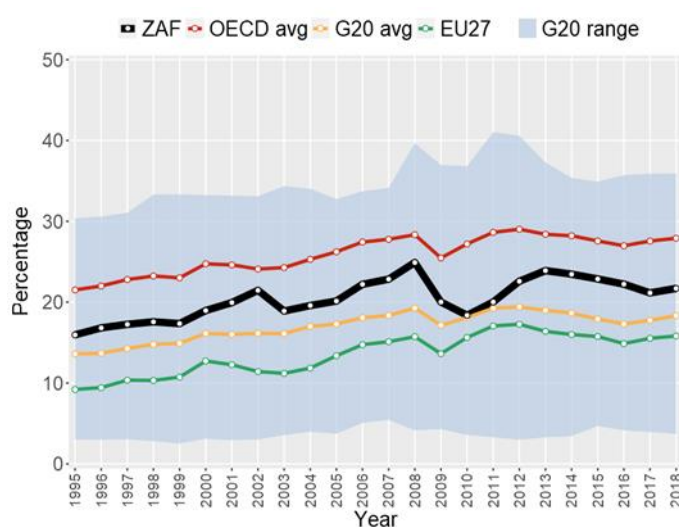


Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for South Africa, with a view to informing policy making for a range of areas including trade, innovation and investment.

Key findings

- ▶ Following several years of growth, the foreign content of South Africa’s exports declined slightly in recent years, dropping 2.2 percentage points between 2013 and 2018, from 23.9% to 21.7% (Figure 1). The industry with the most foreign value-added content in its exports in 2018 was *Coke and refined petroleum products* (47.4%), followed by *Motor vehicles* (36.6%) and *ICT and electronics* (34.1%) (Figure 3a).
- ▶ Over the last decade, the export orientation of South Africa decreased, with 23.5% of South Africa’s domestic value added driven by foreign final demand in 2018 as compared to 27% in 2008 (Figure 2). *Mining and quarrying* was the industry that generated the greatest source of domestic value-added content of exports in 2018, accounting for 25.8% of gross exports (Figure 3b).
- ▶ China, the European Union and Japan were South Africa’s main destination markets for exports in 2018, both in gross and value-added terms (Figure 5). The European Union, China and the United States were the main import partners (also both in gross and value-added terms). In addition to being among South Africa’s top trading partners, China accounted for 20.7% of South Africa’s domestic value added embodied in South Africa’s manufactured imports, highlighting some GVC integration with China (Figure 6).
- ▶ The services content of South Africa’s gross exports increased to 46% in 2018, though this remains considerably lower than the OECD average of 55.7%. *ICT and electronics* had the highest share at 41.2% (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



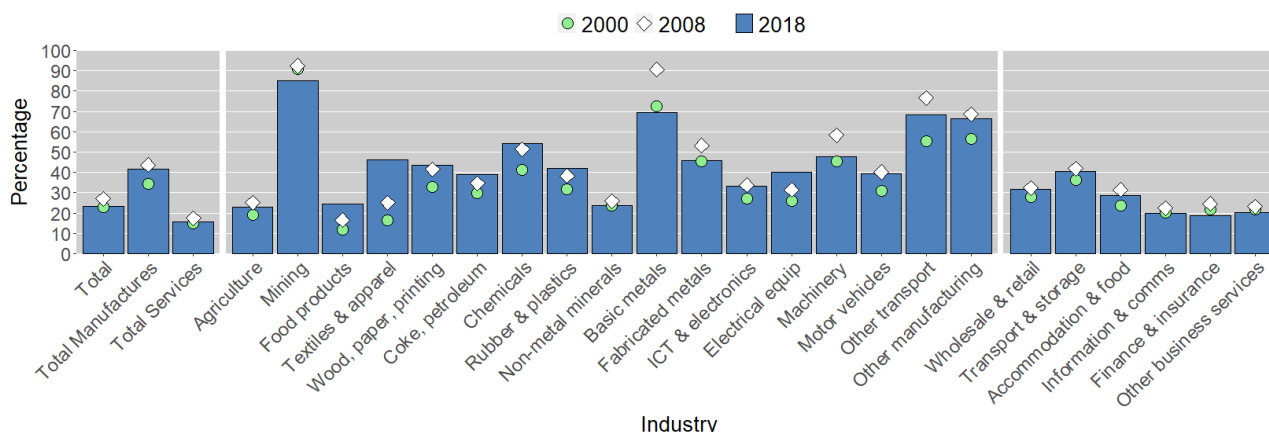
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of South Africa’s exports is estimated to have decreased from 24.9% to 21.7% - below the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 3.2 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 23.5% of South Africa's domestic value added was driven by foreign final demand, down from 27% in 2008. By industry, the shares ranged from *Mining and quarrying* (85.3%) and *Basic metals* (69.3%) at the higher end to *Financial and insurance* (18.8%) at the lower end.

