WESGRO'S GLOBAL ECONOMIC PRIORITIES FOR THE CAPE

2018 / 2019

wesgro
cape town & western cape
tourism, trade & investment

CONTENTS

Message from the Chief Executive Officer, Tim Harris

2017 was an extremely challenging year with many local and global headwinds, including credit ratings downgrades, economic uncertainty, a slowdown in globalisation, increased tension over migration, and the impact of the worst drought in living memory.

Despite these various challenges, the Western Cape remains a destination of choice for both investors and tourists, with the tourism sector recording double-digit growth in 2017.

The province continues to help raise the national economic growth rate, and lower the national unemployment rate. We anticipate that job growth will continue on the back of significant investment in the services, manufacturing, construction and agro-processing industries.

As Cape Town and the Western Cape's official Tourism, Trade and Investment Promotion Agency, Wesgro has been working hard to instil confidence, attract investors and tourists to our shores, and help our local businesses trade with the rest of the world. We understand that by doing this, we will not only boost economic growth, but also help lower unemployment even further.

These efforts are bearing fruit.

According to a survey completed in the last financial year, Wesgro was viewed as a trusted brand that continues to play an important role in linking private sector companies with the relevant government structures to facilitate economic growth. This is apparent in all key focus sectors, namely tourism, trade, film promotion and investment.

Wesgro is mindful of the effect that our region's severe drought has had on our economy. We will therefore double our focus on the agri-industry by promoting the excellent products that are produced here, as well as creating awareness of the large number of agri-business investment opportunities across the province.

While the Western Cape is our responsibility, we also understand that our position on the most southern tip of the African continent places us in a unique position to take advantage of opportunities across the rest of Africa.

Indeed, the rest of Africa has been the Western Cape's largest trading region over the past four years, and the demand for products and services continues to rise. Similarly, there are various investment opportunities on the continent that Wesgro is promoting to increase the influence of companies in the province.

By 2030, Africa will constitute the single largest market in the world, and if we act now, Cape Town and the Western Cape will establish itself as the gateway to these opportunities.

The global economic priorities for 2018/19 and Wesgro's plan for the year ahead sets out how all these important objectives will be met in the next financial year.

The plan is ambitious given the current local economic landscape, but it is achievable given the backing of our funding stakeholders, particularly the Western Cape Government led by the Premier of the Western Cape, Helen Zille and the Western Cape Minister of Economic Opportunities, Alan Winde, the Minister of Economic Opportunities, as well as the Mayor of the City of Cape Town, Patricia De Lille.

We are also grateful for the support and guidance of our vastly experienced and committed board of directors, led by Chairperson Professor Brian Figaji and Deputy Chair, Michael Spicer.

Lastly, I need to thank the diverse and talented team at Wesgro who work so hard every day to build a more competitive Cape economy.

South Africa has the potential to once again be the economic powerhouse of the African continent, and if we continue to exceed these targets, we will successfully position the Western Cape as the engine room of this growth.

We look forward to working towards this key objective in the upcoming financial year.

Sincerely,

Tim Harris

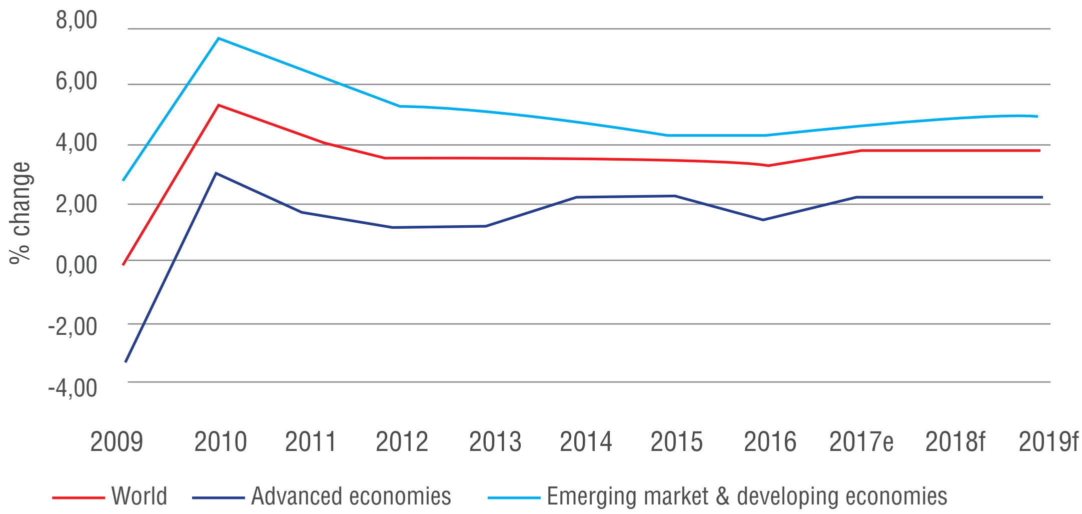
Global economic trends

'Global growth has been similarly steady and relatively synchronised, without a negative quarter since the global financial crisis (GFC), and most synchronised in 2017 when 179 out of 192 countries in the IMF's WEO experienced economic growth'.

Goldman Sachs Investment Management Division, 2018 Outlook[1]

By all accounts, 2017 was an extraordinary year, with global economic output meaningfully outperforming all consensus expectations, with real GDP (full year) estimated at 3.7%. This was some 30 basis points higher than the 3.4% projected for global growth in early 2017[2]; implying that the cyclical upswing underway since 2016 has continued to strengthen. Encouragingly, the pick-up in growth was broad-based across advanced i.e. developed economies, and emerging market and developing economies, with some 120 economies, which collectively account for three quarters of world GDP growth, recording an increase in economic output in year-on-year terms[3]. Growth in advanced economies rebounded to 2.3% in 2017, up from 1.7% in 2016, underpinned by an increase in capital spending, rising inventories, and strengthening external demand. While all major economies recorded an uptick in growth, economic output was notably higher than expected in the Euro area at an estimated 2.4%; up from 1.7% recorded in 2016.

Gross Domestic Product, constant prices, % change, y-o-y, 2015 – 2019f

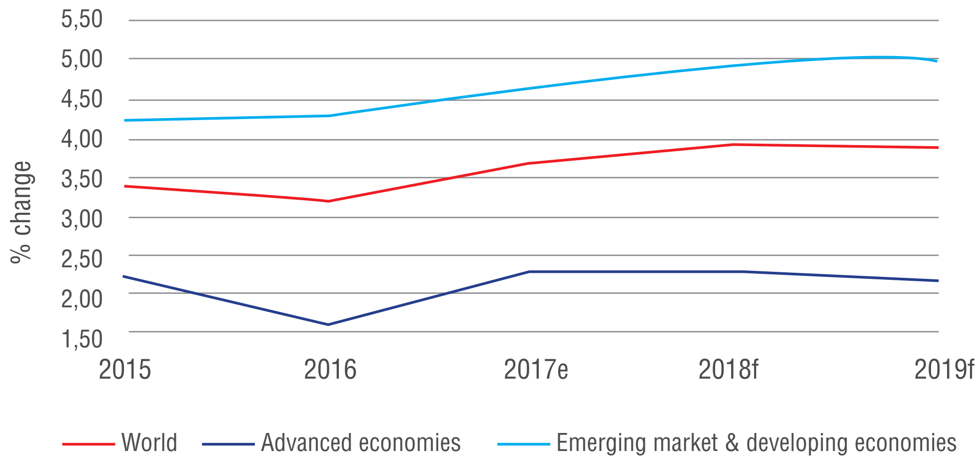


Source: IMF WEO, Jan 2018

In turn, economic growth in emerging markets and developing economies (EMDEs) accelerated to 4.7% in 2017, up from 4.4% recorded in 2016 on the back of firming activity in commodity exporters and continued solid growth in commodity importers. Brazil and Russia emerged from recession to boot, while confidence improved, the prices of most commodities rose, and investment growth finally bottomed out after a protracted period of weakness.

1 Goldman Sachs Investment Management Division, 2018 Outlook. (Un)Steady as She Goes.
2 International Monetary Fund, World Economic Outlook, January 2017.
3 International Monetary Fund, World Economic Outlook, January 2018.

Gross Domestic Product, constant prices, % change, y-o-y, 2015 – 2019f



Source: IMF WEO, Jan 2018

This collectively rendered 2017 the broadest synchronised global growth upsurge since 2010, with all major economies of the world finally pulling in the same direction. Underpinning this firming up of global economic activity was a notable rebound in investment, manufacturing activity, and trade. Benign global financing conditions, low and stable inflation, generally accommodative policies, rising confidence, and firming commodity prices provided further support. All of which in turn gave rise to an impressive rebound in global equity markets, with the MSCI All Country World Index (ACWI) rising nearly four-fold from previous lows[4].

As noted by the World Bank[5], the rebound in global investment growth in particular – which accounted for three-quarters of the acceleration in global GDP from 2016 to 2017 – was supported by favourable financing costs, rising profits, and improved business sentiment across both advanced economies and emerging market and developing economies. This has provided a substantial boost to global exports and imports in the near term.

In parallel, global unemployment stabilised in 2017 after a rise in 2016 according to the International Labour Organisation's (ILO) latest projections[6], with the global unemployment rate estimated at 5.6% in 2017, corresponding to 192.7 million unemployed persons[7]. That said, diverse trends in employment outcomes continue to prevail throughout the world. Whereas developed countries recorded their fifth consecutive year of decreasing unemployment rates in 2017, unemployment rates in emerging countries continued to climb, driven by major economic downturns. Unemployment in developing countries in turn remained relatively stable at 5.3%. Still, of the greatest challenges faced by many developing and emerging countries, is that posed by persistent poor-quality employment and working poverty.

[4] The MSCI ACWI captures large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,494 constituents, the index covers approximately 85% of the global investable equity opportunity set. Source: MSCI.com

[5] Global Economic Prospects, Broad-Based Upturn, but for How Long? A World Bank Group Flagship Report. January 2018.

[6] International Labour Organisation (ILO), World Employment Social Outlook, Trends 2018. February 2018.

[7] According to Resolution I adopted by the 19th International Conference of Labour Statisticians, a person is unemployed if three criteria are applicable within the reference period: (i) the person is not in employment, (ii) the person is seeking work, and (iii) the person is available to take up work. ILO, 2018.

