

**TOWARDS A METROPOLITAN ECONOMIC STRATEGY FOR
CAPE TOWN, SOUTH AFRICA**

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Towards a Metropolitan Economic Strategy for Cape Town

I) Overview

Cape Town is located on the southwest coast of South Africa. It plays an important economic role not just in the province of Western Cape but also in the country. As a port city, Cape Town serves as a conduit for imports and exports from South Africa to the world. It has also been a favored location for the headquarters of international companies and foreign investments.



Local government in the Western Cape Province of South Africa is made up of the City of Cape Town and five rural district councils.

Source: <http://www.wesgro.co.za/regions/default.htm>

Political instability in South Africa in the 1960s and 1970s had detrimental effects on Cape Town's image and performance as a centre for international trade. As a response to the lack of foreign investments South Africa adopted policies of import-substitution with the aim for greater self-sufficiency and lessen its reliance on global trade. Such inward-looking policies led to the country's dependence on its abundant mineral resources and it also built up of a very diverse manufacturing base. However, limited external trade relations meant that the manufacturing industries, unable to benefit from foreign technology and input materials, suffered from lack of efficiency and

productivity. There was also a lack of output markets and consumer demand to achieve economies of scale.

The 1980s and 1990s saw a period of gradual liberalization of the economy under increasing political pressure and the onset of globalization. After the country's watershed first democratic elections in 1994, South Africa has since rapidly shed its economic barriers in bid to join the international community. This necessary measure also had the effect of exposing the South Africa's inefficiencies and lack of competitiveness of its industries as a result of its legacies of protective economic policies. Today, South Africa can no longer rely on its mineral resources for economic sustenance, as many of which such as gold, has declined in value. The importance of its mining industry has been displaced by its secondary and tertiary sectors, which at present take up the lion's share of the gross domestic product (GDP) contribution.

Cape Town's emphasis has been on improving the efficiencies of its manufacturing industries and to tap on the growing importance of its tertiary industries – a growing share with contributes to the bulk of its gross geographical product (GGP). More recently, Cape Town has begun to pursue the twin goals of economic development and social developments (mainly poverty reduction and problems of unemployment). The latter has been relegated to secondary priority in the 1990s because a greater focus was on getting the economy back on its feet. The economic strategy for supporting globally competitive sectors (especially those that are major employing industries and contributors to economy) and the promotion of emerging growth sectors will still continue, but in addition to that new government interventions are put in place to integrate small local industries into the economy as a means towards the alleviation of unemployment and poverty.

Cape Town has a total population of 3 222 800 in 2002, with a projected population growth rate of 2.1% per annum from 2001 to 2006. Its total labor force stands at 1 404 000, 64% of which are employed in the formal sector and 18% in the informal sector. Its economy grew at 4% in 2002, up from 3% in 2001 and an average growth rate

of 2.6% per annum between 1991 and 2000. Major contributors to Cape Town's gross geographic product (GGP) are manufacturing (25%), Trade and Catering (23%) and Finance and Real Estate (20%). 95% of 64000 formal businesses in Cape Town are small, micro, and medium enterprises (SMMEs), which contribute 50% of total output and 40% of total employment. The top three economic sectors that SMMEs operate in are finance (35%), wholesale and retail (30%), and manufacturing 11%

The administrative area of Cape Town Metropolitan area is about 2200 km² makes up 1.8% of Western Cape's land area, but its population of 3.22 million in 2002 makes up 70% of Western Cape's population. Cape Town's economic activities are concentrated in its three historical CBDs and two relatively new development corridors. One of which emanates from Cape Town CBD, runs through Paardins Eiland, to Atlantis. The other corridor runs from Paardins Eiland to Wynberg. These areas contribute to an excess of 80% of Cape Metropolitan Area's turnover.

Opportunities for Cape Town present themselves in areas such as a strongly emergent tourism market, increasing exports, and the growth of e-commerce among local businesses. In addition to these strengths, Cape Town has a pro-active government that has laid out strategies for comprehensive economic and social development of the metropolitan area. One of Cape Town's main challenges is the creation of employment which is at a current high of 19.8% of the economically active population. Evidence also points to increasing unemployment and poverty, which are concentrated in particular sections of the community.

II) Geographical characteristics and administrative structure

The total land area of South Africa is slightly more than 1.2 million square kilometers, measuring about 1600 km from north to south and the same distance from east to west. The Western Cape is topographically and climatically varied. It has a temperate southern coastline fringed with mountains. The famed fynbos is the vegetation covers the western section in abundance and it stretches deep into the Karoo plateau in the North. While the

western coast is extremely dry, the southern coast has year-round rainfall. The winter rainfall of the peninsula and its mountainous neighboring inland area provides ideal conditions for the cultivation of grapes, a variety of other fruits and vegetables, and wheat. The southern coastline is a beautiful coastal strip that includes a lake area¹.

There are a total of nine provinces: Eastern Cape, Northern Cape, Western Cape, Free State, Limpopo, Northwest, KwaZulu Natal, Gauteng and Mpumalanga. Johannesburg is the largest city, Pretoria is the administrative capital and Cape Town is the legislative capital². The government in South Africa constitutes three strata: the national, provincial and local government. The constitution of South Africa outlines the particular functions and responsibilities of each strata of government. The national government is responsible for developing national policy, legislation and standards, which set the legislative framework for administration at the provincial and local levels. National legislation, administered by several national departments, ensures uniform application of legislation, the maintenance of national security and economic unity, the promotion of equal opportunity or equal access to government services or the protection of the environment" (The Constitution, 1996: 78). Provinces can pass a constitution and legislation, provided they are consistent with the national constitution and legislation. The Western Cape Provincial Administration has its own constitution³. From 6 December 2000 a new City of Cape Town council is set up as an amalgamation of 6 metropolitan local councils (MLCs), namely Blaauwberg Municipality, City of Cape Town, City of Tygerberg, Helderberg Municipality, Oostenberg Municipality, South Peninsula Municipality and the Cape Metropolitan Council⁴.

¹ Source: http://www.safrika.info/ess_info/sa_glance/geography/cape.htm

² Source: http://www.safrika.info/ess_info/sa_glance/geography/geography.htm

³ Source: http://www.cmc.gov.za/peh/soe/govern_a.htm#Cape Metropolitan Council

⁴ Source: <http://www.capetown.gov.za/>

III) What drives the metropolitan economy?

Cape Town is the second largest contributor after Johannesburg to the national GDP. The table on sectoral compositions shows Cape Town's economic performance in comparison with other South African metropolitans. Cape Town has a strong leading role in its high-growth trade industry relative to Durban and Johannesburg. Its manufacturing sector, the traditional backbone of its economy is also strong, taking up almost a quarter of its industries, being almost on par with Durban. However there is a clear lag behind Johannesburg in the size of its finance sector relative to other industries, and it is also slightly behind Durban in the services sector.

Sectoral Compositions of Output (in % of GGP) of Selected South African Metropolitans, 1999

	Cape Town	Durban	Johannesburg	South Africa
Manufacturing	24.1	25.9	15.1	18.6
Trade	21.6	14.1	16.1	12.9
Finance	20.1	17.2	33.8	20.3
Services	19.4	21.8	17.7	22.3
Transport	8,6	13.8	11.0	9.9
Construction	3.7	3.4	3.3	2.8
Other	2.5	3.8	3.0	13.2

Source: City of Cape Town (2001)

The Cape Town economy has seen strong economic growth since the 1980s, with substantially higher average growth than the national rates. Between 1991 and 2000, Cape Town's annual average real economic growth rate was 2.6%, while the corresponding national rate was 1.8%. Cape Town is increasing its share of contribution to national GDP from 11.9% in 1990 and 12.82% in 1996 to 14.01% in 2000. This puts Cape Town almost on par with Johannesburg contribution of 14.98 in 2000. Its economy grew at 4% in 2002, up from 3% in 2001 and an average growth rate of 2.6% per annum between 1991 and 2000. With a total output (GGP) of R105.4 billion in 2002, Cape Town produces 11% of national GDP and 75% of Western Cape economy. Growth projection for 2001 to 2010 is at a healthy 4+% per annum, while the corresponding national growth rate is about 3.6 %.

a) How is metropolitan economy evolving?

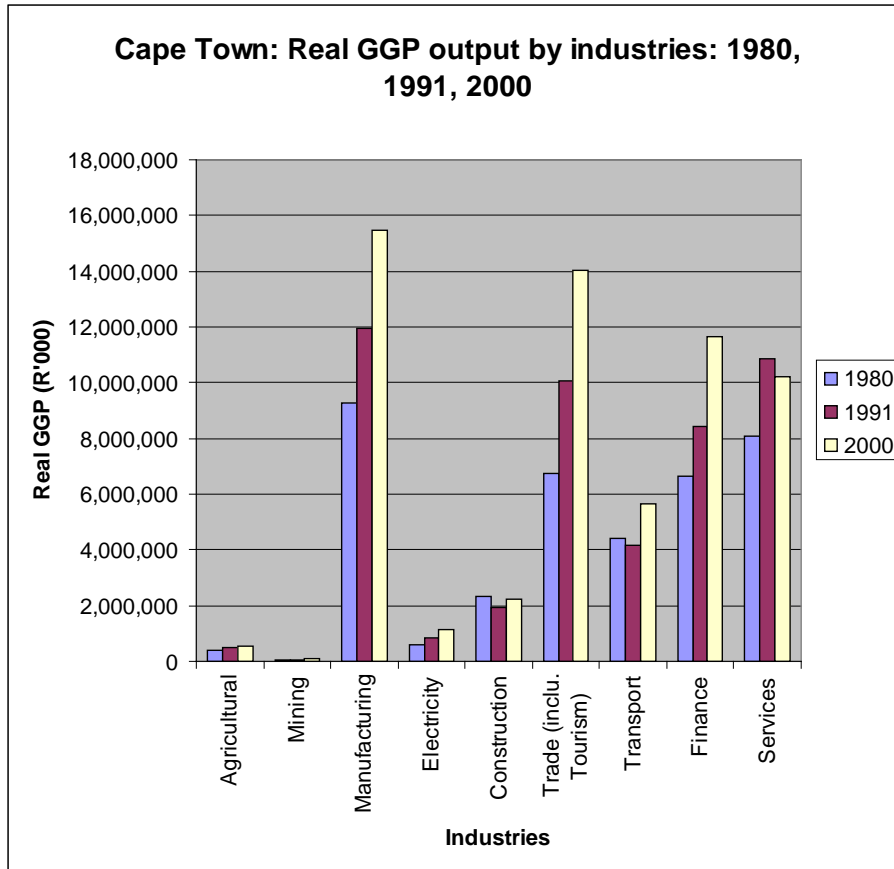
The South African economy in 1994 was described to be in “an advanced state of decline” isolationist and inward-looking economic policies, and the practice of racial discrimination. The decline of the economy is was evident in stagnant GDP growth, declining savings and investments rates, and falling sector employment. The economy was also vulnerable to external forces due to inadequate net inflows and an unattractive investment climate. The past ten years has seen dramatic changes in the economy of South Africa. There was no turning back on the path to trade liberalization since 1994 when it opened it doors to global trade and dismantled trade barriers. Such measures had forced South Africa’s industries to restructure to achieve greater level of competitiveness to able to play a part in the global economy. Some regions had been more successful than others in adapting to the climate of globalization – The Western Cape is held up as one such model of development. Today new industries such as tourism and Information and Communication Technology are present and are slated to play more significant roles in the near future. In the recent a white paper: *Preparing the Western Cape for the Knowledge Economy of the 21st century*, it was emphasized how Western Cape’s economy is tightly linked to the global economy as almost two-thirds of the output of its industries face international competition.

