



foreword

It gives me great pleasure to distribute this publication to the people of the City of Cape Town. Thank you to the numerous individuals working in both the public and private sectors for participating in the process leading up to this publication.

This unique and first-ever report on Cape Town's economy presents us with a fascinating picture of current trends and future prospects. The economic information available provides an excellent basis for the further development and implementation of the City's Economic Development Strategy.

Ultimately, we need to improve the quality of life for all. It is clear that Cape Town's strong and vibrant economy has the potential to achieve higher economic growth and job creation in the future. We all need to work hard to ensure this growth so that Cape Town can become an "Opportunity City". We are already responding to this challenge. The City is rapidly strengthening its supportive business environment and building on our competitive strengths in key sectors, including Tourism, Information and Communications Technology, and Clothing to name a few.



In addition, the economic trends present the private sector and communities with many positive opportunities. We must ensure that active steps are taken to maximise the potential gains arising from these opportunities.

I look forward to working in partnership with you as we strive to achieve our vision of Cape Town as a world-class city that creates opportunities for all.



Councillor Kent Morkel

**Executive Councillor: Economic Development
and Tourism**

April 2001



t a b l e o f

Contents

	Page
Foreword	2
1 EXECUTIVE SUMMARY	4
2 INTRODUCTION	7
3 ECONOMIC GROWTH	9
Economic Structure and Sector Growth	9
City of Cape Town vs National Growth	10
Spatial Distribution of Economic Activity and Population	11
Current Trends	12
Future Prospects	15
4 JOB CREATION	17
Population Growth and Labour Supply	17
Employment and Output	19
Unemployment and Underemployment	20
Per Capita and Household Income	21
Future Prospects: Population and Employment	22
5 COMPETITIVENESS FACTORS	23
Physical and Social Infrastructure	24
Skills Development	25
Information and Communications Technology	29
Small Business Development	30
6 CONCLUSION	32
Business Development Services	33
List of Figures, Tables and Maps	35
References	36
Acknowledgements	37

executive summary

This publication presents a statistical overview of key trends and future prospects impacting on the City of Cape Town's economy and population. These trends influence the key challenges facing the City of Cape Town, namely to improve the *quality of life* for all inhabitants (by developing a *globally competitive economy*, as well as *reducing poverty*), and to achieve *sustainable economic growth and job creation*.

This publication is based on a wide range of statistical sources, including the City of Cape Town's unique methodology to derive updated data for the Gross Geographic Product (GGP) and employment statistics for Cape Town. In addition, much of the data has been obtained from a comprehensive survey of over 30,000 formal businesses from Cape Town's Regional Services Council (RSC) Levy Business Database (which comprises over 40,000 businesses).

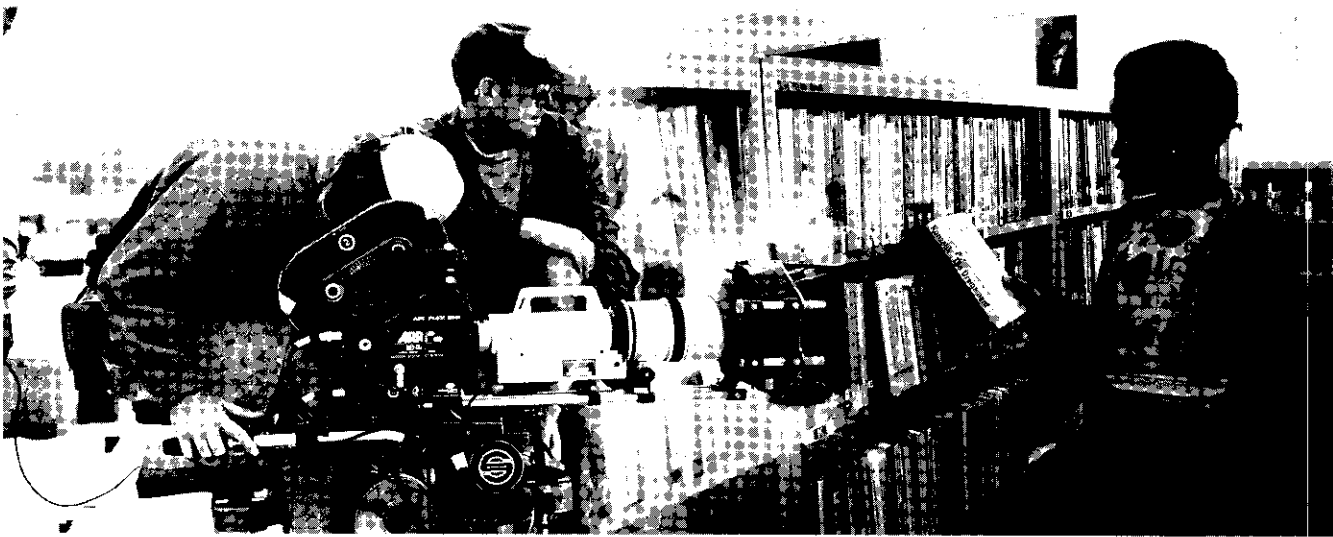
The main findings and trends can be summarised as follows:

- The City of Cape Town's *economy grew* at an average annual real rate of 2,6% between 1991-2000, compared to a corresponding national average annual real economic growth rate of 1,8%, for the same period.
- The City of Cape Town's economy contributes almost 11% of South Africa's Gross Domestic Product, producing nearly R86 billion in goods and services in 2000 (South Africa's second largest city economy).
- During the period 1999-2000, the local economy experienced a temporary *cyclical down-turn*, largely due to factors beyond its control. These included the impact of the Asian crisis on Finance and Real Estate, and the Manufacturing sectors; the effect of tariff cuts on the Clothing and Textile sectors; and particular problems experienced by the Agricultural sector.
- There is every indication that the City is currently experiencing an *economic up-turn* and that it will again resume a leading role in the South African economy. The local economy could realistically achieve real growth rates in excess of 4% per year during the next 10 years, compared to a corresponding national rate of about 3,6% (Department of Finance, 2001).

Positive signs for Cape Town's future include recent large increases in the number of new business registrations; several new large-scale capital projects; the growth of e-Commerce among local businesses; and a booming tourism market, coupled with an improving trade balance (i.e. increased exports).

Cape Town has a strong *competitive advantage* over the rest of South Africa, especially in respect of Trade and Catering, Manufacturing and Construction, and in such niche industries as Film and Media, Fashion Clothing, Jewellery, Boat Building, Bio-technology, Health and Medical products and in industries supporting the extraction and distribution of Natural Gas.

- *Labour supply* is likewise expected to grow more slowly than before (3% between 1991-2000 and 2.7% between 2000-2005), but employment growth in the formal and informal sectors remains sluggish and is projected to grow at an annual average of just over 2% over the next 5 years.
- *Labour force skills levels (including literacy)*, while relatively stronger than other South African cities, requires major attention with the number of illiterate adults now at over 350,000 persons and growing by over 15,000 persons annually. Over the next 10 years, the annual demand for unskilled workers is expected to grow by only



Cape Town's *formal economy* provides jobs for about 64% of its labour force and contributes 88% of value added in the local economy. The informal sector provides employment for 18% of the labour force and contributes 12% to value added.

Cape Town's businesses are predominantly *micro, small and medium enterprises* (95% of total businesses), and they contribute approximately 50% to total output and about 40% to total formal employment.

Population growth is expected to continue its slower growth trend, from 3% in the late 1990's to 1,2% by 2010, largely because of a lower rate of in-migration and an increase in the number of HIV/AIDS related deaths. The high proportion of young people in the population will, however, contribute to a population growth of about 400,000 persons over the next 5 years.

4,200, while the demand for skilled workers will grow at about 20,000 per year.

- Even if the local economy were to grow at rates in excess of 4% per year over the next ten years, it will still *not absorb all the new entrants* to its labour force. Reasons include the labour-saving nature of new technologies, and increases in the indirect costs of employing labour. An economic growth rate of 7% per year is required to absorb 100% of new yearly labour force entrants into formal sector jobs.

○ *Unemployment* currently stands at a minimum of 18% of the work force (or 240,239 persons) and is expected to reach 21% by 2005, before falling back to 20% in 2010 (or 332,701 persons). Unemployment also varies significantly by population group: in 1998 unemployment in the City's African/Black population was 26%, Coloured 15%, Asian/Indian 9% and White 4%.

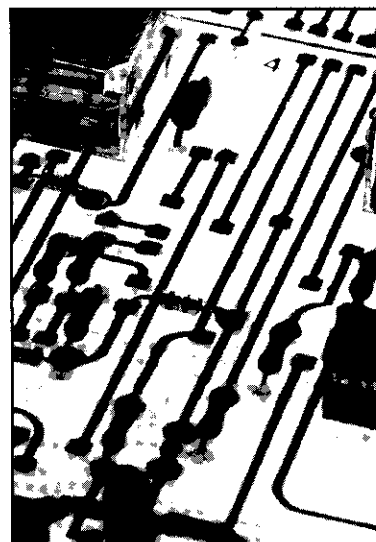
○ Although the *level of per capita income* is bound to increase over the next 10 years, the *distribution of income* remains a source of concern: in 2000 per capita disposable income among the White population group was about five times that of the African/Black population group.

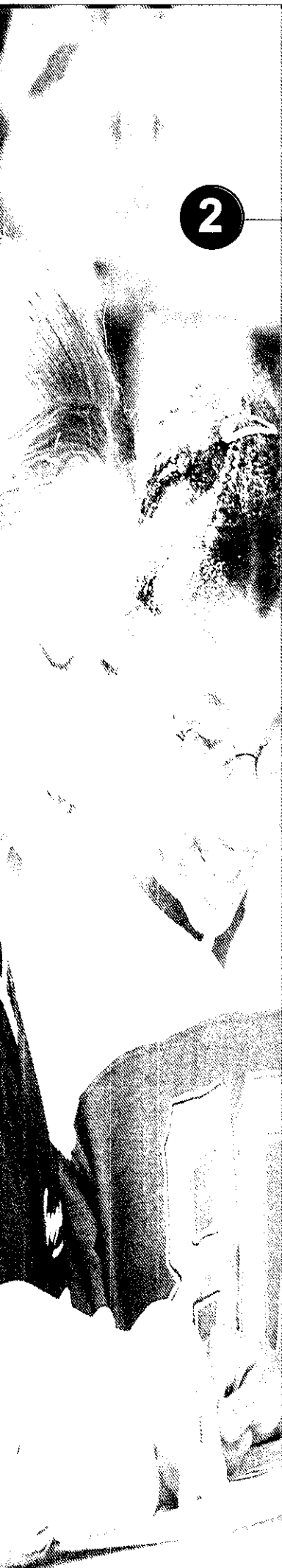
○ Cape Town has an adequate *physical infrastructure* and a relatively well developed *skills base*. It also has the potential to develop new *information technologies*. These are assets that need to be further developed if the City is to build its global competitiveness and retain its competitive advantage vis-à-vis the rest of the country and its global competitors.

○ If Cape Town is to realize its *significant economic potential*, it will be necessary for both the public and private sectors to work in partnership and to focus attention on the *driving forces of economic growth*. These include the maintenance and expansion of the physical and social *infrastructure*, the development of appropriate *skills*, the promotion of information and communication *technologies*, and the active support of key *economic sectors*.

○ *Economic growth* is necessary to reduce *poverty* in Cape Town, but it is not enough. It is therefore important that every effort be made to broaden access to the benefits of growth by, inter alia, promoting the development of *small businesses* (eg. through appropriate procurement policies) and *skills development programmes*.

While Cape Town faces many challenges, the City also has a number of key assets and competitive strengths which greatly enhance its prospects for becoming a *world class city*, which rapidly improves its inhabitants' quality of life.





2

E
C
O
N
O
M
I
C
I
N
F
O
R
M
A
T
I
O
N

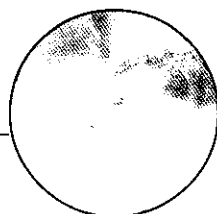
i n t r o d

Cape Town's population of over 3 million people is supported by a very diverse and resilient economy that produced over R85.9 billion in goods and services in 2000. This comprises almost 11% of South Africa's economy and 75% of the Western Cape's economy.

The main purpose of this publication is to provide a statistical overview of the City of Cape Town's economy. A secondary purpose is to identify key trends that are likely to impact on the future growth and productivity of Cape Town's industries and economy.

The publication draws on a range of statistical sources and presents economic statistics on Cape Town's economy which are released here for the first time. At the same time, further work to improve statistics on Cape Town's economy is ongoing. For example, reliable statistics on the informal sector at a city and local level has been identified as a key gap.

Economic strategies are being implemented which build on the city's strengths. These strategies should promote our global competitiveness and reduce poverty in an environmentally sustainable manner. These strategies promise to strengthen the city's future economic growth and should encourage accelerated job creation (provided that global economic growth prospects are not unduly harmed by a potential economic slow-down).



u c t i o n

This publication focuses on three sets of factors that contribute to sustainable economic growth and job creation - see Figure 1:

Economic growth factors

Economic growth depends on the *demand* for Cape Town's goods and services and the corresponding *supply* of these goods and services.

Demand is driven by local household spending and by external demand from the rest of South Africa and the rest of the world, including visiting tourists (domestic and foreign). Supply is in turn determined by capital investment undertaken by local and foreign businesses, and by increases in the quality and quantity of competitiveness factors.

Job creation factors

Job creation in the formal and informal sectors is largely driven by economic growth. Creating new jobs is one way

of reducing unemployment and underemployment and reducing poverty. HIV/AIDS will slightly reduce the rate of population growth (although the population will still grow in total numbers), and it will impact negatively on productivity and economic growth.

