fourth quarter of 2021, **1 693 631** were through **Cape Town International Airport**.^l



^k Cape Town, OR Tambo and King Shaka.

^l Source: Airports Company South Africa, 2022.

02





ECONOMIC GROWTH

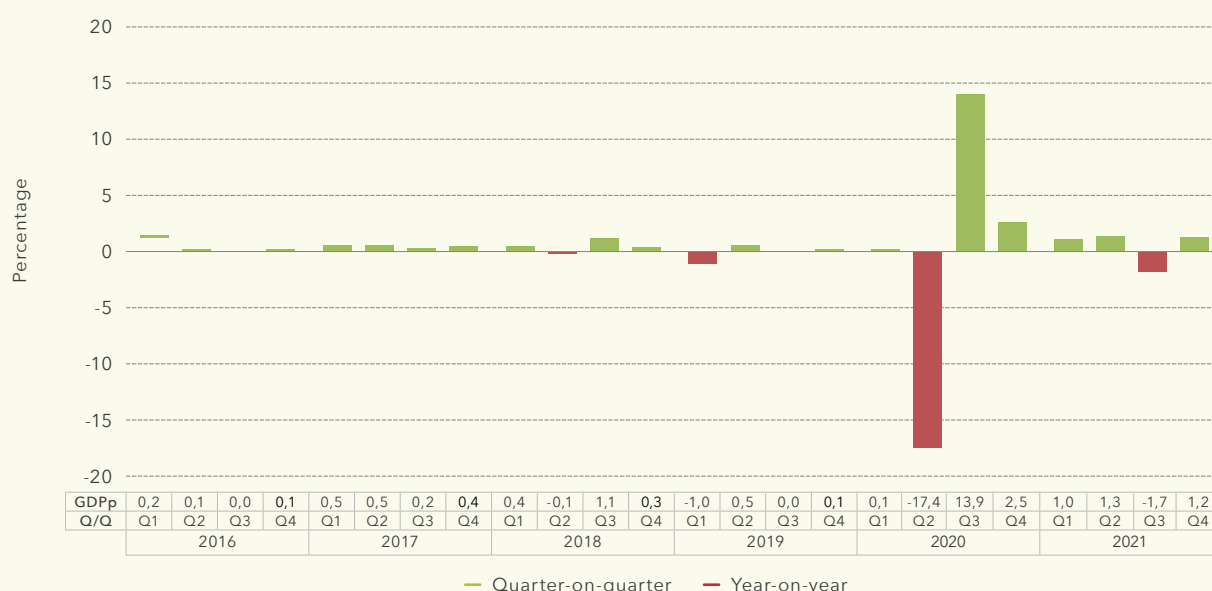
Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of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

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following a contraction in the previous quarter, the South African economy rebounded in the fourth quarter of 2021 and recorded GDP growth of 1,2% quarter-on-quarter (non-annualised, as per the change in Statistics South Africa's reporting conventions).¹ This represents an improvement of 2,9 percentage points from the previous quarter (which was revised downward by 0,2 of a percentage point to -1,7%). The recovery in the fourth

quarter was largely expected, matching the Bloomberg consensus, while coming in slightly lower than the Bureau for Economic Research's (BER) expectation for growth of 1,3% (non-annualised) (BER, 2022a). Despite the rebound, as illustrated in figure 1, in terms of rand value, economic activity has not yet returned to pre-pandemic levels, with the fourth quarter's performance only matching [GDP] recordings of 2017.

FIGURE 1: SOUTH AFRICA'S [HEADLINE] GDP GROWTH, QUARTER-ON-QUARTER (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED, NON-ANNUALISED), 2016 Q1 TO 2021 Q4



Source: Statistics South Africa, gross domestic product, fourth quarter 2021, 8 March 2022.

NOTE: In order to draw a more detailed comparison to the provincial economy of the Western Cape, and to maintain consistency in the reporting of historic growth rates, the remainder of this analysis will be based on the annualised data for economic activity.²

For the fourth quarter of 2021, the national economy recorded annualised growth of 4,7% quarter-on-quarter, improving by 11,5 percentage points from the previous quarter (which was revised downward by 0,9 of a percentage point to -6,7%) (Quantec, 2022). According to analysts, this indicates recovery from the negative impacts of the July unrests in parts of the country, as well as the third wave of the Covid-19 pandemic (BER, 2022a).

The fourth-quarter growth was driven by growth in five sectors. Following the largest contraction in the previous quarter, the agriculture sector recorded the largest growth (58,6%) and added 1,4 percentage points to total national growth. This was followed by the trade and hospitality sector, which grew by 12,3% and added 1,5 percentage points to total national growth. The manufacturing sector rebounded with growth of 11,8% and added 1,4 percentage points to total national growth.

¹ Statistics South Africa (Stats SA) announced that "it will no longer use the annualised rate as the headline rate of change". This was first implemented in its GDP release for the second quarter of 2021 (Stats SA, 2021a).

² Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.

The community, social and other personal services sector produced quarter-on-quarter growth of 11,1% and added the most to total national growth (+1,9 percentage points).

Contractions were recorded in the electricity and water (-12,9%), mining (-11,8%), construction (-8,4%), finance and business services (-3,0%), and general government (-1,4%) sectors. Combined, these sectors subtracted 2,2 percentage points from total national growth in the fourth quarter of 2021.

Additional indicators of the economic climate further reflect the economy's strained path of recovery. After dropping to 43 index points in the previous quarter, the RMB/BER Business Confidence Index remains unchanged in the fourth quarter of 2021. According to the BER, "confidence was likely dented by the NUMSA strike, the return of load-shedding and water supply issues in Gauteng, coupled with a worsening of supply chain disruptions and stock shortages" (BER, 2021a). The FNB/BER Consumer Confidence Index also remains significantly low. Although confidence remained unchanged in the high-income segment, it edged up in low- and middle-income groups, raising the index from -10 to -9 for the fourth quarter of 2021 (BER, 2021b).

The Absa Purchasing Managers' Index (PMI) survey is more indicative of manufacturing activity as, in addition to business sentiment, it focuses on components like business activity, new sales orders, supplier performance, prices and employment. The Absa PMI recorded mixed performance throughout the fourth quarter of 2021. As a result of the three-week strike in the steel and engineering sector, as well as notable periods of load-shedding, the index declined by 1,1 index points to record 53,6 index points in October before rebounding to 57,2 index points in November, and then slipping to 54,1 index points in December 2021. According to the BER (2021c), expected growth in the sector remains coupled to dampened output levels.

The Statistics South Africa data release for GDP for the fourth quarter of 2021 also includes the annual economic activity and respective growth figures for 2021. Following the pandemic-induced contraction in 2020, both South Africa and the Western Cape recorded positive annual GDP growth of 4,9% and 4,8%, respectively, for the full 2021 year. The relatively high growth rates are off the notably lower bases recorded for the 2020 year.

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE FOURTH QUARTER

According to the International Monetary Fund (IMF, 2020), the so-called 'Great Lockdown' – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. The IMF (2021) notes that, despite the unprecedented economic impact of the Covid-19 pandemic, estimates suggest it could have been as much as three times worse had it not been for the "extraordinary policy support". Uncertainty pertaining to the [future] path of the pandemic remains a risk to the global economic outlook, while new Covid-19 variants slow economic recovery because restrictive measures need to be reintroduced when necessary. The IMF's latest World Economic Outlook (IMF, 2022) noted that the global economy entered 2022 in a weaker-than-expected position, and estimated global growth of 5,9% for 2021. Global growth for 2022 is forecast at 4,4% (downwardly revised by 0,5 of a percentage

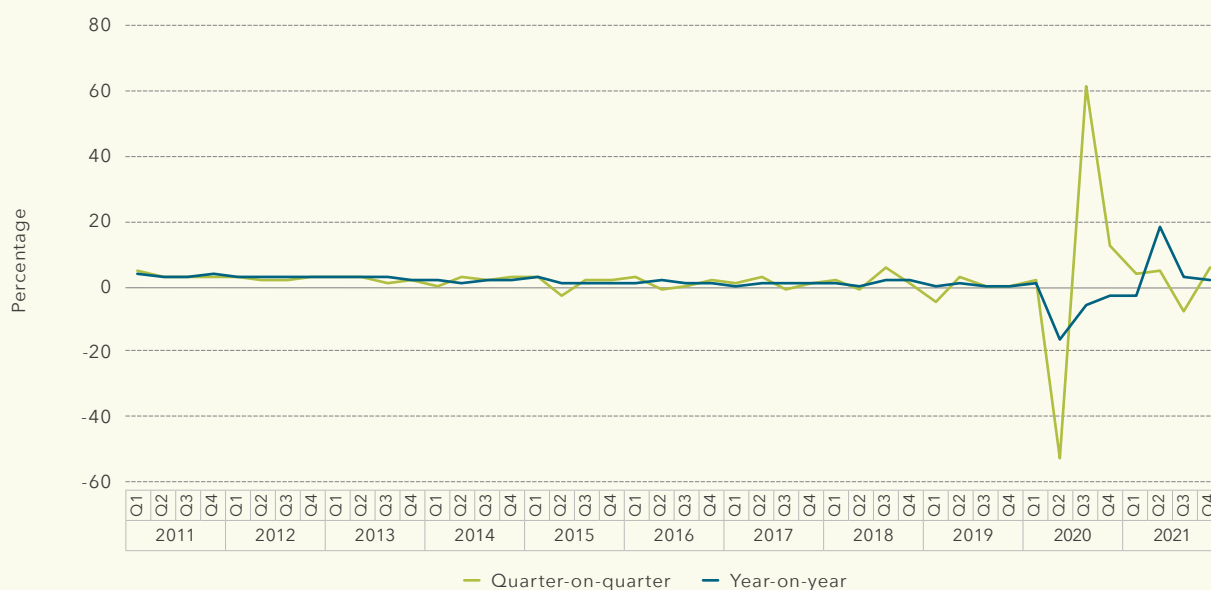
point), while the forecast for 2023 was upwardly revised (by 0,2 of a percentage point) to 3,8%. The forecast for 2022 is underpinned by a downward-revised growth forecast for advanced economies to 3,9% (down by 0,6 of a percentage point compared to October 2021 WEO publication). The forecast for emerging and developing economies has also been revised downward (by 0,3 of a percentage point) to 4,8%. The resurgence of the pandemic, with associated mobility restrictions and supply chain disruptions, remain key factors. For 2023, the IMF expects advanced economies to record 2,6% growth and emerging market and developing economies 4,7%, which represent revisions of +0,4 and +0,1 of a percentage point respectively. The IMF forecast for South Africa for 2022 has also been revised down by 0,3 of a percentage point, with expectations for growth of 1,9% in 2022. The forecast for 2023 remains unchanged at 1,4%.

WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (4,7%), the Western Cape's economy recorded annualised growth of 6,0%, quarter-on-quarter for the fourth quarter of 2021.

The year-on-year data for the Western Cape indicate a similar performance to that of the country as a whole. South Africa experienced positive year-on-year growth in the fourth quarter of 2021, recording 1,8%, while the Western Cape economy recorded year-on-year growth of 1,9%. The slowing year-on-year growth is underpinned by a notable amount of sectors recording negative growth rates over the same period.

