Overview of the Western Cape

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tourism, trade & investment

CESA
Consulting Engineers South Africa

an inspiring place to do business

Cornelis van der Waal

February 2020

The Cape economy in perspective, 2018

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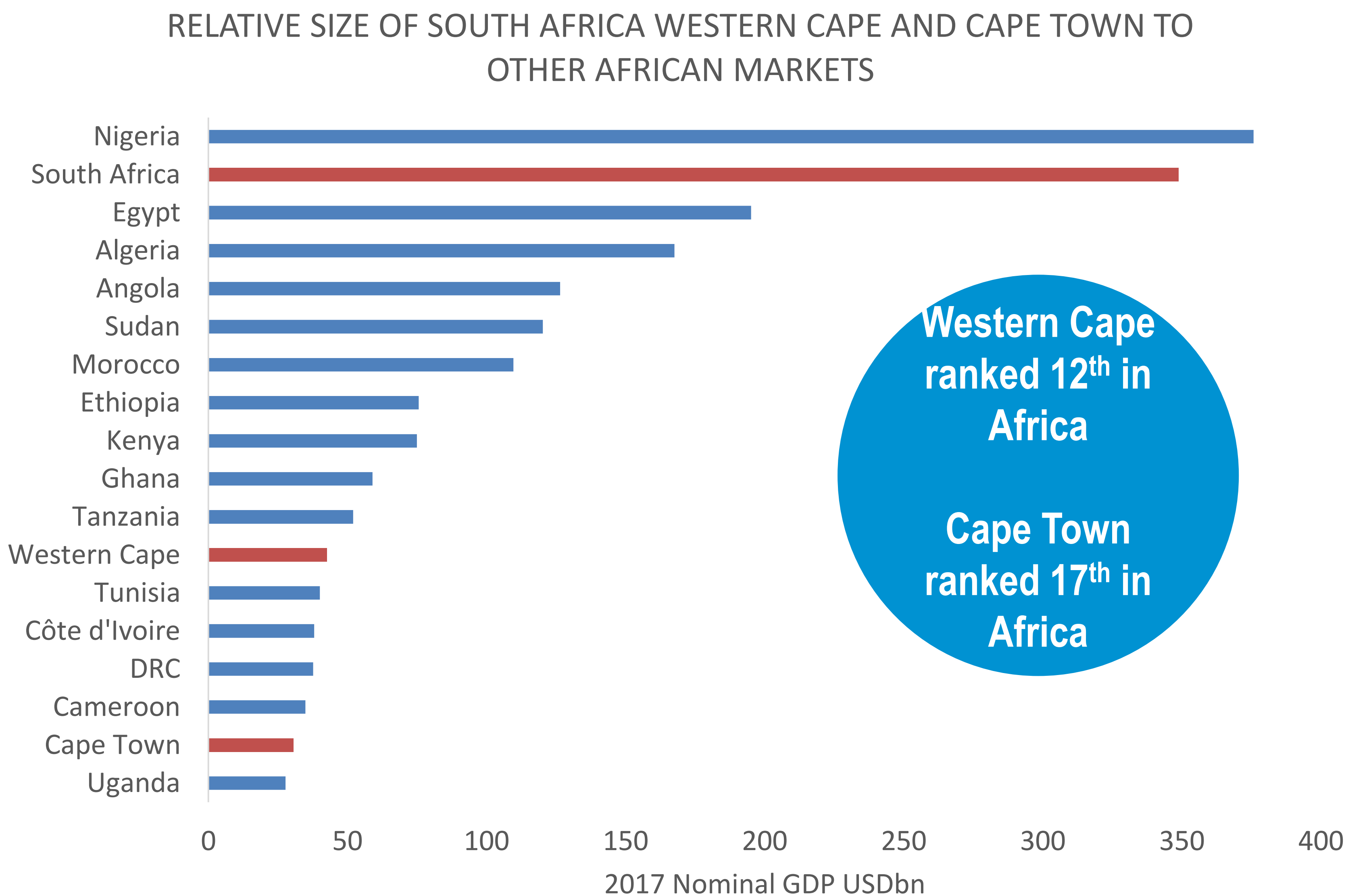

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Source: UNSTATS; Quantec, 2019

The Western Cape, strong relative performance

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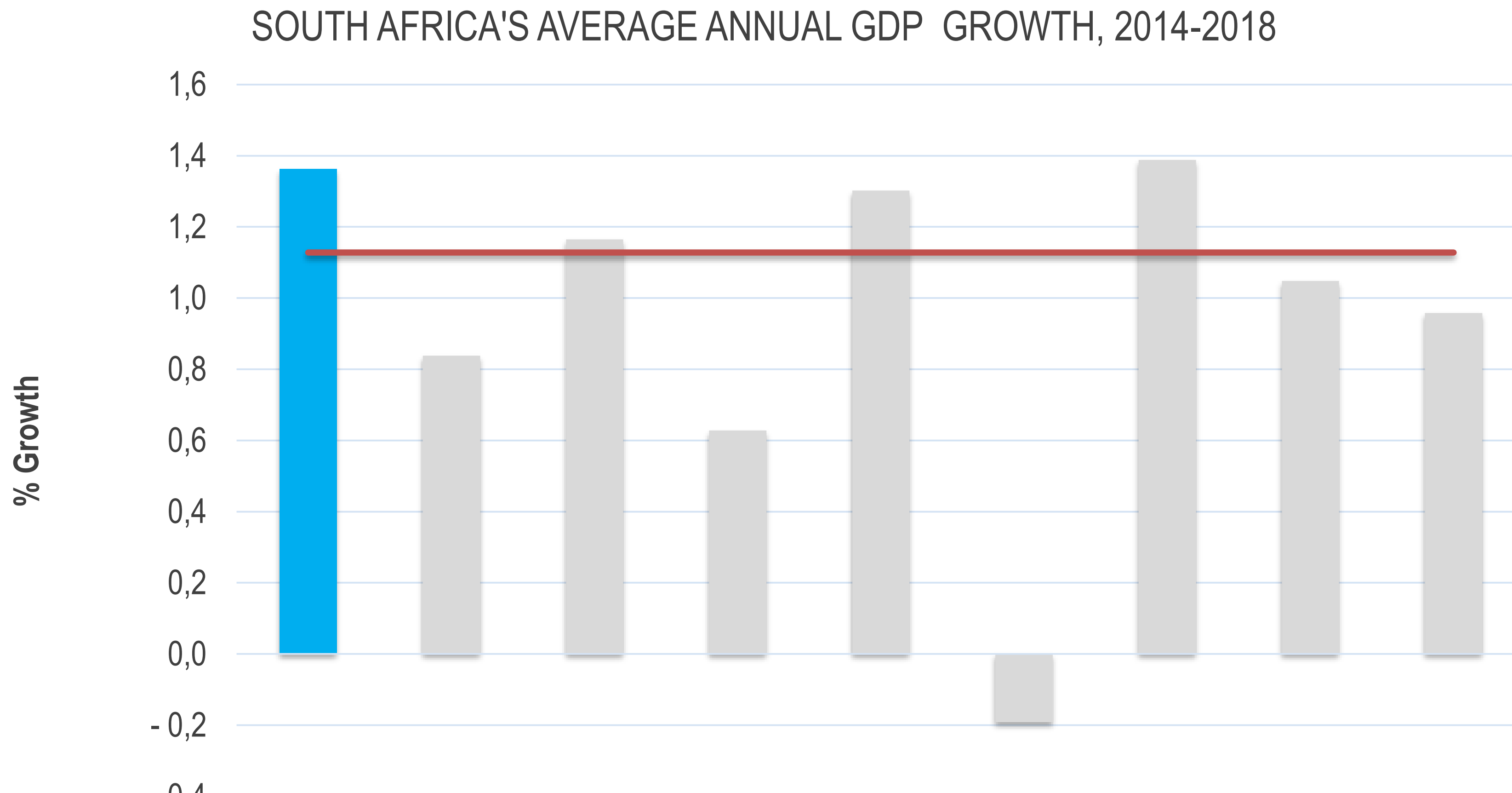

	Western Cape	Eastern Cape	Northern Cape	Free state	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo
Provinces	1,4	0,8	1,2	0,6	1,3	- 0,2	1,4	1,0	1,0
South Africa	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1

Source: Quantec, March 2019

**based on preliminary 2018 provincial data*

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The Western Cape has the lowest unemployment rate in the country

