



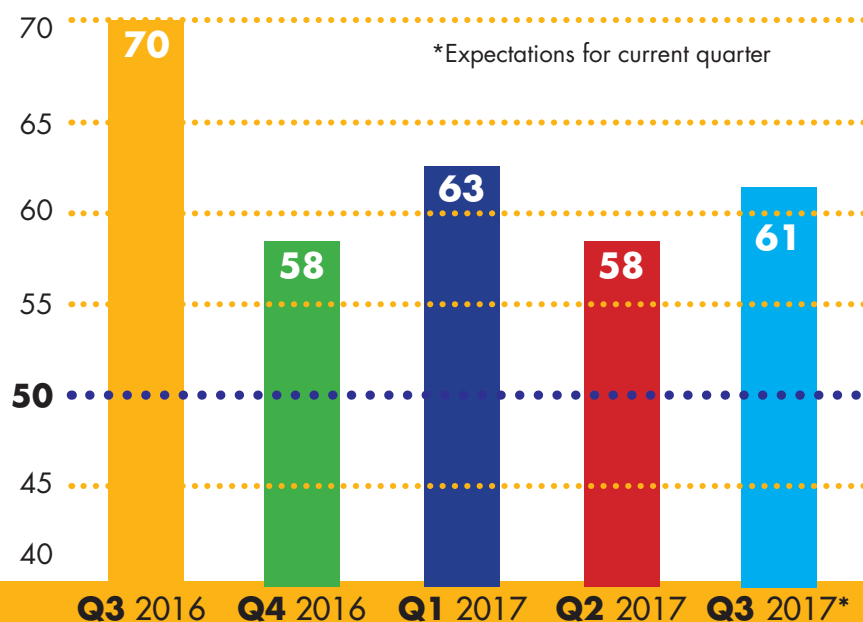
## MANUFACTURING COMPOSITE INVESTMENT TRACKER

A quarterly index tracking investment spending in the manufacturing sector

### Q2 2017 Summary findings and outlook



#### Composite Index



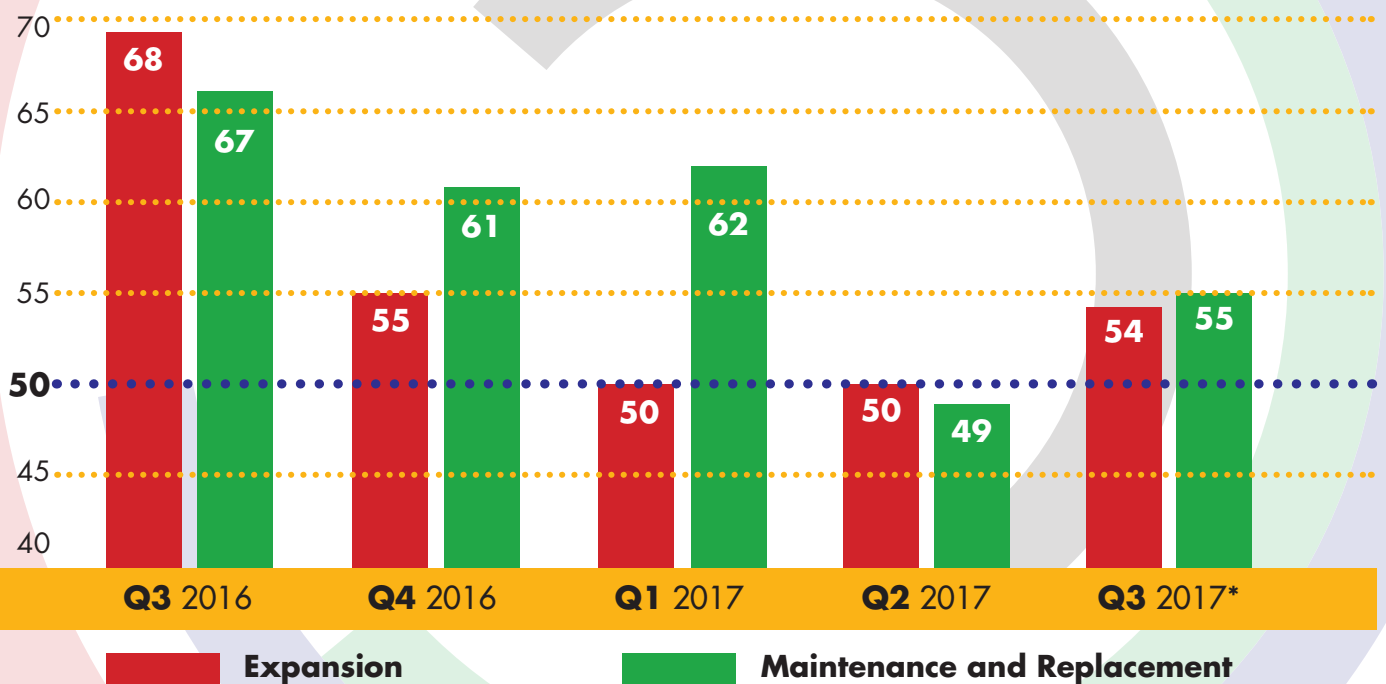
The Manufacturing Composite Investment Tracker (MCIT) fell 5 index points in the second quarter of 2017 to 58 points, after recording 63 points in the previous quarter. A level above 50 means expansion in enterprise investment, while a level below indicates contraction in investment in the sector, and 50 points is neutral.

