

Findings from the Imports Localisation and Supply Chain Disruption Study

August 2023



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Aim of the report and methodology

- COVID-19 disrupted global supply chains, leading to a return to conversations about increased imports localisation
- The report contributes to the conversation by analysing data from products for which imports are high,
 - The goal is to understand where potential exists to manufacture certain products locally
 - Does this by analysing imports, and establishing – where possible – if there is any local production capacity and if it can be increased,
 - Also looks at the extent to which SA exports that product and to where.

- The report uses the same trade data as the Import Tracker,
 - Top 200 list of imports by Rand value (initially the Top 100)
- The focus is on manufactured imports,
- Priority is given to products that are
 - a. Inputs into the production of high-value export products
 - b. Inputs into, or final products for which there is significant local and regional demand
 - c. Quarterly imports exceed R150 million
- The analysis uses a combination of data analysis, desktop research and interviews with companies where possible

Key questions the report tries to answer

KEY DATA	NOT PREVIOUSLY MADE IN SOUTH AFRICA	PREVIOUSLY MADE BUT CANNOT COMPETE IN THE FACE OF LOW-COST COMPETITOR	CURRENTLY MADE IN SOUTH AFRICA AND IMPORTS INCREASING OVER TIME
Rank in Top 200 imports by Rand value			
Rand value of imports			
Rank in Top 50 imports by quantity			
Quantity of import			
Capital, intermediate or consumer good			
If intermediate good; what value chain?			
Good for final consumption (yes/no)			
Designation status			

1	Do we re-export to the region?
	Value of regional demand
	Percent of regional exports of total imports
2	Domestic production capacity (yes / no)
	If yes, volume if known
	If yes, Rand if known
	imports as a percent of domestic production
	Current employment in the sector
	Production arrangements (under licence, for MNC)
	Description
	If known, domestic as a percent of global production
3	Designation Status
4	University / Science Council doing related research or could provide research / product development support
5	Is there a patent on the product?
	Is there an expired patent on the product?
6	If product is not made in SA, are similar or related products made in the country? Yes / no
	if Yes what

