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Economic Performance Indicators for Cape Town

2022 QUARTER 4

(October–December)

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ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment and Policy and Strategy departments of the City of Cape Town. It presents an analysis of economic and related trends in Cape Town on a quarterly basis. This edition focuses on the fourth quarter of 2022, covering the period from 1 October to 31 December 2022.

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FOREWORD

Cape Town ended 2022 on a high with the creation of 125 000 new jobs between October and December. This represents 74% of the new jobs created in the country in the last quarter of the year.

These new jobs came as the metro welcomed a relative boom in tourist visits as domestic and international tourists flocked to Cape Town to soak up the sun, enjoy the cuisine, and experience the city's diverse cultural offerings. It's worth noting, however, that this increase in tourism did not simply happen by itself. It was the result of a concerted effort, over many months, to market Cape Town to a local and global audience, and secure increased flights and cruise ships from target source regions.

And the increase in employment wasn't only related to an uptick in tourism. It was also due to the City's ongoing and close work with special purpose vehicles (SPVs) across industries such as call centres, craft and design, IT, green technology, and marine manufacturing. The City funds these SPVs to provide training and employment, research their fields, and secure investments from domestic and global corporations. Through City-funded projects, these SPVs directly created employment for thousands of Capetonians and secured billions of rands in investments in 2022.

Despite all these positives, the darkness of load-shedding still loomed large over our economy; even in Cape Town where the City is successfully shielding residents from the worst of the rolling blackouts by using its own generation resources to reduce the stages of load-shedding that are implemented nationally.

The devastating economic impact of this dire situation was illustrated by the recent Nedbank Insights Report, conducted in partnership with the Township Entrepreneurs Alliance, which found that 64% of small township businesses do not operate during load-shedding and almost 66% of business owners have cut jobs because of it.

But here in Cape Town, we are not content to simply let this situation carry on. Work is under way to reduce the metro's reliance on Eskom and source more power from elsewhere. This past April, Cape Town Executive Mayor Geordin Hill-Lewis announced that the City is issuing the largest of its load-shedding protection tenders to date – a 500 MW dispatchable energy tender that is an important pillar of the plan to protect residents from the first four stages of Eskom's load-shedding within three years.

This forms part of the City's plans to resolve both existing energy shortfalls and to prepare for a future Cape Town that will have even greater electricity needs.

In March 2023, we tabled the City's 'Building Hope' budget, which had as one of its central goals making Cape Town the easiest and best place in Africa to do business.

I am pleased to confirm that the budget that has been earmarked for the Economic Growth Directorate speaks to the various arms of the local economy, including corporations, small business owners, investors, consumers, traders, job seekers and diplomats, and puts into action our plans for extending avenues of economic access to all Capetonians.

As such, this draft budget aims to enhance City systems and infrastructure as these relate to the informal economy, entrepreneurs, investors, and the communities with whom they engage.

Cape Town has become a beacon of hope in a country that is facing harsh economic realities. But we have a long way to go. With this budget, and through dogged pursuit of our mission to lay the foundations of growth for all Capetonians, we will continue being that beacon.

Alderman James Vos
Mayoral Committee Member
for Economic Growth

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INTRODUCTION

This 39th edition of the quarterly EPIC publication focuses on quarter 4 of 2022, covering the period 1 October to 31 December 2022.

Although the GDP in the Western Cape, a proxy for GDP in Cape Town, experienced a seasonally adjusted, annualised quarter-on-quarter decline of 5,3% in the fourth quarter, year-on-year growth for the same period was positive at 1,9%. Extensive load-shedding and Transnet strikes impacted negatively on the fourth quarter results. In December 2022 alone, more load-shedding was recorded than in any full year since Eskom started implementing its rolling blackouts in 2007 (Council for Scientific and Industrial Research [CSIR], 2023). As a result, the City's supply of electricity to small and large power users saw significant decreases in quarter 4. This had a negative impact on manufacturing activity in Cape Town, which declined by 4,6% quarter-on-quarter.

The sectors that contributed most to the decline in the fourth quarter were finance, real estate and business services, and wholesale and retail trade. These two sectors make up 46% of Western Cape GDP. Construction and transport and communication were the only two sectors to experience positive quarterly growth in the Western Cape in the fourth quarter. Together, these sectors make up 13% of the economy. In the fourth quarter of 2022, however, the finance, real estate and business services sector and the transport and communication sectors dipped back below their pre-pandemic output levels, after recovering to 2019 levels in quarter 3. These sectors joined the electricity and water, construction, mining and manufacturing sectors, which have not yet recovered to pre-pandemic levels. The stop-start recovery of economic output is leading to a low growth trajectory that will be hard to overcome with current levels of load-shedding.

Surprisingly, even though GDP experienced quarterly declines, employment levels saw a full recovery, reaching their highest levels yet. Unemployment rates continued their positive movement and dropped, once again, from quarter 3, although still not reaching rates seen before the pandemic. The Quarterly Labour Force Survey (QLFS) reported that Cape Town employment levels in the fourth quarter of 2022 reached 1,66 million, the highest yet, while the number of discouraged workers continued to rise. The rise in employment levels was met with a decline in the unemployment rate, with the broad unemployment rate dropping by 2,6 percentage points from quarter 3 to 26,9% in quarter 4. It should be noted, however, that since the surveys are typically conducted in the first two months of the quarter in review, these positive labour results may primarily be based on quarter 3 growth and exclude the negative impacts of December load-shedding. Increases in employment were driven mainly by the community, social and other personal services sector, followed by trade, hotels and restaurants and the manufacturing sector. Some of this can be attributed to the recovery of the tourism sector, particularly the full recovery in the numbers of international visitors, who typically stay longer and spend more than domestic visitors.

National inflation declined from the peak in quarter 3 to 7,2% in quarter 4, remaining above the SARB upper inflation limit of 6%. Inflation in the Western Cape was lower at the end of quarter 4, at 6,9%. This high inflation rate is largely attributed to higher fuel and food prices, aggravated by the ongoing war in Ukraine. The Monetary Policy Committee responded to the increase in CPI by raising the repo rate by 75 basis points in November to 7%, the highest level since March 2016. Further increases in the repo rate are expected in the first quarter of 2023. The PPI also declined from its peak in quarter 3 to 13,5% in quarter 4.

The severe load-shedding in December and the 11-day Transnet strike in October weighed heavily on quarter 4 growth, which came in significantly lower than Bloomberg and the BER expectations. Annual GDP growth of 2% was recorded for South Africa for 2022, with forecast growth in 2023 and 2024 at 0,3% and 1,4% respectively (BER, 2023). Fourth quarter results showed that, despite the quarterly growth decline, employment levels improved significantly. The recovery growth in GDP since quarter 3 of 2020 was not accompanied by associated job increases. This lag in 're-employment' is a symptom of lower sustained business confidence due to global and domestic uncertainties, as well as remaining Covid-19 restrictions. The upsurge in employment in quarter 4 was stimulated by the opening up of the economy, with no Covid-19 restrictions in place for the first time in quarter 3 of 2022, coupled with higher-than-expected growth in quarter 3 and the full recovery of international tourism in quarter 4.

Jodie Posen
Senior Economist: Economic Analysis

KEY FINDINGS FOR THE FOURTH QUARTER OF 2022

In the fourth quarter of 2022, the **Western Cape economy** contracted by 5,3% quarter-on-quarter (annualised), mirroring the national trend.

The Western Cape recorded an **inflation rate** of 6,9% at the end of the fourth quarter. The national inflation rate for the fourth quarter was 7,2%.

The number of people **employed** in Cape Town increased by 124 874 on a quarter-on-quarter basis, to a total of 1,66 million in the fourth quarter of 2022.

Four of Cape Town's top five **tourist attractions** reported on in this edition recorded a total of 775 427 visitor numbers in the fourth quarter of 2022.

Accommodation establishments in Cape Town recorded an average **occupancy rate** of 72,6% in the fourth quarter. The domestic market remains a dominant source of business for the sector.

Cape Town International Airport recorded almost 2,3 million **air passenger** movements in the fourth quarter of 2022.

The City of Cape Town recorded a year-on-year decrease in **building plan submissions** to 4 113 (from 4 707 in the same period in 2021).

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OVERVIEW

CAPE TOWN OVERVIEW 2022: QUARTER 4

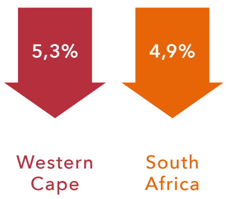
GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R651 billion**[a] of **the R4,6 trillion gross domestic product** (GDP) generated by **South Africa** in the fourth quarter of 2022. While GDP data are not available at a city level on a quarterly basis, **Cape Town typically contributes around 71%** of the provincial GDP annually.[b]

[a] *At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2023.*
[b] *Source: IHS Markit, 2023.*

GDP GROWTH RATE

During the fourth quarter of 2022, the **Western Cape** recorded a quarter-on-quarter **GDP contraction** of **5,3%**, compared to the **national** GDP contraction of **4,9%**.[c]



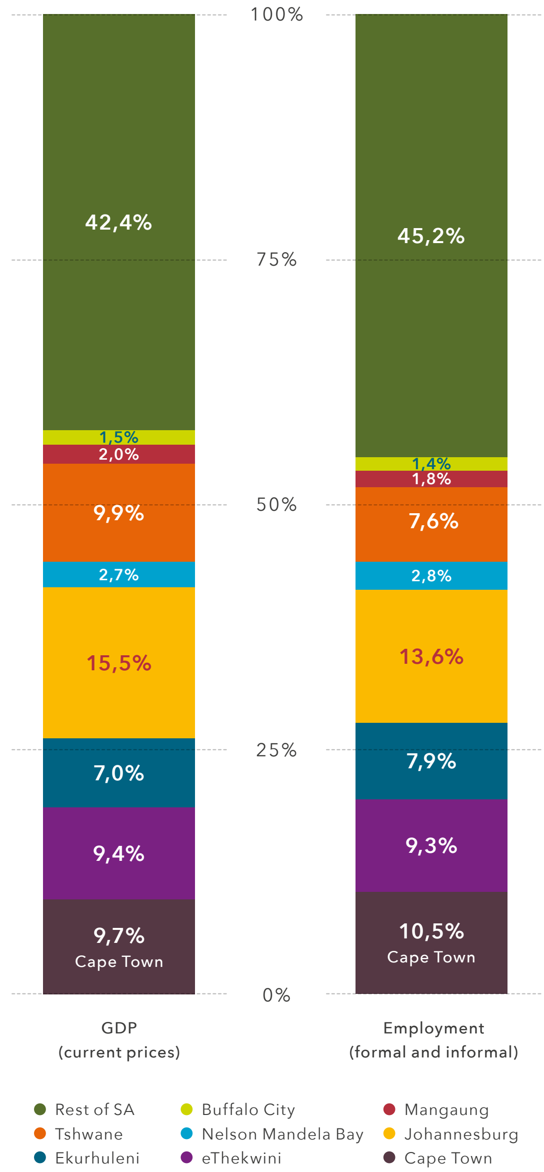
[c] *At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2023.*

GDP PER CAPITA

In 2021, **South Africa** had a **GDP per capita** of **R102 653**, while the **Western Cape's** GDP per capita was **R122 828** and **Cape Town's** was **R137 234**.[d]

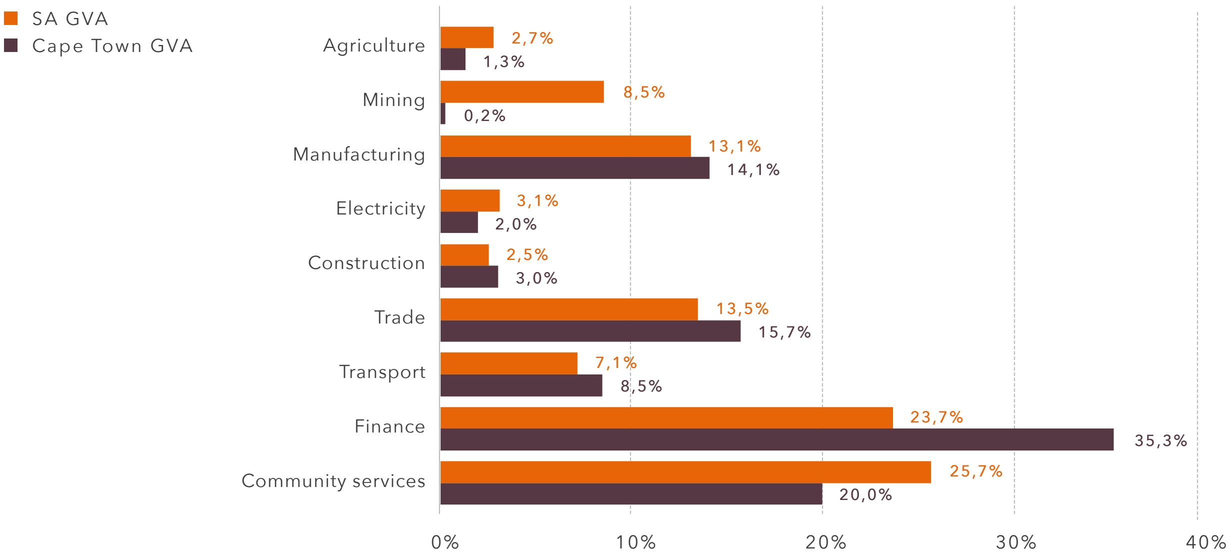
[d] *At current prices. Source: IHS Markit, 2023.*

