



South African Furniture Initiative

November 2022

Furniture Sector Forum Special Edition





MESSAGE FROM THE MANAGING DIRECTOR

Dear Members,

The 4th Annual SAFI Furniture Sector Forum, which was held in Sandton, once again showcased the ability of SAFI to excel in its role as a connector for an industry made up of many small and medium-sized enterprises without access to policymakers, local and international markets and manufacturers. This was done by showcasing how Cohesion: Together Is Better, can be the motto for an industry on the verge of growing locally and internationally. Click here to access all the presentations from the day: <http://furniture.org.za/events2022.php>

The Chairperson of the SAFI Board of Directors, Penwell Lunga, demonstrated in his presentation how cohesion can grow the industry, while political commentator, Ongama Mtimka, showcased the implications of the link between business and political dynamics in South Africa.

Tafadzwa Nyanzunda, Director for Resource Based Industries at the Department of Trade, Industry and Competition (dtic), gave feedback on the Furniture Industry Master Plan (FIMP), while Greg Boule explained the process to access funding support from the Furniture Industry Challenge Fund through the Industrial Development Corporation Of South Africa Ltd (IDC). Opportunities available for trade, industrialisation and infrastructure development were also outlined by John Rocha, Chief Director of Trade Invest Africa.

We are also excited to announce our 2022/2023 Board of Directors who were elected at our Annual General Meeting that took place on the 5th of October 2022 before the commencement of our 4th Annual SAFI Furniture Sector Forum.

Overall, we were once again reminded that as an industry our goals in growing the economy, creating and sustaining employment as well as our aim to improve localisation, can only become a reality when everyone in the industry works together. Showing how Cohesion can make a difference towards these goals will take central stage in our strategy for 2023.

Bernadette Isaacs
MD SAFI

Bernadette Isaacs

SAFI FURNITURE SECTOR FORUM DEMONSTRATES HOW COHESION CAN GROW THE INDUSTRY



"To have South African designed and manufactured furniture in every home and workplace in Africa and beyond, is a key aspiration for the South African Furniture Initiative," Penwell Lunga, Chairperson of SAFI, said at the 4th Annual Furniture Sector Forum. The forum was recently held in Sandton.

According to Lunga, it is SAFI's objective to build a globally competitive and transformed furniture industry that shapes lives in every home, school and workplace cannot be achieved alone. "We believe that by taking the theme of the Furniture Sector Forum, namely, Cohesion: Together is Better on board, we can launch into the future as a team."

During his presentation, Lunga highlighted four strategic priorities on how SAFI can take the knowledge and know-how of industry stakeholders and combine it with SAFI's access to policymakers and markets to grow and nurture the furniture sector.

By aligning market access, trade interventions and remedies, market intelligence and skills development with the Furniture Industry Master Plan (FIMP), Lunga outlined specifics on how to ensure the success of these priorities and SAFI's.

"We want to be leaders in creating market development opportunities, including local raw material supply as well as driving an increase in public and government procurement of locally manufactured school and office furniture," he told the attendees. "Furthermore, we must STOP the illegal import of products and build much-needed skills in the furniture industry."

Taking centre stage in its role as connector for an industry made up of many small and medium-sized enterprises without access to policymakers, local and international markets and manufacturers, SAFI believes that quality standards are instrumental in ensuring differentiation in the industry's local sector product offering compared to the many imported products entering the South African markets.

"We, as an industry, have to make sure that we are providing a quality product, exceeding that of our international competitors, backed by a guarantee," Lunga emphasised.

In summary, SAFI is poised to work together with industry stakeholders to create market access opportunities to grow the industry, align relevant policies, drive competitive manufacturing and support sustainable raw material supply.

"We need everyone to get involved, to be part of a growing industry on the cusp of becoming globally competitive where we all can achieve our common goal by believing in cohesion, where together is better," Lunga concluded.

