



Sustainable Exports and Industrialisation

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Contents

- Overview of TIPS
- Exports and Industrialisation
- Trade Trends (Africa focus)
- Exporter Dynamics
- Lessons



Trade and Industrial Policy Strategies (TIPS)

- Economic Research Institution (NPO) based in Pretoria, established in 1996
- Facilitates and supports policy development and dialogue in pursuit of sustainable and inclusive growth
- Main focus areas: Trade and Industrial Policy, Inequality and Economic Inclusion and Sustainable Growth
- Clients include: government, private sector, universities, international donors



EXPORTS AND INDUSTRIALISATION



NIPF Premise on Exports

- Current problems linked to failure to diversify out of Mineral-Energy-Complex industrial structure i.e. high reliance on minerals and mineral-processing in output and exports
- Need to move away from exports of price-volatile commodities to manufactured goods (Implications of slow global recovery for export demand)
- SA: Export-orientation blended with import replacement for industrialisation
- BUT to increase the volume of exporters should:
 - More firms be exporting (the extensive margin); OR
 - Existing exporters should be exporting more (the intensive margin)?

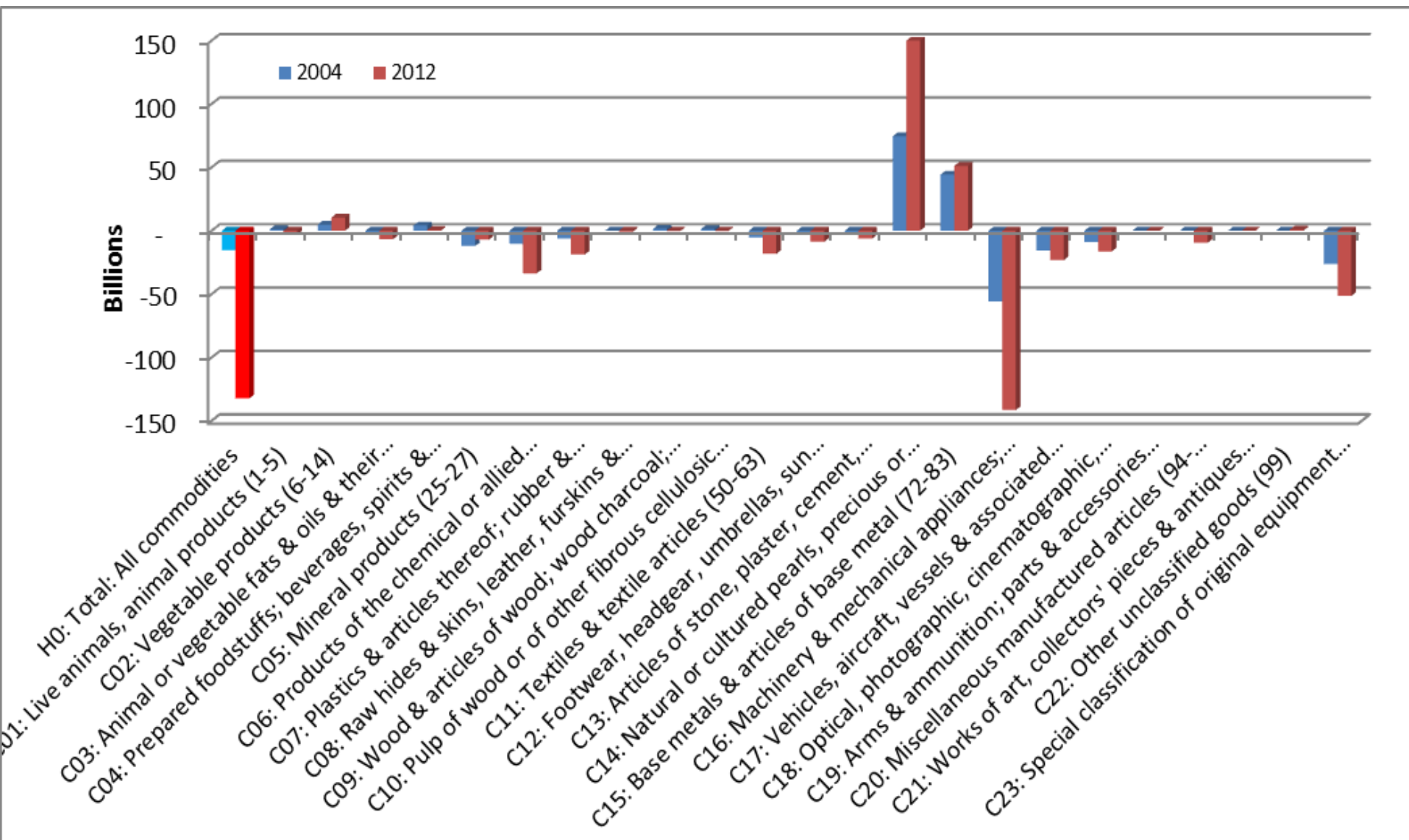


Increased manufacturing output (and exports) key for growth

- Fastest growing sectors between 1994 and 2012: telecommunications, financial services and retail.
- The share of mining and quarrying in the GDP grew from 7% to 10% of GDP by 2012 primarily due to booming global commodity prices
 - mining output has in fact decreased slightly over the period.
- Manufacturing sector is particularly worrying, having decreased its share in GDP from over 20% in 1994 to 12% in 2012 with the related decreases in proportionate employment in manufacturing.
- Manufacturing has the highest economic and employment multipliers
 - backward linkages in manufacturing ‘pulling through’ inputs from primary and other manufacturing and services sectors and transforming them into higher-value added products.
- Manufacturing Trade Deficit worrisome: largest component increased sharply post-2010
- IPAP - Manufactured goods constituted 51.6% of the merchandise export basket in 2012, up from 41.2% in 1994.
 - The main sectors are machinery & equipment, motor vehicles (including components for auto assembly); refined petroleum products and other chemicals.
 - Africa now biggest market for non-mineral exports

