



MANUFACTURING CIRCLE

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**Manufacturing Circle
Investment Tracker**

MCIT Q4 2017

12 March 2018





Background

- Quarterly index tracking investment trends in the manufacturing sector
- Actual expenditure patterns in property (land and buildings), plant and equipment, inventory, human capital and research and development

Dominant subsectors among surveyed firms in Q4 2017

- basic iron and steel, non-ferrous metal products; metal products and machinery (32%);
- motor vehicle, parts and accessories and other transport equipment (25%);

Regional Representation

- Gauteng (43%), Eastern Cape (14%), Kwa Zulu Natal (11%), Western Cape (11%).





Key Findings

- MCIT 4Q rose by 3 index points to 63 indicating an expansion in investment, mainly in new property and also salaries and wages.
- Expansion in new property is a reflection of optimism in the economy.
- Higher expenditure in salaries due to firms hiring more temporary workers to meet increased demand at this time of the year.

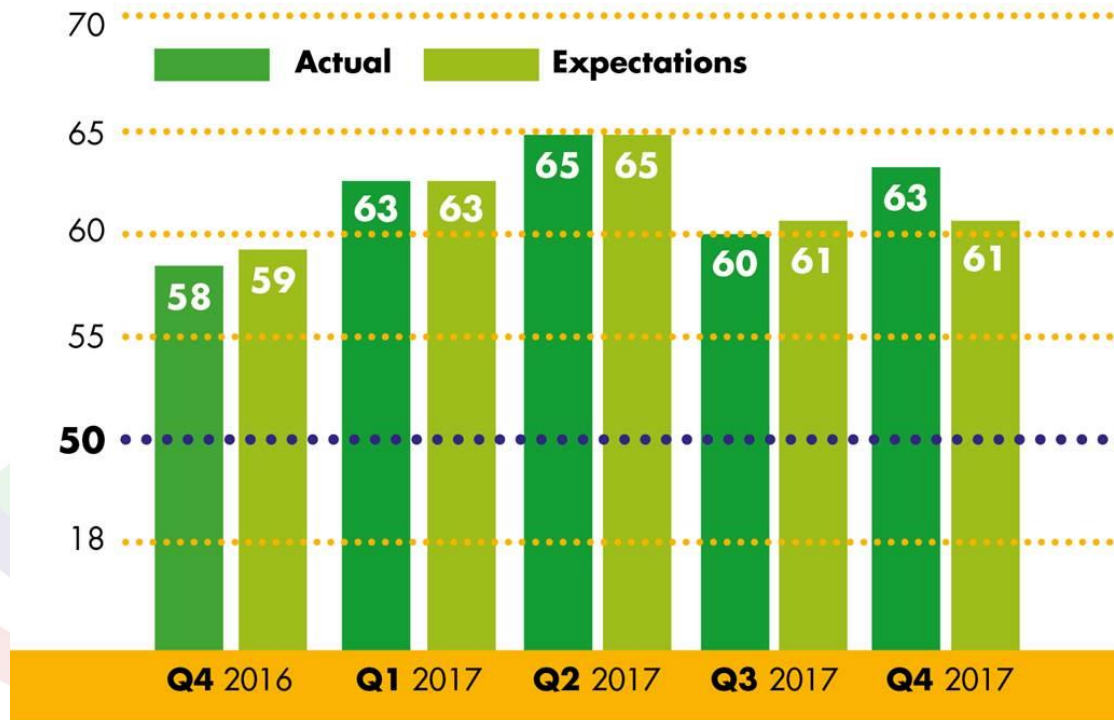


Composite Index: Q4 2016 - Q4 2017



In the period from Q4 2016 to Q4 2017, the composite index has consistently been above the neutral 50-point mark, indicating an increase in overall investment by manufacturing firms.

