

**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2018**

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Foreword

The South African political and socio-economic landscape can best be described as Volatile, Uncertain, Complex and Ambiguous (VUCA). At a time where global economic growth projections are being revised upwards, South Africa is finding itself in a technical recession.

The principle of evidence-based practices is endorsed by the Western Cape Government and as such the objectives, strategies and interventions adopted by this Government are embedded in the research. The annual Western Cape Provincial Economic Review and Outlook (PERO) together with the Municipal Economic Review and Outlook (MERO) are key sources of economic intelligence empowering political and administrative leadership in their decision making processes. The MERO further disaggregates key socio-economic trends to a sub-district municipal level.

Recent economic growth trends reveal that the modest economic recovery experienced by South Africa in 2017 is not likely to be sustained in 2018. The economy contracted in the first and second quarter of 2018. Growth in the Western Cape will be muted in 2018 as a result of the drought. The bleak economic growth prospects combined with increasing unemployment and increased demand for public services will require innovative service delivery models.

The 2018 PERO is as a result of a collaborative effort and I wish to extend the Provincial Treasury's sincere gratitude to our partners in various provincial government departments and municipalities as well as the research team for their valuable contributions.

A handwritten signature in black ink, appearing to read 'Ivan Meyer', with a horizontal line underneath it.

Dr Ivan Meyer
Minister of Finance
27 September 2018

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Acronyms

4IR	Fourth Industrial Revolution
ADB	Asian Development Bank
AgTech	Enhanced Adoption of Agricultural Technology
AI	Artificial Intelligence
AIDS	Acquired Immune Deficiency Syndrome
API	Agri-Processing Index
ART	Anti-Retroviral Treatment
BER	Bureau for Economic Research
BFAP	Bureau for Food and Agricultural Policy
BoE	Bank of England
BPO	Business Process Outsourcing
BRICS	Brazil, Russia, India, China and South Africa
BLS	Bureau of Labour Statistics
CCO	Contact Centre Outsourcing
CPI	Consumer Price Index
CSP	Community, Social and Personal Services
ECB	European Central Bank
EU	European Union
Fed	Federal Reserve Bank
FIFA	Fédération Internationale de Football Association
FOMC	Federal Open Market Committee
FPL	Food Poverty Line
GDP	Gross Domestic Product
GDPR	Regional Gross Domestic Product
GTL	Gas-to-Liquids
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
IDZ	Industrial Development Zone
ILO	International Labour Organization
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IndWMPs	Industry Waste Management Plans

IPP	Independent Power Producers
JSE	Johannesburg Stock Exchange
LBPL	Lower Bound Poverty Line
LFPR	Labour Force Participation Rate
LMDS	Labour Market Dynamic Survey
LNG	Liquefied Natural Gas
MDR	Multiple Drug Resistant
MERO	Municipal Economic Review and Outlook
MPC	Monetary Policy Committee
MTSF	Medium Term Strategic Framework
MW	Megawatts
NCD's	Non-communicable diseases
NDP	National Development Plan
NEET	Not in Education, Employment or Training
NSC	National Senior Certificate
OSSB	Offshore supply base
PBoC	People's Bank of China
PCFI	Public Corporation Fixed Investment
PERO	Provincial Economic Review and Outlook
PET	Polyethylene Terephthalate
PMI	Purchasing Managers Index
PNP	Policing Needs and Priorities
PIRLS	Progress in International and Reading Literacy Study
PSDF	Provincial Spatial Development Framework
PSG	Provincial Strategic Goal
PSP	Provincial Strategic Plan
PV	Photovoltaic
QE	Quantitative Easing
QES	Quarterly Employment Statistics
QLFS	Quarterly Labour Force Survey
RCTA	Revealed comparative trade advantages
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RDP	Reconstruction and Development Programme
R&M	Repair/Maintenance
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
R/USD	Rand to United States Dollar

SA	South Africa
SADC	Southern African Development Community
SAMPI	South African Multidimensional Poverty Index
SAPS	South African Police Service
SARB	South African Reserve Bank
SEZ	Special Economic Zone
SIC	Standard Industrial Classification
SOE	State-Owned Enterprises
SPI	Social Progress Index
Stats SA	Statistics South Africa
TDCA	Trade Development and Cooperation Agreement
TB	Tuberculosis
TFR	Total Fertility Rate
TIMSS	Trends in International Mathematics and Science Study
TNPA	Transnet National Ports Authority
UBPL	Upper Bound Poverty Line
UIF	Unemployment Insurance Fund
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States
U5MR	Under-5 years Mortality Rate
VAT	Value Added Tax
WCG	Western Cape Government
WCWSS	Western Cape Water Supply System
XDR	Extreme Drug Resistant
YLL	Years of Life Lost

1

Introduction and executive summary

1.1 Introduction

Evidence-based planning and decision making is a key policy principle of the Western Cape Government (WCG) as it aims to enhance service delivery impact in the Western Cape. The economic and socio-economic context as encapsulated in the 2018 Provincial Economic Review and Outlook (PERO), highlights the dynamic and interrelated environment within which government is operating. The PERO can therefore be used to understand trends, patterns and developments within the Western Cape and assist in providing more clarity in an uncertain environment.

The PERO provides recent and reliable economic information to drive planning and budgeting within the WCG. It enables evidence-based practices and serves as economic intelligence which informs the policy, planning and budgeting processes of departments and municipalities. The socio-economic environment is often described as a Volatile, Uncertain, Complex and Ambiguous (VUCA) world. Within this context, the PERO enables evidence-based practices and serves as economic intelligence which informs the policy, planning and budgeting processes of departments and municipalities.

The 2018 PERO focuses on providing a global and national review of economic developments as it affects the Western Cape. Where applicable, it also disaggregates provincial economic information to a district level to gain more insight into its spatial impact. The Municipal Economic Review and Outlook (MERO), which is a companion report to the PERO, provides a comprehensive overview of the recent economic performance and outlook for the Western Cape economy at a district and municipal level. The MERO has since become an important form of economic intelligence for municipalities in the development of their strategies, plans and budgets.

1.1.1 Policy environment

The United Nation's 17 Sustainable Development Goals (SDG) launched in 2015 builds on the Millennium Development Goals and seeks to reach the most vulnerable. It further focuses on development priorities such as poverty eradication, health, education, food security and nutrition and promotes economic, social and environmental objectives.

The Africa Agenda 2063 is a strategic framework for the socio-economic transformation of the African continent. It builds on and seeks to accelerate the implementation of continental initiatives for growth and sustainable development. The guiding vision for Agenda 2063 comes from the African Union: "an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena".

The National Development Plan (NDP) 2030 provides a detailed policy framework for eliminating poverty and reducing inequality by 2030. It offers a long-term vision for South Africa with sector specific goals. The NDP is aligned to Agenda 2063 and the SDGs. According to the NDP, South Africa can realise the goals outlined in the plan by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

The current Provincial Strategic Plan (PSP) for the period 2014 – 2019, which firmly aligns to the outcomes of the NDP 2030, outlines the WCG's five Provincial Strategic Goals (PSGs). The PSGs include:

- Provincial Strategic Goal 1: Create opportunities for growth and jobs;
- Provincial Strategic Goal 2: Improve education outcomes and opportunities for youth development;
- Provincial Strategic Goal 3: Increase wellness and safety and tackle social ills;
- Provincial Strategic Goal 4: Enable a resilient, sustainable, quality and inclusive living environment; and
- Provincial Strategic Goal 5: Embed good governance and integrated service delivery through partnerships and spatial alignment.

The 2014 - 2019 PSP is in its final year of implementation and planning towards the 2019 - 2024 PSP is underway. To this end, the WCG has embarked on an End-of-Term Review to assess the implementation of the current PSP and supporting integrated structures to inform policy decisions and the 2019 - 2024 PSP. The WCG aims to develop a shared purpose and a globally connected and locally relevant approach to policy and planning which will involve further alignment of the PSP with the SDGs, Africa Agenda 2063 and the NDP 2030.

Africa Agenda 2063

Our aspirations for the Africa we want:

- A prosperous Africa, based on inclusive growth and sustainable development.
- An integrated continent, politically united, based on the ideals of Pan Africanism and the vision of Africa's Renaissance.
- An Africa of good governance, democracy, respect for human rights, justice and the rule-of-law.
- A peaceful and secure Africa.
- Africa with a strong cultural identity, common heritage, values and ethics.
- An Africa whose development is people driven, relying on the potential offered by people, especially its women and youth and caring for children.
- An Africa as a strong, united, resilient and influential global player and partner.

Source: *African Union Commission, 2015*

1.2 Executive summary**1.2.1 Macroeconomic performance and outlook**

Global economic output in 2017 advanced at its fastest pace by 3.7 per cent, since 2011. The global acceleration was broadly synchronised with advanced and emerging market economies sharing in growth. The momentum has changed somewhat during the first half of 2018. Growth in some major countries seems to have peaked and the overall pace is more uneven compared to 2017.

Economic growth in advanced economies accelerated to 2.4 per cent in 2017. The acceleration was broadly synchronised as most countries within this grouping registered higher growth. Growth in emerging and developing economies accelerated to 4.7 per cent in 2017. The higher growth came from only a few regions which suggests that economic growth was less synchronized than in advanced economies.

The International Monetary Fund (IMF) projects global growth to accelerate to 3.9 per cent in 2018 and 2019. Growth in advanced economies is expected to remain stable in 2018 before easing in 2019. In contrast, economic output in emerging and developing economies is expected to increase in both 2018 and 2019. Growth in advanced economies is expected to remain at 2.4 per cent in 2018 before slipping to 2.2 per cent in 2019 while economic activity in emerging and developing economies is expected to rise by 4.9 per cent in 2018 and 5.1 per cent in 2019.

Economic growth in South Africa accelerated to 1.3 per cent in 2017. A sharp 17.7 per cent rebound in value added by the agriculture, forestry and fisheries sector and a 4.6 per cent rise in mining and quarrying output saw growth come largely from the primary sector. In the case of the agriculture, forestry and fisheries sector, some base effects played a role as output in the sector declined by 6.4 per cent in 2015 and 10.2 per cent in 2016 as rainfall patterns returned to normal in most parts of the country except the Western Cape.

However, the economic rebound did not continue into 2018. The national economic contracted in both the first and second quarter of 2018 and the South African economy entered into a technical recession. The poor performance in the first half of 2018 will weigh on full year growth. Economic growth of 1.4 per cent is expected in 2018 and may reach 2.0 per cent in 2019. The risks that face the national economy are tilted towards the downside. Recent political and policy uncertainty may weigh on business confidence, the escalation of global trade tensions will weigh on the outlook, the credibility of national fiscal targets, and the financial management of state owned entities.

The Western Cape economy cannot escape the risks facing the national economy. Provincial growth in the Western Cape moderated to 1.3 per cent in 2017. However, due to the drought, a sharp moderation in provincial growth to 0.2 per cent is expected in 2018. Value added in the agriculture, forestry and fisheries sector might decline by close to 25 per cent in 2018. Related to this is the food and beverages manufacturing sector with a likely fall in output of 9.1 per cent in 2018. The poor performance of these sectors contributes greatly to the expectation of muted growth in 2018.

Furthermore, a slowdown in construction sector output is expected as house price growth in the Western Cape becomes more subdued. Growth in general government services is predicted to remain flat in 2018 which is a noticeable turnaround from growth recorded in previous years. Due to base effects in the agriculture, forestry and fisheries sector, growth in the Western Cape is forecast to accelerate to 2.7 per cent in 2019.

A key risk for the Western Cape include the uncertain rainfall outlook for the Western Cape, especially given its reliance on the agricultural sector and agri-processing for GDP and employment growth. Furthermore, consumer spending makes up a greater portion of regional GDP than in the rest of the country. Factors that may influence consumer income could have a greater impact in the Western Cape such as the 1 percentage point increase in Value Added Tax (VAT).

1.2.2 Development of the Western Cape economic sectors

The Western Cape has maintained relatively positive performance which has largely been due to its services-orientated structure. The private services sector accounts for 63.6 per cent of the provincial economy in 2017, approximately 11 percentage points more than its contribution to the national economy at 52.7 per cent. Generally, the growth performance of the Western Cape has been broad based with the majority of sectors contributing positively to growth from 2013 to 2017. Although there has been a significant contraction in 2016, agriculture contributed positively to economic growth from 2013 to 2017. Going forward, a significant decline in its contribution to value added is expected between 2018 and 2022, due to the drought. While the sector is forecast to add positively to growth after 2018, it is not likely to make up for the initial decline.

Employment growth in the Western Cape amounted to an average of 2.3 per cent year-on-year from 2013 to 2017. The Western Cape therefore contributed 23.6 per cent

of all jobs created in the country over this period. Between 2013 and 2017, the agriculture sector recorded the fastest employment growth rate at 3.7 per cent, largely due to the significantly high growth in 2015. The private services sector accounted for the second-fastest growth rate – 2.8 per cent in the Western Cape while employment in the construction sector also increased by 2.8 per cent per year. In keeping with the slower economic growth forecast, employment growth is expected to decelerate significantly, while the private services sector is forecast to grow by an annual average of 1.4 per cent from 2018 to 2022.

At 72.5 per cent in 2016, the City of Cape Town remains the largest contributor to the provincial economic output, followed by the Cape Winelands at 11.2 per cent and then the Garden Route at 7.6 per cent. Growth in the City of Cape Town is driven by the finance, insurance, real estate and business services sector which contributed 61.8 per cent of the total growth in 2016. On the other hand, the agriculture sector contracted in all districts in 2016, most significantly in the Central Karoo and the West Coast.

The Western Cape export growth averaged 6.6 per cent per year over the past decade in comparison to average import growth of 10.6 per cent for the same period. In 2017, the total value of exports was R124.5 billion, a 0.8 per cent improvement compared to 2016. In 2017, the Western Cape recorded a deficit of R61.4 billion which is marginally below the deficit of R68.3 billion recorded in 2016. A key contributor of the deficit is the import of petroleum. From a trade perspective, 35.9 per cent of exports from the Western Cape are destined for Africa amounting to R44.7 billion. Africa is followed by Europe which amounts to 29.1 per cent and Asia which accounts for 18.6 per cent. The fastest growing export sector in the Western Cape was agriculture, increasing by 15.2 per cent compared to 2016.

From a policy priority perspective, strategic economic sectors in the Western Cape include tourism (business and leisure tourism, and more specialised niches), agri-processing (value added activities in food and beverages, including its potential for domestic production and export) as well as the oil and gas sector (midstream services with immediate impact potential, such as rig repair). Fruit and wine exports amounted to approximately R37 billion in foreign income in 2017 while the agricultural value chains contribute approximately 400 000 workers to overall employment in the agriculture and agri processing sectors.

The Province exported 'halal relevant products' to the value of approximately R47 billion in 2017, mainly to the United Arab Emirates, Malaysia, Saudi Arabia, Nigeria and Mozambique. The Oil, gas and marine services sector performance has been sub-par over the last 3 years, but the outlook remains optimistic. The sectors' contribution to the economy increased only marginally and sectoral employment is declining. Tourism remains an important contributor to the Western Cape economy. International tourism has picked up with an increase of 10 per cent in international arrivals in the Province between 2016 and 2017. In addition to contributing to the foreign spend in the Province of R23.1 billion in 2017, just over 11 000 jobs were created in the sector in 2017.

Sustaining 153 651 jobs in the Province and R13 billion in salaries, a slowdown in the construction sector could have a significant impact on employment and disposable income. Growth in consumer spending and in migration has stimulated the market for residential developments, buoying the sector.

The Fourth Industrial Revolution will provide substantive opportunities for the Western Cape economy. The digital revolution, driven by the 4th wave, will have an impact on a number of sectors such as construction, retail and wholesale, manufacturing, tourism, agriculture, green economy, transport, financial and business services and government. However, the full potential of technologies and related capabilities has yet to be fully explored and is yet to fully penetrate all aspects of business models in the Western Cape and emerging markets generally.

1.2.3 Labour market dynamics

Employment growth in the Western Cape has expanded by 3.9 per cent between the first quarter of 2013 and the first quarter of 2018 resulting in estimated employment of 2.5 million individuals. Employment growth at 3.9 per cent over the period exceeded the 2.2. per cent working-age population growth. The youth share of employment in the Western Cape has grown significantly faster than any other age group over the last five years, with employment for 15 to 24-year olds growing at an average of 7.9 per cent per annum, and accounting for 21 per cent of net new jobs in the Province.

The non-agricultural formal sector generated 57.4 per cent of net new jobs in the Province over the five- year period, with the agricultural formal sector accounting for 15.3 per cent of net new jobs. The tertiary sector is the biggest employer in the Province accounting for 65.8 per cent of formal sector employment. The most common type of employment contract within the formal sector are permanent contracts. Formal sector workers in the Western Cape also enjoy a relatively favourable position across a range of benefits.

The narrow unemployment rate in the Western Cape is estimated at 19.7 per cent. Provincially, the unemployment rate decreased from 23.1 per cent in 2013. The average unemployed member of a household has potentially 0.99 employed members who can provide indirect access to labour market earnings. Although the narrow unemployment rate decreased in the Western Cape, the number of discouraged workers increased over the period. A significant impact on the employment prospects of youth is educational attainment, with the rate of unemployment falling as the level of education rises above the secondary level.

In the 2018, the City of Cape Town accounts for 63.8 per cent of the provincial population, while 31.8 per cent are located in other urban areas and 4.4 per cent are located in rural areas within the Province. The City of Cape Town accounts for a relatively large share of the narrow unemployed (74.1 per cent) of the Province's narrow unemployed population, up from 68.5 per cent in 2017. This is not unexpected, given the concentration of job opportunities within the City of Cape Town and its consequent attractiveness to potential jobseekers in the Province. Of the Western

Cape's non-searching unemployed, only 32.6 per cent are located in the City of Cape Town, with the majority (64.7 per cent) located in the rest of the Province's urban areas.

1.2.4 Socio-economic developments

The growth in the Western Cape population was accompanied by demographic changes with implications for socio-economic developments in the Province. Key contributors to the changing demographic structure include the total fertility rate (TFR) and migration patterns. In the Western Cape, the TFR is expected to decline further over the period 2016 - 2021. This trend will contribute to the aging provincial population.

Over the period 2016 - 2021, net in-migration into the Western Cape is expected to number at least 311 000, mostly from the Eastern Cape, abroad and Gauteng. Between 2018 and 2030, migration is expected to overtake natural population increase to become the primary driver of population growth. This is likely to add to the working-age proportion of the Province's population and a decline in its dependency ratio.

The slow economic recovery after 2008 resulted in income inequality increasing in the Province and across all districts. In contrast, the Human Development Index improved across all districts of the Western Cape. Considering that the HDI is a composite index made up of measures such as life expectancy, literacy and income, the increase in the HDI can be attributed mostly to the increase in the uptake of social grants and the improvements in the unemployment rate and youth employment in the Province.

The Western Cape education context is characterised by increasing learner enrolment, relatively high National Senior Certificate pass rates - including mathematics and physical science - and positive 2017 systemic test results for Grade 3 mathematics and language. The Western Cape achieved a matric pass rate of 83 per cent in 2017. Learners achieving a Bachelor's pass - which allows entry into a Bachelor's degree study programme - also declined from 40.9 per cent in 2016 to 39.1 per cent in 2017.

The health status of the Western Cape population is an important indicator of socio-economic growth in the Province. Life expectancy has been increasing in the Western Cape coupled with improvements in infant, child and maternal mortality rates. The number of people tested for HIV, initiated on anti-retroviral treatment (ART) and retained in care after 12 months continues to follow an upward trend in the Province. Between 2015 and 2017 the percentage of estimated HIV infected people on ART increased from 50.6 per cent to 60.3 per cent. The treatment of multiple drug resistant TB cases in the Western Cape improved from a success rate of 39.4 per cent in 2015/16 to 43.4 per cent in 2017/18.

Human development improvements are also dependent on housing and municipal services. The proportion of informal housing in the Western Cape remained relatively stable at an estimated 19 per cent of total housing. The availability of housing opportunities for the lower end of the housing market in the Province was less in 2017/18 than in 2006/07, although the delivery of housing has grown over the last two years.

Municipal services have also made a huge contribution to improvement of the quality of life. Access to municipal services remain high in the Western Cape with improvements in certain areas noted year-on-year. Despite the improvements in socio-economic conditions highlighted above, social ills, crime and substance abuse, remain a challenge.

1.3 Policy implications of research findings

The 2018 PERO identified key economic trends and opportunities which should be considered as part of the policy and planning context. These research findings and related implications as outlined below assists in giving effect to the evidence-based approach to decision-making.

The weakened economic outlook and related decline in economic activity has the potential to decrease domestic and foreign private investment as well as lead to further international credit rating downgrades. This protracted period of low economic growth may also place employment and per capita income levels at risk. This could manifest in a widening income inequality and an increased risk of lower income households either becoming poor or falling deeper into poverty. In addition, the overall socio-economic welfare could also be affected by the inflationary impact of the recent VAT increase, the depreciated rand and the increase in fuel costs.

The private services sector contributed 63.6 per cent of the provincial economy and had the second fastest average employment growth rate between 2013 and 2017 at 2.8 per cent, a trend that is likely to continue. In order to further accelerate employment in the Western Cape, the labour force should be appropriately skilled and educated to participate in the growth of the services sector. In this regard there should be a continued focus on skills development and education, particularly in the areas of technology, mathematics, physical science and the uptake of vocational training.

Central Karoo and West Coast economies contracted in 2016, mainly due to the slump in agriculture, forestry and fishing sector. These districts are particularly dependent on the economic performance of the agriculture, forestry and fishing sector which has recently been negatively affected by the drought. The response to the drought therefore requires a spatial approach that considers the economic and social implications of the drought.

Key socio-economic indicators, such as life expectancy and access sanitation have improved, impacting positively on the HDI. Social ills such as substance abuse and crime also remain a challenge for the Province. Slow economic growth, a growing population and increasing inequality will likely increase the demand for government services, in particular education, health and social services. For sustained

socio-economic development, economic growth and development is necessary. As the economy stagnates and inequality grows, gains made in education, health and other key indicators of socio-economic development may begin to erode over time. To mitigate this risk, targeted programmes developed through evidence-based research and supported by integrated planning and implementation, in partnership with all key stakeholders, may be required to sustain the current development path of the Western Cape.

1.4 Conclusion

Considering the complexity associated with governing in a VUCA world, the PERO provides credible economic intelligence to navigate policy and strategic decision makers. Key points from the 2018 PERO which should be considered in this regard includes the uncertain global economic outlook, the implications of the weak national economic performance and the prevailing labour economic and socio-economic challenges. These key trends and factors outlined in the 2018 PERO should therefore inform and guide the integrated policy, planning and budgeting processes to effectively implement the WCG's principle of evidence-based practices.

2

Macroeconomic performance and outlook

Key findings

- Global growth accelerated to 3.7 per cent in 2017 - its fastest pace since 2011. Furthermore, growth was broadly synchronised from advanced and developing and emerging economies.
- The outlook is less upbeat. There are signs that growth in key advanced economies, most notably the Euro Area and Japan, is on a slowing trajectory. In contrast, the outlook for the US, especially in 2018, is optimistic. Growth in developing and emerging economies is expected to remain stable, supported by continued growth in China and India.
- Economic output in South Africa rebounded to 1.3 per cent in 2017, from 0.6 per cent in 2016. A large part of the improved growth was due to higher primary sector activity. However, this has not continued into 2018. The South African economy contracted in both the first and second quarter of 2018, entering into a technical recession.
- Given the drought in the Province, output in the agriculture, forestry and fisheries and food and beverage manufacturing sectors are expected to contract sharply in 2018. This weighs heavily on the outlook for regional GDP in 2018.

2.1 Introduction

This chapter reviews economic growth and its prospects in the Western Cape against the background of the global and national economic experience and expectations. The better-than-expected performance of the global economy in 2017 will not continue into 2018 as the growth outlook is tilted mainly towards the downside. As such, the South African economy is set for a difficult 2018. In addition to the contraction in the first and second quarter of 2018, global developments have moved against emerging markets. Moreover, the negative impact of domestic political and policy uncertainty will affect the economic growth impetus. Specific factors relating to the drought in the Province will see growth deviate from the rest of South Africa in 2018 and 2019.

2.2 Developments in the global economy

2.2.1 Global economic performance

According to the International Monetary Fund (IMF), global economic output in 2017 advanced at its fastest pace, 3.7 per cent, since 2011¹. This follows growth of 3.2 per cent in 2016. The global uptick was broadly synchronised with advanced and emerging market economies sharing in growth. The momentum has changed somewhat during the first half of 2018. Growth in some major countries seems to have peaked and the overall pace is more uneven compared to 2017.

Performance of advanced economies

After expanding by 1.7 per cent in 2016, economic growth in advanced economies accelerated to 2.4 per cent in 2017. The uptick was broadly synchronised - in other words, most countries within this grouping registered higher growth - with the notable exception of Spain and the United Kingdom (UK).

In the United States (US), economic growth rose to 2.3 per cent in 2017, from 1.5 per cent in 2016. After a slow start to the year, economic growth was maintained at a reasonably robust pace (roughly 3 per cent quarter-on-quarter, seasonally adjusted and annualised) between the second and final quarter of 2017. The US economy lost some momentum in the first quarter of 2018. Growth slowed to 2.2 per cent quarter-on-quarter². However, initial estimates³ point to a sharp recovery in the second quarter of 2018 of 4.1 per cent quarter-on-quarter. According to the US Bureau for Economic Analysis, the main lift to Gross Domestic Product (GDP) growth in the second quarter of 2018 came from personal consumption expenditure, exports, non-residential investment and state spending.

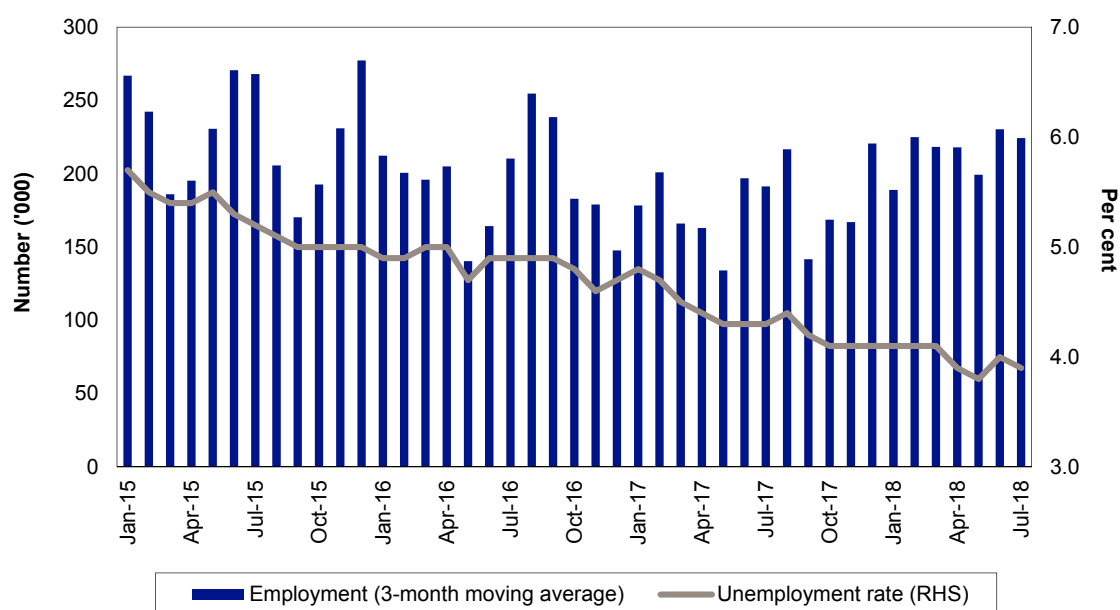
¹ Data in this section is disseminated on a year-on-year basis unless otherwise specified.

² Quarter-on-quarter refers to the performance of the current calendar quarter to the previous quarter. In this chapter, the quarter-on-quarter data are also adjusted for seasonal factors and annualised (i.e. reproduced as an annual rate).

³ The first estimate of GDP is usually revised twice before finalised.

Household spending remains well supported in the US, especially in terms of employment growth (see Figure 2.1). According to the US Bureau of Labor Statistics (BLS) the US economy created 157 000 jobs in July 2018 - in addition to the 248 000 created in June 2018 - contributing to 215 000 jobs on average per month to date. In addition, unemployment in the US remains low at 3.9 per cent in July 2018 from 4.0 per cent in June 2018.

Figure 2.1 US employment trends, 2015 - 2018



Source: US Bureau for Labor Statistics, 2018

Reasonably robust economic growth, along with inflation close to the US Federal Reserve Bank's (Fed) 2 per cent target, has provided enough room for the Federal Open Market Committee (FOMC) to continue on its course of monetary policy tightening. The FOMC has raised the benchmark interest rate by 25 basis points in March 2018 and 25 basis points in June 2018.

Euro Area growth accelerated to 2.4 per cent in 2017, from 1.8 per cent in 2016. Germany, the largest economy in the block, saw economic activity rise by 2.5 per cent in 2017 from 1.9 per cent in 2016. The French economy also registered faster growth of 2.3 per cent in 2017, from 1.1 per cent in 2016. Spain registered the fastest expansion in economic output of 3.1 per cent in 2017. However, in this instance it represents a slowdown from the 3.3 per cent recorded in 2016.

Euro Area growth eased somewhat during the first half of 2018. Quarterly expansion declined to 0.4 per cent from 0.7 per cent in the fourth quarter of 2017. Economic activity slowed further to 0.3 per cent quarter-on-quarter in the second quarter of 2018 based on the first estimate. Growth in the region's two largest economies, Germany and France, decelerated to 0.3 per cent quarter-on-quarter and 0.2 per cent quarter-on-quarter from 0.6 per cent and 0.7 per cent previously. Other developments in the Euro Area influencing growth include a more aggressive approach to monetary policy by the European Central Bank (ECB). This has resulted in a reigning in of the Quantitative Easing (QE) programme in Europe in recent months.

In the UK, economic growth slowed for the second consecutive year to 1.7 per cent in 2017, from 1.8 per cent in 2016. In 2018, growth continued on this path. Growth of only 0.2 per cent quarter-on-quarter was recorded in the first quarter of 2018 compared to 0.4 per cent quarter-on-quarter in the fourth quarter of 2017. According to the Office for National Statistics, this slowdown was mainly due to a decline in business investment. The economic performance over the last two years has been reasonably robust (i.e. higher than expected) given the continued uncertainty surrounding Brexit negotiations.

Economic activity in Japan accelerated notably to 1.7 per cent in 2017, from 1.0 per cent in 2016. However, much of this growth was during the first half of 2017 with the growth momentum losing steam in the latter part of the year. This loss of momentum continued into the first quarter of 2018 with a contraction of 0.6 per cent quarter-on-quarter. A large part of the slowdown was due to a drawing down of private inventory holdings after a significant build up in the preceding quarter.

Performance of emerging and developing economies

Growth in emerging and developing economies accelerated to 4.7 per cent in 2017, from 4.4 per cent in 2016. The higher growth came from only a few regions. This suggests that economic growth in emerging and developing countries is less synchronized than in advanced economies.

The Chinese economy expanded by 6.9 per cent in 2017, from 6.7 per cent in 2016. Growth remained relatively stable in the first half of 2018 at a rate of 6.8 per cent in the first quarter of 2018, slowing to 6.7 per cent in the second quarter of 2018. The process of 'rebalancing' the Chinese economy, to services-led instead of infrastructure-led growth, is now fully in place. In fact, part of the slowdown in the second quarter for 2018 was due to a more contained rise in infrastructure spending following a campaign to reduce excessive debt and financial risk.

In India, economic output rose by 6.7 per cent in 2017, from 7.1 per cent in 2016. With output measured at USD 2.597 trillion, the World Bank ranked India as the sixth biggest economy in 2017, up one place from 2016. Growth ticked up to 7.7 per cent in the first quarter of 2018.

The Russian economy, after a mild 0.2 per cent contraction in 2016, expanded by 1.5 per cent in 2017. Economic growth gained further traction in the first quarter of 2018, accelerating to 2.8 per cent quarter-on-quarter. Despite continued sanctions, the higher global oil price as well as extra spending related to the 2018 FIFA World Cup in June/July 2018 boosted the Russian economy. This happened, firstly, due to the increased infrastructure spending in the run up to the tournament, and then via the retail and tourism sectors during the tournament. The effect on quarterly growth may be reversed during the rest of the year, due to base effects.

In Brazil, growth in 2017 rose by a meagre 1.0 per cent, albeit an improvement on the 3.5 per cent contraction in 2016. The economy managed to gain momentum during the first quarter of 2018 accelerating to 1.8 per cent quarter-on-quarter. Political developments continue to cloud economic prospects with election campaigns starting on 20 July 2018. A series of strikes also plagued economic output. These factors, along with global determinants, have weighed on the Brazilian Real that has depreciated by more than 13 per cent since the start of 2018 (to the end of July 2018).

Economic growth in Sub-Saharan Africa accelerated to 2.8 per cent in 2017, from 1.5 per cent in 2016. This is partly due to economic recoveries in the region's two biggest economies, Nigeria and South Africa. Nigeria, after registering a contraction of 1.6 per cent in 2016, saw growth rebound somewhat to 0.8 per cent in 2017. Part of this was due to the higher oil price towards the end of 2017.

2.2.2 Global economic outlook

The IMF projects global growth to accelerate to 3.9 per cent in 2018 and 2019. It predicts growth in advanced economies to remain stable in 2018 before easing in 2019. In contrast, it expects economic output in emerging and developing economies to increase in both 2018 and 2019 (see Table 2.1).

Table 2.1 Global economic outlook, 2018 - 2019

	Size of Global GDP in 2016 (%)	GDP Growth (%)		Forecast (%)	
		2016	2017	2018	2019
World output	100	3.2	3.7	3.9	3.9
Advanced economies	61.3	1.7	2.4	2.4	2.2
United States	24.7	1.5	2.3	2.9	2.7
Euro Area	15.8	1.8	2.4	2.2	1.9
Germany	4.6	1.9	2.5	2.2	2.1
France	3.3	1.1	2.3	1.8	1.7
Italy	2.5	0.9	1.5	1.2	1.0
Spain	1.6	3.3	3.1	2.8	2.2
Japan	6.6	1.0	1.7	1.0	0.9
United Kingdom	3.5	1.8	1.7	1.4	1.5
Canada	2.0	1.4	3.0	2.1	2.0
Other advanced economies	12.5	2.3	2.7	2.7	2.7
Emerging and developing economies	38.7	4.4	4.7	4.9	5.1
Sub-Saharan Africa	1.9	1.5	2.8	3.4	3.8
Nigeria	0.5	-1.6	0.8	2.1	2.3
Middle East, North Africa, Afghanistan and Pakistan	4.1	5.0	2.2	3.5	3.9
Emerging and Developing Europe	2.4	3.2	5.9	4.3	3.6
Commonwealth of Independent States	2.3	0.4	2.1	2.3	2.2
Russia	1.7	-0.2	1.5	1.7	1.5
Developing Asia	21.4	6.5	6.5	6.5	6.5
China	14.9	6.7	6.9	6.6	6.4
India	3.0	7.1	6.7	7.3	7.5
Latin America and the Caribbean	6.6	-0.6	1.3	1.6	2.6
Brazil	2.4	-3.5	1.0	1.8	2.5
Mexico	1.4	2.9	2.0	2.3	2.7
Consumer prices					
Advanced economies		0.8	1.7	2.2	2.2
Emerging and developing economies		4.3	4	4.4	4.4

Source: International Monetary Fund, 2018

Outlook for advanced economies

Growth in advanced economies is expected to remain at 2.4 per cent in 2018 before slipping to 2.2 per cent in 2019. The IMF July 2018 forecast represents a 0.1 percentage point reduction compared to their forecast in April 2018.

In the US, growth is predicted to accelerate to 2.9 per cent in 2018. This is partly due to confidence - which remains relatively high - and the strong second quarter of 2018, but also because of extra fiscal support (a combination of tax cuts and increased spending). In addition, continued improvements in the labour market still points to robust consumer spending. However, rising inflation, partly because of the above-trend growth, will likely see the US Fed continue on its path of monetary policy normalisation. Thus far in 2018 the Fed has lifted the interest rate on two occasions with their own estimates projecting a further two hikes this year. Should this be the case, it will bring the number of interest rate hikes in 2018 to four, the expectation at the start of the year

was three. This is likely to put a damper on growth in 2019. The IMF therefore forecasts that US growth will moderate to 2.7 per cent in 2019.

The biggest change to the IMF's earlier forecast is the outlook for the Euro Area. It predicts growth to slow to 2.2 per cent in 2018 and 1.9 per cent in 2019. This represents a 0.2 and 0.1 percentage point reduction in 2018 and 2019 compared to the April 2018 forecast. While a slowdown in Euro Area activity had been on the cards, its timing was moved forward (2018 instead of 2019 as previously predicted). Economic indicators have turned out weaker than expected in recent months. In addition, the European Central Bank (ECB) has taken a more hawkish stance of late and while there is no expectation of interest rate hikes over the near term, the reduction in the QE programme removes some support to the economy. From a regional perspective, the 2018 outlook for Germany, France and Italy is 0.3 percentage points lower than the April 2018 forecast. For France and Italy, the growth outlook for 2019 was also adjusted down.

In the UK, growth is expected to ease further to 1.4 per cent in 2018 before marginally increasing to 1.5 per cent in 2019.

Outlook for emerging and developing economies

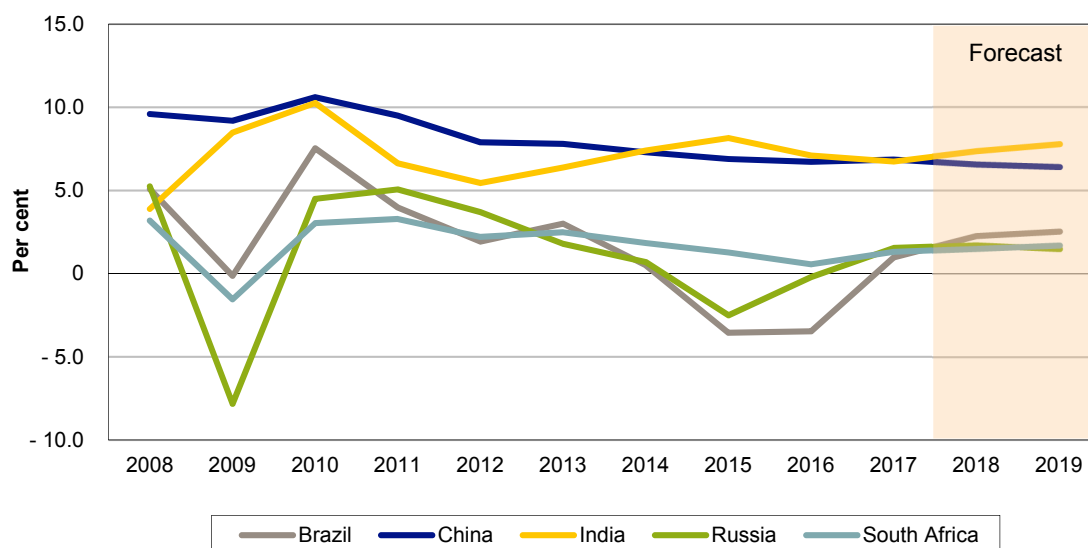
Economic activity in emerging and developing economies is expected to rise by 4.9 per cent in 2018 and 5.1 per cent in 2019. Emerging market economies are faced with a number of risks including tighter monetary policy in advanced economies - particularly the US - the stronger US dollar, rising oil prices and geopolitical uncertainty. The effects of these however, are not uniform among the developing and emerging economies.

India is set to remain the fastest growing economy in the near term. Output is predicted to rise by 7.3 per cent and 7.5 per cent in 2018 and 2019 (see Figure 2.2). This represents a downward adjustment of 0.1 and 0.3 percentage points for 2018 and 2019. This adjustment largely reflects faster than previously expected monetary policy tightening in response to the impact of the higher global oil price on domestic inflation.

Growth in China is forecast to moderate to 6.6 per cent in 2018 (slightly higher than the target of 6.5 per cent) and 6.4 per cent in 2019. This is partially due to the continuation of the current economic rebalancing act, but also due to the campaign on the financial sector to prevent a debt crisis and lower external demand.

In Brazil, economic growth is predicted to rise to 1.8 per cent in 2018 and 2.5 per cent in 2019. The 2018 forecast represents a 0.5 percentage point reduction compared to the forecast in April 2018, the biggest adjustment in this forecasting round. The impact of strikes during the first half of 2018 - as well as the threat of more this year - weighs on the prospects for full year 2018 growth. Tighter monetary policy will also constrain growth throughout 2018 and 2019.

Growth in Russia is expected to remain relatively stable at 1.7 per cent in 2018 and 1.5 per cent in 2019.

Figure 2.2 BRICS growth performance and outlook, 2008 - 2019


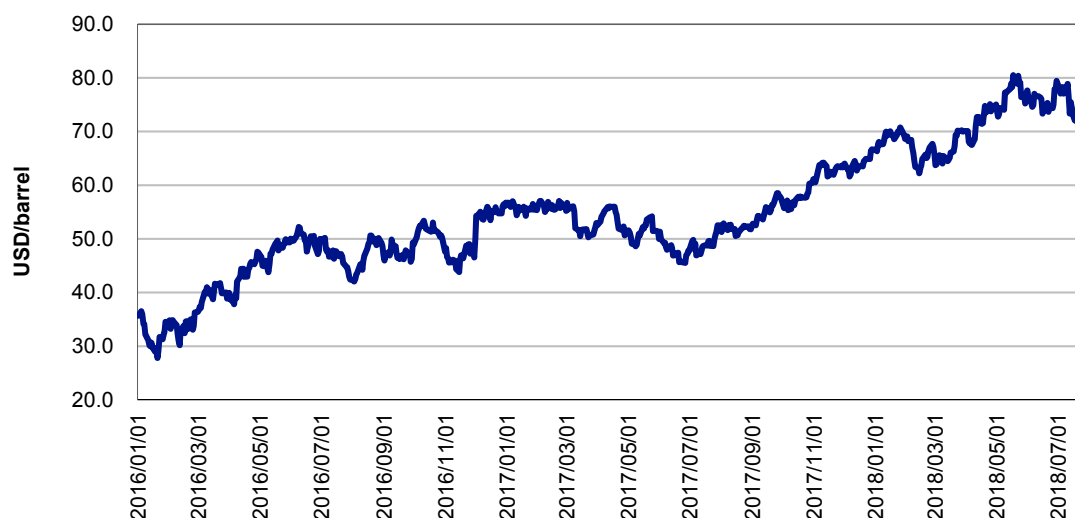
Note: 2018 and 2019 are forecast

Source: International Monetary Fund, 2018

Higher commodity prices, particularly oil, are expected to buoy growth in Nigeria. Overall, growth in Nigeria is forecast at 2.1 per cent and 2.3 per cent in 2018 and 2019. The latter represents a 0.4 percentage point upward adjustment to the IMF April 2018 forecast. As a result - along with improved growth in South Africa - growth in Sub-Saharan Africa is expected to rise to 3.4 per cent in 2018 and 3.8 per cent in 2019.

