

Export Week - Dec 2020



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Trade & Investment
KwaZulu-Natal



KWAZULU-NATAL PROVINCE
ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA



TIKZN

**Your Partner In Growing The Province Through FDI And
Export Trade**

Export Week – Setting The Scene



2019 Exports

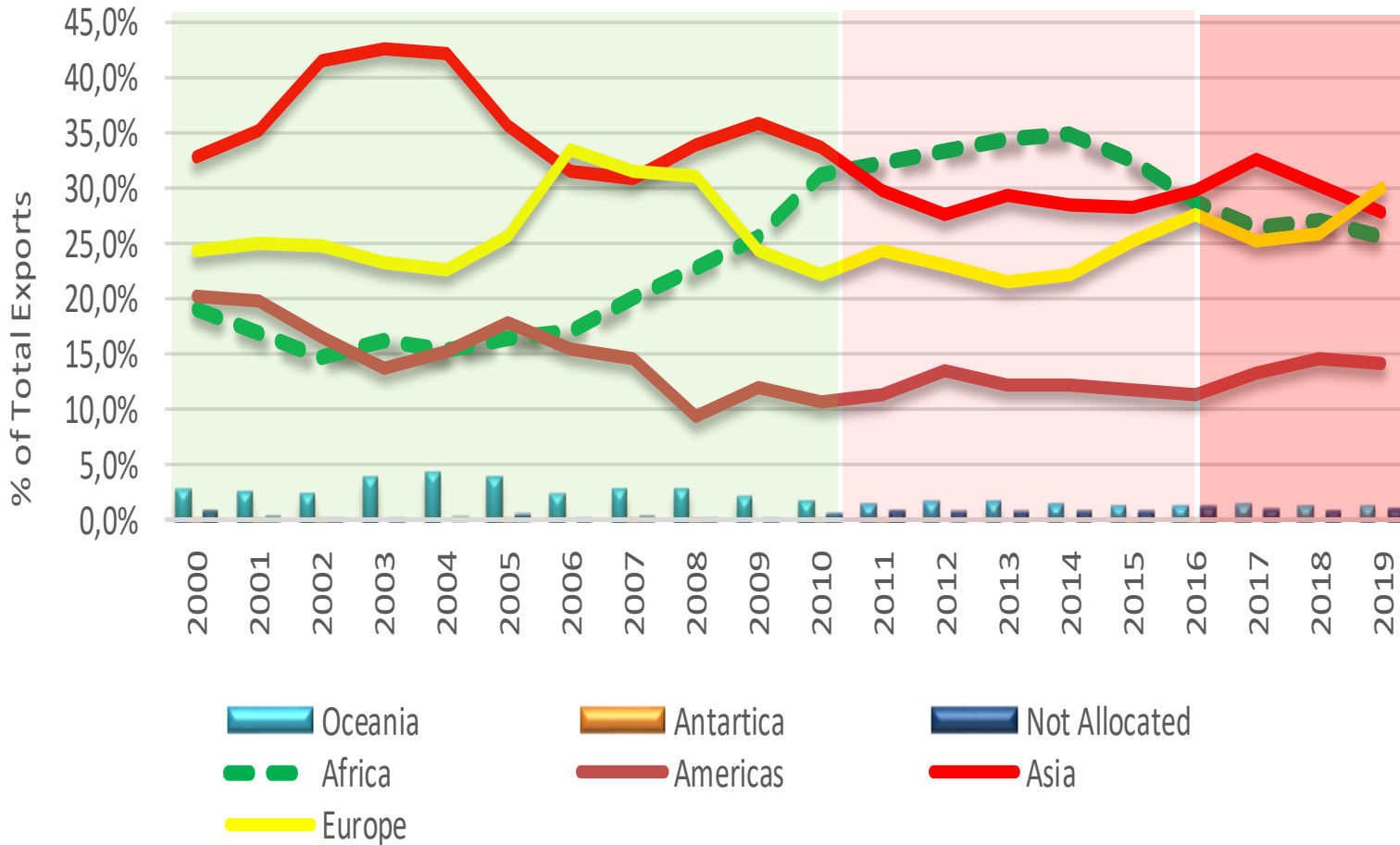
KZN exports weight by continent

Region	2019 Weights	Rank
Africa	25,6%	3
Asia	27,9%	2
Europe	30,0%	1
Americas	14,1%	4
Oceania	1,3%	5
Not Allocated	1,0%	6
Antartica	0,0%	7

- As share of KZN's global products exports, Africa ranks 3rd
- There is scope to improve on the ranking.

