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Manufacturing Outlook 2026

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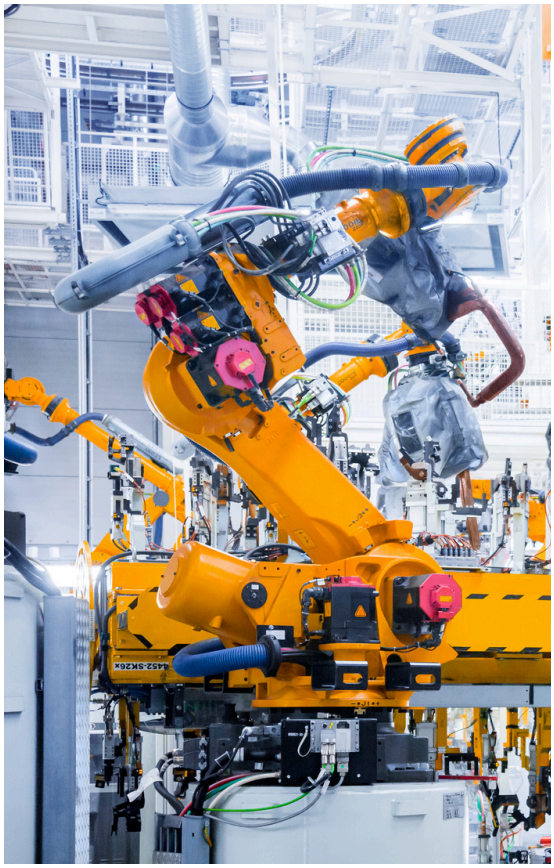

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Global Manufacturing Context

The global economy has proved resilient this year, but underlying fragilities remain, according to the OECD's latest Economic Outlook.

Although, the inflation rate deteriorated significantly, the economic graph plunged deeper and trade barriers rose strongly, the global economy stood with remarkable resilience this year. Credit largely goes to Strong AI-related investment, fair fiscal and monetary policies and trade innovations.

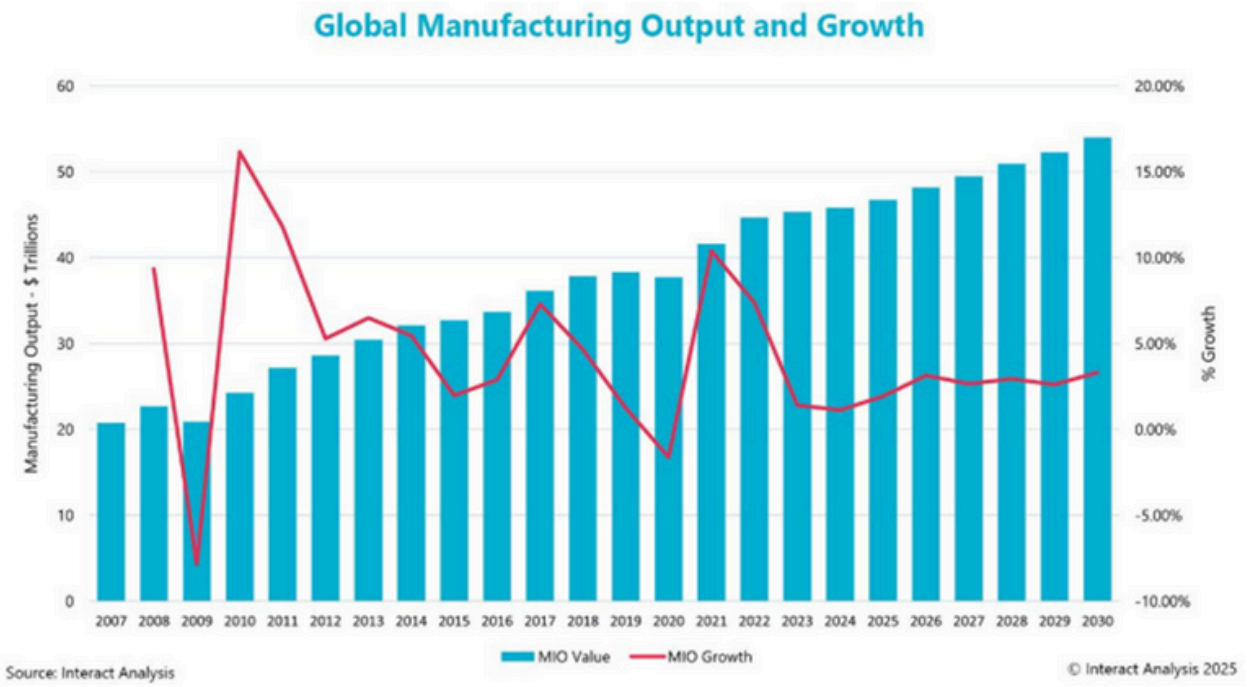
This year, labour markets eased up a bit and commodity prices are slowly returning to the pre-covid era. However, one strong attack against the global economy is the rising trade tariffs across borders due to global war and policy change. This rising tarriff has weakened the supply chains, economic power of families, as well as investment fund.