2.2.3 Global inflation outlook

Inflation in advanced economies and emerging and developing economies moved in opposite directions. After increasing by 0.8 per cent in 2016, inflation in advanced economies accelerated to 1.7 per cent in 2017. In contrast, inflation in emerging and developing economies eased to 4.0 per cent in 2017, from 4.3 per cent in 2016. The higher inflation in advanced economies was a combination of a number of factors, most notably, higher demand due to improved employment outcomes and an uptick in energy prices based on the higher global oil price (see Figure 2.3). In emerging and developing countries, although saddled with the same higher global oil price, base effects (following higher inflation in 2015 and 2016) contributed to the slowing growth in prices.

Figure 2.3 Brent crude oil price, 2016 - 2018

Source: Reuters, 2018

Looking ahead, the IMF expects global inflation to accelerate in both advanced and emerging and developing economies. In advanced economies, inflation of 2.2 per cent is predicted for 2018 and 2019. Inflation in emerging and developing economies is set to rise by 4.4 per cent in 2018 and 2019, double the rate of advanced economies.

2.2.4 Risks to the global outlook

The risks to global growth have shifted more towards the downside. The main risks are as follows:

- Escalating trade tensions could weigh on business and investor sentiment. Moreover, higher trade tariffs could have consequences for global supply chains, technology transfer and ultimately productivity.
- Changes in global risk appetite towards emerging markets could see a further outflow of capital. Trade tensions will contribute to this deterioration in sentiment, along with more aggressive monetary policy tightening (particularly in advanced economies) and political uncertainty.

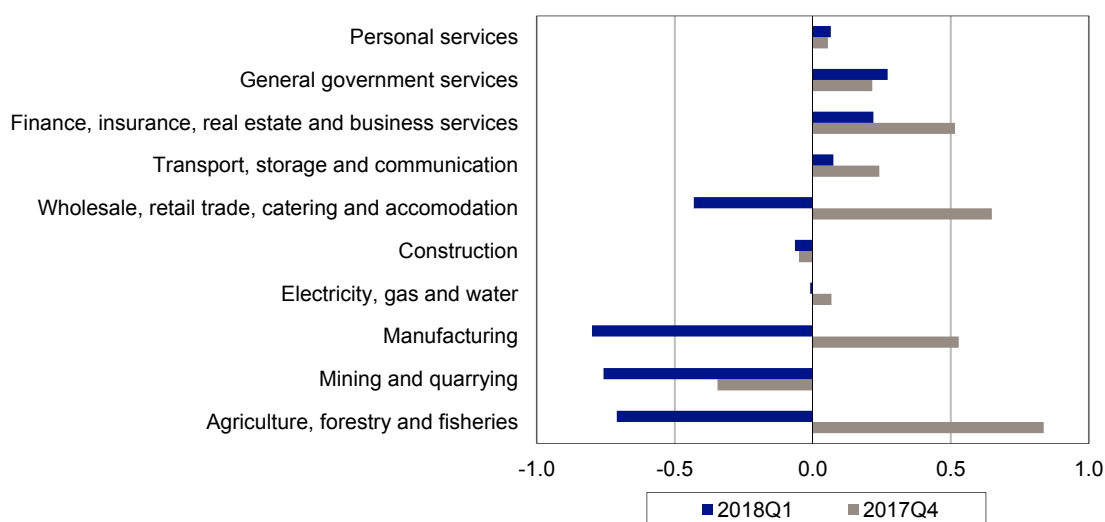
2.3 Developments in the South African economy

2.3.1 Performance of the South African economy

After expanding by an upwardly revised 0.6 per cent in 2016, economic growth accelerated to 1.3 per cent in 2017. A sharp 17.7 per cent rebound in value added by the agriculture, forestry and fisheries sector and a 4.6 per cent rise in mining and quarrying output saw growth come largely from the primary sector. In the case of the agriculture, forestry and fisheries sector, base effects played a role as output in the sector declined by 6.4 per cent in 2015 and 10.2 per cent in 2016 as rainfall patterns returned to normal in most of the country. In contrast, lower output was recorded in the wholesale, retail trade, catering and accommodation, construction, and manufacturing sectors. For the rest of the economic sectors growth was subdued.

Growth in the first quarter of 2018 was disappointing. According to Stats SA, economic output declined by 2.2 per cent quarter-on-quarter. The biggest decline (24 per cent quarter-on-quarter) was registered by the agriculture, forestry and fisheries sector, subsequently subtracting 0.7 percentage points off total GDP growth (see Figure 2.4). It is however, important to note that part of this was due to base effects from the 37.5 per cent quarter-on-quarter growth recorded in the fourth quarter of 2017. Also weighing on GDP was the mining and quarrying and manufacturing sectors which fell by 9.9 per cent and 6.6 per cent quarter-on-quarter during the first quarter of 2018. Only two sectors registered higher growth in the first quarter of 2018 compared to the fourth quarter of 2017 which were general government services (1.8 per cent quarter-on-quarter) and personal services (1.2 per cent quarter-on-quarter) sectors.

Figure 2.4 Impact⁴ on GDP growth by sector, 2018Q1 versus 2017Q4



Source: Stats SA, 2018

⁴ The "impact" refers to whether or not a sector added to overall GDP growth or not in a particular period, and to what extent.

Measured from the demand-side, the key focus was on whether the robust private sector fixed investment figure of the fourth quarter of 2017 (9.9 per cent quarter-on-quarter) would be sustained. In the first quarter of 2018, this was not the case with private capital expenditure declining by 2.7 per cent quarter-on-quarter. There was also another steep (-9.3 per cent quarter-on-quarter) contraction in government fixed investment outlays. This drove the decline in overall fixed investment, which resulted in 0.6 percentage points off GDP in the first quarter of 2018.

Although household consumption contributed 0.9 percentage points to GDP, the growth rate slowed notably relative to the fourth quarter of 2017. This was mainly a function of a sharp turnaround in outlays on semi-durable and durable goods.

By far, the most significant drag on the expenditure GDP number was net exports, which resulted in 3.1 percentage points trimmed off GDP. This was the result of a 16.5 per cent quarter-on-quarter plunge in exports. According to Stats SA, the export decline was largely the consequence of lower shipments of base metals and mineral products.

Following a sharp increase in the first quarter of 2018, business sentiment - as measured by the RMB/BER Business Confidence Index - fell to 39 index points in the second quarter of 2018. Business sentiment deteriorated in four of the five sectors that make up the RMB/BER Business Confidence Index highlighting the broad-based nature of the pressure in the economy.

As such, growth in the second quarter of 2018 was disappointing as well. The South African economy contracted by 0.7 per cent according to Stats SA. This was the second consecutive quarterly decline bringing the South African economy into a technical recession. The largest contributors to negative GDP in the second quarter were agriculture, transport and trade. The agriculture, forestry and fishing industry shrunk by 29.2 per cent and contributed -0.8 percentage points to GDP growth.

In addition, the manufacturing industry contracted by 0.3 per cent with majority of the ten manufacturing divisions reporting declining growth rates for the quarter. The largest contributors to the decrease were the motor vehicles, parts and accessories and the furniture and 'other' manufacturing divisions.

In the tertiary sector, the trade, catering and accommodation industry declined by 1.9 per cent. Reduced economic activity was reported in the retail and motor trade divisions. The transport, storage and communication industry decreased by 4.9 per cent, as a result of negative growth in land transport, air transport and transport support services. The poor economic performance of the second quarter of 2018 was broad based emanating across all sectors

2.3.2 Outlook for the South African economy

The GDP contraction in the first and second quarter of 2018 weighs on full-year GDP growth. Real growth of 1.4 per cent is expected in 2018 - a mild improvement from the 1.3 per cent registered in 2017 - while growth is expected to reach 2.0 per cent in 2019 (see Table 2.2).

Table 2.2 South African economic outlook, 2018 - 2019

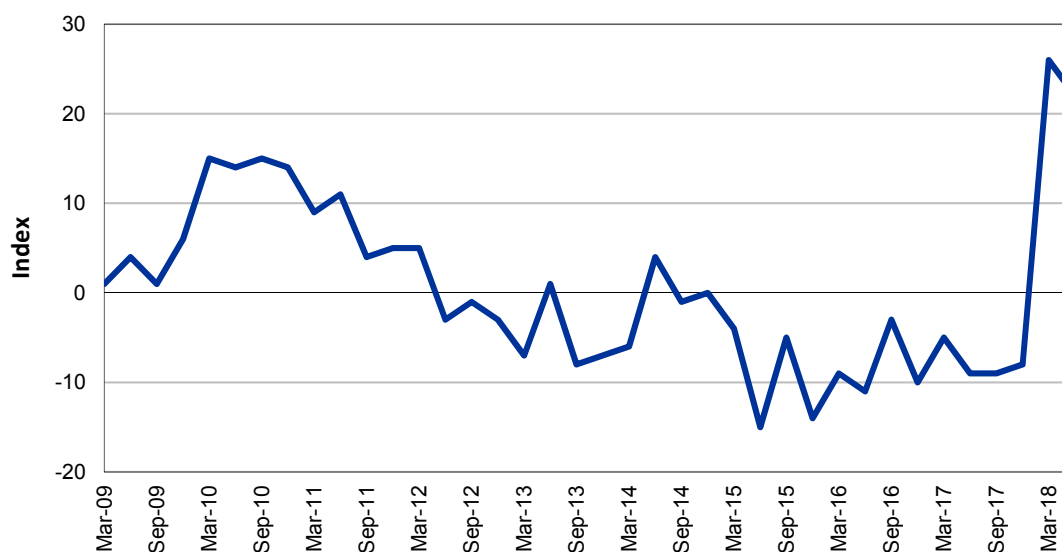
	2017	2018f	2019f
Final consumption expenditure, households (%)	2.2	2.2	2.3
Durable goods	6.0	6.2	5.6
Semi-durable goods	3.1	3.6	4.0
Non-durable goods	1.1	1.4	1.7
Services	2.3	1.8	1.8
Gross Fixed Capital Formation (%)	0.4	1.4	4.0
Private	1.2	2.6	5.4
Government	-0.7	-4.2	-1.1
Public corporations	-1.3	2.2	3.4
Exports of goods and services (%)	-0.1	1.2	2.5
Interest rates (fourth quarter averages)			
3-month BA rate	7.1	6.9	6.8
10-year Government Bond	9.0	9.0	9.2
Prime overdraft rate	10.3	10.0	10.0
Inflation (annual average %)			
Producer prices	4.9	4.9	4.9
Consumer prices	5.3	4.9	5.3
Nominal wage rate (Private sector)	3.8	6.9	6.2
Exchange rates (annual average)			
R/US dollar	13.3	13.0	13.5
R/Euro	15.0	15.4	16.2
R/Pound sterling	17.2	17.6	18.2
Yen/R	8.4	8.4	8.1
Gross Domestic Expenditure	1.9	2.0	2.5
Gross Domestic Product	1.3	1.4	2.0
Current account balance (R billion, seasonal adjustment)	-114.3	-187.8	-229.3
<i>(as % of GDP)</i>	-2.5	-3.8	-4.3

Note: f denotes forecast

Source: Bureau for Economic Research, 2018

Final household consumption expenditure

Annual growth in real consumer spending is forecast to remain stable at 2.2 per cent in 2018. This is largely due to higher consumer confidence (see Figure 2.5) and the expectation of a sustained recovery in household credit extension. On the negative front, the recent significant weakening of the rand should, with a lag, start to drive up retail prices.

Figure 2.5 FNB/BER Consumer Confidence Index, 2009 - 2018

Source: Bureau for Economic Research, 2018

Household income growth will also come under pressure due to modest employment growth. Not only is private sector employment growth under pressure, weak balance sheets at state-owned enterprises and rising government debt levels suggest that public sector employment growth will slow, if not decline.

Gross fixed capital formation

Growth in fixed investment is expected to accelerate to 1.4 per cent in 2018, from 0.4 per cent in 2017. A further increase to 4.0 per cent is predicted for 2019. A number of factors have contributed to this outlook.

After increasing by 1.2 per cent in 2017, the growth in real private sector fixed investment is forecast to accelerate somewhat to 2.6 per cent in 2018 and 5.4 per cent during 2019. The improved outlook is underpinned by an expectation that the investment environment will gradually become more favourable, especially post the 2019 general elections. Furthermore, specific projects such as independent power production - should boost private sector fixed investment.

From a public sector fixed investment perspective, liquidity issues and increasing debt levels may keep capital outlays by state owned enterprises and the general government under pressure. Indeed, government fixed investment is expected to contract in 2018 and 2019. State Owned Enterprises faces a similar situation, although modest fixed investment growth may result from the completion of some large projects such as Eskom's coal-fired power stations.

Balance of payments and exchange rate outlook

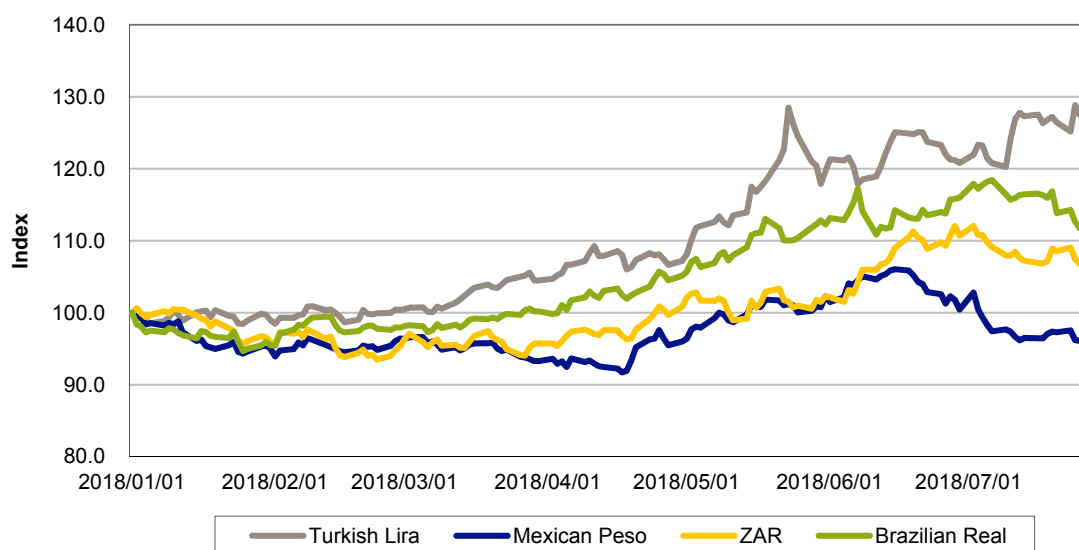
The rand has had a rollercoaster ride over the past seven months. After strengthening by about 13.5 per cent between December 2017 and end February 2018, the local currency lost all of the gains by the end of June 2018. Over the same period, the US dollar weakened by 2.3 per cent against the euro, before strengthening by about 5 per cent. The trend for the US dollar has played a part in rand moves so far in 2018.

The period between November 2017 and February 2018 saw the rand outperform emerging market peer currencies amid the euphoria that greeted the election of State President Cyril Ramaphosa. In addition to a stronger US dollar in the second quarter of 2018, at least three key drivers may explain the reversal of the rand's earlier gains in recent months:

- A significant decline in investor sentiment towards emerging markets amid expectations of a further rise in US policy and long-term interest rates (see Figure 2.6).
- Disappointing domestic real economy data suggest that the underlying economy has failed to gain traction from the initial boost of confidence that followed political changes.
- A set of economic policy proposals that are deemed not to conform to the expectation of a more business-friendly presidency.

Emerging markets with significant external imbalances (current account deficits) were particularly affected by advanced country developments. In the first quarter of 2018 South Africa's current account deficit (as a percentage of GDP) ballooned to 4.8 per cent, from 2.9 per cent in the fourth quarter of 2017. The underperformance by exports contributed greatly to this outcome.

Figure 2.6 Rand exchange rate versus a selection of peers, 2018



Note: All currencies were indexed against the US dollar.

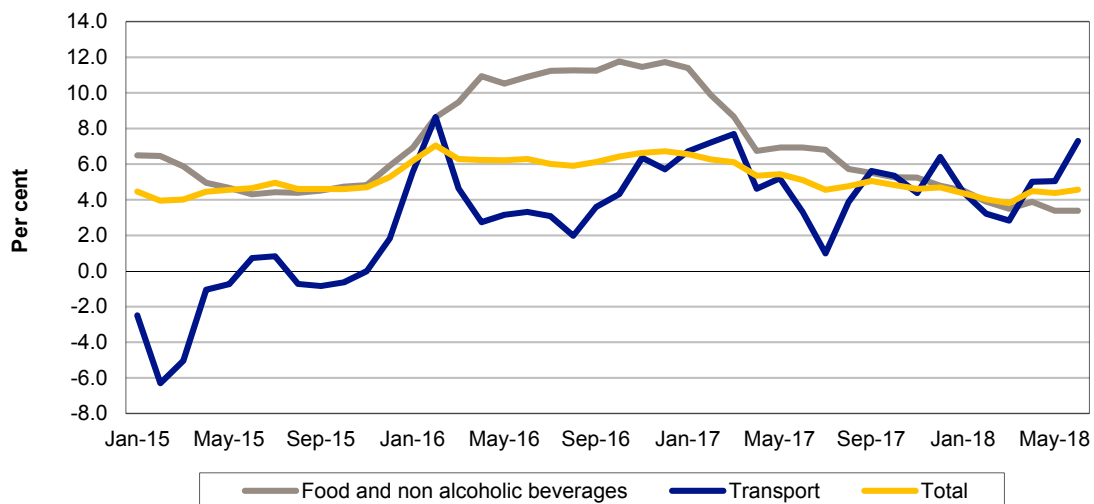
Source: Reuters, 2018 and own calculations

Inflation and interest rate outlook

After reaching a seven-year low of 3.8 per cent year-on-year in March 2018, the headline consumer price index (CPI) accelerated to 4.6 per cent in June 2018 (see Figure 2.7). So far, the pass-through of the one percentage point Value Added Tax (VAT) hike announced in the 2018 National Budget has been slower than expected. This, along with relatively benign food price hikes has kept consumer inflation reasonably low.

However, the upward pressure on prices became more pronounced. Besides the impact of the VAT rise, affecting around 65 per cent of the goods and services in the consumer inflation basket, the significant rise in the domestic petrol price is also a key factor. After declining by R1/litre between December 2017 and March 2018 due to rand strength, domestic fuel costs have surged by more than R2/litre throughout August 2018. The combination of an increased fuel levy (from April 2018), the weaker rand and an elevated oil price, explains the much higher fuel price.

Figure 2.7 Headline CPI inflation, 2015 - 2018



Source: Stats SA, 2018

Overall, headline consumer inflation is predicted to peak in the first quarter of 2019 before a somewhat stronger rand and lower oil price should see it easing again in the second half of 2019. Headline consumer inflation is likely to average 4.9 per cent and 5.3 per cent in 2018 and 2019. Although inflation may be contained below the upper end of the South African Reserve Bank's 6 per cent target over the forecast horizon, it is unlikely that the Central Bank will respond by lowering the interest rate. At the same time, economic growth remains too low to justify higher interest rates. In fact, the outlook is that the repo rate, or benchmark interest rate, will remain unchanged at 6.5 per cent throughout 2019.

The impact of a VAT hike on economic growth

In February 2018, the then Minister of Finance - Malusi Gigaba - announced a hike in the rate of VAT to 15 per cent, from 14 per cent. While this is the first such move in South Africa in 20 years, VAT hikes have been observed in other countries in recent years, most notably the UK and Japan. The impetus behind the VAT increase is to raise tax revenue within the context of a widening fiscal deficit. Indeed, the increase is predicted to generate an additional R22.9 billion as part of a package of tax increases expected to be generated. There are a number of additional factors which have contributed to the VAT hike - such as the fact that it is historically low compared to other countries as well as its administrative simplicity from a revenue collection perspective. In contrast, one of the biggest arguments against higher VAT is its relative regressivity compared to other tax options, i.e. the poor will be burdened relatively more than the rich. To mitigate this, the National Treasury appointed an independent committee to investigate the current status quo regarding zero-rated items (i.e. items on which the effective tax rate is zero). Moreover, if the expenditure of the additional VAT revenue is taken into account, it is more than likely that a large enough proportion of it will be spent in a pro-poor manner, e.g. on health, education and social welfare, so that it will offset the regressivity of the VAT increase. The net fiscal effect of the VAT increase could be neutral, if not mildly progressive. Also, the equity dimension of VAT must be seen against the larger picture of a progressive personal income tax system and the existence of other taxes (see, for example, Fourie and Owen, 1993).

Source: Bureau for Economic Research, 2018

2.3.3 Main risks to the national outlook

Like the risks to the global outlook, the national economy risks are tilted towards the downside, that is, a likelihood of a worse-than-expected economic growth outcome. The main risks include:

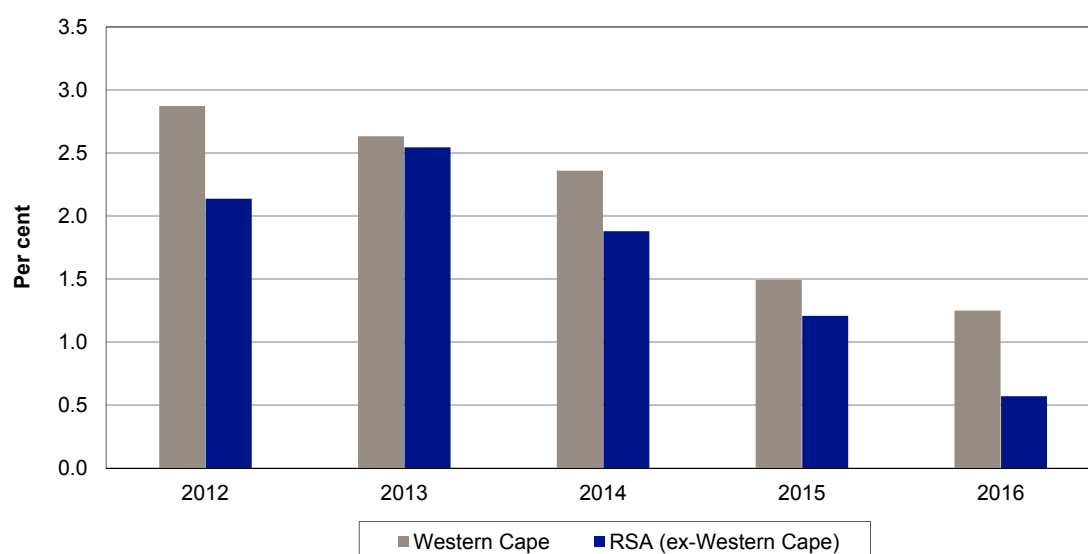
- Recent policy proposals may weigh on business confidence and poses a risk to investment in the agricultural sector. Furthermore, the draft 2018 Mining Charter can inhibit the mining sector's global competitiveness and growth.
- Recent global economic developments may also result in a more cautious investment approach from the domestic private sector. For one, the notably stronger US dollar and subsequent softer rand will increase the cost of imported goods as inputs in the investment process. In addition, the ebbing of emerging market sentiment suggests that foreign investors may be less prepared to finance investment projects in South Africa. Furthermore, to the extent that the increased global trade tensions weigh on the global growth outlook, it will also have adverse implications for the domestic growth.
- Breaching national fiscal targets could see credit rating agencies revisit their stance towards South Africa, many of whom "upgraded" the country's outlook to "stable" from "negative" during the first half of 2018.
- The management and government of State-Owned Enterprises (SOE) also holds risk especially for the fiscus. SOE's have become more debt-laden over the past few years, which have been underwritten (or guaranteed) by the state, if initiated, the repayment of this debt will place more pressure on the fiscus.

2.4 Developments in the Western Cape economy

2.4.1 Western Cape economic performance

According to Stats SA, the Western Cape economy expanded by 1.2 per cent in 2016, down from 1.5 per cent in 2015 (see Figure 2.8). Leading growth in the region in 2016 was the finance, insurance, real estate and business services sector (+ 2.3 per cent) followed by the wholesale, retail trade, catering and accommodation sector (+ 2.2 per cent). In contrast, economic output in the agriculture, forestry and fisheries sector declined by 7.2 per cent on the back of the drought. The electricity, gas and water sector also recorded a contraction in value added by -2.4 per cent.

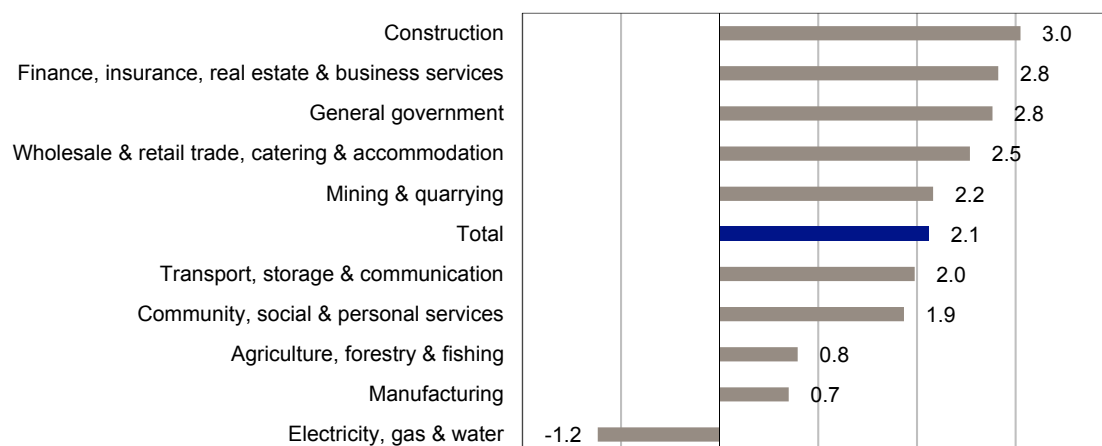
Figure 2.8 GDP growth: Western Cape and the rest of South Africa, 2012 - 2016



Source: Stats SA, 2018

Between 2012 and 2016, the fastest growing sector in the Western Cape was the construction sector (3.0 per cent annually) followed by the finance, insurance, real estate and business services and general government services sectors (2.8 per cent for both sectors) (see Figure 2.9). The worst performing sector was electricity, gas and water (-1.2 per cent between 2012 and 2016). This was followed by the manufacturing sector (0.7 per cent) and the agriculture, forestry and fisheries sector (0.8 per cent). The drought in the Province had a noticeable impact on the agriculture, forestry and fisheries sector in 2015 and 2016 already.

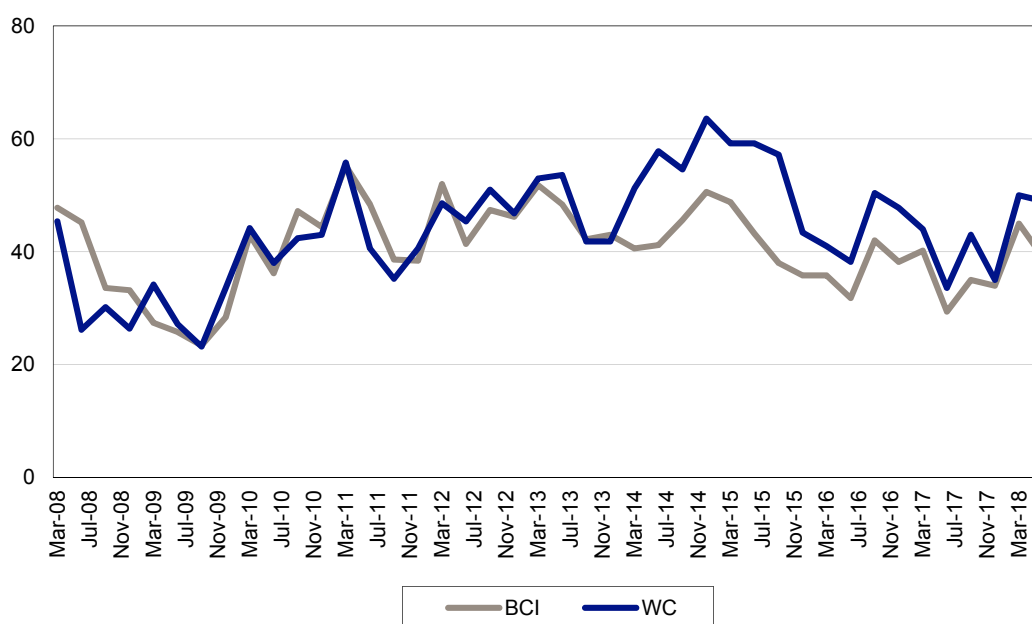
Figure 2.9 Western Cape average output growth rate per sector, 2012 - 2016



Source: Stats SA, 2018

Business confidence in the Western Cape averaged 39 index points in 2017, compared to an average of 44 index points in 2016 (see Figure 2.10). This suggests that growth in the Western Cape economy was under relatively more pressure in 2017. Moreover, national business confidence - as measured by the RMB/BER Business Confidence Index - averaged 35 index points in 2017, compared to 37 in 2016. The narrowing gap in business confidence indicates a likelihood that the gap between economic growth in the national economy and the Western Cape economy narrowed towards the end of 2017. In the fourth quarter of 2017, business confidence in the Western Cape was 35 index points, similar to the national economy level of 34. Accordingly, BER/Quantec estimates show only marginally better provincial growth of 1.3 per cent in 2017.

Figure 2.10 Western Cape compared to South African business confidence, 2008 - 2018



Source: Bureau for Economic Research, 2018

Business confidence in the Western Cape recovered somewhat during the first half of 2018 (see Figure 2.10). It recorded an index level of 50 and 49 in the first and second quarter of 2018. This means that the ratio of businesses that are dissatisfied with the prevailing business environment is almost equal to the number of businesses that are satisfied with prevailing business conditions.

2.4.2 Outlook for the Western Cape economy

A sharp moderation in economic growth to 0.2 per cent is expected in the Western Cape in 2018. However, much of this is due to a contraction in output in the agriculture, forestry and fisheries sector because of the drought. Value added in the agriculture, forestry and fisheries sector might decline by close to 25 per cent in 2018. Related to this is the food and beverages manufacturing sector with a likely fall in output of 9.1 per cent in 2018. The poor performance of these sectors contributes greatly to the expectation of muted growth in 2018.

Other negative developments include a slowdown in construction sector output as house price growth in the Western Cape becomes more subdued. Growth in general government services is predicted to remain flat at 0.4 per cent. This is a noticeable turnaround from growth recorded in previous years (1.3 per cent in 2016). Due to base effects in the agriculture, forestry and fisheries sector, growth in the Western Cape is forecast to accelerate to 2.7 per cent in 2019.

Over 2018 to 2022, the long-term outlook for the Western Cape is expected to average 2.2 per cent per annum. Beyond the next two years, the Western Cape economy is likely to see a return to the growth trend of the past few years.

Table 2.3 Western Cape economic outlook, 2018 - 2019

Description	2016	2017e	2018f	2019f	Forecast average (2018 - 2022)
Agriculture, forestry and fishing	-7.2	8.3	-24.6	20.1	1.1
Mining and quarrying	-0.1	2.2	2.1	2.5	2.2
Manufacturing	0.9	0.1	-1.6	3.0	1.7
Electricity, gas and water	-2.4	1.2	1.1	1.3	1.7
Construction	1.3	1.1	0.4	2.1	2.4
Wholesale and retail trade, catering and accommodation	2.2	-0.5	1.4	1.5	2.5
Transport, storage and communication	1.0	1.5	2.4	2.4	2.7
Finance, insurance, real estate and business services	2.3	2.1	2.5	2.5	2.8
Community, social and personal services	1.6	1.4	1.9	2.3	2.4
General government	1.3	0.4	0.4	1.1	1.0
Regional Gross Domestic Product	1.2	1.3	0.2	2.7	2.2

Note: e denotes estimate, f denotes forecast

Source: Bureau for Economic Research/Quantec Research, 2018

Over the forecast horizon, the following key trends are expected:

- After volatile growth in the agriculture, forestry and fisheries sector in 2018 and 2019, growth is forecast to stabilise between 2020 and 2022. Importantly however, a recovery in output (i.e. where output returns to the level recorded before the water-related decline) is only likely to be achieved beyond the forecast horizon.
- Growth in the manufacturing sector is predicted to remain stable averaging just below 2.0 per cent between 2018 and 2022. The average between 2012 and 2016 was 0.7 per cent, so relative to this, the sector will fare much better. The volatile performance of the manufacturing sector in 2018 and 2019 is due to the previously mentioned shifts in agri-processing (or food and beverage manufacturing).
- Growth in construction activity is likely to fare poorly, relative to previous years. Although the growth in activity is set to improve between 2018 and 2022, the average (2.4 per cent) is weaker than that recorded between 2012 and 2016 (3.0 per cent). Part of this relates to the weaker outlook for public sector infrastructure spending.
- The biggest boost to growth is likely to come from the finance, insurance, real estate and business services sector. Growth has remained resilient over the past few years, due in part to rising house prices. While house price growth might cool over the near term, the sector should get support from broadly better GDP growth.
- Fiscal constraints are expected to remain a feature of the profile of economic growth; hence, the outlook for the general government sector is subdued, averaging 1.0 per cent between 2018 and 2022. Much of this could materialise towards the latter part of the forecast period.

2.4.3 Risks to the provincial outlook

In addition to the risks on a national level, some key risks for the Western Cape include:

- The uncertain rainfall outlook for the Western Cape, especially given its reliance on the agricultural sector and agri-processing for GDP and employment growth.
- Consumer spending makes up a greater portion of regional GDP than in the rest of the country and therefore, factors that may influence consumer income could have a greater impact in the Western Cape.
- In contrast, the Western Cape's relatively better performance with respect to unemployment could lift spending relative to the rest of the country.

2.5 Conclusion

Global economic growth is set to accelerate further in 2018, led by the US. However, unlike in 2017, growth is likely to be less synchronized across countries. Risks to the outlook have intensified noticeably in recent months, especially those posed by current trade developments and capital outflows from emerging markets. Economic output in South Africa rebounded in 2017 on the back of a better performance by the primary sector. However, a poor start to the year as well as continued policy uncertainty has put a damper on growth in 2018. The national economy contracted in both the first and second quarter of this year. A more pronounced rise in economic growth is predicted for 2019, led by private sector fixed investment. This is largely due to an improved investment environment expected particularly after the 2019 elections. However, the growth outlook for the Western Cape is weakened by the drought led fall in output in the agriculture, forestry and fisheries and agri-processing sectors. As such, a meagre growth of 0.2 per cent is expected in 2018. However, a rebound in the agriculture, forestry and fisheries and agri-processing sectors in 2019 should result in a strong uptick in GDP to 2.7 per cent. Over the longer term, growth is likely to average 2.2 per cent between 2018 and 2022.

3

Development of the Western Cape economy: Sectoral and spatial dimensions

Key findings

- The relatively good performance of the Western Cape in terms of economic growth is mainly because of its services-orientated structure and significantly smaller mining sector.
- Business services, the biggest services sector, is expected to continue being the key driver of growth, with almost three-quarters of the Province's growth forecast over the next five years comes from this subsector.
- The agriculture sector made negative contributions to economic growth in all districts in 2016. The most significant impact was in the Central Karoo and West Coast, which resulted in overall value added in these districts declining by 0.8 per cent and 0.3 per cent respectively in 2016.
- The Flyover Project comparison between 2013/14 and 2017/18, indicates a clear trend toward high-valued export crops in the form of citrus (35 per cent growth), berries (33 per cent), sub-tropical fruits (21 per cent) and nuts (79 per cent), mostly at the expense of wine grape area planted (-16 per cent).

3.1 Introduction

This Chapter extends the analysis in the previous chapter by providing an in-depth look at the Western Cape economy from a subsector and spatial perspective. The focus is on the sectoral contributions to value added, economic growth, employment as well as trade. The chapter further provides a spatial perspective on economic growth and the trade profile of the Province's districts. This is followed by an update on recent developments of the three Project Khulisa sectors, namely the agriculture value chain - which includes opportunities for growing the Western Cape's halal food market -, oil and gas services and tourism. The chapter concludes by highlighting other sectors, such as construction, and concepts, like the digital economy, that are important to the Western Cape economy.

3.2 A sectoral overview of economic growth and employment

This section offers a comparative sector overview within the broader context of the national and global economic and policy environment. The impact of nationally determined factors - such as wage rates, labour legislation, taxation, energy and skills development - cannot be ignored when interpreting the findings pertaining to the Province.

3.2.1 Western Cape sectoral economic growth¹

Over the last decade, the Western Cape has had relatively good performance in terms of economic growth. Only Gauteng, the biggest province in terms of its contribution to national gross value added (34.9 per cent in 2017), has grown marginally faster than the Western Cape over the decade. The average growth rate recorded in Gauteng from 2008 to 2017 was 2.2 per cent per year, compared to 2.1 per cent in the Western Cape and 1.8 per cent nationally. However, over the last five years, Gauteng and the Western Cape both registered 1.8 per cent growth, on average, compared to 1.5 per cent nationally.

The relatively good performance of the Western Cape is mainly because of its services-orientated structure and a significantly smaller mining sector. The private services sector² made up 63.6 per cent of the provincial economy in 2017, almost 11 percentage points more than its contribution to the national economy at 52.7 per cent. With the government sector included, the share of the total services sector - the tertiary sector - in the Western Cape is 74.4 per cent compared to 69.5 per cent nationally.

The mining sector has been a drag on national growth but has had a negligible impact on the Province. The mining sector's share of the national economy is 8.2 per cent,

¹ The latest Stats SA official data using actual GDP is 2016. GDP data for 2017 is an estimate.

² Private services include wholesale and retail trade, catering and accommodation; transport, storage and communication; finance, insurance, real estate and business services as well as community, social and personal services.

while in the Western Cape it is a marginal 0.3 per cent. The primary sector - agriculture and mining - is 4.4 per cent of the provincial economy compared to 10.9 per cent nationally. The secondary industry - manufacturing, electricity, water and gas, and construction - makes up the remaining 21.1 per cent in the Province compared to 19.6 per cent nationally.

The structure of the economy explains why the private services sector has been the key driver of economic growth in the Province (see Table 3.1). The private services sector was responsible for more than three quarters (77.8 per cent) of the average annual growth generated by the provincial economy between 2013 and 2017. This was highlighted in 2016 when the private services sector generated more than 100 per cent of the growth in the Western Cape, thereby compensating for contractions in other sectors. Within the private services sector, finance, insurance, real estate and business services contributed the most (46.8 per cent) to overall growth, followed by wholesale and retail trade, catering and accommodation (14.4 per cent). Between 2013 and 2017, the general government contributed to growth (11.4 per cent per annum), although its contribution to growth slowed considerably in 2017.

On average, the growth performance of the Western Cape has been broad based with most sectors contributing positively to growth from 2013 to 2017. The exception is the 'other sector', which includes mining and electricity, gas and water. This sector shaved off overall growth (-0.9 per cent on average). The sectoral distribution corresponds broadly with the experience in Gauteng. However, in Gauteng the contribution of the private services sector to growth was even larger at 85.1 per cent on average from 2013 to 2017.

Table 3.1 Percentage contribution to GDP growth per sector, 2013 - 2022³

Sector	2013	2014	2015	2016	2017e	Average 2013 - 2017	Average 2018 - 2022 forecast
Agriculture	5.3	13.4	-6.4	-24.5	25.7	2.7	-105.34
Manufacturing	4.7	0.0	-1.3	11.4	0.8	3.1	-15.47
Construction	7.9	6.5	6.9	4.5	3.8	5.9	5.59
Private services	64.5	64.2	94.9	101.1	64.1	77.8	202.76
General government	18.0	15.9	8.6	11.1	3.4	11.4	8.47
Other	-0.3	-0.1	-2.7	-3.6	2.2	-0.9	3.98
Total	100	100	100	100	100	100	100

Note: 2018 to 2022 are forecasts (e denotes estimate)

Source: Quantec Research, 2018

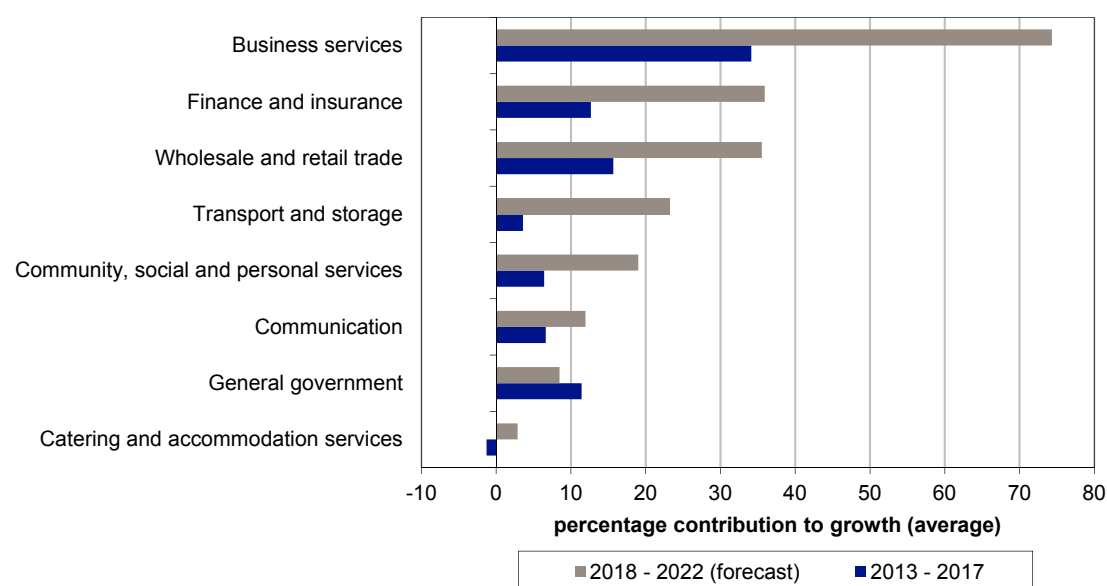
³ In 2018, agriculture's forecasted percentage contribution to economic growth is a negative 563 per cent, so the other positive contributions in the next years (25 per cent in 2019 for example) are not enough to generate positive agricultural growth over the period. The GVA changes over the forecast years are based on research by Elsenburg.