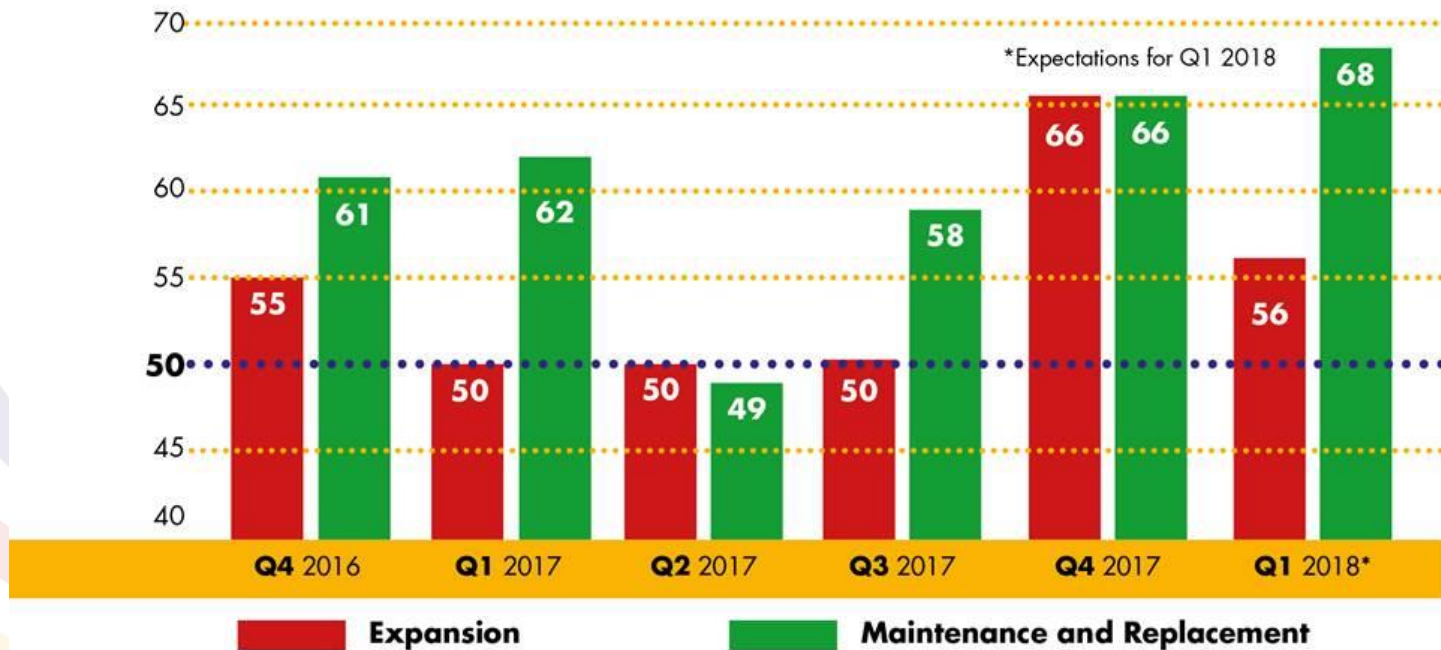
Composite Index: Actual vs Expectations



From Q4 2016 to Q4 2017, actual MCIT has been close to or equal to forecasts, reflecting the resilience of firms surveyed, mostly large, who have the skills and resources to budget accurately and respond to external circumstances.