Thereby, negatively impacting the manufacturing cashflow and disposable funds for industrial growth. This growing trend has created a pessimism around the machinery market affecting investible funds.

According to The Manufacturer, The tariffs weakened UK manufacturing by lowering demand for exports, especially in automotive, steel, aluminium and chemicals — spurring output declines, job risks and supply-chain disruption.

However, Global manufacturing production output is currently relatively stable and growing in multiple regions, according to the latest data from market intelligence specialist Interact analysis.

Graphs:



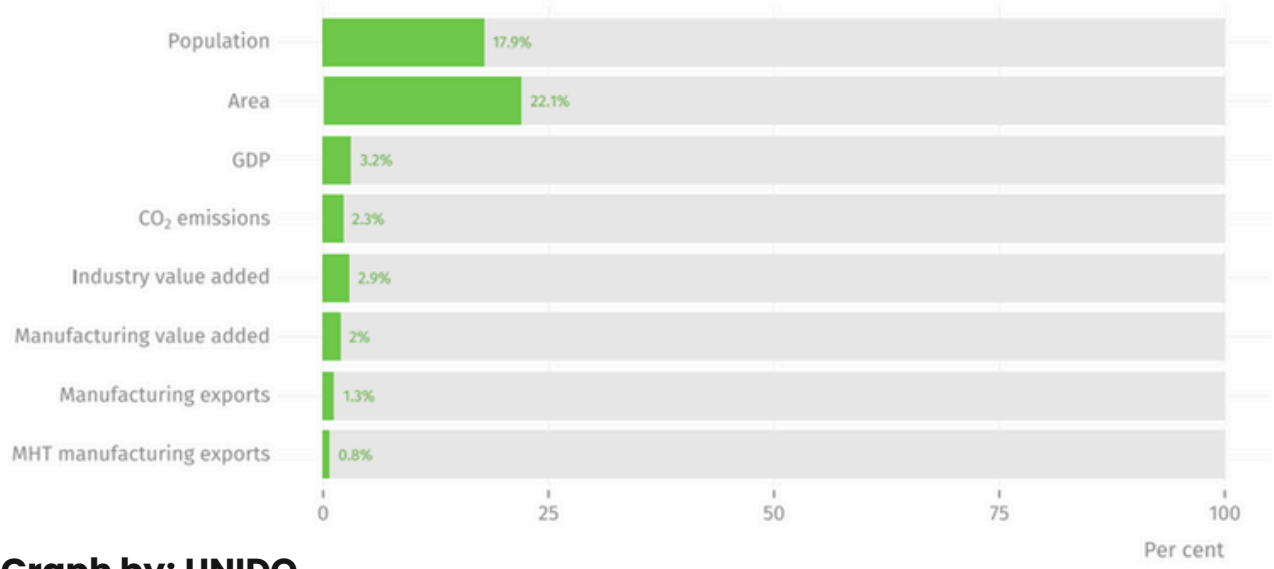
According to Interact Analysis: Our projections point to a moderation of global GDP growth, from 3.3% in 2024, to 3.2% in 2025 and 2.9% in 2026, followed by a small rebound to 3.1% in 2027. Inflation is expected to gradually return to target in most major economies by mid-2027.

