



An Overview of the Key Economic Indicators of the Western Cape

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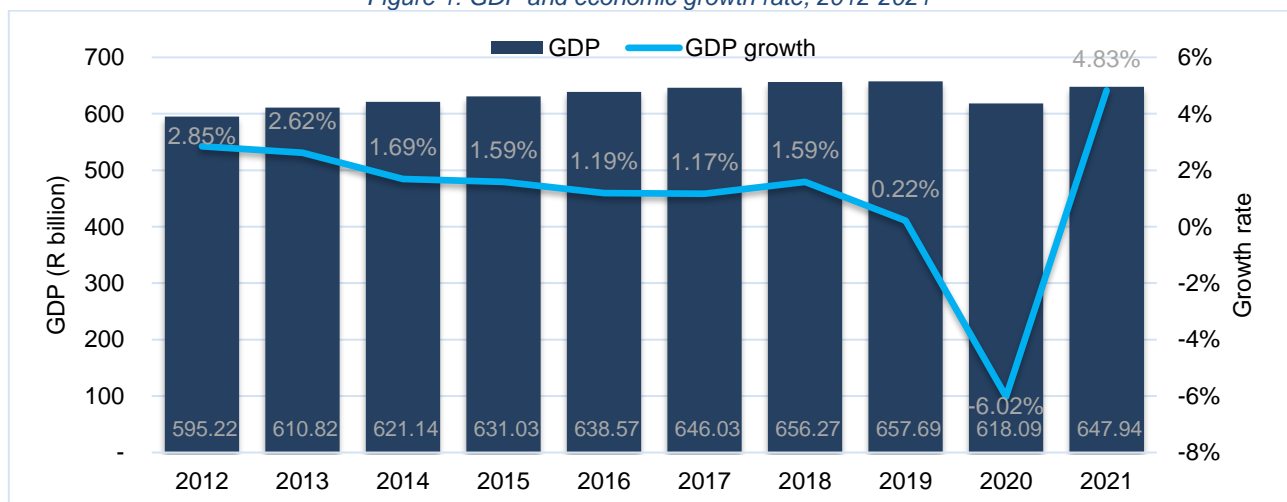
1. Introduction

The global economy was hit with a recession in 2020 as a result of the coronavirus pandemic and the “Great Lockdown”. However, most economies are gradually bouncing back because of the easing of lockdown restrictions. The Western Cape economy is on the path of economic recovery as it recorded an economic growth rate of 4.83% in 2021. The economy is expected to grow at an average annual rate of 4.1% in 2022. (Provincial Economic Review and Outlook, 2021). This paper examines the key economic indicators for the Western Cape. In particular, the paper discusses the province’s economic growth, employment and trade performance.

2. Economic activity and population

It is worth noting that the Western Cape’s economy was on a decline even before the pandemic struck. In 2019, economic growth rate declined by 1.37 percentage points to 0.22%. The growth rate of gross domestic product (GDP) was 4.83% in 2021, which shows that the local economy is on the path of recovery following the economic recession in the previous year.

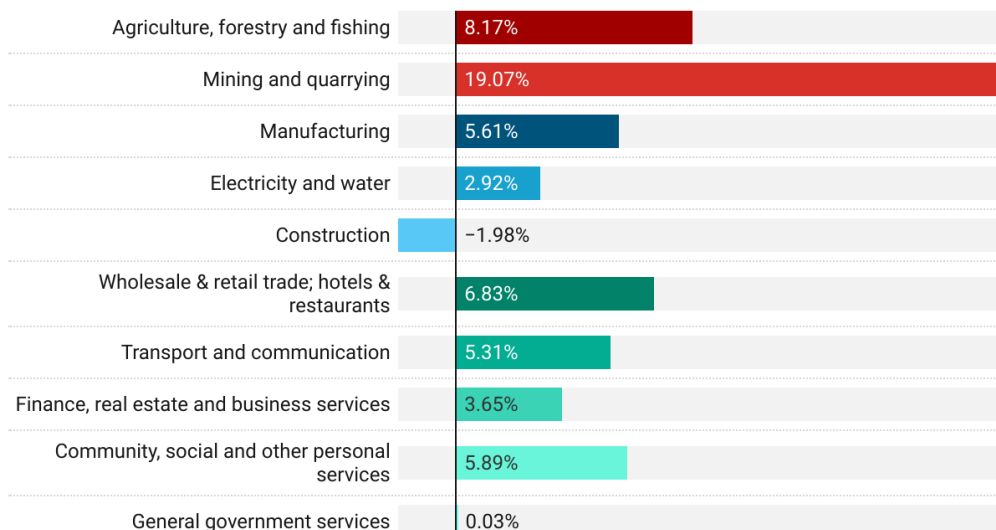
Figure 1: GDP and economic growth rate, 2012-2021



Source: Quantec (2022)

The positive economic growth in 2021 was driven by positive growth in GVA for all industries, except construction, as shown in Figure 2. Mining and quarrying (19.07%); agriculture, forestry and fishing (8.17%); and trade, hotels and restaurants (6.83%) were the top three performing industries.