Despite a significant contraction in 2016, agriculture contributed positively to economic growth from 2013 to 2017. Going forward, a huge decline (-105.34 per cent per annum) in its contribution to value added is expected between 2018 and 2022, due to the drought. Although the sector is forecast to add positively to growth after 2018, it is not likely to make up for the initial decline.

The manufacturing sector is also expected to weigh on growth over this period due to a sharp output decline in 2018, mainly attributable to the food, beverages and tobacco subsector (agri-processing). This subsector is the biggest manufacturing subsector in the Province (28.1 per cent of manufacturing in 2017) and has close links to the agriculture sector. Overall, the Provincial economic growth is still driven by the private services sector. Without its contribution of more than 100 per cent, economic growth in the Province would be negative over the forecast period.

Business services, the biggest services sector (28 per cent of the tertiary sector), is expected to continue being the key driver of growth (see Figure 3.1). Almost three-quarters of the Province's growth forecast over the next five years comes from this subsector. The finance and insurance subsector (20.3 per cent of the tertiary sector) is expected to generate 36 per cent of overall growth over this period. This subsector has the fastest growth rate (2.9 per cent per annum) of all services subsectors over this period. The hospitality industry (-1.2 per cent of the total services sector), shaved off overall growth from 2013 to 2017 as nationally-imposed visa regulations, concerns about the Ebola virus and the Western Cape drought weighed on tourism. The industry is forecast to make a strong recovery over the next five years as these negative factors abate. Another supporting factor is the anticipated weakening of the rand against major currencies (see Chapter 2) that makes South Africa a relatively more attractive destination for international visitors.

Figure 3.1 Percentage contribution to economic growth per services subsector in the Western Cape, 2013 - 2017 and 2018 - 2022



Source: Quantec Research, 2018

The only services subsector forecast to add less to growth over the next five years compared to the preceding five is general government. Government expenditure is constrained due to fiscal consolidation. As a result, the share of general government in the total services sector is expected to fall from 14.5 per cent in 2017 to 13.5 per cent in 2022.

3.2.2 Western Cape sector employment

The Western Cape experienced slightly faster job growth on average from 2013 to 2017 than the rest of the national economy⁴ (see Table 3.2). This is in line with faster economic growth in the Province. The Western Cape had an average employment growth of 2.3 per cent year-on-year over this period. This translates into 202 701⁵ jobs being created in the Province from 2013 to 2017 which equates to 23.6 per cent of all jobs created in the country over this period.

The agriculture sector saw the fastest growth rate at 3.7 per cent. However, as explained in the 2017 PERO⁶, this is due to exceptionally high growth in 2015 at 21.8 per cent. Excluding 2015 data means that employment in the agriculture sector declined by an average of 0.8 per cent per year. The same data anomaly is apparent in the national figures, as growth also declined - from 4.1 per cent to a contraction of (minus) 0.8 per cent - if the 2015 data are excluded.

The private services sector had the second-fastest growth rate 2.8 per cent. This sector is also the biggest employer with 61.6 per cent of the Province's workforce in 2017. From 2013 to 2017, the private services sector created 152 293 jobs, mainly in wholesale and retail trade, followed by business services and community, social and personal services.

Employment in the construction sector also increased by 2.8 per cent per year. The sector created 15 816 jobs from 2013 to 2017, with its share to total employment at 6.1 per cent in 2017. The average growth rate masks significant year-on-year volatility, with the fastest growth rate of this period being 5.3 per cent in 2014 and the slowest 0.2 per cent in 2017.

Growth in the manufacturing sector, with a share of 10.1 per cent of total employment in 2017, averaged 0.8 per cent annually. This is slightly faster than the growth rate recorded in the rest of the economy and translates into 5 017 jobs created. As illustrated in Annexure A, seven out of ten manufacturing subsectors experienced job growth over this period. The agri-processing sector was responsible for 5 900 new jobs, while transport equipment and furniture and other manufacturing added a further 2 791 and 1 177 jobs. These were offset by sharp employment losses in the metals, metal

⁴ Detailed employment statistics for the Province and South Africa are provided in Annexure A.

⁵ In this section, when reference is made to the net number of jobs created between 2013 and 2017, it refers to the change in total employment from 2013 to 2017. The total number of jobs created between 2013 and 2017 could be more than this figure, but jobs could have been lost subsequently.

⁶ The 2015 figures are distorted by a change in the sample used for the Quarterly Labour Force Survey by Stats SA in 2015 compared to the sample used in preceding years. It is likely that these jobs were already in existence before 2015, but were only captured by the updated sample (thereby overstating actual job growth in that specific year).

products, machinery and equipment as well as the wood, paper, publishing and printing subsectors.

Table 3.2 Employment trends per sector, 2013 - 2017 and 2018 - 2022

Sector	Western Cape			South Africa (excluding WC)		
	Share (%) 2017	Average growth 2013 - 2017	Average growth 2018 - 2022 (forecast)	Share (%) 2017	Average growth 2013 - 2017	Average growth 2018 - 2022 (forecast)
Agriculture	10.3	3.7	-0.1	6.7	4.1	-4.3
Manufacturing	10.1	0.8	-0.6	9.3	0.6	-0.5
Construction	6.1	2.8	0.4	6.0	3.4	0.7
Private services	61.6	2.8	1.4	61.4	2.5	1.5
General government	11.5	0.4	0.6	12.3	-0.1	0.4
Other	0.4	2.3	0.6	4.4	-2.1	-2.3
Total	100	2.3	0.9	100	1.9	0.6

Note: 2018 to 2022 are forecasts.

Source: Quantec Research, 2018

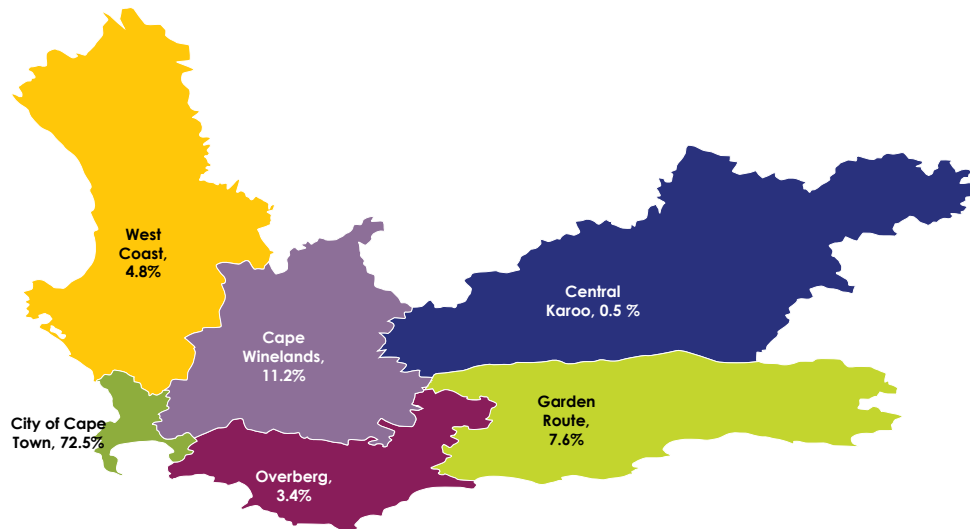
In line with the slower economic growth forecast, employment growth is also expected to decelerate significantly. The private services sector is forecast to grow by an annual average of 1.4 per cent from 2018 to 2022, half of the growth rate recorded in the preceding five years. The construction sector is set to face an even sharper slowdown in job growth, from 2.8 to 0.4 per cent per year. This corresponds with the expected slowdown in economic growth in this sector, driven by constrained government infrastructure spending and a slowdown in house price growth. Manufacturing and agriculture are expected to shed jobs over this period. However, as was the case for the forecasted economic performance, most of this stems from a decline early in the forecast period.

3.2.3 Spatial aspect of economic growth in the Western Cape

The Western Cape's economic output at district level displays a pattern of larger economic activity toward districts with larger urban centres. As the trend of urbanisation continues, the unequal economic contribution per district will increase over time.

The Cape Metro remains the largest contributor to economic output in the Province at 72.5 per cent in 2016, marginally increasing its contribution with 0.2 percentage points from 2015 (see Figure 3.2). This is followed by the contribution of Cape Winelands at 11.2 per cent and then Garden Route at 7.6 per cent. The Central Karoo's contribution toward the provincial economy remains the smallest at 0.5 per cent. The district map reveals no positive correlation between the area size and economic contribution per district as the Cape Metro and Central Karoo, as districts on the opposite end in both area size and economic contribution clearly shows.

Figure 3.2 Western Cape economic output contribution per district, 2016



Source: Quantec, 2018, Own calculations

Table 3.3 which compares GDP growth at district level shows the three largest district economies recorded the highest economic growth rates in 2016, with the City of Cape Town (1.5 per cent) as the fastest growing district followed by Garden Route (1.2 per cent) and Cape Winelands (0.8 per cent) in 2016. The growth in the City of Cape Town can largely be attributed to the finance, insurance, real estate and business services sector which contributed 61.8 per cent of the total growth in 2016. The growth contribution of this sector was above the ten-year average (2006 to 2016) of 39.9 per cent offsetting relative weaker contributions against the ten-year average for sectors such as general government, transport storage and communication and manufacturing.

The agriculture sector made negative contributions to economic growth in all districts in 2016. The most significant impact was in the Central Karoo (214.7 per cent) and West Coast (524 per cent), which resulted in overall value added in these districts declining by 0.8 and 0.3 per cent respectively in 2016. Agriculture also had a relatively large impact on growth in Cape Winelands and Overberg with contributions of -134.4 per cent and -155.7 per cent respectively, albeit that these districts still expanded overall in 2016.

Table 3.3 GDP growth rates and contribution to economic growth, 2006 - 2016

Economic growth rate (%)												
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)
	Agriculture, forestry and fishing	-3.7	3.4	-6.4	3.0	-9.7	1.4	-9.4	0.8	-7.7	1.2	-10.0
Mining and quarrying	0.4	0.4	-1.6	-0.6	-1.2	0.3	0.1	0.8	0.5	0.1	0.8	1.2
Manufacturing	1.1	1.0	0.1	1.5	-0.5	-0.7	2.5	3.3	1.6	1.9	-0.1	0.3
Electricity, gas and water	-2.3	-1.2	-3.7	-2.0	-2.4	0.7	-2.5	-0.7	-2.7	-1.2	-0.4	0.7
Construction	1.0	4.2	2.8	4.8	3.0	6.5	0.8	4.6	0.4	3.1	4.8	4.8
Wholesale and retail trade, catering and accommodation	1.9	2.3	2.8	3.2	3.2	4.0	3.0	3.7	1.9	2.5	0.5	1.6
Transport, storage and communication	1.0	2.4	-0.8	0.7	1.5	3.4	1.7	4.1	1.5	3.4	-1.3	0.2
Finance, insurance, real estate and business services	2.1	3.1	2.9	3.8	3.5	4.9	2.6	3.9	3.2	4.2	2.1	3.3
General government	1.5	3.8	1.3	3.6	0.8	3.0	0.6	2.9	0.4	2.7	1.9	4.3
Community, social and personal services	1.4	1.7	2.4	3.2	2.1	3.0	1.9	2.4	1.5	2.1	1.9	2.9
Total	1.5	2.5	-0.3	2.7	0.8	2.9	0.7	3.2	1.2	2.8	-0.8	2.6
Contribution to economic growth (%)												
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)	2016	2006 - 2016 (Avg)
	Agriculture, forestry and fishing	-0.4	1.8	524.0	22.5	-134.4	5.0	-155.7	3.1	-40.7	2.8	214.7
Mining and quarrying	0.0	0.0	6.7	-0.3	-0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Manufacturing	-3.8	6.6	-8.9	11.8	-11.1	-4.6	44.2	13.8	17.9	9.8	0.2	0.4
Electricity, gas and water	-2.8	-1.1	19.4	-1.3	-4.8	0.4	-5.9	-0.4	-4.5	-1.1	1.9	1.1
Construction	6.4	6.4	-43.3	6.7	20.2	10.0	6.3	7.9	1.6	5.6	-25.9	7.6
Wholesale and retail trade, catering and accommodation	19.4	14.9	-157.6	18.0	72.8	23.2	75.9	21.2	26.2	15.6	-8.8	9.4
Transport, storage and communication	5.6	10.5	23.2	2.0	17.4	9.9	23.0	12.0	11.3	11.0	21.7	1.3
Finance, insurance, real estate and business services	61.8	39.9	-154.1	19.3	109.6	37.5	87.9	29.1	76.7	41.7	-34.1	16.6
General government	10.1	16.2	-50.6	13.6	10.2	10.5	6.7	8.0	2.9	9.2	-47.2	31.8
Community, social and personal services	3.8	4.7	-58.9	7.7	20.5	8.0	17.6	5.4	8.5	5.3	-22.5	11.1
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Quantec Research, 2018, own calculations

Table 3.3 accentuates the important role of the finance, insurance, real estate and business services sector to economic growth in the Province and its respective districts. In all four of the districts where positive growth was recorded, the sector was historically (ten-year average) the largest contributor to economic growth. For those districts, the 2016 growth contributions of the finance, insurance, real estate and business services sector were all above the ten-year average.

3.3 Western Cape trade profile

Over the past decade, Western Cape export growth rate averaged 6.6 per cent per year. This compares to average import growth of 10.6 per cent from 2008 to 2017. In 2017, the total value of exports was R124.5 billion, a 0.8 per cent improvement compared to 2016. In contrast, imports declined by 3.1 per cent from 2016 to reach R185.9 billion in 2017.

The Western Cape generally runs a trade deficit – as does the national economy - with the value of imports exceeding that of exports. In 2017, the Western Cape posted a deficit of R61.4 billion, slightly below the deficit of R68.3 billion recorded in 2016. A key driver of the deficit is the import of petroleum. Excluding the mineral fuels, mineral oils and products of their distillation; bituminous substances; and mineral waxes categories from imports means that the deficit declines to R16.1 billion in 2017.

3.3.1 Trade source and destination markets

More than one-third (35.9 per cent) of exports from the Western Cape are destined for Africa, totalling R44.7 billion. Africa is followed by Europe (29.1 per cent equal to R36.2 billion) and Asia (18.6 per cent, R23.2 billion). More than half of the exports to Africa are destined for other South African Customs Union (SACU) members, receiving 18.8 per cent of total Western Cape exports in 2017. The regional grouping that receives the most of the Province's exports is the European Union (26.5 per cent).

Namibia is still the biggest export destination (9.2 per cent of exports), despite a 6.5 per cent year-on-year decline in exports compared to 2016 (see Table 3.4). Namibia is followed by the United Kingdom and the Netherlands, both exporting R9 billion of Western Cape total exports. A new entry in the top-ten export destinations (compared to 2016) is Zambia, while Mozambique fell out of the top ten. The top-ten source markets of imports is more or less unchanged compared to 2016, with Italy falling out of the top ten in 2017 and the Netherlands taking its place. Overall, the top-ten import profile is dominated by China (17.8 per cent) and countries from which the Province imports oil from.

Table 3.4 Top ten export and import markets for the Western Cape, 2017

Rank	Imports	Value 2017 (R bn)	% Share	% Growth 2016 - 2017	Rank	Exports	Value 2017 (R bn)	% Share	% Growth 2016 - 2017
1	China	33.1	17.8	-9.7	1	Namibia	11.5	9.2	-6.5
2	Saudi Arabia	25.3	13.6	16.6	2	United Kingdom	9.0	7.3	-2.1
3	Angola	14.2	7.6	9.8	3	Netherlands	9.0	7.2	12.1
4	India	13.8	7.4	28.4	4	United States	8.5	6.8	-5.5
5	Nigeria	9.0	4.9	-26.6	5	Botswana	6.9	5.5	-2.2
6	United States	6.5	3.5	-2.8	6	Germany	4.8	3.9	-9.9
7	Germany	6.1	3.3	-22.7	7	China	4.1	3.3	30.6
8	United Kingdom	5.9	3.2	-19.3	8	United Arab Emirates	3.2	2.5	19.9
9	United Arab Emirates	5.4	2.9	7.3	9	Kenya	3.0	2.4	14.5
10	Netherlands	4.2	2.2	-47.5	10	Zambia	2.8	2.2	4.3
Total imports		185.9	100	-3.1	Total exports		124.51	100	0.8

Source: Quantec Research, 2018

3.3.2 Western Cape sector revealed comparative trade advantages⁷

The trade profiles of the Western Cape and the national economy show significant differences on a sectoral level. Agriculture (13 per cent), wholesale and retail trade (13.5 per cent), and agri-processing (13.7 per cent) dominate the Province's share of exports. Together these sectors account for more than 40 per cent of exports. In contrast, they make up just 13.6 per cent of national exports. The national profile is dominated by mining (29.3 per cent) and metals, metal products, machinery and equipment (14.5 per cent).

The fastest growing export sector in the Western Cape was agriculture, increasing by 15.2 per cent compared to 2016. Exports of the radio, TV, instruments, watches and clocks manufacturing sector saw the biggest decline (18.1 per cent), but given that it is a small exporting sector overall (2.0 per cent of exports), the impact on overall exports was limited.

More than half (52.7 per cent) of South Africa's agriculture exports came from the Western Cape. This explains why the Western Cape had such a high revealed comparative trade advantage (RTCA) of 4.1 in agriculture in 2017 (see Table 3.5)⁸. Subsectors with an RTCA above one have a larger share of exports in the Western Cape compared to the rest of South Africa, and are thus relatively more important for the Province in terms of overall export performance. The RTCA for agriculture has declined over recent years, but the Province maintains a significant comparative advantage in the broader agri-processing value chain. Many of the key services sectors also reveal

⁷ In Annexure B a list of the sector's revealed comparative trade advantage and average growth rates (2013 - 2017) is provided.

⁸ An RTCA level above one signals a comparative advantage relative to the rest of South Africa, while a level below one indicates a comparative disadvantage. The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio.

a competitive edge. As would be expected from the sectoral trade profiles, the metals and mining sectors do not reveal an advantage for the Western Cape.

Table 3.5 Western Cape revealed comparative trade advantage per subsector, 2002 - 2017⁹

RTCA	2002	2007	2012	2017
Agriculture, forestry and fishing	6.2	6.1	5.9	4.1
Food, beverages and tobacco	4.3	4.8	3.2	3.9
Textiles, clothing and leather goods	3.3	2.4	1.0	2.6
Radio, TV, instruments, watches and clocks	1.6	1.9	2.1	2.1
Business services	1.7	1.7	1.9	1.8
Finance and insurance	1.9	1.5	2.0	1.7
Catering and accommodation	1.7	1.8	1.6	1.6
Communication	1.4	1.4	1.7	1.5
Community, social and personal services	1.4	1.3	1.5	1.4
Transport	1.4	1.3	1.5	1.3
Wholesale and retail trade	1.4	1.2	1.5	1.3
Construction	1.5	1.3	1.6	1.3
Furniture; other manufacturing	0.7	0.7	1.1	1.1
Other non-metal mineral products	1.5	0.4	0.3	0.9
Petroleum products, chemicals, rubber and plastic	1.0	0.8	0.6	0.9
Electrical machinery and apparatus	0.4	0.2	0.4	0.7
Wood and paper; publishing and printing	0.6	0.6	0.4	0.6
Metals, metal products, machinery and equipment	0.6	0.4	0.5	0.5
Mining	0.4	0.6	0.2	0.4
Transport equipment	0.2	0.2	0.4	0.2

Source: Quantec Research, 2018

3.3.3 Spatial aspect of the Western Cape trade profile

From a provincial perspective, the trade profile is concentrated geographically due to the spatial distribution of economic activity as well as the location of ports and airports. The Cape Metro was responsible for 66.2 per cent (R82.4 billion) of total provincial exports in 2017. The neighbouring Cape Winelands district contributes a further 23.1 per cent to exports (R28.9 billion). The remaining four districts make up the remaining 10.6 per cent of exports. All districts, except for Cape Winelands (-2.3 per cent), saw an increase in exports from 2016 to 2017. In percentage terms, Central Karoo recorded the biggest increase (52 per cent), but this came from an extremely low level of R50.6 million.

⁹ The subsectors are ranked according to 2017's RTCA.

The import profile is even more skewed towards the Cape Metro (80 per cent of imports, R148.6 billion) and Cape Winelands district (15.2 per cent, R28.2 billion). In 2017, overall imports declined on an annual basis, mainly dragged lower by a contraction in imports by Cape Winelands (13.4 per cent) and the Cape Metro (2.0 per cent). The fall in imports into the Cape Metro was due to a 6.6 per cent decline in imports of mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes (i.e. Brent crude oil) and a 35.7 per cent drop in imports of nuclear reactors, boilers, machinery and mechanical appliances.

3.4 Key priority sectors in the Western Cape

3.4.1 Economic water resilience

The drought has placed considerable strain on water resources across the Province, with the National Department of Water and Sanitation (NDWS) issuing a gazette in December 2017 to decrease water use in the Western Cape Water Supply System by 45 per cent across all sectors. Water restrictions have also been imposed on households. As such, the water constraints has led to risks of insufficient water supply and security throughout the Provincial economy and has not just negatively impacted agriculture. All businesses have been under increasing pressure to reduce their demand for municipal water supply, resulting in a review of its water use, augmentation and security.

Many businesses have stepped up to the challenge, with significant reductions in water use achieved through behavioural change, leak detection and repair, water-use efficiency, water reuse, use of alternative water supplies, and technology and/or systems changes. To date, the industrial sector in Cape Metro has decreased its water use by 30 per cent, while the commercial sector has decreased water use by approximately 12 per cent. Responses from a survey issued to businesses within the Province indicated that more than 90 per cent of respondents had implemented or planned water-saving actions in their businesses.

With climate change, water will become increasingly scarce in many regions of the world. However, the drought has encouraged Western Cape businesses to appreciate the value of water and improve their future water resilience. It has catalysed the development of more water-efficient technologies.

Cost-benefit analysis of select Western Cape climate change responses

Climate change results from the failure to impute the economic cost of greenhouse gas emissions in everyday transactions. A study commissioned by the Western Cape Government, showed that this market failure could cost the Western Cape economy 17.8 per cent per cent of its GDP and 10.0 per cent of its employment by 2040. A proactive response to correct this market failure could boost Provincial GDP by 15.0 per cent and employment by 12.4 per cent over the same period. A cost-benefit analysis of 15 Western Cape climate responses - all of them within the remit of the Western Cape Government and either underway or actionable within the next five years - assessed their relative impact on people (using a human benefit index) through climate risk reduction, job creation and the reduction of inequality, per unit of expenditure.

Climate change response	Benefit index	Discounted cost (R'000)	Cost: Benefit ratio
Rooftop PV on gov. buildings	129 417	-597 029	-4.61
Conservation agriculture	3 073 304	126 920	0.04
Berg/Breede upper catchment	1 700 126	114 969	0.07
Hout Bay recycling co-op roll-out	70 004	10 393	0.15
Mbekweni artificial wetland	126 007	25 944	0.21
Fruitlook	732 930	199 189	0.27
LandCare	583 364	506 533	0.87
Boreholes (Hospital and schools)	916 437	954 793	1.04
Agric. disaster management	1 106 350	1 651 737	1.49
Atlantis SDZ	163 474	246 299	1.51
Water recycling (50Ml/ day)	1 253 545	4 019 226	3.21
Upgrading Informal Settlement Programme	2 418 578	8 544 984	3.53
BRT - phase 1A	951 504	8 287 376	8.71
Desal: Large	4 546 189	42 269 083	9.30
Desal: Small (Harmony Park)	129 672	1 607 690	12.40

The results, presented in the table, show that mega-infrastructure projects deliver high levels of climate benefit to a lot of people in the Province, but at an enormous cost per unit of benefit. In contrast the installation of photovoltaic panels on government buildings saves money while providing climate change benefits to a small number of people. Photovoltaic panels on government buildings, conservation agriculture, alien clearing from key river catchments and informal settlement waste collection and recycling, were identified as the most cost-effective current climate responses available to the Provincial Government.

Source: *Western Cape Department Environmental Affairs and Development Planning, 2018*

3.4.2 Key economic sectors

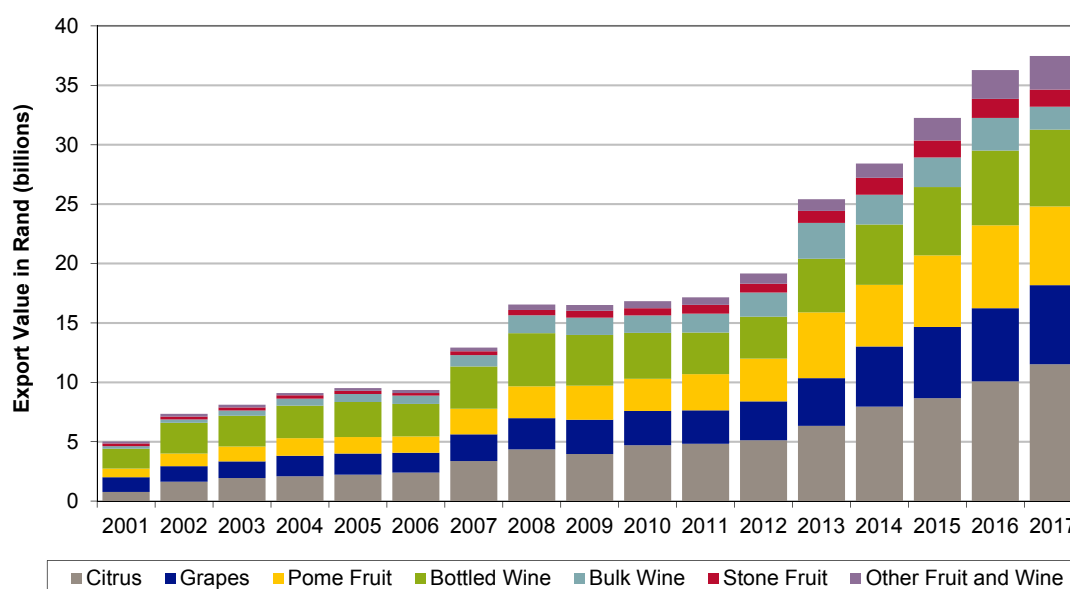
Project Khulisa¹⁰ identified sectors that have the greatest potential for sustained and accelerated economic and employment growth within a three- to five-year framework. Through Project Khulisa, tourism (business and leisure tourism, and more specialised niches), agri-processing (value added activities in food and beverages, including its potential for domestic production and export) as well as the oil and gas sector (midstream services with immediate impact potential, such as rig repair) were selected as strategic priority areas for provincial focus.

¹⁰ For more information on Project Khulisa see the 2015 PERO, pages 57 and 58.

3.4.3 Agriculture value chain

The agriculture and related upstream (inputs) and downstream (processing) industries in the Western Cape play a significant role in generating the value added to the economy. The winter-rainfall climate in the Province allows for the production of a wide variety of crops and livestock. The former is of particular importance for the Province since fruit and wine exports generated around R37 billion in foreign income in 2017 (see Figure 3.3) and have grown by 18 per cent per annum since 2012. Fruit and wine exports make up around 30 per cent of the total value of goods exported from the Western Cape in 2017. It is also clear from the most recent Stats SA Quarterly Labour Force Survey that agricultural value chains make a significant contribution to employment with around 400 000 workers employed in the agriculture and agri-processing sectors.

Figure 3.3 Fruit and wine value of exports in the Western Cape, 2001 - 2017



Source: Quantec Research, 2018

Looking ahead, various opportunities exist within the sector. Land-use changes over the past several years paint an interesting picture of market dynamics driving on-farm decisions. This has been highlighted by the recent update of the Western Cape Department of Agriculture's Flyover Project which mapped all agricultural crops in the Province using an aerial survey. This mapping exercise was conducted for the 2013/14 season and repeated in 2017/18 to provide a baseline of agricultural production activities (see Table 3.6).

There is a clear trend toward high-valued export crops in the form of citrus (35 per cent growth), berries (33 per cent), sub-tropical fruits (21 per cent) and nuts (79 per cent), mostly at the expense of wine grape area planted (-16 per cent). The latter has been in decline for some time as grape prices have been stagnant for the past several years, although experiencing some relief in the past season.

Another notable land-use change between 2013/14 and 2017/18 was that of vegetable production. This is attributed to the current drought conditions that resulted in a 40 per cent decline in production area for these annual crops. Lastly, results from the project have also revealed an extension of the area used for shade-netting (291 per cent) and tunnels (43 per cent).

Table 3.6 Area planted for certain agricultural crops in the Western Cape, 2013/14 to 2017/18

Crops	Hectares 2013/14	Hectares 2017/18	Change (%)
Wine Grapes	108 070	91 221	-15.59
Pome and Stone fruit	50 804	49 131	-3.29
Table Grapes	12 863	13 095	1.81
Citrus	12 137	16 354	34.74
Exotic fruit	1 649	1 581	-4.13
Sub-tropical fruit	1 166	1 407	20.71
Berries	913	1 212	32.69
Nuts	645	1 155	79.09
Total irrigated crops	188 247	175 156	-6.95
Other			
Wheat	312 561	338 588	8.33
Barley	70 238	86 670	23.40
Vegetables	29 663	17 846	-39.84
Flowers	2 579	2 953	14.50

Source: Western Cape Department of Agriculture, 2018

The combination of fruits grown in the Western Cape and increased utilisation of shade-netting and tunnels is indicative of the various diversification (risk-mitigation) strategies undertaken by farmers, particularly in response to adverse weather conditions, geographic and climate considerations. Furthermore, exchange rate fluctuations also impact the sector since it is primarily export-oriented and, moreover, dependent on stable and transparent policies with a high degree of confidence in the economic and political system when making investment decisions.

The current drought conditions have had a significant impact on the provincial agriculture sector with some geographic areas affected more severely than others. It is expected that the real impact could be more moderate as factors such as the higher wine prices and export performance was better than initially anticipated. However, the adverse financial implication for the agriculture sector is still severe and expected to extend well into the future. Table 3.7 shows the latest impact of the drought on export volumes for the past two seasons. The major categories recorded double-digit declines in exports volumes, whilst the total production of wine grapes were 15 per cent lower than in 2016/17.

Table 3.7 The impact of the drought on production/export volumes for crops in the Western Cape, 2016/17 to 2017/18

Product	Industry Structure (% share)			Unit	Production/export volumes in Tons		
	Exports	Local	Processing		2016/17	2017/18*	Decline (%)
Wine Grapes	48	48	4	Production	1 437 259	1 220 920	-15.05
Apples	68	10	15	Exports	150 406	133 221	-11.43
Table grapes	93	6	1	Exports	186 772	162 992	-12.73
Plums and Prunes	75	23	2	Exports	64 833	53 798	-17.02
Pears	49	13	37	Exports	78 630	74 065	-5.81
Oranges	72	6	15	Exports	161 046	160 200	-0.53
Naartjies	75	12	14	Exports	29 736	26 963	-9.33
Peach and Nectarines	6	21	73	Exports	15 939	15 730	-1.31
Apricots	9	4	87	Exports	3 678	3 435	-6.61
Lemons and Lime	67	4	29	Exports	29 736	26 963	-9.33

Source: Various sources

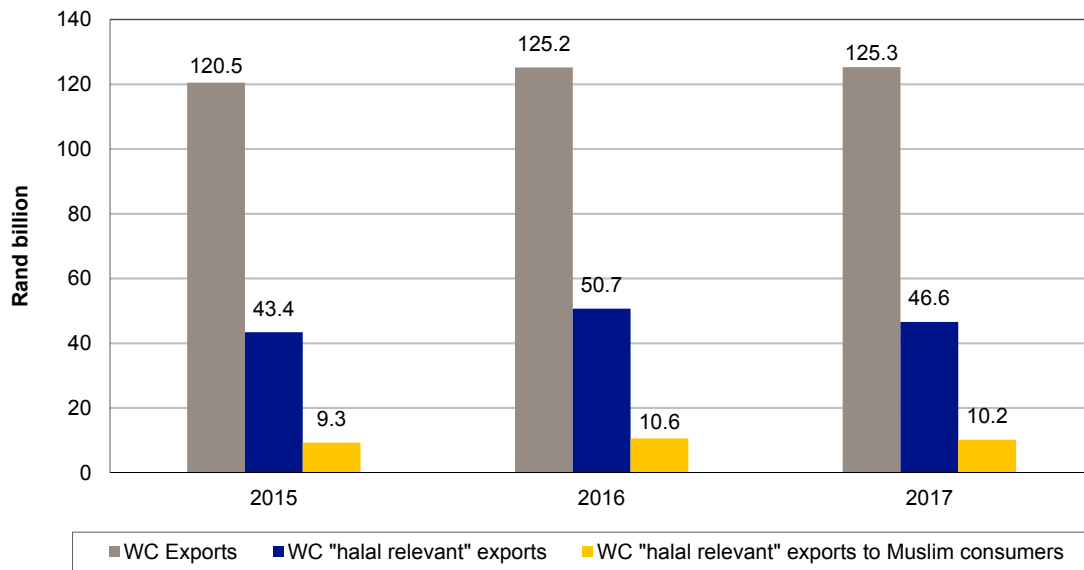
The averages depicted in Table 3.7 do not however tell the full story of the drought. Certain geographic areas have been affected more severely than others, such as the Lower Olifants River irrigation farmers. Severe water shortages in the Clanwilliam dam resulted in farmers only receiving 1 700 m³/hectare of water in the 2017/18 season, down by 75 per cent from the normal 6 500 m³/hectare allocation during the key summer months of the season. This has resulted in a substantially higher impact on the major agricultural industries in that region. Wine grape production, the main agricultural industry in the region, declined by 36 per cent, whilst table grapes declined by 29 per cent, dried grapes by 31 per cent and vegetables by more than 50 per cent. These realities have resulted in net income losses of around R194 million to farmers in the Lower Olifants River area, if one compares income from 2016/17 to that realised in the past season.

Dam levels have recovered considerably compared to the same time last season, and it is now expected that the horticultural sector will recover in the next several years. Apple and pear exports over the next 10 years are expected to grow by 16 per cent and 8 per cent. Table and dried grape areas are also expected to increase as the opportunities in export markets remain favourable. Finally, with the strong increase in the area under citrus, exports from the Western Cape - an area free of diseases such as citrus black spot and Citrus Greening Virus - is expected to grow significantly. The sector has managed to grow its market share in nations such as China, Bangladesh and Portugal, as well as some Middle Eastern markets.

Western Cape Halal export performance

The global halal food market presents a significant opportunity for the Western Cape. It was worth more than USD 1.2 trillion in 2016 and is anticipated to reach approximately USD 1.9 trillion by 2021¹¹. Halal products and services are gaining demand in developing regions where economic growth has boosted the purchasing power of the overall population.

Figure 3.4 Western Cape exports and “halal relevant” exports, 2017



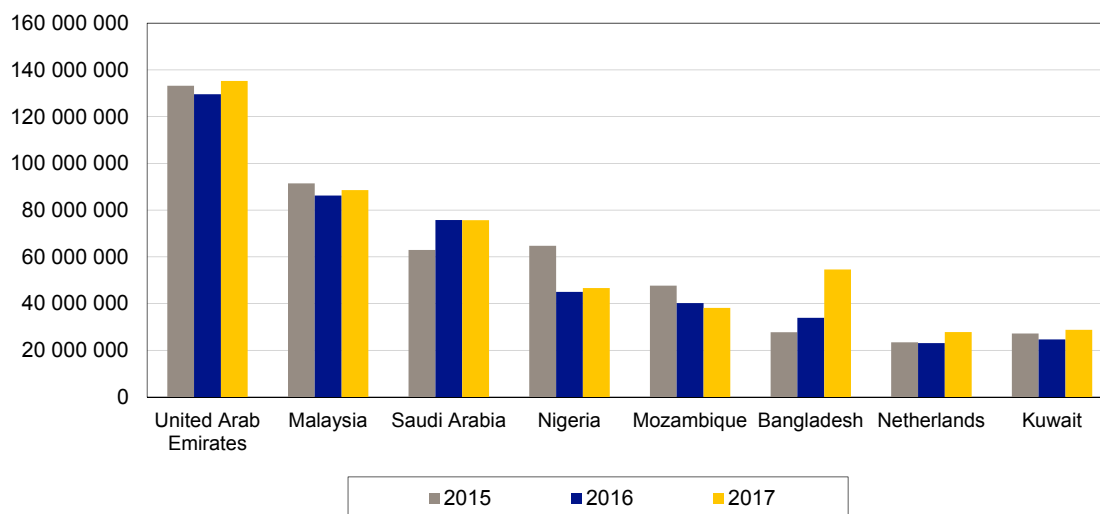
Note: Values in Rand, billions.

Source: Quantec Research, 2018

The overall Western Cape exports increased from 2015 to 2017, as opposed to the slight decline in “halal relevant” exports from 2016 to 2017 (see Figure 3.4). The decline in “halal relevant” exports in 2017 could be attributed to the strong performance of the rand in 2017. In 2017, “halal relevant” exports from the Western Cape amounted to approximately R46.6 billion.

¹¹ Thompson Reuters- Dinar Standard State of the Global Islamic Economy 2017/18 report.

Figure 3.5 Western Cape "halal relevant" exports to muslim consumers, 2017

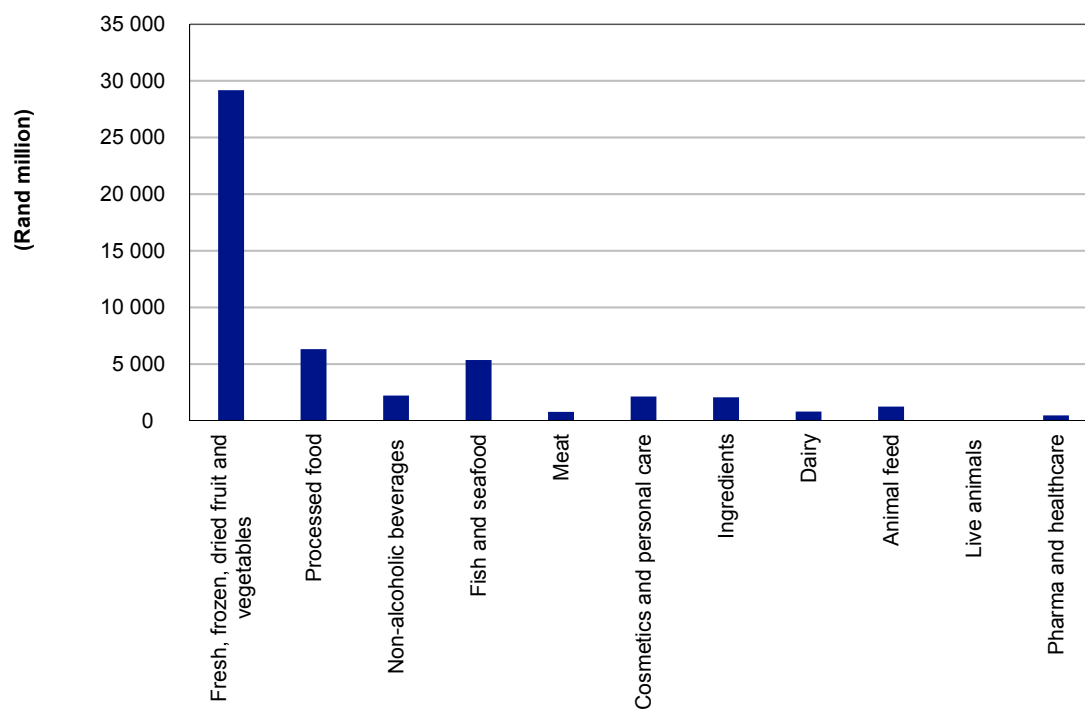


Note: values in US dollars

Source: Quantec Research, 2018

The top five export destinations for “halal relevant” products are United Arab Emirates, Malaysia, Saudi Arabia, Nigeria and Mozambique. The largest “halal relevant” export product group commodity for the Western Cape in 2017 was fruits and vegetables (fresh, frozen and dried), followed by processed foods, fish and seafood, and non-alcoholic beverages (see Figure 3.6).

Figure 3.6 Western Cape halal relevant export categories, 2017



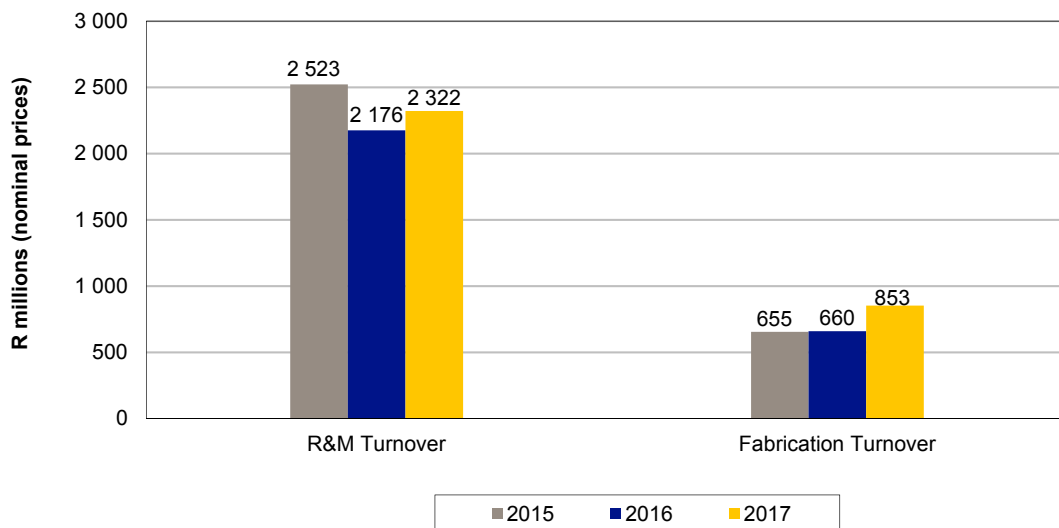
Source: Quantec Research, 2017

The rise in demand for “halal relevant” products could also be a result of the growth in awareness of the positioning of it as hygienic and healthy food – both amongst Muslims and non-Muslims. The export of specific halal products focuses on goods where the Western Cape has a competitive advantage in terms of international trade and economies of scale. According to the value-chain analysis report of the Western Cape Department of Agriculture, the halal products with high potential include snacks, juices and sauces.

