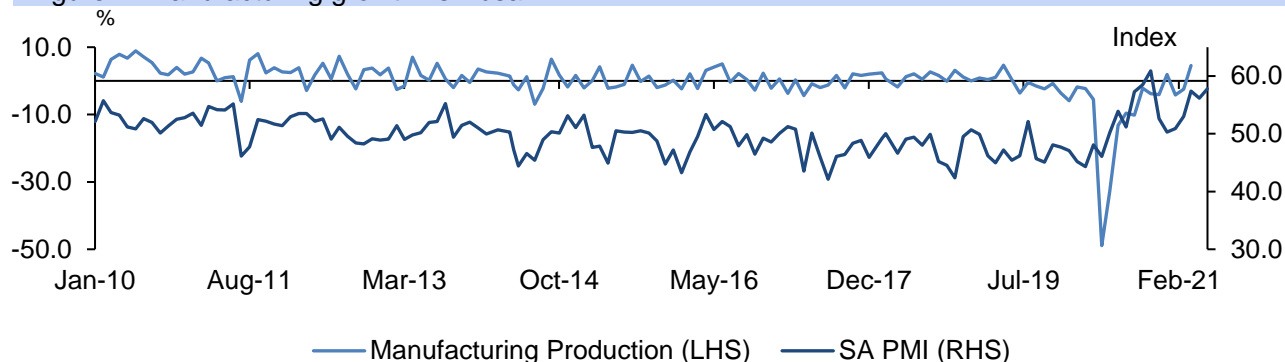




PMI update: The PMI gauge rose by 1.6 index points in May, moving further into positive territory, with a reading of 57.8

1 June 2021

Figure 1: Manufacturing growth vs Absa PMI*



*seasonally adjusted, Source: BER, Stats SA

- The seasonally adjusted (SA) headline Purchasing Managers' index (PMI) increased by 1.6% points to 57.8 in May 2021. Four of the five sub-indices remained above the neutral 50-point mark, barring the employment index which fell back into negative territory.
- Q2.21's performance thus far, which is 3.2 points up on Q4.20's outcome, "suggests that the sector is on track to record another quarterly expansion".
- Business activity recovered its April losses, rising by 8 points to 58.8 in May 2021, largely on the back of a notable pick up in new sales orders. Specifically, the new sales index climbed to 60.5 from 58.7 recorded in April, likely buoyed by domestic demand as survey respondents reported a decline in export activity. Despite the pick-up in business activity the employment index fell back into negative territory with a reading of 49.6. Joblessness continues to aggravate the financial pressure many households are already experiencing, against a muted economic background. Indeed, the official unemployment rate reached 32.6% in Q1.21.
- Manufacturing cost pressures as measured by the purchasing price index declined slightly in May, but remained elevated at 87.1, markedly above last year's average of 73 points. Specifically, the "recent high readings of the price index correspond to the official producer price index (PPI) data published by Stats SA," which saw annual PPI for final manufactured goods climb to 6.7% y/y in April, from 5.2% y/y previously.
- Prospects with respect to future business conditions declined in May, despite circumstances improving, with the index tracking expected business conditions in six months' time falling from 67.9 in April to 63.5 in May. Concerns around a "renewed virus-induced change in spending behaviour by consumers and firms" hindering demand as the third wave builds, was cited as a probable explanation by the BER. Additionally, rotational load shedding continues to cloud sentiment.

Figure 2: Absa Purchasing Managers Index

	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021
Business activity*	44.9	43.5	52.1	56.1	50.8	58.8
New sales orders*	45.2	47.2	54.0	60.4	58.7	60.5
Backlog of sales orders	42.8	34.0	42.3	41.0	40.9	45.2
Inventories*	53.6	46.1	53.3	56.1	55.3	61.4
Purchasing commitments	50.0	46.6	52.1	51.9	54.5	64.3
Expected business conditions	52.9	59.2	59.2	57.0	67.9	63.5
Suppliers' performance*	64.0	68.9	61.7	69.8	61.7	58.7
Prices	70.4	82.6	83.1	89.0	88.3	87.1
Employment*	43.8	48.6	44.1	44.4	54.4	49.6
PMI (not seasonally adjusted)	49.1	48.3	54.6	57.6	55.2	58.3
PMI (seasonally adjusted)	50.3	50.9	53.0	57.4	56.2	57.8

Source: BER, * seasonally adjusted

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