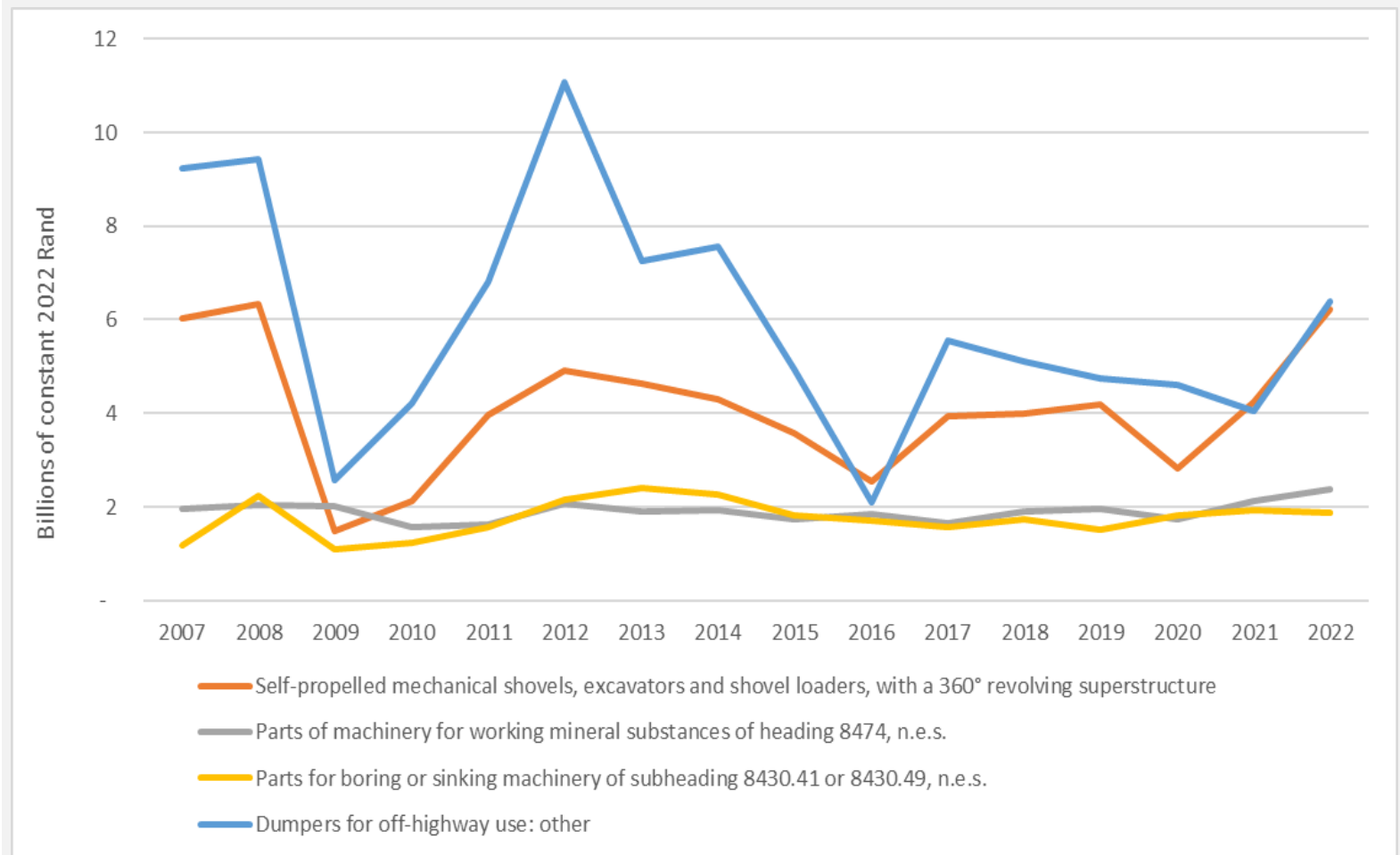
Key findings from past reports

- Some 59 products (at HS8 level) have been analysed since the first quarter of 2020,
- These cover a range of sectors including ICT, CTFL, capital equipment, food & beverages,
- Many of the products analysed are consumer goods, but there are also intermediate goods and capital goods (far fewer),
- Combined, the analysed goods amount to some R63 billion worth of imports per quarter,
- A majority of the analysed products are currently made locally, though imports have been increasing,
- Very few of the products in the Top 200 list are designated
 - The designated products include CTFL, steel, STB

Key findings from past reports

- With the exception of parts of machinery for working mineral substances, SA is a net importer of the analysed capital equipment and accessories,
- Much of the imported equipment comes from China, India, and Sweden,
- Much of what is exported goes to the rest of the continent,
- Some of the products (e.g. dumpers) are high value and low quantity items, raising questions of scale and space for new entrants,
- Accessories are generally high quantity items, and offer space for entry, though barriers exist given dominance of existing producers,
- Demand is driven by other sectors, like construction and mining

