News Release

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S&P Global South Africa PMI®

Output contraction worsens in July, but outlook brightens

Key findings

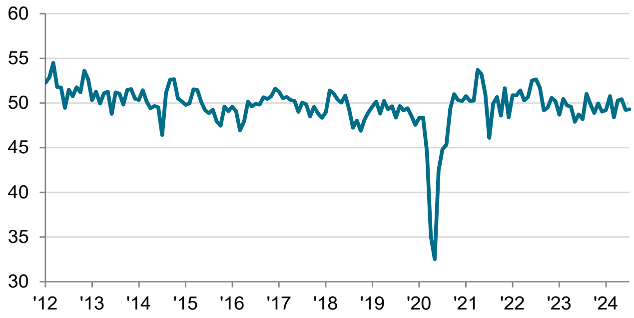
Quickest falls in output and new orders since March

Charge inflation at near four-year low

Highest confidence levels since February 2022

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 11-29 July 2024.

South African businesses continued to signal a decline in activity at the start of the second half of the year. Moreover, the downturn had worsened since June amid weakening sales and greater supply side pressures. Output and new business both dropped at the sharpest rate in four months, whilst port congestion both domestically and abroad led to a faster deterioration in vendor performance. Concurrently, inventories of inputs were depleted in July as businesses reduced purchases and opted to run down stocks in order to finalise backlogs.

Nevertheless, firms were more optimistic about their future activity prospects in July, as output projections rose to their highest level since February 2022, with greater political stability often cited as an anchor for growth. Despite a slight pick-up in input cost inflation, still mild price pressures also remained a boon for companies, leading to the slowest rise in output prices for almost four years.

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 – registered 49.3 in July, little-changed from 49.2 in June, and below the neutral 50.0 mark for the second consecutive month. The PMI thereby indicated another slight deterioration in the health of the private sector.

Output levels at South African firms dropped at a sharper pace during July, with the downturn notably spread across all sectors covered by the survey. Companies mostly linked lower output to a drop in new business, following reports that clients had restricted spending amid subdued economic conditions. Activity and demand both fell at the strongest pace in four months.

As well as reduced sales, some firms signalled that challenges getting inputs delivered on time had curtailed activity. Slower deliveries were often a result of port delays both in South Africa and abroad, with lead times worsening

Comment

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

"Demand and supply challenges remained present in the South African private sector as we began the second half of 2024, with new orders continuing to decline and supplier performance worsening as global transport issues and domestic port congestion hindered vendors. As a result, businesses cut their output at the sharpest rate in four months, whilst also reducing their hiring and purchasing activity.

"Nevertheless, firms gave several reasons to remain upbeat that the coming 12 months will prove more fruitful. Many suggested that the stabilisation in the political landscape should lead to greater confidence and a pick-up in spending, while reduced load shedding and softer price pressures are also expected to support growth. The PMI survey data continued to back up the latter, with input price inflation still at a much cooler pace compared to recent trends and output charges rising at the slowest rate in nearly four years. This should be encouraging for the Reserve Bank who will be looking for signs as to when monetary policy can be eased."

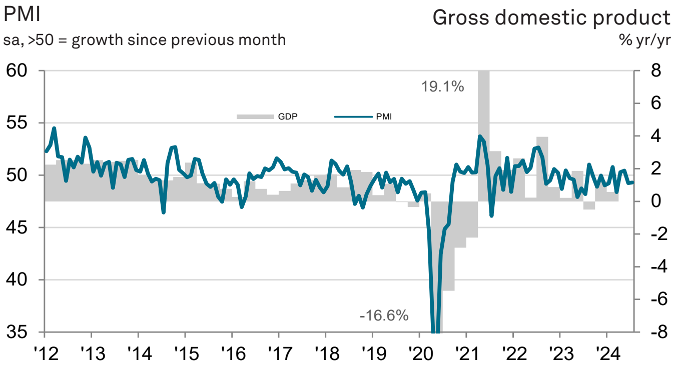
to the greatest extent since February.

Meanwhile, backlogs of work decreased at the fastest rate since November last year, with firms sometimes opting to run down their inventories in order to finalise existing contracts. This led to a modest fall in total input stocks, which was also the fastest observed in 2024 so far. Firms reduced their purchases for the second month running, with a back-to-back decrease also seen for employment.

On the price front, the July survey data continued to signal an easing of inflationary pressures at South African businesses since the start of the year, despite input costs rising at a quicker pace than in June. The rate of input cost inflation was one of the weakest recorded since late-2020. Where costs did pick up, this was attributed to increased transport fees, higher material and electricity prices, and wage hikes in response to greater living costs.

Price increases set by South African companies were similarly subdued in July, with the latest rise in fact the softest observed in the almost four-year sequence of increasing output charges. While some firms opted to raise their prices due to higher costs, others made cuts in the hope of boosting sales.

Although demand conditions remained fragile, business confidence improved in July and even rose to its highest in nearly two-and-a-half years. According to anecdotal evidence, firms were particularly hopeful that the passing of the general election and greater political stability would support improvements in demand and activity.



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.

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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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