

Western Cape and United Kingdom: Trade, Investment & Tourism

September 2021

Executive summary

This country fact sheet provides key trade, investment and tourism between the Western Cape and the United Kingdom. Specifically, it shows global trade and investment flows including an analysis of top markets and products for the United Kingdom in relation to the Western Cape, highlighting the largest and fastest growing products and sub-sectors. It also analyses tourism trends between the United Kingdom, South Africa, and the Western Cape. The key highlights are provided below:

ECONOMY

- The United Kingdom (UK) is an economic powerhouse, ranked sixth in the world based on nominal GDP and 23rd in terms of nominal GDP per capita in 2020.
- The economy shrank by -9.7% in 2020 due to the severe impact of the coronavirus pandemic.
- Other activities (which include financial services and business services) was the highest contributing sector to the economy, followed by mining, manufacturing and utilities (13.42%), and wholesale and retail trade, restaurants, and hotels (13.65%).
- The country is currently ranked 8th overall in the World Bank's Doing Business Index.

TRADE

- The UK was the second largest destination market for the Western Cape's (WC) exports in 2020. After a 5.3% decline in 2019, the province's exports to the UK increased by 34.65% in 2020 despite the adverse effects of the Covid-19 pandemic.
- Wine was the largest export from the WC accounting for 16.34% of total exports to the UK in 2020.
- The UK was the province's 11th largest import market in 2020, with imports from the UK declining from ZAR5.12 billion in 2019 to ZAR3.94 billion in 2020 - a 22.95% decline.
- Undenatured ethyl alcohol was the WC's largest import from the UK, at a value of ZAR394.61m in 2020.

FDI

- Between January 2013 and December 2020, 100 UK companies invested a total of 108 FDI projects into the WC, with a total capital investment of ZAR24.65bn. These created 7,217 jobs.
- The business services industry dominated FDI from the UK into WC during the 2013-2020 period, accounting for 34.26% of projects (37 projects invested), and 32.22% of capex (ZAR7.94 billion).
- Between 2013 and 2020, the UK was largest destination market for outward FDI from the Western Cape based on the number of FDI projects, and in terms of capital investment.
- Overall, 30 companies from the WC invested 36 FDI projects into the UK, reaching a total capex of ZAR14.03 billion and creating 1,619 jobs.

TOURISM

- UK tourists travelling to South Africa are predominantly visiting for the purpose of holiday (51.8%) and visiting family and friends (29.8%). In 2019, the largest share (194,900) of UK tourists to South Africa visited the Western Cape.
- Shopping, visiting natural attractions, wildlife, beaches and cultural activities ranked among the top activities undertaken by UK tourists to South Africa. In 2019, the average spend was R24,200 per tourist.
- Tourist arrivals from the UK has been on a downward trend since 2017, decreasing from 259,188 tourists in 2017 to 194,900 tourists in 2019.

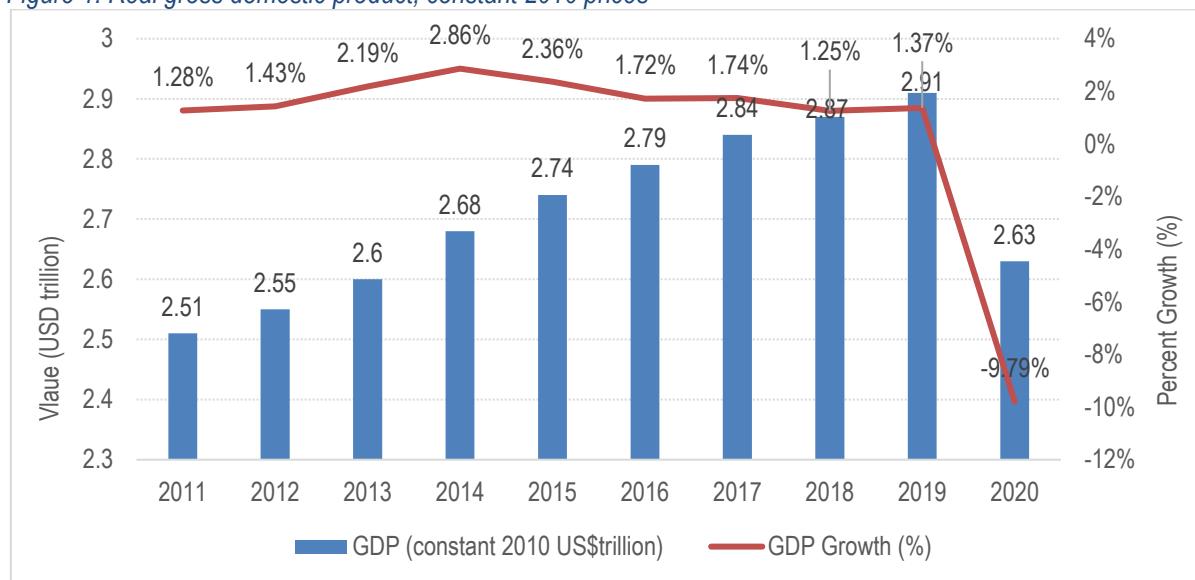
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1. ECONOMIC OVERVIEW

The United Kingdom (UK) is a highly developed social and market-oriented economy. With a GDP of \$2.63 trillion and a population of more than 66 million in 2020, the UK was the sixth largest economy after the US, China, Japan, Germany, and India. Real GDP has generally seen an upward trend over the last 10 years, increasing from \$2.51 trillion in 2011 to \$2.91 trillion in 2019. Despite numerous measures undertaken by the British Government to combat the adverse impact of the Covid-19 pandemic on the UK economy, growth in real GDP contracted substantially in 2020, recording negative growth of -9.71% to reach a GDP of \$2.63 trillion as shown below:

