

SOUTH
AFRICA

Factsheet

2020

Investing in South Africa's Electronics Sector

Supplying an emerging African middle class



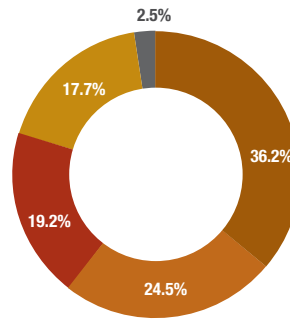
the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

investSA

Electronics in South Africa

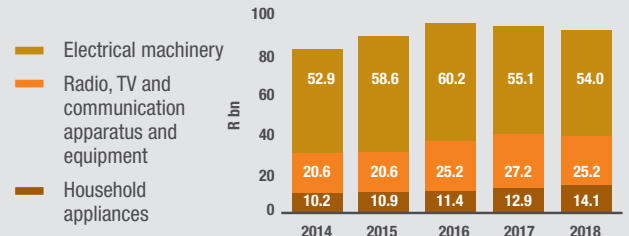
- > South Africa has a diverse electronics sector that ranges from electrical machinery, household appliances, and telecommunications equipment to consumer electronics.
- > According to Statistics South Africa, the country manufactures more than R90bn worth of electrotechnical equipment per year.
- > South Africa has both world-class capabilities in the industrial electronics industry as well as in consumer electronics.
- > Overall, electronics manufacturing contributes 4% to South Africa's total manufacturing output. In 2018, the electrical machinery sub-sector contributed 2.3% to manufacturing output. Radio, television and communication apparatus and equipment accounted for about 1.1% of manufacturing output. Household appliances contributed 0.6% to manufacturing output.
- > The consumer electronics segment remains largely dependent on imports. It is estimated that in 2018, South Africa accounted for 60% of Africa's total consumer electronics imports.
- > Local manufacturing companies produce a range of electronic components, including wires, electrical motors, generators, transformers, distribution equipment, lighting equipment, electrical insulators, light bulbs, fittings and illuminated signs for sectors such as power generation and transmission, automotive, aerospace and railway.



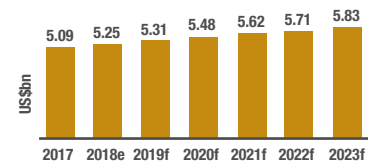
Electronic retail sales by category, 2017

- Communications equipment
- Household appliances
- Consumer electronics
- Computer hardware & software
- Photographic equipment

Electronics manufacturing output (Rbn), 2014-18



Computer hardware, audio-visual equipment and mobile device market (US\$bn), 2017-23f



Why invest?

ISO9000
as minimum certification

High standards

Most SA electronics companies comply with ISO9000 or ISO9001 standards and production line staff is trained to the IPC610 workmanship standard, ensuring high quality and cost-competitive solutions.

Up to **300%**
growth in Africa's smart meter markets



A world leader in smart meter technology

Having pioneered the technology, South African companies are world leaders in smart and pre-paid meter technology. The African smart electricity meter is expected to grow from less than US\$90bn in 2019 to close to US\$340bn in 2023. The SA electronics sector is well positioned to take advantage of this rapid market growth.

90%
of global PGMs reserves



Key inputs for emerging technologies

According to the Department of Mineral Resources, South Africa holds more than 90% of global platinum group metals (PGMs) reserves and 75% of global supply. PGMs play an important role in the manufacturing of emerging fuel cell technology. South Africa's leading reserves ensure ready access to PGMs.

Gateway to Africa

South Africa is the leading manufacturing hub in Africa. Its manufacturing capabilities, its efficient logistics network and preferential regional market access position the country as an ideal location for electronics companies seeking to supply their products into Africa.

World-class electronics capabilities

South Africa has advanced electronics manufacturing capabilities. The country's firms offer an integrated and well-established electronics value chain that includes design, engineering, manufacturing, testing, implementation and maintenance.

Access to **1.2bn** consumers



Where to invest?

