

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

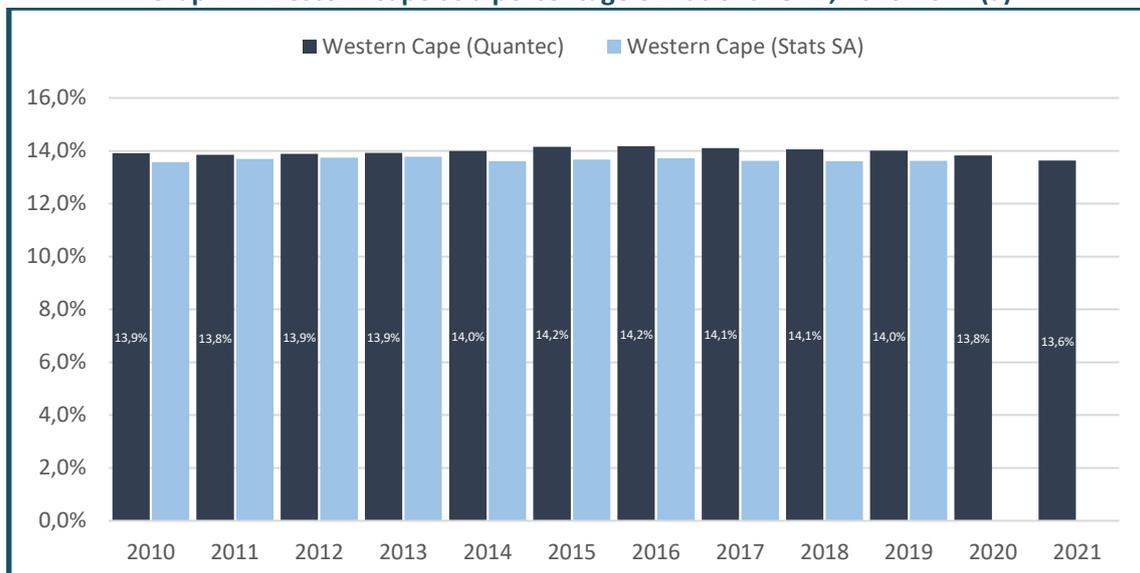
Provincial Review 2022: Western Cape

The Western Cape is the third largest economy in South Africa, with a population of 6.9 million residents. Its contribution to national GDP declined from 14% in 2019 to 13.6% in 2021. The real sectors, including agriculture, mining, manufacturing, and construction, account for 22.6% of the provincial output, with manufacturing being the biggest sector. The Western Cape has a high level of service provision, and 95% of the population lives in urban areas, with 76% of households having piped water inside the house and 97% having electricity. The level of joblessness in the province is low compared to the national average, with an absorption rate of 46.5%. However, the absorption rate has declined from 52.8% in 2010, and employment in the real economy declined by 6% from Q1 2020 to Q1 2022.

The real economy in the Western Cape: structure and growth

Western Cape is the third most populous province in the country. With 6.9 million residents in 2020, the Western Cape made up 11.7% of the national population. Along with Gauteng, the Western Cape has the fastest-growing population, growing at an annual average of 2.1%, compared to the national average of 1.4%. In terms of economic contribution, The Western Cape is the third largest provincial economy after Gauteng and Kwa-Zulu Natal. In 2021, the province accounted for 13.6% of the national GDP. Notably, Western Cape's contribution to national GDP has declined from 14% in 2019 to 13.6% in 2021 (see Graph 1).

