

Absa Purchasing Managers' Index

May 2025

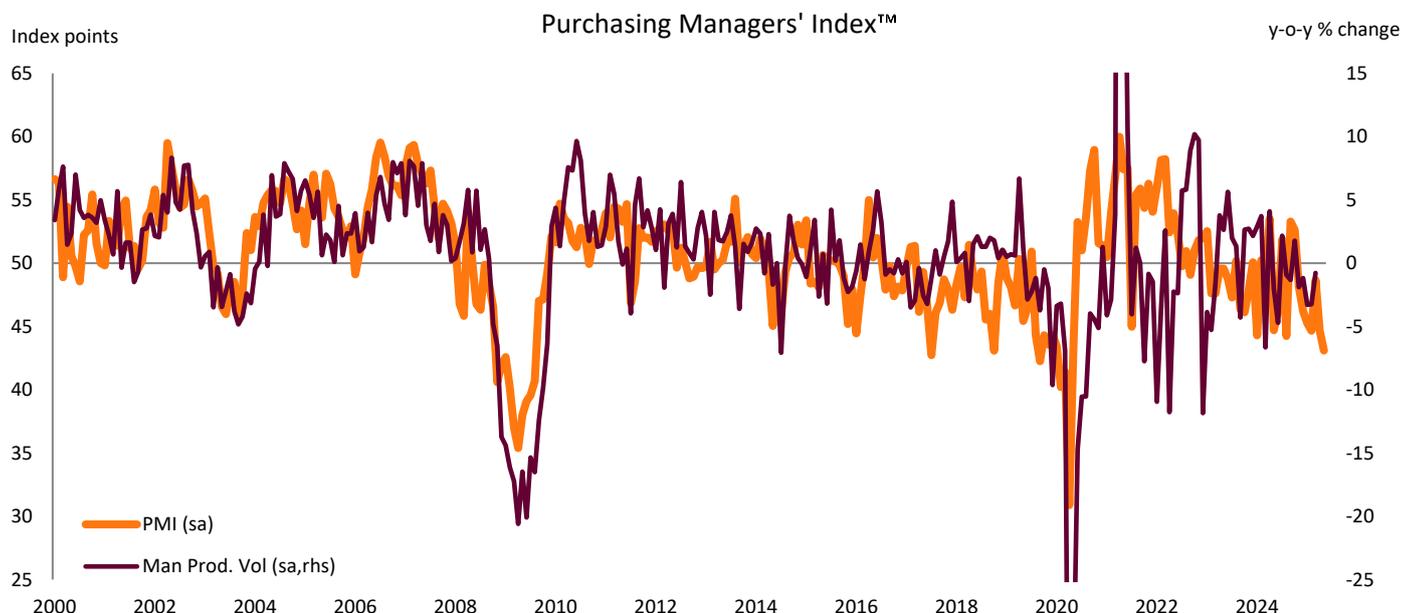
Embargoed until 11:00 2 June 2025

The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** decreased by 1.6 points to 43.1 in May 2025. The headline PMI remained in contractionary territory for a seventh consecutive month. This suggests that the manufacturing sector continued to suffer in May, despite some flickers of activity and demand improvement, albeit at extremely low levels. However, a decline in the supplier deliveries index pushed the headline PMI lower.

The **business activity index** indicated some improvement, increasing by 3.4 points to 43.4 in May. **New sales orders** also increased, by 2.2 points to 38.3 in May. This was likely due to domestic demand recovering slightly as export sales continued to deteriorate at a rapid rate. The **supplier deliveries index** has been tricky to interpret since the COVID-19 pandemic. Across the globe, the traditional signal of an increase being positive (with the index being inverted, so slower deliveries are seen as a positive sign as they are caused by increased demand for supplies) was no longer valid, as supply-chain bottlenecks and delays, and not higher demand, caused slower deliveries. This issue has largely been resolved globally, but is still very relevant in the SA context, given our logistical issues. This month's downtick (i.e. faster deliveries) could technically mean that logistical constraints are easing. Still, the respondents' comments suggest this is unlikely, and the downtick is driven by lower demand. So the traditional signal of this being a negative indicator seems to be the correct interpretation. Reading too much into month-on-month swings remains difficult, so we will have to see how this plays out in the coming months.

The **purchasing price index** decreased by 7.9 points to 60.4 in May due to fuel price cuts at the start of the month. A lower Brent crude oil price and a stronger rand, despite the fuel levy increase, bode well for further fuel price declines at the start of this month.

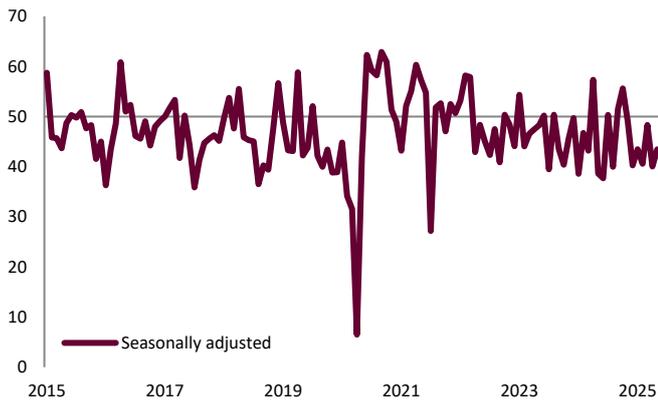
The index tracking **expected business conditions** in six months' time increased by a significant 13.9 points to 62.5 points in May, the highest level since the end of 2024. Sentiment improved as global tariffs were suspended, and businesses showed faith that local political disagreements on policy within the government would be resolved.



For further information: Nkosiphindile Shange, Economist, BER (shange@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.

