



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# EPIC

**Economic Performance Indicators for Cape Town**

**2019: Quarter 1 (January - March)**

## Introduction

This is the 24<sup>th</sup> 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 first quarter of 2019, covering the period 1 January to 31 March 2019.

### *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

The EPIC quarterly publication is a product of the Organisational Policy and Planning Department of the City of Cape Town. The publication is authored, consolidated and edited by the Economic Research Unit within the City's Research Branch, Department of Organisational Policy and Planning.

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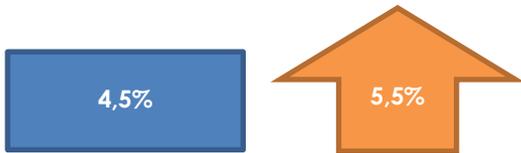
# CAPE TOWN OVERVIEW – 2019 Q1



Of South Africa's R3 136 366 million gross domestic product (GDP) generated in the first quarter of 2019, the Western Cape accounted for R436 643 million.<sup>a</sup> Whilst GDP data is not available at the city-level on a quarterly basis, annually, Cape Town typically contributes around 70% of the provincial GDP.<sup>b</sup>

During the first quarter of 2019, the Western Cape had a quarter-on-quarter GDP growth rate of -2.7%, compared to a national growth rate of -3.2%.<sup>c</sup>

In 2018, South Africa had a GDP per capita, of R84 976, while the Western Cape's GDP per capita was R100 789 and Cape Town's was R108 802.<sup>d</sup>



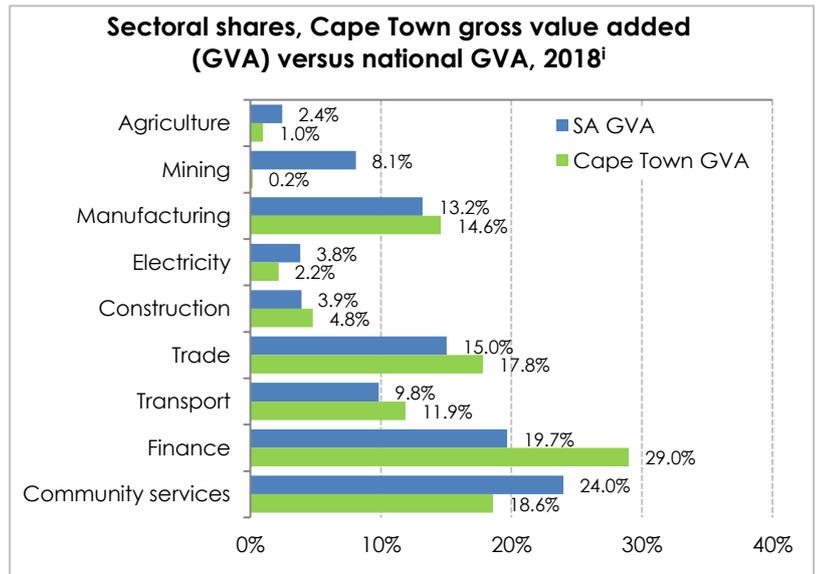
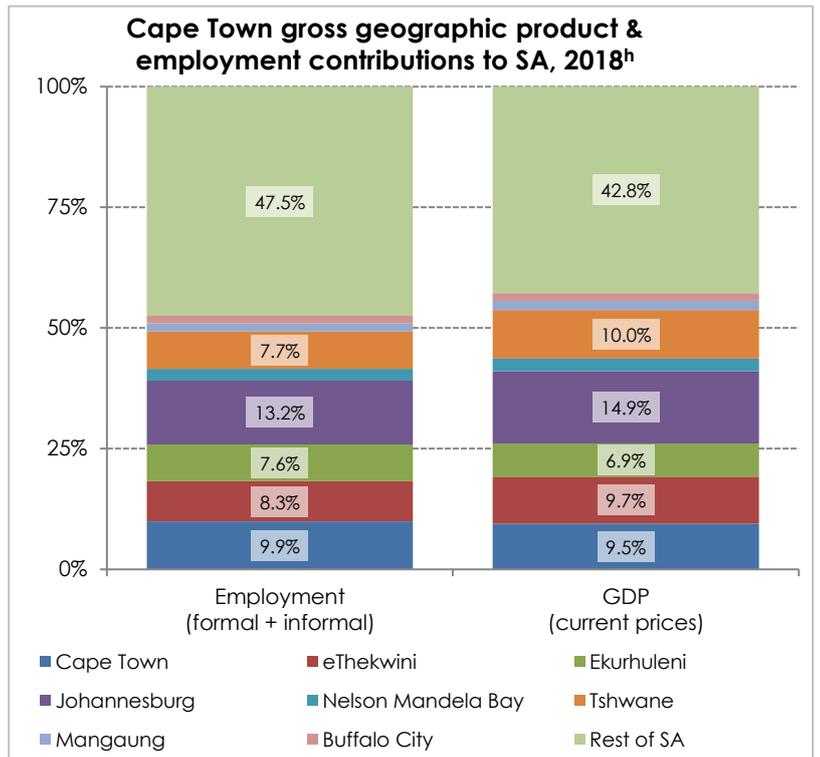
At the end of the first quarter of 2019, South Africa had a lower rate of inflation of 4.5%, compared to the Western Cape which had a rate of 5.5%.<sup>e</sup>



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.<sup>f</sup>



In 2018 South Africa had a Gini coefficient of 0.63, while Cape Town had a slightly lower value of 0.62.<sup>g</sup>



In the first quarter of 2019, tourists and residents made 923 718 visits to Cape Town's five major attractions.<sup>j</sup>

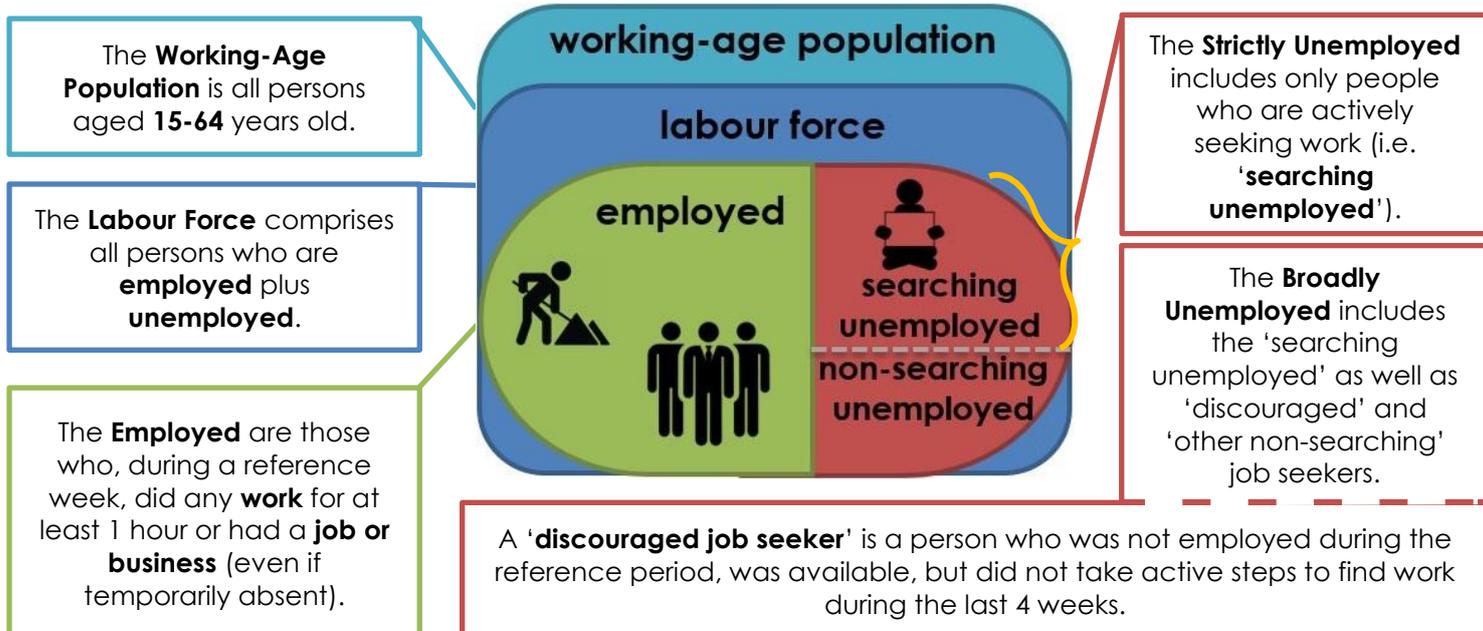


Of the 9 516 034 passenger movements through South Africa's three international airports<sup>k</sup> during the first quarter of 2019, 2 862 222 were through Cape Town International Airport.<sup>l</sup>

a, c. At constant 2010 prices. Source: Quantec, 2019.  
 b, d, i. At current prices. Source: IHS Markit, 2019.  
 e, f. Source: Statistics South Africa (StatsSA), 2019.  
 h. GGP at current prices. Source: IHS Markit, 2019.

g. Source: IHS Markit, 2019.  
 j. Source: Cape Town Tourism and Wesgro, 2019.  
 k. Cape Town, OR Tambo and King Shaka.  
 l. Source: ACSA, 2019.