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2021[e]



[e] *At current prices. Source: IHS Markit, 2023.*

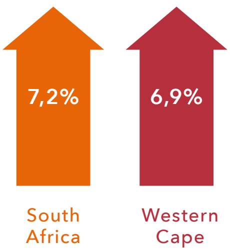
CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2021[f]



[f] *At current prices. Source: IHS Markit, 2023.*

INFLATION

At the end of the fourth quarter of 2022, **South Africa** had an **inflation rate of 7,2%**. The **Western Cape's inflation rate** for the same period was **6,9%**.[g]



[g] *Source: Statistics South Africa (Stats SA), 2023.*

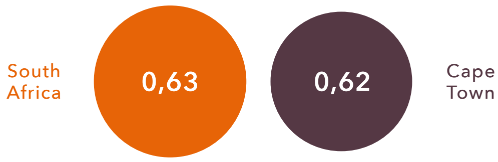
POPULATION

South Africa has a population of **60 142 978**. A total of **7 113 776 people** (11,8% of the national population) live in the **Western Cape**. Of those, **4 678 900** are residents of **Cape Town**.[h]

[h] *Source: City of Cape Town, 2022a.*

GINI COEFFICIENT

In 2021, **South Africa** had a Gini coefficient of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.[i]



[i] *Source: IHS Markit, 2023.*

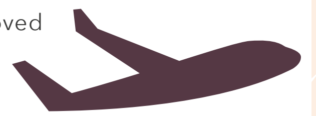
VISITOR ATTRACTIONS

In the fourth quarter of 2022, tourists and residents made **775 427** visits to **Cape Town's four major attractions** reported on.[j]

[j] *No data available for Kirstenbosch National Botanical Gardens for 2022 Q4. Source: Wesgro, 2023.*

AIR PASSENGER MOVEMENTS

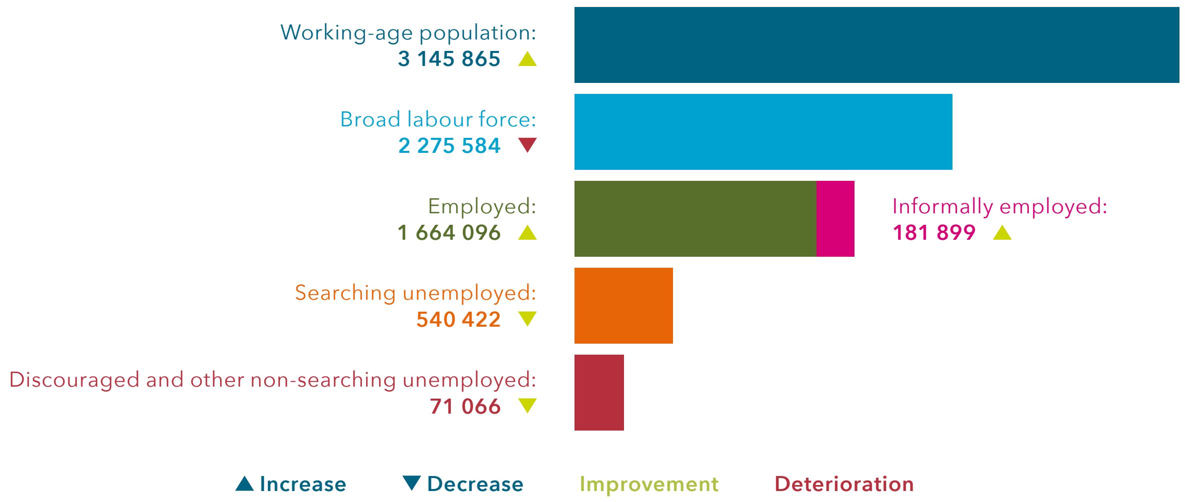
2 274 010 passengers moved through **Cape Town International Airport** during the fourth quarter of 2022.[k]



[k] *Source: Airports Company South Africa, 2023.*

LABOUR OVERVIEW 2022: QUARTER 4

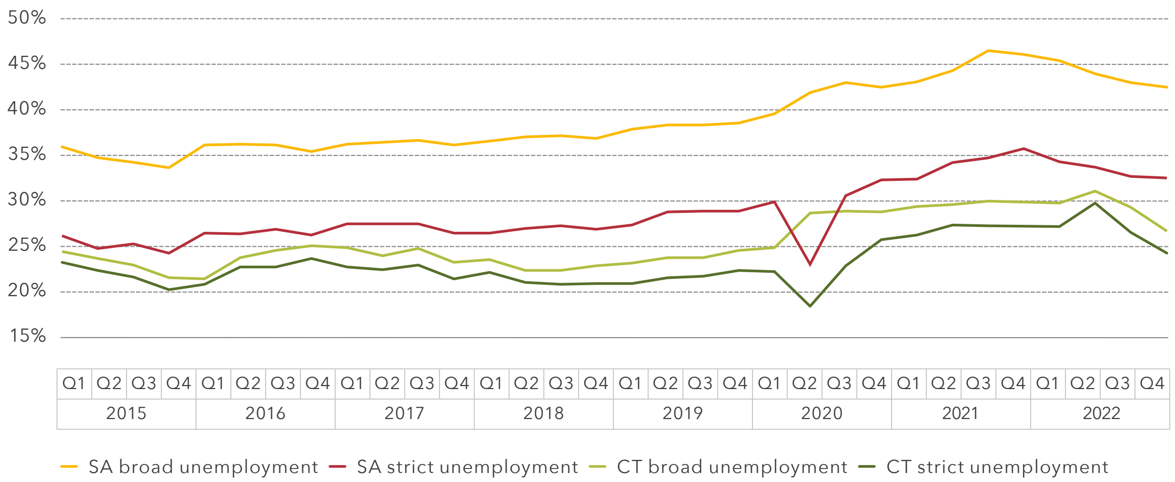
LABOUR MARKET INDICATORS, 2022 Q4 (QUARTER-ON-QUARTER CHANGES)



Labour force participation rate (strict) = 70,1%   Absorption rate = 52,9%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 4, February 2023.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2022 Q4[1]



[1] *The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.*


CAFÉ &
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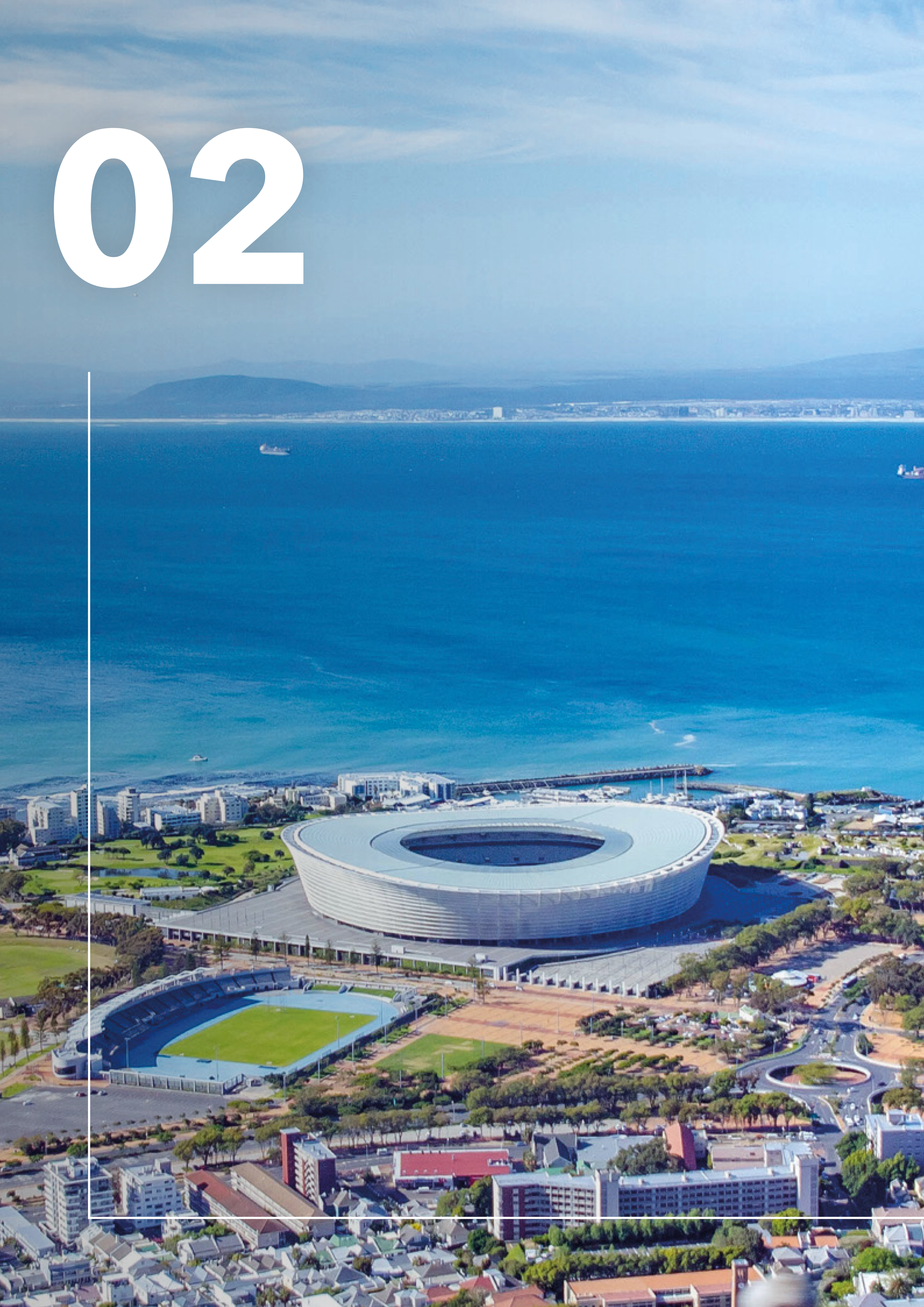
02



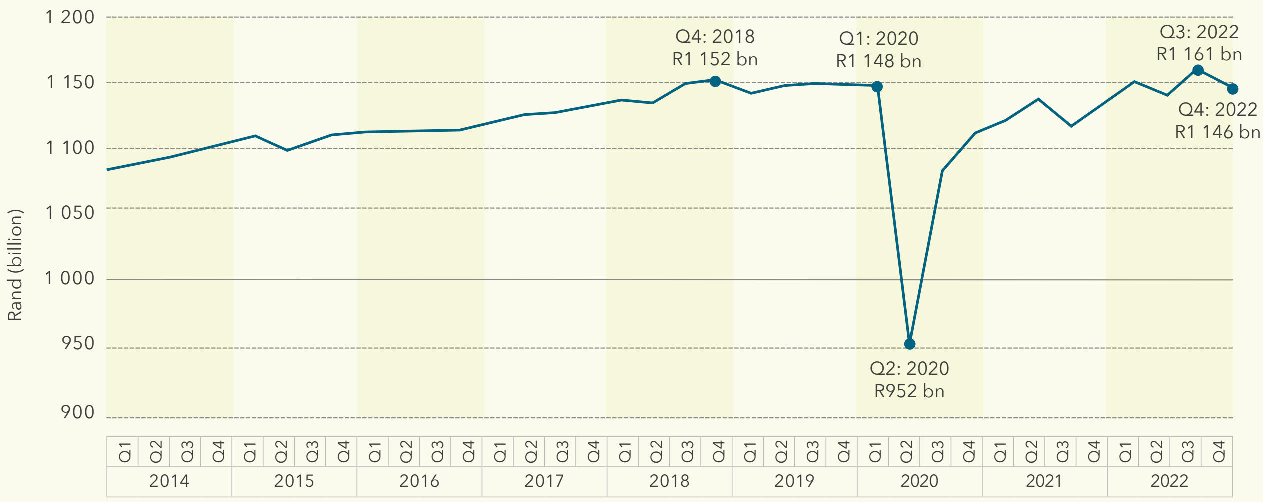
ECONOMIC GROWTH

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

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

After rebounding in the previous quarter with 1,8% growth (which was upwardly revised), the South African economy contracted by 1,3% quarter-on-quarter in the fourth quarter of 2022 (non-annualised, as per the change in Stats SA's reporting conventions).[2] This represents a regression of 3,1 percentage points from the previous quarter. The fourth quarter's performance was significantly lower than both the Bloomberg consensus view of -0,4% and the Bureau for Economic Research's (BER) projection of -0,5%. The larger-than-expected decline means that the return of real GDP to pre-pandemic (2019 Q4) levels was short-lived, as illustrated in figures 1 and 2 (BER, 2023a).