As Cape Town’s economy is an integral part of Western Cape’s economy, with its output representing three-quarters of Western Cape’s gross regional product (GRP), both economies share similar characteristics. There is however one marked difference in that Western Cape’s primary sector (comprising of agriculture, forestry and fishing) forms a higher contribution to its GRP as can be seen in the table below.

Sector contributions to Value Added - 1999

Sectors	City of Cape Town %	Western Cape %	South Africa %
Primary	0.9	6.3	10.9
Secondary	27.6	26.7	26.5
Tertiary	71.5	67.0	62.6
Total	100	100	100

Source: Western Cape Economic Monitor, September 2000



Sectoral contribution of gross geographical product (GGP) in Cape Town, 2000

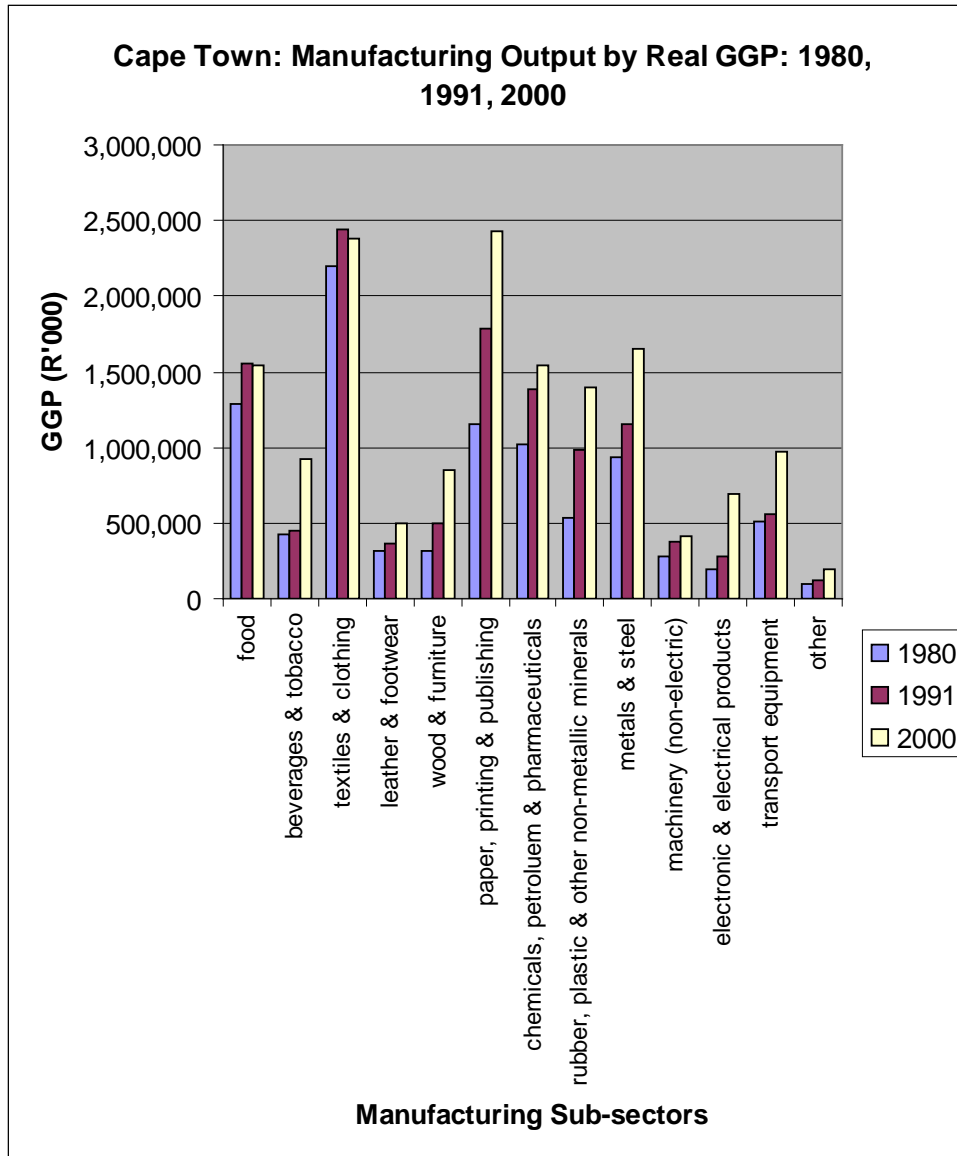
Primary Sector	% GGP	Secondary Sector	% GGP	Tertiary Sector	% GGP
Agriculture	0.92	Manufacturing	25.36	Trade (including tourism)	23.01
Mining	0.17	Electricity	1.85	Transport	9.27
Sub-total	1.09	Construction	3.63	Finance	19.06
		Sub-total	30.84	Services	16.73
				Sub-total	68.07

In terms of growth, the top sectors that contributed to Cape Town's GGP over the past few years are manufacturing, trade (including tourism) and financial services. These sectors were also Cape Town's highest growth sectors for the past two decades. Within the large sector of manufacturing, the biggest contributors to GGP in 2000 were the clothing & textiles, and the printing & publishing industries. (See table below). The clothing and textile industry has for the last couple of decades been the largest contributor

to manufacturing GGP, however its output dropped by almost 16% (See appendix) between 1998-2000. It remains a vital sector, and by far, the biggest employer in the manufacturing sector. The printing and publications industry registered greatest jumps in growth in the last two decades. Other high-growth manufacturing sub-sectors are beverages & tobacco, metals & steel and transport equipment industries, although they represent a small proportion of the GGP. It is the case for South Africa that across many of less technology-dependent and labor-intensive manufacturing industries, it is not able to compete with countries like China and Indonesia, which have the capacity to produce very large volume of output with very low cost. South Africa's labor cost for instance, is much higher than that in those countries, and this adds to the cost of production. As such it is important for South Africa's manufacturing strongholds like Cape Town to recognize its position in the world and regional economy. On the whole, Cape Town's manufacturing sector is transforming to become more integrated and technologically advanced so as to achieve a higher degree of value-add in its products. There is also a greater emphasis on human resource development to improve the skill level of its labor force to prepare for the restructuring economy.

Analysis of Manufacturing Sector: Manufacturing Output 1998

	Cape Town	South Africa
Textile and cloth	18.2	6.3
Paper and print	14.1	8.3
Metal and Steel	12.7	18.8
Food	12.0	11.8
Petrochemical	11.2	19.7
Rubber and Plastics	8.0	8.9
Wood and furniture	4.6	4.4
Beverages and tobacco	4.5	4.9
Transport Equipment	3.5	8.1
Electric	3.2	5.1
Leather and footwear	2.9	0.3
Machinery (non-electric)	0.9	1.4
Other	4.2	2.0



POPULATION TREND

In terms of population trends, as can be seen from the table below, the projected growth in labor force of 2.7% will surpass that of population growth of 2.5%. This demographic trend, together with the slow growth in job creation (relative to economic growth) results in the projection of rise in unemployment from 18% in 2000 to a maximum of 21% in 2005 and 20% in 2010 (City of Cape Town, 2001a, p. 22). It is estimated that the economy must grow at between 4% and 7% to make an impact of unemployment and poverty (City of Cape Town, 2002).

City of Cape Town: Population and Employment Growth: 1991, 2000, And 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, 2001a, p.17

b) What are the key industries networks in the metropolitan region?

Introduction: Spatial distribution of economic activity within the Cape Metropolitan Area (CMA)

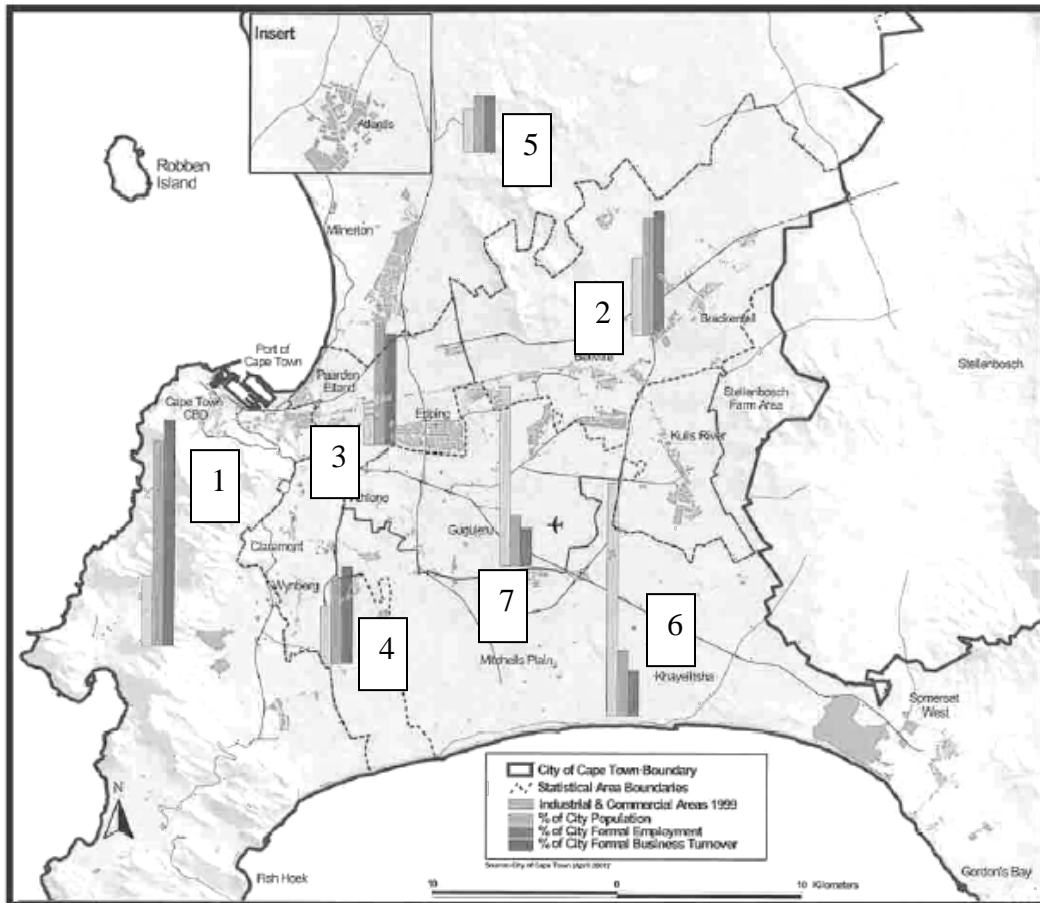
Referring to map and table below, formal economic activities are concentrated in Cape Town's three central business districts (CBDs), and two economic corridors: the Cape Town CBD (area 1) – Paarden Eiland (3) – Bellville (2) –corridor; and the Paarden Eiland (3) – Claremont (4) corridor. Together they account for 34% of South Africa's population, but producing 76.8% of total employment and 81.2% of total formal business turnover. In contrast, the Metro South East (6&7) together contributes 66% of total population but takes up only 16.1% of employment and 10.8% of total population. The Metro South East and the periphery of Cape Town are where more labor intensive industries and the majority of the urban poor are situated (City of Cape Town, 2001a).

