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Briefing Note: Manufacturing subsector reports

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The effectiveness and efficiency of industrial policy interventions depend heavily on the ability of policymakers to tailor interventions to the specific needs of individual manufacturing subsectors. For this reason, TIPS prepared a series of notes on the various manufacturing subsectors in South Africa to support evidence-based decision-making. The notes synthesise the available data on the dynamics of South African manufacturing subsectors, specifically in their contribution to GDP, employment, and international trade. They provide profiles on food and beverages; clothing, textiles, footwear and leather; wood and paper products; printing and publishing; capital equipment; electronics and appliances; transport equipment; glass and other non-metallic mineral products; metals and metal products; chemicals and refined petroleum; other chemicals; rubber and plastics; and furniture and manufacturing not elsewhere classified.

This briefing note summarises some of the findings that emerged from the analysis in the notes.

The analyses at industry level underscore the precarious nature of growth in the South African economy since 1994. The period started with an initial rebound as the transition to democracy brought political and social stability as well as a more open economy. Growth accelerated in the early 2000s as global commodity prices surged, although it was deeply affected by the global financial crisis in 2008. After the metals price boom ended in 2011, South Africa saw a sharp slowdown in growth, followed by the worldwide recession triggered by the COVID-19 pandemic in 2020.

A range of challenges in key state-owned companies compounded the economic impact of the broader international cycles. Chief among these was Eskom's escalating costs and growing interruptions in electricity supply, coupled with procurement irregularities and failure to translate investment into functional infrastructure. These shortcomings became a significant constraint to economic growth in the 2010s.

Notwithstanding these challenges, the South African economy at the end of 2020 was 90% higher than the opening of the economy in 1994. However, growth during the period was driven almost exclusively by subsectors outside of manufacturing. It was dominated by finance and business services, logistics and mining, which grew an estimated 11% a year on average from 1994.

Employment data from the early 1990s are generally unreliable; however, Statistics South Africa estimates from 2009 point to a sustained long-term pattern of employment decline across manufacturing subsectors, shedding approximately 330 000 jobs before the onset of the global pandemic and around 570 000 after the pandemic.

Mineral based and capita- intensive manufacturing subsectors remain the key subsectors with which the South African economy integrates with the international economy. These developments matter from an employment perspective and a structural transformation perspective as the decline of the country's manufacturing subsectors often speaks to the underlying global competitiveness of the country. Promoting structural transformation and international competitiveness for the subsectors that have faced declines will require tailored interventions to address the binding constraints confronting the different subsectors of the economy.