

**Western Cape Government
Provincial Treasury**

**Municipal Economic Review and
Outlook
2023/24**

Speech

***“The Promise of a Thriving Economy – Our Municipal Building
Blocks for Growth”***

**Minister of Finance and Economic Opportunities
Ms M Wenger**

22 November 2023

Provincial Treasury

Business Information and Data Management

Private Bag X9165

15 Wale Street

Cape Town

tel: +27 21 483 5618

Email: pt.communication@westerncape.gov.za

www.westerncape.gov.za

Speech by Mireille Wenger
Minister of Finance and Economic Opportunities
Municipal Economic Review and Outlook 2023/24
'The Promise of a Thriving Economy – Our Municipal Building Blocks for Growth'
23 November 2023

Honourable Speaker and Deputy Speaker

Honourable Premier and Cabinet Ministers

Honourable Leader of the Opposition

Honourable Members

People of the Western Cape

1. Introduction

In September, I had the honour of tabling before this House the Provincial Economic Review and Outlook for 2023/24, or PERO, which kicked-off our annual budgetary processes.

And today, I am extremely proud to share the invaluable insights contained in the PERO's immensely impressive sister publication, the Municipal Economic Review and Outlook for 2023/24, or MERO, which drills down into key trends in our municipalities.

The MERO provides an in-depth look into each of the five district municipalities, one metropolitan municipality, and every one of our 24 local municipalities in the province, giving us the evidence we need to fully realise the many opportunities across Western Cape.

And this data is so important precisely because our municipalities are our building blocks for economic growth and by understanding the various trends in each district, each local municipality, and the metro, we are empowered with the information and evidence we need to deliver a better future, in which we create many more jobs and, with those jobs, *hope* for our residents.

Some of the innovations in the 2023/24 MERO include spatial tax employment data, set out at subsector and town level, as well as new indicators including the number of grant recipients; levels of malnutrition; food poverty; literacy levels by race; Grade 3,6, and 9 language and maths pass rates; Grade 12 bachelors pass rates as well as housing demand for each municipality in the Western Cape.

For us in the public sector, this information generates a fresh understanding of the spatial dynamics of our municipal economies, empowering local and provincial governments with the evidence needed to identify and address trends based on actual data, so we can take advantage of clear competitive advantages, that will enable economic growth and job creation in their regions.

And for the private sector, the MERO gives a concise analysis of investment potential, comparative advantage, and economic specialisation of each local municipal area, providing data-led evidence to inform and drive private sector investments across our province, for the benefit of all.

The insights and analysis shared in the MERO is a core part of our commitment to govern with purpose, towards productive and meaningful economic growth, which sits at the heart of the Western Cape's 'Growth For Jobs' strategy, reflecting our knowledge that it is the private sector that creates jobs, and that government's role is to make this as easy as possible.

We also know that our province is experiencing a substantial growth in population, increasing demand for basic services in education and health, as well as the demand for housing in the province.

Coupled with the ongoing energy crisis, it is clear that the work underway in our municipalities towards growth, jobs, hope, and dignity will require tough tradeoffs to achieve better results.

That makes the importance of the information, data and analysis contained in this mighty tome we call the MERO, especially important this year as we work to realise the ***Promise of a Thriving Economy Through Our Municipal Building Blocks for Growth in the Western Cape.***

And so, before I share some of the key trends that emerge from the data, I'd like to express my heartfelt gratitude for the herculean effort put in by our public servants in the Provincial Treasury.

A special word of thanks goes to Shirley Robinson, Nadia Rinquist, Shannon Engel, and Marietha Jacobs for their impeccable work on the MERO, under the guidance and leadership of our Acting Head Official of the Treasury, Ms Julinda Gantana.

2. Importance of local government – building blocks of growth

Speaker,

As we are all well aware, years of loadshedding, national government corruption, combined with the ballooning public-sector wage bill and continued failure of critical state-owned enterprises, like Eskom and Transnet, means we face an unprecedented fiscal crisis.

More than ever before, the Western Cape is pressed to do far more with much less to ensure that frontline services are delivered to those who need them most.

For municipalities, our growth drivers, which are at the very coalface of service delivery that supports and enables the growth of local economies, the constrained fiscal environment and cross-cutting socio-economic challenges requires further improved planning, budgeting, cooperation, and coordination between the various spheres of government.

And so, the MERO provides the insights municipalities need to formulate targeted responses in their Municipal Integrated Development Plans; spatial development frameworks; local economic development strategies; and budgets for evidence-based decision making.