Sub-index

1. Property (Land and Buildings)

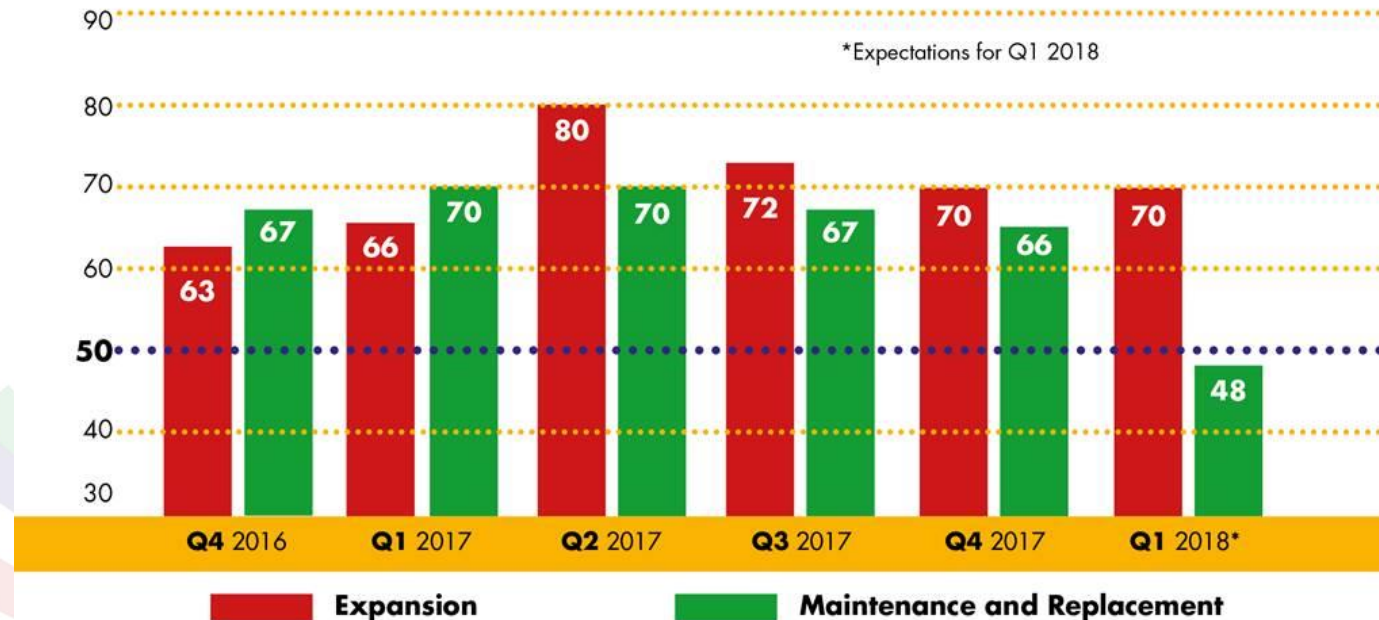


There was a 16 point increase in the spending on property expansions from Q3 2017, while maintenance recorded an 8 point increase.

Expenditure on both property expansion and maintenance is expected to remain above the 50 point mark in Q1 2018.

Sub-index

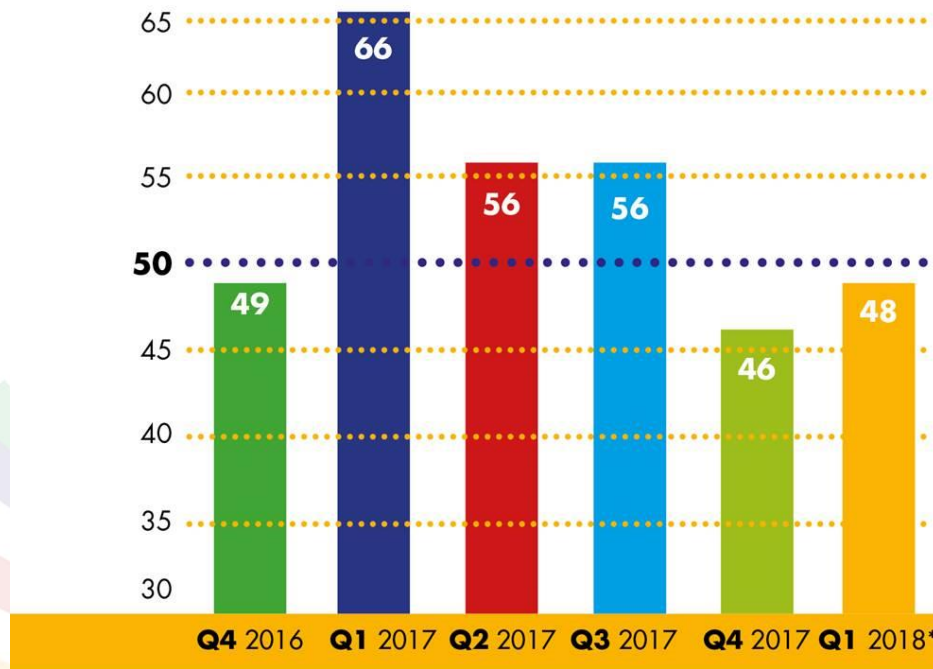
2. Plant and Equipment



There were slight drops in the index recordings for both the expansion and maintenance of plant and equipment in Q4 2017, but crucially remaining above the 50 point mark.

Firms expect to increase spending on expansion in Q1 2018 at same rate as Q4 2018, while maintenance is likely to fall below the 50 point mark.