IMPLICATIONS OF THE LINK BETWEEN BUSINESS AND POLITICAL DYNAMICS IN SOUTH AFRICA

"The quality of leadership has become more important in South African politics than debates about ideological orientations of government policies," political commentator, Ongama Mtimka, said. "That is because the policies of the major political parties are essentially very similar, but the platforms they use are different, like the EFF who is championing nationalisation."

According to Mtimka, this bodes well for business because the policies of the majority of these parties are closer to the centre of the ideological spectrum and not necessarily on the far left or far right. He believes this presents a paradoxical situation in which policy is largely certain, despite a volatile political environment.

Mtimka explains that the past has shown how government policies dictate economic activities and growth. "In the late 1950's and 60's, the threat of sanctions led to industrialisation where manufacturing became a key driver of the economy because of the import substitution policies of the apartheid state," he added. "And since 1994, government policies like B-BBEE were introduced as a strategy to secure the continuity of South Africa's market-oriented economy and ensure it doesn't collapse with apartheid."



He believes that, because of a relatively small population of 60 million people, the domestic market is also small and therefore business needs to reach remote areas and townships, while also increasing exports to Africa and the rest of the world.

"With the buying power of South Africans below potential, since most people are poor, we must look at the 1,4 billion people on the African continent in the midst of a retracting economy," he explained. "Despite a shrinking middle class, there is still an appetite for products that can lead to a rise in exports from South Africa."

Mtimka further explains a positive feature of party dominance is the efficient way government decisions are made and the ease with which business can manage political stakeholders. Coalitions on the other hand struggle to make decisions even though the government is likely to be more accountable.

"You don't have the abuse of power, but decision making becomes messy," he says. "We should take note of how campuses at our universities are way ahead when it comes to the likelihood of a power shift with every election and therefore promise a vibrant democracy."

According to Mtimka, Eskom should be investigated for economic sabotage as many businesses in the country are teetering on the brink of closing their doors, while the utility seemed helpless. However, he believes business has a role to play in an inclusive path which includes:

- Becoming more intentional with creating opportunities for more suppliers
- Continuing to comply and influence the policy and regulatory framework.
- Graduating from compliance to responsible and pioneering sourcing.
- Fostering and promoting linkages with the informal sector.
- Acknowledging the historic role of business in shaping the future of the country.

He believes the current concentration of production in Durban, Cape Town and Johannesburg is no longer sustainable and that a major mistake by government was the closing of technical trade education in favour of university education.

"At a recent session for an innovation hub, I was amazed at the innovation and creativity that goes into manufacturing furniture and textiles by small designers and manufacturers in Nelson Mandela Bay," he said. "Many have the talent and the capabilities to create and design but are mainly excluded from the value chain. I believe the time is now for business to start the conversation and create the change they want to ensure success."

FURNITURE INDUSTRY MASTER PLAN FEEDBACK

"The South African government envisions a fast-growing, profitable, inclusive and sustainable South African Furniture Industry by 2030," Tafadzwa Nyanzunda, Director for Resource Based Industries at the Department of Trade, Industry and Competition (dtic) said during her presentation at the 4th Annual SAFI Furniture Sector Forum.

According to her, the South African Furniture Industry Master Plan (FIMP) is part of the ongoing contribution to the process of reimagining the industrial strategy of the country, which was developed to address several serious challenges faced by industry and to ensure its long-term sustainability.

The FIMP was discussed with Industry representative members on the 8th of September 2002 and presented to the dtic Parliamentary Portfolio Committee on the 28th of September 2022, and Nyanzunda confirmed the Government's support for embracing cohesion and working together in the Furniture Manufacturing Industry as pre-empted in the FIMP.

"Firm commitments from business, government and relevant stakeholders are needed to ensure the successful implementation of the Furniture Industry Master Plan," she said.

She continued to compliment the SAFI Board of Directors, Operational team and members for their invaluable contribution to the sector and the major part it plays in driving the FIMP to be a successful catalyst to secure a fast-growing, profitable, inclusive and sustainable furniture manufacturing industry and to improve its competitiveness.

