



Western Cape
Government

FOR YOU

Department of Economic
Development and Tourism

West Coast Industrial Development

Overview and Future Prospects

SBWQFT Open Day - 22 October 2021

Disclaimer: Government Official



performance
(reality)

—
expectations

=
happiness

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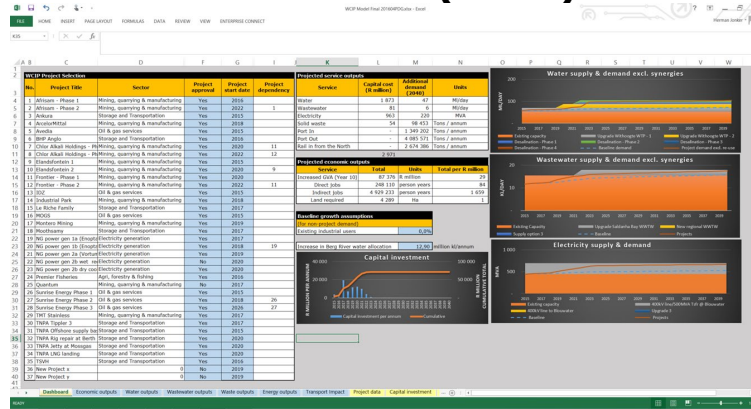
3. Some Future Prospects

Setting the Scene



Setting the Scene – the past few years

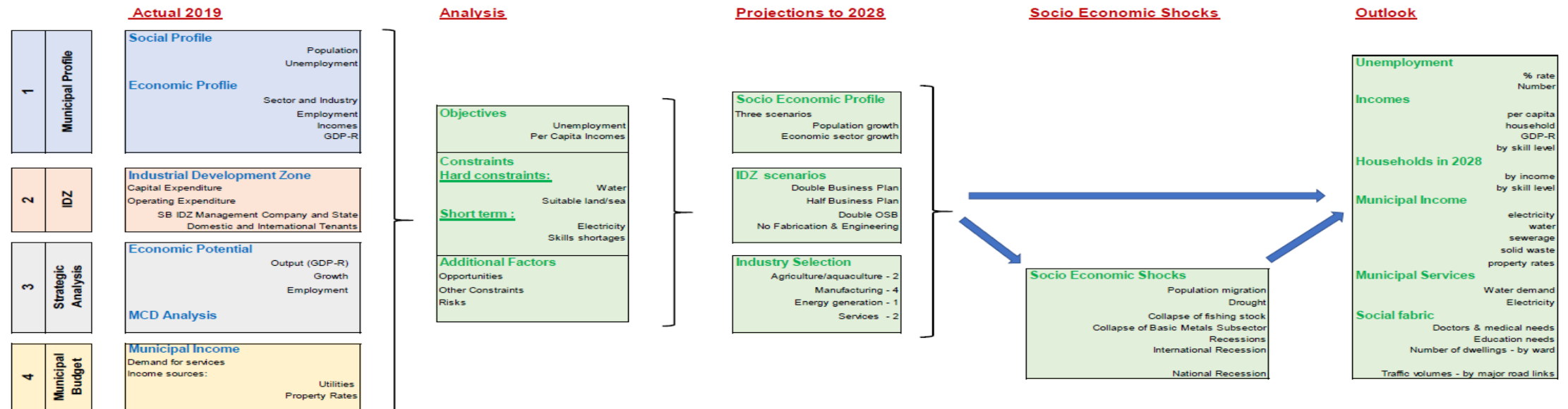
• West Coast Industrial Plan (WCIP)



2015 – 2018

- LPG Storage R 1.5 bn
- Minerals processing R 1.4 bn
- Roads & Bulk Infrastructure R 550 m
- Port infrastructure R 300 m
- IDZ internals R 500 m
- Bulk logistics R 2.2 bn
- Total: R 5.35 bn

• Strategic Economic and Financial Framework (SEFF)



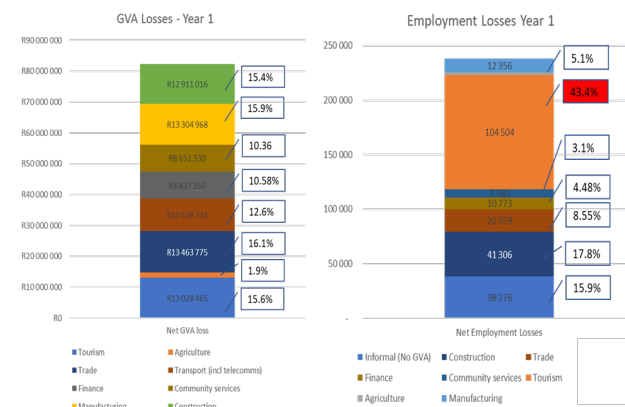
Setting the Scene – COVID-19

• Modelling for West Coast District

Summary of L4 Scenario Results

GVA			
	Mild	Medium	Severe
2020	-6.86%	-13.62%	-20.10%
2021	5.12%	9.40%	12.35%
Employment			
	Mild	Medium	Severe
2020	-4.98%	-10.09%	-13.46%
2021	3.79%	7.52%	8.55%

Sectoral Impacts for Level 4



- Tourism accounts for 43% of all employment losses
- International tourism activity makes up 80% of tourism activity
- Virtually no international tourism for 12 months from start of lockdown
- 50% of all tourism business will close down
- No international events
- Hotels will close operations for up to 12 months
- Agriculture will hold up well
- Value of agricultural exports may see a net increase due to the 25% devalue of the Rand
- This bodes well of municipalities dependant on agriculture

