

Absa Purchasing Managers' Index

March 2024

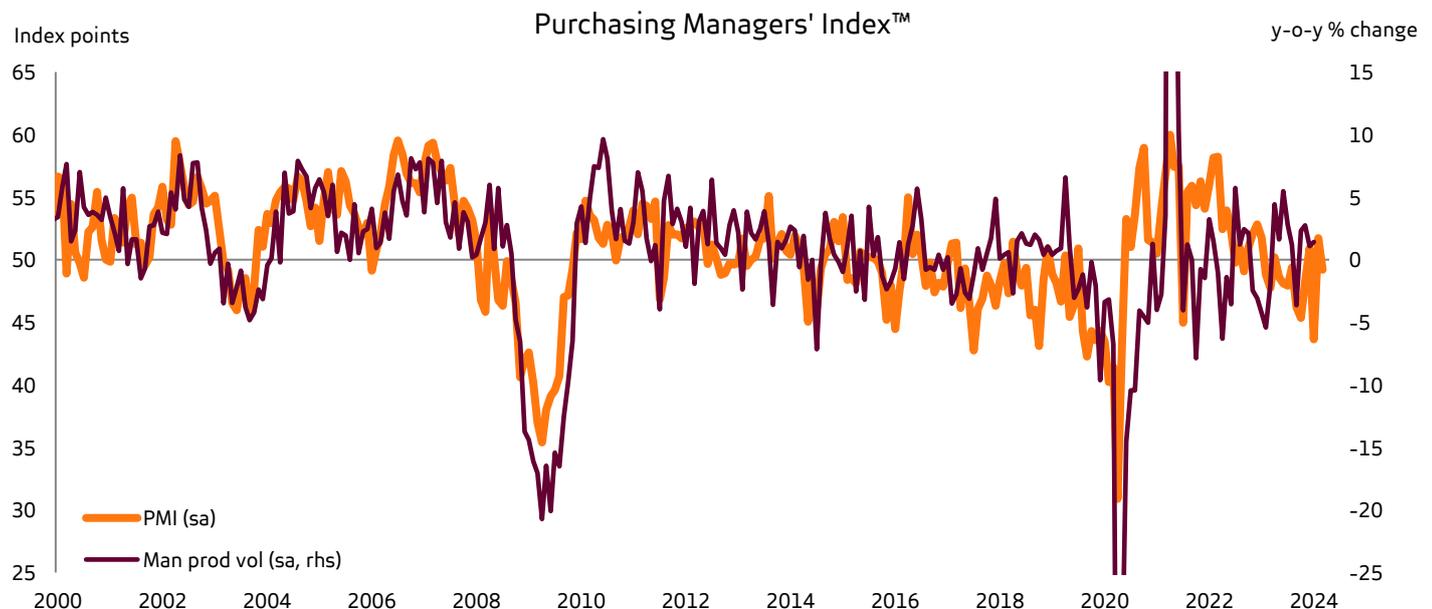
Embargoed until 11:00 2 April 2024

The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** slipped back to below 50 points in March 2024. The headline index declined from 51.7 in February to 49.2 in March. The PMI has been choppy in recent months, but the average for the first quarter of this year is equal to the final quarter of last year. In the fourth quarter, the gross value added by the sector managed to eke out a 0.2% quarter-on-quarter expansion, with a more robust annual increase. The PMI generally suggests a similar experience is possible in the first quarter.

Following robust improvements in February, both the **business activity** and **new sales orders index** declined in March – although the indices remained above recent lows seen in January. Indeed, comments by respondents suggest that demand conditions were sluggish. A potentially more positive development was the steep decline in the **supplier deliveries index**. The index declined from 62 to 54.1. The reason for this being potentially positive news is that it could be one of the first signs that congestion at the local ports is easing somewhat, and deliveries of (imported) supplies are now coming through faster. This index is inverted, so faster deliveries result in a decline in the index. This is because faster deliveries during times of uncongested and unconstrained supply chains are generally seen as a negative for the sector as it means suppliers are less busy (due to less demand from other clients), and thus, goods are able to get to the respondent faster. This could have played some role in March given that demand for manufactured goods weakened, assumingly so did demand by manufacturers for inputs. However, given respondents' commentary over recent months and other (anecdotal) evidence, better-working supply chains are a more likely reason for the improvement in delivery times. This could, over time, also lift **inventories** of intermediate goods and raw materials, which ticked down slightly in March.

Another positive development was the further improvement in sentiment towards business conditions in the future. The index tracking **expected business conditions in six months' time** rose to a solid 62.1 points. This is the most upbeat respondents have been about business conditions going forward since the start of 2023.

However, more concerning is that cost pressure continues to build with the **purchasing price index** up for a fourth consecutive month. This is likely, to a large extent, driven by increases in the fuel price.

