



An Economic Overview of the Western Cape, 2023

Quarter 4

12 April 2024

Introduction

Since the start of 2024, the global economy has continued to show resilience, demonstrating steady growth and declining inflation as noted by the International Monetary Fund (IMF) in its January 2024 outlook. The IMF forecasted global growth at 3.1% in 2024, a 0.2 percentage point up from its October 2023 projections, and a growth rate of 3.2% in 2025. Domestically, South Africa's economy grew by 0.6% in 2023 from 1.9% in 2022. This involved a real gross domestic product (GDP) growth of 0.1% q-o-q in 2023Q4, after a contraction of 0.2% in 2023Q3. Six of the ten industries contributed positively to the economy in the fourth quarter while four industries were in decline: wholesale trade, agriculture, construction, and government. Notably, growth in agriculture fell by 9.7% in the quarter and by 12.2% for the whole of 2023, marking its first annual contraction since 2019. In the Western Cape (WC), economic output declined by 0.2% q-o-q in 2023Q4, following a contraction of 0.3% in 2023Q3. For the whole of 2023, the provincial economy grew by 0.5%, from 2.6% in 2022. The annual performance of the provincial economy was in line with provincial treasury projections in the 2023 Provincial Economic Review of a 0.5% increase. Output in four of the ten sectors in the provincial economy fell during the fourth quarter, with significant declines in agriculture, wholesale and construction. This report examines the Western Cape's key economic indicators, including the province's economic performance as well as employment statistics.

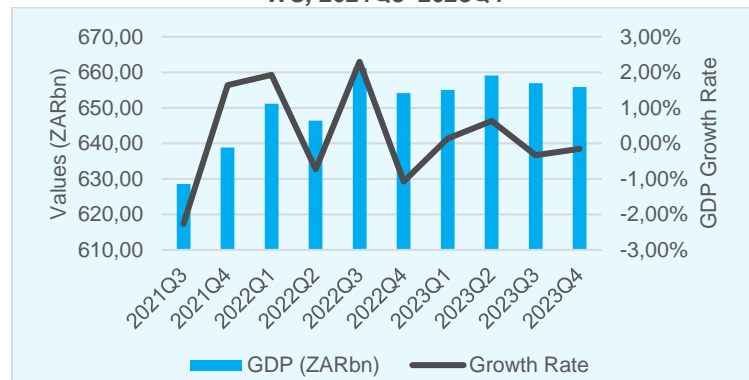
Economic activity

Figure 1 shows that the Western Cape's real gross domestic product (GDP) dropped by -0.2% q-o-q in 2023Q4, following a decrease of 0.3% q-o-q in 2023Q3. This brought the province's real GDP to ZAR655.90 billion in the fourth quarter, down from ZAR656.92 billion in the previous quarter. The poor performance of some key sectors contributed to the marginal decline in the provincial economy.

The South African economy grew by 0.1% in the last quarter of 2023, led by the North West province with an increase of 0.4%, as demonstrated in Figure 2. Five provinces registered positive growth, while two experienced no growth. The economies in the Eastern Cape and the Western Cape experienced a marginal decline.

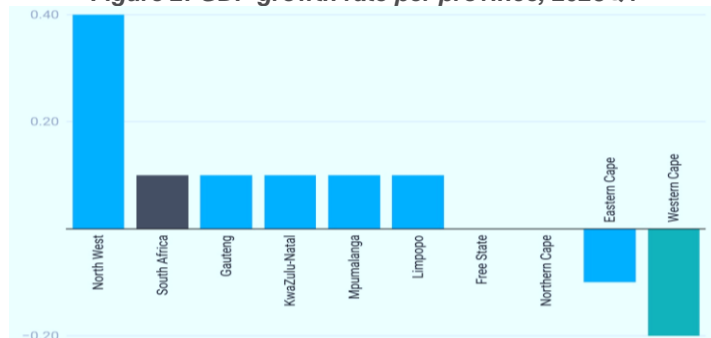
The Western Cape is the third largest economy among the nine provinces in South Africa. In the fourth quarter of 2023, the province contributed approximately 14.2% to South Africa's GDP. Gauteng (with a contribution of 33.9%) and KZN (16.5%) were the top two contributors to national output during this period. This can be seen in Figure 3.