The decline to 58 points indicates a slowdown in investment spending as indicated by the surveyed manufacturing enterprises. The largest contributors to the decrease are seen in Property maintenance and Inventory. Property maintenance recorded a 13-point decline from 62 points in Q1 to 49 points in Q2 suggesting a contraction. Inventory recorded a 10-point decline from 66 points in Q1 to 56 points in Q2. Looking ahead we forecast growth that will reach the level of 61 index points, thus indicating foreseeable expansion in enterprise investment.

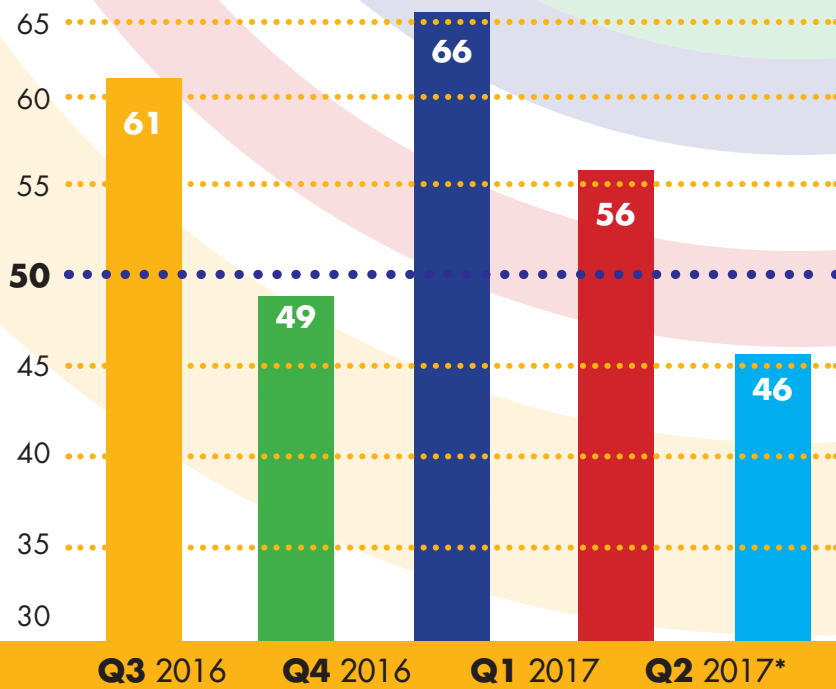
## Property (Land and Buildings)

Expenditure in Property (Land and Buildings) is divided into two categories - expenditure in expanding current property or buying new land or buildings; and expenditure in maintaining existing property. Investment in Property remained unchanged, at a 50 point-neutral level, from Q1 to Q2. Investment in Property Maintenance and Replacement showed a marked decline, falling by 13 points below the 50-index point, from Q1 to Q2.

