



## **MANUFACTURING SUBSECTORS**

### **Furniture and manufacturing activities not elsewhere classified**

**December 2017**

Industrial policy aims to promote diversification and tailor interventions to the needs of individual manufacturing industries. To support evidence-based policymaking, TIPS has completed a series of notes on the main manufacturing subsectors in South Africa. These briefing notes provide information on the contribution to the GDP, employment, profitability and assets, the market structure and dominant producers, major inputs and international trade. They bring together data from Statistics South Africa, Quantec and Who Owns Whom to provide a more detailed overview of each sector.

This note summarises key data and information on the furniture and manufacturing activities not elsewhere classified subsector as of December 2017. It will be updated as information becomes available.

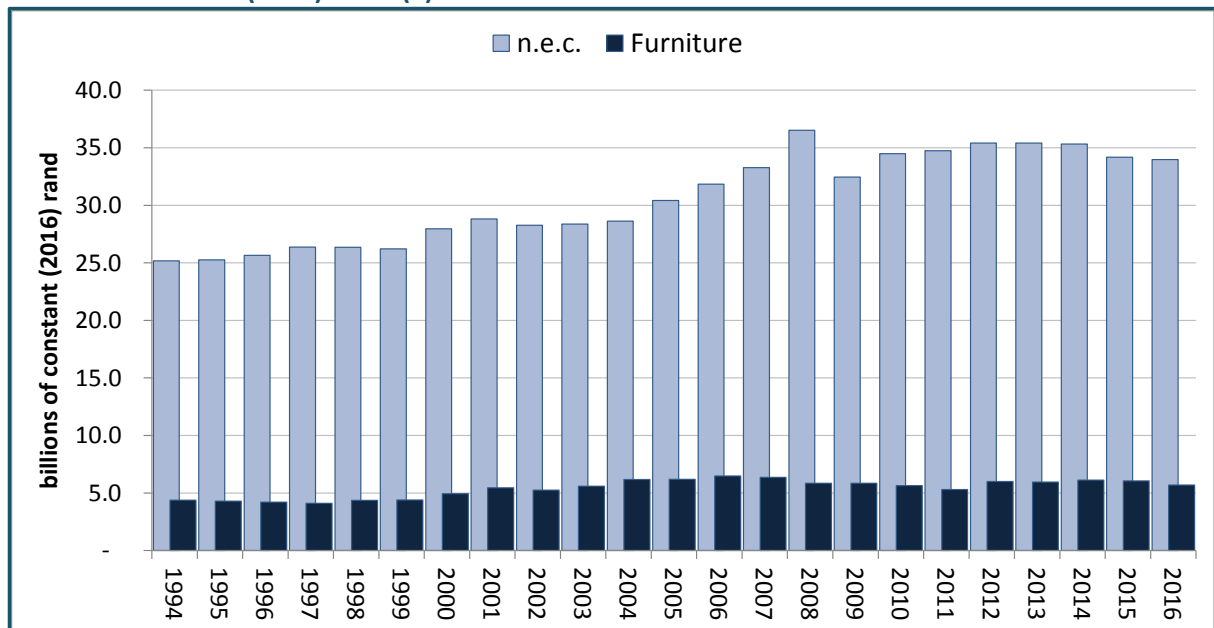
In the standard statistical system, furniture is aggregated with a residual “not elsewhere classified” or “n.e.c.” category, which covers small and hard to classify activities, amongst others jewellery, musical instruments, toys, and recycling. Statistics South Africa aggregates furniture and n.e.c. manufacturing, but Quantec estimates separate the two. Furniture is only about a fifth of the furniture and n.e.c. category, according to Quantec estimates.

## 1 Contribution to GDP

Data for the contribution of manufacturing industries to the GDP (that is, for value add by industry) comes from two sources: the GDP data published by Statistics South Africa, and Quantec, which develops estimates based on the Statistics South Africa figures for sales, production and employment by industry and sub-industry. Its estimates for furniture and n.e.c. manufacturing add up to the same sum as that provided by Statistics South Africa.

According to Quantec estimates, furniture production climbed by under 2% a year from 2002 to 2008. In contrast, n.e.c. manufacturing expanded by 4% a year in this period. Both industries saw virtually no growth from 2008 to 2016.

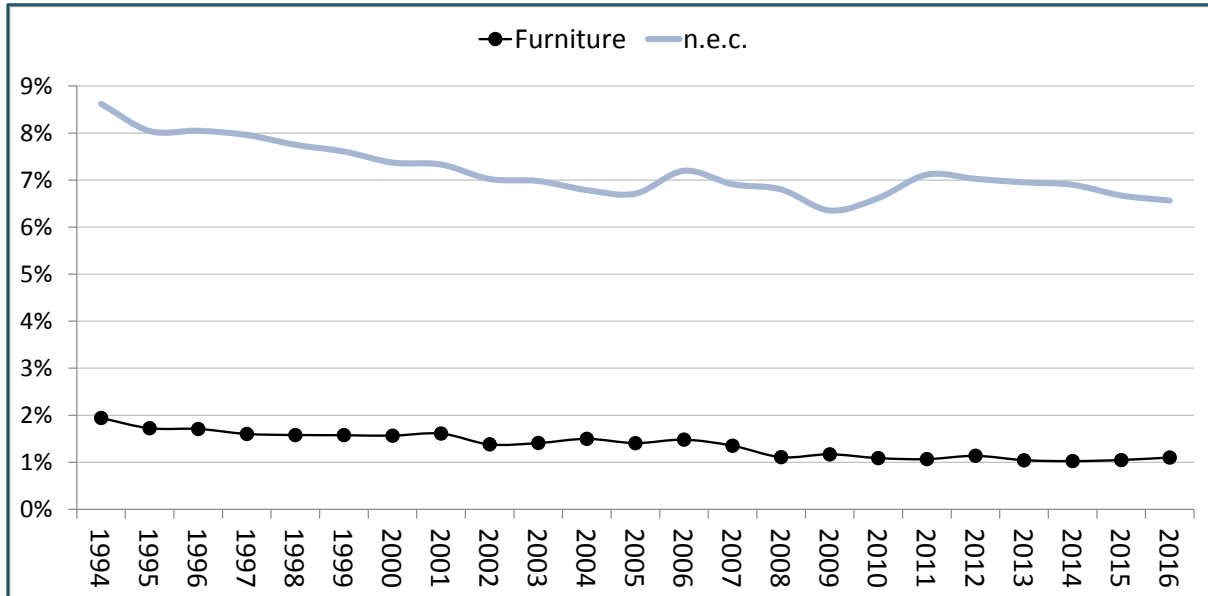
**Graph 1. Quantec estimates of value added in furniture and n.e.c. manufacturing, 1994 to 2016, in billions of constant (2016) rand. (a)**



Note: (a) Deflated by calculating the deflator used in the sources from figures in current and constant rand, and then rebasing to 2016. Source: Quantec EasyData. Standardised regional data. Database in electronic format. Series on value added in current and constant rand. Downloaded from [www.quanis1.easydata.co.za](http://www.quanis1.easydata.co.za) in September 2017.

