

Is South African manufacturing getting back on track?

South African manufacturing is facing a range of challenges that the sector must meet and beat if the sector is to take its rightful place in the SA economy and beyond SA.

A complete revival of the South African manufacturing sector may be some years away yet, but a review of the first half of 2014 carried out by global research and advisory services firm IDC reveals a series of positive indicators for the industry's future direction. While numerous challenges remain, most notably around skills shortages and the adoption of 3rd Platform technologies, IDC expects IT spending in South Africa's manufacturing sector to increase at a compound annual growth rate (CAGR) of 7.4% over the 2013-17 period, ranking it alongside the fastest growing markets in the Middle East and Africa - Saudi Arabia and the UAE.

In a good position to undergo transformation

There have been justifiably strong calls for action to save South Africa from losing ground to its international rivals in terms of manufacturing competitiveness. To this end, government representatives and industry stakeholders have engaged in mutual dialogue and are actively searching for the right way forward for South African manufacturing.

These efforts have already succeeded in stabilizing the manufacturing environment somewhat, and IDC believes the industry is now in a good position to undergo the process of transformation. Indeed, the improved state of the market and rejuvenated consumer demand should see an end to cost-reduction tendencies and result in spare manufacturing capacity gradually being utilised once again.



South Africa has remained a priority for manufacturers looking to establish a presence on the African continent and pursue a strategy aimed at emerging African markets. The fast-growing neighbouring markets of southern Africa offer tantalizing new manufacturing opportunities to satisfy primarily local demand. Global manufacturers will continue to view South Africa among the top players in the mining and resource-processing field, but in the fight for new investment, the mostly bad reputation gained over the last few years is a clear disadvantage.

SA has great potential

"South Africa is a unique manufacturing location with great potential, but this potential is not yet being fulfilled," says Martin Kuban, lead research analyst at IDC Manufacturing Insights (CEMA). "In the same way you can observe clear diversity when visiting the country as a tourist, we have found significant diversity within the manufacturing environment itself. For example, the South African market is very mature in terms of its manufacturing IT environment, the presence of IT vendors, and market saturation in the core manufacturing sub-industries; however, it remains rather underdeveloped in some areas of policy making and human resource development."

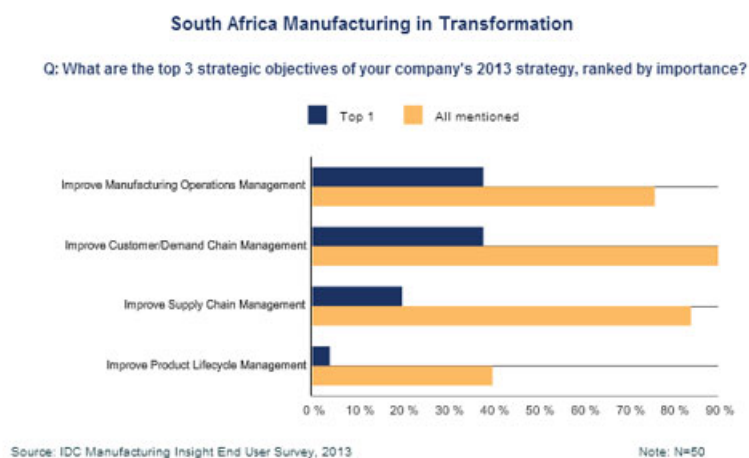
"The country badly needs a generally accepted, long-term strategy for the sustainable development of primary manufacturing to be put in place," continues Kuban. "Such an approach would allow South Africa to benefit more from its vast natural resources and facilitate a smoother and more natural transition to manufacturing with higher added value. Furthermore, poor education and technical skills continue to slow down the pace of development in advanced manufacturing, so ensuring success in finding, educating, and retaining talent will become a key objective of the new wave of South African manufacturers."

The impact of foreign direct investment (FDI) is strongly visible in South African manufacturing, and in many regards has facilitated and accelerated the transition of technology. Manufacturers' IT environments are mostly based on packaged

software implemented and backed by large international IT vendors. As mentioned above, the direct presence of global IT vendors is extensive in South Africa, and local manufacturers can only benefit from this mature state of the IT market.

Big Data business cases will be developed only sporadically

That said, IDC believes there is a gap in the implementation of so-called '3rd Platform' technologies. With improved Internet infrastructure and connectivity, the adoption of cloud computing should become a greater priority for South African manufacturers. Social technologies and mobility are expected to record growing interest across Africa as population masses quickly move online. Business analytics, currently implemented in the form of embedded features, will shift to larger multipurpose implementations at a rather slow rate, while broader Big Data business cases will be developed only sporadically.



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The IDC Manufacturing Insights report South Africa Country Highlight: South Africa Manufacturing in Transformation presents an in-depth survey and analysis of the IT drivers and trends in the South African manufacturing industry, examining core industry sectors, IT and business challenges, IT spending preferences, and the factors that will influence IT investment decisions in the future.

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