However, looking ahead, manufacturers indicated intentions to marginally invest in more space. While investment spending on space has been expanding at a falling rate, we see a marginal increase in maintenance (55 points) and expansion (54 points) of Property in the third quarter of 2017.



## Inventories



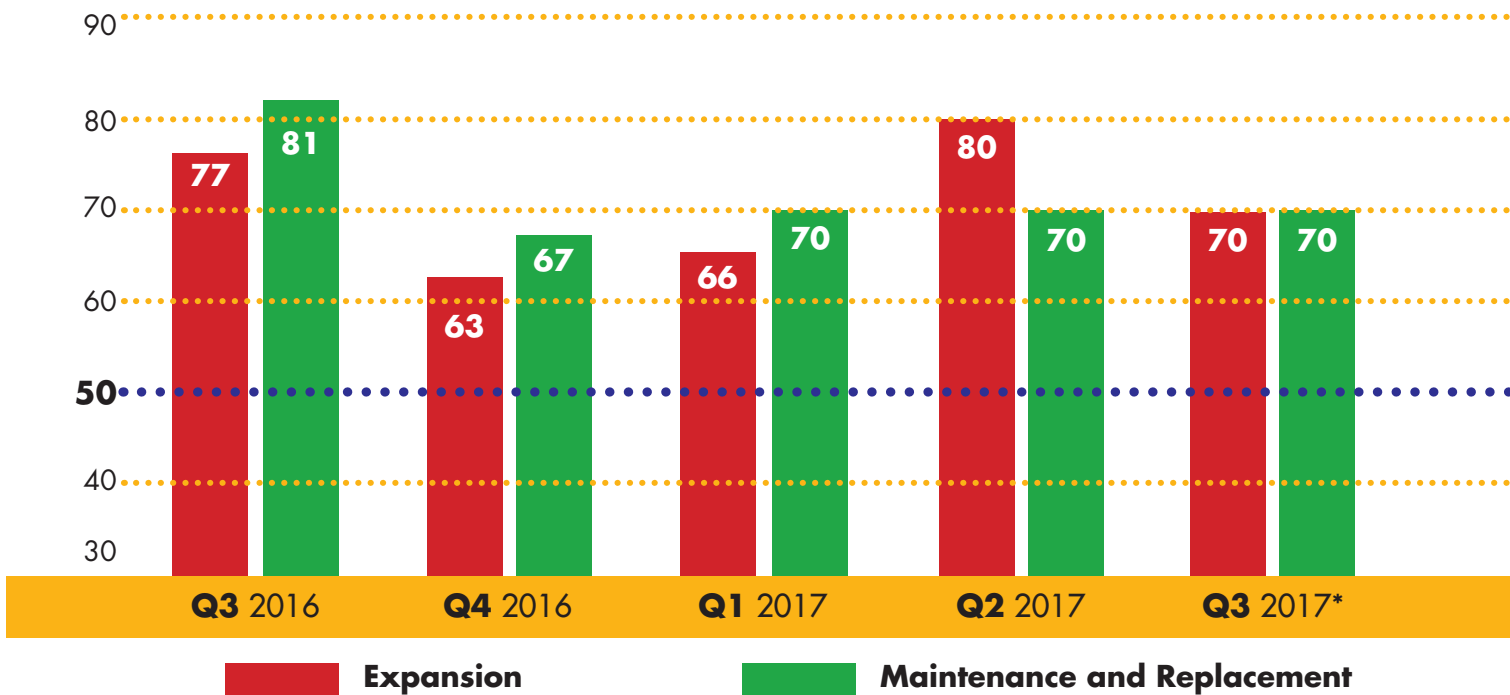
Spending on Inventories recorded 56 index points in the second quarter, from a high level of 66 points in the first quarter of 2017. This suggests a marginal slowdown from the previous quarter, and a reaction to changes in customer demand. Looking ahead spending on Inventories falls by 10 index points, recording 46 points in the third quarter.

