News Release

Embargoed until 0915 SAST (0715 UTC) 5 January 2023

S&P Global South Africa PMI®

Firms see renewed downturn in new orders in December

Key findings

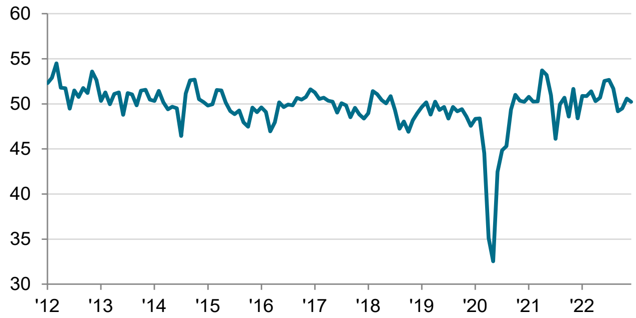
New business falls for third time in four months

Load shedding continues to harm output and supply chains

Cost pressures remain marked but slower than earlier in 2022

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 6-21 December 2022.

South African businesses pointed to a renewed decline in demand conditions at the end of the year, according to the latest survey data, as new orders fell for the third time in four months in December. Price pressures and weakening global economic conditions served to depress sales, while supply chains remained under pressure from load shedding and material shortages. Input prices continued to rise sharply, although inflation remained much softer than the rates seen earlier in 2022 to provide further optimism that the peak has now passed.

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 – posted 50.2 in December, down from 50.6 in November but above the 50.0 no-change threshold for the second month running.

The positive reading reflected a slight upturn in employment and longer supplier delivery times, with the latter index inverted in the PMI calculation. By contrast, the three remaining components of the PMI (output, new orders and stocks of purchases) all registered contractions.

New orders at South African companies fell for the third time in four months during December, after a renewed, but only marginal upturn in November. According to the survey panel, high prices and the ongoing load shedding programme continued to depress client demand, although the latest fall in sales was only modest. At the same time, slowing international demand led to a further drop in export orders.

Output levels consequently fell for the fourth consecutive month in December, making the current run of contraction the longest recorded since September 2020. Firms often linked the reduction in activity to lower sales, while some blamed power cuts due to load shedding. However, the decline in output softened further and was the slowest registered in the four-month sequence.

Comment

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

"South African businesses continued to signal an array of factors harming economic conditions at the end of the year, including load shedding, inflation, supply problems and weak demand. While the PMI stayed above 50.0 in December for the second month running, this mostly reflected a slight uplift in employment numbers, as new orders, output and inventories all declined. The latest findings suggest that GDP figures are likely to disappoint in the fourth quarter following a more robust expansion in Q3.

"More positively, firms are seeing some light at the end of the tunnel in terms of inflation, which has clearly eased from the rates seen earlier in the year. Purchase prices rose at the softest pace since February 2021, while wage inflation was the lowest seen in nearly a year. Reduced inflationary pressures should help to ease the burden on customers heading into the new year, while firms also hope that load shedding will pose a smaller issue and help supply chains to recover."

Load shedding continued to undermine supply chain performance in December. Delivery times lengthened sharply and to the greatest extent since March, with panellists also mentioning input shortages as a contributing factor. In response, and in line with weaker sales, firms cut purchasing activity at the fastest rate since January and reduced their input stockpiles.

Input cost pressures showed further signs of easing from the marked levels seen earlier in 2022, as firms registered the second-weakest rise in total expenses since October 2021. Purchase costs continued to rise sharply amid supplier shortages, higher fuel prices and currency weakness, but the rate of inflation was the softest for almost two years. Similarly, wages rose to the smallest extent since last January.

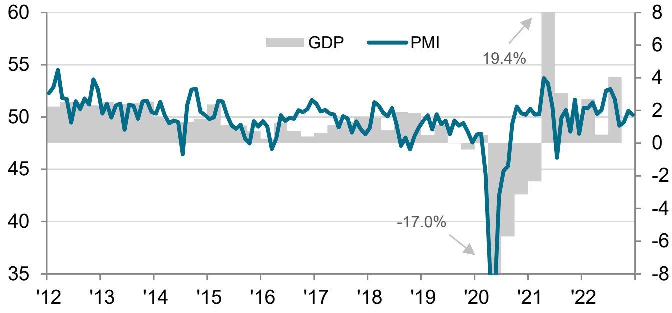
Companies made additional efforts to pass higher cost burdens on to clients through a rise in output charges. That said, the uptick was similarly less marked than those recorded across most of 2022.

With inflation softening, South African firms remained hopeful of an improvement in business activity in the coming year, often reflecting expectations of acquiring new work. Output forecasts were strong, but dipped to the lowest since July.

Subsequently, firms added to their workforce numbers for the tenth month running. The rate of job creation picked up to the quickest since September, although it was only marginal and partly offset by the non-replacement of leavers. The rise in staffing helped firms to deplete backlogs of work, which fell slightly but to the greatest extent since June.

PMI Output Index
sa, >50 = growth since previous month

Gross domestic product
% yr/yr



Sources: S&P Global, Stats SA.

Contact

David Owen
Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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. ihsmarkit.com/products/pmi.html.

PMI® by S&P Global