



## An Analysis of the Western Cape's Key Economic Indicators

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## 1. Introduction

The coronavirus pandemic is having a severe impact on all economies worldwide, with the global economic contraction for 2020 estimated at -3.5% according to the International Monetary Fund (IMF). Although growth is expected to pickup in 2021 and 2022 given the recent vaccine rollouts, the magnitude of the economic recovery will depend on the effectiveness of policy measures as well as access to medical interventions. It has been forecasted that the Western Cape economy will grow at an average annual rate of 1% between 2020 and 2024 (Western Cape Government, 2020).

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 from the first quarter of 2019 to the fourth quarter of 2020.

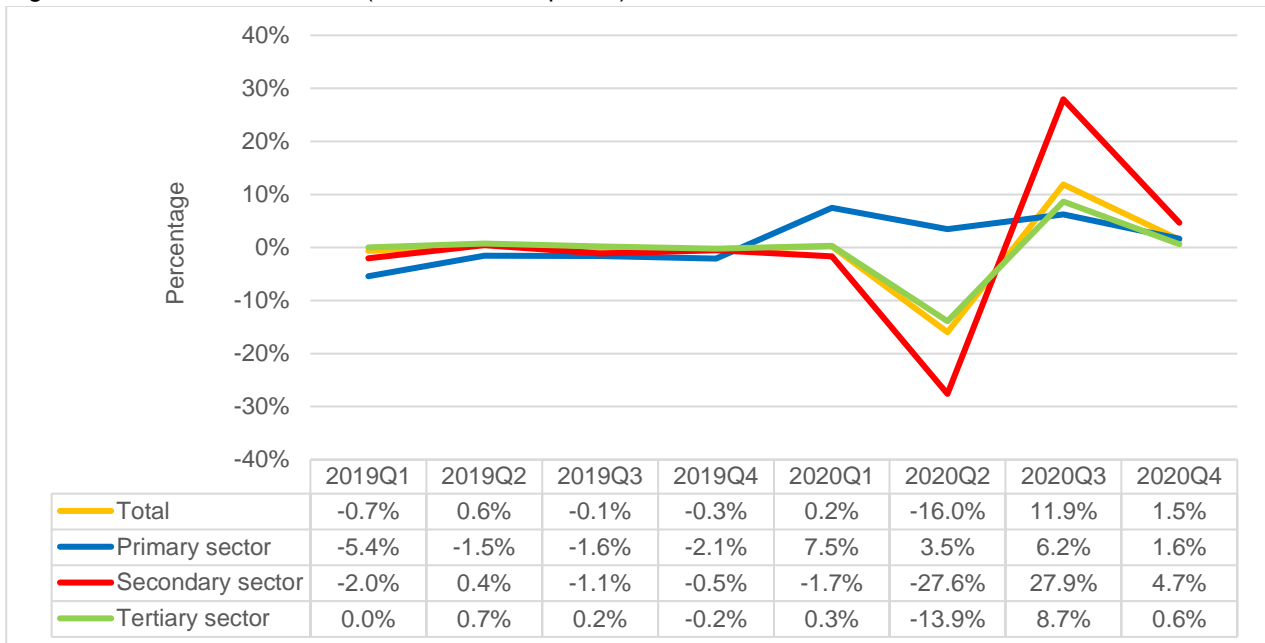
## 2. Economic growth

This section analyses the Western Cape's economic growth performance from both the supply and demand sides of the economy.

### 2.1 Production

The Western Cape's gross value added (GVA) at basic prices grew by 1.5% (seasonally adjusted annualised rate) in the fourth quarter of 2020. Although this was a lower rate relative to the previous quarter, it represented an improvement when compared to the -0.3% recorded in the fourth quarter of 2019. For the period under review, the biggest decline in GVA was recorded in the second quarter of 2020, where GVA contracted by -16%. This was, however, followed by an 11.9% increase in the subsequent quarter. All three sectors of the economy, namely, the primary, secondary and tertiary sectors recorded positive growth in GVA during the fourth quarter of 2020 compared to the negative rates observed in the fourth quarter of the previous year.