The Cape Town CBD generates about a third of CMA's entire turnover and approximately the same proportion of all jobs in the CMA. Industries concentrated within the CBD are finance and banking, real estate, Information and Communication Technology, and it is also where the headquarters multinational companies are located. The CBD has good business infrastructure, especially in terms of communications networks, access to research and tertiary education institutions and a wide range of financial and business support services. Within the CMA is where a diverse range of

industries can be found, such as tourism, freight, ship repairs and boat building, high-quality textiles and clothing sector, film, video and television productions, print and publishing. Districts outside of the CMA are where much of the traditional labor-intensive industries, including agriculture, are found. The geographic spread of some industries within the CMA is as follows:

- Services, business and finance: Cape Town
- Oil and gas: Cape Town, Saldanha, Mossel Bay
- Auto-components: Atlantis:
- Biotechnology: Cape Town, George
- ICT: Cape Town, Stellenbosch
- Clothing: Cape Town, Atlantis, George
- Tourism: city and rural locations
- Film: city and rural locations

***Spatial Distribution of Economic Activity and Population within the CMA:
Contribution towards City Population, Formal Employment and Formal Business Turnover in Selected Areas***



**Note: Regions numbered on the map correspond to the regions listed in the following table
Source: City of Cape Town, 2001a, p.11*

Contribution towards Formal Annual Business Turnover, Employment and Population in Selected Areas: 2000

Selected areas	% business annual turnover	% of formal employment	% population
1. Cape Town CBD, Observatory, Camps Bay, Simon's Town	33.0	29.5	10.0
2. Parrow, Belville, 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

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 (6 & 7) employment.

Source: City of Cape Town, 2001a, p.12

Key Industry Sectors in Cape Town

The following sections will go in-depth into the analysis of key industry sectors. The manufacturing sector is the biggest contributor to Cape Town's GGP. The industries evaluated here are key industries that are representative of Cape Town. They include those that are major contributors to the economy (textiles and clothing; paper print and publishing; and finance), small but high growth new sectors (ICT and tourism), and those that are of regional or international significance (petrochemical; shipbuilding; tourism; and freight).

Evaluation will be done on three of the largest industries and two niche industries (the shipbuilding industry and the wine industry) within the manufacturing sector.

1. Textile and Clothing
2. Paper, Print and Publishing
3. Petrochemical
4. Shipbuilding
5. Wine

The other key industries are from the tertiary sector. They include:

6. Information and Communication Technology (ICT)
7. Tourism
8. Freight and Transport
9. Finance

1. Textile and Clothing⁵

In Cape Town, the clothing and textiles industry has been top manufacturing industry throughout the 1980s and 1990s contributing excess of 20% of all manufacturing contribution to GGP. However in the late 1990s the industry went through a period of shrinkage with its contribution to manufacturing GGP dropping to 15% in 2000, and there was dissolution of many formal companies especially in the clothing industry. The

⁵ The predominant sources for this segment are the *Wesgro Sector Report of the Textiles Sector in the Province of Western Cape, South Africa (2002)* and the *Wesgro Background report of the Clothing Industry in the Western Cape Province of South Africa (2002)*.

industry's contribution to GDP showed declining growth when inflation is taken into account. As such, the industry is identified as one that is under stress, but it remains a crucial sector in for Cape Town. It is by far the largest employer in the manufacturing industry, employing 30% of the entire manufacturing industry. This is due to the labor-intensiveness of the industry and its ability to absorb to absorb unskilled labor. In terms of export, the industry forms the fourth largest export group for Cape Town. The textiles and clothing industry is well established in the Western Cape, with a good critical mass of head offices of major retail chains in Cape Town. In terms of exports, the Western Cape has many established overseas trade partners for its clothing and textiles produce. For the clothing sector, the USA and the EU are its predominant export destination; the textile industry shows greater export diversity with yarns and ropes going mostly to Norway and Zimbabwe, knitted and crocheted fabrics to Australia and Brazil, man-made filaments to the USA, Brazil and UK.

Production chain and co-operation

The textiles and clothing industry works on the basis of a production chain. While the production chain has traditionally been within the regional boundaries, it is becoming increasingly crucial for the Western Cape to situate itself as part of the global value chain⁶ especially in the light of improving market access brought about by international trade agreements. The textile industry, in comparison to the clothing industry, is more capital and equipment intensive, and its competitiveness is reliant on the quality, speed and volume of its production. As textiles are input materials for the clothing industry (among many other industries) it is important for manufacturers to be located where there is easy access to transportation facilities like ports and railways networks. The clothing industry is, on the other hand more labor intensive, and has less reliance on economies of scale for mass production. This is especially true for South Africa where there is a proliferation of unregulated small scale clothing manufacturers that are widely dispersed all over the country. However it is to be noted that the unregulated manufacturers does not necessarily mean that they are produce goods of inferior quality. In the Western Cape,

⁶ Value chains describe the whole chain of production activities where value is added from the raw material extraction to final end use. A typical value chain would include various aspects of production, distribution (including logistics and marketing) and consumption.

many of such unregulated manufacturers have been established for decades and they supply to the higher end markets.

Taking a simplified geographical perspective of value chains: As an established centre of fashion and apparel design in its own right, a significant and increasing amount of clothing and apparel design takes place within the Western Cape itself. In case of overseas international brands, manufacturers will follow their design specifications. Western Cape's textiles industries supply the bulk of input materials although a significant portion of textiles is imported. While many clothing establishments combine the functions of design and manufacture, there has been increasingly significant outsourcing to smaller but well-organized CMT manufacturers that are dispersed all over the province, with a strong concentration in Cape Town. The manufactured products are then distributed to domestic markets through the railway networks and to overseas markets via ports, whereby the Western Cape has an advantage in lead times when exporting to the US as compared to other ports in South Africa.

The textiles sub-industry

The South African textile manufacturing industry is a highly developed industry that was worth R11 billion in 2001, up 8.5 % from 2000. South Africa's dominant textile manufacturing sectors are Kwazulu Natal (whose manufacturing centers are in Durban and Newcastle), followed by the Western Cape (Cape Town), and then Gauteng (Johannesburg and Pretoria). The textiles industry today faces threat global competition whereby lower priced imports increase the need to improve competitiveness. This became apparent especially after 1994 with the opening of South Africa's doors to global trade and the dismantling of protective measures for domestic industries, there is a shift in focus to supply side measures to reduce cost and increase efficiency. Indonesian and Chinese textiles imports are making significant inroads into the South Africa, especially with large volume fabric imports. These countries' products are posing very significant problems for the South African textile industry, as they flood the domestic and regional market with cheap legal and illegal imports brought about in part by ineffective customs controls. The manufactured products of the Chinese and Indonesia clothing and textiles

industry (among other industries) way out-prices those of South Africa's especially in the area of mass-produced goods. These trends paint a bleak picture for the South African clothing and textile industry, should it ignore the global trends and not reposition itself in such a way as to better capitalize on its inherent strengths and potential capabilities. It will not be able to directly compete with many of the Pacific Rim countries in most product categories especially when protectionist measures (i.e. tariffs, subsidies, quotas etc.) are increasingly unavailable to the domestic textile industry, in compliance with GATT / WTO requirements.

More recently in 2002, the DTI released the Integrated Manufacturing Strategy which seeks to realign South Africa's traditional dependence on cheap raw materials and abundance of unskilled labor to focusing on innovation and creation of value-add in industries. This can be seen reflected in the textiles industry. In the textiles industry, there are two broad categories of types of activities. The first is the more traditional spinning, weaving and finishing of textiles. This category makes up about 63% of total industry sales in 2001, but growth figures have been insignificant. The second is higher value-added applications in the manufacturing of tents, tarpaulins and automotive textiles. Results have been encouraging in that it is the second category which has achieved rapid growth. The period from 1997-2001 saw a 22% increase in sale figures.

The industry is suffering from trade deficits as the country is a net importer of textiles, with the value of its imports amounting to about twice its exports in the late 1990s. In the Western Cape, export of textiles has increased substantially between 1998-2001, with the US and the EU being the main export destinations. Growth in export occurred across all textile types with the exception of the relatively minuscule silk textiles. Top increases in exports are cotton and cotton articles which grew almost ten times from R 24m to R204m; man-made filament yarns from R180m to R568m. Such increases make these two sub-sectors the highest export groups by far and indicates potential for these to become the niche sub-sectors for the Western Cape to pursue. Despite the encouraging export figures, the deficit figure was still substantial at R1.67 billion in 2001. This indicates that although the textiles industry's competitiveness

improving, it is still a long way from being sufficiently competitive to be able to export more than it imports.

The clothing sub-industry

The South African clothing industry is located in three main provinces: the Western Cape, Kwazulu Natal and Gauteng. Statistics by the South African Clothing Federation (Clofed) shows an overall annual decline in the number of clothing manufacturing companies of over 7% from 1995-2000. In the period from 1995-2000, the Western Cape lost 3.55% of its clothing manufacturing firms annually. The corresponding figures for Kwazulu Natal and Gauteng are 13.55% and 7.16% respectively. However statistics in the clothing industry are generally only indicative due to the large number of unregulated/unregistered clothing manufacturing establishments. It should also be noted that the loss of companies as indicated in the clothing industry does not necessarily mean the shrinkage of the industry as the closing down of old companies in most cases leads to the opening up of new ones. The following table shows the number of companies in the clothing and textiles industries. While the numbers are not exact, the table provides an accurate overview of the distribution of clothing and textiles production centers in South Africa.

