Manufacturing

First quarter 2023

Executive summary

The South African (SA) manufacturing sector experienced a tumultuous 2022, with numerous shocks and load-shedding keeping the sector from generating any real recovery momentum. The latest Absa Manufacturing Survey[1] results suggest that the sector continued to struggle in the first quarter of 2023. Business confidence among manufacturers fell by a significant 9 points to 17 in 2023Q1. This is the most pessimistic respondents have been since the strictest phase of the COVID-19 lockdown in the first half of 2020.

The burden of load-shedding on production, costs and confidence is a key feature of the Q1 survey results. Indeed, the index measuring the seriousness of the constraint that the general political climate poses on business conditions rose to a record high of 91 in Q1. This index is likely impacted by load-shedding, water shortages and other service delivery failings. Continued friction at the local ports is also concerning to many respondents.

Domestic sales declined for a fourth straight quarter, but selling price inflation remained fairly high. On the export front, selling price inflation also remains high, while volumes dipped further.

Amid a slowdown in demand and intensive load-shedding, production took a turn for the worse. A seasonally adjusted net majority of 23% reported a decline in production volumes compared to the same quarter last year.

The average total production cost per unit remained very high, with the indicator at 85 compared to a long-term average of 60. Many of the respondents explicitly report on the cost of load-shedding, either in lost production or in the form of diesel purchases to run generators, in their commentary on the survey.

After two quarters of slight net majorities reporting an increase in fixed investment, a net 15% reported a decline in fixed investment levels relative to 2022Q1. The picture for investment going forward also looks bleak. A net 13% expects a decline in fixed investment in 12 months' time, with respondents being particularly downbeat about investment in additions.

Despite the current environment already being so challenging, a net majority of 45% expects business conditions to worsen further in twelve months' time.

[1] The survey was conducted between 8 and 27 February 2023.

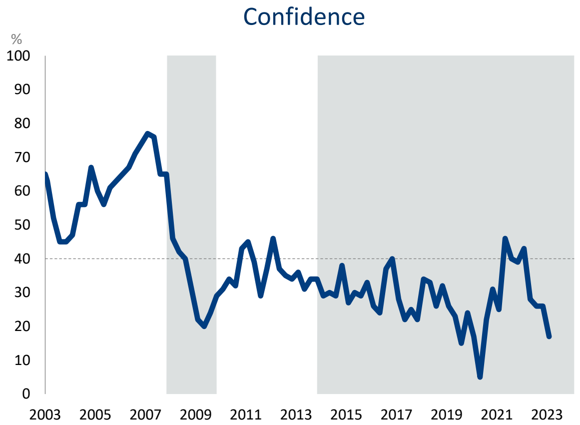
This report was completed on 17 March 2023.

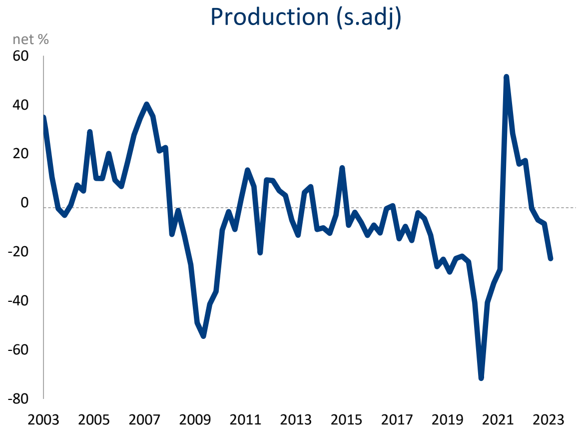
Please refer to the glossary on the BER's website for explanations of technical terms.