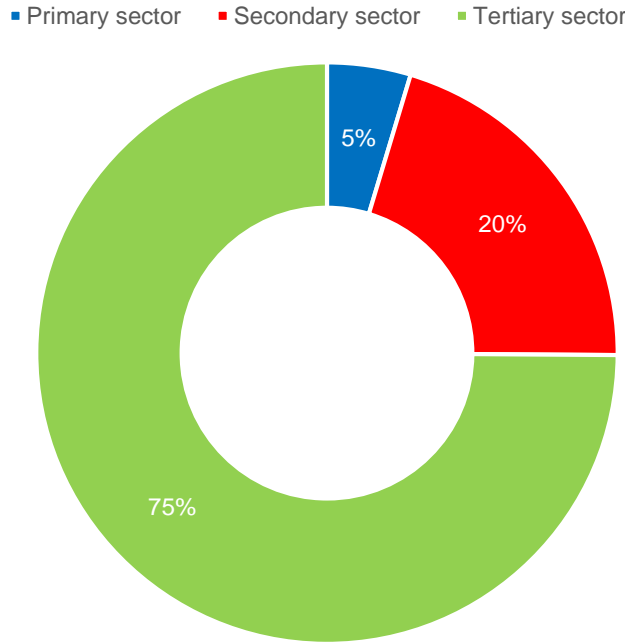
Figure 1: Gross valued added (constant 2010 prices)



Source: Quantec, 2021

The tertiary sector is the largest contributor to GVA, which signifies the dominance and importance of the services sector to the Western Cape economy. During the fourth quarter of 2020, the tertiary sector accounted for 75% of GVA, followed by the secondary sector (20%) and the primary sector (5%).