FIGURE 2: REAL GDP GROWTH FOR THE WESTERN CAPE, 2011 Q1 TO 2021 Q4

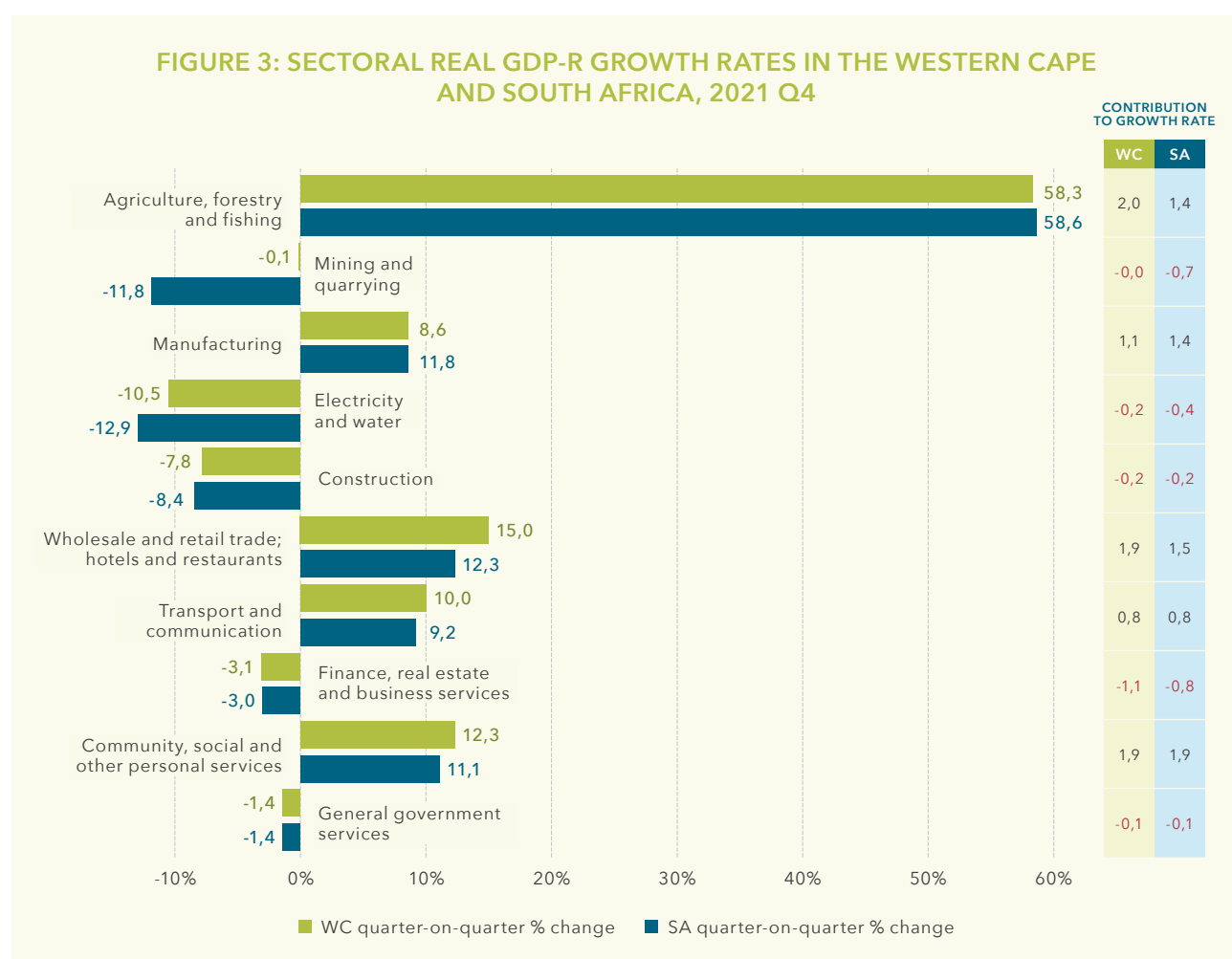


Source: Quantec, 2022.

The agriculture sector recorded the largest sectoral growth in the province (58,3%). Due to the fact that agriculture constitutes a high share of the provincial economy (4,4%), this performance added 2 percentage points to total provincial growth, making it the largest positive contributor. The trade and hospitality and community and personal services sectors followed with 15,0% and 12,3% quarter-on-quarter growth, respectively, each adding 1,9 percentage points to total provincial growth. Following two consecutive quarters of negative quarter-on-quarter growth, the manufacturing sector recorded growth of 8,6%, and added 1,1 percentage points to total provincial growth.

Five sectors recorded contractions at a provincial level in the fourth quarter of 2021, subtracting a combined 1,7 percentage points from the total provincial growth rate. The largest contraction was recorded in the electricity and water sector (-10,5%), while the construction sector followed with its third consecutive quarter-on-quarter contraction (-7,8%). Despite the finance and business services sector contracting by [only] 3,1% quarter-on-quarter, its significant share of the provincial economy (34,2%) meant that its performance subtracted the most from total provincial growth (-1,1 percentage points).

When analysing sectoral trends, fluctuating performances across the national and provincial economies highlight the impact of the Covid-19 pandemic. Overall, sectors do not seem to have stabilised yet, suggesting that economic recovery is still under way.



Source: Quantec, 2022.

03





INFLATION

Price fluctuations of goods and services in an economy are measured by the consumer price index (CPI) inflation rate and producer price index (PPI) inflation rate. The CPI measures the change in the cost of living for households and the PPI measures the change in the cost of production.

INFLATION OVERVIEW

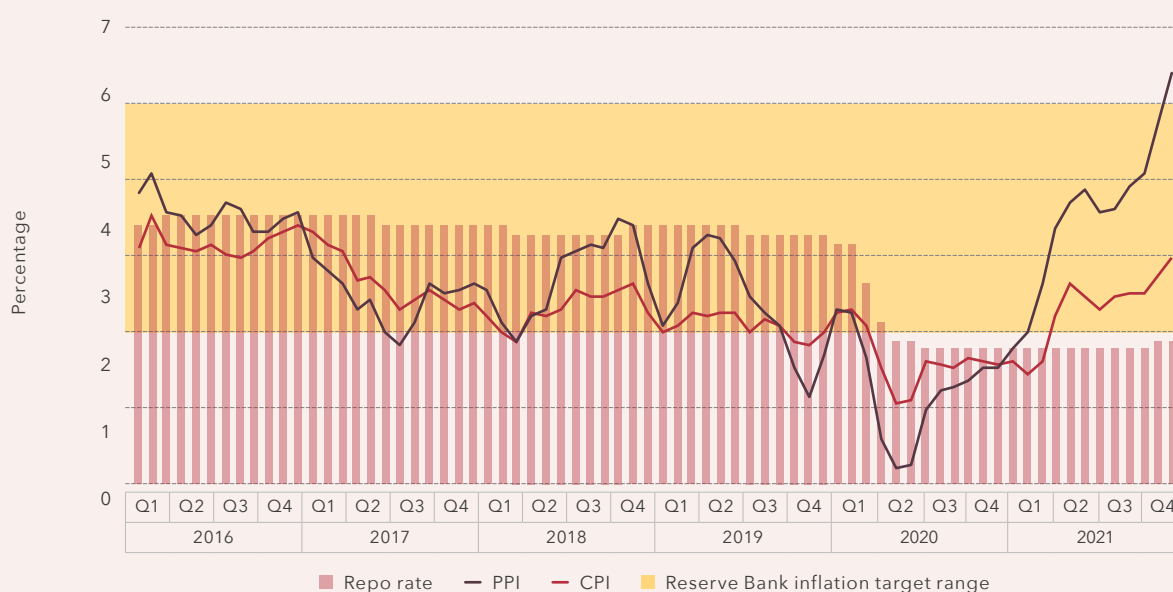
At the end of the fourth quarter of 2021, the CPI increased to 5,9% from 5,0% at the end of the third quarter of 2021. As illustrated in figure 4, the CPI was 5,0% in October, increasing to 5,5% in November and further to 5,9% in December. Overall, the CPI remained just within the inflation target range (3–6%) for Q4 2021. According to Statistics South Africa (2022), the main contributors to the overall CPI inflation rate for December 2021 included food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services.

The average CPI for 2021 was higher, at 4,6%, compared to the average CPI for 2020 (3,3%). According to the Monetary Policy Committee (MPC) statement of January 2022 (South African Reserve Bank [SARB], 2022), the headline inflation outlook for 2022 was revised upwards from 4,3% to 4,9%, while the outlook for 2023 (4,5%) remained unchanged. The MPC further noted that, on a global level, producer and food prices continue to accelerate rapidly. According to the statement, this points to global supply shortages accompanied by strong demand. In addition, the MPC acknowledged the strong increase in oil prices throughout 2021 and into 2022. Further comments were made on the short- to medium-term upward risks from electricity and administrative prices, which will be closely monitored.

For the fourth quarter of 2021, the PPI³ recorded a significant increase to an average of 9,5%, after averaging 7,4% in the previous quarter. The index showed monthly readings of 8,1% in October, increasing to 9,6% in November and to 10,8% in December 2021. For the 2021 year, the average PPI was considerably higher, at 7,1%, compared to the previous average of 2,5% in 2020. Since the start of the second quarter, the PPI moved above the upper end of the inflation target range (6%) and continued to increase well above that level. In addition, the PPI recording for December 2021 is the highest it has been since February 2016 when it last breached the 8% mark. The main inflationary contributors to the PPI in December (in terms of final manufactured products) were the prices of: coke, petroleum, chemicals, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

Since December 2020, the gap between the CPI and the PPI has increased significantly from 0,1 of a percentage point to 4,9 percentage points in December 2021. The notably higher PPI contributes to CPI edging towards the upper end of the inflation target range, although this upward pressure currently remains tempered by weak demand conditions.

FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2016 TO DECEMBER 2021



Source: CPI and PPI, extracted from Statistics South Africa, 2022; repo rate extracted from SARB, 2022.

³ According to Statistics South Africa (2021), the PPI from, and including, January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate increased by 25 basis points to 3,75% in November 2021. This marks the first increase since July 2020, after which the repo rate remained fixed at 3,5% for nearly 16 months. According to the MPC statement of November 2021 (SARB, 2021), key reasons for the decision to increase the rate were the

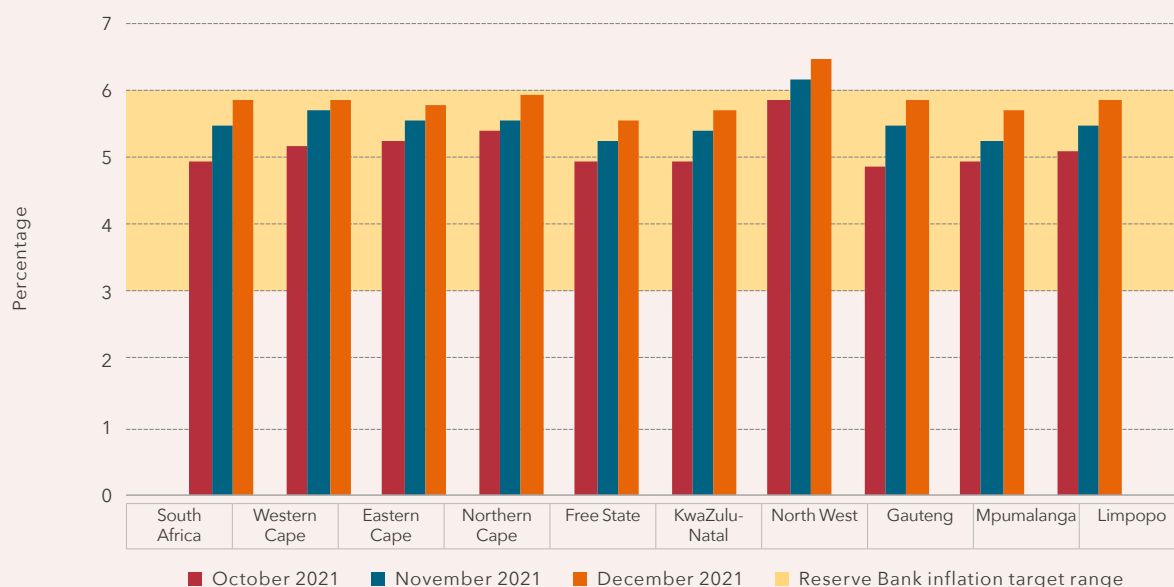
steady rise in headline inflation and the upward pressure on inflation expectations from oil and electricity prices. The MPC further commented that there will be gradual increases in the repo rate going forward, but that the policy will remain accommodative to keep finances supportive of credit demand as the economy continues to recover from the impact of the Covid-19 pandemic.

GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 5,9% at the end of the fourth quarter of 2021, similar to that of the country. This was slightly higher than the 5,1% at the end of the preceding quarter. Figure 5 illustrates inflation rates recorded in the fourth quarter of 2021 across all nine provinces of the country. Compared to the end of the third quarter of 2021, all provinces experienced inflationary increases. At the end of

December, most of the provinces remained within the target range of 3% to 6%, except for the North West and Northern Cape. The North West recorded the highest inflation rate for the quarter under review, with an average of 6,2%, followed by the Northern Cape (5,7%) and the Western Cape (5,6%). The Free State recorded the lowest average inflation rate of 5,3% for the period.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, OCTOBER TO DECEMBER 2021



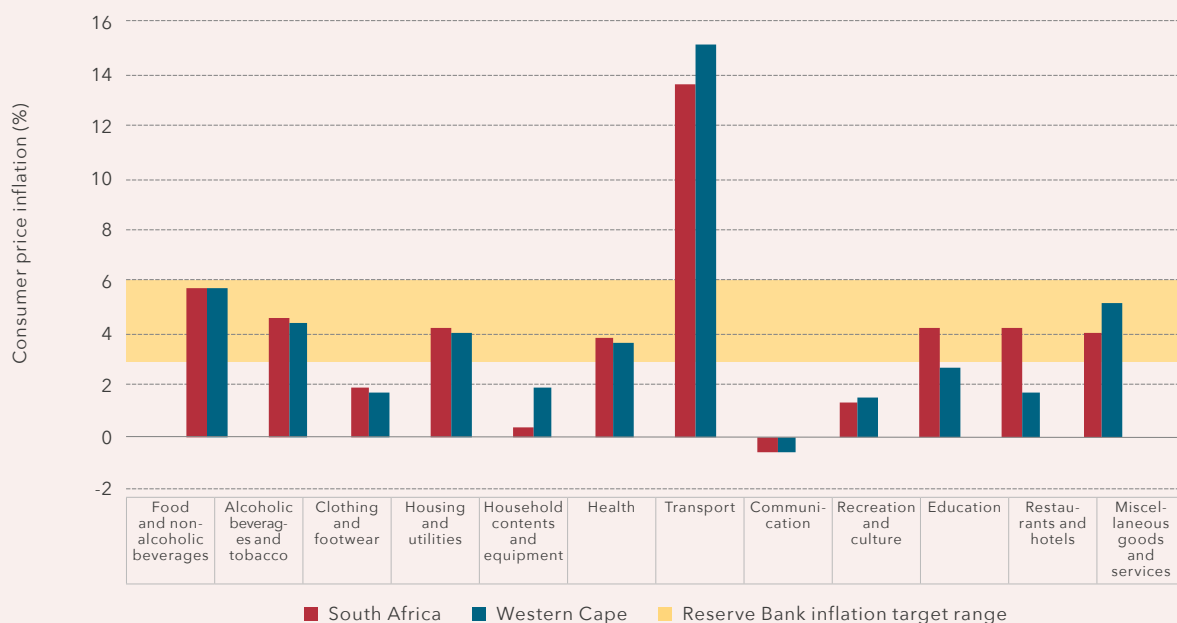
Source: Statistics South Africa, February 2022.

As indicated in figure 6, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the fourth quarter of 2021 can largely be attributed to transport inflation which recorded an average rate above 10%. The rest of the categories recorded inflation rates within the target range of 3% to 6%.

Transport price inflation was recorded at 16,1% on a national level and 18,1% on a provincial level for December 2021. This was largely driven by [its sub-category of] fuel price inflation for both the country and province. Fuel price inflation for December was

higher at a provincial level (41,3%) compared to 40,5% at a national level. Worryingly, this doubled for both the country and the province when compared to September 2021. According to Stats SA (2021b), the price of petrol⁴ reached an all-time high of R20,29 in December 2021. This is the first time that the price of petrol has broken through the R20.00 mark. This acceleration in the price of petrol can largely be attributed to the increase in the price of oil to an average of \$77 per barrel for the fourth quarter of 2021, compared to [an average price of] \$72 per barrel for the third quarter.

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q4



Source: Statistics South Africa, February 2022.

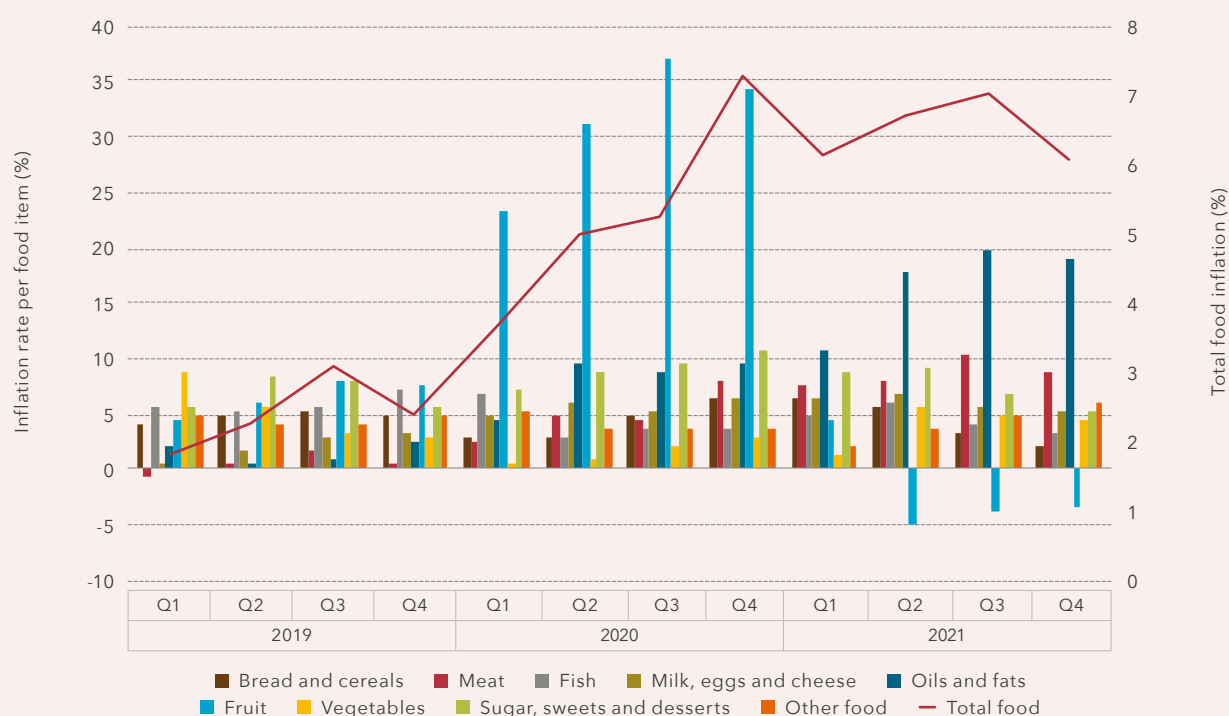
⁴ Price of inland 95-octane petrol.

WESTERN CAPE FOOD INFLATION

In light of Covid-19, tracking and monitoring food price changes have become increasingly important as millions of South Africans have experienced job losses and salary cuts since the country's first lockdown, which threaten their access to food. Figure 7 tracks food price inflation in the Western Cape, which has been on an upward trend since the beginning of 2020. This trend has, however, tapered throughout 2021, with a further slowdown in

the fourth quarter. Food price inflation decreased from an average of 7,2% in the fourth quarter of 2020 to 6,0% in the fourth quarter of 2021. The food items that demonstrated the highest average inflation rates in the fourth quarter of 2021 were oils and fats (18,8%) and meat (8,6%). The fruit category continued to experience deflation, recording an average rate of 3,3% in the fourth quarter of 2021.

FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2021 Q4



Source: Statistics South Africa, February 2022.

Oils and fats continued to record the highest inflation rate due to a global shortage of oil-producing crops such as sunflower, resulting in a dependence on imports (Dludla, 2021). The rise in meat prices could be attributed to the global increase in fuel prices and animal feed (Chiniah, 2021). Domestically, the persistent impact of long periods of drought and periodic outbreaks of foot-and-mouth disease have also had an adverse impact on meat prices (Business Insider, 2021).

Fruit prices are typically highly volatile due to their seasonal nature and reliance on weather conditions (Business Tech, 2021). However, the fruit category continued on a deflationary trend. This is largely

attributed to an oversupply of some fruit, worsened by the high transport costs and ripple effects of logistical delays caused by the July 2021 unrest, as well as cyber attacks that resulted in export constraints (Thukwana, 2021).

The outlook for the country's agricultural sector for 2022 is favourable, however, the optimism may be diminished by the rising fuel prices and agricultural input costs such as fertiliser and animal feed (Sihlobo, 2021). This may negatively impact food prices and limit households' ability to afford food, which is a vital factor in their well-being.

04





LABOUR MARKET

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

On 19 March 2020, Statistics South Africa (2020) suspended its face-to-face data collection process due to the Covid-19 pandemic. As a result, the mode of data collection for the Quarterly Labour Force Survey (QLFS) was changed to Computer Assisted Telephone Interviewing (CATI). Statistics SA has indicated that the lifting of Covid-19 restrictions has allowed for data collection to revert back to the face-to-face method. This also allowed for the rotation of interviewee samples to be reintroduced in quarter 2 of 2021. This sample was subsequently used for 2021 Q3 and Q4. Further details on the methodology can be reviewed in the official [QLFS publication](#).

NOTE: In quarter 1 of 2022, Statistics SA implemented a major data verification process in response to the declining overall response rate to the QLFS since the introduction of the Computer Assisted Telephone Interviewing method. After a series of data checks, Statistics SA made the decision to only release the national and provincial numbers for 2021 Q4. As a result of the decline in response rate, the coefficient of variation for the metro estimates was higher than 30%, making these estimates unreliable. Statistics SA, therefore, decided not to release any metro data (Cape Town included) for this quarter. Therefore, this edition of the labour market chapter will only focus on descriptive statistics on a national and provincial level. Unfortunately, no Cape Town data were available for use in this section.