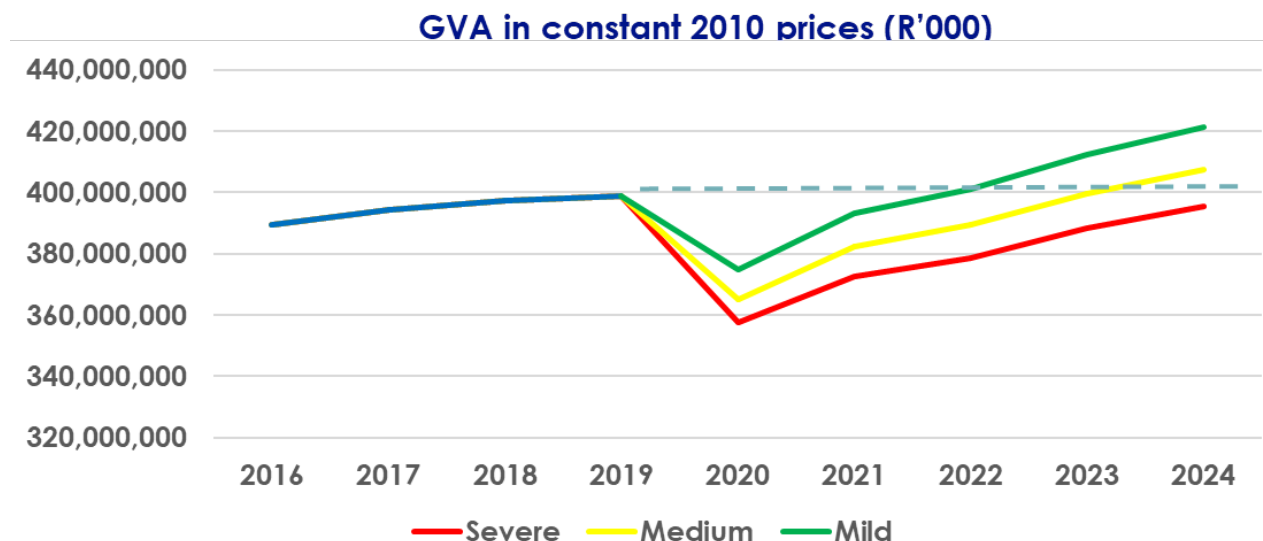
• Modelling Municipal Areas

Broad Sectors:WC																	
	Average weighted Impact 13-24 months	Average weighted shock - 13-24 months	post 13- 24 months GVA loss	Total GVA post 13-24 Month shock	Net GVA loss	Net loss as a %		Total Employment Post 3 shocks	Net Job Losses	Net Loss as a %	Average weighted impact - 13-24 months	Average weighted shock - 13-24 months	post 13-24 months employment drop	Total Employment Post 3 shocks	Net Job Losses	Net Loss as a %	
Informal (No GVA)								3,031	-441	-12.7%	7.0%	2.0%	28	3,444	28	0.8%	
Tourism	50.0%	50.0%	105,250	105,250	105,250	50.0%		1,139	-1,709	-60.0%	50.0%	50.0%	684	2,164	684	24.0%	
Agriculture	4.3%	4.3%	31,115	688,775	31,115	4.3%		13,293	-168	-1.2%	4.3%	0.0%	1	13,460	1	0.0%	
Mining	5.9%	5.9%	3,826	61,185	3,826	5.9%		24	-1	-4.4%	5.9%	6.0%	1	25	1	2.1%	
Manufacturing	5.5%	5.5%	137,254	2,362,157	137,254	5.5%		6,392	-240	-3.6%	5.5%	5.8%	134	6,498	134	2.0%	
Electricity	5.0%	5.0%	6,660	126,548	6,660	5.0%		107	-1	-1.1%	5.0%	5.0%	2	106	2	1.7%	
Construction	10.0%	10.0%	69,683	627,143	69,683	10.0%		1,534	-536	-25.9%	10.0%	10.0%	99	1,970	99	4.8%	
Trade	6.2%	6.2%	53,916	809,361	53,916	6.2%		3,960	-249	-5.9%	6.2%	7.0%	118	4,091	118	2.8%	
Transport (incl telecoms)	6.1%	6.1%	118,291	1,835,444	118,291	6.1%		405	-22	-5.2%	6.1%	4.0%	7	420	7	1.6%	
Finance (finance, insurance, real estate and other services)	4.1%	4.1%	55,086	1,276,779	55,086	4.1%		4,549	-108	-2.3%	4.1%	4.7%	88	4,568	88	1.9%	
Community services (Public admin, defence, health & social work, other community services)	0.7%	0.7%	10,340	1,497,068	10,340	0.7%		4,650	-117	-2.5%	5.9%	0.6%	12	4,755	12	0.2%	
Total Industries		3.2%	591,420	9,389,710	591,420	5.93%		39083	-3592	-8.42%			1173	41502	1173	82.07%	
			5.9%		5.9%					-8.42%			2.75%		2.75%		
Fact Check Reserve Bank predict 350,000 job loss for economy which would be 52,500 for WC																	

Setting the Scene – COVID-19

- Modelling for Western Cape

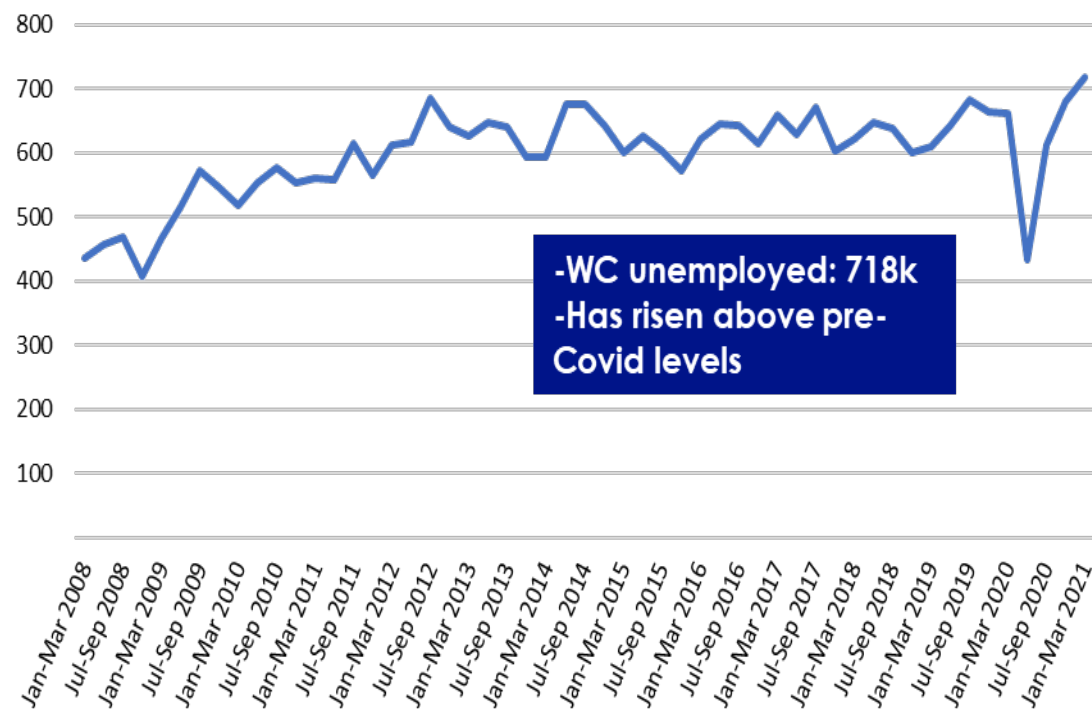
SA Real GDP growth forecast (%)	2020	2021	2022	2023	2024
IMF	-8.0	3.1	2	1.4	1.3
EIU	-7.0	3.0	2.4	2.3	2.5
IHS	-7.0	4.9	1.9	2.4	1.8
OECD	-7.0	3.8	2.5	-	-
Fitch	-7.1	3.5	2.3	2.6	2.7
IHS (Western Cape)	-6.8	4.2	1.8	2.3	1.7
DEDAT (Western Cape)	-8.5	4.4	-	-	-