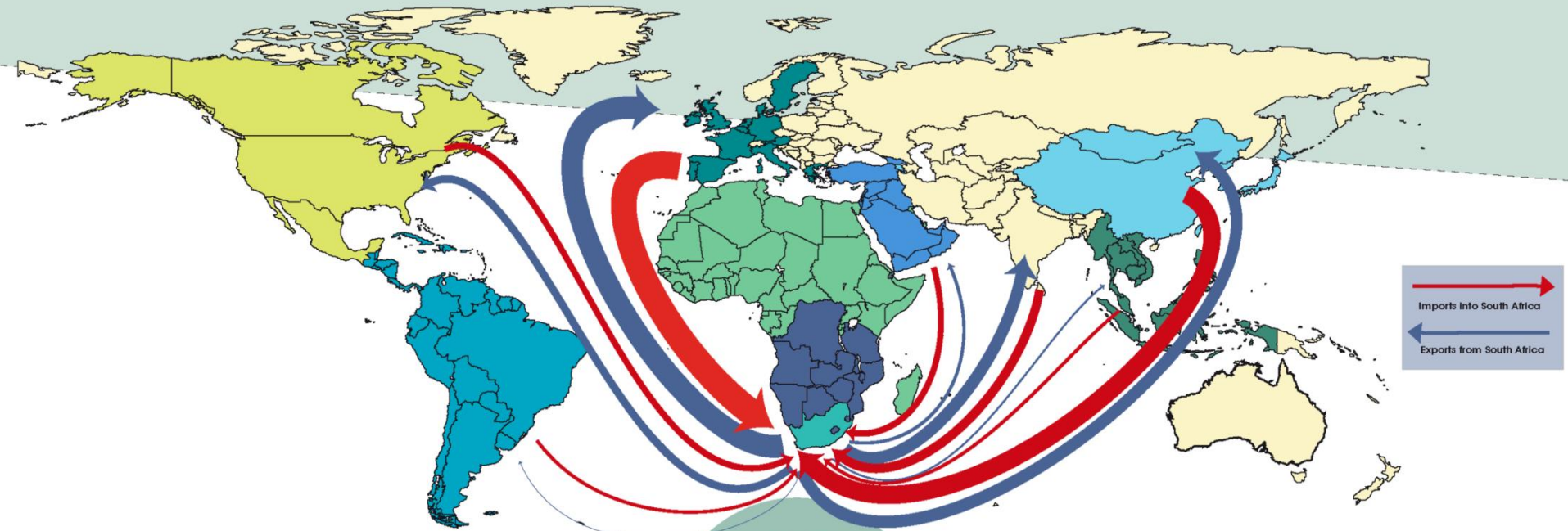


SA Trade Balance per Sector



TRADE TRENDS



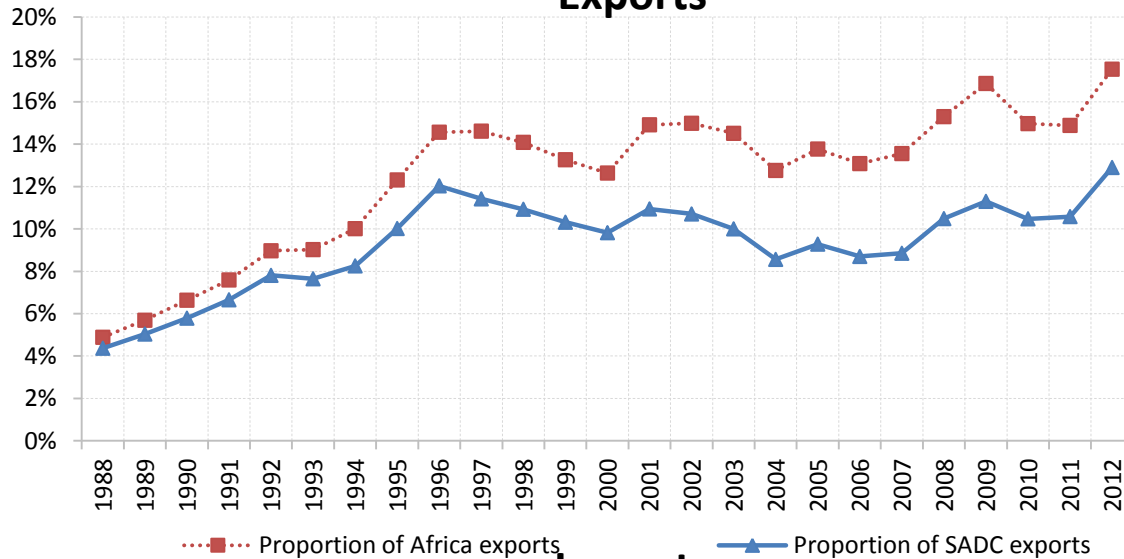


TOP 10 EXPORT MARKETS & IMPORT SOURCES (2013), ALL PRODUCTS

EXPORTS			IMPORTS		
Country	Value (\$bn)	Share	Country	Value (\$bn)	Share
China	12.05	12.7%	China	16.01	15.5%
United States	6.89	7.2%	Germany	10.69	10.3%
Japan	5.57	5.8%	Saudi Arabia	8.02	7.8%
Botswana	4.60	4.8%	United States	6.56	6.3%