LABOUR MARKET INDICATORS FOR SOUTH AFRICA AND THE WESTERN CAPE

Table 1 lists the labour market indicators for South Africa and the Western Cape. For each indicator, the actual number recorded for the fourth quarter of 2021 is noted, as well as the respective quarter-on-quarter and year-on-year change. Each change is further accompanied by an arrow,

depicting whether it is an increase or decrease (compared to the previous quarter and year respectively), while the colour of the arrow indicates whether the change is a positive or negative impact.

TABLE 1: SOUTH AFRICA AND WESTERN CAPE LABOUR MARKET INDICATORS, 2021 Q4

2021 QUARTER 4		SOUTH AFRICA			WESTERN CAPE		
		Recorded	Quarter-on-quarter change	Year-on-year change	Recorded	Quarter-on-quarter change	Year-on-year change
Number (thousands)	Working-age population	39 888	+ 143	+ 578	4 859	+ 20	+ 93
	Labour force	22 466	+ 540	+ 209	3 144	+ 124	+ 126
	Employed: Total	14 544	+ 262	- 479	2 263	+ 37	- 75
	Employed: Formal sector	9 771	+ 143	- 724	1 744	+ 52	- 71
	Employed: Informal sector	2 647	- 48	+ 126	217	+ 8	- 2
	Unemployed	7 921	+ 278	+ 688	881	+ 87	+ 201
	Not economically active	17 423	- 397	+ 369	1 715	- 104	- 34
	Discouraged work seekers	3 806	- 56	+ 876	53	- 32	- 34
	Other not economically active	13 617	- 341	- 507	1 662	- 72	0
Rate (percentage; percentage-point change)	Official/strict unemployment ⁵	35,3%	+ 0,4	+ 2,8	28,0%	+ 0,1	+ 5,5
	Broad/expanded unemployment ⁶	46,2%	- 0,4	+ 3,6	30,4%	+ 1,7	+ 3,6
	Absorption	36,5%	+ 0,6	- 1,7	46,6%	+ 0,6	- 2,4
	Labour force participation	56,3%	+ 1,1	- 0,3	64,7%	+ 2,3	+ 1,4

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

⁵ The 'strict' definition of unemployment includes only people who are actively seeking work.

⁶ The 'broad' definition of unemployment includes those under the 'strict' definition as well as discouraged and other non-seeking job seekers.

SOUTH AFRICA'S LABOUR MARKET PERFORMANCE

At a national level, in the fourth quarter of 2021, the working age population and labour force increased on both a quarter-on-quarter and year-on-year basis to 39,9 and 22,5 million individuals respectively. The number of employed individuals increased on a quarter-on-quarter basis (by 262 124 individuals) and decreased on a year-on-year basis (by -479 420 individuals) to a total of 14,5 million individuals. Similarly, formal employment increased on a quarter-on-quarter basis (by 143 818 individuals) and decreased on a year-on-year basis (by -724 286 individuals) to record a total of 9,8 million individuals. Informal employment, on the other hand, decreased on a quarter-on-quarter basis and increased year-on-year, to record a total of 2,6 million individuals for this quarter. Both the labour force participation rate (56,3%) and labour absorption rate (36,5%) increased on a quarter-on-quarter basis while decreasing year-on-year.

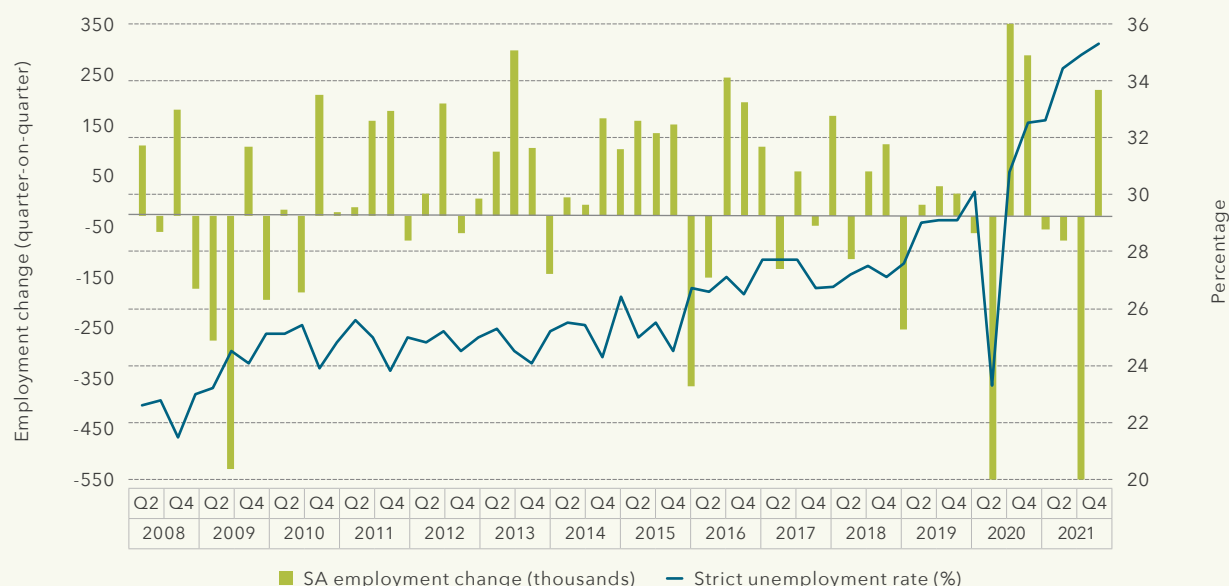
Unemployment increased both on a quarter-on-quarter basis (by 277 942 individuals) and on a year-on-year basis (by 688 011 individuals) to a total of 7,9 million individuals. However, the increase in employment opportunities was outweighed by the increase in unemployment, resulting in the strict unemployment rate

increasing to 35,3% in the fourth quarter of 2021 when compared to the previous quarter (34,9%). This is the highest strict unemployment for the country since 2008.

Discouraged work seekers decreased on a quarter-on-quarter basis, while increasing year-on-year, to record a total of 3,8 million individuals at the end of the fourth quarter of 2021. The broad unemployment rate decreased on a quarter-on-quarter basis and increased year-on-year, to record 46,2% at the end of the quarter. This decrease is largely attributed to the decreases recorded in the non-searching categories, suggesting that individuals searched more actively for employment.

Figure 8 illustrates the predominantly inverse relationship between employment creation and the unemployment rate. As indicated on the graph, consecutive negative employment growth (2021 Q1 until 2021 Q3) typically leads to an increase in the unemployment rate. Although there was positive employment growth in 2021 Q4, it was not enough to make up for the losses in the previous quarters together with rising unemployment levels, hence the rising unemployment rate.

FIGURE 8: EMPLOYMENT TRENDS VERSUS UNEMPLOYMENT RATE IN SOUTH AFRICA, 2008 Q2 TO 2021 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 4, March 2022.

WESTERN CAPE'S LABOUR MARKET PERFORMANCE

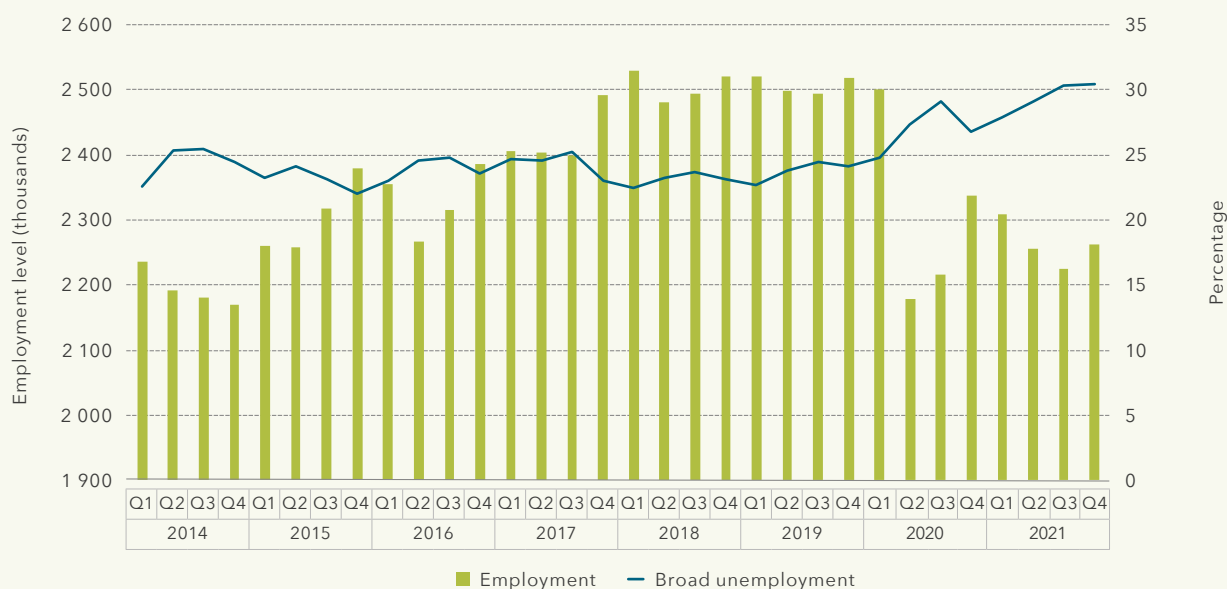
The Western Cape's working age population (4,86 million) and the labour force (3,1 million) increased on both a quarter-on-quarter and year-on-year basis. Employment increased quarter-on-quarter (37 312), however, it decreased year-on-year (-74 969), recording a total of 2,2 million individuals. The labour absorption rate and labour force participation increased on a quarter-on-quarter basis, while decreasing year-on-year, to 46,6% and 66,9% respectively. Similar to national performance, formal employment (which represents the bulk of employment in the Western Cape) increased quarter-on-quarter, but decreased on a year-on-year basis, to a total of 1,7 million. Informal employment increased quarter-on-quarter, but decreased year-on-year, to a total of 216 896 individuals.

The number of unemployed people increased on both a quarter-on-quarter (by 86 950 individuals) and year-on-year (by 200 996 individuals) basis, to a total of 881 046 individuals for the fourth quarter of 2021. The increase recorded in employment was outweighed by the increase recorded in unemployment, resulting in the strict unemployment rate increasing to 28% in the fourth quarter of 2021 when compared to the previous quarter

(26,3%). This is the highest strict unemployment rate for the Western Cape since the implementation of the QLFS in 2008. The number of discouraged work seekers decreased on both a quarter-on-quarter (-32 253) and year-on-year (-33 652) basis, to a total of 52 870 individuals in the fourth quarter.

Figure 9 displays the employment levels against the broad unemployment rate for the Western Cape. Similar to figure 8, it reveals that when employment is declining, the likelihood of the unemployment rate rising increases. Furthermore, employment levels are still far below pre-Covid-19 levels when comparing the period 2020 Q2 - 2021 Q4 to 2017 Q4 - 2019 Q4. The broad unemployment rate increased marginally to 30,4% in 2021 Q4 when compared to the previous quarter (30,3%). This is the highest broad unemployment rate for the province since the implementation of the QLFS in 2008. This increasing trend in the broad unemployment rate reflects the difficulties experienced by the active labour force in either absorbing individuals through employment and/or the fact that more individuals are becoming active in searching for employment, which occurred when lockdown levels were relaxed.

