

News Release

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S&P Global South Africa PMI[®]

Downturn in business conditions loses speed in February

Key findings

Output declines at softer pace

New orders fall for third month running

Input prices rise at sharpest rate since August 2024

Business conditions in South Africa weakened further over February, according to the latest PMI[®] survey data, albeit with a softer contraction compared to the start of the year. Ongoing demand weakness continued to impact sales and output, resulting in significant slack in business capacity, along with reductions in staffing and purchases. Meanwhile, input price pressures rose to their highest level in six months.

The S&P Global South Africa Purchasing Managers' Index[™] (PMI), a composite gauge designed to provide a single-figure snapshot of operating conditions in the private sector economy, rose from 47.4 in January to 49.0 in February. However, it remained below the 50.0 neutral threshold for the third consecutive month. Sustained contractions were observed in output, new orders, employment, and inventories, although in all cases, the rates of decline eased.

Business activity decreased for the third consecutive month in February, which survey panellists commonly linked to lower new business inflows and hold-ups to projects. However, the latest data represented somewhat of a bounce-back, as the pace of contraction moderated notably from January's three-and-a-half year high.

Order book volumes also declined as firms continued to face challenges in boosting sales in the current economic environment, with a particularly steep downturn noted among wholesale and retail companies. While export sales also contributed to the decline, the latest drop was the softest observed in six months, with some firms benefiting from reduced political unrest in Mozambique.

Weaker demand created additional slack across the private sector, allowing companies to deplete their backlogs at the fastest rate in almost four-and-a-half years. Although excess capacity led to further reductions in purchasing activity and employment, these were less marked than those observed in January, with job numbers down only fractionally.

Meanwhile, the rate of inflation on businesses' input costs

S&P Global South Africa PMI
sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 10-26 February 2025.

Comment

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

"February data signalled a partial recovery in economic momentum in South Africa. Although the private sector's health weakened, it did so to a much lesser extent than in January, when the PMI dropped to its lowest reading in three-and-a-half years. This recovery appeared to be largely due to a softer contraction in business activity, as some firms experienced improved demand conditions and the resumption of projects.

"Similarly, new orders (including those from abroad), employment, quantities of purchases and inventories all decreased to lesser degrees midway through the first quarter. The only caveat to the broader improvement was a sharper rise in average cost burdens, which adds to evidence that CPI has already bottomed out and is likely to increase further from its low of 2.8% y/y in October.

"Concerns about trade relations between South Africa and the US raised some apprehension that the sales environment could remain volatile. Nevertheless, the overall balance of output expectations was still largely positive, suggesting that firms generally anticipate conditions to recover soon."

PMI[®]

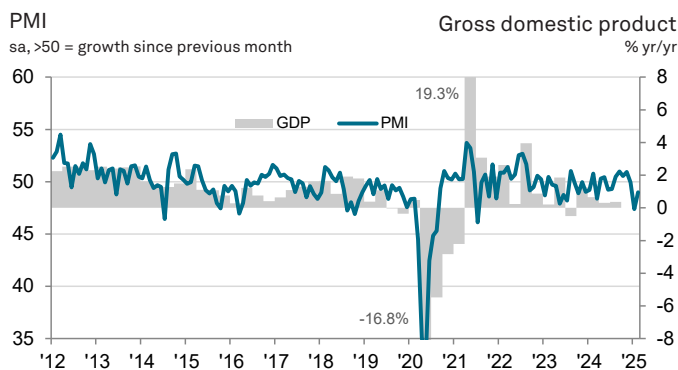
by S&P Global

rose to a six-month high in February, marking a further acceleration in price pressures from a soft period in late 2024. Companies reported higher expenses for electricity, fuel, materials, and labour. On a more positive note, wage pressures eased from a 20-month high in January.

Despite the uptick in input price inflation, it remained considerably weaker than the series long-run trend. Consequently, the pace of output charge inflation also remained below average. Sector data indicated that inflationary trends were strongest in the construction industry.

Lead times on inputs worsened for the twentieth month running in February, but like January, the pace of decline was only modest. Survey evidence suggested that an easing of port congestion in Durban, alongside lower purchases, had reduced pressure on vendors, although renewed load shedding did cause some delays.

Finally, survey data measuring future output predictions showed that South African companies were broadly positive about their prospects, although the degree of confidence was only slightly better than December's 20-month low. Firms expecting output to rise often cited greater sales, product development, and efficiency improvements. However, there were concerns that US trade policy could dampen activity going forward.



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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