

# Nedbank

## Economic commentary

8 January 2009

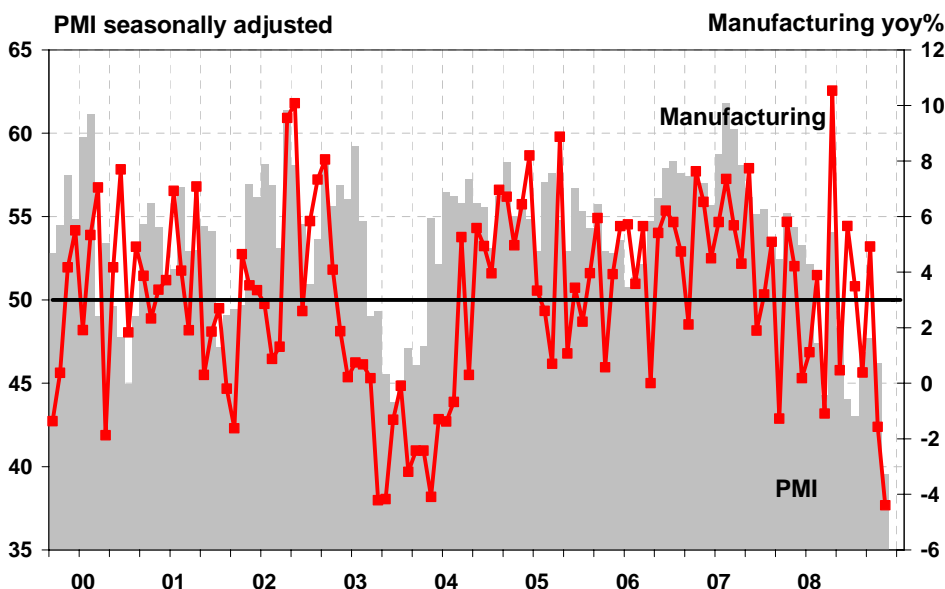
### MANUFACTURING

Manufacturing output declined further in November

Latest (November 2008)

Total: -4,4% y-o-y (-1,8% y-o-y in October : revised from -1,6%)

Seasonally adjusted: -3,0% m-o-m (-0,4% m-o-m in October)



### COMMENT

Weaker global and local economic activity continued to affect the production side of the economy in November 2008. Manufacturing output fell sharply over the month, with all of the ten major categories recording declines. However, the sharpest drop (down by 10,7%) was recorded in the 'motor vehicles, parts, accessories & other transport equipment' category.

On an annual basis, manufacturing production dropped at its sharpest pace since June 1999, also mainly dragged down by a decline in the 'motor vehicles, parts and accessories and other transport equipment' category. That category fell by 21,9% y-o-y, followed by 'basic iron & steel, non-ferrous metal products, metal products and machinery' as well as 'textiles, clothing, leather and footwear', down by 11,3% y-o-y and 6,7% respectively.

Over the three-month period to November 2008, manufacturing production declined by a seasonally adjusted 3,1% compared with the previous three months. However, manufacturing output increased by 2% in the first eleven months of 2008, compared with the same period in the previous year.

### Research

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<b>BREAKDOWN OF MANUFACTURING PRODUCTION - MAJOR CATEGORIES</b>			
<b>Growth over the 3 months to November 2008</b>			
<b>Industries</b>	<b>Y-o-y %</b>	<b>Industries</b>	<b>Q-o-q %</b>
Electrical machinery	8.7	Glass & non-metallic mineral products	4.5
Food & beverages	5.6	Food & beverages	1.5
Radio, television & professional equipment	5.3	Wood, paper, publishing & printing	1.2
Glass & non-metallic mineral products	2.8	Radio, television & professional equipment	1.1
Wood, paper, publishing & printing	2.6	Textiles, clothing, leather & footwear	-0.2
Petroleum, chemicals, rubber & plastics	2.3	Electrical machinery	-0.6
<b>Total</b>	<b>-0.7</b>	<b>Total</b>	<b>-3.2</b>
Other manufacturing	-1.1	Petroleum, chemicals, rubber & plastics	-4.4
Textiles, clothing, leather & footwear	-4.5	Other manufacturing	-5.4
Iron, steel, non-ferrous and metal products, machinery	-7.8	Iron, steel, non-ferrous and metal products, machinery	-7.4
Motor vehicles, parts & accessories & other transport	-8.1	Motor vehicles, parts & accessories & other transport	-7.7