FIGURE 1: SOUTH AFRICA'S REAL GDP (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED), 2014 Q1 TO 2022 Q4



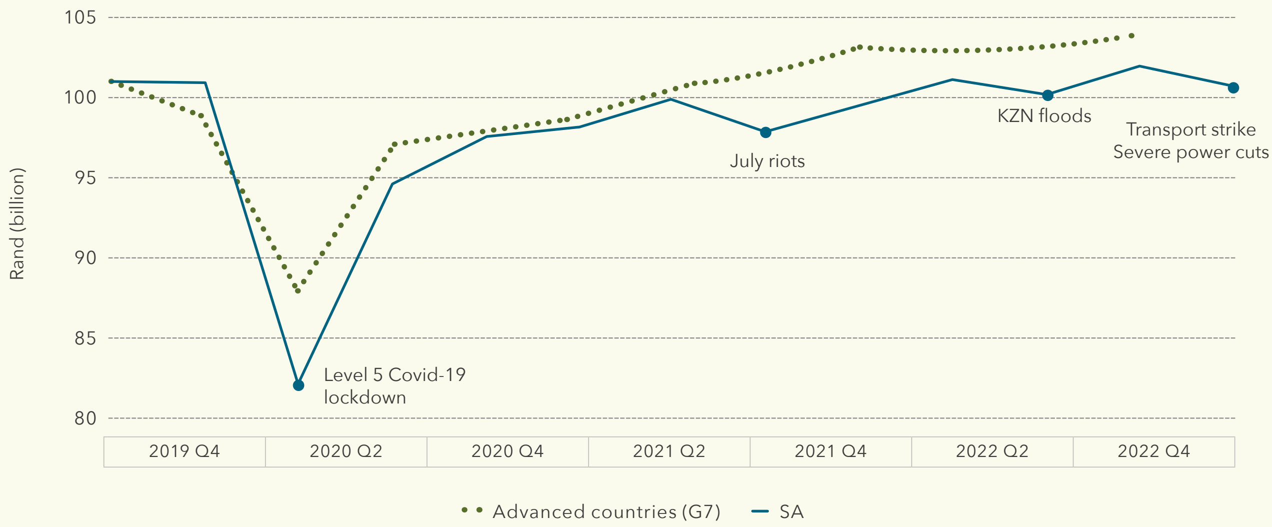
Source: Statistics South Africa, gross domestic product, fourth quarter 2022.

Note: *Due to data limitations for the current quarter under review, and in order to draw a more detailed comparison to the provincial economy of the Western Cape, the remainder of this analysis will be based on the* ***annualised*** *data for economic activity.*

At the national level, the majority of sectors (seven) recorded contractions in the fourth quarter of 2022. Of these, the largest sectoral contractions were recorded in the agriculture and mining sectors, which contracted quarter-on-quarter by 12,5% and 12,2% respectively, and subtracted 0,4 and 0,6 of a percentage point respectively, from the total national growth rate. This was followed by the finance, real estate and business services, and trade and hospitality sectors, which recorded quarter-on-quarter contractions of 9,1% and 8,3%, and subtracted 2,5 and 1,1 percentage points, respectively, from the total national growth rate in the fourth quarter of 2022. Further contractions were recorded in the electricity and water (-7,6%), manufacturing (-3,4%), and general government (-2,8%) sectors, subtracting a combined 0,8 percentage points from the total national growth rate.

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

FIGURE 2: SOUTH AFRICA'S REAL GDP VS GDP OF ADVANCED COUNTRIES, 2019 Q4 TO 2022 Q4



Source: BER, 2023a.

For the fourth quarter of 2022, only three sectors recorded positive quarter-on-quarter growth. The transport and communication sector recorded 2,8% quarter-on-quarter growth, while the construction, as well as community and social services sectors recorded growth of 2,0% and 0,7% quarter-on-quarter, adding a combined 0,4 of a percentage point to total national growth.

In addition to the national economy's poor performance and the widespread negative impacts of load-shedding and the Transnet strike, there are a number of other indicators that also point to the current challenging economic climate and the economy's strained path of recovery. The RMB/BER Business Confidence Index dropped a further index point to record 38 index points in the fourth quarter of 2022. According to the BER, despite the minimal change in already low sentiment, the fourth quarter's performance is underpinned by positive and negative sectoral performances. Building confidence and new vehicle sales showed improvements during the quarter under review, while wholesale and retail confidence recorded declines, despite the Black Friday activity in the trade sector. Confidence in manufacturing remains flat (BER, 2022a). The FNB/BER Consumer Confidence Index also remains significantly low, despite recording further improvement from -20 to -8 index points in the fourth quarter of 2022. According to the BER, this level is now on par with that of the fourth quarter of 2021 and the same period in 2019 (pre-pandemic). The BER commentary highlights that the fourth quarter performance also came as "a surprise, given sustained high inflation, frequent load-shedding, successive large interest rate hikes and the worsening global economic backdrop", and was underpinned by improvements in all three sub-indices (BER, 2022b).

The Absa Purchasing Managers' Index (PMI) survey is an indicator of manufacturing activity as it centres on components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following mixed performance in the previous quarter with 48,2 index points recorded in September, the Absa PMI continued to improve throughout the fourth quarter of 2022. The index rose to 50 points in October, and then recorded further improvements to 52,6 points in November and 53,1 index points in December 2022. Despite the overall index's improvement throughout the fourth quarter, its underlying indices showed mixed performances. Notable negative contributors include the prolonged Transnet strike in October, which impacted exports; and persistent and intensified load-shedding, which dampened business activity and manufacturing (BER, 2022c, 2023b).

The Statistics South Africa data release for GDP for the fourth quarter of 2022 also includes the annual economic activity and respective growth figures for 2022. Following its rebound in 2021 with 4,9% annual growth, South Africa recorded 2,0% growth for the full 2022 year. Similarly, the Western Cape recorded 2,5% annual growth for 2022, a decline of 2,2 percentage points from 2021 growth of 4,7% (Quantec, 2023).

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE

After entering 2022 in a weaker-than-expected position (IMF, 2022a), global economic recovery continued to face further setbacks. Inflation reached levels counted among the highest seen in several decades, most regions are experiencing tightening financial conditions, and the continued Russia-Ukraine war and lingering Covid-19 impacts placed additional pressure on the 2022 outlook (IMF, 2022b).

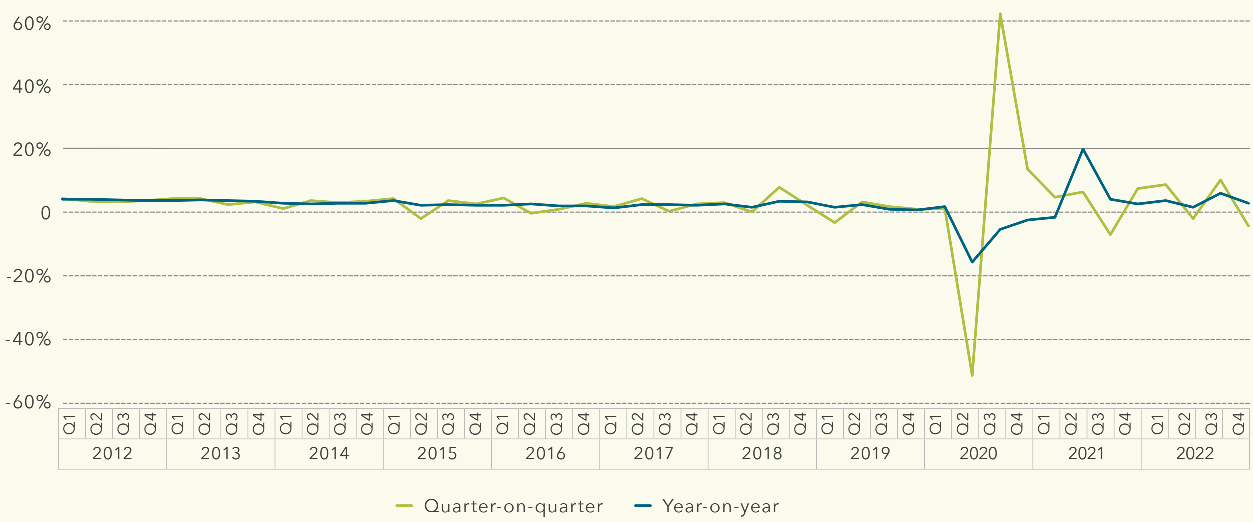
In its latest (January) World Economic Outlook (WEO), the IMF (2023a) estimates global growth for 2022 to be 3,4%, a slight upward revision of 0,2 of a percentage point from its last forecast. It is accompanied by a forecast of 2,9% growth for 2023, also upwardly revised by 0,2 of a percentage point. These upward revisions are attributed to better-than-expected resilience and performance in several economies. For 2022, the IMF estimates advanced economies will record growth of 2,7% (revised upward from 2,4%). Similarly, its expected growth of 3,9% for emerging and developing economies for 2022 was also upwardly revised (by 0,2 of a percentage point). South Africa's expected growth was also revised upwards (by 0,5 of a percentage point) to 2,6%. With its reported annual growth for 2022 recorded at 2,0%, this may likely dampen the IMF's 2023 forecast for South Africa, which was upwardly revised to 1,2% prior to the local annual data release.

WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (-4,9%), the Western Cape economy recorded an annualised contraction of 5,3% quarter-on-quarter for the fourth quarter of 2022.

Following an improvement in the previous quarter (to over 4%), the year-on-year performance at both national and provincial levels dropped in the fourth quarter of 2022. South Africa experienced year-on-year growth of 1,3%, while the Western Cape economy recorded year-on-year growth of 1,9% in the quarter under review.

FIGURE 3: REAL GGP GROWTH FOR THE WESTERN CAPE, 2012 Q1 TO 2022 Q4

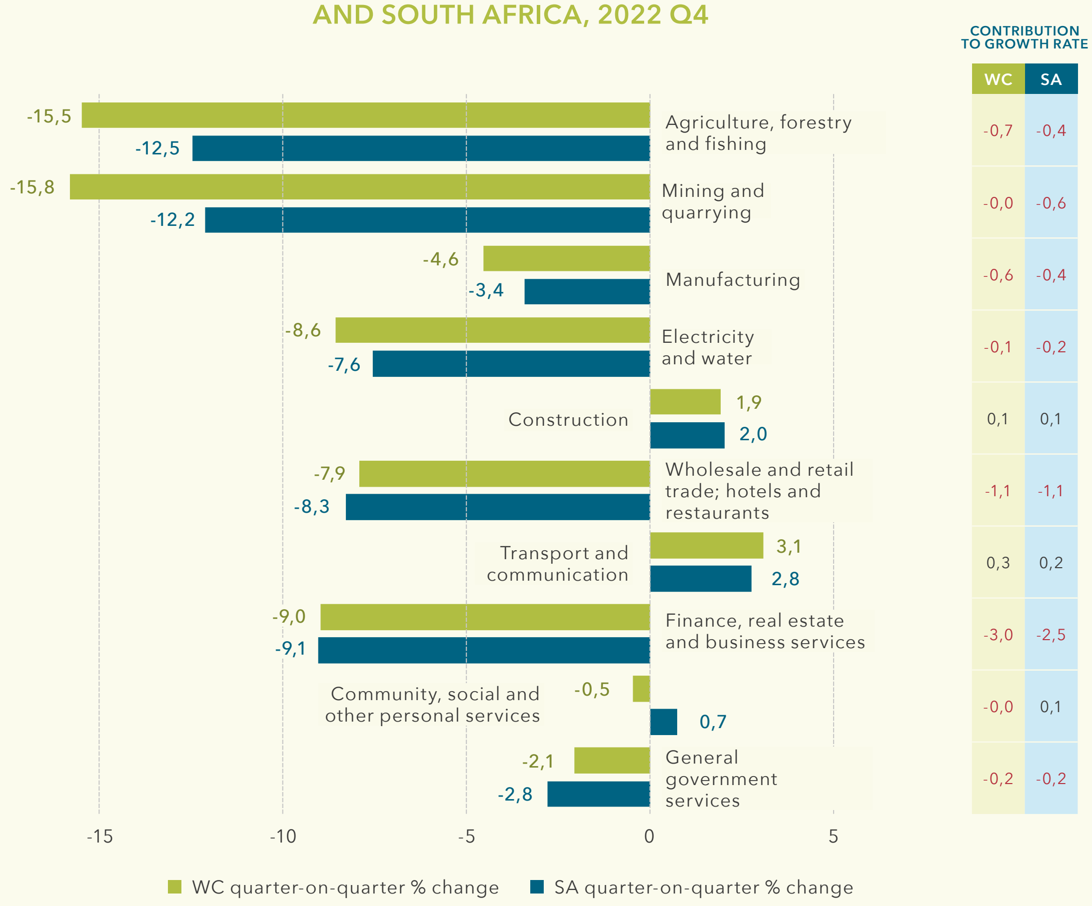


Source: Quantec, 2023.

The Western Cape's GDP performance largely mirrored that of the national economy, with similar sectoral trends in the fourth quarter of 2022. As at the national scale, the mining and agriculture sectors recorded the largest contractions of 15,8% and 15,5% quarter-on-quarter, respectively. As the mining sector contributes minimally to the Western Cape economy, this only subtracted 0,02 of a percentage point from the total provincial growth rate. The agriculture sector's contraction resulted in a subtraction of 0,7 of a percentage point from the total provincial growth rate. This was followed by the finance, real estate and business services, and electricity and water sectors, which contracted by 9,0% and 8,6%, respectively, and subtracted a combined 3,1 percentage points from the total provincial growth rate. Further contractions were recorded in the trade and hospitality (-7,9%), manufacturing (-4,6%), general government (-2,1%), and community and social services (-0,5%) sectors, subtracting a combined 1,95 percentage points from the total provincial growth rate.

