News Release

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S&P Global South Africa PMI®

Inflationary pressures across South Africa fall to lowest level in nearly four years

Key findings

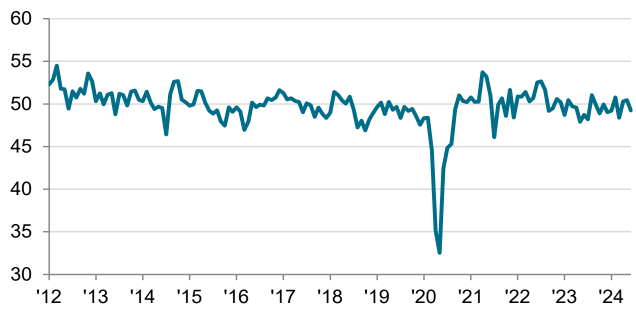
Input and output prices rise at softer rates

Business activity falls modestly amid faster downturn in sales

Job numbers and purchasing activity decrease

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-26 June 2024.

The S&P Global South Africa PMI® signalled a cooling of price pressures on private sector businesses at the mid-point of the year, leading to the softest rise in input costs since August 2020. The slowdown followed reports of a positive impact from strengthening exchange rates on the rand and steadily reducing fuel prices, which also resulted in a weaker increase in selling prices.

Nevertheless, business conditions across South Africa deteriorated for the first time in three months in June amid sharper falls in output and new business, as firms often noted a degree of client hesitancy due to uncertainty around the election outcome. The decline led to renewed drops in purchases and staffing, although confidence in the outlook improved to a four-month high.

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 – dropped to 49.2 in June, from 50.4 in May, and was below the 50.0 neutral mark for the first time in three months. The index was consistent with a marginal deterioration in the health of the private sector.

Four of the five sub-components of the PMI (which does not include prices) indicated a worsening of operating conditions during June, including renewed drops in employment and stocks of purchases. Output and new orders meanwhile fell at their quickest rates since March, as survey panellists often highlighted weaker client demand due to political uncertainty following the general election. Positively, new orders from abroad picked up marginally for the second month running.

With sales declining, businesses reduced their input purchases during June, leading to the first drop in inventory levels in 2024 so far. Employment numbers were also cut, albeit mildly, with survey evidence largely attributing the decrease to the non-replacement of leavers.

Comment

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

"Despite June survey data pointing to a worsening of business conditions, South Africa's private sector remains in a favourable position as we reach the mid-point of the year. The PMI's print of 49.2, linked to sharper falls in output and new orders, was largely due to a temporary pause in customer spending as businesses awaited the outcome of the general election. As such, we may see a slight recovery in sales in July as firms return to normal activity.

"Even with this slowdown, the PMI averaged 50.0 in the second quarter, which was the strongest reading since the final quarter of 2022. Firms have especially benefitted from reduced load shedding and falling inflationary pressures in recent months, which have provided greater stability for demand, purchasing and activity.

"PMI data on prices was particularly encouraging, as firms saw the weakest uplift in input costs since August 2020, in part driven by the slowest rise in purchasing prices for four years. The data suggests there could be further relief seen in official inflation statistics in the near term, which will be another boon for economic conditions."

PMI® by S&P Global

After recording little change in the year-to-May, the rate of input cost inflation in the private sector economy slid to its weakest in almost four years in June, and was softer than the historic trend. Notably, just 9% of companies saw a rise in their expenses, linked to increases in supplier charges, transport costs and salaries. At the same time, cuts to fuel prices and import costs, in part due to an improvement in the rand against the US dollar, led to falling costs at 4% of respondents.

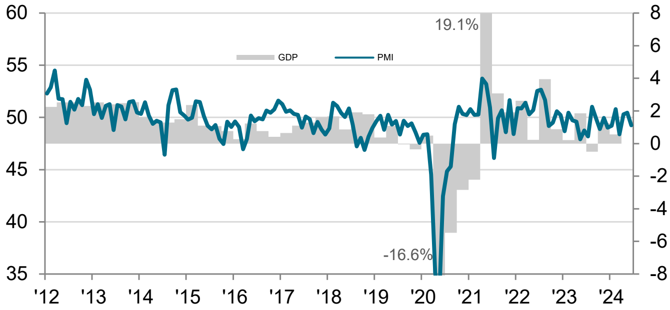
The slowdown helped South African companies to temper the pace of increase in output prices, which fell to its lowest level since the end of 2020. Some businesses commented on the offering of discounts in an effort to recover falling sales.

Overall delivery times faced by companies worsened in June, with firms continuing to mention port delays at Durban and global shipping disruption related to the Red Sea crisis as constraints on their supply lines. However, though the deterioration in vendor performance was the strongest for three months, it was modest compared to the extent of delays seen at the beginning of the year.

Finally, future business expectations ticked up for the third consecutive month in June, indicating a strong degree of optimism among companies towards their output levels over the coming year. Some firms expect a recovery in demand and activity following the election outcome, while others signalled that new client relationships and easing inflationary pressures will support growth.

PMI
sa, >50 = growth since previous month

Gross domestic product
% yr/yr



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