# LABOUR OVERVIEW – 2019 Q1



2019 Quarter 1		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	38 283	↑ 149	↑ 605		2 940	↑ 14	↑ 555	
	Labour Force	22 492	↓ -176	↑ 134		2 010	↓ -16	↓ -39	
	Employed: total	16 291	↓ -238	↓ -86		1 584	↓ -13	↓ -6	
	Employed: Formal sector	11 220	↓ -126	↓ -135		1 303	↓ -18	↑ 16	
	Employed: Informal sector	2 933	↓ -68	↑ 32		187	↑ 14	↓ -2	
	Unemployed	6 201	↑ 62	↑ 220		426	↓ -3	↓ -33	
	Not economically active	15 791	↑ 325	↑ 470		930	↑ 30	↑ 95	
	Discouraged work-seekers	2 997	↑ 156	↑ 210		24	↑ 7	↑ 9	
	Other not economically active	12 793	↑ 169	↑ 260		906	↑ 23	↑ 85	
Rate (percentage, %)	Official/strict unemployment	27,6	↑ 0,5	↑ 0,9		21,2	- 0,0	↓ -1,2	
	Broad/expanded Unemployment	38,0	↑ 1,0	↑ 1,3		23,4	↑ 0,3	↓ -0,4	
	Absorption	42,6	↓ -0,7	↓ -0,9		53,9	↓ -0,7	↓ -1,2	
	Labour Force Participation	58,8	↓ -0,6	↓ -0,5		68,4	↓ -0,8	↓ -2,6	
↑ increase		↓ decrease		improvement	deterioration	- No change (due to rounding)			

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 1, May 2019.

**Note:**

- A 'quarter-on-quarter' comparison is between the current quarter and the previous quarter (for example: Quarter 1, 2019 versus Quarter 4, 2018).
- A 'year-on-year' comparison is between the same quarters in two consecutive years (for example: Quarter1, 2019 versus Quarter1, 2018).

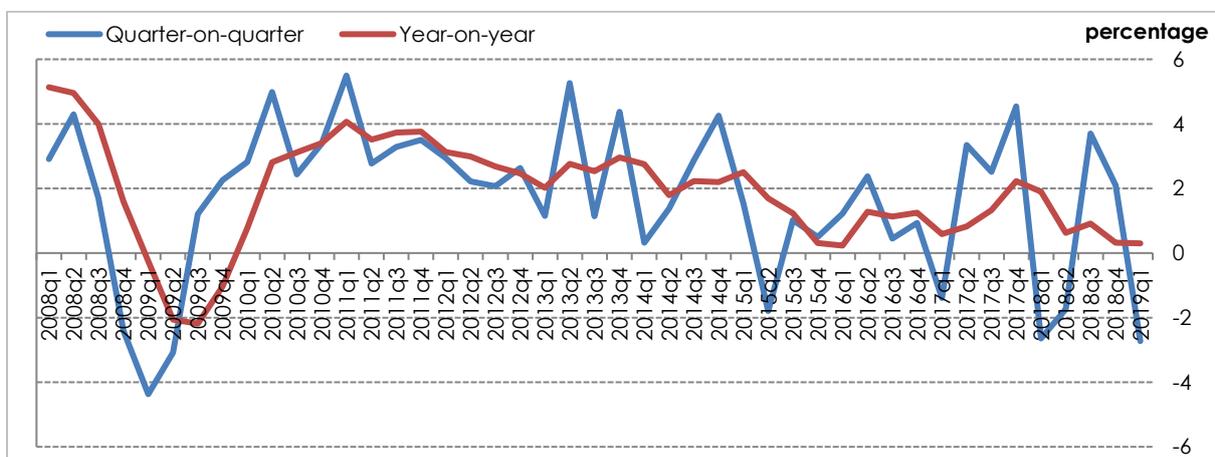
# 1. Economic Growth

## 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 contraction of the national economy (by -3,2%) in the first quarter of 2019, the Western Cape economy contracted by -2,7% (4,8 percentage points lower than the previous quarter's growth rate of 2,1%<sup>1</sup>). As with the unexpectedly weaker economic performance at a national level, the Western Cape's contraction in the first quarter was as a result of seven of the ten broad sectors contracting on a quarter-on-quarter basis. The largest contractions in the first quarter were in the mining and agriculture sectors which contracted by 13,5% and 13,2% quarter-on-quarter, respectively, followed by the manufacturing sector (-8,7%). Despite the poor quarter-on-quarter results, the year-on-year data indicates a more muted performance. As Figure 1 shows, on a year-on-year basis, the province's economy grew by 0,3% in the first quarter of 2019, unchanged from the previous quarter.

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 70% of the provincial economic output (IHS Markit, 2019). On average, in the last 10 years, the variation of the city's gross geographic (GGP) growth rate from the provincial rate has been 0,2 of a percentage point. If this were to hold true for the first quarter of 2019, a plausible range for Cape Town's quarter-on-quarter economic growth is between -2,5% and -2,9%.

Figure 1: Real GGP growth for the Western Cape, Quarter 1, 2008 to Quarter 1, 2019



Source: Quantec, June 2019.

## b. Sectoral drivers of economic growth in the Western Cape

The Western Cape economy's performance in the first quarter of 2019 is characterised by poor performances across most of its sectors. The most prominent contributors to the Western Cape's total gross value added (GVA) in the first quarter of 2019 were the finance and business services (31,2%), trade (15,9%) and manufacturing (14,8%) sectors; although of these, only the finance sector contributed positively to growth in the first quarter, contributing 0,32 of a percentage point. This was the largest positive sectoral contributor towards growth in this

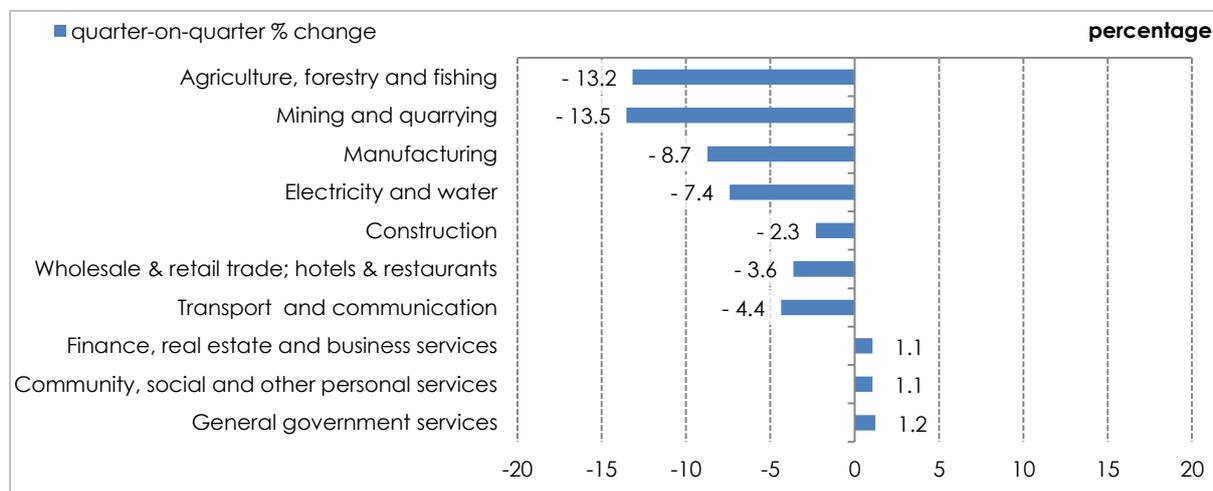
<sup>1</sup> Quarterly GDP growth for the fourth quarter of 2018 has been revised from 2,3% to 2,1% (Quantec, 2019).

period, followed by the general government sector with 0,13 of a percentage point. Seven sectors contributed negatively towards growth in the first quarter with a combined -3,2 percentage points. The largest 'subtractor' of growth in the first quarter was the manufacturing sector, reducing growth by 1,35 percentage points. The next largest contributors to the reduction in economic growth came from the trade and agriculture sectors which reduced growth by 0,58 and 0,55 of a percentage point, respectively.

