Absa Purchasing Managers' Index January 2025

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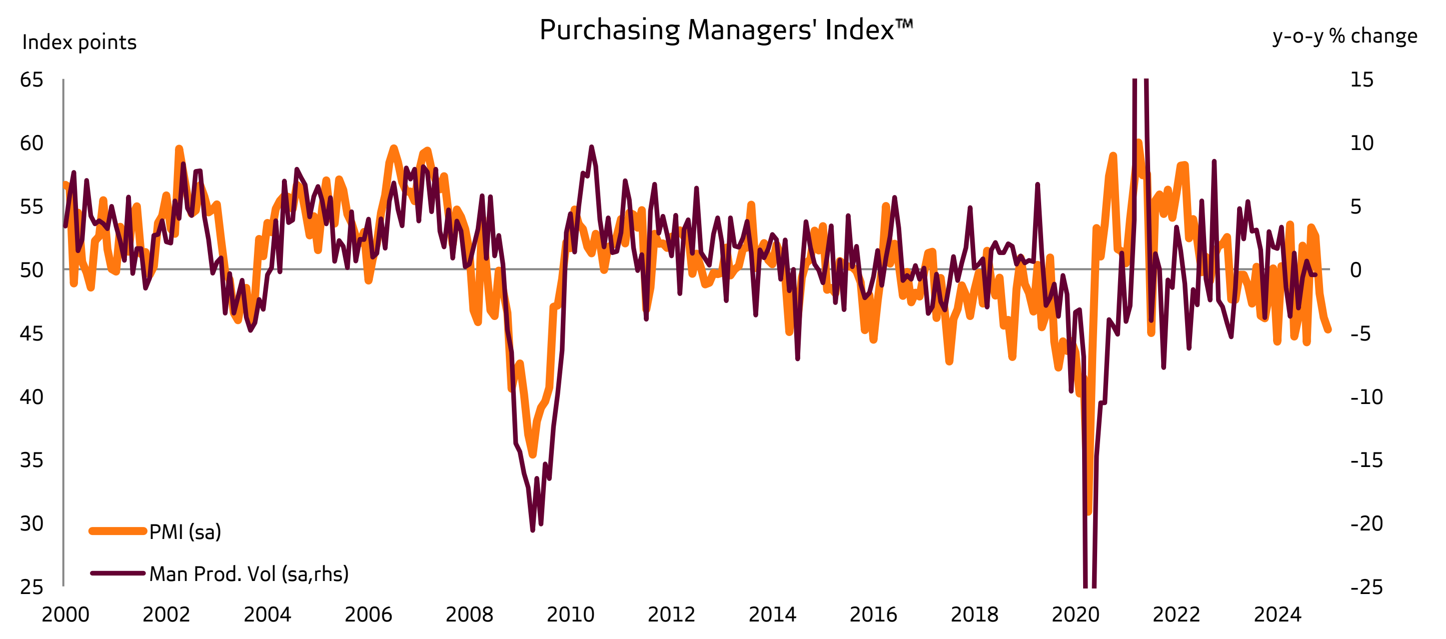
The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** started the year on the back foot, declining by 0.9 points to 45.3 points in January 2025. This is the third consecutive contraction and the lowest level since August 2024. This suggests that the loss of momentum observed at the end of 2024 has not reversed at the start of the year. However, it was encouraging that activity and demand improved from low levels – albeit remaining in contractionary terrain.

The **business activity index** increased by 3.2 points to 43.5 in January. The slight improvement in activity comes amid signs of recovering demand as the **new sales orders** rose to 42 points from 37.4 in December. Export sales recovered slightly; however, the index remained below the November level. Respondents flagged some issues that were hurting production and demand, including trade disruptions with Mozambique due to the political turmoil and fuel shortages affecting air freight. The upcoming closure of ArcelorMittal's longs business in SA was flagged as potentially impacting some producers over the next six to 12 months.

While activity and orders rose, the other three components of the headline PMI declined. The **supplier deliveries index** decreased by 6.1 points to 49.9 points, indicating that the delivery times are faster – which could be positive if it points to better working supply chains. However, given the logistics issues flagged by respondents, this seems unlikely and probably points to weaker demand for supplied goods. Worryingly, the **employment index** decreased by 2 points to 44.4 and remained in contractionary territory for the tenth consecutive month. Employment contracted during the first three quarters of 2024, and the PMI suggests it will take some time to recover. Finally, the **inventories** index declined to 46.5 from 50.7 before.