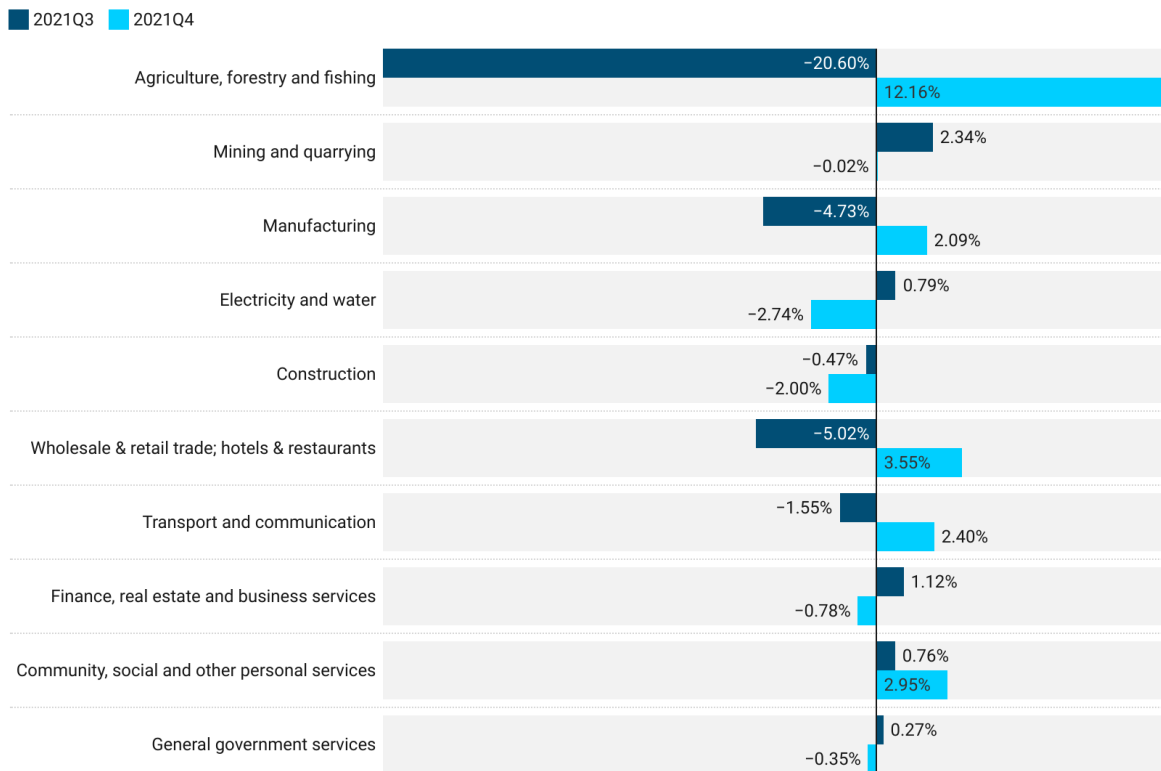
Figure 2: GVA growth rate by industry, 2021



Source: Quantec (2022)

After a decline of 20.6% the third quarter of 2021, the agriculture, forestry and fishing industry (12.16%) recorded the strongest growth in the last quarter of the same year, followed by trade, hotels and restaurants (3.55%) as shown in Figure 3.

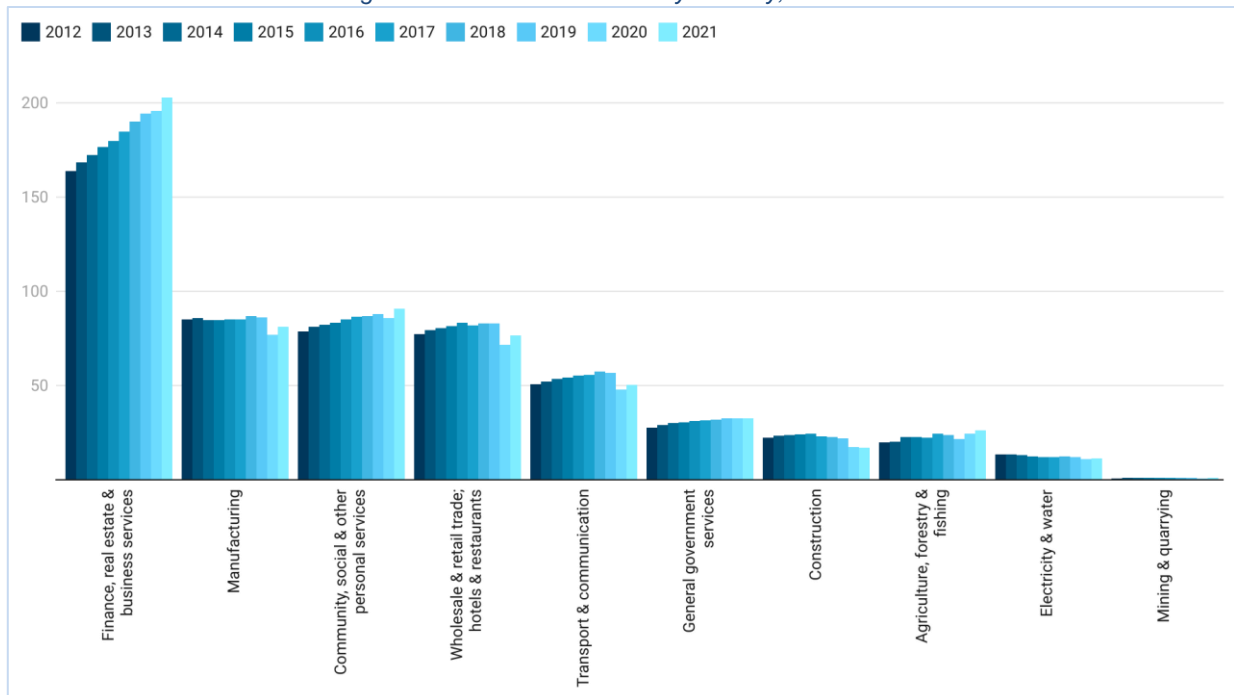
Figure 3: Growth rate of GVA, 2021Q3 and 2021Q4



Source: Quantec (2022)

Finance, insurance, real estate and business services; manufacturing; community, social and other personal services; trade, catering and accommodation; and transport and communication have been the top five industries, in terms of the share of GVA over the past decade.

