



**TRADE & INDUSTRIAL POLICY STRATEGIES**

## **IMPORTS LOCALISATION AND SUPPLY CHAIN DISRUPTION STUDY: SECOND QUARTER 2021**

Trade & Industrial Policy Strategies (TIPS) is a research organisation that facilitates policy development and dialogue across three focus areas: trade and industrial policy, inequality and economic inclusion, and sustainable growth

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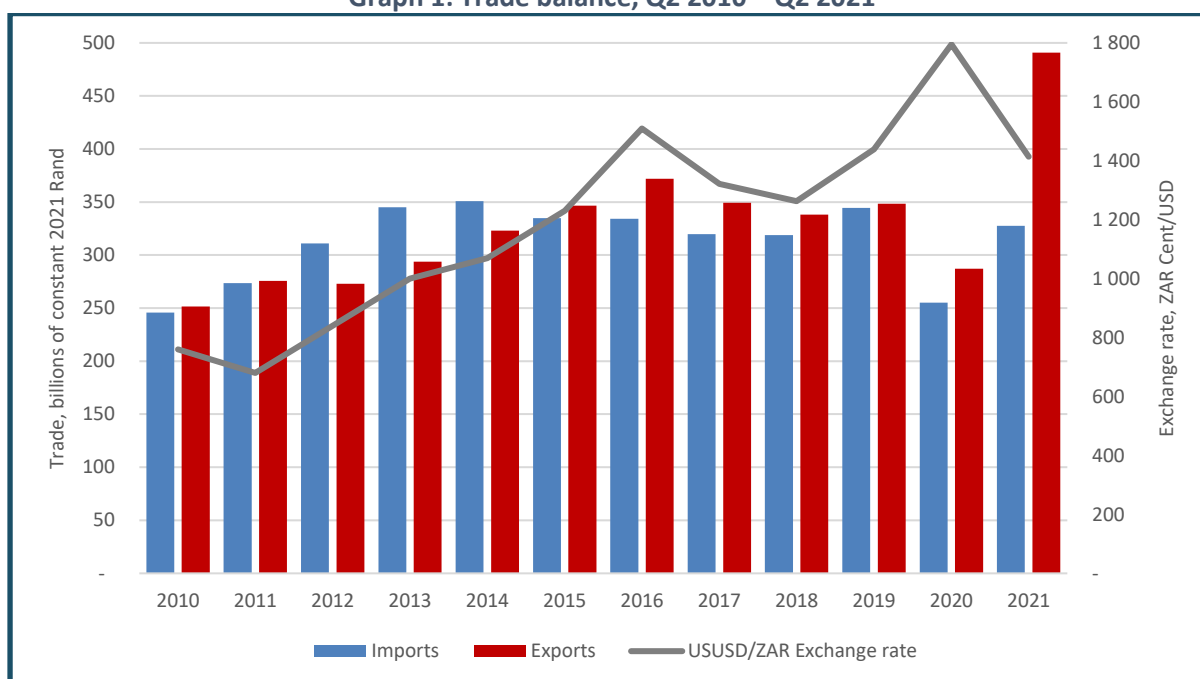
## TRADE ANALYSIS

South Africa maintained a strong trade balance in the second quarter of 2021, reaching a record high surplus of R163 billion, from R30 billion in the second quarter of 2020. The surge in the trade balance was driven by a sharp rise in mineral prices such as ores and platinum. Iron ore for instance reached a record high price of US\$233 per tonne in May 2021,<sup>1</sup> on the back of intensive COVID-19 recovery efforts. Although new infrastructure plans in the US and the Build Back Better World (B3W) infrastructure plans announced by G7 countries to fund infrastructure projects in low- and middle-income countries will likely see increased iron ore demand over the coming years, the price had already fallen to US\$84.50 per tonne as at September 2021.

Graph 1 shows trade from the second quarter of 2010 to the second quarter of 2021. Exports reached a high of R491 billion in the second quarter of 2021, from R287 billion in the second quarter of 2020 – at the height of COVID-related lockdowns. Imports increased to R328 billion in the second quarter of 2021, from R255 billion in the second quarter of 2020. In real terms, imports from Germany and the US show the highest growth, at R8.3 billion apiece, while Indian imports were about R7.7 billion higher in the second quarter of 2021 compared to the same period in the previous year. In addition, exports to the top five destinations (the US, China, Germany, the UK and Japan) increased by about 151% to R238.6 billion in the second quarter of 2021, from R95.2 billion in the second quarter of 2020.

Crude oil imports maintained a downward trajectory after reaching a pandemic high of R19.7 billion in the fourth quarter of 2020. As at the second quarter of 2021, crude imports fell to R14.5 billion while, at the same time, diesel imports increased to a high R18.4 billion, from R14.7 billion in the first quarter of 2021. Over the same period, bituminous coal and unwrought palladium saw the lowest growth, at R4.6 billion and R7.1 billion respectively, while unwrought rhodium, gold and agglomerated iron ores and concentrates exports increased by R39.4 billion, R11.1 billion and R13.9 billion respectively in the year to the second quarter of 2021.

**Graph 1: Trade balance, Q2 2010 – Q2 2021**



Source: Calculated from South African Revenue Service (SARS) and Nedbank.<sup>2</sup>

<sup>1</sup> <https://tradingeconomics.com/commodity/iron-ore>

<sup>2</sup> [https://www.nedbank.co.za/content/dam/nedbank/site-](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Economics_Unit/Forecast_and_data/Daily_Rates/Monthly_Average_Exchange_Rates.pdf)

[assets/AboutUs/Economics\\_Unit/Forecast\\_and\\_data/Daily\\_Rates/Monthly\\_Average\\_Exchange\\_Rates.pdf](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Economics_Unit/Forecast_and_data/Daily_Rates/Monthly_Average_Exchange_Rates.pdf)

## PRODUCT ANALYSIS<sup>3</sup>

**Product 1: Processing units for automatic data-processing machines, whether or not containing in the same housing one or two of the following types of unit: storage units, input units, output units (excluding those of heading 8471.41 or 8471.49 and excluding peripheral units)**

Processing units for automatic data-processing machines (HS 84715000) refers to a range of products such as magnetic and optical readers, machines for transcribing data, and machines for processing such data. Processing units for automatic data processing machines were ranked 29th in the Top 100 list of imports by Rand value, with 103 820 units imported for R1.1 billion in the second quarter of 2021 (see Table 1).

**Table 1: Product key data – Processing units for automatic data processing machines, Q2 2021**

KEY DATA	NOT PREVIOUSLY MADE IN SOUTH AFRICA	PREVIOUSLY MADE BUT CAN'T COMPETE IN FACE OF LOW-COST COMPETITORS	LOCAL PRODUCTION UNCLEAR AND IMPORTS INCREASING OVER TIME
Rank in Top 100 imports by Rand value			29th
Rand value of imports			R1.1 billion
Rank in Top 50 imports by quantity			N/A
Quantity of imports			103 820 units
Capital good or consumer good			Consumer good
If intermediate good; what value chain?			N/A
Good for final consumption (yes/no)			Yes
Designation status			Not designated

The Institute for Telecommunication Sciences defines automatic data processing equipment as any product or system used to automatically acquire, store, manipulate and manage data.<sup>4</sup> This group of products includes for instance magnetic and optical readers, among other systems. Optical readers are used to convert text or images into digital signals that are then processed by computers. Barcode scanners are an example of optical readers. Magnetic readers in contrast read information that is encoded on a magnetic stripe. Point of sale devices are an example of a magnetic reader which reads information contained on the magnetic stripe of a credit or debit card for instance. Other examples of optical and magnetic readers include CDs, DVDs and vinyl records, among others. Overall, these optical and magnetic readers form part of the larger global automatic identification and data capture (AIDC) market, which also includes smart cards, biometrics and radio frequency identification (RFID), and is projected to reach US\$115.8 billion by 2028.

