



## MANUFACTURING CIRCLE INVESTMENT TRACKER

A quarterly index tracking investment spending in the manufacturing sector

The Manufacturing Circle Investment Tracker, or MCIT is an index tracking investment spending trends in the manufacturing sector on a quarterly basis. Compiled by Nascence Advisory and Research on behalf of The Manufacturing Circle, the tracker has a focus on manufacturing enterprises in order to develop industry and economic insights.

The Manufacturing Circle Investment Tracker is based on surveyed responses to manufacturing enterprises on a number of questions directed towards examining enterprise investment decisions and trends. The enquiry includes questions on investment spending on Property, Plant and Equipment, Research and Development, and Human Capital. It also assesses Inventory levels.



### Q3 2016 Summary findings and outlook

In the third quarter of 2016, investment by surveyed manufacturing enterprises recorded 70.3 points, considerably above the neutral 50 points. An MCIT level above 50 points indicates expansion in investment spending by manufacturing enterprises, while a level below 50 points means contraction.

Results for the third quarter (Q3) of 2016 show that manufacturing continues to show resilience as a sector.

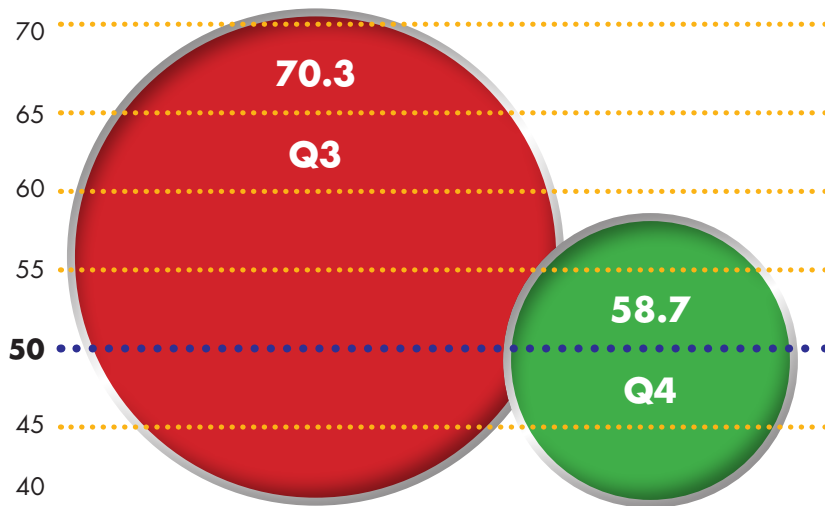
Plant and equipment as a component was the largest contributor to the expansion of the index in the third quarter. This was followed by inventory levels, which is an important contributor to the index and highlights demand conditions and expectations.

Surveyed manufacturers indicated that their spending on investment was within planned budgets, suggesting that actual operating conditions in the sector were conducive to implementation of plans.

These positive results were seen by responding manufacturers to reflecting the following developments:

- The weaker exchange rate is encouraging an increase in exports;
- Increased emphasis in localisation placed by Government and Quazi- Government customers; and
- The MCEP programme has also encouraged investment in manufacturing.