From an individual sectoral performance perspective, the trade sector, which has experienced fluctuating performance since 2017, recorded its second consecutive quarter of negative growth (-3,6%) in the first quarter of 2019, whilst the construction sector experienced a similar trend, recording its third consecutive quarter of negative growth (-2,3%), see Figure 2 below. And whilst the mining sector experienced the largest contraction (-13,5%) in the first quarter, its impact remains limited as it constitutes a very small share of economic growth in the province (0,2%) (Quantec, 2019). The weaker than expected GDP performance is attributed to several factors, applicable to both provincial and national economies. These include the high cost of doing business in the country, steep increases in utility costs and unreliable energy supply (BER, 2019a).

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, 76% of its transport, 72% of its wholesale and retail trade, 68% of its manufacturing, and 61% of its construction sectors (IHS Markit, 2019). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the first quarter of 2019.

**Figure 2: Sectoral real GDP-R growth rates in the Western Cape, Quarter 1, 2019**



Source: Quantec, June 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 18% (IHS Markit, 2019). 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 first quarter of 2019 would have been driven by the performance of the finance, community services and

trade sectors, which, in 2018, comprised 32%, 15%, and 15% of the city's economy, respectively. Given that two of these sectors (finance and community services) were the main contributors to economic growth at the provincial level in the first quarter, it is reasonable to believe that Cape Town may have experienced slightly higher economic growth than the province in this period.

## 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.

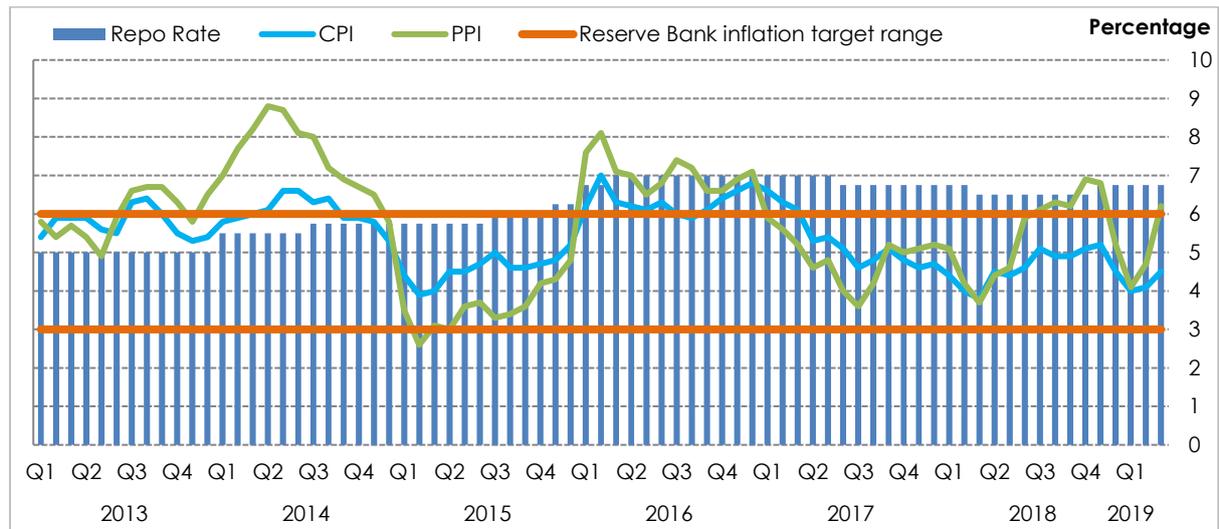
### a. Inflation overview

Overall, by the end of the first quarter of 2019, the CPI remained at 4,5% in comparison to the end of the fourth quarter of 2018. As illustrated in Figure 3, the CPI recording for January was 4%, increasing slightly to 4,1% in February and further to 4,5% in March 2019. Encouragingly, the headline inflation rate continued to remain below the upper end of the inflation target range (6%) for the first quarter. According to Statistics South Africa (2019), the main categories contributing to the overall CPI recording for March 2019 included alcoholic beverages and tobacco, transport, and education, with each of these categories recording inflation rates of above 6%. According to the Monetary Policy Committee (MPC) statement of May 2019 (South African Reserve Bank [SARB], 2019a), the lower headline inflation is a result of a stronger rand, with the rand appreciating by 1,5% against the US dollar (USD) since the MPC meeting of March 2019.

At the end of the first quarter of 2019, the PPI increased when compared to the end of the fourth quarter of 2018. After the peak in the fourth quarter of 2018, the PPI decreased significantly to 4,1% in January 2019, however, it increased to 4,7% in February and further to 6,2% in March 2019. The main inflationary contributors to PPI in March (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 remained unchanged at 6,75% throughout the first quarter of 2019. According to the MPC statement of March 2019 (SARB, 2019b), the key reasons to keep the repo rate unchanged were the moderation in inflation outlook expectations, lower global inflation and an "extended period of monetary accommodation in advanced economies". Overall, the demand side pressures towards inflation yielded little evidence for an upward decision. The MPC, however, will closely monitor electricity and water tariffs, domestic food prices and international oil prices for future decisions.

**Figure 3: CPI and PPI trends for South Africa, January 2013 to March 2019**

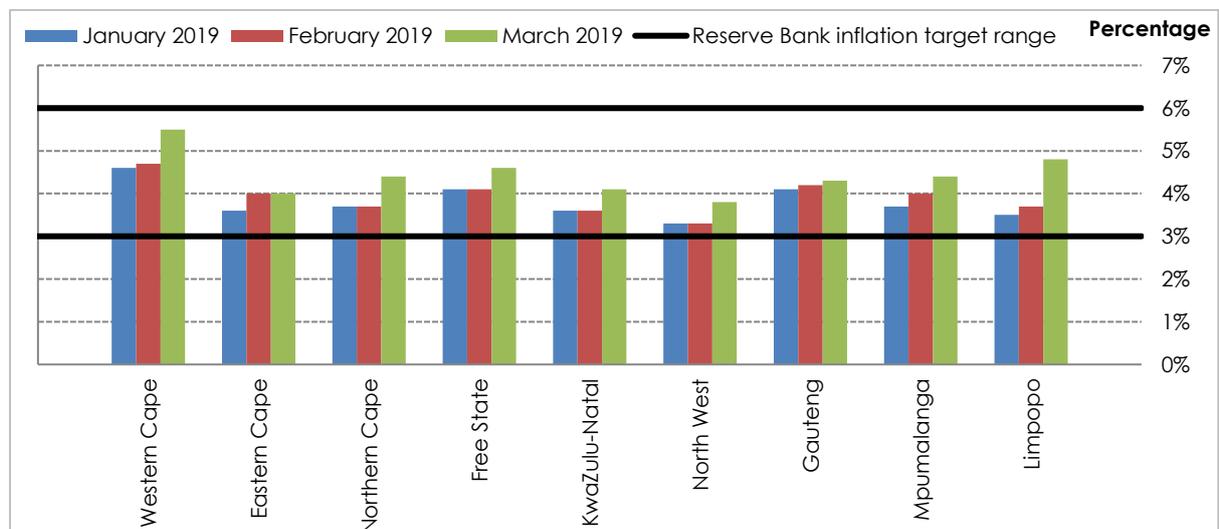


Source: CPI and PPI extracted from Statistics South Africa, 2019; repurchase rate extracted from SARB, 2019.

**b. Geographical inflation**

The Western Cape recorded an inflation rate of 5,5% at the end of the first quarter of 2019. This was higher than its inflation rate at the end of the fourth quarter of 2018, which was 5,2%. 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 first quarter of 2019 across all nine provinces in the country. In comparison to the end of the fourth quarter of 2018, eight provinces recorded slight increases in inflation rate by the end of the first quarter of 2019, with Gauteng being the only province to record a decrease when compared to December 2018. The Western Cape recorded the highest inflation rate throughout the quarter with an average of 4,9%, followed by Free State (4,3%), and Gauteng (4,2%), whilst the North West recorded the lowest average inflation rate (3,5%) in the first quarter of 2019. 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, January to March 2019**



Source: Statistics South Africa, May 2019.

