

# MARKET INSIGHTS REPORT

## SUMMARY HIGHLIGHTS

### EXECUTIVE SUMMARY

This Market Insights Report provides a comprehensive overview of key economic sectors in KwaZulu-Natal (KZN), highlighting market performance, trends, and emerging opportunities. Drawing on secondary data sources, the report synthesizes secondary data to inform strategic planning, investment decisions, and policy development.

The report begins with an overview of KZN's economic performance, which suggests that KZN's growth remains service-driven, with resilience concentrated in knowledge-intensive and digital-oriented activities, while production and extractive sectors continue to lag due to structural bottlenecks. This report highlights significant contributions from manufacturing, agriculture, maritime, tourism, and emerging green industries. In the market analysis section, each market is examined in detail:

•**Manufacturing - Automotive:** KZN remains a regional hub for automotive production, with established manufacturers and a growing network of suppliers supporting domestic and export markets.

•**Agriculture and Agro-processing:** The industry demonstrates robust production capacity in sugar, horticulture, and livestock, complemented by value-adding agro-processing activities, contributing to employment and food security.

•**Maritime:** The sector encompasses the manufacturing marine equipment and components (including engines, hulls, and navigation systems), the provision of ship and boat building inputs such as steel, fabrication, and engineering services, as well as fishing and aquaculture harvesting activities.

•**Tourism and Leisure:** The province continues to attract domestic and international visitors, leveraging coastal, cultural, and eco-tourism assets, while adapting to evolving travel preferences.

•**Green Industries:** Emerging opportunities in renewable energy, waste management, and sustainable technologies signal potential for economic diversification and investment in sustainable growth.

The report identifies the province's growth trajectory is shaped by a combination of infrastructure gaps, energy challenges, regulatory constraints, skills deficits and external economic pressures, all of which require coordinated policy and investment responses to enable sustainable and inclusive development. Key opportunities focus on private sector investment, public-private partnerships, and policy support. These include scaling value-added manufacturing, expanding agro-processing,

### OVERVIEW OF THE MARKETS

#### Manufacturing - Automotive

KZN is a strategic automotive hub anchored by the Toyota Prospecton plant and the Port of Durban. The sector features a strong export-oriented manufacturing base for internal combustion engines alongside a rapidly growing, import-driven segment for affordable passenger vehicles from China and India.

#### Agriculture and Agro-processing

The province is one of South Africa's most agriculturally productive regions, with integrated value chains spanning sugarcane, horticulture, livestock, forestry, and food processing. Agro-processing is the largest manufacturing sub-sector, supporting rural employment and food security.

#### Maritime

KZN is South Africa's maritime heartland, encompassing of the manufacturing of marine equipment and components (including engines, hulls, and navigation systems), the provision of ship and boat building inputs such as steel, fabrication, and engineering services, as well as fishing and aquaculture harvesting activities.

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### Tourism and Leisure

KZN leads in domestic tourism, capturing the largest share of overnight trips in 2025. Its offerings include coastal, nature, cultural, and events tourism. While domestic volumes are strong, international market share remains low compared to the Western Cape.

### Green Industries

The province is positioned as a national priority for green hydrogen commercialisation through the “Hydrogen Valley” corridor. Biomass (from sugar and forestry) remains the dominant renewable energy source, with growing applications in co-generation and biomaterials.

## TOP PLAYERS

### Automotive

- Toyota South Africa Motors (24.8% market share) – major manufacturer in Prospecton.
- Suzuki Auto SA (12.0%) – leading importer of affordable vehicles.
- Volkswagen Group Africa (10.7%), followed by Hyundai, Ford, and fast-growing Chinese/Indian brands like GWM, Chery, and Mahindra.

### Agriculture & Agro-processing

- Sugar: Illovo Sugar Africa, Tongaat Hulett, RCL Foods.
- Food & Beverage: RCL Foods, Tiger Brands, Nestlé SA, Clover.
- Poultry: Astral Foods, Rainbow Chicken.
- Forestry: Sappi, Mondi Group.
- Horticulture: Dole SA, Komati Foods, Rhodes Food Group.

### Maritime

- Transnet National Ports Authority (TNPA) and Transnet Port Terminals (TPT) dominate port operations.
- Grindrod, Imperial Logistics (DP World Africa) – key logistics players.
- Damen Shipyards and Southern African Shipyards – shipbuilding and repair.

