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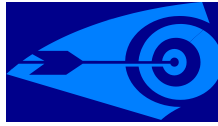
ENCOURAGING IMPROVEMENT IN MANUFACTURING CAPACITY UTILISATION BUT STILL BELOW FULL RECOVERY LEVELS OF THE SECTOR, SAYS CHIEF ECONOMIST OF DCG

JOHANNESBURG, 04th NOVEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says it's encouraging to see manufacturing capacity utilisation improving but still below the full recovery levels of the sector.

Mr Mhango highlighted that: “manufacturing capacity utilisation in essence refers to the ratio between actual output produced and potential output that could be produced with installed equipment, if capacity was fully used. A higher ratio or percentage is what should be aimed at, supported by market demand conditions.

Statistics South Africa (StatsSA) data released today shows that utilisation of manufacturing production capacity by large manufacturers was 78.0% in August 2021 compared with 71.7% in August 2020, thus an increase of 6.3%, even though improving marginally by 0.1% from May 2021. The highest rates of utilisation of production capacity of above 80% were reported in the furniture and ‘other’ manufacturing products (82.7%); food and beverages (82.6%); wood and wood products, paper, publishing and printing (82.4%); and radio, television and communication apparatus and professional equipment (81.8%), mainly attributed to improved demand conditions.

“The level of total manufacturing capacity utilisation in South Africa was above 80% during the period of massive infrastructure investments related to energy and also the Soccer World Cup 2010 projects in 2003 to 2008. The market environment was conducive for manufacturers to produce more, especially in the key sub-sectors within the metals sub-sectors such as steel as well as other construction related products. Since the completion of these projects, demand conditions for the key sub-sectors also dropped, leading to decline in manufacturing capacity utilisation in the South African economy” said Mr Mhango



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According to DCG Chief Economist Chifi Mhango: “although there are encouraging signs being depicted in manufacturing PMI data, which is in an expansionary trajectory, a sustained level of above 60 index level is what South Africa at least needs considering the massive challenges of unemployment in the economy. Latest Manufacturing PMI data shows a decline to 53.6 in October 2021 from 54.7 in the previous month, thus reflecting the negative impact of the three-week strike in the steel and engineering sub-sector and the load-shedding during the month”.

Mr Mhango said: “The sustained recovery of the manufacturing production through improved capacity utilisation should be driven by the South African Government’s conducive-environment and efforts to revive the economy. It is, therefore, imperative that the Government speeds up the implementation of its economic recovery plan which is an infrastructure led plan and its key policy interventions such as local sourcing of raw material, as it is crucial in improving manufacturing capacity utilisation, which is demand driven. The current load-shedding also needs redressing, as its depressing for economic recovery.”

“Global picture shows improvements in manufacturing capacity utilisation among key economies. According to the National Bureau of Statistics of China, manufacturing capacity utilization rate in China rose to 77.3% in the third quarter of 2021 from 74.8% in second quarter, as a recovery in the economy from the COVID-19 disruption continued. In the USA, Federal Reserve data shows manufacturing capacity utilisation improving from an average of 75.4% in the second quarter 2021 to an average of 76.4% in third quarter of 2021” concluded Mr Mhango

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