Competitiveness factors

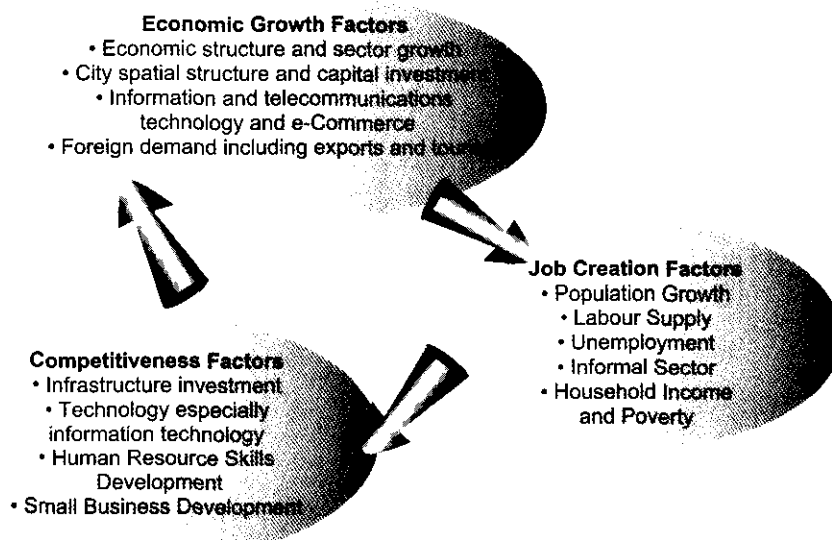
Competitiveness factors can impact positively on productivity, economic growth and job creation in the local economy. Like most developing city economies, Cape Town needs an adequate infrastructure, an appropriate skills base and up-to-date information technologies in order to boost economic growth. Policies aimed at supporting export activity, small business development, human resources skills development and infrastructure development could help to promote economic growth and the creation of new job opportunities.

This report utilises two primary statistical sources. Firstly, a survey of over 30,000 formal businesses (using the RSC Levy Business Database containing over 40,000 formal businesses) was completed in early 2000. Secondly, a unique methodology was applied to derive Cape Town's 1996-2000 economic growth and Gross Geographic Product (GGP) or output statistics based on annual sectoral turnover trends (also from the RSC Levy Database). The composition of the 1996-2000 labour force (employment and unemployment) was then derived from these GGP statistics.

The City of Cape Town's *Background Report: Cape Town Economic Trends and Analysis: 1980-2000* (April 2001) contains the detailed statistical tables which provide the basis for this report (See www.capetown.gov.za/econstats).

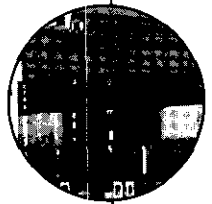
Note: Certain responses to the business survey may reflect a degree of under-reporting and may be revised if updated information becomes available. Also, a range of past trends and future projection time ranges are used depending on the availability of up-to-date data.

Figure 1: Key Factors Contributing to Sustainable Economic Growth and Job Creation.



Economic growth is a key pre-condition for a sustainable and more equitable city. Cape Town's economy is undergoing rapid changes as it responds to significant global challenges.

Globally, the international trade in goods and services has rapidly grown as a share of world output. Nationally, the economy has shifted its focus from an inward, domestic orientation towards an external, global orientation. Since the mid-1990's, Cape Town's economy has especially been affected by the growing global importance of international tourism and investment.



ECONOMIC STRUCTURE AND SECTOR GROWTH: 1980 - 2000
(See Figure 2)

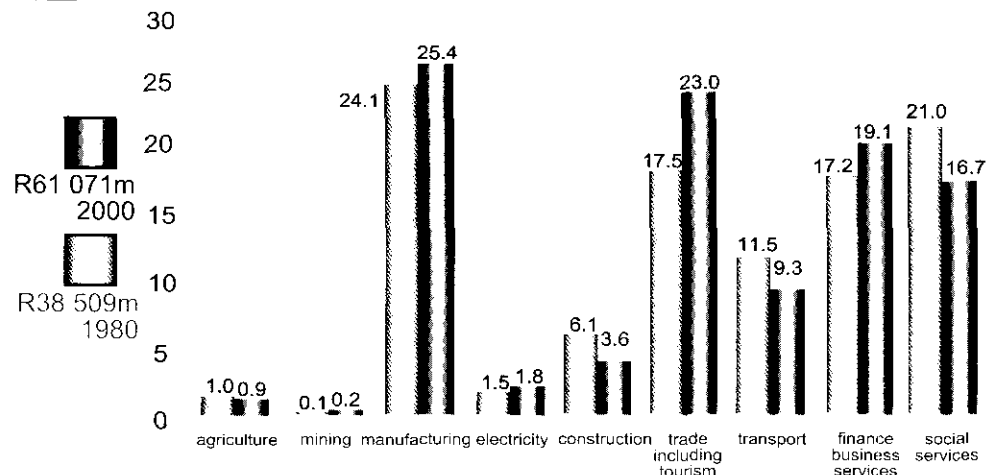
Sectors experiencing the highest long-term growth since 1980:

- Manufacturing
- Trade and Catering (which includes Tourism)
- Finance and Real Estate

Sectors experiencing relatively slower growth since 1980:

- Services - social and government services have been reduced (largely due to public sector restructuring)
- Construction

Figure 2: City of Cape Town: Proportional Change in Sectoral Contribution to Real Gross Geographic Product: 1980 - 2000.

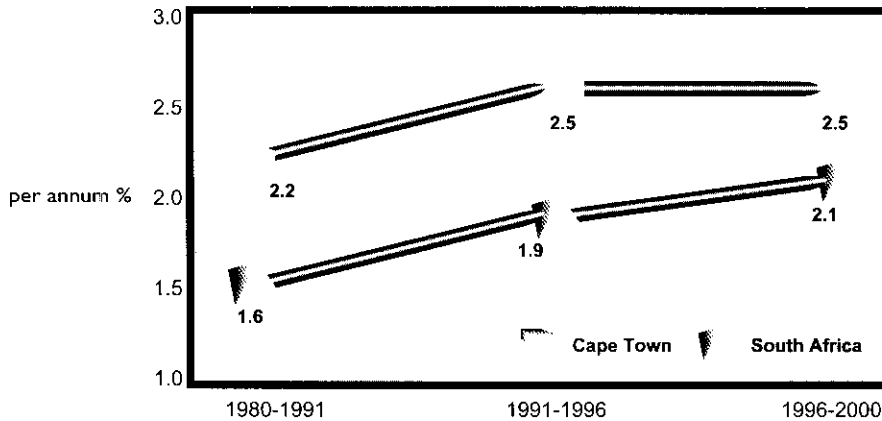


Sources: City of Cape Town (July 1998 and April 2001), and South African Reserve Bank (December 2000)

C g r o w t h

CITY OF CAPE TOWN vs NATIONAL GROWTH

Figure 3: South Africa and the City of Cape Town: Average Annual Real Economic Growth: 1980 - 2000.



Sources: City of Cape Town (July 1998 and April 2001); South African Reserve Bank (December 2000); Department of Finance (2001).

- Since 1980, Cape Town's economic growth or real GGP has grown at substantially higher rates than the national average.
- The higher economic growth of Cape Town *vis-à-vis* the rest of the country is due largely to the *competitive advantages* its sectors and industries have over those in the rest of the country, particularly in certain Manufacturing sub-sectors such as electronic and electrical products, metal, steel and beverages.

Average Annual Real GGP Growth: 1990-2000	
Cape Town	2.6%
Durban	0.4%
South Africa	1.8%

Source: City of Cape Town (April 2001).

- For 1999 and 2000, however, Cape Town's real growth (at 1% and 2.1% respectively) appears to have fallen behind national real economic growth (of 2.1% and 2.5% respectively).

The reasons for the 1999-2000 cyclical dip in Cape Town's growth relative to the national growth rate, can be attributed to the relatively slower local growth of several large sectors, notably Manufacturing, Finance and Real Estate, Agriculture, and Transport and Communications (see Table 2, Page 11), primarily as a result of:

Table 1: South Africa and City of Cape Town: Real Growth Rates of Manufacturing Industries: 1991 - 1998.

Sector (ranked from highest to lowest in terms of Cape Town's average growth 1991-1998)	Annual Averages 1991-1998 (Percentage)	
	South Africa	South Africa
Electronic and electrical products	9.5	0.4
Metal and steel	8.0	2.4
Beverages	6.5	-1.1
Wood and furniture	5.4	-0.2
Leather and footwear	4.5	5.5
Chemicals, petroleum and pharmaceuticals	3.3	1.2
Rubber, plastic and other non-metallic minerals	3.3	1.9
Paper, printing and publishing	3.0	0.3
Food	2.6	1.2
Machinery (non-electric)	2.6	-0.8
Transport equipment	2.3	2.4
Textiles and clothing	2.1	-0.5
Other	1.7	-2.9
Total Average	3.8	1.1

Source: City of Cape Town (April 2001)

Note: National data on the manufacturing sub-sectors is not yet available for 1999-2000.

Gross Geographic Product ~

is *the rand value of final goods and services produced in a region in a specific period (excludes the value of intermediary inputs or goods and services which are used in the production process)*

Real Gross Geographic Product (GGP) differs from **nominal Gross Geographic Product** in that the total *output has been adjusted for inflation to reflect real economic growth.*

Cape Town's annual nominal and *real GGP statistics* are produced annually by the **City of Cape Town and the 2001 GGP statistics will be available in May 2002, shortly after the release of national sectoral deflators.**



The Asian crisis in 1998 which continued to impact negatively on the South Africa economy in 1999. This triggered a massive withdrawal of short term capital from South Africa and Cape Town in particular, and the external demand (both international and nationally) for locally produced manufactured goods, transport equipment and agricultural produce, partly due to the rise in South Africa's interest rates.

New trade reform policies which impacted negatively on globally non-competitive local businesses via lower import tariffs.

Problems peculiar to the local *Agricultural sector*, including adverse climatic conditions, rising fuel and capital costs, a proliferation of private export marketing agents, and compounded by an over-supply of white wine, apples, citrus and other fruit on world markets.

A slow-down in the growth of *foreign tourist arrivals*.

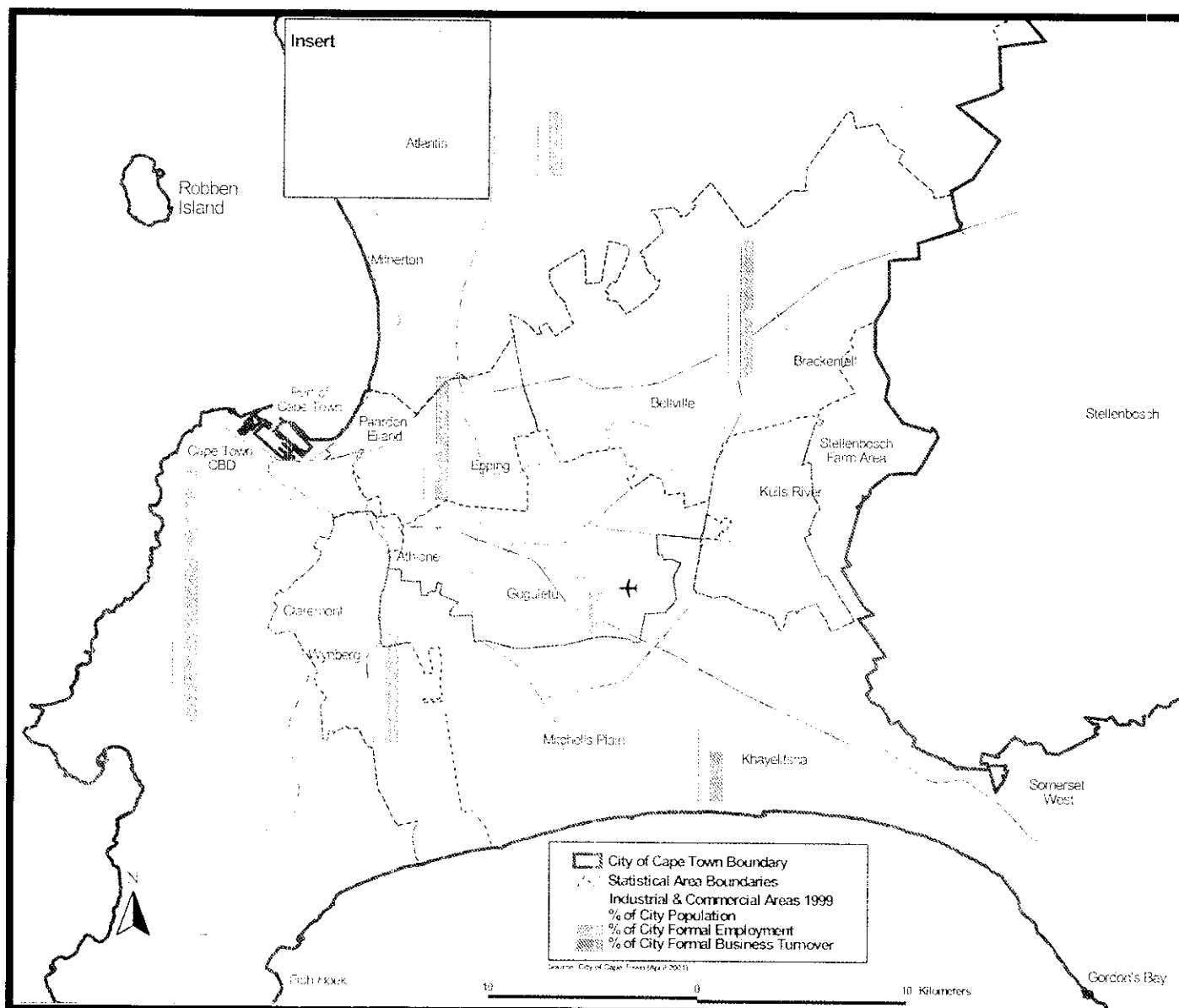
Table 2: South Africa and City of Cape Town: Average Annual Real Growth Rates per Sector: 1991 - 1998.

Sector (ranked from highest to lowest in terms of Cape Town's average growth 1991-1998)	Annual Averages 1991-1998 (Percentage)	
	City of Cape Town	South Africa
Trade and Catering including Tourism	4.2	1.3
Construction	3.6	-0.2
Finance and Business Services	2.6	5.3
Electricity and Water	2.5	2.9
Manufacturing	3.8	1.1
Agriculture, Forestry and Fishing	1.4	0.2
Social Services	-0.1	0.0
TOTAL AVERAGE	2.5	2.1

Sources: City of Cape Town (April 2001) and South African Reserve Bank (December 2000)

SPATIAL DISTRIBUTION OF ECONOMIC ACTIVITY AND POPULATION

Map 1: Contribution Towards City Population, Formal Employment and Formal Business Turnover in Selected Areas.