### Tourism

- Accommodation: Southern Sun, Tsogo Sun, Sun International, Beekman Group.
- Attractions: Ezemvelo KZN Wildlife, private game reserves.
- Events: Durban ICC (World Trade Centre Durban).
- Destination management: Tourism KwaZulu-Natal (TKZN), South Coast Tourism & Investment Enterprise.

### Green Industries

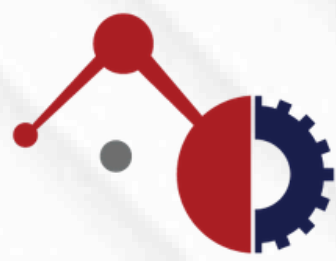
- Biomass: Sappi, Mondi, Illovo Sugar, Tongaat Hulett.
- Green Hydrogen: Sasol, Anglo American, HDF Energy.
- Institutional enablers: Richards Bay Industrial Development Zone (RBIDZ), Dube TradePort.

## KWAZULU NATAL ECONOMIC PERFORMANCE OVERVIEW

The KwaZulu-Natal economy showed uneven growth between 2018 and 2025. The primary sector (agriculture, forestry, fishing, mining) was weak, with most sub-sectors contracting—fishing (-4.6%), coal mining (-7.1%), and gold mining (-10.7%)—reflecting environmental stress and declining productivity. Only metal ore mining grew modestly (2.6%).

The secondary sector (manufacturing, utilities, construction) displayed mixed performance. Food, beverages, and tobacco grew (1.8%), as did electrical machinery (1.7%), but construction (-4.9%) and petroleum/chemical products (-2.7%) declined due to weak investment and energy constraints.

The tertiary sector was the main growth driver, with real estate (3.6%), post and telecommunications (3.4%), and business services (2.4%) leading. Overall, KZN’s growth remains service-driven, while production and extractive sectors lag due to structural bottlenecks.



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### CHALLENGES

#### **Automotive**

- Declining share of locally manufactured vehicles (imports account for 73% of sales).
- High logistics costs due to inefficient ports and collapsed rail networks.
- Load shedding and infrastructure instability disrupt production.
- Slow transition to New Energy Vehicles (NEVs) due to policy delays and lack of charging infrastructure.

#### **Agriculture & Agro-processing**

- Biosecurity threats: persistent Foot-and-Mouth Disease outbreaks restricting exports.
- Climate change causing unpredictable weather and yield disruptions.
- Poor rural roads, port inefficiencies, and limited cold-chain infrastructure.
- Smallholder farmers face high input costs and limited access to finance due to communal land tenure.

#### **Maritime**

- Port congestion and infrastructure decay at Durban and Richards Bay.
- High capital requirements and regulatory complexity limiting private investment.
- Skills shortages in specialised maritime engineering.
- Vulnerability to global decarbonisation trends affecting coal exports.

#### **Tourism**

- Infrastructure gaps (water supply, roads) in coastal towns and rural nodes.
- Safety perceptions deterring international tourists, particularly in the luxury segment.
- Seasonality leading to uneven revenue and employment.
- Low international market share (~5% of national room nights).

#### **Green Industries**

- High capital expenditure for electrolyzers, renewable energy, and storage systems.
- Regulatory delays (water licenses, grid-wheeling) creating investment uncertainty.
- Logistics constraints hindering the development of an integrated Hydrogen Valley.
- Green hydrogen currently more expensive than grey hydrogen without carbon pricing.

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### OPPORTUNITIES IDENTIFIED

Industry	Summary of Key Opportunities
Manufacturing – Automotive	Strategic policy reforms can restructure tariffs and create balanced incentives to deepen localisation and support local manufacturing. The 150% tax incentive for electric and hydrogen vehicles offers a pathway to establish South Africa as a New Energy Vehicle (NEV) manufacturing hub for Africa, supported by a finalised battery policy and hybrid incentives. Expanding exports under the African Continental Free Trade Area (AfCFTA) can reduce reliance on European markets, while modernising ports and rail infrastructure will lower logistics costs and improve competitiveness. Additionally, rising imports create strong growth potential in the automotive aftermarket for parts, service, and repair.
Agriculture and Agro-processing	Investment in agro-processing hubs, including the R2 billion Richards Bay facility for macadamias, avocados, and timber, alongside district agri-parks, will bring processing closer to smallholder farmers and reduce logistics costs. New export protocols for beef, citrus, and avocados open access to markets such as Saudi Arabia, China, Vietnam, and Japan. The commercialisation of cannabis and hemp (2025–2030