Survey results

Manufacturing: total[2]

Indicator	Unit	μ-σ	μ	μ+σ	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	Δ	σ Δ
Confidence	%	22	38	54	46	40	39	43	28	26	26	**17**	-9	7
Activity & prices														
Production	Net %	-27	-5	17	44	25	22	22	-10	-10	-3	**-18**	-15	17
Seasonally adjusted	Net %	-26	-5	17	51	28	16	17	-2	-7	-8	**-23**	-15	16
Employment	Net %	-28	-15	-2	1	-6	2	-7	-4	-14	-11	**-17**	-6	9
Average hours worked / worker	Net %	-28	-13	2	25	-1	1	0	-9	-16	-16	**-20**	-4	12
Domestic sales	Net %	-31	-7	17	38	14	26	14	-16	-7	-5	**-17**	-12	17
Domestic selling prices	Net %	15	30	45	56	35	55	55	52	52	48	**50**	2	12
Export sales	Net %	-32	-15	1	26	0	17	14	-6	5	-11	**-13**	-2	14
Export selling prices	Net %	-7	15	36	43	23	51	48	44	50	50	**43**	-7	13
Production costs	Net %	44	60	76	61	70	81	67	76	81	89	**85**	-4	12
Stocks & investment														
Finished goods rel. to demand	Net %	1	10	18	-8	-4	-9	-14	-1	5	1	**-4**	-5	7
Smoothed	Net %	3	10	17	-6	-7	-9	-8	-3	2	1	**-2**	-3	5
Capacity underutilisation	%	65	72	79	61	67	61	65	64	68	68	**74**	6	5
Smoothed	%	66	72	78	66	63	64	63	66	67	70	**71**	1	4
Fixed investment	Net %	-13	2	16	10	-5	7	13	-5	1	2	**-15**	-17	10
Constraints														
Insufficient demand	Net %	54	62	70	55	57	51	54	58	58	65	**61**	-4	5
Political climate	Net %	42	61	80	72	84	79	77	78	76	83	**91**	8	6
Expected in 12 months														
Business conditions	Net %	-31	-11	9	6	2	-9	-5	-17	-20	-29	**-45**	-16	15
Smoothed	Net %	-28	-11	6	-5	0	-4	-10	-14	-22	-31	**-37**	-6	12
Fixed investment	Net %	-14	1	15		3		16		-6		**-13**	-7	13

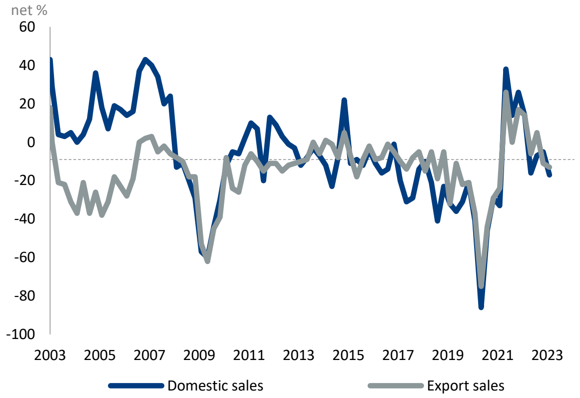




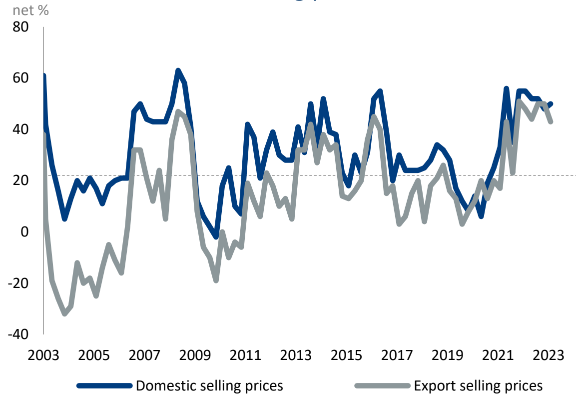
[2] The total consists of 1) food & beverages, 2) textiles, clothing, leather & footwear, 3) wood, paper, printing & publishing, 4) chemical products, rubber & plastics, 5) glass & non-metallic mineral products, 6) basic metals, metal products & machinery, 7) electrical machinery, radio, TV and professional equipment, 8) motor vehicles, parts & transport equipment and 9) furniture & other. Although the BER covers the electrical machinery etc. sector and includes it in the total, it does not publish the results of this sector separately. The BER does not cover petroleum refining (which is part of the chemical etc. sector) and scrap metal (which is part of "other") and they are therefore not included in the total.

μ – average
σ – standard deviation
Δ – change from previous period
σΔ – volatility (standard deviation of the changes)
All of the above calculated over the last 20 years
See technical note in the Manufacturing Survey report for further details.

