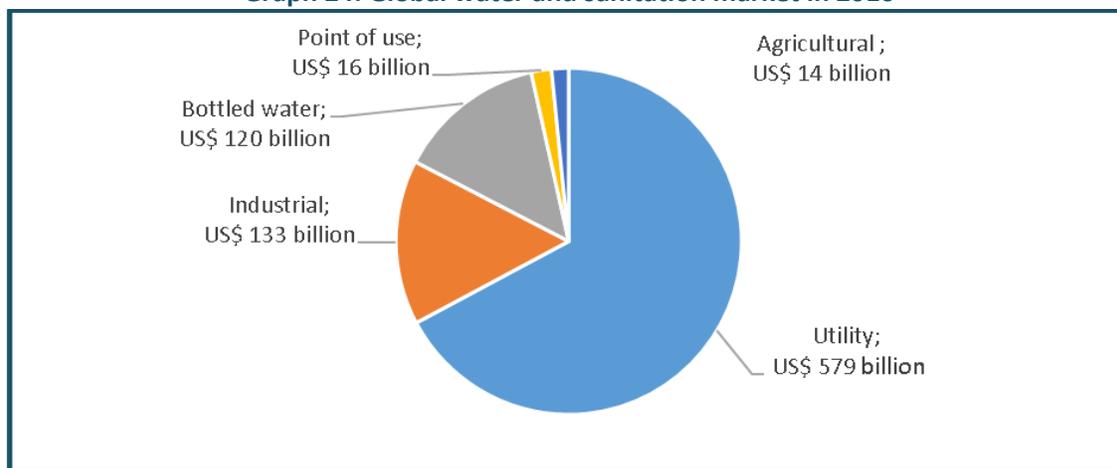


Briefing Note: Water and sanitation markets: An opportunity for industrial development?

The evolution of the water and sanitation market in South Africa and globally opens opportunities for industrialisation. For this reason, the sector has been identified by the Industrial Policy Action Plan as a potential driver, notably through the establishment and growth of locally-designed and manufactured products and services.

The global water and sanitation market, including both capital and operational expenditures, was estimated at US\$862 billion in 2016 (see Graph 24). For South Africa, the main opportunities emerge around the local production of goods now imported, with more limited scope for increasing exports.

Graph 24. Global water and sanitation market in 2016



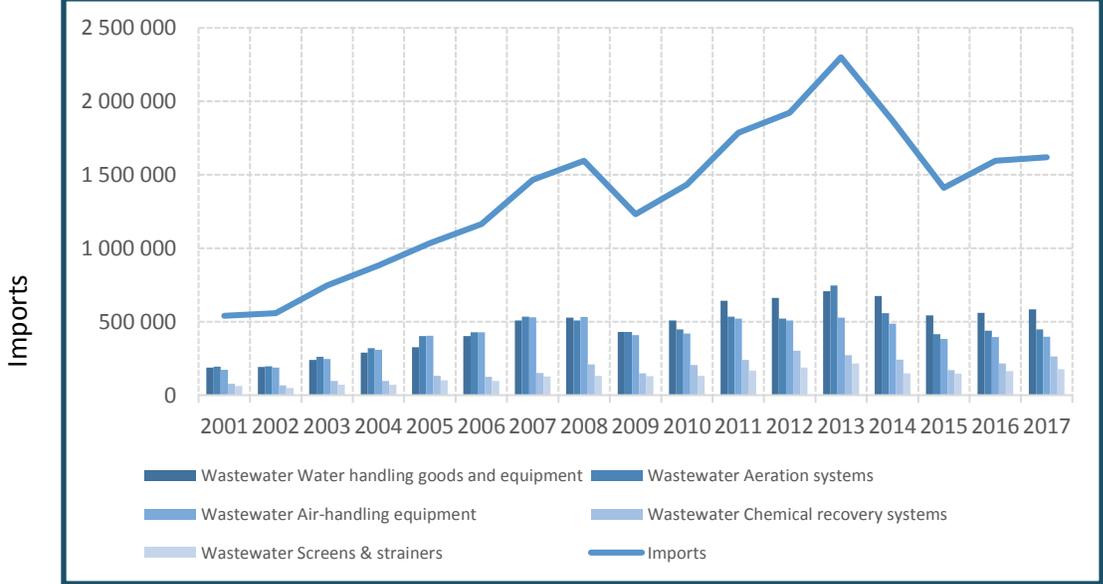
Source: TIPS, based on data from Global Water Intelligence

