



Dragon Sourcing

Your Tailored Approach to Emerging Markets

Study on Sourcing Opportunities in *South Africa*

Jan, 2020



Table of Contents

- [Executive Summary](#)
- [South Africa – Macro Economics](#)
- [Metals & Precious Stones](#)
- [Ores & Slag](#)
- [Iron & Steel](#)
- [Articles of Iron & Steel](#)
- [Mineral Fuels & Oils](#)
- [Automobiles](#)
- [Industrial Machinery](#)
- [Aluminium](#)



Executive Summary- Top Export Categories

Category	Top Products	Export Value (2018) in USD Billions	Top Export Destinations	Import Duty into EU	Import Duty into US	Export Duty	No of Suppliers
Metals & Precious Stones	Unwrought Platinum	16.5	Japan, USA, Switzerland, UK, Germany	0%	0%	0%	
	Diamond						
Ores & Slag	Iron Ores & Concentrates	11.8	China, Japan, Germany, USA, India	0%	\$0-2/kg	0%	
	Manganese & Chromium Ores & Concentrates						
Iron & Steel Products	Ferro Alloys, Pig Iron	6.3	China, USA, Japan, Germany, Italy, Mozambique, Zambia	0-6.7% (depending on product)	0-10%	0%	
	Flat Rolled, Bars, Plates, Angles, Semi Finished Products						
	Iron & Steel Cans, Boxes, etc						
Mineral Fuel	Coal	10	India, China, Netherlands, Mozambique	0%	0-52.5 cents/ bbl	0%	
	Petroleum Oils						
Automotive	Cars & Parts	10.8	India, China, Netherlands, Mozambique	0-10% (depending on part)	0-25%	0%	
	Trucks & Parts						
Industrial Machinery	Centrifuges, Diesel Engines, Pumps & Parts	5.8	Germany, USA, Zambia, Mozambique, Zambia	0-2.2%	0-6.7%	0%	
	Machinery for sorting/wash/shape mineral product						
Aluminium	Unwrought Aluminium	2	Japan, South Korea, USA, Switzerland, China	0-7.5%	0-6.5%	0%	
	Aluminium Plates, Pipes, Sheet, Foil, etc						

Legend



More than 75 suppliers



Between 25-75 suppliers



Less than 25 suppliers



Sourcing Opportunities in South Africa

South Africa- MACRO ECONOMICS



South Africa Overview

South Africa, officially the Republic of South Africa, is a country located at the southern tip of Africa, with:

- a population of: ~58.78 million (2019 mid year statistics)
- a surface area of: ~1,221,037 km²
- South Africa is the powerhouse of Africa with the most advanced, broad-based economy on the continent; a thriving democracy; and infrastructure



	Growth (2018)	Value (2018)
Gross Domestic Product	0.8%	USD 368.2 Billion

- South Africa is a middle-income, emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; a stock exchange that is the 18th largest in the world; and modern infrastructure supporting a relatively efficient distribution of goods to major urban centres
- South Africa's economy has traditionally been rooted in the primary sectors - the result of a wealth of mineral resources and favourable agricultural conditions. However, the economy has been characterised by a structural shift in output over the past four decades.

Source: World Bank, Statistics SA



South Africa- Trade Agreements

	Type of Agreement	Countries Involved
Customs Union		
Southern African Customs Union (SACU)	Customs Union	South Africa, Botswana, Lesotho, Namibia and Swaziland
Free Trade Agreements (FTAs)		
Southern African Development Community (SADC) FTA	Free Trade Agreement	Between 12 SADC Member States
Trade, Development and Cooperation Agreement (TDCA)	Free Trade Agreement	South Africa and the European Union (EU)
EFTA-SACU Free Trade Agreement (FTA)	Free Trade Agreement	SACU and the European Free Trade Association (EFTA) -Iceland, Liechtenstein, Norway and Switzerland
	Type of Agreement	Countries Involved
Preferential Trade Agreements (PTAs)		
SACU-Southern Common Market (Mercosur) PTA	Preferential Trade Agreement	SACU and Argentina, Brazil, Paraguay and Uruguay
Zimbabwe/South Africa bilateral trade agreement	Bilateral Preferential Trade Agreement	South Africa and Zimbabwe
Non-reciprocal Trade Arrangements		
Generalised System of Preferences (GSP)	Unilateral preferences granted under the enabling clause of the WTO that are not contractually binding upon the benefactors	Offered to South Africa as developing country by the EU, Norway, Switzerland, Russia, Turkey, the US, Canada and Japan
Africa Growth and Opportunity Act (AGOA)	Unilateral assistance measure	Granted by the US to 39 Sub-Saharan African (SSA) countries

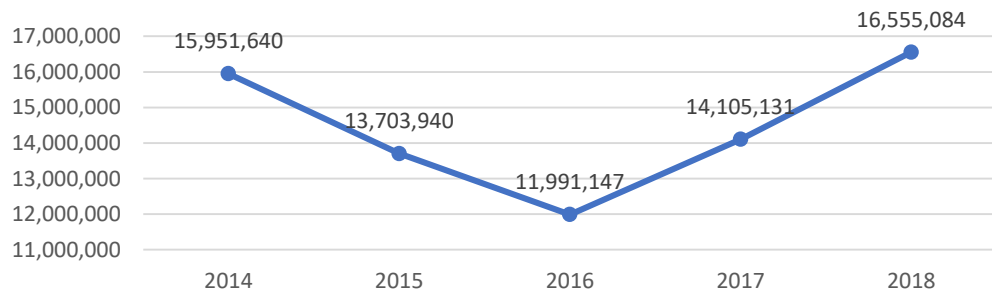


Metals & precious stones

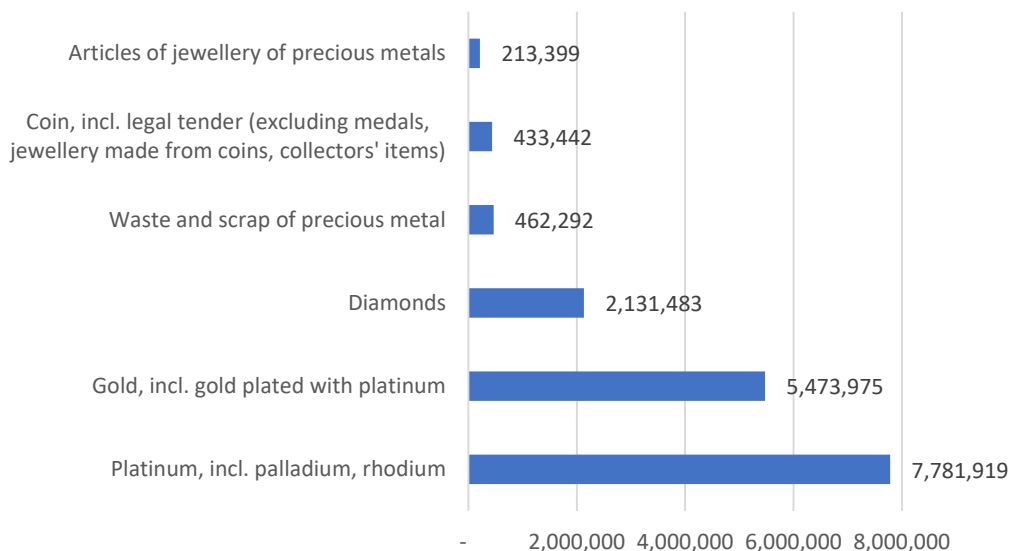


Metals & precious stones - Market Trends

South Africa- Export of HS 71 Series, Natural or Cultural Pearls and other Precious Semi Precious Metals in USD 1000s in 2018



