

Absa Purchasing Managers' Index December 2019

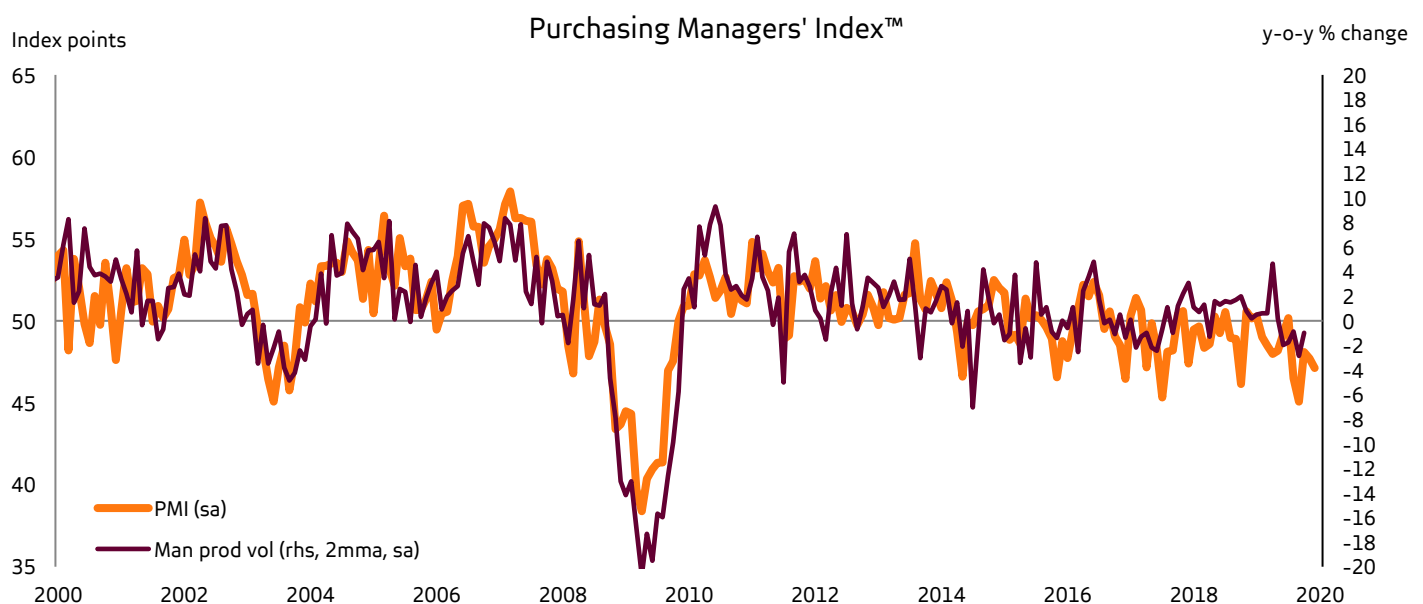
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The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** edged lower to 47.1 index points in December 2019 from 47.7 points recorded in November. The December figure is about one point below the average recorded through 2019. In any case, the PMI paints a bleak picture of the performance of the manufacturing sector through the year as the headline PMI only managed to edge above 50 points for two months in the year. Bouts of load shedding and persistent weak domestic demand coupled with more intense headwinds from the global economy likely weighed on activity during the year.

In December, two of the major subcomponents registered fairly large declines. The **new sales orders index** slumped to record the lowest level seen in 2019. Part of this may stem from weaker external demand as respondents noted a drop in exports for a second consecutive month. Driven by the drop in demand, **business activity** also fell in December. Activity was further hampered by the return of load shedding during the month, with some respondents specifically flagging electricity disruptions as the reason for lost production time. These declines were, to some extent, countered by smaller improvements in the three other subcomponents: **employment**, **inventories** and **supplier deliveries**. However, of these three, only **supplier deliveries** came in above 50 points with the others still pointing to a worsening of conditions.

