Industrial Development Corporation

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Economic overview:

Recent developments in the global and South African economies

August 2017

Department of Research and Information

Economic overview: Contents

- **With the domestic drivers of growth currently under strain, the South African economy will most likely have to rely on exports for a positive performance.** Consumer and business confidence are at very low levels, thus providing little hope for a meaningful recovery in household consumption spending and a turnaround in fixed investment activity. Government expenditure, in turn, cannot come to the rescue due to fiscal constraints and consolidation commitments. In contrast, demand conditions are improving in global markets. Alongside a relatively competitive currency at the present time, this should provide significant opportunities for export development.

SA GDP growth
(IDC forecasts)
2017: 0.6%
2018: 1.2%

- **South African households will eventually take advantage of a lower interest rate environment, but not for the time being.** Some relief is being provided by the recent 25 basis points cut in the repo rate as well as lower inflation. However, concerned with employment prospects in a largely unfavourable economic environment, consumers are likely to continue restoring their balance sheets, thus holding back on spending.

Business confidence
(BER survey: Q2 2017)
29 index points, lowest since 2009

- **Investment spending by the private sector is expected to decline further in 2017, potentially recovering modestly over the next two years.** Continuing to face weak demand conditions, particularly in local markets, as well as considerable uncertainty in the operating environment, business appetite for fixed investment is currently very low. Surplus production capacity across many industries also does not justify expansionary investments. The public sector, in turn, is expected to cut back on its capex spending, affecting infrastructure development and its associated procurement requirements.

- **Globally, economic growth and trading activity are forecast to improve gradually over the short-to medium-term.** The outlook for some of South Africa's key trading partners is becoming somewhat brighter, as evidenced by higher GDP growth and up-trending PMIs thus far in 2017. These developments should present renewed export market development opportunities for local businesses. A substantial surplus was recorded on the balance of trade in the 2nd quarter of the year, boding well for the export sector's future performance.

SA trade surplus
(SARS)
Q2 2017: R15.7 bn

- **The geographical reach and sectoral spread of South Africa's merchandise export basket have improved over time, but high degrees of concentration prevail.** Export trade has been shifting towards emerging market economies such as China and India, with the advanced economies' combined share of the overall export basket having declined. The rest of Africa has become one of the largest markets for South Africa's merchandise exports, accounting for 27.8% of the overall export basket in 2016, up from a 25.4% share in 2010. The extent of South Africa's trade concentration is higher at the sectoral level, but has also been improving. The manufacturing sector accounted for 60% of the merchandise export basket in 2016, compared to 57.1% in 2010.

SA exports to rest of Africa
2016: R300 bn, or 27.8% of total exports to the world

- **Exports play an important role in terms of economic activity and employment creation.** An estimated 1.23 million jobs in the South African economy, or more than 10% of total employment, are directly related to exports. The figure jumps to 2.53 million, or 21.4% of overall employment, if indirect exports (i.e. through linkages of export producers with input suppliers across the economy) are also taken into account

SA employment related to exports
(IDC calculations)
2016: 1.23 million direct jobs

- **South Africa should take advantage of improving conditions in global markets and the expected rebound in world trade.** This is especially important in the current economic environment, which is characterised by weak local demand and low confidence levels amongst domestic consumers and businesses. Exports may thus safeguard important segments of South Africa's production base and employment, as well as making indispensable contributions to overall economic growth and job creation, particularly during this difficult phase for the economy.

Exports are likely to be the key driver of South Africa's economic growth in the shorter term

The South African economy is struggling to exit from the technical recession entered into in the 1st quarter of 2017.

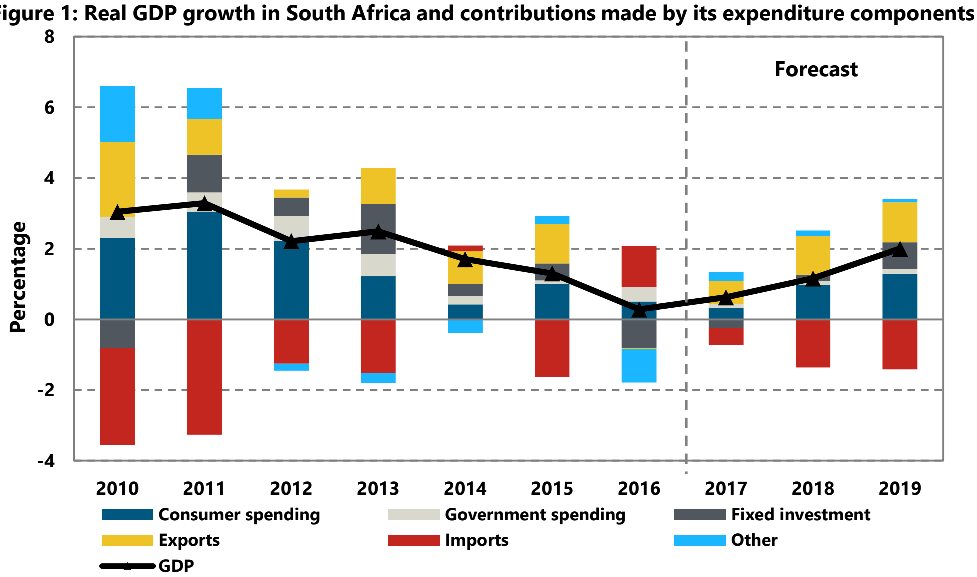
Difficult operating conditions persisting in the domestic economy

The production side of the economy continues to reel from difficult trading conditions, particularly in the domestic market. Confidence, which fuels and sustains economic growth, is currently at very low levels amongst consumers as well as businesses, thus providing little hope for a meaningful turnaround in spending activity in the shorter term. In contrast, improving conditions in global markets and relatively competitive exchange rates of the rand support expectations of exports being the likely driver of growth in South Africa's gross domestic product (GDP) in 2017 and 2018, as illustrated in Figure 1.

Shorter term outlook for the economy remains largely unsatisfactory

Prospects for the South African economy over the next three years remain largely unsatisfactory. Weak growth of just 0.6% is forecast for 2017, with only a modest up-tick in 2018. A somewhat faster growth momentum is anticipated in 2019, taking the projected average growth in real GDP growth over the period 2017-19 to only 1.3% per annum.

Figure 1: Real GDP growth in South Africa and contributions made by its expenditure components



Source: IDC, compiled from SARB data; IDC forecasts

Subdued household spending is holding back the economy's growth

South African consumers have become increasingly reluctant to spend, especially on non-essentials. This is evidenced by subdued growth in retail trade sales, with durable goods sales being the hardest hit. Restrained household spending, which represents around 60% of GDP, is holding back economic growth. Although the ratio of household debt to disposable income has improved over time, reflecting a degree of budgetary discipline to restore financial health, consumer demand for new credit remains very weak. Debt servicing costs have been alleviated slightly by the 25 basis points drop in the repo rate announced by the Monetary Policy Committee (MPC) in July 2017.

