February manufacturing production disappoints

Manufacturing production surprised to the downside in February, falling 3.1% month on month and 2.9% year on year, after a 3.7% year-on-year increase in January, Statistics SA data showed on Thursday, 11 April 2013.

Economists have warned that March could see another weak figure, given that the Kagiso purchasing managers' index fell back below 50 in the month, suggesting a contraction in activity. The index is a leading indicator of activity in the manufacturing sector, with a level above 50 representing expansion.

"Overall, the (index) is once again signalling a contraction in manufacturing activity after a slight improvement in February. Rand weakness has not been sufficient in magnitude or duration to have a meaningful impact on manufacturing output," Stanlib economist Kevin Lings said.

Direct result of complications

Responding to the latest figures, manufacturers said the weaker than expected data were a direct outcome of the immense complications manufacturing had faced in SA as a result of a pressurised domestic policy environment and tepid demand, both domestically as well as in our export markets.

The pressurised environment was defined chiefly by, among others, steep increases in administered price increases for water, energy, transport and logistics and municipal services; difficulties in relation to market access; slow roll out of the government's infrastructure spend; and a currency that for much of last year had traded at strong and volatile levels.

The 2.9% year-on-year decrease in manufacturing production in February was due to lower production in the divisions of basic iron and steel; nonferrous metal products; metal products and machinery; food and beverages; glass and nonmetallic mineral products; furniture and other manufacturing; and petroleum, chemical products, rubber and plastic products.

Seasonally adjusted production

Seasonally adjusted manufacturing production for the three months ended February fell 0.1% compared with the previous three months ended November. Six of the 10 manufacturing divisions reported negative growth rates over this period.

Seasonally adjusted sales of manufactured products (at current prices) for the three months ended February increased 3.3% (R12.695bn) compared with the previous three months ended November.

Seven of the 10 manufacturing divisions reported positive growth over this period.

Nedbank economists forecast that the outlook for the manufacturing sector would remain subdued.

Demand conditions would remain challenging, especially for the large export-orientated industries, given the recession in the eurozone and volatile performances elsewhere in the world economy, they aid.

"The general operating environment is also expected to remain unfavourable, with high electricity costs, rising unit labour costs and expensive transport and logistics," they said.