Employment data obtained from the RSC Levy Database of over 40,000 formal businesses illustrate an interesting picture in the relative distribution of economic activity and the City's population (See Map).

Past political ideologies and City Planning practices have resulted in an inefficient and inequitable distribution of economic activities relative to population distribution. This spatial pattern imposes long travelling distances and proportionately high costs on the city's poor, and promotes income leakages from poor to richer areas.

Past patterns of industrial and commercial location in Cape Town have been partially determined by relative input costs (e.g. land and basic services), with the availability of industrial infrastructure and proximity to existing transport routes being of major importance.

This means that job opportunities are not being sufficiently provided where the needs are greatest, namely in areas of excess labour supply. In these areas non-labour related costs and business risk factors such as crime are considered too high by investors and the business community. (Cape Metropolitan Council, August 1998).

Table 3: City of Cape Town: Contribution Towards Formal Annual Business Turnover, Employment and Population in Selected Areas: 2000.

SELECTED AREAS (ranked from highest to lowest contribution towards turnover)	% of City Business Annual Turnover	% of City Formal Employment	% of City Population (1996)
1. Cape Town CBD; Observatory; Camps Bay; Simon's Town	33.0	29.5	10.0
2. Parow; Bellville; Durbanville; Brackenfell	18.2	17.0	11.0
3. Maitland; Paarden Eiland; Goodwood; Epping	16.0	18.0	5.0
4. Claremont; Mowbray; Wynberg; Ottery	14.0	11.7	8.0
5. Milnerton; Melkbosstrand; Table View; Atlantis	8.0	7.7	6.0
6. Somerset West; Mitchells Plain; Khayelitsha	5.8	9.0	34.0
7. Guguletu; Athlone; Airport Industria; Kuils River	5.0	7.1	26.0
TOTAL	100	100	100

Source: City of Cape Town (April 2001)

Note: Informal sector employment is not included as informal businesses are not registered for the RSC Levy, but if added would have the effect of increasing the proportional contribution of the Metro South East to City employment. (Areas 6 and 7)

Table 3 and Map 1 illustrate that:

- Formal economic activity occurs mostly in Cape Town's three established Central Business Districts and two historical corridors (Cape Town CBD, Bellville, Maitland/ Paarden Eiland and Claremont/Mowbray), which together account for about 34% of total population (1996 population figures), 76.2% of total employment, and 81.2% of total formal business turnover.
- Cape Town's Metro South East (Guguletu/Airport Industria/Mitchells Plain and Khayelitsha) together contributed 66% of total population (1996 population figures), and only 16.1% of total employment and 10.8% of total formal business turnover.
- Relatively more labour intensive industries are primarily located in the Metro South East and on Cape Town's periphery, together with the majority of the urban poor.

CURRENT TRENDS

Positive Future Growth Prospects for Cape Town:

- Increased growth of national economy.
- Increased number of new company registrations.
- Several new large investment projects.
- Growing on-line communication, including e-Commerce.
- Increased exports and improving trade balance.



A number of emerging trends and recent data point to a gradual economic up-turn in 2001 and beyond:

- The latest upward adjustment of the 2000 national economic growth rate to 3,1% is also reflected in a similar emerging strengthening of the Cape Town economy of 2,1% growth for the year 2000.
- Net new business registrations (from RSC Levy Business Database) have increased by more than 33% between 1999 and 2000. Most of the 1,866 net registrations in 2000 occurred in the Finance and Real Estate, Trade and Catering, and Construction sectors. (Note: Local Government income received from the RSC Levy is primarily used for public sector capital expenditure investments such as the soon-to-be-constructed Cape Town International Convention Centre).

Table 4: City of Cape Town: Selected Major Property and Infrastructure Investments: Estimated Total Investment Values: January 1999 - June 2000.

Project Status	Total Investment Value (R billion)	Commercial (R billion)	Industrial (R billion)	Tourism (R billion)	Physical Infrastructure (R billion)	Social Infrastructure (R billion)
Complete / Under Construction	11.4	6.80	0.67	2.64	0.84	0.44
Approved / Submitted / Planned	9.9	2.90	1.70	1.60	3.10	0.60

Source: City of Cape Town and Wesgro (2001).

Note: These totals only reflect projects with a total investment value of over R10 million and residential projects have been excluded. These investment values are not necessarily comprehensive and the investments can be expected to take place during the course of the next +5 years.

Direct capital investment and higher levels of labour productivity are being experienced in both South Africa and in Cape Town. Several major investment projects have recently been completed or are under construction in Cape Town. These projects will directly add several billion Rand to Cape Town's economy over the next few years.

- Increasing importance and adoption of information and communication technology (ICT), including e-Commerce (business-to-business (B2B) and business-to-consumer (B2C)).
- The potential cost savings and dramatic increases in labour productivity made possible by the "new" economy is a major source of improved efficiency and competitiveness.

Table 5: City of Cape Town: Selected Current Major Property Investment Projects: June 2000.

Project Name	Estimated Investment Value	Status
AECI (Heartland Properties)	R1.0 bn	Under-construction
Cape Gate (Oostenberg Mall)	R0.2 bn	Submitted
Cape Town Airport Site Development	R2.8 bn	Under-construction
Cape Town Station Redevelopment	R1.0 bn	Planned and Approved
Capricorn Technology Park	R3.5 bn	Under-construction
Century City	R3.0 bn	Under-construction
International Convention Centre and linked developments	R1.1 bn	Under-construction (to open in 2003)
Kenilworth Race Course	R0.5 bn	Under-construction
Khayelitsha CBD	R0.3 bn	Planned and Approved
TygerValley / Durban Rd Expansions	R0.5-R1 bn	Under-construction and planned
Victoria and Alfred Marina	R1.3 bn	Under-construction
Victoria and Alfred Waterfront Expansions (Clocktower Precinct, Marina and Roggebaai Canal)	R2.2 bn	Under-construction
Westlake	R1.5 bn	Under-construction

Source: City of Cape Town and Wesgro (2001)

Note: These investment values are not necessarily comprehensive and the developments can be expected to take place during the course of the next +5 years.

The large-scale capital projects referred to in Tables 4 and 5 will have the effect of raising capital/labour ratios, and boosting labour productivity - as has happened in Cape Town during the past 15 years. This was true of the Electricity, Gas and Water sectors (where labour productivity more than doubled), the Transport and Communications, and the Trade and Catering sectors. The Manufacturing, Construction, and the Finance and Real Estate sectors did however record a decline in labour productivity, while there has also been a marginal decline in capital productivity - as has also happened in the rest of the country.

Western Cape: Productivity Indices: 1980 - 1995.

	1980	1995
Capital/Labour Ratio	86,7	100
Capital Productivity	106,8	100
Labour Productivity	92,6	100

Source: City of Cape Town (April 2001) and WEFA (1998)

- The value of e-Commerce turnover in South Africa more than doubled between 1999 and 2000, and is projected to increase by fourfold over the next three years.
- On-line communication and B2B and B2C e-Commerce is also expanding rapidly in Cape Town, although significant business investments in information technology are still required to approach international benchmarks.
- In early 2000, only 40% of Cape Town's large and medium enterprises, and 20% of micro enterprises, reported the use of e-mail facilities. With respect to company use of B2B and B2C transactions, only 7% of large companies and 2.5% of micro-enterprises are engaging in such activity. Even taking into account the fact that these statistics reflect an element of under-reporting, significant future scope remains for Cape Town's enterprises to embrace the use of information technology, e-Commerce and to access new global markets.

Table 6: South Africa: Projected E-Commerce Turnover (Rand Billion).

	1999	2000	2003
	Rbn	Rbn	Rbn
Business to Business (B2B)	3,9	8,0	37,2
Business to Customer (B2C)	2,7	5,3	18,8
Total	6,6	13,3	56,0

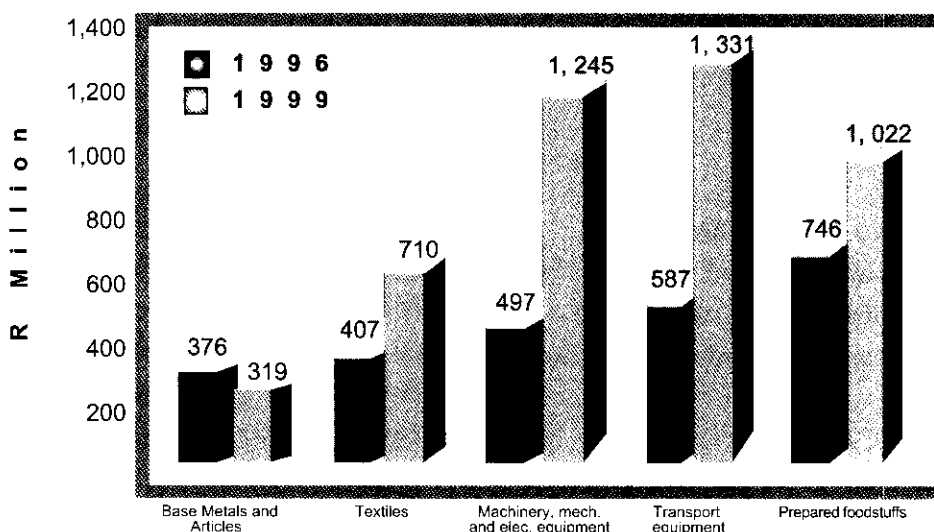
Source: Media Africa (1999)

- An improving trade balance (value of exported goods minus the total value of imported goods) for the Cape Town economy as shown in Table 7. The statistics refer only to trade in goods and certain services, and do not include the annual amounts injected into the local economy by visitors to the City.

product categories (including vegetable products and prepared foodstuffs) playing a major role. Transport equipment and mechanical and electrical machinery also feature prominently.

- Cape Town's imports have remained fairly static, although the upturn in 1999 may be an indication of expanded production capacity in anticipation of future growth (including exports).
- Cape Town's imports consisted primarily of imported machinery, mechanical and electrical equipment (constituting 22% of the total), followed by chemical products (10%) and textiles (9,8%).
- Main Trade Partners: The United Kingdom, United States of America (USA) and Germany are Cape Town's three main trading partners - all three of which are likely to

Figure 4: City of Cape Town: Five Major Export Groups: 1996 - 1999.



Source: City of Cape Town (April 2001)

Table 7: City of Cape Town: Trade Balance: 1996 - 1999.

Year (Rm)	Export (Rm)	Imports (Rm)	Trade Surplus (Trade Deficit) (Rm)
1996	6,608	11,074	(4,466)
1997	6,247	11,623	(5,376)
1998	7,267	11,915	(4,648)
1999	9,729	12,716	(2,987)

Source: City of Cape Town (April 2001)

Note: Trade statistics for 2000 were not available from the Department of Customs and Excise at the time of publication.

- Growing Cape Town's exports is vital to increasing economic growth. All export categories show healthy increases which, when taken with the declining import trend, clearly account for the improvement in Cape Town's balance of trade since 1996.
- Exports passing through Cape Town show a high Western Cape product content with agriculture-related

maintain relatively high growth rates in the foreseeable future (with the possible exception of the USA).

- In contrast to South Africa as a whole, however, Cape Town seems to trade very little with the rest of Africa. Cape Town exports only about R1,2 billion, or 12%, of its total exports to Africa, compared to 14% for South Africa. Imports from Africa are R249 million or 1,9%, compared to 3,2% for the country. Strengthening Cape Town's trade ties with Africa could only serve to boost exports.
- While agricultural exports will benefit from the SA-EU Free Trade Agreement, it can be expected that the exports of especially Clothing will likewise grow strongly in the foreseeable future. This is mainly due to the USA's Africa Growth and Opportunities Act (2000); with the Clothing component of the Act in effect from March 2001, certain South African garments will be allowed duty-free and quota-free entry into the USA.



FUTURE PROSPECTS

Cape Town's future economic growth will depend on:

- Global economic growth of our main trade partners.
- National and local policy implementation to address competitiveness factors, for example, investor perceptions, crime levels, and skills constraints.
- Cape Town's ability to market and build on its numerous strengths, e.g. its natural environment, trade infrastructure, relatively skilled labour force and world-class tertiary institutions, and strengthening of globally competitive sectors.
- Private and Public sector prioritisation of investments in human resource skills development, information technologies, and the exploration of new global market opportunities.

Broad Growth Prospects

- Internationally, real economic growth in developed countries is expected to remain at around 2,5% per annum, although this will depend on whether the USA economy is experiencing a "soft landing" or a more substantial downswing.
- While growth rates of individual developed countries are likely to differ, countries with lower per capita incomes are generally expected to grow more rapidly and continue "catching-up" with higher-income countries (ABSA, 2000).
- Forecasts for the Cape Town economy are based on national economic forecasts for national economic growth of about 3,5% between 2000 and 2005, and 3,7% during the period 2005 and 2010. These rates are based on the latest projections of the Department of Finance (2001 Budget), and are similar to several recent projections by other institutions. Based on Cape Town's past economic performance, and its latent potential, it is assumed that the growth in real GGP for Cape Town will be 1,19% higher than the national growth (as was the case between 1996 and 2000).
- Achieving these growth rates will require the efficient and effective management of the City, including the

co-ordinated implementation of economic development strategies using a range of public-private partnerships to promote a competitive general business environment.

Cape Town Annual Average Real Economic Growth Trends and Forecasts:

- 1996 - 2000 2,4% p.a.
- 2000 - 2005 4,1% p.a.
- 2005 - 2010 4,4% p.a.

Source: City of Cape Town (April 2001)

Sector Growth

- The sources of competitive advantage in Cape Town are often generic to a range of sectors. Examples include the geographical location, natural beauty, available skills pools, and education and research facilities.
- The future high-growth sectors are expected to be Trade and Catering (including Tourism), Manufacturing (especially Beverages and Tobacco, Electrical Machinery, Rubber and Plastics), Transport and Communications, and Construction.

