



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

EPIC

Economic Performance Indicators for Cape Town

2018: Quarter 4 (October - December)

Introduction

This is the 23rd edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the fourth quarter of 2018, covering the period 1 October to 31 December 2018.

Rationale for a quarterly economic publication

Accurate and up-to-date economic information is critical in providing direction for economic development and related strategies. It is essential to understand the nature, composition and performance of the local economy to monitor its status and know what must be done. While there is a wealth of economic statistics and information available for Cape Town, it often exists in discrete, isolated parcels customised to serving a specific purpose at a given time. Furthermore, in most cases, relevant economic information is only presented on an annual basis. This period is sometimes simply too long to inform immediate policy decisions or to get a proper grasp of the dynamic nature of economic trends. These factors underpin the need for a consolidated, quarterly economic performance publication for the City of Cape Town.

Acknowledgements

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CAPE TOWN OVERVIEW – 2018 Q4



Of **South Africa's R3 161 721 million gross domestic product (GDP)** generated in the fourth quarter of 2018, the **Western Cape** accounted for **R439 956 million**. Whilst GDP data is not available at the city-level on a quarterly basis, annually, **Cape Town typically** contributes around **71%** of the provincial GDP.^a

During the fourth quarter of 2018, the **Western Cape** had a quarter-on-quarter **GDP growth rate of 2,3%**, compared to a **national** growth rate of **1,4%**.^b

In 2017, **South Africa** had a **GDP per capita**, of **R82 262**, while the **Western Cape's** GDP per capita was **R97 983** and **Cape Town's** was **R106 839**.^c



At the end of the fourth quarter of 2018, **South Africa** had a **lower rate of inflation of 4,5%**, than the **Western Cape** which had a rate of **5,2%**.^d



South Africa has **57 725 606** people: **6 621 103** (11,4%) live in the **Western Cape** and, of those, **4 322 031** are resident in **Cape Town**.^e



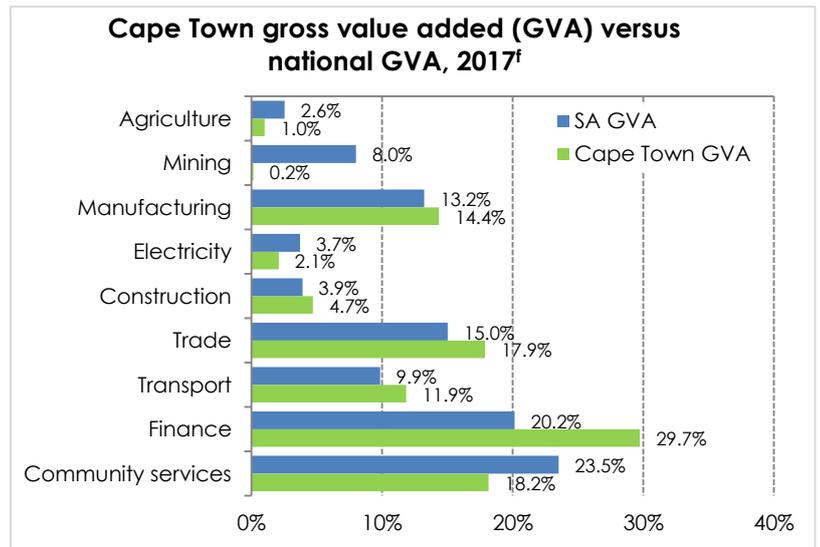
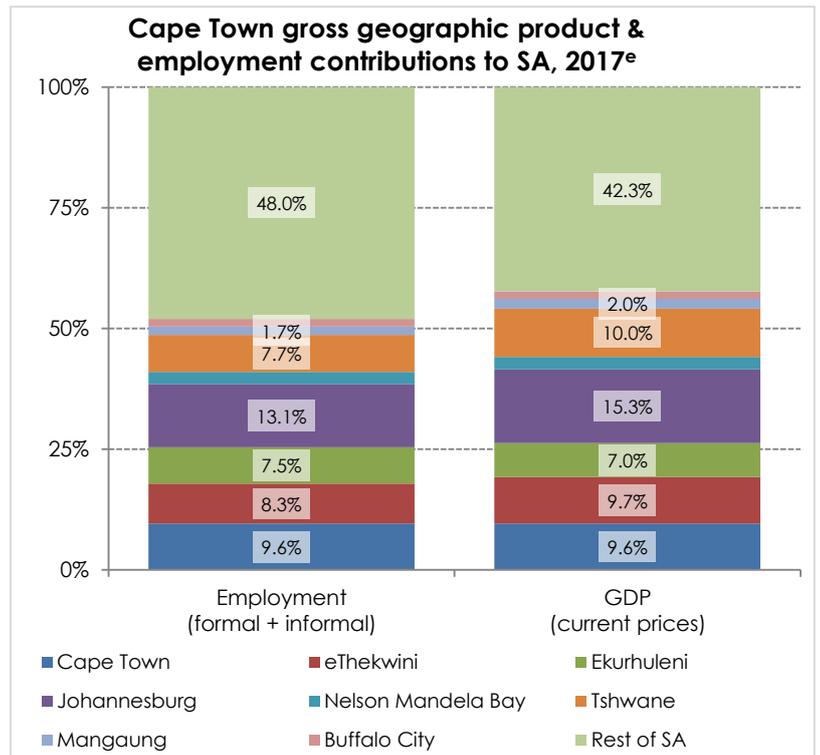
In 2017 **South Africa** had a **Gini coefficient** of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.^h



In the fourth quarter of 2018, tourists and residents made **1 399 431** visits to **Cape Town's five major attractions**.ⁱ



Of the **10 074 996** passenger movements through **South Africa's three international airports**^j during the fourth quarter of 2018, **2 932 412** were through **Cape Town International Airport**.^k



a,b. At constant 2010 prices. Source: Quantec, 2019.

c,f. At current prices. Source: IHS Markit, 2018.

d, g. Source: Statistics South Africa (StatsSA), 2018-2019.

e. GGP at current prices. Source: IHS Markit, 2018.

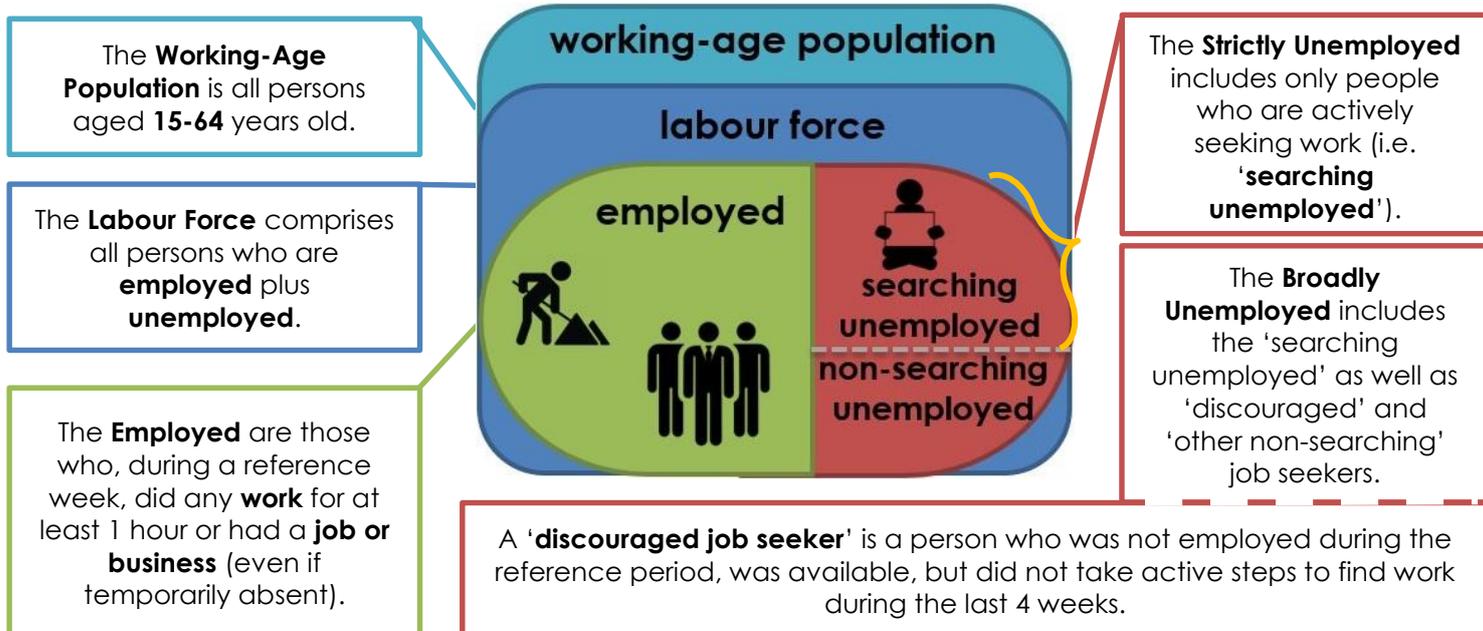
h. Source: IHS Markit, 2019.

i. Source: Cape Town Tourism and Wesgro, 2019.

j. Cape Town, OR Tambo and King Shaka.

k. Source: ACSA, 2019.

