

# Manufacturing sector upbeat despite output decline

Manufacturers remain somewhat upbeat about their prospects despite a contraction in the first quarter.



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The Manufacturing Circle, which is considered the voice of the sector, says business has remained resilient even as SA grapples with downgrades to its credit ratings.

According to a survey compiled by the industry body, 29% of manufacturing enterprises indicated that they would continue with already instituted plans but would halt whatever they could to manage risks. Another 34% of respondents said the downgrades would affect investment decisions.

Manufacturing Circle executive director Philippa Rodseth said: "The message is that while manufacturers want to invest more, this can be affected by events such as downgrades.

"This is concerning for future growth, jobs and exports."

Statistics SA data show that manufacturing production slumped in the first quarter. Seasonally adjusted manufacturing production decreased 0.9% in the first quarter. The Absa purchasing managers index (PMI) also fell in April to 44.7 index points from 51.9.

Nascence Advisory Research economist Xhanti Payi said: "The PMI had been positive for the first quarter, so the numbers were aligned, but we've seen the PMI turn, which is concerning.

"If we survey manufacturers now in the second quarter, we're likely to see that change in direction. They're reflecting on the same thing. You're not going to see big investment because the risk levels are very high. The wait-and-see approach is actually a negative thing as people are cautious about investing."

Manufacturing Circle chairman Andre de Ruyt is optimistic that investment in the sector has not ground to a halt.

"For SA's state of development, manufacturing is at a far lower contribution to GDP than it should be. We're lagging way behind compared to other emerging markets."

Manufacturing faced challenges because of big contributions from imports, steadily increasing labour costs, and policy and regulatory uncertainty.

Despite this, the Manufacturing Circle and the CEO Initiative are looking at creating a special economic zone in the Vaal Triangle to preserve jobs and prevent further deindustrialisation as part of an initiative to create 1-million jobs in the sector.

"In the next two months, we will workshop with CEOs. We will build an economic model to demonstrate that assistance to manufacturing is a net positive for SA," De Ruyt said.

The Manufacturing Circle has set up industry engagements in July that will involve the government.

*Source: Business Day*

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