



SNAPSHOT OF INDUSTRY-WIDE TRENDS IN IMPORTS, 1991-2001

Report compiled by Trade and Industrial Policy Strategies

TRADE AND INDUSTRIAL POLICY STRATEGIES (TIPS)

PO Box 87643, Houghton, 2041, Johannesburg, South Africa

Tel +27 11 646-6404 Fax +27 11 484-4115

Website <http://www.tips.org.za>

E-mail: tips@tips.org.za

TABLE OF CONTENTS

INTRODUCTION	3
GROWTH IN IMPORTS.....	3
SHARES IN IMPORTS	7
IMPORT PENETRATION RATIOS	9
CONCLUSION.....	12

LIST OF TABLES

Table 1: Growth and shares of Imports, 1991 -2001 (1995 constant prices).....	4
Table 2: Import penetration ratios, 1991 -2001(1995 constant prices).....	10

LIST OF FIGURES

Figure 1: Growth in Imports, 1991-2001 (1995 constant prices).....	6
Figure 2: Shares in Imports, 1991 -2001 (1995 constant prices).....	8

INTRODUCTION

In spite of the trade liberalisation efforts that have characterised the 1990s, it is apparent that imports by the manufacturing sector have remained more or less constant in real terms, whereas imports by agricultural industries have witnessed a decline in imports. Declining imports of business services have also been manifest during this time. Using the TIPS South African Standardised Industry Database, the trends in import growth and sectoral shares of imports at a detailed 46-sector level are investigated for both halves of the decade. Monetary values are recorded in 1995 constant prices.

GROWTH IN IMPORTS

At a more detailed industry level, it appears that *Other Mining* has had the highest weighted annual growth rate in imports between 1997-2001, with 16.3%, followed by *Furniture* with 12.7% and *Communications Services* with 11.1% (Table 13). Conversely, import growth has been lowest for *Tobacco Products* (-17.6%), *Beverages* (-15.9%) and *Medical Services* (-10.9%). In terms of ranking, *Food* occupies berth 29, *Clothing* lies in 5th place and *Textiles* are in position 22, *Motor Vehicles, Parts and Accessories* 13, *Television and Communication Equipment* 9 out of 46 industries in terms of average annual growth in imports.

On the other hand, during the 1991-1996 period, imports by the *Basic non-Ferrous metals* sector had the highest growth rate at 26.9%, closely followed by *Footwear* (26.2%), and in third place, *Furniture* with 25.3%. Negative import growth was recorded for *Tobacco* (-15.9%), *Other Transport Equipment* (-3.7%), *Other Services* (-2.0%) and *Medical Services* (-1.4%), while the *Gold Mining*, *General Government* and *Water Supply* sectors did not register any growth in imports.

