

Absa Purchasing Managers' Index

December 2024

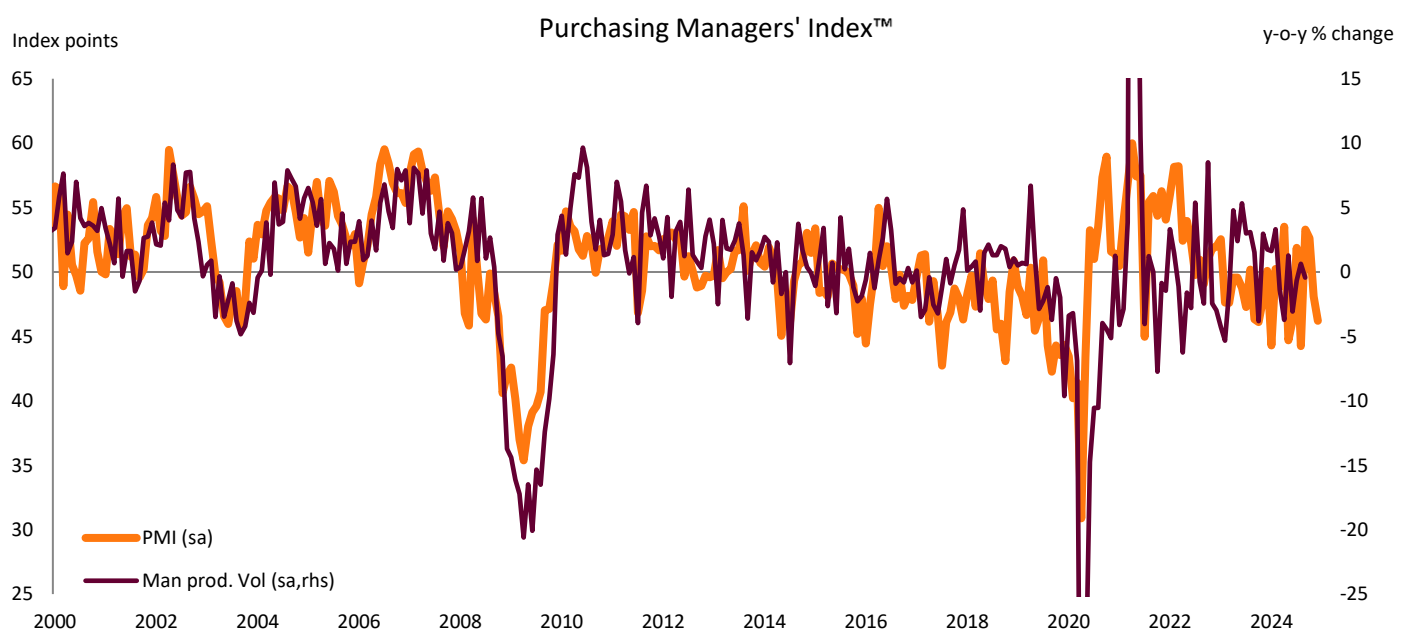
Embargoed until 11:00 8 January 2025

The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** declined by 1.9 points to 46.2 points in December 2024, remaining in contractionary territory. This puts the 2024Q4 average PMI at 49 points, not significantly different from 49.8 points for 2024Q3, but above Q1 (47.8) and Q2 (48.1). The manufacturing sector experienced a volatile 2024, with this second consecutive monthly decline in December reversing the upward momentum seen in September and October.

The **business activity** index decreased by 8.7 points to 40.3 in December. The pullback in production came on the back of a sharp fall in demand. The **new sales orders** index fell to 37.4 points from 45.9 in November. Worryingly, some respondents noted that conditions in December 2024 were worse than usually seen in December. In addition, export sales dropped sharply and fell back to levels last seen in the first half of 2024. The **supplier deliveries index** rose to 56 points, increasing by 7.7 points and moving above 50 points for the first time in three months. With production and orders being significantly weaker, higher demand for supplies is unlikely to be the cause of the delays (with the inversed index increasing when deliveries are slower, as this is normally seen as a positive sign with manufacturers competing for supplies). Logistical issues remain, both locally and in the global markets, which likely caused the slowdown in delivery times. The **employment index** decreased by 0.4 points to 46.5 and remained in contractionary territory for the ninth consecutive month. Due to volatility and largely depressed activity, the employment index has been below the neutral 50-point mark for eleven of the twelve months.