## Plant and Equipment

Expenditure in Plant and Equipment is divided into two categories - expenditure in acquiring new Plant and Equipment, and expenditure in maintaining existing Plant and Equipment.

There has been some recovery in spending in Plant and Equipment on new equipment and a fixed growth at 70 points for maintaining and replacing new equipment. What is encouraging is that there has been consistent expansion in the investment of both new Plant and Equipment and maintenance & replacement of new Plant and Equipment.

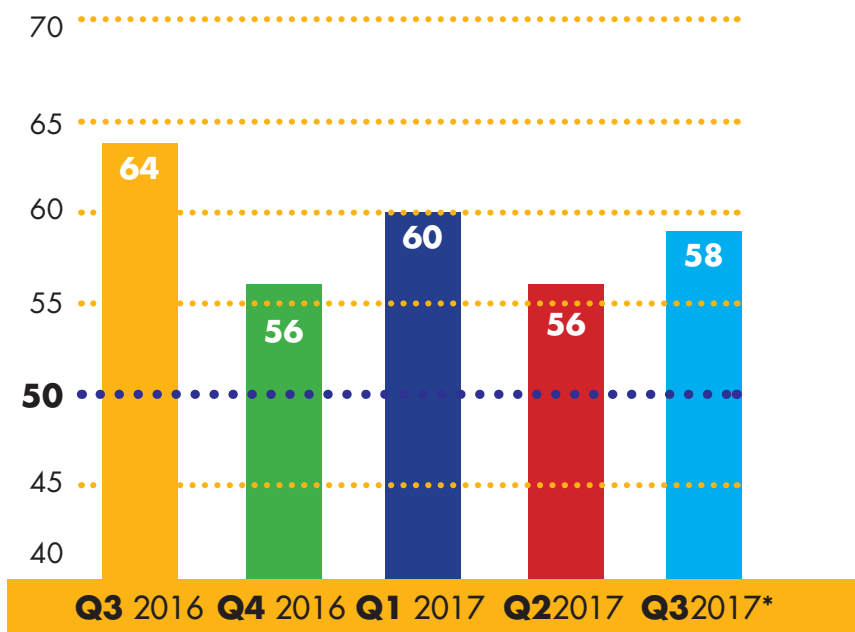
Looking ahead, maintenance and replacement is forecast to remain stable at 70 index points for 3 consecutive quarters, whilst a decline to 70 index points is expected in the investment of new Plant and Equipment.