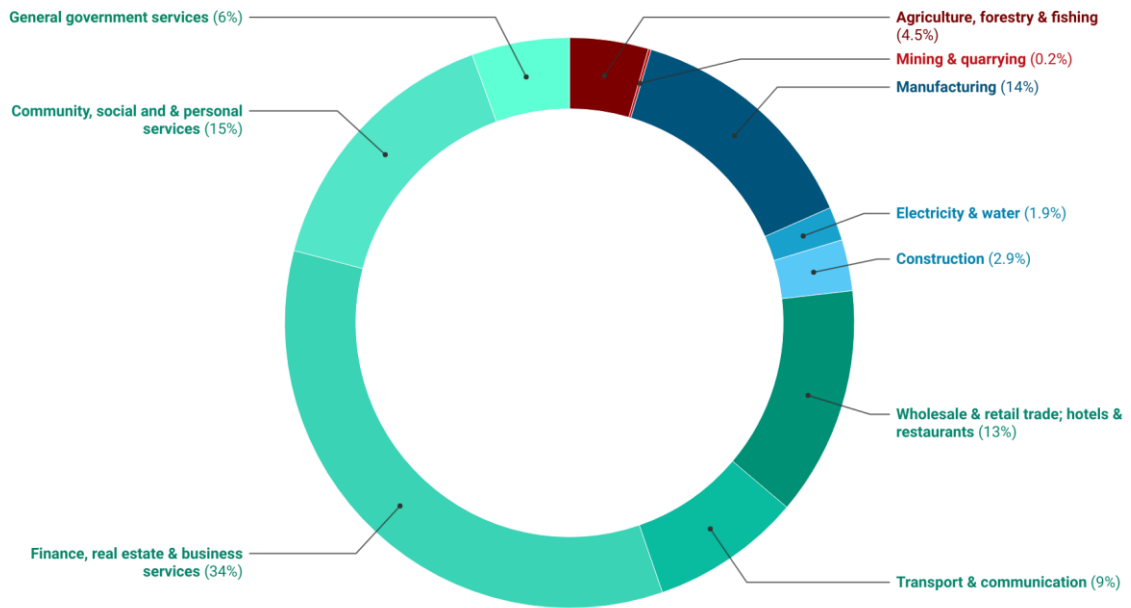
Figure 4: Contribution to GVA by industry, 2012-2021



Source: Quantec (2022)

The finance, real estate and business services accounted for over one third of the Western Cape's GVA in 2021 as shown in Figure 5. This was followed by community, social and other personal services (15%); and manufacturing (14%).

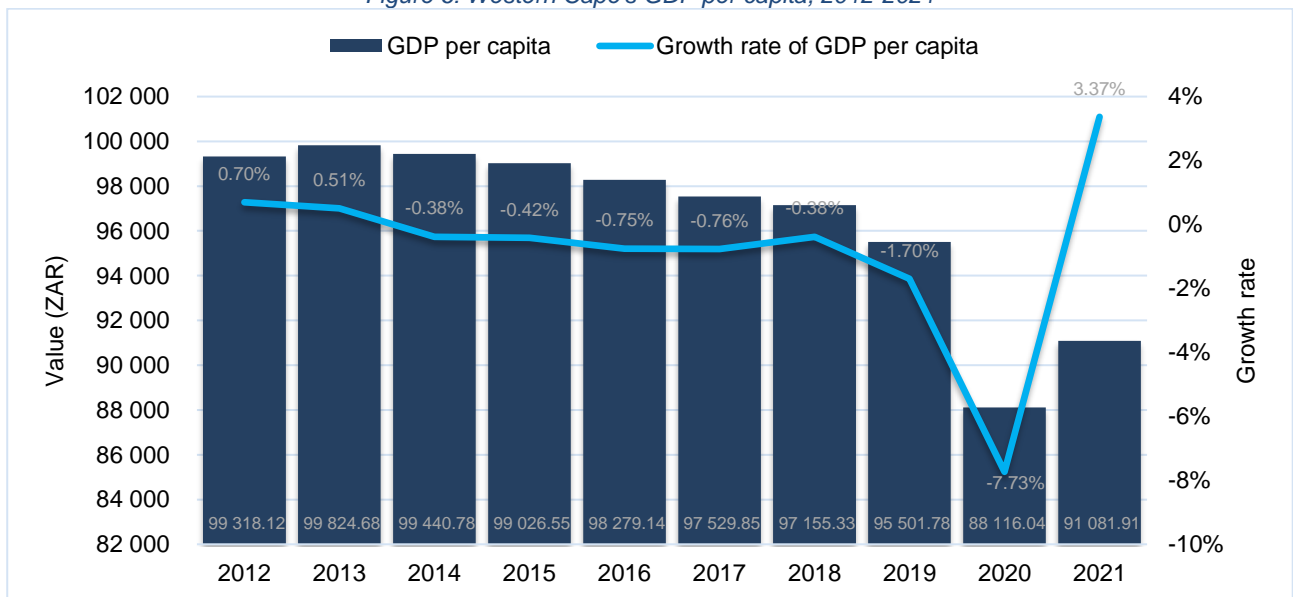
Figure 5: Composition of GVA, 2021



Source: Quantec (2022)

The Western Cape's per capita real gross domestic product¹ (GDP), which is a measure of economic output per person, was estimated at R91 081.91 in 2021 as depicted in Figure 6. The province's per capita GDP had been declining since 2013, prior to the pandemic. This can be explained by the fact that the population has been growing at a relatively higher rate than the level of economic activity. After a 7.7% decline in 2020 as a result of the pandemic, GDP per capita rebounded by approximately 3.4% in 2021.

