


Global Economic Priorities for Cape Town & the Western Cape 2021

A person wearing a tan jacket is holding a smartphone. The phone screen shows a bar chart with blue bars of varying heights. The background is blurred, showing what appears to be a train track or industrial setting.

House Rules

Kieno Kammies, MC

A person wearing a red jacket, black pants, and a blue backpack stands on a rocky mountain peak. Their arms are outstretched, and they are looking out over a vast, deep mountain valley. The valley is filled with green grass and small shrubs, and a winding river is visible in the distance. The mountains are rugged and rocky, with some patches of green vegetation. The sky is blue with some white clouds.

**Welcome &
Introduction**

**Mike Spicer,
Wesgro Chairperson**



Building
Back Better

Alderman James Vos,
MayCo Member for Economic
Opportunities and Asset
Management



Navigating
Risk to Grow
Competitive-
ness

**MEC David Maynier,
Western Cape Minister of Finance
& Economic Opportunities**

An aerial photograph of a coastal city and port. In the foreground, there are industrial buildings, a large container ship, and several smaller boats in the water. In the background, a dense urban area is visible, followed by a range of mountains under a clear blue sky. A blue rectangular frame is overlaid on the left side of the image.

**Keynote
Address**

**Mavuso Msimang,
Keynote Speaker**



**Global
Analysis**



**Janine Botha,
Wesgro Chief Research
Officer**

In the beginning...

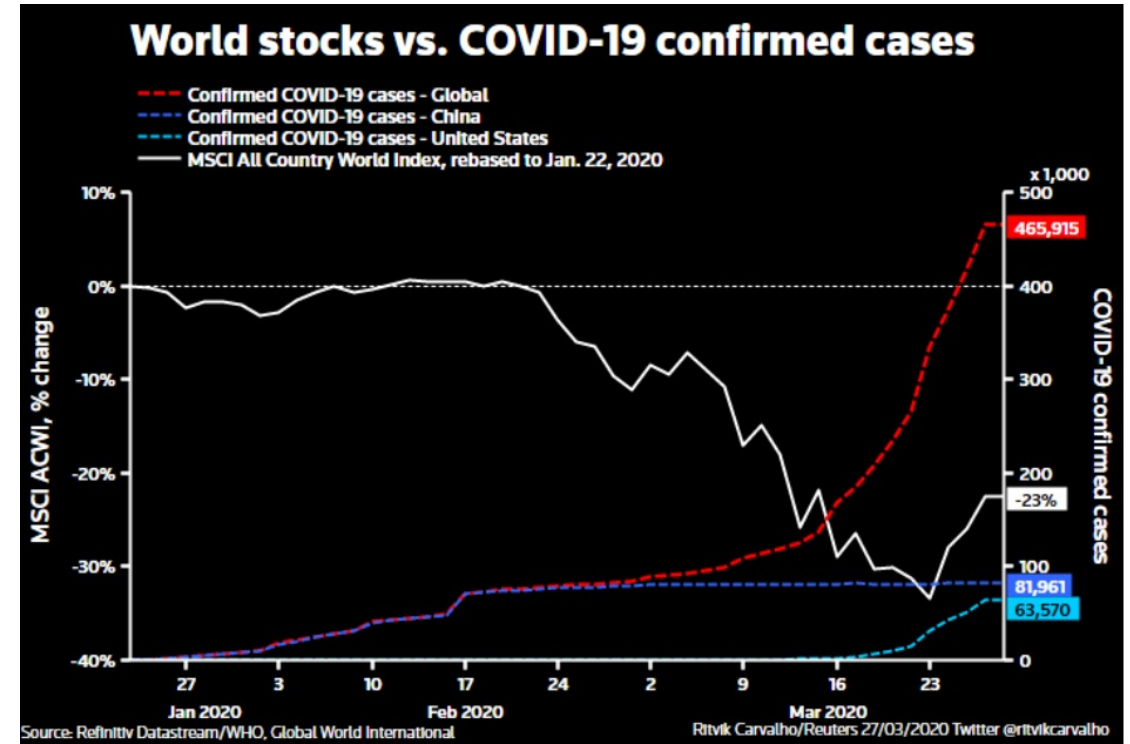
From a seemingly perplexing case of pneumonia in Wuhan in late 2019, to the deadliest global health pandemic to be witnessed by our generation.

Global cases reached one million by April 2020, with the death toll passing 200,000 on 26 April with **2.8 million infections worldwide.**



March 2020 madness | Falling markets, rising volatility

- 11-year US stock market bull run comes to an abrupt end
- FTSE 100 drops by 10.87% on 12 March; index's worst performance since October 1987
- Nikkei logged biggest point fall in 30 years as rising virus fears rout global markets



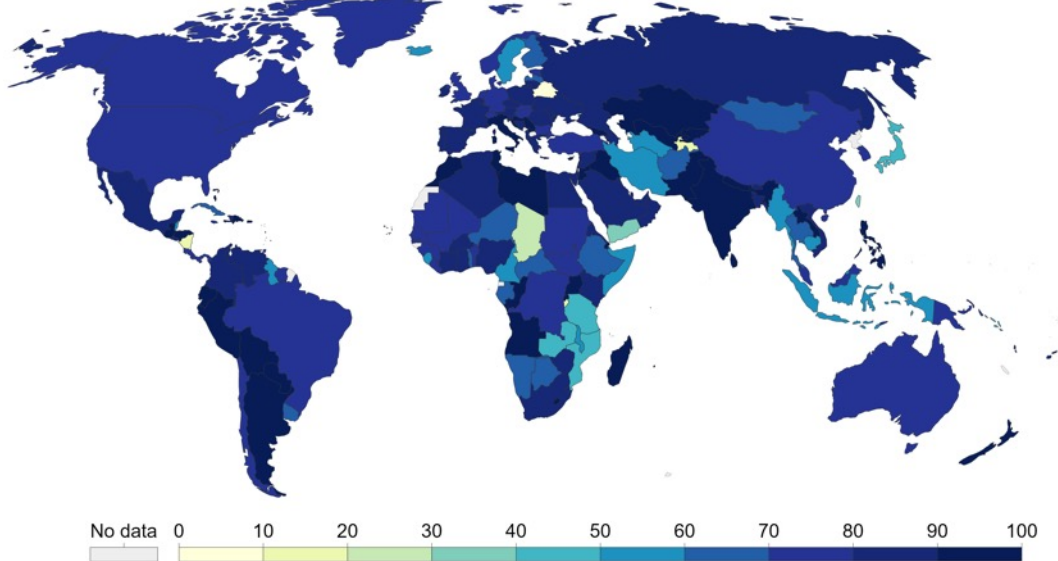
Source: WEF March 2020

Stringent lockdown measures introduced globally... at a price

COVID-19: Stringency Index, Mar 31, 2020

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

Our World
in Data



Source: Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker – Last updated 11 March, 05:00 (London time)

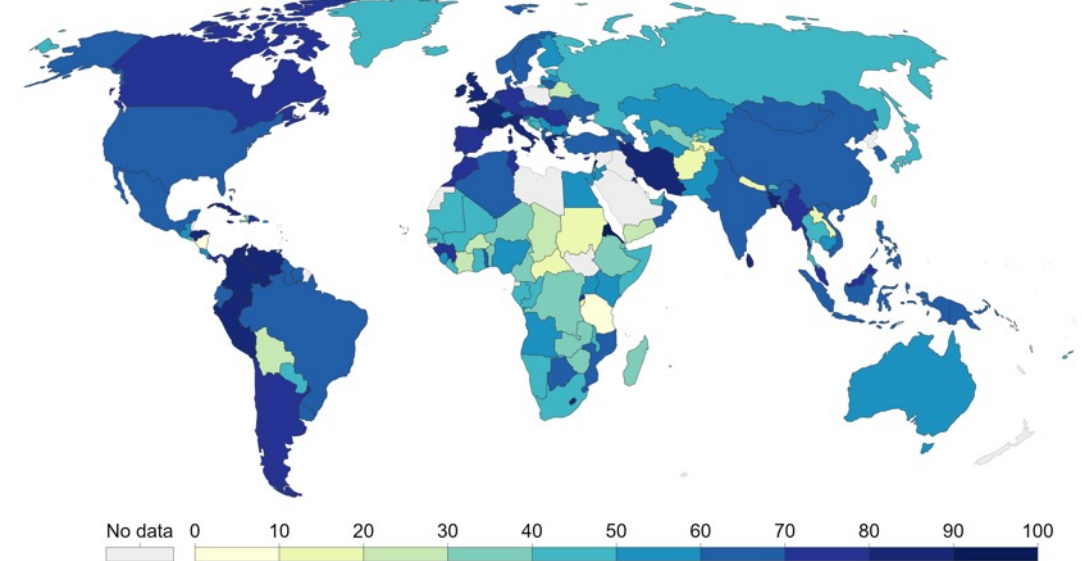
Note: This index simply records the number and strictness of government policies, and should not be interpreted as 'scoring' the appropriateness or effectiveness of a country's response.

OurWorldInData.org/coronavirus • CC BY

COVID-19: Stringency Index, Mar 8, 2021

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

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OurWorldInData.org/coronavirus • CC BY

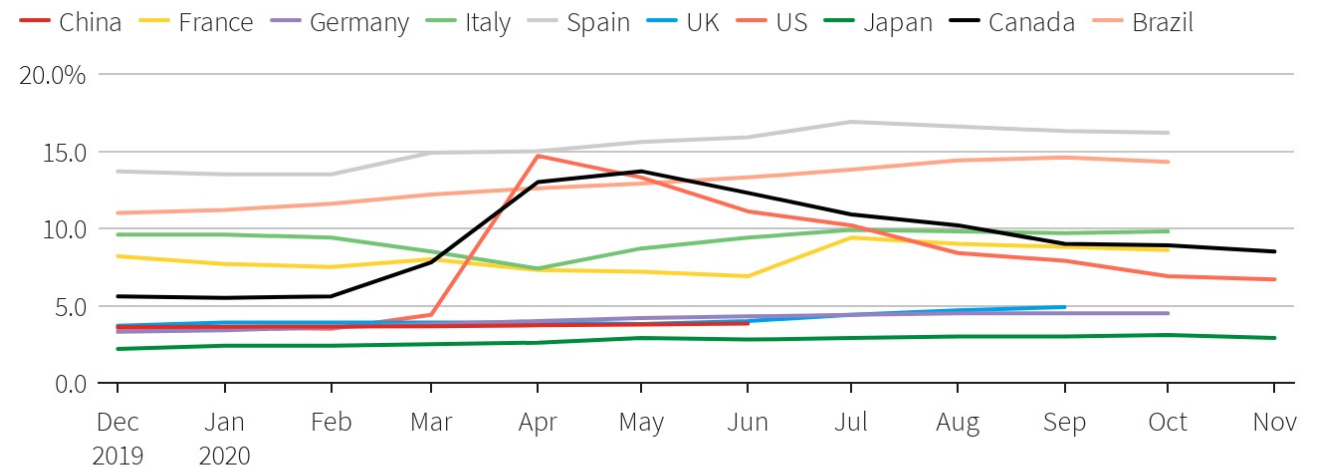
Source: [Our World in Data](https://ourworldindata.org/coronavirus)

Fast rising unemployment globally

- US unemployment rate soared to 14.7% in April 2020, up from 4.4% in March - number of jobless not seen since Great Depression
- UK unemployment rate rises to 5.1% in 3 months to October 2020 – largest annual fall in employment in a decade

Global unemployment in the pandemic

Unemployment rates rose in most countries after the COVID-19 outbreak. It may take a year or more for jobless rates to return to pre-pandemic levels in many countries.



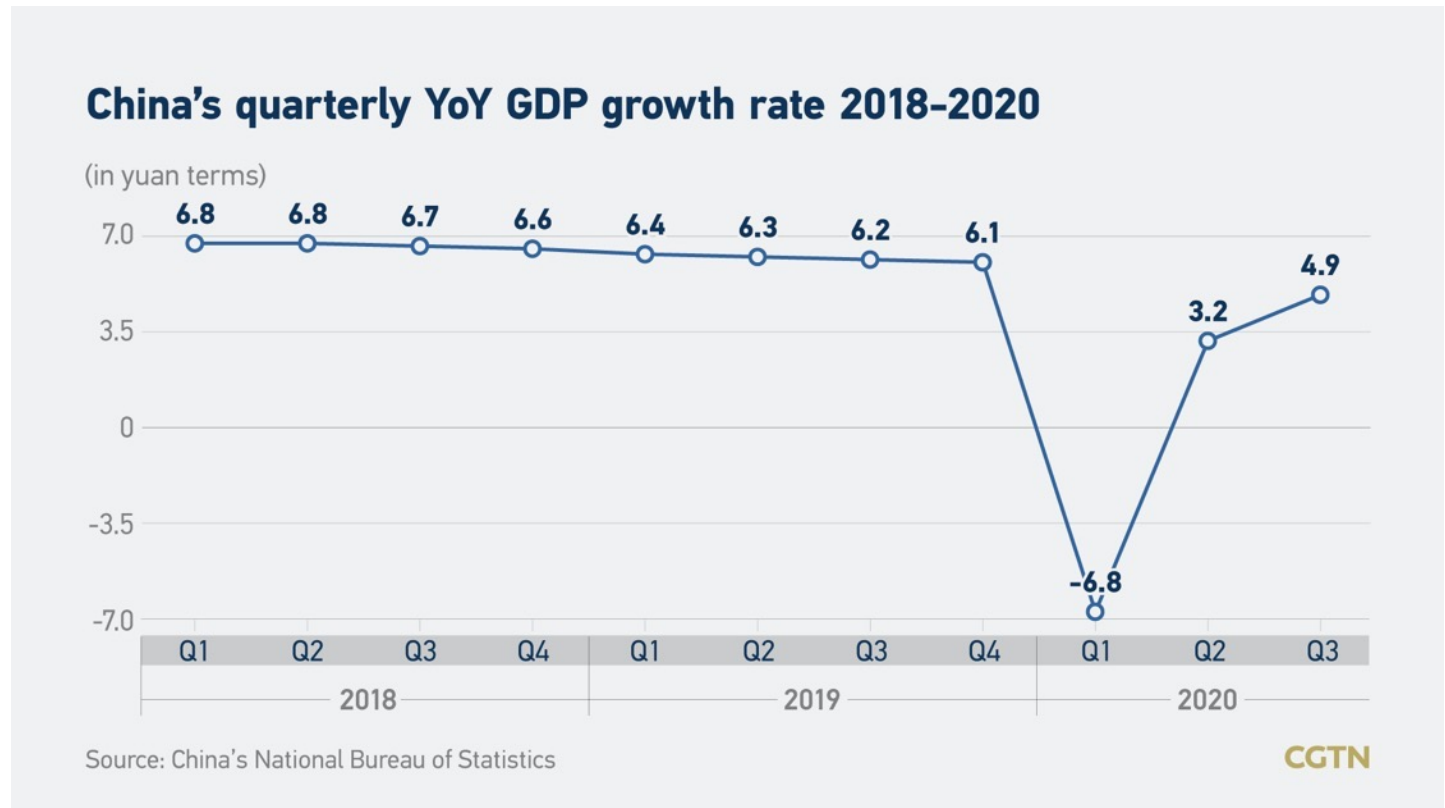
Note: End point of each line is that country's most recent reported unemployment rate

Source: Refinitiv DataStream

Source: Reuters

Slowing Chinese economy compounded global crisis

- China records first ever economic contraction on record in Q1 2020 but recovers
- Negative impact on global supply chains & disruptions to many industries

