

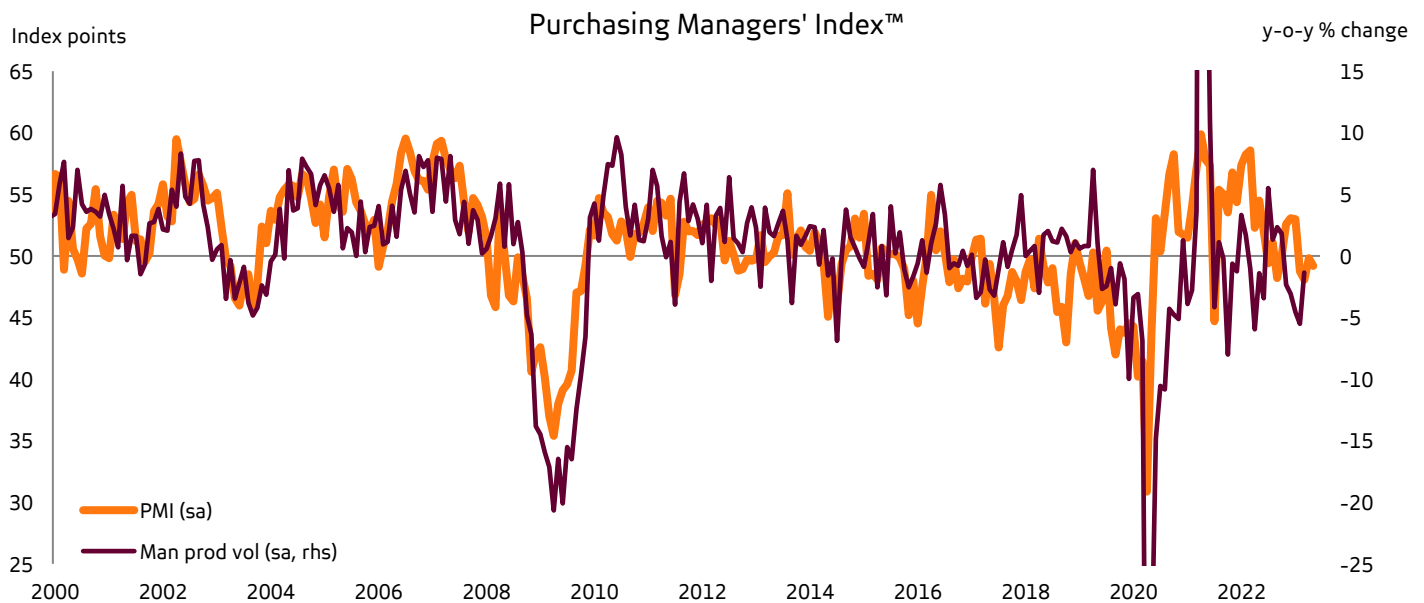
Absa Purchasing Managers' Index May 2023

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The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** edged down to 49.2 in May 2023 from 49.8 in April. The headline index has now signalled a deterioration in business conditions for four consecutive months. In addition to the downbeat assessment of the current environment, respondents turned notably more negative about business conditions going forward. The index tracking **expected business conditions in six months' time** fell to 43.7 in May, from 51 in April. This is the most pessimistic respondents have been about the near-term outlook since the strictest phase of South Africa's COVID-lockdown three years ago. Eskom confirming earlier concerns about the possibility of higher stages of load-shedding during winter likely contributed to the souring in sentiment.

Moving back to what the survey suggests about conditions in May, the **business activity index** was virtually unchanged from a subdued April. Cumulative load-shedding was roughly similar in April and May and likely did not weigh more/less on activity in May than the previous month. In all, the average index level of business activity in the first two months of the second quarter is below the first-quarter average. This suggests that the sector may once again detract from quarterly GDP growth after an expected expansion in the first quarter. Furthermore, the **new sales orders index** was stuck in negative terrain for the fifth straight month, although it improved from April. While export sales had held up well so far in 2023, respondents observed a notable deterioration in May.