The extent of local production of processing units for automatic data processing machines, if it exists, is not clear. Nevertheless, there is local demand, with around 103 820 units imported in the second quarter of 2021, up from 75 834 units in the second quarter of 2020, but still lower than the pre-COVID level of 123 615 units in the second quarter of 2019. Given their use of numerous industries like retail, manufacturing, healthcare and banking, among others, local demand for automatic data processing machines is likely to rise in the coming years. Besides the banking industry, local online retail and small

<sup>3</sup> The written analysis more often than not focuses on the period between 2013 and 2020 because SARS did not record Southern African Customs Union (SACU) trade data prior to that. Nevertheless, the graphs begin in 2010 to illustrate the extent of the change, particularly for exports. The SARS note detailing the change can be found here: <https://www.sars.gov.za/Media/MediaReleases/Pages/14-November-2013---Inclusion-of-new-data-in-SA-Trade-Stats.aspx>

<sup>4</sup> [https://www.its.bldrdoc.gov/fs-1037/dir-003/\\_0448.htm](https://www.its.bldrdoc.gov/fs-1037/dir-003/_0448.htm)

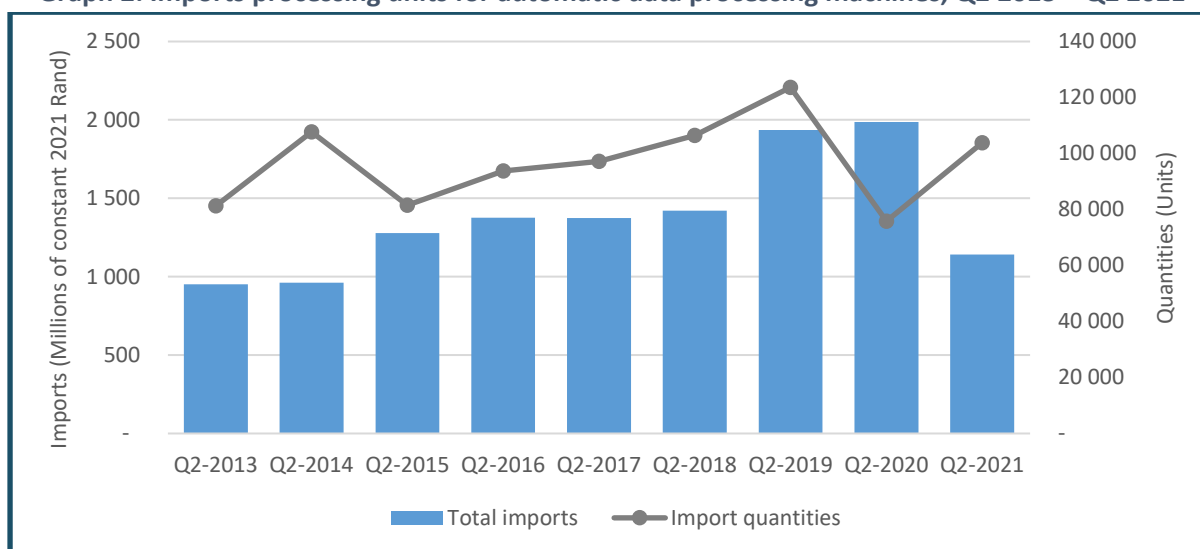
businesses are likely to drive the demand for these devices, particularly as technology companies seek to close the accessibility gap between small and large businesses by providing point of sale devices to small businesses that have historically depended on cash payments. The Cape Town-headquartered Yoco for example now provides point of sale devices and payment services to more than 160 000 local small businesses. However, the company imports its point of sale devices rather than buying locally made devices.

The high imports of processing units is not particularly surprising given that South Africa’s information technology and communication industry – including electronics and computing – relies heavily on imports. The industry is estimated to consist of about 20 947 companies, 20 058 of which are small businesses (meaning they employ less than 50 people).<sup>5</sup> Nevertheless, large businesses (those employing 150 or more people) dominate the market.

Imports of processing units for automatic data processing machines amounted to R1.1 billion in the second quarter of 2021, up about 20% from R950.5 million in the second quarter of 2013. However, this marks a 43% decline from R1.9 billion at the height of the COVID-related lockdowns in the second quarter of 2020, and is about 41% lower than was the case in the second quarter of 2019, prior to the pandemic (see Graph 2). Besides growth in online retail due to the pandemic, the rise in demand for these devices was also likely driven by the COVID-19 pandemic, which would have necessitated using quicker more efficient ways to record patient data for instance.

Virtually all the imports come from outside the continent, with China supplying the most imports in both value and quantity terms. However, while China supplied 23% of the total value of these imports in the second quarter of 2013, this grew to about 31% of the total value in the second quarter of 2021. Nevertheless, in quantity terms, China’s share declined from 38% of the total to 32% of the total over the same period. Other import sources are Taiwan, Poland, the UK and Czech Republic, which make up the top five sources of supply, and accounted for 83% of total quantities in the second quarter of 2021.

**Graph 2: Imports processing units for automatic data processing machines, Q2 2013 – Q2 2021**



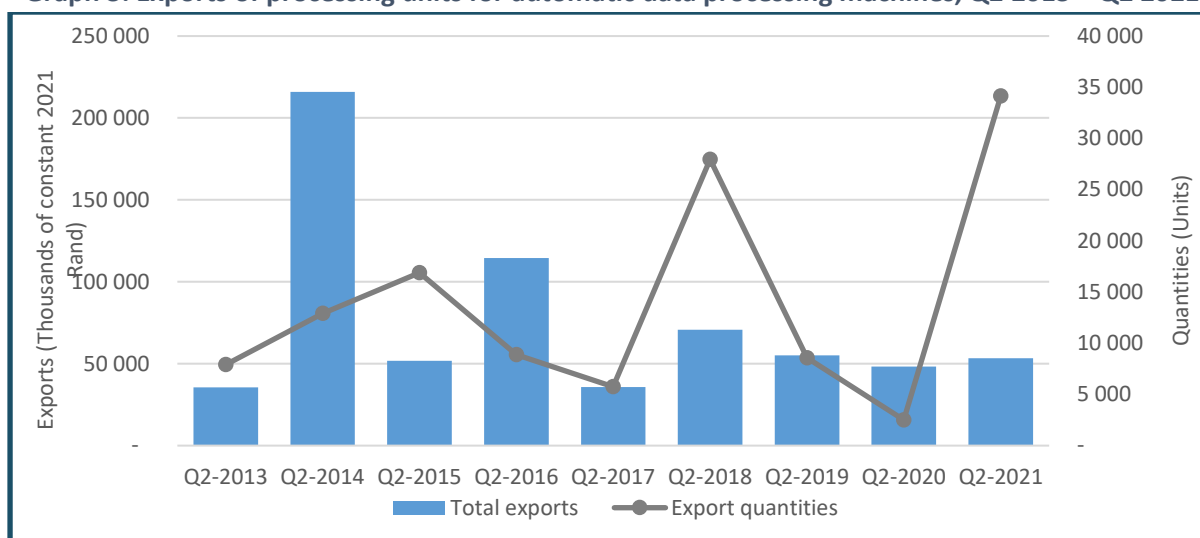
Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

Exports increased by 50% between the second quarter of 2013 and the second quarter of 2021, following a high of R215.9 million in the second quarter of 2014. With the exception of the second quarter of 2014, the bulk (an average 65% over the review period, excluding the second quarter of 2014) of exports have gone to the rest of the continent. Around 65% of total second quarter 2021

<sup>5</sup> The IT industry in South Africa, 2020. Report from Who Owns Whom.

exports to the continent went to Namibia, Zimbabwe and eSwatini. Graph 3 shows total exports for the period between the second quarter of 2013 and the second quarter of 2021.

**Graph 3: Exports of processing units for automatic data processing machines, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

### Product 2: Semi-finished products of stainless steel, of rectangular "other than square" cross-section

Semi-finished products of stainless steel, of rectangular “other than square” cross-section (HS 72189100), are intermediate steel products that are processed into other goods. Semi-finished steel products can be classified into four main groups (ingots, billets, blooms and slabs) depending on their level of processing and use. Billets for instance have a square cross-section and are produced through rolling or continuous casting and then rolling. This particular HS code appears to refer to slabs, which are produced by rolling ingots on a mill or through continuous caster, following which they are cut into different lengths. Steel slabs are further processed into various products such as steel plates, coils, and sheet metal, and are mainly used in the heavy machinery industry. Domestically, semi-finished products of stainless steel are 100% designated. Table 2 shows the key product data as at the second quarter of 2021.

