

**Western Cape Government  
Provincial Treasury**

**Municipal Economic Review and  
Outlook  
2024/25**

**Speech**

**Minister of Finance  
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**Speech by Deidre Baartman**  
**Minister of Finance**  
**Western Cape Government**  
**Municipal Economic Review and Outlook 2024/25**  
**“Withstanding Gale Force Winds: Municipal Resilience in the Western Cape”**  
**26 November 2026**

Honourable Speaker and Deputy Speaker

Honourable Premier and Cabinet Ministers

Honourable Leader of the Opposition

Honourable Members

Consul-General of Germany

Consul-General of France

Western Cape Children's Commissioner

Professor Sope Williams-Elegbe

Dr Marlene Le Roux

Special Guests

People of the Western Cape

## **1. INTRODUCTION**

Honourable Speaker,

The resilience of the Western Cape and her people echo the wisdom that '*a strong tree does not fear the storm; it uses the wind to deepen its roots.*' Similarly, in the Western Cape, our municipalities have faced adversity but have transformed these trials into opportunities for growth and innovation.

Across the country, provincial and local governments are facing an avalanche of challenges. Some have been unable to rise to the challenges which lie ahead and left their residents to their own devices. In the Western Cape, provincial and local governments have refused to give up.

Two months ago, we officially kicked off the Western Cape's budget process with the tabling of the Provincial Economic Review and Outlook (PERO). The main takeaway from the PERO was the Western Cape's economic and governance resilience in the face of global and national pressures. The PERO highlighted the Western Cape's growth potential and its adaptability to challenges.

Today, as I table the PERO's counterpart, the Municipal Economic Review and Outlook (MERO) I wish to table key insights from this publication, I want us to equally reflect on the resilience of our municipalities.

Local governments across our province have been able to sustain commendable levels of service delivery and exemplary governance, despite their constrained fiscal envelopes, increasing service delivery demands, and challenges such climate change and rapid population growth.

Even when the challenges facing our municipalities seem insurmountable, they continue to build, they continue to deliver, they continue to work, and they continue to deepen the roots of excellence and delivery for the people in the Western Cape.

## **2. DATA AND EVIDENCE**

Honourable Speaker,

The MERO is a hallmark publication that provides an in-depth analysis of the economic realities of municipalities across our province. It tracks key indicators such as local economic growth, employment trends, fiscal sustainability, and offers insights into how each district municipality contributes to the Western Cape's overall performance.

The report references several data sets for its analysis of each district's economic performance and outlook. These include the SARS Spatial Tax Panel Data, Quantec Research, the 2024 StatsSA's Mid-Year Population Estimates and administrative data from WCG Departments and entities. These datasets provide crucial insight into the respective economic trends, sectoral performance, and regional challenges within each district.

The MERO is, therefore, not just a report — it is a tool for decision-making, to drive innovation and ensure inclusive and sustainable growth for all communities.

This year's MERO include key innovations such as insights from the Ratings Afrika financial sustainability index to enhance governance in infrastructure development, the implementation of new data tracking systems for monitoring climate-related risks, updated housing market studies to identify development opportunities in smaller towns, findings from the GBV Victim Empowerment Programme, analysing health and education infrastructure, and collaboration with the Western Cape Children's Commissioner.

In the lead up to the tabling of the MERO and MTBPS, I embarked on a number of engagements with Finance MMCs and District Mayors across the province. I was encouraged to hear from them that the MERO has become a crucial resource in guiding their budget decision-making and future planning on a municipal level.

The data and evidence contained in the MERO, shows us that while municipalities are making progress in regard to key economic indicators, population growth is outperforming all other indicators. This highlights that local governments are struggling to keep up with the intensified pressure being placed on their resources and their respective fiscus.