The higher overall inflation rate at the provincial level (compared to the national level) for the first quarter of 2019 can largely be attributed to housing and utilities' price inflation which was recorded at 7,6% in March for the Western Cape and 4,6% at the national level. Within this category the disparity between prices at the provincial and national levels was notable in owners' equivalent rent<sup>2</sup> and actual rentals for housing which were recorded at 7,4% and 7,5%, respectively, for the province, compared to 2,6% and 3,4%, respectively, at the national level. Water and other services'<sup>3</sup> price inflation in the Western Cape remained high in the first quarter, although declined slightly from 9,8% in February, to 9,7% in March. This was lower than the inflation rate in this category at a national level which was 10,9% in March 2019.

Food price inflation in the Western Cape increased minimally from 1,7% in February to 1,9% in March 2019. Similarly, food price inflation on a national level increased from 2,3% in February to 2,5% in March. This marks one of the first quarters that the Western Cape recorded lower food price inflation than that experienced nationally. 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 (7,7% and 10,2%, respectively) and in alcoholic beverages' price inflation (7,1% and 6,4%, respectively) at the end of March 2019. The Western Cape also recorded a higher restaurants and hotels price inflation (7,1%) than that recorded at a national level (4,5%) at the end of the first quarter of 2019.

Following a significant decline in the last month of the fourth quarter of 2018, private transport fuel price inflation further decreased in the beginning of the first quarter but increased significantly in the last month of the quarter. From recording 8,4% in December 2018, private transport fuel price inflation in the Western Cape decreased to -1,5% in January, thereafter increasing slightly to 0,7% in February 2019 and substantially to 9,2% in March, mirroring national trends. This is reflective of the decrease in fuel price in January and the smaller subsequent increases in both February and March which contributed towards the cumulative decrease of 41 cents on the price of petrol in the first quarter of 2019 (Automobile Association of South Africa, 2019). The volatile performance in fuel price inflation could also be attributed to the increases in oil prices as well as the stronger rand performance, as noted by the MPC (SARB, 2019a).

### **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. The labour force decreased on a quarter-on-quarter (15 866) and year-on-year (39 056) basis to a total of 2 million individuals. Employment, also, decreased by 13 317 individuals on a quarter-on-quarter basis and by 5 745 when compared to the first quarter of 2018. This marks the second consecutive decline in Cape Town's quarterly employment

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<sup>2</sup> 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).

<sup>3</sup> As defined by Statistics South Africa, the category "water and other services" includes water supply, rates, taxes and levies (Statistics South Africa, 2017).

growth. The increase in the working-age population and decrease in employment for this quarter resulted in the labour absorption rate decreasing to 53,9% from 54,6% in the previous quarter. Similarly, the labour force participation rate declined by 0,8 of a percentage point to 68,4% for the first quarter of 2019.

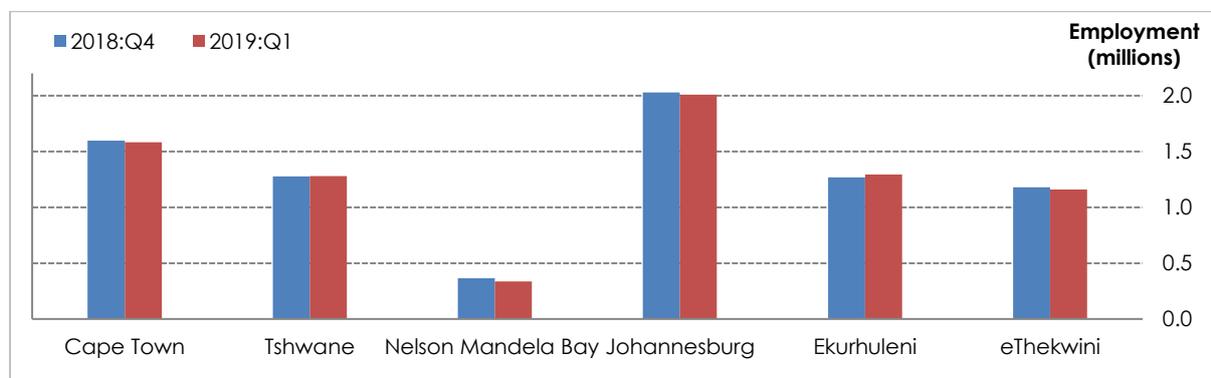
Formal employment recorded a decrease of 18 493 quarter-on-quarter, while increasing on a year-on-year basis (16 079) to 1,3 million individuals. Contrastingly, informal employment increased on a quarterly basis (13 792), while decreasing on a year-on-year basis (1 899) to record a total of 186 695 individuals in the first quarter. The share of total employment contributed by informal employment increased to 11,8% from a previous recording of 10,8% in 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 first quarter of 2019, Cape Town had the second largest number of employed people, with 1,58 million people employed in the city, second only to Johannesburg where 2 million people were employed. This is to be expected as Johannesburg has a significantly larger population.

Turning attention to employment trends in the first quarter of 2019, four metros displayed negative employment growth, while two metros recorded positive employment growth on a quarter-on-quarter basis (refer to Figure 5). Tshwane (with an increase of 2 915 in employment) and Ekurhuleni (with an increase of 26 489 in employment) were the only metros to have added jobs for this quarter when compared to the fourth quarter of 2018. Nelson Mandela Bay shed the most jobs (with a reduction of 27 965 in employment) followed by Johannesburg (with a reduction of 21 134 in employment), eThekweni (18 791 jobs shed) and Cape Town (13 317 jobs shed). On a year-on-year level there was a slightly better performance by the metros with three metros increasing their employment whilst three metros displayed negative employment growth. Similar to their quarterly performance, Tshwane (68 446 jobs created) and Ekurhuleni (41 562 jobs created) added the most jobs followed by Johannesburg (7 444 jobs created). Following their poor quarterly performance, eThekweni and Nelson Mandela Bay shed the most jobs with 45 148 and 23 495, respectively, while Cape Town shed 5 745 jobs on a year-on-year basis.

Figure 5: Employment comparison with other metros, Quarter 4, 2018 versus Quarter 1, 2019



Source: Statistics South Africa, Quarter Labour Force Survey, 2019 Quarter 1, May 2019.

### c. Unemployment in Cape Town

Encouragingly, the number of unemployed people in Cape Town decreased on both a quarter-on-quarter (2 549) and a year-on-year (33 311) basis to record a total of 426 130 unemployed individuals at the end of the first quarter. The increase in employment coupled with minimal change in unemployment for this quarter resulted in no change in the strict unemployment rate (21,2%) when compared to the previous quarter. On a year-on-year basis, the larger decrease in unemployment outweighed the decrease in employment and resulted in a decrease in the strict unemployment rate, from 22,4% recorded in the first quarter of 2018. The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 44,7% in the first quarter of 2019, having increased slightly from 44,4% in the previous quarter, however decreasing from 45,5% in the first quarter of 2018. While this is below the national youth unemployment rate of 55,2% (increasing from 54,7% in the 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 (23,4%) unemployment rates when compared to all other metros for the first quarter of 2019, albeit increasing marginally compared to the previous quarter. Nelson Mandela Bay, on the other hand, had the highest strict (38,2%) and expanded (38,3%) unemployment rates for this quarter. Nelson Mandela Bay also had the largest increase in both strict and expanded unemployment rates (each by 2,3 percentage points) when compared to the fourth quarter of 2018, whilst Tshwane had the largest decrease in both unemployment rates (by 1,5 and 0,9 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 5,9 percentage points difference. Cape Town continues to record relatively low differences between the two rates of unemployment (2,2 percentage points difference). 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)		
	2019: Q1	2018: Q4	2018: Q1	2019: Q1	2018: Q4	2018: Q1
Cape Town	21,2	21,2	22,4	23,4	23,1	23,8
eThekweni	23,0	21,8	20,3	28,9	29,7	27,4
Ekurhuleni	30,1	31,2	30,9	35,0	35,5	34,9
Johannesburg	29,8	29,0	28,8	31,7	31,2	31,4
Nelson Mandela Bay	38,2	35,9	36,3	38,3	36,0	36,4
Tshwane	26,4	28,0	26,0	31,4	32,3	33,5

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 1, May 2019.