Figure 1: Real GDP¹ (constant 2015 prices) and economic growth, WC, 2021Q3–2023Q4



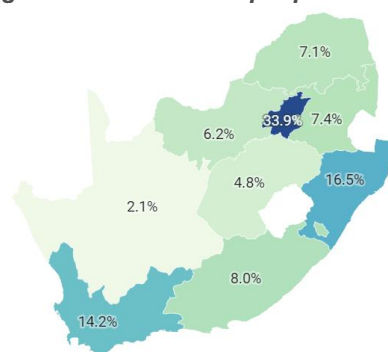
Source: Quantec (2024)

Figure 2: GDP growth rate per province, 2023Q4



Source: Quantec (2024)

Figure 3: Share of GDP per province, 2023Q4

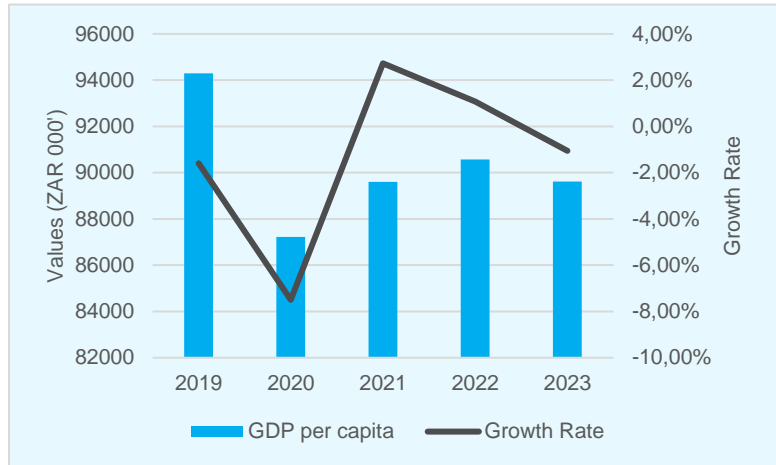


Source: Quantec (2024)

¹ Unless otherwise stated, growth rates are quarter-on-quarter, seasonally adjusted.

Figure 4 shows that the Western Cape's real GDP per capita in 2023 was estimated at ZAR89,620, representing a decline of 1.05% y-o-y from ZAR90,571 in 2022. The province has the second largest real GDP per capita in South Africa (higher than the country's GDP per capita of ZAR74, 631). On average, the province's GDP per capita decreased between 2019 and 2023, with an annual average growth rate of -1.27%. A possible contributory factor for the decline could be the increase in population levels in the province.

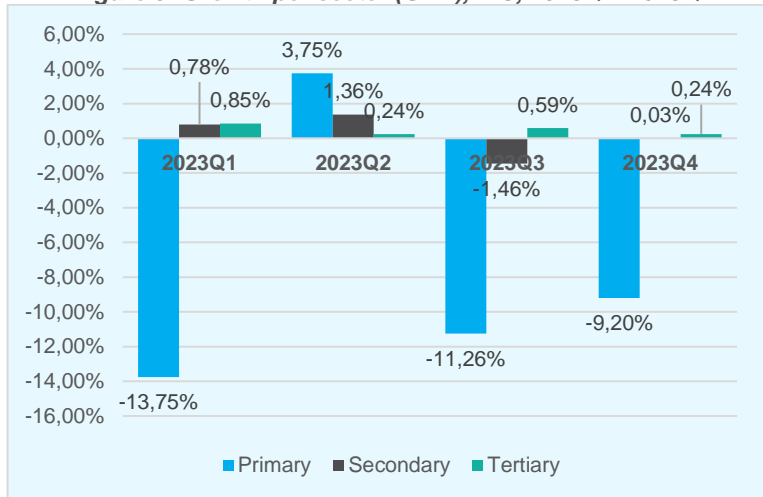
Figure 4: Real GDP per capita (value and growth rate), WC, 2019–2023



Source: Quantec (2024)

Growth in the primary sector in the Western Cape fell for the second consecutive quarter in 2023Q4, contracting by 9.37% q-o-q. This is illustrated in Figure 5. The secondary sector rebounded from the third quarter, increasing by 0.03% in the fourth quarter. The tertiary sector expanded by 0.24% q-o-q in 2023Q4. Significant declines in the agriculture, forestry and fishing industry contributed to the weak performance of the primary sector. Improvements in the electricity and water industry and in the manufacturing industry led to the growth in the secondary sector. The transport and communication industry made a significant contribution to the expansion in the tertiary sector.

