

Manufacturing growth slows y/y, positive quarterly

Manufacturing disappointed on a year-on-year (y/y) basis in December, but improved quarter on quarter fuelling views that the sector contributed positively to gross domestic product in the fourth quarter of last year.

Statistics SA figures released on Thursday showed that manufacturing production increased by 2% year on year in December, well below market expectations for 2.6%, and fell 2.2% month on month in December compared to a 2.6% month on month increase in November.

The 2.0% year-on-year increase was due to higher production in the divisions of petroleum, chemical products, rubber and plastic products, with 9.5% and contributing 2.3 percentage points; motor vehicles, parts and accessories and "other" transport equipment, with 10.9% and contributing 0.8 of a percentage point).

Furniture and "other" manufacturing groups; and glass and non-metallic mineral products also contributed.

Overall production for last year reflected an increase of 2.0% compared with a 2.6% increase in 2011, reflecting a year dominated by weaker exports and muted global and domestic demand.

The seasonally adjusted manufacturing production in the fourth quarter was more encouraging, according to economists, as it increased by 1.6% compared with the third quarter, with six of the ten manufacturing divisions reporting positive growth rates over the period.

"This will assist the Q4 2012 estimate of SA GDP growth, after a disappointing contribution from manufacturing in Q2 and Q3," Stanlib economist Kevin Lings said.

"The quarter-on-quarter seasonally adjusted annualised number was 1.6% for the fourth quarter, so we see manufacturing adding between 0.2 and 0.3 percentage points to GDP growth in the fourth quarter," Standard Bank economist Shireen Darmalingam said.

Manufacturers represented by industry body Manufacturing Circle said last month that they expected a better operating environment this year compared to last mainly on a forecast improvement in the global economy and more export markets in other African countries.

Reserve Bank governor Gill Marcus noted last month that there were mixed signals regarding the manufacturing sector outlook.

"Going forward we expect that the challenging structural challenges will remain, so manufacturing will face headwinds this year," Darmalingam said.

Efficient Group economist Merina Willemse said that on average for this year, they anticipated manufacturing sector growth at around 2.5% boosted by the pick-up in global demand from China, Japan and the US."

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