The index tracking **expected business conditions in six months' time** declined again in December after a slight improvement in November. The index fell to 45.9 from 47.4 in November. This is in stark contrast to the start of 2019 when the index was at a lofty 67.2 points. The return of load shedding likely soured expectations in December, while some may be concerned that export demand could continue to falter in the first half of 2020.

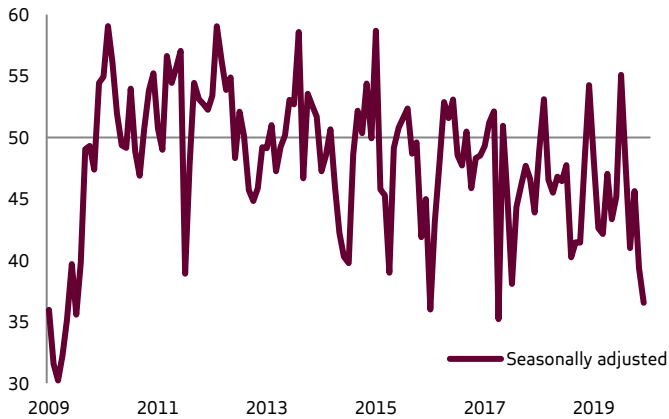
The **purchasing price index** rose in December to reach 65.8 index points, from 63.3 in the month before. Despite the increase, the index remains fairly low after sharp declines in October and November.



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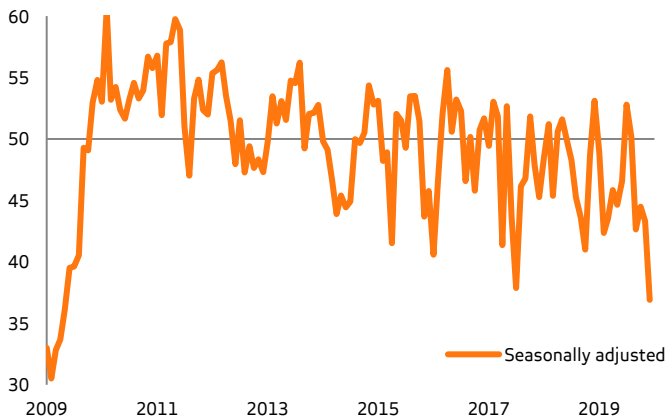
PMI: Business activity



The **business activity index** fell further in December after a sharp drop was recorded in November. The index declined to the lowest level since April 2017. Some of the respondents highlighted electricity load shedding as a cause for the drop in production during the final month of the year. The risk of further load shedding in January dampens expectations for a strong recovery in output at the start of 2020.

	Oct	Nov	Dec
Business activity	45.6	39.4	36.6

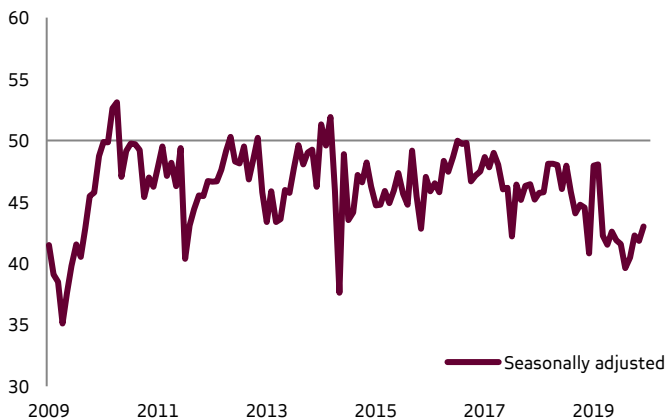
PMI: New sales orders



The **new sales orders index** plunged in December to the lowest level seen in 2019. Part of the weakness may stem from dwindling exports, with respondents noting a decline in exports for a second straight month.