Lower interest rates provide some relief to strapped households

The MPC decision was prompted by the downtrend in inflation and the weak state of the economy. Barring adverse developments that would negatively alter the inflation outlook, domestic interest rates may be lowered by at least another 50 basis points over the next six months. Consumers will eventually take advantage of a lower interest rate environment, but not for the time being. Concerned with employment prospects, they are instead likely to continue restoring their balance sheets by holding back on spending. The contribution expected to be made by household consumption expenditure to GDP growth is thus likely to be very small in 2017, as shown in Figure 1, improving gradually over the forecast period.

The economy shed 113 000 jobs in the 2nd quarter of the year, with the unemployment rate remaining at 27.7%

The formal and informal sectors of the economy shed 113 000 jobs in the 2nd quarter of 2017. At sector level, substantial employment losses were reported in construction (-110 000 jobs), agriculture (-40 000), mining (-13 000) and in the transport sector (-11 000). The overall unemployment rate remained unchanged at 27.7%, with 6.2 million people currently unable to find a job. Amongst the youth (15 to 34 years of age), the unemployment rate stood at 39.2%.

Although mining output rebounded in the first 5 months of the year, this was off a very low base. The underlying market fundamentals are not yet pointing to a sustained recovery in most commodity markets, as reflected by recent price movements. Growth in global demand for industrial commodities remains somewhat muted while supply adjustments have been generally inadequate.

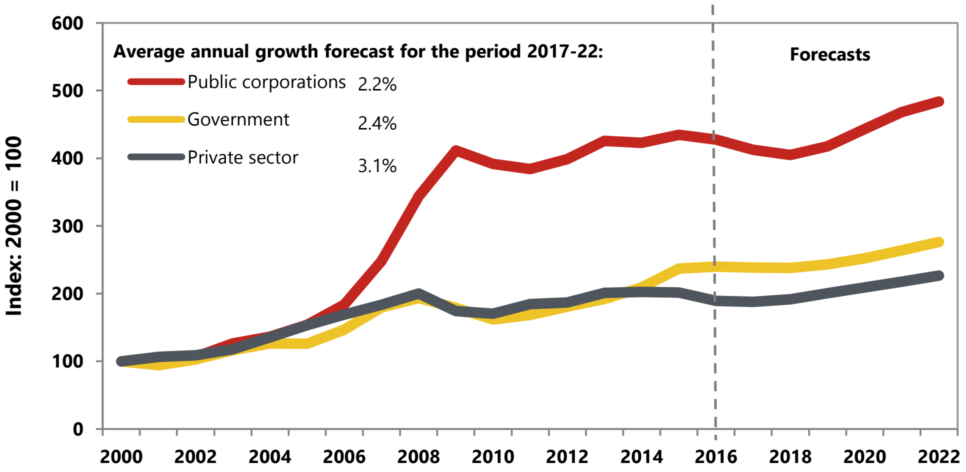
The domestic manufacturing sector continues to experience serious challenges. Its output contracted by 1.6% (year-on-year) over the five months to May 2017, with a number of sub-sectors recording lower production levels than a year earlier. Confidence among manufacturers is still weak and operating conditions are expected to remain largely unsatisfactory for the remainder of the year and into the first half of 2018. The BER survey (2nd quarter) reading for business conditions expected by manufacturers in 12 months' time is at an all-time low. Furthermore, the manufacturing Purchasing Managers Index (PMI) fell to a reading of 42.9 in July 2017, the lowest since the 2009 recession (a 95-month low).

After a brief rebound, the South African Reserve Bank's leading business cycle indicator dropped again in the 3 months to May towards a 6-month low. Should the downtrend be sustained, it would likely forewarn of a poor performance by the domestic economy over a more protracted period.

Weak business sentiment to adversely affect private sector fixed investment

Uncertainty in the political environment, weak demand and subdued economic growth domestically, alongside the risk of further sovereign credit rating downgrades, are likely to continue to weigh heavily on business and investor confidence in the shorter term. Moreover, spare production capacity in many sectors of the economy does not yet warrant investment in additional production capacity, with capital expenditure instead channelled towards maintenance of equipment, technology upgrades and/or the pursuit of specific market opportunities. Therefore, as shown in Figure 2, the declining trend in private sector fixed investment may continue in 2017, with its growth potentially moving to marginally positive territory in 2018.

Figure 2: Trends in gross fixed capital formation by organisation in South Africa



Source: IDC, compiled from SARB data; IDC forecasts

With some of the larger infrastructure projects, particularly energy generation, having been completed or nearing completion, public corporations are expected to cut back on capital expenditure in the short- to medium-term, as illustrated in Figure 2. Financial constraints will also play a role in several cases. Facing a revenue squeeze due to the low-growth environment, while having committed to fiscal consolidation and debt sustainability, government may be forced to reduce spending on economic and social infrastructure.

Consequently, as shown in Figure 1, gross fixed capital formation is likely to detract (i.e. make a negative contribution) from GDP growth in 2017, and to make only a marginally positive contribution next year. A significant improvement may ensue in 2019, depending on the evolution of demand conditions.

Possibility of further sovereign ratings' downgrades should not be ruled out

The anticipated investment trajectory may, however, be dealt a serious blow if the credit rating agencies announce further downgrades, especially if Moody's and Standard & Poor's take the local currency denominated debt to sub-investment categories. These agencies have expressed concern over the economy's poor performance, structural constraints and weak growth prospects, which will affect fiscal consolidation efforts. The contingent liabilities associated with guarantees provided to state-owned enterprises such as Eskom and South African Airways are also particularly problematic, especially considering the continued reliance of these entities on the state for financial support.

