SOUTH AFRICA'S SUPER-EXPORTERS

Tom Farole
World Bank

Tasha Naughtin
Department of Economics
Stellenbosch University

Neil Rankin
Department of Economics
Stellenbosch University

UNIVERSITEIT STELLENBOSCH UNIVERSITY

Why are exports, and exporters, important?

- Exporting breaks the domestic market constraint
- If there are fixed costs then larger size results in lower average costs
- Larger firms employ more people and exporters pay higher wages
- Productivity dimension
- Exports pay for imports

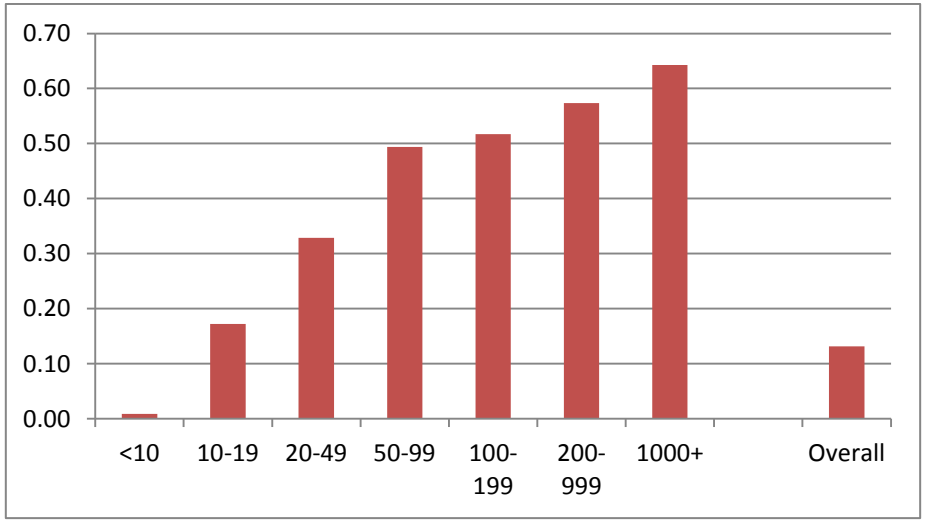
A growth path which includes more exporters and higher exports is set out in the NDP, NGP and IPAP 2014/15 - 2016/17

What do we know about South African (manufacturing) exporting firms?

- Exporters are bigger, more capital-intensive, pay higher wages, and more productive if they export outside of SADC (Rankin, 2001; Matthee and Krugell, 2011; Naughtin, 2014). This does not differ across sectors.

- Exporting is rare and less than half of firms export more than 10% of their output

The proportion of firms exporting by size (2008 LSS)



UNIVERSITEIT STELLENBOSCH UNIVERSITY

What does this paper do?

- To increase the volume of exporters should the aim be:
  - More firms exporting (the extensive margin);
  - Existing exporters exporting more (the intensive margin)?

- To answer this we need to know more about the micro-aspects of exporting at the firm level

- Most of South Africa's exports come from a small number of 'Super Exporters' (World Bank, 2014)

- What characterises these super exporters and are they different from the next tier of exporters?