Shift-Share Analysis (1991 - 2000)

Shift-share Analysis:

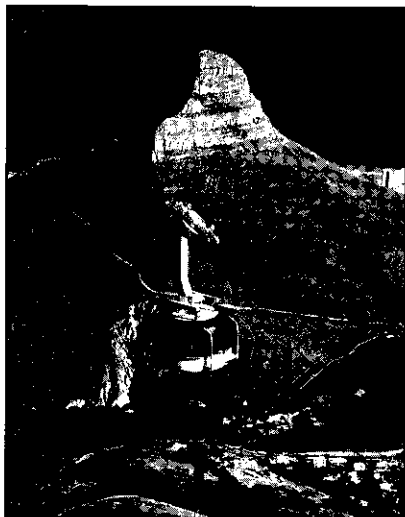
A shift-share analysis distinguishes between two sources of city economic growth, i.e. the extent to which the economic sectors grow because :

- (i) **the national economy is growing and;**
- (ii) **the competitive advantage local sectors and industries have over their counterparts in the rest of the country.**

A shift-share analysis of the Cape Town economy found that Cape Town:

- Has a particularly strong competitive advantage in respect of Trade and Catering (including Tourism), and also in Manufacturing and Construction.
- Has a strong competitive advantage within the Manufacturing sector in respect of most industries, including:
 - Food
 - Beverages and Tobacco
 - Textiles and Clothing
 - Leather and Footwear
 - Paper, Printing and Publishing
 - Rubber and Plastics
 - Metal and Steel
 - Non-Electrical Machinery, and
 - Electronic and Electrical products.

- Is relatively disadvantaged in respect of Transport and Communication, Services and, to a lesser extent, Finance and Real Estate. The latter disadvantage emerged during the late nineties, implying that it may have resulted from the major impact that the Asian crisis had on the local financial sector.



Comparative Trade Export Advantages 1991-2000

An investigation of the comparative export advantages of different Cape Town industries vis-à-vis the rest of the country concluded that Cape Town has:

- A relatively strong comparative trade advantage in respect of Live Animals and Products, Vegetable Products, Animal and Vegetable Fats and Oils, Prepared Foodstuffs, Footwear, and Textiles.
- A relatively moderate trade advantage in Transport Equipment, Mechanical and Electrical Machinery, Raw Hides and Skins, Plastics and Rubber, and Optical and Photographic Products.
- A relative disadvantage in respect of Minerals, Base Metals, Chemical Products, Wood and Wood Products, and Paper and Paper Products.

In addition, Wesgro has identified the following sectors and niche industries with future growth potential:

- Sectors: Tourism, Education and Training, Information and Communications Technology, Health, Medical Services and Equipment, and Film and Media.
- Niche industries: Fashion Clothing, Jewellery, Wine, Bio-technology, Boat Building, Ship Repairs and Natural Gas.

Tourism's Growth Potential:

Cape Town has a proven comparative advantage in respect of the tourism sector. The growth potential of the sector stems from Cape Town's natural beauty and favourable weather, the wide variety of internationally renowned natural tourist attractions, and a well-established infrastructure - all of which are available at relatively low cost to foreigners visiting the City.

In 1998, 830,000 foreign tourists and 3.8 million domestic tourists visited Cape Town (SATOUR - Winter 1997 and Summer 1998). During the 2000/01 summer, foreign tourists spent an average of R21,516 and domestic tourists R6,832 per tourist (Cape Metropolitan Tourism, 2001). The total expenditure of domestic tourists in Cape Town in 1998 was about R5.7 billion, and foreign tourists spent about R5 billion (City of Cape Town, April 2001).

The construction of the Cape Town International Convention Centre will add about R1 billion to GGP during 2001/02 and will contribute about R626 million, directly and indirectly, in its first year of operation in 2003 (University of Cape Town, 2001).

The Tourism sector in Cape Town can be expected to continue to grow rapidly and maximise its unrealised potential:

- Tourism globally is expected to grow faster than most other sectors with a projected growth in foreign arrivals to Africa of 9% in 2001 and 10% in 2002 (World Tourism Organisation, 2001).
- The continued declining value of the rand vis-à-vis the dollar and the euro is likely to attract growing numbers of foreign tourists.
- The number of domestic tourists visiting Cape Town may also increase due to a faster growing national economy, lower expected interest rates and a reduction in the incidence of violent crime.

Key success factors for maximising the future growth of tourism in Cape Town include:

- Improving and managing foreign perceptions about South Africa.
- Effectively marketing Cape Town as a world-class tourism destination.
- Reducing crime levels in Cape Town and South Africa.
- Improving Cape Town's public transport system.
- Promoting world-class industry customer service standards.
- Broadening access to the benefits of tourism growth to all the people of Cape Town.

Cape Town is a rapidly growing city, even though the population growth rate is slowing down. Job creation is likely to remain a major challenge in the future and will be central to alleviating the high levels of poverty still found in Cape Town.

POPULATION GROWTH AND LABOUR SUPPLY

Table 8: City of Cape Town: Population and Employment Growth: 1991, 2000, 2005.

	1991	2000	2005	Average Annual Increase: 1991-2000	Average Annual % Increase: 1991-2000	Projected Average Annual Increase 2000-2005	Projected Average Annual % Increase 2000-2005
Total Population	2,155,190	3,053,763	3,434,067	99,841	3.9%	76,060	2.4%
Economically Active (15-64 yrs)	1,491,702	2,078,660	2,372,700	65,217	3.8%	58,808	2.7%
Labour Force	1,019,529	1,334,666	1,523,463	35,015	3.0%	37,759	2.7%
Total Employment (formal and informal)	915,537	1,094,426	1,214,270	19,877	2.0%	23,970	2.1%

Source: City of Cape Town (April 2001) and Dorrington (2000).

City of Cape Town: 1991 - 2000

Population grew from 2,155,190 to 3,053,763 or an average of 99,841 per annum (at 3.9% p.a.).

Economically active population (15-64 age group) grew from 1,491,702 to 2,078,660 or an average of 65,217 per annum (at 3.8% p.a.).

Labour force grew from 1,019,529 to 1,334,666 or an average of 35,015 per annum (at 3.0% p.a.).

Employment (formal and informal) grew from 915,537 to 1,094,426 or an average of 19,877 jobs per annum (at 2% p.a.).

Source: City of Cape Town (April 2001) and Dorrington (2000).

Following a similar trend to the rest of South Africa, and many other developing nations, Cape Town has experienced a decline in population growth from 4.4% in the early 1990's to 3.2% in the late 1990's, mainly due to declining rates of natural population increase.



Table 9: City of Cape Town: Population Totals: 2001 (estimated) and 2006 (projected).

Population Group	2001	2006
African/Black	984,452	1,225,695
Asian/Indian	47,252	57,142
Coloured	1,454,346	1,572,766
White	668,188	690,851
Total	3,154,238	3,547,054

Source: Dorrington (2000).

The decline in population growth has been partly offset by an increase in the growth rate of the labour force supply - from 2,9% to 3,3% during the 1990's.

This labour force increase is mainly due to the relative youthfulness of the population, which has

been reinforced by the relatively high number of young persons migrating to Cape Town.

The local economy has not been able to provide adequate jobs for its labour force as the growth of the labour supply has exceeded the much lower rate of employment growth.

Labour Force ~

Members of the *Economically Active* population (ages 15-64 years)

wanting to, and **physically able to, participate**, or are already participating in *economic activity*.

Note: This publication makes use of separate population group categories for statistical purposes only. Socio-economic differences between population groups are becoming smaller, although significant differences still persist.

Table 10: City of Cape Town: Population and Labour Force Annual Growth: 1991 - 2000.

Period	Population	Average Annual Increase (%)		
		Economically Active (15-64 years)	Labour Force	Total Employment
1991-1996	4.4%	4.2%	2.9%	1.8%
1996-2000	3.2%	3.3%	3.3%	1.7%

Source: City of Cape Town (April 2001) and Dorrington (2000).

The declining rate of population growth in Cape Town from 1991 to 2000 is mainly due to:

- Lower natural growth rates among the permanent Cape Town population, associated with increasing levels of

education and declining urban fertility levels.

- A reduction in the rate of in-migration to Cape Town.
- An increase in the incidence of HIV/AIDS related deaths.

The Potential Impact of HIV/AIDS on the population of Cape Town:

- It is estimated that the number of HIV/AIDS related deaths in South Africa will reach its peak in about 2011, and a few years later in 2015 in Cape Town.
- The number of deaths in Cape Town attributed to HIV/AIDS is expected to be about 6,000 persons in 2001. The total expected number of HIV/AIDS related deaths between 2000 - 2005 is about 62,000. HIV/AIDS related deaths are expected to peak and level off by 2015 with about 40,000 deaths per year.

- The potentially negative impacts of HIV/AIDS can be minimised through pro-active public sector and private sector measures. Increasingly, private sector companies are realising that the full costs of labour force replacements due to lost productivity, re-training, etc., can be reduced if pro-active steps are taken to provide adequate medical care to HIV/AIDS infected workers (possibly including anti-retroviral medication), as well as preventing workers without HIV/AIDS from becoming infected. HIV/AIDS awareness and education programs in all sectors will be vital to limit the impact of HIV/AIDS.



Source: Dorrington, (2000).

Note: The number of HIV/AIDS related deaths could be lower if pro-active education and treatment interventions are implemented on a wide scale.

It is estimated that by 2011, HIV/AIDS related deaths in South Africa will have:

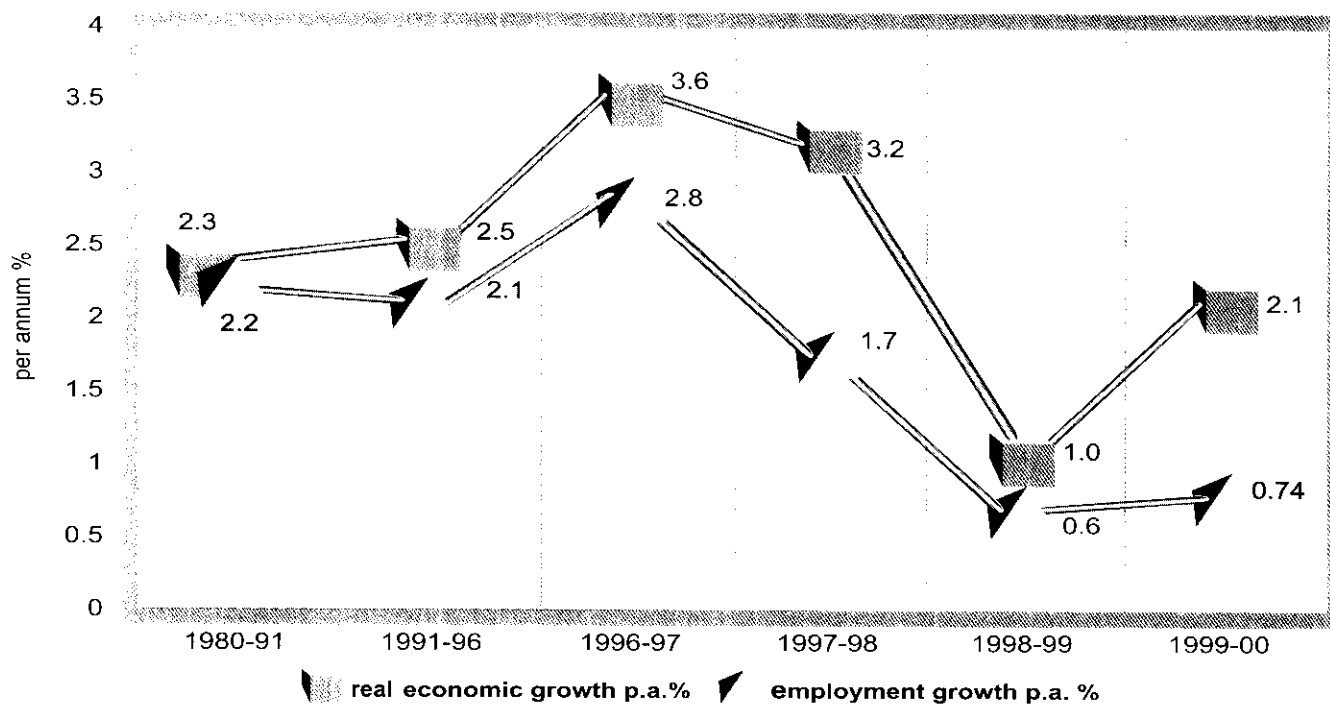
- Lowered the expected rate of economic growth.
- Reduced the expected economically active population by 23%.
- Reduced the population growth rate to 0%.

- Resulted in 6 million HIV/AIDS related deaths.
- Raised the average number of dependents per household.
- Resulted in more than 2 million orphaned children, thus straining household structures and resources (including increased non-attendance at school, etc.).

Source: Health Systems Trust (March 2001), South African Journal of Economics (Special Addition: December 2000) and Actuarial Society of South Africa (1999).

EMPLOYMENT AND OUTPUT ¹

Figure 5: City of Cape Town: Annual Real Economic Growth and Total Employment Growth: 1980 - 2000.



City of Cape Town: Declining Employment Creation: 1980-2000

- For every 1% economic growth, formal and informal sector employment increased by:
 - About 1% during the 1980's
 - About 0,6% between 1996-2000
- Employment growth in both the formal and informal sectors has not kept pace with economic growth - a trend

that also applies to the rest of South Africa and other resource-based countries.

- Whereas output and employment grew at roughly the same rate during the 1980's, employment growth grew at a relatively slower rate during the 1990's.

Sources: Cape Metropolitan Council (July 1998) and City of Cape Town (April 2001)

¹ Employment (formal and informal) and unemployment statistics for Cape Town have been derived from the City of Cape Town's GGP statistics, as well as taking into account Stats SA's October Household Survey findings. These statistics may need to be refined in future as updated official statistics for 2000 become available.