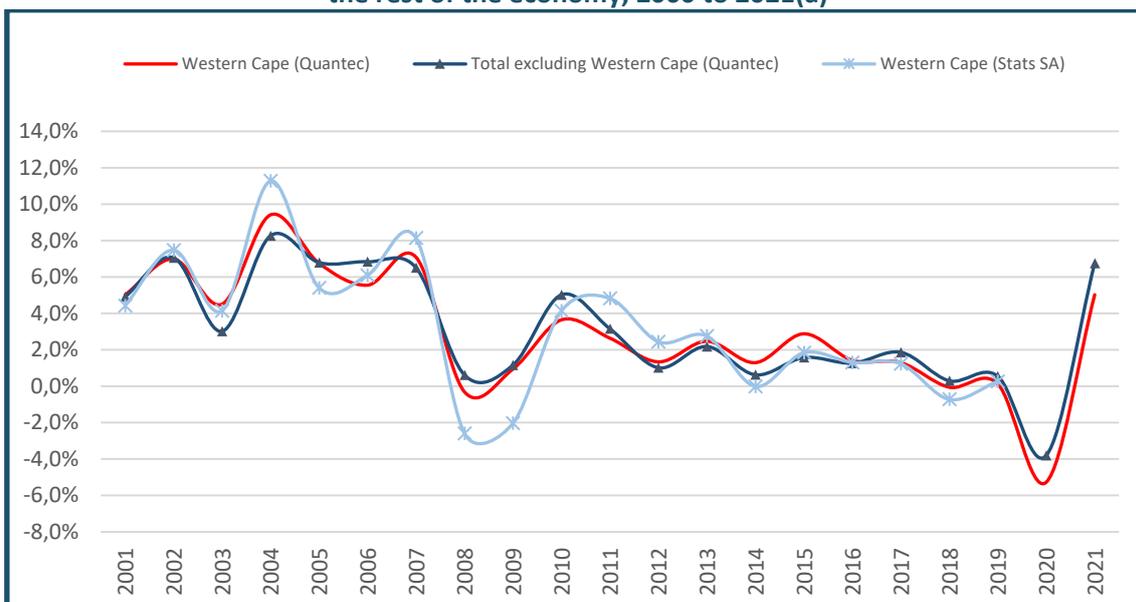
Graph 1: Western Cape as a percentage of national GDP, 2010-2021 (a)



Source: Statistics South Africa and Quantec. Note (a): % of national GDP is calculated at GVA basic prices at constant 2021 prices.

Similar to most provinces, the Western Cape economy grew fast in the early 2000s before the 2008/9 global financial crisis. Thereafter, as shown in Graph 2, Western Cape's growth has been slowing down since 2011. In 2020, Western Cape Province contracted by 5.3% before rebounding and recording a growth rate of 5%.

Graph 2: Western Cape economic growth compared to the rest of the economy, 2000 to 2021(a)

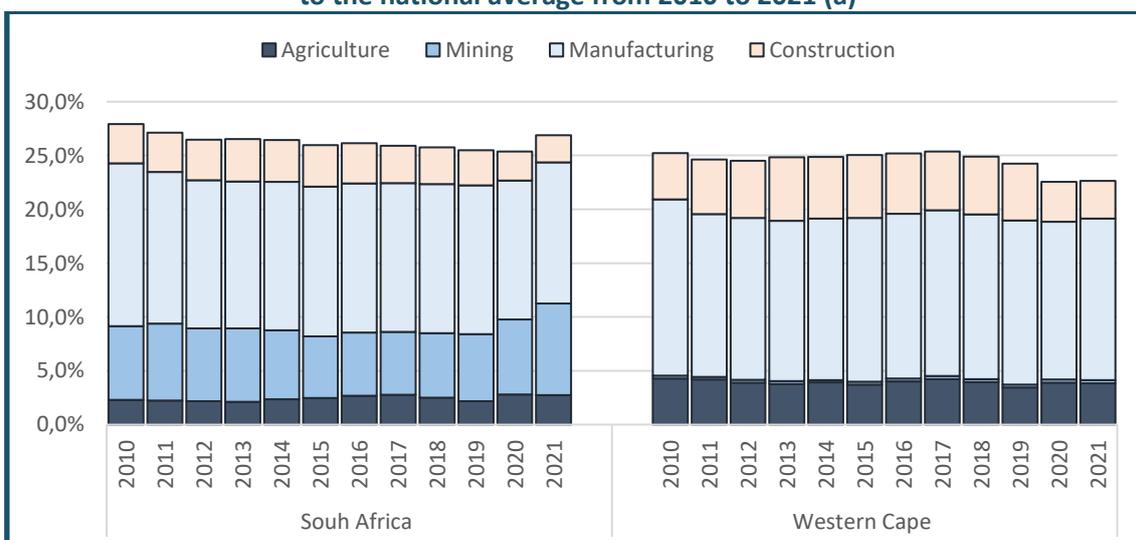


Source: Calculated using Quantec and Stats SA data. Note (a): Growth rates are calculated at GVA basic prices at 2021 constant prices.

Western Cape’s real economy is smaller compared to the national average. In 2021, the Western Cape’s real sectors – agriculture, mining, manufacturing and construction – accounted for 22.6% compared to 27% at national level. As with most provinces, the share of real sectors in the province declined from 25.2% in 2010 to 22.6% in 2021. Among the real sectors, manufacturing is the biggest sector in the province, accounting for 15% of the province’s output. In addition, as shown in Graph 4, the manufacturing sector is dominated by the food and beverage industry, which accounts for 29% of manufacturing output, followed by petroleum and metals.