According to Quantec’s estimates, the share of furniture in total manufacturing added fell from 2% in 1994 to 1% in 2008, then stabilised. N.e.c. manufacturing dropped from 8,5% in 1994 to around 6,5% in 2009, then fluctuated around 7%.

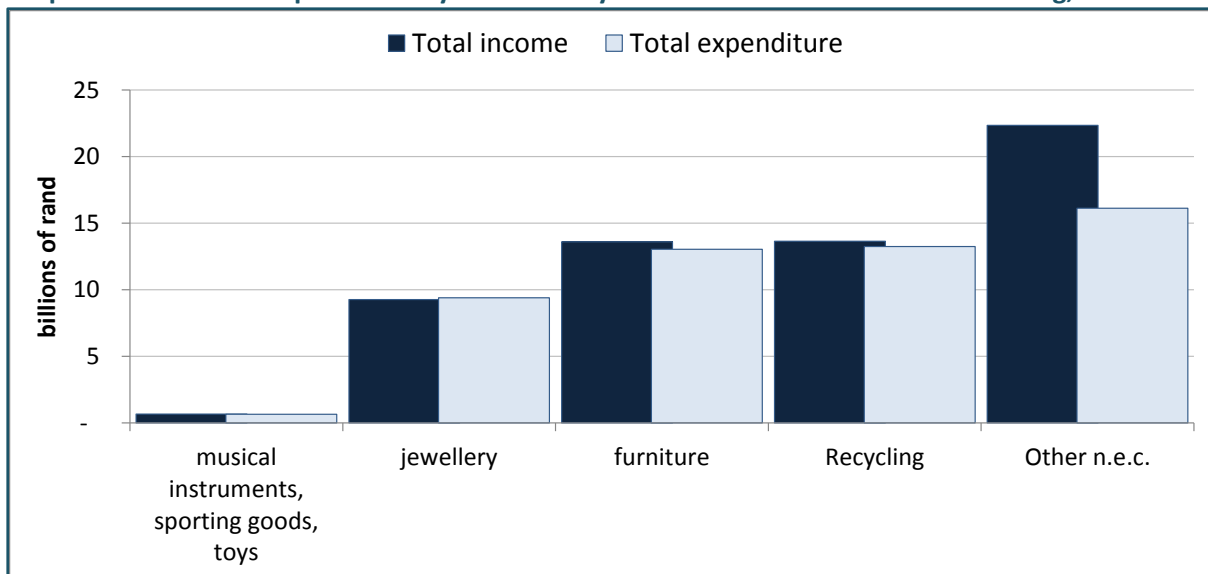
**Graph 2. Furniture and n.e.c. manufacturing contribution to manufacturing value added**



Source: Calculated from Statistics South Africa, GDP P0441. Annual quarter and regional revisions. Q4 2016. Excel spreadsheet. Series on manufacturing subsectors in current rand. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017; and Quantec EasyData. Standardised regional data. Database in electronic format. Series on value added in current rand. Downloaded from [www.quanis1.easydata.co.za](http://www.quanis1.easydata.co.za) in September 2017.

The main sub-industries in the n.e.c. category were jewellery and recycling.

**Graph 3. Income and expenditure by sub-industry in furniture and n.e.c. manufacturing, 2014**



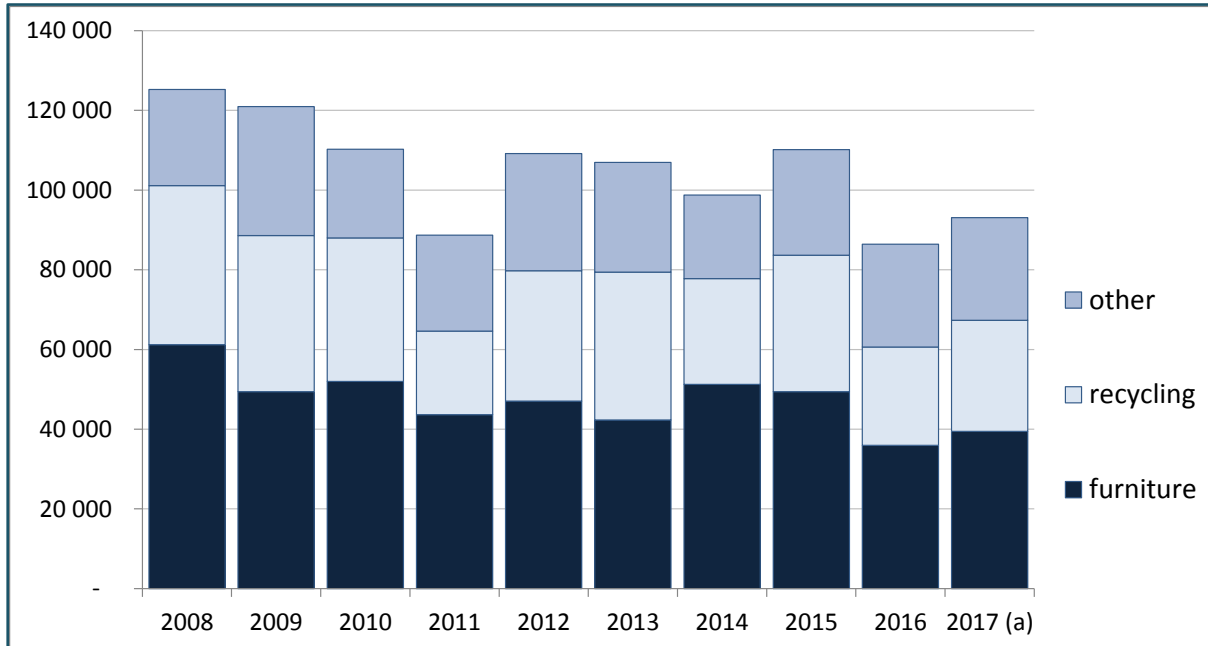
Source: Statistics South Africa. 2016. Manufacturing Industry: Financial. Table 3.

## 2 Employment

Employment data provided in this section draw on Statistics South Africa’s Quarterly Labour Force Survey, which was introduced in 2008. Its annual figures, in the Labour Market Dynamics, are averages of the quarterly findings. This methodology is used to derive annual data for total employment by industry in 2016 and the year to the third quarter of 2017.

Statistics South Africa finds that employment in furniture and recycling dropped from 2008 to 2016 by around 30 000 or about a third.