Province	Main Manufacturing Centers	Number of Companies	
		Clothing (incl. CMT*)	Textiles
Western Cape	Cape Town (CMA), Paarl, Atlantis, Worcester, Wellington	624	117
Kwazulu-Natal	Durban (Metro), Newcastle, Port Shepstone, Hammarsdale, Isithebe, Ladysmith, Newcastle	761	194
Gauteng	Johannesburg, Pretoria, Nigel, Krugersdorp	670	117
Eastern Cape	Port Elizabeth, East London	141	53
Free State	Bloemfontein, Qua-Qua, Botshobelo	70	16
North West Province	Rustenburg, Brits, Hammanskraal, Rosslyn North	24	10
Northern Province	Pietersburg, Potgietersrus	16	9
Mpumalanga	Witbank, Standerton	24	8
Northern Cape	Kimberley, Upington	11	4
TOTAL		2341	528

* Note: Clothing (incl. CMT) category includes: Garments, Furnishings, Industrial (tents/tarpaulins etc.) and Embroidery
CMT refers to "cut, make, trim" operations which are unregulated, i.e., the informal sector

Source: Wesgro 2002, Wesgro Background Report on the Clothing Industry in the Western Cape Province of South Africa, p.5

The clothing industry in the Cape Metropolitan Area (CMA) is widely dispersed with concentrations in Cape Town CBD, Woodstock/ Salt River, Maitland, Parrow, Industrial, Parow East, Mitchell's Plain, Beacon vale, Epping, Elsie's River Industrial, Landsdowne, Primrose Park. Outside the CMA, there are some manufacturing activities in Atlantis, Wellington and Paarl. The location of the clothing industry is not as much dependent on the proximity to the textiles industry (source of input materials) as much as it is on the proximity to access to railway networks.

Ongoing trends since the mid 1990s have been the restructuring of production and labor, increasing capitals investments on new and upgrading equipment, and attracting foreign investments. More recent trends include the physical relocation of manufacturing firms to decentralized areas, i.e., areas that are outside of the jurisdiction of bargaining councils and uncovered by minimum wage requirements, to achieve a greater level of flexibility and competitiveness. This trend also signifies the enlargement of the informal sector. Some of the more established firms now tend towards more design oriented activities and subcontracts actual manufacturing to contractors, with many of such being unregulated manufacturing establishments.

Clothing exports from the Western Cape grew significantly during the period of review from 1998-2001. However the export market is dominated by a small number of clothing manufacturers whose bulk of output are produced for overseas markets. Manufacturers in Kwazulu Natal are an exception to this, being far more export-oriented. In the Western Cape, it is mostly the larger producers which are able to successfully tap on the export market, otherwise only a small number have achieved export sales of over 10% of their total output. This is due to the limited output capacity of the smaller firms which are unable to take up large volume of orders from overseas markets, especially those of American importers. In addition to that, export barriers also exist in terms of lack of information on export markets linkages, lack of access to affordable working capital and government fiscal incentives. As with the textiles industry, the main export destinations for the clothing industry are the USA and EU countries, and in addition to that, a significant portion goes to other destinations such as the UAE, Zambia and Kenya.

2. Paper, Print and Publishing

The Western Cape is the predominant publishing industry in South Africa, contributing to 60% of the industry revenue in the country. Though main consumer market is Gauteng, the Western Cape is home to 45 of South Africa's 146 publishing companies – including the largest international publishers like Maskew Miller Longman, Oxford University Press and Cambridge University Press among others. The print and publishing industry represents a small but significant sector, commanding the highest and most consistent growth figures for Cape Town's manufacturing industry since the 1980s. Cape Town's competitive advantages lie in the availability of infrastructure and a variety of skilled labor for a wide spectrum of printing and publication activities. In the recent years there had been substantial growth in magazine sub-sector with opportunities in niche markets. The industry caters predominantly to domestic markets because of limited economies of scale and distances to markets overseas. Within the domestic market, the demand comes predominantly from the white population. The move into mass black markets is needed for real growth.

The printing and publishing industry in South Africa can be divided in 2 main sub-sectors: books and magazines, both of which are dominated by the Western Cape. The book industry, taking up about 24% of turnover, is more static. The government is a major customer of the industry, consuming the bulk of the educational books. However the recent reduced expenditure in school books (the biggest sub-sector – 60% - in book publishing) and library budgets resulted in stunted growth. The general/ trade book market likely to grow with growth of tourism. Higher education publishing and professional publishing are still dominated by imports, though some international publishers are making inroads into the Western Cape, and some local publishers have been exploring niche markets in specialist products. South African products account for just under 60% of book publishing's turnover, with the rest being imported mainly from the US and UK. Western Cape's output forms 60% of South Africa's turnover. Western Cape's competitive advantage is that it is the preferred location for educational publishers

because it has a long history in this industry with developed infrastructure and the availability of authors, editors, designers and freelance typesetting and production workers, with all the major book publishers being located in Cape Town. Furthermore Western Cape has the most well developed educational systems and well-resourced schools, which form a ready demand for the industry.

The magazine industry is more dynamic and competitive. It has experienced considerable growth in the recent years. 63% of turnover can be attributed Western Cape publishers. The number of titles saw an increase from 639 in 1994 to 1050 in 1999. The large companies dominate the industry but a number of smaller publishers have been successful in capturing niche markets. While all the major book publishers are located in Cape Town, the major magazine industries are located in different parts of the Western Cape. Major magazine publishers includes National Magazines (owned by Western Cape's media conglomerate – Naspers, which has a printing plant in Cape Town) has 60% of the market share, Associated Magazines (located in Cape Town), Ramsay & Parker (in Howard Place), and Touchline (in Vlaeberg). The recent years have seen new niche markets have opening up such as men's, health, lifestyle, and youth's magazines. In particular, there is tremendous potential for mass market in black readership.

3. Petrochemicals

The petrochemicals industry is segmented into different types and stages of the production chain – exploration of oil and gas; storage; transport; refining; chemical production; and services. While this means that the various stages can be located at different places, it also exemplifies the need for effective co-operation and linkages between regions, especially physical linkages for transportation of raw materials and access to markets.

South African's petrochemicals industry is one of the largest in Africa. Within the country exists various nodes and networks of the industry: The exploration of oil and

gas yielded results in the discovery of gas in Mossel Bay off shore of Southern Cape. Oil storage facilities are located in the vicinity of ports such as the Saldanha Bay, and Cape Town in the Western Cape, Richards Bay in eastern coast, and in inland Gauteng and Durban. Four main oil refineries are Calref (owned by Caltex) in Cape Town, Sapref (owned by BP and Shell) and Enref (owned by Engen) are located in Durban, and Natref (owned by Sasol and Total) is in Sasolburg; a major gas refinery is Mossgas which is located in Mossel Bay in the Western Cape. Chemical production plants are dominated by three Sasol plants in the Eastern Cape – one in Sasolburg, and two others in Secunda. Transportation of finished products within the country from refineries to cities is mainly by means of pipelines. The Sasol-owned refineries mainly supply to KwaZulu, Pretoria and the major market in Gauteng.

The Western Cape, located outside the coal-rich areas of South Africa is involved in little downstream development, but dominated by Caltex oil and Mossgas Gas refineries which produces mainly liquid fuels. Raw materials for chemical industries are imported from outside Western Cape. The gas reserves in offshore of Southern Namibia supplies the Mossgas refinery. The Western Cape also plays an important role as the location for the headquarters of major oil companies in South Africa and an important export base for South Africa because it has three ports – Cape Town, Mossel Bay, and Saldanha Bay – strategically located to serve overseas markets in the Eastern African Seaboard and the Far East.

While the industry accounted for 20% of South Africa's manufacturing GDP and 5% of total GDP in 1996, the contribution of the petrochemical industry of Cape Town in the same year constitutes 13% of its manufacturing GGP and 3% of its total GGP. South Africa as a whole is involved in varying extent in all stages of the production chain whereas Cape Town is only involved in two main activities – oil-refinery and export. Cape Town's only refinery is owned by Caltex. The billion-dollar worth plant is a complex refinery with a distillation capacity of 100,000 barrels a day. The refinery was originally situated away from urban areas, however urban expansion has led to residential suburbia surrounding the plant, circumscribing its opportunities for expansion. Other

than oil-refining, Cape Town, as a port city, also plays a strategic role in the petrochemical industry of South Africa as it is the location for the headquarters for the country's major oil companies, such as Caltex, Shell, BP and Engen. And despite having no oil or gas reserves, Cape Town is the location for headquarters of companies involved in oil and gas explorations on the South African Coast, such as Pioneer Natural Resources, Energy Africa, Soekor E&P, and Phillips Petroleum⁷.

4. Shipbuilding

According to the South African Boat Builders' Council⁸, the shipbuilding industry generated a turnover in 2002 close to R 600 million. Although a small industry in world terms but a dynamic sector that has grown 120% in turnover since 1994. Surging exports today account for 83% of the industry turnover, majority of which goes to the UK, Holland, Germany and the U.S.A. The Western Cape is South Africa's pre-eminent boat-building area. In 1993, 65% of South African boat-building companies were based in the region, but today, the figure has risen to 75%. (The other 20% is based in Durban and 5% located in the Eastern Cape). Western Cape companies account for 87% of total industry turnover. Many of these companies are new entrants, with 40% having entered the industry in the last five years. Three companies, *Voyage Yachts*, *Southern Wind Shipyard* and *Robertson & Caine*, account for 86% of total industry turnover in the Western Cape.

Business linkages and sub-contractions are essential features for the shipbuilding industry, majority of which include engines, masts and sails. Most manufacturers have linkages with several subcontractors and attempt to establish long-term business relationships them. About 60% of companies utilizes between six and ten subcontractors, whereas 25% use between 11 and 15. Local content constitutes approximately 60% of the total value of production, with the balance being imported. There are approximately 1600 people employed directly within the industry. Including subcontractors, the boat-building

⁷ Wesgro (2000), The Petrochemical Industry in the Western Cape,

⁸ <http://www.southafricanboatbuilders.co.za/main.htm>

industry provides more than 2000 jobs. The growing number of tasks being outsourced to contractors reflects an increasing division of labor within the industry. Such division of labor means that smaller jobs scopes can be parceled out to smaller local enterprises, which allows them to participate in a large global industry. Jobs that are outsourced are typically in the areas that involve electrical, stainless steel, upholstery, mechanical fitting, masts and sails, design, valet and delivery.

There are a few challenges that this industry faces. The industry currently is fragmented because of a general lack of collaboration between key areas of the industry. New business start-ups also find difficulties in sourcing for financing as banks view it as a high-risk lending category. The government can add stimulus to the industry by addressing the issue of taxation on the relatively large imported component of the final product.

5. Wine⁹

South Africa is the sixth largest wine producers in world, behind France, Italy, Spain, the United State and Argentina, but ahead of others like Australia and Chile. South Africa produces 3.3% of wine produced worldwide. The Western Cape accounts for 91% of the national wine production, being home to the majority of the nation's wineries. Western Cape's mediterranean climate, favorable soil conditions and topography has allowed its wine industry to flourish. According to 1999's statistics, the Western Cape produced 914 million liters, of which 129 million liters (or about 14%, worth R1.22 billion) were exported. The Western Cape's wine regions are in The Coastal, the Breede River Valley, Olifants River and Klain Karoo regions. The balance of about 9% of wine produced outside of Western are in the Orange River area of the Northern Cape and Free State.

