



Annexure B: Detailed Economic Sector Analysis

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A notable strength of Cape Town's economy is that it is well-diversified with contributions to Gross Geographic Product (GGP) from a range of sectors. However, in line with global and national trends, there has been a shift towards the service sectors.

Cape Town's sectoral growth 2005 – 2008 and analysis:

Sector	2005	2006	2007	2008
Agriculture, forestry and fishing	1,812	2,310	2,922	3,630
Mining and quarrying	255	296	336	478
Manufacturing	26,845	29,339	33,404	38,803
Electricity, gas and water	2,566	2,838	3,183	3,627
Construction	4,636	5,794	7,219	8,947
Wholesale and retail trade, catering and accommodation	22,867	25,721	28,205	30,932
Transport, storage and communication	16,114	17,426	18,948	20,179
Finance, insurance, real estate and business services	51,762	57,577	68,586	77,880
Community, social and personal services	4,986	5,709	6,509	6,878
Other producers	2,374	2,559	2,843	3,309
General government	14,447	15,814	17,756	20,579
Sub-Total: Gross value added at basic prices	148,665	165,383	189,911	215,242
Taxes less subsidies on products	18,273	20,623	23,682	26,840
Total: GGP at market prices	166,938	186,006	213,593	242,082

Source: Quantec (2009)

Unit: ZAR millions

The manufacturing sector is largely centred on food processing, with significant contributions from the plastics, printing and publishing industries. Packaging is an essential element as exports from the Western Cape are big business. Manufacturing industries that are large employers of people with low and medium skills (such as clothing and food) will therefore continue to be important contributors to the economy, even as they create more highly skilled jobs through adopting new technologies and moving towards more high value added, specialised products. Whilst this sector continues to face job losses notably in sub sectors of clothing, it remains a key employer.

The services sector (especially call centres, business processing, the ICT, creative and tourism sectors) is likely to grow and account for 65% of future growth. This has profound implications for Cape Town's future in terms of the structural changes in education, technology and infrastructure, which will be required to realise and support this growth. From a financial services perspective, back room operations continue to grow largely requiring medium to high end skills.

Tourism has been identified as a potential high growth sector. Globally, 898 million international arrivals were recorded by the World Tourism Organisation with a growth rate of 6.1% in 2007. South Africa received 8,904 million that year. The Western Cape achieved 10.9% growth in international arrivals between April and September 2006 compared to the same period in 2005. There were 1.23 million international arrivals to the Western Cape between January and September 2007. The demand generated by tourism in other sectors is valued at: R2.5 billion for manufacturing, R2.5 billion for Transport, storage & communication and R1.5 billion for Whole/Retail Trade, Hotel & Restaurant. The total impact of Travel and Tourism consumption i.e. travel and tourism industry supply in the Western Cape economy in 2005 was R25,2 billion. (Research by CPUT, commissioned by CTRU, 2007)

The biggest FIFA 2010 Soccer World Cup legacy to the City of Cape Town is global destination exposure. Tourism growth is dependent on a sustainable environment as it is largely the natural environment (including nature areas and beaches) together with its heritage legacy which make Cape Town such an attractive tourist destination. To tap into this opportunity fully, South Africa and Cape Town needs to aggressively drive the packaging of its product offering, understanding their target markets and trends. We need to grow our domestic market share and get the basics right – an enabling environment that is supported by infrastructure, and is as responsible as it is accessible.

In addition, the film, design, engineering and financial services (which have a strong historical presence in the City of Cape Town), and niche manufacturing activities in areas such as boat and yacht building, furniture and oil and gas will also all grow. Energy supply businesses, solar water heating manufacturers etc, the need to realize and carbon market and its potential value for the City of Cape Town needs to be factored into economic growth trajectory.