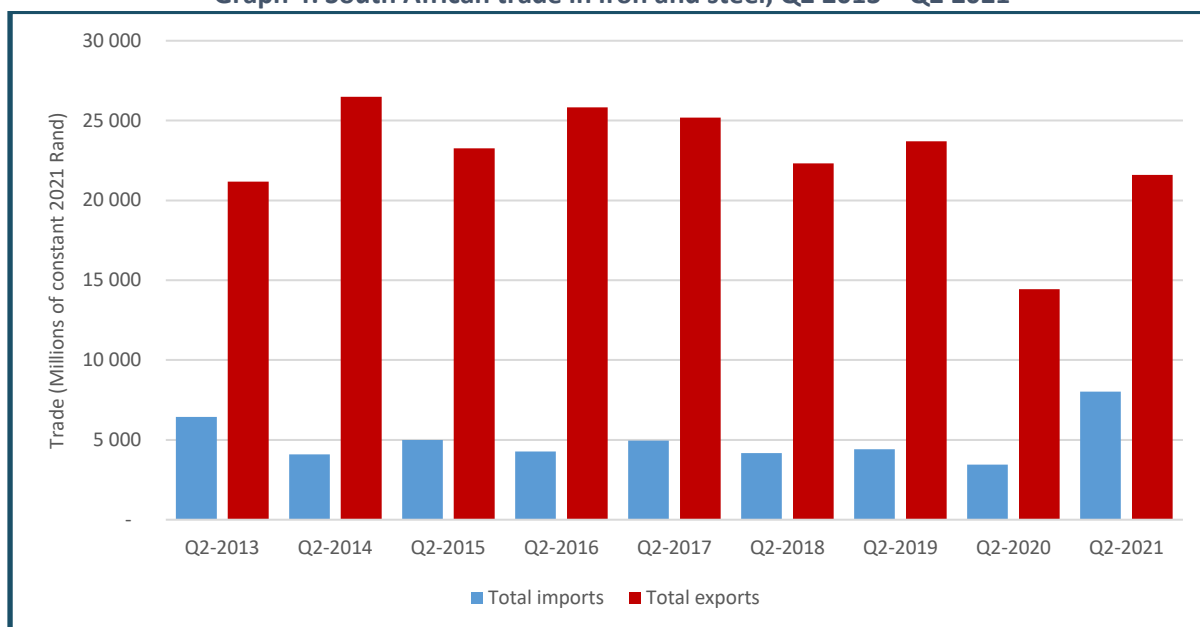
**Table 2: Product key data – Semi-finished products of stainless steel, of rectangular “other than square” cross-section, Q2 2021**

KEY DATA	NOT PREVIOUSLY MADE IN SOUTH AFRICA	PREVIOUSLY MADE BUT CAN'T COMPETE IN FACE OF LOW COST COMPETITORS	CURRENTLY MADE IN SOUTH AFRICA AND IMPORTS INCREASING OVER TIME
Rank in Top 100 imports by Rand value			51st
Rand value of imports			R657 million
Rank in Top 50 imports by quantity			N/A
Quantity of imports			5 million kilograms
Capital good or consumer good			Capital good
If intermediate good; what value chain?			Steel
Good for final consumption (yes/no)			No
Designation status			100% designated

Global production of crude steel reached about 1.9 billion tonnes in 2020, up from 1.6 billion tonnes in 2016. Over that period, China’s share of total production increased from 50% in 2016 to 56.6% in 2020.<sup>6</sup> In contrast, South Africa’s share of total production decreased from 0.4% of the total in 2016 to 0.2% in 2020. Overall, South Africa’s production of crude steel declined by about 49% between 2010 and 2020, from 7.6 million tonnes to 3.9 million tonnes, showing the continued overall decline of the local industry. However, the local production decline in 2020 was also the consequence of the COVID-19 pandemic, which led to the closure of non-essential sectors during the early stages of the virus spread in the country. Within the continent, South Africa and Egypt account for the bulk of crude steel production, with Egypt surpassing South African production to reach 8.2 million tonnes in 2020. About 97 000 people are employed in the basic iron and steel manufacturing sector.

South Africa also trades in iron and steel, exporting about R21.6 billion worth of iron and steel in the second quarter of 2021, while importing about R8 billion worth of the products. Between the second quarter of 2013 and the second quarter of 2021, imports from the rest of the continent accounted for an average 4% of the total, while exports accounted for an average 18% of the total. The bulk of the imports for the quarter (46%) came from Zambia – which on average accounts for about 41% of total imports from the continent; while 31% of exports to the rest of the continent went to Mozambique.

**Graph 4: South African trade in iron and steel, Q2 2013 – Q2 2021**



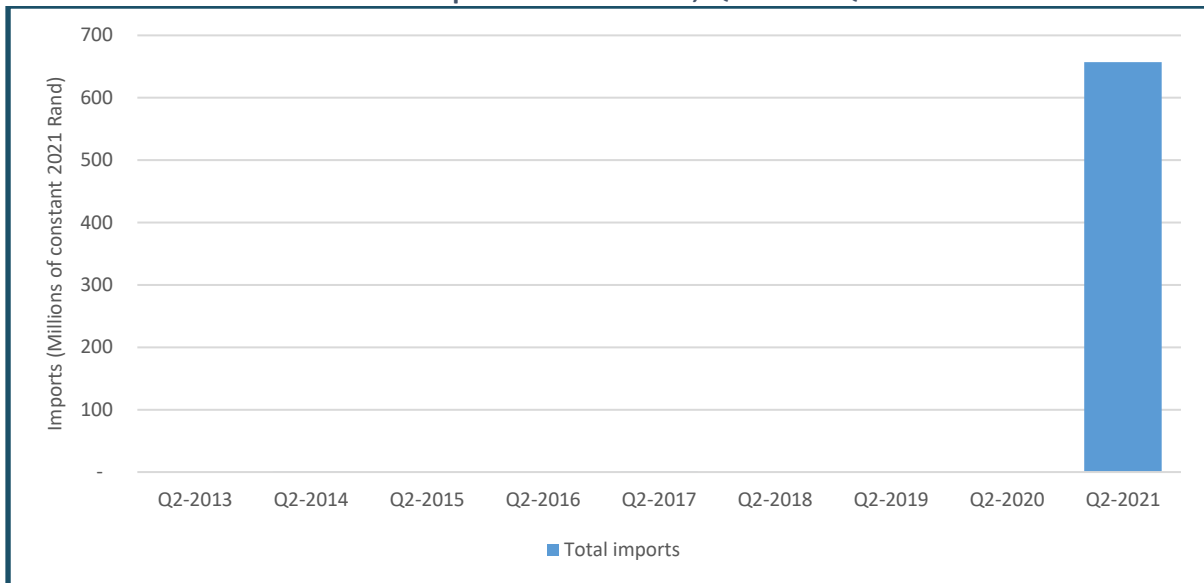
Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

South Africa, however, does not trade much in semi-finished products of stainless steel, of rectangular “other than square” cross-section. Prior to the surge in imports in the current quarter, imports of this barely reached R100 000. In the second quarter of 2021, imports surged to R657 million, with five million kilograms imported (see Graph 5). Exports, which are often higher, and are more frequent, fell to R1.3 million (for 40 290 kilograms) in the second quarter of 2021 from R4.4 million (for 121 933 kilograms) in the second quarter of 2019. The sudden surge in imports appears to be driven by shortages created by the COVID-related lockdown. Globally, manufacturers struggled to ramp-up production to meet demand following weeks of complete shutdown of non-essential services. Locally, the steel shortage affected a number of sectors outside of the steel industry, including agriculture, particularly as tools and machinery manufacturers struggled to source the required steel inputs.<sup>7</sup>

<sup>6</sup> Calculated from data provided by the World Steel Association. Downloaded from <https://www.worldsteel.org/>

<sup>7</sup> <https://sagrainmag.co.za/2021/08/02/manufacturers-grapple-with-steel-shortages/>