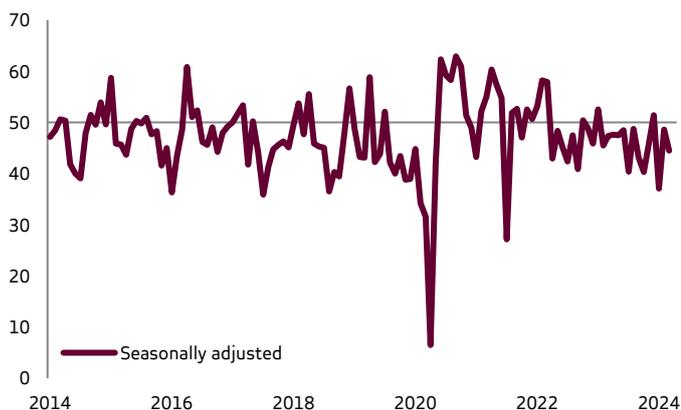


The PMI™ and PURCHASING MANAGERS' INDEX™ are trademarks of Stellenbosch University

For further information: Lisette IJssel de Schepper, Chief Economist, BER (lisette@sun.ac.za)

The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research (BER) and sponsored by Absa. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER, the author(s)/editor and Absa (inclusive of its affiliates and/or subsidiaries) do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER, as well as any interpretations by third parties. Stellenbosch University and Absa further accept no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University or Absa. Absa is an authorised financial services provider and registered credit provider reg no NCRCP7.

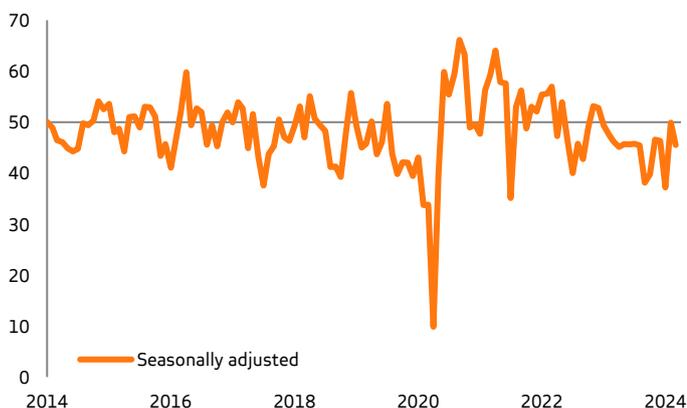
PMI: Business activity



Following a surprisingly robust increase in February, the **business activity index** dropped back in March. The activity has been volatile of late, but if one considers the average of the first quarter of 2024 relative to the fourth quarter of 2023, the activity index is slightly down.

	Jan	Feb	Mar
Business activity	37.1	48.6	44.5

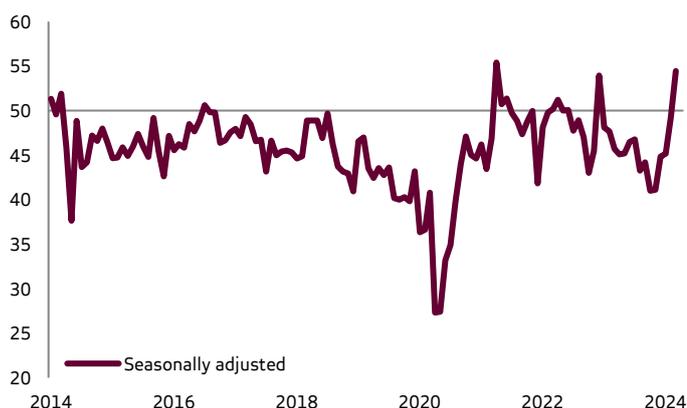
PMI: New sales orders



The **new sales orders index** declined to 45.5 index points in March. Respondents commented on demand remaining weak. Furthermore, following an improvement in February, the export sales index fell once more in March.

	Jan	Feb	Mar
New sales orders	37.2	49.9	45.5

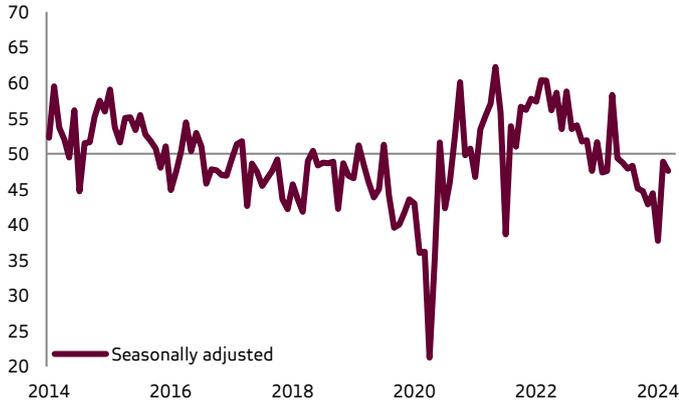
PMI: Employment



The recent solid upward trend in the **employment index** is encouraging. While we tend to caution against reading too much into sudden movements in an index, the employment index has been on a steady increase in recent months. This could bode well for job growth in the sector.