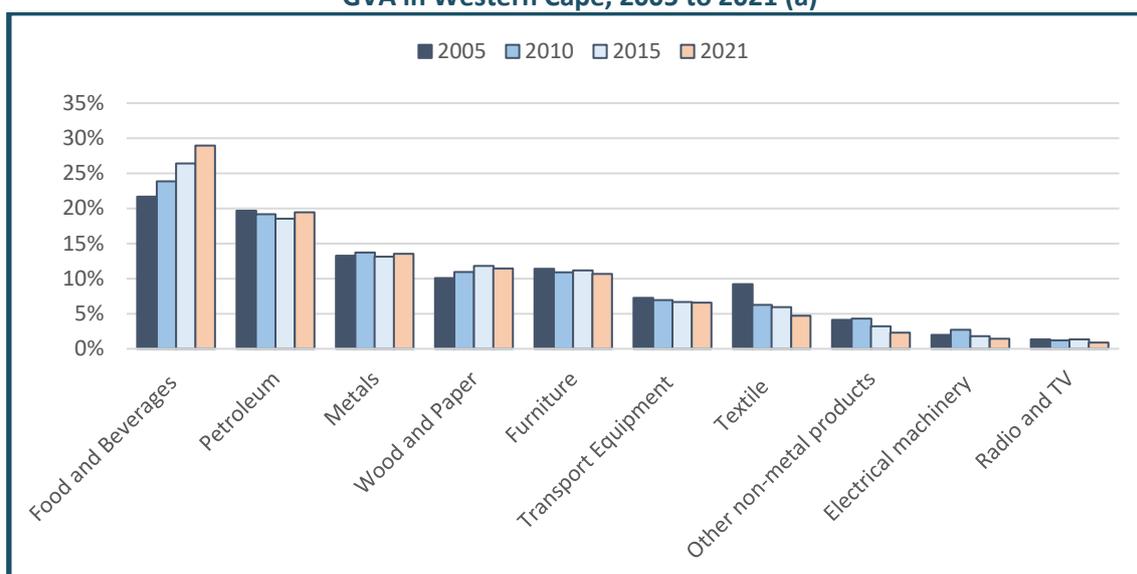
Agriculture is the second largest real sector in the Western Cape, accounting for 3.8% of the provincial output, followed by construction with 3.5%. The mining sector plays a small role in the Western Cape economy, accounting for only 0.3% of the provincial output.

Graph 3: Real sectors as a percentage of Western Cape GDP compared to the national average from 2010 to 2021 (a)



Source: Calculated using Quantec estimates and Stats SA data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

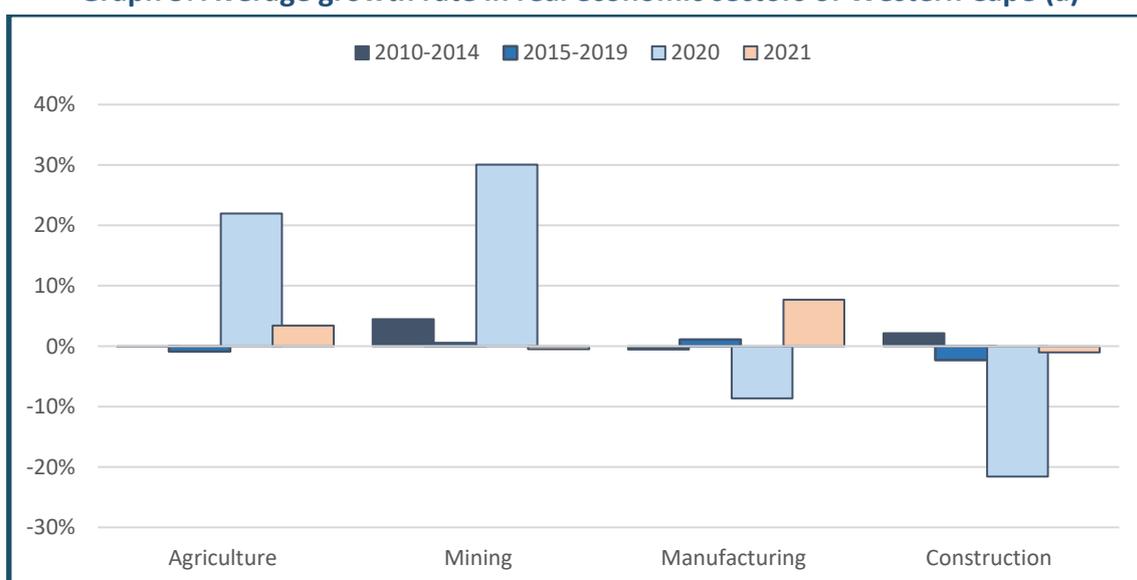
Graph 4: Manufacturing subsectors as a percentage share of total manufacturing GVA in Western Cape, 2005 to 2021 (a)