The **purchasing price index** fell by 1.3 points to 60.4 in December. This was surprising given that the rand exchange rate was relatively weaker in December, while fuel prices and LPGAS increased at the beginning of the month.

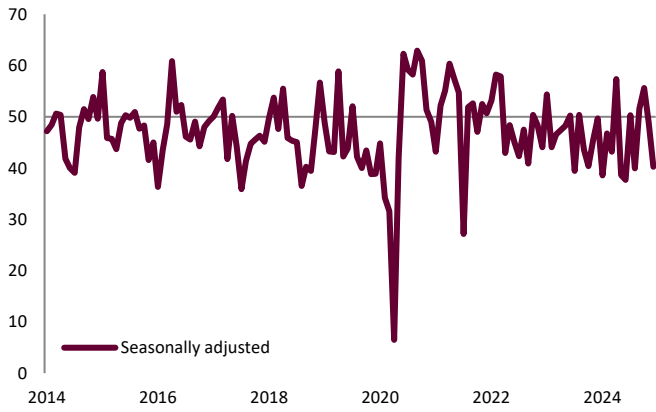
The most positive outcome of the PMI was that the index measuring **expected business conditions** in six months' time increased by 5.2 points to 67.6 in December, indicating that manufacturers remain optimistic about business conditions in the future.



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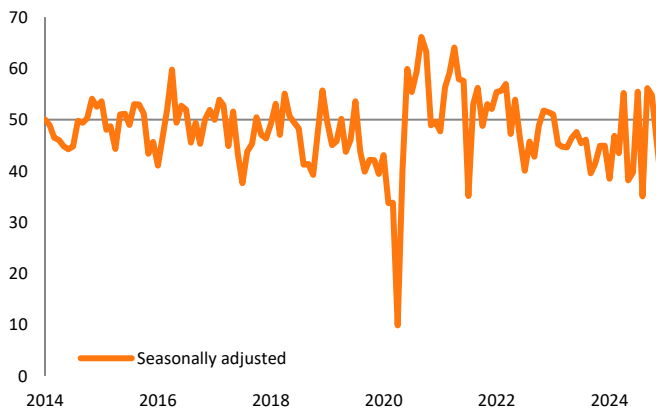
PMI: Business activity



The **business activity index** declined further, edging down to 40.3 points. Respondents noted that activity was weaker than usual in December.

	Oct	Nov	Dec
Business activity	55.6	49.0	40.3

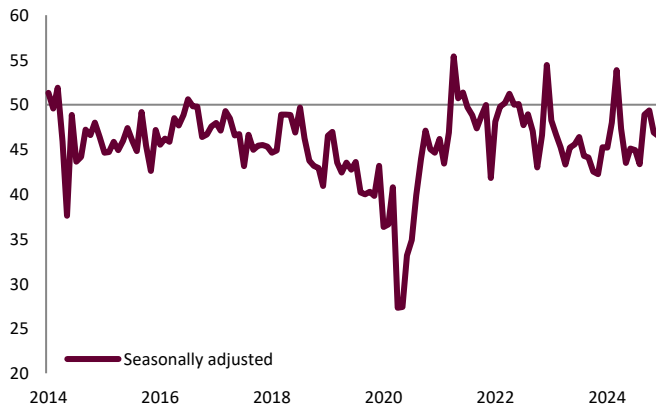
PMI: New sales orders



New sales orders contracted once more in December, reversing the gains of September and October. The contraction came from both domestic sales and export sales.

	Oct	Nov	Dec
New sales orders	54.8	45.9	37.4

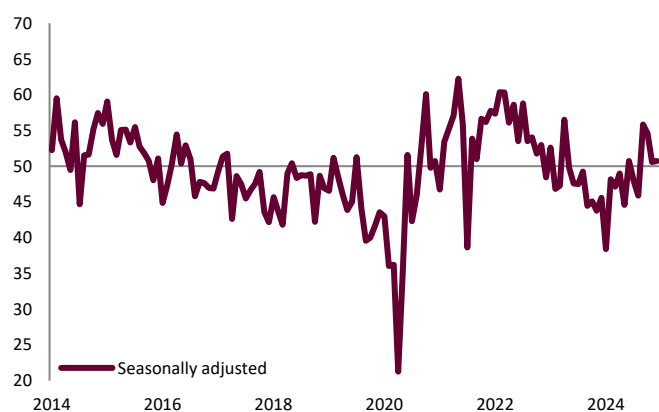
PMI: Employment



The **employment index** decreased slightly by 0.4 points to 46.5 and remained below the neutral 50-point mark for a ninth consecutive month. Due to volatility and depressed activity, the employment index has been in contractionary territory for eleven of the twelve months.