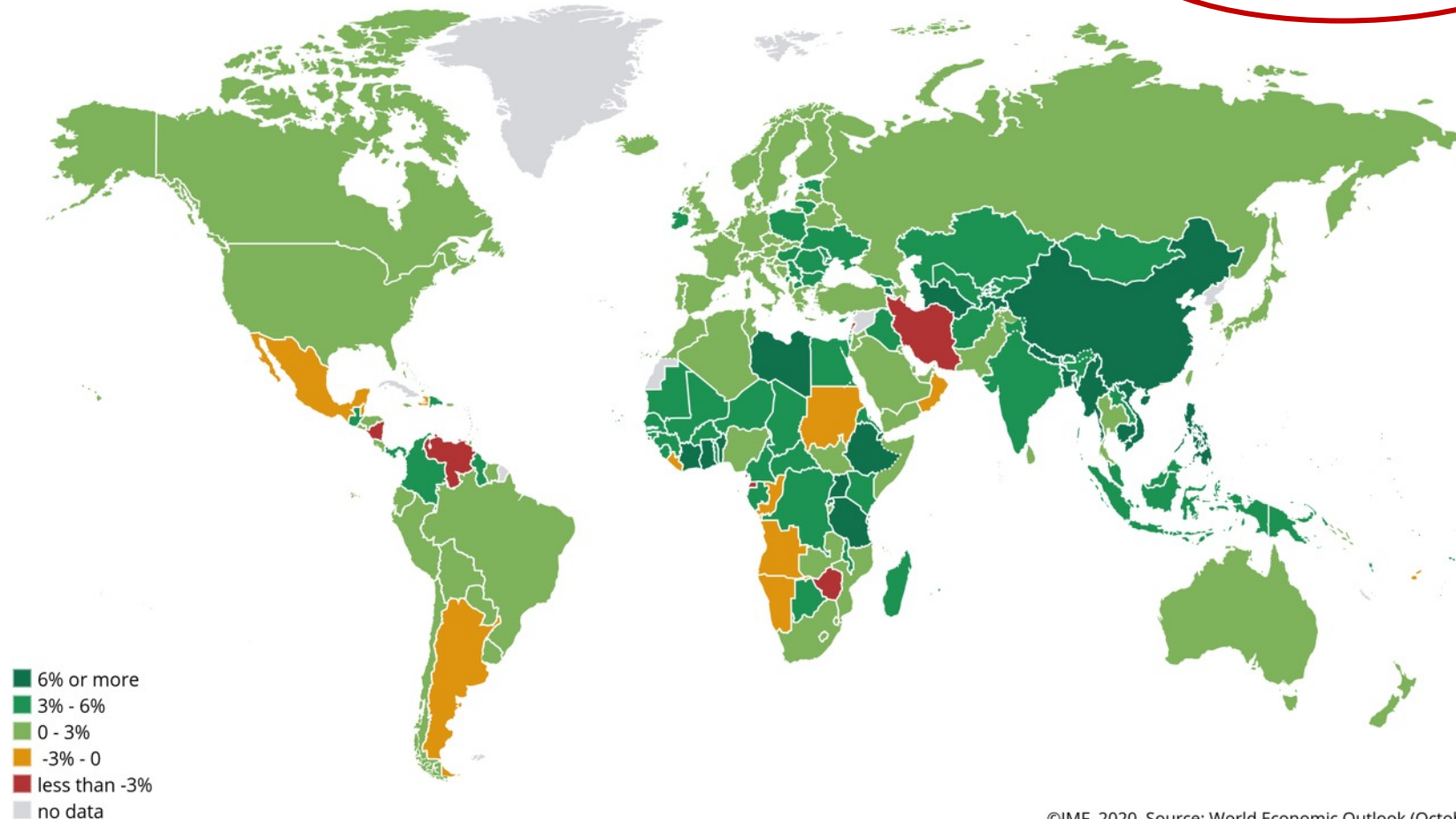


Sources: China's National Bureau of Statistics, CGTN

Global economic output tumbled from this in 2019

IMF DataMapper

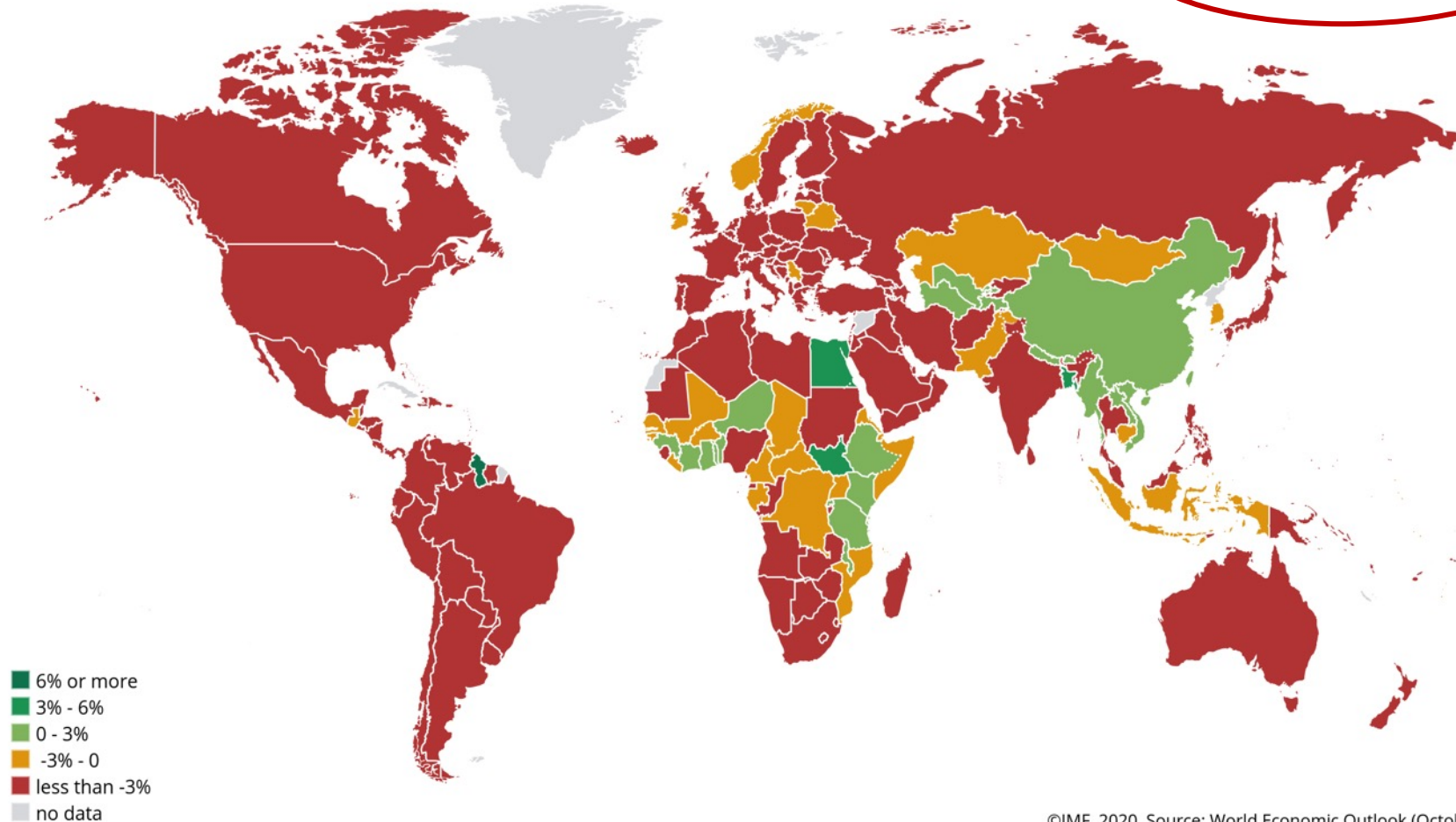
Real GDP growth (Annual percent change, 2019)



To this in 2020 | Economic devastation on an unprecedented & global scale

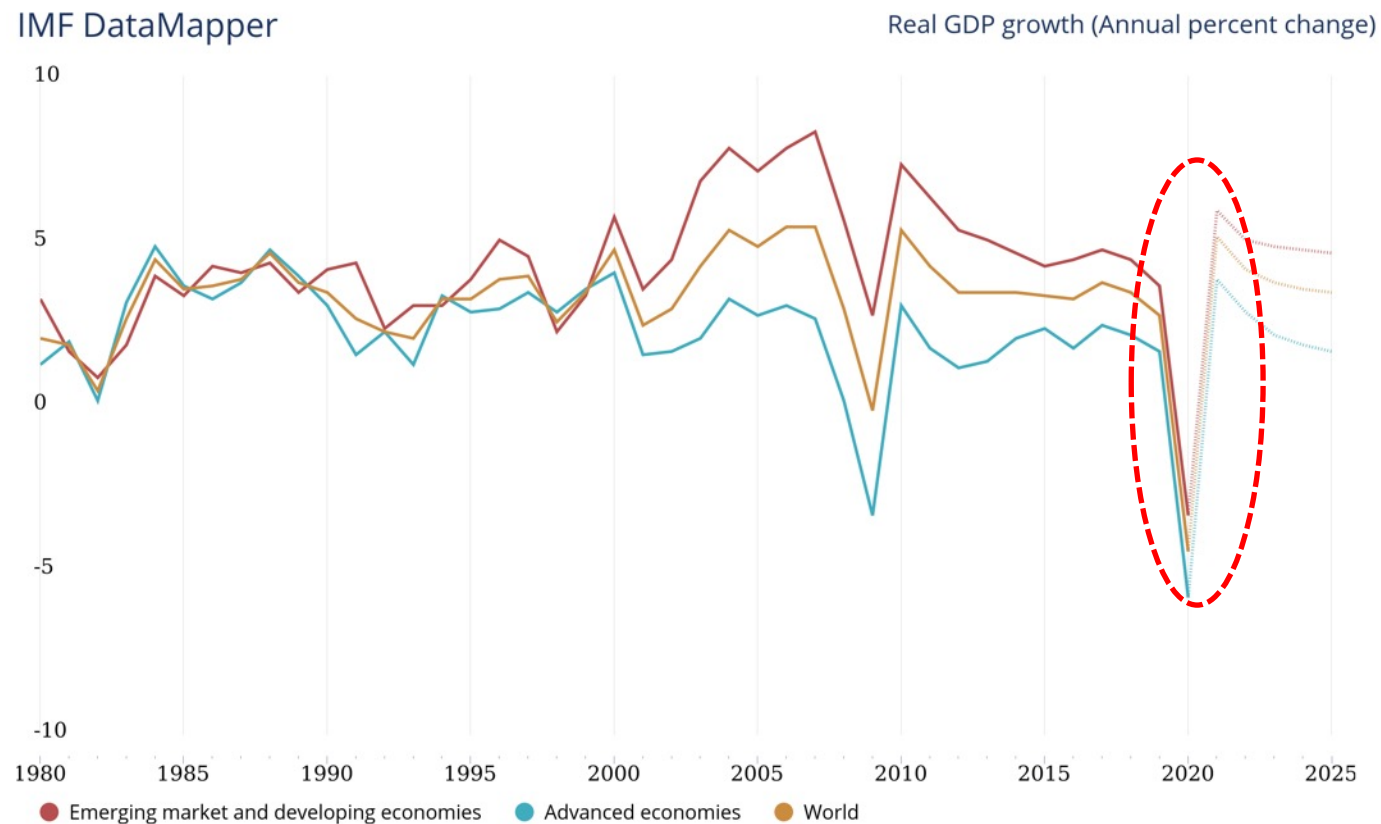
IMF DataMapper

Real GDP growth (Annual percent change, 2020)



A global crisis like no other with uncertain recovery – IMF (June 2020)

Pandemic has more negative impact on global activity in H1 2020 than anticipated, but...



Source: [IMF Data Mapper](#)

©IMF, 2020, Source: World Economic Outlook (October 2020)

Signs of global economic recovery emerge in H2 2020

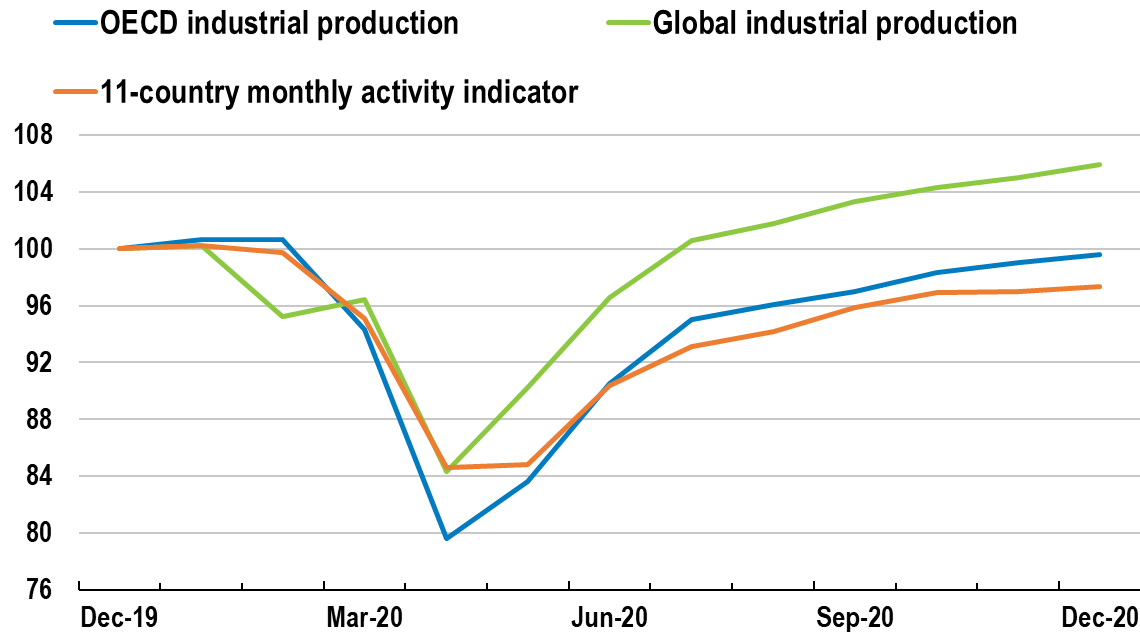
Why?

- Policy responses (fiscal stimulus measures)
- Creation of vaccines



High frequency data suggests rebound in economic activity

Global Activity

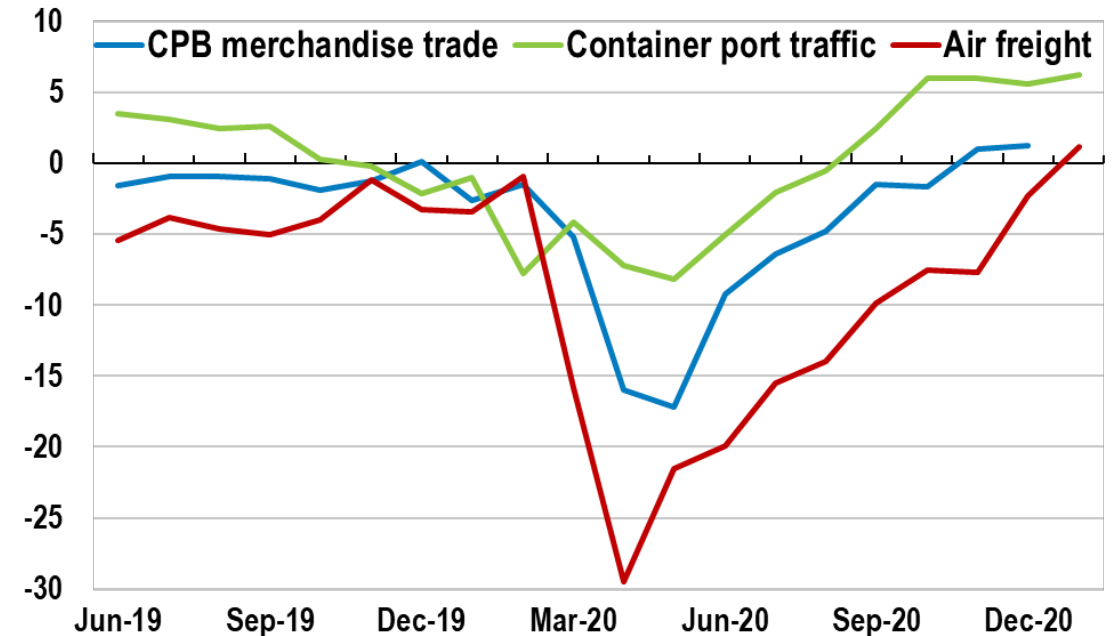


Index, December 2019 = 100

Source: OECD Economic Outlook database and OECD calculations.