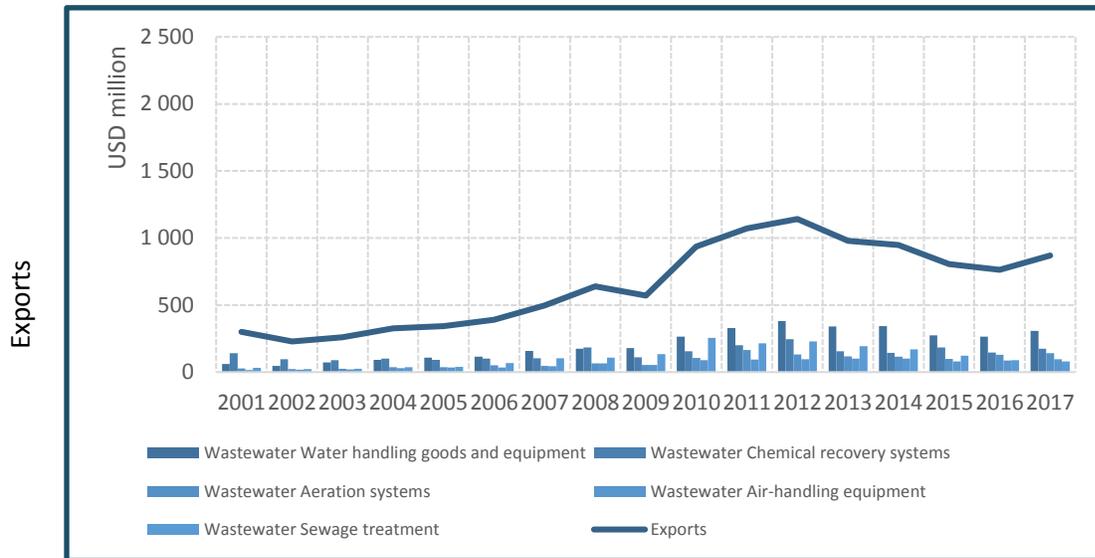
The global water and sanitation market is changing. Key challenges include heightened pressure on water security, notably due to climate change, the need to bridge the water and sanitation access gap, tighter environmental and health regulations, manage ageing and/or degrading infrastructure, and address weakening financial sustainability. The result has been a series of systemic responses, including increased focus on demand management; a stronger drive towards sustainability; heightened interest in technological innovation; in some cases, stronger utility autonomy and private sector participation; and rising water tariffs. Broadly there has been a shift from large infrastructure projects to the rehabilitation of existing infrastructure and the implementation of smart, digital solutions.

The South African market is heavily dependent on imports. Despite noteworthy exports, imports of water- and wastewater-related products are materially larger. This could open opportunities for import substitution, particularly for pipes, pumps and valves (50% of total South African equipment market) as well as automation and control equipment (16%) which accounts for the bulk of the equipment demand in the country.

Engaging on the export market would appear more difficult off the existing basis. South Africa currently supplies only 0.2% of global trade in water- and wastewater-related goods and, although the market is fairly disaggregated, competition is fierce. The market is dominated by civil works and engineering, which are generally highly localised, and most equipment and technologies originate from a limited number of countries. In addition, while the supply market is relatively disaggregated, strong, leading firms operate in most countries.

Figure 1: South Africa’s import/export of water- and wastewater-related goods (in US\$ million)





*Source: TIPS, based on Trade Map data,
 Note: Imports and exports depict total South African trade in water- and wastewater-related goods. Other categories represent the leading five categories (out of 18). These are not additive due to some products featuring in more than one category.*

The existing industrial base could, however, provide the capabilities to position local firms as stronger suppliers on a number of export markets. The move towards smart, digital, decentralised and efficient and circular systems appears to be a notable opportunity. Whether or not South Africa can seize emerging opportunities will depend on the country’s ability to align industrial development with water and sanitation policy and objectives.

The full report is available on the TIPS’s website: [Global water and sanitation market dynamics: Implications for South Africa’s industrial development.](#)