FIGURE 9: EMPLOYMENT LEVEL VERSUS BROAD UNEMPLOYMENT RATE TRENDS, WESTERN CAPE, 2014 Q1 TO 2021 Q4



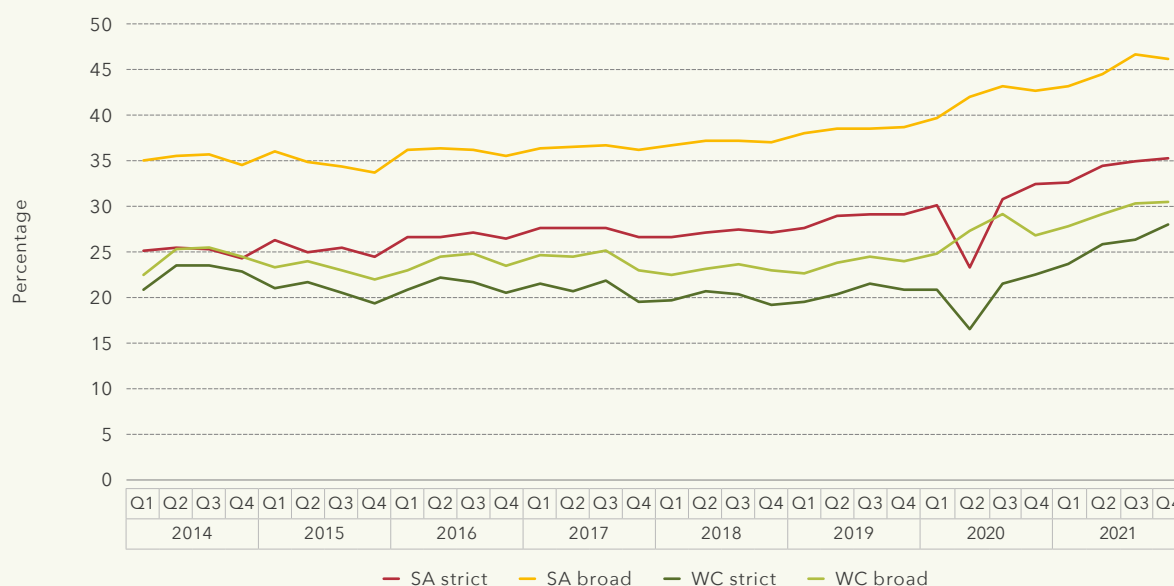
Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 4, March 2022.

UNEMPLOYMENT RATES

As illustrated by figure 10, the two rates of unemployment for the Western Cape have remained relatively close. Since 2017 the gap has been increasing, with the impact of the 2020 pandemic recording the largest difference. This gap was due to the typical 'non-searching unemployed' category being included in the broad unemployment rate and not the strict unemployment rate. As lockdown levels eased, the gap between these rates has decreased to 2,4 percentage points in the fourth quarter of 2021. On average, the expanded

unemployment rate in the Western Cape is only 3,3 percentage points higher than the province's strict rate, compared with the national gap of 10,2%. Although the province's strict unemployment rate increased in the fourth quarter of 2021, it was 7,3 percentage points lower than the national rate. South Africa's expanded unemployment rate in the fourth quarter of 2021 was 46,2% (diverging largely from the strict rate), compared to the Western Cape's notably lower expanded rate of 30,4%.

FIGURE 10: STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND WESTERN CAPE, 2014 Q1 TO 2021 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 4, March 2022.

05





INFRASTRUCTURE AND TRADE

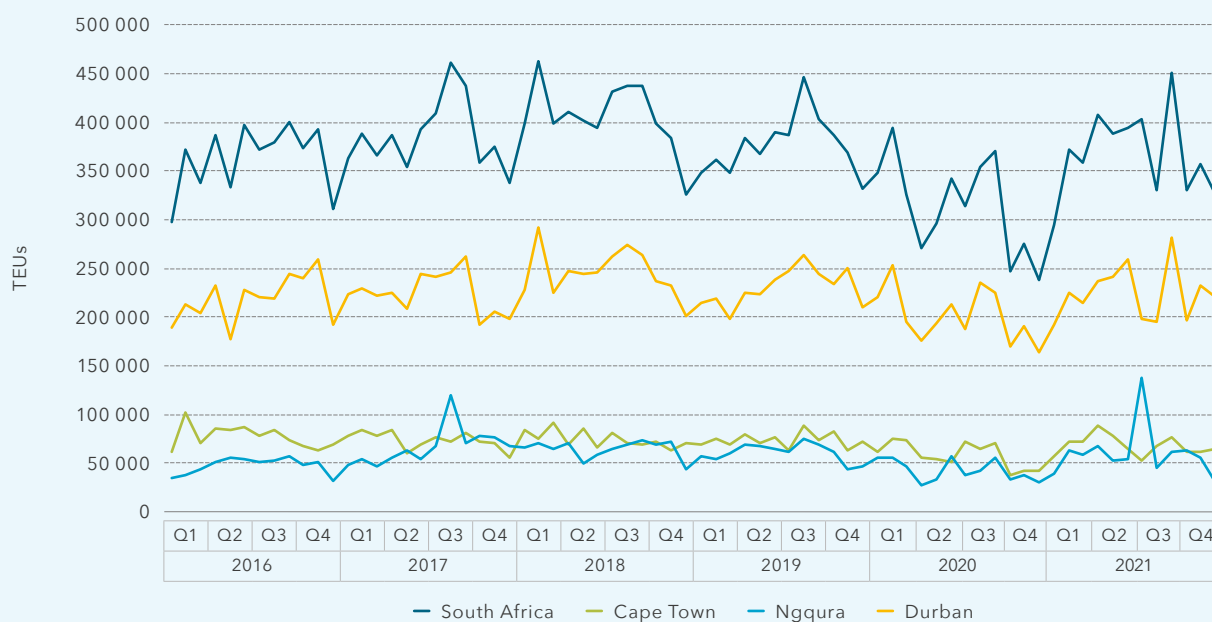
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport as well as (historically) its second-busiest container port. This section reviews infrastructure developments in relation to Cape Town's port and airport.

CONTAINER TRAFFIC

Container traffic demonstrates an erratic trend, as shown by figure 11. As such, it is best to compare total containers handled, as measured in twenty-foot equivalent units (TEUs),⁷ over the period of a year.

The Port of Durban⁸ remained the largest container handling port in South Africa, handling a total of 649 949 TEUs in the fourth quarter of 2021, which accounted for 64,1% of all containers handled in the country. It was followed by the Port of Cape Town (18,6%) and the Port of Ngqura⁹ (14,7%).

FIGURE 11: TOTAL CONTAINERS HANDLED (NATIONALLY), 2016 Q1 TO 2021 Q4



Source: Transnet National Ports Authority, February 2022.

As shown in table 2, the total number of containers handled at South African ports increased on a year-on-year basis. Containers handled nationally increased by 33,2%, from 761 147 TEUs in the fourth quarter of 2020 to 1 013 751 TEUs in the fourth quarter of 2021. The Port of Cape Town experienced an increase from 122 833 TEUs in the fourth quarter of 2020 to 188 526 TEUs in the fourth quarter of 2021, reflecting the highest year-on-year

increase (53,5%) of all the ports. The Port of Ngqura reported an increase of 47,1%, while the Port of Durban increased by 23,7% when compared to the fourth quarter of 2020. While all ports recorded relatively high double-digit growth rates, signalling recovery from the pandemic and lockdown periods, the latest quarterly performance remains lower than that of the same period in 2019.

⁷ A TEU (twenty-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6 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.

⁸ The Port of Durban is located in the eThekweni metro municipality.

⁹ The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

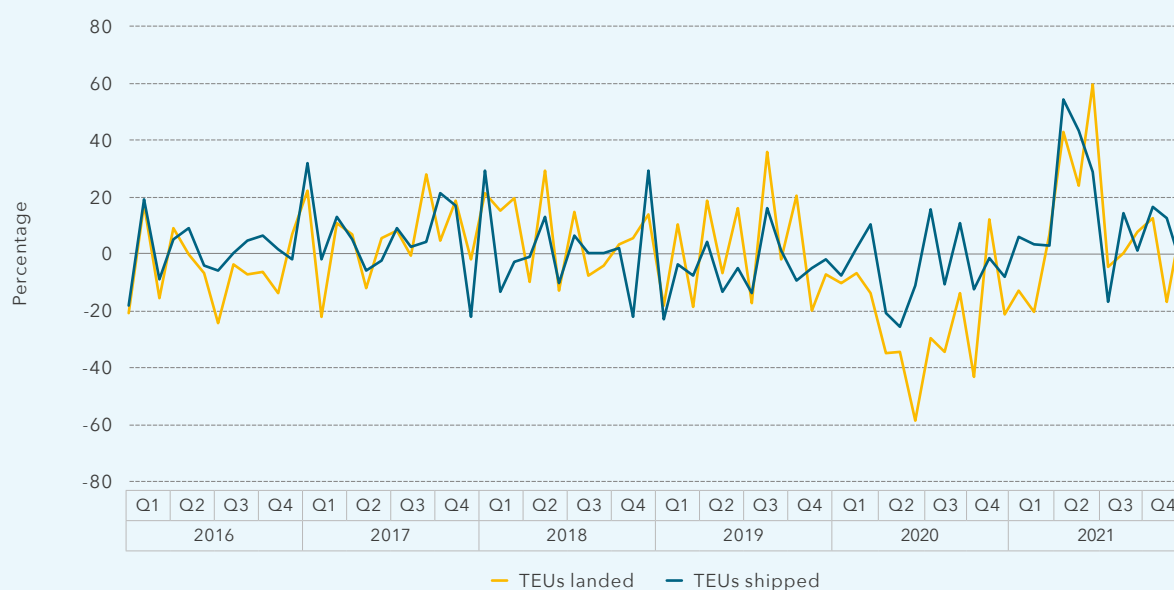
TABLE 2: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUs)

	2021 Q4	2021 Q3	2020 Q4	YEAR-ON-YEAR CHANGE
South Africa	1 013 751	1 184 687	761 147	33,2%
Cape Town	188 526	196 465	122 833	53,5%
Durban	649 949	675 869	525 418	23,7%
Ngqura	148 901	245 632	101 256	47,1%

Source: Transnet National Ports Authority, February 2022.

Figure 12 illustrates TEUs landed and TEUs shipped at the Port of Cape Town, reflecting imports and exports respectively. The Port of Cape Town recorded a year-on-year increase of 0,4% in TEUs landed, from 62 898 TEUs in the fourth quarter of 2020 to 63 154

TEUs in the fourth quarter of 2021. The number of TEUs shipped also increased by 6,7% from 59 935 TEUs in the fourth quarter of 2020 to 63 943 TEUs in the fourth quarter of 2021.

FIGURE 12: ANNUAL CHANGE IN TEUs HANDLED AT THE PORT OF CAPE TOWN, 2016 Q1 TO 2021 Q4

Source: Transnet National Ports Authority, February 2022.

The Port of Cape Town is a crucial channel for exports and imports and remains an important economic gateway for the province. Transnet National Ports Authority (TNPA) continues to invest into mitigating the ongoing operational and equipment inefficiencies in order to reduce financial losses (Payi, 2022). This becomes ever more important as Cape Town's "inclement" weather conditions, such as strong winds and fog, create further delays to turnaround times (Payi, 2022).

