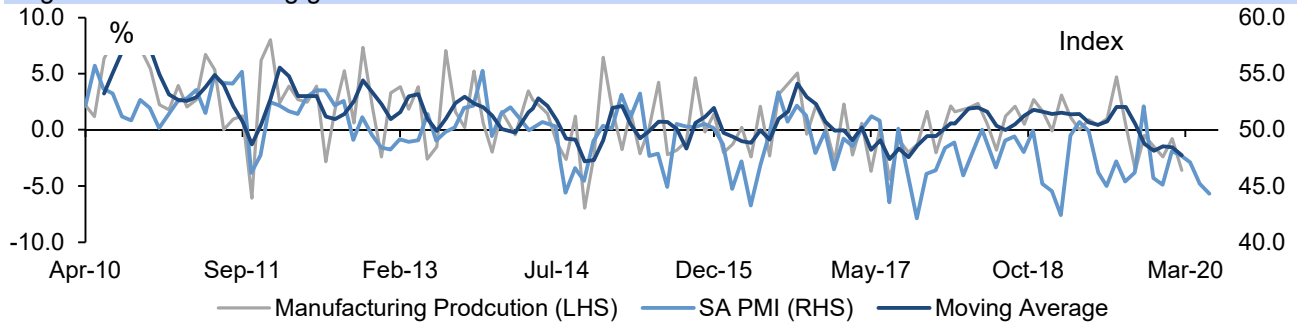




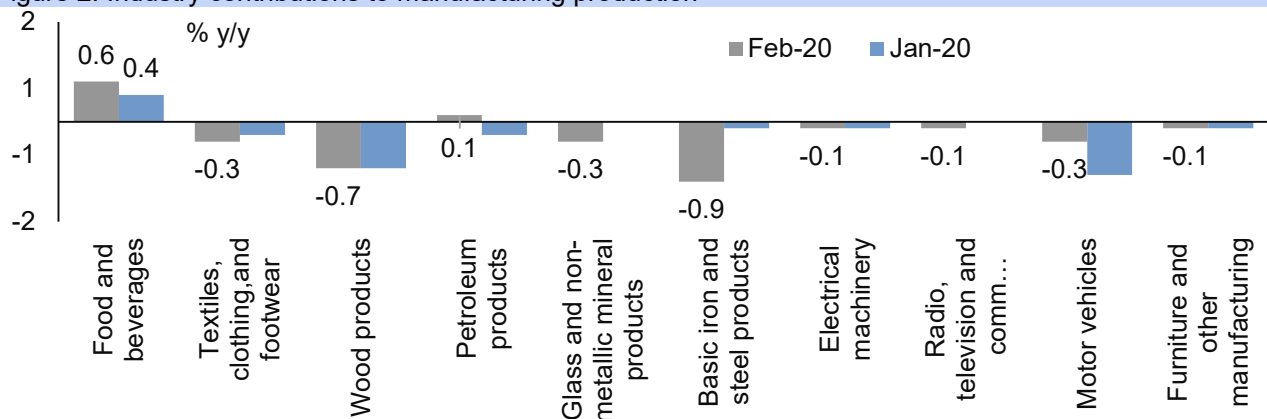
Figure 1: Manufacturing growth vs Absa PMI\*



\*seasonally adjusted, Source: BER, Stats SA

- Manufacturing production contracted by a further 2.1% y/y in February, following January’s 1.8% y/y (revised) decline. This is the ninth consecutive monthly contraction in manufacturing activity (on a y/y basis) and is reflective of SA’s delicate economic situation, underpinned by weak demand as household balance sheets remain constrained, aggravated by elevated unemployment rates. Additionally, electricity supply disruptions in February continued to hinder production.
- February’s reading does not however reflect the devastating global impact of the lockdown containment measures enforced to limit the spread of the Covid-19 pandemic and flatten the curve, which has devastated the South African economy. Indeed, the economy is projected to contract by more than 10% y/y this year.
- An analysis of February’s underlying data indicates that the decrease in production was largely broad based, with only the food and beverages and petroleum, chemical, rubber and plastic product categories registering gains.
- Food and beverage production increased by 2.2% y/y in February, contributing 0.6% to the headline result. While demand has waned considerably, production of most foodstuffs, deemed essential, has continued throughout lockdown, making this sector relatively less vulnerable.
- Conversely, the basic iron ore and steel sector, together with the wood and wood products grouping detracted 1.6% from the topline reading, on the back of production declines of -4.8% and -6.3% respectively.
- “Even before the COVID-19 outbreak arrived on South African shores and led to (partial) lockdowns in many other global economies, manufacturers were already pessimistic about business conditions going forward,” according to the BER. Their latest Q1.20 manufacturing survey indicates that manufacturing business confidence fell by 7 index points to 17, “(b)ack at close to all-time low levels,” with a net majority of survey respondents expecting business conditions to deteriorate in 12 months’ time.

Figure 2: Industry contributions to manufacturing production



Source: Stats SA, Investec

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## Manufacturing update: Manufacturing activity continued to contract in February, sliding by a further 2.1% y/y

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