

Unlocking Africa's industrialisation potential

Growing the manufacturing sectors on the continent has a huge potential role to play in promoting economic and inclusive growth in African economies - due to its labour-intensive and export-focused nature.



Image: www.freedigitalphotos.net

Though, for Africa's industrialisation potential to come to fruition it will be dependent chiefly on affordable and accessible energy, improved infrastructure and growing skills capabilities.

According to Jeff Dobbs, Global Chair, Industrial Manufacturing and a Partner with KPMG in the US: "Very few countries are able to grow and accumulate wealth without investing in their manufacturing sectors and, a strong and thriving manufacturing sector usually precipitates industrialisation. In fact, there is a direct correlation between exportation levels and the economic success of a country - where domestic manufacturing improves external accounts by both decreasing imports and diversifying exports."

Currently, many African economies are reliant on raw-commodity exports for growth, however, this makes them highly susceptible to global price movements and in most cases the general population does not directly benefit from the country's natural resources. However, producing goods to supply the domestic market has a positive impact on the structure of the trade balance and, manufactured exports have a much wider scope and more stable demand than commodities exports - making the manufacturing sector ideal for sustainable growth.

"A strong manufacturing sector contributes to the development of the private sector - where this not only increases the economy's resilience to external shocks, but also creates opportunities to grow other service industries in-and-around the manufacturing sector - and in so doing, create more jobs," adds Dobbs.

African manufacturing is still in its infancy and is curtailed by a number of structural shortcomings, including;

- Lack of quality transport infrastructure and electricity supplies
- Low levels of productivity
- Shortage of skilled labour and innovative entrepreneurs

- Insufficient savings that are needed to make large capital investments, necessary for the establishment of manufacturing enterprises.

"Despite these shortcomings, manufacturing sectors around the continent are showing signs of expanding, driven by strong growth demand, improving infrastructure and increased openness to foreign investment," says Anthony Thunstrom, chief operating office for KPMG Africa.

"However, for manufacturing sectors to flourish on the continent, we need to establish frameworks that will promote world-class productivity, shared innovation and transparent and collaborative supply chains.

Over the last decade Africa has notably benefited from investments from developed and emerging economies, alike, in seek of natural resource. "While mining and extractive activities in Africa will continue to see large sums of investment, there are also signs of investor reorientation towards the burgeoning African consumer market, as some of the most attractive sectors during the past decade have been consumer-related manufacturing industries," continues Thunstrom. "And there are a rising number of success stories of manufacturing foreign direct investment (FDI) in Africa that are not directly related to extractive industries, including in the automotive sector in South Africa, the leather industry in Ethiopia, the garment business in Lesotho and pharmaceuticals across East Africa."

It is with this in mind, that KPMG's Global Africa Practice will be hosting an exclusive Forum for Executives on the 24th and 25th June - bringing together Global and African leaders from varying industries within the private sector to explore and debate opportunities to grow manufacturing sectors on the continent. The chief aim of this Forum is to gain a stronger understanding of the government policies to promote business opportunities and mitigate challenges for the key African Markets, while also examining how industrial manufacturing and automotive companies are investing, engaging and succeeding in Africa.

For more, visit: <https://www.bizcommunity.com>