KZN's Longitudinal Exports Share

KZN Continental Exports as % of Total Exports - 2000 to 2019



Key Insights

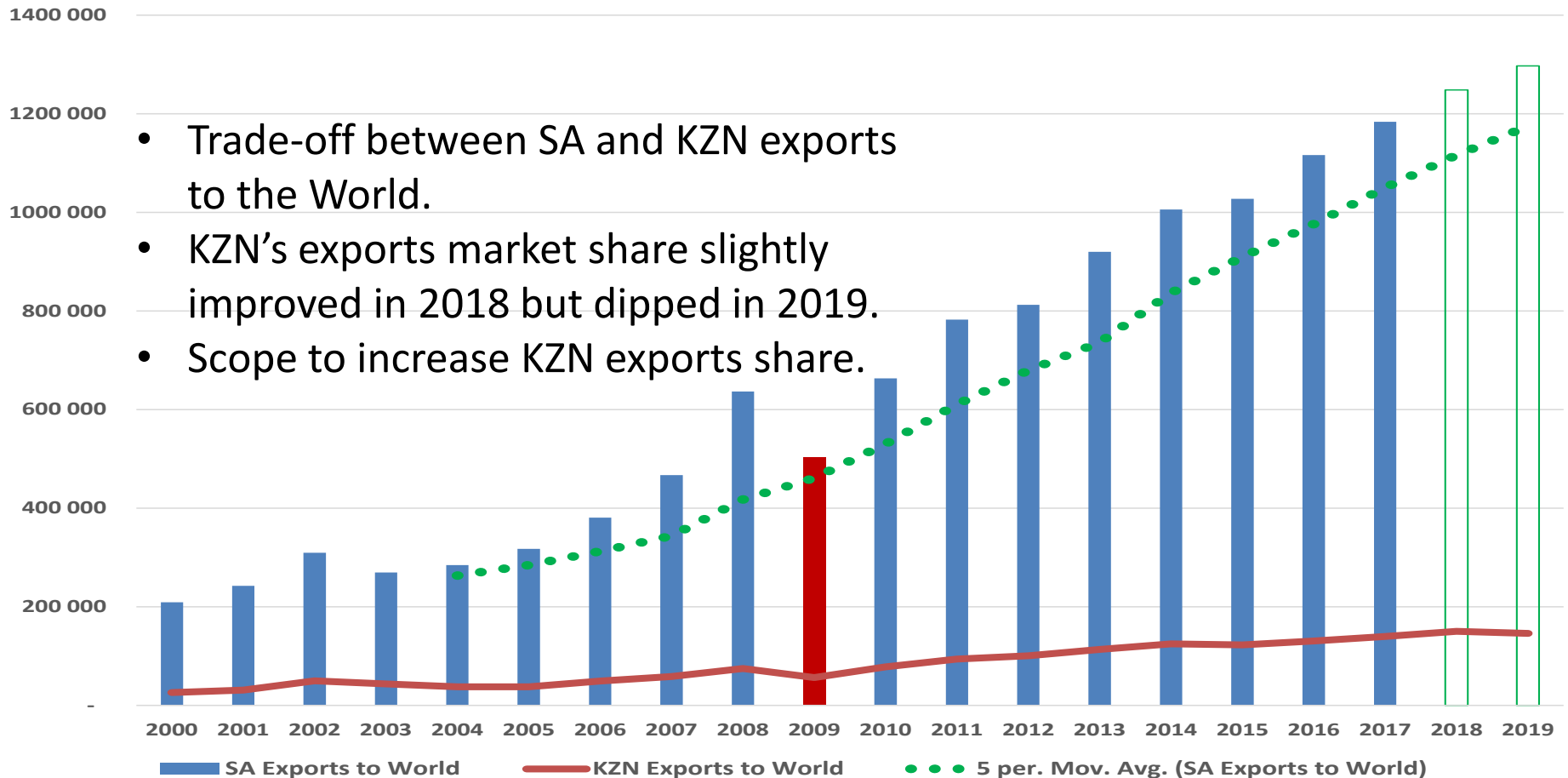
- Trends in export highlight the structural shifts taking place before 2010; before 2016; and after 2016.
- Africa presented huge exports growth opportunities during/after global crises, with low logistics costs (2007-2009). The prognosis for 2020/2021 post COVID-19 is similar.
- Africa exports peaked over 5 years (2011 – 2015), higher than Asia, Europe and Americas.
- The period 2016-2019 was challenging; dip in market share from 2018 to 2019.
- Covid-19 threw a spanner in the works:
 - distorted supply chains activities;
 - constricted trade and cash flows; and
 - led to closure of businesses, negatively impacting on jobs and exports volume.

