

**Western Cape Government
Provincial Treasury**

**Municipal Economic Review
and Outlook
2017**

Provincial Treasury
Local Government Budget Office
Private Bag X9165
7 Wale Street
Cape Town
tel: +27 21 483 3386 **fax:** +27 21 483 4680
www.westerncape.gov.za

Afrikaans and isiXhosa versions of this publication are available on request.

Email: Moses.Mlangeni@westerncape.gov.za

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About the Municipal Economic Review and Outlook

The Municipal Economic Review and Outlook (MERO) is an annual research publication produced by the Provincial Treasury of the Western Cape Government. The first edition of the MERO was published in 2012. It is aimed at informing policymakers at municipalities on key economic issues that affect policy, planning and budgeting.

The overall aim of the MERO is to unpack regional development and sectors that feature in the Provincial Economic Review and Outlook (PERO) and other economic literature available to local policymakers across the Western Cape. This economic intelligence is to be achieved specifically by analysing factors that is driving broad sector developments. This allows an informed interpretation of development in the Province.

Key objectives of the MERO include the identification of constraints and opportunities to development per municipal area; investigating the most appropriate avenues of escalating job-creating growth per municipal area; analysing factors affecting economic growth per municipal area and region; providing updated historical economic information; analysing sectoral developments and trends per municipal area and region; providing short to medium term sectoral forecasts; analysing of regional industry linkages; providing an analysis of selected value chains per municipal area; providing recent information about Small, Micro and Medium Enterprises per region; and analysing the impact of economic activity on households living standards using socio-economic indicators including the HDI, Gini coefficient and the poverty rate amongst others.

The aim is to provide more recent information of the economic and sectoral environment, which in turn informs policy, planning and budgeting and responsive interventions required by policymakers for sustainable economic and human development.

Foreword

The Municipal Economic Review and Outlook (MERO) provides insightful evidence-based research about the state of the municipal economies within the Western Cape.

The research becomes more critical as municipalities embark on the review of their 4th Generation Integrated Development Plans and the compilation of the 2018 Medium Term Revenue and Expenditure Budgets. The MERO in conjunction with the Provincial Economic Review and Outlook (PERO) broaden our knowledge of the provincial and municipal economies to enable policy formulation, alignment, integrated planning and budgeting.

The South African economy remains in a state of fragility despite some positive developments in the global economy. The primary and secondary sectors form the foundation on which the Western Cape economy is built. These sectors are prone to international and domestic fluctuations and have not fully recovered from the great recession that occurred in 2008. Despite this outlook there are some opportunities for growth and employment as evident in the robustness of the services sectors. The detailed analysis of the value chains present risks that should be mitigated and opportunities that could be explored to further economic growth. Municipalities should also promote their unique comparative advantages to exploit their dominance in particular industries and sectors. The impacts of climate change, which are likely to be long term in nature, are also being experienced across municipal regions. The current water crisis will require new and innovative ways to deal with water resource management in the Western Cape as it directly impacts on potential economic opportunities.

Confronting these challenges and capitalising on opportunities will require a collective approach to integrated development planning. The Integrated Work Plan between the Western Cape Government and municipalities recognises the critical role that provincial and local governments play in enabling growth and economic development. The MERO will assist policymakers at all levels of government to prioritise public investment in rural and urban economies.

I wish to express a sincere word of appreciation to my Cabinet colleagues, staff at the Provincial Treasury, provincial departments, municipalities and the research teams for their valuable contributions and inputs. We will continue working with our partners and key stakeholders and contribute to sustainable local government through the building of an environment conducive to economic growth and employment creation.



Dr Ivan Meyer
Minister of Finance
Western Cape Government

29 September 2017

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Acronyms

AIDS	Acquired Immunodeficiency Syndrome
ARC	Agriculture Research Council
BFAP	Bureau of Food and Agriculture Policy
BER	Bureau of Economic Research
BCI	Business Confidence Index
BoE	Bank of England
BPESA	Business Process Enabling South Africa
BRICS	Brazil, Russia, India, China and South Africa
BPO	Business Process Outsourcing
CBD	Central Business District
CCA	Customs Controlled Area
CKD	Central Karoo District
CPI	Consumer Price Index
CWD	Cape Winelands District
DAFF	Department of Agriculture, Forestry and Fishing
DOA	Department of Agriculture
DRDLR	Department of Rural Development and Land Reform
EU	European Union
FDI	Foreign Direct Investment
Fed	US Federal Reserve Bank
FOMC	Federal Open Market Committee
FPSU	Farmer Production Support Unit
GDP	Gross Domestic Product
GDPR	Gross Domestic Product per Region
GRI	Gestamp Renewable Industries
GTL	Gas-to-Liquids
GVA	Gross Value Added
ha	hectare
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HRM	Human Resource Management

ifo	Information and Forschung
IT	Information Technology
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
IMF	International Monetary Fund
KKNK	Klein Karoo Arts Festival
LED	Local Economic Development
MERO	Municipal Economic Review and Outlook
MTEF	Medium Term Expenditure Framework
MTM	Marine Transport and Manufacturing
NDP	National Development Plan
OBD	Overberg District
OG	Oil and Gas Exploration
PMI	Purchasing Managers Index
PSG	Provincial Strategic Goal
PWC	PricewaterhouseCoopers
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMB	Rand Merchant Bank
RUMC	Rural Urban Market Centre
SA	South Africa
SAB	South African Breweries
SAFEX	South African Futures Exchange
SAHTA	South African Honeybush Tea Association
SANParks	South African National Parks
SANRAL	South African National Roads Agency Limited
S&P	Standard & Poor's Financial Services LLC
SAMSA	South African Maritime Safety Authority
SAWIS	SA Wine Industry Information and Systems (NPC)
SBIDZ	Saldanha Bay Industrial Development Zone
SDF	Spatial Development Framework
SEZ	Special Economic Zone

SIC	Standard Industrial Classification
SMME	Small, Medium and Micro-Sized Enterprises
Stats SA	Statistics South Africa
TB	Tuberculosis
TCT	Transport for Cape Town (Cape Town Transport Authority)
UK	United Kingdom
UNESCO	United Nations Education, Scientific and Cultural Organisation
US	United States
USD	US Dollar
WC	Western Cape
WCD	West Coast District
WCG	Western Cape Government
WMA	Water Management Area
WWAP	World Water Assessment Programme
ZAR	South African Rand

SECTION A: BACKGROUND AND MACROECONOMIC CONTEXT

1. Introduction and background

1.1 Introduction

The Municipal Economic Review and Outlook (MERO) is an accompanying publication to the Provincial Economic Review and Outlook (PERO), which provides detailed economic intelligence on the Western Cape (WC) economy. The PERO aims to support Provincial Government sector departments with budgeting and policy formulation. The MERO seeks to provide in-depth economic analysis at a metro, district and local municipality level in the WC Province. The MERO research is also intended to provide a source of economic intelligence to inform policy intervention and budgeting at local government.

1.2 Objective of the research

The main objective of the research is to generate economic intelligence at the municipal level, which can feed into municipal integrated development plans (IDPs), local economic development strategies (LEDs) and budgeting in municipalities. The economic analysis focuses on the identification of bottlenecks and constraints that may be hampering economic growth and employment.

1.3 Report outline

The MERO 2017 study is structured as follows:

Section A: Background and Macroeconomic outlook - This section provides the introduction to the study and a broad overview of the macroeconomic outlook of South Africa (SA) and the Province. This section provides a regional context which includes an overview of key economic development initiatives in the Province.

Section B: Western Cape Regions - This section provides an economic review and outlook of the City of Cape Town, the five districts, and the twenty-four local municipal areas. The section provides an overview of each district in terms of:

- **Chapter 1: Regional economic review and outlook** - This section provides a macroeconomic outlook at the district level, an overview of trends between 2005 - 2015, with an estimate for 2016 and an outlook in terms of Gross Domestic Product per Region (GDPR) for 2017 and 2018. International trade is also considered in this section, as well as the manufacturing subsectors' contribution and the availability of agriculture infrastructure.
- **Chapter 2: Sectoral growth, employment and skills per municipal area** - provides a more in-depth regional economic analysis by considering the trends in sector growth, skills, and employment per municipal area. This section also provides an overview of building plans passed and completed (subject to data availability).
- **Chapter 3: Value chains** - aims to provide further context to trends identified in Chapters 1 and 2. This chapter discusses the linkages between the main economic sectors through an analysis of the industries that drive the respective regional economies.
- **Chapter 4: Municipal socio-economic analysis** - assesses the extent to which economic performance impacts on the social and living conditions of households and individuals per district. Various socio-economic indicators are used for this analysis.

2. Macroeconomic outlook

2.1 Introduction¹

This chapter reviews economic growth in the Western Cape and its expected prospects against the background of the global and national economy and highlights the risks to the expected performance.

The global economic environment has improved to better-than-expected growth in the United States and Euro Area, while Chinese growth has stabilised. However, uncertainty regarding economic policy, politics and geopolitics remains. Domestically, the national economy has underperformed. After moving into a technical recession during the first quarter of 2017, growth recovered by 2.5 per cent (quarter-on-quarter) in the second quarter of 2017. That being said, the outlook remains clouded by the uncertain political and institutional environment as well as low business and consumer confidence.

¹ All international data as of 7 August 2017 and national data as of 5 September 2017.

The chapter concludes with a review and forecast for the Western Cape economy. The interlinkages between the Western Cape and the rest of South Africa and the world remain a key feature of regional growth. The expected subdued domestic economic performance will have a negative effect on the Province. In addition, persisting drought conditions in the Province has added to this risk. In contrast, the Province could benefit from the expected global growth by expanding provincial exports.

2.2 Developments in the global economy

2.2.1 Global economic performance

According to the International Monetary Fund (IMF), global economic growth slowed to 3.2 per cent in 2016 from 3.4 per cent in 2015. The slowdown came predominantly from advanced economies, while growth in emerging and developing economies, as a group, remained unchanged. Despite the slower growth recorded for the full year, global growth in the second-half of 2016 was noticeably better than in the first half of 2016. Thus far, the global economic performance continued to improve in 2017.

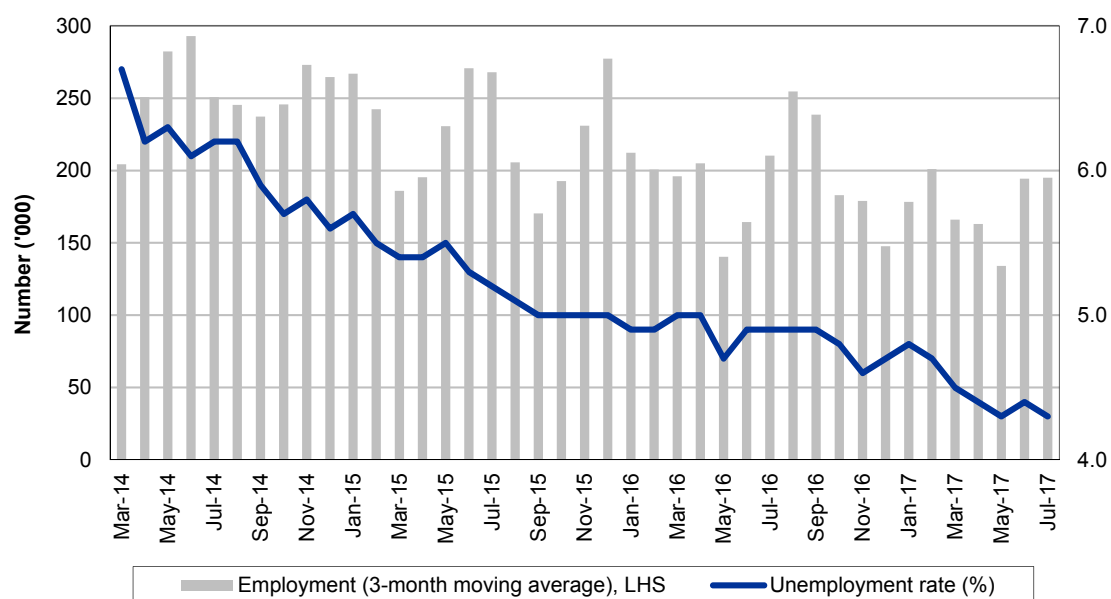
Performance of advanced economies

Economic output in advanced economies moderated to 1.7 per cent in 2016 from 2.1 per cent in 2015. The slowdown was due to softer growth in the United States (US) and the United Kingdom (UK). For the rest, the slowdown was less severe and some countries, including Germany, France and Canada, managed to register higher growth in 2016 compared to 2015.

In the US, economic growth decelerated to 1.6 per cent in 2016 from 2.6 per cent in 2015. The economy received a marked boost in confidence towards the end of 2016 in the run up to the presidential election and the inauguration of the new President in January 2017. President Trump promised an expansionary fiscal policy stance through tax incentives and increased infrastructure spending which resulted in the so-called "Trump bump²". The economy expanded by only 1.2 per cent quarter-on-quarter in the first quarter of 2017 but output rose by 2.6 per cent in the second quarter. Much of the rebound was due to more robust consumer spending at the expense of savings.

Consumption has been further supported by continued employment gains. The US labour department reported an average monthly rise in non-farm payroll employment of 187 000 during 2016 (although, lower than the average of 226 000 in 2015) and an average of 180 000 for the first six months of 2017. The downward trend of US unemployment continues with an unemployment rate of 4.3 per cent in July 2017 (see Figure 1).

² Commodity prices also benefitted from this event.

Figure 1 US employment trends, 2014 - July 2017

Source: US Bureau for Labor Statistics, 2017

Against the backdrop of improved economic growth (and the prospect of it being sustained) and continued labour market gains, the Federal Open Market Committee (FOMC) of the US Federal Reserve Bank (Fed) decided to continue with its course of monetary policy "normalisation"³. It lifted the benchmark interest rate by 25 basis points in December 2016 and again in March 2017. Since the interest rate hikes, inflation has moderated to below the Fed's target of 2 per cent which means further rate hikes will likely only continue at a very slow pace.

The Euro Area economy registered a 1.8 per cent rise in output in 2016 compared to 2.0 per cent in 2015. On an individual economy basis, however, growth was mixed. Both Germany and France recorded small improvements in economic activity in 2016. However, growth in some of the periphery countries weighed on the overall performance in 2016. For example, Portugal's growth rate slowed to 1.4 per cent in 2016 from 1.6 per cent in 2015.

According to Eurostat, economic growth in the Euro Area remained robust in the first half of 2017. After rising by 0.5 per cent (quarter-on-quarter) in the first quarter of 2017, GDP growth accelerated to 0.6 per cent in the second quarter. Growth came in at 2.1 per cent (on an annualised basis) in the second quarter of 2017.

Underpinning the improved performance was a greater-than-anticipated rise in domestic demand, particularly the fixed investment component of it. In addition, much of the euro-related political uncertainty originating particularly from the Netherlands and France (late-2016 and first half of 2017) has eased, boosting confidence of both

³ Following the 2009 global financial recession, advanced economies monetary policy interest rates were reduced to close to zero for several years. Following the improved global economic outlook, advanced economies began anticipating the gradual raising of monetary policy interest rates to more "normal" levels.

investors and consumers. Indeed, the ifo⁴ Institute for Economic Research's Business Climate Index reached a record high (its third in succession) of 116 index points in July 2017, leading commentators to describe German business sentiment as "euphoric".

Similar to the US, the EU monetary authorities have taken a more hawkish incline to policy recently, although monetary policy settings have thus far remained unchanged. Despite the further interest rate hikes in the US since the start of the year the Euro appreciated against the US dollar, mainly due to more robust growth expectations in the Euro area.

GDP growth in the UK slowed to 1.8 per cent in 2016 from 2.2 per cent in 2015. The softer momentum has continued into 2017. On an annualised basis, economic output rose by 1.7 per cent in the second quarter of 2017, from 2 per cent in the first quarter. Despite this moderation, growth has held up better than analysts predicted when the Brexit vote was concluded. Some of the support has come in the form of looser monetary policy. The Bank of England (BoE) cut the benchmark interest rate by 25 basis points to 0.25 per cent in August 2016. This was an attempt to stem the tide of softer growth. Rising inflation, partly due to the weaker British Pound since Brexit, further complicates matters in the UK. Consumer inflation for June 2017 was registered at 2.6 per cent year-on-year, down from 2.9 per cent in May 2017, but well above the BoE's 2 per cent target. This has weighed on real consumer income growth.

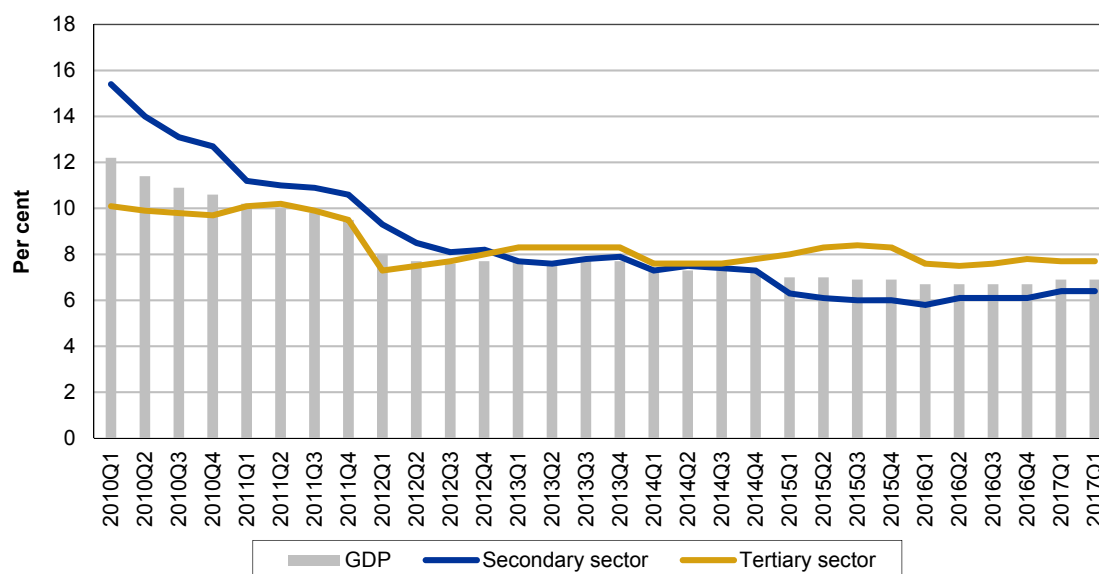
In contrast to the US and the UK, economic growth in Canada jumped to 1.5 per cent in 2016 from below 1 per cent in 2015. This continued into 2017. GDP growth in April was recorded at 0.2 per cent month-on-month, the sixth consecutive expansion. This has prompted calls for the Bank of Canada to tighten monetary policy, especially in light of a booming housing market which has stoked fears of a potential asset bubble.

Performance of emerging and developing economies

After slowing to 4.3 per cent in 2015 from 4.7 per cent in 2014, growth in emerging and developing economies remained unchanged in 2016. This means that growth in emerging and developing economies continued to outpace that of advanced economies.

A large part of the steady economic performance of emerging and developing countries stems from growth in China. It stabilised in 2016 since slowing after 2010. Economic output in China rose by 6.7 per cent in 2016, not far off from the 6.9 per cent registered in 2015. This continued into 2017 with annualised growth of 6.9 per cent recorded for both the first and second quarters. Part of the slower growth momentum is due to China's economic rebalancing act which has seen growth in the tertiary sector (retail, finance and real estate, transport and communication) outstrip that of the secondary sector (manufacturing and construction), largely due to slower growth in the latter (see Figure 2). Concerns about China's trade with the US - following Trump's election as US president - have largely abated.

⁴ ifo (lowercase) is the English abbreviation used for "Information and Forschung" (German name).

Figure 2 Composition of China GDP growth, 2010 - 2017

Source: National Bureau of Statistics, 2017

In Brazil, economic output continued to contract by 3.6 per cent in 2016 following a 3.8 per cent contraction in 2015. However, growth rebounded to 4.3 per cent quarter-on-quarter during the first quarter of 2017, albeit following a 2.2 per cent quarterly contraction in the fourth quarter of 2016. While the real economy gained some momentum in the first quarter of 2017, political uncertainty reappeared. This has weighed on confidence and has caused the Brazilian real to depreciate against the US dollar.

Growth in India moderated from 8.0 per cent in 2015 to 7.1 per cent in 2016. This moderation continued into 2017. India recorded GDP growth of 6.1 per cent quarter-on-quarter in the first quarter of 2017 compared to 7.0 per cent in the final quarter of 2016. Demonetisation⁵ by the Indian government in late 2016 - with the aim of curtailing the informal sector - caused a shortage of cash and weighed severely on economic activity. The Nikkei Indian Manufacturing Purchasing Managers' Index (PMI) fell from a 22-month high of 54.4 index points in October 2016 to below the neutral 50-point mark by December 2016. It recovered, but recent figures suggest that growth in the manufacturing sector is slowing once more. Similarly, the Nikkei India Services PMI dropped to 45.9 index points in July 2017 from 53.1 index points in June 2017, a noteworthy decline over a relatively short period.

In Russia, the rate of contraction in economic output moderated to just 0.2 per cent in 2016 from 2.8 per cent in 2015. Although economic output declined for the full year of 2016, growth was somewhat more robust towards the end of the year. Factors that inhibited growth included low commodity prices, especially oil, and geopolitical disruptions including US sanctions targeting Russian energy companies.

⁵ Demonetisation refers to the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins.

Growth in Sub-Saharan Africa slowed noticeably in 2016 to 1.3 per cent from 3.4 per cent in 2015. This slowdown was led by the region's two largest economies, Nigeria and South Africa. The Nigerian economy slipped into recession for the full year of 2016, contracting by 1.6 per cent following a 2.7 per cent expansion in 2015. Like many other countries in the region, Nigeria's economy is hampered by its dependence on the oil price and liquidity shortages.

2.2.2 Global economic outlook

The IMF forecasts global economic growth to accelerate to 3.5 per cent in 2017 and to 3.6 per cent in 2018. Much of this growth is predicted to emanate from emerging and developing economies, while growth in advanced economies is set to remain modest (see Table 1).

Table 1 Global economic outlook, 2017 to 2018

	Size of Global GDP in 2015 (%)	GDP Growth (%)		Forecast (%)	
		2015	2016	2017	2018
World output	100	3.4	3.2	3.5	3.6
Advanced economies	60.5	2.1	1.7	2.0	1.9
United States	24.3	2.6	1.6	2.1	2.1
Euro Area	15.6	2.0	1.8	1.9	1.7
Germany	4.5	1.5	1.8	1.8	1.6
France	3.3	1.1	1.2	1.5	1.7
Italy	2.5	0.8	0.9	1.3	1.0
Spain	1.6	3.2	3.2	3.1	2.4
United Kingdom	3.9	2.2	1.8	1.7	1.5
Other advanced economies	20.4	2.0	2.2	2.3	2.4
Emerging and developing economies	39.5	4.3	4.3	4.6	4.8
Sub-Saharan Africa	2.0	3.4	1.3	2.7	3.5
Nigeria	0.7	2.7	-1.6	0.8	1.9
Middle East and North Africa	3.8	2.7	5.0	2.6	3.3
Emerging and Developing Europe	2.5	4.7	3.0	3.5	3.2
Russia	1.8	-2.8	-0.2	1.4	1.4
Developing Asia	21.3	6.8	6.4	6.5	6.5
China	15.1	6.9	6.7	6.7	6.4
India	2.8	8.0	7.1	7.2	7.7
Latin America and the Caribbean	7.0	0.1	-1	1	1.9
Brazil	2.4	-3.8	-3.6	0.3	1.3
Mexico	1.6	2.6	2.3	1.9	2
Consumer prices					
Advanced economies		0.3	0.8	1.9	1.8
Emerging and developing economies		4.7	4.3	4.5	4.6

Source: International Monetary Fund, 2017

Outlook for advanced economies

According to the IMF, the pace of economic expansion in advanced economies is forecast to accelerate to 2.0 per cent in 2017 before tapering off somewhat to 1.9 per cent in 2018.

In the US, growth of 2.1 per cent is predicted for both 2017 and 2018. The continued gains in the labour market should support higher consumption expenditure while elevated levels of business confidence bode well for fixed investment outlays from the private sector. In addition, the recent depreciation in the US dollar against the euro should result in an uptick in exports. These factors are expected to offset continued monetary policy tightening via both higher interest rates and the US Fed's balance sheet normalisation programme. The latter is aimed at gradually retracting some of the financial support the central bank has offered since the onset of the global financial recession.

Although growth is still reasonably robust, the IMF's forecast for US growth in 2017 and 2018 represents a downward revised estimate from April 2017. This is due to the view that fiscal policy will be less expansionary than previously predicted.

In contrast, the IMF lifted the growth outlook for the Euro Area by 0.2 and 0.1 percentage points to 1.9 and 1.7 per cent in 2017 and 2018. This is largely due to the positive implications of recent quantitative economic data, improved business sentiment, and a lower risk of the common monetary union unravelling. From a regional perspective, economic growth in Germany is predicted to remain stable at 1.8 per cent in 2017 before slowing to 1.6 per cent in 2018. The expectation is that economic output in France will increase by 1.5 per cent in 2017 and a further 1.7 per cent in 2018.

Due to the uncertainty regarding Brexit negotiations along with the current trajectory of weak growth amid rising inflation, the IMF sees a sustained loss of momentum in GDP growth in the UK. In 2017 economic growth is expected to slow to 1.7 per cent. A further slowdown to 1.5 per cent is forecast for 2018.

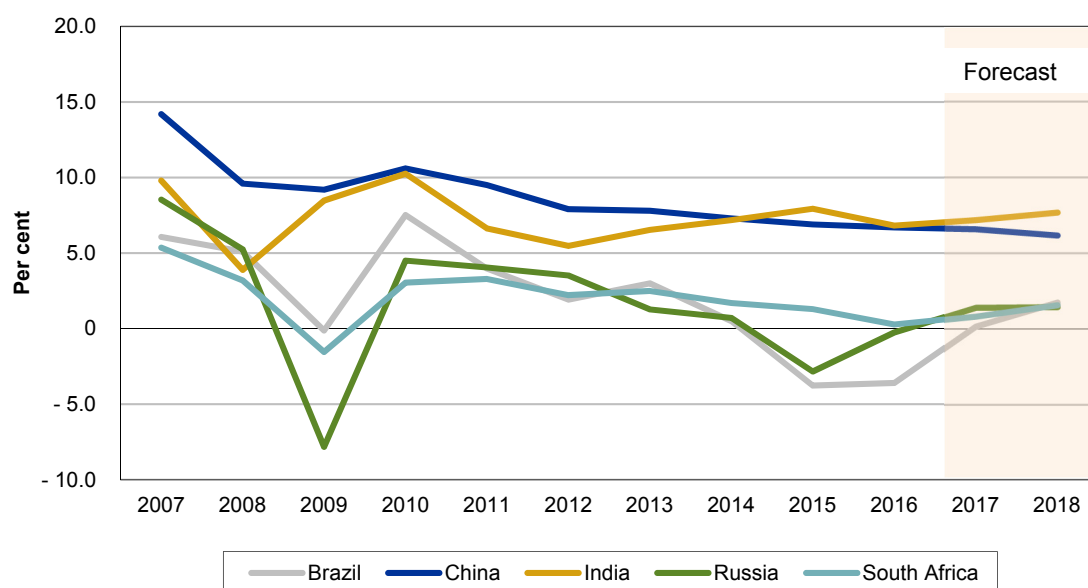
Outlook for emerging and developing economies

The pace of economic growth in emerging and developing countries is forecast to accelerate to 4.6 per cent in 2017. A further acceleration to 4.8 per cent is predicted for 2018.

While growth in emerging and developing countries as a group is set to improve over the short to medium-term, the outlook for China is more restrained. Recent changes in the nature of China's growth - towards internal, services-orientated growth - is expected to remain a feature of the Chinese economy going forward. As a result, economic growth in 2017 is likely to remain stable at 6.7 per cent and slow to 6.4 per cent in 2018.

Despite some of the short-term headwinds, economic growth in India is predicted to rise noticeably on the back of structural and institutional reforms. This is forecast to be most pronounced in 2018 when growth is predicted to register 7.7 per cent from the less exuberant 7.2 per cent in 2017. This implies that India will be the fastest growing economy in 2018. Growth in Brazil and Russia is set to return to positive territory for the full year of 2017. However, growth remains relatively weak in these two countries due to domestic political constraints and the softer than expected commodity price outlook. Economic growth of 0.3 per cent in 2017 and 1.3 per cent in 2018 is projected for Brazil. Similarly, the pace of economic expansion in Russia is set to accelerate to 1.4 per cent in 2017 and 2018. The BRICS countries (Brazil, Russia, India, China and South Africa) are unlikely to add to global growth to the same extent as in previous years (see Figure 3).

Figure 3 BRICS growth performance, 2007 - 2018



Source: International Monetary Fund, 2017

Growth in economic output in Sub-Saharan Africa is set to rebound to 2.7 per cent in 2017, rising further to 3.5 per cent 2018. However, growth in the region's biggest economy, Nigeria, is set to remain sluggish as the IMF predicts an economic growth rate of 0.8 per cent in 2017 and 1.9 per cent in 2018.

2.2.3 Global inflation outlook

Inflation in advanced economies and emerging and developing economies moved in opposite directions in 2016. Advanced economy inflation edged higher to 0.8 per cent in 2016 from 0.3 per cent in 2015. In contrast, inflation in emerging and developing economies eased to 4.3 per cent in 2016 from 4.7 per cent in 2015. Much of the uptick in headline inflation in advanced economies is due to higher commodity prices during the second half of last year. This also put upward pressure on inflation in emerging and developing economies, although it was offset by the appreciating currencies which lessened the effect of the higher commodity prices in domestic currency terms.

Looking ahead, global inflation is predicted to accelerate. In advanced economies, inflation is set to increase to 1.9 per cent in 2017 and 1.8 per cent in 2018. This is mainly due to higher domestic demand which could prompt further monetary policy tightening. Inflation in emerging and developing economies is expected to accelerate to 4.5 per cent in 2017 and 4.6 per cent in 2018.

2.2.4 Risks to the global outlook

The risks to the expected global economic outlook are probably more balanced (i.e. neither the risk of the global economy under- or outperforming the forecast dominates) now than in previous years when the risks were largely inclined to result in softer growth than predicted (i.e. 'negative').

- In the US, a downward correction in business sentiment could see employment and investment growth slow. However, this could be countered by higher than predicted growth in the Euro Area. This is especially positive for South Africa, as the Euro Area remains a dominant export destination particularly for the Western Cape.
- The current outlook for monetary policy in advanced economies is for a gradual "normalisation". However, there is the risk that if inflation accelerates more noticeably on the back of higher demand, the monetary authorities may tighten policy more than expected.
- Brexit negotiations have moved at a slow pace and significant uncertainty remains. Should the European Union (EU) take a hard-line to the UK, it will substantially weaken prospects for the British economy. Should the EU be lenient, it could open the door for countries in mainland Europe to also consider leaving the common monetary union.

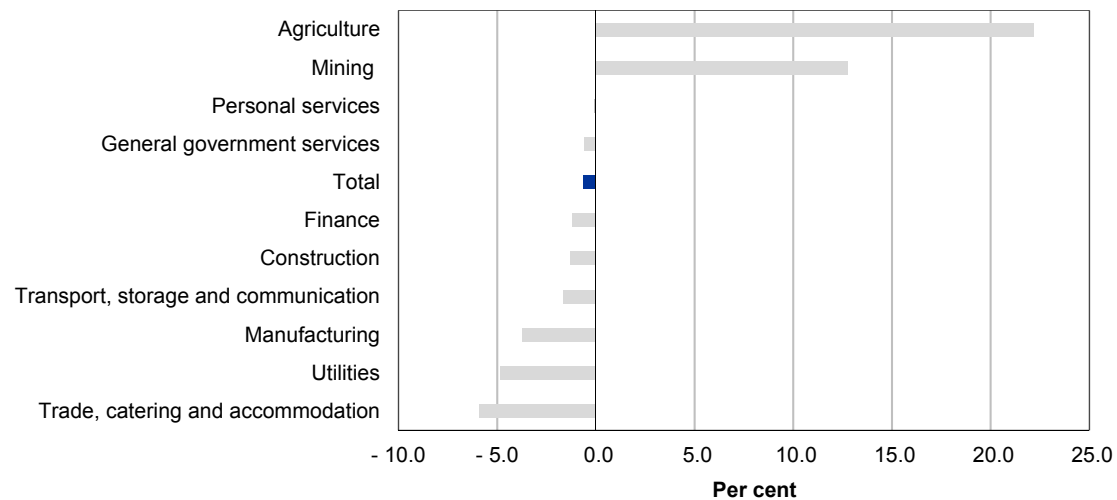
2.3 Developments in the South African economy

2.3.1 Performance of the South African economy

Growth in economic output slowed to 0.3 per cent in 2016 from 1.3 per cent in 2015. Several factors contributed to the frail growth that led to tepid business and consumer confidence. This continued into 2017. The South African economy contracted by 0.6 per cent quarter-on-quarter in the first quarter of 2017 following the 0.3 per cent contraction in the fourth quarter of 2016. This means that South Africa entered a technical recession in the first quarter of 2017, its first in eight years.

Only agriculture and mining GDP increased in the first quarter of 2017, while all other sectors either declined or stagnated (see Figure 4). In sum, GDP growth in the primary sector rose by 14.1 per cent quarter-on-quarter in the first quarter of 2017. However, the rebound was partly due to base effects following weaker growth for much of 2016. Growth in the tertiary sector contracted unexpectedly by 2 per cent quarter-on-quarter. This was led by a noticeable fall in output in the trade sector that registered a quarterly decline of 5.9 per cent (subtracting 0.8 percentage points from GDP growth). In the secondary sector, growth also contracted.

Figure 4 Quarterly and seasonally adjusted GDP growth by sector, 2017Q1



Source: Stats SA, 2017

The RMB/BER Business Confidence Index, which declined sharply by 11 index points to 29 index points in the second quarter of 2017, revealed that business sentiment in South Africa remained overwhelmingly pessimistic during the second quarter of 2017. Part of this pessimism could be due to political uncertainty, but is also the result of softer demand.

From the expenditure side an important factor behind GDP decline in the first quarter of 2017 was weaker-than-expected consumer spending. According to Stats SA, total consumer outlays declined by 2.3 per cent quarter-on-quarter in the first three months of the year. The quarterly decline shaved 1.4 percentage points from first quarter GDP growth. Apart from spending on services, all the major expenditure categories declined. Compared to the first quarter of 2016 spending growth slowed further to 0.8 per cent.

South Africa's sovereign credit rating

In terms of the 2017 ratings calendar, all three major credit ratings agencies, that is, Standard & Poor's (S&P), Fitch Ratings and Moody's, released their first sovereign credit rating reports for South Africa by June 2017. S&P downgraded the long-term foreign currency sovereign credit rating to "BB+" from "BBB-", a sub-investment grade, with a negative outlook for South Africa. Fitch Ratings downgraded the long-term foreign currency rating to "BB+" from "BBB-", a sub-investment grade, with a stable outlook. Only Moody's downgraded the long-term foreign currency debt to "Baa3" from "Baa2", which remains an investment grade, and assigned a negative outlook for South Africa.

Table 2 South Africa's sovereign credit ratings, as at June 2017

Long-term debt	Local currency rating		
	Foreign currency rating		
	S&P	Fitch	Moody's
	A-	A-	A3
Investment grade	BBB+	BBB+	Baa1
	BBB	BBB	Baa2
	BBB-	BBB-	Baa3
Sub-investment grade	BB+	BB+	Ba1
Outlook	Negative	Stable	Negative

According to the three rating agencies, the key drivers for the downgrades include the increased political and institutional uncertainty; the pace of South Africa's economic growth, which remains a ratings weakness, also contributed significantly to the downgrade by all three ratings agencies; the continued erosion of fiscal strength due to rising public debt and contingent liabilities was highlighted as a contributing factor as it poses a threat to fiscal consolidation.

The consequences of the downgrade of South Africa's sovereign credit rating to sub-investment grade may be felt over many years should it result in higher borrowing costs for all South African entities, a weaker exchange rate and lower investment potential and therefore lower economic growth. Increasing inflationary pressures and any future increase in the interest rate will put further pressure on government's ability to service its debt obligations.

Source: National Treasury

2.3.2 Outlook for the South African economy

The poor economic performance in the first quarter of 2017 sours the outlook for the full year of 2017, despite the growth rebounded of 2.5 per cent (quarter-on-quarter) in the second quarter of 2017. The main weakness stems from low fixed investment while some improvement in household consumption growth is expected towards the end of the year. Overall, growth in the South African economy is expected to remain stable at 0.3 per cent in 2017 before accelerating to 0.9 per cent in 2018 (see Table 3).

Table 3 South African economic outlook⁶, 2017 to 2018

	2016	2017f	2018f
Final consumption expenditure, households (%)	0.8	0.6	1.4
Durable goods	-7.3	-2.0	2.3
Semi-durable goods	3.3	-0.9	2.1
Non-durable goods	0.9	0.0	1.3
Services	2.1	1.9	1.1
Gross Fixed Capital Formation (%)	-3.9	-2.1	-0.7
Private	-6.0	-2.8	-0.4
Government	1.1	0.5	-3.3
Public corporations	-1.6	-2.2	1.2
Exports of goods and services (%)	-0.1	1.2	1.7
Interest rates (fourth quarter averages)			
3-month BA rate	7.23	7.28	7.44
10-year Government Bond	9.02	8.74	9.19
Prime overdraft rate	10.41	10.41	10.5
Inflation (annual average %)			
Producer prices	7.1	5.0	5.1
Consumer prices	6.3	5.3	5.1
Nominal wage rate (Private sector)	8.0	5.2	7.7
Exchange rates (annual average)			
R/US dollar	14.71	13.27	13.99
R/Euro	16.29	14.75	15.95
R/Pound sterling	19.99	16.96	18.18
Yen/R	7.4	8.51	8.22
Gross Domestic Expenditure	-0.8	0.4	1.0
Gross Domestic Product	0.3	0.3	0.9
Current account balance (R billion, seas. adj.)	-141.596	-119.513	-161.949
<i>(as % of GDP)</i>	-3.3	-2.59	-3.3

Source: Bureau for Economic Research, 2017 (f denotes forecast)

Final household consumption expenditure

The improvement in household consumption in the second half of 2017 is not expected to offset the weak performance in the first half of 2017. As such, household consumption is set to remain under pressure for much of the year with total growth for 2017 expected to be lower than in 2016. An improvement is predicted for 2018.

From a spending category perspective, the outlook is mixed. Semi-durable goods (such as clothing and textiles) is expected to post a slight rebound in the second quarter of 2017 because much of the first quarter decline was due to technical factors including distorted spending in the fourth quarter of 2016 (due to “Black Friday”⁷). However, other factors such as muted real income growth, higher personal income taxes and weak growth in credit extension are likely to curtail spending.

⁶ The forecasts were formulated in July 2017.

⁷ Black Friday refers to the day after Thanksgiving and is considered the start of the festive season shopping period usually characterised by significant discounts in the United States. In recent years, this convention has become common in South Africa.

For non-durable goods (mainly food and beverages) the outlook is more upbeat. Food inflation has moderated due to the bumper domestic crop which should lift volume growth. However, most of the benefit is likely to be felt towards the end of the year. In addition, weak employment prospects and a strained fiscal situation that limits growth in social grants expenditure suggest that even for this category strong growth is not expected through 2018.

While durable goods spending (including vehicles, furniture and appliances) may receive some boost to near-term sales because of price discounting in the vehicle market, the underlying drivers of consumer demand suggest that overall sales of durable goods will remain under pressure. The durable goods target market, i.e. middle to high-income consumers, were hard hit by the personal income tax hikes announced in the 2017 National Budget. This will weigh on their disposable income. Furthermore, minimal real increases recorded for the JSE and house prices have been reflected in stagnant consumer wealth effects during the last several years.

Gross fixed capital formation

Private sector fixed capital formation fared better than expected in the first quarter of 2017. This was largely due to a surprise surge in residential fixed investment which rose by almost 6 per cent quarter-on-quarter. However, a national contraction in real household credit growth and house prices, along with the broader strain on disposable income, means that strong investment in the residential sector is unlikely to be sustained for the remainder of the year.

Excluding the residential sector, the level of private sector fixed investment declined for the sixth consecutive quarter in the first quarter of 2017. The weak GDP growth outlook and, crucially, the expectation that business confidence will remain depressed in 2017 (potentially also in 2018) will likely see private sector fixed investment continue to underperform. Added to this, the new Mining Charter may result in further disinvestment by the major South African mining companies. In contrast, as has been the case in recent years with renewable energy, there may well be pockets of private sector investment activity. This includes the communication sector with its increased roll-out of new services, including fibre internet connections. However, this is unlikely to spur major capacity expansion, which is set to be put on hold until there is greater clarity on the domestic policy environment.

Public sector fixed investment is also expected to be under pressure over the forecast horizon. Capital budgets could be cut further once the true extent of the potential government revenue shortfall in 2017/18 becomes clearer. Furthermore, recent sovereign credit rating downgrades, along with governance issues in State-Owned Enterprises (SOEs), limits the public sector's ability to access private capital markets.

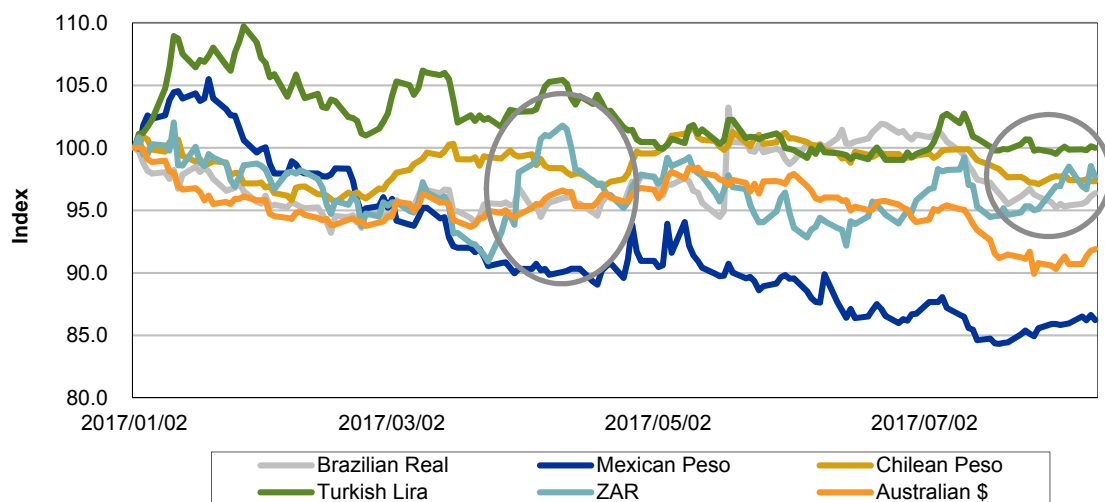
Balance of payments and exchange rate outlook

The rand performed reasonably well against the US dollar during the first half of 2017. It was, on average, 16.6 per cent stronger against the US dollar during the first quarter of 2017 and 12.0 per cent stronger during the second quarter of 2017 compared to a year earlier. Much of this, however, was due to international factors such as a weaker US dollar and increased positive sentiment towards emerging markets in general.

Going forward, it is likely that domestic factors, rather than global factors, will determine the rand's performance. The updated Mining Charter, and the Public Protector's recommendations about the South African Reserve Bank's mandate are some examples of domestic issues which caused the rand to weaken in contrast to its peers (see circled areas in Figure 5).

Looking forward, the fiscal situation is of concern. The upcoming 2017 National Medium Term Budget Policy Statement will be an opportunity for the Finance Minister Malusi Gigaba to reiterate that the National Treasury will adhere to the fiscal consolidation targets laid out in the 2017 National Budget. The domestic political and policy environment will remain a key constraint on the rand.

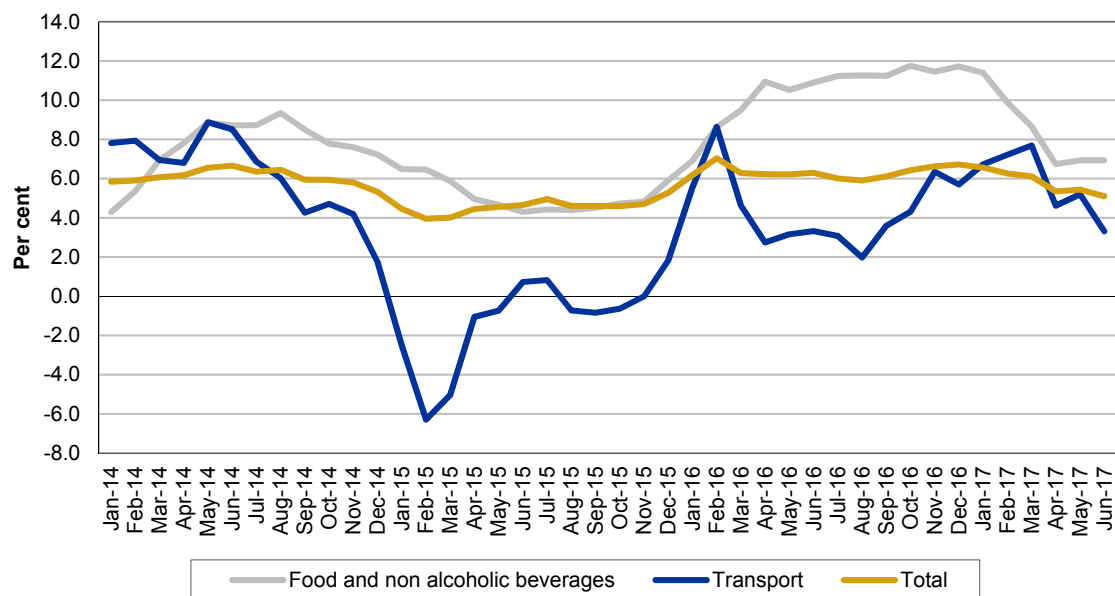
Figure 5 ZAR exchange rate versus a selection of peers since the beginning of 2017



Source: Reuters, own calculations

Inflation and interest rate outlook

Headline consumer inflation (consumer price index CPI) moderated to 5.1 per cent in June 2017 from 5.4 per cent in May 2017 (see Figure 6). Inflation has slowed consistently since reaching 6.7 per cent in December 2016.

Figure 6 Headline CPI inflation, 2014 - 2017

Source: Stats SA, 2017

The main impetus behind the lower inflation is food and transport inflation. Food inflation in June 2017 came in at 6.9 per cent year-on-year. This is noticeably lower than the 12 per cent recorded in December 2016 (and the 10.8 per cent average for 2016) and partly reflects the effect of higher domestic agricultural production. Transport inflation - partly because of subdued global oil prices, along with the stronger R/USD exchange rate - slowed to 3.3 per cent in June 2017 from 5.2 per cent in May 2017.

These trends (benign food and transport inflation) are predicted to continue for the remainder of 2017 and into early 2018, with a low of 4.3 per cent expected in January 2018.

Against the backdrop of lower business confidence, weak GDP growth and slowing inflation, the South African Reserve Bank (via its Monetary Policy Committee) decided to cut the repo rate (the rate at which it lends to banks) by 25 basis points (0.25 percentage points) at its July 2017 meeting. This is the first rate cut in five years.

2.3.3 Risks to the national outlook

Unlike the risks to the global outlook, the national economy risks are tilted towards the downside i.e. a greater likelihood of a worse than expected economic growth outcome. In addition, many of the risks relate to political uncertainty rather than economic conditions. These include:

- Continued political uncertainty in economic policy and fiscal matters which could see further multiple downgrades of South Africa's local currency credit ratings to sub investment grade.

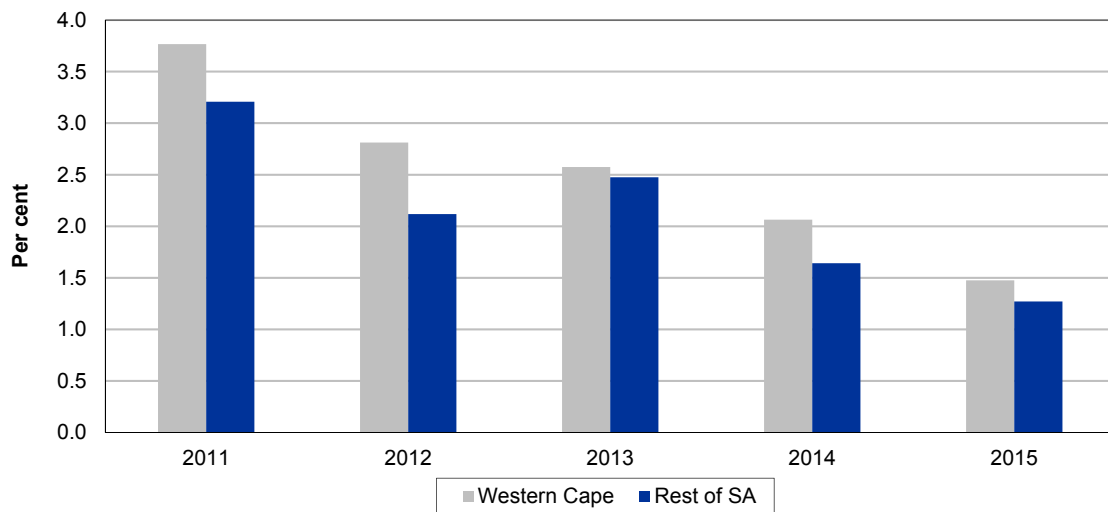
- Tied to the previous risk is the risk of a large sell-off in foreign holdings of South African government bonds resulting in sharp foreign capital outflows. The implication would be a weaker-than-expected rand exchange rate, higher inflation and a more negative interest rate environment (i.e. higher rates curtailing growth) than currently forecast.
- Lower business and consumer confidence that may result in even weaker-than-expected employment and fixed investment outcomes.

2.4 Developments in the Western Cape economy

2.4.1 Western Cape economic performance

Over the past few years, economic growth in the Western Cape has consistently outperformed that of the rest of South Africa (see Figure 7). This is primarily due to the presence of a fast-growing tertiary sector (particularly finance, insurance, real estate and business services), but also due to the lack of a mining sector presence which decreases the Province's exposure to swings in global commodity prices.

Figure 7 GDP growth South Africa (excluding Western Cape) compared to Western Cape, 2011 - 2015

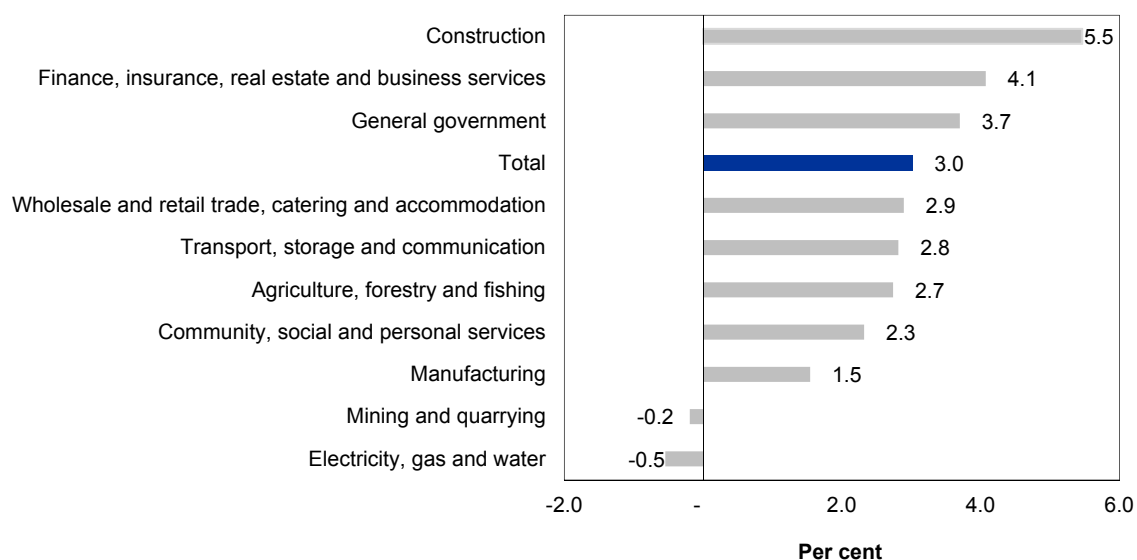


Source: Stats SA, 2017

Output in the Western Cape rose by 1.5 per cent in 2015 compared to 1.3 per cent for the rest of South Africa. Leading growth in the region was the finance, insurance, real estate and business services sector with growth of 3.4 per cent in 2015 representing 23 per cent of economic activity in the region. This was followed by the construction sector which showed growth of 2.2 per cent representing 5.3 per cent of regional economic activity. Most sectors, however, registered softer growth in 2015 relative to 2014. Most notably, the agricultural sector contracted by 2.0 per cent in 2015 compared to growth of 7.6 per cent in 2014. Growth in the transport, storage and communication, personal services and government services sectors also slowed. It was only the finance, insurance, real estate and business services sector within the tertiary sector that saw growth accelerate in 2015.

A longer-term analysis shows that growth in the Western Cape has largely been boosted by three sectors namely: construction (average growth of 5.5 per cent between 2006 and 2015); finance, insurance, real estate and business services (average growth of 4.1 per cent) and general government (average growth of 3.7 per cent). These were the only sectors where the average growth exceeded that of the Province (at 3 per cent). In contrast, the mining and quarrying sector (which has a regional GDP share of only 0.2 per cent) and the electricity, gas and water sector weighed on overall growth (see Figure 8).

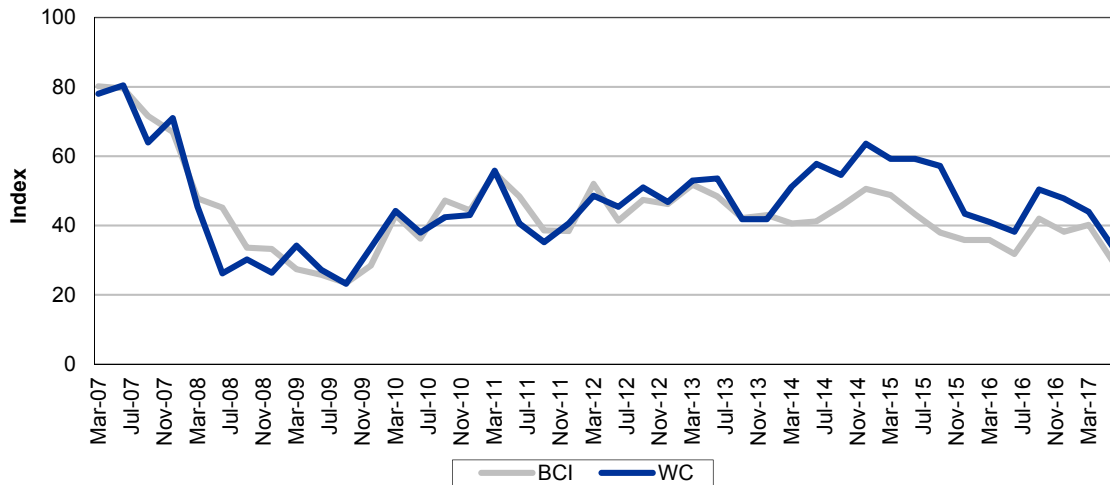
Figure 8 Western Cape average output growth rate per sector, 2006 - 2015



Source: Stats SA, 2017

The RMB/BER Business Confidence Index suggests that the gap between the performance of the Western Cape and the national economy continued in 2016. Albeit unofficial, it averaged 37 index points nationally during 2016, while for the Western Cape the average was 44 points. However, the trajectories were different and the gap narrowed throughout the year. While national business confidence in 2016 represents a marginal two-index point drop from the 2015 level, the fall was more than 10 index points in the Province. Leading the fall in Western Cape business confidence was the retail and manufacturing sectors where confidence decreased to 32 and 31 index points from an average of 60 and 48 index points in 2015. In contrast, the average business confidence of building contractors gained 8 index points in 2016. The BER/Quantec estimates put Western Cape GDP growth at 0.8 per cent⁸ in 2016 (see Table 4).

⁸ At basic prices which excludes the impact of taxes and subsidies. Earlier estimates for national GDP were at market prices.

Figure 9 Western Cape compared to South African business confidence, 2007 - 2017

Source: Bureau for Economic Research, 2017

Business confidence declined in the first half of 2017, both nationally and in the Western Cape (see Figure 9). The national average stood at 35 index points compared to the Western Cape's 39 index points. This suggests that businesses in the Western Cape are now under as much pressure as businesses nationally, although the source of the concerns may differ.

2.4.2 Outlook for the Western Cape economy

Growth in the Western Cape is predicted to moderate to 0.5 per cent in 2017 before recovering to 1 per cent in 2018. The growth outlook over the short to medium-term (2017 and 2018) is set to be well below its long-term average, similar to the national economy.

Table 4 Western Cape economic outlook⁹, 2017 to 2018

Description	2015	2016e	2017f	2018f	Forecast average (2017 - 2022)
Agriculture, forestry and fishing	-2.0	-7.4	5.3	3.2	2.4
Mining and quarrying	0.9	-5.5	0.8	0.7	0.7
Manufacturing	-0.1	0.6	-0.3	1.9	1.7
Electricity, gas and water	-1.9	-3.3	-0.5	1.9	1.9
Construction	2.2	1.0	0.4	0.9	2.2
Wholesale and retail trade, catering and accommodation	1.7	1.3	-0.2	1.0	2.1
Transport, storage and communication	0.6	0.4	0.6	0.8	1.9
Finance, insurance, real estate and business services	3.4	1.8	0.5	0.5	1.9
General government	1.0	1.1	0.7	0.5	1.5
Community, social and personal services	0.9	1.4	0.3	0.6	0.5
Regional Gross Domestic Product	1.5	0.8	0.5	1.0	1.8

Source: Bureau for Economic Research/Quantec Research, 2017 (e denotes estimate, f denotes forecast)

⁹ The forecasts were formulated in July 2017.

Over the forecast horizon, the expected sectoral performance is as follows:

- A slight recovery in agricultural output is predicted for 2017. This is largely due to technical factors such as base effects, since drought conditions have not yet abated in the Province.
- Softer consumer spending because of low consumer confidence and weaker growth in disposable income will weigh on the retail sector. In contrast, tourism in the Province should benefit from the weaker exchange rate, which stimulates international tourism and forces domestic tourists from other provinces to look for domestic destinations instead of travelling abroad. In sum, output in the wholesale and retail trade, catering and accommodation sector is forecast to contract by 0.2 per cent in 2017 before rising by 1 per cent in 2018.
- The finance, real estate and business services sector, which has been the biggest contributor to overall growth in the Western Cape over the last few years, is likely to come under pressure following the prolonged weakness in the economy. This tends to be a lagging sector and is dependent on developments and growth in other sectors which have been weak in recent quarters. In addition, the real estate market in the Western Cape is showing signs of cooling.
- The value added in the construction sector is likely to grow at a slower pace in 2017 and 2018 compared to 2016. This is due to moderating public sector infrastructure spending on the back of fiscal constraints and a cooling property market.
- Growth in the value added by the general government sector is slower over the full forecast horizon. This is mainly due to the constrained fiscus which is unlikely to be a temporary phenomenon. Average growth of only 1.5 per cent is predicted between 2017 and 2022, noticeably lower than the total growth rate. This implies that it is unlikely that this sector will provide the same support to growth as was the case in the recent past.

2.4.3 Risks to the provincial outlook

The Western Cape cannot detach itself from the risks facing the global and national economy. However, some of these risks will have a greater impact on the Western Cape:

- The main downside risk relates to the drought in the Western Cape. Not only does it directly impact the agricultural sector but also the rest of the value chain which includes the agri-processing sector. Further to this, additional negative effects in the form of employment losses and lower exports are expected.
- On the upside, the growth in the Euro Area should disproportionately benefit the Western Cape. However, this is dependent on whether production (particularly in agriculture) comes on board.
- The Western Cape is more services orientated than the rest of the country. Therefore, a further decline in inflation (which could open the door for additional monetary policy loosening) should benefit consumer spending in the Western Cape disproportionately by increasing real wages.

3. Regional context

3.1 Introduction

This subsection provides background information to the main sections in Section B of this publication which provides an economic review and outlook per district. The subsection will discuss some of the larger economic development initiatives that are expected to stimulate the local economy and promote job creation through their implementation. Due to the significant impact on the households and industries in the Province, this subsection will also discuss the importance of water management in the Berg River Water Management Area (WMA), which includes portions of the West Coast and Cape Winelands Districts as well as the Cape Metro area. This subsection also provides an overview of the informal sector within the WC through an analysis of the Statistics South Africa: Survey of Employers and Self-Employed for 2005, 2009 and 2013.

3.2 Economic development initiatives

This subsection will discuss four major economic development initiatives undertaken by National Government which has an impact on the WC regional economy such as Operation Phakisa, the Industrial Development Zones (IDZ) programme, the Special Economic Zones (SEZ) and the Agri-Park Programme. The Agri-Park Programme, another major economic development initiative, will be discussed in Chapter 3 of Section B in all the districts.

3.2.1 Operation Phakisa¹⁰

Operation Phakisa, which stems from the Sotho word phakisa which means "hurry up", was initiated by the National Government's Department of the Presidency in 2014. Operation Phakisa aims to fast track key economic programs and projects to unlock the oceans and blue economy potential, as captured in the National Development Plan (NDP). Operation Phakisa is based on the "Big Fast Results" methodology utilised by other governments including the Malaysian Government.

Operation Phakisa has four main focus areas, namely:

- Oil and Gas Exploration (OG)
- Marine Transport and Manufacturing (MTM)
- Aquaculture
- Maritime Protection and Governance

The SA Government has invested approximately R17.0 billion of public funds in the country's ocean economy. According to the Department of the Presidency, 4 500 jobs have been created as a direct consequence of Operation Phakisa. The involvement of other public organisations has also been significant, for example, the Transnet

¹⁰ www.operationphakisa.gov.za/operations.

National Ports Authority has allocated R7 billion for the upgrading of the country's ports. since the inception of Operation Phakisa.

In the Western Cape, various ports are targeted by Operation Phakisa for their prospects to increase the growth of the ocean economy. Established ports like Saldanha and Cape Town and some proclaimed fishing harbours are targeted. The Port of Saldanha has been established as an oil and gas hub providing services such as repair and maintenance of equipment in the oil and gas sector. The Port of Cape Town, along with the Port of Durban, have also collectively received R350 million for upgrades. It is expected that these upgrades will allow ports to service and accommodate larger vessels and increase the scope of services which they can provide, thereby boosting the provincial ocean's economy. Interestingly, a role for the aquaculture industry has also been assigned in the Western Cape Phakisa initiative. Two of the most notable projects include Abagold Abalone Farm in Hermanus and the Doringbaai Abalone Farm in the West Coast, which is also linked to the Agri-Parks initiative. Three more projects are planned for the WC; these include salmon farming in Hermanus, mussel farming in the Southern Atlantic and the West Coast areas.

Operation Phakisa is operational in the Cape Metro through developments at the Port of Cape Town. The upgrades at the port allow for larger vessels to be docked and serviced at the port, as well as for higher quality and better storage and logistics facilities. This will significantly boost the local oceans and blue economy by increasing the scope of operations at the port, attracting new businesses and encouraging the formation of new ocean economy enterprises in the Metro. The Metro also benefits from downstream industries in the oceans economy through the Cape Town fish market and its food and industrial processing capacity.

3.2.2 Saldanha Bay IDZ¹¹

The Saldanha Bay IDZ (SBIDZ) is one of five IDZs currently operating in South Africa, the aim of which is to facilitate the industrial development of the main geographical areas. This is achieved through the leveraging of both domestic and foreign fixed direct investment in value adding and export-oriented manufacturing industries such as the oil and gas industry. The Saldanha Bay IDZ will serve as the primary service provider to the oil, gas and marine industries and will focus on engineering repairs and logistics services. Furthermore, the IDZ aims to serve the needs of the upstream Oil Exploration Industry and attracting offshore oil and gas producing companies operating offshore in Sub-Saharan Africa.

¹¹ Saldanha Bay IDZ Licencing Company, 2016. *Annual Report 2015/16*, s.l.: s.n.
SAOGA, 2017. *Saldanha Bay - Ship Repair Facilities*. [Online] Available at:
<https://www.saoga.org.za/information-hub/port-handbook/ports/saldanha-bay/ship-repair-facilities/idz>
[Accessed 2017].

Accordingly, the SBIDZ will focus on the following functions:

- Repairs and maintenance - facilities at the SBIDZ will focus on engineering services such as repairs, maintenance and upgrading of oil rigs, exploration equipment and marine based logistics equipment.
- Ancillary services - including logistics, storage and safety services.
- Exploration and production support - including the maintenance, repair and upgrading of equipment and transport vessels.
- Logistics - transporting of raw materials, equipment and personnel.
- Marine/sub-sea engineering and fabrication - Providing repairs and maintenance services to equipment and vessels located offshore.

The SBIDZ's mission statement lists four overarching levers which will enable the achievement of the stated mission. These include promoting the ease of doing business within the IDZ, developing a competitive business environment, infrastructure support for industrial development and the improvement of customs efficiency and the reduction of administrative processes. These levers are expected to aid in attracting both investments and industrial enterprises to the Saldanha Bay IDZ, thereby increasing local economic growth prospects and job creation.

3.2.3 Atlantis SEZ¹²

An SEZ as defined by the National Department of Trade and Industry (**the dti**) is a geographically designated area of a country set aside for specifically targeted activities, supported through special arrangements such as tax breaks and specific regulatory requirements. The objectives of the SEZs are very much similar to that of the IDZ in that both aim to create jobs, economic inclusion and local economic growth. The SEZ also entails the clustering of businesses of a particular sector in the designated area, with associated incentives, to be able to exploit benefits of scale and co-location.

The Atlantis SEZ, in the Cape Metro, was effectively established in 2011 as a greentech manufacturing hub. Greentech refers to all technology which enables the sustainable use of natural and secondary materials and resources. A prime example of a greentech product is the manufacture of wind turbines. This technology allows the harvesting of kinetic energy from wind to generate non-polluting electricity. The establishment of this greentech hub was in response to the National Department of Energy's Renewable Energy Independent Power Producer (REIPP) in which the department aims to aid the development of enterprises and competitiveness of the renewable energy market.

¹² GreenCape, 2015. Atlantis Special Economic Zone: Technical Investor Brochure, s.l.: s.n.
Western Cape Government, 2017. *Atlantis SEZ to position region as green economic hub*. [Online] Available at: <https://www.westerncape.gov.za/news/atlantis-sez-position-region-green-economy-hub> [Accessed 2017].

The SEZ in Atlantis has attracted 30 foreign and local enterprises with four principal investors including Gestamp Renewable Industries (GRI) who invested R300 million. According to GreenCape, these organisations and their investors have collectively invested a total of R680 million (GreenCape). Other investments and investors include the following:

- GRI expansion, who also invested an additional R175 million during 2015.
- Resolux, who invested R25 million in wind turbine internals.
- Kaytech expansion, who invested R130 million in geotextiles.
- Skyward Windows expansion who spent R50 million in double glazing of windows.
- It is also worth noting that a total of 300 new direct jobs in the technology industry of Atlantis were created through these investments.

3.3 Water Management¹³

There is increasing recognition that the combined effects of climate change, population growth and continued urbanisation are exerting pressure on limited water resources. At the same time, economic growth remains vital for alleviating poverty. Therefore, growth is required in spite of significant water resource constraints. In the case of a Water Management Area (WMA) where all readily available water is allocated (referred to as a “constrained catchment”), future development requires additional water resources, either through the development of new resources or the reallocation from other users in the WMA.

GreenCape’s 3-year study, funded by the Water Research Commission (WRC) and the Western Cape Provincial Department of Economic Development and Tourism (DEDAT), aims to understand how water scarcity may constrain development in local economies within the Berg River WMA (see figure below). The study links water usage to economic indicators to highlight where these constraints have the most significant economic implications, thereby allowing for the prioritisation of interventions to improve water supply to the local economies. This WMA is served through a linked water network called the Western Cape Water Supply System (WCWSS).

¹³ Source: C. Pengelly (2017). Towards sustainable economic development in water constrained catchments: implications for local municipal economies within the Berg River Water Management Area. GreenCape

Figure 10 Berg River Water Management Area with municipal boundaries demarcated

The water intensity of a municipal area's economy provides insight into the resilience of that economy to withstand water shocks, and is linked to the structure of the economy. Highly water intense activities¹⁴, such as agriculture and agri-processing dominate the economic activities of some municipal areas in the study area, such as Bergrivier (41 per cent of their Gross Value Added (GVA) is generated through heavily water intense activities) and Swartland (34 per cent), whereas the City of Cape Town, with a largely services economy, is far less water intensive (8 per cent).

Table 5 Water intensity of municipal economies in the Berg River WMA¹⁵

Municipality	% of economy heavily water intensive ¹⁶	% of economy moderately water intensive ¹⁷	% of economy heavily and moderately water intensive
Bergrivier	41	12	54
City of Cape Town	8	20	27
Drakenstein	16	20	35
Saldanha Bay	19	18	37
Stellenbosch	13	19	32
Swartland	34	16	50
Witzenberg	27	19	45
Berg River WMA	10	19	29

Source: Quantec Regional Output and GVA at basic prices by industry and 2011 municipal level (ward-based region for metros) 1995-2015 (v2 26Sep16)

¹⁴ Sectors that are heavily water-dependent can be defined as those requiring a significant quantity of water resources as a major and necessary input to their activities and/or production processes. WWAP (United Nations World Water Assessment Programme), 2016. The United Nations World Water Development Report 2016: Water and Jobs. Paris, UNESCO.

¹⁵ Quantec: Regional Output and GVA at basic prices by industry and 2011 municipal level (ward-based region for metros) 1995-2015 (v2 26Sep16)

¹⁶ Agriculture, Agri-processing, Mining, Textile Manufacturing and Electricity, gas and water

¹⁷ Manufacturing of wood products, Manufacturing of metals and minerals, Manufacturing of chemicals, rubber and plastics, Construction and Transport

The study estimated the current water requirements of water users within the Berg River WMA and then projected their water requirements for 2025 and 2040 by calculating the impact of climate change on irrigated agriculture and the population growth on urban requirements. These future demands were valued according to their GVA and employment impacts and compared to currently available water supply. In cases where there was a gap between demand and supply (a supply deficit), this deficit was compared to the total size of the current economy. This analysis highlighted how the City of Cape Town generates the greatest value to the regional economy, and if a lack of water constrains its development, this would have the largest overall impact on the regional economy. However, when this supply deficit is analysed at a municipal level, the Saldanha Bay and Swartland municipalities emerge as the most impacted by water scarcity. The current WCWSS reconciliation strategy only includes Voëlvlei as a minor additional regional bulk water supply augmentation project, with all other schemes being targeted for the City of Cape Town. In this context, it is urgent to explore local water resource augmentation options for these municipalities. Local water supply options include groundwater, re-use of wastewater and desalination. Without the assurance of water supply options for these local economies, investor confidence and business operations are likely to be impacted.

Table 6 Value of water requirements in 2025 and 2040 in comparison to current size of the local economy

Municipality	2025 total value of water requirements deficit in 2015 R millions	Comparison of 2025 GVA deficit to 2015 total economy (%)	2040 total value of water requirements deficit in 2015 R millions	Comparison of 2040 GVA deficit to 2015 total economy (%)
Bergrivier	1 200	33	3 143	86
Cape Town	5 307	2	100 614	29
Drakenstein	473	3	10 496	58
Saldanha Bay	4 321	57	8 715	114
Stellenbosch	2 931	22	10 303	77
Swartland	5 158	76	12 847	190
Witzenberg	69	1	89	1
Total	19 467	5	146 206	36

Source: Pengelly (2017). GreenCape

Figure 11 Comparison of water supply deficit in 2025 to size of 2015 local economy

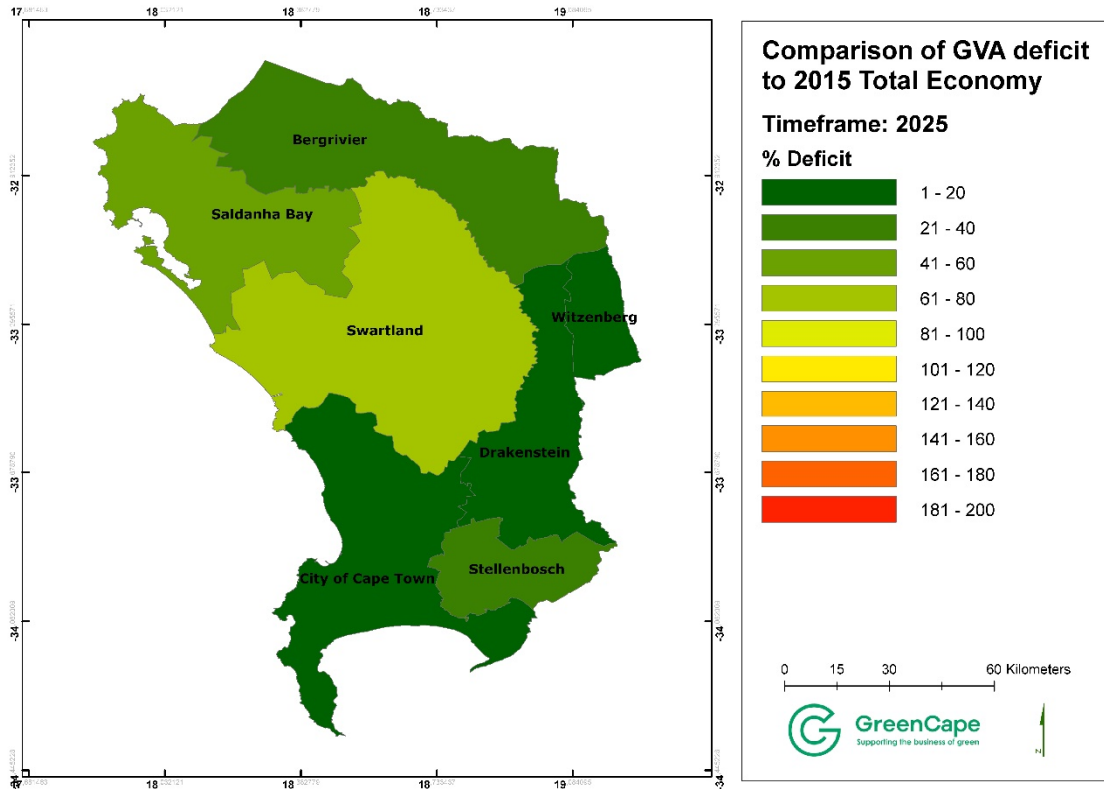
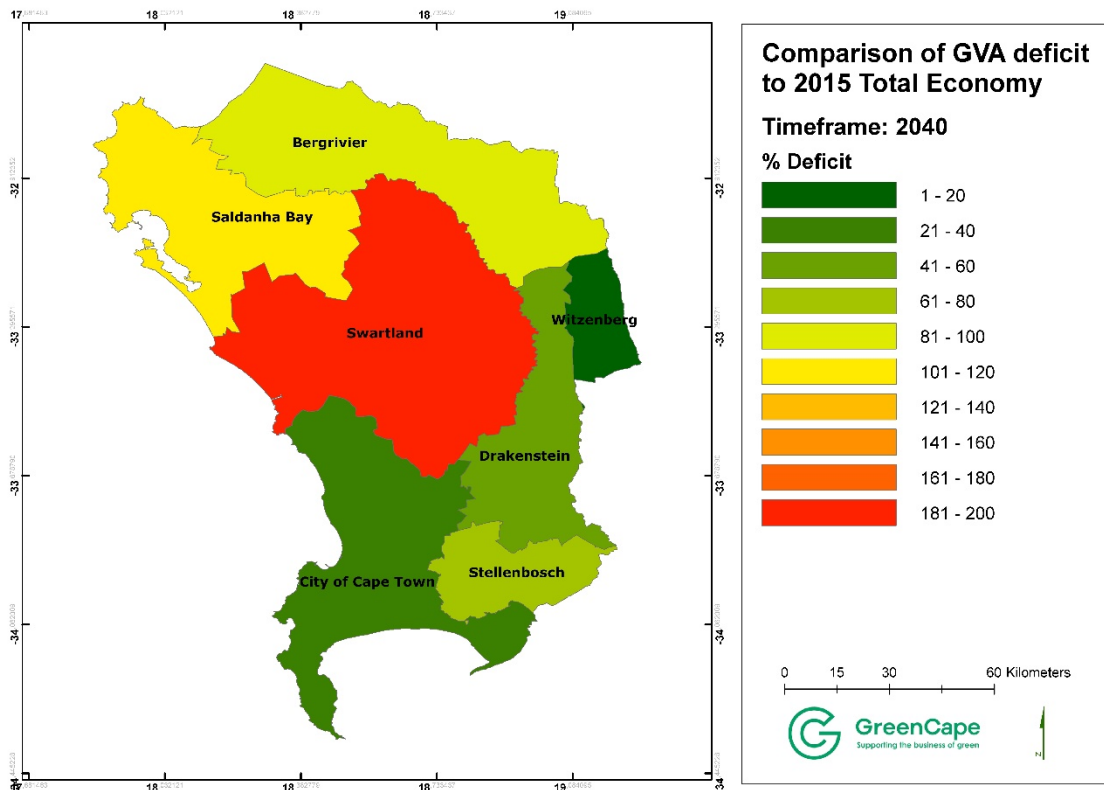


Figure 12 Comparison of water supply deficit in 2040 to size of 2015 local economy



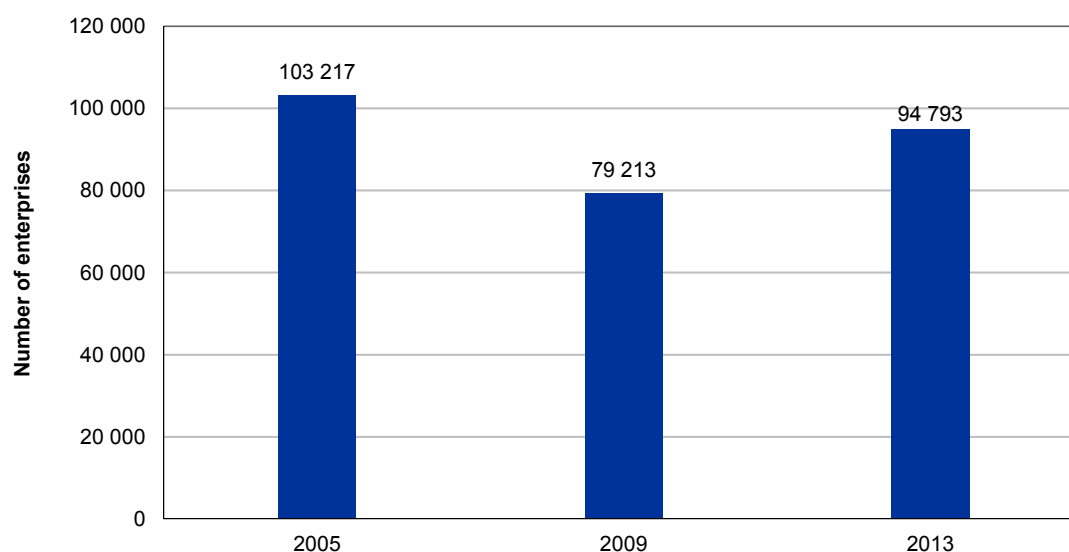
3.4 Informal sector and SMMEs

This section analyses and compares the results of Statistics South Africa's Survey of Employers and Self-Employed for the Western Cape and its districts. The aim of the Survey is to provide information about the characteristics of businesses in the informal sector and to gain an understanding of their operation and access to services (Statistics South Africa, 2014). This section provides an overview of the main challenges experienced by small, micro and medium enterprises (SMMEs) as well as potential interventions as indicated by municipalities and district municipalities (MERO 2017 Municipal Survey).

Western Cape

From the initial survey in 2005, there were 103 217 informal enterprises within the WC. This number declined by 23.3 per cent in 2009, when the survey indicated 79 213 informal enterprises. However, in the 2013 survey, the number of informal enterprises increased again by 19.7 per cent to 94 793 enterprises. This was a significant increase in informal enterprises, although the number was still less than what was recorded in 2005.

Figure 13 Informal enterprises in the Western Cape, 2005, 2009 and 2013

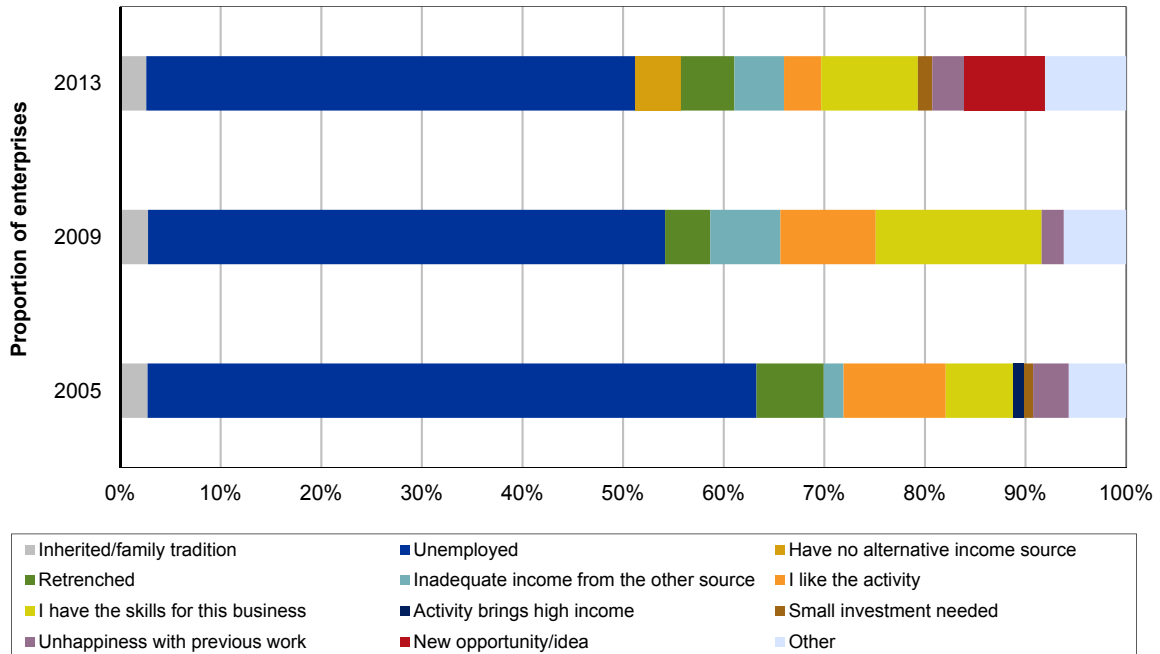


Source: Stats SA, 2005 - 2013

The decrease in the number of informal enterprises in 2009 was expected to have resulted from the recession. During times of recession, access to finance is limited, unemployment increases and households typically reduce their spending; this creates difficult circumstances for existing and start-up enterprises to be sustainable and many have to cease to operate. The risks associated with starting a new enterprise in recession times also make the option less attractive for would-be entrepreneurs.

Figure 14 indicates the reasons why enterprise owners decided to start their own businesses in the WC according to the survey in 2005, 2009 and 2013.

Figure 14 Reason for starting an informal enterprise

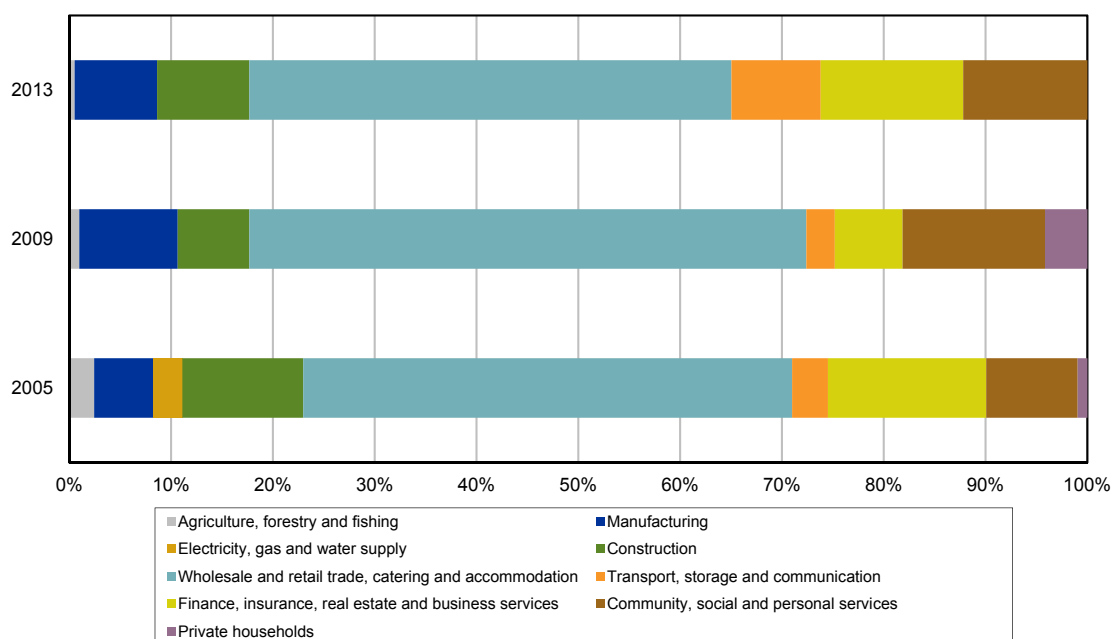


Source: Stats SA, 2005 - 2013

The main reason enterprise owners decided to establish their business was unemployment. However, the number of enterprises who started their business due to unemployment is declining, from 60.5 per cent of business owners in 2005 to 48.6 per cent in 2013. Other main reasons include owners who like the activity and owners having a particular skill needed for the enterprise. In 2013¹⁸, another main reason for starting their enterprise was a new opportunity or idea (8.0 per cent of business owners), indicating the entrepreneurs are willing to take risks on their ideas and do not start new enterprises out of necessity.

Figure 15 indicates the distribution of informal enterprises as per the three survey years within the WC.

¹⁸ This reason was not an option in the 2005 and 2013 Survey.

Figure 15 Economic sector distribution

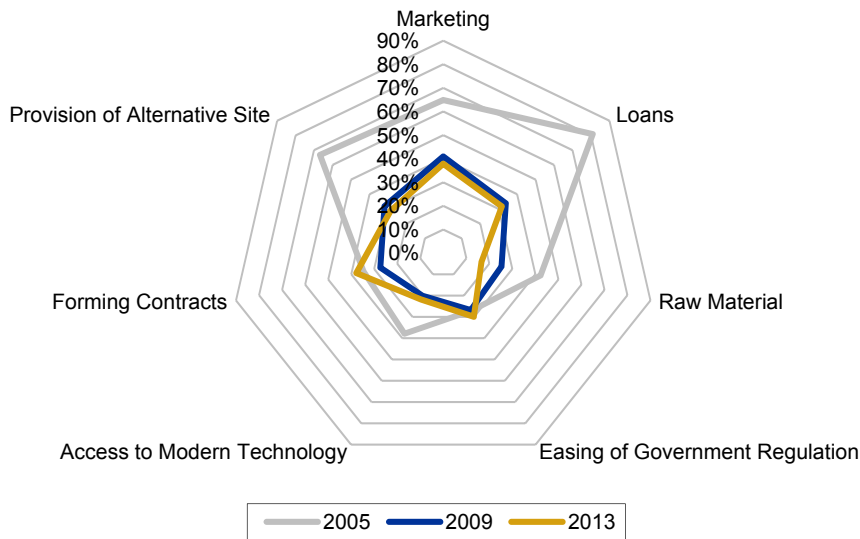
Source: Stats SA, 2005 - 2013

In all three survey years, the main sectors where informal enterprises operated in, included the wholesale and retail trade, catering and accommodation sector; the finance, insurance, real estate and business services and the community, social and personal services sectors. These are all tertiary sector industries which require less start-up capital than other sectors, such as the transport and manufacturing sectors.

The figure below outlines the proportion of informal enterprises that need assistance in the following:

- Marketing
- Obtaining loans
- Obtaining raw material
- Ease of government regulation
- Access to modern technology
- Forming contracts
- Provision of an alternative site

Figure 16 Assistance required (proportion of enterprises)

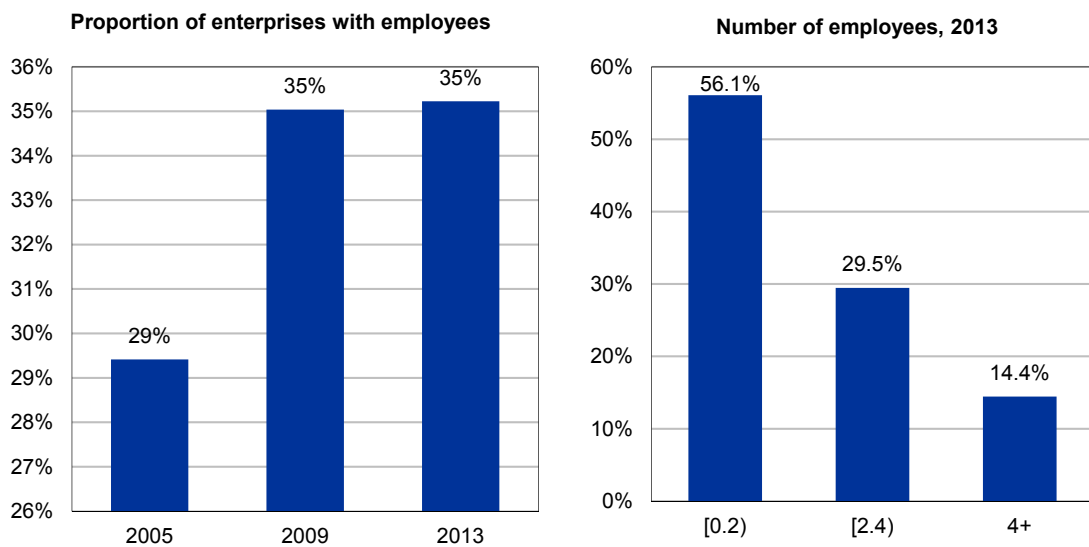


Source: Stats SA, 2005 - 2013

Based on the survey results, informal enterprises in the WC need assistance with marketing, an alternative site and access to loans. It should be noted that in 2009 and 2013, less than half of informal enterprises indicated that they needed assistance in any of the given categories.

Figure 17 shows the proportion of informal enterprises which employ additional workers, as well as the number of employees employed in 2013. The majority of informal businesses in the WC do not employ additional workers; in 2009 only 29.4 per cent of informal businesses employed additional workers. The proportion of informal enterprises with employees increased to 35.0 per cent in 2009 and 35.2 per cent in 2013.

Figure 17 Employment created by informal enterprises



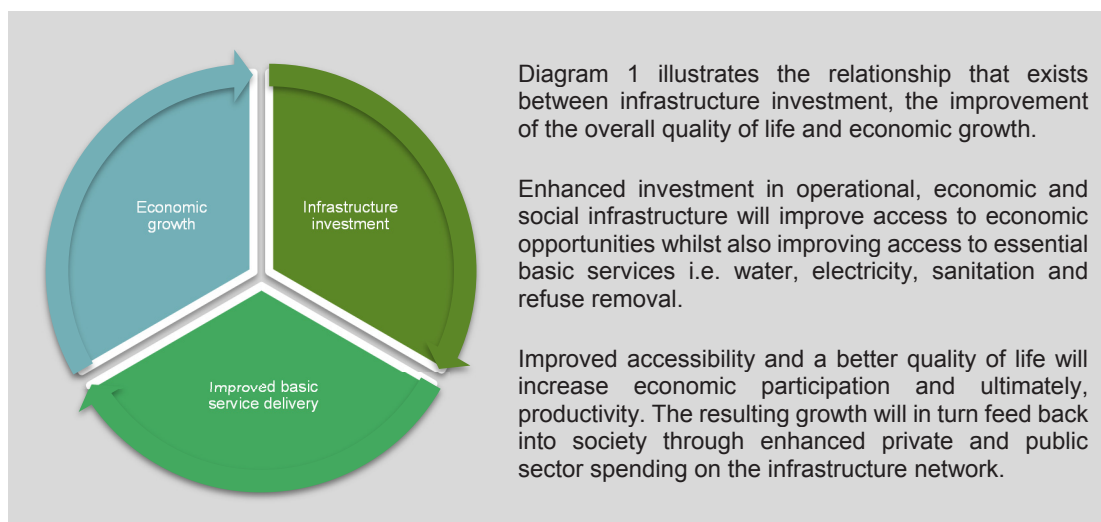
Source: Stats SA, 2005 - 2013

In 2013, the majority of informal enterprises (56.1 per cent) who employ other people had only one employee, with only 29.5 per cent having between two and three workers and 14.4 per cent having more than four workers.

4. Infrastructure development

The WCG remains committed to enhanced infrastructure investment as a means to grow the economy and to create jobs amidst challenging macroeconomic conditions.

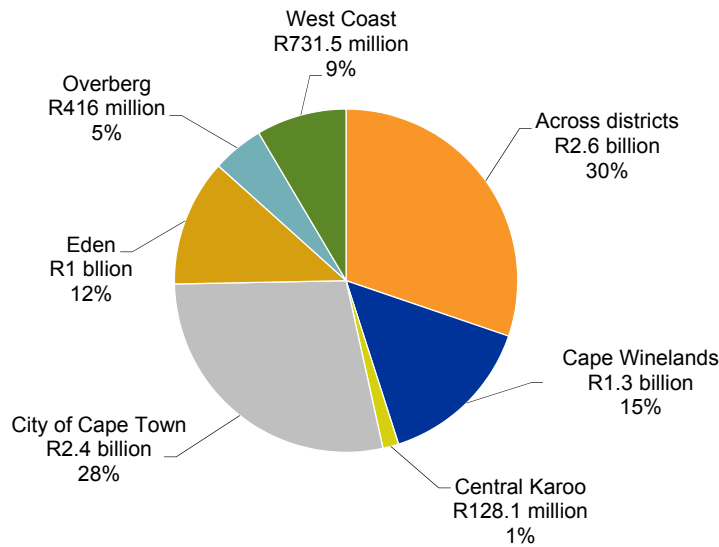
Diagram 1 Infrastructure Investment Value Cycle



In support of infrastructure led growth and recognising the important correlation between infrastructure investment and standard of living, the WCG has allocated R28.0 billion towards infrastructure development over the 2017 Medium Term Expenditure Framework (MTEF) to be spent on new assets, replacements, asset maintenance and repairs, upgrades and additions, rehabilitation, renovation as well as the refurbishment of existing assets (Western Cape Estimates of Provincial Revenue and Expenditure, 2017). Of this total, an amount of R26.1 billion will be allocated towards physical infrastructure whilst R231.0 million and R1.7 billion will be channelled towards broadband infrastructure and public private partnerships, respectively.

4.1 Spatial distribution of infrastructure spend

The total Provincial infrastructure budget for 2017/18 amounts to R8.6 billion which will be split amongst the various municipal districts by taking into consideration a wide array of socio-economic variables, most notably anticipated population growth trends as well as estimated economic growth potential, the latter being influenced largely by the 2014 Growth Potential Study of Towns (Donaldson et al, 2014).

Figure 18 Spatial distribution of provincial infrastructure spend, 2017/18

Source: Western Cape Estimates of Provincial Revenue and Expenditure (2017)

A large share (R2.4 billion or 28 per cent) of the infrastructure budget will be directed towards the City of Cape Town in 2017/18. Substantial allocations of R1.3 billion (15 per cent) and R1.0 billion (12 per cent) will also be made towards the Cape Winelands and Eden Districts respectively. The remainder of the WCG's infrastructure budget will be allocated to the West Coast (R731.5 million or 9 per cent), Overberg (R416 million or 5 per cent) and the Central Karoo (R128.1 million or 1 per cent) regions. A significant portion of the budget will however be allocated towards cross-district projects, predominantly to fund human settlement developments and roads infrastructure.

Table 7 Vote classification of infrastructure spend per district, 2017/18

Region	Across districts	Cape Winelands	Central Karoo	City of Cape Town	Eden	Overberg	West Coast	Total
Transport	264 535	844 055	84 470	697 088	574 102	192 383	543 021	3 199 654
Social Development	-	92	364	-	-	-	116	572
Public Works	307 565	11 258	4 072	320 391	46 621	-	10 000	699 907
Human Settlements	839 001	258 841	34 739	621 054	265 104	128 091	79 928	2 226 758
Health	338 761	71 219	4 431	269 122	42 537	13 531	75 862	815 463
Education	823 325	90 030	-	511 981	101 108	65 000	22 600	1 614 044
CapeNature	26 865	-	-	-	-	16 961	-	43 826
Total	2 600 052	1 275 495	128 076	2 419 636	1 029 472	415 966	731 527	8 600 224

Source: Western Cape Estimates of Provincial Revenue and Expenditure (2017)

The total R8.6 billion Provincial infrastructure budget for 2017/18 is broken down in Table 7 as per budget vote classification.

A clear emphasis is placed on the importance of the existing road network as a key enabler of growth for the provincial economy. To this extent, the WCG will in 2017/18 direct R3.2 billion towards the preservation and expansion of surfaced roads, gravel roads and bridges.

A total of R2.2 billion will contribute towards the development of sustainable and integrated human settlements that will grant residents equal access to social and economic opportunities. Key education deliverables across the 2017 MTEF will include the construction of 16 new schools that will provide 637 new classrooms.

The Province's growing population has subsequently also resulted in an increased demand for education facilities. In order to accommodate additional learners, the Department of Education has budgeted R1.6 billion in 2017/18 to maintain, expand and repair existing schools, especially in poorer communities.

The Department of Health has prioritised a total R816.0 million that will support the 2030 Healthcare Strategy which envisages the re-organisation of future health services in the Province. Priority areas for the 2017/18 MTEF will include the development and implementation a Health Technology Strategy, the modernisation of emergency units at hospitals as well as maintenance and fire compliance of existing health facilities.

4.2 Municipal Infrastructure Budgets

Table 8 summarises the collective municipal infrastructure budget per region (i.e. the sum total of capital expenditure for each district municipality and its associated local municipalities). Table 8 further provides a breakdown of these capital budgets per standard classification, as detailed within Budget Schedule A5 in the final 2017/18 adopted budgets of the various municipalities.

Table 8 Infrastructure budgets for City of Cape Town and per district, 2017/18

R'000	Cape Winelands	Central Karoo	City of Cape Town	Eden	Overberg	West Coast	Total
Total Capital Expenditure	1 448 051	34 668	6 975 220	865 461	254 280	466 669	10 044 349
Governance and administration	96 064	1 344	1 244 434	46 220	13 516	48 196	1 449 774
Community and public safety	153 170	4 847	955 697	100 299	73 512	85 331	1 372 856
Economic and environmental services	176 515	10 173	1 662 703	196 731	35 748	126 979	2 208 849
Trading services	1 020 601	18 305	3 104 956	512 210	131 504	206 155	4 993 731
Other	1 700	-	7 432	10 000	-	8	19 140
Total Capital Funding	1 448 051	34 668	6 975 220	865 462	254 280	466 669	10 044 350
Transfers recognised - capital	373 395	32 391	2 268 835	439 953	13 824	179 487	3 307 885
Public contributions and donations	-	-	84 900	1 680	-	5 700	92 280
Borrowings	702 919	-	2 894 482	154 468	67 905	41 726	3 861 500
Internally generated funds	371 737	2 277	1 727 003	269 361	48 151	239 756	2 658 285

Source: Schedule A5 - Final Approved 2017/18 Budgets

It has previously been mentioned that the WC faces population growth rates which will increase the demand for basic services. Consideration of the various standard expenditure categories above clearly reveal the extent to which municipalities prioritise operational infrastructure spend towards trading services in order to respond to the increased demand for services such as water, electricity, sanitation and refuse removal. These allocations will strengthen and expand the current basic service delivery networks, reduce backlogs and ultimately improve the overall quality of life.

Investment in infrastructure remains an important mechanism to grow the economy and to create jobs. In support of this objective, the funding of municipal capital budgets is supplemented by a notable portion (32.9 per cent) through grants and transfers from National and Provincial Government.

The current state of the economy puts pressure on the national fiscus which may subsequently lead to reduced transfers and grant support towards local authorities. This scenario will not only impact upon the enhanced roll-out of municipal infrastructure projects, but seriously compromise the long-term sustainability of municipalities in general.

5. Concluding remarks

The outlook for the global economy is reasonably positive, thanks to improvements in growth in advanced economies in 2017. Growth for emerging economies is predicted to rise to 4.6 per cent in 2017 and further to 4.8 per cent in 2018. The SA economy is also showing positive signs, following a 2.5 per cent growth recorded in the second quarter of 2017. However, political and policy uncertainty continue to pose threats to economic growth. The WC economy is projected to grow by 0.5 per cent in 2017 and 1.0 per cent in 2018. The current drought has had a negative impact on the WC economy as the provincial economy is dependent on the agriculture, forestry and fishing sector. Informal enterprises can be supported through skills training programmes, informal trade policies, micro-financing and grant funding opportunities. Support within the informal sector should be geared towards enabling informal enterprises to form part of the formal economy in a sustainable manner which will stimulate growth and employment on a local level. Infrastructure expenditure is critically important for economic growth but it is restricted as municipal and national revenues continue to be under pressure. The main sources of infrastructure funding in a municipal jurisdiction are municipal own resources (internally generated funds and borrowing), transfers and grants from national and provincial government and direct infrastructure spending by provincial and national government. In a period of fiscal uncertainty and low economic growth, borrowing should be applied more prudently and directed to economic infrastructure to unlock economic growth and revenue.

SECTION B: WESTERN CAPE REGIONS

- **City of Cape Town**
- **West Coast District**
- **Cape Winelands District**
- **Overberg District**
- **Eden District**
- **Central Karoo District**

City of Cape Town

1

Regional economic review and outlook

1.1 Introduction

The City of Cape Town (Cape Metro) is the only metropolitan area in the Western Cape (WC), contributing 72.0 per cent to the provincial economy in 2015 (Quantec, 2017).

The largest contributors to the Cape Metro area's economy are the finance, insurance, real estate and business services sector; the wholesale and retail trade, catering and accommodation sector; and the manufacturing sector.



The Cape Metro area experienced an average GDP growth rate of 2.9 per cent between 2005 and 2015 (Quantec, 2017). The planning districts that experienced the highest annual average growth rates during this period were the Blaauwberg, Helderberg and Khayelitsha/Mitchells Plain planning districts. A decline in growth is estimated across all planning districts for 2016.

1.2 MERO 2017: Informing the City's integrated planning priorities

This chapter unpacks economic performance variables in terms of the City's original eight integrated spatial development districts.

The district plans effectively provided a strategic roadmap for the implementation of the Cape Town Municipal Spatial Development Framework (CTMSDF) at sub-metropolitan level and aims to provide direction to the desired nature and form of development in the planning districts; assist in providing a guide to land use and environmental decision-making processes; provide a spatial informant to strategic public and private investment initiatives and to inform the development of priorities for more detailed local area planning.

The district plans, in addition to the City's other planning instruments such as the SDF have however in 2015 been merged into a single, overarching framework which translates strategic intent into practical programmes aimed at overcoming structural and spatial constraints to urban economic growth. This holistic framework - the Built Environment Performance Plan (BEPP) - directs capital investment along well defined public transport corridors and development nodes with the ultimate aim of establishing an integrated society where all communities have equal access to economic and social opportunities.

Two primary integration zones have been defined within the BEPP, namely the Voortrekker Road Integration Zone linking the Bellville CBD with the Metro South-East corridor and the boundary of the Cape Town CBD and the Metropolitan South-East Integration Zone linking Mitchells Plain (urban hub)/Khayelitsha with the Cape Town CBD. A third integration zone (Blue Downs Rail Corridor) is envisaged to connect the metro south-east with the northern suburbs. While the provision of this rail line and its associated services will fall under the responsibility of the Passenger Rail Agency of South Africa (PRASA), the City is facilitating this corridor through the provision of the feeder network.

Provincial Treasury will consider how to best incorporate these new development zones into the research methodology guiding the development of future MERO publications in order to generate topical and relevant economic data which can add value to the City's budget and integrated planning initiatives.

1.3 Growth in GDPR performance

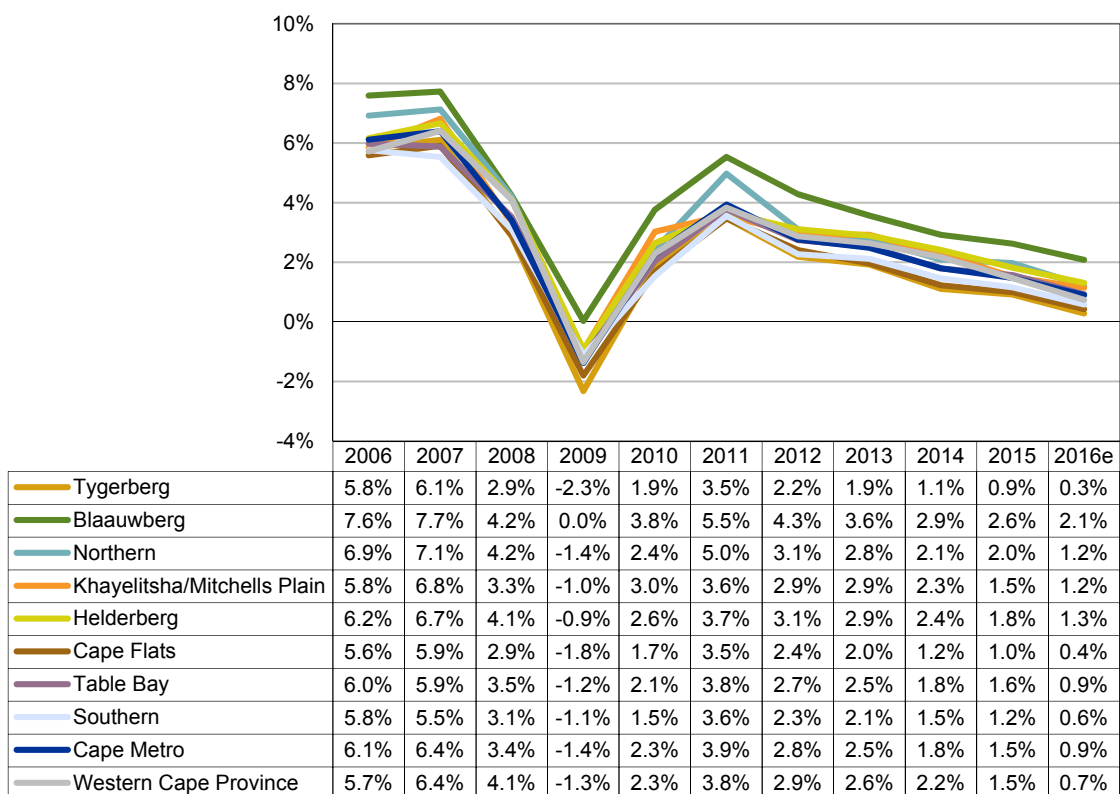
Previous MERO publications have discussed in detail the changes to the economy before the 2008 recession as well as the subsequent years after the recession. Therefore the period under review for MERO 2017 is between 2010 and 2015, together with an estimate for 2016. Statistics SA will only release official regional indicators for 2016 in 2018.

1.3.1 GDPR performance per planning district

The Cape Metro area contributed 72.0 per cent to the GDPR of the Province in 2016. The economies of each planning district in the Cape Metro area are very similar to one another and reflect the broader Cape Metro economy, albeit with slight local variations.

Figure 1.1 indicates the GDPR performance of the Cape Metro area and the planning districts between 2005 and 2016.

Figure 1.1 GDPR growth of the Western Cape, Cape Metro and City planning districts, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

¹ Note that the GDPR growth rate in 2006 indicates the change in GDPR from 2005 to 2006.

The GDP growth for the Cape Metro area was the highest in 2007, after which sharp declines were recorded in 2008 and 2009. The economy rebounded in 2010 and 2011, thereafter activity continuously declined. The decline in growth during this period can be attributed to the slower growth in the tertiary and secondary industries. These industries contribute the most to GDP and it can therefore be expected that changes (growth or contraction) will have a significant effect on the overall growth of GDP of the Cape Metro area. The Cape Metro has been negatively affected by changes in the national economy such as a depreciating South African rand, political instability, increasing inflation and declining business confidence.

Table 1.1 provides the GDP contribution and average growth rates for each planning district. The Tygerberg, Khayelitsha/Mitchells Plain and Cape Flats areas contribute the most to the GDP of the Cape Metro area².

Table 1.1 GDP contribution and growth rates per planning district, 2005 - 2016

Municipality	Contribution to GDP (%) 2015	Trend		Real GDP Growth (%)					
		2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Tygerberg	17.8	2.4	1.9	3.5	2.2	1.9	1.1	0.9	0.3
Blaauwberg	9.0	4.2	3.8	5.5	4.3	3.6	2.9	2.6	2.1
Northern	14.9	3.4	3.0	5.0	3.1	2.8	2.1	2.0	1.2
Khayelitsha/Mitchells Plain	15.9	3.1	2.6	3.6	2.9	2.9	2.3	1.5	1.2
Helderberg	6.1	3.3	2.8	3.7	3.1	2.9	2.4	1.8	1.3
Cape Flats	15.8	2.4	2.0	3.5	2.4	2.0	1.2	1.0	0.4
Table Bay	9.3	2.9	2.5	3.8	2.7	2.5	1.8	1.6	0.9
Southern	11.2	2.5	2.1	3.6	2.3	2.1	1.5	1.2	0.6
Total Cape Metro	100	2.9	2.5	3.9	2.8	2.5	1.8	1.5	0.9
Western Cape Province	17.8	3.0	2.6	3.8	2.9	2.6	2.2	1.5	0.7

Source: Quantec Research, 2017 (e denotes estimate)

The planning districts achieving above average GDP growth in the last five years include the Blaauwberg, Helderberg, Northern and Khayelitsha/Mitchells Plain Planning District. Even though the Tygerberg contributes the most to the local economy, it has achieved the lowest average annual growth rate (1.9 per cent) compared to other planning districts. GDP growth in all planning districts is lower on a five-year annual rate compared to the ten-year average annual rate which indicates that the economy in the Cape Metro area, and in all of the planning districts, only improved marginally after the recession, with the highest growth rate achieved in 2011 before economic growth began declining each year.

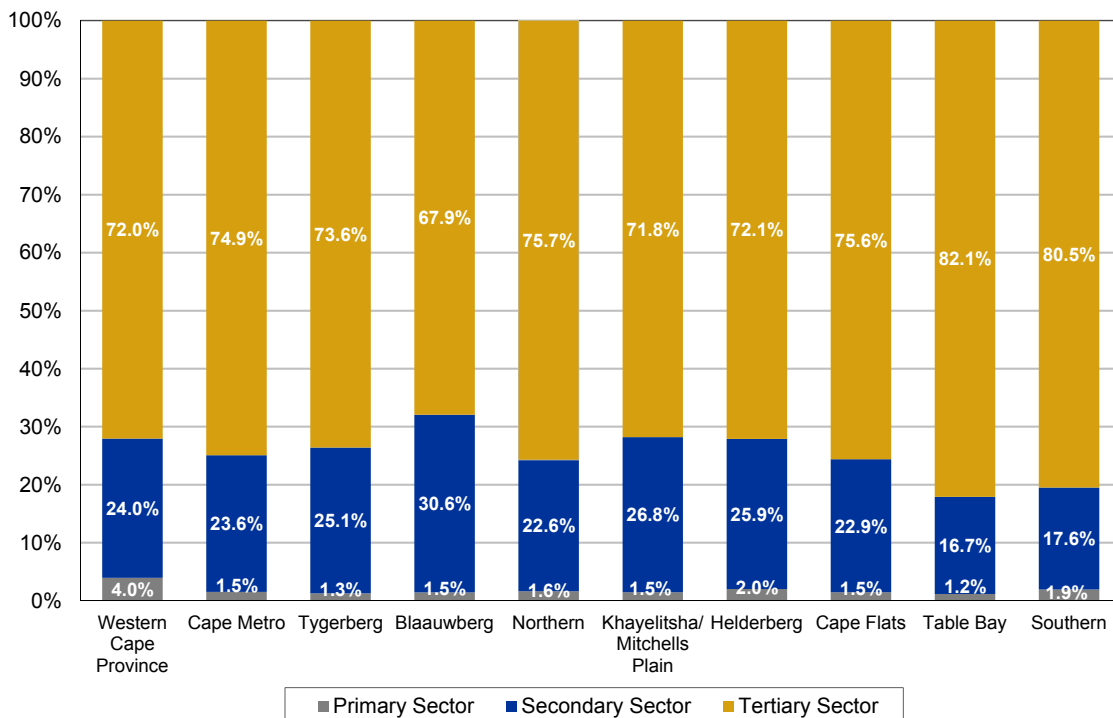
² GDP contributions per Planning District are estimated using employment and remuneration statistics, thereby capturing information to the area where individuals stay and not the area where they are employed.

