



Capacity utilisation: lifts in Q2.21, while Gauteng announced a raft of plans to boost economic activity and repair in townships post the riots

Thursday 5 August 2021

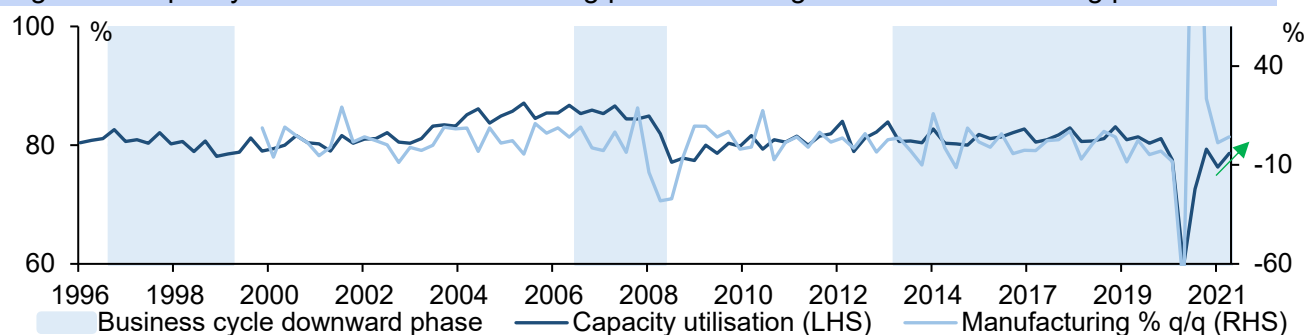
Figure 1: Manufacturing capacity utilisation and underutilization of production (%) - breakdown

	2019				2020			2021	
	Aug	Nov	Feb	May	Aug	Nov	Feb	May	
Utilisation of production capacity	80.3	81.1	77.5	59.8	72.6	79.3	76.3	78.6	
Underutilisation of productive capacity	19.7	18.9	22.5	40.2	27.4	20.7	23.7	21.4	
Shortage of raw materials	2.5	2.5	2.8	3.3	3.2	2.9	3.7	4.0	
Shortage of skilled labour	1.0	1.0	1.1	1.4	1.1	1.0	0.8	1.0	
Shortage of semi-unskilled labour	0.2	0.2	0.2	0.3	0.3	0.1	0.2	0.2	
Insufficient demand	12.4	11.6	12.9	19.1	15.6	11.1	11.8	11.1	
Other	3.6	3.6	5.5	16.1	7.2	5.6	7.2	5.3	

Source: Stats SA

- In May 2021, the capacity utilisation of manufacturing production (the data is collected once every three months) rose to 78.6% of total capacity, from 76.3% in February, and 59.8% in May 2020. However, today's reading is still well below the 83.4% average during the Thabo Mbeki period of good governance of SA in the bulk of the 2000s, which saw the fastest sustained period of growth.
- The second and third quarters of the year typically see improvement in manufacturing utilisation, while the first dips - the month of January sees both a slow return to work and start to production for the year after the festive spend while retailers and wholesalers build up inventory before the holidays, then run it down in the January/February sales. However, South Africa's third quarter will see substantial damage to its manufacturing capacity from July's violent riots, and this will have a lengthy effect over 2022 as well, with rebuilding of infrastructure yet to commence generally.
- Other countries which have seen severe damage to their economies from riot action have brought in a wide range of fiscal measures, including tax exemptions in distressed sectors, VAT exemptions on construction goods and services to assist in rebuilding infrastructure, VAT rebates to reduce food poverty, job creation initiatives, grants and cash transfers to afflicted small businesses and the poor.
- Gauteng's economic recovery plan includes some focus on these as well as identifying the need to bolster business confidence and funding for re-building, allocating R100million to rebuilding township development, including township industrialisation, special economic zones as well as backyard shack upgrades to create thousands of commercial and residential units in townships.
- Up to a billion rand of blended finance is eventually envisioned to be matched rand for rand by private sector contributors and include 50% grant/50% loans for businesses in distress from the riots.