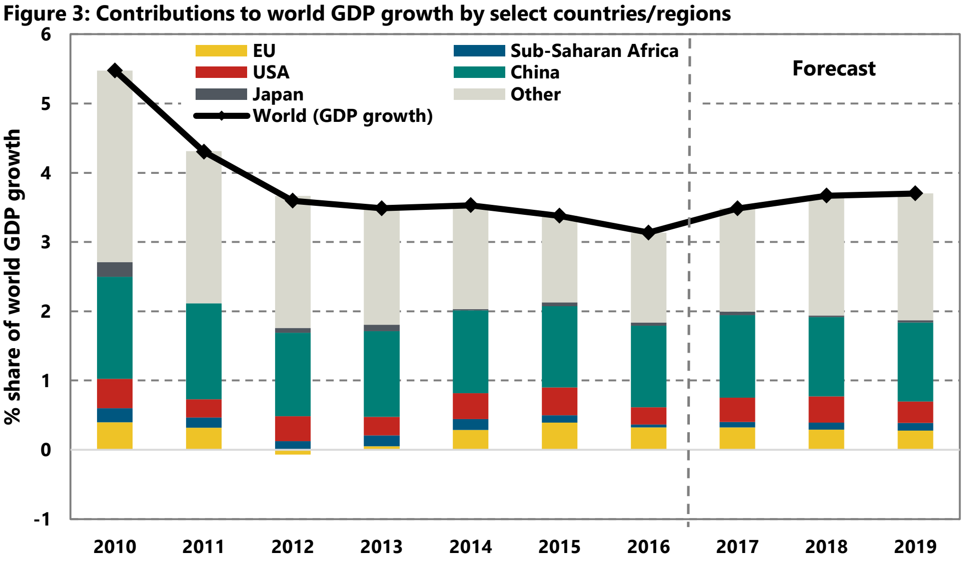
Exports are likely to be the key driver of GDP growth in 2017 and 2018

In light of the weak demand conditions domestically, the main contributions to growth in 2017 and 2018 are likely to emanate from the export sector, as indicated in Figure 1. South Africa's balance of trade recorded a surplus of R15.7 billion in the 2nd quarter of 2017, one of the largest on record.

Improving demand conditions in global markets bode well for South Africa's export sector

The world economy's growth momentum is accelerating and becoming more broad-based. This is illustrated in Figure 3, which also indicates the relative contributions expected to be made by selected countries or regions to global GDP growth over the period 2017 to 2019.

Figure 3: Contributions to world GDP growth by select countries/regions



Source: IDC, compiled from IMF data

The world's 20 largest economies (G-20) recorded gradually higher rates of growth, on a quarterly basis, in recent times. The United States reported GDP growth of 2.6% in the 2nd quarter of 2017, compared to 1.2% in the previous quarter. China's economy, which accounts for around 50% of the world's consumption of industrial commodities, has sustained high rates of economic growth. Its GDP expanded by 6.9% (year-on-year) in the

2nd quarter of 2017, despite concerns over the potentially negative repercussions of the Chinese authorities' deleveraging efforts. The Eurozone, in turn, continues to report stable rates of economic expansion at just above 0.5%, with reasonable contributions emanating from a broader base of member states. The PMIs for the US, Eurozone and China have remained above the 50 index points threshold level, indicating that economic activity is anticipated to expand in these economies, at least over the shorter term.

Growth in Sub-Saharan Africa is likely to remain relatively subdued in 2017 at an estimated 2.7% (up from 1.3% in 2016), as the region's largest economies struggle to gather economic momentum. However, improving conditions on the global front, together with expectations of positive developments in commodity markets should provide an impetus to growth from 2018, with the region contributing positively to overall world growth, albeit marginally (refer to Figure 3).

Export development opportunities are particularly important in light of generally weak demand conditions in the local market

Increasing demand in global markets and relatively competitive exchange rates of the rand should provide export development opportunities for South African businesses. Considering the currently subdued levels of demand in the domestic market, this is particularly important. Some of these opportunities will be in the form of expanding sales of products already being sold in traditional export markets, or identifying new trading partners. In other instances, it may involve penetrating global markets for the first time.

Moreover, the broader-based recovery in industrial/manufacturing production in major industrialised economies, among others, together with increased infrastructure development and upgrading in various parts of the world are expected to provide significant impetus to the demand for commodities over the medium-term. This should not only benefit South Africa's own export trade performance, but also augurs well for the economic performance of resource-intensive Sub-Saharan African economies, which in turn should unlock further regional trade opportunities for South African businesses.

Significant shifts in the global reach of South Africa's export sector

A more diversified external market provides a cushion against shocks in specific markets

The global reach of South Africa's export sector has changed in recent years, as shown in Figure 4. Utilising a normalised Herfindahl-Hirschman Index[1], the geographic concentration index associated with South Africa's exports improved from 21.8 in 2010 to 20.3 in 2016. Furthermore, there has been a shift towards emerging market economies such as China and India over this period, with the advanced economies' combined share of the overall export basket declining from 40% to 38.3% over the period.

The African continent is already the market for 27.8% of South Africa's merchandise exports

At the regional level, the rest of Africa has become one of the largest markets for South Africa's merchandise exports, having accounted for 27.8% of the entire export basket in 2016, up from a 25.4% share in 2010. Exports to other African markets totalled R300 billion last year. The European Union as a group (especially the German, British and Dutch markets) remains an important regional destination for South Africa's exports, accounting for 22.6% of the total in 2016. However, China has become the single largest export market at the