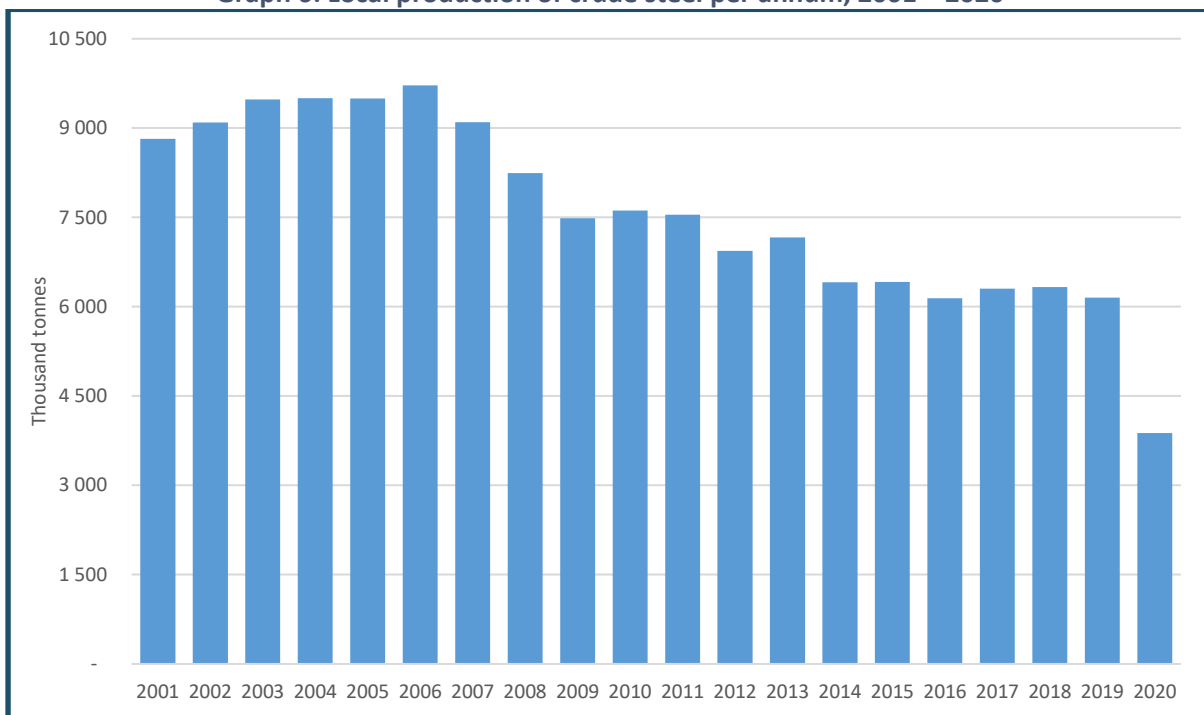
**Graph 5: Imports of semi-finished products of stainless steel, of rectangular “other than square” cross-section, Q2 2013 – Q2 2021**



*Source:* Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.  
*Note:* Imports for Q2 2014 and Q2 2017 are too low to be visible on the graph, while no imports were recorded for the other quarters.

South Africa’s steel industry has been in distress for decades, reaching its lowest point during the COVID-19 pandemic. As **Graph 6** shows, local production of crude steel – which is defined by the World Steel Association<sup>8</sup> as steel in its first unusable form, and includes semi-finished products such as billets, blooms and slabs, as well as liquid steel for castings – has continued to decline. Production declined by about 30% between 2001 and 2019. The designation of steel products and components for construction has done little to revive the industry.

**Graph 6: Local production of crude steel per annum, 2001 – 2020**



*Source:* World Steel Association. Statistical Yearbooks for the period between 2011 and 2021. Downloaded from <https://www.worldsteel.org/steel-by-topic/statistics/steel-statistical-yearbook.html> in December 2021.

<sup>8</sup> <https://www.worldsteel.org/en/dam/jcr:7aa2a95d-448d-4c56-b62b-b2457f067cd9/SSY19%2520concise%2520version.pdf>



Nevertheless, the Steel Industry Master Plan charts a way forward for the local industry, focusing on long-term aspirations rather than short-term cost-saving. In part, the Master Plan attempts to chart a stable and predictable trajectory for the industry in order to strengthen business confidence. The plan notes for instance the opportunities that exist within the continent, as countries purchase in excess of R400 billion worth of steel and iron per year. This presents an opportunity for the local industry, which, through the Master Plan process and the yearly Investment Conference, has secured large investments that are expected to drive long-term sustainability and growth.

Importantly, however, the trajectory of the local industry will be determined by its ability to respond to the climate crisis and the challenges it poses. For instance, failure to significantly reduce emissions will likely result in the loss of important export markets. In the Master Plan, industry stakeholders have agreed to reach carbon neutrality by 2050, especially in steel mills, foundries, forges, as well as other energy-intensive processes. The industry will reach carbon neutrality by relying on renewable energy and using water efficiently, among other measures. In South Africa especially, the kind of renewable energy provided will likely affect the level of adoption of new steel production methods by businesses. Introduction of green hydrogen could likely provide a company such as ArcelorMittal with the incentive to shift or adapt its South African production processes to Direct Reduced Iron, a move that it is currently considering in Europe. Adoption of this production process would be aided by South Africa’s access to natural gas, which is an input into the production process.

### Product 3: Copper, refined, in the form of cathodes and sections of cathodes

Copper, refined, in the form of cathodes and sections of cathodes (HS 74031100) is the basic raw material for the manufacture of other copper products,<sup>9</sup> and has a copper content of at least 99.85%. This is a basic product resulting from the separation of unwrought copper in an electrolytic refining process. The product was ranked 67th in the Top 100 list of imports by Rand value, with 3.3 million kilograms imported. Table 3 shows the key product data for this product.

**Table 3: Product key data – Copper, refined, in the form of cathodes and sections of cathodes, Q2 2021**

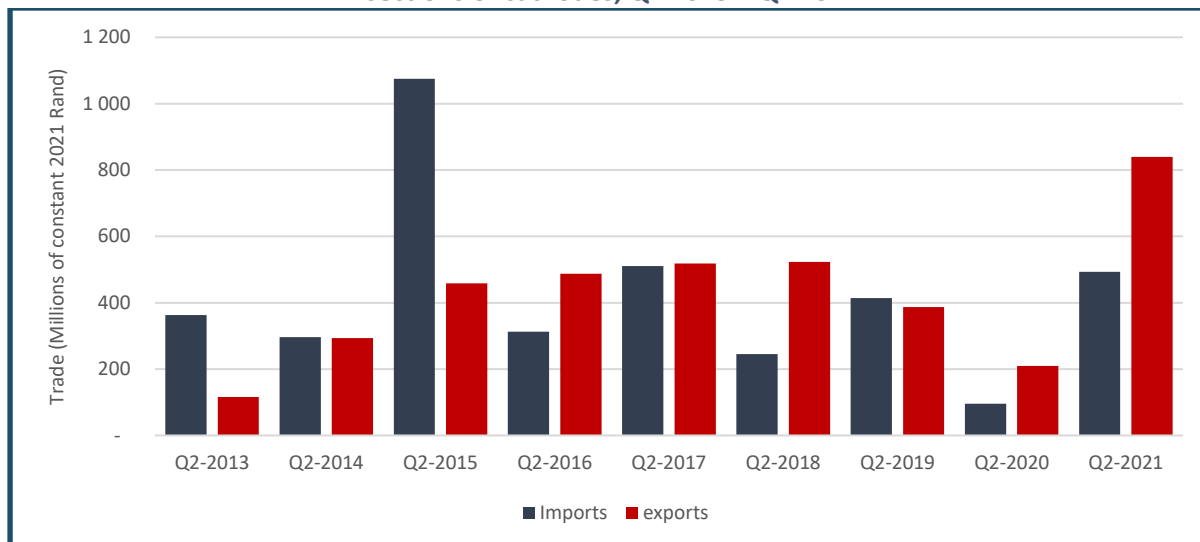
KEY DATA	NOT PREVIOUSLY MADE IN SOUTH AFRICA	PREVIOUSLY MADE BUT CAN'T COMPETE IN FACE OF LOW COST COMPETITORS	CURRENTLY MADE IN SOUTH AFRICA AND IMPORTS INCREASING OVER TIME
Rank in Top 100 imports by Rand value			67th
Rand value of imports			R463.9 million
Rank in Top 50 imports by quantity			N/A
Quantity of imports			3.3 million kilograms
Capital good or consumer good			Capital good
If intermediate good; what value chain?			Copper value chain
Good for final consumption (yes/no)			No
Designation status			Not Designated

South African trade in refined copper fluctuates, with sporadic periods of imports exceeding exports (see Graph 7). It is unclear how much refined copper is produced in South Africa; however, at least

<sup>9</sup> [https://www.cargohandbook.com/Copper\\_Cathodes](https://www.cargohandbook.com/Copper_Cathodes)

38 000 tonnes of copper were produced locally in 2020 (excluding recycled copper, which can reach 160 000 tonnes a year), the bulk of which came from the Palabora mine in Limpopo. This particular mine is slated to operate until 2039, while the other mines are slated to operate up to 2050. Given the use of copper in renewable energy systems, access to this product is important if South Africa is to be competitive in the manufacture of renewable energy systems.