1.3.2 GDP performance per sector

Figure 1.2 indicates the GDP contribution for the three main sectors in the Cape Metro area as well as the various planning districts. These broad classifications are groupings of sectors by their main activity within the economy. Primary sectors are those involved with using or extracting natural resources and consist of the agriculture, forestry and fishing and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production and consist of the manufacturing; electricity, gas and water and the construction sector. The tertiary sector can also be referred to as the services sectors and consists of the following sectors: the wholesale and retail trade, catering and accommodation; transport, storage and communication; finance, insurance, real estate and business services; general government and the community, social and personal services sectors.

The economy in the Cape Metro area is dominated by tertiary sector activities, which contributed approximately 74.9 per cent to the local economy in 2015 and is slightly larger than the Western Cape's tertiary sector contribution during the same year which measured 72.0 per cent. The tertiary sector in the Cape Metro area has competitive industries in the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector. The secondary sector contributed to 23.6 per cent of the GDP of the Cape Metro area and is on par with this sector's contribution to the Western Cape Provincial GDP for 2015. In contrast, the primary sector contributed only 1.5 per cent to the Cape Metro GDP which is significantly lower than the average contribution of this sector to the Province, which is at 4.0 per cent.

Figure 1.2 GDP contribution per main sector, 2015



Source: Quantec Research, 2017

Primary sector activities contribute the least to the Cape Metro area's economy compared to the secondary and tertiary sectors. The Cape Metro's geographical area is to a large extent urban, which significantly limits the potential for agricultural activities. This also restricts the possibility of mining and quarrying activities, thus contributing to the limitations of these sectors.

Table 1.2 indicates sectoral GDP contribution in the Cape Metro area.

Table 1.2 Cape Metro area GDP contribution per sector, 2015 (%)

Sector	Cape Metro	Tygerberg	Blaauwberg	Northern	Khayelitsha/ Mitchells Plain	Helderberg	Cape Flats	Table Bay	Southern
Primary Sector	1.5	1.3	1.5	1.6	1.5	2.0	1.5	1.2	1.9
Agriculture, forestry and fishing	1.3	1.1	1.2	1.4	1.3	1.8	1.3	0.9	1.7
Mining and quarrying	0.2	0.2	0.3	0.2	0.1	0.2	0.2	0.2	0.3
Secondary Sector	23.6	25.1	30.6	22.6	26.8	25.9	22.9	16.7	17.6
Manufacturing	15.0	17.4	18.1	13.8	15.8	16.2	14.9	11.7	11.4
Electricity, gas and water	3.0	3.0	8.1	3.6	2.9	2.4	1.9	1.5	1.6
Construction	5.6	4.8	4.5	5.2	8.0	7.3	6.2	3.4	4.6
Tertiary Sector	74.9	73.6	67.9	75.7	71.8	72.1	75.6	82.1	80.5
Wholesale and retail trade, catering and accommodation	16.9	16.8	18.0	15.7	17.8	17.5	18.2	16.8	14.6
Transport, storage and communication	11.6	13.9	10.5	11.8	14.4	9.7	11.2	10.0	7.9
Finance, insurance, real estate and business services	27.8	24.2	26.3	31.9	18.7	27.8	25.0	36.6	38.8
General government	11.8	12.5	8.0	10.6	13.4	10.2	13.7	11.0	12.0
Community, social and personal services	6.7	6.1	5.3	5.7	7.4	6.9	7.4	7.6	7.3

Source: Quantec Research, 2017

The main sectors which dominate economic activities within the Cape Metro area include the finance, insurance, real estate and business services; wholesale and retail trade, catering and accommodation and the manufacturing sectors. These sectors collectively contribute 59.7 per cent to the GDP of the Cape Metro area. Other sectors making a large contribution include the transport, storage and communication (11.6 per cent) and the general government (11.8 per cent) sectors.

The sectoral distribution in the various planning districts is very similar, albeit with locational variations. The tertiary sector makes a much larger contribution to the economies of the Table Bay and Southern areas compared to this sector's contribution in other planning districts, mainly due to the large proportion of office space available in these areas.

Table 1.3 outlines the Cape Metro area's GDP performance per sector.

Table 1.3 Cape Metro area GDP performance per sector, 2005 - 2016

Sector	Trend		Real GDP growth (%)					
	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	3.1	3.9	4.0	3.2	4.8	7.5	0.1	-4.8
Agriculture, forestry and fishing	3.7	4.1	4.2	3.5	5.0	7.6	0.0	-4.6
Mining and quarrying	-0.1	3.1	2.7	1.5	3.2	6.9	1.1	-6.0
Secondary Sector	1.9	1.3	2.8	2.1	1.4	0.2	0.1	0.2
Manufacturing	1.6	1.2	3.4	2.2	0.9	-0.4	-0.3	0.8
Electricity, gas and water	-0.7	-0.5	1.9	-0.2	-0.9	-1.2	-1.9	-5.0
Construction	5.2	2.8	1.1	2.7	4.6	3.1	2.3	0.3
Tertiary Sector	3.2	2.8	4.3	3.0	2.8	2.1	1.9	1.2
Wholesale and retail trade, catering and accommodation	2.6	2.7	4.2	3.8	2.3	1.6	1.5	1.2
Transport, storage and communication	2.6	2.2	3.3	1.9	2.2	2.9	0.5	0.4
Finance, insurance, real estate and business services	3.8	3.0	4.5	2.9	2.6	1.8	3.1	1.6
General government	3.9	3.8	6.2	3.6	4.7	3.2	1.1	1.5
Community, social and personal services	2.0	1.8	1.9	2.1	2.3	1.7	0.7	0.1
Total Cape Metro area	2.9	2.5	3.9	2.8	2.5	1.8	1.5	0.9

Source: Quantec Research, 2017 (e denotes estimate)

Economic growth in the Cape Metro area is driven by tertiary sector activities, which has achieved above average growth rates in the last five years. The secondary and tertiary sectors, however, did not recover in full after the economic recession, with only the primary sector having a marginally higher five-year average growth rate compared to the 10-year average growth rate. This can be attributed to above average growth from 2011 to 2013, and stellar growth obtained in 2014.

Most of the economic sectors in the Cape Metro area were estimated to record positive growth for 2016, albeit at lower rates than in previous years. The exception to this trend is the agriculture, forestry and fishing; mining and quarrying; and the electricity, gas and water sectors. These sectors contracted by 4.6 per cent, 6.0 per cent and 5.0 per cent respectively during 2016. Due to the diverse range of manufacturing sector activities, a range of factors are impacting the sector, including volatile exchange rates, investor and business confidence and inflation as well as water restrictions and higher service charges due to the drought. Electricity sales have been decreasing on average by 1.4 per cent per annum over the last 7 years, due to the use of alternative energy sources and more energy efficient household and industries, which have contributed to the contraction of the electricity, gas and water sector from 2010 to 2015³.

³ City of Cape Town MERO 2017 Survey response

Overall, GDP growth in the Cape Metro area is estimated to dwindle to 0.9 per cent in 2016, which follows the further deceleration in 2014 and 2015, indicating that the Cape Metro area's business cycle is in a downward phase.

1.3.3 GDP performance per sector forecast (outlook)

Due to the fast pace at which global as well as the SA economy are changing – only a two-year forecast is done. Table 1.4 indicates the GDP forecast per sector for 2017 and 2018 in the Cape Metro.

Table 1.4 GDP forecast per sector, 2017 - 2018 (%)

Sector	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-4.6	5.8	4.7
Mining and quarrying	-6.0	1.2	0.8
Secondary Sector			
Manufacturing	0.8	0.0	2.0
Electricity, gas and water	-5.0	0.1	1.7
Construction	0.3	0.6	0.7
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	1.2	-0.7	0.7
Transport, storage and communication	0.4	0.4	0.6
Finance, insurance, real estate and business services	1.6	0.2	0.2
General government	1.5	0.8	0.8
Community, social and personal services	0.1	0.5	0.3
Total	0.9	0.2	0.8

Source: Quantec, Urban-Econ calculations, 2017 (e denotes estimate f denotes forecast)

Economic growth is expected to decline further in 2017 and it is only the agriculture, forestry and fishing sector that is expected to grow at high rates while the secondary and tertiary sectors will experience very low growth. The main economic sectors within the Metro are therefore expected to have limited growth in 2017 and 2018, which will also have an impact on employment in these sectors. In 2009, the main economic sectors also had limited growth and in most cases contracted. The forecast, however, indicates that all sectors, apart from the wholesale and retail trade, catering and accommodation sector, will experience growth. This decline in economic growth in the main sectors are the economic responses to declining business confidence and the downgrading of South Africa as an investment destination, inflation and political instability. Increased water restrictions and higher tariffs will further impact the local manufacturing and construction sectors in 2017.

Economic growth is expected to improve slightly in 2018, with no further contractions in any of the sectors. However, the tertiary sectors will still be under pressure while the agriculture, forestry and fishing sector, the mining and quarrying sector, the manufacturing sector, and the electricity, gas and water sector are expected to grow at above average rates.

1.4 Growth in employment trends

1.4.1 Employment per planning district

In 2015, more than 1.5 million people were employed within the Cape Metro area, contributing 63.1 per cent to employment in the Province. Table 1.5 indicates the trend in employment growth within each planning district in the Cape Metro area.

Table 1.5 Cape Metro area employment growth, 2005 - 2016

Sector	Contribution to employment (%) 2015	Trend		Employment (net change)					
		2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Tygerberg	18.1	38 073	25 678	3 797	4 358	7 306	4 603	5 614	1 046
Blaauwberg	7.2	31 211	18 664	2 987	3 332	4 408	3 418	4 519	1 945
Northern	10.4	32 319	20 804	3 257	4 011	5 015	3 631	4 890	3 007
Khayelitsha/ Mitchells Plain	25.3	80 935	49 924	7 864	8 210	12 584	9 483	11 783	788
Helderberg	6.4	24 128	15 386	2 084	2 507	3 627	3 128	4 040	733
Cape Flats	17.9	31 770	22 560	3 083	3 905	6 332	4 311	4 929	845
Table Bay	7.3	14 803	9 282	1 226	1 618	2 651	1 626	2 161	203
Southern	7.6	14 674	10 159	1 291	1 911	2 642	1 916	2 399	643
Total Cape Metro	100	267 913	172 457	25 589	29 852	44 565	32 116	40 335	9 210
Total Western Cape Province	-	418 445	326 986	-63 807	38 314	58 799	81 285	45 807	102 781

Source: Quantec Research, 2017 (e denotes estimate)

All planning districts shed jobs during the global recession and the subsequent economic contraction in South Africa. All planning districts however recorded a positive net change in employment, creating 172 457 jobs between 2010 and 2015. The planning districts contributing the most to the increase in employment since 2010 are the Khayelitsha/Mitchells Plain, Tygerberg and Cape Flats planning districts, which are also the highest populated areas in the Metro.

The Southern and Table Bay planning districts had the lowest change in net employment between 2010 and 2015 and contributed the least to employment during 2015. This can be attributed to the fact these two districts consist of the most sparsely populated areas in the Cape Metro and that capital intensive tertiary sector activities dominate the local economy in these planning districts. Capital intensive industries are not able to absorb low or medium skilled employees to a significant degree, thus limiting the employment potential for economic growth in these planning districts.

Employment creation in the Cape Metro continued to grow during 2016 albeit at a significantly lower rate than in 2015, which is in line with the decline in economic growth for this period.

1.4.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the Cape Metro area.

Table 1.6 Cape Metro area employment numbers and growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.5	39 677	- 980	10 769	-144	3 329	2 737	- 963	5 810	170
Agriculture, forestry and fishing	2.5	38 858	-726	10 972	-145	3 297	3 032	- 984	5 772	162
Mining and quarrying	0.1	819	-254	-203	1	32	-295	21	38	8
Secondary Sector	19.4	303 019	-6 754	14 117	1 320	247	4 997	3 329	4 224	2 041
Manufacturing	10.7	167 231	-36 529	-9 026	-2 688	- 5 052	2 189	- 3 904	429	- 1 288
Electricity, gas and water	0.4	5 770	1 800	806	243	223	76	63	201	148
Construction	8.3	130 018	27 975	22 337	3 765	5 076	2 732	7 170	3 594	3 181
Tertiary Sector	78.1	1 220 601	275 647	147 571	24 413	26 276	36 831	29 750	30 301	6 999
Wholesale and retail trade, catering and accommodation	24.5	382 476	89 585	46 657	9 234	10 665	7 991	8 060	10 707	3 001
Transport, storage and communication	6.2	96 415	29 102	14 636	902	4 299	4 719	-671	5 387	- 5 734
Finance, insurance, real estate and business services	19.8	309 114	39 336	21 576	3 929	2 016	5 244	1 408	8 979	3 102
General government	13.0	202 759	55 727	22 941	8 923	3 956	3 288	11 569	- 4 795	4 318
Community, social and personal services	14.7	229 837	61 897	41 761	1 425	5 340	15 589	9 384	10 023	2 312
Total Cape Metro area	100	1 563 297	267 913	172 457	25 589	29 852	44 565	32 116	40 335	9 210

Source: Quantec Research, 2016 (e denotes estimate)

The sectors contributing the most to employment in the Cape Metro area include the wholesale and retail trade, catering and accommodation (24.5 per cent) and the finance, insurance, real estate and business services (19.8 per cent) sectors. These sectors have contributed significantly to creating new employment in the Cape Metro area, with 77.1 per cent of new jobs created between 2010 and 2015 originating from these sectors.

Other sectors which are also employing a large share of the workforce include the community, social and personal services (14.7 per cent), general government (13.0 per cent) and the manufacturing (10.0 per cent) sectors.

Even though the manufacturing sector contributes significantly to the economy in terms of GDP, this sector contributed only 10.7 per cent to employment in 2015 and has continually been shedding jobs over the past decade. This can be attributed to the below average growth of the sector in terms of GDP, but also due to increased mechanisation in the manufacturing sector due to rising labour costs.

Table 1.7 indicates the unemployment rate in each planning district in the Cape Metro.

Table 1.7 Cape Metro area unemployment rates, 2011 - 2016 (%)

	2011	2012	2013	2014	2015	2016e
Tygerberg	14.9	15.4	15.1	15.6	16.2	17.2
Blaauwberg	14.3	14.6	14.0	14.4	14.7	15.5
Northern	9.5	9.6	9.2	9.3	9.4	9.7
Khayelitsha/Mitchells Plain	28.8	29.3	28.6	29.4	30.5	31.8
Helderberg	16.4	16.7	16.0	16.4	17.1	18.0
Cape Flats	20.4	20.9	20.7	21.4	22.2	23.3
Table Bay	12.6	12.9	12.4	12.7	13.3	14.0
Southern	8.1	8.2	7.9	8.1	8.4	8.9
Cape Metro	18.8	19.2	18.8	19.3	20.0	21.0
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2016 (e denotes estimate)

From Table 1.7 it is evident that unemployment in all the planning districts of the Cape Metro has been steadily increasing over the last five years. The Khayelitsha/Mitchells Plain Planning District recorded the highest unemployment rate in the Cape Metro area during the reference period. The growth in employment in this District over the same period indicated an increasing labour force. The increase in the labour force is, therefore, occurring at a faster rate than what the market can absorb. The increasing labour force can be attributed to labour migration as well as new entrants to the labour market.

1.5 International Trade and Informal Enterprises

1.5.1 Location quotient

To determine the level of specialisation within the different economic sectors of the Cape Metro area, a location quotient is used. The location quotient is a ratio between two economies, in this case, the Provincial and Cape Metro economy, which indicate whether the Cape Metro is importing, self-sufficient or exporting goods and services from a particular sector.

Table 1.8 provides the classification and interpretation of the location quotient.

Table 1.8 Location quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the sector. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

It is important to note that a location quotient as a tool, does not take into account external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a certain sector.

Table 1.9 indicates the sectoral location quotation for the Cape Metro area. As the Cape Metro is a large part of the provincial economy, the location quotients in terms of both GDP and employment are high and range between 0.82 and 1.15 for all sectors except for agriculture, forestry and fishing.

Table 1.9 Location quotient in terms of GDP and employment, Cape Metro area, 2015

Sector	In terms of GDP	In terms of employment
Agriculture, forestry and fishing	0.35	0.27
Mining and quarrying	0.86	0.82
Manufacturing	0.98	1.09
Electricity, gas and water	1.05	1.10
Construction	0.95	1.04
Wholesale and retail trade, catering and accommodation	0.98	1.03
Transport, storage and communication	1.04	1.09
Finance, insurance, real estate and business services	1.09	1.15
General government	0.99	1.04
Community, social and personal services	1.04	1.10

Source: Quantec Research, 2017

The location quotient for the Cape Metro area indicates that all the economic sectors are exporting and importing goods and services and that local needs are being met except in the agriculture, forestry and fishing sector and the mining and quarrying sector. These two sectors are mainly importing goods and services from other areas to meet local needs.

The Cape Metro area continues to receive both public and private investment in its services and industrial infrastructure will reinforce its comparative advantage and export capacity in these sectors. Thus, one can reasonably expect these sectors to continue to grow in terms of GDP contribution and job creation.

1.5.2 Agriculture infrastructure

Agricultural infrastructure is an important indicator of the agricultural production capacity of a region and can be used to shed light on the growth prospects of the local agricultural sector. The agriculture sector in the Cape Metro area contributes significantly less to the GDP compared to the contribution of this sector in other districts. The land utilised for agricultural activities in the Cape Metro area is only 10.1 per cent of agricultural land in the Province with the main crops being wheat, lucerne, wine grapes and pastures (WC Department of Agriculture, 2013).

Table 1.10 presents the agricultural infrastructure in the Cape Metro area.

Table 1.10 Cape Metro agriculture infrastructure, 2013

Infrastructure	Count
Abattoir - red meat	1
Abattoir - white meat	5
Agro-processing plant	71
Airfield	11
Chicken batteries	53
Chicken batteries - broilers	0
Chicken batteries - layers	29
Chicken hatchery	0
Cool chain facilities	4
Crush pen	62
Crush pen and dip tank	3
Dairy	24
Dam	1 154
Feedlot - beef	5
Feedlot - pigs	0
Feedlot - sheep	2
Fruit cool chain facilities	0
Fruit packers	1
Grain dam - commercial	1
Homestead	1 184
Homestead - labour	362
Nursery	18
Other	0
Packhouse	2
Piggery	6
Shade netting	99
Silo bags - commercial	0
Silo bags - non-commercial	0
Silos - commercial	2
Silos - non-commercial	1
Tunnels	92

Source: WC Department of Agriculture, Western Cape AgriStats, 2013

The majority of infrastructure is geared towards the production of broiler meat, dairy and livestock (such as cattle and sheep). Agro-processing is also an important activity in the Cape Metro as reflected by the 71 agro-processing plants located in the Metro. The variety of processing taking place and the lack of agricultural activities (compared to other areas in the Province) means that the Cape Metro area imports a significant amount of raw material, highlighting the importance of local and national transport routes.

1.5.3 Manufacturing subsectors

Table 1.11 below reflects the subsector contribution to the manufacturing sector of the Cape Metro area for 2015.

Table 1.11 Cape Metro manufacturing subsector GDPR contributions per planning district, 2015 (%)

Subsector	Cape Metro area				Khayelitsha/ Mitchells Plain		Helderberg	Cape Flats	Table Bay	Southern
	Tygerberg	Blaauwberg	Northern							
Food, beverages and tobacco	27.5	25.8	24.4	34.0	28.8	34.5	26.7	22.9	23.0	
Textiles, clothing and leather goods	4.3	5.7	3.6	2.2	5.2	2.1	5.2	4.9	3.4	
Wood, paper, publishing and printing	12.8	13.1	12.3	10.0	12.8	9.9	13.3	17.6	14.4	
Petroleum products, chemicals, rubber and plastic	21.1	20.5	25.3	21.0	17.0	20.2	21.3	22.2	24.7	
Other non-metal mineral products	2.6	2.7	2.4	3.3	3.1	2.8	2.2	1.6	2.4	
Metals, metal products, machinery and equipment	13.5	14.4	13.5	13.6	15.0	13.3	11.9	12.2	12.5	
Electrical machinery and apparatus	1.4	1.2	2.1	1.2	1.4	0.9	1.7	1.0	1.5	
Radio, TV, instruments, watches and clocks	1.6	1.3	2.0	1.6	1.1	1.4	1.6	2.2	3.1	
Transport equipment	6.0	5.7	8.1	6.2	5.2	5.6	6.4	5.5	5.8	
Furniture and other manufacturing	9.0	9.6	6.3	6.8	10.4	9.3	9.7	9.8	9.3	

Source: Quantec Research, 2017

The Cape Metro area has a diverse range of manufacturing activities that contribute to the GDPR and employment of the sector. The manufacturing subsectors that contributed the most to the GDPR of the Cape Metro during 2015 were:

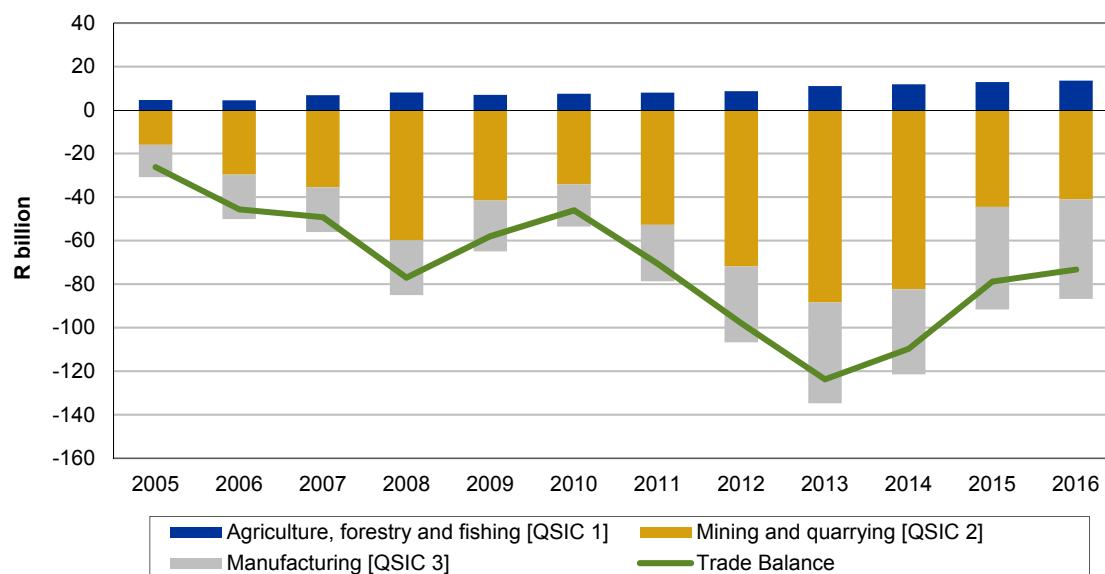
- Food, beverages and tobacco (27.5 per cent)
- Petroleum products, chemicals, rubber and plastics (21.1 per cent)
- Metals, metal products, machinery and equipment (13.5 per cent)
- Wood, paper, publishing and printing (12.8 per cent)

The food, beverages and tobacco subsector contributed more than a third towards the GDPR of the manufacturing sector in both the Northern (34.0 per cent) and Helderberg (34.5 per cent) planning districts and accounted for over 20.0 per cent of the GDPR of all other planning districts in the Metro. The petroleum products, chemicals, rubber and plastics sector contributed slightly over a quarter of the Blaauwberg (25.3 per cent) manufacturing sector's GDPR while contributing over 20.0 per cent of the GDPR of the other planning districts.

1.5.4 International trade

Of the total exports during 2016, 56.7 per cent included manufactured products, 23.6 per cent agriculture, forestry and fishing products and 19.7 per cent mining and quarrying products. Of the total imports, 59.5 per cent included manufacturing products, 3.4 per cent agriculture, forestry and fishing products, and 37.2 per cent mining and quarrying products.

Figure 1.3 Cape Metro area trade balance, 2006 - 2016



Source: Quantec Research, 2017 (e denotes estimate)

According to Figure 1.3, the only sector in which the Cape Metro has a positive trade balance is the agriculture, forestry and fishing sector. Overall, the Cape Metro experienced a negative trade balance during the period of 2006 to 2016. It is therefore evident that the Cape Metro is a net importer of most goods. Imports therefore significantly exceeded exports during this time. The negative trade balance has been steadily declining since 2013, indicating increased exports from the Cape Metro area. This may be attributed to the depreciation of the South African rand compared to other major currencies such as the US dollar and European euro making South African exports more attractive as prices are significantly lower for foreign buyers.

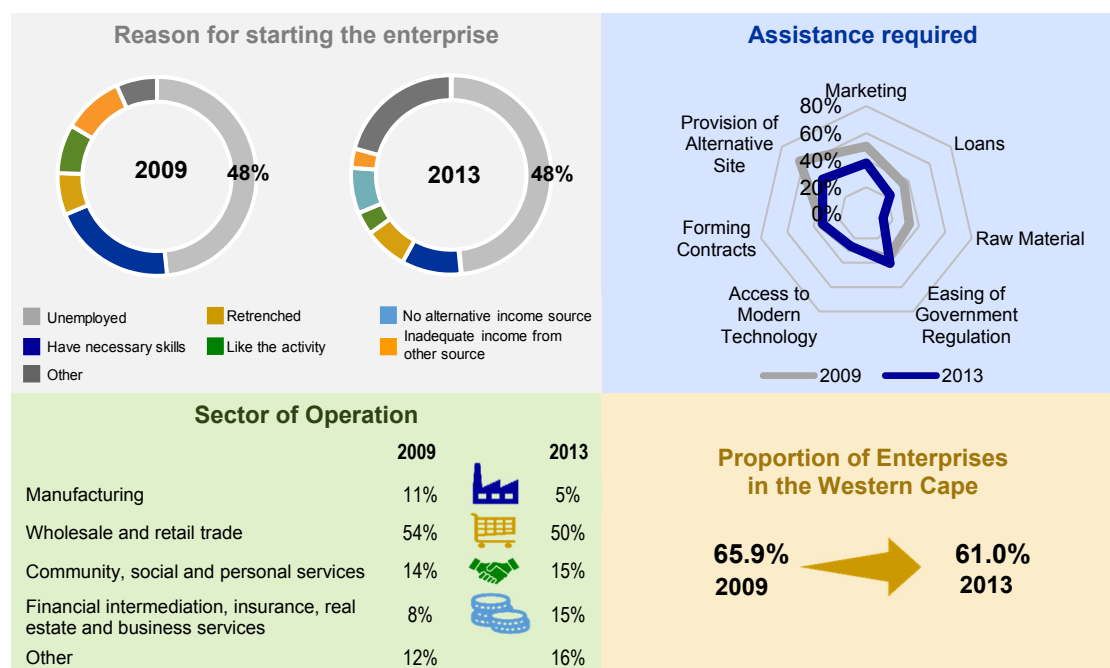
1.5.5 Informal enterprises

The Cape Metro area has the most SMMEs as per the Stats SA survey, with 61.0 per cent of SMMEs surveyed in the Province located in this area. The majority of informal enterprises in both survey years operated in the wholesale and retail trade sector. In 2013, there were less informal traders in the manufacturing sector, but an increase in informal traders in the financial intermediation, insurance, real estate and business services sector, compared to 2009.

Between the two survey years, there have been significant changes in the assistance needed by informal traders. On average, less than 50.0 per cent of the informal traders surveyed in 2009 and 2013 indicated that they need assistance. The main categories

where assistance was necessary, included marketing, an alternative site in 2009, easing of government regulation and an alternative site in 2013.

Diagram 1.1 Informal Enterprises Overview, Cape Metro area



Source: Adapted from Stats SA, 2009 & 2013

The main reason for starting a new business in both survey years was due to unemployment. The proportion of people who stated unemployment as their main reason was at 48 per cent for both survey years. In both survey years the majority operated in the wholesale and retail trade, this proportion however shrunk from 54 per cent in 2009 to 50 per cent in 2013. This is due to the fact that businesses also increased their operations in other sector, notably the financial intermediation, insurance, real estate and business services sector, which grew from an 8 per cent in 2009 to a 15 per cent in 2013. This is indicative of an upskilled workforce in which there is an economic move towards tertiary sector activities and a deemphasise on secondary and primary economic activities.

Currently it is estimated that there is approximately 160 000 SMMEs in the Cape Metro. This evident clustering of SMMEs in the Cape Metro, this can be attributed to the relative strength of the Metro's local economy as well as the distance to markets for small to medium enterprises. Despite the opportunities presented of doing business in a large metro like the Cape Metro, SMMEs face significant challenges. Some of the most important challenges include the fact that SMMEs have limited access to funding, shortage of skills and/or an appropriately trained workforce inhibits short term growth prospects and a high level of crime in their areas of operation. These challenges increase the cost of doing business in both monetary and economic terms as more time and money needs to be spent on security, training and marketing, this is especially challenging considering the lack of access to funding⁴.

⁴ City of Cape Town MERO 2017 Survey response

1.6 Concluding remarks

The Cape Metro area is economic hub of the Province, and contributed 72.0 per cent to the provincial GDP in 2015. The Cape Metro area serves as an exporting hub for goods and services destined for the international markets. The Cape Metro has the highest population in the Province as well as significantly higher in-migration numbers than other urban centres.

The Cape Metro economy is dominated by tertiary sectors as well as the manufacturing industry. Employment trends in the Cape Metro area correlate with the economically performing sectors as these have also recorded the highest employment growth during the 2005 - 2015 periods. There is also no significant difference in the local economies of the various planning districts in the Cape Metro. The local economy of each planning district reflects the trends in the wider Cape Metro area.

GDP growth is expected to decline to the lowest level since the 2009 recession; this decline in economic growth in the main sectors are the economic responses to declining business confidence and the downgrading of South Africa as an investment destination, rising inflation and political instability. Economic growth is expected to increase slightly in 2018, with no further contractions in any of the sectors. However, the tertiary sectors will still be under pressure.

2

Sectoral growth, employment and skills per planning district

2.1 Introduction

This chapter provides a macroeconomic outlook for each of the planning districts within the Cape Metro area and an overview of trends between 2005 and 2015 with an estimate for 2016. Employment is also considered in this section; as well as skills levels and building plans passed and completed.

It should be noted that the GDP of an area is estimated based on employment and remuneration of workers who reside in the particular District. Since all planning districts are interlinked, workers within the Cape Metro area often commute daily between the planning districts resulting in GDP data for certain areas appearing skewed.

2.2 Tygerberg Planning District

The largest proportion of the population in the Cape Metro area reside within the Tygerberg Planning District, which is in line with the GDP contribution and employment contributions from this District. Tygerberg contains a number of economic activity nodes and the largest number of industrial properties when compared to other planning districts in the Cape Metro area. These include the Epping Industrial (west of N7), Airport Industria, Sacks Circle, Bellville, Parow, Stikland and Elsie's River industrial areas. Another notable area of economic activity includes the Voortrekker Corridor which is earmarked by the City of Cape Town for regeneration and continued mixed-use development. One can therefore expect secondary sector industries such as manufacturing to dominate this Planning District.

2.2.1 GDP performance

The Tygerberg Planning District is the biggest contributor to GDP in the Cape Metro area at 17.8 per cent. This Planning District also recorded the lowest GDP growth rate of all other planning districts in the Cape Metro between 2010 and 2015. Table 2.1 indicates the Tygerberg Planning District's GDP performance per sector.

Table 2.1 Tygerberg Planning District GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.3	813.2	3.0	3.9	4.4	3.0	4.8	7.1	0.3	-4.1
Agriculture, forestry and fishing	1.1	693.1	3.7	4.1	4.7	3.3	5.2	7.2	0.2	-3.7
Mining and quarrying	0.2	120.2	-0.2	2.9	2.5	1.2	3.0	6.7	0.9	-6.2
Secondary Sector	25.1	15 959.2	1.6	0.9	2.4	1.6	1.3	-0.3	-0.2	-0.3
Manufacturing	17.4	11 044.4	1.3	0.7	2.6	1.4	1.0	-0.6	-0.6	0.3
Electricity, gas and water	3.0	1 886.8	-1.1	-0.8	1.4	-0.6	-1.3	-1.5	-2.3	-5.4
Construction	4.8	3 028.0	5.3	3.2	1.8	3.9	5.0	2.1	3.2	-0.5
Tertiary Sector	73.6	46 728.0	2.7	2.2	3.8	2.4	2.1	1.5	1.3	0.5
Wholesale and retail trade, catering and accommodation	16.8	10 688.4	2.3	2.4	4.0	3.5	1.9	1.3	1.2	1.0
Transport, storage and communication	13.9	8 843.1	2.2	1.7	2.8	1.3	1.8	2.5	0.1	-0.1
Finance, insurance, real estate and business services	24.2	15 384.1	3.0	2.0	3.8	2.1	1.3	0.6	2.3	0.6
General government	12.5	3 899.7	3.5	3.4	5.7	3.2	4.3	2.8	0.7	1.2
Community, social and personal services	6.1	7 912.7	1.7	1.5	2.2	1.5	2.4	0.9	0.6	-0.7
Total Tygerberg Planning District	100.0	63 500.4	2.4	1.9	3.5	2.2	1.9	1.1	0.9	0.3

Source: Quantec Research, 2017 (e denotes estimate)

The finance, insurance, real estate and business services sector is the biggest contributor to the GDP of this Planning District, contributing R15.4 billion to the economy in 2015. This sector has shown resilient growth between the period 2010 to 2015 (albeit lower than the 10-year average) and is estimated to have grown at a rate of 0.6 per cent in 2016 and is the highest growing sector in that year. The other main contributing sectors in the Tygerberg Planning District are the manufacturing and the wholesale and retail trade, catering and accommodation sectors. These sectors contribute approximately 17.4 per cent and 16.8 per cent respectively to the GDP of the Planning District.

Between 2010 and 2015, the economy of the Tygerberg Planning District grew at an average annual rate of 1.9 per cent, which is lower than the 10-year average annual growth rate, indicating that the economy has not fully recovered after the recession period before growth declined to a new low of 0.3 per cent in 2016. The tertiary sector is the main driver of economic growth in the planning districts, with the wholesale and retail, catering and accommodation sector, the general government sector and the

finance, insurance, real estate and business services sector growing at above average rates over the last five years.

The construction sector is not a major contributor in terms of GDP compared to other sectors. This sector has however grown at an average annual rate of 3.2 per cent between 2010 and 2015. The construction sector was one of the highest growing sectors in 2013, achieving a growth rate of 5.0 per cent due to the construction of high value residential units and industrial spaces in the area.

2.2.2 Employment profile

Table 2.2 indicates the trend in employment growth within each economic sector in the Tygerberg Planning District.

Table 2.2 Tygerberg Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.9	5 432	144	1 524	19	506	412	- 98	685	38
Agriculture, forestry and fishing	1.9	5 297	185	1 557	19	499	461	- 101	679	36
Mining and quarrying	0.0	135	-41	- 33	-	7	-49	3	6	2
Secondary Sector	20.8	58 831	- 4 864	1 072	- 158	- 419	853	50	746	170
Manufacturing	13.8	39 046	- 9 801	-2 637	- 738	- 1 286	360	-997	24	- 439
Electricity, gas and water	0.4	1 004	300	127	40	40	13	6	28	25
Construction	6.6	18 781	4 637	3 582	540	827	480	1 041	694	584
Tertiary Sector	77.3	218 236	42 793	23 082	3 936	4 271	6 041	4 651	4 183	838
Wholesale and retail trade, catering and accommodation	25.2	71 079	16 196	8 332	1 610	1 966	1 446	1 424	1 886	582
Transport, storage and communication	6.8	19 341	4 905	2 450	96	797	906	- 229	880	- 943
Finance, insurance, real estate and business services	18.7	52 901	3 108	2 180	432	145	645	- 130	1 088	284
General government	13.8	38 922	9 841	3 893	1 637	662	520	2 107	- 1 033	734
Community, social and personal services	12.7	35 993	8 743	6 227	161	701	2 524	1 479	1 362	181
Total Tygerberg Planning District	100.0	282 499	38 073	25 678	3 797	4 358	7 306	4 603	5 614	1 046

Source: Quantec Research, 2017 (e denotes estimate)

The main contributors to employment in the Tygerberg Planning District in 2015 are the wholesale and retail trade, catering and accommodation sector, employing 25.2 per cent of workers, and the finance, insurance, real estate and business services sector, employing 18.7 per cent of workers. Other sectors employing a large proportion of workers include the manufacturing (13.8 per cent), the general government (13.8 per cent) and community, social and personal services (12.7 per cent) sectors.

Several sectors in the Tygerberg Planning District shed a significant number of jobs during the recession. The Planning District has managed to create more jobs than what was lost in 2009, with the wholesale and retail trade, catering and accommodation, the community, social and personal services and the general government sectors creating the most jobs from 2010 and 2015.

Even though the manufacturing sector is a leading contributing sector to the GDP of the Planning District, this sector has shed a significant amount of jobs in the last 10 years, which can be attributed to sluggish growth in the sector as well as the increased use of mechanisation in manufacturing activities.

2.2.3 Skills level

The skills level of the workforce can be a useful indicator of the prospects of economic activity in an area as this illustrates the ability of the workforce to be matched to the available job opportunities, thereby increasing the economic outlook of the area. It should be noted that only formal employment numbers can be used to determine the skills level in the area.

Table 2.3 indicates the skills levels of the Tygerberg Planning District.

Table 2.3 Tygerberg Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	30.2	0.4	65 709
Semi-skilled	51.8	0.1	112 752
Low-skilled	18.0	-0.3	39 042
Total Tygerberg Planning District	100	0.1	217 503

Source: Quantec Research, 2017

The majority of the formally employed workforce in the Tygerberg Planning District are semi-skilled. These workers are typically employed in the secondary and tertiary sectors, which contribute the most to employment. Low-skilled workers comprise the lowest proportion of the workforce and have recorded a decrease during the 2005 to 2015 period. Furthermore, the number of skilled workers recorded the highest average growth between 2005 to 2015 at 0.4 per cent. This indicates the increasing positive prospects for services sector industries in which skilled workers are required.

Overall, formal employment within the Tygerberg Planning District has increased at an average annual rate of 0.1 per cent over the last decade mainly because of the increase of skilled workers.

2.3 Blaauwberg Planning District

The Blaauwberg Planning District consists of some of the best-developed areas in the Cape Metro as well as some of the least developed and economically challenged areas in the Cape Metro area. This Planning District is also the least populated in the Cape Metro area. Parts of the Planning District have large industrial and commercial nodes and therefore attract significant economic activities. To address this imbalance, the MyCiTi bus network has been extended to the Atlantis area from the CBD to promote access to the service nodes in the CBD as per the Planning District's Spatial Planning Framework.

2.3.1 GDPR performance

In the Blaauwberg Planning District, the primary sector accounts for 1.5 per cent of the District's GDPR, while the secondary and tertiary sectors contribute 30.6 per cent and 67.9 per cent respectively. The Blaauwberg Planning District is one of the smallest contributors to the GDPR of the Cape Metro. However, this Planning District had the highest GDPR growth during the period of 2005 to 2015. Table 2.4 indicates the Blaauwberg Planning District's GDPR performance per sector.

Table 2.4 Blaauwberg Planning District GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.5	465.7	3.8	4.8	4.6	5.6	5.2	8.0	0.6	-4.7
Agriculture, forestry and fishing	1.2	380.1	4.7	5.1	4.9	6.4	5.4	8.1	0.4	-4.6
Mining and quarrying	0.3	85.6	0.6	3.7	3.4	2.0	3.9	7.4	1.7	-5.5
Secondary Sector	30.6	9 833.5	2.7	2.3	4.9	3.1	1.9	0.7	0.9	0.7
Manufacturing	18.1	5 798.3	3.2	2.7	6.1	4.1	1.9	0.5	0.9	2.3
Electricity, gas and water	8.1	2 587.5	-0.5	-0.3	2.1	-0.3	-1.0	-1.0	-1.3	-5.6
Construction	4.5	1 447.7	7.1	4.8	3.7	4.0	6.9	4.6	4.6	1.5
Tertiary Sector	67.9	21 816.6	4.9	4.4	5.8	4.7	4.2	3.7	3.4	2.8
Wholesale and retail trade, catering and accommodation	18.0	5 779.7	4.5	4.4	6.2	5.8	4.1	3.2	2.8	2.7
Transport, storage and communication	10.5	3 364.1	5.0	4.2	5.5	3.9	4.2	4.8	2.6	2.4
Finance, insurance, real estate and business services	26.3	8 432.0	5.2	4.4	5.9	4.4	4.1	3.3	4.4	3.0
General government	8.0	2 554.2	5.7	5.5	8.0	5.3	6.4	4.9	2.6	3.1
Community, social and personal services	5.3	1 686.6	3.3	2.7	2.0	3.7	2.5	3.8	1.4	1.5
Total Blaauwberg Planning District	100	32 115.8	4.2	3.8	5.5	4.3	3.6	2.9	2.6	2.1

Source: Quantec Research, 2017 (e denotes estimate)

The Blaauwberg Planning District local economy structure reflects that of the Cape Metro. The sectors contributing the most to the District's GDP are the finance, insurance, real estate and business services (26.3 per cent); the wholesale and retail trade, catering and accommodation (18.0 per cent) and the manufacturing sector (18.1 per cent).

The electricity, gas and water contributes more to the economy of this Planning District (8.1 per cent), in comparison to this sector's contribution in other planning districts, mainly due to the Koeberg Power Station (near Melkbosstrand) and the Ankerlig Power Station in Atlantis. Higher than expected input costs, especially at the Ankerlig Power Station, and the inability of this sector to meet demand on a national scale, have contributed to the contraction in this sector over the last decade.

The five-year average annual growth rate is slightly less than the 10-year average annual growth rate, indicating that the local economy in the Planning District recovered marginally after the recession. Tertiary sector activities drive the economy of this Planning District due to their significant contribution to the economy and above average growth rates between 2010 and 2015.

In 2016, the agriculture, forestry and fishing sector contracted by 4.6 per cent; mining and quarrying by 5.5 per cent while the electricity, gas and water sector contracted 5.6 per cent in 2016. In line with the overall trend, the sectors with the highest GDP growth in 2016 were the general government (3.1 per cent) and the finance, insurance, real estate and business services (3.0 per cent) sectors.

The GDP growth in the manufacturing sector for this Planning District is volatile, with meagre growth rates in 2014 and 2015, before growth increased to 2.3 per cent in 2016. The manufacturing of petroleum products, chemicals and rubber products as well as food processing are the main manufacturing activities in the Planning District.

2.3.2 Employment profile

Table 2.5 indicates the trend in employment growth within each economic sector in the Blaauwberg Planning District.

Table 2.5 Blaauwberg Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.4	2 712	- 3	769	- 8	212	166	-64	463	23
Agriculture, forestry and fishing	2.3	2 636	18	787	- 9	210	193	-67	460	22
Mining and quarrying	0.1	76	-21	- 18	1	2	-27	3	3	1
Secondary Sector	22.3	25 166	1 894	2 147	315	205	678	371	578	424
Manufacturing	14.4	16 179	-1 303	22	- 61	- 272	369	-198	184	51
Electricity, gas and water	1.0	1 161	426	171	54	56	27	8	26	37
Construction	6.9	7 826	2 771	1 954	322	421	282	561	368	336
Tertiary Sector	75.2	84 743	29 320	15 748	2 680	2 915	3 564	3 111	3 478	1 498
Wholesale and retail trade, catering and accommodation	26.4	29 760	11 193	5 839	1 148	1 254	1 052	1 060	1 325	750
Transport, storage and communication	6.5	7 268	3 296	1 757	186	432	483	105	551	- 518
Finance, insurance, real estate and business services	19.9	22 427	5 377	2 870	499	395	616	417	943	611
General government	10.0	11 262	4 343	2 022	609	362	343	809	- 101	379
Community, social and personal services	12.5	14 026	5 111	3 260	238	472	1 070	720	760	276
Total Blaauwberg Planning District	100	112 621	31 211	18 664	2 987	3 332	4 408	3 418	4 519	1 945

Source: Quantec Research, 2017 (e denotes estimate)

The majority of workers in the Blaauwberg Planning District are employed in the wholesale and retail trade, catering and accommodation; finance, insurance, real estate and business services and the manufacturing sectors. Overall, these sectors collectively accounted for 60.7 per cent of the employment in the Blaauwberg Planning District.

Job creation in the Planning District over the past five years has surpassed the number of jobs that were lost during the recession period. The sectors contributing the most to the increase of 18 664 jobs in the Planning District between 2010 and 2015 were the wholesale and retail trade, catering and accommodation sector which created 5 839 jobs, the community, social and personal services sector (3 260 jobs) and the finance, insurance, real estate and business services sector (2 870 jobs).

Even though the manufacturing sector is a major employer in the Planning District, employment in this sector has declined over the last decade (shedding 1 303 jobs), with only 22 new jobs created between 2010 and 2015.

2.3.3 Skills level

Table 2.6 indicates the skills levels of the Blaauwberg Planning District. Formal employment has been increasing at an average annual rate of 1.8 per cent in the District.

Table 2.6 Blaauwberg Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	33.8	1.9	28 786
Semi-skilled	47.7	2.0	40 660
Low-skilled	18.5	1.2	15 746
Total Blaauwberg Planning District	100	1.8	85 192

Source: Quantec Research, 2017

In the Blaauwberg Planning District, approximately a third of the workforce is skilled, while the majority (47.7 per cent) are semi-skilled. The number of both the semi-skilled and skilled employees experienced an above average growth during the 2005 to 2015 period compared to the number of low-skilled employees which recorded lower than average growth during the same period. The increases in skilled and semi-skilled workers are in line with significant increases in tertiary sector jobs. The wholesale and retail trade, catering and accommodation sector and the community, social and personal services sector typically absorb semi-skilled labour, while the finance, insurance, real estate and business services sector and the government services sector absorb skilled labour.

2.4 Northern Planning District

The Northern Planning District consists of large tracts of farming activity and agriculture land and important business and service nodes such as Durbanville and Tygervalley business centres. Additionally, the suburbs within this Planning District are mostly middle income and affluent households, which has implications for disposable income and its impact on economic sectors such as the wholesale and retail trade, catering and accommodation.

2.4.1 GDP performance

The tertiary sector contributed 75.7 per cent to the Planning District's GDP in 2015. This is slightly above the average sectoral contribution for the Cape Metro and is mostly attributed to the prevalence of growing service nodes within the District. The significant share of the finance, insurance, real estate and business services sector is mainly due to the large business Tygervalley mixed-use node and the Durbanville CBD. These nodes are important business and service centres (in both retail and business services) supporting a large number of households and businesses in the area.

Table 2.7 indicates the Northern Planning District's GDPR performance per sector.

Table 2.7 Northern Planning District GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.6	873.0	3.1	3.4	2.1	2.9	4.1	8.7	-0.8	-6.9
Agriculture, forestry and fishing	1.4	766.4	3.8	3.5	2.1	3.2	4.3	9.0	-1.0	-7.0
Mining and quarrying	0.2	106.6	-1.2	2.6	2.3	1.0	2.8	6.4	0.7	-6.4
Secondary Sector	22.6	12 020.2	2.5	2.0	4.5	2.3	1.6	0.7	0.7	1.2
Manufacturing	13.8	7 348.3	2.3	1.9	4.7	3.0	1.2	0.2	0.5	2.1
Electricity, gas and water	3.6	1 915.7	-0.7	-0.5	1.9	-0.4	-1.1	-1.2	-1.6	-5.7
Construction	5.2	2 756.2	6.5	3.8	5.7	1.2	5.0	4.0	3.1	2.1
Tertiary Sector	75.7	40 241.6	3.7	3.2	5.2	3.3	3.1	2.3	2.4	1.4
Wholesale and retail trade, catering and accommodation	15.7	8 365.5	3.4	3.5	5.2	4.8	3.1	2.4	2.0	1.9
Transport, storage and communication	11.8	6 276.2	3.0	2.7	3.7	2.2	2.7	3.6	1.3	0.6
Finance, insurance, real estate and business services	31.9	16 965.1	4.0	3.2	5.6	3.1	2.6	1.7	3.2	1.6
General government	10.6	5 628.4	4.2	4.0	6.5	3.9	4.9	3.3	1.3	1.7
Community, social and personal services	5.7	3 005.3	2.8	2.5	3.1	2.6	3.5	2.0	1.6	0.3
Total Northern Planning District	100	53 133.8	3.4	3.0	5.0	3.1	2.8	2.1	2.0	1.2

Source: Quantec Research, 2017 (e denotes estimate)

The economy of the Northern Planning District is dominated by the finance, insurance, real estate and business services sector (31.9 per cent). Other main contributing sectors include the wholesale and retail trade, catering and accommodation (15.7 per cent) and the manufacturing (13.8 per cent) sectors.

Economic growth in the Northern Planning District is largely dependent on the GDPR growth of the tertiary sectors. Between 2010 and 2015, the sectors achieving above average growth were the general government; finance, insurance, real estate and business services as well as the wholesale and retail trade, catering and accommodation sectors.

All sectors experienced a general decline in growth in 2016, except the general government sector and the manufacturing sector, which grew at 1.7 per cent and 2.1 per cent respectively. The agriculture, forestry and fishing sector as well as the mining and quarrying sector and the electricity, gas and water sector contracted in 2016.

2.4.2 Employment profile

Table 2.8 indicates the trend in employment growth within each economic sector in the Northern Planning District.

Table 2.8 Northern Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	3.8	6 220	-686	1 624	-114	382	306	-237	1 287	5
Agriculture, forestry and fishing	3.8	6 116	-646	1 654	-113	379	345	-240	1 283	5
Mining and quarrying	0.1	104	-40	-30	-1	3	-39	3	4	0
Secondary Sector	17.4	28 317	2 527	2 331	504	369	664	409	385	585
Manufacturing	9.5	15 414	-780	191	-37	-189	422	-154	149	123
Electricity, gas and water	0.6	898	314	125	41	42	17	8	17	28
Construction	7.4	12 005	2 993	2 015	500	516	225	555	219	434
Tertiary Sector	78.8	128 187	30 478	16 849	2 867	3 260	4 045	3 459	3 218	2 417
Wholesale and retail trade, catering and accommodation	23.2	37 705	10 831	5 640	1 103	1 266	1 011	970	1 290	746
Transport, storage and communication	6.3	10 196	3 023	1 570	118	482	529	-2	443	-361
Finance, insurance, real estate and business services	23.0	37 448	4 244	2 935	402	497	685	307	1 044	1 087
General government	13.7	22 287	6 589	2 755	1 049	498	403	1 289	-484	546
Community, social and personal services	12.6	20 551	5 791	3 949	195	517	1 417	895	925	399
Total Northern Planning District	100	162 724	32 319	20 804	3 257	4 011	5 015	3 631	4 890	3 007

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector collectively created 46.2 per cent of the total jobs in 2015 in the Northern Planning District. The general government sector as well as the community, social and personal services sector also contributed significantly to employment.

Overall, job creation between 2010 and 2015 was greater than the number of jobs that were lost during the recession period. In 2015, the majority of employment opportunities in the Northern Planning District were generated in the tertiary sector, namely the wholesale and retail trade, catering and accommodation (1 290 jobs); finance insurance, real estate and business services (1 044 jobs) and the agriculture, forestry and fishing sector (1 283 jobs). This trend is aligned with the GDP contribution and growth of these sectors as they are the biggest contributors to the GDP of the Northern Planning District (excluding the agriculture, forestry and fishing sector).

2.4.3 Skills level

Formal employment in the Northern Planning District has increased at an average annual rate of 1.1 per cent per annum over the last decade. Table 2.9 indicates the skills levels of formally employed workers in the Northern Planning District.

Table 2.9 Northern Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	40.7	0.9	53 151
Semi-skilled	42.8	1.4	55 895
Low-skilled	16.6	0.5	21 638
Total Northern Planning District	100	1.1	130 684

Source: Quantec Research, 2017

In the Northern Planning District, 42.8 per cent of workers are semi-skilled, while 40.7 per cent of workers are skilled, with only 16.6 per cent of workers being low-skilled.

The skills profile of the workforce is to a large extent reflective of the employment and economic growth patterns in the Northern Planning District. The economically dominating tertiary sector and the manufacturing sector demand the highest proportion of jobs in this Planning District. Strong growth in the manufacturing sector increased the demand for semi-skilled and skilled workers in the long run. Similarly, the tertiary sector activities – such as the finance, insurance, real estate and business services sector, which has also recorded significant GDP growth during the 2005 to 2015 period and significantly contributes to employment in the Planning District – are an important driver of the demand for skilled jobs. Semi-skilled jobs have grown higher than average for the 2005 to 2015 period, which is reflective of the employment trends in the secondary sector for the same period.

2.5 Khayelitsha/Mitchells Plain Planning District

The Khayelitsha/Mitchells Plain Planning District contains largely low-income households with the two core service centres being the Mitchells Plain town centre and the Khayelitsha business node, which is relatively small, compared to other business and retail centres in the Cape Metro area. There are growing nodes of industrial activity in Lansdowne Road in Mitchells Plain, Blackheath and Eerste River Industrial areas.

The Khayelitsha and Mitchells Plain planning districts has the largest population within the Cape Metro area with nearly 20.0 per cent of the people in the Cape Metro area residing within this Planning District.

2.5.1 GDP performance

Even though low-income households predominantly inhabit the Khayelitsha Planning District, the District contributed 15.9 per cent to the Cape Metro's GDP in 2015. This District makes the second largest contribution to the Cape Metro's GDP, following the Tygerberg Planning District, due to the larger number of households residing in this

District. The tertiary sector contributes 71.8 per cent to the District's GDP which is below the average for the Cape Metro. The secondary sector contributes 26.8 per cent to the Khayelitsha Planning District's GDP, which is also reflective of the employment dynamics of the District as the secondary sector contributes a higher than average number of job opportunities to the overall employment. There are minimal primary sector activities, as this sector only contributes 1.5 per cent to the GDP of the District. This is also reflective of the employment dynamics as this sector contributes the least to the overall job opportunities in the District.

Table 2.10 indicates the Khayelitsha/Mitchells Plain Planning District's GDP performance per sector.

Table 2.10 Khayelitsha/Mitchells Plain Planning District GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.5	826.0	3.4	4.1	4.6	3.1	5.0	7.4	0.4	-3.8
Agriculture, forestry and fishing	1.3	749.2	3.6	4.1	4.6	3.1	5.1	7.3	0.2	-3.7
Mining and quarrying	0.1	76.8	1.7	4.5	4.5	2.7	4.6	8.7	2.1	-4.7
Secondary Sector	26.8	15 151.1	1.9	1.1	1.6	1.4	1.8	0.6	0.0	-0.2
Manufacturing	15.8	8 974.9	1.3	0.8	2.1	1.1	1.2	-0.2	-0.3	0.3
Electricity, gas and water	2.9	1 621.2	0.1	0.3	2.7	0.9	0.0	-0.5	-1.7	-3.8
Construction	8.0	4 555.1	4.8	2.1	-0.1	2.3	4.1	3.0	1.4	-0.2
Tertiary Sector	71.8	40 652.7	3.6	3.2	4.3	3.5	3.3	2.8	2.1	1.7
Wholesale and retail trade, catering and accommodation	17.8	10 077.1	2.8	2.7	4.3	3.9	2.3	1.6	1.5	1.4
Transport, storage and communication	14.4	8 176.5	1.9	1.8	3.1	1.8	2.1	2.6	-0.6	-0.6
Finance, insurance, real estate and business services	18.7	10 570.2	5.2	4.0	3.9	4.3	3.6	3.5	4.5	3.4
General government	13.4	7 614.6	4.4	4.3	6.7	4.1	5.4	3.8	1.6	2.2
Community, social and personal services	7.4	4 214.4	2.7	2.5	3.8	2.4	3.2	1.8	1.6	0.5
Total Khayelitsha/Mitchells Plain Planning District	100	56 629.9	3.1	2.6	3.6	2.9	2.9	2.3	1.5	1.2

Source: Quantec Research, 2017 (e denotes estimate)

The two most important economic sectors within the Khayelitsha/Mitchells Plain Planning District include the finance, insurance, real estate and business services and the wholesale and retail trade, catering and accommodation sectors. The manufacturing; transport, storage and communication and the general government sectors also collectively contribute 43.6 per cent to the local economy.

The tertiary sectors in this Planning District are the primary drivers of economic growth, with the general government; finance, insurance and business services and the wholesale and retail trade, catering and accommodation sectors achieving above average annual growth rates between 2005 and 2015. Overall, comparing the average annual five-year growth rate with the average annual 10-year growth rate, this Planning District has not fully recovered from the recession.

2.5.2 Employment profile

Table 2.11 indicates the trend in employment growth within each economic sector in the Khayelitsha/Mitchells Plain Planning District.

Table 2.11 Khayelitsha/Mitchells Plain Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.2	8 673	-53	2 383	-3	783	663	-182	1122	39
Agriculture, forestry and fishing	2.2	8 533	-21	2 412	-4	777	712	-187	1 114	38
Mining and quarrying	0.0	140	-32	-29	1	6	-49	5	8	1
Secondary Sector	20.9	82 731	-2 441	4 160	363	-33	1 337	1 289	1 204	228
Manufacturing	10.0	39 668	-10 511	-2 734	-771	-1 482	530	-1 111	100	-583
Electricity, gas and water	0.3	1 219	370	188	50	41	14	23	60	31
Construction	10.6	41 844	7 700	6 706	1 084	1 408	793	2 377	1 044	780
Tertiary Sector	76.9	303 555	83 429	43 381	7 504	7 460	10 584	8 376	9 457	521
Wholesale and retail trade, catering and accommodation	24.3	95 793	22 839	11 949	2 394	2 680	2 017	2 154	2 704	73
Transport, storage and communication	6.2	24 472	8 020	3 863	239	1 103	1 182	-323	1 662	-1 020
Finance, insurance, real estate and business services	17.6	69 544	16 983	7 789	1 998	711	1 816	627	2 637	-558
General government	12.2	48 370	14 939	6 507	2 229	1 112	1 025	3 053	-912	1 162
Community, social and personal services	16.6	65 376	20 648	13 273	644	1 854	4 544	2 865	3 366	864
Total Khayelitsha/Mitchells Plain Planning District	100	394 959	80 935	49 924	7 864	8 210	12 584	9 483	11 783	788

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation sector contributed the most to employment within the Khayelitsha/Mitchells Plain Planning District, with a 24.3 per cent share of employment. The finance, insurance, real estate and business services (17.6 per cent) and the community, social and personal services (16.6 per cent) sectors also contributed significantly to employment.

During the 2009 recession, all sectors shed jobs except for the general government and the community, social and personal services sectors. Most sectors have recovered in terms of job creation since the recession, except for the manufacturing sector which

shed 2 734 jobs from 2010 to 2015. In 2016, a number of sectors shed jobs in response to the decreasing economy, including the manufacturing (583 jobs), the transport, storage and communication (1 020 jobs) and the finance, insurance, real estate and business services (558 jobs) sectors. Notably, the general government and the community, social and personal services sectors are expected to be the biggest job creators during 2016.

2.5.3 Skills level

Table 2.12 indicates the skills levels of formally employed workers in the Khayelitsha/Mitchells Plain Planning District.

Table 2.12 Khayelitsha/Mitchells Plain Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	17.4	2.1	49 440
Semi-skilled	52.5	0.4	148 949
Low-skilled	30.1	0.4	85 564
Total Khayelitsha/Mitchells Plain Planning District	100	0.7	283 953

Source: Quantec Research, 2017

In the Khayelitsha/Mitchells Plain Planning District, 82.6 per cent of the workforce are semi-skilled or low-skilled. The number of skilled workers has grown significantly, with higher than average growth between 2005 to 2015, while the number of semi-skilled and low-skilled workers grew below average at 0.4 per cent respectively. The general increase in skilled workers is in line with increases in tertiary sector employment.

2.6 Helderberg Planning District

The Helderberg Planning District consists of areas across a range of household income levels, including affluent areas such as Somerset West and lower income areas such as Macassar. The primary urban nodes include the Somerset West Shopping Centre and business node, the Somerset West CBD, the extensive business activity alongside the N2 as well as the Strand CBD. Only 3.9 per cent of the Cape Metro population resides in the Helderberg Planning District.

2.6.1 GDPR performance

The Helderberg Planning District contributes the least to the Cape Metro GDPR, accounting for 6.1 per cent during 2015, which is in line with the proportion of the population that reside in this area. The economy of this District is similar to the rest of the districts in the Cape Metro whereby the tertiary sector dominates (contributing 72.1 per cent) with the primary sector commanding the lowest proportion of the economy (contributing only 2.0 per cent). Table 2.13 indicates the Helderberg Planning District's GDPR performance per sector.

Table 2.13 Helderberg Planning District GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.0	441.3	3.2	3.4	2.3	2.9	4.0	8.5	-0.5	-6.4
Agriculture, forestry and fishing	1.8	387.7	3.6	3.3	2.1	2.9	3.9	8.5	-0.9	-6.6
Mining and quarrying	0.2	53.6	1.2	4.4	4.0	2.7	4.6	8.2	2.4	-4.8
Secondary Sector	25.9	5 647.6	2.3	1.6	1.7	2.2	1.9	1.4	0.6	0.7
Manufacturing	16.2	3 537.5	1.6	1.3	2.5	2.1	1.0	0.4	0.6	0.8
Electricity, gas and water	2.4	514.4	0.3	0.7	2.9	1.2	0.7	0.1	-1.4	-2.6
Construction	7.3	1 595.7	5.4	2.6	-1.4	2.8	5.1	5.0	1.5	1.3
Tertiary Sector	72.1	15 728.6	3.6	3.2	4.4	3.4	3.2	2.6	2.3	1.8
Wholesale and retail trade, catering and accommodation	17.5	3 821.4	3.2	3.3	4.8	4.5	2.9	2.1	1.9	1.7
Transport, storage and communication	9.7	2 109.7	3.7	2.9	3.9	2.6	3.0	3.5	1.4	1.7
Finance, insurance, real estate and business services	27.8	6 056.4	3.7	3.0	3.9	3.0	2.8	2.3	3.1	2.0
General government	10.2	2 231.9	4.5	4.3	6.8	4.2	5.3	3.6	1.5	2.0
Community, social and personal services	6.9	1 509.2	2.8	2.6	3.3	2.9	3.3	1.8	1.5	0.7
Total Helderberg Planning District	100	21 817.5	3.3	2.8	3.7	3.1	2.9	2.4	1.8	1.3

Source: Quantec Research, 2017 (e denotes estimate)

The economy of the Helderberg Planning District is dominated by the finance, insurance, real estate and business services sector, which contributes 27.8 per cent to the GDPR. Other leading sectors in the Planning District include the manufacturing sector, contributing 16.2 per cent, and the wholesale and retail trade, catering and accommodation sector, contributing 17.5 per cent.

Collectively the top three performing sectors contribute 61.5 per cent to the GDPR of the Planning District. Overall, the Helderberg Planning District's GDPR increased throughout the 2005 to 2015 period except for the recession period of 2009 in which the Planning District's GDPR contracted. All sectors recovered marginally after the 2009 recession, with the primary sectors, the wholesale and retail trade, catering and accommodation; the finance, insurance, real estate and business services and the general government sectors achieving above average growth from 2010 to 2015.

Economic growth in the Helderberg Planning District has been declining since 2012 - from 3.1 per cent during 2012 to 1.8 per cent in 2015. This growth decline is estimated to continue to 1.3 per cent in 2016. The primary sectors, as well as the electricity, gas and water sector are estimated to have contracted in 2016 by 6.4 per cent and 2.6 per cent respectively.

2.6.2 Employment profile

Table 2.14 indicates the trend in employment growth within each economic sector in the Helderberg Planning District.

Table 2.14 Helderberg Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	3.2	3 222	-373	838	-49	215	175	-114	611	-
Agriculture, forestry and fishing	3.2	3 172	-365	847	-49	213	190	-114	607	-2
Mining and quarrying	0.1	50	-8	-9	-	2	-15	-	4	2
Secondary Sector	21.4	21 266	2 734	2 788	344	286	706	783	669	244
Manufacturing	8.8	8 791	-808	-3	-5	-230	312	-160	80	-36
Electricity, gas and water	0.3	314	119	68	16	12	4	10	26	7
Construction	12.2	12 161	3 423	2 723	333	504	390	933	563	273
Tertiary Sector	75.4	74 915	21 767	11 760	1 789	2 006	2 746	2 459	2 760	489
Wholesale and retail trade, catering and accommodation	25.4	25 275	7 408	3 828	755	833	648	713	879	65
Transport, storage and communication	5.0	4 987	2 050	1 070	97	260	302	23	388	-292
Finance, insurance, real estate and business services	17.0	16 925	3 409	1 851	248	161	359	294	789	186
General government	10.6	10 549	3 276	1 416	497	250	218	652	-201	263
Community, social and personal services	17.3	17 179	5 624	3 595	192	502	1 219	777	905	267
Total Helderberg Planning District	100	99 403	24 128	15 386	2 084	2 507	3 627	3 128	4 040	733

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation sector is not the largest contributor in terms of GDP in the Helderberg District, yet it contributes the most to employment (25.4 per cent). Other sectors contributing significantly to employment include the finance, insurance, real estate and business service and the community, social and personal services sectors.

Collectively the top three contributors to employment accounted for 59.7 per cent of employment creation during 2015. The agriculture, forestry and fishing sector, contributed significantly to job creation in 2015, creating 607 jobs in 2015. Although the Helderberg District shed jobs during the recession, job creation after 2010 has surpassed job losses. Job creation, however, slowed in 2016, with only 733 new jobs being created, with the manufacturing and the transport, storage and communication sectors shedding jobs in 2016 – indicating the linkages between these sectors.

2.6.3 Skills level

Table 2.15 indicates the skills levels of formally employed workers in the Helderberg Planning District. Formal employment in this Planning District has been increasing at an average annual rate of 0.9 per cent per annum over the last decade.

Table 2.15 Helderberg Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	31.1	1.2	21 283
Semi-skilled	41.9	0.7	28 632
Low-skilled	27.0	1.0	18 483
Total Helderberg Planning District	100	0.9	68 398

Source: Quantec Research, 2016

In the Helderberg Planning District, the majority of the workforce is semi-skilled. The wholesale and retail trade, catering and accommodation sector absorbs a significant portion of semi-skilled workers. A large portion of the workforce is also classified as skilled. This category is also the fastest growing skills category which is in line with the number of workers in the tertiary sector.

2.7 Cape Flats Planning District

The Cape Flats Planning District contains one of the largest horticultural areas in the Cape Metro area. Other than the agricultural area, there are scattered areas of industrial and commercial activity amongst the residential areas. Commercial centres include Ottery, Gugulethu and Athlone. The Cape Flats also contains some of the poorest communities in the Cape Metro area and is subjected to high rates of unemployment in areas such as Lavender Hill, Langa and Gugulethu. Nearly 20.0 per cent of the Cape Metro population resides within this Planning District.

2.7.1 GDPR performance

Even though high poverty rates exist and there is a prevalence of poor communities and low-income households, the Cape Flats Planning District is the third biggest contributor to the GDPR of the Cape Metro behind the Tygerberg and Khayelitsha/Mitchells Plain, contributing 15.8 per cent to the Cape Metro's GDPR, which is in line with the proportion of the population that reside in this area.

The local economy of the Planning District is similar to the overall economy of the Cape Metro, with a dominant tertiary sector - contributing 75.6 per cent to the GDPR of the Planning District. The secondary sector contributes 22.9 per cent whilst the primary sector contributes 1.5 per cent to the GDPR of the Planning District.

Table 2.16 reflects the Cape Flats Planning District's GDPR performance per sector.

Table 2.16 Cape Flats Planning District GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.5	825.2	3.4	4.3	4.9	3.3	5.2	7.5	0.4	-4.3
Agriculture, forestry and fishing	1.3	725.2	4.0	4.4	5.2	3.6	5.5	7.5	0.4	-4.0
Mining and quarrying	0.2	100.0	0.0	3.0	2.8	1.3	3.2	7.0	0.9	-6.1
Secondary Sector	22.9	12 917.8	1.5	0.8	2.1	2.0	0.8	-0.6	-0.4	-0.5
Manufacturing	14.9	8 396.8	1.1	0.6	3.0	1.9	0.3	-1.1	-0.9	0.2
Electricity, gas and water	1.9	1 043.4	-2.2	-1.9	0.3	-1.5	-2.2	-2.5	-3.5	-5.9
Construction	6.2	3 477.6	4.4	2.1	-0.8	3.4	3.9	2.0	2.0	-1.1
Tertiary Sector	75.6	42 598.2	2.7	2.3	3.9	2.5	2.2	1.6	1.4	0.8
Wholesale and retail trade, catering and accommodation	18.2	10 271.4	1.8	1.9	3.4	2.9	1.4	1.0	0.9	0.5
Transport, storage and communication	11.2	6 287.9	2.1	1.7	2.8	1.3	1.7	2.5	0.0	-0.1
Finance, insurance, real estate and business services	25.0	14 108.9	3.6	2.7	4.3	2.7	2.1	1.4	2.9	1.3
General government	13.7	7 740.5	3.6	3.4	5.8	3.3	4.4	2.9	0.8	1.3
Community, social and personal services	7.4	4 189.5	1.3	1.1	1.9	1.5	1.7	0.6	0.0	-0.4
Total Cape Flats Planning District	100	56 341.2	2.4	2.0	3.5	2.4	2.0	1.2	1.0	0.4

Source: Quantec Research, 2017 (e denotes estimate)

The main sector, contributing 25.0 per cent to GDPR, in the Cape Flats Planning District is the finance, insurance, real estate and business services sector. Other main contributing sectors include the wholesale and retail trade, catering and accommodation (18.2 per cent), the manufacturing (14.9 per cent) and the general government (13.7 per cent) sectors.

Even though the manufacturing sector is a main contributor to GDPR, it grew at below average rates over the review period. The manufacturing sector contracted in 2014 and 2015, before achieving meagre growth of 0.2 per cent in 2016. The electricity, gas and water sector has been contracting on average at 2.2 per cent since 2005, with a contraction of 5.9 per cent estimated for 2016.

Economic growth has dwindled year-on-year from 2010 onward. In 2016, the GDPR growth rate slumped with only 0.4 per cent growth, mainly as a result of declining growth in the wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector. The primary sectors, together with the electricity, water and gas sector, the construction sector, the transport, storage and communication sector and the community, social and personal services sectors all contracted in 2016.

2.7.2 Employment profile

Table 2.17 indicates the trend in employment growth within each economic sector in the Cape Flats Planning District.

Table 2.17 Cape Flats Planning District employment growth per sector

Sector	Contribution to employment (%), 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.3	6 414	24	1 781	-5	556	465	-142	907	41
Agriculture, forestry and fishing	2.2	6 279	60	1 811	-7	550	512	-145	901	38
Mining and quarrying	0.0	135	-36	-30	2	6	-47	3	6	3
Secondary Sector	19.6	54 774	-5 658	699	-143	-216	401	216	441	177
Manufacturing	10.6	29 694	-9 636	-2 743	-752	-1 093	35	-876	-57	-317
Electricity, gas and water	0.2	652	115	48	20	14	-3	-1	18	7
Construction	8.7	24 428	3 863	3 394	589	863	369	1 093	480	487
Tertiary Sector	78.1	218 387	37 404	20 080	3 231	3 565	5 466	4 237	3 581	627
Wholesale and retail trade, catering and accommodation	24.9	69 724	11 591	6 067	1 178	1 523	1 024	958	1 384	373
Transport, storage and communication	5.6	15 607	3 743	1 858	71	626	666	-184	679	-897
Finance, insurance, real estate and business services	18.3	51 211	4 038	2 299	459	133	656	-77	1 128	362
General government	14.3	39 903	10 168	4 091	1 663	679	563	2 210	-1 024	755
Community, social and personal services	15.0	41 942	7 864	5 765	-140	604	2 557	1 330	1 414	34
Total Cape Flats Planning District	100	279 575	31 770	22 560	3 083	3 905	6 332	4 311	4 929	845

Source: Quantec Research, 2017

The wholesale and retail trade, catering and accommodation sector within the Cape Flats Planning District employed the most people (69 724) in 2015. This sector has also created the most jobs over the last 10 years.

The finance, insurance, real estate and business services; general government and the community, social and personal services sectors also created a significant number of jobs. These sectors employed 133 056 people collectively in 2015 and had created 20 070 new jobs over a 10-year period. Employment creation after 2010 was able to surpass the job losses that occurred during the recession in the Planning District. However, job creation occurred at a much slower rate in 2016 due to subdued economic growth in the main economic sectors.

2.7.3 Skills level

Formal employment declined at an average annual rate of 0.1 per cent in the Planning District between 2005 and 2015, indicating that informal sector employment is increasing within the area. Table 2.18 shows the skills levels for formally employed individuals in the Cape Flats Planning District.

Table 2.18 Cape Flats Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	28.2	0.5	61 261
Semi-skilled	49.6	-0.2	107 848
Low-skilled	22.2	-0.3	48 281
Total Cape Flats Planning District	100	-0.1	217 390

Source: Quantec Research, 2017

In the Cape Flats Planning District, a total of 217 390 formal jobs exist, whereby 49.6 per cent of workers are semi-skilled, which is in line with the large proportion of the workforce employed in the wholesale and retail trade, catering and accommodation sector. The number of workers who are semi-skilled contracted at an average annual rate of 0.2 per cent per annum, indicating that skills development occurred or that workers are finding employment in the informal sector. The number of skilled workers is increasing at an average annual rate of 0.5 per cent, which is in line with employment increases in the finance, insurance, real estate and business services and general government sectors – as these sectors require workers with more skills.

2.8 Table Bay Planning District

The Table Bay Planning District includes the Cape Town CBD and affluent areas within the City Bowl and surrounding areas. Major retail nodes such as the V&A Waterfront are located within this District as well as growing mixed-use developments. Furthermore, the Epping and Paarden Eiland Industrial areas are also located within the boundary of the Table Bay Planning District. This Planning District also consists of popular tourist attractions such as parts of the Table Mountain National Park and historical sites.

Only 6.4 per cent of the Cape Metro population resides in this area.

2.8.1 GDPR performance

Even though the Table Bay Planning District attracts significant economic activity, especially investment and business in the CBD and Foreshore areas, the Planning District only contributes 9.3 per cent to the GDPR of the Cape Metro in 2015, which is in line with the proportion of the population that resides in this area. Table 2.19 indicates the Table Bay Planning District's GDPR performance per sector.

Table 2.19 Table Bay Planning District GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.2	389.4	2.3	3.8	5.0	2.8	4.8	6.0	0.3	-4.3
Agriculture, forestry and fishing	0.9	313.2	3.4	4.3	6.0	3.4	5.6	6.2	0.4	-3.5
Mining and quarrying	0.2	76.3	-1.1	1.9	1.4	0.9	1.9	5.5	-0.2	-7.3
Secondary Sector	16.7	5 578.3	1.6	1.0	2.5	2.5	0.7	-0.3	-0.5	0.1
Manufacturing	11.7	3 914.6	1.5	0.9	3.2	2.9	0.2	-0.8	-0.9	0.7
Electricity, gas and water	1.5	516.4	-1.9	-1.6	0.7	-1.5	-2.1	-2.2	-2.8	-6.1
Construction	3.4	1 147.2	4.6	2.3	0.2	2.4	4.4	2.5	2.1	0.0
Tertiary Sector	82.1	27 354.3	3.1	2.7	4.0	2.8	2.8	2.1	2.0	1.2
Wholesale and retail trade, catering and accommodation	16.8	5 611.9	2.1	2.2	3.4	3.3	2.0	1.3	1.2	0.8
Transport, storage and communication	10.0	3 333.4	2.7	1.9	3.1	1.6	1.7	2.6	0.7	0.8
Finance, insurance, real estate and business services	36.6	12 198.2	3.9	3.4	5.1	3.0	3.5	2.2	3.4	1.6
General government	11.0	3 669.8	3.5	3.3	5.8	3.2	4.2	2.6	0.6	1.0
Community, social and personal services	7.6	2 541.0	1.2	0.6	-1.1	1.6	0.6	2.4	-0.4	-0.2
Total Table Bay Planning District	100	33 322.0	2.9	2.5	3.8	2.7	2.5	1.8	1.6	0.9

Source: Quantec Research, 2017 (e denotes estimate)

The Table Bay Planning District contributed R33.3 billion to the GDP of the Cape Metro during 2015. The leading economic sector within the Table Bay Planning District is the finance, insurance, real estate and business services sector, which contributed 36.6 per cent to GDP in 2015. The wholesale and retail trade, catering and accommodation (16.8 per cent); manufacturing (11.7 per cent); general government (11.0) and the transport, storage and communication (10.0 per cent) sectors are also large contributors to GDP in the Planning District).

Economic growth within the Table Bay Planning District has been steadily declining since 2010, with the average annual five-year growth rate being lower than the 10-year average growth rate, indicating that the economy of this Planning District did not fully recover from the recession in 2009. In 2016, economic growth in the main economic sectors declined while the primary sectors as well as the electricity, gas and water sector and the community, social and personal services sector contracted.

The tertiary sectors are the main economic drivers of the Table Bay Planning District, with the finance, insurance, real estate and business services and the general government sectors growing at above average growth rates of 3.4 per cent and 3.3 per cent respectively since 2010.

2.8.2 Employment profile

Table 2.20 indicates the trend in employment growth within each economic sector in the Table Bay Planning District.

Table 2.20 Table Bay Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.7	1 962	55	533	7	183	147	- 34	230	11
Agriculture, forestry and fishing	1.7	1 891	86	555	8	181	174	- 35	227	12
Mining and quarrying	0.1	71	- 31	-22	-1	2	- 27	1	3	-1
Secondary Sector	13.5	15 312	- 1 339	- 11	-39	-56	108	- 44	20	64
Manufacturing	8.7	9 883	-2 145	- 671	-194	-279	66	-233	-31	-61
Electricity, gas and water	0.2	265	67	27	10	10	-	1	6	6
Construction	4.6	5 164	739	633	145	213	42	188	45	119
Tertiary Sector	84.8	96 092	16 087	8 760	1 258	1 491	2 396	1 704	1 911	128
Wholesale and retail trade, catering and accommodation	24.8	28 162	5 090	2 710	567	612	436	428	667	231
Transport, storage and communication	6.9	7 818	2 089	1 048	38	315	345	-52	402	- 835
Finance, insurance, real estate and business services	25.6	28 973	2 034	1 225	71	71	348	15	720	544
General government	12.4	14 044	3 290	1 226	581	215	146	701	-417	251
Community, social and personal services	15.1	17 095	3 584	2 551	1	278	1 121	612	539	-63
Total Table Bay Planning District	100	113 366	14 803	9 282	1 226	1 618	2 651	1 626	2 161	203

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail, catering and accommodation and the finance, insurance, real estate and business services sectors jointly contributed 50.4 per cent to employment in this Planning District in 2015. The general government and the community, social and personal services sectors are also main sectors in providing employment, contributing 12.4 per cent and 15.1 per cent to employment respectively.

After the recession, job growth has been positive, albeit lower than pre-recession numbers. The biggest contributor to job growth after the recession period is the wholesale and retail trade, catering and accommodation sector. Employment in the Table Bay Planning District has increased significantly between 2010 and 2015, to ultimately create more jobs than what were lost during the recession period. The tertiary sectors contributed the most to employment creation in the last five years, especially the wholesale and retail trade, catering and accommodation and the community, social and personal services sectors creating 2 710 and 2 551 of the new jobs respectively in this Planning District.

The rate at which new jobs were created in 2016 declined significantly, to a net change in employment of 203 jobs. In 2016, the manufacturing; transport, storage and communication; community, social and personal services and the mining and quarrying sectors (to a lesser extent) all shed jobs. Together with an unstable growth rate, the manufacturing sector as well as the mining and quarrying sectors are the only sectors in the Planning District to shed jobs continually over the last 10 years.

2.8.3 Skills level

Table 2.21 indicates the skills levels of the Table Bay Planning District for the formally employed.

Table 2.21 Table Bay Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	41.5	0.3	36 360
Semi-skilled	42.2	0.04	36 961
Low-skilled	16.3	-0.8	14 305
Total Table Bay Planning District	100	-0.02	87 626

Source: Quantec Research, 2017

The majority of formally employed workers within the Table Bay Planning District are skilled or semi-skilled. Both the skilled and semi-skilled workforce have increased at an above average rate compared to the low-skilled workforce which is contracting at a higher than average rate. These trends are correlated with the employment and GDP data as the tertiary sector is both the biggest contributor to GDP and employer in the Planning District. This sector is also known to absorb high skilled workers, thus driving demand for skilled workers.

2.9 Southern Planning District

The Southern Planning District consists of mostly affluent residential areas with pockets of informal and poorer areas. Business nodes such as Claremont, Newlands, Wynberg, Steenberg and Constantia service these areas. There are small light industrial nodes as well as agricultural activity, mainly consisting of wine grape farming with small-scale equestrian activities. Parts of the Table Mountain National Park's managed land is also located in this Planning District which attracts a significant amount of local and international tourists. The Southern Planning District is one of the least populated areas in the Cape Metro area, with only 6.1 per cent of the Cape Metro population residing in this Planning District.

2.9.1 GDP performance

Table 2.22 indicates the Southern Planning District's GDP performance per sector.

Table 2.22 Southern Planning District GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.9	773.4	2.7	3.9	4.9	2.8	4.9	6.2	0.5	-3.7
Agriculture, forestry and fishing	1.7	663.2	3.3	4.1	5.4	3.2	5.2	6.2	0.5	-3.2
Mining and quarrying	0.3	110.2	-0.4	2.6	2.2	0.9	2.8	6.4	0.7	-6.5
Secondary Sector	17.6	7 024.9	1.9	1.3	3.5	2.6	0.6	0.1	-0.5	0.4
Manufacturing	11.4	4 563.5	1.3	1.0	4.3	3.0	-0.4	-0.8	-1.1	0.6
Electricity, gas and water	1.6	636.5	0.2	0.6	2.7	1.0	0.6	0.0	-1.5	-2.9
Construction	4.6	1 824.9	5.2	2.6	1.1	1.9	4.3	3.7	2.0	1.0
Tertiary Sector	80.5	32 146.8	2.7	2.2	3.5	2.2	2.4	1.6	1.5	0.7
Wholesale and retail trade, catering and accommodation	14.6	5 819.0	1.5	1.7	2.9	2.8	1.4	0.9	0.7	0.2
Transport, storage and communication	7.9	3 161.8	3.1	2.1	3.2	1.8	1.8	2.7	1.0	1.4
Finance, insurance, real estate and business services	38.8	15 480.3	2.9	2.4	3.8	1.9	2.4	1.3	2.3	0.8
General government	12.0	4 783.1	3.4	3.1	5.7	3.1	4.0	2.3	0.4	0.8
Community, social and personal services	7.3	2 902.6	1.7	1.2	0.2	1.8	1.7	2.4	0.1	0.4
Total Southern Planning District	100	39 945.1	2.5	2.1	3.6	2.3	2.1	1.5	1.2	0.6

Source: Quantec Research, 2017 (e denotes estimate)

Overall, the Southern Planning District contributed R40.0 billion to the Cape Metro's GDP for 2015. The Southern Planning District economy is dominated by the finance, insurance, real estate and business services sector, which contributed R15.5 billion (38.8 per cent) to the economy in 2015. The general government; wholesale and retail trade, catering and accommodation; and the manufacturing sectors are generating a further R15.2 billion.

Economic growth in this Planning District has declined over the last five years. Economic growth is driven by the tertiary sectors, specifically, the finance, insurance, real estate and business services, the transport storage and communication and the general government sectors growing at faster rates on an average annual basis between 2010 and 2015.

Another important sector for this Planning District, especially for wine production, wine tourism and the local export market, is the agriculture, forestry and fishing sector. This sector is however relatively small, contributing only 1.7 per cent to the Planning District's GDP. This sector grew at an average year-on-year rate of 4.1 per cent after the recession (2010 to 2015) but contracted by 3.2 per cent in 2016. Other sectors that contracted in 2016 include the mining and quarrying sector and the electricity, gas and water sector.

2.9.2 Employment profile

Table 2.23 indicates the trend in employment growth within each economic sector in the Southern Planning District.

Table 2.23 Southern Planning District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 -2015	2011	2012	2013	2014	2015	2016e
Primary Sector	4.3	5 042	-88	1 317	9	492	403	-92	505	13
Agriculture, forestry and fishing	4.2	4 934	-43	1 349	10	488	445	-95	501	13
Mining and quarrying	0.1	108	-45	-32	-1	4	-42	3	4	-
Secondary Sector	14.1	16 622	393	931	134	111	250	255	181	149
Manufacturing	7.2	8 556	-1 545	-451	-130	-221	95	-175	-20	-26
Electricity, gas and water	0.2	257	89	52	12	8	4	8	20	7
Construction	6.6	7 809	1 849	1 330	252	324	151	422	181	168
Tertiary Sector	81.7	96 486	14 369	7 911	1 148	1 308	1 989	1 753	1 713	481
Wholesale and retail trade, catering and accommodation	21.1	24 978	4 437	2 292	479	531	357	353	572	181
Transport, storage and communication	5.7	6 726	1 976	1 020	57	284	306	-9	382	-868
Finance, insurance, real estate and business services	25.1	29 685	143	427	-180	-97	119	-45	630	586
General government	14.7	17 422	3 281	1 031	658	178	70	748	-623	228
Community, social and personal services	15.0	17 675	4 532	3 141	134	412	1 137	706	752	354
Total Southern Planning District	100	118 150	14 674	10 159	1 291	1 911	2 642	1 916	2 399	643

Source: Quantec Research, 2017 (e denotes estimate)

The majority of employed people in the Southern Planning District are employed within the finance, insurance, real estate and business services and the wholesale and retail trade, catering and accommodation sectors. Collectively, 54 663 people were employed by these two sectors in 2015. Other sectors contributing significantly to employment include the general government (14.7 per cent) and the community, social and personal services sectors (15.0 per cent).

The Southern Planning District had significant job losses during the recession. However, most sectors in this Planning District in the last five years created more jobs than were lost in 2009 and 2010. The tertiary sector created the most jobs since 2010, especially the wholesale and retail trade, catering and accommodation and the community, social and personal services sectors. Other sectors also contributing to employment creation over the review period include the agriculture, forestry and fishing sector and the construction sector. Even though the finance, insurance, real estate and business services sector employed the most people in the Planning District, employment creation in this sector has been somewhat stagnant compared to changes in other sectors, with only 427 new jobs being created in the last five years.

In 2016, the rate at which new jobs were created declined significantly in all sectors, with the manufacturing and the transport, storage and communication sectors jointly shedding 894 jobs, highlighting some of the linkages between these sectors.

2.9.3 Skills level

Table 2.24 indicates the skills levels of the Southern Planning District.

Table 2.24 Southern Planning District skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	43.9	-0.5	41 321
Semi-skilled	38.1	0.4	35 929
Low-skilled	18.0	0.9	16 940
Total Southern Planning District	100	0.1	94 190

Source: Quantec Research, 2017

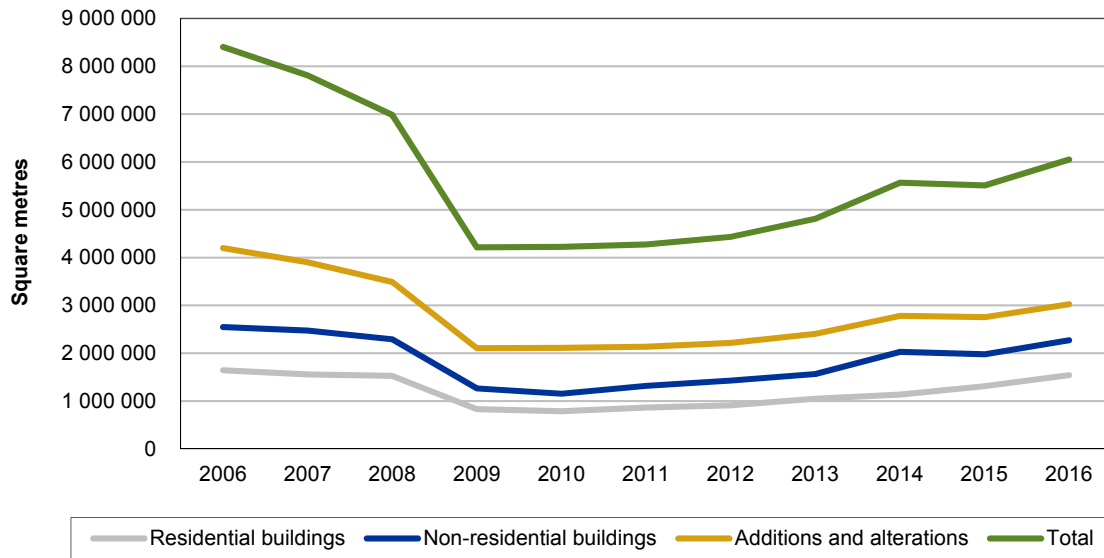
Most formally employed workers in the Southern Planning District are skilled due to the large proportion of finance, insurance, real estate and business services sector workers in this area. A large proportion of formally employed people are semi-skilled. The number of skilled workers is contracting at a year on year rate of 0.5 per cent which can be attributed to the outmigration of skilled workers from this District to other areas in the Cape Metro area.

2.10 Building plans passed and completed

Building plans passed and completed can also provide a picture of the performance of an area. Growth in the number of building plans passed and completed is an indication of a growing economy – both in that building is a response to growth in demand variables and a stimulant of further growth as an activity in and of itself. It also has implications for spatial development planning within the Cape Metro area.

Figure 2.1 indicates the total square metres of building plans passed between 2006 and 2016 in the Cape Metro area.

Figure 2.1 Cape Metro area building plans passed, 2006 - 2016

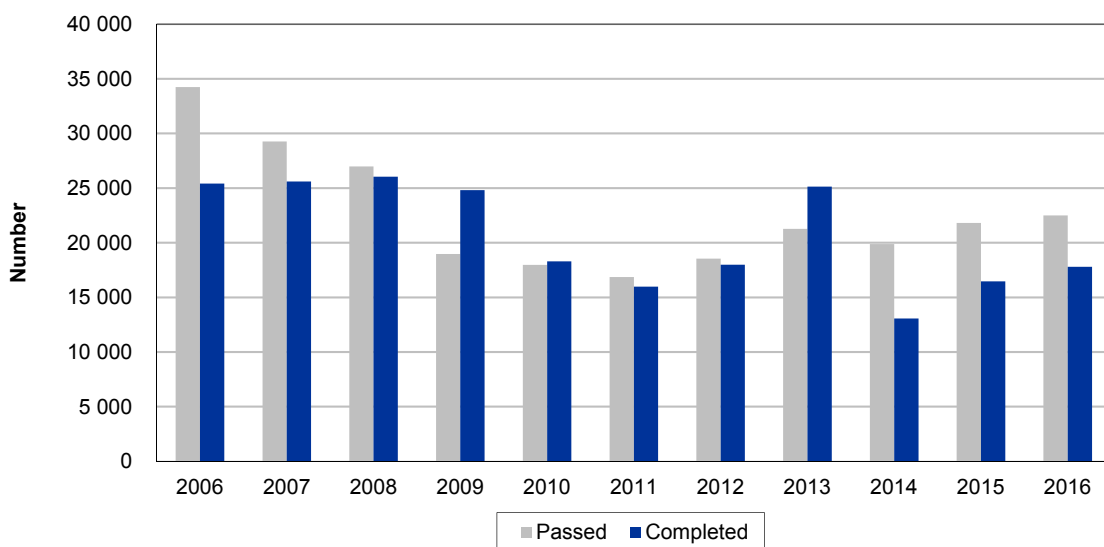


Source: Stats SA, 2016

In the Cape Metro area, a total of 10.3 million square metres of residential building plans have been passed during the 2006 - 2016 period, 5.8 million square metres of non-residential buildings (the majority in industrial space), and 9.3 million square metres of additions and alterations. The number of building plans passed slumped during the recession and remained at constant levels between 2009 and 2011, from where building plan applications have been slowly increasing since to new peak in 2016, indicating continued planned investment in the Cape Metro area.

Figure 2.2 indicates the building plans passed and completed in the Cape Metro area between 2006 and 2016.

Figure 2.2 Cape Metro area building plans passed and completed, 2006 - 2016



Source: Stats SA, 2016

Building plans passed and completed decreased between 2010 and 2012, before reaching a peak in 2013, with 25 000 completed buildings (including alterations and additions). Building plans passed and completed decreased again in 2014, before slowly increasing in 2015 and 2016.

2.11 Concluding remarks

The planning districts that contributed the most to Metro's GDP during 2015 included Tygerberg (17.8 per cent), Khayelitsha/Mitchells Plain (15.9 per cent), Cape Flats (15.8 per cent) and the Northern (14.9 per cent). Together, these districts contributed R229.6 billion to the Cape Metro's GDP. Although the economies of all planning districts have recovered since the recession, overall growth is not at the pre-recession highs recorded between 2005 and 2008. Nevertheless, some sectors, such as the finance, insurance, real estate and business services sector, continue to grow positively and contribute significantly to employment. Due to the urban composition of the Metro area and the connectivity between planning districts, the general structure and overall trends in GDP growth and employment are similar.

The sectors that contributed the most to the GDP in the Cape Metro area were the finance, insurance, real estate and business services; wholesale and retail trade, catering and accommodation; and the manufacturing sectors. Collectively these sectors contributed 59.8 per cent to GDP and 54.9 per cent to employment in the Cape Metro during 2015.

Employment numbers have increased overall since the recession. However job losses in the manufacturing sector have largely not improved. The increase in skilled job opportunities has meant that the tertiary sector is able to absorb a significant portion of the workforce; this can, in the long term, make up for the losses in the secondary sector.

3

Value chains

3.1 Introduction

Industries do not operate in a single economic sector; as value is added throughout the product value chain, the goods and services of various industries are needed. In many local economies, the economy is driven by a single industry or commodity, which has given rise to the development of towns and the expansion of economic activity as well as attracting new industries and development which adds value to the economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this chapter is to highlight how economic sectors within the Cape Metro area function and, considering the economic and employment trends identified in Chapters 1 and 2, provide further detail to the linkages between local sectors.

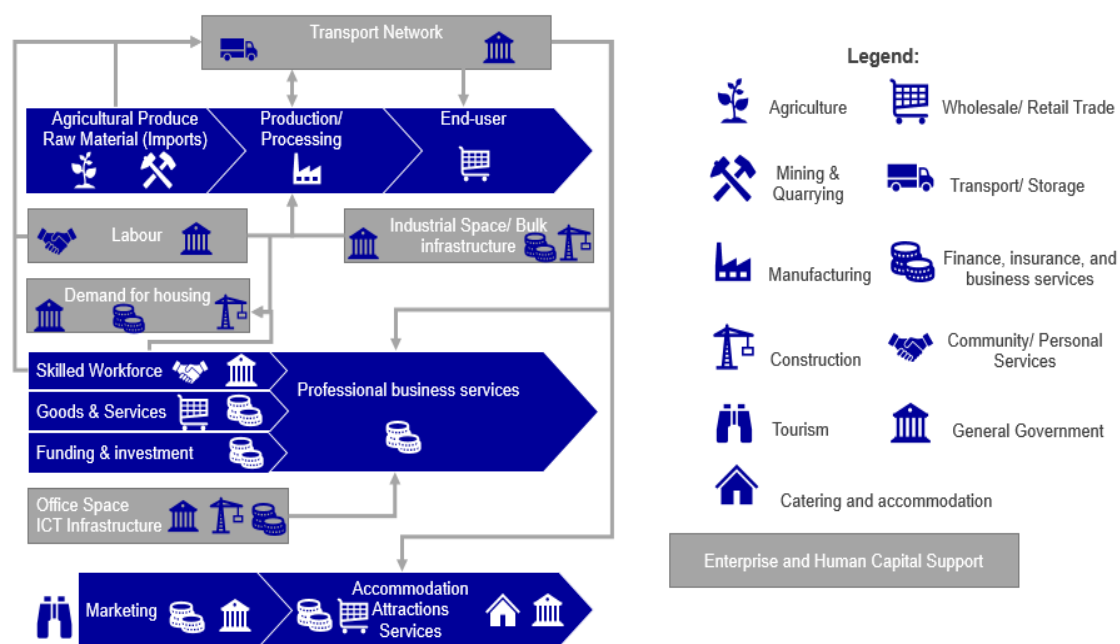
3.2 Sectoral linkages

The dominant sectors in the Cape Metro area are the finance, insurance, real estate and business services; wholesale and retail trade, catering and accommodation and the manufacturing sectors. These sectors contributed R99.2 billion, R60.4 billion and R53.6 billion respectively to the economy of the Cape Metro area in 2015 and collectively provided employment for 858 821 people which totals 54.9 per cent of employment in the Cape Metro area. Supporting sectors within the Cape Metro area include the general government; and the transport, storage and communication sectors. These sectors contributed R42.1 billion and R41.6 billion to the economy respectively (23.5 per cent of GDP collectively) and jointly employed 299 174 people in 2015 (contributing 19.1 per cent to employment). Another sector contributing to employment is the community, social and personal services sector (14.7 per cent to employment).

The focus of the section is, therefore, on the manufacturing industry and the finance and business services industry within the Cape Metro. The wholesale and retail, catering and accommodation sector is dependent on the spending of businesses and households in the Cape Metro area. This sector will therefore be affected by changes in the national and local economy, which affect spending on retail items. Another major industry within the Cape Metro area, which is not represented by a sole economic sector, is the tourism industry. The tourism industry links with sectors such as the transport, storage and communication; wholesale and retail trade, catering and accommodation as well as the manufacturing sectors (souvenirs, art and craft).


Diagram 3.1 illustrates the sectoral linkages described above.



Diagram 3.1 Sectoral linkages






Source: Urban-Econ, 2017

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture and fishing subsectors	The agriculture and fishing subsector is not a main economic sector within the Province. The agriculture subsector contributed R2.4 billion in 2015, while the fishing subsector contributed R2.1 billion. The fishing sector within the Cape Metro area is the second largest in the Province, employing 16 762 people. Crops produced within the Cape Metro area include wine grapes and wheat. The transport services sector, the wholesale and retail trade sector and manufacturing activities in the Cape Metro area are dependent on this subsector; fruit and vegetable products are imported from other Districts in the Province and processed within the Metro area, sold locally or exported fresh. This highlights the importance of road infrastructure and industrial nodes within the Cape Metro area as well as the important function of the harbour and airport. The drought conditions in the Western Cape affecting the agriculture subsector in other Districts will therefore also impact industries within the Metro if quality and quantity decline.

Sector	Linkages
 Wholesale and retail trade subsector	<p>This main contributing sector in 2015 generated R57.0 billion in terms of GDP and employed 201 643 people, of which 40.8 per cent are informally employed. The retail sector of the Cape Metro area is characterised by large mall developments (as in Century City) as well as street front retail space (CBD). The Cape Metro area is also a hub for the head offices and distribution centres of many national retail stores including:</p> <ul style="list-style-type: none"> ● Hirt and Carter for distributions and wholesale ● Edward Snell & Co for wholesale ● Invicta Holdings for distributions ● Woolworths for retail ● Shoprite Group for retail ● Fruit and Veg City Holdings for retail ● Homechoice for retail ● LA Group Limited for retail (e-commerce) ● Lewis Group for retail ● Ackerman's for retail ● Adidas for retail ● Amazon for retail (e-commerce) ● Cellucity for retail (electronics) ● Lexmark International for retail ● Pep (a division of Pepkor) for retail ● Pick n Pay Stores for retail ● Platinum Group Limited for retail ● Kalahari.com for retail (e-commerce) ● Spar Western Cape for retail ● Bidvest Group for retail ● Fresh Produce Markets (Philippi, CBD and Granger Bay Sea Point) for retail (food and beverage) ● Penod Ricard South Africa for retail (e-commerce) ● Unitrans Automotive for retail (specialising in motor vehicles)
 Transport and storage subsector	<p>This subsector is dependent on the spending by households and businesses in the area. Declining economic growth rates together with some sectors shedding jobs will have an impact on the wholesale and retail trade subsector as households tighten on spending. Migration to the Cape Metro area and the increased housing development taking place will increase the demand for retail space in the Metro area.</p> <p>The transport and storage subsector contributed R32.2 billion to the GDP in 2015 and employed 78 449 people, of which 41.3 per cent are informally employed. The Cape Metro is one of the leading import and export hubs in the country. The harbour, airport, train network and roads are critical infrastructure that needs to be maintained, not only for the transport and storage subsector sustainability but also for all other sectors that are dependent on freight. Public transport is essential within the Cape Metro area, with 52 per cent of citizens relying on public transport (TCT, 2015) to travel between home and work.</p>

Sector	Linkages
	<p>Some local companies involved in freight transport include:</p> <ul style="list-style-type: none"> ● AAD Truck and Bus for logistics vehicle distributions ● Berco Express for logistics services ● Berry & Donaldson for logistics services ● Bidvest Panalpina for logistics services ● DHL International for logistics services ● Fast & Fresh Transport (a division of Imperial logistics) for logistics services ● Maersk Line for logistics services (mainly exports) ● Mediterranean Shipping Co for logistics services (mainly exports) ● Safmarine for logistics services ● South African Express Line for logistics services (mainly freight) ● Fedex Supaswift for logistics services (specifically courier and delivery services) ● Royale International for logistics services (mainly for courier and delivery services) ● SA Container Depot for logistics services (export management) ● MH Cloete (a division of Rola Motors) distributions of vehicles ● Capespan for distributions
	<p>Transport corridors include the Cape Town-Durban Corridor (N2), the Cape Town-Gauteng Corridor (N1) and the Cape Town-Namibia Corridor (N7) with the Saldanha-Cape Town Chevron pipeline and freight rail network being valuable infrastructure in the sector that supports other economic sectors, not only in the Metro area but in the Province.</p>
	<p>Imports through the Cape Town harbour are greater than exports. The main import and export products are diesel and petrol. Crude oil is also imported through the port supporting the oil and gas industry. Other main import products include soya beans, processed food, fertiliser and cement. The main export product from the Cape Town International Airport includes fish and seafood and deciduous fruit (supporting the agricultural and fishing sectors in the WC), while imports are diverse, ranging from machinery and equipment to fish and seafood, chemicals and pharmaceutical products (to be sold through the wholesale and retail trade sector). (Department of Transport, 2014).</p>
 <p>Manufacturing</p>	<p>The local manufacturing sector is fairly diversified and consists of the production of chemicals and fertiliser, auto parts, construction material, equipment and machinery, petroleum products and refined oil. These activities are very much tied to the economic dynamics of the rest of the country as much of it is export driven. Raw material is imported to the Cape Metro area from across the country to be processed, highlighting the importance of the transport network. This sector is the second most important to the Cape Metro in terms of GDP contribution; this sector contributed R53.6 billion in 2015 and employed 167 231 people. The main manufacturing activities include the manufacturing of food and beverages (R14.8 billion), the manufacturing of petroleum products (R4.2 billion), machinery and equipment manufacturing (R3.2 billion), and printing and recorded media (which includes the film industry) (R3.4 billion). Some of the local companies involved in this industry include:</p> <ul style="list-style-type: none"> ● Brandhouse Beverages (alcoholic and non-alcoholic beverages) ● Clover SA food processors (dairy products) ● Fair Cape Dairies (dairy products) ● Oceana Group (food processors) ● Pioneer Foods (food processors) ● Premier Foods (food processors) ● Simba (food processors)

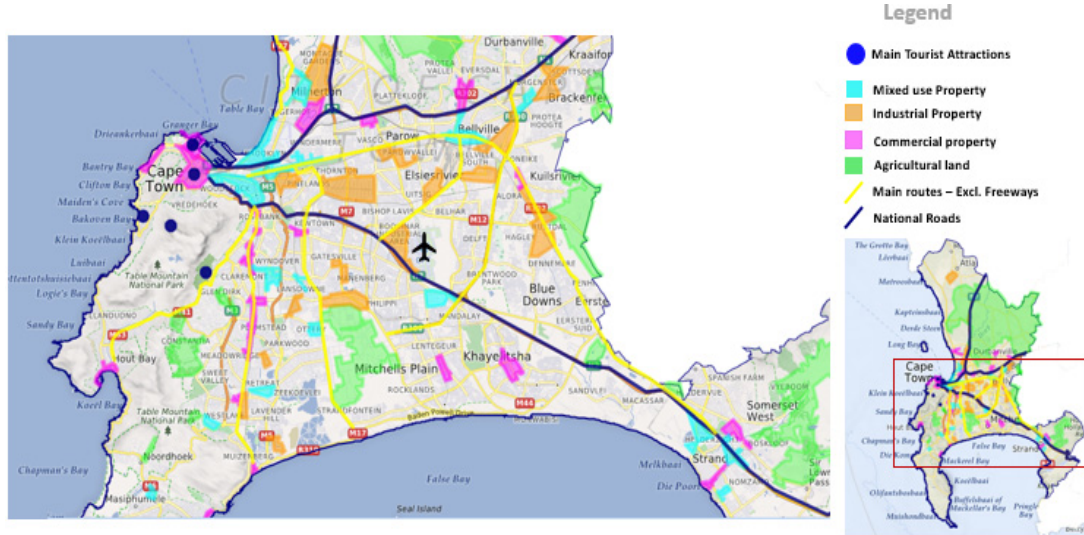
Sector	Linkages
	<ul style="list-style-type: none"> ● Parmalat Group (food processors) ● South African Breweries (Alcoholic beverages) ● Sappi Cape Kraft (paper producer) ● African Oxygen (AFROX) ● Chevron South Africa (oil and gas refining and storage) ● Engen Petroleum (petroleum products and oil) ● John Thompson (a division of ACTOM) ● SEW Euro drive (general engineering) ● Cape Town Iron and Steel Works (CISCO) ● Cecil Nurse (furnishings and woodwork) ● Coricraft Group (furnishings and woodwork) ● CONSOL Glass (packaging) ● Nampak Bevcan Group (packaging) ● Faurecia Emission Control Technologies (auto parts) ● Ingersoll-Rand Company (manufacturing) ● Sun Chemicals (chemical manufacturers) ● Torre Holdings (heavy machinery) <p>Food and beverage manufacturing is largely dependent on agriculture, forestry and fishing sector activity in the Cape Metro, current drought conditions on a provincial level can impact prices, quality and quantity available for processing by this subsector. Water restrictions and higher tariffs as a result of the drought are local factors adding pressure on all manufacturing subsectors.</p>
 <p>Finance, insurance, real estate and business services</p>	<p>This sector is the largest in the Cape Metro in terms of its GDP contribution, contributing R99.2 billion to the economy of the District with 309 114 people employed in this sector in 2015. This sector supports a variety of sectors through banking, marketing, engineering, management consulting, accounting, law services, etc. The Cape Town CBD is the main area from which many companies in this sector operate – making ICT infrastructure and the transport services in and to the CBD invaluable in the daily functioning of this sector. This sector attracts new foreign direct investment for the Western Cape through direct marketing geared towards growing the BPO industry. The IT industry forms a major part of this this sector in terms of operation and supporting other industries within this sector through the provision of high speed internet.</p>
 <p>Tourism</p>	<p>Tourism is not a sector on its own; however, the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation and the transport, storage and communication sectors. The Cape Metro has significant historical, cultural and natural tourist attractions. Tourists have a variety of needs such as accommodation, restaurants, vehicles and tours – creating opportunities for additional business development within the area to meet the needs of tourists. The catering and accommodation subsector, which also captures a large portion of tourist spending, had a value of R3.4 billion and employed 41 789 people in 2015.</p>

Source: Quantec Research, 2017

Industries in the Cape Metro are linked both operationally and geographically. Map 3.1 indicates commercial, industrial and mixed-use nodes, which are the main place of work for people in the Cape Metro area, as well as the national roads and the main roads (excluding freeways) that connect these nodes.

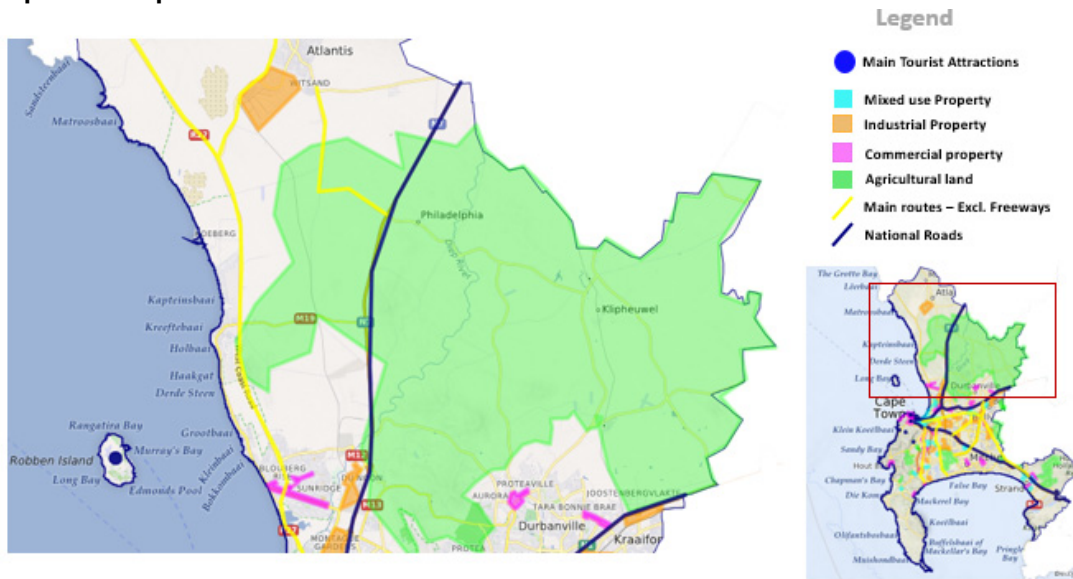
Map 3.1 indicates the southern and central portion of the Cape Metro area, where most of the business activities occur, while Map 3.2 shows the northern area of the Metro area, which includes Atlantis and the bulk of agricultural land.

Map 3.1 Cape Metro - Portion A



Source: Urban-Econ via MapAble, Adapted from ECAMP, 2016 & WC DOA, 2013 & SA Tourism, 2017

Map 3.2 Cape Metro - Portion B



Source: Urban-Econ via MapAble, Adapted from ECAMP, 2016 & WC DOA, 2013 & SA Tourism, 2017

The main service centres in terms of business services such as BPO are clustered within the Table Bay and Southern planning districts. The CBD area in the Table Bay Planning District and the Cavendish Square complex and surrounding area in the Southern Planning District are the main locations for business services entities in the finance, legal and BPO sectors. Organisations located here provide a variety of services to organisations in other sectors across the Cape Metro area.

Manufacturing entities are mainly located in the Blaauwberg and Tygerberg planning districts. Manufacturing facilities are mainly clustered in the Milnerton suburb of the Blaauwberg Planning District and in the Goodwood/Airport Industria/Ndabeni area of the Tygerberg Planning District. Significant utility generation activities take place in the Blaauwberg Planning District. This is evident from the fact that the Koeberg nuclear power station and the Chevron refinery (which produces petroleum and gas fuels) are located in this Planning District. The Goodwood/Airport Industria/Ndabeni area is also a major logistics hub in which warehousing, goods transportation and storage plays a significant role in the business processes of manufacturing organisations. This is evident as large logistics and distributions companies are located in this area.

The information technology sector and the BPO sector, as with most tertiary sector activities, require extensive office space and are therefore located where office space is both convenient and cost effective. In the Cape Metro, office space is clustered in the CBD. This is evident from the fact that 42.3 per cent of the total office space in the Cape Metro is located here. The only other significant clustering of office space is in Bellville within the Tygerberg Planning District. In light of this, one can deduce that tertiary sector activities such as BPO, IT and business services are located mainly in the CBD and Tygerberg Planning District in the Metro. These service centres provide various business and operational services to organisations across the Cape Metro including those located in predominantly industrial and rural parts of the Cape Metro area.