Figure 6: Western Cape's GDP per capita, 2012-2021

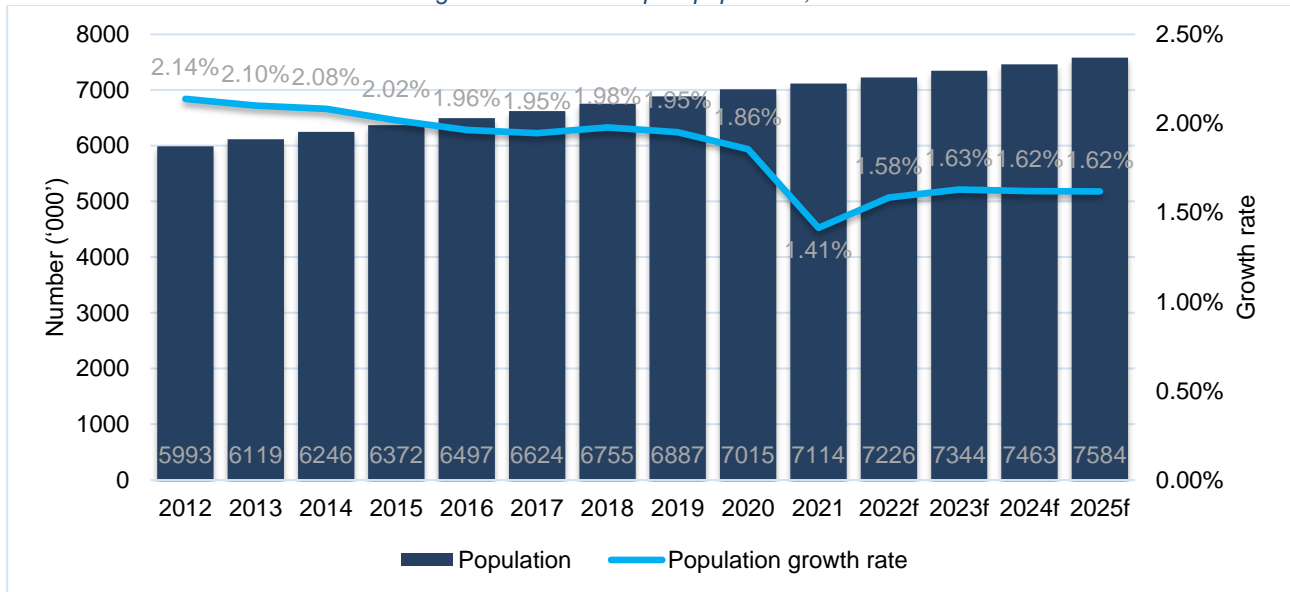


Source: Quantec (2022)

¹ Constant 2015 prices

The Western Cape's population growth rate averaged 1.94% over the past decade. The province's population was estimated at approximately 7.11 million in 2021, an increase of 1.4% from the previous year as shown in Figure 7. In 2025, the province will have an estimated population of about 7.58 million.

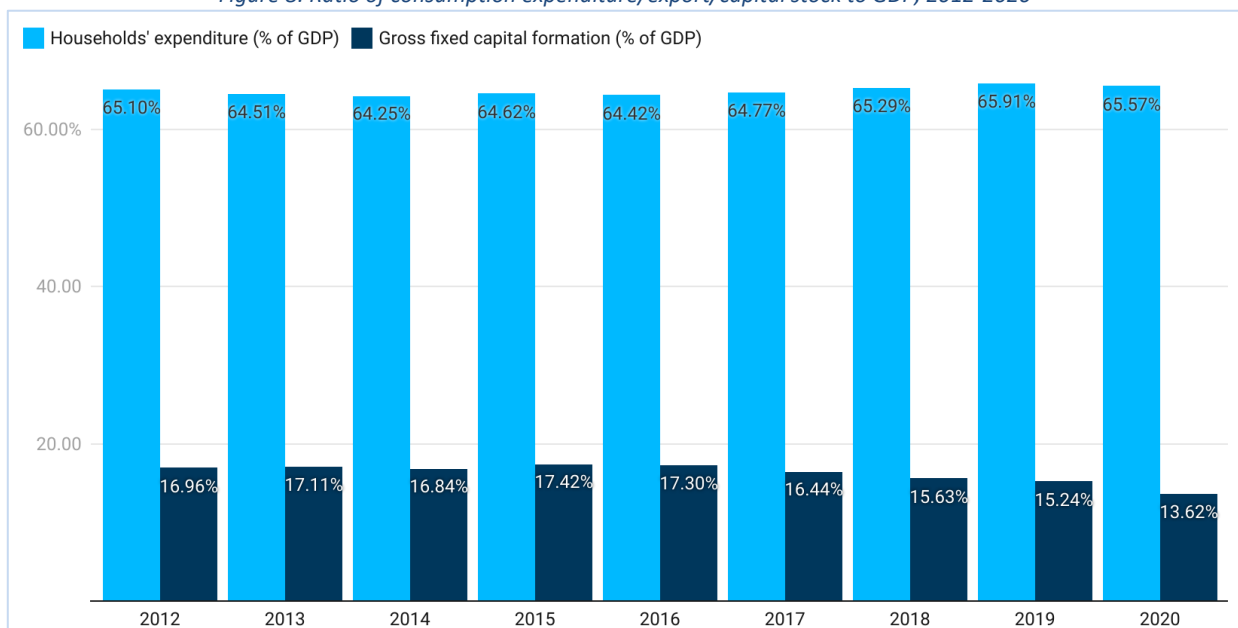
Figure 7: Western Cape's population, 2012-2021



Source: Quantec (2021)

Final consumption expenditure by households constitute the largest component of the Western Cape's gross domestic expenditure (GDE). On average, consumption spending makes up about 65% of GDP. This implies that any factor which causes consumer sentiment to move to depressed levels or hampers consumers' ability to spend can have a severe impact on the GDP of the province. The ratio of the Western Cape's gross fixed capital formation (GFCF) to GDP has historically been below 25%, which is the level generally deemed as the target ratio needed to ensure the required expansion of production capacity as well as to make provision for wear and tear of capital equipment (Quantec, 2020). During the period under review, the province's GFCF peaked at approximately 17.42% of GDP in 2015 but declined to 13.62% in 2020.