Areas in *The Coastal* – Stellenborh, Paarl and Constantia - form the prime wine-growing areas, producing the Cape's best wines. The Stellenborsch district has highest number of wine estates and producers in South Africa. It is also home to the largest producing wholesalers – The South African Distilleries and Wines. Varieties planted

⁹ Predominant source is Wesgro's report: *The Wine Industry in the Western Cape*, 2000

include 16% Cabernet Sauvignon, 9% Pinotage, 8% Merlot, 6% Shiraz, 12% Sauvignon Blanc and 7% Chardonnay. Paarl, located some 50Km from Cape Town, is where country's long-standing co-operative, KWV and many are wineries are located. Varieties planted here include 30% Chenin Blanc, 5.5% Chardonnay, 5% Sauvignon Blanc, 10.5% Cabernet Sauvignon, 7% Pinotage, 5% Merlot and 4% Shiraz. Areas that have seen more recent development within The Coastal Region include: The Swartland, which has seen inflow of capital in the recent years and have produced wines of local and international acclaim; and The Cape Peninsula is a new Wine Of Origin ward in the Coastal Region. The **Breede River Region**, a warmer region where the towns of Worcester, Robertson and Swellendam are located, produces predominant white and fortified wines, although some cellars such as the Robertson Winery have been quite successful with reds. Varieties produced by Robertson include: 20% Chenin Blanc, 20% Colombard, 11.5% Chardonnay, 6% Sauvignon Blanc, 6% Cabernet Sauvignon, 3% Pinotage and 3.5% Shiraz; The breakdown in the Worcester district is: 29% Chenin Blanc, 14% Colombard, 6.5% Chardonnay, 9% Hanepoot, 3% Cabernet Sauvignon, 4% Pinotage, 2.5% Merlot, 2.5% Shiraz and 5% Hermitage. The **Olifants River region** is dominated by large co-operative wineries including South Africa's largest Vredendal Co-operative, which has widened its focus from produce cheap supermarket wines to also improving the quality of their wines. Varieties produced in the region include: 25% Chenin Blanc, 18% Colombard, 6% Chardonnay, 3% Sauvignon Blanc, 11% Hanepoot, 3% Cabernet Sauvignon, 4.5% Pinotage, 4% Merlot and 4.5% Shiraz. The **Klein Karoo region** produces some of South Africa's most renowned fortified wines. Varieties produced include: 24% Chenin Blanc, 26% Colombard, 5.5% Chardonnay, 12% Hanepoot and 2% Pinotage.

Table 5: Wine growing areas, 1999

Wine areas	% of total vines	% of total hectares
Worcester	19.6	16.6
Paarl	17.5	16.5
Stellenbosch	16.4	15.3
Orange River	9.2	14.7
Malmesbury	11.4	13.4
Robertson	13.9	11.7
Olifants River	8.6	8.7
Little Karoo	3.4	3.1
Total	100	100

Source: SAWIS

The wine industry was just one of the many industries in South Africa that underwent structural changes in the mid 1990s brought about by the liberalization of the economy when the country opened its doors to foreign trade. These changes included the freeing up of liquor licenses, the removal of production quota restrictions and the abolition of the minimum sale prices that worked to guarantee an income to producers. At the same time, linkages between producers and markets have been strengthened as more wineries began to market their own wines instead of selling them through wholesalers. These direct links to the markets gave the incentives for wineries to produce better wines and as a result, the quality of products has improved tremendously. With some investments in plant and equipment, some producers have been able to export good value, lower-priced wines. This can be one of the niche segments of the industry that some producers can pursue, given South Africa's low cost of production – to offer good quality at a better price than other international producers. There have also been significant new entrants in the industry. In 2000, 40 new wineries and 50 new ranges of about 500 labels were added, and in 2001, another 35 new wineries and 30 new ranges of about 200 labels came onto the market. Export figures have been encouraging especially in the second half of the 1990s, jumping from 24.6 million liters in 1993 to 129.2 million liters in 1999. And while in 1993 exports represented only 6.2% of good wine crop, in 1999, this figure reached 21.7%. The export destinations of South Africa's wines are the United Kingdom (43%), the Netherlands (21%), Scandinavia (11%) and Germany (10%).

Other growth potentials for the industry are identified in the underdeveloped domestic market, where beer accounts for 67% share of South Africa's alcoholic beverages, and in wine tourism, which can be an emergent industry. Efforts in collaboration within these two industries have the potential to boost the growth of both industries. For instance tourist flows can be directed into the existing wine routes such as Stellenbosch, Paarl, Constantia, Franschoek, Worcester, Robertson, the Olifants River and the Klein Karoo, which are already major tourist attractions. It is estimated that in 1998 and 1999, the wine industry indirectly contributed R1.5 billion to the broader tourism industry. Likewise increased foreign tourism can help to boost sales particularly of higher priced wines.

6. Information and Communication Technology

The Western Cape ICT industry produces an annual turnover of R6 billion. This makes up 15% of the national total for the ICT industry, or about a quarter of Gauteng's share. Gauteng is the undisputed IT hub in South Africa, where most large IT corporations are located. None of the top 10 Johannesburg Stock Exchange (JSE) listed ICT companies are based in Cape Town. Western Cape has not been able to compete with Gauteng, neither is it like to develop its ICT industry up to the level of sophistication that Gauteng has achieved in the near future. That said, Cape Town's ICT industry does have its potentials in focusing on niche markets. The physical distance that separates Cape Town and Gauteng does weaken to a certain extent the economic linkages between the two nodes. However in an industry like ICT, there are sub-sectors which are less place-dependent. For instance the software development sector simply requires the tools and the internet to gain access to resources needed.

Cape Town's ICT industry contributes 2.5% to the turnover and 1.7% to the total employment of Cape Town and creates around 1000 new jobs a year. The industry has been identified as a sector with high growth potential. Most of the country's heavyweight IT companies have a significant presence in Cape Town, and some of which such as Iafrika.com and M-web (two of South Africa's three largest internet service provider), Ixchange (a global developer) and Commerce One (an e-procurement company) are headquartered in the city. Cape Town also has the strong academic and research resources to propel the expansion of e-commerce.

Cape Town's ICT industry today is dominated by services sector such as wholesale trade in equipment and software consultancy, but lags behind in manufacturing of equipments and components. The services industry accounts for over 80% of total turnover, and telecommunications takes up 4%. The ICT manufacturing industry makes up only 11% towards total turnover and 13% towards employment of the ICT industry network. Due to the lack of skilled labor and investments in the manufacturing sector, ICT industry imports a large proportion of products and components. There is little

hardware manufacturing, and over 90% of packaged software is imported. Companies in the Western Cape develop software that caters to financial, retail and manufacturing sectors. These products are developed for local market and then refined before exporting to international markets. In particular, US based Electric Genetics Corporation has chosen to set up its only branch in Cape Town, making the city home to the only company in South Africa with a focus on bioinformatics. The company is successful in capturing an international niche market in developing software for biotech, genomic and pharmaceutical companies worldwide¹⁰.

Western Cape's strength in the ICT industry as mentioned is in the services sector, which includes both local and international firms that engage largely in the distribution of hardware and software. Most local companies tend to focus on regional and national markets. The ability of the ICT industry to segmentalize and outsource beyond geographical borders has created much growth opportunities for smaller scale companies in South Africa which has competitive advantages such as technical competency, infrastructural capabilities, favorable exchange rates, and the widespread use of English. Cape Town's ability to continue attracting the outsourcing businesses vis-à-vis formidable regional and international competitors (especially in the light of the growth of India as an emerging powerhouse of ICT industry) will depend on its ability to retain these competitive advantages. The challenge that it now faces is that the region as a whole is experiencing a deficiency in capital resources for start-up funding and skilled labor due to brain drain and strict immigration laws that make it difficult to employ skilled people from overseas.

7. Tourism

South African tourism economy contributed 6.9% to GDP and employed 6.9% of population in 2001. The Western Cape has strong competitive advantage with over 50%

¹⁰ Wesgro (2001), Cape Sector Factsheet: The Western Cape Information and Communication Technology Industry <http://www.wesgro.org.za/Uploads/SSitc0101.pdf>

of overseas visitors to South Africa visiting Cape. Of South Africa's top 10 attractions, 8 of them are in Western Cape¹¹. These areas are key tourism nodes in Western Cape, and perhaps only the tip of the ice-berg of what the province has to offer. There are still vast opportunities and regions that are yet to be tapped into. For an industry that is inherently spatial, the success of tourism industry of Western Cape lies in essentially in its ability in promoting the province as a whole for a wide range of tourism destinations and varied tourism activities that it offers. Towards this end, an integrated strategy is needed and this can be viewed from various dimensions: in cooperation between various locales in the provision of transportation infrastructure, in information provision and place promotion to direct tourism flow, and in partnership between the private sector and the government, and between different strata within the government itself.

According to Wesgro, 770 000 international tourists visited Cape Town in 2000 in comparison to 505 000 in 1995. This represents an annual average growth rate of approximately 10.5% and compares favorably to the national average of 9% over the same period. According to SATOUR, the Western Cape has surpassed Gauteng as the country's premier tourism destination, that rakes over R15 billion annually and employs over 150,000 people. Tourism has been identified as a priority economic sector for Cape Town, particularly with regard to the creation of employment. Employment creation, inward investment and economic growth are requirements to alleviate poverty as documented within the Draft Tourism Development Strategy. The current vision and strategy of the City of Cape Town is based on the key focus areas such as poverty reduction, economic development, infrastructure and human resource development, employment creation, partnerships, financial sustainability and good governance.

In terms of strategies on regional co-operation, the Province of the Western Cape and the City of Cape Town has embarked on initiatives such as the Joint Marketing Initiative (JMI). It is an outcome of the White Paper on Sustainable Development and the Green

¹¹ The eight attractions in the Western Cape are: V&A Waterfront, Cape Point, Table Mountain, Wine Route, Garden Route, Kirstenbosch, Ostrich Farms, Robben Island and Congo Caves. The other two attractions are Kruger Park and Durban Beachfront.

Paper on Economic Development to bring together provincial, regional and local interests to consolidate the marketing and promote invests in the Western Cape as a whole.

The JMI has thus far produced primary two outcomes, i.e. the establishment of a Destination Marketing Organization and the formulation of Tourism Marketing Strategy for the Province and City of Cape Town. Formulating of strategies for developing the tourism industry can help Cape Town identify its strengths and weakness. In terms of the spatial location and connection of tourist attractions within Cape Town, it is found that the distribution of tourism products, facilities and services echoes the overall spatial patterns of the city. The core areas include regions such as City Bowl, Atlantic Seaboard, and Bellville – Durbanville. The density of product and amenities in the core areas are contrasted by the relative undersupply in the Cape Flats and Metro-South East. This means that the bulk of tourism income is spent in more affluent areas. As the mapping of the spatial distribution of tourism products is currently being undertaken, it is found that effective co-ordination is difficult in a fragmented industry like tourism where infrastructure provision is uneven: poor quality visitor amenities in some areas and congestion in “honey –pot” locations. To counter that, one transportation strategy is to delineate tourism routes to bridge the division between the central area and outlying areas to assisting the marketing of the City as a whole.

