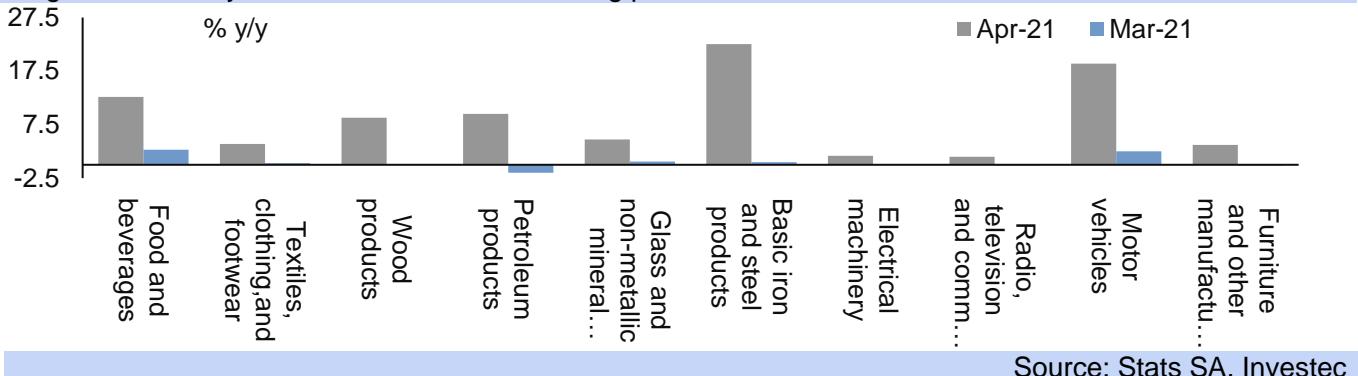


Manufacturing update: Annual manufacturing production rose sharply on base effects, but contracted on a month-on-month basis



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Figure 1: Industry contributions to manufacturing production



Source: Stats SA, Investec

- Manufacturing production climbed by an unprecedented 87.9% y/y in April, following March's 5.2% y/y (revised) lift, on the low statistical base effect produced in April 2020, triggered by COVID-19 related restrictions.
- Specifically, manufacturing production plummeted by -48.7% y/y in April 2020 when rigorous level 5 measures were imposed to curb the infection rate, leading to a widespread halt in economic activity, except for those companies involved in the production and provision of essential goods and services.
- Seasonal factors, with numerous public holidays falling within the month of April likely, largely underpinned the month-on-month decline in output. However, on a quarter on quarter seasonally adjusted basis (qqs), which is the measure used to calculate GDP, manufacturing output was still up by 0.9%.
- A disaggregation of the manufacturing data indicates that the food and beverage sector, as well as the motor vehicle and parts category, were primarily responsible for the quarter-on-quarter seasonally adjusted lift. Combined they added 2.0% points, on the back of growth of 3.4% qqs and 11.1% qqs respectively. Conversely petroleum and chemical products' output fell by -4.0% qqs and based on its significant weighting in the manufacturing basket, detracted -0.8% points from the outcome.
- Advance indications provided by the Absa PMI manufacturing survey for May indicate that business activity picked up again in May, boosted by new sales orders, recovering April's losses. However, worryingly prospects with respect to future business conditions declined, despite circumstances improving. Concerns around a "renewed virus-induced change in spending behaviour by consumers and firms" hindering demand as the third wave builds, was cited as a probable explanation by the BER. Additionally, rotational load shedding continues to cloud sentiment.
- Eskom's Energy Availability Factor which shows the utility's available output to the grid for consumption versus its total potential capacity has been below 70% since Q3.20, with Q2.21 showing plant performance at an EAF of closer to 64% (data to early June). Indeed, unreliable electricity supply remains one of the biggest downside risks to economic growth domestically.

Figure 2: Key growth rates in the volume of manufacturing production

| | March 2021 | April 2021 |
|---------------------------------------|------------|------------|
| Year on year % | 5.2 | 87.9 |
| Month on month %, seasonally adjusted | 3.7 | -1.2 |
| 3-month %, seasonally adjusted | 0.4 | 0.9 |

Source: Stats SA

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