

# **BRIEFING ON THE PROGRESS OF THE SOUTH AFRICAN PLASTICS SECTOR**

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Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



# PRESENTATION OVERVIEW

- Introduction & general overview of the South African Plastic Industry.
- State of the South African Plastic's Market.
- Trends & challenges in the local downstream industry.
- Interventions by the sector desk to strengthen industrial development in the South African Plastic's Industry.



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# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY

- The South African Plastics industry covers the entire plastics value chain from upstream to downstream beneficiation and produces input materials and value added products for both local demand and export markets.
- Presently, the South African plastics market grew by about 2% that contributed about R50.4 billion to the economy in 2013, representing about 1.6% of GDP and approximately 14.3% of the manufacturing sector.

# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY



Source: Quantec, 2014

*Figure 1: Real output prices at constant 2005 prices for the South African plastics sector, 2000-2013*

# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY

## Performance of the sector historically:

- Average growth (value-added at constant prices 1994-2013):
  - Plastic (1.8%)
  - Coke & refineries (6.5%)
  - Basic chemicals (3.2%)
  - Other chemicals (4.2%)
  - Manufacturing (2.6%)
- Average growth (value-added at constant prices 1994-2002):
  - Plastics (5.94%)
  - Manufacturing (3.09%)
- Average growth (value-added at constant prices 2002-2013):
  - Plastics -1.10%
  - Manufacturing (2.20%)
- Polymer consumption growth rate:
  - 2000-2006 (3.94%)
  - 2007-2012 (0.62%)



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# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY

- The plastics industry employs around 60 000 (both formal and informal) people in excess of 1 800 companies through the plastics supply chain. Plastics conversion plants are generally small to medium-sized, family owned businesses.
- Fixed domestic investment increased in 2013:

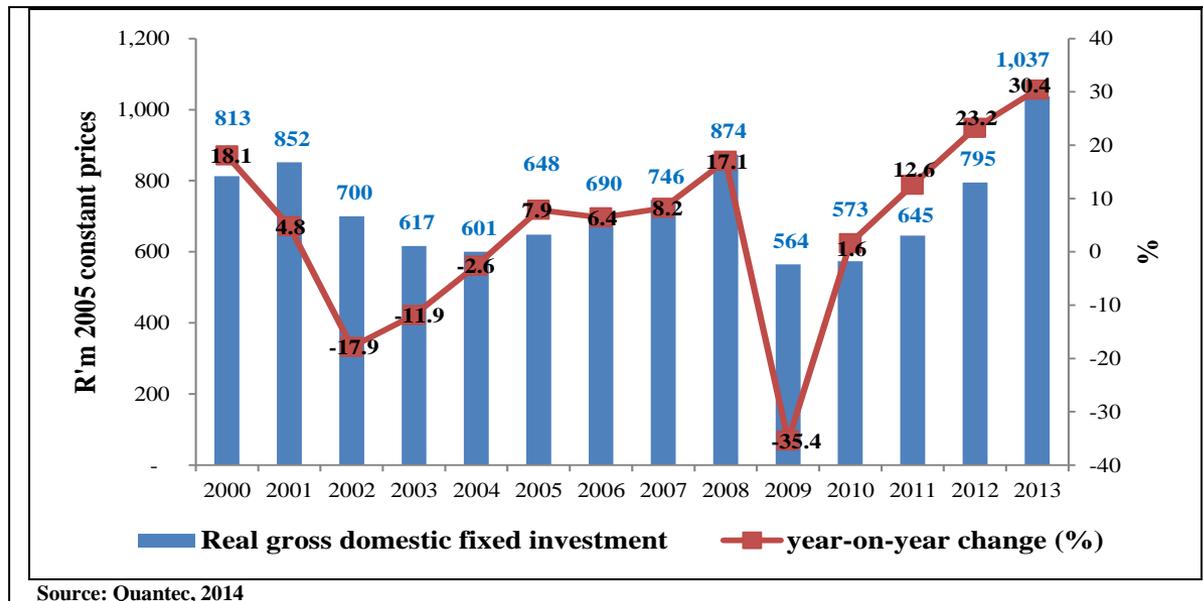


Figure 2: Real gross domestic fixed investment, 2000-2013



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# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY

- Incentives have been associated with investments accounting for large proportion of industry's investments in 2012 and 2013.
- To date, about 286 grants approved by MIP valued at R218 million for the 2014 financial year with 9327 jobs to be created.
- From August 2012 to July 2014, MCEP approved about half a billion Rands in grants to the plastic sector



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# GENERAL OVERVIEW OF THE SOUTH AFRICAN PLASTIC INDUSTRY

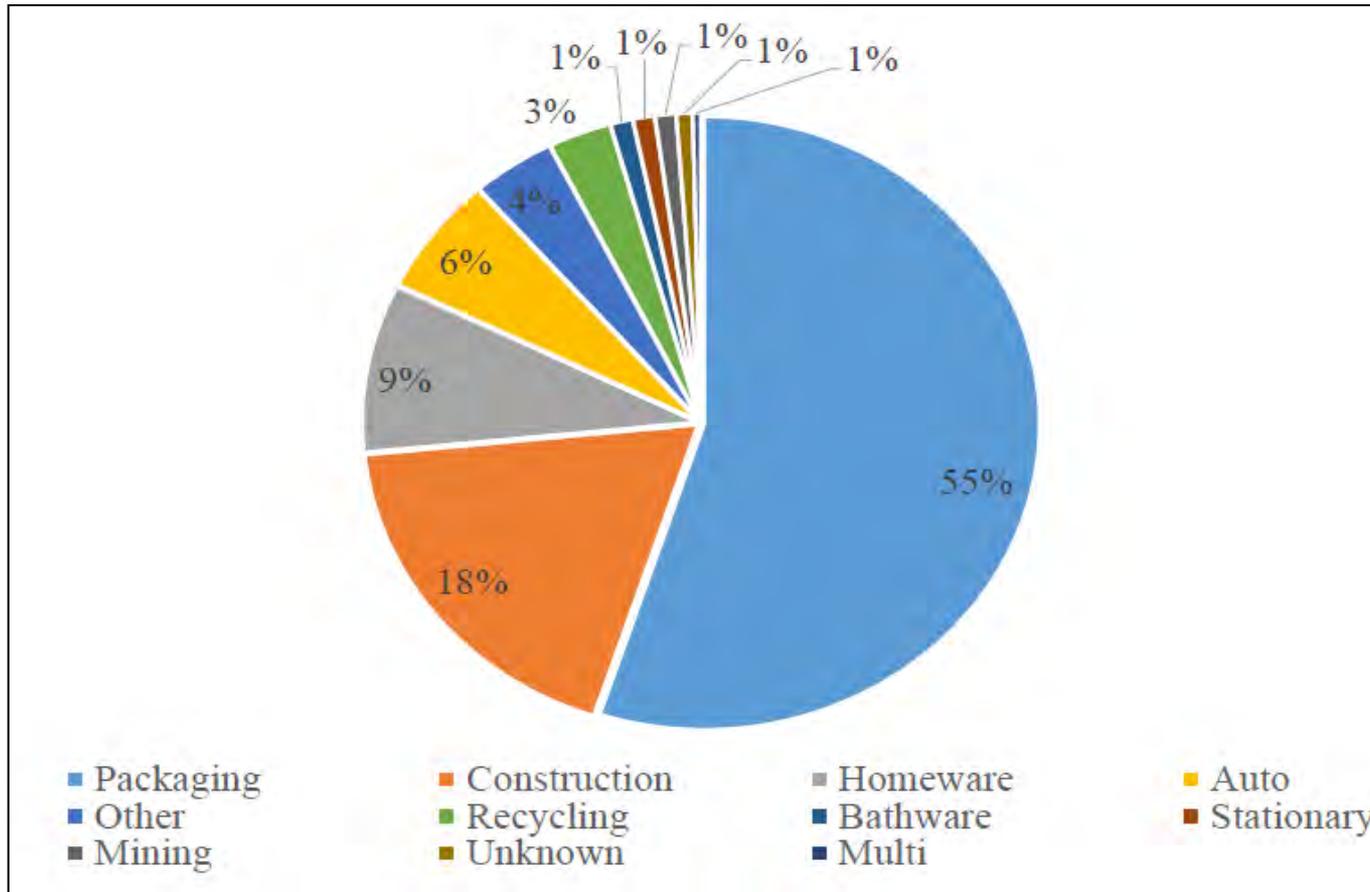


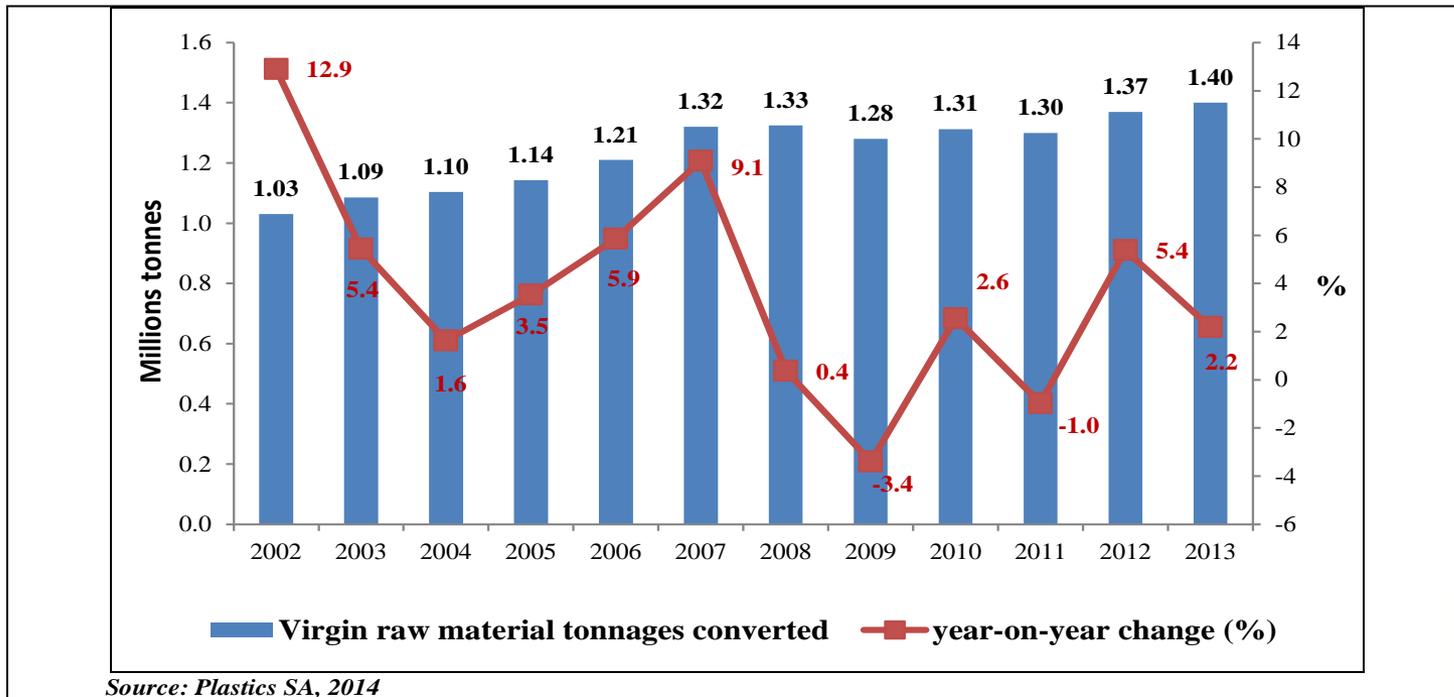
Figure 3: Allocation of grants by Plastics sub-sector 2012 –2013 (MCEP)