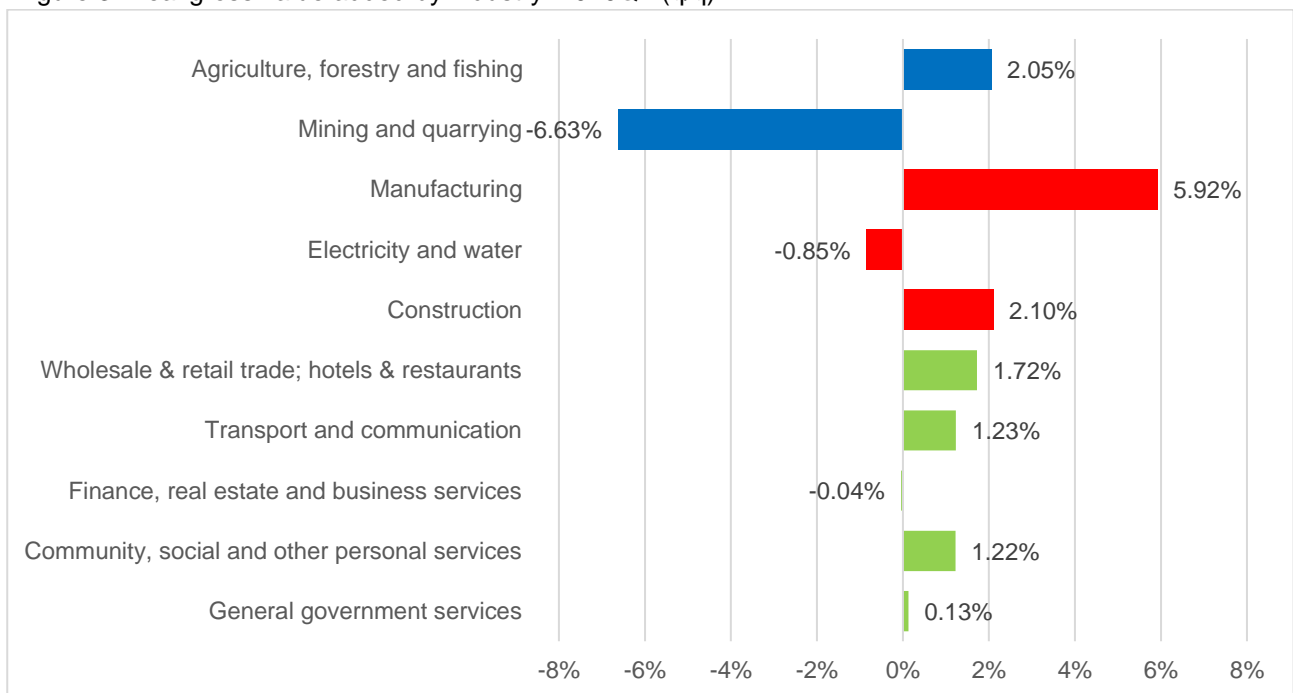
Figure 2: Share of GVA: 2020Q4



Source: Quantec, 2021

Figure 3 shows that 7 of 10 industries experienced positive growth in GVA in the fourth quarter of 2020 relative to the previous quarter<sup>1</sup>. The industry with the highest growth in GVA was manufacturing (5.9%), followed by construction (2.1%) and trade, hostels and restaurants (1.7%) as well as transport and communication (1.2%). Mining and quarrying (-6.6%); electricity and water (-0.85%); and finance, real estate and business services (-0.04%) were the industries that recorded a decline in GVA between the third quarter and the fourth quarter.

Figure 3: Real gross value added by industry: 2020Q4 (q/q)



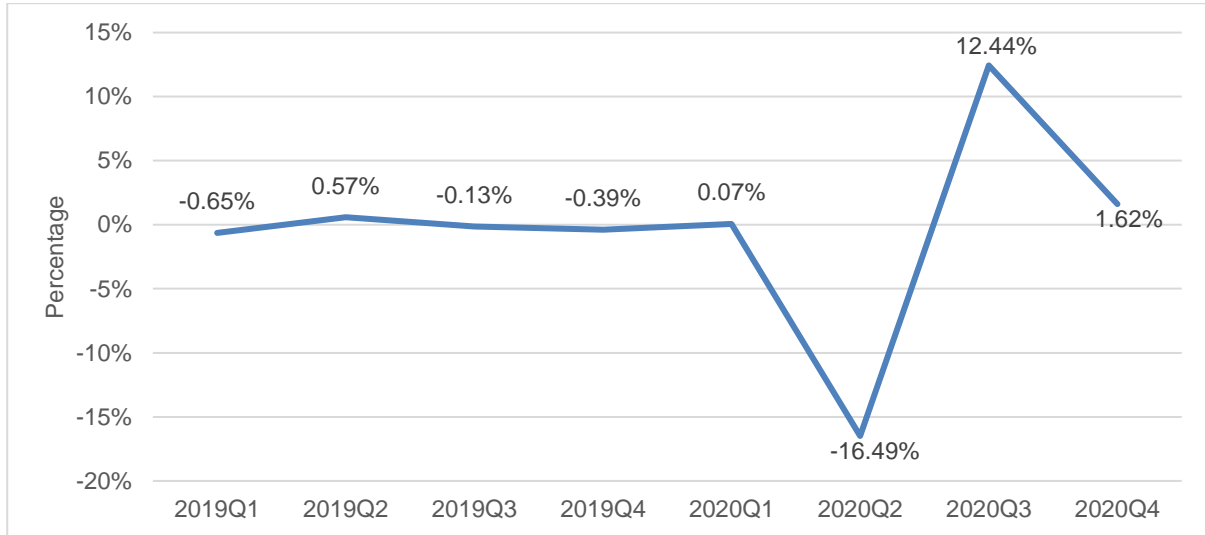
Source: Quantec, 2021

<sup>1</sup> seasonally adjusted annualised

## 2.1 Demand

While the coronavirus pandemic has had a negative impact on the Western Cape economy, it must be noted that the economy was already going through a downward trend in the periods leading up to the pandemic. For instance, the economic growth rate declined to -0.13% in the third quarter of 2019. The growth rate of gross domestic product (GDP) was 1.62%<sup>2</sup> in the fourth quarter of 2020, which is an improvement compared to the -0.39% recorded in the fourth quarter of 2019. During the period under review, the lowest growth rate was recorded in the second quarter of 2020 (-16.5%).