3.4.4 Oil, gas and marine services

The oil, gas and marine services sector is strategically important given the location of the Western Cape on the tip of Africa where approximately 30 000 ships pass by each year. The sector comprises various subsectors, that is, rig repair, ship repair/maintenance (R&M) and fabrication subsectors. Figure 3.7 shows the sector's annual turnover from 2015 to 2017 for R&M and fabrication in the Western Cape. R&M turnover declined during the three-year period due to a dramatic drop in oil prices in late-2014 and early-2015 with a major decline in the ‘Oil, Gas and Drill Ship’ sub-component (-8.5 per cent). This subcomponent, which makes up 26 per cent of R&M, is linked to offshore exploration and drilling in the oil and gas industry. However, the R&M subsector made a turnaround from 2016 to 2017 having increased turnover by 6.7 per cent to R2.3 billion.

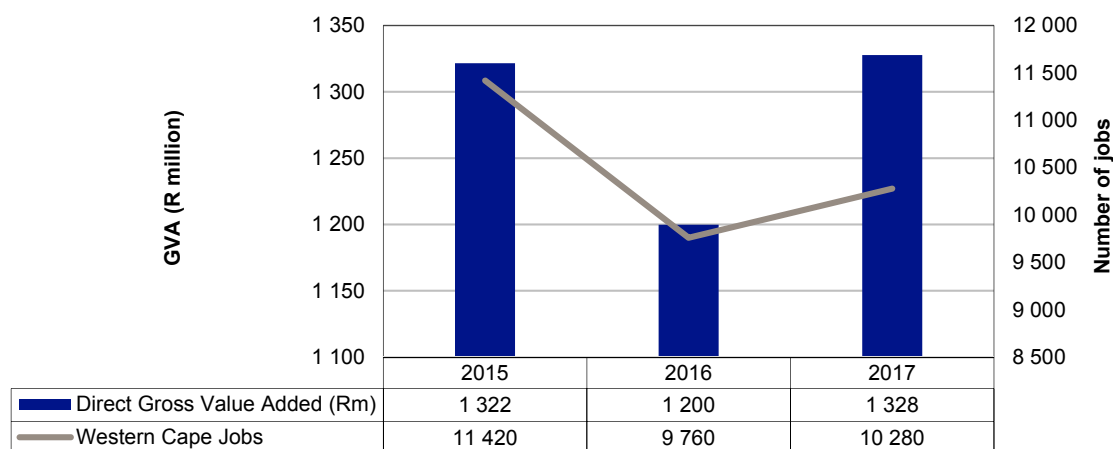
Figure 3.7 Repair and maintenance and fabrication turnover in the Western Cape, 2015 - 2017



Source: *Stratecon, Western Cape Department of Economic Development and Tourism, TNPA, 2018*

The ship fabrication subsector - comprising ship builders - performed well over the past three years. Turnover increased by 30.2 per cent from R655 million in 2015 to R853 million in 2017. Exports were a big driver of growth in the fabrication subsector. Exports increased by 14 per cent from R1.6 billion in 2015 to R1.7 billion in 2017. This was off the back of a weaker rand and value added services offered by Western Cape firms which differentiated themselves from a pure cost play.

Figure 3.8 Employment and GVA in the oil, gas and marine services sector, Western Cape, 2015 - 2017



Source: *Stratecon, Western Cape Department of Economic Development and Tourism, 2018*

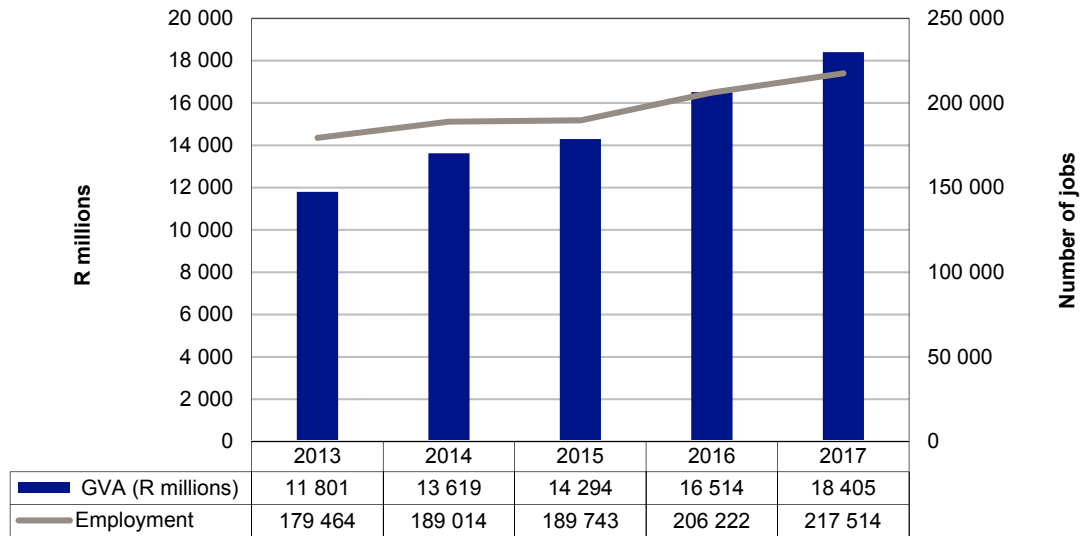
Overall, the oil, gas and marine services sector has performed poorly but its fortunes could be changing. Over the past three years Gross Value Added (GVA) is estimated to have increased marginally, but employment declined. GVA has declined from R1.322 billion in 2015 to R1.2 billion in 2016 (see Figure 3.8). However, there was an increase of 10.6 per cent from R1.2 billion in 2016 to R1.3 billion in 2017. The sector's direct and indirect job contribution in the Province declined from 11 420 in 2015 to 10 280 jobs in 2017. But from 2016 to 2017 it increased by 5.0 per cent reflecting an improvement in the sector's performance.

Just over half (52 per cent) of the oil, gas and marine services sector is made up of "All other vessel types" in the R&M subsector, which is mainly driven by the performance of the South African economy and related port activity. The current and projected muted South African growth means that this part of the R&M sector is not expected to expand. However, the shift of the higher oil price into the USD 70/per barrel range over the past year bodes well for offshore oil and gas activities as a potential growth driver of the oil, gas and marine services sector.

3.4.5 Tourism

Tourism is an important contributor to economic growth and job creation in the Western Cape. In 2017, the number of international arrivals in the Western Cape increased by 10.2 per cent from 2016 to 1.72 million. Partially due to the increase in international arrivals, there was an increase in foreign spend from R18.1 billion in 2016 to R23.1 billion in 2017. The number of jobs in the tourism sector increased by 11 292 from 2016 to 217 514 in 2017 while estimated GVA rose by 7.5 per cent from 2016 to 2017 (see Figure 3.9).

Figure 3.9 Western Cape tourism GVA and employment, 2013 - 2017



Source: Western Cape Department of Economic Development and Tourism, 2018

Over the past five years, the Western Cape has had the highest number of 'paid bed nights' when compared to other provinces. According to SA Tourism, the number of 'paid bed nights' rose from 10.1 million to 15.1 million in 2017 (49.5 per cent growth). The average length of stay per tourist in the Western Cape (14.1 nights per tourist) was the highest amongst all provinces.

3.5 Economic opportunities in other provincial sectors

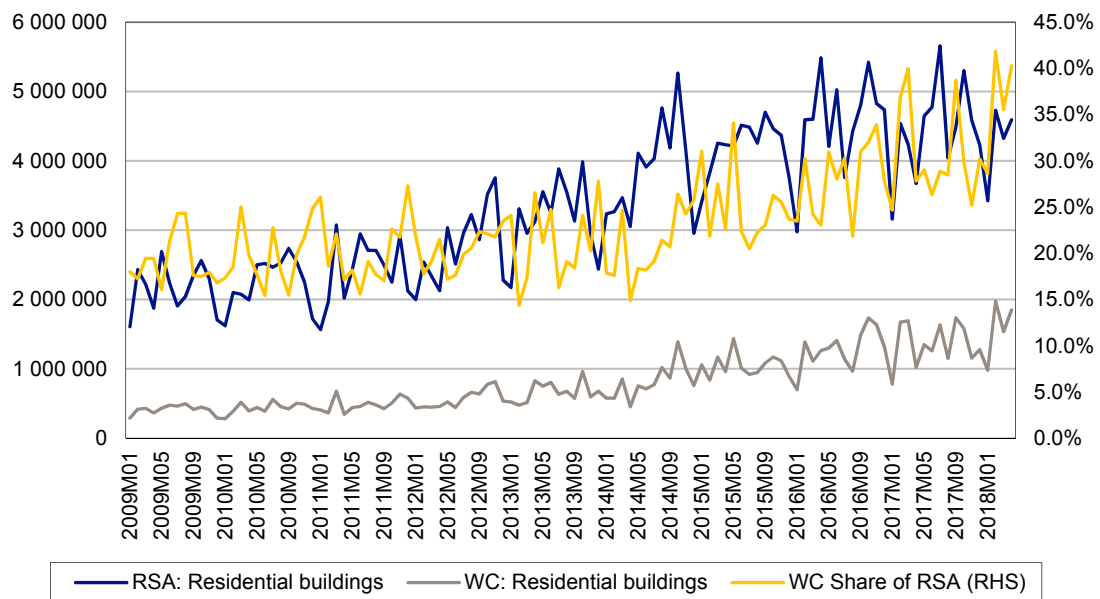
In addition to the provincial priority sectors there are other sectors that have the potential to support economic growth and employment, such as the digital economy, construction, energy and the waste economy.

3.5.1 Construction

The construction sector in the Western Cape sustains 153 651 jobs, providing more than R13 billion in salaries. A slowdown in construction activity would have a severe impact on disposable income and employment. Furthermore, the sector's appetite to absorb lesser-skilled workers makes it a leading indicator in terms of municipal revenue and sustainability.

Given that labour and other input costs are similar amongst the provinces, residential construction activity has been increasingly more profitable in the Western Cape relative to elsewhere in the country. Provincial residential construction planned activity in 2009 contributed just over 19 per cent of national residential construction planned activity (see Figure 3.10). By April 2018, the Western Cape more than doubled its share of national residential construction plans passed by contributing more than 40 per cent of national residential construction plans passed.

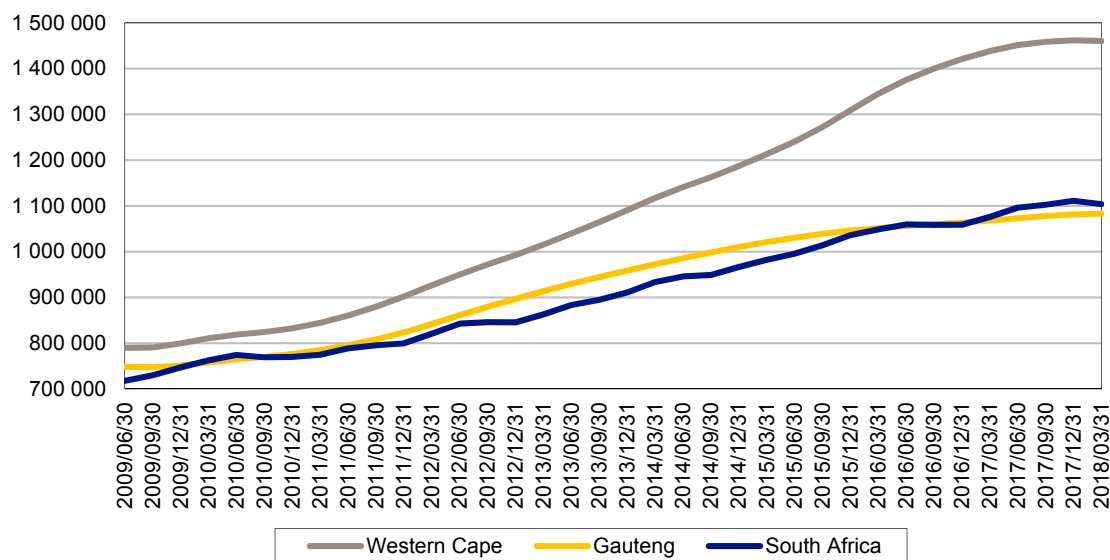
Figure 3.10 Building plans passed in the Western Cape, 2009 - 2018



Source: Quantec Research, 2018

The prospects of the construction sector depend largely on a thriving residential property market. Growth in consumer income or the inward migration of people into the Province has stimulated demand for residential real estate. House prices in the Western Cape, Gauteng and South Africa was almost on par in 2009 (see Figure 3.11). Nine years later, the average house prices in the Western Cape is roughly 40 per cent more than that of Gauteng or South Africa. However, recent data reveals a slowdown to the Western Cape's long-term house price growth. In real terms, year-on-year house prices during the first quarter declined by 1.3 per cent in the Western Cape. The rental markets have also been severely impacted with some suburbs in the City of Cape Town reporting a 20 per cent decline in new rental prices. This will have an impact on the construction industry, including the volume of new developments.

Figure 3.11 Average house prices in Western Cape, Gauteng and South Africa, 2009 - 2018



Source: Quantec Research, 2018

3.5.2 Energy

Western Cape Government seeks to ensure enough power for growth in the Western Cape that is sustainable and low carbon. Key sectors in the path to a low carbon future use will need to include of a diverse energy mix combined with energy efficiencies. Measures aimed at these key sectors include the roll out of Independent Power Producers (IPPs); enhanced uptake of Solar PV and efficient water heaters; the development of a grid management system that facilitates wheeling and manages peak demand as well as the importation of Liquefied Natural Gas.

Liquefied Natural Gas (LNG) has been identified as a key opportunity for the West Coast District. The importation of LNG into Saldanha Bay will spur the development of the West Coast Corridor down to Atlantis, and from there to Cape Town. It will enhance the combined value proposition of the Saldanha Bay Industrial Development Zone (IDZ) and the Atlantis Special Economic Zone (SEZ) capitalising on localisation initiatives, skills development, and supplier development programs. This will support the local economy to benefit from gas, primarily to power industrialisation opportunities. Given the possible construction of a new 800MW Combined Cycle Gas Turbine power plant and conversion of Eskom's Ankerlig Peaking Power Plant to Combined Cycle Gas Turbine¹², R21.7 billion in infrastructure investment could emerge. It is estimated that provincial GDP will increase up to 1 per cent per annum if LNG is imported into Saldanha Bay and natural gas underpins its industrial economy¹³. LNG importation will

¹² Deloitte (2015), The socio-economic impact of importing LNG into the West Coast of the Western Cape.

¹³ Extrapolated from Deloitte (2015) Socio-Economic Impact Analysis of West Coast LNG Importation, by considering a more realistic industry off-take.

cement Saldanha Bay's reputation as an industrial hub, with commensurate investment in the area.

In 2017, global investment in renewable energy amounted to USD 279.8 billion, the eighth year in a row where investments have been more than USD 200 billion. This investment is threefold that being invested in fossil fuel capacity¹⁴. In return, this has led to renewable energy producing an estimated one fifth of the world's electricity in 2017, up from 6.9 per cent in 2011. In South Africa, Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) has been highly successful at attracting both private and institutional capital into the market¹⁵. The challenges and opportunities facing Western Cape towards transitioning to a sustainable and low carbon energy state can be encompassed by four broad areas that is transport and mobility; energy security; market stimulation and efficiency; energy access as well as socio-economic impact.

In the past three years, the Western Cape alone has realised around R500 million in investments into component manufacturing. This total excludes spend on local services such as logistics, civil and electrical works for projects based within the province and nationally. Approximately 65 per cent of new component manufacturing for renewable energy has been based in Cape Town, while 60 per cent of the successful project developers were also based in Cape Town. The Atlantis SEZ is designated to house these types of green tech manufacturing and capitalise on these opportunities.

The REIPPPP was introduced and originally aimed to procure 3 725 MW of renewable energy capacity by 2016. An additional 3 200 MW is to be added by 2020. This will be mainly from wind and solar, through bidding rounds¹⁶. There are nine IPPs in operation in the Western Cape and three more entering into operation in the next few years. This represents a combined capacity of 657 MW. IPPs are required to invest a minimum of 1.5 per cent of gross annual revenue in socio-economic projects and they also invest in enterprise development projects. They must commit to procuring a minimum value of services locally and similarly appointing a minimum number of local residents into jobs.

3.5.3 Digital economy

Digital disruption refers to the changes enabled by digital technologies and capabilities that occur at a pace and magnitude that disrupts established ways of value creation, social interaction, doing business and more generally our thinking. The next phase of digital disruptions will be driven by the 4th wave of industrialisation. Developments in technologies such as the internet of things, virtual reality, Artificial

¹⁴ The Renewables 2018 Global Status Report is available at <http://www.ren21.net/status-of-renewables/global-status-report/>.

¹⁵ BMI South Africa Renewables Report Q3 2018.

¹⁶ BMI South Africa Renewables Report Q3 2018.

Intelligence (AI) and robotics will increasingly disrupt organisations across all sectors, from the way that they manage their businesses and carry out their operations, to evolving customer expectations and to the changing nature of products and services. The digital revolution, driven by the 4th wave, will have an impact on a number of sectors such as construction, retail and wholesale, manufacturing, tourism, agriculture, green economy, transport, financial and business services and government.

The Fourth Industrial Revolution (4IR) provides opportunities for the Western Cape to put in place mechanisms that will allow for the appropriate agricultural responses to the revolution, in line with global responses in this space. In the agriculture sector, the role players embrace technology like farm-management software, precision agriculture, predictive data analytics and genetics. This allows farmers to assess crop health, the weather and soil quality via robotics and drones. When this is combined with smart irrigation, increased yields, reductions in cost and improved nutritional value is achieved.

The enhanced adoption of agricultural technology (AgTech) opens up new, efficient and sustainable ways of farming. In the 4IR stage there are many agricultural technologies emerging that enable greater optimisation across all areas of production and management which are transforming farming methods. However, wide-scale use of agricultural technologies are hindered by a number of obstacles. The take-up of agricultural technologies and capabilities has yet to penetrate all aspects of business models in the Western Cape and emerging markets generally.

3.5.4 Waste economy

The waste economy is based on the premise that waste could potentially be a resource with economic value that provides an opportunity for industries and businesses to repurpose their 'waste' resources and incorporate these into their value or production chain. In addition, the waste economy also offers job creation potential across various areas in the specific waste themes, such as recycling (plastic, metal, paper, etc.), construction and demolition waste, electronic waste (e-waste), tyre waste, amongst other.

The Western Cape generates an estimated 7.7 million tonnes of waste annually, of which 3.6 million (47 per cent) consists of commercial and industrial waste. The remaining 4.1 million tonnes (53 per cent) is municipal solid waste. The City of Cape Town generates 48 per cent of the Western Cape's waste, which includes 2.8 million tonnes (36 per cent) of municipal solid waste and 0.9 million tonnes of commercial and industrial waste.

Several recent and significant developments have supported the growth of a waste economy in South Africa. These include the national government driven project "Operation Phakisa", which focused on the chemical and waste economy; amendment of current and new waste management legislation towards promoting the waste economy; and investigations into various alternative waste technologies suitable for the Western Cape.

Operation Phakisa for the chemical and waste economy is aimed at reducing negative environmental and health impacts of waste and risks posed by harmful chemicals. Furthermore, the project aims to increase commercialisation of the circular economy and creating value from resources currently discarded as waste thereby fostering inclusive growth through positioning South Africa as a globally competitive producer of sustainable products.

The legislative changes have included enabling legislation such as the national pricing strategy for waste management; the categorisation of certain waste types; enabling them to eliminate unnecessary red tape processes and rather be treated as resources as well as municipalities being enabled to partner more effectively with the private sector.

Industry waste management plans (IndWMPs)

A notice was published on 6 December 2017 (GN 1353 of 2017) requiring industries to prepare and submit IndWMPs to the Minister for approval by 6 September 2018. IndWMPs are a key milestone towards ensuring that producers in the respective industries practise extended producer responsibility. The IndWMPs are intended to reduce pollution and ecological degradation; incorporate the informal sector into the waste economy; unlock funds to support the waste sector; create employment and bring about transformation. The intended promulgation of IndWMPs could lead to potential opportunities within certain waste streams. The e-waste IndWMP, coupled with a national focus on legacy electronics, could lead to a rise in the availability of e-waste. This provides an increase in feedstocks for dismantlers and refurbishers, which could, in turn, lead to the establishment of the Western Cape's first licensed processing plant to process large volumes of e-waste. As with e-waste, the promulgation of the paper and packaging IndWMP will unlock greater volumes of clean feedstocks and more business support for the sector. Additional support through Operation Phakisa could address the need for thermal treatment technologies aimed at dirty mixed plastics, refuse derived fuels and thermoform PET.

Source: GreenCape MIR, 2018

Alternative waste technologies that are being explored in the Western Cape bodes well for resource efficiency and an economy that creates jobs and reduces the environmental impacts of waste management. This will ultimately save the limited available landfill airspace. Since organic waste is being targeted for diversion, the focus will be on alternative technologies dealing with this waste type.

3.6 Conclusion

Over the last decade, the Western Cape economic growth was robust mainly due to its services-orientated structure and significantly smaller mining sector. The private services sector made up 63.6 per cent of the provincial economy in 2017.

The business services subsector, at 28 per cent of the tertiary sector, is expected to continue being the key driver of growth in the Province. Almost three-quarters of the provincial growth forecast over the next five years comes from this subsector, while the finance and insurance subsector is expected to generate 36 per cent of overall growth over the period.

In 2017, the fastest growing export sector in the Western Cape was agriculture, increasing by 15.2 per cent with a comparative trade advantage of 4.1. The Flyover Project map comparison between 2013/14 and 2017/18, indicates a clear trend toward high-valued export crops in the form of citrus (35 per cent growth), berries (33 per cent), sub-tropical fruits (21 per cent) and nuts (79 per cent), mostly at the expense of wine grape area planted (-16 per cent).

Western Cape "halal relevant" exports increased from 2015 to 2017, as opposed to the slight decline from 2016 to 2017. The oil, gas and marine services sector has performed poorly but the outlook is optimistic. The sectors contribution to the economy has increased marginally, but employment declined. The number of jobs in the tourism sector increased by 11 292 from 2016 to 217 514 in 2017 while estimated GVA rose by 7.5 per cent over the same period.

Approximately 65 per cent of new component manufacturing for renewable energy and 60 per cent of the successful project developers are based in Cape Town. Furthermore, the next phase of digital disruptions will be driven by the 4th Industrial Revolution. Developments in technologies such as the internet of things, virtual reality, AI and robotics will increasingly disrupt organisations across all sectors.

Annexure A

Employment trends, Western Cape and South Africa (excluding Western Cape)

Sector	Western Cape					
	Employed 2017	Share (per cent) 2017	Change 2013 - 2017	Average growth (yoy per cent) 2013 - 2017	Change 2018 - 2023 (forecast)	Average growth (yoy per cent) 2018 - 2023 (forecast)
Agriculture, forestry and fishing	259 267	10.3	21 745	3.7	11 902	-0.1
Mining	1 833	0.1	121	1.4	30	-0.5
Food, beverages and tobacco	58 432	2.3	5 900	2.9	- 2 059	-0.8
Textiles, clothing and leather goods	26 978	1.1	- 443	-0.7	- 4 814	-5.6
Wood, paper, publishing and printing	34 454	1.4	- 1 464	-0.3	2 058	0.7
Petroleum products, chemicals, rubber and plastic	30 002	1.2	- 82	0.8	1 498	0.3
Other non-metal mineral products	9 451	0.4	- 28	0.2	1 133	1.6
Metals, metal products, machinery and equipment	44 500	1.8	- 3 089	-0.9	2 365	0.3
Electrical machinery and apparatus	6 369	0.3	- 21	0.4	275	0.2
Radio, TV, instruments, watches and clocks	3 838	0.2	276	2.1	75	-0.4
Transport equipment	20 935	0.8	2 791	3.4	795	0.1
Furniture and other manufacturing	18 151	0.7	1 177	1.0	- 1 092	-2.5
Electricity, gas and water	9 200	0.4	968	2.5	659	0.8
Construction	153 651	6.1	15 816	2.8	9 062	0.4
Wholesale and retail trade	495 558	19.7	55 648	2.9	57 029	1.7
Catering and accommodation services	85 165	3.4	13 607	3.9	2 539	-0.1
Transport and storage	92 356	3.7	7 062	2.6	12 991	2.4
Communication	19 390	0.8	- 1 715	0.5	671	0.0
Finance and insurance	82 033	3.3	3 791	2.7	2 158	-0.2
Business services	385 116	15.3	39 535	2.6	45 819	1.9
Community, social and personal services	388 834	15.5	34 365	2.9	32 489	1.1
General government	288 011	11.5	6 741	0.4	18 820	0.6

Sector	South Africa (excl. WC)					Average growth (yoy per cent) 2018 - 2023 (forecast)
	Employed 2017	Share (per cent) 2017	Change 2013 - 2017	Average growth (yoy per cent) 2013 - 2017	Change 2018 - 2023 (forecast)	
Agriculture, forestry and fishing	895 771	6.7	97 087	4.1	- 131 257	-4.3
Mining	527 085	3.9	- 54 087	-2.4	- 76 695	-2.7
Food, beverages and tobacco	247 054	1.8	34 278	3.9	- 8 990	-0.7
Textiles, clothing and leather goods	84 491	0.6	- 2 743	-1.0	- 15 487	-4.3
Wood, paper, publishing and printing	133 812	1.0	-7 458	-0.6	2 099	0.9
Petroleum products, chemicals, rubber and plastic	164 025	1.2	- 2 548	0.6	- 215	0.3
Other non-metal mineral products	66 068	0.5	1 702	1.0	947	0.5
Metals, metal products, machinery and equipment	282 840	2.1	- 24 736	-1.4	- 4 257	-0.1
Electrical machinery and apparatus	43 666	0.3	- 1 946	-0.2	- 611	-0.1
Radio, TV, instruments, watches and clocks	18 547	0.1	1 369	2.3	- 552	-0.4
Transport equipment	116 697	0.9	7 474	1.6	- 5 999	-1.0
Furniture and other manufacturing	86 871	0.6	4 628	0.8	- 8 863	-2.3
Electricity, gas and water	62 651	0.5	4 372	1.4	2 337	1.0
Construction	802 067	6.0	103 724	3.4	20 564	0.7
Wholesale and retail trade	2 597 693	19.4	226 923	2.3	199 009	1.9
Catering and accommodation services	382 351	2.8	70 821	4.7	5 795	0.6
Transport and storage	501 277	3.7	26 093	1.7	45 778	2.4
Communication	94 739	0.7	- 9 638	0.3	- 1 321	0.0
Finance and insurance	385 647	2.9	17 007	2.8	- 4 429	0.1
Business services	1 868 196	13.9	156 117	2.1	137 440	2.1
Community, social and personal services	2 413 951	18.0	213 917	3.0	54 841	0.8
General government	1 645 686	12.3	7 038	-0.1	13 424	0.4

Source: Quantec Research, 2018

Annexure B

Revealed comparative trade advantage of sectors in the Western Cape economy

Sector	Western Cape		South Africa		Revealed comparative trade advantage 2017
	Share (per cent) 2017	Average growth (yoy per cent) 2013 - 2017	Share (per cent) 2017	Average growth (yoy per cent) 2013 - 2017	
Agriculture, forestry and fishing	13.0	6.2	3.2	4.8	4.1
Mining	10.7	12.9	29.3	2.4	0.4
Food, beverages and tobacco	13.7	5.0	3.5	0.8	3.9
Textiles, clothing and leather goods	2.5	27.9	1.0	2.5	2.6
Wood and paper; publishing and printing	1.1	19.0	1.8	3.4	0.6
Petroleum products, chemicals, rubber and plastic	4.9	14.3	5.8	1.9	0.9
Other non-metal mineral products	0.4	25.1	0.4	-1.1	0.9
Metals, metal products, machinery and equipment	7.7	2.8	14.5	0.9	0.5
Electrical machinery and apparatus	0.7	16.6	1.0	-1.1	0.7
Radio, TV, instruments, watches and clocks	2.4	13.9	1.2	3.4	2.1
Transport equipment	2.0	9.7	8.9	7.7	0.2
Furniture; other manufacturing	3.1	-0.8	2.9	1.3	1.1
Electricity	N/A	N/A	0.5	9.6	N/A
Construction	0.3	2.9	0.3	2.3	1.3
Wholesale and retail trade	13.5	3.4	10.4	2.9	1.3
Catering and accommodation	2.1	-5.2	1.3	-4.5	1.6
Transport	6.4	0.4	4.8	0.5	1.3
Communication	3.6	3.1	2.4	3.4	1.5
Finance and insurance	4.0	3.3	2.3	3.1	1.7
Business services	5.2	3.8	3.0	3.6	1.8
Community, social and personal services	2.6	3.5	1.8	3.4	1.4
Total	100	4.7	100	2.2	

Source: Quantec Research, 2018

Annexure C

Composition, growth and revealed comparative advantage of Western Cape goods exports (2-digit HS code)

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2013	Revealed comparative trade advantage 2017
	Average growth 2008 - 2017	Average growth (yoy per cent) 2013 - 2017	Share of total WC exports (per cent) 2017	Average growth (yoy per cent) 2008 - 2017 (%)	Average annual growth 2013- 2017 (%)	Share of total SA exports 2017 (%)		
Live animals	119.1	84.3	0.1	18.1	15.1	0.1	0.2	1.1
Meat and edible meat offal	26.6	68.7	0.5	25.6	23.1	0.3	0.9	1.5
Fish, crustaceans, molluscs, aquatic invertebrates nes	7.3	11.9	4.1	7.0	10.6	0.5	10.0	8.1
Dairy products, eggs, honey, edible animal product nes	35.9	49.7	0.6	37.6	10.8	0.3	0.9	2.1
Products of animal origin, nes	16.4	8.6	0.1	17.7	13.5	0.0	5.3	3.8
Live trees, plants, bulbs, roots, cut flowers etc.	9.8	12.5	0.3	10.6	11.8	0.1	5.1	3.6
Edible vegetables and certain roots and tubers	18.8	23.2	0.6	31.4	14.1	0.2	2.5	2.4
Edible fruit, nuts, peel of citrus fruit, melons	13.6	17.0	23.1	16.1	18.8	3.8	8.2	6.1
Coffee, tea, mate and spices	18.1	24.0	0.3	27.8	13.6	0.2	2.1	2.0
Cereals	976.5	1867.8	0.4	166.8	10.8	0.7	2.2	0.7
Milling products, malt, starches, inulin, wheat gluten	84.8	54.5	0.2	43.6	7.2	0.2	0.2	0.9
Oil seed, oleagc fruits, grain, seed, fruit, etc., nes	22.8	19.7	1.2	30.7	11.3	0.2	4.6	5.2
Lac, gums, resins, vegetable saps and extracts nes	15.6	22.8	0.0	19.7	24.4	0.0	5.3	2.3
Vegetable plaiting materials, vegetable products nes	23.5	53.5	0.0	90.4	29.7	0.0	5.7	0.8
Animal, vegetable, fats and oils, cleavage products, etc.	33.1	32.2	0.3	45.9	3.7	0.3	0.5	0.9
Meat, fish and seafood food preparations nes	21.8	17.0	0.8	24.8	11.1	0.2	6.0	5.4
Sugars and sugar confectionery	19.8	35.9	0.2	13.9	13.4	0.4	0.2	0.6
Cocoa and cocoa preparations	23.8	35.0	0.1	26.6	15.3	0.1	0.9	1.5
Cereal, flour, starch, milk preparations and products	29.9	26.8	0.6	34.1	13.6	0.3	1.4	2.0
Vegetable, fruit, nut, etc. food preparations	12.6	13.0	3.8	13.8	9.5	0.7	6.2	5.7
Miscellaneous edible preparations	22.7	26.7	1.0	21.6	11.3	0.5	1.5	2.0
Beverages, spirits and vinegar	9.1	10.5	8.9	11.4	11.4	1.5	8.1	6.0
Residues, wastes of food industry, animal fodder	56.7	40.3	1.0	47.6	14.3	0.3	1.8	3.6
Tobacco and manufactured tobacco substitutes	16.9	15.3	2.1	13.4	2.1	0.3	5.8	8.2
Salt, sulphur, earth, stone, plaster, lime and cement	37.9	10.9	0.9	17.5	5.9	0.5	2.4	1.9
Ores, slag and ash	89.7	199.4	0.7	21.0	9.1	12.7	0.0	0.1

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2013	Revealed comparative trade advantage 2017
	Average growth 2008 - 2017	Average growth (yoy per cent) 2013 - 2017	Share of total WC exports (per cent) 2017	Average growth (yoy per cent) 2008 - 2017 (%)	Average annual growth 2013- 2017 (%)	Share of total SA exports 2017 (%)		
Mineral fuels, oils, distillation products, etc.	8.7	16.4	12.2	14.0	9.2	11.9	1.2	1.0
Inorganic chemicals, precious metal compound, isotopes	33.4	12.3	0.3	9.9	7.7	1.1	0.2	0.3
Organic chemicals	12.2	13.2	0.3	9.9	4.3	1.3	0.2	0.2
Pharmaceutical products	25.4	20.0	0.3	24.5	11.4	0.5	0.7	0.7
Fertilizers	28.9	49.3	0.2	18.3	12.7	0.4	0.3	0.6
Tanning, dyeing extracts, tannins, derivs.pigments etc.	8.2	7.1	0.3	11.7	7.9	0.4	0.7	0.9
Essential oils, perfumes, cosmetics, toileteries	22.7	23.4	1.7	19.9	10.8	0.6	2.1	2.7
Soaps, lubricants, waxes, candles, modelling pastes	26.3	34.4	0.3	26.4	7.8	0.5	0.4	0.7
Albuminoids, modified starches, glues, enzymes	16.7	12.5	0.2	19.0	12.8	0.1	3.4	2.6
Explosives, pyrotechnics, matches, pyrophorics, etc.	71.7	25.4	0.3	14.1	4.6	0.1	0.8	1.8
Photographic or cinematographic goods	-7.3	3.1	0.0	-2.4	-0.8	0.0	0.2	0.2
Miscellaneous chemical products	11.0	13.2	0.9	12.7	11.0	1.2	1.1	0.8
Plastics and articles thereof	11.2	23.3	1.8	17.8	6.3	1.5	0.8	1.2
Rubber and articles thereof	32.0	32.4	0.2	12.1	2.3	0.5	0.2	0.4
Raw hides and skins (other than furskins) and leather	14.4	22.8	0.7	12.2	16.4	0.3	4.6	2.3
Articles of leather, animal gut, harness, travel goods	18.7	35.0	0.2	33.1	16.9	0.1	1.8	2.4
Furskins and artificial fur, manufactures thereof	19.4	5.4	0.0	6.1	-2.0	0.0	2.8	2.7
Wood and articles of wood, wood charcoal	10.9	29.0	0.5	11.8	13.3	0.6	0.5	0.8
Cork and articles of cork	213.0	291.8	0.0	39.0	27.5	0.0	2.8	6.7
Manufactures of plaiting material, basketwork, etc.	33.4	57.7	0.0	12.1	11.2	0.0	1.6	2.5
Pulp of wood, fibrous cellulosic material, waste etc.	54.1	30.6	0.1	14.9	17.7	1.1	0.1	0.1
Paper & paperboard, articles of pulp, paper and board	16.9	29.9	0.4	7.3	4.7	0.7	0.3	0.6
Printed books, newspapers, pictures etc.	12.1	17.8	0.3	15.6	1.7	0.1	2.7	3.0
Silk	64.0	48.8	0.0	51.1	18.8	0.0	0.3	0.4
Wool, animal hair, horsehair yarn and fabric thereof	2.2	42.0	0.0	13.0	14.7	0.5	0.0	0.0
Cotton	29.4	80.9	0.0	31.9	7.5	0.1	0.2	0.6
Vegetable textile fibres nes, paper yarn, woven fabric	17.6	1.2	0.0	13.4	-2.5	0.0	6.7	1.3
Manmade filaments	2.2	35.8	0.0	-0.8	8.9	0.0	0.6	0.9
Manmade staple fibres	50.1	52.7	0.1	21.2	19.4	0.1	0.9	1.6
Wadding, felt, nonwovens, yarns, twine, cordage, etc.	19.3	35.0	0.1	8.1	5.7	0.0	1.1	1.9
Carpets and other textile floor coverings	24.1	30.2	0.0	7.0	6.5	0.0	0.5	0.7
Special woven or tufted fabric, lace, tapestry etc.	22.0	50.8	0.0	8.9	8.4	0.0	0.4	1.6

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2013	Revealed comparative trade advantage 2017
	Average growth 2008 - 2017	Average growth (yoy per cent) 2013 - 2017	Share of total WC exports (per cent) 2017	Average growth (yoy per cent) 2008 - 2017 (%)	Average annual growth 2013- 2017 (%)	Share of total SA exports 2017 (%)		
Impregnated, coated or laminated textile fabric	11.1	10.4	0.0	10.1	12.6	0.0	1.4	0.9
Knitted or crocheted fabric	23.3	43.8	0.1	47.6	17.1	0.0	1.4	3.6
Articles of apparel, accessories, knit or crochet	35.5	67.8	1.1	46.2	10.6	0.3	1.0	4.3
Articles of apparel, accessories, not knit or crochet	34.2	62.9	1.0	42.9	8.4	0.2	1.1	4.4
Other made textile articles, sets, worn clothing etc.	22.6	34.5	0.4	20.7	8.3	0.2	1.2	2.6
Footwear, gaiters and the like, parts thereof	72.6	117.1	0.7	71.6	8.8	0.2	0.4	3.6
Headgear and parts thereof	50.5	78.7	0.0	27.8	15.8	0.0	0.3	2.8
Umbrellas, walking-sticks, seat-sticks, whips, etc.	14.6	23.1	0.0	10.8	7.2	0.0	3.7	4.7
Bird skin, feathers, artificial flowers, human hair	34.2	26.2	0.2	38.8	15.5	0.0	4.6	5.9
Stone, plaster, cement, asbestos, mica, etc. articles	16.7	13.5	0.1	5.7	7.6	0.1	0.8	0.9
Ceramic products	42.4	81.1	0.3	20.8	13.2	0.2	0.5	2.0
Glass and glassware	15.3	22.2	0.1	14.6	4.2	0.2	0.4	0.8
Pearls, precious stones, metals, coins, etc.	9.2	14.7	1.9	5.4	4.5	16.6	0.1	0.1
Iron and steel	16.3	7.5	4.8	6.7	7.4	6.8	0.8	0.7
Articles of iron or steel	14.4	14.0	0.7	11.9	3.5	1.4	0.6	0.5
Copper and articles thereof	6.0	4.9	0.7	7.5	11.0	0.8	1.5	1.0
Nickel and articles thereof	168.1	88.4	0.0	8.2	24.6	0.3	0.0	0.0
Aluminium and articles thereof	8.8	20.0	0.4	4.6	10.4	2.0	0.2	0.2
Lead and articles thereof	273.9	364.9	0.0	19.8	-3.0	0.0	0.6	0.2
Zinc and articles thereof	22.5	44.2	0.0	-3.3	-3.4	0.0	0.3	1.4
Tin and articles thereof	45.6	47.4	0.0	17.8	5.2	0.0	0.6	0.7
Other base metals, cermets, articles thereof	2219.7	4395.4	0.2	12.0	9.2	0.1	0.0	1.2
Tools, implements, cutlery, etc. of base metal	23.0	25.3	0.1	10.7	3.0	0.2	0.4	0.6
Miscellaneous articles of base metal	19.8	35.9	0.2	16.4	6.7	0.1	0.9	1.2
Nuclear reactors, boilers, machinery, etc.	9.0	5.3	4.6	7.9	3.9	6.0	0.8	0.8
Electrical, electronic equipment	14.0	30.7	2.5	10.4	5.4	2.0	0.6	1.2
Railway, tramway locomotives, rolling stock, equipment	5.7	-13.9	0.1	8.9	6.6	0.3	0.5	0.3
Vehicles other than railway, tramway	25.8	-3.4	1.0	16.2	12.5	11.0	0.2	0.1
Aircraft, spacecraft, and parts thereof	38.7	70.8	0.2	28.0	10.2	0.4	0.5	0.4
Ships, boats and other floating structures	19.0	32.0	1.9	17.4	27.5	0.2	9.9	8.3
Optical, photo, technical, medical, etc. apparatus	18.2	10.5	1.0	14.0	11.2	0.6	1.8	1.6

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2013	Revealed comparative trade advantage 2017
	Average growth 2008 - 2017	Average growth (yoy per cent) 2013 - 2017	Share of total WC exports (per cent) 2017	Average growth (yoy per cent) 2008 - 2017 (%)	Average annual growth 2013- 2017 (%)	Share of total SA exports 2017 (%)		
Clocks and watches and parts thereof	58.6	88.0	0.0	60.9	37.3	0.0	0.8	1.4
Musical instruments, parts and accessories	32.4	66.2	0.0	26.3	2.2	0.0	0.5	1.7
Arms and ammunition, parts and accessories thereof	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Furniture, lighting, signs, prefabricated buildings	12.1	20.6	0.8	3.8	0.0	0.4	1.0	1.7
Toys, games, sports requisites	31.5	47.4	0.2	22.5	11.9	0.1	1.5	2.4
Miscellaneous manufactured articles	32.3	44.0	0.3	39.4	19.4	0.2	0.9	1.7
Works of art, collector's pieces and antiques	128.7	3.7	0.5	68.8	32.7	0.8	5.0	0.6
Commodities not elsewhere specified	N/A	N/A	N/A	111.8	205.1	0.0	N/A	N/A
Total: All commodities	10.6	14.3	100	10.8	7.9	100		

Source: Quantec Research, 2018

4

Labour market dynamics

Key findings

- Employment in the Western Cape has expanded by 3.9 per cent per annum over the past five years. In the first quarter of 2018, provincial employment is estimated at 2.5 million individuals, with Coloureds accounting for 47.7 per cent of the total, Africans 33.1 per cent, and 18 per cent White. The fastest employment growth was experienced by Africans at 7.2 per cent per annum compared to Coloureds at 2.6 per cent and Whites at 1.4 per cent.
- Nationally and provincially, the formal sector dominates the labour market, making up 85.3 per cent of jobs in the Western Cape, and 87.0 per cent of all jobs in South Africa. Provincially, more than three-quarters of formal sector employment is located within community, social and personal services; wholesale and retail trade; financial and business services; and manufacturing.
- The majority of formal sector employees are skilled, with only 18.7 per cent of Western Cape workers being high-skilled. The Western Cape has a significantly greater proportion (25.1 per cent) of low-skilled workers in the formal workforce than the rest of the country. However, workers in the Province are more likely to be permanently employed and to receive benefits such as paid leave and UIF contributions.
- The narrow unemployment rate in the Western Cape is 19.7 per cent. Provincially, the unemployment rate decreased from 23.1 per cent in 2013. Race is strongly correlated with the risk of being unemployed. Other factors associated with a higher chance of unemployment include being young, having lower levels of education, and living in urban areas.