### **3. GLOBAL ECONOMIC DEVELOPMENTS**

Honourable Speaker,

The post-pandemic global economic environment has been characterised by volatility and heightened geo-political tensions and uncertainty. This period has seen individuals, businesses and governments navigating a protracted period of exceedingly high lending

and inflation rates, subdued economic activity, and major geopolitical conflicts in parts of Africa, Europe and the Middle East.

Despite these challenges the global economic outlook is beginning to show shoots of resilience. Global oil prices are easing, in the United States interest rates are beginning to ease with major central banks across the world aiming to follow suit, China announced a large economic stimulus in November 2024, and trade outlooks are improving which will ease the supply chain disrupts wrought by Covid-19. The developments within the global economic landscape, especially in the second half of 2024, offer optimism.

#### **4. SOUTH AFRICAN ECONOMIC DEVELOPMENTS**

At home, the South African economy has largely been in lockstep with the global economy. The national economic context has improved since the beginning of the year, marked by several key developments such as the improved political outlook brought on by the formation of the Government of National Unity (GNU), **over 200 days without loadshedding**, improvements to the inflation and lending rate outlook, and an uptick in general economic activity. This has allowed for a **cautiously optimistic outlook** for South Africa.

The GNU optimism coupled with an enabling global economic environment has also had a positive impact on key economic indicators. The **Rand** has shown considerable **appreciation against the Dollar, from R18.96/\$ at the beginning of June 2024, to R17.60/\$ by mid-October 2024**. The **South African Reserve Bank**, in alignment with other global central banks, has reduced interest rates, signaling the potential for the **rate** to be **cut by at least 100 basis points** by the end of **December 2025**.

However, South Africa's economy continues to reel from the poor economic management of the past decade. Despite the gains, there are still significant risks to the county's economic outlook. The major risks facing the South African economy include the high unemployment rate which rose to 33.5% in Q2 2024. Despite the moderate economic growth, the **national economy shed approximately 100 000 jobs between Q1 and Q2 of 2024**, with youth unemployment being of particular concern. Escalating electricity prices

continue to be a risk. Should **NERSA** approve **Eskom's** unconscionable proposal of a **36.15% hike**, operating costs will increase for businesses and disposable incomes will reduce for residents.

Despite ongoing fiscal consolidation, national government debt remains untenably high. **Nearly 20% of every rand collected by the national government is spent on debt servicing.** The economy has also showed **modest GDP growth of 0.4% in Q2 2024**, indicating a slow trend in economic performance. Additionally, severe weather events brought on by global warming is a major threat, not only to human well-being and infrastructure, but also to the fiscus.

## **5. WESTERN CAPE ECONOMIC DEVELOPMENTS**

Speaker,

In the wake of the GNU optimism and South Africa's evolving economic conditions, the Western Cape has demonstrated resilience and growth. Economic growth in the province is tracking above national average and expected to continue on this trajectory. The province's economy expanded by **0.6% in 2023**, with current outlooks projecting real economic growth of closer to **1% by 2024**. This growth is supported by the growth opportunity offered by sectors such as tourism, renewable energy, and business process outsourcing. While economic growth in the Western Cape outperforms the rest of the country, growth remains slow due to South Africa's structural economic challenges.

Economic growth in the province has been stimulated by a variety of factors. The Western Cape has benefitted from the slight improvement in the most recent RMB/BER Business Confidence Index (or BCI). While the **BCI for South Africa** still hovers **below the neutral mark of 50**, it is up from **31 in Q2 of 2023** to **40 in Q1 of 2024**.

The Western Cape ranks as the **third-largest host of small, micro, and medium-sized enterprises (SMMEs) in South Africa**, accounting for **approximately 300 000 SMMEs**. This thriving SMME environment is complemented by a significant boost in exports. **Total exports** for the province reached **R202.1 billion in 2023**, marking remarkable **year-on-year growth of 8.7%**. Key contributors to the export earnings include the **oil refinery in Cape**

**Town** and the **gas-to-liquid refinery in Mossel Bay**, alongside **exports of fresh fruit, textiles, and other agricultural goods**.