3.3 Oil and gas

Oil and gas are mainly produced in other parts of the country and also imported from other parts of the world, including from countries such as Nigeria, Angola, Saudi Arabia and Iran. According to the Department of Energy, 70.0 per cent of South Africa's oil and gas needs are met through imports (SAMSA). The processing of natural gas and crude oil and the storage thereof (as well as the final product) takes place in the Cape Metro and the Saldanha Bay area of the Western Cape. In the Cape Metro, the biggest processor of oil and gas products is Chevron South Africa which own and operate a refinery in the Metro and produce liquefied petroleum gas, gasoline, and diesel and jet fuel. The industry is supported by the South African Oil and Gas Alliance, who provides support services such as networking, skills development and business development. Furthermore, Chevron has an input capacity of 100 000 barrels per day (Petroleum Agency South Africa).

The Cape Metro, due to its geographical importance and the capacity of its dry dock at the port of Cape Town, provides various support services to the oil and gas industry. These are mainly linked to the repair and maintenance of equipment, shipping and offshore oil rigs. The Port of Cape Town acts as the main service centre to this industry where various organisations provide services such as transport, logistics, maintenance and repairs as well as management consulting services to oil and gas companies (SAMSA). It is estimated that than oil rig docked at the Cape Town Port for eight weeks can contribute up to R200 million to the economy (Wesgro, 2016).

One of the biggest challenges to the oil and gas industry is the environmental concerns of extraction. This is especially true for natural gas which is mainly located in the Karoo Basin where hydraulic fracking and its potential environmental effects is a concern of both residents and local government. South Africa does not have significant oil resources to exploit and is therefore dependent on imports to meet its oil and petroleum needs. There is currently a lack of cooperation between industry actors which can be attributed to the fact that the industry is dominated by a small number of large organisations who compete “head on” in the market. Movement in the oil price and local energy costs also act as economic drivers in this industry as energy costs drive demand side opportunities while oil prices drive supply side challenges. Port charges, docking and dry-docking fees are considered to be excessively high and will need to be addressed if this industry is to remain competitive in the long term (SAMSA).

This industry is very much interlinked with the transportation and storage industries. Transport organisations such as Transnet are the biggest role players in the Cape Metro in terms of the transportation of industrial raw materials. Although the main storage centre for oil and gas is the Saldanha Bay area, the Port of Cape Town and the Chevron refinery facility have the capacity to store significant amounts of oil and gas resources.

3.4 ICT industry

The information technology industry consists of communications technology, data storage and analysis, and application software. This industry provides support and business services to most other industries in the Cape Metro, including the oil and gas sector and the film and media sector. ICT (information communications technology) industry have accordingly become an important economic enabler both for the local and national economies and, as such, play a pivotal role in economic equality and long-term economic growth (Silicon Cape Initiative, 2013). The ICT industry is an important component of the business services sector and, as such, contributes significantly to this sector. It is telling to note that this sector contributed R58.3 billion to the Cape Metro GDP in 2016.

In South Africa, the financial and services sectors are the biggest clients of the IT sector, especially the four big banks, namely ABSA (a division of Barclays Africa), Standard Bank, Nedbank and FirstRand Bank. These organisations and their affiliates are well represented in the Cape Metro. The ICT industries provide essential analytical inputs into the operations of the tertiary sector and significantly contribute to the profitability and operational reach of organisations in these sectors (City of Cape Town; Wesgro; PWC, 2013).

The biggest inputs to the ICT industry are electrical engineering and the professional education needed for the type and level of skills required. There are four major tertiary education institutions contributing to the skills in this sector by developing skilled labour in the form of graduates. Another important input into this sector is ICT research which is mostly conducted by the four important research and educational institutions namely, University of the Western Cape, Stellenbosch University, Cape Peninsula University of Technology and the University of Cape Town (Silicon Cape Initiative, 2013).

In terms of outputs, this industry provides mainly software technology to the services sector and secondary sector industries. Business software mainly encompasses administrative software and analysis software aiming to improve operational efficiency and/or profitability. The ICT industry also consists of the gaming industry and the communications technology industry which play important roles in the education, entertainment and operational components of local organisations and private individuals.

Developments in the Information and technology industry have knock-on effects on other industries such as the BPO industry (as will be discussed below) and the tourism sector. For example, through the use of communication technology and social media, it became possible for tourism enterprises to reach a wider scope of potential clients through marketing and the improvement of their marketing image. The use of information technology also has the potential of improving on visitor experience (Griffin, 2013).

Some of the main challenges faced by this industry are, firstly, the lack of investment capital. Due to the uncertain nature of many ICT ventures, acquiring investment capital, especially for the start-up phase of an IT venture, is increasingly challenging. Secondly, regulatory requirements can hamper growth in the industry. This is most conspicuous in gaming and the development of mobile applications, the regulations of which mostly revolve around cyber security and the use of sensitive information. These regulations can become onerous for small, underdeveloped enterprises. Despite these challenges, opportunities in this sector are forthcoming, especially due to the increased investment in ICT infrastructure by both the City of Cape Town and the Western Cape Government (City of Cape Town; Wesgro, PWC, 2013). Furthermore, increased needs to store and use big data (large volumes of data) within various industries and the development of a local knowledge economy in Cape Town increase the scope of opportunities for the ICT industries.

3.5 Business Process Outsourcing

The business process outsourcing (BPO) industry encompasses business services aimed at customer/client care and assistance and mainly takes the form of call centre activities. One of the defining characteristics of this industry is the fact that it can be geographically dispersed from the parent or client company (BPeSA, 2016). Thus, the majority of BPO organisations have clients from foreign countries and provide services to customers based both locally and internationally (Fin24, 2013). The BPO industry falls within the business services sector and, as such, is subject to development in this sector. It is telling to note that this sector's contribution to the Cape Metro's GDP increased from R53.7 billion in 2015 to R58.3 billion in 2016.

In the Western Cape, the BPO industry is clustered around the larger urban centres such as the Cape Metro, the reason being that BPO organisations require extensive communications and information technology infrastructure and these are most effective in urban centres. Another critical component for this industry is the availability of low cost labour. BPO operations are relatively simple to establish minimum training and skills are required for the provision of services in this industry (BPeSA, n.d.).

The Cape Metro has the fastest growing BPO industry in the WC. It is telling to note that approximately 50.0 per cent of this industry's clients are derived from the financial sector. Thus, one can deduce that the relative strength of the tertiary sector in Cape Town is a major driver of BPO and other business-related services sectors (including ICT). One of the main reasons for this industry's success in the Cape Metro area, besides the availability of the necessary infrastructure, is the fact that English is one of the predominating used languages in the area. This also accounts for the fact that the majority of BPO business is derived from English speaking countries such as the UK and Australia (Cape Town Partnership, 2016).

Considering the above, it was recognised by the WCG that this industry has immense potential for job creation, especially in terms of absorbing the lower-skilled workforce. This industry also provides valuable services to the other sectors such as the retail trade industry and the financial sector (Kolver, 2012).

3.6 Film, media and tourism

The film and media industry in SA is expected to grow by 4.5 per cent year-on-year between 2015 and 2018. This industry can therefore, be a significant contributor to the economy, both in terms of GDP and employment creation. Currently, the largest producers of film and media content are the United States and Canada. South Africa imports much of its film and media content from these two countries. The film, media and tourism industries are some of the most challenging industries to measure as their activities span across various other industries and sectors of the economy.

The SA film and media market is mainly driven by theatre and box office productions. These two components of film and media together with motion pictures and television are expected to grow by 3.3 per cent from 2012 to 2018. Thus, it is expected that this industry's importance will increase significantly during the period in question, thereby contributing to GDP contribution and employment. This correlates with the international growth of this industry, which is expected to grow by 4.5 per cent year-on-year between 2015 and 2018 (Wesgro, 2015).

Research done by Wesgro in 2015 however estimated that the film industry's collective contribution is R23 billion per year (Wesgro, 2015). The Cape Metro is considered amongst the top ten film locations globally. This is due to the favourable climate, scenic locations, high-quality infrastructure and relatively low film industry operational costs (screenafrica.com, 2017). Thus, it is expected that growth in the local film industry will mirror that of growth in the international film industry. The IT and ICT industries are the biggest contributor to this industry in terms of production input. This is evident in the fact that film and media require significant amounts of data storage and communications technologies to conduct their production and distributions activities.

In the film industry, there are various actors adding artistic and financial value to film and media production at various stages of the value chain. In many cases, more than one type of actor adds values at the same stage of the production process. In this industry, it is not unusual for multiple stakeholders to participate in value adding activities at the same stage of the production cycle/value chain. For example, during

the concept development phase of a film project, multiple independent artists such as screenwriters, actors and producers may be involved in this phase and development financing will originate from multiple sources (Bloor, 2009).

Activities in the film production industry include concept development, financing and presales, production shoot and post, international sales and licensing, international distribution, exhibition and exploitation.

In the Cape Metro area, various service providers provide additional inputs for this industry. The most notable of which are the ICT industries as discussed in the previous section and above paragraphs. Additional inputs mainly revolve around marketing and distribution of media materials. These support functions are carried out mainly by business services sector organisations which provide marketing, distribution (in both hardware and software form), financial and legal services during all of the above listed activities (edictive.com, 2013). Furthermore, various film and media production companies, including television channels, operate in this industry in the Cape Metro area. All these actors/players are required to collaborate and cooperate on various levels of the value system as outlined above. Additional support services include electronics, engineering, carpentry, etc.

Film and media activities take place at various locations, most notably at tourist attractions such as the Table Mountain National Park, historical communities such as the Bo-Kaap and sports facilities such as the Cape Town Stadium and Newlands Rugby Stadium. Other event spaces such as the Cape Town International Convention Centre also receive significant film and media activities and are also mainly clustered in the CBD and Tygerberg areas of the Cape Metro. Interestingly, the Cape Town Film Studios, which is an entity entirely focusing on the film and media industry, is located in the Khayelitsha/Mitchells Plain Planning District. This facility attracts international film projects and also accounts for a degree of tourist activity in the area.

The tourism sector is able to attract a significant number of visitors to the Cape Metro, especially for international tourists, who accounted for 83.0 per cent of tourists. It was reported that there was a steady increase between 2012 and 2016 in both international and domestic arrivals via the Cape Town International (CTI) Airport. Just over 891 000 international arrivals were recorded for 2016 compared to 2015 - when just over 770 000 international arrivals were recorded. This trend is also observable in domestic arrivals, as 4.03 million domestic arrivals through the CTI Airport were recorded for 2016 in comparison to 3.82 million arrivals in 2015. Unlike many other towns/regions in the Province, tourists visiting Cape Town stay for longer than the average stay in the Province (day visitors/one or two nights), with 15.7 per cent staying for five or six nights and 34.5 per cent staying longer than seven nights. The main international markets for tourism in Cape Town are Germany and the United Kingdom, with the main domestic market being Gauteng.

Domestic and international tourists have different needs which provide an opportunity for a variety of tourism products and services, which includes the following:

- The main reason international tourists visit Cape Town is for holiday or leisure purposes (92.3 per cent), with 5.8 per cent of tourists visiting for business purposes. The main attractions for international tourists include outdoor activities as well as culture and heritage attractions. These tourists prefer to stay in hotels (38.4 per cent) and guesthouses (34.3 per cent). International tourists spend more than domestic tourists, due to a longer stay, with 46.5 per cent spending between R500 and R1 000 daily. The depreciating rand against major currencies such as the pound sterling and euro, make South Africa a very affordable vacation destination. With increased Foreign Direct Investment (FDI) and the growing BPO market, the opportunity exists to expand on business tourism in Cape Town.
- The main reason domestic tourists visit Cape Town is for holiday or leisure (71.9 per cent). A large proportion of domestic tourists also travel to Cape Town for business purposes (26.1 per cent). Domestic tourists typically stay up to three nights in Cape Town, which is much less than international tourists. The main attraction for domestic tourists are the beaches (19.1 per cent), outdoor activities (18.7 per cent), meetings and conferences (17.9 per cent) and culture and heritage activities (16.3 per cent) (Wesgro, 2016).

3.7 Concluding remarks

This section described the linkages between sectors as well as the main industries within the Cape Metro area, namely the oil and gas industry, the BPO and ICT industry, the film and media industry and tourism. The main economic activities in the Cape Metro area are manufacturing and providing services locally, nationally and internationally making the Cape Metro an ideal location to attract new investments for the Western Cape and the country. In terms of manufacturing, raw materials are imported to the Cape Metro area making the local manufacturing sector dependent on the agriculture and mining sectors in other regions and therefore also susceptible to factors that change output from primary sectors in other regions. The Cape Metro acts as a regional logistics hub for both imported and exported goods by providing transportation services (evident in the size and scope of the Cape Town International Airport and the Port of Cape Town). Due to the diverse economic activities occurring in the Metro area and the urban nature of the Cape Metro area, further development and economic growth is largely dependent on infrastructure development to meet the needs of the growing population in terms of transport systems, housing and service delivery, as well as the needs of businesses in terms of commercial and industrial space, and bulk and ICT infrastructure.

4

Municipal socio-economic analysis

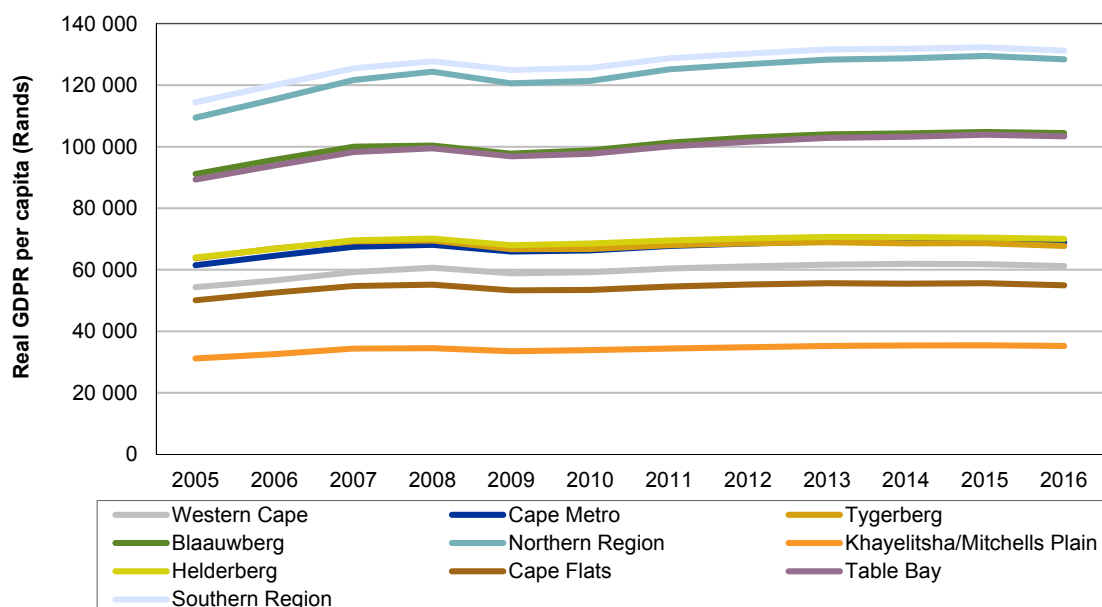
4.1 Introduction

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in the poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

Relying on a wide variety of credible data sources such as Statistics South Africa's Non-Financial Census of Municipalities and Quantec Research, this section reflects upon the living conditions and economic circumstances of households within the various planning districts of the Cape Metro. When an economy prospers, the overall standard of living of households are expected to increase. A declining economy will in turn lower the overall standards of living. This chapter uses various indicators to provide an overview of the current socio-economic reality of households within the Cape Metro and its various planning districts namely, Blaauwberg, the Cape Flats, Helderberg, Khayelitsha/Mitchells Plain, the Northern Region, the Southern Region, Table Bay as well as the Tygerberg. The indicators applied include, among others, real GDP per capita, Gini coefficient, household expenditure, Human Development Index (HDI), education, dwelling types, indigent households and free basic services, and health.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita, Cape Metro planning districts, 2005 - 2016



Source: Quantec/Urban-Econ 2017

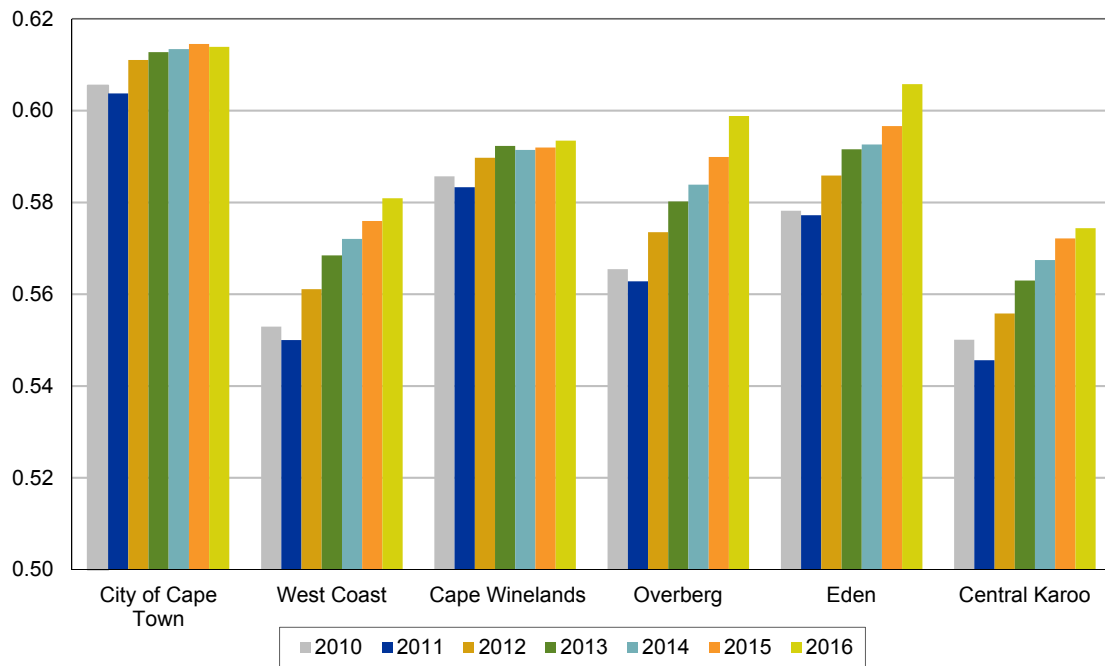
Real GDP per capita reflects upon the estimated income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

Figure 4.1 indicates that real GDP per capita in the Cape Metro (R68 871) was in 2016 is higher than that of the WC Province (R61 199), albeit significantly lower than that of the Blaauwberg (R104 432), Northern Region (R128 407), Table Bay (R103 372) and Southern Region (R131 216) areas. The Khayelitsha/ Mitchells Plain Planning District stands in stark contrast to these areas with real GDP per capita of only R35 250, almost half than that of Cape Metro. Only if the real economic growth rate exceeds the population growth rate will there be an increase in real GDP per capita, i.e. increased GDP per person. Not everyone within an economy will of course earn the same amount of money as estimated by the real GDP per capita indicator.

4.3 Income inequality

The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more inequality exists and the closer to 0 shows less inequality.

Figure 4.2 Gini coefficient, Western Cape districts, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Figure 4.2 indicates that from an income point of view, the Central Karoo was in 2016 the most equal district in the Western Cape with a ratio of 0.57. In contrast, income disparities within the Cape Metro is higher, resulting in a ratio of 0.61. Although the Metro's Gini coefficient ratio has remained relatively constant in recent years (did not worsen), there has also not been any improvement.

It is contended that enhanced and directed investment in schooling and educational upliftment initiatives will in the long-run contribute towards reducing the inequality gap.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households within the Cape Metro.

Table 4.1 Households expenditure on goods and services, Cape Metro, 2017

Goods and services	Rand millions	% of total
Durable goods	20 212 942 609	13.4
Semi-durable goods	17 813 955 145	11.8
Non-durable goods	48 816 352 160	32.4
Services	63 858 582 773	42.4
Total	150 701 832 688	100

Source: Quantec/Urban-Econ 2017

Households within the Cape Metro spend the majority of their income on non-durable and consumer goods and services. Although the purchase of these goods are not particularly capital intensive, the lifespan thereof is in general not very long which implies that it will have to be purchased again in the close foreseeable future.

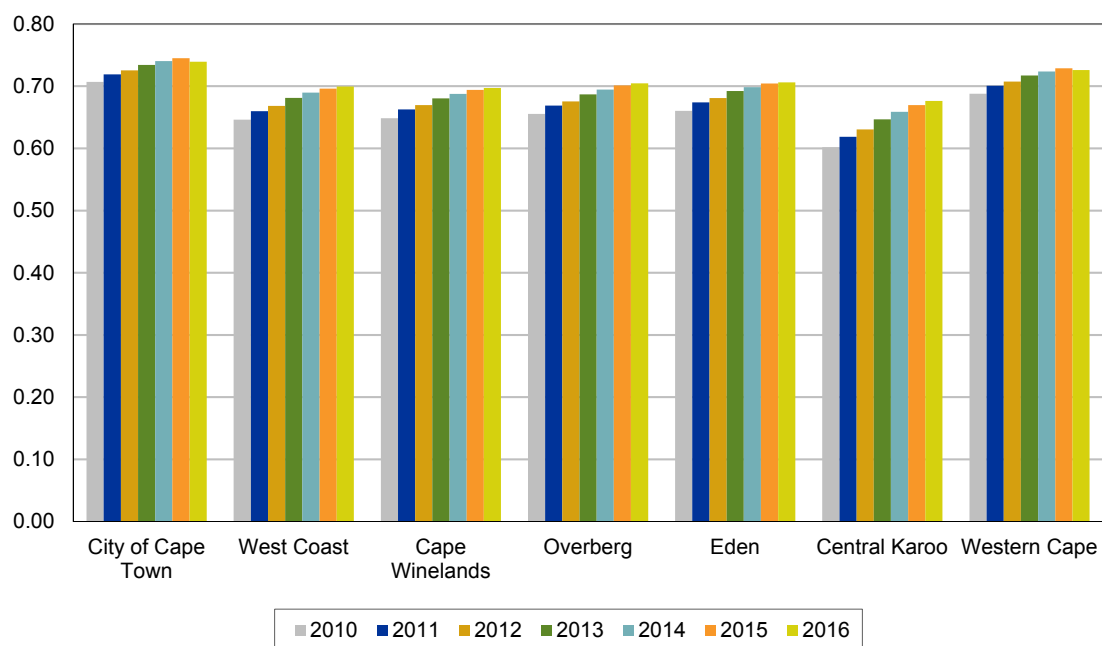
Only 13.4 per cent of household income is spend on durable goods which reflect the current challenging economic conditions. Due to its longer lifespan, durable goods such as a car or furniture can often be maintained during times of hardship and the purchase of new goods therefore tends to be deferrable.

4.5 Human development

The United Nations uses the Human Development Index (HDI)⁵ to compare the relative level of socio-economic development between countries.

Figure 4.3 indicates that although the HDI for all districts of the WC Province (including the City) has gradually been increasing between 2010 and 2016, the index has stagnated in 2016. Closer consideration reveal that the Central Karoo and Eden districts were the only regions to experience an increase in their HDI reading between 2015 and 2016.

⁵ The HDI is a composite indicator reflecting levels of education, health, and income. It is a measure of people's ability to live a long, healthy and prosperous lives, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

Figure 4.3 Human Development Index, Western Cape districts, 2010 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

It is evident that the HDI for the West Coast, Cape Winelands, Overberg and Eden districts are relatively similar and just slightly lower than the Western Cape average. The HDI for the Central Karoo District is notably lower than that of the other districts. The Cape Metro's HDI is higher than the other districts but on par with the Western Cape.

The sections below provide details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

4.6 Education

There is a positive relationship between levels of education attained and levels of development within a community - a community with a high number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Table 4.2 reflects estimates of education levels of persons living within the various planning districts of the Cape Metro.

Primary school education serves as an important foundation for human development. It is therefore concerning to note the low levels of primary school education across all planning districts in the Cape Metro - only in the Tygerberg region does more than 6.0 per cent of the adult population have a complete primary school education.

Table 4.2 Household education levels, Cape Metro, 2017

Education levels	City of Cape Town		Tygerberg		Blaauwberg		Northern Region		Khayelitsha/ Mitchells Plain		Helderberg		Cape Flats		Table Bay		Southern Region	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	195 888	5.3	30 898	5.0	12 078	5.0	16 788	5.2	68 283	6.1	12 679	5.6	37 238	5.2	8 473	3.9	9 538	4.5
Some primary	594 455	16.2	99 680	16.1	34 020	14.2	46 410	14.3	208 016	18.7	37 788	16.6	120 441	16.7	24 640	11.2	23 665	11.1
Complete primary	189 115	5.1	37 708	6.1	9 650	4.0	12 150	3.8	62 095	5.6	10 843	4.8	42 972	5.9	7 392	3.4	6 353	3.0
Some secondary	1 334 279	36.3	235 063	37.9	73 944	30.9	85 729	26.5	470 833	42.3	74 756	32.8	288 774	39.9	57 922	26.3	48 360	22.6
Grade 12/ Std 10	886 492	36.3	149 284	24.1	63 890	26.7	86 437	26.7	252 542	22.7	55 058	24.2	164 239	22.7	60 831	27.7	55 961	26.2
Higher	476 025	12.9	67 497	10.9	45 757	19.1	75 972	23.5	50 519	4.5	36 774	16.1	69 351	9.6	60 738	27.6	70 006	32.7
Total	3 676 253	100	620 130	100	239 339	100	323 487	100	1 112 288	100	227 898	100	723 016	100	219 996	100	213 883	100

Source: Quantec/Urban-Econ calculations

The correlation between higher levels of education and prosperity is clearly illustrated in Table 4.2 that shows that the highest levels of education are to be found in planning districts which has conventionally been considered to be more affluent i.e. 32.7, 27.6 and 23.5 per cent of the adult population in respectively the Northern Region, Table Bay and the Southern Region hold qualifications higher than Grade 12. In stark contrast, 4.5 per cent and 9.6 per cent of adults in respectively Khayelitsha/Mitchells Plain and the Cape Flats hold similar qualifications. High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth. The latter two planning districts are also the two areas with the highest number of adults with no schooling.

Table 4.3 Education indicators, Western Cape, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Western Cape	999 914	32.9	39.6	1 450.0	60.2	977.0	85.6
Cape Metro	639 251	33.7	40.11	760	46.32	587	85.4

Source: Western Cape Department of Education 2017

Although the matric pass rate for the Cape Metro and the Province as a whole was in 2016 quite high, the 2016 dropout rate remains a case of concern - 33.7 per cent of students that enrolled in Grade 10 in 2014 dropped out of school by the time they were supposed to have reached Grade 12 in 2016.

The learner-teacher ratio for both the Cape Metro (40.1) and greater Western Cape Province (39.6) is also alarmingly high. It is commonly assumed that children receive less personalised attention in larger class environments and that high learner-teacher ratios are detrimental to educational outcomes.

4.7 Human settlements

The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The least form of housing that indicates low human development is an informal dwelling such as a shack.

Table 4.4 Dwelling type, Cape Metro planning districts, 2017

Dwelling type	Cape Metro		Tygerberg		Blaauwberg		Northern Region		Khayelitsha/Mitchells Plain		Helderberg		Cape Flats		Table Bay		Southern Region	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	686 003	55.4	122 106	66.2	50 295	53.0	81 850	71.1	180 110	50.7	49 986	59.5	117 307	53.9	31 711	34.1	52 636	56.5
Traditional dwelling/hut/structure made of traditional materials	3 278	0.3	433	0.2	295	0.3	416	0.4	697	0.2	324	0.4	521	0.2	270	0.3	322	0.3
Flat in a block of flats	123 698	10.0	18 256	9.9	12 819	13.5	9 653	8.4	4 067	1.1	7 511	8.9	20 700	9.5	34 730	37.4	15 963	17.1
Town/cluster/semi-detached house (simplex, duplex or triplex)	122 005	9.9	20 043	10.9	7 212	7.6	8 769	7.6	29 426	8.3	11 142	13.3	24 230	11.1	14 079	15.2	7 105	7.6
House/flat/room, in backyard	17 866	1.4	2 236	1.2	2 832	3.0	775	0.7	3 770	1.1	1 297	1.5	4 076	1.9	1 595	1.7	1 285	1.4
Informal dwelling/shack, in backyard	94 727	7.7	11 766	6.4	8 409	8.9	6 267	5.4	37 475	10.5	9 138	10.9	12 565	5.8	3 050	3.3	6 057	6.5
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	169 668	13.7	3 397	1.8	12 022	12.7	6 214	5.4	96 545	27.2	3 702	4.4	33 496	15.4	5 848	6.3	8 444	9.1
Room/flatlet not in backyard but on a shared property	12 202	1.0	3 805	2.1	341	0.4	666	0.6	1 240	0.3	552	0.7	3 591	1.6	1 097	1.2	908	1.0
Other/unspecified/NA	8 531	0.7	2 507	1.4	708	0.7	460	0.4	2 202	0.6	378	0.4	1 281	0.6	522	0.6	473	0.5
Total	1 237 978	100	184 548	100	94 933	100	115 071	100	355 532	100	84 030	100	217 769	100	92 902	100	93 192	100

Source: 2016 Quantec/Urban-Econ calculations

The number of people living within townships and informal settlements illustrate the spatial inequalities still prevalent across the broader Cape Metro area. As per Table 4.4, 13.7 per cent of residents in the Cape Metro in 2016 still resided in informal dwellings/shacks not within a backyard. This percentage is even more alarming in the Khayelitsha/Mitchells Plain (27.3 per cent) and Cape Flats (15.5 per cent) areas. In contrast, the percentage of people residing in informal dwellings/shacks within the Tygerberg area is limited to 1.8 per cent.

The following section provides information on indigent households and provision of free basic services. The provision of basic services to households is a positive indicator of human development.

4.8 Provision of basic services to indigent households

It is clear from below table that continued economic hardship will increase the number of poor households in the Western Cape. The Metro has to ensure that these households receive adequate service to improve human dignity and to ensure that all citizens participate in society in a productive and healthy manner. As household income dwindles, more households will qualify for free basic services as per the indigent support policy of a municipality which will in turn further strain already limited municipal resources.

Table 4.5 Free basic services, Cape Metro, 2015 - 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Cape Metro	231 793	232 569	231 793	232 569	231 793	232 569	231 793	232 569	231 793	232 569

Source: Non-Financial Census of Municipalities, Stats SA 2017

Tables 4.6 and 4.7 reflect the provision of water and sanitation services to all households within the Metro. The provision of these services are the most closely linked to human dignity and it is therefore vital that poor households not be deprived of access to water and sanitation.

It is worth noting that access to water and sanitation are two distinct yet congruent and interlinked human rights that directly influence overall levels of hygiene, i.e. depriving a person of adequate water can impact upon sanitation practices which can in turn contaminate other water sources to the detriment of a person's long-term health.

Table 4.6 Access to water, Cape Metro, 2015 - 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Cape Metro	629 793	636 470	155 015	156 755	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

All households within the Metro have access potable water within 200 metres from their yards which is the minimum service standard.

Table 4.7 Access to sanitation, Cape Metro, 2015 - 2016

Municipality	Flush toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Cape Metro	608 106	615 078	3 561	3 561	223	217	13	287	33 960	35 594

Source: Stats SA Non-Financial Census of Municipalities

There is still a significant amount of households (217) within the Cape Metro that has to rely on a bucket toilet system according to Statistics South Africa. This is slightly lower than the 223 bucket toilet systems in 2015.

City of Cape Town Estimates: Access to Basic Services

MERO 2017 does take cognisance of the access to basic services data included in the City's 2015/16 Annual Report and the 2017/18 IDP. According to these publications and the City's own billing records, the current status quo regarding access to basic services is as follows:

Water: All households in Cape Town have an adequate water supply that complies with national norms and service standards, which require basic water supply facilities within 200 m.

Sanitation: The City of Cape Town fully complies with the national guidelines of adequate sanitation. It has managed to provide 100 per cent adequate access to sanitation services to informal settlements.

Refuse removal: All formal households in Cape Town receive a basic service of weekly kerbside refuse removal using the wheelie bin system. Altogether 99.7 per cent of informal settlements have access to a door-to-door refuse collection service or ongoing area-cleaning services. The remaining 0.3 per cent are areas not accessible to deliver the service.

Electricity: There are certain households within the City that does not have access to electricity for lighting purposes. The majority of these households however fall within areas serviced by Eskom.

4.9 Health

As indicated earlier, longevity is one of the indicators used in the composite indicator for calculating the Human Development Index. This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health has been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to sickness and disability (Bloom et al., 2004).

Communities living in developed economies are exposed to good health systems and therefore tend to have long and healthier lives than those living in developing economies.

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

District	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	9.6	10.8
Central Karoo	16.1	14	1.8	7	2.8	21.5	13.9	2.2	1.3	5.1	14.3
Cape Metro	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.8 indicates that deaths as a result of endocrine, nutritional and metabolic diseases were more prevalent in the Cape Metro than in any other district of the Western Cape. Deaths in the Cape Metro as a result of diseases effecting the circulatory and respiratory systems were however lower than any other district.

Death by means of other natural causes were however also relatively high in the Cape Metro. The Mortality and causes of death in South Africa Study defines other natural causes to include, among other, mental and behavioural disorders, diseases of the eye and adnexa, diseases of the skin, diseases of the musculoskeletal system as well as death associated with pregnancy and childbirth.

Table 4.9 Ten leading underlying natural causes of death, Cape Metro, 2015

Cause of Death	Cape Metro
Diabetes Mellitus	7.5
Human Immunodeficiency Virus (HIV)	6.3
Ischaemic heart diseases	5.7
Cerebrovascular diseases	4.9
Tuberculosis	4.5
Chronic lower respiratory diseases	4.4
Malignant neoplasms	4.3
Malignant neoplasms of respiratory and intrathoracic organs	4.2
Hypertensive diseases	4.1
Other forms of heart disease	3.1
Other natural causes	36.7
Non-natural causes	14.3
Total	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Leading underlying natural cause of death within the Cape Metro is diabetes mellitus (7.5 per cent) of which the Type 2 diabetes is considered to be a lifestyle disease as it is often associated with poor lifestyle choices such as limited physical activity and unhealthy eating.

HIV disease is the second leading cause of natural death (6.3 per cent) in the Cape Metro which can arguable reflect upon the availability of anti-retroviral medication.

The general state of safety and security as well as road traffic management also comes under scrutiny upon noting that 14.3 per cent of deaths within the Cape Metro in 2015 were as a result of non-natural causes which includes reported cases of assault, transport accidents, complications of medical and surgical care as well as intentional self-harm.

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0
City of Cape Town	4.2	1.6	25.6	29	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42	0
Overberg	3.5	1.6	18.5	30.3	46.1	0
West Coast	2.5	1.3	23.2	32.9	40	0.1
Unspecified	0	1.6	25	32.8	40.6	0

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Although the majority of deaths in the Cape Metro are recorded within the 65 years and older age cohort (39.3 per cent), a combined total of 54.6 per cent of deaths fall within the 15 - 44 and the 45 - 64 age grouping. The latter age groups are considered to be the working age. Increased deaths within these cohorts does therefore not bode well for enhanced economic activity as a decrease of the working age population is expected to increase the dependency ratio.

4.10 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the Cape Metro using a selected number of indicators.

Table 4.11 Social Indicator Summary, Cape Metro

Indicator	Change/Comment
GDP growth (2005 - 2015)	2.90%
Population growth (2005 - 2015)	1.73%
Real GDP per capita (2005 - 2015)	Increased
Gini coefficient (2010 - 2016)	Unchanged
Household expenditure	Non-durable goods and services
HDI (2010 - 2016)	Unchanged
No schooling (2016)	5.3%
Grade 12 dropout rates (2016)	Unchanged
Informal dwelling (2017)	21.4%
Indigent households (2015 - 2016)	Increased
Free basic water (2015 - 2016)	Increased
Free basic electricity (2015 - 2016)	Increased
Free basic refuse removal (2015 - 2016)	Increased
Free basic sanitation (2015 - 2016)	Increased
Main causes of death (%)	Diseases of the circulatory system
Age group with most deaths (%)	65+

Table 4.11 shows the recent movement of selected social and economic indicators within the Cape Metro.

Indicators moving in positive territory could be a result of positive economic performance within the Cape Metro, and vice versa.

Indicators that have moved in a positive direction for the Cape Metro include a marginal increase in real GDP per capita, i.e. income per person, an increasing trend in human development, and increased access to basic services. Indicators that remain a concern for the Metro include increasing high unemployment rates, increasing poverty levels, income inequality, high Grade 12 dropout rates, informal settlements and the prevalence of deaths caused by HIV, TB, and diabetes among others diseases.

Between 2005 and 2015, the Cape Metro's municipal economy grew by 2.9 per cent on average and the population grew by 1.73 per cent on average which translated to an increase in real GDP per capita from an average of R140 437 to R158 978 between 2005 and 2016. The HDI has risen from 0.71 in 2010 to 0.74 in 2015. The increase in indigent households between 2015 and 2016 in the Cape Metro is noted.

Although the increase in the provision of free basic services is positive as a poverty alleviation strategy, it is a concern as it has financial implications at a time when municipalities are facing difficult financial situations. Harsh economic conditions have given rise to the number of poor households within the Cape Metro who has to rely on government support to access basic services. The provision of such services to indigent households places a large burden on already strained and limited municipal resources.

West Coast District

1

Regional economic review and outlook

1.1 Introduction

The West Coast District (WCD) has a well-diversified economy, which contributed 5.1 per cent towards the Western Cape (WC) economy in 2015. From 2005 to 2015, the WCD economy's average annual GDP growth measured at 2.7 per cent, with an economic contraction (0.6 per cent) estimated for 2016.

The economic sectors that contributed the most towards the WCD's economy in 2015 were agriculture, forestry and fishing, manufacturing, and the wholesale and retail trade, catering and accommodation.



This chapter provides a macroeconomic outlook at the District level, an overview of trends from 2010 to 2015, and an outlook in terms of GDPR for 2017 and 2018. Further indicators of economic activity in the WCD are also discussed in this section, which includes an analysis of the location quotient, the available agriculture infrastructure, a breakdown of the manufacturing subsectors, international trade and informal trading.

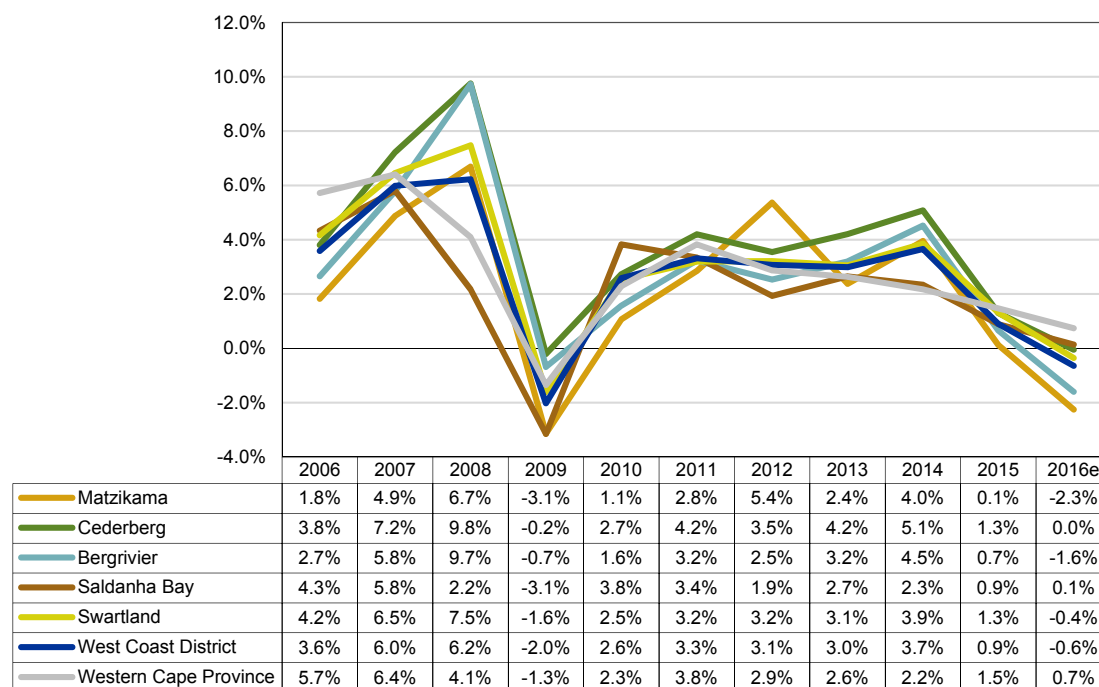
1.2 Growth in GDPR performance

Previous MERO publications have discussed in detail the changes to the economy before the 2008 recession as well as the subsequent years after the recession. The period under review for MERO 2017 therefore ranges between 2010 and 2015, together with an estimate for 2016. Statistics SA will only release official regional indicators for 2016 in 2018.

1.2.1 GDPR performance per municipal area

From 2005 to 2015, the WCD economy average annual GDPR growth rate was 2.7 per cent. The WCD was significantly influenced by the global economic recession - this is shown in the 2.0 per cent GDPR contraction in 2009. The WCD local economy managed to recover to its initial growth trend during the recovery period of 2010 to 2013 (3.0 per cent). However, it is estimated the growth contracted by 0.6 per cent during 2016.

Figure 1.1 GDPR growth per municipal area, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

¹ Note that the GDPR growth rate in 2006 indicates the change in GDPR from 2005 to 2006.

The municipal areas in the WCD have a similar growth pattern, with a slight decline in growth in 2012 (except the Matzikama area), followed by a slight increase in 2014, before growth declined in 2015 and is estimated to contract in 2016.

Table 1.1 indicates the average GDP contribution and growth rates within the various municipal areas.

Table 1.1 West Coast District GDP contribution and average growth rates per municipal area

Municipality	Contribution to GDP (%)		Trend		Real GDP growth (%)					
	2015	2005 - 2015	2010 - 2015		2011	2012	2013	2014	2015	2016e
Matzikama	14.6	2.6	2.9		2.8	5.4	2.4	4.0	0.1	-2.3
Cederberg	12.6	4.2	3.7		4.2	3.5	4.2	5.1	1.3	0.0
Bergrivier	14.7	3.3	2.8		3.2	2.5	3.2	4.5	0.7	-1.6
Saldanha Bay	30.7	2.4	2.2		3.4	1.9	2.7	2.3	0.9	0.1
Swartland	27.4	3.4	2.9		3.2	3.2	3.1	3.9	1.3	-0.4
Total West Coast District	100	3.0	2.8		3.3	3.1	3.0	3.7	0.9	-0.6
Western Cape Province	-	3.0	2.6		3.8	2.9	2.6	2.2	1.5	0.7

Source: Quantec Research, 2017 (e denotes estimate)

The Saldanha Bay and Swartland municipal areas have the largest local economies in the District, collectively contributing 58.1 per cent to the District's economy in 2015. The lower than average annual GDP growth over the last five years compared to the 10-year average annual growth rates indicates that the economy has not fully recovered from the 2009 recession, before economic growth contracted again in 2016. The WCD's economy is estimated to contract by 0.6 per cent in 2016 while the Province had a GDP growth rate of 0.7 per cent. The WCD is highly dependent on agricultural activities, with a smaller tertiary sector compared to the Province - which is a main economic driver for the Province. The drought conditions and increasing input costs due to rising fuel prices and a volatile rand are having a negative impact on the economy of the District.

The Cederberg municipal area had the highest average annual growth rate (3.7 per cent) from 2010 to 2015, however this municipal area also has the smallest local economy in the District. The higher than average growth rates can be attributed to the low base effect where growth from a small base translates to a higher percentage change.

1.2.2 GDP performance per sector

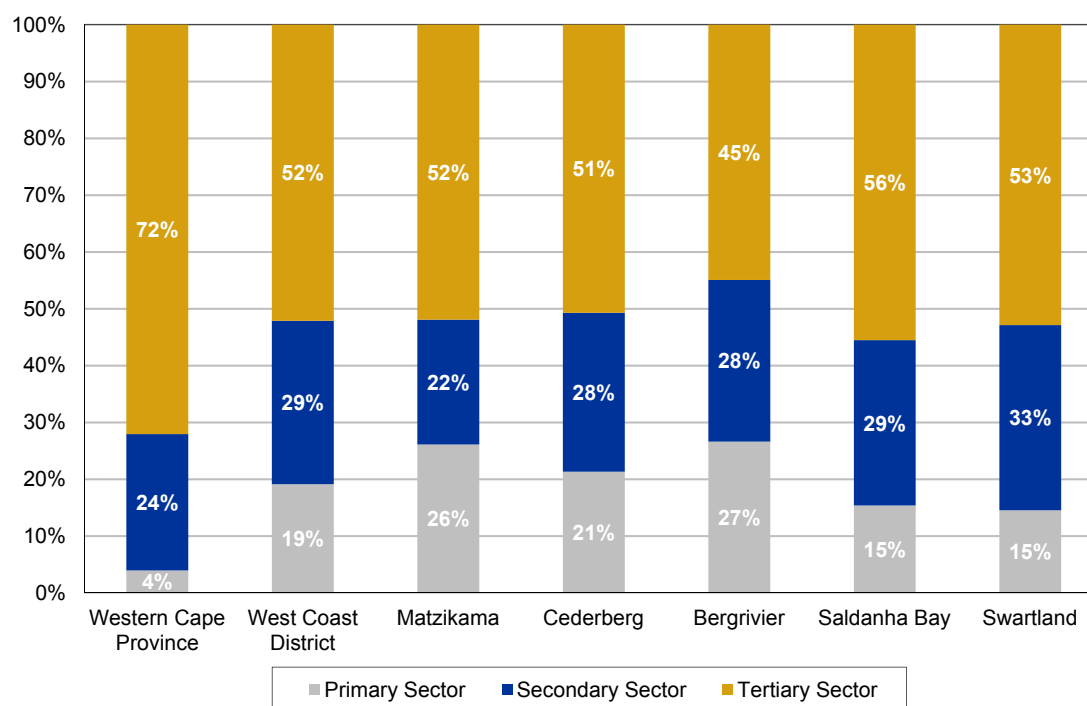
Figure 1.2 indicates the GDP contribution per main sector for the various municipal areas. These broad classifications are groupings of sectors by their main activity within the economy.

Primary sectors are those involved with using or extracting natural resources and consist of the agriculture, forestry and fishing sector and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production and consist of the manufacturing sector, the electricity, gas and water sector and the

construction sector. The tertiary sector can also be referred to as the services sectors and consists of the wholesale and retail trade, catering and accommodation, the transport, storage and communication, the finance, insurance, real estate and business services, the general government and the community, social and personal services sectors.

The primary sector of the WCD contributed 19.1 per cent to the GDP of the District in 2015. Larger contributions were made by the secondary and tertiary sectors with 28.8 per cent and 52.1 per cent respectively. The Saldanha Bay municipal area has the largest tertiary sector contribution (55.5 per cent) compared to the other municipal areas in the WCD. This correlates directly with the Provincial economy, which is dominated by the tertiary sector. However, the primary and secondary sectors make a larger contribution to the WCD economy compared to the contributions of these sectors on a provincial level.

Figure 1.2 GDP contribution per main sector, 2015



Source: Quantec Research, 2017

The relatively large contribution of the primary sector to the WCD's GDP can be attributed to the presence of agriculture in the region as well as the mining of titanium, zirconium, phosphate and limestone, sandstone, salt and diamonds. The secondary sector (i.e. manufacturing, construction and electricity, gas and water) contributions for both the District and the local municipal areas weigh relatively the same, and the sector consists of manufacturing closely linked with agriculture (i.e. agri-processing) and activities in the Port of Saldanha Bay as well as the implementation of the Saldanha Bay IDZ.

Table 1.2 indicates the sectors that contributed the most to the WCD economy in 2015.

Table 1.2 West Coast District GDPR contribution per sector, 2015 (%)

Sector	West Coast District	Matzikama	Cederberg	Bergrivier	Saldanha Bay	Swartland
Primary sector	19.1	26.1	21.3	26.6	15.4	14.5
Agriculture, forestry and fishing	18.2	21.9	21.1	26.0	14.9	14.4
Mining and quarrying	0.9	4.2	0.2	0.6	0.5	0.1
Secondary sector	28.8	22.0	28.0	28.5	29.1	32.6
Manufacturing	21.6	13.8	20.6	22.9	22.7	24.4
Electricity, gas and water	2.0	3.1	2.2	1.6	1.2	2.3
Construction	5.2	5.0	5.2	3.9	5.2	5.9
Tertiary sector	52.1	51.9	50.7	44.9	55.5	52.9
Wholesale and retail trade, catering and accommodation	15.5	16.8	13.9	13.5	14.9	17.5
Transport, storage and communication	8.5	8.0	12.5	5.5	9.2	7.7
Finance, insurance, real estate and business services	11.6	10.0	10.6	10.6	15.0	9.7
General government	10.2	10.7	8.3	9.8	10.2	11.0
Community, social and personal services	6.2	6.4	5.4	5.5	6.2	6.9

Source: Quantec Research, 2017

The main economic sectors within the WCD are the manufacturing sector (21.6 per cent), the agriculture, forestry and fishing sector (18.2 per cent) and the wholesale and retail trade, catering and accommodation sector (15.5 per cent). In 2015, these sectors contributed R13.9 billion to the local economy.

Table 1.3 West Coast District GDPR performance per sector

Sector	Trend		Real GDPR growth (%)					
	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary sector	3.3	2.1	3.2	4.8	4.2	8.2	-1.3	-6.8
Agriculture, forestry and fishing	3.6	2.2	3.2	5.0	4.3	8.3	-1.4	-6.5
Mining and quarrying	-0.6	2.6	2.5	1.1	1.5	7.1	0.6	-11.2
Secondary sector	2.4	1.3	1.0	0.9	1.5	2.1	1.0	0.3
Manufacturing	2.2	1.3	1.7	0.5	1.1	1.7	1.3	0.2
Electricity, gas and water	-1.5	-1.4	1.0	-1.0	-1.9	-2.2	-3.1	-5.8
Construction	5.6	2.6	-2.8	3.6	5.7	5.9	0.8	2.9
Tertiary sector	3.3	3.1	4.6	3.6	3.2	2.5	1.8	1.5
Wholesale and retail trade, catering and accommodation	3.5	3.5	5.1	4.6	3.0	2.4	2.3	2.1
Transport, storage and communication	0.9	1.1	2.4	1.1	1.5	2.1	-1.7	-2.2
Finance, insurance, real estate and business services	4.5	3.6	4.6	3.7	3.2	2.9	3.8	2.7
General government	3.6	3.5	5.8	3.3	4.5	3.1	0.9	1.5
Community, social and personal services	3.4	3.2	4.3	4.2	3.8	1.9	1.9	1.4
Total West Coast District	3.0	2.8	3.3	3.1	3.0	3.7	0.9	-0.6

Source: Quantec Research, 2017 (e denotes estimate)

Table 1.3 indicates the WCD's GDPR performance per sector.

Over the last five years, the WCD experienced an average annual GDP growth of 2.8 per cent, which is slightly lower than the 10-year average annual growth rate of 3.0 per cent which indicate that the economy did somewhat recover to pre-recession growth rates before growth contracted in 2016. This is the first GDP contraction since the recession. This can be attributed to the contraction of the agriculture, forestry and fishing sector, the mining and quarrying sector, the electricity, gas and water sector and the transport, storage and communication sector.

The agriculture, forestry and fishing sector activities contribute significantly to economic growth in the District as well as GDP growth in the tertiary sector. Even though the manufacturing sector is the main economic sector in the District in terms of its contribution to GDP, growth in this sector has been continually below average.

The construction sector growth declined significantly when comparing the 10-year average growth rate to the five-year average growth rate. This sector is relatively small in the District contributing only 5.2 per cent to total GDP. In 2013 and 2014, the sector grew at higher than average rates which can be attributed to an increase in residential developments and retail space over the period, especially in the Swartland, Matzikama and Saldanha Bay areas.

Water restrictions implemented across all municipal areas as a result of the drought² will have an impact on industries such as the manufacturing and construction sector which are heavily reliant on water, but can potentially also impact the general government sector as household spending on water services may decline.

1.2.3 GDP performance per sector forecast (outlook)

Due to the fast pace at which the global economies as well as the SA economy are changing - only a two-year forecast is done. Table 1.4 indicates the GDP forecast per sector for 2017 and 2018 in the WCD.

Table 1.4 GDP forecast per sector, 2017 - 2018 (%)

Sectors	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-6.5	6.6	4.2
Mining and quarrying	-11.2	4.1	0.1
Secondary Sector			
Manufacturing	0.2	-0.2	2.3
Electricity, gas and water	-5.8	-0.3	0.8
Construction	2.9	-1.1	0.9
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	2.1	0.3	1.6
Transport, storage and communication	-2.2	-1.2	-1.2
Finance, insurance, real estate and business services	2.7	0.7	1.0
General government	1.5	0.2	0.5
Community, social and personal services	1.4	2.5	1.7
Total	-0.6	1.5	1.8

Source: Quantec Research, own calculations, 2017 (e denotes estimate; f denotes forecast)

² West Coast District MERO 2017 Survey response

It is estimated that the contraction in the WCD economy will be short-lived with a forecasted growth of 1.5 per cent in 2017 and 1.8 per cent in 2018. The agriculture, forestry and fishing sector is expected to stabilise in 2017 with further growth in 2018 that will have a positive impact on the overall implications of the economy of the District. The electricity, gas and water sector as well as the construction and transport, storage and communication sector are however expected to further contract in 2017. Due to the increased water restrictions and struggling agriculture, forestry and fishing sector, it is expected that the manufacturing sector will contract by 0.2 per cent in 2017. Rising fuel prices, political instability, and a depreciating rand are all factors contributing to a decline in growth in the majority of tertiary sectors in 2017. However, growth rates are expected to stabilise in 2018.

1.3 Growth in employment trends

1.3.1 Employment per municipal area

Table 1.5 indicates the trend in employment growth within each municipal area in the WCD.

Table 1.5 West Coast District employment growth, 2005 - 2016

Municipality	Contribution to employment (%)	Trend		Employment (net change)					
	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Matzikama	15.9	2 143	4 448	111	863	918	-12	2 568	222
Cederberg	14.3	2 680	4 809	180	1 006	1 142	105	2 376	407
Bergrivier	16.1	723	4 729	-73	968	1 049	-196	2 981	236
Saldanha Bay	27.8	5 457	7 107	569	1 978	2 362	339	1 859	358
Swartland	25.9	6 207	7 562	492	1 376	1 744	435	3 515	731
Total West Coast District	100	17 210	28 655	1 279	6 191	7 215	671	13 299	1 954
Western Cape Province	-	418 445	326 986	38 314	58 799	81 285	45 807	102 781	15 050

Source: Quantec Research, 2017 (e denotes estimate)

The Saldanha Bay and the Swartland municipal areas employed a combined percentage of 53.7 per cent of individuals in the WCD in 2015. Job creation in the WCD after the recession significantly improved with more jobs being created than were lost during 2009. In 2015, 13 299 new jobs were created, the most of which were in the Swartland and Bergrivier municipal areas. Job creation is further estimated to increase in 2016, however at a much slower rate when compared to job creation in previous years which is in line with the contracting GDPR.

It is important to note the rising contribution to employment by Saldanha Bay - currently benefitting from the Northern Cape development corridor project, which is set to embark on a railway and ports expansion drive. This will result in a continual increase in employment levels in the WCD. The establishment of the Industrial Development Zone (IDZ) as well as the construction of industrial space is of great benefit for the growth in the District.

1.3.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the WCD. Over the last five years, a significant number of jobs has been created in the District. Between 2007 and 2010, 26 293 jobs were shed across the District, with only 15 356 jobs created in the subsequent four years, indicating that job creation in this District has been slow.

Table 1.6 West Coast District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary sector	34.8	58 027	-7 279	14 335	-1 033	3 885	3 425	-2 295	10 353	-208
Agriculture, forestry and fishing	34.6	57 615	-7 065	14 466	-1 032	3 877	3 574	-2 296	10 343	-198
Mining and quarrying	0.2	412	-214	-131	-1	8	-149	1	10	-10
Secondary sector	14.6	24 243	443	1 680	81	-26	814	273	538	599
Manufacturing	9.4	15 729	-835	414	-182	-301	626	-123	394	252
Electricity, gas and water	0.2	389	95	46	13	11	3	5	14	7
Construction	4.9	8 125	1 183	1 220	250	264	185	391	130	340
Tertiary sector	50.6	84 346	24 036	12 640	2 231	2 332	2 976	2 693	2 408	1 563
Wholesale and retail trade, catering and accommodation	18.1	30 109	8 617	4 586	905	1021	830	816	1 014	581
Transport, storage and communication	3.0	5 042	1 444	666	47	216	214	-99	288	-18
Finance, insurance, real estate and business services	8.4	13 955	3 609	1 807	380	256	411	195	565	290
General government	10.3	17 105	5 239	2 290	783	387	359	1 078	-317	408
Community, social and personal services	10.9	18 135	5 127	3 291	116	452	1 162	703	858	302
Total West Coast District	100	166 616	17 210	28 655	1 279	6 191	7 215	671	13 299	1 954

Source: Quantec Research, 2017 (e denotes estimate)

The majority of people in the WCD are employed in the agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector. These two sectors had significant increases in employment in 2015. The agriculture, forestry and fishing sector's employment increased by 10 343 jobs in 2015. Employment in this sector is very volatile due to the temporary labour needs of the sector.

The construction sector had a net change in employment of 340 in 2016, which is in line with the above average growth rate of 2.9 per cent in that year, indicating the new investment that occurred in the District. The rate at which the tertiary sector is creating jobs declined between 2015 and 2016, with 1 563 jobs created in the District in 2016 compared to 2 408 in 2015.

Table 1.7 shows the unemployment rate within the WCD and its municipal areas.

Table 1.7 West Coast unemployment rate, 2011 - 2016 (%)

Municipality	2011	2012	2013	2014	2015	2016e
Matzikama	9.7	10.7	11.0	11.5	11.7	12.2
Cederberg	6.2	6.9	7.2	7.6	7.7	8.0
Bergrivier	4.2	4.7	5.0	5.3	5.4	5.6
Saldanha Bay	13.8	14.9	15.2	15.9	16.4	17.0
Swartland	8.4	9.1	9.4	9.9	10.3	10.7
West Coast District	9.2	10.1	10.4	11.0	11.3	11.7
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2017 (e denotes estimate)

The WCD recorded a lower unemployment rate than the Province over the review period. The Cederberg and Bergrivier municipal areas had the lowest estimated unemployment rates in 2016, at 8.0 per cent and 5.6 per cent respectively whereas the Saldanha Bay municipal area had the highest unemployment rate (17.0 per cent). Overall, unemployment is increasing in all municipal areas as well as on a provincial level, indicating that the number of job seekers is growing at a faster rate than what the job market can absorb.

1.4 Trade and Informal Enterprises

1.4.1 Location quotient

To determine the level of specialisation within the different economic sectors of the WCD, a location quotient is used. The location quotient is a ratio between two economies; in this case, the Provincial and District economies, which indicate whether the District is importing, self-sufficient or exporting goods and services from a particular sector. Table 1.8 indicates an interpretation of the location quotient classification.

Table 1.8 Locational quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the sector. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

It is important to note that a location quotient, as a tool, does not consider external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a certain sector.

Table 1.9 outlines the sectoral location quotient for the WCD.

Table 1.9 Location quotient in terms of GDP and employment, West Coast District, 2015

Sector	In terms of GDP	In terms of Employment
Agriculture, forestry and fishing	4.90	3.77
Mining and quarrying	3.81	3.88
Manufacturing	1.42	0.97
Electricity, gas and water	0.69	0.70
Construction	0.88	0.61
Wholesale and retail trade, catering and accommodation	0.90	0.76
Transport, storage and communication	0.76	0.54
Finance, insurance, real estate and business services	0.46	0.49
General government	0.90	0.87
Community, social and personal services	0.91	0.77

Source: Quantec Research, 2017

The agriculture, forestry and fishing sector's location quotient (4.9), which is considered high, means that the sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces. Other sectors in the WCD with a medium to high location quotient are the mining and quarrying and manufacturing sectors. This correlates with the economic sectors that contributed the most to the WCD's economy in 2015, namely:

- Agriculture, forestry and fishing; and
- Manufacturing.

Sectors with a location quotient close to one provide the opportunity to expand, e.g. construction (0.9), general government (0.9), and community, social and personal services (0.9).

1.4.2 Agriculture infrastructure

Table 1.10 indicates the agricultural infrastructure available in the WCD. MERO 2016 provided an outline of the primary commodities in the municipal area, whereas MERO 2017 describes the agriculture infrastructure found within the municipal area.

Table 1.10 West Coast District agriculture infrastructure, 2013

Infrastructure	West Coast District	Matzikama	Cederberg	Bergrivier	Saldanha Bay	Swartland
Abattoir - red meat	11	2	2	2	1	4
Abattoir - white meat	4	0	2	0	1	1
Agro-processing plant	69	2	38	5	14	10
Airfield	59	9	11	24	5	10
Chicken batteries	0	0	0	0	0	0
Chicken batteries - broilers	60	0	0	7	6	47
Chicken batteries - layers	20	0	0	0	0	20
Chicken hatchery						
Cool chain facilities	2	1	0	1	0	0
Crush pen	729	259	48	105	73	244
Crush pen and dip tank	34	5	2	7	1	19
Dairy	105	2	5	21	9	68
Dam	5 091	946	740	1 473	150	1 782
Feedlot - beef	21	0	0	5	11	5
Feedlot - pigs	8	0	0	4	0	4
Feedlot - sheep	10	1	0	0	4	5
Fruit cool chain facilities	0	0	0	0	0	0
Fruit packers	5	0	1	4	0	0
Grain dam - commercial	1	0	0	0	0	1
Homestead	2 796	943	369	548	298	638
Homestead - labour	1 403	280	231	437	91	364
Nursery	23	2	7	5	3	6
Other	0	0	0	0	0	0
Packhouse	132	11	60	48	1	12
Piggery	37	0	1	10	0	26
Shade netting	301	97	45	71	16	72
Silo bags - commercial	4	0	0	1	0	3
Silo bags - non-commercial	36	0	0	26	1	9
Silos - commercial	18	0	1	7	2	8
Silos - non-commercial	7	0	1	2	1	3
Tunnels	265	157	20	22	15	51

Source: WC Department of Agriculture and Western Cape AgriStats, 2013

In MERO 2016, it was stated that the following subsectors were the largest contributors towards agriculture in the WCD:

- Rooibos (which accounted for 93.2 per cent of the rooibos grown in the WC)
- Triticale (type of wheat; 85.6 per cent of the WC)
- Oranges (82.2 per cent of the WC)
- Small grain grazing (71.8 per cent of the WC)
- Lupine (flowering plants in the legume family; 70.5 per cent of the WC)

This is supported by the data in Table 1.10 stating the equipment and assets required for these subsectors. The greatest assets on the WCD were dams with 5 091 in total, followed by homesteads. There is a high percentage of cattle in the Western Cape Province supporting the large amount of crush pens (729) in the WCD.

1.4.3 Manufacturing subsectors

Table 1.11 indicates the economic contribution of the manufacturing sector in the WCD.

Table 1.11 West Coast District manufacturing subsector GDPR contribution, 2015 (%)

Subsector	West Coast District	Matzikama	Cederberg	Bergrivier	Saldanha Bay	Swartland
Food, beverages and tobacco	69.0	59.2	67.5	75.0	64.6	74.3
Textiles, clothing and leather goods	1.5	0.7	1.1	1.0	1.9	1.8
Wood, paper, publishing and printing	5.6	5.1	2.9	7.4	6.0	5.4
Petroleum products, chemicals, rubber and plastic	6.3	7.5	6.9	5.7	6.9	5.3
Other non-metal mineral products	3.2	8.0	1.6	3.2	2.3	3.4
Metals, metal products, machinery and equipment	9.1	9.0	13.6	4.6	13.2	5.2
Electrical machinery and apparatus	0.1	0.1	0.1	0.1	0.1	0.1
Radio, TV, instruments, watches and clocks	0.5	0.4	0.0	0.1	0.6	0.7
Transport equipment	1.7	1.9	1.2	1.5	2.3	1.3
Furniture and other manufacturing	3.1	8.0	5.1	1.4	2.2	2.6

Source: Quantec Research, 2017

The manufacturing subsectors that contributed the most to the WCD's GDPR in 2015 included the following:

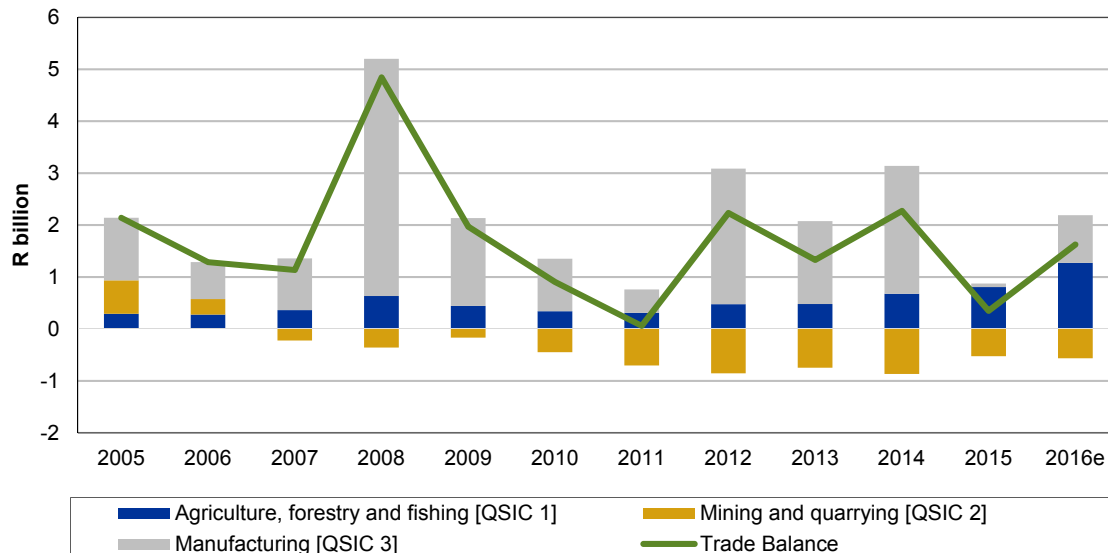
- Food, beverages and tobacco (69.0 per cent)
- Metals, metal products, machinery and equipment (9.1 per cent)
- Petroleum products, chemicals, rubber and plastic (6.3 per cent)

Manufacturing is closely linked with the agriculture sector in the WCD, as is indicated by the dominance of the food and beverage manufacturing subsector. Other linkages include the mining activity in the area (as reflected by the importance of the metals, metal products, machinery and equipment subsector) of titanium, zirconium, phosphate and limestone, sandstone, salt and diamonds. Also of importance are industries such as Saldanha Steel and the IDZ as well as activities at the Saldanha Bay Port.

1.4.4 International trade

Figure 1.3 indicates the WCD trade balance between 2005 and 2015 with an estimate for 2016.

Figure 1.3 West Coast District trade balance, 2005 - 2016



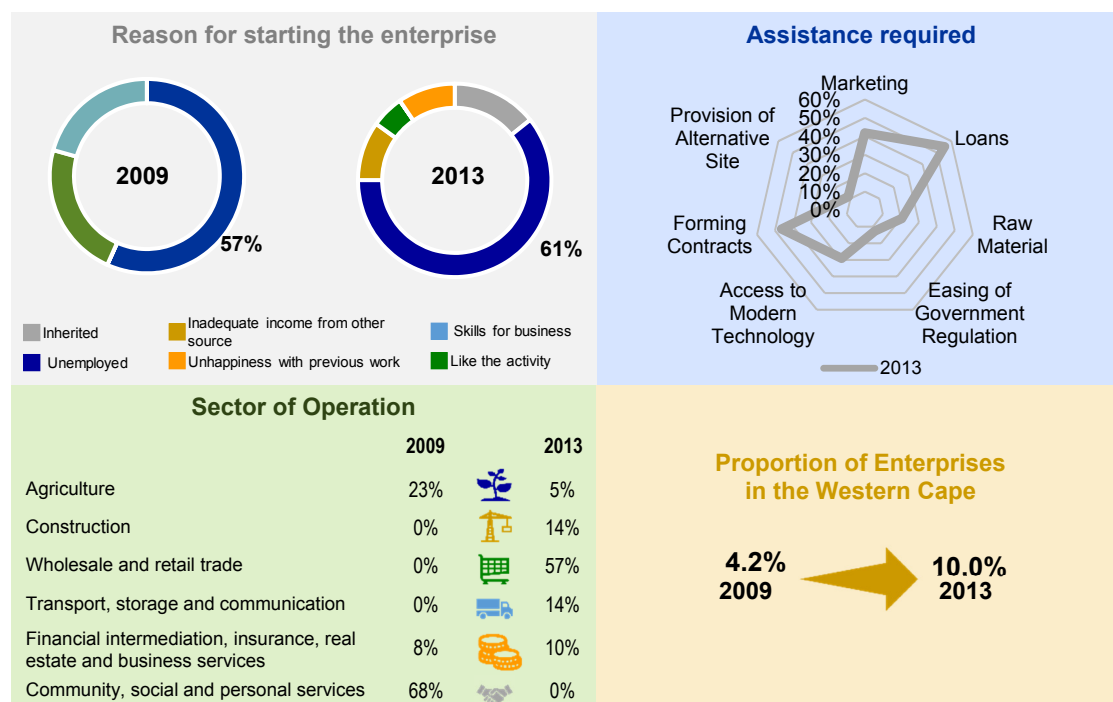
Source: Quantec Research, 2017 (e denotes estimate)

The regional trade balance in the WCD has been positive for the period between 2005 and 2015, meaning that exports from the WCD exceeded imports. During this time, imports stood at R1.5 billion in 2005 and grew to R5.3 billion in 2015. There has been a continuous trade deficit in the mining and quarrying sector since 2007, which could have been a combination of the global recession, the slowdown in Chinese manufacturing, and the weakness of the commodity market due to currency fluctuations and inflation. The trade balance has contracted between 2014 (R2.3 billion) and 2016 (R1.6 billion) which could be attributed to the volatile world economy. The highest trade balance was contributed by the agriculture, forestry and fishing sector with a total of R1.3 billion in 2016. The mining and quarrying sector contracted with R564 million mainly due to the contraction of mining activity within the WCD.

1.4.5 Informal enterprises

The Diagram 1.1 provides an overview of informal enterprises in the WCD. In 2009, 4.2 per cent of surveyed informal traders in the WC was located in this District, compared to 10.0 per cent in 2013.

Diagram 1.1 Informal enterprises overview, West Coast



Source: Adapted from Stats SA, 2009 & 2013

The main reason, in both survey years, for starting an informal business was unemployment, with 56.7 per cent in 2009 and 60.8 per cent in 2013 of respondents stating this reason. In 2009, the majority of respondents operated in the community, social and personal services sector (68.5 per cent), however, in 2013 the majority of respondents operated within the wholesale and retail trade sector (57.0 per cent). These two sectors typically have a lower capital input requirement which makes it easier to start a business in these sectors for informal traders. Informal enterprises within the WCD in 2013 needed assistance with loans, forming contracts and marketing.

The number of SMMEs in the WCD is significant with some municipalities reporting more than 300 registered SMMEs. The majority of these are clustered within the major urban centres such as the town of Saldanha Bay. There is currently a total of 500 small enterprises registered in the WCD. Various challenges are faced by SMMEs in the District, among these, the most important are the lack of access to financing, lack of access to skills and mentoring (also upskilling), and the lack of access to infrastructure (mainly due to the costs thereof). Local government has subsequently recognised the need to support SMMEs due to their job creation potential³. Some of the main initiatives currently implemented include the formalisation of an SMME forum providing training and business to business networking. Furthermore, the Bergrivier Municipality is currently in the process of investigating and restricting their procurement processes for the inclusion of SMMEs in the business processes of local government⁴.

³ West Coast District MERO 2017 Survey response

⁴ Bergrivier Municipality MERO 2017 Survey response

1.5 Concluding remarks

The WCD is the third largest non-metro District economy in the WC Province and the economy is dominated by the agriculture, forestry and fishing, the manufacturing, and the wholesale and retail trade, catering and accommodation sectors.

The primary sector of the WCD contributed 19.1 per cent to the GDP of the District in 2015. However, larger contributions were made by the secondary and tertiary sector with 28.8 per cent and 52.1 per cent respectively. The relatively significant contribution of the primary sector can be attributed to the presence of agriculture (i.e. rooibos, wheat, lupine, sheep, potatoes, wine grapes, oranges and grazing). The Saldanha Bay municipal area reported to having the largest tertiary sector contribution (55.5 per cent) to the GDP compared to the other municipal areas in the WCD. This correlates directly with the economy of the WC, which is dominated by the tertiary sector together with a much smaller contribution to the primary sector than is contributed by the total WCD.

Economic growth in the District declined in 2015 to 0.9 per cent and is estimated to have contracted by 0.6 per cent in 2016, mainly because of the contracting agriculture, forestry and fishing sector. It is estimated that the WCD experienced above average growth in 2016 in the construction (2.9 per cent), wholesale and retail trade, catering and accommodation (2.1 per cent) and finance, insurance, real estate and business services (2.7 per cent) sectors.

It is important to note the rising contribution to employment by the Saldanha Bay municipal area currently benefitting from the Northern Cape development corridor project, which is set to embark on a railway and ports expansion drive. This will result in a continual increase in employment levels in the WCD. The establishment of the IDZ as well as the construction of industrial space is of great benefit for the growth in the District.

The Saldanha Bay and the Swartland municipal areas employed a combined percentage of 53.7 per cent of individuals in the WCD in 2015. Contradicting the contribution to the GDP by the agriculture, forestry and fishing and manufacturing sectors. These sectors experienced the largest contraction (7 065 and 835 respectively) in employment over the period of 2005 to 2015. The sector that experienced the highest employment growth during the period was the wholesale and retail trade, catering and accommodation sector which created 8 617 jobs between 2005 and 2015.

The large contribution by the manufacturing sector (21.6 per cent) towards the GDP in the WCD is supported by the fact that metals, metal products, machinery and equipment as well as petroleum products, chemicals, rubber and plastic are the second and third largest subsectors. The food, beverages and tobacco (69.0 per cent) is the highest contributing subsector in the WCD and supports the agricultural sector (18.2 per cent) and its GDP contribution. During this period, imports stood at R1.5 billion in 2005 and grew to R5.3 billion in 2015. There has been a continuous trade deficit in the mining and quarrying sector since 2007 because of iron ore (which is mined in the Northern Cape) exports from the Saldanha Bay harbour. The trade balance has decreased from 2014 (R2.3 billion) to 2016 (R1.6 billion) which could be attributed to the volatile world economy.

2

Sectoral growth, employment and skills per municipal area

2.1 Introduction

This chapter provides a macroeconomic outlook on the municipal level, an overview of trends in GDP and employment. This chapter also presents an overview skills levels and building plans passed and completed for selected areas (depending on data availability).

2.2 Saldanha Bay

2.2.1 GDP performance

The Saldanha Bay municipal area is the largest economy within the WCD, with economic activities focussing on manufacturing as well as tertiary sector activities. Over the last five years, the Saldanha Bay economy has grown at an average annual rate of 2.2 per cent. This municipal area managed to achieve a positive growth rate in 2016, while the District GDP contracted with 0.6 per cent. Table 2.1 indicates the Saldanha Bay municipal area's GDP performance per sector.

Table 2.1 Saldanha Bay GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%)	R million value	Trend		Real GDPR growth (%)					
	2015	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary sector	15.4	1 185.1	2.3	3.7	6.3	2.0	5.2	5.1	0.0	-2.7
Agriculture, forestry and fishing	14.9	1 149.2	2.5	3.8	6.6	2.1	5.4	5.1	0.0	-2.5
Mining and quarrying	0.5	35.9	-2.2	0.5	0.4	-1.1	0.7	4.4	-1.6	-8.5
Secondary sector	29.1	2 239.9	1.0	-0.1	0.4	-1.0	0.3	0.3	-0.6	-1.1
Manufacturing	22.7	1 747.7	0.6	-0.4	1.0	-1.6	-0.3	-0.4	-0.7	-1.4
Electricity, gas and water	1.2	94.5	-0.3	-0.3	2.5	-0.3	-1.4	-1.3	-1.1	-6.5
Construction	5.2	397.7	4.8	1.8	-3.6	2.4	4.8	5.1	0.2	1.7
Tertiary sector	55.5	4 273.5	3.3	3.1	4.2	3.5	3.2	2.6	1.9	1.5
Wholesale and retail trade, catering and accommodation	14.9	1 143.9	3.6	3.5	5.0	4.7	3.2	2.5	2.4	2.1
Transport, storage and communication	9.2	711.7	-0.3	-0.2	1.1	-0.2	0.1	0.8	-2.8	-3.1
Finance, insurance, real estate and business services	15.0	1 155.4	4.8	3.9	4.2	4.1	3.6	3.4	4.2	3.0
General government	10.2	783.2	3.6	3.5	5.8	3.3	4.6	3.1	0.9	1.5
Community, social and personal services	6.2	479.3	3.5	3.2	4.0	4.5	3.8	2.0	1.8	1.6
Total Saldanha Bay	100	7 698.5	2.4	2.2	3.4	1.9	2.7	2.3	0.9	0.1

Source: Quantec Research, 2017 (e denotes estimate)

The economy of the Saldanha Bay area is driven by the manufacturing sector which contributed R1.7 billion (22.7 per cent) to the economy of the area in 2015. Other leading sectors include the finance, insurance, real estate and business services sector (15.0 per cent), the wholesale and retail trade, catering and accommodation sector (14.9 per cent) and the agriculture, forestry and fishing sector (14.9 per cent). Compared to other municipal areas in the District, the Saldanha Bay municipal area has less agricultural land available for crop farming, meaning that fishing is the primary activity of the agriculture, forestry and fishing sector.

Over the last five years, the agriculture, forestry and fishing sector as well as the majority tertiary sectors have achieved above average growth. The manufacturing sector has however contracted since 2012, at an average annual rate of 0.4 per cent over the last five years. The manufacturing sector within this local municipal area depends heavily on inputs from the agriculture and fishing sector as well as from iron ore that is imported for the manufacturing of steel. Global and national factors impacting iron ore production, prices and the increase of cheaper imports of steel from China will, therefore, affect the economy of the Saldanha Bay area. The current drought is also impacting the local manufacturing sector as approximately 60.0 per cent water use in the Saldanha Bay area is for industrial purposes⁵.

⁵ Saldanha Bay Municipality MERO 2017 Survey response

The transport, storage and communication sector also contracted in 2015 and 2016. This sector is also heavily reliant on the steel manufacturing industry as well as iron ore mining in the Northern Cape since one of the main activities of the Saldanha Bay harbour is the export of iron ore, meaning that factors that have an impact on the mining industry such as changes in legislation, labour unrest and global demand factors can have an indirect effect on this local sector.

Even though the construction sector is relatively small in comparison with other local sectors, it grew at above average rates in 2013 and 2014 in the Saldanha Bay area, indicating new investment in the area during that time, especially in the construction of residential units.

2.2.2 Employment profile

Table 2.2 indicates the trend in employment growth within each economic sector in Saldanha Bay.

Table 2.2 Saldanha Bay employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary sector	31.1	14 429	-869	3 347	-28	1 433	1 295	-407	1 054	-99
Agriculture, forestry and fishing	31.0	14 379	-838	3 366	-28	1433	1315	-407	1 053	-97
Mining and quarrying	0.1	50	-31	-19	0	0	-20	0	1	-2
Secondary sector	16.0	7 444	-668	117	-65	-107	212	-11	88	78
Manufacturing	10.8	5 032	-876	-180	-124	-172	172	-114	58	-1
Electricity, gas and water	0.1	63	21	8	3	2	2	0	1	3
Construction	5.1	2 349	187	289	56	63	38	103	29	76
Tertiary sector	52.8	24 512	6 994	3 643	662	652	855	757	717	379
Wholesale and retail trade, catering and accommodation	17.8	8 277	2 382	1273	257	277	230	228	281	151
Transport, storage and communication	3.6	1 690	339	125	-8	48	52	-56	89	-95
Finance, insurance, real estate and business services	10.8	5 028	1 324	658	141	91	145	75	206	108
General government	10.4	4 820	1 435	620	216	103	97	300	-96	108
Community, social and personal services	10.1	4 697	1 514	967	56	133	331	210	237	107
Total Saldanha Bay	100	46 385	5 457	7 107	569	1 978	2 362	339	1 859	358

Source: Quantec Research, 2017 (e denotes estimate)

Even though the manufacturing sector (22.7 per cent) contributes the most towards the local economy's GDP, it only contributes 10.8 per cent to employment - indicating a high level of mechanisation within the manufacturing sector. Over the last 10 years, more than 800 jobs were lost in the manufacturing sector, which is a result of the contracting sector in terms of GDP.

The agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector collectively contribute 48.8 per cent to employment.

Employment in the agriculture, forestry and fishing sector is volatile. However, over the last five years, this sector has employed an additional 3 366 people. The wholesale and retail trade, catering and accommodation sector had a net increase of 1 273 jobs over the last five years.

In 2016 the following sectors all shed jobs: the agriculture, forestry and fishing (97); transport, storage and communication (95); mining and quarrying (2); and the manufacturing sector (1), while employment growth in other sectors was generally slow when compared to employment in other years.

2.2.3 Skills level

Education levels in any given market area will influence economic and human development. Better employment opportunities and overall development are sustained and accelerated by education and training. Further benefits of higher skills levels include positive effects on health and life expectancy as well as the welfare of the population. A skilled population does not necessarily aspire to employment but to entrepreneurship, which will add businesses to the area, increase economic activity and consequently increase the number of jobs available.

Table 2.3 indicates the skills levels of formally employed workers in the Saldanha Bay municipal area.

Table 2.3 Saldanha Bay skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	17.3	1.8	6 335
Semi-skilled	41.7	-0.6	15 217
Low-skilled	41.0	0.6	14 969
Total Saldanha Bay	100	0.3	36 521

Source: Quantec Research, 2017

The majority of the formally employed workers in Saldanha Bay are semi-skilled (41.7 per cent) or low-skilled (41.0 per cent). In Saldanha Bay there were 36 521 formally employed individuals, indicating that 9 864 individuals were informally employed in 2015. Skilled and low-skilled formal employees have increased marginally between 2005 and 2015, while the number of semi-skilled formal employees have been contracting between 2005 and 2015 - which is in line with the decline in manufacturing sector workers.

2.3 Swartland

2.3.1 GDP performance

Large areas of agricultural land characterise the Swartland municipal area, and it has the second biggest economy in the District, contributing R6.9 billion to the WCD economy. Over the last five years, the Swartland area experienced an average annual

growth rate of 2.9 per cent, which is in line with economic growth in the District and slightly higher than the provincial growth rate. Table 2.4 indicates the Swartland municipal area's GDPR performance per sector.

Table 2.4 Swartland GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	14.5	998.8	3.7	3.2	1.8	2.8	3.9	9.4	-1.8	-8.1
Agriculture, forestry and fishing	14.4	989.0	3.7	3.2	1.8	2.8	3.9	9.4	-1.9	-8.1
Mining and quarrying	0.1	9.8	-0.1	2.8	2.7	1.0	2.9	7.2	0.4	-6.2
Secondary Sector	32.6	2 239.8	3.0	2.0	0.9	2.3	1.8	2.6	2.2	0.5
Manufacturing	24.4	1 674.4	2.9	2.0	1.9	1.7	1.3	2.4	2.8	0.6
Electricity, gas and water	2.3	159.5	-1.3	-0.9	1.4	-0.3	-1.1	-1.7	-2.9	-4.5
Construction	5.9	405.8	5.6	2.9	-4.3	6.9	5.7	5.0	1.5	1.7
Tertiary Sector	52.9	3 634.1	3.6	3.4	5.0	3.8	3.5	2.7	1.9	1.8
Wholesale and retail trade, catering and accommodation	17.5	1 204.8	4.1	4.1	5.9	5.2	3.6	2.9	2.7	2.6
Transport, storage and communication	7.7	526.0	1.3	1.5	2.9	1.5	2.0	2.5	-1.4	-1.4
Finance, insurance, real estate and business services	9.7	667.6	3.9	2.9	4.2	2.9	2.4	2.0	2.9	2.2
General government	11.0	758.9	4.4	4.3	6.6	4.1	5.4	4.0	1.6	2.3
Community, social and personal services	6.9	476.7	3.3	3.1	4.0	3.9	3.6	2.0	1.8	1.3
Total Swartland	100	6 872.7	3.4	2.9	3.2	3.2	3.1	3.9	1.3	-0.4

Source: Quantec Research, 2017 (e denotes estimate)

The main economic sectors in the Swartland area in 2015 included the manufacturing (24.4 per cent), the wholesale and retail trade, catering and accommodation (17.5 per cent) and the agriculture, forestry and fishing (14.4 per cent) sectors.

Overall, in the last decade, every economic sector in Swartland area grew positively in terms of GDPR, except for the mining and quarrying sector and the electricity, gas and water sector. The negative impact on sectors in 2015 could be due to the weaker business confidence coincided with extreme drought, which led to rising prices and threats to the water supply.

The GDPR growth of almost half of the sectors contracted in 2016, resulting in an overall contraction. The agriculture, forestry and fishing sector contracted with 8.1 per cent, the mining and quarrying sector with 6.2 per cent, followed by the electricity, gas and water sector with 4.5 per cent, and transport, storage and personal services (1.4 per cent).

Even though the construction sector is relatively small in comparison with other local sectors, it grew at above average rates between 2012 and 2014 in the Swartland area, indicating new investment in the area during that time, especially in the construction of high-value residential and non-residential spaces as well as road construction.

2.3.2 Employment profile

The Swartland area contributes 25.9 per cent to employment in the District, making this area the second largest contributor to employment in the District, following Saldanha Bay. The unemployment rate in the Swartland area is slightly lower than that of the District at 10.7 per cent. Table 2.5 indicates the trend in employment growth within each economic sector in the Swartland municipal area.

Table 2.5 Swartland employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	26.6	11 473	-1 550	2 995	-268	624	565	-508	2 582	-16
Agriculture, forestry and fishing	26.5	11 453	-1543	3 001	-268	624	572	-508	2 581	-16
Mining and quarrying	0.0	20	-7	-6	0	0	-7	0	1	0
Secondary Sector	17.1	7 380	256	594	46	8	256	85	199	188
Manufacturing	11.2	4 832	-43	272	-19	-66	210	-17	164	103
Electricity, gas and water	0.3	125	34	16	5	3	1	3	4	3
Construction	5.6	2 423	265	306	60	71	45	99	31	82
Tertiary Sector	56.3	24 299	7 501	3 973	714	744	923	858	734	559
Wholesale and retail trade, catering and accommodation	21.1	9 086	2 993	1 591	310	351	292	285	353	225
Transport, storage and communication	2.7	1 177	423	209	24	62	60	-12	75	28
Finance, insurance, real estate and business services	8.4	3 620	1 006	507	116	74	119	55	143	75
General government	11.7	5 069	1 945	913	269	161	156	368	-41	168
Community, social and personal services	12.4	5 347	1 134	753	-5	96	296	162	204	63
Total Swartland	100	43 152	6 207	7 562	492	1 376	1 744	435	3 515	731

Source: Quantec Research, 2017 (e denotes estimate)

The agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector contributed the most to employment. Even though the manufacturing sector contributes 24.4 per cent to the economy, it only contributes 11.2 per cent to employment.

In 2015, more than 3 500 jobs were created, the most number of new jobs in the last five years. The agriculture, forestry and fishing sector contributed significantly to this increase, creating 2 581 jobs in 2015, but contracted by 16 jobs in 2016.

This resulted in the rate at which the total number of jobs were created declining to only 731 new jobs in 2016. Most sectors, except for the construction and general government sectors, created fewer jobs in 2016 compared to 2015.

2.3.3 Skills level

Table 2.6 indicates the skills levels of formally employed people in the Swartland area. Overall, formal employment has increased at a rate of 0.7 per cent per annum over the last 10 years. In 2015, the informal sector contributed 20.2 per cent to employment in the Swartland area.

Table 2.6 Swartland skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	14.5	1.7	5 005
Semi-skilled	34.2	0.6	11 784
Low-skilled	51.3	0.4	17 652
Total Swartland	100	0.7	34 441

Source: Quantec Research, 2017

The majority of the Swartland's formally employed individuals are low-skilled (51.3 per cent), compared to 34.2 per cent semi-skilled and 14.5 per cent skilled. Skilled formal employees have been increasing positively (1.7 per cent per annum) between 2005 and 2015. The high percentage of low-skilled labour supports the large number of workers employed within the agricultural, forestry and fishing sector. The increase in skilled workers can be attributed to employment growth in sectors such as the general government sector and finance, insurance, real estate and business services sector.

2.4 Matzikama

2.4.1 GDP performance

The Matzikama municipal area is the third largest in terms of geographical size and is the most northern municipality of the District bordering the Northern Cape. The Matzikama municipal area contributes 14.6 per cent (R3.7 billion) to the District's economy. Economic growth in the municipal area (2.9 per cent) over the last five years is in line with the growth rate of the District (2.8 per cent). However, the economy contracted by 2.3 per cent in 2016, which is more severe than the contraction experienced by the District (0.6 per cent). Table 2.7 indicates Matzikama area's GDP performance per sector.

Table 2.7 Matzikama GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	26.1	959.5	4.3	5.8	2.8	14.1	3.8	9.5	-1.2	-8.7
Agriculture, forestry and fishing	21.9	805.1	5.7	6.4	2.7	17.0	4.2	9.7	-1.7	-8.0
Mining and quarrying	4.2	154.4	0.0	3.4	3.4	2.1	1.9	8.2	1.5	-12.3
Secondary Sector	22.0	807.4	1.0	0.6	0.3	0.9	0.4	1.6	-0.1	0.8
Manufacturing	13.8	507.3	1.3	1.1	1.7	1.6	-0.2	1.2	1.2	0.7
Electricity, gas and water	3.1	114.7	-4.3	-4.2	-2.3	-3.2	-3.8	-4.8	-6.9	-6.6
Construction	5.0	185.3	5.7	2.2	-2.9	1.5	5.6	7.2	-0.5	5.6
Tertiary Sector	51.9	1 906.7	2.4	2.3	3.9	2.6	2.4	1.7	1.0	0.6
Wholesale and retail trade, catering and accommodation	16.8	616.8	2.7	2.7	4.4	3.8	2.2	1.6	1.6	1.4
Transport, storage and communication	8.0	294.5	-1.2	-1.3	0.0	-1.3	-0.8	-0.4	-3.9	-4.9
Finance, insurance, real estate and business services	10.0	366.4	3.8	3.1	4.5	3.0	2.3	2.4	3.4	1.9
General government	10.7	393.0	3.1	3.1	5.3	2.8	4.1	2.6	0.5	1.1
Community, social and personal services	6.4	236.0	3.1	3.0	4.6	3.6	3.8	1.1	1.8	1.1
Total Matzikama	100	3 673.5	2.6	2.9	2.8	5.4	2.4	4.0	0.1	-2.3

Source: Quantec Research, 2017 (e denotes estimate)

Similar to the other municipal areas within the District, economic activity in the Matzikama municipal area is dominated by the agriculture, forestry and fishery (21.9 per cent), wholesale and retail trade, catering and accommodation (16.8 per cent) and the manufacturing (13.8 per cent) sectors.

Growth in the agriculture, forestry and fishing sector is very volatile with growth rates of 17.0 per cent in 2012, and 9.7 per cent in 2014, but contracting in 2015 and 2016. The wine grape production area along the Olifants River in the Matzikama municipal area delivered higher yields in 2012 (VinPro, 2012) which contributed to the growth in this sector. This increase in growth in the agriculture, forestry and fishing sector, together with the growth in the manufacturing sector and with overall growth in the economy of Matzikama in 2012 and 2014, highlights the interlinkages between the two sectors and the vital role they play in the local economy in terms of generating growth. According to Matzikama Municipality, there is potential to improve wine exports from this region, which will support growth in the agriculture, forestry and fishing sector and the manufacturing sector in terms of GDPR and employment, however constraining factors for this industry include wine quality, inconsistent productivity and lack of water.

Even though the construction sector is relatively small in comparison with other local sectors, it grew at above average rates in 2013 and 2014 in the Matzikama area, indicating new investment in the area during that time, especially in the construction of high-value residential units (Quantec, 2017).

At 4.2 per cent, the mining and quarrying sector contributes more to the economy of the Matzikama area compared to its contribution in other municipal areas in 2015. This is mainly due to sand mining in the area, which is a main input for the local construction sector⁶.

2.4.2 Employment profile

The Matzikama municipal area contributed 15.9 per cent to employment in the District. Although job creation improved between 2010 and 2015, the 4 448 jobs created in the five years are still less than what was lost between 2006 and 2010 when the area shed 4 681 jobs. The Matzikama municipal area had an unemployment rate of 11.7 per cent in 2015, which is slightly higher than the unemployment rate of the District (11.3 per cent). Table 2.8 indicates the trend in employment growth within each economic sector in the Matzikama municipal area.

Table 2.8 Matzikama employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	37.4	9 885	-1 420	2 419	- 227	527	384	- 424	2 159	- 20
Agriculture, forestry and fishing	36.3	9 585	-1 284	2 508	-225	521	485	-425	2 152	-12
Mining and quarrying	1.14	300	-136	-89	-2	6	-101	1	7	-8
Secondary Sector	11.6	3 065	256	304	62	16	114	44	68	88
Manufacturing	6.4	1 704	23	84	15	-26	79	-25	41	28
Electricity, gas and water	0.4	97	3	5	2	-	-2	-	5	-1
Construction	4.8	1 264	230	215	45	42	37	69	22	61
Tertiary Sector	51.0	13 470	3 307	1 725	276	320	420	368	341	154
Wholesale and retail trade, catering and accommodation	19.3	5 106	1 250	655	126	152	112	118	147	51
Transport, storage and communication	2.8	746	125	48	-5	22	27	-26	30	-13
Finance, insurance, real estate and business services	7.0	1 844	277	134	23	10	36	-2	67	10
General government	10.1	2 670	795	339	120	59	51	164	-55	63
Community, social and personal services	11.7	3 104	860	549	12	77	194	114	152	43
Total Matzikama	100	26 420	2 143	4 448	111	863	918	-12	2 568	222

Source: Quantec Research, 2017 (e denotes estimate)

⁶ Matzikama Municipality MERO 2017 Survey response

In terms of employment, the sectors that contributed the most to Matzikama's employment in 2015 were the agriculture, forestry and fishing (36.3 per cent), the wholesale and retail trade, catering and accommodation (19.3 per cent), and the community, social and personal services (11.7 per cent) sectors. Overall, between 2005 and 2015, all sectors contributed to job creation, except for the mining and quarrying sector and the agriculture, forestry and fishing sector which jointly shed 1 420 jobs over the period.

Employment needs within the agriculture, forestry and fishing sector are volatile due to constant changes in minimum wages and labour legislation as well as production volumes and producer prices. This sector is characterised by seasonal (temporary) labour needs that make job creation in some years unsustainable. The agriculture, forestry and fishing sector contributes the most to employment in the District, meaning that many households are dependent on this sector, which highlights the importance of sustainable job creation within this sector.

2.4.3 Skills level

Table 2.9 indicates the skills levels of those who are formally employed in the Matzikama area. Formal employment contracted at an average annual rate of 0.1 per cent over the last decade. In 2015, the informal sector contributed 21.5 per cent towards employment in the Matzikama area.

Table 2.9 Matzikama skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	13.4	1.0	2 787
Semi-skilled	32.0	-0.1	6 645
Low-skilled	54.5	-0.3	11 303
Total Matzikama	100	-0.1	20 735

Source: Quantec Research, 2017

The majority of formally employed individuals are low-skilled (54.5 per cent), compared to 32.0 per cent semi-skilled and 13.4 per cent skilled. Skilled employees have been increasing positively between 2005 and 2015.

2.5 Bergrivier

2.5.1 GDPR performance

The Bergrivier municipal area contributed 14.7 per cent towards the economy of the District in 2015, while the average annual GDPR growth is the same as the District growth over the last five years (2.8 per cent). The GDPR growth in the District declined in 2015 and contracted by 1.6 per cent in 2016, which is greater than the contraction during the recession (0.7 per cent in 2009). Table 2.10 indicates Bergrivier's GDPR performance per sector.

Table 2.10 Bergvrievr GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	26.6	983.5	3.6	3.4	2.5	3.0	4.1	9.1	-1.5	-7.3
Agriculture, forestry and fishing	26.0	961.1	3.9	3.5	2.6	3.1	4.2	9.2	-1.5	-7.3
Mining and quarrying	0.6	22.4	-3.1	-0.6	-0.6	-2.2	-0.5	3.1	-2.9	-9.8
Secondary Sector	28.5	1 051.1	3.6	2.0	1.5	0.6	2.4	3.5	1.8	0.6
Manufacturing	22.9	847.1	3.6	2.1	1.6	0.8	2.3	3.4	2.3	0.6
Electricity, gas and water	1.6	60.4	-1.2	-1.2	1.9	-1.0	-2.4	-2.3	-1.9	-7.4
Construction	3.9	143.6	5.6	2.5	0.5	-0.3	5.7	6.3	0.4	3.6
Tertiary Sector	44.9	1 659.3	3.2	2.9	4.7	3.3	3.0	2.0	1.6	1.2
Wholesale and retail trade, catering and accommodation	13.5	496.9	2.6	2.7	4.3	3.8	2.2	1.6	1.5	1.3
Transport, storage and communication	5.5	203.9	1.7	1.5	3.0	1.6	1.9	2.5	-1.4	-1.7
Finance, insurance, real estate and business services	10.6	392.9	5.1	4.2	6.0	4.2	3.7	3.0	4.3	2.9
General government	9.8	363.8	2.0	1.7	4.0	1.6	2.7	1.3	-0.8	-0.3
Community, social and personal services	5.5	201.8	4.3	4.1	5.6	5.2	5.0	1.9	2.6	1.9
Total Bergvrievr	100	3 693.9	3.3	2.8	3.2	2.5	3.2	4.5	0.7	-1.6

Source: Quantec Research, 2017 (e denotes estimate)

The dominating sectors in the Bergvrievr area economy are the agriculture, forestry and fishing sector (26.0 per cent), the manufacturing sector (22.9 per cent) and the wholesale and retail, catering and accommodation sector (13.5 per cent). The five-year average annual growth rate of the economy is lower than the 10-year average growth rate indicating that the economy did not fully recover from the recession. However, the agriculture, forestry and fishing sector as well as the finance, insurance, real estate and business services sector and the community, social and personal services sector have grown at above average rates over the last five years.

The GDP performance of almost half of the sectors contracted during 2015 and 2016, which contributed to the slump in economic growth in 2015 and the subsequent contraction in 2016. The mining and quarrying sector contracted by 9.8 per cent in 2016 while the electricity, gas and water sector which contracted by 7.4 per cent in 2016. Other sectors that also contracted in 2016 include the transport, storage and communication (1.7 per cent), agriculture, forestry and fishing (7.3 per cent) and the general government (0.3 per cent) sectors.

The construction sector achieved the highest growth rate in 2016 (3.6 per cent). The construction of new retail developments (Winkelshoek) have contributed to this high growth rate. There are plans to expand current activities at this node, which can

potentially attract new investment and contribute to construction sector and wholesale and retail trade, catering and accommodation growth⁷.

2.5.2 Employment profile

The Bergrivier area contributed 16.1 per cent to employment in the District in 2015. Over the last five years, job creation has increased significantly, with 4 729 jobs being created between 2010 and 2015. However, this is less than the 6 955 jobs which were lost between 2006 and 2010 in the area. The Bergrivier municipal area had an unemployment rate of 5.4 per cent in 2015, which is the lowest in the District. Table 2.11 indicates the trend in employment growth within each economic sector in the Bergrivier area.

Table 2.11 Bergrivier employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	47.4	12 735	-1 743	3 259	-286	730	655	-550	2 710	- 29
Agriculture, forestry and fishing	47.3	12 703	- 1 715	3 275	-286	730	671	-550	2 710	-29
Mining and quarrying	0.1	32	- 28	-16	-	-	-16	-	-	-
Secondary Sector	11.5	3 082	-51	180	-16	-4	90	48	62	92
Manufacturing	8.0	2 143	-162	56	-47	-33	76	6	54	52
Electricity, gas and water	0.2	50	15	5	1	2	1	1	-	1
Construction	3.3	889	96	119	30	27	13	41	8	39
Tertiary Sector	41.1	11 042	2 517	1 290	229	242	304	306	209	173
Wholesale and retail trade, catering and accommodation	14.6	3 922	827	426	82	103	75	71	95	41
Transport, storage and communication	1.8	477	117	55	2	23	19	-9	20	11
Finance, insurance, real estate and business services	6.3	1 682	417	216	40	36	45	27	68	55
General government	9.5	2 559	324	71	74	4	-4	104	-107	8
Community, social and personal services	8.9	2 402	832	522	31	76	169	113	133	58
Total Bergrivier	100	26 859	723	4 729	-73	968	1 049	- 196	2 981	236

Source: Quantec Research, 2017 (e denotes estimate)

In terms of employment, the sectors that contributed the most to Bergrivier's employment in 2015 were the agriculture, forestry and fishing (47.3 per cent), wholesale and retail trade, catering and accommodation (14.6 per cent), and the general government (9.5 per cent) sectors.

⁷ Bergrivier Municipality MERO 2017 Survey response

The agriculture, forestry and fishing sector contributes the most to employment in the District, meaning that many households are dependent on this sector, which highlights the importance of sustainable job creation within this sector which is typically characterised with lower wage levels and seasonal employment.

In 2016, employment growth declined with only 236 jobs created which is in line with the general decline in economic growth. The agriculture, forestry and fishing sector also shed jobs.

2.5.3 Skills level

Table 2.12 indicates the skills levels of Bergrivier area. Formal employment within the Bergrivier area has been declining at an average annual rate of 0.4 per cent per annum over the last decade. The informal sector contributes 18.6 per cent to employment.

Table 2.12 Bergrivier skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	13.1	1.8	2 858
Semi-skilled	30.4	-0.5	6 655
Low-skilled	56.5	-0.8	12 358
Total Bergrivier	100	-0.4	21 871

Source: Quantec Research, 2017

The majority of Bergrivier's formally employed individuals are low-skilled (56.5 per cent), compared to 30.4 per cent semi-skilled and 13.1 per cent skilled. The high percentage of low-skilled workers are in line with a large number of workers employed within the agricultural sector. Skilled formal employees have been growing between 2005 and 2015; while semi- and low-skilled formal employees have declined across the same period. These continual declines in low-skilled and semi-skilled workers are in line with the overall 10-year decline in employment in the agriculture, forestry and fishing sector as well as the manufacturing sector.

2.6 Cederberg

2.6.1 GDP performance

The Cederberg municipal area has the smallest economy in the District, contributing 12.6 per cent to the GDP in the District in 2015. Due to the smaller size of the economy, growth rates in the area are above average, with an average annual five-year growth of 3.7 per cent. Growth declined in the area to 1.3 per cent in 2015 and stagnated in 2016 mainly because of the contracting agriculture, forestry and fishing sector. Table 2.13 indicates Cederberg's GDP performance per sector.

Table 2.13 Cederberg GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	21.3	674.1	2.8	2.9	2.2	2.2	3.7	8.1	-1.9	-7.0
Agriculture, forestry and fishing	21.1	668.2	2.9	2.9	2.2	2.2	3.7	8.1	-1.9	-7.0
Mining and quarrying	0.2	6.0	0.0	3.0	2.8	1.2	3.1	7.1	0.7	-6.2
Secondary Sector	28.0	883.4	5.5	3.7	3.4	2.9	4.6	5.0	2.5	2.6
Manufacturing	20.6	651.9	5.3	3.6	3.9	2.8	4.3	4.6	2.6	2.6
Electricity, gas and water	2.2	68.6	3.2	1.5	4.7	1.6	0.2	0.5	0.5	-5.2
Construction	5.2	162.9	8.3	4.8	0.4	4.4	8.1	8.5	2.5	5.2
Tertiary Sector	50.7	1 601.8	4.4	4.1	5.7	4.5	4.3	3.7	2.4	2.1
Wholesale and retail trade, catering and accommodation	13.9	439.0	4.0	3.9	5.6	5.1	3.5	2.8	2.7	2.8
Transport, storage and communication	12.5	395.6	5.3	5.1	7.3	5.6	5.4	6.1	1.3	0.3
Finance, insurance, real estate and business services	10.6	334.4	4.8	4.0	4.9	3.9	4.0	3.3	3.9	3.0
General government	8.3	263.6	4.2	4.2	6.4	3.9	5.3	3.8	1.5	2.2
Community, social and personal services	5.4	169.2	3.1	2.8	3.8	3.7	3.1	2.0	1.5	1.4
Total Cederberg	100	3 159.3	4.2	3.7	4.2	3.5	4.2	5.1	1.3	0.0

Source: Quantec Research, 2017 (e denotes estimate)

The main economic sectors within the Cederberg municipal area are the agriculture, forestry and fishing sector and the manufacturing sector which collectively make up 41.7 per cent of GDPR in the area. The wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector contribute a further 26.4 per cent towards the economy of the Cederberg area.

The agriculture, forestry and fishing sector achieved significant growth (8.1 per cent) in 2014. However, growth was not sustainable, and the sector contracted by 1.9 per cent in 2015 and by a further 7.0 per cent in 2016 because of the Provincial drought. The high growth in 2014 can be attributed to favourable export conditions as well as increased producer prices.

Three sectors contracted during 2015 and 2016, namely, the agriculture, forestry and fishing (7.0 per cent); mining and quarrying sector (6.2 per cent) and the electricity, gas and water (5.2 per cent) sectors, which ultimately led to the stagnant economic growth of 2016.

2.6.2 Employment profile

In conjunction with being the smallest economy in the District, the Cederberg area contributes the least to employment compared to other municipal areas in the District (14.3 per cent). In 2015, the unemployment rate in the Cederberg municipal area was 7.7 per cent, which is lower than the unemployment rate in the District. Between 2010 and 2015, employment increased by 4 809 jobs.

Table 2.14 indicates the trend in employment growth within each economic sector in the Cederberg municipal area.

Table 2.14 Cederberg employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	39.9	9 505	- 1 687	2 315	-224	571	526	-406	1 848	-44
Agriculture, forestry and fishing	39.9	9 495	-1 685	2 316	- 225	569	531	-406	1 847	-44
Mining and quarrying	0.0	10	-2	-1	1	2	-5	-	1	-
Secondary Sector	13.7	3 272	650	485	54	61	142	107	121	153
Manufacturing	8.5	2 018	223	182	-7	-4	89	27	77	70
Electricity, gas and water	0.2	54	22	12	2	4	1	1	4	1
Construction	5.0	1 200	405	291	59	61	52	79	40	82
Tertiary Sector	46.3	11 023	3 717	2 009	350	374	474	404	407	298
Wholesale and retail trade, catering and accommodation	15.6	3 718	1 165	641	130	138	121	114	138	113
Transport, storage and communication	4.0	952	440	229	34	61	56	4	74	51
Finance, insurance, real estate and business services	7.5	1 781	585	292	60	45	66	40	81	42
General government	8.3	1 987	740	347	104	60	59	142	-18	61
Community, social and personal services	10.9	2 585	787	500	22	70	172	104	132	31
Total Cederberg	100	23 800	2 680	4 809	180	1 006	1 142	105	2 376	407

Source: Quantec Research, 2017 (e denotes estimate)

The agriculture, forestry and fishing sector employs the most people in the area, contributing 39.9 per cent to employment in 2015. Other sectors employing large amounts of people include the wholesale and retail trade, catering and accommodation (15.6 per cent) and the community, social and personal services (10.9 per cent) sectors.

In 2015, a record number of 2 376 jobs were created, 77.8 per cent of which were in the agriculture, forestry and fishing sector. Employment needs within this sector are volatile due to constant changes in minimum wages and labour legislation as well as production volumes and producer prices. This sector is characterised by seasonal (temporary) labour needs that make job creation in some years unsustainable. The agriculture, forestry and fishing sector contributes the most to employment in the District, meaning that many households are dependent on this sector, which highlights the importance of sustainable job creation within this sector.

2.6.3 Skills level

Table 2.15 indicates the skills levels of formally employment individuals in the Cederberg municipal area. In Cederberg, there were 19 037 formally employed individuals, meaning that 4 763 individuals (20.0 per cent) were informally employed in 2015.

Table 2.15 Cederberg skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	11.5	1.8	2 182
Semi-skilled	34.5	1.5	6 560
Low-skilled	54.1	-0.5	10 295
Total Cederberg	100	0.4	19 037

Source: Quantec Research, 2017

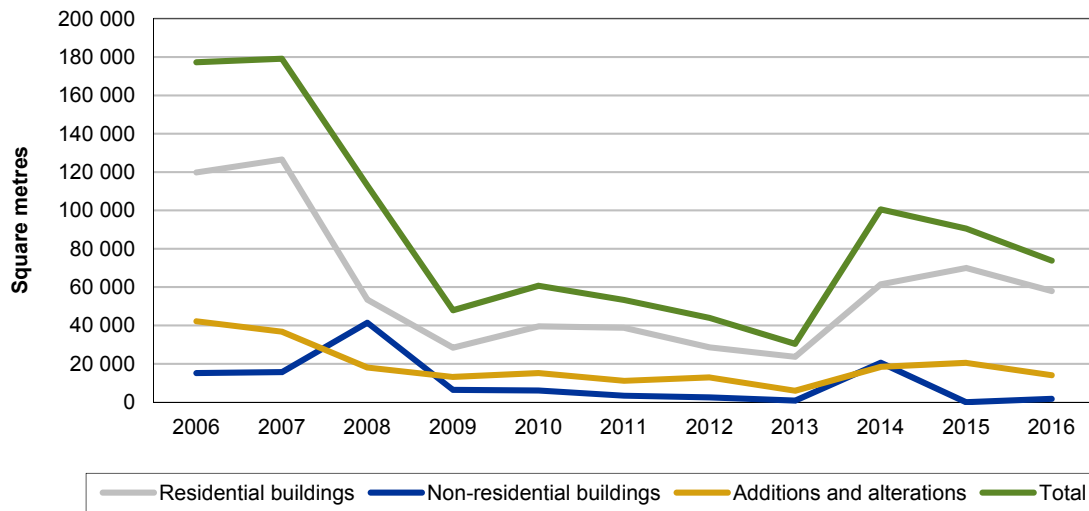
The majority of Cederberg's formally employed individuals are low-skilled (54.1 per cent), compared to 34.5 per cent semi-skilled and 11.5 per cent skilled. The high percentage of low-skilled workers supports the large number of workers employed within the agricultural sector. Skilled and semi-skilled formal employees have been increasing between 2005 and 2015, while the low-skilled formal employees have been decreasing across the same period at an average annual rate of 0.5 per cent over the last decade, which is in line with the decline in agriculture, forestry and fishing sector.

2.7 Building plans passed and completed

Building plans can provide a picture of the performance of an economy. Growth in the number of building plans passed and completed is an indication of a growing economy - both in that, a building plan is a response to growth in demand variables and a stimulant of further growth as an activity in and of itself.

Figure 2.1 indicates the total square metres of building plans passed between 2006 and 2016 in Saldanha Bay.

