

SA exports on the up

South Africa's exports have benefitted from the recovery of the Chinese economy as well as rising global demand for commodities such as precious stones which has led to growth exceeding pre-lock down levels during the third quarter of 2020.

This emerged from the Trade and Industrial Policy Strategies (TIPS) third quarter Export Tracker which found that South Africa's exports for the third quarter of 2020 grew by 9.2% (year-on-year) and 40.2% from the previous quarter amounting to R388 billion. The authors of the tracker, TIPS researchers Wendy Nyakabawo and Mawabo Ndlebe pointed out there was "an impressive improvement from the historic slump experienced in the second quarter of 2020 as a result of the 'Great Lockdown' ". They also pointed out that during that period, the country continued to have a positive trade balance with a trade surplus of R109 billion (US\$6.5 billion) which was attributed "largely due to the impressive rebound in export demand as most economies reopened in the third quarter of 2020, easing restrictions on business activities, with imports still declining although at a slower pace."

The main driving force for the growth of the country's exports have been attributed to rising demand from China for SA's copper ores and concentrate as well as demand for precious stones from the US. There has also been an increase in South Africa's export of coal to China, as China shifts its coal procurement away from Australia. Nyakabawo and Ndlebe elaborate that exports for most sectors in the top 20 have experienced increased demand during the third quarter, with 14 out of the 20 showing positive growth. Aside from precious stones (76.2%) other products which saw a year on year growth included cereals (78.2%) and chemicals (61.9%) whilst wood pulp had the largest decline, falling by 32%, followed by vehicles (25.2%), mineral fuels (18.6%) and inorganic chemicals (17%).

In terms of SA's major export market, China, exports amounted to R44.5 billion or 11.5% of SA's overall exports, representing a year-on-year growth of 17.3%. Aside from ores, other products included iron and steel, fruit and nut, copper and wood pulp. Amongst these top five products, all experienced growth with copper and wood pulp showing the biggest year-on-year increase of 39.5% and 18.1%, respectively.

Nyakabawo and Ndlebe explain that China's increased demand for copper ore and concentrate is linked to the expansion of their power and construction sectors as a result of the implementation of stimulus packages. Turning to SA's second largest export market during the third quarter, total exports to the US amounted to R34 billion, an increase of 48.9% from the same quarter last year. The top 5 export products were precious stones accounting for the largest share of 53.1%, vehicles (5.9%), machinery (industrial) (5.8%), ores (4.6%) and aluminium (4.5%).

This period also saw a very marginal increase in the country's exports to Germany which amounted to R31.6 billion. Vehicles remained the country's largest export to Germany, however, exports declined sharply in view of the local demand from Germany as a result of the pandemic. Aside from vehicles, the other key export products included precious ores, which accounted for 16.7% of South Africa's total exports to Germany, followed by ores (15.5%), machinery (industrial) (10.1%) and chemical products (5.9%). It is interesting to note that demand for chemical products grew by 700% (from R229 million in Q3 2019 to R1.8 billion in Q3 2020). This growth was largely driven by two product groups namely diagnostic or laboratory reagents on a backing (HS3822) and

reaction accelerators and catalytic preparations (HS3815). “Diagnostic reagents are one of the most fundamental components of diagnostic testing assays, therefore the increase in their export demand can be specifically linked to COVID-19 infection testing, since they are a critical input in accurately detecting the COVID-19 infection.”

Finally, Nyakabawo and Ndlebe highlighted three products that achieved significant export growth during the third quarter – these included cereals, ores and animal feed products. To illustrate some of this growth, South Africa’s exports of maize seed for sowing grew by just over 2000% on a year on year basis. This is the strongest export growth since the third quarter of 2014 and is as a result of an increase in demand from Japan and Vietnam.

Issued by: TIPS

For more information: [Contact Wendy Nyakabawo Email: wendy@tips.org.za](mailto:wendy@tips.org.za) or on 076 973 3458

TIPS TRACKERS

[TIPS Export Tracker](#) provides updates on export trends, and identifies sectors and products that are performing well and those that are lagging.

[TIPS Import Tracker](#) provides an overview of import patterns and looks at the causes of surges in imports, and their likely impact on industry.

[TIPS FDI Tracker](#) monitors inward foreign direct investment projects. It reports on new FDI projects, analyses these, and adds them to an ongoing list of investment projects.

[TIPS Tracker: The economy and the pandemic](#) highlights important trends in the COVID-19 pandemic in South Africa, and how they affect the economy.

Trade & Industrial Policy Strategies (TIPS)

info@tips.org.za | +27 12 433 9340 | www.tips.org.za