

# Higher than expected manufacturing will lift growth

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Manufacturing production improved more than expected in December, supporting views economic growth would have been higher in the fourth quarter of 2013.



Manufacturing production was higher in the last quarter of last year. Image: 3D Mask. [Fotolia](#)

Manufacturing production increased by 2.5% year-on-year (y/y) in December after an increase of 0.3% y/y in November, Statistics SA data showed.

Production was up 1.3% y/y in 2013 versus 2012's 2.4% increase. Investec economist Kamilla Kaplan said in a research note that this weaker growth was reflective of sluggish aggregate demand that prevailed last, coupled with escalating operating costs and relatively strenuous labour relations.

Stats SA said the 2.5% y/y increase in production in December was mainly due to higher production in food and beverages; basic iron and steel, non-ferrous metal products, metal products and machinery; and petroleum, chemical products, rubber and plastic products.

The 1.3% y/y increase in manufacturing production for 2013 was due to higher production in seven of the ten manufacturing divisions. The production of food and beverages production was the highest contributor.

Nedbank economists said output by the manufacturing sector was likely to improve moderately this year. They expected the weaker rand and some acceleration in global demand to encourage higher production levels. They said, however, that the upside would remain constrained by uncertain and insufficient power supply, other infrastructure constraints and rising production costs.

Seasonally adjusted manufacturing production increased by 2.4% in the fourth quarter of 2013 compared with the third quarter of 2013, with five of the ten manufacturing divisions reported positive growth rates over this period.

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