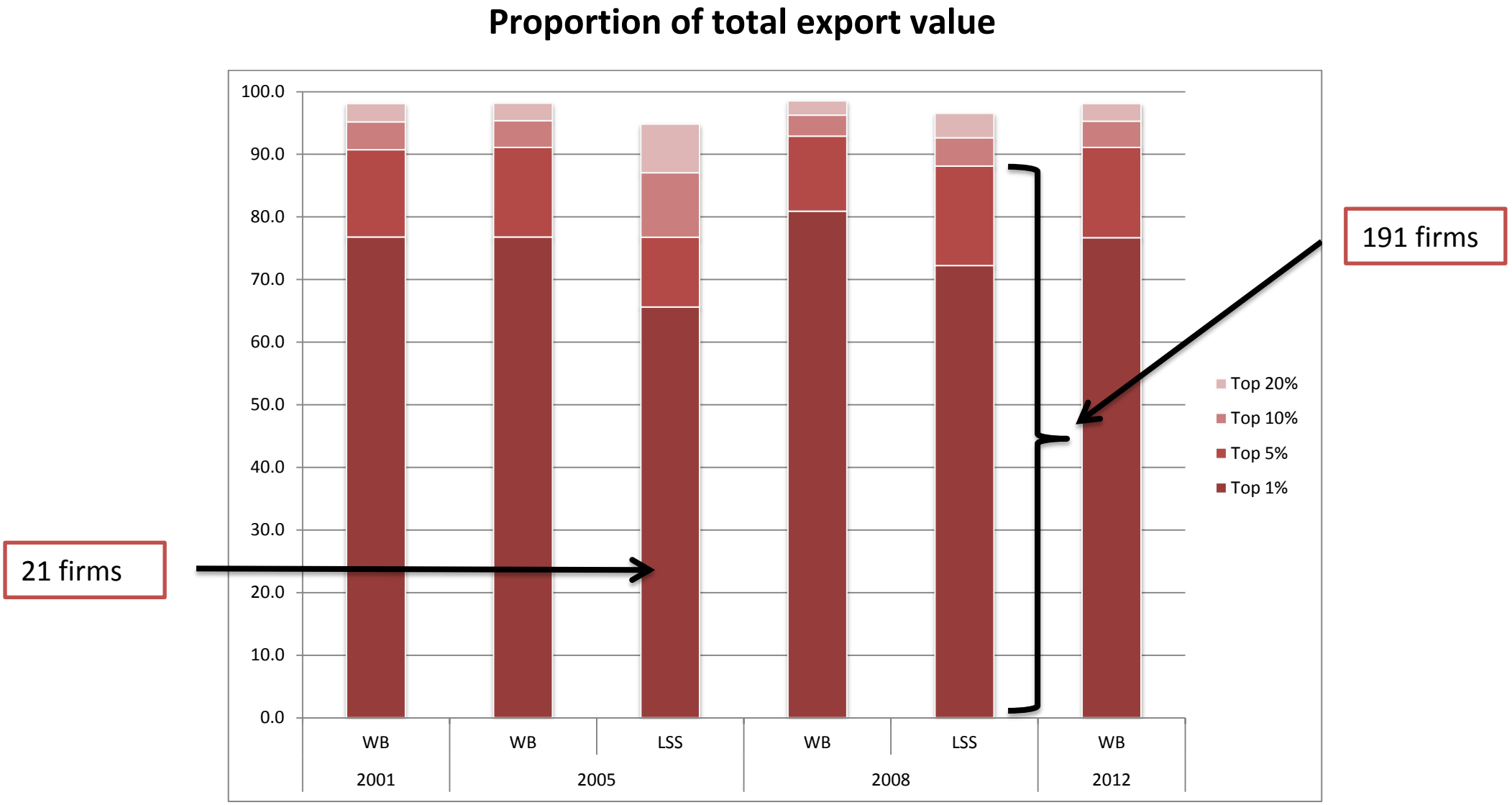
DATA

- Two primary sources:

  - Statistics South Africa's Large Sample Survey of Manufacturing for 2005 and 2008
    - Approximately 10,000 firms in each round
    - Can create a panel for some of the firms (mostly larger firms)

  - The World Bank's exporter dynamics database
    - Data are from the South African Revenue Service (SARS)
    - Records individual exporter transactions
    - 2001 - 2012

How concentrated are manufacturing exports?



UNIVERSITEIT STELLENBOSCH UNIVERSITY

ARE SUPER EXPORTERS DIFFERENT?