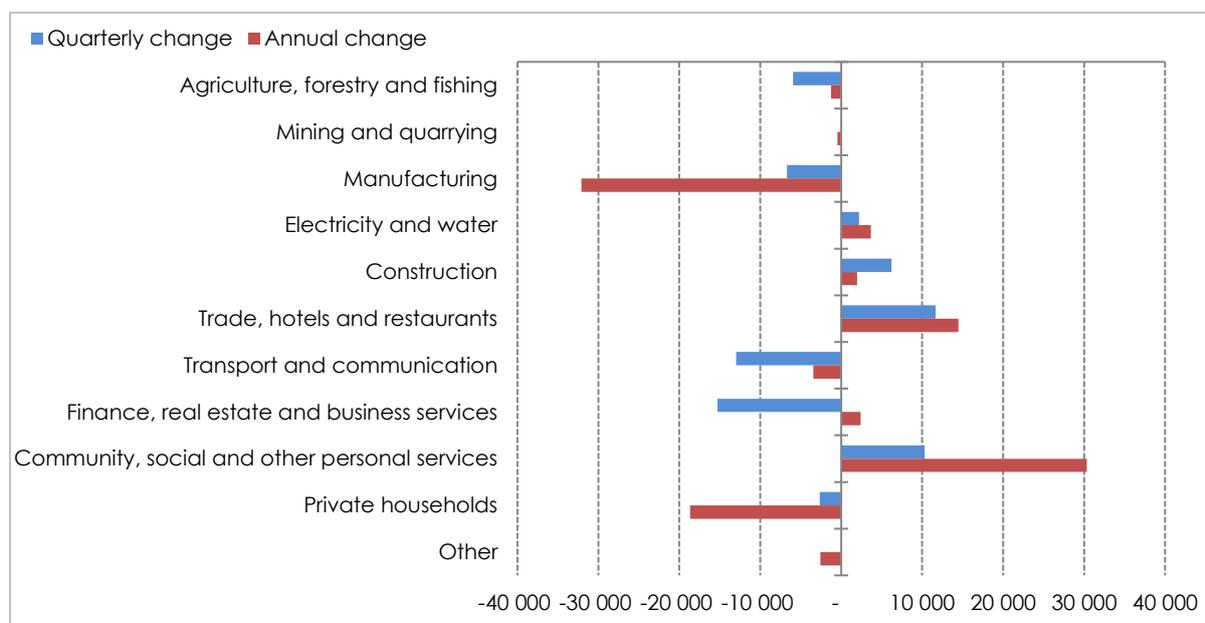
### d. Sector employment trends for Cape Town

Figure 6 presents the change in the level of employment by sector within Cape Town in the first quarter of 2019. Four sectors made a positive contribution to employment creation when compared to the previous quarter, with the highest contributions recorded in the trade, hotels

and restaurants (11 636), community, social and other personal services (10 315), construction (6 189), as well as electricity and water (2 178) sectors. The remaining sectors experienced a reduction in employment when compared to the previous quarter. The finance, real estate and business services (-15 283), transport and communication (-12 997) as well as manufacturing (-6 701) sectors shed the most jobs. Further reductions were recorded in the agriculture (5 943), private households (2 673) as well as mining and quarrying (38) sectors.

On a year-on-year basis six sectors recorded employment losses while five sectors added positively to employment when compared to the first quarter of 2018. Community, social and other personal services (30 333) added the most to employment, with the trade, hotels and restaurants (14 466) as well as electricity and water (3 655) sectors following thereafter. Despite its poor performance on a quarterly basis, finance, real estate and business services added marginally to employment (2 387). Manufacturing (-32 116), private households (-18 653) as well as transport and communication (-3 436) logged the largest employment losses. Further employment reductions were experienced in the agriculture, forestry and fishing (-1 272) as well as mining and quarrying (-468) sectors.

**Figure 6: Quarterly and annual change in employment per sector for Cape Town, Quarter 1, 2019**



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 1, May 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 trends in water production and consumption, in light of the region's recent drought.

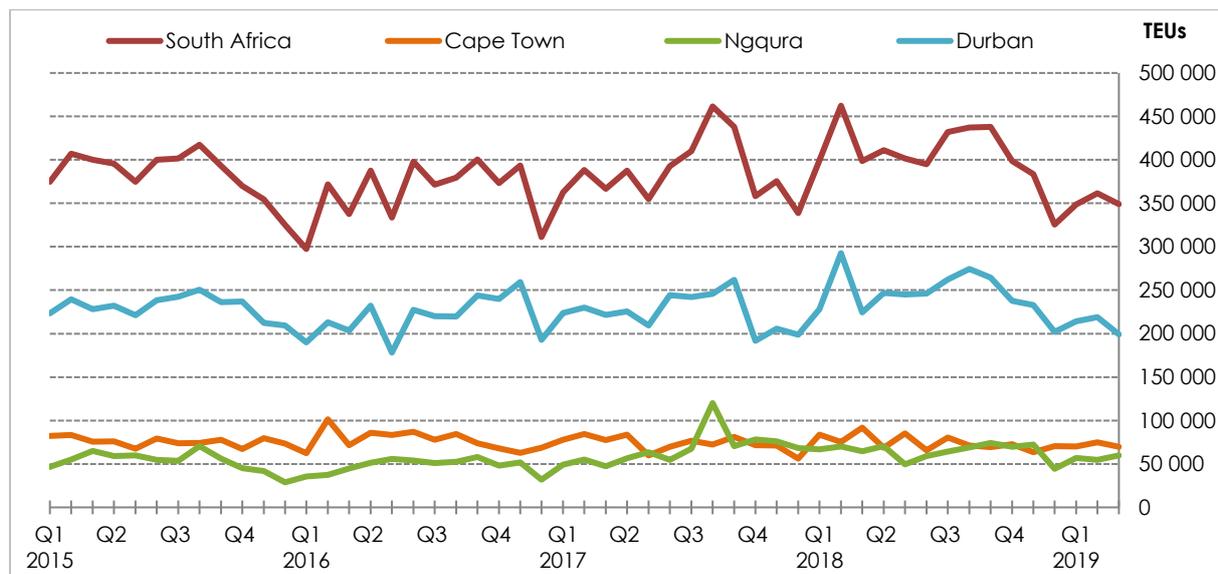
### a. Container handling

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 decreased from 250 874 in the first quarter of 2018 to 214 592 in the first quarter

of 2019, reflecting a negative growth rate of 14,46%. In the first quarter of 2019, the Port of Durban<sup>4</sup> was once again the largest container handling port in the country (comprising 59,70% of all containers handled in South Africa), followed by the Port of Cape Town (20,26%) and the Port of Ngqura<sup>5</sup> (16,18%).

The Port of Durban handled 632 295 twenty-foot equivalent units (TEUs<sup>6</sup>) in the first quarter of 2019, recording a decrease in container handling of 15,13% compared to the same period in 2018. Similarly, the ports of Cape Town and Ngqura experienced decreases in container handling, contributing towards a year-on-year decrease of 15,97% in total container handling at a national scale in the first quarter of 2019 and reflecting challenging economic conditions.

**Figure 7: Total containers handled, January 2015 to March 2019**



Source: Transnet National Ports Authority (TNPA), May 2019.

A maintenance dredging<sup>7</sup> campaign was underway at the Port of Cape Town as led by the TNPAs Dredging Services division and set for completion at the end of May 2019. The aim of the dredging campaign is to ensure the Port of Cape Town provides safe navigational channels and berthing facilities for shipping, and is a "critical aspect of maintenance" to sustain the port's service offering capacity (Whitehouse, 2019).

### b. Airport statistics

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,86 million total passenger movements in the first quarter of 2019 compared to 5,16 million passenger movements at OR Tambo International and 1,49 million at King Shaka International airports during the same period.

<sup>4</sup> The Port of Durban is located in the eThekweni metro municipality.