Figure 2. South Africa - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (47.4%), *Motor vehicles* (36.6%) and *ICT and electronics* (34.1%). *Mining and quarrying* generated the greatest source of domestic value-added content of exports in 2018, accounting for 25.8% of gross exports (Figure 3b), followed by *Wholesale and retail trade* (7.3%) and *Transport and storage* (5.1%). The most foreign content in total exports came from *Mining and quarrying* (6.3%).

Figure 3a. South Africa - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

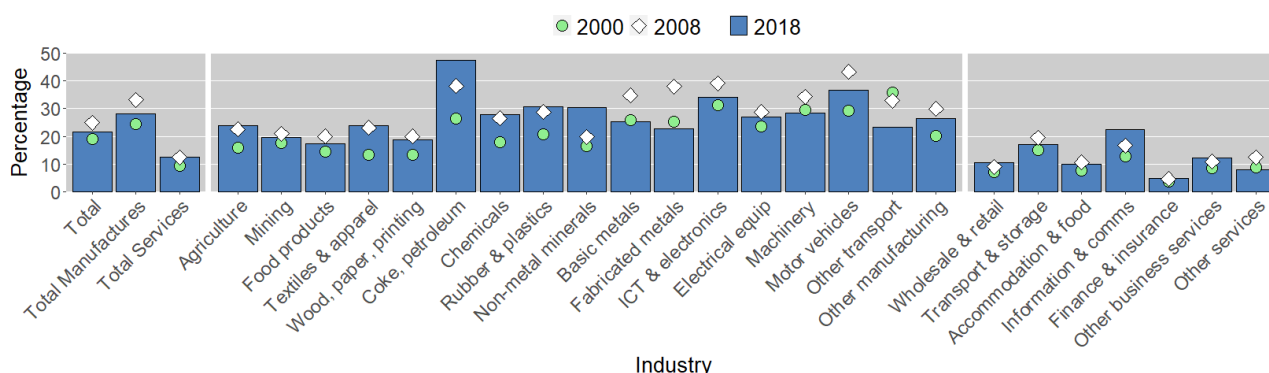
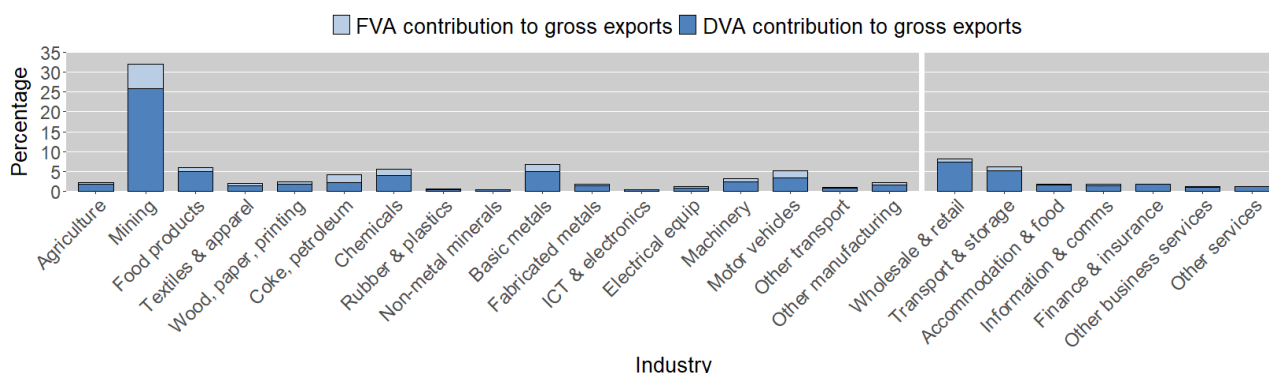
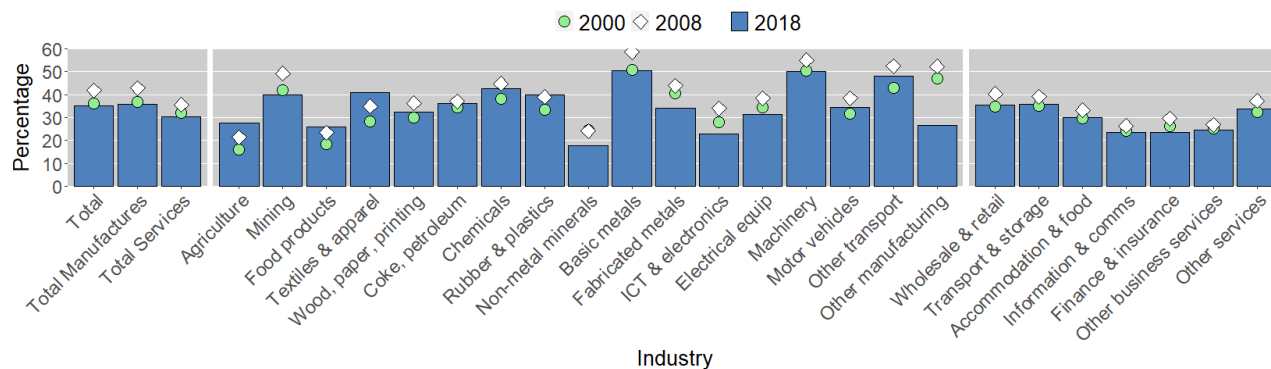