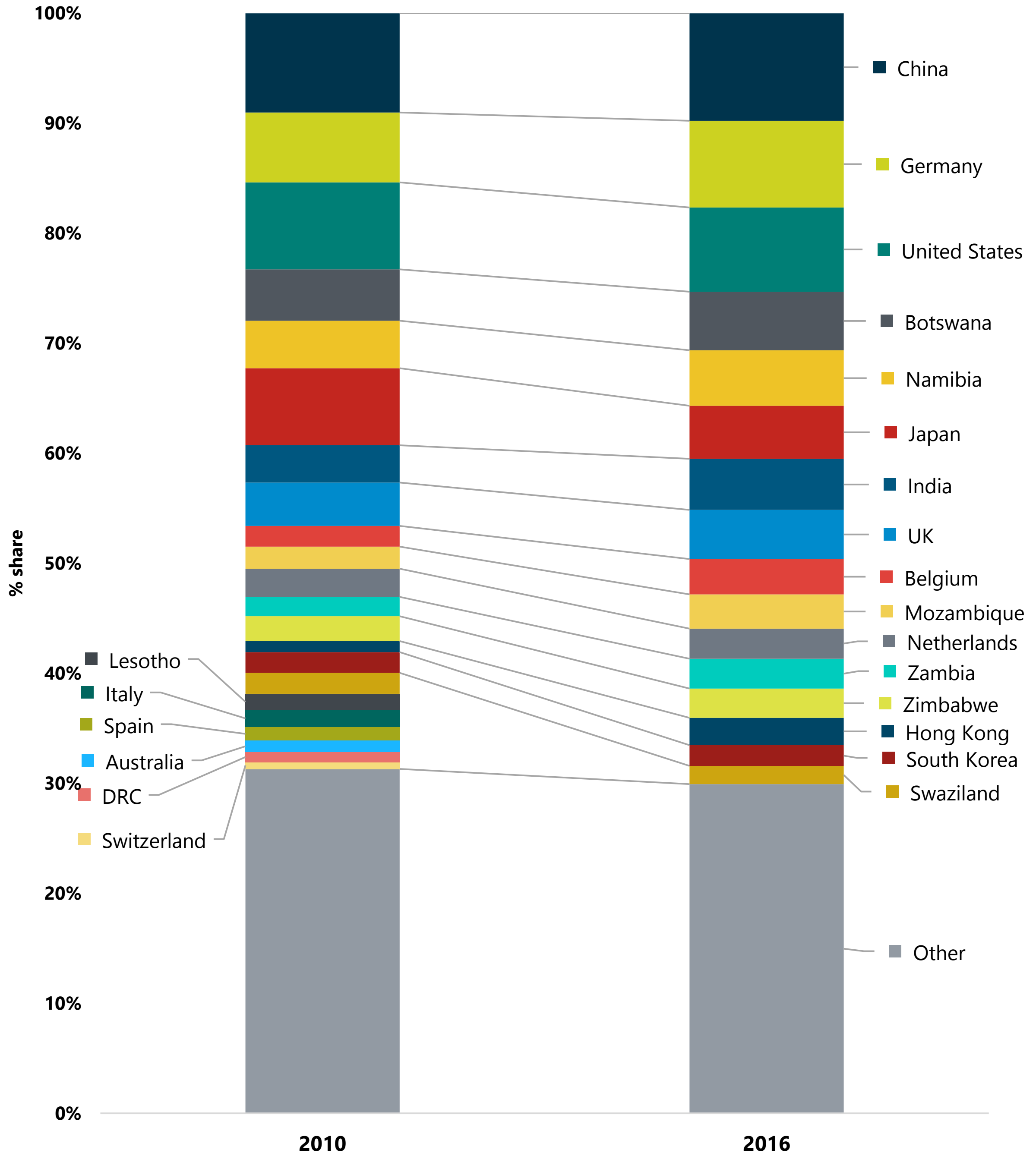
[1] The Herfindahl-Hirschman Index measures the level of concentration in a basket, with the value normalised to range between 0 and 100. An index value of above 25 is deemed to be highly concentrated, whereas a value between 15 and 25 is seen as reflecting medium concentration. The US Department of Justice considers a 1 to 2-points movement as a significant change in concentration. The calculation utilised in this section of the report is at individual country level, while the 4-digit SIC classification was utilised for the product concentration calculation in the ensuing section.

The calculation was made utilising the formula $H_j = \frac{\sqrt{\sum_{i=1}^{n}\left(\frac{x_{ij}}{X_j}\right)^2} - \sqrt{\frac{1}{n}}}{1-\sqrt{\frac{1}{n}}}$, where:

H_j = country/product category;
x_{ij} = value of export for country *j* and product *I*;
$X_j = \sum_{i=1}^{n} x_{ij}$
n = number of countries/product categories

individual country level, although its 9.3% share of the entire merchandise export basket in 2016 was considerably lower than the 12.9% high recorded in 2013. Both the United States and Japan's shares have declined over the years towards 7.3% and 4.6% in 2016, respectively (from 7.9% and 7.0%, respectively, in 2010).

Figure 4: Main global destinations for South Africa's merchandise exports in 2010 and 2016

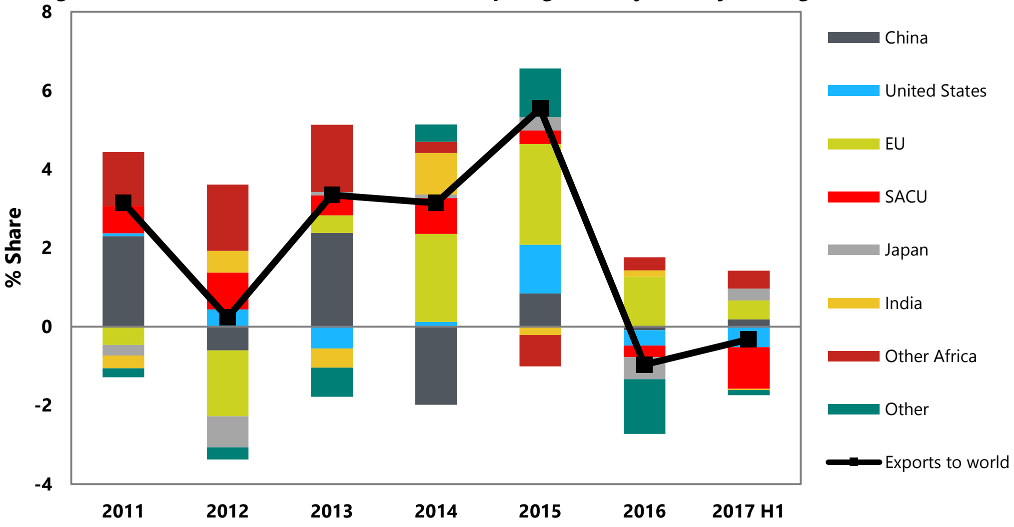


Source: IDC, compiled from SARS data

The European Union as an external market has contributed positively to the overall growth (in real terms) in South Africa's merchandise exports from 2014 to the 1st semester of 2017 (refer to Figure 5). In contrast, the drop in exports to the United States and some members of the Southern African Customs Union (SACU) in 2016 as well as in the 1st half of the current year implied negative contributions, or detractions from overall export growth.

EU markets have been contributing significantly to growth in SA exports in real terms

Figure 5: Contribution to real merchandise export growth by country and region



Source: IDC, compiled from SARS and Quantec data

Changing composition of South Africa's export basket

The product composition of South Africa's export basket has also been changing, with the normalised Herfindahl-Hirschman Index improving from 22.1 in 2010 to 21.2 by 2016 – that is, exhibiting increased diversification. Nevertheless, the export basket is still highly concentrated on a few sectors, especially within manufacturing, as well as heavily reliant on the mining sector for its foreign exchange earnings (refer to Figure 6).