	Jan	Feb	Mar
Employment	45.2	49.2	54.4

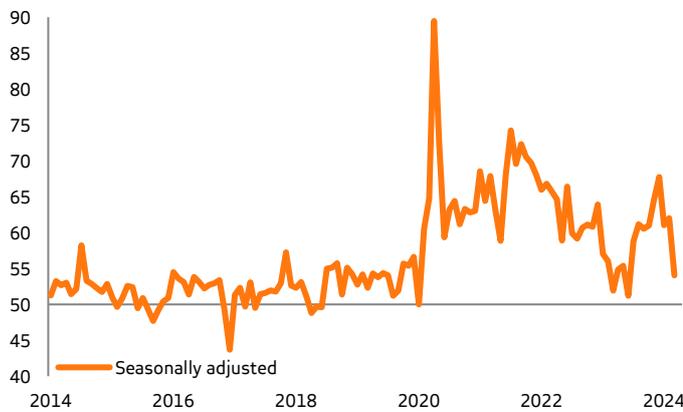
PMI: Inventories



The **inventories** index declined slightly in March, but remained well above a recent low of 37.7 reached in January.

	Jan	Feb	Mar
Inventories	37.7	48.9	47.6

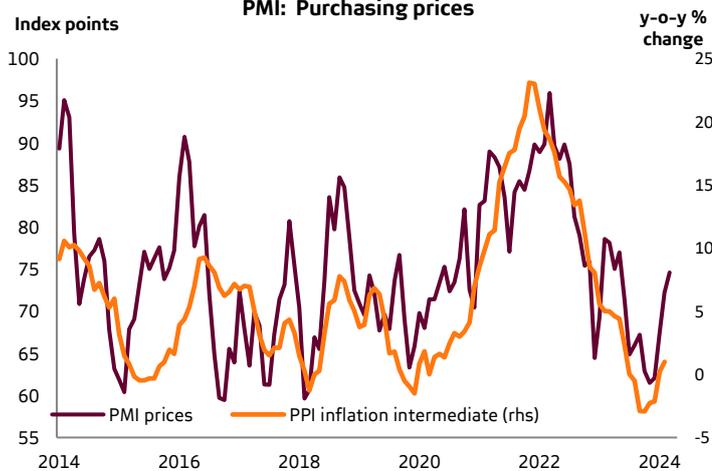
PMI: Supplier deliveries



A potentially more positive development was the steep decline in the **supplier deliveries index**. The reason for this being potentially positive news is that it could be one of the first signs that congestion at the local ports is easing somewhat, and deliveries of (imported) supplies are now coming through faster. This index is inverted, so faster deliveries result in a decline in the index. This is because faster deliveries during times of uncongested and unconstrained supply chains are generally seen as a negative for the sector as it means suppliers are less busy (due to less demand from other clients) and thus able to get to the respondent faster. This could have played some role in March given that demand for manufactured goods weakened, assumingly so did demand by manufacturers for inputs. However, given respondents' commentary over recent months and other (anecdotal) evidence, better-working supply chains are a more likely reason for the improvement in delivery times.

	Jan	Feb	Mar
Supplier deliveries	61.0	62.0	54.1

PMI: Purchasing prices



More concerning is that cost pressure continues to build with the **purchasing price index** up for a fourth consecutive month. This is likely, to a large extent, driven by increases in the fuel price. The index is now somewhat above its long-term average reading.

	Jan	Feb	Mar
Purchasing prices	67.5	72.2	74.6

The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research and sponsored by Absa. The monthly surveys are conducted under a representative group of purchasing managers in the South African manufacturing sector. These purchasing managers have to indicate each month whether a particular activity (e.g. new sales orders) for their company has increased, decreased or remained unchanged. Diffusion indices are then calculated by taking the percentage of respondents that reported an increase and adding it to one-half of the percentage that reported no change. This results in an index for which a value of 50 indicates no change in the activity, a value above 50 indicates increased activity and a value below 50 indicates decreased activity. The indices are then seasonally adjusted, but no further smoothing method is applied. The headline PMI is calculated as the weighted average of the following indices (weights in parentheses): Business Activity (0.20), New Orders (0.20), Employment (0.20), Supplier Deliveries (0.20) and Inventories (0.20). Note that the inverse of the Supplier Deliveries index is used in the PMI calculation. For more information on the South African manufacturing PMI, the historical data series as well as a description of the questions in the PMI survey, please visit the BER's website (www.ber.ac.za).