Factory output surges on higher consumption of food and drinks

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Annual South African manufacturing output growth accelerated to 2.5% in January from December's figure, which was revised down to 1.8% from the 2% Statistics SA originally published.

This was less than Bloomberg economists' predictions, whose consensus was 2.8% growth, but matched Investec's forecast.

The boost came from food and beverages, which grew 10.1%, contributing 2.5 percentage points to the total; basic iron and steel, nonferrous metal products, metal products and machinery, which grew 4.3%, contributing 0.8 of a percentage point; and motor vehicles, parts and accessories and other transport equipment, which grew 5.5%, contributing 0.3 of a percentage point, Stats SA reported on Tuesday.

Investec economist Laura Hodes said: "Production was supported by the continued pick-up in global economic activity and trade, which is aiding export-orientated local manufacturers.

"Moreover, advance indications provided by the manufacturing purchasing managers indices have also suggested a strengthening in domestic demand."

FNB economist Mamello Matikinca expected a mild recovery for the sector in 2018 as domestic demand gradually increased.

Seasonally adjusted manufacturing production decreased 1.6% in January compared with December. This followed month-on-month increases of 1.1% in December and 1.2% in November.

Seasonally adjusted manufacturing production increased 1.8% in the three months ended January compared with the previous three months, with eight of the 10 manufacturing divisions reporting positive growth rates over this period.

The Absa purchasing managers index (PMI) rose to its best reading in nine months in January as business activity recovered and new sales orders increased. The index, which gauges manufacturing activity, rose to 49.9 in January from 44.9 in December.

Source: BDpro