

# Sources of Export Growth

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# Motivation

- Exports, and hence exporting firms, are of strong policy interest.
- Despite the weaker rand boosting export earnings, export growth remains low and the current account deficit a vulnerability.
- New insights from the SARS micro data
  - Focus on sources of export growth.

# Basic Sources of Export Growth

- **New**

- Firms
- Destinations
- Products

- **More**

- The same firm exports more of the same product to the same destination.

# Basic Sources of Export Growth

- **New**                      **Extensive Margin**
  - Firms
  - Destinations
  - Products
  
- **More**                      **Intensive Margin**
  - The same firm exports more of the same product to the same destination.

# Sources of Manufacturing Export Growth

		2010 -2011	2011 -2012
<b>Entry and exit</b>	Enter	0.8	2.8
	Exit	-0.5	-0.7
	<b>Net entry (firms enter- firms exit)</b>	<b>0.3</b>	<b>2.1</b>
<b>Diversification</b>			
	<b>Added/new:</b>	<b>14.9</b>	<b>16.7</b>
	1. New product, existing destination	3.6	4.0
	2. Existing product, new destination	3.9	3.4
	3. New product, new destination	2.5	1.5
	4. New combination of existing product, existing destination	4.9	7.9
	<b>Dropped:</b>	<b>-10.8</b>	<b>-15.6</b>
	1. Dropped product, existing destination	2.6	7.0
	2. Existing product, dropped destination	2.8	3.1
	3. Dropped product, dropped destination	0.6	0.9
	4. Dropped combination of existing product, existing destination	4.8	4.5
	<b>Net diversification (added-dropped)</b>	<b>4.1</b>	<b>1.2</b>
<b>Intensive margin</b>	<b>Net intensive margin (existing product market combinations)</b>	<b>10.7</b>	<b>4.0</b>
<b>Total change in exports</b>		<b>15.2</b>	<b>7.3</b>
<b>per cent annual growth due to:</b>			
	<b>Net extensive margin (net entry &amp; net diversification)</b>	<b>29.5%</b>	<b>45.2%</b>
	<b>Net intensive margin</b>	<b>70.5%</b>	<b>54.8%</b>

# Summary and Implications

- Generally, export growth has been more reliant on the intensive margin (MORE) than the extensive margin (NEW).
- But, the extensive margin is important.
- There is substantial churning in the extensive margin in terms of new products and destinations.
- Entry of new firms into export markets is relatively subdued, a potential area for policy focus.