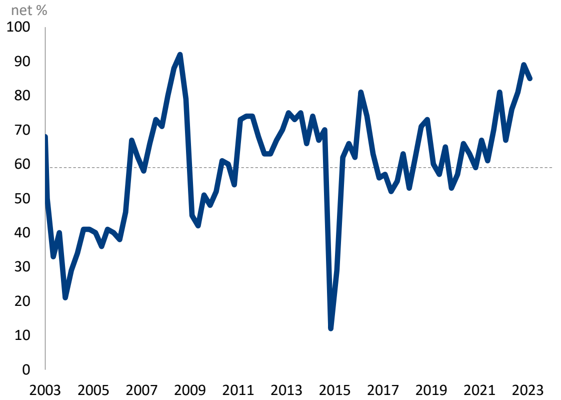
Sales



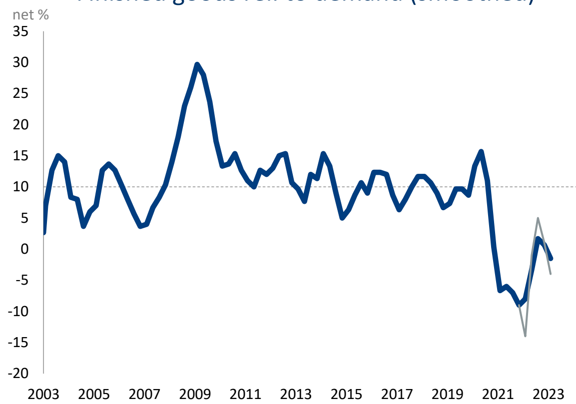
Selling prices



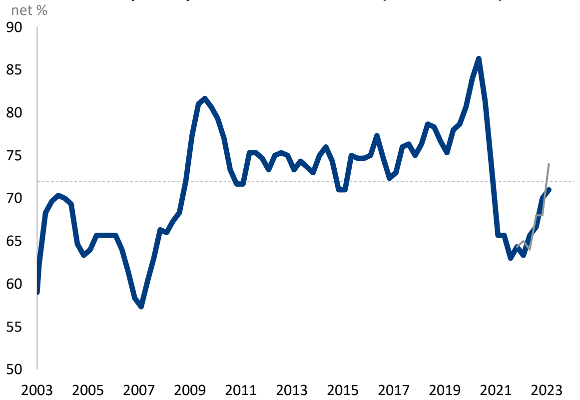
Production costs



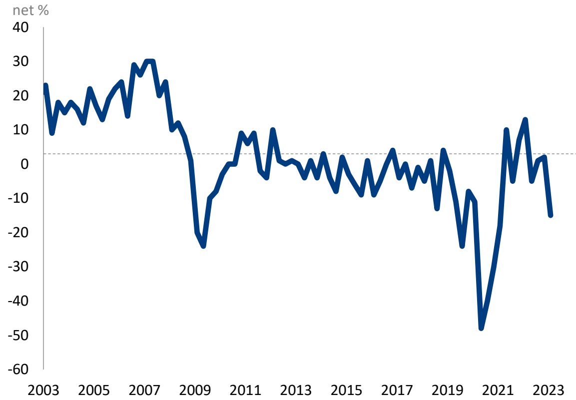
Finished goods rel. to demand (smoothed)



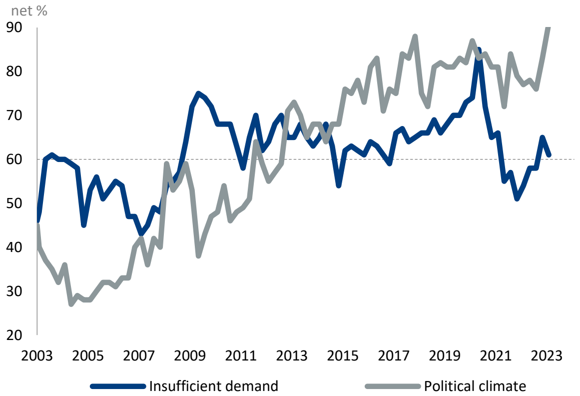
Capacity underutilisation (smoothed)



Fixed investment



Constraints



Expected in 12 months' time

μ – average
σ – standard deviation
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