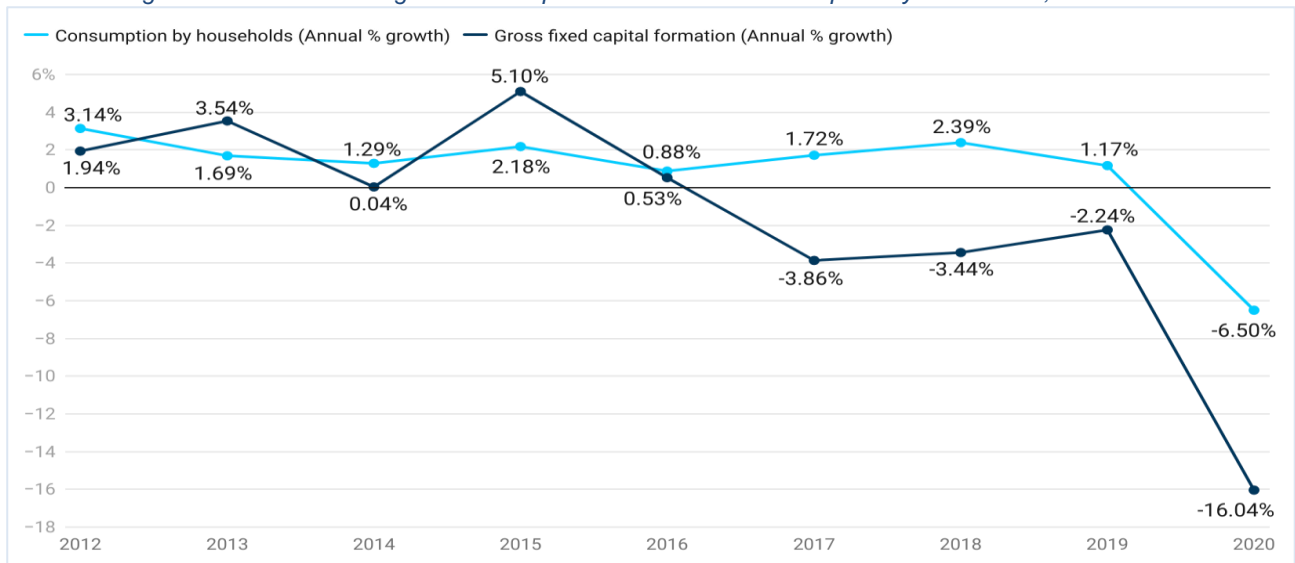
Figure 8: Ratio of consumption expenditure/export/capital stock to GDP, 2012-2020



Source: Quantec (2021)

The growth rates of GFCF and consumption spending were -16.04% and -6.50% respectively. This signifies that both firms and households were either reluctant to spend because of uncertainties or had to reduce their spending due to loss of income resulting from the pandemic. It must be emphasised that GFCF was experiencing negative growth even before the pandemic.

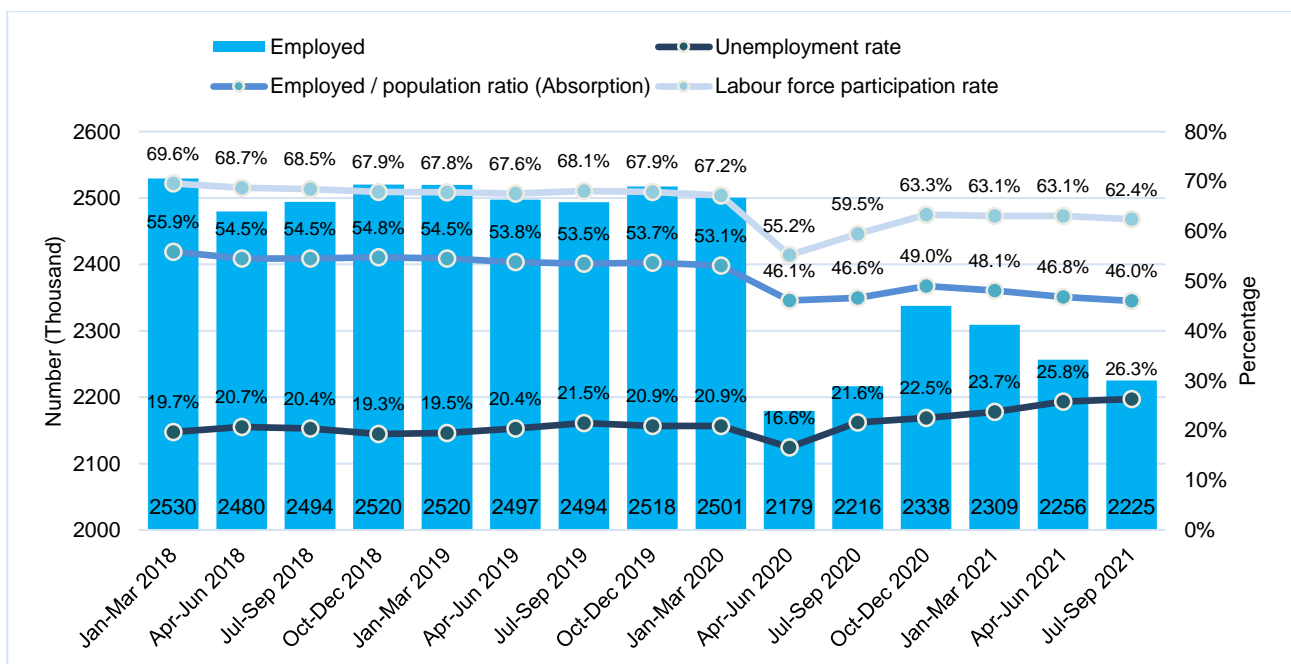
Figure 9: Growth rates of gross fixed capital formation and consumption by households, 2012-2020



Source: Quantec (2021)

