the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 5620

Ms K A Christie (DA) to ask the Minister of Trade, Industry and Competition:

(1) With reference to his department's mission of growing the economy and its goals (details furnished), what are the relevant details of (a) his Theory of Change, (b) interventions, (c) outputs, (d) expected indicators and (e) outcomes;

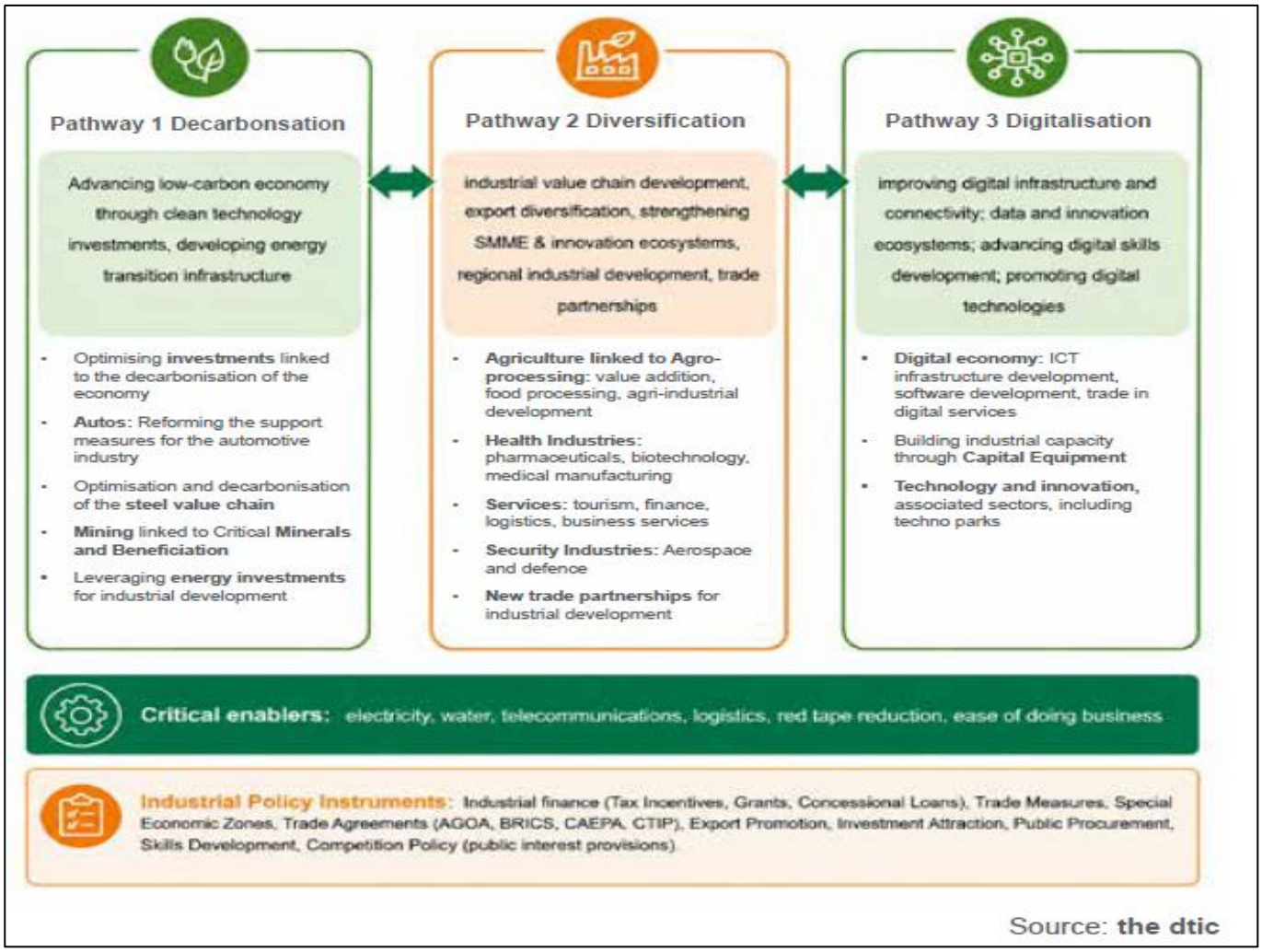
(2) whether he has found that his department's interventions are succeeding, given that the South African economy retracted in the second quarter of the year and the official unemployment rate has increased by 0,9% to 33,6%; if not, what is the position in this regard; if so, what are the relevant details? NW6069E