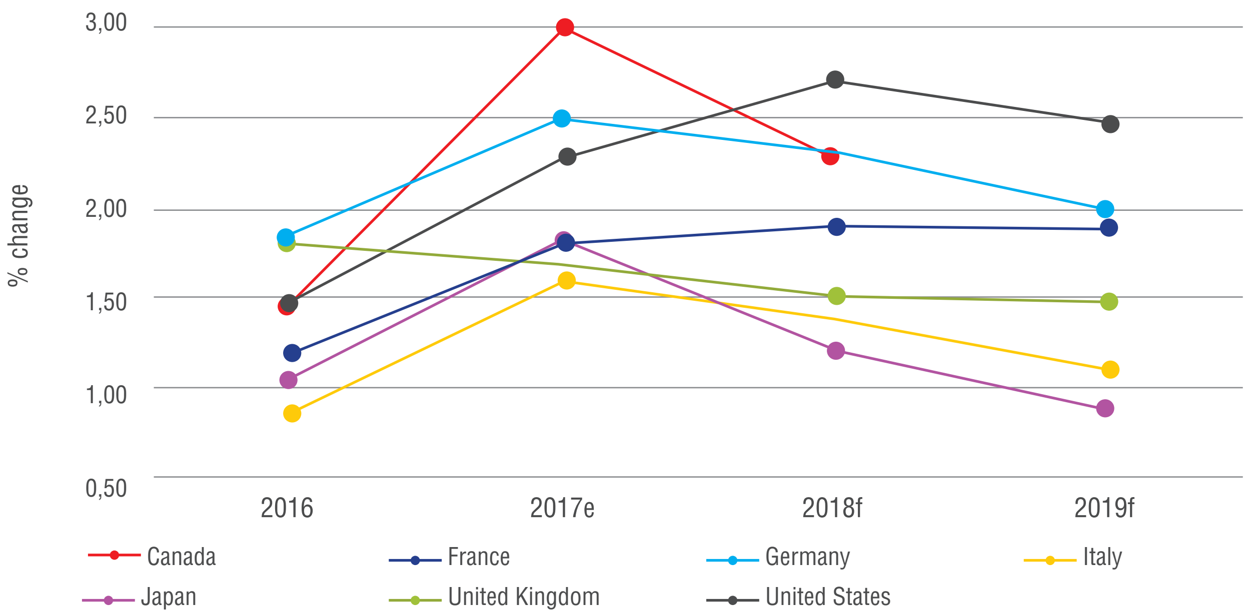
Looking ahead – More of the same?

The consolidation seen in global output in 2017 is expected to continue in 2018 and into 2019, with 2018 the first year since the global financial crisis (GFC) that the global economy will be operating at full or near capacity[8]. That said, there is less scope for upside growth surprises in 2018 and beyond, given closing output gaps. Still, the synchronised global activity seen in 2017 creates a strong tailwind for 2018, with the IMF forecasting global growth at 3.9% in 2018 and 2019; the highest recorded since 2011[9]. The expansion is set to continue across global regions, with stronger activity forecast in a number of emerging markets and developed economies. Recent forecasts by the OECD provide further support for this, with the Organisation projecting that that every one of its tracked countries will expand in 2018.

Specifically, economic output in emerging markets and developing economies will continue on an upward trajectory, with economic growth forecast at 4.9% in 2018 and 5% in 2019, up from an estimated 4.7% in 2017. In turn, economic output in advanced economies will remain relatively robust at an estimated 2.3% in 2018; on par with that recorded in 2017, before easing to 2.2% in 2019 as monetary policy is gradually unwound and as labour slack diminishes.

The US's economic expansion seen in recent years is seen as continuing, with another year of above-trend growth forecast in 2018, thereby heralding the second-longest extended run by the world's largest economy, post WWII. Central to this is improving business investment, supportive policy, and a resilient US consumer.

Advanced Economies, Gross Domestic Product, constant prices, % change, y-o-y, 2016 – 2019f



Source: IMF WEO, January 2018

In parallel, above-trend growth seen in the Eurozone in 2017 is likely to continue – and possibly accelerate – in 2018 and beyond, underpinned by improving confidence, ongoing job growth, still-supportive policies by the European Central Bank (ECB), and strengthening investment spending. The latest announcement by the ECB affirms this, with the regional central bank announcing on 08 March that it had upwardly revised its forecasts for real GDP for the Eurozone to 2.4% in 2018, 1.9% in 2019 and 1.7% in 2020.

8 The significance of this being that as slack in the global economy dissipates, policy makers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth, and consider initiatives more likely to boost long-term potential.

9 International Monetary Fund, World Economic Outlook, January 2018.

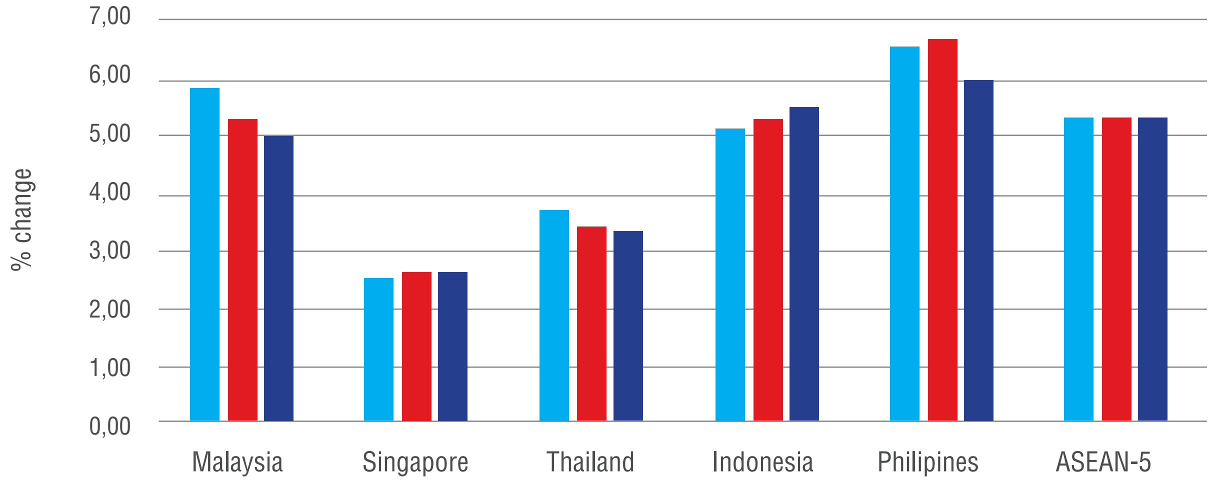
While the ECB opted to keep interest rates unchanged and to continue its asset purchase programme as planned until September 2018, the institution dropped its easing bias at its latest monetary policy meeting held in late January. This is fuelling expectations that the ECB will normalise monetary policy in the euro area i.e. that the quantitative easing (QE) programme will come to an end post 30 September 2018[10].

Prospects for emerging markets remain favourable to boot, with the economic expansion seen in 2017 expected to continue in 2018, notwithstanding the possibility of a modest moderation in the forecast for Chinese growth, which to some degree, could be offset by favourable – and rising – growth forecasts for India[11].

This Asian developing region will remain the fastest growing in coming years at a forecast 6.5% in 2018 and 2019, on par with that recorded in 2017. The significance of this being that the region continues to account for over half of world growth[12]. Key performances underpinning this include that forecast for the ASEAN-5[13].

South Asia & ASEAN-5, real GDP growth, % change, y-o-y,

2017e – 2019f



Source: IMF WEO, January 2018, October 2017

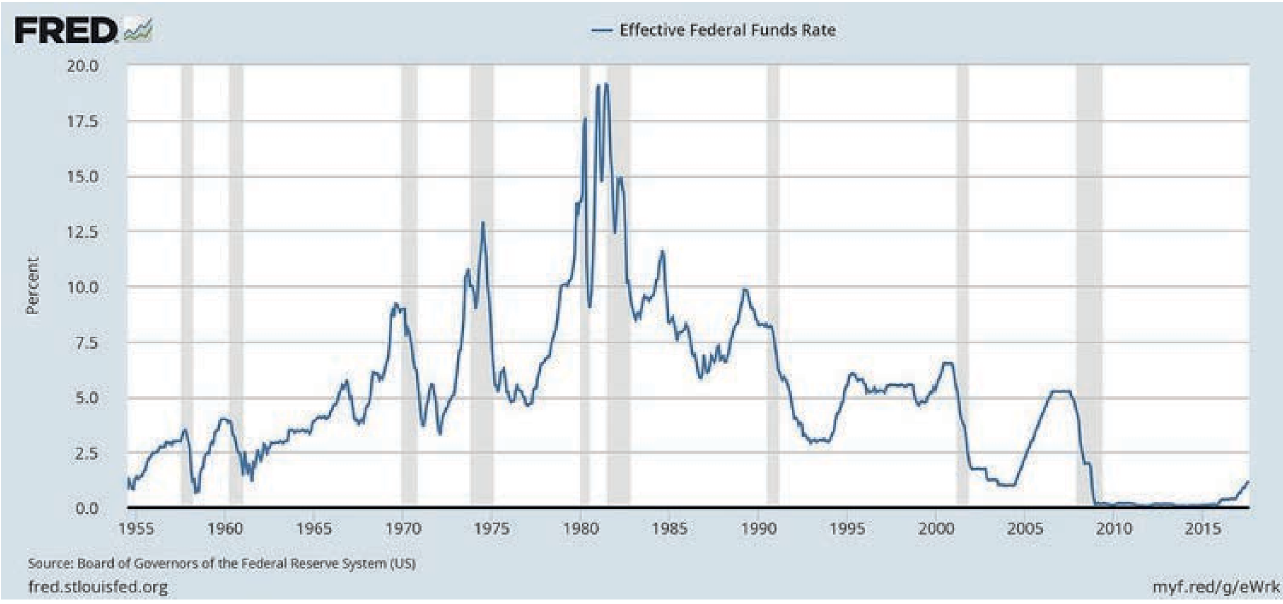
Baseline assumptions

Central to these projections are a number of baseline assumptions, of which some of the most important include that the favourable global financial conditions and strong sentiment will continue and help maintain the recent acceleration in demand, especially in investment. In turn, favourable conditions are expected to have a positive spill over effect on emerging markets in general.

A key consideration is that of global inflation, with the expectation that low core inflation should tick up in advanced economies as their labour markets continue to strengthen and the drag from low commodity and import prices unwinds. Certainly, there is evidence of emerging upside inflationary pressures, yet global inflation will remain low and accordingly, no aggressive tightening of monetary policy is anticipated. Further, a number of central banks are likely to provide less cheap money in 2018 and beyond than has been the case in recent years, which signals a gradual reduction in quantitative easing (QE). While the expectation is that the ECB and Bank of Japan will maintain their loose monetary policy stance[14], in contrast, all indications are that the US will maintain a moderate tightening bias in the short-term as inflationary pressures start to emerge.