Top Export Products under HS 71 Series in USD 1000s in 2018



- South Africa is a world leader in mining. The country is famous for its abundance of mineral resources, accounting for a significant proportion of world production and reserves, and South African mining companies are key players in the global industry
- South Africa provides more than 70% of primary mined platinum supply and more than 55% of total supply, including recycling. South African supply conditions therefore has a significant impact on global supply and should therefore impact the platinum price. The demand for platinum emanates largely from the auto catalysts (40%), jewelry (34%) and general industrial demand
- Contributing to the woes of the platinum sector are structural changes in global supply and demand fundamentals, including increased growth in recycling, flat new-mine supply, declining productivity, domestic labor strife, rapidly escalating costs and weaker demand, particularly Chinese jewelry demand
- At current prices and costs, more than 60% of South Africa's PGMs mining industry is lossmaking, necessitating short-term solutions, such as cutting back investments and increasing restructuring efforts, which may have harmed the sector's long-term ability to generate the highest value for South Africa

Source: International Trade Centre

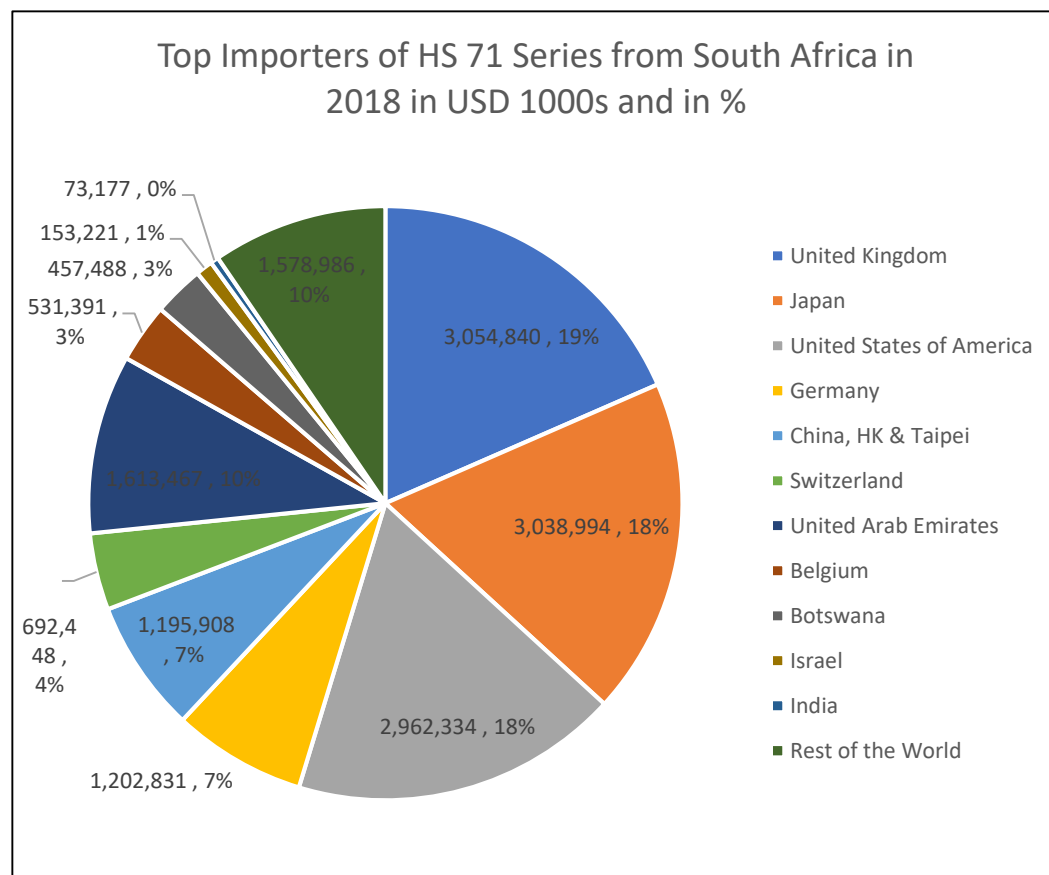


Metals & precious stones- Suppliers in South Africa



Source: Dragon Sourcing Supplier Survey

DSL's initial research on the suppliers listed in trade databases indicated a presence of around 16 primary producers and approximately 94 suppliers, which includes both traders and merchants, mainly located in Gauteng, Limpopo, Mpumalanga and Northern Cape Provinces.



Source: International Trade Centre

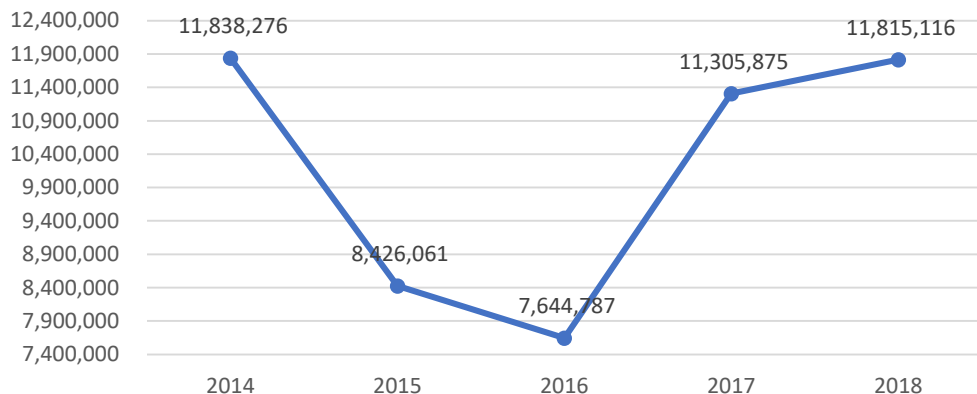


Ores & Slag

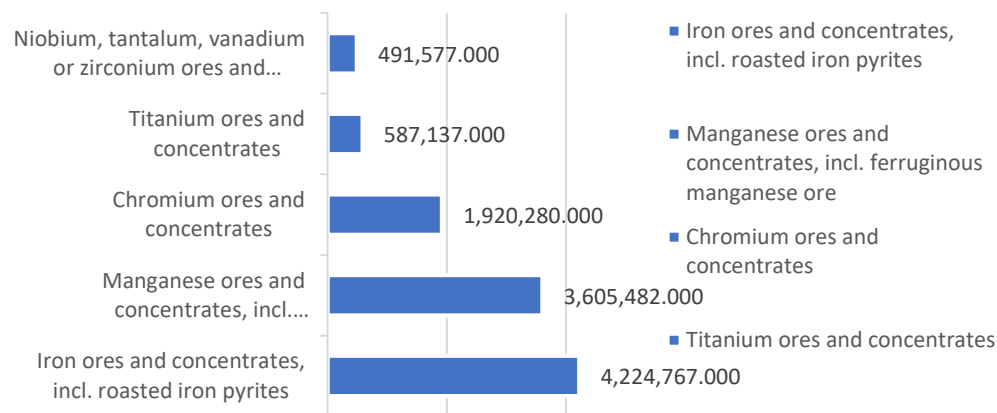


Ores & Slag- Market Trends

HS 26 Ores & Slags from South Africa in USD 1000s



Top Products under HS 26 exported from South Africa in 2018 in USD 1000s and in %