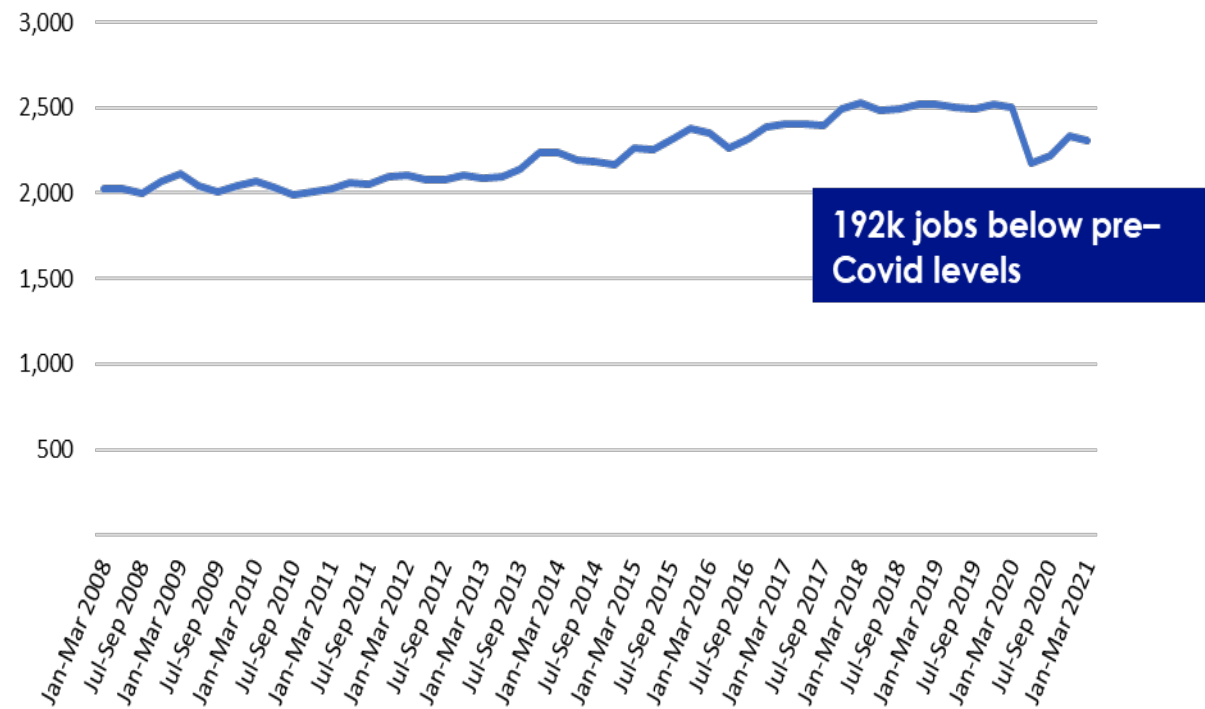
Source: DEDAT and IHS Markit data

Setting the Scene – current reality: unemployment

Unemployed 2015Q1-2021Q1



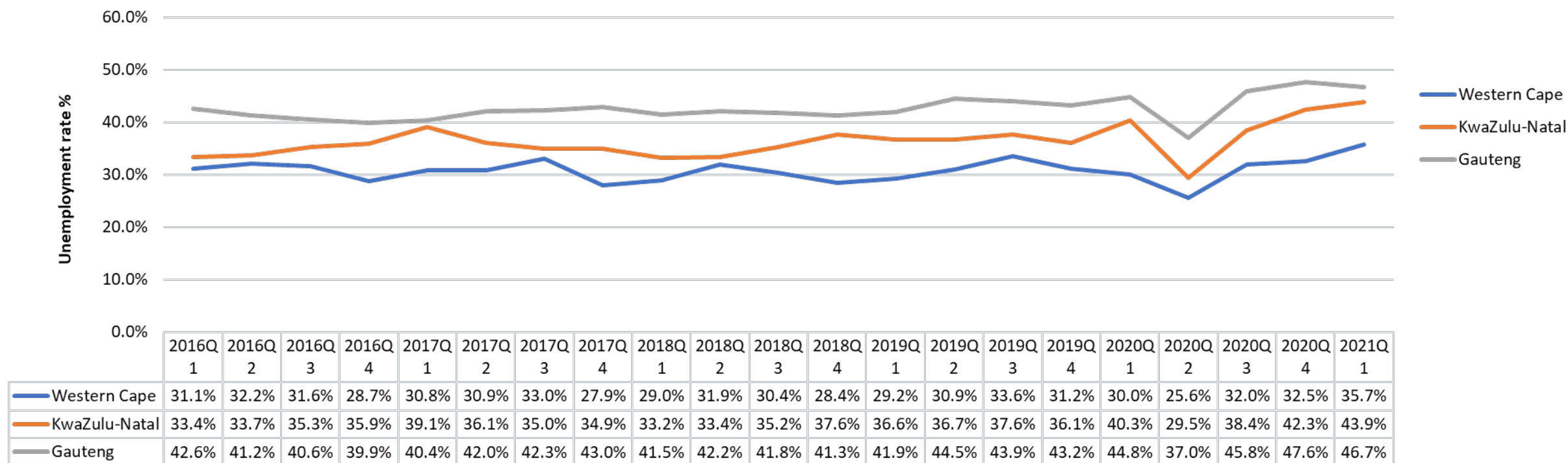
Employed 2015Q1-2021Q1



Source: StatsSA, QLFS2021 Q1

Setting the Scene – current reality: youth unemployment

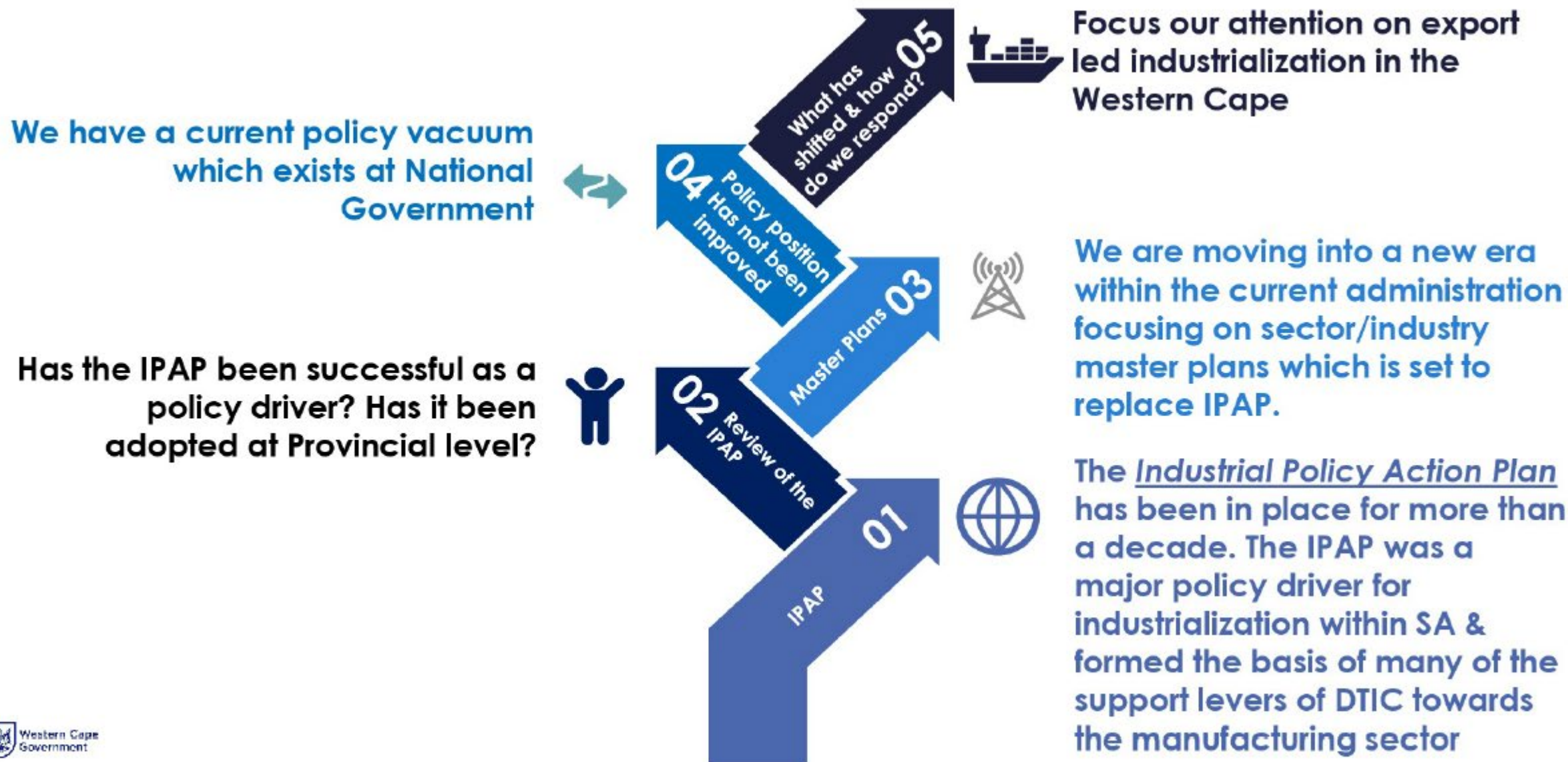
Youth Unemployment rate (official/ narrow definition): Selected Provinces, 2016Q1 - 2021Q1