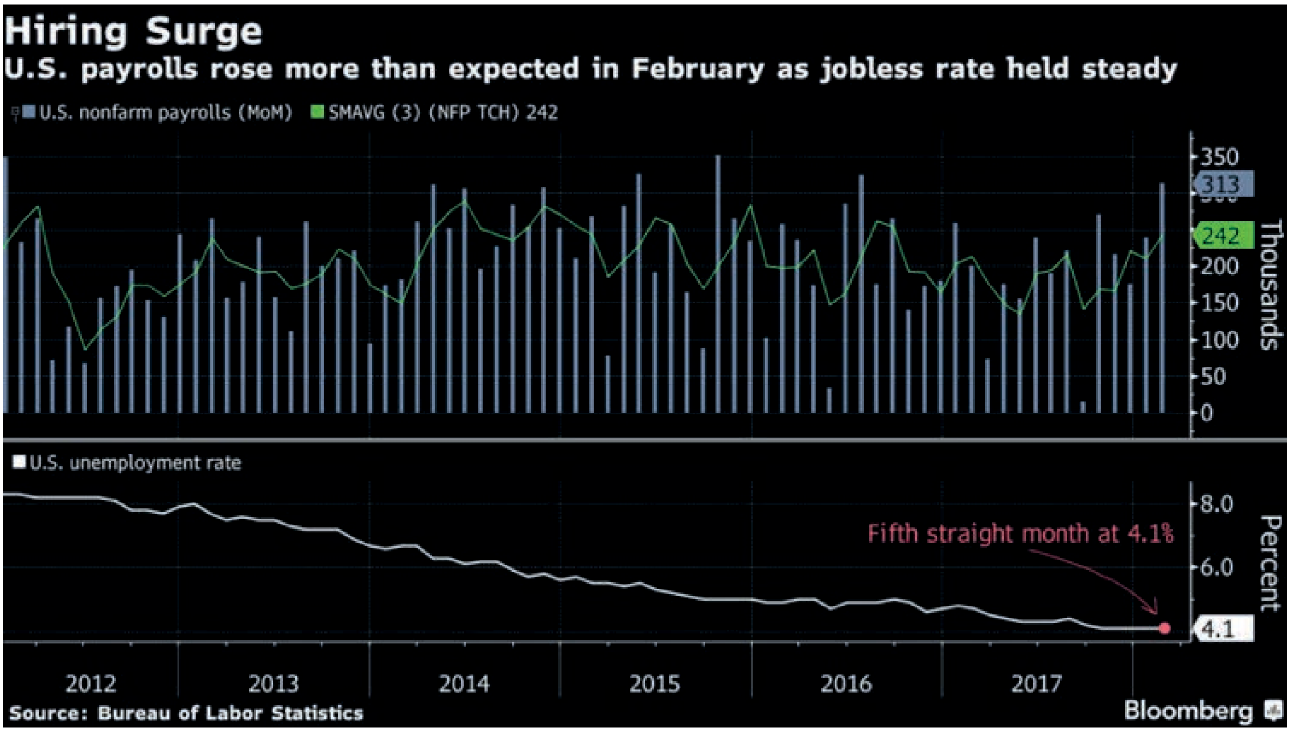
[10] The current quantitative easing programme sees monthly net purchases of private and public securities amount to an average of €30 billion, which has been in place since January 2018. Prior to this, this averaged €60 billion per month. The intention is for the APP programme to continue until the ECB sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium-term.
[11] Better-than-expected growth in key developed markets resulted in increased demand for emerging market exports in 2017, which, together with easy financial conditions resulted in a brisk economic expansion, with emerging markets aggregate GDP growth estimated at 4.63% in 2017.
[12] International Monetary Fund, World Economic Outlook, January 2018.
[13] ASEAN-5 is composed of five countries, namely Indonesia, Malaysia, Philippines, Thailand, and Vietnam.
[14] At its Monetary Policy meeting held on 08 March 2018, the ECB reiterated that it would not raise rates until well after it has ended its net asset purchases programme scheduled for 30 September 2018.

Staying with the US, the consensus view is that the Federal Reserve's (Fed) Federal Open Market Committee (FOMC) will raise interest rates three times over the course of 2018; as it did in 2017. Newly elected Fed Chairman Jerome Powell affirmed this at the end of February, when he indicated to the United States Congress that the Fed planned to stay on track with three increases to the federal funds rate over 2018. Chairperson Powell further reiterated that the Fed's course is a gradual increase to interest rates, despite expected stimulus from recent tax cuts and government spending.



Source: Federal Reserve Economic Data, FRED, St Louis Fed. 2018

Recent developments provide further impetus for an increase in short-term interest rates by the Fed at its forthcoming 21 March FOMC meeting, with the US's non-farm payrolls growing by 313,000 in February 2018; the highest level since July 2016, and up from 200,000 recorded in January 2018. The unemployment rate remained unchanged at 4.1% in February 2018; the lowest since the tech boom. By all accounts, these 'booming' job numbers mall well result in the Fed upwardly revising its economic forecasts. Notwithstanding the said increases in rate hikes, overall, US monetary conditions will remain relatively easy given the slow and steady pace at which the Fed will likely hike rates.



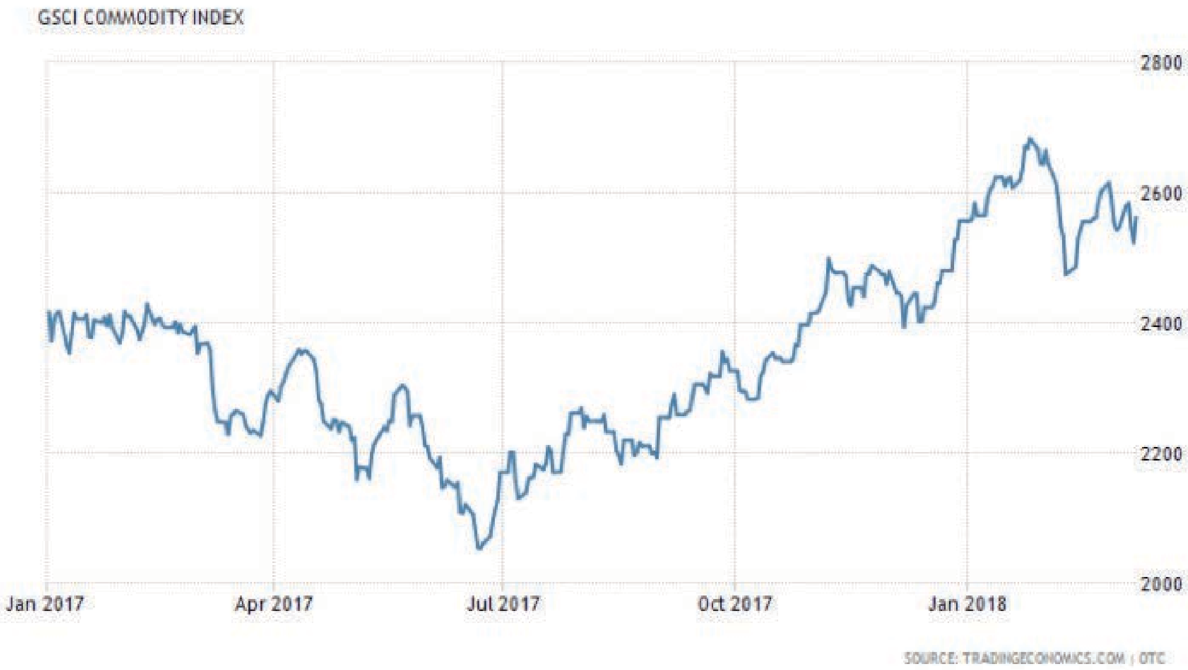
*SMAVG (3) = Simple Moving Average

Source: Bloomberg. 2018

Another key assumption is that there is low risk of a recession in key developed and emerging market countries, owing to favourable monetary and fiscal policies and the absence of imbalances (both internal and external).

A further consideration is the absence of a correction in financial markets, specifically in the US's financial market, with the risk being that an abrupt tightening of monetary policy could well disrupt financial markets and inadvertently push the economy into a recession, which on its own has consequences for the global economy. Recent comments by newly elected Fed Chair Jerome Powell, however, that the increases in interest rates will be steady and slow, provides some solace on this front.

Another key supposition is a further firming in global commodity prices, with emerging market and developing economies exporters in particular set to recover and benefit from rising global commodity demand; that of energy commodities[15], metals, and agricultural (including food commodities and raw materials) commodities in particular, as well as stable growth in importing countries.



Source: Trading Economics, 2018.

The S&P GSCI® is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The index consists of 24 commodities from all commodity sectors - energy products, industrial metals, agricultural products, livestock products and precious metals but its exposure to energy sector is much higher than other commodity price indices[16].

[15] Energy commodities include oil, natural gas and coal.
[16] Trading Economics, 2018.

Risks

The consensus view is that risks to the global economy are broadly balanced in the near term. However, when taking a slightly longer view, risks immediately become skewed to the downside; those posed by politics, security, financial markets instability, and world trade developments in particular.

Populism remains ever present

One of the greatest threats to (re-)emerge in recent years has been that of populism. And certainly, while this was largely contained in 2017 (developments in the Netherlands's March 2017 election; France's May 2017 election; and Catalonia in October 2017), the uncertainties and consequences of globalisation, immigration and technological progress remain of great concern to many citizens of the developed world. It would seem however that fears presented in 2017 have largely since been appeased in the US and across many European countries, with the latter owing in part to the long-awaited upturn in economic growth. Still, a resurgence in populism remains an ever present and real threat; something which could be triggered by a future economic downturn[17].

Rising geopolitical tensions

A number of geopolitical risks have presented in recent years, all of which have potential consequences for the global economy. Of the most prominent, include developments in North Korea, the Middle East, Russia and most recently, US-China relations.

Financial markets instability

Another key consideration and potential risk to the global outlook is the abrupt tightening of global financial conditions, which could derail the global economic expansion. Indeed, market volatility has been unusually low in recent years and asset prices have become highly valued, suggesting the risk of sudden market adjustments. While considered unlikely in the near-term, the tightening of global financial conditions would have implications for global asset prices and capital flows, leaving economies with high gross debt refinancing needs and unhedged dollar liabilities particularly exposed to financial stress.

A financial market correction poses an additional threat, with a possible trigger being a faster-than-expected increase in advanced economy core inflation and interest rates as demand accelerates.

World trade developments and evidence of rising protectionism

Of the greatest – and immediate – risks posed to the global economy at present is that of rising protectionism following the announcement by President Donald Trump on 02 March 2018 that the US would be imposing sweeping new tariffs on steel and aluminium imports. The gist of which is that the US will be imposing a 25% tariff on steel imports and a 10% tariff on aluminium imports. President Trump signed the tariffs into effect on 09 March with the tariffs taking effect on 24 March 2018[18]. The stated intent is to revive the US's local steel and aluminium industries to their former glory.

[17] Citibank Private Bank. Accelerating global growth: profits and pitfalls. Outlook 2018.
[18] CNN Money, 2018.

The move has been denounced around the world, and has prompted global concerns of the making of a global trade war, with World Trade Organisation (WTO) Director General warning President Trump not to spark the first trade war since the 1930s Smoot-Hawley tariff, which could ultimately lead to a global recession[19].

While Canada and Mexico have been given an exemption on condition that the US is awarded that which it wants in talks to revamp the North American Free Trade Agreement (NAFTA), other countries could be awarded similar exemptions if they offered the US a ‘better deal’. A number of key trading partners have voiced concerns about the said proposal, with a likely consequence being retaliatory tariffs. Pressure has also been forthcoming from within the White House, with leading Republican Paul Ryan cautioning President Trump as to the consequences of a trade war, as well as the very real probability of the undoing of economic gains accrued in recent years, and most recently, under the new tax reform law. It remains to be seen what transpires from this development.