Nyanzunda highlighted the following achievements so far:

- SAFI, on behalf of the Industry, applied for a Rebate on warp knit fabrics classifiable under tariff subheading 6005.3 used for upholstered furniture - Implemented on the 28th of May 2021 and the Guidelines published on the 11th of June 2021.
- PG Bison announced a R2.5billion investment to increase the Board Manufacturing capacity and opened additional production to 1000m3 a day at its Mkhondo Plant at Piet Retief in March 2022.
- The IDC and the dtic committed R400 million towards the Furniture Industry Challenge Fund.
- Proudly SA Launched a furniture portal in April 2021 to assist with online platform and visibility for local manufacturers.
- SAFI, on behalf of the Industry, applied for the amendment of the tariff headings for furniture HS94 through the SARS Forum that came into effect in January 2021.

"If you want to go fast, go alone. If you want to go far, go together," she



DID YOU KNOW THAT QUALIFYING MANUFACTURERS CAN ACCESS SUPPORT FROM THE FURNITURE INDUSTRY CHALLENGE FUND?

Good news was shared with attendees at the 4th Annual Furniture Sector Forum, which was held in Sandton during October 2022, when it was announced that the Industrial Development Corporation (IDC), together with the Department of Trade, Industry and Competition (dtic), made R400 million available to support qualifying manufacturers from the furniture manufacturing sector.

Greg Boule, in his capacity as a consultant to the Industrial Development Corporation (IDC) for the Furniture Industry Challenge Fund, explained how the funding aimed to assist qualifying furniture manufacturers to improve their competitiveness, increase localisation of production within the value chain and maintain and increase current employment.

"Since 2002, when the sector employed 58 563 people, the number of jobs declined to 28 743 in 2020, which means job losses from 2002 to 2020 stood at 51%," he said. "This is just one of many reasons why the Furniture Industry Master Plan (FIMP) is so important to the future of the industry."

According to Boule, furniture manufacturers include mattress and bedding, upholstered goods, case goods, kitchen and built-in units and school and office furniture. Funding can be applied to capital equipment (increase capacity, modernisation of plant, upgrade to meet quality requirements), working capital and process and system improvements (efficiency and productivity optimisations, industry quality certification and standards, and environmental standard adherence).

"Once the application comes in, it will be subject to the IDC due diligence process to assess its economic viability as part of the Fund's criteria," Boule said. Other criteria includes the following:

- Sustainability (financial, marketing, technical and environmental).
- Regional focus (manufacture in South Africa).
- Export/import replacement (the ability to export or compete with imports are encouraged).
- Jobs (new jobs created and the saving of current jobs).
- Types of enterprises (start-ups, expansions and expansionary acquisitions).
- Compliance (SA legislation and be socially and environmentally responsible).
- BEE Requirement (At least a B-BBEE Level 4 within 36 months).
- Retrenchments (no retrenchments during the term of the funding facility).
- Developmental (encourage participation by black industrialists, women, youth or people with disabilities).

The estimated time frame for the application process are set at an eight-week turnaround. Details of the funding in terms of the maximum funding available per company (R40 million), the pricing of the interest on the loan, localisation incentives, the maximum term and business support, as well as the application process are available here: <https://bit.ly/3hdTqY2>



According to John Rocha, Chief Director of Trade Invest Africa, South Africa takes a developmental orientated and integration approach anchored in Trade, Industrialisation and Infrastructure development when capitalising on the realistic exports and investment opportunities under the African Continental Free Trade Area (AfCFTA).

“This approach is premised on the recognition that the major barrier to intra-regional trade is not the tariffs per se, but constraints in the real economy that include under-developed production structures and inadequate infrastructure,” he said. “It further seeks to combine market integration with infrastructural development and industrial policy cooperation to foster regional value chains.”

Rocha explained how important it is to not only look at exporting goods, but also exploring opportunities to import. “Most of our exports into African markets are delivered by road, which becomes very expensive if those trucks return to South Africa empty,” he said. “By creating a two-way trade value chain some of these costs can be shared.”