4.1 Introduction

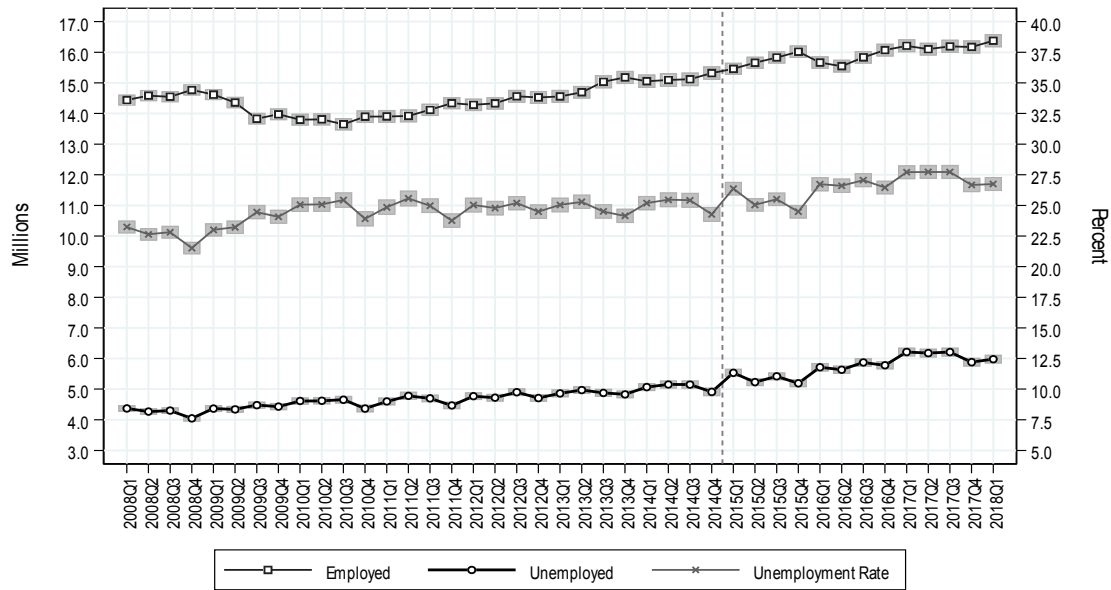
The South African economy has struggled to sustain rapid rates of growth over extended periods of time in the post-apartheid period and, as a result, has been unable to generate sufficient jobs for the growing numbers of jobseekers. In order to effectively combat the high levels of income and wealth inequality, as well as persistent poverty, it is necessary for the economy to show higher and steadier growth patterns. One avenue to achieve this positive economic growth and development of the South African economy is job creation and skills development in the labour market. Since the labour market is the key market where citizens gain access to resources to sustain themselves and their families, invest in human capital and save for their retirement, it is imperative that this market sees growth across the country.

This chapter analyses the labour market trends of the Western Cape over the five-year period running from the first quarter of 2013 through to the first quarter of 2018. Throughout the five-year period, South Africa experienced comparatively weak economic growth, showing a general downward trend from 3.3 per cent growth in 2011 to 0.6 per cent growth in 2016, with a small increase to 1.3 per cent growth in 2017 (Stats SA). By analysing trends and patterns in the Western Cape labour market within the context of the broader South African economy, areas of particular interest or concern for policymakers may be identified.

4.2 Overview of the labour market

As can be seen in Figure 4.1, employment in South Africa dropped significantly during 2009, while the unemployment rate simultaneously rose substantially. The fourth quarter of 2008 marked the beginning of the downturn in the South African economy, following the onset of the global financial crisis of that year. The pre-recession level of employment was only restored in 2013 and, by that time, the effects of the recession were clearly evident in the substantial rise in unemployment from approximately 4 million to 5 million individuals.

Figure 4.1 National employment and narrow unemployment trends since 2008Q1



Note: Grey bars around estimates represent 95 per cent confidence intervals. The dotted line indicates the introduction of the new Master Sample by Statistics South Africa (Stats SA) in the first quarter of 2015. The shaded period 2013Q1 - 2018Q1 is the period under review in this Chapter.

Source: Own calculations, various QLFS surveys, Stats SA, various years

From early 2010, employment has grown steadily with only one relatively large decrease seen in the first quarter of 2016. This was only a temporary setback as employment reached an all-time high of 16.5 million in the first quarter of 2018 with unemployment also generally increasing over the period. The unemployment rate remained within a narrow range around the 25 per cent level for most of the past decade, but has gradually increased since early 2016 and reached 26.7 per cent in the first quarter of 2018.

In the Western Cape, however, the unemployment rate is estimated at 19.7 per cent in the first quarter of 2018 (Table 4.1). There is significant variation across age groups, with unemployment amongst 15 to 24-year olds, for example, estimated at 38 per cent.

Table 4.1 Overview of the Western Cape labour market, 2018Q1

	Working-age population		Employed		Narrow unemployed		Narrow labour force		Narrow labour force participation rate (%)	Narrow unemployment rate (%)
	Total ('000s)	Share (%)	Total ('000s)	Share (%)	Total ('000s)	Share (%)	Total ('000s)	Share (%)		
Total	4 528	100	2 530	100	620	100	3 150	100	69.6	19.7
By Race										
African	1 541	34.0	837	33.1	324	52.2	1 160	36.8	75.3	27.9
Coloured	2 265	50.0	1 207	47.7	279	45.0	1 486	47.2	65.6	18.8
White	683	15.1	462	18.3	16	2.6	478	15.2	70.0	3.3
By Gender										
Male	2 197	48.5	1 378	54.5	301	48.6	1 679	53.3	76.4	17.9
Female	2 331	51.5	1 152	45.5	319	51.4	1 471	46.7	63.1	21.7
By Age										
15 to 24 years	1 100	24.3	295	11.7	180	29.1	475	15.1	43.2	38.0
25 to 34 years	1 084	23.9	687	27.2	220	35.5	908	28.8	83.7	24.3
35 to 44 years	1 088	24.0	810	32.0	136	21.9	945	30.0	86.9	14.4
45 to 54 years	763	16.8	513	20.3	65	10.5	578	18.4	75.8	11.2
55 to 64 years	494	10.9	225	8.9	19	3.1	244	7.7	49.3	7.9
By Education										
Primary	538	11.9	238	9.4	69	11.1	307	9.7	57.1	22.4
Some secondary	1 913	42.3	903	35.7	329	53.0	1 232	39.1	64.4	26.7
Grade 12	1 363	30.1	837	33.1	179	28.8	1 015	32.2	74.5	17.6
Diploma/Certificate	362	8.0	283	11.2	22	3.5	305	9.7	84.4	7.1
Degree	288	6.4	237	9.4	12	1.9	248	7.9	86.2	4.7

Note: Shares may not sum to 100 due to rounding, the omission of 'other' or 'unspecified categories' or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2018c)

The Western Cape has a lower unemployment rate than the country in 2018, and this was also the case in 2013 (Table 4.2). However, what is particularly interesting is that the gap in unemployment rates between the Western Cape and the country has increased over time. The gap has more than trebled from 1.9 percentage points in 2013 to 7.0 percentage points in 2018. Critically, the five-year period saw statistically significant changes in the narrow unemployment rate both provincially and nationally, with the Western Cape unemployment rate falling by 3.4 percentage points.

Table 4.2 Labour market aggregates, 2013 and 2018

	2013Q1	2018Q1	Change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working-age population	4 062	4 528	466	2.2 p.a.
Employment	2 091	2 530	439	3.9 p.a. *
Narrow unemployment	627	620	-7	-0.2 p.a.
Narrow labour force	2 718	3 150	432	3.0 p.a. *
Expanded unemployment	712	736	24	0.7 p.a.
Expanded labour force	2 803	3 266	463	3.1 p.a. *
Non-searching unemployed	85	116	31	6.4 p.a.
Narrow unemployment rate	23.1%	19.7%	-3.4 percentage points	*
South Africa				
Working-age population	34 558	37 678	3 120	1.7 p.a.
Employment	14 558	16 378	1 819	2.4 p.a. *
Narrow unemployment	4 862	5 980	1 118	4.2 p.a. *
Narrow labour force	19 420	22 358	2 938	2.9 p.a. *
Expanded unemployment	8 232	9 481	1 249	2.9 p.a. *
Expanded labour force	22 790	25 858	3 068	2.6 p.a. *
Non-searching unemployed	3 370	3 500	130	0.8 p.a.
Narrow unemployment rate	25.0%	26.7%	1.7 percentage points	*

Note: An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2013a, 2018c)

Favourable trends in the provincial labour market extend to employment, which increased from 2.1 million in 2013 to 2.5 million in 2018. This is equivalent to an average annual growth rate of 3.9 per cent, significantly higher than the 2.4 per cent observed nationally. Both nationally and provincially, the employment growth rate exceeds that of the working-age population, implying that the employment-to-population ratio has also risen over the period, potentially signifying an improvement in the growth of the economy. In the first quarter of 2018, approximately 55.9 per cent of the Western Cape's working age population were employed, compared to approximately 43.5 per cent of the national working age population. As a crude measure of dependency, the employment-to-population ratios indicate relatively lower levels of dependence on workers in the Western Cape.

In the Western Cape, although the narrow unemployment rate decreased, the number of discouraged workers increased rapidly over the period. While this change is not statistically significant, trends in non-searching unemployed should be monitored as these potential workers may be more likely to be unemployed for extended periods of time, making the task of reintegrating them into employment more challenging.

In the second quarter of 2018, the Western Cape's narrow unemployment rate increased by 1 percentage point from 19.7 per cent to 20.7 per cent. Year on year, the unemployment rate remained the same from 20.7 per cent in quarter 2 of 2017. Within the City of Cape Town, the narrow unemployment rate decrease by 1.1 percentage points from 22.4 per cent to 21.3 per cent in the second quarter of 2018.

4.3 The Western Cape labour force

4.3.1 Composition of the labour force

The provincial labour force grew from 2.7 million in the first quarter of 2013 to 3.2 million in the first quarter of 2018, which is equivalent to an annual average growth rate of 3.0 per cent (Table 4.3). This growth was driven primarily by the rapid growth of the African labour force within the Province, which expanded by 6.0 per cent per annum and accounted for just over two-thirds of the total expansion in the provincial labour force. Slower growth in the Coloured and White labour force meant that Africans increased their share of the narrow labour force by almost five percentage points to 36.8 per cent. Coloureds remain the largest group within the provincial labour force at 47.2 per cent, while Whites account for 15.2 per cent.

Males (53.3 per cent) outnumber females (46.7 per cent) by 208 000 within the Western Cape labour force, although the gap has shrunk over the period as the female labour force grew relatively rapidly (3.3 per cent per annum compared to 2.7 per cent per annum for males). Almost 60 per cent of the labour force is between the ages of 25 and 44 years, while 15.1 per cent is between the ages of 15 and 24 years. Relatively rapid labour force growth rates are observed amongst 55 to 64-year olds (4.5 per cent per annum), 15 to 24-year olds and 35 to 44-year olds (both 3.8 per cent per annum). Rapid growth of the labour force amongst the two youth cohorts is somewhat unexpected given the structure of the population and suggests changes in the labour force participation rate.

As far as educational attainment is concerned, approximately half of the labour force (49.0 per cent) in the first quarter of 2018 had not completed secondary education, while a further 32.2 per cent had completed their matric qualification. Only 17.6 per cent of the Western Cape labour force had completed some form of post-secondary education, although this proportion has risen over the period because the most rapid labour force growth (5.3 per cent per annum) is observed for those with degrees. There has also been statistically significant labour force growth amongst those with Grade 12 qualifications.

Table 4.3 Composition of the Western Cape narrow labour force, 2013 and 2018

	2013Q1		2018Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
Narrow Labour Force	2 718	100.0	3 150	100.0	432	3.0 p.a. *
By Race						
African	867	31.9	1 160	36.8	294	6.0 p.a. *
Coloured	1 379	50.8	1 486	47.2	107	1.5 p.a. *
White	463	17.0	478	15.2	15	0.6 p.a.
By Gender						
Male	1 468	54.0	1 679	53.3	211	2.7 p.a. *
Female	1 250	46.0	1 471	46.7	221	3.3 p.a. *
By Age						
15 to 24 years	395	14.5	475	15.1	80	3.8 p.a. *
25 to 34 years	838	30.8	908	28.8	69	1.6 p.a.
35 to 44 years	786	28.9	945	30.0	159	3.8 p.a. *
45 to 54 years	502	18.5	578	18.4	76	2.9 p.a. †
55 to 64 years	196	7.2	244	7.7	48	4.5 p.a. †
By Education						
Primary	319	11.7	307	9.7	-12	-0.7 p.a.
Some secondary	1 047	38.5	1 232	39.1	185	3.3 p.a. *
Grade 12	872	32.1	1 015	32.2	144	3.1 p.a. *
Diploma/Certificate	263	9.7	305	9.7	42	3.0 p.a.
Degree	192	7.1	248	7.9	57	5.3 p.a. *

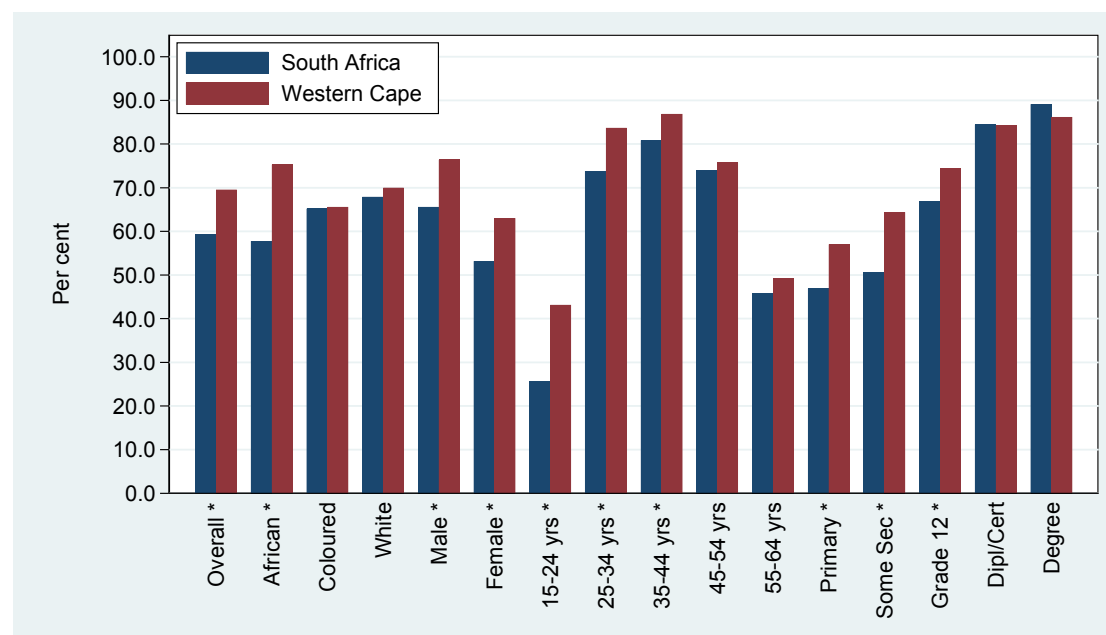
Notes: 1. An asterisk (*) denotes a statistically significant change between 2013 and 2018 at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA, 2013a, 2018c

4.4 Labour force participation

In the Western Cape, the narrow labour force participation rate (LFPR) is estimated at 69.6 per cent in the first quarter of 2018 (Figure 4.2). Participation in the labour force may be influenced by numerous factors, including perceptions of current labour market conditions and accessibility of jobs. Under poor economic conditions, jobseekers may not actively seek employment, thereby lowering the narrow LFPR. Conversely, improved prospects of finding employment may lure the non-searching unemployed back into active search, raising the participation rate. Individuals who are remote from potential job opportunities may also be less likely to participate in the labour force. Such remoteness may be a function of distance to jobs, but it may also be a function of the cost of transportation, as estimates of commuting to and from work imposes an effective median tax of between 20 per cent and 40 per cent on workers using trains, buses, minibus taxis or multiple modes of transport.

Figure 4.2 Labour force participation rates, 2018Q1


Note: An asterisk (*) denotes a statistically significant difference between the national and provincial estimates at a 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA, 2018c

Participation rates in the Western Cape are statistically significantly higher than those for South Africa across a number of groups defined by race, gender age and educational attainment. This is true for Africans, for both males and females, for the three youngest age groups (i.e. those under 45 years), and for those without post-secondary education.

Within the Western Cape, participation rates are broadly similar across race, particularly once accounting for statistical significance. The LFPR for Africans in the Province is statistically significantly higher than that of Coloureds, but this is not the case for any other race-based comparison. Males are more likely to participate in the labour force than females both nationally and provincially. This pattern is at least partly the result of gender specialisation in productive activities, with men as a group broadly specialising in market work and women in unpaid work within the household. This gender specialisation is observed in countries around the world (Counting Women's Work, 2018).

Participation rates are typically lowest amongst the youngest and oldest members of the working-age population. In the Western Cape, the LFPR amongst 15 to 24-year olds in the first quarter of 2018 is estimated at 43.2 per cent, while that of 55 to 64-year olds is 49.3 per cent. This compares with between 75 per cent and 90 per cent amongst the middle three age groups. While participation rates in the Province are very similar to those observed nationally amongst non-youth age cohorts, participation is significantly higher amongst the youth in the Western Cape, aged 15 to 24 (14.6 percentage points) and 25 to 34-year olds (9.9 percentage points) and is linked to early exit from the education system. Curtailed engagement in the education system may impose substantial costs on the individual concerned and his or her family, as well as on society

more broadly, by limiting investment in human capital, reducing lifetime earnings and reproducing existing skills shortages or mismatches. At the same time it should be recognised that there are various pull and push factors that influence the decision to exit the education system and seek employment, including the local availability of jobs and household poverty.

4.5 Employment in the Western Cape

4.5.1 Overview of total employment

South Africa's unemployment rate has been high for decades, indicating a perennial shortage of opportunities for employment. This lack of jobs is highlighted by the country's employment-to-population ratio for adults aged 15 years and older of 42.2 per cent in the first quarter of 2018. While the figure for the Western Cape is at 51.5 per cent, even this is low relative to estimates from the International Labour Organisation (ILO) for comparator countries. The ILO (2018) estimates that the ratio for upper-middle income countries around the world is 60.7 per cent. Its figures suggest that South Africa's employment-to-population ratio for adults over 15 years of age fell even further below this average, reaching 39.8 per cent in May 2018. This indicates that the Western Cape also compares poorly internationally.

Estimates of employment growth over the last five years point to greater success in growing employment in the Western Cape than in the country as a whole. Employment increased in South Africa by 2.4 per cent per annum between 2013 and 2018 and by 3.9 per cent per annum in the Western Cape (Table 4.4). Put differently, out of every 100 net new jobs created in South Africa, approximately 24 of these jobs were created in the Western Cape, even though less than 15 per cent of employment in 2013 was located in the Province.

In the first quarter of 2018, Coloureds make up almost half of the total employed in the Western Cape (47.7 per cent), followed by Africans at 33.1 per cent and Whites at 18.3 per cent. Relative to their shares of the working-age population in the Province, Africans are under-represented in employment and Whites are over-represented. However, job creation over the five-year period has favoured Africans as approximately 56 of every 100 net new jobs created in the Western Cape were filled by Africans.

Table 4.4 Demographic characteristics of employment, 2013 and 2018

	2013Q1		2018Q1		Change	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)
Western Cape						
Total Employment	2 091	100.0	2 530	100.0	439	3.9 p.a. *
By Race						
African	590	28.2	837	33.1	247	7.2 p.a. *
Coloured	1 063	50.9	1 207	47.7	144	2.6 p.a. *
White	431	20.6	462	18.3	32	1.4 p.a.
By Gender						
Male	1 120	53.6	1 378	54.5	258	4.2 p.a. *
Female	971	46.4	1 152	45.5	181	3.5 p.a. *
By Age						
15 to 24 years	201	9.6	295	11.7	93	7.9 p.a. *
25 to 34 years	622	29.7	687	27.2	66	2.0 p.a.
35 to 44 years	660	31.5	810	32.0	150	4.2 p.a. *
45 to 54 years	432	20.7	513	20.3	81	3.5 p.a. *
55 to 64 years	175	8.4	225	8.9	49	5.1 p.a. †
By Education						
Primary	248	11.9	238	9.4	-10	-0.8 p.a.
Some secondary	709	33.9	903	35.7	194	5.0 p.a. *
Grade 12	688	32.9	837	33.1	148	4.0 p.a. *
Diploma/Certificate	242	11.6	283	11.2	41	3.2 p.a.
Degree	183	8.7	237	9.4	54	5.3 p.a. *
South Africa						
Total Employment	14 558	100.0	16 378	100.0	1 819	2.4 p.a. *
By Race						
African	10 501	72.1	12 223	74.6	1 722	3.1 p.a. *
Coloured	1 561	10.7	1 731	10.6	169	2.1 p.a. *
White	1 979	13.6	1 894	11.6	-85	-0.9 p.a.
By Gender						
Male	8 206	56.4	9 155	55.9	950	2.2 p.a. *
Female	6 353	43.6	7 222	44.1	870	2.6 p.a. *
By Age						
15 to 24 years	1 224	8.4	1 257	7.7	33	0.5 p.a.
25 to 34 years	4 626	31.8	4 890	29.9	264	1.1 p.a. †
35 to 44 years	4 534	31.1	5 154	31.5	620	2.6 p.a. *
45 to 54 years	2 946	20.2	3 488	21.3	542	3.4 p.a. *
55 to 64 years	1 228	8.4	1 588	9.7	360	5.3 p.a. *
By Education						
Primary	2 087	14.3	1 933	11.8	-154	-1.5 p.a. †
Some secondary	4 789	32.9	5 482	33.5	693	2.7 p.a. *
Grade 12	4 404	30.2	5 226	31.9	822	3.5 p.a. *
Diploma/Certificate	2 072	14.2	2 193	13.4	121	1.1 p.a.
Degree	1 063	7.3	1 371	8.4	308	5.2 p.a. *

Notes: 1. An asterisk (*) denotes a statistically significant change between 2013 and 2018 at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA, 2013a, 2018c

Men accounted for 54.5 per cent of employment in the Western Cape in the first quarter of 2018, which is marginally lower than their proportion nationally but still slightly higher than in 2013 (53.6 per cent). This small increase in the male share of employment over the period is due to slightly more rapid employment growth for men (4.2 per cent per annum) than for women (3.5 per cent per annum), both of which were statistically significant.

Employment in the Western Cape is dominated by those between 25 and 44 years of age, with 59.2 per cent of the employed in the Province and 61.4 per cent of those nationally fall within this age range. However, the youth share of employment in the Western Cape has grown substantially over the last five years, with employment of 15 to 24-year olds growing by an average of 7.9 per cent per annum. In a continuation of previously observed trends, employment growth amongst older cohorts was strong and above the provincial average over the period.

Employment growth across the country remains more likely to favour those with higher educational attainment with the highest employment growth rate observed for degree-holders (5.2 per cent per annum), followed by those with completed secondary education (3.5 per cent per annum). The Western Cape shows a similar trend, with the most rapid growth occurring amongst degree-holders (5.3 per cent per annum), followed by those with some secondary education (5.0 per cent) and those with completed secondary education (4.0 per cent). At the opposite end of the spectrum, those with only primary education or less, experienced net job losses. Within the Western Cape, the change was not statistically significant. This speaks to the importance of ensuring that individuals and society invest in education. Indeed, societal investment in education remains a key mechanism through which the benefits of economic growth can be shared in the form of public spending and by improving the skill sets possessed by new jobseekers.

What is particularly encouraging is the Western Cape's apparent success in generating jobs for young labour force participants and for those with relatively low levels of education. Around 44 per cent of net new jobs in the Province accrued to those with incomplete secondary education, while 21 per cent accrued to 15 to 24-year olds. These are two groups that have tended not to enjoy significant or sustained employment gains and, purely from the perspective of employment gains, this is an important success.

The formal sector dominates employment in South Africa. In the first quarter of 2018, the sector accounted for 73.9 per cent of all employment in South Africa (Table 4.5). The informal sector accounted for 18.3 per cent of total employment, while private households accounted for the remaining 7.8 per cent. The formal sector is even more dominant within Western Cape employment with 81.5 per cent in the first quarter of 2018, with the informal sector being a significantly smaller contributor to total employment in the Province (11.9 per cent) than is the case nationally.

In the Western Cape, formal agricultural employment is estimated to have expanded by 8.4 per cent per annum between 2013 and 2018, which is slightly higher than the 2012 - 2017 growth rate presented in the 2017 PERO (8.1 per cent). The same caveat

raised last year applies as such rapid rates of employment growth over an extended period of time do not seem to be a true reflection of an industry that has taken significant strain due to the drought. Instead, this rapid expansion in agricultural employment may be linked to the introduction by Stats SA of a new master sample in the first quarter of 2015, which appears to have impacted estimates of agricultural employment in the Province in particular (Makgetla, 2016).

Table 4.5 Sector decomposition of total employment, 2013 and 2018

	2013Q1		2018Q1		Change	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)
Western Cape						
Total Employment	2 091	100	2 530	100	439	3.9 p.a. *
Agriculture	140	6.7	208	8.2	68	8.2 p.a. *
Formal agriculture	133	6.4	200	7.9	67	8.4 p.a. *
Informal agriculture	7	0.3	8	0.3	1	4.1 p.a.
Non-Agriculture	1 832	87.6	2 157	85.3	325	3.3 p.a. *
Formal non-agriculture	1 610	77.0	1 862	73.6	252	3.0 p.a. *
Informal non-agriculture	222	10.6	295	11.6	73	5.9 p.a. *
Private households	119	5.7	165	6.5	46	6.8 p.a. *
South Africa						
Total Employment	14 558	100	16 378	100	1 819	2.4 p.a. *
Agriculture	764	5.2	847	5.2	83	2.1 p.a.
Formal agriculture	677	4.6	748	4.6	71	2.0 p.a.
Informal agriculture	87	0.6	99	0.6	12	2.6 p.a.
Non-Agriculture	12 575	86.4	14 256	87.0	1 681	2.5 p.a. *
Formal non-agriculture	10 242	70.3	11 355	69.3	1 113	2.1 p.a. *
Informal non-agriculture	2 334	16.0	2 901	17.7	567	4.4 p.a. *
Private households	1 219	8.4	1 275	7.8	56	0.9 p.a.

Notes: 1. An asterisk (*) denotes a statistically significant change between 2013 and 2018 at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.
2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA, 2013a, 2018c

The private households sector employment growth in the Western Cape averaged 6.8 per cent per annum between 2013 and 2018, and 5.9 per cent in the informal non-agricultural sector. The slowest growing sector of employment in the provincial economy over the period was the formal non-agricultural sector. Despite growing more rapidly than the national formal non-agricultural sector at 3.0 per cent per annum, its growth rate was 0.9 percentage points below the provincial average. Nevertheless, the sector contributed the majority of net new jobs in the Western Cape (252 000 out of 439 000, or 57.4 per cent).

4.5.2 Formal sector employment

The racial composition of formal employment in the Western Cape for the first quarter of 2018 is vastly different to the composition in the country (Table 4.6). Coloureds make up 49.1 per cent of total formal sector employment in the Western Cape, which is more

than four times their share of formal employment nationally. This is not unexpected, however, given the unique racial composition of the Western Cape's population in comparison to the rest of the country. Africans remain under-represented, accounting for only 29.7 per cent of total formal sector employment, compared with their 36.8 per cent share of the provincial labour force. Conversely, Whites are over-represented, accounting for 20.1 per cent of formal sector employment in the Province, compared to their 15.2 per cent share of the labour force.

Table 4.6 Demographic characteristics of formal sector employment, 2018Q1

	South Africa		Western Cape	
	Number (<i>'000s</i>)	Share (<i>Per cent</i>)	Number (<i>'000s</i>)	Share (<i>Per cent</i>)
Total Formal Sector Employment	12 103	100	2 062	100
By Race				
African	8 437	69.7	613	29.7 *
Coloured	1 436	11.9	1 013	49.1 *
White	1 762	14.6	415	20.1 *
By Gender				
Male	6 995	57.8	1 168	56.7
Female	5 108	42.2	894	43.3
By Age				
15 to 24 years	942	7.8	243	11.8 *
25 to 34 years	3 742	30.9	577	28.0 *
35 to 44 years	3 793	31.3	666	32.3
45 to 54 years	2 503	20.7	393	19.1
55 to 64 years	1 122	9.3	183	8.9
By Education				
Primary	948	7.8	152	7.4
Some secondary	3 419	28.3	695	33.7 *
Grade 12	4 328	35.8	718	34.8
Diploma/Certificate	1 986	16.4	251	12.1 *
Degree	1 325	11.0	228	11.0

Notes: 1. An asterisk (*) denotes a statistically significant difference between provincial and national estimates at the 95 per cent level of confidence.
2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA, 2018c

Men hold very similar proportions of formal sector jobs provincially and nationally. In the Western Cape, 56.7 per cent of formal sector jobs are held by men. The Western Cape has a higher proportion of formal sector jobs held by those between 15 and 24 years of age than does South Africa (11.8 per cent compared to 7.8 per cent). This higher proportion seems to come at the expense of 25 to 34-year olds, who account for 28.0 per cent of formal sector employment in the Western Cape, compared to 30.9 per cent nationally. Overall, this leaves the total share of youth employment in the Western Cape at 39.8 per cent.

Just over three-quarters (75.9 per cent) of formal sector workers in the Western Cape have a matric qualification or less. This is higher than the national figure of 71.9 per cent. In the Western Cape, a significantly greater share of formal sector workers has incomplete secondary education (33.7 per cent compared to 28.3 per cent nationally). This stands in contrast to the significantly lower proportion of formal sector workers who hold a diploma or post-secondary certificate (12.1 per cent in the Western Cape compared to 16.4 per cent nationally). Just more than one out of ten (11.0 per cent) of formal sector workers hold degrees; this is true for the Western Cape as well as for the country as a whole.

South Africa's economy has transitioned from one historically dominated by the primary sector, such as agriculture and mining, to one that is much more services-oriented. This explains why around two-thirds of South African and Western Cape employment (68.3 per cent and 65.8 per cent) is located within the tertiary sector. This fraction is 2.5 percentage points lower in the Western Cape at 65.8 per cent (Table 4.7). The same broad trend of the tertiary sector dominating formal sector employment, followed by the secondary sector, and finally the primary sector, is seen both at the provincial level and the national level. Within the Western Cape, 9.8 per cent of formal sector employment is located within the primary sector, while 24.4 per cent is located within the secondary sector.

Table 4.7 Industrial composition of formal sector employment, 2018Q1

	South Africa		Western Cape	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)
Total Formal Sector Employment	12 103	100	2 062	100
Agriculture	748	6.2	200	9.7 *
Mining and quarrying	394	3.3	2	0.1 *
Primary Sector	1 141	9.4	202	9.8
Manufacturing	1 617	13.4	323	15.7 *
Utilities	138	1.1	4	0.2 *
Construction	939	7.8	175	8.5
Secondary Sector	2 693	22.3	503	24.4
Wholesale and retail trade	2 183	18.1	418	20.3 †
Transport, storage and communication	675	5.6	111	5.4
Financial and business services	2 132	17.6	401	19.5
Community, social and personal (CSP) services	3 266	27.0	425	20.6 *
Tertiary Sector	8 255	68.3	1 355	65.8 †

Notes: 1. An asterisk (*) denotes a statistically significant change between national and provincial estimates at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

3. The Quarterly Employment Statistics (QES) for March 2018 estimates that 450 000 formal sector workers are employed in mining and quarrying (Statistics South Africa, 2018b). If we use this figure, mining for South Africa would make up 3.7 per cent of total employment.

Source: Own calculations, Stats SA, 2018c

The share of agricultural employment in the Western Cape, at 9.7 per cent, is 3.5 percentage points higher than the corresponding national value (6.2 per cent). Given the provincial economy's reliance on agriculture, this is not an unexpected

observation. The Western Cape also has a significantly larger share of formal sector employment in manufacturing (15.7 per cent compared to 13.4 per cent nationally). Conversely, however, the provincial mining and quarrying, and utilities industries are less important employers provincially than nationally. Together, these two industries account for 4.4 per cent of formal sector employment nationally, compared to 0.3 per cent within the Western Cape.

In the Western Cape, Community, Social and Personal (CSP) services, which includes government, is the largest industry in terms of formal sector employment, with a total employment share of 20.6 per cent. Wholesale and retail trade, and financial and business services follow closely behind with 20.3 per cent and 19.5 per cent. This general pattern mirrors the national figures, although CSP services accounts for a larger share of formal sector employment in South Africa than within the Western Cape (27.0 per cent compared to 20.6 per cent).

Table 4.8 presents a disaggregation of formal sector employment by occupational category and skill level. In South Africa and the Western Cape, the largest proportion of formal sector workers are employed in skilled occupations with 60.9 per cent for South Africa, and 56.2 per cent for the Western Cape. This group is followed by low-skilled occupations at 21.7 per cent nationally and 25.1 per cent provincially. High-skilled occupations account for 18.7 per cent of formal sector employment in the Western Cape.

Table 4.8 Occupation structure of formal sector employment, 2018Q1

	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Formal Employment	12 103	100	2 062	100
Managers	1 251	10.3	241	11.7
Professionals	850	7.0	145	7.0
High-skilled	2 101	17.4	385	18.7
Technicians	1 269	10.5	169	8.2 *
Clerical	1 650	13.6	282	13.7
Service and sales	2 018	16.7	338	16.4
Skilled agriculture	44	0.4	5	0.2
Crafts	1 302	10.8	228	11.0
Operators and assemblers	1 090	9.0	137	6.7 *
Skilled	7 375	60.9	1 159	56.2 *
Elementary	2 626	21.7	519	25.1 *
Low-skilled	2 626	21.7	519	25.1 *

Notes: 1. An asterisk (*) denotes a statistically significant change between national and provincial estimates at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA, 2018c

The largest occupational type amongst formal sector workers, irrespective of whether one considers the national or provincial level figures, is elementary occupations, which account for 21.7 per cent of formal sector employment in South Africa and 25.1 per cent in the Western Cape. This category is followed by services and sales

workers (16.7 per cent nationally, and 16.4 per cent provincially), and clerical workers (13.6 per cent nationally and 13.7 per cent provincially), both of which are skilled occupations. These three occupational categories combined account for 55.2 per cent of formal sector employment in the Western Cape, and 52.0 per cent nationally.

While having broadly similar structures, formal sector employment in the Western Cape does differ from that in South Africa in terms of the relative importance of two occupational categories not mentioned yet, namely technicians, and operators and assemblers. Both of these occupational categories are relatively small within the Western Cape with technicians accounting for 8.2 per cent of formal sector employment (compared to 10.5 per cent nationally) and operators and assemblers for 6.7 per cent (compared to 9.0 per cent nationally).

Jobs in the formal sector can be assessed in terms of a number of characteristics in order to ascertain a measure of job quality. These include factors such as the existence of a formal contract; benefits available, such as medical aid and UIF contributions; and duration of employment contract. The shares of formal sector workers across these various characteristics are presented in Table 4.9 below.

Table 4.9 Characteristics of formal sector employment, 2018

	South Africa (Per cent)	Western Cape (Per cent)
Contract duration		
Limited duration	13.7	11.9 †
Permanent nature	65.6	69.5 *
Unspecified duration	15.1	11.6 *
Contract type		
Written contract	86.7	84.9
Benefits		
Medical aid	34.1	29.5 *
UIF contributions	64.5	75.4 *
Pension contributions	53.9	52.8
Paid leave	71.7	76.9 *
Paid sick leave	76.0	78.7 †
Paid maternity leave (women only)	68.9	76.2 *
Usual hours of work per week		
1 - 19	2.4	1.2 *
20 - 39	7.8	4.9 *
40 - 44	45.4	45.0
45 - 49	27.3	34.0 *
50+	17.1	14.9 †
Other		
Trade union membership	33.9	29.4 *

Note: An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA, 2018c

In the Western Cape, 84.9 per cent of formal sector workers report having a written employment contract. While there is no statistically significant difference between this estimate and that for South Africa, the durations of employment contracts do differ.

Permanent contracts are more prevalent amongst formal sector workers in the Western Cape than in South Africa, with 69.5 per cent of all contracts being permanent provincially, compared to 65.6 per cent nationally. Both other forms of contract (those of limited and unspecified duration) are less prevalent in the Western Cape. In all three instances, these differences are statistically significant.

Roughly three out of four formal sector workers in the Western Cape report having UIF contributions (75.4 per cent), access to paid leave (76.9 per cent), access to paid sick leave (78.7 per cent), or access to paid maternity/paternity leave (76.2 per cent). In all four instances, these proportions are statistically higher than is the case amongst formal sector workers nationally, with the gap ranging from 2.7 percentage points in the case of paid sick leave to a gap of 10.9 percentage points in the case of UIF contributions. The only benefits where formal sector workers in the Western Cape do not have a statistically significant advantage over their national counterparts are medical aid contributions (29.5 per cent compared to 34.1 per cent); and pension contributions (52.8 per cent, which is not statistically different from the 53.9 per cent observed nationally).

Formal sector workers in the Western Cape are more likely to work between 40 and 49 hours per week than their counterparts nationally (79.0 per cent compared with 72.7 per cent), the result of a larger share of Western Cape workers usually working between 45 and 49 hours per week (34.0 per cent compared to 27.3 per cent nationally). Formal sector workers in the Province are therefore less likely to report usually working very short or very long hours, with these differences found to be statistically significant. Thus, 6.1 per cent of formal sector workers in the Western Cape report usually working fewer than 40 hours per week (10.2 per cent nationally), and 14.9 per cent report usually working 50 hours or more per week (17.1 per cent nationally).

Finally, membership of a trade union is less common amongst the Western Cape's formal sector workers than it is nationally. Nationally, the formal sector unionisation rate is estimated at just over a third (33.9 per cent), compared to 29.4 per cent within the Province. This 4.5 percentage point difference is down from the 5.3 percentage point difference in 2017, and is likely a result of the relatively large agriculture and small mining sectors in the Western Cape, which are respectively weakly and highly unionised.

4.5.3 Informal sector employment

South Africa's informal sector, while markedly smaller than those of other middle income countries, still accounts for almost one out of five workers (18.3 per cent). One of the main concerns regarding the informal sector is that jobs offered within this sector typically pay lower wages, thus affording fewer opportunities for individuals to break out of poverty cycles in which they may be trapped (Sulla & Zikhali, 2018). This lack of opportunity to break out of poverty is further exacerbated by the fact that individuals employed in the informal sector often do not have access to as many job-training programmes, leading to lower chances of being able to transition into formal sector employment in the future. Further, employment in the informal sector is less secure than that in the formal sector, and is less likely to comply with health and safety regulations.

In the Western Cape, the informal sector employed 303 000 individuals in the first quarter of 2018. This represents 10.1 per cent of employment in the informal sector nationally, and 12.0 per cent of total employment in the Province. Table 4.10 provides a breakdown of informal sector employment by race, gender, age and educational attainment for South Africa and the Western Cape.

Table 4.10 Demographics of informal sector employment, 2018Q1

	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Informal Sector Employment	3 000	100.0	303	100.0
By Race				
African	2 611	87.0	131	43.4 *
Coloured	201	6.7	126	41.7 *
White	126	2.1	43	14.3 *
By Gender				
Male	1 868	62.3	179	59.0
Female	1 132	37.7	124	41.0
By Age				
15 to 24 years	269	9.0	43	14.1 †
25 to 34 years	913	30.4	85	28.0
35 to 44 years	911	30.4	88	29.0
45 to 54 years	624	20.8	69	22.8
55 to 64 years	283	9.4	19	6.1 †
By Education				
Primary	565	18.8	40	13.3 †
Some secondary	1 419	47.3	134	44.2
Grade 12	727	24.2	82	27.0
Diploma/Certificate	197	6.6	30	9.9
Degree	44	1.5	9	3.0

Notes: 1. An asterisk (*) denotes a statistically significant change between national and provincial estimates at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA, 2018c

As is the case with formal sector employment, the racial composition of the informal sector in the Western Cape is vastly different to that of South Africa, due in large part to the Province's distinctive demographic profile. South Africa's informal sector employment is dominated by Africans, who make up 87.0 per cent of the sector. In the Western Cape, however, Africans and Coloureds represent almost equal shares of informal sector employment.

