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## IHS Markit South Africa PMI®

### Cost pressures rise sharply in March as supply shortages constrain growth

#### Key findings

Input cost inflation at 29-month high, driven by supply shortages

Output growth slows as new orders continue to fall

Purchasing activity rises to counter supply issues

Data were collected 12-29 March 2021.

March PMI® survey data indicated another month of subdued growth in the South African private sector economy, with output rising only marginally as new business inflows continued to decline. Cost inflationary pressures accelerated, meanwhile, as companies saw growing input shortages linked to global supply issues. As a result, input prices rose at the quickest pace for almost two-and-a-half years, with output charges subsequently led higher.

The headline South Africa PMI® is a composite single-figure indicator of private sector business performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates an overall improvement in the sector.

At 50.3 in March, up slightly from 50.2 in February, the latest reading pointed to a marginal improvement in operating conditions and the sixth in as many months. The index also remained above its series average of 49.8 (since July 2011).

Business output continued to expand at the end of the first quarter of 2021, stretching the current run of growth to three months. However, with many respondents seeing a drop in client demand, the rate of expansion slowed and was only slight. Firms also noted that a fall in input supply constrained activity, although some were able to expand output in anticipation of this issue becoming more widespread.

Meanwhile, new order volumes fell for a fifth consecutive month, with the downturn accelerating to the fastest since last November. According to anecdotal evidence, coronavirus disease 2019 (COVID-19) remained the chief factor influencing

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South Africa PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"South African firms saw a steep mark-up of input prices during March, with the rate of inflation the highest in 29 months and looking likely to accelerate further in the second quarter as global supply issues widen. This will be undoubtedly aggravated by firms scrambling for inputs as and when they are available, and the recent Suez Canal crisis which will likely delay deliveries in April and push global prices higher.

"With reserve stocks falling and new orders worsening, business activity rose at only a slight rate during March. As a result, the PMI hovered around the 50.0 neutral mark with a reading of 50.3. Additional supply concerns may constrain activity further in the coming months, before the global COVID-19 vaccine roll-out can restore business confidence and global demand later in the year."

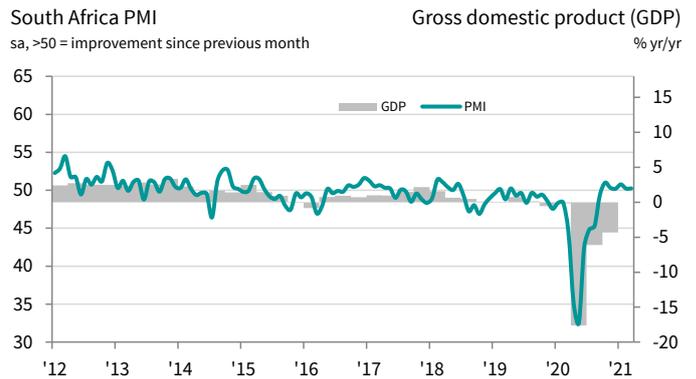
customer orders, leading to falls in both new client sales, contract renewals and export demand.

Supply side factors were also paramount to the latest economic performance in March, impacting delivery times, stocks, and prices, as companies saw a broadening of local and global material shortages. Delivery times lengthened to the greatest extent for four months, while a lack of supply contributed to the strongest reduction in inventories since August 2020. Notably, input buying rose for the first time since last November, as firms sought to counter the rapid depletion in stocks.

Purchase prices meanwhile soared, leading to the sharpest rate of overall input price inflation since October 2018. However, the pass-through to customers was only partial, as output charges increased modestly and at a far slower rate than for input costs. Many firms continued to offer price discounts amid hopes of stimulating market demand.

Job reductions continued into March, reflecting weak pressure on capacity and efforts by some companies to lower costs. That said, supply constraints contributed to a renewed rise in backlogs during the month, albeit only a fractional one.

Business expectations for future activity ticked down from February's recent high in March, but were still largely positive. Hopes of an end to the COVID-19 pandemic mainly drove firms' optimism, although some respondents were wary of a further decline in sales.



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### Survey methodology

The IHS Markit South Africa PMI® is compiled by IHS Markit 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.

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

March data were collected 12-29 March 2021.

Survey data were first collected in July 2011.

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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