Cables market growth – expansion or erosion through imports?

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Currently valued at R8 billion, the electrical cable market in South Africa is well-established. The market is dominated by low voltage electrical cables comprising approximately 81.9% of the total electrical cable market, with high voltage cables at 10% and medium voltage cables at 8.1%. The industry is currently operating at approximately 75% of production capacity, and has the potential to grow due to increased development within the construction sector.

Threat of imports

Growth is, however, stagnated by the rise in imports of electrical cables. China commands a staggering 25% of the total electric wire and cable imports into South Africa, followed by Zambia (13%) and Germany (10%). Telecommunication cables that are copper and fibre-based and low voltage, represent the largest value of imports, at 39% of the total electric wire and cables market in South Africa. The import of automotive cables and compounds into South Africa is also significant, valued at $27 M. Despite the increasing threat of imports to the local manufacturing industry, the potential to further tap into the export market is high. Countries such as the Democratic Republic of Congo (DRC), where mining is expected to grow at an annual average of 13.7% until 2015, is a growing market for export of low voltage cables.

Growth in local cable manufacture

An increased emphasis by government was placed on infrastructure projects, with expenditure set to grow from R84 billion in 2012 - 2013 to R98 billion in 2014 - 2015. Public sector projects, particularly by Eskom and Transnet, are foreseen to drive the demand for electrical cables. The construction of the Eskom Medupi Power station and the Eskom Transmission Development Plan to add new power stations from 2011 to 2020, will indirectly drive the use of low-and medium-voltage electric cables. Additionally, the construction of a factory by Transnet to manufacture 7 000 metro rail coaches over the following seven years is another key project driving growth in local electrical cable manufacturing.

Directive

As demand for electrical cables increases, end-users will increasingly purchase cables in South Africa complying with the Restriction of Hazardous Substances Directive. The directive excludes the use of lead, mercury, cadmium and flame retardants such as polybrominated biphenyls and polybrominated diphenyl ether in electrical cables. Electrical cable manufacturers, meanwhile, aim to meet high standards for export through manufacturing cables that are heavy-metal free. The 2015 goal to only use lead-free PVC in electrical cables will ensure that South Africa complies with international standards in electrical cable manufacturing.

Conclusion

In an effort to promote the use of locally manufactured electrical cables, an application by the Association of Electric Cable Manufacturers has been made to the Department of Trade and Industry (DTI) to curb the import of electrical cables and to ensure that state-owned enterprises procure from local electrical cable manufacturers. The Preferential Procurement regulations set by the National Treasury in 2011, aiming to leverage government procurement to stimulate industrial development, will provide positive impetus to the industry. If the low voltage electrical cable market, and medium voltage electrical cable market, are to reach projected growth rates of 4.4% and 4.1% respectively over the long term, the industry will also need to see large-scale effort made by the South African Bureau of Standards to increase the monitoring of electrical cable imports.

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