No boom predicted for industrial equipment sector, but no gloom either

The material handling and industrial equipment sector has had to adjust to a quickly shifting landscape as predictions for the industry were quickly turned on their heads, according to EIE Group CEO Gary Neubert.


Gary Neubert, CEO, EIE Group

As the economic data continues to paint a bleak picture for South Africa, it is evident that many industries will continue to take strain in the coming months, with more retrenchments on the cards and the unemployment situation worsening, says Neubert.

Riding out the storm

“As businesses negotiate the uncertainties around the Covid-19 pandemic, the most flexible operations will ride out the storm more effectively and the country will probably begin to see the start of a slow recovery process in 2021.”

“While there is unlikely to be positive GDP growth next year, we should witness steady progress over the next 12 to 18 months. Government’s ability to attract investment into the country will be a key factor in accelerating this process,” he adds.

Neubert says he is particularly encouraged by the stand President Cyril Ramaphosa has taken against corruption. “Giving the National Prosecuting Authority the teeth to start bringing offenders to book is an excellent step towards building positive sentiment in the country,” he adds.

Well-run operations will survive

That said, Neubert suggests businesses are still in for a tough ride. “Some businesses will obviously do better than others, but my feeling is that the most well-run operations will be the ones that survive, especially those with the ability to change quickly.”

There have been a few surprises for the material handling and industrial equipment sector, which have highlighted just how important it is to be resilient and adaptable.

What the EIE Group thought might herald the move to more of a rental market did not transpire in a significant way, says Neubert. “We had predicted that more customers would choose the rental route to preserve their cash-flow situations. Instead, what happened is that the interest rate dropped and banks continued to lend money. For many of our customers, it made more sense to purchase equipment than go the rental option.”

“So, what we thought might be the transition to a mature rental market like the United Kingdom where more than 80% of the business is rental, the rental side of our business has only increased by about 10%, from 50% rental before Covid-19 to about 60% now,” he explains.

Workplace safety measures

In July, Neubert was also planning for employees to work from home indefinitely. Instead, what has happened is that most people were back at work from 1 September, except for those in high-risk categories.

“The novelty of working from home quickly wore off and many of our people seemed quite excited about coming back to work. We have obviously put stringent measures into place to ensure everyone’s safety. Perhaps, going forward, this is what is going to be different – the way we view day-to-day safety in the office and on site,” he says.

Neubert says no-one can predict exactly what the future holds, but suggests that companies that are change-fit will be the true survivors. “For example, we know that new equipment sales are going to be difficult for the next 12 months, so we are boosting pre-owned sales. We are adapting as we go along. And that is key: agility and adaptability are our watchwords.”