Continental Exports (all commodities) - Comparative Trend Analyses

Global Exports – Comparative Trend Analysis (Global)

SA Global Exports VS KZN Global Exports (2000-2019) - All Commodities

SA VS KZN Exports World (2000-2019 - Rmillions)

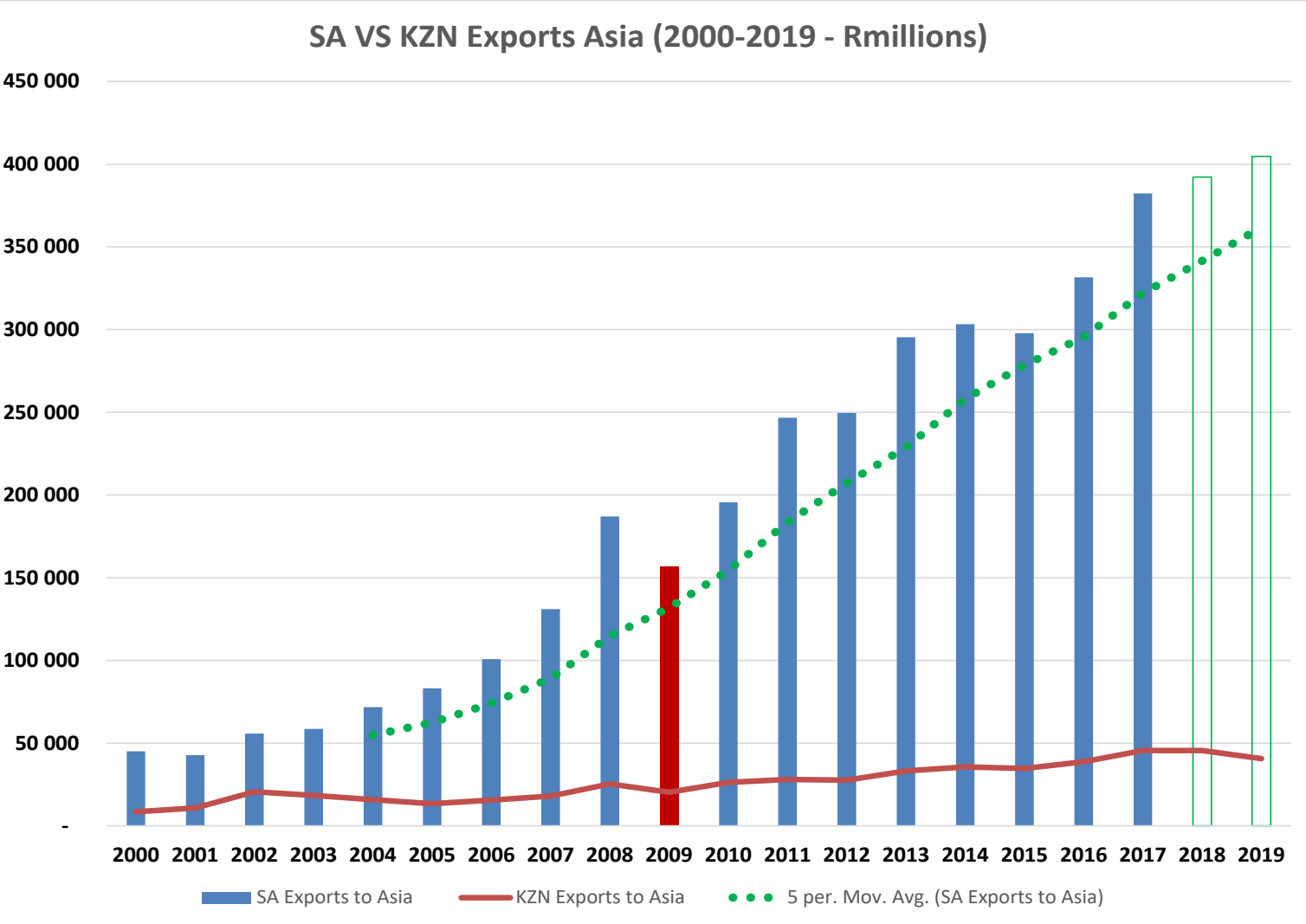


- Trade-off between SA and KZN exports to the World.
- KZN's exports market share slightly improved in 2018 but dipped in 2019.
- Scope to increase KZN exports share.

- Structural break occurred in 2009 due to the global economic and financial crises.
- Consistent in all comparative graphs.

Continental Exports – Comparative Trend Analysis (Asia)

SA Exports VS KZN Exports to Asia (2000-2019)