LABOUR OVERVIEW – 2018 Q4



2018 Quarter 4		South Africa				Cape Town				
		Recorded	Q-on-Q	Y-on-Y		Recorded	Q-on-Q	Y-on-Y		
Number (thousands, '000's)	Working-age population	38 134	↑ 149	↑ 608		2 926	↑ 14	↑ 555		
	Labour Force	22 668	↑ 79	↑ 617		2 026	↓ -9	↑ 18		
	Employed: total	16 529	↑ 149	↑ 358		1 597	↓ -9	↑ 26		
	Employed: Formal sector	11 346	↑ 92	↑ 102		1 321	↑ 2	↑ 35		
	Employed: Informal sector	3 001	↓ -15	↑ 193		173	↓ -6	↑ 3		
	Unemployed	6 139	↓ -70	↑ 259		429	- 0	↓ -8		
	Not economically active	15 466	↑ 70	↓ -9		900	↑ 23	↑ 37		
	Discouraged work-seekers	2 841	↑ 108	↑ 303		17	↓ -1	↓ -1		
	Other not economically active	12 625	↓ -38	↓ -311		884	↑ 23	↑ 38		
Rate (percentage, %)	Official/strict unemployment	27,1	↓ -0,4	↑ 0,4		21,2	↑ 0,1	↓ -0,5		
	Broad/expanded Unemployment	37,0	↓ -0,3	↑ 0,7		23,1	↑ 0,2	↓ -0,4		
	Absorption	43,3	↑ 0,2	↑ 0,2		54,6	↓ -0,5	↓ -0,1		
	Labour Force Participation	59,4	↓ -0,1	↑ 0,6		69,2	↓ -0,7	↓ -0,7		
↑ increase		↓ decrease		improvement		deterioration		- No change (due to rounding)		

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018 Quarter 4, February 2019.

Note:

- A 'quarter-on-quarter' comparison is between the current quarter and the previous quarter (for example: Quarter 4, 2018 versus Quarter 3, 2018).
- A 'year-on-year' comparison is between the same quarters in two consecutive years (for example: Quarter4, 2018 versus Quarter4, 2017).

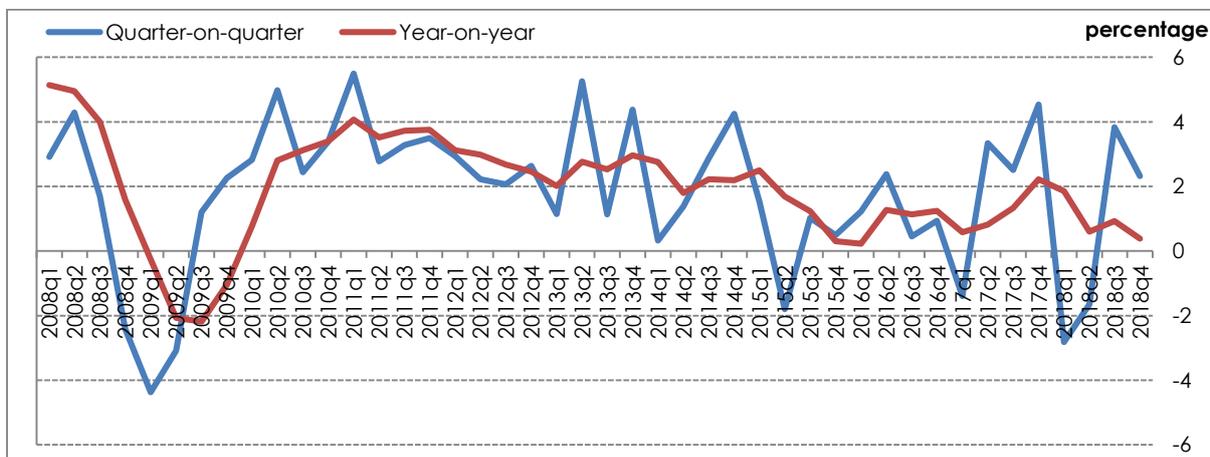
1. Economic Growth

a. Quarter-on-quarter GDP-R growth rate

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). The province's economic performance is strongly related to the country's economic performance and, in line with the growth of the national economy (by 1,4%) in the fourth quarter of 2018, the Western Cape economy grew by 2,3% (1,5 percentage points lower than the previous quarter's growth rate of 3,8%¹). As with growth at a national level, growth in the Western Cape in the fourth quarter was driven by the agriculture and transport sectors which grew by 15,1% and 8,0% quarter-on-quarter, respectively. Similarly, in line with their contractions at a national level, the Western Cape's mining and construction sectors recorded contractions of -3,8% and -0,7% quarter-on-quarter, respectively. This was the second consecutive quarter of contraction for both sectors. As Figure 1 shows, on a year-on-year basis, the province's economy grew by 0,4% in the fourth quarter of 2018. Recent data revisions² reveal that the Western Cape did not experience negative growth rates in its year-on-year growth rates as was reported for quarters two and three of 2018 in the previous edition of EPIC.

While GDP-R statistics for Cape Town are not available on a quarterly basis, the performance of the metropolitan municipality's economy can be expected to typically mirror that of the provincial economy. This is because the city contributes around 71% of the provincial economic output (IHS Markit, 2018). On average, in the last 10 years, the variation of the city's GGP growth rate from the provincial rate has been 0,2 of a percentage point. If this were to hold true for the fourth quarter of 2018, a plausible range for Cape Town's quarter-on-quarter economic growth is between 2,1% and 2,5%.

Figure 1: Real GGP growth for the Western Cape, Quarter 1, 2008 to Quarter 4, 2018



Source: Quantec, March 2019.

b. Sectoral drivers of economic growth in the Western Cape

The Western Cape economy's performance in the fourth quarter of 2018 is characterised by mixed performances across its sectors. The most prominent contributors to the Western Cape's total gross value added (GVA) in the fourth quarter of 2018 were the finance and business

¹ Quarterly GDP growth for the third quarter of 2018 has been revised from 2% to 3,8% (Quantec, 2019).

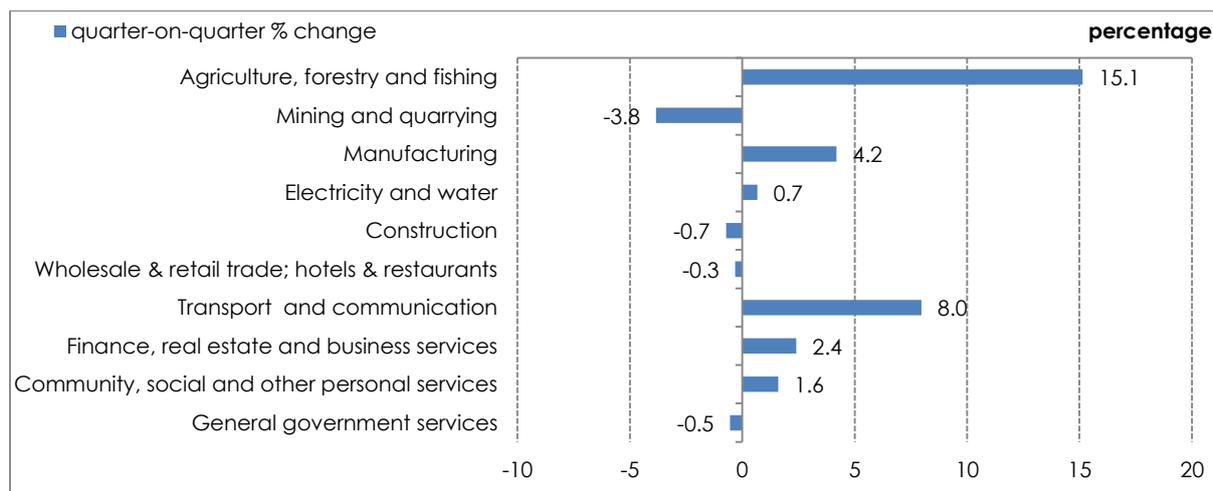
² Statistics South Africa's fourth quarter data release of Gross Domestic Product includes the annual data for that year. As such, revisions are applied and may be applicable to individual quarters and sectors, and thus may differ compared to previous editions.

services (30,9%), trade (19,9%) and manufacturing (15,0%) sectors (Quantec, 2019). Six sectors contributed positively to the province's quarterly economic growth rate; the transport sector contributed 0,81 of a percentage point to GVA growth, followed by finance contributing 0,74 points, manufacturing 0,62 points and agriculture with 0,58 percentage points. The largest 'subtractor' of growth in the fourth quarter was the general government sector, reducing growth by 0,06 of a percentage point. The next largest contributors to the reduction in economic growth came from the trade and construction sectors which reduced growth by 0,05 and 0,03 of a percentage point, respectively.