	Oct	Nov	Dec
Employment	49.4	46.9	46.5

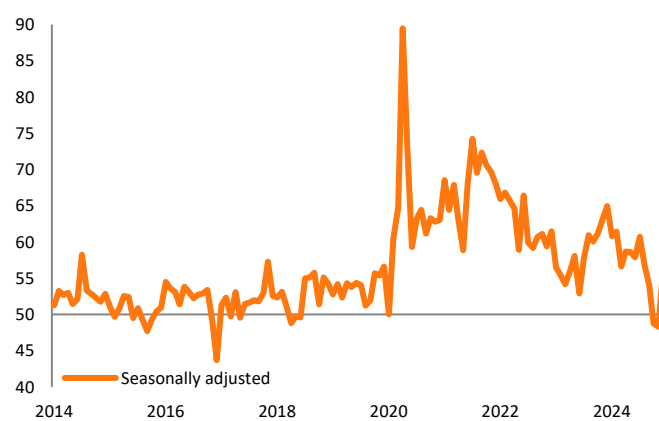
PMI: Inventories



The **inventories index** remained steady and above the 50-point mark. Purchased stock is in expansionary territory, meaning there is enough stock to ramp up production to meet the demand should there be an improvement at the start of 2025.

	Oct	Nov	Dec
Inventories	54.6	50.6	50.7

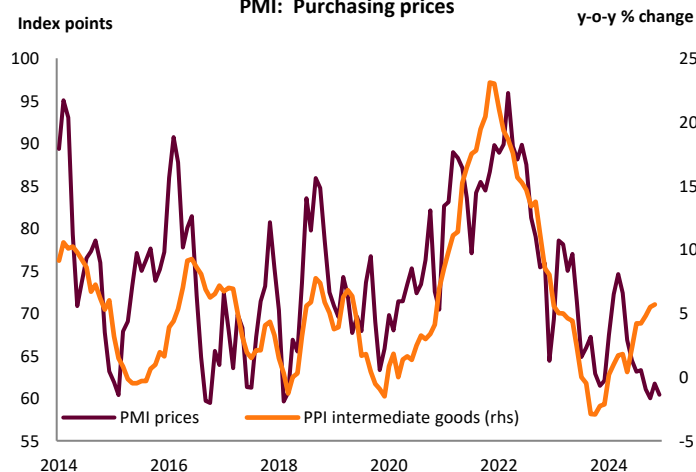
PMI: Supplier deliveries



Supplier deliveries worsened, jumping to 56 points in December from 48.3 points in November. With production and orders significantly weaker, higher demand for supplies is unlikely to be the cause of the delays (the inversed index increases when deliveries are slower, as this is normally seen as a positive sign with manufacturers competing for supplies). Logistical issues remain, both locally and in the global markets, which likely caused the slowdown in delivery times.

	Oct	Nov	Dec
Supplier deliveries	48.7	48.3	56.0

PMI: Purchasing prices



The **purchasing price index** fell by 1.3 points to 60.4 in December. This was surprising given that the rand was relatively weaker in December, and fuel prices increased by 17 to 56 cents depending on the grade of petrol/diesel, while LPGAS increased by R1.72, effective 4 December 2024.

	Oct	Nov	Dec
Purchasing prices	60.0	61.7	60.4

The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research and sponsored by Absa. The monthly surveys are conducted under a representative group of purchasing managers in the South African manufacturing sector. These purchasing managers have to indicate each month whether a particular activity (e.g. new sales orders) for their company has increased, decreased or remained unchanged. Diffusion indices are then calculated by taking the percentage of respondents that reported an increase and adding it to one-half of the percentage that reported no change. This results in an index for which a value of 50 indicates no change in the activity, a value above 50 indicates increased activity and a value below 50 indicates decreased activity. The indices are then seasonally adjusted, but no further smoothing method is applied. The headline PMI is calculated as the weighted average of the following indices (weights in parentheses): Business Activity (0.20), New Orders (0.20), Employment (0.20), Supplier Deliveries (0.20) and Inventories (0.20). Note that the inverse of the Supplier Deliveries index is used in the PMI calculation. For more information on the South African manufacturing PMI, the historical data series as well as a description of the questions in the PMI survey, please visit the BER's website (www.ber.ac.za).