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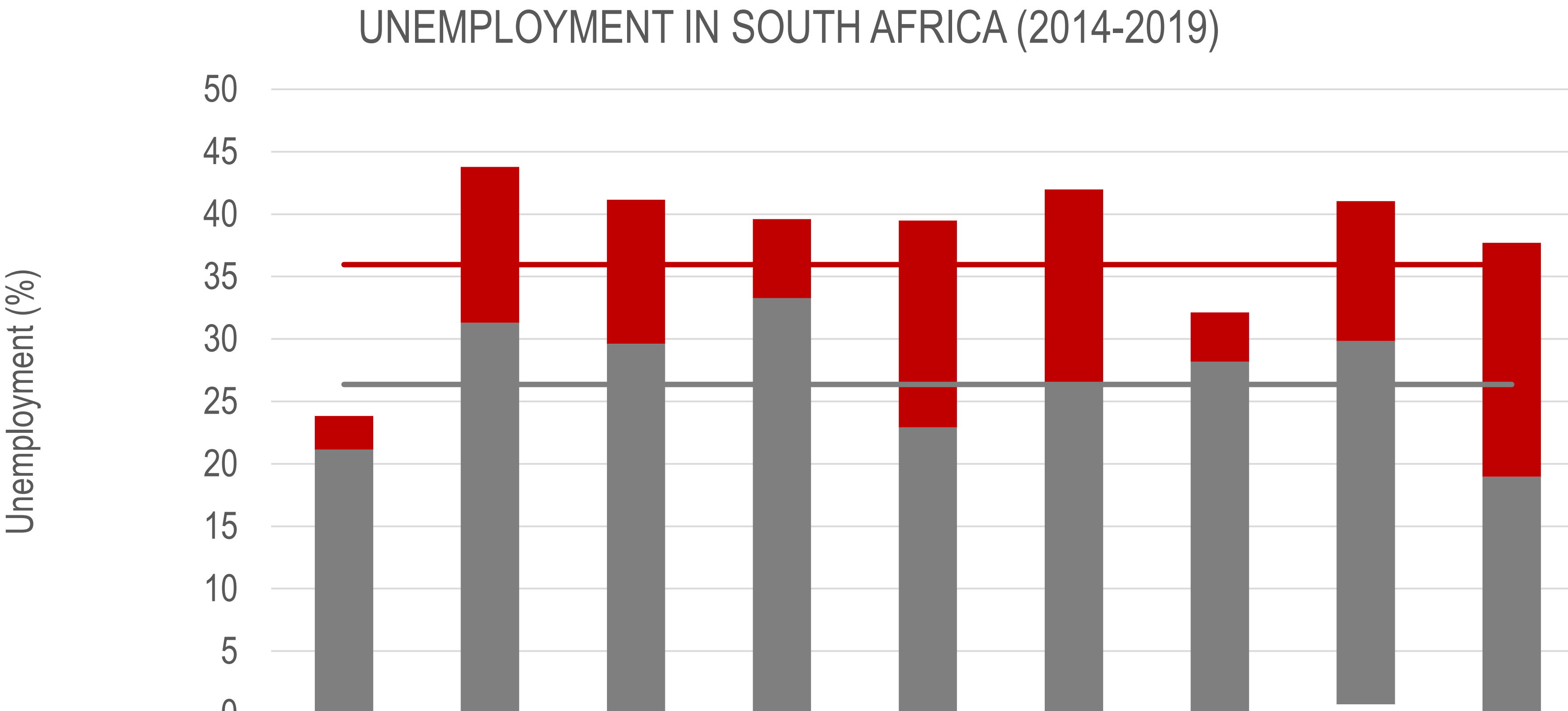

	WC	EC	NC	Free State	KZN	North West	Gauteng	Mpumalanga	Limpopo
Broad Ue	23,8	43,8	41,1	39,6	39,5	42,0	32,1	41,0	37,7
Narrow Ue	21,1	31,3	29,6	33,3	22,9	26,6	28,2	29,8	19,0
SA Broad Ue	36	36	36	36	36	36	36	36	36
SA Narrow Ue	26,4	26,4	26,4	26,4	26,4	26,4	26,4	26,4	26,4

Source: QLFS (StatsSA), 2019

Western Cape GDP by sector, 2005 - 2018

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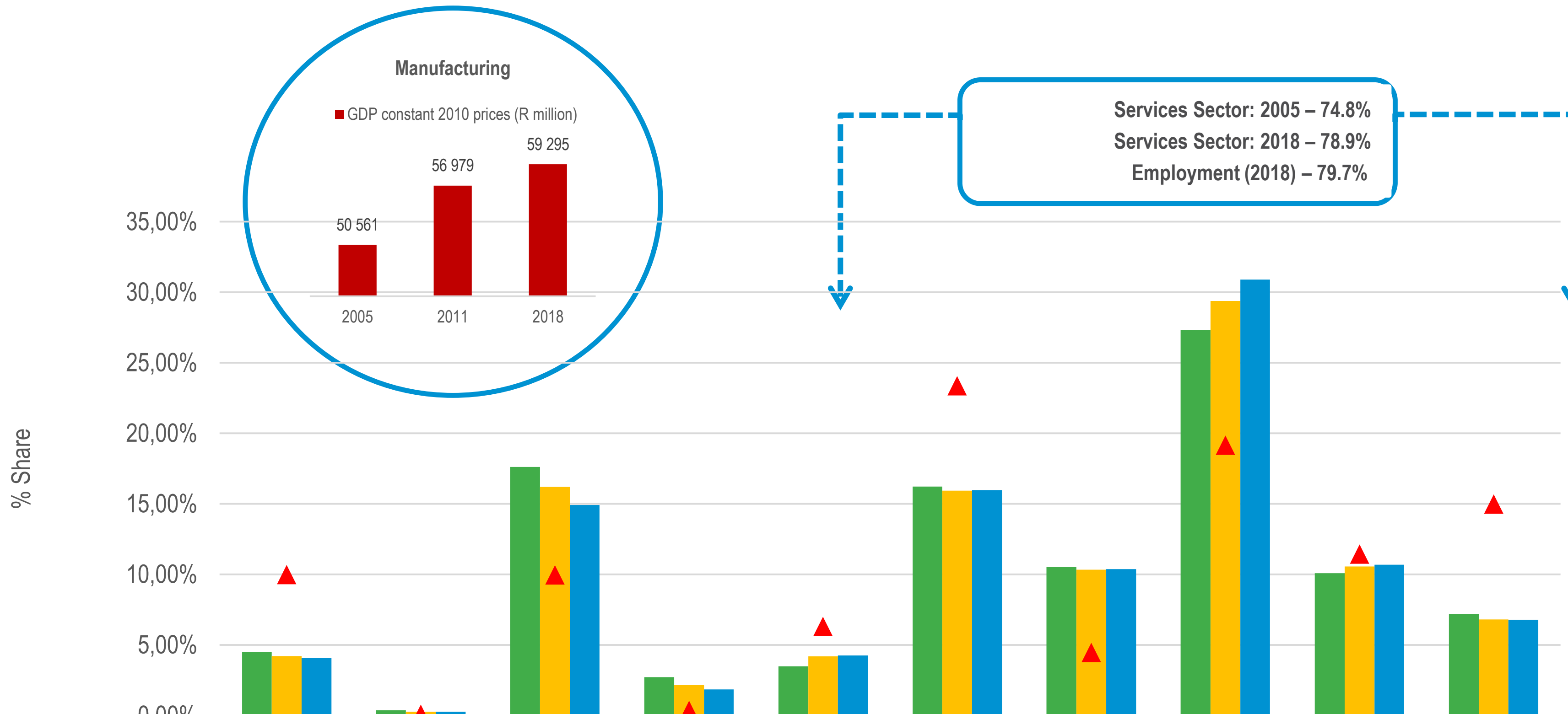
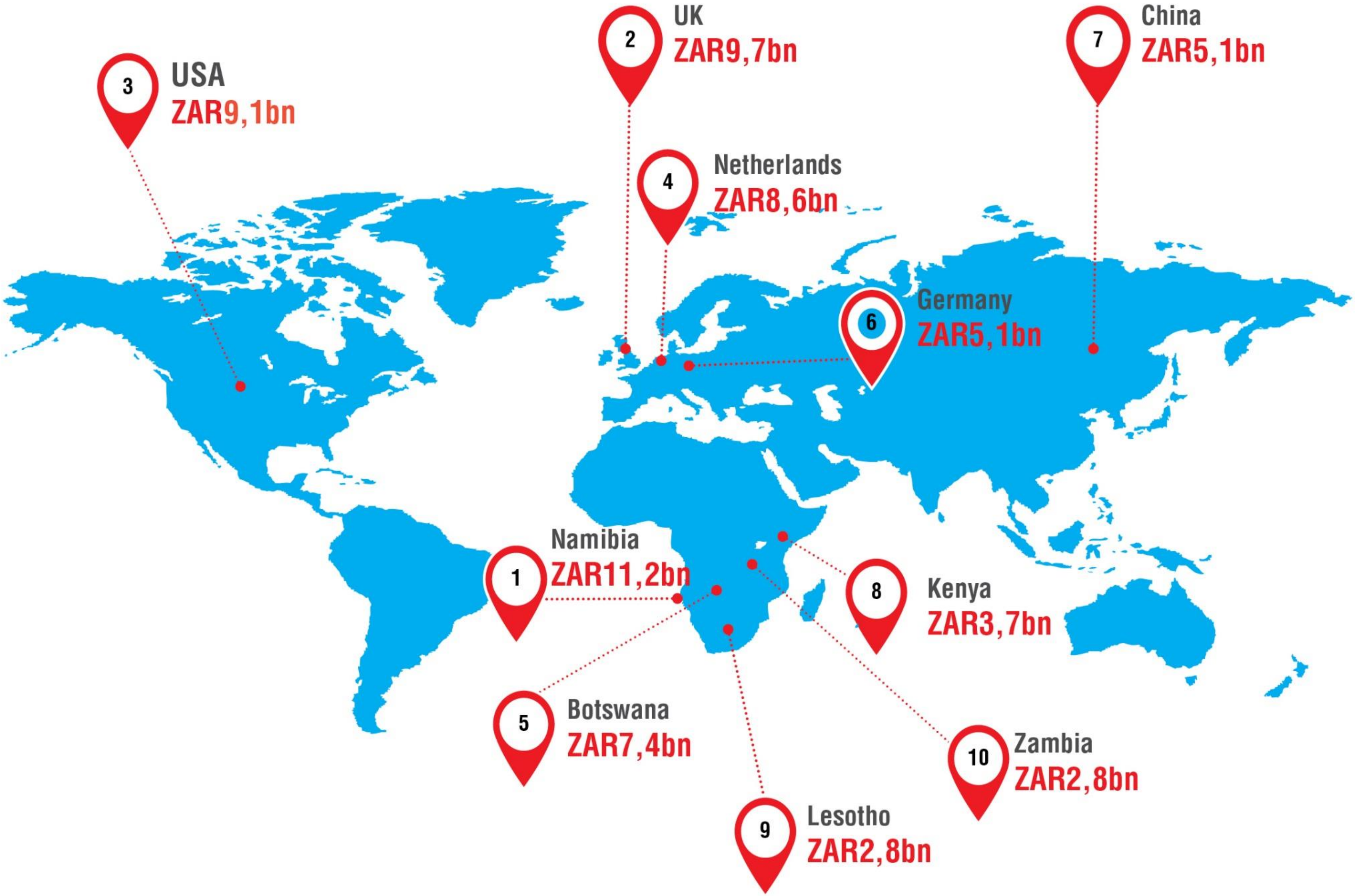