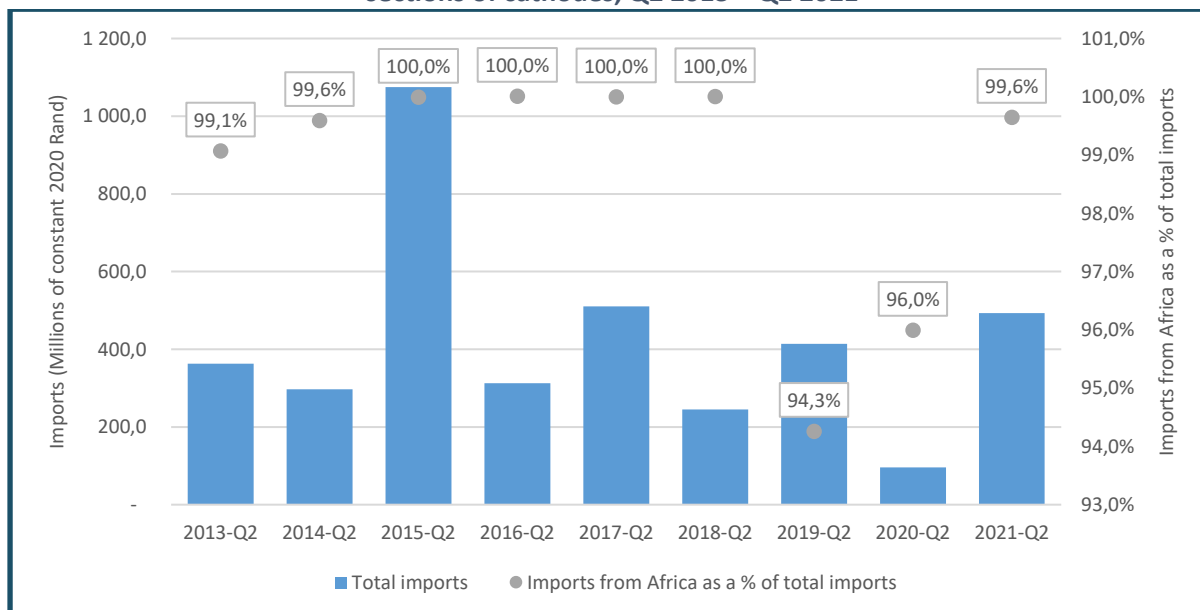
**Graph 7: Trade in Copper, refined, in the form of cathodes and sections of cathodes, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

COVID-19 significantly impacted imports of refined copper, with 2020 second quarter imports falling to R96 million, from R414 million over the same period in the previous year. However, as at the second quarter of 2021, imports have increased to R463.9 million. As can be seen in Graph8, almost all the imports came from other African countries. Zambia and the Democratic Republic of Congo (DRC) account for almost all African imports, and therefore total imports. Notably, supply from these two countries is interchangeable, with imports from each country declining or increasing based on the direction of supply from the other country. In the second quarter of 2021, 66% of the imports came from Zambia, while 34% of the imports from the continent came from the DRC.

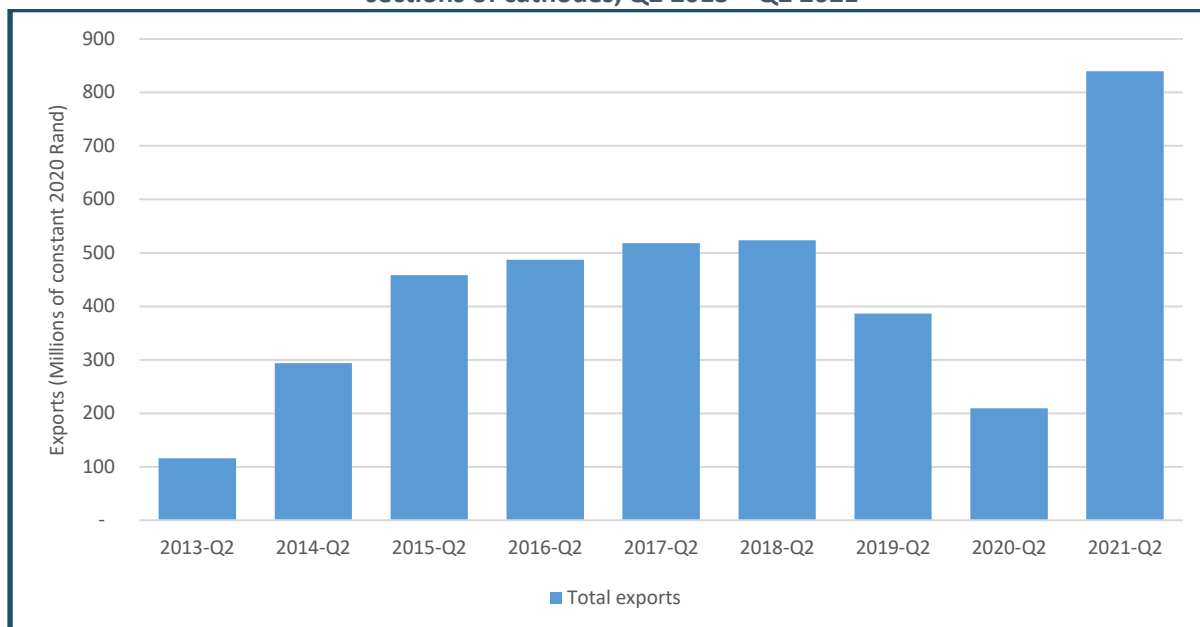
**Graph 8: Imports of Copper, refined, in the form of cathodes and sections of cathodes, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

Generally, exports of refined copper have tended to fluctuate. However, in the second quarters of the years under review, exports were on an upward trajectory until the second quarter of 2019, with a further decline in the second quarter of 2020 owing to the COVID-19 pandemic and related disruptions to the global economy. In the second quarter of 2021, exports increased significantly to R839.8 million.

**Graph 9: Exports of Copper, refined, in the form of cathodes and sections of cathodes, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

#### Product 4: Beer made from malt: Other

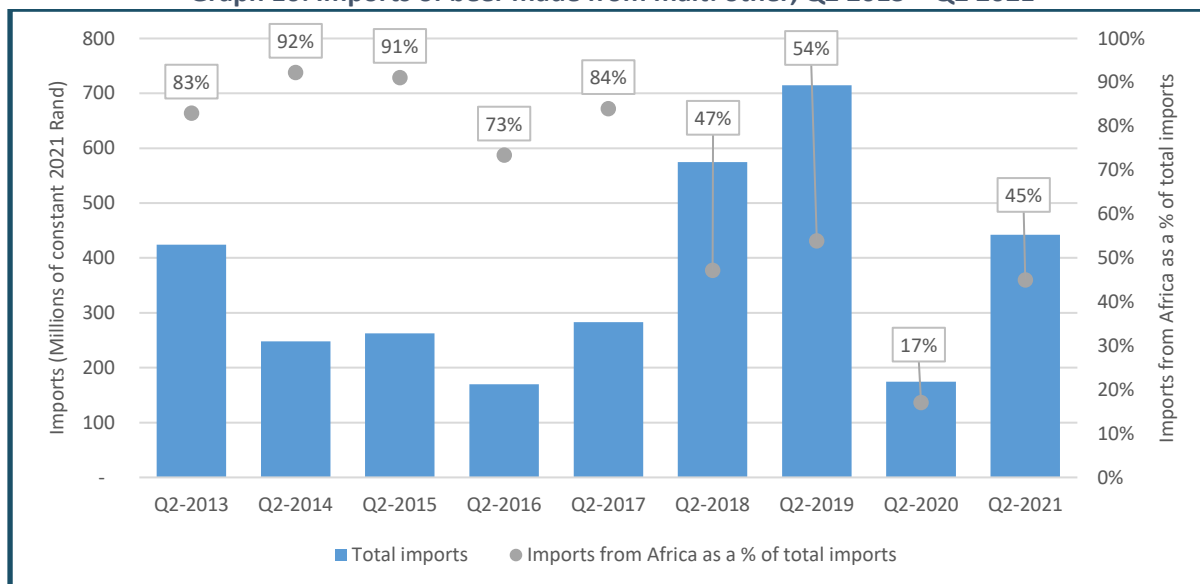
Beer made from malt (HS 22030090) includes a range of beverages with a low alcohol content, and includes beers such as larger, craft beer and brewed ales. By definition, malt is used to refer to any grain that has gone through the malting process (steeping, germinating and kilning/roasting). This is a product imported in its final packaged form for retail and consumption. The product was ranked 82nd in the Top 100 list of imports by Rank value. Table 4 shows the key product data for this product, including the value of imports and designation status.