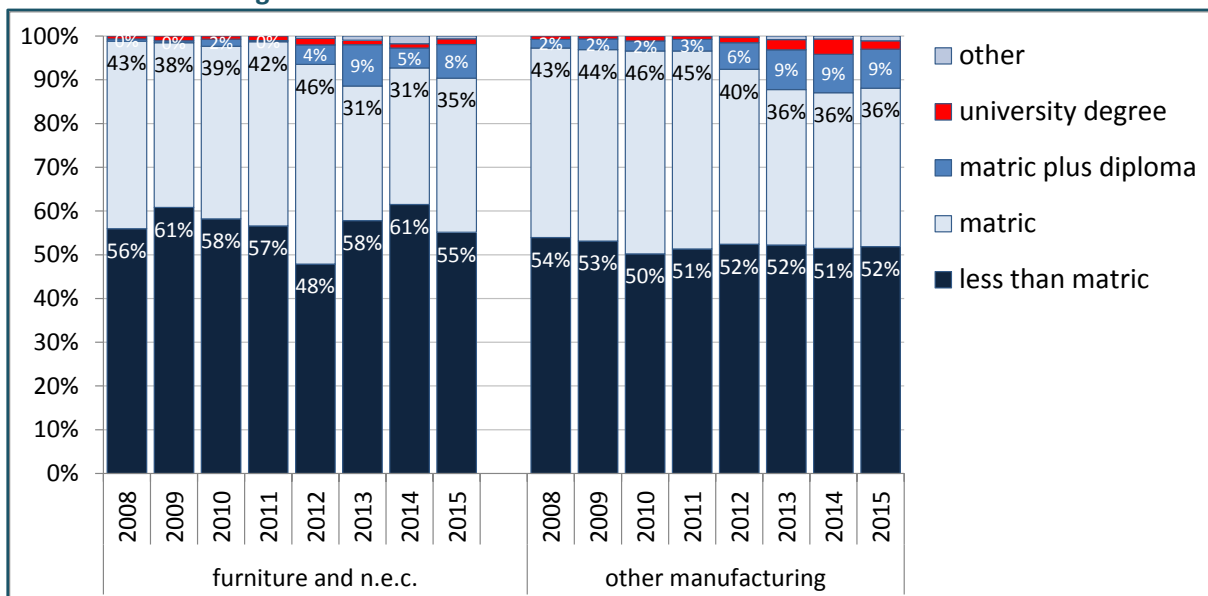
**Graph 4. Employment in furniture and n.e.c. manufacturing**



Note: (a) Calendar years except for 2017, which is the year to the third quarter. Source: Calculated from Statistics South Africa. Labour Market Dynamics. 2008 to 2015. Series on employment by industry. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in September 2017; and Quarterly Labour Force Survey. Q1 2016 to Q3 2017. Series on employment by industry. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in December 2017.

Education levels in furniture and n.e.c. manufacturing were slightly lower than in the rest of manufacturing. In 2015, 55% of workers in the industry did not have matric, compared to 52% in the rest of manufacturing. The share of workers with university degrees was also significantly lower than in other manufacturing industries.

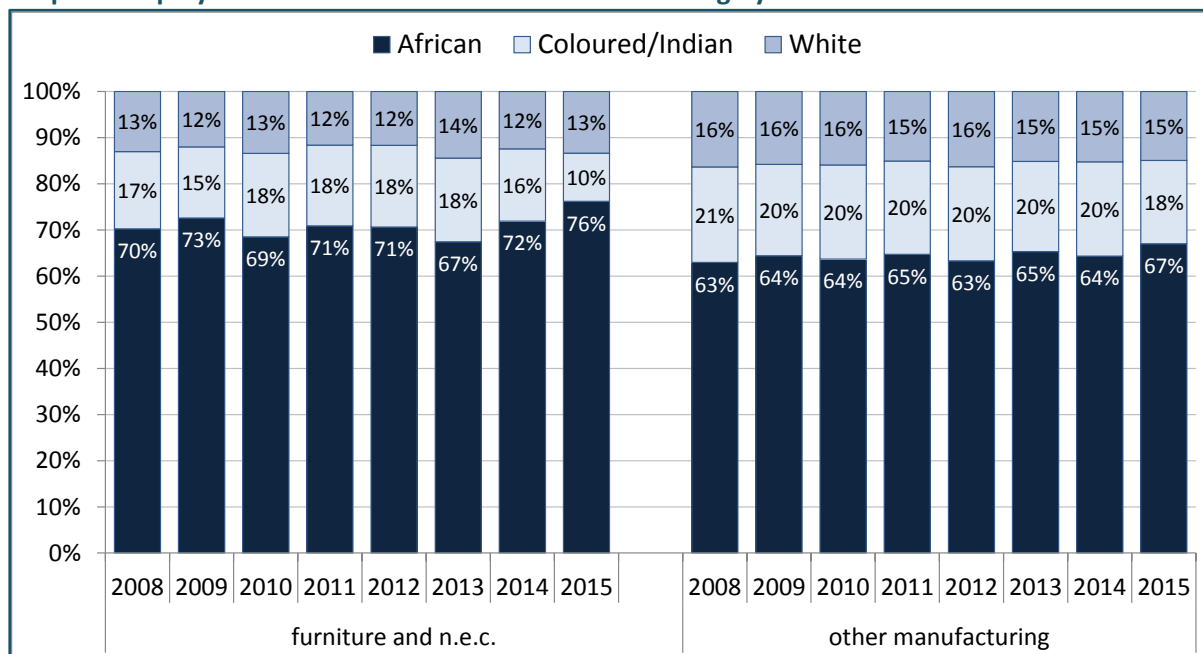
**Graph 5. Employment by education level in furniture and n.e.c. manufacturing compared to the rest of manufacturing**



Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and education. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in September 2017.

Workers in furniture and n.e.c. manufacturing were somewhat more likely to be African. In 2015, Africans constituted 76% of employment in furniture and n.e.c. manufacturing, compared to 67% in other manufacturing. The increase in the share of Africans from 2013 in furniture and n.e.c. manufacturing coincides with the decline in employment in the industry in the Western Cape.

**Graph 6. Employment in furniture and n.e.c. manufacturing by race**



Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and population group. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in September 2017.

Women made up around 30% of the labourforce in furniture and n.e.c. manufacturing, similar to that for the rest of manufacturing. For both women and men, employment in furniture and n.e.c. manufacturing accounted for around 5% of total manufacturing jobs.