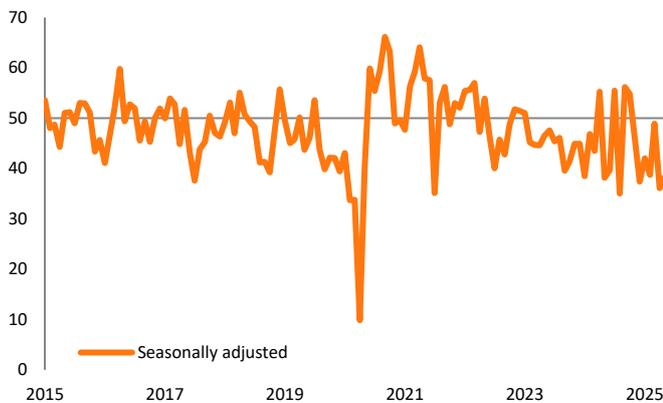
PMI: Business activity



The **business activity index** increased by 3.4 points due to some improvement in demand. However, this was not strong enough to lead to an expansion in the sector. Load-shedding also remains a risk to manufacturing activity.

	Mar	Apr	May
Business activity	48.3	40.0	43.5

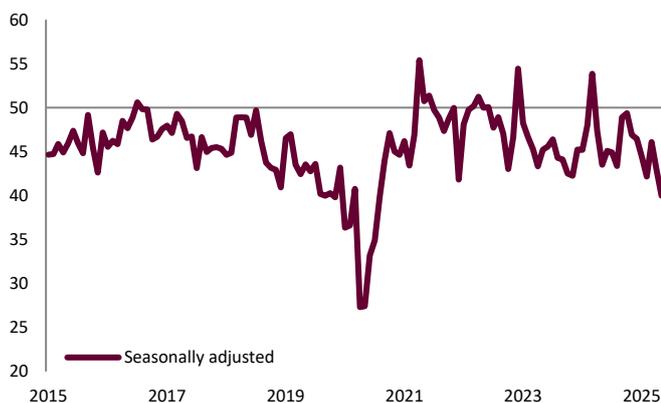
PMI: New sales orders



New sales orders increased slightly, gaining 2.2 points in May. However, export sales deteriorated further. Respondents referred to disruptions to trade with our neighbouring countries, while trade policy uncertainty and tariffs continue to weigh on the sector, which is burdened by logistical issues.

	Mar	Apr	May
New sales orders	48.9	36.1	38.3

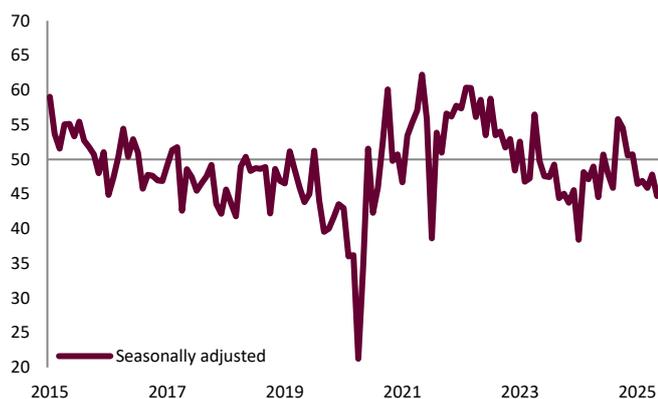
PMI: Employment



The **employment index** decreased further, remaining in contractionary territory for 14 consecutive months.

	Mar	Apr	May
Employment	46.1	42.9	40.0

PMI: Inventories



The **inventories index** ticked down slightly to 44.7 points in May compared to 47.8 in April. Some respondents referred to shortages for some of the materials.

	Mar	Apr	May
Inventories	45.9	47.8	44.7

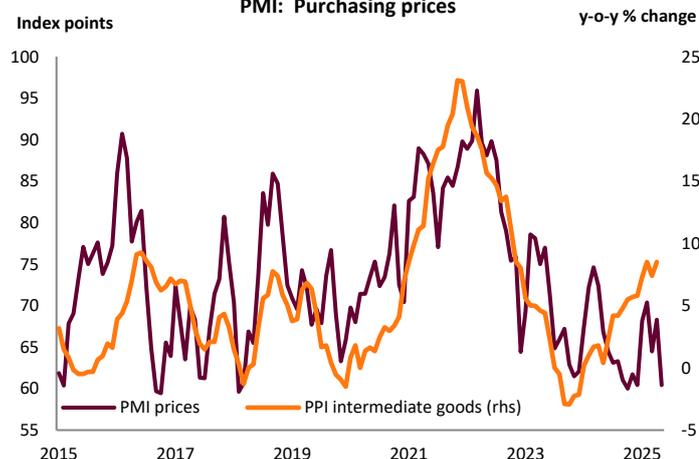
PMI: Supplier deliveries



The **supplier deliveries index** has been tricky to interpret since the COVID-19 pandemic. Across the globe, the traditional signal of an increase being positive (with the index being inverted so slower deliveries are seen as a positive sign as they are caused by increased demand for supplies) was no longer valid, as supply-chain bottlenecks and delays, and not higher demand, caused slower deliveries. Given our logistical issues, this issue has largely been resolved globally, but is still very relevant in the SA context. This month's downtick (i.e. faster deliveries) could technically mean that logistical constraints are easing. Still, the respondents' comments suggest this is unlikely, and the downtick is driven by lower demand.

	Mar	Apr	May
Supplier deliveries	54.1	56.6	49.0

PMI: Purchasing prices



The **purchasing price index** decreased by 7.9 points to 60.4 in May due to fuel price cuts at the start of the month. A lower Brent crude oil price and a stronger rand, despite the fuel levy increase, bode well for further fuel price declines at the start of this month.

	Mar	Apr	May
Purchasing prices	64.5	68.3	60.4

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).