From an individual sectoral performance perspective, the agricultural sector experienced the largest positive growth in the fourth quarter (15,1%), followed by the transport sector (8,0%). Encouragingly, the Western Cape's largest sector, the finance and business services sector, continued its trend of improvement on the previous quarter's performance to grow at 2,4% in the fourth quarter, up by 0,4 of a percentage point³. At the other end of the spectrum, the mining sector experienced the largest contraction (-3,8%) in the fourth quarter. While this constituted the sector's second consecutive quarter of negative growth its impact remains limited as it constitutes a very small share of economic growth (0,2%). The sector which experienced the next largest contraction was the construction sector which contracted by 0,7% after having also recorded a contraction in the previous quarter. The wholesale and retail trade sector also contracted by 0,3%, which may be reflective of enduringly weak consumer confidence⁴.

Similar sectoral growth rates can be expected for Cape Town, as the city is the major contributor to most economic sectors in the province. In particular, it comprises 82% of the Western Cape's finance and business services, 77% of its transport, 72% of its wholesale and retail trade, 68% of its manufacturing, and 62% of its construction sectors (IHS Markit, 2018). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the fourth quarter of 2018.

Figure 2: Sectoral real GDP-R growth rates in the Western Cape, Quarter 4, 2018



Source: Quantec, March 2019.

³ Quarterly GDP growth for the finance sector in the Western Cape for the third quarter of 2018 has been revised from 2,2 to 2,0 (Quantec, 2019).

⁴ The FNB/BER Consumer Confidence Index was reported as 7 index points for the fourth quarter of 2018 (BER, 2019)

In contrast to Cape Town's contribution to the tertiary sector output of the province, its' contribution to the province's total primary sector GGP is only 19% (IHS Markit, 2018). Thus, 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 a large impact on the overall growth rate of the city, as the primary sector contributes only 1% to Cape Town's total GGP. Rather, the performance of the city's economy in the fourth quarter of 2018 would have been driven by the performance of the transport, manufacturing and finance sectors, which, in 2017, comprised 12%, 14%, and 30% of the city's economy, respectively.

2. 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.

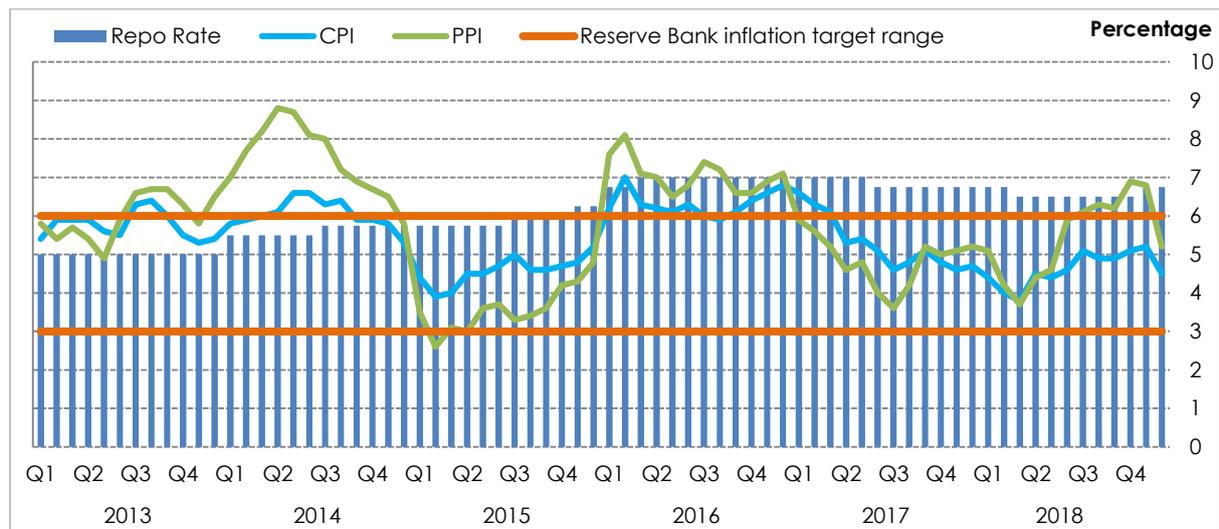
a. Inflation overview

At the end of the fourth quarter of 2018, the CPI decreased in comparison to the end of the third quarter of 2018. As illustrated in Figure 3, the CPI recording for October was 5,1%, increasing slightly to 5,2% in November and decreasing to 4,5% in December 2018. Encouragingly, the headline inflation remained below the upper end of the inflation target range (6%) for the entire year of 2018. According to Statistics South Africa (2019), the main categories contributing to the overall CPI recording for December 2018 included housing and utilities, transport, and education, with each of these categories recording inflation rates of above 6%. According to the Monetary Policy Committee (MPC) statement of January 2019 (South African Reserve Bank [SARB], 2019), the lower headline inflation is a result of a stronger rand exchange rate - with the rand appreciating by 1,4% against the US dollar (USD) since November 2018 - as well as a significant decline in international oil prices [at the end of the fourth quarter].

Similar to the movement of CPI, the PPI decreased when compared to the end of the third quarter of 2018. After the peak in October 2018 (6,9%), the PPI gradually decreased to 6,8% for November and further to 5,2% in December 2018. The main inflationary contributors to PPI throughout the fourth quarter of 2018 (in terms of final manufactured products) were the prices of coke, petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products as well as transport equipment.

Figure 3 also illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate increased by 25 basis points in November 2018 to 6,75% (from a previous 6,5%) and remained unchanged for the remainder of the fourth quarter of 2018. According to the MPC statement of November 2018 (SARB, 2018), the key reason for the interest rate hike [at the time] was to counter the second-round effects of the lingering risks such as higher inflation expectations, a weaker exchange rate, elevated international oil prices (recorded up until mid-November), as well as rising electricity and water tariffs.

Figure 3: CPI and PPI trends for South Africa, January 2013 to December 2018

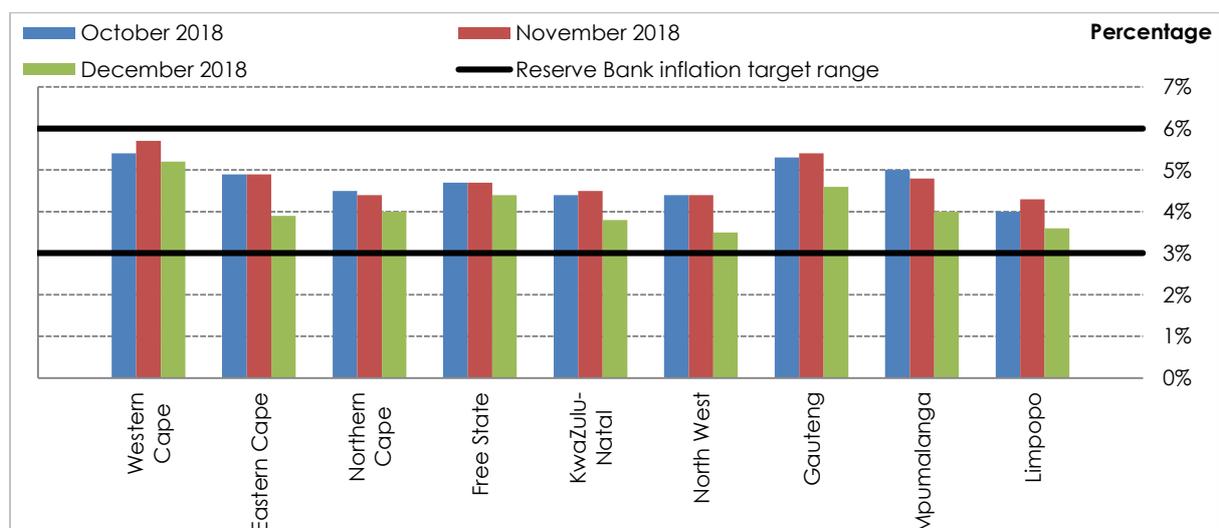


Source: CPI and PPI extracted from Statistics South Africa, 2018-2019, and repurchase rate extracted from SARB, 2018-2019.

b. Geographical inflation

The Western Cape recorded an inflation rate of 5,2% at the end of the fourth quarter of 2018. This was lower than its inflation rate at the end of the third quarter of 2018, which was 5,6%. Although remaining within the inflation target range at the end of the quarter, the provincial inflation rate remained higher than the national rate of 4,5%. Figure 4 illustrates inflation rates recorded in the fourth quarter of 2018 across all nine provinces in the country. In comparison to the end of the third quarter of 2018, all nine provinces recorded a decrease in inflation rates by the end of the fourth quarter of 2018. The Western Cape recorded the highest inflation rate throughout the quarter with an average of 5,4%, followed by Gauteng (5,1%), and the Eastern Cape, Mpumalanga and Free State at 4,6% each, whilst Limpopo recorded the lowest average inflation rate (3,9%) in the fourth quarter of 2018. Positively, all nine provinces continue to remain within the inflation target range of 3% and 6%.