SA's export basket has become more diversified at the product level, but is still heavily reliant on a few sectors

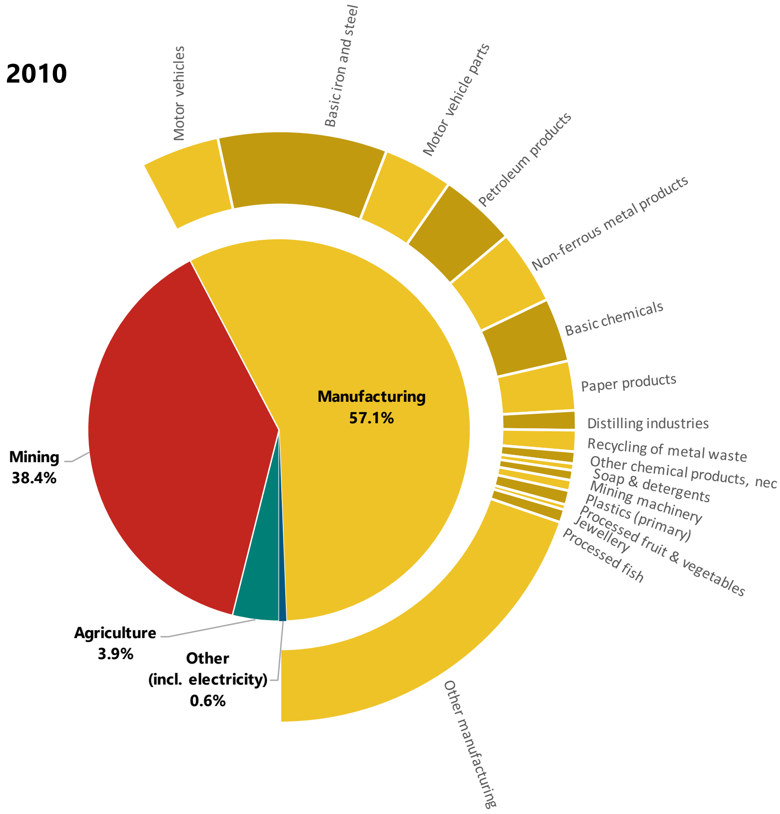
Mining exports accounted for approximately one-third of total merchandise exports in 2016, down from 38.4% in 2010. During the course of last year, weaker global commodity demand, especially from China, together with relatively low commodity prices and operational challenges in the domestic market took a toll on South Africa's mining exports and consequently production across most segments.

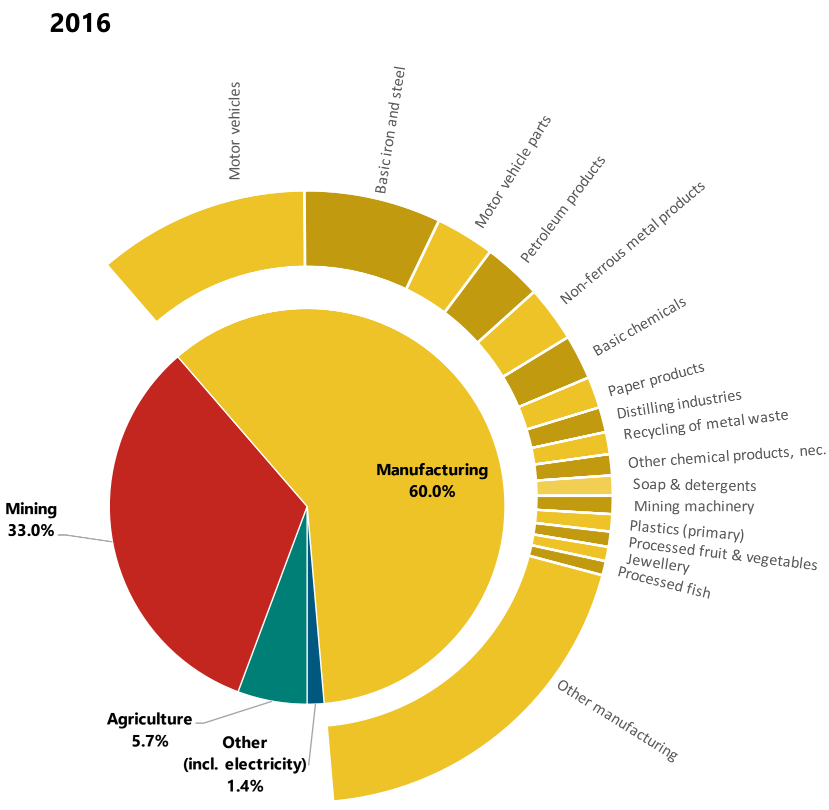
Over time, the historical reliance on gold has been substantially reduced, whereas iron ore and coal exports have come to the fore, as illustrated in Figure 7. The platinum group metals (PGMs) have also contributed to diversifying the composition of South Africa's mineral export basket. Despite rising export volumes since the recent trough in 2012, the lower platinum price, which fell from an average of USD1 613 per ounce in 2010 to USD985 per ounce by 2016, contributed to the share claimed by PGMs within the country's overall export basket declining from 10.1% in 2010 to 8.2% in 2016.

As shown in Figure 6, the manufacturing sector accounted for 60% of the overall export basket in 2016, up from 57.1% in 2010. The composition of the manufacturing export basket has changed significantly, with a substantial rise in the relative contribution made by the motor vehicles sub-sector. This domestic sector is reaping the benefits of increased integration in global supply chains and is providing opportunities for domestic production (and exports) of parts and accessories for motor vehicles. The combined shares of the motor vehicles, parts and accessories sub-sectors in the total export basket rose from 11.3% in 2010 to 14.7% by 2016.

Manufactured exports now account for 60% of total merchandise exports, up from 57% in 2010, boosted by motor vehicles

Figure 6: Sectoral composition of SA's merchandise export basket in 2010 and 2016, with a particular focus on manufactured exports