Setting the Scene – structural challenges

STRUCTURAL CHALLENGES IN THE WESTERN CAPE ECONOMY														
CHALLENGE	Small/Low/Primary	Medium/Semi/Secondary	Large/High/Tertiary											
Education & Skills	WC: Almost 50% of the workforce does not have Grade 12	Only 9.7% of the workforce are at Diploma / Certificate level	7.9% of the workforce have degrees											
	USA: only 8% don't have "high school diploma"		Registered Engineers: SA: 1 in 3200 people USA: 1 in 320 people											
Oligopoly	SA: 1,5mil SMMEs in informal sector: 7-10% to GDP	700,000 formal SMMEs: around 10-15% of GDP	50-60 largest firms: 35% of GVA; 56% of jobs from top 1000 employers											
	Global: Most survivalist enterprises are not growth-oriented	OECD countries: SMEs provide 70% of jobs and 50 -60% of value add; in emerging economies, 45% of jobs and 33% of GDP												
Value Add / Sector	WC: Agriculture, Forestry and Fishing contributes only 4.1% to GDP, but more than 10% to employment	Share of GDP from Manufacturing in WC fell from 21% in '95 to 15% in 2015, contributing only 9.7% to employment	Mostly derived demand, but more than 60% of employment and of GDP											
	Global trends: Agri-production can remain stable or even grow, but % share of GDP declines as countries develop	% share of secondary sector: <table> <tr> <td>Peru</td><td>32.7</td><td>Malaysia</td><td>37.6</td></tr> <tr> <td>Chile</td><td>32.8</td><td>Indonesia</td><td>41.0</td></tr> <tr> <td>Mexico</td><td>31.9</td><td>S Korea</td><td>39.3</td></tr> </table>	Peru	32.7	Malaysia	37.6	Chile	32.8	Indonesia	41.0	Mexico	31.9	S Korea	39.3
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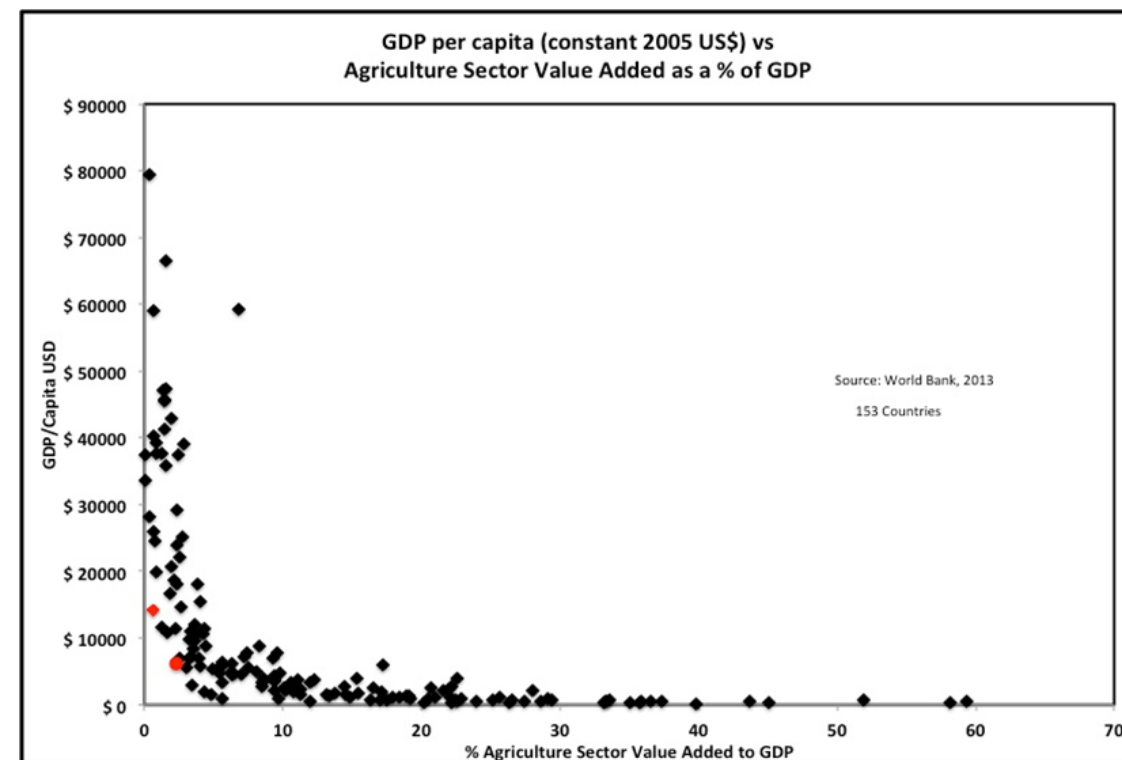
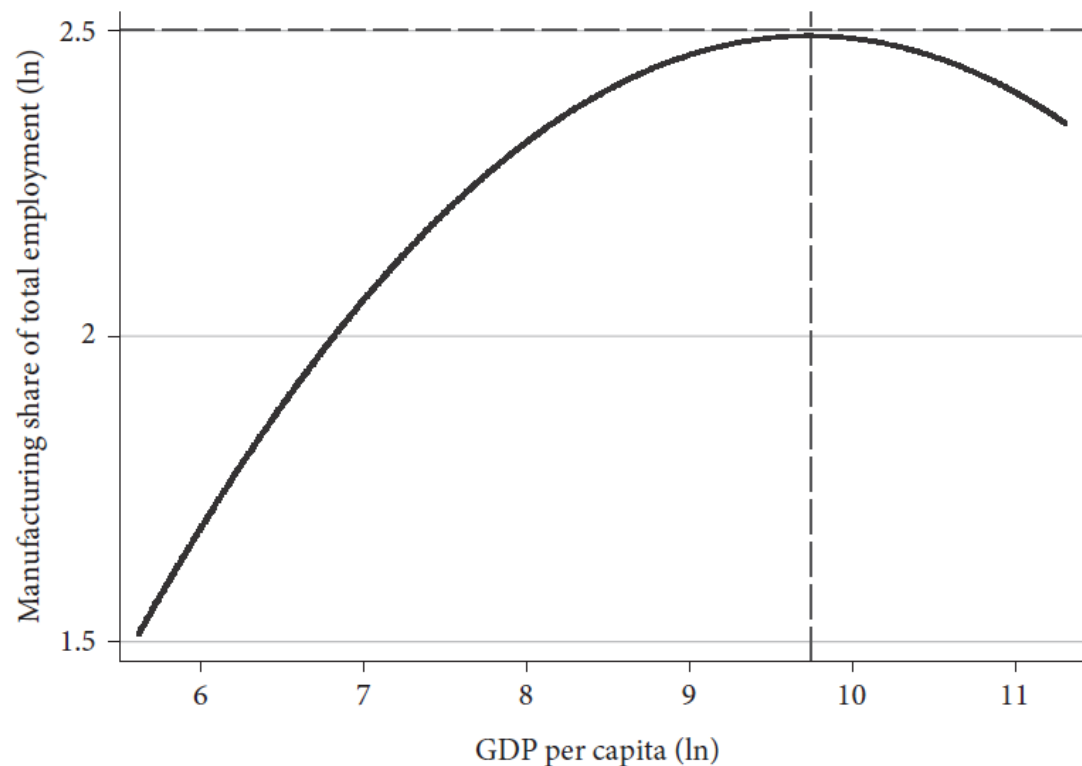
Setting the Scene – policy environment