Figure 2.1 Saldanha Bay building plans passed, 2006 - 2016

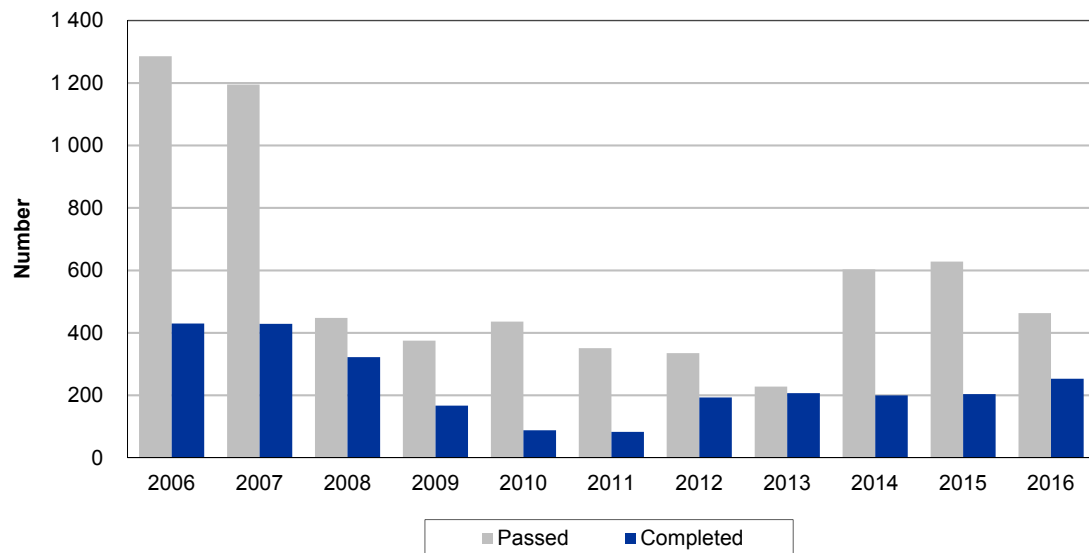


Source: Stats SA, 2017

In the Saldanha Bay municipal area, a total of 648 543 square metres of residential buildings have been passed in the last 10 years (2006 to 2016), 113 764 square metres of non-residential buildings (the majority in industrial space), and 208 469 square metres of additions and alterations.

Figure 2.2 indicates the building plans passed and completed in Saldanha Bay between 2006 and 2016.

Figure 2.2 Saldanha Bay building plans passed and completed, 2006 - 2016



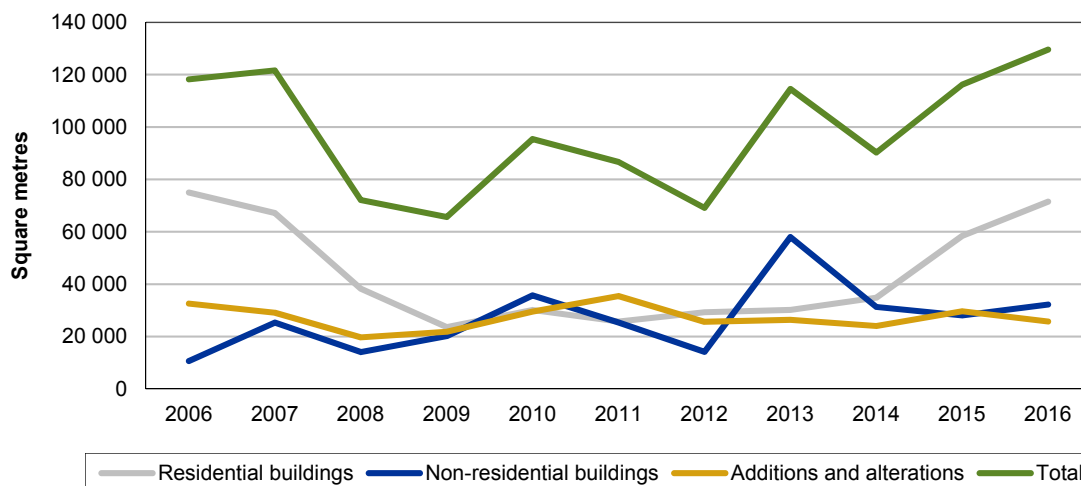
Source: Stats SA, 2017

There were many building plans passed before the recession, and building activity has been increasing since 2013. Another aspect that needs to be taken into consideration regarding the gap between the building plans passed and completed could be because larger construction projects take several years to be completed and documented.

Many building plans were passed in the Saldanha Bay area before 2008, with more building plans being completed in 2006 than any other year. Very few building plans were being completed during and after the recession.

Figure 2.3 indicates the total square metres of building plans passed between 2006 and 2016 in the Swartland area.

Figure 2.3 Swartland building plans passed, 2006 - 2016

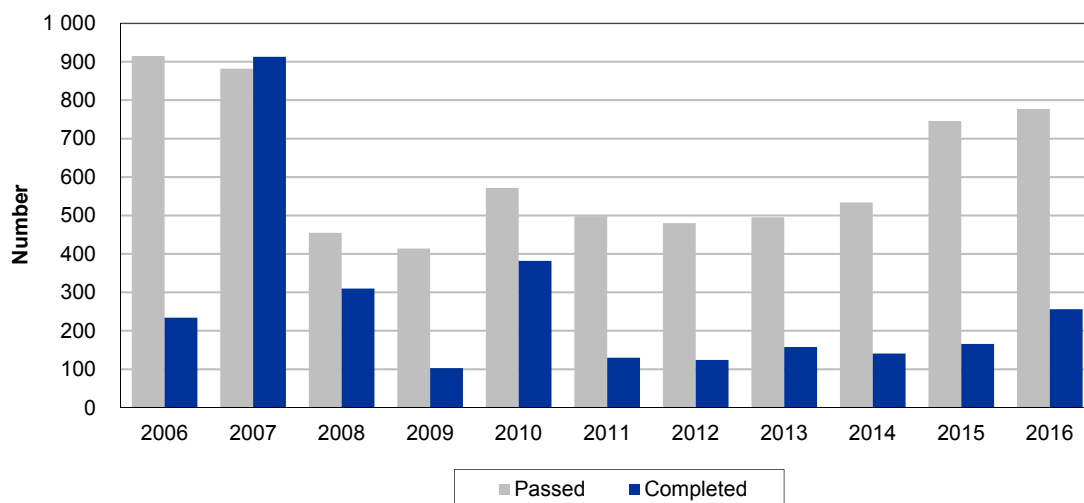


Source: Stats SA, 2017

In the Swartland municipal area, a total of 484 395 square metres of residential buildings have been passed in the last 10 years (2006 - 2016), 295 351 square metres of non-residential buildings (the majority in industrial space), and 299 874 square metres of additions and alterations. There has been a similar amount of building plans passed for non-residential space and additions/alterations over the last 10 years, with a spike in 2013. Many residential building plans were passed between 2006, 2007 and 2016.

Figure 2.4 indicates the building plans passed and completed in the Swartland municipal area between 2006 and 2016.

Figure 2.4 Swartland building plans passed and completed, 2006 - 2016



Source: Stats SA, 2017

Many building plans were passed in Swartland before 2008, with more building plans being completed in 2007 than any other year. The number of building plans passed remained steady after the recession and started to increase in 2015, but the number of building plans completed remained low after the recession.

2.8 Concluding remarks

This chapter found that the agricultural sector is dominant with regard to its contribution towards the economic base of the WCD. The Saldanha Bay municipal area is considered to be the economic hub in the WCD especially with regards to the growth and expansion of the commercial sector in the District. The contraction of employment in the manufacturing and agriculture sector is concerning; these sectors were the main focus of employment for the unskilled and semi-skilled labour within the area. Because of this, the WCD faces challenges regarding the growing informal sector leading to a decrease in the District's GDP.

In all the local municipal areas within the WCD, the main economic sectors include the agriculture, forestry and fishing, the manufacturing and the wholesale and retail trade, catering and accommodation sectors. The finance, insurance, real estate and business services sector and the general government sector also make relatively large contributions.

The reliance on primary, secondary and tertiary sectors can be a direct reflection on the leading industries found in each local municipal area, with the dominance of the tertiary sector in the Saldanha Bay municipal area, compared to the dominance of the primary sector in the Matzikama municipal area. In general, the skills levels in all the local municipal areas in the District are improving, indicating either better access to education or up-skilling by employers.

3

Value chains

3.1 Introduction

Industries do not operate in a single economic sector. As value is added throughout the product value chain, the goods and services of various industries are needed. In many local economies, the economy is driven by a dominant industry or commodity, which has given rise to the development of towns and the expansion of economic activity as well as attracting new industries and development which adds value to the economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this chapter is to highlight how economic sectors within WCD function and, considering the economic and employment trends identified in Chapters 1 and 2, provide further detail to the linkages between local sectors.

3.2 Sectoral linkages

From Chapter 2, it is clear that the dominant sectors in the WCD are the manufacturing, agriculture, forestry and fishing and the wholesale and retail trade, catering and accommodation sectors as they are the main contributing sectors to GDP. Combined, these sectors contributed R13.9 billion towards the WCD economy (55.3 per cent of total GDP) and employed 103 453 people (62.1 per cent of total employment) in 2015.

The agriculture, forestry and fishing sector consists mostly of grains, oilseeds and rooibos while some fishing and aquaculture takes place in Saldanha Bay and Matzikama. The agriculture sector requires inputs obtainable through the retail sector as well as the manufacturing sector. Supporting sectors to the agriculture sector also include the finance and business services subsector and the transport and storage subsector, even though these sectors only contribute 11.6 per cent and 8.5 per cent respectively to the District's economy in 2015. These sectors are also critical for the manufacturing sector

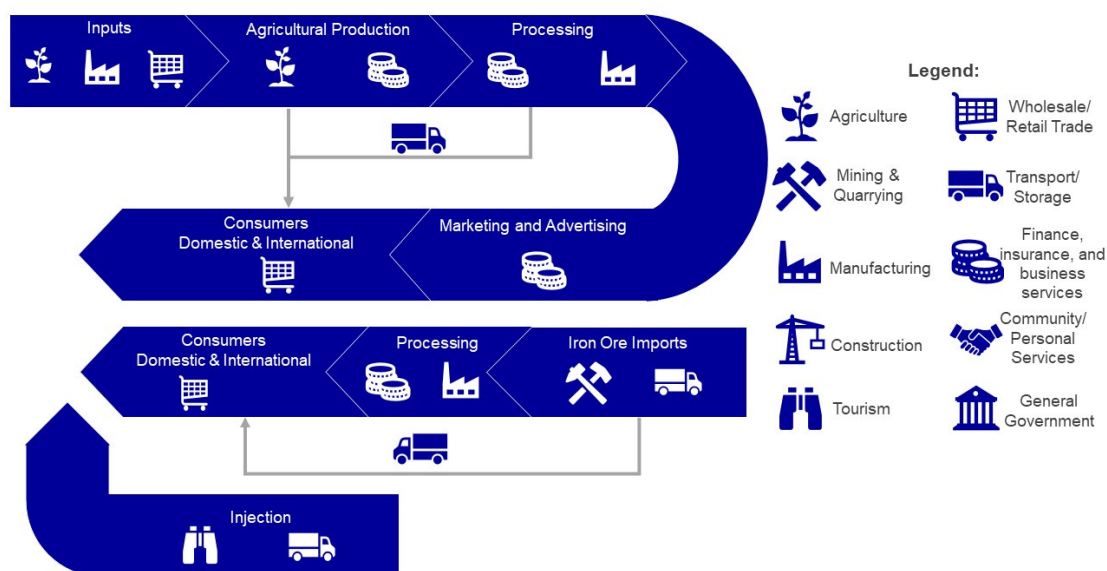
to provide access to finance as well as for bulk transport of freight to and from the District.

The iron and steel industry in Saldanha Bay is the main economic driver in the Saldanha Bay area. Iron ore is imported and processed in Saldanha Bay, making the Sishen-Saldanha rail network as well as the Saldanha Bay harbour critical infrastructure for the sustainability of the industry.

Tourism as well as freight being transported by road on the Cape Town-Namibia Corridor (N7), provides an injection to the local economy as trucks and tourists typically spend money on fuel, food, accommodation.

Diagram 3.1 outlines these sectoral linkages.

Diagram 3.1 Sectoral linkages





Source: Urban-Econ, 2017

As indicated by Diagram 3.1, there are many backward and forward linkages between the various economic sectors in the WCD. The analysis of this section focuses on the main economic sectors in the WCD. These are the sectors that will negatively affect the economy if they had to disappear (i.e. wheat crop rotation, rooibos, and steel/mineral production and all associated processing and tertiary sector support).

Table 3.1 provides a summary of the linkages between the sectors as outlined in Diagram 3.1.

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture subsector	<p>The agriculture subsector in the WCD contributed R3.2 billion to the economy of the WCD and employed 41 202 workers in 2015, the majority in the Bergrivier and Swartland areas where the main crops are wheat, lupines, triticale and canola which are planted in a crop rotation system. The main input requirements for agricultural production include fuel, seeds, machinery, pesticides and fertiliser which are available locally (providing linkages with the retail sector). Fertilisers are produced locally highlighting the interlinkages between the agriculture and manufacturing sector.</p>
 Wholesale and retail trade subsector	<p>On a District level, the fishing subsector contributed 5.2 per cent to the economy in 2015. However, this subsector contributed 12.2 per cent to the economy of the Saldanha Bay area and employed 11 924 people and supports the local manufacturing sector. The fishing sector is largely dependent on the availability of fish in the ocean, which can be affected by climatic conditions and sustainable fishing practices, as well as the Saldanha Bay harbour.</p>
 Wholesale and retail trade subsector	<p>The wholesale and retail trade subsector is dependent on the spending of businesses, households and tourists in the area. This sector contributed R3.7 billion to the economy in 2015 and employed 26 937 people, with the largest retail nodes located in the Saldanha Bay and Swartland areas. Backward linkages to the agriculture sector include supplying inputs; local companies include:</p> <ul style="list-style-type: none"> ● Agrico ● Afgri ● BKB ● Kaap Agri (Agrimark) ● Omnia ● Syngenta ● Krynoch ● Pretoria Portland Cement (PPC) <p>Agricultural products and processed goods are sold within the WCD and do not only contribute to the local wholesale and retail sector but also to this sector in other provinces. Households and enterprises need a variety of goods not produced in the area, typically sold in retail chain stores, which highlights the interdependence on the transport sector. Changes in fuel prices will therefore also impact the local retail sector.</p>
 Manufacturing	<p>The manufacturing sector contributed R5.4 billion to the economy of the WCD, with food manufacturing adding R2.8 billion, with the metals, metal products, machinery and equipment manufacturing contributing R491 million. Some local manufacturing of chemicals and fertiliser and other minerals takes place which adds to the local manufacturing sector. The production of wheat/lupin/rooibos/canola/sheep and steel/minerals into bread, canola oil, animal feed, rooibos tea, and steel/mineral products as well as fish products in Saldanha Bay are the main contributions to the manufacturing sector within the WCD. Some of the local companies include:</p> <ul style="list-style-type: none"> ● Sasko Pasta Milling ● Citrusdal Rollermeule ● Rooibos Limited ● The Red T Company ● Kings Products ● Klip op Mekaar ● Wuppertal Cooperative ● Duferco ● Saldanha Steel/ArcelorMittal ● Sea Harvest and other fisheries (Saldanha Bay)

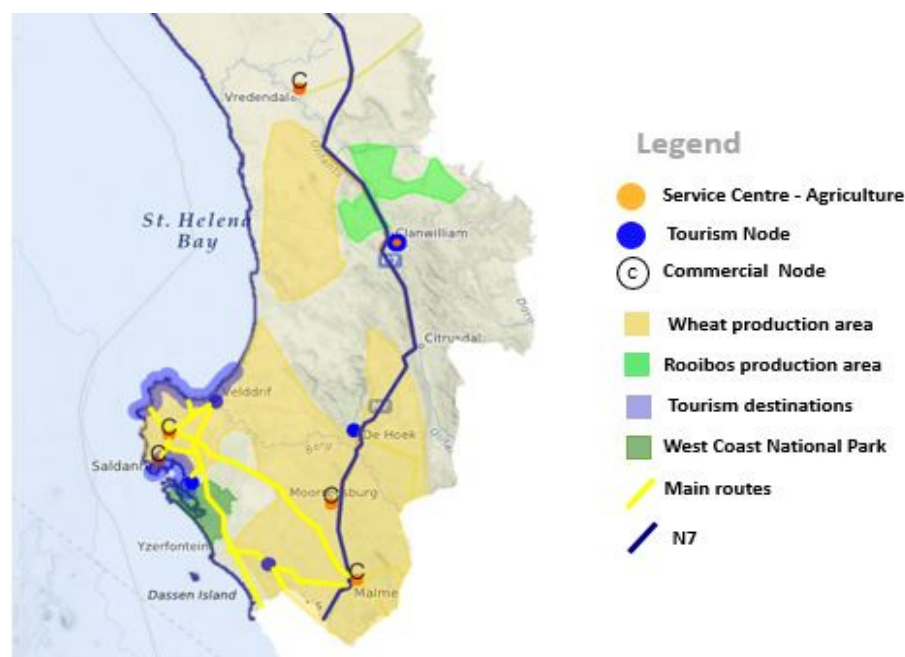
Sector	Linkages
 Transport and storage subsector	<p>The transport subsector is not a major sector in terms of its GDPR contribution to the economy of the District but provides a valuable service to the main economic sectors. This sector contributed R1.9 billion to the economy of the District and employed 4 382 people in 2015. Activities of this sector include freight transport service provision for the wholesale and retail sector as well as the manufacturing and the activities of the Saldanha Bay Harbour and the Sishen-Saldanha railway. Some local companies involved in this include:</p> <ul style="list-style-type: none"> ● BKB Logistics ● Swartland Logistics ● DJ Bosman Transport ● VDM Group
 Tourism	<p>Tourism is not a sector on its own. However, the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation and the transport, storage and communication sectors. Tourists have a variety of needs such as accommodation, restaurants, vehicles and tours - creating opportunities for additional business development within the area to meet the needs of tourists. The catering and accommodation subsector contributed R240 million to the economy of the WCD and employed 3 172 people in 2015. The largest catering and accommodation subsector is in the Saldanha Bay municipal area, due to the many small coastal towns in the area that are one of the main tourist attractions in the District.</p>

Source: Quantec Research, 2017

The wheat/lupin/rooibos/canola/sheep and steel/mineral production industry within the WCD not only contributes to the GDPR and employment of various sectors but also to creating linkages between towns inside and outside the District.

Map 3.1 below indicates the main production areas as well as service centres and commercial nodes and the roads that connect these areas.

Map 3.1 West Coast District linkages



Source: Urban-Econ via MapAble, 2017 & WC DOA, 2013

The main service centres in terms of inputs, services and agro-processing include Malmesbury, Vanrhynsdorp, Velddrif, Hopefield, Clanwilliam, Piketberg, Vredendal, and Saldanha Bay.

The potato industry in the WCD, which has 5 927.23 hectares under cultivation, is largely located in the Sandveld in the Swartland area (WC DOA, 2013). Even though this industry contributes to the economy, it has not been analysed below as the number of hectares under cultivation is much lower than the other industries discussed below.

3.3 Grains

In the WCD, wheat is grown in crop rotation cycles, and the reasons for starting crop rotation include increased weed control; increased returns; decrease soil erosion; to improve soil fertility; disease prevention; and to improve cash flow. The WCD consists of crop rotation which involves a rotation of some of the following combinations:

1. Wheat, canola, wheat, lupins (WCWL)
2. Wheat, wheat, lupins, canola (WWLC)
3. Wheat, medic, wheat, medic (WMWM)
4. Wheat, medic/clover, wheat, medic/clover (W M/C W M/C)
5. Medic, wheat, medic, canola (MWMC)
6. Wheat, oats, wheat, canola (WOWC)

Some farmers also rotate with barley. Sheep are used in these crop rotation cycles through grazing on the stubble and medics as bringing in animals into crop rotation systems allows for the maximum use of the land and stabilises cash flow. In terms of these varieties used in crop rotation the WCD has -

- 154 045 hectares under wheat (48.9 per cent of the WC's total production);
- 28 378 hectares under lupine (70.5 per cent of the WC's total production);
- 10 820 hectares under canola (14.9 per cent of the WC's total production);
- 8 956 hectares under triticale (85.6 per cent of the WC's total production); and
- 370 316 heads of sheep (22.5 per cent of the WC's total sheep count).

Wheat is the second most important grain crop produced in South Africa. The wheat is mainly used for human consumption (bread, biscuits, breakfast cereals, rusks, etc.) with the remainder being used as seed and animal feed. There are other non-food uses such as the production of alcohol for ethanol, absorbing agents for disposable diapers, adhesives, and industrial applications as a starch on coatings. The Western Cape Province is the largest producer of wheat in South Africa accounting for about 48.0 per cent of the country's total wheat production (SA DOA, 2016), with the main producing areas being the WCD, followed by the Overberg and Eden districts.

The primary product of the baking industry is bread, and 70.0 to 80.0 per cent of all wheat flour produced is used for bread baking. The industry is a second major supplier of energy in the national diet after maize meal. South Africa is not a major producer of wheat, and therefore it imports wheat to supplement the domestic production. Thus, the country is a net importer of wheat. Currently, the wheat industry contributes just over R4.5 billion to the South African economy (DAFF, 2016).

The share of wheat produced in the winter rainfall regions in the WC has been rising and at 310 000 hectares under production in 2015, provincial wheat production accounted for almost 65.0 per cent of the national total in 2015 (BFAP, 2016). Poor climatic conditions in the Swartland region through the winter of 2015 reduced the yield obtained in the WC by 22.0 per cent year on year, resulting in a 17.0 per cent reduction in South African wheat production (BFAP, 2016). According to Agri Western Cape, the drought severely affected wheat producers in the WCD who are still dependent on drought relief. It is anticipated that poor rainfall conditions will continue to lead to poorer harvests.

Domestic prices of wheat fertilisers are impacted by international raw material prices, shipping costs and the rand/dollar exchange rate. The cost of transporting wheat in South Africa from storage to the market (milling industry) is determined by a location differential system when dealing with SAFEX future contracts. Each grain-producing area in South Africa has a location differential based on the cost of transporting wheat to a reference delivery point. Farmers in the Western Cape and Northern Cape, based the furthest from the reference delivery point of Randfontein, have been the biggest critics of the location differential system (Bester, 2014).

Triticale is a hybrid of wheat and rye. Triticale combines the yield potential and grain quality of wheat with the disease and environmental tolerance (including soil conditions) of rye. Only recently has it been developed into a commercially viable crop. Depending on the cultivar, triticale can resemble either of its parents. It is grown mostly for forage or fodder.

Lupin seeds can either be eaten whole or crushed to make lupin flour, which can be used in baked goods and pasta. Lupin-derived ingredients are good substitutes for gluten-containing flours and are more frequently being used in gluten-free products. The increase in meat prices and increased livestock numbers may also lead to an increase in lupin production because of the important role that this protein source plays in sheep farming, particularly lamb production. The lack of a stable market and fair price for sweet lupins seem to be the biggest concern in the current local lupin industry, and this has resulted in bitter lupins being the favoured variety. Also, input costs for bitter lupins are lower than for sweet lupins, while the benefits of crop rotation are the same for both varieties.

Canola is primarily used for the manufacturing of canola oil and oil cake, canola oil biodiesel, mayonnaise, and canola meal, which is a by-product that is used as a high protein feed ingredient for animal feed. The production of canola in South Africa, which on average is 60 000 tons per annum, is usually greater than the demand, and the local consumption requirements for canola are around 48 992 tons per year, with the favourable prices being achieved. Canola is a good source of protein in animal feed, and large quantities of protein for animal feeds must be imported every year. The Western Cape Province is the greatest supplier of canola in South Africa which contributed about 99.8 per cent of South Africa's total canola supply during the year 2015. Most of this canola production is in the Overberg, while only 14.9 per cent is produced in the WCD. A gross value of production of R500 million was recorded for canola during 2014. It is interesting to note that the value of production has been steadily increasing since 2010 from just above R100 million in that year to a peak at just below R525 million in 2013 (DAFF, 2016).

Medics are a self-regenerating, annual legume used as a cover and forage crop. Medics are rotated with wheat because it increases soil nitrogen levels and maintains soil fertility. As a cover crop, it helps with disease control in wheat, retains moisture and suppresses weed growth. The sheep then eat the medics as forage.

Sheep: The WCD has 22.5 per cent of the WC's total sheep flock, with 370 316 sheep. The sheep are farmed for their wool and meat. Some wool processing takes place in Port Elizabeth; however, the majority takes place in China, the Czech Republic, India, and other countries. This is because of increasing factor prices, labour costs and unfavourable trading conditions into South Africa that most of the domestic wool washing facilities were unable to adjust their volumes and remain economically viable. Regarding meat production in the WCD, there are two abattoirs in Bergrivier, two in Cederberg, two in Matzikama, one in Saldanha Bay, and four in the Swartland area.

According to the Department of Agriculture, Forestry and Fisheries, the South African mutton market recorded an average year on year gross value of production of R4.3 billion between the 10-year period of 2004 - 2014. The wool market on the hand recorded a total gross production value of R5.9 billion during 2014. The Western Cape Province commands 12.0 per cent of the mutton market and 20.0 per cent of the wool market in South Africa.

3.4 Rooibos production

In the Cederberg region of the WCD, around 35 978.14 hectares of rooibos is under cultivation. Rooibos tea production is declining - 18 000 tons in 2009 to 10 500 tons in 2015. South Africa consumes about 4 500 to 5 000 tons, and the rest is exported to more than 30 countries around the world. There are an estimated 350 to 550 rooibos tea farmers in South Africa, and the secondary processing is currently dominated by eight large processors responsible for an estimated 90.0 per cent of the market (Rooibos Limited and Vanrhynsdorp tea courts - herbal tea, ice tea, cosmetics, fruit juice mixtures, etc.) (DAFF, 2016).

In August 2014 rooibos was protected with the rooibos trademark under the geographical indicators (GI) framework of South Africa's intellectual property (IP) laws. Rooibos tea is a natural herb unique to the South African Cederberg Mountains of the Western Cape Province. The natural herb is then processed into a naturally soothing drink, naturally sweet, caffeine free, additive free, preservative free, colourant free and very low in tannin. Rooibos tea releases natural antioxidants that actively combat and help neutralise harmful free radicals affecting the body.

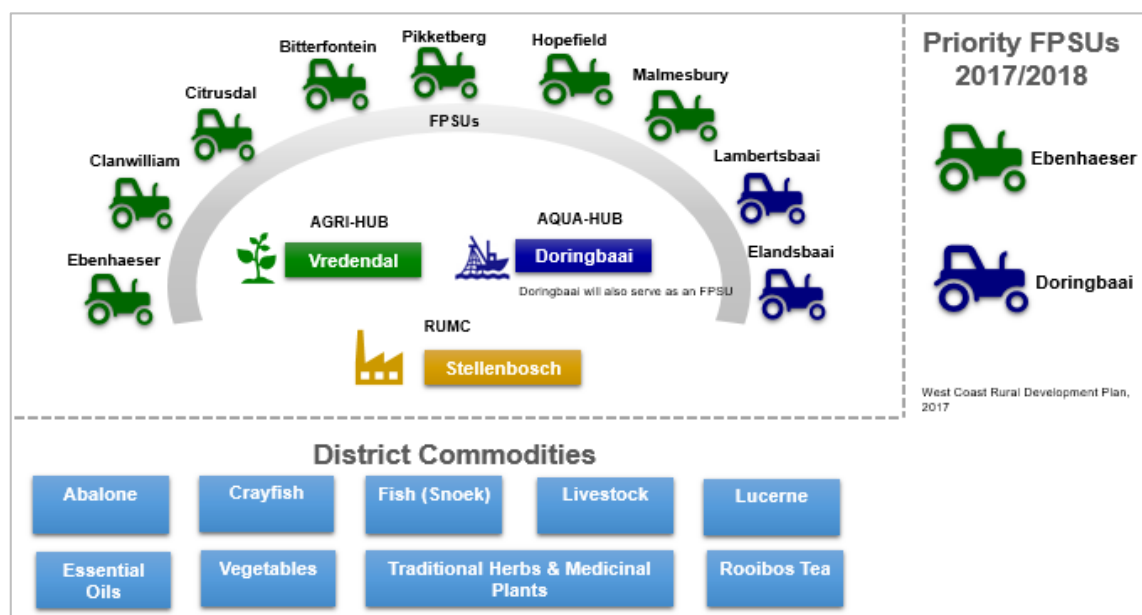
The rooibos plant has adapted well to the harsh conditions of the Cederberg region, where temperatures drop to zero degrees centigrade during the winter months and rise to 48 degrees centigrade at the height of summer. The unique microclimate of the tiny geographical region allows for the best quality natural teas to be grown in the area and nowhere else in the world. The winter rains vary between as little as 180 mm to 500 mm for the year, and no irrigation is used, and the rooibos tea plant can withstand severe drought conditions.

In 2015, the value of rooibos production peaked at R304 million mainly as a result of increased exports. The most important exporting destinations for 2015 were Germany (42.0 per cent of exports), the UK (16.0 per cent of exports), the Netherlands (24.0 per cent of exports), and Japan (14 per cent of exports) (DAFF, 2016).

3.5 Agri-Parks

Due to the importance of the agricultural value chain within the District, initiatives such as the Agri-Park Programme has the potential for widespread economic benefits since it will not only support farming activities but also promote local processing.

Diagram 3.2 outlines the locations for Farmer Production Support Units (FPSUs), the Agri-Hub and the RUMC within the WCD. The Agri-Park Programme in the WCD will also have an Aqua-Hub in Doringbaai to provide support for the fishing industry and will be linked with an FPSU in Lambertsbaai.

Diagram 3.2 Agri-Park implementation, West Coast District

Source: West Coast Rural Development Plan, 2017

Prioritised commodities in the WCD include abalone, crayfish, fish, livestock, lucerne, essential oils, vegetables, medicinal plants and rooibos tea. Agro-processing activities identified within the Agri-Park Master Plan (2016) include an abattoir, an abalone processing plant, a rooibos tea drying facility, and a feed processing plant.

In conjunction with prioritised FPSUs to be implemented, current projects aligned with the Agri-Park Programme in the WCD include the Doringbaai abalone farm (due diligence phase), the Wupperthal Vegetable project and the Kamford Vismark.

To ensure coordinated investment, district and local municipalities will need to start provisioning for the Agri-Park in their Integrated Development Plans (IDPs), Spatial Development Frameworks (SDF) and Local Economic Development Plans (LEDs). The importance of this is to align infrastructure and project investment with the intended outcomes of the Agri-Park. It is important to note that the implementation of the Agri-Parks will require significant infrastructure investment which will need to be implemented on a site.

3.6 Steel and iron ore processing

Saldanha Bay is a focal point for industrial growth in the WCD region, and the development of the harbour for the oil and gas industry provides an opportunity to attract further investment in the supporting industries. The WCD consists of the Port of Saldanha Bay, the Saldanha Bay Industrial Development Zone (SBIDZ) and other industrial developments located around the Port of Saldanha Bay such as ArcelorMittal Saldanha Steel, Duferco Steel Processing (Pty) Ltd, Exxaro Namakwa Sands Smelter, and other industries.

The Port of Saldanha Bay had developed into a modern harbour when it became necessary to facilitate the export of iron ore from the Northern Cape. This required the construction of a railway more than 800 km to the mines at Sishen in the Northern Cape and the construction of a deep-water jetty in Saldanha Bay to accommodate Capsize ore carriers. The total area occupied by the port (land and water areas) is 18 300 hectares with an outer boundary of 91 kilometres. The port of Saldanha Bay also provides smaller-parcel bulk-handling facilities for the mineral products (principally base metals such as nickel, lead, etc.) emanating from the Black Mountain mining operations in the Aggenys area. These high-value bulk products are handled in handy-sized bulk vessels. A further significant but unstable trade in volume terms is the import, storage and transshipment of crude oil and some Mossel Bay petroleum products, for subsequent seaborne distribution. Large-scale storage facilities for these purposes are available. The Port of Saldanha Bay's main commodities include iron ore (almost 3.0 million tons), coal (85 000 tons), petrol and petroleum gas (15.7 million tons), granite and products thereof (17 000 tons) and steel and products thereof (almost 600 000 tons) (Department of Transport, 2014).

An IDZ is a purpose built, industrial estate linked to an international air or sea port, which might contain one or multiple customs controlled areas (CCA) tailored for the manufacturing and storage of goods to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment in these regions. The Saldanha Bay IDZ is intended to be an oil and gas and marine repair engineering and logistics services complex, serving the needs of the upstream exploration and production service companies operating in the oil and gas fields in Sub-Saharan Africa. The Saldanha Bay IDZ includes logistics, repairs and maintenance as well as fabrication activities and a contiguous customs-free area. The SBIDZ Licencing Company is the implementing vehicle of the SBIDZ and is responsible for the provision of infrastructure, promotion, management and marketing of the IDZ.

The WCD, specifically Saldanha Bay, contains large industries involved in steel, iron ore and other heavy minerals. Some of the industries located there include: ArcelorMittal Saldanha Steel (designed to produce 1.25 million tons of hot-rolled carbon steel coil per year); Duferco Steel Processing (Pty) Ltd (a steel processing plant); and Exxaro Namakwa Sands Smelter (the mining and beneficiation of heavy minerals). A global steel glut, reflected in a rapid decline in prices from 2011, gave rise to falling steel prices, downsizing and job losses in the South African steel industry. Also, cost drivers in the South African steel industry include investment backlogs, the cost of electricity, export-parity prices, freight transport and regulatory framework. The South African steel industry is in a crisis due to Chinese producers flooding the South African and global markets with cheap steel exports. After a recorded loss of R8.63 billion in 2015, due to low prices and rising electricity costs, the Saldanha Works steel export facility was placed under review by ArcelorMittal SA.

The WC is well placed to position itself as a major hub for the oil and gas industries. New gas prospects on the west and south coasts are being explored, and the region is marketing itself as a support and services hub to the oilfields of Nigeria and Angola (Wesgro, 2014). The Saldanha Bay IDZ and the Port of Saldanha Bay are creating the infrastructure to support oil and gas industries, and there is also a pilot project for a large aquaculture project in Langebaan that will be a few hectares in size once fully operational.

Currently, it is estimated that the value of the iron ore and steel processing industry in the WCD amounts to a total of R179 million, thus commanding approximately 12.4 per cent of the iron ore and steel processing industry in the Province, which is the second biggest share behind the Cape Metro – who commands a 67.9 per cent share of this industry in the WC.

3.7 Tourism

The tourism industry spans across the economic sectors, ranging from accommodation and catering, retail and wholesale, manufacturing, business services and social services. The most visited towns in the WCD include Langebaan, Paternoster, Darling, Vanrhynsdorp, St Helena Bay, Velddrif, Hopefield, Clanwilliam, Piketberg, Vredendal, and Yzerfontein. Some of the attractions in District include the West Coast National Park, Cederberg Heritage Route, Rooibos Tours, West Coast Fossil Park, Khwa ttu San Culture & Education Centre, 4X4 routes, Anglo Boer War Blockhouse, West Coast Wines, Swartland Wines, Darling Wine & Art Experience, and the Fynbos Route and wild flowers in spring.

The WCD attracted 21.0 per cent of the 588 157 international tourists to the Province in 2015, however, the majority of visitors to the District are domestic visitors (76.4 per cent) originating from the Western Cape, Gauteng and Eastern Cape. The 21.0 per cent of visitors that originate from overseas visit from Germany, the United Kingdom, and Netherlands. The main reason for their visit was holiday/leisure (87.2 per cent), while 4.0 per cent visits friends and family, and 3.5 per cent visit for business. The most typical length of stay is two nights (34.9 per cent) and one night (26.9 per cent). The top attractions in the WCD for visitors are scenic drives, flowers, culture/heritage, and outdoor activities (Wesgro, 2015).

Domestic tourism within the WCD is seasonal, with an increase of tourists over holiday periods. The coastal towns of the District are popular investment areas for holiday homes for people within the Western Cape and Gauteng. People staying in vacation homes tend to stay for longer than those who stay in paid accommodation, which increases the spending by tourists in smaller towns along the coast, providing a valuable injection for the economies of smaller towns.

3.8 Concluding remarks

The sectoral linkages as well as geographical linkages between towns and areas within the WCD highlight the important role of each of the above-discussed value chains and commodities. Crop rotation within the local agriculture industry ensures that the industry is well diversified, resilient and contributes to the maintenance of soil fertility. Rooibos tea is another important crop for this District as it generates significant export revenues. The above-discussed value chains and their respective industries do not only create employment but are also interlinked and, at times, inter-dependent. For example, the tourism industry is linked to the agricultural background of the region in which pristine landscapes are sought after. Rooibos tea as an authentic South African product also significantly contributes to the image of the District. These industries also contribute to other sectors such as the storage and communication sector; the retail trade, catering and accommodation sector; and the finance, insurance, real estate and business services sector. Tourism activities linked to these industries are also the main injection into the local economy as well as in creating employment.

The wheat crop rotation, rooibos, steel/minerals and tourism industries are significant contributors to direct employment in the WCD as well as to indirect employment for numerous support industries in the area. The critical need for labour at harvest time offers seasonal work to unemployed persons near plantations, and sometimes workers migrate from one region to another as the harvest season progresses. A major challenge regarding labour is the lack of skilled labour. At the same time, farm wage levels do not attract skilled or qualified people to undertake menial and hard work. Smaller producers, who pay comparatively lower wages, are more exposed than the larger producers to the threat of labour shortages. The steel/minerals industry consists of both low-skilled and highly-skilled labour requirements, and this will be true for any future industries that locate to the Saldanha Bay IDZ.

4

Municipal socio-economic analysis

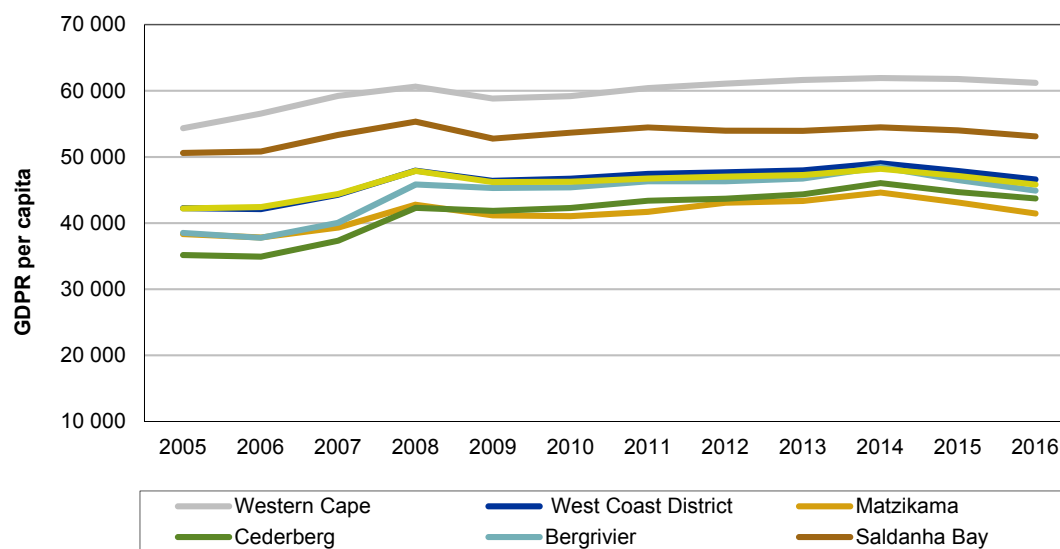
4.1 Introduction

This chapter shows living conditions and economic circumstances of households in the WCD based on most recent data from Statistics South Africa's Non-Financial Census of Municipalities, Quantec and IHS Global Insight. Economic theory suggests that when an economy prospers, its households are expected to enjoy an improved standard of living. On the contrary, a declining economy tends to lower the standards of living of people. This chapter uses various social and economic indicators to show the current reality of households under local government authorities in the WCD, covering the following municipalities; Matzikama, Cederberg, Saldanha Bay, Bergrivier and Swartland. Areas covered and indicators which are used to analyse the socio-economic situation in the WCD include real GDP per capita, the Gini coefficient, household expenditure, Human Development Index (HDI), education, dwellings, indigent households and free basic services and health.

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in the poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita in the West Coast District, 2005 - 2016



Source: Quantec/Urban-Econ 2017

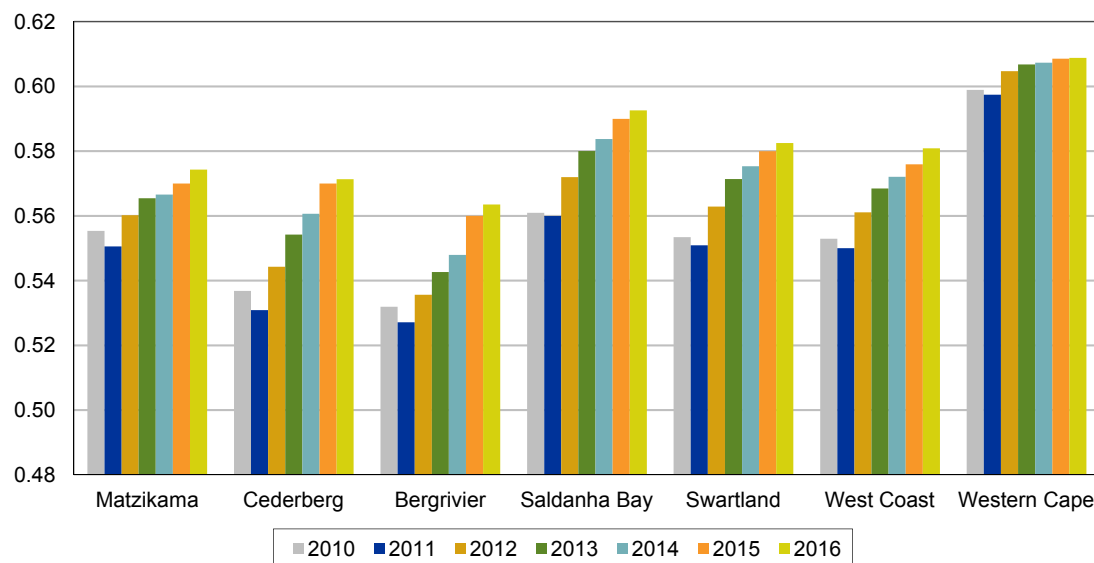
An increase in real GDP per capita, i.e. GDP per person, is experienced only if the real economic growth rate exceeds the population growth rate. Figure 4.1 shows that real GDP per capita⁸ for the WCD (R46 623) and all its local municipalities is less than that of the Province (R61 999). Only Saldanha Bay (R53 112) had GDP per capita greater than that of the District, while the lowest recorded figure was in Matzikama (R41 449). Of course not everyone within an economy will earn the same amount of money as estimated by the real GDP per capita indicator. The following section looks at the income inequality trend within the WCD.

4.3 Income inequality

Figure 4.2 shows that Saldanha Bay has the highest level of inequality in the WCD, with the Gini coefficient⁹ recorded at 0.56 in 2015 and 0.59 in 2016. In practice the coefficient is likely to vary from approximately 0.25 to 0.70.

⁸ Real GDP per capita is an indicator used by economists to estimate the income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

⁹ The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more and more inequality exists and the closer to 0 shows less and less inequality.

Figure 4.2 Gini coefficients in the West Coast, 2010 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Figure 4.2 shows that income inequality increased marginally across all municipal areas in the WCD between 2015 and 2016. Income inequality was less severe in Bergrivier (0.56 in 2016) and Cederberg (0.57 in 2016) compared to Saldanha Bay (0.59 in 2016). The National Development Plan has set a target of reducing income inequality in South Africa from a Gini coefficient of 0.7 in 2010 to 0.6 by 2030.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households in the WCD. Households across the District spend mostly on services and non-durable goods, comprising about 76.0 per cent of total expenditure. Interestingly, the data shows that households in Matzikama spent the highest proportion of their budget (13.6 per cent) on durable goods, followed by Swartland (13.3 per cent). Cederberg spent the highest proportion of income (34.5 per cent) on non-durable goods.

Table 4.1 West Coast District expenditure on goods and services, 2017

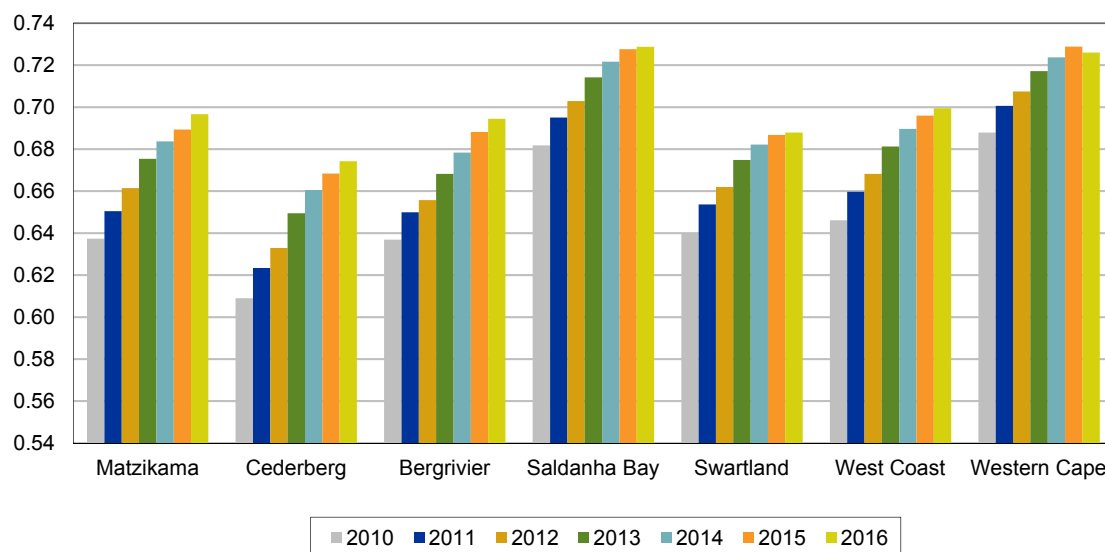
Goods and services	West Coast District		Matzikama		Cederberg		Bergrivier		Saldanha Bay		Swartland	
	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total
Durable goods	1 173.2	13.1	142.8	13.6	92.9	12.0	170.4	13.1	409.7	13.0	318.2	13.3
Semi-durable goods	995.7	11.1	106.6	10.1	76.4	9.9	121.9	9.4	369.2	11.7	294.8	12.3
Non-durable goods	2 789.5	31.1	319.6	30.4	266.6	34.5	408.4	31.3	978.0	31.0	725.0	30.2
Services	4 024.6	44.8	482.4	45.9	336.7	43.6	602.5	46.2	1 402.7	44.4	1 061.2	44.2
Total	8 982.0	100	1 051.5	100	772.9	100	1 303.2	100	3 159.5	100	2 399.2	100

Source: Quantec/Urban-Econ 2017

4.5 Human development

The United Nations uses the Human Development Index (HDI)¹⁰ to assess the relative level of socio-economic development in countries. Figure 4.3 shows that there has been a general increase in the HDI across all municipalities in the WCD between 2010 and 2016. In 2016, Saldanha Bay had the highest HDI in the District while, Matzikama, Swartland and Bergrivier had roughly similar HDI levels; Cederberg had the lowest HDI in the District. The human development level of the WCD falls slightly short of that of the Province.

Figure 4.3 Human Development Index for the West Coast, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

The sections below provide details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

4.6 Education

Education and training improves access to employment opportunities and helps to sustain and accelerate overall development. It expands the range of options available from which a person can choose to create opportunities for a fulfilling life. Through indirect positive effects on health and life expectancy, the level of education of a population also influences its welfare.

¹⁰ The HDI is a composite indicator reflecting education levels, health, and income. It is a measure of peoples' ability to live a long and healthy life, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

A community with a high number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Higher levels of education generally lead to higher paying jobs. Primary school education is important as it is a foundation for human development and therefore the existence of individuals without any form of schooling is a concern to decision-makers at local, provincial and national government. High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth.

Table 4.2 shows estimates of education levels of persons living within municipal areas in the WCD.

Table 4.2 Education levels of population in the West Coast District, 2017

Education level	West Coast District		Matzikama		Cederberg		Bergrivier		Saldanha Bay		Swartland	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	31 953	8.6	6 265	9.8	5 085	10.5	5 503	9.5	5 478	5.8	9 631	9.1
Some primary	86 529	23.3	16 143	25.1	12 769	26.3	14 399	24.9	17 835	18.8	25 409	24.1
Complete primary	29 180	7.9	5 584	8.7	4 509	9.3	5 126	8.9	5 996	6.3	7 972	7.6
Some secondary	131 083	35.3	23 135	36.0	16 982	35.0	19 451	33.6	37 069	39.0	34 477	32.7
Grade 12/ Std 10	69 921	18.9	9 947	15.5	7 488	15.4	10 057	17.4	21 970	23.1	20 497	19.4
Higher	22 241	6.0	3 152	4.9	1 739	3.6	3 364	5.8	6 617	7.0	7 409	7.0
Total	370 908	100	64 226	100	48 572	100	57 900	100	94 965	100	105 395	100

Source: Quantec/Urban-Econ calculations

When looking at education at higher levels (i.e. matric and higher education), Swartland and Saldanha Bay show better education levels when compared to other local municipal areas within the District – they have greater proportions whilst when looking at lower levels of education (i.e. no schooling and some primary), the proportions are comparatively lower. On the contrary, Cederberg and Matzikama exhibit the lowest education levels with lower proportions in the higher education categories and greater proportions with lower education levels.

Table 4.3 summarises a number of education variables including the matric pass rate, the Grade 12 dropout rate, the learner-teacher ratio and number of no fee schools.

The matric results are among the most important indicators of the performance of the schooling system. The impact of the education and training system on the lives of the general population is an important barometer of the contribution to development, and human resource development in particular, that the South African education and training system has achieved.

Table 4.3 Learner enrolment and matric pass rates in the West Coast District, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Matzikama	10 247	33.0	39.6	27	77.8	13	91.1
Cederberg	7 647	28.7	36.8	24	79.2	8	89.5
Bergrivier	8 212	31.7	31.5	20	65.0	13	92.6
Saldanha Bay	16 886	29.5	48.4	23	52.2	10	81.3
Swartland	17 356	23.2	42.5	31	74.2	17	89.4

Source: Western Cape Department of Education 2017

With the exception of Saldanha Bay, the matric pass rate of the other municipal areas in the West Coast is roughly around 90 per cent (between 89.4 and 92.6 per cent). Saldanha Bay's matric pass rate was well below this, at 81.1 per cent.

With the exception of Swartland, most of the Grade 12 dropout rates are also roughly similar, being clustered around the 30.0 per cent mark (between 28.7 and 33.0 per cent). Swartland's figure of 23.2 per cent was slightly better than the other local municipalities within the WCD. The Grade 12 dropout rates are high across the District and therefore a cause for concern. Reasons for the high dropout rates must be investigated properly in order for it to be addressed.

The learner teacher ratio is directly related to the amount of resources per learner. It is also said to have an impact on education outcomes. The ratios across the local municipalities in the West Coast vary significantly from 31.46 in Bergrivier to 48.38 in Saldanha Bay.

4.7 Human settlements

The Constitution of the Republic of South Africa states that every citizen has the right to access to adequate housing and that the state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right. Still, there are many South Africans who lack this basic right. The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The form of housing that indicates low human development is an informal dwelling such as a shack.

Table 4.4 shows that within the West Coast, Saldanha Bay by far has the greatest number and proportion (6 242, 18.5 per cent) of informal dwellings/shacks followed proportionally by Cederberg (12.4 per cent) and Matzikama (10.4 per cent).

Table 4.4 Dwelling type per municipal area within the West Coast District, 2017

Dwelling type	West Coast District		Matzikama		Cederberg		Bergrivier		Saldanha Bay		Swartland	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	96 832	79.2	16 364	77.4	12 158	79.7	14 697	80.3	25 964	77.1	27 735	81.7
Traditional dwelling/hut/structure made of traditional materials	575	0.5	75	0.4	120	0.8	173	0.9	136	0.4	86	0.3
Flat in a block of flats	2 296	1.9	499	2.4	327	2.1	384	2.1	417	1.2	697	2.1
Town/cluster/semi-detached house (simplex, duplex or triplex)	5 458	4.5	1 459	6.9	559	3.7	1 307	7.1	413	1.2	1 792	5.3
House/flat/room, in backyard	1 714	1.4	353	1.7	152	1.0	441	2.4	274	0.8	499	1.5
Informal dwelling/shack, in backyard	5 798	4.7	648	3.1	518	3.4	504	2.8	1 757	5.2	2 506	7.4
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	8 069	6.6	1 553	7.3	1 375	9.0	194	1.1	4 485	13.3	489	1.4
Room/flatlet not in backyard but on a shared property	1 031	0.8	110	0.5	65	0.4	576	3.1	143	0.4	173	0.5
Other/unspecified	1 232	1.0	277	1.3	131	0.9	294	1.6	216	0.6	341	1.0
Total	122 269	100	21 137	100	15 259	100	18 312	100	33 671	100	33 959	100

Source: 2016 Quantec/Urban-Econ calculations

Swartland has the second highest GDP per capita, also has second highest number of informal dwellings/shacks (2 995, although proportionally 8.8 per cent). This gives an indication that people appear to move into areas in search of economic opportunity and so these municipalities have to deal with the impact of rapid population growth and its associated need for services.

The following section provides information on indigent households and provision of free basic services. Access to basic services is a positive indicator of human development.

4.8 Provision of basic services to indigent households

In response to the poverty levels of its communities, municipalities offer households support through their indigent policy. The indigent policy provides for free or discounted rates on municipal services such as water, electricity, sanitation, refuse removal as well as property rates.

Table 4.5 Indigent households and provision of basic services, West Coast District, 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Matzikama	2 281	2 827	2 281	2 827	2 281	2 827	2 093	2 827	2 281	2 827
Cederberg	2 104	2 225	2 104	2 148	2 104	2 225	2 104	2 128	2 104	2 148
Bergrivier	1 798	1 798	1 795	1 795	1 372	1 372	1 605	1 605	1 798	1 798
Saldanha Bay	7 727	7 836	7 727	7 778	7 727	7 827	7 727	6 652	7 727	7 836
Swartland	8 173	8 495	8 173	8 495	7 336	7 412	7 866	8 085	8 111	8 348

Source: Non-Financial Census of Municipalities, Stats SA 2017

All of the municipalities in the West Coast experienced increasing or stagnant indigent numbers between 2015 and 2016 as seen in Table 4.5 above. The increases in the number of indigents also resulted in increases in the free basic services provided by the municipalities.

Table 4.6 Different types of access to water, West Coast District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Matzikama	9 649	11 180	0	0	0	0
Cederberg	7 710	7 910	0	0	0	0
Bergrivier	8 639	8 652	89	89	0	0
Saldanha Bay	24 878	26 006	560	0	0	0
Swartland	19 086	19 527	0	0	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

It can be seen from Table 4.6, it can be seen that all municipal all areas in the WCD recorded increases in the number of households with water taps inside their yards, with Matzikama and Saldanha Bay recording the largest increases. The number of households with water taps less than 200 m from the yard remained the same at 89 in Bergrivier, whilst the 560 households in Saldanha Bay gained access to be within the minimum level.

Table 4.7 Different types of access to sanitation, West Coast District, 2016

Municipality	Flush toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Matzikama	8 097	8 130	970	970	0	0	0	0	0	0
Cederberg	6 862	7 129	1 102	1 035	0	0	0	0	0	0
Bergrivier	6 754	6 981	2 092	2 106	0	0	0	0	89	89
Saldanha Bay	24 693	25 271	745	735	0	0	0	0	0	368
Swartland	17 153	17 371	817	824	0	0	0	0	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

In terms of sanitation, Table 4.7 shows that there were increases in the number of households with flush toilets connected to the system across all municipal areas in the WCD. There are no bucket systems and ventilated improved pit latrines indicated across the District, but Bergrivier (89 in 2016) and Saldanha Bay (368 in 2016) indicated some 'other' forms of sanitation.

4.9 Health

This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health has been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to sickness and disability (Bloom et al., 2004). Communities living in developed economies are exposed to good health systems and therefore tend to have long and healthier lives than those living in developing economies.

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

District	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	9.6	10.8
Central Karoo	16.1	14.0	1.8	7.0	2.8	21.5	13.9	2.2	1.3	5.1	14.3
City of Cape Town	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1.0	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.8 shows the main causes of death in the WCD in 2015 were diseases in the circulatory system (21.9 per cent) followed by neoplasms (15.9 per cent) and certain infectious and parasitic diseases (15.9 per cent).

Table 4.9 The 10 leading underlying natural causes of death, West Coast, 2015

	Number	%
Tuberculosis	276	7.9
Diabetes Mellitus	261	7.4
Cerebrovascular diseases	254	7.2
Chronic lower respiratory diseases	232	6.6
Ischaemic heart diseases	204	5.8
Hypertensive diseases	161	4.6
Human Immunodeficiency Virus (HIV)	160	4.6
Malignant neoplasms	154	4.4
Malignant neoplasms of respiratory and intrathoracic organs	129	3.7
Other forms of heart disease	87	2.5
Other natural causes	1154	32.9
Non-natural causes	438	12.5
Total	3 510	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.9 shows that 87.5 per cent of deaths in the West Coast in 2015 were as a result of natural causes, with 12.5 per cent (or 438) relating to non-natural causes. Other noteworthy underlying causes of death in the District in 2015 were tuberculosis (276 deaths or 7.9 per cent), diabetes mellitus (261 deaths or 7.4 per cent), cerebrovascular diseases (254 deaths or 7.2 per cent) and chronic lower respiratory diseases (232 deaths or 6.6 per cent).

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33.0	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0.0
City of Cape Town	4.2	1.6	25.6	29.0	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42.0	0.0
Overberg	3.5	1.6	18.5	30.3	46.1	0.0
West Coast	2.5	1.3	23.2	32.9	40.0	0.1
Unspecified	0.0	1.6	25.0	32.8	40.6	0.0

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

The majority of deaths in the WCD in 2015 were elderly people aged 65 and over (40 per cent), and adults aged 45 - 64 (32.9 per cent) as shown in Table 4.10. Deaths of people in the 15 - 44 age group (23.2 per cent) is a cause for concern as this includes the economically active population and therefore has a negative implication for economic performance.

4.10 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the WCD using a selected number of indicators. Table 4.11 is a summary of recent changes in various social indicators in the WCD.

Table 4.11 Selected socio-economic indicators, West Coast District, 2005 - 2016

Indicator	West Coast	Matzikama	Cederberg	Bergrivier	Saldanha Bay	Swartland
Real GDP growth (2005-2015)	3%	2.6%	4.2%	3.3%	2.4%	3.4%
Population growth (2005 - 2015)	1.7%	1.41%	1.73%	1.44%	1.75%	2.23%
Real GDP per capita (2005 - 2015)	R46 365	R41 488	R41 652	R44 351	R53 382	R45 968
Gini coefficient (2010 - 2015)	Increase	Increase	Increase	Increase	Increase	Increase
Household expenditure	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables
HDI (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase
No schooling (2016)	8.6%	9.8%	10.5%	9.5%	5.8%	9.1%
Grade 12 dropout rates (2016)	High	33.0%	28.7%	31.7%	29.5%	23.2%
Informal dwelling (2016)	11.3%	10.4%	12.4%	3.9%	18.5%	8.8%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Unchanged	Increase	Increase
Free basic water (2015 - 2016)	Increase	Increase	Increase	Unchanged	Increase	Increase
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Unchanged	Increase	Increase
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Unchanged	Increase	Increase
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Unchanged	Decrease	Increase
Main causes of death (%)	Diseases of the circulatory system (21.9%)					
Age group with highest death rate	45 - 65+ (72.9%)					

Indicators that have moved in a positive direction for the West Coast District include a marginal increase in real GDP per capita, i.e. income per person, an increasing trend in human development and increased access to basic services. Indicators that remain a concern for the entire District include increasing high unemployment rates, increasing poverty levels, income inequality, high Grade 12 drop-out rates, informal settlements and the prevalence of deaths caused by natural causes such as TB, Diabetes, Cerebrovascular diseases, chronic lower respiratory diseases and Ischaemic heart diseases, among others.

Between 2005 and 2015, the Matzikama economy grew by 2.6 per cent on average and the population grew by 1.41 per cent on average which translated to an increase real GDP per capita from R38 346 (2005) to R41 449 (2016). The HDI has risen from 0.64 in 2010 to 0.70 in 2016. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

In Cederberg, the economy grew by 4.2 per cent on average between 2005 and 2015 while the municipal area's population grew by 1.73 per cent on average during the same period, translating to an increase in real GDP per capita from R35 171 (2005) to R43 725 (2016). The HDI has risen from 0.61 in 2010 to 0.67 in 2016. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

In Bergrivier, the economy grew by 3.3 per cent on average between 2005 and 2015 while the municipal area's population grew by 1.44 per cent on average during the same period, translating to an increase in real GDP per capita from R38 533 (2005) to R44 920 (2016). The HDI has risen from 0.64 in 2010 to 0.69 in 2016.

In Saldanha Bay, the economy grew by 2.4 per cent on average between 2005 and 2015 while the municipal area's population grew by 1.75 per cent on average during the same period, translating to an increase in real GDP per capita from R50 609 (2005) to R53 112 (2016). The HDI has risen from 0.68 in 2010 to 0.73 in 2016, and is now on par with that of the Western Cape Province. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

In Swartland, the economy grew by 3.4 per cent on average between 2005 and 2015 while the municipal area's population grew by 2.23 per cent on average during the same period, translating to an increase in real GDP per capita from R42 209 (2005) to R45 844 (2016). The HDI has risen from 0.64 in 2010 to 0.69 in 2016. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

Although the increase in the provision of free basic services is positive as a poverty alleviation strategy, it is a concern as it has financial implications at a time when municipalities are facing difficult financial situations. Other social indicators that remain a concern include the increasing unemployment levels, poverty, income inequality, high Grade 12 drop-out rates, informal settlements and the prevalence of deaths caused by HIV, TB, and diabetes among others diseases.

Cape Winelands District

1

Regional economic review and outlook

1.1 Introduction

The Cape Winelands District (CWD) is characterised by scenic mountains and vast agricultural land utilised for grape and fruit production. The CWD contributed R56.5 billion (11.4 per cent) to the Western Cape's (WC) economy and contributed 15.2 per cent to Provincial employment in 2015.

The GDP growth rate of the CWD averaged 2.9 per cent per annum since 2010. However, growth rates are declining, with an estimated growth rate of 0.5 per cent for 2016.



The economic drivers in the CWD's economy in 2015 were the finance, insurance, real estate and business services sector, the manufacturing sector, and the wholesale and retail trade, catering and accommodation sector.

This chapter provides a macroeconomic outlook of the CWD, an overview of trends between 2010 and 2015 and an outlook regarding GDP for 2017 and 2018. Further indicators of economic activity in the CWD are also discussed in this section, which includes an analysis of the location quotient, the available agriculture infrastructure, a breakdown of the manufacturing subsectors, international trade and informal trading.

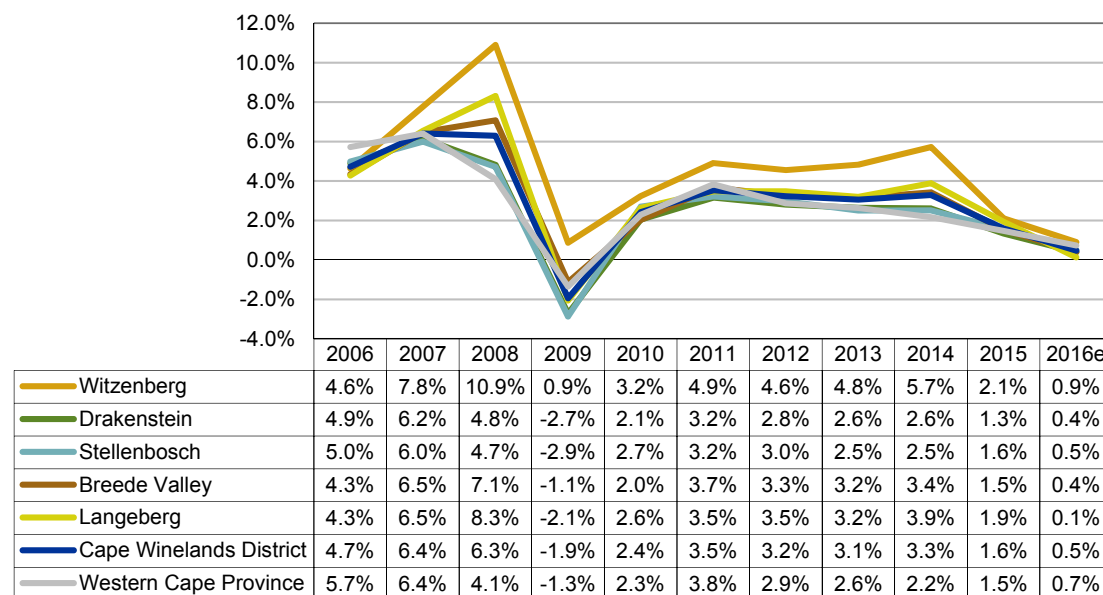
1.2 Growth in GDP performance

Previous MERO publications have discussed in detail the changes to the District's economy before the 2008 recession as well as the subsequent years after the recession. The period under review for MERO 2017 is therefore between 2010 and 2015, together with an estimate for 2016. Statistics SA will only release official regional indicators for 2016 in 2018.

1.2.1 GDP performance per municipal area

Figure 1.1 indicates the GDP performance per CWD municipal area between 2005 and 2016.

Figure 1.1 GDP growth per municipal area, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

The municipal areas within the CWD, together with the Province, experienced the same trends in growth over the past decade. After 2014, the economy of CWD grew at a slower rate each year, with 2016 experiencing the lowest growth rates since the recession in 2009. The decline in GDP growth in the CWD and the Province post 2014,

¹ Note that the GDP growth rate in 2006 indicates the change in GDP from 2005 to 2006.

is mainly due to national and international developments affecting the local economy. General increases in food prices due to the drought, rising national unemployment and increasing interest rates are all having a negative effect on investment while the volatility in the Rand against currencies such as the US Dollar, Pound Sterling and Euro are contributing to rising inflation as SA is generally a net importer of goods. Other factors such as declining business confidence, political instability and the sub-investment credit rating by rating agencies are all contributing to the deteriorating economic conditions.

Table 1.1 indicates the average GDP contribution and growth rates in the various municipal areas within the CWD.

Table 1.1 Cape Winelands District GDP contribution and average growth rates per municipal area

Municipality	Contribution to GDP (%)	Trend		Real GDP growth (%)					
	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Witzenberg	13.9	5.0	4.4	4.9	4.6	4.8	5.7	2.1	0.9
Drakenstein	32.8	2.8	2.5	3.2	2.8	2.6	2.6	1.3	0.4
Stellenbosch	24.0	2.8	2.6	3.2	3.0	2.5	2.5	1.6	0.5
Breede Valley	19.1	3.4	3.0	3.7	3.3	3.2	3.4	1.5	0.4
Langeberg	10.2	3.6	3.2	3.5	3.5	3.2	3.9	1.9	0.1
Total Cape Winelands District	100	3.3	2.9	3.5	3.2	3.1	3.3	1.6	0.5
Western Cape Province	-	3.0	2.6	3.8	2.9	2.6	2.2	1.5	0.7

Source: Quantec Research, 2017 (e denotes estimate)

The largest economies within the District are the Drakenstein and Stellenbosch municipal areas, contributing 32.8 per cent and 24.0 per cent to the GDP of the District respectively, whereas the smallest economies are the Witzenberg and Langeberg municipal areas. These two smaller economies have a higher than average growth rate in general due to the low base effect, whereby a small change from a low initial amount translates to a larger percentage change. In contrast, the economies of the Drakenstein and Stellenbosch municipal areas are slightly below average in general since growth from a larger base is represented by smaller percentages.

Comparing the ten-year average annual growth rate with the five-year average annual growth rates highlights that the recovery phase after the 2009 recession was short lived as economic conditions are again on a downward slope.

The following section outlines the GDP growth per sector within CWD which assists in identifying local economic changes contributing to the decline in growth for the District.

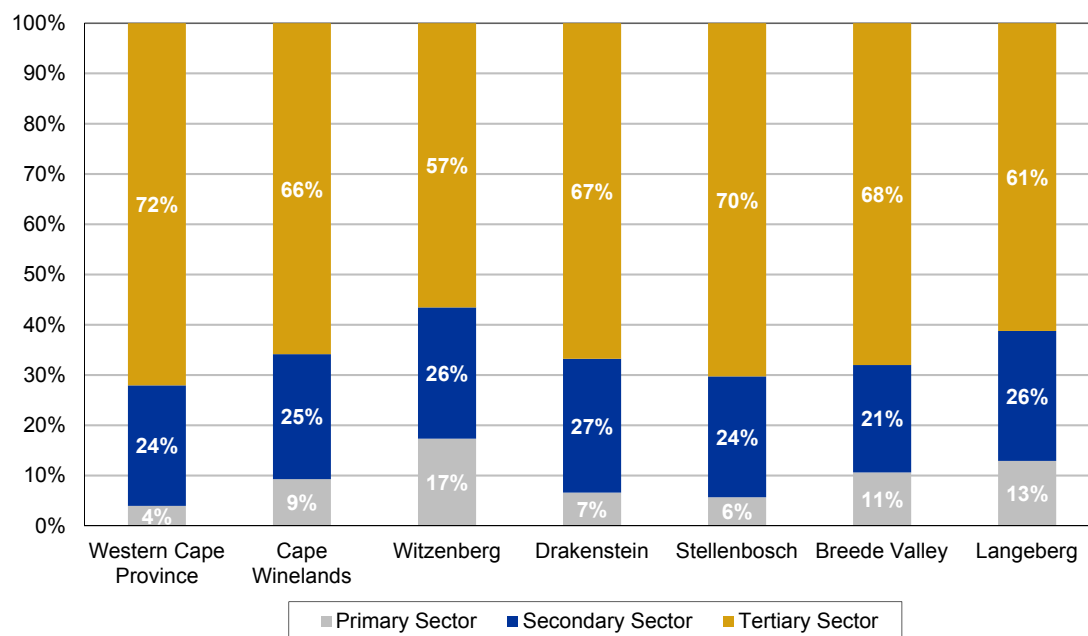
1.2.2 GDP performance per sector

Figure 1.2 indicates the GDP contribution of the primary, secondary and tertiary sectors in the various municipal areas of CWD. These broad classifications are groupings of sectors by their main activity within the economy; primary sectors are those involved with using or extracting natural resources and consist of the agriculture,

forestry and fishing sector and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production and consists of the manufacturing sector, the electricity, gas and water sector and the construction sector. The tertiary sector can also be referred to as the services sector and consists of the wholesale and retail trade, catering and accommodation sector, the transport, storage and communication sector, the finance, insurance, real estate and business services sector, the general government sector and the community, social and personal services sector.

The tertiary sector is the main contributor to the local economies of all municipal areas in the CWD. The primary sector in Witzenberg and Langeberg contribute somewhat more to their respective municipal areas compared to their counterparts in other municipal areas. These two municipal areas do not have large commercial nodes as in the larger local economies; the Witzenberg and Langeberg areas are more rural in nature with vast tracts of agricultural land and smaller service centres.

Figure 1.2 GDP contribution per main sector, 2015



Source: Quantec Research, 2017

The largest tertiary sectors are in the Drakenstein, Breede Valley and Stellenbosch municipal areas. The main towns in these municipal areas (Paarl, Wellington, Stellenbosch and Worcester) are the commercial hubs of the District with many households living and working in the towns which drive the local economy.

Table 1.2 indicates the sectors that contributed the most to the CWD economy in 2015.

Table 1.2 Cape Winelands District GDPR contribution per sector, 2015 (%)

Sector	Cape Winelands	Witzenberg	Drakenstein	Stellenbosch	Breede Valley	Langeberg
Primary Sector	9.3	17.4	6.6	5.7	10.6	12.9
Agriculture, forestry and fishing	9.1	17.3	6.4	5.5	10.4	12.8
Mining and quarrying	0.2	0.0	0.2	0.2	0.2	0.1
Secondary Sector	24.9	26.1	26.6	24.1	21.4	25.9
Manufacturing	15.7	14.2	16.0	17.0	13.4	18.2
Electricity, gas and water	2.2	3.3	2.6	1.4	2.0	1.8
Construction	6.9	8.5	8.0	5.6	5.9	5.9
Tertiary Sector	65.9	56.5	66.8	70.3	68.0	61.2
Wholesale and retail trade, catering and accommodation	18.4	16.9	17.7	20.2	18.3	19.2
Transport, storage and communication	9.8	7.0	8.9	11.0	11.0	11.1
Finance, insurance, real estate and business services	19.8	15.4	21.2	21.6	20.4	16.2
General government	10.2	10.4	10.6	10.6	10.2	8.0
Community, social and personal services	7.5	6.9	8.4	6.8	8.0	6.6

Source: Quantec Research, 2017

The main contributing sectors to GDPR in the CWD are the finance, insurance, real estate and business services sector (19.8 per cent), the wholesale and retail trade, catering and accommodation sector (18.4 per cent) and the manufacturing sector (15.7 per cent).

Agriculture is also an important sector within the District, even though its overall contribution to the economy is not as substantial when compared to other sectors, it provides inputs, mainly grapes, apples, pears and peaches, for the manufacturing sector and supports many local tourism activities (wine tourism). The agricultural sector within this District plays an important role on a national level as a large proportion of horticultural products that are exported from South Africa originate from the CWD and it is the largest wine producing area in South Africa. Factors that will have an adverse impact on the agriculture sector, such as increasing fuel prices, changes in labour legislation, input cost increases, the current drought, etc. will therefore also result in indirect adverse effects on other sectors within the District as many local sectors support the agriculture, forestry and fishing sector.

The mining and quarrying sector does not contribute significantly to the GDPR in the CWD due to a lack of mineral deposits and other mining resources in the area. Inputs for the construction sector (sand, steel, cement, etc.) utilise inputs from this sector. A lack of mining and quarrying activities mean that these inputs need to be imported to the District.

Table 1.3 indicates the CWD's GDP performance per sector between 2011 and 2016.

Table 1.3 Cape Winelands District GDP performance per sector

Sector	Trend		Real GDP growth (%)					
	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	2.1	1.7	0.3	1.3	2.3	7.8	-3.3	-9.1
Agriculture, forestry and fishing	2.1	1.7	0.3	1.3	2.3	7.8	-3.3	-9.2
Mining and quarrying	0.0	2.7	2.8	1.2	3.1	7.0	-0.9	-6.2
Secondary Sector	1.2	0.8	0.4	1.3	0.9	1.1	0.3	-0.2
Manufacturing	-0.2	-0.4	-0.1	0.0	-1.0	-0.4	-0.6	-1.1
Electricity, gas and water	1.2	1.1	3.5	1.9	1.1	0.3	-1.2	-1.7
Construction	7.7	4.8	1.3	5.7	7.4	6.2	3.6	3.0
Tertiary Sector	4.4	4.0	5.3	4.3	4.0	3.3	2.9	2.3
Wholesale and retail trade, catering and accommodation	4.3	4.2	5.8	5.3	3.7	3.1	3.0	2.5
Transport, storage and communication	3.8	3.6	4.9	3.6	3.9	4.2	1.4	1.1
Finance, insurance, real estate and business services	5.7	4.7	5.6	4.7	4.4	3.8	4.9	3.5
General government	3.0	2.9	5.1	2.7	3.8	2.4	0.3	0.9
Community, social and personal services	3.3	3.0	4.0	3.7	3.4	2.3	1.8	1.3
Total Cape Winelands District	3.3	2.9	3.5	3.2	3.1	3.3	1.6	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The primary and secondary sectors have experienced volatile growth rates since 2010 with the agriculture, forestry and fishing sector contracting after reaching a very high GDP growth rate of 7.8 per cent in 2014. This GDP growth rate can be attributed to a significant increase in exports in pome fruits (apples and pears) as well as wine during the period due to increased production and the depreciating Rand (BFAP, 2015). The agriculture, forestry and fishing sector experienced a contraction of 3.3 per cent due to a decline in volume produced following the record harvest of 2014 with a further contraction of 9.2 per cent in 2016; mainly because of the current drought, which will have future repercussions for sectors such as the manufacturing, wholesale and retail trade, catering and accommodation and transport, storage and communication sectors.

The growth in the tertiary sectors has remained positive, albeit declining, over the last five years. It is evident that national factors (decline in business confidence, volatile exchange rates, political instability, rising unemployment and inflation) are also having an impact on the District economy. The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector are continually growing at above average rates indicating the importance of these sectors for the overall growth of the CWD economy. The above average growth within the finance, insurance, real estate and business services sector as well as the construction sector are indicative of continued investment within the area, although growth in these sectors are also steadily declining which illustrates the reduced spending by businesses as a result of declining business confidence.

1.2.3 GDP performance per sector forecast (outlook)

Due to the fast pace at which the global economies as well as the SA economy are changing, only a two-year forecast was done. Table 1.4 indicates the GDP forecast per sector for 2017 and 2018 in the CWD.

Table 1.4 GDP forecast per sector, 2017 - 2018 (%)

Sector	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-9.2	4.6	2.0
Mining and quarrying	-6.2	2.2	0.7
Secondary Sector			
Manufacturing	-1.1	-3.8	-0.1
Electricity, gas and water	-1.7	2.2	3.7
Construction	3.0	2.2	2.7
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	2.5	1.3	2.3
Transport, storage and communication	1.1	1.8	1.7
Finance, insurance, real estate and business services	3.5	1.9	1.9
General government	0.9	-0.4	-0.2
Community, social and personal services	1.3	2.2	1.5
Total	0.5	1.0	1.5

Source: Quantec, own calculations, 2017 (e denotes estimate; f denotes forecast)

Overall, GDP growth within the CWD is expected to improve marginally in 2017 and 2018 although growth remains below the five-year (2010 - 2015) annual average growth rate of 2.9 per cent per annum.

The agriculture, forestry and fishing sector remains volatile due to the continuing drought conditions and exchange rate fluctuations, with growth increasing to 4.6 per cent in 2017 before declining again in 2018. The CWD is a main producer of pome fruit in South Africa which is mostly exported, making the local agriculture sector a vital industry for earning foreign exchange. As the Rand depreciates against major currencies, there is an opportunity to boost local exports assuming volumes, quality and demand for South African fruit and wine does not decline.

The GDP growth rates for the main sectors within the CWD are expected to decline, with the manufacturing sector further contracting. This sector is largely dependent on the agriculture, forestry and fishing sector for raw material used in the production of food and beverage products. An increase in fresh produce exports will reduce the amount of inputs into agri-processing available to the manufacturing sector if production volumes do not increase with the same proportions.

The general government sector is also expected to contract during 2017 and 2018. Increases in indigent households, informal settlements and the inability of households and businesses to pay outstanding debt to the municipalities adds further pressure on this sector.

1.3 Growth in employment trends

1.3.1 Employment per municipal area

Table 1.5 indicates the trend in employment growth within each municipal area in the CWD. Between 2005 and 2015, the CWD had a net increase in employment of 67 738 jobs, however, the rate at which employment has increased is declining due to the overall slowdown in economic activity as represented by the decline in GDP growth rates.

Table 1.5 Cape Winelands District employment growth, 2005 - 2016

Municipality	Contribution to employment (%)		Trend		Employment (net change)					
	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e	
Witzenberg	16.8	10 634	13 966	953	2 757	2 996	733	6 527	1 413	
Drakenstein	28.4	17 237	16 054	1 572	2 853	3 785	1 660	6 184	1 024	
Stellenbosch	20.0	14 256	11 728	1 274	1 977	2 925	1 377	4 175	248	
Breede Valley	21.3	13 799	14 663	1 089	2 623	3 364	1 133	6 454	579	
Langeberg	13.6	11 812	11 433	893	1 890	2 691	1 091	4 868	-161	
Total Cape Winelands District	100	67 738	67 844	5 781	12 100	15 761	5 994	28 208	3 103	
Western Cape Province	-	418 445	326 986	38 314	58 799	81 285	45 807	102 781	15 050	

Source: Quantec Research, 2017 (e denotes estimate)

The Drakenstein, Breede Valley and Stellenbosch municipal areas have the most employed people within the CWD, which is in line with the GDP contributions for these areas. Even though the CWD economy did not fully recover after the recession, job creation between 2005 and 2015 exceeded the job losses during the recession, with 67 844 jobs created between 2010 and 2015, the majority of which were in the Drakenstein and Breede Valley areas, with 16 054 and 14 663 new jobs respectively in the five-year period.

In 2015, there was a significant increase in net employment in all municipal areas, as well as on a Provincial level. This change in employment is largely due to an increase in employment within the agriculture, forestry and fishing sector, which will be discussed in the following subsection.

1.3.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the CWD. The sectors contributing the most to employment include the agriculture, forestry and fishing sector (20.5 per cent), the wholesale and retail trade, catering and accommodation sector (22.8 per cent), the finance, insurance, real estate and business services sector (13.2 per cent) and the community, social and personal services sector (13.7 per cent).

Over a 10-year period, the tertiary sectors have created the most jobs in the District, with the primary sectors shedding nearly 23 000 jobs.

Table 1.6 Cape Winelands District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	20.5	77 472	-22 900	16 458	-2 731	3 598	3 134	-4 245	16 702	-997
Agriculture, forestry and fishing	20.5	77 321	-22 833	16 505	-2 730	3 593	3 191	-4 245	16 696	-1 000
Mining and quarrying	0.0	151	-67	-47	-1	5	-57	-	6	3
Secondary Sector	15.5	58 538	4 222	5 134	850	161	1 898	916	1 309	781
Manufacturing	8.2	30 851	-5 179	-1 396	-368	-1 251	923	-910	210	-509
Electricity, gas and water	0.2	933	341	192	44	36	16	33	63	31
Construction	7.1	26 754	9 060	6 338	1 174	1 376	959	1 793	1 036	1 259
Tertiary Sector	64.0	241 559	86 416	46 252	7 662	8 341	10 729	9 323	10 197	3 319
Wholesale and retail trade, catering and accommodation	22.8	86 033	31 018	16 315	3 171	3 526	2 944	3 082	3 592	1 318
Transport, storage and communication	4.7	17 616	8 915	4 643	440	1 080	1 296	176	1 651	-961
Finance, insurance, real estate and business services	13.2	49 990	17 382	9 122	1 669	1 298	1 949	1 381	2 825	1 170
General government	9.5	36 055	10 065	4 244	1 584	712	621	2 123	-796	781
Community, social and personal services	13.7	51 865	19 036	11 928	798	1 725	3 919	2 561	2 925	1 011
Total Cape Winelands District	100	377 569	67 738	67 844	5 781	12 100	15 761	5 994	28 208	3 103

Source: Quantec Research, 2017 (e denotes estimate)

The agriculture, forestry and fishing sector is very volatile in terms of employment creation, with changes in harvesting technology, labour unrest, changes in labour legislation and wages as well as the seasonal labour needs of the sector all impacting the demand for labour. However, based on the existing resources within the CWD, the agriculture sector is still a major employer and provides inputs for the manufacturing sector.

The significant increase in net employment in 2015 can be attributed to a large increase in jobs in the agriculture, forestry and fishing sector. Between 2013 and 2014 a demand for additional labour emerged due to an increase in the area under production for apples and pears (BFAP, 2016) as well as very good wine grape harvests in some of the wine producing regions (VinPro, 2016). Labour in the agriculture, forestry and fishing sector however, remains volatile, together with the manufacturing sector, shedding jobs again in the following year. The transport, storage and communication sector experienced a net decline in jobs - indicating strong linkages between the agriculture, forestry and fishing, manufacturing and transport, storage and communication sectors and the importance of the agricultural value chain within the CWD.

Table 1.7 outlines the official unemployment rate for each of the municipal areas within CWD. The level of unemployment for the District is lower than that of the Province, with the Witzenberg and Langeberg municipal areas having the lowest unemployment rate in the District. The Drakenstein's unemployment rate exceed the District's whilst Stellenbosch and Breede Valley areas are on par compared to the District; these localities have larger urban towns compared to the Witzenberg and Langeberg municipal areas, which tend to attract more people in search of employment.

Table 1.7 Cape Winelands unemployment rate, 2011 - 2016 (%)

Municipality	2011	2012	2013	2014	2015	2016e
Witzenberg	6.0	6.6	6.8	7.0	6.9	7.0
Drakenstein	13.1	13.7	13.6	14.0	14.4	14.9
Stellenbosch	10.4	10.8	10.6	11.0	11.3	11.9
Breede Valley	10.4	11.0	10.9	11.2	11.4	11.8
Langeberg	7.1	7.6	7.4	7.7	7.9	8.4
Cape Winelands District	10.1	10.7	10.6	10.9	11.2	11.6
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2017 (e denotes estimate)

Even though the unemployment rate is very low within the CWD, it is increasing. Rising unemployment will have an overall negative impact on the economy as spending will be reduced.

A positive net change in total employment (Table 1.6), together with an increase in the official unemployment rate (Table 1.7) indicates an increase in the labour force of the CWD. This can be attributed to migration to the area as well as new entrants to the labour market who struggle to find employment (youth unemployment).

1.4 Trade and Informal Enterprises

1.4.1 Location quotient

To determine the level of specialisation within the different economic sectors of the CWD, a location quotient is used. The location quotient is a ratio between two economies; in this case, the Provincial and District economies, which indicates whether the District is importing, self-sufficient or exporting goods and services from a particular sector. Table 1.8 provides the classification and interpretation of the location quotient.

Table 1.8 Location quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	The sector is meeting most local needs. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

It is important to note that a location quotient as a tool, does not consider external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a particular sector. Table 1.9 outlines the sectoral location quotient for the CWD.

Table 1.9 Location quotient in terms of GDP and employment, Cape Winelands District, 2015

Sector	In terms of GDP	In terms of employment
Agriculture, forestry and fishing	2.45	2.23
Mining and quarrying	0.70	0.63
Manufacturing	1.03	0.84
Electricity, gas and water	0.78	0.74
Construction	1.17	0.89
Wholesale and retail trade, catering and accommodation	1.07	0.96
Transport, storage and communication	0.88	0.83
Finance, insurance, real estate and business services	0.78	0.77
General government	0.90	0.81
Community, social and personal services	1.11	0.97

Source: Quantec Research, 2017

A location quotient larger than 1.25 means that the agriculture, forestry and fishing sector within the CWD is serving the needs beyond its border, exporting goods from this sector to other regions. This highlights the importance of the agriculture, forestry and fishing sector in CWD and reinforces the fact that the decline in jobs and growth in this sector can have a direct negative effect on other local sectors and an overall negative effect on the local economy of the CWD.

All other sectors, except mining and quarrying, have a location quotient greater than 0.75 but less than 1.25, indicating that these sectors are meeting most of the local needs, but goods and services are being imported and exported from this District. The mining and quarrying sector is very small in terms of its GDP contribution and employment creation due to the lack of resources within the CWD.

1.4.2 Agriculture infrastructure

Table 1.10 indicates the agricultural infrastructure in each municipal area within the CWD, as determined in 2013 by the WC Department of Agriculture. Having the necessary infrastructure is an essential component within the agricultural value chain, and the lack thereof can hinder agricultural development within an area, particularly when smallholder and emerging farmers need to develop into more commercial farming.

Table 1.10 Cape Winelands District agriculture infrastructure, 2013

Infrastructure	Witzenberg	Drakenstein	Stellenbosch	Breede Valley	Langeberg	Cape Winelands District
Abattoir - red meat	2	3	0	1	2	8
Abattoir - white meat	0	1	0	2	1	4
Agro-processing plant	13	21	13	7	11	65
Airfield	10	5	1	5	7	28
Chicken batteries	0	0	0	0	1	1
Chicken batteries - broilers	7	39	13	21	0	80
Chicken batteries - layers	6	58	5	4	2	75
Chicken hatchery	0	0	1	1	0	2
Cool chain facilities	8	0	0	2	0	10
Crush pen	107	44	7	45	61	264
Crush pen and dip tank	1	1	2	9	4	17
Dairy	8	14	9	15	25	71
Dam	2 726	787	981	930	1 806	7 230
Feedlot - beef	2	1	0	4	6	13
Feedlot - pigs	0	0	0	1	0	1
Feedlot - sheep	0	0	0	0	0	0
Fruit cool chain facilities	9	2	0	0	9	20
Fruit packers	2	1	1	0	5	9
Grain dam - commercial	0	0	0	0	0	0
Homestead	594	724	705	757	657	3 437
Homestead - labour	342	483	155	422	472	1 874
Nursery	5	14	15	2	8	44
Other	0	2	0	0	2	4
Packhouse	130	37	21	115	32	335
Piggery	1	9	12	1	3	26
Shade netting	45	128	51	18	43	285
Silo bags - commercial	0	1	1	0	2	4
Silo bags - non-commercial	1	0	0	0	0	1
Silos - commercial	1	1	0	0	1	3
Silos - non-commercial	0	2	0	0	1	3
Tunnels	24	123	69	9	21	246

Source: WC Department of Agriculture, Western Cape AgriStats, 2013

As indicated in MERO 2016, the main crops within CWD include table and wine grapes, peaches, apricots, apples and pears. The number of dams within CWD highlights the importance of the availability of irrigation water for crops. The impact of the current drought will therefore not only affect the agriculture sector, but the industries linked to the agricultural value chain in the CWD and the Province. From the infrastructure availability, horticulture is the primary agricultural activity; however, the CWD also has a significant amount of chicken batteries for broilers and layers, especially in the Drakenstein and Breede Valley municipal areas compared to other districts in the Province.

1.4.3 Manufacturing subsectors

Table 1.11 indicates the economic contribution of the manufacturing subsectors to the main manufacturing sector in the CWD. It is evident that the agriculture, forestry and fishing sector, even though it contributes less to the GDP when compared to other sectors, is an important sector as it provides inputs for the manufacturing sector within the CWD since the largest manufacturing activity in the District is the production of food and beverages (44.4 per cent of total manufacturing GDP).

Table 1.11 Cape Winelands District manufacturing subsector GDP contribution, 2015 (%)

Subsector	Cape Winelands District	Witzenberg	Drakenstein	Stellenbosch	Breede Valley	Langeberg
Food, beverages and tobacco	44.4	50.7	44.2	41.2	39.0	53.2
Textiles, clothing and leather goods	4.0	2.9	3.4	5.0	4.4	3.9
Wood, paper, publishing and printing	11.2	9.9	11.6	12.6	11.6	7.7
Petroleum products, chemicals, rubber and plastic	13.3	16.2	11.7	13.3	15.1	12.1
Other non-metal mineral products	2.8	2.8	3.2	2.7	2.8	1.9
Metals, metal products, machinery and equipment	10.1	6.4	10.7	10.2	12.3	8.9
Electrical machinery and apparatus	0.8	0.2	1.2	1.0	0.6	0.2
Radio, TV, instruments, watches and clocks	1.0	0.4	1.0	1.5	0.9	0.5
Transport equipment	4.3	2.2	4.7	5.0	5.1	2.6
Furniture and other manufacturing	8.2	8.3	8.4	7.5	8.2	9.2

Source: Quantec Research, 2017

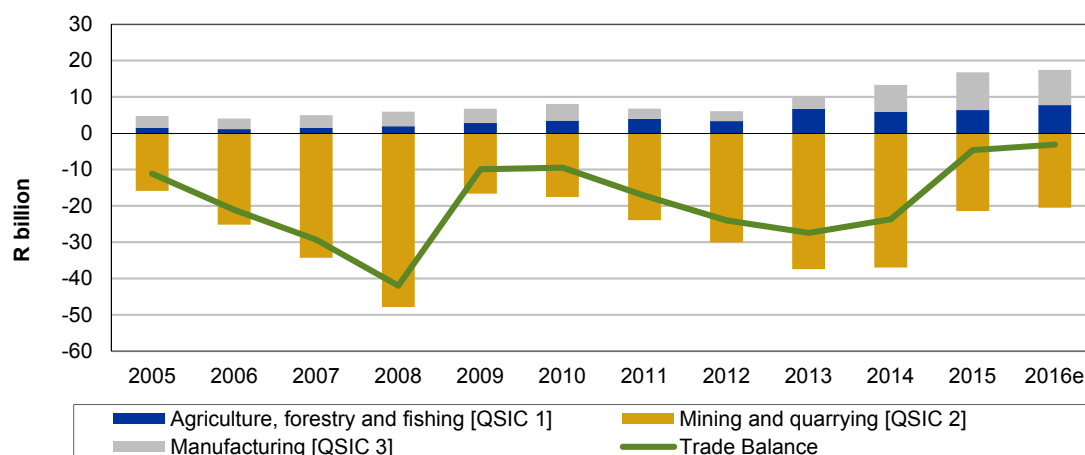
The petroleum products, chemicals, rubber and plastics subsector is the second largest contributor to the GDP of the District's manufacturing sector (13.3 per cent), especially in the Witzenberg and Breede Valley municipal areas. Products included in this subsector include pesticides, agrochemicals and fertilisers which are some of the primary inputs for the agriculture sector.

The metals, metal products, machinery and equipment subsector contributes 10.1 per cent to overall manufacturing sector GDP in the District, with this subsector contributing 12.3 per cent to the manufacturing sector in the Breede Valley municipal area. This subsector includes the manufacturing of agricultural machinery.

1.4.4 International trade

Figure 1.3 indicates the CWD trade balance between 2005 and 2015 together with an estimate for 2016. The bulk of exports from the District are manufactured products while imports are mainly products from the mining and quarrying sector.

Figure 1.3 Cape Winelands District trade balance, 2005 - 2016



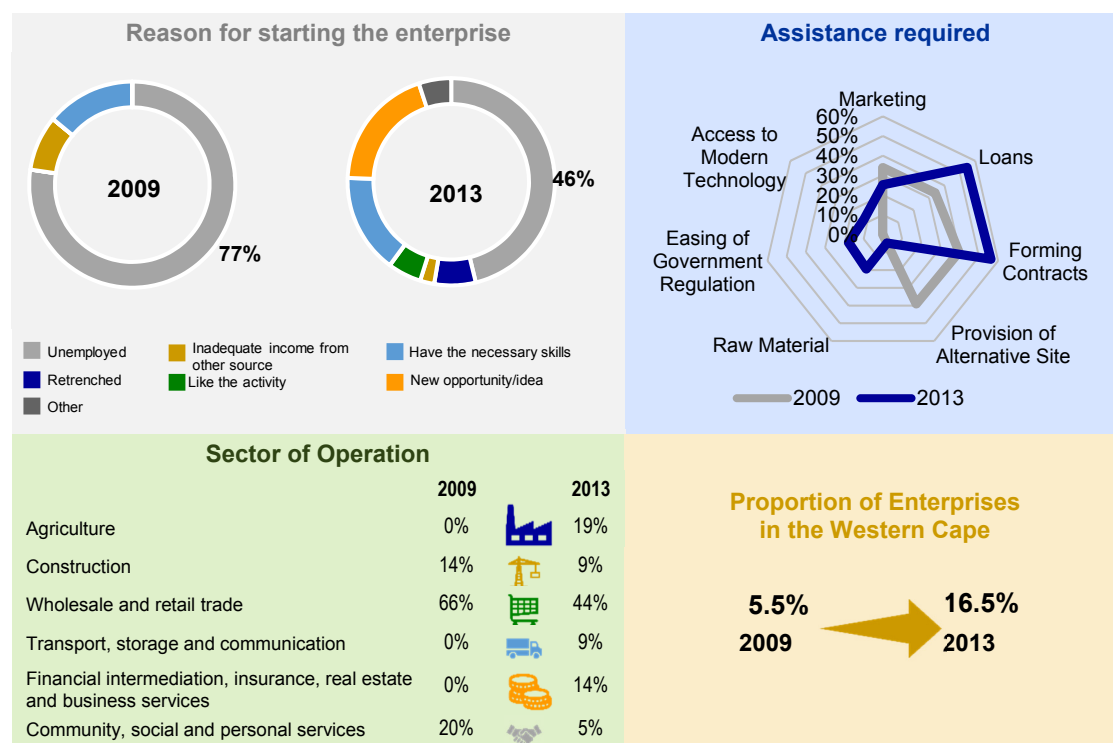
Source: Quantec Research, 2017 (e denotes estimate)

A negative trade balance indicates that the value of imports was greater than the value of exports over the reference period. Even though the CWD has maintained its negative trade balance between 2013 and 2016, exports have started to increase while the imports of mining and quarrying products have declined. An increase in exports can be attributed to national indicators such as a weakening Rand and an increase in demand for South African products.

1.4.5 Informal enterprises

In 2009, 5.5 per cent of informal enterprises surveyed in the Western Cape were operating in this District, compared to 16.5 per cent in 2013.

Diagram 1.1 Informal enterprises overview, Cape Winelands



Source: Adapted from Stats SA, 2009 & 2013

The majority of informal enterprises within the CWD operate in the wholesale and retail trade sector in both survey years. In 2013, 19.3 per cent of informal enterprises operated within the manufacturing sector, which correlates with the increased number of enterprises indicating that they need assistance with loans and forming contracts.

SMMEs in the District face a variety of challenges from access to start-up funding and credit, lack of appropriate transport, poor access to institutional support as well as a lack of skills, ranging from product development, financial management and marketing². These challenges and constraints are impacting the long-term sustainability and success of SMMEs³. The implementation of skills programmes as well as mentorship programmes will greatly benefit the success of SMMEs in the CWD; these programmes should also provide general support as many SMMEs require assistance with registering their enterprises⁴.

1.5 Concluding remarks

The CWD is an agriculturally driven economy supported by prominent manufacturing and tertiary sectors. Historically, the District has experienced favourable economic growth relative to the Province and contributed significantly to the economy of the WC in terms of GDP and employment over the last five years. The District is known for its fruit, grape and wine production which are the main exports from the District and a major attraction for domestic and international tourists.

GDP growth rates have been declining since 2014 with the 2016 GDP growth being the lowest levels since the economic recession. The slowdown in growth can be attributed to the drought conditions having a severe impact on the agriculture industry as well as national factors influencing the whole of South Africa.

It is expected that growth rates will marginally increase in 2017 and 2018 but will remain low. The agriculture, forestry and fishing sector in the CWD will remain volatile due to its reliance on exports. It is expected that tertiary sectors, which contribute the most to the CWD economy, will remain under pressure should its growth rates continue to decline in 2017 and 2018.

² Cape Winelands District MERO 2017 Survey response

³ Breede Valley Municipality MERO 2017 Survey response

⁴ Langeberg Municipality MERO 2017 Survey response

2

Sectoral growth, employment and skills per municipal area

2.1 Introduction

This chapter provides a macroeconomic outlook at the municipal level, an overview of trends from 2010 to 2016 for GDP, employment as well as skills levels in each of the municipal areas of the CWD. This chapter further provides information on building plans passed and completed within selected municipalities.

2.2 Witzenberg

2.2.1 GDP performance

The Witzenberg municipal area is one of the smallest economies in the District, contributing 13.9 per cent to the economy in terms of GDP and 16.8 per cent to employment. Over the last five years since 2010, Witzenberg's tertiary sectors have achieved above average growth rates in terms of GDP and has contributed significantly to employment.

Table 2.1 indicates the Witzenberg municipal area's GDP performance per sector. Growth rates in this municipal area appear higher compared to other municipal areas in the District due to the small base from which growth is occurring.

Table 2.1 Witzenberg GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	17.4	1 363.9	2.7	2.2	0.9	1.9	2.8	8.5	-2.8	-8.7
Agriculture, forestry and fishing	17.3	1 362.2	2.7	2.2	0.9	1.9	2.8	8.5	-2.8	-8.7
Mining and quarrying	0.0	1.7	4.5	7.2	7.6	5.2	7.2	11.9	4.0	-2.3
Secondary Sector	26.1	2 053.0	4.9	3.7	3.1	3.5	4.5	5.5	2.0	2.4
Manufacturing	14.2	1 119.8	3.1	2.6	2.1	2.2	2.7	4.9	1.3	1.4
Electricity, gas and water	3.3	261.9	4.8	3.1	6.0	4.2	3.2	2.1	0.2	-0.8
Construction	8.5	671.3	10.3	6.5	4.5	6.5	9.1	8.1	4.3	5.6
Tertiary Sector	56.5	4 444.0	6.2	5.6	7.4	6.1	5.8	4.8	4.1	3.8
Wholesale and retail trade, catering and accommodation	16.9	1 325.9	5.3	5.0	7.0	6.2	4.5	3.8	3.5	3.6
Transport, storage and communication	7.0	553.2	4.2	3.9	5.7	4.2	4.2	4.6	1.0	1.3
Finance, insurance, real estate and business services	15.4	1 210.7	8.5	7.2	8.6	7.3	7.1	6.0	6.7	5.5
General government	10.4	814.4	5.6	5.4	7.8	5.1	6.6	5.0	2.5	3.3
Community, social and personal services	6.9	539.9	5.6	5.1	6.6	5.7	5.6	3.8	3.7	2.9
Total Witzenberg	100	7 860.9	5.0	4.4	4.9	4.6	4.8	5.7	2.1	0.9

Source: Quantec Research, 2017 (e denotes estimate)

The local economy of the Witzenberg municipal area is driven by the agriculture, forestry and fishing sector (17.3 per cent), the wholesale and retail trade, catering and accommodation sector (16.9 per cent), the finance and business services sector (15.4 per cent) and the manufacturing sector (14.2 per cent). Combined, these sectors contribute more than R5.0 billion to the economy.

In 2014, the agriculture, forestry and fishing sector's GDPR growth rate was 8.5 per cent; this growth rate can be attributed to a significant increase in exports in pome fruits (apples and pears) in the period due to good weather, increased production and the depreciating Rand (BFAP, 2015).

The five-year average annual growth rates are less than the ten-year average annual growth rates across all sectors (except mining and quarrying), indicating that the economy was slow to recover from the recession. A decline in GDPR growth in 2015 and 2016 indicate that the economy is again on a downward trend. This decline can be attributed to the contraction of the agriculture, forestry and fishing sector and the decline in growth of tertiary sectors. The main crops within the Witzenberg municipal area are apples, pears and peaches (WC Department of Agriculture, 2013) which are largely dependent on irrigation water; the lack of water due to the drought conditions are therefore contributing to the decline in output from this sector. The depreciating Rand increases input costs such as fuel and fertilisers which puts further strain on the agriculture, forestry and fishing sector.

2.2.2 Employment profile

The Witzenberg municipal area had an unemployment rate of 6.9 per cent (2015) which is the lowest in the District when compared to the other municipal areas. Table 2.2 indicates the trend in employment growth within each economic sector in the Witzenberg municipal area.

Table 2.2 Witzenberg employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	34.7	22 016	-5 684	4 951	-718	1 057	946	-1 152	4 818	-225
Agriculture, forestry and fishing	34.7	22 011	-5 684	4 951	-718	1 056	948	-1 152	4 817	-225
Mining and quarrying	0.01	5	-	-	-	1	-2	-	1	-
Secondary Sector	12.90	8 175	2 038	1 388	276	246	380	283	203	402
Manufacturing	5.7	3 605	68	200	-18	-33	176	9	66	56
Electricity, gas and water	0.3	208	107	58	14	12	7	9	16	12
Construction	6.9	4 362	1 863	1 130	280	267	197	265	121	334
Tertiary Sector	52.4	33 170	14 280	7 627	1 395	1 454	1 670	1 602	1 506	1 236
Wholesale and retail trade, catering and accommodation	18.4	11 654	4 772	2 574	508	551	496	472	547	440
Transport, storage and communication	2.6	1 668	800	413	56	108	106	13	130	-11
Finance, insurance, real estate and business services	9.0	5 731	2 413	1 208	261	213	249	180	305	238
General government	10.1	6 422	2 940	1 457	384	258	259	540	16	269
Community, social and personal services	12.1	7 695	3 355	1 975	186	324	560	397	508	300
Total Witzenberg	100	63 361	10 634	13 966	953	2 757	2 996	733	6 527	1 413

Source: Quantec Research, 2017 (e denotes estimate)

The sectors that contributed the most to the 63 361 jobs in the Witzenberg municipal area in 2015 were the agriculture, forestry and fishing sector (34.7 per cent) and the wholesale and retail trade, catering and accommodation sector (18.4 per cent). Even though the manufacturing sector contributes R1.1 billion (14.2 per cent) to the GDP, this sector only employed 3 605 people (5.7 per cent of employment) in 2015 indicating that the manufacturing sector within the Witzenberg municipal area is less labour intensive and more dependent on mechanisation.

The agriculture, forestry and fishing sector in the Witzenberg municipal area has shed 5 684 jobs between 2005 and 2015, however, has experienced a significant increase in agricultural jobs in 2015, which is in line with the change in employment in this sector for the District over the same period⁵. Employment in this sector is volatile, with jobs declining again in 2016. Labour needs within the agricultural, forestry and fishing sector are seasonal i.e. not permanent, which depends on the harvest each year. Changes

⁵ Refer to section 1.3.2. in Chapter 1.

in the number of hectares under production will also have an impact on the demand for labour. Favourable economic conditions resulting in new investment from farmers to expand their orchards and vineyards will increase the demand for labour and vice versa.

2.2.3 Skills level

Table 2.3 indicates the skills levels in the Witzenberg municipal area. Skills levels can only be analysed for formal employment; by comparing total employment (Table 2.2) and formal employment, it is estimated that the Witzenberg municipal area has a large formal sector, with only 11 797 (or 18.6 per cent) of people being informally employed.

Table 2.3 Witzenberg skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	13.0	3.3	6 710
Semi-skilled	32.8	2.5	16 913
Low-skilled	54.2	0.0	27 941
Total Witzenberg	100	1.2	51 564

Source: Quantec Research, 2017

Most of the formally employed people within the Witzenberg municipal area (54.2 per cent) are low-skilled. This is in line with the number of workers in the agriculture, forestry and fishing sector. This sector has more need for low-skilled workers, especially during harvesting season. The growth in the number of skilled, and semi-skilled workers are in line with the ten-year average GDP and employment growth in secondary and tertiary sectors, which typically require more skilled workers.

2.3 Drakenstein

2.3.1 GDP performance

The Drakenstein municipal area has the largest economy in the District, contributing R18.6 billion to the economy of the District (32.8 per cent). This local economy is driven by tertiary sector activities, which contributes 66.8 per cent to the total GDP in the local economy indicating a more urban economy compared to other municipal areas in the District. The Drakenstein area's agricultural, forestry and fishing sector contributes less to the local economy in comparison to the sector's contribution in other areas, however, due to the smaller geographic size and more developed secondary and tertiary sectors, this is to be expected. Table 2.4 indicates Drakenstein's GDP performance per sector.

Table 2.4 Drakenstein GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	6.6	1 225.6	2.5	2.1	0.8	1.7	2.8	8.2	-2.8	-8.7
Agriculture, forestry and fishing	6.4	1 181.9	2.6	2.1	0.8	1.7	2.8	8.2	-2.8	-8.7
Mining and quarrying	0.2	43.7	-0.4	2.1	2.7	1.0	2.9	6.9	-3.0	-6.4
Secondary Sector	26.6	4 940.1	0.1	-0.2	-0.4	0.3	0.1	-0.1	-0.7	-1.1
Manufacturing	16.0	2 971.4	-1.7	-1.9	-1.3	-1.4	-2.3	-2.2	-2.1	-2.6
Electricity, gas and water	2.6	484.5	2.0	1.9	4.4	2.9	2.1	1.0	-0.9	-1.7
Construction	8.0	1 484.2	7.4	4.5	1.3	5.0	7.0	6.0	3.2	3.1
Tertiary Sector	66.8	12 390.7	4.0	3.6	4.9	3.9	3.6	2.9	2.5	2.0
Wholesale and retail trade, catering and accommodation	17.7	3 277.1	4.1	4.0	5.6	5.2	3.6	2.9	2.7	2.4
Transport, storage and communication	8.9	1 657.7	2.2	2.3	3.6	2.3	2.5	3.1	0.0	0.0
Finance, insurance, real estate and business services	21.2	3 940.2	5.1	4.0	5.0	4.1	3.7	3.2	4.3	2.8
General government	10.6	1 966.3	3.1	2.9	5.2	2.7	3.9	2.5	0.3	0.9
Community, social and personal services	8.4	1 549.5	3.9	3.6	4.5	4.2	4.0	2.7	2.3	1.6
Total Drakenstein	100	18 556.3	2.8	2.5	3.2	2.8	2.6	2.6	1.3	0.4

Source: Quantec Research, 2017 (e denotes estimate)

The finance, insurance, real estate and business services (21.2 per cent), the wholesale and retail trade, catering and accommodation (17.7 per cent) and the manufacturing (16.0 per cent) sectors are the largest contributors to the economy of Drakenstein; these three sectors combined contributed R10.2 billion to the local economy in 2015. On average, the tertiary sectors have experienced good growth over the last five years. However, growth is deteriorating with the tertiary sectors growing on average at 2.0 per cent in 2016.

The overall GDPR growth in Drakenstein has declined to 0.4 per cent in 2016 due to the contraction of the agriculture, forestry and fishing and manufacturing sectors, highlighting the importance of these two sectors on a local level. The contraction in the agriculture, forestry and fishing sector follows a growth rate of 8.2 per cent in 2014 which was a result of good weather leading to a larger harvest and resulting in increased exports during the period.

The construction sector has also achieved above average growth over the last five years compared to other sectors in the Drakenstein municipal area, growing at an average annual rate of 4.5 per cent per annum, indicating continued investment in this economy, even though growth is also decreasing as in other sectors. The high growth rates in 2012, 2013 and 2014 coincides with roadworks and construction activities at social facilities undertaken by the Municipality.

2.3.2 Employment profile

The Drakenstein municipal area had the largest number of employed people in the District, contributing 28.4 per cent to employment in the District in 2015, however, this municipal area also had the highest unemployment rate in the District (14.4 per cent), which is to be expected with the large proportion of the District population residing in this area. Table 2.5 indicates the trend in employment growth within each economic sector in the Drakenstein municipal area.

Table 2.5 Drakenstein employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	15.1	16 206	-4 402	3 529	-539	781	667	-857	3 477	-181
Agriculture, forestry and fishing	15.1	16 133	-4 366	3 554	-538	780	695	-857	3 474	-181
Mining and quarrying	0.1	73	-36	-25	-1	1	-28	-	3	-
Secondary Sector	17.2	18 474	-693	682	133	-64	362	103	148	143
Manufacturing	8.6	9 263	-3 204	-1 100	-255	-486	119	-397	-81	-240
Electricity, gas and water	0.3	329	123	71	16	12	7	13	23	11
Construction	8.3	8 882	2 388	1 711	372	410	236	487	206	372
Tertiary Sector	67.6	72 434	22 332	11 843	1 978	2 136	2 756	2 414	2 559	1 062
Wholesale and retail trade, catering and accommodation	22.6	24 158	7 849	4 107	806	894	733	749	925	407
Transport, storage and communication	4.3	4 649	1 893	945	76	246	274	-10	359	-298
Finance, insurance, real estate and business services	14.5	15 535	3 914	2 032	374	271	439	269	679	351
General government	11.1	11 916	3 091	1 258	502	210	174	668	-296	233
Community, social and personal services	15.1	16 176	5 585	3 501	220	515	1 136	738	892	369
Total Drakenstein	100	107 114	17 237	16 054	1 572	2 853	3 785	1 660	6 184	1 024

Source: Quantec Research, 2017 (e denotes estimate)

Employment in this municipal area is dependent on a diverse range of sectors which is in line with the more urban nature of some of the towns in the area, which provides goods and services to other industries within the region. In 2015, the Drakenstein municipal area employed 107 114 people, mostly within the wholesale and retail trade, catering and accommodation (22.6 per cent), the agriculture, forestry and fishing (15.1 per cent), the community, social and personal services (15.1 per cent) and the finance, insurance, real estate and business services (14.5 per cent) sectors.

Job creation has accelerated in Drakenstein over the last five years, creating a significant number of jobs in 2015, especially in the agriculture, forestry and fishing sector. The wine grape harvesting season in 2015 started earlier than normal due to warmer weather in August and September, which put cellars under pressure to manage the larger intakes over a shorter period, which could have contributed to additional seasonal employment in the area (VinPro, 2016). However, with the decline

in GDP growth, it can be expected that job creation will grow at slower rates and eventually sectors will shed jobs as in the recession.

The sectors that shed jobs in 2016 are the agriculture, forestry and fishing, manufacturing and the transport, storage and communication sectors indicating the interlinkages between these sectors. The annual changes in employment in the agriculture, forestry and fishing sector indicates the volatility of this local sector and its dependency on factors spanning beyond poor weather conditions, such as consumer demand, exchange rates and commodity prices.