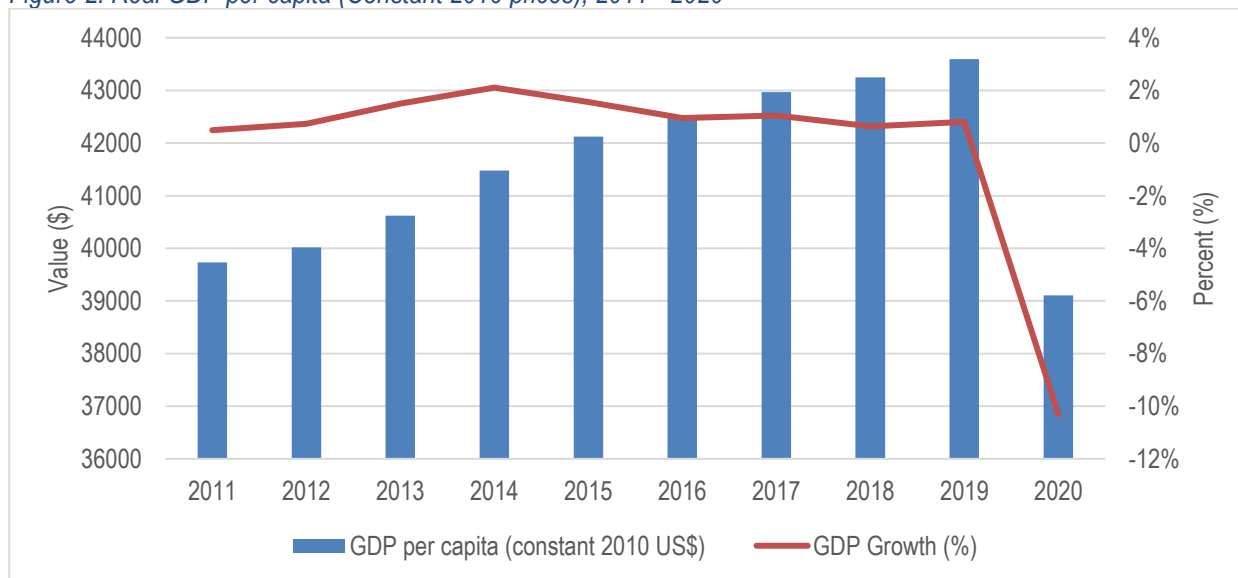
Figure 1: Real gross domestic product, constant 2010 prices



Source: World Bank, 2021

The UK's real GDP per capita growth averaged 1.09% from 2011 to 2019. As shown in Figure 2, real GDP per capita increased by 0.80% in 2019 to US\$43 592.41, which was the 23rd highest in the world. This was slightly higher than that of the entire European Union, which was US\$35 623.41.

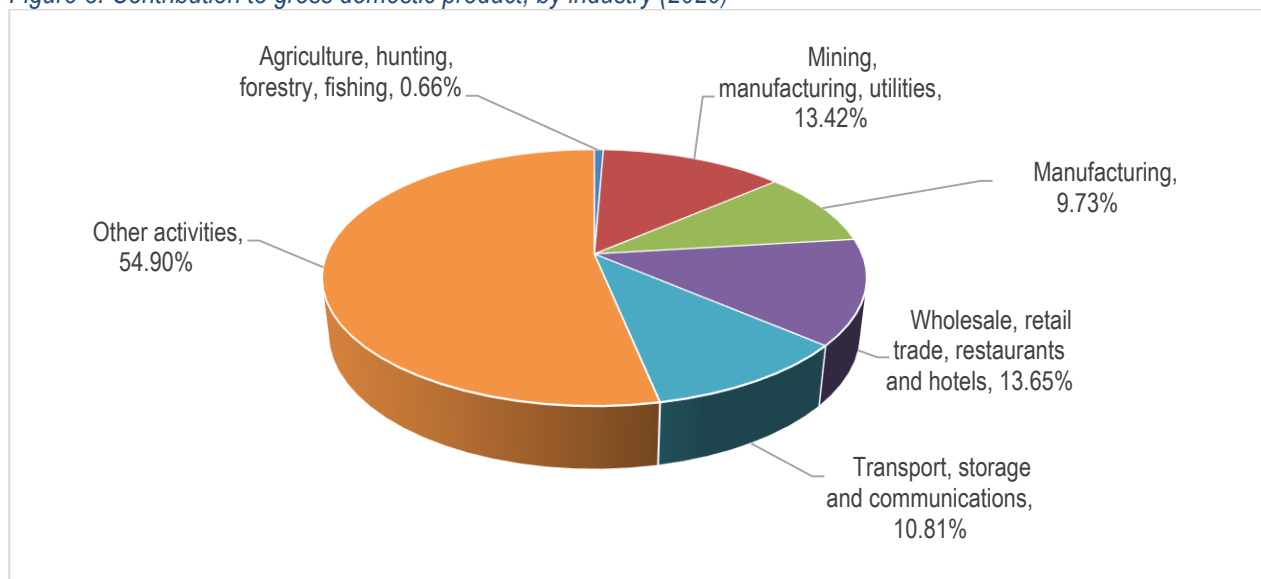
Figure 2: Real GDP per capita (Constant 2010 prices), 2011 - 2020



Source: World Bank (2021)

The contributions of the UK's economic sectors to GDP in 2020 are shown in Figure 3. The services sector, in general, is the largest component of the UK economy, accounting for approximately three quarters of GDP in 2020. Manufacturing, on the other hand, accounted for 9.73% of GDP, while agriculture, hunting, forestry and fishing collectively contributed 0.66% to GDP.

Figure 3: Contribution to gross domestic product, by industry (2020)



Source: UNCTAD (2021)

1.2 Top Companies in the United Kingdom

The London Stock Exchange (LSE) is in the City of London in the United Kingdom. As of 16 September 2021, the LSE had a market capitalisation of \$58bn. The top 30 United Kingdom companies on the Forbes Global top 2000 list are shown below.