All major regions are expected to see growth longer-term, but smaller territories have far more headroom to grow and significantly less baggage than their larger counterparts. Globally, manufacturing industry growth has a projected compound annual growth rate (CAGR) of 2.3% between 2025 and 2030.

Looking into 2026, the outlook suggests further rise in trade barriers, especially around critical inputs, which could inflict significant damage on supply chains and global output.

Africa Manufacturing Context

According to Unido, Africa encompasses close to one-fifth of the global population and the world's land area. Despite its significant size, its contribution to global gross domestic product (GDP) stands at only 3 per cent, with an even smaller share in world manufacturing value added (MVA), at 2 per cent.



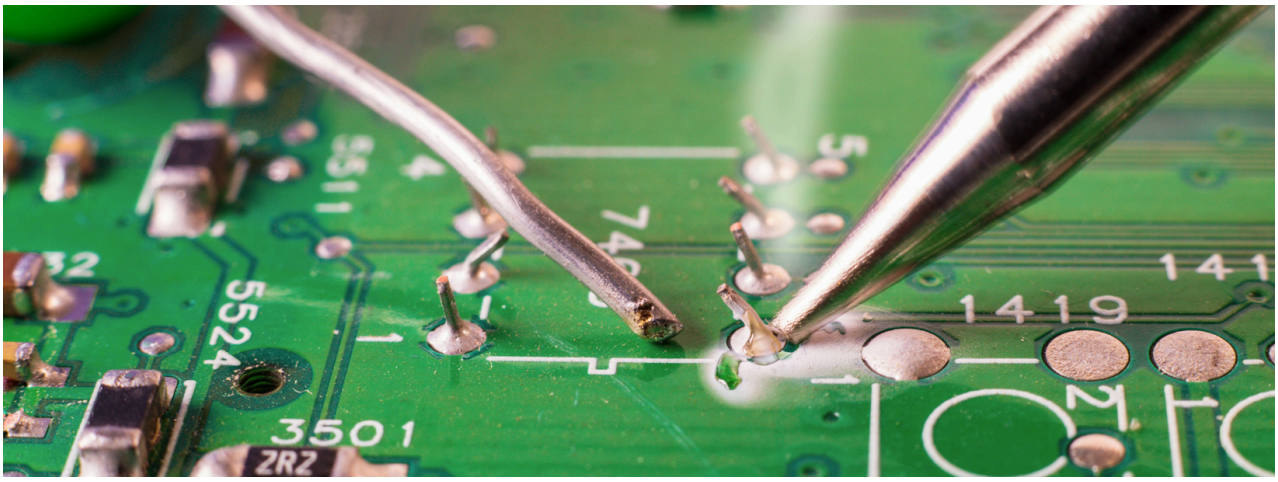
Graph by; UNIDO

In the area of international trade, Africa's manufacturing exports constitute only one per cent of the world's total. The continent's manufacturing trade balance has remained in negative territory, although with a slight improvement over the last decade, primarily due to substantial decreases in Eastern and Central Africa's deficits.

In 2025, Africa's manufacturing sector showed moderate growth, driven by regional trade (AfCFTA), rising investor confidence, and tech adoption, with top opportunities in petrochemicals (Nigeria's Dangote Refinery), pharmaceuticals, agro-processing, automotive, and textiles, but challenges persist with supply chain issues, energy costs, and skills gaps.