South Africa’s exports into the rest of Africa grew from about R9 billion in 1994 to over R386 billion in 2021, while sustaining about 250 000 local jobs with a contribution of about R60 billion towards SA’s economic output.

However, Rocha believed there was much room for improvement and the objectives of the AfCFTA were, amongst others to:

- Create a single market for goods, services, facilitated by the movement of persons in order to deepen the economic integration of the African continent in accordance with the Pan African Vision of “An integrated, prosperous and peaceful Africa” enshrined in Agenda 2063.
- Create a liberalised market for goods and services through successive rounds of negotiations.
- Contribute to the movement of capital and natural resources and facilitate investments building on the initiatives and developments being undertaken by State Parties and Regional Economic Communities (RECS).
- Lay the foundation for the establishment of a Continent Customs Union at a later stage.
- Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties.
- Enhance the competitiveness of the economies of State Parties within the continent and the global market.
- Promote industrial development through diversification and regional value chain development, agricultural development and food security.
- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

According to Rocha, until now, 54 African Union members have signed the AfCFTA with 41 Member States ratifying the agreement, opening opportunities for trade and exports.

“On Trade in Services, 46 Member States have submitted initial offers on the five priority service sectors namely Business, Communications, Financial, Tourism and Transport,” he said. “According to the World Bank, the implementation of the AfCFTA could make SA exports into the continent more competitive and have significant spin-off effects on South Africa’s economy.”

To take advantage of the opportunities provided in the AfCFTA, companies can register for the “How to Export within the AfCFTA” training programme, which is presented by the International Trade Centre (ITC) and Afreximbank, in partnership with the dtic. For more on this go here: <http://www.thedtic.gov.za/sectors-and-services-2/1-4-2-trade-and-export/trade-invest-africa/>



**GREAT OPPORTUNITIES ARE
AVAILABLE FOR TRADE,
INDUSTRIALISATION AND
INFRASTRUCTURE
DEVELOPMENT IN AFRICA**

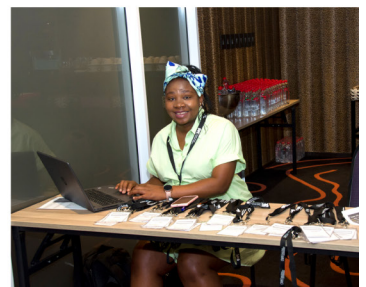
NEW

BOARD OF DIRECTORS ELECTED AT SAFI AGM

The South African Furniture Initiative (SAFI) Annual General Meeting (AGM) took place on the 5th of October 2022, to allow the presentation and approval of the audited financials, the election of the Board of Directors, and the appointment of an external Auditor. We are excited to have a BoDs that bring expertise and experience to the table and steer the organisation towards a sustainable future. The members of the 2022/23 Board of Directors are Bernadette Isaacs (Managing Director of SAFI), Educated Nkosi (CEPPWAWU), Greg Boule (ABA), Johann Claassen (CFMA), Jonathan Van Rooyen (NUFAWSA), Justin Berry (SAFI BoD), Michael Borchers (SAFI BoD), Mohammed Hansa (FBUMA), Morne Smith (GREA), Nico Badenhorst (FBUMA), Penwell Lunga (Raw Material), Peter Grey (CFMA), Shumaiz Acharath-Parakatt Mahal (KZNFMA), Stephan Nieuwoudt (Retail), Stephanie Forbes (SAFI BoD), Victor Abrahams (NUFAWSA) and Walter Dyers (NUFAWSA). The SAFI Annual Report 2022 is available on our website at <http://furnitureza.org.za/docs/Annual%20Report%202022.pdf>



A hearty thank you to all the SAFI Directors and industry stakeholders for attending the 4th Annual Furniture Sector Forum. Your contribution and hard work is invaluable to supporting and growing the industry. We look forward to meeting again at the next one.





South African
Furniture Initiative



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