

Manufacturing sector hurt by strikes

Based on the latest Manufacturing Circle Survey, conditions within the manufacturing sector in the fourth quarter of 2012 were uninspiring and characterised by low export levels, high input costs, squeezed margins, poor labour market outcomes and a lack of adequate skills.



The quarterly average reading of the Kagiso Purchasing Managers' Index (PMI) corroborates the findings of the survey. The quarterly PMI landed contracted in the last quarter of 2012.

Releasing its findings on Tuesday (12 February), the Manufacturing Circle pointed out that the economic environment during the fourth quarter was subdued due to global and domestic factors.

On the global front, the "fiscal cliff" debates in the US, a slowdown in China's economic activity as well as the protracted eurozone debt crisis dampened the performance of the global economy. Domestically, the run-up to the ANC's Mangaung conference, spill-over effects from violent strikes in the mining, transport and agriculture sectors wreaked havoc on investor, business and consumer confidence.

Despite signs of an improvement in global manufacturing conditions, the Manufacturing Circle noted that the performance of the South African manufacturing sector depended on a string of domestic factors, in addition to favourable external factors.

These included the failure to contain labour-related unrest, increasing bureaucracy and formalities as well as a lack of policy cohesion. Other factors include a weak construction sector, high unsecured lending that could lead to banks tightening access to credit, increased imports of manufactured goods and rising input costs such as electricity, labour and fuel.

Owing to this, respondents of the survey expect conditions in the manufacturing sector to remain "fragile/weak" or "stable" over the next two years.