**Tourism** has experienced a strong recovery, with international arrivals at Cape Town International Airport **surpassing 200 000 between January and February 2024**, reflecting a **20% increase from the previous year**. The Western Cape also boasts the lowest unemployment rate in the country, with the unemployment rate breaking the gale barrier – dipping **below 20% to 19.6% for the first time in a decade in Q3 of 2024**. Additionally, Wesgro, has committed to 14 investment projects valued at R7.75 billion, resulting in the creation of close to 4 000 jobs. These achievements not only highlight the province's potential for economic growth but also underscore our commitment to fostering a thriving and inclusive economy for all residents.

Honourable Speaker,

While the criticism is often “what can residents do with good governance and clean audits” these indicators highlight that good governance can create an environment where businesses can thrive and jobs can be created.

## **6. SOCIO-ECONOMIC DEVELOPMENTS**

### **Regional GDP Contributions**

The Cape Town Metro is currently the biggest contributor to the provincial GDP at 72.5% in 2023. However, districts like the Cape Winelands (11.2%) and Overberg (3.4%) have demonstrated significant growth potential which have been driven by tourism and agriculture. The district GDP contribution for the Garden Route stood at 7.6%, West Coast at 4.8%, and the Central Karoo at 0.5%. The robust growth in Garden route and Overberg can be attributed to increased investments in infrastructure, revival of the tourism industry and the internationally competitive agriculture industries. These districts, just like the ever-growing branches of a resilient tree, are steadily expanding their reach and strengthening the provincial economy.

The GDPR trends however also highlight the need to enhance and diversify the economic contributions from districts that currently contribute smaller proportion in order to create more resilient regional economies.

## 7. SECTORAL CONTRIBUTIONS

While there is still a need for districts to deliver a more robust contribution to the provincial economy, the MERO highlights that the province nonetheless boasts a diverse economy. At a sectoral level, the Western Cape benefits from contributions from manufacturing and growth-enhancing services. In **2023**, the **finance, insurance, real estate, and business services sectors** were the largest contributor to the provincial GDPR at **33.9% of the provincial GDP**. This was followed by **wholesale and retail trade, catering, and accommodation** at **13.5%**, and **manufacturing** at **14.1%**. Other significant sectors included **transport, storage, and communication (11.0%)**, **agriculture, forestry, and fishing (4.2%)**, and **general government services (5.9%)**.

**Agriculture, forestry, and fishing** have positively impacted most areas across the province, with **Overberg's** making **0.14%** contribution to this growth. **Manufacturing and construction** sectors also show healthy growth, particularly in **Overberg** and the **Garden Route**. The **finance, insurance, real estate, and business services sector**, which is the top driver of growth in the Western Cape, showed especially positive signs in the **Garden Route** and **Overberg** regions.

**Transport, storage, and communication, along with community, social, and personal services**, contribute positively across the board, with **Overberg** and the **Garden Route** again standing out. While the consistent yet minimal contributions from the general government sector reflect its steady economic role in the province. The MERO also highlights a **20% year-on-year increase** in the **tourism sector** in the **2023/24 period**. This growth is evident in both domestic and international tourist numbers. The sectoral contributions to the province's GDPR is varied and stable but points to the need for future diversification for exponential GDPR growth and economic performance.

## 8. EMPLOYMENT TRENDS

Honourable Speaker,

As mentioned earlier, the recent the Quarter 3 2024 Quarterly Labour Force Survey revealed that the official unemployment rate in the Western Cape has **dropped by 2.6% from the last quarter, and now stands at 19.6%**. This translates to **75 000 jobs** added to our provincial economy in the space of three months. This is no small feat and is a testament to the past two decades of steady and consistent economic development and growth led by the Western Cape Government in partnership with the private sector. It is also a testament to how our economy adapts and thrives even in high pressure environments.