Graph 1: Capital equipment and accessories

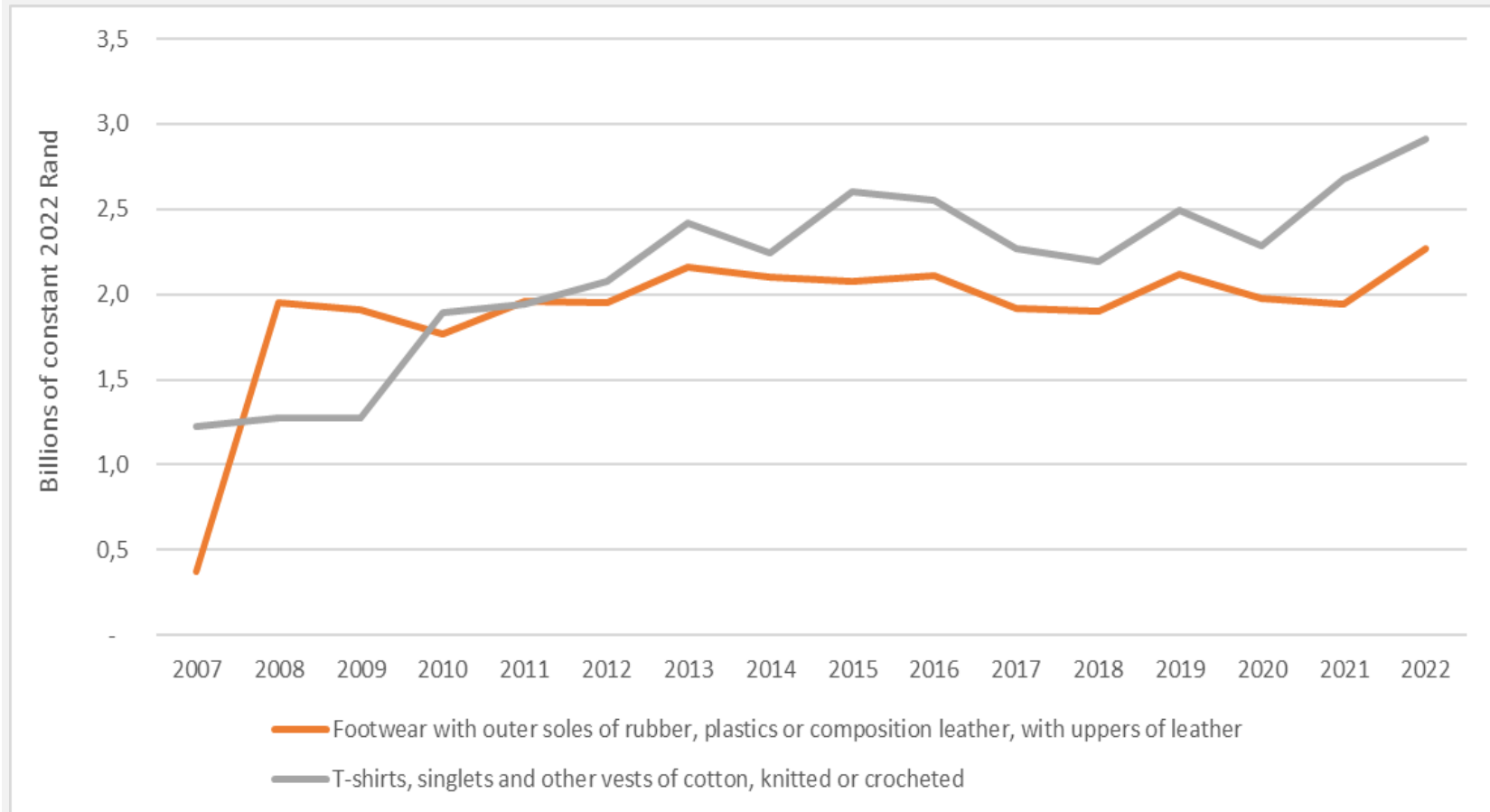


Source: ITC Trademap, 2023

Key findings from past reports

- South Africa is a net importer of the clothing and footwear products analysed,
 - CTFL products are 100% designated, but this has not supported increased local production
- Imports have been on an upward trajectory since the early 2010s,
- Mauritius and Madagascar have overtaken China as the main import source for some clothing items, though China still dominates some footwear products,
- Demand is driven by consumer preferences
- Similar to other products, much of what is exported goes to other African countries

