News Release

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S&P Global South Africa PMI®

Output levels stabilise in February after five-month decline

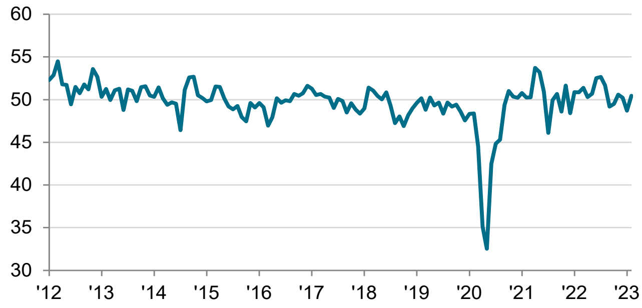
Key findings

New order volumes decrease at softer pace

Employment numbers fall for first time in a year

Cost pressures accelerate as currency weakens

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



Source: S&P Global.
Data were collected 10-24 February 2023.

Private sector activity in South Africa stabilised in February, according to latest PMI® survey data, after contracting for five months in a row. Firms also reported a slight recovery in purchasing levels, though input cost inflation accelerated to a seven-month high. At the same time, the downturn in new orders softened, but the outlook for future activity worsened further and firms cut employment for the first time in a year.

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 – returned to growth territory in February, printing above the 50.0 neutral mark at 50.5, after falling to a 13-month low of 48.7 in January. The reading signalled a slight pick-up in the health of the private sector economy.

The improvement came as output levels stabilised in February, thereby ending a prior five-month sequence of contraction. Some panellists saw an increase in activity linked to new contracts and higher sales, but others saw a decline amid demand weakness and load shedding. Upturns in the construction and services sectors were offset by a marked fall in wholesale & retail.

New order volumes meanwhile dropped for the third month in succession, although at the softest pace in this sequence. Firms often noted that load shedding and weak economic conditions had continued to harm sales. On the positive side, firms benefitted from a solid increase in new export orders, that was in fact the strongest seen since December 2011.

Nevertheless, the further drop in sales led to a less upbeat outlook for future activity. Confidence regarding the year ahead declined for the fifth month running to the weakest level since May 2022.

Amidst the weaker outlook, companies reduced their staffing levels for the first time in a year, although the decrease was only mild overall. Despite this, staff wages increased at the quickest pace for three months, as companies looked to

Comment

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

"The latest South Africa PMI helped to allay fears of a renewed downturn in the private sector economy, after a rocky start to the year saw the headline index hit a 13-month low. However, while output levels stabilised in February, they did so after contracting at a solid pace.

"Demand indicators again looked bleak, with new orders down for the third month running and business sentiment hitting the lowest level since May 2022. Moreover, cost pressures picked up to a seven-month high as a deterioration in the rand against the dollar added to import costs. Staff wages also rose at a faster pace as inflationary pressures continued to bite, prompting firms to reduce employment levels for the first time in a year."

PMI by S&P Global

mitigate steep inflationary pressures.

The drop in employment, combined with sustained disruption from load shedding, meant that backlogs of work increased for the first time since November last year. Businesses also continued to face delays on inputs, although the deterioration in supplier performance was the least marked for five months.

Meanwhile, efforts to avoid stock shortages led companies to increase their purchasing activity for the first time since last September, despite continued reductions at some firms linked to weaker demand. The slight improvement in input purchases led to a modest build-up of inventories.

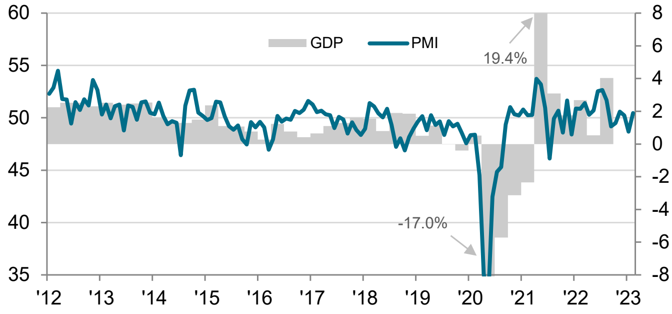
At the same time, firms faced an acceleration in purchase cost inflation for the first time in eight months. According to panellists, the increase in purchasing costs was down to a number of factors, including a weakening in the exchange rate against the US dollar. As a result, overall cost burdens picked up at the steepest pace since July 2022, resulting in a sharp and faster increase in average prices charged.

PMI Output Index

sa, >50 = growth since previous month

Gross domestic product

% yr/yr



Sources: S&P Global, Stats SA.

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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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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. ihsmarkit.com/products/pmi.html.

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