

# Data expected to confirm manufacturing weakness

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4 Oct 2016

The Barclays purchasing managers' index kicks off the economic data releases on Monday, with economists forecasting that its reading is likely to confirm the weak pace of activity in the manufacturing sector.



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The index is forecast to record 48.5 compared with the previous 46.3, says Investec economist Kamilla Kaplan.

A reading below 50 shows that the pace of activity in the sector is cooling somewhat. The 50 mark on the index separates expansion from contraction.

The below-50 forecast is an indication that the positive momentum registered in the second quarter waned in the third quarter. This means the sector is likely to make a smaller contribution to third-quarter GDP, Kaplan says.

Manufacturing and mining's positive numbers in the second quarter helped the country to avoid a technical recession and instead lifted it to record moderate growth, defying prior predictions.

The index is compiled from monthly surveys of private sector companies.

Also on Monday, new vehicle sales numbers for September are due out. They are expected to have continued their slide.

Sales were down 10.8% year on year in August.

This is a reflection of subdued economic activity as business and consumer confidence remain depressed, Kaplan says.

The vehicle trader confidence survey for the third quarter shows that the majority of new vehicle traders expected volumes to deteriorate during the quarter, she says.

The South African Chamber of Commerce and Industry's business confidence index for September is due out on Wednesday, while local electricity consumption statistics are due on Thursday.

Subdued domestic economic activity should also be reflected in the electricity production and consumption update for August, says Kaplan.

The previous update for July showed that in the first seven months of the year, electricity production was flat year on year while electricity consumption was down 2%.

On the international front, investors are looking ahead to the September US jobs report to gauge the health of the American labour market.

The US jobs figures are due for release on Friday.

The report will be scrutinised for clues on the timing of a possible US interest rate hike.

The Federal Reserve will meet next in early November, but no interest rate increase is expected then. However, the consensus expectation is for a rate hike in December.

Higher US interest rates will strengthen the dollar and will therefore weigh on the rand and local bonds.

**Source:** Business Day

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