The **Cape Town Metro** remains the leading contributor to employment in the Western Cape, accounting for **62.9% of total employment in 2023**. However, economic development in our rural communities is increasingly contributing to the Western Cape's jobs market, particularly the increased contributions from **Cape Winelands** and **Overberg** at **15.3%** and **5.1%** respectively. **Garden Route** contributed **8.9%** with the **West Coast** contributing **7.1%** and the **Central Karoo 0.7%**.

Speaker, every job matters. The informal sector has not been left behind in the job gains the province is experiencing. Since 2021, there has been a positive rebound in the informal sector, with informal employment rising to **19%** in 2023 post-Covid. In the **West Coast**, informal employment increased from **18%** to **19%**, in the **Cape Winelands 20%** to **22%**, and in **Overberg 22%** to **24%**. The informal sector now accounts for almost **one in every five jobs** in the province. With overall employment increasing, these statistics suggest that both formal and informal employment is increasing in the province.

While we still have a lot of work ahead of us, these statistics speaks to a provincial economy that is growing and resilient, highlighting that the Department of Economic Development and Tourism is well on its way to achieving its goal of building a **R1 trillion economy** and adding **600 000 new jobs** within the next five years.

## 9. DEMOGRAPHICS

In alignment with the PERO, the MERO indicates that there has been sustained population growth across the regions. In 2023, the population distribution across the province's districts is as follows: **Cape Town Metro** accounts for **65.8%** of the **total population**, making it the most populous area. The **West Coast** stands **6.5%**, **Garden Route 9.0%**, **Cape Winelands** at **13.4%**, **Overberg** at **4.3%** and **Central Karoo** has the smallest population share at **1.0%**.

These number highlights the growing trend of urbanisation, especially to the Cape Metro area which continue to attract a larger share of the population. The influx of people into the province has major implications for local governments. However, much like a tree strengthening its roots against the storm, we must adapt by deepening our investments in housing, infrastructure, and service delivery to support this growth and ensure sustainability.

## 10. CLIMATE CHANGE

Honourable Speaker,

The references to winds, trees and storms throughout this speech are not only symbolism, it's also a reflection of one of our most pressing and urgent threats as a province, especially for our municipalities.

Climate disasters are reshaping the landscape of our province, with municipalities and local communities feeling now more often than ever the devastation of floods, wild fires and other natural disasters. From floods in the Cape Metro to continual droughts in the Central Karoo and wildfires in the Garden Route, **no district remains untouched by the ravaging effects of global warming.**

We all remember "Day Zero" and how the drought taught us the cost of water scarcity. Wildfires near Stellenbosch and George have destroyed biodiversity and livelihoods. And Overstrand is grappling with storm surges and erosion, threatening both ecosystems and economies.

The human toll is equally staggering—displacement, food insecurity, and economic losses weigh heavily on vulnerable communities. Yet, there is hope. Initiatives in municipalities and support given by the Western Cape Government and its departments such as improved disaster response management, sustainable water management, fire mitigation strategies, and budgeting for disasters have shown what we can achieve when we act decisively. So as to ensure no one is left behind in our fight against the climate crisis.

## 11. POVERTY AND INEQUALITY

Speaker,

Moving on to socio-economic trends.

The MERO data indicates an upward tick in food insecurity across regions in the Western Cape. According to **Stats SA (2024)**, an individual **requires R760 a month** to meet the minimum daily energy intake necessary for basic nutrition.

A number of municipalities are experiencing high levels of food poverty. In **Saldanha Bay 44.7%** of residents experience food insecurity, with **Oudtshoorn** and **Prince Albert** at **43.4%** each, and **Beaufort West** and **George** both at **42.2%** - highlighting that residents are unable to meet the minimum food expenditure required for basic energy intake. The lowest food poverty prevalence is in municipalities such as **Witzenberg** at a rate of **23.8%**, **Cederberg** at **26.0%**, **Langeberg** at **26.8%**, **Theewaterskloof** at **29.2%**, and **Matzikama** at **30.8%**, highlighting the impact of close proximity to food sources.

