



Snapshot Of Industry-Wide Trends In Value – Added, 1991-2001

Report compiled by Trade and Industrial Policy Strategies

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INTRODUCTION

This report attempts to provide an overview of South Africa's industrial landscape during the 1990s, focusing on growth and sectoral shares in value-added at a detailed 46-sector level. Use is made of the TIPS South African Standardised Industry Database, which offers long-term trends spanning 1970 to the present for 46 industrial sectors, mainly in manufacturing. Monetary values are recorded in 1995 constant prices.

GROWTH IN VALUE-ADDED

Table 1 and Figure 1 illustrate that *Plastic Products* registered the highest weighted average annual growth rate in value-added between 1997-2001, with 14.7%, closely followed by *Communications Services* with 13.6% and leather products with 8.6%. A number of other industries that appear in the *top ten* are related to the chemicals industries. Although *Communications Services*, *Plastic Products* and *Other Mining* were all relatively good performers during the 1991-1996 period, majority of the other top ten industries have made a relatively large jump upwards, notably the chemicals-related industries, *Financial Services* and *Television and Communications Equipment*.

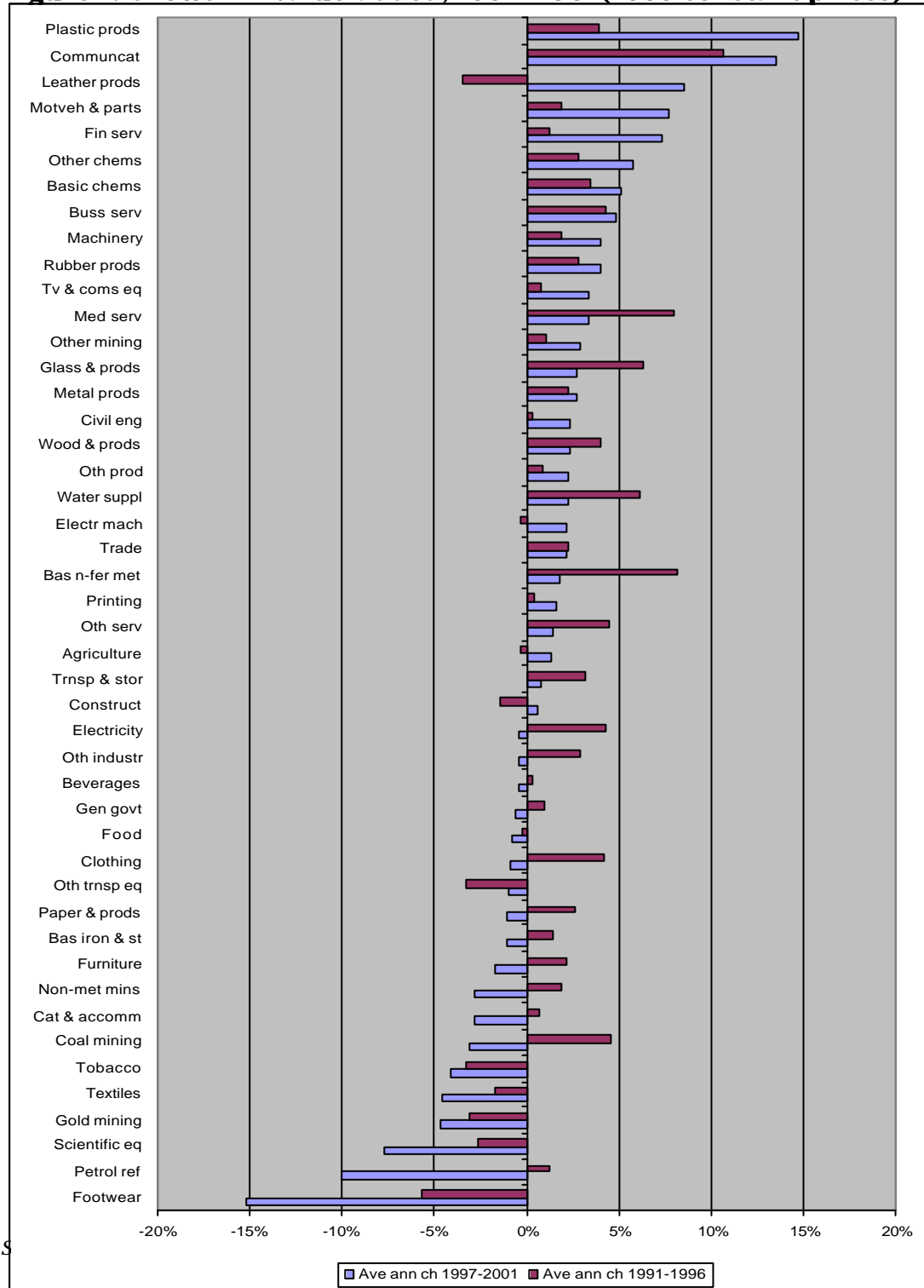
At the other end of the scale, *Footwear* has shown the lowest growth rates over this period with -15.2% followed by *Petroleum Refining* with -10.0% and *Professional and Scientific Equipment* with -7.7%. Important industries such as *Food Processing* are ranked 32, *Clothing* 33 and *Textiles* 42 out of 46 industries in terms of average annual growth in value-added. In general, the non-performing sectors belong either to wage goods such as the *Clothing* and *Textiles* or the *Food* and *Beverage* complexes or are related to resources (except for chemicals) such as *Metal Products*, *Basic Iron and Steel*, *Non-ferrous Metals*, *Gold Mining*, *Coal Mining*, and *Paper and Paper Products*. While the latter may be related to exogenous factors such as global commodities markets, the poor performance of the wage goods sectors can perhaps be associated with policy options, such as the austere fiscal and monetary policies pursued during the middle of the 1990s, which constraining domestic demand.

