

MANUFACTURING

Overview

The manufacturing sector is an important sector for both the South African and Western Cape economies. The manufacturing sector contributed close to R95 billion (or 15.5%) to the provincial GVA and employed 322 058 people (or 19% of national manufacturing employment) in 2019.



Manufacturing in the Western Cape is comprised of several sub-sectors, namely:

- Food, beverages, and tobacco products;
- Textiles, clothing, and leather goods;
- Wood and wood products;
- Fuel, petroleum, chemical and rubber products;
- Other non-metallic mineral products;
- Metal products, machinery, and household appliances;
- Electrical machinery and apparatus;
- Electronic, sound/vision, medical & other appliances;
- Transport equipment; and
- Furniture and other items NEC and recycling.

Of the above sectors, the majority of the GVA falls within food, beverages, and tobacco (46%), fuel, petroleum, and chemicals (16%), and wood products (11%). Importantly, manufacturing represents 14% of the total GVA within the Western Cape. In terms of employment, the majority of employment within the manufacturing sector falls within food, beverages, and tobacco (38%), fuel, petroleum, and chemicals (10%), and wood products (11%). Within the Western Cape, manufacturing represents 13% of total employment (Western Cape Government, 2021).

According to Wesgro, the bulk of manufacturing activities in the Western Cape are located within Cape Town, with capacity ranging from heavy industry (oil and gas sector, ship and boat repairs) to smaller scale and niche manufacturing.

Key value-added manufacturing industries include:

- Petroleum products;
- Chemicals;
- Rubber and plastic;
- Metal products;
- Marine manufacturing
- Electronics; and
- Machinery and equipment.

Furthermore, manufacturing within the Western Capes niche sectors is strongly linked to the food and beverage industry (Wesgro, 2021). Within the Western Cape the manufacturing sector is supported by multi-national corporations. The corporations have chosen the Western Cape in order to take advantage of the economic opportunities of not only the local economy but also the whole of Africa. Importantly, an example of investment attracted within the Western Cape include :

- Kimberly-Clark;
- Tellumat;
- Hisense;
- EXAR, etc.

Additionally, key Government incentives within the manufacturing sector include:

- [s12i Tax Incentive](#),
- [Manufacturing Competitiveness Enhancement Programme](#),
- [Manufacturing Investment Programme](#),
- [Capital Projects Feasibility Programme](#),
- [Foreign Investment Grant](#).

Impact of Covid 19

According to the Stats SA report released at the beginning of September 2020, South Africa's gross domestic product (GDP) decreased by 51% in the second quarter of 2020 owing to the impact of Covid-19 lockdown restrictions since the end of March 2020. The Covid-19 pandemic has exacerbated the challenges experienced by the provincial economy and it is expected to result in a 10.4%† contraction in the provincial economic activity and an employment decline of 151 743 (6.4%) in 2020. The current forecast is that the Western Cape economy will return to 2019 GVA levels by 2024 only unless concerted restructuring and assistance is provided.

The sectors that were adversely affected by Covid-19 include agriculture (and the agri-value chain), construction, manufacturing and trade due to external demand and supply-chain collapses.

Covid-19 impacted on the profitability and cash flows of businesses, reduced the demand for products as well as cancelling of orders and disrupted the value chains of the manufacturing industries. These negative effects will extend beyond the current economic period and recovery will be slow. Productive sectors have not only stagnated, but key productive industries such as those in the manufacturing sector have shed jobs over the past decade. The industries that were mostly affected are those that do not provide essential services such as the clothing and textile industry, marine manufacturing and transport equipment sub-sectors.

Improved productivity is required to stimulate economic growth and create jobs as envisioned in the Western Cape Recovery Plan. Therefore, programmes for the development of the manufacturing sector need to intensively focus on improving productivity and reducing inefficiencies which in turn can contribute to lowering high production costs, increase competitiveness and contribute to the higher long-term output. To re-position the manufacturing sector for economic growth and development, interventions like skills development, innovation, localization and investment in production and technological capabilities are proposed.

The following manufacturing sub-sectors will be targeted due to their contribution to economic growth, export market potential, employment creation opportunities and retention of current jobs:



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