Only two sectors recorded positive growth in the Western Cape in the fourth quarter of 2022. The transport and communication sector recorded growth of 3,1% quarter-on-quarter, while the construction sector recorded its second consecutive quarter of positive growth at 1,9%. Combined, these added only 0,3 of a percentage point to the total provincial growth rate, insufficient to counter the other sectors' contractions.

FIGURE 4: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q4



Source: Quantec, 2023.

It is useful to compare economic activity to pre-Covid-19 levels, as a way of monitoring economic recovery since the pandemic. As illustrated in table 1, overall economic activity (i.e. total GDP), shown in the top row, has returned to levels seen in the fourth quarter of 2019 (roughly equal). At a sectoral level, only three sectors managed to maintain economic activity at levels higher than their respective pre-pandemic levels. For the fourth quarter of 2022, the finance, real estate and business services sector's economic activity dipped below its pre-pandemic output levels. This sector joined the electricity and water, construction, mining, manufacturing, and general government services sectors, which recorded consecutive quarters of output lower than their pre-pandemic levels.

TABLE 1: WESTERN CAPE'S SECTORAL ECONOMIC ACTIVITY LEVELS, 2019 Q4 TO 2022 Q4, COMPARED TO PRE-COVID-19 PANDEMIC (I.E. 2019 Q4)

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Gross domestic product (GDP)	BASE QUARTER FOR COMPARISON												
Agriculture													
Mining													
Manufacturing													
Electricity and water													
Construction													
Trade and hospitality													
Transport													
Finance and business services													
Community and personal services													
General government													

Legend:	Equal to or greater than 2019 Q4 level	Less than 2019 Q4 level

Source: Own calculations based on Quantec data, 2023.
Note: 2019 Q4 is the base year to which all following quarters are compared.

In contrast to its high contribution to the tertiary sector output of the Western Cape, Cape Town's contribution to the province's total primary sector GGP is only 20% (IHS Markit, 2023). This means it is difficult to make inferences about the performance of the city's primary sector based on primary sector GGP growth in the Western Cape. However, even if Cape Town's primary sector (agriculture, in particular) did mirror provincial trends, it is unlikely that this would have had as large an impact on the overall growth rate of the city, as the primary sector contributes only 1,5% to Cape Town's total GGP.

Rather, the performance of the city's economy in the fourth quarter of 2022 would have been driven by the performance of the finance, community services and trade sectors, which, in 2022, comprised 40%, 19% and 13% of the city's economy respectively. Given that the finance sector was the largest negative contributor to economic growth at the provincial level in the fourth quarter, it is reasonable to assume that its [negative] impact on Cape Town's economy may be amplified as compared to that of the province in this period.

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INFLATION

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

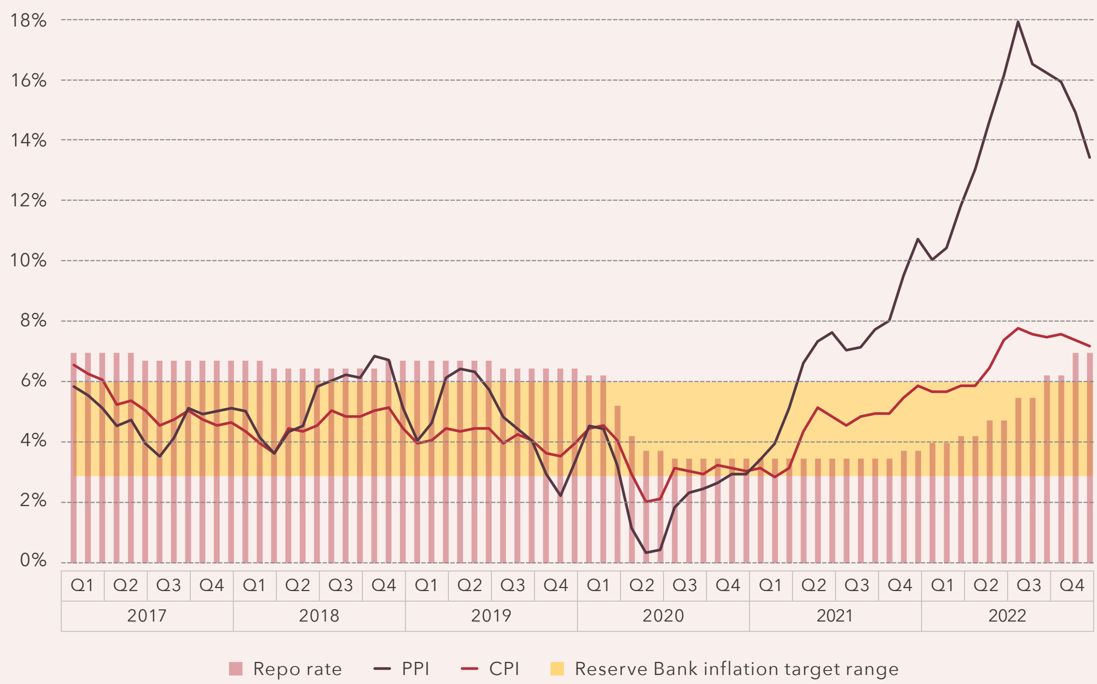
INFLATION OVERVIEW

In the last month of the fourth quarter of 2022, the CPI decreased to 7,2% compared to the 7,5% recorded at the end of the third quarter. As illustrated in figure 5, the CPI decreased from 7,6% in October to 7,4% in November and further to 7,2% in December. The average CPI for 2022 (6,9%) was higher than 2021 (4,6%), by 2,3 percentage points. The slight downward trend since July 2022 could be attributed to the numerous hikes in the repurchase rate (repo rate) since November 2021. According to Statistics South Africa (2022), the main contributors to the overall CPI inflation rate for December 2022 were: transport; food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services.

According to the Monetary Policy Committee (MPC) statement in January 2023, the headline inflation for 2022 was 6,9%, slightly higher than the expected outlook of 6,7% recorded at the previous meeting in November 2022 (South African Reserve Bank [SARB], 2022). The outlook for 2023 remained unchanged at 5,4%, within the inflation target boundaries, and was revised upwards from 4,2% to 4,8% for 2024. The MPC noted that risks to the [overall] inflation outlook remain elevated largely due to the oil market remaining tight, and the upward revisions in the electricity as well as domestic food price inflation for 2023 and 2024. In addition, further concerns regarding load-shedding were raised, especially its broader impact on the cost of doing business as well as the cost of living. As such, the MPC believes that risks to the inflation outlook remain high and they will closely monitor these [upward] risks to inform future decision making.

For the fourth quarter of 2022, the PPI[3] recorded a decrease to an average of 14,8% after averaging a record high of 17% in the previous quarter. The index recorded monthly readings of 16% in October, decreasing to 15% in November and further to 13,5% in December 2022. In addition, the average PPI for 2022 doubled to 14,3% after averaging 7,1% for 2021. The main inflationary contributors to the PPI in December (in terms of final manufactured products) were the prices of: coke, petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; metals, machinery, equipment and computing equipment; and paper and printed products.

FIGURE 5: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2017 TO DECEMBER 2022



Source: CPI and PPI, extracted from Statistics South Africa, 2022, 2023; repo rate extracted from SARB, 2022, 2023.

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

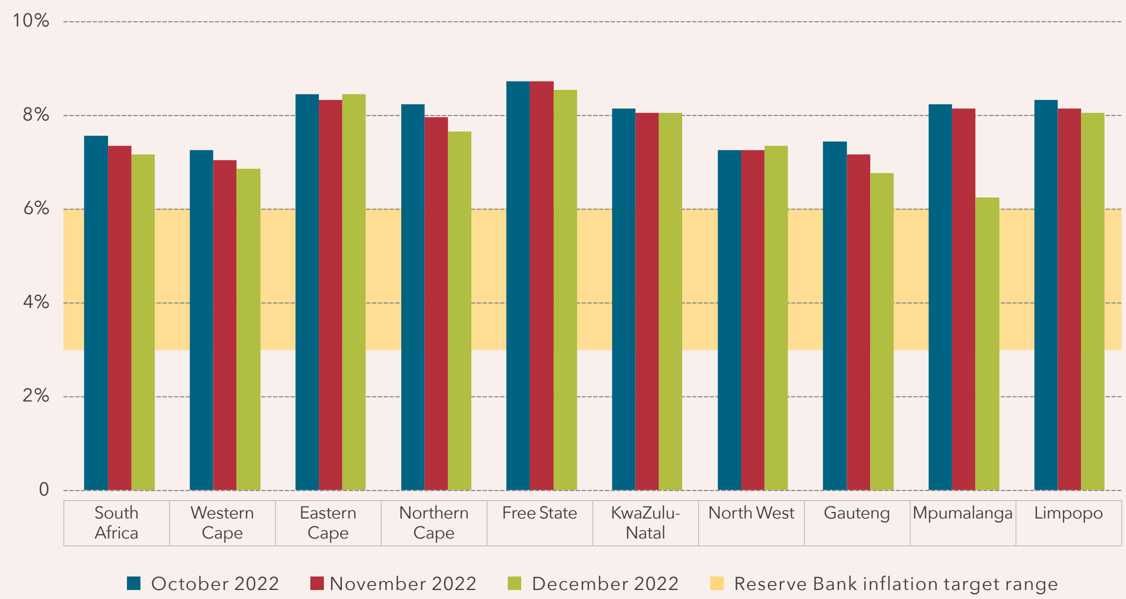
Since the fourth quarter of 2020, the gap between the CPI and the PPI has increased significantly from an average of 0,3 of a percentage point to an average of 7,4 percentage points for this quarter, albeit decreasing from the previous quarter's reading (9,3 percentage points), which was the highest difference on record.

Figure 5 illustrates changes in the repo rate. As indicated in the graph, the repo rate increased once during the fourth quarter of 2022, by a total 75 basis points. This took the repo rate to 7% from a previous 6,25% at the start of the quarter, the highest it has been since May 2017. It would seem that the aggressive approach of continuously increasing the repo rate as a way of addressing rising headline inflation has had its desired effect, as the CPI and PPI recorded declines at the end of the quarter. According to the MPC statement of November 2022 (SARB, 2022), key reasons for the most recent decision to raise the repo rate further were the increases in headline inflation and the upward pressure on inflation expectations from [local] food and fuel prices. Further concerns that carried weight in the decision were the continuation of the Eastern-European war, currency volatility, weakening global economic conditions, as well as expected increases in oil, electricity and administered prices. The MPC further commented that there will be gradual increases in the repo rate going forward, however, the policy will remain accommodative to keep finances supportive to credit demand as the economy continues to recover.

GEOGRAPHICAL INFLATION

The Western Cape recorded a lower inflation rate of 6,9% at the end of the fourth quarter (December) of 2022 compared to the end of the previous quarter (7,3%). This was also lower than that of the country (7,2%). Figure 6 illustrates inflation rates for the fourth quarter of 2022 across all nine provinces of the country. Compared to the end of the third quarter of 2022, six provinces experienced inflationary decreases and three provinces recorded inflationary increases. All provinces remained above the upper end of the inflation target range throughout this quarter. The Free State recorded the highest inflation rate for the quarter under review, with an average of 8,7%, followed by the Eastern Cape (8,5%) and Limpopo (8,2%). Contrary to historical trends, the Western Cape recorded the lowest average inflation rate of 7,1% for the period. This is the fourth consecutive quarter in which the province has recorded the lowest average inflation rate.

FIGURE 6: CPI INFLATION RATE AT A PROVINCIAL LEVEL, OCTOBER TO DECEMBER 2022



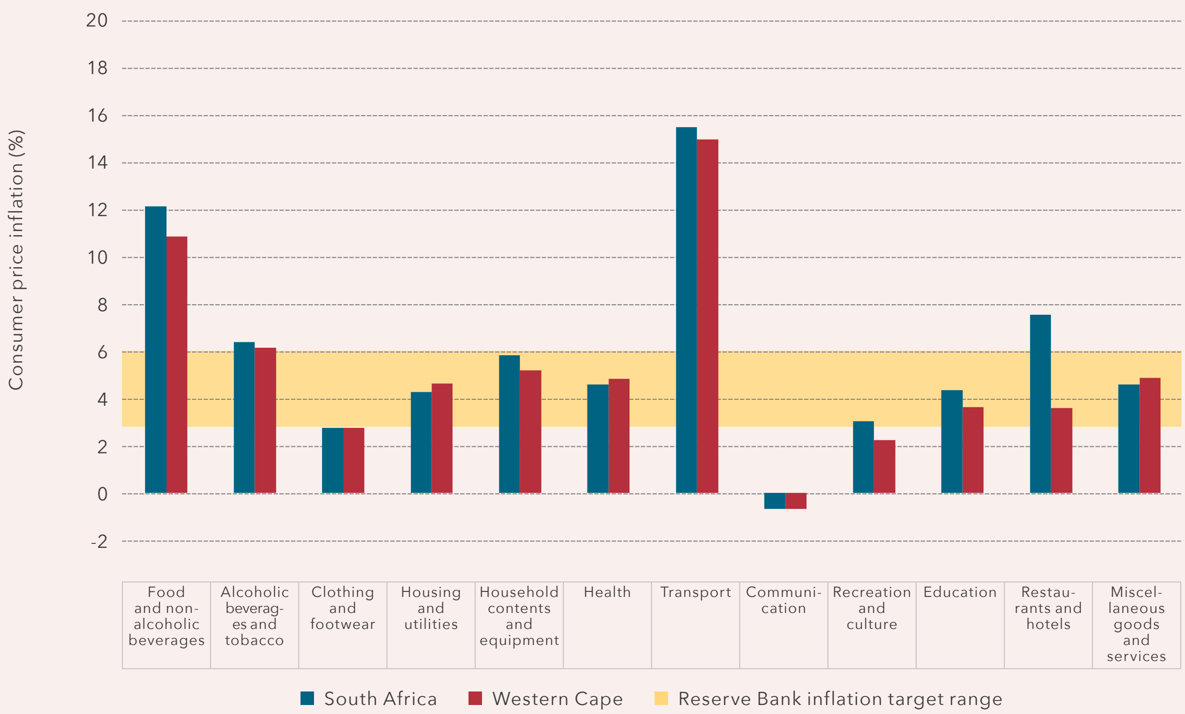
Source: Statistics South Africa, January 2023.