- According to the USGS, South Africa produced 53 million metric tons of iron ore in 2017, making it the world's 7th largest producer. It also estimated that South Africa has 1,000 million tonnes of crude ore reserves and 650 million metric tonnes of iron content reserves
- Most of South Africa's iron ore reserves are located in the Northern Cape, adjacent to the massive Kalahari manganese field
- Nearly 70% of the South African iron ore operations are conducted by Kumba Iron Ore Limited – one of the world's top suppliers of seaborne iron ore. Kumba operates three mines, Kolomela and Sishen in the Northern Cape Province and Thabazimbi in the Limpopo Province
- South Africa has the largest mineral resource and mineral reserve base of manganese in the world and ranks second after China in both the global production and export of manganese ore. The country holds 80% of global reserves with a 34% manganese content, the majority of which comes from the Kalahari manganese belt
- In 2017, South Africa delivered half of the world's production of chrome ore and has the capacity to produce 4.2 million tons of ferrochrome a year. In 2016, South Africa produced 15.1 million tons, which equated to 54% of global production

Source: International Trade Centre

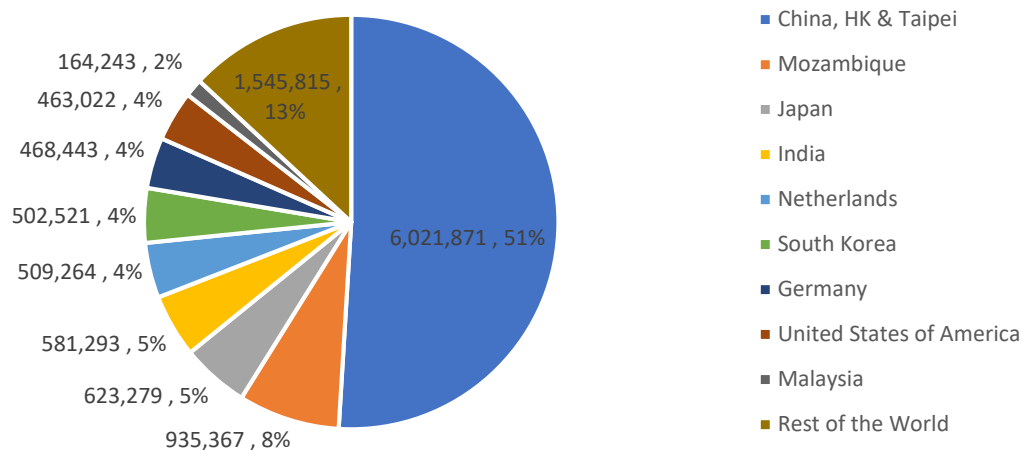


Ores & Slag- Suppliers in South Africa



Source: International Trade Centre

Top Importing Countries of HS 26 in USD 1000s and in % in 2018



Source: Dragon Sourcing Supplier Survey

- DSL's initial research on the suppliers listed in trade databases indicated a presence of around 6 primary plants and approximately 40 suppliers traders. Mainly located in Northern Cape, Limpopo, Gauteng provinces.

