



Investing in South Africa's Clothing, Textile, Footwear and Leather Sector



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

investSA
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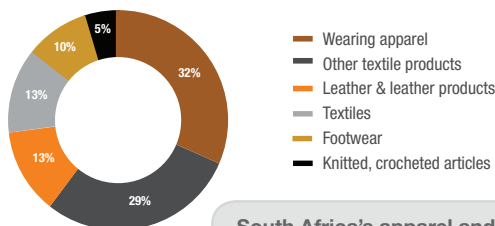
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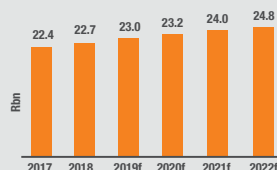
Clothing, Textile, Footwear and Leather in South Africa

- > The South African Clothing, Textile, Footwear and Leather (CTFL) manufacturing industry is well developed and ranges from the production of synthetic and natural inputs to final clothing and shoes.
- > The CTFL sector accounts for about 2.5% of South Africa's manufacturing output.
- > In 2018, wearing apparel accounted for about one-third of the industry's manufacturing output.
- > According to SARS, there are approximately 4 500 tax-paying CTFL manufacturers in South Africa, with the majority of the firms being micro enterprises.
- > According to StatsSA, the 20 largest companies control about 85% of the wider CTFL market.
- > In 2017, South African industries consumed approximately 130 085 tonnes of fibre, of which more than two-thirds were synthetic fibres.

Composition of CTFL manufacturing, 2018



South Africa's apparel and non-apparel manufacturing market value, 2017-2022f



4 500

CTFL
manufacturers

2.5%

CTFL's contribution to South
Africa's manufacturing output

Why invest?

World-class design talent

South Africa has world-class design talent and a strong talent pipeline that reflects the creativity and potential of the sector.

14

tertiary institutions
offering fashion-
related degrees



Large supply of quality leather

Over 2 million cattle and 4 million sheep are slaughtered per year in South Africa. At least 65% of bovine hides are suitable to be used in the automotive industry.



+2m

cattle
slaughtered
per year

Robust market growth

It is forecasted that household spending on clothing and footwear will increase by about 25% to R125bn in the next three years.



R25bn

increase in
next 3 years

Top producer of natural fibres

South Africa is the world's largest mohair producer and supplier, accounting for about 54% of global production. The mohair sector generates about R1.5bn in foreign currency annually.



#1

Mohair
producer in
the world

Potential for import substitution

In 2017, South Africa imported textiles, garments and footwear worth US\$4bn. Given duties of up to 40% on imported fabrics and clothing, localisation of production presents an attractive alternative to imports.



60-70%

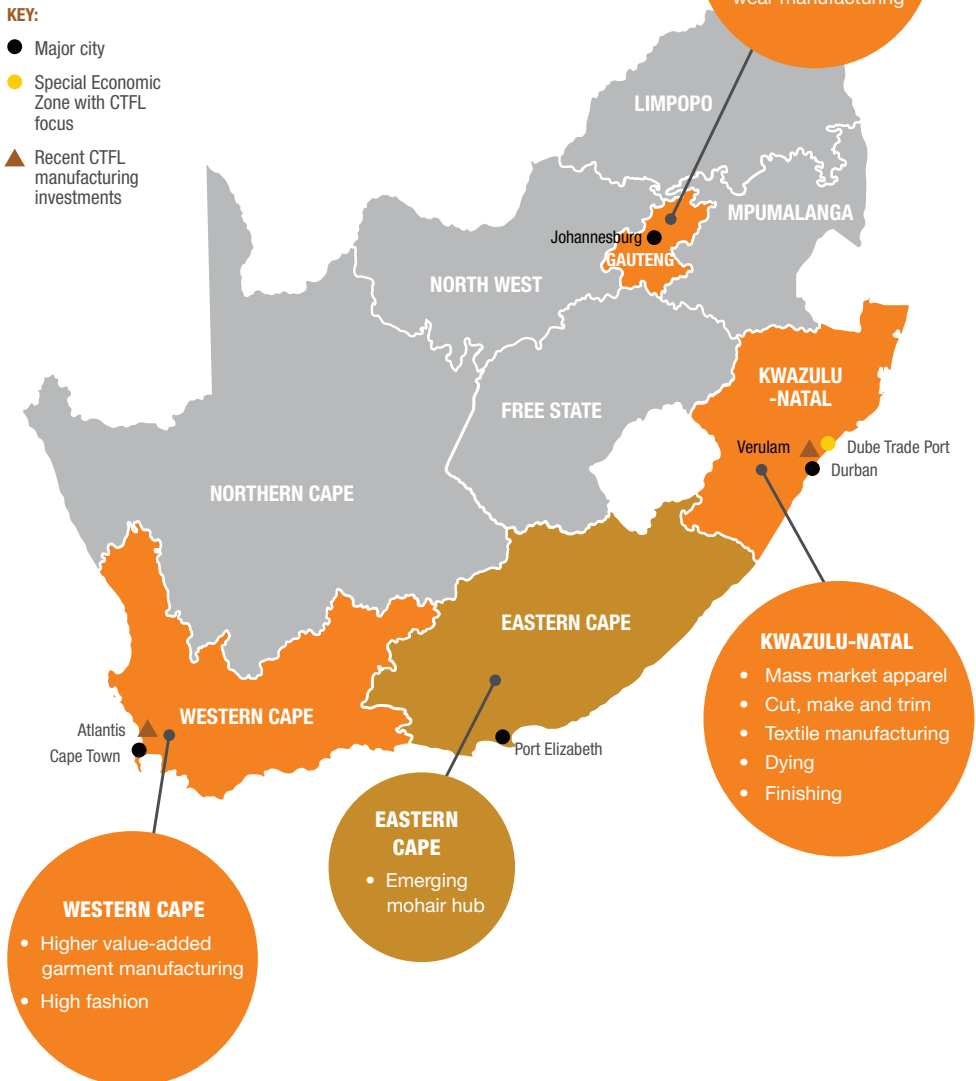
of CTFL products
sold in SA are
imported