REPLY:

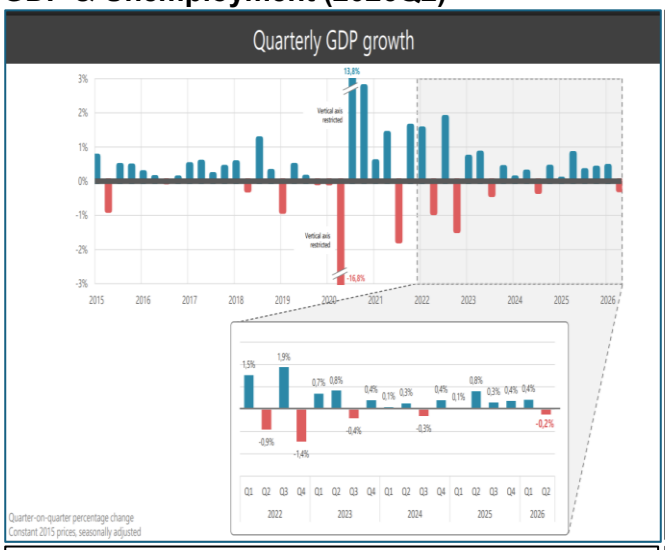
(1) (a) The Department of Trade, Industry and Competition (**the dtic**) promotes inclusive, sustainable economic growth by building a competitive and diversified industrial base, creating quality jobs, and advancing equitable economic transformation. The Industrial Development Strategy is guided by three policy pillars ("3D Industrial Policy"), Decarbonisation, Diversification, and Digitalisation.

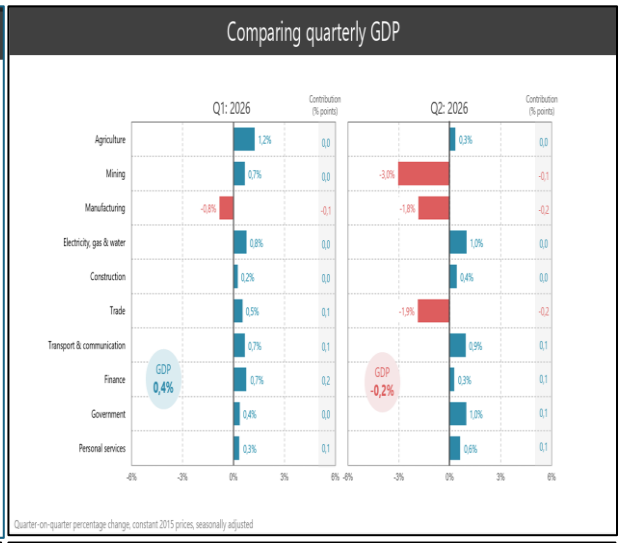
- ✓ Decarbonisation: Drives investment into green energy, green steel, and zero-emission vehicle local assembly. These measures protect existing industrial capacity, attract new investment, and future-proof exports under tightening global climate regulations.
- ✓ Digitalisation: Focuses on modernising productive sectors to match changing global economies. These measures enable productivity growth, innovation diffusion, and global competitiveness across manufacturing and services.

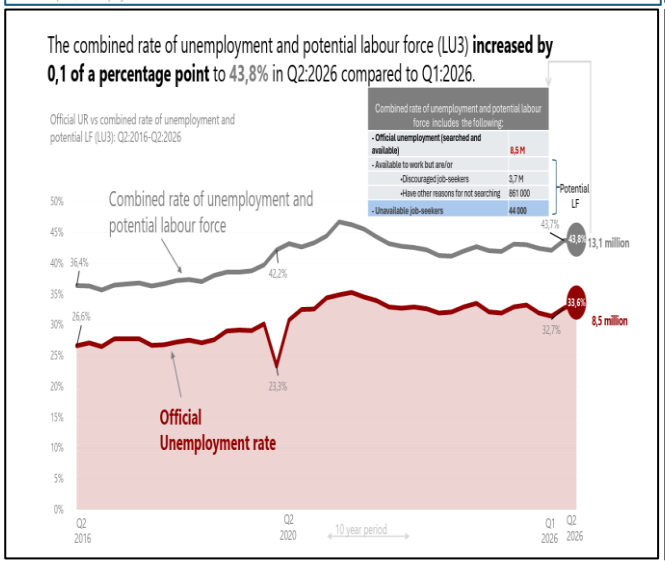
✓ Diversification: Broadens the economic base and lowers barriers to entry for new competitors. This pathway aims to broaden South Africa's industrial base, deepen linkages across sectors, and expand value-added exports, particularly into Africa under the AfCFTA.