Leading economies 2018 & 2019

Emerging markets and developing economies: The rising tide

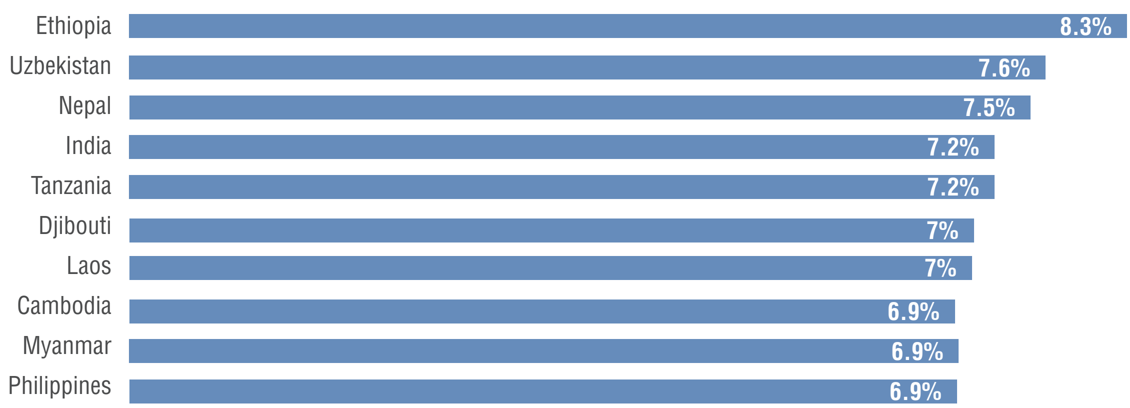
In terms of leading economies over the next 12 to 24 months, the highest aggregate growth forecast is that of the emerging markets and developing economies category, which at a projected 4.9% and 5% in 2018 and 2019, respectively, is more than double that projected for advanced economies.

The growth story in Asia continues

Within this category, emerging and developing Asia will lead the (growth) charge at a forecast 6.5% and 6.6% in 2018 and 2019, respectively, which is of significance bearing in mind that the region continues to account for over half of world growth. Robust and rising output in a number of key economies in the region underpin the stellar outlook, including India with growth projections of 7.4% and 7.8% in 2018 and 2019 respectively, China (6.6% and 6.4%), and the ASEAN-5 at 5.3% in both years.

The world’s fastest growing economies

Forecast GDP growth, 2017



Sources: World Economic Forum, 2018; World Bank, 2018.

[19] Tit-for-tat protectionism was a feature of the 1930s as countries sought to find ways of helping domestic manufacturers through the Great Depression.

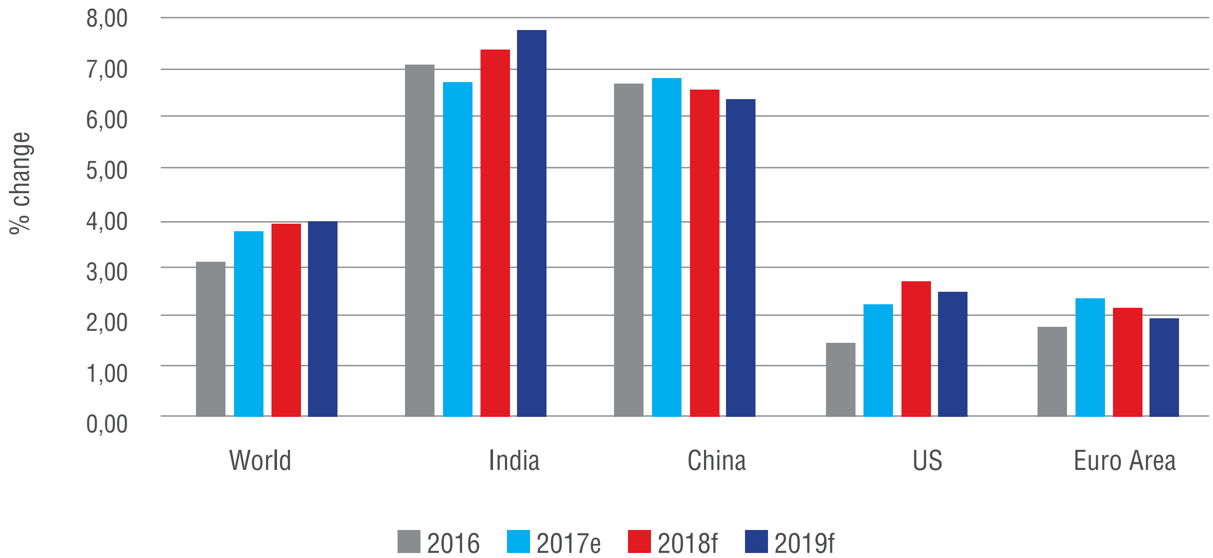
Staying with China, growth in the world's second largest economy is estimated to have reached a higher-than-expected 6.8% in 2017, underpinned by ongoing fiscal support and the effects of reforms, as well as an above consensus recovery of exports. Importantly, domestic rebalancing continued with drivers of economic activity shifting away from state-led investment. In parallel, trade flows recovered markedly in 2017.

Looking ahead, in early 2018 the IMF raised its forecast for China's economic growth in 2018 to 6.6%, from 6.5% previously, amid an upbeat recovery for the global economy. Investment bank JPMorgan Chase & Co. followed shortly thereafter, raising its economic growth forecast for China to 6.7% in 2018, from the consensus 6.5% on the back of improving global demand. The upgrade came amid evidence of accelerating demand for Chinese exports, with an official factory gauge showing that new manufacturing export orders climbed to a six month high of 51.9 index points in December from 50.8 in the previous month. Notwithstanding these bullish expectations, the reality is that heightened trade tensions between the US and China – which have been exacerbated in recent weeks – remain of concern.

The Chinese government has since announced an economic growth target of 6.5% for 2018; well below the 6.9% rate at which the economy expanded in 2017. This development is in line with expectations, with economic growth expected to cool in 2018 as the Chinese government ramps up efforts to cut risk in is financial system and close down inefficient, polluting factories. Beijing also announced that it intends to shrink its budget deficit to 2.6% of GDP in 2018 from 3% in 2017; the first time it has cut this ratio in more than five years. By all accounts, this belt tightening by the government will weigh on the wider economy, with more restrained spending by the government likely to translate in slower economic growth in 2018.

This in turn has passed the mantle back to India, which with a growth rate of 7.2% in the quarter ended December 2017 saw the country regain its title of the fastest growing major economy[20]. Indeed, not only did this outpace the 6.8% recorded by China in the corresponding quarter, but it was also significantly higher than the 6.5% recorded in the previous quarter. In early February, India's Ministry of Finance announced its forecast of GDP growth of between 7% and 7.5% for the financial year 2018-19, up from the 2017-2018 growth forecast of 6.75%. This is broadly in line with the 7.4% forecast by the IMF for the year, which against China's 6.6%, makes India the fastest growing among emerging economies.

Select Economies & Regions, real GDP growth, %change, y-o-y, 2016 – 2019f



Source: IMF WEO, January 2018

[20] India outpaced China in terms of economic growth from mid-2015 but lost the top spot in 2017, when GDP growth fell.

The recent slowing of economic growth in India has been ascribed to a number of factors including falling private investment and declining exports. The government's demonetisation policy and rapid implementation of a common goods and services tax in 2017 also contributed to the slow down. That said, by all accounts the structural reforms are starting to pay off, with there now being evidence of 'robust and broad-based signs of revival' according to Chief Economic Advisor, Arvind Subramanian. That said, risks remain, those posed by rising oil prices, interest rates and inflation in particular.

In parallel, of growing concern are signs of rising protectionism by India, with Prime Minister Modi implementing a number of import tariffs post Davos 2018. This is in stark contrast to the message he bore at Davos where he criticised new trade barriers cropping up around the world, cautioning that these were defying globalisation. This turn towards protectionism will not only be of concern to foreign investors, but raises the question as to whether India is still open for business. One needs to bear in mind that one of Prime Minister's greatest feats in his first four years in office has been his success in enticing foreign investment into India, which hit a record high in March 2017. Is India still pursuing market-friendly reforms?

In terms of the ASEAN-5 and other countries in Southeast Asia – of which a number are key focus markets for Wesgro – the Philippines will lead the charge in terms of economic growth, with the country set to grow by 6.7% and 6% in 2018 and 2019 respectively. Vietnam will follow closely at an average of 6.25% over the said period, with Indonesia set to record the third highest average growth rate at 5.3% and 5.5% respectively. Malaysia follows at a forecast average of 4.78% for the next two years, with Thailand in fifth place at 3.5% and 3.4% respectively.

Latin America's recovery continues

Prospects are markedly improved in Latin America, with major regional economies set to extend their cyclical recovery in 2018. Aggregated growth for the region is projected at 1.9% in 2018 and 2.6% in 2019, from an estimated 1.3% in 2017. Underpinning this is an improved outlook for Mexico on the back of stronger US demand, a firmer recovery in Brazil, the upside of stronger commodity prices and easier financing conditions for a number of commodity-exporting countries. While acknowledging that the Brazilian outlook remains challenging, expectations are that the recovery will continue on the back of improving consumption and accommodative monetary policy.

In turn, growth in the Middle East, North Africa (MENA), Afghanistan and Pakistan region is forecast to accelerate to 3.6% in 2018, markedly higher than the 2.5% achieved in 2017, underpinned predominantly by recovering commodity (oil) prices.

Lower inflation, gradual commodity price recovery underpin Sub-Saharan Africa's economic recovery

Supported by improving commodity prices, favourable global financing conditions and slowing inflation, growth in Sub-Saharan Africa (SSA) rebounded to an estimated 2.7% in 2017, up from 1.4% recorded in 2016[21]. Notwithstanding the marked improvement, at these levels economic output remained well below that seen in previous years at the height of the commodities boom. Still, progress continues to be made across both resource intensive economies – particularly oil exporters who have been forced to address the cost and consequences of a narrow economic base – as well as non-resource intensive economies, with the latter, on balance, recording more stable and higher growth levels in recent years, supported by ongoing infrastructure investment and crop production.

Buoyed by firming commodity prices and gradually strengthening domestic demand, growth in Sub-Saharan Africa is forecast to pick up to 3.3% in 2018 and 3.5% in 2019, up from an estimated 2.7% in 2017. Impressively, a large number of economies within the region will grow at a rate similar or higher than that recorded at the height of the 'Africa rising' narrative, in the lead-up to the commodity

[21] International Monetary Fund, World Economic Outlook, January 2018.