As indicated in figure 7, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the fourth quarter of 2022 can largely be attributed to transport inflation, which recorded an average inflation rate of over 15%, as well as the food and non-alcoholic category, which recorded an average inflation rate above 11%. In addition, alcoholic beverages and tobacco, for both the country and the province, recorded an average inflation rate above 6%, adding to the upward pressure on overall inflation. The rest of the categories showed average inflation rates below 6% for both the country and the province. Restaurant and hotel price inflation was the only other category that recorded an average inflation rate above 7% on a national basis, and this was notably higher than that of the province.

The Western Cape recorded a lower average inflation rate in seven of the 12 broad categories, when compared to the national levels. This explains the lower [overall] inflation rate recorded for the province.

Transport price inflation was 14,2% at a national level and lower at a provincial level (13, 6%) for December 2022. It must be noted that transport price inflation recorded decreases for both the country and province when compared to the start of the third quarter. This was largely driven by [its sub-category of] fuel price inflation for both the country and province. Fuel price inflation for December was only slightly higher at a national level (22,8%) compared to 22% at a provincial level. This is much lower than what was recorded in July 2022 for both the country and province, at 56,2% and 58,1% respectively.

FIGURE 7: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q4



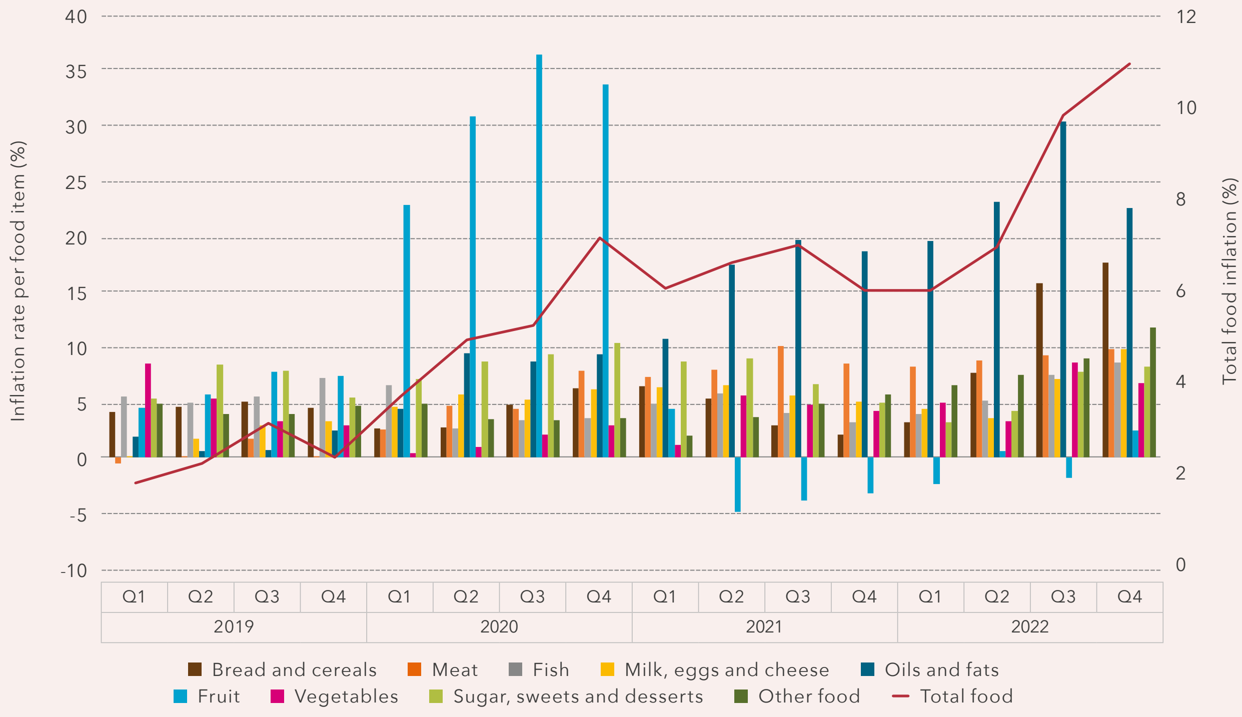
Source: Statistics South Africa, January 2023.

WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes has become increasingly important as household income levels continue to face pressure, threatening access to food for many families. Figure 8 tracks food price inflation in the Western Cape, which has been displaying an upward trend since the beginning of 2020. In the fourth quarter of 2022, food price inflation was higher compared to the corresponding period a year ago, averaging 11% (compared to 12,5% nationally). Although headline inflation has decreased, food price inflation continues to rise. A key reason for this divergence is the several supply shocks in various international agricultural commodity and livestock markets, which have filtered through to the local market (BFAP, 2023).

For this quarter, eight of the nine food items recorded increases when compared to the previous quarter of 2022. The food items that demonstrated the highest average inflation rates in the fourth quarter of 2022 were oils and fats (22,7%, decreasing from 30,7%), and bread and cereals (17,1%, increasing from 15,7%). The rise in global prices is largely due to the Russia-Ukraine war. According to a Competition Commission South Africa report (2022), Russia and Ukraine are two of the world's largest exporters of wheat, corn and oil.

FIGURE 8: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2022 Q4



Source: Statistics South Africa, January 2023.

According to the Bureau for Food and Agricultural Policy's (BFAP) statement for December 2022 (BFAP, 2023), key upward drivers of price inflation for oils and fats as well as bread and cereals are surges in global maize and oilseed prices, aggravated by the drought in Argentina. This is further exacerbated by the weaker rand exchange rate. The BFAP report further mentions that the increase in the intensity and frequency of load-shedding is directly impacting South Africa's food system and contributing to additional expenses for food manufacturers that have to run generators or install alternate energy capacity. These costs are often not absorbed through the value chain, but passed on to consumers directly. The outlook for local food prices is that they will continue to rise while severe load-shedding persists, despite global food prices now trending downwards.

04

LABOUR MARKET

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

Note: For this edition, a year-on-year comparison to the fourth quarter of 2019 will be provided as no metro data were released by Statistics South Africa for the fourth quarter of 2021.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (3,1 million individuals) and the labour force (2,2 million individuals) increased when compared to the third quarter of 2022, as well as when compared to the fourth quarter of 2019. Employment increased on a quarter-on-quarter basis (up by 124 874 individuals), recording a total of 1,66 million employed individuals at the end of the fourth quarter of 2022. Cape Town's employment level for this quarter is the highest recorded to date, surpassing pre-Covid-19 levels, and is the third consecutive quarter of positive employment growth. This led to an increase in both the labour absorption (49,1% to 52,9%) and labour force participation (67,1% to 70,1%) rates when compared to the previous quarter. When compared to the fourth quarter of 2019, the labour absorption rate remains 0,8 of a percentage point lower, while the labour force participation rate is higher by 0,7 of a percentage point. This highlights that, while employment levels have improved to surpass pre-Covid-19 levels, there is still improvement that can be achieved in the labour market.

The number of discouraged work seekers increased on a quarter-on-quarter basis (up by 4 188 individuals) to a total of 31 578 individuals at the end of the fourth quarter of 2022. Unfortunately, this is still higher, by 10 708 individuals, than in the fourth quarter of 2019. The increase in employment and the decrease in the searching unemployed, as well as the non-searching categories, led to a lower broad unemployment rate of 26,9% from the previous 29,5% in the third quarter of 2022. At 26,9%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS, 2022 Q4 VERSUS 2022 Q3 AND 2019 Q4

	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2022 Q4	2022 Q3	2019 Q4	(vs 2022 Q3)	(vs 2019 Q4)
Working-age population	3 145 865	3 133 301	2 980 978	12 564	164 886
Broad labour force	2 275 584	2 184 011	2 128 707	91 573	146 877
Strict labour force	2 204 518	2 103 454	2 070 062	101 065	134 457
Employed: Total	1 664 096	1 539 223	1 601 260	124 874	62 837
Employed: Formal sector	1 396 063	1 301 511	1 309 253	94 551	86 810
Employed: Informal sector	181 899	158 263	188 065	23 636	- 6 166
Unemployed (strict)	540 422	564 231	468 802	- 23 809	71 620
Not economically active	941 346	1 029 847	910 917	- 88 501	30 430
Discouraged work seekers	31 578	27 391	20 870	4 188	10 708
Other not economically active	909 768	1 002 457	890 047	- 92 688	19 722

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 4, February 2023.
Note: As no metro level data were released for 2021 Q4, the year-on-year comparison is made against 2019 Q4.

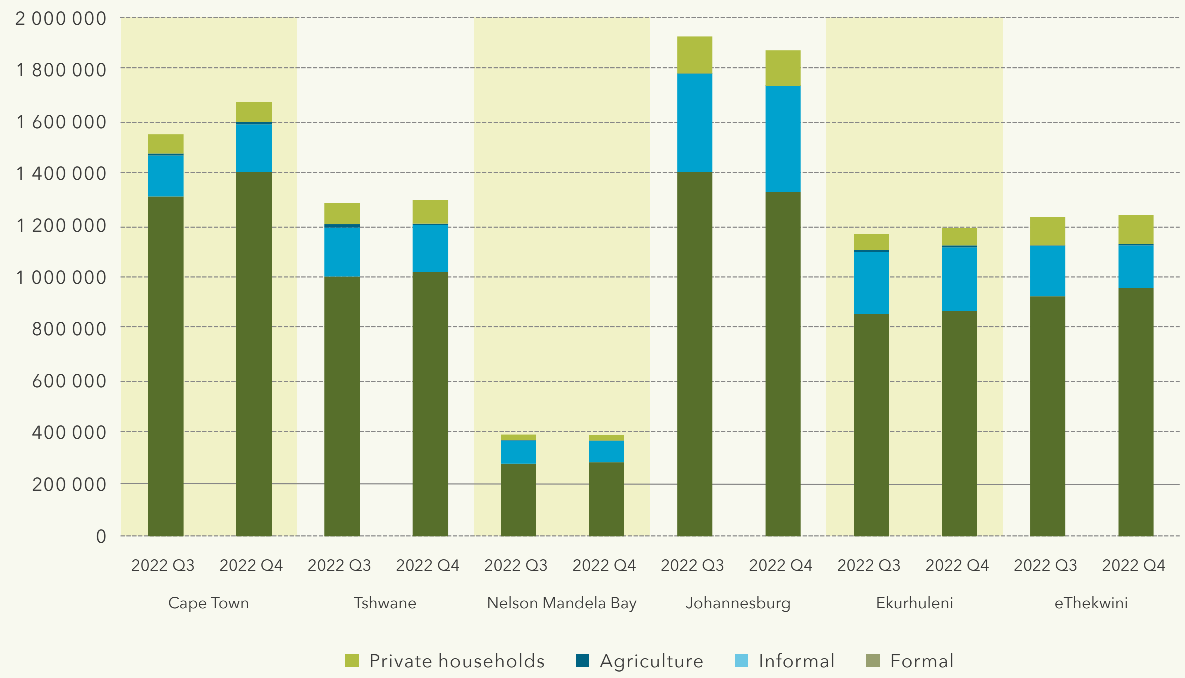
EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job-creation performance, a comparison with other metros[4] in the country is helpful. In the fourth quarter of 2022, Cape Town continued to have the second-highest number of employed people, at 1,66 million individuals. This is second only to Johannesburg, where 1,9 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in figure 9, when compared to the previous quarter, the majority of the metros recorded an increase, while two metros displayed negative employment growth. Cape Town added the most to employment (124 874 jobs), followed by Ekurhuleni (23 034 jobs) and Tshwane (11 689 jobs). eThekwini also added 6 130 jobs. Johannesburg recorded the largest decrease, shedding 53 382 jobs, followed by Nelson Mandela Bay, which recorded a drop of 2 897 jobs.