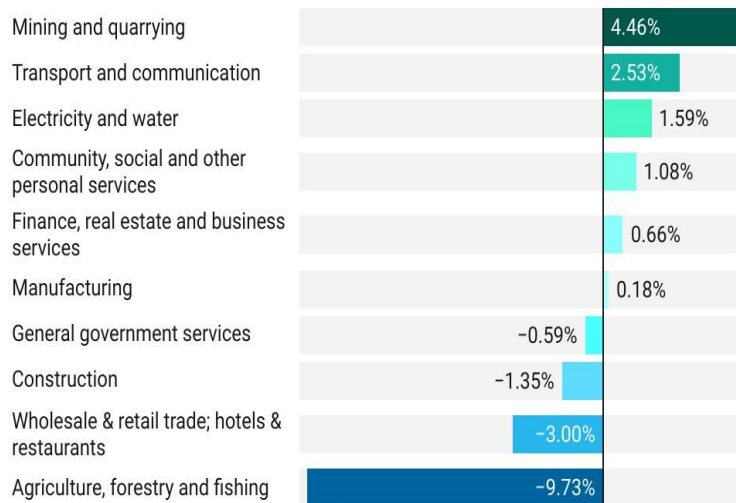
Figure 5: Growth per sector (GVA), WC, 2023Q1–2023Q4



Source: Quantec (2024)

Figure 6 shows that six out of the ten industries in the provincial economy grew in the fourth quarter. The main contributors to the economy were mining and quarrying (4.46%), followed by transport and communication (2.53%); electricity and water (1.59%); community, social and other personal services (1.08%); finance, real estate and business services (0.66%); and manufacturing (0.18%). However, negative growth rates were experienced in agriculture, forestry and fishing (-9.73%); wholesale and retail trade (-3.00%); and construction (-1.35%).

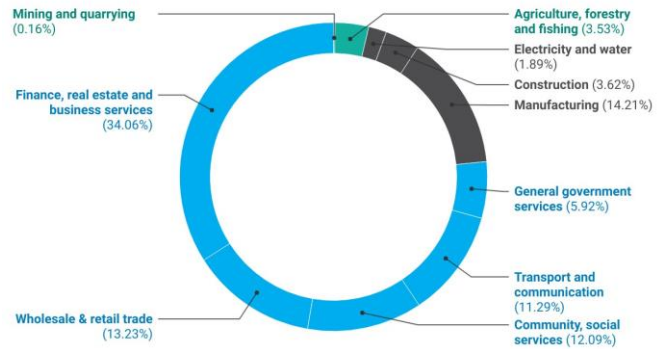
Figure 6: Growth rate of GVA, WC, 2023Q4



Source: Quantec (2024)

More than 70% of economic activity in the Western Cape is from the tertiary sector. Specifically, this sector accounted for a 77% share of output in 2023Q4. As shown in Figure 7, the finance industry contributed to just more than a third of the province's GVA in this quarter. Manufacturing (with a contribution of 14.21%) had the second largest share of output, followed by wholesale and retail trade (13.23%).

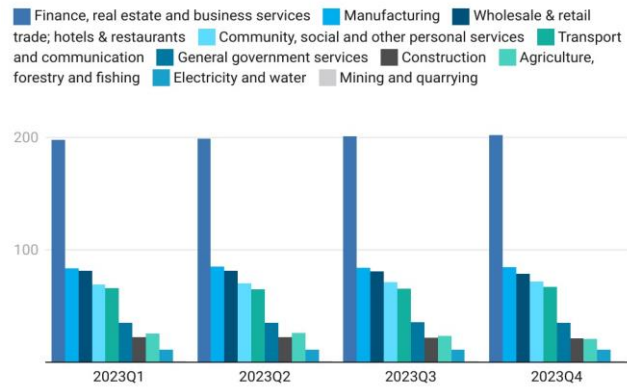
Figure 7: Composition of GVA, WC (2023Q4)



Source: Quantec (2024)

In Figure 8, one can observe that four of the top five industries in the Western Cape economy are part of the services sector. In recent quarters, the top five industries, in respect of their contribution to GVA, have been finance, real estate and business services; manufacturing; wholesale and retail trade, hotels and restaurants; community, social, and other personal services; and transport and communication.