Africa's manufacturing sector is at a strategic turning point, moving from heavy investment in agricultural produce to other industrial production. Large youthful demographics, rising intra- and extra-African demand for processed goods and industrial inputs, abundant raw materials, enabling policy frameworks (such as AfCFTA) and investments in infrastructure and Special Economic Zones (SEZs) are aligning to reignite industrial momentum.

The US-China trade tensions is predicted to fuel foreign investment inflows in Africa, with a focus on automotive, textiles, and electronics manufacturing.



However, there promises to be slower manufacturing growth in countries facing severe conflict, including the Democratic Republic of the Congo (DRC) and countries with persistent inflationary pressures like Zimbabwe (projected at 35 per cent) and Nigeria (around 24.5 per cent)

"Additionally, countries such as Nigeria, Egypt, and Ghana may continue to report elevated borrowing costs above 25 per cent, limiting access to financing for capital investments particularly by the Small and Medium-size industries," PAMA projected.

Some of these challenges currently prevailing across Africa include high inflationary pressures, rising interest rates, unstable international commodity prices, persistent strengthening in the US dollar, limited infrastructures, low foreign direct investment inflows in manufacturing, high tariffs, and lingering conflicts.

According to Future.issAfrica, Looking to the future, much hope is centred on the impact of the African Continental Free Trade Area (AfCFTA). Also, the rise of technology and sustainable practices supports the expansion of the manufacturing industry in Africa. Africa Government need to develop digital manufacturing and renewable energy infrastructure that enhances modern industralization

Evidence-based policymaking at the regional and national levels are needed to sustain manufacturing's potential for achieving sustained growth and create employment.

Africa's Manufacturing Industry Critical Challenges in 2025

According to Esg Africa;

1. Supply Chain & Logistics Disruptions:
Ongoing global supply chain disruptions, rising freight costs, and poor infrastructure continue to create bottlenecks for African manufacturers. Transport inefficiencies, especially in landlocked regions, drive up production costs and reduce competitiveness.

2. Energy Supply & Costs:
Unreliable electricity and escalating energy costs remain major obstacles for manufacturers across the continent. While renewable energy solutions are gaining traction, the high initial investment required for alternative power sources presents a barrier for many businesses.

3. Access to Finance & Investment:
Limited access to affordable financing prevents many manufacturers particularly small and medium-sized enterprises (SMEs) from expanding operations or adopting modern technologies. Attracting local and foreign investment is crucial for industrial growth.

4. Trade Barriers & AfCFTA Implementation:
The African Continental Free Trade Area (AfCFTA) presents significant opportunities for intra-African trade, but inconsistent regulations, bureaucracy, and tariff barriers continue to hinder seamless implementation. Accelerating AfCFTA's full rollout is vital to boosting regional manufacturing.