Table 1: TOP 30 COMPANIES IN THE UNITED KINGDOM ON THE FORBES GLOBAL 2000 LIST, 2021

RANK	COMPANY	REVENUE	PROFIT	ASSETS	MARKET VALUE
40	HSBC Holdings	\$60.6 B	\$4 B	\$2,984.2 B	\$120.3 B
90	Unilever	\$57.8 B	\$6.3 B	\$82.8 B	\$151.1 B
97	GlaxoSmithKline	\$43.7 B	\$7.4 B	\$109.9 B	\$92.9 B
105	Prudential	\$54.8 B	\$2.1 B	\$469.5 B	\$55.7 B
120	Vodafone	\$49.7 B	\$2.8 B	\$183.9 B	\$52.6 B
143	Barclays	\$27.9 B	\$2 B	\$1,844.7 B	\$44.9 B
149	Linde	\$27.2 B	\$2.5 B	\$88.2 B	\$151.6 B
161	AstraZeneca	\$27.7 B	\$3.2 B	\$66.7 B	\$133.9 B
177	Lloyds Banking Group	\$43.4 B	\$1.1 B	\$1,191 B	\$42.5 B
188	Legal & General Group	\$64.4 B	\$2.1 B	\$770.4 B	\$22.9 B
218	Anglo American	\$30.8 B	\$2.1 B	\$62.5 B	\$54.6 B
236	National Grid	\$18.8 B	\$1.9 B	\$85 B	\$44.3 B
271	Tesco	\$74.8 B	\$1.1 B	\$64 B	\$24.6 B
283	Diageo	\$14.7 B	\$1.4 B	\$44.8 B	\$104.4 B
284	Reckitt Benckiser Group	\$17.9 B	\$1.5 B	\$42.8 B	\$65.7 B
289	BT Group	\$28.1 B	\$1.9 B	\$69.2 B	\$21.1 B
332	LyondellBasell Industries	\$27.7 B	\$1.4 B	\$35.4 B	\$36 B
351	BP	\$180 B	\$-20.9 B	\$267.7 B	\$84.5 B
385	Imperial Brands	\$21.2 B	\$1.9 B	\$41.8 B	\$20.7 B
432	Phoenix Group Holdings	\$27.9 B	\$993.8 M	\$443.6 B	\$10.5 B
452	Standard Chartered	\$21 B	\$425.8 M	\$789.1 B	\$21.3 B
522	M&G	\$19 B	\$1.5 B	\$296.6 B	\$7.9 B

532	NatWest Group	\$18.1 B	\$-477 M	\$1,092.9 B	\$33.4 B
547	Willis Towers Watson	\$9.4 B	\$996 M	\$38.5 B	\$31 B
569	RELX	\$9.1 B	\$1.6 B	\$19.3 B	\$51.5 B
611	London Stock Exchange	\$3.1 B	\$539.9 M	\$1,160.7 B	\$49.3 B
627	Ferguson	\$21.2 B	\$1.3 B	\$12.5 B	\$28.9 B
634	SSE	\$8.4 B	\$1.7 B	\$26.3 B	\$21.3 B
718	CNH Industrial	\$26 B	\$-493 M	\$48.7 B	\$21.6 B
727	Coca-Cola European Partners	\$12.1 B	\$577.9 M	\$23.5 B	\$25 B

Source: Forbes (2021)

1.3 Doing Business in the United Kingdom

According to the World Bank's *Doing Business 2020* report, the UK was ranked 8th out of 190 countries monitored in the ease of doing business.

Figure 4: Ease of doing business ranking - United Kingdom, 2020



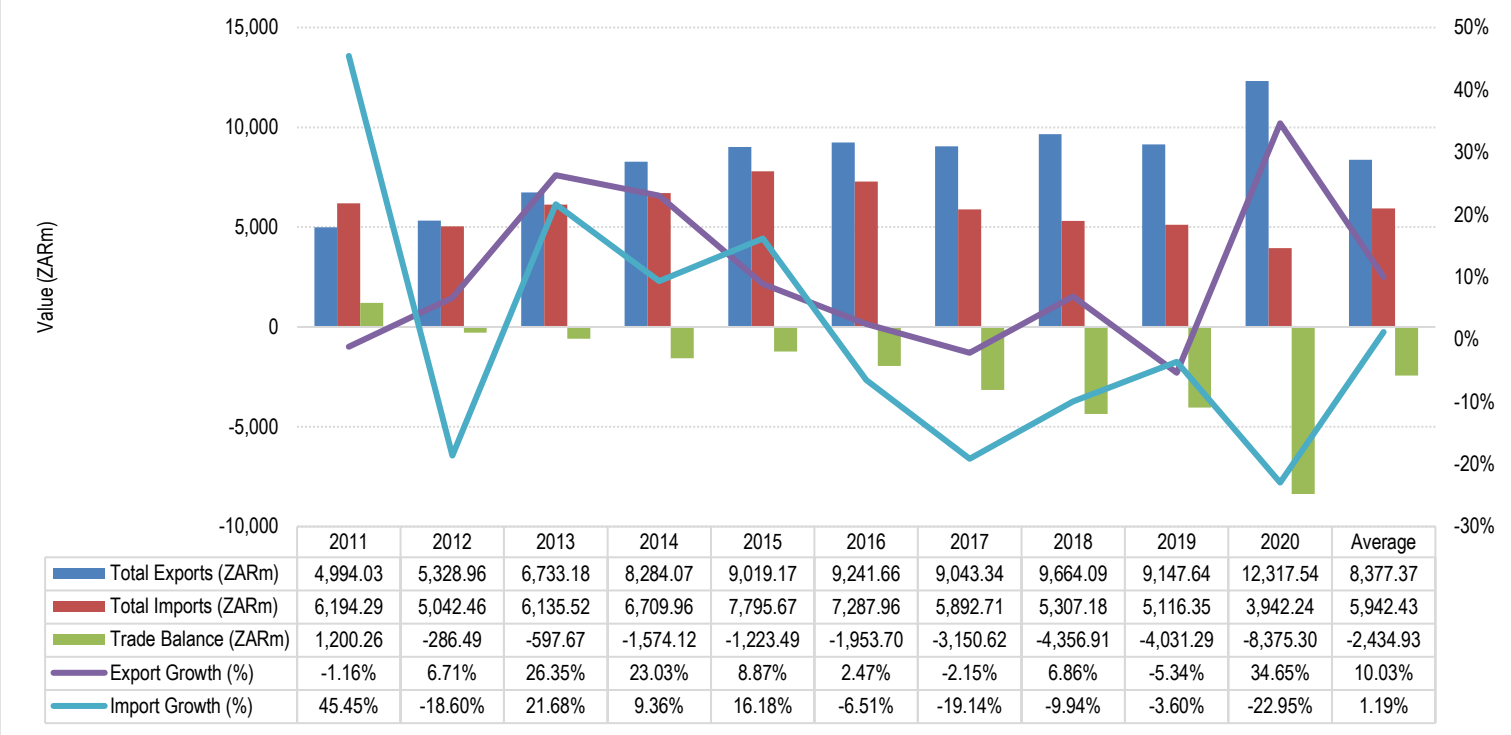
Source: World Bank (2020)

2. BILATERAL TRADE BETWEEN THE WESTERN CAPE AND UNITED KINGDOM

This section analyses the bilateral trade between the United Kingdom and the Western Cape.