Namibia	4.23	4.5%	India	5.37	5.2%
Germany	3.82	4.0%	Japan	4.07	3.9%
United Kingdom	3.29	3.5%	Nigeria	3.61	3.5%
Netherlands	3.07	3.2%	United Kingdom	3.34	3.2%
India	2.99	3.1%	Thailand	2.75	2.7%
Mozambique	2.83	3.0%	Italy	2.69	2.6%
Total (top10)	49.39	51.9%	Total (top10)	63.16	61.0%

South Africa- Africa Trade Statistics

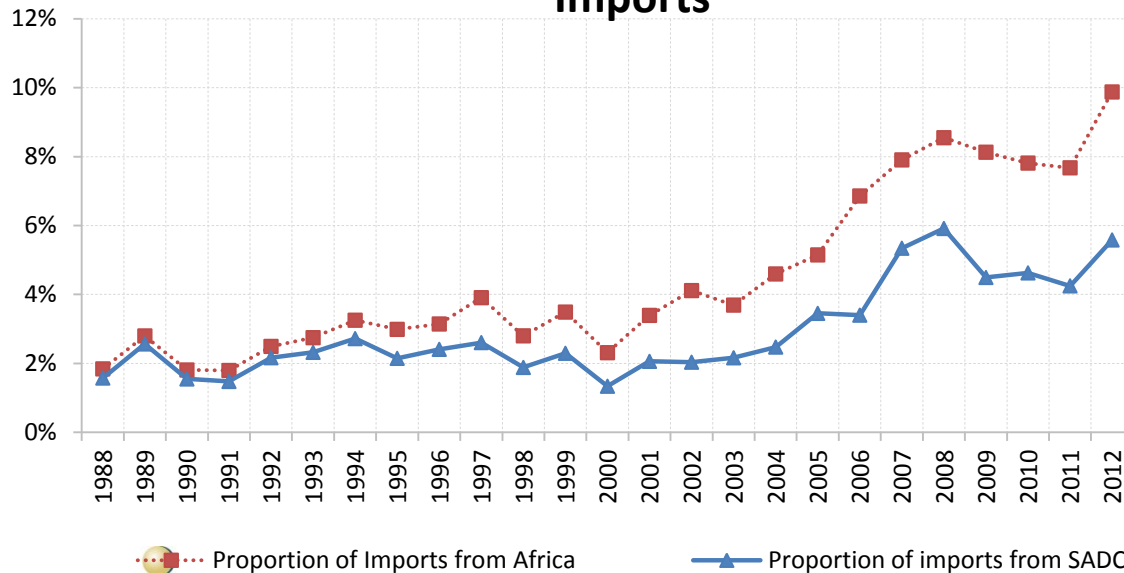
Exports



Exports (2013)

