



SOUTH  
AFRICA

Factsheet

2020

# Investing in South Africa's Metal Fabrication Sector



the dti

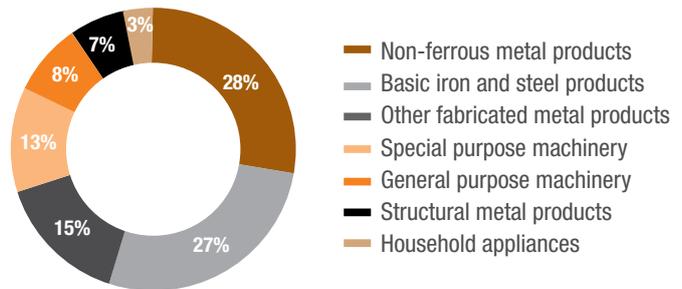
Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

investSA

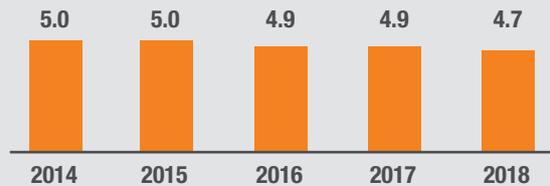
# Metal Fabrication in South Africa

- > 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

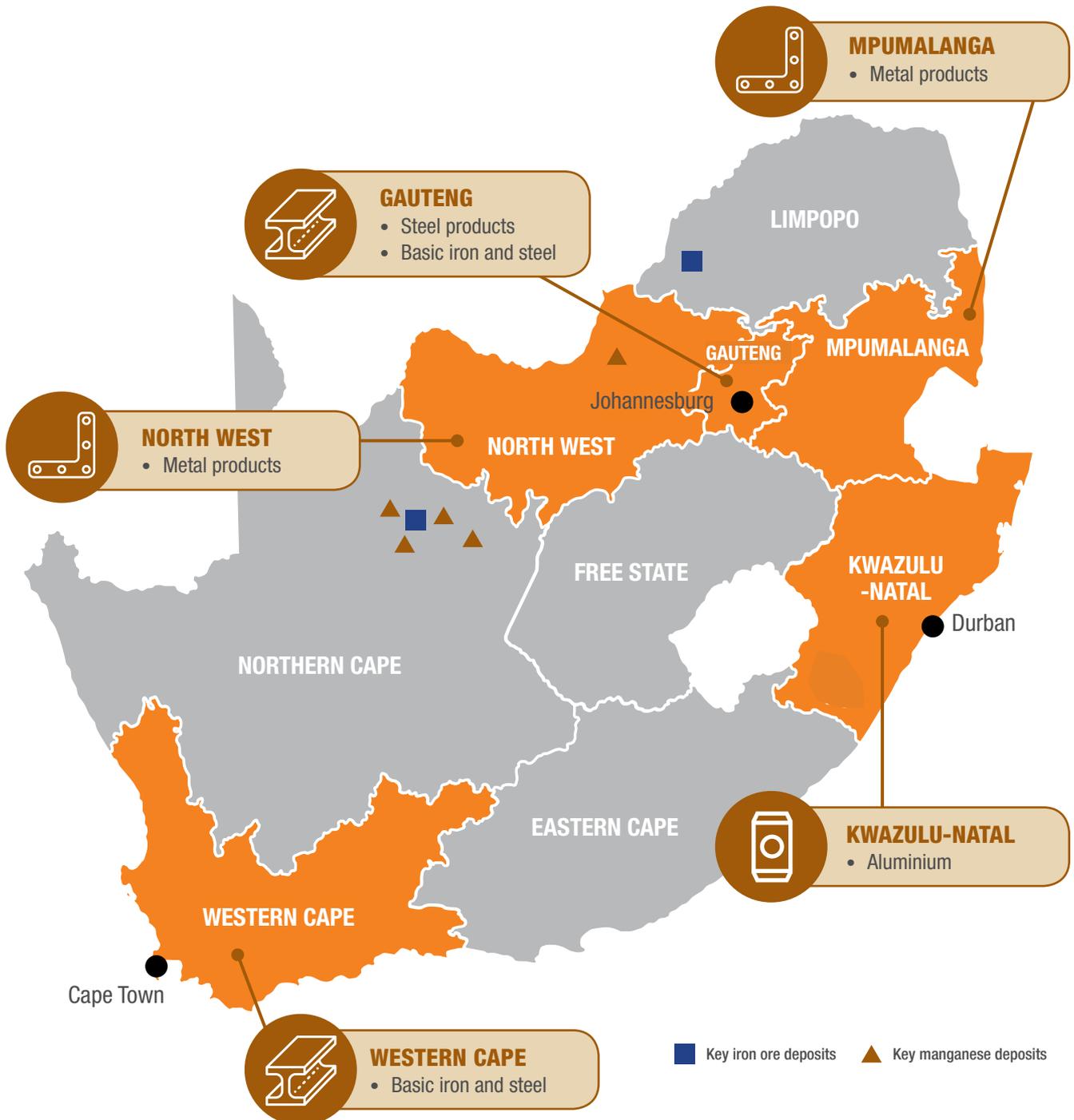
The public infrastructure built programme remains the largest opportunity to investors as the industry is closely linked to the construction industry. The construction sector accounts for about 50% of overall steel consumption in South Africa.



**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

# Key contacts for more information

## InvestSA

☎ +27 861 843 384

@ Investsa@thedti.gov.za

🌐 <http://www.investsa.gov.za/>

## the dti

@ contactus@thedti.gov.za

🌐 <http://www.thedti.gov.za/>

## Rashmee Ragaven

Director: Advanced Manufacturing

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 5929

@ RRagaven@thedti.gov.za

## Nicholas Pule

Deputy Director

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 3051

@ NPule@thedti.gov.za

### 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.**



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

**investSA**