



SOUTH
AFRICA

Factsheet

2020

Investing in South Africa's Metal Fabrication Sector



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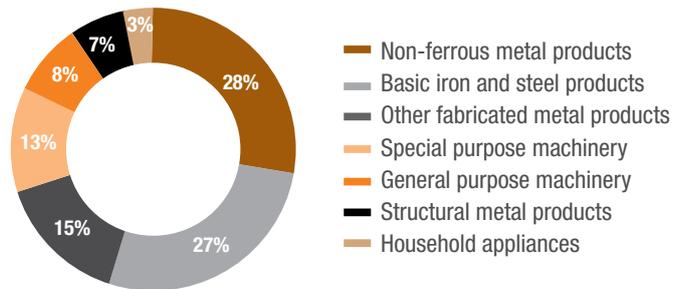
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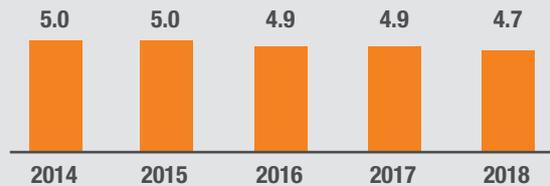
Metal Fabrication in South Africa

- > South Africa's metal fabrication sector is the most advanced and diverse metal fabrication sector in Africa.
- > South Africa's metal fabrication industry has major spill-over effects as top steel consuming industries including mining, construction, automotive, cables and structural steel, contribute about 15% of the country's economy.
- > The country has an installed annual steel production capacity of 10 million tonnes and produces about 6 million tonnes per year.
- > Basic iron and steel, non-ferrous and ferrous metal products and machinery accounted for one-fifth of South Africa's manufacturing output in 2018.
- > Over the last five years, South Africa's average apparent steel consumption was close to 5 million tonnes per year, making it Africa's second largest steel consumer after Egypt.

Manufacturing sales of metal products, 2018



South Africa's apparent steel consumption (million tonnes)



#1 aluminium producer in Africa

#1 metals sector in Africa

Why invest?

Up to **100%** local content

Local content requirements

In 2017, the government set minimum local content requirements for the railway sector, with up to 100% local content for rail permanent way sector and 70% for railway maintenance of way plant and equipment.



50% of overall steel consumption

Strong demand in automotive industry

South Africa's automotive industry, which produces more than half a million units a year, is a key consumer of metal products including sheet metal and stainless steel. International OEMs have made multi-billion rand pledges for the expansion of their local production capacity. This will be positive for demand for metal fabrication in the expansion phase and steel demand when operational.



28% of stainless steel consumption is by the automotive industry

Sizeable reserves of raw materials

Metal producers can draw from a sizeable pool of raw material reserves including iron ore and manganese in South Africa. South Africa is the largest producer of manganese in the world and holds more than 70% of global identified manganese reserves.