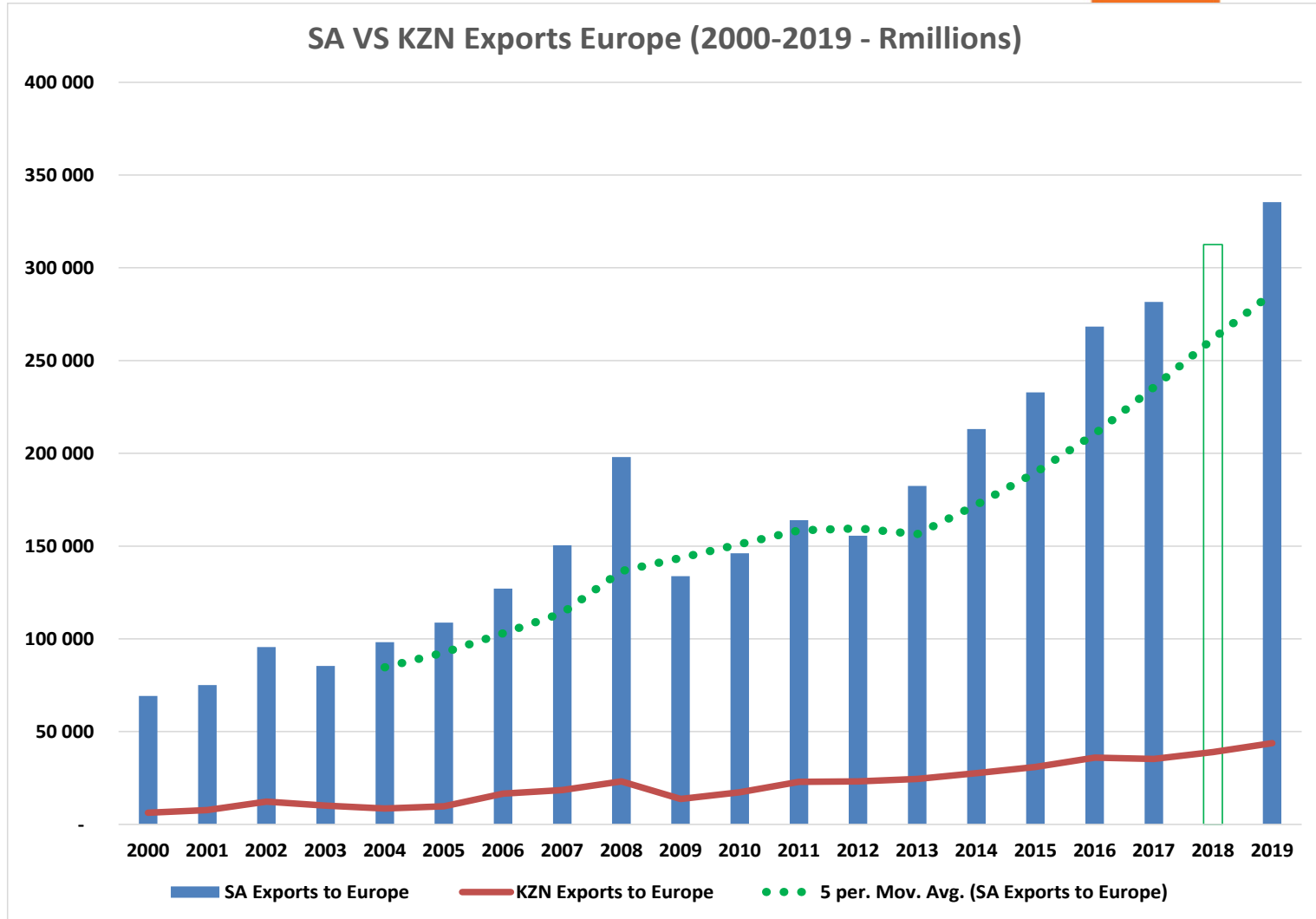


- Trade-off - SA and KZN exports to Asia.
- KZN exports market share was uninspiring in 2018 and dipped in 2019.
- China and Japan from Asia also form