- World: **R788 Billion**
- Africa: **R140 Billion**
 - Less than 20% of South African Total exports
- **SADC: R100 Billion**
 - Less than 15% of South Africa's Total exports

Imports



Imports (2013)

- World: **R970 Billion**
- Africa: **R91 Billion**
 - Less than 10% of South African Total Imports
- **SADC: R43 Billion**
 - Less than 6% of South Africa's total Imports



Share of South African exports by region (%)

Region	1994	2000	2006	2011	2012	2013
Asia	20.10%	22.55%	26.50%	35.31%	35.11%	36.60%
Europe	31.21%	33.23%	35.14%	25.83%	23.53%	24.74%
Africa	10.02%	12.65%	13.04%	14.91%	17.58%	18,79%
Americas	10.33%	14.55%	13.02%	11.36%	11.61%	10.60%
Not allocated	27.38%	15.20%	9.78%	11.53%	10.95%	8.52%
Oceania	0.96%	1.83%	2.53%	1.06%	1.22%	1.16%

Source: Quantec (2014) and own calculations



Exports per Province and Metros

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Share of Total SA Exports 2013	Average Annual Growth Rate 2004-2013
Total: South Africa	291 143 667 128	320 385 673 589	383 181 104 258	474 436 630 201	637 781 474 281	507 672 643 170	580 044 779 831	691 503 616 077	700 920 717 451	788 385 650 005		11,4%
P1: Western Cape	314 19 035 797	35 969 027 868	38 123 593 588	48 099 050 712	60 233 457 209	52 547 371 782	51 084 983 676	54 557 331 902	64 514 246 974	74 873 932 691	0,095	8,7%
P1D01: City of Cape Town Metro	216 49 926 834	25 263 465 398	27 467 346 943	35 874 362 173	41 592 953 171	36 942 608 386	35 488 496 497	38 405 736 323	45 318 171 468	53 928 354 180	0,068	8,7%
P2: Eastern Cape	23 284 400 839	24 056 315 330	25 907 787 421	31 633 677 889	44 420 034 920	25 743 062 074	29 788 559 771	34 191 644 406	29 472 891 220	33 222 354 608	0,042	3,3%
P2D07: Nelson Mandela Metropolitan	7 687 794 782	7 905 376 641	11 854 171 598	17 975 586 791	20 002 935 201	11 854 112 216	14 139 835 640	18 125 955 316	16 788 426 802	11 721 314 496	0,015	6,2%
P3: Northern Cape	5 835 816 650	7 756 120 422	8 029 459 897	7 387 626 406	833 827 845	684 862 460	957 345 005	5 238 711 984	3 086 194 929	16 98 741 562	0,002	-14,6%
P4: Free State	2 709 854 891	1 800 456 696	2 107 828 449	2 150 154 448	2 906 143 095	2 810 147 962	2 695 621 995	2 935 492 189	3 464 853 570	4 616 412 850	0,006	7,3%
P5: Kwazulu-Natal	44 792 080 422	38 818 930 552	50 435 083 427	58 931 519 244	74 991 039 328	56 725 339 181	63 501 248 205	77 358 146 474	85 015 000 526	91 999 812 564	0,117	8,9%
P5D11: eThekweni Metropolitan	25 347 610 539	18 149 405 845	27 723 465 671	32 186 932 088	44 411 997 868	29 329 143 023	31 937 714 375	37 548 279 695	42 079 511 765	46 334 282 318	0,059	7,8%
P6: North West	14 738 700 975	14 835 347 950	19 460 451 932	29 518 562 777	23 039 421 736	13 114 416 974	15 516 778 412	19 106 043 770	17 075 161 735	20 832 564 031	0,026	0,9%
P7: Gauteng	161 068 347 509	187 110 684 371	228 850 281 744	282 924 893 084	406 302 720 308	338 000 956 816	392 317 763 471	470 438 686 650	472 102 681 280	531 112 900 075	0,674	14,0%
P7D04: Ekurhuleni Metropolitan	15 637 521 621	15 782 268 746	18 608 006 015	26 803 219 598	30 177 359 643	29 142 079 342	29 893 462 894	36 895 664 073	40 514 035 305	45 482 282 754	0,058	12,8%
P7D05: City of Johannesburg Metro	115 193 886 182	124 971 930 934	157 924 182 905	191 000 716 243	295 111 445 345	235 099 458 591	274 532 036 875	328 973 601 662	325 407 530 989	202 825 742 496	0,257	10,4%
P7D06: City of Tshwane Metropolitan	10 895 472 781	9 674 592 083	14 804 201 010	26 751 747 666	34 523 395 649	37 553 495 974	40 069 488 462	50 490 074 254	50 070 198 982	69 995 052 407	0,089	24,1%
P8: Mpumalanga	5 210 608 950	6 336 673 032	5 826 626 163	7 049 004 651	11 828 118 035	7 586 935 800	10 861 441 601	12 449 170 640	11 981 929 532	11 966 223 189	0,015	10,6%
P8D01: Gert Sibande District municipal	1 339 014 419	1 624 554 552	1 293 199 667	1 586 732 014	3 273 202 482	1 722 722 729	2 358 181 351	2 987 819 930	2 674 193 705	10 14 279 963	0,001	3,5%
P9: Limpopo	2 084 821 095	3 702 117 369	4 439 991 637	6 742 140 991	13 226 711 804	10 459 550 120	13 321 037 695	15 228 388 062	14 207 757 685	18 062 650 155	0,023	25,0%
P9D03: Capricorn District municipal	556 563 823	836 207 458	1 122 092 310	1 562 853 401	1 090 609 757	862 139 928	1 348 379 572	1 819 474 990	1 800 167 008	1 229 500 237	0,002	9,0%