The UK was the second largest destination market for the Western Cape's exports in 2020. After a 5.3% decline in 2019, the province's exports to the UK increased by 34.65% in 2020, despite the general slowdown in the level of economic activities globally due to the impact of the Covid-19 pandemic. Conversely, the UK was the Western Cape's 11th largest import market in 2020, with imports from the UK declining from ZAR5.12 billion in 2019 to ZAR3.94 billion in 2020, representing a 22.95% decline.

Figure 5: Bilateral Trade between the Western Cape and the United Kingdom, 2011-2020



Source: Quantec (2021)

The province's total exports to the UK reached a value of ZAR12.32 billion in 2020, with wine representing the largest export at a value of ZAR2.01bn and accounting for 16.34% of total exports to the UK in 2020. Grapes was the second largest export, accounting for 15.96% (or ZAR1.96 billion) of exports, while citrus fruit accounted for the third largest exported product (ZAR1.91 billion or 15.44%) as shown in Figure 6 below. Among the top 10 products the UK purchased from the Western Cape, centrifuges (959.88%); animal or vegetable fats and oils (559.11%); mixtures of nuts and dried fruit (170.71%); and peels of citrus fruits or melons (23.29%) recorded the highest average annual growth rate between 2016 and 2020.

Figure 6: Top 10 products exported from the Western Cape to the United Kingdom, 2020

	Value (ZARm), 2020	Share (%), 2020	Average Annual Growth (%), (2016-2020)
Wine of fresh grapes	2,012.34	16.34	6.38
Grapes, fresh or dried	1,966.18	15.96	7.05
Citrus fruit, fresh or dried	1,901.53	15.44	13.71
Apples, pears and quinces, fresh	1,355.49	11	4.01
Other fruit and nuts; Peel of citrus fruit or melons	983.18	7.98	23.29
Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified	726.32	5.9	559.11
Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	514.31	4.18	1.53
Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases	278.21	2.26	959.88
Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations	251.52	2.04	12.98
Fruit, dried; mixtures of nuts or dried fruits	177.27	1.44	170.71

Source: Quantec (2021)

In turn, approximately a tenth of products imported from the UK by the Western Cape in 2020 were undenatured ethyl alcohol as shown in Figure 7 below. Moreover, flat-rolled products of iron alloy steel (ZAR380.42 million); refined petroleum oils (ZAR299.37 million); and printed books and brochures (ZAR181.82 million) completed the list of the top four Western Cape imports from the UK in 2020.

Figure 7: Top 10 products imported from the United Kingdom to the Western Cape, 2020

	Value (ZARm), 2020	Share (%), 2020	Average Annual Growth (%), (2016-2020)
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.	394.61	10.01	-16.45
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	380.42	9.65	
Petroleum oils and oils obtained from bituminous minerals, other than crude	299.37	7.59	-24.57
Printed books, brochures, leaflets and similar printed matter	181.82	4.61	-9.21
Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data	116.79	2.96	59.01
Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans, molluscs or other aquatic invertebrates, unfit for human consumption; greaves	83.08	2.11	27.09
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems)	80.28	2.04	15.07
Parts of nuclear reactors, boilers, machinery and mechanical appliances	77.05	1.95	161.61
Electric generating sets and rotary converters	74.51	1.89	239.27
Reaction initiators, reaction accelerators and catalytic preparations	67.62	1.72	178.88

Source: Quantec (2021)

3. BILATERAL FDI FLOWS BETWEEN THE WESTERN CAPE AND UNITED KINGDOM

3.1 FDI from the United Kingdom to the Western Cape

Between January 2013 and December 2020, 100 UK companies invested a total of 108 FDI projects into the WC with a total capital investment of ZAR24.65bn. These created 7,217 jobs.

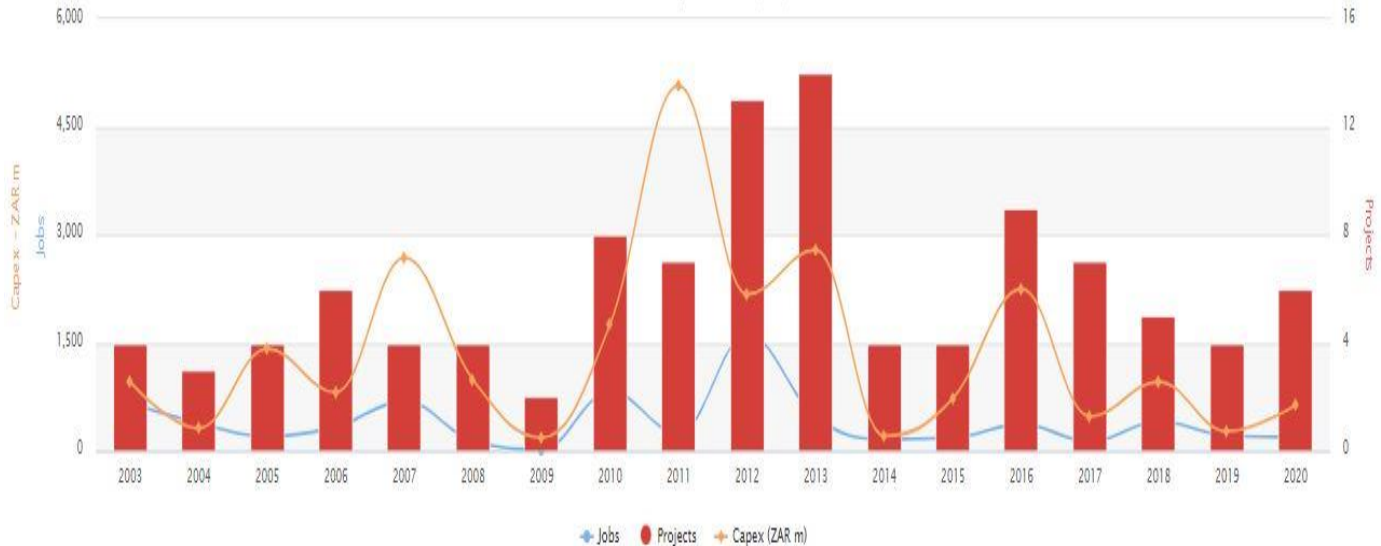
Figure 8: Top 10 products imported from the United Kingdom to the Western Cape, 2020



Source: FDI Markets, 2021

Although there has been a general downward trend in FDI projects over the last five years, in 2020 FDI projects increased to its highest level in three years. Despite the general economic uncertainty and global economic downturn created by the adverse impact of the novel Covid-19 pandemic, six FDI projects were invested into the WC from the UK in 2020, increasing from the four and five projects invested in 2018 and 2019, respectively. These six projects reached a total capex of ZAR634m and created 191 jobs.