Why Industrial Development?



Why Industrial Development – per capita gdp

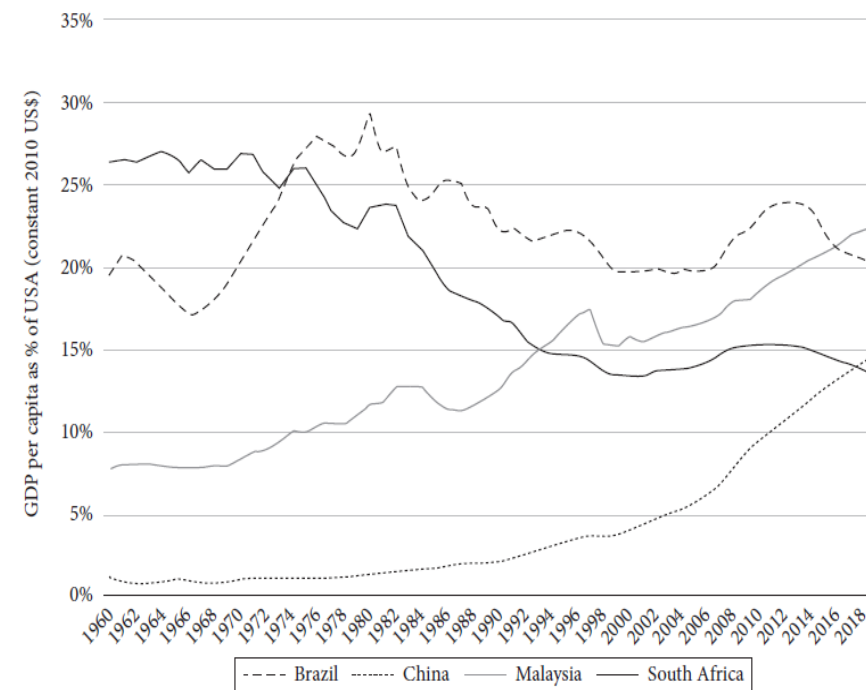
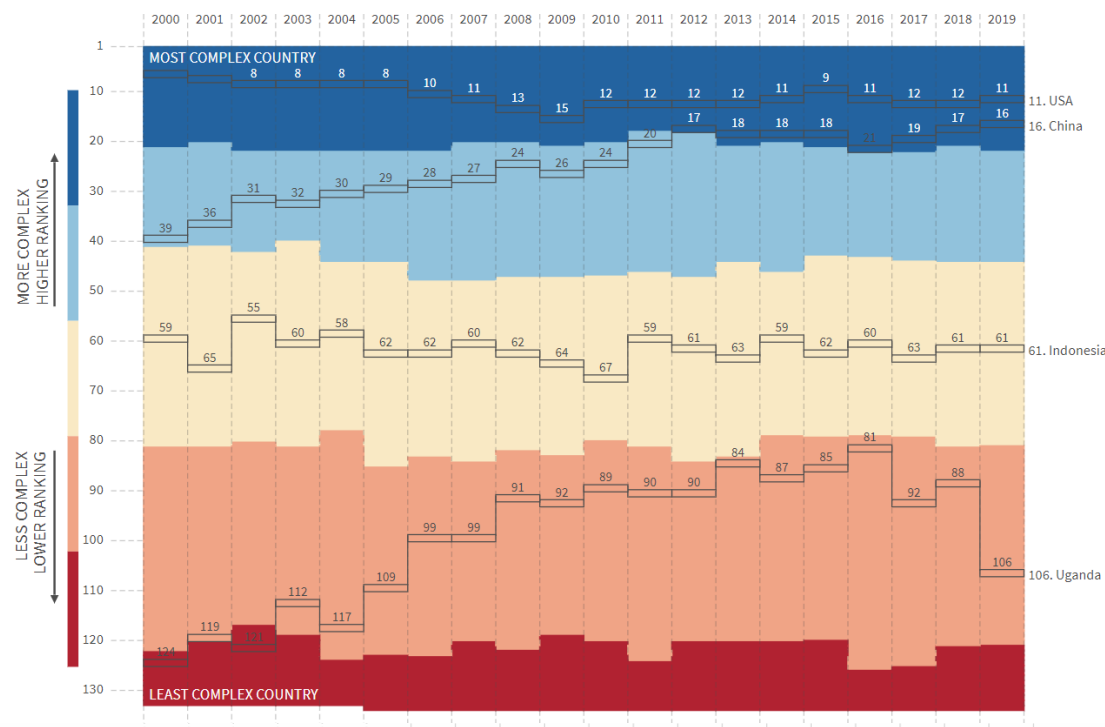


“ . . . reject the misleading notion that developing countries can join the West by becoming post-industrial societies without having first been industrial ones.”