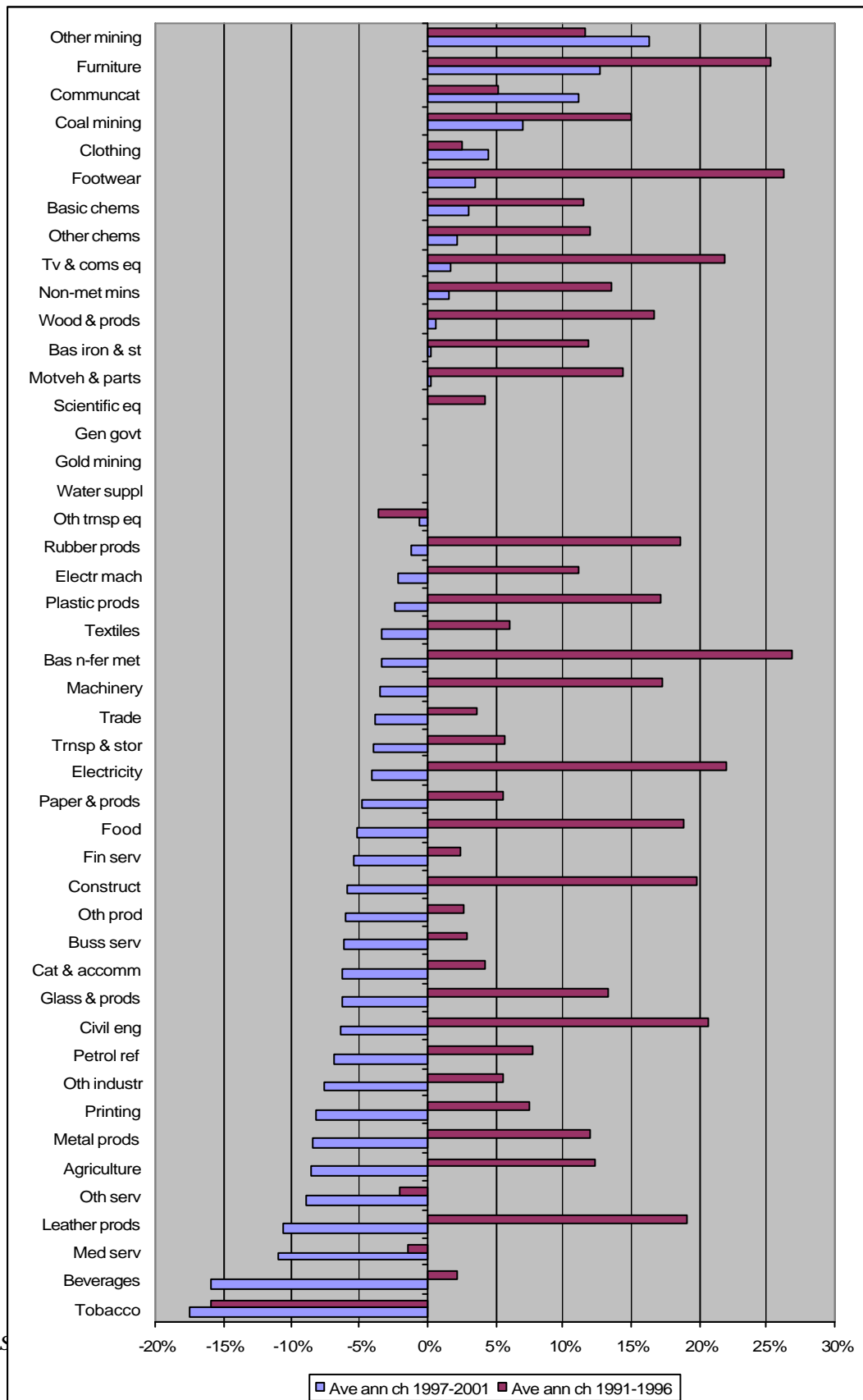
Looking at the change in import growth between the two periods (Figure 1), it can also be seen that the *Clothing* sector jumped 32 positions to 5th place, and *Communications Services* leapfrogged from position 31 to 3, and *Other Transport Equipment* moved 27 places into 18th position (albeit with negative import growth in both periods). The most profound drop in import growth was witnessed for *Leather Products*, *Civil Engineering* and *Construction* respectively. The increase in *television and Communications* sector imports, although relatively high in the 1997-2001 period, is lower than the increase in 1991-1996, which is difficult to reconcile with the trade liberalisation policies in the latter half of the decade. This cannot be said of the trends in imports by the *Clothing* sector, which has increased considerably between 1991-1996 as compared to 1997-2001.

Table 1: Growth and shares of Imports, 1991-2001 (1995 constant prices)