## Research and Development

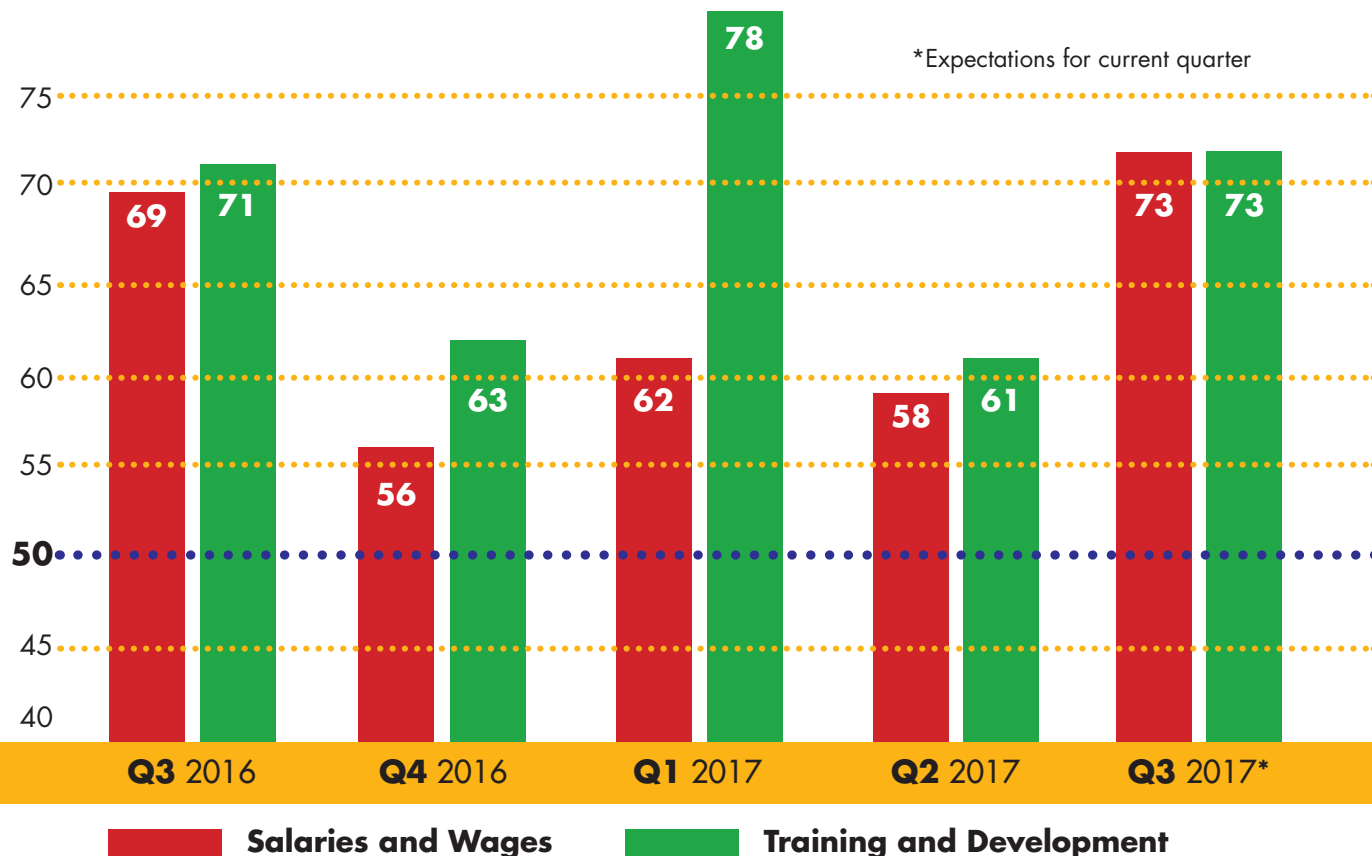


Investment spending in Research and Development fell slightly to 56 points. This trend is expected to rise into the next quarter. This is encouraging as it suggests that manufacturing enterprises continue to invest in modernising, which could bear fruits in terms of making the sector more internationally competitive.



## Human Capital

Investment expenditure in Human Capital recorded 58 index points in the second quarter, from 62 points in the first quarter. There has been a consistent expansion in the investment expenditure of Human Capital and optimisation in training and development of employees within the sector. Forecasts indicate an expected increase of investment in expenditure in Human Capital to 73 index points.



## Background

The Manufacturing Composite Investment Tracker (MCIT) is an index tracking investment trends in the manufacturing sector on a quarterly basis. Compiled by Nascence Advisory and Research on behalf of The Manufacturing Circle, the tracker has a focus on the manufacturing enterprise in order to develop industry and economic insights about investment spending patterns of manufacturing enterprises.

This is the fourth edition, focusing on the second quarter of 2017. The index surveys a variety of manufacturing enterprises from all sub-sectors of the manufacturing industry across South Africa. Dominant subsectors in this edition are basic iron and steel, (43%); petroleum and chemical products (12%); furniture (10%) and packaging (10%).

Responding enterprises had 38 698 employees in total, with an average annual revenue of R2,1 billion and a median revenue of R 217 million. The index survey had 50 respondents.

Research and Analysis



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