

Nedbank

Economic commentary

11 March 2010

MANUFACTURING

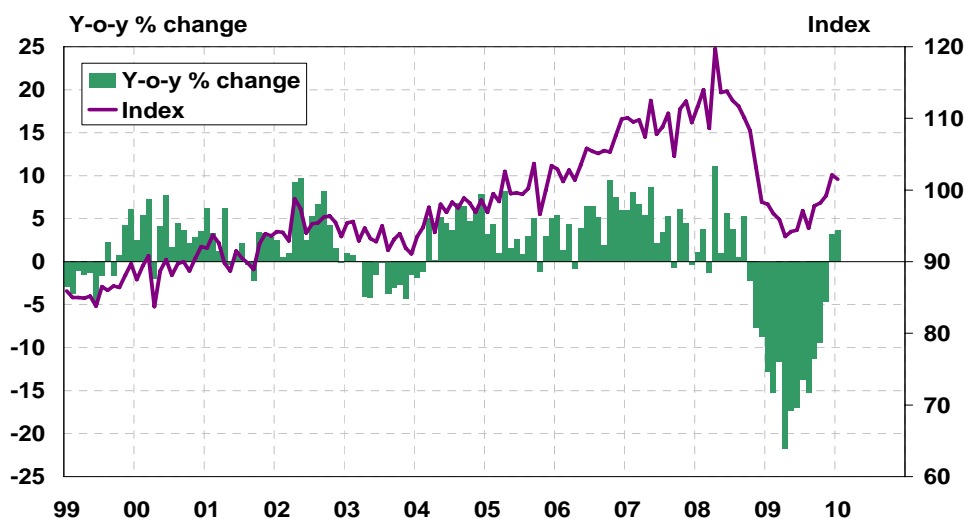
Manufacturing production remained firm in January after a strong December

- Improving local and global demand continued to support production
- Motor vehicles and parts remained the main driver of annual growth in manufacturing output
- The sustainability of the recovery in manufacturing production will be sensitive to developments in the global economy
- Interest rates are expected to remain unchanged until 2011

Latest (January 2010)

Total: 3,7% y-o-y (3,2% y-o-y in December)

Seasonally adjusted: -0,6% m-o-m (2,9% m-o-m in December)



COMMENT

Manufacturing production grew on for the second successive month an annual basis in January. Although the improvement reflects some base and seasonal effects, it also points to continued recovery in both local and global conditions. The motor vehicles and parts industry remained the main driver of growth in manufacturing production, with output rising by a 34,2% over the year following 32,3% increase in December. Production of basic iron and steel continued to increase (up by 13,1% y-o-y following a 10,3% growth in December) partly reflecting better demand from industrialized countries.

In contrast, production in seven of the ten major industrial categories remained weak, with output in 'textiles, clothing and footwear', 'glass and non-metallic mineral products' and 'radio, television and professional equipment' falling by 15%, 10% and 8,6% respectively on an annual basis, following drops of 12%, 3,5% and 11,1% in December.

Research

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Figure 2: Purchasing Managers Index (PMI)

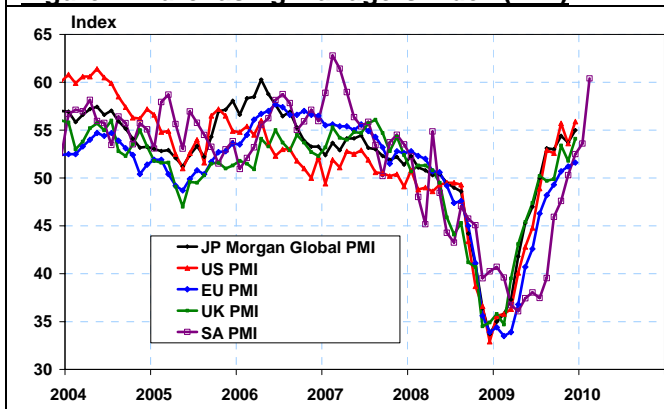
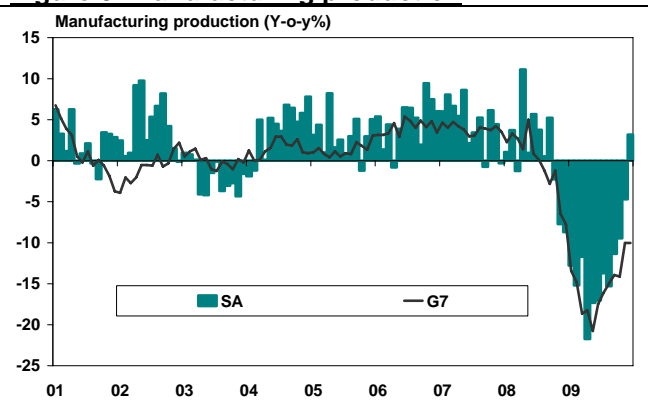