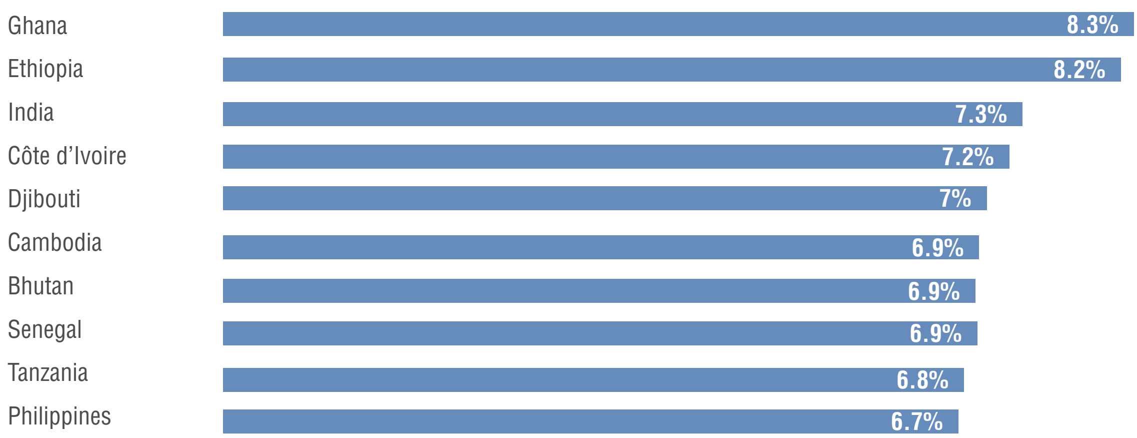
price crash in 2014. Further, if the region's three largest economies are excluded – Nigeria, Angola and South Africa – the region's forecast growth is in excess of 5% in 2018[22]. That said, both Angola and Nigeria should see an increase in economic output in 2018 as oil prices recover, with economic growth recovering to a forecast 1.6% and 2.5%, respectively.

South Africa on the other hand faces somewhat more uncertainty, with the economy forecast to grow at an average of 0.9% in both 2018 and 2019, according to the IMF's latest projections, with the multilateral organisation citing concerns surrounding increased political uncertainty. While both the World Bank and South Africa's Reserve Bank (SARB) are somewhat more upbeat in outlook, forecasting a growth rate of 1.1% and 1.4%, respectively for 2018, this remains well below levels required for the country to meaningfully address a number of pressing issues; including the country's very high unemployment rate[23].

In early 2018 the South African Reserve Bank upwardly revised its 2018 growth forecast to 1.4% from 1.2% previously, and 2019's forecast to 1.6% from 1.5% previously. Considering recent political developments however, including the recent inauguration of incumbent President Cyril Ramaphosa, by all indications economic growth could well exceed expectations in coming years.

The majority of Sub-Saharan Africa's top performers in 2018 are likely to be non-resource intensive commodities, with Ghana set to lead the charge at a forecast 8.3% in 2018 underpinned by oil and gas expansion. Ethiopia follows closely at a projected 8.2%, with the Ivory Coast in fourth position at 7.2%. Incredulously, six of the ten fastest growing economies globally will be in Africa in 2018 according to the World Bank's latest forecasts, as indicated in the graph below.

Real GDP growth at market prices



Notwithstanding the multitude of opportunities presented on the African continent, the regional outlook is subject to external and domestic risks, both of which are tilted to the downside. Indeed, while favourable growth prospects in the US and Euro are could well push regional growth higher on the back of greater exports and increased mining and infrastructure development and investment, a greater than expected downturn in China bodes negatively for the continent; the impact of lower commodity prices in particular.

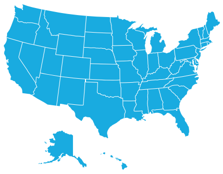
Rising local debt levels present further risk, with the risk of excessive external borrowing ever present. Tighter global monetary conditions pose further challenges, with possible resultant challenges including a weakening of local exchange rates, which by inference, makes existing and future debt more expensive.

22 Brookings Institute. Foresight Africa, 2018.
23 World Bank's Regional Economic Outlook, Sub-Saharan Africa. January 2018.

Russia economy expands for the first time in 3 years

Staying with the BRICs compendium, Russia's economy grew by 1.5% in 2017 according to the latest official data, pointing to the first annual rise in three years[24]. While below official expectations of 1.7% to 2.2%, the economy found support in stronger oil prices, and a recovery in the local agriculture and mining sectors. Prospects remain relatively subdued, with growth forecast at 1.7% and 1.5% in 2018 and 2019, respectively.

Advanced Economies – Slow and steady, but for how long?



The US – Solid, steady rhythm set to continue for now

The economic expansion that began in mid-2009 will by all accounts continue into 2018, underpinned by favourable policy – including recent tax cuts – and inflated government (hurricane related) spending. The inflationary outlook remains relatively benign to boot, with consumer price inflation set to remain below 2%. Still, the consensus view is that the Fed will raise rates three times in the course of 2018, taking rates to 2.25% by the end of 2018.

Another key consideration over the next year will be the North American Free Trade Agreement (NAFTA), with the consensus view being that this will possibly be renegotiated within the year, given the US's strong trade linkages with Canada and Mexico. Recent tariff developments allude to this, with President Trump excluding both countries from the recently imposed steel and aluminium trade tariffs; on condition that the US 'gets its way' in the renegotiation of NAFTA.

Based on the assumption that the White House will reconsider the implementation of the recently imposed tariffs in light of risks that these – and rising protectionism – pose to globalisation, the world's largest economy is forecast to expand by between 2.5% to 2.7% in 2018, barring major additional policy changes, before easing back down to 2.5% in 2019. The economy expanded by an estimated 2.3% in 2017. Underpinning this forecast expansion in economic growth are three key factors: improving business investment; supportive policy; and a resilient US consumer with consumer spending set to benefit from several tailwinds seen in 2017, which is notable when considering that consumptions represents 70% of GDP[25].

Eurozone prospects remain bright

Of the most notable upside growth surprises recorded in 2017 was that posted by a number of countries in the Eurozone, with the consensus forecast improving dramatically over the course of the year. Indeed, at 2.4%, full-year growth was almost one percentage point higher than initially forecast at the outset of the year.

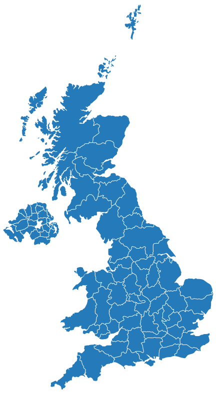
A number of key drivers were central to this above-consensus growth achievement: improving political visibility across the Eurozone; favourable and still supportive fiscal and monetary policies; improvements across member countries spurred by policy stimulus and strengthening global demand; improving investor and consumer confidence; and pent up investment spending. Broad-based fast-rising and above-trend employment growth provided further support, with the unemployment rate reaching its lowest level since 2009. As inflationary pressure remained benign and with inflation likely to remain below target into 2018, the ECB is expected to keep interest rates unchanged throughout 2018, although it may gradually scale back its asset purchases programme.

The cyclical upturn in economic growth is expected to continue into 2018, albeit at a marginally slower pace as policy stimulus is gradually unwound and as domestic demand loses some

[24] The economy contracted by 0.2% and 2.8% in 2016 and 2015, respectively in a recession caused by the collapse in energy prices and the impact of US and EU sanctions imposed following the annexation of Crimea.

[25] Goldman Sachs Investment Management Division, 2018 Outlook. (Un)Steady as She Goes.

momentum following strong gains in 2017. Still, at a projected 2.2% in 2018 and 2.0% in 2019, this is markedly stronger than has been recorded in recent years. Of further importance is the fact that the Eurozone still has a sizeable amount of economic slack to deplete, which implies that there is scope to sustain such above-trend growth even beyond 2018.



United Kingdom – Uncertainty continues on protracted Brexit negotiations

In contrast to that seen in Europe, where economic activity remains robust and a number of economies are on track to record above-trend growth in 2018 and possibly beyond, growth prospects for the United Kingdom and Northern Ireland are shrouded in uncertainty. Central to this is the indecision and unknown surrounding Brexit and the effect that this will have on economic growth, which by all accounts will come under pressure. To date, as recently noted by the UN, the weaker pound sterling following the referendum vote to leave the EU has resulted in a rise in import costs and inflation, which has weighed on domestic demand[26]. Further, business confidence and investment continues to taper as a direct result of the uncertainty surrounding the future framework governing economic relations between the United Kingdom and the EU.

Negotiations remain protracted, and while both sides have reached a preliminary agreement on the terms of separation, future negotiation phases are likely to pose a major challenge. Recent developments affirm this, with EU Council President Donald Tusk noting on 08 March that while Theresa May wanted to demonstrate at any price that Brexit could be a success, this was not the EU's objective. The EU Council President further stated that the UK's decision to leave the EU is the first time in history that a free trade agreement would loosen, and not strengthen economic ties. By all accounts, that which the UK is proposing in terms of future trade agreements between the two parties is far removed from that which the EU is considering. This provides support for the school of thought that reaching a final agreement between the two parties will be protracted, with the reality being that this could heighten the risk of a hard exit for the UK from the EU.

The economy is forecast to expand by a paltry 1.5% in 2018 and 2019, down from 1.7% recorded in 2017 and 1.9% recorded in 2016 pre the Brexit referendum.

26 UN Development Policy & Analysis Division. World Economic Situation and Prospects, Monthly Briefing. January 2018.

Wesgro's Plan for 2018/19

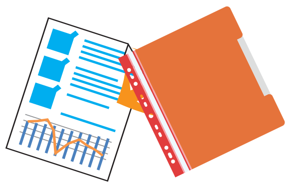
Wesgro IQ

Overview:

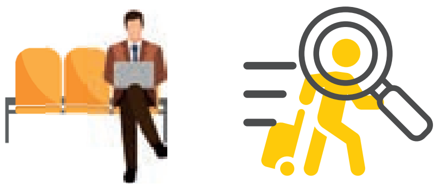
Wesgro IQ provides evidence-based economic and marketing intelligence to units within the Agency and Wesgro's clients. The focus is on presenting relevant market and sector knowledge to potential investors and exporters, while furthering research on the Western Cape's tourism sector.

Strategic Objectives:

(From the Wesgro 5 year plan):



PUBLICATIONS – Developing relevant tourism, trade and investment publications. Specifically, informative publications on the Western Cape and Cape Town as investment and business destinations.



TREND ANALYSIS – Monitor recent trends in the Western Cape tourism sector through a primary research programme, and provide feedback to the regions on recent tourism performance.

Priority Sectors:

The priority sectors for research aligns with Project's Khulisa and Phakisa around tourism, agriculture, oil and gas and ICT. In addition, the unit is tasked with identifying the growth opportunities of the future in order to enable policy makers to make better decisions around priority sector development and international best practice for sectoral management.

Approach:

Wesgro IQ tracks and analyses global economic developments, and global trends in tourism, trade and investment promotion in order to provide the Agency with strategic intelligence on key sectors and foreign markets in these areas. The unit shares this information in a variety of formats from publications to presentations and other key collateral as required, collaborating extensively with other units within Wesgro, in order to drive the Agency's strategy of promoting the Western Cape and Cape Town as business and tourism destinations.

The Year Ahead:

Halaal exports and tourism

The global Muslim market for trade and tourism is growing at an accelerated pace and the Western Cape Government has identified the Halaal market as an important niche focus area. As a result ongoing research is being conducted into trade opportunities for Halaal products and also to understand the needs of Halaal tourists in order to grow this market segment.