Note: PPP-weighted aggregates. The 11-country activity indicator uses monthly GDP or economy-wide output data for Argentina, Brazil, Canada, Chile, Colombia, Finland, Japan, Korea, Mexico, Norway and the United Kingdom.

Global Trade

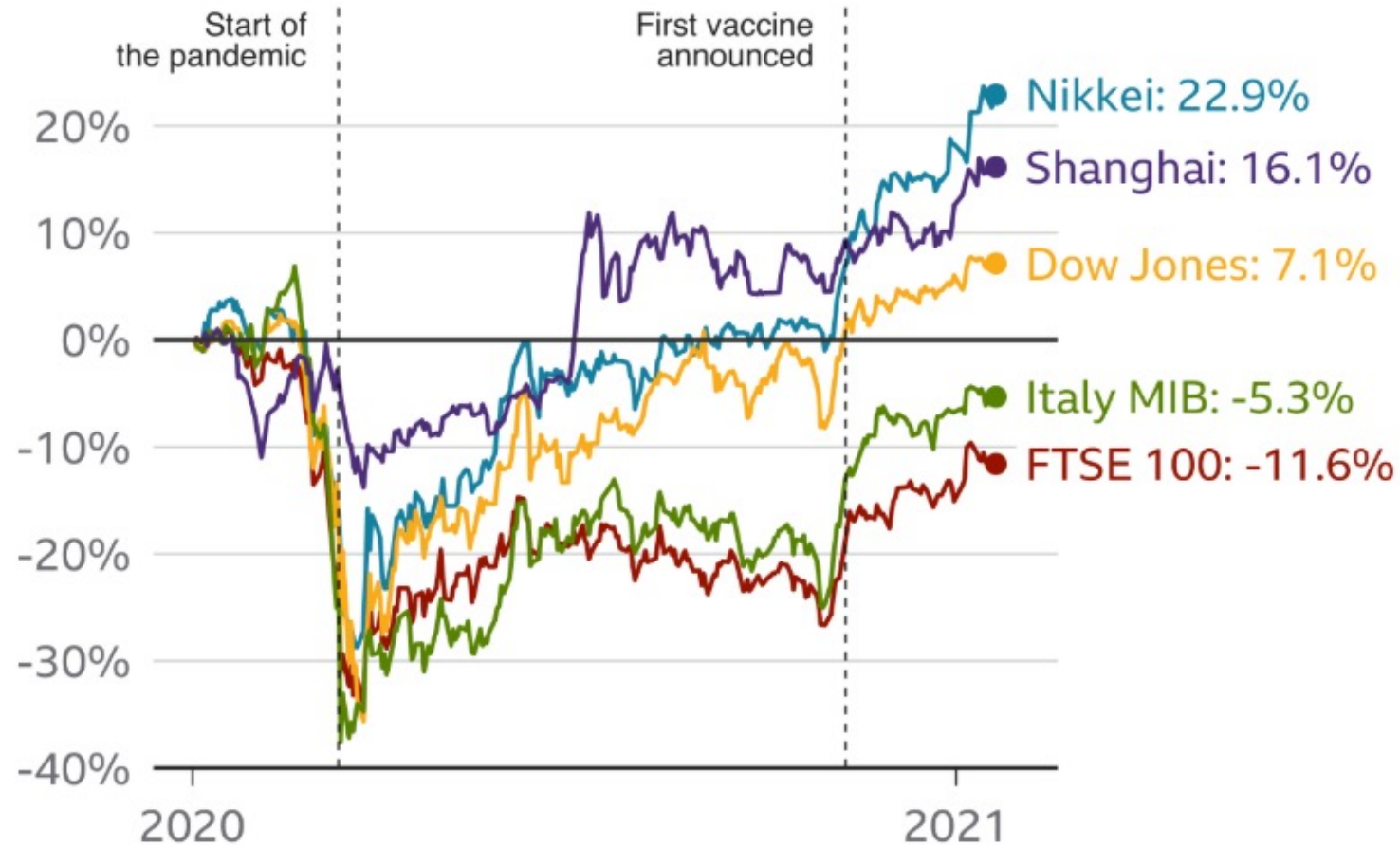


% change, year-on-year

Note: Data are all in volume terms.

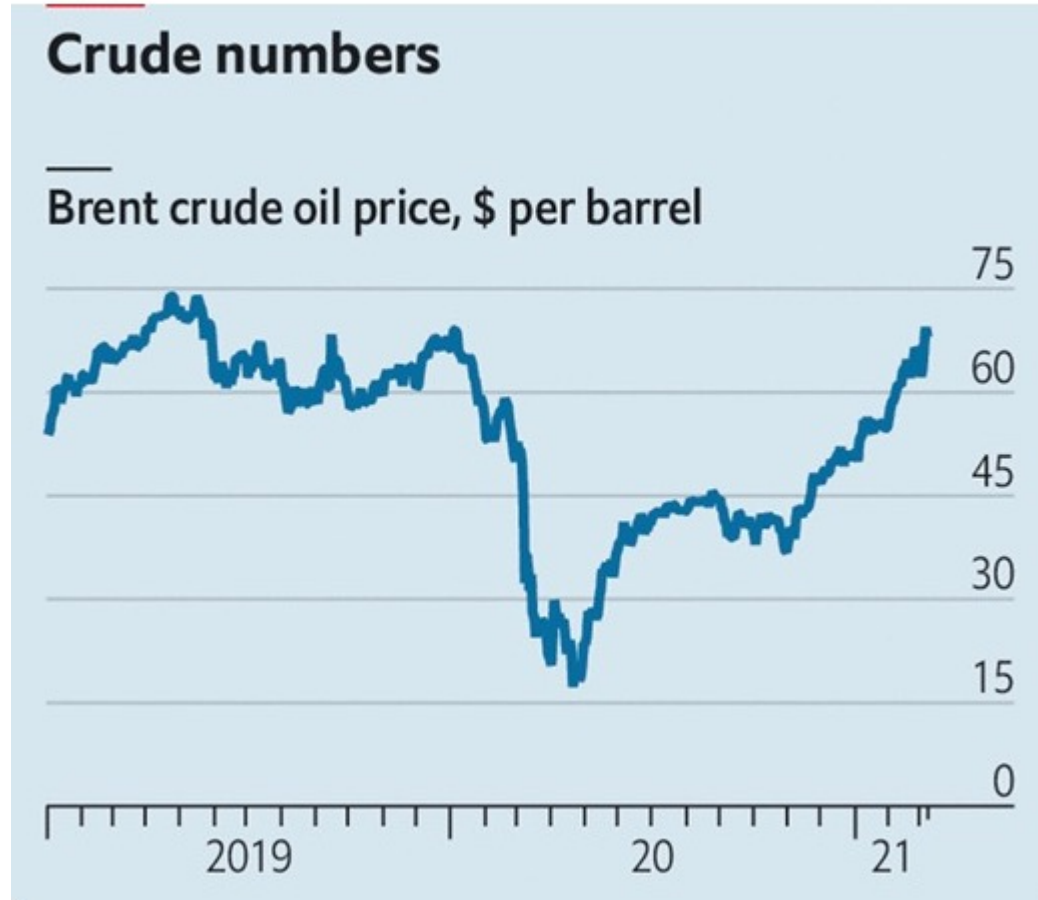
Source: OECD Economic Outlook database; CPB; IATA; RWI/ISL Container Throughput Index; and OECD calculations.

Stock markets rally on rising hopes of sustainable economic recovery

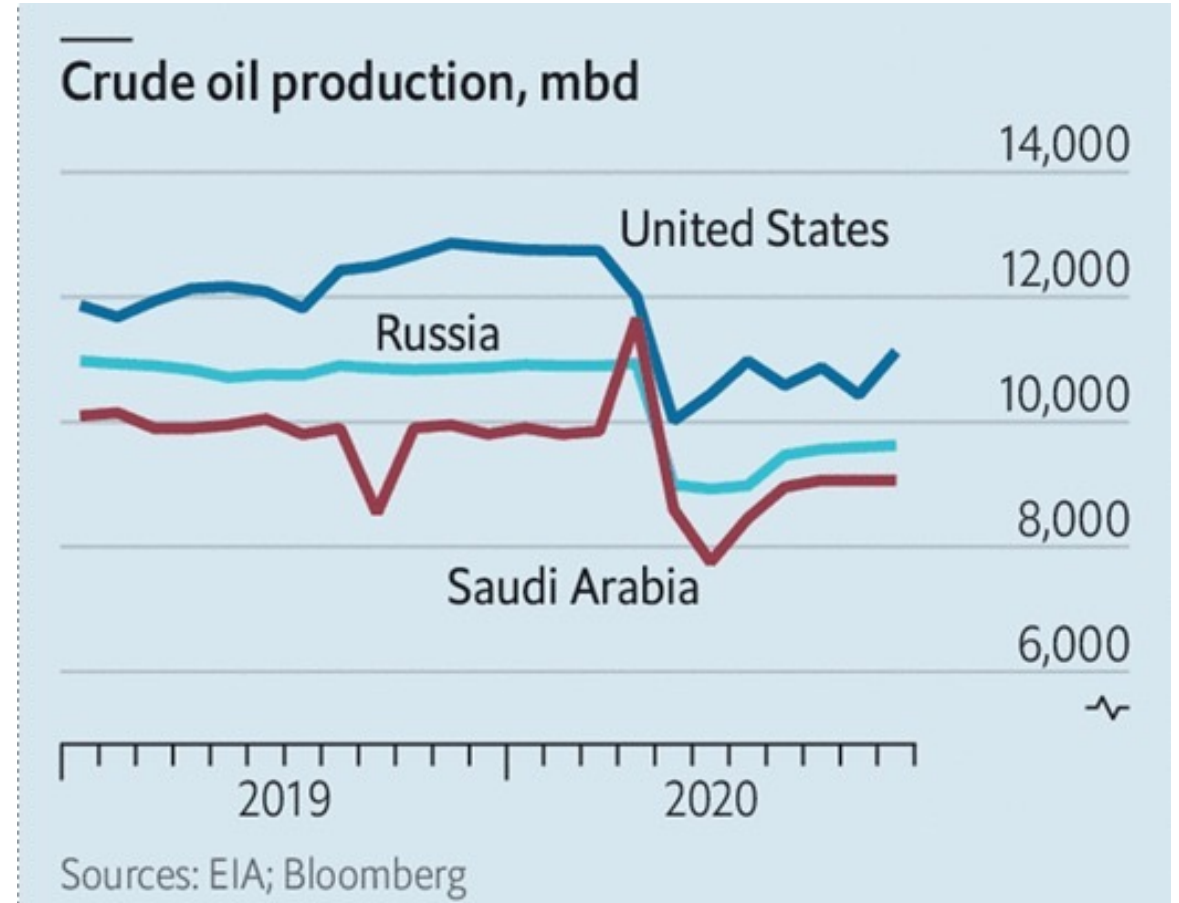


Sources: Bloomberg; BBC.com

Global oil prices stage recovery



Source: The Economist

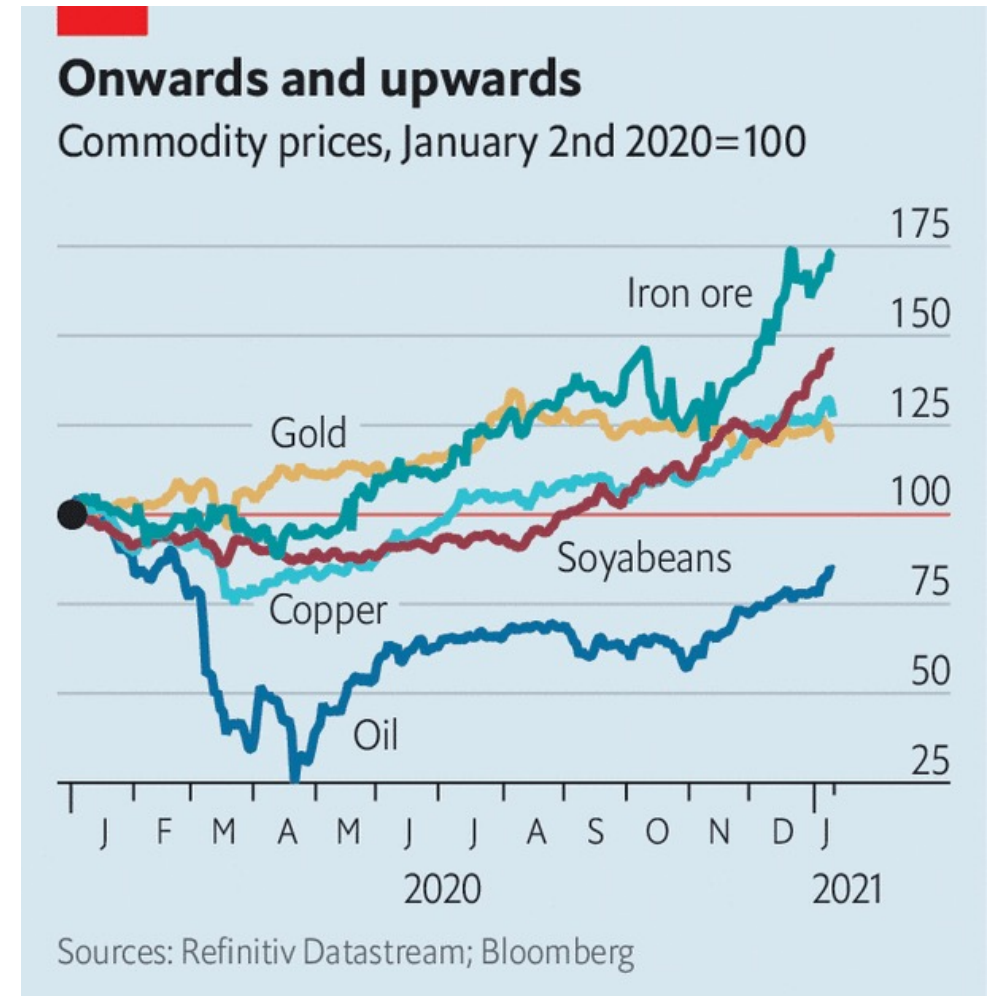


Commodity prices surge on recovery hopes

Dawn of a new commodity supercycle?

Key factors:

- Post pandemic economic recovery
- Growth in the East led by China
- Ultra-loose monetary & fiscal policies (stimulus spending)
- Weaker US dollar
- Green industrial revolution (fight against climate change)

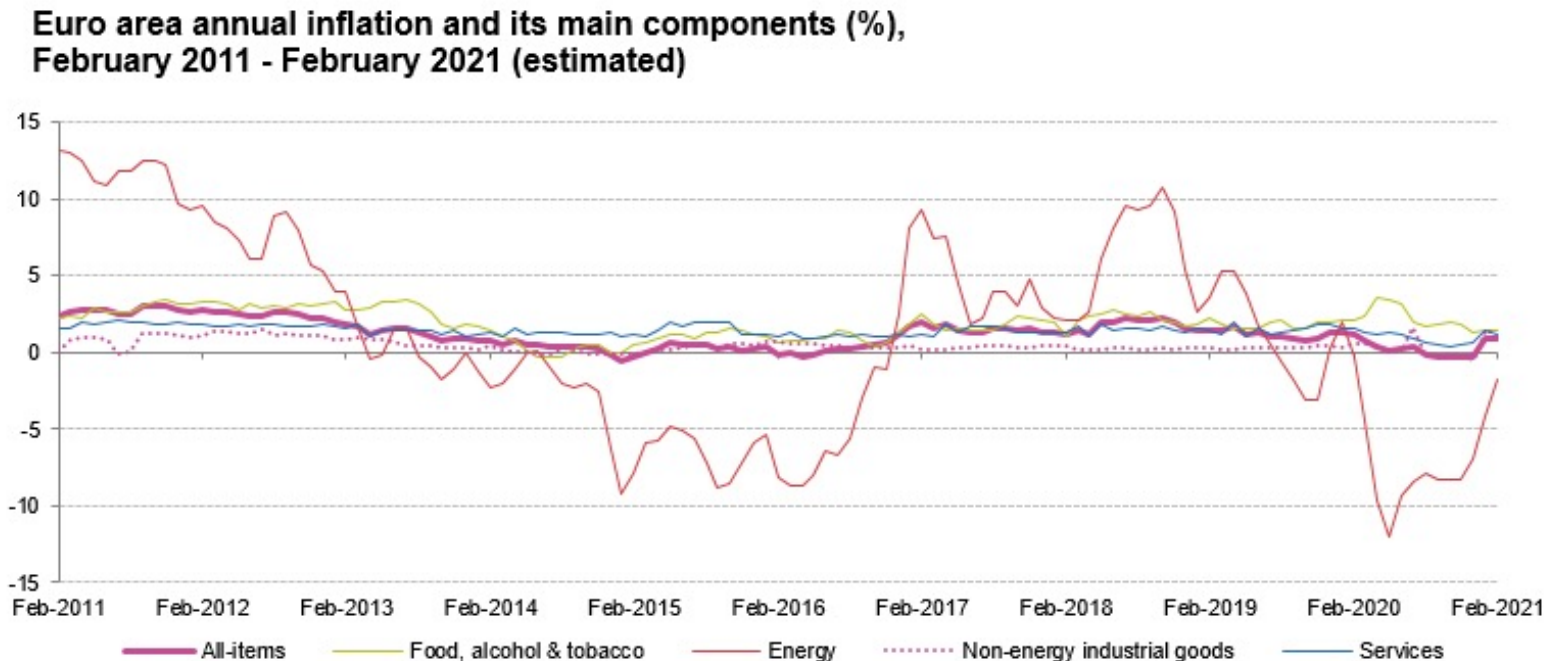


The Economist

Re-emergence of inflation risks likely?

