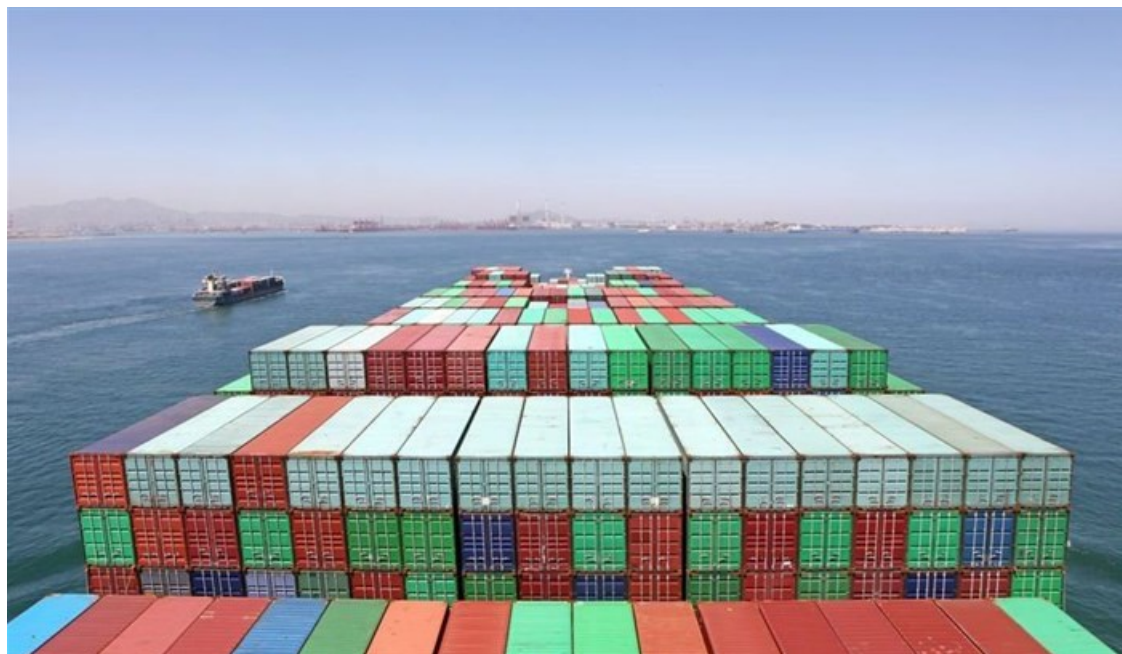


South Africa to see rise in exports in 2021 and beyond

Global supply-chain disruptions could remain high until H2 2022 amid renewed Covid-19 outbreaks around the world, China's sustained zero-Covid policy and demand and logistic volatility during Chinese New Year, according to Euler Hermes' Global Trade Report. Nevertheless, the trade credit insurer expects trade growth to remain strong through 2022 and 2023, with some clear winners across regions and sectors.



Source: ©qdxjw via [123RF](#)

Global supply-chain disruptions will remain high

After exceptionally strong performance since H2 2020, global trade of goods contracted in Q3, especially in advanced and emerging economies. However, advanced economies are suffering more from supply-chain bottlenecks rather than trouble with demand: Euler Hermes finds that production shortfalls are behind 75% of the current contraction in global volume of trade, with the rest explained by transport delays.

Looking ahead, rapidly growing orders for new transportation capacity (6.4% of the existing fleet) should turn operational towards the end of 2022 while increased spending on port infrastructure in the US should significantly ease global shipping bottlenecks.

South Africa to see rise in exports<1>

After losing nearly USD-15bn in 2020 vs. 2019 (in goods and services), South Africa should see exports rise by USD+22bn in 2021, USD+5bn in 2022 and USD+2bn in 2023. This brings total South African exports in value terms above the pre-crisis level as soon as in 2021. Sectors that should exhibit the largest export gains in 2022 and 2023 are services, metals and automotives. In terms of target markets, the largest export gains should be derived from China, the United States and Germany.

China, Europe loses tug-of-war against the US

Europe is more at risk compared to the US when it comes to the heavy reliance on intermediate inputs from abroad. Without production capacity increases and investments in port infrastructure, the normalization of supply bottlenecks in Europe could be delayed beyond 2022 if demand remains above potential. Euler Hermes finds that the household

equipment, consumer electronics, automotive and machinery and equipment sectors are most vulnerable to input shortages.

"China is a key downside risk for Europe: we estimate that a 10% drop in EU imports from China could be a drag of more than -6% on the metal sector, more than -3% on the automotive sector (including transport equipment) and more than -1% on computer and electronics," says Ano Kuhanathan, senior sector advisor at Euler Hermes, which operations through the Allianz Global Corporate & Specialty (AGCS) license in South Africa.

Reshoring and nearshoring

Despite the ongoing global supply-chain disruption, Euler Hermes finds no clear trend of reshoring or nearshoring of industrial activities so far. The only exception is the UK, which is likely to have faced disruptions due to Brexit. However, protectionism reached a record high in 2021 and should remain elevated, mainly in the form of non-tariff trade barriers (e.g. subsidies, industrial policies).

Overall global trade growth

While there is a risk of a double-dip in Q1 2022, Euler Hermes expects a normalization of international trade flows in volume from H2 2022, driven by three factors:

1. A cooling down of consumer spending on durable goods, given their longer replacement cycle and the shift towards more sustainable consumption behaviours.
2. Less acute input shortages as inventories have returned to or even exceeded pre-crisis levels in most sectors, and capex has increased (mainly in the US).
3. Reduced shipping congestions (global orders for new container ships have reached record highs over the past few months, amounting to 6.4% of the existing fleet) and the planned USD17bn spending on port infrastructure in the US.

"Overall, we expect global trade in volume to grow by +5.4% in 2022 and +4.0% in 2023, and then gradually return to its pre-crisis average levels. However, this comes at the expense increased global imbalances. The US will register record-high trade deficits (around USD1.3trn in 2022-2023), mirrored by a record-high trade surplus in China (USD760bn on average). Meanwhile, the Eurozone will also see higher-than-average surplus of around USD330bn." explains Françoise Huang, Senior Economist for Asia-Pacific at Euler Hermes.

Euler Hermes estimates that the energy, electronics and machinery and equipment sectors should continue to outperform in 2022. But the main export winner globally in 2023 should be automotive, thanks to the backlog of work and lower capex in 2021. At the regional level, Asia-Pacific should continue to be the main export winner in the coming few years (over USD3trn in export gains in 2021-2023).

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