

# News Release

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## S&P Global South Africa PMI<sup>®</sup>

### Supply chains improve for first time since 2019

#### Key findings

Lead times reduce as load shedding eases

Output and new orders decline at slower rates

Input costs rise sharply, but pace of inflation moderates

South African companies signalled an improvement in the performance of supply chains at the end of the first half of the year, latest PMI<sup>®</sup> data showed, as better-than-expected load shedding, lower demand for inputs and a broad reduction in shipping delays helped vendors to cut delivery times. The improvement also supported a softening of cost pressures, although these remained steep overall and continued to drive selling prices higher.

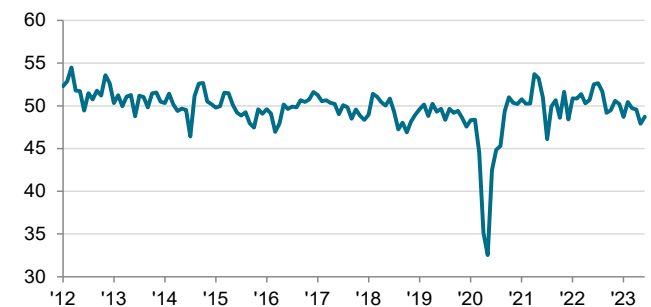
Despite an improved supply picture, elevated prices continued to suppress demand at businesses, leading to a modest deterioration in the overall health of the private sector economy. The S&P Global South Africa Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) - a composite gauge designed to give a single-figure snapshot of operating conditions in the private sector economy - posted below the 50.0 neutral mark for the fourth month in a row at 48.7 in June, up from 47.9 in May.

The drop in client demand fed through to a further decrease in new business intakes in June, although the pace of contraction was moderate and slightly weaker than in May. Survey results showed that sales declined in the construction, services and wholesale & retail sectors, whereas industry recorded an expansion. New orders from foreign markets continued to fall amid weak global economic conditions.

Lower demand levels translated into a further contraction in business activity across South Africa in June. That said, the downturn was much softer in comparison to May as firms highlighted that reduced load shedding helped them to increase their working hours and finish some outstanding orders. Improved power supply also contributed to a pick-up in vendor performance, leading to the first (albeit slight) reduction in average delivery times since January 2019.

The drop in lead times helped to curb inflationary pressures in June, which remained marked but softened from the previous survey. Indeed, the latest uptick in input prices was

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



Source: S&P Global PMI.  
Data were collected 12-28 June 2023.

#### Comment

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

"South Africa's private sector saw some relief in June as the intensity of load shedding was much weaker than anticipated after Eskom's forecasts of a "winter of discontent". The latest PMI numbers reflect some of this alleviation of pressure, with output falling at a much softer pace than one month ago and lead times dropping for the first time since the start of 2019. Cost pressures remained steep, but the rate of inflation eased to the lowest since January.

"Nevertheless, sharply rising output prices continue to harm client demand as businesses and households limit spending in the current high-inflation environment. This translated into a reduction in input purchases, while staffing growth was only fractional. That said, the improvement in the energy outlook meant that firms were more confident of an increase in output over the coming 12 months, amid hopes that the current period of economic weakness will come to an end soon."

PMI<sup>®</sup>

by S&P Global

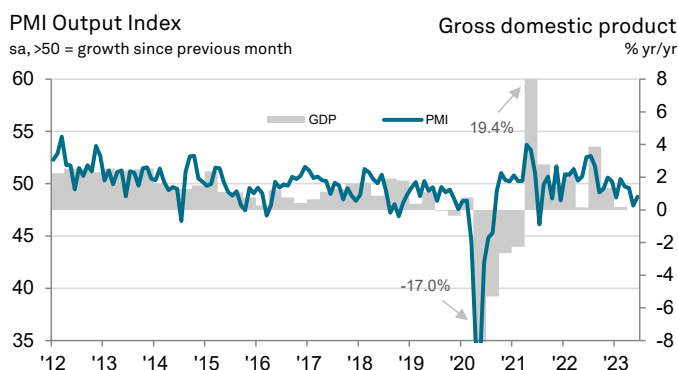
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the slowest registered in five months, amid weaker rises in purchase prices and staff costs, plus reports of lower transport expenses. Wage inflation eased from its recent highs as firms reported only a slight increase in employment and reduced pay pressures. An improvement in exchange rates was also cited by panellists as helping to ease inflation.

The uplift in output charges was still steep though, with the rate of increase slowing only fractionally from May. Companies largely chose to pass cost rises on to their customers, with the uplift remaining broad-based by sector.

Meanwhile, the latest survey data showed a further contraction in purchasing activity in June, although the rate of decrease was only slight. Concurrently, inventories held by private sector firms fell only marginally.

Finally, business expectations towards future activity picked up sharply in June and were the highest recorded for seven months. Around 47% of the survey panel expect output to increase over the coming year, contrasting with just 4% that predict a downturn. Firms were generally optimistic that economic conditions will pick up, albeit from a low base, with hopes often pinned on an easing of inflation and load shedding, as well as new clients and higher sales.



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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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