2.3.3 Skills level

Table 2.6 indicates the skills levels of the Drakenstein municipal area. Skills levels can only be determined for formal employment; 76.0 per cent of workers in the municipal area are formally employed.

Table 2.6 Drakenstein skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	22.0	1.8	17 918
Semi-skilled	37.8	0.4	30 803
Low-skilled	40.2	-0.1	32 711
Total Drakenstein	100	0.5	81 432

Source: Quantec Research, 2017

Most formal sector workers in the Drakenstein municipal area are low-skilled (40.2 per cent). In areas with a dominant agriculture, forestry and fishing sector, workers are typically low-skilled, due to the labour needs of the industry. The tertiary sector typically employs more skilled workers due to technical aspects prevalent in most of the job opportunities within this sector. The growth in skilled workers is aligned to tertiary sector growth and can also be attributed to the migration of skilled workers from other areas.

2.4 Stellenbosch

2.4.1 GDP performance

The Stellenbosch municipal area has the second largest local economy within the CWD with a GDP of R13.5 billion (2015). This municipal area has a well-developed tertiary sector; however, the manufacturing sector also contributes significantly to the local economy. Table 2.7 indicates the Stellenbosch municipal area's GDP performance per sector.

Table 2.7 Stellenbosch GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	5.7	768.8	1.4	1.0	-0.4	0.5	1.6	6.8	-3.5	-9.2
Agriculture, forestry and fishing	5.5	747.0	1.4	1.0	-0.5	0.5	1.6	6.8	-3.6	-9.3
Mining and quarrying	0.2	21.8	0.7	3.3	3.0	1.5	3.4	7.2	1.2	-5.9
Secondary Sector	24.1	3 258.8	0.5	0.4	0.3	1.4	0.0	0.1	0.1	-0.8
Manufacturing	17.0	2 303.3	-0.6	-0.5	0.3	0.4	-1.5	-0.9	-0.6	-1.2
Electricity, gas and water	1.4	192.1	0.8	0.8	3.2	1.6	0.7	0.0	-1.5	-3.4
Construction	5.6	763.3	6.5	4.1	-0.3	6.0	6.8	4.4	3.6	1.1
Tertiary Sector	70.3	9 520.9	3.9	3.5	4.6	3.8	3.4	2.9	2.5	1.8
Wholesale and retail trade, catering and accommodation	20.2	2 736.0	4.2	4.1	5.5	5.2	3.7	3.2	3.1	2.2
Transport, storage and communication	11.0	1 497.1	5.9	5.0	6.5	5.0	5.3	5.4	2.9	2.6
Finance, insurance, real estate and business services	21.6	2 925.4	4.3	3.3	4.0	3.3	3.0	2.6	3.8	2.3
General government	10.6	1 441.1	2.6	2.4	4.8	2.3	3.4	1.9	-0.2	0.4
Community, social and personal services	6.8	921.2	1.7	1.5	2.3	2.5	1.8	1.0	0.1	0.2
Total Stellenbosch	100	13 548.4	2.8	2.6	3.2	3.0	2.5	2.5	1.6	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation sector, the finance, insurance, real estate and business services sector and the manufacturing sector collectively contributed R8.0 billion (58.8 per cent) to the economy of the Stellenbosch municipal area in 2015, making these sectors the economic drivers within the area.

The average annual growth rate between 2005 and 2015 for Stellenbosch was 2.8 per cent; which is slightly less than the average annual growth rate for CWD. The sectors achieving above average growth over a ten-year period is the construction sector, the finance, insurance, real estate and business services as well as the transport, storage and communication sector, showing continued investment in these sectors.

The economy of the Stellenbosch municipal area has not fully recovered after the recession, with the five-year average growth rates lower than the 10-year average growth rates. Since 2011, growth dwindled year-on-year to reach 0.5 per cent in 2016, the lowest experienced by the local economy since the recession when the economy contracted by 2.9 per cent. The sectors contributing to the decline in growth for the 2016 period are mainly the primary and secondary sectors (excluding the construction sector). This indicates that even though the agriculture sector contributes less to the overall economy in terms of GDP, it is still a valuable local sector.

2.4.2 Employment profile

The Stellenbosch municipal area employs 20.0 per cent of the workforce in the District. Table 2.8 indicates the trend in employment growth within each economic sector in the Stellenbosch municipal area.

Table 2.8 Stellenbosch employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	12.4	9 389	-2 956	1 940	-324	468	384	-503	1 915	-134
Agriculture, forestry and fishing	12.4	9 363	-2 947	1 947	-324	467	393	-503	1 914	-136
Mining and quarrying	0.0	26	-9	-7	-	1	-9	-	1	2
Secondary Sector	17.0	12 858	77	611	104	-126	363	29	241	22
Manufacturing	10.4	7 854	-1 243	-416	-62	-350	224	-272	44	-159
Electricity, gas and water	0.2	141	48	27	7	6	2	4	8	5
Construction	6.4	4 863	1 272	1 000	159	218	137	297	189	176
Tertiary Sector	70.5	53 178	17 135	9 177	1 494	1 635	2 178	1 851	2 019	360
Wholesale and retail trade, catering and accommodation	26.6	20 030	6 762	3 539	694	767	622	667	789	204
Transport, storage and communication	5.7	4 281	2 286	1 205	122	274	334	71	404	-233
Finance, insurance, real estate and business services	15.3	11 504	3 229	1 723	286	226	380	254	577	206
General government	10.0	7 564	1 815	712	305	116	91	406	-206	130
Community, social and personal services	13.0	9 799	3 043	1 998	87	252	751	453	455	53
Total Stellenbosch	100	75 425	14 256	11 728	1 274	1 977	2 925	1 377	4 175	248

Source: Quantec Research, 2017 (e denotes estimate)

The sectors that contribute the most to the 75 425 jobs within the Stellenbosch municipal area are the wholesale and retail trade, catering and accommodation sector (26.6 per cent), the finance, insurance, real estate and business services sector (15.3 per cent), the community, social and personal services sector (13.0 per cent) and the agriculture, forestry and fishing sector (12.4 per cent).

Overall, the Stellenbosch municipal area had a significant positive net change in employment after the recession. Job creation in this local economy is, however, slowing down, with significantly fewer jobs being created in 2016 when compared to 2015. The agriculture, forestry and fishing, the manufacturing and the transport, storage and communication sectors jointly shed 528 jobs in 2016, highlighting the linkages between these sectors.

2.4.3 Skills level

Table 2.9 indicates the skills levels of Stellenbosch. Skills levels can only be determined for formal employment; 70.5 per cent of workers in the local municipal area are formally employed.

Table 2.9 Stellenbosch skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	23.0	1.1	12 210
Semi-skilled	42.5	1.2	22 590
Low-skilled	34.5	-0.8	18 370
Total Stellenbosch	100	0.4	53 170

Source: Quantec Research, 2017

The largest proportion of formally employed workers in the Stellenbosch municipal area are low-skilled or semi-skilled (34.5 per cent and 42.5 per cent respectively). Formal employment in the Stellenbosch municipal area has been increasing at an average annual rate of 0.4 per cent per annum, mainly due to a higher increase in tertiary sector employment compared to primary sector employment over the last decade.

2.5 Breede Valley

2.5.1 GDP performance

The Breede Valley municipal area contributes 19.1 per cent (R10.8 billion) to the economy of CWD and is the third largest local economy within the District. Table 2.10 indicates the Breede Valley's GDP performance per sector.

Table 2.10 Breede Valley GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	10.6	1 149.6	1.7	1.3	0.0	0.9	2.0	7.5	-3.7	-9.6
Agriculture, forestry and fishing	10.4	1 130.0	1.8	1.3	0.0	0.9	2.0	7.5	-3.8	-9.7
Mining and quarrying	0.2	19.7	-0.1	2.8	2.7	1.0	2.9	6.9	0.6	-6.2
Secondary Sector	21.4	2 309.1	2.5	1.6	1.3	2.2	1.8	1.9	1.0	0.8
Manufacturing	13.4	1 454.5	1.9	1.1	1.7	1.6	0.6	0.7	0.7	0.6
Electricity, gas and water	2.0	214.2	-2.6	-2.3	-0.2	-1.8	-2.5	-3.0	-4.0	-6.0
Construction	5.9	640.4	7.9	4.9	0.5	6.0	7.4	7.2	3.6	3.4
Tertiary Sector	68.0	7 356.0	4.1	3.8	5.2	4.0	3.8	3.1	2.7	2.1
Wholesale and retail trade, catering and accommodation	18.3	1 983.2	3.9	3.8	5.4	4.8	3.3	2.8	2.7	2.2
Transport, storage and communication	11.0	1 193.9	2.5	2.5	3.7	2.5	2.8	3.3	0.3	-0.1
Finance, insurance, real estate and business services	20.4	2 205.4	6.9	5.8	6.9	5.9	5.5	4.8	5.8	4.4
General government	10.2	1 104.4	1.8	1.6	3.9	1.4	2.5	1.0	-1.0	-0.5
Community, social and personal services	8.0	869.3	2.6	2.4	3.6	2.7	2.8	1.7	1.2	0.9
Total Breede Valley	100	10 814.8	3.4	3.0	3.7	3.3	3.2	3.4	1.5	0.4

Source: Quantec Research, 2017 (e denotes estimate)

The main economic sectors in 2015 in the Breede Valley area included the finance, insurance, real estate and business services sector (20.4 per cent), the wholesale, retail trade, catering and accommodation sector (18.3 per cent) and the manufacturing sector (13.4 per cent). The main products produced in the Breede Valley area include food and beverages; even though the agriculture, forestry and fishing sector contributes less to the local economy compared to other sectors, it is still an important sector within the Breede Valley municipal area.

In 2016, the real GDP growth within the Breede Valley municipal area declined to 0.4 per cent, which is the lowest growth rate since the recession when the local economy contracted by 1.1 per cent. The decline in growth can be attributed to contractions within the agriculture, forestry and fishing sector, the water, electricity and gas sector, the transport, storage and communication sector and the general government sector. Due to the worsening economic conditions, households and enterprises are struggling to meet their debt responsibilities to the Municipality which contributes to the contraction of this sector in 2015 and 2016 (Breede Valley Municipality, 2017).

2.5.2 Employment profile

The Breede Valley municipal area contributed 21.3 per cent (80 297 jobs) to employment in CWD. The area is the third largest employer in the District, following Drakenstein and Stellenbosch municipal areas. The Breede Valley municipal area had an unemployment rate of 11.4 per cent in 2015 (Table 1.7); which is significantly lower than the level of unemployment of the Province (17.8 per cent) but in line with the level of unemployment in the District (11.2 per cent in 2015). Table 2.11 indicates the trend in employment growth within each economic sector in Breede Valley municipal area.

Table 2.11 Breede Valley employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	22.2	17 847	-5 822	3 639	-677	780	687	-1 026	3 875	-265
Agriculture, forestry and fishing	22.2	17 816	-5 808	3 648	-677	778	699	-1 026	3 874	-266
Mining and quarrying	0.0	31	-14	-9	-	2	-12	-	1	1
Secondary Sector	13.7	10971	1 789	1 516	207	138	437	328	406	247
Manufacturing	7.1	5 661	-356	11	-22	-149	188	-102	96	-25
Electricity, gas and water	0.2	163	29	13	3	4	-2	2	6	1
Construction	6.4	5 147	2 116	1 492	226	283	251	428	304	271
Tertiary Sector	64.1	51 479	17 832	9 508	1 559	1 705	2 240	1 831	2 173	597
Wholesale and retail trade, catering and accommodation	21.5	17 263	5 806	3 068	594	674	556	577	667	268
Transport, storage and communication	5.0	3 980	1 949	1 009	93	237	277	28	374	-212
Finance, insurance, real estate and business services	14.4	11 600	4 963	2 583	500	383	552	395	753	276
General government	8.6	6 920	1 231	392	240	56	31	312	-247	71
Community, social and personal services	14.6	11 716	3 883	2 456	132	355	824	519	626	194
Total Breede Valley	100	80 297	13 799	14 663	1 089	2 623	3 364	1 133	6 454	579

Source: Quantec Research, 2017 (e denotes estimate)

The sectors that contributed the most to the 80 297 jobs in the Breede Valley municipal area in 2015 are the agriculture, forestry and fishing (22.2 per cent), wholesale and retail trade, catering and accommodation (21.5 per cent), community, social and personal services (14.6 per cent) and the finance, insurance, real estate and business services (14.4 per cent) sectors.

The agriculture, forestry and fishing sector gained the most jobs in 2015, contributing 60.0 per cent to overall job creation in the area for the period. This resulted from a larger grape harvest in the area. According to VinPro (2016), the Worcester area has the largest wine grape harvest in history in 2015, which increased the demand for labour within the agriculture, forestry and fishing sector. The seasonal nature of employment in this sector not only impacts workers in this sector due to inconsistent incomes, but also impacts businesses as spending by households fluctuates as income fluctuates.

The agriculture sector plays an important role in the local economy in providing a base for employment, inputs for the manufacturing sector as well as attracting domestic and international tourists, however, this sector has shed 5 808 jobs between 2005 and 2015. The sector has also achieved below average GDP growth between 2005 and 2015; with an estimated contraction of 9.7 per cent for the 2015 to 2016 period; due to the current drought conditions.

Increases in employment in the wholesale and retail trade, catering and accommodation sector can be attributed to new retail stores being opened in the area which will increase the demand for labour (Breede Valley Municipality, 2017).

2.5.3 Skills level

Table 2.12 indicates the skills levels of the formally employed in the Breede Valley municipal area. Formal employment accounts for 73.9 per cent of total employment within the area.

Table 2.12 Breede Valley skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	17.1	1.8	10 169
Semi-skilled	38.8	1.2	23 064
Low-skilled	44.0	-0.5	26 139
Total Breede Valley	100	0.5	59 372

Source: Quantec Research, 2017

Most workers (44.0 per cent) in the Breede Valley municipal area are low-skilled; which is in line with the number of workers employed within the agriculture, forestry and fishing sector. Formal employment has been increasing at an average annual rate of 0.5 per cent over the last decade mainly due to increases in skilled and semi-skilled workers. This is reflective of the significant increases in tertiary sector employment in the area.

2.6 Langeberg

2.6.1 GDPR performance

The Langeberg municipal area has the smallest economy within the CWD. However, the average annual 3.6 per cent GDPR growth rate over a ten-year period (from 2005 to 2015) is greater than that of the District and Province. The higher growth rate is due to the small economic base within the local municipal area. Table 2.13 indicates Langeberg's GDPR performance per sector as well as the sectoral contribution to GDPR in 2015.

Table 2.13 Langeberg GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	12.9	743.5	1.6	1.2	-0.2	0.8	1.8	7.5	-4.0	-9.9
Agriculture, forestry and fishing	12.8	735.6	1.6	1.2	-0.2	0.8	1.8	7.5	-4.0	-9.9
Mining and quarrying	0.1	7.9	-0.1	2.7	2.7	0.8	2.8	7.0	0.2	-6.3
Secondary Sector	25.9	1 491.1	0.7	0.2	-0.7	0.6	-0.1	0.5	0.6	-0.8
Manufacturing	18.2	1 047.5	-0.3	-0.9	-1.2	-0.6	-1.6	-0.5	-0.3	-1.9
Electricity, gas and water	1.8	106.2	0.7	0.9	3.2	0.9	0.0	0.5	0.1	8.6
Construction	5.9	337.4	7.2	4.8	0.8	6.5	6.9	5.1	4.6	1.0
Tertiary Sector	61.2	3 527.4	5.7	5.1	6.6	5.5	5.0	4.3	4.0	2.9
Wholesale and retail trade, catering and accommodation	19.2	1 108.7	5.2	4.9	6.6	6.0	4.3	3.7	3.7	2.6
Transport, storage and communication	11.1	640.7	6.8	5.7	6.9	5.8	6.4	5.7	3.6	2.5
Finance, insurance, real estate and business services	16.2	934.9	7.9	6.5	7.7	6.7	5.8	5.5	6.8	4.8
General government	8.0	462.7	3.1	3.0	5.3	2.8	4.0	2.5	0.4	0.9
Community, social and personal services	6.6	380.4	3.9	3.6	4.6	4.3	3.8	3.0	2.1	1.6
Total Langeberg	100	5 762.1	3.6	3.2	3.5	3.5	3.2	3.9	1.9	0.1

Source: Quantec Research, 2017 (e denotes estimate)

The sectors that contributed the most to the R5.8 billion GDPR of the local municipal area in 2015 are the wholesale and retail trade, catering and accommodation sector (19.2 per cent), the manufacturing sector (18.2 per cent) and the finance, insurance, real estate and business services sector (16.2 per cent).

In the Langeberg municipal area, economic growth was driven by growth in tertiary sectors over the last ten years, with the finance, insurance, real estate and business services sector growing at an average annual rate of 7.9 per cent.

In 2016, real GDPR growth slowed to 0.1 per cent; which is the lowest growth rate since the recession when the economy contracted by 2.1 per cent. The decline in growth can be attributed to the contraction in the agriculture, forestry and fishing sector, the mining and quarrying sector and the manufacturing sector in 2016. The lack of water limits the manufacturing industries to operate optimally which contributes to the contraction in this sector (Langeberg Municipality, 2017).

2.6.2 Employment profile

Together with being the smallest economy within CWD, Langeberg employs the least number of workers compared to the other areas within the District. The Langeberg municipal area does, however, have the second lowest unemployment rate in CWD at 7.9 per cent in 2015. The level of unemployment within this municipal area is increasing annually and is estimated to be 8.4 per cent in 2016. Table 2.14 indicates the trend in employment growth within each economic sector in Langeberg.

Table 2.14 Langeberg employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	23.4	12 014	-4 036	2 399	-473	512	450	-707	2 617	-192
Agriculture, forestry and fishing	23.4	11 998	-4 028	2 405	-473	512	456	-707	2 617	-192
Mining and quarrying	0.0	16	-8	-6	-	-	-6	-	-	-
Secondary Sector	15.7	8 060	1 011	937	130	-33	356	173	311	-33
Manufacturing	8.7	4 468	-444	-91	-11	-233	216	-148	85	-141
Electricity, gas and water	0.2	92	34	23	4	2	2	5	10	2
Construction	6.8	3 500	1 421	1 005	137	198	138	316	216	106
Tertiary Sector	60.9	31 298	14 837	8 097	1 236	1 411	1 885	1 625	1 940	64
Wholesale and retail trade, catering and accommodation	25.2	12 928	5 829	3 027	569	640	537	617	664	-1
Transport, storage and communication	5.9	3 038	1 987	1 071	93	215	305	74	384	-207
Finance, insurance, real estate and business services	10.9	5 620	2 863	1 576	248	205	329	283	511	99
General government	6.3	3 233	988	425	153	72	66	197	-63	78
Community, social and personal services	12.6	6 479	3 170	1 998	173	279	648	454	444	95
Total Langeberg	100	51 372	11 812	11 433	893	1 890	2 691	1 091	4 868	-161

Source: Quantec Research, 2017 (e denotes estimate)

Most of the 51 372 jobs in the Langeberg municipal area originate from the agricultural, forestry and fishing sector (23.4 per cent) and wholesale and retail trade, catering and accommodation sector (25.2 per cent).

The agriculture, forestry and fishing sector created the most jobs in 2015 due to the record wine grape harvest in the area (VinPro, 2016), which increased the demand for seasonal workers. The seasonality of jobs in the agriculture, forestry and fishing sector has widespread implications for the economy of the Langeberg area as household income and spending are cyclical in line with agricultural activities in this area which affects businesses in the tertiary sector (Langeberg Municipality, 2017).

Over a ten-year period between 2005 and 2015, 11 812 jobs were created in the Langeberg municipal area, despite significant job losses during the recession period. In 2016, the transport, storage and communication, the manufacturing, and the agriculture, forestry and fishing sectors jointly shed 540 jobs. This illustrates the importance of the agriculture sector, agri-processing and the linkages between industries (transport, storage and communication sector) within the Langeberg municipal area.

2.6.3 Skills level

Table 2.15 indicates the skills levels of employees within the Langeberg municipal area. The skills levels can only be estimated on formal employment statistics; in the Langeberg municipal area, 59.9 per cent of workers are estimated to be formally employed.

Table 2.15 Langeberg skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	15.2	2.6	4 689
Semi-skilled	36.0	1.7	11 076
Low-skilled	48.8	-1.3	15 009
Total Langeberg	100	0.2	30 774

Source: Quantec Research, 2017

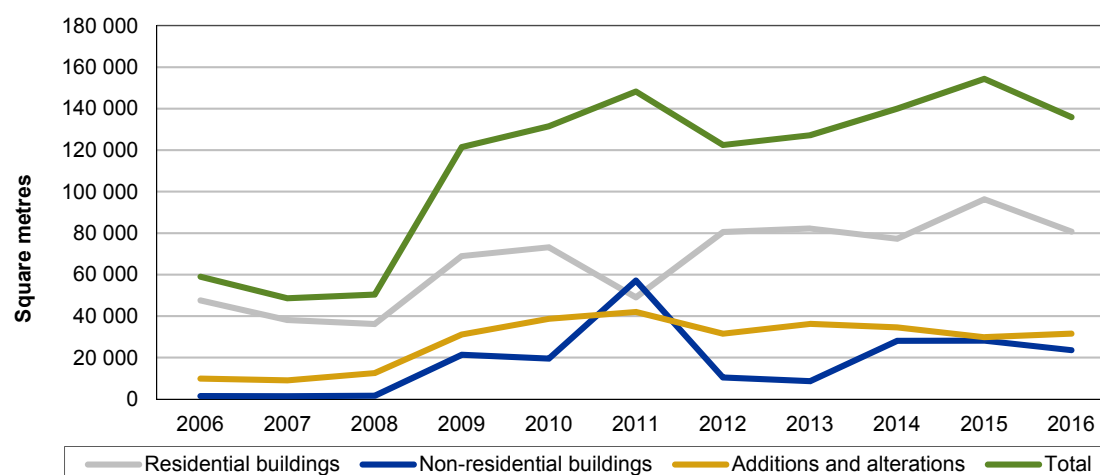
The majority of workers in the Langeberg municipal area are low-skilled, however, there has been an average annual decline of 1.3 per cent per annum in low-skilled workers between 2005 and 2015; with an increase of 1.7 per cent (on average per annum) over the same reference period in semi-skilled workers and 2.6 per cent in skilled workers. Indicating that overall, skills levels within this local municipal area are increasing; this can be because of skilled workers migrating to the area due to an increase in demand for skilled workers in the secondary and tertiary sectors or to the general up skilling of the local workforce.

2.7 Building plans passed and completed

Building plans can provide a picture of the performance of an economy as well as the private sector's confidence in an economy. Growth in the number of building plans passed and completed is an indication of a growing economy - both in that building plans are a response to growth in demand variables as well as a stimulant of further growth as an activity in and of itself. It also has implications for spatial development planning within the CWD region.

Statistics SA's information on building plans passed and completed is only available for selected municipalities, including the Stellenbosch, Drakenstein and Breede Valley municipal areas.

Figure 2.1 indicates the building plans passed (in total square metres) per building category between 2006 and 2016.

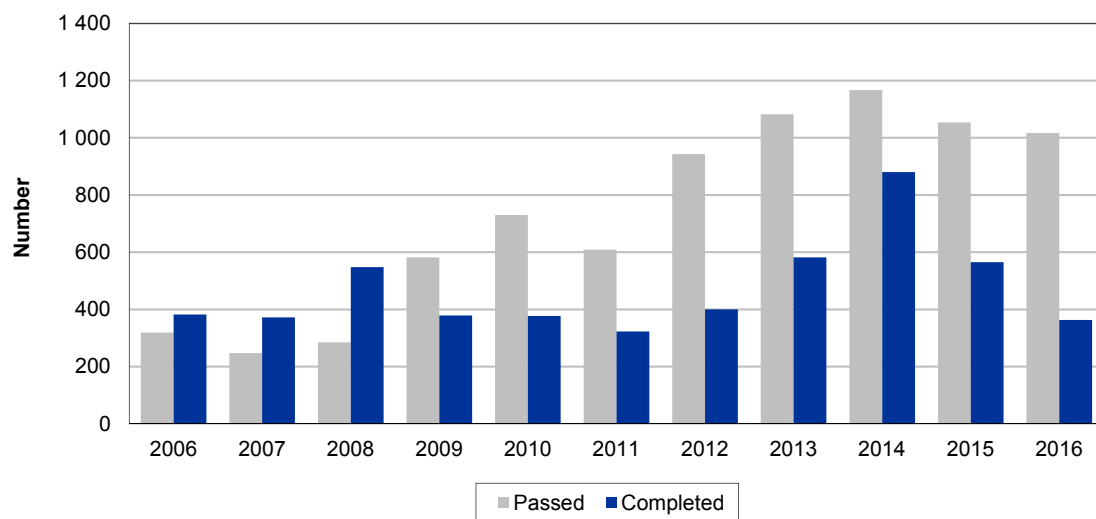
Figure 2.1 Stellenbosch building plans passed, 2006 - 2016

Source: Stats SA, 2017

Figure 2.1 indicates the total square metres of building plans passed between 2006 and 2016. In 2016, 135 953 square metres of building plans were approved, the majority of which were for residential buildings. Since 2009 there was a significant increase in residential building plans approved with slumps in 2012 and 2016.

Due to changes in economic conditions as well as the legislative requirements surrounding buildings and new developments, there is often a time delay from the approval of a building plan application to when building starts and is completed, especially with high value non-commercial buildings such as industrial spaces and office parks. Large developments can often take years to complete. Figure 2.2 indicates the number of building plans passed and completed between 2006 and 2016 for the Stellenbosch municipal area.

Figure 2.2 Stellenbosch building plans passed and completed, 2006 - 2016

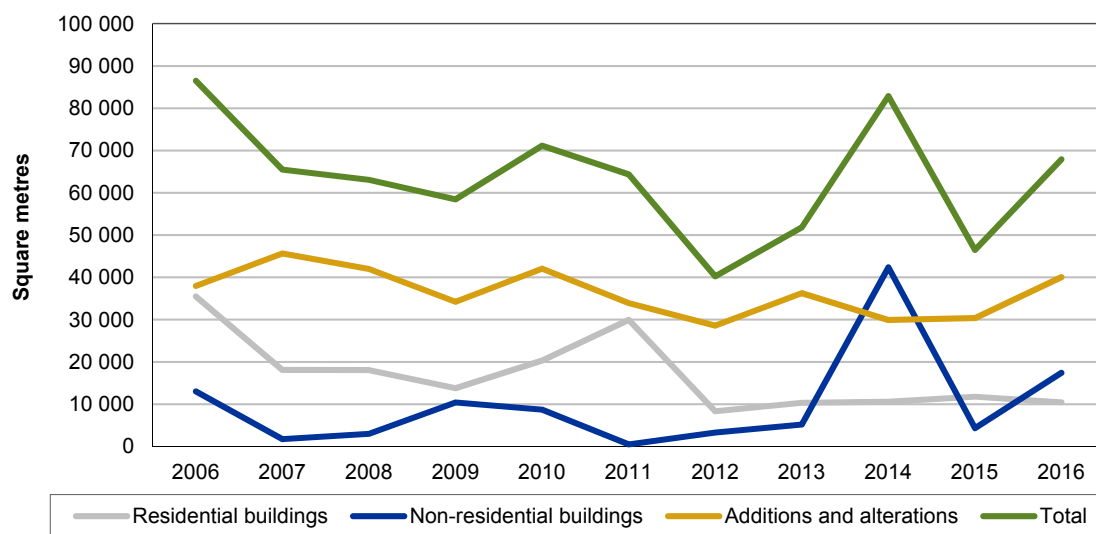


Source: Stats SA, 2017

In general, there has been a significant increase in the number of building plans passed in the ten-year reference period; from 319 in 2006 to 1 017 in 2016 highlighting the interest from private developers to invest in the area, however, the buildings that are completed stayed relatively similar over the reference period, with increases in 2008 and between 2013 and 2015. Worsening economic conditions can delay construction activities due to the higher cost of financing and reduced spending from households and businesses which impacts the demand for property development.

Figure 2.3 indicates the total square metres of building plans passed between 2006 and 2016 in the Breede Valley area.

Figure 2.3 Breede Valley building plans passed, 2006 - 2016

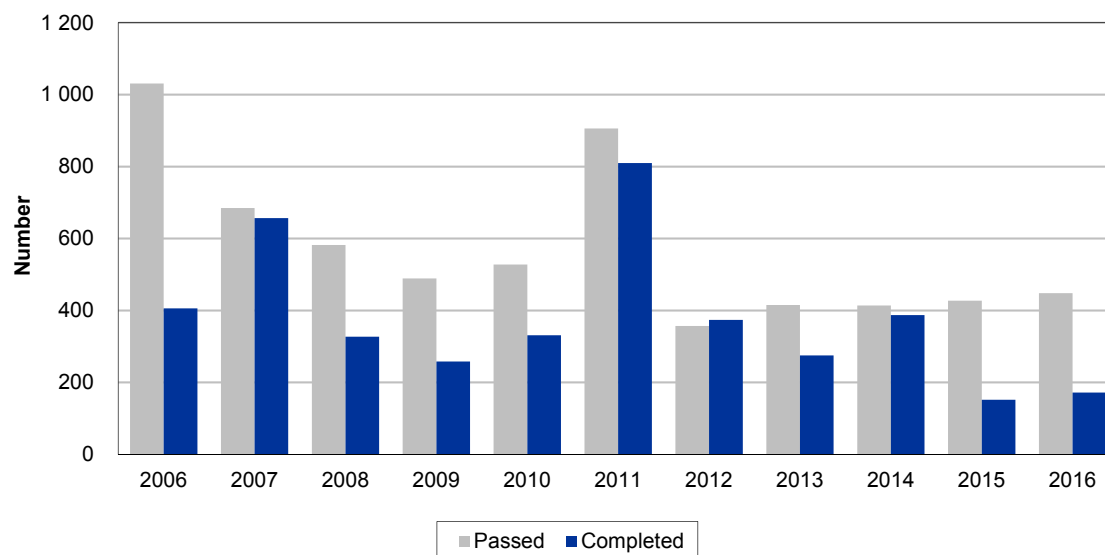


Source: Stats SA, 2017

Most of building plans passed in the Breede Valley (in terms of square metres) are for additions or alterations. In 2014, there was a significant increase in building plans passed for non-residential buildings (in terms of square metres). This was due to applications for six industrial spaces totalling 39 172 square metres.

Figure 2.4 illustrates the number of building plans passed and completed between 2006 and 2016 in the Breede Valley municipal area.

Figure 2.4 Breede Valley building plans passed and completed, 2006 - 2016

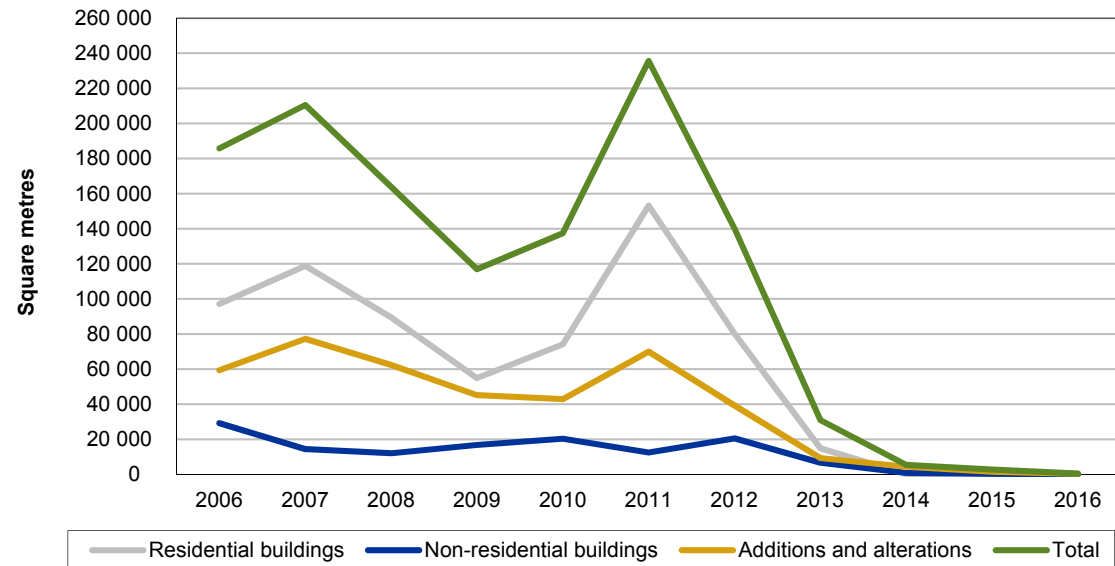


Source: Stats SA, 2017

The number of building plans passed has remained very similar over the past five years, with the number of plans completed declining in 2015 and 2016. In general, most of the building plans passed in the Breede Valley area are for additions and alterations, which developers can delay if economic conditions decline.

Figure 2.5 illustrates the number of building plans passed in the Drakenstein municipal area. The total square metres of passed building plans in Drakenstein are declining in all building types since 2011.

Figure 2.5 Drakenstein building plans passed, 2006 - 2016

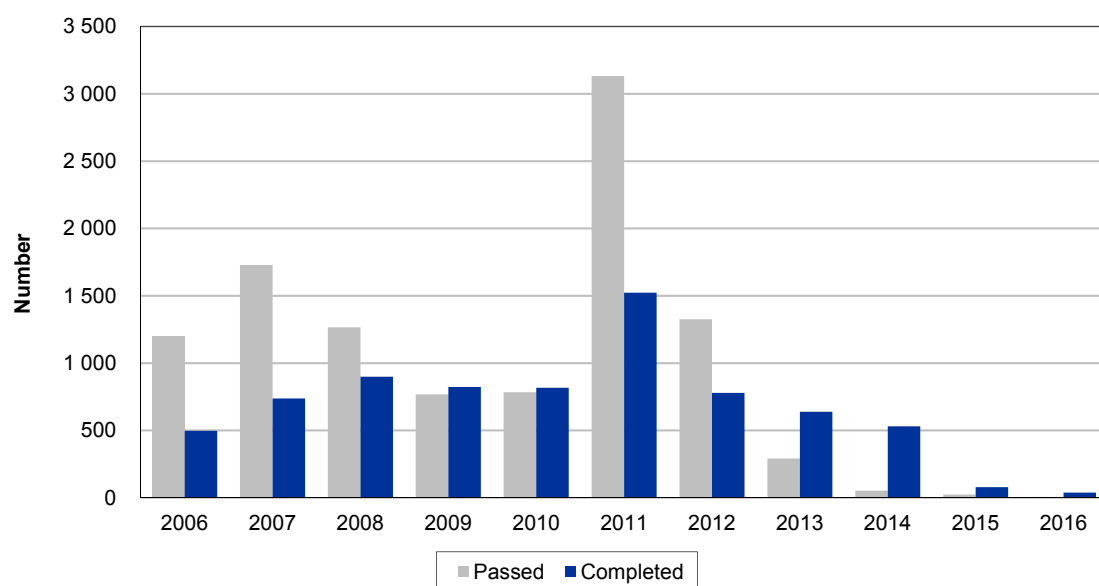


Source: Stats SA, 2017

A record number of applications were passed in 2011 for residential units, which has contributed to growth in the construction sector from 2012 to 2014, due to a lagged effect. However, since 2011, the number of building plans passed has declined for residential and non-residential as well as for additions and alterations.

Figure 2.6 illustrates the number of buildings plans passed and completed within the Drakenstein Municipality.

Figure 2.6 Drakenstein building plans passed and completed, 2006 - 2016



Source: Stats SA, 2017

Since 2013, more buildings have been completed compared to the number of building plans passed, with a significant decline in 2015 and 2016 in the number of buildings completed, with construction being mostly additions and alterations to residential properties and not new property developments (Stats SA, 2017).

2.8 Concluding remarks

The CWD is characterised by vast agricultural land utilised for wine grape farming and other horticultural crops, which makes the agricultural, forestry and fishing sector significant in all municipal areas within the region. The CWD economy is the second largest in the Province, following the City of Cape Town metro area. GDPR growth is declining in the CWD due to national factors (rising inflation, depreciating exchange rate and political instability) as well as the current drought.

The areas that dominate the local economy of the CWD are the Drakenstein and Stellenbosch municipal areas; these two municipal areas contribute 56.8 per cent to the economy of the District. In all local municipal areas within CWD, the main economic sectors in terms of contribution of GDPR are the manufacturing; the finance, insurance, real estate and business services; and wholesale and retail trade, catering and accommodation sectors.

Even though the agriculture sector does not contribute a significant proportion to the GDPR of the local municipal areas with the CWD, it is the base from which other activities in the municipal areas occur and employs a large proportion of the workforce in all municipal areas.

Overall, in 2016 the real GDPR growth rates across all municipal areas within the CWD declined to their lowest growth rates since the recession. The sector that is estimated to have contracted the most in 2016 is the agriculture, forestry and fishing sector in all local municipal areas. This is likely to have spill over effects in other sectors such as the manufacturing and transport, storage and communication sectors.

Tourism is also a main contributor to the GDPR in all local municipal areas of the CWD. There is no separate sector for tourism; tourism generally spans across the economic sectors, ranging from accommodation and catering, retail and wholesale trade, manufacturing (e.g. of arts and craft), business services and social services. External factors affecting tourist arrivals in the area (domestic and international) will affect all the sectors mentioned above in the local municipal areas of the CWD.

3

Value chains

3.1 Introduction

Industries do not operate in a single economic sector; as value is added throughout the product value chain, the goods and services of various sectors are required. In many local economies, the economy is driven by a dominant industry or commodity, which in turn gives rise to the development of towns and the expansion of economic activity. As towns and areas develop new industries, new investment opportunities are created which adds value to the local economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this chapter is to highlight how economic sectors within CWD function and how the economic and employment trends identified in Chapters 1 and 2 provide further detail to the linkages between local sectors.

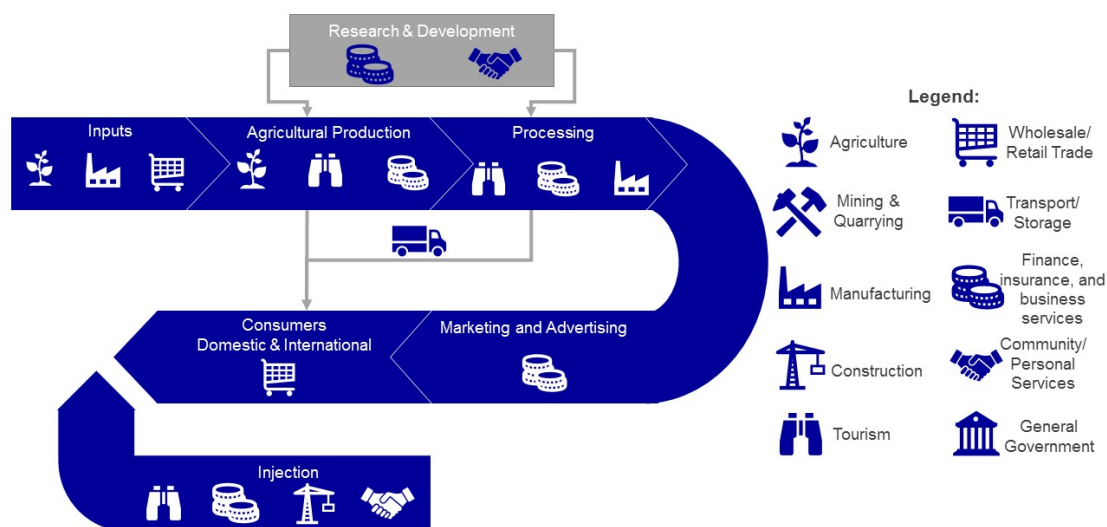
3.2 Sectoral linkages

As indicated in Chapters 1 and 2, the agriculture, forestry and fishing sector, the manufacturing sector, the wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector are the main economic sectors in terms of GDP and employment. Combined, these sectors contribute R35.7 billion to GDP of the District and employed 244 195 people in 2015, ranging from low-skilled to highly skilled workers.

The main economic sectors that contribute to the CWD economy have inter-linkages with each other, for example, the agricultural sector, which consists mainly of the wine and fruit industry, is well established and products are exported to other Provinces and countries. This sector has forward linkages to the manufacturing sector for the processing of raw materials, as well as backwards linkages where inputs are produced for the agriculture sector. Other linkages include the wholesale and retail trade, catering and accommodation sector as well as the financial, insurance, real estate and business services sector which provides services to farmers and processors.

Diagram 3.1 outlines these sectoral linkages through the basic value chain of agricultural production. The agriculture value chain largely supports the economy of the CWD, however, there are additional industries that have developed alongside this value chain that have a large impact on the local economy. These industries are therefore considered as injections into the economy of the District as indicated in Diagram 3.1. Sectors considered as injections include the construction sector, the tourism industry, the finance, real estate and business services sector and the community, social and personal services sector.


Diagram 3.1 Sectoral linkages






Source: Urban-Econ, 2017


As indicated by Diagram 3.1, there are many backward and forward linkages between the various economic sectors in the CWD throughout the agriculture value chain. Table 3.1 provides a summary of the linkages between the sectors as part of the agricultural value chain as well as their general role in the economy of the CWD as outlined in Diagram 3.1.

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture subsector	The agriculture sector contributed R4.8 billion to the economy of the CWD in 2015 and employed 73 361 people of which 13 386 are informally employed. Farm workers are typically low-skilled, which leads to lower salaries and lower standards of living for these workers. The contribution in terms of GDP of the agriculture sector is small when compared to other economic sectors. However, the agriculture sector forms the basis of many additional economic activities in the CWD and is the primary driver of tourism in the area. The farming of grapes, peaches and pears are the main agricultural activities. The production of these crops is dependent on fertiliser, of which some is manufactured locally, seedlings (also obtainable locally), labour, fuel, mechanisation (supplied locally), water and energy. Farmers also require funding and insurance which forms part of the finance and business services sector. National and global impacts that have a positive or adverse impact on any facet of farming can therefore also influence the broader economy of the CWD.

Sector	Linkages
 Wholesale and retail trade subsector	<p>The wholesale and retail trade is a major contributor to the economy of the CWD, contributing R9.7 billion in 2015 and employed nearly 76 000 people of which almost half are informally employed. In the formal sector, most workers are low-skilled which correlates with earning lower salaries. The local agriculture sector provides fruit to be sold in local retail stores. However, general merchandise needs to be transported from other areas to be sold to households, businesses and tourists in the CWD. Companies operating in this sector are thus largely dependent on the transport industry and the overall strength of the local economy. Thus as unemployment increases, and households earn less income, less spending will occur. A significant injection for this sector are tourists who visit the area to purchase food, fuel and souvenirs. Enterprises that operate in this industry are dependent on the availability of labour, water and electricity as well as the availability of retail space in areas that are safe and easily accessible for clientele.</p>
 Transport and storage subsector	<p>This sector includes road freight service providers, bus services and taxis. This sector employed nearly 15 000 people of which 52.7 per cent are informal and contributed R4.7 billion to the economy in 2015. As mentioned, the retail sector is dependent on the transport and storage sector. However, this sector also supports the wholesale and retail trade subsector through fuel purchases. There are several local transportation service providers including:</p> <ul style="list-style-type: none"> ● Agrilog ● BKB Logistics ● Kempston Logistics ● Culdevco ● Africa Transport Solutions (ATS)
 Manufacturing	<p>The manufacturing of food and beverages are the main products being produced in this area. Food manufacturing, which includes the processing of meat, fruits, vegetables and juice, contributed R2.3 billion, while beverage production (wine) contributed R1.7 billion and employed 5 417 and 4 526 people respectively in 2015. Some of the local companies include:</p> <ul style="list-style-type: none"> ● Distell ● KWV ● Nederburg ● Pakmark ● South African Fruit Exporters ● The Grape Company ● Cape Fruit Processors ● Ceres Fruit Processors ● Ceres Fruit Growers ● Pacmar, Boland Pulp ● Montagu Dried Fruits and Nuts ● STEMS Fruit ● Rhodes Food Group ● Del Monte Foods ● Southern African Fruit Terminals/Cold Harvest Paarl Cold Storage Facility ● Tiger Brands ● Tru-Cape ● Heinz Foods ● Monis

Sector	Linkages
 <p data-bbox="240 703 416 853">Finance, insurance, real estate and business services</p>	<p data-bbox="453 264 1340 584">These enterprises supply food and beverages nationally which emphasises the importance of the agriculture sector, manufacturing sector and transport sector in the CWD. Manufacturers require a constant supply of electricity and water; if the manufacturing expands, additional industrial space is needed, highlighting the importance of spatial planning in the primary nodes of the CWD. Proper road infrastructure is needed to ensure that raw materials and finished products can be easily transported. Packaging for food products and wine bottles are not produced within the District, however, the proximity to Cape Town, where many of the needed products are produced make them easily available for producers. An increase in exports of South African wines will benefit this sector.</p> <p data-bbox="453 607 1340 792">The finance, insurance, real estate and business services sector contributed R11.2 billion to the economy of the CWD and employed nearly 50 000 people in 2015, of which the most are formally employed and semi-skilled or skilled; meaning workers in this sector typically earn higher income which is spent locally, further driving the retail trade sector. This sector provides services to the agriculture sector as well as to all other sectors of the local economy regarding:</p> <ul data-bbox="453 808 1340 1133" style="list-style-type: none"> • Loans and banking • Marketing • Insurance • Research and new technological advancements in viticulture, oenology and fruit production (University of Stellenbosch, Elsenburg, Culdevco, Hortgro and the ARC) • Legal and accounting services • Technical testing • Export agents for fresh fruit, wines and processed fruit
 <p data-bbox="240 1234 416 1323">Community and personal services</p>	<p data-bbox="453 1160 1340 1346">The University of Stellenbosch and Elsenburg play a major role in the promotion of the agriculture industry through the education, training and development of wine grape farmers and wine makers. The University of Stellenbosch is an economic driver within the Stellenbosch municipal area. The large number of students contribute significantly to the wholesale, retail and trade sector and drives the demand for housing in Stellenbosch town.</p>
 <p data-bbox="240 1442 416 1469">Tourism</p>	<p data-bbox="453 1368 1340 1771">Tourism is not a sector on its own; the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation sector and the transport, storage and communication sector. The wine industry within the CWD is a major tourist attraction, not just for domestic tourists but also for international tourists. Tourists have a variety of needs such as accommodation, restaurants, vehicles and tours creating opportunities for additional business development within the area to meet the needs of tourists. A portion of tourist spending is recorded in the catering and accommodation services subsector, which employed 10 110 people and contributed R735.9 million to the economy of the CWD. Tourism unrelated to the wine industry is also a main injection into the economy. Tourists who travel through the CWD to their destination may purchase souvenirs, fuel and food. The CWD has several gourmet restaurants, outdoor and adventure activities that attract tourists.</p>

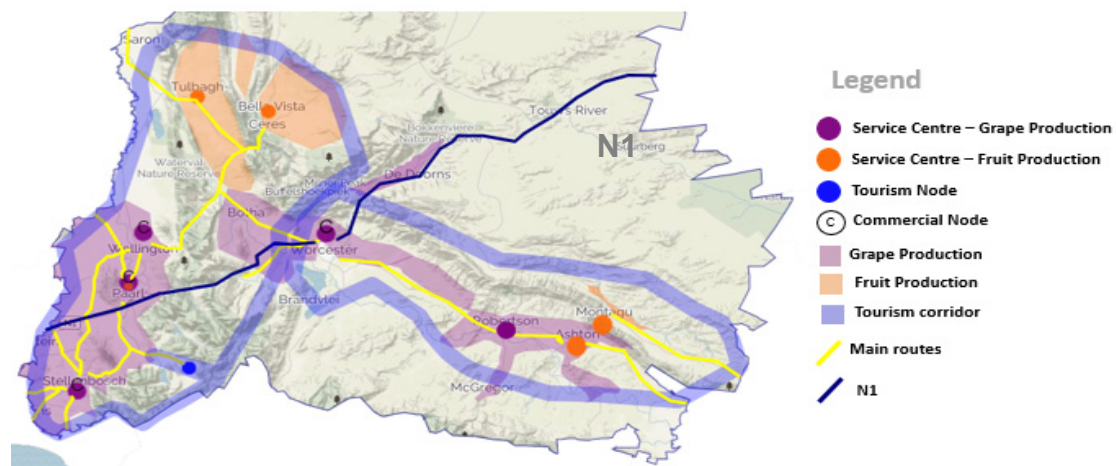
Sector	Linkages
 Construction sector	<p>The construction sector is not a main contributing sector to the economy of the CWD when compared to other sectors. However, this sector has achieved above average growth in the past five years and created more than 6 000 jobs since 2010. New developments and investment in infrastructure (public and private) will not only enable growth in GDP and employment in this sector but also in other sectors, depending on the purpose of the construction activity. In 2016, building plans were passed for residential and commercial development to the value of R728.8 million while buildings to the value of R551.2 million were completed in the Stellenbosch municipal area. The majority of development passed and completed (in terms of square metres) are for residential developments. The increase in households in the area will increase the demand for jobs, social infrastructure and service delivery.</p> <p>Large capital projects driven by the public sector such as Agri-Parks, will also serve as an injection to the economy. The Agri-Parks project will increase construction sector activities in all municipal areas of the District, with Farmer Production Support Units (FPSUs) to be constructed in Stellenbosch, Saron, Robertson, Worcester, Montagu, Ashton and Paarl, with the Agri-Hub to be in Ceres. This network of FPSUs will support local grape and fruit farmers as well as other local commodities boosting the agricultural, forestry and fishing sector as well as the manufacturing sector.</p>

Source: Quantec Research, 2017

Not only are there sectoral linkages within CWD, but also spatial linkages that need to be considered for economic growth and development. All enterprises require sufficient space, whether it is offices, industrial or retail space, in central and safe areas that are easy to reach which makes spatial planning in the towns of CWD critical. The road infrastructure, as well as signage, plays a crucial role in any area; a good road network allows for easy access to the area whether it is for tourists or transport vehicles. Goods produced within the CWD are transported nationwide as well as exported, which makes the N1 the main transport route into and from the area.

Map 3.1 indicates the main service centres for grape production (purple) and fruit production (orange) as well as the roads that connect these areas (yellow). Franschhoek (blue), as well as the Stellenbosch, Paarl and Robertson wine routes (blue), are popular tourist attractions.

Map 3.1 Cape Winelands District linkages



Source: Urban-Econ via MapAble, 2017 and WC DOA, 2013

The bulk of economic activity occurs in the southern and central parts of the District; the main service centres in terms of inputs, services and agro-processing include Worcester, Wellington, Paarl, Stellenbosch and Robertson for wine while fruit cultivation and processing located in the areas around Tulbagh, Ceres, Ashton and Montagu. The roads linking these areas should, therefore, be kept in good condition since a large number of trucks and farm vehicles utilise these roads. The towns serving as commercial nodes within the District are Stellenbosch, Paarl, Wellington and Worcester. These towns are the main urban residential areas in the District which will drive demand for social infrastructure and service delivery in these areas.

The CWD also provides services to areas located outside its borders in terms of wine and fruit production. Production of peaches also occurs outside the District on the R62 between Montagu and Barrydale (Overberg District) whereas the processing thereof (canning and drying) takes place in Montagu. The research and skills development in oenology and viticulture, as well as the industry organisation located in Paarl (Vinpro) and Stellenbosch (South African Liquor Brand Owners Association), also support the wine producing areas outside the District.

The following subsections will outline some of the main activities within the CWD and changes within these industries which can potentially impact the economy of the CWD.

3.3 Wine production

The CWD has 71 119.17 hectares of wine grapes under production (WC Department of Agriculture, 2013) and is the largest wine grape producer area within the Province, however, the hectares under production are declining according to SAWIS (2016). The wine grapes under production in the WC declined from 98 597 in 2015 to 95 775 hectares in 2016. The Paarl and Stellenbosch areas have experienced a net decline in hectares under production for red and white varietals since 2011 (SAWIS, 2016). With a decrease in grape production, a decline in wine production can be expected.

Abnormal heat as well as the ongoing drought has had a significant effect on the wine industry, impacting the volume produced by the industry in some areas. According to VinPro (2015), the harvest in 2015 was 1.5 million tons, which is roughly 1.1 per cent smaller than the recorded harvest for 2014. With the ongoing drought, together with veld fires in the Stellenbosch area and the decline in the number of hectares under production, the 2016 harvest is estimated to be 6.7 per cent lower than what was recorded in 2015 (VinPro, 2016). The lower wine grape yields can therefore be a contributor to the contraction of 3.3 per cent in 2015 and the estimated contraction of 9.2 per cent between 2015 and 2016 in the agriculture, forestry and fishing sector in the CWD. As the number of hectares under production decline, the demand for inputs will decline, having negative effect on the backward linkages from the wine industry. The decline in output will negatively impact forward linkages, with an overall reduction in production which contributed to the contraction in the manufacturing sector in the CWD.

This decline in production will impact negatively sales volumes for wine from the CWD; however, since wine is often stored before it is ready to be sold, the effects will not be immediately evident.

Once the locally produced wine is ready to be sold, locally and internationally, the services of enterprises within the tertiary sector become essential. Export agents, transporters, marketers, etc. are important in promoting and selling wines. These companies are also located within the main centres within the CWD as well as in Cape Town making hard and soft infrastructure essential for the sale of wine from the CWD. Tertiary sector industries require office space, access to ICT and electricity as well as skilled workers.

The main concerns affecting wine producers in 2015 include (PWC, 2015):

- Cost of energy
- The supply of electricity
- Labour productivity and costs
- Land reform

The primary export markets in 2015 for wine for the CWD were Germany (79.4 million litres), the United Kingdom (107.1 million litres), and France (27.8 million litres). Between 2014 and 2015, exports to Belgium, China and France increased by 13.0 per cent, 30.0 per cent and 14.0 per cent respectively. Wine is exported either in large vats (bulk) to be bottled at its end location, or bottled in South Africa prior to export. The export market for South African wines has changed significantly over the past 5 years. In 2005, 40.1 per cent of exported wine were bulk sales compared to 58.3 per cent in 2015. The main markets for bulk wine sales include the United Kingdom, Germany, France and Russia, while bottled wine is mainly exported to the United Kingdom, Germany, Sweden, the Netherlands and the United States of America (SAWIS, 2016).

The Cape Town Harbour within the City of Cape Town is the main exit point for locally produced wines. The N1 and N2 are the main routes allowing access to the harbour from the CWD.

3.4 Fruit production

The CWD is the second largest producing area for apples in South Africa with 7 662 hectares under production, the majority of which is planted in the Ceres area. The CWD is also the largest pear producing area in South Africa, with 7 364 hectares under production, also in the Ceres area. The other two main fruit crops include table grapes (7 989 hectares) in the Breede Valley and peaches (5 875 hectares) in the Robertson/Montagu area (WC Department of Agriculture, 2013).

The bulk of apples and pears that are produced in South Africa is either exported or processed. According to Hortgro (2016), the drought conditions have severely affected farmers in the Ceres, Tulbagh and Wolseley areas. Farmers in these areas have implemented various water management techniques. Not only has the drought affected farmers within this industry, but also other climatic conditions, such as heatwaves and strong winds have affected the crops pre- and post-harvest (Hortgro, 2016). The effects of climate change affect not only volumes, but also the quality and size of the fruit as well as the prevalence of pests. According to Hortgro (2016), the effects of the drought will be felt in the 2017/18 harvest which can result in a decline in output in terms of GDP in the agriculture, forestry and fishing sector for the CWD as well as employment.

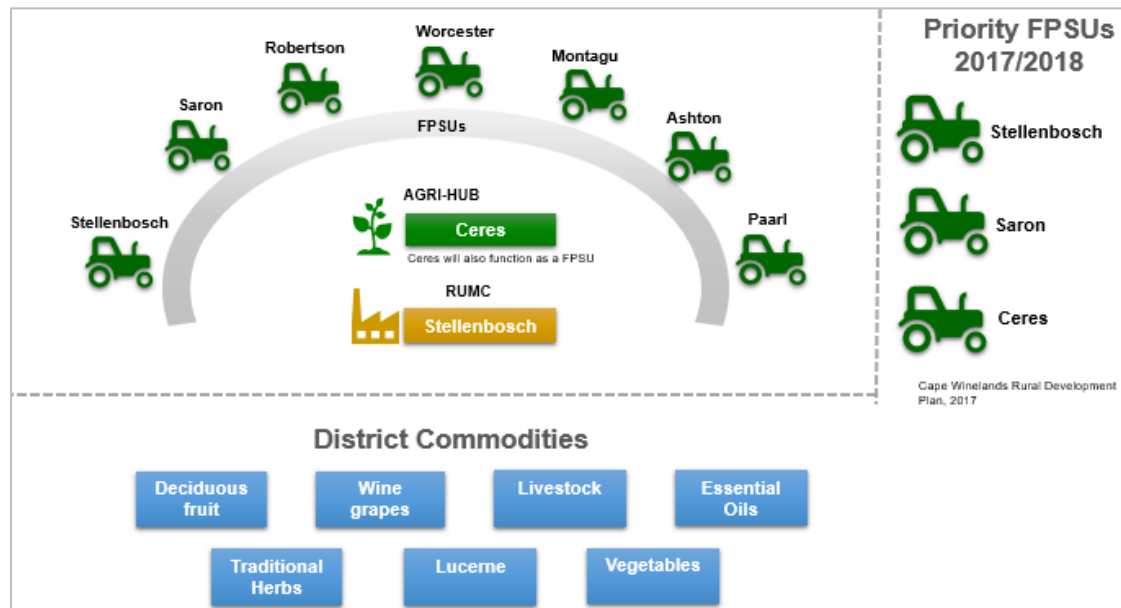
Between 2015 and 2016, the overall production of pears, peaches and apples declined by 0.8 per cent (12 544 tonnes). Exports increased by 6.9 per cent, resulting in a contraction in local sales and processing by 2.3 per cent and 7.9 per cent respectively (Hortgro, 2017). The overall decline in output contributed to the contracting GDP growth of the agriculture, forestry and fishing sector as well as the manufacturing sector.

On average, 49.0 per cent of pears and 44.0 per cent of apples are exported annually (Hortgro, 2017), highlighting the importance of tertiary sector service producers for marketing and sales, as well as transport service providers within the CWD. The primary export market for pears and apples are the Middle East and the European Union, making the industry susceptible to changes in the world economy. The depreciation of the South African Rand can, therefore, benefit the industry as the demand for South African apples and pears can increase which is reflected by the 6.9 per cent increase in exports.

There are backward linkages with the manufacturing sector (for machinery and fertilisers), the transport sector, and the water and electricity sector (for the provision of adequate water supplies for irrigation and other farming processes). There are forward linkages with retail stores and wholesalers, agri-processing, and the tourism sector.

3.5 Agri-Parks

Due to the importance of the agricultural value chain within the District, initiatives such as the Agri-Park Programme has the potential for widespread economic benefits since it will not only support farming activities but also promote local processing. Diagram 3.2 outlines the locations for Farmer Production Support Units (FPSUs), the Agri-Hub and the RUMC within the CWD. The Agri-Park Programme will not only focus on the main commodities (wine grapes and fruit), but also on other commodities that are unique to the areas around each FPSU. These commodities include livestock and lucerne, as well as essential oils, traditional herbs and vegetables.

Diagram 3.2 Agri-Park implementation, Cape Winelands District

Source: Cape Winelands Rural Development Plan, 2017

Agro-processing opportunities that have been identified for the District include a vegetable packing facility, an abattoir and feedlot, cold storage for fruit as well as a fruit pulp processing plant. Not only will these development support and generate new farming activities in the District, it will also stimulate the economy through the construction sector, the manufacturing sector (forward and backward linkages), the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector, contributing to economic growth and employment creation.

Current progress on the implementation of the Agri-Park Programme in the Cape Winelands District include farmer consultation and engagement in Saron and Ceres, upgrading of bulk electricity at the Agri-Hub site in Ceres (Skoonvlei), upgrading Boerneef Street to promote access to existing packaging and cooling facilities, the development of business plans for five enterprises (fruit packaging and cooling facilities) and the acquisition of the Osdam Abattoir (DRDLR, 2017).

To ensure coordinated investment districts and municipalities will need to start provisioning for the Agri-Park programme in their Integrated Development Plans (IDPs), Spatial Development Frameworks (SDF) and Local Economic Development Plans (LEDs). The importance of this is to align infrastructure and project investment with the intended outcomes of the Agri-Park Programme. It is important to note that the implementation of the Agri-Park Programme will require significant infrastructure investment which will need to be implemented on a site.

3.6 Tourism and education

Vineyards, as well as the making of wine, have an immense tourism appeal with many farms having tourist accommodation facilities, activities, and function venues. According to SA Tourism, 559 000 international tourists visited the Cape Winelands in 2015. However, most of the visitors to the Cape Winelands are domestic visitors (54.8 per cent).

Local and international tourists take part in wine tasting and cellar tours. The wine industry is marketed as the main tourist attraction within CWD with towns and vineyards adding value through festivals, markets and events as well as the marketing of unique cultural and heritage attractions. The number of tourists in the area has also created new business opportunities for gourmet restaurants and farm stalls.

Even though 57.5 per cent of visitors to the Cape Winelands are only day visitors (Wesgro, 2017), the CWD has the most accommodation facilities related to agri-tourism in the Province (605 facilities), with the majority of these in the Stellenbosch and Langeberg municipal areas (Robertson Wine Valley).

Regarding conference and function venues, available infrastructure at the University of Stellenbosch as well as at the many wine farms have given rise to new tourism markets that can be promoted in the area, with 11.24 per cent of domestic tourists in the District attending meetings or conventions. The strategic location of Stellenbosch to Cape Town as well as the Cape Town International Airport, together with the natural setting and existing infrastructure has given rise to the development of the Stellenbosch 360 Living Conference, Events and Incentives office which promotes and assists with conference planning. This strategic marketing adds further value to existing enterprises.

Another aspect driving the CWD area is the Stellenbosch University which attracts students from across South Africa (and foreign countries) to the area. Student enrollment numbers in Stellenbosch was 30 150 in 2015, of which 76 per cent were enrolled at the Stellenbosch Campus. The student accommodation market is driving investment opportunities such as buy-to-let and the need for retail and other entertainment facilities. These entertainment facilities include many of the tourism offerings in the CWD, especially the wine tourism industry and social activities in the evenings.

The lack of affordable student accommodation has resulted in students residing in areas such as Durbanville, Brackenfell, Somerset West, Strand, etc. and commuting to the University daily. A mobility study conducted in 2010/11 indicated that approximately 30 per cent of students enrolled at the Stellenbosch Campus reside in University accommodation, 30 per cent reside in private student accommodation in Stellenbosch, and 30 per cent of students travel from surrounding areas such as Durbanville, Brackenfell, Paarl, etc. The remaining 10 per cent consists of correspondence learning, postgraduate students studying part-time, etc. This indicates that the tertiary education sector in the CWD has an impact on the local economy and several of the economic sectors in the area.

3.7 Concluding remarks

The sectoral linkages, as well as geographical linkages between towns and areas within the CWD, highlight the important role that the wine and fruit production industry play in the economy. These industries do not only generate employment and income for the agriculture and manufacturing sector but also in the transport, storage and communication sectors, the retail trade, catering and accommodation sector as well as the finance, insurance, real estate and business services sector. Tourism activities linked to these industries are also the main injection into the local economy as well as in creating employment. The commercial nodes are operating independently of these sectors in many aspects, and with the continuous growth of the tertiary sector, there will be an increase in the demand for office space and services as well as in-migration of people who are looking for job opportunities.

The main economic sectors contribute significantly to employment in the CWD. The salaries earned by workers are spent locally, adding further to economic growth and driving the demand for infrastructure such as roads, residential property and services. National and local factors which result in job losses in key sectors will have an overall adverse effect on the economic growth of the CWD as less spending will occur and increase the demand for government support in an area.

4

Municipal socio-economic analysis

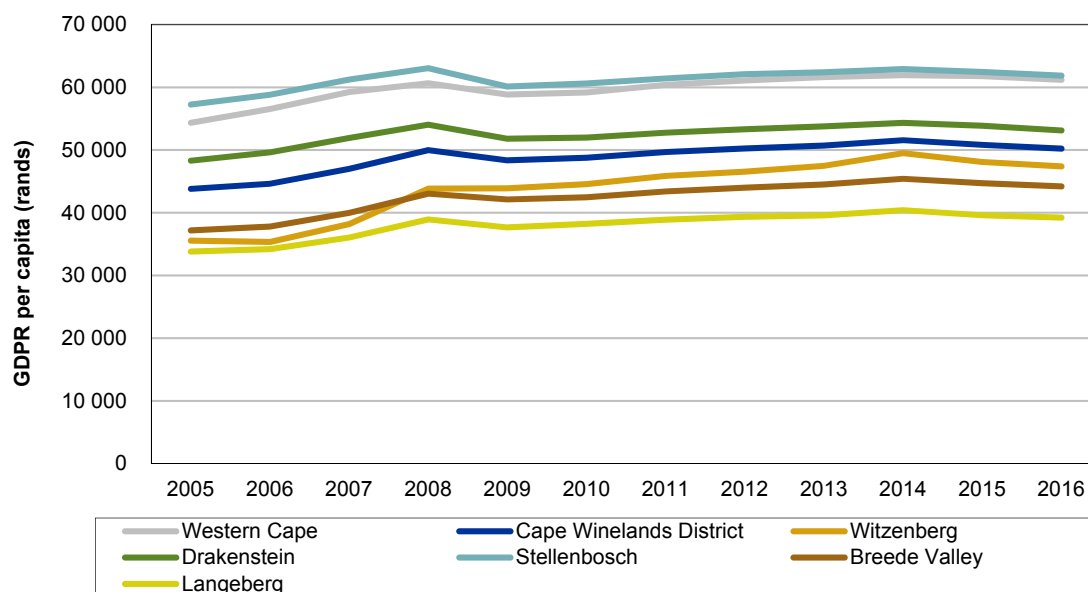
4.1 Introduction

This section shows living conditions and economic circumstances of households in the CWD based on most recent data including Statistics South Africa's Non-Financial Census of Municipalities 2016 and Quantec. Economic theory suggests that when an economy prospers its households are expected to enjoy a good standard of living. On the contrary, a declining economy tends to lower the standards of living of people. This chapter uses various social and economic indicators to show the current reality of households residing in the CWD, covering the following municipalities: Stellenbosch, Drakenstein, Langeberg, Witzenberg and Breede Valley. Indicators which are used to analyse the socio-economic situation in the CWD include, among others, real GDP per capita, Gini coefficient, Household Expenditure, Human Development Index (HDI), Education, Dwellings, Indigent households and free basic services, and Health.

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in the poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita in Cape Winelands, 2005 - 2016



Source: Quantec/Urban-Econ 2017

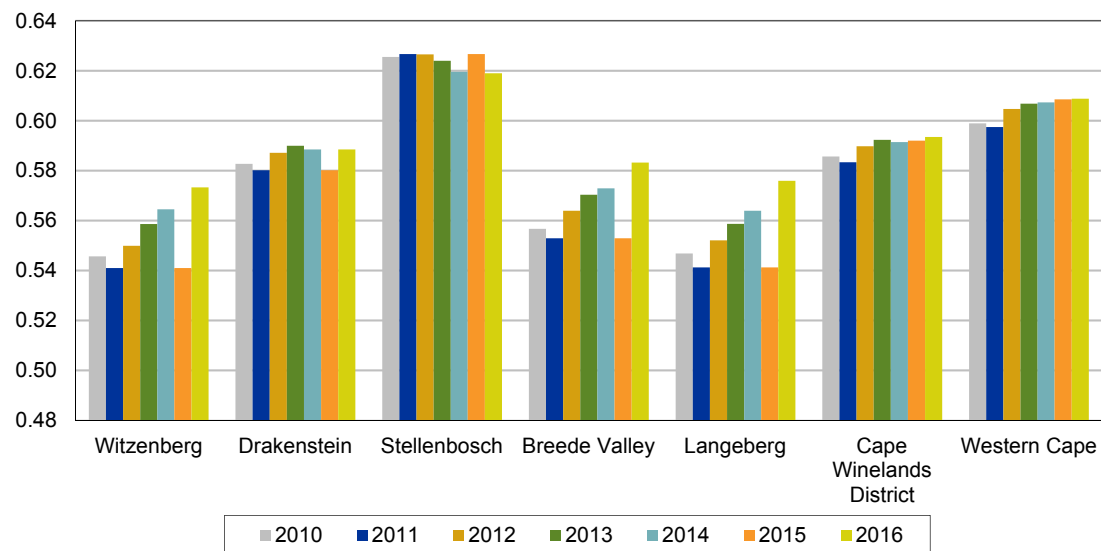
An increase in real GDP per capita, i.e. GDP per person, is experienced only if the real economic growth rate exceeds the population growth rate. Figure 4.1 shows that real GDP per capita⁶ for the Stellenbosch municipal area (R61 871 in 2016) is slightly higher than of the Western Cape Province (R61 199 in 2016), and much higher than the CWD average (R50 239). In Figure 4.1 it can be seen that although Stellenbosch has a higher GDP per capita than the Western Cape average, the gap has narrowed in the last few years. The Drakenstein municipal area has the second highest real GDP per capita (R53 135 in 2016), followed by Witzenberg (R47 393), Breede Valley (R44 200 in 2016) and lastly Langeberg (R39 237). Another noteworthy observation in Figure 4.1 is that Witzenberg's real GDP per capita has surpassed that of Breede Valley from 2008. Of course, not everyone within an economy will earn the same amount of money as estimated by the real GDP per capita indicator.

⁶ Real GDP per capita is an indicator used by economists to estimate the income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

4.3 Income inequality

Figure 4.2 shows that Stellenbosch has the highest level of inequality in the CWD, with the Gini coefficient⁷ recorded at 0.63 in 2015 and 0.62 in 2016.

Figure 4.2 Gini coefficients in Cape Winelands, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

The National Development Plan has set a target of reducing income inequality in South Africa from a Gini coefficient of 0.7 in 2010 to 0.6 by 2030. Figure 4.2 shows that income inequality increased in four of the five municipal areas in the CWD between 2015 and 2016. Only Stellenbosch recorded a slight decrease in income inequality from 0.63 in 2015 to 0.62 in 2016. In 2016 income inequality was less severe in Langeberg (0.58), Breede Valley (0.58) and Witzenberg (0.57). Agriculture is a dominant sector in the Cape Winelands and both farms and related industries are owned by a minority. The inequalities in income earned by households in various localities in the District can be shown by an analysis of expenditure.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households in the CWD. Households across the District spend the most on services and non-durable goods, comprising about 75 per cent of total expenditure. Surprisingly, the data shows that households in Drakenstein spend the highest proportion of their budget (13.4 per cent) on durable goods, followed by Stellenbosch and Breede Valley, each at 13 per cent.

⁷ The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more and more inequality exists and the closer to 0 shows less and less inequality.

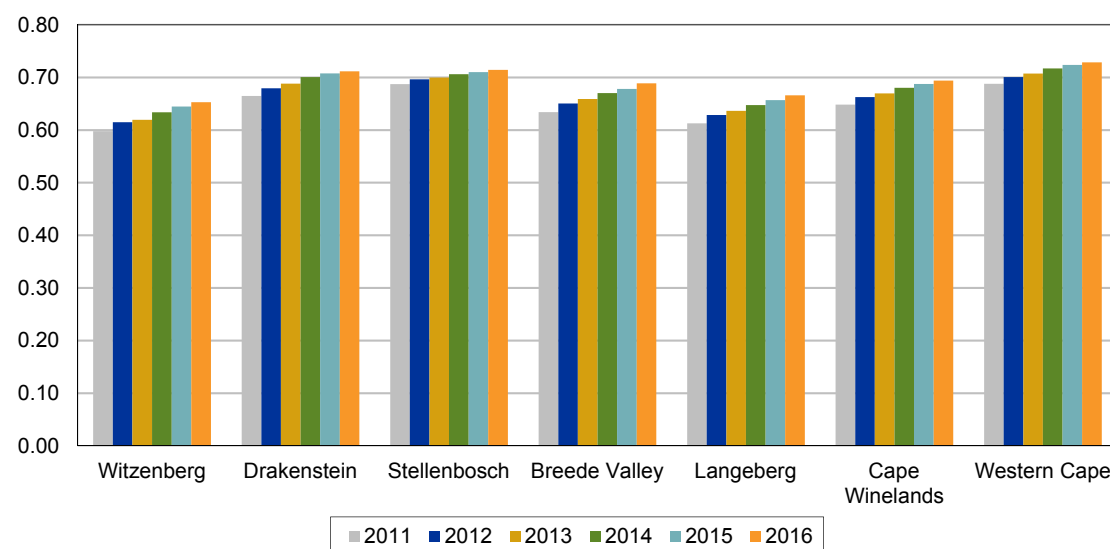
Table 4.1 Cape Winelands District expenditure on goods and services, 2017

Goods and services	Cape Winelands		Witzenberg		Drakenstein		Stellenbosch		Breede Valley		Langeberg	
	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total
Durable goods	311.1	13.0	220.4	12.4	856.6	13.4	1 247.5	13.0	384.3	13.0	425.6	11.9
Semi-durable goods	2 725.9	11.3	200.8	11.3	785.8	12.3	1 025.9	10.7	353.1	11.9	378.6	10.6
Non-durable goods	7 387.8	30.7	598.2	33.6	1 989.2	31.2	2 747.2	28.7	978.3	33.0	1 132.7	31.7
Services	10 832.5	45.0	763.0	42.8	2 750.3	43.1	4 549.1	47.5	1 246.1	42.1	1 641.3	45.9
Total	24 063.3	100	1 782.4	100	6 381.8	100	9 569.7	100	2 961.8	100	3 578.3	100

Source: Quantec Research/ Urban-Econ Calculations, 2017

4.5 Human development

The United Nations uses the Human Development Index (HDI)⁸ to assess the relative level of socio-economic development in countries. Figure 4.3 shows that there has been a general increase in the HDI across all municipalities in the CWD between 2011 and 2016. Between 2015 and 2016, the HDI only increased at Stellenbosch (from 0.71 to 0.72) and Witzenberg (0.65 to 0.66) while remaining constant in Drakenstein, Breede Valley and Langeberg.

Figure 4.3 Human Development Index for Cape Winelands, 2011 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

In 2016, human development in Stellenbosch (0.72) and Drakenstein (0.71) municipal areas was almost on par with that of the Western Cape Province (0.73). Witzenberg has the lowest HDI (0.66) level in the CWD. The next section provides details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

⁸ The HDI is a composite indicator reflecting education levels, health, and income. It is a measure of peoples' ability to live a long and healthy life, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

4.6 Education

A community with a high number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Higher levels of education generally lead to higher paying jobs and vice versa. Table 4.1 below estimates of education levels of persons living within municipal areas in the CWD.

Table 4.2 Education levels of population in the Cape Winelands District, 2017

Education levels	Cape Winelands		Witzenberg		Drakenstein		Stellenbosch		Breede Valley		Langeberg	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	57 353	7.6	10 223	8.8	16 680	6.9	8 684	6.2	13 199	8.3	8 585	9.0
Some primary	165 388	22.0	30 001	25.7	48 163	20.0	27 358	19.6	34 594	21.8	25 324	26.6
Complete primary	55 114	7.3	10 230	8.8	16 309	6.8	9 239	6.6	11 486	7.2	7 866	8.3
Some secondary	269 344	35.8	44 325	38.0	85 533	35.5	46 808	33.5	59 442	37.4	33 367	35.0
Grade 12/ Std 10	145 051	19.3	17 115	14.7	53 128	22.0	28 741	20.6	30 407	19.1	15 774	16.6
Higher	59 150	7.9	4 873	4.2	21 139	8.8	19 007	13.6	9 838	6.2	4 356	4.6
Total	751 401	100	116 767	100	240 952	100	139 837	100	158 967	100	95 272	100

Source: Quantec/Urban-Econ calculations, 2017

Stellenbosch has by far the largest proportion (13.6 per cent) of the total adult population with an educational achievement higher than Grade 12 and the lowest proportion of people without schooling (6.2 per cent). This could be attributed to the presence of Stellenbosch University and other tertiary education institutions in Stellenbosch. The largest proportion of people without schooling are found at Langeberg (9.0 per cent) and Witzenberg (8.8 per cent). Primary school education is important as it is a foundation for human development and therefore the existence of individuals without any form of schooling is a concern to decision-makers at local, provincial and national government. Drakenstein has the largest proportion of people with a Grade 12 qualification (22.0 per cent) followed by Stellenbosch (20.6 per cent). High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth.

In Table 4.3 it can be seen that Stellenbosch had the highest Matric pass rate in 2016 (86.9 per cent) followed by Drakenstein (86.7 per cent), while Langeberg had the lowest pass rate in the District at 84.2 per cent. Learner enrolment in 2016 was highest in Drakenstein (47 601) followed by Breede Valley (32 558) and Stellenbosch (26 085). Grade 12 dropout rates were highest in Langeberg (46.8 per cent), followed by Witzenberg (35.5 per cent) and Breede Valley (32.7 per cent). The dropout rates are generally high across the District and therefore a cause for concern. Reasons for the dropout rates must be investigated properly in order to address this negative trend.

Table 4.3 Learner enrolment and Matric pass rates, Cape Winelands District, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Breede Valley	32 558	32.7	37.47	58	77.59	33	84.2
Drakenstein	47 601	26.0	36.45	68	67.65	49	86.7
Langeberg	17 838	46.8	40.54	55	87.27	21	85.7
Stellenbosch	26 085	23.0	32.36	39	64.10	29	86.9
Witzenberg	18 048	35.5	34.57	54	83.33	14	74.5

Source: Western Cape Department of Education 2017

4.7 Human settlements

The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The form of housing that indicates low human development is an informal dwelling such as a shack. Table 4.4 shows that most informal dwellings are found at Stellenbosch (12 496) followed by Breede Valley has the second highest number (10 628) and Drakenstein (9 135). This large number of informal settlements could be a result of in-migration from surrounding smaller towns, unemployment and their inability to pay rent for formal housing.

Table 4.4 Dwelling type per municipal area, Cape Winelands District, 2017

Dwelling type	Cape Winelands		Witzenberg		Drakenstein		Stellenbosch		Breede Valley		Langeberg	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	154 653	68.5	24 513	78.1	48 225	70.6	28 423	57.4	29 603	61.1	23 927	84.5
Traditional dwelling/hut/structure made of traditional materials	1 144	0.5	214	0.7	305	0.4	244	0.5	312	0.6	87	0.3
Flat in a block of flats	12 769	5.7	402	1.3	4 374	6.4	4 829	9.8	2 768	5.7	401	1.4
Town/cluster/semi-detached house (simplex, duplex or triplex)	14 081	6.2	1 956	6.2	4 408	6.5	3 251	6.6	3 687	7.6	973	3.4
House/flat/room, in backyard	2 689	1.2	177	0.6	1 004	1.5	463	0.9	789	1.6	272	1.0
Informal dwelling/shack, in backyard	14 504	6.4	1 213	3.9	5 439	8.0	3 055	6.2	2 967	6.1	1 894	6.7
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	23 922	10.6	2 668	8.5	3 696	5.4	9 441	19.1	7 661	15.8	607	2.1
Room/flatlet not in backyard but on a shared property	1 455	0.6	178	0.6	635	0.9	304	0.6	278	0.6	70	0.2
Other/ unspecified/ N/A	2 048	0.9	332	1.1	539	0.8	452	0.9	592	1.2	227	0.8
Total	225 909	100	31 390	100	68 284	100	49 483	100	48 445	100	28 316	100

Source: 2017 Quantec/Urban-Econ calculations

Langeberg has the least number of households living in informal dwellings (2 501). The next section provides information on indigent households and provision of free basic services. The provision of basic services to households is a positive indicator of human development.

4.8 Provision of basic services to indigent households

Stellenbosch and Drakenstein municipal areas experienced increases in the number of indigent households between 2015 and 2016 as shown in Table 4.5, whereas decreases were recorded for Witzenberg, Breede Valley and Langeberg. The higher number of indigents resulted in increases in the free basic services provided by the municipalities. While the provision of free basic services is necessary and in line with Constitutional requirements, the services come at a cost to the municipalities.

Table 4.5 Indigent households and provision of basic services, Cape Winelands District, 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Witzenberg	2 794	2 574	2 794	2 574	2 794	2 574	2 794	2 574	2 794	2 574
Drakenstein	15 095	17 971	15 095	17 971	15 095	15 452	15 095	17 971	15 095	17 971
Stellenbosch	5 757	6 486	5 757	6 486	5 757	6 486	5 757	6 486	5 757	6 486
Breede Valley	7 593	6 996	7 593	6 996	7 593	6 996	7 593	6 996	7 593	6 996
Langeberg	7 495	6 215	7 248	5 757	7 495	6 215	6 910	5 740	6 917	5 749

Source: Non-Financial Census of Municipalities, Stats SA 2017

In Table 4.6 it can be seen that all municipal areas in the CWD recorded increases in the number of households with taps inside their yards, with Stellenbosch and Breede Valley recording the largest increases. An increase in the number of households with taps more than 200 metres from the yard was reported for Drakenstein. Witzenberg, Breede Valley and Langeberg have no households with taps more than 200 metres from the yard in 2016. Although the delivery of water infrastructure is improving, the challenge for most municipalities at the moment is the drought in the Province that is reducing the supply of water to households. Various initiatives are being tried by local government authorities to use water more efficiently.

Table 4.6 Access to water, Cape Winelands District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Witzenberg	12 202	12 894	2 099	1 941	0	0
Drakenstein	36 448	36 552	3 750	4 135	163	297
Stellenbosch	34 954	37 902	6 231	6 231	1 830	1 830
Breede Valley	23 369	26 358	0	0	985	0
Langeberg	14 765	15 244	235	235	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

Table 4.7 Access to different sanitation types, Cape Winelands District, 2016

Municipality	Flush toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Witzenberg	11 735	13 449	726	726	0	0	0	0	1 761	54
Drakenstein	34 774	34 774	7 983	8 030	378	378	142	142	4 590	4 856
Stellenbosch	37 804	37 899	1 709	1 709	1 137	1 137	209	209	1 359	1 359
Breede Valley	19 290	19 607	0	89	0	0	0	0	3 800	3 800
Langeberg	14 765	15 438	890	234	0	0	0	0	0	0

Source: Stats SA Non-Financial Census of Municipalities

In terms of sanitation, Table 4.7 shows that there were increases in the number of households with flush toilets connected to the system across all municipal areas in the CWD. The bucket system and ventilated improved pit latrines remain in use by certain households in Stellenbosch and Drakenstein.

4.9 Health

As indicated earlier, longevity is one of the indicators used in the composite indicator for calculating the HDI. This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health has been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to sickness and disability (Bloom et al., 2004). Communities living in developed economies are exposed to good health systems and therefore tend to have long and healthier lives than those living in developing economies. Table 4.8 shows that the main causes of death in the CWD in 2015 were diseases of the circulatory system (20.2 per cent) followed by neoplasms (18.5 per cent) and certain infectious and parasitic diseases (17.6 per cent). The smallest proportions of deaths in the District was deaths due to diseases of the blood and immune mechanism (0.7 per cent.)

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

District	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	9.6	10.8
Central Karoo	16.1	14	1.8	7	2.8	21.5	13.9	2.2	1.3	5.1	14.3
City of Cape Town	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017

Table 4.9 shows that natural causes other than those listed on the table (2 217 or 33.5 per cent) were the leading underlying causes of death in the Cape Winelands District in 2015, followed by non-natural causes (716 or 10.8 per cent). Other noteworthy natural causes of death in the region were HIV (473 or 7.2 per cent), Cerebrovascular diseases (459 or 6.9 per cent), Diabetes (441 or 6.7 per cent), Tuberculosis (441 or 6.6 per cent) and chronic lower respiratory diseases (410 or 6.2 per cent).

Table 4.9 The 10 leading underlying natural causes of death, Cape Winelands, 2015

	Number	%
Human Immunodeficiency Virus (HIV)	473	7.2
Cerebrovascular diseases	459	6.9
Diabetes mellitus	441	6.7
Tuberculosis	434	6.6
Chronic lower respiratory diseases	410	6.2
Ischaemic heart diseases	362	5.5
Malignant neoplasms	333	5
Malignant neoplasms of respiratory and intrathoracic organs	332	5
Hypertensive diseases	221	3.3
Other forms of heart disease	211	3.2
Other natural causes	2 217	33.5
Non-natural causes	716	10.8
Total	6 609	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

The majority of deaths in the CWD in 2015 were elderly people aged 65 and over (40.4 per cent), and adults aged 45 - 64 (33 per cent) as shown in Table 4.10. Deaths of people in the 15 - 44 age group (21.8 per cent) is a cause for concern as this includes the economically active population and therefore has a negative implication for economic performance.

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0
City of Cape Town	4.2	1.6	25.6	29	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42	0
Overberg	3.5	1.6	18.5	30.3	46.1	0
West Coast	2.5	1.3	23.2	32.9	40	0.1
Unspecified	0	1.6	25	32.8	40.6	0

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

4.10 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the CWD using a selected number of indicators. Table 4.11 is a summary of recent changes in various social indicators in the CWD.

Table 4.11 Selected socio-economic indicators, Cape Winelands District, 2005 - 2015

Indicator	Cape Winelands District	Witzenberg	Drakenstein	Stellenbosch	Breede Valley	Langeberg
GDP growth (2005 - 2015)	3.3%	5%	2.8%	2.8%	3.4%	3.6%
Population growth (2005 - 2015)	1.72%	1.88%	1.65%	1.88%	1.49%	1.84%
Real GDP per capita (2005 - 2016)	R48 827	R43 865	R52 413	R61 193	R42 406	R38 006
Gini coefficient (2010 - 2016)	Increase	Increase	Increase	Decrease	Increase	Increase
Household expenditure	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables
HDI (2010 - 2016)	Increase	Increase	Unchanged	Increase	Unchanged	Unchanged
No schooling (2016)	7.60%	8.80%	6.90%	6.20%	8.30%	9.00%
Grade 12 dropout rates (2016)	Increase	35.50%	26.00%	23.00%	32.70%	46.80%
Informal dwelling (2016)	17%	12.40%	13.40%	25.40%	21.90%	8.80%
Indigent households (2015 - 2016)	Increase	Decrease	Increase	Increase	Decrease	Decrease
Free basic water (2015 - 2016)	Increase	Decrease	Increase	Increase	Decrease	Decrease
Free basic electricity (2015 - 2016)	Decrease	Decrease	Increase	Increase	Decrease	Decrease
Free basic refuse removal (2015 - 2016)	Increase	Decrease	Increase	Increase	Decrease	Decrease
Free basic sanitation (2015 - 2016)	Increase	Decrease	Increase	Increase	Decrease	Decrease
Main causes of death			Diseases of the circulatory system			
Age group with highest death rate	45 - 65+	45 - 65+	45 - 65+	45 - 65+	45 - 65+	45 - 65+

Table 4.11 shows the positive or negative movement of selected social and economic indicators in municipalities within the CWD in the recent past. Indicators moving in positive territory could be a result of positive economic performance within the District, and vice versa.

Indicators that have moved in a positive direction for the CWD include a general increase, albeit marginal, in real GDP per capita and an increasing trend in human development. Areas of concern in the district include the rising income inequality, high dropout rates, increasing indigent households, informal dwellers, and deaths especially caused by HIV/AIDS, cerebrovascular diseases, Diabetes, TB, chronic lower respiratory diseases, and other natural and non-natural causes.

The Witzenberg municipal area recorded the fastest average economic growth in the CWD (5 per cent) between 2005 and 2016. The municipal area's population grew by an average 1.88 per cent between 2005 and 2016, resulting in an increasing trend in real GDP per capita. Social indicators that have moved in a positive direction include the decreasing indigent households and the related decrease in households receiving free basic services. There is a general increase in the human development during the review period. Indicators that remain a concern for Witzenberg include the increasing income inequality, high dropout rates at schools, informal settlements, and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Drakenstein municipal area recorded an economic growth rate of 2.8 per cent between 2005 and 2016 while the average population growth rate was 1.65 per cent during the same period, resulting in an increasing trend in real GDP per capita. The HDI has also been following an increasing trend over the last 10 years, although this index stagnated in 2015 and 2016. Rising income inequality remains a concern in the Drakenstein municipal area. Other social indicators that have moved in a negative direction include the increasing indigent households and increasing free basic services, informal dwellers, high dropout rates at schools, and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Stellenbosch municipal area recorded an economic growth rate of 2.8 per cent on average between 2005 and 2016 while the population grew by an average of 1.88 per cent during the same period, resulting in a rising real GDP per capita. The HDI has also been following an increasing trend over the last 10 years. Social indicators that have moved in a negative direction include the increasing income inequality, increasing indigent households, informal dwellers, high dropout rates at schools and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Breede Valley municipal area recorded an economic growth rate of 3.4 per cent on average between 2005 and 2016 while the population grew by an average of 1.49 per cent during the same period, resulting in a rising real GDP per capita. The HDI for the Municipality has remained unchanged over the last two years although it is on a rising trend during the review period. The municipal area has also experienced a decrease in indigent households and decreases in free basic services. Social indicators that are a concern include the increasing income inequality, informal dwellers, high dropout rates at schools and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Langeberg municipal economy recorded an economic growth rate of 3.6 per cent on average between 2005 and 2016 while the population grew by an average of 1.84 per cent during the same period, resulting in a rising real GDP per capita. The HDI for the Municipality has remained unchanged over the last two years although it is on a rising trend for the review period. The municipal area has also experienced a decrease in indigent households and decreases in free basic services. Social indicators that are a concern include the increasing income inequality, informal dwellers, high dropout rates at schools and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

Overberg District

1

Regional economic review and outlook

1.1 Introduction

The Overberg District (OBD) is the Western Cape's (WC) second smallest economy with a 3.5 per cent contribution to the Provincial GDP in 2015. The top three economic sectors are clustered in the tertiary and secondary economic sectors, and include the finance, insurance, real estate and business services, the wholesale and retail trade, catering and accommodation, and the manufacturing sectors.



This chapter provides a macroeconomic outlook for the OBD, an overview of trends between 2010 and 2015 and an outlook in terms of GDPR for 2017 and 2018. Further indicators of economic activity in the OBD are also discussed in this section, which includes an analysis of the location quotient, the available agriculture infrastructure, a breakdown of the manufacturing subsectors, international trade and informal trading.

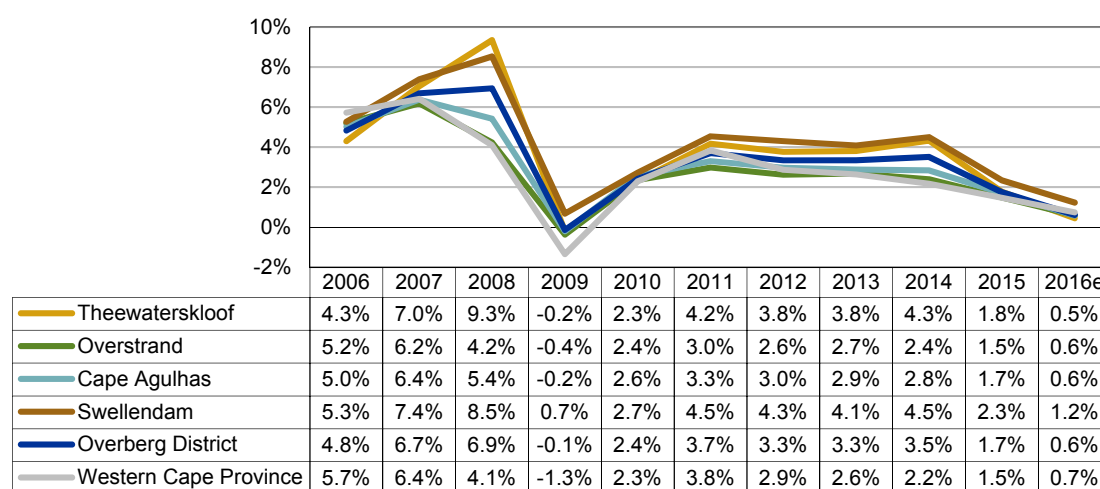
1.2 Growth in GDPR performance

Previous MERO publications have discussed in detail the changes to the District's economy before the 2008 recession as well as the subsequent years after the recession. The period under review for MERO 2017 is therefore between 2010 and 2015, together with an estimate for 2016. Statistics SA will only release official regional indicators for 2016 in 2018.

1.2.1 GDPR performance per municipal area

The OBD contributed R17.1 billion (3.5 per cent) to the Provincial GDPR, making it the second smallest economy in the WC in 2015. Figure 1.1 shows the GDPR performance per municipal area in the OBD between 2005 and 2016.

Figure 1.1 GDPR growth per municipal area, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

The OBD experienced an average GDPR growth rate of 3.6 per cent between 2005 and 2015. This is higher than the average provincial GDPR growth rate (3.0 per cent) over the period. The various municipalities in the OBD followed an almost identical growth pattern, suggesting strong interlinkages between the local economies.

Between 2010 and 2014 the economy showed minor recovery from the recession, however, from 2014, the District economic growth declined sharply to 0.6 per cent while the Provincial economic growth decline to 0.7 per cent in 2016. This slump is mainly attributed to the ongoing drought experienced throughout the Province since

¹ Note that the GDPR growth rate in 2006 indicates the change in GDPR from 2005 to 2006.

2015 and has had a significant impact on the agriculture, forestry and fishing and associated sectors. Other national and international factors have contributed to the general decline in growth including the rand volatility high inflation, uncertainty in the global markets and rising national unemployment.

Table 1.1 indicates the average GDP contribution and growth rates between the various municipal areas.

Table 1.1 Overberg District GDP contribution and average growth rates per municipal area

Municipality	Contribution to GDP (%) 2015	Trend		Real GDP growth (%)					
		2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Theewaterskloof	40.8	4.1	3.6	4.2	3.8	3.8	4.3	1.8	0.5
Overstrand	31.3	3.0	2.4	3.0	2.6	2.7	2.4	1.5	0.6
Cape Agulhas	15.0	3.3	2.7	3.3	3.0	2.9	2.8	1.7	0.6
Swellendam	12.8	4.4	4.0	4.5	4.3	4.1	4.5	2.3	1.2
Total Overberg District	100	3.6	3.1	3.7	3.3	3.3	3.5	1.7	0.6
Western Cape Province	-	3.0	2.6	3.8	2.9	2.6	2.2	1.5	0.7

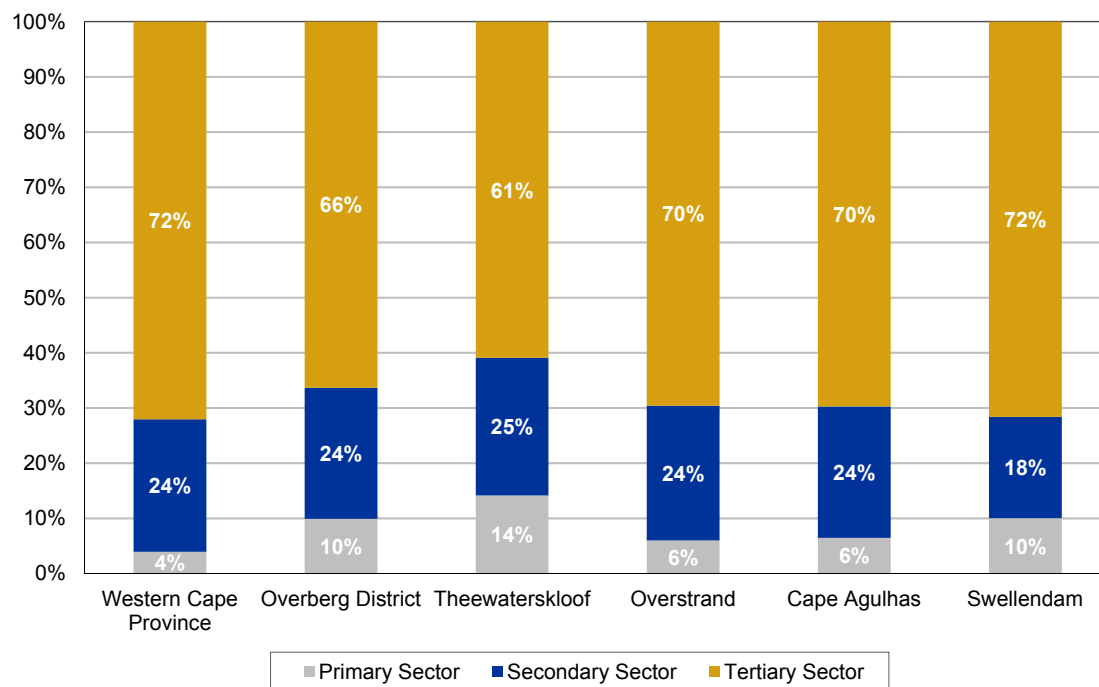
Source: Quantec Research, 2017 (e denotes estimate)

The Theewaterskloof and Overstrand municipal areas are the dominant local economies within the District, contributing 72.1 per cent towards the OBD GDP in 2015. The Swellendam municipal area showed the highest average GDP growth between 2005 and 2015; however it is the smallest economy in the OBD. This can be attributed to the low base effect, which is a small absolute change from a low initial GDP results in a larger percentage change.

Overall, the economy of the OBD has not fully recovered to pre-recession growth rates and has experienced declining growth rates over the past five years, with an estimated GDP growth of 0.6 per cent in 2016; which is the lowest growth rate since the economic contraction in 2009.

1.2.2 GDP performance per sector

Figure 1.2 indicates the GDP contribution per main sector of the District and its municipal areas. These broad classifications are groupings of sectors by their main activity within the economy. Primary sectors are those involved with using or extracting natural resources and consist of the agriculture, forestry and fishing sector and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production and consists of the manufacturing sector, the electricity, gas and water sector and the construction sector. The tertiary sector, which is also referred to as the services sectors and consists of the following: the wholesale and retail trade, catering and accommodation sector, the transport, storage and communication sector, the finance, insurance, real estate and business services sector, the general government sector, and the community, social and personal services sector. Chapter 3 further details the important linkages between the various economic sectors.

Figure 1.2 GDP contribution per main sector, 2015

Source: Quantec Research, 2017

The OBD sectoral mix indicates a dominance of the tertiary sector. However, it is important to note that both the secondary sector (i.e. manufacturing) and tertiary sector have very close linkages to the primary sector. Although all the OBD municipal areas show a similar sectoral mix to the District, it is evident that the Theewaterskloof (14.2 per cent of GDP) and Swellendam (10.0 per cent of GDP) areas have a larger primary sector contribution. The OBD has a larger primary sector contribution compared to the Province.

Table 1.2 indicates the sectors that contributed the most to the OBD's economy. As shown in Figure 1.2 the OBD has an active primary sector, and from Table 1.2 it is evident that this activity is mainly focussed in the agriculture, forestry and fishing sector which contributes 9.8 per cent to GDP. The secondary sector is primarily concentrated on manufacturing (i.e. agri-processing) which contributes 13.3 per cent to GDP. Within the tertiary sector it is evident that the main contributing sectors in 2015 were the finance, insurance, real estate and business services sector (contributing 20.2 per cent), followed by the wholesale and retail trade, catering and accommodation sector (contributing 19.3 per cent).

Table 1.2 Overberg District GDPR contribution per sector, 2015 (%)

Sector	Overberg District	Theewaterskloof	Overstrand	Cape Agulhas	Swellendam
Primary Sector	9.9	14.2	6.0	6.5	10.0
Agriculture, forestry and fishing	9.8	14.1	5.9	6.3	10.0
Mining and quarrying	0.1	0.0	0.1	0.2	0.0
Secondary Sector	23.8	24.9	24.4	23.8	18.4
Manufacturing	13.3	13.4	14.5	14.1	9.4
Electricity, gas and water	2.5	3.0	2.0	2.4	2.4
Construction	7.9	8.6	7.9	7.4	6.6
Tertiary Sector	66.3	60.9	69.6	69.7	71.6
Wholesale and retail trade, catering and accommodation	19.3	17.8	19.6	22.1	19.9
Transport, storage and communication	11.2	11.4	11.3	11.1	10.3
Finance, insurance, real estate and business services	20.2	16.6	24.1	20.0	22.5
General government	8.9	8.5	8.2	9.9	10.8
Community, social and personal services	6.8	6.7	6.4	6.7	8.1

Source: Quantec Research, 2017

From Table 1.2 it is evident that the finance, insurance, real estate and business services, the wholesale and retail trade, catering and accommodation and the manufacturing sectors are the dominant sectors within the OBD, collectively contributing 52.8 per cent to the GDPR of the District. The municipal areas in the OBD follow a similar trend, however in the Theewaterskloof municipal area the agriculture, forestry and fishing sector contributes more (14.1 per cent) in comparison with this sector's contribution in other municipal areas. In the Swellendam municipal area, the manufacturing sector contributes significantly less when compared with this sector's contribution in other municipal areas within the OBD.

Table 1.3 indicates the OBD's GDPR performance per sector. The OBD economy recovered marginally after the recession, with an average annual growth of 3.1 per cent between 2010 and 2015 before declining to 1.7 per cent in 2015 and further to 0.6 in 2016. This decline in growth can be attributed to the contraction of the agriculture, forestry and fishing sector due to the drought conditions, as well as an overall weakening of the national economy putting pressure on local tertiary sectors.

Table 1.3 Overberg District GDPR performance per sector

Sector	Trend		Real GDPR growth (%)					
	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.4	1.1	-0.1	0.6	1.7	6.8	-3.5	-9.0
Agriculture, forestry and fishing	1.4	1.1	-0.1	0.6	1.7	6.8	-3.6	-9.1
Mining and quarrying	0.6	4.1	2.8	1.1	3.0	7.1	6.3	-6.6
Secondary Sector	4.0	2.8	3.0	2.9	3.4	2.7	1.9	1.2
Manufacturing	3.9	3.0	4.0	3.3	3.1	2.6	2.2	2.0
Electricity, gas and water	-0.2	-0.2	2.3	0.3	-0.7	-1.0	-1.8	-4.9
Construction	5.9	3.1	1.3	2.9	5.3	4.0	2.2	1.3
Tertiary Sector	4.1	3.6	4.7	4.0	3.6	3.2	2.7	2.1
Wholesale and retail trade, catering and accommodation	4.1	4.0	5.5	5.1	3.5	2.9	2.9	2.3
Transport, storage and communication	4.6	4.0	5.4	4.1	4.3	4.6	1.7	1.3
Finance, insurance, real estate and business services	4.6	3.9	4.1	4.0	3.6	3.3	4.3	3.1
General government	3.0	2.9	5.2	2.7	3.9	2.4	0.3	0.8
Community, social and personal services	2.8	2.4	2.8	3.0	2.6	2.4	1.3	1.0
Total Overberg District	3.6	3.1	3.7	3.3	3.3	3.5	1.7	0.6

Source: Quantec Research, 2017 (e denotes estimate)

Over the last ten years the primary and secondary sectors grew positively except for the electricity, gas and water sector which contracted annually on average (-0.2 per cent). The construction sector had the highest average GDPR growth (5.9 per cent) during this period. This is followed by the finance, insurance, real estate and business services sector (4.6 per cent), the transport, storage and communication sector (4.6 per cent), the wholesale and retail trade, catering and accommodation sector (4.1 per cent) and the manufacturing sector (3.9 per cent). The trends identified in Table 1.3 indicates that the highest contributing economic sectors are also the best performing economic sectors in the OBD in the long run.

The agriculture, forestry and fishing sector contracted by 9.1 per cent in 2016 as a result of the drought, among other factors. This contraction also affected the growth performance of the main contributing sectors in the OBD, either directly (reduced raw materials for processing) or indirectly (reduced profit margins reducing the household income of farmers who in turn spend less in the local economy, impacting sectors such as the wholesale and retail trade, catering and accommodation and the community, social and personal services sectors).

1.2.3 GDP performance per sector forecast (outlook)

Due to the fast pace at which the global as well as the SA economy are changing, only a two-year forecast is done. Table 1.4 indicates the GDP forecast per sector for 2017 and 2018 in the OBD.

Table 1.4 GDP forecast per sector, 2017 - 2018 (%)

Sector	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-9.1	3.4	1.4
Mining and quarrying	-6.6	0.3	1.3
Secondary Sector			
Manufacturing	2.0	1.9	3.9
Electricity, gas and water	-4.9	1.5	2.2
Construction	1.3	1.0	1.2
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	2.3	1.0	2.1
Transport, storage and communication	1.3	2.8	2.2
Finance, insurance, real estate and business services	3.1	0.9	1.3
General government	0.8	-0.4	-0.1
Community, social and personal services	1.0	1.3	1.0
Total	0.6	1.4	1.8

Source: Quantec Research, own calculations 2017 (e denotes estimate; f denotes forecast)

The GDP growth rate for OBD is forecasted to increase in 2017 to 1.4 per cent and 1.8 per cent by 2018. The GDP growth for the general government sector is forecasted to contract in 2017. Meanwhile, the main economic sectors will experience lower GDP growth in 2017 compared to 2016, with an increase in growth in 2018.

Growth in the agriculture, forestry and fishing sector remains volatile due to the ongoing drought and increases in producer and input prices, growing at 3.4 per cent in 2017 and 1.4 per cent in 2018. In 2017, growth in the transport, storage and communication sector will increase, further highlighting the linkages between these sectors.

The weakening of the South African economy is impacting the OBD economy which is evident in decreasing growth rates in the wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector.

1.3 Growth in employment trends

1.3.1 Employment per municipal area

Table 1.5 indicates the trend in employment growth within each municipal area in the OBD.

Table 1.5 Overberg District employment growth, 2005 - 2016

Municipality	Contribution to employment (%)		Trend		Employment (net change)				
	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Theewaterskloof	45.9	10 152	11 636	906	2 213	2 549	772	5 196	542
Overstrand	28.7	8 391	6 119	716	1 150	1 539	980	1 734	-119
Cape Agulhas	12.4	2 682	2 237	267	440	506	254	770	108
Swellendam	13.0	3 688	3 311	314	606	736	365	1 290	196
Total Overberg District	100	24 913	23 303	2 203	4 409	5 330	2 371	8 990	727
Western Cape Province	-	418 445	326 986	38 314	58 799	81 285	45 807	102 781	15 050

Source: Quantec Research, 2017 (e denotes estimate)

The economic activity within the Theewaterskloof (45.9 per cent) and Overstrand (28.7 per cent) municipal areas are the main contributors towards employment in the OBD; together these two areas contribute to 74.6 per cent of the OBD employment opportunities. During the 2005 - 2015 period, these municipal areas created the most jobs in the District. Although jobs were shed between 2007 and 2010 (during the recession), there has been a significant increase in employment opportunities since 2010 which surpassed the job losses that occurred during the recession.

In 2015, employment in the OBD increased by 8 990 jobs, which is the highest change in employment since 2010, with only 727 additional jobs created in 2016, indicating that currently, employment creation is growing at a slower pace, which correlates with the slower GDP growth rate of the District. The Overstrand municipal area was the only area to shed jobs during 2016.

1.3.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the OBD. The sectors employing the most people in the District include the wholesale and retail, catering and accommodation (23.5 per cent) and the agriculture, forestry and fishing (19.3 per cent). Even though the agriculture, forestry and fishing sector contributes less in comparison with other economic sectors in terms of GDP, it is still a major employment sector within the District.

Table 1.6 Overberg District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	19.3	24 308	-7 595	4 984	-830	1 243	1 057	-1 308	4 822	-364
Agriculture, forestry and fishing	19.3	24 282	-7 587	4 990	-829	1 241	1 065	-1 308	4 821	-365
Mining and quarrying	0.0	26	-8	-6	-1	2	-8	0	1	1
Secondary Sector	16.5	20 744	3 619	2 883	504	402	689	672	616	394
Manufacturing	7.3	9 243	897	793	118	-46	422	17	282	106
Electricity, gas and water	0.3	332	98	46	10	13	6	3	14	8
Construction	8.9	11 169	2 624	2 044	376	435	261	652	320	280
Tertiary Sector	64.2	80 824	28 889	15 436	2 529	2 764	3 584	3 007	3 552	697
Wholesale and retail trade, catering and accommodation	23.5	29 620	10 228	5 370	1 047	1 164	958	1 017	1 184	335
Transport, storage and communication	5.2	6 565	3 396	1 784	170	416	494	73	631	-318
Finance, insurance, real estate and business services	14.2	17 813	7 070	3 717	707	515	777	583	1 135	298
General government	8.1	10 187	2 753	1 119	437	192	162	580	-252	199
Community, social and personal services	13.2	16 639	5 442	3 446	168	477	1 193	754	854	183
Total Overberg District	100	125 876	24 913	23 303	2 203	4 409	5 330	2 371	8 990	727

Source: Quantec Research, 2017 (e denotes estimate)

Between 2005 and 2015 the agriculture, forestry and fishing, and the mining sectors were the only sectors which shed a total of 7 587 jobs and 8 jobs respectively during this period. The majority of jobs were created by the wholesale and retail trade, catering and accommodation sector (10 228), the finance, insurance, real estate and business services sector (7 070) and the community, social and personal services sector (5 442 overall) between 2005 and 2015. Considering this trend along with the GDP growth rates per sector, it appears that both these sectors are significant contributors towards the overall economic performance of the OBD, which in turn is resulting in a higher than average creation of employment opportunities. Between 2015 and 2016 the OBD only created 727 employment opportunities overall, which is much lower than the average annual number of jobs created since 2010. In 2016, both the agriculture, forestry and fishing sector and the transport, storage and communication sector shed jobs, accounting for a total of 683 of the jobs lost during this period.

Table 1.7 indicates the trend in the unemployment rate within each municipal area in the OBD.

Table 1.7 Overberg District unemployment rate, 2011 - 2016 (%)

Municipality	2011	2012	2013	2014	2015	2016e
Theewaterskloof	10.0	10.8	10.9	11.3	11.5	11.9
Overstrand	16.3	16.9	16.3	17.0	17.8	19.0
Cape Agulhas	8.6	9.1	8.9	9.3	9.5	10.0
Swellendam	8.0	8.5	8.3	8.5	8.6	8.9
Overberg District	11.4	12.1	12.0	12.4	12.8	13.5
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2017 (e denotes estimate)

The unemployment rate for the OBD was estimated to be 13.5 per cent in 2016. This is lower than the unemployment rate estimated for the WC (18.7 per cent) during the same period. Although the OBD has shown an increase in employment opportunities, the unemployment rate has increased year-on-year since 2010, indicating that the number of employment seekers are increasing at a faster rate than the creation of employment opportunities in the District. This trend is also reflected in all the municipal areas in the OBD.

The Overstrand municipal area has the highest unemployment rate in the OBD (19.0 per cent) which is marginally higher than the provincial unemployment rate. The rising unemployment rate is contributing to the increasing number of indigents households who need to be supported with free basic services².

1.4 Trade and informal enterprises

1.4.1 Location quotient

To determine the level of specialisation within the different economic sectors of the OBD, a location quotient is used. The location quotient is a ratio between two economies; in this case, the Provincial and District economies, which indicate whether the District is importing, self-sufficient or exporting goods and services from a particular sector.

Table 1.8 provides a classification and interpretation of the location quotient.

Table 1.8 Location quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the sector. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

² Overberg MERO 2017 Municipal Survey responses

It is important to note that a location quotient as a tool, does not take into account external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a certain sector.

Table 1.9 outlines the location quotient sectors in the OBD.

Table 1.9 Location quotient in terms of GDP and employment, Overberg District, 2015

Sector	In terms of GDP	In terms of employment
Agriculture, forestry and fishing	2.64	2.10
Mining and quarrying	0.37	0.32
Manufacturing	0.87	0.75
Electricity, gas and water	0.88	0.79
Construction	1.35	1.11
Wholesale and retail trade, catering and accommodation	1.12	0.99
Transport, storage and communication	1.00	0.92
Finance, insurance, real estate and business services	0.79	0.82
General government	0.78	0.69
Community, social and personal services	0.99	0.93

Source: Quantec Research, 2017

Based on the location quotient of the OBD, the sectors that are serving the needs beyond the District borders include the agriculture, forestry and fishing sector (in terms of GDP and employment) as well as the construction sector (in terms of GDP). In all other sectors (except mining and quarrying) the location quotient can be classified as "medium" indicating that most local needs are met and imports and exports are taking place. The "low" location quotient for the mining and quarrying sector is due to the relative lack of mineral resources in the area.