Sub-index

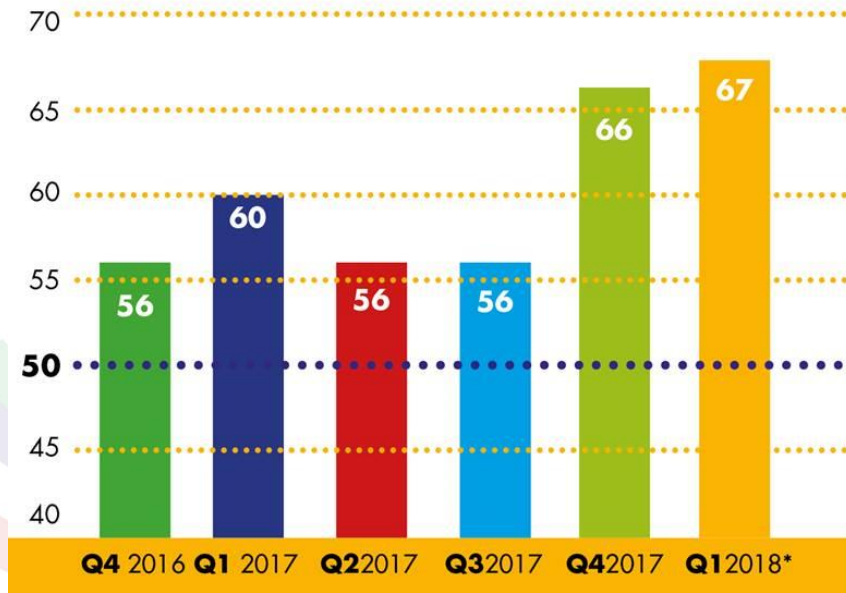
3. Inventory

*Expectations for Q1 2018

In Q4 2017, expenditure on inventories fell below the 50 point mark because higher sales in the fourth quarter tend to use up existing stock.

Firms expect the inventory index to rise slightly in Q1 2018 but still remain below the 50 mark.

Sub-index

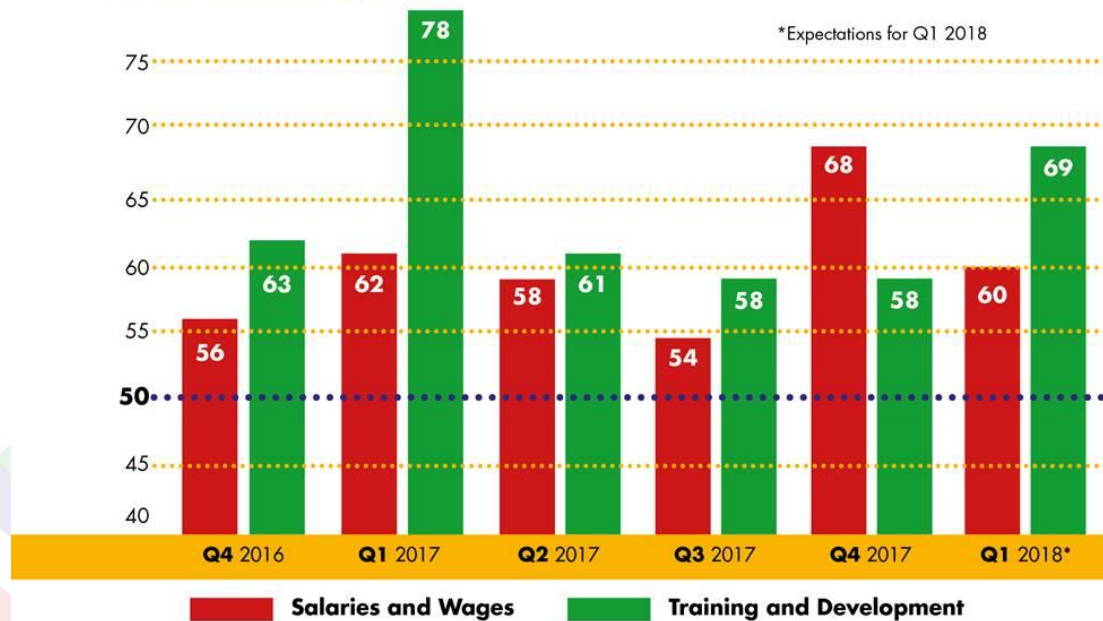
4. Research and Development

*Expectations for Q1 2018

The research and development index rose by 10 points in Q4 2017, with the surveyed manufacturing firms expecting to increase investment even further in Q1 2018, keeping the index significantly above the neutral 50 point mark.

Sub-index

5. Human Capital



Due to firms hiring more temporary workers to meet increased demand, the salaries index rose 14 points to 68 in Q4 2017, while the training index remained at 58. As the use of temporary workers will be discontinued, the salaries index is expected to drop in Q1 2018, while the training index is likely to rise as firms upskill their existing employees.



Philippa Rodseth
Executive Director

philippa@manufacturingcircle.co.za

www.manufacturingcircle.co.za



www.tips.org.za