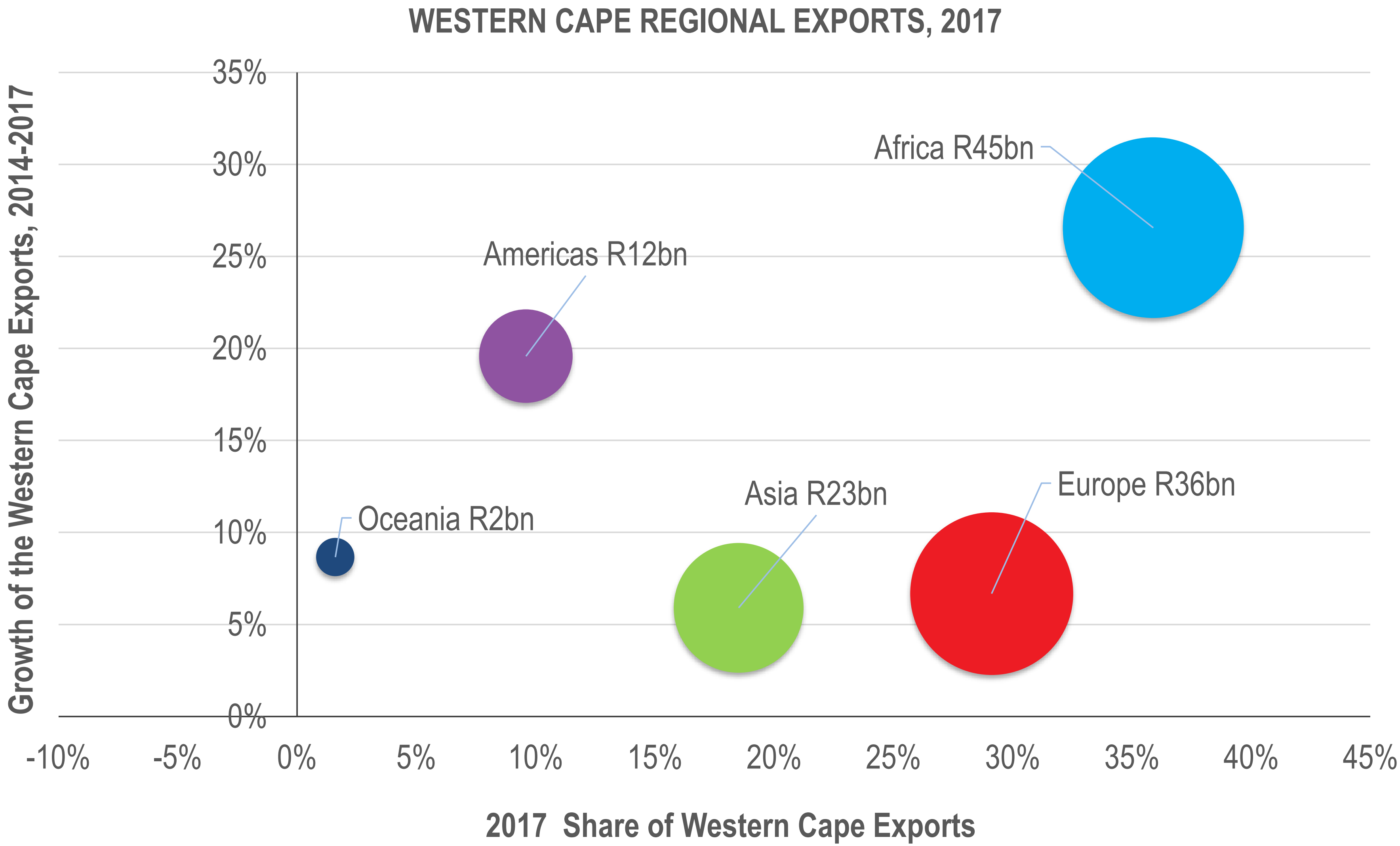
	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade, catering and accommodation	Transport, storage and communication	Finance, insurance, real estate and business services	General government	Community, social and personal services
2005	4,49%	0,37%	17,61%	2,70%	3,49%	16,23%	10,51%	27,32%	10,09%	7,20%
2011	4,21%	0,26%	16,21%	2,16%	4,19%	15,93%	10,32%	29,38%	10,55%	6,81%
2018	4,09%	0,25%	14,91%	1,83%	4,24%	15,98%	10,37%	30,89%	10,67%	6,77%
Employment 2018	9,98%	0,07%	9,95%	0,35%	6,30%	23,35%	4,45%	19,15%	11,42%	14,99%

Source: Quantec, 2019

Western Cape Top 10 export markets, 2018



The Cape is a gateway to the rest of Africa, with R45 billion exported to the continent



Source: Quantec and own calculations, 2017
Size of bubble depicts value
Note the growth rate are in Rands. Therefore exchange rate fluctuations have not been accounted for.

How are jobs being created?

Breakdown of FDI into the Western Cape

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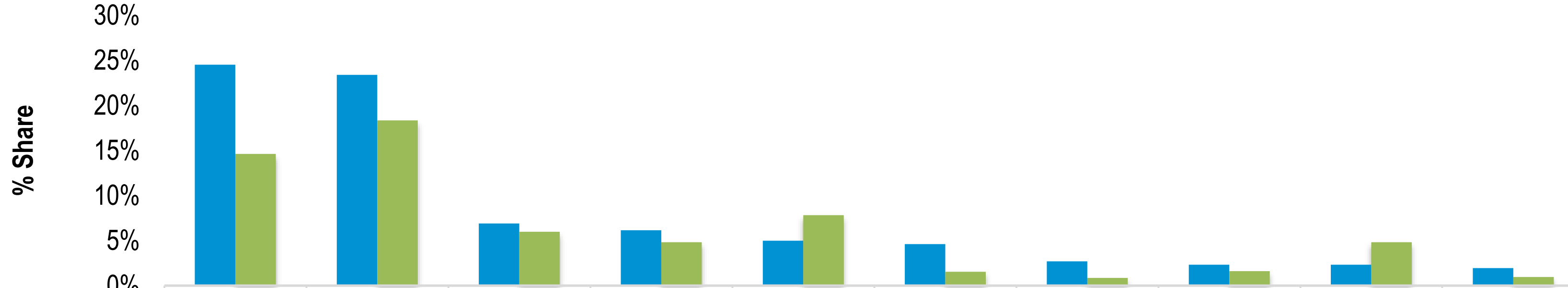
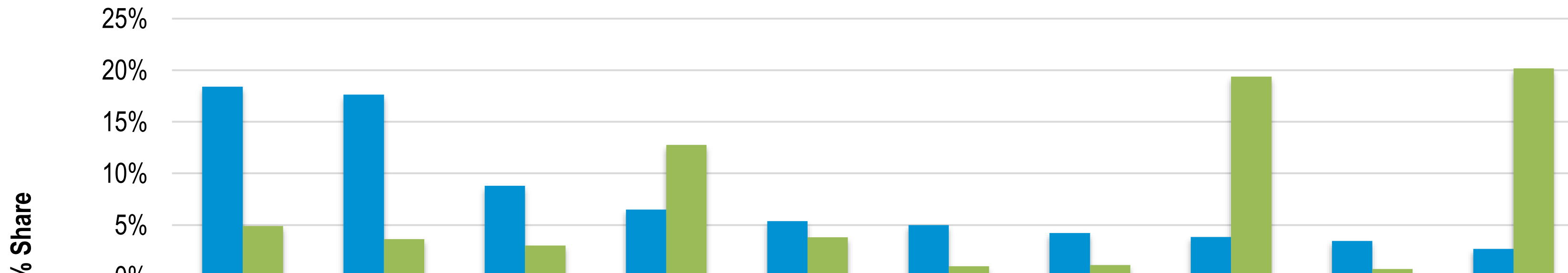
BREAKDOWN OF FDI BY SOURCE MARKETS, 2003-2019



	UK	United States	Germany	Netherlands	France	China	Switzerland	India	Italy	Canada
% Projects	24,52%	23,37%	6,90%	6,13%	4,98%	4,60%	2,68%	2,30%	2,30%	1,92%
% Capex	14,60%	18,32%	5,95%	4,79%	7,82%	1,54%	0,84%	1,59%	4,80%	0,95%

FDI BREAKDOWN BY SECTORS, 2003-2019



	Software & IT services	Business Services	Financial Services	Communications	Transportation	Electronic Components	Industrial Machinery, Equipment & Tools	Alternative/ Renewable energy	Chemicals	Coal, Oil and Natural Gas
% Projects	18,39%	17,62%	8,81%	6,51%	5,36%	4,98%	4,21%	3,83%	3,45%	2,68%
% Capex	4,89%	3,62%	3,01%	12,76%	3,81%	1,00%	1,12%	19,37%	0,74%	20,17%

Source: FDI Intelligence, 2018

Western Cape: Investment opportunities by sector

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Renewable

Suppliers of parts and components for wind turbines and photo voltaics;