	Oct	Nov	Dec
New sales orders	44.5	43.3	36.9

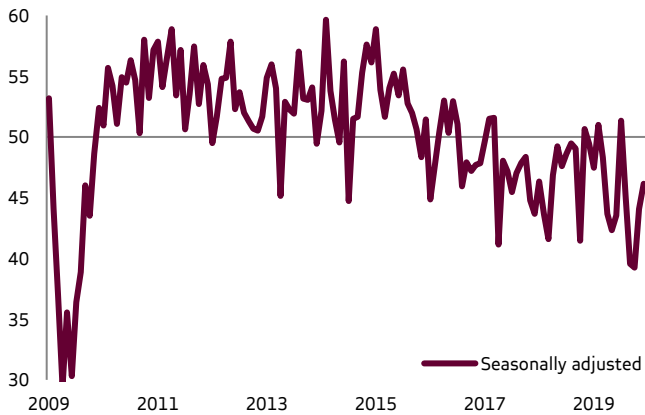
PMI: Employment



The **employment index** increased slightly to reach 43 index points in December. While this is somewhat higher than the level seen in recent months, the reading remains well below the neutral 50-point mark and points to continued job losses in the sector.

	Oct	Nov	Dec
Employment	42.3	41.8	43.0

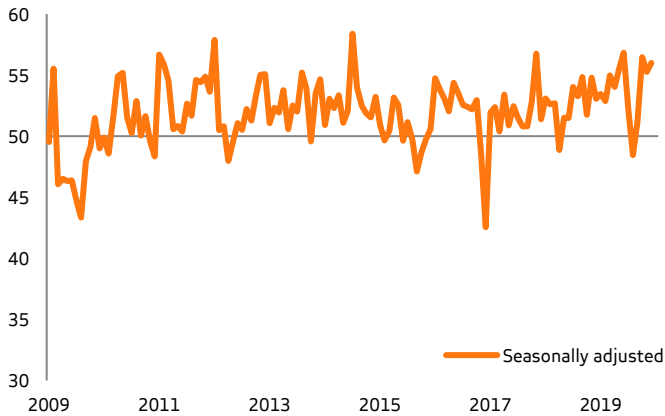
PMI: Inventories



The **inventories index** rose for a second consecutive month to reach the best level since July. Of concern is that inventories are well above new sales orders which means that the PMI's so-called leading indicator points to further weakness in activity at the start of 2020.

	Oct	Nov	Dec
Inventories	39.2	44.1	46.2

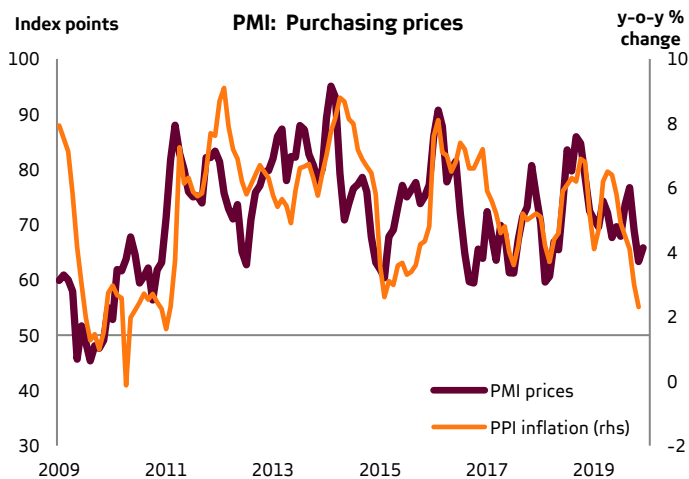
PMI: Supplier deliveries



The **supplier deliveries index** recovered some of last month's loss and rose back to 56 points in December. The index has managed to remain (well) above the neutral 50-point mark for four consecutive months.

	Oct	Nov	Dec
Supplier deliveries	56.5	55.3	56.0

PMI: Purchasing prices



The **purchasing price index** edged up somewhat after two straight declines. Despite the slight increase, the index remains fairly low compared to its history and is still about 5 points below the average level recorded through 2019.

	Oct	Nov	Dec
Purchasing prices	69.0	63.3	65.8