EXPORTER DYNAMICS



Can SA create more export-capable firms.... not in the short-term

- Concentration - Fedderke and Szalontia (2003) examined industry concentration in South African manufacturing between 1976 and 1996,
 - In the 24 sectors they considered, in almost all the sectors less than 5% of firms accounted for over half the industry output.
- Rankin 2014 - Exporting is highly concentrated among a small number of firms
 - Top 5% of exporters (approximately 100-200 firms) contribute 75-93% of all exports
 - WB SA Economic Update 2014: Top 1% - 79%, Top 5% - 14%
- IPAP 2014 - Manufacturing exports highly concentrated, with the top 20 manufacturing sub-sectors (out of 120) accounting for 77% of SA's manufacturing export basket in 2012.
- US – In 2000 only 4% of firms exported, and top 10% accounted for 96% of exports - Bernard et al (2007) NES



Because exporters are special...rare...& “super”

- What constitutes capability
 - Upgrading, greater value addition, moving up the value chain, improved quality and standards
- Rankin 2014, “Super exporters are different from other exporters (bigger, more capital intensive, pay higher wages, higher productivity)”
- Why are they successful?
 - Experience, Innovation, Productivity, Input Costs, Economies of Scale, Product Diversification, Staff Skills Profiles and Incentives
 - Firms with significant demand prospects, capability of supply, notable growth prospects (>10%),
- Gov. assisted in this
 - Through incentives and state support: MCEP, MIDP/APDP, IDC, 12I
 - BUT FDI was also critical
- However,
 - Super exporters are not creating sufficient new high-value exports markets
 - While greater dynamism and innovation is emanating from smaller exporters



Lessons

1. Exporters are heterogeneous suggesting need for differentiated policies
2. Significant increases in SA exports, at least in the short-term, are most likely to happen at the top end of the export distribution
 1. Expansion of specialist “super” exporters;
 2. Increase in exports by non-specialist super exporter and the next tier of exporters, and potential exporters
 3. What about new exporters – broadening participation?? NEDP
3. Implication for IP
 1. Activities should involve tradables because these are scalable and because they do not involve choosing one supplier over another in the domestic market
 2. Interventions should have the effect of increasing the real productivity of the activities proposed, not to compensate them financially for their lack of productivity
 3. IPAP: Scope for considerable strengthening of the impact of industrial policy related levers to “support” and not “pick” winners:
 - Industrial financing (new entrants and upgrading - strengthened co-ordination and conditionalities)
 - Developmental trade policy (to facilitate market access; regional integration and industrialisation)
 - Competition policy (to broaden participation, and lower downstream input costs)
 - Investment promotion and facilitation (capabilities and capacity)
 - Export promotion (NES and NEDP)
 - Infrastructure Development (port tariffs and power)



Thank You

