

Strikes slow August manufacturing growth

Manufacturing production growth moderated significantly in August, reflecting the results of strike action in vehicle manufacturing sectors and supporting views third quarter economic growth will be weaker than the second quarter's.



Manufacturing production rose 0.2% year-on-year (y/y) in August from an upwardly revised 5.5% (5.4%) y/y increase in July, Statistics SA data published on Thursday (10 October) showed.

Output fell to a seasonally adjusted 3.6% between July and August following a 5.0% month-on-month increase before that.

While the basic iron and steel; wood and wood products; and petroleum, chemical products, rubber and plastic products contributed positively to the year on year increase in manufacturing, the motor vehicles, parts and accessories and other transport equipment division dragged the figures down.

It fell 25% and shaved off 2.3 percentage points from output as workers in vehicle manufacturing went on strike for higher wages in August, a strike that lasted into September. This strike was followed by another strike later in September by workers at component manufacturing companies.

Effects not fully felt

"The effects of the two strikes have yet to be fully felt," said Investec's economist Kamilla Kaplan.

"This combination is likely to be reflected in an even deeper contraction in the vehicle, parts and accessories and other transport equipment sub-sector in September and see another set of poor manufacturing data and growth in that month," she said.

Absa Capital economists said an ongoing strike at South African Breweries (SAB) was likely to weigh down output in the food and beverages sector.

"As such, we think that the impact of these strikes will be felt again in the September release and we expect further poor monthly output data," they said in a research note.

Seasonally adjusted manufacturing production for the three months ended August increased by 0.2% compared with the

previous three months.

Five of the 10 manufacturing divisions reported positive growth rates over this period, with the largest positive contributions made by wood and wood products, paper, publishing and printing; and basic iron and steel, non-ferrous metal products, metal products and machinery.

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