Recently, TNPA proposed an above-inflation tariff increase for importers and exporters of up to 24% for the 2022/23 financial year, despite large financial

losses caused by the recent operational challenges at the country's major ports. According to TNPA, this tariff increase aims to enable economic development to support a prime freight system (Phakathi, 2021). However, this proposal does not promote TNPA's mandate to reduce the cost of doing business and support economic growth, as it will place further financial strain on exporters and importers. Government has also called on international stakeholders for investments to unlock opportunities and increase value in the country's rail and port sectors. As an example, ports and logistics operator, Grindrod, is set to partake in the private sector participation initiative (Venter, 2021).



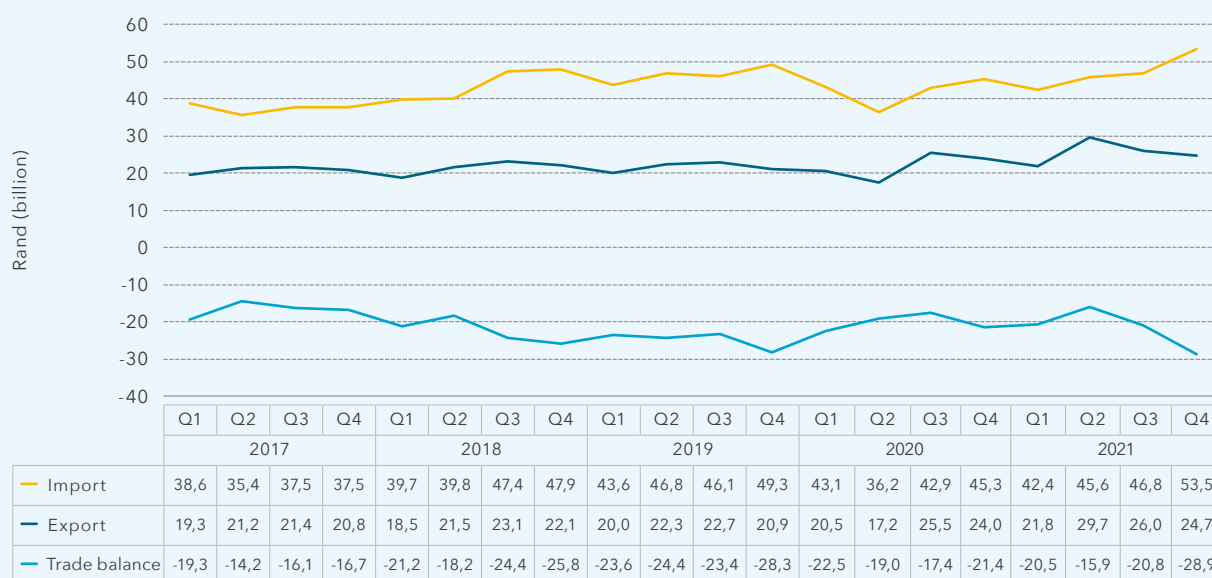
CAPE TOWN TRADE

In the fourth quarter of 2021, quarterly exports decreased, while imports increased, as illustrated in figure 13, which shows the quarterly trade balance for Cape Town. Exports declined by 5,1% to R24,7 billion and imports increased by 14,4% to R53,5 billion. The largest quarterly growth in exports was for cruise ships and excursion boats (including ship launches), followed by coal and manganese. The manganese is usually exported via Gqeberha and Saldanha Bay, however, occasionally it is transported by road from the Northern Cape for export via the Port of Cape Town. The highest value export product from Cape Town in the fourth

quarter was refined petroleum. This product was also the highest value import into Cape Town, with import values 10 times those of exports. This trade gap is likely to widen in 2022, amid oil price rises and the closure of South African refineries, notably SAPREF, due to regulatory changes (Parker, 2022).

The value of exports increased by 2,9%, when compared to the same period in 2020, while comparisons to the fourth quarter of 2019 saw 17,8% growth. The value of imports increased by 18,1% year-on-year and 8,6% when compared to the same period in 2019, to reach the highest quarterly levels on record.

FIGURE 13: CAPE TOWN'S TRADE BALANCE, 2017 Q1 TO 2021 Q4



Source: Quantec, 2022.

Cape Town's top 10 exports in the fourth quarter of 2021, shown in table 3, on the following page, account for a third of total exports (33%). Interestingly, year-on-year exports for the fourth quarter of 2021 recorded lower growth from 2020 (2,9%) than from the fourth quarter of 2019 (17,8%), revealing the strength of trade after the hard lockdown in 2020. When compared to the fourth quarter of 2020, the largest year-on-year increase in the top 10 exports was for cruise ships and excursion boats. The large increase may be due to the resumption of cruise liner activity after the country moved to adjusted alert level 1 in October 2021 and/or the trend towards larger boats that now fall into this HS category. The second largest year-on-year increase was for coal, occasionally exported from Cape Town when demand

and global prices are high. This occurred in October 2021, when coal prices quadrupled (269USD/T)¹⁰ due to coal shortages in China (Trading Economics, 2022).

Citrus remained in the top three export products, with substantial year-on-year increases (61,4%). Jewellery with precious metal and beauty products were other luxury categories that remained in the top 10, however they experienced year-on-year declines of 10,4% and 0,6% respectively. Other categories such as wine and cigarettes did not make the top 10 exports for this quarter as they often do, ousted by (non-local) commodities with high global demand such as coal and manganese.

¹⁰ USD/T = United States dollar per tonne.

TABLE 3: CAPE TOWN'S TOP 10 EXPORTS, 2021 Q4

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2021 Q4 (HS 4) ¹¹	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE	
			VS 2020 Q4	VS 2019 Q4
Refined petroleum oils	R2 571,21	10,4%	50,1%	-43,3%
Coal and coal fuels	R813,00	3,3%	215,5%	91 889,0%
Citrus	R717,83	2,9%	61,4%	162,2%
Jewellery with precious metal	R622,62	2,5%	-10,4%	69,4%
Beauty and make-up	R617,03	2,5%	-0,6%	79,7%
Engine parts	R608,62	2,5%	24,2%	12,8%
Manganese ores and concentrates	R572,54	2,3%	24,6%	99,7%
Fish fillets	R547,01	2,2%	7,9%	29,8%
Apples and pears	R543,95	2,2%	3,1%	29,0%
Cruise ships, excursion boats, ferry boats	R535,48	2,2%	8 168,0%	13 315,2%
Total of top 10 export categories	R8 149,29	33%		
Total of ALL products	R24 676,44	100,0%	2,9%	17,8%

Source: Quantec, own calculations, February 2022.

Note: Only the top 10 exports at an HS4 level are shown in the table above. The year-on-year increase in the export of cruise ships, excursion boats and ferry boats is extremely high as it is from a very low base.

¹¹ At the international level, the Harmonized System is a six-digit code system for the classification of products; it allows for the trading of goods on a common basis for customs purposes.



AIRPORT STATISTICS

South Africa's international airports showed record-low passenger numbers in the second quarter of 2020 as a result of local and international border closures and travel restrictions associated with the pandemic. As countries faced various waves of the pandemic, restrictions have been eased and tightened at various times since then. These trends impacted significantly on passenger numbers in the quarter under review.

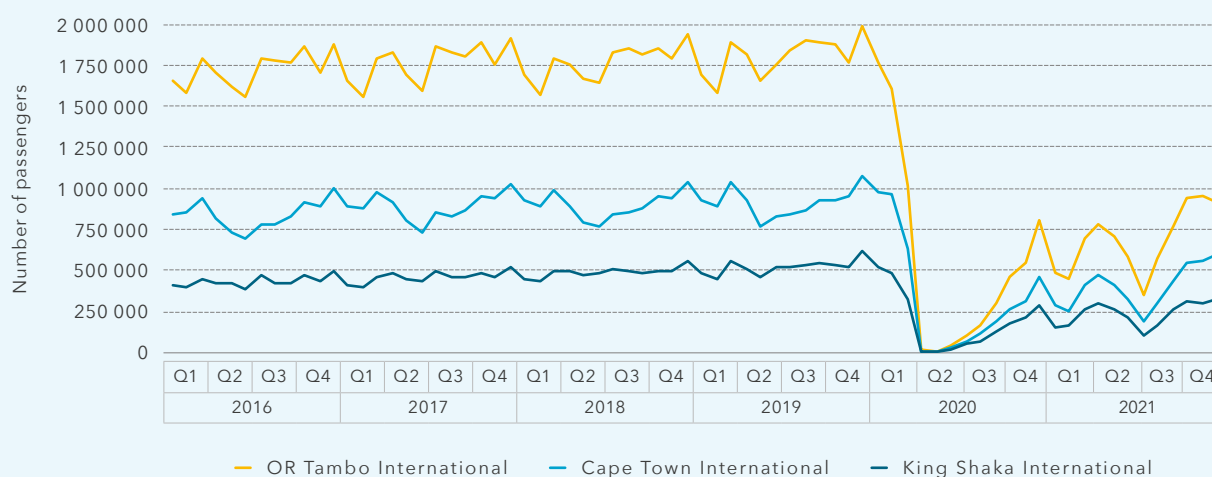
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 1,7 million total passenger movements (arrivals and departures) in the fourth quarter of 2021, compared to 2,8 million passenger movements at OR Tambo International and 932 390 at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. For the fourth quarter of 2021, all three international airports recorded

positive year-on-year performances. Total passenger movements at Cape Town International over this period increased by 64,2% year-on-year, representing 662 030 more passenger movements than observed in the fourth quarter of 2020. OR Tambo International's total passenger movements saw a year-on-year increase of 54,8% (+994 744) in the fourth quarter of 2021, while King Shaka International saw a year-on-year increase of 39,5% (+263 775).

However, it must be noted that, due to the significant disruption to air travel in 2020 and the subsequent low passenger movements, these year-on-year performances remain relatively amplified when compared to pre-pandemic trends. It is therefore worthwhile to compare the performance of the fourth quarter of 2021 to the same period in 2019. This reveals that air passenger movements remain, on average, 45,7% lower than pre-pandemic levels, which is illustrated in figure 14.

FIGURE 14: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2016 Q1 TO 2021 Q4



Source: Airports Company South Africa, February 2022.

Despite the continued increase in air travel throughout the latter half of 2020, total passenger movements remain significantly lower than in 2019. Total passenger movements at Cape Town International in the fourth quarter of 2021 were 42,7% lower than in the fourth quarter of 2019. Similarly, passenger movements for OR Tambo and King Shaka International airports were 50,2% and 44,2% lower, respectively, when compared to the same period in 2019. Indicative of seasonal trends, all three international airports recorded higher passenger movements when compared to the previous quarter. This trend further corresponds with an increase in, or the

resumption of, flight routes.

