

## IMPACT OF THE CORONAVIRUS ON TRADE FLOWS BETWEEN SOUTH AFRICA AND CHINA

### 1. MAIN COMMODITIES EXPORTED BY SOUTH AFRICA TO CHINA

73% of the overall exports by South Africa to China are ores, while the first six commodities would account for 96% of total exports.

EXPORTS TO CHINA	
WORLD TOTAL	R 1,297,854,686,839
% /TOTAL	11%
	R 138,988,503,657
Mineral Products	R 102,265,998,193
Products Iron & Steel	R 19,858,539,073
Vegetables	R 3,852,772,103
Textiles	R 2,719,349,637
Wood pulp & paper	R 2,089,321,646
Chemicals	R 1,910,763,848

*Source: Statistics by South Africa Revenues Service (SARS)*

**ORES:** South Africa's biggest iron ore producer, **Anglo American-owned Kumba**, could be hit by fall in iron ore demand from China's steel industry. Kumba said on 19 February that it had devised a plan to buffer the effect of the deadly coronavirus on its iron ore sales. "The strategy around the coronavirus and the slowdown in China is really around how we manage our stockpiles both at the sites and at the ports. We are engaging with our customers and are also looking at our marketing outside of China."

So far the coronavirus has had a muted impact on sales as the effects of the outbreak would "be offset by supply constraints we've seen so far this year." However, after the virus outbreak, uncertainty on how it might affect demand from China is starting to affect the commodity prices, said Kumba.

**WOOD PULP:** **Sappi Limited** (a South African pulp and paper company with global operations) has also been reported to come under pressure, as their dissolving wood pulp, used in viscose production, is sold to China's textile manufacturing industry

**CRUSTACEANS (Lobster, abalone, oysters and crayfish):** Exports to China amount to R389 million. Though not significant, the impact of the virus disproportionately affects the industry as 90% of the catch is sold to China. This has forced lobster fishing to a virtual halt, with potentially devastating impacts on poor coastal communities that rely on the crustaceans, particularly along the west coast. The only positive thing to come out of this is that the abalone poaching industry has been affected, along with illegal smuggling.

In fact the EUD has been receiving calls from industry enquiring about export requirements to the EU (currently not allowed to do to SPS restrictions) is a sign of how the industry is considering contingency plans to diversify their exports.

**FRUIT:** Exports to China were R350 million in 2019. Exporters of table grapes (R170 million), which are now in their peak shipment period, are concerned that uncertainty and lack of demand once the fruit is distributed may affect them adversely. Citrus season hasn't yet started.

## 2. MAIN COMMODITIES IMPORTED BY SOUTH AFRICA FROM CHINA

IMPORTS FROM CHINA	
WORLD TOTAL	R 1,273,155,076,822
% /TOTAL	18%
	R 235,101,609,725
Machinery (cell phones and electronic equipment, ADPM)	R 111,255,393,147
Textiles	R 21,818,199,037
Products Iron & Steel	R 19,426,658,948
Chemicals (Pharma, organic and inorganic chemical compounds, fertilizers, cosmetics)	R 16,711,363,472
Plastics & Rubber	R 11,080,689,176
Toys & Sport apparel	R 10,979,253,018
Footwear	R 8,730,502,539

*Source: Statistics by South Africa Revenues Service (SARS)*

**MOBILE PHONES:** South Africa's largest import category by value from China (R63billion), with the latter supplying 85% of South Africa's mobile phone imports. A disruption in this context would have knock-on effects on the wider telecommunications sector.

**ADPM Automatic Data Processing Machines:** R17 billion worth is imported from China for the manufacturing sector, disruptions could affect the industry.

**VEHICLE ACCESSORIES:** worth R7.4billion might affect the automotive industry in the country.

**TEXTILES:** Retailers may face cost inflation due to disruption to China's clothing manufacturing industry, imports now worth R22 billion.

**PHARMA INDUSTRY:** Due to disruptions in the global supply chain, as China is the main supplier of APIs, increase in prices of medicines from SA's main suppliers (India R7 billion) might affect the country's strategy against HIV.

**CONSTRUCTION MATERIAL:** Local construction projects are being impacted by indefinitely delayed shipments of construction material

## 3. TOURISM

Tourism Business Council of South Africa (TBCSA) says the travel ban presents a setback for South Africa's tourism economy. China is one of the biggest markets of global travellers and SA received 95,000 Chinese tourists a year.

It is too early to tell, but South Africa could be at risk of losing R200 million in foreign currency spending – and 1,000 jobs, just in tourism – (assuming a 15% decline in 2020) due to the novel coronavirus outbreak in China, according to a new estimate from PricewaterhouseCoopers. And that's not counting the impact of tourists from other countries staying at home, as fears of the virus see the cancellation of events and trips around the world.