Figure 4: Gross domestic product at market prices (constant 2010 prices)

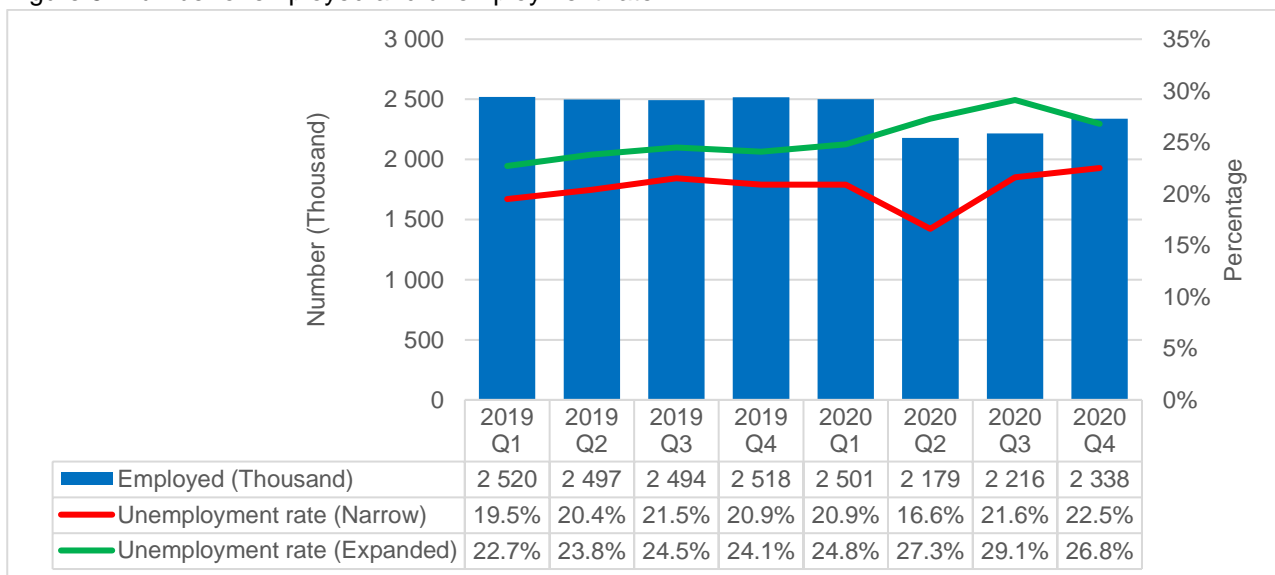


Source: Quantec, 2021

## 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 22.5% in the fourth quarter of 2020 compared to 20.9% a year prior to that. The unemployment rate, according to the expanded definition, also accelerated to 26.8% from 24.1% in the corresponding period in 2019. The number of employed individuals increased by 5.5% between the third and fourth quarter of 2020.