**Graph 7. Employment in furniture and n.e.c. manufacturing and the rest of manufacturing by gender**

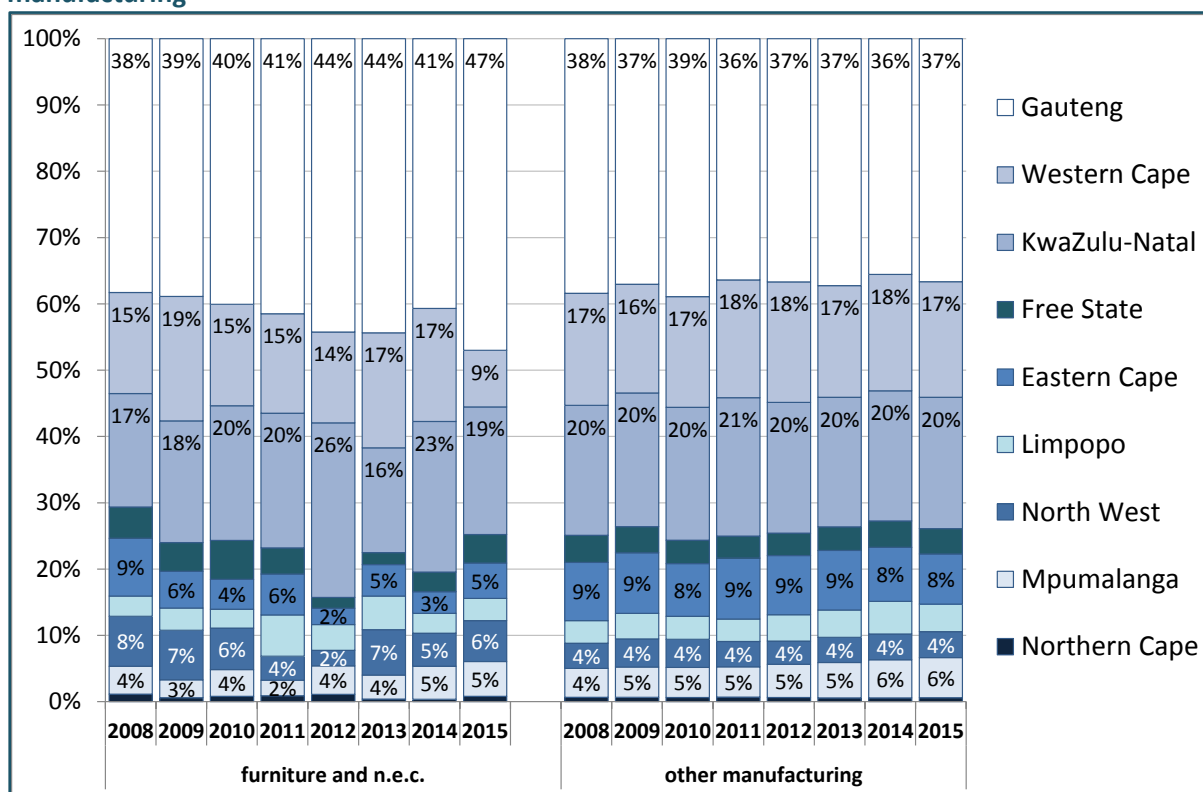


Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and gender. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in September 2017.

### 3 Location

Statistics South Africa provides information on employment by province. As the following graph shows, Gauteng was the largest employer in furniture and n.e.c. manufacturing, accounting for close to 50% of the labourforce. Its share apparently climbed from 2008, while the share of the Western Cape declined. KwaZulu Natal was the second largest province for employment in furniture and n.e.c. manufacturing, at around 20% of the total.

**Graph 8. Employment by province in furniture and n.e.c. manufacturing compared to the rest of manufacturing**



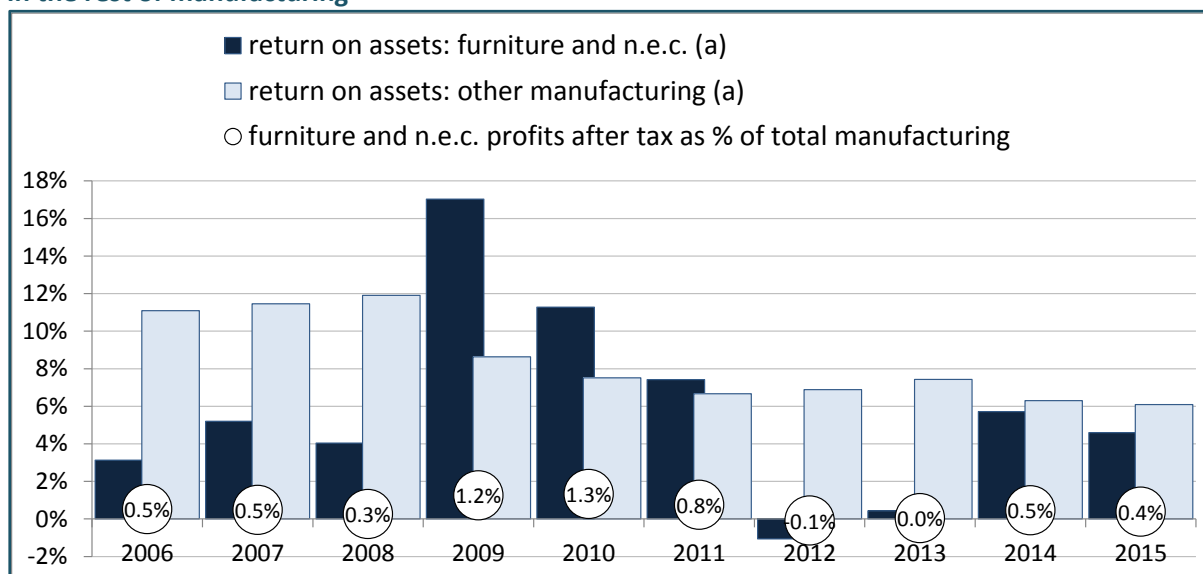
Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and province. Electronic databases. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) Nesstar facility in September 2017.

The location of manufacturing can also be understood in how it was embedded in apartheid geography. To this day, only a tenth of manufacturing employment is in the former so-called “homeland” regions, where around a quarter of the population lives. In the case of furniture and n.e.c. manufacturing, around 11% of total employment was in the former “homeland” regions from 2008 to 2015, virtually the same as for manufacturing as a whole.

### 4 Profitability and assets

From 2008, the after-tax return on assets in furniture and n.e.c. manufacturing averaged 6% a year. That was a lower rate than in the rest of manufacturing, where returns averaged 8% a year. Profitability in the industry appeared to be highly variable. Furniture and n.e.c. manufacturing provided around 1% of all manufacturing profits.

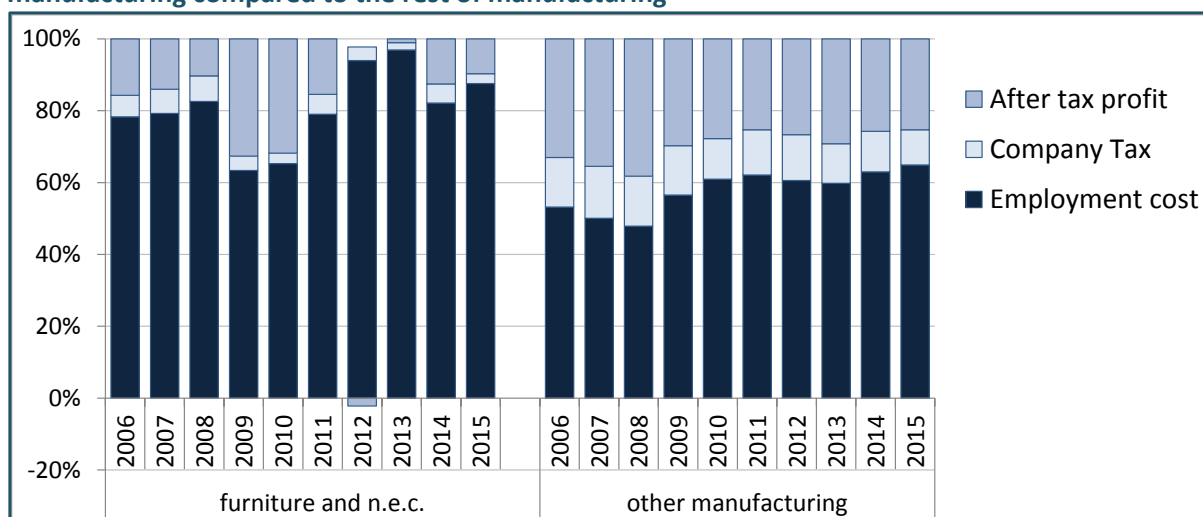
**Graph 9. Return on assets (a) in furniture and n.e.c. manufacturing and in manufacturing as a whole, and after-tax profits in furniture and n.e.c. manufacturing as percentage of after-tax profits in the rest of manufacturing**



Note: (a) Profits before taxes and dividends less company tax as percentage of total assets. Source: Calculated from Statistics South Africa. Annual Financial Statistics. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

Remuneration was unusually high in furniture and n.e.c. manufacturing compared to profits. Between 2008 and 2015, employment costs averaged 82% of income in furniture and n.e.c. manufacturing, compared to 59% in the rest of manufacturing. After-tax profits in furniture and n.e.c. manufacturing came to 14%, but in the rest of manufacturing to 28%. Company taxes accounted for an average of 4% of income from furniture and n.e.c. manufacturing, compared to 12% for the rest of manufacturing.