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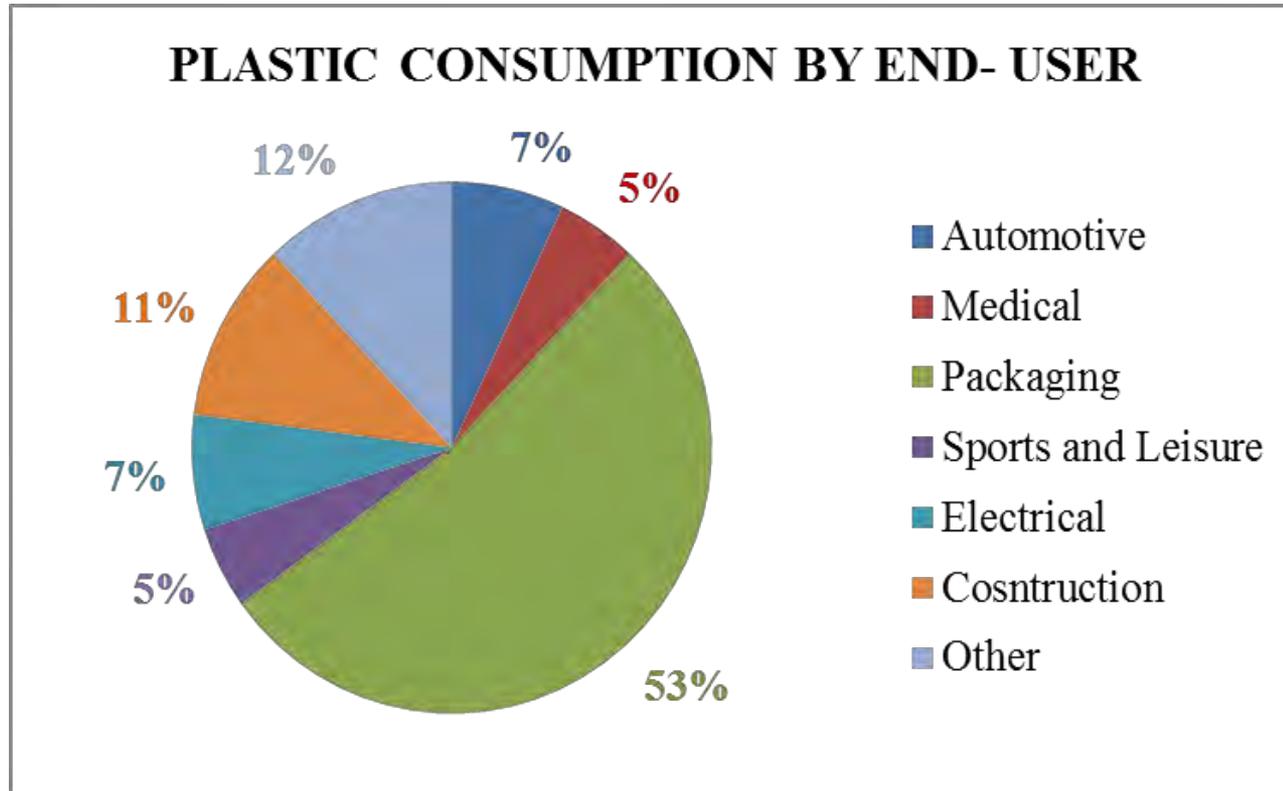
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# SOUTH AFRICAN PLASTICS MARKET STATUS: PRODUCTION IN SOUTH AFRICA, 2002-2013