Table 1: Growth and shares in value-added, 1991-2001(1995 constant prices)

	Sector	Ave ann Δ 1997- 2001	Ave ann Δ 1991-1996	1991-1996 Rank	Ave share 1997-2001	1997-2001 Rank	Ave share 1991-1996	Δ Rank 1991- 1996 to 1997- 2001
1	Plastic prods	14.7%	4.0%	12	0.6%	31	0.5%	11
2	Communcat	13.6%	10.7%	1	4.1%	7	2.2%	-1
3	Leather prods	8.6%	-3.4%	45	0.1%	46	0.1%	42
4	Motveh & parts	7.8%	1.8%	23	1.4%	17	1.4%	19
5	Fin serv	7.3%	1.3%	26	8.9%	4	7.3%	21
6	Other chems	5.8%	2.8%	16	1.5%	15	1.3%	10
7	Basic chems	5.1%	3.5%	13	1.0%	27	0.8%	6
8	Buss serv	4.8%	4.2%	9	9.1%	3	8.3%	1
9	Machinery	4.1%	1.8%	24	1.1%	23	1.1%	15
10	Rubber prods	4.1%	2.8%	17	0.2%	40	0.3%	7
11	Tv & coms eq	3.4%	0.9%	31	0.4%	39	0.3%	20
12	Med serv	3.4%	8.0%	3	1.6%	14	1.4%	-9
13	Other mining	2.9%	1.1%	28	2.8%	9	2.9%	15
14	Glass & prods	2.8%	6.4%	4	0.2%	41	0.2%	-10
15	Metal prods	2.7%	2.2%	20	1.3%	18	1.3%	5
16	Civil eng	2.3%	0.3%	35	1.3%	19	1.3%	19
17	Wood & prods	2.3%	4.0%	11	0.4%	37	0.4%	-6
18	Oth prod	2.2%	0.9%	30	2.7%	10	2.9%	12
19	Water suppl	2.2%	6.2%	5	0.4%	36	0.4%	-14
20	Electr mach	2.2%	-0.3%	37	1.1%	22	1.1%	17
21	Trade	2.2%	2.3%	19	12.5%	2	12.9%	-2
22	Bas n-fer met	1.8%	8.2%	2	0.8%	29	0.6%	-20
23	Printing	1.7%	0.4%	33	0.7%	30	0.8%	10
24	Oth serv	1.5%	4.4%	7	1.0%	25	1.0%	-17
25	Agriculture	1.4%	-0.4%	38	4.5%	6	4.8%	13
26	Trnsp & stor	0.8%	3.2%	14	6.4%	5	6.3%	-12
27	Construct	0.7%	-1.3%	39	1.8%	13	2.0%	12
28	Electricity	-0.4%	4.3%	8	3.3%	8	3.1%	-20
29	Oth industr	-0.4%	2.9%	15	1.1%	24	0.9%	-14
30	Beverages	-0.4%	0.3%	34	1.1%	21	1.1%	4
31	Gen govt	-0.7%	1.0%	29	15.0%	1	16.6%	-2
32	Food	-0.8%	-0.3%	36	2.0%	12	2.5%	4
33	Clothing	-0.9%	4.2%	10	0.6%	33	0.6%	-23
34	Oth trnsp eq	-0.9%	-3.2%	43	0.2%	42	0.2%	9
35	Paper & prods	-1.0%	2.6%	18	0.9%	28	1.0%	-17
36	Bas iron & st	-1.0%	1.5%	25	1.5%	16	1.5%	-11
37	Furniture	-1.7%	2.1%	21	0.4%	38	0.7%	-16
38	Non-met mins	-2.8%	1.8%	22	0.5%	34	0.7%	-16
39	Cat & accomm	-2.8%	0.7%	32	1.0%	26	1.1%	-7
40	Coal mining	-3.2%	4.6%	6	1.3%	20	1.3%	-34
41	Tobacco	-4.0%	-3.2%	44	0.1%	43	0.1%	3
42	Textiles	-4.6%	-1.7%	40	0.4%	35	0.6%	-2
43	Gold mining	-4.7%	-3.1%	42	2.2%	11	3.1%	-1
44	Scientific eq	-7.7%	-2.6%	41	0.1%	45	0.1%	-3
45	Petrol ref	-10.0%	1.3%	27	0.6%	32	0.9%	-18
46	Footwear	-15.2%	-5.6%	46	0.1%	44	0.2%	0

