

Growth in SA exports to China

As expected, South Africa saw an overall decline in exports during the lockdown. However, that was not the case for South Africa's trade with China. SA exports (in rand) to China grew year on year by just over 2% during the second quarter of 2020. The result is that during the quarter China's dominance as South Africa's main export destination grew even further to 13.4% of all exports to the tune of R36.6 billion.

During this period, the top five export products to China included ores (67.7%), iron and steel (11.7%), wood pulp (3.3%), copper (3.2%) and fruit and nuts (2.9%), altogether accounting for 88.8% of South Africa's total exports to China by value.

This emerged from the second quarter TIPS export tracker which unsurprisingly saw a strong decline in the remainder of SA's trading partners. Germany, which is normally South Africa's second largest export destination saw a plunge from R23.4 billion in Q2 2019, to R12.4 billion in Q2 2020, representing a 47.1% year-on-year decrease. The fall in exports was driven by the significant decline in vehicle exports.

The authors Wendy Nyakabawo and Mawabo Ndlebe explain however, that the global and local trends for the second quarter reflect the "full disruption the pandemic has had on South Africa's international trade, resulting in it being called the "pandemic quarter". With the return to greater levels of economic activity subsequently taking place (both in South Africa and abroad) that quarter should not necessarily be seen as indicative of future trends. One trend that predates the pandemic and has persisted is that South Africa's trade surplus continued, with this quarter showing a surplus of R29.8 billion, up from R2.6 billion in the second quarter of 2019, marking it a fifth straight quarter of surpluses."

It should be noted that exports dropped by 32.5% in US dollar terms, while imports plunged to US\$14 billion in the second quarter of 2020, down by 39.2% from the same period last year. However, because of the depreciation of the rand, the decline in both exports and imports in rand terms was less pronounced when compared to the decline in dollar terms – with rand exports down by 17.6%, and imports by 25.9%.

In terms of some potentially positive trends, agriculture subsectors were the top export performing sectors during the second quarter with cereal exports growing by 200% from R1.1 billion in Q2 2019 to R3.4 billion whilst fruits and nuts, sugar and confectionery and vegetable products showed positive growth, increasing by 46.4%, 14.8% and 2.8%, respectively. Another top performer was the wood pulp sector, with exports up by 95% year-on-year from R1.4 billion in Q2 2019 to R2.7 billion in Q2 2020.

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For more information contact Saul@tips.org.za. The full report together with the changes in export products can be found on the TIPS website at <https://www.tips.org.za/manufacturing-data/tips-export-tracker/item/3910-export-tracker-q2-2020>