

Manufacturing confidence index falls one point

The manufacturing business confidence was slightly lower in the fourth quarter of this year, nudging down one index point to 36, the Bureau for Economic Research says.



Manufacturing figures are down and the outlook for manufacturers remains constrained.

Image: [Lancashire Manufacturing](#)

Releasing the Manufacturing Survey, the Stellenbosch-based bureau noted that the decline was not fully reflected by the underlying activity indicators, as these generally improved.

"It is likely that manufacturers need a stronger and more sustained recovery in activity before business confidence can improve meaningfully," the BER said.

The prolonged labour strikes and production stoppages in the manufacturing and mining industries over the past few months most probably weighed on sentiment.

"Renewed pressure on profitability as a result of a sharper increase in cost prices than in selling prices probably also depressed confidence", said BER economist Lisette IJssel de Schepper.

Sales and order volumes up

The most notable improvement was that both export sales and order volumes increased significantly. The indicator for export sales volumes rose to its highest level since the fourth quarter of 2002," she added.

The survey found that manufacturers were optimistic about export performance over the coming year. Improved prospects for the global economic recovery and the sustained weaker rand exchange rate may have contributed to the more optimistic outlook.

IJssel de Schepper noted that domestic demand held up well during the quarter and is expected to remain relatively strong in the first quarter of next year.

"Production volume growth accelerated further. In fact, the indicator came in at its best level since fourth quarter of 2011 and is currently well above its long-term average. The employment picture also improved. Indicators for the number of factory workers employed and the average hours worked per factory worker both increased compared with the previous quarter," she said.

Poor ratings for business constraints

"The ratings increased in all but one of the business constraints surveyed, suggesting a more constrained outlook for the business environment. The only constraint to ease was the index rating insufficient demand as a constraint on business," IJssel de Schepper said.

"In fact, the index fell from 60 to 54, its best level since the second quarter of 2008. However, at that level, insufficient demand was still rated as the second highest constraint on business (of those surveyed). The most constraining factor was the general political climate," she added.

IJssel de Schepper said the index fell by 13 index points to reach 63 in the previous quarter, but has now risen back to 70 points.

"The underlying improvement reflected in the survey bodes well for activity in the manufacturing industry. After a dismal performance in the third quarter, where total production was dragged down by prolonged strikes in the automotive sector, output in the industry should rebound during the fourth quarter," she said.

"However, as is reflected in the low level of business confidence, the environment remains tough. Renewed labour strife in the manufacturing industry, or allied mining industry, remains a key risk. Furthermore, any electricity supply disruptions will also constrain output from the factory sector," IJssel de Schepper added.

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