3. Labour market

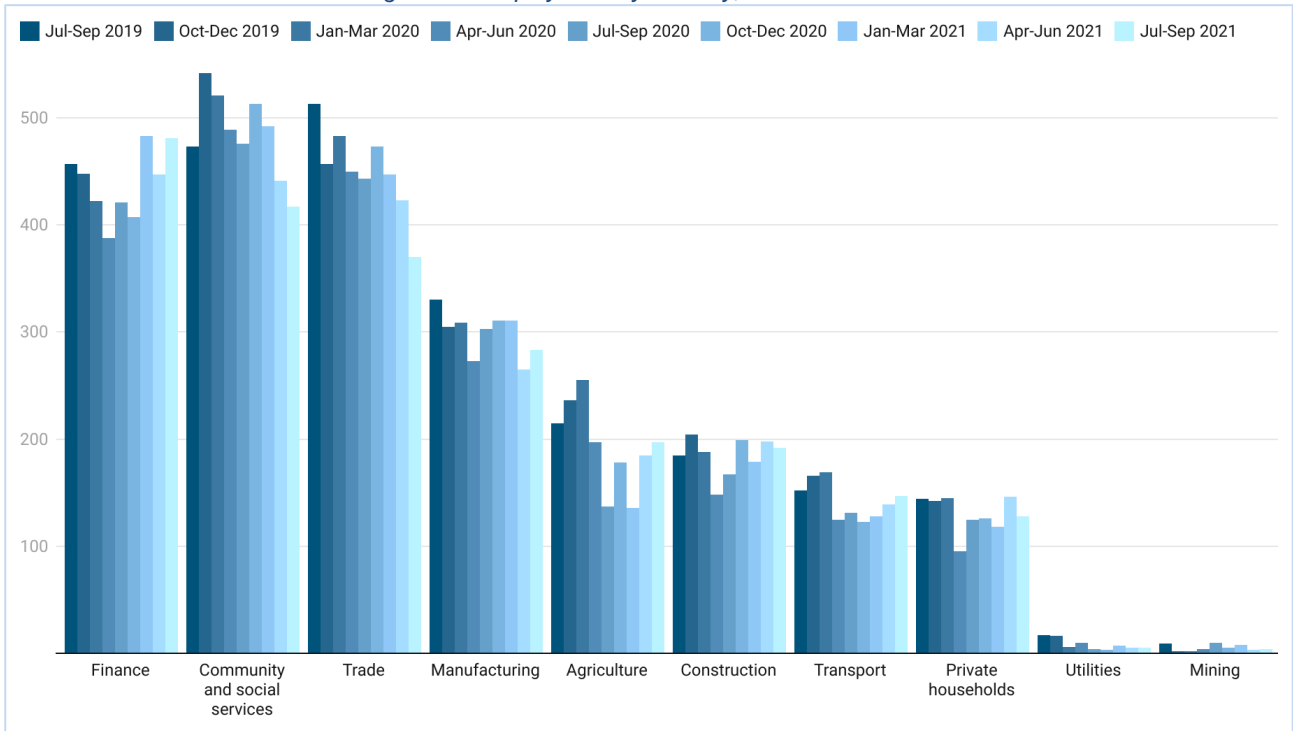
Unemployment continues to be one of the key socio-economic problems confronting South Africa as a whole, and the situation has further been aggravated by the coronavirus pandemic. The Western Cape's official unemployment rate increased to 26.3% in the third quarter of 2021 compared to 21.6% a year prior to that. The number of employed individuals decreased by 1.37% between the second and third quarters of 2021. In other words, 31 000 less people were employed in the third quarter of 2021 relative to the previous quarter. The province's labour absorption rate and labour force participation rate were 46% and 64.4% respectively in the third quarter of 2021.



Source: Statistics South Africa (2022)

For the period under review, finance, community and social services, trade, manufacturing and agriculture were the top five contributor to employment in the Western Cape. The industries that employs the least number of persons in the province are utilities and mining.

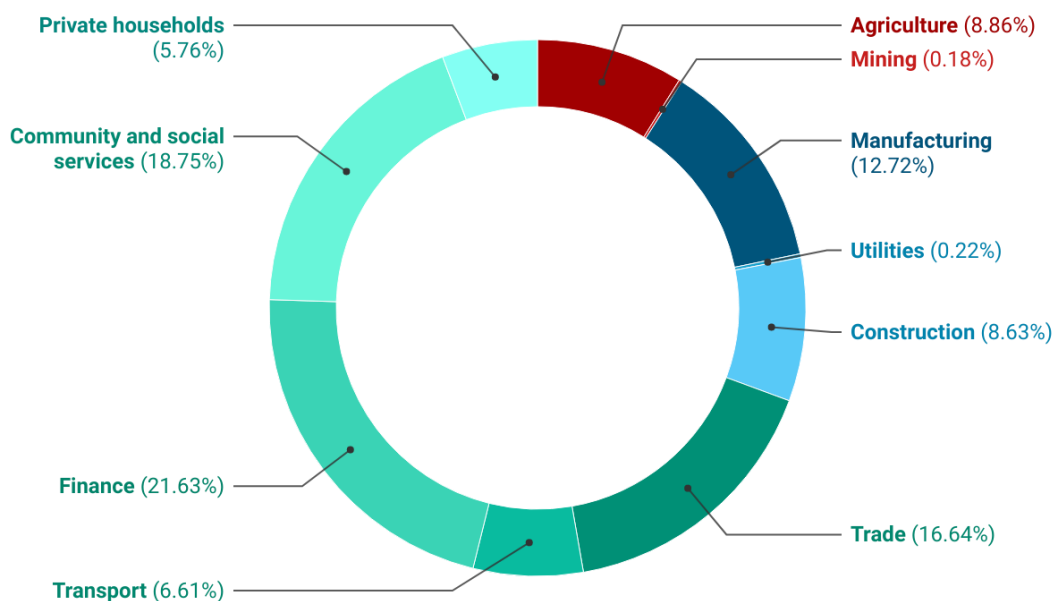
Figure 10: Employment by industry, 2019Q3-2021Q4



Source: Statistics South Africa (2022)

The services sector as a whole accounts for over 70% of employment in the Western Cape. Within the services sector, finance (21.63%); community and social services (18.75%); and trade (16.64%) made the highest contribution to employment in the third quarter of 2021. With a share of 12.72%, the manufacturing industry was also an important contributor to employment during the same period.