Reversing a sustained downward trend, the **purchasing price index** increased by 7.8 points to 68.2 in January. This was due to a weaker rand exchange rate and higher international oil prices, with a fuel price increase at the start of the month. Looking ahead, a further fuel price increase is expected in February. Renewed cost pressure could (in part) explain why the index tracking **expected business conditions** in six months' time decreased by 2.6 points to 64.9 in January. Uncertainties about global trade dynamics could have added to the drop. That said, despite the fall, the current level indicates that manufacturers remain fairly optimistic about business conditions in the future.



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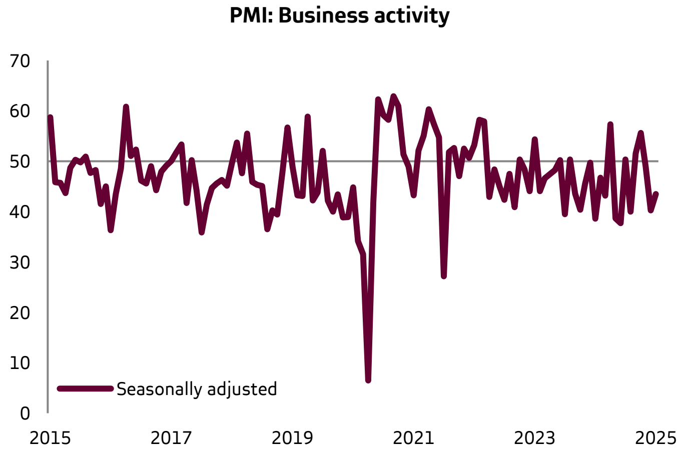
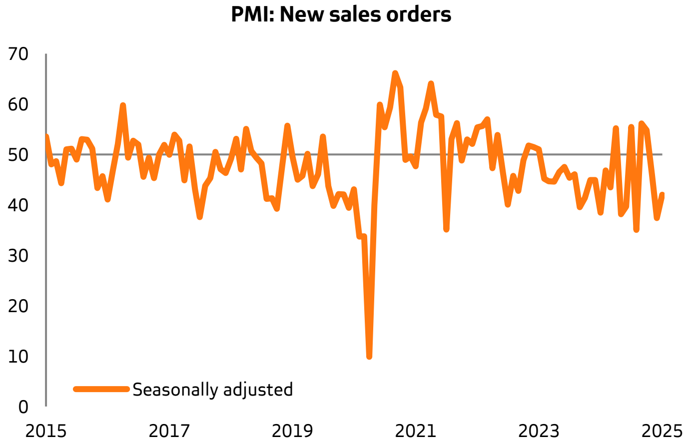


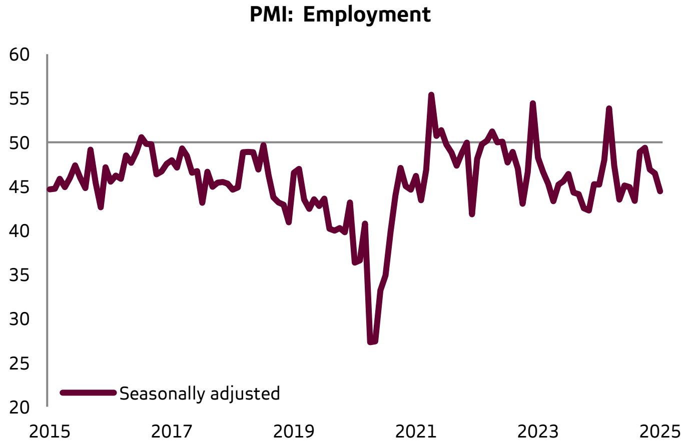
The **business activity index** increased slightly, edging up to 43.5 points. Thus, the pace of contraction slowed relative to December.

