

Manufacturing output growth beats expectations

SA's manufacturing output grew 1.7% in November from the same month in 2016, beating the economists' consensus of 0.45%, Statistics SA reported on Thursday.

By Sunita Menon 12 Jan 2018



The boost came from food and beverages, which grew 6% and contributed 1.5 percentage points of the total. Basic iron and steel, non-ferrous metal products, metal products and machinery grew 4.6% and contributed 0.8 of a percentage point.

Seasonally adjusted manufacturing production increased by 0.9% in November 2017 compared with October 2017 while production increased by 0.5% in the three months to end-November 2017 compared with the previous three months.

Investec economist Kamilla Kaplan said last week that the manufacturing sector was expected to derive some support from the strengthening global economy.

"Should expectations of strengthening demand conditions materialise and be sustained this will likely translate into increased production and activity."

Kaplan expected manufacturing production to have increased by 2% year on year in November while Trading Economics projected a 1.1% increase in manufacturing output from a year earlier.

In December, the Absa purchasing managers index (PMI), which measures sentiment in the manufacturing industry, suggested a slight improvement in the sector. The PMI rose to its best level in six months although it remained in contractionary terrain.

The seasonally adjusted PMI rose to 48.6 index points in November 2017 from 47.8 index points in October. A score above 50 indicates an expanding manufacturing sector but November's figure was a vast improvement on previous months.

Absa said: "This was the fourth consecutive increase and brought the index to the best level since May 2017. However, the PMI remained stuck below the neutral 50-point mark for a sixth straight month, suggesting that the sector still faces headwinds."

Source: *BDpro*