*Figure 3: Local production of processed plastics using virgin raw material*

# SOUTH AFRICAN PLASTICS MARKET STATUS: CONSUMPTION IN SOUTH AFRICA



Source: **the dti** Plastics Strategy, 2014



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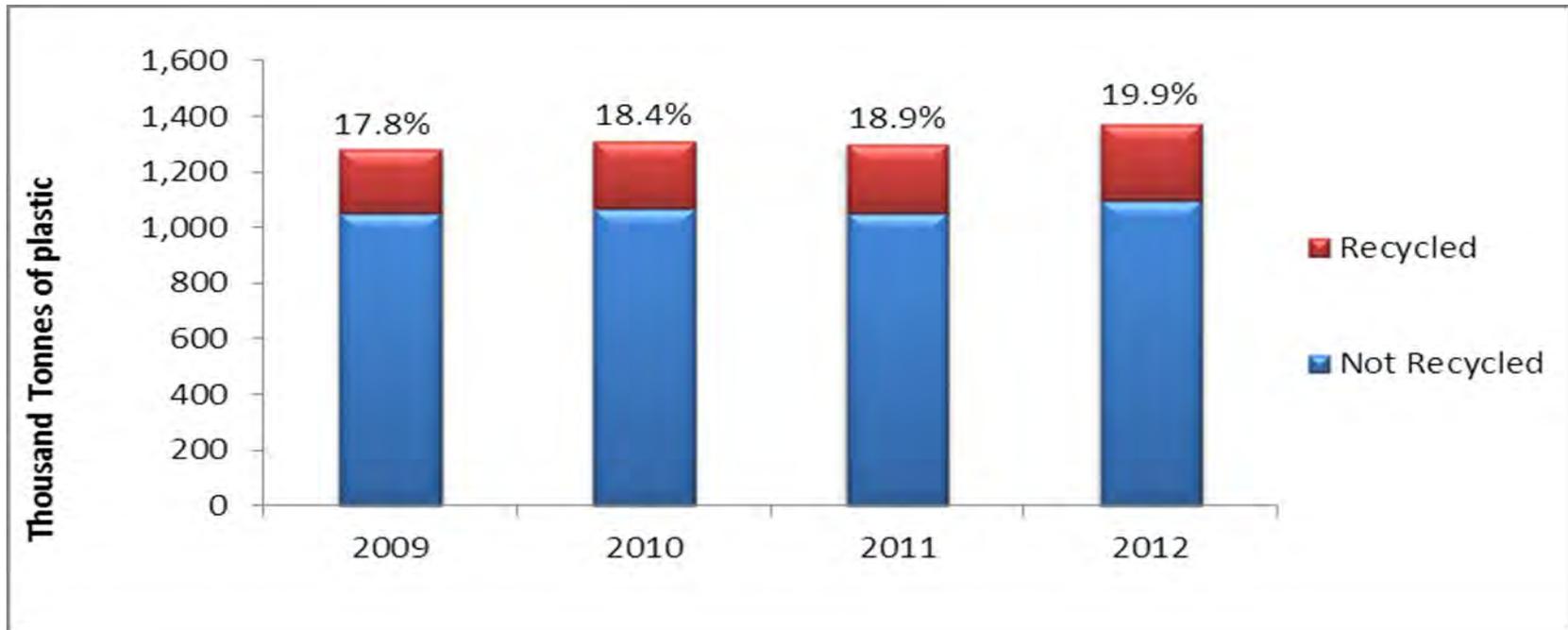
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# PLASTICS CONSUMPTION IN SOUTH AFRICA, 2013

- Plastic consumption in the domestic market was 1.6 Mt of which about 260 kt was recycled input.
- Packaging is the largest consumer of plastics (53%; about 820 000 tonnes), followed by the construction (11%) and the automotive (7%) sectors.
- Plastic packaging is low value, high volume application that is price sensitive, however demand is expected to increase over the next 5 years.
- Automotive sector also has high growth potential – increased use of plastic to increase fuel efficiency.

# PLASTICS RECYCLING IN SOUTH AFRICA

- The use of recycled material in plastics conversion has been increasing over the last couple of years due to the cheaper price of plastic waste as raw material.