- Kingsley Moghalu: Former deputy governor of the Central Bank of Nigeria

Why Industrial Development – growth prospects: complexity

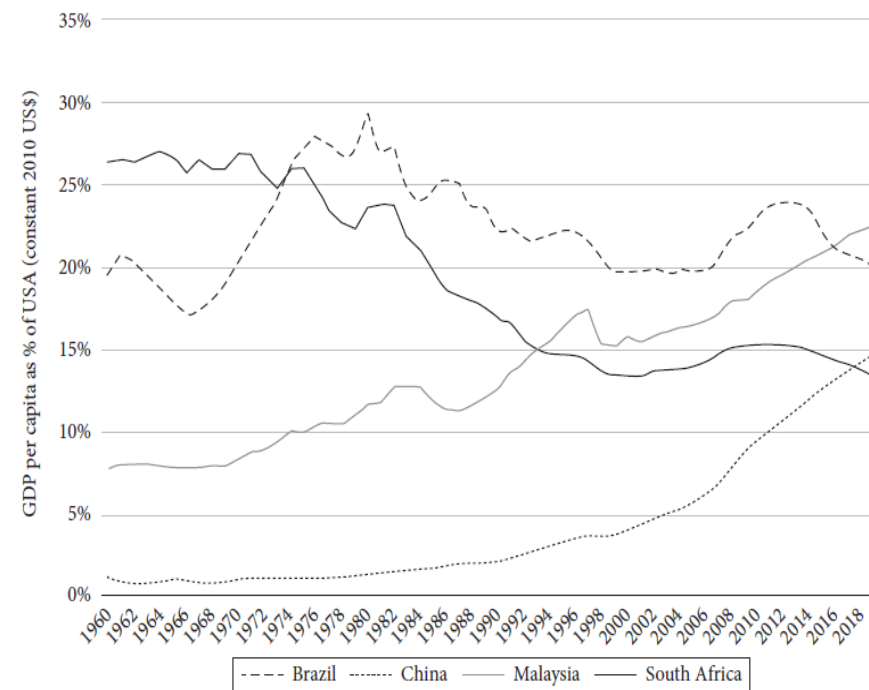
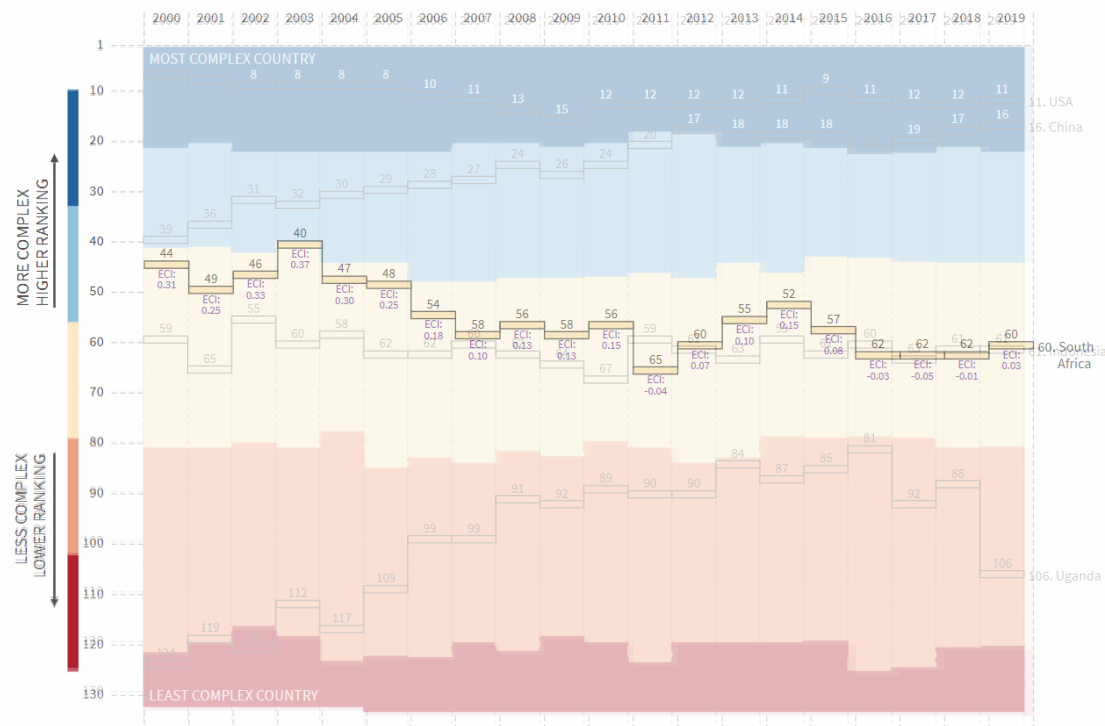
The **diversity of exports** a country produces
in relation to
the **number of countries able** to produce them.



Higher economic complexity “can help countries improve growth prospects, without undermining the importance of the accumulation of factors of production such as physical and human capital, or the role of institutional measures such as good governance and the rule of law.” – CID, Harvard University