	Sector	Ave ann Δ 1997 - 2001	Ave ann Δ 1991-1996	Ave ann Δ Rank	Ave share 1997 - 2001	1997 -2001 Rank	Ave share 1991-1996	1991 -1996 Rank
1	Other mining	16.3%	11.6%	22	12.5%	2	9.0%	3
2	Furniture	12.7%	25.3%	3	0.4%	35	0.2%	36
3	Communcat	11.1%	5.2%	31	0.7%	28	0.8%	27
4	Coal mining	7.0%	15.0%	14	0.2%	36	0.2%	37
5	Clothing	4.5%	2.7%	37	0.8%	25	0.8%	28
6	Footwear	3.5%	26.2%	2	0.6%	30	0.5%	32
7	Basic chems	3.0%	11.6%	23	6.6%	5	6.6%	4
8	Other chems	2.3%	12.1%	19	4.8%	6	4.7%	5
9	Tv & coms eq	1.7%	21.9%	5	8.1%	3	4.2%	7
10	Non-met mins	1.6%	13.5%	16	0.9%	23	0.9%	25
11	Wood & prods	0.6%	16.7%	13	0.6%	31	0.6%	30
12	Bas iron & st	0.3%	11.9%	21	1.1%	20	1.4%	20
13	Motveh & parts	0.3%	14.4%	15	8.1%	4	11.0%	2
14	Scientific eq	0.1%	4.3%	33	2.8%	11	3.4%	10
15	Gold mining	0.0%	0.0%	40	0.0%	45	0.0%	44
16	Water suppl	0.0%	0.0%	41	0.0%	44	0.0%	45
17	Gen govt	0.0%	0.0%	42	0.0%	43	0.0%	43
18	Oth trnsp eq	-0.6%	-3.7%	45	2.3%	12	2.3%	12
19	Rubber prods	-1.2%	18.6%	10	1.0%	22	0.8%	26
20	Electr mach	-2.2%	11.2%	24	2.9%	10	3.6%	8
21	Plastic prods	-2.4%	17.2%	12	0.8%	26	0.7%	29
22	Textiles	-3.3%	6.0%	27	1.8%	14	2.3%	15
23	Bas n-fer met	-3.4%	26.9%	1	1.7%	16	1.1%	23
24	Machinery	-3.5%	17.3%	11	18.5%	1	17.3%	1
25	Trade	-3.8%	3.6%	34	0.0%	42	0.0%	42
26	Trnsp & stor	-4.0%	5.8%	28	3.3%	9	4.3%	6
27	Electricity	-4.1%	22.0%	4	0.0%	46	0.0%	46
28	Paper & prods	-4.7%	5.6%	29	1.3%	18	2.0%	17
29	Food	-5.2%	18.9%	9	3.3%	8	3.2%	11
30	Fin serv	-5.4%	2.5%	38	0.7%	29	1.0%	24
31	Construct	-5.9%	19.8%	7	0.0%	40	0.0%	41
32	Oth prod	-6.1%	2.8%	36	0.9%	24	1.4%	19
33	Buss serv	-6.2%	2.8%	35	0.8%	27	1.2%	21
34	Cat & accomm	-6.3%	4.3%	32	1.1%	21	1.4%	18
35	Glass & prods	-6.3%	13.4%	17	0.4%	34	0.4%	34
36	Civil eng	-6.4%	20.6%	6	0.1%	39	0.1%	40
37	Petrol ref	-6.8%	7.8%	25	1.2%	19	1.1%	22
38	Oth industr	-7.5%	5.6%	30	3.4%	7	3.5%	9
39	Printing	-8.3%	7.5%	26	1.5%	17	2.3%	14
40	Metal prods	-8.3%	12.1%	20	2.0%	13	2.1%	16
41	Agriculture	-8.4%	12.3%	18	1.7%	15	2.3%	13
42	Oth serv	-8.9%	-2.0%	44	0.2%	37	0.3%	35
43	Leather prods	-10.6%	19.1%	8	0.5%	32	0.5%	33
44	Med serv	-10.9%	-1.4%	43	0.1%	38	0.2%	38
45	Beverages	-15.9%	2.2%	39	0.4%	33	0.6%	31
46	Tobacco	-17.6%	-15.9%	46	0.0%	41	0.1%	39