Figure 9: FDI from the United Kingdom to the Western Cape, 2013-2020



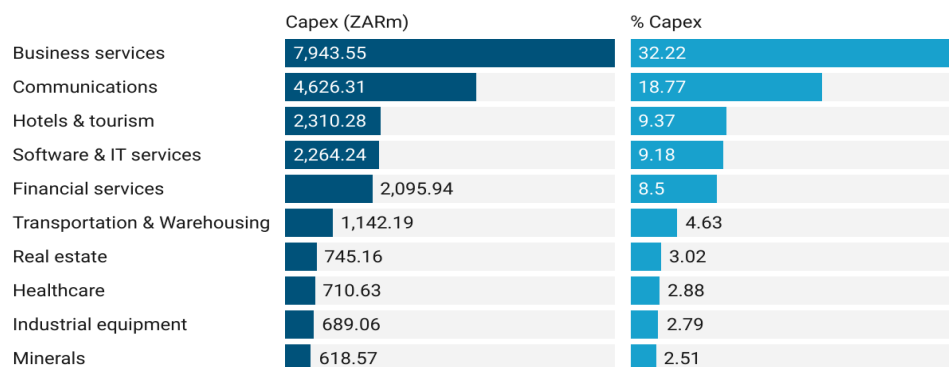
Source: FDI Markets, 2021

The business services industry dominated FDI from the UK into the WC during the 2013-2020 period, accounting for 34.26% of projects (37 projects invested), and 32.22% of capex (ZAR7.94 billion). The software and IT services industry attracted the second largest proportion of projects (23 projects, accounting for 21.3%), while the communications sector attracted the second largest proportion of capex (18.77% or ZAR4.62 billion) as seen in Figure 11.

Figure 10: FDI from the United Kingdom to the Western Cape, top 10 sectors (2013-2020)

	Projects	% Projects
Business services	37	34.26
Software & IT services	23	21.3
Financial services	15	13.89
Industrial equipment	7	6.48
Communications	4	3.7
Transportation & Warehousing	4	3.7
Coal, oil & gas	3	2.78
Real estate	3	2.78
Electronic components	2	1.85
Hotels & tourism	2	1.85

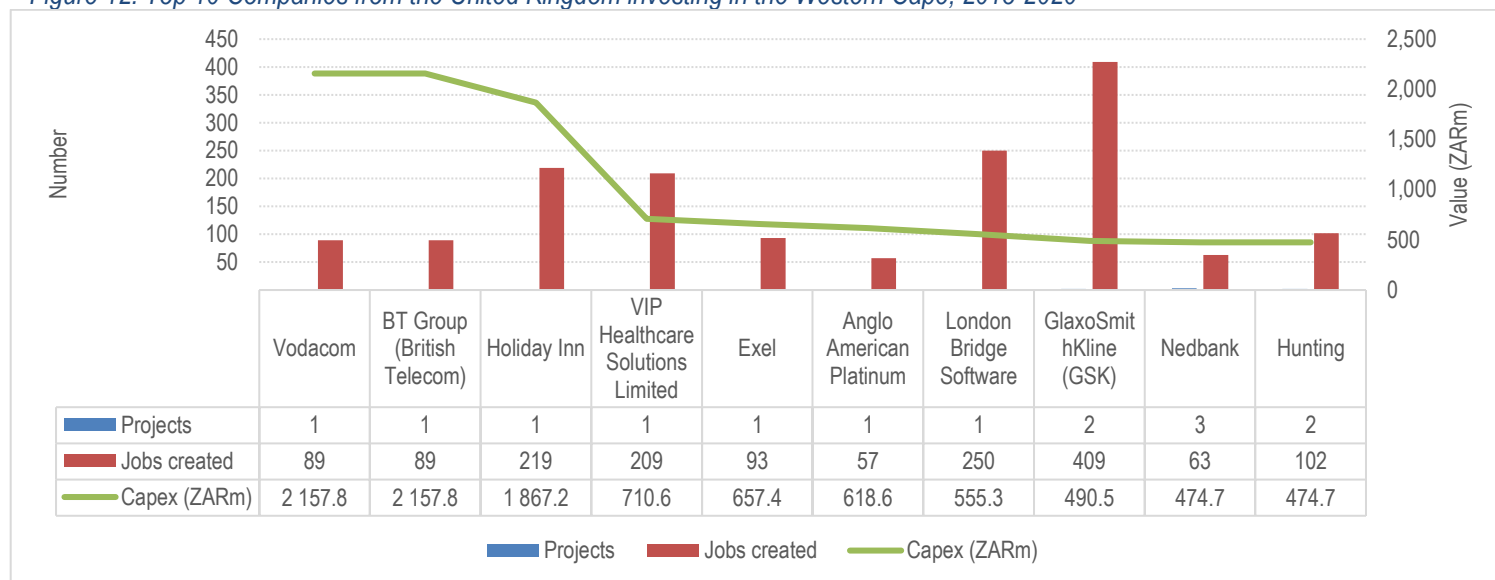
Figure 11: FDI from the United Kingdom to the Western Cape, top 10 sectors (2013-2020)



Source: FDI Markets, 2021

Vodacom (ZAR2.15 billion), BT group (ZAR2.15 billion), Holiday Inn (ZAR1.86 billion) and VIP Healthcare solutions (ZAR710.6 million) were among the top companies with the largest capital investment in FDI projects into the WC over the period 2013 to 2020.