Service and maintain wind and solar farms

Agribusiness

Aquaculture: Development of open water aquaculture farms

Essential Oils: Oil extraction and processing

Hotels & Real Estate

Construction of 3 to 5 star hotels- growing tourism

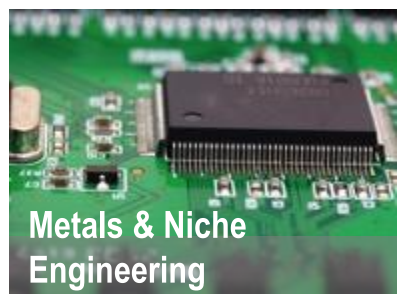
Develop prime beachfront property

ICT

Software and IT services sector

Multiple ICT incubators & accelerators in operation

Government core focus area



Metals & Niche Engineering

Metals conversion and steel fabrication

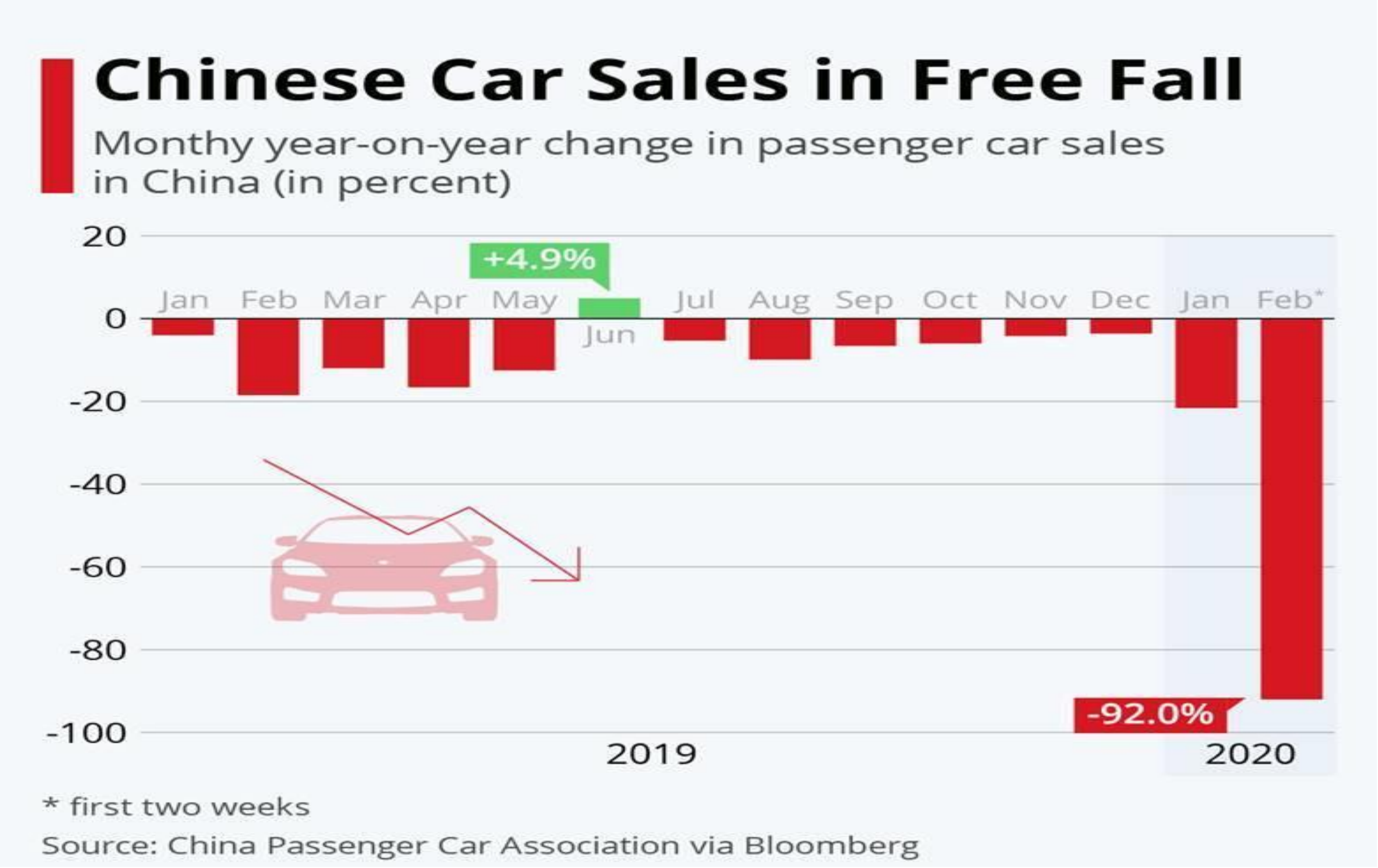
Manufacture automotive components, Engineering services

BPO

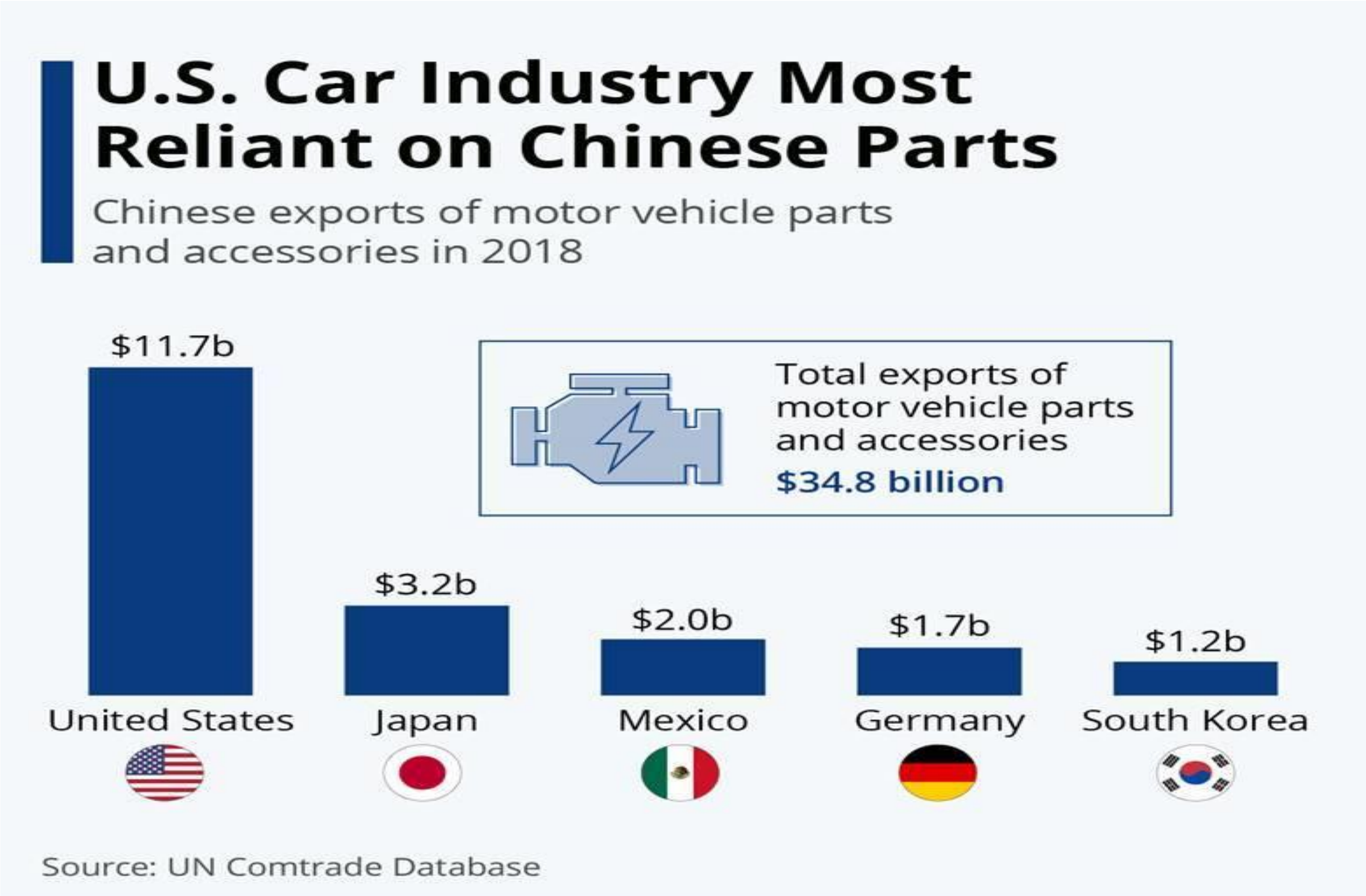
Government & private sector outsourcing

Growth from new ventures

What about the impact of the Coronavirus?



What about the impact of the Coronavirus?