Impact of ongoing monetary support and rising demand, including US's \$1.9 trillion Covid stimulus package?

2021 likely to see extended period of low-inflation and low interest rate growth.



Source: Eurostat

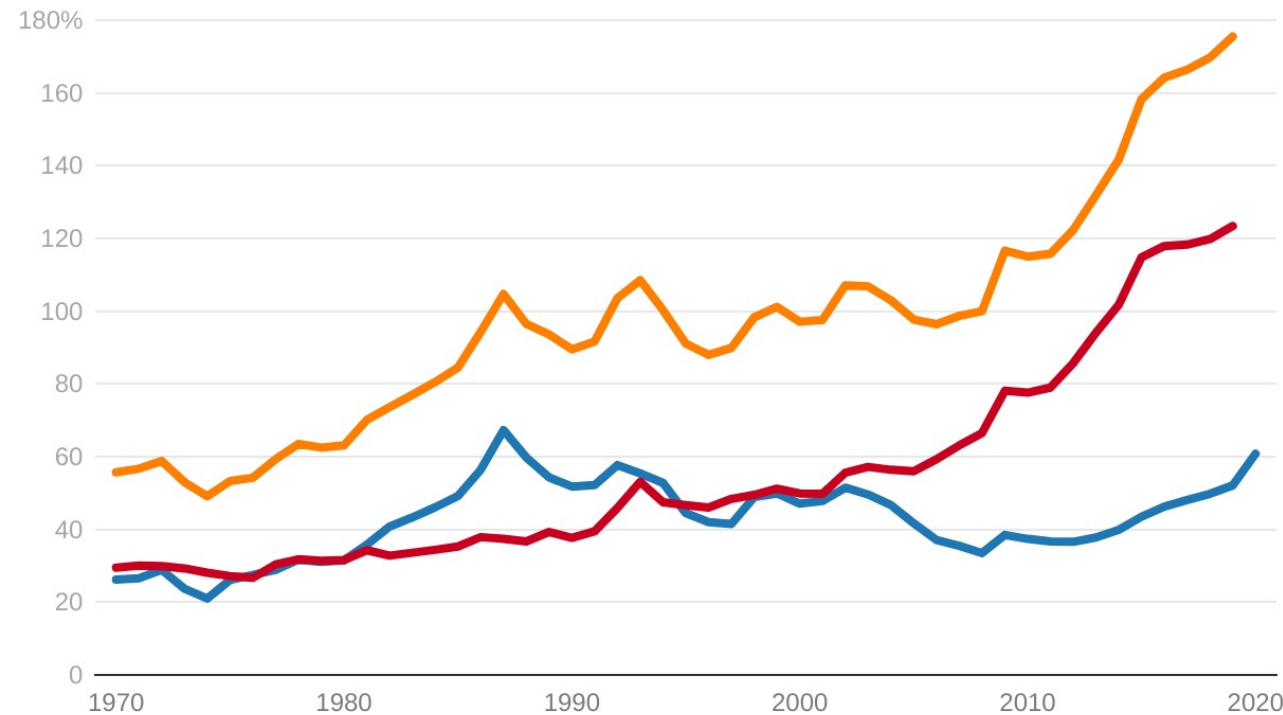
Rising debt levels a costly consequence of COVID-19

Pandemic has triggered a steep increase in debt, particularly in EMDEs, both private and public.

Debt in emerging market and developing economies

Percent of GDP

Government Private Total

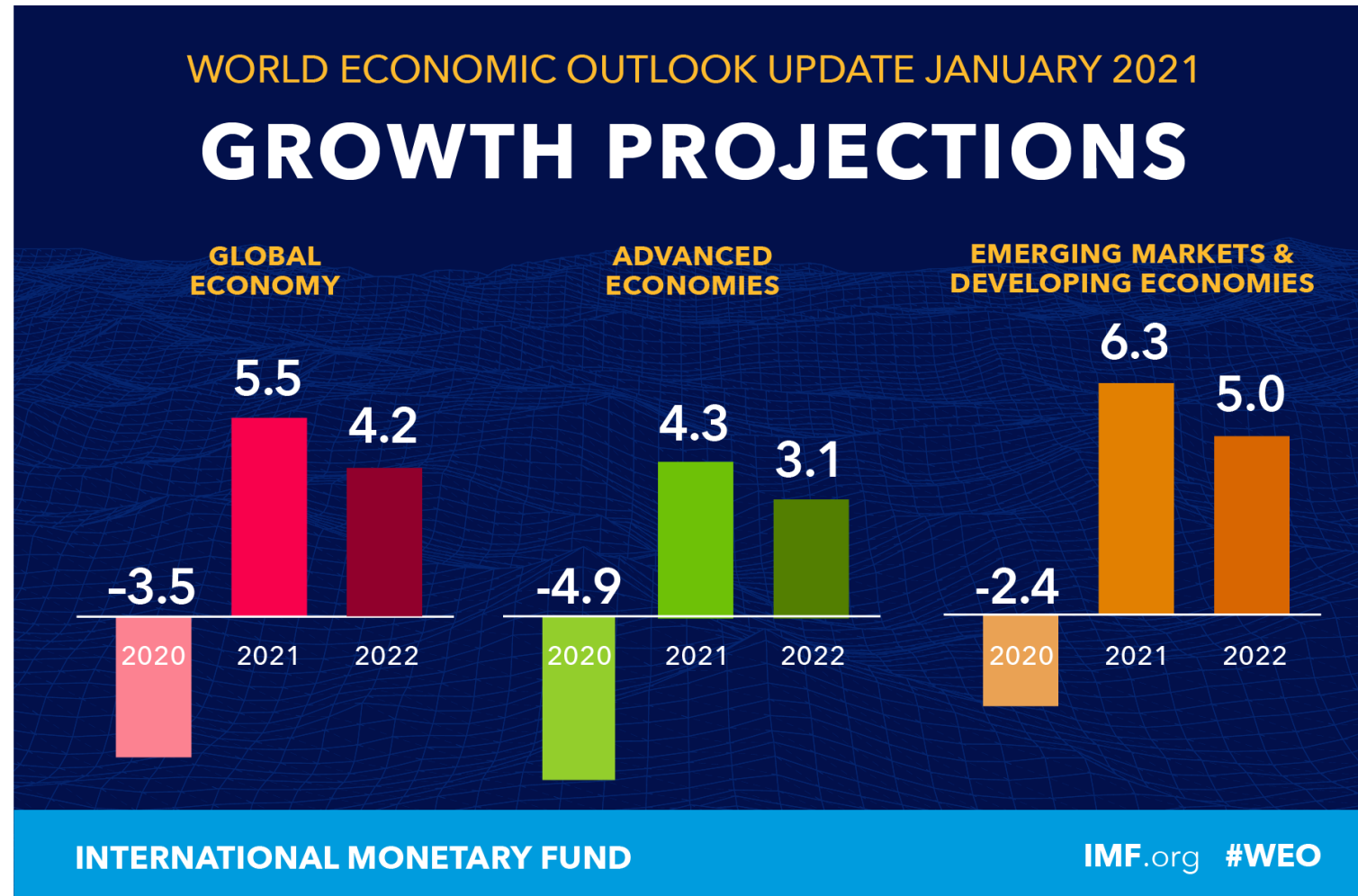


Aggregates are calculated using current GDP in U.S. dollars as a weight, based on data for up to 182 countries, including up to 145 EMDEs. Data for 2020 are estimates.

Source: International Monetary Fund; Kose et al. (2020); World Bank. • Download image

Source: [World Bank](#)

Still, global growth forecasts raised on policy support, vaccine developments

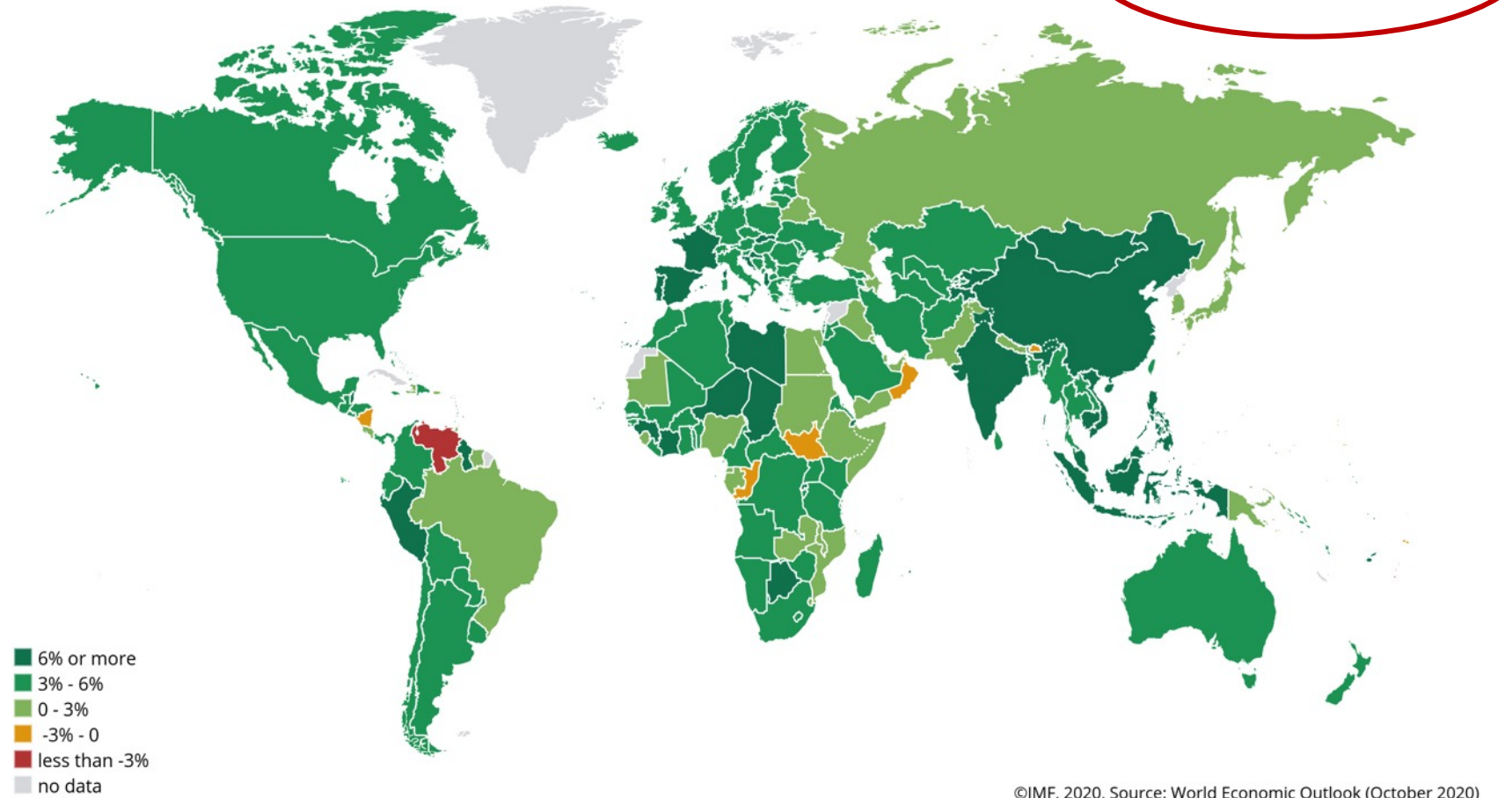


Source: International Monetary Fund, World Economic Outlook, January 2021

Growth projections improve, but risks remain

IMF DataMapper

Real GDP growth (Annual percent change, 2021)

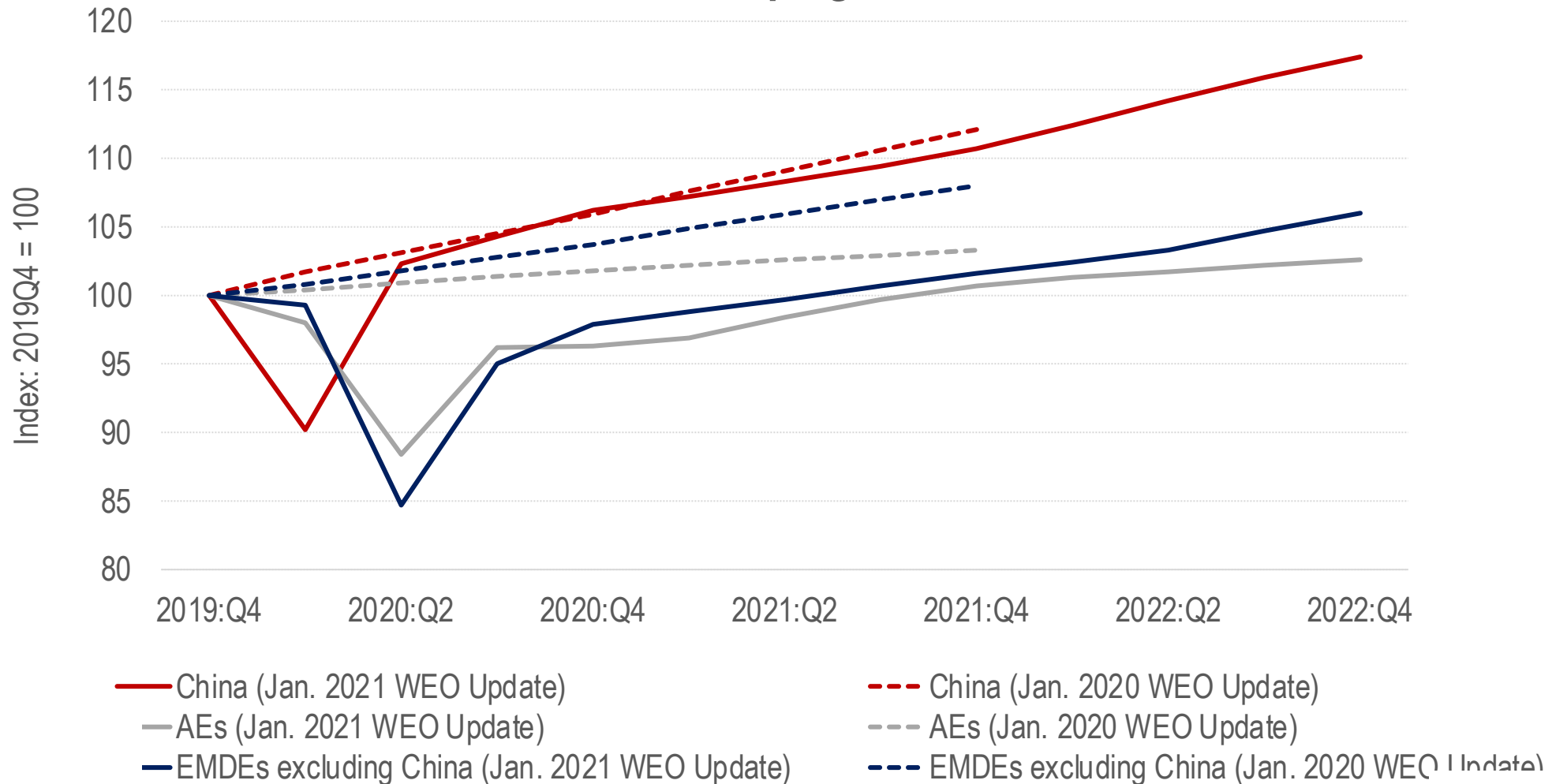


©IMF, 2020, Source: World Economic Outlook (October 2020)