The *Western Cape Integrated Tourism Development Framework*¹² had done a study on tourism flow within the Western Cape. It is found that tourism flows typically starting out from the Cape Metropolitan Area (CMA) into the Winelands then goes westward following N2 to Garden Route, or northwards along N7 into the West Coast. This is especially true for international travelers who use CMA as a base for excursions into the Province. For domestic travelers from the Northern and Eastern parts of South Africa, a large proportion simply passes by the Overberg, Central Karoo to reach CMA. Such travel patterns have rendered large parts of the Western Cape with sparse distribution of tourism products and facilities. Strategy of co-operation between the regions can be embarked upon to link up regions – the metropolis and the hinterland – to

¹² Department of Economic Affairs, Agriculture and Tourism, Western Cape (2002)

achieve collective attraction. The development framework highlights various place-making strategies such as promotion and marketing, improving tourism and transportation facilities, and identified specific areas for which “tourism product” can be developed. It has identified areas of “undeniable (tourism product) strength” which includes:



Map of the Western Cape: Existing and potential tourist destinations.

*Note: Areas marked out in **white** refer to the more established tourist destinations. Areas marked out in **blue** are those with potential to develop into tourist destinations.*

- **Cape Metropolitan Area**¹³
 - It is the hub of main tourist activity, business and convention centre. It has beaches on both the Indian and Atlantic Ocean. Victoria and Alfred waterfronts are popular for their shopping and restaurants. It is also a preferred base for exploration for the rest of Western Cape.

¹³ Information on tourist attractions are from various links in the website: <http://www.safarinow.com/destinations/Western-Cape/map.aspx>

- Further improvements
 - Its infrastructure developments are to be kept on par with other world cities.
 - Its transportation linkages to the CBD and outside of the CMA should be improved.

- **Stellenbosch-Paarl-Franschhoek (the Winelands Triangle);**
 - Stellenbosch is a university town and one of the oldest towns in the Western Cape, with some fine restaurants and art galleries.
 - Paarl is situated foot of the mountain. It has a wealth of beautiful old homesteads and civic buildings and the biggest wine cellars in the Cape.
 - Franschhork an established tourist areas with top class restaurants. It is near to the spectacular Banhoek Mountain Pass, apple orchards and vineyards.

- **Overstrand**
 - A stretch of holiday towns with a beach that stretches for miles; Hermanus is a whale watching destination, and a luxurious golf estate is being developed by Sheraton.

- **Mossel Bay-George-Oudtshoorn**
- **Wilderness-Knysna-Plettenberg Bay**
 - Both regions are part of Garden Route, which is known for its stunning scenery
 - Mossel Bay is coastal town frequented by bungee-jumpers
 - Oudtshoorns' attracts include the Cango cave and ostrich farms
 - It is part of Garden Route, known for its stunning scenery
 - Knysna has been voted town of the year in South Africa. It is an events destination with a wide range of interesting and beautiful spots such as nature reserves, lagoons and rock formations

- Further improvements:
 - Strengthen the region’s role as the eastern gateway to encourage “trans-frontier” travel between Western and Eastern Cape, for e.g., looking into the possibility of improving rail transportation between the two regions.
 - Improve legibility of the two regions by optimizing role of Stormsrivier/Bloukrans information centre.

These are areas with inherent attractions that are relatively well developed with availability of tourism facilities and potential further growth. Further improvements suggested for these areas are typically in the lines of improvement of transportation infrastructure and information provision, which can range from marketing and promotion of place to establishing information centers and signage. The focus of the Integrated Tourism Development Framework is more towards filling up the gaps and the creation of (physical) linkages between these discrete nodes. In order to achieve a more coherent image for Western Cape’s tourism, there has to be sufficient “product clustering and linkages”. These four areas have been identified to fill up those gaps:

- **Beaufort West**
 - Although located at a midway point between Gauteng, the Free State and KwaZulu Natal, the distance by road between these destinations is too large for most tourist, thus the focus is for developing this area as a stopover point for domestic travelers in and around the north-western region of Western Cape.
 - The area’s main attraction is the Karoo National Park and farmland. This area therefore has the potential to be developed into a gateway that also offers opportunities for eco-tourism, adventure and agri-tourism.
- **Van Rhynsdop-Cederberg**
 - The Cederberg region is one that attracts mainly domestic tourists as a destination for scenery and relaxation. It has natural and heritage

resources such as rock art, mountain landscapes and mission settlements. Nearby Clanwilliam and Lamberts Bay, which are currently stopover points for international tourists, have coastal attractions and scenic vistas of spring flowers. This region could be developed into a base for nature exploration.

- Practical steps can include the upgrade of expressway N7, and the creation of several information points in Clanwilliam, Lamberts Bay and Cederberg Wilderness area.

- **Cape Angulhas**

- A region well-endowed with coastal nature reserves but seldom traversed. To attract a critical mass of tourism activity, a variety of initiative including private-public sector investments on tourism facilities, infrastructure and marketing needs to be put in place. However this development of this area is not crucial as a spatial linkage to the rest of the Western Cape.

- **Langebaan-Velddrif**

- The area has a strategic advantage in its proximity to Cape Town, and it is used as a stopover point for travelers through the West Coast.
- It can be developed as a base for exploration into the rest of West Coast with resources such as Langebaan Lagoon, the West Coast National and Fossil Park and indigenous fishing villages.

8. Freight Transport

According to South Africa's Department of Transport, South Africa's seven commercial ports are by far the largest and most efficient network of ports on the African Continent. They serve as hubs for the imports and exports of South Africa, its neighboring countries and ports on East and West African coasts.

Portnet is the largest port authority in greater southern Africa as it controls seven of the 16 biggest ports in this region. These are Richards Bay, Durban, East London, Port Elizabeth, Mossel Bay, Cape Town and Saldanha. In May 1998, Portnet embarked on a transformation program to enhance the operational efficiency and economic viability of specific port operations. In July 1999, upgrading of operations, support and business services was carried out at Portnet whereby several terminals were expanded and modernized as new boats, navigation systems and docks were being commissioned. As part of a big reform initiative that includes the concessioning of certain port activities to the private sector, this was a step towards a clearer distinction between business operations and port authority functions of the parastate.

The Port of Cape Town, as with Durban and Port Elizabeth, provide large container terminals for deep-sea and coastal container traffic. The Port plays a significant role in the regional economy. It is one of the largest deepwater harbors in Africa. The Ben Schoeman Dock in Cape Town has a water area of 112.7 ha with five berths for container handling as well as a pier for coastal traffic. The Dock has comprehensive ship-repair facilities. The bulk of South Africa's fruit exports are handled here. It is also an important repair facility for west coast oil and diamond mining industries.

Elsewhere in the region, the port of Durban is Africa's busiest port and the largest conduit for containerized cargo in southern Africa. It is responsible for more than 70% of South Africa's containerized traffic, with the daily handling capacity of 3 500 containers. Port Elizabeth has an enclosed water area of about 115 ha, and more than 3 400 m of quayage alongside for commercial shipping. East London, the only river port in South Africa, has nearly 2 600 m of commercial quayage. Saldanha, 110 km north-west of Cape Town, is the largest harbor facility on the western coast. It is four times larger than the combined areas of the ports of Durban, Cape Town, Port Elizabeth and East London. It was developed primarily for the export of high-grade iron ore from Sishen in the Northern Cape, which is connected by railway line to the ore terminal. Richards Bay Port was developed primarily to handle bulk cargoes such as bituminous coal and anthracite. This deepwater port, 193 km north of Durban, is the biggest port in South

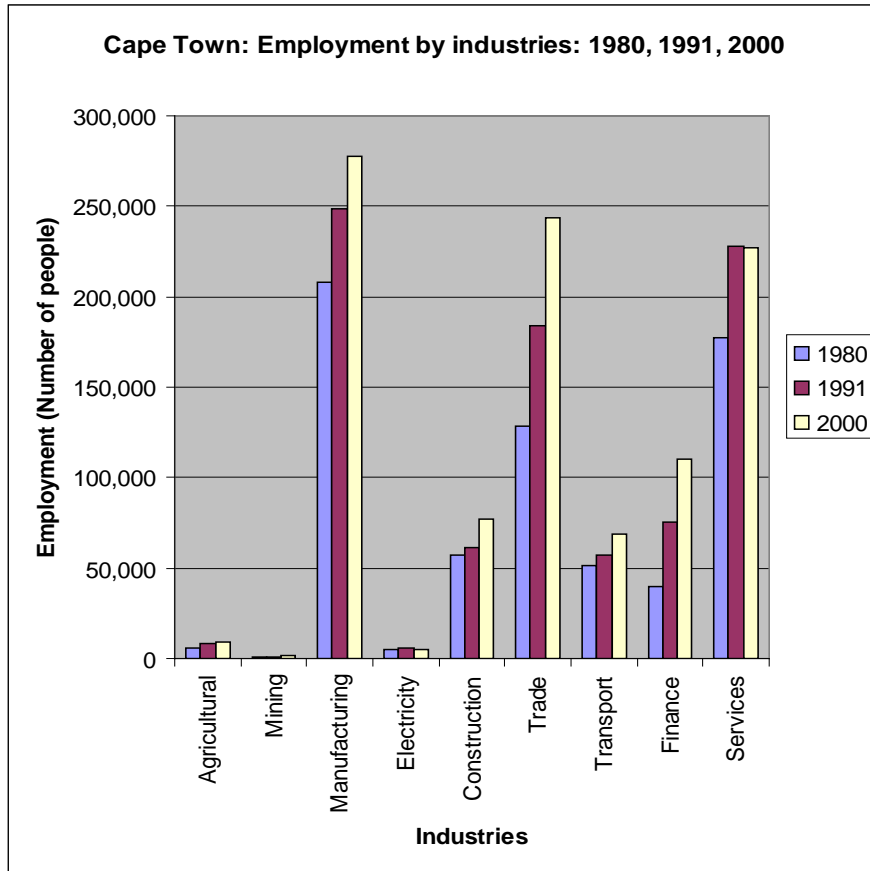
Africa and the world's largest bulk-coal terminal. It handles 53% of the country's total tonnage of cargo.