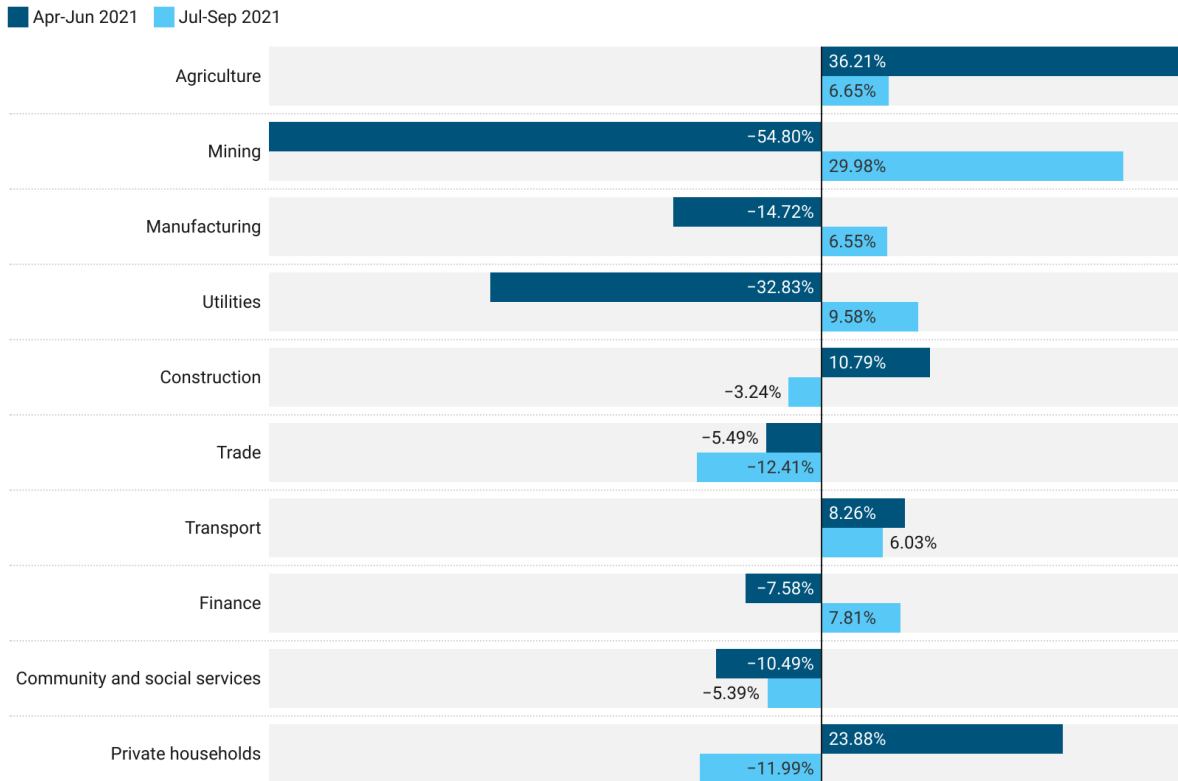
Figure 11: Share of employment, 2021Q3



Source: Statistics South Africa (2022)

As Figure 12 depicts, 6 out of 10 industries recorded an increase in the number of employed persons during the third quarter of 2021 compared to the previous quarter. These industries were mining (29,98%); utilities (9.58%); finance (7.81%); agriculture (6.65%); manufacturing (6.55%); and transport (6.03%). The industries that experienced negative growth in employment were trade (-12.41%); private households (-11.99%); community and social services (-5.39%); and construction (-3.24%).

Figure 12: Changes in employment, 2021Q3

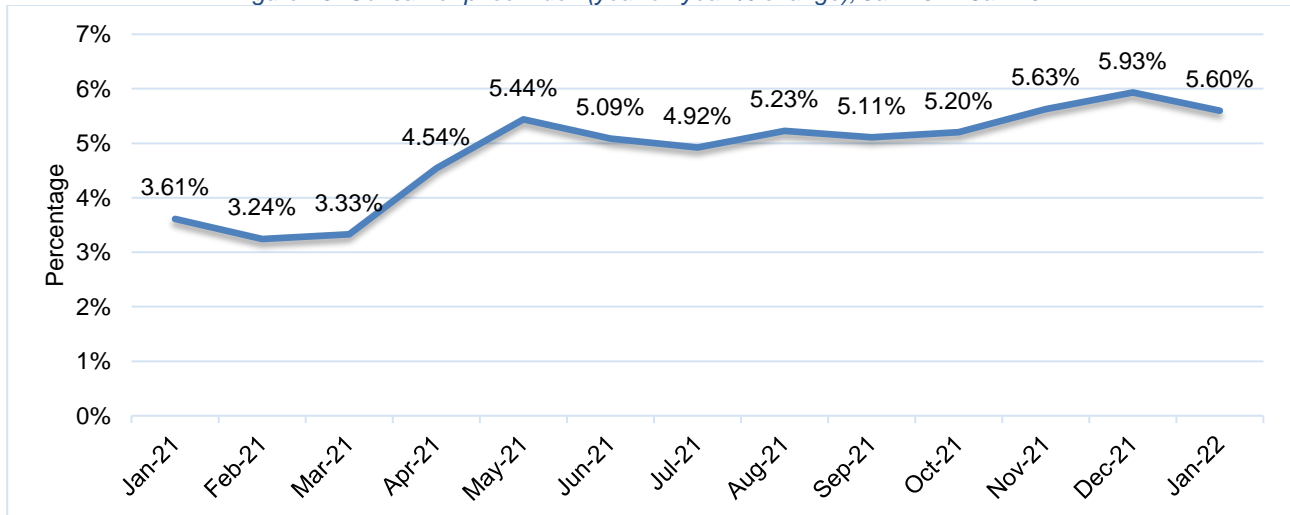


Source: Statistics South Africa (2022)

4. Inflation

The Western Cape’s inflation averaged 4.78% in 2021 compared to 3.89% in the previous year. Consumer price inflation increased from 3.61% in January 2021 to 5.60% January 2022 as shown in Figure 13. Food; transport; miscellaneous goods and services; and housing and utilities were the main drivers of the increase in consumer price index. Furthermore, the surge in oil prices and the resultant marked increase in fuel prices, in recent times, has contributed to the inflationary pressure on the local economy.