Figure 4: CPI inflation rate at a provincial level, October to December 2018



Source: Statistics South Africa, February 2019.

The higher overall inflation rate at the provincial level (compared to the national level) for the fourth quarter of 2018 can largely be attributed to housing and utilities' price inflation which was recorded at 7,9% in December for the Western Cape and 5,5% at the national level. Within this category the disparity between prices at the provincial and national levels was notable in owners' equivalent rent⁵ price inflation which was recorded at 7,7% for the province and 3,7% at the national level. Water and other services'⁶ price inflation in the Western Cape remained high in the fourth quarter, although declined slightly from 9,8% in October, to 9,7% in November and December 2018. This was lower than the inflation rate in this category at a national level which was 10,9% in December 2018.

Food price inflation in the Western Cape remained unchanged for November and December at 2,3%, whilst nationally it decreased from 2,5% in October 2018 to 2,1% in December. Despite the provincial food price inflation once again exceeding that of the national level, the disparity between the two continued to decrease in the fourth quarter of 2018 to 0,2 percentage points from a previous 1,7 percentage points in December 2017. Large disparities in inflation rates between the Western Cape and the country as a whole were also observed within the non-alcoholic beverages' price inflation (6% and 8,2%, respectively) and in alcoholic beverages' price inflation (7,4% and 6,1%, respectively) at the end of December 2018.

Following relatively high levels in the third quarter of 2018, private transport fuel price inflation further increased in the beginning of the fourth quarter, however declined significantly in the last month of the quarter. From recording 18,9% in September 2018, private transport fuel price inflation in the Western Cape increased to 23,6% in November, thereafter declining substantially to 8,4% in December 2018, mirroring national trends. This is reflective of the decrease in fuel price in December, which contributed towards the cumulative decrease of 70 cents on the price of petrol in the fourth quarter of 2018 (Automobile Association of South Africa, 2019). The relief in fuel price inflation could also be attributed to the sudden decrease in international oil prices, which decreased strongly from 81,31 USD per barrel in October 2018 to 57,36 USD per barrel in December 2018 (Macrotrends, 2019) as well as the stronger rand performance, as noted by the MPC (SARB, 2019).

3. 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 reflected on in this section.

a. Cape Town's labour market performance

Cape Town's working age population (2,9 million) increased on both a quarter-on-quarter and year-on-year basis in fourth quarter of 2018. The labour force decreased by 9 000 on a quarter-on-quarter basis, however increased by 18 000 on a year-on-year basis to a total of 2,03 million individuals in the fourth quarter of 2018. Employment also decreased by 9 000 individuals on a quarter-on-quarter basis. This marks the first decline in quarterly employment in nearly two years. Reflecting the longer term positive trend, employment increased on a year-on-year

⁵ As defined by Statistics South Africa, the category "owners' equivalent rent" measures the opportunity cost to the owners of forgoing a rental income by living in rather than renting out the house they own (Statistics South Africa, 2017).

⁶ As defined by Statistics South Africa, the category "water and other services" includes water supply, rates, taxes and levies (Statistics South Africa, 2017).

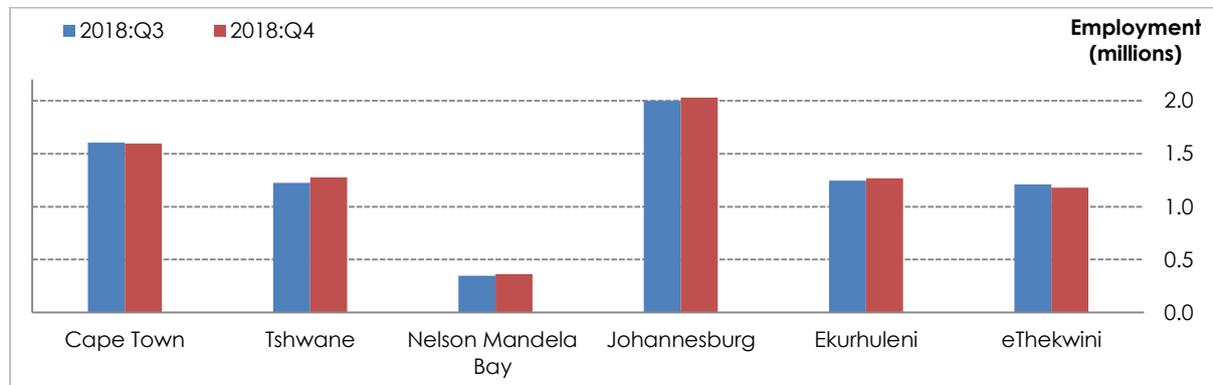
basis (26 000), recording a total of 1,59 million employed individuals. The increase in the working-age population and decrease in employment for this quarter meant that the labour absorption rate declined to 54,6% from a previous recording of 55,1% in the third quarter of 2018. Similarly, the labour force participation rate declined by 0,7 of a percentage point to 69,2% for the fourth quarter of 2018.

b. Employment comparison of metros

To measure Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros) in the country is helpful. In the fourth quarter of 2018, Cape Town had the second largest number of employed people, with 1,59 million people employed in the city, second only to Johannesburg where 2,03 million people were employed. This is to be expected as Johannesburg has a significantly larger population.

Turning attention to employment trends in the fourth quarter of 2018, the majority of the metros displayed positive employment growth on a quarter-on-quarter basis. eThekweni (with a reduction of 32 183 in employment) and Cape Town (with a reduction of 8 998 in employment) were the only metros to have shed jobs for this quarter when compared to the third quarter of 2018. Tshwane added the most jobs (with an increase of 51 302 in employment) followed by Johannesburg (29 833 jobs added) and Ekurhuleni (23 053 jobs added). On a year-on-year level, all metros displayed positive employment growth with Johannesburg adding the most substantially to its employment figures with an increase of 119 124 jobs. Following their positive quarterly performance, Ekurhuleni and Tshwane also added considerably to employment growth, with 45 703 and 42 908 jobs, respectively. eThekweni (12 158 jobs) added the least to employment on a year-on-year basis.

Figure 5: Employment comparison with other metros, Quarter 4, 2018 versus Quarter 4, 2018



Source: Statistics South Africa, Quarter Labour Force Survey, 2018 Quarter 4, February 2019.

c. Unemployment in Cape Town

Cape Town experienced an increase in the number of unemployed people on both a quarter-on-quarter and year-on-year basis by 28 and 101 357 individuals, respectively, in the fourth quarter of 2018. This resulted in the strict unemployment rate increasing by 0,1 of a percentage point, on a quarter-on-quarter basis, to 21,2%. The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 44,4% in the fourth quarter of 2018, having increased slightly from 44,3% in the previous quarter, but decreasing from 47,4% in the fourth quarter of 2017. While this is below the national youth unemployment rate of 54,7% (increasing from 52,9% previous quarter), it is nonetheless markedly high by developing-country standards and continues to pose a key challenge to economic policymakers in the city.

Whilst traditional comparisons of Cape Town's unemployment trends with that of South Africa as a whole are important, it is perhaps more revealing to compare these trends to other metros that have similar labour market dynamics (see Table 1). Encouragingly, Cape Town had the lowest strict (21,2%) and expanded (23,1%) unemployment rates when compared to all other metros for the fourth quarter of 2018, albeit increasing marginally compared to the previous quarter. Nelson Mandela Bay, on the other hand, had the highest strict (35,9%) and expanded (36%) unemployment rates for this quarter. eThekweni had the largest increase in both strict and expanded unemployment rates (3,6 and 2,3 percentage points, respectively) when compared to the third quarter of 2018, whilst Tshwane had the largest decrease in both unemployment rates of 1,4 and 2,6 percentage points, respectively. Notably, Table 1 indicates the large differences in the relationship between strict and expanded unemployment rates in each of the six metros, with Nelson Mandela Bay recording 0,1 of a percentage point difference between the two rates of unemployment, whereas eThekweni recorded a 7,95 percentage points difference. Cape Town continues to record relatively low differences between the two rates of unemployment, remaining below 2 percentage points for the past seven quarters. This can be attributed to the city having a relatively small number of discouraged work-seekers in the metro (second lowest after Nelson Mandela Bay metro).

Table 1: Official (strict) versus expanded (broad) unemployment rates

Metro	Official (strict)			Expanded (broad)		
	2018: Q4	2018: Q3	2017: Q4	2018: Q4	2018: Q3	2017: Q4
Cape Town	21,2	21,1	21,7	23,1	22,9	23,5
eThekweni	21,8	18,2	21,9	29,7	27,5	28,1
Ekurhuleni	31,2	30,9	33,6	35,5	35,6	36,7
Johannesburg	29,0	29,2	28,2	31,2	31,5	32,3
Nelson Mandela Bay	35,9	36,4	36,9	36,0	36,7	37,0
Tshwane	28,0	29,4	26,9	32,3	34,9	32,0

Source: Statistics South Africa, Quarterly Labour Force Survey, 2018 Quarter 4, February 2019.