Four main reasons for the recent declining employment growth in Cape Town:

- *Capital intensification*: Most important is the increasing use of labour-saving technology that characterises the "new" economy. Both small and large enterprises have been able to cut costs by replacing labour with capital assets used for mechanisation purposes in the production process, and as a means of facilitating information flows within and between companies, and with their suppliers and customers.
- *Artificially distorted labour and capital costs*, with wages often exceeding the marginal product of labour due to restrictive labour laws and self-imposed minimum standards, and capital being under-priced through depreciation allowances and other subsidies.
- *Increases in the non-wage costs* of employing labour may have reduced the demand for labour.
- *A rising risk premium*, partly caused by high levels of crime, could have had a negative impact on fixed investment, and hence job creation, during the 1990's.

UNEMPLOYMENT AND UNDEREMPLOYMENT

Official and Expanded Unemployment Rates:

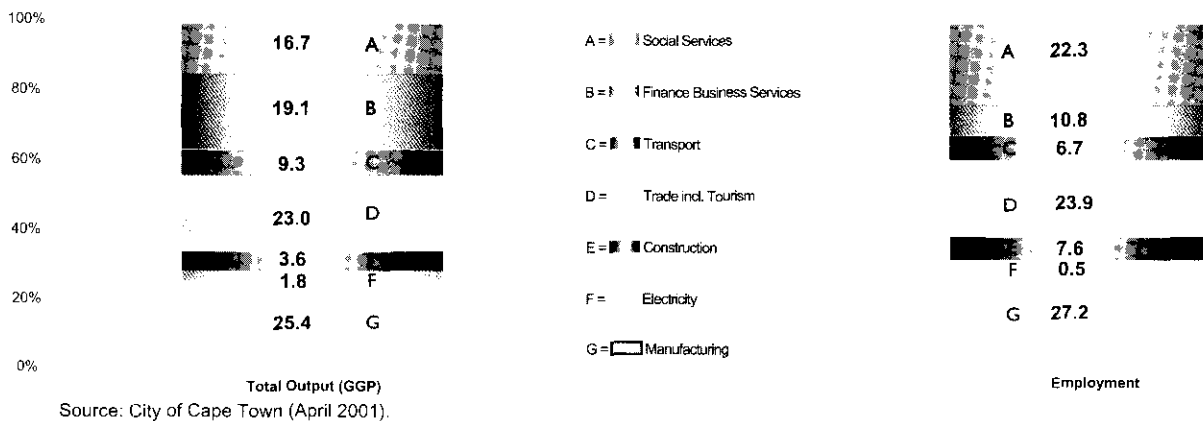
Statistics South Africa currently uses the *official (narrow) definition of unemployment*, which states that the unemployed are those persons within the economically active population who:

- Did not work during the seven days prior to the interview;
- Want to work and are available to start work within a week of the interview; and
- Have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview.

In contrast, the *expanded definition* of unemployment includes the above as well as discouraged job seekers or those who have not taken active steps to find work in the four weeks prior to the survey interview.

Source: Stats SA (1997)

Figure 6: City of Cape Town: Contribution to Output (GGP) and Employment (Formal and Informal): 2000.



Employment growth varied among the different economic sectors of the Cape Town economy, and in the year 2000 some sectors increased their share in total employment while others experienced a relative decline. Relatively labour-intensive sectors are those whose contribution to employment, in general, is higher than their contribution to output, and include the following sectors:

- Manufacturing
- Construction
- Social Services
- Trade and Catering including Tourism

Employment and Unemployment: 1991-2000:

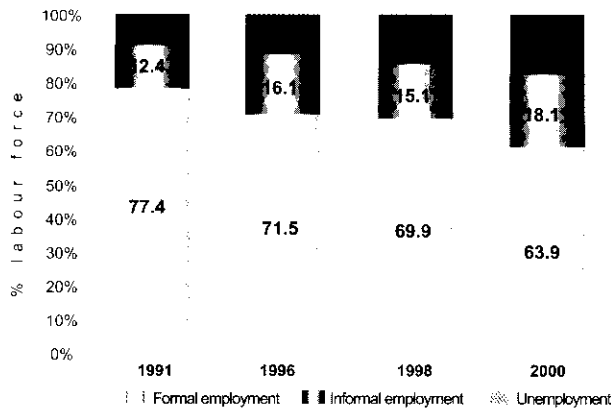
- The proportion of the labour force that is unemployed (using the official definition) has increased from 10,2% to at least 18%. Unemployment using the expanded definition grew from 15,3% to 24,5%.

For every 100 persons living in Cape Town:

- 56 persons are not economically active (too old, too young, or too physically challenged).
- 44 persons are either working or looking for work. Of these 44 persons:
 - 8 persons are unemployed,
 - 28 persons are working in the formal sector,
 - 8 persons are working in the informal sector.

- Formal sector employment has declined from 77,4% to 63,9%.
- The informal sector has absorbed a certain number of former formal sector employees including highly skilled, high income workers.

Figure 7: City of Cape Town: Composition of Labour Force: 1991 - 2000.



Source: City of Cape Town (April 2001).

Note: Unemployment refers to the official definition and reflects the minimum unemployment level.

For every 100 persons working in Cape Town:

- 22 are working in the informal sector contributing a significant 12% to economic output.
- 78 are working in the formal sector contributing 88% to economic output.

Table 11: City of Cape Town: Unemployment of Population Groups as % of Labour Force: 1996 - 1998.

Population Group	1996	1998
African/Black	24,2%	26,3%
Asian/Indian	Not sampled separately	
Coloured	12,0%	15,2%
White	3,1%	3,5%
Total	12,4%	15,0%

Source: Stats SA (OHS 1996-1998).

Note: Data for 1999-2000 not yet available.

The level of unemployment varies significantly between population groups, varying between 26,3% for African/Black persons, 15,2% for Coloured persons and 3,5% for White persons in 1998.

The Informal Sector:

- National statistics for 1999 informal sector employment show that informal activity is concentrated in the Services (41% employment), Trade and Catering (26%), Agriculture (11%), Construction (9%), and Manufacturing (7%) sectors.
- More than 22% of working persons in Cape Town are employed in the informal sector, which contributed about 12% to economic output.
- This difference between informal sector employment and output contributions can be attributed to low average wages and the relatively lower levels of productivity among informal workers.

Source: City of Cape Town (April 2001) and Stats SA (1999).

PER CAPITA AND HOUSEHOLD INCOME

- Despite higher economic growth experienced during the mid-1990's, per capita income fell nationally by an average annual rate of 0,3% during 1990-1999 (ABSA, 2000).
- Per capita income (1999) in Cape Town was almost twice as high as the national average (at approximately R20,200).
- Although Cape Town appears to have a relatively more favourable distribution of income than the rest of the country, the extent of poverty and growing inequalities is a major source of concern.

Table 12: South Africa, City of Cape Town, Durban, Johannesburg: Percentage Households by Annual Income Category: 1996.

Annual Household Income	South Africa	City of Cape Town	Durban	JHB
R1 - 2,400	9,9	2,4	4,7	4,0
R2,401 - 6,000	19,5	6,8	11,1	9,8
R6,001 - 12,000	17,2	11,2	13,2	14,5
R12,001 - 18,000	12,5	12,5	13,3	14,8
R18,001 - 30,000	12,1	15,6	15,1	15,0
R30,001 - 42,000	6,8	10,9	9,5	8,9
R42,001 - 54,000	5,0	8,7	7,2	6,3
R54,001 - 72,000	5,3	9,9	7,9	6,9
R72,001 - 96,000	3,6	7,0	5,6	4,9
R96,001 - 132,000	3,7	7,1	5,8	5,4
R132,001 - 192,000	2,3	4,3	3,7	4,2
R192,001 - 360,000	1,6	2,9	2,3	3,9
R360,000 or more	0,5	0,8	0,6	1,3
Total	100,0	100,0	100,0	100,0

Source: Stats SA (1996).

Note: The Household Subsistence Level for Cape Town in 1996 was about R12,000 (University of Port Elizabeth, 2000). These percentages are subject to a 3% margin of error due to sample size.

Despite the existence of significant levels of poverty, Cape Town has a relatively more favourable distribution of income. The proportion of households earning less than R 12,000 per year (i.e. below the Household Subsistence Level) in 1996 was:

- 21% in Cape Town.
- 29% in Johannesburg and Durban.
- 47% for South Africa.

The Household Subsistence Level includes food, clothing, fuel, lighting, washing, rent, and transport.

The proportion of Cape Town's households living below the Household Subsistence Level has increased from 21% in 1996 to 26% in 1999 (based on the low income Household Subsistence Level which was about R12,000 in 1996 and about R14,500 in 1999).

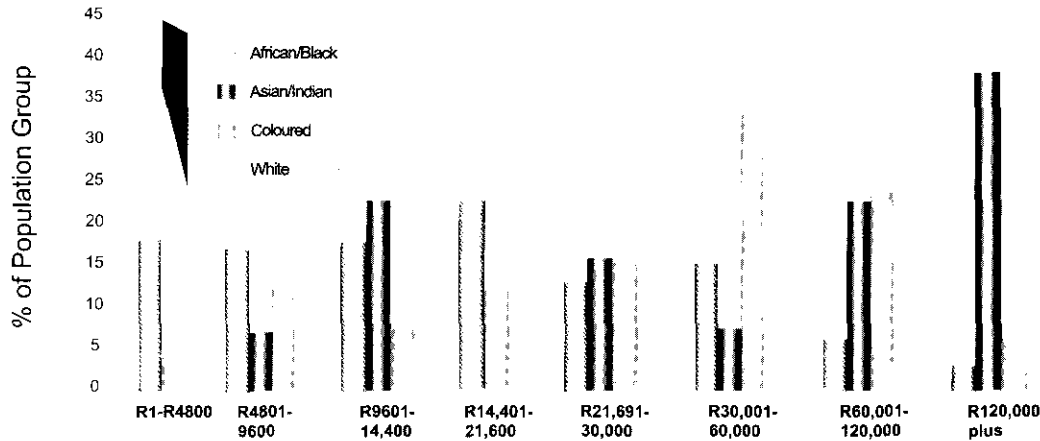
Proportion of Population Group living below the Household Subsistence Level (1999):

- African/Black: 48%
- Asian/Indian: 27%
- Coloured: 20%
- White: 4%

Source: Stats SA (1999).

Note: A margin of error of approximately 3% exists due to the 1999 survey sample size.

Figure 8: City of Cape Town: Annual Household Income by Population Group: 1999.



Source: Stats SA (1999)

Table 13: City of Cape Town: Average Annual Household Disposable Income by Population Group: 1996.

African /Black	Asian /Indian	Coloured	White
R14,156	R51,381	R33,658	R73,572

Source: Stats SA (1996).

In 1996, household disposable income among White persons in Cape Town was about five times that of the African/Black population group.

FUTURE PROSPECTS: POPULATION AND EMPLOYMENT

Population growth has declined from 3,2% per year in 1996-2000, and has been projected to further decline to an average of 2,4% in 2000-2005 and 1,2% in 2005-2010.

- Employment is projected to increase by 1,5% per year in 2000-2005 and by 2,0% per year in 2005-2010. This implies a slight (and further) decline in employment elasticities (the percentage change in employment as a result of a percentage change in output) from 60% between 1996 and 2000 (or 70% for the period 1991-2000) to 50% for both the projected periods.
- Unemployment is expected to increase from 18% (or 240,239 persons) of the labour force in 2000 to a maximum of 21% (or 319,927 persons) in 2005 and decline back to a maximum 20% (or 332,701 persons) in 2010.
- The projected decline in unemployment could be explained by positive as well as negative factors. Positive factors include the increase in output (and employment) whilst negative factors include the relative decline in the economically active population due to the impact of HIV/AIDS.

Table 14: City of Cape Town Forecast: Population, Labour Force, Employment: 2000 - 2010.

Period	Average Annual Percentage Growth				
	Total Population	Economically Active and Labour Force	Economic Growth	Employment	Unemployment
1996-2000	3,2%	3,3%	2,5%	1,5%	from 12%-18%
2000-2005	2,4%	2,7%	4,1%	2,1%	from 18%-21%
2005-2010	1,2%	1,4%	4,4%	2,2%	from 21%-20%

Source: City of Cape Town (April 2001) and Dorrington (2000).

The City of Cape Town forecast assumes:

- Declining in-migration rates from 1996-2012 and the increasing impact of HIV/AIDS (especially on the economically active population) peaking in 2015;
- The Cape Town economy growing at 1.19 times higher than the forecasted national economy (the Cape Town / national growth differential between 1996-2000);
- An increase in Cape Town employment at slightly lower ratios to output than was the case in 1996-2000, i.e. implying increased capital intensification in the Cape Town economy.

New Entrants to the Labour Market from 2000-2005 will be about 38,000 individuals per annum.

This means that the Annual Real Economic Growth of Cape Town must be:

- 3% to absorb 15,500 or 41% of new annual entrants to the labour market into formal jobs.
- 4% to absorb 21,500 or 57% of new annual entrants to the labour market into formal jobs.
- 7% to absorb 38,000 or 100% of new annual entrants to the labour market into formal jobs.

competitive

5

5
c
o
m
p
e
t
i
t
i
v
e
n
e
s
s
f
a
c
t
o
r
s

If Cape Town is to realize its undoubted economic potential, it will be necessary for the public and private sectors to focus their attention on the longer term sources of economic growth and job creation, or competitiveness factors.

These competitiveness factors include the:

- maintenance and expansion of the physical and social infrastructure;
- development of appropriate human resources skills and education levels;
- promotion of information and communication technologies; and
- development of small businesses.

Cape Town's businesses are all facing growing global competition. Competitiveness at the business enterprise level is now primarily determined by city and regional competitiveness factors, such as:

- levels of infrastructure provision and maintenance;
- cost-efficiency of local services and inputs (e.g. water and electricity);
- quality of local inputs, especially labour force skills levels;
- crime and security;
- supportive entrepreneurial organisations and environments; and
- competitive networks and clusters of suppliers and buyers (often small businesses).

Economic growth alone is only one necessary condition for addressing poverty in the City of Cape Town. It is important that every effort be made to spread the benefits of growth by, for example, encouraging the development of small businesses (eg. by providing affirmative business enterprise support) and skills development programmes.