Differences between exporters. OLS regressions 2008 LSS

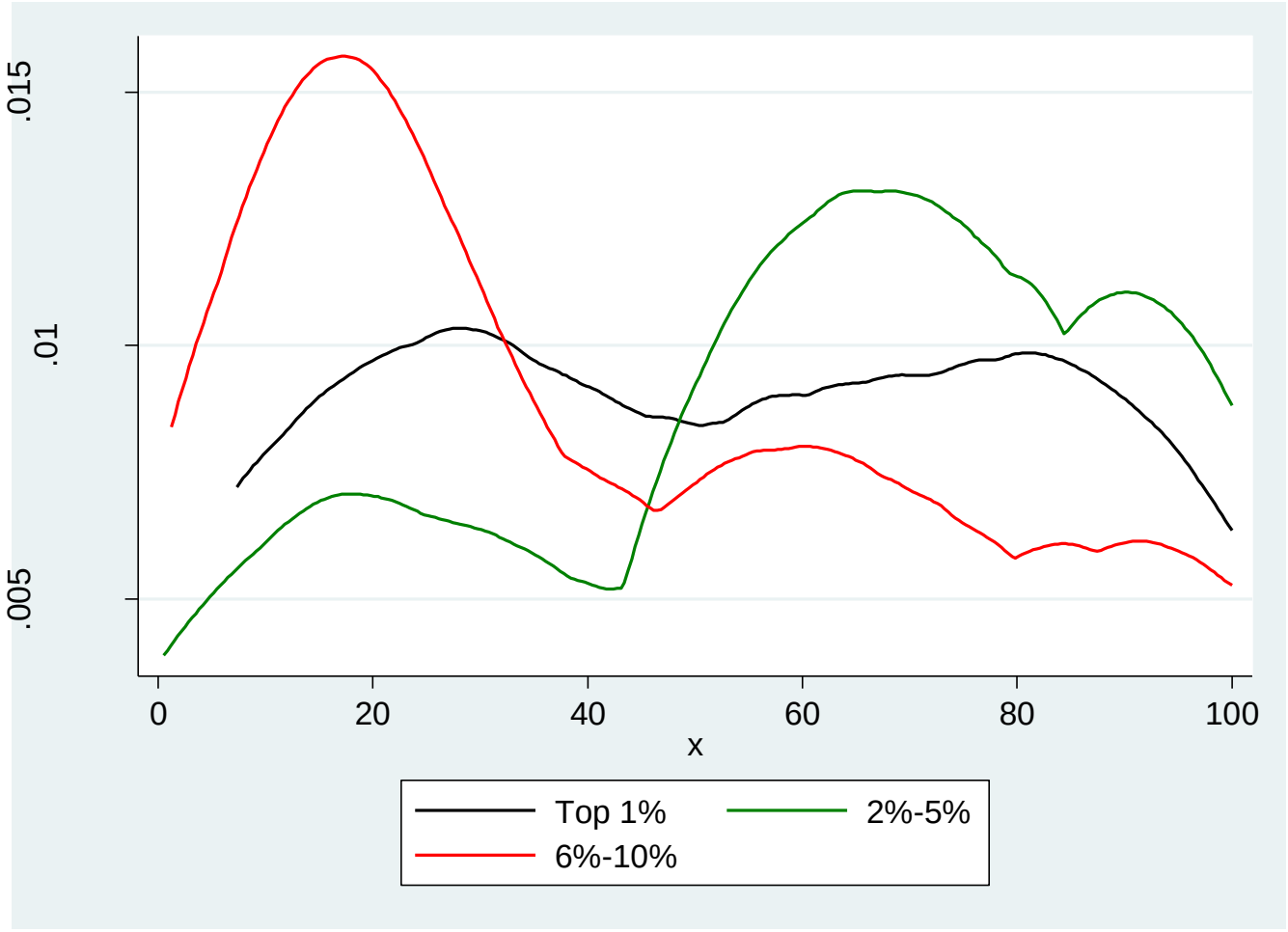
VARIABLES	Size	Labour Productivity	Capital-labour ratio	Average Wage	TFP-R
Exporter	0.651***	0.308***	0.614***	0.289***	-0.0194**
	(0.0236)	(0.0186)	(0.0289)	(0.0141)	(0.00789)
Top 10%	0.486***	0.488***	0.454***	0.130***	0.0922***
	(0.0818)	(0.0645)	(0.0993)	(0.0491)	(0.0245)
Top 5%	0.910***	0.385***	0.620***	0.196***	0.000916
	(0.118)	(0.0927)	(0.142)	(0.0705)	(0.0340)
Top 1%	1.900***	0.627***	0.598**	0.279**	0.0989*
	(0.200)	(0.158)	(0.242)	(0.120)	(0.0542)
Industry Controls	Yes	Yes	Yes	Yes	Yes
Observations	*10,198*	*10,197*	*9,920*	*10,196*	*6,082*

Top 1% are different, even compared to the rest of the top 5%:

- Very large, higher capital intensity, higher paying, higher productivity

ARE SUPER EXPORTERS SPECIALIST EXPORTERS?