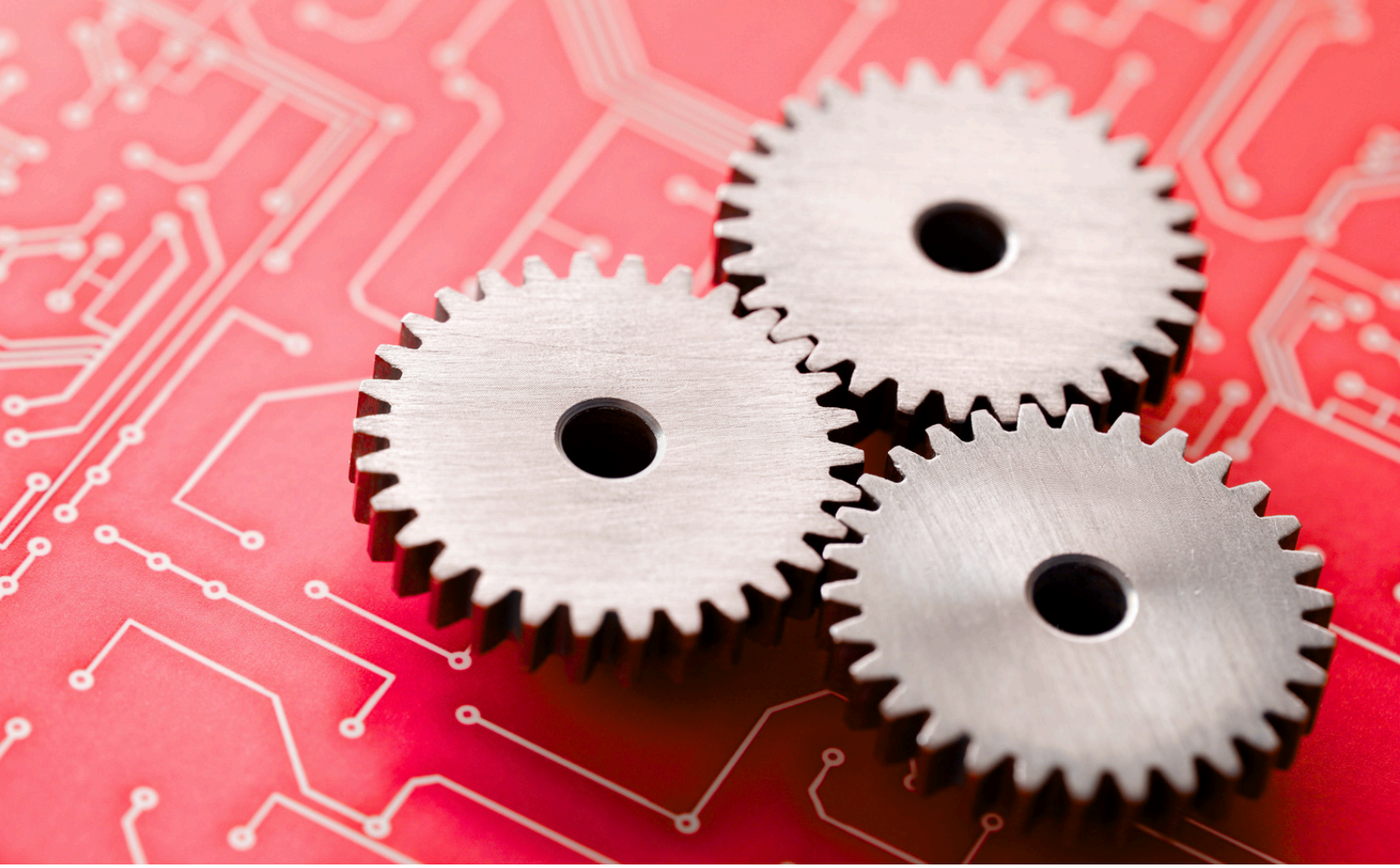
The demand for skilled labour in manufacturing outpaces supply, particularly in technical and digital fields. As automation and Industry 4.0 technologies reshape the sector, upskilling the workforce is imperative for long-term growth.

6. Technology & Industry 4.0 Adoption

The slow adoption of automation, smart manufacturing, and digital transformation limits productivity and global competitiveness. Many African manufacturers still rely on outdated machinery, reducing efficiency and output quality.

7. Climate Change & Sustainability Pressures

With increasing global pressure for greener production methods, African manufacturers must transition toward sustainable and environmentally friendly practices. Regulatory changes, such as carbon taxes and stricter environmental laws, add financial and operational challenges.



8. Political & Economic Instability
Economic volatility, inflation, and political uncertainty in some African countries create an unpredictable business environment, discouraging long-term investment in manufacturing. Policy stability and investment-friendly frameworks are crucial for industrial growth.

9. Competition from Imports & Counterfeit Goods
Local manufacturers face stiff competition from cheap imports, particularly from Asia, which undercuts pricing and market share. The rise of counterfeit goods also threatens the credibility of African-made products.