The construction industry outlook

Overall confidence is near an all time low

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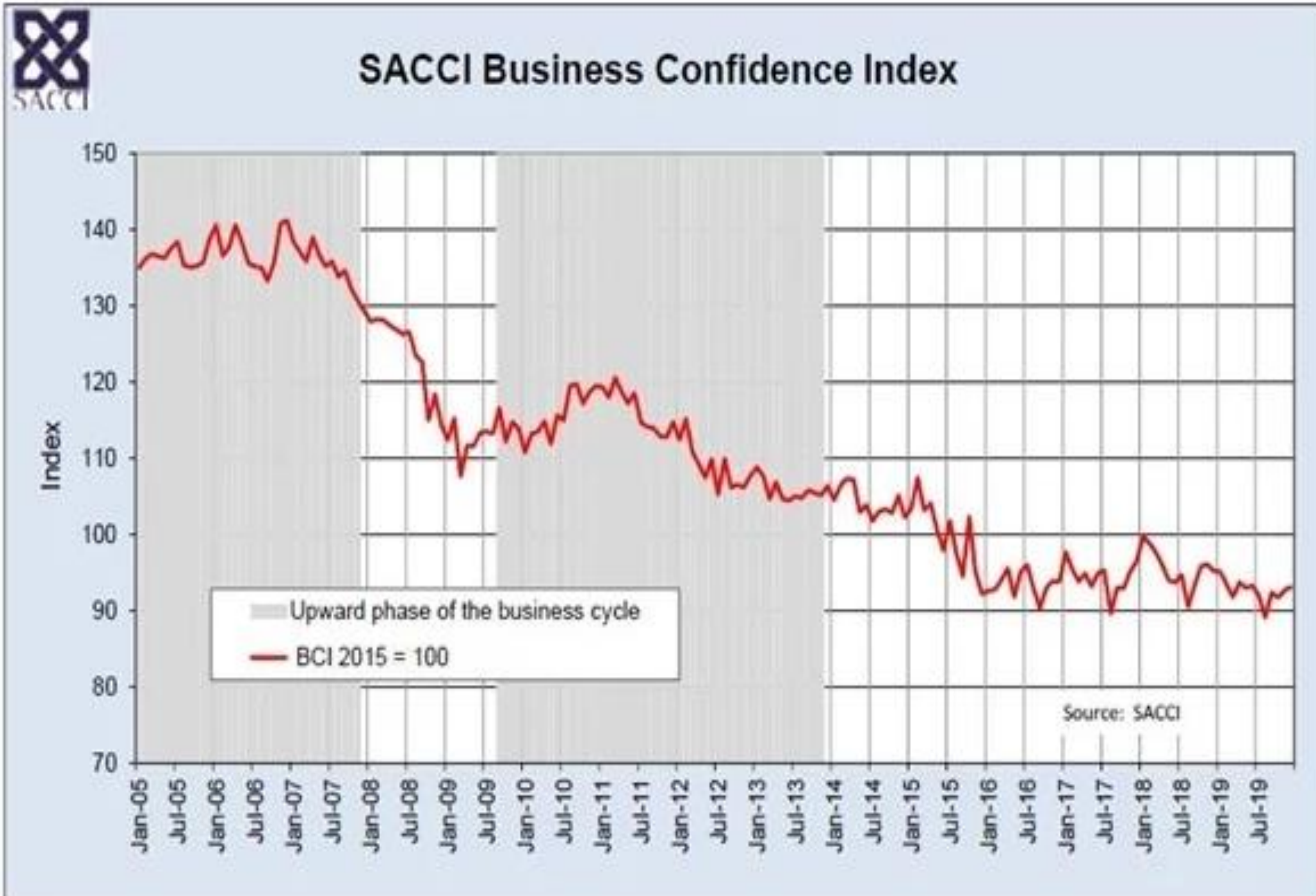
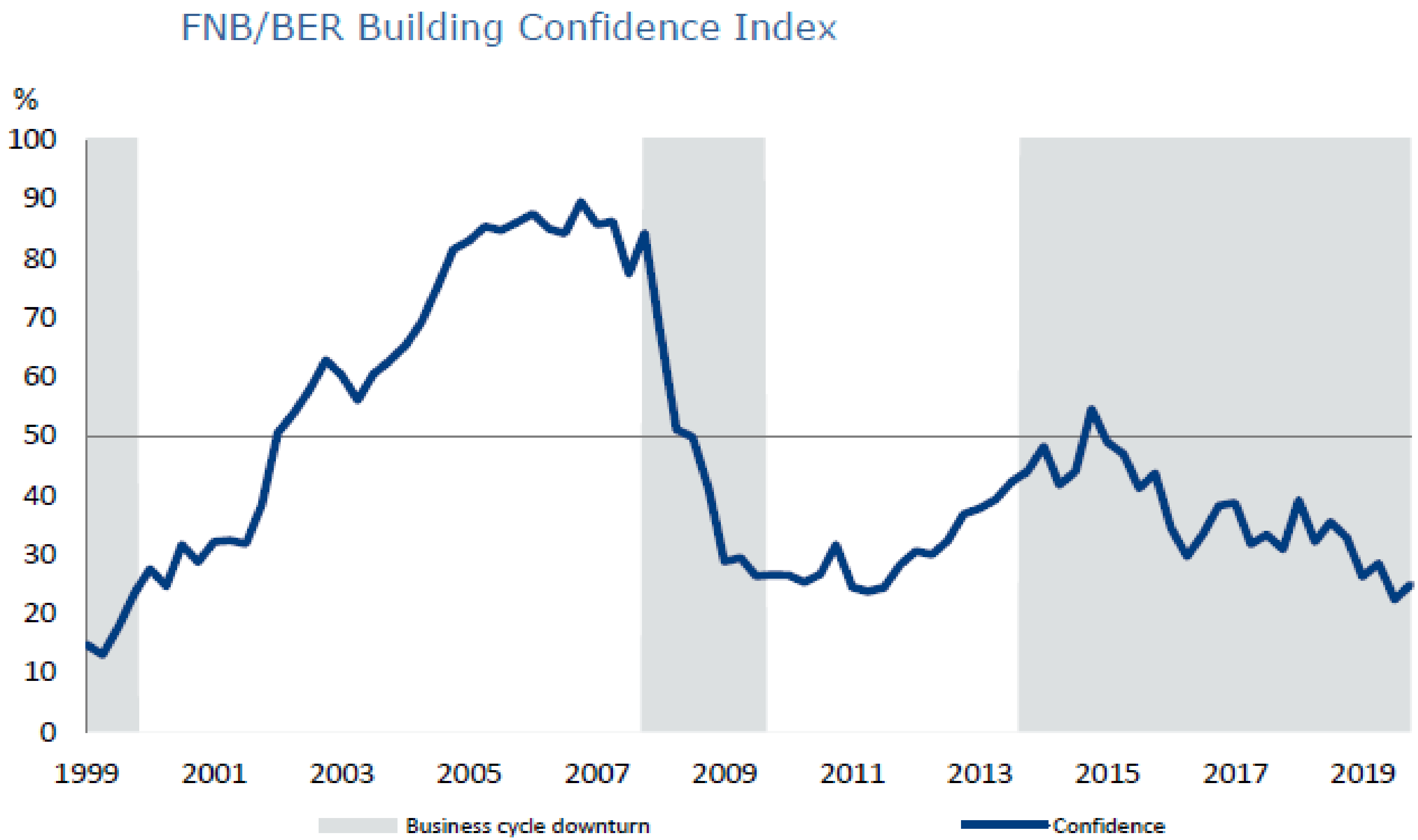


BER confidence index low across all provinces



Source: BER

Higher confidence in 4th Q of 2019: hardware retailers (+19), architects (+18), sub-contractors (+12) and main contractors (+8). This was almost entirely offset by a 35-index point drop in building material manufacturer confidence.

Civil construction is particular under pressure

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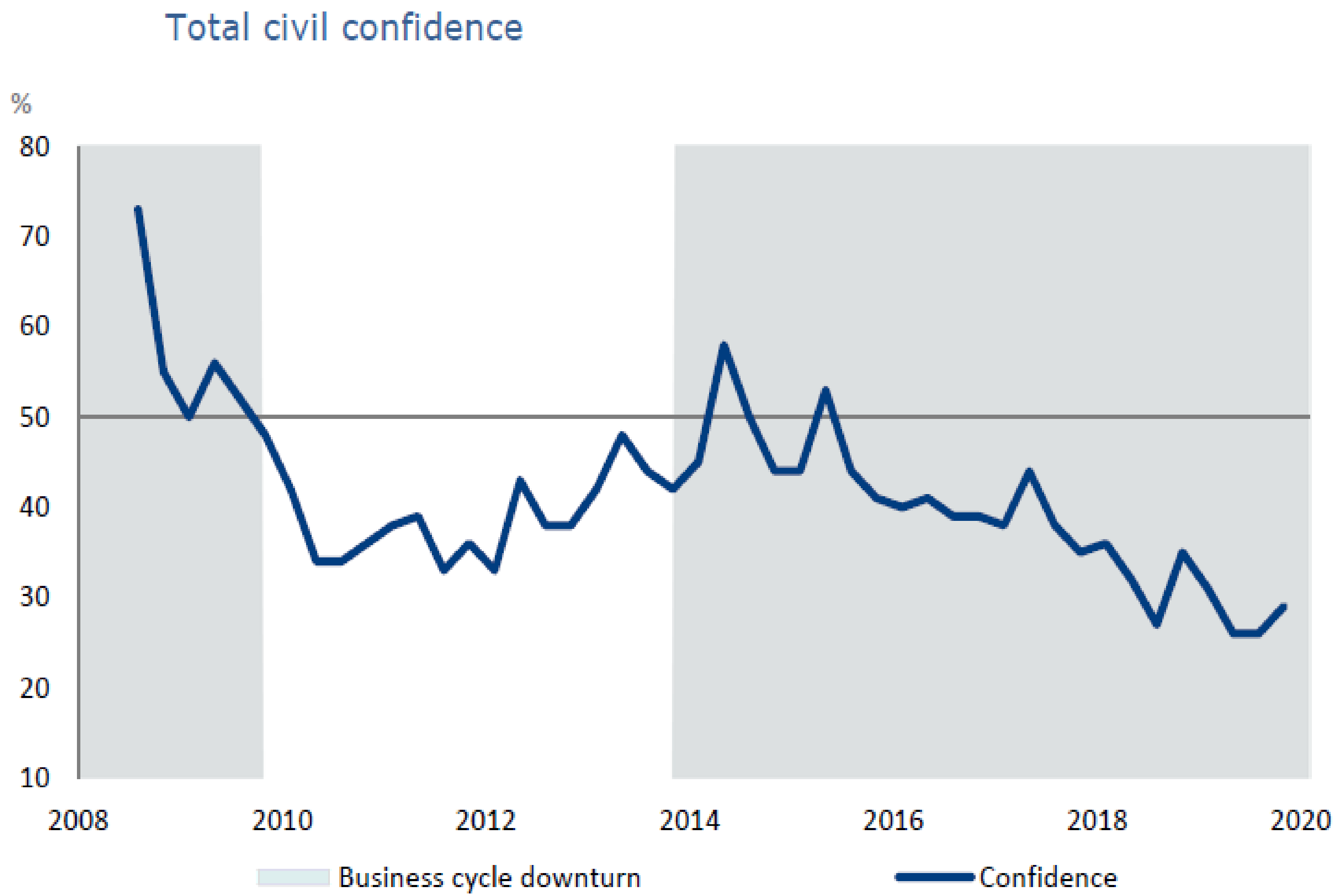
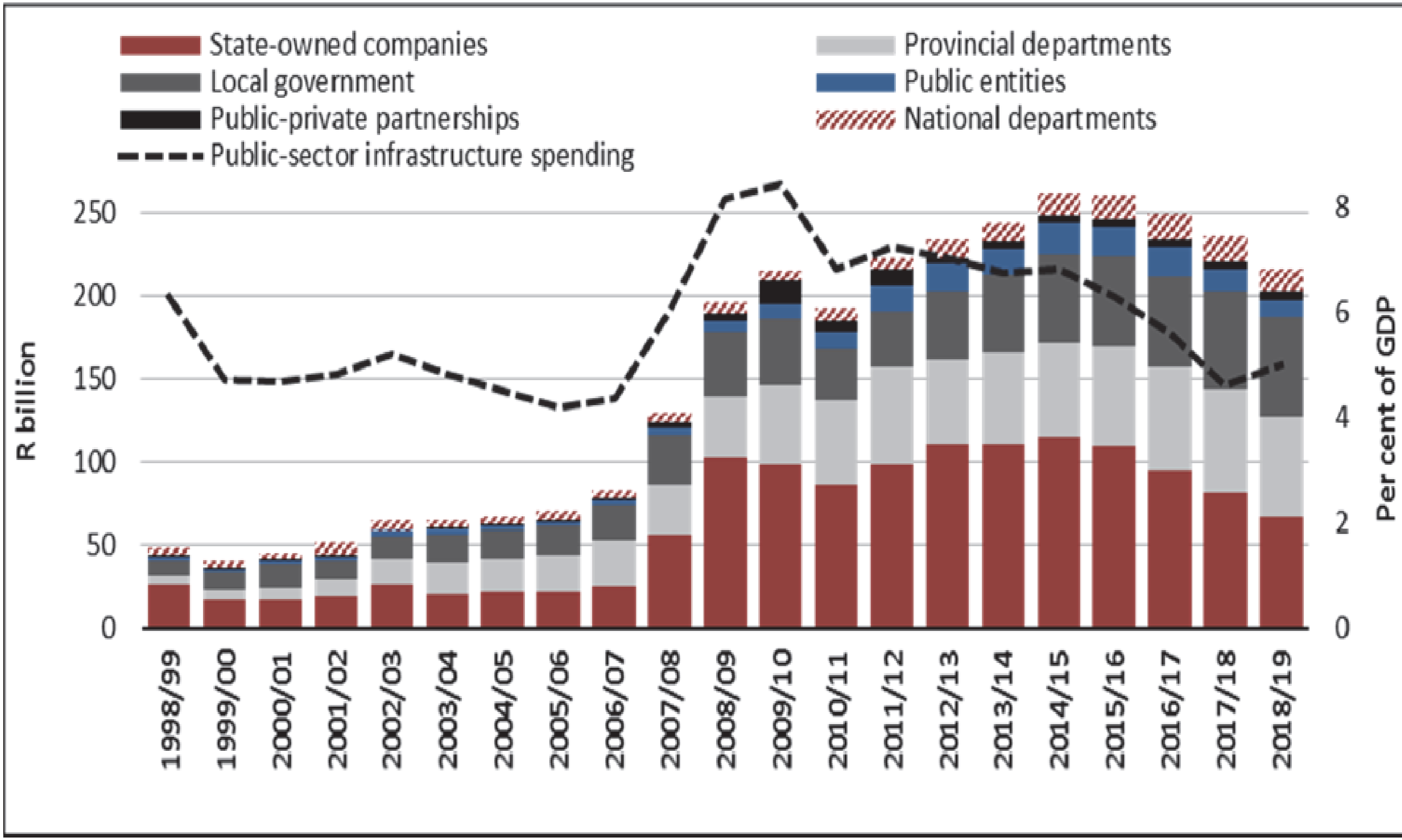


