News Release

Embargoed until 0915 SAST (0715 UTC) 6 January 2025

S&P Global South Africa PMI®

Business conditions slip into contraction in December

Key findings

Activity levels decline for first time since August

New business stalls after four months of growth

Business charges rise solidly as cost inflation ticks higher

The South Africa PMI® ended the year on a dull note, as private sector firms registered the first decline in business activity in four months. According to the latest survey data, muted demand conditions led to a stalling of sales growth and a pull-back in hiring. The sector was also influenced by a rise in inflationary pressures, as quickening cost burdens drove a solid uptick in firms' selling prices.

The drop-off in growth appeared to soften the outlook for 2025 among surveyed businesses, with confidence easing further from its recent multi-year highs. On a positive note, supply chain pressures showed signs of easing which encouraged firms to purchase additional inputs.

After signalling growth in each of the previous four months, 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 below the 50.0 neutral threshold at the end of 2024. At 49.9, from 50.9 in November, the reading signalled a fractional decline in private sector business conditions.

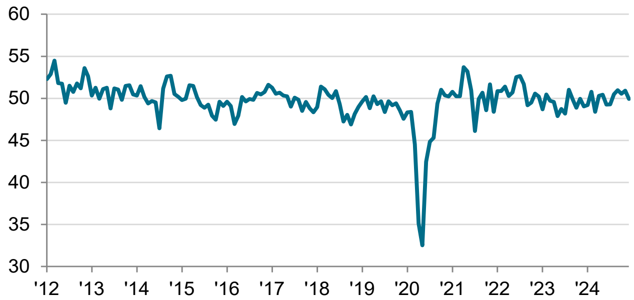
Consistent with the headline PMI, the seasonally adjusted New Orders sub-index indicated a stalling of sales growth in December. Anecdotal reports suggested that quiet market conditions dampened order book intakes, alongside a further contraction in new export business. The drop in sales ended a four-month sequence of expansion, which had been the longest observed by the survey in over two years.

In response, South African businesses curtailed their output levels in the final month of 2024. The reduction was the first seen since August, though marginal. Concurrently, after the first rise in six months in November, job numbers were held largely stable.

Sector data showed that weakness in the private sector was broad, with construction firms seeing the fastest contractions in output and sales. There was some positivity

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 5-19 December 2024.

Comment

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

"December's PMI data suggest that the South African economy may have lost a little bit of steam at the end of 2024. New orders failed to grow after going on an impressive run in the latter stages of the year, as firms highlighted a more muted demand environment. They also faced accelerated cost pressures, as wage inflation quickened, and material and transport prices rose.

"Nevertheless, the final quarter of 2024 was an encouraging one for businesses on the whole. The fourth-quarter PMI average of 50.5 is the strongest recorded since Q3 2022, which gives some confidence that GDP growth will improve after a contraction last quarter. Inflation metrics, despite rising, are still comfortably below their long-run trend levels, and there is little at present to imply these will pick up sharply in the near term."

PMI® by S&P Global

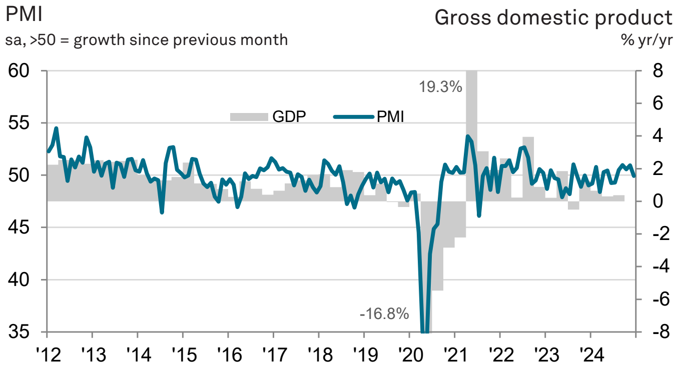
in services though, where a slight uptick in new work was noted.

Supply chains also appeared to be in better health in December. While delivery times lengthened, they did so at the softest pace since April. Some panellists indicated that delays at domestic ports were less severe. This encouraged firms to increase their purchases of inputs for the third month in a row, which led to a slight expansion in inventories.

Meanwhile, the survey data signalled a faster rise in input costs at the end of the year. The rate of inflation was the highest in four months, with staff pay and purchase price inflation both quickening from November. However, after running at historically muted levels in recent months, the degree to which costs rose was still much weaker than the survey's trend pace.

Rising input costs precipitated a solid mark-up in output charges in December. Like costs though, the rate of charge inflation was less marked than its long-run norm.

South African companies remained positive overall about future business activity in December, with just over a third of panellists expecting an expansion in output over 2025. That said, after reaching a 30-month high last August, the degree of confidence fell for the third time in four months amid some hesitancy from surveyed businesses regarding future sales volumes.



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 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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