10. Access to Local Raw Materials & Value Addition
Despite Africa's rich natural resources, a significant portion of raw materials are exported with minimal local processing. Developing value-addition industries will be key to reducing dependence on imports and creating more jobs.

Employment in Manufacturing in Africa — 2025 Overview

Although comprehensive continent-wide employment statistics disaggregated by sector are limited, available industrial labour data reveal several key patterns for manufacturing employment in 2025:

1. Growth Over the Long Term:
Across Africa, manufacturing employment has increased substantially over the last decade with labour participation expanding by nearly 35 % since 2015. stat.unido.org.

This growth reflects the gradual hiring by factories in agro-processing, consumer goods, textiles, and light manufacturing in several countries.

2. Gender Representation:
Women accounted for approximately 46 % of the manufacturing workforce by 2023-24, narrowing the gender gap and contributing significantly to job expansion particularly in West African manufacturing hubs. stat.unido.org

3. Share of Total Employment:
On average, manufacturing represented about 8.5 % of total employment across African economies still modest compared with global averages but indicative of the sector's importance as a source of formal jobs. stat.unido.org

South Africa is Africa's Largest Manufacturing Labour Market. Because South Africa's economy is one of the most industrialised on the continent, its employment data often serve as a proxy for understanding broader manufacturing labour trends:

a significant share of formal sector employment and a core industrial workforce. aluma.co.za. Even in smaller economies like Rwanda, manufacturing jobs grew strongly in 2024–25, with the sector employing about 253,000 people marking around a 16 % increase year-on-year and indicating rising industrial job creation outside traditional hubs. allAfrica.com

Implications for 2026 Outlook

As Africa moves into 2026, employment trends in the manufacturing sector suggest the following:

- Growing Formal Jobs in Targeted Sectors: Agro-processing, food & beverage, and consumer goods manufacturing are expected to continue driving job growth as demand expands regionally.

- Pressure in Capital-Intensive Segments: Automotive and heavy engineering subsectors may face employment pressure if export competitiveness weakens further without targeted policy support.

Youth & Skills Integration: With Africa's working-age population rising rapidly, integrating youth into manufacturing jobs particularly in emerging industrial parks and textiles clusters will be a key growth pathway.

In 2025, manufacturing employment in Africa increasingly favoured semi-skilled and skilled labour, with growing demand for technicians, machine operators, quality control professionals, supply-chain specialists, and production managers as factories adopt automation, compliance standards, and regional export requirements.

Supply Chain: Sourcing and Distribution — Africa Manufacturing (2025)

1. Persistent Logistics & Infrastructure Bottlenecks
African manufacturers continued to face major supply chain disruptions in 2025 due to poor transport infrastructure (roads, ports, rail) and rising freight costs, which increased lead times and operating costs. Inefficiencies were especially acute for landlocked countries, where distance and connectivity gaps limited access to both inputs and markets. logisticsnews.co.za

2. Import Dependence & Sourcing Challenges
Many manufacturers still rely heavily on imported raw materials, components, and intermediate goods from Asia and Europe, exposing supply chains to global shocks and currency volatility. Efforts to increase local sourcing have begun. For example, Nigerian manufacturers shifted to local raw materials to mitigate foreign exchange pressures, but overall regional sourcing remains limited.

3. Distribution & Trade Barriers
Distribution across African markets was constrained by inconsistent regional trade regulations and slow AfCFTA implementation. These barriers increased customs delays and transaction costs, undermining the efficiency of intraregional distribution and reducing the competitiveness of "made-in-Africa" goods. globalafricanetwork.com

4. Growing Focus on Supply Chain Resilience
Manufacturers increasingly prioritised diversification of suppliers and development of regional hubs to improve resilience against global supply shocks. This included exploring alternative logistics routes and strengthening domestic sourcing partnerships where feasible.