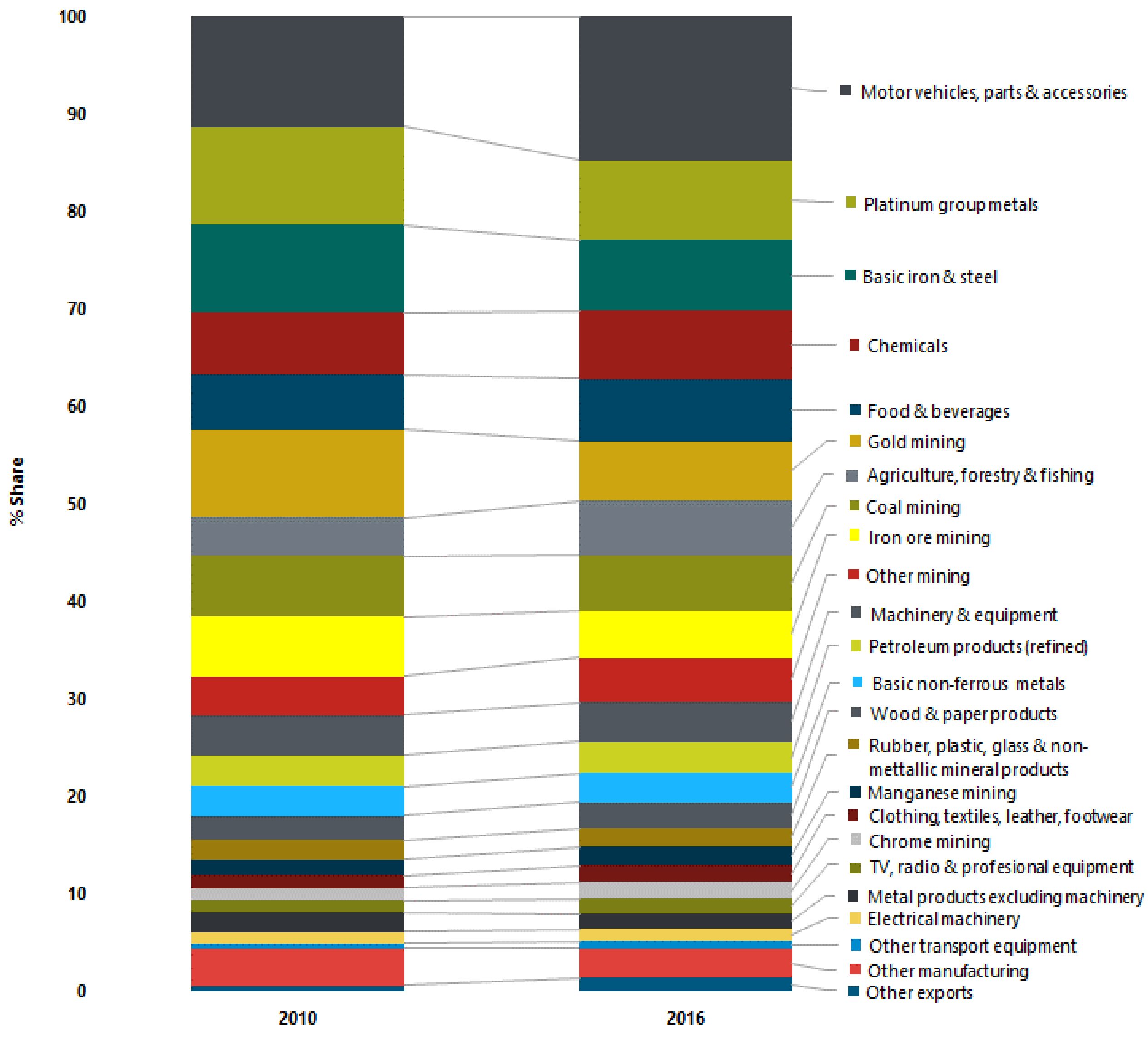




In contrast, the relative share of the basic iron and steel sector in South Africa's export basket shrank significantly from 2010 to 2016. This sector has been facing fierce competition in the global market as well as on the domestic front. Confronted with weak demand, foreign producers have been dumping their surplus output in world markets, leading to the imposition of protective measures in certain instances. South Africa itself has been rolling out industrial support measures to safeguard its basic iron steel production capacity and encourage downstream processing activity.

Fierce competition in the global marketplace has taken a toll on basic iron and steel exports and domestic production

Figure 7: Changing composition of South Africa's merchandise export basket, 2016 versus 2010



Source: IDC, compiled from SARS data

At the broad sector level, as shown in Figure 8, the manufacturing sector has made substantial contributions to real growth in the country's merchandise exports in 2015 and 2016. However, underscored by a difficult operating environment at home and some challenges in specific external markets, largely due to demand moderation, exports of manufactured goods came under pressure in the 1st semester of 2017, subtracting 2.8 percentage points from real export growth.

After making significant contributions to overall export growth in the past 2 years, manufactured exports were under pressure in H1 2017

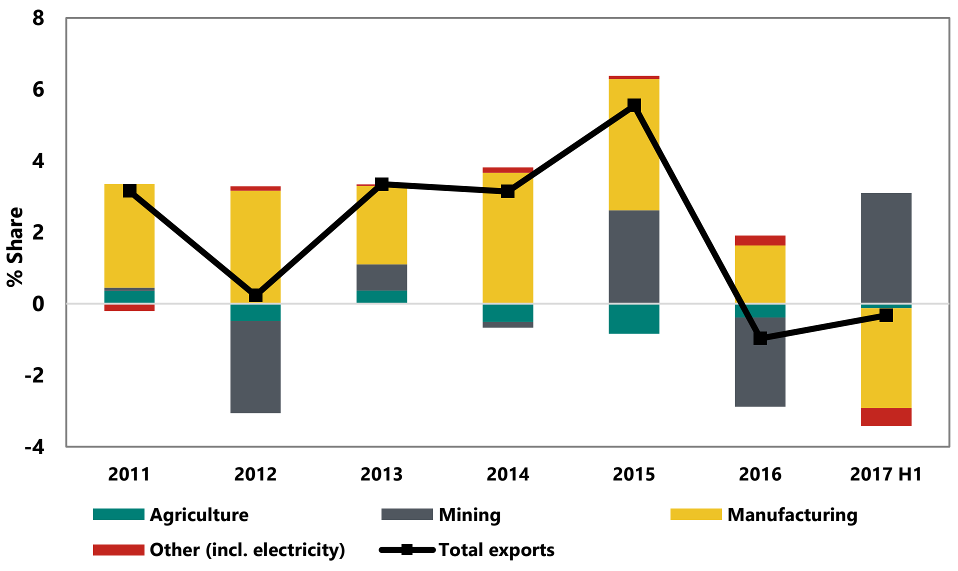
This was largely due to the drop in external sales of motor vehicles, parts and accessories, which were estimated to be 12.6% lower in the opening half of 2017 compared to the same period in 2016. However, other sub-sectors of manufacturing also reported lower export sales, including: machinery and equipment; processed food; television, radio and communication equipment; as well as electrical machinery. Manufacturing sub-sectors that recorded higher exports in the 1st semester of 2017 included basic chemicals, textiles, refined petroleum products, metal products and beverages.

Mining sector again making a positive contribution to overall export growth, and agriculture expect to follow suit

Mineral production and exports rebounded in the 1st half of 2017, albeit off a very low base. As such, the mining sector made a significant contribution to real growth in South Africa's total exports during this period, contrasting sharply with the negative impact made in 2016.

As far as the agricultural sector is concerned, the severe drought experienced during the 2015/2016 season resulted in a sharp drop in the production of maize and other summer crops, adversely affecting the sector's overall export performance. Although not yet reflected in the export figures, the 2016/17 season's maize crop, which is the largest on record, should contribute to a significant rise in agricultural exports in the latter part of the current year as well as in 2018.