Where to invest?

- > The South African CTFL manufacturing industry is mainly concentrated in the two coastal regions of KwaZulu-Natal and the Western Cape, as well as in Gauteng.
- > The Eastern Cape is an emerging hub in the CTFL sector. Thanks to its world leading mohair production, the province holds potential for value addition and manufacturing.
- > A Czech-owned state-of-the-art manufacturing facility for non-woven products based in Atlantis (Western Cape) began operations in 2019.
- > The recent launch of a multi-million-rand factory in Verulam, KwaZulu-Natal further contributes towards South Africa's CTFL manufacturing capacity.

KEY:

- Major city
- Special Economic Zone with CTFL focus
- ▲ Recent CTFL manufacturing investments



What support exists?

- > South Africa has committed to creating a competitive environment in the CTFL sector. Government support has been focused on programmes that encourage employment opportunities and competition in the industry.
- > The South African government and industry stakeholders continuously support the CTFL industry through several incentive programmes.



The Clothing & Textiles Competitiveness Programme (CTCP)

Managed by the Industrial Development Corporation (IDC), the CTCP includes:

- The Competitiveness Improvement Programme
- The Production Incentive Programme.



Strong tariff protection

Stronger tariff protection for the domestic industry within the rules of the World Trade Organisation provide a buffer against dumping.



Skills Development Support

- Funding for entrepreneurs in the industry
- Fibre Processing and Manufacturing (FP&M) Sector Education & Training Authority (SETA) Programme.



Value Chain Alignment (VCA)

The VCA programme, driven by the clothing industry clusters, aims at developing synergies between clothing and textile suppliers and the retailers.



In 2019:

US investor Mark Cuban and his partners invested in the manufacturing of a uniquely South African leather shoe, Veldskoen, taking the shoe global.



Since 2014:

A number of South African designers have showcased their designs at the acclaimed New York Fashion Week.

What are the opportunities?

- > Preferential public sector procurement provides significant impetus for supplier development in the CTFL sector, aiming at 100% local procurement.

Investment opportunities include:

- **Spinning, weaving** and finishing of textiles
- **Knitted and crocheted** fabrics and articles
- Manufacturing of **wearing apparel**
- Dressing and **dyeing of fur**
- **Leather skins** and hides beneficiation
- **Leather seat cover** manufacturing for the automotive industry
- Manufacturing of **protective clothing** for hazardous industrial environments, including for the mining and chemical industries
- Manufacturing of **school uniforms**
- Manufacturing of **uniforms for military and law enforcement**
- Manufacturing of **work-wear**

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

✓ InvestSA ready to assist

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 interviews, 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



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Information sources

Cape Clothing & Textile Cluster, 2019; Cotton SA, 2018; Department of Agriculture, Forestry and Fishery, 2016; Invest SA 2018; KwaZulu-Natal Clothing & Textile Cluster, 2019; MarketLine, 2018; Mohair South Africa, 2019; National Treasury and SARS, 2019; SAQA, 2019; Statista, various years; StatsSA, various years; Who Owns Whom, various years.

Research partner | **Deloitte.**



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