# MCIT COMPOSITE INDEX



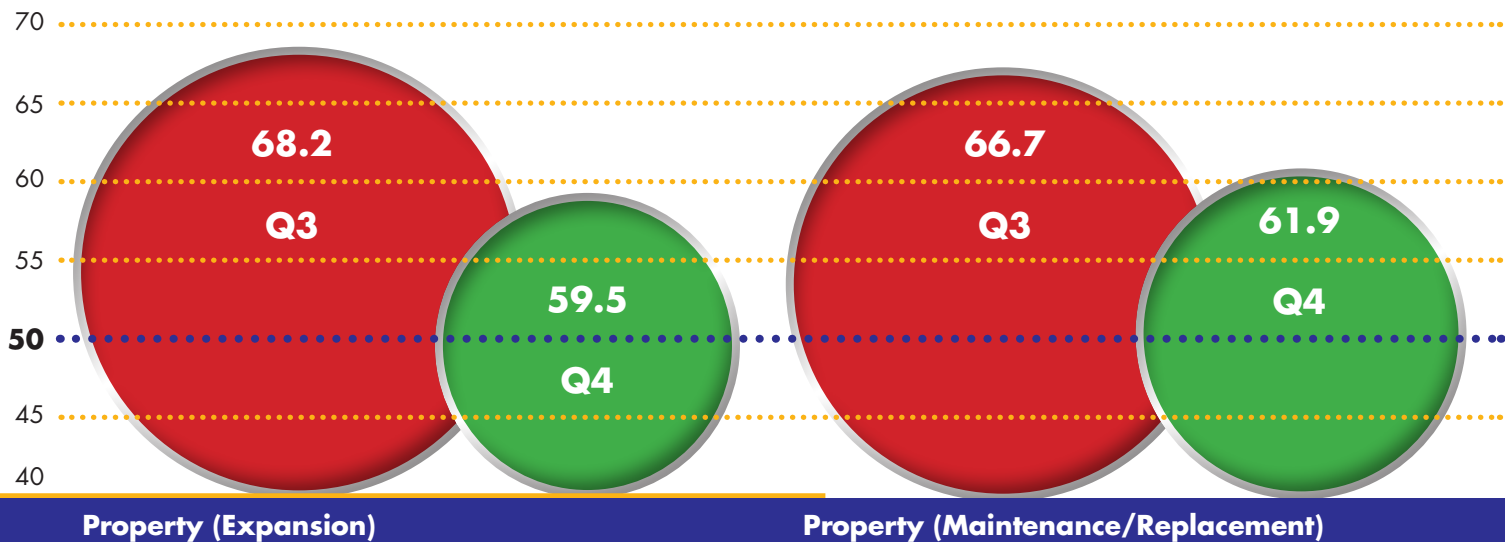
**MCIT Composite Index**

Looking ahead into the next quarter (Q4 2016), although the index shows expansion in enterprise investment spending, it does so at a lower level. Inventory reflects contraction, becoming the biggest detractor to expansion in the coming quarter. This reflects destocking by manufacturers as they move into the final quarter of the year.

## SUB-CATEGORIES

### Property (Buildings)

The Property (building) sub-component showed a strong positive reading in Q3, recording a level of 68.2 points for spending in Expansion, while spending on Maintenance recorded 66.7 points. This can be attributed to the need to expand capacity to meet growing demand. However, looking into Q4, spending on Expansion falls by 8.7 points, while spending on Maintenance and Replacement falls by 4.8 points to 61.9.



# SUB-CATEGORIES

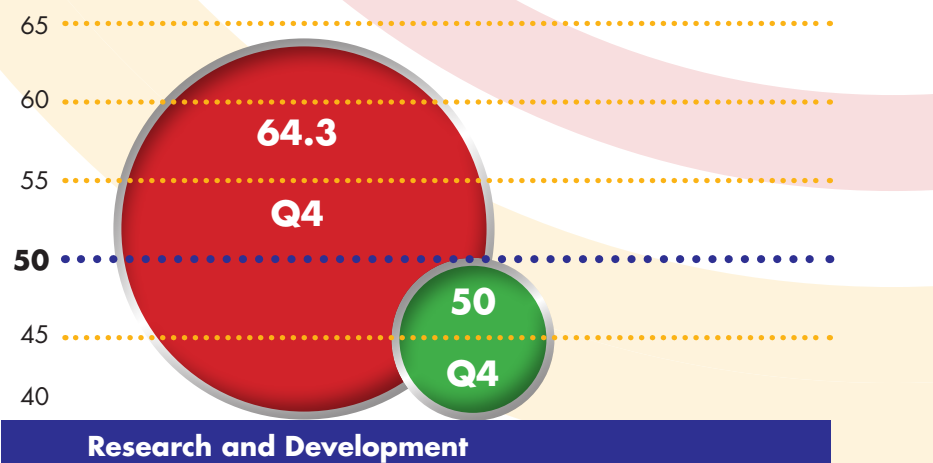
## Plant and Equipment

Spending on Plant and Equipment expansion recorded a strong 68.2 points, above Maintenance and Replacement, suggesting a need for increased manufacturing capacity. However, expectations painted a strong downward trend. In the fourth quarter, spending on Expansion is expected to fall 15.9 points - the highest decline within the MCIT subcomponents.