Source: BER

Overall infrastructure spending has slowed down

Figure D.1 Public-sector infrastructure spending



Source: National Treasury

Municipal spending remains weak

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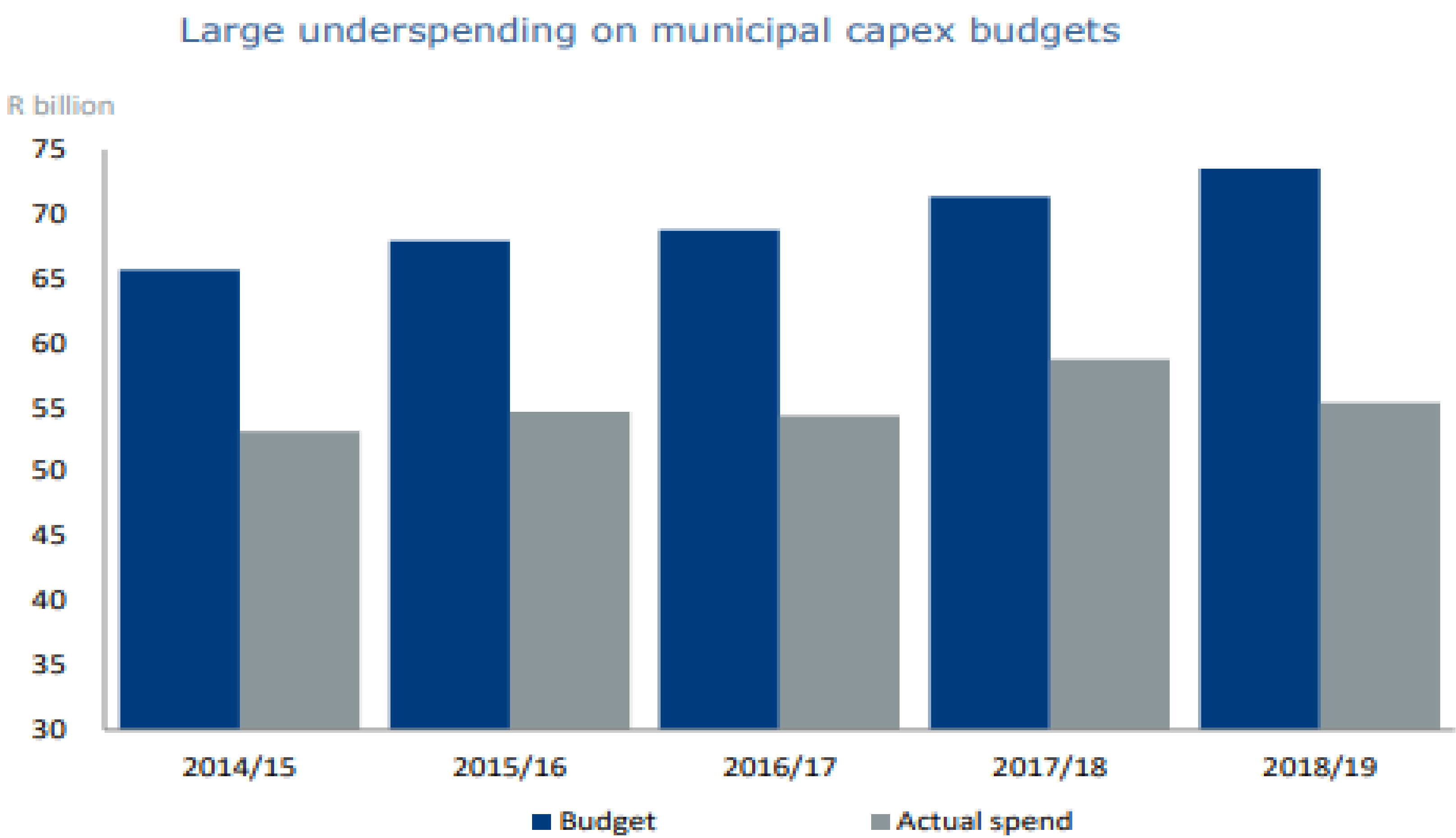
An estimated R71bn underspending of capital budget between 2014/15 and 2018/19



Source: National Treasury

Building plan activity

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Table A – Recorded building plans passed by larger municipalities at current prices: January to December 2018 versus January to December 2019

Estimates at current prices	Jan – Dec 2018 1/	Jan – Dec 2019 1/	Difference in value between Jan – Dec 2018 and Jan – Dec 2019	% change between Jan – Dec 2018 and Jan – Dec 2019
	R'000	R'000	R'000	
Residential buildings	**61 760 655**	**54 572 056**	**-7 188 599**	**-11,6**
-Dwelling-houses	33 128 191	30 661 010	-2 467 181	-7,4
-Flats and townhouses	26 824 390	23 190 690	-3 633 700	-13,5
-Other residential buildings	1 808 074	720 356	-1 087 718	-60,2
Non-residential buildings	**27 194 795**	**23 183 205**	**-4 011 590**	**-14,8**
Additions and alterations	**29 611 670**	**30 146 232**	**534 562**	**1,8**
Total	**118 567 120**	**107 901 493**	**-10 665 627**	**-9,0**

1/ 2018 and 2019 figures should be regarded as preliminary because of possible backlogs and incomplete reporting by municipalities.

Building plan activity

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Table B – Recorded building plans passed by larger municipalities aggregated to provincial level: January to December 2018 versus January to December 2019

Estimates at current prices	Jan – Dec 2018 1/	Jan – Dec 2019 1/	% contribution to the total value of building plans passed during Jan – Dec 2018	% change between Jan – Dec 2018 and Jan – Dec 2019	Contribution (% points) to the % change in the value of building plans passed between Jan – Dec 2018 and Jan – Dec 2019 2/	Difference in value between Jan – Dec 2018 and Jan – Dec 2019
	R'000	R'000				R'000
Western Cape	32 941 280	28 388 093	27,8	-13,8	-3,8	-4 553 187
Eastern Cape	7 137 722	7 222 679	6,0	1,2	0,1	84 957
Northern Cape	1 008 267	1 487 167	0,9	47,5	0,4	478 900
Free State	3 990 178	3 079 153	3,4	-22,8	-0,8	-911 025
KwaZulu-Natal	21 639 463	17 978 109	18,3	-16,9	-3,1	-3 661 354
North West	2 787 620	2 683 982	2,4	-3,7	-0,1	-103 638
Gauteng	43 265 173	40 844 064	36,5	-5,6	-2,0	-2 421 109
Mpumalanga	4 063 671	4 049 942	3,4	-0,3	0,0	-13 729
Limpopo	1 733 746	2 168 304	1,5	25,1	0,4	434 558
Total	**118 567 120**	**107 901 493**	**100,0**	**-9,0**	**-9,0**	**-10 665 627**