Source: [IMF Data Mapper](#)

IMF's divergent recoveries

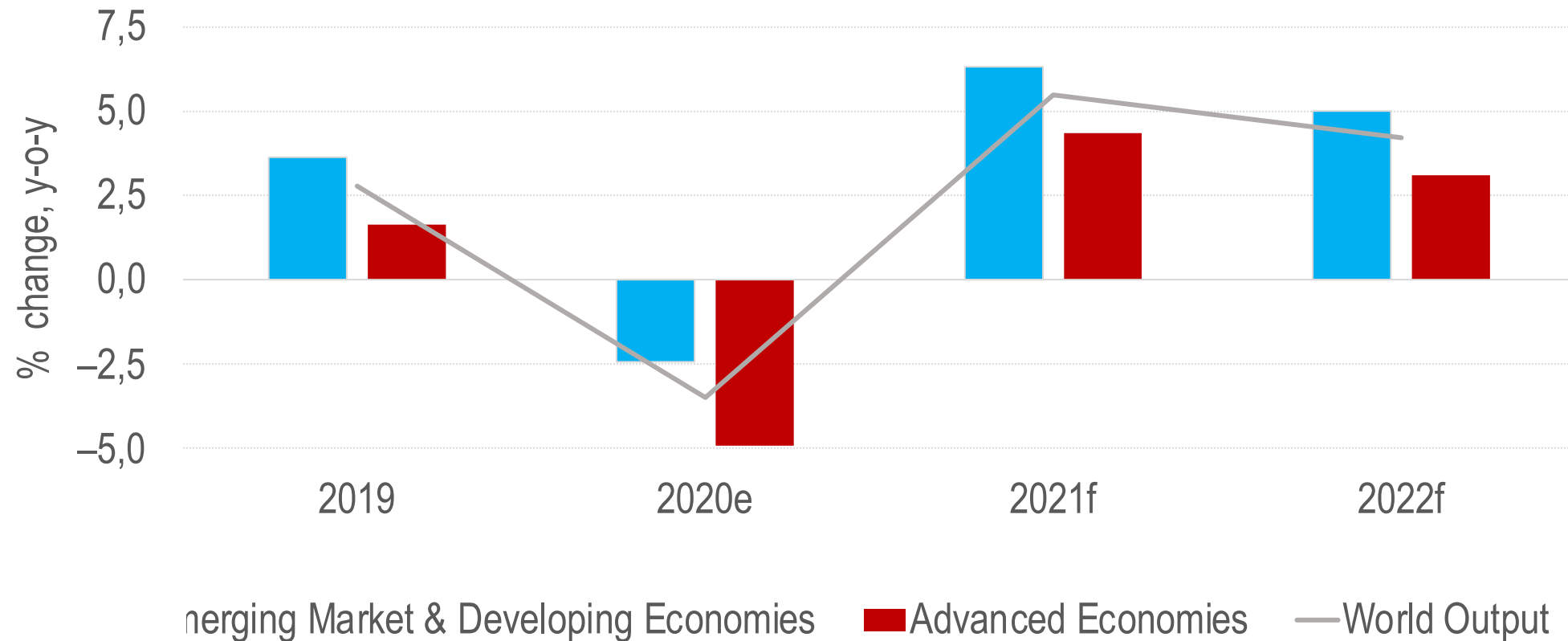
WEO Forecast for Advanced Economies & Emerging Market and Developing Economies



Source: International Monetary Fund, World Economic Outlook, January 2021

Emerging markets & developing economies set to lead recovery charge

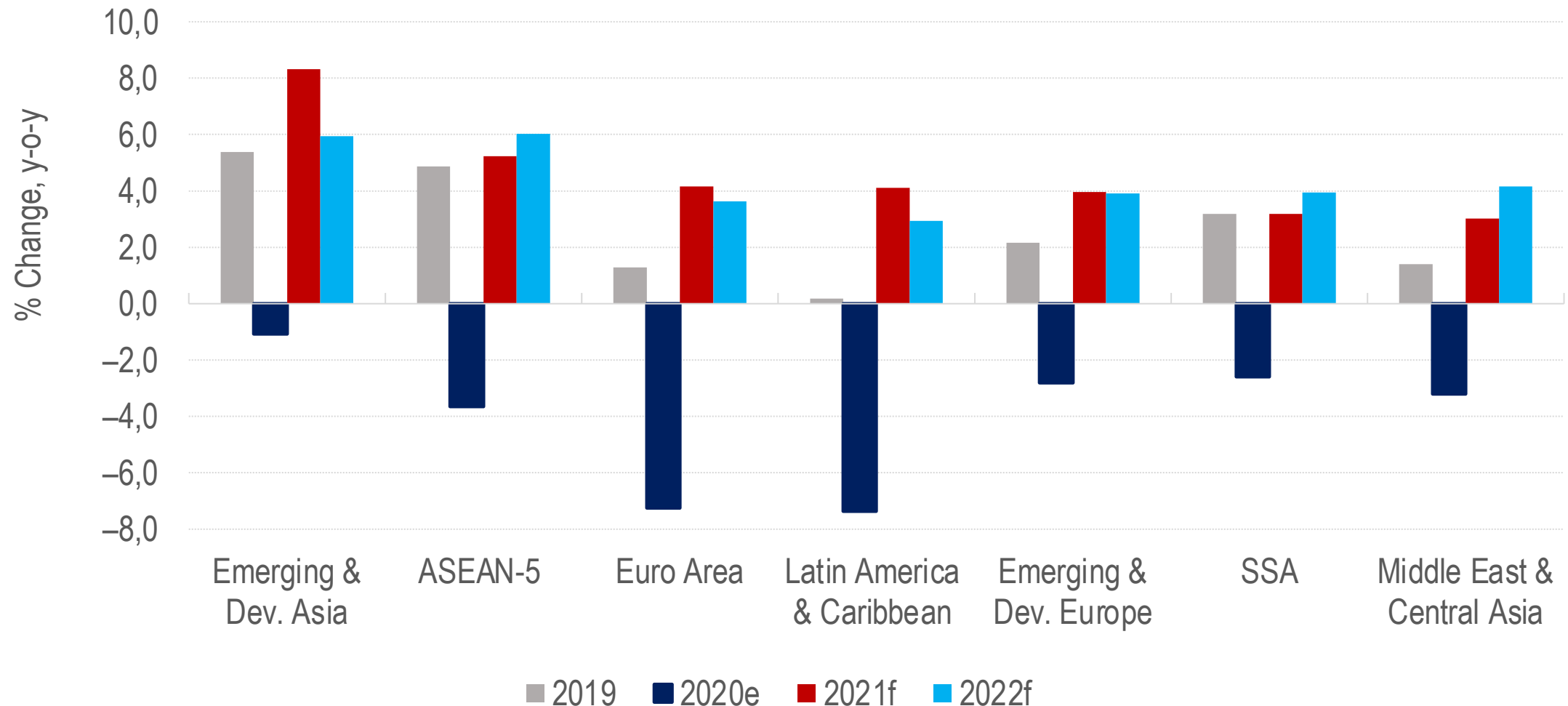
Economic Output: World vs. Advanced Economies vs. EMDE's



Source: International Monetary Fund, World Economic Outlook, January 2021

Buoyed by firm recovery in emerging & developing Asia

Economic Output for Select Global Regions



Source: International Monetary Fund, World Economic Outlook, January 2021

India set to achieve double digit growth, risks aside

Overview of the World Economic Outlook Growth Projections (% change)			
Country	2020 (Estimate)	2021 (Projection)	2022 (Projection)
India	-8.0	11.5	6.8
China	2.3	8.1	5.6
Spain	-11.1	5.9	4.7
France	-9.0	5.5	4.1
World Output	-3.5	5.5	4.2
United States	-3.4	5.1	2.5
United Kingdom	-10.0	4.5	5.0
Canada	-5.5	3.6	4.1
Brazil	-4.5	3.6	2.6
Germany	-5.4	3.5	3.1
Japan	-5.1	3.1	2.4
Russia	-3.6	3.0	3.9
Italy	-9.2	3.0	3.6
South Africa	-7.5	2.8	1.4
Nigeria	-3.2	1.5	2.5

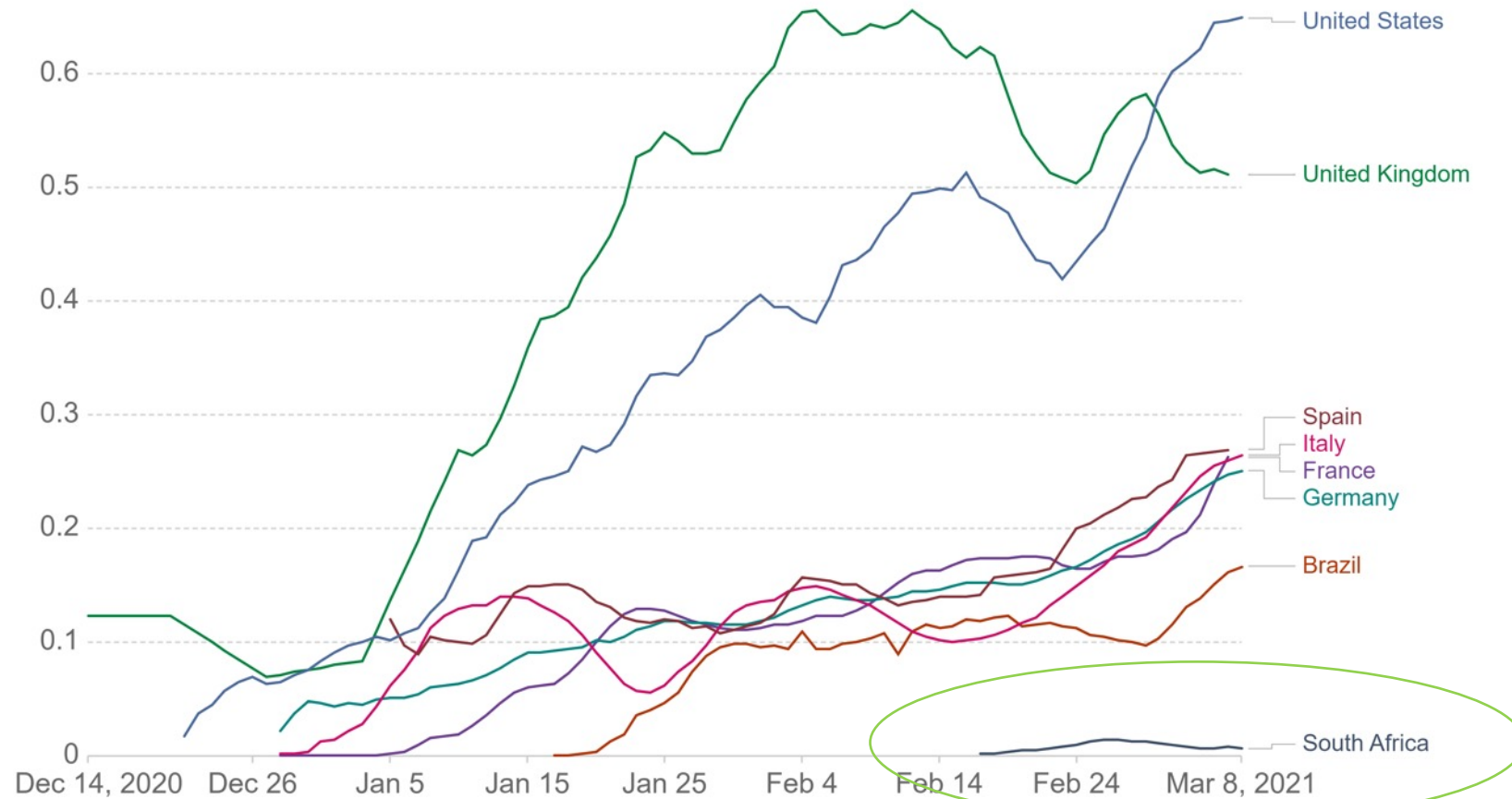
Source: International Monetary Fund, World Economic Outlook, January 2021

The race to vaccinate

Daily COVID-19 vaccine doses administered per 100 people

Our World
in Data

Shown is the rolling 7-day average per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



Source: Official data collated by Our World in Data – Last updated 9 March, 15:10 (London time)

OurWorldInData.org/coronavirus • CC BY

Sources: [OECD Economic Outlook, March 2021](#); [Our World In Data](#)

Sharp divergence in accessibility & availability

WHO: “**Catastrophic moral failure**”... with unknown consequences if virus left to mutate into strains that vaccines don’t cover.

Global Vaccinations – 11 December 2020 versus 09 March 2021

Advanced economies are ahead on vaccinations

Progress on vaccinations vs. death toll, circle size represents population

● Advanced economies ● Emerging and developing economies



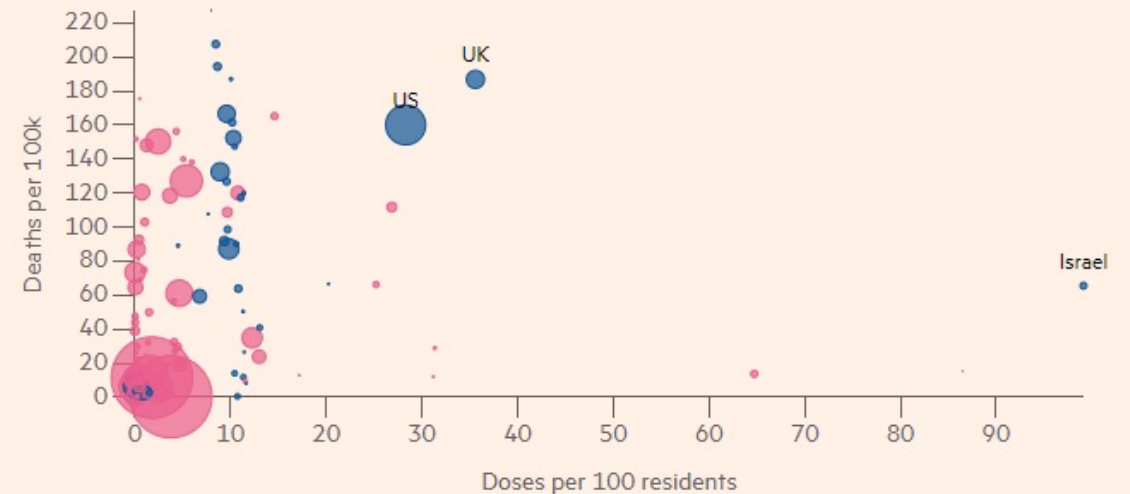
▶ Date: Dec 11 2020

Source: [FT.com](https://www.ft.com)

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▶ Date: Mar 9 2021

Source: [FT.com](https://www.ft.com)