Source: Plastics SA, 2014

*Figure 4: Recycling of Plastic waste in South Africa, 2009-2012*



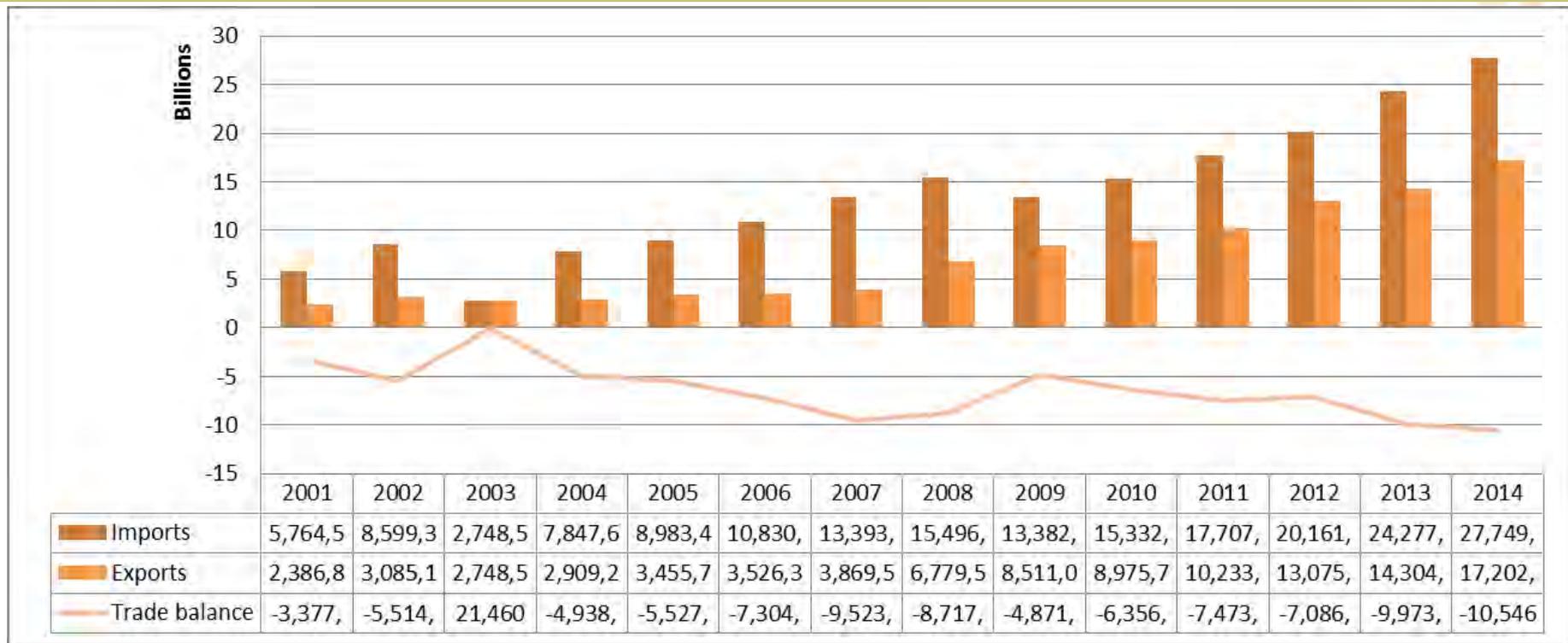
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# PLASTICS RECYCLING IN SOUTH AFRICA

- Due to the increase in the use of waste plastic as an input material in the conversion process, the demand for plastic waste locally has increased.
- Exports of plastic waste has also increased.
- This has led to a shortage of plastic waste domestically and highlighted the need to increase the recycling recovery rates of plastic waste locally.
- Presently, the sector desk is investigating the potential policy interventions to reduce exports of unbeneficiated plastic waste/recycled polymers and increase access of plastic waste/recycled polymers to the local market.