1.4.2 Agriculture infrastructure

As indicated in the previous MERO publication (2016), the agriculture and agri-processing sectors are well established in the OBD. The MERO 2016 further highlighted the various agricultural activities taking place in the OBD, namely barley, apples, canola, lucerne, pears, wheat and sheep farming.

Table 1.10 indicates the municipal agriculture infrastructure in the OBD.

Table 1.10 Overberg District agriculture infrastructure, 2013

Infrastructure	Theewaterskloof	Overstrand	Cape Agulhas	Swellendam	Overberg District
Abattoir - red meat	3	1	2	3	9
Abattoir - white meat	1	0	3	0	4
Agro-processing plant	17	6	0	4	27
Airfield	7	4	4	6	21
Chicken batteries	0	0	0	0	0
Chicken batteries - broilers	11	11	0	1	23
Chicken batteries - layers	4	1	1	1	7
Chicken hatchery	0	0	0	0	0
Cool chain facilities	0	0	0	0	0
Crush pen	147	24	175	64	410
Crush pen and dip tank	4	1	21	5	31
Dairy	55	12	50	91	208
Dam	3 434	520	903	653	5 510
Feedlot - beef	0	0	0	1	1
Feedlot - pigs	0	0	1	0	1
Feedlot - sheep	0	0	1	9	10
Fruit cool chain facilities	17	0	0	0	17
Fruit packers	12	0	0	2	14
Grain dam - commercial	0	0	0	0	0
Homestead	912	385	265	344	1 906
Homestead - labour	445	97	191	137	870
Nursery	4	7	1	4	16
Other	0	0	0	0	0
Packhouse	70	10	2	15	97
Piggery	4	0	0	0	4
Shade netting	57	88	31	16	192
Silo bags - commercial	1	0	3	1	5
Silo bags - non-commercial	4	0	0	0	4
Silos - commercial	7	0	5	1	13
Silos - non-commercial	2	0	2	12	16
Tunnels	33	19	6	49	107

Source: WC Department of Agriculture, Western Cape AgriStats, 2013

From Table 1.10 it is evident that the OBD has various types of agricultural infrastructure. On comparison of the distribution of this infrastructure, it becomes evident that most of the infrastructure are in the Theewaterskloof area. This indicates that secondary activities in the OBD which is linked to farming, is mainly clustered in the Theewaterskloof municipal area. This spread of agriculture infrastructure also supports the notion that the OBD has a well-established agriculture and agri-processing sector.

1.4.3 Manufacturing subsectors

Table 1.11 indicates the economic contribution of the manufacturing subsectors to the manufacturing sector in OBD.

Table 1.11 Overberg District manufacturing subsector GDP contribution, 2015 (%)

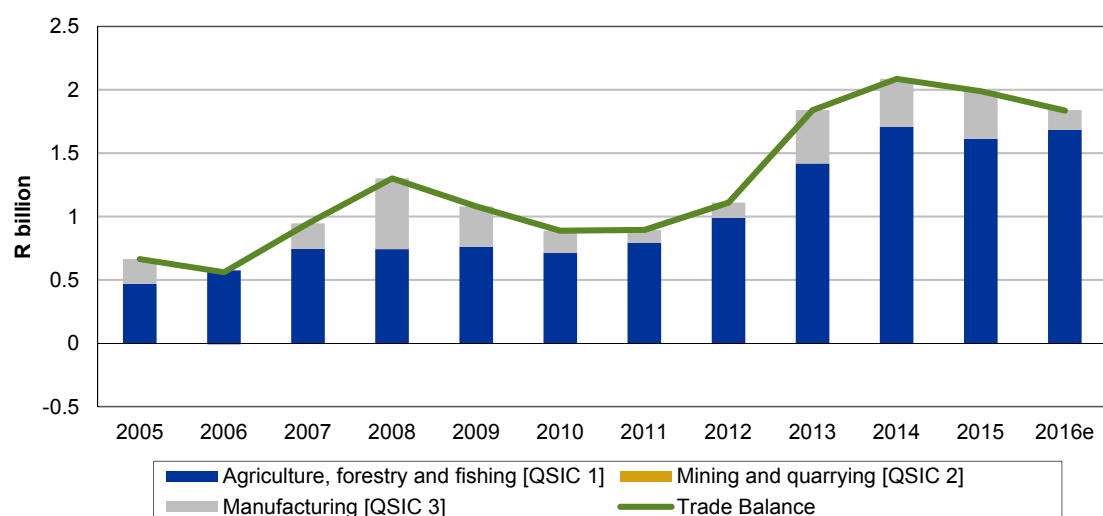
Subsector	Overberg District	Theewaterskloof	Overstrand	Cape Agulhas	Swellendam
Food, beverages and tobacco	35.7	36.4	36.7	28.7	41.1
Textiles, clothing and leather goods	4.1	4.1	4.0	3.9	4.8
Wood, paper, publishing and printing	12.1	10.9	12.5	13.7	13.2
Petroleum products, chemicals, rubber and plastic	13.6	13.1	14.3	13.4	13.4
Other non-metal mineral products	3.9	4.5	3.6	2.9	4.4
Metals, metal products, machinery and equipment	13.3	14.1	12.4	15.6	9.1
Electrical machinery and apparatus	0.5	0.3	0.6	1.2	0.0
Radio, TV, instruments, watches and clocks	0.7	0.3	1.0	1.3	0.7
Transport equipment	4.9	4.3	5.2	6.2	4.9
Furniture and other manufacturing	11.0	12.0	9.7	13.2	8.3

Source: Quantec Research, 2017

Economic activities in the OBD are centred around agricultural, viticulture and aquaculture production. This correlates with the dominating manufacturing subsector of the OBD which is food, beverages and tobacco (35.7 per cent). The other dominant subsectors are the petroleum products, chemicals, rubber and plastic (13.6 per cent), metals, metal products, machinery and equipment (13.3 per cent) and wood, paper, publishing and printing (12.1 per cent) subsectors which correlate with the beneficiation activities in the area and industry such as Southern Oil (Pty) Ltd, Kromko concrete works and plantations in the Swellendam area.

1.4.4 International trade

Figure 1.3 indicates the OBD trade balance between 2005 and 2016.

Figure 1.3 Overberg District trade balance, 2005 - 2016

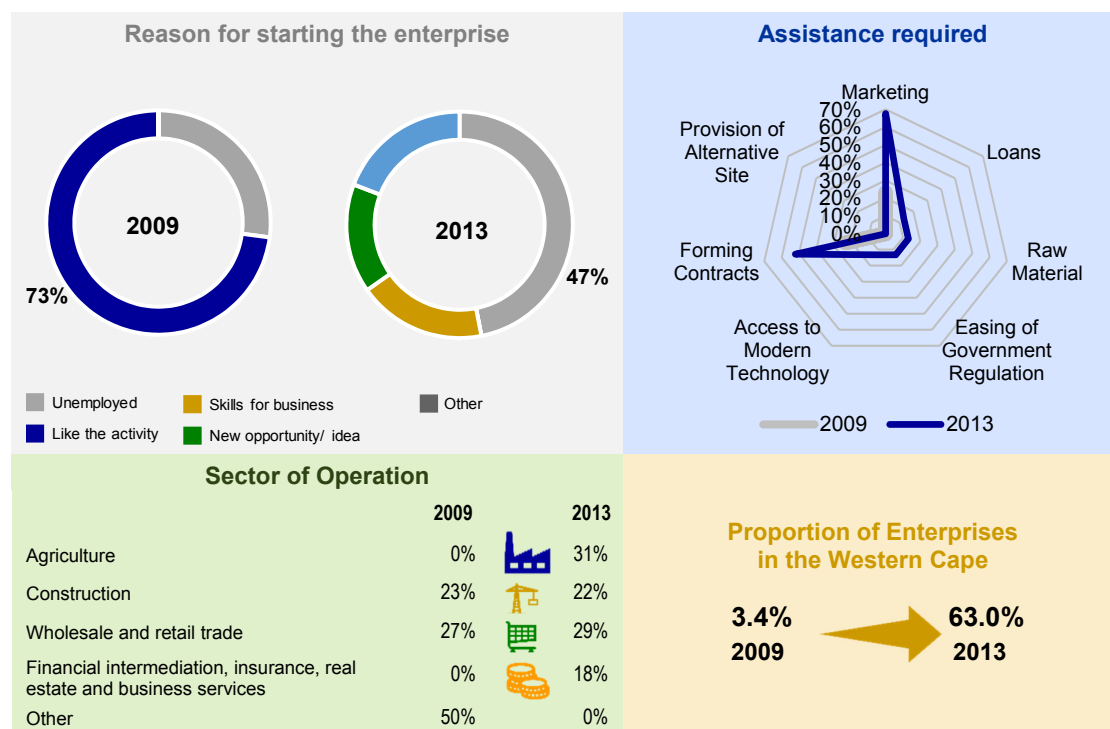
Source: Quantec Research, 2017 (e denotes estimate)

The regional trade balance in the OBD has been positive since 2005, with a steady increase in international trade, from R664.9 million in 2005 to R1.83 billion in 2016. The trade balance has also decreased from R1.99 billion to R1.83 billion between 2015 and 2016. The main exports from the OBD are products from the agriculture, forestry and fishing sector and some manufacturing products, including meat and beverages.

1.4.5 Informal enterprises

The diagram below provides an overview of the enterprises surveyed in 2009 and 2013 within the OBD.

Diagram 1.1 Informal enterprises overview, Overberg



Source: Adapted from Stats SA, 2009 & 2013

The reasons why enterprise owners decided to start their informal enterprise in 2009 differ considerably to the reasons stated in 2013. The majority of enterprise owners in 2009 reported that their passion about the business product or service motivated them to start their business whereas, in 2013, the main reason stated was unemployment.

The main sectors in which informal enterprises operated in 2013 included the manufacturing sector, the construction sector, the wholesale and retail trade sector and the finance, insurance, real estate and business services sector.

The proportion of enterprise owners who indicated that they needed assistance increased between 2009 and 2013 in this District. The main areas where enterprise owners needed assistance include marketing and forming contracts.

According to the Overberg District Municipality (OBDM), there is a need for an extensive survey in the District to update the current SMME database. SMMEs further need skills training, mentorship and general business support (registrations, tax clearance certificates, etc.), funding and improved connectivity (internet access) to be able to sustainable and expand³. It is also envisioned that these needs will be addressed through the use of the LED mechanisms.

1.5 Concluding remarks

The OBD only contributed 3.5 per cent to the Provincial GDP, making it the second smallest regional economy in the Western Cape in 2015. The OBD sectoral mix suggests a dominance of the tertiary sector. However, it is important to note that both the secondary sector (i.e. manufacturing) and the tertiary sector activities have very close linkages to the primary sector.

The OBD experienced an average GDP growth rate of 3.6 per cent between 2005 and 2015, which is slightly higher than the average Provincial GDP growth rate (3.0 per cent) over the period. The Theewaterskloof area contributed the most to the District GDP in 2015 (40.8 per cent). This is followed by the Overstrand (31.3 per cent), Cape Agulhas (15.0 per cent) and Swellendam (12.8 per cent) areas. Low GDP growth rates and the contraction of the agriculture, forestry and fishing and manufacturing sectors can be attributed to the drought experienced throughout the Province. Other national and international factors such as the rand volatility, high inflation, and uncertainty in the global markets contributed to the lower GDP growth rates in 2015 and 2016.

Employment performance has mirrored GDP performance to a large extent. This means that when the economy or sectors in the economy contracted, employment would either stagnate or decline. Thus, economic growth has the potential to contribute to human development by creating employment and sources of income to households. What's more, exports from the region can contribute significantly to the stimulation of local economic activity by expanding the scope and sources of demand for goods and services.

³ Theewaterskloof Municipality MERO 2017 Survey response
Cape Agulhas Municipality MERO 2017 Survey response
Swellendam Municipality MERO 2017 Survey response

2

Sectoral growth, employment and skills per municipal area

2.1 Introduction

This chapter provides a macroeconomic outlook at the municipal level, an overview of trends from 2010 to 2016 for GDP, employment as well as skills levels in each of the municipal areas of the OBD. This chapter further provides information on building plans passed and completed for selected municipalities.

2.2 Theewaterskloof

2.2.1 GDP performance

The Theewaterskloof municipal area has the largest local economy in the District, contributing nearly R7.0 billion (40.8 per cent) to the economy of the OBD. Agriculture activities are the primary land use in the municipal area, with the western areas characterised by apple production, with vast wheat and canola fields forming the central and eastern landscape of the municipal area.

Table 2.1 indicates the Theewaterskloof GDP performance per sector.

Table 2.1 Theewaterskloof GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	14.2	990.0	1.4	0.9	-0.6	0.5	1.4	7.1	-4.0	-9.8
Agriculture, forestry and fishing	14.1	986.7	1.4	0.9	-0.6	0.5	1.4	7.1	-4.0	-9.8
Mining and quarrying	0.0	3.3	0.5	3.4	3.4	1.5	3.4	7.8	0.8	-5.8
Secondary Sector	24.9	1 742.7	4.7	3.7	4.8	3.5	4.2	3.2	2.6	2.0
Manufacturing	13.4	934.3	4.3	3.6	4.8	3.7	3.7	3.0	2.6	2.6
Electricity, gas and water	3.0	207.6	-0.2	-0.2	2.0	0.7	-0.2	-1.1	-2.6	-3.8
Construction	8.6	600.7	8.2	5.3	6.0	4.4	6.9	5.2	4.3	2.7
Tertiary Sector	60.9	4 259.3	4.9	4.4	5.5	4.9	4.4	3.9	3.2	2.8
Wholesale and retail trade, catering and accommodation	17.8	1 243.9	4.8	4.6	6.3	5.8	4.1	3.5	3.4	2.9
Transport, storage and communication	11.4	795.4	4.0	3.7	5.1	3.8	4.0	4.4	1.0	0.5
Finance, insurance, real estate and business services	16.6	1 162.4	7.1	5.8	6.0	6.1	5.5	5.2	6.0	4.9
General government	8.5	591.8	3.3	3.2	5.5	3.1	4.1	2.6	0.5	1.0
Community, social and personal services	6.7	465.8	3.0	2.7	3.4	3.2	2.9	2.3	1.6	1.3
Total Theewaterskloof	100	6 992.1	4.1	3.6	4.2	3.8	3.8	4.3	1.8	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The dominating economic sectors in the Theewaterskloof area include the wholesale and retail trade, catering and accommodation (17.8 per cent); the finance, insurance, real estate and business services (16.6 per cent); manufacturing (13.4 per cent) and the agriculture, forestry and fishing (14.1 per cent) sectors.

Economic growth in the Theewaterskloof area averaged 3.6 per cent per annum between 2010 and 2015, but decreased to 0.5 per cent in 2016. The decline in growth can be attributed to the contracting agriculture, forestry and fishing sector and general decline in the tertiary sectors as a result of linkages to the agriculture, forestry and fishing sector as well as the overall weakening of the South African economy during the review period. The only sector that has contracted annually (on average) was the electricity, gas and water sector. Increased pressure on bulk infrastructure due to a lack of water and increased demand from household and commercial consumers have added extra pressure on this sector, with the lack of funding available to address all needs⁴.

⁴ Theewaterskloof Municipality MERO 2017 Survey response

2.2.2 Employment profile

In conjunction with having the largest local economy, this municipal area also has the largest number of people employed in the District. Table 2.2 indicates the trend in employment growth within each economic sector in Theewaterskloof.

Table 2.2 Theewaterskloof employment growth per sector

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	26.8	15 470	-5 287	3 099	-593	692	588	-891	3 303	-251
Agriculture, forestry and fishing	26.8	15 462	-5 285	3 100	-593	691	591	-891	3 302	-251
Mining and quarrying	0.0	8	-2	-1	0	1	-3	0	1	0
Secondary Sector	16.0	9 256	2 627	1 714	333	292	383	359	347	273
Manufacturing	6.9	3 974	592	424	64	16	197	12	135	69
Electricity, gas and water	0.3	163	45	23	6	5	4	1	7	4
Construction	8.9	5 119	1 990	1 267	263	271	182	346	205	200
Tertiary Sector	57.2	33 071	12 812	6 823	1 166	1 229	1 578	1 304	1 546	520
Wholesale and retail trade, catering and accommodation	19.7	11 382	4 379	2 331	452	501	430	441	507	262
Transport, storage and communication	4.5	2 620	1 357	713	76	167	194	28	248	-64
Finance, insurance, real estate and business services	12.9	7 453	3 412	1 749	371	253	371	267	487	122
General government	7.3	4 212	1 186	491	188	86	72	243	-98	93
Community, social and personal services	12.8	7 404	2 478	1 539	79	222	511	325	402	107
Total Theewaterskloof	100	57 797	10 152	11 636	906	2 213	2 549	772	5 196	542

Source: Quantec Research, 2017 (e denotes estimate)

Similar to GDP contribution, the economic sectors that contributed the most to employment in the Theewaterskloof area in 2015 were the agriculture, forestry and fishing (26.8 per cent), the wholesale and retail trade, catering and accommodation (19.7 per cent) sectors. The finance, insurance, real estate and business services and the community, social and personal services sectors also make a relatively large contribution to employment, collectively contributing 25.7 per cent to local employment.

The high dependence on the agriculture, forestry and fishing sector for employment impacts the local economy in terms of spending by households as workers in this sector are typically low-skilled and earn lower levels of income. Employment is also seasonal for many workers which impacts the supply and demand for goods and services from other sectors.

Job creation in the Theewaterskloof area between 2010 and 2015 was greater than the number of jobs lost after the recession, however, like with economic growth, employment creation also declined in 2016 in all sectors, with the agriculture, forestry and fishing and the transport, storage and communication sectors jointly shedding 315 jobs.

2.2.3 Skills level

Education levels in any given market area will influence economic and human development. Low education levels lead to a weak skills base and vice versa. There is also no doubt that household and personal income levels are either positively or negatively affected by education levels. Also, a population that is skilled does not necessarily aspire to employment but to entrepreneurship, which will add businesses to the area, increase economic activity and consequently increase the number of jobs available. Table 2.3 indicates the skills levels of formally employed workers in the Theewaterskloof area.

Table 2.3 Theewaterskloof skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	12.0	2.2	5 126
Semi-skilled	38.7	1.7	16 491
Low-skilled	49.2	-0.6	20 949
Total Theewaterskloof	100	0.5	42 566

Source: Quantec Research, 2017

Overall, formally employed people are increasing at an average annual rate of 0.5 per cent per annum. The majority of the formally employed people in the Theewaterskloof area are low-skilled (49.2 per cent) (mainly as a result of a large number of workers in the agriculture, forestry and fishing sector), while 38.7 per cent are semi-skilled and 12.0 per cent are skilled. The number of low-skilled workers have been decreasing by 0.6 per cent on average between 2005 and 2015, while the semi-skilled and skilled workers have been growing by 1.7 per cent and 2.2 per cent respectively during the same period. The decline in low-skilled workers over a ten-year period correlates with the ten-year decline in employment in the agriculture, forestry and fishing sector.

2.3 Overstrand

2.3.1 GDP performance

The Overstrand municipal area is the 2nd largest local economy in the District, contributing 31.3 per cent to the OBD economy. This municipal area has experienced an average annual growth rate of 2.4 per cent over the last five years, which is slightly lower than the District GDP growth rate (3.1 per cent). Table 2.4 indicates the Overstrand GDP performance per sector.

Table 2.4 Overstrand GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	6.0	322.2	1.5	1.9	2.2	0.9	2.9	5.4	-1.9	-5.7
Agriculture, forestry and fishing	5.9	315.2	1.5	1.9	2.2	0.9	2.9	5.4	-1.9	-5.7
Mining and quarrying	0.1	7.0	-0.4	2.5	2.3	0.8	2.7	6.5	0.4	-6.5
Secondary Sector	24.4	1 313.0	3.3	1.9	1.6	2.1	2.9	2.0	1.1	0.4
Manufacturing	14.5	779.8	3.6	2.7	3.7	2.8	3.0	2.0	1.9	1.6
Electricity, gas and water	2.0	109.8	2.0	1.6	4.7	1.8	0.4	0.5	0.7	-5.2
Construction	7.9	423.3	3.2	0.3	-3.6	0.5	3.1	2.3	-0.6	-1.2
Tertiary Sector	69.6	3 738.6	3.0	2.6	3.5	3.0	2.6	2.2	1.9	1.2
Wholesale and retail trade, catering and accommodation	19.6	1 051.3	3.5	3.4	4.8	4.4	2.9	2.4	2.4	1.6
Transport, storage and communication	11.3	607.1	5.8	4.7	6.1	4.7	5.1	5.1	2.6	2.2
Finance, insurance, real estate and business services	24.1	1 297.6	2.2	1.6	1.8	1.6	1.4	1.1	2.1	0.9
General government	8.2	440.5	3.0	3.1	5.3	2.8	4.1	2.7	0.4	1.0
Community, social and personal services	6.4	342.0	2.1	1.7	1.6	2.4	1.8	2.1	0.6	0.5
Total Overstrand	100	5 373.9	3.0	2.4	3.0	2.6	2.7	2.4	1.5	0.6

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to the Overstrand economy in 2015 were the finance, insurance, real estate and business services (24.1 per cent), the wholesale and retail trade, catering and accommodation sector (19.6 per cent), and the manufacturing (14.5 per cent) sectors. These sectors have been growing at above average rates over the last five years.

The agriculture, forestry and fishing sector has been slowing down since 2015, with a contraction of 1.9 per cent and a further contraction of 5.7 per cent in 2016, attributed to the severe drought which started in 2015. The electricity, gas and water sector and the construction sector also contracted in 2016 by 5.2 per cent and 1.2 per cent respectively. The slump in the construction sector can be attributed to a decrease in investment in the area or a decline in the demand for residential and commercial property. Changes in water consumption due to more conscientious water use from consumers in response to the drought conditions, as well as electricity capacity constraints have contributed to the contraction in the water, electricity and gas sector in 2016⁵.

⁵ Overstrand Municipality MERO 2017 Survey response

Overall, growth in the Overstrand municipal area has been declining since 2013, with a further decrease to 0.6 per cent in 2016 attributed to the contracting agriculture, forestry and fishing sector and the general decline in growth in the main economic sectors which are also affected by the agriculture, forestry and fishing sector as well as national factors, such as rising national unemployment, high inflation, political instability and volatile exchange rates that are weakening the South African economy.

2.3.2 Employment profile

The Overstrand municipal area contributed 28.7 per cent to employment in the District in 2015; this municipal area had a significantly higher unemployment rate in 2015 (17.8 per cent) compared to the rest of the District (12.8 per cent) during this time.

Table 2.5 indicates the trend in employment growth within each economic sector in the Overstrand area.

Table 2.5 Overstrand employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	10.3	3 731	-723	818	-57	306	257	-139	451	-40
Agriculture, forestry and fishing	10.3	3 722	-719	821	-57	305	261	-139	451	-41
Mining and quarrying	0.0	9	-4	-3	0	1	-4	0	0	1
Secondary Sector	18.8	6 802	450	646	72	38	182	193	161	13
Manufacturing	8.5	3 073	169	204	30	-52	146	-6	86	6
Electricity, gas and water	0.2	75	33	14	3	6	2	1	2	4
Construction	10.1	3 654	248	428	39	84	34	198	73	3
Tertiary Sector	70.8	25 554	8 664	4 655	701	806	1 100	926	1 122	-92
Wholesale and retail trade, catering and accommodation	28.2	10 163	3 424	1 767	344	382	303	348	390	-43
Transport, storage and communication	6.2	2 247	1 256	660	54	145	190	31	240	-158
Finance, insurance, real estate and business services	15.0	5 405	1 611	882	137	94	181	144	326	51
General government	7.9	2 863	790	324	121	55	49	168	-69	53
Community, social and personal services	13.5	4 876	1 583	1 022	45	130	377	235	235	5
Total Overstrand	100	36 087	8 391	6 119	716	1 150	1 539	980	1 734	-119

Source: Quantec Research, 2017 (e denotes estimate)

Similar to the GDP contribution, the economic sectors that contributed the most to employment in the Overstrand area included the wholesale and retail trade, catering and accommodation (28.2 per cent), the finance, insurance, real estate and business services (15.0 per cent) and the community, social and personal services (13.5 per cent) sectors.

The agriculture, forestry and fishing, the wholesale and retail trade, catering and accommodation, and the transport sectors jointly shed 242 jobs in 2016. All the other economic sectors are expected to gain jobs in 2016 although only marginally which is in line with the decline in economic growth of these sectors. Employment creation in 2016 was not enough to surpass job losses, leading to a net decline of 119 jobs in the Overstrand area in 2016.

2.3.3 Skills level

Table 2.6 indicates the skills levels of formally employed workers in the Overstrand area.

Table 2.6 Overstrand skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	20.3	0.8	4 622
Semi-skilled	46.5	0.5	10 599
Low-skilled	33.3	-0.02	7 592
Total Overstrand	100	0.4	22 813

Source: Quantec Research, 2017

The majority of the formally employed workers in the Overstrand area (46.5 per cent) were semi-skilled in 2015, while 33.3 per cent were low-skilled and 20.3 per cent were skilled. The number of low-skilled workers have been declining on average by 0.02 per cent between 2005 and 2015, while the number of semi-skilled and skilled workers have been increasing by 0.5 per cent and 0.8 per cent respectively over the same period. The decline in low-skilled workers is in line with overall decline in agriculture, forestry and fishing sector workers in the ten-year period, but can also be attributed to skills development.

2.4 Cape Agulhas

2.4.1 GDP performance

The Cape Agulhas economy contributed approximately R2.6 billion (15.0 per cent) to the OBD economy in 2015. Overall, the Cape Agulhas economy has grown at a slower pace on average annually (2.7 per cent) when compared with the District (3.1 per cent). Table 2.7 indicates the Cape Agulhas municipal area's GDP performance per sector.

Table 2.7 Cape Agulhas GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	6.5	167.1	1.5	1.3	-0.1	0.6	1.8	6.8	-2.8	-8.8
Agriculture, forestry and fishing	6.3	163.2	1.5	1.1	-0.2	0.6	1.8	6.8	-3.3	-8.8
Mining and quarrying	0.2	3.9	3.3	8.9	3.5	1.7	3.6	7.7	28.0	-7.4
Secondary Sector	23.8	614.0	3.3	2.0	2.3	2.3	2.6	1.6	1.4	0.3
Manufacturing	14.1	363.4	3.3	2.2	2.6	2.6	2.3	1.8	1.6	1.0
Electricity, gas and water	2.4	60.9	-1.0	-0.8	1.8	-0.8	-1.8	-1.6	-1.7	-6.4
Construction	7.4	189.6	5.2	2.6	1.7	2.3	4.9	2.1	1.8	0.6
Tertiary Sector	69.7	1 797.5	3.5	3.1	4.0	3.5	3.1	2.8	2.3	1.7
Wholesale and retail trade, catering and accommodation	22.1	569.1	3.4	3.5	4.9	4.5	3.0	2.5	2.4	1.7
Transport, storage and communication	11.1	286.6	4.7	3.6	5.0	3.6	3.8	4.2	1.6	1.9
Finance, insurance, real estate and business services	20.0	516.0	4.6	3.8	3.8	3.9	3.4	3.3	4.4	2.8
General government	9.9	254.0	1.2	1.2	3.4	1.0	2.2	0.9	-1.3	-0.8
Community, social and personal services	6.7	171.7	2.5	2.0	2.0	2.5	2.5	2.2	1.1	0.7
Total Cape Agulhas	100	2 578.6	3.3	2.7	3.3	3.0	2.9	2.8	1.7	0.6

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to the GDPR in 2015 included the wholesale and retail trade, catering and accommodation (22.1 per cent), the finance, insurance, real estate and business services (20.0 per cent), and the manufacturing (14.1 per cent) sectors. The tourism industry does have a significant impact on the area. The activities of tourists are captured in a number of sectors, especially the tertiary sectors, but also to some extent, the manufacturing sector.

Economic growth in the Cape Agulhas municipal area recovered marginally after the recession, with a five-year average annual growth rate of 2.7 per cent. Economic growth has been declining since 2012, with the lowest post-recession economic growth rate of 0.6 per cent in 2016. The agriculture, forestry and fishing, the general government and the mining and quarrying and electricity, gas and water sectors contracted in 2016. This is attributed to the ongoing drought, the weakening exchange rate, fuel price increases and political instability among others which are all contributing to the weakening of the South African economy. The drought conditions are not only impacting commercial farmers, but also emerging farmers due to the lack of feed and higher prices. The increasing number of indigent households in the municipal area is also contributing to the contraction in the electricity, gas and water and general government services sectors⁶.

⁶ Cape Agulhas Municipality MERO 2017 Survey response

2.4.2 Employment profile

The Cape Agulhas municipal area contributed 12.4 per cent to employment in the OBD and had an unemployment rate of 9.5 per cent in 2015. Table 2.8 indicates the trend in employment growth within each economic sector in the Cape Agulhas municipal area.

Table 2.8 Cape Agulhas employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	12.2	1 906	-508	421	-55	107	89	-91	371	-21
Agriculture, forestry and fishing	12.2	1 900	-506	423	-54	107	90	-91	371	-21
Mining and quarrying	0.04	6	-2	-2	-1	0	-1	0	0	0
Secondary Sector	17.52	2 727	131	213	50	30	54	40	39	45
Manufacturing	8.9	1 381	31	86	15	-6	46	-3	34	16
Electricity, gas and water	0.3	48	13	5	0	2	0	0	3	0
Construction	8.3	1 298	87	122	35	34	8	43	2	29
Tertiary Sector	70.2	10 935	3 059	1 603	272	303	363	305	360	84
Wholesale and retail trade, catering and accommodation	27.7	4 317	1 128	576	114	132	99	100	131	58
Transport, storage and communication	6.2	958	425	224	23	56	60	7	78	-70
Finance, insurance, real estate and business services	14.6	2 279	794	424	78	67	88	61	130	52
General government	9.8	1 520	254	79	50	8	6	71	-56	10
Community, social and personal services	12.0	1 861	458	300	7	40	110	66	77	34
Total Cape Agulhas	100	15 568	2 682	2 237	267	440	506	254	770	108

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation sector employs the majority of the workforce in the area by a large margin (27.7 per cent). Other sectors also contributing significantly to employment include the finance, insurance, real estate and business services (14.6 per cent), the agriculture, forestry and fishing (12.2 per cent) and the community, social and personal services (12.0 per cent) sectors which highlights the importance of the tourism industry in creating employment.

Employment creation after the recession surpassed job losses during 2009 and 2010, however the rate at which new jobs were created declined in 2016 (108 jobs created in 2016), which is aligned with the decrease in economic growth. Sectors that shed jobs in 2016 include the agriculture, forestry and fishing and the transport, storage and communication sectors, jointly shedding 91 jobs.

2.4.3 Skills level

Table 2.9 indicates the skills levels of formally employed workers in the Cape Agulhas municipal area.

Table 2.9 Cape Agulhas skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	20.3	1.7	2 396
Semi-skilled	45.3	0.6	5 339
Low-skilled	34.3	0.005	4 047
Total Cape Agulhas	100	0.6	11 782

Source: Quantec Research, 2016

The majority of formally employed workers in the Cape Agulhas municipal area (45.3 per cent) were semi-skilled in 2015, while 34.3 per cent were low-skilled and 20.3 per cent were skilled. The number of low-skilled workers has been increasing marginally with an average annual rate of 0.005 per cent during 2005 - 2015, while the semi-skilled workers increased by 0.6 per cent in the same period. The skilled population has been growing at a rate of 1.7 per cent between 2005 and 2015.

2.5 Swellendam

2.5.1 GDP performance

The Swellendam municipal area is the smallest local economy in the District, contributing R2.2 billion to the OBD economy, even though it is the largest geographically. Table 2.10 indicates the Swellendam municipal area's GDP performance per sector.

Table 2.10 Swellendam GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	10.0	220.9	1.4	0.9	-0.6	0.5	1.5	7.3	-4.1	-10.1
Agriculture, forestry and fishing	10.0	219.9	1.4	0.9	-0.6	0.5	1.5	7.3	-4.1	-10.2
Mining and quarrying	0.0	1.1	-0.6	2.3	2.3	0.5	2.3	6.5	0.0	-6.8
Secondary Sector	18.4	404.2	4.2	3.0	1.8	3.9	2.9	4.3	2.2	2.0
Manufacturing	9.4	206.9	4.6	3.6	3.6	4.5	2.3	4.5	3.1	2.7
Electricity, gas and water	2.4	52.2	-2.8	-2.6	-0.3	-2.3	-3.2	-3.2	-3.9	-7.1
Construction	6.6	145.1	7.5	4.2	-0.4	5.7	6.5	6.9	2.5	3.5
Tertiary Sector	71.6	1 575.7	5.2	4.7	6.2	5.1	4.8	4.1	3.5	2.9
Wholesale and retail trade, catering and accommodation	19.9	438.2	4.6	4.4	6.1	5.7	4.0	3.1	3.0	2.9
Transport, storage and communication	10.3	225.8	3.9	3.6	5.0	3.6	3.8	4.3	1.2	0.7
Finance, insurance, real estate and business services	22.5	495.2	7.2	6.2	7.3	6.1	6.2	5.3	6.1	4.6
General government	10.8	237.8	4.0	3.8	6.3	3.8	4.8	3.2	1.1	1.6
Community, social and personal services	8.1	178.7	3.8	3.4	4.1	3.9	3.5	3.2	2.1	1.8
Total Swellendam	100	2 200.9	4.4	4.0	4.5	4.3	4.1	4.5	2.3	1.2

Source: Quantec Research, 2017 (e denotes estimate)

The Swellendam municipal economy is dominated by the finance, insurance, real estate, and business services (22.5 per cent) and the wholesale and retail trade, catering and accommodation (19.9 per cent) sectors. These sectors have recorded average expansions of 6.2 per cent, 4.4 per cent respectively between 2010 and 2015. The construction sector has also been growing at an above average rate over the period (4.2 per cent per annum).

The electricity, gas and water sector has been contracting annually since 2005. The agriculture, forestry and fishing sector grew on average by 0.9 per cent between 2010 and 2015, however, this sector contracted in 2011 (0.6 per cent) and again in 2015 and 2016 (4.1 and 10.2 per cent respectively). All the other sectors have been expanding over the review period.

It is worth noting that the severe drought in the Province is having an adverse impact on the agriculture, forestry and fishing and associated sectors. The increased demand for water and other services (household and commercial demand) as well as aging infrastructure have led to a lack of capacity as well as a lack of funding for maintenance and expansion, which has put added pressure on the water, electricity and gas sector in the Swellendam municipal area⁷.

2.5.2 Employment profile

The Swellendam municipal area contributed 13.0 per cent to employment in the District and had the lowest unemployment rate in the region at 8.6 per cent in 2015. Table 2.11 indicates the trend in employment growth within each economic sector in the Swellendam area.

Table 2.11 Swellendam employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016 ^e
Primary Sector	19.5	3 201	-1 077	646	-125	138	123	-187	697	-52
Agriculture, forestry and fishing	19.5	3 198	-1 077	646	-125	138	123	-187	697	-52
Mining and quarrying	0.0	3	0	0	0	0	0	0	0	0
Secondary Sector	11.9	1 959	411	310	49	42	70	80	69	63
Manufacturing	5.0	815	105	79	9	-4	33	14	27	15
Electricity, gas and water	0.3	46	7	4	1	0	0	1	2	0
Construction	6.7	1 098	299	227	39	46	37	65	40	48
Tertiary Sector	68.6	11 264	4 354	2 355	390	426	543	472	524	185
Wholesale and retail trade, catering and accommodation	22.9	3 758	1 297	696	137	149	126	128	156	58
Transport, storage and communication	4.5	740	358	187	17	48	50	7	65	-26
Finance, insurance, real estate and business services	16.3	2 676	1 253	662	121	101	137	111	192	73
General government	9.7	1 592	523	225	78	43	35	98	-29	43
Community, social and personal services	15.2	2 498	923	585	37	85	195	128	140	37
Total Swellendam	100	16 424	3 688	3 311	314	606	736	365	1 290	196

Source: Quantec Research, 2017 (e denotes estimate)

⁷ Swellendam Municipality MERO 2017 Survey response

The economic sectors that employed the most people in the Swellendam municipal area in 2015 were the wholesale and retail trade, catering and accommodation (22.9 per cent), the agriculture, forestry and fishing (19.5 per cent), and the finance, insurance, real estate and business services (16.3 per cent) sectors. Even though the agriculture, forestry and fishing sector only contributes 10.0 per cent to GDP, it created employment for a large number of workers. The seasonal labour demands and relatively lower wages of this sector impacts the Swellendam economy.

The wholesale and retail trade, catering and accommodation and the finance, insurance, real estate and business services sectors contributed the most to employment creation between 2005 and 2015, this correlates with strong GDP growth during this period. The agriculture, forestry and fishing sector on the other hand has been shedding jobs (1 077) over this same period. This again correlates with the GDP trends for the period as this sector recorded a significantly lower than average growth rate during this period.

Like economic growth, employment growth declined in 2016, with the agriculture, forestry and fishing, and the transport, storage and communication sectors shedding jobs which highlights the interlinkages between these sectors.

2.5.3 Skills level

Table 2.12 indicates the skills levels of formally employed workers in the Swellendam municipal area.

Table 2.12 Swellendam skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	18.3	2.9	2 183
Semi-skilled	40.6	2.0	4 842
Low-skilled	41.1	-0.5	4 896
Total Swellendam	100	1.0	11 921

Source: Quantec Research, 2017

The majority of formally employed persons within the Swellendam municipal area during 2015 were low-skilled (41.1 per cent) or semi-skilled (40.6 per cent), with only 18.3 per cent being skilled. The low-skilled workforce has been decreasing by 0.5 per cent on average annually between 2005 and 2015, while the semi-skilled and skilled workforce has been growing by 2.0 per cent and 2.9 per cent on average respectively. Overall, formal employment has been increasing by an average annual rate of 1.0 per cent over the last decade.

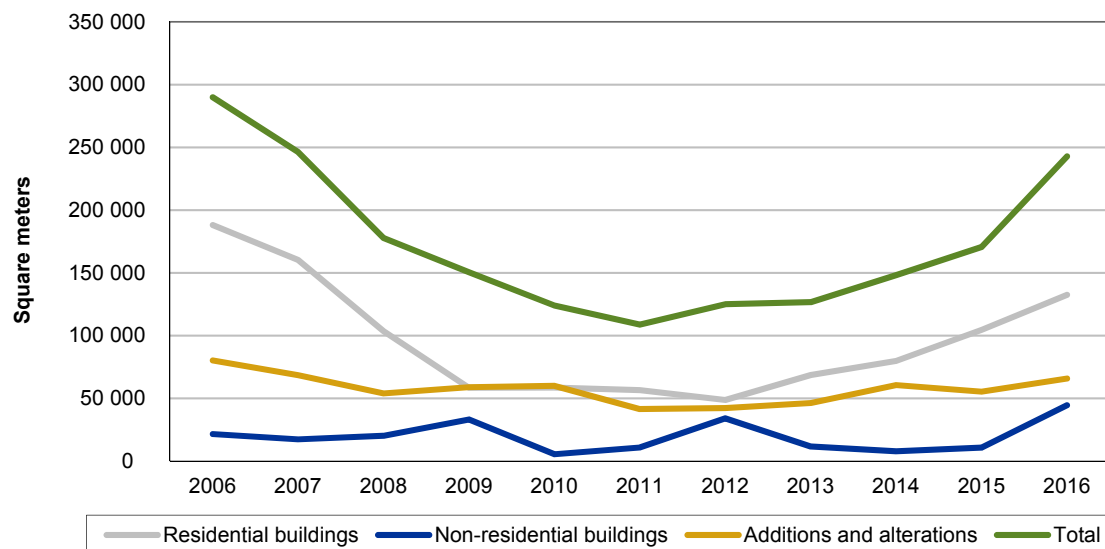
2.6 Building plans passed and completed

Building plans provide a picture of the performance of an economy as well as the private sector's confidence in an economy. Growth in the number of building plans passed and completed is an indication of a growing economy - both in that building plans are a response to growth in demand variables as well as a stimulant of further growth as an activity in and of itself.

Official data from Statistics SA has information on building plans passed and completed available only for the Overstrand municipal area within the OBD.

Figure 2.1 indicates the building plans passed (in total square metres) per building category between 2006 and 2016 within the Overstrand municipal area.

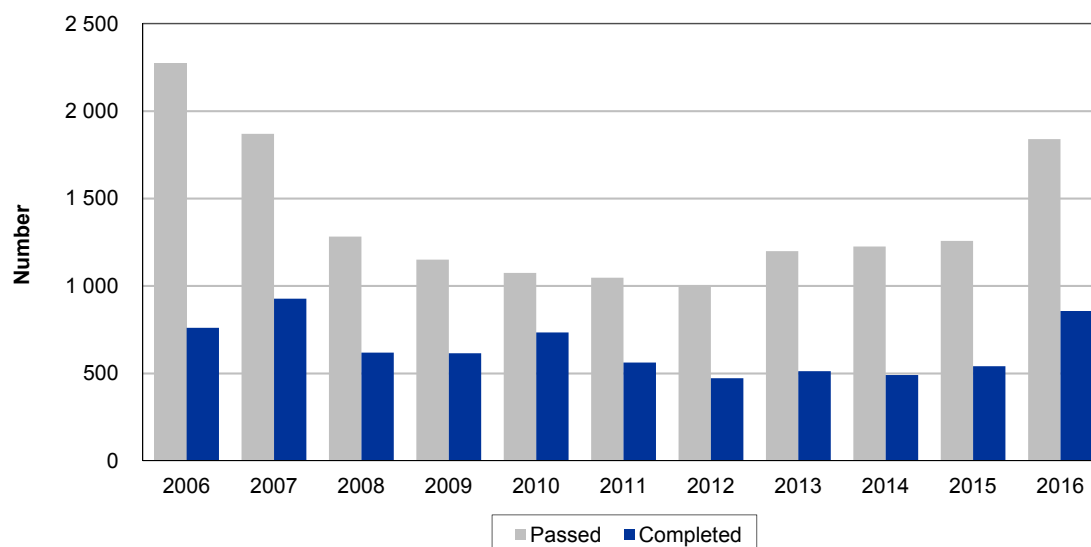
Figure 2.1 Overstrand building plans passed, 2006 - 2016



Source: Stats SA, 2017

The number of building plans passed (in square metres) declined steadily from 2006 to 2011 before increasing again. Plans passed are mostly for residential buildings. The total applications for non-residential buildings (which includes office, retail and industrial space) have been below 50 000 square metres in the last ten years. Increases in non-residential building plans passed occurred in 2009, 2012 and 2016.

Figure 2.2 indicates the building plans passed and completed in Overstrand between 2006 and 2016.

Figure 2.2 Overstrand building plans passed and completed, 2006 - 2016

Source: Stats SA, 2017

Many building plans were passed in Overstrand prior to the recession. A steady decline in both approved building plans and completed developments can then be observed from 2007 to 2012, reaching a trough in 2012. A steady increase is observed in both approved building plans and completed developments from 2013 to 2016.

2.7 Concluding remarks

The municipal areas within the Overberg District have experienced similar trends in changes in GDP and employment in recent years. The main economic sectors in the local areas include the wholesale and retail trade, catering and accommodation the finance, insurance, real estate and business services, the agriculture, forestry and fishing and the manufacturing sectors.

Economic growth, as well as employment growth, declined in 2016; with some sectors contracting and shedding jobs, which will have an impact on the socio-economic status of households in the area. It is also evident that economic growth drives employment creation and has the potential to drive human development in terms of both upskilling and increasing household income. The local economy is however severely constrained by the ongoing drought which has been experienced since 2015. This is especially damaging considering the negative impact on the agriculture sector, as this sector has a significant importance for other sectors due to its forward and backward linkages. National factors contributing to the weakening of the South African economy have also put further pressure on the municipalities in the OBD.

3

Value chains

3.1 Introduction

Industries do not operate in a single economic sector; as value is added throughout the product value chain, the goods and services of various industries are needed. In many local economies, the economy is driven by a dominant industry or commodity, which has given rise to the development of towns and the expansion of economic activity as well as attracting new industries and development which adds value to the economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this section is to highlight how economic sectors within OBD function and, considering the economic and employment trends identified in previous sections, provide further detail to the linkages between local sectors.

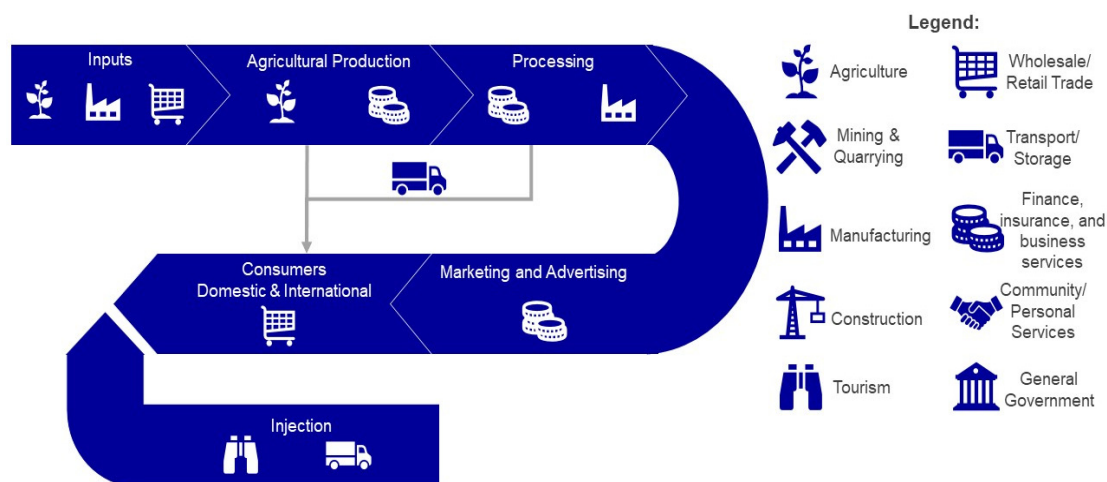
3.2 Sectoral linkages

As indicated in previous sections the finance, insurance, real estate and business service sector; the wholesale and retail trade, catering and accommodation sector; and the manufacturing sector are the main economic sectors in the OBD in terms of GDP contribution and employment.

The main economic sectors that contribute to the OBD economy have interlinkages with each other, for example, the agricultural sector, which consists mainly of the barley, apples and canola industries, is well established and products are exported to other provinces and countries. It has linkages with the manufacturing sector regarding the processing of inputs or raw materials (i.e. apples, barley and canola) and the manufacturing of products (i.e. juice, canned foods, machinery, transport equipment, etc.).

Diagram 3.1 outlines these sectoral linkages.



Diagram 3.1 Sectoral linkages







Source: Urban-Econ, 2017

As indicated by Diagram 3.1, there are many backwards and forwards linkages between the various economic sectors in the OBD. The analysis of this section focuses on the main economic sectors in the Overberg. These are the sectors which will negatively affect the economy if they had to disappear (i.e. canola, barley and apple production and all associated processing and tertiary sector support). Table 3.1 provides a summary of the linkages between the sectors as outlined in Diagram 3.1.

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture subsector	The agriculture subsector contributed R1.4 billion to the economy of the District and employed 21 064 people with the largest contributing area being the Theewaterskloof area, which is a major apple producing area in the country. Wine grape production also occurs within the District with 3 214.55 hectares under wine grape cultivation (WC DOA, 2013). Backward linkages within the agriculture subsector include the activities of nurseries, who supply seedlings and young trees for expanding agricultural activities. Inputs such as fertiliser, packaging material and chemicals needed are available locally, although imported from the Cape Metro area (Overberg District Rural Development Plan, 2016). Farmers also require funding and insurance which forms part of the finance and business services sector. National and global impacts that have a positive or adverse impact on any facet of farming can therefore also influence the broader economy of the OBD.
 Wholesale and retail trade subsector	This subsector contributes R3.1 billion to the local economy, with the main retail centres being in the Theewaterskloof area and the Overstrand area. This sector also employed 26 232 people in 2015 of which 17.7 per cent were informally employed. The largest proportion of informal workers in this sector is in the Theewaterskloof area. This sector is a main economic sector as it provides goods to local businesses and households. General changes in the economy will therefore also impact this subsector; if unemployment increases, spending will decrease having a negative impact on the wholesale and retail trade subsectors.

Sector	Linkages
	<p>In terms of the agriculture sector inputs are purchased from within the Overberg as well as from outside the District. Some of the companies include:</p> <ul style="list-style-type: none"> ● Overberg Agri ● Agrimark ● Kromco ● Kynoch & Nitorphoska (fertiliser) ● Spilhaus (water and irrigation supplies) ● Agri Organics (fertiliser and compost) ● OVK ● Central South Cooperative ● National chain retail store <p>Apples/barley/canola and products produced from them are also sold locally within the Overberg as well as across SA. Local apples/barley/canola products that are produced within the Overberg does not only contribute to the local wholesale and retail sector but also to this sector in other Provinces.</p>
 <p>Transport subsector</p>	<p>The transportation of goods within, to and from the District contributes R1.6 billion to the local economy; this includes transporting people within the municipal area. In 2015 this subsector employed 5 537 people of which 53.3 per cent we are informally employed; this is typically taxi operators. Some local companies involved freight transport including:</p> <ul style="list-style-type: none"> ● JH Retief Transport & Logistics ● BKB Logistics ● Oak Tree Transport ● MONG JN Transport
 <p>Manufacturing</p>	<p>The Cape Town Transport Corridor is the N2 road which passes through the main towns in the District; the weighbridge in Swellendam had 88 255 trucks pass through in 2014; these trucks traversing the area require fuel and food which further supports the local retail trade sector (injection for the local economy).</p> <p>Manufacturing in the Overberg District is mainly focused on food and beverage production. Food manufacturing contributed R614 million to the economy and employed 1 688 people, while beverage manufacturing contributed R202 million and employed 636 people. The manufacturing of barley, apples and canola into beer, juice, canned fruit, and canola oil, etc. are the main contributors to the manufacturing sector within the Overberg. Wine production also takes place in the Elgin Valley. Some of the local companies include:</p> <ul style="list-style-type: none"> ● Kromco ● Cluver and Jack Cider Company ● Associated Fruit Processors (AFP) ● Appletiser ● Elgin Organics ● Afripure Fruit Juices ● Elgin Fruit Juices ● Tru-Cape ● SAB Malting (Caledon) and SAB Newlands ● Artisanal Breweries ● Southern Oil (Swellendam)

Sector	Linkages
 Finance, insurance, real estate and business services	<p>These enterprises supply food and beverages nationally which emphasises the importance of the agriculture sector, manufacturing sector and transport sector in the OBD. Manufacturers require a constant supply of electricity and water; if the manufacturing expands, additional industrial space is needed, highlighting the importance of spatial planning in the primary nodes of the OBD. Proper road infrastructure is needed to ensure that raw materials and finished products can be easily transported.</p> <p>This sector contributes R3.5 billion to the economy of the OBD, with the professional business services subsector contributing R1.9 billion and employing 5 393 workers (mostly skilled and semi-skilled) while the business activities subsector contributes R669 million but employs 10 253 workers (mostly semi-skilled and low-skilled). This sector provides farmers, fruit/canola/barley processors as well as households and other businesses with the following services:</p> <ul style="list-style-type: none"> ● Loans and banking ● Marketing ● Insurance ● Legal and accounting services ● Technical testing ● Export agents for fresh fruit, barley, canola and processed fruit/barley/canola <p>The main business nodes of the Theewaterskloof and the Overstrand areas are therefore critical in sustaining this sector which drives economic growth in the District.</p>
 Tourism	<p>Tourism is not a sector on its own, however, the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation and the transport, storage and communication sectors. The majority of tourist activities are unrelated to the agriculture sector, which means it is an injection to the local economy (Diagram 3.1). Tourists have a variety of needs such as accommodation, restaurants, vehicles and tours creating opportunities for additional business development within the area to meet the needs of tourists. The catering and accommodation subsector (which also captures tourism spending) R230 million to the economy of the District and employs 3 388 workers.</p>

Source: Quantec Research, 2017

The apple, barley and canola production industry within the OBD not only contributes to the GDP and employment of various sectors but also to creating linkages between towns inside and outside the District. Map 3.1 indicates the main service centres for apple production (orange), barley and canola production (orange) as well as the roads that connect these areas (yellow).

The main tourist areas (blue) include Hermanus, Cape Agulhas, Stanford, Swellendam, Gansbaai, Caledon, Kleinmond, Arniston and Betty's Bay.

Map 3.1 Overberg linkages

Source: Urban-Econ via MapAble, 2017 and WC DOA, 2013

The main service centres in terms of inputs, services and agro-processing include Grabouw, Caledon, Hermanus, Riviersonderend, Bredasdorp, Gansbaai and Swellendam. The apple industry mostly processes apples (packaging and cold storage) within the District, while canola processing takes place in Swellendam, and barley processing is occurring in Caledon and Cape Town making the N2 the main transport route for products to and from the District.

3.3 Apple production

Apples are one of the most important deciduous fruits grown in South Africa, taking into consideration their foreign exchange earnings, employment creation and linkages with support institutions. SA apple production increased from 627 091 tons in 2006 to 912 751 tons in 2015, representing a 31 per cent growth in production volume during the last ten years. There has been a general increase in the gross value of apples between 2005 and 2015 (SA DOA, 2016). The 2014/15 production season also experienced an 18.6 per cent increase in total gross value when compared to the previous production season (2013/14) (SA DOA, 2016).

The OBD cultivates 11 443.04 hectares of apples (WC DOA, 2013) and the majority of this is in Theewaterskloof and Swellendam areas (i.e. Elgin Valley). Some apple growers (units larger than 60 hectares) operate their own packing and cold storage units. Economies of scale, consistency in yield and quality are the key characteristics of these operations. Seasonality largely influences prices on the local markets in production, perishability of produce and the number of apples exported (availability of apples on the local market). The impact of seasonality is to some extent cushioned by cold storage facilities that ensure regular apple supplies in the local markets.

Total SA exports of apples increased from 268 065 tons in 2006 to 465 695 tons in 2015; this represents an increase of 74 per cent during the past decade. Most of SA's exports of apples were destined for the European (28 per cent or 128 415 tons), African (45 per cent or 208 508 tons) and Asian (27 per cent or 125 686 tons) markets. South Africa imports fewer apples than it exports, resulting in a trade surplus in favour of SA.

It is evident that apples are the most important deciduous fruit in SA as they contribute 35.0 per cent towards the GVA for deciduous fruit and has a total value of R4.8 billion (recorded in 2014). The apple industry is mainly export orientated, exporting mainly to the rest of Africa (32.0 per cent of all exports), Far East Asia (26.0 per cent of all exports) and the United Kingdom (22.0 per cent of all exports) (Department of Agriculture, Forestry and Fisheries, 2015).

According to Hortgro, the drought has resulted in apple exports contracting by 9 per cent in 2016. The persistently high temperatures and low rainfall are also predicted to affect the coming year's crop negatively. The drought also has adverse effects on the agricultural insurance industry in that it increases the risk of doing business, consequently increasing insurance and financing rates.

3.4 Barley production

After wheat, barley is the most important small grain in SA. Its main use includes the production of malt (which is used for the brewing of beer), animal feed (mainly barley which is not suitable for beer brewing) as well as pearl barley. A very small part of barley crop produced in SA is used for animal feed. During 2015, WC remained the largest producer of barley in SA with a share of 77.0 per cent (DAFF, 2016). In the OBD, the total hectares under barley production was 55 630.30 hectares, with the majority in the Cape Agulhas (22 333.72 hectares), Swellendam (20 272.47 hectares) and Theewaterskloof (12 223.56 hectares) areas (WC DOA, 2013). In 2015 barley production has increased in most provinces with the WC being the leading province.

Barley varies from most other agricultural commodities in that producers are mainly limited to only one major barley buyer in SA, namely South African Breweries Malting (Pty) Ltd. This company supplies its primary stakeholder, South African Breweries, with malted barley. Barley producers in the country have a guaranteed market for their produce as well as fixed price contracts with the buyer. There is a malting plant in Caledon where processing of barley for brewing takes place while the brewing of the malts takes place outside the district at SAB Newlands.

South Africa has been a net importer of barley over the period under analysis. This means that the country consumes more barley than it produces and this may be explained by the fact that in SA barley is planted only for malting purposes. There is only one major buyer (SAB Maltings), and farmers find it too risky to participate in such a market since they are aware that failure to meet SAB quality requirements would mean no or narrow market for their products. South African barley processors depend mainly on barley imports to successfully carry out their daily operations and as such, SA imported 128 057 tons of barley in 2015, mostly from Canada, the EU and Australia (DAFF, 2016).

The National Crop Estimates Committee indicated that given the drought conditions, farmers intend on planting 2.4 per cent less than the previous season.

3.5 Canola production

Canola is primarily used for the manufacturing of canola oil and oil cake, canola oil biodiesel, mayonnaise, and canola meal which is a by-product used as a high protein feed ingredient for animal feed.

The WC is the greatest supplier of canola in SA which contributed about 99.8 per cent towards SA's total canola supply during the year 2015. Canola is planted in a crop rotation system with lucerne (for grazing) and other small grains. The South-Western Cape is regarded as the commercial production area for canola seed crop. The OBD has 36 408.22 hectares under canola production, with the majority located in Swellendam (13 593.29 hectares), Theewaterskloof (11 492.07 hectares) and Cape Agulhas (10 870.52 hectares) (WC DOA, 2013).

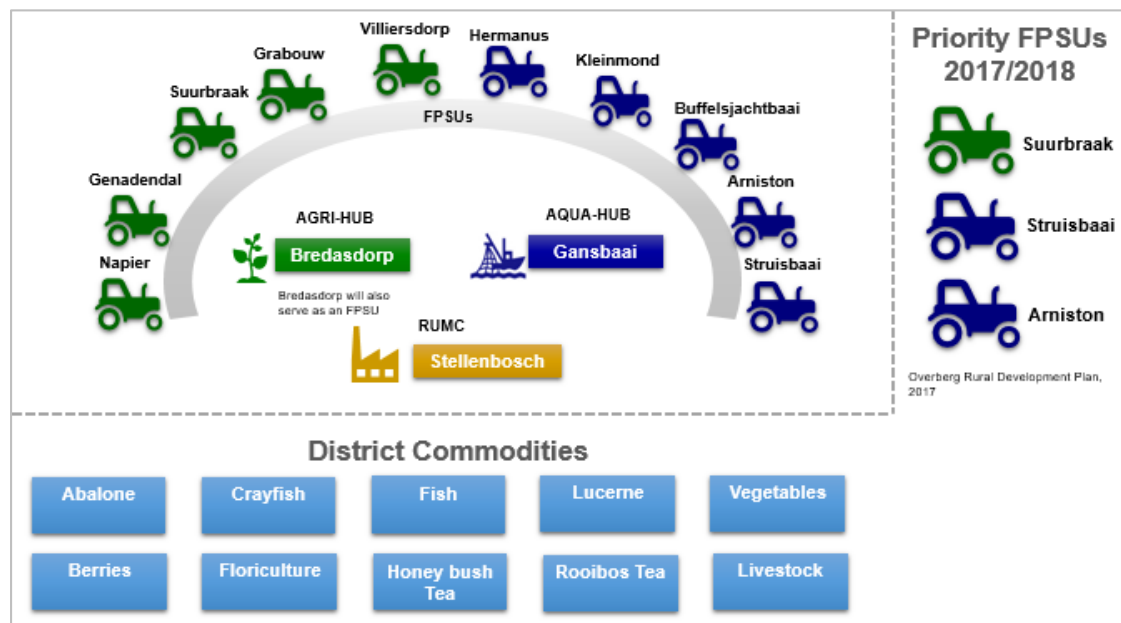
The gross value of canola production has been increasing steadily between 2013 and 2014, this is attributable to the improved volumes of production as well as a slightly improved producer prices. During the year 2014, canola production reached a peak of 123 000 tons which was produced locally, and this is about 178 per cent higher compared to what was harvested during the year 2005. The canola production volumes dropped by 20 per cent in 2015 when compared to 2014 season which can be attributed to a decline in the area planted to canola as well as the severe drought in the WC. Producer prices are increasing steadily, from R2 660.00 per ton in 2006 to R4 750.00 per ton in 2015 (DAFF, 2016).

The Southern Oil refinery in Swellendam is the largest buyer and processor of canola in the country and supplies companies such as Woolworths, Ina Paarman, Unilever, Nestlé, Spur, Continental and Epic (Southern Oil, 2017). The national reach of this enterprise highlights the importance of road network within the OBD.

Local production is typically sufficient to meet local demand. South Africa has, over the past ten years, exported an average of 15.37 tons of canola per annum (mainly to Congo and Lesotho) and imported 130.65 tons annually (mostly from the Netherlands, France and Denmark). If SA wishes to diversify its canola imports market the prospective markets exist in Canada, France, Romania and Ukraine (Department of Agriculture, Forestry and Fisheries, 2015).

3.6 Agri-Parks

Due to the importance of the agricultural value chain within the OBD, initiatives such as the Agri-Park Programme has the potential for widespread economic benefits, since it will not only support farming activities but also promote local processing. Diagram 3.2 outlines the locations for various components of the Agri-Park and the main commodities that will be prioritised. The Agri-Park Programme in the OBD will not only have an Agri-Hub and Farmer Production Support Units (FPSUs) to assist local lucerne, vegetable, berry, flower, honey bush and rooibos tea and livestock farmers, but will also have an Aqua-Hub in Gansbaai to support fishing activities. Farmer Production Support Units linked to the Aqua-Hub will be located in Hermanus, Kleinmond, Buffelsjachtbaai, Arniston and Struisbaai.

Diagram 3.2 Agri-Park implementation, Overberg District

Source: Overberg Rural Development Plan, 2017

Agro-processing opportunities identified in the Agri-Park Master Business Plan (2016) include:

- Abattoir to support small-scale and emerging livestock farmers
- Abalone processing plant at the Aqua-Hub
- Animal feed processing plant
- Abalone hatchery and grow-out facility to further support the fishing value chain

Current projects aligned with the implementation of the Agri-Park Programme in the District include road construction to the Struisbaai/Arniston FPSUs as well as the design and planning of fishing facilities at the FPSU. The Suurbraak FPSU and cold storage facilities at Elim are also in the design phases.

Not only will these development support and generate new farming activities in the District, it will also stimulate the economy through the construction sector, the manufacturing sector (forward and backward linkages), the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector, contributing to economic growth and employment creation.

To ensure coordinated investment districts and municipalities will need to start provisioning for the Agri-Park in their Integrated Development Plans (IDPs), Spatial Development Frameworks (SDF) and Local Economic Development Plans (LEDs). The importance of this is to align infrastructure and project investment with the intended outcomes of the Agri-Park. It is important to note that the implementation of the Agri-Parks will require significant infrastructure investment which will need to be implemented on a site.

3.7 Tourism

The tourism industry spans across various economic sectors and industries, ranging from accommodation and catering, retail and wholesale, manufacturing, business services and social services. Tourism in the Overberg consists of agri-tourism (i.e. wine farms, Elgin Apple Museum, and artisanal breweries) and eco-tourism, attractions such as the Agulhas and Bontebok National Parks and the following nature reserves: Kogelberg, De Hoop, Fernkloof and Marloth are some of the main attractions in the District. There are also annual festivals such as the Applewood Harvest Market Festival and the Hermanus Whale Festival. Other tourism attractions include hiking trails, mountain biking, kayaking, shark cage diving, whale watching, wine tasting, a craft beer route, and Route 62.

Around 1.3 million tourists visited the Western Cape in 2015 equating to \pm 15.6 million bed nights (SA Tourism, 2016). The OBD attracted 26.0 per cent of tourists in the Western Cape, and the majority of visitors to the Overberg in 2015 originated from the UK, Germany, Netherlands, the Western Cape and Gauteng. Of these tourists, those that visited the Overberg, 167 000 took part in whale watching, 132 000 visited Cape Agulhas, and 284 000 toured the garden route (Wesgro, 2015). The top three activities undertaken in the Overberg in 2015 included scenic drives, culture/heritage and gourmet restaurants.

Almost 90.0 per cent of visitors to the Overberg in 2015 was on holiday, 3.4 per cent were visiting friends and family, and 3.4 per cent were travelling for business. Of the 55.7 per cent of visitors that do sleep over; approximately 53 per cent of the tourists slept over for one night while 21 per cent spent two nights in the Overberg (Wesgro, 2015).

Another aspect relating to tourism which features in the Overberg District is tourists who own second homes, especially in coastal towns such as Hermanus, Kleinmond, Arniston and Struisbaai. Tourists who have second homes in the District are mainly from the WC or Gauteng. This means that there is an increase in domestic tourists over weekends and holiday periods, providing an injection for the local economy as tourists spend money on fuel, food and souvenirs. National indicators such as fuel prices and increasing interest rates can thus have a negative impact on domestic tourists and those who wish to acquire a second home.

3.8 Concluding remarks

The sectoral linkages, as well as geographical linkages between towns and areas within the Overberg Districts, highlights the important role that the apple, barley, canola and tourism industries play in the economy. It was found that these industries do not only generate employment and income for the agriculture and manufacturing sector but also creates value in other industries and sectors. Therefore, value chains in the OBD cannot be viewed and understood in isolation, their value can only be understood in a holistic approach in which the contributions from and to other value chains are outlined. Tourism activities linked to these industries are also the main injection into the local economy as well as in creating employment.

The apple, barley, canola and tourism industries are significant contributors to direct employment in the Overberg, as well as indirect employment for numerous support industries in the area. The need for labour at harvest time offers seasonal work to unemployed persons near plantations, and often workers migrate from one region to another as the harvest season progresses. A major challenge regarding labour is the lack of skilled labour as this hampers growth in other value adding industries. At the same time, farm wage levels do not attract skilled or qualified people to undertake menial and hard work. Smaller producers, who pay comparatively lower wages, are more exposed to the threat of labour shortages than the larger producers.

In order to support value chain development and economic growth, retaining existing businesses as well as attracting new investment is essential. Ensuring an enabling environment in nodal areas as well as a well maintained road network is essential. Through enhancing the current tourism product of the OBD by utilising strategic marketing initiatives and involving all stakeholders, new opportunities for growth and employment can be created in the tourism industry.

4

Municipal socio-economic analysis

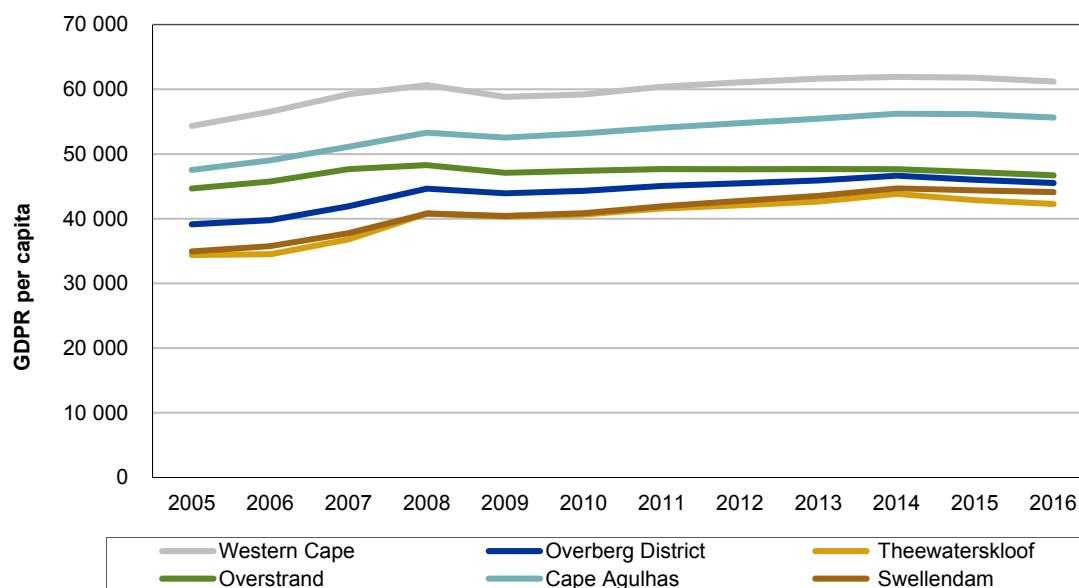
4.1 Introduction

This section shows living conditions and economic circumstances of households in the OBD based on most recent data including Stats SA's Non-Financial Census of Municipalities 2016 and Quantec. Economic theory suggests that when an economy prospers its households are expected to enjoy a good standard of living. On the contrary, a declining economy tends to lower the standards of living of people. This chapter uses various social and economic indicators to show the current reality of households under local government authorities in the OBD, covering the following municipalities; Theewaterskloof, Overstrand, Cape Agulhas and Swellendam. Indicators which are used to analyse the socio-economic situation in the region include, among others, real GDP per capita, Gini Coefficient, Household Expenditure, Human Development Index (HDI), Education, Dwellings, Indigent households and free basic services, and Health.

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in the poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita in the Overberg District, 2005 - 2016



Source: Quantec/Urban-Econ 2017

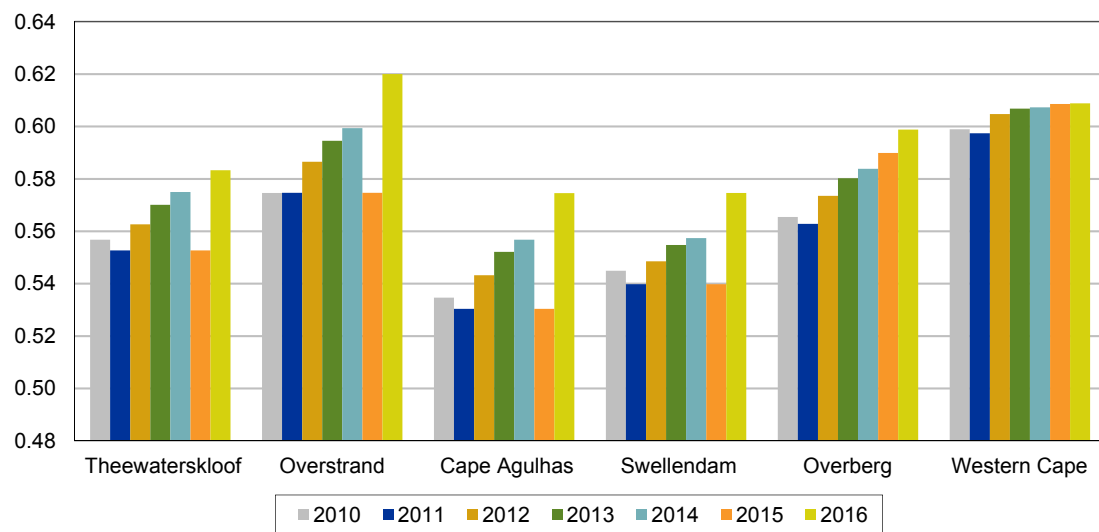
Figure 4.1 shows that real GDP per capita⁸ for the Cape Agulhas municipal area (R55 649 in 2016) is slightly higher than the district average (R45 517). The Overstrand municipal area has the second highest real GDP per capita (R46 713 in 2016), followed by Swellendam (R44 123) and Theewaterskloof (R42 284 in 2016). Only if the real economic growth rate exceeds the population growth rate will there be an increase in real GDP per capita, i.e. GDP per person.

4.3 Income inequality

The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more and more inequality exists and the closer to 0 shows less and less inequality. Figure 4.2 shows that Overstrand has the highest level of inequality in the OBD, with the Gini coefficient⁹ recorded at 0.62 in 2016.

⁸ Real GDP per capita is an indicator used by economists to estimate the income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

⁹ The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more and more inequality exists and the closer to 0 shows less and less inequality.

Figure 4.2 Gini coefficients in the Overberg, 2010 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Income inequality increased in all of the four municipal areas in the Overberg District between 2015 and 2016. Income inequality was less severe in Cape Agulhas and Swellendam (0.57 in 2016). The inequalities in income earned by households in various localities in the District can be shown by expenditure patterns as described in the section below.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households in the OBD. Households across the District spend the most on services and non-durable goods, comprising about 78 per cent of total expenditure. Surprisingly, the data shows that households in Theewaterskloof spend the highest proportion of their budget (12.9 per cent) on durable goods, followed by Swellendam (12.8 per cent) and Cape Agulhas (12.3 per cent).

Table 4.1 Overberg District expenditure on goods and services, 2017

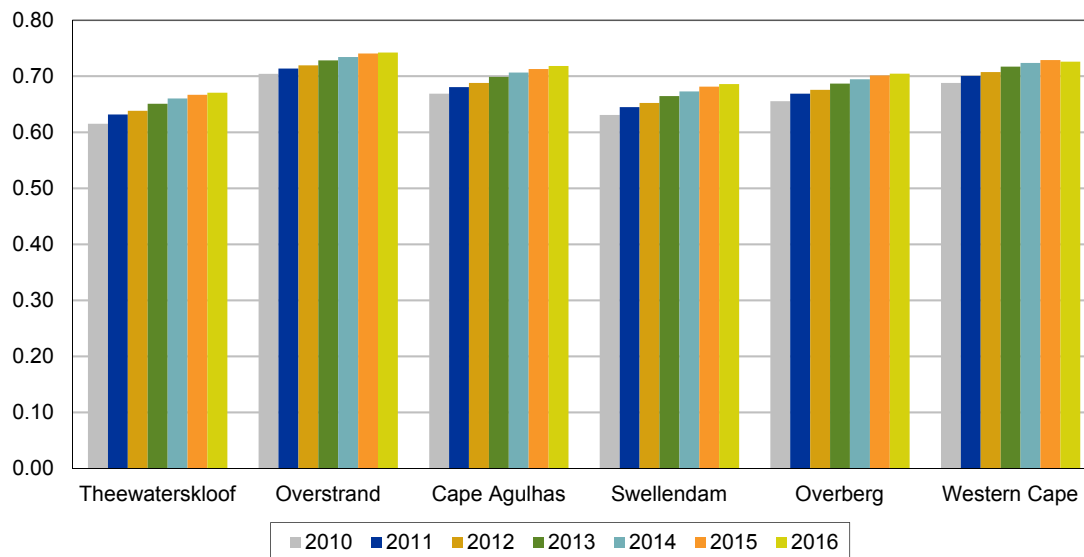
Goods and services	Overberg		Theewaterskloof		Overstrand		Cape Agulhas		Swellendam	
	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total
Durable goods	972.9	12.3	294.4	12.9	374.3	11.7	184.5	12.3	121.8	12.8
Semi-durable goods	786.7	9.9	279.4	12.2	253.4	7.9	147.7	9.9	107.1	11.3
Non-durable goods	2 332.4	29.5	720.8	31.5	916.2	28.5	426.3	28.5	279.2	29.4
Services	3 822.0	48.3	991.7	43.4	1 667.1	51.9	738.4	49.3	441.6	46.5
Total	7 914.0	100	2 286.3	100	3 211.0	100	1 496.9	100	949.8	100

Source: Quantec/Urban-Econ 2017

4.5 Human development

The United Nations uses the Human Development Index (HDI)¹⁰ to assess the relative level of socio-economic development in countries.

Figure 4.3 Human Development Index, Overberg District, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Figure 4.3 shows that there has been increases in HDI some of the municipalities in the Overberg District between 2011 and 2016, while some remained constant. Between 2015 and 2016, the HDI increased at Cape Agulhas (from 0.71 to 0.72) and Swellendam (0.68 to 0.69).

The sections below provide details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

4.6 Education

A community with a high number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Higher levels of education generally lead to higher paying jobs and vice versa. Table 4.2 shows estimates of education levels of persons living within municipal areas in the Overberg District.

¹⁰ The HDI is a composite indicator reflecting education levels, health, and income. It is a measure of peoples' ability to live a long and healthy life, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

Table 4.2 Education levels of population in the Overberg District, 2017

Education levels	Overberg		Theewaterskloof		Overstrand		Cape Agulhas		Swellendam	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	18 244	7.5	2 690	2.4	4 198	5.9	2 301	7.1	2 993	8.7
Some primary	53 740	22.1	39 515	34.9	11 545	16.3	7 148	22.0	9 630	27.8
Complete primary	18 518	7.6	9 464	8.3	3 972	5.6	2 830	8.7	2 681	7.7
Some secondary	85 251	35.1	35 441	31.3	24 283	34.2	11 109	34.1	11 160	32.3
Grade 12/ Std 10	45 265	18.6	4 189	3.7	16 589	23.4	5 987	18.4	5 607	16.2
Higher	21 777	9.0	22 081	19.5	10 411	14.7	3 183	9.8	2 530	7.3
Total	242 795	100	113 380	100	70 998	100	32 558	100	34 600	100

Source: Quantec/Urban-Econ calculations

Theewaterskloof has by far the largest proportion (19.5 per cent) of the total adult population with an educational achievement higher than Grade 12 and the lowest proportion of people without schooling (2.4 per cent). The largest proportion of people without schooling are found at Swellendam (8.7 per cent) and Overstrand (5.9 per cent). Primary school education is important as it is a foundation for human development and therefore the existence of individuals without any form of schooling is a concern to decision-makers at local, provincial and national government. High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth.

In Table 4.3 it can be seen that Cape Agulhas had the highest Matric pass rate in 2016 (97.3 per cent) followed by Swellendam (92.7 per cent). Learner enrolment in 2016 was highest in Theewaterskloof (18 815) followed by Overstrand (11 696). Grade 12 dropout rates were highest in Overstrand (40.6 per cent), followed by Swellendam at (37.2 per cent). The Grade 12 dropout rates in 2016 are generally high across the District and therefore a cause for concern. Reasons for the dropout rates must be investigated properly in order to address this negative situation.

Table 4.3 Learner enrolment and Matric pass rates in the Overberg District, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Cape Agulhas	4 606	27.1	44.7	10	80.0	6	97.3
Overstrand	11 696	40.6	37.6	17	70.6	12	90.9
Swellendam	5 724	37.2	33.5	19	84.2	11	92.7
Theewaterskloof	18 815	31.7	44.7	38	81.6	29	92.4

Source: Western Cape Department of Education 2017

4.7 Human settlements

The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The form of housing that indicates low human development is an informal dwelling such as a shack. Table 4.4 shows that most informal settlements are found at Overstrand (5 241), which will present a challenge on the service delivery capacity of the Municipality.

Table 4.4 Dwelling type per municipal area within the Overberg District, 2017

Dwelling type	Overberg		Theewaterskloof		Overstrand		Cape Agulhas		Swellendam	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	63 984	74.3	23 568	71.7	22 239	73.6	9 013	78.3	9 170	79.3
Traditional dwelling/hut/structure made of traditional materials	986	1.1	515	1.6	379	1.3	64	0.6	52	0.4
Flat in a block of flats	2 065	2.4	1 129	3.4	686	2.3	179	1.6	80	0.7
Town/cluster/semi-detached house (simplex, duplex or triplex)	3 259	3.8	1 336	4.1	831	2.8	255	2.2	844	7.3
House/flat/room, in backyard	1 055	1.2	418	1.3	392	1.3	177	1.5	70	0.6
Informal dwelling/shack, in backyard	4 397	5.1	1 587	4.8	2 199	7.3	174	1.5	437	3.8
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	8 862	10.3	3 628	11.0	3 042	10.1	1 478	12.8	776	6.7
Room/flatlet not in backyard but on a shared property	378	0.4	131	0.4	78	0.3	77	0.7	98	0.8
Other/unspecified/N/A	1 371	1.6	692	2.1	418	1.4	153	1.3	110	0.9
Total	86 161	100	32 888	100	30 214	100	11 510	100	11 561	100

Source: 2016 Quantec/Urban-Econ calculations

Swellendam has the least number of households living in informal dwellings (1 213). The following section provides information on indigent households and provision of free basic services. The provision of basic services to households is a positive indicator of human development.

4.8 Provision of basic services to indigent households

Theewaterskloof and Overstrand municipal areas experienced increases in the number of indigent households between 2015 and 2016 as shown in Table 4.5. Theewaterskloof specifically shows a significant increase in the number of indigent households and consequently, increases in the free basic services provided by the municipalities. While the provision of free basic services is necessary and in line with constitutional requirements, these services come at a cost to the municipalities.

Table 4.5 Indigent households and provision of basic services, Overberg District, 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Theewaterskloof	3 661	7 154	3 661	7 154	3 661	7 154	3 661	7 154	3 661	7 154
Overstrand	6 923	7 512	6 923	7 512	6 923	7 512	6 923	7 512	6 923	7 512
Cape Agulhas	3 429	3 220	3 429	3 220	3 429	3 220	3 429	3 220	3 429	3 220
Swellendam	2 018	1 880	2 018	1 880	2 018	1 880	2 018	1 880	2 018	1 880

Source: Non-Financial Census of Municipalities, Stats SA 2017

In Table 4.6, it can be seen that three of the four municipal areas in the OBD recorded increases in the number of households with water taps inside their yards. An increase in the number of households with water taps less than 200 m from the yard was recorded for Cape Agulhas.

Table 4.6 Different types of access to water, Overberg District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Theewaterskloof	18 581	18 581	0	0	0	0
Overstrand	26 019	26 417	0	0	0	0
Cape Agulhas	8 521	8 615	599	742	0	0
Swellendam	6 130	6 183	206	206	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

In terms of sanitation, Table 4.7 shows that there were increases in the number of households with flush toilets connected to the system in three of the four municipal areas in the OBD. The ventilated improved pit latrines system which remain in use by certain households in Swellendam and other forms in Cape Agulhas require attention.

Table 4.7 Different types of access to sanitation, Overberg District, 2016

Municipality	Flush toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Theewaterskloof	15 926	15 926	4 833	4 833	0	0	0	0	0	0
Overstrand	19 118	22 568	8 715	6 138	0	0	0	0	0	0
Cape Agulhas	5 894	5 963	2 934	2 965	0	0	0	0	708	742
Swellendam	5 747	5 747	265	312	0	0	277	294	0	0

Source: Stats SA Non-Financial Census of Municipalities, 2017

4.9 Health

As indicated earlier, longevity is one of the indicators used in the composite indicator for calculating the Human Development Index. This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health has been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to sickness and disability (Bloom et al., 2004). Communities living in developed economies are exposed to good health systems and therefore tend to have long and healthier lives than those living in developing economies.

Table 4.8 shows that the main causes of death in the Overberg District in 2015 were diseases in the circulatory system (21.9 per cent) followed by neoplasms (19.8 per cent) and external causes of morbidity and mortality (13.5 per cent).

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

District	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	9.6	10.8
Central Karoo	16.1	14	1.8	7	2.8	21.5	13.9	2.2	1.3	5.1	14.3
City of Cape Town	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.9 shows that natural causes other than those listed on the table (778 or 34.7 per cent) were the leading underlying causes of death in the OBD in 2015, followed by non-natural causes (303 or 13.5 per cent). Other noteworthy natural causes of death in the region were Ischaemic heart diseases (160 or 7.1 per cent), Cerebrovascular diseases (147 or 6.6 per cent), malignant neoplasms of respiratory intrathoracic organs (146 deaths or 6.5 per cent), Diabetes (136 or 6.1 per cent), chronic lower respiratory diseases (125 or 5.6 per cent), Tuberculosis (112 or 5.0 per cent).

Table 4.9 The 10 leading underlying natural causes of death, Overberg District, 2015

	Number	%
Ischaemic heart diseases	160	7.1
Cerebrovascular diseases	147	6.6
Malignant neoplasms of respiratory and intrathoracic organs	146	6.5
Diabetes Mellitus	136	6.1
Chronic lower respiratory diseases	125	5.6
Tuberculosis	112	5.0
Malignant neoplasms	110	4.9
Hypertensive diseases	89	4.0
Other forms of heart disease	75	3.3
Influenza and pneumonia	62	2.8
Other natural causes	778	34.7
Non-natural causes	303	13.5
Total	2 243	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

The majority of deaths in the OBD in 2015 were elderly people aged 65 and over (46.1 per cent), and adults aged 45 - 64 (30.3 per cent) as shown in Table 4.10. Deaths of people in the 15 - 44 age group (18.5 per cent) is a cause for concern as this includes the economically active population and therefore has a negative implication for economic performance.

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0
City of Cape Town	4.2	1.6	25.6	29	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42	0
Overberg	3.5	1.6	18.5	30.3	46.1	0
West Coast	2.5	1.3	23.2	32.9	40	0.1
Unspecified	0	1.6	25	32.8	40.6	0

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

4.10 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the OBD using a selected number of indicators. Table 4.11 is a summary of recent changes in various social indicators in the Overberg District.

Table 4.11 Selected socio-economic indicators in the Overberg District, 2005 - 2016

Indicator	Overberg	Theewaterskloof	Overstrand	Cape Agulhas	Swellendam
GDPR growth (2005 - 2015)	3.6%	4.1%	3.0%	3.3%	3.6%
Population growth (2005 - 2015)	1.9%	1.8%	2.3%	1.6%	1.9%
Real GDPR per capita (2005 - 2015)	R44 040	R40 237	R47 127	R53 266	R41 005
Gini coefficient (2010 - 2015)	Increase	Increase	Increase	Increase	Increase
Household expenditure	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables
HDI (2010 - 2016)	Increase	Increase	Increase	Increase	Increase
No schooling (2016)	7.5%	2.4%	5.9%	7.1%	8.7%
Grade 12 dropout rates (2016)	High	31.7%	40.6%	27.1%	37.2%
Informal dwelling (2016)	15.4%	15.9%	17.3%	14.4%	10.5%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Decrease	Decrease
Free basic water (2015 - 2016)	Increase	Increase	Increase	Decrease	Decrease
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Decrease	Decrease
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Decrease	Decrease
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Decrease	Decrease
Main causes of death (%)	Diseases of the circulatory system				
Age group with highest death rate	65+				

Table 4.11 shows the positive or negative movement of selected social and economic indicators in municipalities within the Overberg District in the recent past. Indicators moving in positive territory could be a result of positive economic performance within the District, and vice versa.

Indicators that have moved in a positive direction for the Overberg District include a marginal increase in real GDPR per capita, i.e. income per person, an increasing trend in human development, and increased access to basic services. Indicators that remain a concern for the entire District include increasing high unemployment rates, increasing poverty levels, income inequality, high Grade 12 dropout rates, informal settlements and the prevalence of deaths caused by Ischaemic heart diseases, Cerebrovascular diseases, Diabetes, and chronic lower respiratory diseases, among others.

Between 2005 and 2015, the Theewaterskloof municipal economy grew by 4.1 per cent on average and the population grew by 1.78 per cent on average which translated to an increase in real GDPR per capita from R34 383 (2005) to R42 284 (2016). The HDI has risen from 0.62 in 2010 to 0.67 in 2015. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

In Overstrand, the economy grew by 3.0 per cent on average between 2005 and 2015 while the municipal area's population grew by 2.33 per cent on average during the same period, translating to an increase in real GDR per capita from R44 683 (2005) to R46 713 (2016). The HDI has risen from 0.70 in 2010 to 0.74 in 2015. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

In Cape Agulhas, the economy grew by 3.3 per cent on average between 2005 and 2015 while the municipal area's population grew by 1.56 per cent on average during the same period, translating to an increase in real GDP per capita from R47 548 (2005) to R55 649 (2016). The HDI has risen from 0.67 in 2010 to 0.72 in 2015.

In Swellendam, the economy grew by 3.6 per cent on average between 2005 and 2015 while the municipal area's population grew by 1.94 per cent on average during the same period, translating to an increase in real GDP per capita from R34 954 (2005) to R44 123 (2016). The HDI has risen from 0.63 in 2010 to 0.69 in 2015. The decrease in indigent households between 2015 and 2016 in this municipal area is noted.

Although the increase in the provision of free basic services is positive as a poverty alleviation strategy, it is a concern as it has financial implications at a time when municipalities are facing difficult financial situations. Other social indicators that remain a concern include the increasing unemployment levels, poverty, income inequality, high Grade 12 dropout rates, informal settlements and the prevalence of deaths caused by HIV, TB, and diabetes among other diseases.

Eden District

1

Regional economic review and outlook

1.1 Introduction

In 2015, the Eden District contributed 7.6 per cent to the economy of the Western Cape (WC), making it the 2nd largest non-metro area within the Province, following the Cape Winelands District. The manufacturing; the wholesale and retail trade, catering and accommodation; and the finance, insurance, real estate and business services sectors contributed the most to the economy of the District in 2015.



This chapter provides a macroeconomic outlook on the Eden District, an overview of trends between 2005 and 2015 and an outlook in terms of GDPR between 2017 and 2018. Further indicators of economic activity in the Eden District are also discussed in this chapter, which includes an analysis of the location quotients, the available agricultural infrastructure, a breakdown of the manufacturing sector, international trade and informal trading.

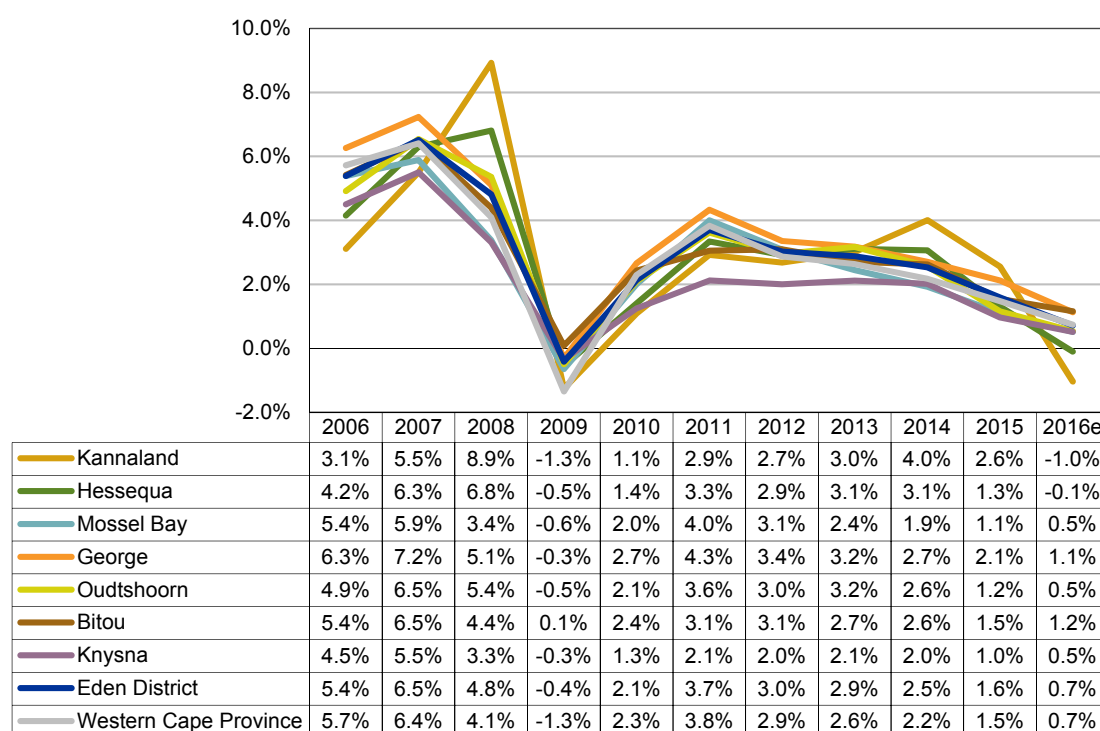
1.2 Growth in GDPR performance

Previous MERO publications have discussed in detail the changes to the economy before the recession as well as the subsequent years after the recession, therefore the period under review for MERO 2017 is between 2010 and 2015, together with an estimate for 2016. Statistics SA will only release official regional indicators for 2016 in 2018.

1.2.1 GDPR performance per municipal area

The Eden District is the second largest non-metro District within the WC, contributing 7.6 per cent to the GDPR of the Province in 2015. Figure 1.1 indicates the GDPR performance of municipal areas within the Eden District between 2005 and 2015, including an estimate for 2016.

Figure 1.1 GDPR growth per municipal area, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

¹ Note that the GDPR growth rate in 2006 indicates the change in GDPR from 2005 to 2006.

The Eden District experienced an average GDP growth rate of 3.2 per cent between 2005 and 2015. The economic growth rate was relatively constant between 2011 and 2013, however, growth rates started to decline again in 2014, indicating a weakening economy. Factors influencing the SA economy, including rising national unemployment, increases in fuel prices, inflation, weakening exchange rates against major currencies, political instability and poor ratings from credit agencies, have impacted adversely on the District's economic fortunes. The drought which commenced in 2015 worsened prospects for the regional economy.

Table 1.1 indicates the average real GDP contribution and growth rates between the various municipal areas.

Table 1.1 Eden District GDP contribution and average growth rates per municipal area, 2005 - 2016

Municipality	Contribution to GDP (%) 2015	Trend		Real GDP growth (%)					
		2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Kannaland	2.8	3.3	3.0	2.9	2.7	3.0	4.0	2.6	-1.0
Hessequa	8.8	3.2	2.7	3.3	2.9	3.1	3.1	1.3	-0.1
Mossel Bay	17.3	2.9	2.5	4.0	3.1	2.4	1.9	1.1	0.5
George	39.8	3.7	3.1	4.3	3.4	3.2	2.7	2.1	1.1
Oudtshoorn	12.7	3.2	2.7	3.6	3.0	3.2	2.6	1.2	0.5
Bitou	7.4	3.2	2.6	3.1	3.1	2.7	2.6	1.5	1.2
Knysna	11.2	2.3	1.8	2.1	2.0	2.1	2.0	1.0	0.5
Total Eden District	100	3.2	2.7	3.7	3.0	2.9	2.5	1.6	0.7
Western Cape Province	-	3.0	2.6	3.8	2.9	2.6	2.2	1.5	0.7

Source: Quantec Research, 2017 (e denotes estimate)

The George municipal area has the largest local economy, contributing 39.8 per cent to the District economy in 2015 and has been outperforming other municipal areas in the Eden District in terms of GDP growth. Knysna and Mossel Bay municipal areas had the lowest average GDP growth rates between 2005 and 2015, with 2.3 per cent and 2.9 per cent respectively. These two municipal areas accounted for approximately 28.5 per cent of the District's GDP. In 2016, the District and municipalities showed a decline in GDP growth, with the Kannaland and Hessequa municipal areas GDP contracting by 1.0 and 0.1 per cent respectively.

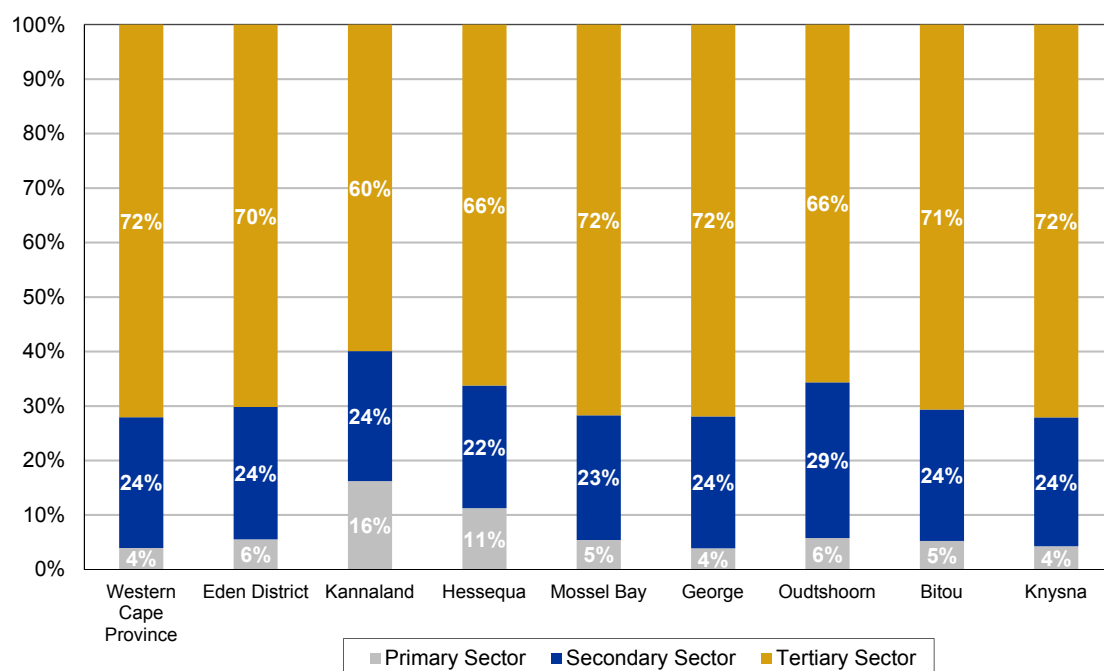
1.2.2 GDP performance per sector

Figure 1.2 indicates the GDP contribution of the primary, secondary and tertiary sectors of the various municipal areas of Eden District. These broad classifications are groupings of sectors by their main activity within the economy. Primary sectors are those involved with using or extracting natural resources and consist of the agriculture, forestry and fishing sector and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production, and consists of the manufacturing sector, the electricity, gas and water sector and the construction sector. The tertiary sector, also referred to as the services sector, consists of the wholesale and retail trade, catering and accommodation sector, the transport,

storage and communication sector, the finance, insurance, real estate and business services sector, the general government sector, and the community, social and personal services sector.

The economy within the Province and Eden District are more orientated towards tertiary sectors, with these sectors contributing 70.2 per cent to GDP in the District. All the local municipalities have a similar economic structure. Kannaland and Hessequa municipal areas, have a larger primary sector relative to their local economies, compared to the other municipal areas within the District, while the secondary sector makes a larger contribution, relative to other sectors, in the Oudtshoorn municipal area.

Figure 1.2 GDP contribution per main sector, 2015



Source: Quantec Research, 2017

Industry growth paths are a function of the interaction between industry dynamics and geographical economics. The Eden District economy has evolved into a service oriented economy, especially in the Mossel Bay, Knysna and George areas, where the primary sector makes the smallest contribution to the economy. Manufacturing is closely linked to agriculture (i.e. agri-processing) and activities occurring in the Mossel Bay Port. The presence of the tertiary sector also remains relatively important, as it consists of activities such as the wholesale of agricultural produce, transport of commodities, and activities related to agri-processing, Business Processing Outsourcing (BPO) and the Mossel Bay Port.

Table 1.2 indicates the sectoral breakdown of GDP contribution in the Eden District.

Table 1.2 Eden District GDP contribution per sector, 2015 (%)

Sector	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
Primary Sector	5.5	16.2	11.3	5.4	3.9	5.8	5.2	4.3
Agriculture, forestry and fishing	5.2	16.2	11.0	4.3	3.7	5.7	5.0	4.2
Mining and quarrying	0.3	0.0	0.3	1.1	0.1	0.1	0.2	0.1
Secondary Sector	24.3	23.8	22.5	22.9	24.2	28.6	24.1	23.6
Manufacturing	14.3	13.2	13.4	15.0	14.7	18.1	9.4	11.8
Electricity, gas and water	3.1	4.8	2.3	2.2	3.5	5.4	1.0	2.1
Construction	6.9	5.8	6.8	5.7	6.0	5.1	13.7	9.8
Tertiary Sector	70.2	59.9	66.2	71.7	71.9	65.7	70.7	72.1
Wholesale and retail trade, catering and accommodation	18.2	16.5	19.4	17.3	18.5	17.0	18.8	18.7
Transport, storage and communication	10.3	10.0	11.2	10.4	11.9	7.9	7.9	8.6
Finance, insurance, real estate and business services	24.7	16.7	20.8	27.5	26.4	19.1	25.7	25.0
General government	10.1	9.7	8.5	9.5	8.9	14.6	10.1	11.3
Community, social and personal services	6.9	7.0	6.3	6.9	6.3	7.1	8.1	8.4

Source: Quantec Research, 2017

The main economic sectors within the Eden District include the manufacturing sector (14.3 per cent), the wholesale and retail trade, catering and accommodation sector (18.2 per cent) and the finance, insurance, real estate and business services sector (24.7 per cent). The economies of the local municipal areas within the District have a similar composition, however, in Kannaland and Hessequa, the agriculture, forestry and fishing sector also contributes significantly to the local economy of the respective municipal areas.

Table 1.3 indicates the Eden District's GDP performance per sector.

Table 1.3 Eden District GDPR performance per sector, 2005 - 2016

Sector	Trend		Real GDPR growth (%)					
	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	1.6	1.4	0.1	0.8	1.8	6.6	-2.5	-7.7
Agriculture, forestry and fishing	1.7	1.3	0.0	0.8	1.8	6.5	-2.7	-7.7
Mining and quarrying	-0.1	2.9	2.7	0.9	3.1	7.0	0.9	-6.1
Secondary Sector	2.4	1.5	2.1	2.2	1.9	1.0	0.2	0.0
Manufacturing	2.4	1.9	3.7	2.8	1.7	0.5	0.5	0.9
Electricity, gas and water	-0.7	-0.5	1.9	-0.4	-1.1	-1.2	-1.8	-5.4
Construction	4.1	1.3	-2.1	1.5	3.8	3.0	0.2	-0.2
Tertiary Sector	3.7	3.3	4.6	3.5	3.3	2.6	2.4	1.7
Wholesale and retail trade, catering and accommodation	2.9	2.8	4.2	3.9	2.4	1.7	1.6	1.3
Transport, storage and communication	3.9	3.2	4.4	3.1	3.4	3.8	1.5	1.2
Finance, insurance, real estate and business services	4.8	4.2	5.4	4.0	3.9	3.1	4.4	2.7
General government	2.7	2.5	4.8	2.4	3.5	2.1	0.0	0.5
Community, social and personal services	2.6	2.2	2.5	2.7	2.5	2.2	1.0	0.6
Total Eden District	3.2	2.7	3.7	3.0	2.9	2.5	1.6	0.7

Source: Quantec Research, 2017 (e denotes estimate)

The Eden District recovered marginally from the recession with a five-year average annual growth rate of 2.7 per cent. From 2010, the Eden District economy has been growing at slower rates, with the estimated 2016 GDPR growth rate (0.7 per cent) being the lowest since the recession when the economy contracted by 0.4 per cent.

The agriculture, forestry and fishing sector, mining and quarrying sector, electricity, gas and water sector and the construction sector contracted during 2016. The 7.7 per cent contraction of the agriculture, forestry and fishing sector since 2015 can be attributed to the severe drought, which in turn has had an adverse impact on other economic sectors that are linked to the agriculture, forestry and fishing sector such as the manufacturing sector (which only grew by 0.5 per cent between 2014 and 2015) and the transport, storage and communication sector (which only grew by 1.5 per cent between 2014 and 2015).

1.2.3 GDPR performance per sector forecast (outlook)

Due to the fast pace at which the global as well as the SA economy are changing, only a two-year forecast is done. Table 1.4 indicates the GDPR forecast per sector for 2017 and 2018.

Table 1.4 GDP forecast per sector, 2017 - 2018 (%)

Sector	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-7.7	3.3	1.9
Mining and quarrying	-6.1	1.2	0.7
Secondary Sector			
Manufacturing	0.9	1.1	2.7
Electricity, gas and water	-5.4	0.4	1.7
Construction	-0.2	-1.7	0.8
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	1.3	-0.2	1.0
Transport, storage and communication	1.2	1.8	1.6
Finance, insurance, real estate and business services	2.7	1.2	1.4
General government	0.5	-0.7	-0.5
Community, social and personal services	0.6	1.2	0.8
Total	0.7	0.8	1.2

Source: Quantec, Urban-Econ calculations, 2017 (e denotes estimate; f denotes forecast)

It is estimated that economic growth will decline further in 2017 to 0.8 per cent, before increasing marginally to 1.2 per cent in 2018. The further decline in growth in 2017 can be attributed to a contraction in the wholesale and retail trade, catering and accommodation sector, the construction sector, the general government sectors and the electricity, gas and water sector, as well as decline in growth in the other main economic sectors (the manufacturing sector and the finance, insurance, real estate and business services sector). The weakening national economy is contributing to the decline in growth locally, especially affecting the tertiary sectors.

The agriculture, forestry and fishing sector remains volatile with the GDP of the sector increasing to 3.3 per cent in 2017 following the contraction of 7.7 per cent in 2016. Increased prices and a favourable exchange rate can benefit farmers who are geared towards the export market and were less severely affected by the drought.

1.3 Growth in employment trends

1.3.1 Employment per municipal area

Table 1.5 indicates the trend in employment growth within each municipal area in the Eden District.

Table 1.5 Eden District employment growth, 2005 - 2016

Municipality	Contribution to employment (%) 2015	Trend		Employment (net change)					
		2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Kannaland	4.4	1 441	1 986	86	329	454	130	987	-68
Hessequa	11.1	4 512	4 304	328	764	1 040	495	1 677	-254
Mossel Bay	15.9	5 875	4 589	489	853	1 225	699	1 323	-132
George	35.6	14 975	11 305	1 338	2 091	2 720	1 593	3 563	346
Oudtshoorn	12.9	3 466	3 432	263	539	907	385	1 338	50
Bitou	8.6	4 593	3 232	442	581	735	566	908	64
Knysna	11.6	3 733	3 230	359	621	752	600	898	44
Total Eden District	100	38 595	32 078	3 305	5 778	7 833	4 468	10 694	50
Western Cape Province	-	418 445	326 986	38 314	58 799	81 285	45 807	102 781	15 050

Source: Quantec Research, 2017 (e denotes estimate)

Similar to the municipal GDPR contribution in 2015, the George and Mossel Bay municipal areas employed the most workers in the Eden District (51.5 per cent). The George municipal area experienced the largest employment growth over the last decade compared to the other local municipal areas, which correlates with the GDPR data, which shows that this municipal area also experienced the highest GDPR growth (3.7 per cent between 2005 and 2015) in the District. George is the commercial hub of the District attracting new investment to the area, with the George Airport being a main entry point for business and leisure tourists to the Eden District.

The Kannaland, Hessequa and Mossel Bay municipal areas all shed jobs in 2016. These areas are largely dependent on the agriculture, forestry and fishing and the manufacturing sectors which have come under pressure due to the drought and other national factors such as rising fuel prices and a weakened exchange rate.

1.3.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the Eden District. The sectors contributing the most to employment include the wholesale and retail trade, catering and accommodation sector (25.6 per cent) followed by the finance, insurance, real estate and business services and community, social and personal services sectors.

Table 1.6 Eden District employment growth per sector, 2005 - 2016

Sector	Contribution to Employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	11.1	25 052	-6 817	5 384	-664	1 542	1 180	-1 145	4 471	-308
Agriculture, forestry and fishing	11.1	24 884	-6 768	5 421	-666	1 535	1 239	-1 149	4 462	-307
Mining and quarrying	0.1	168	-49	-37	2	7	-59	4	9	-1
Secondary Sector	17.7	39 704	527	2 726	316	82	880	765	683	137
Manufacturing	8.3	18 649	-1 811	11	-93	-492	615	-292	273	-109
Electricity, gas and water	0.4	792	251	133	34	28	8	15	48	21
Construction	9.0	20 263	2 087	2 582	375	546	257	1 042	362	225
Tertiary Sector	71.2	159 973	44 885	21 650	3 653	4 154	5 773	4 848	5 540	221
Wholesale and retail trade, catering and accommodation	25.6	57 546	14 801	7 688	1 552	1 682	1 268	1 414	1 772	-25
Transport, storage and communication	5.9	13 149	5 732	2 897	185	697	884	43	1 088	-1 100
Finance, insurance, real estate and business services	15.6	35 080	10 521	5 722	873	748	1 191	933	1 977	870
General government	10.0	22 408	4 796	1 744	841	273	200	1 131	-701	302
Community, social and personal services	14.1	31 790	9 035	5 917	202	754	2 230	1 327	1 404	174
Total Eden District	100	224 729	38 595	32 078	3 305	5 778	7 833	4 468	10 694	50

Source: Quantec Research, 2017 (e denotes estimate)

Over the last five years, 32 078 jobs were created in the District, with job creation surpassing the job losses that occurred during the recession. The agriculture, forestry and fishing sector is volatile in terms of employment creation due to the seasonal employment needs of the sector and more recently, the drought. Over the last five years 5 421 jobs were created in this sector, mainly due to significant increases in 2015. The manufacturing and transport, storage and communication sectors have shown significant job increases in 2015 and therefore indicates the link that is found between these economic sectors and the agriculture, forestry and fishing sector.

Other sectors that have contributed significantly to job creation in the last five years in the Eden District include the wholesale and retail trade, catering and accommodation sector (7 688 jobs), the finance, insurance, real estate and business services sector (5 722 jobs) and the community, social and personal services sector (5 917 jobs).

Employment creation declined drastically in 2016, with the primary sectors, the manufacturing sector, the wholesale and retail, catering and accommodation sector and the transport, storage and communication sector all shedding jobs in 2016.

Table 1.7 indicates the unemployment rate within each municipal area in the Eden District.

Table 1.7 Eden District unemployment rates, 2011 - 2016 (%)

Municipality	2011	2012	2013	2014	2015	2016e
Kannaland	9.4	10.3	10.3	10.8	11.2	11.9
Hessequa	8.1	8.5	8.2	8.6	8.8	9.5
Mossel Bay	16.2	16.6	16.1	16.6	17.3	18.3
George	15.8	16.2	15.6	16.1	16.6	17.3
Oudtshoorn	19.6	20.1	19.8	20.2	20.7	21.4
Bitou	23.5	24.4	24.1	25.0	26.3	27.9
Knysna	19.2	19.8	19.5	20.2	21.0	22.1
Eden District	16.5	17.0	16.6	17.1	17.8	18.7
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2017 (e denotes estimate)

The unemployment rate is the percentage share of the labour force that is unable to find work. The unemployment rate in both the WC and the Eden District was 17.8 per cent in 2015 which increased to 18.7 per cent in 2016. The Hessequa municipal area had the lowest unemployment rate at 9.5 per cent in 2016; while Bitou had the highest unemployment rate (27.9 per cent) which is similar to the National unemployment rate. Oudtshoorn and Knysna municipal areas also had high unemployment rates at 21.4 per cent and 21.1 per cent respectively in 2016.

The unemployment rates for the District and municipal areas are increasing since 2013, and this is likely to increase the demand for government sector support.

1.4 Trade and informal enterprises

1.4.1 Location quotient

To determine the level of specialisation within the different economic sectors of the Eden District, a location quotient is used. The location quotient is a ratio between two economies; in this case, the Provincial and District economies, which indicate whether the District is importing, self-sufficient or exporting goods and services from a particular sector.

Table 1.8 indicates an interpretation of the location quotient classification.

Table 1.8 Location quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the sector. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

It is important to note that a location quotient as a tool, does not consider external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a certain sector.

Table 1.9 outlines the sectoral location quotient for the Eden District.

Table 1.9 Location quotient in terms of GDP and employment, Eden District, 2015

Sector	In terms of GDP	In terms of employment
Agriculture, forestry and fishing	1.40	1.21
Mining and quarrying	1.29	1.17
Manufacturing	0.94	0.85
Electricity, gas and water	1.08	1.05
Construction	1.17	1.13
Wholesale and retail trade, catering and accommodation	1.06	1.07
Transport, storage and communication	0.92	1.04
Finance, insurance, real estate and business services	0.97	0.90
General government	0.89	0.85
Community, social and personal services	1.01	1.00

Source: Quantec Research, 2017

The Eden District has a medium to low location quotient in all the economic sectors in terms of employment but the following sectors have a location quotient classified as "high" in terms of its GDP contribution:

- Agriculture, forestry and fishing sector (1.40)
- Mining and quarrying sector (1.29)

Indicating that these sectors are exporting goods to other areas. The mining and quarrying sector is not a major economic sector in the Province due to the lack of resources. Mining activities also have to compete with agricultural land which is the dominating sector in the majority of areas.

1.4.2 Agriculture infrastructure

Table 1.10 indicates the main agricultural infrastructure found within the Eden District.

