

A report compiled by Citadel Investment Strategists

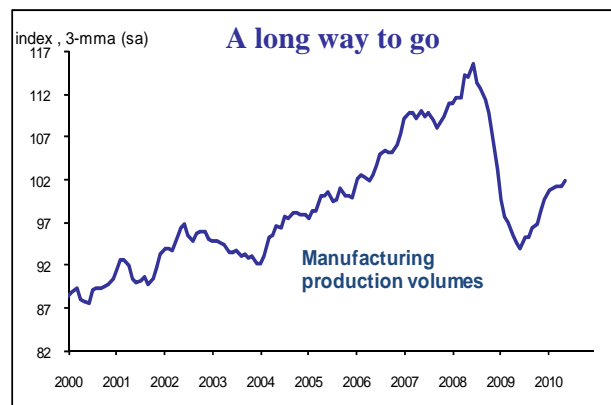
Manufacturing making slow progress

Manufacturing production continued the recovery out of recession during May and production was 6.9% higher than a year ago. However, the annual growth rate was boosted artificially because of the low level of manufacturing in mid 2009. Manufacturing production during April and May was only marginally higher than the average production levels in the 1st quarter average production levels.

Although manufacturing production moved out of recession, there has been a loss of momentum recently. The Kagiso Purchasing Manager Index (PMI) declined sharply in recent months, pointing to slower production growth. Global PMI's also indicate a moderation in global manufacturing growth in recent months.

Growth in local manufacturing was driven by motor vehicle and petroleum products, which have a weight of more than 30% in total manufacturing. The motor vehicle sector is benefitting from higher new vehicle sales and exports and production in May was 27% up on a year ago. However, demand in many sectors remained sluggish. Growth in sectors that depend mostly on household demand, like food, beverages, furniture and textiles remained fragile.

Growth in sectors that are mostly dependent on the export market, like basic iron and steel, was 10 % higher than a year ago but lost momentum in recent months in line with global PMI trends.



- Manufacturing production advanced 0.3% in May and was 6.9% higher than a year ago.
- Manufacturing sales increased in May and were 9.2% higher than a year ago.

May 2010	Manufacturing	Manufacturing sales
% month-on-month	0.3%	0.9%
% year-on-year	6.9%	9.2%

Source: Stats SA. Data is seasonally adjusted

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