A revitalisation of the transport sector in Cape Town has great potential to stimulate new business and employment. The implementation of the Integrated Rapid Transport system (IRT) will add additional efficiencies to the travel route network. Synergies between IRT and upgraded rail link is needed, given that rail is one of the more energy efficient transport modes. It creates direct economic activities – in providing transport services and in selling goods to passengers – and provides the improved mobility that assists people to find work or to apply for better jobs in places further from their home bases. An efficient and more-affordable transport sector will have dramatically positive effects for poor communities. Beginning with taxi regulation and recapitalisation (which is driven by the national Department of Transport, interventions in the transport sector include the City of Cape Town taking an active role in public transport and the possible extension of subsidies to the taxi industry. This is planned to include the provision of scheduled public transport services on more routes and for a longer period each day. Travel Demand Management initiatives such as station park and ride, bus park and ride, large employee programme and telecommuting are also important programmes to implement at scale. There are also possible research and technology development opportunities to further explore alternative sources of fuel and energy for the transport sector.

The slight drop on construction activity during 2008 was due to the weaker demand for residential buildings, rising interest rates and building costs, tightening of credit standards by banks, the lagged impact of the introduction of the National Credit Act 2007, deterioration in consumer confidence and rising food and fuel price inflation which erodes the purchasing power of consumers, although the industry has seen gradual annual increases between 2005 and 2008. The City of Cape Town is putting out Green Buildings Development Guidelines, working with the Green Building Council. This establishes voluntary green standards and a rating system for construction which will help to put the construction industry at the forefront of innovation and competitiveness, and encourage foreign investment from environmentally conscious business. Some standards will become mandatory / be incentivised over time.

A new focus - Creative industries: The main sectors comprising the creative industry include: graphic design, advertising, film, video and animation, music, performing arts, fashion design, product design, new media, publishing, radio and TV, visual arts, architecture and crafts, food, software development, theatre, museums, etc.

The above sectors mentioned have significant potential to improve people's quality of life

through creating jobs and other income generating opportunities and to promote tourism, urban renewal, innovation and cultural development and identity. It is estimated that global market value for creative industries was US\$1.3 trillion (2008).

In the creative industries sector, design and creativity drive the economy not only through stimulation of new ideas and innovation, but also in their potential to generate wealth and jobs.

Creative industries are characterized by:

- Knowledge intensive, involving highly skilled workers;
- Labour intensive, creating more than average number of jobs;
- A majority of small and medium enterprises, the drivers of economic growth.

Cape Town is now considered one of the top ten film production centres in the world as a result of its landscape, environment and heritage, infrastructure and the diverse range of skills and talents the City of Cape Town offers to a mobile production industry. The industry has contributed R3,5 billion to South African economy, a large percentage centered around Cape Town with substantial indirect job creation spin offs.

In conjunction with Cape Town Partnership, the Creative Cape Town theme was developed which promotes cultural and creative industries as part of an economic strategy for the Central City, focusing on current and potential value-add and labour absorptive capacities, identification of value chains, clusters of specialization and enabling support strategies.

The creative industries were identified in the Micro Economic Development Strategy (MEDS) of the Provincial government as a key priority area for investment and development.

The growth potential and contribution to City of Cape Town economy of this sector is likely to increase and could become the second only to financial services industry in size and the key pillar of the City of Cape Town's transformed economy. Challenges facing the creative industries include: the lack of representative structures to co-ordinate the differing sub-sectoral interests and solidify linkages to tourism, the need for data and research to inform the sector, absence of skilled employees who understand the sector.

How does the city intend to support the creative industries?

- Provide support via services from departments and branches such as the Film and Events

Permitting Office, and Traffic Services;

- Investigate the establishment of an industry body to coordinate business development of the sector;
- Form a creative cultural industries strategy (including tourism component) through the Cape Town Partnership;
- Continue financial support for key sector bodies e.g. the Cape Craft & Design Institute and Cape Film Commission;
- Promote a cluster based approach to stimulating the sector - e.g. City East precinct earmarked for investment for encouraging the sector players to establish themselves in and leveraging opportunities presented by the establishment of the Cape Town Film Studios at Faure;
- Support events like Design Indaba that create international platforms for creative industries.

The intention of the above interventions is to stimulate investment of creative clusters, enterprises, promote products and services in the sector and support the development of creative communities.