Source: TIPS South African Standardised Industry Database

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



SHARES IN IMPORTS

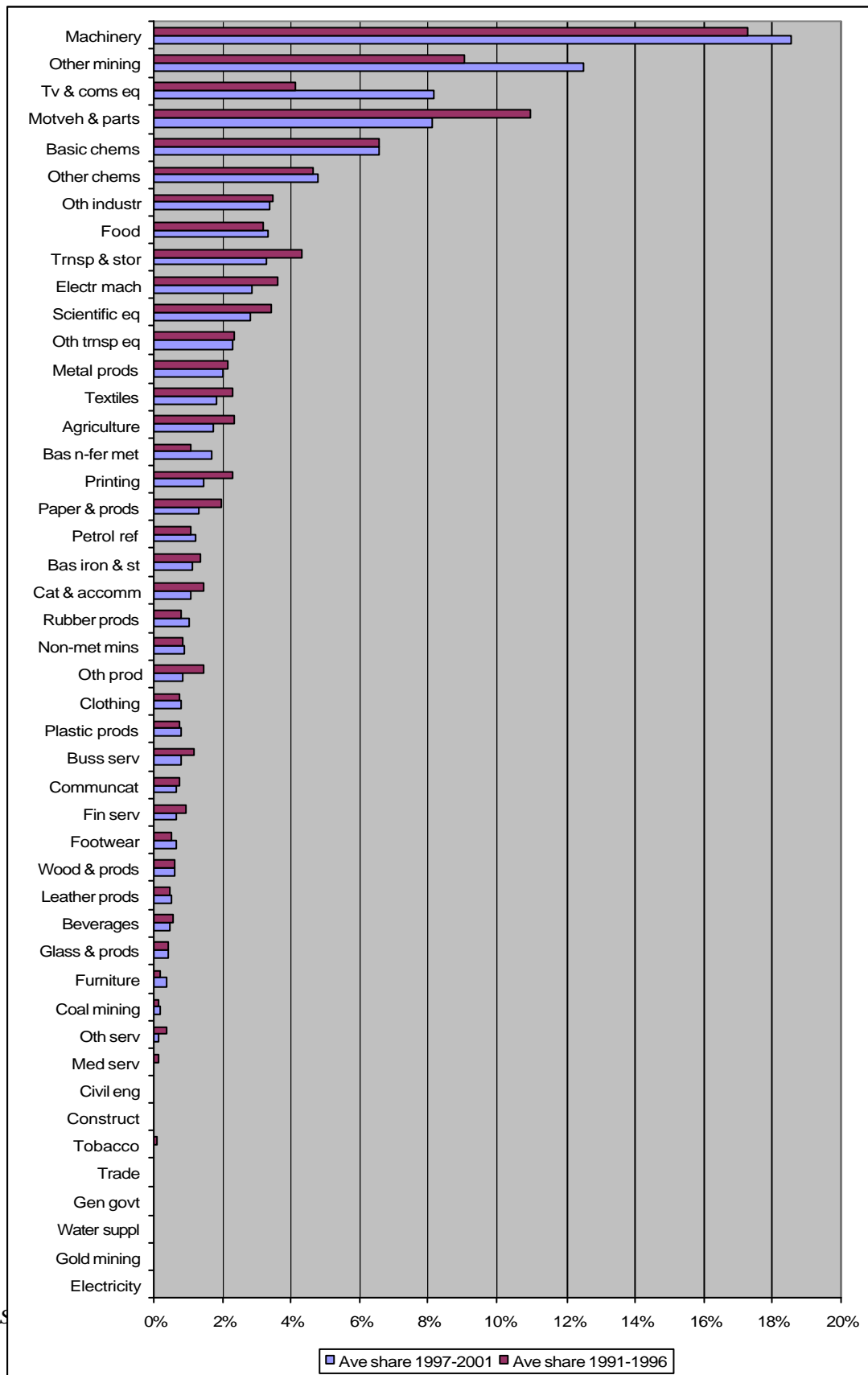
In terms of import shares, the *Machinery* sector accounted for the largest share of imports between 1997-2001, with 18.5%, followed in second place by *Other Mining* with 12.5% and *Television and Communication Equipment* with 8.1%. At the opposite end of the spectrum, *Medical Services*, *Other Services*, *Coal Mining*, *Furniture and Glass* and *Glass Products* respectively had 0.1%, 0.2% and 0.4% of the total share of imports.

During the 1991-1996 era, the *Machinery* sector once again had the lion's share of imports (17.3%), followed by *Motor Vehicles, Parts and Accessories* (11.0%) and in third place *Other Mining* (9%). In this period, the lowest share of imports was seen in the *Civil Engineering* and *Tobacco* sectors (each with 0.1%), and *Medical Services*, *Coal Mining* and *Furniture*, each with 0.2%

However, distinct changes have been witnessed in the *Television and Communications* sector, where the import share doubled in the 1997-2001 period, and its ranking rose from 7th to 3^d place. Generally, though, there has been no significant change in terms of import shares and ranking thereof in both periods.

This is shown in Figure 2.

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



IMPORT PENETRATION RATIOS

As with the trends in exports, there is also need to consider the import penetration ratio, hereby defined as imports divided by the sum of total output and imports less exports. The results reproduced in Table 14 show that at a detailed industry level, *Professional and Scientific Equipment* had the highest weighted average annual import penetration ratio during the 1997-2001 period (92%), followed by *Television and Communication Equipment* with 80% and in third place, *Other Transport Equipment* (78%). At the other end of the scale, *General Government* had the smallest import penetration ratio, followed by *Water Supply* and *Gold Mining*. *Food* is ranked 28, *Clothing* 22, *Textiles* 15 and *Motor Vehicles, Parts and Accessories* 14 out of 46 industries, in terms of average annual growth in import penetration ratio.

In terms of change in ratio, the table further shows that between the two periods of observation, *Television and Communication Equipment* showed the highest increase in import penetration (24.5%), followed by *Other Transport Equipment* (23%) and *Machinery* (17.6%), whilst *Other Mining* had the most significant drop in import penetration ratio (-8.6%), followed by *Motor Vehicles, Parts and Accessories* (-2.7) and *Communications Services* (-2.2%). In terms of the *top ten* import penetration ratios, once again there is not much change in the 1997-2001 and 1991-1996, except that the second half of the 1990s saw the import penetration ratios for *Footwear* and *Rubber Products* almost double, from 15.7% to 30.7% and 18.2% to 30% respectively.