Figure 8: Broad sector contributions to real growth in South Africa's merchandise exports



Source: IDC, compiled from SARS and Quantec data

Exports as a contributor to job creation in South Africa

Exports are a key driver of production activity and employment in many sectors of the economy

South Africa's fairly open economy has been relying substantially on exports to sustain production activity and employment levels across many sectors. In 2016, exports of goods and services accounted for 30.3% of national GDP, while merchandise exports claimed a 25.4% share. A number of sectors have very high export propensities, therefore relying heavily on external markets for their performance.

Hence, exports are an important driver of growth and job creation in many sectors of the economy, including: mining; motor vehicles, parts and accessories; machinery and equipment; non-ferrous metal products; basic iron and steel; rubber products; as well as television, radio and other communication equipment. In all these cases, exports accounted for more than 45% of sectoral output in 2016.

The importance of exports for overall employment becomes even more pronounced when "indirect exports" are also taken into account. For example, through the exports of domestically manufactured motor vehicles, parts and accessories, this sector is responsible for sustaining production in many supplier industries, including: machinery and equipment; fabricated metal products; rubber (e.g. used in tyres); plastic products; leather products (e.g. used in seat covers); electronics; platinum group metals (e.g. used in catalytic converters); coal mining (through the demand for electricity); transport services; as well as a whole range of business services.

Exports contribute to job creation not only directly but, through linkages with supplier industries, also to substantial indirect employment

In 2016, overall formal sector employment in the South African economy measured 11 824 312 people (see Table 1), with the majority employed in services-related sectors such as wholesale and retail trade, construction, business services, and general government.

The role of exports in job creation can be illustrated by utilising the agriculture sector as an example. Having employed 873 879 workers in 2016, a calculated 254 213 of these jobs are likely to be associated with direct agricultural exports. However, through the exports of value added products, emanating from the downstream processing of primary agricultural products, such as processed food, beverages, wood and paper products, a further 115 418 jobs can be linked to exports by the relevant sectors which require agricultural products as intermediate inputs into their own production processes.

In total, 2 526 066 jobs are estimated to have been associated with exports, both directly and indirectly, in 2016. This represents 21.4% of all formal sector employment last year. In the agriculture sector, for example, export-related jobs accounted for 42.3% of overall employment in the sector. For the mining sector at large, this share stood at 75.2%, whilst for the broader metals, metal products and machinery and equipment sector, export-related jobs accounted for 72.1% of overall employment.

An estimated 1.23 million jobs in the economy, or more than 10% of total employment, are directly related to exports

Table 1: Formal sector employment associated with South Africa's exports in 2016

		Export-related jobs (number)		
Sector	**Total jobs (number)**	**Direct export jobs**	**Indirect export jobs**	**Total export related jobs**
Agriculture, forestry and fishing	873 879	254 213	115 418	369 632
Mining	457 291	258 399	85 546	343 945
Food, beverages and tobacco	244 366	39 152	9 830	48 982
Textiles, clothing and leather goods	91 896	23 946	9 178	33 123
Wood and paper; publishing and printing	134 578	20 709	25 760	46 469
Petroleum products, chemicals, rubber and plastic	155 074	36 882	34 310	71 191
Other non-metal mineral products	56 462	8 109	6 835	14 944
Metals, metal products, machinery and equipment	259 662	154 874	32 261	187 135
Electrical machinery and apparatus	44 441	9 814	6 352	16 166
Radio, TV, instruments, watches and clocks	18 390	13 668	569	14 237
Transport equipment	110 851	64 400	9 594	73 994
Furniture and other manufacturing	69 073	17 556	3 213	20 768
Services sectors (including government)	9 308 350	333 393	952 086	1 285 479
Total	**11 824 312**	**1 235 115**	**1 290 951**	**2 526 066**

Source: IDC calculations, utilizing Quantec data

Exports clearly make a major contribution to economic activity and employment across many sectors of the South African economy. Therefore, should the relatively faster rate of export growth forecast for the period 2017-19 materialise, this would not only assist in sustaining existing production capacity and employment levels in the currently unfavourable economic environment, but could also lead to expansions in capacity and much-needed job creation.

Potential export development opportunities for South African businesses in select global markets

South Africa should take advantage of improving conditions in global markets and the expected rebound in world trade. This is especially important in the current economic environment, which is characterised by weak local demand and low confidence levels amongst domestic consumers and businesses. Exports may thus safeguard important segments of South Africa's production base and employment, as well as making indispensable contributions to overall economic growth and job creation, particularly during this difficult phase for the economy.

In this section of the report we aim to illustrate some of the potential opportunities for export market development in select global economies, both advanced and emerging/developing economies, that are expected to post relatively fast GDP growth and expanding import baskets in the years ahead. In order to identify potentially fast-growing markets for South African exports around the globe over the forecast period 2017 to 2022, the following quantitative analysis was undertaken:

- Advanced economies that are expected to record relatively fast average annual growth in GDP (≥1.3% per year) over the forecast period, according to International Monetary Fund (IMF) forecasts, were identified. Furthermore, their respective total imports are projected by the IMF to grow by at least USD25 billion annually over this period. The 3 advanced economies meeting these criteria are indicated in Figure 9.
- In the case of emerging and/or developing economies, countries were identified on the basis of IMF projections of average GDP growth ≥ 4% per year, and an annual increase in total imports of at least USD2 billion, on average, over the forecast period. The 7 emerging and developing economies meeting these criteria are shown in Figure 9.