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Industry	Summary of Key Opportunities
	<p>priority) taps into medicinal and industrial textile value chains. Climate-smart agriculture, precision farming, and on-farm renewable energy projects are expanding, supported by blended finance schemes and skills programmes targeting youth and women inclusion.</p>
<b>Maritime</b>	<p>Expansion and modernisation of port infrastructure will improve efficiency and accommodate growing trade volumes. AfCFTA provides a platform to increase regional trade flows through KZN's ports. Rising demand for ship repair and maintenance services offers new revenue streams, while aquaculture development can boost high-value seafood exports. Strengthening local marine manufacturing and component production reduces import dependence, and increased private sector participation in port and logistics operations drives competitiveness and innovation.</p>
<b>Tourism and Leisure</b>	<p>Large-scale infrastructure investments will enhance destination competitiveness and visitor experience. Digital marketing and online platforms expand reach to domestic and international audiences. Sustainable and community-based tourism, particularly cultural and heritage offerings, aligns with growing demand for authentic experiences. KZN's proximity to Mozambique and Eswatini creates cross-border tourism opportunities, while expansion of events, conferences, and business tourism (MICE) helps stabilise year-round demand and reduce seasonality.</p>
<b>Green Industries - Biomass and Green Hydrogen</b>	<p>National Just Energy Transition Investment Plan (JET-IP) funding provides a catalyst for decarbonisation and job creation projects. Establishing a vanadium battery manufacturing hub positions KZN as a leader in energy storage, a complementary industry to green hydrogen. Positioning the province as a "Green Gateway" under AfCFTA enables export of green fuels and bio-based materials to Africa. The convergence of Big Data, AI, and bioinformatics drives innovation across the green economy, keeping the province at the forefront of technological advancement.</p>

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### CONCLUSION AND RECOMMENDATIONS

KwaZulu-Natal's economy is characterised by a mix of mature, export-oriented sectors (automotive, maritime, agriculture) and emerging high-potential industries (green hydrogen, tourism diversification). While the province has significant strategic assets (i.e. ports, manufacturing capacity, agricultural land, and tourism appeal), structural challenges such as infrastructure decay, regulatory delays, and market concentration constrain growth. Addressing these barriers through coordinated public-private action is essential to unlock inclusive, sustainable development.

#### Recommendations by Stakeholder Group

##### *For Provincial Government:*

- Infrastructure: Prioritise port and rail modernisation, rural roads, and reliable energy supply.
- Policy & Regulation: Finalise the South African Automotive Masterplan, streamline green energy approvals, and strengthen biosecurity systems.
- Industrial Development: Invest in agro-processing hubs, green industrial zones (RBIDZ, Dube TradePort), and tourism infrastructure.
- Market Access: Leverage AfCFTA to expand exports; develop international marketing for tourism and green products.

##### *For Funders & Financial Institutions:*

- Blended Finance: Provide risk-sharing mechanisms for emerging farmers, black industrialists, and green energy projects.
- SME Support: Concessional loans for automotive component suppliers, tourism SMMEs, and agro-processors.
- Green Investment: Fund EV infrastructure, hydrogen projects, renewable energy, and industrial symbiosis initiatives.
- Export Finance: Support export-oriented sectors (horticulture, green fuels) with tailored financing.

##### *For Industry Bodies & Sector Stakeholders:*

- Coordination: Strengthen collaboration across value chains (OEM-supplier, farmer-processor, port-logistics).
- Skills Development: Align training with emerging needs (EV technology, precision agriculture, maritime engineering, green skills).
- Innovation: Promote adoption of digital tools, automation, and climate-smart practices.
- Market Expansion: Develop regional export strategies under AfCFTA and position KZN as a "Green Gateway" for Africa.

By implementing these targeted interventions, KZN can enhance competitiveness, attract investment, and drive inclusive economic growth across its key sectors.