5. Demand-Side Pressures on Distribution Networks

Rising consumer demand across African markets put pressure on distribution networks to scale faster a trend highlighted by research communities and conferences focusing on supply chain optimisation across agriculture, trade, and industrial sectors. summit2025.carisca.org

6. Investment in Logistics Enhancements

There were important investments in logistics capacity, such as expansion of inland logistics hubs and enhanced port operations in West Africa, aimed at improving throughput and lowering distribution costs over time.

Trends in Manufacturing in Africa in 2026:

Here are key manufacturing-relevant trends extracted from the African Development Bank (AfDB) African Economic Outlook (AEO) 2025 Highlights, synthesised and reframed for a Manufacturing Outlook for Africa 2026.

1. Shift from Raw Exports to Value Addition

The AEO strongly emphasizes Africa's continued over-reliance on primary commodity exports, while highlighting growing policy momentum around local processing and beneficiation. Businesses need to move away from exporting raw materials to local processing and advanced manufacturing. This includes adding value to agricultural products, critical minerals (like copper and cobalt for EV batteries), and other resources to build sovereign capabilities and reduce import dependence.

Governments are prioritising downstream manufacturing in agro-processing, minerals, and energy inputs.
Industrialisation is increasingly framed as a trade competitiveness and job-creation strategy, not just GDP growth.

Implication: Manufacturing firms focused on processing, packaging, and semi-finished goods will benefit most from incentives and public support.

2. Regional Manufacturing Driven by AfCFTA

AfDB identifies the African Continental Free Trade Area (AfCFTA) as a key structural driver of industrial growth. Regional value chains are becoming more feasible due to reduced tariffs and harmonisation efforts. Manufacturing clusters are expected to grow around regional demand hubs rather than export-only models.

Implication: Manufacturers must design regional sourcing and distribution strategies, not single-country operations. Time to begin to activate your international distribution strategies

3. Rising Input Costs and Supply Chain Re-alignment

AfDB report highlights persistent global shocks (energy prices, logistics disruptions, FX volatility) affecting African production, especially due to rising tarriff fees and inflation rates. This has accelerated near-shoring and local sourcing across manufacturing inputs.

Firms are reducing exposure to long import chains, especially for packaging, intermediates, and spare parts.

Implication: Local supply chain development and backward integration will be a competitive advantage in 2026.

4. Infrastructure Constraints Shaping Manufacturing Geography

AfDB reiterates that energy reliability, transport infrastructure, and logistics efficiency remain binding constraints as many African nations are still underdeveloped and struggling with infrastructural development. Manufacturing growth is increasingly concentrated in industrial zones, export processing zones, and port-adjacent clusters.

Power-intensive manufacturing continues to lag in countries with unstable grids.

Implication: Location strategy will matter more than sector choice for manufacturing success. Choosing a location that reduces the cost of infrastructure.

5. Manufacturing as a Jobs & Youth Strategy

With Africa's growing working-age population, AfDB positions manufacturing as a critical employment engine.

Light manufacturing, agro-processing, and FMCG are highlighted as labour-absorbing sectors. Skills gaps persist, but vocational training and public-private partnerships are increasing.

Implication: Manufacturers that invest in workforce development will align better with government priorities and incentives. Developing initiatives that enhances skill development, large scale hiring

6. Green Industrialisation & Climate Alignment

The AEO places strong emphasis on climate resilience and green growth. Manufacturing is under pressure to adopt energy-efficient processes and cleaner production models. Climate finance is increasingly tied to sustainable manufacturing and circular economy practices. African nations are leveraging their significant renewable energy potential (solar, wind, hydropower) to design sustainable industrial zones. There is growing investment in green manufacturing, with companies adopting circular economy principles and integrating renewable energy into their operations to meet global sustainability demands.

Implication: ESG-aligned manufacturing models will access more financing and partnerships by 2026. Companies adopting sustainable practices will save more capital and gain social credibility.

