

# News Release

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## S&P Global South Africa PMI®

### Growth sustained in October as business costs and selling prices fall

#### Key findings

New order growth continues as selling charges decrease

First drop in input costs for more than four years

Input purchases and inventories rise after four-month decline

The South Africa PMI® remained in growth mode at start of the final quarter of 2024, driven by additional expansions in activity and new business at private sector companies. Sales were partly boosted by a drop in output prices, as improving exchange rates and lower fuel prices alleviated firms' cost burdens and supported greater promotional efforts. Business confidence also improved, and inventories rose, although firms remained cautious on the hiring front in a bid to keep costs down.

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 – recorded above the 50.0 no-change mark for a third month running in October, signalling a further strengthening of private sector performance. At 50.6, the index was nonetheless down slightly from September's 13-month high of 51.0.

Business activity levels across the South African economy rose for the second month running in October, which firms widely attributed to higher sales and more favourable economic conditions. Notably, the level of new work increased for the third straight month, which is the longest period of growth indicated by the survey since mid-2022. The pace of expansion did however slow to a marginal rate in October, with just two of the four broad sectors covered seeing sales rise (industry and wholesale & retail).

For the second month in a row, South African businesses reported a decrease in average prices charged, which in part aided higher customer spending. The decline, which was the fastest since July 2020, came at the same time as a fall in overall input costs, the first recorded in over four years. Several factors helped to alleviate business expenses, not least a reduction in import costs as the rand remained strong against the US dollar. Lower fuel prices and a drop in interest rates were also highlighted, while some firms mentioned higher shipping fees and an upwards impact on

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



Source: S&P Global PMI.  
Data were collected 10-29 October 2024.

#### Comment

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

"October was another strong month for the South African economy, with private sector activity expanding (albeit mildly) for the second month running and new business levels also rising. The PMI has been in growth mode for three successive months, providing confidence to businesses that economic conditions are on the mend.

"The survey data also provided further evidence that inflationary pressures are falling, helped by declining import prices, lower fuel costs and September's drop in interest rates. While some businesses were pressured by higher costs linked to supply chain disruption, this was not enough to stop input costs dropping at the aggregate level for the first time since June 2020.

"Business selling charges were also cut, helping to reinforce demand strength and signal downside potential to consumer price inflation. This supports the wider narrative that detrimental macroeconomic factors are easing, which also underlines greater confidence in future business activity."

PMI®

by S&P Global

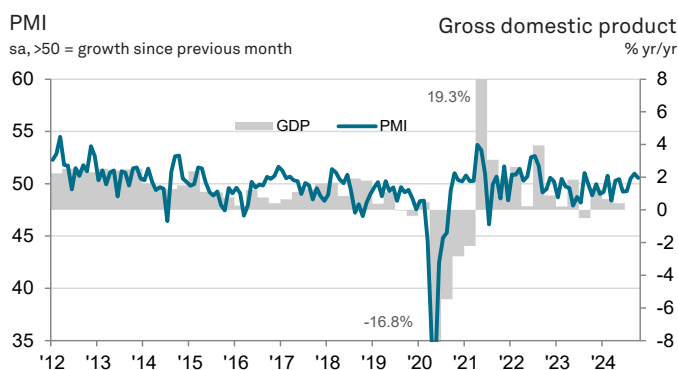
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costs from port delays.

Also helping to reduce costs was a restrictive stance to employment. Despite sales rising, South African companies reduced their headcounts for the fifth straight month, with qualitative evidence signalling that firms both actively reduced staff and kept recently vacated positions open. Subsequently, the rate of salary inflation eased to the weakest since January.

In contrast, volumes of input purchases rebounded in October, rising for the first time since May and at the strongest rate in over two-and-a-half years. Survey respondents indicated that sustained new business growth and lower borrowing costs gave them greater confidence to raise purchasing activity. Firms also looked to expand stock levels, but delivery delays and rising output meant that inventories rose only slightly. Disruption at domestic ports led to another solid lengthening of lead times, albeit to the least extent since June.

Improving demand and falling cost levels supported a robust level of business confidence in October, as expectations towards the year-ahead outlook rose to the second-highest since early 2022. Firms largely expect output to continue rising (52% of respondents had a positive outlook), with anecdotal comments suggesting that lower interest rates, wider product ranges, political stability and reduced load shedding contributed to growth predictions.



Sources: S&P Global PMI, Stats SA via S&P Global Market Intelligence.

## Contact

David Owen  
Senior Economist  
S&P Global Market Intelligence  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

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

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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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