



PMI update: Manufacturing operating conditions deteriorated significantly in July on restrictions and protest action

2nd August 2021

Figure 1: Manufacturing PMI output and new business sub-indices



Source: BER

- The manufacturing PMI dropped substantially to 43.5 in July from 57.4 in June.
- This decline in July reflects the effects of the tightening of domestic restrictions as well as of the protest action in Kwa-Zulu Natal (KZN) and parts of the Gauteng province. The COVID-19 linked restrictions will have hampered production linked to the alcohol and hospitality sectors in particular. The protest action resulted in the closure of some manufacturing plants. This, coupled with interruptions to transport, resulted in supply difficulties that will have affected production at a range of other manufacturers.
- According to the survey “the manufacturing sector may also have been negatively impacted by the recent cyber-attack on Transnet, which saw operations at SA’s major ports temporarily grind to a halt.”
- In July, the business activity sub-index declined to virtually its lowest level in the history of the survey, aside from the April 2020’s level 5 lockdown (see figures 1 & 2). New sales orders also sank to low levels on both domestic and foreign demand considerations. Domestically, the lockdown restrictions and protest action weighed on demand. The decline in export sales orders was ascribed mainly to the fallout from the protest action which included “infrastructure closures/logistical bottlenecks” and the “Transnet IT security breach.”
- Supply constraints persisted in July with the supplier deliveries sub-index (average lead times for the delivery inputs) rising to 72.5 in July from 69.2 in June. Global supply constraints remain a feature and have been ascribed to demand outstripping supply and to transportation delays. For local manufacturers this effect was amplified by the domestic protest action in the month of July.
- August should see a meaningful recovery in production and demand as the domestic situation has stabilised and the government eased lockdown restrictions. Indeed, the business expectations sub-index lifted in July on improving expectations of business conditions in six-months’ time.

Figure 2: Absa Purchasing Managers Index*

	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
Business activity*	52.1	56.1	50.8	58.8	56.2	26.6
New sales orders*	54.0	60.4	58.7	60.5	57.3	31.9
Backlog of sales orders	42.3	41.0	40.9	45.2	42.0	35.2
Inventories*	53.3	56.1	55.3	61.4	52.4	39.1
Purchasing commitments	52.1	51.9	54.5	64.3	53.3	40.6
Expected business conditions	59.2	57.0	67.9	63.5	59.3	64.3
Suppliers’ performance*	61.7	69.8	61.7	58.7	69.2	72.5
Prices	83.1	89.0	88.3	87.1	83.6	77.0
Employment*	44.1	44.4	54.4	49.6	51.7	47.6
PMI (not seasonally adjusted)	54.6	57.6	55.2	58.3	54.2	42.8
PMI (seasonally adjusted)	53.0	57.4	56.2	57.8	57.4	43.5

Source: BER, * seasonally adjusted



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