

News Release

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S&P Global South Africa PMI[®]

Business activity expands for first time in a year

Key findings

New orders close to stabilising

Strongest rise in employment for 11 months

Input cost inflation slows to least marked since January

The South Africa PMI[®] moved in a positive direction in August, as business activity grew for the first time in a year. Stabilising demand conditions helped firms to boost output, although high inflation and load shedding remained obstacles to growth.

The recovery in output encouraged businesses to increase their staffing and purchasing to the greatest degrees since last year, despite sharp increases in both material prices and salaries. Cost pressures remained sharp, but softened to a seven-month low, leading to a weaker increase in overall selling charges.

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 above the 50.0 neutral mark in August for the first time in six months. At 51.0, up from 48.2 in July, the index signalled a modest improvement in operating conditions that was the strongest in a year.

Driving the headline index into growth territory was a renewed increase in business activity in August. The moderate expansion was the first recorded in 12 months and mainly linked by survey panellists to improving demand conditions.

Although new order inflows fell for the fourth month running amid ongoing difficulties from load shedding and the cost-of-living crisis, the latest data indicated only a marginal decrease that was the softest seen in this sequence. Several companies reported an uptick in customer numbers and a recovery of domestic demand. By comparison, export sales disappointed in August with a modest decline.

The latest survey data also provided some positive news regarding inflation. Overall business costs rose to the softest degree since January, leading to a slower increase in firms' output charges, the weakest in six months.

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



Source: S&P Global PMI.
Data were collected 10-29 August 2023.

Comment

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

"The August South Africa PMI pointed to an encouraging turnaround in the private sector economy midway through the third quarter, as companies reported an increase in output for the first time in a year and demand conditions were broadly steady. While inflationary pressures continued to sap customer spending power in many areas, there were hints that order books may be starting to improve, leading firms to make concerted expansion efforts.

"Of particular note was a renewed rise in input purchases that was the strongest seen since June 2022, as well as moderate increase in employment. Inflationary pressures showed an improving trend, with input costs rising to the least extent since January and output charge inflation slowing accordingly.

"That said, August's upturn does little to turn the tide after a dismal performance in 2023 so far. Load shedding, supply disruption and currency weakness continue to hinder firms and impact demand. Progress on these issues would certainly prove beneficial to South African companies in the latter part of this year."

PMI[®]

by S&P Global

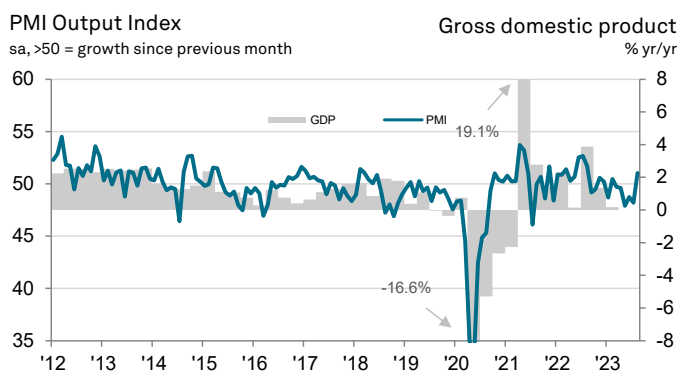
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That said, price pressures remained sharp overall and attributed to both currency weakness and supply issues, with the latter exacerbated by taxi driver strikes in August. Wages were also a notable factor, rising at the second-fastest pace since May 2021.

Despite sharply rising costs, South African firms highlighted an increase in both hiring and purchasing efforts in the latest survey period, linking this to the need to build capacity and limit backlogs of work. After falling in July, employment numbers rose moderately and at the strongest rate since last September, while input buying grew for the first time in six months.

Companies also reported a slight increase in their input stores during August, after inventories decreased in each of the prior four months. The expansion came despite a solid deterioration in supplier performance, the strongest in four months, after data had indicated a degree of stability in June and July.

On sentiment, South African businesses remained strongly confident about the path of future activity in August, despite optimism pulling back slightly from July's nine-month peak. Generally, firms cited hopes of a pick-up in demand conditions, as well as a cooling of inflationary pressures and reduced disruption to operations from load shedding.



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.

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