Figure 13: Consumer price index (year on year % change), Jan 2021-Jan 2022

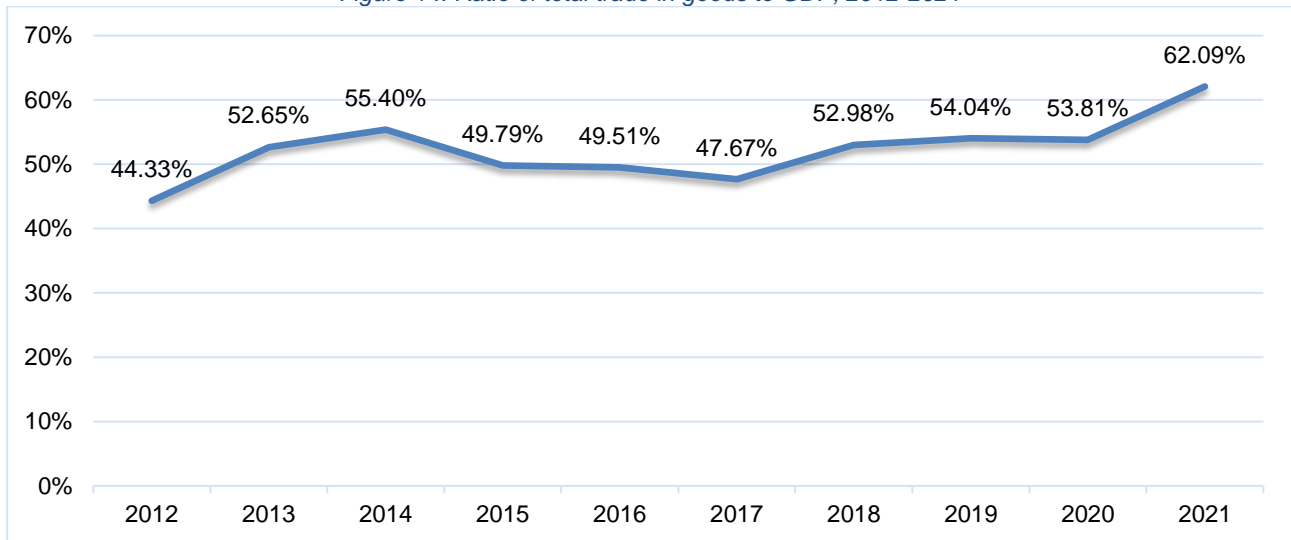


Source: Quantec (2022)

5. Trade

The Western Cape is an open economy, with an active participation in international trade. Figure 14 shows the province's trade openness, which is a measure of the extent to which an economy's is involved in global trade. In 2021, the Western Cape's trade to GDP ratio was approximately 62%.

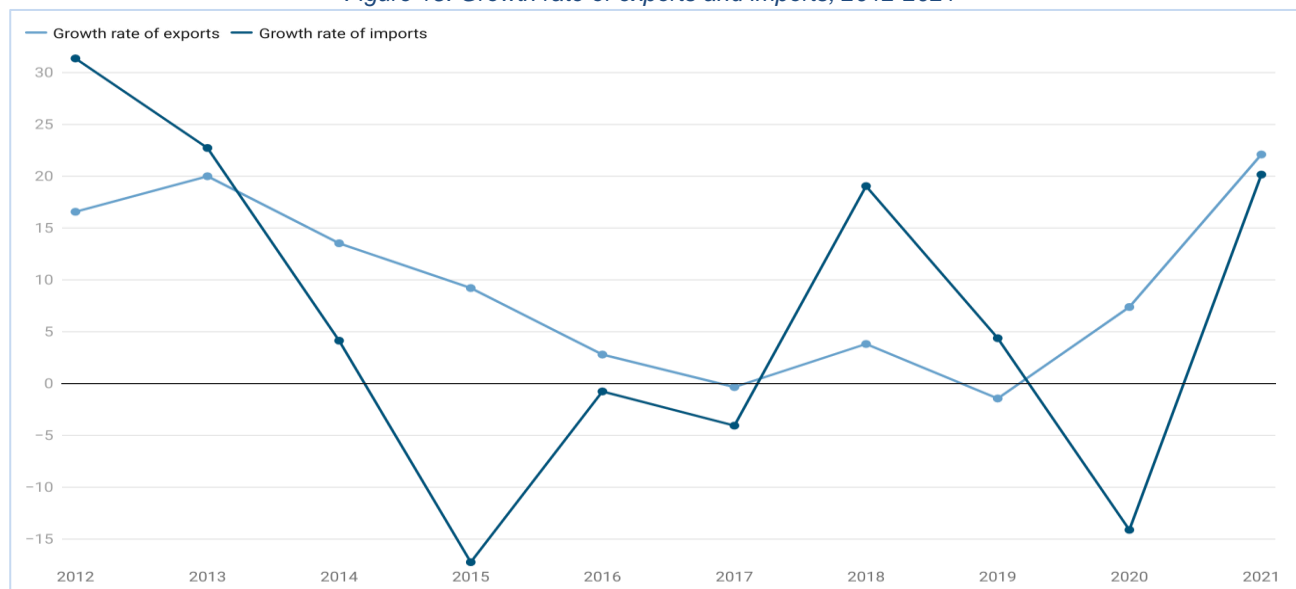
Figure 14: Ratio of total trade in goods to GDP, 2012-2021



Source: Quantec (2022)

Total exports have been increasing since 2019, rising from a growth rate of -1.44% in 2019 to 22.11% in 2021. Manufacturing and agriculture, forestry and fishing, the two key components of the Western Cape's exports, increased by 15% and 13% respectively in 2021, while mining and quarrying increased by 204%. Over the past decade, manufacturing accounted for approximately 70.5% of total exports, whereas agriculture, forestry and fishing constituted 26.2%.

Figure 15: Growth rate of exports and imports, 2012-2021



Source: Quantec (2022)

6. Conclusion

The services sector as a whole plays a significant role in economic growth and employment creation, accounting for over 70% of province's GVA and employment. The major contributors to the province's economic activity are finance, insurance, real estate and business services; manufacturing; community, social and other personal services; trade, catering and accommodation; and transport and communication.

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