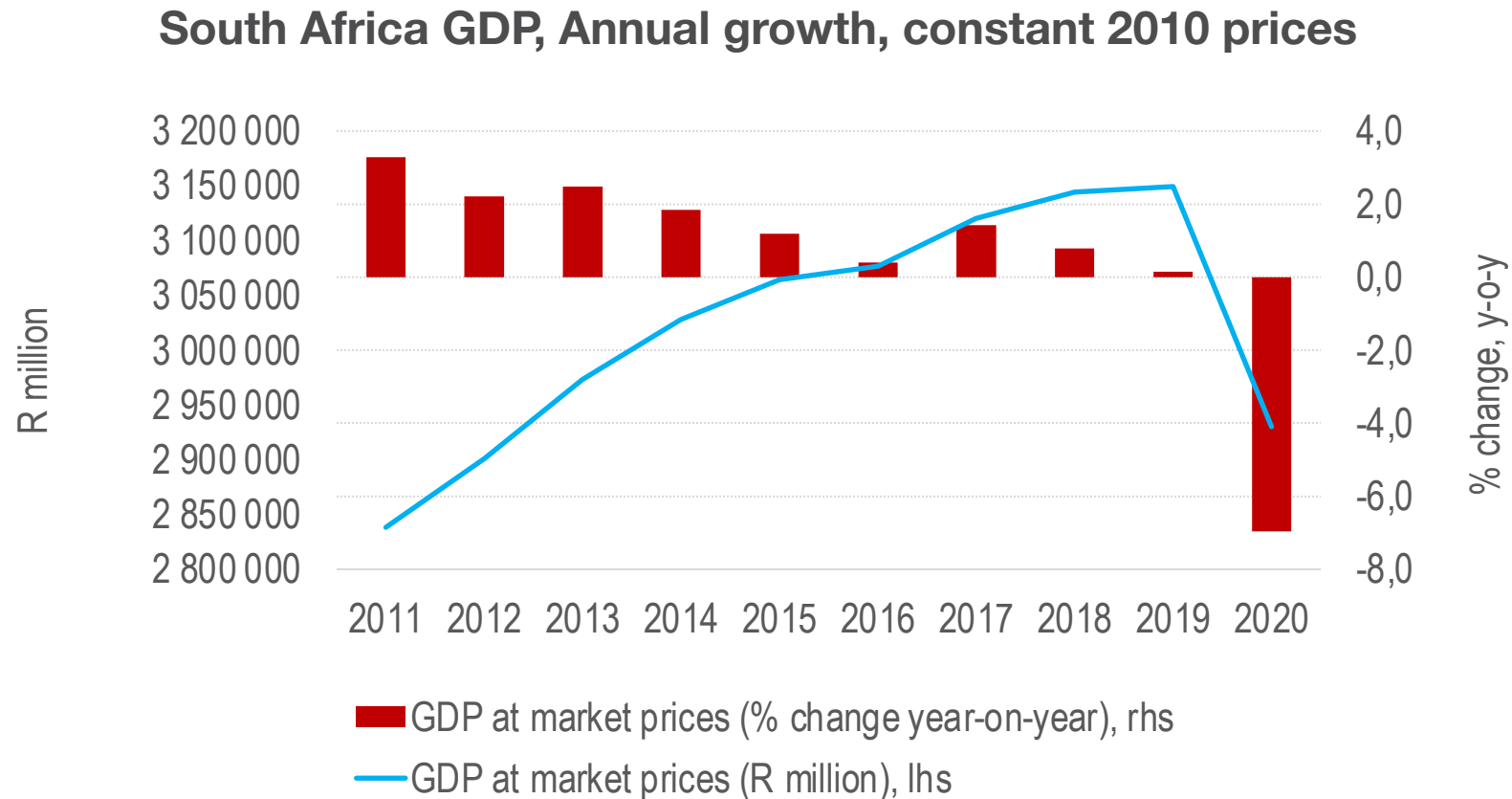


South Africa, time to reset?

Unable to escape vagaries of global pandemic

Stringent restrictive lockdown measures, flailing economic activity & demand saw economy plunge by 51.7% q-o-q* in Q2 2020.

Despite economic expansions in Q3 & Q4, economy contracted by 7.0% in 2020



* In seasonally adjusted and annualised terms. Source: [StatsSA](#)

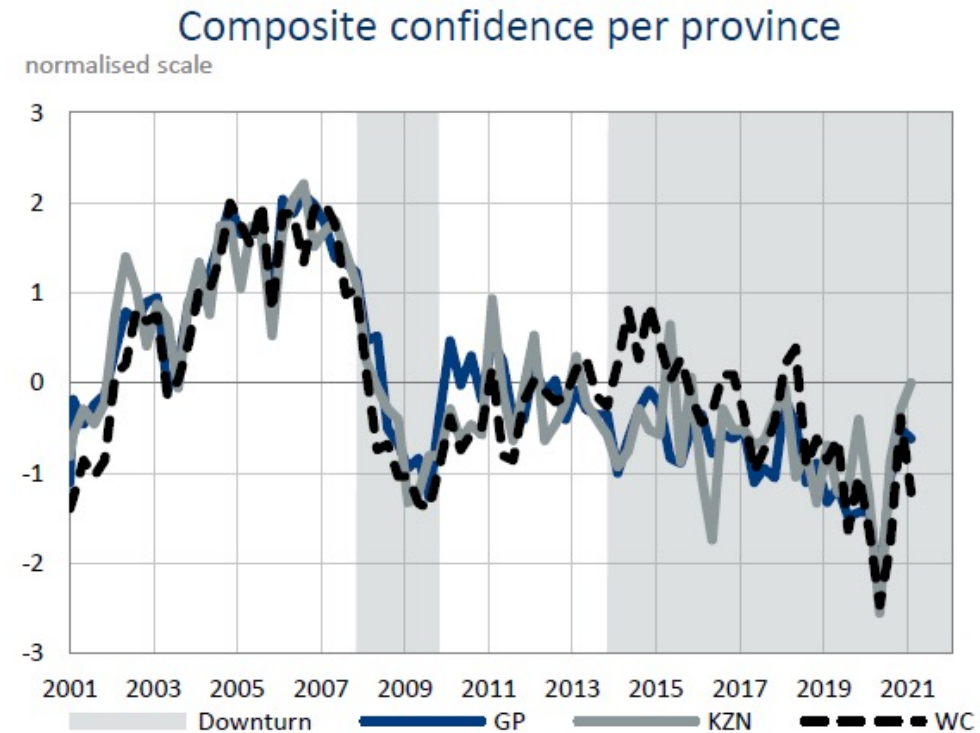
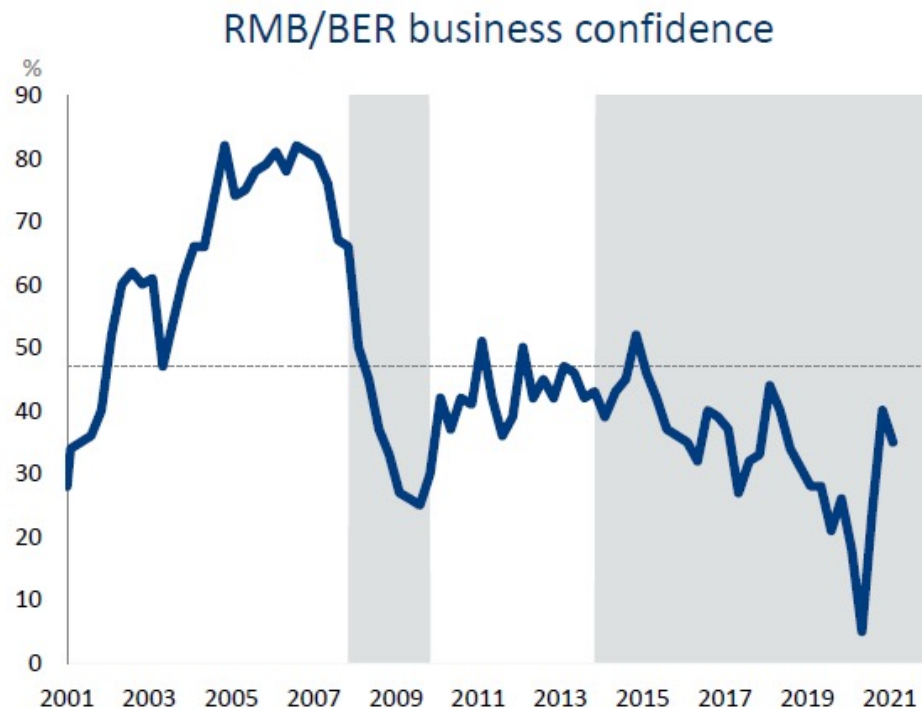
Economic outlook clouded in Q1 2021

Mixed signals seen early-on in 2021.

RMB/BER Business Confidence Index declined from 40 to 35 in Q1 2020.

Absa Purchasing Managers Index (PMI) increased to 53 index points in February from 50.9 in January.

Growth outlook uncertain in Q1 2021.



Source: Bureau Economic Research

Economy set to see muted recovery in 2021

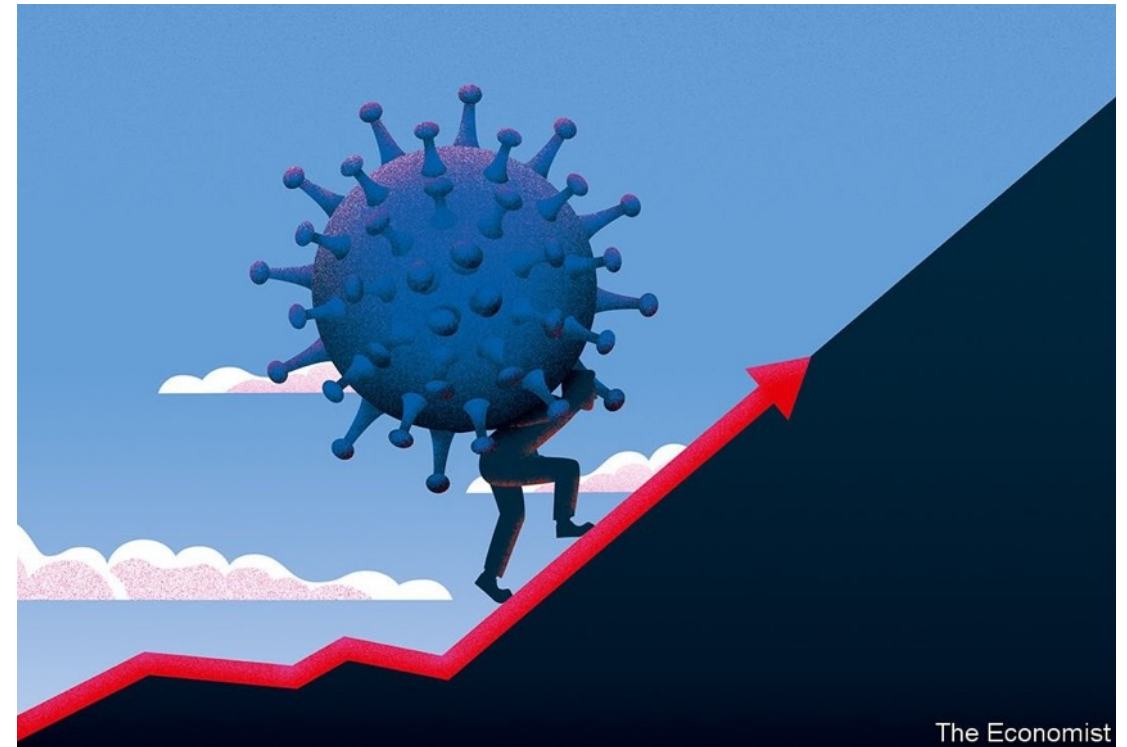
Real GDP is forecast at 2.8% - 4.5% in 2021, but set to ease again in 2022 and 2023.

SA Real GDP growth forecast (%)	2020e	2021f	2022f
IMF	-7.5	2.8	1.4
World Bank	-7.8	3.3	1.7
OECD	-7.2	3.0	2.0
South African Reserve Bank	-7.0	3.6	2.4
National Treasury	-7.0	3.3	1.9
Moody's Investor Services	-7.0	4.5	1.1

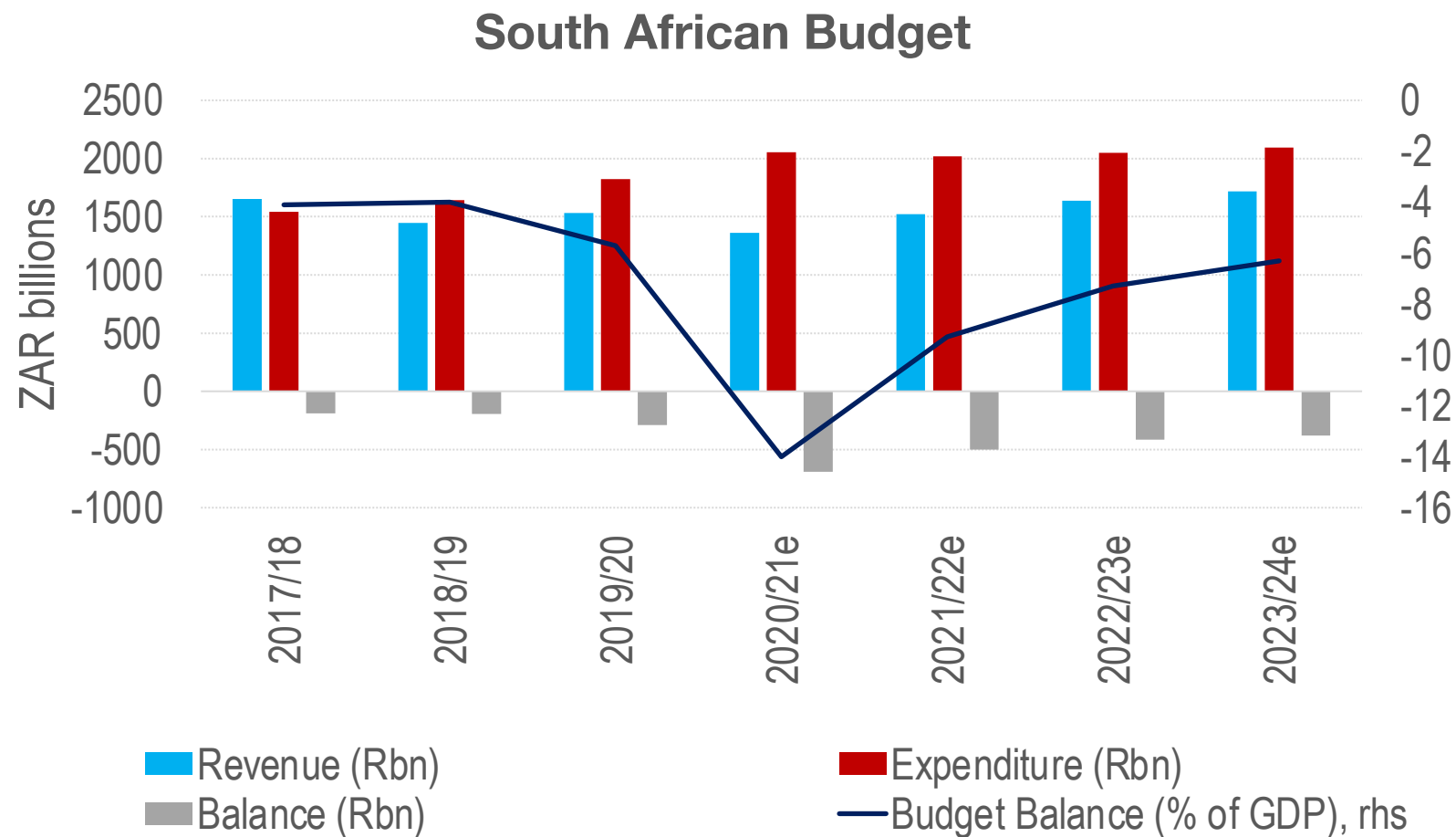
Sources: IMF, World Bank, OECD, SARB, National Treasury, Moody's

Government implements number of policy measures

- Emergency budget tabled in mid-2020
- Result: sharp increase in already-high debt levels plus debt projections
- 2020 MTBPS acknowledges dire need for economic recovery and fiscal prudence, consolidation & conservatism...
- Avoiding debt spiral is critical



Budget shortfall balloons on unplanned expenditure



Source: Budget Review 2021, National Treasury

Fiscal outlook relatively better, but challenges remain

- Gross government debt to stabilise at better than expected 88,9% of GDP by 2025/26
- Still, borrowing requirement will remain above R500bn annually in medium-term
- Debt servicing costs are significant – and one of the highest debt service levels in the world



Path to fiscal recovery requires implementing a number of sticky reforms

- Raising public infrastructure spending
- Successfully implementing number of significant spending cuts
- Raising of tax revenues
- Increasing investment spend by raising private sector investment and successful implementation of private public partnerships
- Operation Vulindlela key in fast-tracking structural reforms outlined in President's Economic Recovery & Reconstruction Plan (ERPP).....private sector seen playing increasingly important role



JSE reaches record highs... again

Soaring technology stocks & booming commodity shares has seen JSE outperform a number of larger global markets.