There is also an evident disparity in food poverty levels across different regions. The highest prevalence of food insecurity is in municipalities in the Garden Route and Central Karoo districts, whilst municipalities in Cape Winelands and West Coast have lower food insecurity rates.

The 2024 PERO indicated that in the years 2002, 2012 and 2022, the Western Cape **Gini coefficient**, which measures **income inequality**, **declined from 0.66** in 2002 to **0.59** in 2022, indicating a **more equal income distribution**. The MERO data does show us that certain municipalities in the province have Gini coefficients above the National Development

Plan (NDP) target of 0.60. Winds of economic hardship still sway some in municipalities such as Bitou at 0.64, Knysna at 0.62 and Overstrand at 0.61 with Gini coefficients just above this target..

In terms of the **Human Development Index (HDI)**, which is a composite measure used to assess and compare the overall development and well-being, the Western Cape continues to show an **overall improvement in social and economic development** across the districts and the Metro. The indicators are as follows: **Cape Metro (0.74), West Coast (0.71), Cape Winelands (0.70), Overberg (0.72), Garden Route (0.72), and Central Karoo (0.70).**

Honourable Speaker,

What these figures tell us is that the quality of life for many residents across the districts of the Western Cape are improving and that the inequality gap is narrowing, however the economic challenges facing our country and our province is having serious consequences on the lived realities of the people of the Western Cape, this is particularly evident in regards to food security.

## 12. EDUCATION

In the context of education, **school retention rates** for the different regions show **positive** trends. The **retention rates for Grade 10 to 12** in the **Cape Metro, West Coast, Cape Winelands, Overberg, Garden Route, and Central Karoo** have all seen increases from **2021 to 2023**, indicating that more students are staying in school and successfully completing their education. For instance, the **Cape Town Metro's retention rate rose from 75.1% in 2021 to 76.1% in 2023**, while the **West Coast improved from 75.1% to 78.8%** in the same period. Notably, the **matric pass rates** have also seen consistent year-on-year growth, particularly within the **Cape Metro, Garden Route and Central Karoo** regions reflecting enhanced academic performance.

These numbers also suggests that interventions such as the Western Cape Education Department's Back on Track programme is contributing to enhancements in the quality of education and support systems for learners which in turn guarantees better outcomes

overall. This upward trajectory in retention and pass rates underscores the importance of continued investment in our education system to ensure all students have the opportunity to succeed.

### 13. HEALTH AND WELLBEING

In terms of health and wellness, there has been **progress made in the delivery and access to healthcare services across the district**. Across the respective districts there are major projects underway and, in the pipeline, to expand healthcare services.

These projects will go a long way in building resilience and expanding access within the province's healthcare sector in the face of growing demand.

Another positive development in the health space is the general **decline in neonatal mortality** across the Western Cape. This suggests **improvements in healthcare access and quality of care in relation to natal care**. However, some municipalities, such as **Laingsburg and Hessequa**, still have relatively high mortality rates. This will require a more focused interventions and resource allocation to improve their metrics.

A concerning trend identified by the MERO is **the increase in teenage pregnancy rates in 10 municipalities between 2021 and 2023**. The **Cape Metro** has the **lowest teenage pregnancy rate** in the province at **10.2%**, however, districts such as **Central Karoo, Overberg** and **West Coast**, remain a concern with rates of **18.3%, 14.2%** and **14.9%**, respectively.

High teenage pregnancy rates can significantly impact the overall health and wellbeing of young mothers and their children, in addition, it can have an adverse effect on a young mother's educational attainment and economic opportunities.

## 14. HOUSING

Honourable Speaker,

The Western Cape is currently experiencing a population boom and it is estimated that within the next two years, net migration will account for 51.2% of the total population growth in the province with in-migration being the main driver of this growth.

