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MANUFACTURING PRODUCTION AND SALES DECLINES SUGGESTS MORE GOVERNMENT INTERVENTION IS REQUIRED TO SUPPORT THE STRUGGLING SECTOR, SAYS CHIEF ECONOMIST OF DCG.

JOHANNESBURG, 09th DECEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says; “manufacturing production and sales declines as reflected in the data released by Statistics South Africa (Stats SA) today, suggests that more Government intervention is required to support the struggling sector.”

Statistics South Africa (StatsSA) released today reflects total manufacturing production decline of 8.9% year on year in October 2021. This was mainly attributed to largest declines being registered in petroleum, chemical products, rubber and plastic products (-17.5%); basic iron and steel, non-ferrous metal products, metal products and machinery (-14.1%); and motor vehicles, parts and accessories and other transport equipment (-13.4%). On a monthly basis, a decline of 5.9% was registered in total manufacturing production.

Total manufacturing sales declined by 1.4% year on year in October 2021 to reach R221.3 billion, with a monthly decline of 5.8% from September 2021. Year-to-date, total manufacturing production increased by 7.8%, with sales improving by 18.2%.

DCG Chief Economist, Mr Chifi Mhango said: “the recently released GDP data for South Africa shows the manufacturing sector declining by 4.2%, with the level of manufacturing capacity utilisation still below the 80% level. As of third quarter of 2021, the manufacturing sector contributed only 11.4% to the South African economy, which is a massive decline from the levels of above 20% in 1995, with its ability to create jobs also diminishing due to limited investment into the sector.”

Mr Mhango added that: “at an official national unemployment rate of 34.9%, South Africa needs to raise its game to reverse the trend and challenges the country’s economy is facing in the manufacturing sector. The manufacturing sector lost 13 000 jobs in the third quarter of 2021 from the previous quarter, with a year on year loss of 58 000 jobs. Much as recent trends in Manufacturing PMI data suggest some improvement in business activity, the real picture on the ground suggests a dark view, from the manufacturing production and sales, employment and sector GDP data perspective.”

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Mr Mhango said: “The rising energy costs and its unreliable supply patterns caused by electricity load shedding, increasing and uncompetitive logistical costs, unstable nature of the labour environment due to regular industry strikes, coupled with rising imports of finished goods into the South African economy is worrisome.”

“Creating the conducive-environment to attract investment into the manufacturing sector should be the key priority of the South African Government. There has to be strong monitoring of compliance to the local procurement of manufactured goods for all Government related infrastructure projects with private sector support. Increasing locally produced goods percentage at SA retail shops in the industries such as clothing and textile to over 65% should be the ideal target in the short-term. Increasing the export market footprint with value added products on the African continent utilising market intelligence should be the national strategic approach to boost South Africa’s net trading position in the manufacturing sector.” advised Mr Mhango

In conclusion, Mr Mhango said: “globally, the manufacturing production in the United States increased 4.5% year-on-year in October of 2021, following a downwardly revised 4.7% increase in September. On a monthly basis, factory activity increased 1.2%; excluding a large gain in the production of motor vehicles and parts, factory output moved up 0.6% thus analysing the Federal Reserve data. While in the China, the National Bureau of Statistics is reporting manufacturing production in China increasing by 2.5% in October of 2021 over the same month in the previous year, and in other BRICS countries, latest manufacturing data shows increases of 2.7%, 4.5% and 1.8% for India, Russia and Brazil respectively, meaning South Africa is lagging behind in its industrialisation process”

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