

Bleak forecast for metals and engineering sector with 2.2% contraction predicted

According to the latest *State of the Metals and Engineering Sector Report*, the outlook for the metals and engineering (M&E) sector this year is bleak.

Produced by the Steel and Engineering Industries Federation of Southern Africa (Seifsa), the report explores the current state of the M&E sector, the structural dynamics underpinning the sector and the global and domestic economic indicators that influence the sector's outlook for 2023.

Providing an overview of the report during a webinar on Thursday, 16 February, Seifsa COO Tafadzwa Chibanguza described the current global environment as extremely challenging. Inflation has been one of the most significant global headwinds since 2022, with the conflict in Ukraine and China's slowdown feeding inflationary pressures, and the world's central banks have had to adopt a much more aggressive stance in response. A global economic slowdown is expected, with tighter financing conditions exposing fiscally vulnerable emerging markets.

Energy crisis adding to adverse environment

Local headwinds, primarily the energy crisis, have compounded the already inhospitable environment. The sectors to which the M&E sector supplies domestically, namely construction, automotive, mining and petrochemicals, have all indicated a difficult year ahead, with the energy crisis being a chief contributor.



Seifsa COO Tafadzwa Chibanguza

"Based on these multiple challenges, Seifsa expects production for the M&E sector as a whole to contract by 2.2% in 2023," said Chibanguza. The best-case scenario estimates a contraction of 1.5% for the sector.



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Reform programmes and policies

The report also highlights the key reform programmes and policies needed to drive the sector's performance, which is closely tied to economic activity and underpinned by prevailing economic fundamentals.

"There is not much we can do with external factors — we are either a victim or beneficiary of these, such as the conflict in Ukraine. But, domestically, there is a lot more we can and should be doing, especially when it comes to the energy crisis, which is a risk to the whole economy," said Chibanguza.

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