

# IHS Markit South Africa PMI®

## Business activity rises for first time since May

### Key findings

Marginal growth in output and new business

Supply shortages impact capacity, delivery times and prices

Business confidence strengthens to over six-year high

Data were collected 13-28 September 2021.

September data from the South Africa PMI showed output and new business recovering slightly at the end of the third quarter. The easing of lockdown measures and strengthening of business confidence drove an expansion in sales, although firms remained under pressure from raw material shortages. Supply-side issues led to a further worsening of delivery times and an acceleration of inflationary pressures for the first time in four months.

Looking ahead, firms nonetheless grew increasingly confident that the economy would continue to recover, as projections for future output climbed to their highest level since July 2015.

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 50.7, the index was above the crucial 50.0 mark for the first time in three months during September, signalling a marginal improvement in operating conditions. This was mainly led by renewed upturns in output and new orders, which together account for 55% of the PMI weighting.

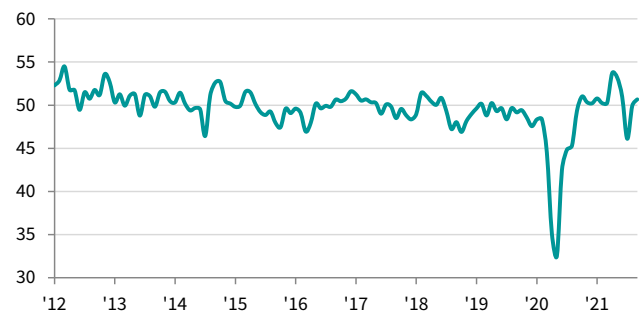
Notably, output levels expanded for the first time since May, as improving economic conditions drove increased activity and customer demand. The easing of lockdown measures to Level 2 meanwhile supported a slight rise in sales and drove a boost in business confidence to the highest in over six years.

That said, there were still areas of weakness in the private

*continued...*

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:

"The move to Level 2 restrictions helped push the South African private sector back into growth territory in September, as the PMI ticked up to 50.7 from 49.9 in August. Output and new orders rose after lockdown measures and unrest led to steep declines in prior months, whilst input purchases neared stabilisation.

"However, South African firms continue to face supply shortages that weighed on growth in September, driving lower output at a number of companies as well as higher backlogs, longer delivery times and increased prices. With supply issues remaining global, these are likely to hinder the economic recovery for some time.

"On a positive note, business expectations for the coming year jumped to their strongest level since July 2015, to signal that firms are looking past these supply issues and projecting a robust upturn in activity from current levels."

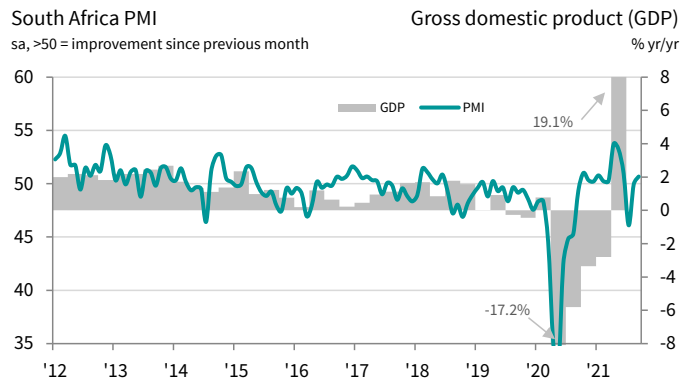
sector that meant the overall recovery was subdued. Supply shortages continued to hinder output at many firms, while orders from foreign clients fell for the fourth month running. In addition, sales growth was mixed at the broad sector level, with both manufacturing and services registering an upturn, while construction and wholesale & retail saw further declines.

Supply shortages continued to affect business capacity, leading to another increase in firms' backlogs of work. Conversely, employment levels were reduced slightly as businesses looked to lower their payroll costs after the lockdown-induced downturn.

Latest data signalled a further worsening of delivery times in September, as firms faced longer waits for imports of raw materials. Subsequently, firms depleted their stocks to meet new orders, although a near-stabilisation of purchasing activity suggested that inventory gaps could ease soon.

Price pressures on inputs meanwhile accelerated for the first time in four months, with overall costs up sharply. A weaker exchange rate against the US dollar notably exacerbated the rate of purchase price inflation, following rises in energy costs and the price of raw materials such as steel.

Businesses largely passed these costs onto their clients, as output charge inflation also sharpened for the first time since May. The rise was widespread across the private sector, with all four monitored areas reporting a strong increase in selling prices.



Sources: IHS Markit, Stats SA

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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

September data were collected 13-28 September 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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