Cape Town's Telecommunications Infrastructure:

PHYSICAL AND SOCIAL INFRASTRUCTURE

Both the public and private sectors can make a positive contribution towards stimulating and reinforcing sustained economic growth through investments in infrastructure (e.g. the road network, telecommunications infrastructure, health and educational facilities).

Infrastructure programmes may create wide-ranging benefits for both communities and key sectors and industries in the economy by lowering

production costs and boosting returns in the private sector. Likewise, recipients of education may transfer their skills free of charge to third parties, healthier citizens will be more productive and limit the spread of disease, new users of electricity will boost the demand for electrical appliances, and so on.

The prioritisation of public expenditure can help the public sector to do two things - achieve a more equitable distribution of income, and create the conditions for sustainable growth in the long run.

- Cape Town's telecommunications infrastructure is well-developed, with Integrated Services Digital Network (ISDN) rapidly becoming critical to companies embracing e-Commerce (especially Business-to-Business commerce) and using services such as speech, video telephony, video conference, facsimile, and data and image transfers.
- The costs of using telecommunications infrastructure still remains a constraint for small businesses and could be addressed as part of the ongoing Telkom privatisation process.
- The widespread use of cellular phones, as well as community information centres, may also assist in bridging the digital divide, and broaden access to the benefits of the new economy.

Table 15: South Africa and Western Cape: Percentage of Households with Access to Selected Services: 1996.

Services	Western Cape	South Africa
Water	96.8%	79.8%
Sanitation	90.5%	82.5%
Telephones	55.2%	28.6%
Electricity	84.9%	57.3%

Source: Stats SA (1996)

Table 16: City of Cape Town: Telecommunications Infrastructure: 2000.

Number and Percentage of Telephones in Houses			Number and Percentage of Business Lines		
Pre-paid	114,671	23.3%	Ordinary lines	228,396	82.8%
Basic Rate ISDN	556	0.1%	Basic Rate ISDN	10,832	3.9%
Conventional	377,022	76.6%	Primary Rate ISDN	366,000	13.3%
Total	492,249	100%	Total	275,828	100%

Source: Telkom (2001).

Table 17: City of Cape Town: Household Use of Telephones and Cellular Telephones: 1997.

Population Group	% Households with Telephone in House	% Households Owning at least 1 Cellular Phone
African/Black	23.9%	4.4%
Asian/Indian	79.4%	17.7%
Coloured	65.9%	5.4%
White	90.4%	24.0%

Source: Stats SA (OHS 1997).



Physical and Social Infrastructure and Economic Growth: International Evidence from Developing Countries

- Physical infrastructure yields higher returns than most other investments.
- Primary and secondary education yields higher returns than certain types of tertiary education.
- Vocational training yields higher returns than general secondary education.
- Primary health care yields high returns over the long run.

Source: World Bank (2001)

SKILLS DEVELOPMENT

The central importance of labour force skills development:

- The higher the proportion of literate adults, the higher economic growth or the average economic output per person.
- Investments in education and training are amongst the most productive in terms of maximising economic growth, job-creation, and poverty reduction.
- Improving skills levels is central to reducing poverty levels, as high skills levels are positively linked with high income levels.

Table 18: City of Cape Town: Average Annual Income of Individual Wage Earners in Formal Sectors by Level of Education: 1997.

Level of Education	Average Annual Income (R)
No Schooling	20,570
	26,653
Grade 7-8	20,925
	28,278
Grade 11-12	38,553
	33,800
Diploma	56,046
	69,569
Average for all levels of education	37,966

Source: Bureau of Market Research (1998).

Global skills trends and "playing catch-up" in South Africa:

- Globally, economic activity is increasingly knowledge intensive, this is shifting labour demand towards medium and highly skilled workers, with unskilled jobs rapidly declining as a share of total employment.
- In South Africa, highly skilled jobs increased by 20% between 1970 and 1998, while unskilled jobs fell by a similar 20%, but by a far greater number of jobs.



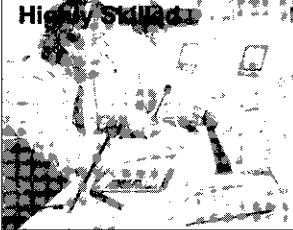


- In today's industrialised countries, the market system appears to perform reasonably well in matching the ever-changing demand for, and supply of, skills. Since market adjustments do take time, however, emerging economies that want to "catch up" with industrialised countries have to find ways of accelerating the process of skills formation by prioritising investments in human resources skills development.

Long-term Skills Profile Changes in South Africa: 1970 - 1980.

- Highly skilled workers: from 8% to 17% of total work force
- Medium skilled workers: from 30% to 40% of total work force
- Semi-Skilled/Unskilled workers: from 62% to 43% of total work force

Source: Department of Labour (February 2001)

Table 19: Linking Skills Categories to Occupations.

Skills Category	Occupation
 <p>Highly Skilled</p>	<ul style="list-style-type: none"> • Professionals • Associate Professionals • Technicians • Legislators • Senior Officials • Managers
	<ul style="list-style-type: none"> • Service and Sales • Skilled Agriculture and Fishing • Craft and Related Trades
 <p>Semi-Skilled/Unskilled</p>	<ul style="list-style-type: none"> • Sales and Service Labourers • Agriculture, Fishing and related Labourers • Mining, Construction, Manufacturing and Transport Labourers • Other Labourers

Source: Bhorat (2000)

Note: The skills classification based on occupational categories is a broad one and mainly provides an indication of the *relative* skills profile by sector.

Western Cape and Cape Town Literacy Rates:

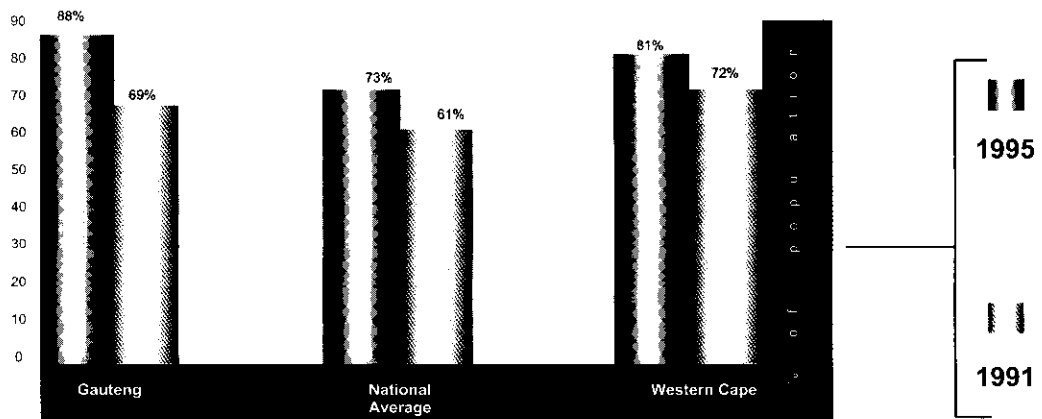
○ The Western Cape has one of the highest literacy rates and levels of education of all provinces in South Africa (see figure 9):

- South Africa: Average literacy rate of 73% in 1995.
- Western Cape: Average literacy rate has increased by almost 10% from 72% in 1991 to 81% in 1995.
- Gauteng: Average literacy rate of 88% in 1995.

○ Cape Town's *adult illiterate* population grew significantly between 1996 and 1999 from 310,967 to 362,804 persons (or 17% of the 15-64 age group), or by 17,279 persons per year (partly due to early school leavers and new migrants).

(City of Cape Town, 2001 and Stats SA, 1996 and OHS 1991-1999).

Figure 9: South Africa, Western Cape and Gauteng: Literacy Rates as % of the Population: 1991 - 1995.



Source: Stats SA (1991 and 1995).



Adult illiteracy is defined as not attaining a level of education higher than Grade 6 (previously Standard 4).

Stats SA (1996)



Table 20: South Africa, City of Cape Town, Durban and Johannesburg: School Levels of the Labour Force: 1996.

Area	Level	African /Black	Asian /Indian	Coloured	White	Unspecified	Total
South Africa	% no school education	17.0	7.2	3.9	0.9	9.4	13.7
	% post secondary	2.9	3.0	4.4	7.4	10.3	3.6
Cape Town	% no school education	6.8	3.1	2.4	2.4	2.4	3.5
	% post secondary	3.4	5.2	15.9	13.1	13.1	10.6
Durban	% no school education	10.7	2.1	4.2	1.0	6.2	7.7
	% post secondary	3.7	8.0	9.2	25.4	9.1	7.9
Johannesburg	% no school education	8.1	2.1	2.4	5.0	5.0	6.2
	% post secondary	4.1	6.0	14.2	10.0	10.0	8.8

Source: Stats SA (1996).

- Levels of education among all population groups, except the Coloured population, were higher in Cape Town than in Durban and Johannesburg, and significantly higher than in the country as a whole.

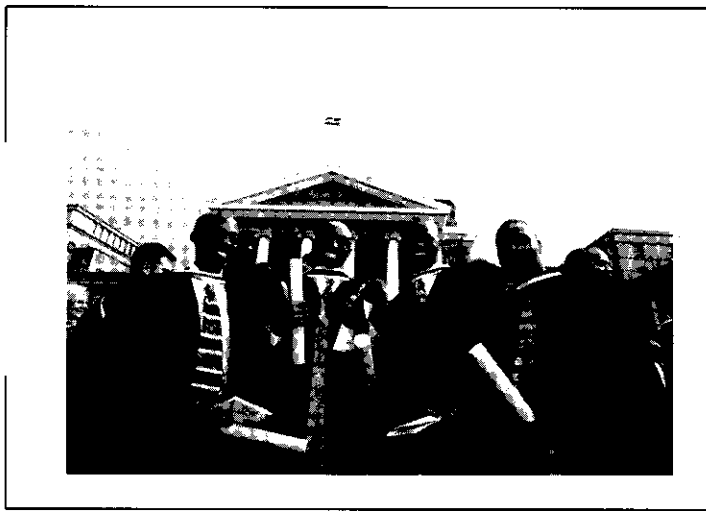


- There are significant labour force skills profile differences for the main economic sectors, with a fairly significant shift towards medium and highly skilled labour taking place.

Table 21: South Africa: Skills Levels in Selected Economic Sectors: 1998.

Sector	Highly Skilled %	Skilled %	Semi-Skilled /Unskilled %
Food and Beverages	7.3	38.1	54.6
Clothing, Textile, Footwear and Leather	4.5	14.7	80.8
Chemical Industries	18.0	34.3	47.7
Manufacturing, Engineering and other	12.6	27.4	60.0
Energy	24.6	34.3	41.1
Construction	5.5	21.8	72.8
Wholesale and Retail Sector	14.5	60.7	24.8
Transport	8.8	59.5	31.7
Banking, Financial and Accounting	20.7	77.5	1.8
Community Services	33.4	45.5	21.1
Tourism and Hospitality	9.2	76.1	14.7
Information Systems, Electricity and Telecommunications	12.5	65.4	22.1

Source: Borat (2000).



- The demand for highly skilled labour in Cape Town will increase by an annual average of 2.3%, while the demand for unskilled workers will decline by an annual average of 3.1%.
- The demand for highly skilled and skilled workers in Cape Town is projected to grow by about 200,000 ($\pm 20,000$ per year) between 2000 and 2010 while the demand for unskilled workers will grow by about 42,000 (or 4,200 per year). This will reinforce poverty unless the unskilled labour force profile can be dramatically enhanced relative to other skills categories.
- The Tourism, Construction, Wholesale and Retail, and the Information and Communication Technology sectors will experience the highest rates of employment growth in the Cape Town economy between 2000 and 2010.
- In the expected high growth industries of Tourism, Trade, and Information and Communications Technologies, the demand for medium skilled labour is expected to increase relative to that for highly skilled and unskilled labour.

Table 22: City of Cape Town: Projected Changes in Skills Demand: 2000 - 2010.

Sector	Contribution to total change 2000 - 2010 (%)		
	Highly Skilled (Total projected number = 69,000)	Skilled (Total projected number = 134,000)	Semi-Skilled /Unskilled (Total projected number = 42,000)
Food and Beverages	1.9	4.9	-0.5
Clothing, Textile, Footwear, Leather	5.2	2.7	33.0
Chemical Industries	2.0	1.0	0.1
Manufacturing, Engineering and other	3.9	0.5	-0.5
Energy	0.2	0.2	-0.9
Construction	6.1	5.0	44.7
Wholesale and Retail Sector	27.6	45.4	20.7
Transport	5.8	7.4	10.3
Banking, Financial and Accounting	21.0	-0.3	-0.6
Community Services	19.4	11.2	-11.4
Tourism and Hospitality	5.4	18.1	3.4
Information Systems, Electricity and Telecommunications	1.5	3.9	1.7
Total	100.0	100.0	100.0

Source: City of Cape Town (April 2001).

INFORMATION AND COMMUNICATIONS TECHNOLOGY

- Information and Communications Technology (ICT) is an important source of productivity growth, and is one of the main reasons for the sustained period of economic growth that the USA economy has recently experienced.
- Use of ICT enables firms to become globally competitive and cut their costs of production, marketing and distribution, as well as to penetrate new global markets swiftly and cost-effectively.

Cape Town's ICT Cluster in 2000:

- Contributes more than 2,5% towards Cape Town's total turnover.
- Employs more than 15,000 permanent workers.
- Comprises more than 866 companies (the majority being wholesale equipment suppliers and software consultancies).
- Manufacturing industries contributed only 11% towards total ICT turnover and about 13% to total ICT employment.
- Imports a substantial proportion of ICT products and components, with the largest percentage (88%) originating in the USA (Department of Arts, Culture, Science and Technology, 1999).

Source: City of Cape Town (April 2001)

Note: These statistics under-estimate the economic importance of the City of Cape Town ICT clusters as many businesses have in-house IT Departments which are not captured here.

What is an Economic Cluster ?

- An economic cluster involves a main industry with its associated immediate backward (suppliers of services and intermediate inputs) and forward production linkages (distribution and sales channels).
- "Supply chain" is another (and recently more popular) term used and can be defined as "an economic network of strongly interdependent companies, knowledge producing agents and demanding customers, linked to one another in a value adding production chain".