Why Industrial Development – growth prospects: complexity

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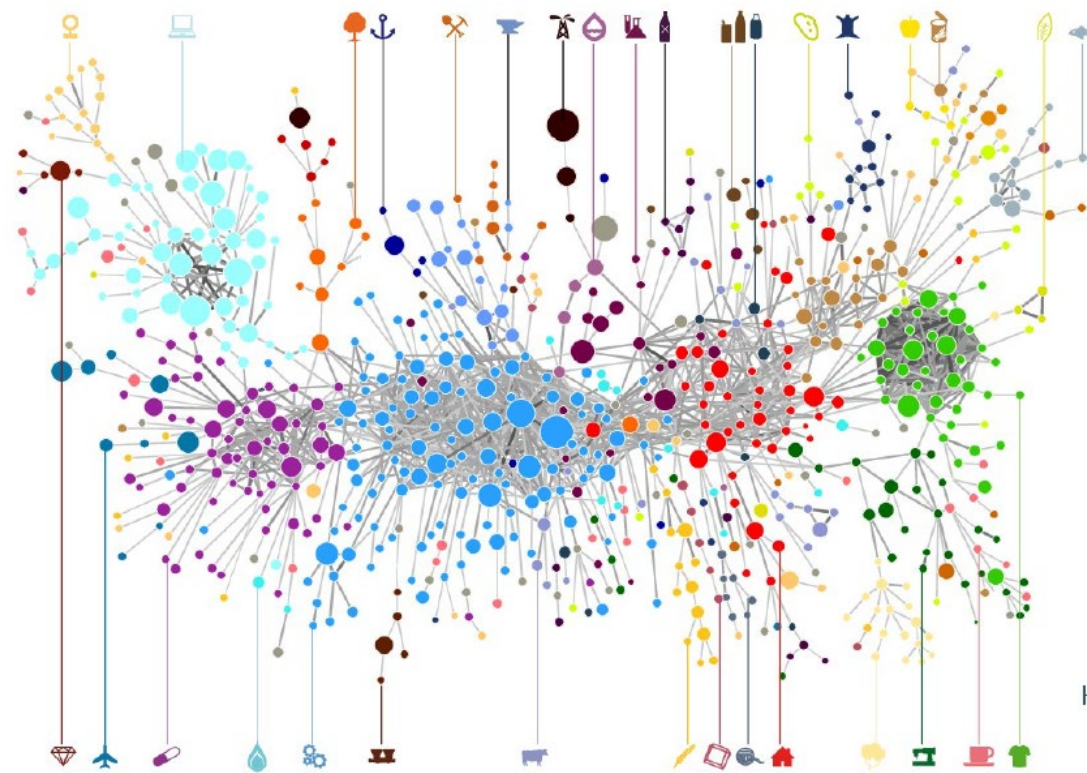
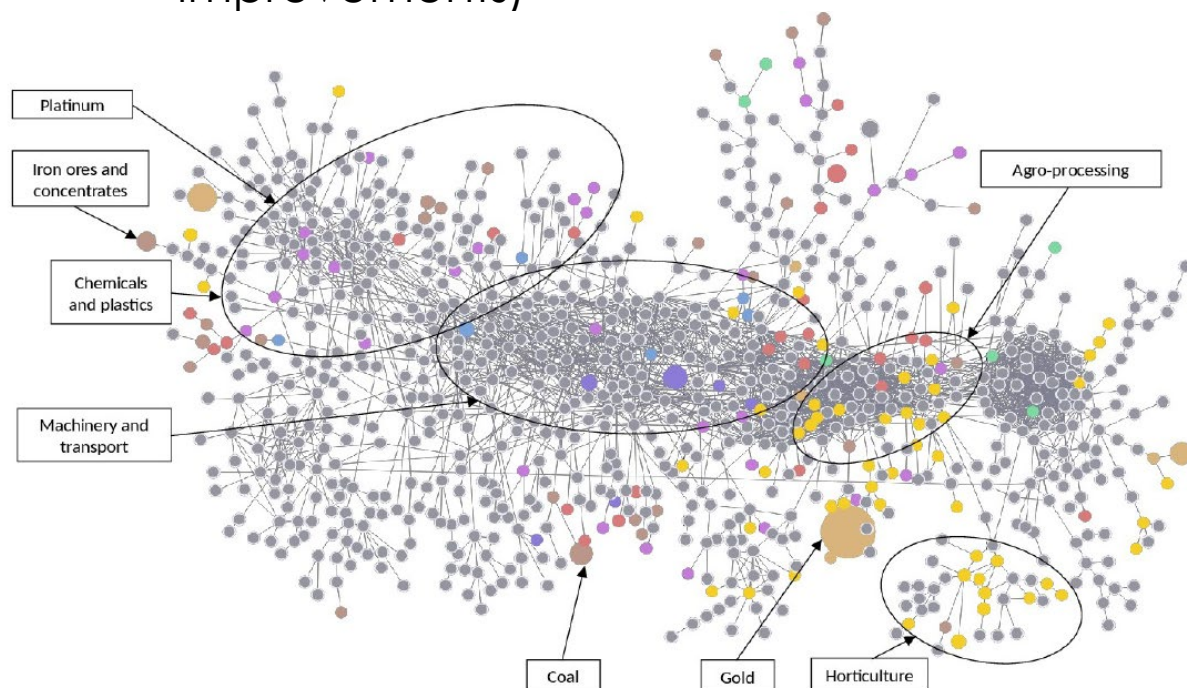


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Why Industrial Development – growth prospects: product space analysis

Input-Output Product Space Methodology

- Revealed comparative advantage
- Distance / relatedness
- Complexity (productive knowledge)
- Opportunity gain (chance of future improvements)



Hausmann
et al.
(2011)