9. Finance

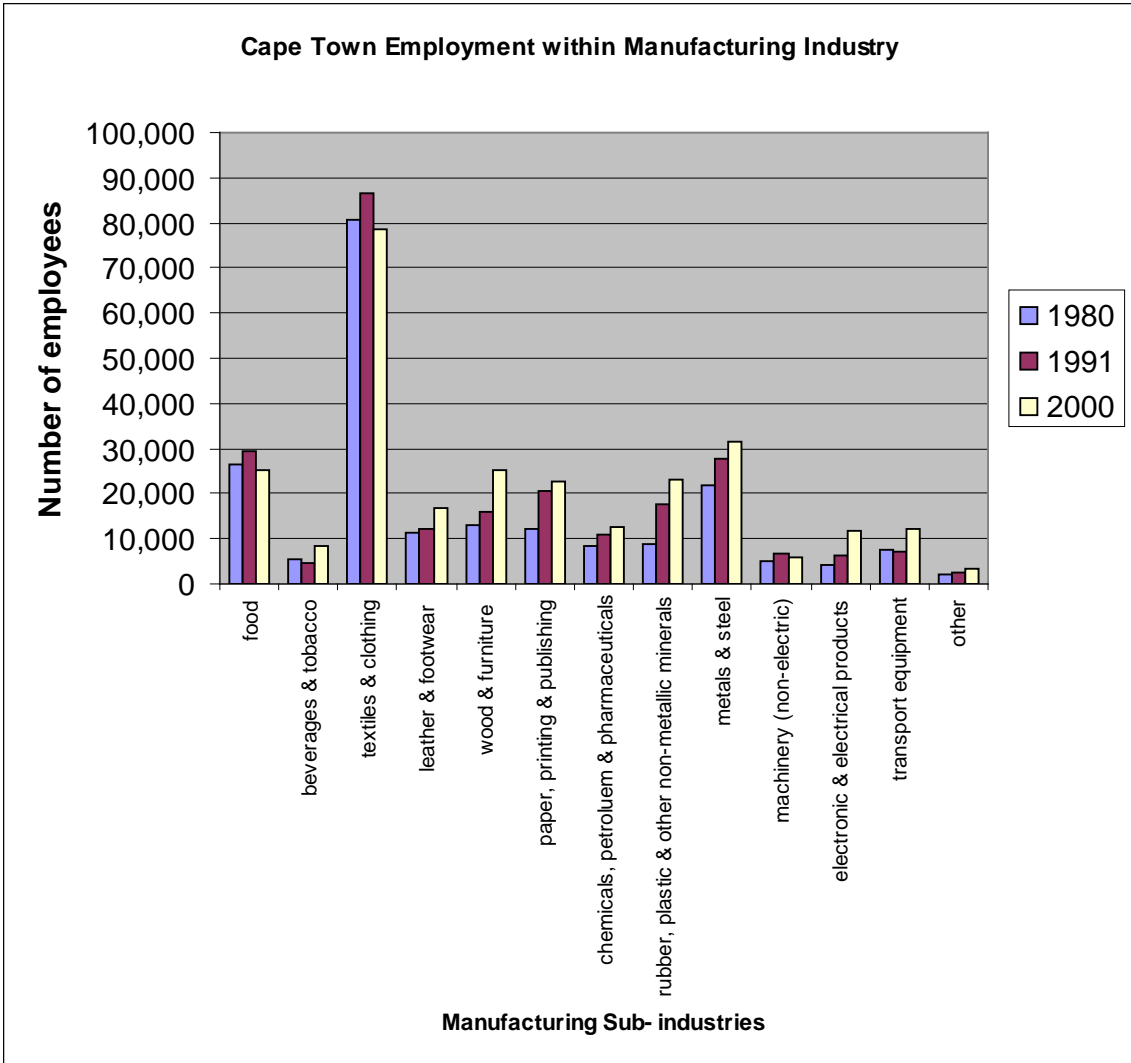
The financial sector in South Africa is a well-developed and sophisticated industry. The industry is divided into sub-sectors comprising, financial services, insurance and real estate. Johannesburg, which contributes to one-third of South Africa's financial sector output is the country's leading financial centre, providing a comprehensive range of financial services and is the preferred location for headquarters for major financial institutions. Cape Town is the second largest financial centre in South Africa, contributing one-fifth of the South Africa's financial sector output. Johannesburg has a clear edge over Cape Town as a true a financial hub where the Johannesburg Securities Exchange, ranked among the world's top ten most traded exchanges, and the headquarters of the 'big four' of domestic banks of South Africa - ABSA, FirstRand, Nedcor, and Standard Bank are located. These four banks account for 90% of the retail market. The presence of around 90 foreign banks shows the saturation of the market and the intensity of competition in the financial sector in Johannesburg. In the insurance sub-sector, however, the insurance giants such as Old Mutual, Sanlam and Santam, among others, are headquartered in Cape Town. Indeed the insurance sector has been the dominant sub-sector for Cape Town employs almost half of the workforce in the financial sector.

While Cape Town has been playing second fiddle to Johannesburg in the financial industry in South Africa, its base of financial services has been expanding in size and scope. The attractive investment environment in Cape Town, coupled with the intense competition within Johannesburg, which what some observers view as an over-traded financial market, has caused some foreign firms and new investment groups to locate in Cape Town. A number of specialized financial service suppliers have entered the scene, including foreign firms and new investment groups focusing on the local investment scene. Cape Town's financial services and retailing has expanded, led on by the

expansion of a few retail mega-centers. There been growth in professional, business, personal services, and in particular the property services sector. The financial sector of Cape Town has been categorized under “mature sector” in which there are steady growth expectations.



*Refer to detailed employment figures in appendix



*Refer to detailed employment figures in appendix

IV) What is the metropolitan region's economic strategy?

a) What economic development opportunities and challenges is the region facing (the importance of Cape Town to the region)?

Opportunities

Opportunities for Cape Town present themselves in areas such as a strongly emergent tourism market, increased exports, and growth of e-commerce among local businesses. There have been large increases in the number of new business registrations and several large scale capital projects. Cape Town has a strong competitive advantage vis-à-vis the rest of South Africa in Trade and Catering (including tourism), Manufacturing and Construction. Within the manufacturing sector, Electronic and electrical products, Metal and Steel, and Beverages have the highest growth, at 9.5%, 8.0, and 6.5% respectively. Niche industries identified includes Film and Media, Fashion, Clothing, Jewellery, Boat Building, Biotechnology, Health and Medical products, and Natural Gas industries.

Challenges

Creation of employment is one of Cape Town's challenges as its employment growth has not been able to keep up with its economic growth since 1980. The number of unemployed stands at 278000 in 2002, and this represents 19.8% of the economically active population. One of the key trends in employment is that there is an increasing mismatch between skills supply and demand from the emergent industries such as ICT in areas of research and creation of new products, and the new focus on 3rd generation biotechnology. Evidence also points to increasing unemployment and poverty, which are concentrated in particular sections of the community.

b) What are the main goals of the metropolitan economic strategy?

The Department of Trade and Industry (DTI) is the foremost government body that lay out the strategic road map to South Africa's economic development. The strategic focus of the DTI has been defined in the choice of 20 programs¹⁴ that are aligned to national government's strategic objectives. The programs cover a comprehensive range of areas

¹⁴ Refer to <http://www.dti.gov.za/thedti/programmes.htm> for more information about the programs.

classified under three categories: Development, Input factors, and Policy, regulation and international trade. Under Development, the focuses are on strategies of SMME support, industrial participation especially in the area of private sector involvement in infrastructure procurement, and strategies that are geographical- or spatial- specific with focus on integration, co-ordination within regions, and the creation and strengthening of linkages. These initiatives are the Integrated Sustainable Rural Development and Urban Renewal strategies, Spatial Development Initiatives and Industrial Development Zones, Integrated Development Plans, and Integration in Africa. Input factors cover management of human resource development, technology, infrastructure and logistics, and finance (especially access to finance). Under Policy, regulation and international trade, programs of policy coherence, improvement of regulatory environment, and competitive market access have been put in place. In many cases, other national and regional departments will work in cooperation with the DTI to achieve the objectives of the programs.

At the regional level, to achieve a more coherent metropolitan strategy for the Western Cape, a Provincial Growth and Development Summit (GDS) Framework Agreement was launched in November 2003. It is a framework that guides the development of the entire Western Cape, but the implementation will be carried out at the local (provincial) level. One integral component is the Micro-economic strategy (MES) which will be implemented over the next five years.

The broad goals of GDS framework are to:

- Promote and mobilize investment and creating decent work for all
- Ensuring economic empowerment for all, especially for the traditionally marginalized
- Eradicating poverty and addressing under-development
- Strategically engaging globalization to the country's advantage
- Targets (by 2008) include: 100 000 new jobs, 10 000 learnerships, a 10% increase in business start-ups with 70% success rate, and R5 billion foreign direct investments

Very specific short term (by the end of one year) goals have been laid out.

- Announcements of interest to invest in BPO with a minimum of 1000 jobs envisaged
- To match at least 100 Western Cape exporters with importers in Africa
- To achieve tourism growth that is higher than national average
- To complete a feasibility study for downstream petrochemical industry in the Southern Cape
- To clinch at least 10 major international contracts for Western Cape Companies

The GDS framework will comprise of five main categories.

1. Sector-based interventions
 - government interventions (aids) in specific industry sectors
2. Theme-based interventions
 - Interventions that cuts across various sectors to help them contribute to global competitiveness
3. Economic Participation Promotions
 - Socio-economic developmental that targets the minority groups, women, and youths, etc, to prove them with access to finance, social services, skills development and business opportunities
 - Establishing economic development units, building capacity in municipalities
4. Economic stimulation
 - Facilitating market access by means of recruiting investments, assisting provincial business to clinch provincial, national and international contracts
5. Regional Development initiatives
 - Development (less so economic) plans for sub-regions

Cape Town's economic strategy

Cape Town, as the foremost economic driver of the Western Cape, has also worked towards having a stronger economic framework. This is necessary as the province (the

rest of Western Cape) more often than not align its economic policies following the lead or at least responding to those taken by Cape Town. The two main economic goals remain for Cape Town: to keep abreast of global economic developments and to focus on endogenous development policies to aid local enterprises and alleviate unemployment. The first goal has always been, and still remains, the predominant strategy for Cape Town, which seeks to ensure that Cape Town has the infrastructure, skills and resources to produce the products and services that can help it integrate into the global trade. The second goal has always been more of a secondary priority, but now more specific policies and clearer guidelines have been drafted to help local governments with the implementation of the strategy.

In consideration of the makeup of Cape Town's businesses whereby 95% of businesses are SMMEs, supporting such businesses can go a long way to meet the two strategic goal of achieving greater global competitiveness and poverty reduction by boosting employment. In line with those goals, Cape Town has adopted a Business Support Policy in October 2003. While these business support strategies were deliberately formulated to be broad enough to be applied across most industries, there are also sector support policies which are industry-specific support policies particular needs of each sector. This overarching business policy was prepared by the Economic Development and Tourism, and supported by the Western Cape and national government to create an enabling environment for businesses to develop with the aim of boosting economy growth and job creation, which are to be achieved by mean of a six-pronged strategy.

Business Support Strategies:

Source: Ngoro, 2003

1. Regulatory and Policy Environment
 - a. Ensure right policies are in place to support business
 - b. Legislation should be made accessible for ease application and follow-up. Government services and procedures should be made clear, transparent and prompt.

- c. Creation of an enabling environment through high quality economic infrastructure and services, provision of up-to-date information and the fostering of close relationship between businesses and the local government
2. Provision of business information on:
 - a. The working of the local government pertaining to procurement, administration and customer liaison
 - b. Industry- or sector-specific information
 - c. Available support organizations and services
 - d. Economic trends and market opportunities
3. Research and Development on:
 - a. Opportunities, constraints, and progress of the Local Economic Development (LED) strategy
4. Business development services
 - a. These services, primarily targeted at emerging enterprises, are to include training, advice, counseling and marketing.
 - b. Where available, these services are to be provided by accredited service providers.
 - c. Local government's role is to facilitate and encourage development of the service.
5. Facilitating partnerships between that of:
 - a. Smaller firms and more established ones to build capacity and resources
 - b. Cross sectoral partnerships

V) What can the central government do to support the metropolitan economic strategy?