Source: TIPS South African Standardised Industry Database

Figure 1: Growth in value-added, 1991 -2001(1995 constant prices)

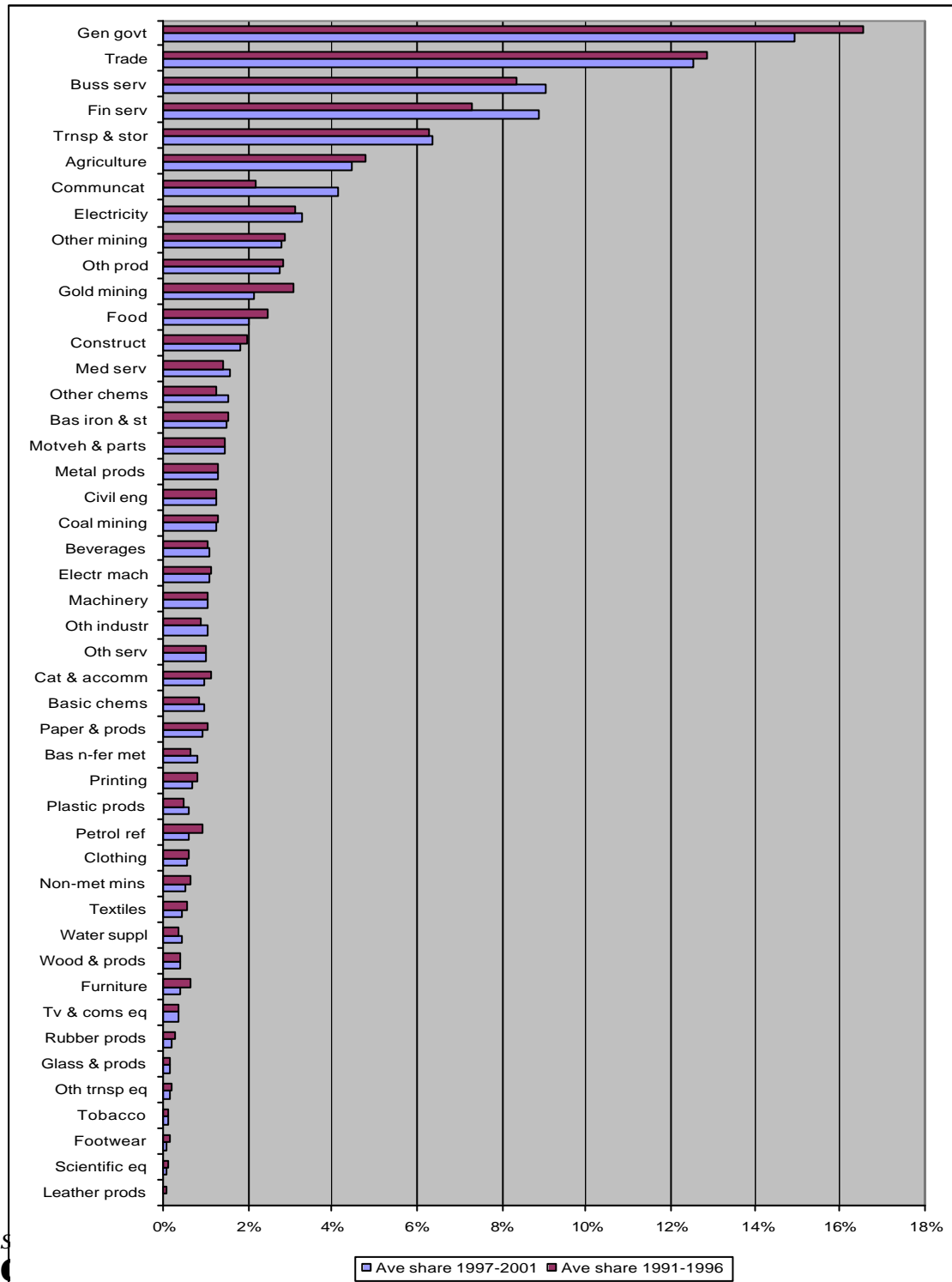


Looking at the percentage changes in value-added between the two periods, it is abundantly clear that the greatest increase in value-added growth has been in the *Leather Products* sector (which moved 42 places to position 3), *Financial Services*, which moved up 21 places to position 5, and *Television and Communications Equipment*, up 20 places to 11th position. Dramatic declines in value-added growth were evident for *Coal Mining*, which dropped 34 positions to 40, *Clothing*, which was down 23 positions from the 1991-1996 period, and *Electricity*, which fell to 28th place from position 8 in the previous period. There was no change, however, in the case of *Footwear*, which was at the bottom of the table in both periods.

SHARES IN VALUE-ADDED

Examining the sectoral shares of total value-added in more detail, Table 1 and Figure 2 also reveal that *General Government* contributed the lion's share of value-added between 1997-2001, with 15%, followed by *Wholesale and Retail Trade* (12.5%) and *Business Services* (9.1%). The smallest shares in value-added are contributed by *Leather Products* (0.1%), *Professional and Scientific Equipment* (0.1%) and *Tobacco Products* (0.1%). This ranking is no different to the 1991-1996 period, where the largest share of value-added was also attributed to *General Government* (16.6%), followed by *Wholesale and Retail Trade* (12.9%) and *Business Services* (8.3%). At the lower end of the scale, *Leather products*, *Professional and Scientific Equipment* and *Tobacco Products* each contributed just 0.1% of overall value-added. In spite of major changes in growth rates when comparing both semesters of the decade, the structure of the economy, at least at this level of sectoral aggregation, has not really changed much.

Figure 2: Shares in Value-added, 1991 -2001 (1995 constant prices)



At this juncture, it is sufficient to say that during the 1990s South Africa has followed the global trend towards an economic structure that relies less on primary and secondary industries, and more on the tertiary industries such as *Financial Services* and *Communications Services*. The latter, it has been shown, has a small spin-off for the *Television and Communications Equipment* sector. Elsewhere, selective intervention in the form of the Motor Industry Development Programme (MIDP) seems to start paying off, as well as the earlier interventions that were undertaken in the chemicals industry. It is also possible that the massive state involvement in the chemicals cluster, which was mainly driven by political strategic motivations could have developed a viable set of industries, may have been justified¹.

¹ See Levy (1992)