News Release

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S&P Global South Africa PMI®

Output contraction worsens in December amid port gridlock

Key findings

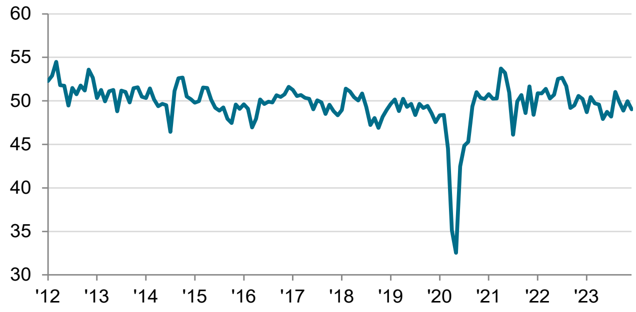
Longest vendor delays in nearly two years

Output drops at sharpest pace since May

Inflationary pressures remain mild

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 6-20 December 2023.

The S&P Global South Africa PMI® indicated a steeper downturn in activity across the private sector economy in the final month of the year, as firms signalled a greater impact from the port crisis in Durban on supply chains, inventories, output and demand. Most notably, delivery times lengthened at the sharpest rate in close to two years, contributing to a solid decrease in new order inflows and the sharpest reduction in output since May.

On a positive note, price pressures were again fairly subdued in December, subsiding from the marked rates of inflation recorded earlier in 2023. Purchase prices rose at the softest pace in three years, leading to another historically mild uplift in output 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 – dropped to 49.0 in December from the neutral value of 50.0 in November. The reading signalled a renewed deterioration in the health of the private sector, driven by sharper falls in output, new business and stocks of purchases.

At the same time, the Suppliers' Delivery Times Index – which is inverted in the headline index calculation – dropped to its lowest level since January 2022, to indicate a severe worsening of vendor performance at the end of the year. Surveyed firms largely associated this with the port crisis in Durban which led to shipping congestion and reports of delivery delays of up to several weeks.

Output levels were purportedly curtailed by these headwinds, falling for the fourth successive month and to the greatest degree since May. The downturn was broad-based across the sectors monitored, with the sharpest contraction seen in industry.

Similarly, new order inflows decreased at a solid pace in December that was the quickest recorded since the start

Comment

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

"The Durban port crisis had a destabilising impact on the South African economy in December. The PMI slipped back below the 50.0 neutral mark as output levels were forcibly cut by companies facing supply hold-ups. Firms also reported the quickest decline in new business for almost a year as client spending power remained noticeably weak.

"With the decline in supplier performance worsening, the latest survey data suggests that delivery delays are at a level that has been rarely exceeded during pre-COVID times. This indicates that the port gridlock is likely to further dent the economy at the start of 2024 as businesses face greater shortfalls in input supply. Load shedding is also expected to remain an issue after electricity outages reportedly hit output and sales in December.

"On the plus side, inflationary pressures have appeared to subside, with purchase price inflation falling to the lowest in three years and output price pressures concurrently easing from levels recorded earlier in 2023. The slowdown should help to restore a degree of business and consumer confidence as long as the port gridlock does not cause material prices to rise."

of 2023. Companies highlighted that weak client spending, supply challenges and ongoing load shedding contributed to reduced sales.

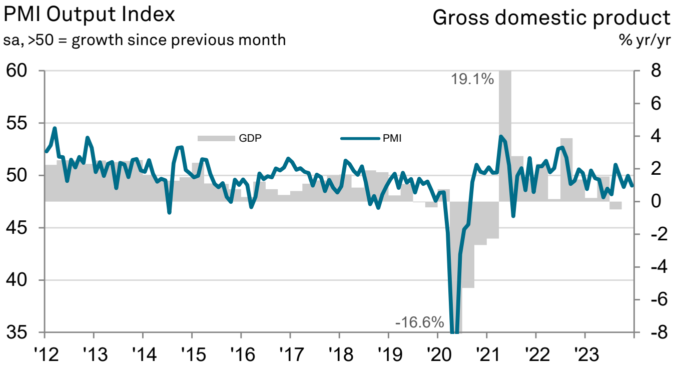
The volume of inputs purchased by South African companies fell for the fourth month running in December. With firms also facing supply hold-ups, stocks of purchases subsequently dropped at a solid and sharper rate.

Employment was meanwhile pared back for the second month in a row, although the pace of decline was only marginal. At the same time, backlogs ticked higher for the first time since August.

December survey data provided further evidence that inflationary pressures have softened towards the end of 2023, with companies indicating the weakest uptick in purchase prices for three years. While some panellists saw increases in transport and energy costs, weaker demand pressure and a stabler exchange rate helped to offset this. Despite a faster increase in staff wages, the pace of overall input price inflation was unchanged from November.

Similarly, average prices charged rose at a softer rate compared to much of the past three years, despite quickening slightly from the previous month. The broad slowdown in price inflation reflected mild price pressures in all key sectors.

Output expectations for the coming year dropped for the first time in three months in December, but remained strong overall. Firms often tied positive predictions to hopes of a rise in new business and the resolution of economic issues.



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' IndexTM (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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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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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