In Cape Town, formal employment increased strongly quarter-on-quarter (up by 94 551 individuals) and when compared to the fourth quarter of 2019 (up by 86 810 individuals) to record 1,39 million individuals for this quarter. Informal employment also displayed strong quarter-on-quarter employment growth (up by 23 636 individuals) to record a total of 181 899 individuals. However, when compared to the same period in 2019, informal employment is still behind by 6 166 individuals. The agriculture sector (up by 3 342 individuals) and private households (up by 3 345 individuals) recorded employment gains when compared to the third quarter of 2022. Both the agriculture and private households sectors are still below the levels of the fourth quarter of 2019.

FIGURE 9: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2022 Q3 VERSUS 2022 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 4, February 2023.

[4] *This comparison does not include all South African metro cities.*

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town decreased on a quarter-on-quarter basis (by 23 809 individuals) to record a total of 540 422 individuals at the end of the fourth quarter of 2022. Although this is the second consecutive quarterly drop in unemployment, the level still remains higher by 71 620 individuals than in the same quarter of 2019. The increase recorded in employment, coupled with the decrease in unemployment, resulted in a lower strict unemployment rate (24,5%) compared to the third quarter of 2022 (26,8%). The strict unemployment rate is 2,1 percentage points higher than in the fourth quarter of 2019 (22,6%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 53,8% in the fourth quarter of 2022, increasing from 51,2% in the third quarter. The figure also represents an increase on the 46% recorded in the fourth quarter of 2019. While this remains below the national youth unemployment rate of 61% recorded in the fourth quarter of 2022 (increasing from 59,6% on a quarter-on-quarter basis), it is nonetheless notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see table 3). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate of 26,9% (down from 29,5% in 2022 Q3), while eThekwini had the lowest strict unemployment rate of 17,6% (down from 21,8% in 2022 Q3) when compared to all the other metros.

TABLE 3: UNEMPLOYMENT RATE[5] COMPARISON OF METROS, 2022 Q4 VERSUS 2022 Q3 AND 2019 Q4

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2022 Q4	2022 Q3	2019 Q4	2022 Q4	2022 Q3	2019 Q4
Cape Town	24,5%	26,8%	22,6%	26,9%	29,5%	24,8%
eThekwini	17,6%	21,8%	20,9%	33,8%	34,7%	30,5%
Ekurhuleni	30,7%	31,5%	31,8%	39,1%	39,5%	35,7%
Johannesburg	32,6%	33,5%	32,7%	37,3%	37,6%	35,0%
Nelson Mandela Bay	34,4%	33,6%	34,1%	35,7%	35,5%	35,3%
Tshwane	34,7%	34,2%	27,5%	37,9%	37,5%	33,1%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 4, February 2023.
Note: As no metro level data were released for 2021 Q4, the year-on-year comparison is made against 2019 Q4.

Four of the metros experienced a decrease in their strict and broad unemployment rates when compared to the previous quarter of 2022. On a quarter-on-quarter basis, eThekwini recorded the largest decrease in strict unemployment (down by 4,2 percentage points to 17,6%) while Cape Town recorded the largest decrease in broad unemployment (down by 2,7 percentage points to 26,9%). Both Cape Town's strict and broad unemployment rates remain higher when compared to the same period in 2019 (up by 1,9 and 2,1 percentage points respectively).

Among the metros, Nelson Mandela Bay recorded the lowest difference between its two rates of unemployment (1,4 percentage points), while eThekwini recorded the largest difference of 16 percentage points. Cape Town has a difference of 2,4 percentage points (second lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller (although increasing) number of discouraged work seekers than the other metros.

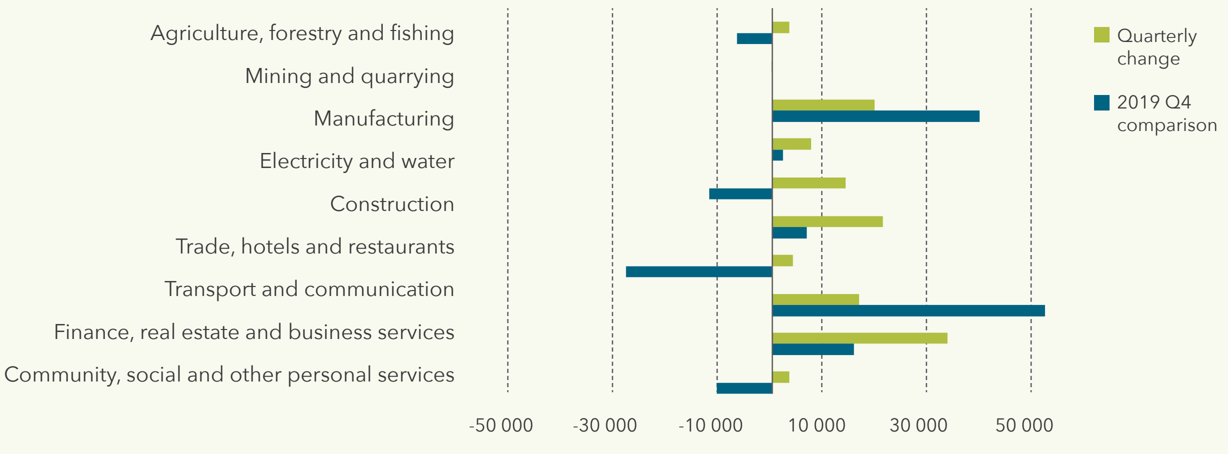
[5] *The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.*

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 10 presents the change in the level of employment by sector in Cape Town in the fourth quarter of 2022, compared to the previous quarter and the same period in 2019. On a quarter-on-quarter basis, only one sector recorded employment losses when compared to the third quarter of 2022; the rest recorded gains. The community, social and other personal services sector (up by 34 326 jobs) added the most to total employment, followed by the trade, hotels and restaurants (up by 21 646 jobs), and manufacturing (up by 20 054 jobs) sectors. Strong contributions to employment growth were also made by the finance, real estate and business services (up by 16 997 jobs), construction (up by 14 347 jobs), and electricity and water (up by 7 634 jobs) sectors. Further employment gains were recorded in transport and communication (4 024 jobs added), private households (3 345 jobs added), and the agriculture (3 342 jobs added) sectors. The mining and quarrying sector was the only sector to shed jobs, by a minimal 165 jobs, in the fourth quarter.

Six sectors have shown signs of sustained recovery, recording employment gains when compared to the same quarter of 2019. In contrast, three sectors displayed negative employment growth when compared to the same period. Encouragingly, the finance, real estate and business services sector added the most to employment growth (up by 53 433 jobs), followed by the manufacturing sector (up by 40 577 jobs). Furthermore, strong employment gains were recorded in the community, social and other personal services (up 15 964 jobs), as well as the trade, hotels and restaurants (up by 6 752 jobs) sectors. In addition, electricity and water, as well as the mining and quarrying sectors, added minimally to employment (up by 2 080 and 89 jobs respectively). In contrast to its positive quarterly performance, the transport and communication sector recorded the largest drop in employment (down by 28 061 jobs) compared to the same quarter in 2019, followed by the construction (down by 12 302), private households (down by 10 888 jobs), and agriculture (down by 6 920 jobs) sectors.

FIGURE 10: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2022 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 4, February 2023.
Note: As no metro level data were released for 2021 Q4, the year-on-year comparison is made against 2019 Q4.

05

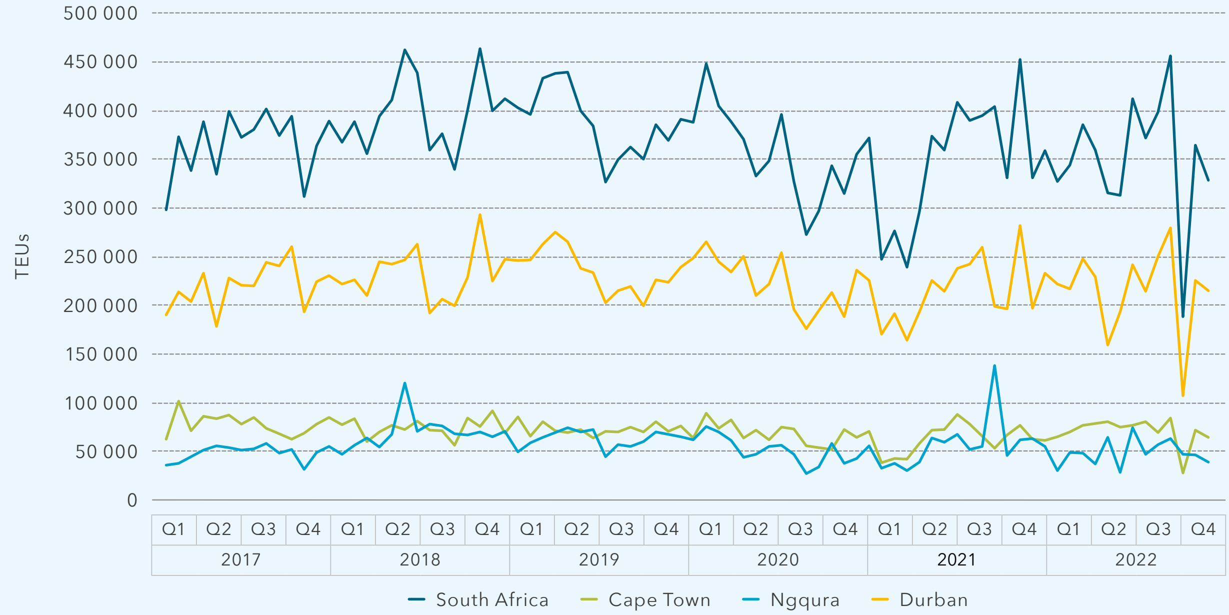
INFRASTRUCTURE AND TRADE

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

CONTAINER TRAFFIC

Container traffic demonstrates erratic short-term movement, as shown in figure 11. As such, it is best to compare the quarterly number of containers handled, as measured in twenty-foot equivalent units (TEUs),[6] over the period of a year. The Port of Durban[7] remained the largest container handling port in South Africa, handling a total of 546 399 TEUs in the fourth quarter of 2022, which accounted for 62,2% of all containers handled in the country. It was followed by the Port of Cape Town (18,7%) and the Port of Ngqura[8] (15,1%).

FIGURE 11: TOTAL CONTAINERS HANDLED (NATIONALLY), 2017 Q1 TO 2022 Q4



Source: Transnet National Ports Authority, February 2023.

As shown in table 4, the total number of containers handled at South African ports decreased on a year-on-year basis. Containers handled nationally decreased by 13,3%, from 1 013 751 TEUs in the fourth quarter of 2021 to 878 615 TEUs in the fourth quarter of 2022. The Port of Cape Town experienced a year-on-year decrease, from 188 526 TEUs in the fourth quarter of 2021 to 164 202 TEUs in the fourth quarter of 2022, reflecting a year-on-year decrease of 12,9%. The Port of Durban recorded a year-on-year decrease of 15,9%, while the Port of Ngqura recorded a decline of 11,1% when compared to the fourth quarter of 2021.

[6] *A TEU (20-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6 m) container. There is a lack of standardisation with regard to height, ranging between 4 feet 3 inches (1,30 m) and 9 feet 6 inches (2,90 m), with the most common height being 8 feet 6 inches (2,59 m). The 40-foot (12,2 m) or 45-foot (13,7 m) containers – the sizes most frequently used – are both defined as two TEU.*

[7] *The Port of Durban is located in the eThekwini metro.*

[8] *The Port of Ngqura is located in the Nelson Mandela Bay metro.*

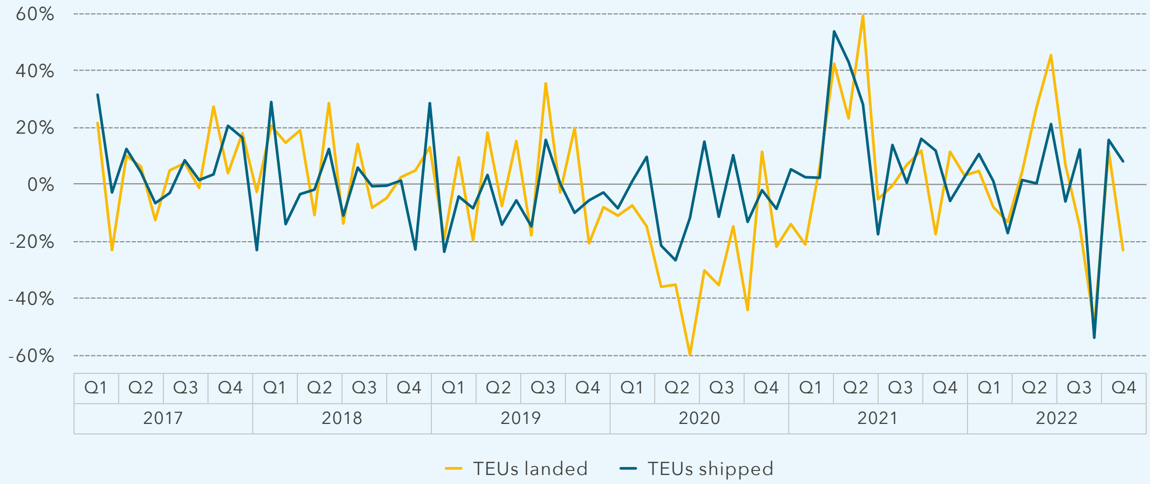
TABLE 4: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUs), 2022 Q4 VERSUS 2022 Q3 AND 2021 Q4

	2022 Q4	2022 Q3	2021 Q4	YEAR-ON-YEAR CHANGE
South Africa	878 615	1 223 133	1 013 751	-13,3%
Cape Town	164 202	234 009	188 526	-12,9%
Durban	546 399	742 546	649 949	-15,9%
Ngqura	132 400	167 180	148 901	-11,1%

Source: Transnet National Ports Authority, February 2023.

