News Release

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S&P Global South Africa PMI®

PMI remains in growth territory as orders almost stabilise and stockbuilding quickens

Key findings

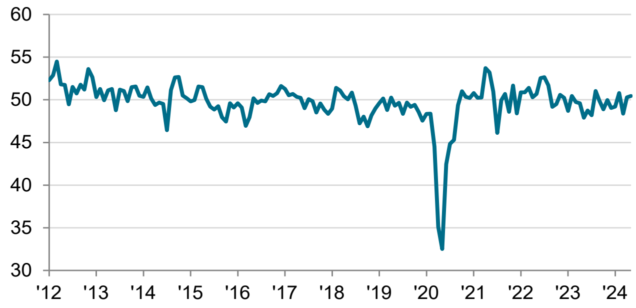
Slowest drop in new orders since February

Inventory growth rises to over nine-year high

Output contracts modestly amid elections

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 10-29 May 2024.

The South Africa PMI® provided more encouraging signs for the private sector economy in May. New order volumes almost stabilised, while growing confidence of a forthcoming uplift in demand led firms to raise their stocks at the fastest rate in over nine years. Jobs growth also quickened, and delivery delays remained modest. However, there were some reports that the election had led to reduced business activity and a pause in client spending decisions.

The S&P Global South Africa Purchasing Managers' Index™ (PMI) – a composite gauge designed to give a single-figure snapshot of operating conditions in the private sector economy – ticked up from 50.3 in April to 50.4 in May, posting above the 50.0 neutral mark for the second month running. Although indicating only a slight overall upturn, the index marked the first back-to-back improvement in private sector business conditions since the end of 2022.

There were additional signs of a stabilisation in demand conditions during May. Although intakes of new work continued to fall, the rate of decline slowed to a three-month low and was only marginal. Businesses partly attributed lower sales to clients holding off on spending due to the election, which in turn contributed to a modest drop in output. On the other hand, some companies saw an improvement in customer orders. This included new business from abroad which rose for the first time in ten months.

As well as improving demand signals, supply chains also appear to be on a stronger footing in the second quarter. While there were further mentions of delays at the port of Durban, average lead times worsened only modestly in May and to a much softer degree than at the start of the year.

With economic conditions improving, firms grew more hopeful regarding future activity and sales and thus looked to build up input stocks in preparation for an expansion. Notably, the rate of inventory growth quickened for the fifth month running and was the most marked since March 2015.

Comment

David Owen, Senior Economist at S&P Global Market Intelligence, said:

"For the first time since December 2022, the South Africa PMI managed to retain its above-50 reading in May. Rising slightly from 50.3 in April to 50.4, and thus indicating only a marginal improvement in operating conditions, the index nonetheless offered further signs that the private sector economy is recovering.

"Improving business conditions were mainly due to capacity building efforts in May. Input stocks and employment grew at faster rates, with the former rising to the greatest degree since March 2015. Firms appeared to prioritise building stocks in anticipation that sales would start to recover, particularly as other economic drivers such as supply chain conditions and load shedding are also stabilising.

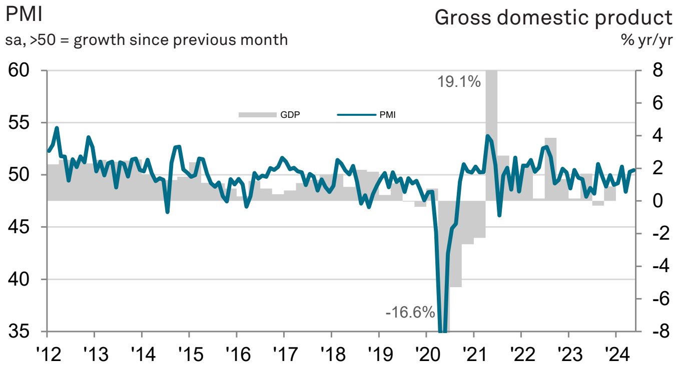
"Although sales and output remained in decline, this was partly due to the elections, which resulted in a pause in customer spending decisions and reductions in activity at some companies. Many firms were confident that demand will start to pick up after the elections have concluded, boosting growth projections to their highest in three months."

Meanwhile, the level of sentiment towards the one-year outlook strengthened to the highest since February, as nearly half of all survey respondents (47%) predicted output to grow.

Businesses raised their staffing levels midway through the second quarter, extending the run of job creation to four months. Furthermore, the rate of growth was the sharpest since September 2022. Despite higher workforce capacity, levels of outstanding business rose for the first time in three months amid some panel member reports of material shortages.

On the price front, the latest survey data signalled another sharp increase in input costs in May, one that broadly matched the trend seen over 2024 so far. Rises in supplier charges, commodity prices and transport costs drove higher purchase prices, according to firms, while wages continued to increase strongly amid cost-of-living pressures.

Overall selling prices also rose sharply over the latest survey month, with the rate of inflation holding close to April's six-month high. Increased charges reflected efforts to protect margins in the wake of growing costs.



Sources: S&P Global PMI, Stats SA via S&P Global Market Intelligence.

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Survey methodology

The S&P Global South Africa PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected July 2011.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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