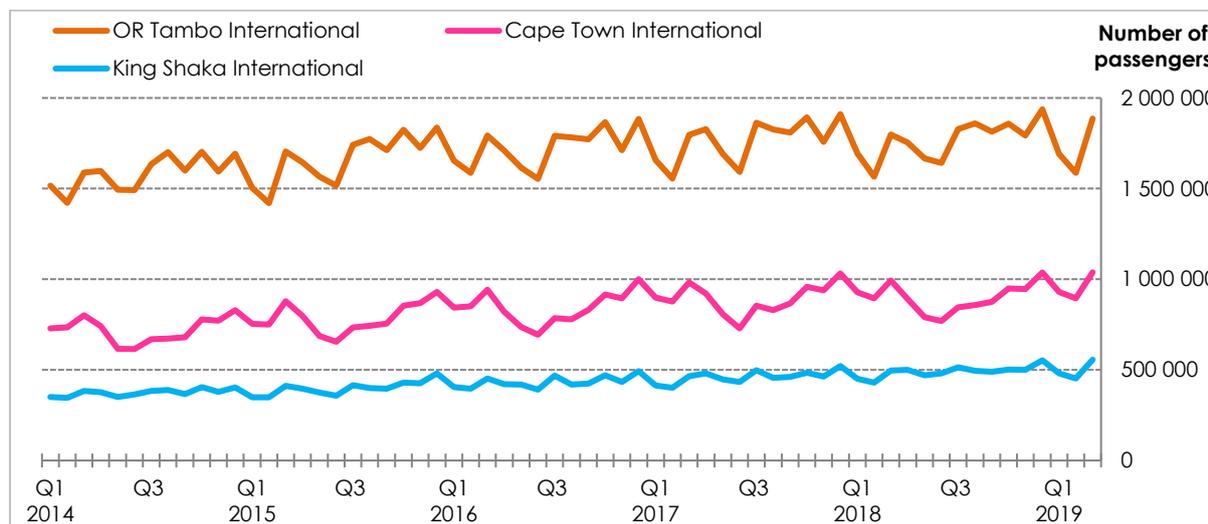
<sup>5</sup> The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

<sup>6</sup> 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.

<sup>7</sup> Dredging is specialised underwater excavation that helps to keep ports and harbours safe and navigable.

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.

**Figure 8: Total (monthly) passenger movements at South Africa's major airports, Quarter 1, 2014 to Quarter 1, 2019**



Source: Airports Company South Africa, May 2019.

Total passenger movements at Cape Town International in the first quarter of 2019 recorded a year-on-year increase of 1,64%, representing 46 213 additional passenger movements compared to the first quarter of 2018. OR Tambo International's total passenger movements increased by 2,09% year-on-year in the first quarter of 2019, whilst King Shaka International saw the highest year-on-year increase of 8,19% (albeit off the smallest base number).

Following dampened tourist activity (from air departure markets) during 2017 and 2018, passenger arrivals data for the first quarter of 2019 reflects a slow recovery. Total passenger arrivals at Cape Town International increased by 1,55% in the first quarter of 2019, compared to the first quarter of 2018, with domestic arrivals recording a year-on-year increase of 2,08%, surpassing international arrivals' year-on-year increase of 0,86%.

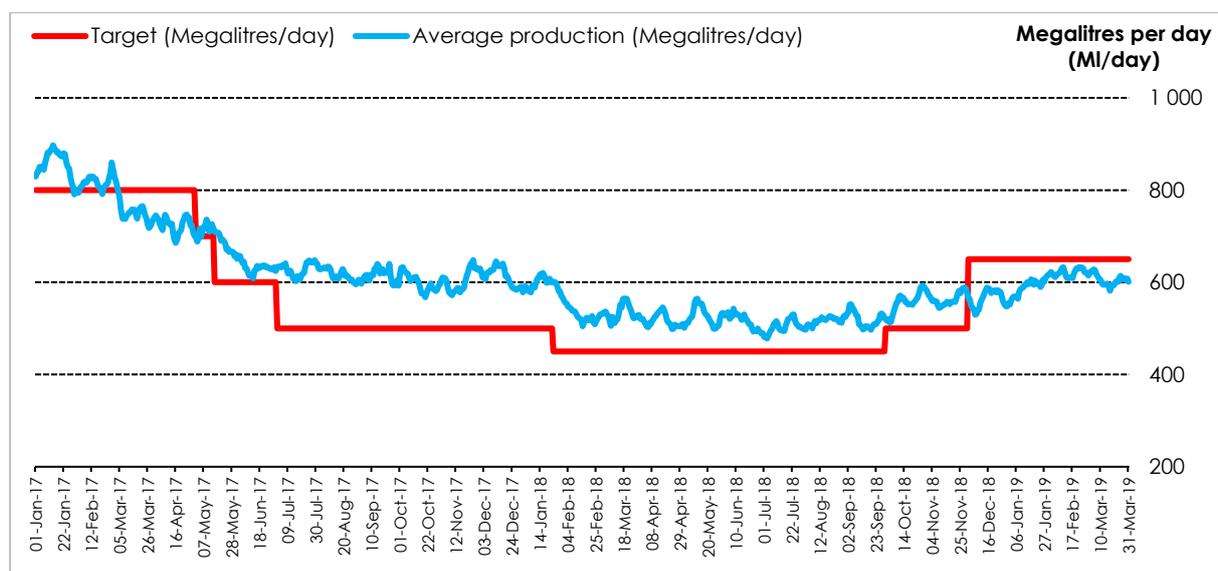
Cape Town's increasing demand as a destination is reflected in several announcements introducing new or additional direct flights, which most recently includes United Airlines' launch of a non-stop flight from New York to Cape Town. The service is expected to commence in December 2019 and will consequently increase Cape Town's access to the growing American market of business and leisure travellers (Pace, 2019). In response to the increasing demand, 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, the Department of Home Affairs will also launch new "e-gates" at South African airports, following these being piloted at Cape Town International and Lanseria airports. This project is expected to improve passenger processing through the introduction of a new biometric movement control system which allows for the self-service of immigration clearance

of low-risk travellers, thus better equipping local airports to efficiently manage increasing passenger movements (BusinessTech, 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. The City of Cape Town (City/CCT) has had a range of demand and supply-side management instruments in place for a number of years 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, which has culminated in the recent drafting of a Water Strategy for Cape Town (CCT, 2019a).

**Figure 9: Daily average water production (7 day average) in Cape Town, January 2017 to March 2019**



Source: Water & Sanitation Services Department, CCT, 2019b.

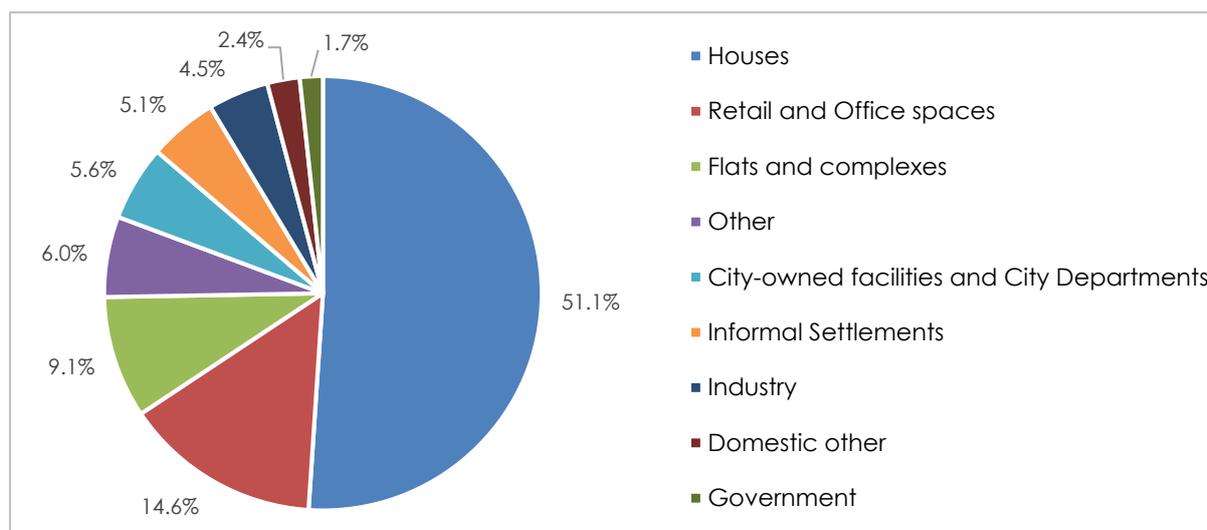
On the demand-side, in the first quarter of 2019, the City kept water restrictions in place to continue to bring water demand in line with the current total water supply target of a maximum of 650 million litres (ML) per day. On a quarter-on-quarter basis, water production increased by 7,8% in the first quarter of 2019 relative to the fourth quarter of 2018. As Figure 9 shows, however, while water production<sup>8</sup> in the city marginally increased, relative to the previous quarter, it remained below the applicable target of 650 ML per day throughout the quarter.

