

# News Release

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

### Business conditions strengthen in February as new orders stabilise

#### Key findings

PMI above 50.0 for the first time in six months

Sales volumes broadly stable as price inflation softens

Employment and purchases rise amid stronger confidence

The South Africa PMI<sup>®</sup> returned to expansion territory in February, as staffing and purchasing levels increased in response to a stabilisation of new business volumes. Output continued to fall but at a slower pace, with survey evidence indicating that ongoing supply side challenges had weighed on business capacity.

The tentative recovery in demand conditions followed another month of relatively subdued price pressures, with output prices rising at their softest pace in over three years. That said, extended delays at the port of Durban reportedly led to upticks in shipping and material costs.

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 – rose to 50.8 in February, up from 49.2 in January, to post above the neutral 50.0 level for the first time since August 2023.

The upturn in operating conditions came alongside a near stabilisation of new business volumes, following notable falls in each of the previous four months. Some firms monitored by the survey signalled a pick-up in customer demand, although others commented that market activity was still subdued. Sector data revealed that services firms recorded growth, with an upturn in this category contrasting with declines in industry, construction and wholesale & retail.

A stabler demand environment came amid a further modest rise in selling prices at South African companies. The rate of inflation was in fact the slowest recorded since December 2020. Although firms generally chose to pass through an increase in costs, others reported offering discounts due to excess stocks and to stimulate sales.

February survey data thereby highlighted more positive trends for activity, employment and inventories. While total business activity fell for the sixth month in a row, the rate of contraction softened from January and was only slight.

S&P Global South Africa PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-27 February 2024.

#### Comment

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

*"The South Africa PMI swung back above the 50.0 no-change mark in February, pointing to the first improvement in operating conditions across the private sector since August last year. This was largely due to an improving sales trend, which whilst neutral, was better than the solid declines seen recently."*

*"Survey evidence suggests that the cooling inflation environment has been a major factor in helping to revive markets. With output charge inflation at its lowest for over three years and below the long-run trend, firms indicated that price pressures were less of a worry for customers and that demand was starting to pick up, especially in services."*

*"Companies were also encouraged to expand their employment levels, and boost their purchases of inputs for the first time in six months. These upturns followed a stronger degree of confidence in future activity, with nearly half of businesses expecting growth over the year ahead."*

*"However, with the stabilisation in new orders following the worst downturn for a year in January, businesses should not be complacent about the ongoing economic challenges. The port at Durban still faces a backlog of containers, which latest survey data showed led to another sharp lengthening of delivery times. Firms also faced export difficulties and a sharper rise in purchase prices, which have the potential to cause setbacks in the private sector's path to recovery."*

PMI<sup>®</sup>

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Anecdotal evidence suggested that greater load shedding and ongoing supply issues had somewhat hindered output.

Employment and purchases both returned to growth territory during February, indicating that signs of reviving market conditions had encouraged firms to expand supply. In both cases, growth was driven by the industry sector. The increase in purchasing activity, the first for six months, supported a mild improvement in inventory levels.

Nonetheless, South African firms faced additional setbacks from the Durban port crisis over February. The key impact was on supply-side performance, as delivery times lengthened sharply, albeit at a softer pace for the second month running. In some cases, companies also faced higher material and transport fees, which contributed to the first quickening of purchase price inflation in seven months.

As well as delays to imported goods, some businesses encountered challenges when exporting goods to clients. This contributed to a seventh successive drop in exports, and one that was the sharpest seen since the end of 2021.

Despite these headwinds, surveyed firms reported the strongest output projections for seven months in February. Nearly half of all respondents predicted activity to increase over the next 12 months, with improving demand conditions and hopes of relaxed supply side pressures among the key factors supporting optimism.



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](mailto:economics@spglobal.com).

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