Amount exported as a percentage of output (LSS)



DESTINATIONS

Share by destination (WB data)

		Value (US$ million)				Share (%)			
		Top 1%	Top 1-5%	Top 5-20%	Bottom 80%	Top 1%	Top 1-5%	Top 5-20%	Bottom 80%
2005	1. Africa	2812	1783.4	1173.5	369.3	7.6	4.8	3.2	1
2005	2. BRIC	2042	244.9	90.4	17	5.5	0.7	0.2	0
2005	3. EU-27	8452.7	1608	648.3	136.3	22.8	4.3	1.8	0.4
2005	4. USA	3975.2	496	200.4	44.1	10.7	1.3	0.5	0.1
2005	5. ROW	11178.6	1165.6	487.1	113.9	30.2	3.1	1.3	0.3
2008	1. Africa	4600.9	2577.5	1633.2	493.9	8.1	4.5	2.9	0.9
2008	2. BRIC	4485.5	308	105.3	25.7	7.9	0.5	0.2	0
2008	3. EU-27	13610.7	1803.3	638.6	136.9	23.8	3.2	1.1	0.2
2008	4. USA	6984.1	453.6	173.4	38.3	12.2	0.8	0.3	0.1
2008	5. ROW	16540.2	1688	645.7	156.9	29	3	1.1	0.3
2011	1. Africa	5541.6	3334.8	2053	630.4	9.9	6	3.7	1.1
2011	2. BRIC	4177.8	325	139.6	28.5	7.5	0.6	0.2	0.1
2011	3. EU-27	12087.5	1426.8	538.9	127.7	21.6	2.5	1	0.2
2011	4. USA	7093.8	491.8	148	37.6	12.7	0.9	0.3	0.1
2011	5. ROW	15484.8	1562.8	609.3	145.7	27.7	2.8	1.1	0.3

DYNAMICS

Transitions over the Period between Groups (LSS)

	2008 Status					
2005 Status	Top 1%	2-5%	6-10%	Other exporter	Non-exporter	Not in sample
Top 1%	**70.59**	5.88	0	5.88	11.76	5.88
2-5%	8.93	**32.14**	7.14	14.29	23.21	14.29
6-10%	0	18.92	**22.97**	27.03	21.62	9.46
Other exporter	0.38	1.13	2.89	**50.44**	31.12	14.05
Non-exporter	0.61	1.25	1.41	20.27	**46.69**	29.77
Not in sample	0.07	0.29	0.63	24.72	74.29	–

Transition Matrix of firms by number between 2005 & 2008 (WB)

		In 2008					
		1%	1-5%	5-10%	10-20%	Bottom 80%	*Exit in 2008*
In 2005	1%	116	35	3	4	7	*10*
	1-5%	47	337	103	62	86	*61*
	5-10%	3	152	291	166	143	*115*
	10-20%	2	79	226	546	602	*285*
	Bottom 80%	4	45	159	608	6870	*6234*
	Entry in 2008	*20*	*116*	*173*	*525*	*7576*	

UNIVERSITEIT STELLENBOSCH UNIVERSITY

SUMMARY

- Exporting is highly concentrated among a small number of firms: top 5% of exporters (approximately 100-200 firms) contribute 75-93% of all exports
- Relatively high degree of stability of where a firm is in the distribution – in general a firm is more likely to exit exporting than change category
- Entry into exporting is at the bottom (slow climb up, rapid fall out)
- Super exporters are different from other exporters (bigger, more capital intensive, pay higher wages, higher productivity)
- Not all super exporters are specialist exporters, and 'almost' super exporters (top 6-10%) are less likely to be specialist exporters

POLICY

- Exporters are heterogeneous
  - Suggests differentiated policies

- Significant increases in SA exports, at least in the short-term, are most likely to happen at the top end of the export distribution
  - Expansion of specialist super exporters;
  - Increase in exports by non-specialist super exporter and the next tier of exporters

- Depends on what constrains these exporters (which we do not know very much about currently)
  - Higher productivity for top 10% and top 1%
  - Fixed costs of entry to individual markets, and these markets may lack scale
  - Operating at capacity and expansion paths
  - Relative profitability of the domestic market