Figure 8: Share of GVA per industry, WC (ZAR billion at 2015 constant prices)



Source: Quantec (2024)

Looking at contributions from districts to provincial output, Figure 9 shows that the City of Cape Town accounted for the largest share (73%) of the Western Cape's economic output in 2022. The Cape Winelands, with a contribution of 11%, and the Garden Route (Eden), with a share of 8%, placed second and third respectively. Within the City, the finance industry dominated output. This sector held a majority share of 34.14% of the City's GVA in 2022. The same sector dominated the economies in the Garden Route, Cape Winelands, and Overberg.

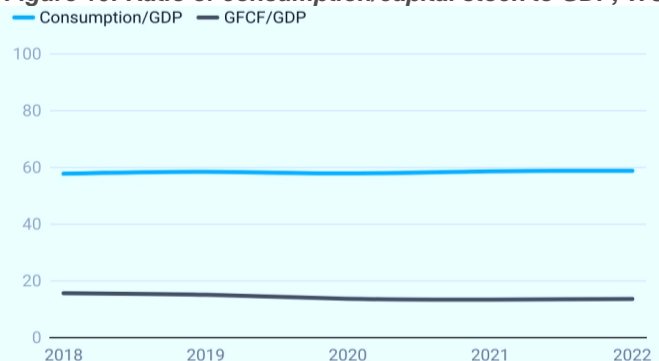
Figure 9: Sector contribution per district, WC (2022)

| | West Coast | Cape Winelands | Overberg | Eden | Central Karoo | City of Cape Town |
|--|------------|----------------|----------|--------|---------------|-------------------|
| Agriculture, forestry and fishing | 22.86% | 9.68% | 11.07% | 5.55% | 16.28% | 1.61% |
| Mining and quarrying | 0.71% | 0.12% | 0.06% | 0.22% | 0.03% | 0.14% |
| Manufacturing | 18.34% | 14.07% | 12.90% | 13.01% | 2.45% | 13.73% |
| Electricity, gas and water | 1.19% | 1.43% | 1.55% | 1.83% | 3.57% | 1.78% |
| Construction | 2.97% | 4.25% | 4.85% | 3.83% | 2.95% | 3.34% |
| Wholesale and retail trade, catering and accommodation | 13.31% | 15.70% | 16.33% | 15.04% | 11.78% | 13.93% |
| Transport, storage and communication | 6.16% | 8.02% | 9.12% | 8.81% | 11.80% | 9.79% |
| Finance, insurance, real estate and business services | 15.14% | 26.39% | 26.52% | 32.55% | 13.41% | 34.14% |
| General government | 9.72% | 9.30% | 7.94% | 8.77% | 19.69% | 10.18% |
| Community, social and personal service | 9.60% | 11.04% | 9.66% | 10.37% | 18.03% | 11.36% |

Source: Quantec (2024)

Historically, final consumption expenditure by households has accounted for almost 60% of the Western Cape's GDP, as can be seen in Figure 10. The ratio of the province's gross fixed capital formation (GFCF) to GDP has historically been below 20%. In 2022, consumption spending accounted for approximately 59% of the GDP, increasing by 0.34% y-o-y. GFCF constituted 14% of GDP, increasing by 1.95% y-o-y.

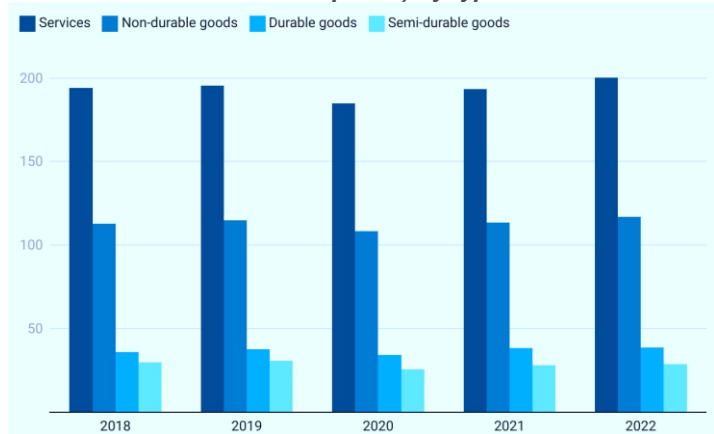
Figure 10: Ratio of consumption/capital stock to GDP, WC



Source: Quantec (2024)

Services accounted for more than half of consumption spending in the Western Cape in 2022, as shown in Figure 11. Miscellaneous services, rent, and transport and communications were the top three services on which households spent their money. Non-durable goods accounted for 30.39% of household expenditure, with food, beverages, and tobacco accounting for 64.26%. Consumers spent 10.10% and 7.46% of household expenditure on durable and semi-durable goods.