# TRADE PERFORMANCE OF VALUE-ADDED PLASTIC PRODUCTS, 2001-2014



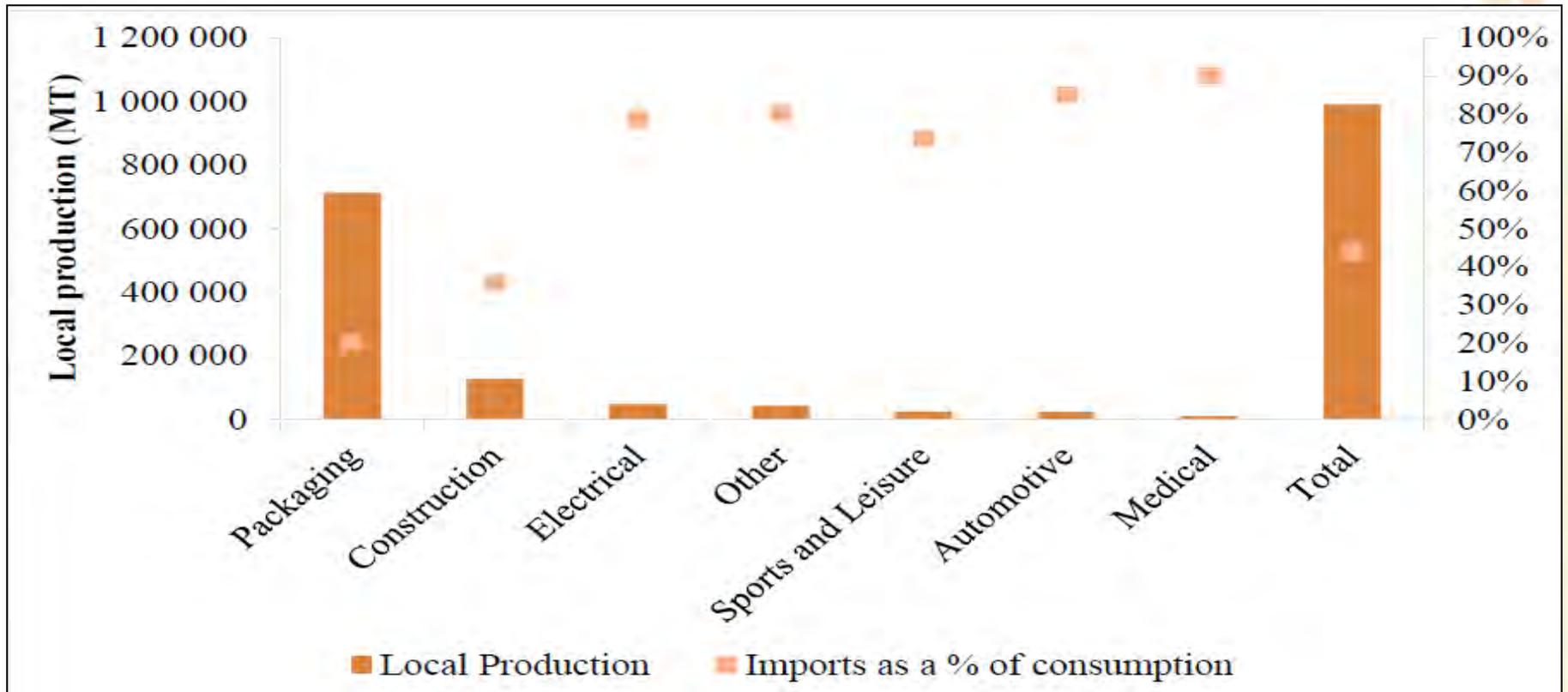
Source: Quantec, 2014

- Since 2001, South Africa has been importing more plastic products than it exports, resulting in a negative trade balance.

# IMPORT PENETRATION OF PLASTIC PRODUCTS INTO SOUTH AFRICA

- Some of the Plastics sub-sectors have been experiencing a profound downturn in demand as they struggle to adjust to changes in the market for their products and against an increase of imports.
- From 2003 to 2012, import penetration increased from 13% to 30%.
- Packaging relatively less traded –advantage in producing close to product to be packaged and high transport costs.
- Import penetration in non-packaging (by volume) is 71%
- Had the deterioration not occurred, domestic production in non-packaging could have been 50% higher than it is now, having grown at an additional 4% per year
- Import penetration varies by sub-sector –relatively low in packaging and construction and very high in automotive, sports and leisure, electrical and medical

# IMPORT PENETRATION BY SUB-SECTOR (BY VOLUME), 2013



Source: the dti's Plastics Strategy, 2014

# EXPORT OPPORTUNITIES FOR SOUTH AFRICA

- Growing regional demand in construction and mining represents an opportunity for South Africa e.g. plastic pipes.
- In the past 5 years, SADC imports of plastic products from SA have grown by 62% in nominal US\$ terms.
- Over the same period, SADC (excluding SA) imports of plastic products from China have grown by 203% - lost opportunity for South Africa.
- If SA had won that market share, SADC's imports from SA would have increased by a further 50% (110% rather than 62% over all).
- South Africa not achieving increased diversification in exports overall.
- Other opportunities globally include homeware and bathware.