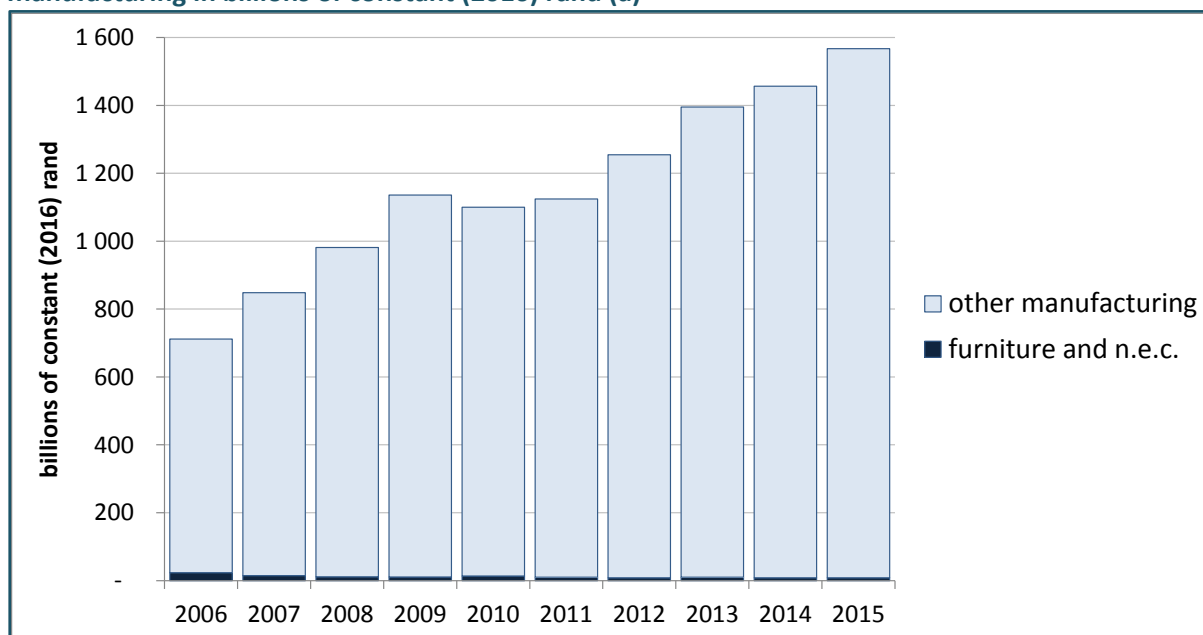
**Graph 10. Share of remuneration, profits and taxation in income from furniture and n.e.c. manufacturing compared to the rest of manufacturing**



Source: Calculated from Statistics South Africa. Annual Financial Statistics. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

The value of furniture and n.e.c. manufacturing assets dropped by 26% from 2008 to 2015, from R12 billion to R9 billion. In the same period, the assets in the rest of manufacturing rose 61%. The share of furniture and n.e.c. manufacturing in total manufacturing assets came to around 1% of the total.

**Graph 11. Value of total assets in furniture and n.e.c. manufacturing and in the rest of manufacturing in billions of constant (2016) rand (a)**

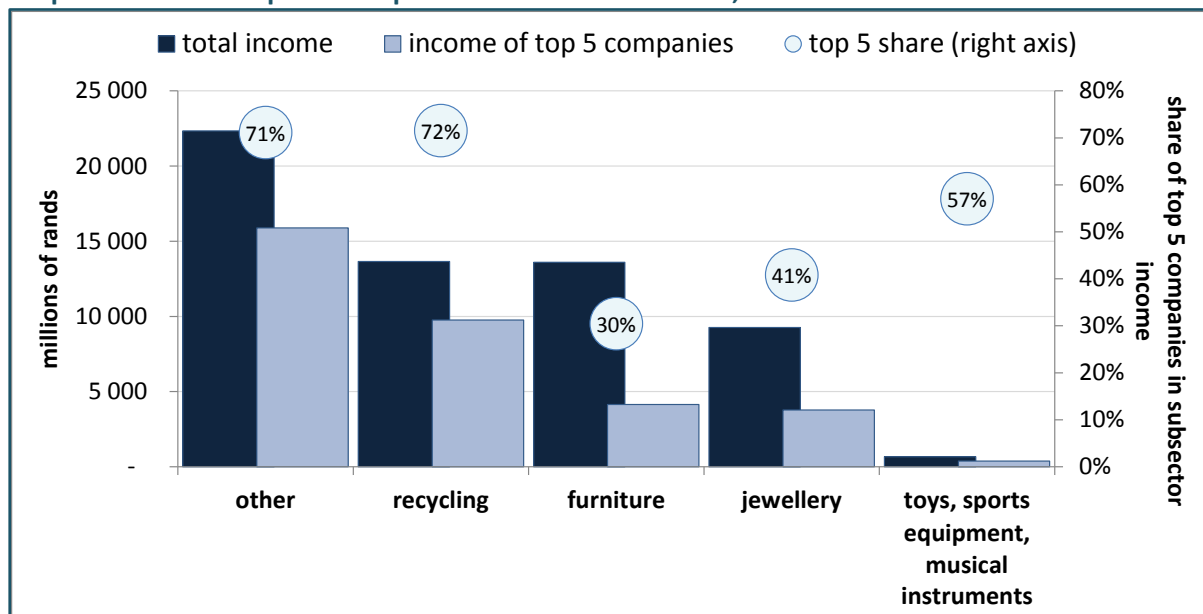


Notes: (a) Deflated with CPI. Source: Calculated from Statistics South Africa. Annual Financial Statistics. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in September 2017.

## 5 Market structure and major companies

According to Statistics South Africa’s Manufacturing Financial Statistics, the share in total income of the largest five companies in furniture and n.e.c. manufacturing was 39%. At the subsector level, however, the figure ranged from over 70% for recycling to 30% in furniture.

**Graph 12. Share of top five companies in sub-sector income, 2014**



Source: Calculated from Statistics South Africa. 2016. Manufacturing Industry: Financial, 2014. Pretoria. Table 9, p 33, ff.

In 2015, the Labour Market Dynamics Survey found around 7 000 formal enterprises (that is, employers and self-employed) in formal furniture and n.e.c. manufacturing, compared to a total of



around 60 000 in manufacturing as a whole, and 671 000 for the entire economy. The number of formal companies found in formal furniture and n.e.c. manufacturing was too small to analyse.