Municipalities across the province are at the coalface of this massive population expansion. Outside of the Overberg District, this expansion is not driven by birth rates but rather by net migration and urbanisation. Growth in districts such as Cape Winelands and West Coast have been driven by residential, socio-economic and tourism opportunities.

In the Garden Route, growth has primarily been driven by semigration, particularly retirees and individuals seeking a better quality of life. As the province's economic hub, population growth in the Cape Metro has been driven by a combination of migration, economic opportunities, quality of life as well as higher birth rates.

Population growth in the Central Karoo remains modest due to limited economic opportunities, underdeveloped infrastructure, and harsh environmental conditions in the predominantly rural and semi-desert region.

This population expansion understandably places pressure on municipalities, its resources and infrastructure. In particular housing. There has been a notable increase in housing demand over the past year, indicating a growing need for residential properties in the province. Strong growth was recorded in the **Overberg** and **Central Karoo** regions at **11%** and **7%**, respectively. Reflective of its status as a major urban center, **Cape Metro** continues to have the **highest** number of **housing applications** on the Western Cape Housing Demand Database at over **39 000 applications**. 2023 also saw a marked **increase in informal dwellings** in areas such as **Grabouw, Villiersdorp, and Kleinmond** in the Overberg District.

## 15. SAFETY

Now turning to safety.

Crime remains a challenge across the Western Cape, with trends varying across districts. The **Cape Metro**, while recording the **lowest serious crime rate** in the province at **4 980 incidents per 100 000 people**, has seen **increases in drug-related crimes** and **commercial offences**. This reflects a strong foundation in its crime reduction efforts.

Meanwhile, the **Central Karoo** experienced the **highest increase in crime rates, rising to 7 637 incidents per 100 000 people**, underscoring the need for more robust law enforcement and support in this region.

Encouragingly, districts like the **Garden Route** have shown a **declining trend in serious crimes**, while **residential burglaries have decreased** across the province, thanks to **improved security measures** and **community partnerships**. The MERO also indicates that both the **Cape Metro** and **West Coast** have seen a **reduction in the number of crimes reported per 100 000 residents compared to the provincial average**. This suggests improvement in safety and crime interventions in these areas such as the **LEAP programme in the Metro** and the **K9 Unit in Swartland**. These efforts are part of the ongoing effort to build resilience in our communities, adapting to new challenges as they arise.

## 16. CONCLUSION

As with the 2024 PERO, we can clearly see in the findings of 2024 MERO, that rapid in-migration to the Western Cape is speeding up. And while progress has been made, the reality is that migration is exceeding all other socio-economic indicators.

We are therefore encouraged by the sheer resilience demonstrated by local governments across our province. Despite fiscal constraints and a smaller revenue collection base, municipalities continue to deliver services and showing that they are building a stronger foundation for the future.

I want to thank the Mayors, Mayco members of Finance, Councillors and municipal officials across the length of our province for serving the people of our province. For consistently showing up for the residents within your community in often difficult circumstances. The performances of our municipalities, despite various governance challenges, is a testament to your commitment and resolve to create an inclusive and prosperous Western Cape.

## **TABLING**

Honourable Speaker,

I want to thank the team in Provincial Treasury and particularly the Local Government Budget Office for their work on the MERO 2024. Your hard work and dedication is appreciated. Just like the strong tree does not fear the storm, but uses the wind to deepen its roots, so too does the work you do strengthen the foundations of our municipalities, even in the face of challenges.

I would also like to thank Lilitha Kopolo (16) from Eerste River and Solakha Noyi (17) from Kwanokhuthula for their artwork as part of this publication, interpreting the MERO statistics in child-friendly language; and the Western Cape Children's Commissioner for assisting in facilitating this contribution.

Speaker, it is my pleasure to officially table the 2024/2025 Municipal Economic Review and Outlook.

I thank you.