For full TEUs handled, the Port of Cape Town recorded a year-on-year decrease of 19,5% in TEUs landed, from 63 154 TEUs in the fourth quarter of 2021 to 50 846 TEUs in the fourth quarter of 2022. The number of TEUs shipped also decreased by 10,5%, from 63 943 TEUs in the fourth quarter of 2021 to 57 224 TEUs in the fourth quarter of 2022. When compared to the year-on-year changes from the last quarter, the year-on-year performances in both full landed and shipped TEUs worsened considerably compared to the positive year-on-year growth rates recorded by both in the previous quarter. Maersk expects global container demand to fall as a result of the economic slowdown that is expected to continue into 2023 (Klesty, 2022). The impact of the 11-day Transnet strike in October was also evident in the fourth quarter data, with considerably lower full containers landed and shipped in that month. However, November's recordings were somewhat higher, indicative of the clearing of the resultant backlog.

FIGURE 12: ANNUAL CHANGE IN FULL TEUs HANDLED AT THE PORT OF CAPE TOWN, 2017 Q1 TO 2022 Q4



Source: Transnet National Ports Authority, February 2023.

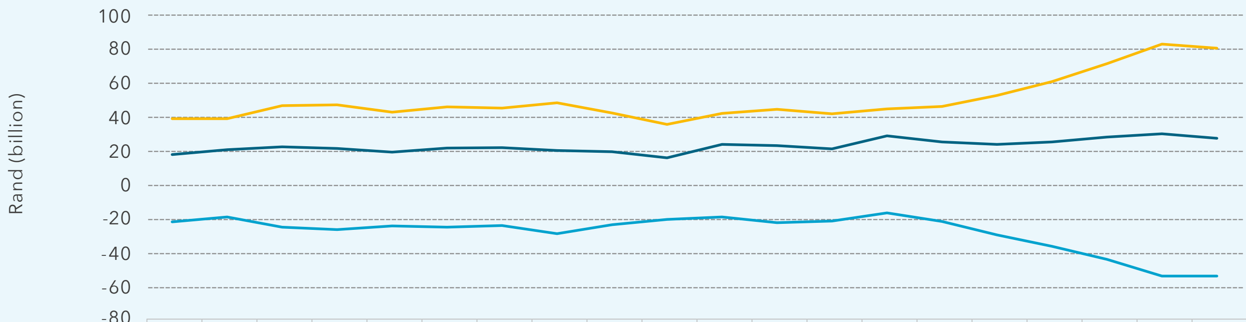
CAPE TOWN TRADE

In the fourth quarter of 2022, quarterly exports and imports decreased from all-time highs in the third quarter. Figure 13 shows the quarterly trade balance for Cape Town, with the largest trade deficit to date. Exports decreased by 8,3% quarter-on-quarter to R28,2 billion and imports decreased by 2,9% to R81,6 billion. Previously, imports have been consistently reaching the highest levels recorded in Cape Town due to rising prices. The fourth quarter, however, saw a decline from the peak recorded in the previous quarter. Higher prices, coupled with diminished local refining capacity, have contributed to the significant increase in the trade deficit from -R29 billion in the fourth quarter of 2021 to -R53 billion in the fourth quarter of 2022.

The largest quarterly growth in exports was for grapes, due to seasonal harvest times, followed by frozen fish, which experienced year-on-year growth of 25%. The largest year-on-year growth in Cape Town exports was for energy products, such as coal and refined petroleum, as well as antiques. Refined petroleum was the highest-value export from Cape Town in the fourth quarter of 2022 (R3,5 billion), followed by coal (R2 billion). Cape Town's largest import products in the fourth quarter were refined petroleum (R40,8 billion) and crude petroleum (R4,8 billion).

The value of exports increased by 15% and imports grew by 52% when compared to the fourth quarter of 2021. Large year-on-year value increases were seen in imports of petroleum oils and electric accumulators or batteries to store electricity (578%), as severe load-shedding led to an increase in demand for these products.

FIGURE 13: CAPE TOWN'S TRADE BALANCE, 2018 Q1 TO 2022 Q4



	2018				2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Export	18,5	21,5	23,1	22,1	20,0	22,3	22,7	21,0	20,2	16,6	24,7	23,8	21,8	29,7	26,0	24,5	26,1	28,9	30,8	28,2
Import	39,7	39,7	47,4	47,9	43,6	46,8	46,1	49,3	43,1	36,5	42,9	45,4	42,4	45,6	47,0	53,6	60,2	71,9	84,0	81,6
Trade balance	-21,2	-18,2	-24,4	-25,8	-23,6	-24,4	-23,3	-28,3	-22,9	-19,9	-18,3	-21,6	-20,5	-16,0	-21,0	-29,0	-34,1	-43,0	-53,0	-53,3

Source: Quantec, 2023.

Cape Town's top 10 exports in the fourth quarter of 2022, shown in table 5, accounted for 37,3% of total exports. When compared to the fourth quarter of 2021, the largest year-on-year increase in the top 10 exports was for coal, briquettes and ovoids, which increased by 137%. As coal is not mined locally, it is transported via road and shipped from the Port of Cape Town. Coal is only occasionally exported from Cape Town when demand and global prices are high. This has occurred frequently since the war in Ukraine, as European markets have shifted away from Russian coal and gas supply (IOL, 2022). Grapes experienced the third largest year-on-year increase of 48%, after antiques (73%). Although the Western Cape experienced uncommon early summer rains in mid-December, grape varieties were largely unaffected and acceptable for export.

Citrus experienced a decline of 12% year-on-year as the citrus season typically ends in October, at which time the 11-day Transnet strike occurred. The year-on-year growth in total exports of 15% is also not a sign of increased economic output in Cape Town, as the large growth in the export of refined petroleum, coal and antiques does not point to increased economic activity in the metro.

TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2022 Q4

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2022 Q4 (HS 4)[9]	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE (VS 2021 Q4)
Refined petroleum	R3 519,3	12,5%	38%
Coal	R2 015,1	7,1%	137%
Grapes	R724,4	2,6%	48%
Engine parts	R697,2	2,5%	15%
Antiques	R635,9	2,3%	73%
Citrus	R631,8	2,2%	-12%
Apples, pears and quinces	R601,0	2,1%	12%
Jewellery with precious metal	R598,6	2,1%	-4%
Fish fillets	R582,7	2,1%	7%
Frozen fish, excl. fillets	R534,8	1,9%	25%
Total of top 10 export categories	**R10 540,80**	**37,3%**	
Total of ALL products	**R28 200,80**	**100,0%**	**15%**

Source: Quantec, own calculations, March 2023.

Note: Only the top 10 exports at an HS4 level are shown in the table above.

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

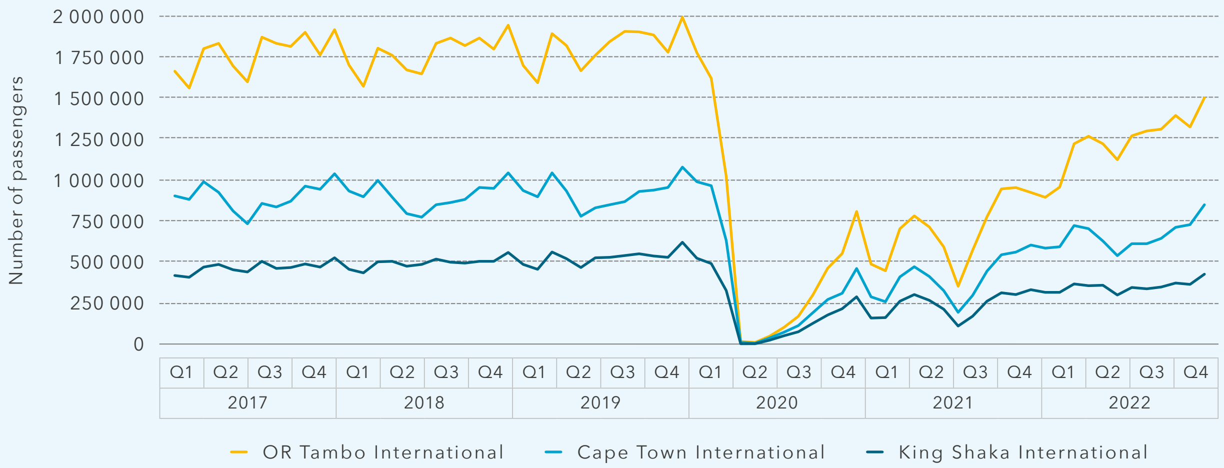
AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,3 million total passenger movements (arrivals and departures) in the fourth quarter of 2022, compared to 4,2 million passenger movements at OR Tambo International and 1,2 million at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed on a year-on-year basis. For the fourth quarter of 2022, all three international airports recorded positive year-on-year performances. Total passenger movements at Cape Town International in the fourth quarter of 2022 increased by 34,3% year-on-year, representing a total of 580 379 more passenger movements than observed in the fourth quarter of 2021. OR Tambo International's total passenger movements saw a year-on-year increase of 49,6% (+1 393 714) in the fourth quarter of 2022, while King Shaka International saw a year-on-year increase of 23,4% (218 567). The overall positive year-on-year recordings are indicative of improvements in travel and its associated industries, such as tourism and meetings, incentives, conferences and exhibitions (MICE).

Due to the significant disruption to air travel in 2020 as a result of the Covid-19 pandemic, and the subsequent slow recovery of travel and associated industries, the year-on-year performances remain relatively amplified. When compared to the same period in 2019,[10] air passenger movements remain, on average, 27% lower than pre-pandemic levels, which is illustrated in figure 14. This difference, however, has improved when compared to the previous quarter.

FIGURE 14: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2017 Q1 TO 2022 Q4



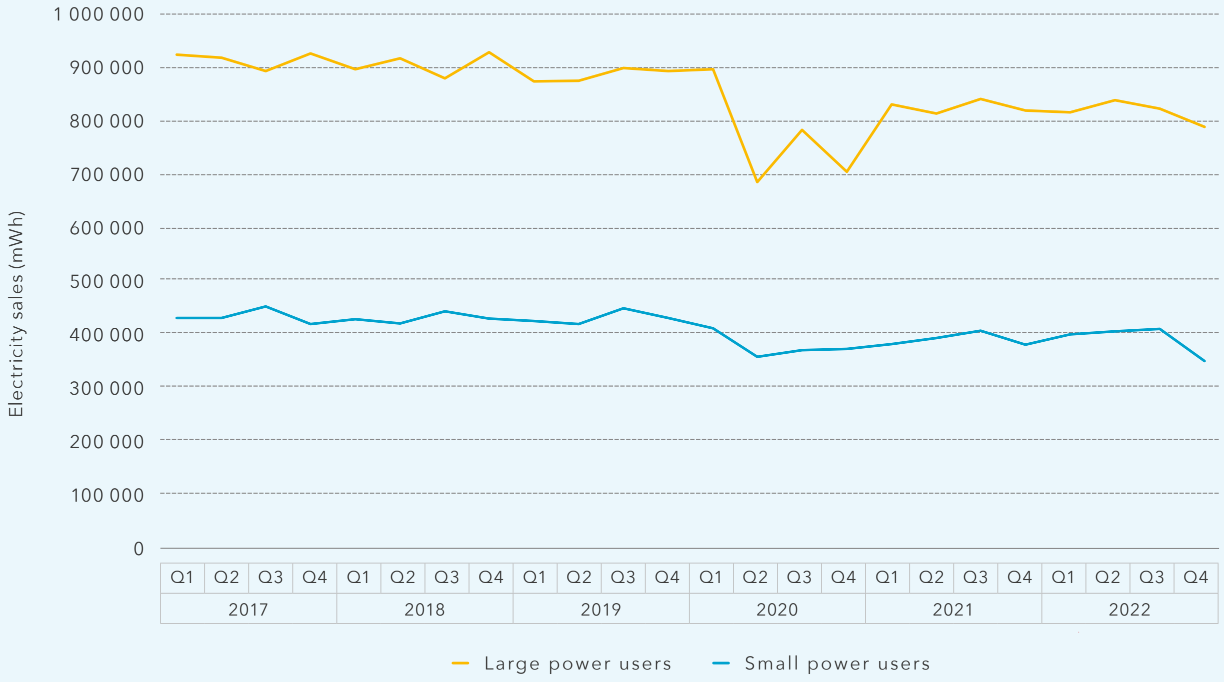
Source: Airports Company South Africa, February 2023.

[10] *South Africa's lockdown commenced on 15 March 2020.*

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

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

FIGURE 15: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2022 Q4



Source: Electricity Generation and Distribution, CCT, March 2023.