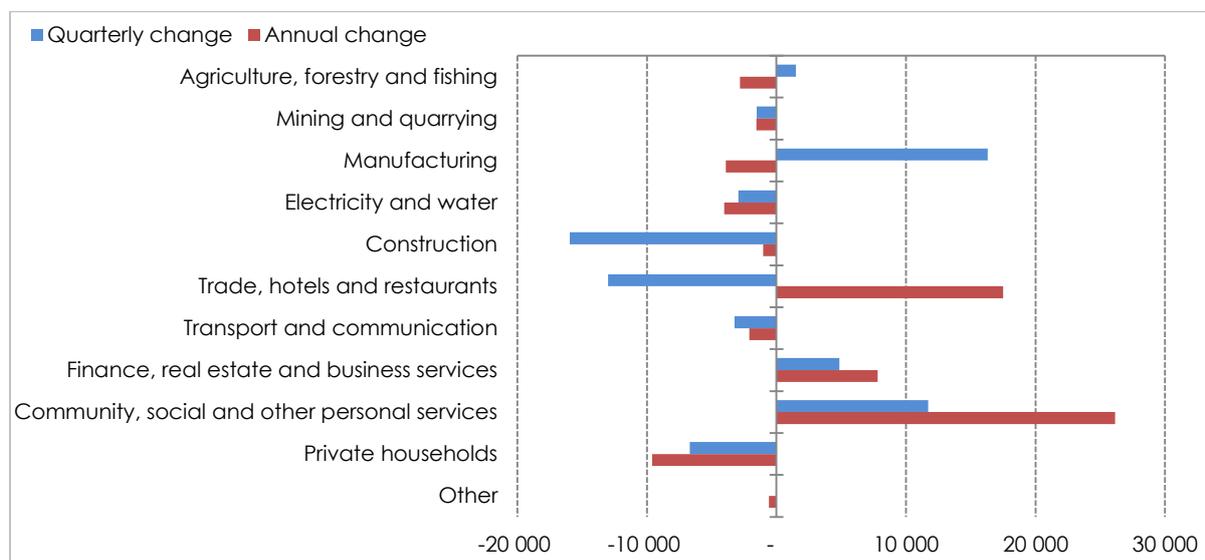
d. Sector employment trends for Cape Town

Figure 6 presents the change in the level of employment by sector within Cape Town in the fourth quarter of 2018. Four sectors made a positive contribution to employment creation when compared to the previous quarter, with the highest contributions recorded in the manufacturing (16 307), community, social and other personal services (11 704), finance, real estate and business services (4 859), as well as agriculture (1 503) sectors. The rest of the sectors experienced a reduction in employment when compared to the previous quarter. Construction (-15 967), trade, hotels and restaurants (-13 000) as well as private households (-6 695) sectors shed the most jobs. Further reductions were recorded in the transport and communication (-3 240), electricity and water (-2 938) as well as in mining and quarrying (-1 530) sectors.

On a year-on-year basis eight sectors recorded employment losses while three sectors added positively to employment when compared to the fourth quarter of 2017. Community, social and other personal services sector (26 137) added the most to employment with the trade, hotels and restaurants (17 503) as well as finance, real estate and business services (7 817) sectors following thereafter. Private households (9 606), electricity and water (4 028) as well as manufacturing (3 915) logged the largest employment losses. Further employment reductions

were experienced in the agriculture, forestry and fishing (2 817), transport and communication (2 094), mining and quarrying (1 561) as well as construction (1 025) sectors.

Figure 6: Quarterly and annual change in employment per sector for Cape Town, Quarter 4, 2018



Source: Statistics South Africa, Quarterly Labour Force Survey, 2018 Quarter 4, February 2019.

4. Infrastructure

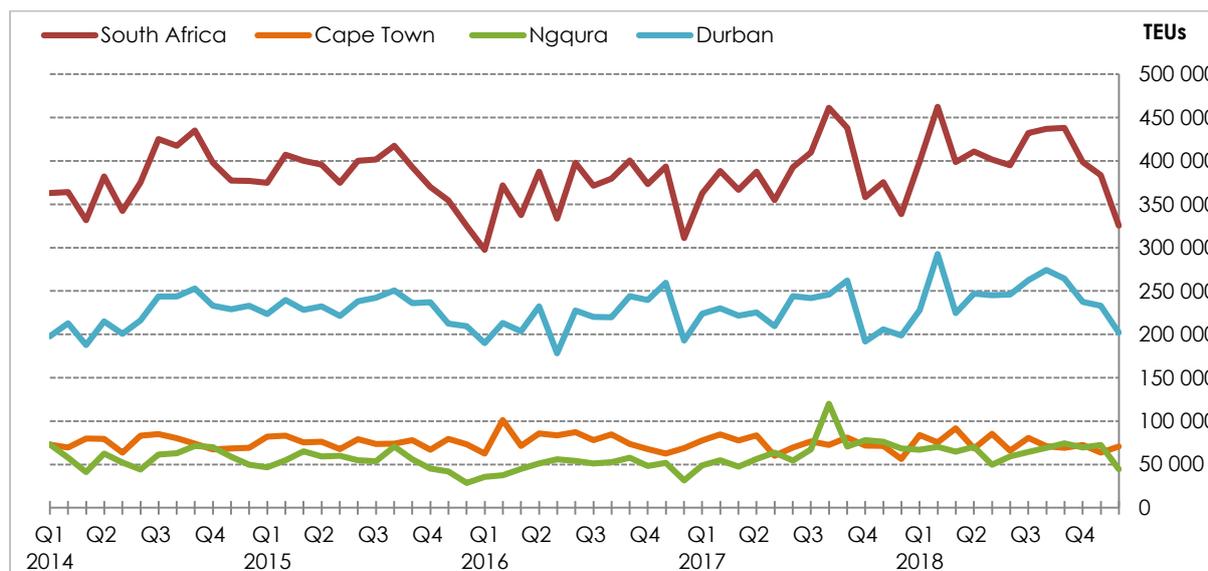
Cape Town is often promoted as the gateway to South Africa, and to Africa more generally. This status is sustained by the city's well-developed transportation infrastructure, with Cape Town being home to South Africa's second-busiest airport as well as (historically) its' second-busiest container port. This section reviews infrastructure developments in relation to Cape Town's port and airport, as well as in terms of water production and consumption, in light of the drought the Western Cape is facing.

a. Container handling

Container traffic is very seasonal, as Figure 7 indicates, thus it is best to compare total containers handled over the period of a year. The number of containers handled at the Port of Cape Town increased from 199 006 in the fourth quarter of 2017 to 206 789 in the fourth quarter of 2018, reflecting a positive growth rate of 3,91%. In the fourth quarter of 2018, the Port of Durban was once again the largest container handling port in the country (comprising 60,70% of all containers handled in South Africa), followed by the Port of Cape Town (18,67%) and the Port of Ngqura (16,83%).

The Port of Durban handled 672 458 twenty-foot equivalent units (TEUs) in the fourth quarter of 2018, recording an increase in container handling of 12,76% compared to the same period in 2017. Contrastingly the Port of Ngqura recorded a decline of 16,17%. However, on the back of increased container handling at the ports of Cape Town and Durban, a 3,3% growth in container handling year-on-year was recorded at a national level in the fourth quarter of 2018.

Figure 7: Total containers handled (TEUs⁷), January 2014 to December 2018



Source: Transnet National Ports Authority, February 2019.

As part of Operation Phakisa and in support thereof, upgrades at the Port of Cape Town are underway. The latest completions include the refurbishment and stabilisation of the old caisson⁸, allowing for multiple commercial vessels to dock simultaneously for repair work. These upgrades underpin the strategic importance of the Port of Cape Town's position in the ship building and ship repair sector (James, 2019).

b. Airport statistics

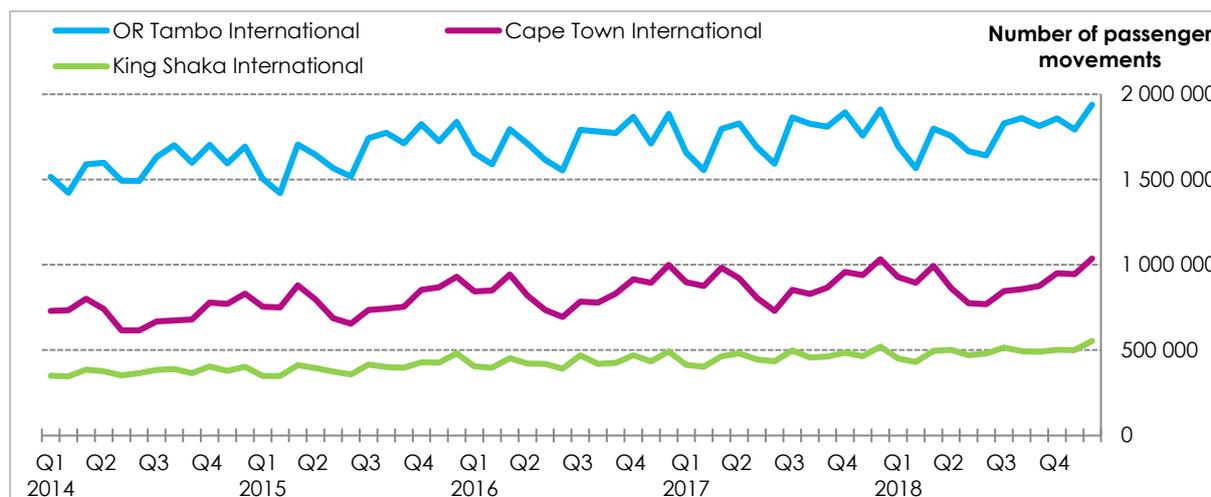
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,93 million total passenger movements in the fourth quarter of 2018 compared to 5,59 million passenger movements at OR Tambo International and 1,55 million at King Shaka International airports during the same period.