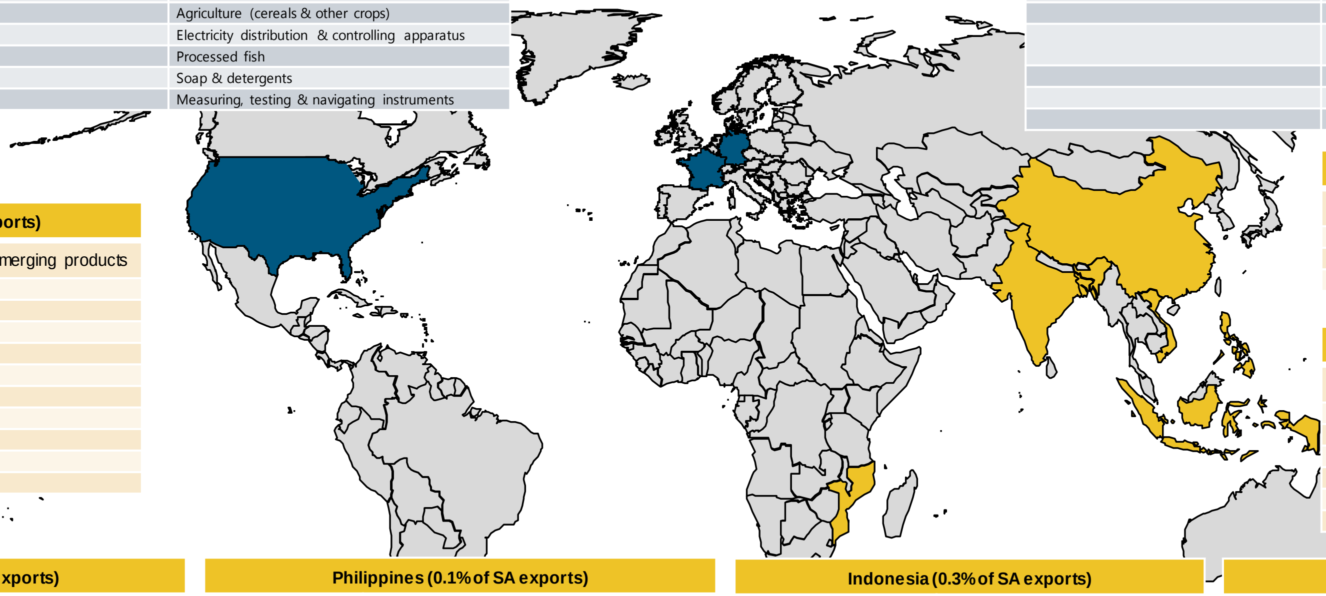
In order to identify products that are already being exported (to a greater or lesser extent) by South Africa to these economies, but which could benefit from the rapid expansion in their import demand, two categories of export products are listed:

- Those South African export products that already have a relatively significant share of the country's imports (≥ 0.5% of its imports of that product). These are referred to as "existing products" in Figure 9.
- South African export products that do not yet account for a significant share of the country's imports (a share of less than 0.5%, but greater than 0%). These are referred to as "emerging products" in Figure 9.

To provide an example, according to IMF forecasts, China as an emerging market is expected to post economic growth of 6.0% per year over the period 2017 to 2022 (i.e. more than 4%, on average, per annum). Its import basket is expected to increase by USD63 billion, on average, per annum over this period (i.e. greater than USD2 billion p.a.). South Africa is already exporting processed fruit and vegetables products to China, and these have been growing in value terms over the 5-year period to 2016, accounting for 1.3% of China's total imports of processed fruit and vegetables (i.e. a share ≥ 0.5%). It is assumed that Chinese demand for processed food is likely to increase over the forecast period as the economy grows and its import basket expands, with South Africa potentially benefitting by keeping or increasing its market share with respect to exports of this "existing product".

Furthermore, in the case of South African exports of processed meat to China, for example, these still represent a small portion of overall Chinese import demand for this product category, at 0.3% of the total (i.e. a share exceeding 0% but lower than 0.5%). Nevertheless, South African exports of processed meat to China increased over the 5-year period up to 2016, and the country may stand to benefit from further growth in China's demand for processed meat in years to come. Hence, this product category is captured as an "emerging product" in the box associated with China in Figure 9.

Figure 9: Possible export development opportunities for South African business in select global markets



United States (7.3% of SA exports)	
Existing products	**Emerging products**
Motor vehicles	Pharmaceuticals & medicinal chemicals
Diamonds	Motor vehicle parts
Jewellery	Electronic valves & tubes and electronic components
General purpose machinery	Chemical products, nec.
	Plastic products
	Agriculture (cereals & other crops)
	Electricity distribution & controlling apparatus
	Processed fish
	Soap & detergents
	Measuring, testing & navigating instruments

Germany (7.5% of SA exports)	
Existing products	**Emerging products**
Motor vehicles	Motor vehicle parts
General purpose machinery	Electrical equipment, nec.
	Furniture
	Measuring, testing & navigating instruments
	Processed fish

France (0.8% of SA exports)	
Existing products	**Emerging products**
Motor vehicles	Jewellery
Sporting & pleasure boat building & repairing	Footwear manufacturing
	Agriculture (cereals & other crops)
	Ship building and repairs
	Electrical equipment, nec.
	Television & radio transmitters, line telephony
	Engines & turbines, excl. aircraft & motor vehicle engines
	Fishing (ocean & coastal)
	Motor vehicle parts
	Bodies for motor vehicles, trailers & semi-trailers

China (9.3% of SA exports)	
Existing products	Emerging products
Distilled beverage products	Processed meat
Paper products	Motor vehicle parts
Processed fruit & vegetables	Processed fish

Mozambique (2.9% of SA exports)	
Existing products	Emerging products
Measuring, testing & navigating instruments	
Basic chemicals	
Pharmaceuticals & medicinal chemicals	
Petroleum products	
Electric motors, generators & transformers	
Grain mill products	
Vegetable & animal oils & fats	
Television & radio transmitters, line telephony	
Beer, malt liqeurs & malt	
Lifting and handling equipment	

India (4.4% of SA exports)	
Existing products	Emerging products
Non-ferrous metal products	Agriculture (cereals & other crops)
Paper products	Plastics (primary)
Iron ore	
Sawmilling and planing of wood	
Glass and glass products	
Recycled non-metal waste and scrap	

Bangladesh (0.2% of SA exports)	
Existing products	Emerging products
Coal	Jewellery
	Railway and tramway locomotives
	Fabricated metal products
	Television & radio receivers, sound or video recording
	Coke oven products
	Processed fish
	Leather products, luggage, handbags, etc.
	Electrical equipment, nec.
	Electric lamps & lighting equipment
	Furniture

Philippines (0.1% of SA exports)	
Existing products	Emerging products
	Motor vehicles
	Iron ore
	Basic iron and steel
	Electronic valves & tubes and electronic components
	Office, accounting & computing machinery
	Chemical products, nec.
	Plastic products
	Special purpose machinery
	Steam generators
	Motor cycle manufacturing

Indonesia (0.3% of SA exports)	
Existing products	Emerging products
Iron ore	Gold
Processed fruit & vegetables	Coal
	Processed meat
	Refined sugar
	Medical & surgical equipment, etc.
	Metallurgical machinery
	Ovens, furnaces and furnace burners
	Pharmaceuticals & medicinal chemicals
	Plastic products
	Railway and tramway locomotives

Vietnam (0.3% of SA exports)	
Existing products	Emerging products
Processed meat	Tobacco products
Agriculture (cereals & other crops)	Distilled beverage products
Processed fruit & vegetables	Processed fish
	Electrical equipment, nec.
	Electronic valves & tubes and electronic components
	Television & radio transmitters, line telephony
	Non-ferrous metal products
	Motor vehicles
	Optical instruments & photographic equipment
	Soft drinks & mineral waters