Drinking water consumption in 2017/2018, as illustrated in Figure 10, was largely dominated by domestic<sup>9</sup> 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, 2019b).

<sup>8</sup> 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.

<sup>9</sup> 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 water<sup>10</sup> consumption by use category (2017/2018)



Source: Water & Sanitation Services Department, CCT, 2019b.

## 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 survey<sup>11</sup> of an average of 113 tourism accommodation establishments in the Cape Town metropolitan area (Cape Town Tourism, 2019). Occupancy rates at city accommodation establishments decreased by an average of 2,1 percentage points in the first quarter of 2019 compared to the same period in 2018. The month of February recorded the highest occupancy rate (77,9%) in the first quarter of 2019 as well as the lowest year-on-year decrease of 1,1 percentage points when compared to February 2018. The comparatively high occupancy rate in February can largely be attributed to the influx of business and foreign tourists following the end of the domestic festive season in January. The average room rate increased by R16, year-on-year, in the first quarter of 2019, while the revenue per room decreased by R34 over the same period.

Overall, tourist accommodation in Cape Town, on average, performed marginally weaker than the corresponding period last year. The overall decrease in occupancy rate may be attributed to slow economic growth and low levels of consumer confidence, as well as the growing supply of tourism beds. For the first quarter of 2019, hotel accommodation reflected the highest occupancy rate of 73%, followed by self-catering establishments (72%).

<sup>10</sup> Water that is of a safe drinking standard.

<sup>11</sup> Important to note is that the monthly survey varies every month in both sample size and the specific respondents.

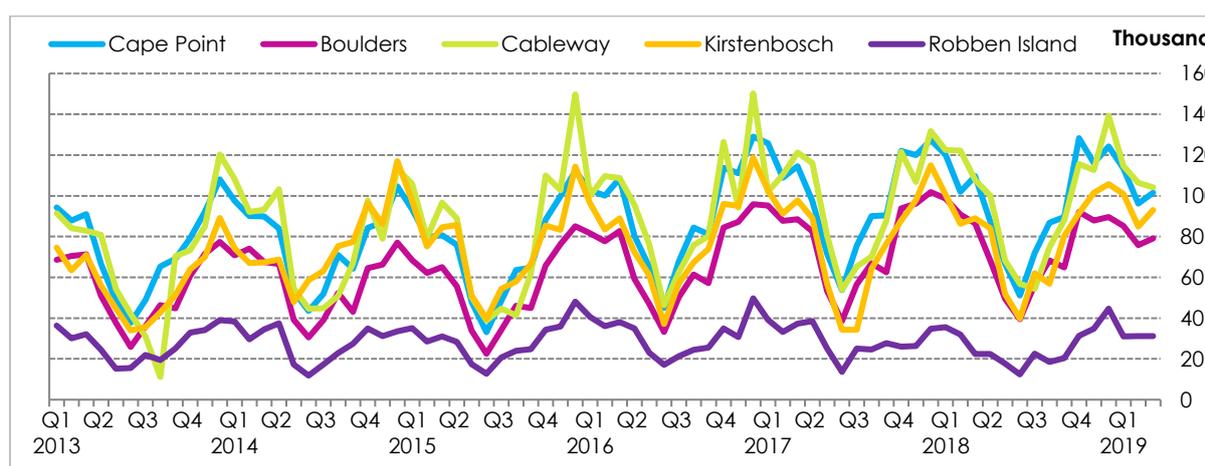
**Table 2: Income derived from tourist accommodation<sup>12</sup>, Quarter 1, 2018 versus Quarter 1, 2019**

Indicator	January		February		March		First-quarter average	
	2019	2018	2019	2018	2019	2018	2019	2018
Occupancy rate	66,1%	69,6%	77,9%	79,0%	71,9%	73,7%	72,0%	74,1%
Average room rate	R 2 253	R 2 237	R 2 026	R 2 058	R 1 908	R 1 845	R 2 062	R 2 047
Average revenue per room	R 1 489	R 1 556	R 1 579	R 1 627	R 1 372	R 1 360	R 1 480	R 1 514

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

For the first quarter of 2019 all of Cape Town's five major tourist attractions<sup>13</sup> experienced declines on a quarter-on-quarter basis; Robben Island reflected the lowest decline in number of visits (-17 197), whilst Table Mountain Park: Cape of Good Hope observed the highest decline in the number of visits (-57 417 at a rate of -15,58%). Kirstenbosch National Botanical Gardens recorded the lowest negative growth rate (-6,65%) when compared to the previous quarter. On a year-on-year basis, only two of the five major tourist attractions, reflected increases in the number of visits, with Robben Island recording the highest increase in number of visits (3 705), as well as the highest positive year-on-year growth rate of 4,12%. Despite Boulders Beach becoming more affordable for locals to experience through a tariff reduction in November 2018 (South African National Parks, 2019), its tourist visit statistics still reflected the highest decline in the number of visitors (-35 849), with the highest negative growth rate (-12,99%) when compared to the first quarter of 2018. The Cape of Good Hope's local entry fee was also reduced in November 2018 (South African National Parks, 2019), while Robben Island has followed suit by implementing a lower local tariff (compared to that for international visitors) from 1 June 2019 (Robben Island Museum, 2019).

**Figure 11: Total (monthly) visits to the top 5 tourist destinations of Cape Town, Quarter 1, 2013 to Quarter 1, 2019**



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

<sup>12</sup> As the sample changes with each monthly survey conducted (see previous footnote 11), the data applicable to the previous quarter (e.g. occupancy rate of 74,1% for the first quarter of 2018) will differ from that published in the appropriate past quarterly EPIC (i.e. EPIC 2018: Q1 reports an occupancy rate of 75,4% for the first quarter of 2018).

<sup>13</sup> Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island; excludes the V&A Waterfront.

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 occur during the period May to July, which are Cape Town's winter months. Overall, total visits to the five major attractions decreased by 5,09% in the first quarter of 2019 compared to the same period in 2018.

## 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 first quarter of 2019 highlights that output at a national level in the construction industry declined by 2,2% quarter-on-quarter - the sector's third consecutive quarter of negative growth. On a year-on-year basis the sector recorded its eighth consecutive contraction (-0,8%). Mirroring national trends, the Western Cape's construction industry contracted by 2,3% quarter-on-quarter and 0,9% year-on-year in the first quarter of 2019 (Quantec, 2019). After dropping to 32 points in the fourth quarter of 2018, the First National Bank (FNB)/BER composite Building Confidence Index (BCI)<sup>14</sup> (BER, 2019b) declined by a further 7 points to record 25 index points in the first quarter of 2019, its lowest recording in nearly eight years. According to the BER, the drop in the index was largely driven by the declining sentiment among building material manufacturers and retailers of hardware. Despite the poorer index, two of its six sub-sectors registered improved confidence levels, namely, the architects and quantity surveyors sub-sectors.

