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Manufacturers rely on African markets

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AFRICA is emerging as a prime destination for South African manufactured goods exports.

A notable 26 percent of the manufacturing firms surveyed by the Manufacturing Circle reported that more than 80 percent of their total exports went to other African markets. This was the largest share of respondents in the "81 to 100 percent" bracket across all export regions in the survey by the association for manufacturers.

Because of the weakening rand and export demand from Africa, manufacturers said sales – both domestic and foreign – "were by and large good".

About 36 percent of surveyed firms reported that their export sales grew by more than 5 percent in the first quarter, up from 33 percent of respondents in the last quarter of 2012.

Only 26 percent experienced a decrease in export sales, compared with 35 percent in the previous quarter.

As exports to Africa grew, more than half of the manufacturing firms said they did not export to regions including Europe, the Americas, China, Japan and India.

"This shows that contrary to the belief that we are exporting more to Europe and other Western markets, we are relying mostly on the domestic market and African exports," said Coenraad Bezuidenhout, an executive director at the Manufacturing Circle.

The Manufacturing Circle surveyed 50 manufacturers with a turnover of less than R300 million and employing 500 or fewer workers. The circle's members include large firms like Aspen, Arcelor Mittal South Africa and Bell Equipment.

The survey showed that manufacturing conditions improved in the first quarter. This was in line with the spike in the Kagiso purchasing managers' index in February, which helped the index's quarterly average to breach the 50 points threshold separating growth in activity from contraction.

These conditions contributed to "stable" business confidence and a gain in manufacturing jobs. The survey results also showed that the majority of firms considered the government's local procurement programme important in growing their operations. Seventy-nine percent of them sourced 40 percent or more of their manufacturing inputs locally.

This explained why the sector added 23 000 new jobs in the quarter as reported by Statistics SA. The Manufacturing Circle said employment was likely to remain stable in the second quarter but the rebound in jobs seen in the first quarter could be short-lived.

About 34 percent of the manufacturers planned to reduce their workforce in the coming 12 months. Some said the influx of cheap imports from China was eroding their competitiveness and thus their ability to retain workers. But most cited increasing labour and other input costs, as well as increasing incidences of industrial action, as reasons they could not retain staff. They were now moving towards automating their operations.