7. Financing Constraints Reshaping Scale & Strategy

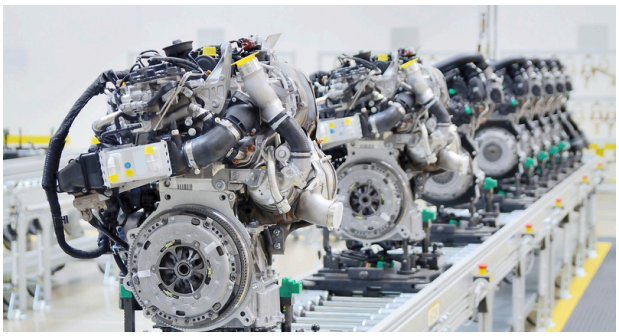
AfDB highlights high interest rates and limited long-term capital as constraints to industrial expansion.
This is pushing manufacturers toward modular growth, asset-light models, and partnerships. Development finance institutions remain critical funders of industrial projects.

Implication: Capital strategy will be as important as production strategy. Manufacturing firms need to collaborate more with development finance institutions to successfully fund industrial projects. Strategic financing and market expansion is necessary to build worthwhile solutions.

Other Manufacturing Trends:

1. Implementation of the African Continental Free Trade Area (AfCFTA): AfCFTA is the most important structural shift in African manufacturing, moving the continent from fragmented national markets toward a single production and consumption zone. By reducing tariffs, simplifying customs processes, and enabling digital trade and payments, AfCFTA is already increasing the flow of processed goods, FMCG, and light manufactured products across borders. In 2026, there is projection for strong growth in regional manufacturing hubs serving ECOWAS, EAC, and North Africa and Increased demand for standardized products that can scale across borders.

Implications: Manufacturing competitiveness will shift from cost advantage to operational efficiency, as firms compete across regional markets rather than within protected national borders. Companies structured to serve multiple African markets from one or two production hubs will outperform single-market players. Informal cross-border trade will increasingly formalize, raising standards around packaging, certification, and traceability.



2. Digital Transformation and Technology Adoption: Digitalization is no longer optional for African manufacturers. In 2025, firms increasingly adopted digital payments, enterprise systems, AI-enabled quality control, and supply chain platforms to manage volatility, reduce waste, and improve visibility. There is widening performance gap between digitally enabled manufacturers and analog operators. In 2026, buyers, distributors, and financiers will increasingly prefer manufacturers with digitally traceable operations and optimized records.

Implications: Digital tools are becoming core productivity drivers, not back-office support. Manufacturers using data to manage inventory, quality, and logistics are achieving lower unit costs and faster turnaround times. Cashless payments and digital trade platforms are reducing friction in B2B and B2C distribution, especially across borders.

3. Growing Consumer Market and Urbanization: Africa's rapid urbanization and youthful demographics are reshaping demand patterns. Manufacturing growth is being pulled by domestic consumption, not exports alone. Demand for processed foods, personal care, household products, electronics, and health-focused goods is rising sharply There is strong expansion in FMCG, food processing, pharmaceuticals, and household goods manufacturing and growth in mid-price, value-for-money brands, rather than premium imports. Manufacturers that fail to adapt products to urban lifestyles and quality expectations will lose relevance despite rising demand.

Implications for Manufacturing: Demand is shifting from bulk, low-differentiation goods to branded, quality-assured, and convenience-oriented products. Manufacturers must invest in product design, packaging, and brand positioning, not juroduction capacity. Health, nutrition, and safety standards are becoming purchasing drivers, particularly among urban consumers.

Final Note

Overall, the manufacturing outlook for 2026 is optimistic, supported by projected economic growth and a more predictable macroeconomic environment in several countries, providing a solid foundation for industrial expansion.

To enhance your manufacturing business and turn your startup into a legacy in 2026, send Hi to +2347037454954 and get started.

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Get in touch

apply@joinmbsafrica.com

+234 703 745 4954

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