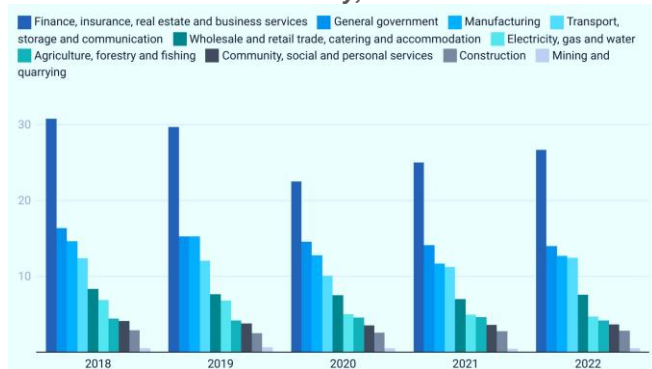
Figure 11: Consumption expenditure, WC (ZAR billions 2015 constant prices) by type



Source: Quantec (2024)

Finance, general government, manufacturing, and transport were the industries with the largest share of real GFCF in 2022, when real GFCF increased by 4.63% y-o-y. This can be seen in Figure 12. All industries, except general government; electricity, gas and water; and agricultural, forestry and fishing, recorded positive growth rates in real capital outlays in 2022. Mining and quarrying experienced the highest growth, at 11.99%.

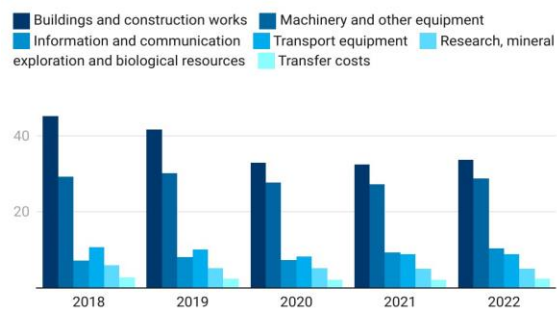
Figure 12 : GFCF, WC (ZAR billions 2015 constant prices) per industry, WC



Source: Quantec (2024)

Regarding asset class, buildings and construction works; and machinery and other equipment constituted the two largest components of real GFCF, with a respective share of 37.83% and 32.23% in 2022. This can be seen in Figure 13. Information and communication contributed a share of 11.61% while the contribution from transport equipment was 9.94%.

Figure 13: GFCF, WC, by asset class

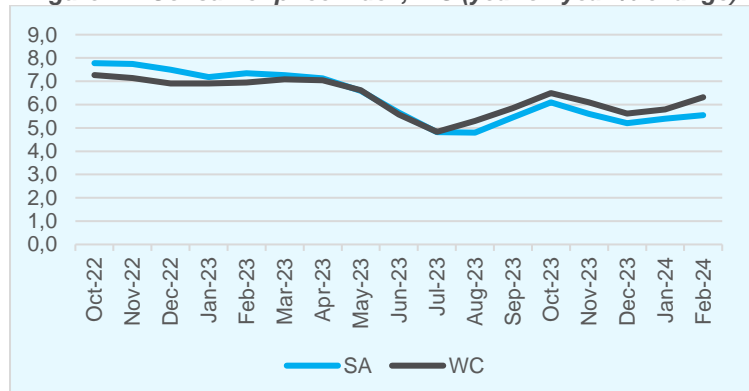


Source: Quantec (2024)

Consumer prices

In Figure 14, it can be seen that annual headline inflation (6.3%) in the province increased for a third consecutive month in February 2024, from 5.8% in January 2024 and 5.6% in December 2023. The February rate is slightly above the upper limit of the South African Reserve Bank's inflation target range. The main contributors to the 6.3% annual inflation rate were miscellaneous goods and services; restaurants; and housing and utilities.