Table 2: Import penetration ratios, 1991-2001(1995 constant prices)

	Sector	Period ave 1997-2001	Period ave 1991-1996	Ave ann Rank	Δ in ratio 1st -2nd half	Δ in ratio Rank
1	Scientific eq	91.8%	77.1%	1	14.8%	5
2	Tv & coms eq	79.7%	55.2%	4	24.5%	1
3	Oth trnsp eq	78.3%	55.3%	3	23.0%	2
4	Machinery	71.1%	53.5%	5	17.6%	3
5	Other mining	55.5%	64.1%	2	-8.6%	46
6	Oth industr	50.4%	46.4%	6	4.0%	13
7	Basic chems	44.9%	42.9%	7	1.9%	19
8	Leather prods	31.7%	26.9%	9	4.8%	11
9	Footwear	30.7%	15.7%	17	15.1%	4
10	Rubber prods	30.0%	18.2%	15	11.7%	6
11	Bas n-fer met	29.6%	23.1%	11	6.5%	8
12	Electr mach	29.2%	28.4%	8	0.9%	22
13	Other chems	25.2%	19.9%	13	5.3%	10
14	Motveh & parts	23.8%	26.5%	10	-2.7%	45
15	Textiles	23.2%	21.5%	12	1.8%	21
16	Glass & prods	22.5%	17.0%	16	5.5%	9
17	Printing	17.2%	18.5%	14	-1.3%	41
18	Non-met mins	14.2%	9.7%	23	4.5%	12
19	Furniture	12.8%	5.2%	32	7.6%	7
20	Plastic prods	11.8%	8.4%	24	3.4%	16
21	Metal prods	11.7%	9.9%	21	1.8%	20
22	Clothing	11.5%	7.7%	26	3.8%	14
23	Paper & prods	11.2%	13.2%	18	-2.0%	43
24	Petrol ref	11.1%	7.5%	27	3.6%	15
25	Wood & prods	10.6%	9.9%	22	0.7%	23
26	Bas iron & st	10.1%	10.5%	20	-0.5%	32
27	Cat & accomm	9.3%	10.6%	19	-1.3%	40
28	Food	9.2%	6.6%	30	2.5%	18
29	Trnsp & stor	6.9%	8.1%	25	-1.1%	38
30	Agriculture	6.4%	7.0%	29	-0.7%	36
31	Oth prod	5.8%	7.4%	28	-1.7%	42
32	Coal mining	4.3%	1.6%	38	2.7%	17
33	Beverages	3.7%	3.5%	33	0.2%	25
34	Communcat	3.2%	5.4%	31	-2.2%	44
35	Oth serv	2.4%	3.3%	34	-0.9%	37
36	Fin serv	1.3%	1.8%	37	-0.5%	33
37	Buss serv	1.2%	1.8%	36	-0.6%	34
38	Tobacco	1.1%	2.2%	35	-1.2%	39
39	Civil eng	0.5%	0.3%	40	0.2%	24
40	Med serv	0.5%	1.1%	39	-0.6%	35
41	Construct	0.2%	0.1%	41	0.1%	26
42	Trade	0.0%	0.0%	42	0.0%	30
43	Electricity	0.0%	0.0%	45	0.0%	27
44	Gold mining	0.0%	0.0%	46	0.0%	28
45	Water suppl	0.0%	0.0%	43	0.0%	29
46	Gen govt	0.0%	0.0%	44	0.0%	31

Source: TIPS South African Standardised Industry Database

Note: import penetration ratio is defined as the ratio of imports and the sum of total output and imports less exports.

Notwithstanding the trade liberalisation policies, introduced during the middle of the period, the *Clothing* sector seems to have experienced only a mild increase in the import penetration ratio relatively to industries such as *Motor Vehicles, Parts and Accessories* and *Television and Communications Equipment*. The trends in import penetration mirror those of imports themselves, and are a general reflection of the global economic slowdown and low economic growth in South Africa.

CONCLUSION

Increases in imports generally follow a trade liberalisation episode. The lowering of tariffs may have several effects – for instance, this could result in export-oriented industries becoming more competitive in terms of imported intermediate inputs, although this could mean that local suppliers are displaced, with possible job losses. Consumers, on the other hand, stand to reap the benefits of lower relative prices of final goods, such as clothing, electronics or some food products, together with a host of other effects at the micro level.

Generally however, it can be argued that low economic growth throughout the 1990s may have dampened domestic demand, including demand for imports, notwithstanding lower tariffs, and this has led to low import growth rates and import penetration ratios.