The largest companies in furniture, jewellery and recycling are described in Table 1. The industry includes a number of small furniture producers that meet the needs of local retail chains; a dominant multinational luxury brands retailer, Richemont; and a number of waste-disposal companies that include recycling in their offerings. Steinhoff Africa, a subsidiary of a European multinational, plays an important role in the furniture sector through its control of retail chains (Barnetts, Joshua Doore, Price 'n Pride, Russels, Bradlows and Morkels) and because it owns 42% of KAP Industries, which has sizeable lumber, chipboard and mattress factories in South Africa.

**Table 1. Market structure for major furniture and n.e.c. manufacturing products**

Company	Employees	Sales (R billions)	Assets (R billions)	Nature of business
<b>Furniture</b>				
Bravo Group	4 950			Manufactures household furniture, beds and mattresses at three factories.
Bidvest Office	4 182	10,1		Manufactures and distributes office furniture including through Bidvest Waltons, Dauphin South Africa and Seating.
Coricraft Group	2 200			Produces and designs home furniture and bedding from three factories with 115 retail outlets in SA, Namibia and Botswana.
KAP Industrial Holdings	18 995	19,8	27,0	In addition to its core automotive business, produces mattresses at six factories in SA. Steinhoff owns 42% of KAP.
Fair Discounters	1 000			Manufactures, imports and retails furniture and appliances with 96 stores.
Style Collections	860			Manufactures lounge suites in two factories in KwaZulu Natal for furniture retail chains.
Motani Lounge	650			Manufactures wooden and upholstered furniture, supplying major furniture stores from six factories.
Pilot Furniture	450			Manufactures household furniture for retail chains.
Strandfoam Group	380			Manufactures and distributes mattresses.
Restonic	350	360		Manufactures beds at one factory.
William Tell Holdings	302	0,2	0,3	Manufactures wood-based panels and furniture at a single factory.
Ukhuni Business Furniture	283			Manufactures office furniture for major financial and other companies.
Kiran Sales	220			Manufactures bedsets for chain and independent retail at a single factory.
Nictus	50	0,04	5,9	Retail of household furniture, electrical appliances, and home electronics.
<b>Jewellery</b>				
Richemont	28 810 (8 000 in SA)	151,7	287,3	Produces various luxury brands in jewellery, fashion and other industries.
SA Mint Company (RF)	420	1,0		Manufactures coins for the South African Reserve Bank.

Company	Employees	Sales (R billions)	Assets (R billions)	Nature of business
Taste Holdings Luxury Goods Division	370	0,3		Vertically integrated, partly franchised jewellery chain with 90 NWJ, Arthur Kaplan and World's Finest Watches outlets; 45% of sales are manufactured in Durban, a further 38% sourced locally and 22% are imported.
South African Manufacturing Jewellery	220	150		Manufactures machine-made mass-produced cast and pressed gold and silver jewellery, for local retailers and some export.
Universal Mint	6	70		Private mint with contracts with various central reserve banks worldwide.
<b>Recycling</b>				
Nampak	6 678 (4 185 in SA)	19,1	24,1	In addition to core packaging business, collects and recycles cans through its Collect-A-Can subsidiary.
Mpact	4 998	10,1	8 712,20	In addition to its core paper and plastic business, Mpact Paper recycles paper for use in the production of cartonboard and containerboard, with 16 recycling sites.
Pikitup Johannesburg	4 222	2,1		Comprehensive waste collection for Johannesburg, including recycling
Interwaste Holdings	2 400	0,9	1,0	Waste disposal and recycling mostly in SA, Mozambique and Namibia.
EnviroServ Waste Management	2 400			Transport and disposal of hazardous waste, including recycling.
Reclamation Group	1 480			Recycles ferrous and non-ferrous metal products, e-waste, oil, rubber, paper, cardboard and plastic products, as well as aluminium ingots and pellets with 40 collecting, processing and production facilities located across Southern Africa.
Zimco Group	1 475			In addition to core business in metals and plastics engineering, recycles scrap lead and plastic battery cases.
Averda SA	1 278			Waste disposal and recycling for industries and health care.
Transpaco	1 254	1,6	0,9	Manufactures, distributes and recycles plastic, paper and board products.
SA Copperworks	1 200			Recycles all forms of ferrous and non-ferrous metals across Southern Africa.
SA Metal Group	1 200			Metals trading including scrap.
WastePlan	1 000			Recycling and reducing waste to landfill for Cape Town.
Remade Holdings	450			Buys used paper, plastic, glass and metal, recycles it and re-sells it to companies such as Mondi, Sappi and Consol Glass.
Oricol Envi- ronmental Services	400			Waste disposal for community and industrial sites.
Extrupet	390	0,3		Recycles plastic bottles, converting them into plastic chips for export worldwide; also produces food-grade recycled polyethylene terephthalate (rPET) resin for local sale.

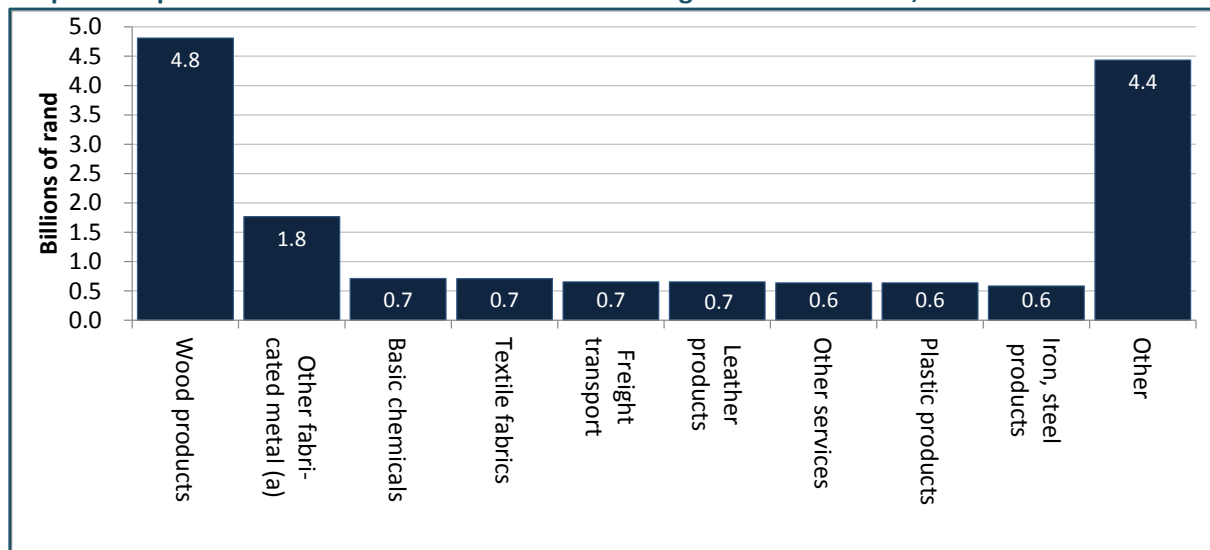
Company	Employees	Sales (R billions)	Assets (R billions)	Nature of business
Harsco Metals SteelServ	289			Removes iron and steel waste for Mittal Steel.
Amalgamated Metals Recycling	230			Recycles ferrous and non-ferrous metals from two sites.
Consolidated Waste	216			Waste disposal and recycling mostly for companies, including production of South African Bureau of Standards (SABS) approved bricks from recycled builders' rubble.
Neopak Recycling	120	0,6		Recycles all goods including glass, paper and plastic, with three sorting factories.
Transpaco Recycling	95	0,1		Recycles post-consumer plastic waste from industrial, retail, farm and land fill sites; supplies polymer across Africa.
Ben Jacobs Iron and Steel	42	0,1		Processes ferrous and non-ferrous scrap metal for the steel industry worldwide.
Metalco Recycling	n.a.			Recycling and sale of ferrous and non-ferrous metal to end users, mainly foundries, with six shredder plants and 13 shear presses.

