

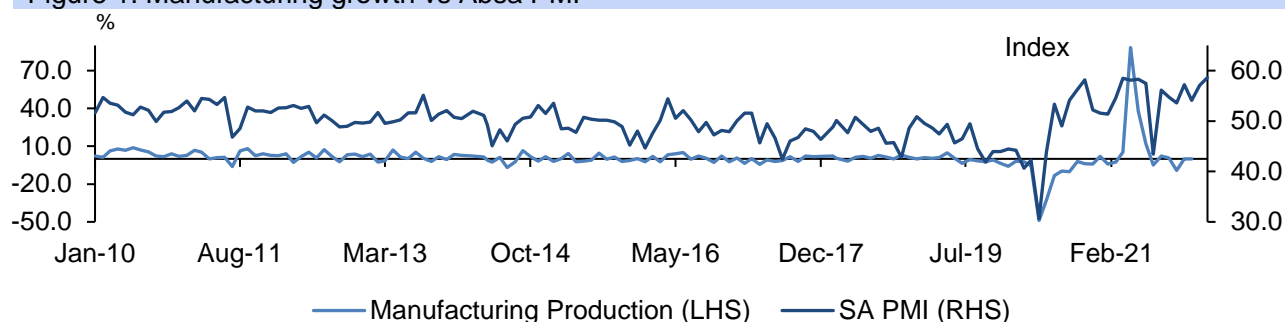
PMI update: The PMI gauge climbed further in February, underpinned by a lift in all sub-components of the index



1 March 2022



Figure 1: Manufacturing growth vs Absa PMI*



*seasonally adjusted, Source: BER, Stats SA

- The seasonally adjusted (SA) headline Purchasing Managers' index (PMI) climbed a further 1.5 points to 58.6 in February, notably ahead of consensus expectations (Bloomberg) of a decline to 56.3.
- The result was supported by a strong pickup in all subcategories. Specifically, new sales orders jumped to 56.9 from 55.5 previously, "the quickest increase in new sales orders since the second quarter of 2021," according to the BER. A further improvement in exports was likely a significant contributing factor.
- Moreover, business activity grew by a further 3.0 points to a notable 59.6 in February on a likely pick-up in demand as COVID-19 restrictions remain lenient, supporting sentiment. Indeed, the "average level for the first two months of the year is well above the final quarter of 2021," according to the BER.
- Going forward, while this is positive for the trajectory of the manufacturing sector, risks remain including renewed bouts of load shedding and rising geo-political tensions globally which could affect international trade at a time when supply side constraints are still a key issue.
- February's pleasing result also saw the employment gauge lift, moving into expansionary territory (above 50).
- Additionally, the index measuring expectations with respect to future business conditions lost a bit of ground but remained elevated at 69.5, after reaching an "almost four-year high" in January.
- The purchasing price index however climbed moderately, rising to a marked 89.8. Additional fuel price hikes are likely to continue adding to manufacturing cost pressures. Indeed, marked increases in both petrol and diesel prices are expected tomorrow and with the oil price climbing (it is currently trading at \$101.85/bbl) and the domestic currency vulnerable to portfolio outflows on global risk aversion we will likely see further fuel price hikes going forward.
- Indeed, depending on how the Russian Ukrainian conflict plays out longer term, risks to the global outlook remain, this at a time when economies were slowly recovering from the effects of the pandemic.

Figure 2: Absa Purchasing Managers Index

	Sept 2021	Oct 2021	Nov.2021	Dec 2021	Jan 2022	Feb 2022
Business activity*	49.9	46.1	53.6	48.7	56.6	59.6
New sales orders*	53.0	48.0	54.0	51.7	55.5	56.9
Backlog of sales orders	42.1	53.2	52.5	35.4	35.8	44.5
Inventories*	50.0	54.4	57.2	57.9	58.7	60.1
Purchasing commitments	53.5	59.0	65.0	54.2	56.5	56.5
Expected business conditions	62.3	62.1	56.8	53.1	71.3	71.3
Suppliers' performance*	73.6	72.5	70.4	69.6	65.5	65.8
Prices	85.5	84.4	86.7	89.8	88.9	89.8
Employment*	47.2	47.0	50.6	42.4	49.2	50.7
PMI (not seasonally adjusted)	56.7	58.3	64.1	51.6	53.3	58.7
PMI (seasonally adjusted)	54.7	53.6	57.2	54.1	57.1	58.6

Source: BER, * seasonally adjusted

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