Table 1.10 Eden District agriculture infrastructure, 2013

Infrastructure	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
Abattoir - red meat	17	1	3	5	2	3	0	3
Abattoir - white meat	7	0	1	1	0	5	0	0
Agro-processing plant	26	4	3	1	14	0	1	3
Airfield	25	3	5	3	6	3	4	1
Chicken batteries	3	0	1	1	1	0	0	0
Chicken batteries - broilers	6	0	2	0	2	0	1	1
Chicken batteries - layers	9	0	1	0	7	0	1	0
Chicken hatchery	0	0	0	0	0	0	0	0
Cool chain facilities	5	0	0	0	4	0	1	0
Crush pen	1 191	91	568	205	215	86	4	22
Crush pen and dip tank	186	6	46	59	67	4	0	4
Dairy	350	17	140	75	60	18	11	29
Dam	9 894	672	4 355	1 188	2 369	604	383	323
Feedlot - beef	4	0	2	0	2	0	0	0
Feedlot - pigs	0	0	0	0	0	0	0	0
Feedlot - sheep	11	0	5	1	5	0	0	0
Fruit cool chain facilities	7	0	0	0	7	0	0	0
Fruit packers	0	0	0	0	0	0	0	0
Grain dam - commercial	0	0	0	0	0	0	0	0
Homestead	3 701	431	944	501	853	328	407	237
Homestead - labour	696	84	188	98	223	79	10	14
Nursery	35	0	2	4	16	3	7	3
Other	3	0	0	0	3	0	0	0
Packhouse	44	13	3	5	18	1	3	1
Piggery	2	0	0	1	1	0	0	0
Shade netting	155	0	10	24	81	7	22	11
Silo bags - commercial	9	6	2	0	0	0	1	0
Silo bags - non-commercial	0	0	0	0	0	0	0	0
Silos - commercial	8	0	4	1	2	1	0	0
Silos - non-commercial	15	0	9	1	1	3	0	1
Tunnels	139	5	17	7	64	8	9	29

Source: WC Department of Agriculture and Western Cape AgriStats, 2013

The MERO 2016 illustrated that the main agriculture activities in Eden included farming with ostriches, goats, cattle, sheep, brussel sprouts, lucerne, canola, onions, nuts, apricots and barley. The Eden District is a major dairy producing area in the Province, which is reflected in the type of infrastructure available in the District, which is geared towards cattle farming.

1.4.3 Manufacturing subsectors

Table 1.11 indicates the contribution of manufacturing subsectors to the main sector in the Eden District.

Table 1.11 Eden District manufacturing subsector GDPR contribution, 2015 (%)

Subsector	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
Food, beverages and tobacco	32.4	65.1	28.3	29.7	34.5	35.0	21.1	24.1
Textiles, clothing and leather goods	3.9	3.0	5.4	4.0	3.0	7.0	2.5	1.5
Wood, paper, publishing and printing	14.5	6.1	13.0	12.7	11.8	9.0	31.7	34.6
Petroleum products, chemicals, rubber and plastic	16.8	4.8	16.5	26.2	17.1	13.4	8.8	10.5
Other non-metal mineral products	3.3	1.4	3.7	2.5	3.2	2.2	10.8	3.2
Metals, metal products, machinery and equipment	11.8	10.3	15.5	8.9	13.7	11.6	7.8	8.5
Electrical machinery and apparatus	0.8	0.4	0.2	0.7	1.3	0.6	0.3	0.5
Radio, TV, instruments, watches and clocks	1.1	0.0	1.2	1.2	1.6	0.4	0.3	0.7
Transport equipment	4.8	0.0	2.1	5.0	5.2	5.4	3.8	6.2
Furniture and other manufacturing	10.6	9.0	14.1	9.1	8.6	15.5	12.9	10.2

Source: Quantec Research, 2017

The manufacturing sector in the Eden District is very diversified; the manufacturing subsectors that contributed the most to GDPR in 2015 included the following subsectors:

- Food, beverages and tobacco (32.4 per cent);
- Petroleum products, chemicals, rubber and plastic (16.8 per cent);
- Wood, paper, publishing and printing (14.5 per cent); and
- Metals, metal products, machinery and equipment (11.8 per cent).

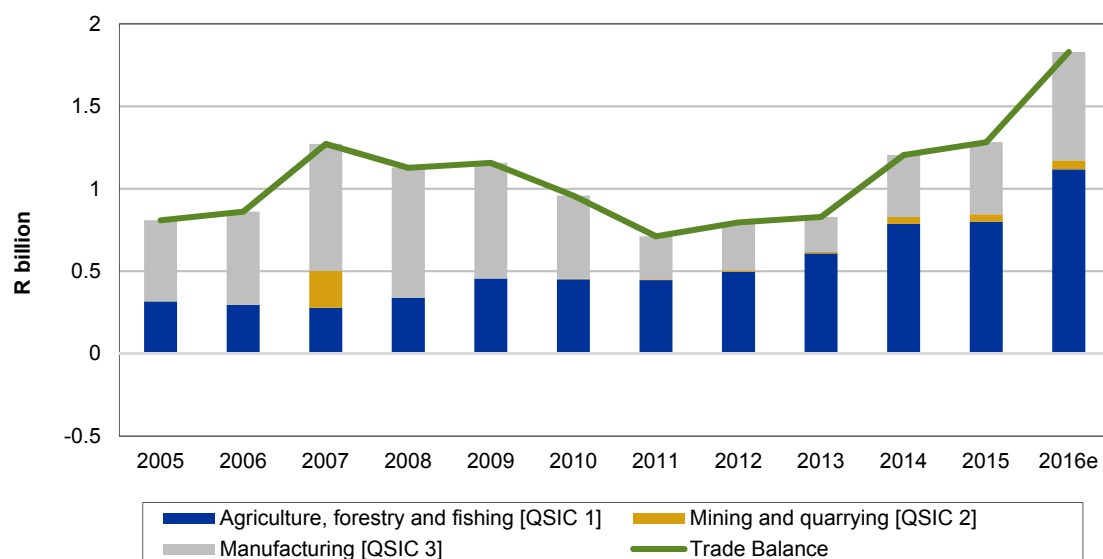
The main food products being produced are dairy, as well as ostrich meat in Oudtshoorn and fish processors in the Mossel Bay area. PetroSA in Mossel Bay produces petroleum products from natural gas obtained offshore contributing 26.2 per cent to the manufacturing sector. Wood products are mainly produced in the Knysna (34.6 per cent of manufacturing) and Bitou (31.7 per cent) areas due to the abundance of pine plantations in the area. Concerns have been raised on the non-execution of new rental agreements for pine plantations, which are resulting in a decline in wood product manufacturing in the area and may even lead to a shortage of timber in the long run which will have a serious negative effect on the output from this sector as well as employment creation (Eden District Rural Development Plan, 2016). The situation will be exacerbated by the devastating fires that occurred in June 2017.

In comparison to the other areas, the metal, metal products, machinery and equipment subsector makes a relatively significant contribution to the manufacturing sector (15.5 per cent). This can be accounted to local manufacturers of agricultural machinery and equipment in Albertinia.

1.4.4 International trade

Figure 1.3 indicates the positive Eden District trade balance between 2005 and 2016.

Figure 1.3 Eden District trade balance, 2005 - 2016



Source: Quantec Research, 2017 (e denotes estimate)

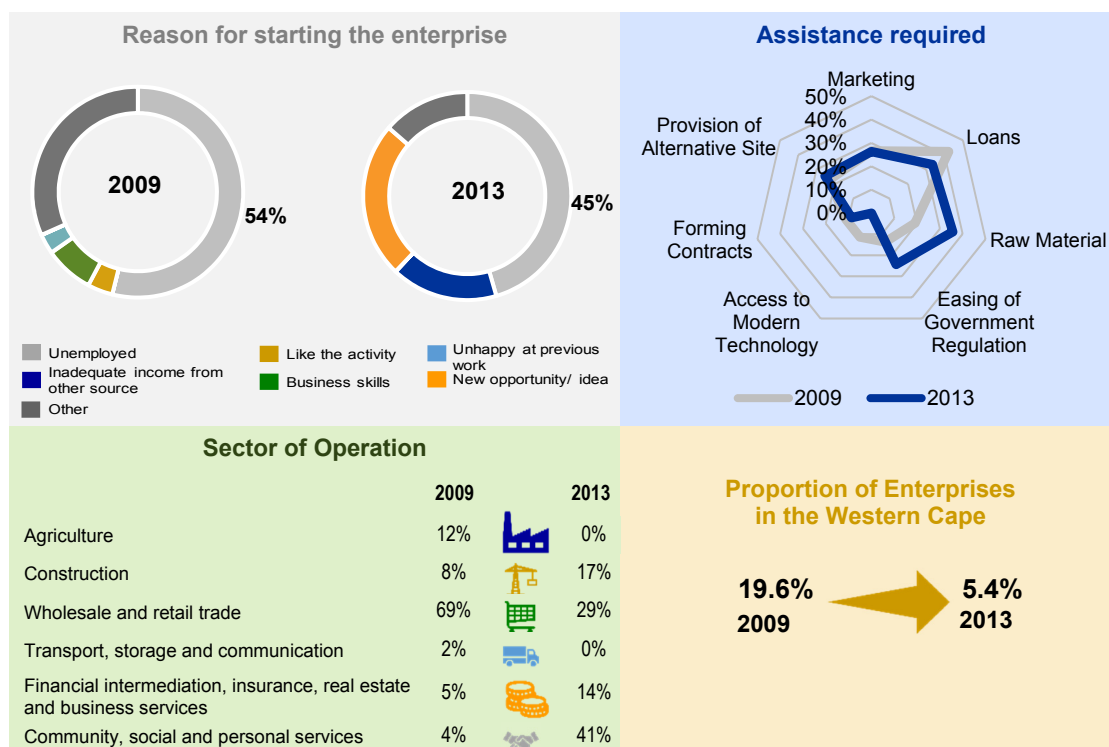
The regional trade balance in the Eden District has been positive since 2005 due to a steady increase in trade from R809 million in 2005 to R1.28 billion in 2015. During this time imports stood at R233 million in 2005 and R1.8 billion in 2016.

The trade balance has also increased from R1.2 billion to R1.8 billion between 2015 and 2016 which could be attributed to the District's strong and growing agriculture, forestry and fishing sector. The trade balance in the manufacturing sector has been declining since 2010, as imports increased steadily from 2005 until 2014, while exports increased until 2013 before decreasing again.

1.4.5 Informal enterprises

The diagram below indicates an overview of the main responses from surveyed informal enterprise owners in the Eden District. In 2009, 19.6 per cent of Provincial respondents were located in this District, compared to 5.4 per cent in 2013.

The main reason business owners started their enterprises, in 2009 and 2013, was unemployment.

Diagram 1.1 Informal enterprises overview, Eden

Source: Adapted from Stats SA, 2009 & 2013

Informal enterprises within the Eden District operate in a variety of sectors. In 2009, the majority of enterprises operated in the wholesale and retail trade sector however in 2013, the majority of enterprises operated in the community, social and personal services sector, the wholesale and retail trade sector and the financial intermediation, insurance and real estate and business services sector.

On average, less than 25.0 per cent of enterprise owners indicated that they needed assistance in 2009 and 2013. There is currently a lack of local initiatives to support SMMEs, this includes support with training and funding as well as preferential procurement policies².

² Mossel Bay Municipality MERO 2017 Survey response
Kannaland Municipality MERO 2017 Survey response
Oudtshoorn Municipality MERO 2017 Survey response

1.5 Concluding remarks

The Eden District economy is the 2nd largest non-metro District economy within the Province, contributing an average of 7.6 per cent to the GDP of the Western Cape in 2015. Economic growth in the Eden District has been primarily driven by its tertiary sector, particularly the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector. The George municipal area (with a GDP growth rate of 3.7 per cent between 2005 and 2015) has been outperforming other municipal areas in the Eden District and is the hub of commercial and manufacturing activity in the District. The Knysna and Mossel Bay areas experienced the lowest average GDP growth between 2005 and 2015, with 2.3 per cent and 2.9 per cent respectively.

The agriculture, forestry and fishing sector plays an important role in terms of GDP contribution and employment creation as well as for providing inputs for the manufacturing sector, however, this sector has shed a total of 6 768 jobs between 2005 and 2015, with an estimated loss of 307 jobs in the 2016. The manufacturing and transport, storage and communication sectors have shown similar trends and indicates the link that is found between these economic sectors and the agriculture, forestry and fishing sector, while the tertiary sector has seen considerable growth in employment. Factors that are weakening the South African economy, such as political instability, inflation, rising unemployment and poverty, and the drought which started in 2015 have impacted the District economy negatively.

It is estimated that GDP growth within the Eden District will continue to decline in 2017 to 0.6 per cent, before recovering to 1.1 per cent in 2018. It is estimated that the construction sector will continue to contract in 2017 and 2018 indicating a decline in investment. Intervention is therefore needed to attract new investment in local industries.

2

Sectoral growth, employment and skills per municipal area

2.1 Introduction

This chapter provides a macroeconomic outlook at the municipal level, an overview of trends during 2005 - 2016, employment as well as skills levels in each of the local municipal areas of the Eden District. This chapter further provides information on buildings plans passed and completed for selected local municipalities.

2.2 George

2.2.1 GDP performance

The economic structure of the George municipal area is very similar to that of the Eden District, with economic activity being dominated by tertiary sectors and a very small contribution made by the primary sector. The George municipal area has the largest economy in the Eden District. Table 2.1 indicates the GDP performance per sector in this municipal area.

Table 2.1 George GDPR performance per sector, 2005 - 2016

Sector	Contribution to GDPR (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	3.9	579.3	2.1	1.5	-0.1	1.1	1.8	7.1	-2.4	-7.8
Agriculture, forestry and fishing	3.7	558.0	2.1	1.4	-0.3	1.1	1.8	7.1	-2.5	-7.8
Mining and quarrying	0.1	21.3	0.8	3.8	3.6	2.0	4.0	7.9	1.7	-5.3
Secondary Sector	24.2	3 607.7	2.6	1.7	2.5	2.0	2.0	1.0	0.9	0.2
Manufacturing	14.7	2 199.2	2.9	2.2	3.7	2.6	2.1	1.1	1.2	1.4
Electricity, gas and water	3.5	514.6	-1.3	-1.1	1.3	-0.9	-1.7	-1.8	-2.3	-6.0
Construction	6.0	893.9	4.4	1.8	-0.3	1.5	3.9	2.3	1.4	-0.6
Tertiary Sector	71.9	10 724.7	4.1	3.7	5.2	3.9	3.6	2.9	2.8	2.0
Wholesale and retail trade, catering and accommodation	18.5	2 757.4	3.0	3.0	4.6	4.2	2.6	1.9	1.7	1.5
Transport, storage and communication	11.9	1 768.2	4.5	3.8	4.9	3.5	4.0	4.4	2.2	1.7
Finance, insurance, real estate and business services	26.4	3 934.5	5.6	4.8	6.5	4.7	4.4	3.5	4.9	3.1
General government	8.9	1 328.5	2.6	2.4	4.8	2.3	3.3	1.8	-0.2	0.3
Community, social and personal services	6.3	936.0	2.5	2.1	2.5	2.5	2.5	2.0	1.0	0.4
Total George	100	14 911.7	3.7	3.1	4.3	3.4	3.2	2.7	2.1	1.1

Source: Quantec Research, 2017 (e denotes estimate)

Economic growth in the George municipal area is declining; even though the agriculture, forestry and fishing sector contracted significantly in 2016, the economy still grew at 1.1 per cent, indicating the importance of the tertiary sector to the economy of the George municipal area.

The finance, insurance, real estate and business services sector (26.4 per cent), the wholesale and retail trade, catering and accommodation sector (18.5 per cent), and the manufacturing sector (14.7 per cent) contributed the most to the economy in 2015. These sectors had above average growth rates in 2016, while other sectors, such as the agriculture, forestry and fishing sector, the electricity, gas and water sector, and the construction sector contracted over the same period.

An initiative such as the Go George bus route, implemented in 2014, is contributing to growth in the transport, storage and communication sector, but also supports other sectors through increased mobility of workers and the reduction of transportation costs³.

³ George Municipality MERO 2017 Survey response

2.2.2 Employment profile

Table 2.2 indicates the trend in employment growth within each economic sector in George.

Table 2.2 George employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	9.0	7 187	- 2 041	1 564	-204	412	316	-336	1 376	-90
Agriculture, forestry and fishing	8.9	7 157	-2 033	1 570	-204	411	326	-337	1 374	-90
Mining and quarrying	0.0	30	-8	-6	-	1	-10	1	2	-
Secondary Sector	17.0	13 566	263	800	151	72	244	169	164	99
Manufacturing	8.8	7 059	-541	20	-4	-140	183	-97	78	8
Electricity, gas and water	0.4	331	105	48	14	14	5	4	11	8
Construction	7.7	6 176	699	732	141	198	56	262	75	83
Tertiary Sector	74.1	59 265	16 753	8 941	1 391	1 607	2 160	1 760	2 023	337
Wholesale and retail trade, catering and accommodation	26.7	21 397	5 427	2 766	547	620	456	497	646	14
Transport, storage and communication	6.5	5 222	2 306	1 202	91	284	372	50	405	-356
Finance, insurance, real estate and business services	18.3	14 652	4 539	2 488	393	373	535	402	785	517
General government	9.7	7 732	1 728	627	306	105	73	384	-241	119
Community, social and personal services	12.8	10 262	2 753	1 858	54	225	724	427	428	43
Total George	100	80 018	14 975	11 305	1 338	2 091	2 720	1 593	3 563	346

Source: Quantec Research, 2017 (e denotes estimate)

As with GDP contribution, the wholesale and retail trade, catering and accommodation sector (26.7 per cent) and the finance, insurance, real estate and business services sector (18.3 per cent) contributed the most to employment in the George municipal area in 2015.

Employment creation in the District has surpassed the number of jobs lost during the recession, with 3 563 new jobs created in 2015. The agriculture, forestry and fishing sector contributed 38.6 per cent to the new jobs created in 2015. Jobs created in this sector are not always sustainable or permanent, as labour needs are determined by the volume of production. The main agricultural industry in the George municipal area is livestock farming for dairy production, as well as lucerne production (cattle feed). Due to the favourable climate, this area is the sole hops farming area in the country which has encouraged significant investment from South African Breweries (SAB) in the area by supporting hops farmers which encourages job creation in this sector.

2.2.3 Skills level

Education levels in any given market area will influence economic and human development. It is clear that low education levels lead to a low-skills base in an area, while high education levels have the opposite effect, producing a skilled or highly skilled population. Household and personal income levels are either positively or adversely affected by education levels. Also, a population that is skilled does not necessarily aspire to employment but to entrepreneurship, which could add businesses to the area, increase economic activity and consequently increase the number of jobs available.

Table 2.3 indicates the skills levels of formally employed workers in the George municipal area.

Table 2.3 George skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	30.8	2.4	17 627
Semi-skilled	40.0	0.0	22 862
Low-skilled	29.2	-0.7	16 736
Total George	100	0.4	57 225

Source: Quantec Research, 2017

The majority of the formally employed workers in the George municipal area are semi-skilled (40.0 per cent), while 30.8 per cent are skilled and 29.2 per cent are low-skilled. The number of the skilled workers have been growing at an average of 2.4 per cent between 2005 and 2015 while the number of low-skilled workers have decreased by 0.7 per cent in the same period. This is in line with job losses over the last decade in the agriculture, forestry and fishing sector which sector typically employs low-skilled workers.

2.3 Mossel Bay

2.3.1 GDP performance

The Mossel Bay municipal area is the second largest local economy in the District contributing R6.5 billion to the District's economy (17.3 per cent). The economic structure of the Mossel Bay municipal area is very similar to the Eden District, with a dominating tertiary sector. Table 2.4 indicates Mossel Bay's GDP performance per sector.

Table 2.4 Mossel Bay GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	5.4	351.6	1.0	1.8	1.7	0.7	2.5	5.5	-1.5	-6.0
Agriculture, forestry and fishing	4.3	278.7	1.3	1.5	1.4	0.6	2.3	5.2	-2.1	-6.0
Mining and quarrying	1.1	73.0	-0.1	3.0	2.6	1.2	3.1	7.0	1.0	-6.1
Secondary Sector	22.9	1 480.8	0.5	-0.3	2.5	1.9	-0.8	-2.0	-3.1	-2.4
Manufacturing	15.0	968.8	0.7	0.3	5.3	3.2	-1.1	-2.5	-3.3	-1.6
Electricity, gas and water	2.2	139.8	-3.1	-2.8	-0.5	-2.7	-3.5	-3.5	-3.9	-7.6
Construction	5.7	372.3	1.6	-1.5	-5.6	-0.8	1.3	0.2	-2.5	-3.7
Tertiary Sector	71.7	4 644.2	3.8	3.5	4.7	3.7	3.5	2.9	2.6	1.9
Wholesale and retail trade, catering and accommodation	17.3	1 123.7	3.0	2.9	4.4	4.0	2.5	1.9	1.9	1.3
Transport, storage and communication	10.4	675.6	3.5	3.0	4.1	2.9	3.3	3.4	1.3	1.1
Finance, insurance, real estate and business services	27.5	1 779.3	4.9	4.3	5.5	4.1	4.2	3.3	4.4	2.9
General government	9.5	615.6	3.0	2.9	5.2	2.8	3.9	2.4	0.3	0.8
Community, social and personal services	6.9	450.0	3.0	2.4	2.2	3.1	2.5	3.0	1.2	1.0
Total Mossel Bay	100	6 476.7	2.9	2.5	4.0	3.1	2.4	1.9	1.1	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to the Mossel Bay municipal area's economy in 2015 included the finance, insurance, real estate and business services sector (27.5 per cent), the wholesale and retail trade, catering and accommodation sector (17.3 per cent), and the manufacturing sector (15.0 per cent). The manufacturing sector has been contracting year-on-year since 2013. The main manufacturing activities include food and petroleum products. The PetroSA gas-to-liquid refinery in Mossel Bay has come under pressure in recent years due to the declining feed stock in the off-shore gas wells which has contributed to the contracting manufacturing sector. The changing quota system for commercial fishing is impacting the manufacturing and fishing sector due to uncertainty on the availability of fish for local processors which could impact future employment in the Mossel Bay area.

All primary and secondary sectors in the Mossel Bay area are estimated to contract in 2016, with the agriculture, forestry and fishing sector, the mining and quarrying sector, and the electricity, gas and water sector contracting the most (by 6.0 per cent, 6.1 per cent and 7.6 per cent respectively). The contracting construction sector shows a decline in investment in the area in terms of residential and non-residential property. With the weakened economy, business confidence declines resulting in a lack of investment in new property which drives the construction sector.

The tertiary sectors have achieved higher than average growth rates between 2010 and 2015, although growth is also steadily declining in these sectors. The finance, insurance, real estate and business services sector achieved the highest growth rate in 2016 (2.9 per cent) which highlights the importance of the activities of this sector in the local economy and as well as the necessity to attract new investment.

2.3.2 Employment profile

Table 2.5 indicates the trend in employment growth within each economic sector in the Mossel Bay area.

Table 2.5 Mossel Bay employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	9.2	3 302	-730	668	-50	268	181	-118	387	-38
Agriculture, forestry and fishing	9.0	3 202	-708	688	-51	262	217	-121	381	-38
Mining and quarrying	0.3	100	-22	-20	1	6	-36	3	6	-
Secondary Sector	16.6	5 934	-945	-88	-68	-97	54	17	6	-109
Manufacturing	8.2	2 941	-573	-135	-49	-111	87	-78	16	-46
Electricity, gas and water	0.3	95	16	4	2	1	-2	-	3	2
Construction	8.1	2 898	-388	43	-21	13	-31	95	-13	-65
Tertiary Sector	74.2	26 536	7 550	4 009	607	682	990	800	930	15
Wholesale and retail trade, catering and accommodation	25.8	9 244	2 465	1 274	256	280	212	236	290	-5
Transport, storage and communication	6.6	2 354	1 046	522	32	124	160	4	202	-202
Finance, insurance, real estate and business services	18.1	6 480	1 768	955	136	115	203	153	348	169
General government	10.0	3 595	828	304	142	52	37	184	-111	54
Community, social and personal services	13.6	4 863	1 443	954	41	111	378	223	201	-1
Total Mossel Bay	100	35 772	5 875	4 589	489	853	1 225	699	1 323	-132

Source: Quantec Research, 2017 (e denotes estimate)

The main sectors contributing to employment are the wholesale and retail trade, catering and accommodation (25.8 per cent) and the finance, insurance, real estate and business services (18.1 per cent) sectors. Over the past decade, the agriculture sector, mining sector, manufacturing sector, and the construction sector have been shedding jobs, and are expected to continue shedding jobs in 2016 which is in line with the poor growth from these sectors.

Employment growth after 2010 has surpassed the job losses which occurred during the recession, however, the economy shed jobs again in 2016, mainly in the transport, storage and communication sector (202 jobs). This sector is linked with the agriculture, forestry and fishing sector as the Port of Mossel Bay is used by fishermen as well as the manufacturing sector since crude oil is mostly imported through the harbour while

petroleum products are exported (Department of Transport, 2014). The decline in output from these sectors are therefore also likely to impact on the transport, storage and communication sector.

2.3.3 Skills level

Table 2.6 indicates the skills levels of formally employed workers in the Mossel Bay area.

Table 2.6 Mossel Bay skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	31.1	2.0	7 565
Semi-skilled	42.2	-0.9	10 262
Low-skilled	26.8	-0.9	6 515
Total Mossel Bay	100	-0.1	24 342

Source: Quantec Research, 2017

Most of the formally employed workers in the Mossel Bay municipal area are semi-skilled (42.2 per cent), while 31.1 per cent are skilled and 26.8 per cent are low-skilled. The number of skilled workers have been growing at an average of 2.0 per cent between 2005 and 2015 while the semi-skilled and low-skilled workers have been contracting by 0.9 per cent in the same period. Formal employment has been decreasing by an average annual rate of 0.1 per cent per annum, due to a decline in semi-skilled and low-skilled workers, which is in line with the decline in workers in primary and secondary sectors. The increase in skilled workers in the Mossel Bay area is in line with tertiary sector growth as this sector typically demands higher skilled employees.

2.4 Knysna

2.4.1 GDPR performance

The Knysna municipal area contributed R4.1 billion (11.2 per cent) to the economy of the Eden District in 2015. The Knysna municipal area is geographically small compared to other municipal areas. The abundance of natural forests limits the potential for agricultural expansion while economic activity is limited to Knysna and Sedgefield, which are the areas with the largest populations in the municipality. Table 2.7 indicates Knysna's GDPR performance per sector.

Table 2.7 Knysna GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	4.3	178.6	1.5	0.5	-1.4	0.2	0.3	4.8	-1.5	-5.3
Agriculture, forestry and fishing	4.2	174.5	1.5	0.4	-1.5	0.1	0.2	4.7	-1.5	-5.4
Mining and quarrying	0.1	4.1	2.0	5.0	4.9	3.3	5.2	9.0	2.8	-4.4
Secondary Sector	23.6	990.5	2.6	1.7	0.9	1.7	2.5	2.5	0.9	1.4
Manufacturing	11.8	494.1	1.9	2.4	3.9	2.8	1.3	1.5	2.3	1.7
Electricity, gas and water	2.1	87.7	1.2	0.9	3.8	-3.1	2.4	2.0	-0.6	-0.1
Construction	9.8	408.8	4.2	1.0	-3.7	1.2	4.3	4.1	-0.7	1.3
Tertiary Sector	72.1	3 019.4	2.4	2.0	2.8	2.2	2.2	1.6	1.2	0.8
Wholesale and retail trade, catering and accommodation	18.7	784.9	1.7	1.5	2.5	2.7	1.4	0.5	0.4	0.6
Transport, storage and communication	8.6	361.4	2.2	1.5	2.8	1.5	1.6	2.2	-0.4	-0.2
Finance, insurance, real estate and business services	25.0	1 046.6	2.3	1.8	2.0	1.7	1.7	1.3	2.0	0.9
General government	11.3	473.8	3.8	3.7	6.0	3.5	4.8	3.3	1.0	1.7
Community, social and personal services	8.4	352.8	2.7	2.2	2.1	2.1	2.9	2.5	1.6	0.4
Total Knysna	100	4 188.5	2.3	1.8	2.1	2.0	2.1	2.0	1.0	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The dominating sectors in 2015 were the finance, insurance, real estate and business services (25.0 per cent), the wholesale and retail trade, catering and accommodation (18.7 per cent), and the manufacturing (11.8 per cent) sectors. The agriculture, forestry and fishing sector contributes minimally to the economy compared to the other sectors due to the lack of land available for agricultural activity and the abundance of natural forests. Tourism is a very important sector in Knysna which is reflected in the wholesale and retail trade, catering and accommodation, and the finance, insurance, real estate and business services sectors.

Economic growth in the Knysna municipal area has declined to 0.5 per cent in 2015 due to a decline in growth in the finance, insurance, real estate and business services sector and the contraction of primary sectors, the electricity, gas and water sector and the transport, storage and communication sector. In 2016, the general government sector grew by 1.7 per cent and the construction sector by 1.3 per cent. Infrastructure investment by the government sector as well as new property developments and renovations by private sectors generate growth in the construction sector.

Tourism is a main industry in this municipal area, which is evident from the main contributing sectors, as these sectors provide goods and services for tourists. Tourism is seasonal impacting to sustainability of many new enterprises in the area.

2.4.2 Employment profile

In 2015, 26 046 people were employed within the Knysna municipal area. This area has the second highest unemployment rate in the District at 21.0 per cent in 2015.

Table 2.8 indicates the trend in employment growth within each economic sector in the Knysna area.

Table 2.8 Knysna employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	7.9	2 060	-519	467	-20	197	126	-55	219	-26
Agriculture, forestry and fishing	7.9	2 054	-519	467	-21	197	128	-56	219	-26
Mining and quarrying	0.0	6	-	-	1	-	-2	1	-	-
Secondary Sector	20.6	5 365	70	479	31	45	93	188	122	51
Manufacturing	7.0	1 830	-538	-145	-50	-60	6	-42	1	-23
Electricity, gas and water	0.3	86	29	25	5	-1	2	5	14	1
Construction	13.2	3 449	579	599	76	106	85	225	107	73
Tertiary Sector	71.5	18 621	4 182	2 284	348	379	533	467	557	19
Wholesale and retail trade, catering and accommodation	26.1	6 796	1 088	625	146	128	94	104	153	-12
Transport, storage and communication	4.8	1 253	367	162	-	50	55	-24	81	-127
Finance, insurance, real estate and business services	13.0	3 388	628	337	46	24	65	45	157	12
General government	10.4	2 721	755	324	115	52	49	167	-59	53
Community, social and personal services	17.1	4 463	1 344	836	41	125	270	175	225	93
Total Knysna	100	26 046	3 733	3 230	359	621	752	600	898	44

Source: Quantec Research, 2017 (e denotes estimate)

Similar to the GDP trends, the wholesale and retail trade, catering and accommodation (26.1 per cent), the community, social and personal services (17.1 per cent), the construction (13.2 per cent), and the finance, insurance, real estate and business services (13.0 per cent) sectors are the main employing sectors in the Knysna area.

The trend in employment since 2005 shows that only the manufacturing and the agriculture, forestry and fishing sectors were shedding jobs. It is estimated that in 2016 these two sectors, as well as the wholesale and retail trade, catering and accommodation and the transport, storage and communication sectors are shedding jobs highlighting the linkages between these sectors.

The tourism industry is a major employer in the Knysna area. Factors impacting the decline in tourism, such as rising fuel prices, decreasing household income or a change in demand will have an impact on the economy of the Knysna area which will also impact employment creation.

2.4.3 Skills level

Table 2.9 indicates the skills levels of formally employed workers in the Knysna area.

Table 2.9 Knysna skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	21.4	0.5	4 014
Semi-skilled	43.8	-0.6	8 204
Low-skilled	34.7	0.3	6 506
Total Knysna	100	-0.05	18 724

Source: Quantec Research, 2017

The majority of the formally employed workers in the Knysna area are semi-skilled (43.8 per cent), while 34.7 per cent are low-skilled and 21.4 per cent are skilled. The number of the skilled and low-skilled workforce has been increasing with an average of 0.5 per cent and 0.3 per cent respectively since 2005, while the semi-skilled population has been contracting by 0.6 per cent on average since 2005.

2.5 Oudtshoorn

2.5.1 GDPR performance

The Oudtshoorn municipal area contributed R4.76 billion (12.7 per cent of total District GDPR) to the economy of the District in 2015. The Oudtshoorn municipal area's economy has grown at an average annual rate of 2.7 per cent over the last five years, which is in line with the District GDPR growth. As with the District, the Oudtshoorn municipal area's economy is also dominated by tertiary sectors, including a relatively large manufacturing sector. Table 2.10 indicates Oudtshoorn's GDPR performance per sector.

Table 2.10 Oudtshoorn GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	5.8	274.1	2.3	1.9	0.4	1.5	2.5	8.2	-3.1	-9.3
Agriculture, forestry and fishing	5.7	271.1	2.4	1.9	0.3	1.5	2.5	8.2	-3.1	-9.3
Mining and quarrying	0.1	3.0	-0.3	3.1	3.3	1.2	3.1	7.5	0.5	-6.0
Secondary Sector	28.6	1 361.5	3.4	2.3	2.3	2.7	3.7	2.0	0.8	0.9
Manufacturing	18.1	860.4	3.4	2.4	2.7	3.0	3.8	1.5	1.0	1.7
Electricity, gas and water	5.4	259.0	2.1	1.8	4.9	2.3	1.0	0.7	0.1	-4.2
Construction	5.1	242.1	5.3	2.3	-2.0	1.7	5.4	5.6	0.7	2.2
Tertiary Sector	65.7	3 127.1	3.2	2.9	4.5	3.2	3.1	2.2	1.7	1.4
Wholesale and retail trade, catering and accommodation	17.0	810.5	2.5	2.5	3.9	3.6	2.1	1.4	1.3	1.2
Transport, storage and communication	7.9	374.4	3.2	2.8	4.0	2.7	3.0	3.4	0.8	0.6
Finance, insurance, real estate and business services	19.1	911.7	6.1	5.2	6.8	5.1	5.0	4.1	5.1	3.7
General government	14.6	694.6	1.3	1.0	3.4	0.9	1.9	0.5	-1.5	-1.0
Community, social and personal services	7.1	335.9	1.5	1.3	2.4	2.1	1.8	0.4	-0.1	-0.1
Total Oudtshoorn	100	4 762.8	3.2	2.7	3.6	3.0	3.2	2.6	1.2	0.5

Source: Quantec Research, 2017 (e denotes estimate)

The dominating economic sectors in the Oudtshoorn municipal area in 2015 were the finance, insurance, real estate and business services (19.1 per cent), the manufacturing (18.1 per cent), and the wholesale and retail trade, catering and accommodation (17.0 per cent) sectors. The manufacturing sector is linked with the agriculture, forestry and fishing sector since food production is the main manufacturing activity. The main agricultural industry in this municipal area is ostrich farming as well as lucerne and wheat production (WC Department of Agriculture, 2013).

In 2015, three economic sectors contracted, namely the agriculture, forestry and fishing, the general government and the community, social and personal services sectors. These sectors further contracted in 2016, with the addition of the mining and quarrying sector and the electricity, gas and water sector also contracting indicating the weakening economy of the municipal area. The stagnant revenue base and rising unemployment are negatively impacting the revenue generation of the Local Municipality, which is impacting the growth of the general government sector in the Oudtshoorn area⁴.

⁴ Oudtshoorn Municipality MERO 2017 Survey response

The bird flu outbreak in 2011 resulted in a ban on exports to the European Union and many farmers culling their ostriches. This severely impacted the local agriculture, forestry and fishing sector as well as the manufacturing sector, resulting in job losses and low growth rates in subsequent years.

The construction sector achieved an above average growth rate in 2013, 2014 and 2016. Projects such as Riemvasmaak/Rosevalley housing development has contributed to this growth rate.

2.5.2 Employment profile

Table 2.11 indicates the trend in employment growth within each economic sector in Oudtshoorn.

Table 2.11 Oudtshoorn employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	12.9	3 736	-933	854	-120	177	158	-196	835	-33
Agriculture, forestry and fishing	12.9	3 729	-929	856	-120	177	160	-196	835	-33
Mining and quarrying	0.0	7	-4	-2	-	-	-2	-	-	-
Secondary Sector	18.1	5 221	475	536	59	26	216	102	133	93
Manufacturing	11.2	3 245	111	195	-1	-46	169	-3	76	21
Electricity, gas and water	0.6	173	80	41	10	12	4	4	11	8
Construction	6.2	1 803	284	300	50	60	43	101	46	64
Tertiary Sector	69.0	19 928	3 924	2 042	324	336	533	479	370	-10
Wholesale and retail trade, catering and accommodation	23.0	6 635	1 323	706	142	162	115	125	162	16
Transport, storage and communication	4.4	1 260	504	251	14	66	78	3	90	-93
Finance, insurance, real estate and business services	12.4	3 578	992	521	89	70	108	81	173	90
General government	14.4	4 171	328	1	101	-16	-30	142	-196	-6
Community, social and personal services	14.8	4 284	777	563	-22	54	262	128	141	-17
Total Oudtshoorn	100	28 885	3 466	3 432	263	539	907	385	1 338	50

Source: Quantec Research, 2017 (e denotes estimate)

In terms of employment, the contribution per sector is very different to the trends of GDP contribution. The economic sectors that employ most of the workers include the wholesale and retail trade, catering and accommodation (23.0 per cent), the community, social and personal services (14.8 per cent), and the general government (14.4 per cent) sectors. This highlights the importance of the tourism industry in job creation. The general government and community, social and personal services sectors are estimated to shed jobs in 2016, as well as the agriculture, forestry and fishing sector.

In conjunction with the declining and contracting GDP growth in the District, employment creation also stagnated in 2016, with many sectors shedding jobs. The main sectors contributing to job creation in 2016 were the finance, insurance, real estate and business services sector and the construction sector indicating new investment in the economy even though economic growth is minimal.

2.5.3 Skills level

Table 2.12 indicates the skills levels of formally employed workers in the Oudtshoorn municipal area.

Table 2.12 Oudtshoorn skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	25.6	1.7	5 621
Semi-skilled	39.0	-0.4	8 580
Low-skilled	35.4	-0.6	7 798
Total Oudtshoorn	100	-0.01	21 999

Source: Quantec Research, 2017

The majority of formally employed workers in Oudtshoorn (39.0 per cent) are semi-skilled, while 35.4 per cent are low-skilled and 25.6 per cent are skilled. The number of low- and semi-skilled workers have been decreasing on average by 0.4 per cent and 0.6 per cent respectively since 2005, whereas the skilled population has been growing on average 1.7 per cent per annum since 2005.

2.6 Bitou

2.6.1 GDP performance

The Bitou municipal area is geographically the smallest municipal area within the Eden District and has the second smallest economy, contributing 7.4 per cent to the economy of the District. The largest town, where most of the economic activity occurs is the coastal town of Plettenberg Bay. Table 2.13 indicates Bitou's GDP performance per sector.

Table 2.13 Bitou GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	5.2	145.7	2.4	2.2	1.5	1.4	2.7	6.5	-1.1	-5.5
Agriculture, forestry and fishing	5.0	140.6	2.6	2.3	1.5	1.7	2.7	6.5	-1.1	-5.5
Mining and quarrying	0.2	5.1	-1.8	0.5	1.4	-5.3	1.6	5.2	-0.6	-7.5
Secondary Sector	24.1	671.6	4.2	3.2	3.0	4.7	3.0	2.9	2.3	1.8
Manufacturing	9.4	262.3	2.8	2.9	4.9	3.3	1.4	1.3	3.6	2.2
Electricity, gas and water	1.0	28.4	1.9	4.1	2.5	20.4	-1.0	-0.8	-0.5	-6.2
Construction	13.7	381.0	6.0	3.4	1.2	5.0	4.8	4.6	1.4	2.0
Tertiary Sector	70.7	1 968.3	3.0	2.5	3.2	2.8	2.6	2.2	1.6	1.6
Wholesale and retail trade, catering and accommodation	18.8	524.4	3.0	2.7	3.8	4.1	2.7	1.6	1.5	1.7
Transport, storage and communication	7.9	219.7	1.9	0.7	2.2	1.1	0.4	1.0	-1.2	0.7
Finance, insurance, real estate and business services	25.7	716.6	2.7	2.0	2.3	1.8	2.1	1.5	2.0	1.1
General government	10.1	281.6	5.2	5.3	7.4	4.8	6.4	5.1	2.5	3.2
Community, social and personal services	8.1	226.0	3.3	2.6	2.1	3.4	2.5	3.7	1.4	1.7
Total Bitou	100	2 785.7	3.2	2.6	3.1	3.1	2.7	2.6	1.5	1.2

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to Bitou's economy in 2015 was the finance, insurance, real estate and business services (25.7 per cent), the wholesale and retail trade, catering and accommodation (18.8 per cent), and the construction (13.7 per cent) sectors which reflects the activities of the tourism industry.

The economy of the Bitou municipal area only recovered marginally after the recession before growth started to decline again in 2013. The sectors achieving above average growth rates between 2010 and 2015 included the general government sectors, the electricity, gas and water sector, and the manufacturing sector. It should be noted that these sectors are not the main economic sectors meaning that growth occurs from a low base, resulting in a higher percentage change. The construction sector has also achieved above average growth as a result of residential developments in the area, with 243 houses to the value of R461.0 million being completed since 2010 (Quantec Research, 2017).

One of the main industries which is reflected across a number of sectors, is the tourism industry which is highly seasonal in the Bitou municipal area. A weakening national economy will affect domestic tourism and therefore have a major impact on the economy of the Bitou area, as tourists tend to travel less during tough economic times.

2.6.2 Employment profile

In 2015, 19 306 people were employed within the Bitou municipal area, contributing 8.6 per cent to employment in the District. Table 2.14 indicates the trend in employment growth within each economic sector in Bitou.

Table 2.14 Bitou employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	7.8	1 507	-253	366	-17	125	94	-43	207	-9
Agriculture, forestry and fishing	7.8	1 501	-250	368	-17	125	96	-43	207	-9
Mining and quarrying	0.0	6	-3	-2	-	-	-2	-	-	-
Secondary Sector	20.5	3 965	390	452	92	59	94	131	76	65
Manufacturing	5.1	989	-224	-26	-8	-43	32	-27	20	-23
Electricity, gas and water	0.1	17	5	2	-	-	-	1	1	1
Construction	15.3	2 959	609	476	100	102	62	157	55	87
Tertiary Sector	71.7	13 834	4 456	2 414	367	397	547	478	625	8
Wholesale and retail trade, catering and accommodation	23.6	4 557	1 330	731	159	142	123	132	175	53
Transport, storage and communication	5.3	1 031	365	168	5	42	48	-11	84	-168
Finance, insurance, real estate and business services	15.1	2 908	806	414	67	38	79	65	165	-5
General government	8.6	1 662	672	327	88	54	57	133	-5	57
Community, social and personal services	19.0	3 676	1 283	774	48	121	240	159	206	71
Total Bitou	100	19 306	4 593	3 232	442	581	735	566	908	64

Source: Quantec Research, 2017 (e denotes estimate)

As with the sectoral GDP contribution, the economic sectors that contributed the most to employment in the Bitou municipal area in 2015 included the wholesale and retail trade, catering and accommodation (23.6 per cent), the community, social and personal services (19.0 per cent), the construction (15.3 per cent), and the finance, insurance, real estate and business services (15.1 per cent) sectors, highlighting the importance of the tourism industry's contribution to the economy by providing employment.

These leading sectors have not been shedding jobs recently, except for the finance, insurance, real estate and business services sector is estimated to have shed jobs in 2016 (with the addition of non-leading sectors such as the agriculture, forestry and fishing, the manufacturing, and the transport, storage and communication sectors).

2.6.3 Skills level

Table 2.15 indicates the skills levels of formally employed workers in the Bitou municipal area.

Table 2.15 Bitou skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	19.6	1.6	2 645
Semi-skilled	43.8	0.4	5 902
Low-skilled	36.6	1.4	4 931
Total Bitou	100	1.0	13 478

Source: Quantec Research, 2017

Most of the formally employed workers in the Bitou municipal area are semi-skilled (43.8 per cent), with 36.6 per cent being low-skilled and 19.6 per cent being skilled. Total formal employment has been increasing by an average annual rate of 1.0 per cent over the last decade. The tourism industry requires workers of a variety of skills, ranging from low-skilled (waiters, cleaners etc.) to skilled workers (marketing, finance, etc.).

2.7 Hessequa

2.7.1 GDPR performance

The Hessequa municipal area is the largest municipality in terms of geographical size within the District, however, it only contributes 8.8 per cent to the total GDPR of the District. Over the last five years, the Hessequa municipal area and the District economies have been growing at an average annual rate of 2.7 per cent. Table 2.16 outlines Hessequa's GDPR performance per sector.

Table 2.16 Hessequa GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	11.3	369.8	1.0	0.8	-0.2	0.1	1.5	6.0	-3.6	-8.9
Agriculture, forestry and fishing	11.0	360.9	1.0	0.7	-0.2	0.2	1.5	6.0	-3.7	-8.9
Mining and quarrying	0.3	8.9	-1.7	1.0	1.0	-0.8	1.0	5.1	-1.5	-8.1
Secondary Sector	22.5	737.8	2.8	1.7	1.2	2.0	3.1	1.6	0.4	0.0
Manufacturing	13.4	438.7	4.1	3.2	4.7	3.6	4.3	1.9	1.7	2.0
Electricity, gas and water	2.3	75.4	-3.5	-3.1	-1.2	-3.4	-3.9	-3.4	-3.8	-8.0
Construction	6.8	223.7	2.7	-0.3	-5.4	0.2	2.6	2.3	-1.3	-2.7
Tertiary Sector	66.2	2 173.8	3.9	3.5	4.8	3.8	3.5	2.9	2.6	1.6
Wholesale and retail trade, catering and accommodation	19.4	637.3	3.5	3.3	4.8	4.3	2.8	2.4	2.4	1.2
Transport, storage and communication	11.2	368.5	4.5	4.0	5.2	4.0	4.4	4.4	1.8	1.0
Finance, insurance, real estate and business services	20.8	682.5	4.7	4.0	5.0	3.9	3.7	3.2	4.4	2.6
General government	8.5	279.8	2.6	2.5	4.8	2.3	3.5	2.0	-0.1	0.5
Community, social and personal services	6.3	205.7	3.0	2.7	3.8	3.4	3.0	2.1	1.4	0.9
Total Hessequa	100	3 281.5	3.2	2.7	3.3	2.9	3.1	3.1	1.3	-0.1

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to the economy of the Hessequa municipal area in 2015 were the finance, insurance, real estate and business services (20.8 per cent) sector, the wholesale and retail trade, catering and accommodation (19.4 per cent) sector, and the manufacturing (13.4 per cent) sector. The agriculture, forestry and fishing sector plays an important role by providing raw material for the manufacturing sector. Food production is the main manufacturing activity in the area which includes dairy products and milled products.

The economy of the Hessequa municipal area was on a path of recovery before growth declined significantly in 2015 to 1.3 per cent and contracted by 0.1 per cent in 2016. This contraction can be attributed to the severe contraction of 8.9 per cent in the agriculture, forestry and fishing sector. The Hessequa municipal area is characterised by farm land producing lucerne, wheat and canola as well as dairy farmers; these industries are highly dependent on water and the effect of the drought is evident.

Other sectors contracting in 2016 include the mining and quarrying sector, the electricity and water sector (contracting year-on-year by an average rate of 3.1 per cent per annum) and the construction sector. A contracting construction sector indicates a lack of investment locally, which can include infrastructure, residential and non-residential investment.

2.7.2 Employment profile

Table 2.17 indicates the trend in employment growth within each economic sector in Hessequa.

Table 2.17 Hessequa employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	17.6	4 378	-1 367	885	-138	243	198	-226	808	-66
Agriculture, forestry and fishing	17.5	4 359	-1 355	892	-138	243	205	-225	807	-65
Mining and quarrying	0.1	19	-12	-7	-	-	-7	-1	1	-1
Secondary Sector	17.5	4 357	113	356	22	-22	125	108	123	-70
Manufacturing	8.0	1 992	81	129	17	-54	116	-24	74	-27
Electricity, gas and water	0.2	56	5	8	4	-1	-1	-1	7	-1
Construction	9.3	2 309	27	219	1	33	10	133	42	-42
Tertiary Sector	64.9	16 186	4 775	3 063	444	543	717	613	746	-118
Wholesale and retail trade, catering and accommodation	27.3	6 814	1 352	1 171	223	260	197	236	255	-72
Transport, storage and communication	6.1	1 511	821	417	29	93	123	11	161	-121
Finance, insurance, real estate and business services	12.4	3 091	1 297	737	103	93	146	136	259	68
General government	7.3	1 816	380	133	66	23	14	91	-61	21
Community, social and personal services	11.9	2 954	925	605	23	74	237	139	132	-14
Total Hessequa	100	24 921	4 512	4 304	328	764	1 040	495	1 677	-254

Source: Quantec Research, 2017 (e denotes estimate)

The wholesale and retail trade, catering and accommodation (27.3 per cent) and the agriculture, forestry and fishing (17.5 per cent) sectors contributed the most to employment in the Hessequa area in 2015. Employment in the agriculture, forestry and fishing sector is volatile due to the seasonal job needs of the industry. Labour requirements constantly change due to changes in harvests. Changes in labour legislation, minimum wages and technological changes in harvesting methods also impact labour.

The economic contraction in 2016 resulted in job losses in all the economic sectors in 2016 except for the finance, insurance, real estate and business services and general government sectors.

2.7.3 Skills level

Table 2.18 indicates the skills levels of formally employed workers in the Hessequa municipal area.

Table 2.18 Hessequa skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	20.4	2.4	3 067
Semi-skilled	41.1	-0.03	6 197
Low-skilled	38.5	-1.8	5 807
Total Hessequa	100	-0.3	15 071

Source: Quantec Research, 2017

The most formally employed workers in the Hessequa municipal area in 2015 (41.1 per cent) were semi-skilled, while 38.5 per cent are low-skilled and 20.4 per cent are skilled. The semi- and low-skilled workers has been contracting on average 0.03 per cent and 1.8 per cent respectively since 2005, while the skilled workers have been growing at an average of 2.4 per cent since 2005. This trend is in line with the net decline, and slow job growth in the primary and secondary sectors in the Hessequa municipal area.

2.8 Kannaland

2.8.1 GDP performance

The Kannaland municipal area is the smallest economy within the Eden District, contributing only 2.8 per cent to the District's GDP in 2015. The Kannaland municipal area's economy grew at an average annual rate of 3.0 per cent over the last five years, which is slightly faster than the economic growth of the District which grew at 2.7 per cent on average annually. Due to the small base of Kannaland, growth is expected to be higher than average as a result of the low base effect. Table 2.19 indicates Kannaland's GDP performance per sector.

Table 2.19 Kannaland GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	16.2	173.2	1.6	1.1	-0.3	0.7	1.7	7.6	-4.2	-10.3
Agriculture, forestry and fishing	16.2	173.2	1.6	1.1	-0.3	0.7	1.7	7.6	-4.2	-10.3
Mining and quarrying	0.0	-	-	-	-	-	-	-	-	-
Secondary Sector	23.8	254.2	0.7	-0.3	-2.8	-0.7	-0.2	1.7	0.7	-2.5
Manufacturing	13.2	141.0	-1.0	-2.1	-5.0	-2.6	-2.6	0.2	-0.3	-3.7
Electricity, gas and water	4.8	50.9	1.1	1.1	3.6	1.1	0.1	0.4	0.1	-4.9
Construction	5.8	62.3	7.6	4.7	0.4	4.3	7.6	7.2	3.7	2.3
Tertiary Sector	59.9	639.3	5.1	5.0	6.5	4.7	4.6	3.6	5.5	2.3
Wholesale and retail trade, catering and accommodation	16.5	176.2	3.8	3.7	5.1	4.6	3.1	2.8	2.8	1.5
Transport, storage and communication	10.0	106.9	6.7	5.8	7.0	5.8	6.3	5.9	3.8	2.3
Finance, insurance, real estate and business services	16.7	177.6	9.8	9.3	11.3	7.4	7.6	6.0	14.3	5.2
General government	9.7	103.5	1.1	0.8	3.1	0.7	1.8	0.3	-1.8	-1.3
Community, social and personal services	7.0	75.1	2.9	2.6	3.8	3.1	3.1	1.6	1.3	0.6
Total Kannaland	100	1 066.6	3.3	3.0	2.9	2.7	3.0	4.0	2.6	-1.0

Source: Quantec Research, 2017 (e denotes estimate)

The economic sectors that contributed the most to Kannaland's economy in 2015 were the finance, insurance, real estate and business services (16.7 per cent), the wholesale and retail trade, catering and accommodation (16.5 per cent) and the agriculture, forestry and fishing (16.2 per cent) sectors. The wholesale and retail trade, catering and accommodation sector and the finance, real estate and business services sector have both expanded since the recession growing at above average rates.

The agriculture, forestry and fishing sector has been contracting since 2015 (with a contraction of 4.2 per cent in 2015 and a further contraction of 10.3 per cent in 2016). This contraction can be attributed to the severe drought which has a negative impact on Kannaland's economy considering the reliance on the agriculture, forestry and fishing sector. The lack of water is not only impacting the agriculture, forestry and fishing sector but also the manufacturing sector, which contracted by 3.7 per cent in 2016. Insufficient water resources are affecting the operations of producers as factories cannot operate at optimal levels, which affects expansion opportunities which could hold widespread economic benefits for the Kannaland area.

The economic growth of the Kannaland municipal area has dwindled since 2015 and has contracted by 1.0 per cent in 2016. This is due to the slump in the primary and secondary sectors while the general government sector also contracted in the period. Financial constraints in the Municipality resulting in poor infrastructure maintenance and development are contributing to the contraction of this sector⁵.

2.8.2 Employment profile

Table 2.20 indicates the trend in employment growth within each economic sector in Kannaland.

Table 2.20 Kannaland employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	29.5	2 882	-974	580	-115	120	107	-171	639	-46
Agriculture, forestry and fishing	29.5	2 882	-974	580	-115	120	107	-171	639	-46
Mining and quarrying	0.0	-	-	-	-	-	-	-	-	-
Secondary Sector	13.3	1 296	161	191	29	-1	54	50	59	8
Manufacturing	6.1	593	-127	-27	2	-38	22	-21	8	-19
Electricity, gas and water	0.3	34	11	5	-1	3	-	2	1	2
Construction	6.8	669	277	213	28	34	32	69	50	25
Tertiary Sector	57.3	5 603	2 254	883	172	210	293	251	289	-30
Wholesale and retail trade, catering and accommodation	21.5	2 103	825	83	79	90	71	84	91	-19
Transport, storage and communication	5.3	518	323	175	14	38	48	10	65	-33
Finance, insurance, real estate and business services	10.1	983	491	270	39	35	55	51	90	19
General government	7.3	711	105	28	23	3	-	30	-28	4
Community, social and personal services	13.2	1 288	510	327	17	44	119	76	71	-1
Total Kannaland	100	9 781	1 441	1 986	86	329	454	130	987	-68

Source: Quantec Research, 2017 (e denotes estimate)

The sectors that contributed the most to the employment in the Kannaland municipal area in 2015 were the agriculture, forestry and fishing (29.5 per cent) and the wholesale and retail trade, catering and accommodation (21.5 per cent) sectors.

⁵ Kannaland Municipality MERO 2017 Survey response

The severe contraction in GDP of the agriculture, forestry and fishing sector in 2016 and the overall weakening of the local economy resulted in job losses in the majority of sectors, highlighting the dependence of the local economy on the agriculture, forestry and fishing sector. Other sectors shedding jobs in 2016 include the manufacturing sector, the transport, storage and communication sector, the wholesale, retail trade, catering and accommodation sector and the community, social and personal services sector highlighting the importance of the agricultural, forestry and fishing sector. The contraction of this sector has resulted in job losses in many other sectors in the local economy.

2.8.3 Skills level

Table 2.21 indicates the skills levels of formally employed workers in the Kannaland area.

Table 2.21 Kannaland skills level, 2015

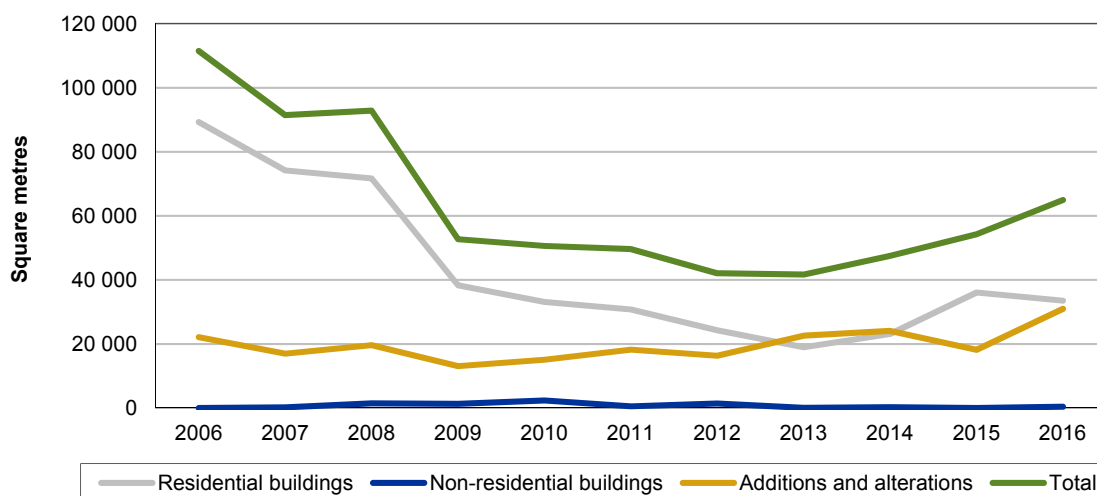
Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	15.8	1.8	960
Semi-skilled	33.6	0.3	2 046
Low-skilled	50.6	-2.0	3 078
Total Kannaland	100	-0.7	6 084

Source: Quantec Research, 2017

Most of the formally employed people in the Kannaland area in 2015 was low-skilled (50.6 per cent), while 33.6 per cent were semi-skilled and 15.8 per cent skilled. The number of the low-skilled workers has been decreasing by 2.0 per cent on average since 2005 which is in line with the ten-year decline in employment in the agriculture, forestry and fishing sector, which typically absorbs low-skilled workers. The semi-skilled and skilled population has been increasing during the same period. The number of skilled workers who are formally employed have been increasing by an average annual rate of 1.8 per cent per annum, which is in line with the general increases in employment in the tertiary sector.

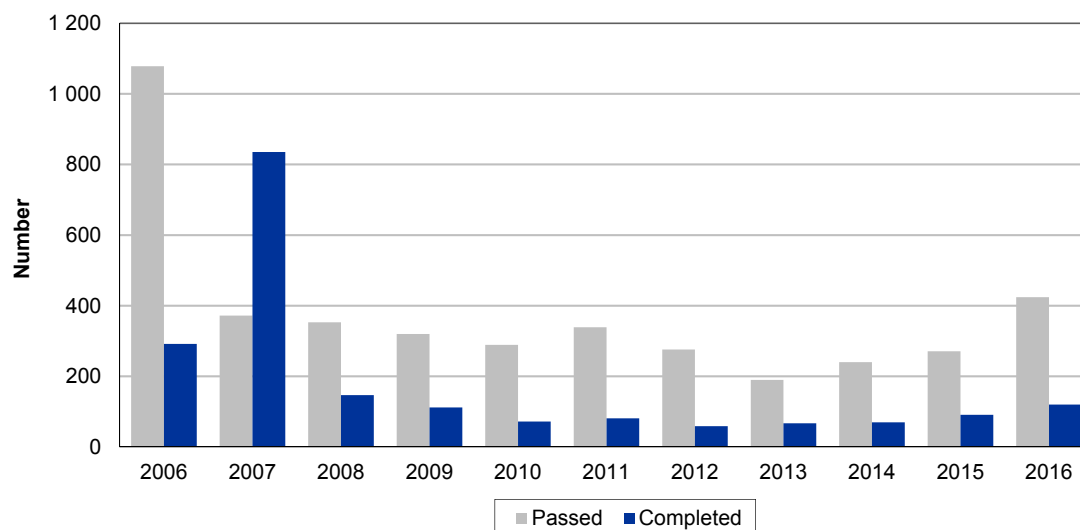
2.9 Building plans passed and completed

Building plans can provide a picture of the performance of an economy. Growth in the number of building plans passed and completed is an indication of a growing economy - both in that the number of building plans passed/completed is a response to growth in demand variables, and a stimulant of further growth as an activity in and of itself. It also has implications for spatial development planning within the Eden District. Figure 2.1 indicates the total square metres of building plans passed between 2006 and 2016 in Bitou.

Figure 2.1 Bitou building plans passed, 2006 - 2016

Source: Stats SA, 2017

In Bitou, a total of 473 714 square metres of residential buildings have been passed in the last 10 years (2006 to 2016), 8 114 square metres of non-residential buildings, and 217 675 square metres of additions and alterations. There were many building plans passed before the recession and building activity has been slowly increasing since 2013. A significant gap between building plans passed and building plans completed could indicate any number of trends such as availability of finance, or a retraction of interest in the area. Figure 2.2 displays the trend in building plans passed and completed in Bitou between 2006 and 2016.

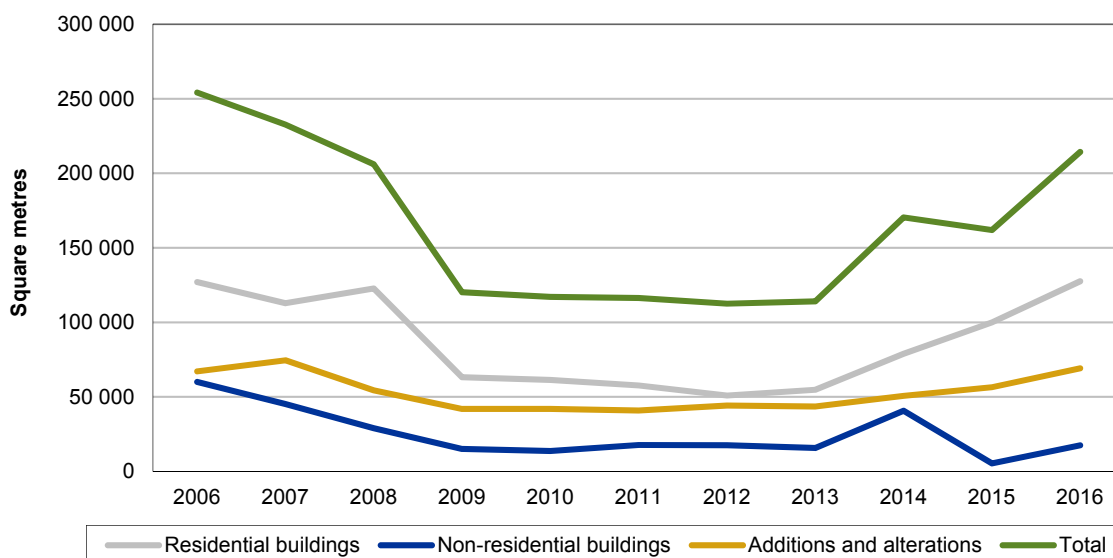
Figure 2.2 Bitou building plans passed and completed, 2006 - 2016

Source: Stats SA, 2017

Many building plans were passed in Bitou before 2007, with more building plans being completed in this year than any other year. Very few building plans were being completed during and after the recession, and even though more building plans were being passed in 2015 and 2016 the number of plans being completed stayed at low levels.

Figure 2.3 indicates the total square metres of building plans passed between 2006 and 2016 in George.

Figure 2.3 George building plans passed, 2006 - 2016

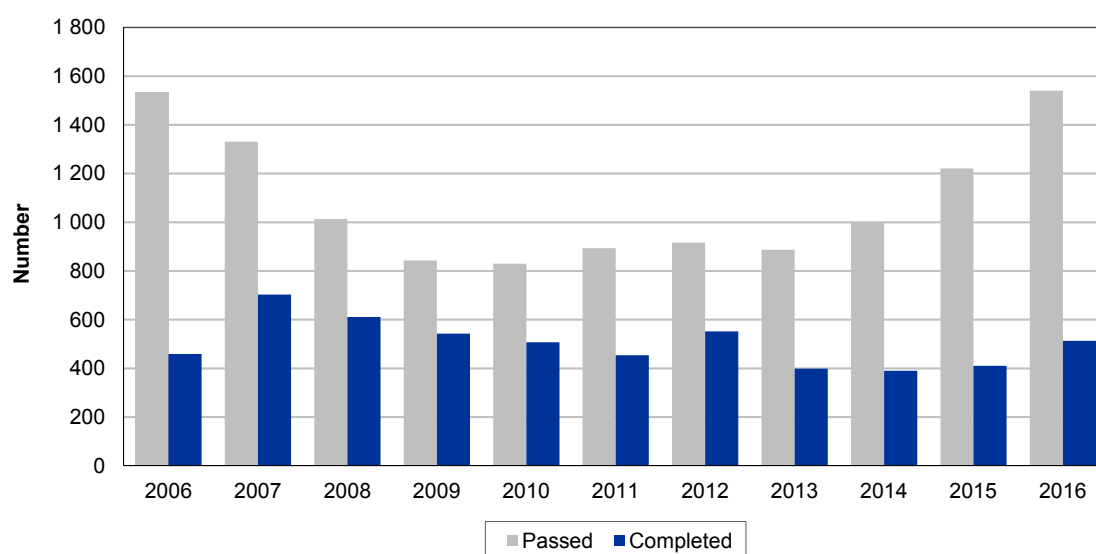


Source: Stats SA, 2017

In the George municipal area, a total of 957 166 square metres of residential buildings were passed since 2006, with 277 938 square metres of non-residential buildings, and 584 956 square metres of additions and alterations being passed over the period. Many residential building plans were passed between 2006 and 2008 and thereafter showed similar trends as the non-residential and additions/alterations building plans passed.

Figure 2.4 indicates the building plans passed and completed in George between 2006 and 2016.

Figure 2.4 George building plans passed and completed, 2006 - 2016

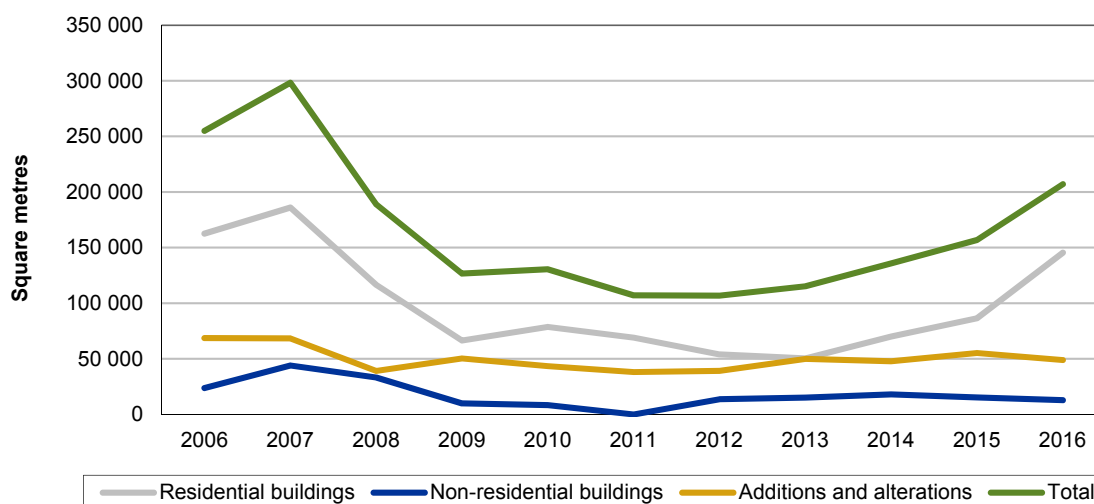


Source: Stats SA, 2017

Many building plans were passed in George before 2008 and again after 2014, with more building plans being completed in 2016 than any other year contributing to growth in the construction sector and indicating increased investor interest in the George municipal area.

Figure 2.5 indicates the total square metres of building plans passed between 2006 and 2016 in Mossel Bay.

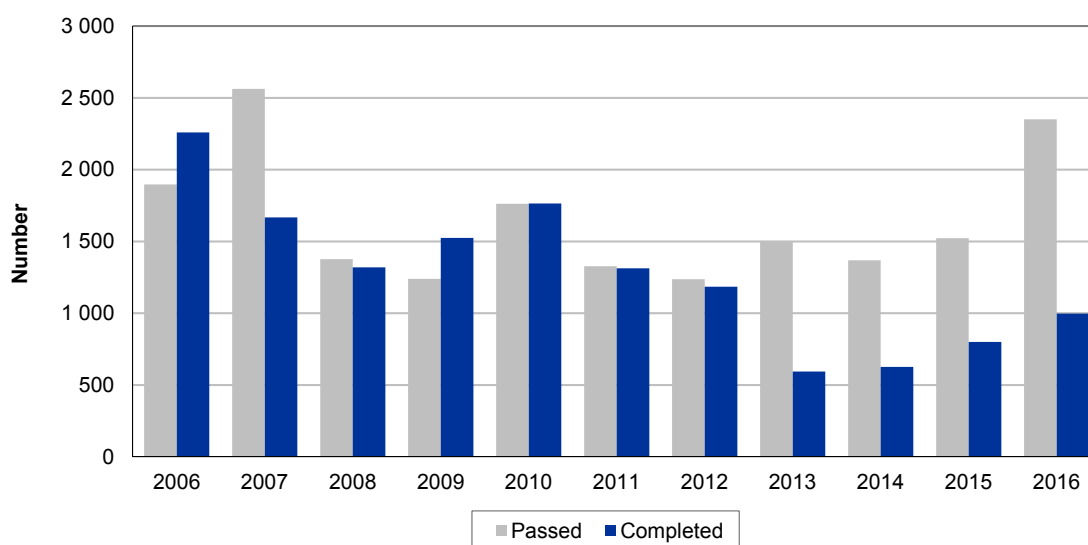
Figure 2.5 Mossel Bay building plans passed, 2006 - 2016



Source: Stats SA, 2017

In the Mossel Bay area, a total of 1.08 million square metres of residential buildings were passed since 2006, with 193 871 square metres of non-residential building, and 548 882 square metres of additions and alterations being passed over the period. There were many building plans passed before the recession and building activity has been slowly increasing since 2013. Figure 2.6 indicates the building plans passed and completed in Mossel Bay between 2006 and 2016.

Figure 2.6 Mossel Bay building plans passed and completed, 2006 - 2016

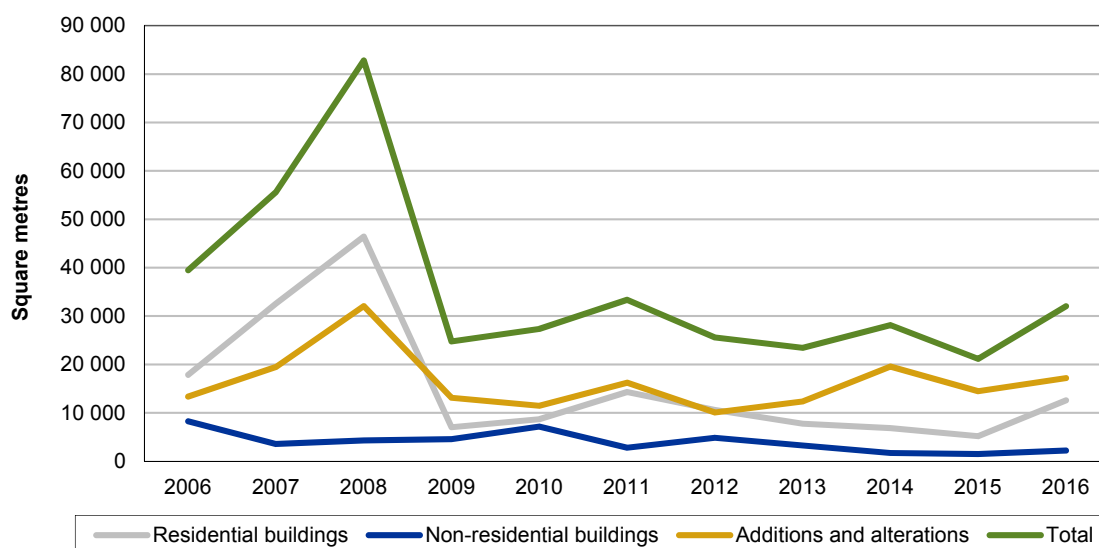


Source: Stats SA, 2017

Many building plans have been passed every year in Mossel Bay with more building plans being completed in 2006 than any other year. Very few building plans were being completed between 2013 and 2015, and even though more building plans were being passed after 2014 the number of plans being completed stayed at low levels. Buildings completed have been increasing since 2013 indicating increased investor interest in the area.

Figure 2.7 indicates the total square metres of building plans passed between 2006 and 2016 in Oudtshoorn.

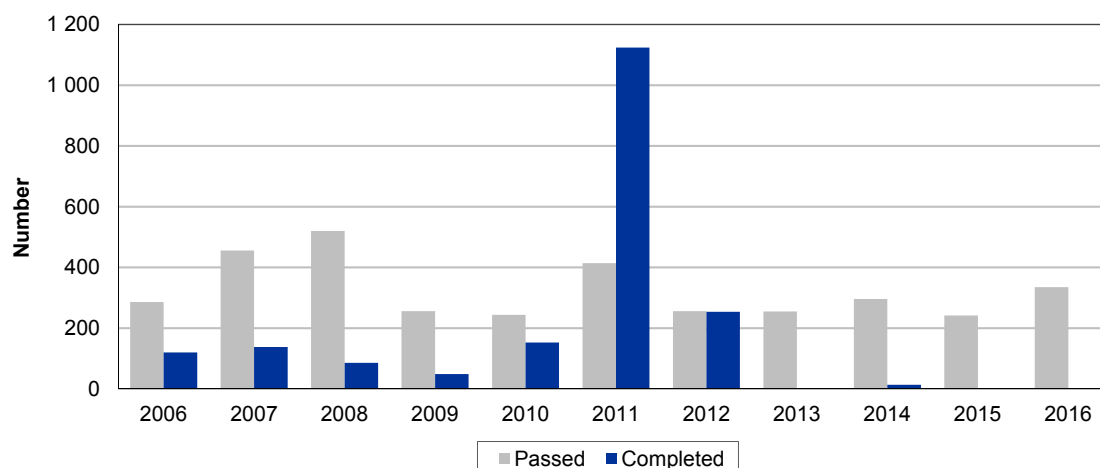
Figure 2.7 Oudtshoorn building plans passed, 2006 - 2016



Source: Stats SA, 2017

In Oudtshoorn, a total of 169 999 square metres of residential buildings have been passed in the last 10 years (2006 to 2016), 44 336 square metres of non-residential buildings, and 179 520 square metres of additions and alterations. Many residential building plans were passed between 2006 and 2008 and again after an increase again between 2011 and 2013. Building plans passed in the Oudtshoorn area is mainly for additions and alterations to existing buildings followed by residential buildings. Building plans passed for non-residential buildings (which includes office, retail and industrial space) has been relatively stagnant since 2012.

Figure 2.8 indicates the building plans passed and completed in Oudtshoorn between 2006 and 2016.

Figure 2.8 Oudtshoorn building plans passed and completed, 2006 - 2016

Source: Stats SA, 2017

Many building plans were passed in Oudtshoorn before 2009, with more building plans being completed in 2011 than any other year. The number of building plans passed remained steady after the recession, but the number of building plans completed remained low after the recession and no data was available after 2013.

2.10 Concluding remarks

The Eden District has a very diverse economy, ranging from ostrich farming in the northern areas, dairy farming in the southern areas, popular tourist areas along the coast and commercial nodes in George, Mossel Bay, Plettenberg Bay and Oudtshoorn while the Hessequa and the Kannaland areas are characterised by vast farmlands. The economic sectors that contributed the most to Eden's local municipal areas in 2015 were the wholesale and retail trade, catering and accommodation sector, the finance, insurance, real estate and business services sector, the manufacturing sector, the construction sector and the agriculture, forestry and fishing sector.

Economic growth in the Eden District is mainly driven by tertiary sector industries, although the agriculture, forestry and fishing sector provides a base for economic activity in many of the areas. In general, unemployment within all local areas are increasing in the District, with a decline in GDP growth over the last five years and many sectors shedding jobs in 2015 and 2016.

The tourism industry is a main economic driver in many of the local areas, with attractions such as the Garden Route and local beaches attracting domestic and international tourists. The general weakening of the South African economy which reduces the number of domestic tourists will therefore also impact the economies and employment creation of the municipal areas.

The severe drought in the WC that started in 2015 is having a negative impact on the agriculture, forestry and fishing sector in terms of GDP and employment, which will also have ripple effects on sectors such as manufacturing, wholesale retail trade, catering and accommodation and finance, insurance, real estate and business services sectors.

3

Value chains

3.1 Introduction

All industries do not operate in a single economic sector, as value is added throughout the product value chain. In many local economies, the economy is driven by a dominant industry or commodity, which has given rise to the development of towns and the expansion of economic activity as well as attracts new industries and development which adds value to the economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this chapter is to highlight how economic sectors within Eden District function and considering the economic and employment trends identified in Chapters 1 and 2 provide further detail to the linkages between local sectors.

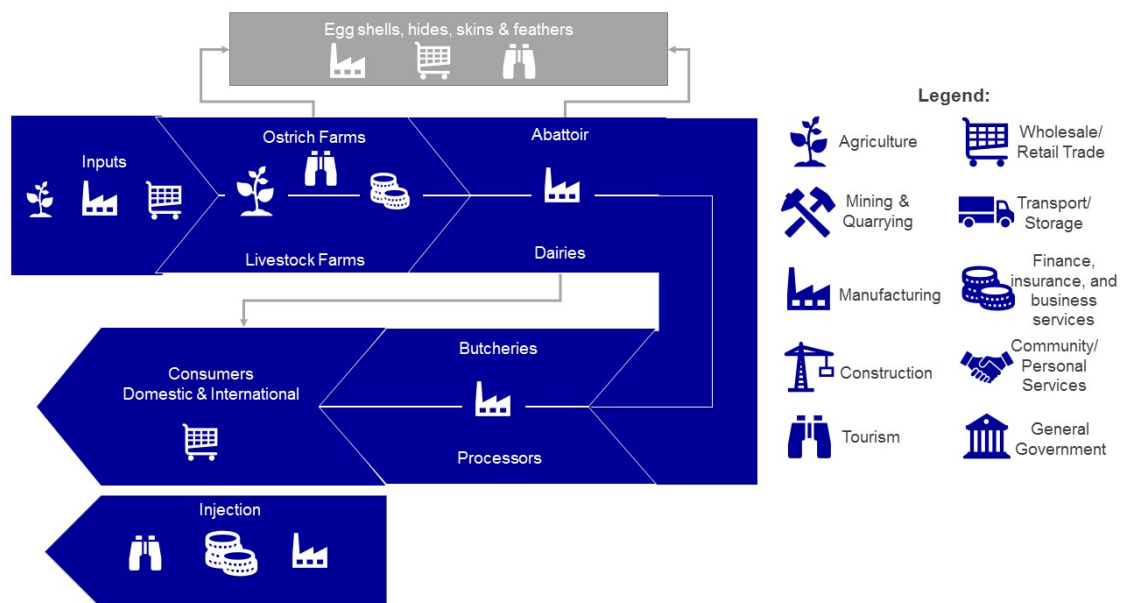
3.2 Sectoral linkages

As indicated in previous sections, the finance, insurance, real estate and business services sector; the wholesale and retail trade, catering and accommodation sector; and the manufacturing sector are the main economic sectors in Eden in terms of GDP contribution and employment. However, the agriculture, forestry and fishing sector also contributes significantly to Eden's economy in terms of employment and providing inputs that are used within the manufacturing sector.

The Eden District has a variety of industries that contribute to economic growth and employment creation. In terms of agriculture, forestry and fishing sector, lucerne and livestock farming as well as ostrich farming are the main industries. In terms of the manufacturing sector, dairy production, processing of ostrich meat and products, as well as gas and fuel production are the main industries. New industries such as Business Process Outsourcing (BPO) have given rise to new investment in the District and are major contributors to the finance, insurance, real estate and business services sector.

The two major value chains in the District are therefore the agriculture value chain as well as the gas and fuel industry in Mossel Bay, with the BPO industry as well as tourism providing valuable injection.


Diagram 3.1 Sectoral linkages








Source: Urban-Econ, 2017

As indicated by Diagram 3.1, there are many backward and forward linkages between the various economic sectors in Eden. The analysis of this section focuses on the main economic sectors in Eden. These are the sectors which will negatively affect the economy if they had to disappear (i.e. ostrich farming, dairy, oil and gas, and ICT and BPO). Table 3.1 provides a summary of the linkages between the sectors as outlined in Diagram 3.1.

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture subsector	The agriculture subsector in the Eden District contributes R1.5 billion to the economy, with the largest agricultural sectors located in the Hessequa, George and Oudtshoorn areas. Mossel Bay has the largest fishing sector contributing R126 million to the economy in 2015. The agriculture sector also employs 19 050 people, the majority of which are low-skilled. The agriculture sector consists mainly of lucerne production, livestock production (for dairy production purposes) and ostrich farming. A main input needed in livestock farming is feed, which is dependent on maize production in other areas of the country which highlights backward linkages to other agricultural areas in South Africa. Other agricultural inputs such as fuel and machinery are also obtained locally, supporting the wholesale and retail trade subsector.

Sector	Linkages
 Wholesale and retail trade subsector	<p>The wholesale and retail subsector contributed R6.2 billion to the District economy, and the subsector employed nearly 50 000 people in the District with 49.5 per cent of workers being informally employed. The main retail nodes in the District are the Mossel Bay, Knysna and George municipal areas. Inputs are purchased from within the Eden as well as from outside the District. Some of the companies include:</p> <ul style="list-style-type: none"> ● Agrico ● Afgri ● BKB ● Kaap Agri (Agrimark) ● Moov Fuel ● Bulk Petroleum Supplies ● Open Road Petroleum ● Shell ● Chevron ● Afrox ● Mosstech ● ICT traders ● AcroTech ● National chain stores for groceries, fuel and clothing <p>Ostrich products, dairy and goods from the oil and gas industries are also sold locally within the Eden District as well as across South Africa.</p>
 Transport and storage subsector	<p>The transport and storage subsector contributes R3.1 billion to the District economy, with the George municipal area making the largest contribution to this subsector, mainly due to the George Airport and accompanying car rental service providers as well the large population making use of public transport services (52.0 per cent of workers are informally employed). The George Airport is one of the gateways for international tourists for easy access to the Garden Route, providing further linkages between the transport and storage sector and the retail subsector and the catering and accommodation subsector.</p> <p>In terms of the agriculture sector, inputs needed to be transported from service centres to the farms, however, it is mainly large logistics service providers who assist producers to transport their final products to the harbour for export, as well as to the rest of the country. Some local companies involved in this include:</p> <ul style="list-style-type: none"> ● PetroSA Logistics ● Afrishore Shipping ● Moov Logistics ● Barlow World Logistics ● Lonrho ● Grindrod Petrologistics ● Grindrod Fuelogic ● Dawn Wing ● Imperial ● XPS ● SuperGroup <p>The Mossel Bay harbour is also a valuable entry point for goods in and out of the District, although the Mossel Bay harbour is mostly utilised for fishing purposes and supporting the oil and gas industry. In 2015, the harbour handled 1 050 vessels and 2.5 million tonnes of cargo, of which 98.3 per cent was bulk cargo (mostly oil products) (Department of Transport, 2014).</p>

Sector	Linkages
 Manufacturing	<p>The local manufacturing sector is diverse and is dependent on local resources within the different areas; 24.5 per cent of manufacturing GDP is from food and beverage production (R1.7 billion) which is mainly dairy products, with other main manufacturing products including beverage production (R390 million), petroleum products (R393 million) and wood and wood products (R402 million).</p> <p>Local manufacturing of input products for the agriculture sector does occur, such as feed manufacturing, creating backward linkages to this sector. Some of the local companies include:</p> <ul style="list-style-type: none"> ● PetroSA Gas-to-Liquid (GTL) Refinery ● Parmalat ● Clover ● Lancewood ● Nestlé
 Professional business services subsector	<p>The business services subsector contributes R5.54 billion (14.7 per cent) to the economy of the Eden District and employs 14 372 people. This sector provides farmers, producers and the industrial sector with the following services:</p> <ul style="list-style-type: none"> ● Real estate activities ● Renting of machinery ● Hardware and software computer consulting and data processing (important linkage to the BPO and ICT industry) ● Research and new technological advancements ● Legal and accounting services ● Accounting services
 Tourism	<p>Tourism is not a sector on its own, however, the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation and the transport, storage and communication sectors. Tourists have a variety of needs such as accommodation, restaurants, vehicles and tours creating opportunities for additional business development within the area to meet the needs of tourists. A subsector which is linked to tourism spending in the economy is the catering and accommodation subsector; this subsector contributed R570 million to the Eden District economy in 2015 and employed 7 833 people in the District. The largest proportion of this subsector GDP contribution stems from the Knysna and Mossel Bay municipal areas.</p>

Source: Quantec Research, 2017

Ostrich farming, dairy production and goods and services from the ICT, BPO, and oil and gas industries within Eden not only contributes to the GDP and employment of various sectors, but also to creating linkages between towns inside and outside the District. Map 3.1 indicates the main service centres and commercial nodes, as well as tourism nodes. Valuable transport routes for goods and tourists include the N2, the N12, the N9 and the R62.

Map 3.1 Eden District linkages

Source: Urban-Econ via MapAble, 2017 & WC DOA, 2013

The main service centres in terms of inputs, services and agri-processing include George (also a commercial node), Mossel Bay (also a commercial node), Knysna and Plettenberg Bay. Tourism nodes include Oudtshoorn, Mossel Bay, George, Knysna, Wilderness, Plettenberg Bay, Hermanus and Stilbaai.

3.3 Ostrich farming

South Africa is the world leader in ostrich production with 75 per cent of global market share. Ostrich is characterised by three product phases, i.e. meat (70 per cent is exported fresh while 30 per cent is exported frozen); leather (for clothing, fashion and upholstery industries); and feathers (for industrial, household and fashion); and the current main source of income is meat and leather. The value of a slaughtered ostrich is broken down into 45 per cent skin, 45 per cent meat and 10 per cent feather. Ostrich farming is more suitable in the western drier parts of the country or in winter rainfall regions. The industry dominates in the Klein Karoo and Southern Cape regions of the Western Cape. Oudtshoorn is called the ostrich capital due to the number of ostriches slaughtered and the value-added products from this area and the Eden region has approximately 184 995 ostriches (WC DOA, 2013).

The average gross value of ostrich production amounted to R370 million between 2004 - 2014. The low gross value in 2004 was due to an outbreak of Avian Influenza (AI) during August 2004 in South Africa. It recovered in 2006 due to increasing prices but declined again in 2007 due to economic crisis and reached a peak in 2009. The drastic decreases experienced in 2010, 2011 and 2012 were due to another outbreak of bird flu in April 2011. However, in 2013 the gross value increased by 23.7 per cent from 2012 (SA DOA, 2015). Abattoirs in the area include Mosstrich, Grahamstown Ostrich Abattoir, Swartland Ostriches, Camdeboo Meat Processors Ltd, Exon, Marowe (Pty) Ltd, Philippe Genuine Ostrich Products and Camexo. South Africa has been a net exporter of ostrich with the exception of 2012. Approximately 70 per cent of ostrich products are in the hands of a few players namely Klein Karoo International (Pty) Ltd, Mosstrich, Grahamstown Ostrich Abattoir, Swartland Ostriches, Camdeboo Meat Processors Ltd, Exon, Marowe (Pty) Ltd, Philippe Genuine Ostrich Products and Camexo.

The export quantities are far higher than import quantities although exports experienced a drastic decrease from 2011 to 2014 due to the ban of ostrich meat in the EU market. The exports reached the peak in 2009 at 7 445 tons and this was due to the increased production reaching 8.3 million kg of ostrich during the same period (SA DOA, 2015). The ostrich industry is an important earner of foreign exchange through the export of ostrich meat, leather and feathers. Prior to the ban of ostrich meat and products, exports contributed approximately R1.2 billion annually (SA DOA, 2015). Prior to the ban the European Union was the largest consumer of South Africa's ostrich meat (98 per cent) and was South Africa's major export destination. The remaining 2 per cent is exported to the Far East, including Hong Kong.

Some of the challenges facing emerging ostrich farmers include (SA DOA, 2016):

- Lack of funding as ostrich farming is capital intensive;
- High risk industry;
- Lack of skills;
- Lack of knowledge on the export markets; and
- High quality standards for ostrich meat as meat must adhere to international standards.

3.4 Dairy production

In 2016, 29.8 per cent of milk producers in South Africa are in the Western Cape (MilkSA, 2016). The Eden District has 350 dairies as per the previous agricultural census in the Province (WC Department of Agriculture, 2013), which accounts for 46.0 per cent of the dairies in the Province. The other major milk producing area in the Province is the Overberg District which borders the Eden District, with 208 dairies. In the Western Cape, the number of dairies have been declining over the past five years, however, milk production is increasing by an average annual rate of 3.4 per cent nationally (MilkSA, 2016). Overall, milk prices have been increasing significantly since 2013 by an average annual rate of 13.0 per cent per annum over the three-year period; prices have increased from 348.5 cents per litre in 2013 to 431.3 cents per litre in 2015.

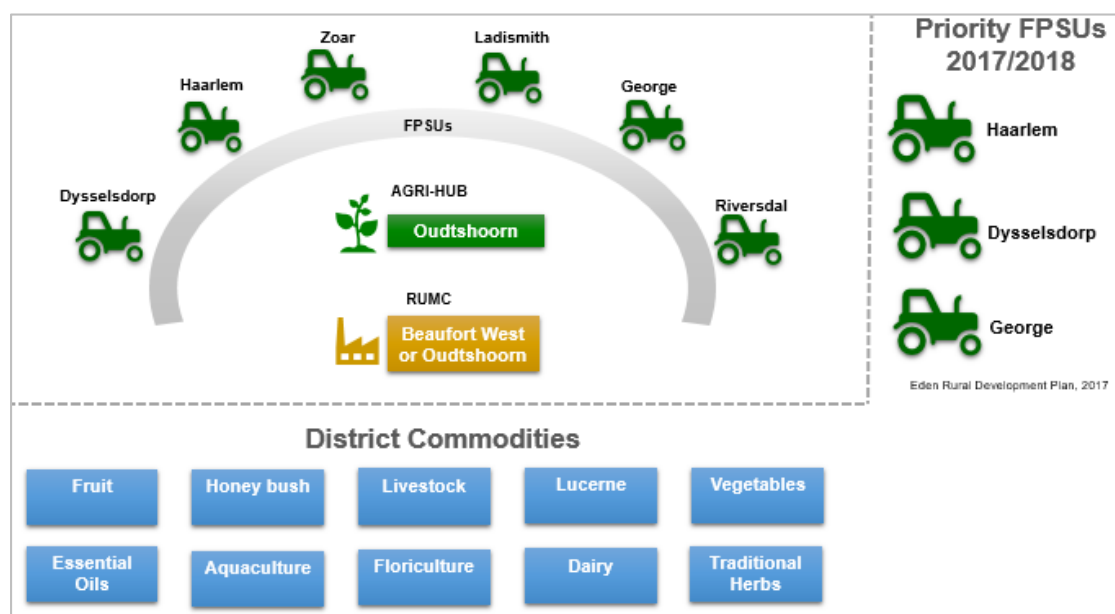
In the WC, there are 23 producer distributors (producers selling their produce directly to retailers) and 36 milk buyers in 2015, representing 20.0 per cent of producer distributors and 24.0 per cent of milk buyers in the Country. Milk distributors and dairy processors in the Eden District include Clover, Lancewood, Parmalat, Butlers Farmhouse Cheese in George and Nestle in Riversdale (Hessequa Municipality).

According to BFAP (2015), one of the main determinants of the success of the dairy industry is weather conditions. Fluctuating weather conditions impact on the cost of feed as well as the productivity of cattle and grazing conditions. It can thus be expected that dairy production and prices will be affected by the drought conditions in 2015 and 2016. Another factor contributing to the volatility of the dairy industry is the perishability of the product which highlights the need for refrigerated transport and cold storage infrastructure.

3.5 Agri-Parks

Due to the importance of the agricultural value chain within the District, initiatives such as the Agri-Park Programme has the potential for widespread economic benefits since it will not only support farming activities but also promote local processing. The Diagram below outlines the locations for Farmer Production Support Units (FPSUs), the Agri-Hub and the Rural Urban Market Centre (RUMC) within the Eden District. The Agri-Park Programme will not only focus on the main commodities (dairy, livestock and lucerne), but also on other commodities that are unique to the areas around each FPSU and new emerging commodities that have the potential to stimulate economic growth and employment creation, such as honeybush farming and aquaculture.

Diagram 3.2 Agri-Park implementation, Eden District



Source: Eden Rural Development Plan, 2017

Some of the agro-processing opportunities identified by the Eden District Agri-Park Master Plan (2016) include:

- Expanding fruit and vegetable drying facilities (Zoar and Dysseldorp)
- Expanding sorting, packing and storage facilities (Haarlem)
- Expand honey bush production and processing (Haarlem)
- Lucerne production and processing
- Essential oil production

These agro-processing opportunities will not only benefit the agriculture, forestry and fishing sector, but will have indirect and induced positive impacts on the manufacturing sector, wholesale and retail trade, catering and accommodation sector, the transport, storage and communication sector as well as short term benefits for the construction sector. Honeybush and essential production also has the opportunity to be developed as a tourism attraction. Honeybush and essential oil

production also has the opportunity to be developed as a tourism attraction. The honeybush tea industry is also supported by the Eden District as an opportunity for growth and employment creation in the District. This industry is fairly underdeveloped, with roughly 70.0 per cent of harvested honeybush being wild-harvested (SAHTA, 2017); this makes the industry susceptible to occurrences such as overharvesting and veld fires. The Agricultural Research Council (ARC) are key role players in the development of this industry through their research efforts. The ARC further developed commercial honeybush seeds in 2013 (ARC, 2016) which has boosted commercial production significantly. The Eden District had 117.57 hectares of commercially planted honeybush in 2013, the majority of which, in the Hessequa municipal area (78.23 hectares) (WC DOA, 2013). Processors of honeybush in the District are located in Riversdal and Mossel Bay while most marketing agencies operate from either Cape Town or Port Elizabeth (DAFF, 2016). The distances between farmers, pickers, processors and marketing agents can make it difficult for emerging farmers to enter the value chain without proper training and support.

Current progress on the implementation of Agri-Parks in the Eden District include site identification in George and Oudtshoorn and completed business cases, and farmer needs assessments for the George, Dysseidsdorp and Haarlem FPSUs. An irrigation project is also underway in Haarlem as well as a mechanisation centre to be constructed (DRDLR, 2017).

To ensure coordinated investment Districts and Local Municipalities will need to start provisioning for the Agri-Park in their Integrated Development Plans (IDPs), Spatial Development Frameworks (SDF) and Local Economic Development Plans (LEDs). The importance of this is to align infrastructure and project investment with the intended outcomes of the Agri-Park. It is important to note that the implementation of the Agri-Parks will require significant infrastructure investment which will need to be implemented on a site.

3.6 Oil and gas

The oil and gas sector is the fastest growing in South Africa, and the Western Cape is ideally placed to service growing demand. Africa produces eight million barrels of crude oil per day, equating to 10 per cent of the world's production. With its links to West Africa, well-developed infrastructure and cost-effective engineering capability, the Western Cape has attracted many international exploration and oil refining organisations to its shores. Exports of oil and gas products from Africa were valued at R3.3 trillion in 2013, the highest over the period, compared to R3.2 trillion in 2012 increasing by 3.1 per cent; while exports from the Western Cape to Africa were valued at R3.6 billion in 2013 compared to R1.7 billion in 2012, increasing by 110 per cent (Wesgro, 2015). The primary oil production facilities are based in Cape Town, Saldanha Bay and Mossel Bay. PetroSA's gas-to-liquid refinery in Mossel Bay is South Africa's leading facility with a capacity of 36 000 barrels per day - equivalent to 45 000 barrels of crude oil per day.

The switch from gas to heavy condensate as feedstock for the PetroSA gas-to-liquid facility (in Mossel Bay) is central to its turn-around strategy. Local issues that have an impact on the oil and gas sector include low oil prices, increased energy costs and the lack of indigenous feedstock from the offshore gas fields caused the PetroSA gas-to-liquid facility in Mossel Bay to run well below capacity resulting in major losses for the enterprise. A substantial negative effect on employment and the economy of the Mossel Bay area can be expected if the plant ceases to operate as a result of continuous losses, major intervention is therefore needed to make the operations more sustainable in the long run. Challenges in the oil and gas sector include diminishing gas resources as feedstock for gas-to-liquid refinery, human capital development, rising energy/electricity cost, and low oil prices.

The oil and gas industry further supports the local transport subsector by means of utilising the Mossel Bay harbour for the transport of crude oil and other petroleum products. In 2014, 942 473 tonnes of crude oil was imported through the Mossel Bay harbour, while 770 586 tonnes of petroleum products were exported (Transnet, 2014).

3.7 Business Process Outsourcing

Business Process Outsourcing (BPO) can be defined as the process of contracting third-party service providers to undertake the operations and responsibilities of a specific business process. It is associated with firms outsourcing segments of their supply chain. Ninety-nine per cent of BPO services in the Western Cape are conducted in English, followed by German (4.1 per cent) (BPESA, 2015). It is estimated that the BPO industry generates approximately R7.9 billion per annum in the Western Cape, making it a key contributor to the GDP (Wesgro, 2015). Most of these are BPO companies that have established offshore operations in Cape Town with BPESA Western Cape's help. These include, Teleperformance (700 seats), ASDA (700 seats), Lufthansa (450 seats), TeleTech (1 200 seats) and Shell (400 seats) (BPESA, n.d.). These are concentrated in telecommunications and technical support, retail and financial services (BPESA, n.d.).

The major BPOs in the Western Cape are located in Cape Town (89 per cent) and George (11 per cent). The major BPO companies located in George include:

- Merchants - Asda, iinet, EE that provides BPO services in customer relations management and their source market is the United Kingdom.
- Solluco that provides BPO services in Customer Relations Management (and supply chain management services) and their source market is the United Kingdom.
- Oakhurst Insurance that provides BPO services in knowledge processing outsourcing and their source market is South Africa.

The main needs of BPO operations include suitable office space, skilled workers and telecommunications infrastructure.

3.8 Tourism

The tourism industry generally spans across the economic sectors, ranging from accommodation and catering, retail and wholesale, transport, manufacturing, business services and social services. The most visited towns in Eden include Knysna, Plettenberg Bay, Wilderness, Mossel Bay, George, and Oudtshoorn. Stilbaai is also a popular town for holiday homes. The most visited attractions by tourists in South Africa include the Garden Route (284 000 visitors in 2015), Karoo Ostrich Farms (144 000 visitors in 2015) and the Cango Caves (132 000 visitors in 2015). Other popular tourist destinations include the Tsitsikamma National Park, Wilderness National Park, Knysna Elephant Park, Birds of Eden, Monkey Land, Robberg Nature Reserve, Knysna Heads, and Tenikwa Wildlife Awareness Centre. Festivals such as the Plett Food and Film Festival, Klein Karoo Arts Festival (KKNK) are also a major boost for the tourism industry in the District. These festivals highlight the importance of public and private sector collaboration in the development and promotion of the tourism industry.

Around 1.3 million tourists visited the WC in 2015 equating to approximately 15.6 million bed nights (SA Tourism, 2016) and the majority of visitors to Eden (61.19 per cent) are domestic visitors originating from the Western Cape, Gauteng and Eastern Cape. The 38.28 per cent of visitors that originate from overseas visit from Germany, United Kingdom, and Netherlands. The main reason for their visit was holiday/leisure (93.2 per cent), while 3.65 per cent visit for business. The top attractions in the Eden for visitors are scenic drives, gourmet restaurants, and outdoor activities (Wesgro, 2015). A new attraction in the area is the developing wine producers in the area of Plettenberg Bay, with 10.21 per cent of tourists visiting these farms in 2015.

Tourism is seasonal in the Eden District, with a large influx of domestic tourists in the December and January period, which provides a major boost for local businesses during that time with an increase in demand for fuel, retail goods and services. A small proportion of tourists (1.48 per cent) stay in holiday homes. Tourists with holiday homes tend to stay much longer (7 nights or more) which provides a valuable injection to the local economy. Knysna and Stilbaai are popular towns for people from Gauteng to invest in second homes.

The film industry has been identified as a development priority in the Eden District and is supported by the Eden District Municipality and the Cape Film Commission. The film industry is well established in Cape Town, with numerous film studios and production companies currently operating. The Eden District has a variety of locations and landscapes as well as the Garden Route Film Studios in George that can be easily utilised for film and other media. The Eden District has been the location for a number of television shows and films, including Faan se Trein, The Breed, Lord of War, Bear Grills: Mission Survive, the Bachelor Finland and Black Sails.

The further development of this industry can be a valuable injection to the local economy of the Eden District, creating employment, attracting new investment and also promote tourism in the area. The development of a sustainable film industry is reliant on a variety of spaces (film studios, landscapes etc.), the availability and skills of production staff and crew as well as equipment availability. Increased activity and investment in the film industry in the Eden District will support growth and employment in a variety of sectors, including the wholesale and retail trade, catering and accommodation sector and the manufacturing sector.

3.9 Concluding remarks

The sectoral linkages as well as geographical linkages between towns and areas within Eden highlights the important role that the ostrich and goods and services from ostrich farming, dairy production, BPO, and oil and gas industries play in the economy. These industries do not only generate employment and income for the agriculture, forestry and fishing sector and manufacturing sector, but also in the transport, storage and communication sectors, the wholesale retail trade, catering and accommodation sector as well as the finance, insurance, real estate and business services sector. Tourism activities linked to these industries are also a main injection into the local economy as well as in creating employment.

Ostriches and goods and services from the BPO, and oil and gas industries are important contributors to direct employment in Eden, as well as indirect employment for numerous support industries in the area. A major challenge in terms of labour is the lack of skilled labour. At the same time, farm wage levels do not attract skilled or qualified people to undertake menial and hard work. Smaller producers, who pay comparatively lower wages, are more exposed than the larger producers to the threat of labour shortages. The BPO/oil/gas industries consist of both low-skilled and highly skilled labour requirements, as does the ostrich and tourism industry.

4

Municipal socio-economic analysis

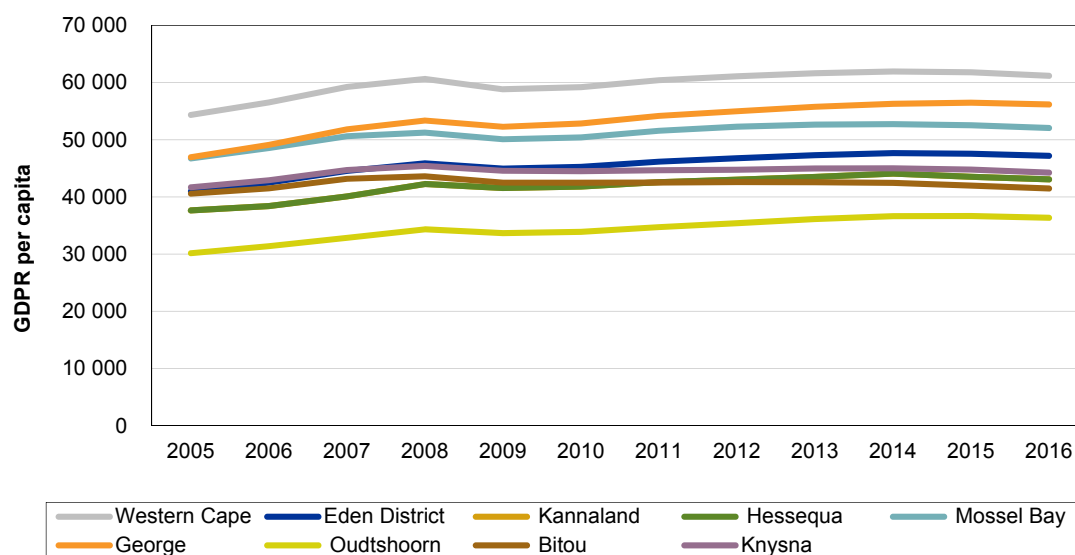
4.1 Introduction

This section shows living conditions and economic circumstances of households in the Eden District based on most recent data including Stats SA's Non-Financial Census of Municipalities and Quantec. Economic theory suggests that when an economy prospers its households are expected to enjoy a good standard of living. On the contrary, a declining economy tends to lower the standards of living of people. This chapter uses various social and economic indicators to show the current reality of households within the local authorities in the Eden District. Indicators which are used to analyse the socio-economic situation in the Eden District include, among others, real GDP per capita, Gini coefficient, household expenditure, Human Development Index (HDI), levels of education, dwellings, indigent households, free basic services, and health indicators.

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in the poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita in the Eden District, 2005 - 2016



Source: Quantec/Urban-Econ 2017

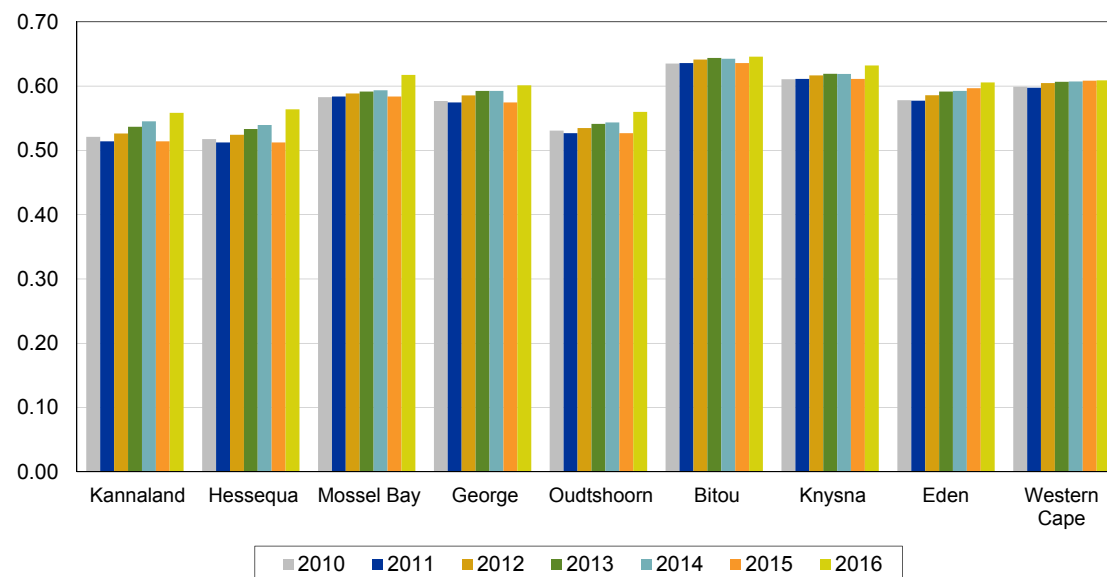
An increase in real GDP per capita, i.e. GDP per person, is experienced only if the real economic growth rate exceeds the population growth rate. Figure 4.1 shows that real GDP per capita⁶ for all the municipal areas in the Eden district are lower than the WC average with the highest reflected in George (R56 184) followed by Mossel Bay (R52 053) exceeding the Eden district average of R47 181. Knysna (R44 256), Bitou (R41 481), Kannaland (R43 081) and Hessequa (R43 081) all exceed real GDP per capita of R40 000 while Oudtshoorn (R36 375) reflects the lowest GDP per capita in the Eden district. Obviously not everyone within an economy will earn the same amount of money as estimated by the real GDP per capita indicator, therefore the following section looks at the income inequality trend within the Eden District.

⁶ Real GDP per capita is an indicator used by economists to estimate the income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

4.3 Income inequality

As shown in Figure 4.2 below Bitou has the highest level of inequality in the Eden District, with the Gini coefficient⁷ recorded at 0.63 in 2015 and 0.62 in 2016.

Figure 4.2 Gini coefficients in the Eden District, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Figure 4.2 shows that income inequality increased in all of the seven municipal areas in the Eden District the Gini coefficient recorded at 0.60 in 2015 and 0.61 in 2016. Bitou and Knysna however reflected the lowest growth in inequality, despite the fact that the highest levels of inequality were measured in these two municipal areas. Tourism is a dominant subsector in the Eden District and even though these areas reflect higher GDP per capita than other areas in the District, inequality seems to persist. The inequalities in income earned by households in various localities in the District can be shown by expenditure patterns.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households in the Eden District. Households across the District spend the most on services and non-durable goods, comprising about 78.1 per cent of total expenditure, which is typical of the current sluggish state of the economy. The current declining trend in interest rates will enable households and firms to reduce their debt, increasing their ability to spend and making it possible to borrow in order to finance spending on durable goods.

⁷ The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more inequality exists and the closer to 0 shows less inequality.

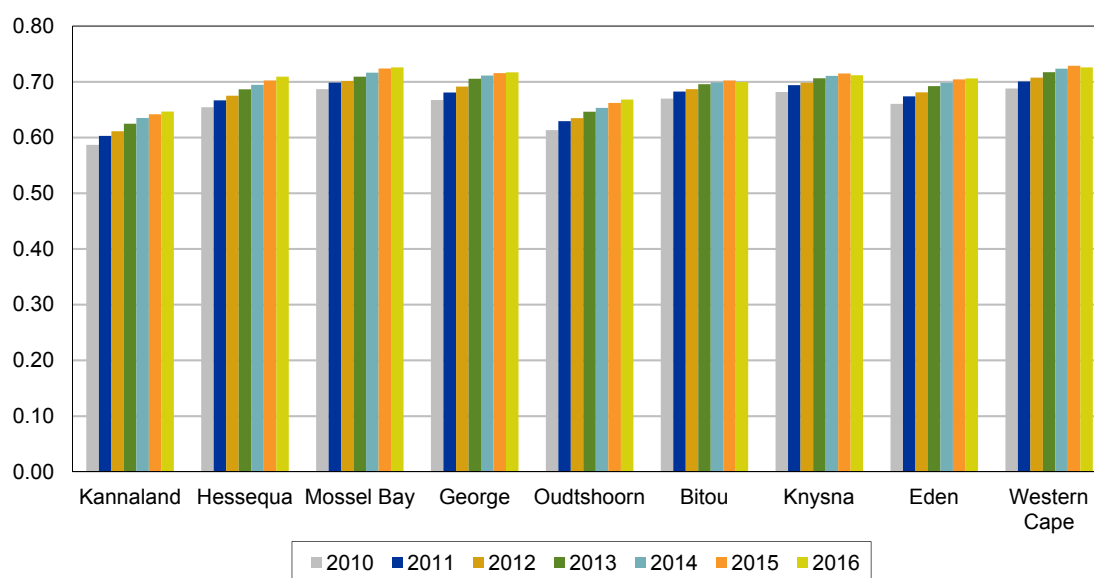
Table 4.1 Eden District expenditure on goods and services, 2017

Goods and services	Eden		Kannaland		Hessequa		Mossel Bay		George		Oudtshoorn		Bitou		Knysna	
	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total
Durable goods	2 511.1	12.3	86.5	12.3	94.0	12.7	758.8	11.2	680.9	13.3	280.0	12.8	265.3	12.2	344.9	12.3
Semi-durable goods	1 964.0	9.6	84.0	11.9	63.6	8.6	584.2	8.6	515.0	10.1	260.3	11.9	186.3	8.5	260.6	9.3
Non-durable goods	6 100.0	29.9	211.5	30.0	227.0	30.7	1 958.0	29.0	1 545.3	30.3	723.6	33.0	614.5	28.2	820.6	29.2
Services	9 846.2	48.2	323.9	45.9	354.2	47.9	3 459.7	51.2	2 366.9	46.3	931.6	42.4	1 116.1	51.1	1 379.8	49.2
Total	20 421.4	100	705.9	100	738.8	100	6 760.7	100	5 108.2	100	2 195.6	100	2 182.2	100	2 805.9	100

Source: Quantec/Urban-Econ 2017

4.5 Human development

The United Nations uses the Human Development Index (HDI)⁸ to assess the relative level of socio-economic development in countries. Figure 4.3 shows that there has been a general increase in the HDI across all municipalities in the Eden District between 2011 and 2016. Between 2015 and 2016, the HDI increased at Kannaland (from 0.64 to 0.65), Hessequa (from 0.70 to 0.71), Mossel Bay (from 0.72 to 0.73), Oudtshoorn (from 0.66 to 0.67) while remaining constant in George (0.72), Bitou (0.70) and Knysna (0.71).