It also empowers us to identify what plans are working and where, so that the best outcomes can be replicated, and non-performing interventions can be adjusted to improve their impact.

3. Headwinds and population dynamics

Although not unique to South Africa, the post-COVID 19 global economy continues to face challenges including supply chain disruptions, food and fuel price inflation which are exacerbated by geopolitical tensions.

We are not immune to these impacts but here in South Africa, we have the additional crippling burden of loadshedding - now running for a quarter of a century.

In spite of this, we continue to see job creation and growth improve, reflecting the Province's adaptability and resilience in the face of changing economic paradigms reinforcing the importance of this government's commitment to our priorities of jobs, safety, and wellbeing.

Projections for population growth indicate an upturn in the growth rate during 2023, which will settle at this higher level over the medium-term.

It is vital that this population growth is factored into the planning and budgeting of all spheres of government because it will have an impact on service delivery, especially in frontline services and housing demand.

Load-shedding continues to place significant stress on municipal finances, which are already constrained and reliant to a large extent on revenue generated through the provision of electricity.

Municipal budgets, particularly their capital budgets, are thus dependent on financial assistance in the form of grants and transfers from the National and Provincial Government.

With the national fiscus under substantial pressure, translating into cuts to municipal grants, it is more critical than ever that municipalities explore alternative financing for infrastructure developments and take a proactive role in championing energy sustainability aimed at stimulating economic growth and employment opportunities.

4. Energy

The national energy crisis is one of the country's most pressing problems. And in the Western Cape with our abundance of natural resources, renewable energy presents us with an opportunity for economic growth.

The benefits of attracting renewable energy investment are two-fold: ensuring a stable supply of power that businesses need to maintain and expand operations, and the opportunity to turn to far more sustainable energy production methods, that secure the electricity supply in the long run and transform the sector to make sure every resident and business is enabled to build their skills and jobs towards a brighter future.

Determined work is therefore under way to make sure that no municipality is left behind in our quest to be more energy resilient over the short, medium, and longer term.

5. Economic growth, jobs, and employment

Speaker,

Turning to our provincial and regional economic indicators, we saw great momentum in our post-COVID provincial economy last year, and the MERO details our expectation that our Provincial Gross Domestic Product (GDP) will slow across the districts in 2023.

But, by 2024, forecasts reflect that economic expansion will exceed pre-COVID levels (from 2015 to 2019) in all regions outside of the Cape Metro, giving a clear indication of just how valuable municipalities are as our building blocks of growth.

Gross Domestic Product per Region (GDPR) performance is normalising to pre-COVID-19 levels, and all districts outside of the Cape Metro have grown and increased their contribution to GDPR in 2022. The same is true for the contribution to employment.

In 2022, the three municipalities that contributed the most to GDPR growth were the Cape Metro, George and Drakenstein, with Langeberg, Kannaland and the Breede Valley exhibiting the highest GDPR growth in the province.

By 2022, GDP in all districts and the metro had fully recovered the economic losses due to the Covid-19 pandemic. This is very welcome news and I congratulate each of these regions.

We also saw the unemployment rate decrease from 28.8% in 2021 to 28.6% in 2022 in the City of Cape Town, with both the labour force participation and absorption rates increasing in the same period.

The same impressive rebounds and increases in employment as well as decreases in unemployment can be seen in the West Coast, with just over 10 800 new jobs created between 2021 and 2022, with a decrease of 0.7% in unemployment.

The Overberg saw an increase of nearly 9 000 new jobs between 2021 and 2022 and a 1.3% decrease in unemployment, the Garden Route District saw a decrease of 1.2% in unemployment, and in the Central Karoo, unemployment decreased by 0.9% over the same period.

In every single district across the province, as well as in the Cape Metro, both the labour force participation rates and the labour absorptions rates increased between 2021 and 2022, showing that more people are not only available and looking for work, but are also *finding* work in the Western Cape. These trends combined with the recent data released

by Statistics South Africa in the most recent Quarterly Labour Force Survey show that our job figures for 2023 look even more promising.

While we continue to work hard to enable more job creation in the Western Cape, it is encouraging to see low rural unemployment rates, with four out of six regions having unemployment rates below 20%, with the Cape Winelands and Overberg Districts under 15%.

6. Trade

Speaker, the Western Cape is working.

From the SARS data, we see that in the Cape Winelands, the West Coast and the Garden Route districts, the growing of perennial crops, such as apples, pears, grapes, citrus, wheat, and canola, are responsible for the majority of formal jobs.

In fact, perennial crop production accounts for 5.6% of all provincial fixed term employment opportunities, or more than 101 000 jobs.