# KEY OPPORTUNITIES AND DRIVERS IN THE SOUTH AFRICAN PLASTICS SECTOR

- Key areas of opportunity for growing the sector include:
  - Automotive interior and exterior products;
  - Food packaging;
  - Medical products (e.g. syringes)
  - Buildings – pipes, flooring and building sheet; and
  - Electrical and electronic cables, appliances and casing components;
  - Recycling of plastics.
- Growing middle-class increases demand for all applications of plastic
- The recent phase-out of import tariffs on polymers and other inputs will contribute to more competitive input prices.

# CONSTRAINTS IN THE SOUTH AFRICAN PLASTICS SECTOR

- A relatively small local and regional market;
- South Africa's geographic location and resultant logistics costs;
- Insufficient R&D and innovation (specifically in the short term);
- Import parity pricing of polymers – The Competition Tribunal has found SASOL guilty of excessive pricing of propylene and PP but SASOL has appealed this decision;
- Reduced import tariffs on finished goods increases the influx of imported products and reduces local manufacturing;
- Electricity supply constraints and especially shutdowns has a negative impact on plastics manufacturers;

# CONSTRAINTS IN THE SOUTH AFRICAN PLASTICS SECTOR

- Increased electricity costs increases production costs (ranges from 5 to 10% of total production costs);
- Limited availability of local skills and lack of new technology absorption for plastic conversion;
- Volatile exchange rates for plastic polymers reduces competitiveness for converted plastics.

# KEY INTERVENTIONS BY the dti TO PROMOTE INDUSTRIAL DEVELOPMENT

- The sector desk and TISA have embarked on an outreach programme to promote investment in plastics. Some of the investment commitments in 2014 included:
  - BOPP project from India (R2.5 billion);
  - PMMA from South Africa (R7.5 million);
  - P&G from United States (R1.9 billion); and
  - Lension/Bio-packaging (JV Malaysia, Spain, Italy) (R150 million).
- Trade policy measures that have been implemented by ITAC, SARS and Plastics SA include:
  - Increased the import duties on BOPP film, plastic bathware, 3M dust masks;
  - Decreased the import duties on Polyvinyl butryal (PVB);
  - Removal of import duties on laminates on phenolic resins;
  - Created new tariff headings under Chapter 39 to eliminate the use of wrong codes or hidden under tariff headings 'other' when importing plastic products.

# KEY INTERVENTIONS IN IPAP TO PROMOTE INDUSTRIAL DEVELOPMENT

- Plastics strategy has been completed and is in implementation stage. KAPs include:
  - Cluster development to assist the industry to upgrade to world class production practices through shared learning & benchmarking; collectively deal with local challenges such as utilities, poor quality standards and testing, skills development, tooling, etc. Currently working closely with industry bodies, EDD KZN, Ekurhuleni and Ethekewini Municipalities to develop regional clusters.
  - Sectoral integration of key sectors e.g. automotives, construction, footwear and medical devices.
- Promotion of downstream polypropylene beneficiation – looking at potential investments in local syringe manufacturing with strategic benefits to the local economy. Also collaborating with DoH on other medical device opportunities.
- Promotion of localisation – designation of plastic products e.g. plastic pipes and other construction material under the PICC localisation programme.
- Skills development in the plastics sector initiated by Plastics SA and supported by the sector desk.

# KEY INTERVENTIONS IN IPAP TO PROMOTE INDUSTRIAL DEVELOPMENT

- A Task Team between **the dti** and SASOL has been formed to address challenges and opportunities in the sector.
- Collaboration with DST and University of Pretoria on Teflon (PTFE) coatings.
- Collaboration and DST and CSIR on nanotechnology and composites.
- Collaboration with the IDC in identifying and addressing bottlenecks that inhibit industrial financing and investment for the sector e.g. in partnership on key strategic projects
- The sector desk is also promoting awareness of **the dti**'s financial and non-financial support programmes and policies through 'taking **the dti** to factories.'