Figure 12: Top 10 Companies from the United Kingdom investing in the Western Cape, 2013-2020



Source: FDI Markets, 2021

3.2 FDI from the Western Cape to the United Kingdom

Between 2013 and 2020, the UK was largest destination market for outward FDI from the Western Cape based on the number of FDI projects, and in terms of capital investment. Overall, 30 companies from the WC invested 36 FDI projects into the UK, reaching a total capex of ZAR14.03 billion and creating 1,619 jobs over the period under review as shown in Figure 13 below:

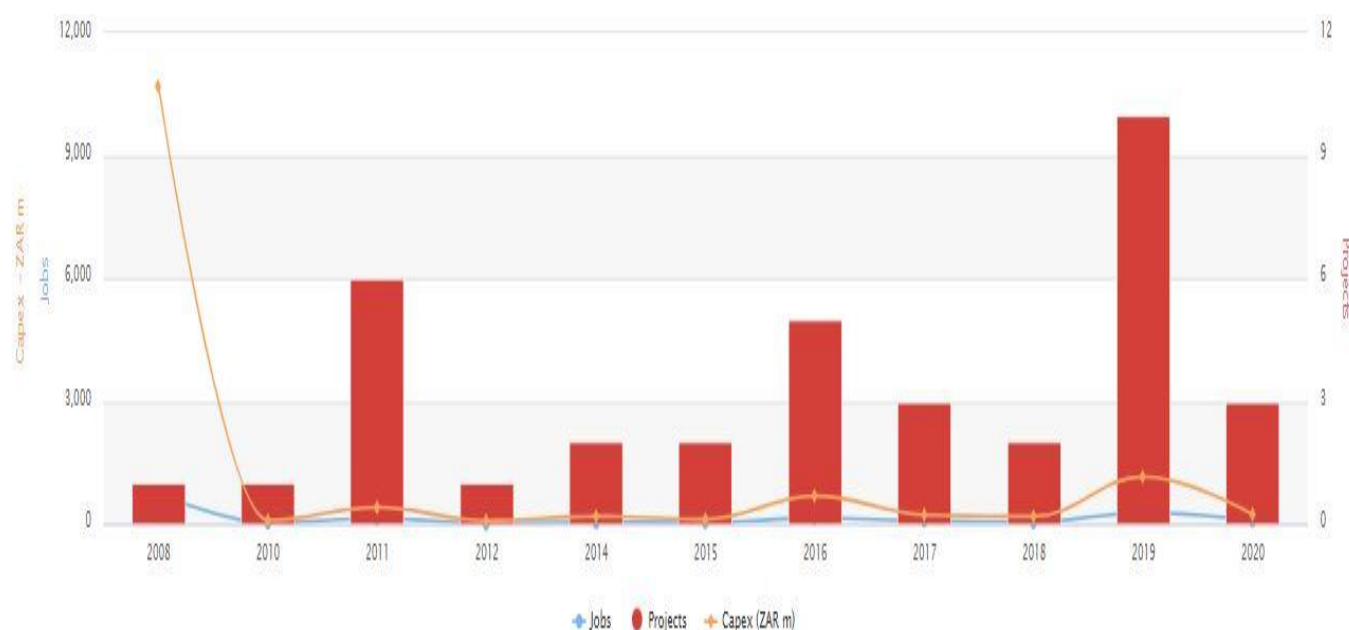
Figure 13: Top 10 Companies from the Western Cape investing into the United Kingdom, 2013-2020



Source: FDI Markets, 2021

The most projects invested into the UK by the WC occurred in 2019, with a total of 10 projects accounting for 27.78% of projects invested over the period 2013 to 2020. In 2020, there were three projects invested into the UK, with a total capex of ZAR16.1m and 77 jobs created.

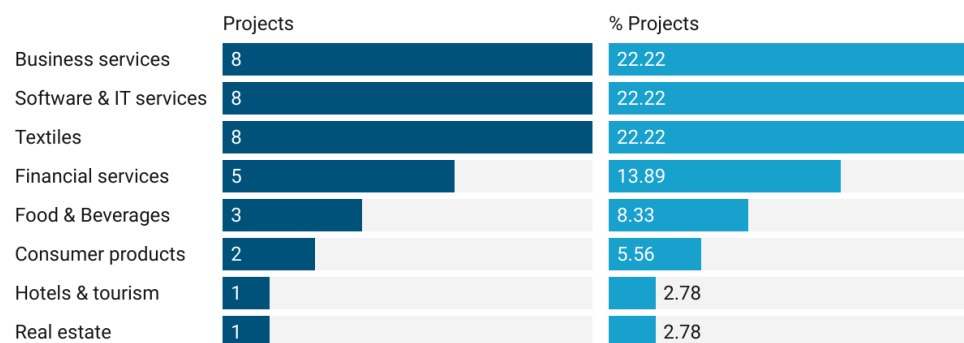
Figure 14: FDI from the Western Cape into the United Kingdom, 2013-2020



Source: FDI Markets, 2021

FDI from the WC to the UK during the 2013-2020 period was concentrated in the business services industry, software and IT services industry, and the textiles industry, which each accounted for 22.22% (8 projects each) of total projects. Based on the amount of capital expenditure, real estate (76.19%); textiles (7.79%); and food and beverages (4.95) were the top three industries

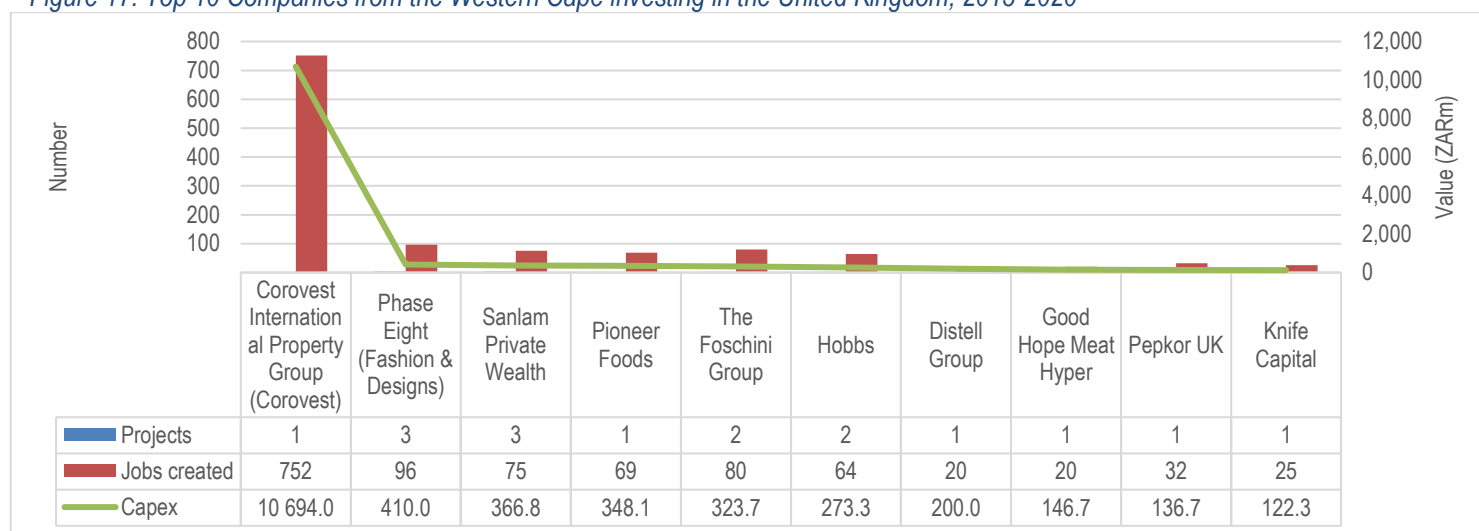
Figure 15: FDI from the Western Cape to the United Kingdom, by sector (2013-2020)



Source: FDI Markets, 2021

Corovest International Property Group (ZAR10.69 billion), Phase Eight (ZAR410 million), Sanlam Private Wealth (ZAR366.8 million) and Pioneer Foods (ZAR348.1 million) were among the top companies with the largest capital investment in FDI projects from the WC into the UK over the period 2013 to 2020 as shown in Figure 17 below:

Figure 17: Top 10 Companies from the Western Cape investing in the United Kingdom, 2013-2020



Source: FDI Markets, 2021

4. TOURISM

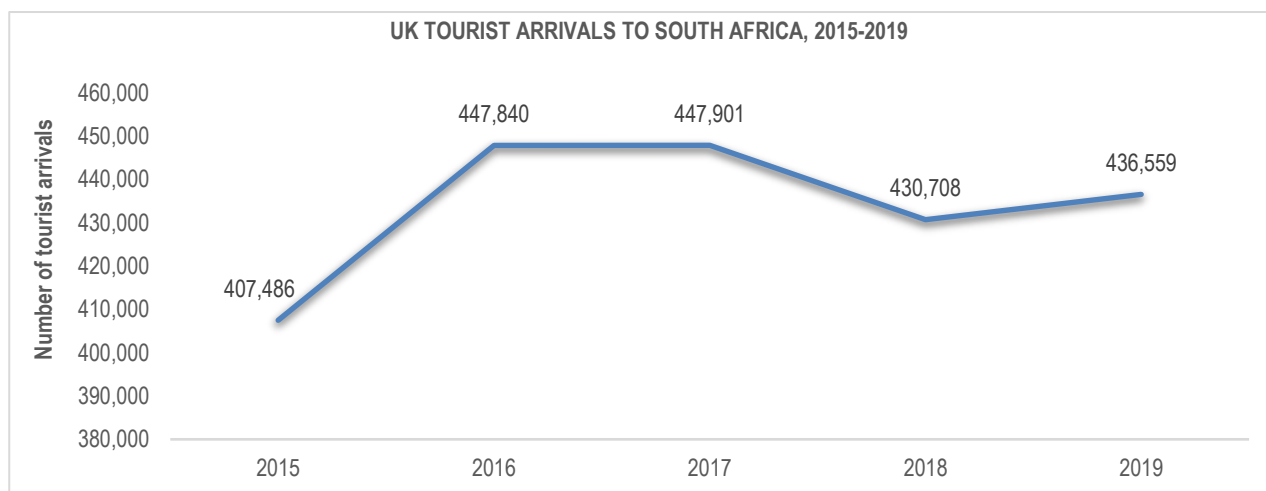
4.1 United Kingdom Traveller Trends

In addition to the overall pause in tourism due to COVID-19, some forms of travel were impacted more strongly than others. Long-haul travel is not likely to recover to 2019 levels before 2024 due to many reasons: social distancing; health concerns about long-haul flights; doubt around travel restrictions in certain countries; as well as economic factors, such as a decline in real GDP or depreciation of the pound sterling against other currencies, will all contribute to an overall drop in intercontinental travel. Hence, UK residents will choose domestic or European destinations for their holidays such as Spain. The unique nature of the pandemic will lead to consumer reluctance when it comes to planning a holiday, which is expected to result in more last-minute bookings.

The need for business travel has been re-evaluated due to the COVID-19 pandemic. Throughout lockdown, most businesses worked remotely, which confirmed how effortless contact can be reached through video conference calls. This insight is anticipated to see the business world go more remote than ever before, with a clear move to online operations. Domestic business travel also plummeted as a result of COVID-19 as most conferences were on hold or shifted to online platforms in 2020.

4.1. UK Visitor Arrivals to South Africa

UK tourists travelling to South Africa are predominantly visiting for the purpose of holiday (51.8%) and visiting family and friends (29.8%). In 2019, the largest share (194,900) of UK tourists to South Africa visited the Western Cape. However, they also enjoyed visiting Gauteng and the Eastern Cape and their overall length of stay in the country was on average 15.2 nights. The UK market to South Africa is mainly between the ages of 25 and 54 years, with 26.5% in the 25 – 34 years category. In 2019, 46.2% of UK travellers to South Africa were first time visitors to the country and 53.8% repeat visitors

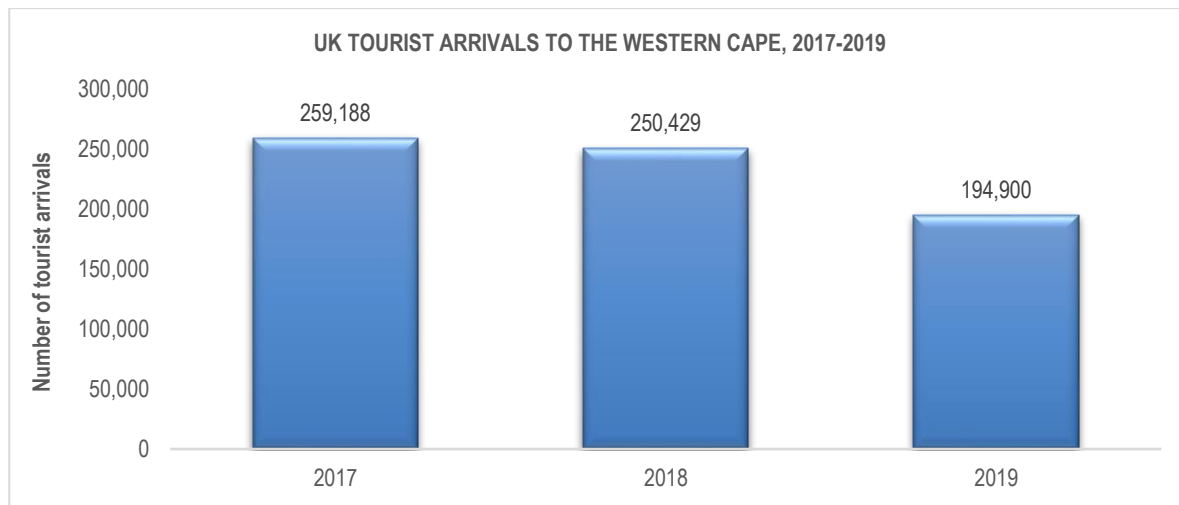


4.2 Activities in South Africa

Shopping, visiting natural attractions, wildlife, beaches, and cultural activities ranked among the top activities undertaken by UK tourists to South Africa. In 2019, the average spend was R24,200 per tourist. The UK market are more likely to stay with family and friends or book hotel accommodation. Many UK tourists also make use of game lodges which is further confirmed by the top 5 activities enjoyed, reflecting wildlife as the third most popular activity undertaken by these travelers.

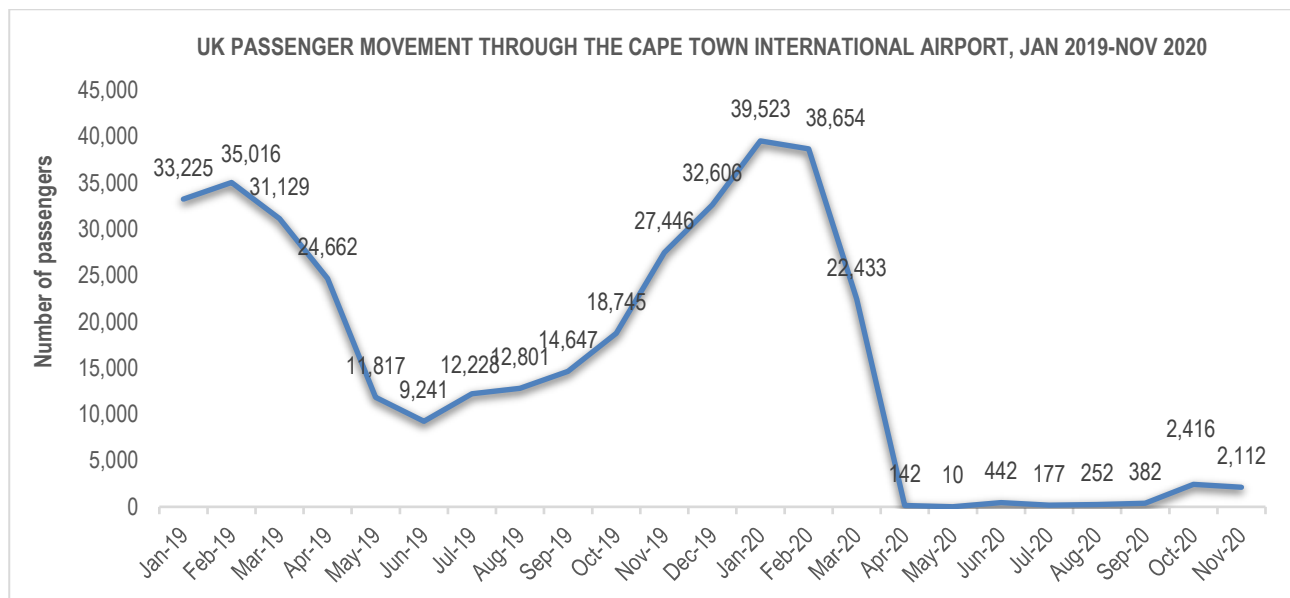
4.3 The United Kingdom traveller to the Western Cape

Tourist arrivals from the UK has been on a downward trend since 2017, decreasing from 259,188 tourists in 2017 to 194,900 tourists in 2019 as shown in the figure below:



4.4 UK Passenger movement through the Cape Town International Airport

During the challenging nationwide lockdown which commenced on the 27th of March 2020, the tourism and hospitality sectors have been the hardest hit throughout Africa. However, the announcement of business continuity brought much hope for the Western Cape. Passenger movement indicated that the number of flights per month at Cape Town International Airport more than doubled since the start of business travel in June 2020, as airlines started to grow the domestic network to Cape Town.



4.5 Key Findings

- In addition to the overall pause in tourism due to COVID-19, some forms of travel were impacted more strongly than others. Long-haul travel is not likely to recover to 2019 levels before 2024 due to many reasons: social distancing; health concerns about long-haul flights; doubt around travel restrictions in certain countries; as well as economic factors, such as a decline in real GDP or depreciation of the pound sterling against other currencies, will all contribute to an overall drop in intercontinental travel.

- Hence, UK residents will choose domestic or European destinations for their holidays such as Spain. The unique nature of the pandemic will lead to consumer reluctance when it comes to planning a holiday, which is expected to result in more last-minute bookings.
- Safety is a particularly important destination feature the British consider when planning their future vacations. Across the 40-60+ age groups safety ranked as the top priority feature. Additional destination features which ranked in the top three positions included relaxation, family-orientated/child friendly and quality of food/dining at the destination.
- According to the July 2019 edition of the United Kingdom Consumer Overview, 46% of survey respondents (over 50% of millennials) prefer to spend their money on experiences, creating lasting memories they can share. This has fueled demand for leisure trips that promise experiences, such as "living like locals" (nearly 20% of 15–44-year-olds want to be immersed in local culture when on holiday), volunteering, spending time in locations off the beaten track.
- Results obtained from the Euromonitor lifestyle survey reflected arts/heritage, nature/outdoor activities and local culture as the top destination features the British travelers would be interested in when travelling. Shopping was a prominent activity amongst the younger age groups between 15 and 39 years.
- Prior to their trip, online travel agencies, hotel sites and airline sites are used throughout the purchasing path. Search engines and family/friend recommendations were used mostly during the initial period of the booking path.
- Trends further indicate that over half of online travel bookers started their purchase journey with multiple destinations in mind. Search engines and online travel agents (OTA's) ranked as the leading initial online starting point for the booking process. OTA's also ranked as the most influential online resource in making their destination decision.
- UK tourists travelling to South Africa are predominantly visiting for the purpose of holiday (51.8%) and visiting family and friends (29.8%). In 2019, the largest share (194,900) of UK tourists to South Africa visited the Western Cape. However, they also enjoyed visiting Gauteng and the Eastern Cape and their overall length of stay in the country is on average 15.2 nights.
- The top airlines operating between UK and Cape Town are London Heathrow, London Gatwick, Manchester, Birmingham and Edinburgh.

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