The top export from the Cape Winelands in 2022 was citrus to the value of R8.1 billion, destined mainly for the Netherlands.

The Garden Route produced apples, pears, and quinces to the value of R1.6 billion, mostly bound for Norway as the top export destination, while in the Overberg, the same products worth R817.5 million, were exported mainly to the United Kingdom, and nearly R22 million worth of sweetened milk and cream being exported from the Central Karoo with their top export market being our neighbour, Namibia.

We can see from the MERO that our world-class agricultural goods are sought after globally, giving us the opportunity to truly unleash our municipal building blocks of growth, by leveraging this sector to contribute even more to economic growth and job creation.

This is precisely why we are determined to get the Port of Cape Town functioning optimally, and precisely why it is high time Transnet urgently invests in port infrastructure and

equipment needed to support the current and future expansion of our world-renowned, in-demand agricultural produce.

Because when our port works, so too will our economy, enabling the creation of many more jobs for residents in the province and country.

When looking at the skills landscape, we see an apparent rise in the demand for skilled labour, driven by technological advancements, and the continued structural shift of the Western Cape economy towards tertiary sector activities.

This trend underscores the importance of upskilling initiatives and reaffirms the work the Western Cape government is achieving in growing the business process outsourcing or BPO sector.

Going forward, prioritising education and learner support should continue to be a strategic priority, given the labour market's increasing skills requirements.

7. Tourism

Speaker,

The MERO details the strong performance of tourism, as an especially strong building block for growth, in our municipalities.

We have seen the very impressive recovery of the tourism sector overall, contributing greatly to economic growth and job creation.

Tourist spending as a proportion of GDP is increasing in all districts and the Cape Metro, with the exception of the Central Karoo district, which saw a decrease in tourism spending as a share of GDP.

In the Cape Metro, the tourism sector experienced a substantial growth of 191.2% in international bed-nights between 2021 and 2022, while domestic bed-nights decreased by 0.3% in the same period.

The majority of visitors to the West Coast are domestic travellers (84.7%). We are seeing that the international market (15.3%) is showing impressive growth, with an increase of 195.9% in bed-nights between 2021 and 2022 in this region.

Similarly, most (95.7%) of visitors to the Garden Route are domestic, despite domestic bed-nights contracting by 3.7% between 2021 and 2022.

This district also showed an impressive growth in international visitors, with a 193% increase in international bednights. The growth in both these regions reflect the determined work that the province is doing to ensure that our visitors stay longer, travel further and spend more forex across our wonderful region.

Of note is the fact that 44.9% of overnight visitors to the Central Karoo were international, and international bed-nights grew by 194.1% between 2021 and 2022.

However, we are seeing the impact of the cost-of-living crisis on domestic tourism, with tourism spending as a share of GDP decreasing between 2020 and 2022 – from 13.1% to 9.6%.

This clearly shows the impact of the ever-increasing cost of living and why I remain on my mission to engage with Minister Motsoaledi to ensure our visa regime becomes an enabler of economic growth and job creation, rather than the unnecessary obstacle it currently is.

8. Infrastructure

Speaker,

As much as we believe that it's the private sector that creates jobs, we know that government has a vital role to play to support and enable that growth.

Public sector infrastructure spend is a central pillar of economic development, a key measure of the health of an economy, as well as the commitment of a government to supporting the future growth of an area.

The utilisation of spatial data and strategic planning is essential to guarantee that infrastructure projects are well-suited to their respective regions, so that we can spend wisely to realise the best results for residents.

Overall, and over the Medium-Term Expenditure Framework, our district and metro municipalities will be collectively spending R56.1 billion on infrastructure, including wastewater management, energy sources and water management, human settlements, transport, and public works.

In the City of Cape Town alone, infrastructure spend budgeted for the current 2023/24 financial year is R11.0 billion, with a strong focus on wastewater, road transport, energy sources, and water management.

In the West Coast District, in 2023/24, R12.9 million has been allocated for water management infrastructure in the Matzikama municipal area, and a total of 100 MTEF projects planned for the district over the next 3 years, valued at R2.3 billion.

With the Garden Route District being susceptible to drought, George, Bitou and Oudtshoorn municipalities have made water management a priority – allocating R380.3 million, R27.3 million and R18.0 million, respectively.

At the same time, Hessequa Municipality has allocated the highest proportion of its 2023/24 infrastructure budget to energy sources (R24.2 million), and overall for the region, municipalities are spending R4.8 billion over the MTEF in the region, clearly building for growth.