Following a decrease in the previous quarter, electricity sales to LPUs declined further in the fourth quarter of 2022, dropping by 4,2% on a quarter-on-quarter basis. According to the Council for Scientific and Industrial Research (CSIR, 2022), there was more load-shedding from July to September 2022 than in any prior full year. However, this was surpassed in the fourth quarter of 2022 as the energy crisis in South Africa deepened, with December 2022 alone having more load-shedding than any year since Eskom started implementing it in 2007 (CSIR, 2023). This contributed significantly to the decrease in electricity sales to LPUs in the fourth quarter of 2022. There was also a sharp decline of 15,5% quarter-on-quarter in the City's electricity sales to SPUs, which had recorded growth in the previous quarter. This suggests that SPUs were finding it difficult to adapt to the extensive power cuts. Reduced electricity consumption by commercial and industrial customers, due to energy-supply constraints, would be expected to have a negative impact on manufacturing activity in Cape Town.

Electricity sales to LPUs and SPUs in the fourth quarter of 2022 were also lower than in the corresponding period in 2021. LPUs recorded a decrease in electricity sales of 3,8% year-on-year, while electricity sales to SPUs declined by 8,5% year-on-year.

06

TOURISM

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

TOURISM

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. However, tourism was one of the industries hardest hit by the Covid-19 pandemic. While travel restrictions around the world have eased, recovery in tourism activity levels and trends has lagged.

Local data collection remains a challenge. Cape Town Tourism's (CTT) Cape Town Accommodation Performance Review and Forecast Report continues to record low survey participation rates.[11] This may be attributed to lower membership levels, subsequently impacted by establishment closures, as well as constrained resources. The Cape Town Accommodation Performance Reviews (CTT, 2022a; CTT, 2022b; CTT, 2023), covering the months of October, November and December 2022, had an average response rate of 36 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area.

During the fourth quarter of 2022, the surveyed establishments recorded an average occupancy rate of 72,6%. This is on par with the recorded forecast demand (74,1%) for the period and, encouragingly, it is notably higher than occupancy rates in the fourth quarter of 2021 (54,9%) as well as the same period in 2019 (68,9%). While the local accommodation market and its performance may be impacted by lower supply (compared to pre-Covid-19), the bolstered occupancy rate recorded in the fourth quarter remains a positive signal for the tourism sector. Similarly, the average room rate (R2 187) and revenue per room rate (R1 590) recorded are only slightly lower than the forecasted demand, and higher than in the corresponding period in previous years. These figures should, however, be viewed against a backdrop of higher inflation and operational costs.

Demand for accommodation during the fourth quarter of 2022 continued to be driven by the domestic market, which accounted for an average of 55% of room nights sold, while demand from travellers from within Africa constituted 9% and international travellers 36%. Encouragingly for the tourism sector, leisure as the main reason for travel increased among domestic and international travellers, while regional travellers remained skewed towards business as the main purpose of travel.

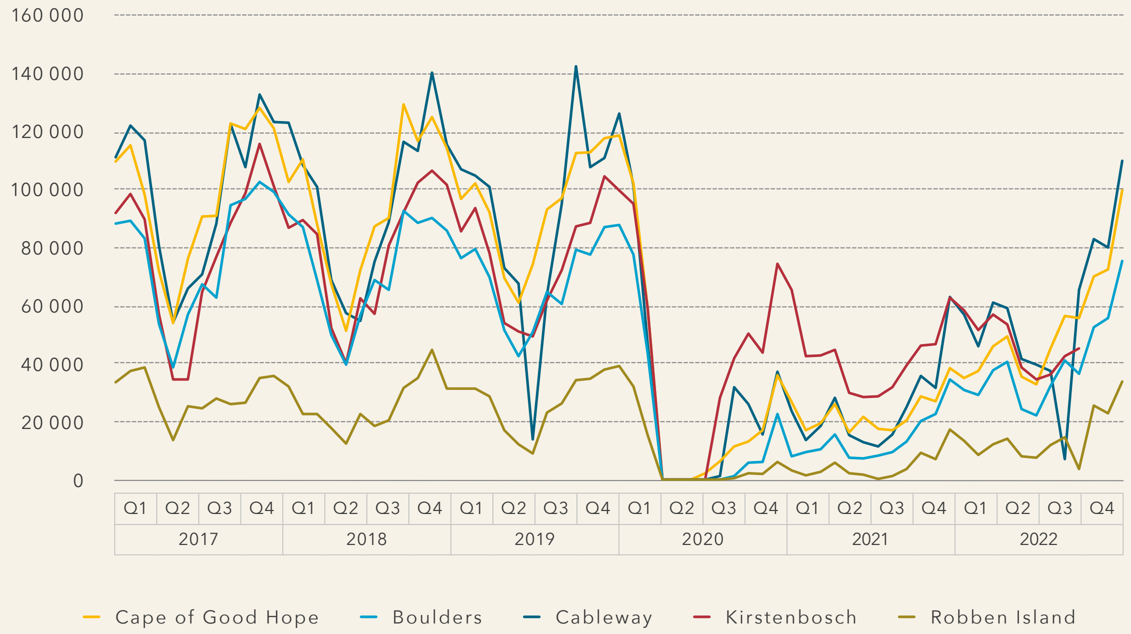
Continued recovery is further evident in visitor statistics. During the fourth quarter of 2022, four of Cape Town's [five] major tourist attractions[12] recorded a total of 775 427 visits. While this remains 63% lower than pre-pandemic levels (recorded in 2019 Q4), this quarter's performance showed an improvement of 132% when compared to the same period in 2021.

In the fourth quarter of 2022, Table Mountain Aerial Cableway recorded the highest number of visits (270 729), showing a year-on-year improvement of 109%. This was followed by the Cape of Good Hope, which recorded 240 453 visits, with a year-on-year improvement of 157%. Boulders Beach and Robben Island recorded 182 433 and 81 812 visits, respectively, each also improving over 100% when compared to the same period in 2021.

[11] *Prior to the pandemic, the surveys recorded averages of around 100 responses per month.*

[12] *Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway and Robben Island. Excludes the V&A Waterfront. At the time of drafting, no data were available for Kirstenbosch National Botanical Gardens.*

FIGURE 16: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2017 Q1 TO 2022 Q4



Source: Wesgro, March 2023.

Figure 16 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March, while the lowest tourist visitor numbers are typically recorded between May and July, which fall in Cape Town's winter period. Traditionally, due to seasonality, visitor numbers continue to pick up during the fourth quarter.

07

ADDITIONAL INDICATORS

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

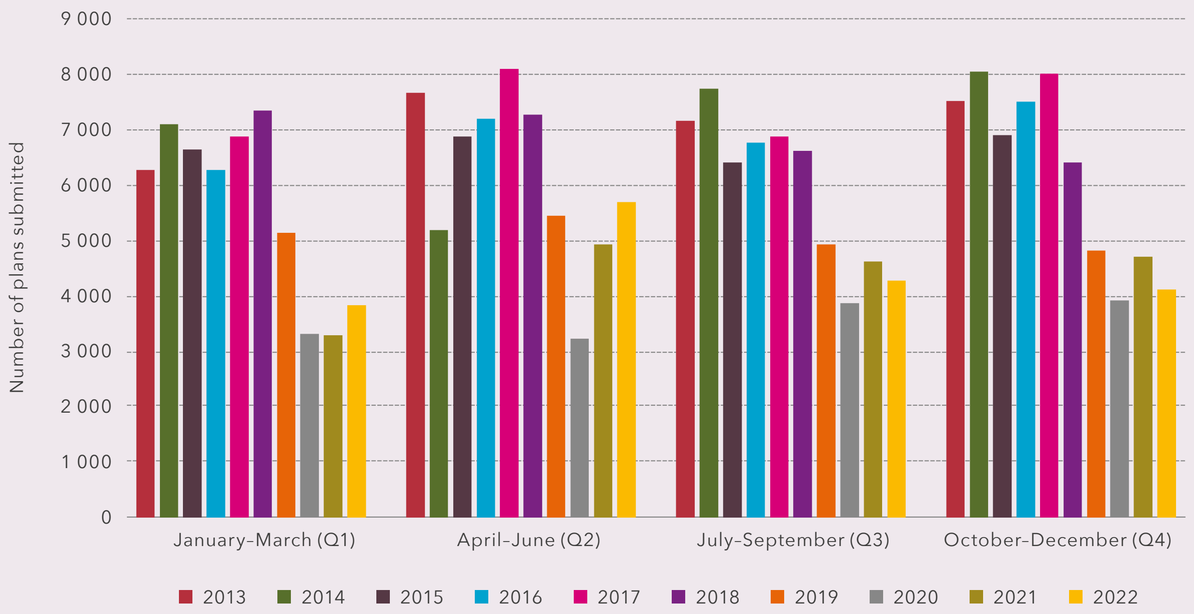
BUILDING DEVELOPMENTS

The economic growth data for the fourth quarter of 2022 show that national output in the construction sector improved by 2,0% quarter-on-quarter (annualised growth). This marked a second consecutive quarter of positive growth, albeit significantly lower than the 16,6% recorded in the previous quarter. Alongside the positive quarter-on-quarter performance, the sector recorded positive year-on-year growth of 0,9% in the fourth quarter of 2022, following five consecutive quarters of year-on-year contractions. The Western Cape's construction sector mirrored these national trends, recording 1,9% quarter-on-quarter growth and, after five consecutive quarters of contractions, year-on-year growth of 0,9% in the fourth quarter of 2022 (Quantec, 2022).

The First National Bank (FNB)/BER Building Confidence Index[13] recorded a slight drop (1 index point) in the fourth quarter of 2022 to 33 index points. Despite the minimal change in the overall index, its sub-sectors recorded notable changes. Encouraging for the sector were the positive sentiments recorded for building material manufacturers (+20), main contractors (+17) and quantity surveyors (+9). However, these were outweighed by declining confidence levels among hardware retailers (-17), architects (-16) and building sub-contractors (-15). While the index's overall performance during the fourth quarter signals that the sector's decline has largely stabilised in 2022, the low sentiment points to the need for a cautious outlook for 2023 (BER, 2022e). The sentiment embedded in the Building Confidence Index is further evident in some of the City's building plans data. For the fourth quarter of 2022, building plan submissions (rand value) declined by 3,8% when compared to the previous quarter, while building completions (rand value) increased by 2,6% (CCT, 2022d).

At a year-on-year level, the number of building plans submitted to the City for approval (4 113) in the fourth quarter of 2022 declined by 12,6% compared to the fourth quarter of 2021. This reflects the uneven recovery of the sector. Figure 17 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry.

FIGURE 17: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2013 Q1 TO 2022 Q4



Source: Planning and Building Development Management Department, CCT, March 2023.

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

NEW VEHICLE SALES

At 15 836 units sold, total vehicle sales in the Western Cape in the fourth quarter of 2022 increased by 2,7% (413 units) from 15 423 units sold in the third quarter of 2022. On a year-on-year basis, vehicle sales increased by 17,0% (2 303 units) from 13 533 vehicles sold in the same period of 2021. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, recorded a slight decrease from 10 964 vehicles in the third quarter of 2022 to 10 919 vehicles sold in the fourth quarter of 2022. The year-on-year results showed an increase of 16,3% (1 531 units) from 9 388 vehicles sold in the fourth quarter of 2021. At a national level, passenger vehicle sales reported a year-on-year increase of 14,9% (11 814 units) from 79 080 units in the fourth quarter of 2021 to 90 894 units in the fourth quarter of 2022.

According to naamsa's quarterly review, the muted quarter-on-quarter performance reflects supply chain disruptions as well as economic pressures, specifically on the new vehicle sales segment (naamsa, 2022).

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 13% year-on-year in the fourth quarter of 2022, while decreasing by 3,4% for used passenger vehicles. An encouraging signal, the used-to-new ratio continued its slow decline, recording 1,98, compared to 2,05 in the previous quarter. After a notable quarter-on-quarter increase in the previous quarter, the VPI[14] for new vehicles showed a slight increase in the fourth quarter of 2022, up to 7,0% from 6,8% in the previous quarter. Similarly, the VPI for used vehicles recorded 9,1% in the fourth quarter of 2022, an increase of 0,1 of a percentage point from the previous quarter. While the volatile exchange rate impacted prices in the fourth quarter of 2022, household disposable incomes also remain constrained, indicative of high debt-to-income ratios (TransUnion, 2023).

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

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ABBREVIATIONS

ACSA:	Airports Company South Africa
BER:	Bureau for Economic Research
BFAP:	Bureau for Food and Agriculture Policy
CCT/City:	City of Cape Town
CPI:	consumer price index
CT:	Cape Town
CTT:	Cape Town Tourism
EPIC:	Economic Performance Indicators for Cape Town
FNB:	First National Bank
GDP:	gross domestic product
GDP-R:	regional gross domestic product
GGP:	gross geographic product
GVA:	gross value added
GWh:	Gigawatt hours
HS:	Harmonised System
IMF:	International Monetary Fund
LPU:	large power users
MPC:	Monetary Policy Committee
naamsa:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Managers' Index
PPI:	producer price index
Q:	quarter
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SARS:	South African Revenue Service
SPU:	small power users
TEU:	twenty-foot equivalent unit
USD/US$:	United States dollar
USD/T:	United States dollar per ton
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand