The Western Cape's Economic Outlook

September 2025

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1. Introduction

After a period of unprecedented shocks which adversely impacted the global economy, signs of stabilisation began to emerge throughout much of 2024. However, the recent changes in the United States' trade policy are causing disruption in global trade, which could reintroduce uncertainty and place renewed strain on the resilience of the world economy. Rapidly intensifying trade disputes; geopolitical tensions; and depleted policy flexibility as well as elevated policy uncertainty, coupled with the lingering effects of the recent cost-of-living crisis, are anticipated to exert considerable pressure on global economic performance and social stability. The surge in uncertainty could undermine both business and consumer confidence, posing a risk to trade flows and investment activity. Being an open economy, the Western Cape is not immune from these global developments.

Moving forward, a clear and coordinated approach is essential. Global growth could be stimulated if trade negotiations result in a reduction in trade tensions and dismantling of tariffs and other barriers. Moreover, rebuilding fiscal capacity and ensuring public debt sustainability remain key priorities. Reinstating fiscal discipline is essential for countries in safeguarding long-term fiscal sustainability and strengthening their capacity to absorb future economic shocks. Simultaneously, addressing domestic policy shortcomings and structural inefficiencies will be key to maintaining internal economic resilience. These actions will help to recalibrate the balance between growth and inflation, and restore fiscal buffers, safeguarding price and financial stability. They will also bring about critical structural reforms.

The Western Cape's Economic Outlook provides a snapshot of key economic indicators reflecting the province's economic performance. The Western Cape has the third largest economy in South Africa in terms of economic output. The provincial economy is supported by a dynamic business services sector, a strong and sophisticated financial industry, a thriving agricultural and agri-processing industry, and a vibrant tourism industry.

This document is organised as follows:

Economy: This provides an overview of the province's economic performance, focusing on key indicators such as gross domestic product (GDP), GDP per capita, gross fixed capital formation (GFCF) and inflation.

Demographics and welfare: This section highlights the Western Cape's population growth and structure, as well as welfare indicators such as the human development index.

Labour market: This part examines the Western Cape's key labour market indicators such as the labour force participation rate, the labour absorption rate and the unemployment rate.


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2. Economy

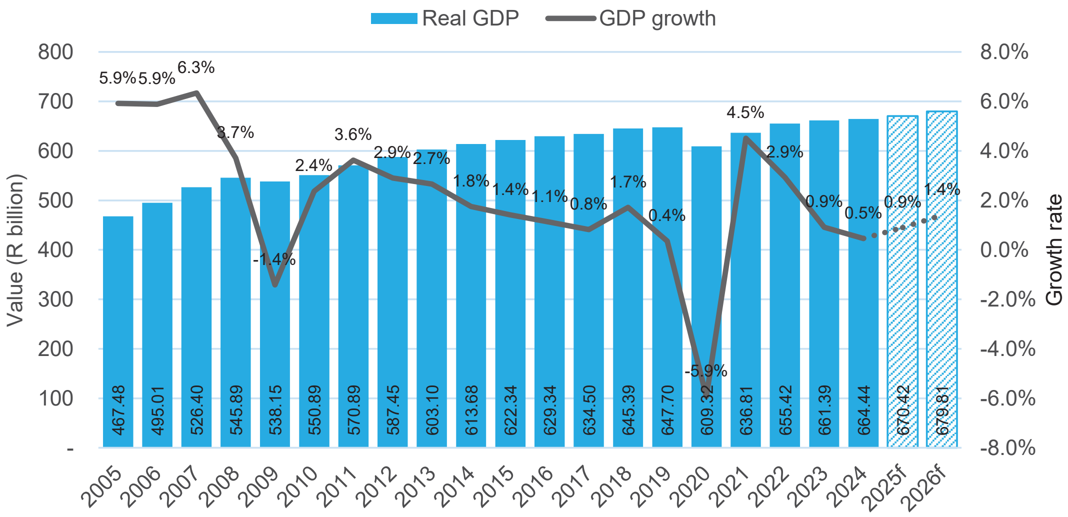
The global economy recorded an economic growth rate of 3.3% in 2024 (International Monetary Fund, 2025). Global economic growth is expected to reach 3.0% in 2025, and to increase slightly to 3.1% in 2026. On the African continent, real GDP growth edged up from 3.0% in 2023 to 3.3% in 2024, supported by robust government expenditure and resilient private consumption. Africa's economic growth is expected to gain momentum, rising to 3.9% in 2025 and strengthening further to 4.0% in 2026 (African Development Bank, 2025).

2.1 Economic output and growth

Figure 1 illustrates the Western Cape's real GDP and real GDP growth between 2005 and 2024. Economic growth peaked at 6.3% in 2007, then fluctuated with notable dips during the 2008–2009 global financial crisis. Real GDP rose consistently from R538.15 billion in 2009 to R651.64 billion in 2019, reflecting a period of steady economic expansion. However, the economy experienced a sharp contraction in 2020 due to the economic impact of COVID-19, with GDP falling to R609.32. The –5.9% growth rate in 2020 marked the deepest decline during the period under review. Real GDP rebounded in 2021, but the pace of recovery has been modest since then. Growth rebounded to 4.5% in 2021 but has since decelerated, as has been the case for the global economy, falling to 0.9% in 2023 and 0.5% in 2024. The province's real GDP reached R664.44 billion in 2024.

In general, the province's economic growth rates have been declining over time. The average annual growth rate (AAGR) over the past decade (2015–2024) was 0.8%, which was significantly lower than the 3.4% AAGR for the previous decade (2005–2014). Targeted reforms in investment, export facilitation and fiscal discipline will be essential for boosting growth. Projected growth rates of 0.9% in 2025 and 1.4% in 2026 suggest a slow but steady recovery. The improved growth outlook for the next two years is primarily attributed to expectations of lower interest rates, a rebound in agricultural output and strong performance in finance, real estate and business services. The province's growth projection mirrors South Africa's growth forecast, which is estimated at 0.9% in 2025 and 1.3% in 2026 (South African Reserve Bank, 2025).

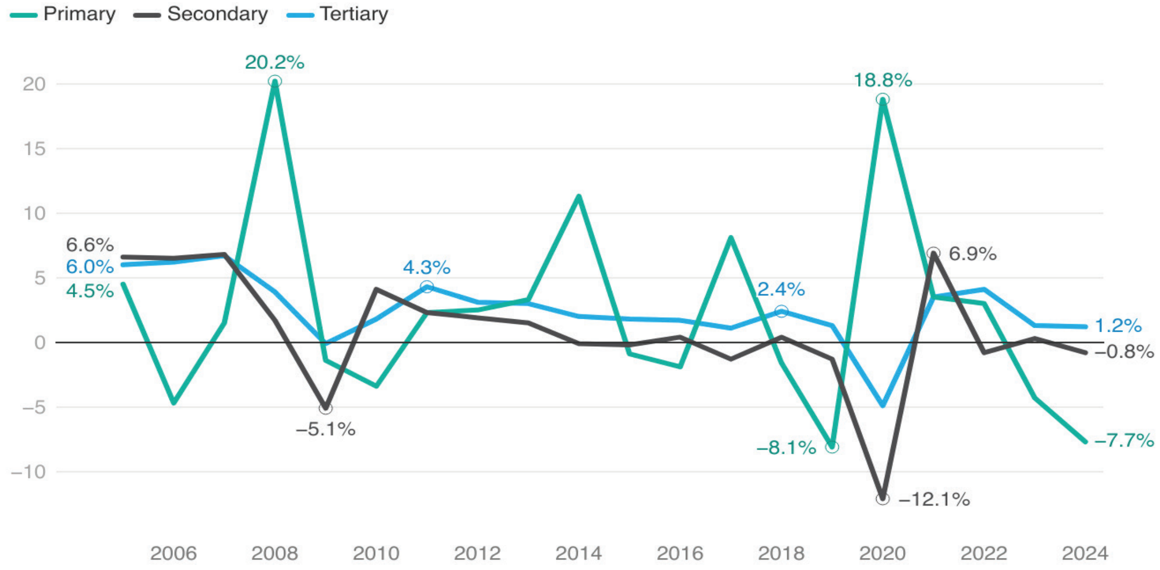
Figure 1: Real GDP and GDP growth, 2005–2026f, Western Cape



Source: (Quantec, 2025); (Western Cape Government, 2025a)

As can be gleaned from Figure 2, all three broad sectors of the economy have had fluctuating growth patterns over the past two decades. However, the tertiary sector experienced only moderate fluctuations, which is an indication of the sector's resilience. On average, the tertiary sector grew by 2.5% per annum between 2005 and 2024, while the primary and secondary sectors recorded AAGRs of 2.3% and 0.9% respectively over the same period. The primary sector's growth peaked at 20.2% in 2008 and again at 18.8% in 2020, driven by a surge in agricultural output. The secondary sector recorded the lowest trough of –12.1% in 2020, driven by significant contractions in the construction and manufacturing industries (reflecting pandemic-related supply chain disruptions). This sector is also more susceptible to weak investment and structural bottlenecks such as loadshedding. The tertiary sector recorded its lowest growth rate in 2020 (likely due to the impact of lockdown and the associated restrictions on consumer mobility), driven by a significant decline in transport and communication as well as in trade, hotels and restaurants. The tertiary sector was the only sector that recorded a positive growth rate in 2024, contributing 0.8 percentage points to the province's economic growth rate. Revitalising investment, especially in manufacturing and services, will be crucial to growth.

Figure 2: Growth rate of GVA by economic sector, 2005–2024, Western Cape

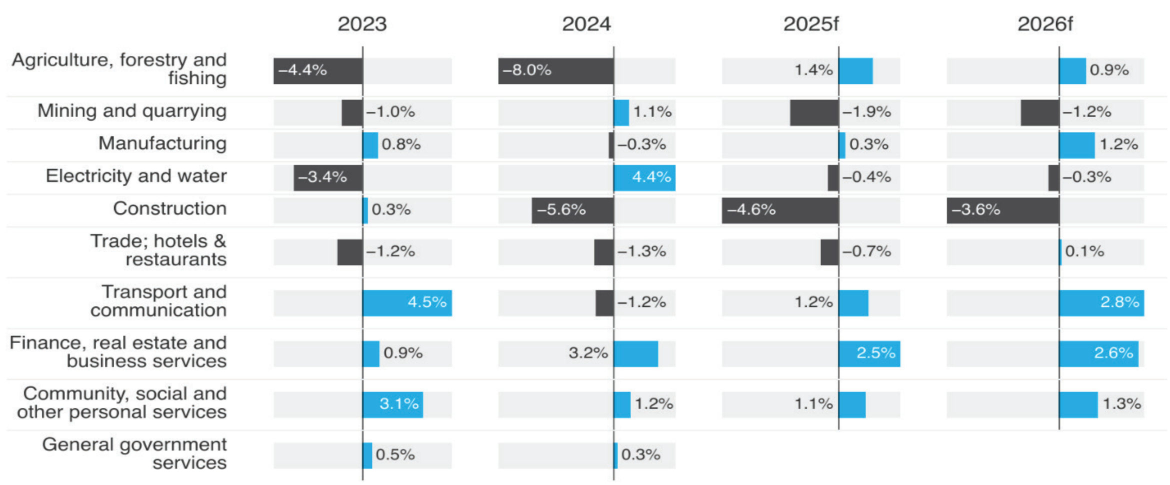


Source: Author's own calculation using data from Quantec (2025)

Figure 3 illustrates the past and future growth rates of GDP (at basic prices) for various industries in the Western Cape. Agriculture, forestry and fishing experienced the largest decline in 2023 (–4.4%) and 2024 (–8.0%). The industry is, however, expected to expand by 1.4% in 2025 and 0.9% in 2026. The forecasted expansion will be underpinned by improved climatic conditions and the scaling up of sustainability measures such as shade-netting and precision farming (Western Cape Government, 2025a). These interventions are expected to enhance productivity and reinforce the industry's competitive edge. Construction contracted by –5.6% in 2024, partly due to a slowdown in construction demand. The industry's negative growth is expected to continue through 2026.

The finance, real estate and business industry as well as the community, social and other personal services industry made positive contributions to growth in 2023 and 2024, and this trend is expected to continue over the next two years. Finance, real estate and business services expanded by 3.2% (making a 0.96 percentage point contribution to the province's economic growth) in 2024. The industry is expected to increase by 2.5% in 2025 and 2.6% in 2026. The community, social and other personal services industry is also expected to increase by 1.1% in 2025 and 1.3% in 2026, after expanding by 3.1% in 2023 and 1.2% in 2024. After contracting by –0.3% in 2024, the manufacturing industry is expected to rebound to 0.3% in 2025 and 1.2% in 2026. The transport and communication industry is also expected to contribute to the slightly more optimistic outlook for 2025 and 2026, with a projected growth of 1.2% and 2.8%.

Figure 3: Growth rates of GVA by industry, 2023–2026f, Western Cape

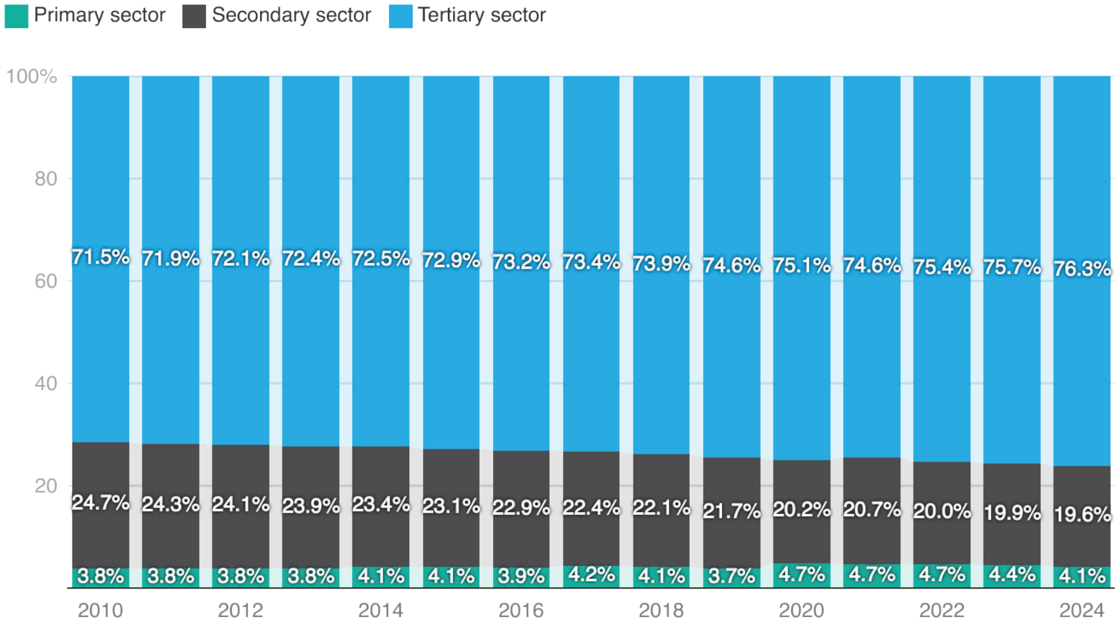


Source: Author's own calculation using data from Quantec (2025); Western Cape Government (2025)

The global economy has undergone a significant structural shift, marked by an expansion of the tertiary sector and a corresponding decline in primary sector activity. The services sector has emerged as the principal driver of economic output and currently accounts for the largest share of global GDP. In the Western Cape, the services sector is responsible for over 70% of gross value added (GVA). Given its relative stability compared to the primary and secondary sectors, the dominance of the tertiary sector enhances the province's economic resilience, improving its capacity to absorb and adapt to external shocks.

As shown in Figure 4, the contribution from services to GVA steadily increased from 71.5% in 2010 to 76.3% in 2024. The consistent growth of the services sector indicates a structural shift toward a service-based economy. Conversely, the contribution from the secondary sector gradually declined from 24.7% in 2010 to 19.6% in 2024, reflecting reduced industrial contribution over time. The share from the primary sector, which is dominated by agriculture, remained relatively constant but low, hovering between 3.8% and 4.7% in 2010–2024. The evolving structure of the Western Cape's economy highlights the growing importance of knowledge-intensive and service-driven sectors, with implications for labour market demand, investment priorities, and policy alignment toward innovation and human capital development.

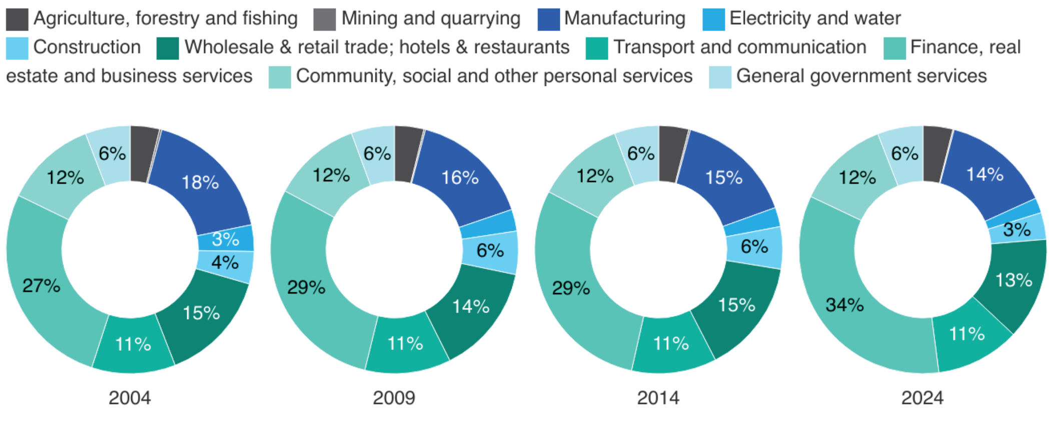
Figure 4: Share of GVA by sector, 2010–2024, Western Cape



Source: Quantec (2025)

Finance, real estate and business services is not only the largest industry in the services sector but is also the largest in the whole economy, as shown in Figure 5. This industry's dominance accelerated from 27% in 2004 to 34% in 2024. At 14%, the manufacturing industry had the second largest share of GVA in 2024. However, the declining share of manufacturing from 18% in 2004 to 14% in 2024 reflects the shift towards a service-based economy. The wholesale and retail trade; hotels and restaurants industry is the third largest industry, with an average GVA share of 14% per annum from 2015 to 2024. Despite its small GVA share (4% in 2024), agriculture is an important source of employment, export earnings and livelihood, and is key to the socio-economic development.

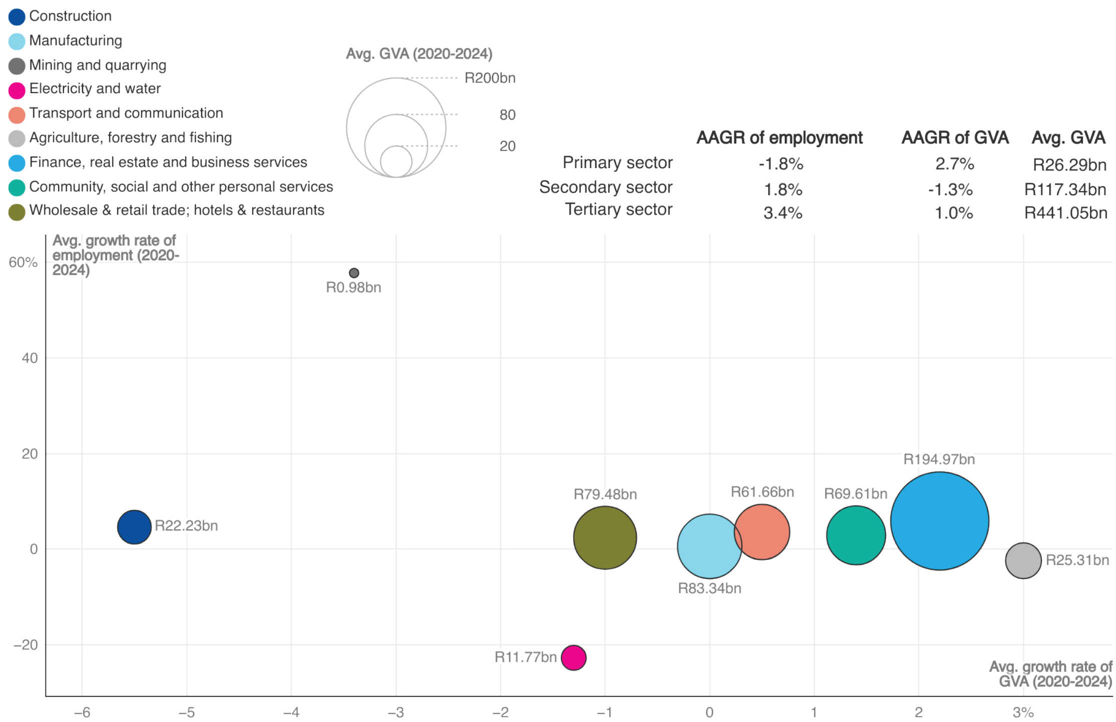
Figure 5: Share of GVA by industry, selected years, Western Cape



Source: Quantec (2025)

As shown in Figure 6, all the industries in the tertiary sector, apart from wholesale and retail trade; hotels and restaurants, experienced a positive AAGR in relation to both GVA and employment. This affirms that the tertiary sector is a key contributor to both economic growth and employment in the Western Cape. Finance, real estate and business services is a high value industry, with the largest average GVA and a relatively strong AAGR in both employment (5.9%) and GVA (2.2%) between 2020 and 2024. Likewise, the community, social and other personal services industry had a substantial average GVA from 2020 to 2024 and recorded a positive five-year AAGR for both employment and GVA. Although the construction industry, and the mining and quarrying industry have had a negative AAGR in GVA in 2022–2023, they have both made a positive contribution to employment. On the other hand, the agriculture industry experienced an average increase of 3.0% in GVA per annum but recorded a negative AAGR (–2.4%) in employment. In terms of the three broad sectors of the economy, the tertiary sector experienced the highest AAGR for employment and a modest positive AAGR for GVA between 2020 and 2024. On average, employment in the primary sector declined by 1.8% yearly from 2020 to 2024, whereas employment in the secondary sector increased by an average rate of 1.8%. The primary sector recorded the highest AAGR for GVA (2.7%), while the secondary sector had the lowest AAGR (–1.3%).

Figure 6: GVA and employment, Western Cape



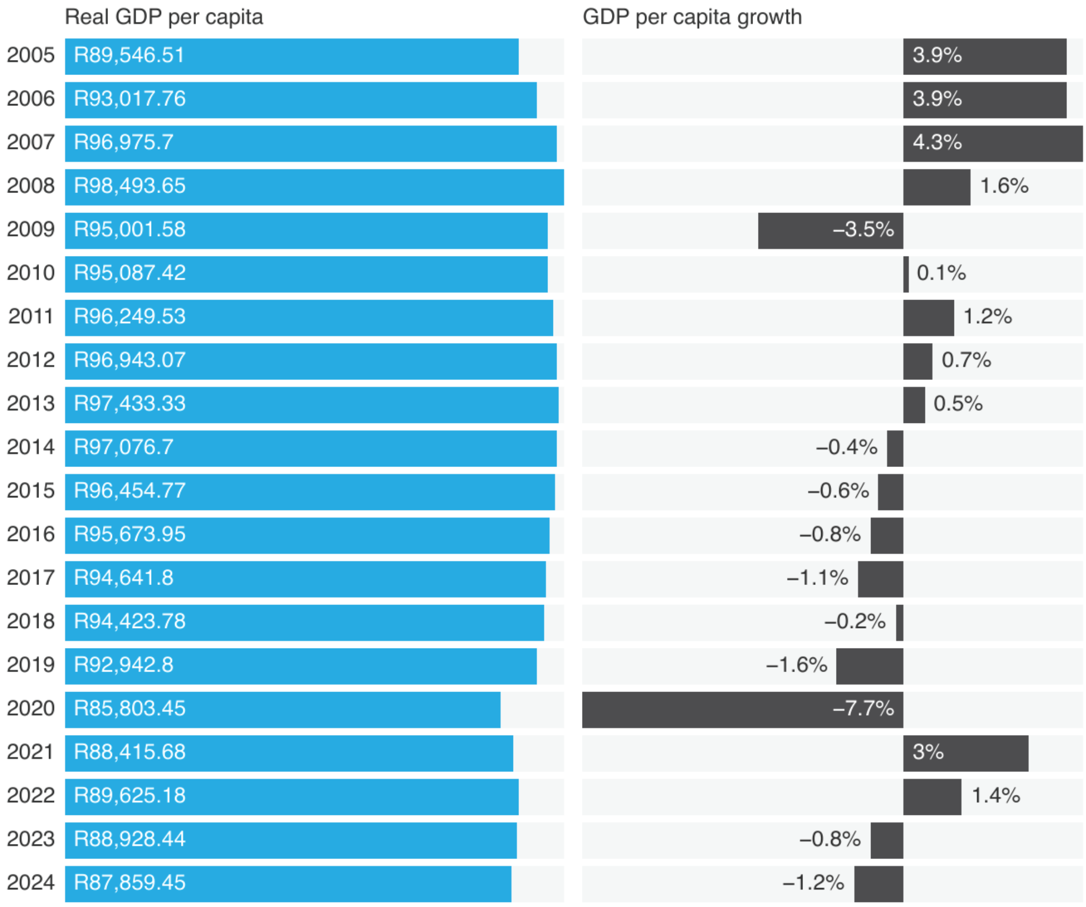
Source: Quantec (2025); Statistic South Arica (2025); Own calculations
Note: The average growth rate of employment is calculated using the employment figures of the last quarter of the respective years.

2.2 GDP per capita

The Western Cape's real GDP per capita, which is a measure of the average standard of living, declined from R89 546.51 in 2005 to R87 859.45 in 2024, as can be seen in Figure 7. Growth in real GDP per capita decreased by –0.8% in 2023 and –1.2% in 2024. The reason for this decline is that the population increased at a higher rate than growth in real GDP. The province's population increased by 1.7% in both 2023 and 2024, while its real GDP increased by 0.9% in 2023 and 0.5% in 2024. Therefore, a sustained and inclusive growth is needed to reverse this trend. The economy must grow at a faster rate than the population to improve per capita GDP.

Despite the observed decline, the Western Cape's real GDP per capita of R87 859.45 (which is equivalent to US$6 890.56) in 2024 was the fourth largest in relation to other Sub-Saharan African countries. Only Seychelles, Mauritius and Botswana had a larger real GDP per capita than the Western Cape. South Africa's real GDP per capita was R5 708.96 in 2024.

Figure 7: Real GDP per capita and GDP per capital growth, 2005–2024, Western Cape



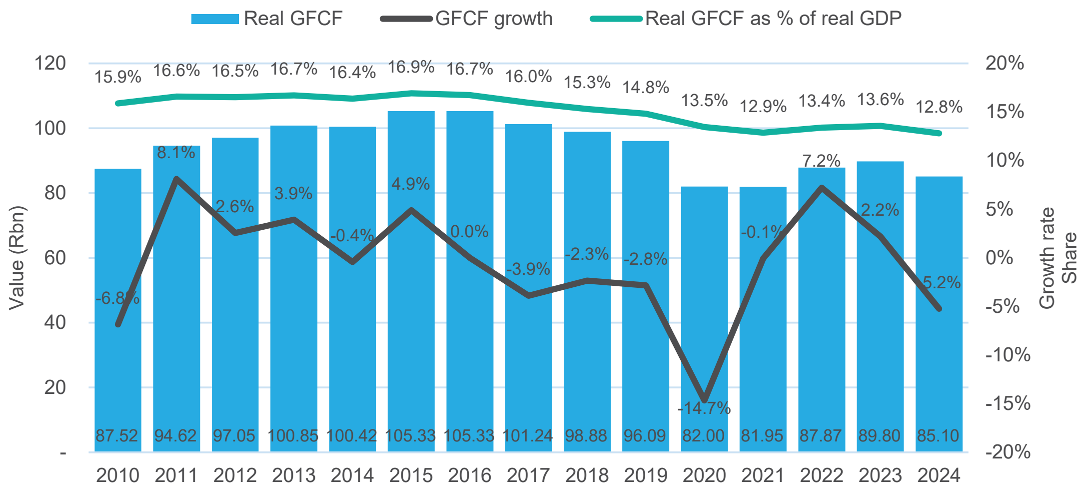
Source: Authors' own calculation using data from Quantec (2025)

2.3 Gross fixed capital formation

The accumulation of physical capital is regarded as one of the main determinants of economic output in any economy in both the theoretical and empirical literature. Investment levels (in real terms) in the Western Cape have remained subdued since 2016, contributing to weaker economic growth. As shown in Figure 8, real GFCF increased from R87.52 billion in 2010 to a peak of around R105.33 billion in 2016, but has been declining since, ending at R85.10 billion in 2024. The ratio of real fixed capital formation to real GDP has been declining since 2015, peaking at 16.9% in 2015, and reaching 12.8% in 2024. This reflects a weakening investment relative to the economy's total output.

GFCF could be stimulated through public-private partnerships. By creating a stable macroeconomic and regulatory environment and providing investment incentives, businesses could be encouraged to invest in physical assets. The Western Cape's Department of Infrastructure's planned budget is R27.9 billion over the medium term, of which R9.85bn is allocated to the 2025/26 financial year (Western Cape Government, 2025b), will go a long way to boosting GFCF in the coming years. This is because investment in public infrastructure, such as energy, transport and digital infrastructure, can drive GFCF.

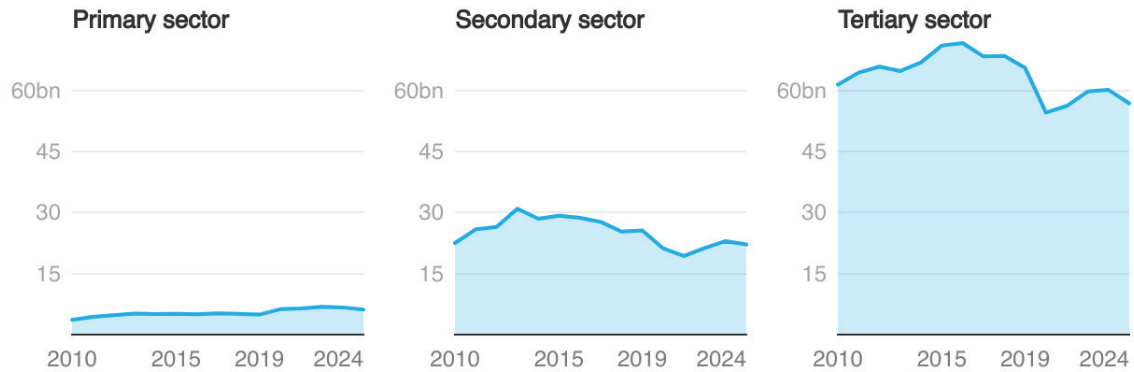
Figure 8: Real GFCF: value, growth and % of GDP, 2010–2024, Western Cape



Source: Quantec (2025); Authors' own calculation using data from Quantec (2025)

The tertiary sector is the main contributor to GFCF in the Western Cape, as shown in Figure 9. This is expected because the tertiary sector accounts for a significant share of the province's economic output. On average, the sector accounted for approximately 67.7% of total GFCF between 2015 and 2024, while the secondary sector and the primary sector accounted for 26.0% and 6.3% respectively. However, GFCF in the primary sector has increased at an average rate of 2.4% per year in the past decade (2015–2024), whereas both the secondary sector and the tertiary sector experienced a decline in GFCF at an average rate of –2.2% and –1.4% respectively in the same period.

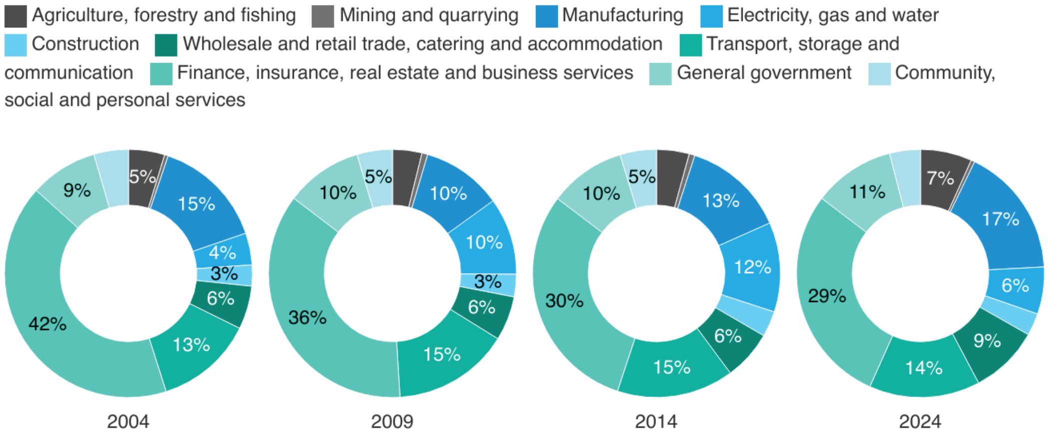
Figure 9: Real GFCF by sector, 2010–2024, Western Cape



Source: Quantec (2025)

As illustrated in Figure 10, the finance, insurance, real estate and business services industry is the largest contributor to the Western Cape's GFCF, but the industry's dominance declined from 42% in 2004 to 29% in 2024. The share from manufacturing, the industry with the second largest contribution to GFCF, increased from 15% in 2004 to 17% in 2024. As the third largest contributor to GFCF, transport, storage and communication had a relatively consistent share: increasing from 13% in 2004 to 14% in 2024. The contributions to GFCF from agriculture and general government increased slightly from 5% and 9% in 2004 to 7% and 11% in 2024.

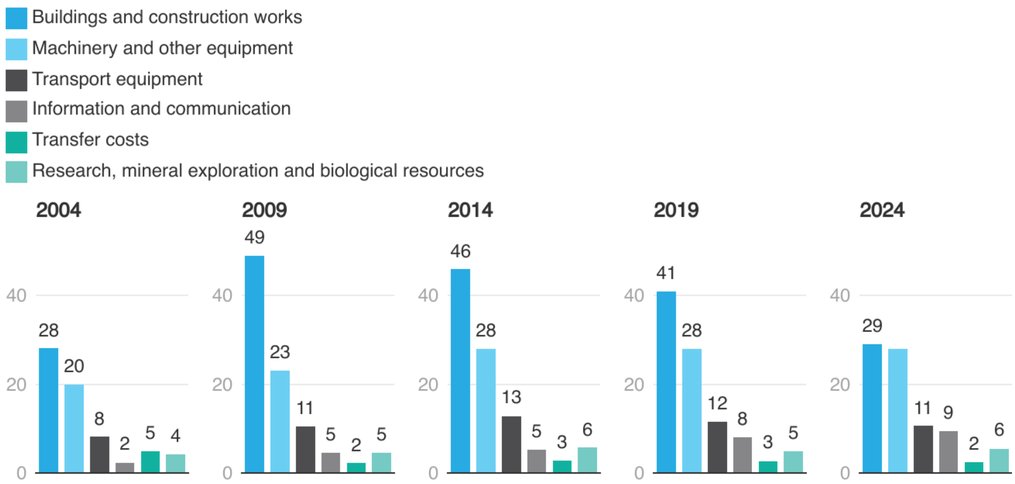
Figure 10: Real GFCF by industry, selected years, Western Cape



Source: Quantec (2025)

Figure 11 shows the Western Cape's GFCF trends in relation to the different asset categories from 2004 to 2024. Buildings and construction works has remained the largest investment asset across all years, peaking at R48.94 billion in 2009, declining to R29.10 billion by 2024. On average, investment in this asset category has decreased by –4.3% per year between 2015 and 2024. On the other hand, machinery and other equipment experienced strong growth, from R20 billion in 2004 to R28.05 billion in 2024, with an AAGR of 0.3% in the past decade. There has been a notable increase in investment in information and communication, which demonstrated an AAGR of 6.5% per year from 2015 to 2024. The rise in investment in this asset category, from R2.32 billion in 2004 to R9.40 billion in 2024, reflects trends relating to digital transformation and the increasing reliance on digital infrastructure.

Figure 11: Real GFCF by asset type (Rbn), selected years, Western Cape



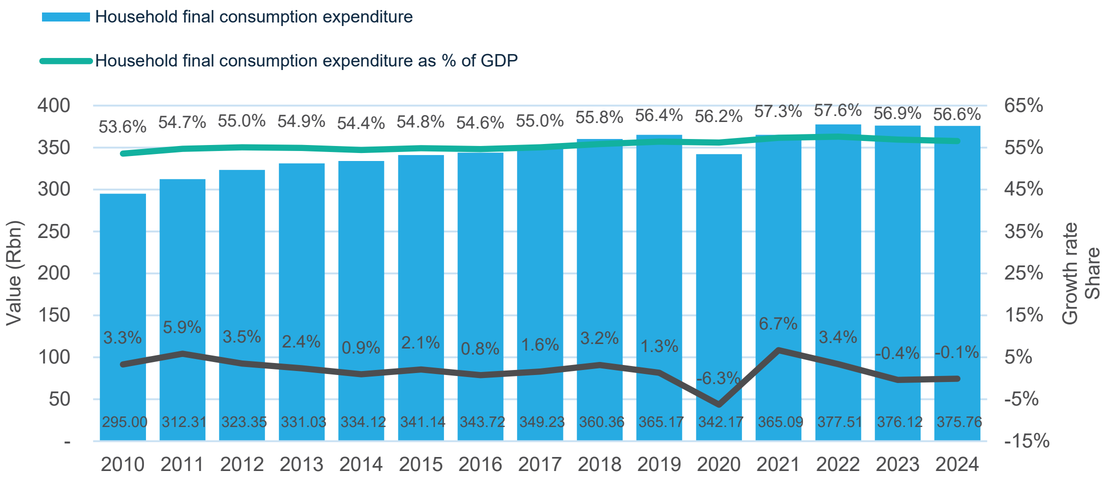
Source: Quantec (2025)

2.4 Household final consumption expenditure

Final consumption expenditure by households accounts for more than half of the Western Cape's GDP, as can be seen in Figure 12. Household consumption rose from R295.00 billion in 2010 to R375.76 billion in 2024, representing an average annual increase of 1.9%. Services, such as rent and transport and communication, account for over 50% of household final consumption expenditure. Non-durable goods (mostly food, beverages and tobacco) constitute the second largest component of household final consumption expenditure.

After recovering by 6.7% in 2021 following the global recession, the growth rate of household consumption expenditure has declined since 2022 underpinned by the recent cost-of-living crisis and its effect on consumer spending. Despite the recent slowdown in growth, household final consumption expenditure remains a key component of gross domestic expenditure. The sustained increase in the ratio of household final consumption expenditure to GDP signifies a consumption-driven economy. This implies that any factor which depresses consumer sentiment or hampers consumers' ability to spend can have an adverse effect on the province's GDP.

Figure 12: Final consumption expenditure by households: value, growth rate and share of GDP, 2010–2024, Western Cape



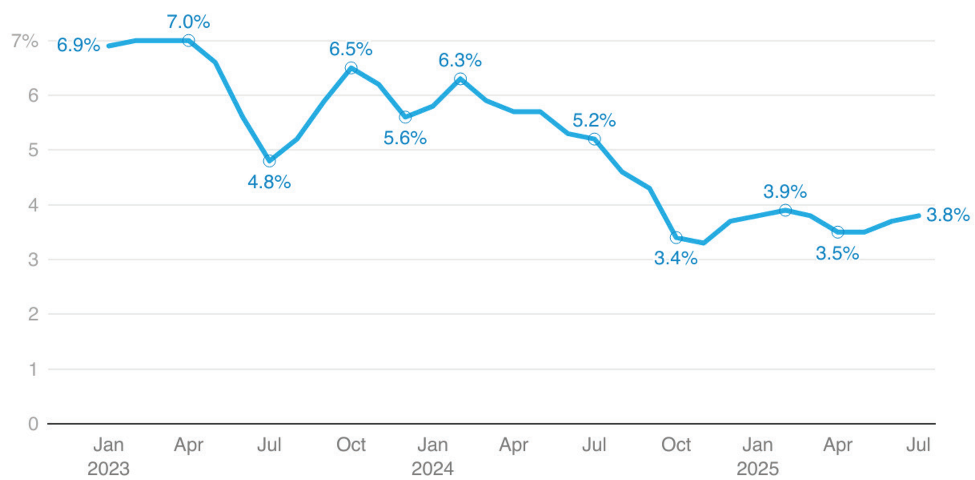
Source: Quantec (2025)

2.5 Inflation

Global headline inflation is projected to ease to 4.2% in 2025, followed by a further decline to 3.6% in 2026 (International Monetary Fund, 2025). South Africa's headline inflation was 2.8% during the second quarter of 2025, which is 2.3 percentage points lower than the rate recorded during same quarter of the previous year. Headline inflation is, however, expected to rise to 3.6% in third quarter and 3.7% during the fourth quarter (South African Reserve Bank, 2025).

Figure 13 illustrates that annual headline inflation in the Western Cape increased slightly in July 2025 to 3.8%, up from 3.7% during the previous month. The inflation rate in July 2025 was 1.4 percentage points lower compared to that of July 2024. Some of the key contributors to the 3.8% annual inflation rate were food and non-alcoholic beverages (6.3%) and housing and utilities (5.0%).

Figure 13: Inflation rate in the Western Cape, Jan 2023–Jul 2025



Source: Quantec (2025)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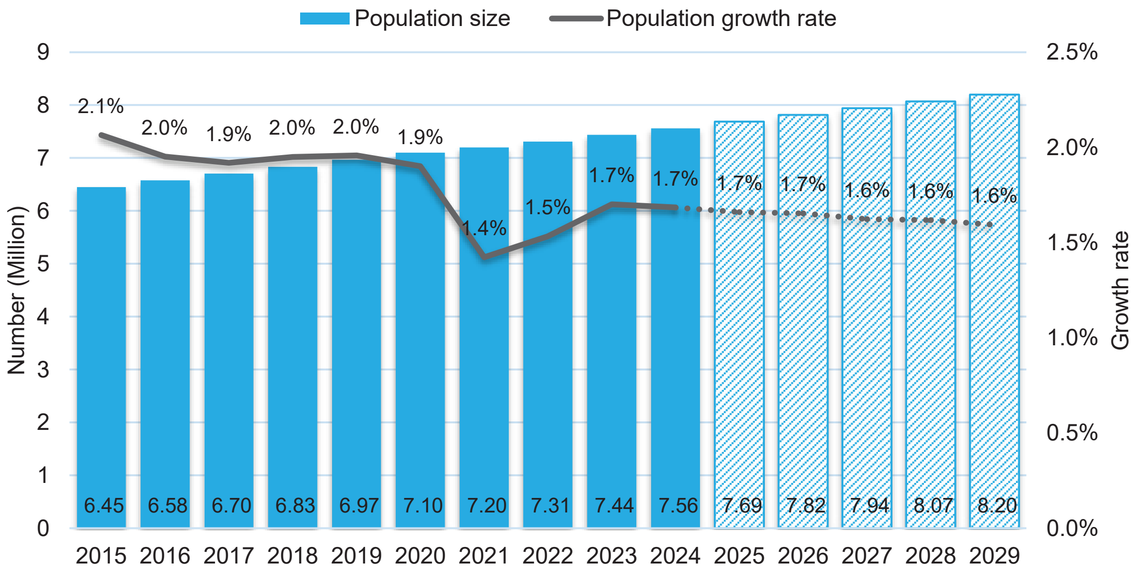
3. Population and welfare

It is expected that countries will face mounting challenges driven by dramatic demographic shifts throughout this century. Global population growth, which stood at 1.1% annually prior to the Covid-19 pandemic, is projected to decline sharply in coming years, approaching zero by 2080 (International Monetary Fund, 2025). As of 2024, the world's population was projected to reach approximately 8.14 billion (World Bank, 2025). Between 2020 and the end of the century, the global average age is projected to rise by 11 years (International Monetary Fund, 2025). This can be attributed to a continuous decline in fertility rates and a rise in life expectancy. The average global life expectancy at birth was estimated at 73.3 years in 2023, which is approximately five years longer compared to the life expectancy two decades ago. This section examines the Western Cape's population size and structure as well as select welfare indicators.

3.1 Population size and structure

The Western Cape's population, which was estimated at 7.56 million in 2024, has been increasing at an average yearly rate of 1.8% in the past decade (2015–2024). It is estimated that the province's population will increase at approximately 1.6% per year over the next five years to reach 8.20 million by 2029, as shown in Figure 14. Population growth outpaced GDP growth in 2023 and 2024, which could lead to a decline in per capita income and a strain on public services, such as education and healthcare. It is therefore important to have the right policy to address youth employment needs, ensure the provision of adequate urban infrastructure and deal with the expanding demand for public services, particularly education and healthcare.

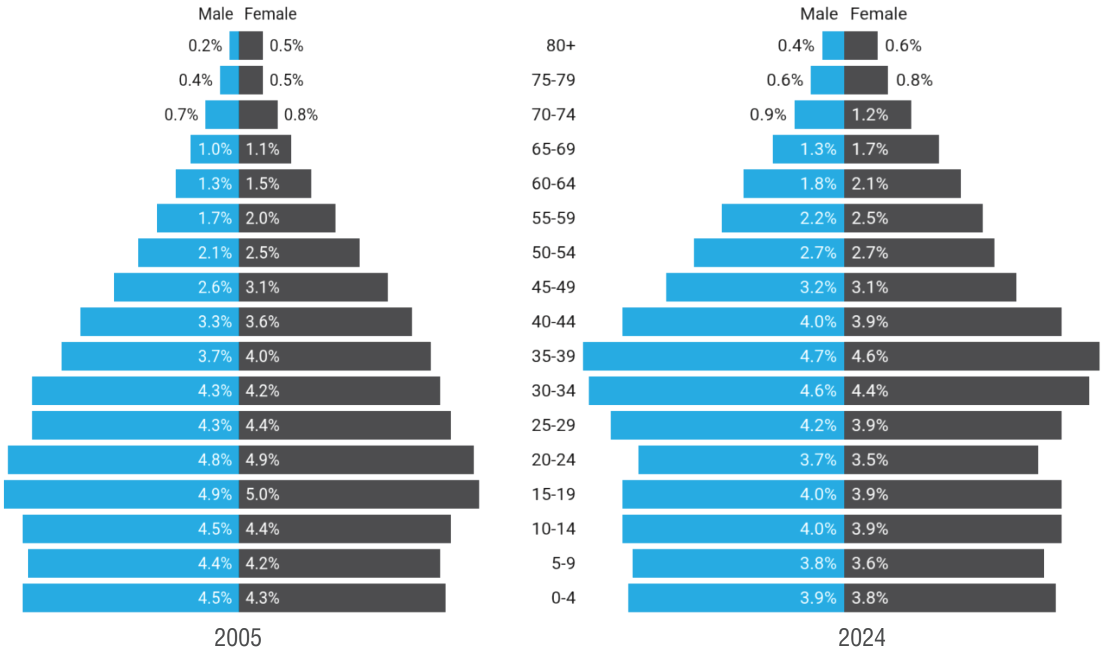
Figure 14: Population size and growth rate in the Western Cape, 2015–2029



Source: Quantec (2025)

The Western Cape has a relatively young population, 55.0% of whom were 34 years old and below in 2024. The working-age population accounted for 69.5% of the population in 2024. The female share is slightly higher than the male share, especially in older cohorts. This highlights typical patterns of slightly longer female life expectancy. The age structure of the province's population has also shifted slightly during the last two decades, as shown in Figure 15. In 2005, the youth (aged 15 to 34) accounted for 36.7% of the province's population, while the youth's share of the total population dropped to 32.1% in 2024. During the same period, the share of the working-age population (15 to 64 years) and the elderly (60 years and above) increased to 69.5% (from 68.4%) and 11.4% (from 8.1%) respectively. Conversely, the share of children (up to 14 years old) decreased from 26.3% in 2005 to 22.9% in 2024. As a result, the province's age dependency ratio increased from 8.3% in 2005 to 11.6% in 2024, while child dependency ratio decreased from 36.7% to 32.9% across the same period. Moreover, in 2005, the largest proportion of the population was found to be those between the ages of 15 to 24 years, whereas 30- to 39-year-olds accounted for the largest share of the population in 2024. This is an indication of a youthful but growing population. The high proportion of the working-age population means the province has a very productive population.

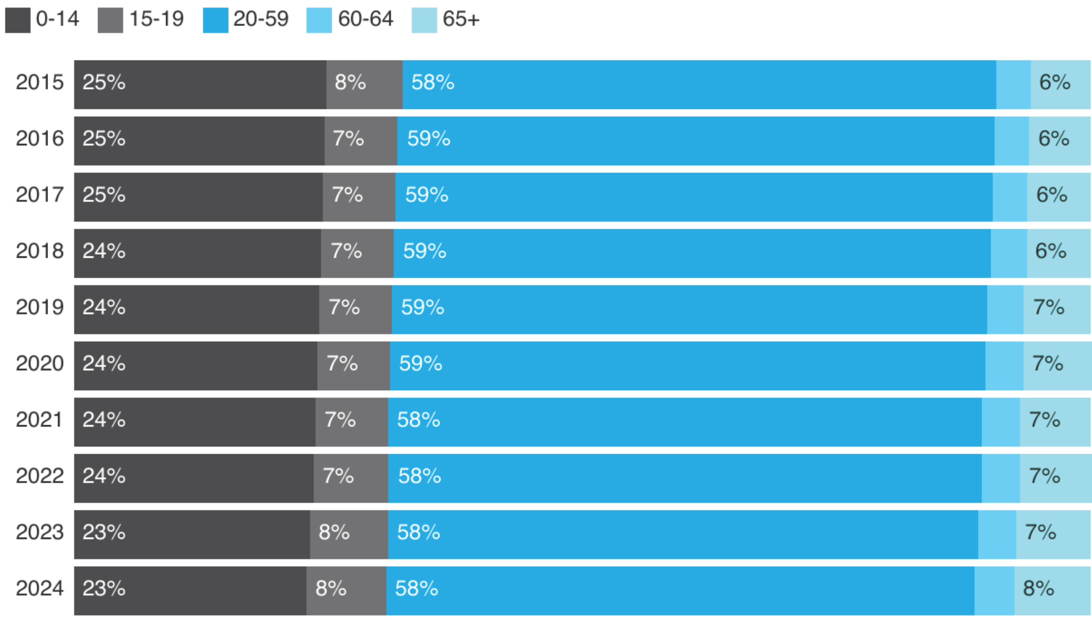
Figure 15: Population pyramid (% of total), 2005 and 2024, Western Cape



Source: Quantec (2025)

Figure 16 presents the age structure of the Western Cape's population from 2015 to 2024. The majority of the population fell between the ages of 20 to 59 years old, which has mostly remained constant (hovering between 58% and 59%) from 2015 to 2024. The significant share of the productive working-age population could play a role in increasing economic output and driving growth. On the other hand, the proportion of the population aged between 0 to 14 years old decreased from 25% in 2015 to 23% in 2024, whereas the share of those aged 65 and over increased from 6% to 8% during the same period.

Figure 16: Population age structure, Western Cape, 2015–2024

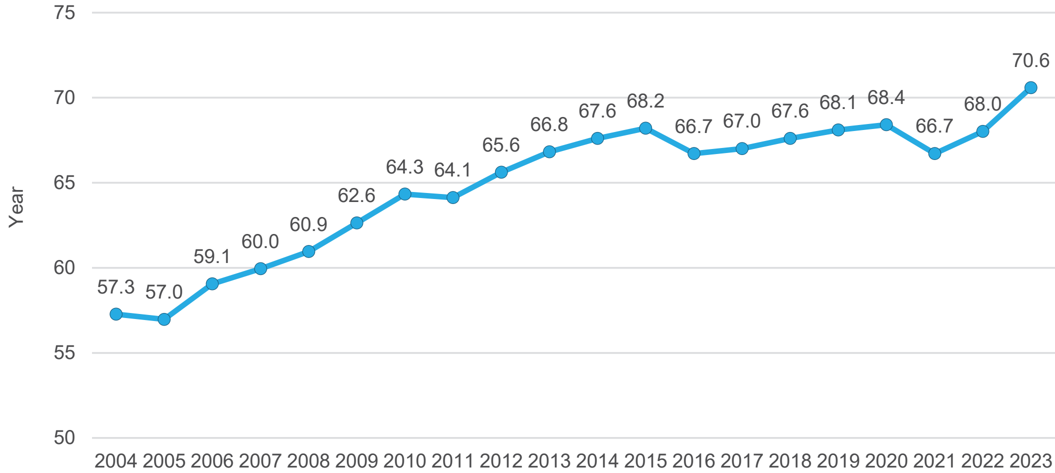


Source: Quantec (2025)

Life expectancy at birth refers to the estimated average number of years a newborn is projected to live, provided that current age-specific mortality rates remain unchanged throughout their life. Figure 17 illustrates a significant rise in life expectancy at birth in the Western Cape between 2004 and 2023. In 2023, the average life expectancy at birth in the province was 70.6 years, which is about 13 years longer compared to the life expectancy in 2004. The province's life expectancy of 70.6 was also higher than the average for Sub-Saharan Africa which was 62.6 years. This upward trend indicates improvements in public health, broader access to healthcare, and enhanced living conditions in the province. It also suggests an improvement in the overall quality of life.

3.2 Life expectancy and the human development index

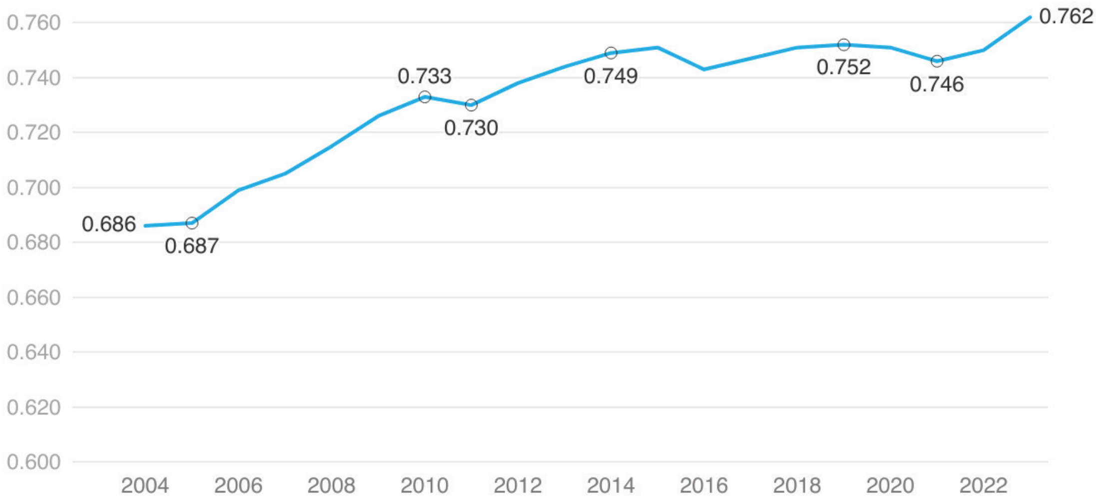
Figure 17: Life expectancy at birth, 2004–2023, Western Cape



Source: Quantec (2025)

The human development index (HDI) provides a summary snapshot of a country's/region's progress in essential aspects of human development, health, education, and the standard of living. Figure 18 shows an upward trajectory in the HDI in the Western Cape between 2004 and 2023, with the HDI increasing from 0.686 in 2004 to 0.762 in 2023. This indicates a steady improvement in the province's human development over this period, pointing to progress in aspects like life expectancy, education, and income.

Figure 18: HDI, Western Cape, 2004–2023



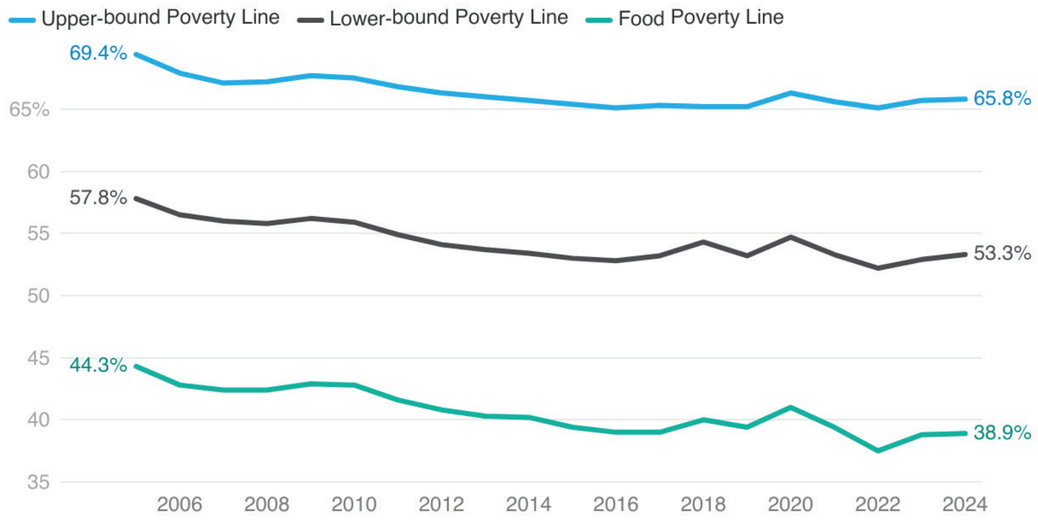
Source: Quantec (2025)

3.3 Poverty and inequality

This section examines poverty by looking at the proportion of the population living below the national poverty line[1], and inequality as measured by the Gini ratio. Poverty refers to the inability to achieve a basic standard of living, which includes essential needs such as food, shelter, and healthcare. Income inequality refers to the extent to which income is unevenly distributed among individuals or households.

Poverty and income inequality remain a challenge in South Africa despite targeted interventions to address them. Although poverty levels have dropped over the past two decades, they still remain high. As shown in Figure 19, approximately 65.8% of the population in the Western Cape lived below the upper-bound poverty line (R2 027 per capita per month) in 2024. Some 53.3% and 38.9% of the population lived below the lower-bound poverty line (R1 236 per capita per month) and the food poverty line (R737 per capita per month) respectively. Stronger economic inclusion and job-rich growth are essential to shift poverty trends. Therefore, poverty alleviation policy should focus on inclusive economic growth, job creation, and education access.

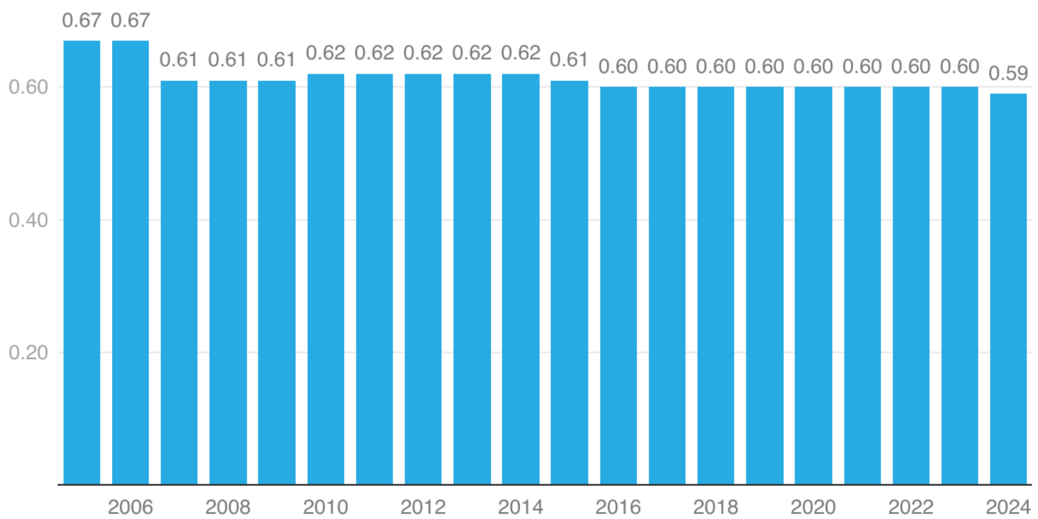
Figure 19: Percentage of population living below the poverty line, Western Cape, 2005–2024



Source: Quantec (2025)

A Gini coefficient is a commonly used measure of income inequality. The Gini ratio equals 0 when there is perfect equality, and it equals 1 when there is perfect inequality. Between 2005 and 2024, the Gini coefficient for the Western Cape marginally decreased from 0.67 to 0.59, as can be seen in Figure 20. A Gini coefficient of 0.59 in 2024 still indicates high inequality. This highlights the importance of implementing economic policies that are more inclusive and developing social programmes specifically designed to reduce the widening gap in wealth and income.

Figure 20: Gini coefficient, Western Cape, 2005–2024



Source: Quantec (2025)

1 The national poverty line of a country is generally defined as a monetary benchmark below which an individual's basic needs cannot be fulfilled, considering the country's specific economic and social context.

4. Labour market

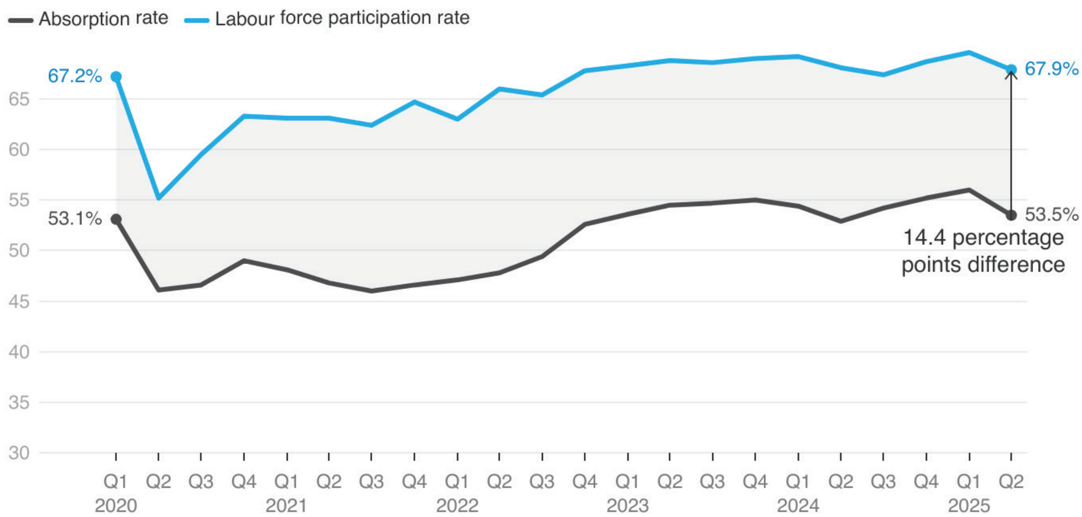
This section examines key labour statistics in the Western Cape, covering the labour force participation rate, labour absorption, unemployment rates, and the breakdown of employment across different sectors of the economy. It captures essential workforce indicators within the province.

4.1 Labour force participation rate and absorption rate

The labour force participation rate represents the percentage of the working-age population that is either employed or actively seeking employment, indicating the size of the workforce available for productive use. The labour absorption rate, on the other hand, measures the percentage of people within the working-age population who are employed, reflecting an economy's ability to create jobs.

Figure 21 shows the trends in the labour force participation rate and the labour absorption rate for the Western Cape from 2020Q1 to 2025Q2. After falling to 55.2% in the second quarter of 2020 due to the impact of Covid-19, the labour force participation rate has been rising gradually, reaching 67.9% in the second quarter of 2025. Although the rate decreased by 1.7 percentage points in 2025Q2 compared to the previous quarter, it was slightly higher than the pre-pandemic level of 67.2% in 2020Q1. The steady rise in the labour force participation rate implies improved involvement of the working-age population in economic activities, either through employment or active job search. The labour absorption rate of 53.5% in 202Q2 was 14.4 percentage points lower than the labour force participation rate, which is an indication that labour demand (jobs) lags behind labour supply (people willing to work). Moreover, the gap between the labour force participation rate and the absorption rate has remained consistent over time, which could indicate that unemployment is structural.

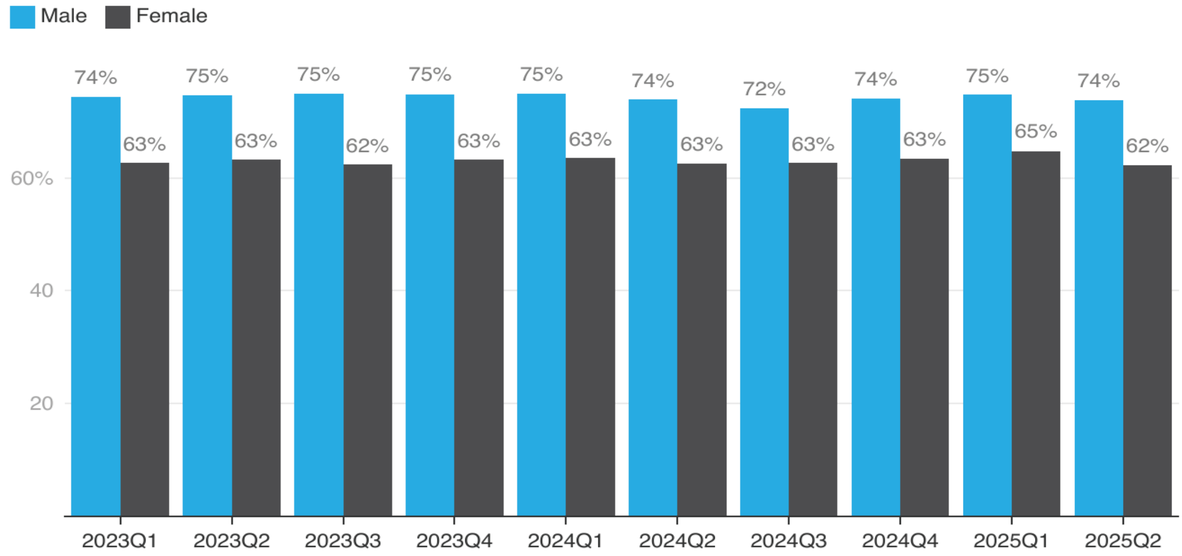
Figure 21: Labour force participation rate and absorption rate, 2020Q1–2025Q2, Western Cape



Source: Statistics South Africa (2025) and Quantec (2025)

The labour force participation in the Western Cape exhibits gender disparities, with male participation consistently higher than female participation (Figure 22). While the male labour force participation rate fluctuated between 72% and 74% in 2023Q1–2025Q2, the female labour force participation ranged between 62% and 65% during the same period. The gender gap in labour force participation remained persistent throughout the period under consideration, moving between 10 and 15 percentage points. The lower female labour force participation rate, relative to that of men, could be explained by factors such as caregiving responsibilities and employment discrimination.

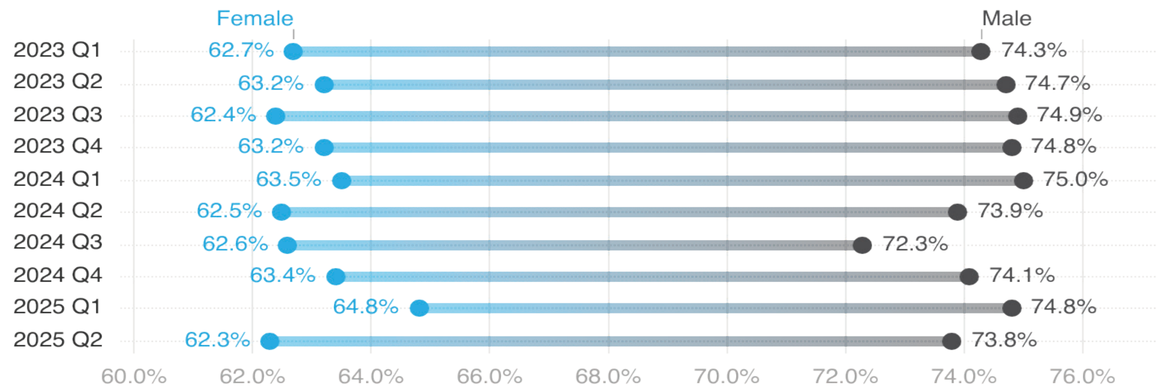
Figure 22: Labour force participation rate by gender, 2023Q1–2024Q2, Western Cape



Source: Quantec (2025)

Similar to the labour force participation rate, the male labour absorption rate in the Western Cape is higher than that of females, as shown in Figure 23. The gap ranged between 10 to 12 percentage points in 2023Q1–2025Q2. Measures such as providing support for women in traditionally male-dominated industries and enhancing childcare and maternity leave policies to support working mothers could help to narrow the gender gap pertaining to labour absorption rate.

Figure 23: Labour absorption rate by gender, 2023Q1–2025Q2, Western Cape



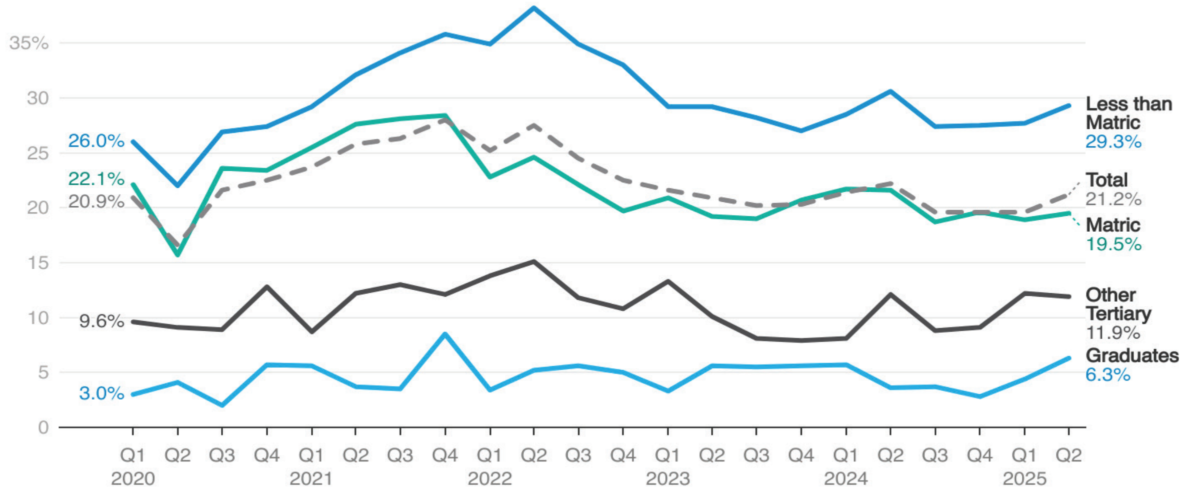
Source: Quantec (2025)

4.2 Unemployment rate

The unemployment rate serves as an indicator of labour underutilisation, highlighting an economy's failure to provide jobs for individuals who are willing, available, and actively looking for work. It is calculated by expressing the number of unemployed individuals as a percentage of the labour force.

Figure 24 presents the unemployment trends in the Western Cape between 2020Q1 and 2025Q2. The unemployment rate was 21.2% during the second quarter of 2025, which is 1.6 percentage points higher than the rate for the previous quarter. However, it is 1.1 percentage points lower when compared to the rate during the second quarter of the previous year. Graduates had the lowest unemployment rate, whereas the highest unemployment rate was among individuals with qualifications lower than a matric certificate, indicating that there is an inverse relationship between the level of education and unemployment. While graduate unemployment rate was 6.3% in 2025Q2, the rate for those without a matric certificate stood at 29.3% over the same period. This suggests that skills development increases access to jobs and reduces the risk of unemployment. Therefore, policies that target improvements in education access, especially the completion of tertiary education, could help lower the province's unemployment rate.

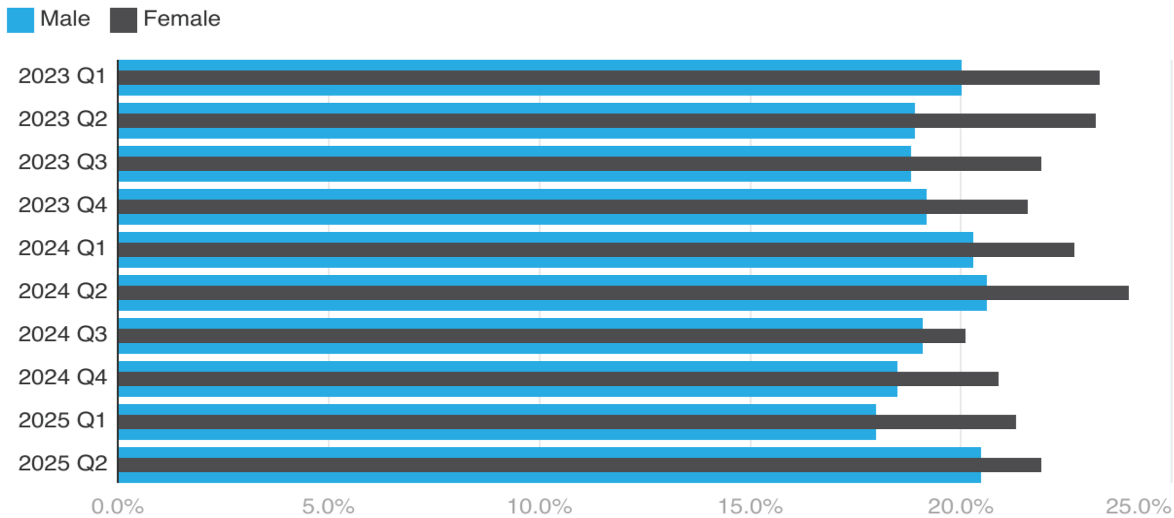
Figure 24: Unemployment rate, 2020Q1–2025Q2, Western Cape



Source: Quantec (2025)

Figure 25 shows the unemployment rate by gender from 2023Q1 to 2025Q2. During the second quarter of 2025, the unemployment rate was 20.5% for males and 21.9% for females. The female unemployment rate was consistently higher than the male rate of unemployment across all quarters during this period. However, the gender gap narrowed from 3.3 percentage points in 2023Q1 to 1.4 percentage points in 2025Q2. On average, the female unemployment rate decreased by –0.2 percentage points per quarter, while the unemployment rate for men decreased by –0.1 percentage points per quarter between 2023Q1 and 2025Q2.

Figure 25: Unemployment rate by gender, 2023Q1–2025Q2, Western Cape



Source: Quantec (2025)

South Africa experiences a persistent challenge relating to youth unemployment. Table 1 shows the variations in unemployment rates across different age groups in the Western Cape in 2020Q1–2025Q2. The table highlights that unemployment decreased progressively with increasing age groups, with the older age group (60–64 years) consistently showing the lowest unemployment rate. Youth (15–24 years) experienced the highest unemployment rate. During the second quarter of 2025, youth aged 15–19 years and 20–24 years recorded the highest unemployment rates of 62.6% and 46.1% respectively. Targeted interventions like skills development, youth employment programs, apprenticeships, or vocational training could help to reduce the incidence of youth unemployment.

Table 1: Unemployment rates by age category, 2020Q1–2025Q2, Western Cape

	Age 15-19	Age 20-24	Age 25-29	Age 30-34	Age 35-39	Age 40-44	Age 45-49	Age 50-54	Age 55-59	Age 60-64
2020 Q1	60.1%	41.4%	24.9%	22.8%	17.4%	15.2%	16.2%	11.4%	8.2%	5.8%
2020 Q2	84.1%	26.6%	22.4%	24.1%	12.3%	11.0%	11.3%	9.3%	8.2%	2.8%
2020 Q3	71.0%	43.1%	26.3%	26.8%	16.7%	14.1%	19.9%	11.0%	8.4%	4.6%
2020 Q4	71.0%	42.8%	30.1%	27.3%	18.1%	20.4%	15.6%	13.4%	6.8%	8.0%
2021 Q1	76.3%	42.3%	34.8%	30.8%	19.6%	17.0%	16.8%	13.1%	11.9%	5.0%
2021 Q2	75.4%	48.6%	31.6%	27.6%	26.0%	17.1%	20.0%	14.7%	11.8%	10.3%
2021 Q3	58.8%	52.3%	33.7%	27.2%	26.5%	20.3%	19.7%	15.1%	8.2%	1.8%
2021 Q4	46.2%	55.6%	32.8%	28.6%	28.4%	22.1%	25.8%	16.4%	6.7%	2.9%
2022 Q1	53.8%	44.6%	29.9%	23.7%	25.9%	20.2%	21.0%	17.4%	13.4%	5.1%
2022 Q2	69.9%	45.1%	34.5%	27.2%	25.2%	23.6%	23.7%	16.1%	15.2%	4.1%
2022 Q3	67.1%	40.2%	33.1%	28.3%	22.9%	19.3%	14.7%	16.3%	11.8%	6.4%
2022 Q4	67.0%	42.2%	31.4%	25.0%	22.2%	17.1%	13.0%	10.3%	7.6%	1.0%
2023 Q1	63.1%	39.3%	33.2%	25.3%	20.8%	14.5%	10.8%	9.1%	6.5%	0.9%
2023 Q2	63.1%	42.9%	29.3%	20.7%	19.0%	16.4%	11.6%	10.0%	6.4%	2.5%
2023 Q3	43.7%	37.0%	25.7%	21.0%	21.8%	19.0%	10.6%	11.5%	7.3%	0.8%
2023 Q4	60.1%	35.1%	27.4%	19.1%	20.0%	17.0%	12.7%	11.3%	10.3%	8.0%
2024 Q1	63.1%	38.1%	27.4%	18.9%	20.3%	18.1%	15.8%	14.2%	9.0%	1.7%
2024 Q2	69.7%	42.2%	28.3%	22.1%	22.5%	17.6%	14.9%	12.0%	7.4%	3.5%
2024 Q3	55.2%	39.3%	25.0%	19.5%	16.3%	17.9%	13.2%	11.3%	8.0%	0.8%
2024 Q4	48.3%	39.6%	22.4%	19.9%	19.0%	17.7%	13.4%	13.4%	6.3%	3.9%
2025 Q1	56.0%	35.7%	22.6%	22.2%	19.4%	14.8%	14.6%	11.5%	8.3%	3.0%
2025 Q2	62.6%	46.1%	27.1%	20.0%	21.2%	12.6%	14.9%	11.4%	6.3%	4.5%

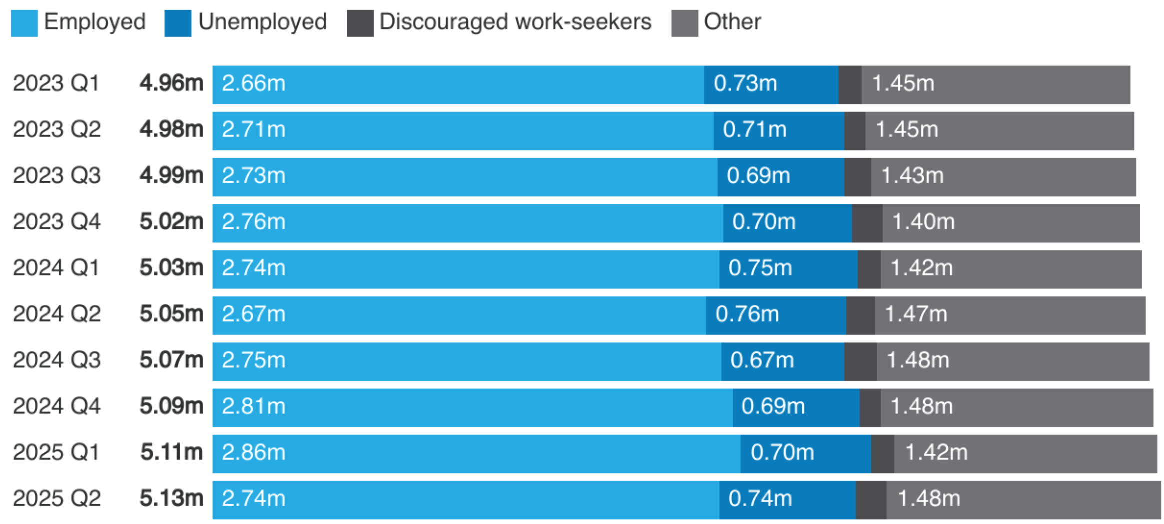
84.1% 0.8%

Source: Quantec (2025)

4.3 Employment trends

The number of employed persons in the Western Cape increased from 2.66 million in 2023Q1 to 2.74 million in 2025Q2, as shown in Figure 26. Despite employment growth, unemployment remains high, which could be an indication that job creation is not keeping pace with labour force growth. On average, 68.6% of the working-age population were part of the labour force (employed and unemployed) in the period 2023Q1–2025Q2, while 31.4% were not economically active (discouraged work-seekers and those who have other reasons for not searching for work)

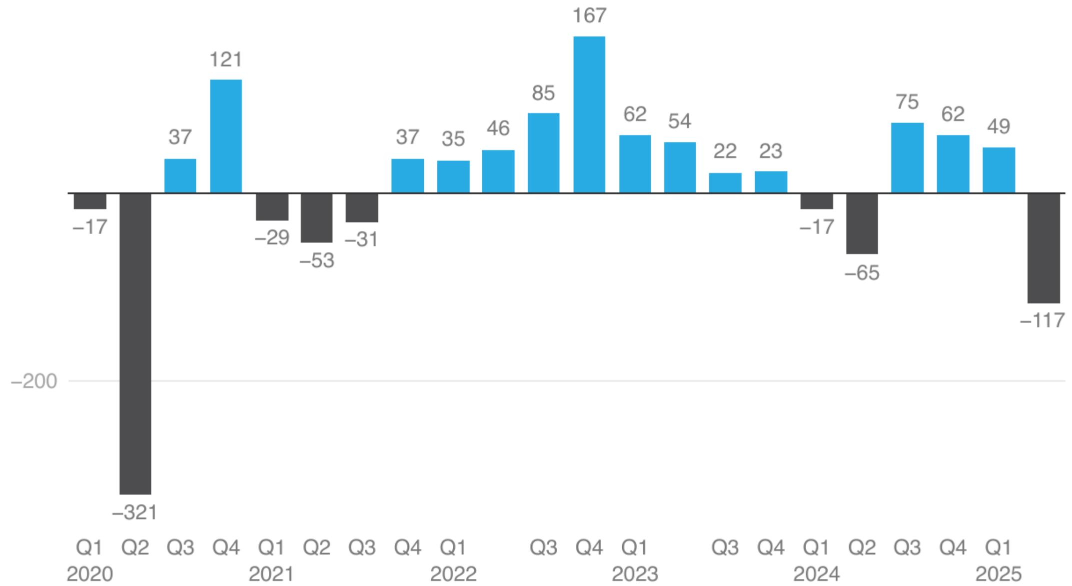
Figure 26: Breakdown of working-age population, 2023Q1–2025Q2, Western Cape



Source: Statistics South Africa (2025) and Quantec (2025)

Figure 27 illustrates changes in employment from 2020Q1 to 2025Q2. Positive changes in employment were recorded in 14 of the 22 quarters under review. Overall, a total of 227 000 new jobs were added during this period, with an average increase of 0.5% per quarter. The largest decline in employment was recorded in the second quarter of 2020, while the largest increase in employment was in the fourth quarter of 2022.

Figure 27: Changes in employment (thousand), 2020Q1–2025Q2, Western Cape

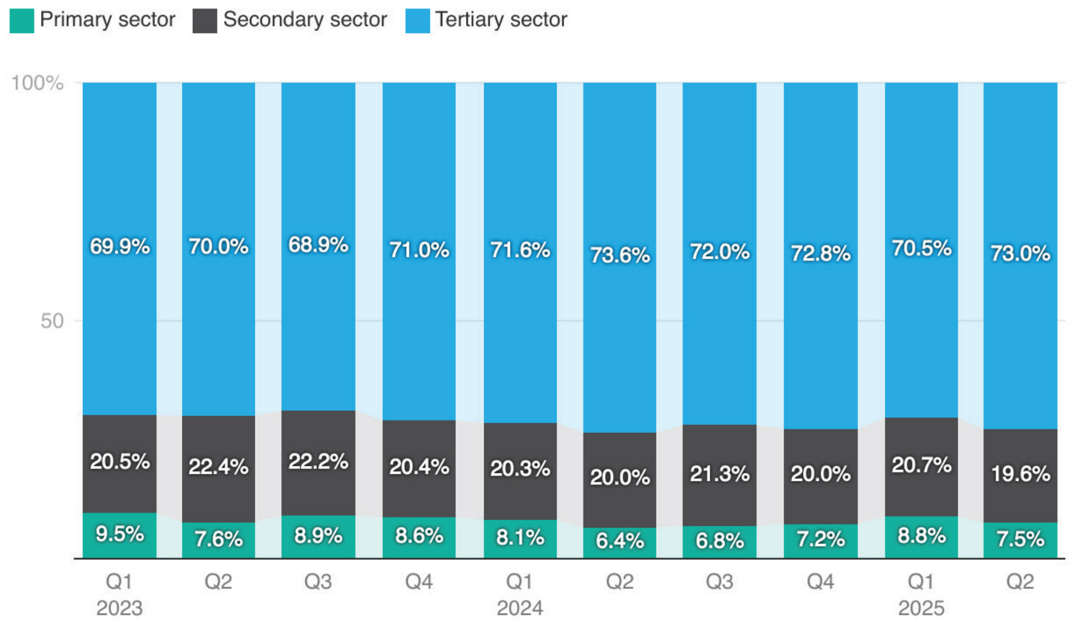


Source: Statistics South Africa (2025) and Quantec (2025)

Figure 28 presents employment trends based on economic activity. Economic activity classification identifies the primary function of the workplace where an individual was employed during the reference period. This indicator offers insights into employment patterns across various sectors of the economy.

The tertiary sector is a dominant contributor to employment in the Western Cape, which is in line with global trends. The sector's share of employment increased from 69.9% in 2023Q1 to 73.0% in 2025Q2, reflecting that the Western Cape is a service-driven economy. The share of employment in the secondary sector has remained relatively stable, slightly declining from 20.5% in 2023Q1 to 19.6% in 2025Q2. The primary sector, on the other hand, had the smallest share of employment, having decreased from 9.5% in 2023Q1 to 7.5% in 2025Q2. Implementing policies that focus on upskilling for emerging service industries, such as artificial intelligence, internet of things, and fintech, could boost employment.

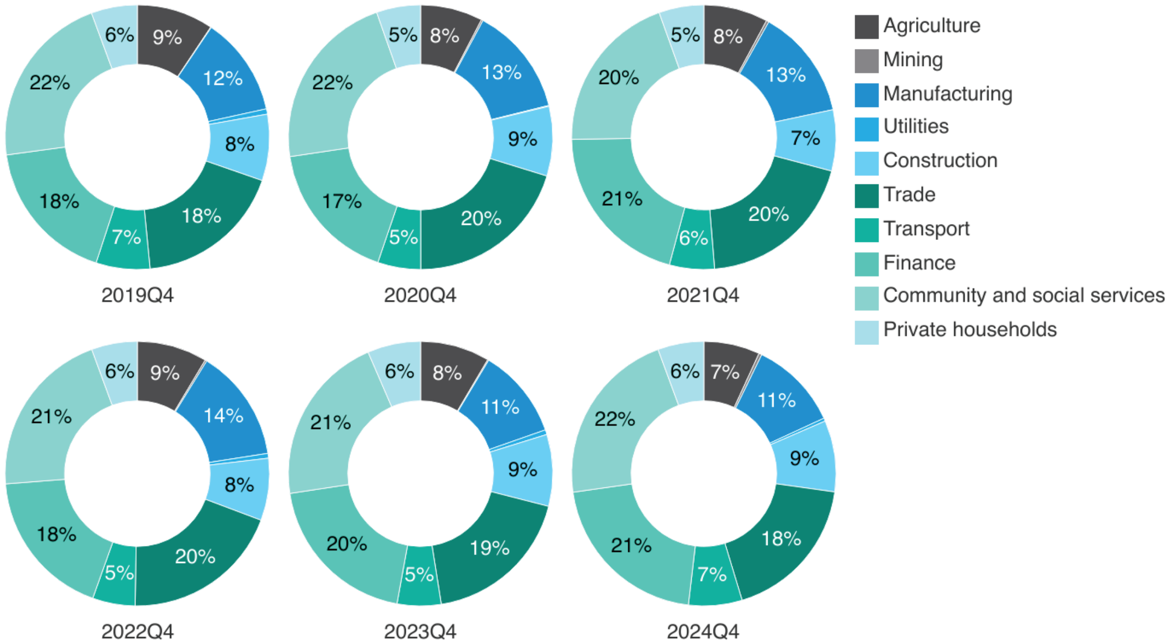
Figure 28: Share of employment by economic activity, 2023Q2–2025Q1, Western Cape



Source: Quantec (2025)

The dominance of the tertiary sector is evident at the industry level. The top three industries, in terms of their contribution to employment across the six selected quarters, were community and social services, trade and finance, as shown in Figure 29. These three industries together accounted for approximately 60% of employment in the province in 2019Q4–2024Q4. Although a relatively small industry, in terms of its share of GVA, agriculture made a meaningful contribution to employment in the Western Cape.

Figure 29: Share of employment by industry, selected quarters – Western Cape



Source: Quantec (2025) and Statistics South Africa (2025)

Agriculture (contributing 1.8 of a percentage point), manufacturing (contributing 1.1 of a percentage point), transport (contributing 0.4 of a percentage point) and finance (contributing 0.3 of a percentage point) were the main contributors to the 49 000 new jobs created in the first quarter of 2025, relative to the previous quarter. This is shown in Figure 30. All industries, except trade, and private households, recorded a decrease in employment in the second quarter of 2025, which led to a decrease in employment of 117 000 during the period.

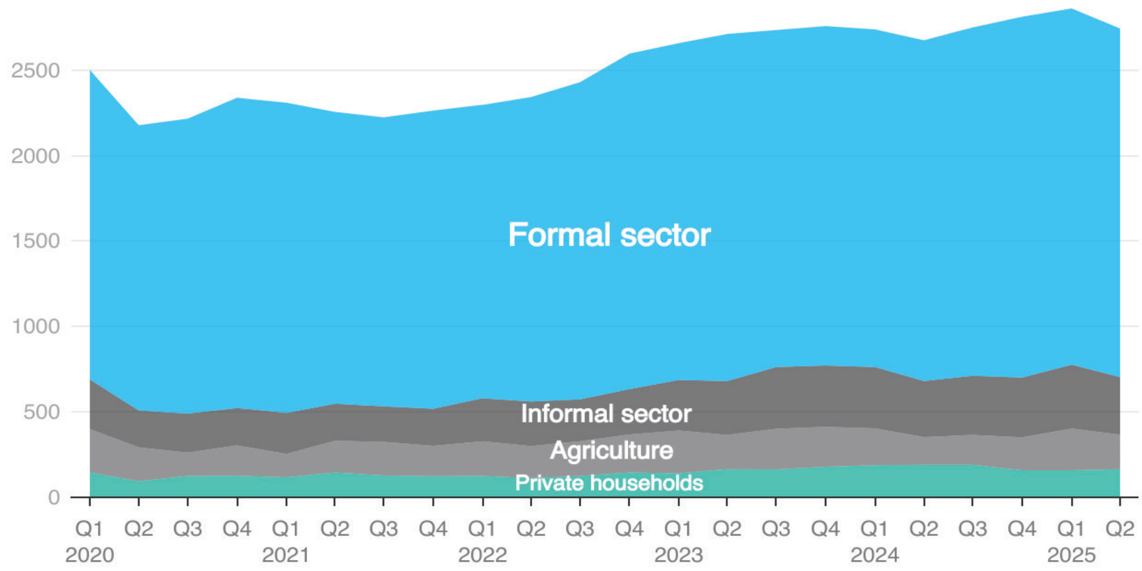
Figure 30: Change in employment by industry, 2025Q1 vs 2025Q2, Western Cape

	Change (q-o-q), 2025Q1	Growth rate (q-o-q), 2025Q1	Change (q-o-q), 2025Q2	Growth rate (q-o-q), 2025Q2
Agriculture	51,282	26.6%	–41,980	–17.2%
Mining	–3,954	–39.3%	–3,412	–55.8%
Manufacturing	30,291	9.9%	–35,806	–10.6%
Utilities	822	7.9%	713	6.3%
Construction	–394	–0.2%	–20,841	–8.5%
Trade	–17,205	–3.4%	42,678	8.7%
Transport	10,851	5.9%	–13,666	–7.0%
Finance	7,750	1.3%	–45,243	–7.6%
Community and social services	–32,126	–5.3%	–4,626	–0.8%
Private households	187	0.1%	7,061	4.5%

Source: Quantec (2025)

The Western Cape has a large formal sector and a small informal sector. The formal sector accounted for more than 70% of employment in the Western Cape (Figure 31). In 2025Q2, the formal sector was responsible for a 74.3% share of employment in the province, while the informal sector and agriculture accounted for 12.3% and 7.4% respectively. Private households recorded the highest AAGR (1.6%) per quarter from 2020Q2 to 2025Q2, although it had the lowest share of employment.

Figure 31: Employment share by sector, 2020Q1–2025Q2, Western Cape



Source: Statistics South Africa (2025)

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