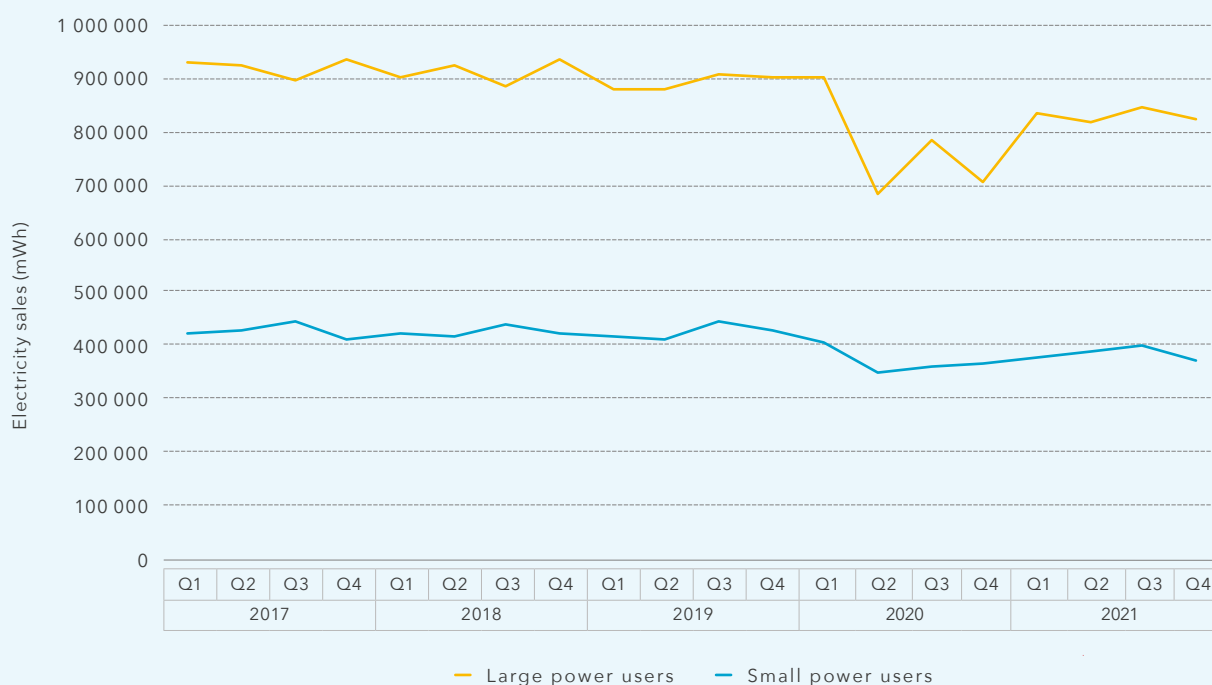
The significantly low air passenger movements are indicative of international travel constraints and the persistent higher costs associated with mandatory Covid-19 tests or self-isolation periods, as well as the strain placed on travel and tourism activities due to public fears of contracting Covid-19. In the fourth quarter of 2021, only 18,8% of total passenger movements at South Africa's international airports constituted international arrivals, compared to 30,7% recorded in the fourth quarter of 2019.

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of South Africa and Cape Town. Consumption of electricity by large power users (LPUs) and small power users (SPUs) is therefore a good indicator of production levels in the manufacturing sector.

According to City data related to electricity sales to LPUs and SPUs, electricity consumption showed a sharp decline in April 2020, corresponding to the introduction of the nationwide lockdown towards the end of March 2020 and the subsequent lower economic activity as businesses were limited in their operations. Electricity sales also continue to be dampened by load-shedding.

FIGURE 15: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2021 Q4



Source: Electricity Generation and Distribution, CCT, February 2022.

Following an improvement in quarter 3 of 2021, electricity sales to both LPUs and SPUs decreased in the fourth quarter, declining by 2,6% and 6,8% quarter-on-quarter respectively. Electricity sales to commercial and industrial customers in the fourth quarter of 2021 remain higher than in the corresponding period in 2020. LPUs recorded increased electricity sales of 16,8% year-on-year, while sales to SPUs increased by

2,2% year-on-year. This growth in electricity sales was, however, off a relatively low base, as electricity sales in the fourth quarter of 2020 were less than pre-Covid-19 levels, as illustrated in figure 15. Nonetheless, growth in electricity sales in the fourth quarter of 2021 is indicative of increased manufacturing activity in Cape Town and signals that the economy is continuing to recover from the negative impact of the pandemic.

06





TOURISM

Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the world. The city boasts an abundance of world-class attractions, principal among which is one of the New 7 Wonders of Nature, Table Mountain. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector, underpins a robust tourism industry in the city. This industry is vitally important for the local economy, not just because of its role in job creation – being one of the most labour intensive industries in Cape Town – but also for its catalytic influence on other industries such as real estate and the creative and transport sectors.

TOURISM

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. This vital tourism industry was also among the hardest hit by the nationwide hard lockdown announced on 27 March 2020. While some activity resumed from 1 June 2020, and the subsequent further easing of restrictions over the remainder of 2020 allowed for increased activity in the sector (South African Government, 2020b, 2020c; Ramaphosa, 2020a), levels remain significantly low.

While data collection within the tourism industry was disrupted for the majority of 2020 due to the impact of the pandemic,¹² Cape Town Tourism (CTT, 2021) has resumed survey activity for the local accommodation sector. However, where previous surveys recorded an average of around 100 responses per month prior to the pandemic, the Cape Town Accommodation Performance Reviews covering the period October to December 2021 had an average response rate of 52 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area. This data collection has recently been bolstered through a collaboration with the Federated Hospitality Association of South Africa (FEDHASA).

As the majority of accommodation establishments would have either been closed or at extremely low capacity in the fourth quarter of 2020 due to the nationwide lockdown restrictions applicable at the time, CTT provided an analysis of October and November of 2021 compared to the same period in 2019. Despite there being no comparison available for December 2021, inferences can still be made based on trends in the previous months. The average room rate and revenue per room rate remain lower in the fourth quarter of 2021 than the same period in 2019. Encouragingly, however, these rates recorded an upward trend in the fourth quarter, indicating a return to seasonal trends, which typically see December delivering higher demand.

Given the low number of international travellers, demand for accommodation during the fourth quarter of 2021 continued to be driven by the domestic market (CTT, 2021; CTT, 2022). This was also due to the Omicron outbreak and resulting fears, following the variant's official discovery by South African scientists, which saw cancellations by international visitors. According to industry experts, this led to an increase in supply which

the domestic market was eager to take up during the festive season, especially amid "lenient local lockdown measures" (Smith, 2022). Further supporting seasonal trends, the survey revealed that international travellers have gradually returned to travelling more for leisure than business.

The third quarter of 2020 marked the resumption of recorded visitor numbers at Cape Town's five major tourist attractions,¹³ thus allowing for year-on-year comparisons to be made. Visitor numbers in the fourth quarter of 2021 recorded a year-on-year increase of 37,0%. However, it must be noted that visitor numbers were significantly low in the fourth quarter of 2020 due to travel restrictions as well as constrained household incomes. When compared to performance in the fourth quarter of 2019, visitor numbers remain 63,2% lower, illustrating a notably slow recovery and ongoing challenges in the industry.

In the fourth quarter of 2021, Kirstenbosch National Botanical Gardens recorded the highest number of visits (154 719). This translates to the lowest year-on-year performance (-7,6%) of the five major tourist attractions, however, this can be attributed to the nature of the activities it offers, and its high capacity, both of which meant that it saw higher visitor numbers in the fourth quarter of 2020 compared to the other major attractions. Kirstenbosch National Botanical Gardens also shows the lowest recovery gap, or the best rate of recovery, when compared to the third quarter of 2019 (-44,4%).

Table Mountain Aerial Cableway recorded the second highest visitor numbers (129 589) in the fourth quarter of 2021, followed by the Cape of Good Hope (93 676). While these translated into positive year-on-year growth, they remain, on average, 68,2% lower when compared to the same period in 2019. Boulders Beach recorded 77 013 visitor numbers in the fourth quarter of 2021, while Robben Island recorded 33 671 visitor numbers. Reflecting their high dependency on the international tourist market, their performance remains 68,2% and 68,4% lower, respectively, when compared to the fourth quarter of 2019.

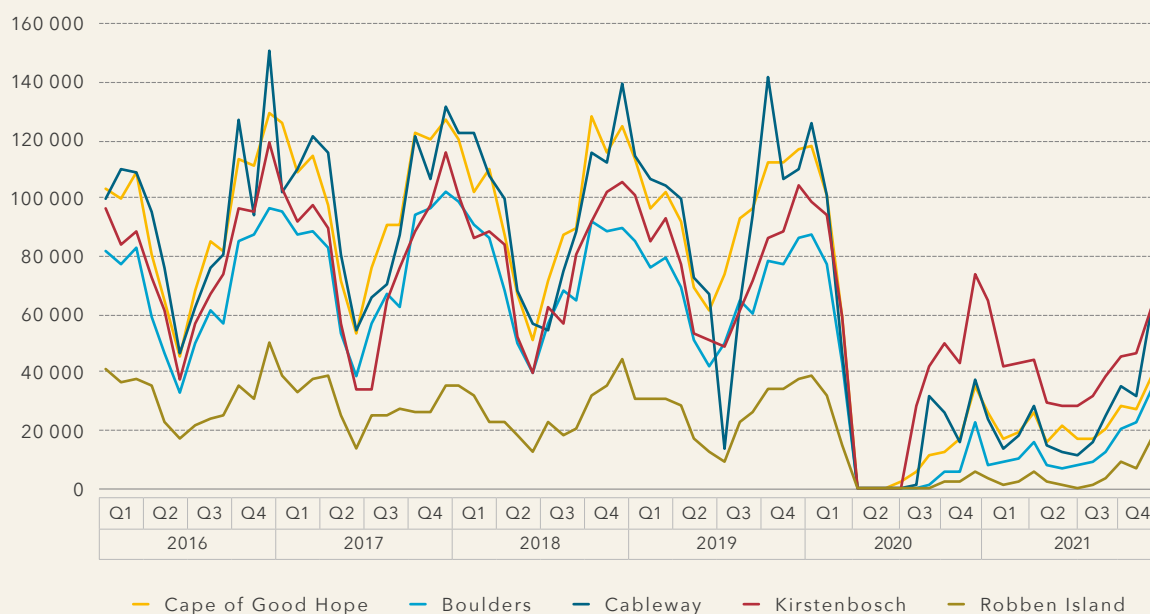
¹² As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism thus could/did not conduct their [otherwise] monthly accommodation survey.

¹³ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island. Excludes the V&A Waterfront.

Figure 16 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March, while the lowest tourist visitor numbers are typically recorded between May and July, which include Cape Town's

winter months. Traditionally, due to seasonality, visitor numbers record quarter-on-quarter increases in the fourth quarter. While visitor numbers remain lower than pre-pandemic levels, the fourth quarter of 2021 reveals a return of this seasonal trend.

FIGURE 16: TOTAL (MONTHLY) VISITS TO THE TOP 5 TOURIST DESTINATIONS OF CAPE TOWN, 2016 Q1 TO 2021 Q4



Source: Wesgro, March 2022.



07





ADDITIONAL INDICATORS

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

BUILDING DEVELOPMENTS

The economic growth data for the fourth quarter of 2021 show that national output in the construction industry declined by 8,4% quarter-on-quarter, thus struggling to maintain its recovery momentum since its significant decline in the second quarter of 2020 as a result of the nationwide lockdown. After rebounding with two quarters of positive year-on-year growth, the sector recorded a year-on-year contraction of 3,1% in the fourth quarter of 2021.

