

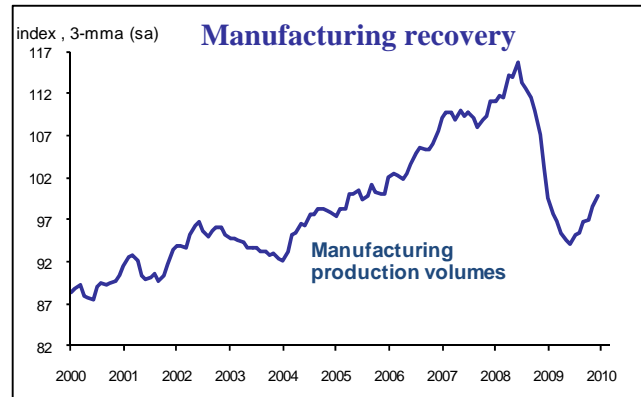
A report compiled by Citadel Investment Strategists

## Manufacturing to boost 4<sup>th</sup> qtr GDP

Manufacturing production continued its recovery in December and the first time since September 2008 production was also higher than a year ago. Manufacturing production increased more than 3% in the 4<sup>th</sup> quarter and will make a positive contribution to 4<sup>th</sup> quarter GDP growth. The improvement in manufacturing production was driven by inventory building and better economic conditions. Global manufacturing made strong progress in recent months and the local industry is also benefitting from the pickup in global demand. However, some challenges for the manufacturing sector remain in 2010. The strong rand is inhibiting SA's competitiveness while demand globally is still in the recovery process and actual levels remain low. Despite these headwinds, the outlook for the sector is considerably brighter than a year ago.

## Mining production positive in quarter

Mining production improved in the 4<sup>th</sup> quarter, but was still lower than a year ago. Mining production should contribute positively to 4<sup>th</sup> quarter GDP. Gold production was marginally lower in the quarter while platinum production, 27% of total mining production, advanced more than 10% in the 4<sup>th</sup> quarter. Diamond production improved further and was 6% up on the previous quarter. Although coal production was positive in December, it was almost 6% lower in the quarter. Despite the strong recovery in US\$ commodity prices during the year total mining production declined 6.7% in 2009. The decline of the local mining industry is a worry as the sector remains a crucial earner of foreign exchange.



- Manufacturing production advanced 3% in December and was 4% higher than a year ago.
- Manufacturing sales increased slightly in December but were still more than 6% lower than a year ago.
- Mining production (including gold) was marginally lower in December and was 2.8% down on a year ago.
- Mining sales rose in November but were still 18% lower than a year ago.

December 2009	Mining (inc gold)	Manufacturing	Mining sales (Nov)	Manufacturing sales
% month-on-month	-0.6%	3.0%	0.4%	0.4%
% year-on-year	-2.8%	4.1%	-18.0%	-6.2%

Source: Stats SA. Data is seasonally adjusted

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