

**Chairmans Report**  
**Mr Johnny Venter**  
**South African Wire Business Council**  
**Annual General Meeting No. 23**  
**21 November 2024.**

GOVERNANCE OF THE EXPORT COUNCIL

*Directors appointed for 2024.*

Mr Michael Bolleurs	Barnes Fencing
Mr Michael West	Cape Gate Group
Mrs Riana Viljoen	CWI
Mr Ahmed Patel	Haggie Wire & Strand
Freddie de Kock	Hendok Group
Mr Keith Campbell	SAWA
Mr Johnny Venter	Wireforce
Mr Louis Wessels	Wire Supplies.

Mr Willie Steenberg representing Abracon retired from service at the end of June.  
Mr Michael Bolleurs of Barnes Fencing agreed to fill the vacancy.

Non-Executive Members:

Ms Nyakallo Dlambulo	DTI Ferrous Metals
Mr Sqhelo Ntshobane	DTI Ferrous Metals
Mr Faraaz Kana	DTI Ferrous Metals

*Executive Management*

Mr Johnny Venter –	Chairman
Mr Louis Wessels -	Treasurer
Mr Keith Campbell -	Executive Director
Mr Willem Swart -	Accountant (Buscon Financial Service)
Ms Clarise van Niekerk -	Executive Assistant

*Board Meetings*

Executive Quarterly Board Meetings: (15 February; 6 June; 22 August) were generally well attended considering the challenges our directors have had to contend with during the year.

## ***Reporting on Highlights and Challenges for the year.***

As we move into the final months of the year, I will highlight some key activities, events and trends affecting our industry and reflect on our achievements, made possible by your contributions and DTIC support.

The May election and establishment of the Government of National Unity (GNU) brought a new sense of optimism and renewed confidence for business but the Mid Term Budget has dampened the initial wave of optimism. The local trading environment has remained subdued during the year with negative growth in key wire consuming sectors of agriculture, automotive, manufacturing, mining and construction, affecting sales of wire products.

Industry continues to navigate a complex local and global environment, marked by the geopolitical climate, economic uncertainties, trade tensions, and protectionist policies. Now, global finance leaders are concerned that Donald Trump's win could mark the start of a fresh tit-for-tat global trade war that will have wide-ranging implications for the US economy, as well as the rest of the world.

Trump has vowed to slap a 10% tariff on imports from all countries, and 60% duties on imports from China, which would hit supply chains throughout the world.

Locally the year commenced with the upset caused by the AMSA announcement that they intended to stop production of long products at Newcastle. This resulted in much anxiety in the steel industry and downstream wire sector, forcing companies to make contingency plans for wire rod supplies. After pressures from industry and government AMSA agreed to postpone the closures for at least 12 months. However, AMSA continue to lose money which may still result in them having to close the long product mills which will negatively impact the steel industry.

Inflation has stabilised and South Africa and world economies are lowering interest rates coupled with moderate growth, a positive sign for our export markets and investment. The continuous supply of electricity is welcomed by industry but the proposed tariff hike of 36 % from next year will also affect our ability to export.

Since the formation of the 7<sup>th</sup> Administration with a new Min. of Trade, industry have had requests from ITAC for comment on proposals and reviews for changes to the current scrap policy, tariff structures and possible introduction of a pre-import surveillance system.

### Exports.

SA has become a net importer of steel, but our wire product exports still exceed imports by approx. 30%.

Our forecast export tonnage of rod-based products for 2024 of 250 000 tons is down from the 270 000 tons in 2023 due to our higher input costs compared to international levels which will mainly affect blue water shipments.

Fierce Chinese competition is noted in all our international markets due the unfair trade practices, subsidies and incentives from the Chinese government. High duties on Chinese imports to the US, Canada and EU plus China’s surplus steel production will force Chinese exporters to seek alternative markets, and increase trade into SA and Africa.

The downstream wire sector remains over capacitated. Aggregated sector level capacity utilisation of 50% is reported so far this year; at this level, our factories are unsustainable. High import volumes of wire and finished wire products continue to erode domestic production. A large portion of these imports are under declared at prices well below raw material costs.

Strong Rand performance during the Q3, (R17.04 / \$ 30/09 am), has lowered import production inputs, and prices of finished goods, but conversely, reduced export competitiveness, exacerbated by higher local steel prices.

Imports:

The overall trends for the first seven months of 2024, steel/wire related exports declined slightly by 1.2%, while imports saw a significant rise of 21.0%. This increase was primarily driven by low priced imports of *wire products of cloth, grill, netting*, as well as welded tubes and pipes, pipe fittings, fasteners, and various structural products such as towers, scaffolding, and bridges. (source; SAISI Steel Matters)

The lack of domestic demand for wire products is aggravated by imports of approx. 200 000 tons pa.