Figure 4.3 Human Development Index for the Eden District, 2010 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

⁸ The HDI is a composite indicator reflecting education levels, health, and income. It is a measure of peoples' ability to live a long and healthy life, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

Figure 4.3 furthermore shows that human development in Mossel Bay is on par with that of the WC Province. The Human Development level in the Eden District is lowest in Kannaland at 0.65 followed by Oudtshoorn at 0.67. The sections below provide details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

4.6 Education

A community with a high number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Higher levels of education generally lead to higher paying jobs and vice versa. Table 4.2 shows estimates of education levels of persons living within municipal areas in the Eden District.

Table 4.2 Education levels of population in the Eden District, 2017

Education levels	Eden		Kannaland		Hessequa		Mossel Bay		George		Oudtshoorn		Bitou		Knysna	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	38 501	7.1	2 004	8.5	3 874	7.4	5 430	6.4	13 476	7.4	7 046	7.7	2 576	6.1	4 117	6.1
Some primary	119 854	22.0	6 879	29.3	12 561	24.1	16 037	18.8	38 931	21.3	23 273	25.3	8 283	19.6	13 931	20.6
Complete primary	37 956	7.0	2 183	9.3	4 341	8.3	5 012	5.9	11 622	6.4	8 129	8.9	2 708	6.4	3 973	5.9
Some secondary	183 599	33.7	8 312	35.4	17 419	33.5	26 840	31.5	61 343	33.6	31 729	34.5	14 769	34.9	23 272	34.5
Grade 12/Std 10	120 642	22.1	3 414	14.5	9 714	18.7	22 753	26.7	41 692	22.8	17 464	19.0	9 633	22.8	16 001	23.7
Higher	44 287	8.1	687	2.9	4 105	7.9	9 129	10.7	15 681	8.6	4 196	4.6	4 334	10.2	6 231	9.2

Source: Quantec/Urban-Econ calculations, 2017

Mossel Bay and Bitou have the largest proportion (10.7 per cent and 10.2 per cent respectively), of the total adult population with an educational achievement higher than Grade 12 as well as the lowest proportion of people without schooling (6.2 per cent and 6.1 per cent respectively). The largest proportion of people without schooling are found at Kannaland (8.5 per cent) and Oudtshoorn (7.7 per cent). Primary school education is important as it is a foundation for human development and therefore the existence of individuals without any form of schooling is a concern to decision-makers at local, provincial and national government. Mossel Bay has the largest proportion of people with a Grade 12 qualification (26.7 per cent) followed by Knysna (23.7 per cent). High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth.

In Table 4.3 it can be seen that Hessequa had the highest Matric pass rate in 2016 (93.6 per cent) followed by Oudtshoorn (93.1 per cent), while Bitou had the lowest pass rate in the District at 76.4 per cent. Learner enrolment in 2016 was highest in George (34 782) followed by Oudtshoorn (18 588) and Mossel Bay (16 401). Grade 12 dropout rates were highest in Kannaland (39.3 per cent), followed by Oudtshoorn (35.6 per cent) and Mossel Bay (32.5 per cent). The Grade 12 dropout rates are generally high across the District and therefore a cause for concern. Reasons for the dropout rates must be investigated properly in order to address this negative development.

Table 4.3 Learner enrolment and Matric pass rates in the Eden District, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Bitou	7 920	25.9	38.3	11	81.8	7	76.4
George	34 782	26.4	40.4	51	68.6	30	83.4
Hessequa	8 566	30.2	37.4	19	63.2	9	93.6
Kannaland	4 651	39.3	34.2	16	93.8	3	88.9
Knysna	12 103	32.2	39.8	19	79.0	13	77.9
Mossel Bay	16 401	32.5	40.4	24	66.7	15	87.4
Oudtshoorn	18 588	35.6	42.4	38	84.2	25	93.1

Source: Western Cape Department of Education, 2017

4.7 Human settlements

The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The form of housing that indicates low human development is an informal dwelling such as a shack. Table 4.4 shows that most informal dwellings are found at George (9 040), despite having the highest real GDP per capita as shown earlier in this chapter. Bitou has the second highest number (4 829), followed by Mossel Bay (4 151).

Table 4.4 Dwelling type per municipal area within the Eden District, 2017

Dwelling type	Eden		Kannaland		Hessequa		Mossel Bay		George		Oudtshoorn		Bitou		Knysna	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	13 8754	75.3	6 485	95.3	16 055	90.1	23 572	73.3	45 000	75.8	19 038	77.5	11 975	66.2	16 706	65.5
Traditional dwelling/hut/structure made of traditional materials	963	0.5	22	0.3	121	0.7	173	0.5	258	0.4	129	0.5	184	1.0	108	0.4
Flat in a block of flats	4313	2.3	44	0.7	275	1.5	858	2.7	1 630	2.7	521	2.1	260	1.4	746	2.9
Town/cluster/semi-detached house (simplex, duplex or triplex)	6890	3.7	31	0.4	133	0.7	2 269	7.1	1 584	2.7	1 749	7.1	218	1.2	976	3.8
House/flat/room, in backyard	2715	1.5	21	0.3	172	1.0	378	1.2	1 206	2.0	431	1.8	129	0.7	382	1.5
Informal dwelling/shack, in backyard	11 519	6.3	79	1.2	483	2.7	1 803	5.6	4 617	7.8	1 153	4.7	1 765	9.8	1 676	6.6
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	16 304	8.9	100	1.5	391	2.2	2 348	7.3	4 423	7.4	1 404	5.7	3 064	16.9	4 620	18.1
Room/flatlet not in backyard but on a shared property	1 218	0.7	4	0.1	68	0.4	440	1.4	387	0.7	119	0.5	101	0.6	114	0.4
Other/unspecified/N/A	2 173	1.2	45	0.7	143	0.8	383	1.2	570	1.0	215	0.9	466	2.6	365	1.4
Total	184 226	100	6 807	100	17 819	100	32 168	100	59 402	100	24 558	100	18 080	100	25 488	100

Source: Quantec/Urban-Econ calculations, 2017

Kannaland has the least number of households living in informal dwellings (179). The following section provides information on indigent households and provision of free basic services. The provision of basic services to households is a positive indicator of human development.

4.8 Provision of basic services to indigent households

All the municipal areas with the exception of Knysna experienced increases in the number of indigent households between 2015 and 2016 as shown in Table 4.5. Correspondingly, the Table also shows that the increases in the number of indigents resulted in increases in the free basic services provided by the municipalities with the exception of Knysna Municipality. While the provision of free basic services is necessary and in line with Constitutional requirements, the services come at a cost to the municipalities.

Table 4.5 Indigent households and provision of basic services, Eden District, 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Kannaland	1 880	2 427	1 880	2 328	1 880	2 427	1 880	2 328	1 880	2 328
Hessequa	4 943	5 279	4 782	4 961	4 397	5 200	4 879	5 039	4 472	5 095
Mossel Bay	7 480	11 312	7 480	11 312	7 354	11 312	5 331	11 312	6 497	11 244
George	10 245	31 750	10 245	13 750	10 245	13 750	10 245	13 750	10 245	13 750
Oudtshoorn	5 395	6 537	5 395	6 537	5 343	6 351	5 293	6 351	5 395	6 351
Bitou	3 843	4 434	3 843	4 434	3 843	4 434	3 843	4 434	3 843	4 434
Knysna	1 655	1 567	1 655	1 567	1 655	1 567	1 655	1 567	1 655	1 567

Source: Non-Financial Census of Municipalities, Stats SA 2017

In the Table 4.6, it can be observed that all municipal areas in the Eden District recorded increases in the number of households with taps inside their yards, with Mossel Bay and Kannaland recording the largest increases. An increase in the number of households with water taps more than 200 m from the yard was reported for Hessequa and George.

Table 4.6 Different types of access to water, Eden District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Kannaland	5 812	7 537	0	0	0	0
Hessequa	12 945	13 316	399	427	0	0
Mossel Bay	31 888	35 156	2 422	72	0	0
George	29 740	30 106	3 137	3 362	120	120
Oudtshoorn	13 966	14 588	3 392	3 392	103	0
Bitou	14 129	14 784	929	850	0	0
Knysna	15 932	16 826	3 768	3 744	1 179	929

Source: Non-Financial Census of Municipalities, Stats SA 2017

In terms of sanitation, Table 4.7 shows that there were increases in the number of households with flush toilets connected to the system across all municipal areas in the Eden District, with the exception of Kannaland and Mossel Bay which remained unchanged. The bucket system and ventilated improved pit latrines which remain used by certain households in Mossel Bay, Hessequa and George is should require attention.

Table 4.7 Different types of access to sanitation, Eden District, 2016

Municipality	Toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Kannaland	5 332	5 332	190	190	0	0	0	0	0	0
Hessequa	12 945	12 987	1 713	1 713	0	0	487	487	0	0
Mossel Bay	26 623	26 623	5 285	5 285	137	137	30	30	2 285	2 285
George	29 740	31 147	1 630	1 630	0	0	1 627	811	0	0
Oudtshoorn	13 966	14 588	508	601	0	0	0	0	492	592
Bitou	14 129	15 059	479	390	0	0	0	0	0	0
Knysna	15 932	18 454	2 634	528	0	0	0	2 108	5 139	3 205

Source: Stats SA Non-Financial Census of Municipalities

4.9 Health

As indicated earlier, longevity is one of the indicators used in the composite indicator for calculating the Human Development Index. This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health has been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to sickness and disability (Bloom et al., 2004).

Communities living in developed economies are exposed to good health systems and therefore tend to have long and healthier lives than those living in developing economies. Table 4.8 shows that the main causes of death in the Eden District in 2015, were death caused by diseases in the circulatory system (22 per cent) followed by neoplasms (18.7 per cent) and certain infectious and parasitic diseases (16.9 per cent). The least cause of death in the District was diseases of the blood and immune mechanism (1.2 per cent).

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	906	10.8
Central Karoo	16.1	14	1.8	7	2.8	21.5	13.9	2.2	1.3	501	14.3
City of Cape Town	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.9 shows that natural causes other than those listed on the table (1 954 or 34.7 per cent) were the leading underlying causes of death at Eden District in 2015, followed by non-natural causes (563 deaths or 10.0 per cent). Other noteworthy underlying causes of death in the District in 2015 were TB (394 deaths or 7.0 per cent), HIV (377 deaths or 6.7 per cent), Cerebrovascular diseases (373 deaths or 6.6 per cent), Ischaemic heart diseases (358 deaths or 6.4 per cent) and Diabetes (349 deaths or 6.2 per cent).

Table 4.9 The 10 leading underlying natural causes of death in the Eden District, 2015

	Number	%
Tuberculosis (A15 - A19)	394	7.0
Human Immunodeficiency Virus (HIV)	377	6.7
Cerebrovascular diseases	373	6.6
Ischaemic heart diseases	358	6.4
Diabetes Mellitus	349	6.2
Chronic lower respiratory diseases	326	5.8
Malignant neoplasms	261	4.6
Malignant neoplasms of respiratory and intrathoracic organs	274	4.9
Hypertensive diseases	194	3.4
Other forms of heart disease	210	3.7
Other natural causes	1 954	34.7
Non-natural causes	563	10.0
Total	5 633	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

The majority of deaths in the Eden District in 2015 were elderly people aged 65 and over (42 per cent), and adults aged 45 - 64 (32.6 per cent) as shown in Table 4.10. Deaths of people in the 15 - 44 age group (20.6 per cent) is a cause for concern as this includes the economically active population and therefore has a negative implication for economic performance.

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33.0	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0.0
City of Cape Town	4.2	1.6	25.6	29	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42	0.0
Overberg	3.5	1.6	18.5	30.3	46.1	0.0
West Coast	2.5	1.3	23.2	32.9	40.0	0.1
Unspecified	0.0	1.6	25.0	32.8	40.6	0.0

Source: *Mortality and causes of death in South Africa in 2015; StatsSA 2017*

4.10 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the Eden District using a selected number of indicators. Table 4.11 provides a summary of recent changes in various socio-economic indicators in the Eden District.

Table 4.11 Selected socio-economic indicators, Eden District, 2005 - 2016

Indicator	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
GDPR growth (2005 - 2015)	3.2%	3.3%	3.2%	2.9%	3.7%	3.2%	3.2%	2.3%
Population growth (2005 - 2015)	1.7%	1.3%	1.6%	1.6%	1.7%	1.2%	2.8%	1.6%
Real GDP per capita (2005 - 2015)	R45 574	R41 689	R41 805	R50 959	R53 364	R34 360	R42 294	R44 366
Gini coefficient (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
Household expenditure	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services
HDI (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
No schooling (2016)	7.1%	8.5%	7.4%	6.4%	7.4%	7.7%	6.1%	6.1%
Grade 12 dropout rates (2016)	31.7%	39.3%	30.2%	32.5%	26.4%	35.6%	25.9%	32.2%
Informal dwelling (2016)	8.9%	1.5%	2.2%	7.3%	7.4%	5.7%	16.9%	18.1%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic water (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Main causes of death (%)	Diseases of the circulatory system							
Age group with highest death rate	45 - 65+							

Table 4.11 shows the positive or negative movement of selected social and economic indicators in municipalities within the Eden District in the recent past. Indicators moving in positive territory could be a result of positive economic performance within the District, and vice versa.

Indicators that have moved in a positive direction for the Eden District include a general increase in real GDP per capita and an increasing trend in human development. Areas of concern in the district include the rising income inequality, high dropout rates, increasing indigent households, informal dwellers, and deaths especially caused by natural diseases, including TB, HIV/AIDS, Diabetes, Cerebrovascular diseases, and Ischaemic heart diseases, among others.

The George municipal area recorded the fastest average economic growth in the Eden District (3.7 per cent) between 2005 and 2016. The municipal area's population grew by an average 1.7 per cent between 2005 and 2016, resulting in an increasing trend in real GDP per capita. There is a general increase in the human development during the review period. Indicators that remain a concern at George include the increasing income inequality, high dropout rates at schools, informal settlements, and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Knysna municipal area recorded the lowest average economic growth rate (2.3 per cent) between 2005 and 2016 while the average population growth rate was 1.6 per cent during the same period, resulting in an increasing trend in real GDP per capita. The HDI has also been following an increasing trend over the last 10 years. Rising income inequality remains a concern in the Knysna municipal area. Knysna Municipality is the only municipality that reflects a decreasing trend in the number of indigent households as well as the related decrease in the number of households receiving free basic services. Other social indicators that have moved in a negative direction informal dwellers, high dropout rates at schools, and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

The Kannaland, Hessequa, Mossel Bay, Oudtshoorn and Bitou municipal area all recorded economic growth rates exceeding 2.5 per cent on average between 2005 and 2015, while the population grew by on average over 1 per cent during the same period, resulting in a rising real GDP per capita. The HDI has also been following an increasing trend over the last 10 years. Social indicators that have moved in a negative direction include the increasing income inequality, increasing indigent households, informal dwellers, high dropout rates at schools and deaths especially caused by HIV/AIDS, Diabetes, TB and respiratory diseases.

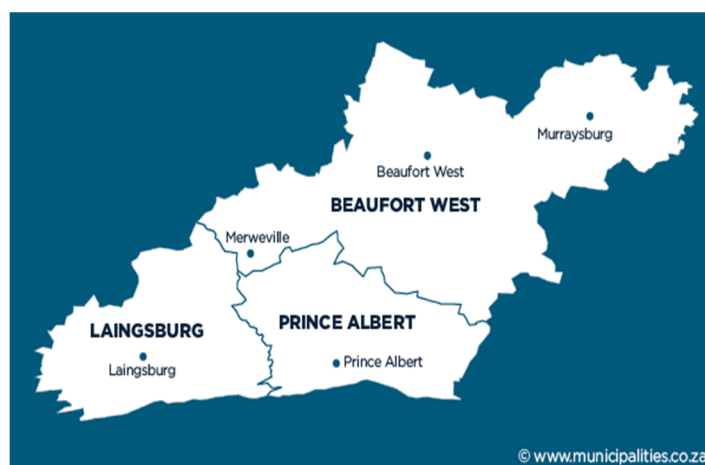
Central Karoo District

1

Regional economic review and outlook

1.1 Introduction

The Central Karoo District (CKD) is the largest geographically and the least populated District in the Western Cape (WC). With a surface area of 38 853 km² and an estimated population of 71 055, the CKD has a low population density, which impacts the scope of economic activity in the District.



The District covers three municipal areas, namely the Laingsburg, Prince Albert and Beaufort West. The Beaufort West municipal area accounted for approximately 70.1 per cent of the population and GDP in 2015.

This chapter provides a macroeconomic outlook of CKD, an overview of trends between 2010 and 2015, and an outlook regarding GDPR for 2017 and 2018. Further indicators of economic activity in the CKD are also discussed in this chapter. This includes an analysis of the location quotient, the available agricultural infrastructure, a breakdown of the manufacturing sector, international trade and informal trading.

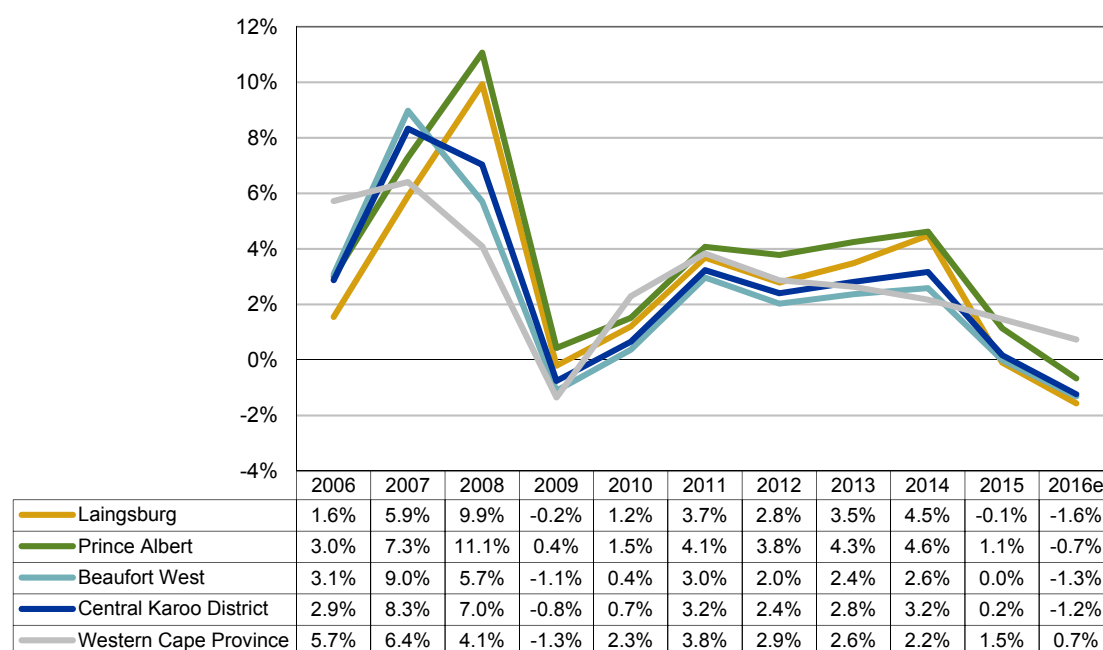
1.2 Growth in GDPR performance

Previous MERO publications have discussed in detail the changes to the economy before the recession as well as the subsequent years after the recession. Therefore the period under review for MERO 2017 ranges from 2010 to 2015, together with an estimate for 2016 as Statistics SA will only release official regional indicators for 2016 in 2018.

1.2.1 GDPR performance per municipal area

Figure 1.1 reflects the GDPR performance of the municipal areas within the CKD between 2005 and 2016.

Figure 1.1 GDPR growth per municipal area, 2005¹ - 2016



Source: Quantec Research, 2017 (e denotes estimate)

The CKD had an average GDPR growth rate of 3.0 per cent between 2005 and 2015, which is in line with the economic growth rate of the Province. At 2.1 per cent, the average annual five-year economic growth rate of the CKD is lower than that of the Province's 2.5 per cent per annum. Post 2014, the CKD has underperformed relative to the provincial average, with GDPR contracting in all three municipal areas in 2016 and the District's economy contracting by 1.2 per cent.

¹ Note that the GDPR growth rate in 2006 indicates the change in GDPR from 2005 to 2006.

The decline in economic activity is not only attributed to local factors such as the current drought but also to national and global factors such as decreasing commodity prices, higher unemployment, political instability, high inflation and a volatile rand that have impacted the local economy.

Table 1.1 indicates the average GDP growth rates of the three municipal areas of the CKD over the past decade.

Table 1.1 Central Karoo District GDP contribution and average growth rates per municipal area, 2005 - 2016

Municipality	Contribution to GDP (%)		Trend		Real GDP growth (%)					
	2015	2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e	
Laingsburg	13.9	3.3	2.6	3.7	2.8	3.5	4.5	-0.1	-1.6	
Prince Albert	15.9	4.1	3.2	4.1	3.8	4.3	4.6	1.1	-0.7	
Beaufort West	70.1	2.7	1.7	3.0	2.0	2.4	2.6	0.0	-1.3	
Total Central Karoo District	100	3.0	2.1	3.2	2.4	2.8	3.2	0.2	-1.2	
Western Cape Province	-	3.0	2.5	3.8	2.9	2.6	2.2	1.5	0.7	

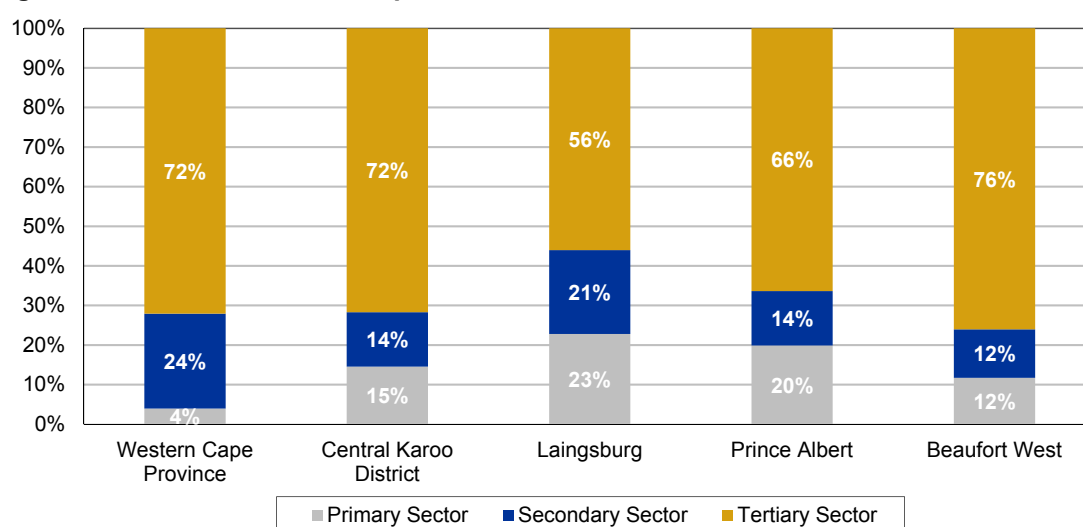
Source: Quantec Research, 2017 (e denotes estimate)

The economic hub of the District is Beaufort West, as this municipal area contributed 70.1 per cent to the CKD's GDP in 2015.

Due to the small base of the Laingsburg and Prince Albert municipal areas, growth appears very volatile with higher than average growth rates between 2011 and 2014, and again lower than average growth rates in 2015 and 2016. The economic growth rate of the Beaufort West municipal area is similar to that of the District, indicating that the economic activity in this area is the main determinant of the economic growth in the District.

1.2.2 GDP performance per sector

Figure 1.2 shows the GDP contribution of the primary, secondary and tertiary sectors of the various municipal areas of the CKD. These broad classifications are groupings of sectors by their main activity within the economy. Primary sectors are those involved in using or extracting of natural resources and consist of the agriculture, forestry and fishing sector and the mining and quarrying sector. Secondary sectors utilise raw materials obtained from primary sectors in production and consist of the manufacturing, the electricity, gas and water and the construction sectors. The tertiary sector can also be referred to as the services sector and consists of four sectors, namely the wholesale and retail trade, catering and accommodation sector, the transport, storage and communication sector, the finance, insurance, real estate and business services sector, the general government sector and the community, social and personal services sector.

Figure 1.2 GDP contribution per main sector, 2015

Source: Quantec Research, 2017

The tertiary sector is the dominant sector in the District as well as in all three municipal areas. Beaufort West is the biggest town in the CKD, so it is to be expected that the municipal area represents the largest tertiary sector within the CKD.

With regards to the primary and secondary sectors, there are significant differences between the CKD's municipal areas and the WC Province. In the Laingsburg area, over 22.0 per cent of GDP originates from the primary sector compared to only 4.0 per cent in the Province. This means that the area is more agriculturally driven, when compared to the Province. The secondary sector within the CKD is also relatively smaller compared to that of the Province.

Table 1.2 indicates the sector contribution per local municipal area for the CKD economy in 2015.

Table 1.2 Central Karoo District GDP contribution per sector, 2015 (%)

Sector	Central Karoo District	Laingsburg	Prince Albert	Beaufort West
Primary Sector	14.6	22.8	19.9	11.7
Agriculture, forestry and fishing	14.5	22.8	19.9	11.7
Mining and quarrying	0.0	0.0	0.0	0.1
Secondary Sector	13.8	21.2	13.8	12.3
Manufacturing	2.5	0.4	3.1	2.8
Electricity, gas and water	5.6	12.1	2.3	5.0
Construction	5.6	8.6	8.3	4.4
Tertiary Sector	71.7	56.0	66.4	76.0
Wholesale and retail trade, catering and accommodation	15.0	13.7	14.9	15.2
Transport, storage and communication	15.6	11.1	8.7	18.1
Finance, insurance, real estate and business services	11.1	3.8	8.5	13.1
General government	20.4	18.3	21.5	20.6
Community, social and personal services	9.6	9.1	12.8	9.0

Source: Quantec Research, 2017

The agriculture, forestry and fishing sector, the general government sector, the transport, storage and communication sector and the wholesale and retail trade, catering and accommodation sector lay the foundation for economic activity in the District, collectively contributing 65.5 per cent to the GDP in 2015.

The sectoral composition of the Laingsburg and Prince Albert municipal areas differ to that of the Beaufort West municipal area economy. The towns in the Laingsburg and Prince Albert municipal areas are smaller than Beaufort West, which accounts for the smaller tertiary sectors. The electricity, gas and water sector contributes 12.1 per cent to the economy of the Laingsburg municipal area due to the Floriskraal Dam providing irrigation water for farmers in the Laingsburg area.

The GDP contribution of the mining and quarrying sector is insignificant across the District, although potential for mining exists, with uranium and shale gas deposits located in the District and the possibility of utilising these resources are currently being explored. Table 1.3 indicates the CKD's GDP performance per sector between 2011 and 2016.

Table 1.3 Central Karoo District GDP performance per sector, 2005 - 2016 (%)

Sector	Trend		Real GDP growth (%)					
	2005 -2015	2010 -2015	2011	2012	2013	2014	2015	2016e
Primary Sector	4.5	1.1	0.8	1.9	3.0	8.7	-2.9	-9.3
Agriculture, forestry and fishing	4.5	1.1	0.8	1.9	3.0	8.7	-2.9	-9.3
Mining and quarrying	0.8	3.5	3.5	1.8	4.1	8.0	1.5	-5.0
Secondary Sector	2.6	1.8	2.0	-0.2	1.6	3.4	-0.3	-0.1
Manufacturing	1.1	2.3	2.6	1.9	-1.6	1.7	0.4	-0.4
Electricity, gas and water	1.1	1.3	3.7	1.1	-0.1	0.0	0.1	-5.3
Construction	5.4	1.9	0.2	-2.8	5.3	7.4	-1.1	4.4
Tertiary Sector	2.8	2.4	4.1	2.9	2.9	1.8	1.0	0.6
Wholesale and retail trade, catering and accommodation	2.1	2.3	3.6	3.0	1.1	0.5	0.3	0.8
Transport, storage and communication	0.5	0.3	2.0	0.7	1.0	1.7	-1.9	-2.2
Finance, insurance, real estate and business services	4.3	2.6	2.8	3.4	2.3	2.5	3.7	2.1
General government	4.2	4.0	6.4	3.9	5.2	3.6	1.4	2.0
Community, social and personal services	3.0	2.4	5.1	3.8	5.1	-0.7	2.0	-0.8
Total Central Karoo District	3.0	2.1	3.2	2.4	2.8	3.2	0.2	-1.2

Source: Quantec Research, 2017 (e denotes estimate)

The average annual five-year GDP growth rate of 2.1 per cent is less than the average annual 10-year growth rate of 3.0 per cent, indicating that the economy did not fully recover from the recession. The regional economy contracted again in 2016 by 1.2 per cent mainly as a result of the contraction of the agriculture, forestry and fishing, the electricity, gas and water, the manufacturing, the mining and quarrying, the transport, storage and communication and the community, social and personal services sectors.

Economic growth in the CKD has fluctuated, with growth rates improving to 3.2 per cent in 2014 mainly due to high growth rates achieved in the primary and secondary sectors. The agriculture, forestry and fishing sector achieved a growth rate of 8.7 per cent in 2014 due to declining global maize prices and increases in meat prices, which favoured local livestock farmers. On a national level, slaughter numbers increased significantly in 2014 due to the higher prices in that year, which impacted the future growth rate of the agriculture, forestry and fishing sector as flocks need to be rebuilt. Together with the drought conditions, maize price increases, and the reduced stock, the agriculture, forestry and fishing sector contracted in 2015 and 2016 (BFAP, 2014).

The construction sector only contributed 5.6 per cent to the District's economy in 2015 and has experienced volatile growth over the last five years. This sector reached a GDPR growth rate of 7.4 per cent in 2014, which also contributed to the good economic growth of the District during that time. Road works on the N1 in 2013, between Laingsburg and Leeu-Gamka as well as between Leeu-Gamka and Beaufort West, contributed to this growth (SANRAL, 2014). The construction sector, which grew by 4.4 per cent, achieved the highest growth rate in 2016 compared to other sectors which can be attributed to investment from the Beaufort West Municipality in acquiring service providers for the paving of roads as well as the upgrade and extension of sewer works.

1.2.3 GDPR performance per sector forecast (outlook)

Due to the fast pace at which global as well as the SA economy are changing, only a two-year forecast is conducted in this section. Table 1.4 indicates the GDPR forecast per sector for 2017 and 2018 for the CKD.

Table 1.4 GDPR forecast per sector, 2017 - 2018 (%)

Sector	2016e	2017f	2018f
Primary Sector			
Agriculture, forestry and fishing	-9.3	6.0	2.7
Mining and quarrying	-5.0	1.9	1.6
Secondary Sector			
Manufacturing	-0.4	-1.3	1.5
Electricity, gas and water	-5.3	3.0	3.1
Construction	4.4	-2.0	0.6
Tertiary Sector			
Wholesale and retail trade, catering and accommodation	0.8	-0.8	0.1
Transport, storage and communication	-2.2	-2.2	-1.7
Finance, insurance, real estate and business services	2.1	0.1	0.5
General government	2.0	0.9	1.1
Community, social and personal services	-0.8	3.6	1.2
Total	-1.2	1.1	0.8

Source: Quantec, Own calculations, 2017 (e denotes estimate; f denotes forecast)

As forecasted, the contraction of the CKD economy is short lived; however, the economy will remain under pressure. It is expected that the GDP of the District will grow by 1.1 per cent in 2017 and by a further 0.8 per cent in 2018. Growth can be attributed to improved growth in the agriculture, forestry and fishing sector. However, the construction, the wholesale and retail trade, catering and accommodation and the transport, storage and communication sectors are all expected to contract in 2017. Predictions indicate that the manufacturing sector will also contract further in 2017 by 1.3 per cent. The finance, insurance, real estate and business services as well as the government services sectors will experience a significant decline in growth in 2017 before improving slightly in 2018.

The sluggishness and contraction of the main economic sectors of the CKD will impact future employment creation in the District.

1.3 Growth in employment trends

1.3.1 Employment per municipal area

Table 1.5 indicates the trend in employment growth within each municipal area in the CKD between 2015 and 2016.

Table 1.5 Central Karoo District employment growth, 2005 - 2016

Municipality	Contribution to employment (%)		Trend		Employment (net change)					
	2015	2005 - 2010	2010 - 2015	2011	2012	2013	2014	2015	2016e	
Laingsburg	14.7	381	534	36	100	112	38	248	50	
Prince Albert	19.7	489	707	36	124	153	45	349	33	
Beaufort West	65.6	1 206	1 408	85	245	316	104	658	-77	
Total Central Karoo District	100	2 076	2 649	157	469	581	187	1 255	6	
Western Cape Province	-	433 495	326 986	38 314	58 799	81 285	45 807	102 781	15 050	

Source: Quantec Research, 2017 (e denotes estimate)

The Beaufort West municipal area contributes 65.6 per cent to employment in the District. This is in line with the general breakdown of the population among the three municipal areas and the respective GDP contributions. Over the last five years, 2 649 jobs were created within the CKD. Like economic growth, job creation has decreased, with the Beaufort West municipal area shedding 77 jobs in 2016, pulling down overall job creation in the District.

1.3.2 Employment per sector

Table 1.6 indicates the trend in employment growth within each economic sector in the CKD. The sectors contributing the most to employment include the agriculture, forestry and fishing sector (22.9 per cent), the wholesale and retail trade, catering and accommodation sector (22.9 per cent) and the general government sector (17.7 per cent). Collectively, these sectors provided employment for 11 752 people in the CKD in 2015.

Table 1.6 Central Karoo District employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	22.9	4 243	-798	814	-119	211	195	-209	979	-16
Agriculture, forestry and fishing	22.9	4 242	-798	814	-119	211	195	-209	979	-16
Mining and quarrying	0.0	1	0	0	0	0	0	0	0	0
Secondary Sector	8.4	1 550	125	104	33	18	46	59	28	32
Manufacturing	1.6	305	-77	-15	-5	-17	16	-11	5	-10
Electricity, gas and water	0.5	93	37	21	2	5	3	2	4	5
Construction	6.2	1 152	165	98	36	30	27	68	19	37
Tertiary Sector	68.7	12 708	2 749	1 105	243	240	340	337	248	-10
Wholesale and retail trade, catering and accommodation	22.9	4 231	773	219	92	94	65	81	96	-64
Transport, storage and communication	5.5	1 014	276	65	-6	36	39	-25	62	-46
Finance, insurance, real estate and business services	7.9	1 461	234	52	24	-1	21	-2	47	-17
General government	17.7	3 278	1 021	561	149	76	72	211	-52	82
Community, social and personal services	14.7	2 724	445	208	-16	35	143	72	95	35
Total Central Karoo District	100	18 501	2 076	2 023	157	469	581	187	1 255	6

Source: Quantec Research, 2017 (e denotes estimate)

The agriculture, forestry and fishing sector is volatile in terms of employment creation, mainly due to the temporary employment needs of the sector where production volumes determine labour needs. This sector shed jobs in 2011, 2014 and 2016, but contributed to a significant increase in employment in 2015.

The manufacturing sector has constantly shed jobs over the past decade; due to mechanisation, and with the decline in output from the agriculture, forestry and fishing sector, there is less demand for labour within the manufacturing sector. The poor economic growth over the last decade and contraction in 2016, together with the decrease in employment, indicate that industries in this sector in the CKD are not performing well.

The general government sector followed by the wholesale and retail, catering and accommodation sector have significantly contributed to employment creation in the last five years. In the CKD, the tertiary sector is both larger in its contribution to the District's GDP and employment compared to the primary and secondary sectors.

Table 1.7 outlines the official unemployment rate for each of the municipal areas within the CKD between 2005 and 2015. It also includes an estimate for the 2016 unemployment rate.

Table 1.7 Central Karoo District unemployment rates, 2011 - 2016 (%)

Municipality	2011	2012	2013	2014	2015	2016e
Laingsburg	16.9	17.9	18.0	18.5	18.4	18.9
Prince Albert	18.2	19.3	19.2	19.7	19.9	20.2
Beaufort West	22.9	23.5	22.9	23.4	24.1	24.8
Central Karoo District	21.2	22.0	21.6	22.1	22.6	23.2
Western Cape Province	16.4	17.0	16.7	17.2	17.8	18.7

Source: Quantec Research, 2017 (e denotes estimate)

The CKD has a significantly higher unemployment rate than the WC which is mainly due to the high unemployment rate in the Beaufort West municipal area, at 24.8 per cent in 2016.

The positive net change in employment, together with an increasing unemployment rate, indicates an increasing labour force, with new entrants to the labour market within the CKD's municipal areas unable to find work. With the poor performing agriculture, forestry and fishing sector, many farm workers are moving to the towns in search of other employment opportunities which increases the unemployment rate in the District. Although the District unemployment rate is increasing, a similar trend is evident in the provincial unemployment rate.

1.4 Trade and informal enterprises

1.4.1 Location quotient

To determine the level of specialisation within the different economic sectors of the CKD, a location quotient is used. The location quotient is a ratio between two economies; in this case, the provincial and district economies which indicate whether the District is importing, self-sufficient or exporting goods and services from a particular sector. Table 1.8 provides the classification and interpretation of the location quotients.

Table 1.8 Location quotient interpretation

Location quotient	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the sector. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2017

It is important to note that a location quotient, as a tool, does not take into account external factors such as government policies, investment incentives, and proximity to markets, etc., which can influence the comparative advantage of an area within a particular sector.

Table 1.9 Location quotient in terms of GDP and employment, 2015

Sector	In terms of GDP	In terms of Employment
Agriculture, forestry and fishing	3.90	2.50
Mining and quarrying	0.17	0.08
Manufacturing	0.17	0.17
Electricity, gas and water	1.94	1.50
Construction	0.96	0.78
Wholesale and retail trade, catering and accommodation	0.87	0.96
Transport, storage and communication	1.40	0.97
Finance, insurance, real estate and business services	0.43	0.46
General government	1.80	1.50
Community, social and personal services	1.42	1.04

Source: Quantec Research, 2017

None of the sectors have achieved the classification of "very high" (a location quotient of 5.0 or more), indicating that the District cannot be considered as a single-industry area. However, the agriculture, forestry and fishing sector is the main sector by a large margin, with a location quotient of 3.90 for GDP and 2.50 for employment. It is classified as "high", meaning that this sector reaches beyond the borders of the District, exporting goods and services to other regions and provinces.

1.4.2 Agriculture Infrastructure

Table 1.10 indicates the agricultural infrastructure in each municipal area within the CKD.

Table 1.10 Central Karoo District agriculture infrastructure, 2013

Infrastructure	Beaufort West	Prince Albert	Laingsburg	Central Karoo District
Abattoir - red meat	6	1	2	9
Abattoir - white meat	1	0	0	1
Agro-processing plant	1	1	1	3
Airfield	11	6	5	22
Chicken batteries - broilers	1	0	0	1
Crush pen	206	70	68	344
Crush pen and dip tank	16	15	6	37
Dairy	0	1	1	2
Dam	1 880	644	89	2 613
Feedlot - sheep	0	0	1	1
Homestead	414	213	209	836
Homestead - labour	241	100	19	360
Nursery	1	0	0	1
Packhouse	0	0	3	3
Shade netting	1	1	1	3
Tunnels	3	1	0	4

Source: WC Department of Agriculture, Western Cape AgriStats, 2013

The main agriculture infrastructure within the District is related to livestock farming; which constitutes over 10 per cent of the WC's red-meat abattoirs, which is significant considering the Region's size.

1.4.3 Manufacturing subsectors

Table 1.11 indicates the economic contribution of the manufacturing sector in the CKD.

Table 1.11 Central Karoo District manufacturing subsector GDPR contribution, 2015 (%)

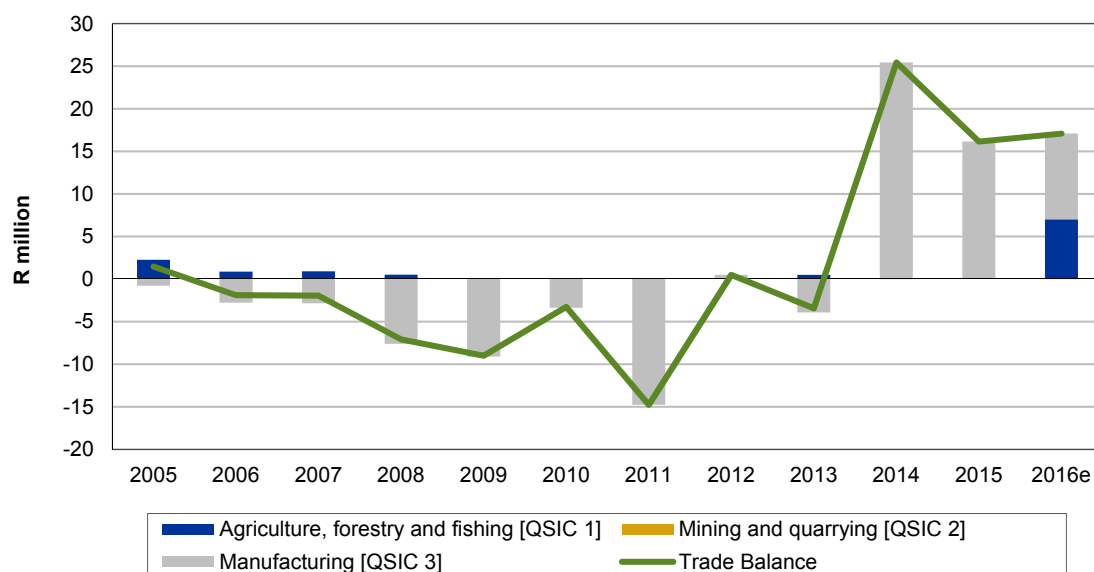
Subsector	Central Karoo District	Laingsburg	Prince Albert	Beaufort West
Food, beverages and tobacco	56.0	41.5	83.8	49.5
Textiles, clothing and leather goods	0.8	15.4	0.0	0.5
Wood, paper, publishing and printing	3.8	32.9	4.1	2.8
Petroleum products, chemicals, rubber and plastic	7.2	0.0	0.0	9.2
Other non-metal mineral products	12.3	10.2	0.0	15.4
Metals, metal products, machinery and equipment	6.4	0.0	12.1	5.2
Electrical machinery and apparatus	0.0	0.0	0.0	0.0
Radio, TV, instruments, watches and clocks	0.7	0.0	0.0	1.0
Transport equipment	4.1	0.0	0.0	5.2
Furniture and other manufacturing	8.6	0.0	0.0	11.0

Source: Quantec Research, 2017

The food, beverage and tobacco subsector is the main contributor to the manufacturing sector in the CKD. This is mainly as a result of the slaughtering of livestock and the processing of meat. The Prince Albert municipal area also has an olive processor and wine cellars. Other manufacturing activities include the production of non-mineral metal products, furniture and other manufacturing; however, the contribution to the overall GDPR of the CKD is very small.

1.4.4 International trade

Figure 1.3 indicates the CKD trade balance between 2005 and 2016. The trade balance is obtained by subtracting total imports from total exports.

Figure 1.3 Central Karoo District trade balance, 2005 - 2016

Source: Quantec Research, 2017 (e denotes estimate)

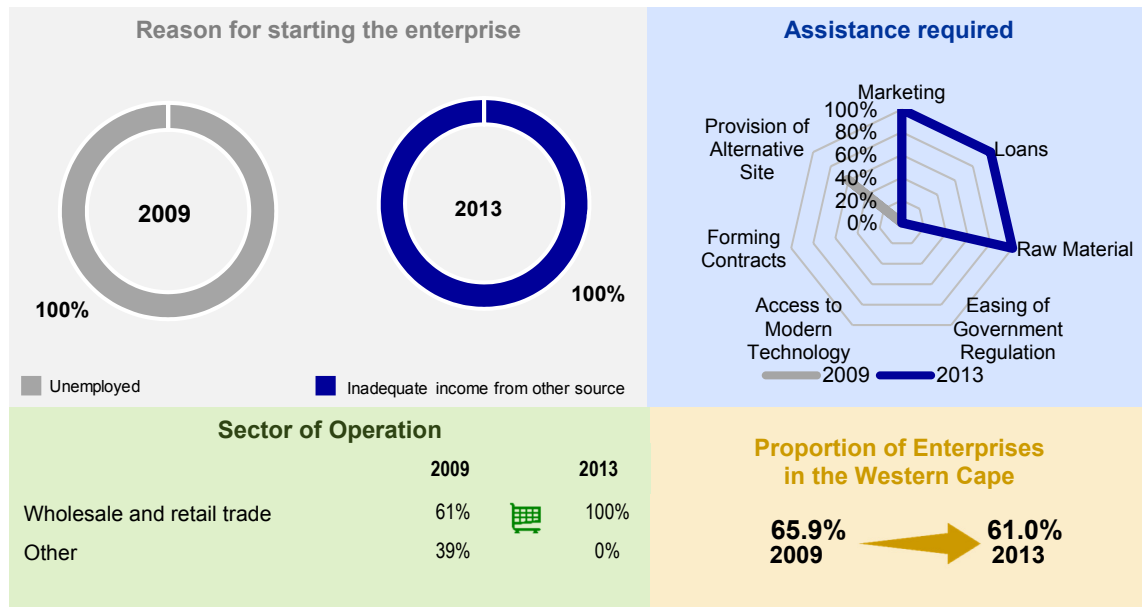
International trade from the CKD is minimal; with R6.3 million worth of imports in 2015 and R22.4 million worth of exports. The main products that are imported and exported from the District are products from the manufacturing sector. As indicated in Figure 1.3, the CKD has maintained a positive trade balance for the last three years, meaning that exports exceeded imports which is due to the increase in the manufacturing sector and agriculture, forestry and fishing sector exports.

1.4.5 Informal enterprises

The diagram below provides an overview of the main responses from surveyed informal enterprise owners in the CKD. In 2009, 1.4 per cent of provincial respondents were located in this District, compared to 0.8 per cent in 2013.

In 2009, all respondents indicated that they started their enterprise because of unemployment, while in 2013; respondents stated that they began their own business due to insufficient income.

Diagram 1.1 Informal enterprises overview, Central Karoo



Source: Adapted from Stats SA, 2009 & 2013

In 2013, all respondents operated within the wholesale and retail sector, with all stating that they require assistance with marketing, access to loans and raw material.

SMMEs in the CKD can benefit from training and mentorship, especially in financial management and general business skills. General support must be provided as SMMEs need assistance with business registrations and tax clearance certifications².

1.5 Concluding remarks

The CKD is a vast area with a low population and a small economy, which sets the foundation for its economic activity. Over the past decade, it has achieved a 3.0 per cent annual GDP growth, which is in line with the provincial average. The economy of the CKD recovered marginally after the recession, with an average annual five-year growth of 2.5 per cent. The economy of the CKD is again on a downward trend with the economy contracting by 1.2 per cent in 2016. The worsening economic conditions are as a result of the prevailing drought – that not only impacts water availability for farmers and industries but also increases feed prices and food inflation in SA.

The agriculture, forestry and fishing sector forms the backbone of the economy of the District, contributing 14.5 per cent to GDP and 22.9 per cent to employment in 2015. Due to the lack of other prevalent industries, the general government sector is one of the main drivers of the economy of the District; this sector contributed 20.4 per cent to GDP and 17.7 per cent to employment in 2015. Lastly, the wholesale and retail trade, catering and accommodation sector also contributed significantly to the local

² Central Karoo District Municipality MERO 2017 Survey response

economy in terms of GDP and employment; this sector is dependent on passing motorists and freight trucks which use the N1 Gauteng-Cape Town Corridor.

It is expected that the District's economy will grow by 1.1 per cent in 2017 and decelerate even further to 0.8 per cent in 2018. In 2017, many of the main economic sectors will contract with a decline in growth in the finance, insurance, real estate and business services as well as the government services sectors. The sluggishness and contraction of the main economic sectors of the CKD will impact future employment creation in the District. The CKD has a higher than average unemployment rate (22.6 per cent) which impacts the general spending of households and puts pressure on the local municipalities who need to provide basic services.

Lastly, the region could utilise its proximity to Cape Town, Eden and the N1 route, to expand its tourism industry. It is located on a large plateau – the second largest in the world – and it boasts many opportunities for sustainable, ecological tourism. Other underutilised resources with the potential for further investigation for development include mining activities, focusing on uranium and shale gas extraction.

2

Sectoral growth, employment and skills per municipal area

2.1 Introduction

This chapter provides a macroeconomic overview of the economy at a municipal level and depicts the trends between 2011 and 2016. Employment and skills levels are also considered in this chapter.

2.2 Beaufort West

2.2.1 GDP performance

The Beaufort West municipal area is the largest geographically in the District as well as the most populated. On average, between 2005 and 2015, Beaufort West's economy has grown at a rate of 2.7 per cent per annum. The economy recovered marginally after the recession, with the average annual growth rate being 1.7 per cent over the last five years. Table 2.1 indicates the Beaufort West municipal area's GDP performance per sector.

Table 2.1 Beaufort West GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	11.7	215.7	6.3	1.1	0.8	1.9	3.0	8.7	-2.8	-9.2
Agriculture, forestry and fishing	11.7	214.7	6.4	1.1	0.7	1.9	3.0	8.7	-2.8	-9.2
Mining and quarrying	0.1	1.0	1.1	3.8	3.8	2.1	4.5	8.3	2.0	-4.6
Secondary Sector	12.3	226.2	1.8	1.2	2.1	-0.5	0.8	2.2	-0.7	-1.0
Manufacturing	2.8	52.4	1.1	2.3	3.3	2.1	-1.3	1.1	-0.2	-0.2
Electricity, gas and water	5.0	92.0	0.5	0.7	3.1	0.6	-0.5	-0.4	-0.4	-5.5
Construction	4.4	81.8	4.2	1.0	0.1	-3.9	4.2	5.7	-1.5	2.7
Tertiary Sector	76.0	1 400.0	2.3	1.9	3.5	2.4	2.5	1.5	0.6	0.2
Wholesale and retail trade, catering and accommodation	15.2	280.6	1.8	2.0	3.4	2.6	0.9	0.4	0.2	0.4
Transport, storage and communication	18.1	332.7	0.1	-0.1	1.6	0.4	0.6	1.4	-2.3	-2.8
Finance, insurance, real estate and business services	13.1	240.9	4.0	2.3	2.3	3.0	2.2	2.2	3.3	1.7
General government	20.6	379.6	3.8	3.6	6.0	3.5	4.8	3.2	1.0	1.7
Community, social and personal services	9.0	166.2	1.9	1.3	3.9	2.4	3.9	-1.2	1.0	-1.2
Total Beaufort West	100	1 841.9	2.7	1.7	3.0	2.0	2.4	2.6	0.0	-1.3

Source: Quantec Research, 2017 (e denotes estimate)

The general government sector dominates the Beaufort West municipal area's economy (20.6 per cent) followed by the transport, storage and communication (18.1 per cent) and wholesale and retail trade, catering and accommodation (15.2 per cent) sectors.

Due to Beaufort West's large geographical area and sparse population, agriculture remains an important sector, primarily consisting of sheep and goat farming. Moreover, the drought of the past years is likely to have had an adverse effect on the agricultural industry due to the increase in feed prices and the scarcity of water for livestock, which subsequently affects the manufacturing sector (meat processing). Increased slaughter rates in times of droughts will also impact future agriculture, forestry and fishing sector and manufacturing growth as herds need to be rebuilt.

Over the last decade, the agriculture, forestry and fishing sector and the construction sector has achieved above average growth rates, although growth has fallen in these sectors in the last five years. Another well-performing sector is the finance, insurance, real estate and business services sector - accounting for 13.1 per cent of the municipal area's GDP. This sector has achieved an increase in GDP on a continual basis over the last 10 years, even during the recession.

2.2.2 Employment profile

The Beaufort West municipal area employs the largest number of people in the District but also has the highest unemployment rate compared to the other two local municipal areas. Table 2.2 indicates the trend in employment growth within each economic sector in the Beaufort West municipal area.

Table 2.2 Beaufort West employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment growth (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	18.1	2 191	-369	438	-56	112	104	-105	504	-5
Agriculture, forestry and fishing	18.1	2 190	-369	438	-56	112	104	-105	504	-5
Mining and quarrying	0.0	1	0	0	0	0	0	0	0	0
Secondary Sector	7.9	955	-3	25	11	4	21	29	15	5
Manufacturing	2.0	246	-74	-15	-4	-12	10	-8	4	-8
Electricity, gas and water	0.5	55	18	10	1	2	2	0	2	2
Construction	5.4	654	53	30	14	14	9	37	9	11
Tertiary Sector	74.1	8 986	1 023	489	130	129	191	180	139	-77
Wholesale and retail trade, catering and accommodation	25.2	3 059	555	125	62	66	43	57	63	-63
Transport, storage and communication	6.6	801	196	29	-8	25	29	-26	50	-47
Finance, insurance, real estate and business services	9.5	1 151	97	-18	8	-9	5	-12	31	-21
General government	18.7	2 264	641	342	97	45	43	137	-46	49
Community, social and personal services	14.1	1 711	89	11	-29	2	71	24	41	5
Total Beaufort West	100	12 132	1 206	952	85	245	316	104	658	-77

Source: Quantec Research, 2017 (e denotes estimate)

In 2015, 61.9 per cent of employed individuals in the Beaufort West municipal area worked in the wholesale and retail trade, catering and accommodation sector, the general government sector and the agriculture, forestry and fishing sector combined. The agriculture, forestry and fishing sector does not contribute as much in terms of GDP but is a major employer. In contrast, the transport, storage and communication sector contributes significantly to GDP (18.1 per cent) but only employed 6.6 per cent of employed individuals 2015.

In conjunction with the 2016 estimated decline in GDP of 1.3 per cent, some sectors shed jobs in this period; with the wholesale and retail trade, catering and accommodation sector (63 jobs), the transport, storage and communication sector (47 jobs) and the finance, real estate, insurance and business services sector (21 jobs) shedding jobs, which contributed to the overall decline in net employment for the 2016 period.

2.2.3 Skills level

The level of skills of a population influences both human and economic development. In general, a high-skilled population leads to higher incomes and possibly new jobs and industries due to entrepreneurship.

Table 2.3 indicates the skills levels of labour in the Beaufort West municipal area. It should be noted that only formal employment numbers can be used to determine the skills level in the area.

Table 2.3 Beaufort West skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	19.4	1.3	1 752
Semi-skilled	42.2	-0.5	3 801
Low-skilled	38.4	-0.6	3 463
Total Beaufort West	100	-0.2	9 016

Source: Quantec Research, 2017

The formal sector provided employment for 9 016 people in 2015, indicating that 25.7 per cent of people are informally employed in the Beaufort West municipal area. The majority of formally employed workers are either low-skilled (38.4 per cent) or semi-skilled (42.2 per cent). Overall, there has been a decline in formal employment by 0.2 per cent per annum on average over the past decade, with the number of semi-skilled workers declining by 0.5 per cent per annum on average and low-skilled workers by 0.6 per cent per annum on average. A decline in semi- and low-skilled workers can be attributed to upskilling of workers or to labour market shifts, where workers with less skill are becoming unemployed or seeking other employment as part of the informal sector.

The prevalence of low and semi-skilled employees can be attributed to two of the largest sectors, accounting for over 40.0 per cent of jobs (the agriculture, forestry and fishing sector and wholesale and retail trade, catering and accommodation sector).

2.3 Prince Albert

2.3.1 GDPR performance

In 2015, 18.1 per cent of the CKD households resided within the Prince Albert municipal area. The municipal area is sparsely populated, with less than one household per square kilometre on average. Table 2.4 indicates the Prince Albert municipal area's GDPR performance per sector.

In the Prince Albert municipal area, the agriculture, forestry and fishing sector makes up almost 20.0 per cent of the GDPR, making this area heavily reliant on this sector and thus very vulnerable to any changes, on a national and global scale, that impact this sector, including the drought, rising fuel, maize and feed prices, changes in consumer demand as well as local pests, diseases and predation prevalent in livestock. The other

main economic sectors include the wholesale, catering and accommodation sector and the general government sector.

Table 2.4 Prince Albert GDP performance per sector, 2005 - 2016

Sector	Contribution to GDP (%) 2015	R million value 2015	Trend		Real GDP growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	19.9	83.2	3.2	1.4	1.2	2.3	3.3	9.2	-2.7	-9.0
Agriculture, forestry and fishing	19.9	83.2	3.2	1.4	1.2	2.3	3.3	9.2	-2.7	-9.0
Mining and quarrying	0.0	-	-	-	-	-	-	-	-	-
Secondary Sector	13.8	57.7	3.7	2.0	-1.6	0.0	2.4	6.5	0.0	1.5
Manufacturing	3.1	13.0	1.6	3.1	-0.5	1.5	-2.6	5.4	3.4	-1.5
Electricity, gas and water	2.3	9.8	3.7	3.5	4.9	2.9	1.8	3.1	4.0	-4.1
Construction	8.3	34.9	4.9	1.3	-3.4	-1.4	4.7	7.7	-2.3	4.1
Tertiary Sector	66.4	277.7	4.7	4.2	6.2	5.0	4.9	2.7	2.8	2.0
Wholesale and retail trade, catering and accommodation	14.9	62.3	2.7	2.9	4.2	3.8	2.0	1.1	1.0	1.4
Transport, storage and communication	8.7	36.3	3.8	2.9	4.4	3.1	3.8	3.2	1.3	1.5
Finance, insurance, real estate and business services	8.5	35.5	6.9	5.0	6.5	6.2	3.7	4.5	6.4	4.1
General government	21.5	90.0	5.4	5.0	7.6	5.0	6.2	4.5	2.2	2.8
Community, social and personal services	12.8	53.7	5.5	4.9	7.8	7.0	7.9	-0.1	4.1	0.0
Total Prince Albert	100	418.5	4.1	3.2	4.1	3.8	4.3	4.6	1.1	-0.7

Source: Quantec Research, 2017 (e denotes estimate)

In 2016, it is estimated that the Prince Albert municipal area's economy contracted by 0.7 per cent; this is the first time the local economy of Prince Albert has contracted over the past decade. This is as a result of the contraction of the agriculture, forestry and fishing (9.0 per cent), the electricity, gas and water (4.1 per cent) and the manufacturing (1.5 per cent) sectors.

Over the past two years, the primary and secondary sectors have performed poorly. On the contrary, the tertiary sector has managed to expand at above average rates.

2.3.2 Employment profile

Table 2.5 shows the trend in employment growth within each economic sector in the Prince Albert area between 2011 and 2016.

Table 2.5 Prince Albert employment growth per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend		Employment growth (net change)					
			2005 -2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	33.0	1 206	-252	219	-37	57	54	-62	279	-8
Agriculture, forestry and fishing	33.0	1 206	-252	219	-37	57	54	-62	279	-8
Mining and quarrying	0.0	0	0	0	0	0	0	0	0	0
Secondary Sector	9.9	361	45	30	8	1	15	18	7	7
Manufacturing	1.4	51	0	1	-1	-5	7	-3	1	-3
Electricity, gas and water	0.1	5	2	1	-1	0	0	1	0	1
Construction	8.4	305	43	28	10	6	8	20	6	9
Tertiary Sector	57.1	2 083	696	346	65	66	84	89	152	34
Wholesale and retail trade, catering and accommodation	18.2	663	175	66	20	21	15	17	21	-4
Transport, storage and communication	3.3	119	50	21	2	6	7	0	7	-1
Finance, insurance, real estate and business services	4.8	176	82	41	9	5	9	6	11	2
General government	15.2	553	201	115	28	17	14	40	-5	19
Community, social and personal services	15.7	572	188	103	6	17	39	26	29	18
Total Prince Albert	100	3 650	489	595	36	124	153	45	349	33

Source: Quantec Research, 2017 (e denotes estimate)

The Prince Albert municipal area had a total of 3 650 jobs in 2015. This reflects the limited size of the Municipality and its economy, as this is much less than the 12 132 jobs in the Beaufort West municipal area. However, unlike the Beaufort West area, Prince Albert had a positive net change in employment in 2016 (33 jobs). Over the past five years, 595 new jobs were created, which surpasses job losses prior to 2011.

The agriculture, forestry and fishing sector employed the most people in the area in 2015 (33.0 per cent of local jobs). However, in terms of job creation over the past decade, most of the job creation can be attributed to the tertiary sector (the general government and community, social and personal services sectors) indicating the Prince Albert municipal area's job market is diversifying.

2.3.3 Skill Level

Table 2.6 indicates the skills levels of the Prince Albert area. Note that only formal employment numbers can be used to determine the levels of skills in the area.

Table 2.6 Prince Albert skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	15.0	2.2	412
Semi-skilled	36.6	1.2	1 006
Low-skilled	48.4	-0.7	1 330
Total Prince Albert	100	0.3	2 748

Source: Quantec Research, 2017

In 2015, there were 2 748 formally employed individuals in the Prince Albert municipal area, indicating that 24.7 per cent of workers are informally employed. The majority of formally employed people are working in low-skilled (48.4 per cent) and semi-skilled (36.6 per cent) positions which is in line with the amount of agriculture, forestry and fishing sector and wholesale and retail trade, catering and accommodation sector workers.

Formal employment increased at an average annual rate of 0.3 per cent per annum since 2005; the highest average growth, however, has been recorded in the skilled job sector with 2.2 per cent growth per annum, which is in line with employment growth in the tertiary sectors within the Prince Albert municipal area.

2.4 Laingsburg

2.4.1 GDPR performance

The Laingsburg municipal area is the least populated in the District, with only 12.2 per cent of the District's households residing in the area. Table 2.7 indicates the GDPR performance of the Laingsburg area.

Table 2.7 Laingsburg GDPR performance per sector, 2005 - 2016

Sector	Contribution to employment (%) 2015	R million value 2015	Trend		Real GDPR growth (%)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	22.8	83.4	2.4	0.8	0.4	1.5	2.7	8.4	-3.2	-9.7
Agriculture, forestry and fishing	22.8	83.3	2.4	0.8	0.4	1.5	2.7	8.4	-3.2	-9.7
Mining and quarrying	0.0	0.1	-1.8	0.6	1.1	-1.1	1.1	5.7	-2.2	-8.8
Secondary Sector	21.2	77.5	4.6	3.5	4.8	0.5	3.7	5.1	0.8	1.3
Manufacturing	0.4	1.5	-0.6	-1.2	-2.9	-2.8	-5.7	-0.6	-1.0	0.1
Electricity, gas and water	12.1	44.3	1.9	2.0	5.0	1.9	0.4	0.4	0.5	-5.1
Construction	8.6	31.6	10.1	5.9	5.2	-1.1	9.1	11.7	1.2	9.2
Tertiary Sector	56.0	205.0	3.6	3.4	5.2	4.1	3.8	2.4	1.3	1.8
Wholesale and retail trade, catering and accommodation	13.7	50.0	2.7	3.1	4.2	3.9	1.8	0.3	-0.1	2.6
Transport, storage and communication	11.1	40.8	1.0	0.9	2.8	1.4	1.6	2.5	-1.6	-1.3
Finance, insurance, real estate and business services	3.8	13.8	5.0	2.8	2.0	4.6	0.6	2.4	4.2	4.1
General government	18.3	67.0	5.0	4.9	7.2	4.6	6.1	4.7	2.2	3.0
Community, social and personal services	9.1	33.5	5.2	4.4	7.3	6.2	6.8	0.8	3.5	0.3
Total Laingsburg	100	365.9	3.3	2.6	3.7	2.8	3.5	4.5	-0.1	-1.6

Source: Quantec Research, 2017 (e denotes estimate)

The Laingsburg municipal area measured R365.9 million in terms of GDPR in 2015. The economy contracted by 1.6 per cent in 2016, following a contraction of 0.1 per cent in 2015. As with the other two municipal areas in the CKD, this contraction in GDPR can be explained by the dismal performance of the agriculture, forestry and fishing sector, which accounts for 22.8 per cent of the GDPR. The current drought together with rising feed and fuel prices are knocking the local livestock farmers, affecting the growth of the sector.

In the Laingsburg area the electricity, gas and water sector accounted for 12.1 per cent of the GDPR in 2015; which is significant compared to this sector's contribution to the economy of the Beaufort West (5.0 per cent of total GDPR) and Prince Albert (2.3 per cent of total GDPR) municipal areas. It can be explained by the Floriskraal Dam which provides irrigation water to farmers.

2.4.2 Employment profile

Table 2.8 indicates the trend in employment growth within each economic sector in the Laingsburg municipal area.

Table 2.8 Laingsburg employment growth per sector, 2005 - 2016

Sector	Contribution to employment % 2015	Number of jobs 2015	Trend		Employment growth (net change)					
			2005 - 2015	2010 - 2015	2011	2012	2013	2014	2015	2016e
Primary Sector	31.1	846	-177	157	-26	42	37	-42	196	-3
Agriculture, forestry and fishing	31.1	846	-177	157	-26	42	37	-42	196	-3
Mining and quarrying	0.0	0	0	0	0	0	0	0	0	0
Secondary Sector	8.61	234	83	49	14	13	10	12	6	20
Manufacturing	0.3	8	-3	-1	0	0	-1	0	0	1
Electricity, gas and water	1.2	33	17	10	2	3	1	1	2	2
Construction	7.1	193	69	40	12	10	10	11	4	17
Tertiary Sector	60.3	1639	475	270	48	45	65	68	46	33
Wholesale and retail trade, catering and accommodation	18.7	509	43	28	10	7	7	7	12	3
Transport, storage and communication	3.5	94	30	15	0	5	3	1	5	2
Finance, insurance, real estate and business services	4.9	134	55	29	7	3	7	4	5	2
General government	17.0	461	179	104	24	14	15	34	-1	14
Community, social and personal services	16.2	441	168	94	7	16	33	22	25	12
Total Laingsburg	100	2 719	381	476	36	100	112	38	248	50

Source: Quantec Research, 2017 (e denotes estimate)

The Laingsburg municipal area recorded a net increase in employment (476 jobs) over the past five years – indicating that the economy managed to recover from the job losses that occurred during the recession. In 2015, employment increased by 248 jobs, the largest net change in employment since 2010, mainly as a result of significant job increases in the agriculture, forestry and fishing sector during that year.

2.4.3 Skills level

Table 2.9 indicates the skills levels of formally employed people in the Laingsburg municipal area. The Laingsburg municipal area had 2 303 formal sector workers; indicating that the informal sector provided employment for 416 workers.

Table 2.9 Laingsburg skills level, 2015

Formal employment by skill	Skill level contribution (%) 2015	Average growth (%) 2005 - 2015	Number of jobs 2015
Skilled	15.0	2.2	346
Semi-skilled	49.6	0.4	1 143
Low-skilled	35.3	0.7	814
Total Laingsburg	100	0.7	2 303

Source: Quantec Research, 2017

Like the other two municipal areas in the CKD, the Laingsburg area has witnessed above average growth in skilled workers per annum over the last decade (2.2 per cent). Although the proportion of skilled workers is by far the smallest, at 15.0 per cent of total formal employment, its growth signifies a move towards a more diversified local economy and the potential for further upskilling of job seekers.

2.5 Concluding remarks

The three municipal areas boast large agricultural sectors in terms of employment and GDP. A significant contribution by the agriculture, forestry and fishing sector and a smaller relative contribution by the manufacturing sector indicate that little beneficiation takes place in the CKD. The agriculture, forestry and fishing sector mostly revolves around goats, ostriches and sheep farming. Olives, nuts, wheat, vegetables and grapes are also produced in small quantities.

Another important sector regarding GDP contribution is the general government sector. In both the Beaufort West and Prince Albert areas, this sector is approximately equal to the GDP contribution of the agriculture, forestry and fishing sector. Understandably, skilled jobs will add more to GDP, giving an incentive for the CKD to move towards a more specialised economy.

It is estimated that the economies of all the municipal areas contracted in 2016. The Beaufort West, Prince Albert and Laingsburg municipal areas contracted by 1.3 per cent, 0.7 per cent and 1.6 per cent respectively. The contraction can be mainly attributed to the dismal performance of the agricultural, forestry and fishing sector that was severely affected by the drought.

Since the primary and secondary sectors have proven to be more volatile in the face of recessions or economic uncertainty, a move towards a more diversified economy, including more skilled jobs, could be beneficial to this District.

3

Value chains

3.1 Introduction

Industries operate in a complex and interconnected way and do not operate in a single economic sector; as value is added throughout the product value chain, the goods and services of various sectors are needed. In many local economies, the economy is driven by a dominant industry or commodity. This has often led to the development of towns and the expansion of economic activity as well as attracting new industries and development to the area. This essentially adds value to the economy. In other cases, a local area has natural elements or is strategically located to develop a sector or industry.

The aim of this chapter is to depict how economic sectors within the CKD function. Considering the economic and employment trends identified in previous sections, the chapter aims to provide further detail to the linkages between local sectors.

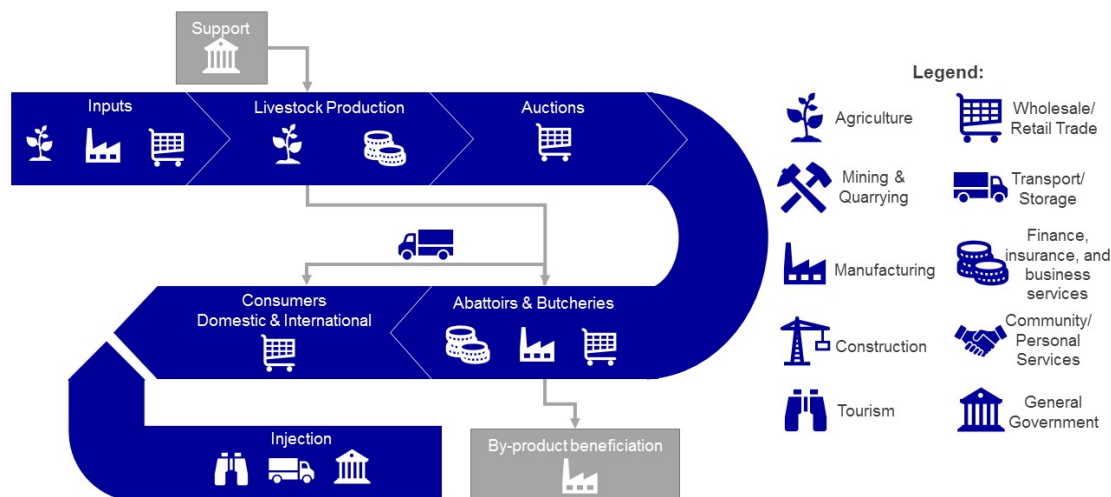
3.2 Sectoral linkages

The economy of the CKD is dependent on the general government, the agriculture, forestry and fishing, the wholesale and retail trade, catering and accommodation and the transport, storage and communication sectors. Combined, these sectors contributed 65.5 per cent to the GDP of the District and employed 12 764 workers in 2015.

The agriculture, forestry and fishing sector provides the foundation for many economic activities within the CKD. This sector comprises mostly of livestock (sheep and goat farming) which is interlinked with other sectors within the broader CKD economy. This is the case considering that sheep and goat farming provides for linkages with the manufacturing sector (abattoirs, butcheries and meat processors), while the auction of livestock and the sale of meat generates income and employment within the wholesale and retail trade sector.

Diagram 3.1 outlines these sectoral linkages through the primary value chain of livestock farming and meat production. Although the livestock farming value chain mainly supports the economy of the CKD, there are additional industries that have developed alongside this value chain that have a large impact on the local economy. These industries are therefore considered as injections into the economy of the District as indicated in Diagram 3.1.


Diagram 3.1 Sectoral linkages








Source: Urban-Econ, 2017

In the agricultural value chain, there are many backward and forward linkages between the various economic sectors in the CKD as illustrated in Diagram 3.1. These sectoral linkages are further outlined in Table 3.1.

Table 3.1 Subsector linkages

Sector	Linkages
 Agriculture subsector	The agriculture subsector contributed R378 million to the GDP of the CKD and employed 4 196 people in 2015, with the largest portion originating from the Beaufort West municipal area (R211 million). The primary agriculture activity is livestock (for meat and wool) and game farming, which is dependent on the availability of feed imported from other areas. Other inputs such as machinery and fuel can be obtained locally (supporting the wholesale and retail trade sector). This sector also provides inputs for the manufacturing sectors in other areas (wool that is processed in the Eastern Cape). A portion of production of wine grapes (150 ha) and olives (430 ha) occurs in the extreme south of the District in the Prince Albert Valley. The agriculture sector is supported by the government sector (state veterinarians) as well as industry organisations located outside the District, such as the Dorper Sheep Breeders' Society (Middelburg) and Merino SA (Graaff-Reinet).

Sector	Linkages
 Wholesale and retail trade subsector	<p>The wholesale and retail trade subsector contributed R349 million to the District's economy and employed 3 498 people in 2015 – of which 53.3 per cent are informally employed. Inputs are purchased from within the CKD as well as from outside the District. Some of the companies located in Beaufort West include:</p> <ul style="list-style-type: none"> ● Klein Karoo Agri ● BKB ● Beaufort West Verspreiders ● National chain stores <p>Meat is also sold locally within the CKD as well as across South Africa. Meat and meat products that are produced within the CKD do not only contribute to the local wholesale and retail sector but also to this sector in other provinces. The tourists and transport service providers who travel through the District are main contributors to this local sector, purchasing fuel, food and beverages. The main retail node in the District is Beaufort West which has a variety of retail chain shops, restaurants and garages.</p>
 Transport and storage subsector	<p>The transport and storage subsector contributed R362 million to the economy of the District in 2015. Inputs need to be transported from service centres to the farms and smaller towns; however, it is mainly large logistics service providers who assist producers in transporting their final products to the harbour (Cape Town) for export as well as to the rest of the country who add value to this sector. Local logistic service providers include:</p> <ul style="list-style-type: none"> ● RTT Intelligent Logistic (branch) ● SV Transport <p>The strategic location of the town of Beaufort West on the N1 allows the national transport sector to contribute significantly to the local economy as this is the main transport route between the Western Cape and Gauteng. In 2014, 146 647 trucks were weighed at the Beaufort West weighbridge, indicating that on average 402 trucks pass through the District daily. The Beaufort West weighbridge recorded the third highest volume of trucks passing through compared to weighbridges across SA (Department of Transport, 2017). The large volume of trucks passing through the District has given rise to the development of four truck stops (three in Beaufort West and one in Laingsburg), thereby capturing some of the benefits of the national transport route through the wholesale and retail sector.</p>
 Manufacturing	<p>Even though this sector is not a main economic sector in the District, it plays a valuable role in the agricultural value chain. The primary manufacturing activity that takes place is the production of meat. The production of food products contributed R26 million to the economy of the District in 2015 and employed 74 workers. This sector is supported by the government sector, as abattoirs need to be regularly inspected to make sure that all health legislation and regulations are being adhered to. Abattoirs in this District include:</p> <ul style="list-style-type: none"> ● Buffelsrivier Abattoir (Laingsburg) ● Hartman & Seuns (Laingsburg) ● Prince Albert Abattoir ● Scheurfontein Abattoir (Beaufort West) ● Nobielsfontein Abattoir (Beaufort West) ● Koup Abattoir (Beaufort West) ● Beaufort West Abattoir ● Bulwater Abattoir ● Rooiheuwel Abattoir

Sector	Linkages
 <p data-bbox="252 551 384 613">General government</p>	<p data-bbox="456 259 1343 461">There are some additional manufacturing activities related to livestock and game farming including a leather tannery (Prince Albert), a mohair weaver (Prince Albert) and a taxidermist (Beaufort West). Additional manufacturing taking place includes wine making, olive processing and dried apricots, all in the Prince Albert area. The beverage manufacturing subsector contributed R12 million to the economy of the District and created employment for 60 people.</p> <p data-bbox="456 472 1343 674">The general government sector assists farmers with veterinary services as well as export certifications. However, due to limited economic activity in the area, this sector is a significant injection into the local economy of the District, as it employs more than 3 000 people of whom the majority are skilled and semi-skilled. Beaufort West (town) is the main economic hub of the District and houses the District and Municipality as well as numerous other government departments.</p>
 <p data-bbox="252 763 344 792">Tourism</p>	<p data-bbox="456 685 1343 990">Tourism is not a sector on its own. However, the activities of tourists are captured in a variety of sectors, such as in the retail trade, catering and accommodation and the transport, storage and communication sectors. The catering and accommodation sector contributes R44 million to the economy of the District, with 61.4 per cent of this subsector's contribution originating from the Beaufort West municipal area. There are some tourist attractions in the area such as the Karoo National Park and Matjiesfontein; however, due to the strategic location of the town Beaufort West on the N1, the tourism sector contributes significantly to the local economy as this is the main transport route between the Western Cape and Gauteng.</p>

Source: Quantec Research, 2017

Map 3.1 indicates the economic linkages discussed above in the CKD. The main service centres in the CKD are Beaufort West, Laingsburg and Prince Albert, with the primary service node being Beaufort West. Smaller farming nodes include Murraysburg and Merweville. The primary land use is livestock farming (indicated in orange), especially in the Beaufort West and Prince Albert areas. The main transport route in the District is the N1 as well as the N12, which links Beaufort West to Oudtshoorn in the south and Kimberly in the north. The vastness of the District and the large farming community means that people have to travel far distances for access to services, medical care and schooling. Map 3.1 also indicates the locations of the abattoirs (red) within the District, where meat is processed, as well as the main tourist areas (blue).

Map 3.1 Central Karoo District linkages

Source: Urban-Econ via MapAble, 2017 & DOA, 2013

3.3 Goat and sheep farming

Livestock farming, particularly goat and sheep farming, provides a backbone for the economy in the CKD. In 2013, 55.3 per cent of goats and 25.5 per cent of sheep in the Province were farmed in the CKD (WC Department of Agriculture, 2013). There are nine red meat abattoirs located within the District, the majority of which are located around Beaufort West which processes the meat for export from the District. Due to the veld conditions in the Karoo, mutton and lamb meat have a unique flavour and has incorporated the brand name of “Karoo lamb” which is sold nationwide. Farmers must meet certain criteria to brand their meat as “Karoo lamb” and should be registered. Supporting local sheep farmers to meet the standards of “Karoo lamb” will enable farmers to have access to a brand that can increase the demand for their product.

On a national level, the sheep herd has been declining since 2014 – due to drought conditions. Many farmers have slaughtered their sheep at a lighter weight than usual leading to an increase in the number of slaughters in 2014 and 2015. This has in turn increased meat production. Between 2014 and 2015, there was an 18.9 per cent increase in meat prices (year on year) which benefitted farmers who managed to maintain their herds during the drought period (DAFF, 2017).

Livestock farmers in the District are facing increasing feed prices and a lack of water for sustainable farming. The primary constraints found with livestock farming include stock theft, lack of fencing, predation, diseases, lack of infrastructure, insufficient veterinary services, inadequate extension services, and safety and security on farms.

Some working farms in the area are offering tourist accommodation facilities as a means of earning additional income. Farms are also diversifying into game farming, which yields higher prices and has less risk than sheep farming. Game farms also provide farmers with the potential for developing tourism products such as farm stays and hunting.

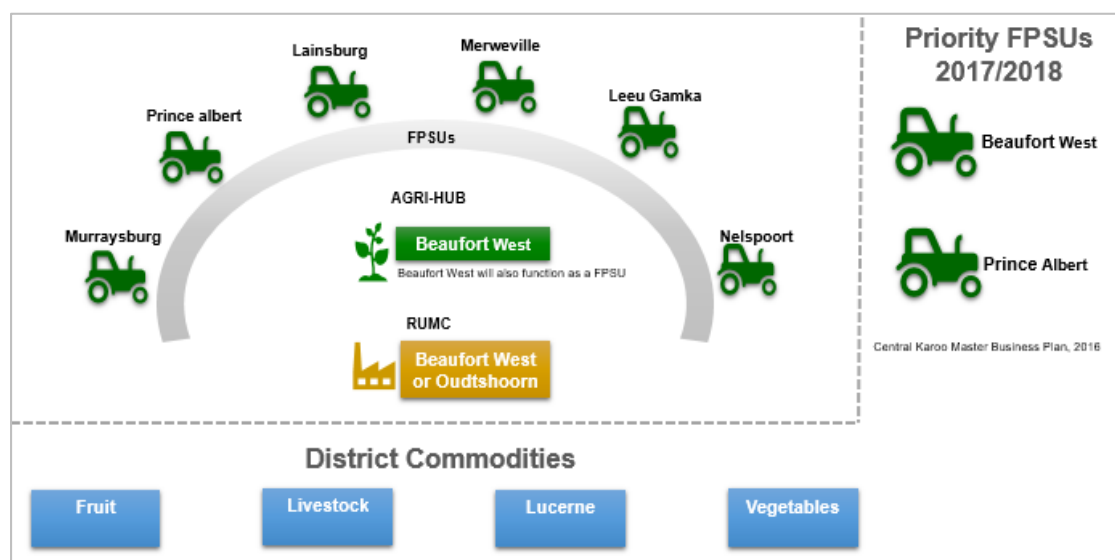
Providing drought relief for livestock farmers in the CKD will be essential for the sustainability of this industry within the District, as the depletion of flocks will have a long-term negative impact on the growth of the agriculture sector. With this, employment in this sector will also be affected.

3.4 Agri-Parks

Due to the importance of the agricultural value chain within the District and the struggling agriculture, forestry and fishing sector, initiatives such as the Agri-Park Programme have the potential for widespread economic benefits, since the Agri-Park, for example, will not only support farming activities but also promote local processing. Diagram 3.2 outlines the locations for Farmer Production Support Units (FPSUs), the Agri-Hub and the Rural Urban Market Centre (RUMC) within the CKD.

The Agri-Park Programme will not only focus on livestock farming but also on other commodities that are unique to the areas around each FPSU. These commodities include fruit, vegetables and lucerne. The Beaufort West and Prince Albert FPSUs are prioritised for development in 2017/18.

Diagram 3.2 Agri-Park implementation, Central Karoo District



Source: Karoo District Agri-Park Master Plan, 2016

A wide variety of processing opportunities for the Agri-Park Programme are proposed over the short, medium and long term. These include (Karoo District Agri-Park Master Plan, 2016):

- Short term: upgrading existing abattoirs and the construction of a feedlot as abattoirs are performing under capacity and the development of a tannery to add value to existing abattoir facilities. It is proposed that lucerne planted will be utilised by a pill processing facility in the Eden District (highlighting the importance of the transport network within the District).
- Medium term: goat milk processing and hydroponic vegetable projects.
- Long term: olive processing and dried fruits in Prince Albert.

Current projects identified by the Department of Rural Development and Land Reform (DRDLR) that are aligned with the Agri-Park Programme in the CKD include dried fruit processing, an animal feeding scheme, increasing sheep production through the one household one hectare programme and investigating the potential for the further development of the Beaufort West abattoir (DRDLR, 2017).

To ensure coordinated investment, district and local municipalities will need to start provisioning for the Agri-Park Programme in their Integrated Development Plans (IDPs), Spatial Development Frameworks (SDF) and Local Economic Development Plans (LEDs). The importance of this is to align infrastructure and project investment with the intended outcomes of the Agri-Park Programme. It is important to note that the implementation of the Agri-Park Programme will require significant infrastructure investment which will need to be implemented on a site that will further support job creation and GDP growth in the construction sector.

3.5 Tourism and transport

The N1 and N12, that travellers utilise in the District to travel between the northern provinces and the coast, have created the opportunity for many overnight tourist accommodation services as well as facilities for long haul transport drivers. The majority of visitors to the District are domestic tourists (93.1 per cent), from either the Western Cape or Gauteng. A large proportion of tourists are day visitors or choose to stay for two nights. Areas such as Beaufort West and Prince Albert are popular towns for overnight visitors who typically stay for one night. The Karoo National Park attracted more than 40 548 visitors in 2015/16 which is a 5.0 per cent increase from the 38 618 visitors in 2014/15; room occupancies are also increasing, from 61.7 per cent in 2013/14 to 75.6 per cent in 2015/16 (SANParks, 2016).

Many farmers have diversified their enterprises and also offer farm accommodation, particularly in the southern areas, around Prince Albert and Murraysburg. There are also some adventure tourism activities within the District in Prince Albert. Hiking and biking are popular activities, with 52 and 35 facilities offering hikes and bike riding respectively. The many historical and heritage attractions in the area should be utilised to lengthen the stay of tourists and increase their spending in the District. For example, the museums in Laingsburg and Beaufort West as well as the town of Matjiesfontein should be emphasised as tourist attractions. An additional injection regarding tourism is the Shosholozha Meyl passenger rail which has stops in Beaufort West, Prince Albert and Laingsburg. The new N12 Treasure Route, marketed by the N12 Treasure Route Association, is an initiative to promote tourism and towns along the N12. The N12 Treasure route stretches from Emalahleni (in Mpumalanga) to George (in the Eden District) and passes through Beaufort West. Activities around Prince Albert are also promoted through this initiative. The success and popularity of this tourism route has the potential to assist the CKD in retaining tourists for more than one night by raising awareness for the activities and attractions in the CKD that are along the N12 route (N12 Treasure Route Association, 2017).

The N12 Treasure Route Association also aims to capacitate its members through workshops which focuses on the implementation of responsible tourism, the importance of service delivery, grading and market access to promote local tourism initiatives and on approaches to support local SMMEs and stimulating local economic development through tourism (N12 Treasure Route Association, 2017). Capacitating decision makers who are responsible for tourism development is essential to unlock development, especially in rural areas such as Beaufort West and Prince Albert where untapped tourism potential exist (i.e. heritage and adventure tourism).

National factors, which affect domestic tourism, such as increasing fuel prices, will have an adverse impact on the tourism industry in this sector. The decline in domestic tourists travelling between the Western Cape and Gauteng and other provinces on the N1 will affect the occupancy levels at local tourist accommodation facilities. These factors are important to consider when assessing the tourism and transport industry and their potential in the CKD.

3.6 Concluding remarks

The CKD is sustained by the agriculture, forestry and fishing sector as well as the general government sector. Although the economy is mainly driven by the farming industry, additional industries act as linkages in this regard and are thus important to consider when discussing the economic potential of the area.

Tourists and freight trucks provide a valuable injection into the local economy as Beaufort West is the ideal stopover for tourists and trucks travelling to and from the Western Cape and Gauteng areas. The CKD is not sufficiently marketed as a tourist destination as the majority of tourists stay in the area for one or two nights only. With an emphasis on tourism, the District can appeal to tourists' additional demands for restaurants, fuel and entertainment which will create further business opportunities in the area. However, changes in the national economy that impact domestic travel can have a significant adverse effect on the local economy. This is important to consider when discussing the potential for this industry.

In the CKD, 18 507 people are employed, of which 22.8 per cent are informally employed. The majority of households earn low levels of income, and with the average household size of 3.7 people – there is a significant dependence on family members who work. The estimated 2016 decline in jobs in the main economic sectors combined with the increasing unemployment rate will increase the levels of poverty and the need for government intervention. Rising unemployment and levels of poverty have an impact on all sectors, especially in the wholesale and retail sector and the community and personal services sector, as spending within the local economy is reduced.

It is therefore important that unemployment is tackled within this District. This can be accomplished by developing certain sectors and industries that show potential for sustainable growth.

4

Municipal socio-economic analysis

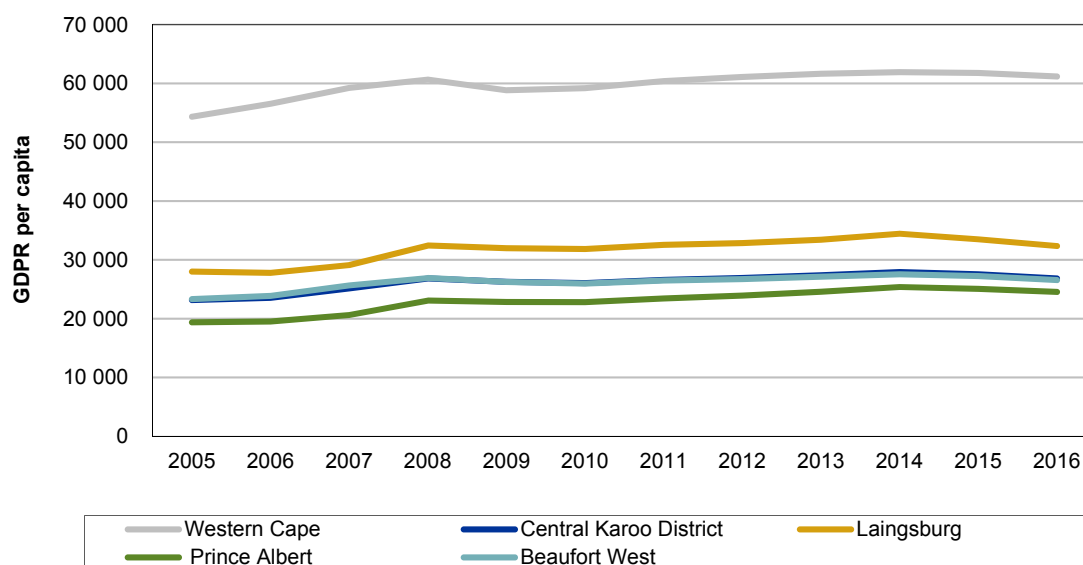
4.1 Introduction

This section shows living conditions and economic circumstances of households in the CKD based on most recent data, including Stats SA's Non-Financial Census of Municipalities 2016 and Quantec. Economic theory suggests that when an economy prospers its households are expected to enjoy a good standard of living. On the contrary, a declining economy tends to lower the standards of living of people. This chapter uses various social and economic indicators to show the current reality of households under local government authorities in the CKD, covering the following municipal areas; Beaufort West, Laingsburg, Prince Albert. Indicators which are used to analyse the socio-economic situation in the CKD include, among others, real GDP per capita, Gini coefficient, household expenditure, Human Development Index (HDI), levels of education, type of dwellings, the number of indigent households, the provision of free basic services and levels of health.

The deteriorating financial health of households and individuals under the weight of economic pressures, specifically between 2011 and 2015, has resulted in an increase in poverty levels, according to the Poverty Trends in South Africa report released by Statistics South Africa in 2017. The report cites rising unemployment levels, low commodity prices, higher consumer prices, lower investment levels, household dependency on credit, and policy uncertainty as the key contributors to the economic decline in recent times. These recent findings indicate that the country will have to reduce poverty at a faster rate than previously planned. According to the report the categories of people vulnerable to poverty remained to be African females, children 17 years and younger, people from rural areas, and those with no education. Inflation-adjusted poverty lines show that food poverty increased from R219 in 2006 to R531 per person per month in 2017. The lower-bound poverty line has increased from R370 in 2006 to R758 per person per month in 2017 while the upper-bound poverty line has increased from R575 in 2006 to R1 138 per person per month in 2017.

4.2 Real GDP per capita

Figure 4.1 Real GDP per capita, Central Karoo District, 2005 - 2016



Source: Quantec/Urban-Econ 2017

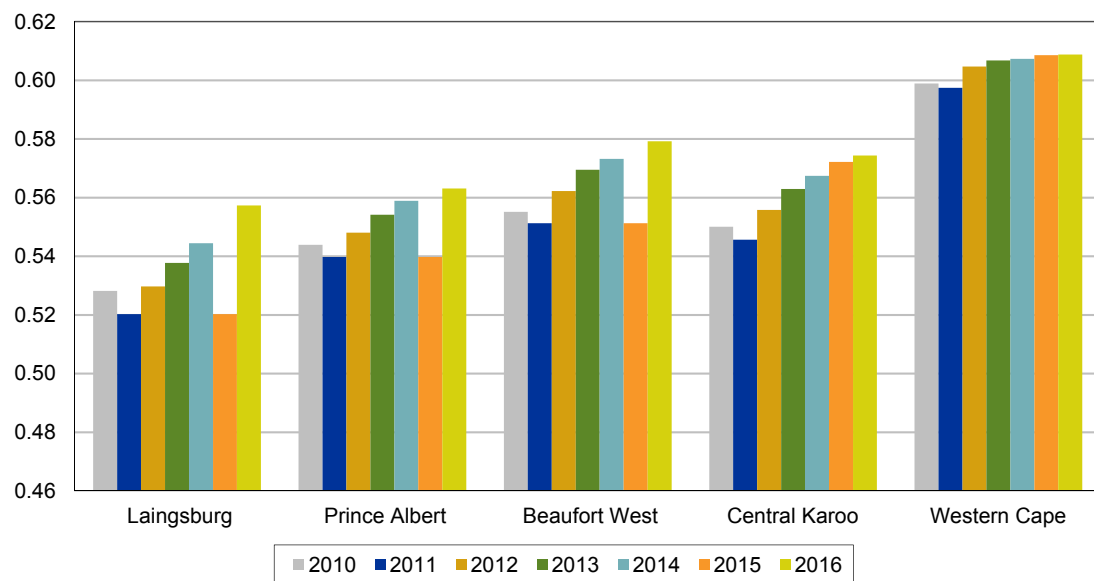
Figure 4.1 shows that in 2016, the real GDP per capita³ for the Laingsburg municipal area (R32 367) is significantly lower than that of the WC Province (R61 199), and much higher than the CKD average (R26 845). The Beaufort West municipal area has the second highest real GDP per capita (R26 555), followed by Prince Albert (R24 537). Only if the real economic growth rate exceeds the population growth rate will there be an increase in real GDP per capita. Of course, not everyone within an economy will earn the same amount of money as estimated by the real GDP per capita indicator.

4.3 Income inequality

As shown in Figure 4.2 Laingsburg and Prince Albert have the highest levels of inequality in the CKD, with the Gini coefficient⁴ recorded at 0.67 in 2015 and 0.68 in 2016.

³ Real GDP per capita is an indicator used by economists to estimate the income per person within an economy, and inherently the standard of living. It is calculated by dividing the real gross domestic product of an economy by the total population of that economy.

⁴ The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents, and the figure varies between 0, which is an indication of complete or perfect equality and 1, which represents complete inequality in income distribution. The closer to 1 means more and more inequality exists and the closer to 0 shows less and less inequality.

Figure 4.2 Gini coefficients, Central Karoo, 2010 - 2016

Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

Figure 4.2 shows that income inequality increased in all municipal areas in the CKD between 2015 and 2016. Income inequality was less severe in Laingsburg (0.56 in 2016) and Prince Albert (0.56 in 2016). The inequalities in income earned by households in various localities in the District can be shown by expenditure patterns as described in the section below.

4.4 Household expenditure

Table 4.1 shows the allocation of expenditure between durable, semi-durable, non-durable goods as well as services by households in the CKD. Households across the District spend the most on services and non-durable goods, comprising about 73.3 per cent of total expenditure. Surprisingly, the data shows that households in Beaufort West spend the highest proportion of their budget (13.7 per cent) on durable goods, followed by Prince Albert and Laingsburg, at 12.8 per cent and 12.7 per cent respectively.

Table 4.1 Central Karoo District expenditure on goods and services, 2017

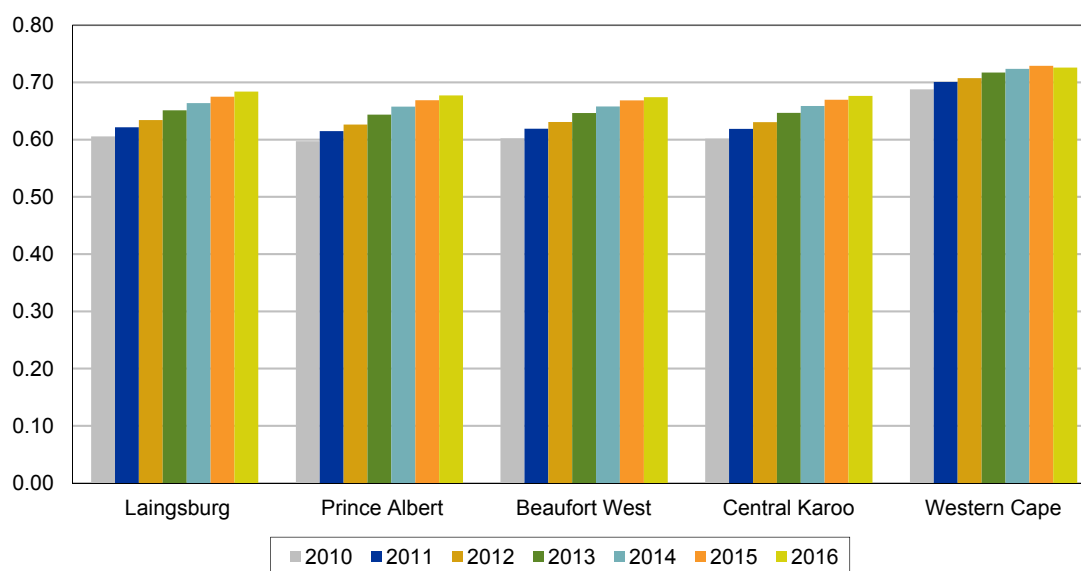
	Central Karoo		Laingsburg		Prince Albert		Beaufort West	
	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total	Rand millions	% of total
Good and services								
Durable goods	162.6	13.5	12.0	12.7	18.3	12.8	119.6	13.7
Semi-durable goods	158.8	13.2	11.4	12	18.3	12.8	116.7	13.4
Non-durable goods	380.1	31.5	30.4	32.1	47.9	33.4	270.6	31.1
Services	504.3	41.8	40.8	43.1	58.6	40.9	363.6	41.8
Total	1 205.7	100	94.6	100	143.1	100	870.6	100

Source: Quantec/Urban-Econ 2017

Human development

The United Nations uses the Human Development Index (HDI)⁵ to assess the relative level of socio-economic development in countries. Figure 4.3 shows that there has been a general increase in the HDI across all municipalities in the CKD between 2011 and 2016. Between 2015 and 2016, the HDI increased only at Laingsburg (0.67 to 0.68) and Prince Albert (0.67 to 0.68) while remaining constant in Beaufort West.

Figure 4.3 Human Development Index, Central Karoo, 2010 - 2016



Source: Western Cape Department of Economic Development and Tourism; IHS Global Insight, 2016

The Human Development level in the CKD is lowest at Beaufort West. The sections below provide details of the individual indicators used to measure human development, i.e. education, housing, access to basic services and health.

4.5 Education

A community with a higher number of educated persons is likely to be more developed and more prosperous than one with less educated individuals. Higher levels of education generally lead to higher paying jobs. Table 4.2 shows estimates of education levels of persons living within municipal areas in the CKD.

⁵ The HDI is a composite indicator reflecting education levels, health, and income. It is a measure of peoples' ability to live a long and healthy life, to communicate, participate in the community and to have sufficient means to be able to afford a decent living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

Table 4.2 Education levels of population in the Central Karoo District, 2017

Education levels	Central Karoo		Laingsburg		Prince Albert		Beaufort West	
	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population	Number	% of total adult population
No schooling	8 376	12.5	1 000	14.1	1 509	12.0	5 868	12.4
Some primary	17 564	26.3	1 924	27.1	3 740	29.7	11 906	25.3
Complete primary	5 058	7.6	516	7.3	1 142	9.1	3 404	7.2
Some secondary	21 823	32.6	2 505	35.3	3 920	31.1	15 412	32.7
Grade 12/Std 10	10 844	16.2	784	11.0	1 658	13.2	8 406	17.8
Higher	3 224	4.8	373	5.3	635	5.0	2 142	4.5
Total	66 888	100	7 101	100	12 605	100	47 138	100

Source: Quantec/Urban-Econ calculations

The largest proportion of people without schooling are found in Laingsburg having the highest proportion (14.1 per cent) followed by Beaufort West (12.4 per cent) and Prince Albert (12.0 per cent). Primary school education is important as it is a foundation for human development and therefore the existence of individuals without any form of schooling is a concern to decision makers at local, provincial and national government. Beaufort West has the largest proportion of people with a Grade 12 qualification (17.8 per cent) followed by Prince Albert (13.2 per cent). High educational achievements indicate the availability of a skilled and qualified workforce which augurs well for economic growth.

In Table 4.3 it can be observed that Laingsburg had the highest Matric pass rate in 2016 (90.3 per cent) followed by Beaufort West (76.6 per cent), while Prince Albert had the lowest pass rate in the District at 69.2 per cent. The table also shows that learner enrolment in 2016 was highest in Beaufort West (10 943) followed by Prince Albert (2 143) and Laingsburg (1 247). Grade 12 dropout rates were highest in Laingsburg (72.3 per cent), followed by Prince Albert (48.1 per cent) and Beaufort West (38.0 per cent). The Grade 12 dropout rates in 2016 are high across the District and therefore a cause for concern. Reasons for the dropout rates must be investigated properly in order to address this negative situation.

Table 4.3 Learner enrolment and Matric pass rates, Central Karoo District, 2016

Municipality	Learner enrolment 2016	Grade 12 dropout rate	Learner-teacher ratio (%)	Number PO schools (March 2016)	Proportion no-fee schools (March 2016)	Number of schools with libraries 2016	Matric pass rate 2016 (%)
Beaufort West	10 943	38.0	51.62	20	80.0	17	76.6
Laingsburg	1 247	72.3	47.96	4	75.0	2	90.3
Prince Albert	2 143	48.1	54.95	5	80.0	4	69.2

Source: Western Cape Department of Education 2017

4.6 Human settlements

The type of housing that households live in is an important indicator of the extent of human development within a municipal area. The least form of housing that indicates low human development is an informal dwelling such as a shack. Table 4.4 shows that the most informal dwellings in the District are found at Prince Albert (184), despite having the highest real GDP per capita in CKD as shown earlier in this chapter. Beaufort West has the second highest number (173).

Table 4.4 Dwelling type per municipal area, Central Karoo District, 2017

Dwelling type	Central Karoo		Laingsburg		Prince Albert		Beaufort West	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	18 308	85.2	1 958	75.8	3 697	90.9	12 658	85.3
Traditional dwelling/hut/structure made of traditional materials	70	0.3	23	0.9	18	0.5	30	0.2
Flat in a block of flats	167	0.8	7	0.3	11	0.3	150	1.0
Town/cluster/semi-detached house (simplex, duplex or triplex)	2 017	9.4	476	18.4	58	1.4	1 485	10.0
House/flat/room, in backyard	470	2.2	59	2.3	34	0.8	380	2.6
Informal dwelling/shack, in backyard	181	0.8	28	1.1	59	1.5	96	0.6
Informal dwelling/shack, NOT in backyard, e.g. in an informal/squatter settlement	206	1.0	7	0.3	125	3.1	77	0.5
Room/flatlet not in backyard but on a shared property	98	0.5	43	1.7	41	1.0	18	0.1
Other/unspecified/N/A	143	0.7	37	1.4	37	0.9	71	0.5
Total	21 487	100	2 582	100	4 067	100	14 840	100

Source: 2016 Quantec/Urban-Econ calculations

Laingsburg has the least number of households living in informal dwellings (35). The following section provides information on indigent households and provision of free basic services. The provision of basic services to households is a positive indicator of human development.

4.7 Provision of basic services to indigent households

Prince Albert and Laingsburg municipal areas experienced increases in the number of indigent households between 2015 and 2016 as shown in Table 4.5, whereas decreases were recorded for Beaufort West. The table also shows that the increases in the number of indigents resulted in increases in the free basic services provided by the municipalities. While the provision of free basic services is necessary and in line with Constitutional requirements, the services come at a cost to the municipalities.

Table 4.5 Indigent households and provision of basic services, Central Karoo District, 2016

Municipality	No. of indigent households		Free basic water		Free basic electricity		Free basic sanitation		Free basic refuse removal	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Laingsburg	530	630	499	630	518	630	516	630	530	630
Prince Albert	687	951	687	951	687	951	687	951	687	951
Beaufort West	6 144	6 038	5 682	6 022	5 557	6 022	3 653	3 717	1 424	2 573

Source: Non-Financial Census of Municipalities, Stats SA 2017

As per Table 4.6, Beaufort West and Laingsburg municipal areas in the CKD recorded increases in the number of households with taps inside their yards, with Prince Albert municipal area remaining constant between 2015 and 2016. A total of 31 households with access to taps more than 200 m from the yard was reported for Beaufort West.

Table 4.6 Different types of access to water, Central Karoo District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Laingsburg	1 227	1 278	0	0	0	0
Prince Albert	2 511	2 511	0	0	0	0
Beaufort West	13 885	14 119	31	31	0	0

Source: Non-Financial Census of Municipalities, Stats SA 2017

In terms of sanitation, Table 4.7 shows that there were increases in the number of households with flush toilets connected to the system across all municipal areas in the CKD.

Table 4.7 Different types of access to sanitation, Central Karoo District, 2016

Municipality	Flush toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Laingsburg	1 227	1 245	75	75	0	0	0	0	0	0
Prince Albert	2 127	2 127	310	310	0	0	0	0	0	0
Beaufort West	11 598	11 832	1 599	1 599	0	0	355	355	0	0

Source: Stats SA Non-Financial Census of Municipalities

The ventilated improved pit latrines which remain in use by certain households in Beaufort West is a big concern which requires attention.

4.8 Health

As indicated earlier, longevity is one of the indicators used in the composite indicator for calculating the Human Development Index. This section provides findings of the Mortality and causes of death study by Statistics South Africa in 2015. Long life and good health have been found to have a positive and sizable effect on aggregate output in the economy largely because healthier workers are mentally and physically more energetic and robust, more productive and less likely to stay absent due to

sickness and disability (Bloom et al., 2004). Communities living in developed economies are exposed to good health systems and therefore tend to have longer and healthier lives than those living in developing economies. Table 4.8 shows that the main causes of death in the CKD in 2015 were disease of the circulatory system (21.5 per cent), certain infectious and parasitic diseases (16.1 per cent), neoplasms (14.0 per cent) and disease of the respiratory system (13.9 per cent). The lowest proportion of deaths in the District, from the categories in the table below, were as a result of perinatal conditions (1.3 per cent).

Table 4.8 Deaths by main groups of causes by district in the Western Cape, 2015 (%)

District	Certain infectious and parasitic diseases	Neoplasms	Diseases of the blood and immune mechanism	Endocrine, nutritional and metabolic diseases	Diseases of the nervous system	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	Perinatal conditions	Other natural causes	External causes of morbidity and mortality
Cape Winelands	17.6	18.5	0.7	7.8	1.9	20.2	9.5	2.3	1.2	9.6	10.8
Central Karoo	16.1	14.0	1.8	7.0	2.8	21.5	13.9	2.2	1.3	5.1	14.3
City of Cape Town	14.2	17.9	0.8	8.6	2.3	19.1	8	2.3	1.8	10.6	14.3
Eden	16.9	18.7	1.2	7.5	2.3	22	10.2	2.9	1.6	6.8	10
Overberg	11.1	19.8	1.0	7.1	2.4	21.9	9.7	1.9	1.8	9.7	13.5
West Coast	15.9	15.9	1.5	8.5	2.3	21.9	9.9	2	1.2	8.4	12.5
Unspecified	12.5	18.8	0	15.6	0	17.2	10.9	0	0	12.5	12.5

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

Table 4.9 shows that 85.5 per cent of deaths in the CKD in 2015 were as a result of natural causes, with 14.3 per cent (or 117) relating to non-natural causes. Some noteworthy underlying causes of death in the District in 2015 were chronic lower respiratory diseases (75 deaths or 9.1 per cent), Tuberculosis (55 deaths or 6.7 per cent) Cerebrovascular diseases (51 deaths or 6.2 per cent), Diabetes (43 deaths or 5.2 per cent), hypertensive disease and Human immunodeficiency virus (43 deaths or 5.2 per cent).

Table 4.9 The 10 leading underlying natural causes of death, Central Karoo District, 2015

Central Karoo	Number	%
Chronic lower respiratory diseases	75	9.1
Tuberculosis	55	6.7
Cerebrovascular disease	51	6.2
Human Immunodeficiency Virus (HIV)	43	5.2
Diabetes Mellitus	43	5.2
Hypertensive diseases	43	5.2
Malignant neoplasms	34	4.1
Malignant neoplasms of respiratory and intrathoracic organs	33	4
Ischaemic heart disease	33	4
Other forms of heart disease	31	3.8
Other natural causes	262	32.0
Non-natural causes	117	14.3
Total	589	100

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

The majority of deaths in the CKD in 2015 were elderly people aged 65 and over (34.9 per cent), and adults aged 45 - 64 (32.3 per cent) as shown in Table 4.10. Deaths of people in the 15 - 44 age group (25.5 per cent) is a cause for concern as this includes the economically active population and therefore has a negative implication for economic performance.

Table 4.10 Percentage distribution of deaths by age in the Western Cape, 2015

District	0	1 - 14	15 - 44	45 - 64	65+	Unspecified
Cape Winelands	3.1	1.5	21.8	33	40.4	0.2
Central Karoo	4.9	2.4	25.5	32.3	34.9	0
City of Cape Town	4.2	1.6	25.6	29	39.3	0.3
Eden	3.3	1.4	20.6	32.6	42	0
Overberg	3.5	1.6	18.5	30.3	46.1	0
West Coast	2.5	1.3	23.2	32.9	40	0.1
Unspecified	0	1.6	25	32.8	40.6	0

Source: *Mortality and causes of death in South Africa in 2015; Statistics South Africa 2017*

4.9 Summary and conclusion

This section explored the impact of economic performance on the socio-economic conditions of communities living in municipalities within the CKD using a selected number of indicators. Table 4.11 is a summary of recent changes in various social indicators in the CKD.

Table 4.11 Selected socio-economic indicators, Central Karoo District, 2005 - 2016

Indicator	Central Karoo	Laingsburg	Prince Albert	Beaufort West
GDP growth (2005 - 2015)	3.00%	3.30%	4.10%	2.70%
Population growth (2005 - 2015)	1.20%	1.45%	1.44%	1.10%
Real GDP per capita (2005 - 2015)	R26 182	R31 693	R22 930	R26 138
Gini coefficient (2010 - 2016)	Increase	Increase	Increase	Increase
Household expenditure	Services/ non-durables	Services/ non-durables	Services/ non-durables	Services/ non-durables
HDI (2010 - 2016)	Increase	Increase	Increase	Increase
No schooling (2016)	12.50%	14.10%	12.00%	12.40%
Grade 12 dropout rates (2016)	High	72.10%	48.10%	38.00%
Informal dwelling (2016)	1.8%	1.40%	4.60%	1.10%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Decrease
Free basic water (2015 - 2016)	Increase	Increase	Increase	Increase
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Increase
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Increase
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Increase
Main causes of death (%)		Diseases of the circulatory system		
Age group with highest death rate		45 - 65+		

Table 4.11 shows the positive or negative movement of selected social and economic indicators in municipalities within the CKD in the recent past. Indicators moving in positive territory could be a result of positive economic performance within the District.

Indicators that have moved in a positive direction for the CKD include a general increase in real GDP per capita and an increasing trend in human development. Areas of concern in the district include the rising income inequality, high dropout rates, increasing indigent households, informal dwellers, and deaths especially caused by natural causes including Chronic lower respiratory diseases, TB, Cerebrovascular diseases, HIV/AIDS and Diabetes.

The Laingsburg Municipal area recorded the second fastest average economic growth in the CKD (3.3 per cent) between 2005 and 2015. The municipal area's population grew by an average 1.45 per cent between 2005 and 2016, resulting in an increasing trend in real GDP per capita from R28 017 (2005) to R32 367 (2015). There was a general increase in the human development during the review period, from 0.61 recorded in 2010 to 0.68 in 2016. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

The Prince Albert Municipal area recorded the fastest average economic growth rate (4.1 per cent) between 2005 and 2015 while the average population growth rate was 1.4 per cent during the same period, resulting in an increasing trend in real GDP per capita, from R19 374 (2005) to R24 537 (2016). The HDI has also been following an increasing trend, from 0.60 recorded in 2010 to 0.68 in 2016. The increase in indigent households between 2015 and 2016 in this municipal area is noted.

The Beaufort West Municipal area recorded an economic growth rate of 2.7 per cent on average between 2005 and 2015 while the population grew by an average of 1.1 per cent during the same period, resulting in rising real GDP per capita, from R23 331 (2005) to R26 555 (2016). The HDI has also been following an increasing trend, from a recording of 0.60 in 2010 to 0.69 in 2016. The decrease in the number of indigent households in this municipal area is noted.

Although the increase in the provision of free basic services is positive as a poverty alleviation strategy, it is a concern as it has financial implications at a time when municipalities are facing difficult financial situations. Other social indicators that remain a concern include increasing unemployment levels, poverty, income inequality, high Grade 12 dropout rates, informal settlements and the prevalence of deaths caused by HIV, TB, and diabetes among others diseases.

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