Figure 2: Capacity utilization in manufacturing production vs growth in manufacturing production



Source: Stats SA

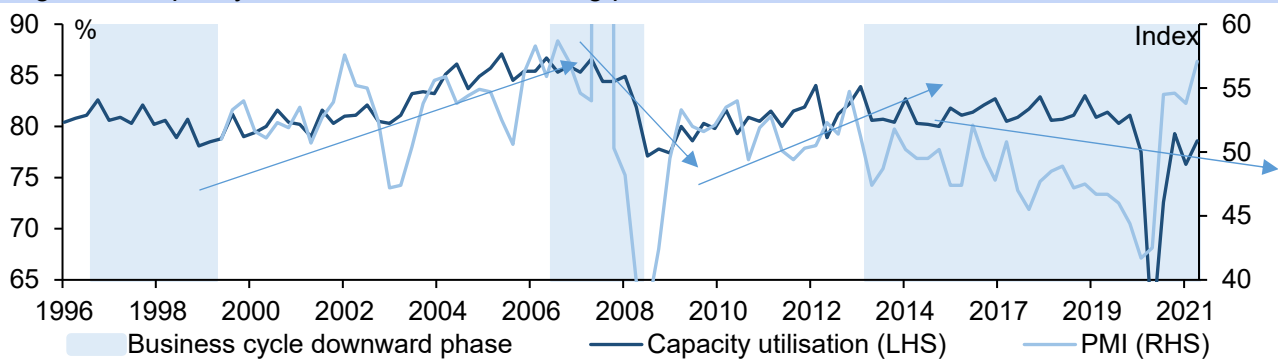
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Figure 3: Capacity utilization in manufacturing production vs PMI



Source: Stats SA

- The planned measures further extend to a retail support fund for very small enterprises, typically black owned, who don't have access to bank finance and are in the targeted distressed economic regions. Additionally, the retail support fund is exploring potential support for small retailers which were not damaged but lost trading days, while also looking to assist with rental concessions, potentially through a broader rebate package from the Gauteng Provincial Government and the private sector partnering in funding the initiative.
- The fund may also be extended to upgrade informal trading facilities near malls to integrate them into the retail complex. Additionally, a property sector partnership is envisioned as a platform for property developers to finance transformation of the townships that surround developments. Furthermore, the South African Property Owners Association (SAPOA) in the partnership will support Gauteng's rebuilding of the township economies, as well as the transformation acceleration programme. Additionally, SAPOA has proposed a joint intelligence and security coordination structure, as well as fast tracking of SASRIA and TERS payments.

Figure 4: Utilisation of production capacity in the manufacturing industry by division

Manufacturing divisions	Weight	Contribution	% ch y/y
Food and beverages	27.14	81.7	13.2
Textiles, clothing, leather and footwear	3.08	68.0	24.6
Wood and wood products, paper, publishing and printing	11.46	82.5	24.8
Petroleum, chemical products, rubber and plastic products	22.52	77.8	11.4
Glass and non-metallic mineral products	3.07	77.8	34.2
Basic iron and steel, non-ferrous metal products, metal products and machinery	18.59	74.3	19.0
Electrical machinery	1.64	79.6	24.6
Radio, television and communication apparatus and professional equipment	1.52	81.1	9.9
Motor vehicles, parts and accessories and other transport equipment	7.96	80.4	34.1
Furniture and other manufacturing	3.03	76.8	42.7
Total manufacturing	100	78.6	18.8

Source: Stats SA



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Figure 5: Weights according to manufacturing major groups

	2018-2021 (based on value added for 2016-2018)
Food and beverages	27.14
Meat, fish, fruit, etc.	6.75
Dairy products	2.27
Grain mill products	3.55
Other food products	8.45
Beverages	6.12
Textiles, clothing, leather and footwear	3.08
Textiles	0.77
Other textile products	0.39
Knitted, crocheted articles	0.09
Wearing apparel	1.02
Leather and leather products	0.46
Footwear	0.35
Wood and wood products, paper, publishing and printing	11.46
Sawmilling and planing of wood	1.74
Products of wood	2.61
Paper and paper products	4.13
Publishing	1.43
Printing recorded media	1.55
Petroleum, chemical products, rubber and plastic products	22.52
Coke, petroleum products and nuclear fuel	8.34
Basic chemicals	4.15
Other chemical products	6.15
Rubber products	1.19
Plastic products	2.69
Glass and non-metallic mineral products	3.06
Glass and glass products	0.65
Non-metallic mineral products	2.41
Basic iron and steel, non-ferrous metal products, metal products and machinery	18.59
Basic iron and steel products	3.49
Non-ferrous metal products (including precious metals)	2.68
Structural metal products	2.02
Other fabricated metal products	3.73
General purpose machinery	2.57
Special purpose machinery	3.35
Household appliances	0.75
Electrical machinery	1.64
Radio, television and communication apparatus and professional equipment	1.52
Radio, television and communication apparatus	0.91
Professional equipment	0.61
Motor vehicles, parts and accessories and other transport equipment	7.96
Motor vehicles	3.03
Bodies for motor vehicles, trailers and semi-trailers	0.49
Parts and accessories	3.21
Other transport equipment	1.23
Furniture and other manufacturing	3.03
Furniture	1.06
Other manufacturing groups	1.97
Total	100

Source: Stats SA



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