Figure 3b. South Africa - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of South Africa's imports of intermediate goods and services in 2018, 35.2% was subsequently embodied in exports, significantly below the OECD average of 47.9%, and below the share in 2008 (41.8%). The originating industries with the highest shares of intermediate imports used in South Africa's exports were Basic metals (50.6%), Machinery and equipment, nec (50.1%) and Other transport equipment (48%).

Figure 4. South Africa - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



South Africa: international flows of goods and services, main players

In gross terms, China (16%), the European Union (15%) and Japan (13.9%) were the three most important South African export market destinations in 2018. The top three final destinations for South Africa's value added were China (16%), the European Union (14.5%) and Japan (10.3%).

For imports in gross terms, South Africa's top three partners in 2018 were the European Union (26.4%), China (17.4%) and the United States (7.4%), while in value-added terms, the top three were the European Union (25%), China (16.7%) and the United States (9%).

Figure 5 South Africa - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

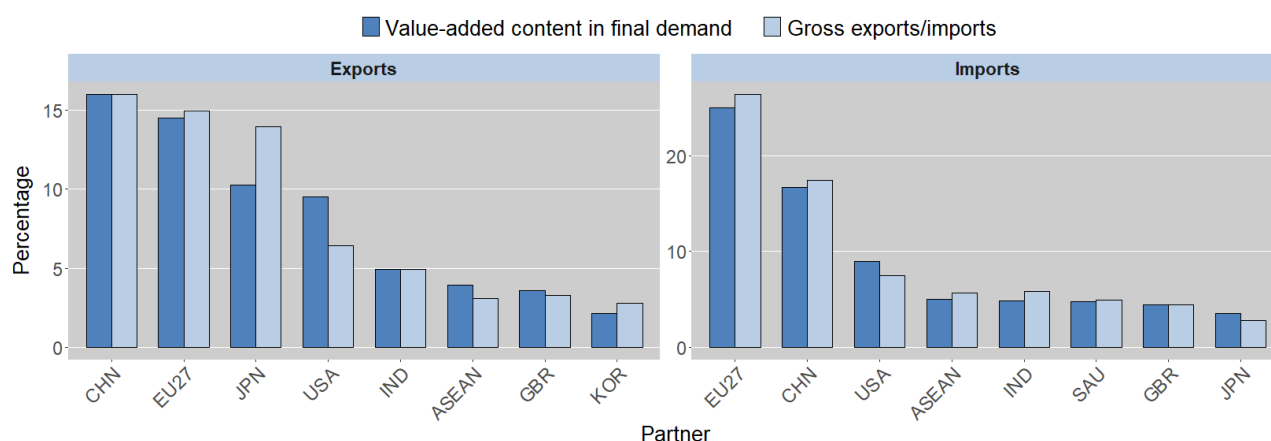
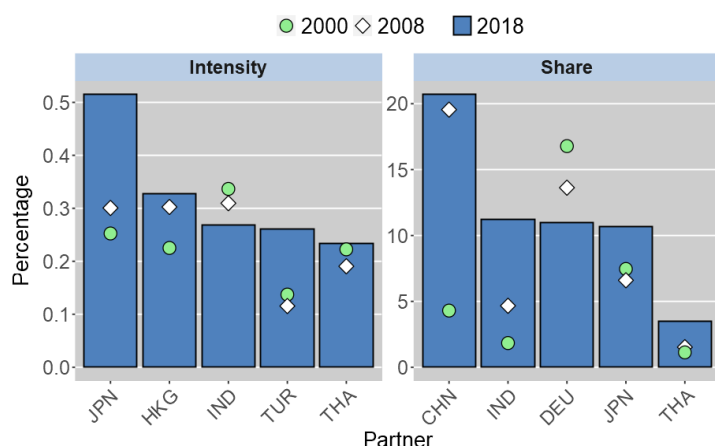