Source: Who Owns Whom. Report Generator. Electronic database. Downloaded from [www.woweb.co.za](http://www.woweb.co.za) in November 2017.

## 6 Major inputs

The main inputs into furniture manufacturing are wood and fabricated metal products. In constant rand, the value of inputs remained almost unchanged from 2012 to 2015. Wood products and fabricated metal products constituted 44% of all inputs.

**Graph 13. Inputs into furniture and n.e.c. manufacturing in billions of rand, 2015**



Source: Calculated from Statistics South Africa. Statistics South Africa, GDP data in excel format, Fourth Quarter 2017. Use Tables. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in October 2017.

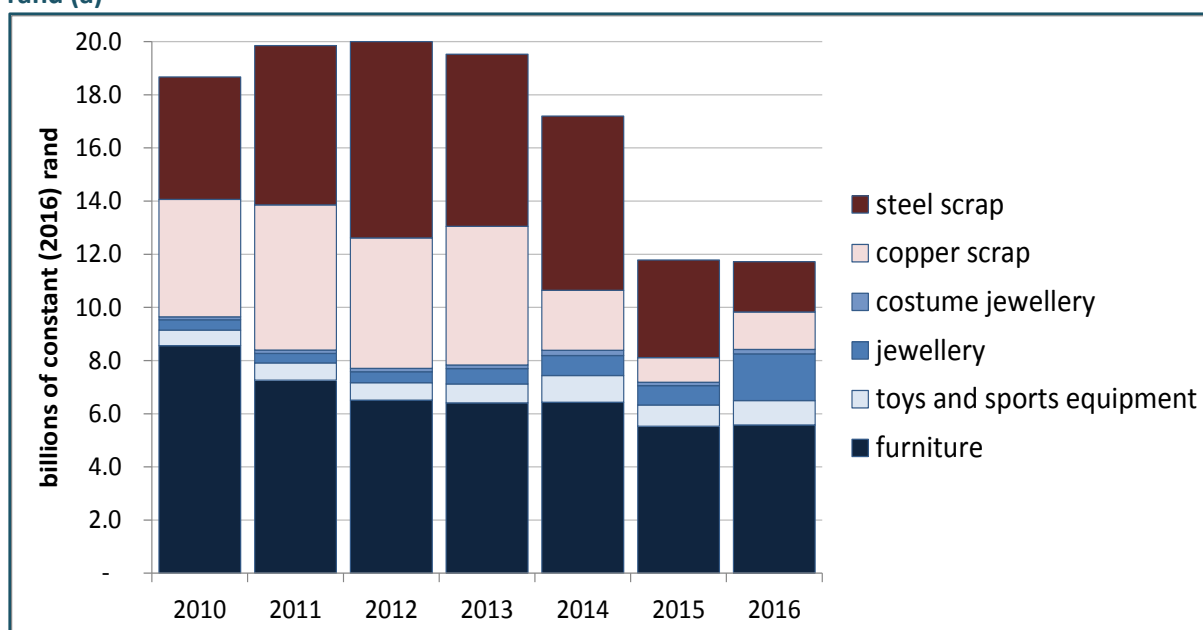
In 2015, the main inputs into unclassified manufacturing, which is mainly recycling, jewellery and toys, were wastes and scraps, and minerals other than metals. These products constituted around half of all inputs into these activities.

## 7 Trade

Trade in furniture and n.e.c. manufacturing equalled around 1% of exports and 1,7% of imports in 2016.

Furniture and scrap metals (from recycling) are by far the largest exports in the category of furniture and n.e.c. manufacturing. These products have, however, seen a sharp decline in exports in real terms. In particular, from the end of the commodity boom in 2012 through 2016, copper and steel scrap exports dropped by three quarters in constant rand. The decline in metal scrap exports was also affected by government efforts to discourage them in an effort to control theft of metal products and to reduce the price of scrap for local refineries and foundries.

**Graph 14. Exports in the furniture and n.e.c. manufacturing category in billions of constant (2016) rand (a)**



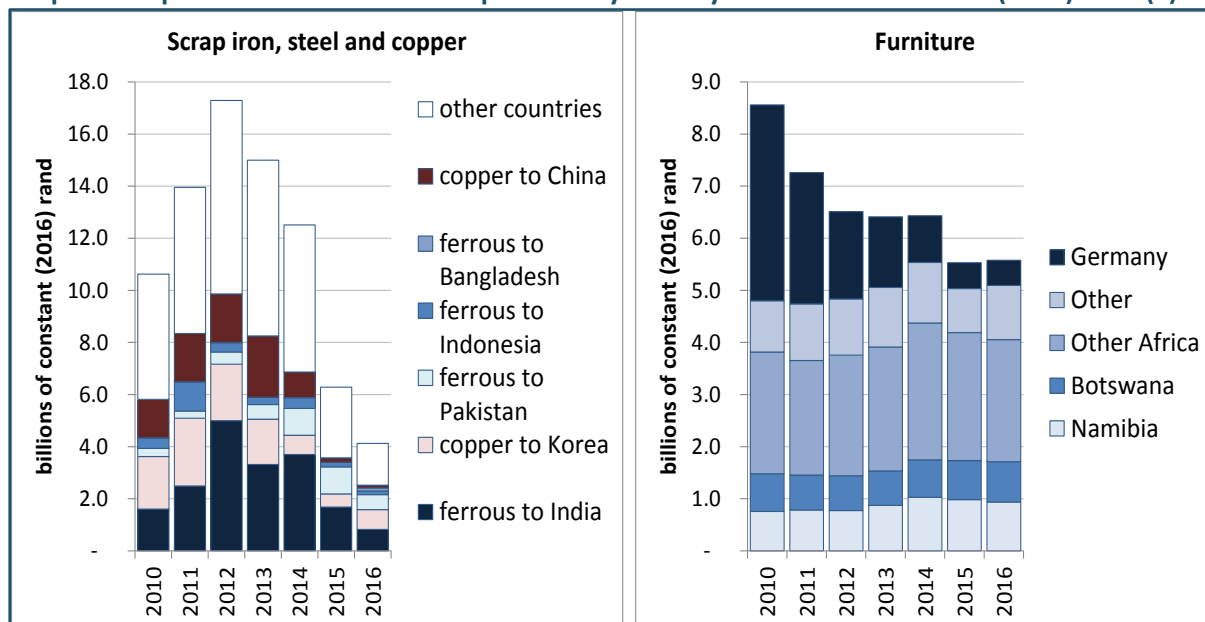
Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on exports of furniture, toys and sports equipment, jewellery, steel and copper scrap. Downloaded from [www.trademap.org](http://www.trademap.org) in November 2017.