Figure 5: Number of employed and unemployment rate

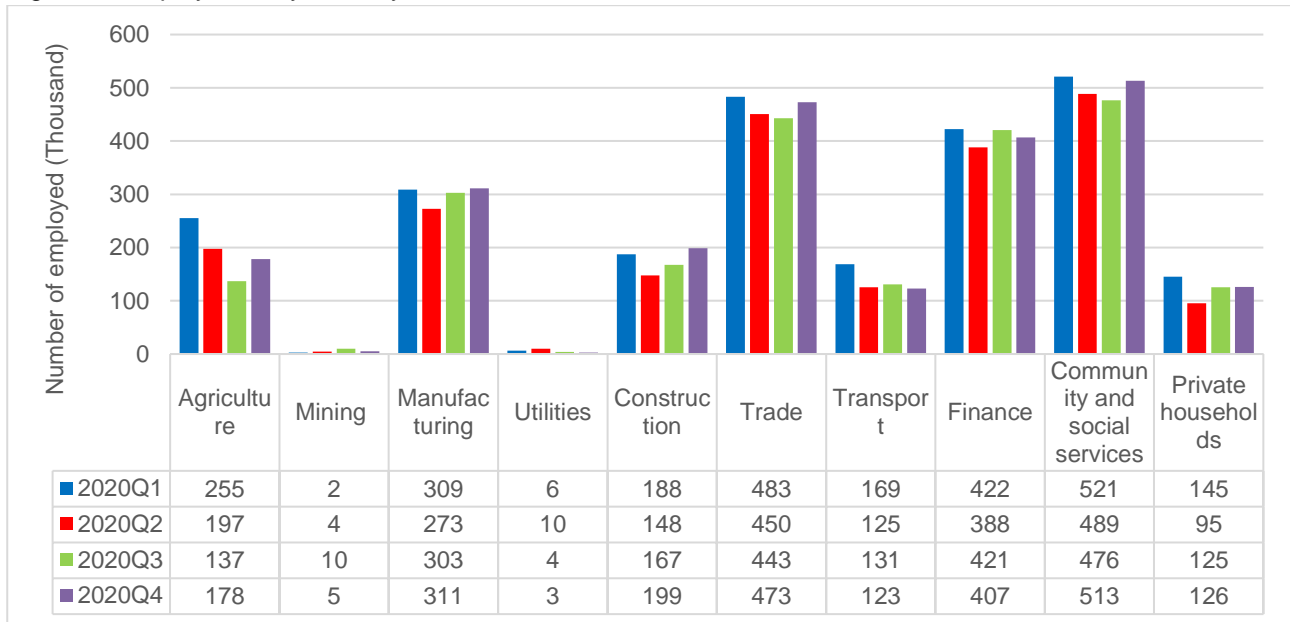


Source: Stats SA, 2021

<sup>2</sup> seasonally adjusted annualised rate

For the period under review, the community and social services industry was the largest contributor to employment in the Western Cape. Employment in this industry increased in the fourth quarter of 2020 after experiencing a decline in both the second and third quarter of the same year. The second and third largest contributors to employment in the province were respectively the trade and finance industries, whereas the industry that employed the least number of persons in the province was mining.