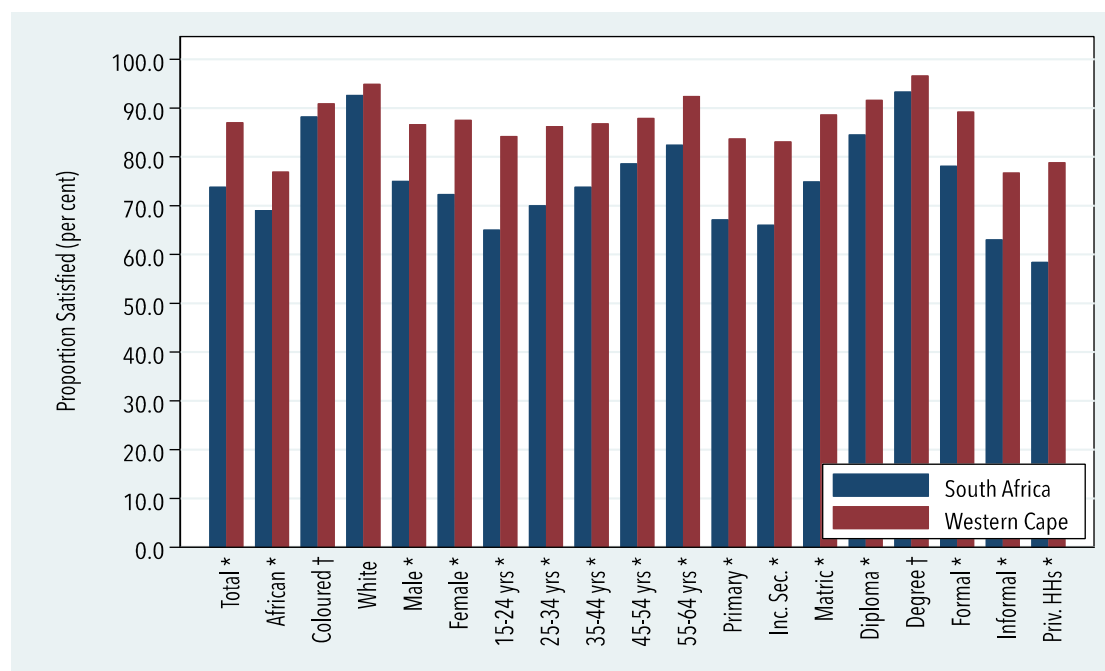
Men outnumber women in the informal sector by a margin of roughly three to two. The national average is slightly higher than this, but in the Western Cape it is slightly lower. However, differences in the gender shares of informal sector employment between the Western Cape and South Africa are not statistically significant.

The Western Cape appears to have a slightly younger informal sector than the country. Youth up to the age of 24 years account for 14.1 per cent of the provincial informal sector (compared to 9.0 per cent nationally), while those aged 55 to 65 years account for 6.1 per cent (compared with 9.4 per cent nationally). These are the only two age groups for which the differences in the national and provincial shares of informal sector employment are statistically significant. Overall, youth (15 - 34 years) involvement in the informal sector accounts for a slightly higher share of informal sector employment provincially (42.1 per cent compared to 39.4 per cent nationally).

The distribution of employment in the informal sector by educational attainment is shifted slightly towards higher attainment for the Western Cape compared to South Africa. This shift, however, is generally not statistically significant in terms of the educational categories used with one exception, namely that the proportion of individuals employed in the informal sector who have only a primary school education is 5.5 percentage points lower in the Western Cape (13.3 per cent) than in South Africa (18.8 per cent). However, the distribution of educational attainment does highlight a disadvantage for informal sector employees vis-à-vis their formal sector counterparts. Nationally, nearly two thirds (66.1 per cent) of informal sector workers have incomplete secondary or primary education, compared to 36.1 per cent of formal sector workers. At the provincial level, a similar pattern is observed, although it is much weaker with 57.5 per cent of informal sector workers having not completed their secondary schooling in the first quarter of 2018, compared to 41.1 per cent of their formal sector counterparts.

4.5.4 Job satisfaction

Figure 4.3 reveals that, across all characteristics presented, job satisfaction rates are higher in the Western Cape than in South Africa. Indeed, in all but one instance (Whites), these differences are statistically significant. By race, job satisfaction rates in the Western Cape range between 77.0 per cent for Africans to 95.0 per cent for Whites. Amongst Coloureds, the rate of job satisfaction is 91.0 per cent.

Figure 4.3 Rates of job satisfaction, 2018Q1


Note: An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA, 2018c

Rates of job satisfaction do not differ systematically by gender in the Western Cape with 86.7 per cent of men and 87.6 per cent of women reporting being satisfied with their jobs, with this difference not statistically significant. However, at the national level, men are more likely to report being satisfied than women, 75.1 per cent compared to 72.4 per cent, a statistically significant difference.

Older workers are more likely than younger workers to be satisfied with their jobs, although the gradient is much steeper nationally than is the case in the Western Cape. In the Western Cape, 84.3 per cent of 15 to 24-year olds report being satisfied compared to 92.5 per cent of 55 to 64-year olds, a difference of 8.2 percentage points. Nationally, the comparable figures are 65.1 per cent and 82.5 per cent, a difference of 17.4 percentage points. A similar pattern is observed for educational attainment, with less educated workers less likely to report being satisfied than their better educated counterparts. Again, the gradient is much steeper for the country than for the Province.

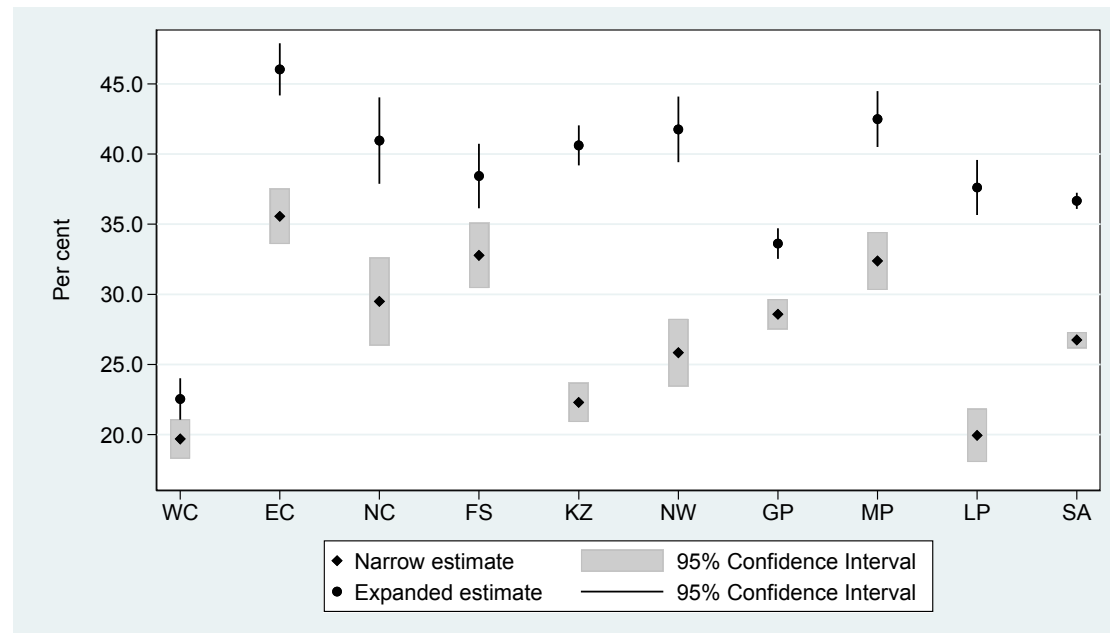
Finally, sector of employment is correlated with job satisfaction. Formal sector workers are most likely to report being satisfied with their jobs (89.3 per cent in the Western Cape). This falls to 76.8 per cent for informal sector workers and 78.9 per cent for workers in private households. Nationally, satisfaction rates fall from 78.2 per cent for formal sector workers to 63.1 per cent for informal sector workers and 58.5 per cent in private households.

4.6 Unemployment in the Western Cape

In contexts of extremely high unemployment rates, as in South Africa, search activity may be suppressed by the expectation amongst the unemployed that they will not find work. Indeed, analysis of the non-searching unemployed suggests that the expanded or broad definition of unemployment may be a more relevant measure of the true extent of unemployment in the South African context.

The national narrow unemployment rate in the first quarter of 2018 is estimated at 26.7 per cent, while the broad unemployment rate is estimated 10.0 percentage points higher at 36.7 per cent (see Figure 4.4). The Western Cape has a much lower narrow unemployment rate, at only 19.7 per cent, with the broad unemployment rate only 2.8 percentage points higher at 22.5 per cent. This difference between the Province's narrow and broad unemployment rates is relatively small and is not statistically significant.

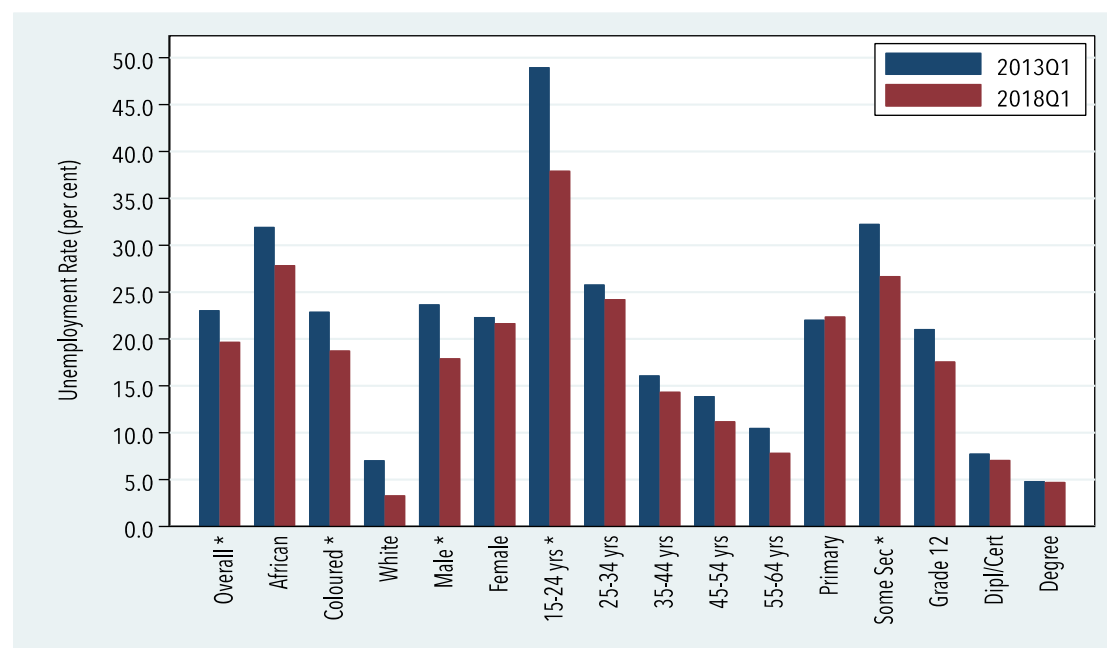
Figure 4.4 Provincial and national unemployment rates, 2018



Note: Detailed estimates can be found in Annexure D2.

Source: Own calculations, Stats SA, 2018c

Although the general unemployment rate for the Western Cape is low, it varies substantially across demographic characteristics and over time. Figure 4.5 presents the narrow unemployment rate estimated for the Western Cape across varying demographic characteristics in the first quarters of 2013 and 2018. The first point to note is that the narrow unemployment rate in the Province decreased by a statistically significant 3.4 percentage points between 2013 and 2018 to 19.7 per cent. Importantly, this decline is observed generally across all covariates presented, although few of these changes are statistically significant.

Figure 4.5 Western Cape narrow unemployment rates, 2013 and 2018


Note: Detailed estimates can be found in Annexure D3. An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA, 2013a, 2018c

For four of the groups there were statistically significant declines in the narrow unemployment rate between 2013 and 2018: the unemployment rate fell from 22.9 per cent to 18.8 per cent amongst Coloureds in the Western Cape (a decline of 4.1 percentage points); the male unemployment rate fell by 5.8 percentage points to 17.9 per cent; unemployment amongst 15 to 24 year olds fell by 11.0 percentage points to 38.0 per cent; and, unemployment amongst those with incomplete secondary education fell 5.6 percentage points from 32.3 per cent to 26.7 per cent.

Unemployment rates in the Western Cape differ greatly across race, with Africans experiencing the highest unemployment rate of 27.9 per cent, followed by Coloureds (18.8 per cent). The patterns of disadvantage observed above are echoed in unemployment rates. In the first quarter of 2018, narrow unemployment rates were higher for women, for the youth, and for those without post-secondary education.

Although there has been a statistically significant decrease in the unemployment rate for those between the ages of 15 and 24 years, their unemployment rate remains approximately double the provincial average at 38.0 per cent. Those aged 25 to 34 years also have an unemployment rate above the provincial average (24.3 per cent), although this is a much more modest difference. The unemployment rate tends to decrease as educational attainment increases, a pattern that re-emphasises the importance of quality education in addressing historical disadvantage within the labour market. The exception to this pattern is that those with primary education have a relatively low unemployment rate (22.4 per cent in the first quarter of 2018) when compared to those with incomplete secondary education (26.7 per cent).

Youth unemployment is severe and remains a key challenge for all tiers of government; its resolution is central to the achievement of inclusive growth. Closely connected to this issue is unemployment amongst those with relatively low levels of education and, in particular, those with incomplete secondary education. In this regard it is clear that patterns of economic growth that absorb relatively less skilled individuals into employment should be promoted; at the same time, human capital development must remain a central focus with the aim of improving both the quantity and the quality of potential workers.

In the first quarter of 2018, there were 620 000 narrowly unemployed individuals in the Western Cape, an estimate that is almost identical to that of the corresponding quarter in 2013 (Table 4.11). Thus, although there has been a statistically significant decline in the narrow unemployment rate, the number of unemployed individuals has not fallen. As a result of the stability in the size of the unemployed population, none of the changes presented for any of the demographically-defined groups are statistically significant. Nationally, though, the unemployed population has expanded substantially, adding 1.1 million people over the five-year period at an average annual rate of 4.2 per cent per annum.

Table 4.11 Demographic composition of unemployment, 2013 and 2018

	2013Q1		2018Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
Western Cape						
Total Unemployment	627	100.0	620	100.0	-7	-0.2 p.a.
By Race						
African	277	44.2	324	52.2	47	3.2 p.a.
Coloured	316	50.4	279	45.0	-37	-2.5 p.a.
White	33	5.2	16	2.6	-17	-13.5 p.a.
By Gender						
Male	348	55.5	301	48.6	-47	-2.8 p.a.
Female	279	44.5	319	51.4	40	2.7 p.a.
By Age						
15 to 24 year olds	193	30.9	180	29.1	-13	-1.4 p.a.
25 to 34 year olds	216	34.5	220	35.5	4	0.4 p.a.
35 to 44 year olds	127	20.2	136	21.9	9	1.4 p.a.
45 to 54 year olds	70	11.1	65	10.5	-5	-1.5 p.a.
55 to 64 year olds	21	3.3	19	3.1	-1	-1.5 p.a.
By Education						
Primary	70	11.2	69	11.1	-2	-0.4 p.a.
Some secondary	338	53.9	329	53.0	-9	-0.5 p.a.
Grade 12	184	29.3	179	28.8	-5	-0.5 p.a.
Diploma/Certificate	20	3.3	22	3.5	1	1.2 p.a.
Degree	9	1.5	12	1.9	3	4.9 p.a.

	2013Q1		2018Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
South Africa						
Total Unemployment	4 862	100.0	5 980	100.0	1 118	4.2 p.a. *
By Race						
African	4 153	85.4	5 259	87.9	1 105	4.8 p.a. *
Coloured	482	9.9	510	8.5	28	1.1 p.a.
White	156	3.2	141	2.4	-15	-2.0 p.a.
By Gender						
Male	2 536	52.2	3 065	51.2	529	3.9 p.a. *
Female	2 326	47.8	2 915	48.8	589	4.6 p.a. *
By Age						
15 to 24 year olds	1 395	28.7	1 381	23.1	-13	-0.2 p.a.
25 to 34 year olds	1 927	39.6	2 413	40.4	487	4.6 p.a. *
35 to 44 year olds	995	20.5	1 363	22.8	368	6.5 p.a. *
45 to 54 year olds	442	9.1	668	11.2	227	8.6 p.a. *
55 to 64 year olds	104	2.1	154	2.6	50	8.2 p.a. *
By Education						
Primary	563	11.6	635	10.6	72	2.4 p.a.
Some secondary	2 281	46.9	2 722	45.5	441	3.6 p.a. *
Grade 12	1 636	33.7	2 057	34.4	421	4.7 p.a. *
Diploma/Certificate	291	6.0	403	6.7	112	6.7 p.a. *
Degree	60	1.2	116	1.9	56	14.0 p.a. *

Notes: 1. An asterisk (*) denotes a statistically significant change between national and provincial estimates at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA, 2013a, 2018c

In the Western Cape, Africans account for just more than half of the unemployed population (52.2 per cent) in the first quarter of 2018, with Coloureds accounting for 45.0 per cent. At the national level, the composition of the unemployed population is rather different: Africans make up the vast majority with a share of 87.9 per cent in 2018, followed by Coloureds (8.5 per cent). Unemployment in the Western Cape in 2018 is almost evenly split between men and women (accounting for 48.6 per cent and 51.4 per cent of the unemployed).

The majority of the unemployed are young, with youth under 35 years of age accounting for roughly two out of three of the unemployed both nationally and provincially in the first quarter of 2018. Thus, not only are young people afflicted with the highest unemployment rates, they are also the largest age cohort within the unemployed population. In some respects, this makes policy in this area slightly simpler in that policymakers are not forced to choose between different target groups, some of which have the highest unemployment rates and other the highest unemployment shares.

In terms of educational attainment, the majority of the unemployed (53.0 per cent provincially, and 45.5 per cent nationally) have only some secondary education in 2018. Once those with only primary education are included, close to two-thirds (64.1 per cent) of the Province's unemployed are accounted for. For the country,

however, these two educational cohorts account for a substantially smaller proportion (56.1 per cent) of the unemployed. Here too, the educational cohort with the highest unemployment rate - incomplete secondary education - is the one with the highest unemployment share. Addressing unemployment within this cohort requires the creation of effective educational and training pathways that will allow individuals to either complete their secondary education or access other opportunities within the post-school education and training sector. Critically, these opportunities should have demonstrable value to potential jobseekers; if they do not, the sector will remain undervalued and underutilised.

Unemployment in South Africa tends to be long-term in nature, partly as a result of a general lack of job opportunities, and preferences for better educated and more experienced workers, amongst other factors. This is reflected in Table 4.12, which indicates that in the Western Cape almost a quarter of unemployed individuals (24.6 per cent) have never worked and a further 35.9 per cent had last worked more than one year ago. The Western Cape seems to have shorter unemployment duration than South Africa, with the share of individuals who have been unemployed for up to one year being 12.4 percentage points higher in the Western Cape than nationally (35.9 per cent compared with 23.5 per cent), and the share of individuals who have been unemployed for three or more years being 7.8 percentage points below the national average (17.4 per cent compared to 25.2 per cent).

Table 4.12 Unemployment by time since last worked, 2013 and 2018

	2013Q1		2018Q1		Change	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)
Western Cape						
Total Unemployment	627	100.0	620	100.0	-7	-0.2 p.a.
By Duration						
Never worked	170	27.2	153	24.6	-18	-2.2 p.a.
Up to one year	194	30.9	223	35.9	29	2.8 p.a.
One to three years	120	19.2	137	22.1	17	2.7 p.a.
Three years or more	143	22.7	108	17.4	-35	-5.4 p.a. **
South Africa						
Total Unemployment	4 862	100.0	5 980	100.0	1 118	4.2 p.a. *
By Unemployment Duration						
Never worked	2 070	42.6	2 293	38.3	223	2.1 p.a. *
Up to one year	1 189	24.5	1 408	23.5	218	3.4 p.a. *
One to three years	563	11.6	770	12.9	207	6.5 p.a. *
Three years or more	1 038	21.4	1 509	25.2	471	7.8 p.a. *

Notes: 1. An asterisk (*) denotes a statistically significant change between national and provincial estimates at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding or the omission from the table of those who did not know how long it had been since they last worked.

Source: Own calculations, Stats SA, 2013a, 2018c

In the Western Cape, there has been a statistically significant decrease of 5.4 per cent per annum between the first quarters of 2013 and 2018 in the number of individuals who have been without work for three years or more. These decreases stand in contrast to the strong increases observed nationally. In particular, those who had last worked three years or more ago increased most rapidly (7.8 per cent per annum), while those who had last worked between one and three years ago grew at a rate of 6.5 per cent per annum.

It is, however, difficult to draw robust conclusions from these figures for a number of reasons. Critically, the question is phrased in terms of how long it has been since the individual last worked. This means that individuals re-entering the labour force after long periods of inactivity, which may occur during upswings in the labour market, appear identical to individuals who have been unemployed and unable to find work for an extended period of time, a symptom of a weak labour market.

4.7 Youth labour market

In the first quarter of 2018, youth unemployment in South Africa was high at approximately 38.2 per cent. This indicates that approximately one in every three youths in the labour force were unemployed in the first quarter of 2018. This rate is substantially higher than the national unemployment rate, which is estimated at 26.7 per cent, confirming this group's relatively vulnerable position within the South African labour market.

Table 4.13 presents labour market aggregates for the youth in the Western Cape for the first quarters of 2013 and 2018. There were approximately 2.2 million youths in the Western Cape in 2018, an increase of 1.4 per cent per annum from five years previously. Of these, only 982 000 individuals were employed in the first quarter of 2018. This is an increase of 3.6 per cent per annum relative to 2013; however, this still leaves the employment-to-population ratio at only 45 per cent. Thus, fewer than half of economically active youths in the Western Cape are employed. The employment-to-population ratio rose by 4.5 percentage points from 2013 to 2018; thus, although the Province's youth population grew over this five-year period, the number of jobs they held grew more rapidly.

Table 4.13 Western Cape youth labour market aggregates (15 - 34 years), 2013 and 2018

	2013Q1	2018Q1	Change		
	Thousands	Thousands	Thousands	Per cent	
Working-age population	2 033	2 184	151	1.4 p.a.	*
Employment	823	982	159	3.6 p.a.	*
Narrow unemployment	410	401	-9	-0.5 p.a.	
Narrow labour force	1 233	1 383	150	2.3 p.a.	*
Expanded unemployment	464	472	7	0.3 p.a.	
Expanded labour force	1 288	1 454	166	2.5 p.a.	*
Non-searching unemployed	55	71	17	5.5 p.a.	
Rates/Ratios					
Narrow labour force participation	60.7	63.3	2.7 percentage points		
Expanded labour force participation	63.3	66.6	3.2 percentage points		
Employment-to-population ratio	40.5	45.0	4.5 percentage points		*
Narrow unemployment	33.2	29.0	-4.3 percentage points		†
Expanded unemployment	36.1	32.4	-3.6 percentage points		

Note: An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA, 2013a, 2018c

Unemployment amongst Western Cape youth has not changed much in absolute terms over the five years. The narrow unemployment rate amongst youth has, however, fallen by a statistically significant margin: it fell from 33.2 per cent in the first quarter of 2013 to 29.0 per cent five years later, a 4.3 percentage point decline. The expanded unemployment rate in 2018 is estimated to have fallen 3.6 percentage points since 2013; however, this decline is not statistically significant.

4.8 Spatial considerations

Table 4.14 presents a number of labour market indicators for the Western Cape for the first quarter of 2018, distinguishing between the City of Cape Town, other urban areas, and rural areas. Close to two-thirds (63.8 per cent) of the Western Cape population is located within the City of Cape Town, while 31.8 per cent are located in other urban areas within the Province and only 4.4 per cent are located in rural areas.

Table 4.14 Intra-provincial labour market aggregates (share of total), 2018Q1

	City of Cape Town	Rest of Western Cape	
	(Per cent)	Urban (Per cent)	Rural (Per cent)
Total population	63.8 [63.331; 64.237]	31.8 [31.340; 32.245]	4.4 [4.261; 4.586]
Working-age population	63.7 [62.724; 64.668]	31.7 [30.692; 32.614]	4.7 [4.270; 5.031]
Employed	62.8 [61.167; 64.488]	31.3 [29.645; 32.917]	5.9 [5.190; 6.594]
Narrow unemployed	74.1 [70.405; 77.716]	24.2 [20.590; 27.795]	1.7 [0.718; 2.777]
Narrow labour force	65.0 [63.896; 66.184]	29.9 [28.750; 31.020]	5.1 [4.640; 5.511]
Expanded unemployed	67.5 [63.943; 71.130]	30.6 [26.997; 34.133]	1.9 [0.918; 2.879]
Expanded labour force	63.9 [62.793; 64.985]	31.1 [30.031; 32.207]	5.0 [4.578; 5.405]
Non-searching unemployed	32.6 [23.609; 41.621]	64.7 [55.382; 73.974]	2.7 [-0.306; 5.721]
NEETs (15 - 34 years)	65.1 [63.755; 66.470]	32.1 [30.714; 33.429]	2.8 [2.404; 3.228]

Notes: 1. Shares may not sum to 100 due to rounding.
2. Figures in parentheses are the 95 per cent confidence intervals.

Source: Own calculations, Stats SA, 2018c

The intra provincial labour market shares seem to be relatively stable across the three geographical classifications, with the City of Cape Town typically accounting for between 62 and 65 per cent of these aggregates, other urban areas accounting for between 30 and 32 per cent, and rural areas accounting for between 2 and 5 per cent. There are, however, two notable exceptions: the narrow unemployed and the non-searching unemployed. The City of Cape Town accounts for a relatively large share of the narrow unemployed: it is home to 74.1 per cent of the Province's narrow unemployed population, up from 68.5 per cent in 2017. This is not unexpected, given the concentration of job opportunities within the City and its consequent attractiveness to potential jobseekers both from within the Western Cape and from other provinces. While this concentration of unemployed individuals does bring with it challenges in terms of service provision, for example, it does also mean that employers in the City of Cape Town have access to a relatively large pool of prospective employees.

Likely linked to the fact that individuals migrate to the City of Cape Town in search of work, the proportion of non-searching unemployed individuals is highest in urban areas outside of the City of Cape Town (64.7 per cent). The City accounts for just under one-third (32.6 per cent) of the non-searching unemployed. Another explanation for this pattern is that the concentration of economic activity and job opportunities within the City of Cape Town encourages job search to a greater extent than is observed in the Province's other urban areas. In other words, the density of job opportunities may be positively correlated with the likelihood of active job search amongst the unemployed.

The City of Cape Town is also home to a fairly large proportion (65.1 per cent) of NEETs - young people who are not in active employment, education or training programmes. Urban areas outside of Cape Town account for 32.1 per cent of these individuals. These young people are in many ways marginalised from the broader economy and may benefit only indirectly from economic growth. In order to improve the inclusiveness of growth, educational and employment opportunities should be tailored to the particular needs of this group and policy should remain sensitive to the particular constraints they may face.

4.9 Support for the unemployed¹

The unemployed typically find themselves in precarious situations in terms of being able to provide for themselves and their families. While unemployment insurance is part of the South African social safety net, its coverage is limited by the fact that the system does not cover the informal sector. Further, as was shown in Table 4.9, even within the formal sector UIF coverage is not universal: one in four formal sector workers in the Western Cape report that their employers do not make UIF contributions on their behalf, as do one in three nationally.

How then are the unemployed supported? The vast majority of the unemployed report that they are supported by other household members. Table 4.15 shows that this is the case for 76.7 per cent of unemployed South Africans, with the proportion in the Western Cape marginally higher at 80.0 per cent. The second most frequently cited source of support is individuals outside the household (24.5 per cent nationally and 23.0 per cent in the Western Cape). Such support may, for example, come in the form of remittances from family members who have migrated for work purposes.

¹ In previous years, this section has included a discussion of the wages earned by workers in the Western Cape. However, in the latest Labour Market Dynamics dataset (2016) released by Stats SA, 15.5 per cent of the employed do not have wage data. Most problematic is the fact that, of the 2.4 million workers without wage data, 38.0 per cent reside in the Western Cape. This is almost three times the Province's share of national employment (14.8 per cent). The implication is that comparisons of provincial and national wage distributions are highly problematic and are not included in this chapter. The lack of wage data for the Western Cape is of serious concern given its centrality in many types of analysis, particularly in terms of understanding the relationship between wages, poverty and inequality and, therefore, the assessment of the extent to which growth has been inclusive.

Table 4.15 Sources of support amongst the unemployed, 2018Q1

	South Africa		Western Cape	
	<i>Estimate</i>	<i>95% Confidence Interval</i>	<i>Estimate</i>	<i>95% Confidence Interval</i>
Supported by persons in the household	76.7	[75.701; 77.767]	80.0	[76.971; 83.127]
Supported by persons not in the household	24.5	[23.400; 25.515]	23.0	[19.751; 26.245]
Supported by charity, church, welfare, etc.	0.2	[0.096; 0.323]	-	-
Receive Unemployment Insurance (UIF)	0.7	[0.532; 0.960]	0.9	[0.093; 1.632]
Savings or money previously earned	5.4	[4.830; 5.984]	9.9	[7.524; 12.258] *
Receive old age or disability pension	0.8	[0.552; 1.006]	1.2	[0.250; 2.166]
Receive child support or foster care grant	18.7	[17.689; 19.619]	17.5	[14.532; 20.397]
Receive any other welfare benefits	0.6	[0.387; 0.760]	0.3	[-0.113; 0.698]
Any other sources of support (e.g. bursary, student loan)	1.0	[0.755; 1.267]	0.2	[-0.149; 0.459] *

Note: An asterisk (*) denotes a statistically significant difference between estimates for South Africa and the Western Cape at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence. Only 95 per cent confidence intervals are displayed here.

Source: Own calculations, Statistics South Africa, 2018c

The third most often cited source of support amongst the unemployed is the child support or foster care grant. Both nationally and provincially this is cited by approximately 18 per cent of the unemployed and is an important concern from the perspective of the social assistance system. Specifically, this finding suggests that the objectives of social assistance generally - and of the child support and foster care grants in particular - may be compromised or diluted by the extent to which unemployment forces adults to rely on these grants for support. Trying to exclude adults from benefiting from these grants is clearly not feasible or desirable in the current context. However, this does highlight the important ramifications of the current levels of joblessness in areas beyond the labour market.

Patterns of support in the Western Cape and in South Africa are broadly similar, with few statistically significant differences. The only non-negligible difference in this regard relates to the proportion of unemployed individuals who report supporting themselves from savings or money previously earned. In the Western Cape, 9.9 per cent of the unemployed cite this as a source of support, nearly twice the rate nationally (5.4 per cent). This too may be related to the relatively favourable labour market conditions in the Western Cape and potentially to differences in the wage distributions across provinces in terms of its lower unemployment rates and higher labour force participation rates.

Citations of different sources of support does not, however, provide a proper sense of the relative importance of these sources in monetary terms. In other words, simply because four times as many unemployed people report receiving support from household members as those who report receiving support in terms of child grants,

does not mean that the former source is four times as important as the latter in rand terms. Similarly, while the same proportion may report receiving a particular source of support in two different regions, this does not mean that they are similar in aggregate or per capita monetary terms.

Table 4.16 probes this issue with respect to support from household members, by analysing the extent of co-residence of the unemployed with the employed. Nationally, in the first quarter of 2018, the average unemployed person was co-resident with 0.744 employed household members. Given that the employed in South Africa outnumber the unemployed by a factor approaching three to one, this means that a large proportion of the employed are not co-resident with any unemployed adults.

Table 4.16 Extent of co-residence of the unemployed with the employed, 2018Q1

	Mean Number of Employed Household Members for the Unemployed	Distribution of the Unemployed by Number of Employed Household Members			
		0 Employed Members	1 Employed Member	2 Employed Members	3+ Employed Members
		Per cent	Per cent	Per cent	Per cent
South Africa	0.744	46.0	39.2	11.1	3.7
Western Cape	0.991	30.7	45.9	19.2	4.2
Eastern Cape	0.633	50.6	37.7	9.6	2.0
Northern Cape	0.486	61.8	28.9	8.2	1.1
Free State	0.572	53.3	37.8	7.6	1.3
KwaZulu-Natal	0.776	51.4	29.4	12.9	6.4
North West	0.635	53.4	37.4	6.4	2.7
Gauteng	0.789	41.6	44.1	10.3	4.0
Mpumalanga	0.769	46.8	36.4	11.4	5.4
Limpopo	0.593	53.3	35.2	10.4	1.1

Source: Own calculations, Stats SA, 2018c

In the Western Cape, the average unemployed adult is co-resident with 0.991 employed adults, a significantly higher ratio than observed in any of the other provinces. Relatedly, a relatively small proportion of the unemployed in the Western Cape are not co-resident with any employed adults (30.7 per cent compared to 46.0 per cent nationally), while relatively large proportions are co-resident with one (45.9 per cent) or two (19.2 per cent) employed adults.

When combined with a sense of the differences in mean wages in the different provinces, for example, these figures suggest that the level of support available to the unemployed from employed adults within their household may be above average. However, even this conclusion depends on the extent and pattern of resource sharing within households, something which is not measured in Statistics South Africa's current nationally representative household surveys.

4.10 Conclusion

Employment growth in the Province has been strong enabling the Western Cape to maintain a relatively low unemployment rate. Indeed, the narrow unemployment rate in the Western Cape is estimated to have fallen by 3.4 percentage points between 2013 and 2018, to 19.7 per cent. Importantly, this has occurred within the context of a national labour market that has performed less strongly, particularly in terms of unemployment.

Although the narrow unemployment rate in the Western Cape is the lowest in the country at 19.7 per cent, the youth unemployment rate is much higher at 29.0 per cent. Of those in the Province between the ages of 15 and 24 years, 38.0 per cent were unemployed in the first quarter of 2018, while 24.3 per cent of those between 25 and 34 years of age were unemployed. The data suggest, though, that the unemployed in the Western Cape may have better than average access to support from employed household members, as they are more often co-resident with the employed and average incomes in the Western Cape are above the national average.

While good progress has been made in many aspects of the labour market, there are a number of areas in which further intervention may be needed. Youth unemployment is a problem for both the Western Cape and South Africa, and as a result, developing effective policies for the promotion of jobs and opportunities that make use of younger individuals. Those young individuals who have exited the labour market early are also likely to benefit from policies that target them in order to develop their skills and train them for sustainable jobs. While the Western Cape may have the lowest provincial rate of unemployment, the rate remains extremely high by international standards. Strategies that promote the equitable and sustainable creation and provision of jobs should remain an urgent priority, with macroeconomic policies aimed at creating sustained economic growth.

Annexure D

Detailed estimates

Annexure D1 Narrow labour force participation rates, 2018Q1

	South Africa		Western Cape		
	<i>Estimate</i>	<i>95% Confidence Interval</i>	<i>Estimate</i>	<i>95% Confidence Interval</i>	
Overall	59.3	[58.847; 59.831]	69.6	[68.156; 70.966]	*
By Race					
African	57.8	[57.252; 58.331]	75.3	[73.121; 77.427]	*
Coloured	65.2	[63.652; 66.835]	65.6	[63.591; 67.651]	
Asian	60.1	[56.685; 63.586]	64.3	[48.884; 79.625]	
White	67.9	[65.926; 69.941]	70.0	[65.915; 74.170]	
By Gender					
Male	65.6	[64.905; 66.285]	76.4	[74.554; 78.320]	*
Female	53.2	[52.514; 53.926]	63.1	[61.039; 65.124]	*
By Age Group					
15 to 24 years	25.6	[24.714; 26.453]	43.2	[40.007; 46.388]	*
25 to 34 years	73.8	[72.958; 74.725]	83.7	[81.422; 85.997]	*
35 to 44 years	80.9	[79.996; 81.744]	86.9	[84.709; 89.152]	*
45 to 54 years	74.0	[72.906; 75.161]	75.8	[72.664; 78.912]	
55 to 64 years	45.8	[44.277; 47.381]	49.3	[44.914; 53.746]	
By Educational Attainment					
Primary	46.9	[45.661; 48.227]	57.1	[52.707; 61.450]	*
Some secondary	50.6	[49.851; 51.372]	64.4	[62.188; 66.606]	*
Grade 12	66.8	[65.920; 67.766]	74.5	[72.010; 76.955]	*
Diploma/Certificate	84.5	[83.137; 85.842]	84.4	[80.261; 88.474]	
Degree	89.2	[87.505; 90.843]	86.2	[81.450; 90.967]	

Note: An asterisk (*) denotes a statistically significant difference between estimates for South Africa and the Western Cape at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence. Only 95 per cent confidence intervals are displayed here.

Source: Own calculations, Statistics South Africa, 2018c

Annexure D2 Provincial unemployment rates, 2018

	Narrow Unemployment Rate		Expanded Unemployment Rate		Ratio of Expanded to Narrow Unemployment Rate
	<i>Estimate (Per cent)</i>	<i>95% Confidence Interval</i>	<i>Estimate (Per cent)</i>	<i>95% Confidence Interval</i>	
Western Cape	19.7	[18.291; 21.097]	22.5	[21.064; 24.024]	1.14
Eastern Cape	35.6	[33.580; 37.545]	46.0	[44.176; 47.891]	1.29
Northern Cape	29.5	[26.350; 32.641]	41.0	[37.880; 44.038]	1.39
Free State	32.8	[30.450; 35.099]	38.4	[36.132; 40.734]	1.17
KwaZulu-Natal	22.3	[20.897; 23.704]	40.6	[39.189; 42.040]	1.82
North West	25.8	[23.427; 28.266]	41.8	[39.420; 44.089]	1.62
Gauteng	28.6	[27.505; 29.662]	33.6	[32.532; 34.713]	1.18
Mpumalanga	32.4	[30.309; 34.444]	42.5	[40.503; 44.480]	1.31
Limpopo	19.9	[18.036; 21.855]	37.6	[35.650; 39.580]	1.89
South Africa	26.7	[26.172; 27.325]	36.7	[36.086; 37.242]	1.37

Source: Own calculations, Statistics South Africa, 2018c

Annexure D3 Narrow unemployment rates, 2013 and 2018

	2013Q1		2018Q1		
	<i>Estimate</i>	<i>95% Confidence Interval</i>	<i>Estimate</i>	<i>95% Confidence Interval</i>	
Western Cape	23.1	[21.733; 24.409]	19.7	[18.290; 21.098]	*
By Race					
African	32.0	[29.122; 34.798]	27.9	[25.305; 30.468]	
Coloured	22.9	[21.181; 24.646]	18.8	[16.706; 20.846]	*
Asian	14.7	[-2.658; 32.030]	7.5	[-1.023; 16.107]	
White	7.1	[4.307; 9.821]	3.3	[1.337; 5.297]	
By Gender					
Male	23.7	[21.809; 25.590]	17.9	[16.052; 19.834]	*
Female	22.3	[20.401; 24.264]	21.7	[19.557; 23.831]	
By Age Group					
15 to 24 years	49.0	[45.014; 52.992]	38.0	[33.199; 42.705]	*
25 to 34 years	25.8	[23.160; 28.461]	24.3	[21.540; 26.987]	
35 to 44 years	16.1	[13.729; 18.497]	14.4	[11.932; 16.799]	
45 to 54 years	13.9	[11.528; 16.281]	11.2	[8.650; 13.794]	
55 to 64 years	10.5	[7.000; 14.020]	7.9	[4.735; 10.974]	
By Educational Attainment					
Primary	22.0	[18.110; 25.981]	22.4	[17.504; 27.273]	
Some secondary	32.3	[29.837; 34.728]	26.7	[24.177; 29.237]	*
Secondary	21.1	[18.824; 23.313]	17.6	[15.154; 20.054]	
Diploma/Certificate	7.8	[4.668; 10.884]	7.1	[4.434; 9.780]	
Degree	4.8	[1.807; 7.861]	4.7	[2.173; 7.307]	
South Africa	25.0	[24.435; 25.636]	26.7	[26.172; 27.325]	*
By Race					
African	28.3	[27.611; 29.074]	30.1	[29.408; 30.756]	*
Coloured	23.6	[22.083; 25.086]	22.7	[21.010; 24.484]	
Asian	12.1	[8.963; 15.159]	11.8	[8.888; 14.776]	
White	7.3	[5.910; 8.674]	6.9	[5.559; 8.291]	
By Gender					
Male	23.6	[22.795; 24.421]	25.1	[24.294; 25.867]	†
Female	26.8	[25.890; 27.714]	28.8	[27.890; 29.628]	*
By Age Group					
15 to 24 years	53.3	[51.400; 55.121]	52.4	[50.379; 54.347]	
25 to 34 years	29.4	[28.269; 30.532]	33.0	[31.956; 34.129]	*
35 to 44 years	18.0	[16.956; 19.048]	20.9	[19.905; 21.932]	*
45 to 54 years	13.0	[12.005; 14.060]	16.1	[14.983; 17.165]	*
55 to 64 years	7.8	[6.444; 9.152]	8.9	[7.566; 10.142]	
By Educational Attainment					
Primary	21.2	[19.751; 22.713]	24.7	[23.058; 26.373]	*
Some secondary	32.3	[31.171; 33.351]	33.2	[32.163; 34.194]	
Secondary	27.1	[25.970; 28.213]	28.2	[27.187; 29.302]	
Diploma/Certificate	12.3	[10.977; 13.688]	15.5	[14.145; 16.935]	*
Degree	5.4	[3.854; 6.908]	7.8	[6.296; 9.357]	

Note: An asterisk (*) denotes a statistically significant change between 2013 and 2018 at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Statistics South Africa, 2013a, 2018c

Annexure D4 Rates of job satisfaction, 2018

	South Africa	Western Cape	
Overall	73.9	87.1	*
By Race			
African	69.1	77.0	*
Coloured	88.3	91.0	†
White	92.7	95.0	
By Gender			
Male	75.1	86.7	*
Female	72.4	87.6	*
By Age			
15 to 24 years	65.1	84.3	*
25 to 34 years	70.1	86.3	*
35 to 44 years	73.9	86.9	*
45 to 54 years	78.7	88.0	*
55 to 64 years	82.5	92.5	*
By Education			
Primary	67.2	83.8	*
Some secondary	66.1	83.2	*
Grade 12	75.0	88.7	*
Diploma/Certificate	84.6	91.7	*
Degree	93.4	96.7	†
By Sector			
Formal sector	78.2	89.3	*
Informal sector	63.1	76.8	*
Private households	58.5	78.9	*

Note: An asterisk (*) denotes a statistically significant change between South Africa and the Western Cape at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant difference at the 90 per cent level of confidence.

