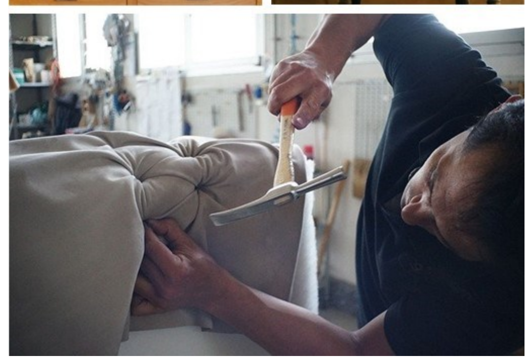
MANUFACTURING

Furniture Sector

The South African Furniture Sector is an important sector due to both its labour intensity as well as its potential for developing small , micro, and medium sized businesses, and for exports. The furniture manufacturing sector forms part of the country's manufacturing sector and a large number of companies are involved in mattress and furniture manufacturer. Most of the companies in the furniture manufacturing sector are classified as micro enterprises, which employ ten people or less. Furniture manufacturers range from those who make use of low technology and highly skilled craftsmen, to highly mechanised, high-volume manufacturing operations. Companies can be part of a manufacturing group or can be an independent manufacturer, while some sub-contract processes such as sanding or turning while others complete the whole manufacturing process themselves.



Furniture manufactured in South Africa can be classified as:

- ◊ Office furniture including seating, desks, executive furniture, and filing and storage furniture;
- ◊ Household furniture for the domestic retail market such as upholstered furniture;
- ◊ Mattresses, including bed bases;
- ◊ Hospitality furniture;
- ◊ Cinema seating;
- ◊ Outdoor furniture such as patio furniture; and
- ◊ Case goods like coffee tables and entertainment centers

Furniture manufacturing mainly occurs within three provinces, Gauteng, KwaZulu Natal, and the Western Cape. Importantly, competition with the furniture manufacturing sector does exist, in terms of, South African producers have to contend with high levels of imports. Additionally, South African furniture manufacturers are facing major competition from China in their port markets, such as Botswana and Namibia. A further barrier within the sector includes the difficulty in sourcing raw materials, shortage of higher skills, access to funding, no effective protection against very low-cost imports in South Africa and the SADC, poor market access, limited export support and investment, and SMMEs are unable to supply large retailers, etc (Conradie, 2018; Blueprint (Pty) Ltd, 2020). Additionally, challenges highlighted within the South African Furniture Industry Master Plan include (Blueprint (Pty) Ltd, 2020):

- Market Access

- Significant increase in very low-cost imports
- State designation implementation process for furniture not optimal
- Significant decline in imports
- Low participation in global value chains
- Low levels of import replacement and product innovation
- Increasing procurement of imported furniture by South African retailers and contractors

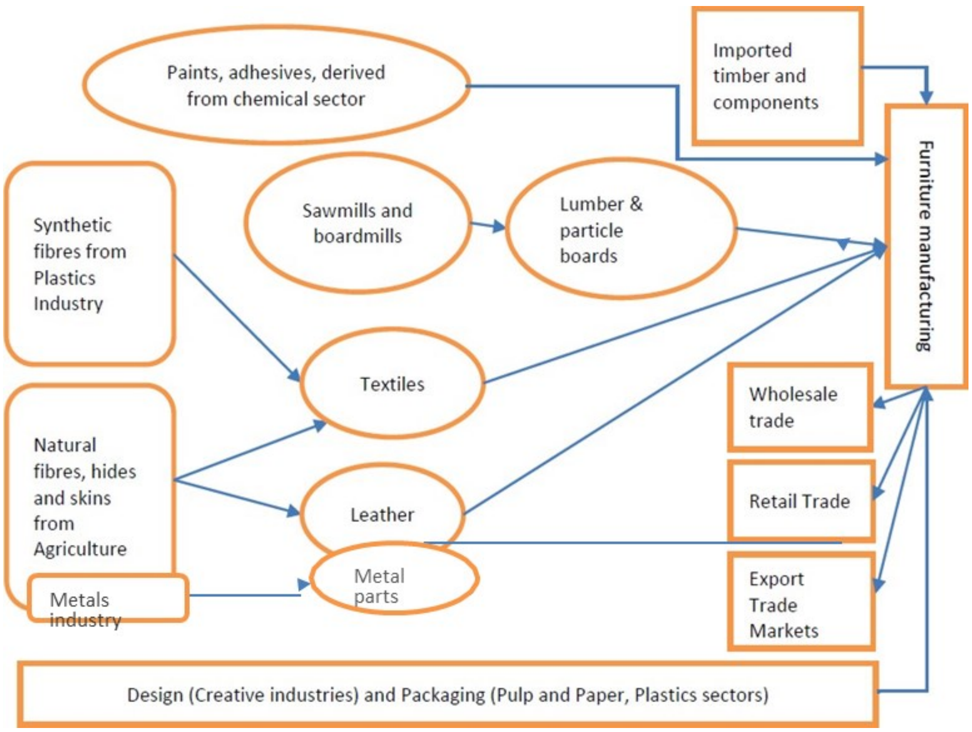
- Low levels of transformation

- Costs of production

- Poor skills supply and demand fit

Furniture Value Chain

The furniture manufacturing value chain is complex and non-linear comprised of a variety of intricate network of components. An overview of the value chain in visually illustrated below:



Impact of Covid 19

Pre COVID-19, employment numbers dropped from an estimated 47,256 formal jobs in 1993 to 34,719 in 2018 (Blueprint (Pty) Ltd, 2020) .