Meanwhile, the **purchasing price index** ticked up once again in May. The significantly weaker rand exchange rate likely added to upward pressure on costs and offset the mitigating impact of the drop in fuel prices at the start of May.

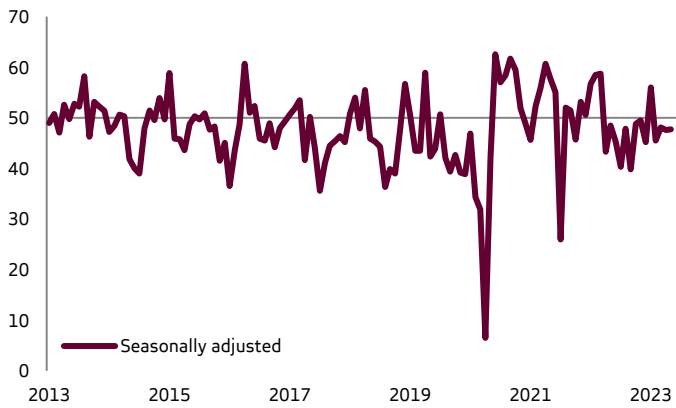


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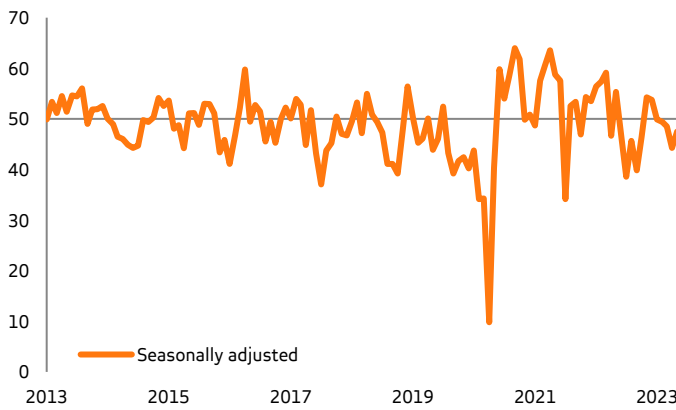
PMI: Business activity



The **business activity index** was virtually unchanged in May from a subdued April. The magnitude of load-shedding between the two months was roughly similar and likely did not weigh more/less on activity in May than it did the month before.

	Mar	Apr	May
Business activity	48.1	47.6	47.7

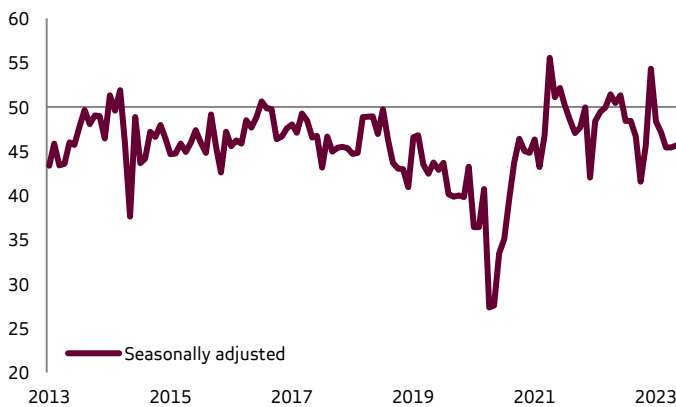
PMI: New sales orders



Despite a three-point improvement, the **new sales orders index** was stuck in negative terrain for the fifth straight month. While export sales had held up well through 2023 so far, respondents noted a notable deterioration in export sales in May.