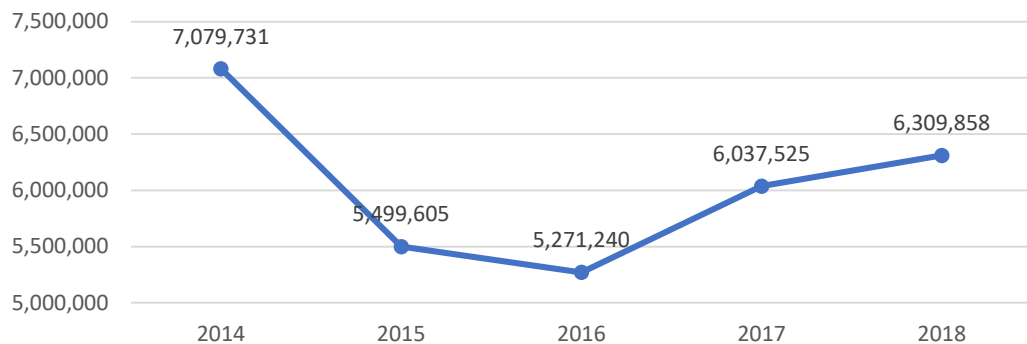


Iron & Steel

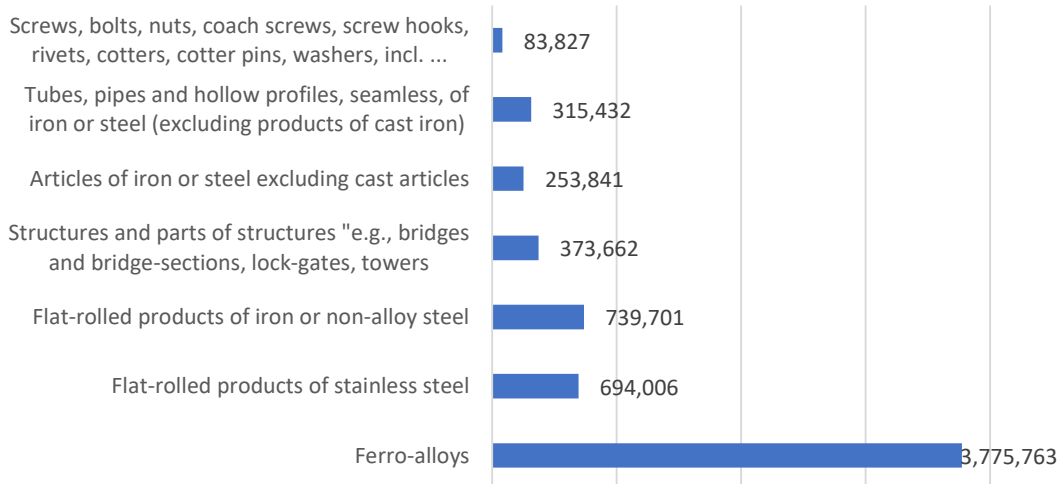


Iron & Steel - Market Trends

South Africa- Export of HS 72- Iron & Steel in USD
1000s



Top Export Products under HS 73 in USD 1000s in 2018



- South Africa was ranked the 21'st largest crude steel producing country in the world by the World Steel Association (world steel. South Africa is also the largest steel producer in Africa, producing about 47% of the total crude steel production of the continent.
- South Africa's steel industry has been in a constant decline since 2010. Apart from weak demand, a major cause of the decline is cheap steel imports which adversely affects the profitability and capacity utilization rates of the domestic steel producers
- Total imports of manufactured steel products gone up by >250% from 2000 to 2016
- Since onset of crisis in 2015, government intervened to save the steel industry from threat of closure and loss of capacity including increasing customs duty on primary steel products to 10% and safeguard measures for a period of 3 years on hot rolled coil and plate products and tariff increases on a range of downstream products and the deployment of rebates where products are not manufactured
- The range of primary carbon steel products and semi-finished products manufactured in South Africa includes billets, blooms, slabs, forgings, light-, medium- and heavy sections and bars, reinforcing bar, railway track material, wire rod, seamless tubes, plates, hot- and cold-rolled coils and sheets, electrolytic galvanised coils and sheets, tinplate and pre-painted coils and sheets.

Source: International Trade Centre



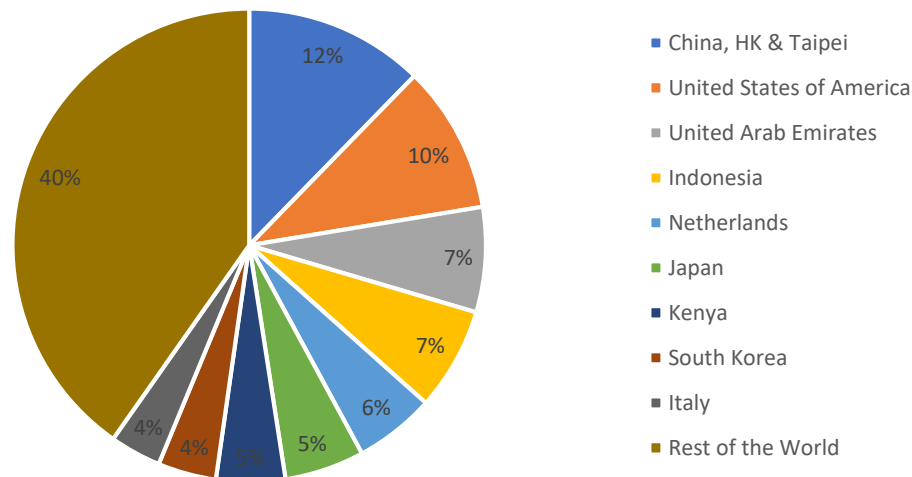
Iron & Steel - Suppliers in South Africa

Supplier Locations



Source: Dragon Sourcing Supplier Survey

Top Importers of HS 72 Series from South Africa in 2018
in USD 1000s



Source: International Trade Centre

- DSL's initial research on the suppliers listed in trade databases indicated a presence of around 220 suppliers, which includes both traders and manufacturers, located in all 6 provinces, Gauteng has the most.
- Sub-Saharan Africa's Steel use stagnated over the last few years (low commodity and oil prices)
- According to ArcelorMittal, there is under-utilisation of capacity, poor inventory levels and increasing intermediate costs in South Africa- the country will need to look for new markets, beyond the US and China, while staving off domestic pressures to survive

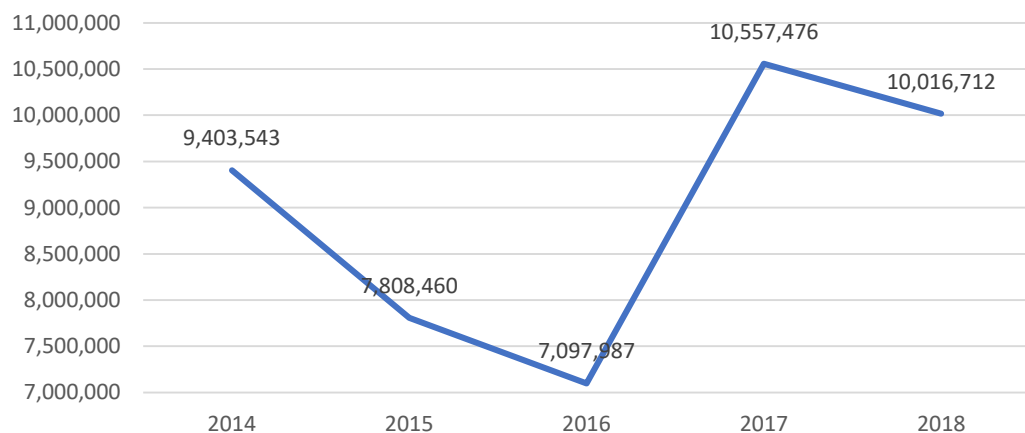


Mineral Fuels & Oils

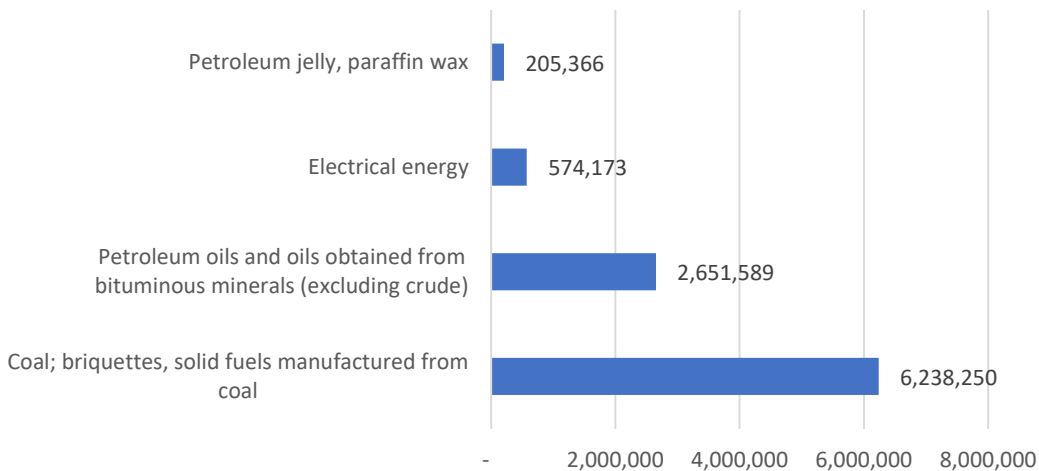


Mineral Fuels & Oils- Market Trends

South Africa- Export of HS 27 Series- Mineral Fuels in USD 1000s in 2018



Top Export Products under HS 27 Series in USD 1000s in 2018



- With abundant coal supplies, South Africa meets around 77% of its energy needs through coal. While it is largely used to generate electricity, a significant amount is channelled to synthetic fuel and petrochemical operations. Around 28% of coal production is exported
- The coal mining industry is highly concentrated, with five companies, namely Anglo Coal, BHP Billiton, Sasol Mining Exxaro Coal, Kumba Coal and Exstrata Coal accounting for 90% of the saleable coal production. The eight largest mines account for 61% of the output
- Currently South Africa produces 5% of its fuel needs from gas, 35% from coal and 50% from local crude oil refineries. Nearly 80% of South Africa's crude oil is imported through the single buoy mooring (SBM) system off the coast of Durban
- According to the South African Petroleum Industry Association (SAPIA), the fuel sector contributes about 6% to the country's GDP while supplying some 18% of South Africa's primary energy needs through annual sales of 27 billion litres of liquid fuels
- The gas discovery by Total South Africa, 175km off the southern coast in the Brulpadda block, is expected to drive major new upstream oil activity offshore and attract investment into the sector. There is also increased activity in the biofuels industry which can generate significant employment, attract foreign investment and, over time, contribute towards local fuel production that will reduce imports