JSE reached record high on 11 March on passing of US Covid-19 relief bill.



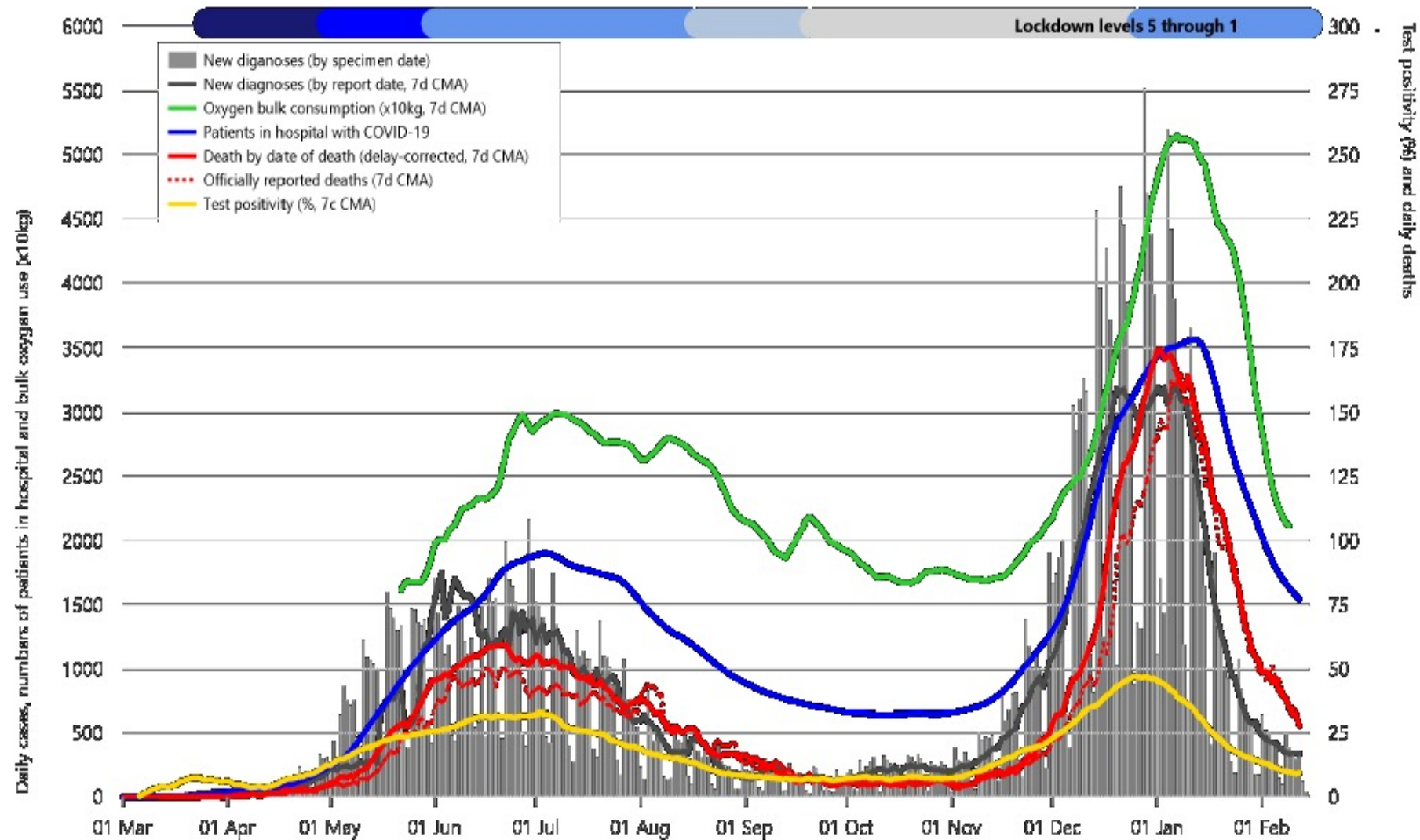
JSE FTSE All Share Index | 6 month performance to 10 March 2021 Source: [FT.com](https://www.ft.com)



How the Western Cape can bounce back & up

Covid-19's impact has been devastating and far-reaching

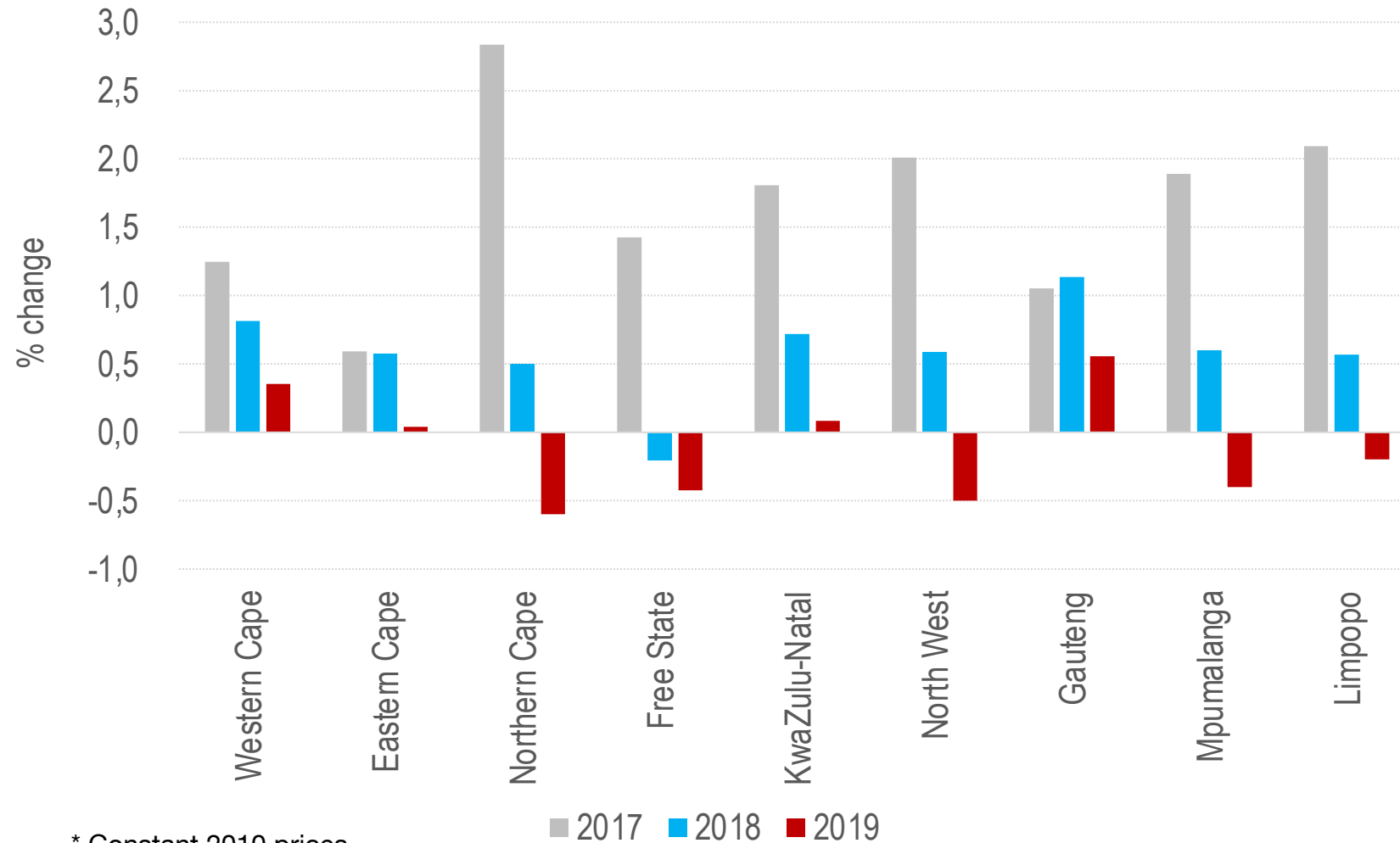
Evolution of the COVID-19 epidemic in the Western Cape:



Sources: Provincial Health Data Centre; WCG Department of Economic Development and Tourism

Economy already slowing in 2019, but better than most

Provincial GDP at Market Prices*, % change, 2017 - 2019



Local economy not spared in 2020

Western Cape Economic Outlook, 2020f – 2021f					
Description	2018	2019	2020f	2021f	Forecast avg. 2019 - 2021
Agriculture, forestry & fishing	-7.9	-9.9	14.7	-7.2	-0.8
Mining & quarrying	-1.9	-1.5	-23.8	14.4	-3.6
Manufacturing	0.9	-0.5	-15.9	10.7	-1.9
Electricity, gas & water	0.9	-1.4	-8.6	-1.7	-3.9
Construction	-1.7	-3.3	-17.8	13.4	-2.6
Trade, catering & accommodation	0.7	0.5	-18.5	14.0	-1.3
Transport, storage & communication	1.5	-0.4	-15.6	11.6	-1.5
Finance, real estate & business services	2.0	2.4	0.3	-1.0	0.6
Personal services	0.9	1.0	0.1	-1.6	-0.2
General government services	1.1	1.9	2.5	-3.1	0.4
GDPR at market prices	0.8	0.4	-6.9	3.8	-0.9

Sources: StatsSA, WCG Provincial Economic Review & Outlook, 2020 (PERO)

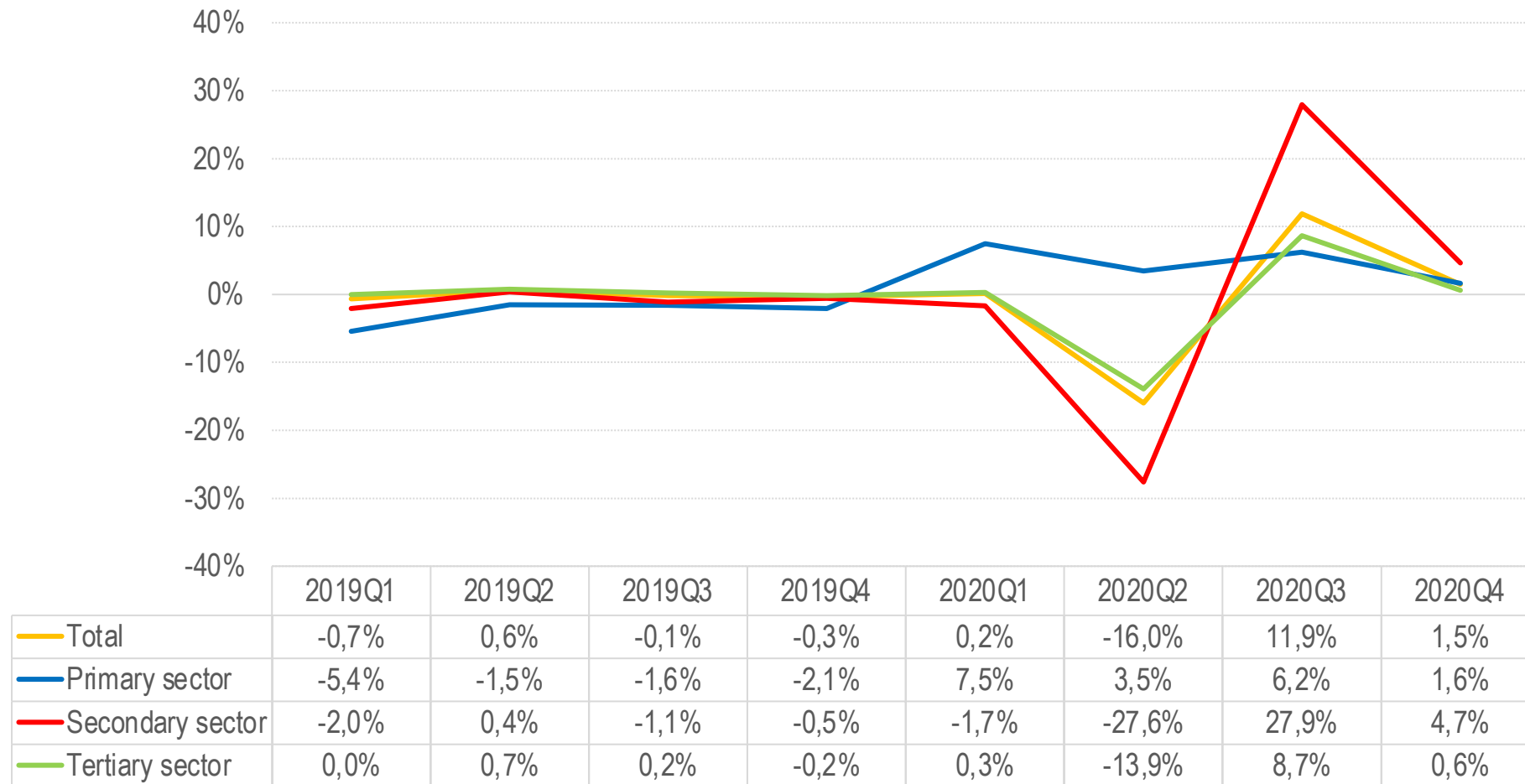
Loss of jobs has been significant and widespread

Projected Direct Job Losses for 2020 in the Western Cape			
Sector	Employed 2019	Net Job losses 2020	Net employment loss as % of sector
Tourism	174,982	75,477	43.1
Informal	301,543	25,705	8.5
Construction	159,542	19,197	12.0
Trade	354,328	18,628	5.3
Manufacturing	295,183	9,622	3.3
Finance	466,741	3,426	0.7
Community Services	354,331	2,971	0.8
Transport	54,100	1,176	2.2
Mining	4,590	146	3.2
Electricity	8,892	76	0.9
Agriculture	209,798	-4,680	-2.2
TOTAL	2384030	151,744	6.4

Sources: WCG Provincial Economic Review & Outlook, 2020 (PERO); WCG Department of Economic Development and Tourism

All three sectors record positive growth in late 2020

Western Cape Gross Value Added*, 2019 Q1 – 2020 Q4

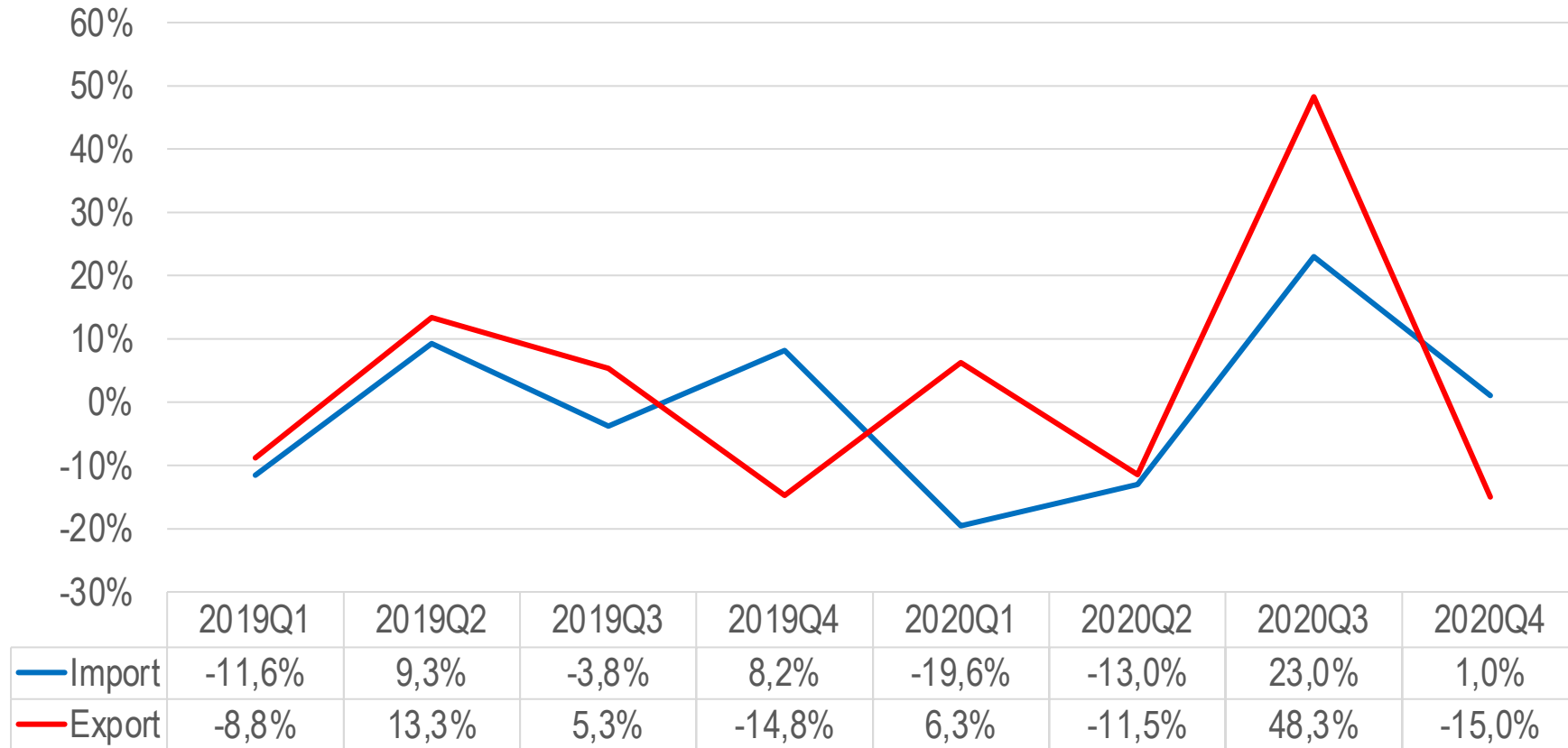


* Constant 2010 prices

Source: Quantec, 2021

Trade flows remained strong

**Western Cape Trade: Changes in exports and imports
2019 Q4 – 2020 Q4**



Source: Quantec, 2021

Some key sectors continue to perform well

At a national level, agriculture grew by 13.1% in 2020 – only one of two sectors to record positive growth.

