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NEWS OF CONTINUED DEADLOCK IN METALS INDUSTRY WAGE NEGOTIATION AND THE CURRENT STRIKE IS DEPRESSING FOR THE AILING SOUTH AFRICAN ECONOMY, SAYS CHIEF ECONOMIST OF DCG.

JOHANNESBURG, 14th OCTOBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says that news of continued deadlock in wage negotiations and continuing strike in the metals industry is depressing for the ailing South African economy.

Mr Mhango noted that: “The metals and engineering industry is a key component of the manufacturing base of the South African economy, contributing 29% to the overall manufacturing production, and a significant employer of 35% of total manufacturing employment.” Mr Mhango added that: “In 2020 alone, the industry lost almost 34 000 jobs due to the impact of Covid-19 strict lockdown-restrictions, and its production base declined by 13.7% and sales dropping by 12.3% as per data from StatsSA”

“While there have been some green-shoots recently on production patterns and sales, as well as an export push into the African continent, with a positive African region’s net trade balance, investment levels into the sector has been on a decline due to a number of factors such as rising energy costs, rising logistical costs and at times very inefficient to feed the industry with raw material supplies and also to reaching the consumer base.” Mr Mhango elaborated further.

Mr Mhango said that: “The industry has also not been spared when it comes to imports; especially the type that have had negative impact on the trading environment for local producers. While there is debate around issues of pricing, it is also imperative that factors that have hindered investment into the sector are urgently examined through policy interventions.”

Mr Mhango therefore commended the South African Government, for finalising the Steel and Metals Fabrication Master Plan on the 11st of June 2021, which outlines a number of policy interventions to revive this ailing industry of the South African economy. However, the current strike in the industry can also derail all these efforts from Government.

Analysing the StatsSA data of the first six months of 2021 alone, Mr Mhango pointed out that: “Green shoots were emerging, with production growth of 179% on average, production sales of R457.1 billion, Capacity utilisation improving to 77%, employment though down from the 2019 numbers of 440 321 at 397 596. This employment number is indicative that the sub-sector has a massive role to play in the job creation initiatives.”

Mr Mhango added that: “From the trade point, the Metals and Engineering sub-sector has also been making progress with exports value of R226.7 billion in the first six month alone, with the net trade deficit declining to -R27.4 billion from the higher levels of –R48.9 billion and –R52.8 billion in 2019 and 2020 first six months. Wages, which can be measured through the real per capita income were at around R55 000 in the first six months to June 2021.”

DCG Chief Economist, Mr Chifi Mhango said: “With all these positive developments of the first six months of 2021, the progress made in the metals industry cannot be derailed due to unresolved wages issues. Much as we respect the wage negotiation process and worker’s rights to taking a position, it may require cool heads to prevail so that the efforts of the first six months of 2021 are not derailed due to reduced production operation being caused by the strike”.

Mr Mhango said that: “The metals industry has to be understood on the context that it links the Mining sector to the rest of the South African economy such as Construction, Agriculture machinery, automotive sector among others. As mineral raw materials such as iron ore play a significant role into the manufacturing of products such as steel, with steel playing a significant role as a raw material in construction projects even for Government service delivery projects. To add further, a key input supplier to the vehicle manufacturing industry as well.”

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Mr Mhango concluded that: “From an economic perspective, the earlier the wage situation is resolved, the better for the economy, for the loss impact are in billions, with a monthly average manufacturing production sales of R76 billion as a potential revenue loss in the industry alone. Adding to that could be the delay in the Government infrastructure projects, hence if need be, Government intervention to resolving the deadlock may be appropriate, for metals such as steel are strategic to the country. The economy cannot accommodate a situation of 2014 metal industry strike to prevail. ”

ENDS

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