

# News Release

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

### South Africa PMI back in contraction territory as sales fall sharply

#### Key findings

Quickest drop in new orders since December 2021

Output levels decrease, but staffing and inventories rise

Purchasing costs grow at strongest rate for seven months

South African firms faced a renewed decline in business conditions during March, according to the latest PMI<sup>®</sup> survey data from S&P Global. After showing signs of stabilising in February, new order volumes fell at the sharpest rate in over two years, as stronger price pressures and drought conditions contributed to lower customer demand.

The downturn resulted in a sharper reduction in private sector output. Nevertheless, staffing and inventories continued to expand. Firms also pointed to an easing of supply side delays, amid reports that the port crisis in Durban was calming down.

Price pressures quickened in March, with firms reporting higher supplier charges and fuel costs. Output price inflation subsequently lifted to a five-month high.

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 – fell from 50.8 in February to 48.4 in March, indicating a moderate contraction in the private sector. The index was at its lowest level since July 2023.

The New Orders sub-index moved into reverse gear in March, after almost reaching the 50.0 growth mark in February. In fact, the index signalled the strongest decline in sales at South African companies since December 2021. According to surveyed firms, customer orders decreased due to accelerating price pressures, load shedding, drought conditions and wider economic uncertainty. On the positive side, orders from foreign clients fell at the softest rate in eight months.

Weaker sales combined with capacity issues - linked to supply constraints, load shedding and water shortages - to drive a solid reduction in output during March. The contraction was the quickest seen in 2024 so far. Similarly, firms gave their lowest expectations for future output in three months, although optimism remained strong overall.

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



Source: S&P Global PMI.  
Data were collected 12-26 March 2024.

#### Comment

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

*"After February data had provided some hope that economic conditions were stabilising, South African businesses suffered a fresh setback in March, with new business volumes declining at the sharpest rate in more than two years. Businesses highlighted a number of factors as culprits, including an additional round of load shedding and the growing domestic water crisis.*

*"A faster increase in output prices also hurt sales, as firms passed on rises in supplier and fuel prices amid ongoing supply chain constraints. The pull-back in sales and creeping up of price pressures suggests that businesses still face a tricky economic environment, which also resulted in a contraction in output for the seventh consecutive month.*

*"Concerns grow that the water crisis could widen in the coming months and impact business activity further. On the other hand, the outlook for load shedding in 2024 appears more positive, while the backlog at Durban port also looks to be slowing."*

PMI<sup>®</sup>

by S&P Global

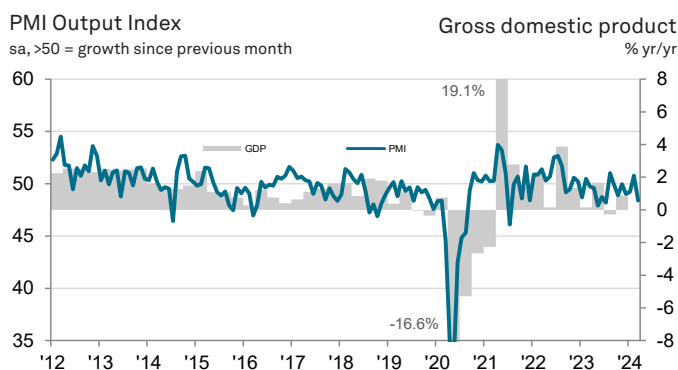
While lower client demand led to reduced input needs, South African firms dropped their input purchases only slightly in March. They also raised their inventories for the third consecutive month. Reports suggest that supply chain delays and price concerns caused some firms to hold inputs in reserve.

Delays to input deliveries continued in March, primarily due to the ongoing port crisis in Durban, with many firms facing hold-ups on imported goods. That said, the rate at which lead times lengthened was the softest for six months, as some panellists noted that freight backlogs were starting to improve.

Employment levels also increased in spite of weaker sales volumes. However, the uplift softened from February and was only marginal. Greater working capacity levels supported a moderate reduction in outstanding work.

Meanwhile, price pressures intensified for South African businesses during March. Input costs rose at a faster pace, with both purchase and staff cost inflation reaching seven-month highs. Companies often mentioned a rise in supplier charges, as well as increased fuel prices and salary hikes.

These uplifts resulted in a stronger rise in average selling charges. Notably, the rate of output price inflation was the fastest since last October, after falling to a 38-month low in February.



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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