Figure 3: Manufacturing production



BREAKDOWN OF MANUFACTURING PRODUCTION - MAJOR CATEGORIES

Growth over the 3 months to January 2010

Industries	Y-o-y %	Industries	Q-o-q %
Motor vehicles, parts & accessories & other transport	19.0	Motor vehicles, parts & accessories & other transport	17.1
Iron, steel, non-ferrous and metal products, machinery	5.7	Other manufacturing	7.9
Food & beverages	2.1	Iron, steel, non-ferrous and metal products, machinery	5.4
Petroleum, chemicals, rubber & plastics	0.3	Total	4.2
Total	0.2	Petroleum, chemicals, rubber & plastics	3.7
Electrical machinery	-3.2	Textiles, clothing, leather & footwear	2.1
Other manufacturing	-5.1	Glass & non-metallic mineral products	1.8
Glass & non-metallic mineral products	-7.6	Electrical machinery	1.6
Radio, television & professional equipment	-8.6	Wood, paper, publishing & printing	0.3
Textiles, clothing, leather & footwear	-12.1	Food & beverages	0.0
Wood, paper, publishing & printing	-13.9	Radio, television & professional equipment	-8.5

OUTLOOK

Manufacturing production is expected to continue improving in the months ahead as the local and global recoveries gain momentum and companies restock in the face of better demand. Consumer demand is being helped by more stable employment conditions, the delayed effect of earlier interest rate cuts and improving confidence ahead of the 2010 FIFA World Cup. However, the overall environment remains relatively weak and vulnerable, with high debt levels and nervous credit markets impeding the upswing. The expected upward trend in manufacturing production has been underlined by the Kagiso purchasing manager's index, a leading indicator of manufacturing activity, which rose to 60,4 in February, its highest level since March 2007.

IMPLICATIONS

Today's manufacturing figures, combined with mining production numbers released earlier in the day suggest that the production side of the economy is on the mend. However, actual activity levels are still relatively low and the recovery is still vulnerable to setbacks. As a result, we still expect the MPC to keep rates on hold throughout 2010 even as inflation edges higher later in the year.

BREAKDOWN OF MANUFACTURING PRODUCTION			
Growth over the 3 months to January 2010			
Industries	Y-o-y %	Industries	Q-o-q %
Vehicle parts & accessories	48.9	Basic iron & steel	17.4
Plastic	23.9	Knitted clothing articles	14.4
Leather	14.8	Leather	12.9
Food processing	8.9	Vehicle parts & accessories	12.1
Petroleum	6.8	Wood products	8.6
Other transport	5.3	Bodies for motor vehicles	8.6
Other food	2.8	Other manufacturing	8.5
Motor vehicles	2.8	Furniture	5.6
Grain mill products	1.0	Other transport	5.5
Dairy products	1.0	Plastic	4.8
Beverages	0.5	Textiles	4.7
Total	0.2	Petroleum	4.5
Glass	-2.4	Rubber	4.2
Other manufacturing	-3.0	Total	4.2
Electrical machinery	-3.2	Other chemicals	3.9
Footwear	-3.3	Metal products	3.2
Knitted clothing articles	-3.7	Glass	2.9
Non-ferrous metals	-3.7	Food processing	2.7
Rubber	-4.5	Other fabricated metal products	2.5
Other chemicals	-5.7	Household appliances	2.3
Radio, TV & professional equipment	-8.6	Beverages	1.7
Household appliances	-9.0	Electrical machinery	1.6
Wood products	-9.4	Basic chemicals	1.5
Other non-metallic products	-9.5	Other non-metallic products	1.5
Printing	-11.1	Other textiles	1.3
Other textiles	-11.8	Grain mill products	1.2
Furniture	-12.0	Non-ferrous metals	-0.2
General machinery	-12.7	Printing	-0.4
Bodies for motor vehicles	-12.9	General machinery	-0.5
Paper	-14.2	Dairy products	-0.8
Other fabricated metal products	-14.7	Paper	-0.9
Metal products	-15.2	Publishing	-0.9
Special machinery	-15.3	Footwear	-1.1
Basic chemicals	-15.9	Clothing	-1.2
Wood preparation	-15.9	Wood preparation	-1.5
Clothing	-17.8	Other food	-3.4
Publishing	-18.5	Special machinery	-4.6
Textiles	-23.2	Radio, TV & professional equipment	-8.5

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