



Sector Overview

Packaging

Packaging plays many roles across sectors in terms of the preservation, transportation, warehousing, logistics, sales and use of products. The packaging industry in South Africa can be segmented according to raw packaging material (plastic, metal, glass, flexible materials), packaging products (bottles, cans, jars, pouches) and industry verticals (food and beverage, personal care, home care, healthcare etc)¹.

In South Africa, the manufacturing sector for packaging accounts for about 1.5% of national GDP, namely R68-billion. Consumption of material for packaging purposes currently sits at about 3.5-million tons per year. For over 40 years the packaging sector has been growing at a higher pace than the average growth of South African GDP. This growth relies on high quantity and quality of the local wholesalers and distributors, and on the industrial sectors that use high quantity of packaging, such as the pharmaceutical and food processing industry.

South Africa has a well-developed industry for raw materials such as paper, plastics and glass and many companies which have the reputation and capability of fashioning these materials. The area in which South Africa lacks local manufacturing capability is in the field of packaging machinery.

Before the impact of Covid-19, the South African economy had been recovering after a period of slowdown. Thanks to the positive impact of the economic reforms run by the government, many sectors were making significant improvements, including the introduction of automatic machines for wrapping and packaging. In fact, the total value of import in South Africa in terms of machineries for wrapping and packaging was €83-million.

Italy plays the foremost role in exporting this class of machinery into South Africa. Indeed in 2019 exported equipment to the value of €33.8-million, namely 40% of the total imports into South Africa for this class of goods came from Italy. Thus Italy was ranked in first place in the export ranking ahead of Germany and then China.

Moreover, Italy features in first place in terms of export growth to South Africa, having grown by 70% within the last five years. As for the strategies adopted by the competing top three countries, Italy, and Germany have chosen a strategy based on high prices and high unit value of exported goods while China has adopted strategies of higher volumes at much lower prices. Nevertheless, Italy's prices are significantly lower compared with Germany, having exported goods within this category

¹ <https://www.mordorintelligence.com/industry-reports/packaging-industry-in-south-africa>

at an average of about €3000 per unit. Meanwhile, Germany's average unit price for 2019 was about €11000 and China's only €90 per unit.

The Italian presence in the packaging sector is well known in South Africa. Some companies have established their commercial branches in the country and the Italian technologies are well known for their high quality. Nevertheless, the latest edition of the sector exhibition Propak Africa, which took place in March 2019, pointed out that the South African industries which use the most packaging, in particular the food-processing and the pharmaceutical ones, are supposed to change their strategies on export by relying on low cost exporters and suppliers (i.e. China and Taiwan) in order to maintain a high degree of competitiveness.

South Africa is a net importer of technologies for wrapping and packaging sector and Italy is the most important supplier. However South Africa also takes part in the export of packaging machines, particularly to surrounding countries.

Africa is subject to rapid urbanization, and this might suggest that the entire continent will increase the production of packaging in order to satisfy consumer demand, especially for processed food². The market challenges in the packaging industry are the increasing cost of raw materials and the popularity of sustainable and bio-degradable packaging.

In South Africa specifically, due to economic hardship, consumers are highly price-sensitive which drives sales of bulk pack sizes, small pack sizes, multipacks, and discounted products.

South African growth in packaging material is not primarily driven by commodities but by consumer markets. For instance snacks manufacturers have launched various pack sizes; cosmetics and household segments have increased the demand for premium packaging; beverage industries have introduced glass containers and bottles for alcoholic and non-alcoholic beverage; and the major packaging companies have introduced packaging made using biodegradable plastics and other eco-friendly materials.

South Africa's packaging market is highly fragmented due to the presence of several domestic and international players. This trend creates a high competitiveness due to the volatile prices and rising costs of raw materials. The leading vendors in South Africa's packaging material are Greif, Mondi, Nampak, Tetra Pak, Active Packaging, Afripack, Astrapak, Bitrad Consulting, Bowler-Metcalf, Consol, HullPack Sachets, LC Packaging, Mpact and Polyoak Packaging Group³.

It is predicted that South Africa will witness high growth in the packaging industry in the next few years due to increased markets for consumer products, growing individual incomes, increasing population, and growing domestic economy. All the packaging manufacturers in South Africa are ready to adapt to new trends in packaging material and are ready to meet changes of consumer packaging demands over the next few years.

If you are interested in more in-depth research into a particular sector please contact:
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² <https://www.ra.camcom.gov.it/eurosportello/allegati-pina-newsletter/presentazione-focus-sudafrica-ravenna-14-5-2019>

³ <https://www.kenresearch.com/blog/2018/03/packaging-industry-in-south-africa-market-analysis/>