Source: Own calculations, Statistics South Africa, 2018c

Annexure D5 Labour market aggregates, second quarters of 2013 and 2018

	2013Q2	2018Q2	Change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working-age population	4 085	4 551	467	2.2 p.a.
Employment	2 099	2 480	381	3.4 p.a. *
Narrow unemployment	648	648	(1)	0.0 p.a.
Narrow labour force	2 748	3 127	380	2.6 p.a. *
Expanded unemployment	746	749	2	0.1 p.a.
Expanded labour force	2 845	3 229	383	2.6 p.a. *
Non-searching unemployed	98	101	3	0.7 p.a.
Narrow unemployment rate (%)	23.6%	20.7%	-2.9 percentage points	*
Expanded unemployment rate (%)	26.2%	23.2%	-3.0 percentage points	*
South Africa				
Working-age population	34 712	37 832	3 120	1.7 p.a. *
Employment	14 692	16 288	1 596	2.1 p.a. *
Narrow unemployment	4 972	6 083	1 111	4.1 p.a. *
Narrow labour force	19 663	22 370	2 707	2.6 p.a. *
Expanded unemployment	8 289	9 634	1 345	3.1 p.a. *
Expanded labour force	22 981	25 922	2 942	2.4 p.a. *
Non-searching unemployed	3 317	3 552	235	1.4 p.a. *
Narrow unemployment rate (%)	25.3%	27.2%	1.9 percentage points	*
Expanded unemployment rate (%)	36.1%	37.2%	1.1 percentage points	†

Note: An asterisk (*) denotes a statistically significant change at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2013b, 2018d)

5

Socio-economic developments in the Western Cape

Key findings

- The Western Cape population grew to an estimated 6.6 million in 2018, or 11.5 per cent of the estimated national population. The changing age profile of the provincial population is expected to result in a declining dependency ratio over time.
- Inequality worsened between 2011 and 2015, largely as a result of low economic growth. In contrast, there has been improvement in the Human Development Index of the Province.
- Enrolment in Western Cape public schools grew to just over 1.1 million in 2018. Systemic test scores have improved across the grades tested for both language and mathematics between 2012 and 2017.
- Life expectancy remains high in the Western Cape. The three leading causes of death in the Province in 2015 were HIV/AIDS, ischaemic heart disease and diabetes mellitus. The leading causes of premature mortality were HIV/AIDS, interpersonal violence and Tuberculosis.
- Western Cape household access to piped water in their dwellings, access to sanitation and refuse removal at least once a week remain high.
- Social ills such as substance abuse and crime remain a challenge.

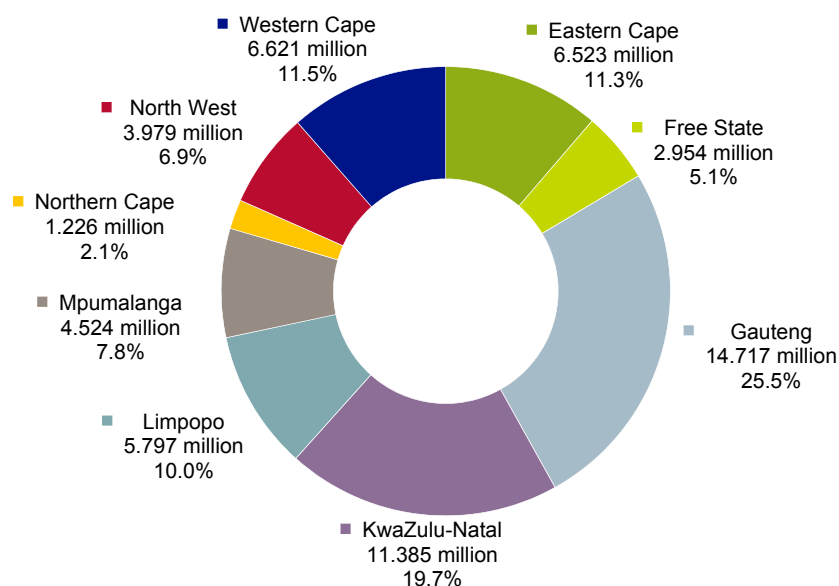
5.1 Introduction

The relationship between economic and socio-economic development is complex. With economic growth and prosperity comes increased employment, improved incomes and better living conditions. However, a healthy, appropriately educated and skilled labour force is also necessary to exploit opportunities for further growth and development. Economic and socio-economic development are interdependent and must be pursued simultaneously. Slow economic growth has impacted on socio-economic development both nationally and provincially. This chapter focuses on indicators that provide an overview of socio-economic development in the Province. These include demographic, education, health and housing trends, as well as more recent data on poverty, relative affluence, inequality and access to basic services. Social ills, specifically crime and substance abuse, are also highlighted.

5.2 Population dynamics

The South African population is currently estimated at 57.7 million people¹. The largest proportion of the national population resides in Gauteng (25.5 per cent), followed by KwaZulu-Natal (19.7 per cent) and the Western Cape (11.5 per cent) (see Figure 5.1).

Figure 5.1 South African population distribution by province, 2018



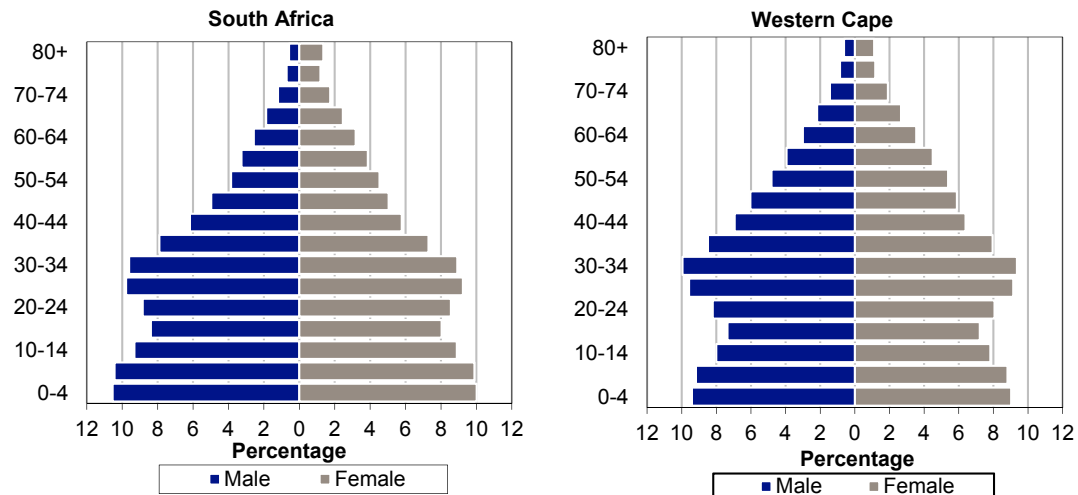
Source: Stats SA, 2018a

The spatial distribution of the population within the Province has remained relatively unchanged. The majority of the population live in the City of Cape Town. The Cape Winelands holds the second largest population, followed by the Garden Route.

¹ Stats SA, 2018

Stats SA estimates that 29.5 per cent of the national population is younger than 15 years of age while approximately 5.6 per cent is 65 years or older. The age profile of the Western Cape population is different from the rest of the country, having a relatively larger population aged 65 years and older (6.0 per cent) and a relatively smaller population younger than 15 years of age (26.1 per cent) (see Figure 5.2).

Figure 5.2 National and Western Cape population distribution by age and sex, 2018



Source: Stats SA, 2018a, own calculations

The proportion of elderly persons (i.e. aged 65 and older) has been increasing over time, both nationally and provincially. The estimated national growth rate for this age cohort has increased substantially from growth rates observed 15 years ago, rising from 1.35 per cent for the period 2002 - 2003 to 3.51 per cent for the period 2017 - 2018. The same trend is observed in the Western Cape, with growth rising from 1.28 per cent to 4.37 per cent.

The population age profile in the Province will likely impact the dependency ratio going forward. The total dependency ratio is defined as the ratio of dependents (people younger than 15 or older than 64) to the working-age population (people aged 15 - 64). The Western Cape is expected to have a lower total dependency ratio (47.3 per cent) in 2018 compared to South Africa's 52.2 per cent, largely due to the smaller size of the Province's under -15 population².

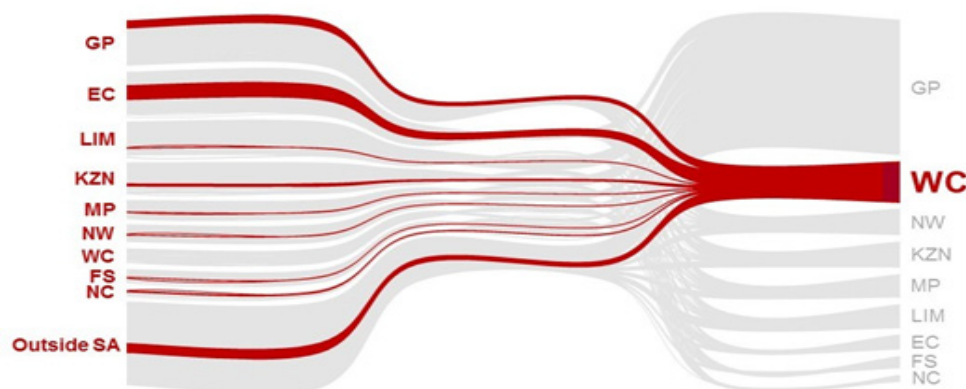
Key contributors to changing demographic patterns include the total fertility rate (TFR) and migration patterns. A decline in the TFR has been observed across all provinces since 2006³. In the Western Cape, the TFR is expected to decline further from 2.38 over the period 2006 - 2011 to 2.21 over the period 2016 - 2021. The Western Cape has the second lowest TFR nationally, after Gauteng.

² Western Cape Department of the Premier, 2018a.

³ Stats SA, 2018a.

Between 2006 and 2018, the Western Cape population registered an increase of roughly 1.4 million new residents in absolute terms, with approximately half of them added through in-migration flows, and the remainder through natural population growth⁴. Over the period 2016 - 2021, Gauteng and the Western Cape are expected to see the largest net in-migration of almost 1.5 million and 311 004, respectively. Most in-migrants to the Western Cape are expected from the Eastern Cape, abroad and Gauteng (see Figure 5.3).

Figure 5.3 In-migration stream to the Western Cape, 2016 - 2021



Source: Stats SA, 2018b

Western Cape population forecast 2030

The Western Cape population is estimated to grow to 7.9 million by 2030 and account for 12.5 per cent of a forecasted national population of 63.3 million.

Approximately 1.3 million people are therefore expected to be added to Western Cape's population in absolute terms, representing a total growth of 20 per cent over the 12-year period. This level of overall growth is significantly higher than that of South Africa, which is forecast to grow by 11.0 per cent. Moreover, between 2018 and 2030, migration is expected to overtake natural population change to become the primary driver of population growth, accounting for about 53 per cent of the residents added to the Province.

Migration flows to and from the Western Cape are primarily driven by its relative economic position, which is characterised by lower unemployment rates and an economy with a relatively stronger growth outlook compared to the rest of South Africa. Recent estimates show that net migration to the Province is expected to add approximately 57 000 people annually from 2018 to 2030.

Forecasts for 2030 reveal a decrease in the under 15 years of age population share at the national level - to 26.1 per cent of the total population - and an increasing ageing population accounting for 7.1 per cent of the total population. Similarly, the Western Cape is forecast to have a population profile that comprises fewer young people in 2030, with an under 15 years of age population of around 22.0 per cent and a profile which experiences rapid growth in the older population. The 65 years of age and older population is forecast to be 71.9 per cent larger in 2030 than in 2018, reaching nearly 9 per cent of the total population. Despite this relatively faster growth in the 65 and older population cohort, the level of total dependency in the Western Cape reduces slightly over the forecast period from 47.3 per cent in 2018 to 46.6 per cent in 2030.

Source: Western Cape Department of the Premier, 2018a

⁴ Western Cape Department of the Premier, 2018a

5.3 Perspectives on poverty, inequality and development

5.3.1 Poverty, inequality and affluence

The most recent research on poverty trends in South Africa point to an increase in poverty across all provinces between 2011 and 2015, following a steady decline since 2006⁵. Nationally, 40 per cent of households lived below the upper bound poverty line of R992 per person per month in 2015 (or R1 183 in 2018). The Western Cape had the lowest poverty headcount ratio, with 25.3 per cent of households in the Province living below the upper bound poverty line, followed by Gauteng at 26.0 per cent.

2018 National poverty lines

Stats SA has defined three poverty lines to measure poverty. These poverty lines are based on the internationally recognised cost-of-basic-needs approach: the upper bound poverty line, lower bound poverty line and the food poverty line. The food poverty line is the monthly rand value below which a person is unable to purchase enough food to meet minimum daily energy requirements. The upper and lower bound poverty lines use the food poverty line as its base. The lower bound poverty line is obtained by taking average household non-food expenditure and adding that to the food poverty line to give a rand amount below which an individual is unable to purchase both adequate food (to cross the food poverty line) and minimum basic non-food items. This forces households to trade-off basic food for basic non-food items. Individuals at the upper bound poverty line have enough resources to purchase adequate food and basic non-food items, but not enough to lift them out of poverty.

In 2018, Stats SA published the updated national poverty lines. The poverty lines are benchmarked against the Income and Expenditure Survey 2010/11 data and updated annually using the Consumer Price Index.

Table 5.1 Poverty line rand values per person per month, South Africa

Year	Food Poverty Line	Lower Bound Poverty Line	Upper Bound Poverty Line
2006	219	370	575
2009	318	456	709
2011	335	501	779
2015	441	647	992
2018	547	785	1 183

Source: Stats SA, 2018c

In the absence of more recent poverty data, trends in the uptake of social assistance grants provides some insight into the relative hardship experienced by the poor. Within the Province, more beneficiaries have accessed social assistance grants annually on aggregate since 2016 (see Table 5.2).

⁵ Stats SA, 2017a

Table 5.2 Number of grant beneficiaries by grant type in the Western Cape, 2016 - 2018

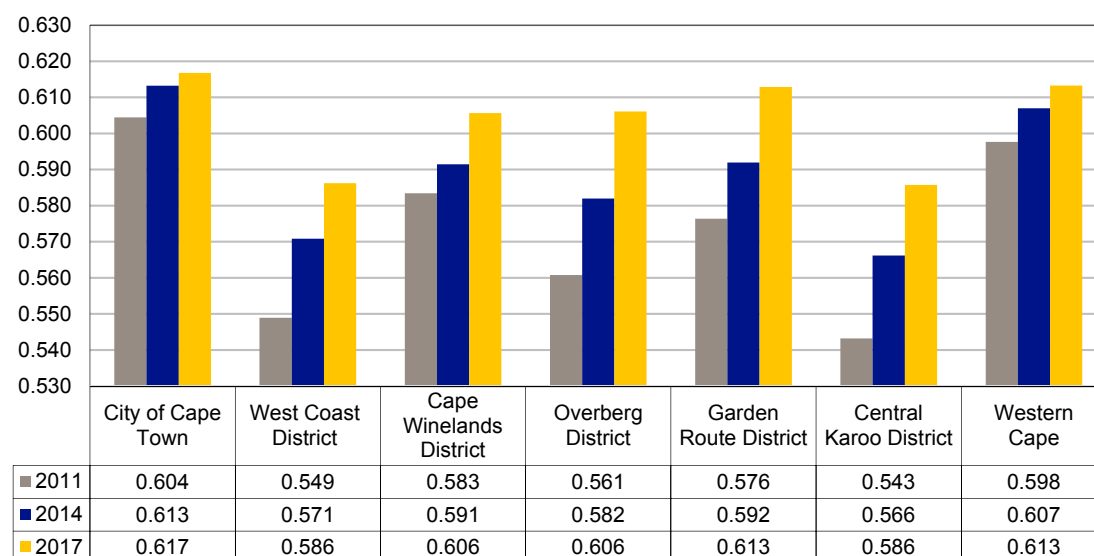
	2016	2017	2018
Care Dependency Grant	12 621	13 349	15 147
Child Support Grant	966 577	979 681	1 006 173
Disability Grant	151 373	155 214	154 834
Foster Care Grant	30 180	30 946	31 669
Grants-In-Aid	13 984	16 116	18 938
Older Persons Grant	308 089	323 569	339 059
War Veterans Grant	66	50	39
Total	1 482 890	1 518 925	1 565 859

Note: Data as at 31 March of each respective year.

Source: Western Cape Department of Social Development, 2018. Adapted from the South African Social Security Agency data

The highest proportion of beneficiaries of grant assistance in 2018 are Child Support Grant recipients at 64.3 per cent, albeit a decline from 64.5 per cent in 2017. The proportion of Older Persons Grant beneficiaries increased in 2018 to 21.7 per cent, from 21.3 per cent in 2017 - in line with the growing older population. Grants-in-Aid uptake grew by the largest margin (17.5 per cent), but from a low base.

In addition to understanding the relative poverty level, it is important to measure the distribution of income across a population. The Gini coefficient measures the relative equality or inequality of income distribution, with an output measure ranging from complete equality at 0 to complete inequality at 1. Figure 5.4 shows that the Gini coefficient deteriorated for all districts and the Province between 2011 and 2017.

Figure 5.4 Western Cape Gini coefficients by district, 2011, 2014 and 2017


Source: Western Cape Department of Economic Development and Tourism, IHS Global Insight, 2018

Inequality appears to be worsening at a provincial and district level, but remains below levels experienced at a national level (0.629). The increase in inequality is not unexpected, given the slow pace of economic growth, compounded by severe drought conditions, that have negatively impacted employment. The Gini coefficient remains highest in the City of Cape Town, having increased from 0.604 in 2011 to 0.617 in 2017. Despite this, the rate of increase was slowest in the City of Cape Town at 2.04 per cent, while the Gini coefficient in the Overberg District deteriorated at the fastest rate (8.1 per cent), followed by the Central Karoo District (7.8 per cent) and the West Coast District (6.8 per cent). Inequality within districts is subject to particular economic and socio-economic dynamics. More detail of the factors influencing poverty and inequality within and across districts are provided in the 2018 Municipal Economic Review and Outlook.

In addition to money metric measures of poverty, data on the relative living conditions of a population provides a deeper understanding of economic circumstances. In spite of growing poverty, the Western Cape recorded the highest average household consumption expenditure for 2015 at R163 220 per annum compared to only R140 676 per annum in Gauteng and R103 293 per annum nationally⁶. Relatively higher expenditure points to a household's ability to accumulate durable household goods and assets over time⁷. A crude proxy for household affluence, which allows for comparisons across provinces, is household goods. Table 5.3 reflects the household goods ownership patterns in 2017.

Table 5.3 Selected household goods possession and services, 2017

	Western Cape	Gauteng	South Africa
Ownership of a motor vehicle	46.2	38.4	29.9
Computer/Desktop/Laptop	37.0	30.7	21.9
Internet connection in the household	25.5	16.4	10.5
TV Set	89.4	86.5	81.5
Pay TV (M-Net/DSTV/Top TV) Subscription	45.8	46.7	40.9
Refrigerator or combined fridge freezer	86.4	79.5	75.8
Deep Freezer - free standing	30.5	18.3	21.0
Electric Stove	95.4	89.4	87.9
Microwave Oven	75.2	66.9	57.8
Geyser providing hot running water	47.0	40.9	27.7
Solar hot water geyser	4.8	4.4	3.2
Washing machine	59.2	44.4	34.7
Tumble Dryer	14.5	12.0	8.9
Dishwashing machine	11.4	10.6	6.7

Source: Stats SA 2018c, own calculations

⁶ Stats SA, 2017b

⁷ Assuming per capita household incomes increase above inflation levels, households spend proportionately less money on basic needs and proportionally more on semi-durable and durable goods.

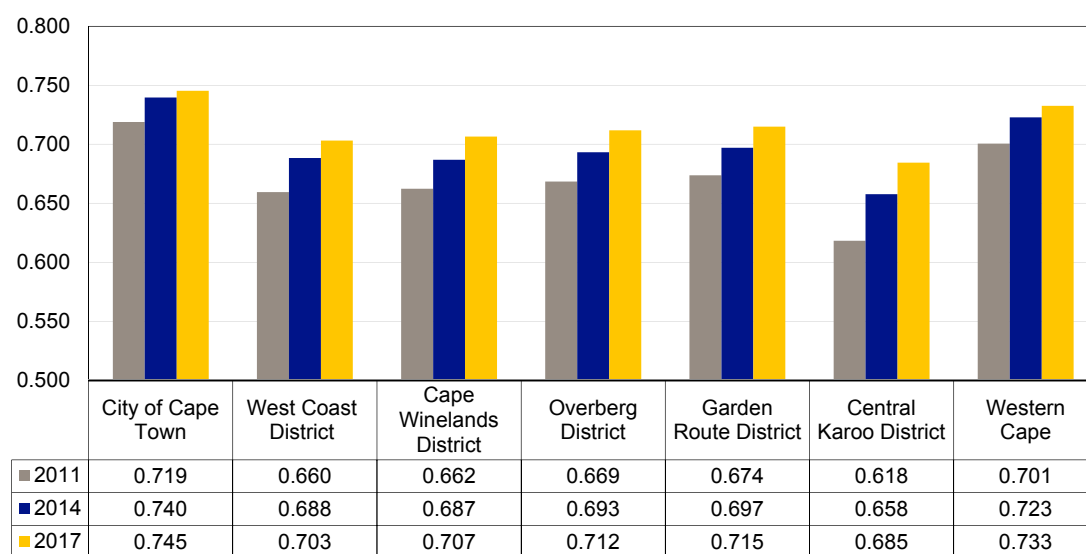
Western Cape households appear to have accumulated proportionally more goods than Gauteng households. For example, just over 46 per cent of Western Cape households own a vehicle compared to only 38.4 per cent of Gauteng households. It is only in the case of pay television subscription services that Gauteng households have proportionally larger access. A similar pattern is noted in the 2011 Census data. Despite the relative affluence in the Western Cape, inequality and poverty still remains a challenge, as is the case nationally.

5.3.2 Measuring human development

The Human Development Index (HDI) measures the relative development of a population by including, *inter alia*, education, health and living conditions. South Africa was ranked as a 'middle development country' in 2016 with an HDI score of 0.66, while the estimated HDI for the Western Cape saw the Province ranked amongst the 'high development countries'⁸.

Improvements in the HDI in the Western Cape (see Figure 5.5) show that the Provincial and district HDIs have improved between 2011 and 2017.

Figure 5.5 Western Cape Human Development Index by district, 2011, 2014 and 2017



Source: Western Cape Department of Economic Development and Tourism, IHS Global Insight, 2018

The City of Cape Town has the highest HDI, having increased by 3.7 per cent over the period 2011 - 2017. The largest increase is observed in the Central Karoo District at 10.7 per cent from 0.618 in 2011 to 0.685 in 2017. The increasing HDI in the Province and districts could most likely be attributed to the expansion of government services, particularly in the social sector. It is important to remain cognisant of the specific socio-economic needs and dynamics within a district, and how these influence its relative development. Greater detail of this is provided in the 2018 Municipal Economic Review and Outlook.

⁸ Western Cape Provincial Treasury, 2017

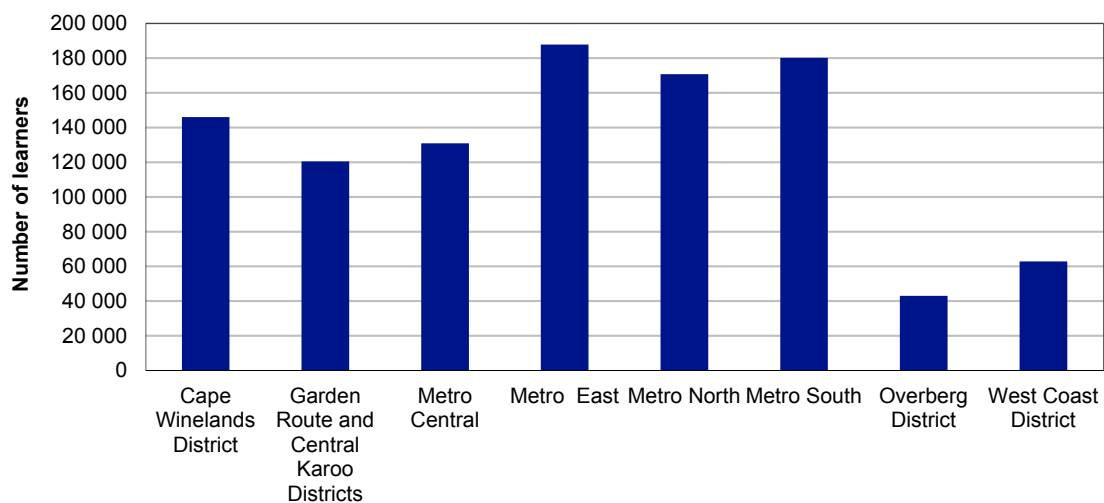
5.4 Education

Education is a key driver of socio-economic development and an important instrument in reducing poverty, improving welfare and increasing opportunities to actively participate in the labour market. Investment in human capital can also encourage a culture of innovation, drive a knowledge economy and enhance productivity. These areas have become critical in fostering national and provincial economic growth. Therefore, from a social and economic perspective, ensuring access to and strengthening of the quality of education - as well as encouraging lifelong learning - remains central to the education agenda.

5.4.1 Learner enrolment at Western Cape public ordinary schools

Migration and population patterns directly impact school enrolment rates in the Western Cape. Learners from other provinces and countries enrolled in public schools in the Province between 2013 and 2018 numbered 25 616, with the Eastern Cape accounting for over 20 000 of these learners. Enrolment at public ordinary schools currently stands at 1 111 098 for the 2018 school year - an increase of 17.3 per cent over 5 years between the period 2013 and 2018. Enrolment at a district level shows that demand is higher within the Metro and Cape Winelands districts (see Figure 5.6).

Figure 5.6 Number of learners enrolled, 2018⁹



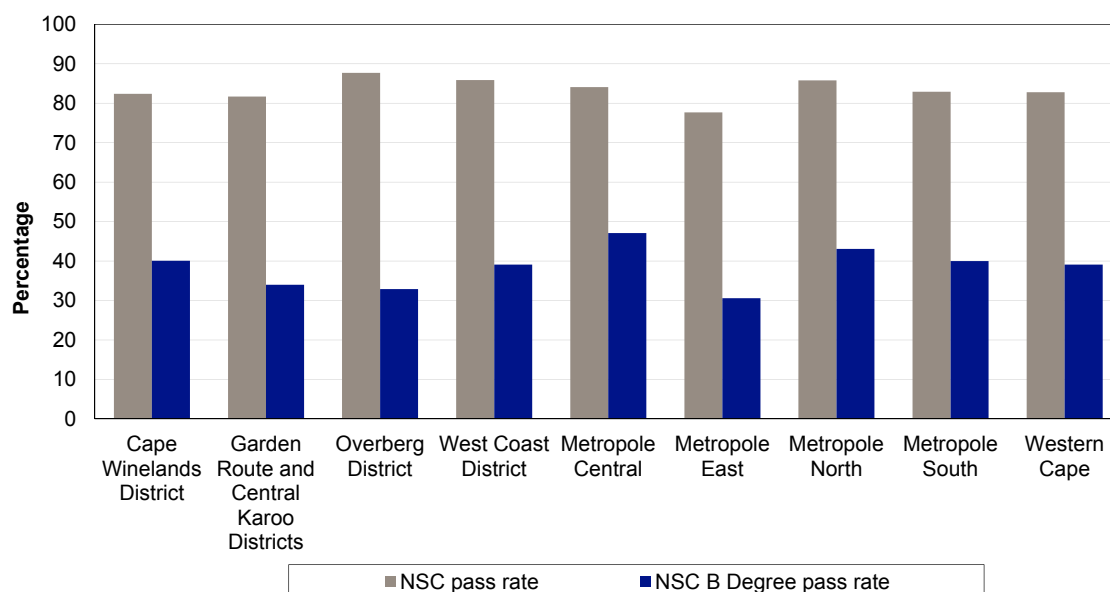
Source: Western Cape Education Department, 2018

5.4.2 National Senior Certificate results

In 2017, the National Senior Certificate (NSC) pass rate for the country was 75.1 per cent, while the Western Cape's was 83 per cent. In 2017, 48 867 learners wrote the exam, of which 40 440 passed and 19 101 gained access to a Bachelor's Degree (B Degree), resulting in 39.1 per cent of learners being eligible to study a B Degree programme.

⁹ The 2018 learner numbers are provisional enrolment and may be subject to change. The enrolment numbers include Grades 1 to 12.

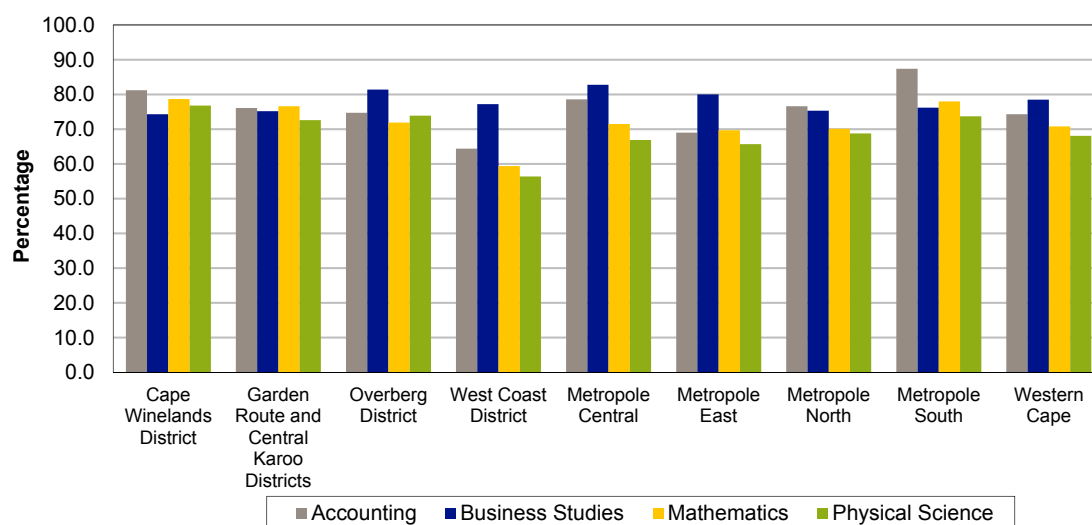
Figure 5.7 NSC and B Degree pass rates by education district, 2017



Source: Western Cape Education Department, 2018

Over the past two decades the economies of leading countries have evolved into knowledge-based economies. A knowledge-based economy relies on investment in human capital in particular fields of study. To gain access to these fields of study, youth have to pass their NSC examinations in subjects which drive technology and innovation. Passing certain subjects also increases the likelihood of employment and full participation in the labour market. Figure 5.8 shows the 2017 NSC pass rate for accounting, business studies, mathematics and physical science. The Cape Winelands District recorded the highest pass rates for mathematics (78.7 per cent) and physical science (76.8 per cent), while the highest pass rate for accounting was recorded in the West Coast District (87.4 per cent) and business studies in the Metro North District (82.8 per cent).

Figure 5.8 NSC Pass Rates in Accounting, Business Studies, Mathematics and Physical Science by education district, 2017

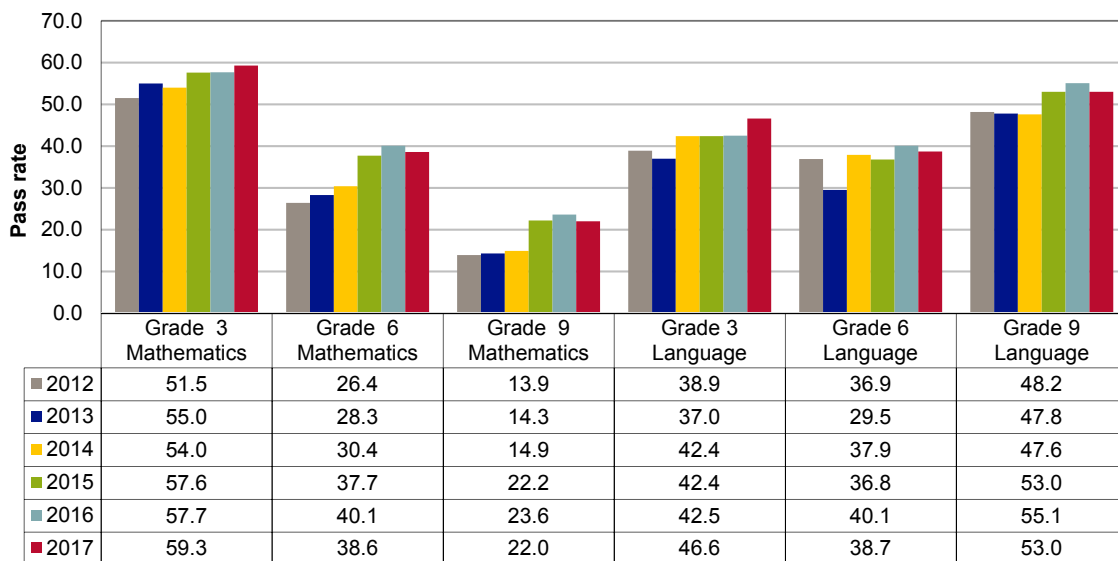


Source: Western Cape Education Department, 2018

5.4.3 Systemic testing in the Western Cape

The quality of education is tracked via the systemic testing of Grades 3, 6 and 9 language and mathematics in the Western Cape. Systemic tests are written in October each year. In 2017, all public ordinary schools in the Province wrote the tests making the results representative of the full public education system. While results have been mixed year-on-year, the 2017 scores are nonetheless an improvement on scores recorded in 2012 (see Figure 5.9).

Figure 5.9 Systemic test mathematics and language pass rates for Grades 3, 6 and 9 for public ordinary schools, 2012 - 2017



Source: Western Cape Education Department, 2018

National performance in PIRLS and TIMSS

The Progress in International and Reading Literacy Study (PIRLS) assesses the reading achievement of learners in their fourth year of schooling every five years across several countries. The fourth year is selected as learners have typically learned to read by this point and would now be reading to learn. The most recent round of testing (held in 2016) showed that South African learners scored the lowest across the 50 countries participating, and that scores had declined (albeit marginally) from the 2011 testing round. The study further showed that girls scored substantially higher on both reading and comprehension tests in South Africa.

Similar to PIRLS, the Trends in International Mathematics and Science Study (TIMSS) tests the mathematics and science knowledge of Grade 4 and 8 students across selected countries. The tests are designed to test, amongst others, a learners' content knowledge and cognitive ability. From 2002 onwards Grade 9 learners in South Africa (as opposed to Grade 8) have participated in the study. Likewise, Grade 5 learners (rather than Grade 4) participated in the testing. The most recent round of testing was held in 2015. South Africa scored the second lowest across 61 countries for both grades. As with the PIRLS study, girls achieved higher scores in mathematics in Grades 5 and 9. The Grade 9 test scores improved marginally between 2011 and 2015, for both girls and boys.

Source: TIMSS & PIRLS International Study Center, 2018

5.5 Health

A healthy, active population is an important element and precursor to accessing opportunities to improve economic and socio-economic development. For example, a healthy population is more likely to have a sustainable base of productive labour to take up employment opportunities and grow an economy, or an alert cohort of youth who can actively participate in education and skills development opportunities, amongst other. Various social determinants affect the relative health of a population, such as adequate access to nutrition, safe drinking water, shelter and a population's relative disease profile.

5.5.1 Life expectancy

Nationally, life expectancy at birth continues to improve, with life expectancy at birth for males currently estimated at 61.1 years and for females at 67.3 years¹⁰. Life expectancy remains high in the Western Cape, with males expected to live 66.2 years and females 72.1 years. The improvement in national life expectancy over the last several years is partly due to the improved survival rates amongst infants and children under 5 years of age as a result of HIV testing and treatment interventions.

5.5.2 Mortality

HIV/AIDS was the leading cause of death in the Province in 2015¹¹ at 8.5 per cent of deaths, followed by ischaemic heart disease (8.3 per cent) and diabetes mellitus (7.5 per cent). Notably, five of the top 10 causes of death were due to non-communicable diseases, highlighting the burden of these diseases in the Province. The leading cause of premature mortality¹² in the Western Cape in 2015 was HIV/AIDS (11.7 per cent), followed by interpersonal violence (10.5 per cent) and Tuberculosis (8 per cent)¹³.

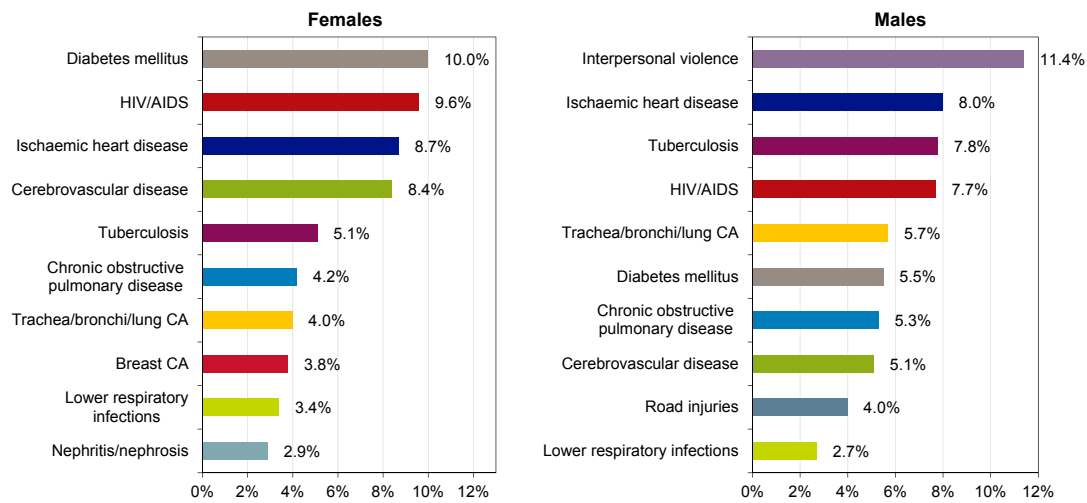
The leading causes of death and premature mortality differ by gender. The top causes of death amongst females in 2015 was diabetes mellitus, HIV/AIDS and ischaemic heart disease, while deaths amongst males were mainly due to interpersonal violence, ischaemic heart disease and tuberculosis (TB) (see Figure 5.10).

¹⁰ Stats SA, 2018a

¹¹ Western Cape Department of Health, 2018a

¹² Premature mortality is a measure of unfulfilled life expectancy, and is measured by calculating the years of life lost relative estimated life expectancy.

¹³ The increased proportion of deaths and premature mortality as a result of HIV/AIDS may be indicative of improved accuracy of cause of death recorded on death certificates relative to previous years as the stigmatisation of the disease declines over time. More detail on the top 10 causes of years of life lost for 2014 and 2015 are included in Annexure E.

Figure 5.10 Top 10 causes of death in the Western Cape by gender, 2015

Source: Western Cape Department of Health, 2018a

Years of life lost (YLL) is a measure of premature mortality. When considering this measure, interpersonal violence was found to be the leading cause of premature mortality amongst males in 2015, accounting for 16.4 per cent of YLL, followed by HIV/AIDS (9.8 per cent) and TB, at 8.8 per cent. Amongst females, HIV/AIDS is the leading cause of YLL at 14.4 per cent followed by diabetes mellitus (8.2 per cent) and TB (6.9 per cent)¹⁴.

The growing burden of non-communicable diseases: Trends toward 2030

It is widely recognised that non-communicable diseases (NCDs) have been on the rise in South Africa, and the Western Cape is no exception. The estimated predominant chronic diseases causing deaths in 2018 in the Western Cape include cardiovascular diseases and diabetes (27.0 per cent), cancers (14.8 per cent), and chronic respiratory diseases (7.0 per cent).

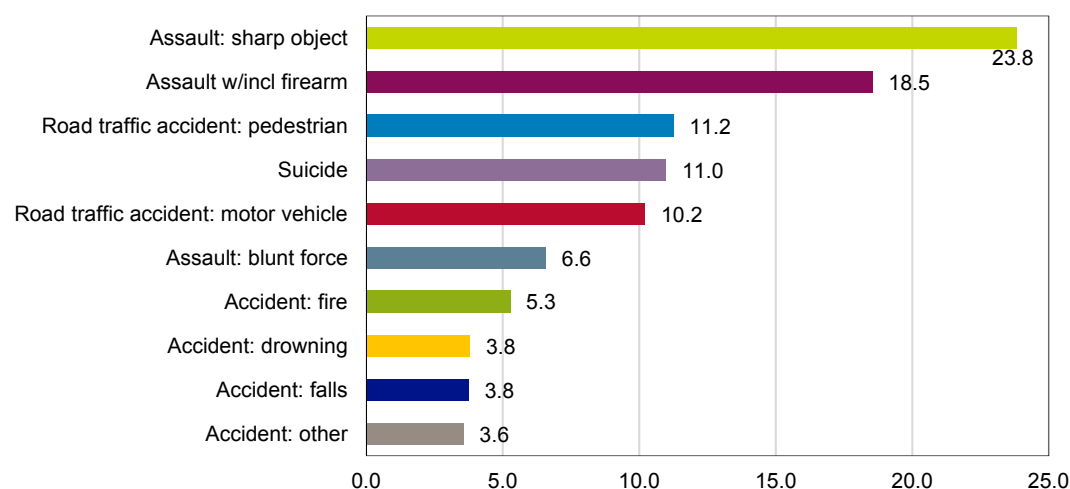
It is estimated that more than 3 of 5 (or 70.8 per cent) of deaths may be attributable to NCDs by 2030. The same trends are expected to persist in respect of chronic disease cause of death, apart from a reduction in deaths from HIV/ AIDs, which is expected to constitute 4.5 per cent of deaths in 2030.

It is further estimated that NCDs (57.5 per cent) will account for more than double the YLLs of communicable diseases (24.4 per cent) in 2030, while the years lost from injuries are also expected to increase (18.1 per cent). Cardiovascular diseases (22.5 per cent) and cancers (15.2 per cent) are expected to be the leading contributors to reduced life expectancy until 2030.

Source: Western Cape Department of the Premier, 2018b

The most recent data on injury related deaths in the Province shed light on the types of injuries people have succumbed to. In 2016, assault with a sharp object accounted for 23.8 deaths per 100 000 population, followed by assault with a firearm at 18.5 deaths per 100 000 population (see Figure 5.11). Deaths as a result of injuries related to road traffic accidents ranked third (pedestrians) and fifth (motor vehicle occupants), while suicide ranked fourth.

¹⁴ Detail on the top 10 causes of years of life lost for males and females for 2014 and 2015 are included in Annexure E.

Figure 5.11 Top 10 injury-related death rates by cause, 2016


Note: Data are age standardised rates per 100 000 population.