part of Top 5 export destination for SA.

Continental Exports – Comparative Trend Analysis (Europe)

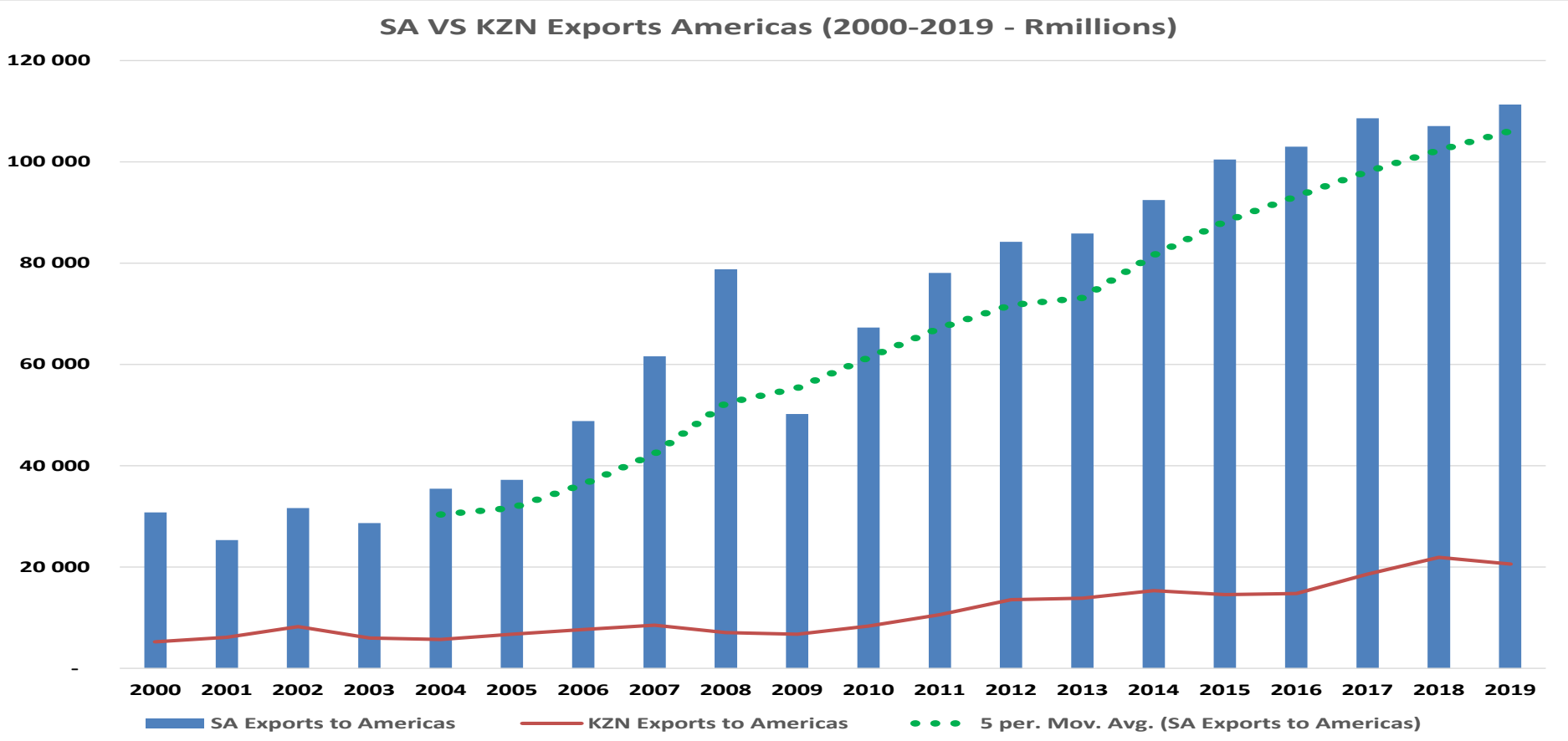
SA Exports VS KZN Exports to Europe (2000-2019)