Western Cape accounted for close on 40% of South Africa's agriculture & agri-processing exports in 2020.

Western Cape agriculture & agri-processing exports grew by 23.8% in 2020 to a value of R77.14bn (more than 52% accounted for by meat, fish & fruit and beverages sectors).



Tourism sector devastated by Covid-19 pandemic & restrictions

“As an economic sector, tourism’s performance is largely a function of the size and nature of demand.”

South African Tourism Annual Report 2019-2020

Over and above losses seen in 2020:

- Only 70% of businesses operating in mid-February 2021
- Top attractions see record low - visitor numbers & international passengers at CTIA were 91% lower year-on-year in October and November and 81% lower in December 2020
- The perfect storm for an industry reliant on tourists



Tourism sector is a key driver of employment & economic growth

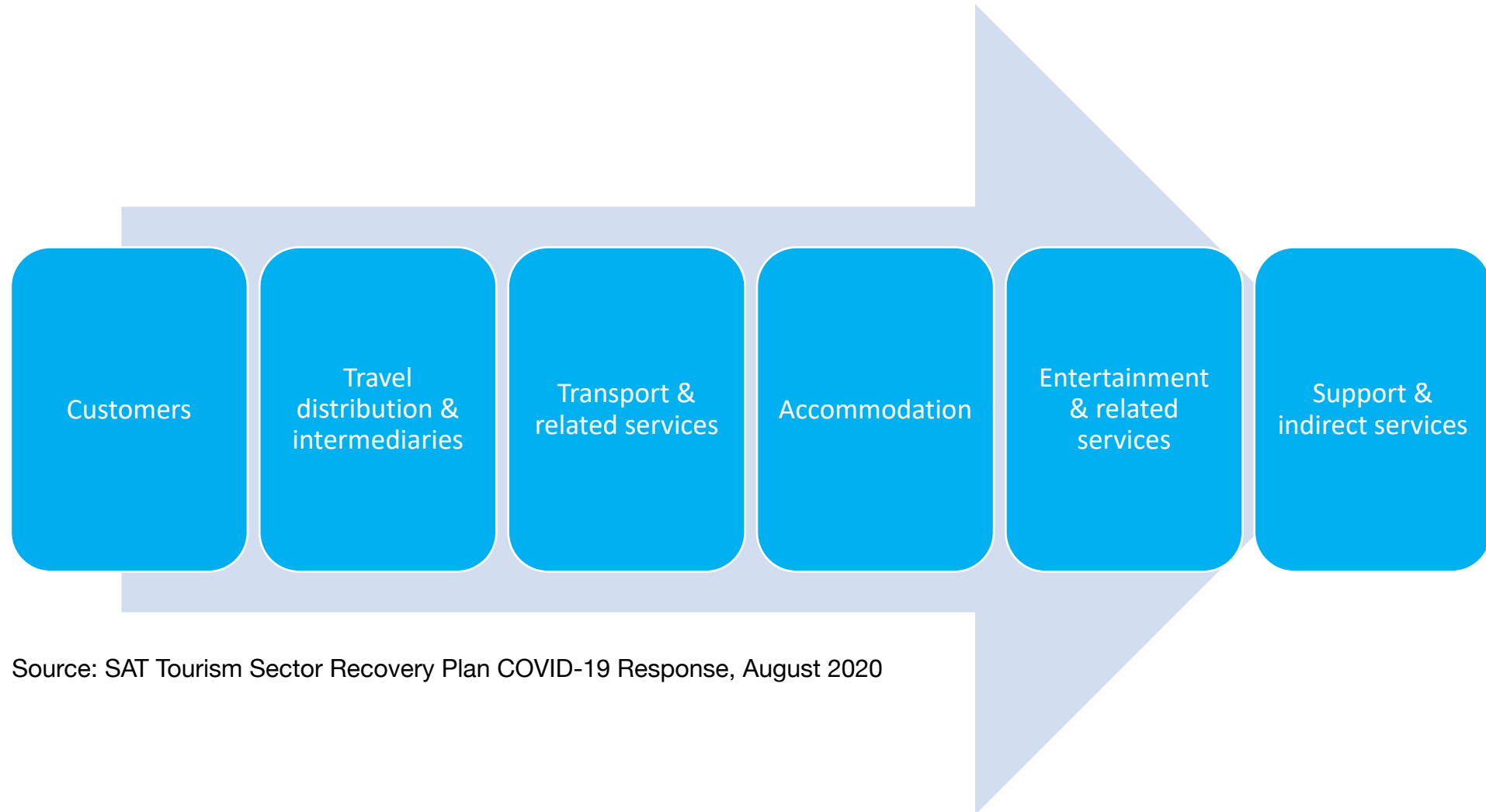
Socio-economic contribution of tourism in South Africa 2018:

Economic Indicator	Contribution
International arrivals	10.5 million
Direct jobs	720 000 direct jobs
Total jobs	1.5 million direct and indirect jobs accounting for close on 4.5% of total employment in South Africa
GDP – Direct contribution	R130 billion, accounting for 2.8% contribution to the total GDP
GDP – Total contribution	R425.5 billion, accounting for 8.6% contribution to the total GDP
Total Tourism Foreign Direct Spend (TTFDS)	R58.57 billion
Domestic Trips	13 million
Total Direct Domestic Spend (TDDS)	R18.29 billion

Source: [Parliamentary Monitoring Group, 09 July 2019](#)

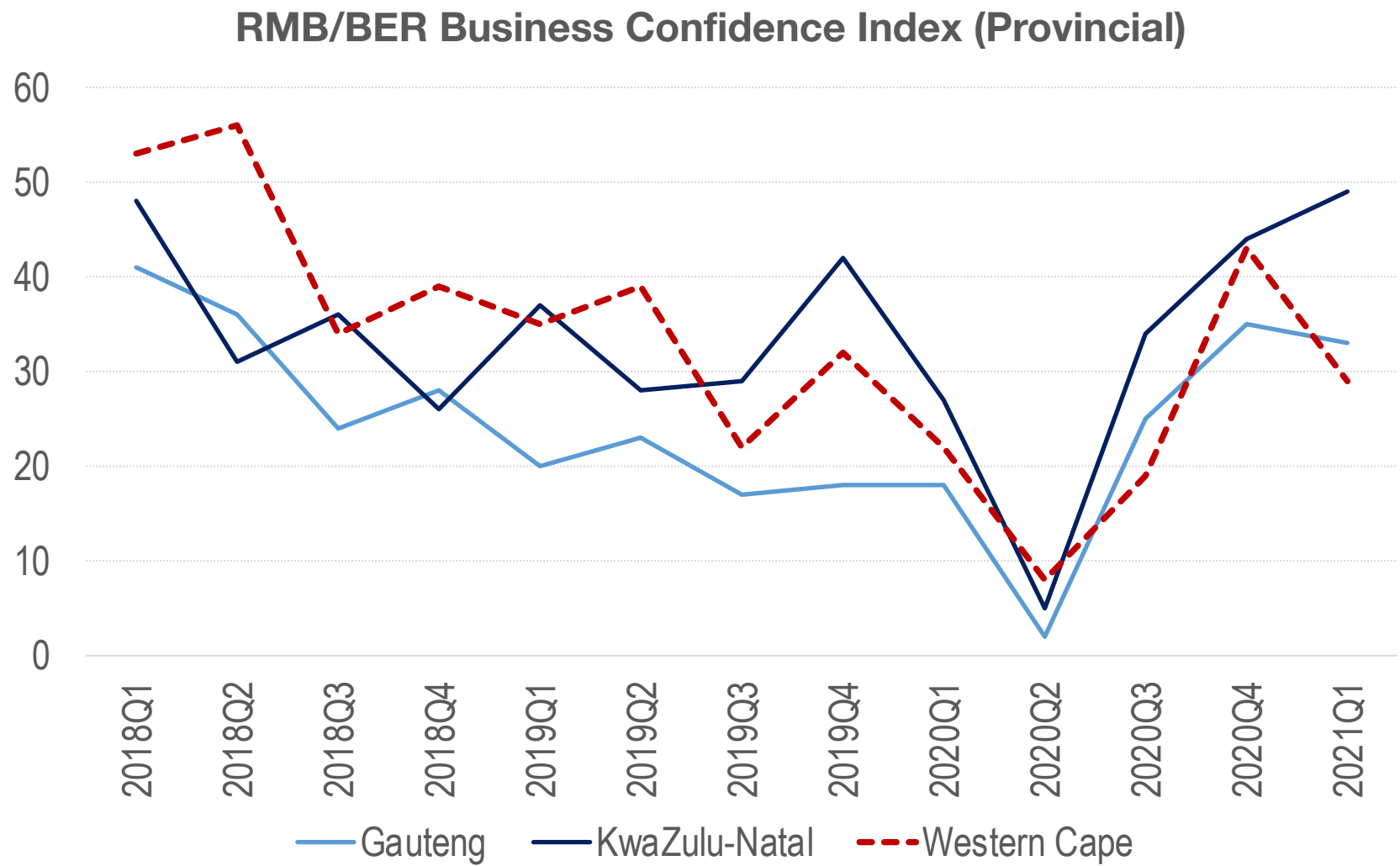
Tourism sector has extensive reach into economy

Direct economic impact of tourism industry has significant indirect and induced impacts:



Source: SAT Tourism Sector Recovery Plan COVID-19 Response, August 2020

Local business confidence remains fragile



Source: Bureau for Economic Research (BER)

How do we build back better than before?

- Economic Recovery and Reconstruction Plan (ERPP)
- Western Cape's Post COVID-19 Economic Recovery Plan
- City of Cape Town's Economic Action Plan (including Ten Point Tourism Strategy)
- Continuation of provision of relief funds
- Improve business environment to enable & strengthen private sector-led growth and investment
- Champion power generation projects, IPP purchases and building of energy resilience
- Boost infrastructure investment to facilitate job creation, both nationally & provincially
- Foster innovation and technology



Need to come back smarter, more innovative, more resilient, greener & more inclusive

- Agriculture sector & agri-processing sectors
- AgriTech
- FinTech
- HealthTec
- eCommerce
- ICT, Tech & BPO sectors
- Digital economy & innovation
- Green energy sector
- Building energy resilience

New non-traditional markets & sectors present new opportunities

Take advantage of new order & relatively uncharted global economy:

- United Kingdom post-Brexit
- African Continental Free Trade Agreement (AFCFTA)
- Emerging & Developing Asia
- United States
- Recalibration in global value chains possible, particularly US dependence on Chinese supply chains?
- Strengthen existing trade ties and foster new relations

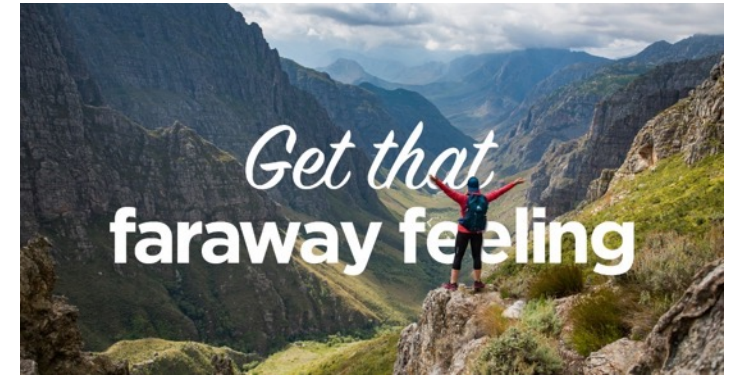


Reviving local tourism sector, a critical & key priority

Cape Town makes shortlist for “best cities for remote working” in early 2021.

Launch of [Digital Nomad Initiative](#) in February 2021 - a win for local tourism industry and apart of City’s Ten Point Tourism Strategy to get sector back on its feet.

In early March Airbnb announced deal offering up to 50% off stays longer than 28 days.



Reality is that pressures, risks & uncertainties remain

- Uneven economic recovery expected among key trading partners
- Economic fortunes strongly determined by pace at which vaccine programmes are rolled out, South Africa included
- Health and economic risks posed by new waves of the virus; possibility of third Covid-19 wave in mid-2021 compounded by (likely) shortage of vaccine availability? Expediting access to vaccines is critical
- Ongoing infrastructure challenges; power outages in particular
- Rapid implementation of essential infrastructure projects critical to promote inclusive growth

Reality is that pressures, risks & uncertainties remain

- Risks posed by precarious public finances & failure to maintain fiscal austerity, including public sector wage freeze
- Successful implementation of Economic Reconstruction and Recovery Plan and Medium Term Budget Policy Statement are key if the country is to attain sustainable job-rich growth
- Strengthening of transparency & governance is critical



There are bright spots too

- Agricultural sector's strong performance likely to continue in 2021
- Certain commodity exports will continue to benefit from commodity boom super cycle or not?
- Impact of unprecedented fiscal Covid-19 recovery/stimulus packages in both US and Europe could translate into increased external demand
- Cape Town and Western Cape is well positioned to take advantage of this new order

The good news stories...

Cape Town tech startup creates 'Airbnb' for film locations



Lufthansa to resume direct Cape Town flights, setting sights on East Africa

fin24 Carin Smith

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Google announces R2.2bn investment into Cape Town and Western Cape



Raised by Wolves is the biggest budget show to be filmed in South Africa

Western Cape-US trade and investment partnership bears fruit

Remote working could help boost Western Cape tourism

An aerial photograph of a green combine harvester moving through a cornfield. The harvester is positioned in the center of the frame, moving from left to right. It is harvesting rows of golden-brown corn. The field is divided into distinct rows, with the harvested area on the left and the unharvested area on the right. The harvester's grain tank is visible, filled with corn. The overall scene is a typical agricultural landscape during harvest time.

Q&A

Kieno Kammies, MC

An aerial night photograph of a city, likely Vancouver, showing a dense urban landscape with numerous illuminated buildings and streets. In the background, a range of mountains is visible under a dark sky. The city lights reflect on the water in the foreground. A blue rectangular frame is overlaid on the left side of the image.

**Closing
Remarks**

**Tim Harris,
Wesgro Chief Executive Officer**



Thank you