**Table 4: Product key data – beer made from malt: other, Q2 2021**

KEY DATA	NOT PREVIOUSLY MADE IN SA	PREVIOUSLY MADE BUT CAN'T COMPETE IN FACE OF LOW COST COMPETITORS	CURRENTLY MADE IN SA AND IMPORTS INCREASING OVER TIME
Rank in Top 100 imports by Rand value			82nd
Rand value of imports			R417.2 million
Rank in Top 50 imports by quantity			N/A
Quantity of imports			23.2 million litres
Capital good or consumer good			Consumer good
If intermediate good; what value chain?			N/A
Good for final consumption (yes/no)			Yes
Designation status			Not designated

Graph 10 shows imports of beer made from malt for the period between the second quarter of 2013 and the second quarter of 2021. The graph also shows the share of imports coming from within the continent. Notably, the share of imports coming from within the continent has decreased over the years, from as high as 92% in the second quarter of 2014. Essentially all the imports from the continent come from Namibia. Outside the continent, the balance of the imports comes from various countries including Mexico, the Netherlands, Germany and Belgium, among others. The COVID-19 pandemic led to a significant decline in imports in the second quarter of 2020, particularly as alcohol was deemed a non-essential sector, and sales of alcohol were banned during the start of the lockdown.

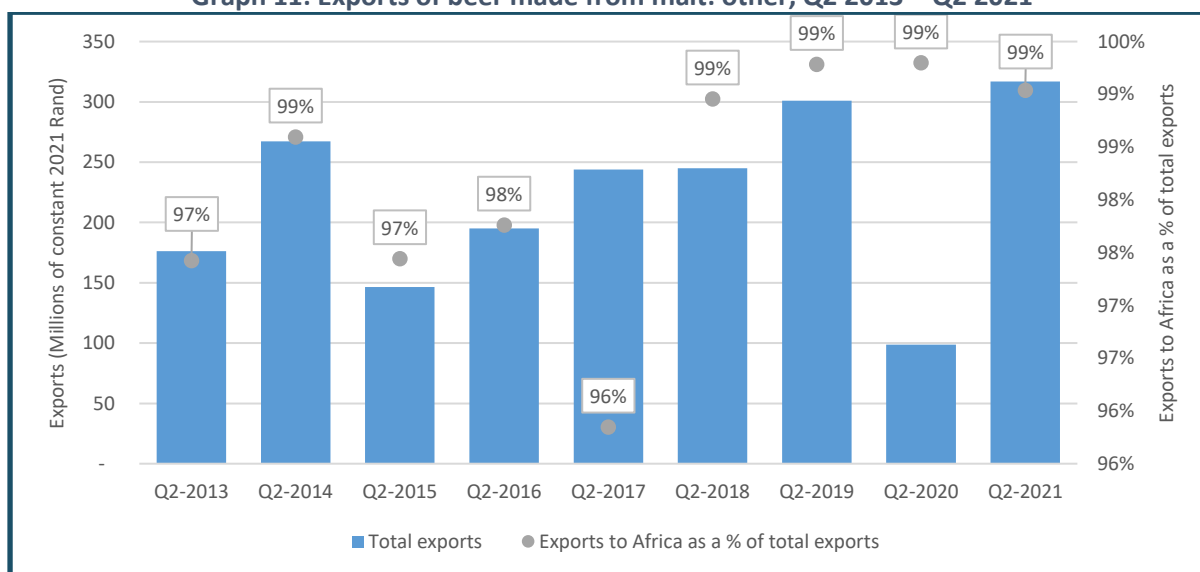
**Graph 10: Imports of beer made from malt: other, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

Exports of beer made from malt increased by about 80% between the second quarter of 2013 and the second quarter of 2021, from R176.2 million to R316.8 million. The export growth is driven by demand from other African countries (see Graph 11), including Zambia, Botswana and eSwatini. Exports to these countries grew by between 230% and 1822%. As with imports, exports decreased significantly in the second quarter of 2020 owing to COVID-related lockdowns that saw the closure of non-essential sectors, of which alcohol production was a part.

**Graph 11: Exports of beer made from malt: other, Q2 2013 – Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in October 2021.

The South African liquor value chain includes manufacturers, retailers, importers, distributors as well as wholesalers and retailers. Locally manufactured alcoholic beverages include wines, beers, spirits and flavoured beverages. As noted, the industry was affected by alcohol bans during the COVID-19 lockdowns, with estimates of the impact suggesting that liquor consumption across SACU countries declined by about 18% to slightly under four billion litres in 2020.<sup>10</sup>

Manufacturing of alcoholic beverages is highly concentrated in South Africa, with fewer players dominating the market. This is true for the beer industry, where malt beer manufacturing is dominated by AB InBev through its local subsidiary, the South African Breweries. Further, reports note that AB InBev owns about seven of the top 10 most valuable beer brands globally, mirroring its dominance of the local industry.

Nevertheless, there are other notable players, including Heineken, which also produces malt beer. A previous [Import Tracker](#) noted the restructuring at Heineken, changing the ownership structure across its South Africa and Namibia operations. This restructuring coincided with changes in imports from a number of countries (Mexico, Namibia and the Netherlands) in which the company has production operations. In addition, the growth there was in craft beer brewing (small brewers defined as making less than two million barrels per annum) has since declined due to restriction on alcohol sales, with reports suggesting that about 150 craft brewers are still operational, down from about 220 prior to the pandemic-related restrictions.

Generally, local liquor consumption is dominated by beer, which in 2020 accounted for an estimated 59.3% of the liquor market based on absolute volume of alcohol. However, the industry still relies on imports for raw materials, including hops and malt extracts, barely and hops. The bulk of the imports come from outside the continent, although there are imports from Zimbabwe and Tanzania. Various initiatives have helped the Tanzanian market to grow and sell raw materials like barley. The initiatives include a US\$11 million investment by Tanzania Breweries Limited to help farmers increase production of raw materials for the liquor industry, including for beer, wine and spirits.<sup>11</sup>

### **Product 5: Mixtures of odoriferous substances and mixtures, including alcoholic solutions: Other**

Mixtures of odoriferous substances and mixtures, including alcoholic solutions (HS 33029090) (also referred to as essential oils) are raw materials used in various industries including food and beverages, cosmetics, personal care and pharmaceuticals, among others.

According to the SARS tariff book, these particular odoriferous substances refer to synthetic aromatics or other odoriferous constituents from essential oils such as those from citrus and non-citrus fruit. Given the HS code delineation for beverages, perfumes and toilet waters, as well as beauty and make-up preparation, this particular product appears to be one used in beverages. The product was ranked 91st in the Top 100 list of imports by Rand value, with about 1.6 million kilograms imported in the second quarter of 2021 (see Table 5).