Source: Calculated using Quantec estimates. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices

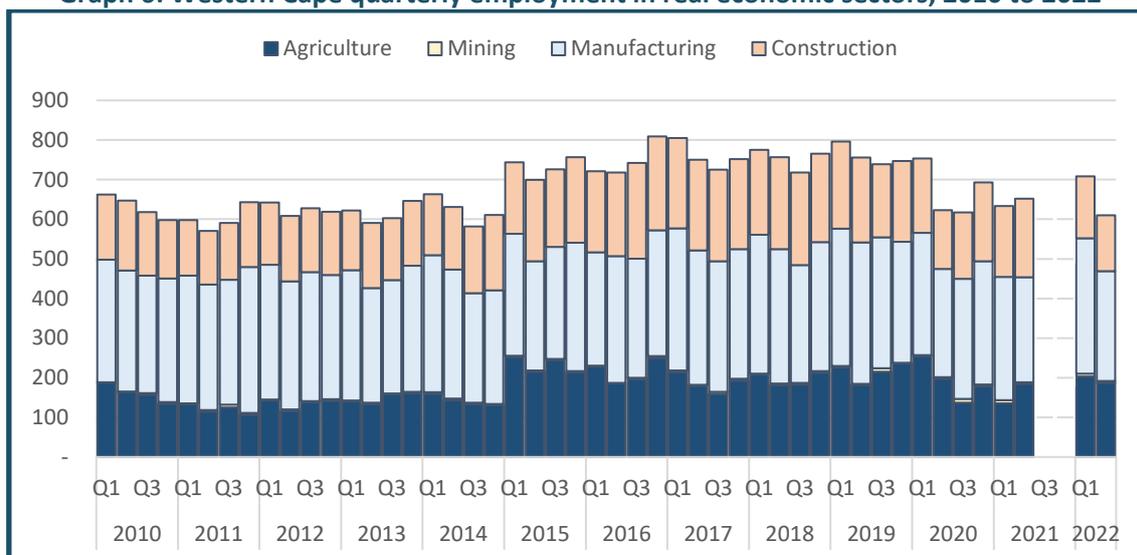
In terms of growth, mining was surprisingly the fastest-growing sector in the Western Cape between 2010 and 2014, growing at an annual average of 4%. It is followed by construction with 2% growth over the same period. However, between 2015 and 2019, the growth of mining in the province was zero, while construction and agriculture were the slowest-growing sectors over that period. In 2020, construction and manufacturing experienced a decline of 22% and 9%, respectively. In contrast, the mining sector and agriculture recorded significant growth in the same year. In 2021, recovery in construction was still lagging as the sector declined by 1%. Manufacturing, on the other hand, grew by 8% in 2021.

Graph 5: Average growth rate in real economic sectors of Western Cape (a)



Source: Calculated using Quantec data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices

Graph 6: Western Cape quarterly employment in real economic sectors, 2010 to 2022



Source: Stats SA Quarterly Labour Force Survey. Downloaded from www.statssa.gov.za.

As of Q2 2022, the Western Cape accounted for 15% of total national employment. With 610 000 people employed, the real economy in the province accounted for 26% of total employment in the province. Manufacturing is the largest employer with 277 000 people employed in 2021, followed by agriculture with 187 000, and construction with 141 000 people employed. As noted, mining plays a small role in the Western Cape economy as it employed only 5 000 people in 2021.

From Q1 2020 to Q1 2022, employment in the real economy of the Western Cape declined by 6%. Over the same period, agriculture and construction have shed most jobs, declining by 20% and 17%, respectively. On the other hand, employment in manufacturing and mining have recovered to pre-pandemic levels.

Table 1 shows large public and private real-economy projects in the Western Cape between 2010 and 2021.