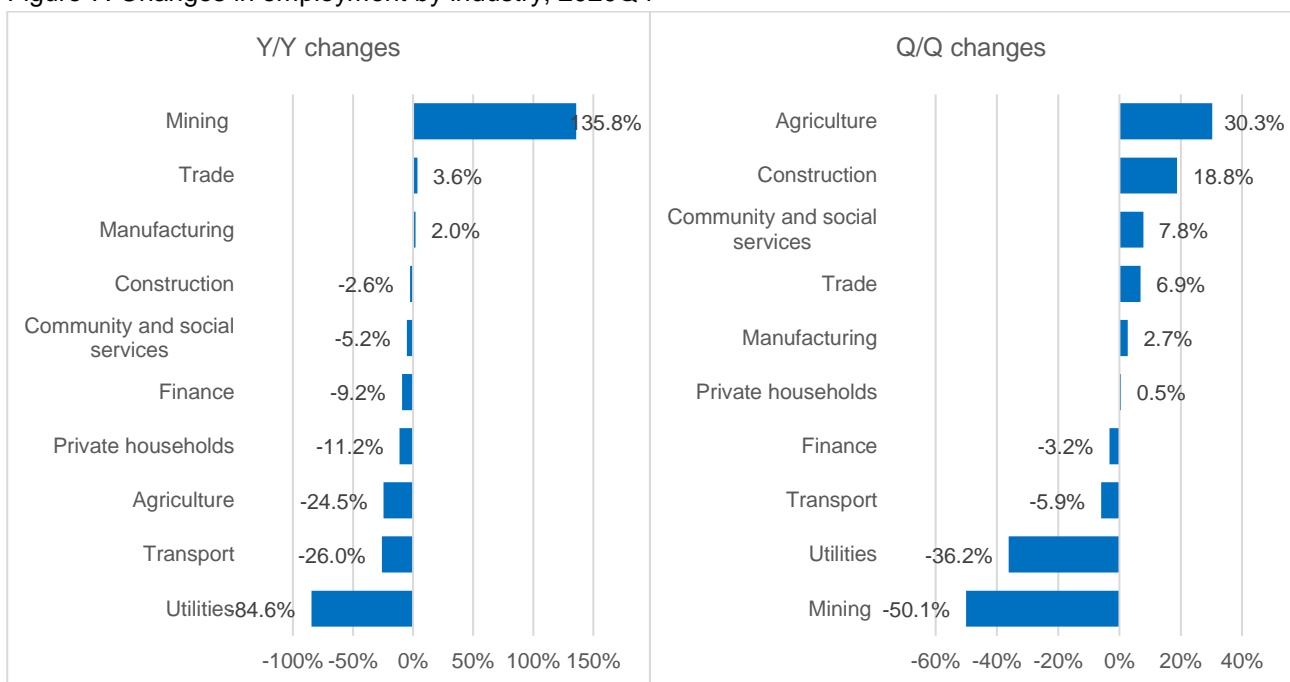
Figure 6: Employment by industry



Source: Stats SA, 2021

The industries that had positive changes in employment between the third and fourth quarter of 2020 were agriculture (30.3%); construction (18.8%); community and social services (7.8%); trade (6.9%); manufacturing (2.7%); and private households (0.5%). On the other hand, the finance; transport; utilities; and mining industries all recorded negative changes in employment during this period. When compared to the previous year, only the mining (135.8%); trade (3.6%); and manufacturing (2%) industries employed more people in the fourth quarter of 2020.

Figure 7: Changes in employment by industry, 2020Q4

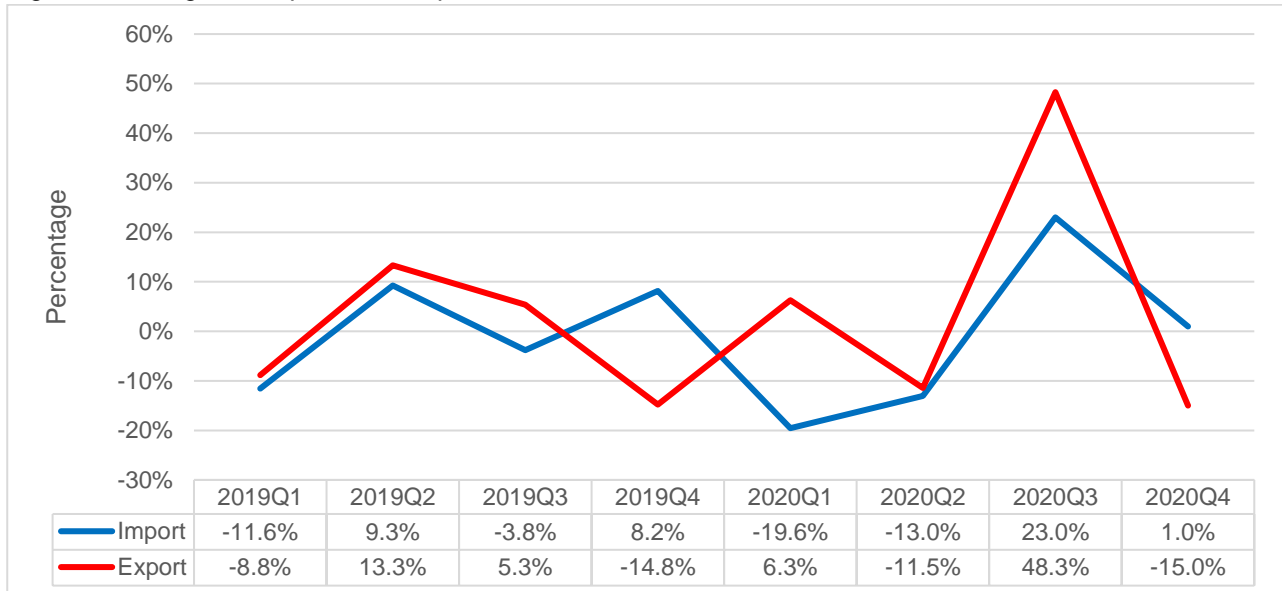


Source: Stats SA, 2021

#### 4. Trade

The third quarter of 2020 recorded the highest increase in both exports (48.3%) and imports (23%) during the 2019Q1-2020Q4 period. However, in the fourth quarter of 2020, there was a negative growth in exports of -15%, driven by mainly the decrease in the value of exported agricultural products. Total imports only increased by 1% during the same period.