Figure 14: Consumer price index, WC (year on year % change)



Source: Quantec (2024)

Labour market

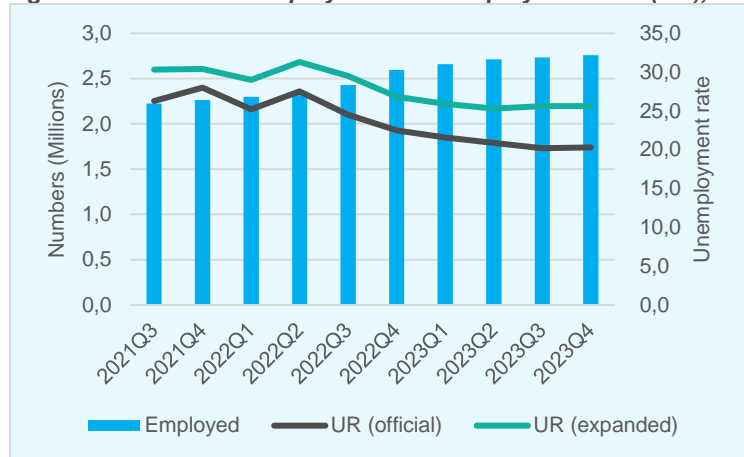
Figure 15 shows that the Western Cape's official unemployment rate increased by 0.1% to 20.3% in 2023Q4 compared to 2023Q3. The national unemployment rate was 32.1% in 2023Q4. During this period, the province's expanded employment rate (which includes discouraged work-seekers) remained at 25.6% (41.1% for South Africa). An estimated 23,000 more people were employed in 2023Q4 relative to the previous quarter. This meant 161,000 more people were employed in 2023 than in 2022.

Both the official unemployment rate and expanded unemployment rate were relatively lower in the Western Cape compared to the rest of the country, as shown in Figure 16. In 2023Q4, the province's official unemployment rate was 20.3%, while the expanded unemployment rate was 25.6%. On a year-on-year basis, the official rate was down by 2.2 percentage points in 2023 compared to 2022.

In respect of age, those aged 15–24 years experienced the highest levels of unemployment, while those aged 45–64 years enjoyed the lowest rate of unemployment. In the Western Cape, youth aged 15–19 years and 20–24 years recorded the highest unemployment rates of 60.1% and 35.1%, respectively, in 2023Q4. This can be seen in Figure 17. The high unemployment rate among those aged 15–19 years is not surprising because of various possible reasons, including the fact that this age group is likely still in school.

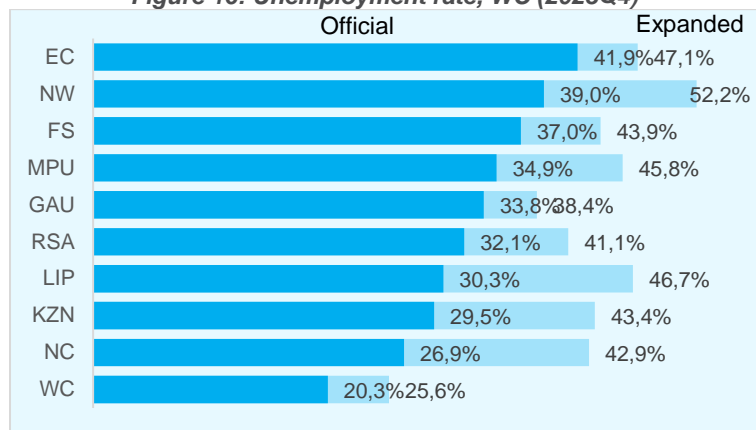
Figure 18 shows that the labour force participation rate in the Western Cape, which is the proportion of the working-age population that is either employed or unemployed, increased by 0.4 percentage points from 68.6% in 2023Q3 to 69.0% in 2023Q4. The absorption rate was 55.0%, 0.4 percentage points higher compared to the previous quarter.