## OUTLOOK

Manufacturing will remain under pressure over the next few months, hampered by weak final demand in both the export and domestic markets. Export markets will be hit by recessions in key destination countries. Domestically, consumer spending, particularly on durable and semi-durable goods, will be hampered by weak consumer confidence, poor employment prospects and high household debt levels. The November Investec Purchasing Manager's Index (PMI) also suggests that conditions will remain tough. It fell to its lowest level since the commencement of the survey in September 1999.

## IMPLICATIONS

The latest manufacturing production figures provide further evidence of a weaker economy in the fourth quarter of 2008. The economy is expected to deteriorate further in the first half of this year. This, combined with the deflationary environment globally, makes it likely that the MPC will continue relaxing monetary policy at each of its meetings in 2009, resulting in a cumulative 300 basis points decline in the prime lending rate to 12% by year end.

<b>BREAKDOWN OF MANUFACTURING PRODUCTION</b>			
<b>Growth over the 3 months to November 2008</b>			
<b>Industries</b>	<b>Y-o-y %</b>	<b>Industries</b>	<b>Q-o-q %</b>
Basic chemicals	23.0	Glass	14.7
Glass	19.4	Beverages	3.6
Paper	13.9	Clothing	3.3
Bodies for motor vehicles	13.6	Wood products	3.0
Beverages	11.1	Printing	2.9
Other chemicals	8.9	Household appliances	1.8
Electrical machinery	8.7	Special machinery	1.7
Food processing	7.4	Other chemicals	1.5
Radio, TV & professional equipment	5.3	Other transport	1.5
Grain mill products	5.2	Paper	1.3
Knitted clothing articles	4.3	Grain mill products	1.1
Dairy products	3.1	Food processing	1.1
Other transport	3.0	Radio, TV & professional equipment	1.1
Other fabricated metal products	1.4	Non-ferrous metals	0.7
Other food	1.1	Dairy products	0.7
Special machinery	0.7	Other food	0.2
Footwear	-0.2	Other fabricated metal products	-0.1
Household appliances	-0.2	Textiles	-0.1
Other manufacturing	-0.4	Footwear	-0.3
<b>Total</b>	<b>-0.7</b>	Publishing	-0.4
Plastic	-0.8	Other non-metallic products	-0.5
Clothing	-1.4	Electrical machinery	-0.6
Printing	-1.8	Wood preparation	-1.1
Rubber	-2.3	Knitted clothing articles	-1.4
Furniture	-2.6	Basic chemicals	-2.1
Motor vehicles	-4.7	Plastic	-2.9
Other non-metallic products	-4.9	<b>Total</b>	<b>-3.2</b>
Wood preparation	-5.7	Rubber	-3.4
Metal products	-6.2	Furniture	-3.5
Wood products	-6.3	Other textiles	-3.5
Non-ferrous metals	-6.9	Bodies for motor vehicles	-3.9
Publishing	-7.5	Motor vehicles	-4.0
Other textiles	-7.6	Metal products	-6.2
Textiles	-8.9	Other manufacturing	-6.3
Leather	-12.2	General machinery	-8.0
Petroleum	-15.0	Leather	-8.7
General machinery	-17.0	Petroleum	-12.4
Vehicle parts & accessories	-18.4	Vehicle parts & accessories	-15.1
Basic iron & steel	-22.5	Basic iron & steel	-28.2

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