	Nov	Dec	Jan
Business activity	49.0	40.3	**43.5**



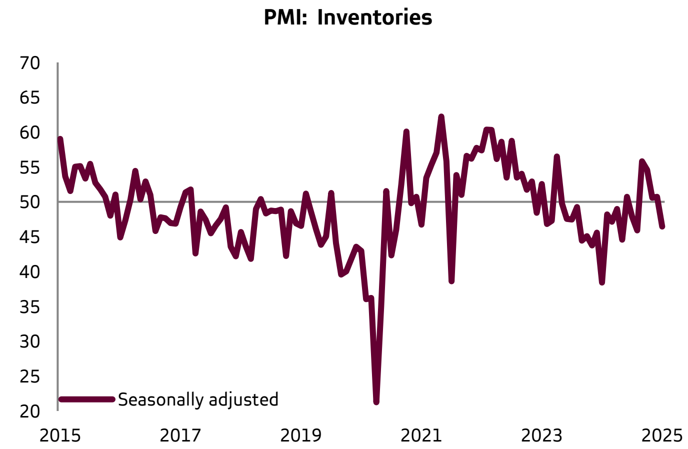
New sales orders improved slightly in January relative to December. Both the domestic and export markets showed signs of recovery.

	Nov	Dec	Jan
New sales orders	45.9	37.4	**42.0**



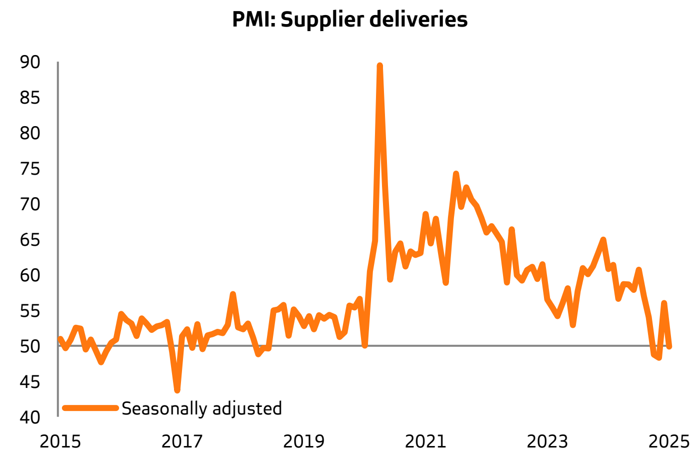
The **employment index** decreased by 2 points to 44.4 and remained in contractionary territory for the tenth consecutive month. A more substantial recovery in activity is required for any improvements in employment to start coming through.

	Nov	Dec	Jan
Employment	46.9	46.5	**44.4**



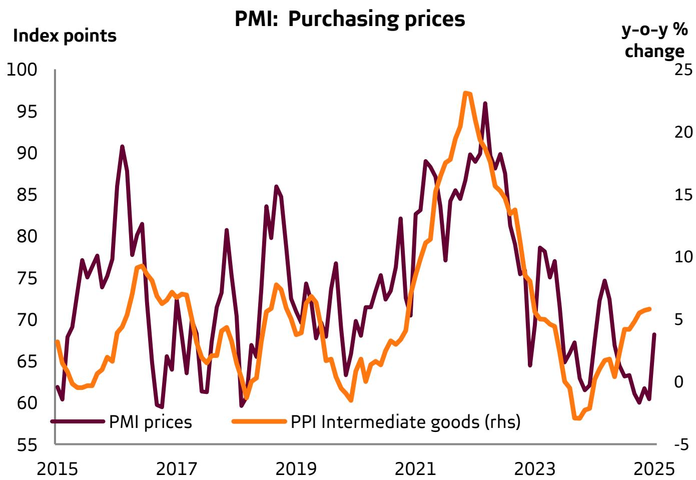
The **inventories index** declined to 46.5 points in January, indicating that there may be shortages in purchased stock, and this may lead to production delays should there be a significant uptick in demand in the short run.

	Nov	Dec	Jan
Inventories	50.6	50.7	**46.5**



The **supplier deliveries** index decreased by 6.1 points to 49.9 points, indicating that delivery times are faster. This could be positive if it points to better-working supply chains, but given the logistics issues flagged by respondents, this seems unlikely and more probably points to weaker demand.

	Nov	Dec	Jan
Supplier deliveries	48.3	56.0	**49.9**



The **purchasing price index** increased by 7.8 points to 68.2 in January, reversing a sustained downward trend. This was due to a weaker rand exchange rate and a higher internationa oil price, with a fuel price increase at the start of the month. Looking ahead, a further fuel price increase is expected in February.

	Nov	Dec	Jan
Purchasing prices	61.7	60.4	**68.2**

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).