Real time data: development and implementation of real time data for the tourism sector

Recent technology advances has resulted in the potential collaboration of non-traditional partners in data utilisation. Tourists increasingly interact through the use of various technology and this data helps to provide a better picture of who tourists are, what they need and where they go. This project is aimed at working with institutions that collect tourism data in order to understand the state of tourism in real time.

History of Wesgro: an overview of Wesgro's organisational history

The Agency is more than 30 years old and has a rich history of projects and efforts to grow the economy and create jobs. The aim of this research work is to provide an overview of the successes of Wesgro as well as to identify learnings based on interviews with previous role players at Wesgro.

Agri-investment prospectus

Under Project Khulisa the agriculture industry is an important sector for growth and job creation. This prospectus will provide prospective investors with some of the most relevant and current investment opportunities throughout the province.

Invest in the Western Cape

This research project will provide a compelling argument why the Western Cape is an attractive investment destination based on historical trends and future opportunities. This project helps to describe the physical and technical infrastructure available to investors to benefit from local and international demand.

Invest in Cape Town

This annual publication is completed in collaboration with the City of Cape Town and highlights the specific investment triggers and opportunities currently available to investors. It also highlights previous investments and the impact these have had on trade, employment and economic growth.

Launch of top 100 exporters study: an in-depth study of the Cape's top exporters

This research assignment profiles the top exporters from the province based on market value. It provides market intelligence on the various sectors benefiting from these exports and highlights the importance of export lead economic growth.

Investment Promotion (IP) Unit

Overview:

The Investment Promotion (IP) Unit is tasked with attracting and facilitating foreign and domestic direct investment into the Western Cape and Cape Town.

Strategic Objectives:

(From the Wesgro 5 year plan):

JOBS AND INVESTMENT – To recruit and facilitate between R5.3 billion and R9.4 billion in investment and between 2 970 and 6 240 jobs into the Western Cape within the next five years.

Approach:

The IP Unit attracts direct investment into the region by actively positioning Wesgro as the ‘first port of call’ for investors and providing essential knowledge, access and expertise to both potential and existing investors. The unit uses sector-specific relationship managers to proactively recruit investors, by maintaining solid relationships throughout, and post investment, while the unit’s Business Retention and Expansion (BR&E) division provides dedicated support to businesses already established in the Western Cape.

The unit fosters potential investment by utilising relevant intelligence generated by the Wesgro IQ team to provide the leads for engaging with foreign embassies, consulates, high commissions and chambers’ of commerce, both locally and abroad. The unit also leverages relationships with a number of players from Sector Development Agencies and State Owned Enterprises to district municipalities and stakeholders.

The IP Unit seeks to operate as a strategic bridge between government and the private sector, by fostering key relationships with private sector entities that include: financial institutions; professional service providers; policy experts and sector associations. This serves to assist inbound investors in accelerating the investment process.

Priority Sectors:

AGRO-PROCESSING

OIL AND GAS

MANUFACTURING

GREEN ECONOMY AND RENEWABLE ENERGY

HOTEL AND REAL ESTATE DEVELOPMENT: TOURISM

ICT

PHARMACEUTICALS AND MEDICAL DEVICES

Priority Markets:

The Wesgro Investment Promotion Unit made the decision to reclassify target markets under three broad categories:

- Core
- Secondary
- High Growth

Key markets identified are presented below:

Destination	Definition
UK	Core
France	
United States	
China	
Hong Kong	
UAE	Secondary
Saudi Arabia	
Canada	
Germany	
Switzerland	
Netherlands	
Italy	
Spain	
Portugal	
India	High Growth / BRICS
Singapore	
Malaysia	
Vietnam	
Thailand	
Eastern Europe	
Russia	
Brazil	

The following markets were identified by the IP team as primary and secondary, on a sectoral basis in accordance with information developed by the Wesgro IQ team.

Sector	Priority Market(s)	Secondary Market(s)
Energy	France; Spain	Germany
Real Estate, Pharma, Advanced Manufacturing	Qatar; UAE	UK
Oil & Gas	Malaysia; Singapore	United States
Manufacturing	France; China; India	UK; Italy; Spain
Business Services	France; UK	China

The Year Ahead:

In alignment with new research undertaken, the IP Unit intends fulfilling a target of 14 missions during the 2018/19 financial year as follows:

Destination	Sector
UK	Multi-sector; tech; manufacturing
France	Renewables; tech; manufacturing
United States	Multi-sector; tech; manufacturing
China	Manufacturing

Destination	Sector
Hong Kong	Manufacturing
Singapore	Oil & Gas; tech
Malaysia	Oil & Gas
United Arab Emirates	Real Estate
Saudi Arabia	Real Estate
India	Manufacturing; tech
Italy	Manufacturing; Renewable Energy
Spain	Manufacturing; Renewable Energy

Other initiatives include:

- InvestSA One Stop Shop Alignment: Wesgro's IP team will seek to ensure complete strategic alignment with the InvestSA One Stop Shop in the Western Cape
- Revitalisation of Business Retention and Expansion Unit: Wesgro IP is undertaking a full assessment and review of the current BR&E strategy, cross-referencing against global best practise. This new strategy will be launched this year.
- Development of Lead Generation Programme: the development of said programme would be aligned to global best practise, including leveraging diplomatic networks, improvements to current website, and contracting of third parties
- Private Sector Relationship Development: to continue to enhance relationships with private sector companies, so as to better assist with investment promotion initiatives

Agribusiness Investment Unit (AIU)

Overview:

The aim of this unit is to attract and facilitate foreign and domestic investment into the Cape's key agricultural sector. In addition, the unit focuses on retaining existing investments and supporting their expansions in the agricultural space.

Strategic Objectives:

(From the Wesgro 5 year plan):

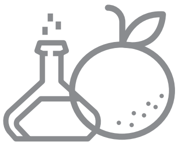
JOBS AND INVESTMENT – To recruit and facilitate between R1.3 billion and R1.9 billion worth of investment, and between 935 and 1,290 jobs into the Western Cape within the next five years.

Approach:

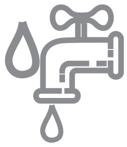
The unit's approach is similar to that of the Investment Promotion team i.e. actively positioning Wesgro as the "first port of call" for potential investors, while providing essential knowledge, access and expertise. This include assigning relationship managers to projects and leverage relationships with Sector Development Agencies, as well as research-driven investment missions to promote the region.

Priority sectors:

The AIU has realigned its priority sectors and markets with the National and Provincial Departments of Agriculture. To this end, both the Industrial Policy Action Plan and Project Khulisa strategies were key drivers in the sector selection process to ensure that the focus is aligned with national and provincial strategies. These sectors include:

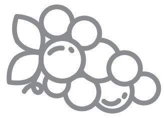


FOOD PROCESSING



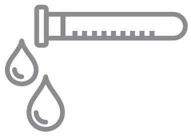
BEVERAGES

AQUACULTURE

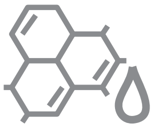


AGRICULTURE
(INCL. OSTRICH FARMING, FRUIT AND VEGETABLES, BEEF AND DAIRY)

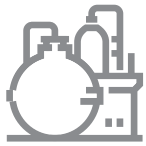
HORTICULTURE
(INCL. VITICULTURE AND WINE PRODUCTION)



MEDICINAL, AROMATICS AND FLAVOURANTS
(INCL. ESSENTIAL OILS)



ROOIBOS AND HONEYBUSH



CAPITAL EQUIPMENT AND INDUSTRIAL MACHINERY
(INCL. COLD STORAGE)

Priority Markets:

The following markets were identified by the AIU team as primary and secondary, on a sectoral basis in accordance with information developed by the Wesgro IQ team:

Priority Market(s)	Source City	Rationale	Secondary Market(s)
Japan	Tokyo	1st largest source city for global FDI	Germany
UK	London	2nd largest source city for global FDI	China; India
Switzerland	Vevey	3rd largest source city for global FDI	Singapore; New Zealand
United States	Atlanta; Minneapolis, NY	5th largest source city for global FDI	Japan; Hong Kong
France; Netherlands	Paris ;Amsterdam	4th largest source city for global FDI	Turkey; Thailand

The Year Ahead:

The AIU intends fulfilling a target of 6 missions to the following key markets: (excluding those linked to Halaal):

Other key initiatives include:

- Market the Halaal Parks initiative: This will be done via Wesgro's international investment channels in order to solicit investment into the region. The aim is to increase capacity in the Halaal supply chain, thereby growing the Western Cape's Halaal market share from 1% to 3%,
- Develop value propositions for multinational corporations to invest in the Western Cape's Agro-processing sector: This initiative is necessary in order to increase the local production of beneficiated goods. This will increase demand for entry into the Western Cape's Agri Parks, and
- Drive innovation and efficiency into the sector: This will be done via the identification and attraction of new technologies into the sector.

Film and Media Promotion

Overview:

The aim of this unit is to attract the production of local and international film and new media productions into Cape Town and the Western Cape. Its objectives to grow the local industry are linked to the Department of Economic Development and Tourism's (DEDAT) 5-year film and media strategy, the Cape Town Film Studios, as well as the film and promotion mandate from the City of Cape Town.

Strategic Objectives:

(From the Wesgro 5 year plan):

COMPETITIVE FILM SECTOR – To firmly establish a competitive film sector by 2020.

FILM & MEDIA PRODUCTIONS:

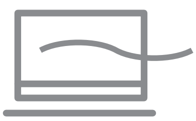
To attract R1.5 billion to R2.5 billion worth of film and media productions and facilitate 2 500 to 3 500 full time equivalent jobs

Approach:

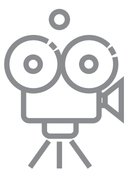
Cape Town and the Western Cape offer incredible locations as well as a wealth of industry expertise and world-class facilities, all at a fraction of traditional industry costs in other locations. Global production companies are increasingly recognising the region's qualities, with the Cape as the preferred destination for 13 co-production projects in 2010, 2011 and 2012.

As well as encouraging global companies to film in the Western Cape, there will be a focus on growing companies into Africa, with this pan-African potential being tapped into via outward Trade and Investment missions, and film and media invitations. This will be facilitated by the support of the likes of the National Film and Video Foundation (NFVF), the dti and its Export Marketing and Investment Assistance Scheme (EMIA), Sector Specific Assistance Scheme (SSAS), and/or foreign markets, festivals and governments who invite the Western Cape film industry to partake in their festivals and markets.