Figure 8 indicates the pronounced degree of seasonality in Cape Town's air passenger movements, with these consistently declining in the second quarter when the city enters its winter months and picking up again towards the third quarter with the onset of summer. This is reflected in the increase experienced during the last two quarters of 2018, as compared to the second quarter of 2018.

⁷ A TEU (20-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6,1 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.

⁸ A caisson is a large watertight chamber, open at the bottom, from which the water is kept out by air pressure and in which construction work may be carried out under water.

Figure 8: Total (monthly) passenger movements at South Africa's major airports, Quarter 1, 2014 to Quarter 4, 2018



Source: Airports Company South Africa, February 2019.

Total passenger movements at Cape Town International in the fourth quarter of 2018 increased marginally by 0,08%, representing 2 299 additional passenger movements compared to the fourth quarter of 2017. Similarly, OR Tambo International's total passenger movements increased by 0,48% year-on-year in the fourth quarter of 2018, whilst King Shaka International saw the highest year-on-year increase of 5,82% (albeit off the smallest base number). The fourth quarter of 2018 also marked the first in which King Shaka International recorded over 500 000 total passenger movements for each month in the quarter, with December recording the highest number of passenger movements (553 149).

Following dampened tourist activity, partly attributable to the perceptions around the drought conditions recently faced throughout the Western Cape province, passenger arrivals' data reflects a positive trend of an ongoing recovery. Total passenger arrivals at Cape Town International increased by 0,37% in the fourth quarter of 2018, compared to the fourth quarter of 2017, with international arrivals recording a year-on-year increase of 7,65%, whilst domestic arrivals declined by 1,52%.

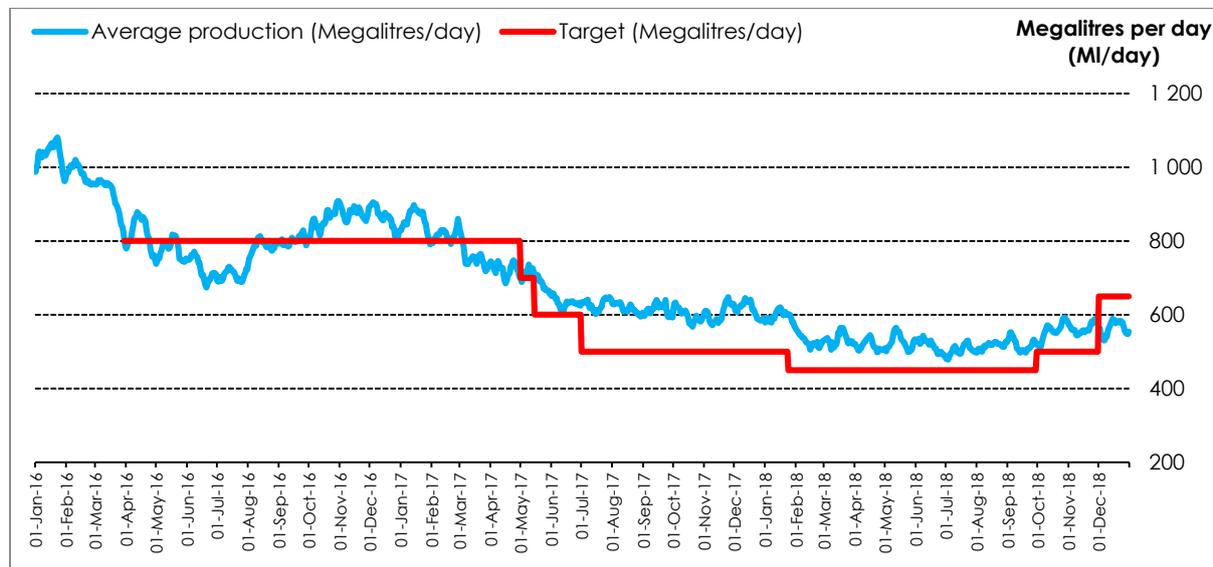
In response to the increasing demand at Cape Town International, an expansion project by ACSA is anticipated to commence its construction phase in early 2020. The project entails the development of a new runway and new international and domestic departure lounges and is expected to be complete by 2023 (De Villiers, 2019). In addition to the improvement of physical infrastructure, regulatory changes can also be expected to increase airport arrival numbers in the near future. In particular, the importance of the travel, business and tourism sectors was highlighted in President Cyril Ramaphosa's State of the Nation Address (2019) in which he announced that the introduction of a "world class eVisa regime", would be a priority for government. This was reaffirmed in the subsequent Budget Speech in which Finance Minister Tito Mboweni tabled that visa requirements would be relaxed to facilitate more visitors and investment into the country (2019).

c. Water

Cape Town recently experienced its worst drought in recorded history, with the economy still recovering from some of the related negative impacts thereof. The City of Cape Town (City/CCT) has, for a number of years, had a range of demand and supply-side management

instruments in place to enable the sustainable provision of water; however, in light of the severity of the drought and the impact this had on dam levels, a number of these measures had to be accelerated. The City continues to work on determining the best approach for securing water resilience for the water supply system (CCT, 2018a), which has culminated in the recent drafting of a Water Strategy for Cape Town (CCT, 2019).

Figure 9: Daily average water production (7 day average) in Cape Town



Source: Water & Sanitation, CCT, 2018b.

On the demand-side, in the fourth quarter of 2018, the City kept water restrictions in place to continue to bring water demand in line with the increased total water supply target of a maximum of 650 million litres (MI) per day⁹. On a quarter-on-quarter basis water production increased by 9,5% in the fourth quarter of 2018 relative to the third quarter of 2018. As Figure 9 shows, however, while water production¹⁰ in the city marginally increased, relative to the previous quarter, it ended the fourth quarter below the upwardly revised target of 650 MI per day, applicable to this period.

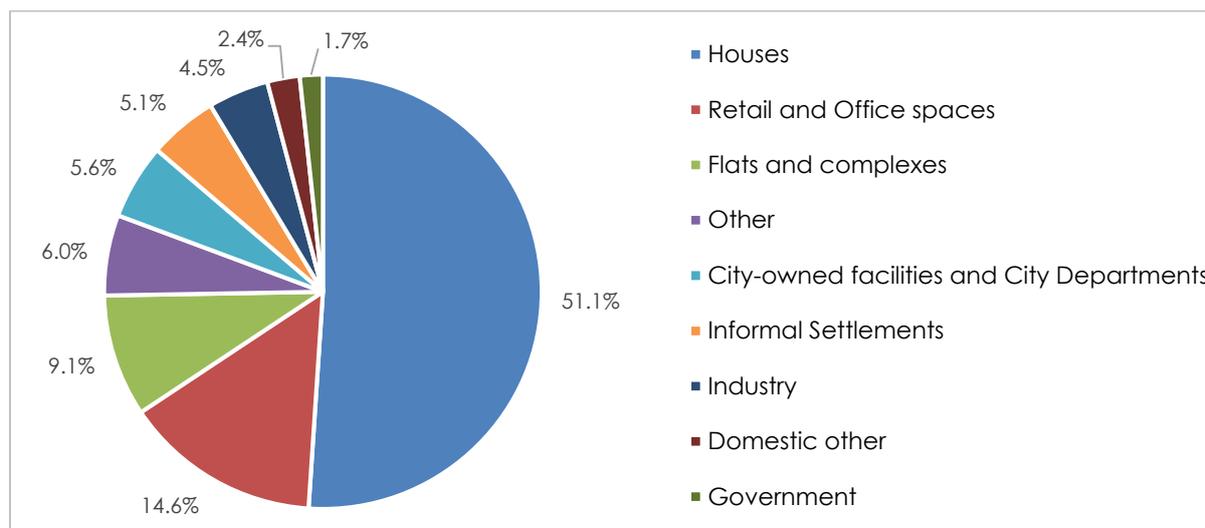
Drinking water consumption in 2017/2018, as illustrated in Figure 10, was largely dominated by domestic¹¹ and commercial (retail and office spaces) categories, which respectively accounted for approximately 67,7% and 14,6% of total water consumption. This was followed by other customer types (6%), City-owned facilities and City departments (5,6%), industry (4,5%) and government (1,7%) (CCT, 2018b).