Figure 15: Number of employed and unemployment rate (UR), WC



Source: Stats SA, (2024)

Figure 16: Unemployment rate, WC (2023Q4)



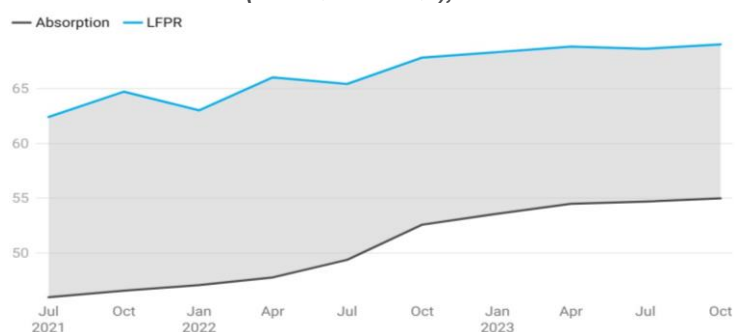
Source: Stats SA (2024)

Figure 17: Official unemployment rate by age groups, WC

| | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 |
|-----------|--------|--------|--------|--------|
| Age 15-19 | 63.1% | 63.1% | 43.7% | 60.1% |
| Age 20-24 | 39.3% | 42.9% | 37.0% | 35.1% |
| Age 25-29 | 33.2% | 29.3% | 25.7% | 27.4% |
| Age 30-34 | 25.3% | 20.7% | 21.0% | 19.1% |
| Age 35-39 | 20.8% | 19.0% | 21.8% | 20.0% |
| Age 40-44 | 14.5% | 16.4% | 19.0% | 17.0% |
| Age 45-49 | 10.8% | 11.6% | 10.6% | 12.7% |
| Age 50-54 | 9.1% | 10.0% | 11.5% | 11.3% |
| Age 55-59 | 6.5% | 6.4% | 7.3% | 10.3% |
| Age 60-64 | 0.9% | 2.5% | 0.8% | 8.0% |

Source: Quantec (2024)

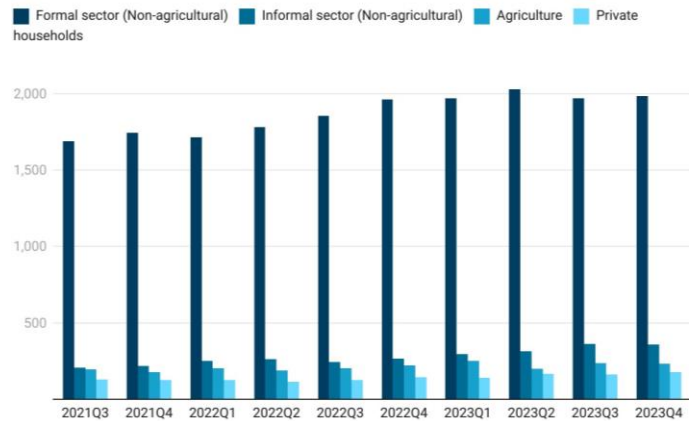
Figure 18 : Labour force participation and absorption rates (2021Q3–2023Q4), WC



Source: Stats SA (2024)

In 2023Q4, the formal sector accounted for employing 72.00% of the workforce in the Western Cape, as demonstrated in Figure 19. The informal sector followed with an employment rate of 13.03%. Next was the agricultural sector (8.48%) and then private households (6.50%). Employment increased only in the formal sector (by 0.67%) and in private households (by 9.62%). However, the employment rate declined in the informal and agriculture sectors, by 0.49% and 1.77% respectively.

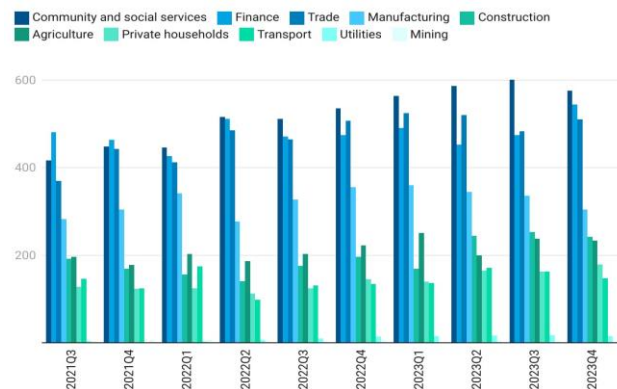
Figure 19: Employment per sector (thousand), WC



Source: Stats SA (2024)

Employment in the tertiary sector increased by one percentage point to 71% in 2023Q4, from 70% in 2023Q3. The secondary and primary sectors accounted for 20% and 9% of those employed in 2023Q4 respectively. During the quarter under review, community and social services, finance, trade, manufacturing, and construction were the top five contributors to employment in the province. These figures can be observed in Figure 20.