Priority Sectors:



LONG FORM TV SERIES



INDEPENDENT FEATURE FILM

EXPANDING AND INCREASING STUDIOS

THE INTANGIBLE ASSET MANUFACTURING OF ANIMATIONS (TV, FEATURE, GAMES) AND POST PRODUCTION

Priority Markets

For film and media:

CANADA, GERMANY, FRANCE, IRELAND, NEW ZEALAND, AUSTRALIA, ITALY, UK & NETHERLANDS

- Co-production treaty countries

U.S.A

- The USA is the largest producer of content and the largest consumer market

BRAZIL, RUSSIA, INDIA, CHINA

- BRICS countries – important due to the large potential cultural links, natural unofficial co-productions and future official co-production potential

AFRICA

- Plan to grow companies into Africa and this Pan-African potential is being worked via Trade, Investment missions into Africa and the occasional film and media invitation

The Year Ahead:

- Continued expansion of the Western Cape E-asset register to all five regions.
- Develop a strategy research paper following recommendations of City of Cape Town and Wesgro's baseline research.
- Run ad hoc training opportunities, with focus on African Film Commissions Network "film friendly regions", film finance upskilling & understanding legal environment etc.

The Film and Media Promotion Unit will attend the following key engagements:

- Cape Town International Animation Festival
- Annecy Animation Festival - France
- Durban International Film Festival / Durban FilmMart
- Encounters Documentary Film Festival – Cape Town
- Cape Town International Film and Market Festival
- DISCOP - Johannesburg
- Toronto International Film Festival - Canada
- Berlinale Film Festival / European Film Mart - Germany


©Film Afrika\Pyranha Stunts\Grant Powell

Strategic Projects

Overview: Cape Town Air Access (CTAA)

The Cape Town Air Access team is a unique Wesgro-led collaboration, started in July 2015, with the aim of promoting, developing and maintaining air routes in and out of Cape Town International Airport. This in turn boosts the local economy and job creation.

Approach:

The Air Access programme has successfully developed 13 new routes and 14 route expansions, bringing more than 1.5 million two-way direct seats to Cape Town since the programme's inception in July 2015.

Cape Town International Airport has now exceeded 10.6 million passengers, with international arrivals growing by more than 20% year-on-year. This has provided a major boost for tourism in particular.

Estimated economic contribution:

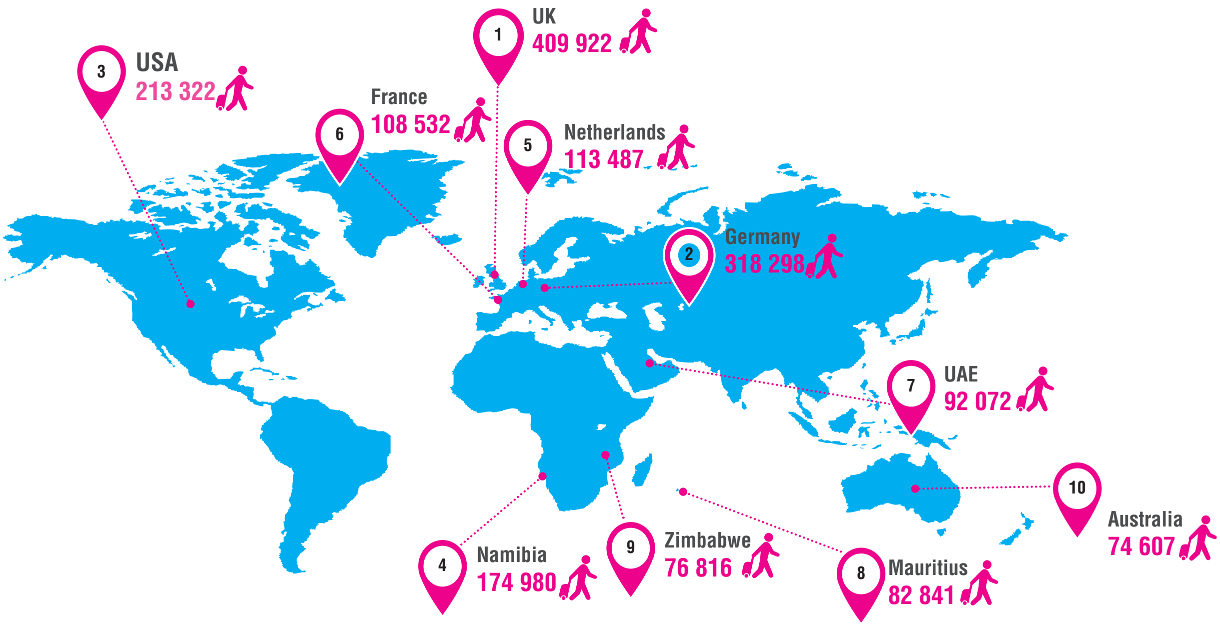
The estimated contribution to direct tourism spend, since July 2015, is

R4.8 billion.

Developments in 2018

SINGAPORE AIRLINES (Singapore – Cape Town): Expanding – 26 March 2018	KLM Royal Dutch Airlines (Amsterdam – Cape Town): Capacity expansion January 2018
Kenya Airways The Pride of Africa (Nairobi – Livingstone – Cape Town): Expanding 25 March 2018 (Nairobi – Cape Town): New route – 6 June 2018	Condor (Frankfurt – Cape Town): Expanding: September 2018
TAAG LINHAS AEREAS DE ANGOLA ANGOLA AIRLINES (Luanda – Cape Town): Expanding – 25 March 2018	Austrian (Vienna – Cape Town): New route – 27 October 2018
AIR MAURITIUS (Mauritius – Cape Town): Capacity expansion – 8 March 2018	RwandAir Fly the dream of Africa (Kigali – Harare - Cape Town): New route – 16 May 2018
Joon (Paris – Cape Town): New route 1 April 2018	CATHAY PACIFIC (Hong Kong – Cape Town): New route 13 November 2018

Top 10 country connections for Cape Town in 2017*



South African Airports – International Cargo Figures

	Johannesburg		
	Imports	Exports	Total
2017 (kgs)	237 291 365	133 709 827	371 001 192
16'-17' Growth %	23%	8%	17%

	Durban		
	Imports	Exports	Total
2017 (kgs)	6 059 985	2 841 541	8 901 526
16'-17' Growth %	5%	31%	12%

	Cape Town		
	Imports	Exports	Total
2017 (kgs)	29 152 880	27 789 397	56 942 277
16'-17' Growth %	68%	38%	52%

2017 Passenger development CPT per continent v.v.

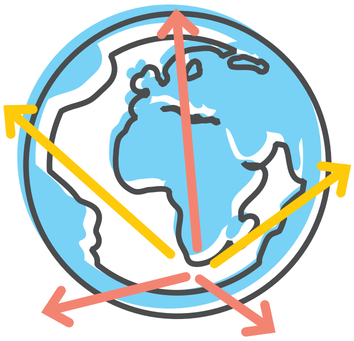
1	Europe	1 436 220	15%
2	Africa	774 473	4%
3	Asia	279 911	9%
4	North America	251 128	6%
5	Middle East	186 239	10%
6	Pacific	92 978	10%
7	South America	57 503	26%

Trade Promotion Unit

Overview:

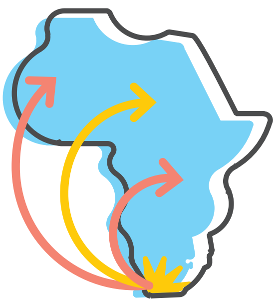
Wesgro's Trade Promotion Unit works to promote Cape Town and the Western Cape's exports, while maximising the international competitiveness of our exporters. The unit's approach is two-fold: to promote global exports of goods and services from local companies, and to support the operations and expansion of Cape companies into the rest of Africa with the overall aim of creating opportunities for economic growth and sustainable job creation.

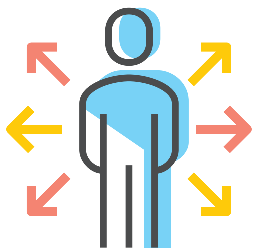
Strategic Objectives:



GLOBAL EXPORTS – to commit an estimated rand value of between R2.5 billion and R4.7 billion trade promotion business deals facilitating between 718- 1 343 jobs by the end of the five year-cycle

African Expansion (OFDI):





EXPANSION INTO AFRICA – to commit a rand value of between R508 million and R1.23 billion business deals through outward investment into Africa by the end of the five year-cycle

Priority Sectors:

- Agro-processing and agribusiness
- Green industries
- Infrastructure development (ofdi) in Africa
- Trade-in-services (ict, financial, tourism, transportation)
- Wholesale and retail
- Clothing, textiles, leather, footwear and furniture
- Boatbuilding and associated services
- Aerospace and defence
- Manufacturing and value-added products

Priority Markets:

Africa: Angola, Botswana, Namibia, Mozambique, Zambia, Nigeria, Ghana, Senegal, Cameroon, Ivory Coast, Kenya, Tanzania, Ethiopia

Asia: China, India, Malaysia, Japan, Singapore, Thailand, Vietnam, Indonesia, South Korea

Australasia: Australia, New Zealand

Middle East: UAE, Saudi Arabia, Qatar

Americas: USA, Canada, Brazil, Columbia

Europe: United Kingdom, Germany, Belgium, Sweden, Austria, France, Poland, Russia

Approach:

The Trade Promotion Unit aims to achieve these goals by focusing on priority markets and using international trade shows as a means to gain leads and access to international markets. Locally there is a focus on showcasing regional exports and matching international buyers with local exporters. The unit's Export Advancement Programme (EAP) also works to assist businesses in capitalising on their export potential by addressing their various needs and the development of niche sectors.

A key tool in market consideration is the findings of the Decision Support Model (DSM); a model which considers all possible worldwide product-country combinations and systematically eliminates less promising markets until those with the greatest prospects are revealed. These in turn, in combination with the findings from strategic intelligence generated by the Research team, provide the leads for engaging with foreign embassies, consulates, high commissions and chambers' of commerce, both locally and abroad. All of which have the potential to foster the promotion of regional exports and investment.

The Year Ahead:

- Wesgro's Trade Promotion Unit recently secured funding from DEDAT in order to develop and implement a Halaal Export Strategy (HEP). The strategy seeks to create market access for Western Cape companies in countries such as Malaysia, Indonesia, Singapore, China, India, UAE, Saudi Arabia, Cameroon, Nigeria and Senegal. The HEP is also identifying international markets where Western Cape Halaal producers can develop strong relations with key government and business stakeholders. The Halaal Export Strategy will feed into DEDAT's larger Halaal Strategy for the province including the formation of a Halaal Industrial Park and Halaal Skills Development. A key component of the HEP is to bring international buyers to the Western Cape and the October 2018 Halaal Expo will welcome 10 buyers together with international investors and Halaal tourism influencers.
- The Trade Promotion team will undertake strategy development and market analysis of countries in the Eastern European region, particularly Poland and the Czech Republic, where recent gains have been made due to outward missions, especially in Poland. An overall framework for engagement with Eastern European countries will be developed. This is in line with the Unit's international trade strategy of market and product diversification.
- An in-depth review of the Canadian market will be undertaken. While Wesgro's efforts have been centred on the USA market for a number of years, there are a number of opportunities that can be pursued with Canada including export of wines, fruit juices and assisting the Investment team in attracting Canadian investment in the renewable energy and ICT sectors. The Western Cape's boat building expertise can also be leveraged in the development of trade ties with Canada.
- Greater engagement with the BRICS (Brazil, Russia, India, China). Currently, trade promotion efforts are centred on enhancing trade relations with each country separately, outside of the BRICS framework. There is a need to engage the BRICS Business Council in order to access opportunities and funding mechanisms under the BRICS framework such as the New BRICS Development Bank that has been recently established. The BRICS Chairship has been handed to South Africa in 2018. A number of BRICS networking sessions and events are being planned for Cape Town and the Unit is engaging the Council with regard to these.
- A focussed and targeted Outward Foreign Direct Investment (OFDI) Strategy will be developed. Currently, outward investment deals are materializing as an off shoot to trade missions. The intention is to develop a targeted and focussed approach in terms of which countries to target in terms of OFDI and to identify specific projects within these countries that would attract investment from Western Cape companies.

