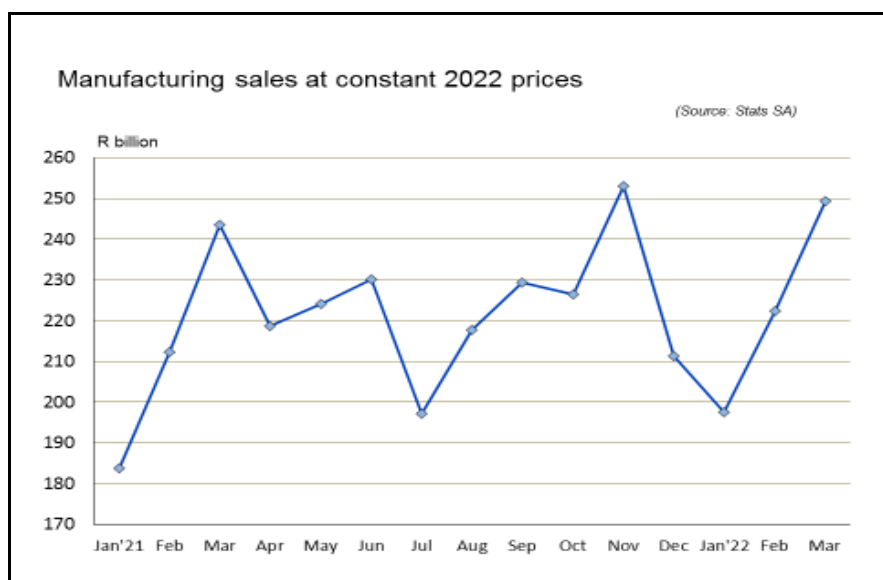


ALL-TIME RECORD FOR MANUFACTURING SALES

By Dr Roelof Botha, Joint Managing Director, GOPA Group SA (18 May 2022)

In March, South Africa's manufacturing sector recorded its highest ever level of sales (at current prices). At R249-billion, the March sales figure was marginally higher than the previous record, set in November last year. When adjusted for inflation, the March sales figure is the second highest on record.

During the first quarter of 2022, total manufacturing sales amounted to R664-billion, eclipsing the sales of the first quarter of last year by 11% (in nominal terms) and by almost 5% in real terms. The latest manufacturing sector data confirms the upbeat trend of the Absa/BER purchasing managers' index (PMI) for manufacturing. This key barometer of economic conditions has been running above the neutral 50-mark for 19 of the past 20 months – the only exception being the politically motivated unrest in KwaZulu/Natal in July last year.

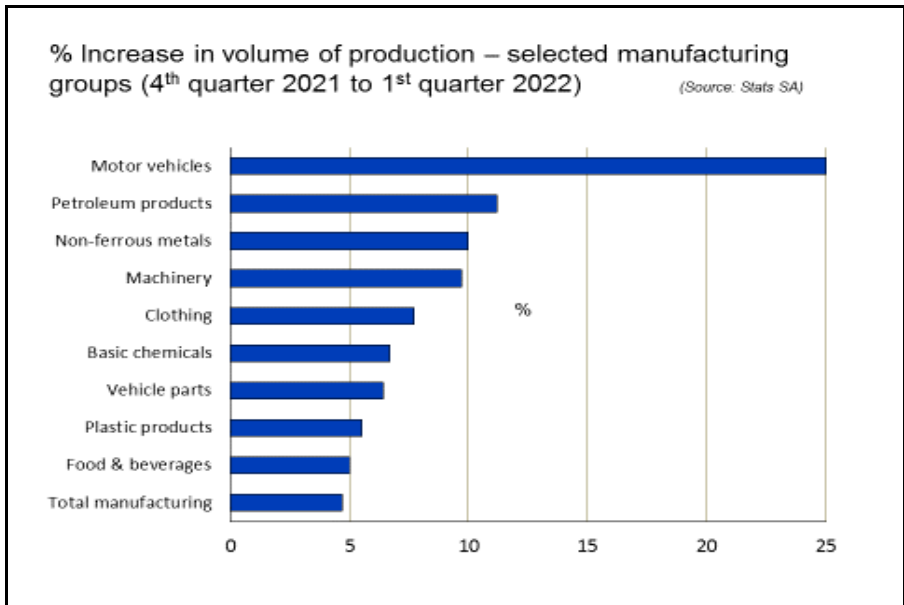


In volume terms, manufacturing output also enjoyed a stellar first quarter of the year, with the groups for motor vehicles and petroleum products recording double-digit quarter-on-quarter growth rates. Other manufacturing groups that managed to beat inflation by a comfortable margin include food & beverages, plastic products, basic chemicals, clothing, and machinery & equipment.

The latter group recorded quarter-on-quarter growth of just below 10% in volume terms, which is a clear indication of robust levels of capital formation in the economy and, as an inference, of sustained economic growth.

The positive trends in South Africa's manufacturing sector are to some extent also reflected in a growing number of JSE-listed companies that are churning out excellent financial and operational results. They include:

- Technology company Altron, which has posted a 37.8% increase in headline earnings per share



- Property developer Balwin Properties, which increased its profit for the financial year ended February by 15%, while revenue increased by 16% to R3.1-billion
- Property development company Calgro M3, which increased group revenues by 50.3% to R1.32-billion for the financial year ended February, due mainly to high demand for and sales of affordable housing units
- Integrated poultry producer Astral, which increased its revenue for the six months ended March 31 by 26.5% year-on-year to R9.4-billion, while its net profit from continuing operations increased by 145%
- Construction and engineering company Raubex, which has posted a 159% year-on-year increase in its operating profit to R945-million. The roads and earthworks division of Raubex enjoyed a welcome run at full capacity during its latest financial year and currently boasts an order book standing at more than R10-billion – an indication of progress with government’s infrastructure programme.

Manufacturing remains a key sector of the economy, representing more than 13% of total value added and also making a hefty contribution to South Africa’s export earnings. Although its contribution to GDP has declined marginally over the past two decades, this trend can be attributed to China’s aggressive trade strategy, whereby goods are exported to all corners of the globe at subsidised prices (including South Africa) without any regard for the rules of the World Trade Organisation.

Hopefully, part & parcel of government’s new commitment to incentivising private sector activity will also involve policies aimed at curbing cheap, subsidised imports from China (also called “dumping”), preferably in the format of modest quotas.

Such a step would not make the faintest dent in China’s export volumes, whilst providing a welcome expansion of capacity utilisation in domestic manufacturing industries.