Why Industrial Development – analogy

Economy performing better = growth



Car performing better = going faster



Why Industrial Development - analogy



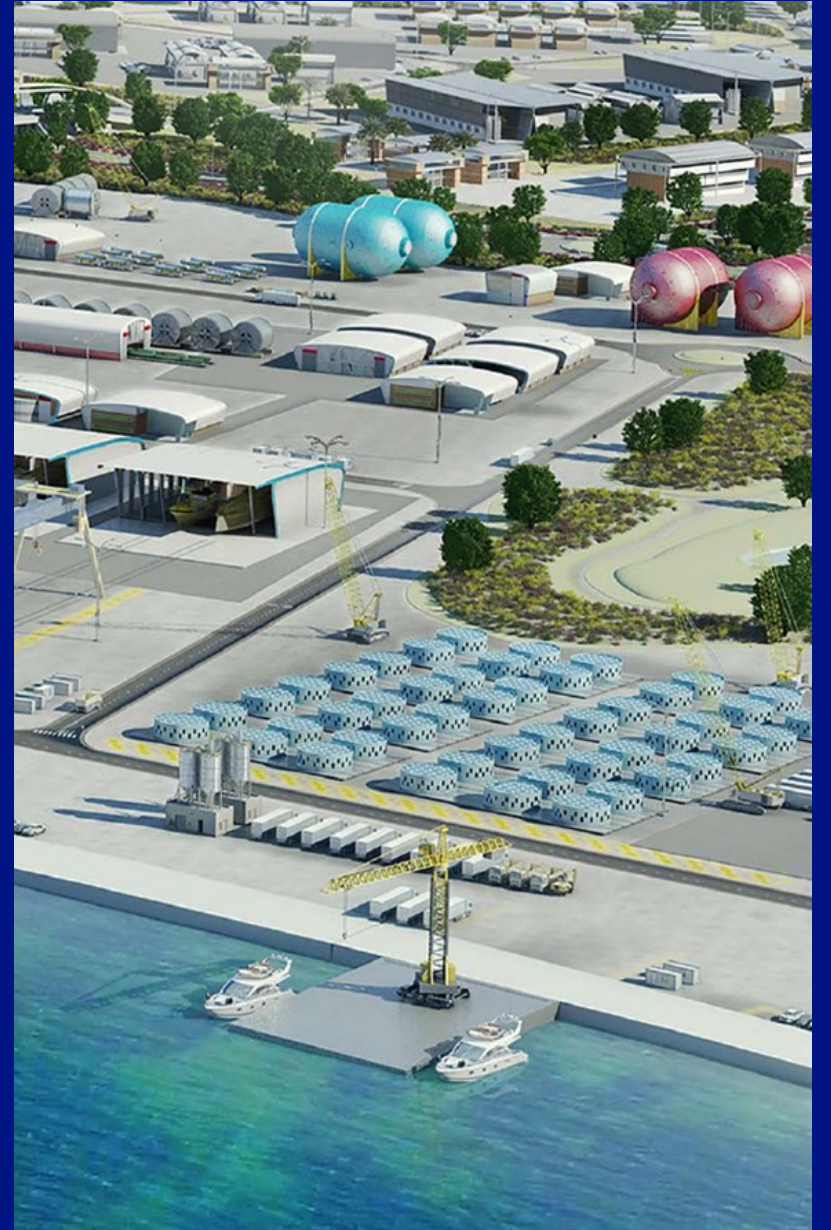
Why Industrial Development - analogy



Why Industrial Development - analogy



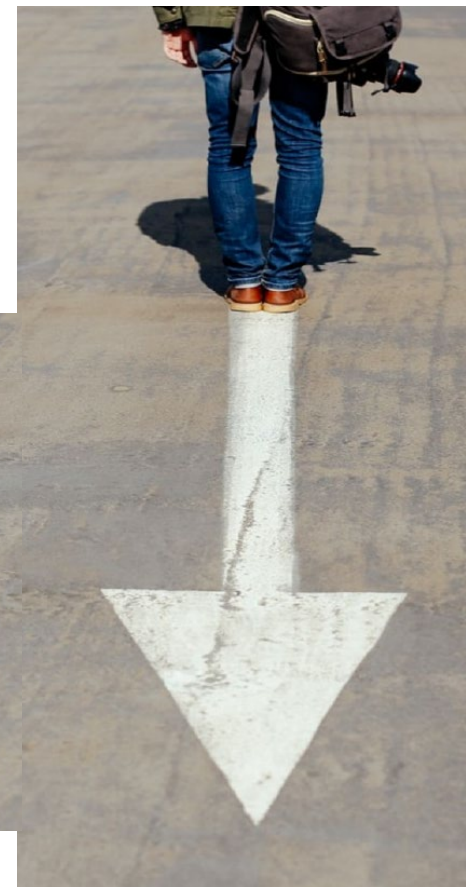
Some Future Prospects



Some Future Prospects – looking back



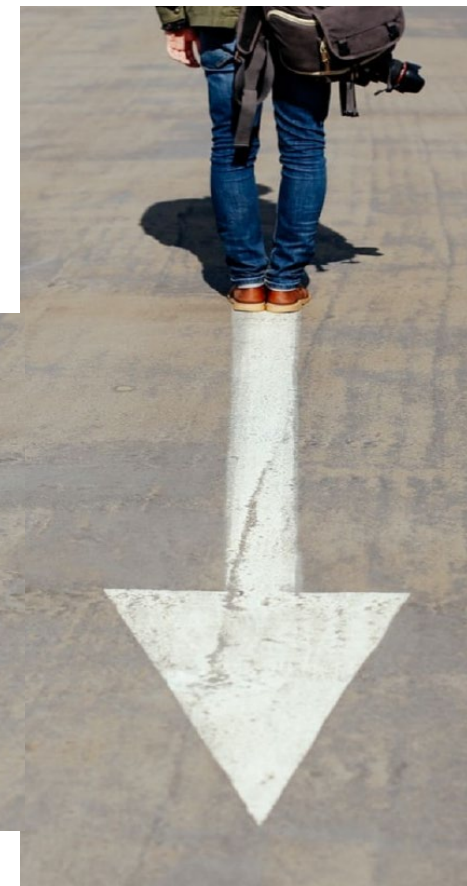
the **past**
provides
important
lessons



Some Future Prospects – looking back



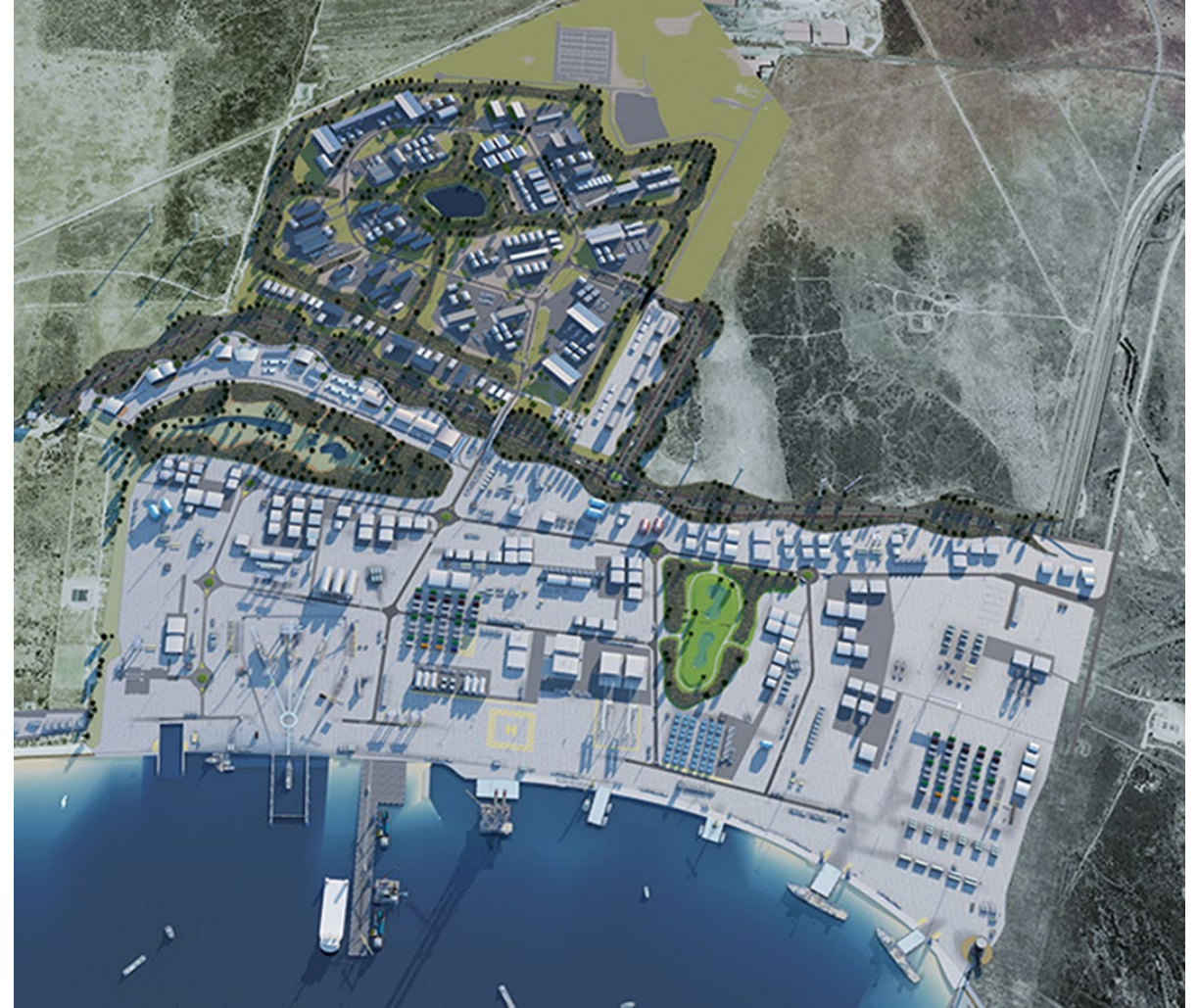
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Some Future Prospects – looking forward

SBIDZ Investor Pipeline of around R20bn

- 2 investor facilities completed
- 1 in construction phase
- 4 in pre-construction
- 5 in feasibility + 6 in concept phase



Some Future Prospects – pressure on the bay



Marine Infrastructure profiled at:



Increasing bulk export volumes:

- Manganese
- Iron ore
- Phosphate rock
- Other

Some Future Prospects – policy intent

The Development of a WC “Open, for Business” brand

1

Ease of Doing
Business

Open,
for business

2

Investments &
Exports



3

Enterprise
Development



4

Skills Development



5

Economic Resilience



Thank you

Herman.Jonker@westerncape.gov.za
082 809 9494