

Soapbox

# Ten industrial opportunities in South Africa

Investment in industrialisation results in a multiplier effect in jobs, foreign earnings through exports and increased tax revenues.

Nadia Rawjee / 1 July 2018 00:04  One comment so far



Investing in industry opens doors to job creation. Picture: Tomohiro Ohsumi/Bloomberg

**The Manufacturing Indaba 2018**, held on June 19 and 20 at the Sandton Convention Centre, covered general matters around the deindustrialisation which has occurred in South Africa, what opportunities lie in re-industrialising the country and promoting localisation.

Policy for localisation has been a prominent feature of the PFMA (Public Finance Management Act) and the B-BBEE codes through the “empowering supplier” status which requires that at least 25% of cost of sales, excluding labour cost and depreciation, must be procured from local manufacturers or local suppliers in SA.

The question from commerce is usually “where are the market opportunities?”.

Here is a list of some of the industrial (value-adding) opportunities, outlined at the Manufacturing Indaba:

1. **Urbanisation** – 70% of the world’s expected 9.2 billion individuals will be living in urban environments by 2050, leading to massively dense environments and challenges including:

- **Transport** – public and private transport will drastically change with a dense urban environment expected. The traditional way of passenger transportation will change drastically and with this change comes the opportunity to manufacture components and technology inputs;
- **Feeding the world’s population** – farming will become more automated, be brought closer to residences and urban areas and be made in labs instead of on farms. All of these changes will require new technologies, to be manufactured at scale, to satisfy the new agricultural and agro-processing sectors; and
- **Construction** – massive construction to accommodate the increase in the urban population will be required, including; HVAC systems, elevators and other inputs for high rise environments – which will be densely populated.

2. **Technology in agro-processing** – rural farms will be further from their market in an urbanised world and the first world will have limited arable land and require importing of the food necessary to feed its people. Storage and shelf life technology (including packaging and ripening) will be increasingly relevant and those agro-processors who adopt these technologies will expand their markets globally and fetch a premium for their solutions. Crops such as nuts, blueberries, avocados and soft citrus have high export demand, and greater investment into processing can yield massive returns.

3. **Mining sector inputs** – the South African mining sector currently imports US\$2 billion of inputs per annum, with SADC importing a further US\$ 2 billion. The Mining Phakisa and MEMSA have identified a list of commodities for which localisation would be feasible, with industry-wide buying power coming to the table.

4. **Mineral beneficiation** – South Africa is endowed with 80% of the world’s platinum reserves and must look to beneficiate and add value to this mineral. One example is fuel cell vehicles (FCVs) where platinum is a necessary component for the electrodes in the engines of FCVs. This is an innovation which should not be lost as a significant localisation opportunity.

5. **Energy sector** – less than 10% of sub-Saharan Africa’s households have electricity. With a growing population and increased foreign investment into the continent, the need for power in Africa is insatiable. This includes hydro, solar, nuclear and various other energy sources – all requiring inputs and components to be produced. Furthermore, as a net importer of oil, South Africa

is struggling with insufficient storage. This infrastructure investment is taking place and storage licenses being issued – the engineering and production of the inputs for this infrastructure presents an opportunity for South Africans.

**6. The continental-market approach** – Africa's current population of one billion people is expected to double by 2050 to a two-billion-people market. With Africa's current lack of infrastructure, access to consumer goods and everything in between, a continental-market approach is necessary. The agreement on the African Continental Free Trade Area (AfCFTA), which President Ramaphosa intends signing in the next few weeks, provides new and meaningful trade and investment opportunities across the African continent.

**7. Automotive sector** – the South African automotive sector wishes to more than double its production to 1.2 million vehicles by 2020. With pressure to procure locally and over R50 billion worth of imported components, the need for local manufacturers and assemblers of parts has huge potential and strong support.

**8. The 4th industrial revolution** – means connectivity is becoming increasingly necessary, both for domestic and industrial consumption. Data towers, fibre laying and inputs to ensure higher connectivity coverage is extremely important, and this critical infrastructure and its value chain is receiving significant investment and support.

**9. Mozambican gas finds** – with US\$ 1.4 billion budgeted for just the first phase of industrialising the Mozambican gas reserves, and an expected US\$ 55 billion to be deployed in the medium term, a significant market for local produce is on our doorstep. South African manufacturers are a natural fit given the quality and standard of production, our proximity to Mozambique and trade agreements already in place between Mozambique and South Africa.

**10. Technology in how we play** – as technology enhancements are made, the way we play changes and morphs. Internationally, betting on virtual dog racing or horse racing is now more popular than playing bingo, playing any lottery game and even betting on real life horse racing and greyhound racing. These technologies, consoles and games need to be manufactured and programmed and around which an entire industry is born.

There are over 200 national incentives for the industrialisation of our country.

Many people ask me why the focus of the public investment in SMEs and business is so heavily placed on the manufacturing sector?

The reality is that investment in industrialisation results in a multiplier effect in jobs, foreign earnings through exports and increased tax revenues. Countries which focus on an industrialisation approach have proven their potential to add to economic growth and its contribution to addressing social challenges.

If you're looking for where opportunities lie and how to gain support in making these opportunities a reality – manufacturing is a good place to start.

*Nadia Rawjee is the director at Uzenzele.*

## LATEST CURRENCIES ▼

<b>ZAR / USD</b> 16/08/2018, 10:54:32	<b>14.4808</b>	<b>-0.89%</b>
<b>ZAR / GBP</b> 16/08/2018, 10:54:34	<b>18.4106</b>	<b>-0.67%</b>
<b>ZAR / Euro</b> 16/08/2018, 10:54:37	<b>16.4867</b>	<b>-0.50%</b>

More Indicators ↻

## LATEST STORIES



### Financial goals for the decades

### Copper tumbles into a bear market



### Five things making headlines in South Africa today

## LATEST OPINION

---



**Correcting beliefs about hedge funds**



**What happens to your crypto in divorce or death?**



**Toxic rivers are poisoning the fruits of democracy**