

Top Sectors In 2020: Opportunities For Business Owners

12 February 2020: The new year may have kicked off on a discouraging note, with the International Monetary Fund's downward revision of South Africa's economic growth prospects, but 2020 could still hold significant opportunities for business owners who know where to look.

This is according to David Morobe, Executive General Manager: Impact Investment at Business Partners Limited (BUSINESS/PARTNERS) – one of Africa's leading business loan and equity providers and 2019 Gold winner: SME bank of the year (Africa)* – who highlights energy, tourism and technology as three of the sectors that could offer growth for business owners in the year ahead.

Energy

South Africa's energy crisis was brought back into focus at the start of this year, with nation-wide power cuts once again making its return. In fact, Eskom's chief operating officer recently commented that the utility could only reliably supply South Africa with around 25 000MW of power, which is less than national demand.

While this is not a positive development overall, Morobe believes that business owners can also view it as an opportunity for innovation and entrepreneurship. "In the consumer market there has been increased interest in products such as solar powered lights, gas heaters and cookers, battery solutions for security alarm systems, power banks for mobile devices and surge protector plugs."

In addition, there is a growing number of opportunities in the mining and industrial sectors. The mining industry alone already has 1.67 gigawatts of embedded energy generation projects, which can be fully commissioned within four years. Last week, the Minister of Energy and Mineral Resources announced at the Mining Indaba that mining companies are now allowed to generate power for own use, meaning that all of these projects can now commence. In light of this, there is a very real chance of opportunity growth not only for the supply side, but also services and expertise in embedded energy generation.

Tourism

Travel and tourism has always been considered a positive growth sector for South Africa and remains the largest in Africa, according to the World Travel & Tourism Council's (WTTC) last annual review. Despite setbacks caused by the recent drought and fear of "Day Zero", the FEDHASA Cape reported a positive festive season for Western Cape's hospitality sector (based on initial feedback from hotels in the region).

"This indicates that we can likely expect positive tourism figures for the remainder of the current season, and business owners would also be wise to plan for further positive growth into the rest of 2020," suggests Morobe. "In fact, it was forecasted that the number of tourists in South Africa would reach an impressive 19.6 million by 2023."

The weakening Rand could make South Africa even more attractive as a holiday destination to international visitors from countries with strong currencies, such as the U.S. and Europe. "This could be good news for our economy overall, as tourism is a labour-intensive industry in which small and medium enterprises thrive, spreading the benefits of growth widely," he adds.

Technology

Another sector that has growth potential for the year ahead is technology. With the promise of imminent roll-out of 5G technology across the country, faster internet speeds will allow for improved business competitiveness and opportunities for innovation. "As such, now is the time for business owners to strengthen their digital presence, whether it's through e-commerce, social media, customer-centric applications, or adopting the Internet of Things (IoT) into their business or products," advises Morobe.

Adding to this, more funds are predicted to come on stream for SA's tech sector from international investor groups. In fact, global research firm, Gartner, estimates that IT spend in South Africa totalled R303.5-billion in 2019 - and software spending is on the increase too, as more South African organisations consume significant amounts of cloud services. "It is, however, important to note that reliable energy supply remains a paramount constraint or enabler to this sector."

Taking into account the aforementioned factors, Morobe states that 2020 may hold some great benefits for small and medium businesses, in spite of the country's ongoing challenges. "For the businesses that take heed of the signs along the way and adapt their ventures accordingly, the year ahead could offer some unique growth opportunities," he concludes.