- Trade-off - SA and KZN exports to Europe.
- Encouragingly, KZN exports market share increased between 2017 and 2019.
- Germany and UK from Europe also form part of Top 5 export destination for SA.



Continental Exports – Comparative Trend Analysis (Americas)

SA Exports VS KZN Exports to Americas (2000-2019)



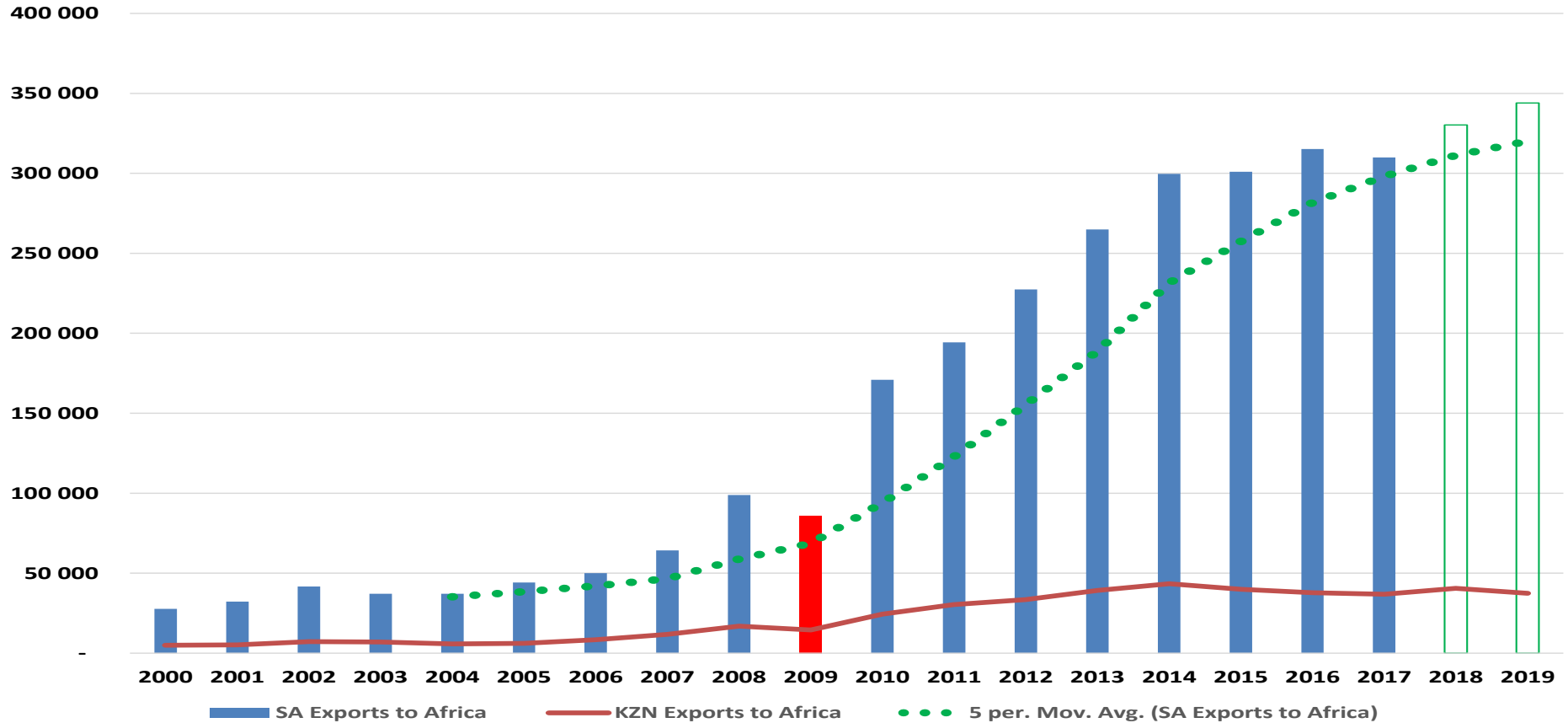
- Trade-off - SA and KZN exports to Americas.
- KZN exports market share increased (2015-2018) but dipped in 2019.
- The USA from the Americas also forms part of Top 5 export destination for SA.