⁹ The maximum water supply target increased to 500 MI per day on 1 October 2018, enabled by a relatively good rain season (CCT, 2018c), and further increased to 650 MI per day on 1 December 2018 (CCT, 2018b).

¹⁰ Readers are cautioned not to interpret this water production indicator as synonymous with water consumption in Cape Town, as it includes losses (for example, due to leaks), as well as treated water provided to external customers like neighbouring municipalities.

¹¹ Which comprises the following categories: houses (51,1%), flats and complexes (9,1%), informal settlements (5,1%) and domestic other (2,4%).

Figure 10: Potable water¹² consumption by use category (2017/2018)



Source: Water & Sanitation, CCT, 2018b.

5. Tourism

Cape Town is a well-known tourist destination, both locally and internationally, and the tourism sector is a valuable contributor to the city's economy. The occupancy and revenue figures presented in Table 2 are derived from a monthly survey¹³ of an average of 95 tourism accommodation establishments in the Cape Town metropolitan area (Cape Town Tourism, 2019). Occupancy rates at city accommodation establishments decreased by an average of 1,7 percentage points in the fourth quarter of 2018 compared to the same period in 2017. The month of November recorded the highest occupancy rate (76,1%) in the fourth quarter of 2018 as well as the highest year-on-year increase of 0,2 percentage points when compared to November 2017. The average room rate increased by R96, year-on-year, in the fourth quarter of 2018 while the revenue per room increased by R39 over the same period.

Table 2: Income derived from tourist accommodation¹⁴, Quarter 4, 2017 versus Quarter 4, 2018

Indicator	October		November		December		Fourth-quarter average	
	2018	2017	2018	2017	2018	2017	2018	2017
Occupancy rate	68,5%	73,3%	76,1%	75,9%	69,1%	69,4%	71,2%	72,9%
Average room rate	R 1 877	R 1 859	R 2 162	R 2 007	R 2 272	R 2 158	R 2 104	R 2 008
Average revenue per room	R 1 286	R 1 363	R 1 646	R 1 524	R 1 571	R 1 498	R 1 501	R 1 462

Source: Derived from Cape Town Tourism data, Selected Accommodation Establishments, February 2019.

¹² Water that is of a safe drinking standard.

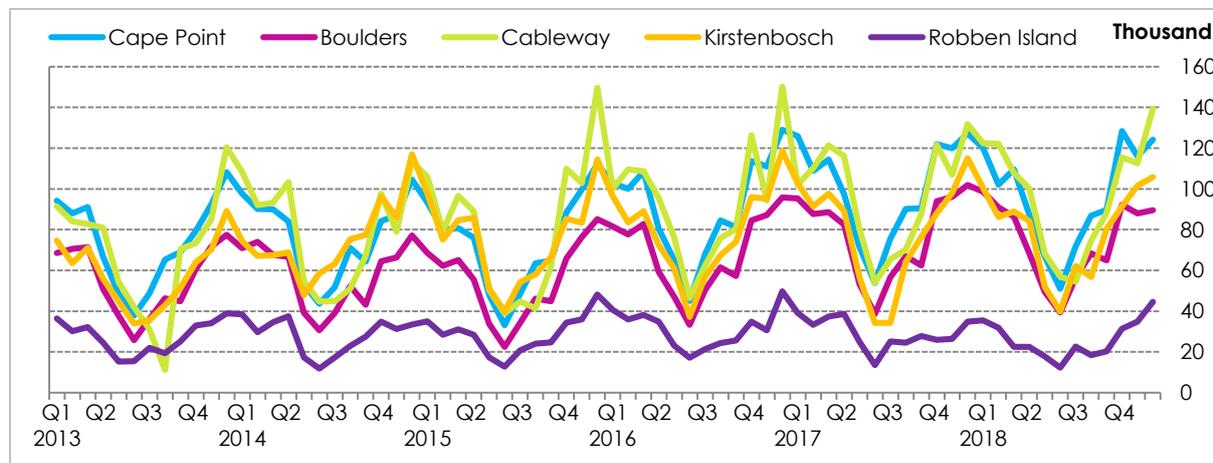
¹³ Important to note is that the monthly survey varies every month in both sample size and the specific respondents.

¹⁴ As the sample changes with each monthly survey conducted (see previous footnote 10), the data applicable to the previous quarter (e.g. occupancy rate of 60,7% for the second quarter of 2017) will differ from that published in the appropriate past quarterly EPIC (i.e. EPIC 2017: Q2 reports an occupancy rate of 59,2% for the second quarter of 2017).

Lower occupancy rates (especially at the beginning of the quarter), as compared to the same period in 2017, could be explained by possible lingering negative perceptions associated with the 2017 – early 2018 water crisis, an increase in the supply of tourism beds in the past year and slow economic growth. Despite the muted year-on-year performance, occupancy rates, when compared to the previous quarter, increased across all surveyed establishment types. This is indicative of seasonal effects, particularly as 'festive season' approached. For the fourth quarter of 2018, hotel accommodation reflected the highest occupancy rate of 74,4%, followed by self-catering (68,6%).

On a quarter-on-quarter basis, the highest number of tourist visits (150 262) was reflected for Table Mountain Aerial Cableway, while Robben Island observed the lowest number of tourist visits (49 438). However, Robben Island had the highest quarter-on-quarter growth rate of 80,6%. Boulders Beach reflected the lowest growth rate (42,2%) when compared to the previous quarter. On a year-on-year basis, out of the five major Cape Town tourist attractions¹⁵, Robben Island reflected the highest increase in the number of visitors (23 666) with the highest positive growth rate of 27,2%, while Boulders Beach reflected the highest decline in number of visitors (-22 224) with the highest negative growth rate of -7,6% when compared to the fourth quarter of 2017. It is important to note that during the previous quarter Robben Island experienced unstable weather conditions that caused an increasing number of ferry cancellations (Maliti, 2018). This past weaker performance, coupled with entering the peak summer period in the fourth quarter, resulted in Robben Island reflecting such a large quarter-on-quarter growth rate.

Figure 11: Total (monthly) visits to the top 5 tourist destinations of Cape Town, Quarter 1, 2013 to Quarter 4, 2018



Source: Derived from Wesgro and Cape Town Tourism data, February 2019.

Figure 11 illustrates that Cape Town's attractions are subject to strong seasonality, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are seen during the period May to July, which are Cape Town's winter months. Overall, total visits to the five major attractions increased marginally by 0,42% in the fourth quarter of 2018 compared to the same period in 2017.

¹⁵ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island; excludes the V&A Waterfront.

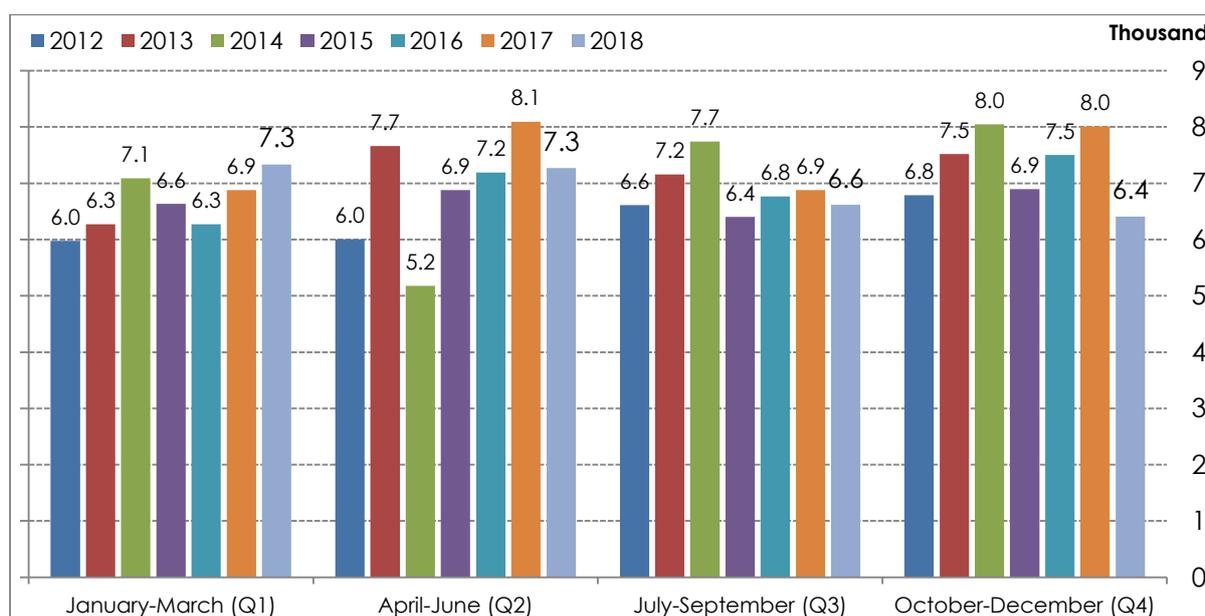
6. Additional Indicators

In addition to macroeconomic indicators, administrative data capture 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.