Other critical infrastructure investments detailed in the MERO and across our municipal building blocks of growth, are the budget allocations for the maintenance and upgrades of road infrastructure, which have been prioritised due to their role in supporting and enabling mobility, trade, and tourism.

And in the Cape Winelands, a total of 151 projects are planned over the 2023/24 MTEF, totalling R5.5 billion, with a focus on transport and public works (R4.2 billion) and human settlements (R620.8 million).

As we have witnessed recently, we cannot ignore the impacts of climate-related disasters on our road infrastructure, and more will be shared on the province's response during the Adjustment Budget that I will deliver next week, on Tuesday 28 November.

I would like to commend my colleagues in Local Government and Infrastructure under the leadership of Ministers Bredell and Simmers respectively in their coordinated and swift response to the most pressing needs of our provincial communities and economy.

9. Well-being

Speaker,

When we look at measures to improve the well-being of residents, as well as the impact of key interventions to address income inequality, standard of living and the like, we look to the Gini coefficient as well as the Human Development Index (HDI), as a composite measure of three basic aspects of human development, being health, knowledge, and standard of living.

9.1 HDI and Gini Co-efficient

Income inequality in the Cape Metro, measured by the Gini co-efficient, is on par with the Province at 0.601 in 2022, and better than that of South Africa, which sits at 0.618, indicating that there is less inequality in the Western Cape than in the country as a whole.

Looking at longer term trends, it is encouraging to see that the Gini co-efficient declined in the Cape Metro area and the Province between 2019 and 2022.

The Human Development Index or HDI, which measures health, education, and standard of living, of the Cape Metro at 0.734 exceeds that of the Province at 0.722 and the rest of the country at 0.654, indicating that residents are better off in the Cape Metro area.

In the West Coast District after declining in 2021, the HDI improved in 2022 but remains lower than recorded before the COVID-19 pandemic due to the slow recovery of income. The recovery of HDI in all regions has been impacted by the slow income recovery, apart from the Central Karoo where HDI is higher than it was prior to the pandemic.,

While levels of poverty remain a concern in the West Coast, we have seen positive movements in the right direction, with the proportion of people below the food poverty line declining from 31.7% in 2021 to 30.7% in 2022. Overall, it remains lower than the overall provincial food poverty level of 32.9%, and the national food poverty level of 35.3%.

In 2022, income inequality in the Cape Winelands was lower compared to the Province, with only the Stellenbosch municipal area exceeding the NDP 2030 target of 0.60 with a Gini coefficient of 0.607.

While income inequality in the Overberg (0.605) slightly exceeded that of the Province (0.601), income inequality has steadily declined since 2020 in all municipal areas of the district. This district also had fewer people below the food poverty line (24.2%) than the Province (32.9%).

Income inequality in the Central Karoo is comparatively low, with a Gini co-efficient of 0.580 in 2022. This region also saw a decline in the number of indigent households in 2022, while the proportion of people below the food poverty line declined to 27.9% in 2022.

This data is perhaps what makes the MERO so valuable for us in government – the work being done in our municipalities does matter to households and families, and the evidence is reflecting improvements in standards of living, across the province.

9.2 Education

Equally important are education outcomes, as Minister Maynier will agree, and I commend and welcome the improvements in learner-to-teacher ratios across the province - despite the rapid increase in learner numbers.

We have also seen continuous improvement in retention rates across the province.

The Cape Metro, West Coast and Cape Winelands districts recorded a reduction in their learner-teacher ratio, which is admirable considering all three recorded an increase in learners in 2022. And, in the Cape Metro, at 30.4 learners per teacher, the ratio is lower than the level desired by the Department of Basic Education of 35:1 learner-teacher ratio for ordinary high schools and 40:1 for ordinary primary schools.

And while the Cape Metro recorded the highest bachelor pass rates in the province at 42.4%, we are concerned with the declining matric pass rates in the West Coast, Garden Route, and Central Karoo.

Other positive education outcomes include the Grade 10 to 12 learner retention rate in the Western Cape, which increased from 67.8% in 2020 to 75.3% in 2022. This means our children are staying in school, for longer.

We noted learner-to-teacher ratios in the Overberg declining to 29.6 in 2022, despite a substantial increase in learners in 2022 (1 469), most of which are in the Theewaterskloof and Overstrand municipal areas.

Other education improvements include higher pass rates in languages and mathematics for Grade 3s and Grade 6s in most municipal areas in the Overberg.

In the Garden Route, the increase in learner enrolment was met with an increase in teachers, resulting in a marginal decline in the learner-teacher ratio in 2022. Other positive education outcomes include improving learner retention rates in all municipal areas, except in the Hessequa and Mossel Bay municipal areas.

And finally, the Central Karoo District recorded positive changes in several education indicators, including increased learner enrolment, a decline in the learner-teacher ratio and an increase in the Grade 10 to 12 learner retention rate.

9.3 Health

Speaker,

When we turn to key health outcomes across the Western Cape's regions, the MERO uses maternal mortality and data on teenage pregnancies to show progress.

In the Western Cape as a whole, delivery rates of females between the ages of 10 and 19 remained stable at 11.5% in the 2021/22 and 2022/23 years, and we welcome the news that in each of the Cape Winelands, Overberg, Garden Route, and Central Karoo districts, teenage pregnancy has decreased.

However, teenage pregnancy remains concerning in the West Coast District, as well as Witzenberg in the Cape Winelands, which had the highest proportion of teenage births in the district in 2022 at 16.3%. However, this was 0.7 percentage points lower than in 2021.

There have also been concerning increases in maternal mortality data in the Garden Route, and specifically in Mossel Bay. In the Central Karoo district, a sharp increase in neonatal mortality – from 7.5 deaths per 1 000 live births in 2021 to 23.2 deaths per 1 000 live births in 2022, as well as an increase in maternal deaths rates.

It has however been encouraging to see the declining rates of maternal mortality in the Cape Metro, Cape Winelands, and West Coast districts, which Minister Mbombo will welcome, and I am sure, will leverage the learnings from these districts, to replicate support in the regions where maternal deaths have increased.

The Cape Metro area recorded an increase in the low-birth-weight rate and an increase in the number of children affected by severe acute malnutrition, which is aligned with the elevated levels of food poverty prevalent in the Cape Metro area, while in the West Coast District, all municipal areas recorded a reduction in the number of children with severe acute malnutrition, except the Matzikama municipal area, which increased from 1.2 per 1 000 children under five years to 3.1 per 1 000 children under five years.

Speaker, this only strengthens our resolve to do even more with our diminishing resources for the families that are making the Western Cape their home.

10. Safety

Turning to a topic which keeps us all up at night, especially Premier Winde and Minister Allen, is the safety of our residents, communities, and businesses in the Western Cape.

The rise in the incidence of crime in the Western Cape remains a concern because we know that it impacts the quality of life of our communities and compromises economic growth by discouraging investment and capital accumulation - all of which has the potential to derail social-economic improvements.

MERO shows that some inroads are being made to reduce some categories of crime, and in 2022/23, the crime rate in the Cape Metro remained 2.9% lower than that of pre-pandemic levels.

However, a cause for significant concern is the fact that drug-related crime has increased in almost all municipalities across the Western Cape between 2021 and 2022.

The data in MERO highlights the inextricable link between joblessness, poverty, and the incidence of drug-related crimes. As a complex and multifaceted problem, combating this scourge as well as crime overall, requires an all-of-society plan of action and will remain a priority of this government, as it should be a priority for national government holding policing and safety purse-strings.

11. Conclusion

While the MERO reflects the continued challenges in terms of joblessness, safety, and wellbeing, it also shows us the very real and present opportunities we have to build our path to prosperity.

Only by working together with local, district and provincial governments as well as the private sector, can we improve the foundations of growth, unlock opportunities to drive economic growth, and create jobs across the province.

And only by growing our economies at all levels, meticulously supporting the building blocks of growth in each of our municipalities, can we help lift more people out of poverty, and into work and hope, giving them the opportunities they need to pursue prosperity.

12. Tabling

It is therefore my pleasure to table the Municipal Economic Review and Outlook 2023/24 in the Western Cape Provincial Parliament.

I would like to thank the Local Government Budget Office within Provincial Treasury for their immense effort in putting this remarkable research report together and especially their commitment to making the information easily accessible, through the stunning design elements, layout, and the superb infographics.

I'd like to express my sincere gratitude to the Local Government Public Finance team, Steven Kenyon, Thobelani Ntshingila, Isaac Tsie, and Dian Cronje for the support they provide to all municipalities. We appreciate deeply your hard work. And to the entire provincial "Team Finance", under the leadership of Acting Head Official, Julinda Gantana, for the immeasurable contribution made to supporting municipalities with this data so they continue to be our building blocks for growth, prosperity, and hope.

And of course, to all our Mayors, Mayco members, and municipal officials, who are on the frontline of service delivery in the Western Cape - thank you for all that you do to support our municipalities, our building blocks for growth and our promise of a thriving economy for the people of the Western Cape.

Thank you.