

News Release

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S&P Global South Africa PMI®

Private sector growth gains speed in September as inflationary pressures cool sharply

Key findings

South African business activity rises for first time in 13 months

Sales increase further amid slight drop in prices

Growth mainly driven by the wholesale & retail sector

The South Africa PMI® signalled a stronger end to the third quarter for the private sector economy, as a sustained boost in new work intakes supported the first expansion in business activity since August 2023. Improving demand conditions coincided with a slight reduction in firms' selling charges, the first in over four years, as an improvement in exchange rates led to a marked slowdown in input cost inflation.

Nevertheless, South African businesses continued to register mild cutbacks in their staffing and purchases. Supply chain challenges also persisted as firms faced additional waits for inputs held at ports.

Moreover, the recovery in business conditions was lopsided, with only wholesale and retail companies reporting overall uplifts in both output and sales.

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 – rose from 50.5 in August to 51.0 in September, posting above the 50.0 neutral mark for the second month running. The reading was the joint-highest in just over two years (level with August 2023).

The recent peak in the PMI coincided with an upturn in private sector business activity, as South African companies registered the first expansion in over a year. Higher output was commonly linked to a rise in new work and improving customer sales. Total sales volumes were up for the second month running, marking the first sustained improvement since mid-2022.

Growth in activity and sales was however focussed on the wholesale and retail sector, where a fall in selling charges helped to strengthen demand. In contrast, total output volumes fell across industry, construction and services, albeit at relatively modest rates.

The latest survey data also highlighted a considerable

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



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

Comment

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

"The latest PMI data provides further assurance that the South African private sector economy is on the right track, with September seeing growth accelerate to the joint-fastest in over two years. Furthermore, the PMI average for Q3 (50.3) marks the first quarter of improving business conditions since Q4 2022, which is a good indicator of stronger GDP growth in the next official figures.

"Not only did a further improvement in sales give businesses ample reason to increase their output in September (albeit mostly in the wholesale & retail sector), but a marked cooling of input cost inflation also provided hope that macroeconomic trends should become more favourable. The slowdown in price pressures was mainly linked to a surge in the rand against the US dollar, which came amid a sharp US interest rate cut and a stimulus package in China that could boost South African mining exports.

"Further positive developments on these fronts could therefore pave the way for cost savings as import prices fall and support a slowing of consumer price inflation. The survey data certainly suggests the latter is already happening, with average selling prices falling for the first time since mid-2020. Price cuts are likely to bolster demand, indicating that the private sector should enjoy a strong end to 2024."

PMI®

by S&P Global

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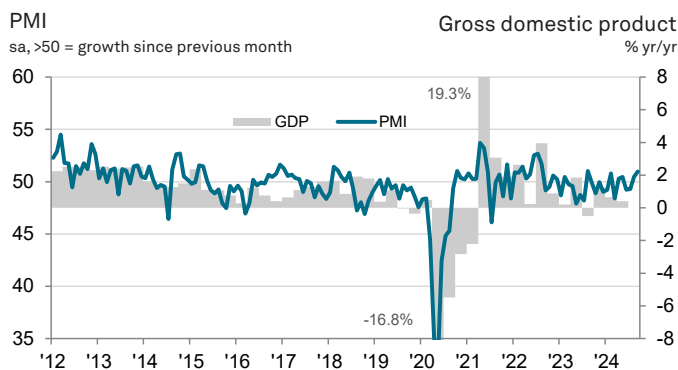
softening of cost pressures at South African firms. Reports from panellists suggested that a strengthening of the rand against the US dollar underlined a cooling of business expenses, mainly through lower import prices. Consequently, overall input costs rose at the slowest rate in over four years.

In turn, surveyed companies opted to reduce their selling prices for the first time since August 2020 (albeit fractionally). Lower charges were recorded in the wholesale & retail and services sectors, partly offset by increases in industry and construction.

For the fourth straight month, staffing numbers were curtailed in September as firms continued to show a reluctance to hire and instead opt to save costs. Wage pressures remained solid, although the latest rise in staff costs was the softest seen since February.

Similarly, firms reduced their purchasing activity for the fourth time in as many months. The contraction came amid further supply chain challenges due to a backlog of freight containers at the port of Durban. This led to another solid lengthening of supplier delivery times in September, although the rate of increase slowed for the first time since April.

Looking ahead, South African firms maintained a fairly confident outlook for business activity in September, with optimism staying above the long-run average despite slipping from August. Comments showed that hopes of higher sales, stable energy supply, lower inflation and increased government spending were often behind positive sentiment.



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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