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<sup>10</sup> <https://www.woweb.co.za/?m=Industries&p=reportinfo&id=5350&country=222&SiccID=808&tab=6>

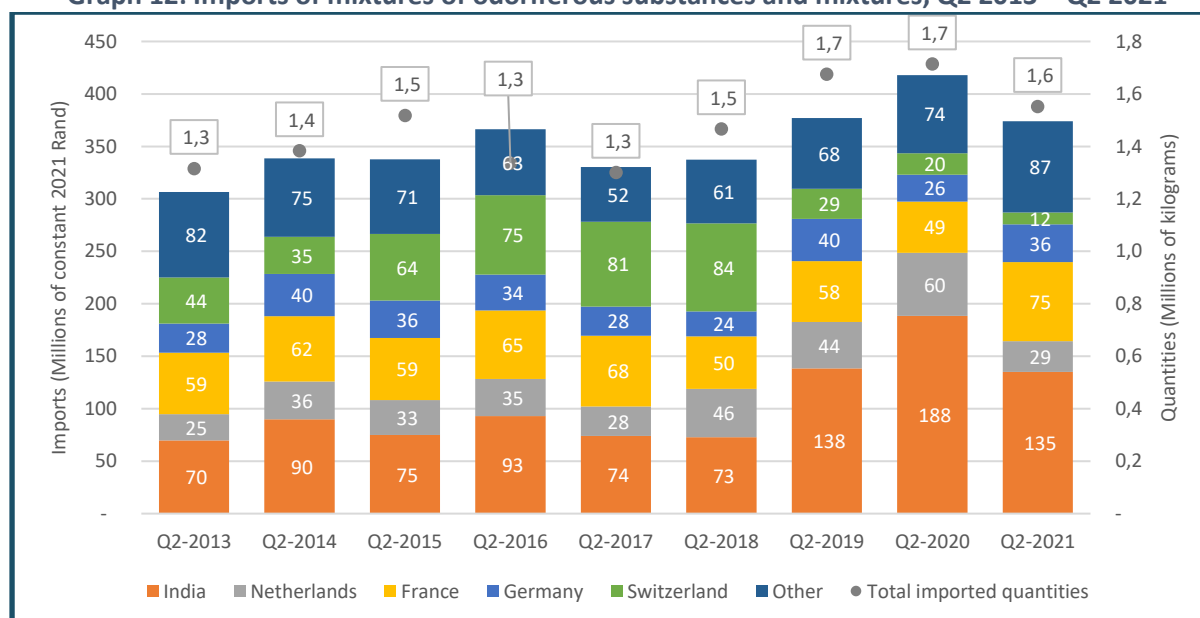
<sup>11</sup> <https://africabusinesscommunities.com/news/tanzania-brewer-invests-11-million-to-spur-production-of-raw-materials.html>

**Table 5: Product key data – mixtures of odoriferous substances and mixtures, Q2 2021**

KEY DATA	NOT PREVIOUSLY MADE IN SOUTH AFRICA	PREVIOUSLY MADE BUT CAN'T COMPETE IN FACE OF LOW COST COMPETITORS	CURRENTLY MADE IN SOUTH AFRICA AND IMPORTS INCREASING OVER TIME
Rank in Top 100 imports by Rand value			91st
Rand value of imports			R373.9 million
Rank in Top 50 imports by quantity			N/A
Quantity of imports			1.6 million kilograms
Capital good or consumer good			Intermediate
If intermediate good; what value chain?			Food and beverages
Good for final consumption (yes/no)			No
Designation status			Not designated

Imports of mixtures of odoriferous substances and mixtures increased by about 22% (or R67.3 million) to R373.9 million between the second quarter of 2013 and the second quarter of 2021 (see Graph 12). Notably, second quarter imports of this product peaked at R417.9 million in the second quarter of 2020, even as the country faced pandemic-related production and trade restrictions. This also marked the highest second quarter imports from India, whose share of imports of this product rose to 45% in the same quarter, from 37% of the total in the second quarter of 2019. Overall, imports from India saw the highest growth, at about 94% between the second quarter of 2013 and the second quarter of 2021. Other countries from which South Africa imported this product include the Netherlands, France, Germany and Switzerland. In all, these five countries account for the bulk of the value of imports, averaging about 80% over the period under review.

**Graph 12: Imports of mixtures of odoriferous substances and mixtures, Q2 2013 – Q2 2021**

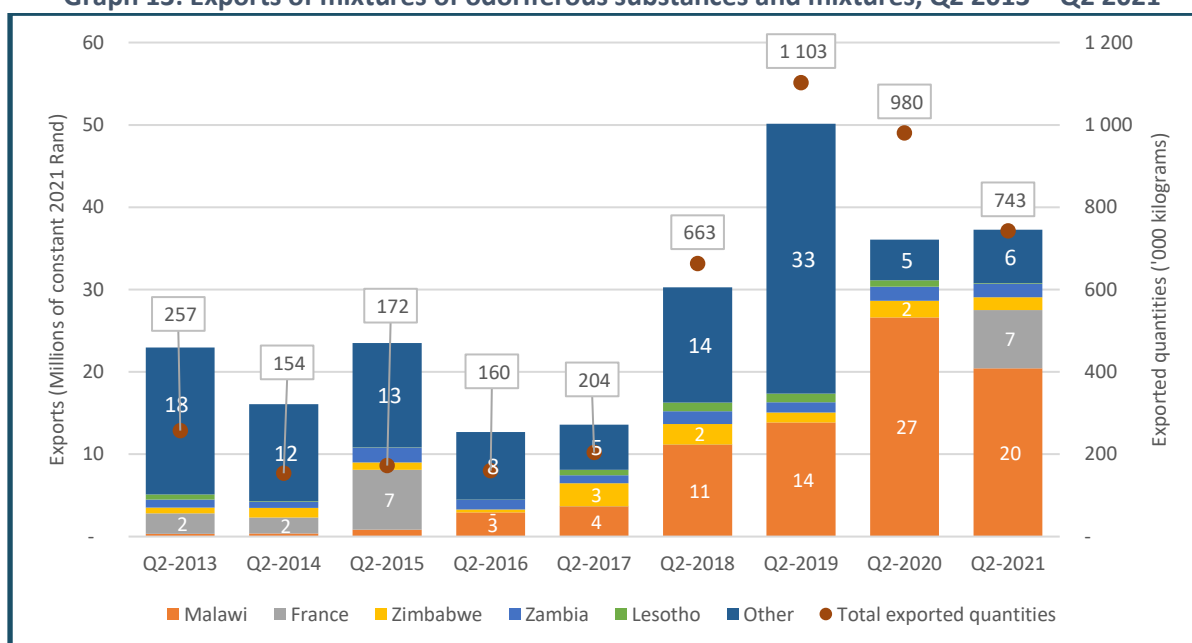


Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in December 2021.

Local exports of this product are significantly lower than imports. Total exports grew to about R37.2 million in the second quarter of 2021, up from R22.9 million in the second quarter of 2013. More than half of the second quarter 2021 exports went to Malawi, with another 19% going to France.

Over the period under review, Malawi became a consistent destination for South African exports of this product (see Graph 13).

**Graph 13: Exports of mixtures of odoriferous substances and mixtures, Q2 2013 - Q2 2021**



Source: Calculated from ITC Trade Map data. Downloaded from <https://www.trademap.org> in December 2021.

Major essential oils producers across the world include among other countries Brazil, China, the US, Egypt, India, Mexico, Guatemala, Morocco and Indonesia. In South Africa, most essential oil species farming takes place in Mpumalanga and KwaZulu-Natal. Primary production is estimated at about 3 000 tonnes (mainly eucalyptus and citrus), while global production is estimated at about 150 000 tonnes. The local industry is represented by South African Essential Oil Producer Association.

Demand for essential oils as a whole has been growing exponentially due to their natural and organic benefits in personal care, beverages and household products and the country's growing middle class, as they are a high-value product.

**ANNEXURE 1: TOP 100 IMPORT PRODUCTS BY RAND VALUE, Q2 2021**

Rank	HS Code	Product description	Import value, Rand billion	Change in rank Q2 2020 – Q2 2021	Designation status
1	27101230	Diesel	18.41	1	Not designated
2	27090000	Crude oil	14.53	-1	Not designated
3	98010030	Automotive components: for motor cars	11.76	No change	Not designated
4	98010040	Original equipment components: for goods vehicles	9.28	1	Not designated
5	27101202	Light oils and preparations: Petrol	8.50	6	Not designated
6	85171210	Cellphones	5.51	No change	Not designated
7	87032290	Cars and related vehicles: cylinder capacity 1 000 cm <sup>3</sup> to 1 500 cm <sup>3</sup>	3.90	14	Not designated
8	98010045	Original equipment components: for goods vehicles	3.32	9	Not designated
9	87032390	Cars and related vehicles: cylinder capacity 1 500 cm <sup>3</sup> to 3 000 cm <sup>3</sup>	2.91	10	Not designated
10	71023100	Non-industrial diamonds unworked or simply sawn, cleaved or bruted	2.58	24	Not designated
11	85176290	Routers and set-top boxes: Other	2.48	-4	Not designated
12	74081100	Wire of refined copper, with a maximum cross-sectional dimension of > 6 mm	2.13	19	Not designated
13	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	1.73	No change	Not designated
14	89059000	Light-vessels, fire-floats, floating cranes and other vessels (excluding dredgers, floating or submersible drilling or production platforms; fishing vessels and warships)	1.72	5149	60% designated
15	87032190	Cars and related vehicles: cylinder capacity not exceeding 1 000 cm <sup>3</sup>	1.59	20	Not designated
16	87033290	Cars and related vehicles: cylinder capacity 1 000 cm <sup>3</sup> to 2 500 cm <sup>3</sup>	1.54	17	Not designated
17	33021000	Alcoholic and other solutions used in the food and drink industries	1.47	8	Not designated
18	90189000	Medical instruments and appliances, n.e.s.	1.47	2	Not designated
19	28182000	Aluminium oxide (excl. artificial corundum)	1.40	-3	Not designated
20	38220000	Diagnostic or laboratory reagents (pharmaceutical chemicals)	1.39	-6	Not designated
21	98010015	Automotive components: for tractors and buses	1.30	9	Not designated



