

# SA chemical industry reshaping to become leaner, more price competitive

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South Africa's chemical industry is the largest of its kind in Africa. One of its strength is that local companies develop and market higher-value chemicals, giving them a competitive edge. It has an unusually large chemical industry and is of substantial economic significance. In 2011, the industry contributed 5% to GDP and 25% to total manufacturing sales.

Growth in the consumption of chemical products has always been similar to the country's manufacturing GDP growth. This is because the chemical sector affects every part of the economy such as agriculture, automotive, construction, consumer products and food.

One of the weaknesses is that locally processed goods have generally been less competitive in export markets. High transport costs to coastal ports and high raw material prices, as a result of import tariffs, are also negatively affecting the industry.

South African chemical companies are focusing on the need to be internationally competitive and the industry is reshaping itself accordingly to become leaner and more price competitive.

Isolation of the industry from international competition is a threat as well as chemical plant cost structures, which are not always competitive enough to compete internationally on price. Local chemical plants are also generally smaller compared to manufacturers around the world, limiting their production capacity.

Chemical manufacturers are faced with a number of other challenges, from vacillating customer demand to increasing competition, rising costs and regulatory compliance.

Coface projects that 3% growth in manufacturing production can still be attained in 2012 despite weak first quarter growth. The chemical sector is expected to continue injecting positively towards overall manufacturing production. Its performance is forecast to accelerate with an anticipated compounded annual growth rate (CAGR) of 9.4% a year to 2015.

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