## Research and Development

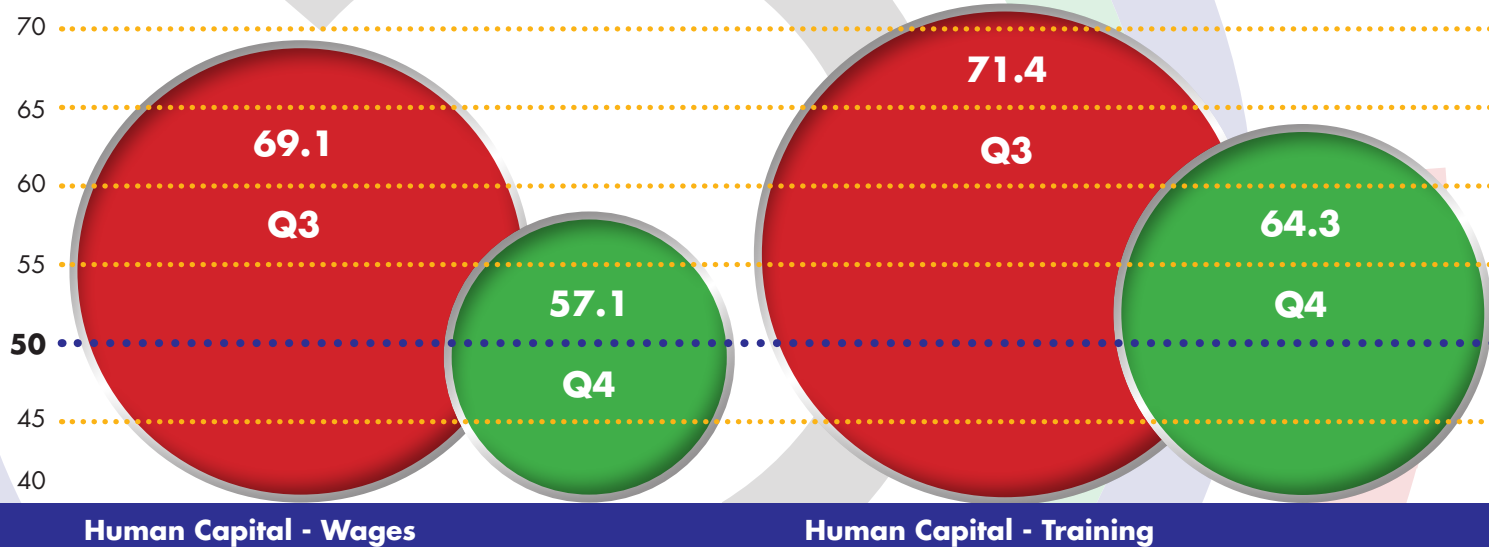
Spending on Research and Development recorded a strong 64.3 points over the third quarter as manufacturers focused on looking for ways to improve process and productivity. More than any of the other segments, this indicates plans for manufacturers to modernise and stay competitive. However, moving into the fourth quarter, manufacturers expect spending on Research and Development to stay unchanged, recording a neutral 50 points.



# SUB-CATEGORIES

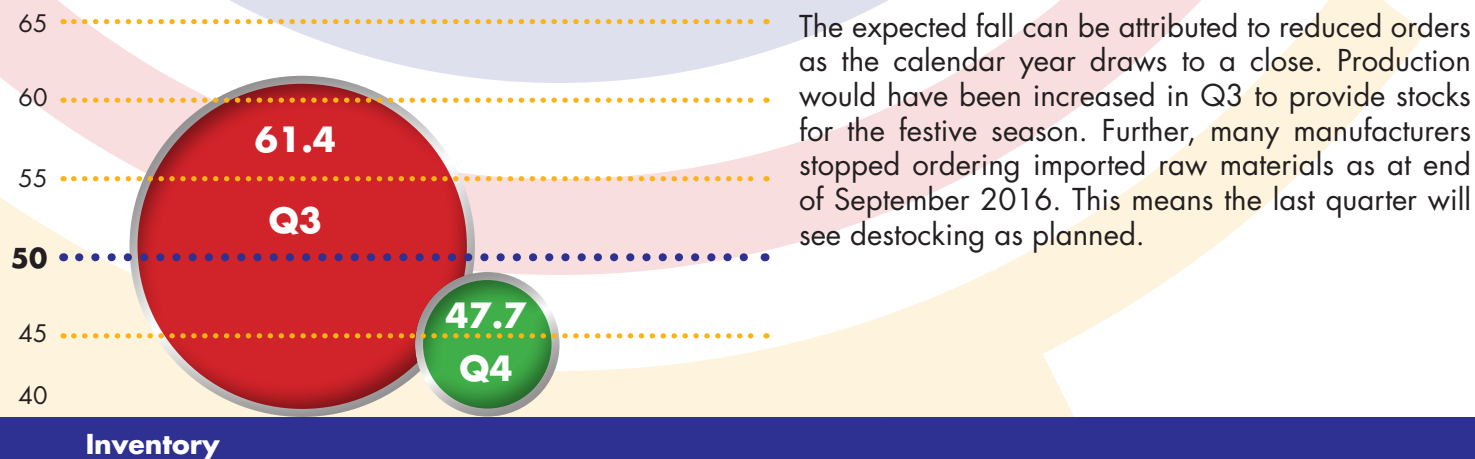
## Human Capital

The Human Capital index, reflecting spending on people (Wages and Training) recorded a strong expansion, with the level at a high 69.1 points. This suggests rising levels of employment in the manufacturing sector, consistent with the drive to expand capacity. The Human Capital sub-index is expected to decline by -12.0 points in terms of Wages, while Training and Development -7.1 points in Q4. While expansion in employment is still expected, it will be at a much slower pace in the final quarter.



## Inventory

Inventory levels recorded marked expansion, recording 61.4 points in Q3. However, Q4 is expected to show a strong decline of 13.7 to 47.4 index points. The Inventory index falls below the neutral 50-point mark suggesting a contraction. This reflects destocking by manufacturers as they move into the final quarter of the year.



The expected fall can be attributed to reduced orders as the calendar year draws to a close. Production would have been increased in Q3 to provide stocks for the festive season. Further, many manufacturers stopped ordering imported raw materials as at end of September 2016. This means the last quarter will see destocking as planned.

Research and Analysis



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Funding and Support



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