Activity does seem to be on the up

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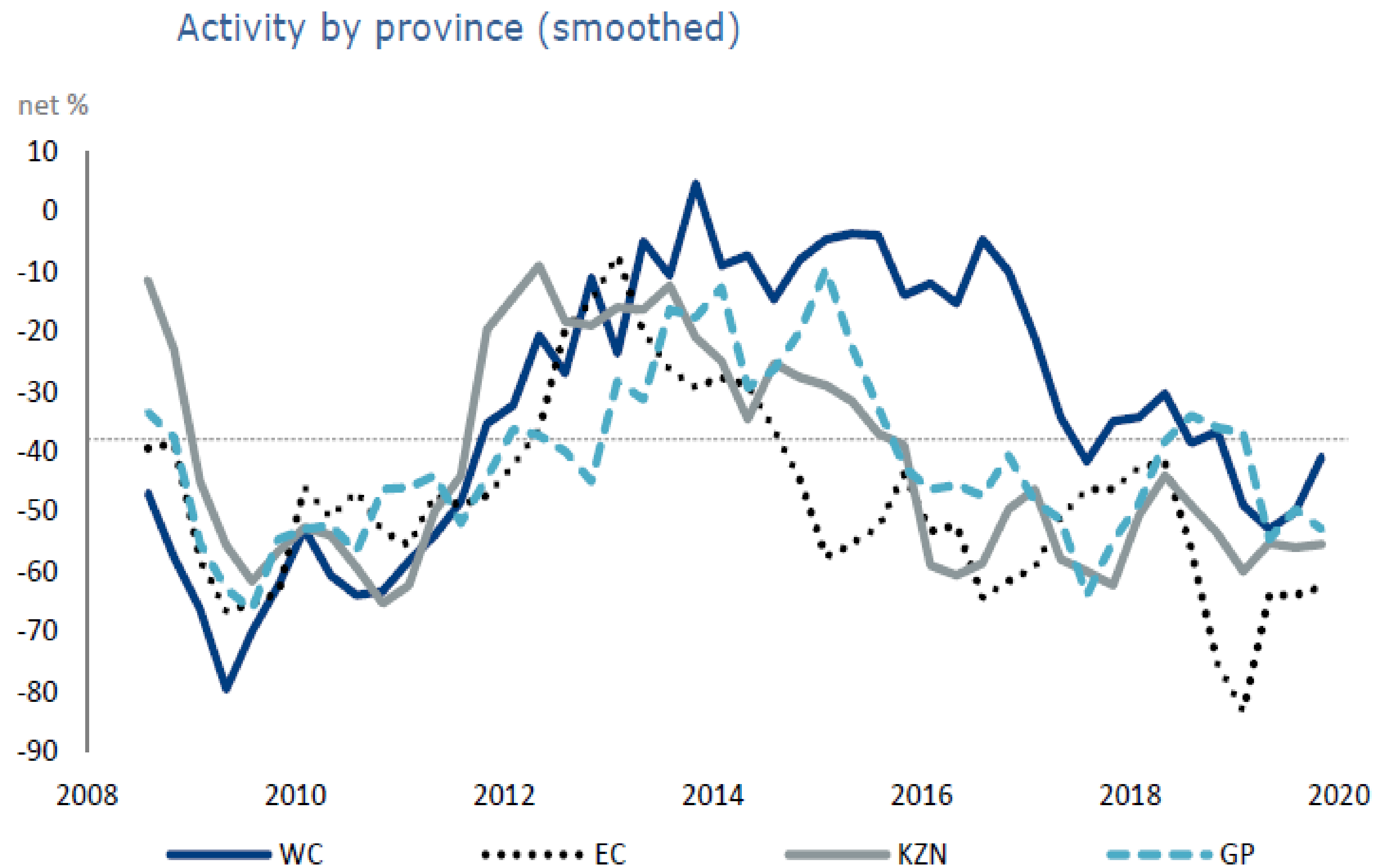

Source: BER

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Fixed Capital and Property Development War Room

We listened: Over 60 interviews

We vetted: Private sector inputs checked with officials and with data for balance

We acted: Quick action taken on easy to solve issues

We iterated: Alternative options were explored for sticky problems

We escalated: Complex and sensitive issues were raised with our authorizers

We recorded: Dashboard of unsolved issues, with solutions, created

Cape Town construction scene

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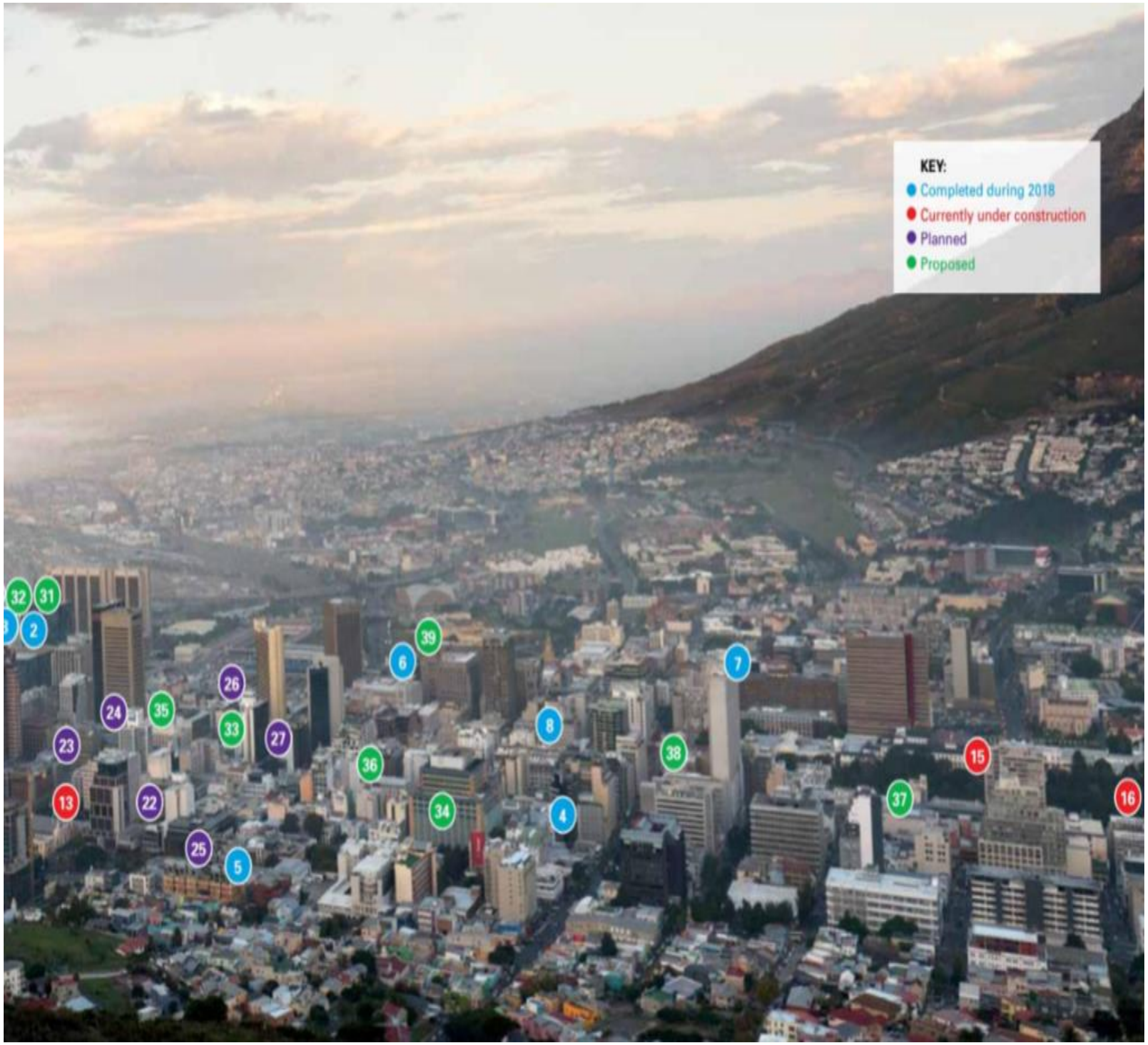
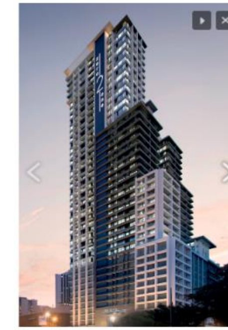
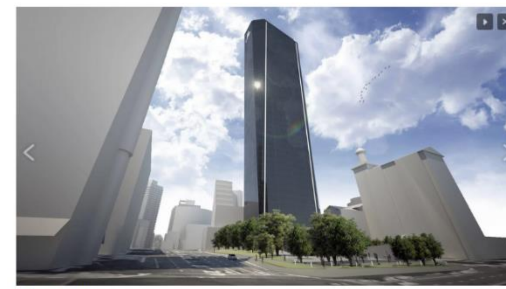



The Rubik *Item 2 of 6*


Zero2One new 01 *Item 3 of 6*


Cullinan Sq 02 *Item 4 of 6*


The Vogue 01 *Item 5 of 6*


The Modern 01 *Item 6 of 6*

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Municipal water: Capital programme of R6 billion over 10 years