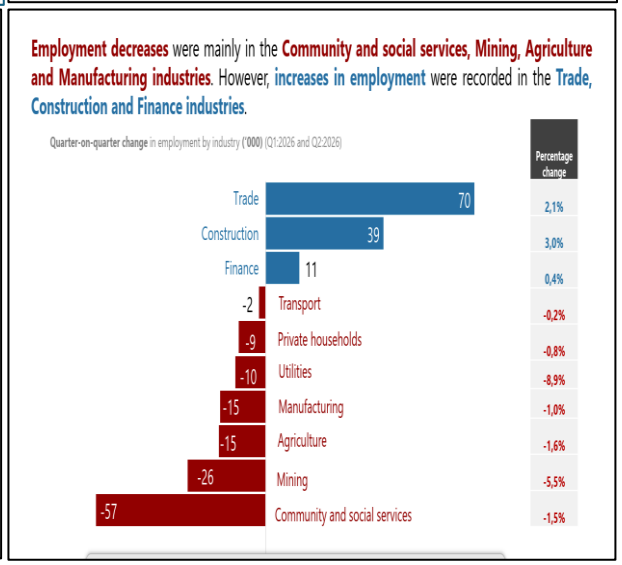


GDP & Unemployment (2026Q2)









South Africa's Industrial Development Strategy (2026) task is to assemble feasible, coordinated industrial-policy packages that align instruments with priorities and unlock coordination failures, so firms invest, learn, and upgrade**. Structural transformation provides the theory of change: the reallocation of capital and labour toward higher-productivity activities, alongside sectoral deepening into higher value-adding production, is a key driver of productivity growth, higher incomes, and sustained competitiveness.** It strengthens growth and competitiveness by enabling firms to build productive capabilities, diversify production activities, and develop domestic supply chains, supporting upgrading within and across sectors and more effective participation in global value chains. In South Africa, where structural transformation has been uneven and constrained by

low levels of investment, an explicit structural-transformation agenda is therefore central to accelerating growth and rebuilding a competitive.

Its Theory of Change sets out the interventions, outputs, indicators, and outcomes required to restructure South Africa's economy:

(b), (c), (d) & (e)

The Theory of Change

Element	Specification & Strategic Alignment
Interventions/Inputs	✓ Implementing the "3D Industrial Policy" across national focus sectors, that is through targeted master plans for key value chains, including the automotive and agro-processing sectors. ✓ Provide targeted industrial incentives through the Industrial Development Corporation (IDC) and National Empowerment Fund (NEF). ✓ Expand local manufacturing capacity, with a particular focus on the transition to New Energy Vehicles (NEVs). ✓ Use the Export Marketing and Investment Assistance (EMIA) scheme to coordinate trade missions. ✓ Apply Competition Commission mechanisms to reduce sector concentration and lower barriers for SMMEs. ✓ Infrastructure renewal programs (R188 billion planned for electrical transmission alone). ✓ Take advantage of African Free Trade Agreement and large BRICS market potential. ✓ Import substitution in alternative energy manufacturing (currently R17.5 billion annual imports). ✓ Water infrastructure modernisation. ✓ Transport and logistics private sector participation. ✓ Successful implementation of the Industrial Development Strategy aligned with the Medium-Term Development Programme for 2025–2029, to support the achievement of the following targets for the period 2025 to 2029.
Outputs	✓ Number of black industrialists, women-led, and youth-led enterprises financially supported. ✓ Value of domestic and Foreign Direct Investment (FDI) commitments secured at investment conferences. ✓ New export orders secured via international trade platforms and national pavilions. ✓ Revised regulatory structures deployed to streamline business registration and combat trade infractions.
Expected Indicators	✓ **R-value** of investment unlocked in greenfield and brownfield projects. ✓ Percentage growth in non-mineral exports to non-traditional markets. ✓ Improvements in Broad-Based Black Economic Empowerment (B-BBEE) levels and ownership shares across key industrial sectors. ✓ Number of jobs directly created or sustained through structural enterprise incentives. ✓ Average GDP growth of 3% a year. ✓ Value-added growth in the manufacturing sector to grow by 1%. ✓ Manufacturing exports to increase by 4.1%.