Figure 6. South Africa's domestic value-added content of manufactured imports, top 5 partners
As a share of total South Africa's value added embodied in South Africa's imports (right) and as a percent of total imports by partner (left)



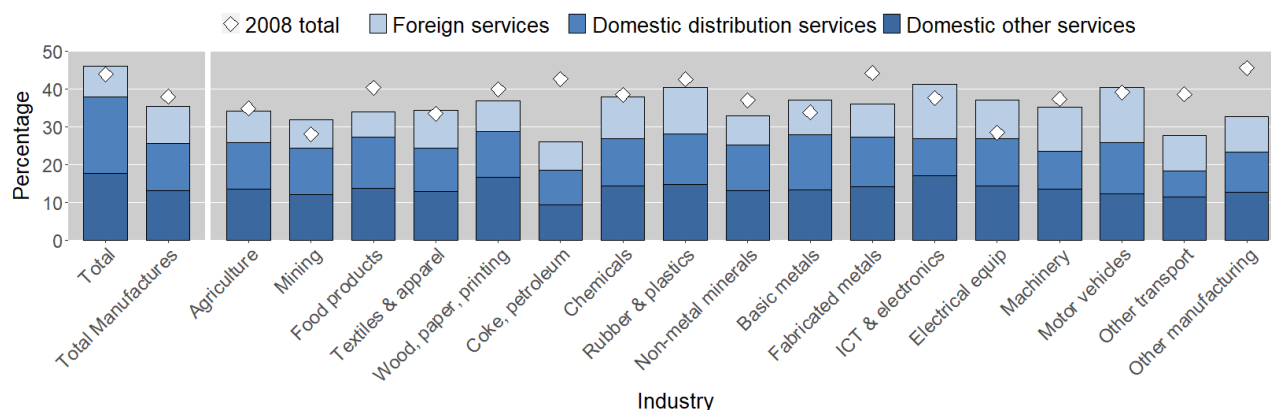
In 2018, the highest shares of South Africa's domestic value added embodied in South Africa's manufactured imports (Figure 6, right) came from China (20.7%), India (11.2%) and Germany (11%).

The trading partners with the highest shares of South Africa's value added in their exports of manufactures to South Africa (Figure 6, left) in 2018 were Japan (0.5%), Hong Kong (0.3%) and India (0.3%).

The importance of services in international trade

Services are a significant contributor to South Africa's economy, accounting for 46% of South Africa's gross exports in 2018 (Figure 7) - below the OECD average of 55.7%. Foreign services contributed 8% to the value of total gross exports. For manufactures, services value-added content was 35.4% of gross exports, with the highest shares in ICT and electronics (41.2%), Motor vehicles (40.4%) and Rubber and plastics products (40.4%).

Figure 7. South Africa - services content of gross exports
As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.