a. Building developments

The economic growth data for the fourth quarter of 2018 highlights that output at a national level in the construction industry declined by 0,7% quarter-on-quarter, the sector's second consecutive quarter of negative growth¹⁶. On a year-on-year basis the sector recorded its seventh consecutive contraction (-0,8%) (Quantec, 2019). Mirroring national trends, the Western Cape's construction industry contracted by 0,7% quarter-on-quarter and 0,9% year-on-year in the fourth quarter of 2018. After rising to 35 points in the third quarter of 2018¹⁷, the First National Bank (FNB)/BER composite Building Confidence Index (BCI)¹⁸ (BER, 2019) dropped by 3 points to record 32 index points in the fourth quarter of 2018. According to the BER, the drop in index was largely as a result of architects and quantity surveyors' weakened confidence, underpinned by lower building activity. There were notable changes also in confidence among the sub-sectors, highlighting a significant increase in confidence by hardware retailers (from 22 to 41) and sub-contractors (from 24 to 39).

Figure 12: Building plans submitted to the City of Cape Town, 2012-2018



Source: Transport: Business Support Department, CCT, February 2019.

Building plans submitted to the City in the fourth quarter of 2018 decreased by 3% from the previous quarter. Figure 12 provides an annual comparison of the number of building plans

¹⁶ Quarterly GDP growth for the construction sector at the national level for the third quarter of 2018 has been revised from -2,7 to -1,7 (Quantec, 2019).

¹⁷ The BCI for 2018Q3 was revised upward from 29 index points, as reported in the previous quarter.

¹⁸ 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.

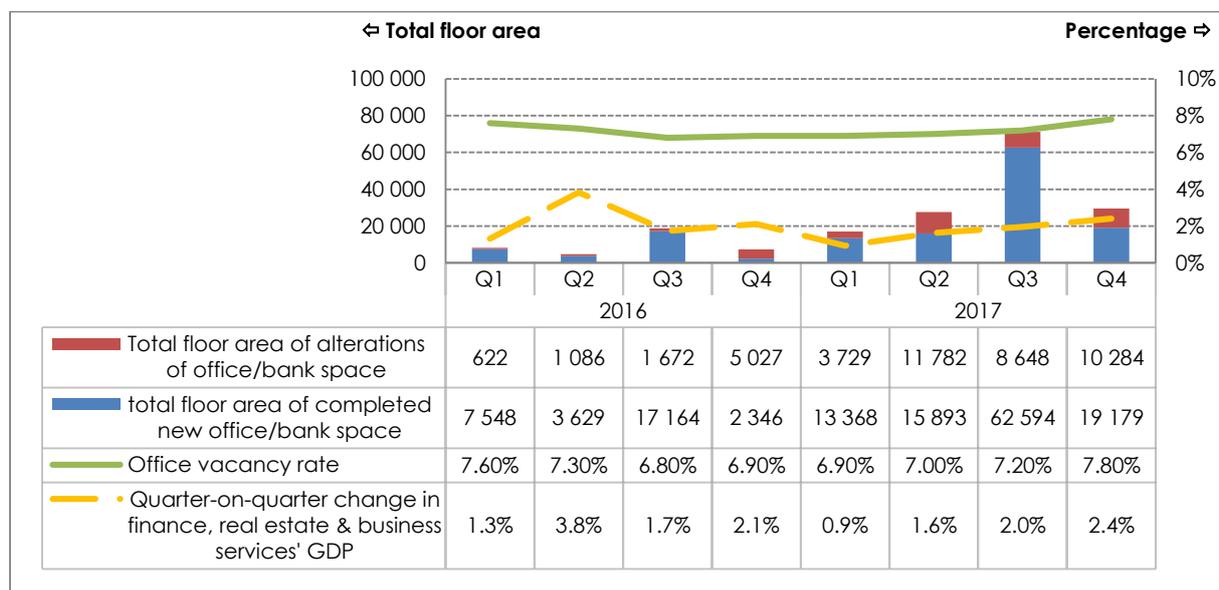
submitted in each of the quarters over the past seven years, thereby controlling for seasonal trends in the building and construction industry. Building plans submitted to the City in the fourth quarter of 2018 decreased by 20% compared to the corresponding period in 2017, declining for the fourth consecutive quarter.

b. Commercial property developments

The performance of the commercial property market can be tracked in a number of ways. An indicative trend analysis is provided in Figure 13 by review of the observed variation in the quarterly office vacancy rate, the total floor area of completed office buildings added to the office property stock, the total floor area of completed office building alterations and the quarter-on-quarter percentage change in provincial GVA for the finance and business services sector. The finance, business and real estate services sector is the largest in Cape Town and as such property developments in this sector are a useful measure of economic activity.

In the fourth quarter of 2018, construction of 19 179 m² of new office or banking space was reported to have been completed, as well as 10 284 m² of office or banking space alterations. In terms of new office or banking space for the fourth quarter of 2018, a decrease of 69,4% in quarter-on-quarter completions was recorded. This is however in line with historical trends of lower activity in the fourth quarter of the year. On a year-on-year basis, the square meterage of new completions more than doubled. The fourth quarter saw the completion of a new office park for example, namely Springfield Office Park which comprises 5 600 m² (Baker Street Properties, 2018).

Figure 13: Office/banking space sector developments, January 2016 to December 2018



Source: Transport: Business Support Department, CCT, February 2019; Quantec, March 2019, Jones Lang LaSelle (JLL), September 2018 and South African Property Owners Association [SAPOA], 2018.

As Figure 13 shows, Cape Town's office vacancy rate increased, by 0,6 of a percentage point to 7,80% in the fourth quarter of 2018, but remains the lowest vacancy rate across the five largest metropolitan municipalities (SAPOA, 2019). This increase may in part be attributable to the large office development in Century City (16 000 m²) which was completed in quarter two of 2018, coupled with the new development, Springfield Office Park completed in the fourth quarter of 2018, which continues to place further upward pressure on the vacancy rate (Baker

Street Properties, 2019). According to SAPOA (2016), a sustained improvement in the office vacancy rate (i.e. return to the natural vacancy rate), depends on the long-term strength of key economic drivers such as economic growth and business confidence. While the finance and business services sector in the Western Cape reported an increase in quarter-on-quarter GVA growth from 2,0%¹⁹ in the third quarter to 2,4% in the fourth quarter of 2018, this appears to have been too low to have a meaningful impact on the office vacancy rate.

c. New vehicle sales

Total vehicle market sales decreased in the Western Cape to 14 084 in the fourth quarter of 2018 from a previous recording of 14 793 in the third quarter of 2018. Year-on-year results reflect a decrease in vehicle sales of 8,60% (1 326 units) from the total vehicles of 15 410 sold in the corresponding period of 2017. Passenger vehicle sales in the Western Cape (private consumer segment of the market) decreased from 9 904 in the third quarter of 2018 to 9 230 in the fourth quarter of 2018, whilst the year-on-year results indicate a decrease of 8,84% (895 passenger vehicles), as compared to the 10 125 vehicles sold in the fourth quarter of 2017. On a national level, a year-on-year decrease of 2,26% was observed with a total of 90 838 passenger vehicles sold in the fourth quarter of 2018, as compared to 92 941 passenger vehicles sold in the fourth quarter of 2017. Overall (for the whole completed year) in 2018, the passenger vehicles sold in South Africa declined by 0,6% compared to 2017, whilst in the Western Cape it declined by 3,9% (NAAMSA, 2019). This is attributable to the tough macro-economic climate, pressure on consumers' disposable income and weak business and consumer confidence (Bubear, 2019).

¹⁹ Quarterly GVA growth for the finance and business services sector for the third quarter of 2018 has been revised from 2,2% to 2,0% (Quantec, 2019).

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Abbreviations

ACSA: Airports Company South Africa	GVA: gross value added
BCI: Building Confidence Index	JLL: Jones Lang LaSalle
BER: Bureau for Economic Research	ML: million litres
CCT/City: City of Cape Town	MPC: Monetary Policy Committee
CPI: consumer price index	PPI: producer price index
EPIC: Economic Performance Indicators for Cape Town	SAPOA: South African Property Owners Association
eVisa: electronic VISA	SARB: South African Reserve Bank
FNB: First National Bank	TEU: twenty-foot equivalent unit
GDP: gross domestic product	USD: United States dollar
GDP-R: regional gross domestic product	V&A Waterfront: Victoria and Alfred Waterfront
GGP: gross geographic product	