Wire Products imports:

<u>Jan - Sept</u>	<u>2023</u>	<u>2024</u>	<u>% change</u>
Tons	151 970	176 504	+16%

To protect our domestic market and utilise capacity and protect employment, the wire sector has initiated duty applications:

- ✓ Industry application for a bound rate duty 10% for coated panel mesh was successful.
- ✓ Sector preparing an anti-dumping application for bedding wire (7210.10) imports from China.
- ✓ Sector is considering re-visiting the anti-dumping duty for Galvanised wire (7217.20) from China.
- ✓ We have seen an increase in imports of duty-free Alloy Wire TH 7229 which is obviously a loophole to avoid duty. Exco agreed that SAWA will fund an application which Barnes Fencing and consultants CTO will prepare with SAWA and industry support.

Previously submitted application for bound rate duty:  
Stay Wire 7312.10.27 – Submitted Q2 2023. Application still pending. ITAC have requested additional updated data. Consultant is confident that ITAC will recommend in favour of the application.

#### Local Content Compliance Unit:

Although SAWA and other downstream associations have participated at SARS meetings to highlight import contraventions of low-priced imports we have not seen any significant improvement in fob prices or a reduction in imports. In fact, figures submitted to SARS show the situation is worse now than when we started some years back. The LCCU tasked with implementing systems to identify and track issues mitigating against local content have formerly submitted cases for investigation by SARS for several contraventions. We do not get any feedback from SARS.

#### Exhibitions: Wire 2024 Dusseldorf.

SAWA registered as an exhibitor and co-hosted a 5-member stand at the Wire exhibition.

#### BRICS:

Wire Sector bi-lateral trade with BRICS partners favours BRICS exports to SA.eg  
2024 Jan- Sept: Imports from BRICS: 130 930 tons = 74 % of total imports  
Exports to BRICS: 3 114 tons = 2 % of total exports

#### NAFTA:

Our exports to NAFTA have dropped from 14 550 tons in 2019 (4.5% of total exports) to less than 5 000 tons projected for this year (2,0% of total exports).

USA: The Biden administration increased tariffs on steel imports from China by 25% which will impact international trade.

Canada: Anti-dumping Directorate has made a preliminary determination of dumping of certain hot-rolled steels from China.

#### AfCFTA – Africa Continental Free Agreement / AGOA

Africa remains our main regional export destination with 65% of total exports.

Min. of Trade, Parks Tau, favours more robust trade and investment ties within the continent and China as the global trade environment becomes increasingly fraught.

However, the GNU should be cautious not to jeopardise economic ties and trade benefits offered by AGOA.

When fully implemented the agreement aims to reduce all trade costs and enable Africa to integrate further into global supply chains. It will eliminate 90% of tariffs, focus on outstanding non-tariff barriers and create a single market with free movement of goods

and services. However, at this stage the continent's trade deficit with China has ballooned and any duty advantages between member states (-2% to -4% for wire products) will be countered by China reducing prices as exports to Europe and the US are curbed.

#### DTIC Support:

DTIC Export Council Secretariate committed financial support to export councils for this year. SAWA received a request regarding wire sector export performance which may indicate a review to increase government financial support for export councils.

As part of our reporting obligation to DTIC, members are requested to submit monthly reports on your individual trading and export achievements. Please consider submitting the confidential information directly to DTIC, and to provide us with company profiles. Templates of the required forms have been sent to all members.

#### Training:

I.S. Training (Jannie Kriel) has been appointed by SARS for training of SARS personnel and customs inspectors.

A one-day onsite training session to acquaint SARS personnel with manufacturing processes of wire and products, was hosted by Hendok, and we hope to do another session in Gauteng next year.

Attendees praise the training sessions, content and materials resulting in a few suspect inspections being referred to our members for product / tariff clarification.

SAWA continued financial support for skills development training of artisans for the wire industry.

#### Council Transformation:

SAWA Exco is cognisant of government transformation policy for export councils and associations. Succession planning has received priority at the Exco meetings; however, we are unable to implement our transformation plan due to financial and economic constraints.

#### Conclusion:

I trust that the achievements of SAWA and your executive committee enumerated so far this year meet with your approval look forward to your continued membership and participation of the Association to promote the interests of our industry in meeting the challenging dynamics of the business environment.

Our thanks to:

- Representatives from the various departments of DTIC,
- Our Corporate Members,
- I.S. Training,
- Buscon Financial Services (Pty) Ltd.

- D5-BSG Chartered Accountants.

J.Venter.  
Chairman

21 November 2024