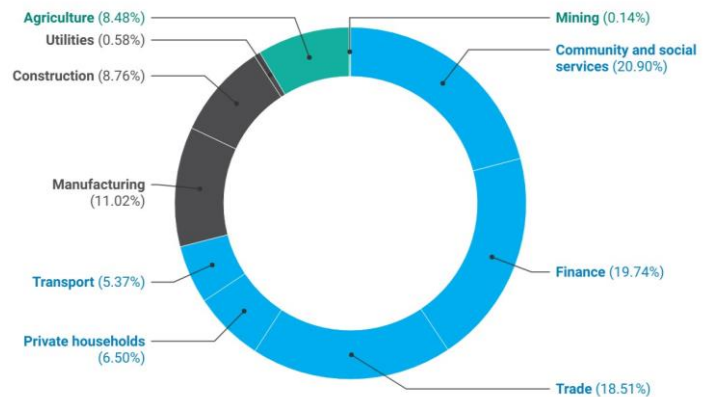
Figure 20: Employment per industry, WC (thousand)



Source: Stats SA (2024)

Figure 21 shows that the industries which made the greatest contribution to employment in the Western Cape in 2023Q4 were community and social services (20.90%), finance (19.74%) and trade (18.51%). These were followed by the manufacturing industry with a share of 11.02%. Other key contributors to employment in the same quarter were construction (8.76%), agriculture (8.48%) and private households (6.50%).

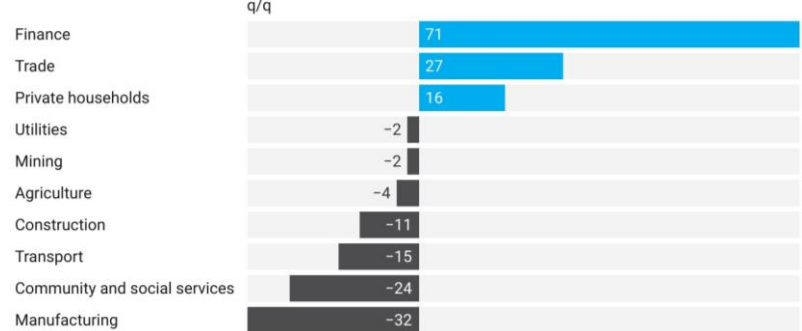
Figure 21: Share of employment per industry (2023Q4), WC



Source: Stats SA (2024)

Out of the ten industries, only three recorded positive growth (q/q) in employment during the fourth quarter of 2023. The biggest contributors to employment were finance (71,000 jobs), trade (27,000 jobs), and private households (16,000). The greatest number of job losses were recorded in manufacturing (32,000), community and social services (24,000), transport (15,000), construction (11,000) and agriculture (4,000).

Figure 22: Changes in employment (2023Q4 '000), WC



Source: Stats SA (2024)

Conclusion

The Western Cape has the third largest provincial economy in South Africa in terms of contribution to the national GDP. In respect of sectors, the tertiary sector is the largest in the province, accounting for more than 70% of the province's GVA and employment. The top contributors to the province's economic activity are finance, insurance, real estate and business services; wholesale and retail trade, hotels and restaurants; and manufacturing. On the other hand, the top employment contributors are community and social services, and finance and trade.

In the final quarter of 2023, the Western Cape economy contracted by 0.16%. However, for the whole of 2023 it grew by 0.5%, from 2.6% in 2022. Four out of the ten sectors in the provincial economy declined in the fourth quarter, with significant declines in key sectors including wholesale and retail trade, agriculture, and construction. Inflation in the province increased to 6.3% in February 2024, up from 5.8% in January 2024, with miscellaneous goods and services (insurance) being the main contributor to the increase.

The unemployment rate for the province increased to 20.3% in the fourth quarter (from 20.2% in 2024Q3), while the expanded unemployment rate remained at 25.6%. The Western Cape unemployment rate (both official and expanded) was lower than the national rate during the same period. The greatest contributors to employment in this quarter were finance (71,000 jobs), trade (27,000) and private households (16, 000).