Outcomes	✓ Industrialisation and Economic Diversification: A resilient, diversified economy that is less dependent on natural resources and equipped for the transition to a low-carbon future. ✓ Transformation and Equity: Expanded market access for marginalised enterprises and SMMEs. ✓ Global Competitiveness: A stronger position in global value chains, supported by opportunities under the African Continental Free Trade Area (AfCFTA).

From the macroeconomic realities perspective, the table below summarise the South African Reserve Bank (SARB) forecast on selected macroeconomic variables.

SARB Forecast

2. Selected forecast results (annual)

Percentage changes (unless otherwise indicated)		Actual	Forecast				
		2025	2026	2027	2028	2029	Steady state
1.	GDP growth	1,1% (1,1%)	1,4% (1,2%)	1,7% (1,7%)	1,9% (1,9%)	2,0%	2,5%
2.	Output gap	-0,3% (-0,3%)	-0,2% (-0,4%)	-0,2% (-0,4%)	-0,1% (-0,2%)	0,0%	0,0%
3.	Nominal effective exchange rate	0,6% (0,6%)	7,9% (6,7%)	-3,7% (-2,9%)	-1,2% (-0,7%)	-0,2%	1,0%
4.	Real effective exchange rate	1,3% (1,3%)	9,0% (7,9%)	-2,4% (-1,6%)	-0,2% (0,1%)	0,8%	0,0%
5.	Real exchange rate gap	-0,2% (-0,2%)	6,5% (5,5%)	2,5% (2,2%)	0,3% (0,4%)	-0,1%	0,0%
6.	Unit labour cost	2,5% (2,5%)	5,3% (4,4%)	4,5% (4,4%)	3,3% (3,2%)	3,0%	3,0%
7.	SARB policy rate (end of period i.e. fourth quarter)	6,89% (6,89%)	6,79% (6,70%)	6,24% (6,04%)	5,95% (5,88%)	5,85%	5,50%
8.	Neutral real interest rate	2,76% (2,76%)	2,81% (2,81%)	2,90% (2,90%)	2,91% (2,92%)	2,85%	2,50%
9.	Current account balance (ratio to GDP)	-0,5% (-0,5%)	-0,5% (-0,6%)	-1,3% (-1,8%)	-1,6% (-1,8%)	-1,6%	

Source: *SARB*

(2) Assessing Intervention Success Against Macroeconomic Realities

The Minister and **the dtic** leadership recognise the second-quarter economic contraction and the increase in the official unemployment rate to 33.6% as serious structural concerns. However, these cyclical pressures do not mean that the department's core interventions are failing, rather, they reflect the scale of the legacy barriers and global economic shifts confronting South Africa.

- ✓ Long-Term Trajectory vs. Short-Term Volatility: Industrial policy works over long investment horizons. Targeted interventions, including the goal of facilitating more than 100,000 jobs through Special Economic Zones (SEZs) and Global Business Services, are designed to offset cyclical contractions.
- ✓ Transformation as an Economic Prerequisite: Broad-based economic transformation, local manufacturing, and B-BBEE are not merely compliance requirements, they are structural priorities for expanding the domestic consumer base, developing local skills, and supporting sustainable economic growth.
- ✓ Addressing Infrastructure and Cost Obstacles: Systemic disruptions, including logistics backlogs and energy costs, continue to constrain growth. the dtic is working with social partners, Government, Labour, and Business, to safeguard manufacturing capacity and develop the digital and green infrastructure needed to make local industries competitive.

The IDS recognises that industrial outcomes depend on enabling conditions and coordinated execution. Key enablers include:

- ✓ Infrastructure investment in energy, logistics, water, and digital networks, supported by public-private partnerships and localisation strategies.
- ✓ Reorient Special Economic Zones and Industrial Parks to deliver stronger development outcomes, deepen regional integration, and increase SME participation.
- ✓ Trade and industrial finance instruments, including tariffs, trade defence measures, public procurement, blended finance, and reinstatement of targeted tax incentives.
- ✓ Streamline regulations and improve the ease of doing business by reducing red tape, accelerating approvals, and strengthening investment facilitation.

Conclusion

The current strategic framework remains fundamentally sound. The short-term contraction underscores the urgency of accelerating the three policy pillars so that South Africa can transition to a value-adding, export-oriented economy capable of creating sustainable jobs.

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