The forward-looking government of South Africa can be lauded for its thoroughness and liberal attitude in formulating and instituting comprehensive policies that makes significant steps to integrate the economic, urban and social aspects of developments. For the most part, the various strata of government – from the national, to the regional, to the city level, have been sensitive to socio-economic realities of the nation's circumstances and its people when it comes to policy-making. While the implementations of policies have not always been smooth sailing, there is clear government's commitment to nation's development. As can be seen in the array of planned and on-going initiatives, strategies and programs from the macro to the micro level, the government seems to have covered substantial ground in terms of development policy-making. Nonetheless, this section will bring up two issues that will be helpful in the pursuit of a metropolitan strategy for Cape Town: improving transportation networks across regions and more coherent urban planning, with regards to spatial development zones.

Improving transportation networks across regions

Several industry reports that have brought up issue that the distance and cost of transportation are deterrence for investors as Western Cape's markets and centers of production seem too far from other markets and this increases transportation costs. The improvement of road and railway networks within the Western Cape and in South Africa can help to boost the trade performance of Cape Town especially in the city's bid to increase domestic export for its large manufacturing sector. The improvement of transportation in Cape Town itself can also help to boost foreign investment in the city and it is also a step towards attracting skilled professionals to locate in Cape Town (and to stem the current brain drain) to boost its emergent knowledge based sectors such as biotechnology and ICT industries.

Urban planning/ spatial development zones

Currently Western Cape is pursuing sector support policies which are policies that focus on the specific needs of each sector, and also help to provide essential business information. The local and regional government has done a good job with their many quasi-government trade and industry associations that has provide good industry information through their extensive research and data collection, industry performance forecasts. Another type of government directives come in the form of the strategic plans for development/industrial zones, which can be helpful in directing kind of investments and enhancing competitive advantages of different locales in the region. Spatial development zones are national development strategies that are currently being implemented in various locales through South Africa. The designation of such zones serves to enable a more focused support for sustainable industrial development in these areas where poverty and unemployment are at their highest, and also where inherent development potential exists. The initiatives take on a more spatial dimension, seeking to enhance coordination, funding, developing core industries and attracting investments. Within the Western Cape, the West Coast Initiative is being pursued, covering the area stretching from the industrial centre of Atlantis in the south past the farming town of Vredendal in the north. The coast has several major fishing and industrial ports, including Saldanha Bay, South Africa's largest natural harbor and biggest port. The Western Cape provincial government could extend the application of such zones to the entire Western Cape as this not only help in a more coherent marketing strategy and the improvement of regional co-operation, it also sends a signal of government commitment in the economic development of the area.

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Appendices

City of Cape Town: GGP per Sector by 1995 prices and Factor Cost (1980, 1991, 1996, 1998, 2000)

Real GGP at 1995 prices	1980	1991	1996	1998	2000
Sector	Output (R'000)	Output (R'000)	Output (R'000)	Output (R'000)	Output (R'000)
AGRICULTURAL	377,584	520,094	532,317	581,294	561,963
MINING	45,090	62,122	89,246	126,807	104,644
MANUFACTURING	9,276,852	11,947,613	14,349,121	15,490,294	15,488,349
food	1,287,409	1,560,257	1,612,398	1,863,702	1,541,615
beverages & tobacco	426,891	447,488	553,525	693,871	921,797
textiles & clothing	2,196,375	2,444,119	2,749,809	2,819,088	2,377,685
leather & footwear	313,050	362,463	468,922	493,331	499,640
wood & furniture	316,749	497,558	612,838	718,947	850,581
paper, printing & publishing	1,152,465	1,780,449	2,071,779	2,187,258	2,428,194
chemicals, petroleum & pharmaceuticals	1,026,179	1,380,501	1,847,705	1,734,512	1,537,112
rubber, plastic & other non-metallic minerals	536,479	985,713	1,178,152	1,238,815	1,399,123
metals & steel	934,111	1,149,209	1,547,061	1,963,776	1,650,877
machinery (non-electric)	278,176	375,693	382,202	449,003	418,582
electronic & electrical products	199,165	282,459	480,982	536,005	691,821
transport equipment	509,965	559,131	717,483	654,296	977,581
other	99,838	122,573	126,265	137,690	193,741
ELECTRICITY	583,382	831,201	1,024,133	1,094,194	1,129,460
CONSTRUCTION	2,349,269	1,940,210	1,926,595	2,141,567	2,219,303
TRADE	6,742,665	10,071,711	11,930,923	12,885,704	14,049,908
TRANSPORT	4,419,761	4,182,374	4,736,191	5,601,572	5,658,833
FINANCE	6,620,328	8,443,631	10,519,904	11,366,078	11,644,744
SERVICES	8,094,926	10,835,845	10,244,425	9,922,837	10,214,461
TOTAL	38,509,857	48,834,801	55,352,855	59,210,347	61,071,695

Source: City of Cape Town (2001), p. 33

Employment Growth in Various Sectors, Selected Years from 1980 – 2000

Sector	Employment Percentage Growth					
	1980-1991	1991-2000	1991-1996	1996-2000	1996-1998	1998-2000
AGRICULTURAL	32.25	18.55	11.16	4.88	1.69	4.88
MINING	54.46	37.25	40.94	-26.86	33.14	-26.86
MANUFACTURING	19.58	11.67	10.26	-2.66	4.05	-2.66
food	10.93	-14.42	-12.19	-15.11	14.81	-15.11
beverages & tobacco	-17.12	83.91	15.13	36.34	17.16	36.34
textiles & clothing	7.74	-9.43	3.62	-10.76	-2.05	-10.76
leather & footwear	8.88	38.60	24.49	9.29	1.88	9.29
wood & furniture	20.07	58.49	33.64	3.42	14.67	3.42
paper, printing & publishing	68.09	9.01	4.95	8.50	-4.27	8.50
chemicals, petroleum & pharmaceuticals	25.11	16.96	34.34	-2.97	-10.28	-2.97
rubber, plastic & other non-metallic minerals	99.64	30.57	8.44	24.08	-2.96	24.08
metals & steel	25.67	13.53	21.49	-23.73	22.52	-23.73
machinery (non-electric)	34.49	-12.77	-4.39	-16.66	9.48	-16.66
electronic & electrical products	49.31	92.66	48.23	20.25	8.09	20.25
transport equipment	-2.87	69.39	29.77	49.63	-12.76	49.63
other	13.82	34.13	-1.69	33.36	2.31	33.36
ELECTRICITY	8.81	-11.40	9.97	-16.81	-3.15	-16.81
CONSTRUCTION	6.01	26.31	16.96	-0.27	8.29	-0.27
TRADE	43.94	31.97	16.04	6.15	7.14	6.15
TRANSPORT	11.36	20.52	12.03	-0.09	7.68	-0.09
FINANCE	91.52	45.69	32.48	0.76	9.14	0.76
SERVICES	28.77	-0.43	-1.82	2.37	-0.93	2.37
TOTAL	29.13	17.32	10.89	1.12	4.64	1.12

Figures calculated using data (see APPENDICES) from City of Cape Town, 2001.

City of Cape Town: GGP and Employment per Sector (1980 – 2000)

Employment Sector	1980	1991	1996	1998	2000
AGRICULTURAL	6,044	7,993	8,885	9,035	9,476
MINING	650	1,004	1,415	1,884	1,378
MANUFACTURING	207,739	248,421	273,908	284,994	277,406
food	26,638	29,550	25,949	29,792	25,290
beverages & tobacco	5,533	4,586	5,280	6,186	8,434
textiles & clothing	80,522	86,756	89,893	88,047	78,577
leather & footwear	11,199	12,193	15,179	15,464	16,900
wood & furniture	13,156	15,797	21,111	24,208	25,037
paper, printing & publishing	12,272	20,628	21,649	20,724	22,486
chemicals, petroleum & pharmaceuticals	8,586	10,742	14,431	12,948	12,564
rubber, plastic & other non-metallic minerals	8,849	17,666	19,157	18,590	23,067
metals & steel	22,039	27,696	33,648	41,226	31,443
machinery (non-electric)	5,013	6,742	6,446	7,057	5,881
electronic & electrical products	4,123	6,156	9,125	9,863	11,860
transport equipment	7,523	7,307	9,482	8,272	12,377
other	2,286	2,602	2,558	2,617	3,490
ELECTRICITY	5,096	5,545	6,098	5,906	4,913
CONSTRUCTION	57,496	60,951	71,291	77,200	76,988
TRADE	128,072	184,343	213,903	229,184	243,284
TRANSPORT	51,197	57,011	63,867	68,771	68,710
FINANCE	39,480	75,614	100,177	109,337	110,164
SERVICES	176,990	227,915	223,757	221,679	226,924
TOTAL	672,764	868,737	963,301	1,007,990	1,019,243

Source: City of Cape Town (2001), p. 34

City of Cape Town: Percentage GGP Growth per Sector by 1995 Prices

Sector	Percentage Growth					
	1980-1991	1991-2000	1991-1996	1996-2000	1996-1998	1998-2000
AGRICULTURAL	37.74	8.05	2.35	5.57	9.20	-3.33
MINING	37.77	68.45	43.66	17.25	42.09	-17.48
MANUFACTURING	28.79	29.64	20.10	7.94	7.95	-0.01
food	21.19	-1.19	3.34	-4.39	15.59	-17.28
beverages & tobacco	4.82	105.99	23.70	66.53	25.35	32.85
textiles & clothing	11.28	-2.72	12.51	-13.53	2.52	-15.66
leather & footwear	15.78	37.85	29.37	6.55	5.21	1.28
wood & furniture	57.08	70.95	23.17	38.79	17.31	18.31
paper, printing & publishing	54.49	36.38	16.36	17.20	5.57	11.02
chemicals, petroleum & pharmaceuticals	34.53	11.34	33.84	-16.81	-6.13	-11.38
rubber, plastic & other non-metallic minerals	83.74	41.94	19.52	18.76	5.15	12.94
metals & steel	23.03	43.65	34.62	6.71	26.94	-15.93
machinery (non-electric)	35.06	11.42	1.73	9.52	17.48	-6.78
electronic & electrical products	41.82	144.93	70.28	43.84	11.44	29.07
transport equipment	9.64	74.84	28.32	36.25	-8.81	49.41
other	22.77	58.06	3.01	53.44	9.05	40.71
ELECTRICITY	42.48	35.88	23.21	10.28	6.84	3.22
CONSTRUCTION	-17.41	14.38	-0.70	15.19	11.16	3.63
TRADE	49.37	39.50	18.46	17.76	8.00	9.03
TRANSPORT	-5.37	35.30	13.24	19.48	18.27	1.02
FINANCE	27.54	37.91	24.59	10.69	8.04	2.45
SERVICES	33.86	-5.73	-5.46	-0.29	-3.14	2.94
TOTAL	26.81	25.06	13.35	10.33	6.97	3.14