Source: International Trade Centre

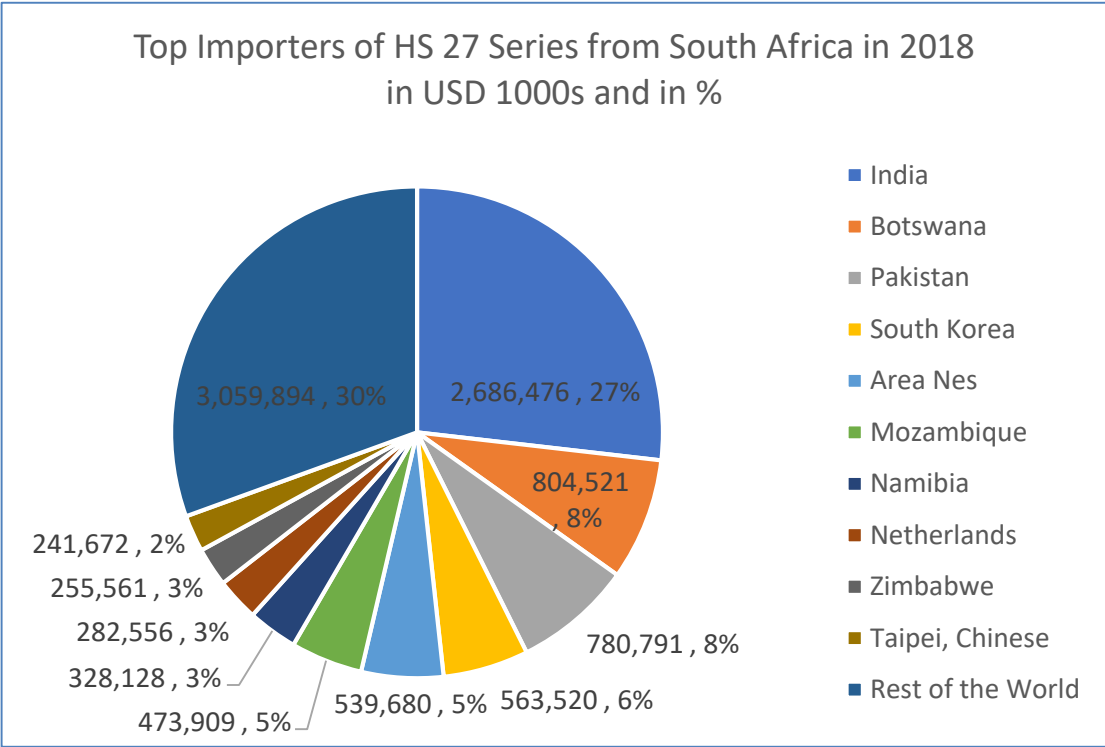


Mineral Fuels & Oils- Suppliers in South Africa

Supplier Locations



Source: Dragon Sourcing Supplier Survey



Source: International Trade Centre

DSL’s initial research on the suppliers listed in trade databases indicated a presence of around 68 suppliers, which includes both traders and manufacturers located in all Western Cape, Gauteng and Mpumalanga provinces.

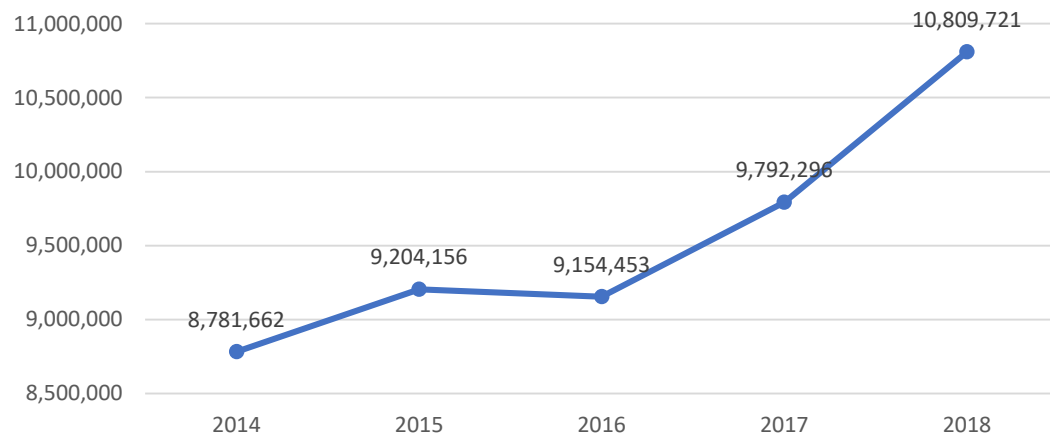


Automobiles

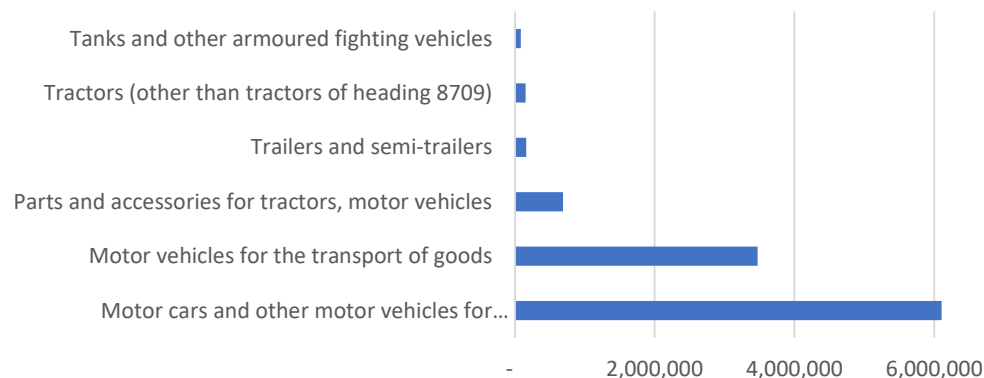


Automobiles - Market Trends

South Africa- Export of Automobile and Products in USD
1000s in 2018



Top Export Products under HS 87 Series in
USD 1000s in 2018



- The automotive sector in South Africa is the mainstay of the national industrial base and accounts for 6.8% of GDP (4.3% manufacturing and 2.5% retail). South Africa improved its global ranking to 22nd (24th in 2014) in the world with a production market share of 0.68%
- The value of exports to NAFTA in has seen a decline from \$1.66 billion in 2017 to \$836 million. The reason for the decline in automotive exports is attributed to the decline in vehicle exports to the U.S
- The automotive industry is South Africa's leading manufacturing sector
- South Africa has more the 350 manufacturers. Fiat South Africa has announced contracts amounting to US\$ 64 million to provide heat insulators for exhaust pipes and parts of catalytic converters to the Fiat plants in Italy. The main exported components are leather upholstery for seats, catalytic converters, tires, engines, engine spare parts, exhaust pipes, silencers and spare parts. The EU absorbs 70% of the South African exports of components, Germany being the main buyer