Infrastructure demand

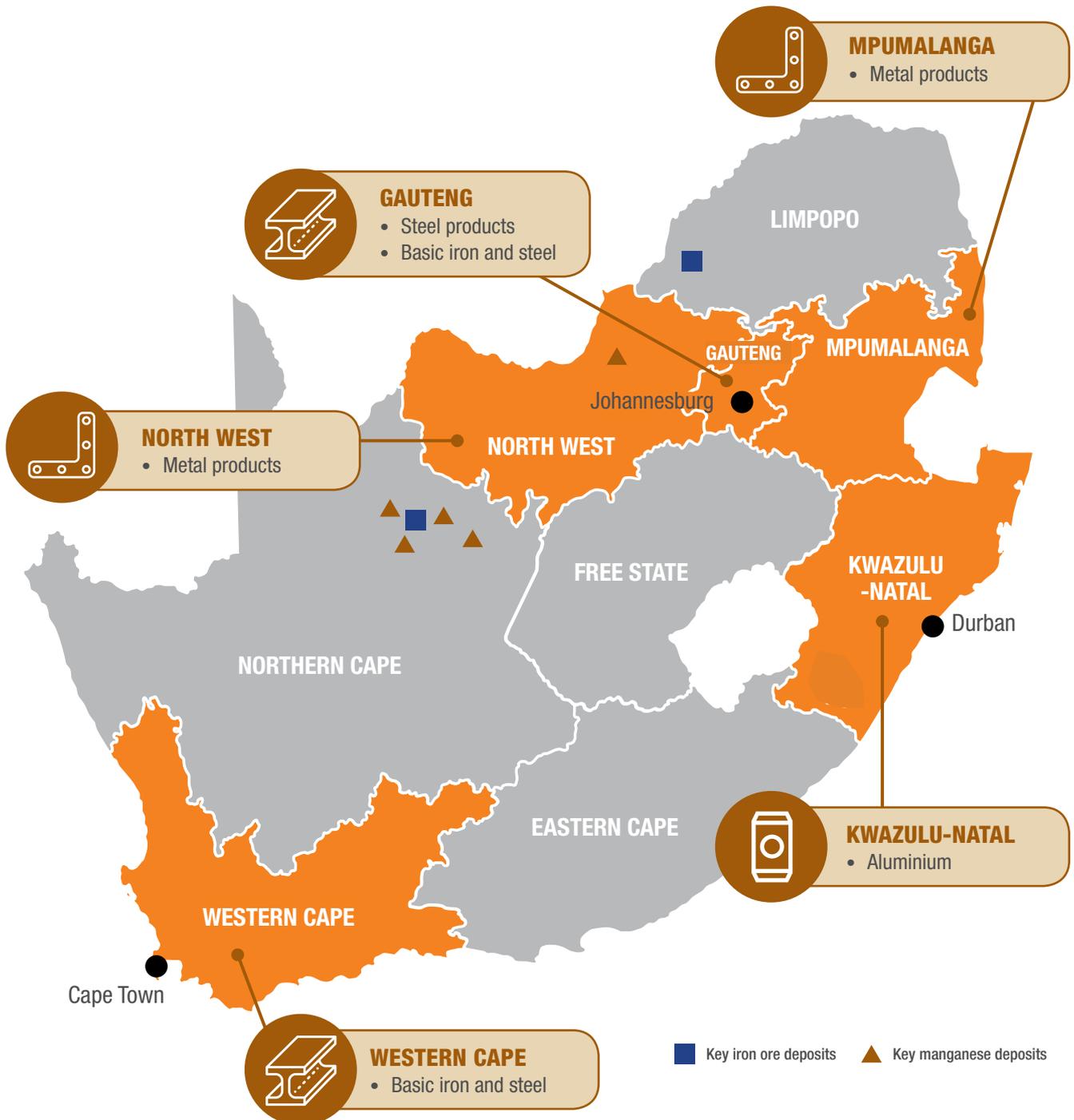
The public infrastructure built programme remains the largest opportunity to investors as the industry is closely linked to the construction industry. The construction sector accounts for about 50% of overall steel consumption in South Africa.



70%+ of global identified manganese resources

Where to invest?

- > Metal fabrication plants are mainly located in Gauteng, Mpumalanga, KwaZulu-Natal, the Western Cape and North West provinces.
- > Despite its relatively small size, Gauteng houses more metal fabrication plants, and has the biggest industry share than all other provinces.



What support exists?

- > South Africa provides a favourable enabling environment for the metals fabrication industry. There are various incentive and support programmes which aim to grow the industry and enhance competitiveness of the sector.



Critical Skills Development Programmes

Critical skills development programmes of the National Tooling Initiative and the National Foundry Technology Network have led to the development of a skills pipeline of more than 1 800 students.



Downstream Steel Industry Competitiveness Fund

The Industrial Development Corporation's (IDC) R1.5bn Downstream Steel Industry Competitiveness Fund supports downstream manufacturers to improve their competitiveness through equity investments and loans.



Competitive Improvement Initiatives (CII) Programme

The National Foundry Technology Network's CII assists foundries with interventions including baseline assessments to technology-transfer, lean manufacturing and energy management.



Tariff Protection

South Africa safeguards its metals industry through a 10% customs duty on primary steel products, tariffs on a range of downstream products and various rebates.

What are the opportunities?

- > Preferential public sector procurement, public infrastructure projects and major investments in the automotive industry provide significant impetus for the metal fabrication industry.

Investment opportunities include:

- Manufacturing and supply of **railway tracks, slipways, locomotives** and **components**
- Manufacturing and supply of **structural steel**
- Manufacturing and supply of **pumps** and **valves** for the **water distribution sector**
- Manufacturing and supply of **sheet metal** and **stainless steel** for **automotive industry**
- **Scrap metal recycling**

2011: Standing at 87 meters, Gold Fields' steel headgear at its South Deep Twin Shafts complex is the tallest in the world.

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ • Decide on geographic location most suitable for investment
- ✓ • Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ • Conduct site visits of suitable locations
- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers
- Determine corporate structure
- ✓ • Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ • Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- Conduct interview, hire staff
- ✓ • Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems
- ✓ • Register company
- ✓ • Apply for licenses and permits
- ✓ • Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

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Information sources

Bloomberg, 2018; Castings SA, various years; **the dti**, various years; Engineering News, 2018; InvestSA, 2018; Moneyweb, 2019; SARS, 2019; StatsSA, various years; USGS, 2019; Who Owns Whom, various years.

Research partner | **Deloitte.**



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