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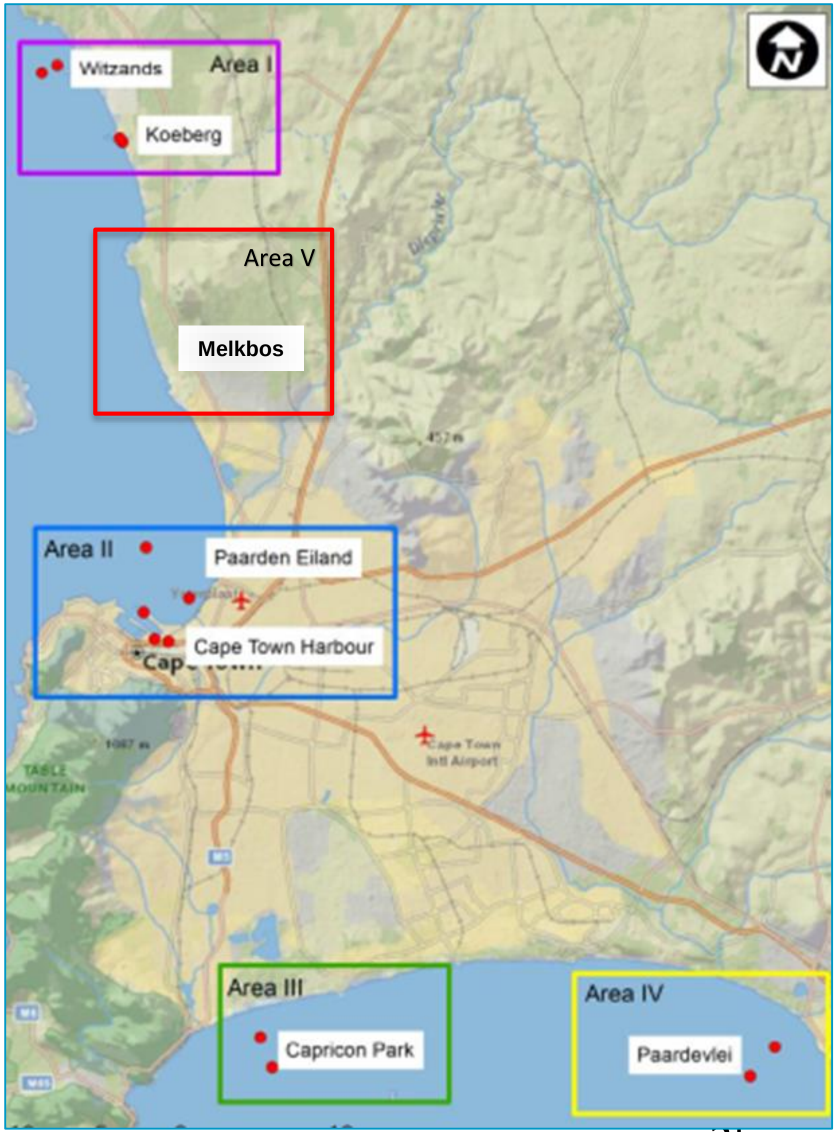
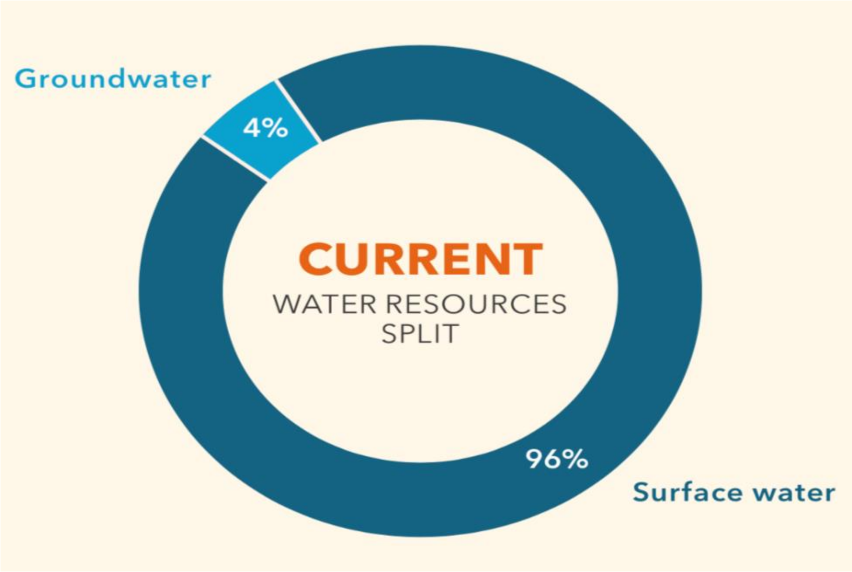
TABLE 1: COMMITTED NEW WATER PROGRAMME OVER TEN YEARS - PROVISIONAL YIELDS AND COSTS						
Intervention*	First water	Effective yield		Total capex	Unit capex**	Operation cost***
		Mℓ/day	Million kℓ pa	R million	Rm/Mkℓ	R/kℓ
Demand management	2019	70	26	410	6	3
Alien vegetation clearing	2019	55	20			~1-2
Management of WCWSS	n/a	27	10			~0,2-0,5
Cape Flats aquifer ph 1	2020	20	7,3	610	31	5
Table Mountain Group ph 1	2020	15	5,5	375	25	5
Cape Flats aquifer ph 2	2021	25	9,1	450	18	5
Atlantis aquifer	2021	10	4	290	29	8
Table Mountain Group ph 2	2022	15	5,5	335	23	5
Table Mountain Group ph 3	2022	20	7,3	326	16	2
Berg River augmentation	2023	40	15			~3-5
Water reuse ph 1	2024	70	26	1 360	20	5
Desalination ph 1	2026	50	18	1 650	33-40	9
Total, including WDM		417	154	5 806		
Total new supply		347	128	5 396		

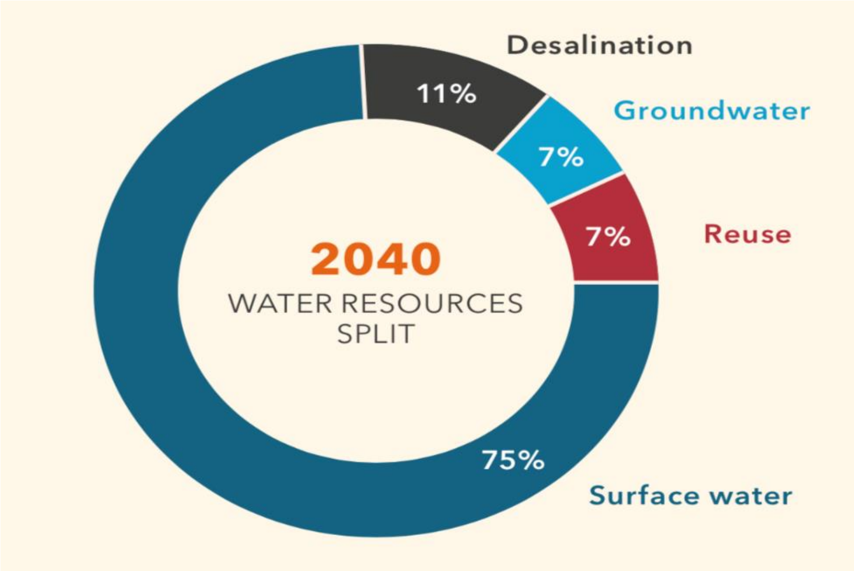
The City of Cape Town is committed to constructing over 300 MLD of additional capacity in the next 10 years to mitigate future droughts

Municipal Water: Permanent Desalination

(50-150 MLD / R 6-7 b)







Construction project pipeline

WESGRO

Cape Town International Route Network 2020

AIRFRANCE
Paris, France

KLM
Amsterdam, Netherlands

SINGAPORE AIRLINES
Singapore, Singapore

QATAR AIRWAYS
Doha, Qatar

TAAG
Luanda, Angola

Condor
Frankfurt, Germany*

AIR MAURITIUS
Port Louis, Mauritius

Emirates
Dubai, UAE

TURKISH AIRLINES
Istanbul, Turkey

Austrian
Vienna, Austria*

Ethiopian
Addis Ababa, Ethiopia

RwandAir
Kigali, Rwanda
Harare, Zimbabwe

Kenya Airways
Nairobi, Kenya
Livingstone, Zambia
Victoria Falls, Zimbabwe

UNITED
Newark/New York*

FlyWestair
Windhoek, Namibia
Oranjemund, Namibia

CATHAY PACIFIC
Hong Kong, China*

BRITISH AIRWAYS
London Heathrow, UK

Lufthansa
Munich*, Germany
Frankfurt, Germany

edelweiss air
Zurich, Switzerland

sa express
we fly for you
Walvis Bay, Namibia

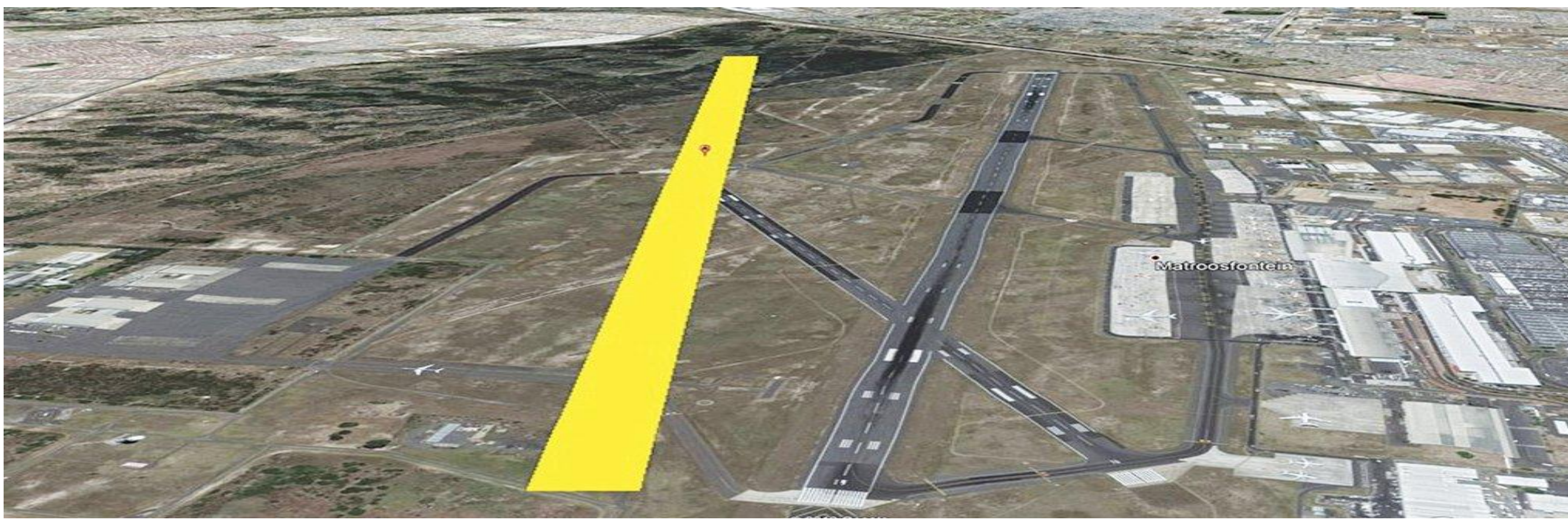
Air Namibia
Windhoek, Namibia
Walvis Bay, Namibia

AIRLINK
Windhoek, Namibia,
Maun, Botswana
Victoria Falls, Zimbabwe
St Helena*

AIR BOTSWANA
Gaborone, Botswana

Partners:

City of Cape Town · Western Cape Government · WESGRO · Cape Town Tourism · Airports Company South Africa · South African Tourism



Cape catalyst

ATLANTIS SEZ

- Located approximately 40km from city centre of Cape Town
- Special economic zone (SEZ) focusing on industrial development in the green economy
- Several financial and non-financial incentives available to investors located within the SEZ
- To date, 6 companies have invested in the Atlantis SEZ
- The only green tech SEZ in Africa

LET US HELP YOU DO BUSINESS IN A PLACE OF MORE.

Visit our website for more information
investwesterncape.com

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