Source: International Trade Centre



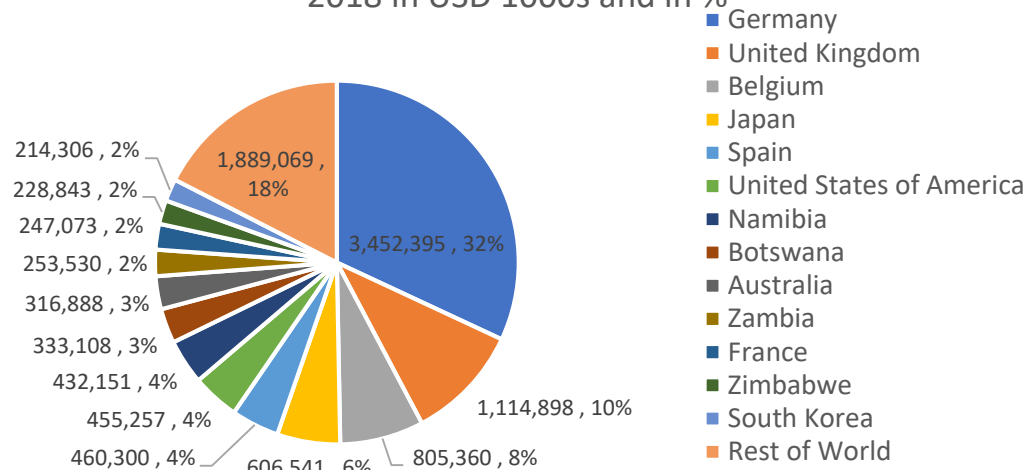
Automobiles- Suppliers in South Africa

Supplier Locations



Source: Dragon Sourcing Supplier Survey

Top Importers of HS 87 Series from South Africa in 2018 in USD 1000s and in %



Source: International Trade Centre

- The industry is largely located in two provinces, the Eastern Cape (coastal) and Gauteng (inland). Companies with production plants in South Africa are placed to take advantage of the low production costs, coupled with access to new markets as a result of trade agreements with the European Union and the Southern African Development Community free trade area
- Several top U.S automotive component suppliers are represented in South Africa, including Johnson Controls, Lear, TRW Automotive, Tenneco, Federal Mogul, Delphi, Visteon, and ArvinMeritor, amongst others. All these companies have built strong business links between their South African operations and other international stakeholders

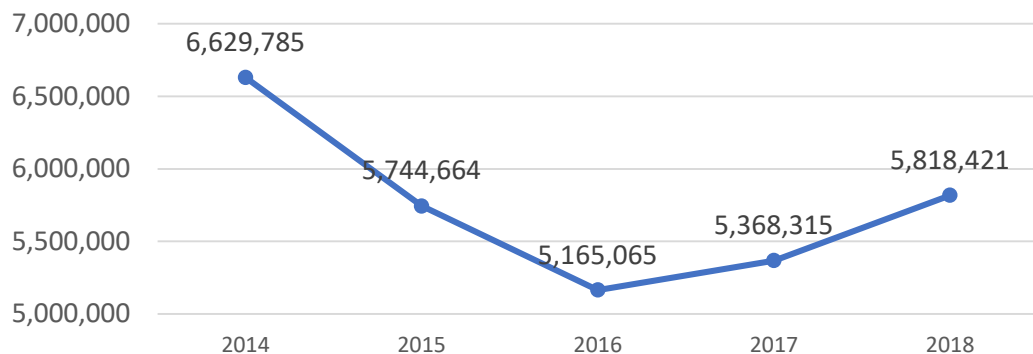


Industrial Machinery

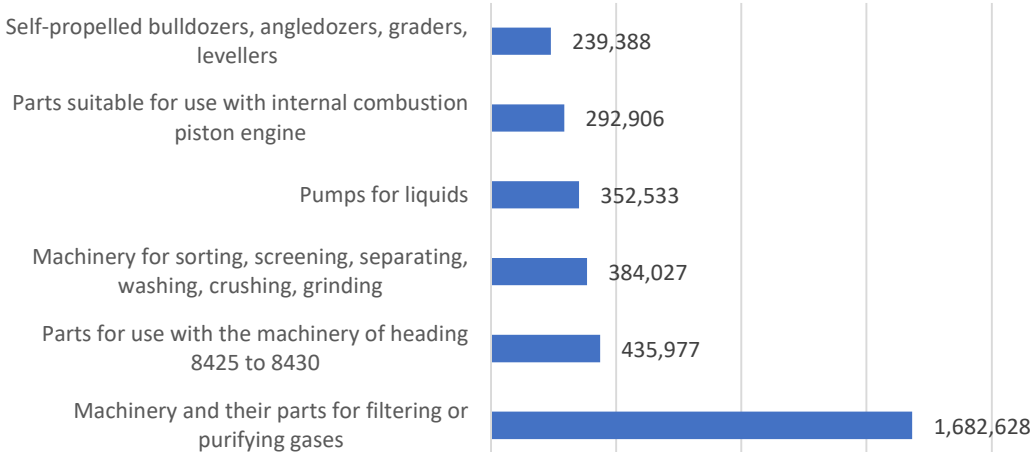


Industrial Machinery - Market Trends

South Africa Export of HS 84 Series- Industry Machinery
in USD 1000s in 2018



Top Export Products under HS 84 Series in USD 1000s in
2018



- Industrial Machinery Industry covers sectors such as mining, quarrying and construction and agro-processing
- The burgeoning construction sector in many African countries has been a boon to companies manufacturing construction machineries and equipment as well as those selling used and refurbished heavy equipment and machinery
- The South African mining industry is well-developed and sophisticated. Many local equipment manufacturers exist to facilitate the distribution of goods or services into the African continent
- Challenges for the mining equipment industry have been aggravated by Government vacillation in the face of populist rhetoric around mine nationalization, and investors remain cautious
- While many machinery and equipment manufacturers are currently benefiting from some improvement in the overall manufacturing economy, “complex market and regulatory factors” are fundamentally reshaping the sector