Continental Exports – Comparative Trend Analysis (Africa)

SA Exports VS KZN Exports to Africa (2000-2019)

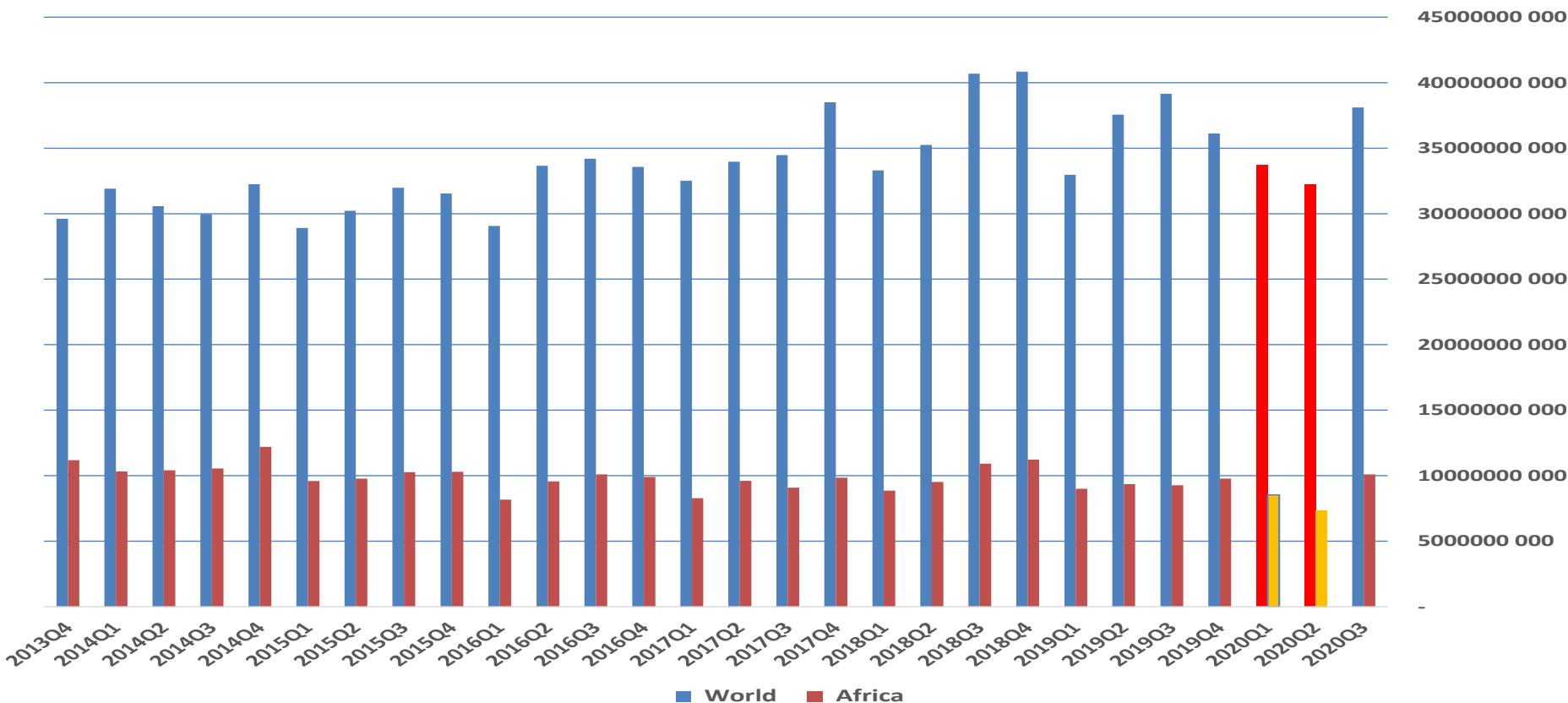
SA VS KZN Exports Africa (2000-2019 - Rmillions)