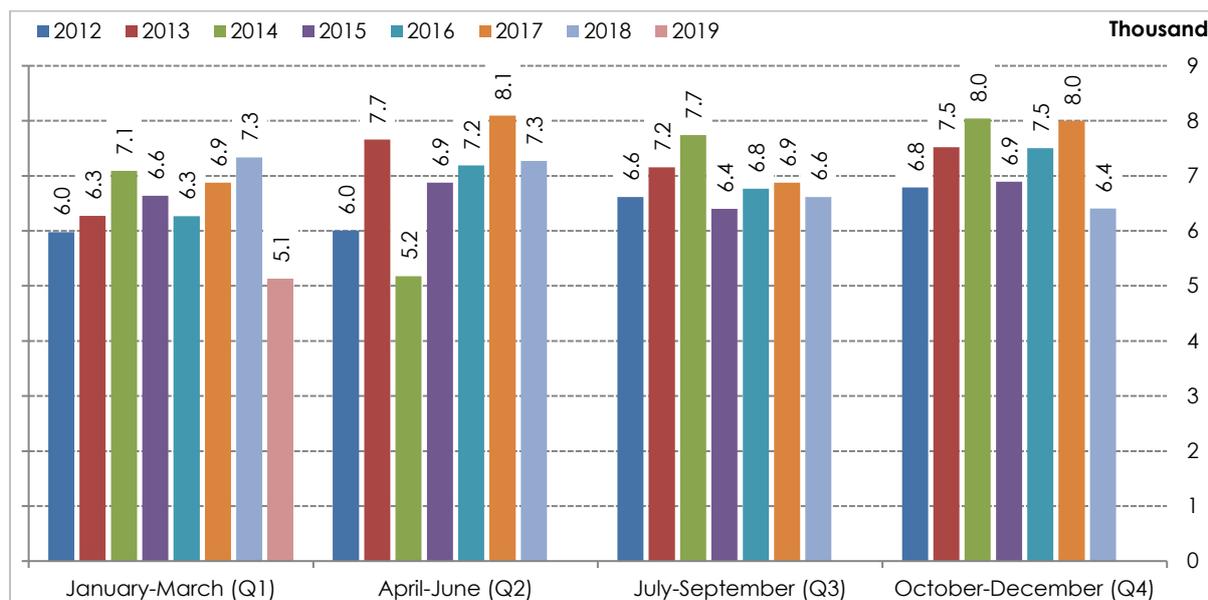
Building plans submitted to the City in the first quarter of 2019 decreased by 20% from the previous quarter. Figure 12 provides an annual comparison of the number of building plans submitted in each of the quarters over the past eight years, thereby controlling for seasonal trends in the building and construction industry. Building plans submitted to the City in the first quarter of 2019 decreased by 30% compared to the corresponding period in 2018, continuing its decline in year-on-year performance. This reflects the low confidence in the industry at present, also captured in the FNB/BER Civil Confidence Index<sup>15</sup> which dropped to its lowest recording of 10 points in the first quarter of 2019 (BER, 2019c).

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<sup>14</sup> 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.

<sup>15</sup> The FNB/BER Civil Confidence Index captures the business confidence of civil contractors. A recording of 10 means that 90% of the survey respondents are dissatisfied with the current business conditions in their sector.

**Figure 12: Building plans submitted to the City of Cape Town, 2012-2019**



Source: Planning & Building Development Management Department, CCT, May 2019.

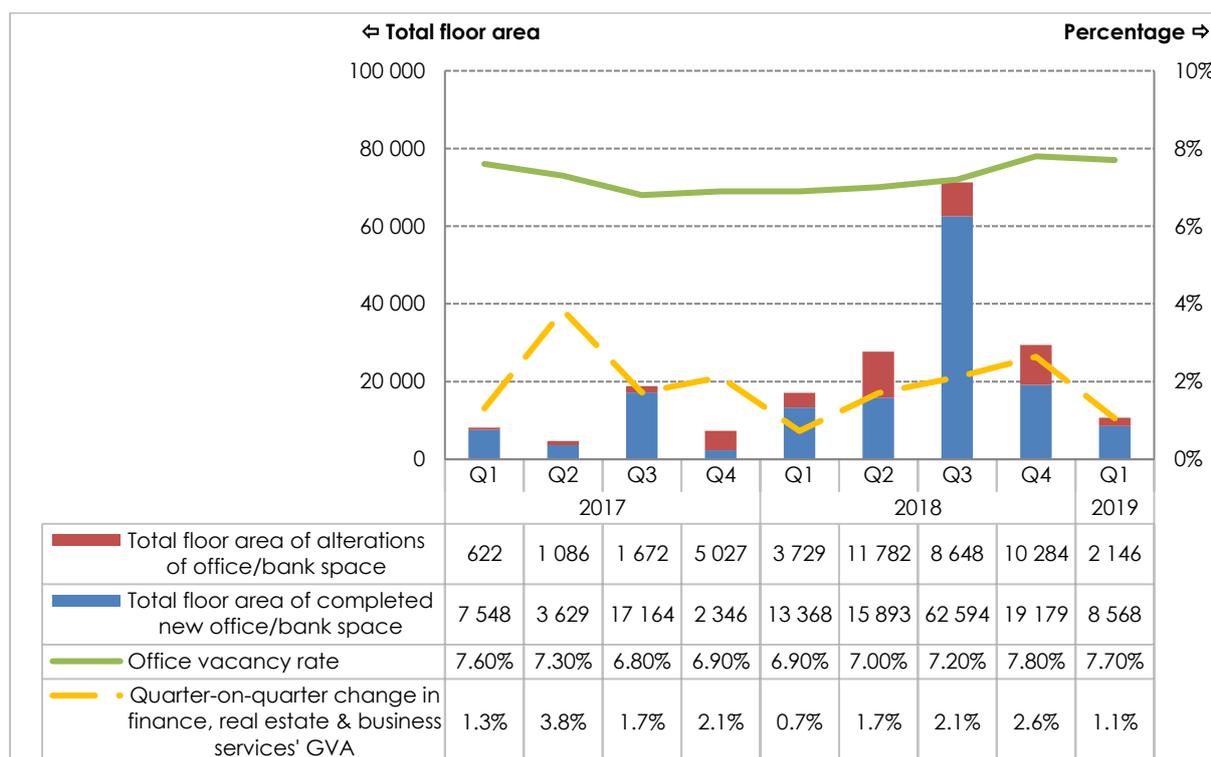
### b. Commercial property developments

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 first quarter of 2019, construction of 8 568 m<sup>2</sup> of new office or banking space was reported to have been completed in Cape Town, as well as 2 146 m<sup>2</sup> of office or banking space alterations. In terms of new office or banking space for the first quarter of 2019, declines were observed both a quarter-on-quarter and year-on-year basis. The quarter also marked the lowest square meterage of new office or banking space completed since the fourth quarter of 2016.

As Figure 13 shows, Cape Town's office vacancy rate decreased by 0,1 of a percentage point to 7,70% in the first quarter of 2019, and remains the lowest vacancy rate across the five largest metropolitan municipalities (SAPOA, 2019). The lower office vacancy rate may be attributed to the continued demand for office and banking space coupled with the low number of new developments completed within the first quarter. However, developments planned to be completed in the forthcoming quarters may put upward pressure on the vacancy rate.

Figure 13: Office/banking space sector developments, Quarter 1, 2017 to Quarter 1, 2019



Source: Planning and Building Development Management Department, CCT, May 2019; Quantec, June 2019, Jones Lang LaSelle (JLL), 2018 and South African Property Owners Association [SAPOA], 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. The decrease in the GVA growth rate of the finance and business service sector in the first quarter of 2019 appears not to have had a significant impact on the office vacancy rate. This is probably due to the counterbalancing impact of a decreasing trend in new office and banking space developments.

### c. New vehicle sales

Total vehicle market sales increased in the Western Cape to 14 158 in the first quarter of 2019 from a previous recording of 14 085 in the fourth quarter of 2018. Year-on-year results reflect a decrease in vehicle sales of 9,55% (1 494 units) from the 15 652 sold in the corresponding period of 2018. Passenger vehicle sales in the Western Cape (private consumer segment of the market) decreased from 9 230 in the fourth quarter of 2018 to 9 122 in the first quarter of 2019, whilst the year-on-year results indicate a decrease of 14,15% (1 503 passenger vehicles), as compared to the 10 625 vehicles sold in the first quarter of 2018. At a national level, a year-on-year decrease of 8,59% was observed with a total of 85 681 passenger vehicles sold in the first quarter of 2019, compared to 93 732 passenger vehicles sold in the first quarter of 2018 (National Association of Automobile Manufacturers of South Africa [NAAMSA], 2019a). NAAMSA (2019b) attributes the industry's strained performance to continued pressure on household incomes as well as low levels of business and consumer confidence amidst a struggling economic environment. The South African Reserve Bank's Monetary Policy Committee's decision to leave the repurchase and interest rates unchanged (March 2019; SARB, 2019b) was a positive factor for the industry, mitigating some of the negative impacts of decreasing consumer confidence.

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## Abbreviations

ACSA: Airports Company South Africa	JLL: Jones Lang LaSalle
BCI: Building Confidence Index	ML: million litres
BER: Bureau for Economic Research	MPC: Monetary Policy Committee
CCT/City: City of Cape Town	NAAMSA: National Association of Automobile Manufacturers of South Africa
CPI: consumer price index	PPI: producer price index
EPIC: Economic Performance Indicators for Cape Town	SAPOA: South African Property Owners Association
e-gate: electronic gate	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	
GVA: gross value added	