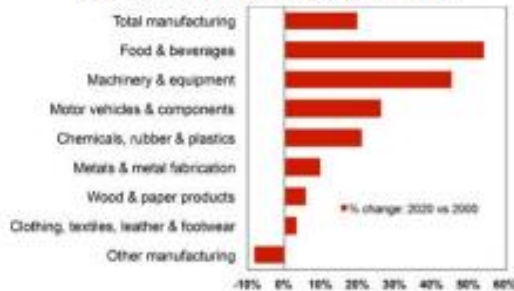


MANUFACTURING



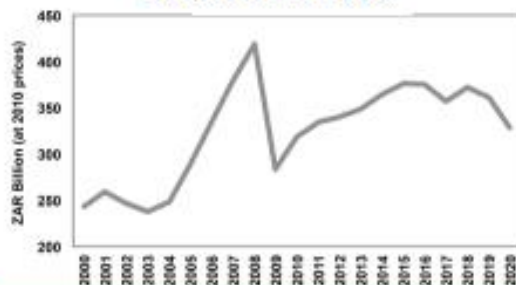
Food & beverages, machinery & equipment, and automotive industries have grown strongly ...

Real change in GDP: 2020 vs 2000



Relative competitiveness in a no. of export-oriented manufacturing industries, especially in regional markets

Manufactured exports



Sectoral outline

Economic importance

- South Africa's well-established and diversified manufacturing sector contributed 13% to overall GDP and almost 50% to total export earnings in 2020. It employs around 1.13 million people.

Structure

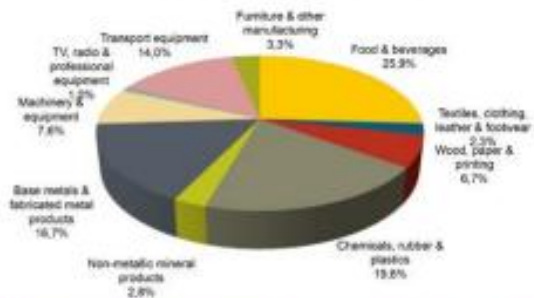
- Diversified industrial structure with large integrated sub-sectors including food processing; beverages; chemicals; motor vehicles, parts and accessories; machinery and equipment; fabricated metal products; paper and paper products; wood and wood products.

Extensive sectoral linkages

- The sector has strong linkages with numerous other sectors of the economy through its procurement of goods and services, as well as with end-use markets for its own products.

... sector dominated by food & beverages, chemicals, metals, and transport equipment industries

Sectoral contribution to manufacturing sales in 2020



Manufacturing sector exports

Manufacturing sector exports	Value in 2020 (ZAR billion)	% of total
Total manufacturing exports	691.1	100%
- Motor vehicles, parts & accessories	164.8	23.7%
- Basic iron & steel products	65.9	9.5%
- Food	60.7	8.7%
- Other chemicals & man-made fibres	53.3	7.7%
- Machinery & equipment	51.7	7.4%
- Basic chemicals	49.6	7.1%
- Basic non-ferrous metal products	39.6	5.7%
- Coke & refined petroleum products	35.4	5.1%
- Other manufacturing	30.5	4.4%
- Paper & paper products	18.9	2.7%
- Other manufacturing exports	120.7	17.9%

Why invest in South Africa's manufacturing sector

- Well-established, diversified and generally technologically advanced manufacturing base - Africa's most advanced.
- Varied economic performance at industry level owing to diversity in production capability and competitiveness.
- Strong linkages with other sectors of the economy, with supplier proximity often being a key source of competitiveness.
- Innovation and R&D capabilities, along with industrial incentives are supportive of manufacturing growth.

- Manufacturing sector is a principal beneficiary of the public sector's localisation drive.
- Market-oriented and globally-competitive exporting capabilities across several sub-sectors.
- Flexibility and capacity to adapt to the global energy transition with the deployment of sustainable industrial and automotive energy solutions.
- As an important source of manufactured products sold in the southern African region, the domestic sector will benefit from additional export market development opportunities under the AfCFTA.

MANUFACTURING

Strategic focus areas to drive long-term growth

- The reindustrialisation of South Africa's economy is a key component of the ERRP. Objectives include expanding and diversifying the manufacturing base; improving its competitiveness and dynamism; increasing its participation in regional and global markets; reducing concentration levels; and achieving effective transformation.
- Disruptions to global supply chains caused by Covid-19 related lockdowns have highlighted the strategic imperative for companies all over the world to diversify their sources of supply, potentially benefitting South African manufacturers.
- A suite of industrial policy measures is unlocking growth opportunities in priority industries such as automotive; clothing and textiles; chemicals and plastics; steel and metals fabrication; gas; green industries; the digital economy and high-tech sectors.
- Funding availability from the banking and development finance sectors has been instrumental for the implementation of large industrial projects in the sector.
- Investments in port and related infrastructure aim to improve efficiencies, boding well for the competitiveness of locally-manufactured products in global markets.



Enhanced value proposition of investment opportunities

Sectoral master plans to unlock growth of priority sectors

Industrial financing and incentives to boost investment

Product designations reduce market offtake risk

Regional integration presents major opportunities

- Master plans are being implemented in the Automotive; Clothing, Textiles, Leather and Footwear; as well as the Steel and Metal Fabrication industries as mechanisms to raise investment in production capacity, drive innovation, improve productivity and competitiveness, increase local consumption and exports, ensure sectoral transformation.
- Industrial financing support including government schemes, development finance and tax incentives, alongside spatial development initiatives such as SEZs contribute toward reducing project development risks and raising returns on investment.
- The public sector's product designation programme reduces market offtake risks for investments in production capacity in targeted industries. A wide array of products designated for local procurement now include plastic pipes, bulk materials handling, lead acid batteries and MV switchgear, solar panels, wind towers and, among others, cement.
- Industrial policy is particularly targeting domestic procurement of inputs linked to the large renewable energy programme, with major benefits for manufacturers that have been investing heavily in new or existing production capacity to supply such products.
- 37.4% of exports of manufactured goods are destined for other African countries. The AfCFTA's implementation will lead to further export market development across the continent, support the development of regional value chains and South Africa's integration therein.

Some of the investment opportunities

- Fuel cell manufacturing for a variety of applications.
- Manufacture of motor vehicles, parts and components, focusing increasingly on the electric vehicle segment.
- Manufacture of fuel cell mining vehicles and forklifts.
- Machinery and equipment (e.g. minerals processing, materials handling, construction, refrigeration and power-sector related equipment, pumps and valves).
- Railway equipment for domestic and export markets.
- Components and sub-assemblies for electronics manufacturing
- Manufacture of equipment and parts for the rapidly growing wind and solar energy generation industry, including storage equipment.
- Green hydrogen production.
- Parts and components for the aerospace and defence industries
- Medical devices and telemedical instrumentation.
- Pharmaceutical products and speciality chemicals (e.g. biochemicals).
- Fluorspar beneficiation and other chemicals value chain development opportunities.
- Advanced manufacturing opportunities.
- Development of high-end mohair value chain.