Table 1: Large public and private real economy projects in the Western Cape 2010-2021

PROJECT NAME	COMPANY	VALUE	SECTOR
Johnson and Johnson Plant Refurbishment	Johnson & Johnson	R300 million	Manufacturing
Travelstart Investment	Travelstart	R40 million	Services
Resolux Investment in Atlantis SEZ	Resolux Investment in Atlantis	R25 million	Utilities
Chevron South Africa Divestment/ Sinopec Investment	Chevron South Africa	R113 million	Manufacturing
iSelect Cape Town Call Centre	iSelect	R320 million	Services
Pegas Nonwovens Atlantis Manufacturing Facilities	Pegas Nonwovens SA	R1.3 billion	Manufacturing
DHT Holding Africa Cape Town Iron and Steel Works (CISCO)	DHT Holding Africa	R550 million	Recycling of waste scrap metal
Hisense Atlantis factory expansion	Hisense	R720 million	Manufacturing
Total Drilling in South Africa	Total South Africa	R2.3 billion	Mining

Canopy by Hilton Introduction	Hilton World Wide Holdings	R550 million	Services
Zero-2-One Tower	FWJK & Others	R1.3 billion	Construction
SAB agricultural research and development centre	South African Breweries (AB-InBev)	R80 million	Agriculture
Hisense Atlantis Facility	Hisense	R160 million	Manufacturing
Astron Energy/ Glencore investment	Astron Energy/ Glencore	R6 billion	Manufacturing
Faurecia manufacturing plant expansion	Faurecia	R250 million	Manufacturing
Astron Energy Milnerton Refinery investment	Astron Energy/Glencore	R400 million	Manufacturing
Elandsfontein phosphate mine project	Kropz	R1.9 billion	Mining
BioTherm Renewable Projects: Excelsior Wind facility	BioTherm/Actis	R254 million	Utilities
Capita delivery centre	Capita	R530 million	Services
Google "Equiano" subsea cable	Google	R2.3 billion	Services
Total Drilling in South Africa: Luiperd-1 well	Total	R1.5 billion	Mining
Hisense solar power investment	Hisense	R20 billion	Utilities
RMIPPPP: Karpowership SA Saldanha	Karpowership SA/Karadeniz Energy Group	R7.8 billion	Utilities

Source: Compiled by Kelello Mashiane, using FDI data. TIPS FDI Tracker available at <https://www.tips.org.za/manufacturing-data/fdi-tracker>.

Employment and unemployment

Although the level of employment has declined in the province over the past decade, the Western Cape has a low level of joblessness compared to the national average. In 2021, the absorption rate in the province was 46.5% compared to the national average of 37%. However, as noted, the absorption rate has declined from 52.8% in 2010.

Economic policy initiatives

This section outlines major industrial policy and development initiatives that had an impact in the Western Cape:

- In 2019/20, the dtic approved projects worth R933 million for the Western Cape. These projects were expected to generate an investment of R5.1 billion and 7 335 jobs. Notably, the dtic investment in 2019/20 for the Western Cape has declined compared to the 2016/17 year, whereby it approved projects that amounted to R1.5 billion.
- In 2021, the dtic invested R194 million in the Black Industrialist Scheme. The IDC invested R1 billion in the programme, and NEF contributed R275 million.
- In 2017/18, R110.6 million was invested into the MCEP in the Western Cape, representing a decline from R1.1 billion in 2016/17.
- The Western Cape Province has two designated SEZs (see details below).

Industrial Development Zones and Special Economic Zones in the Western Cape

	FOCUS	DESIGNATION DATE
Atlantis SEZ	- Renewable energy - Green technology sector	2018
Saldanha Bay IDZ	- Oil - Gas - Marine repairing engineering - Logistics services	2013

Table 2: New and planned infrastructure in the Western Cape

PROJECT NAME	IMPLEMENTING AGENT	PROJECT COST	PROJECT DESCRIPTION
Berg River Voelvlei Augmentation Scheme (BRVAS)	Trans-Caledon Tunnel Authority (TCTA)	R1 billion	The project aims to increase water security and create reliable water supply for large industrial users.
Maitland Metro	Maitland Ark	R1.2 billion	A rejuvenation project in the inner city of Cape Town that provides residential and commercial opportunities.

The Western Cape's national spatial economy

The Western Cape has no former homeland or non-urban area within its borders. Ninety-five percent of the population live in urban areas while 5% live on farms. This compares to 70% in urban areas and 26% in non-urban areas nationally. The province has a metro area and three secondary cities, which account for 76% of the province's population. In terms of education, 30% of adult population in the Western Cape had matric which is similar to the national average. Moreover, Western Cape has a higher share of adult population with degree compared to the national average, with 16% of adult population with a degree compared to 13% nationally.

Similar to Gauteng, the Western Cape has a high level of service provision. In 2021, 88% of households in the Western Cape had running water in their house or yard. The share of households with running water had remained the same since 1996, indicating consistency of municipal investment. In 2021, 97% of households in the Western Cape had electricity compared to the 93% national average. When assessing piped water inside the house alone, the share of households with running water was 76%.

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