- Trade-off - SA and KZN exports to Africa.
- KZN exports market share slightly improved in 2018 but dipped in 2019.

SA Exports to World and Africa – Riding the COVID-19 Storm

KZN Exports - Global and Africa (ZAR - Quarterly)



- 2019 was difficult for KZN exporters as the economy struggled, underpinned by a technical recession.
- 2020 saw the COVID-19 storm significantly reducing KZN exports value to Africa in the first 6 months – the lowest for the period under consideration.

Opportunities for Export Trade in Africa

- Africa is still a market – despite currently down, due to COVID-19
- Companies need to re-strategise to boost Africa export trade and maximise gains from the AfCFTA.
- The AfCFTA holds a lot of potential for KZN companies.
 - To explore untapped African markets.
 - To enter markets/RECs with no existing trade agreements with SA (ECOWAS, ECCAS, AMU).
 - Relatively weak exchange rate, an advantage to local exporting companies.
- **Downside risks** still prevail on the continent though.
 - Lower than expected demand from poor commodity exports and weakened prices;
 - Heightened policy and political uncertainty;
 - Prolonged exposure to both demand and supply shocks; and
 - Escalating conflicts and protectionism – may dampen regional outlook and trade.

Basis/Rationale for Export Trade in Africa

- Prospects for KZN Export Demand
 - Firming export competitiveness (Europe and USA - to some extent - provide a good base).
 - Optimism that regional and global economic growth will rebound next year, post COVID-19.
 - Africa remains a key exports destination given current distortion of supply chains further north of the globe.
- Role of TIKZN and mother body EDTEA is to support export-oriented manufacturing; in line with the National Industrial Policy Framework.
 - Export Development Strategy for KZN Businesses – Africa focus, with tailored market entry strategies.
 - Varied promotional channels will be used to boost trade on the continent.
 - Share South African best practices - open-up new markets.

Basis/Rationale for Export Trade in Africa (cont.)

- Continue with mirroring, matchmaking and twinning arrangements between companies.
- Exhibitions and trade fair events; create B2B and/or B2C synergies on the continent.
- Quick wins.
 - AfCFTA presents an opportunity for trade with countries in African regions with no trade agreements (Viz: ECOWAS, ECCAS, AMU).
 - AfCFTA provides a platform to deal with contentious issues (NTBs including language, Standards, Specifications, etc.).
 - Spill-over benefits from COVID-19 Storm. SA businesses now keen on promoting local value chains (sourcing of raw materials and inputs); reduce dependency on China and other efficient producers of the East.
 - Changing focus from short-term profits maximisation to long-term sustainability and growth (Case of Foschini and Woolworths deciding to source inputs/goods locally).
 - Logistics companies to capitalize on regional supply chains frailties – boost trade.

Conclusion

- KZN Companies should be ready to explore the continent and minimise role of external value chains.
- Abundant political will and buy-in to support local companies aiming to export to the rest of the continent exists.
- The AfCFTA presents an opportunity for SA businesses to increase market share in Africa.
- Reduce dependency on SADC (inclusive of SACU); explore key RECs.
- Trade creation and trade diversion from AfCFTA will create opportunities for SA companies in these regions.
- African countries are committed to the course - Improving on business environment, economic infrastructures and trading conditions in anticipation of the AfCFTA-World's largest FTA.
- AfCFTA augurs well for exports from KZN to the rest of Africa; businesses should be ready; no own goals!!





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Thank You

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