Source: International Trade Centre



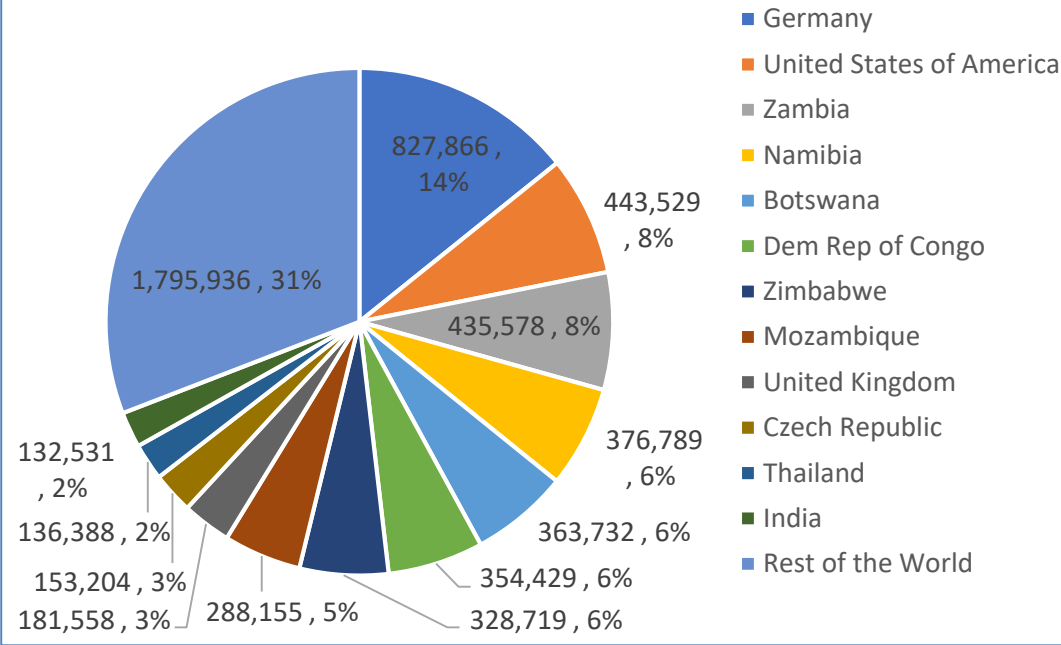
Industrial Machinery- Suppliers in South Africa

Supplier Locations



Source: Dragon Sourcing Supplier Survey

Top Importers of HS 84 Series (Industrial Machinery) from South Africa in 2018 in USD 1000s and in %



Source: International Trade Centre

DSL’s initial research on the suppliers listed in trade databases indicated a presence of around 1400 suppliers, which includes both traders and manufacturers located in all 6 provinces.

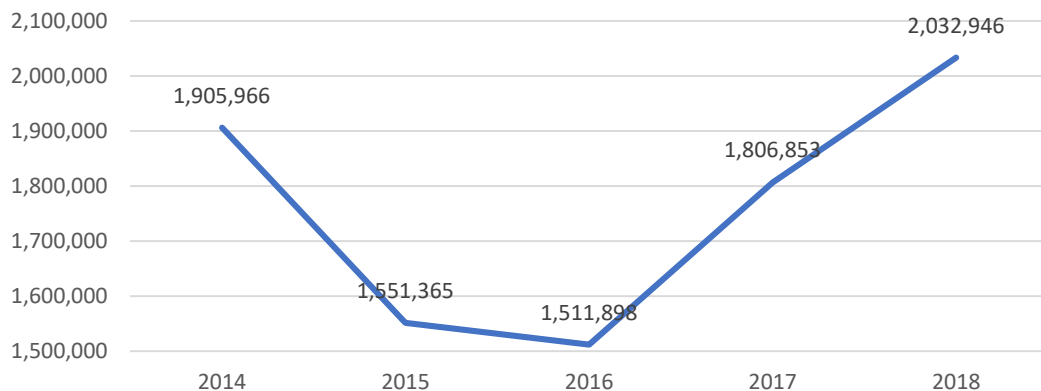


Aluminium

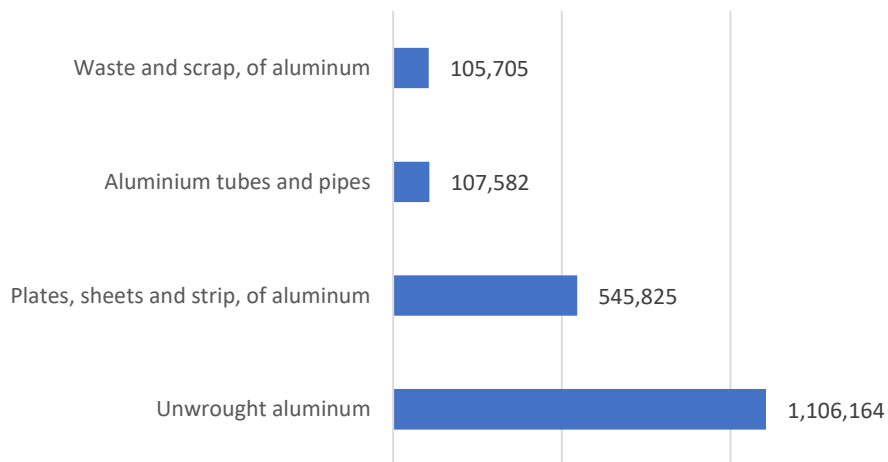


Aluminium - Market Trends

South Africa- Export of HS 76 Series- Aluminum and Products in USD 1000s in 2018



Top Export Products under HS 76 Series in USD 1000s in 2018



- The South African Aluminum industry's contribution to the GDP was 0.68% in 2017. However, South Africa is not a major producer of Aluminum in the African region as the raw material, Bauxite deposits are unavailable in the country. BHP Billiton is the only major player in the Aluminum industry in South Africa and it operates two smelters at Richards Bay in Kwazulu Natal with raw material imported from Australia
- Primary Aluminum production began with the Bayside smelter being commissioned in Richards Bay in KwaZulu-Natal 45 years ago. The Hillside smelter came into operation in 1995. Based on these smelters, a diversified downstream industry has been developed along the value chain, with Alumina imported, mainly from Australia, and local value-added product castings, semi-fabricated products
- In 2016, 720 kt of primary Aluminum was produced by the Hillside smelter. Semi-fabricated products of 289 kt was produced in 2016 of which 155 kt was locally used
- There are two major aluminium extrusion businesses and a number of smaller operations in South Africa, with manufacturing facilities in Gauteng, Kwazulu Natal and the Western Cape which are capable of supplying almost all of South Africa's requirements



