

# News Release

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## S&P Global South Africa PMI®

### New orders fall at fastest pace in a year

#### Key findings

Output levels decline solidly

Input delivery delays remain severe

Purchase price inflation continues to ease

Demand levels in the South African private sector continued to worsen at the start of 2024, as the latest PMI® signalled the sharpest drop in new order volumes in a year. Output also contracted as firms faced further supply side challenges driven by the port crisis in Durban, although a stabilising of staffing and inventory trends supported overall business conditions. Positively, purchase price and staff cost inflation eased, supporting another relatively soft increase in selling 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 – ticked up from 49.0 in December to 49.2 in January, indicating a slight decline in the sector's performance for the second month running.

South African firms reported a decrease in new business for the ninth month in a row in January. The pace of decline was the sharpest recorded in a year, as survey panellists commented on weak economic conditions and reduced client spending power. New orders from abroad also fell as firms suggested that worsening global demand and shipping disruption led to a drop in sales.

As well as weak demand, businesses faced further headwinds on the supply side, largely as a result of the Durban port crisis. Delays to the processing of shipping containers meant that one-in-five firms saw their delivery times lengthen over the latest survey period, marking the second-fastest deterioration in supplier performance in nearly two years.

Combined, these factors resulted in a solid contraction in business activity in January, the fifth monthly decrease in a row. The rate of reduction softened slightly from December, however, in part due to an uptick in services output.

Meanwhile, the latest survey data gave some more positive news with regards to inflation. Most notably, purchase costs rose at a slower rate for the sixth month running and posted

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



Source: S&P Global PMI.  
Data were collected 11-29 January 2024.

#### Comment

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

*"South African businesses remained beset by demand- and supply-side challenges at the beginning of the year, notably the Durban port crisis and its impact on delivery times and output capacity. The latest PMI data suggested that supplier performance worsened at a similar pace to December's 23-month record, with some firms noting shortages of inputs and the curtailment of activity."*

*"At the same time, companies registered the sharpest decline in new orders in exactly a year, as the impact of inflation and weak customer confidence continued to be felt across all sectors. That said, a slowing of input cost inflation meant that output prices rose only modestly, which suggests that clients should start to see some relief on prices."*

*"This turnaround has given firms greater optimism that 2024 will deliver a better year for the private sector. Indeed, nearly half of all surveyed firms expect business activity to increase by January 2025. This confidence encouraged more stable trends in purchasing and employment, which signals that firms are willing to spend more in the hope of a near-term recovery."*

PMI®

by S&P Global

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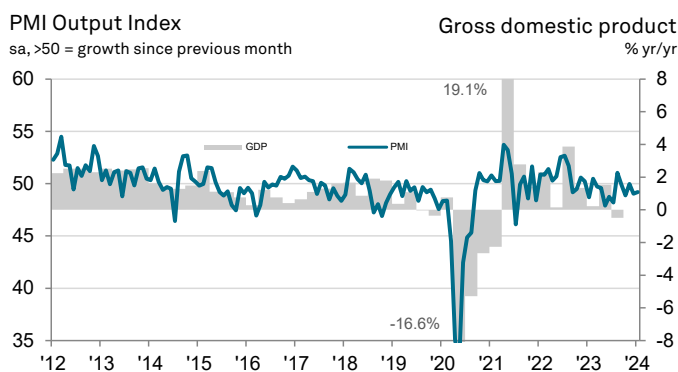
the weakest increase since December 2020. Similarly, wage costs lifted only modestly and to the least extent in two years, as weaker demand weighed on hiring and salary pressure.

Together, this meant that selling charges were raised at only a moderate pace in January, with the rise closely matching those seen in the preceding two months. That said, there was a steep increase in construction prices, according to sector data.

Purchasing activity was near to stabilisation in January, dropping only slightly and to the least extent for five months. The slowing was linked by firms to greater restocking efforts, which offset reduced purchases at some companies driven by weaker sales. Restocking often reflected the need to reverse inventory trends after four consecutive months of decreases. Consequently, the latest data signalled that stocks were broadly stable.

Similar to inventories, businesses acted to soften the rate of job cuts during January. As a result, employment fell only fractionally and at the slowest pace for three months. Some firms reported a drop in staff numbers due to lower workloads and financial issues, whereas others noted the filling of previously vacated roles.

Finally, businesses were strongly upbeat about activity and demand trends in 2024, with many predicting an improvement in economic conditions that could help drive company expansion. The degree of optimism rose to its highest since last July.



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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