

SA/KZN's export performance
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Topic

- **SA/KZN's export performance has not been at satisfactory levels even before the global recession**
- What are factors attributable to this poor performance?
- What are available options for the Provincial Government to increase levels of exports?
- How can they be implemented?

Trade Theory

- **FREE TRADE:** The ability of people to undertake economic transactions with people in other countries free from any restraints imposed by governments or other regulators. Measured by the volume of **IMPORTS** and **EXPORTS**
- The benefits of free trade are explained by the theory of comparative advantage, with each country doing those things in which it is comparatively more efficient. As long as each country specialises in products in which it has a **COMPARATIVE ADVANTAGE**, trade will be mutually beneficial.
- Real-world trade patterns seem to challenge the theory of comparative advantage – New Trade Theory-there is no clear **COMPARATIVE ADVANTAGE** for any country.
- Trade between two countries would often consist mostly of similar goods, for example, one country would sell cars to another country from which it would import different models of cars.

Trade Theory

- So: trade not about differences with respect to the availability of the factors of production
- specialization in production and trade is critical

Trade Linkages

- No Doubt: link between exports and GDP is strong
- Diversification into sophisticated products is necessary
- First East Asia demonstrated this; Second East Asia repeated it; China has replicated this; others are replicating too in select sectors
- But: Hi-Tech is not the ONLY path to growth
- For Sub-Saharan Africa – large range of opportunities – evidence?-Uganda – Nile Perch -30% of total exports; Kenya – cut flowers – 3rd. Largest in world.
- Diversity of country experiences important

Strategy

- A realistic drive to improve export revenues building on **current strengths**, given realistic projections of **international demand** and the **value of the rand**. That means the emphasis has to be on ensuring continued strength from mining and agriculture, and an expansion in exports of services
- **Tax support** measures
- Supporting investment in the **local economy**
- Improvements in overall **economic efficiency** through - economic infrastructure -improving the contribution from the social service systems to the development of a more productive and affordable labour force.
- Maximise **local procurement** by the state
- A **regional** strategy
- Ensure more supportive **monetary policy** and maintain counter-cyclical **fiscal** policy

All of the above are various approaches to export promotion and strengthening based on **country diversity**

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS (Rm) SEASONALLY ADJUSTED ANNUAL RATES –Source: Econometrix

	2006	2007	2008	2009	2010	2011	2012
Real Merchandise Exports	244777	262291	250953	215559	214144	214967	214662
% Change	9.3	7.4	-4.0	-14.0	-0.4	0.4	-0.1
Nom Merchandise Exports	400786	493893	655759	505656	506779	526333	559067
% Change	23.3	24.5	32.8	-22.1	0.4	3.9	6.2
Real Merchandise Imports	303868	355899	377843	349376	349719	361084	370396
% Change	11.2	17.1	6.4	-7.5	0.2	3.3	2.6
Nom Merchandise Imports	477128	574322	739852	562384	577826	653239	709620
% Change	33.1	22.4	28.8	-23.3	3.5	13.1	8.6
Gold Output in Tons	272	270	241	232	241	255	268
% Change	-7.6	-0.8	-10.8	-3.3	3.7	6.0	5.2
Gold Exports Value	35470	39898	48534	51943	53861	72085	76545
% Change	31.3	13.2	22.2	7.0	3.8	34.2	6.2
Foreign Trade Balance	-30476	-47728	-39135	-6727	-17186	-54821	-74008
% Change	38.8	191.6	-17.5	-100.9	-4178.2	-56679.5	7 35.4

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS (Rm) SEASONALLY ADJUSTED ANNUAL RATES –Source: Econometrix

	2006	2007	2008	2009	2010	2011	2012
Travel & Service Exports	81293	95301	103411	106044	123993	139453	153445
% Change	14.7	17.3	8.5	2.5	17.1	12.5	10.0
Travel & Service Imports	96950	116499	138630	121223	119264	127935	137240
% Change	25.3	20.7	19.0	-12.2	-1.5	7.3	7.3
Travel & Service Balance	-15654	-18880	-34915	-12704	4729	11518	16205
Income Receipts	41207	48448	48254	43452	50904	56894	62631
% Change	39.4	19.5	-0.2	-9.9	21.5	11.8	10.1
Income Payments	75982	112001	122098	98740	96452	96669	98429
% Change	24.6	47.3	13.2	-19.0	-1.7	0.3	1.8
Income Balance	-34616	-59736	-71989	-58009	-45548	-39775	-35798
Transfers	-18894	-20794	-24528	-25426	-25086	-26560	-28034
Current Account Balance Rm	-110198	-146076	-169150	-100677	-83092	-109638	-121635
Current Account/GDP Ratio %	-6.4	-7.3	-7.4	-4.3	-3.4	-4.0	-4.1

KZN-exports by market

US/JAPAN/EUROPE/CHINA-MAJOR MARKETS (Source: Trade and Investment-KZN)

2004	2005	2006	2007	2008
44,792,081,077	38,818,951,756	50,435,070,476	58,928,601,775	74,917,799,806

KZN-exports by product

Vehicles/aluminium & products/ores, slag & ash/Pulp of wood, fibrous cellulosic material, waste etc/nuclear reactors, boilers, machinery/paper & pulp/iron & steel/wood, wood charcoal & articles

2004	2005	2006	2007	2008
44,792,081,073	38,818,951,756	50,435,070,478	58,928,601,772	74,917,799,801

Assessment KZN

Striking to note:

- Major markets are developed economies
- China emerges
- Africa shows potential

Assessment KZN

Product exports focussed on:

- Raw materials
- Vehicles- transport and storage
- Services notably absent
- Sectoral specialisation on manufacturing
- Comparative advantage are in utilities and transport, as well as in inputs to specific sectors

Conclusions

- Trade is about greater firms and product mix and specialisation in production
- Strong positive relationship between exports and economic growth
- Diversification important-both sophisticated and low –tech
- Build on current strengths-markets and products
- Develop support measures
- Emphasise regional strategy and South-South cooperation
- Supportive Fiscal and Monetary policies