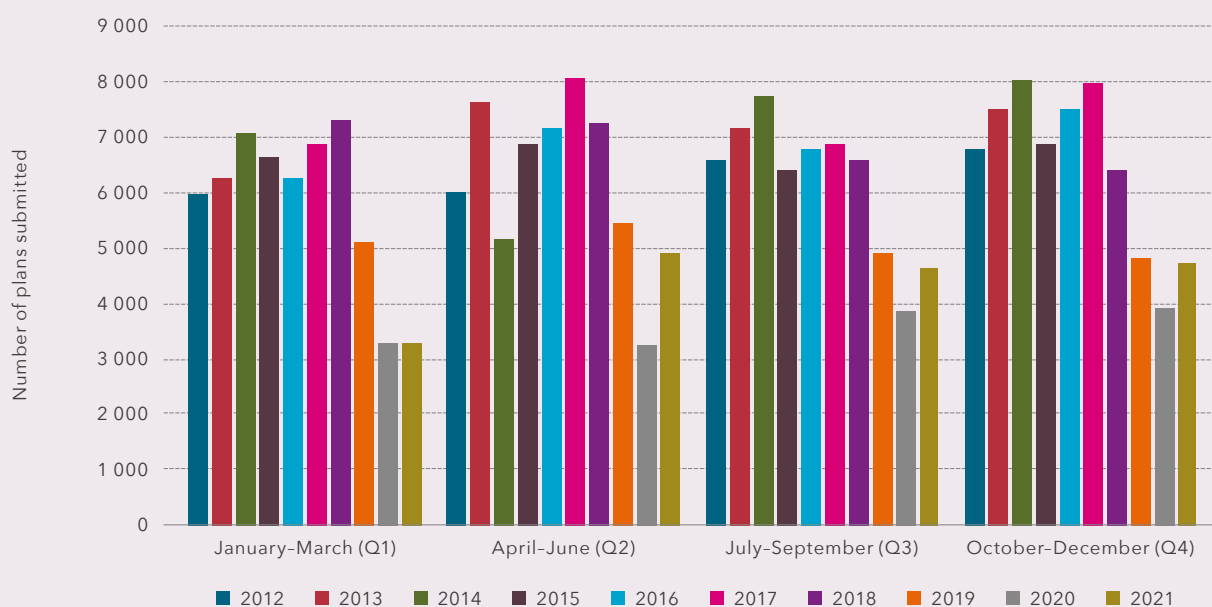
The Western Cape's construction industry mirrored these national trends, recording a quarter-on-quarter contraction of 7,8%, and a year-on-year contraction of 2,8% in the fourth quarter of 2021 (Quantec, 2021). When viewed in the context of the low base recorded in the fourth quarter of 2020, when the country was transitioning to lower lockdown levels, the sector's negative year-on-year performance highlights its continued struggle to maintain momentum in its recovery.

Since recovering from an all-time low of 4 index points in the second quarter of 2020, the First National Bank (FNB)/BER Building Confidence Index (BCI)¹⁴ declined by 1 index point in the fourth quarter of 2021 to record 34 index points. Despite the slight drop, the index is still underpinned by the "core" building sector index (which excludes the hardware retailers and building material manufacturing sub-sector) which improved by 7 index

points to reach 27 index points in the fourth quarter of 2021 – its best level since the second quarter of 2019 (and before the pandemic). The three components¹⁵ that recorded gains in index points were supported by increased activity as well as improved profitability (BER, 2021d). Notably, the Building Confidence Index for the fourth quarter of 2021 showed a turnaround and improvement in non-residential construction. The City's building plans data also recorded the highest value in building completions by the residential market (43%) in this period. Non-residential building completions comprised 17% of total building completions, and additions and alterations made up 40%.

The still tenuous state of the sector remains evident in the number of building plans submitted to the City for approval, which totalled 4 707 in the fourth quarter of 2021. While this represents a year-on-year improvement of 20,1% when compared to the fourth quarter of 2020, as well as a slight improvement (+2,1%) when compared to the previous quarter, it remains 2,2% lower when compared to the fourth quarter of 2019 (pre-pandemic). Figure 17 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry.

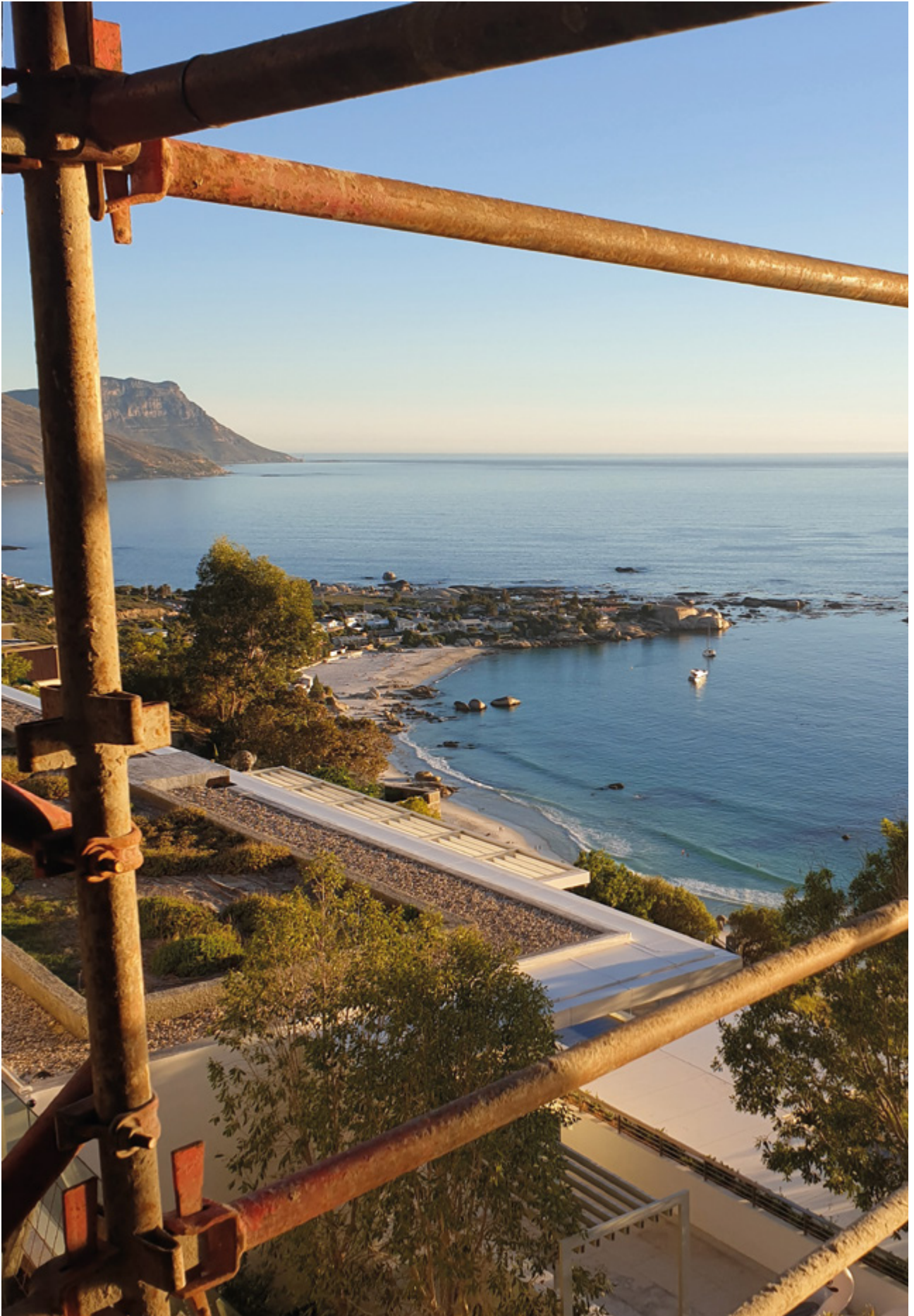
FIGURE 17: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2012 Q1 TO 2021 Q4



Source: Planning and Building Development Management Department, CCT, March 2022.

¹⁴ The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with, or wary of, the prevailing business conditions.

¹⁵ The three sub-segments that registered higher confidence were, namely, main contractors and architects, and building sub-contractors.





NEW VEHICLE SALES

Total vehicle market sales in the Western Cape experienced an increase of 2,8% (372 units), recording 13 532 units sold in the fourth quarter of 2021, compared to 13 160 units sold in the third quarter of 2021. On a year-on-year basis, vehicle sales experienced an increase of 9.8% (1 211 units) from 12 321 vehicles sold in the same period of 2020. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 9 067 vehicles in the third quarter of 2021 to 9 388 vehicles in the fourth quarter of 2021. The year-on-year results showed an increase of 12,0% (1 005 units) from 8 383 vehicles sold in the fourth quarter of 2020. At a national level, passenger vehicle sales reported a year-on-year increase of 5,4% (4 024 units), increasing from 75 055 units in the fourth quarter of 2020 to 79 079 units in the fourth quarter of 2021.

In the quarter under review, the local new vehicles market continued its gradual recovery despite persistent economic and pandemic-fuelled challenges such as difficulties sourcing inventory, low consumer confidence, increasing consumer debt, Covid-19 uncertainty, increasing unemployment, unfavourable foreign exchange and the intensifying burden on disposable income (Reddy, 2022). Domestic shocks remain an area of great concern. During the fourth quarter, these included a three-week strike in the steel and engineering sector, high levels of load-shedding, and Covid-19 supply chain disruptions that resulted in higher logistics costs (NAAMSA, 2022). Against this challenging backdrop, the strong performance shown by the sector points to the resilience that exist in the local motor industry.

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 2,6% on a year-on-year basis in the fourth quarter of 2021, while used passenger vehicles finance deals increased by 2,9%. The used-to-new ratio remained consistent at 2,31 in Q4 2021 compared to the same period in 2020. The VPI¹⁶ for new vehicles decreased significantly to 2,0% in the fourth quarter of 2021, from 9,6% in the same period in 2020. The VPI for used vehicles continued to increase, recording 7,0%, up significantly from 2,9% in the fourth quarter of 2020 and surpassing the figure for new vehicles. This may be attributable to increased demand for quality used vehicles while new vehicle supply remains constrained. As a result, vehicle buyers are still choosing used vehicles, while some consumers are keeping their vehicles longer due to increased pressure on disposable income (Reddy, 2022).

The outlook for 2022 points to continued recovery in the local vehicle market, despite several market challenges. NAAMSA forecasts a year-on-year growth of about 8% in total new vehicle sales, however, Covid-19 disruptions on supply chain, load-shedding constraints and the adverse impact of rising interest rates and fuel prices on vehicle affordability will remain a challenge for the automotive market in 2022 (NAAMSA, 2022). TransUnion anticipates that consumers will continue to purchase used vehicles, despite interest rate increases, but will encounter several challenges such as strained finances and a limited global supply (Reddy, 2022). In 2022, the National Automobile Dealers' Association (NADA) envisages a growing introduction of electric vehicles into the local market and this will possibly generate new revenue streams for manufacturers and dealers (NADA, 2022).

¹⁶ VPI measures the relationship between the year-on-year price increases for new and used vehicles from a basket of passenger vehicles of the 15 top manufacturers by volume. The index is created from vehicle sales data collated from across the industry.

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ABBREVIATIONS

BCI:	Building Confidence Index
BER:	Bureau for Economic Research
CCT/City:	City of Cape Town
CPI:	consumer price index
CT:	Cape Town
EPIC:	Economic Performance Indicators for Cape Town
FNB:	First National Bank
GDP:	gross domestic product
GDP-R:	regional gross domestic product
GGP:	gross geographic product
GVA:	gross value added
HS:	Harmonised System
IMF:	International Monetary Fund
LPU:	large power users
MPC:	Monetary Policy Committee
NADA:	National Automobile Dealers' Association
NAAMSA:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Managers' Index
PPI:	producer price index
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SPU:	small power users
TEU:	twenty-foot equivalent unit
TNPA:	Transnet National Ports Authority
US\$:	United States dollar
VPI:	Vehicle Pricing Index
WC:	Western Cape
ZAR:	South African rand

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