Source: City of Cape Town (April 2001)

Note: Statistical profiles of 14 Cape Town Clusters can be found in City of Cape Town (April 2001)

Although the average size of firms in the ICT cluster is relatively small (17 permanent employees and R9 million annual turnover), important exceptions are firms producing television and radio transmitters and apparatus for line telephony (average 155 employees), as well as firms involved in data base activities (average 20 employees) and wholesale trade (average 18 employees).

A major constraint facing the ICT cluster in South Africa is insufficient investment in Research and Development (R&D) and related activities. R&D expenditure in South Africa constitutes about 0,8% of GDP, compared to average spending in Organisation for Economic Cooperation and Development countries varying between 2,5% and 3% of GDP (Department of Arts, Culture, Science and Technology, 1999).

A further constraint is the limited supply of suitably skilled workers.

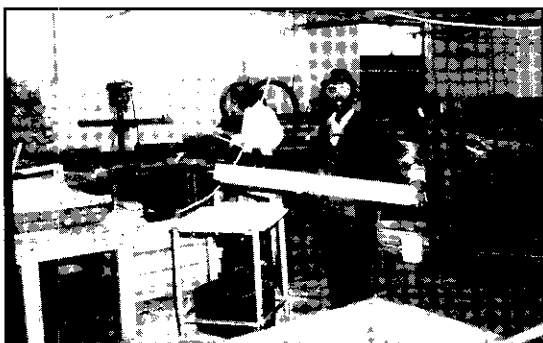
Table 23: City of Cape Town: Composition of ICT Cluster: 2000.

BUSINESS CLASSIFICATION (SIC CATEGORY) (CORE ICT INDUSTRIES)	Total Employment	Average Employment	% Turnover	Average Annual Turnover (Rand)
Software Reproduction	14	3.5	0.1	937,227
Pre-Recorded CD (Except Software), Tape and Record Reproduction	17	8.5	0.2	7,199,466
Manufacture of Office, Accounting, and Computer Machinery	101	16.8	1.6	19,690,227
Manufacture of Electronic Valves and other Electrical Components	155	19.3	0.4	3,741,683
Manufacture of Television and Radio Transmitters and Apparatus for Line Telephony	1,400	155.5	6.8	56,875,248
Manufacture of Television and Radio Receivers, Sound or Video Recording	109	6.8	1.0	4,781,031
Manufacture of Instruments and Appliances for Measuring, Checking and Testing	290	29.0	0.6	4,270,111
Manufacture of Industrial Process Control Equipment	4	1.3	0.0	677,278
Wholesale Trade in Machinery, Equipment, and Supplies	3,946	17.9	42.0	14,213,026
Telecommunications	556	13.6	3.7	6,709,851
Renting of Office Machinery and Equipment including Computers	22	5.5	0.1	1,286,624
Hardware Consultancy	933	11.8	10.5	9,989,685
Software Consultancy and Supply	5,811	15.6	31.0	6,242,467
Data Processing	26	6.4	0.1	1,699,106
Data Base Activities	123	20.4	1.1	14,093,727
Maintenance and Repair of Office, Accounting, and Computing Machinery	349	11.3	1.0	2,421,035
Other Computer Activities	1,083	22.1	3.1	4,666,232
TOTAL FOR INDUSTRY:	15,056		100.0	159,494,024
AVERAGE FOR INDUSTRY:		17.4		8,653,736

Source: City of Cape Town (April 2001)

Note: SIC Category: Standard Industrial Classification Category.

- Maximising the future positive economic impact and growth of Cape Town's ICT cluster will require the further development of e-Government services, promoting initiatives to bridge the digital divide (including literacy programs), improved Information and Telecommunications infrastructure and cost-efficiency, and private sector prioritisation of IT investments.



**Figure 10: City of Cape Town:
Contribution to Annual
Business Turnover and
Formal Employment of
Micro, Very Small and
Small Firms: 2000.**

SMALL BUSINESS DEVELOPMENT

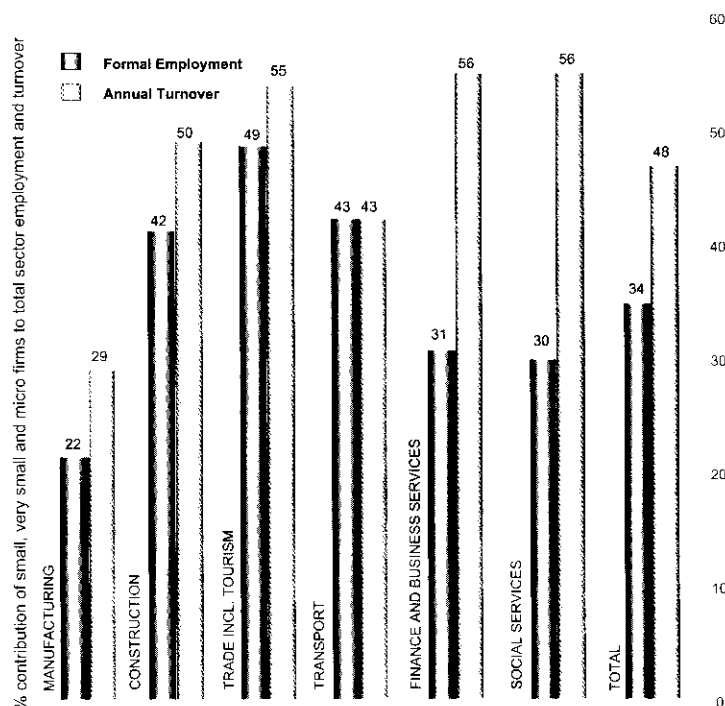
Job creation in micro, small and medium businesses is increasing. It is becoming very important for Cape Town to foster a business environment which minimises constraints to small business growth and which actively supports entrepreneurship. Large businesses, which are working closely with small businesses to a much greater extent, can play a major role in stimulating small business growth through, for example, long term outsourcing contracts.

Cape Town Firms: Size Structure: 2000

- 3% of all firms are large (100+ or 200+ employees depending on the sector).
- 4% of firms are medium-sized (50+ or 100+ employees depending on the sector).
- 22% of firms are small (10-50 or 20-50 employees depending on the sector).
- 71% are very small (5-10 or 5-20 employees) and micro (less than 5).

Micro, Very Small and Small Formal Businesses in Cape Town: 2000

- Comprise more than 90% of the total number of firms.
- Contribute about 50% to economic output.
- Contribute about 40% to total formal employment.
- Contribute more to output than to employment.



Source: City of Cape Town (April 2001).

Sectoral Profile of Micro, Very Small, and Small Businesses in Cape Town: 2000

Play a dominant role in terms of turnover in the Finance and Real Estate, Services, Trade and Catering and the Construction sectors.

Play a relatively smaller role in the Manufacturing and Transport sectors.

Contributions to total formal employment are generally below 40% of sector employment, with Trade and Catering, Transport and Construction each recording contributions in excess of 40%.

OUTSOURCING AND SUB-CONTRACTING

Outsourcing concerns a decision by a business to restructure its internal operation by outsourcing certain functions.

Sub-contracting can be viewed as one of the alternative service delivery options taken in the whole process of outsourcing whereby a contractor sub-contracts certain operations

(Theron and Godfrey, 2000).

- Outsourcing and sub-contracting are gaining popularity among firms due to global competitive pressures and the need to minimise costs.
- Factors such as labour legislation also play a role in determining the costs of employing workers on a permanent basis vis-à-vis the costs of utilising independent sub-contractors.
- Outsourcing and sub-contracting may reduce labour costs and could lead to overall improved economic efficiency, growth, and job creation due to an improved allocation of resources. In the short term, however, it could lead to increased unemployment and more insecure working conditions. There are also difficulties in regulating smaller sub-contracted businesses that could undermine government's ability to collect taxes.



- Outsourcing and sub-contracting are still in an early phase in South Africa and are expected to increase in the foreseeable future. It is also likely that outsourcing and sub-contracting will extend beyond non-core functions, and include more strategic functions such as distribution, marketing, transport and administration (Theron and Godfrey (2000)).

Outsourcing and Sub-contracting in Cape town: 2000

- At least 6,5% of all firms in Cape Town are involved in outsourcing and sub-contracting.
- The sectors with the highest proportion of companies practicing outsourcing or sub-contracting are: Construction (23,6%), Mining (13,6%), Manufacturing (12%) and Agriculture (10%).
- It is especially larger firms in the Services, Construction and Trade sectors that engage in outsourcing or sub-contracting, whereas smaller firms do so in the Finance and Real Estate, Transport and Manufacturing sectors.
- 77% of outsourcing and subcontracting firms do so with other firms located in Cape Town. It is mostly firms in the Construction, Mining, Services and Trade sectors that sub-contract to firms located outside of Cape Town. In contrast, Manufacturing and Finance firms mostly contract out to firms located in Cape Town.

Source: City of Cape Town (April 2001)

Note: In reality, the number and proportion of firms outsourcing and subcontracting is likely to be higher than reported here as an element of under-reporting may have occurred during the RSC Levy business survey.



conclusion

6

6
c
o
m
p
e
t
i
t
i
v
e
p
o
s
i
t
i
o
n

This publication gives a detailed statistical account of some of the key trends and challenges facing the City of Cape Town as it strives to achieve sustainable economic growth and create new job opportunities.

The further refinement of Cape Town's economic statistics, including the maintenance of key trends, and the regular publication of strategic economic data and information, is receiving ongoing attention. While the local economy has grown much faster than the rest of the country during the past 20 years, it is expected that Cape Town will achieve even higher real growth rates in future - in excess of 4% per year during the next 10 years.

There are several reasons for this expectation:

- The *national economy* is expected to grow more rapidly than before.
- *Tourism* is expected to grow faster than most other sectors, both globally and in South Africa.
- Cape Town has a strong *competitive advantage* over the rest of South Africa, especially in respect of the Trade and Catering, and Manufacturing and Construction sectors, and in such niche industries as Film and Media, Fashion Clothing, Jewellery, Boat Building, Bio-technology, Health and Medicine, and in industries supporting the extraction and distribution of Natural Gas.
- Cape Town also has a reasonably well developed *skills base* and an adequate *infrastructure*.

With population growth declining to about 1,2% per year by 2010, there is every reason to expect an increase in per capita income levels in Cape Town. Although the upward trend in unemployment may well have been arrested by 2010, it is still too high and remains a source of concern. The same can be said of the distribution of income: although it compares favourably with the rest of the country, it still tends to favour those sectors of the population with higher levels of education and skills.

For the City of Cape Town to maintain and reinforce its competitive position vis-à-vis the outside world, it is important that policy makers and stakeholders focus on the longer term sources of productivity growth. These include:

- the maintenance and expansion of the physical and social infrastructure.
- the development of appropriate human resource skills.
- the promotion of information and communications technologies.
- policies to support small business development and the growth of key sectors.

BUSINESS DEVELOPMENT SERVICES

This publication has highlighted a number of key trends and challenges impacting on the future growth and competitiveness of businesses in Cape Town. The following quick reference table summarises only a small number of the numerous existing organisations which offer business development services for potential entrepreneurs and existing businesses.

Businesses are encouraged to contact these organisations to obtain additional information on services offered or referral information to additional relevant service providers.

Please note that this listing is not intended to be comprehensive or representative given the rapidly changing service provider landscape. Organisations offering services in more than one category are only listed once in their main service category.

General Business Development Support

Name	Telephone +27 21	E-mail Address	Website
• Afrikaanse Handelsinstituut (AHI: Western Cape)	945 3593	ahivi@mweb.co.za	www.ahi.co.za
• Black Management Foundation	419 3120	bmfatbn@iafrica.co.za	www.bmfonline.co.za
• Business Partners	464 3600	hrall@businesspartners.co.za	www.businesspartners.co.za
• Business Referral and Information Network	(012) 349 0100	Hsnyman1@csir.co.za	www.brain.co.za
• Cape Chamber of Commerce and Industry (CCI)	418 4300	info@capechamber.co.za	www.capechamber.co.za
• City of Cape Town: Economic Development	487 2741	Recepsd@cmc.gov.za	www.capetown.gov.za www.cmc.gov.za/esd
• Council for Scientific and Industrial Research (CSIR): Stellenbosch	887 5101	mknotze@csir.co.za	www.csir.co.za
• Department of Trade and Industry (DTI): Cape Town Office	465 1508 (012) 310 9791	info@dti.pwv.gov.za	www.dti.gov.za
• Foundation for African Business and Consumer Services (FABCOS)	(011) 333 3701 (011) 385 1203		
• Industrial Development Council (IDC)	425 6647 421 4794	Cape-town@idc.co.za	www.idc.co.za
• National African Federated Chambers of Commerce (NAFCOC: Western Cape)	762 7152	Themba@iafrica.com	
• National Productivity Institute (NPI)	914 6320	Colinsg@npcape.co.za	www.npi.co.za
• National Research Foundation (NRF)	(012) 481 4000	Info@nrf.ac.za	www.nrf.ac.za
• Peninsula Technikon: Technology Enterprise Center	951 8103	Fieldingo@mail.pentech.ac.za	www.tecpentech.co.za
• Provincial Administration of the Western Cape: Business Promotion and Tourism	483 3859	Lplatzky@pawc.wcape.gov.za	www.pawc.gov.za www.westerncape.gov.za
• South African Bureau of Standards (SABS)	689 5511	gasht@sabs.co.za	www.sabs.co.za
• University of Cape Town: Graduate School of Business: Centre for Innovation and Entrepreneurship	406 1415	Mgadekok@gsp.uct.ac.za	www.uct.ac.za
• Western Cape Business Opportunities Forum (WECBOF)	951 6852	office@wecbof.com	www.wecbof.com