The decline in furniture exports resulted principally from a rapid fall in exports to Germany, presumably as a result of extensive restructuring at Steinhoff in the past few years. A tenth of furniture exports went to Germany in 2016, down from a third in 2016. Virtually all the rest went to other African countries, with a modest increase in value in constant rand over the period.

Most scrap metals exports went to Asia.

Jewellery exports, which more than quadrupled from 2010 to 2016 to reach R1,8 billion in 2016 rand, went almost exclusively to the US.

**Graph 15. Exports of furniture and scrap metals by country in billions of constant (2016) rand (a)**

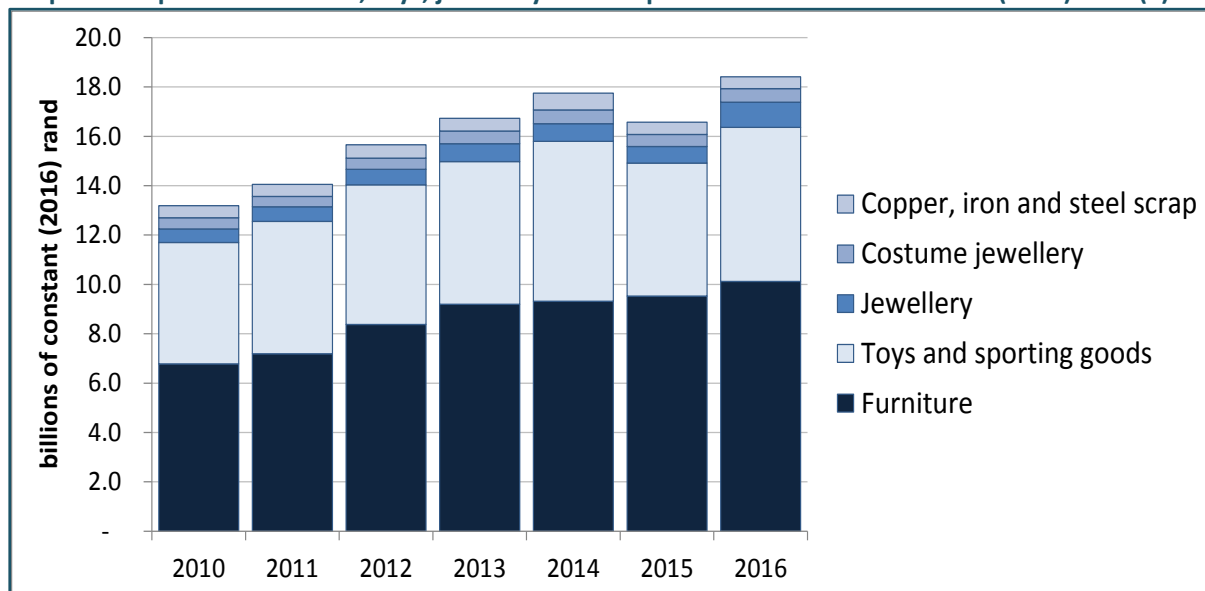


Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on exports of furniture, ferrous metals and copper scrap. Downloaded from [www.trademap.org](http://www.trademap.org) in November 2017.

In terms of imports, the dominant subsectors in furniture and n.e.c. manufacturing were furniture and toys – not surprising, since South Africa tends to export commodities and import manufactures.

In 2016, South Africa ran a R5 billion deficit on toys and sporting goods, and R4 billion on manufactures. Its imports of jewellery were more or less balanced with exports. It imported almost no scrap metal.

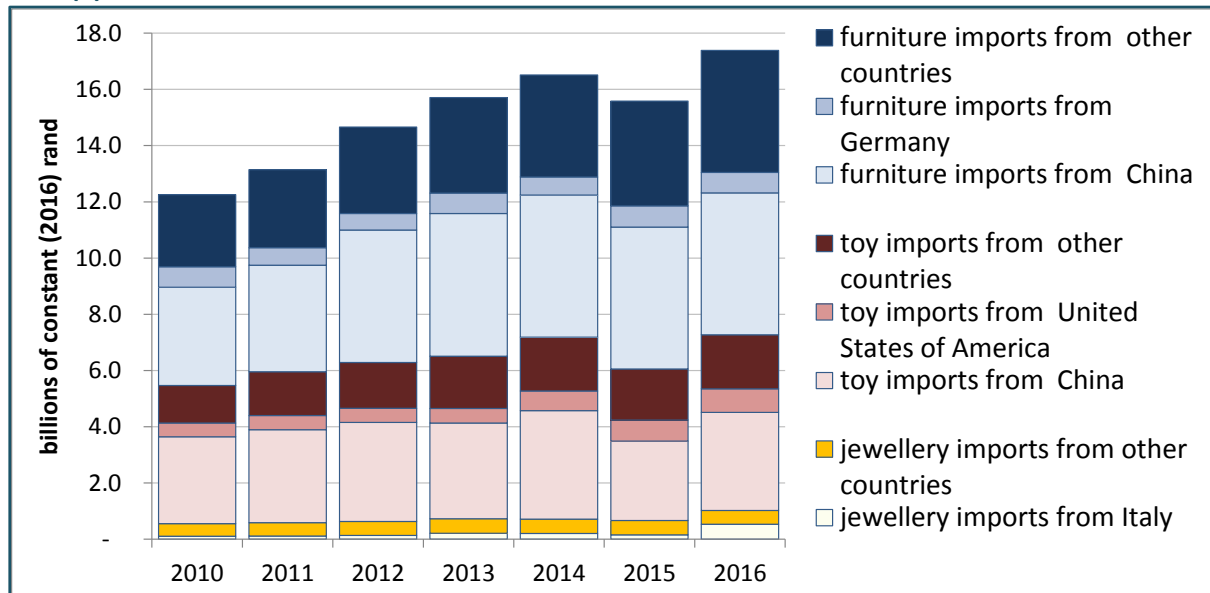
**Graph 16. Imports of furniture, toys, jewellery and scrap metal in billions of constant (2016) rand (a)**



Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on imports of furniture, toys and sports equipment, jewellery, steel and copper scrap. Downloaded from [www.trademap.org](http://www.trademap.org) in November 2017.

China has become the dominant source of imported light manufactures globally, and also for South Africa. In particular, it provides half of furniture and toy imports. It is not, however, an important source of jewellery imports, half of which come from Italy. Most other imports of furniture, toys and jewellery come from industrialised economies.

**Graph 17. Imports of furniture, toys and jewellery by source country in billions of constant (2016) rand (a)**



Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on imports of furniture, toys and sports equipment, jewellery, steel and copper scrap. Downloaded from [www.trademap.org](http://www.trademap.org) in November 2017.

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