

# SA has policies to stave off deindustrialisation danger

"SA faced deindustrialisation, as evidenced in declining levels of employment in the manufacturing sector, factory closures, increasing imports and declining exports of some manufactured products," Trade and Industry Minister Rob Davies said on Monday (19 August).

By [Linda Ensor](#) 20 Aug 2013



Rob Davies (Image: GCIS)

However, he believed the government's industrial policies placed the country in a much stronger position to weather the global economic storm, retain and build industrial capabilities and place the manufacturing sector in a better position to take advantage of the opportunities that currently present themselves and which will arise from a sustained global economic recovery.

Replying to a question in Parliament by Freedom Front Plus MP Anton Alberts, Davies said the Department of Trade and Industry's industrial policy action plan (IPAP) was aimed at preventing a loss of industrial capacity and building the competitiveness of the domestic manufacturing sector.

"This applies especially, but not exclusively, to strategic sectors of the economy including the automotive, clothing and textiles, capital, transport and mining equipment sectors. At the same time the IPAP has successfully created an enabling environment for the growth of new sectors such as green industries, business process outsourcing and film," Davies said.

## Decline in electricity sales

Alberts questioned Davies over whether the decline in electricity sales from Eskom to industry was a sign that deindustrialisation was occurring despite his department's interventions.

Davies conceded that it was a "matter of public record" that Eskom's sales to industrial users had fallen year-on-year. "Low levels of demand for electricity from under-utilisation of production capacity can be ascribed to a number of factors, including the bunching-up of steeply escalating electricity charges for industrial users," Davies said.

The minister said the under-utilisation of productive capacity and the associated decline in demand for electricity was a result of, among other things, a decline in local and international demand for energy-intensive products such as steel, ferrochrome and aluminium as well as other manufactured products.

This was exacerbated by the value and volatility of the currency, SA's skills constraints, the ongoing monopolistic provision and pricing of key inputs into manufacturing and a surge in imports of a range of manufactured products from countries which, for a variety of reasons, are more competitive.

Davies said there was evidence that the government's industrial policies were having a significant impact, with the greatest successes in sectors where the state intervened to support the private sector on a foundation of sound economic research and analysis.

"The interventions are carried out in close collaboration with stakeholders and embody reciprocal commitments that are adequately funded," he added.

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