- > The South African electronics industry is concentrated in Gauteng, KwaZulu-Natal and the Western Cape, with emerging activities in the Eastern Cape.
- > the dti – in partnership with the South African Electrotechnical Export Council and the four leading white goods OEMs, namely Defy SA, Hisense, Whirlpool and Zero Appliances – is setting up a White Goods Manufacturers Cluster.

“As we expand our presence in Southern Africa, Hisense remains committed to providing solutions that will enable growth and sustain economic development.”
 Hisense Middle East-Africa Holdings

- Whirlpool
- Defy
- Samsung
- LG Electronics
- Hisense
- Univa



BRAND	LOCATION	PRODUCT
WHIRLPOOL	Madeni (KZN)	Fridges, freezers and washing machines
DEFY	Durban (KZN) (1)	Free-standing stoves (electric and gas), built-in ovens, hobs and tumble dryers
	East London (EC) (2)	Electric refrigerators
	Ezakheni (KZN) (3)	Chest freezers and refrigerators
SAMSUNG	Durban (KZN)	Televisions and monitors
LG ELECTRONICS	Germiston (GP)	Televisions
HISENSE	Atlantis (WC)	Televisions and refrigerators
UNIVA	Ga-Rankuwa (GP)	Stoves

Notable consumer electronics investments



What support exists?

- > South Africa is committed to creating a competitive environment for the electronics industry. Government support is focused on programmes that promote and support domestic manufacturing, research and development (R&D) as well as the development of safety standards to support the electrical and electronics manufacturing sector.
- > In 2008, as part of its ongoing effort to sustain competitive capabilities across the sector, **the dti** developed a Customised Sector Programme (CSP) to support its growth, create global industry awareness of South African electrotechnical capabilities and assist contract manufacturers to get access to large-scale contracts from multinational corporations.
- > The South African government and industry stakeholders continuously support the electronics industry through several incentive programmes.



Financial assistance and incentives

The 12i Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The incentive offers support for both capital investment and training.



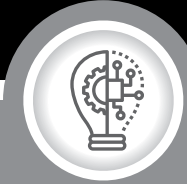
Supplier Development Programme

the dti in partnership with the South African Electrotechnical Export Council and the South African Domestic Appliance Association offers support through its White Goods Supplier Development Programme.



Skills Development Support

The Manufacturing, Engineering and Related Services Sector Education and Training Authority (Merseta) offers a number of skills development programmes and provides grants for training courses offered by other bodies, including tertiary education institutions.



Innovation support

Innovation support is available through programmes such as the Support Programme for Industrial Innovation (SPII), the Technology and Human Resource for Industry Programme (THRIP) and the SEDA Technology Programme (STP).

Key industry exhibition

Africa Utility Week, is Africa's premier meeting place for 350 exhibitors and 10 000 attendees in the power, energy and water value chain.

What are the opportunities?

- > Africa's high dependency on imported electronics combined with robust market growth especially in the consumer electronics sub-sector provides opportunities for investors to onshore production of electronics.
- > Through its localisation programme, the government drives demand for electronic product and components. Products and components such as high voltage switch gear, LED lighting, air conditioning, fire and smoke detection equipment, lifts and generators have been identified for local procurement.

Investment opportunities include:

- Contract manufacturing of **electronics**
- Manufacturing of **household appliances**
- Manufacturing of **electrical machinery**
- Manufacturing of **consumer electronics**
- Manufacturing of **security equipment**
- Manufacturing of **telecommunications equipment**
- Manufacturing of **metering equipment**
- Manufacturing of **cables**

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

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 sites 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

✓ InvestSA ready to assist



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Information sources

BMI, 2019; Arçelik, 2011; **the dti**, various years; Engineering News, 2018; GlobalData, 2018; InvestSA, various years; IOL, 2019; Modor Intelligence, 2019; South African Electrotechnical Export Council, 2019; Statista, 2019; Statistics South Africa, various year; UNCTAD, 2019; Who Owns Whom, various years

Research partner | **Deloitte.**



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