InvestSA One Stop Shop, Western Cape (Cape Investor Centre)

Overview:

The InvestSA One Stop Shop Western Cape, operated by Wesgro and the Western Cape Government, is a multi-faceted collaboration between national, provincial and local government. The primary objective of the facility is to cut the 'red tape' that may be experienced by investors seeking to set up or expand business interests in the South African market.

operated by

Approach:

The Investor Centre is open to all major investors and both appointments and walk-ins are accommodated.

The centre performs the functions of:

- Unblock regulatory delays required to commercialize operations in the Western Cape
- Project management of the regulatory process
- Serve as a co-ordination for referral to relevant bodies to process applications.

The core services include:

- Dealing with City-level development facilitation requirements
- Dealing with SARS registrations
- Providing assistance with incentives (i.e. tax, land, and free trade zones)
- Providing assistance with Companies Intellectual Property Commission registrations
- Providing assistance with Home Affairs and Visa Facilitation Service applications

- Providing assistance with labour policy and regulations
- Providing assistance with the administration of compulsory product related technical specifications
- Advice on Special Economic Zones

The Year Ahead:

- Assist new and existing investors navigate the national, provincial and local regulatory landscapes, resulting in increased investor confidence for the Cape economy
- Expedite and increase the rate of regulatory approvals in the Western Cape, thereby enhancing the region's Ease of Doing Business
- Support the Investment Promotion Unit's client-base through the provision of world-class investment facilitation services with the aim of fast-tracking direct investment in the Western Cape

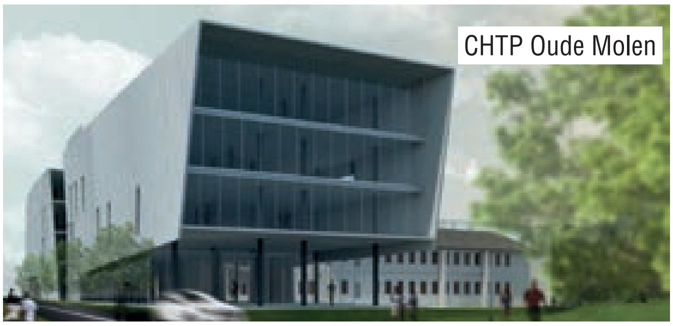
Strategic Projects

Overview: Cape Health Technology Park

The Cape Health Technology Park (CHTP) project is aimed at developing the region's health technology innovation sector so as to firmly establish Cape Town as Africa's Pharma R&D and Biotech Hub. The Western Cape is already home to leading scientific research and 43% of medical technology start-ups through its growing ecosystem of academic and business innovation in health technology.

The project is a partnership between the National Department of Science & Technology (DST), Western Cape Government's Department of Economic Development and Tourism (DEDAT), the City of Cape Town and Wesgro. The Park, in Pinelands, will be home to a knowledge based biotech economy cluster, with the long-term vision being to become the Hub for Biotech in Africa.

Upon completion, the CHTP will be a world-class innovation facility. It will provide an innovative scientific environment for both corporates and start-ups with specific supportive and incubation services for global approval of products for export markets.


CHTP Oude Molen

The Year Ahead:

- Industry programmes for the 5 identified sectors will be developed, namely: medical devices, biotech, pharmaceuticals, digital health and indigenous medicine
- Full scale infrastructure planning on the first sight for potential tenants will be commence

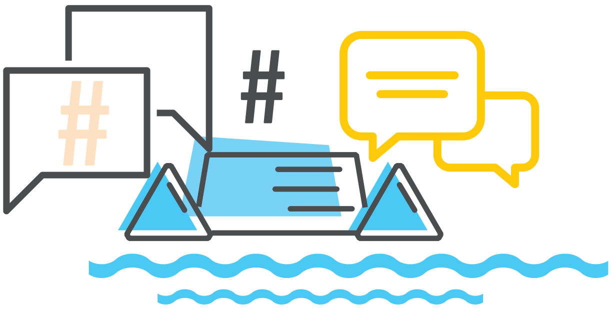
Destination Marketing Organisation (DMO)

Overview:

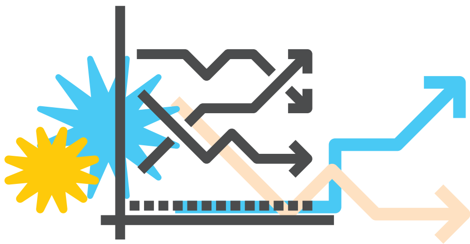
The Destination Marketing Organisation (DMO) team is made up of two units: Leisure Trade and Marketing and Convention Bureau. Its purpose is to promote the Cape internationally and domestically in order to increase the number of leisure and business tourists, thereby supporting economic growth and job creation.

Strategic Objectives:

(From the Wesgro 5 year plan):



PROMOTE THE WESTERN CAPE – To enhance the attractiveness, awareness and accessibility of the region to domestic and international visitors.



ECONOMIC IMPACT – To generate an estimated economic impact of R920 million through various marketing initiatives supported over a five year period ending 2019/2020.

Approach:

DMO – Leisure Marketing

The Leisure team's objective is to promote and increase the number of international and domestic tourists to the Cape's five regions (Cape Karoo, Weskus, Cape Winelands, Cape Overberg and Garden Route), and Cape Town, during the traditional low season which falls between April and September. It achieves this by promoting the attractiveness of the province via the region's niche tourism activities such as cycling, gastronomy and culture and heritage.

A key priority is to create and drive demand internationally and domestically through a number of marketing activities and agreements with the industry (airlines, operators etc.) to ensure high returns on investment for marketing. Extensive collaboration with various provincial (e.g. regional and local tourism offices) and national (e.g. South African Tourism) organisations is key in supporting and promoting regional events during the low season.

DMO – Convention Bureau

The Convention Bureau through bidding focuses on growing and attracting meetings, incentives, conferences, and exhibitions (MICE) to the Cape. Leveraging our Best Cities Global Alliance membership remains a key focus, as does offering meeting planners access to the unit's four unique programmes: Delegate Boosting, Legacy, Networking and Business Conversion. Wesgro's Trade and Investment team also offers cross-selling opportunities to the Convention Bureau team. The Bureau has a close strategic relationship with the South African National Convention Bureau.

Priority Sectors:

Priority is given to business events (e.g. meetings, conferences, exhibitions etc.) which focus on sectors that align with the Western Cape Government and Wesgro's strategic approach:

- Agro-processing
- Oil and gas including maritime
- Real estate and tourism infrastructure
- Manufacturing
- Business tourism
- Renewable energy
- ICT
- Health and pharmaceuticals

Priority Markets:

Germany, France, UK & the Netherlands

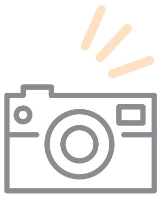
- Source markets, to drive volume

Angola, Botswana, Lesotho, Kenya, U.A.E and Italy

- Tactical markets

Canada, USA, China, Namibia, India and Australia

- Emerging markets



Leisure Tourism Priority Markets Include:

- Source markets: to drive volume
- Emerging markets: that show potential to grow during our low season of April - September
- Tactical Markets: representing high value tourists

Business Tourism:

- The unit's sources for leads come from sectors rather than countries, with the main ones being pharmaceutical/medical, education, IT and communication sectors for the association market and India, China, North America for incentive travel.

Within this the markets are segmented into:

- High season and volume: i.e. United Kingdom, Germany, France and the Netherlands. These are volume markets that travel during the high season. On-the-ground support and partnerships with South African Tourism, media and trade (e.g. airlines and operators) and digital marketing maintain these markets. Marketing promotes the attractiveness of the province through niche tourism activities such as cycling, gastronomy and culture and heritage.

- Low season and promote: i.e. the USA, Australia, China, India and Namibia. These markets travel during our low season (April – September) and need to be actively encouraged. Marketing promotes the attractiveness of the province through niche tourism activities such as cycling, gastronomy and culture and heritage.

- Tactical: These markets align with Project Khulisa and have the potential to grow quickly and offer a high value tourist. The focus is on educating tourists about the destination and on positioning the province through unique offers such as a family-friendly destination for the Halaal market.

The Year Ahead:

1. **AWARENESS OF THE WESTERN CAPE:** To boost awareness of the Western Cape in key markets and sectors, the following strategic initiatives will be launched:

- Competitive identity: The focus will be on the implementation of the new brand and social media marketing campaigns.
- Partnership growth strategies in key markets: A strong focus on joint marketing opportunities in priority markets will assist in generating more impact and better return on investment.
- Digital management and real-time intelligence: Wesgro IQ will focus on the maintenance and enhancement of the digital platform launched in 2016.
- Grow business tourism.
- Our Customer Relationship Management and Stakeholder Management: Strong focus on business-to-business communication and the building of strong working relationships with the tourism industry. This year's focus will be on a Customer Relationship Management programme, continuing the RTO forums and then quarterly trade and media engagements.

2. **ACCESSIBILITY TO THE WESTERN CAPE:** To improve accessibility to Cape Town and the regions, two strategic initiatives are in place, including:

- Air Access (which forms part of a separate strategic unit within Wesgro).
- Cape Investor Centre.

3. **ATTRACTIVENESS OF THE WESTERN CAPE:** To boost the attractiveness of the Cape through a competitive offering:

- The promotion of the Cape Cycle Route Network (CCRN): Positioning of the Cape as the cycling capital of Africa, including the marketing of the Network and its routes (e.g. the Cross Cape) and other marketing campaigns (e.g. partnerships with Western Cape cycling teams or races).
- Culture & Heritage: The team will promote culture and heritage routes within our province, (e.g. Madiba legacy route and the Cape to Namibia) to domestic and international visitors.
- Gastronomy tourism promotion: Focus on promoting the province's food and wine experiential offering to visitors. Strong partnerships with the SA Wine Routes Forum and Wines of South Africa (WOSA) will also be amplified.
- Cape of Great Events promotion: The promotion of regional events to consumers, trade and media will be done through activities such as the marketing of the digital events platform developed during 16/17, trade partnerships (e.g. airlines for on-board flighting), hosting and the development of video content for international exposure. Support for events that take place April – September will be given priority as these help drive geographic spread during the low season.

WESGRO
cape town & western cape
tourism, trade & investment

an inspiring place to do business