Rank	HS Code	Product description	Import value, Rand billion	Change in rank Q2 2020 – Q2 2021	Designation status
22	85177090	Parts for telephones, routers and other telecoms devices	1.28	6	Not designated
23	84439900	Parts and accessories of printers, copying machines and facsimile machines, n.e.s.	1.26	6	Not designated
24	87041090	Dumpers for off-highway use : Other	1.25	-1	Not designated
25	84314990	Parts of machinery of heading 8426, 8429 and 8430, n.e.s.: Other	1.23	-3	Not designated
26	85044000	Static converters	1.20	-8	Not designated
27	87032490	Cars and related vehicles: cylinder capacity exceeding 3 000 cm3	1.17	24	Not designated
28	71081300	Gold, in semi-manufactured forms, for non-monetary purposes	1.11	-16	Not designated
29	84715000	Processing units for automatic data-processing machines	1.08	-14	Not designated
30	27160000	Electrical energy	0.99	-4	Not designated
31	23040000	Oilcake and other solid residues from the extraction of soya-bean oil	0.99	5	Not designated
32	87089990	Parts and accessories for tractors and buses	0.98	12	Not designated
33	87082900	Parts and accessories of bodies for tractors and buses	0.95	4	Not designated
34	28439000	Inorganic or organic compounds of precious metals	0.94	14	Not designated
35	27040000	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated	0.93	435	Not designated
36	85414010	Photosensitive semiconductor devices	0.90	6	15% designated
37	87033390	Cars and related vehicles: cylinder capacity exceeding 2 500 cm3	0.90	2	Not designated
38	27111100	Natural gas, liquefied	0.85	-14	Not designated
39	31021000	Urea, whether or not in aqueous solution	0.84	-1	Not designated
40	84295200	Self-propelled bulldozers, etc.: With 360 degree revolving superstructure	0.84	1	Not designated
41	98010025	Original equipment components: for buses and taxis	0.84	-1	Not designated
42	69091900	Ceramic wares for chemical or other technical uses	0.76	7	Not designated
43	88024000	Aeroplanes and other powered aircraft of an of an unladen weight > 15.000 kg	0.73	5121	Not designated

Rank	HS Code	Product description	Import value, Rand billion	Change in rank Q2 2020 – Q2 2021	Designation status
44	17011300	Raw cane sugar	0.70	-12	Not designated
45	49070010	Postage stamps, revenue stamps and banknotes	0.65	-35	Not designated
46	88033000	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	0.65	58	Not designated
47	87042181	Vehicles for the transport of goods: Other	0.65	86	Not designated
48	84433100	Printers and fax machines	0.63	2	Not designated
49	39269090	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s.: Other	0.63	6	Not designated
50	27011200	Bituminous coal	0.63	35	Not designated
51	72189100	Semi-finished products of stainless steel, of rectangular “other than square” cross-section	0.61	5 107	100% designated
52	84733000	Parts and accessories of automatic data-processing machines	0.60	No change	Not designated
53	88021200	Helicopters of an unladen weight > 2.000 kg	0.59	69	Not designated
54	21069090	Food preparations, n.e.s: Other	0.59	-7	Not designated
55	27131200	Petroleum coke, calcined	0.52	20	Not designated
56	31042000	Potassium chloride for use as fertiliser	0.52	51	Not designated
57	84717000	Storage units for automatic data-processing machines	0.50	-14	Not designated
58	85443000	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	0.50	59	90% designated
59	22083010	Whiskies : In containers holding 2 li or less	0.50	40	Not designated
60	33049990	Beauty or make-up preparations and preparations for the care of the skin: Other	0.49	9	Not designated
61	84148000	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a fan	0.48	30	Not designated
62	84749000	Parts of machinery for working mineral substances of heading 8474, n.e.s.	0.47	5	Not designated
63	84099990	Parts suitable for use solely or principally with diesel or semi-diesel engine, n.e.s.: Other	0.47	7	Not designated
64	29173600	Terephthalic acid and its salts	0.47	4	Not designated

Rank	HS Code	Product description	Import value, Rand billion	Change in rank Q2 2020 – Q2 2021	Designation status
65	84798990	Machines and mechanical appliances, n.e.s.: Other	0.47	-12	Not designated
66	27111200	Propane, liquefied	0.46	87	Not designated
67	74031100	Copper, refined, in the form of cathodes and sections of cathodes	0.46	299	Not designated
68	79011100	Unwrought zinc, not alloyed	0.46	26	Not designated
69	39041000	Poly “vinyl chloride”, in primary forms, not mixed with any other substances	0.45	208	Not designated
70	87042183	Motor vehicles for the transport of goods	0.45	81	Not designated
71	95030090	Tricycles, scooters, pedal cars and similar wheeled toys; dolls’ carriages: Other	0.45	32	Not designated
72	85258090	Television cameras, digital cameras and video camera recorders: Other	0.44	4	Not designated
73	84834000	Gears and gearing for machinery	0.43	5	Not designated
74	38112100	Prepared additives for oil lubricants containing petroleum oil or bituminous mineral oil	0.43	-28	Not designated
75	73269090	Articles of iron or steel, n.e.s.: Other	0.43	-10	100% designated
76	84089090	Compression-ignition internal combustion piston engine “diesel or semi-diesel engine”: Other	0.43	-22	Not designated
77	85371090	Boards and cabinets etc. of apparatus for electricity control or distribution, voltage <= 1.000 V: Other	0.43	23	Not designated
78	85437000	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85	0.42	3	Not designated
79	87083090	Brakes and servo-brakes and their parts, n.e.s.: Other	0.42	1	Not designated
80	29349900	Nucleic acids and their salts, whether or not chemically defined	0.42	-8	Not designated
81	61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.42	67	100% designated
82	22030090	Beer made from malt: Other	0.42	86	Not designated
83	71129990	Waste and scrap of silver: Other	0.41	5034	Not designated

Rank	HS Code	Product description	Import value, Rand billion	Change in rank Q2 2020 – Q2 2021	Designation status
84	25030000	Sulphur of all kinds (excluding sublimed sulphur, precipitated sulphur and colloidal sulphur)	0.41	89	Not designated
85	27101215	Illuminating kerosene	0.40	4782	Not designated
86	38170010	Mixed alkylbenzenes and mixed alkylnaphthalenes	0.39	-25	Not designated
87	84314300	Parts for boring or sinking machinery	0.39	3	Not designated
88	72026000	Ferro-nickel	0.38	-26	100% designated
89	48115990	Paper and paperboard, surface-coloured, surface-decorated or printed: Other	0.38	-32	Not designated
90	39069090	Acrylic polymers, in primary forms (excluding poly "methyl methacrylate"): Other	0.38	-27	Not designated
91	33029090	Mixtures of odoriferous substances and mixtures, including alcoholic solutions: Other	0.37	-31	Not designated
92	84304100	Self-propelled boring or sinking machinery for boring earth or extracting minerals or ores	0.37	-34	Not designated
93	84291100	Self-propelled bulldozers and angledozers, track laying	0.37	-22	Not designated
94	85235210	Cards incorporating one or more electronic integrated circuits "smart card": Digital	0.37	-30	Not designated
95	39072090	Polyethers, in primary forms (excl. polyacetals and goods of 3002 10): Other	0.37	10	Not designated
96	71129200	Waste and scrap of platinum, including metal clad with platinum	0.37	4980	Not designated
97	64039990	Footwear with rubber or plastic soles: Other	0.37	No change	100% designated
98	87169090	Parts of trailers and semi-trailers and other vehicles not mechanically propelled, n.e.s.: Other	0.37	21	Not designated
99	64041190	Sports footwear: Other	0.36	12	100% designated
100	84295190	Self-propelled front-end shovel loaders: Other	0.36	-34	Not designated