Source: Western Cape Department of Health, 2018a

5.5.3 HIV/AIDS and TB

South Africa has a current HIV prevalence rate of 13.1 per cent (Thembisa Model 4.1), with an estimated 7.5 million people living with HIV/AIDS. The Western Cape has an estimated prevalence rate of 6.7 per cent, which equates to approximately 448 000 people living with HIV/AIDS.

The adoption and implementation of the World Health Organisation's 90-90-90 Strategy has strengthened the focus on HIV testing and treatment. During 2017/18, 1.43 million people in the Province were tested for HIV, up from 1.38 million in 2015/16. Of the estimated population living with HIV/AIDS in 2017/18, 93.9 per cent were aware of their HIV status, and 60.3 per cent were on Anti-Retroviral Therapy (ART). Of those on ART, 80.4 per cent had a confirmed viral suppression (a viral load of less than 1 000 copies per milliliter of blood). The net effect of the increased focus on detection and treatment has resulted in 45.5 per cent of HIV positive people knowing their status and receiving treatment (with confirmed viral suppression) in 2017/18 - an improvement from 36.9 per cent in 2015/16 (see Table 5.4).

Table 5.4 Trends in HIV testing, treatment and outcomes in the Western Cape, 2015/16 - 2017/18

	2015/16	2016/17	2017/18
Estimated HIV+	430 491	441 912	451 648
Of which: Known HIV+ (Tested)	92.30%	94.20%	93.90%
Of Which: Clients on ART	50.60%	56.40%	60.30%
Of which: Clients with confirmed viral suppression	79.00%	79.70%	80.40%
Net performance	36.90%	42.40%	45.50%

Note: The estimates are based on the Thembisa Model 2.5

Source: Western Cape Department of Health, 2018a

TB continues to place a heavy burden on health outcomes in the Province. In 2015, it was the 6th leading cause of death and the 3rd leading cause of premature mortality in the Province.

Table 5.5 Trends in TB notification and outcomes in the Western Cape, 2015/16 - 2017/18

	2015/16	2016/17	2017/18
TB programme success rate (%)	-	80.4	80.2
TB client lost to follow up (%)	9.0	9.6	11.1
TB death rate (%)	2.6	3.0	3.8
TB MDR treatment success rate (%)	39.4	44.6	43.4

Source: Western Cape Department of Health, 2018b

The most recent data points to a marginal decline in the public health TB programme success rate (see Table 5.5). Contributing to the decline is the increased proportion of patients defaulting on treatment programmes as well as the complexities and challenges in treating multiple drug resistant (MDR) TB.

5.5.4 Infant, child and maternal health

Improved maternal, infant and child health outcomes are key to positive socio-economic development. The early detection and management of high risk pregnancies - as well as monitoring of foetal gestation - positively impacts maternal health outcomes, foetal development and infant and child health over the longer term.

There have been incremental improvements in access to antenatal visits in the Province, with 69.7 per cent of antenatal clients at public health facilities attending a first visit before 20 weeks in 2017/18, up from 65.8 per cent in 2014/15. Increased access to early detection and treatment, education and awareness have contributed to the continued reduction in maternal mortality in public health facilities, with maternal deaths having declined to 57 per 100 000 live births in 2017/18¹⁵.

A key turning point in the reduction of infant and child mortality was the introduction of ART for pregnant women. According to Stats SA¹⁶, the introduction of the prevention-of-mother-to-child-transmission intervention has contributed to the reduced Infant Mortality Rate (IMR) and Child Under-5 years Mortality Rate (U5MR) nationally since 2007. The IMR has declined from an estimated 53.2 infant deaths per 1 000 live births in 2002 to 36.4 in 2018, while the U5MR has declined from an estimated 80.1 child deaths per 1 000 live births to 45.0 over the same period. By 2016 the IMR in the Western Cape had declined to 17.1 infant deaths per 1 000 live births and the U5MR has fallen to 21.1 child deaths per 1 000 live births. In 2017/18, 92.1 per cent of HIV positive antenatal clients who were not previously on ART were initiated on treatment, an improvement

¹⁵ Western Cape Department of Health, 2018b

¹⁶ Stats SA, 2018a

on the 90.8 per cent recorded in 2016/17¹⁷. This intervention led to a further reduction of the mother-to-child transmission rate to 0.2 per cent in 2017/18 from 0.8 per cent in 2016/17.

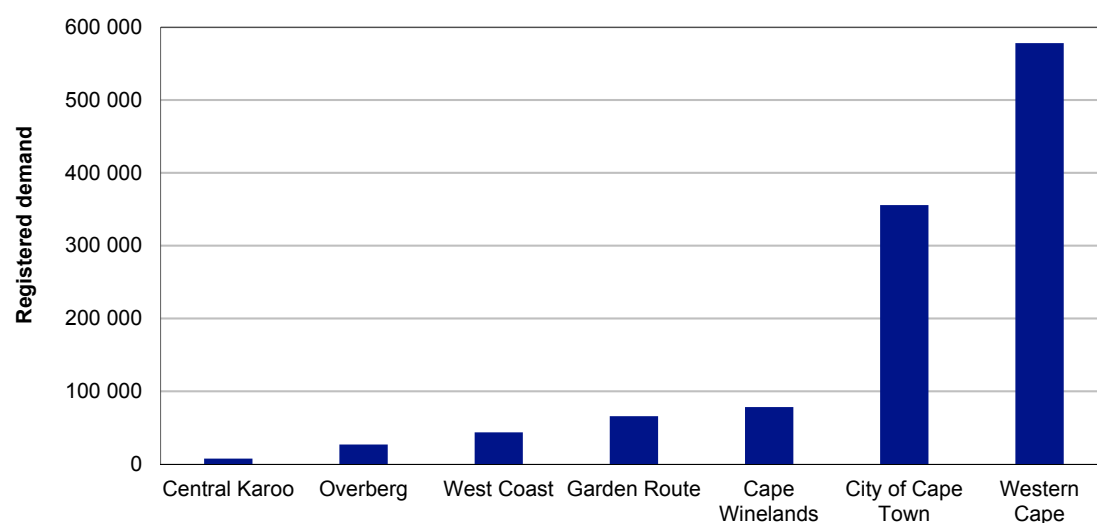
5.6 Housing and municipal services

The characteristics of the dwellings in which households live and their access to various basic services and facilities provide an important indication of the well-being of household members. It is widely recognised that shelter satisfies a basic human need for physical security and comfort.

5.6.1 Housing dynamics

By the end July 2018, a total of 578 173 households in the Western Cape had registered their demand for housing¹⁸ (see Figure 5.12). This is an annual increase of 42 371 households since July 2017. The biggest share of the demand, at 61.5 per cent, is based within the City of Cape Town due to the concentration of the provincial population in the Metropolitan. It should be noted that the real need for housing could be much higher if one were to include those households who have not registered yet.

Figure 5.12 Registered housing demand in the Western Cape, as at end July 2018



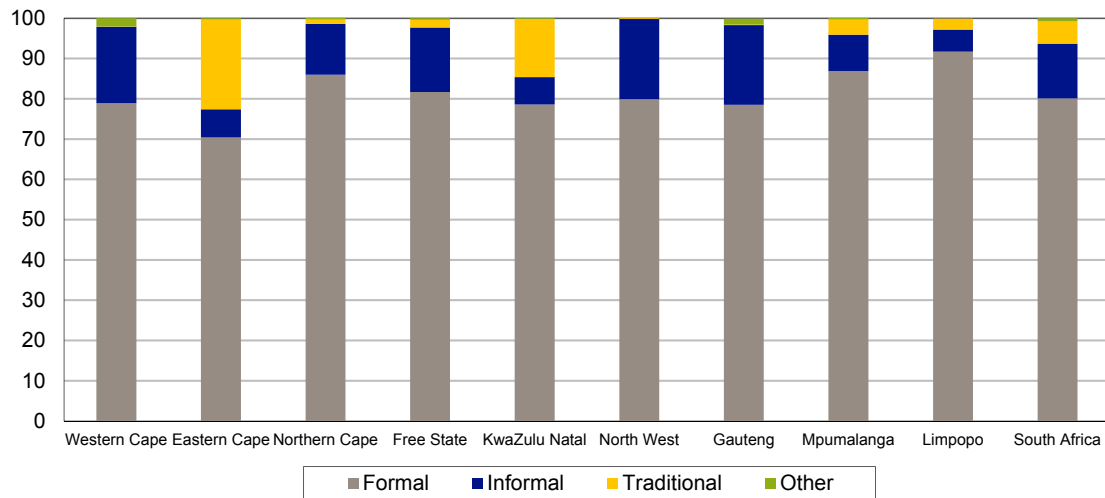
Source: Western Cape Department of Human Settlements, 2018a

Understanding the dwelling type and home ownership trends provides insight into the growing demand for housing. In 2017, just over 80 per cent of South African households lived in formal dwellings, followed by informal dwellings at 13.6 per cent and 5.5 per cent in traditional dwellings (see Figure 5.13). In comparison, the Western Cape has a marginally lower proportion of households living in formal dwellings (78.9 per cent) and a marginally higher proportion of households living in informal dwellings (19.0 per cent).

¹⁷ Western Cape Department of Health, 2018b

¹⁸ Registered demand refers to those households who have provided their details to their municipality.

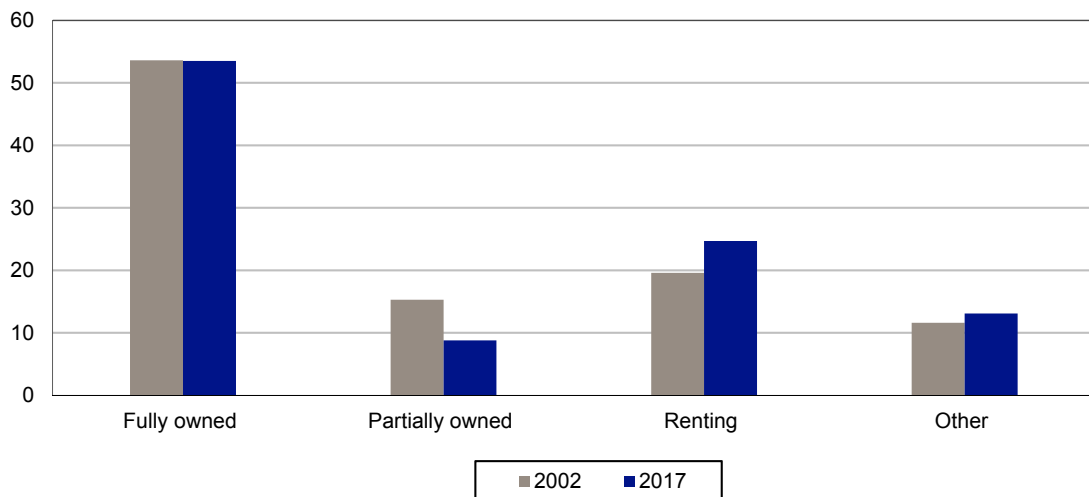
Figure 5.13 Percentage of households that lived in formal, informal and traditional dwellings by province, 2017



Source: Stats SA, 2018d

The proportion of South African households that lived in fully owned dwellings remained relatively the same at 53.6 per cent in 2002 and at 53.5 per cent in 2017 (see Figure 5.14). However, there was a notable decline in the number of households that lived in partially owned dwellings, from 15.3 per cent in 2002 to 8.8 per cent in 2017. Furthermore, the percentage of households that rented accommodation increased from 19.6 per cent in 2002 to 24.7 per cent in 2017.

Figure 5.14 Percentage distribution of dwelling ownership status for households living in formal dwellings in South Africa, 2002 and 2017



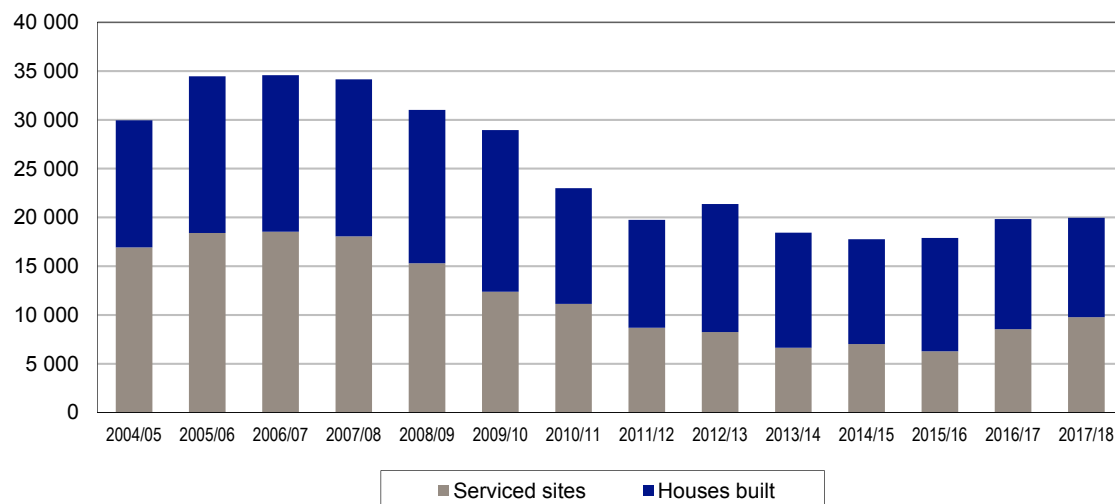
Source: Stats SA, 2018d

To understand the housing market in its entirety, one needs to look at the supply dynamics. Government has primarily been responsible for the housing provision to the lower end of the market through subsidised housing opportunities, commonly referred

to as 'RDP housing'¹⁹. In 2016, 30 per cent of the households in the Western Cape lived in RDP housing which is higher than the national average of 23 per cent.

Looking at the rate of housing delivery by the Western Cape Government over the past decade, a decline in the number of subsidised housing opportunities is noted (Figure 5.15). Housing opportunities include built houses and serviced sites.

Figure 5.15 Housing opportunities delivered in the Western Cape, 2004/05 - 2017/18



Source: Western Cape Department of Human Settlements, 2018b

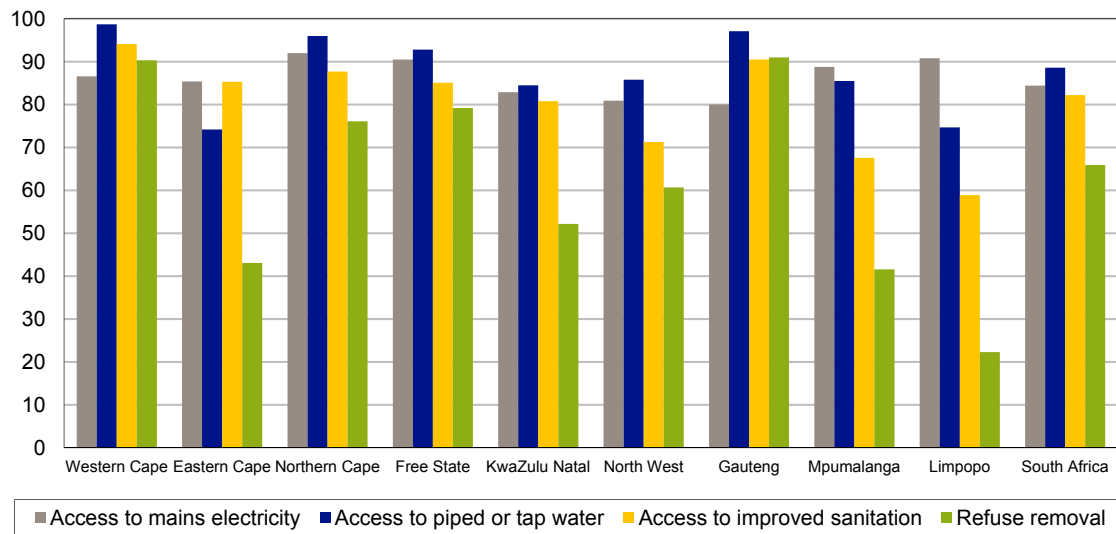
One of the biggest challenges to unlocking economic opportunities within the lower end of the housing market is the backlog in the transferring of title deeds to qualifying beneficiaries of housing subsidies. Improving their security of tenure will allow these households to own an asset, participate in the property market or use their homes for economic activity, thereby allowing them to generate an income.

5.6.2 Access to municipal services

Having adequate and affordable access to energy sources, clean running water, sanitation and refuse removal are key factors in improving living conditions and is vital to address household poverty. Increased population growth, fuelled by increased in-migration has seen the number of households expand in the Province year-on-year, impacting the basic service provision in the Province.

The main household uses of energy to satisfy basic human needs include cooking, lighting, heating water, and space heating, amongst other. Figure 5.16 shows the extent to which households are connected to and use grid or mains electricity.

¹⁹ RDP housing is subsidised housing provided by the South African Government as part of the Reconstruction and Development Programme (RDP) of 1994.

Figure 5.16 Access to basic services by province, 2017

Source: Stats SA, 2018d

The percentage of South African households that were connected to mains electricity supply increased from 76.7 per cent in 2002 to 84.4 per cent in 2017. A decline in access to mains electricity of 1.9 percentage points (to 86.6 per cent) was recorded in the Western Cape in 2017, likely as a result of growing household numbers.

Access to piped water, sanitation and refuse removal contribute to improved hygiene and disease and infection prevention. The proportion of South African households with access to piped or tap water in their dwellings increased from 84.4 per cent in 2002 to 88.6 per cent in 2017. Access to piped or tap water in their dwellings remains high in the Western Cape, at 98.7 per cent of households in 2017. Nationally, the percentage of households with access to improved sanitation increased from 61.7 per cent in 2002 to 82.2 per cent in 2017. Sanitation facilities are defined as flush toilets connected to a public sewerage system or a septic tank, and a pit toilet with a ventilation pipe. In the Western Cape access to improved sanitation increased from 92.2 per cent in 2002 to 94.1 per cent in 2017. As with access to water, the Western Cape is the province with the highest per cent of households with access to improved sanitation.

In respect of refuse removal, 90.3 per cent of Western Cape households have refuse removed at least once a week. Households in urban areas were much more likely to receive some rubbish removal service than those in rural areas, and rural households were therefore much more likely to rely on their own rubbish dumps²⁰. In 2017, the proportion of Western Cape households in metropolitan areas whose refuse was removed at least once a week stood at 89.7 per cent.

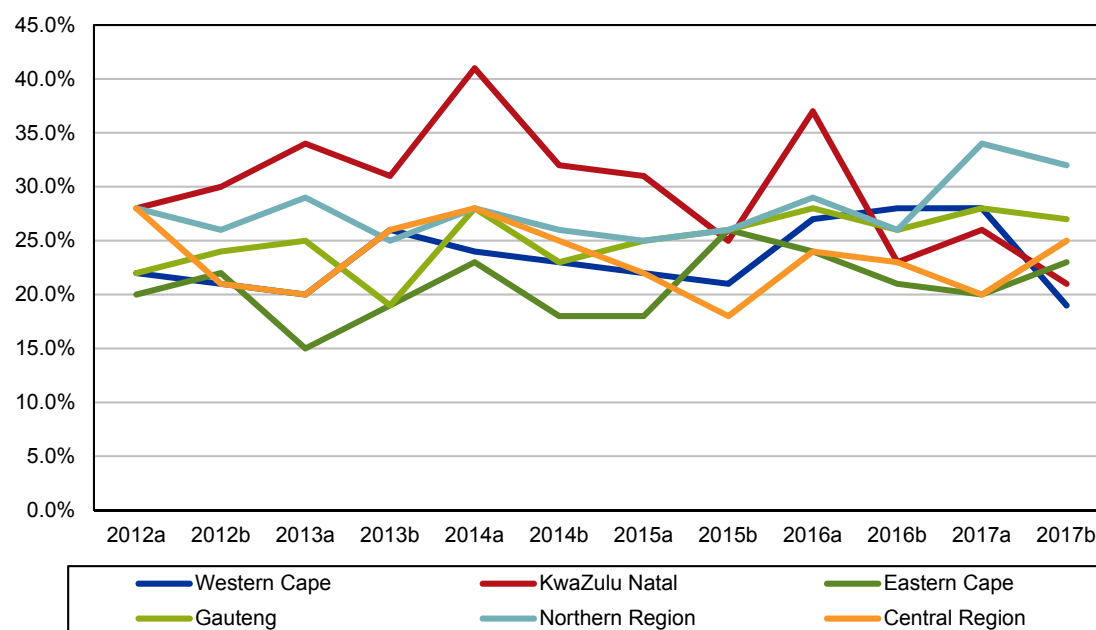
²⁰ Stats SA, 2018c

5.7 Social ills

5.7.1 Substance abuse

During the second half of 2017, 2 541 patients were admitted to the 34 government owned and/or subsidised in- and outpatient substance treatment centres across the Western Cape²¹. Methamphetamine, or 'Tik', continues to be the primary substance of use (30 per cent), followed by alcohol (24 per cent) and cannabis (22 per cent). While admission for the use of 'Tik' is high in the Western Cape relative to other provinces, the use of cannabis is lowest. Cannabis (75 per cent) remains the primary substance of abuse amongst persons under 20 years of age treated at the centres, followed by 'Tik' (9 per cent).

Figure 5.17 Treatment admissions trend in patients under 20 years of age, 2012 - 2017



Notes: Northern Region consists of Mpumalanga and Limpopo.
 Central Region consists of Free State, North West and Northern Cape.
 "a" refers to January to June, "b" refers to July to December.

Source: Dada, S., Harker Burnhams, N., Erasmus, J., Parry, C.D.H., Bhana, A. & TB HIV Care, 2018

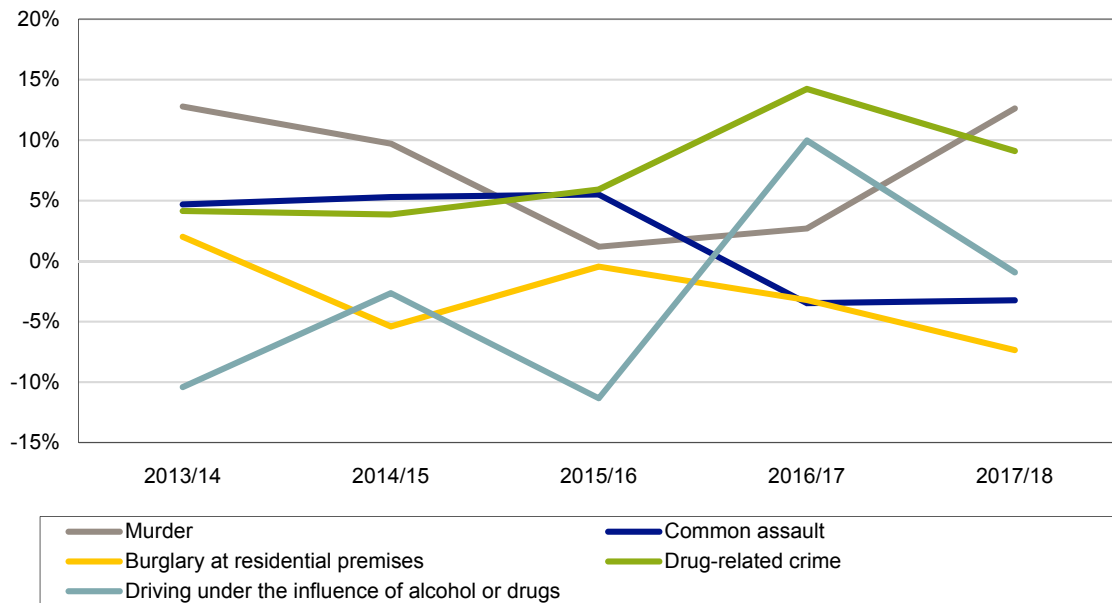
Notably, a large proportion of persons presented with a dual diagnosis upon admission, i.e. diagnosis of another illness. During the latter half of 2017, approximately 30 per cent presented with mental health problems and 39 per cent presented with hypertension, highlighting the high rate of co-morbidity associated with substance abuse.

²¹ Dada, S., Harker Burnhams, N., Erasmus, J., Parry, C.D.H., Bhana, A. & TB HIV Care, 2018

5.7.2 Crime

The most recent crime statistics, released in September 2018, points to a 13 per cent growth in the number of Murder cases reported to the Police, from 3 311 cases in 2016/17 to 3 729 cases in 2017/18 (see Figure 5.18). The growth rate in Murder cases reported has reverted back to the double digit growth rates recorded in 2013/14 and 2014/15 after a brief decline in 2015/16 and 2016/17. Murders has therefore increased at a greater pace than that observed in the previous two years.

Figure 5.18 Growth rates in reported crime categories in the Western Cape, 2013/14 - 2017/18



Source: South Africa Police Service, 2018, own calculations

The annual growth rate for cases of Burglary at Residential Premises crime category has declined by 7 per cent in 2017/18 - the lowest growth rate over the past five years. As a result of cumulative negative growth over the last four years, the number of reported cases for this crime has declined by 15.53 per cent from 50 503 cases in 2013/14 to 42 662 cases in 2017/18.

Reported Common Assault cases have continued to decline (-3 per cent) in 2017/18 following a decline in 2016/17. Over the last 5 years reported cases for this crime category has increased from 37 183 cases in 2013/14 to 38 579 cases in 2017/18, an increase of 3.75 per cent over the five-year period.

Both Driving Under the Influence of Alcohol or Drugs and Drug-Related Crime have increased year-on-year between 2016/17 and 2017/18, and may be indicative of improved policing.

The Crime Against Women Report²² showed the types of crime in which women were most vulnerable. Women accounted for a greater proportion of victims of crime for

²² Stats SA, 2018d

theft of personal property (51.7 per cent), sexual offences (68.5 per cent) and fraud (53.8 per cent). An unexpected finding of the report was that both genders had similar attitudes toward domestic violence: 3.3 per cent of men found it acceptable to hit a woman, while 2.3 per cent of women found it acceptable for a man to hit a woman.

5.8 Conclusion

The Western Cape is facing a myriad of economic, social and environmental challenges, all of which impact on development in the Province. Despite these challenges, there have been some positive developments: the HDI has continued to improve, residents of the Province appear to be more affluent relative to other provinces, life expectancy remains high in the Western Cape and maternal, child and infant mortality rates declining. Headway has also been made in respect of HIV testing and access to ART.

The growing population, changing demographic profile and impact of migration flows will have a significant impact on the Province going forward. The growing population will impact access to and quality of basic services, like education and health going forward. Current population projections estimate the proportion of school-aged children (5-14 years) to increase by close to 2.8 per cent, resulting in a potential increase in learner numbers of approximately 20 per cent to 2030. This would have a significant impact on the provision of public education and requires a substantive effort toward coordinated planning and implementation to meet the growing demand. Similarly, within the health sectors, non-communicable diseases are projected to be the key drivers of mortality and premature mortality in the Province going forward. Given low diagnosis rates, high rates of co-morbidity and high costs of treatment, the negative impact on the economy could be substantive as growing unemployment places greater strain on the provision of public health care.

A benefit of the population growth may be the expected decline in the provincial dependency ratio, reflected in the ratio of the working-age population to economically-dependent population. Often referred to as the “demographic dividend”, this ratio can be more accurately described as a metric of demographic opportunity. In many countries around the world, a working-age population that outnumbers dependents in the order of 2:1 offers a potential boost in economic growth; however, growth also depends upon factors including macroeconomic conditions, human capital investment, and the level of unemployment.

Crime continues to play a heavy burden on society, affecting not only perceptions of safety of residents, but also the economy as investors remain apprehensive hampering the potential pace of economic growth and prosperity. Poverty and inequality remain of great concern. The increased uptake of social assistance grants provides some insight into the relative hardship experienced in the Province. To ensure that growth benefits all, interventions need to provide opportunities to all facets of society, particularly those most vulnerable and most in need.

Annexure E

Annexure E1 Top 10 causes of death and Years of Life Lost, 2014 and 2015

Causes of death	% of YLL		Causes of death	% of Deaths	
	2014	2015		2014	2015
HIV/AIDS	10.5	11.7	HIV/AIDS	7.7	8.5
Interpersonal violence	11.3	10.5	Ischaemic heart disease	8.1	8.3
Tuberculosis	8.0	8.0	Diabetes mellitus	7.2	7.5
Diabetes mellitus	5.5	5.9	Interpersonal violence	7.6	7.0
Ischaemic heart disease	5.5	5.7	Cerebrovascular disease	6.7	6.6
Cerebrovascular disease	4.7	4.7	Tuberculosis	6.6	6.6
Trachea/bronchi/lung cancer	3.9	4.1	Trachea/bronchi/lung cancer	4.7	4.9
Road injuries	4.3	4.0	Chronic Obstructive Pulmonary Disorder	4.4	4.8
Chronic Obstructive Pulmonary Disorder	3.5	3.8	Lower respiratory infections	2.7	3.0
Lower respiratory infections	2.7	2.9	Road injuries	3.1	2.9

Annexure E2 Top 10 causes of Years of Life Lost by gender, 2014 and 2015

Causes of death	% of YLL - Males		Causes of death	% of YLL - Females	
	2014	2015		2014	2015
Interpersonal violence	17.6	16.4	HIV/AIDS	13.2	14.4
HIV/AIDS	8.6	9.8	Diabetes mellitus	7.6	8.2
Tuberculosis	8.9	8.8	Tuberculosis	6.8	6.9
Ischaemic heart disease	5.5	5.7	Cerebrovascular disease	5.9	6.1
Road injuries	5.4	5.3	Ischaemic heart disease	5.6	5.7
Trachea/bronchi/lung cancer	4.4	4.7	Breast cancer	4.2	3.8
Diabetes mellitus	4.0	4.1	Chronic Obstructive Pulmonary Disorder	3.3	3.5
Chronic Obstructive Pulmonary Disorder	3.6	4.0	Trachea/bronchi/lung cancer	3.3	3.4
Cerebrovascular disease	3.9	3.7	Lower respiratory infections	3.1	3.3
Lower respiratory infections	2.4	2.6	Interpersonal violence	2.5	2.4

Appendix

Western Cape statistics

Indicator	GDP at market prices - Total R million	GDP - Agriculture R million	GDP - Mining R million
2011	386 830	14 784	908
2012	397 707	15 159	920
2013	407 932	15 659	946
2014	417 068	16 829	1 011
2015	423 322	16 465	1 010
2016	428 161	15 282	1 009
Annual average growth	2.1	0.8	2.1

Indicator	GDP - Manufacturing R million	GDP - Electricity R million	GDP - Construction R million
2011	56 979	7 591	14 737
2012	58 072	7 588	15 179
2013	58 516	7 529	15 934
2014	58 442	7 456	16 507
2015	58 993	7 304	16 901
2016	58 918	7 132	17 119
Annual average growth	0.7	-1.2	3.0

Indicator	GDP - Wholesale and retail trade R million	GDP - Transport, storage and communication R million	GDP - Finance, real estate and business services R million
2011	55 997	36 271	103 280
2012	58 283	37 045	106 547
2013	59 760	37 969	109 652
2014	60 835	39 265	112 485
2015	62 120	39 587	115 986
2016	63 461	39 990	118 709
Annual average growth	2.5	2.0	2.8

Indicator	GDP - Community and social services R million	GDP - General government R million
2011	23 926	37 075
2012	24 514	38 340
2013	25 145	40 054
2014	25 564	41 450
2015	25 843	41 938
2016	26 245	42 475
Annual average growth	1.9	2.8

Indicator	Building plans passed: All buildings	Building plans passed: Residential	Building plans passed: Non-residential	Building plans passed: Additions and alterations
	R'000	R'000	R'000	R'000
2011	14 093 960	5 850 214	2 620 612	5 623 134
2012	16 281 016	6 777 787	3 691 964	5 811 265
2013	18 593 652	8 021 430	3 883 346	6 688 876
2014	23 708 177	9 746 898	7 219 887	6 741 392
2015	25 371 628	12 603 919	5 363 906	7 403 803
2016	29 914 282	15 456 964	6 290 727	8 166 591
2017	31 180 516	16 317 005	5 808 086	9 055 425
Annual average growth	14.4	18.9	19.3	8.4

Indicator	Buildings completed: All buildings	Buildings completed: Residential	Buildings completed: Non-residential	Buildings completed: Additions and alterations
	R'000	R'000	R'000	R'000
2011	10 406 295	4 695 390	1 940 058	3 770 847
2012	11 011 674	5 061 196	2 470 693	3 479 785
2013	15 694 913	6 842 355	3 475 479	5 377 079
2014	11 507 035	5 850 311	2 571 872	3 084 852
2015	16 031 647	8 368 631	4 166 530	3 496 486
2016	17 812 988	9 478 713	4 031 032	4 303 243
2017	22 290 980	11 553 753	5 588 714	5 148 513
Annual average growth	16.2	17.8	23.2	10

Indicator	Electricity consumption (Gigawatt-hours)	Air traffic (Arrivals)	Air traffic (Departures)
2011	23 495	4 492 699	4 509 032
2012	23 675	4 511 830	4 549 110
2013	23 202	4 441 541	4 467 745
2014	23 259	4 600 345	4 633 586
2015	22 861	5 032 514	5 073 048
2016	22 517	5 395 986	5 432 904
2017	22 675	5 706 050	5 772 499
Annual average growth	-0.6	4.1	4.3

Indicator	Crop estimates (Wheat - Tons)	Vehicle sales (units)
2011	710 000	45 598
2012	897 600	51 361
2013	928 000	52 051
2014	899 000	49 579
2015	697 500	48 995
2016	1 098 200	41 862
2017	586 800	41 115
Annual average growth	2.5	-1.4

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Glossary

Agri-processing	Refers to the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agri-processing industry thus means transforming products originating from agriculture, forestry and fisheries.
Balance of Payments	The Balance of Payments shows a country's transactions with the rest of the world. It notes inflows and outflows of money and categorises them into different sections.
Bond yields	The amount of return an investor will realise on a bond. Though several types of bond yields can be calculated, nominal yield is the most common. This is calculated by dividing amount of interest paid by the face value. Current yield is calculated by dividing the amount of interest it pays by current market price of the bond.
Business Process Outsourcing	A subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider.
Business Confidence Index	A survey completed by senior executives in the trade, manufacturing and building sector during the last month of every quarter.
Consumer Price Index (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Comparative trade advantages	The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio.
Current Account (of the balance of payments)	The difference between the total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.

Currency Trade Weighted Index	A measurement of the foreign exchange value of a local currency compared against certain foreign currencies. Trade-weighted currency gives importance - or weight - to currencies most widely used in international trade, over comparing the value of the local currencies to all foreign currencies. Since the currencies are weighted differently, changes in each currency will have a unique effect on the trade-weighted local currency and corresponding indexes.
Dependency ratio	The size of the dependent population (children and the elderly) relative to the size of the working-age population.
Discouraged work seeker	A person who was not employed during the reference week, who wanted to work and was available to work or start a business, but who did not take active steps to find employment or start their own businesses, on condition that the main reason for not seeking work was either a lack of available jobs in the area, an inability to find work requiring his/her skills, or the loss of hope of finding any kind of work. Discouraged workseekers are also referred to as the non-searching unemployed.
Employed	All working-age individuals who did any work for at least one hour during the reference week. Individuals who had a job or a business but were temporarily absent during the reference week are also considered employed.
Employment-to-population ratio	The size of the employed population relative to the size of the working-age population.
Expanded unemployment	Comprises all working-age individuals who were not employed during the reference week, but were willing and able to work. The expanded unemployed include all individuals unemployed according to the narrow definition of unemployment as well as all discouraged workseekers (i.e. the searching and the non-searching unemployed).
Fixed investment	Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology.
Food Poverty line	The food poverty line is the rand value below which a person is unable to purchase enough food to meet minimum daily energy requirements.

Formal sector	The formal sector covers all employment not included in the informal sector, but excludes domestic workers.
Gini coefficient	The Gini coefficient is a measure of statistical dispersion to represent income distribution. The coefficient varies between 0, representing complete equality, and 1, representing complete inequality.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
Halal	It refers to actions that are permitted to Muslims in terms of Islamic laws. It is often used to describe foods consumed by Muslims.
Halal-relevant	Refers to products where there is some degree of concern over whether they can be consumed by Muslims.
Human Development Index (HDI)	The HDI attempts to quantify the extent of human development of a community and is based on measures of life expectancy, literacy and income. It is seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in community life and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.
Industrial Policy Action Plan (IPAP)	The Industrial Policy Action Plan (IPAP) 2016/17 is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). The IPAP is a key pillar of the Nine Point Plan. IPAP is aligned with the Medium Term Strategic Framework (MTSF) and the Medium Term Expenditure Framework, (MTEF). Its policy foundation is provided by the National Industrial Policy Framework (NIPF) adopted in 2007. Government policy identifies industrial development as one of the key pillars required to catalyse inclusive growth with an emphasis, on value-addition, labour intensive sectors.
Industrial Development Zone (IDZ)	Designated sites linked to an international air or sea port, supported by incentives to encourage investment in export-oriented manufacturing and job creation.

Infant mortality	The probability of a child born in a specific year dying before reaching the age of one, expressed per 1 000 live births.
Inflation	An increase in the general level of prices.
Informal sector	The informal sector is comprised of (i) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages; and (ii) employers, own account workers and individuals who help unpaid in household businesses that are not registered for either income tax or value-added tax.
Intermediate inputs or intermediate consumption	Refer to all goods and services bought by the producer to combine with the 'primary inputs' to produce the final output.
Labour - skills mix	The term 'skill mix' can refer to the mix of posts in the establishment; the mix of employees in a post; the combination of skills available at a specific time; or the combinations of activities that comprise each role, (rather than the combination of different job titles). Mix can be examined within occupational groups, or across different groups.
Labour force	All individuals within the working-age population who are employed or unemployed (i.e. the labour force consists of all who are willing and able to work).
Labour force participation rate	The proportion of the working-age population who are members of the labour force (i.e. who are either employed or unemployed).
Labour market	A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.
Labour productivity	A ratio measured by the output per worker ratio (total output/total formal employment).
Lower bound poverty line	The lower bound poverty line is a rand amount with which an individual is unable to purchase both adequate food (to cross the food poverty line) and non-food items, forcing them to trade-off food for non-food items.
Medium Term Strategic Framework	Defines the strategic objectives and targets of National Government over a five-year period, coinciding with the electoral term.

Narrow labour force	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Narrow unemployment rate	Refers to people who are unemployed and actively seeking work.
National Development Plan (NDP)	A long term vision and plan for South Africa. It serves as a blueprint for the work that is still required in order to achieve the desired results in terms of socio-economic development and the growth of this country by 2030.
Non-searching unemployed	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Offshore Business Process Outsourcing	It can broadly be viewed as a process whereby businesses subcontract a number of non-core business related operations (mainly provision of services) to a third party. Offshore implies it is placed in another country. These business operations must be something that a firm could do internally or used to do internally, and then choose to outsource based on varying reasons, which may include cost reduction.
Operation Phakisa	Operation Phakisa extends beyond the oil and gas industry, and includes three other areas: marine transport and manufacturing, aquaculture, marine protection services and ocean governance. Operation Phakisa even aims to benefit the coastal tourism sector.
Primary inputs	Constitute the factors of production (like land, labour, capital and entrepreneurship), the remuneration of which is reflected in the value added, and are internal rather than upstream activity. In explicit terms, primary inputs plus intermediate inputs equal the final output.
Project Khulisa	The project's purpose is to accurately identify the parts of the Western Cape economy with the greatest potential for accelerated, sustained growth and job-creation - and then double down on driving the specific actions that government and business can take to unlock that potential.
Quantitative Easing	Monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply.

Provincial Strategic Plan (PSP)	The WCGs five-year strategic plan, coinciding with the 5-year electoral term, that gives effect to the National Development Plan and Provincial Strategic Goals.
Real Disposable Income	The amount of money that households have available for spending and saving after income taxes and inflation have been accounted for.
Real GDP	A macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation).
Regional Gross Domestic Product (GDPR)	GDPR at market prices equals the sum of gross value added by all industries at basic prices plus taxes on products minus subsidies on products in a region.
Semi-skilled labour	A segment of the workforce who generally performs work of a routine nature of limited scope, wherein the emphasis is not so much on judgment and skill capability - but more so the proper discharge of duties assigned.
Skilled labour	A segment of the workforce who has special skill, training, knowledge, and (usually acquired) ability in their work. A skilled employee is capable of working efficiently of exercising considerable independent judgment and of discharging his/her duties with responsibility. A thorough and comprehensive knowledge of the trade, craft or industry is required.
Southern African Customs Union	A customs union among five countries of Southern Africa: Botswana, Lesotho, Namibia, South Africa and Swaziland. Its headquarters is in the Namibian capital Windhoek, it was established in the year of 1910.
South African Development Community (SADC)	An inter-governmental organization headquartered in Gaborone, Botswana. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 15 southern African states.

Thembisa model	Developed at the University of Cape Town, Thembisa is a mathematical model of the South African HIV epidemic. The model is designed to answer policy questions relating to HIV prevention and treatment. It is also a demographic projection model and a source of demographic statistics.
Total fertility rate	The number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.
Trade, Development and Cooperation Agreement (TDCA)	A treaty concluded between the European Community and South Africa. The treaty consists of three areas of agreement. First of all, it includes a free trade agreement between the EU and South Africa. Secondly, it includes development aid. Thirdly, it includes several areas of cooperation, such as economic and social cooperation. The TDCA was signed in 1999 and came into force in 2004.
Under 5-years mortality rate	The probability of a child born in a specific year dying before reaching the age of five, expressed per 1 000 live births.
Unemployed	Comprises all working-age individuals who were not employed during the survey reference week, but were available to work during that time and actively sought employment or had taken steps to start their own business during the four weeks prior to the interview (or had not actively sought employment in the four weeks prior to the interview but had a job or business to start at a definite date in the future and were available). This is the official (narrow) definition of unemployment.
Unemployment rate	The proportion of the labour force that is unemployed.
Upper bound poverty line	The lower bound poverty line is a rand amount with which an individual has enough resources to purchase adequate food and basic non-food items, but not enough to lift them out of poverty.

Value chain	Value chains reflect links as bundles of activities aimed at designing, producing, marketing, delivering or supporting the final product or service. Value chains are supported by secondary activities throughout the process, such as procurement, human resource management, and infrastructure and technological development.
Working-age population	All individuals aged between 15 and 65 years, irrespective of whether or not they are economically active.
Years of Life Lost	Years of life lost is an estimate of the average years a person would have lived had he or she not died before the estimated life expectancy. Years of life are lost take into account the age at which deaths occur by giving greater weight to deaths at older age. It is therefore a measure of premature mortality.