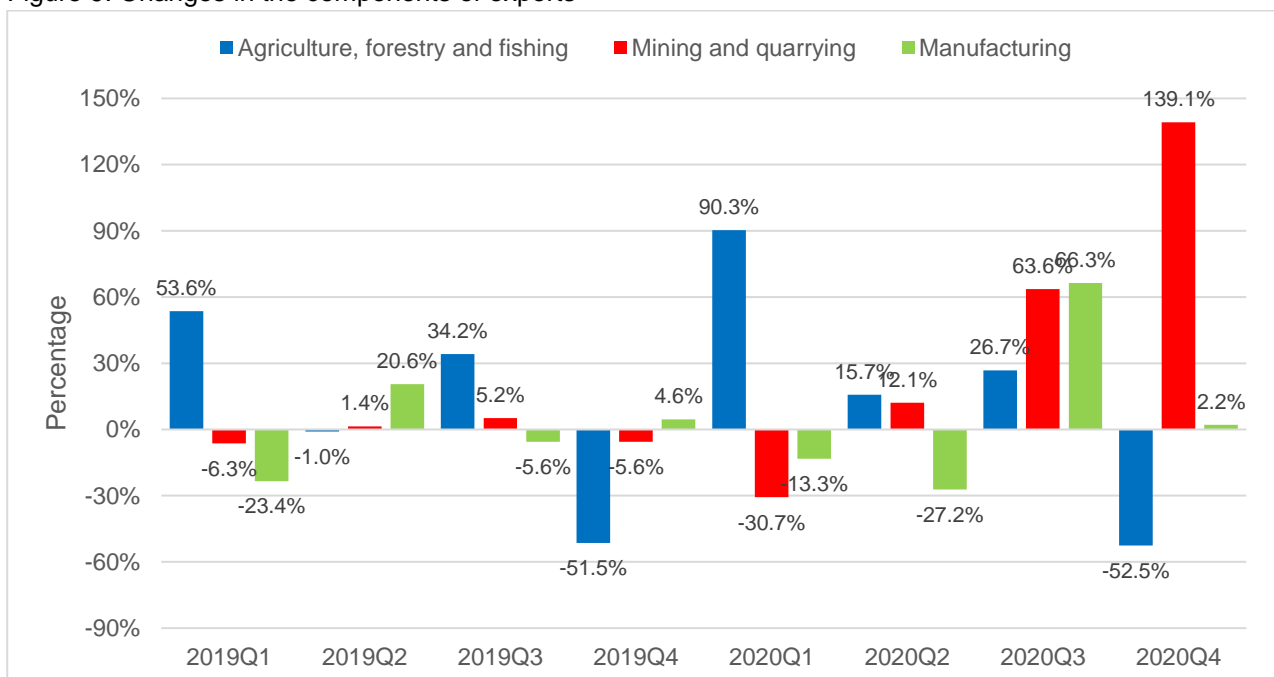
Figure 8: Changes in exports and imports



Source: Quantec, 2021

Figure 9 shows that the value of exported agricultural as well as mining and manufactured products increased in the third quarter of 2020. However, the growth rate of the exports of agricultural products was -52.5% in the fourth quarter of 2020. During the same period, the value of exported mining and quarrying products increased by 139.1%, while manufacturing exports expanded by 2.2%.

Figure 9: Changes in the components of exports



Source: Quantec, 2021

## 5. Conclusion

Both demand and supply shocks have contributed to the ongoing economic recession. After a major decline in both the GVA and GDP of the Western Cape in the second quarter of 2020, the province's economic performance was relatively improved in the final quarter of 2020. The rate of unemployment, however, increased to 22.5% in the fourth quarter of 2020, which is an indication of the high number of jobs that have been lost as a result of the current health and economic crisis.

## Reference

International Monetary Fund. (2021). World economic outlook update. Washington D.C.: International Monetary Fund.

Western Cape Government. (2020). Provincial economic review and outlook. Cape Town: Western Cape Government.

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