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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 2386

Mr S S Zondo (IFP) to ask the Minister of Trade, Industry and Competition:

- (1) With manufacturing contributing less than 13% to the gross domestic product in 2023, what specific, immediate steps is his department taking to (a) halt the decline and (b) stimulate growth in the sector;
- (2) how will his department assist smaller manufacturing firms to access global markets, given that over half of such firms currently export less than 5% of their output? NW3770E

RESPONSE

(1) (a)&(b)

The performance of the manufacturing sector cannot be analysed in isolation. The decline in economic growth was influenced by a myriad of factors such as significant rise in load-shedding, challenges with rail networks and ports, as well as global dynamics such as the geopolitical tensions, trade wars between our trading partners. Also, investment levels by the public sector, private sector and households have been low relative to the trading partners.

In addressing some of the challenges cited above, Government through initiatives such as Operation Vulindlela, the National Logistics Crisis Committee, and the National Electricity Crisis Committee has embarked on stabilising the supply of electricity and address the country's logistical challenges. As a result strong growth in fixed investment has been registered with gross fixed capital formation as a share of GDP improving from its lows of 13.2% in 2021 to 15.2% in 2023.

Further, the Department is in the process of developing an industrial policy strategy that is predicated on the importance of the manufacturing sector as a core element. The Industrial Policy will seek to bring higher levels of employment. The Industrial Policy will anchor targeted sectoral interventions to drive economic growth, jobs and inclusion through expansive projects focusing on new drivers of growth. It will also focus on building long term competitiveness in new sectors such as the digital and green economy. Interventions will focus on actions to support new investment, new product development, or industrial processes that support the digital transformation and green transition.

A suite of interlocking and cross-cutting tools will be deployed across the economy such as:

- A system of industrial finance and incentives to promote competitiveness, attract investments; support and create jobs and infuse technology and innovation.
- Leveraging Spatial and Industrial Infrastructure in order to decentralise economic activities. This points to the critical role of SEZs and Industrial Parks (IPs) programme and investment facilitation programme.
- Leveraging B-BBEE legislation to deepen transformation, broaden economic participation through enterprise and skills development programmes.
- Leveraging procurement to raise aggregate domestic demand and boost production for both local and export opportunities, creating jobs in the associated supply chains. Localisation is one of the identified strategic policy instrument to drive industrial development through induced demand.
- Regional integration and export led industrialisation to foster upward movement in global value chains, leveraging on the African Continental Free Trade Area (AfCFTA) and Preferential Trade Agreements.

- (2) The Department provides support measures aimed at enhancing export readiness and creating market access opportunities, which also focusses on smaller manufacturing firms accessing global markets. In support of the South African economy transitioning to an export-oriented economy, the Department will expand and improve the effectiveness of current export support measures, as well as

implement new export initiatives to facilitate the entry of additional exporters and further grow existing exports.

In the area of export development, the Department currently hosts awareness seminars in cooperation with provinces, aimed at profiling the opportunities linked to exporting and the support measures available to companies. The Department further undertakes training sessions as part of the Global Exporter Passport Programme (GEPP), aimed at upskilling exporters on international standards, compliance, and effective market entry strategies. Building on training initiatives, the department also selects qualifying companies to participate in the *Partnering in Business with Germany* mentoring programme. This programme, which is hosted in partnership with the German Federal Ministry for Economic Affairs and Climate Change, is designed to train and mentor emerging exporters from South Africa to access the German market.

In order to promote South African exports, the Department funds the participation of South African exporters in select international exhibitions and missions through the Export Marketing and Investment Assistance (EMIA) scheme. In this regard, companies receive financial support related to air tickets, subsistence, space rental, stand building, freight forwarding and marketing. These companies participate in international and local exhibitions with the aim of unlocking export opportunities in sectors such as Aerospace and Defence; Agro-Processing; Automotive; Boat Building; Cosmetics; Mining and Capital Equipment; Oil and Gas; Pharmaceuticals and Medical Devices; as well as Textiles, Clothing, Footwear and Leather to name a few.

The Department will in future implement *export champions* and *export bridges* programmes to facilitate greater participation of small firms in the export value chain.

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