MEDIA RELEASE

Localisation Support Fund report highlights potential pathway for further localisation in South Africa's garment industry

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With the right industry development and policy support, an additional 81 million garments per annum could be sourced by South African retailers from local garment manufacturers by 2030. This is according to a comprehensive feasibility study report published today by the Localisation Support Fund (LSF). Achieving this could increase local sourcing by 20%, add nearly R8 billion in annual manufacturing output, and create up to 34,000 jobs.

The study, commissioned by the LSF and undertaken by industrial development consultancy, BMA, was conducted over a one-year period and included an extensive assessment of demand for local sourcing among major South African retailers; a mapping of capability and capacity across South African garment manufacturers; and the development of a commercial business case and action plans to drive localisation in the industry.

Aligned with the objectives of the Retail-Clothing, Textile, Footwear and Leather (R-CTFL) Masterplan, the study aimed to provide practical insights to help translate policy ambitions for increased local sourcing and employment into implementable industry actions.

In 2019, local retailers placed orders for about 250 million units of apparel and footwear with the local manufacturing industry, and by 2024, this had risen to 389 million units, representing 34% of total sourcing among Masterplan signatories. This level of sourcing has been significant and continues to support nearly 75,000 jobs in the formal manufacturing sector. However, it remains significantly below the Masterplan target of 65% local sourcing by 2030.

The study highlights considerable potential demand among South African retailers to source locally, which could help close the supply gap. Retailers indicated that localisation is increasingly driven by valuable commercial considerations — including the benefits of shorter lead times, greater replenishment flexibility, and supply chain risk mitigation — rather than by social compact commitments alone. Although demand was mapped across 32 product categories, around 50% of the total opportunity is concentrated in t-shirts, denim, and athleisure, suggesting that focused, category-specific strategies are more likely to deliver impact than broad-based interventions.

Importantly, the study's capacity and capability survey of nearly 200 South African garment manufacturers shows that the local supply base has real depth. South Africa has established capability in key product categories, particularly in KwaZulu-Natal and the Western Cape. The alignment between this capability and the largest areas of mapped demand suggests an opportunity to concentrate support where scale and technical capability already exist.

However, while the study highlights strong demand and capability, it also underscores the need for better industry and policy alignment to ensure that manufacturers can fully capitalise on the opportunity. While retailers expressed a strong interest in local sourcing, price remains a key consideration. Although many manufacturers have made progress in building cost-competitive offerings, further work is needed — particularly in product categories such as basic knits — to align pricing more closely with market requirements.

The study identifies a clear commercial pathway for improving price competitiveness while maintaining compliance standards. One of its key findings relate to the optimal scale of operations. A significant portion of the supply base operates on a small scale, and modelling shows that insufficient scale limits overhead recovery, constrains investment, and weakens price competitiveness. The study also indicates that more adaptive shift models could materially improve competitiveness. For categories with strong short-term localisation potential, such as basic knits, success will depend on aligning demand commitments, compliance pathways, skills development, upstream investment, and firm-level measures such as scaling, exploring new shift arrangements, and targeted incentives.

Speaking at the launch of the report, Irshaad Kathrada, Chief Executive Officer of the LSF remarked: “We undertook this study to understand how we move, in practical terms, from current sourcing levels to the ambitions set out in the Masterplan: which product categories to prioritise, what price and compliance requirements need to be met, and where we can harness capability and capacity that already exists in South Africa. This is by far the most comprehensive study of its kind ever undertaken. As the LSF, we will work closely with industry to pilot the recommended measures and to support policymakers in considering the tools needed to unlock this opportunity.”

Michael Lawrence, Executive Director: National Clothing Retail Federation added that the importance of a vibrant, competitive, and sustainable CTFL regional and local value chain is always first prize for CTFL Retail. “The doors of opportunity that have opened through this study create an excitement that should encourage increases in investment in regional and local manufacture to new and greater heights,” he said

Simon Eppel, Executive Director of Research: Southern African Clothing and Textile Workers Union said that markets are often imperfect systems of unequal knowledge between supply and demand. “This study takes a step towards closing that gap, so that manufacturers broadly will have better line of sight of the products and capabilities needed by retail over the next few years,” he said. “That is key for more deliberate growth. The potential to create 34,000 jobs would be a welcome pathway. As we have done through the Masterplan process to date and in other social dialogue spaces, SACTWU will continue to work with our industry partners towards this vision.”.

Graham Choice, Chairperson: Cape Clothing & Textile Cluster notes that the study confirms that localisation is no longer just an aspiration. “Apparel customers and retailers are ready to source more locally where price, quality, and responsiveness meet market needs. The pathway outlined in this report provides a practical foundation to unlock investment, review policy inhibitors, and grow regional manufacturing capability to deliver sustainable jobs across the CTFL value chain. Success will require determined, coordinated action by all stakeholders to challenge the status quo and implement a new set of actions to drive sustainable growth,” he said.

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About the Localisation Support Fund (LSF)

The LSF is a non-profit company (NPC) and public benefit organisation (PBO) that was established in 2021 by private sector contributors, in partnership with the South African Government, in support of strategic localisation of manufacturing in South Africa.

The LSF operates with a focused mandate: to identify and address barriers to industrialisation through evidence-based research, industry engagement, and strategic interventions. Our approach ensures that localisation is not merely about import substitution but about scaling South African firms into competitive, high-growth markets.