Key Sector and Cluster Support

Name	Telephone	E-mail Address	Website
• Cape Film Commission	487 2794	cftvs@iafrica.com	www.westerncapefilms.co.za
• Cape Information and Technology Initiative (CITI)	421 0888	mail@citi.org.za	www.citi.org.za
• Cape Metropolitan Tourism, Convention and Visitor Bureau	487 2977	cmt@cmc.gov.za	www.gocapetown.co.za www.capetownconvention.com
• Clothing and Textile Service Centre for the Western Cape (CLOTEX)	448 8935	clotex@intercom.co.za	www.clotex.co.za
• Computer Society of South Africa	(011) 315 1319	Secriat@cssa.org.za	www.cssa.org.za
• Institute for Hospitality Training	913 7534	lht@mweb.co.za	www.hotel/training.com
• JobStart Training Centre	461 1404	Jobstart@icon.co.za	
• Manufacturing Advisory Centre	483 3859	Ngwynne@pawc.wcape.gov.za	www.namac.co.za
• Medical Research Council (MRC)	938 0911	igething@mrc.ac.za	www.mrc.ac.za
• Provincial Administration of the Western Cape: Tourism Directorate	483 4165	Cnhlumay@pawc.wcape.gov.za	www.westerncape.gov.za
• Southern Africa Tourism Services (SAFSA)	697 4056	Info@legendtourism.co.za	www.legendtourism.co.za
• Tourism Enterprise Programme	461 5735S	haron@iafrica.com	
• Western Cape Black Tourism Development Organisation (WCBTDO)	426 4260	Info@cape-town.org	www.cape-town.org
• Western Cape Tourism Board	914 4613	Info@capetourism.org	www.capetourism.org
• Whole Lot Directory of Film Service Providers	462 4523	Tetra@iafrica.com	www.wholelot.co.za

Small Business Support

Name	Telephone +27 21	E-mail Address	Website
• Atlantis Business Information Centre (ABIC)	572 0254	Atlantis@iafrica.com	
• Business Opportunities Network and Metropolitan Supply Office (BON)			www.bon.co.za
• Cape Town Job Creation Project	371 6100	Jbccp@icon.co.za	
• Centre for Opportunity Development (COD)	448 7501	Codct@iafrica.com	www.jasa.org.za
• Isibane Resource Centre	696 2028/9	Isiban@mweb.co.za	
• Just exchange and Africa Trading (JX)	448 6672	Justex@wn.apc.org	www.peoplink.org/just exchange/
• Micro-Enterprise Network of NGOs (MENNGOs)	448 2187	Menngos@mweb.co.za	www.welcome.to/menngos.net
• Sourcelink	448 0449	Listserver@sli.co.za	www.tradeworld.net
• Start-up Fund	975 1745	mbdc@iafrica.com	
• Triple Trust Organisation (TTO)	689 6000	tto@tto.org.za	www.tto.org.za
• Zenzele Enterprises and Business Centre	361 1840	Zenzele@iafrica.com	

Job Training and Placement (incl. Youth Career and Business Skills)

Name	Telephone	E-mail Address	Website
• African Scholars Fund	689 9094	asf@bosttech.com	www.bosttech.com/asf
• Build a Better Society (BABS)	637 9061	Babsociety@mweb.co.za	
• Business Skills and Development Centre (BSDC)	418 1690	Bsdcdmn@global.co.za	
• Cape Flats Development Association (CAFDA)	706 2050	Capeflats_d_v@hotmail.com	
• Careers Research and Information Centre (CRIC)	637 8040	cric@wn.apc.org	www.home.pix.za/wb/wb37
• Department of Labour: Regional Office	460 5911	Jamine.swart@labour.gov.za	www.labour.gov.za
• Flag Skills Development Programmes	424 2208	Flagskill@mweb.co.za Gondac@hotmail.com	
• Learn-to-Live Education and Skills Training Programme for Street Youth	421 6764	Afmgil@iafrica.com	
• Pathwise Career Development Centre	789 2869	Sharont@hbc.co.za	
• RALI (Responsible Action and Leadership Initiative)	696 3808	Rali@cybertrade.com	
• Resource Action Group	934 4178	fraragi@iafrica.com	
• Western Cape Training Centre (WCTC)	911 0571	wctc@global.co.za	
• ZEST (Zenith Educational Services Trust)	761 1982	Sjakes@iafrica.com	
• Ziphilele Youth Projects	448 6761	ziphilel@sn.apc.org	www.ziphilele.co.za

Export Support

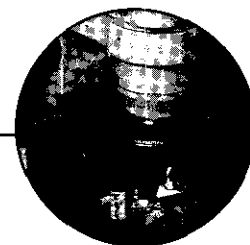
Name	Telephone	E-mail Address	Website
• Cape Business News: Trade Opportunities and Enquiries	557 4061	trade@cbn.co.za	www.cbn.co.za/busenq.htm
• Credit Guarantee Insurance Corporation	421 7830	Patriciad.cpt@icon.co.za	www.creditguarantee.co.za
• Department of Customs and Excise	401 8500	Lvanrooi@sars.gov.za	www.sars.gov.za
• Department of Trade and Industry Export Scheme	465 1508	Dtictn@global.co.za	www.dti.gov.za/export
• Global TradeLinks	439 9868	Mervynl@mweb.co.za	www.globalsources.com/ctl.co
• Wesgro (Western Cape Provincial Trade and Investment Promotion Agency)	418 6464	info@wesgro.co.za	www.wesgro.co.za www.investcapetown.co.za (From May 2001)

A large number of additional business support organisations (especially focusing on access to finance and sector support organisations) can be found in three comprehensive directories of business development organisations (including private sector and locally focused organisations) and are available in most Municipal Libraries:

- Directory of Small Business Support Services (March 2000) (MENNGOS Tel: 448 2187);
- Inventory of Economic Development Service Providers in the Cape Metropolitan Area (September 2000) (City of Cape Town Tel: 487 2741; www.cmc.gov.za/esd/reports); and
- Big News Small Business Support Yellow Pages (monthly publication) (Tel: 448 1612).

Additional information on access to finance (including the 2001 Venture Capital Directory) and National incentive schemes can be obtained from Wesgro (Tel: 418 6464 or www.wesgro.org.za).

FIGURES



	Page	
Figure 1:	8	Key Factors Contributing to Sustainable Economic Growth and Job Creation.
Figure 2:	9	City of Cape Town: Proportional Change in Sectoral Contribution to Real Gross Geographic Product: 1980-2000.
Figure 3:	10	South Africa and the City of Cape Town: Average Annual Real Economic Growth: 1980-2000.
Figure 4:	14	City of Cape Town: Five Major Export Groups: 1996 and 1999.
Figure 5:	19	City of Cape Town: Annual Real Economic Growth and Total Formal Employment Growth: 1980-2000.
Figure 6:	20	City of Cape Town: Contribution to Output and Employment (Formal and Informal): 2000.
Figure 7:	21	City of Cape Town: Composition of the Labour Force: 1991-2000.
Figure 8:	22	City of Cape Town: Annual Household Income by Population Group: 1999.
Figure 9:	26	South Africa, Western Cape and Gauteng: Literacy Rates as percentage of the Population: 1991 and 1995.
Figure 10:	30	City of Cape Town: Contribution to Annual Business Turnover and Formal Employment of Micro, Very Small and Small Firms: 2000.

TABLES

	Page	
Table 1:	10	South Africa and City of Cape Town: Real Growth Rates of Manufacturing Industries: 1991-1998.
Table 2:	11	South Africa and City of Cape Town: Average Annual Real Growth Rates per Sector: 1991-1998.
Table 3:	12	City of Cape Town: Contribution Towards Formal Annual Business Turnover, Employment and Population in Selected Areas: 2000.
Table 4:	13	City of Cape Town: Selected Major Property and Infrastructure Investments: Estimated Total Investment Values: January 1999 - June 2000.
Table 5:	13	City of Cape Town: Selected Current Major Property Investment Projects: June 2000.
Table 6:	14	South Africa: Projected E-Commerce Turnover (Rand Billion).
Table 7:	14	City of Cape Town: Trade Balance: 1996-1999.
Table 8:	17	City of Cape Town: Population and Employment Growth: 1991, 2000, 2005.
Table 9:	18	City of Cape Town: Population Totals: 2001 (estimated) and 2006 (projected).
Table 10:	18	City of Cape Town: Population and Labour Force Annual Growth: 1991-2000.
Table 11:	21	City of Cape Town: Unemployment of Population Groups as % of Labour Force: 1996-1998.
Table 12:	21	South Africa, City of Cape Town, Durban, Johannesburg: Percentage Households by Annual Income Category: 1996.
Table 13:	22	City of Cape Town: Average Annual Household Disposable Income by Population Group: 1996.
Table 14:	22	City of Cape Town Forecasts: Population, Labour Force, Employment: 2000-2010.
Table 15:	24	South Africa and Western Cape: Percentage of Households with Access to Selected Services: 1996.
Table 16:	24	City of Cape Town: Telecommunications Infrastructure: 2000.
Table 17:	24	City of Cape Town: Household use of Telephones and Cellular Telephones: 1997.
Table 18:	25	City of Cape Town: Average Annual Income of Individual Wage Earners in Formal Sector by Level of Education: 1997.
Table 19:	26	Linking Skills Categories to Occupations.
Table 20:	27	South Africa, City of Cape Town, Durban and Johannesburg: School Levels of the Labour Force: 1996.
Table 21:	27	South Africa: Skills Levels in Selected Economic Sectors: 1998.
Table 22:	28	City of Cape Town: Projected Changes in Skills Demand: 2000-2010.
Table 23:	29	City of Cape Town: Composition of the Information and Communications Technology Cluster: 2000.

MAP

	Page	
Map 1:	11	City of Cape Town: Contribution towards City Population, Formal Employment and Formal Business Turnover in Selected Areas: 2000.

references

- **ABSA:** Long-term prospects for the SA Economy: 2000-2015. ABSA Economic Research Group, Pretoria. (2000).
- **Actuarial Society of South Africa:** A600 Aids and Demographic Model. (1999).
- **Bhorat, H:** The Impact of the Structural Change of the South African Economy on Labour. Standard Bank, Johannesburg. (2000).
- **Bureau of Market Research:** Income and Expenditure Patterns of Households in the Cape Peninsula. (1998).
- **Cape Metropolitan Council:** Economic Trends and Spatial Patterns: Overview Report.(July 1998).
- **Cape Metropolitan Council:** Economic Trends and Spatial Patterns: Report 3: Investor Review. (August 1998).
- **Cape Metropolitan Tourism:** Cape Town - A Statistical Guide. (April 2001).
- **City of Cape Town:** Background Report: Cape Town Economic Trends and Analysis; 1980 - 2000. (April 2001).
- **City of Cape Town and Wesgro:** Major Investment and Development Opportunities (MIDO) Database. (2001). (www.investcapetown.co.za)
- **Department of Arts, Culture, Science and Technology:** Tourism - National Research and Technology Foresight Project. (1999).
- **Department of Finance:** Budget Review 2001. (February 2001).
- **Department of Labour:** The National Skills Development Strategy April 2001 - March 2005. (February 2001).
- **Dorrington R.E:** Projection of the Population of the Cape Metropolitan Area 1996-2031. Cape Metropolitan Council. (2000).
- **Health Systems Trust:** South African Health Review 2000. (March 2001).
- **Media Africa:** 2nd South Africa Web Commerce Survey. (1999).
- **Satour International Market Surveys:** Winter 1999 and summer 1998
- **South African Journal of Economics:** Special edition on the impact of HIV/AIDS. (December 2000).
- **South African Reserve Bank:** Quarterly Bulletin. (December 2000).
- **Stats SA:** Census and October Household Surveys of 1991/1995/1996/1997/1998/1999 for South Africa and City of Cape Town.
- **Stats SA:** Population Education Levels in South Africa, City of Cape Town, Durban Metro and Johannesburg Metro, Census 1996.
- **Telkom:** Statistics supplied to City of Cape Town. (2001).
- **Theron, P & Godfrey, S:** Protecting Workers on the Periphery. Institute of Development and Labour Law, University of Cape Town, Cape Town. (2000).
- **University of Cape Town:** Economic Impact of Cape Town's International Convention Centre. (February 2001)
- **University of Port Elizabeth:** Fact Paper No. 107. (2000).
- **WEFA:** SA Competitiveness Monitor, Provincial Comparisons Vol V.
- **World Bank:** World Bank website - www.worldbank.org. (2001).
- **World Tourism Organisation:** WTO website - www.worldtourism.org. (2001).

acknowledgements

The City of Cape Town would like to acknowledge the valued contributions of the following individuals and organisations to the completion of this report:



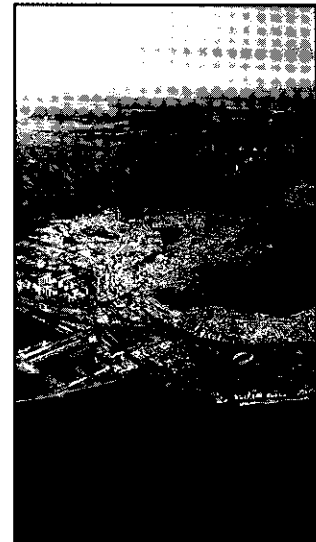
- The primary researchers: Professor Philip Black, Ms An Kritzinger and Ms Shaheeda Sechel, and co-ordinator Mr Johan Naude, operating under the auspices of the Africa Institute for Policy Analysis and Economic Integration (AIPA).
- Officials from the City of Cape Town: Economic Development, Financial Services, Information Technology and Information Systems Directorates.
- The study reviewers drawn from the Universities of the Western Cape, Stellenbosch and Cape Town, various bodies from organised business, the private sector, the Provincial Administration of the Western Cape: Department of Business Promotion and Tourism, and Wesgro (the Western Cape Provincial Trade and Investment Promotion Agency).

Photographs courtesy of Creative Services, City of Cape Town.

Maps produced using a Geographic Information System (GIS) by Economic Development, City of Cape Town: CMC Administration.

DISCLAIMER / EXCLUSION OF CLAIMS

Despite all efforts to ensure accuracy in the assembly and compilation of information and data, the City of Cape Town Council is unable to warrant the accuracy of the information, data, and compilations as contained in this report. Readers of this publication are deemed to have waived and renounced all rights to any claim against the City of Cape Town Council, its officers, servants, or agents for any loss or damage of any nature whatsoever arising from any use or reliance upon such information, data, or compilations.



Readers may quote statistics found in this publication provided the publication source is credited and referenced as

"City of Cape Town: *Cape Town's Economy: Current Trends and Future Prospects* (2001).

© City of Cape Town. 2001.