	Mar	Apr	May
New sales orders	48.5	44.3	47.5

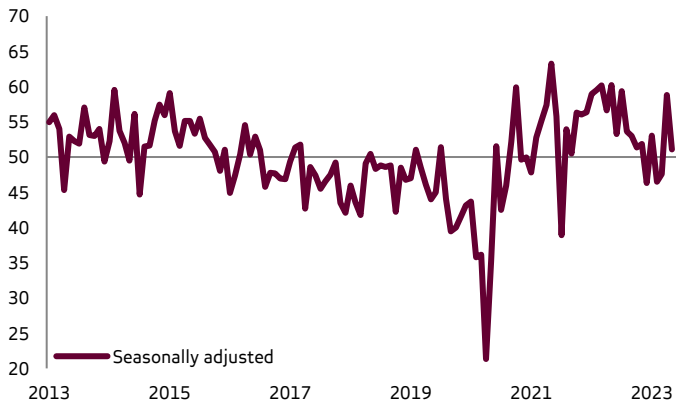
PMI: Employment



The **employment index** was virtually unchanged for a third month. This is not unexpected, given little movement in the demand and activity indicators.

	Mar	Apr	May
Employment	45.4	45.4	45.6

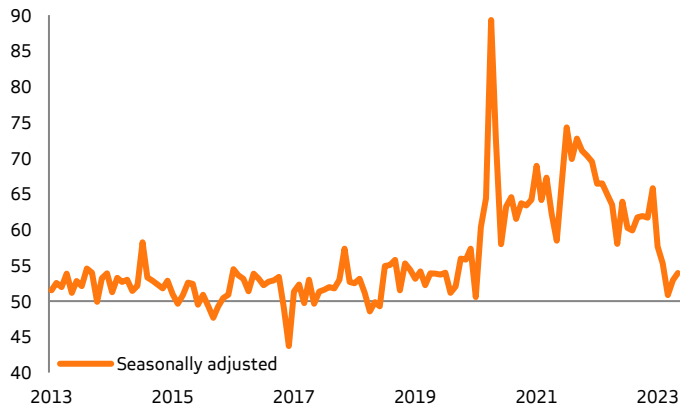
PMI: Inventories



Following a surge in the previous month, the **inventories index** moved lower in May – albeit staying above the neutral 50-point mark for a second month. Generally, somewhat higher stock levels of materials and goods used in the production process could have been caused by continued improved supply chain performance (which would gel with the recent move in the supplier deliveries index).

	Mar	Apr	May
Inventories	47.6	58.8	51.1

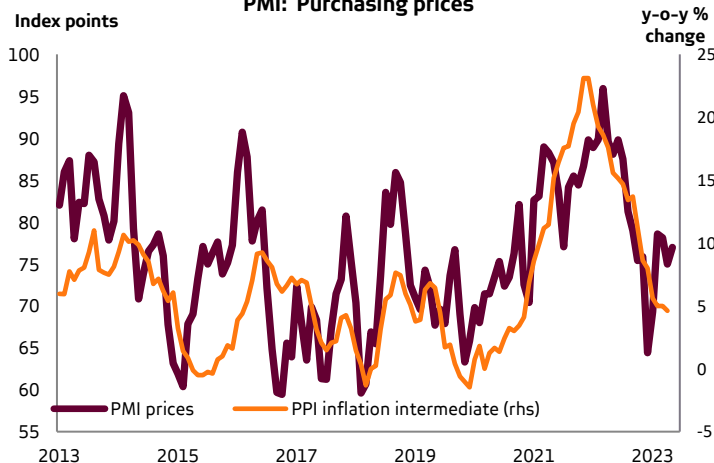
PMI: Supplier deliveries



The **supplier deliveries index** increased further in May, but stayed at a relatively low level compared to readings since the onset of the pandemic. Disruptions on the local rail network may have contributed to the uptick, as general signs are that global supply chains are working much better compared to the previous year or two. Faster deliveries of raw materials and intermediate goods result in a decline in the index (and detract from the headline PMI) because pre-COVID, more rapid deliveries were often caused by weaker demand conditions (i.e., a sign of worsening business conditions in the sector).

	Mar	Apr	May
Supplier deliveries	50.8	53.0	53.9

PMI: Purchasing prices



The **purchasing price index** ticked up once again in May. The significantly weaker rand exchange rate likely added to upward pressure on costs and offset the mitigating impact of the drop in fuel prices at the start of May.

	Mar	Apr	May
Purchasing prices	78.1	75.0	77.0

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).