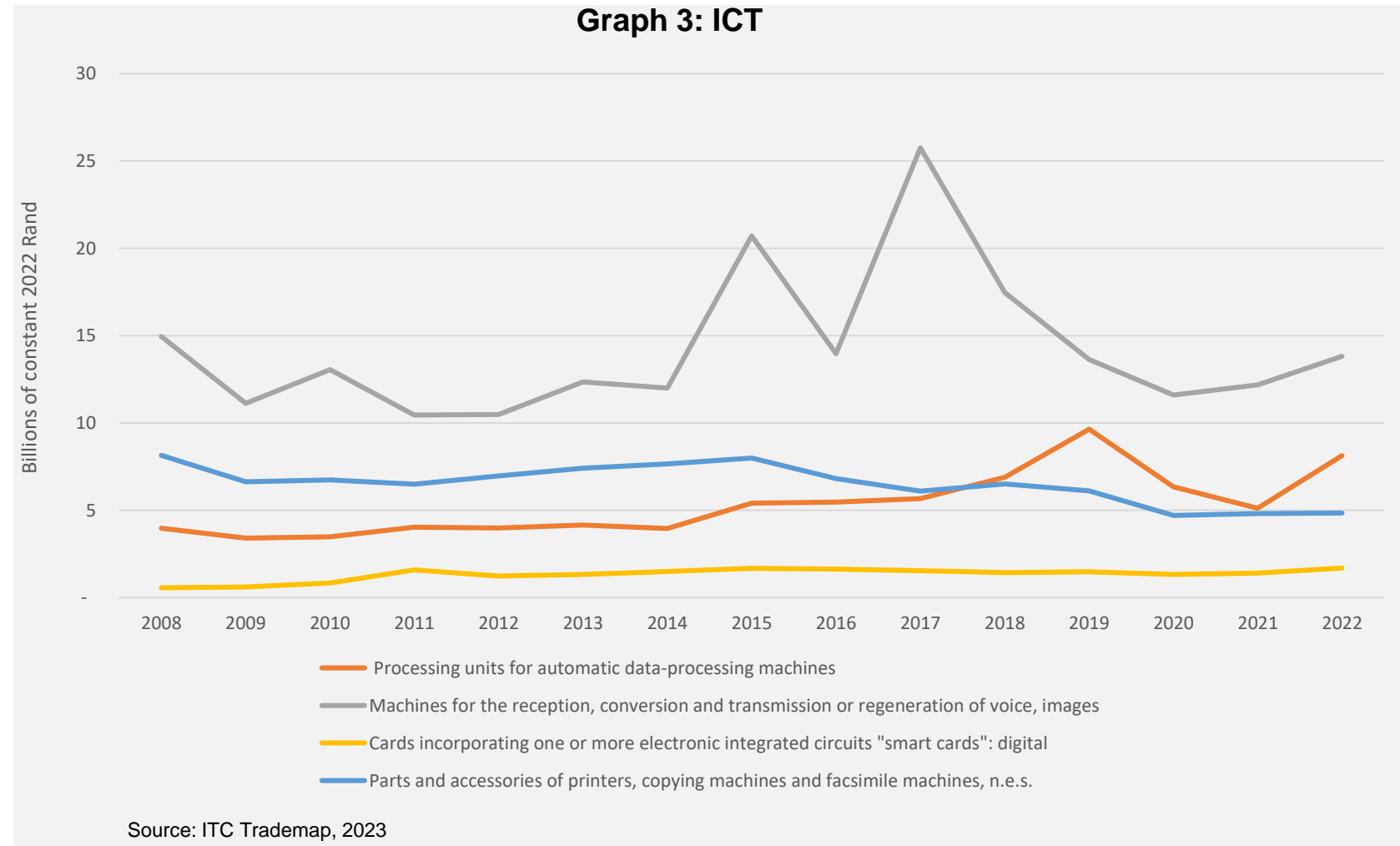
Graph 2: Clothing and footwear



Source: ITC Trademap, 2023

Key findings from past reports

- South Africa is a net importer of ICT products, including graph 3,
- Imports generally come from Asia, especially China,
- Unlikely that SA will be able to compete globally on these items given Asian countries dominance,
- Most imported product covers routers and STB (which are 30% designated),
- Imports have not changed much for some products, but STB imports spiked in 2015 and 2017
 - Likely driven by digital migration



Implications for industrial policy

- South Africa depends on the African market exports of most of the products analysed,
 - Is this intentional, or are local producers unable to compete outside the continent?
 - Given the limitations of the African market in terms of volumes and values exported, increasing export revenue requires moving beyond the continent – so what are some of the barriers?
- For certain products, local producers have likely missed the entry opportunity (e.g. electronics), is it still worth trying to establish local production to support local industries and grow exports of locally produced items?
- How do policy makers decide which products/sectors should be supported for localisations?
 - How can tools like designation be used to support the goal of localisation given South Africa's limited demand?
 - Should the decision be based on what is exportable rather than what is consumed locally?

Trade and Industrial Policy Strategies

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through research and dialogue

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