Aluminium- Suppliers in South Africa

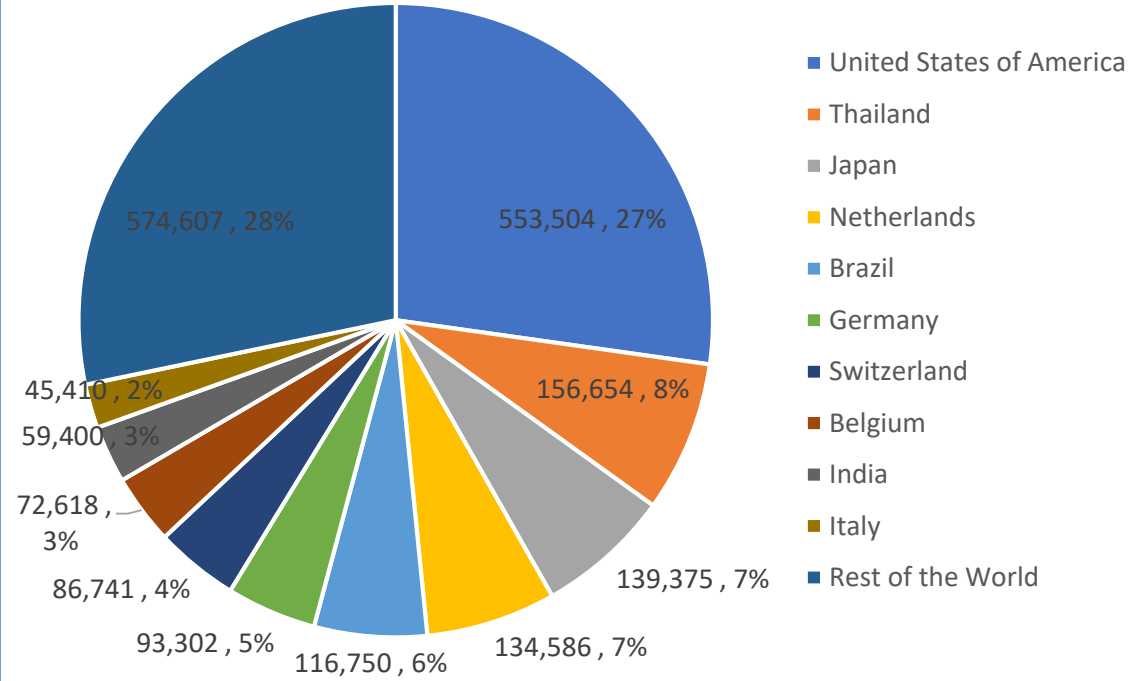
Supplier Locations



Source: Dragon Sourcing Supplier Survey

DSL's initial research on the suppliers listed in trade databases indicated a presence of around (Facilities (4)), Companies and Organisations (266) suppliers, which includes both traders and manufacturers located in all Gauteng, Limpopo, Eastern Cape, Kwazulu Natal provinces.

Top Importers of HS 76 Series from South Africa in 2018 in USD 1000s and in %



Source: International Trade Centre



Dragon Sourcing Contact Information



EUROPEAN Offices

Dragon Sourcing Paris

50 rue Marcel Dassault
92100 Boulogne-Billancourt, France
Tel: **+33 (0)1 46 10 36 70**
Fax: +33 (0)1 46 10 41 14
Email: contact.europe@dragonsourcing.com

Dragon Sourcing London

Communications House,
26 York Street,
London, W1U 6PZ, UK
Tel: **+44 (0)844 736 1432**
Fax: +44 (0)844 736 1430
Email: contact.uk@dragonsourcing.com

Dragon Sourcing Munich

Georgenstrasse 81,
80798 Munich, Germany
Tel: **+49 (0)89 23 515 721**
Email: contact.germany@dragonsourcing.com

Dragon Sourcing Turkey

Deluxia Palace, Barbaros Mh. Sümbül Sk.
No: 5 A-Blok Ataşehir – Istanbul, Turkey
Tel: **+91 0554 754 51 07**
Email: contact.turkey@dragonsourcing.com

AUSTRALIAN Offices

Dragon Sourcing Australia

Level 4, 51 Queen St, Melbourne, Victoria 3000, Australia
Tel: **1300 293 816**
Mobile: **+61 407 585 185**
Email: contact.australia@dragonsourcing.com

NORTH AMERICAN Office

Dragon Sourcing Houston

4532 Plantation Colony Dr
Missouri City, TX 77459
Phone: **832- 406-0281**
Email: contact.us@dragonsourcing.com

LATIN AMERICAN Offices

Dragon Sourcing Brazil

Vinte e Nove de Janeiro, 17 Vila Jequitibás
13026-300 Campinas, Sao Paulo Brazil
Mobile: **+ 55 (19)8246-2655**
Email: contact.brazil@dragonsourcing.com

Dragon Sourcing Mexico

Guadalajara, Mexico
Phone: **+1 (520) 463-5426**
Email: contact.mexico@dragonsourcing.com

ASIAN Offices

Dragon Sourcing Shanghai

Suite 1502-1503, Jin Tian Di International Mansion
998, Renmin Road – Shanghai, 200021, P.R.China
Tel: **+86 21 61 41 39 55**
Fax: +86 21 61 41 39 66
Email: contact.asia@dragonsourcing.com

Dragon Sourcing Hong Kong

7/F Hong Kong Trade Centre
161-7 Des Voeux Rd Central, Hong Kong SAR
Tel: **+852 91 80 40 57**
Fax: +852 25 80 24 26
Email: contact.asia@dragonsourcing.com

Dragon Sourcing Vietnam

C1A Cu Xa Tan Cang, Dien Bien Phu Street,
Ward 25, Binh Thanh District, HCM City, Vietnam
Tel: **+84 8 35129390**
Fax: +84 8 35129391
Email: contact.asia@dragonsourcing.com

Dragon Sourcing Israel

C 101 Regency Gardens, 1 Ramat Yam Street
Herzlia Pituach 46851, Israel
Mobile: **+972 54 420 34 80**
Fax: +972 9 955 71 60
Email: contact.israel@dragonsourcing.com

Dragon Sourcing India

601 – A – Mota Mahal
Lokhandwalla Complex, Andheri (West)
Mumbai 400053 – India
Mobile: **+ 91 9867602535**
Email: contact.india@dragonsourcing.com



Disclaimer

The Analysis and Statements in this Report represent the considered views of Dragon Sourcing Ltd (DSL). The Report includes 'forward looking statements' and opinions based on the analyst's current analysis and judgment of the Industry. Although DSL believes the outcomes expressed in such 'forward looking' statements are based on reasonable assumptions, such statements are not a guarantee of future performance and actual results or developments may differ materially from those in forward- looking statements. Factors that could cause actual results to differ materially from those in forward- looking statements include the general economic, environmental, market, business or government conditions. While DSL has made every reasonable effort to ensure the veracity of the information presented, it cannot expressly guarantee the accuracy and reliability of the estimates, forecasts and conclusions.

No part of this report may be distributed, copied or reused without prior written permission from Dragon Sourcing Ltd. Please contact the author should you have any questions.

Bharath Sugumar

Email: bharath.sugumar@dragonsourcing.com

Phone: +1 832 406 0281