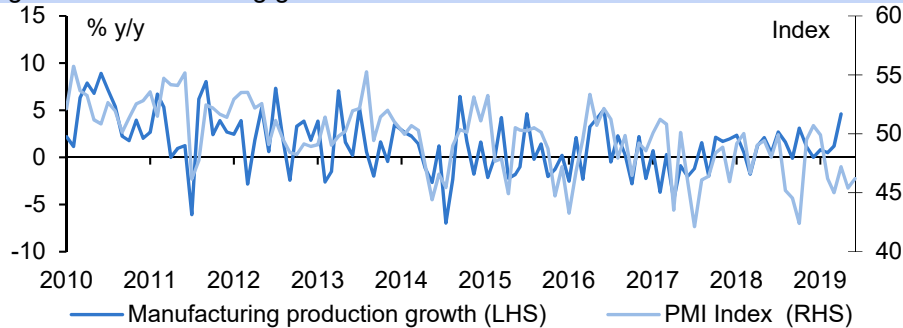




PMI update: PMI signals that the manufacturing sector remained in contraction in Q2.19

1st July 2019

Figure 1: Manufacturing growth vs Absa PMI*



*seasonally adjusted, Source: BER, Stats SA

- The manufacturing PMI remained below the neutral 50.0 threshold in June, at 46.0 following a reading of 45.4 in May.
- In June, the downturns in output and new orders occurred at a more moderate pace, but demand conditions continued to be assessed to be lackluster (see figure 2).
- The increase in the headline PMI can mostly be ascribed to the rise in the purchasing price sub-index that exceeded the increases in the output and orders sub-indices. As such, the rise in the headline PMI does not signal a meaningful improvement in manufacturing sector operating conditions in June. Inflationary pressure was ascribed to the effects of a weaker rand exchange rate.
- The PMI for the Q2.19 period averaged 46.3 versus 47.0 in Q1.19. The first update for the Q2.19 period of actual manufacturing production data signalled a recovery in the performance of the sector from the contraction in Q1.19. Specifically, seasonally adjusted manufacturing production, the measure used to calculate GDP, increased by 2.8% in April 2019.
- Any rebound in manufacturing production would however be mainly a function of low statistical base factors and therefore may not be sustained in subsequent quarters.
- Indeed, other PMI indicators signal a deterioration in operating conditions with manufacturing employment and purchasing activity declining. Moreover, sentiment regarding the outlook for the next six month's dropped in June partly on a decline in export demand.
- Manufacturing activity has been suppressed by weaker domestic consumer demand and fixed investment spending. The latest available data showed a contractions of 0.8% quarter on quarter seasonally adjusted annualised (qqsa) and 9.8% qqsa in household expenditure and private sector fixed investment (which comprises two-thirds of total investment). Both of these measures are likely to remain relatively weak in line with the persistently low consumer and business confidence levels.

Figure 2: Absa Purchasing Managers Index

	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019
Business activity*	49.8	42.3	41.7	49.6	43.5	44.5
New sales orders*	50.7	42.9	42.4	47.3	44.4	46.2
Backlog of sales orders	34.1	43.4	37.3	33.6	35.9	32.8
Inventories*	46.8	52.8	50.1	42.5	41.6	43.4
Purchasing commitments	41.8	50.0	41.5	40.8	45.3	37.8
Expected business conditions	67.2	65.9	59.6	62.3	62.3	55.6
Suppliers' performance*	53.0	52.5	55.3	53.4	55.7	56.9
Prices	70.9	69.9	74.3	72.1	67.7	69.6
Employment*	48.3	48.1	42.7	41.9	43.2	41.9
PMI (not seasonally adjusted)	49.3	48.2	46.5	45.0	45.7	43.2
PMI (seasonally adjusted)	49.9	46.2	45.0	47.2	45.4	46.2

Source: BER, * seasonally adjusted



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1st July 2019

Figure 3: Global manufacturing PMI: new export orders

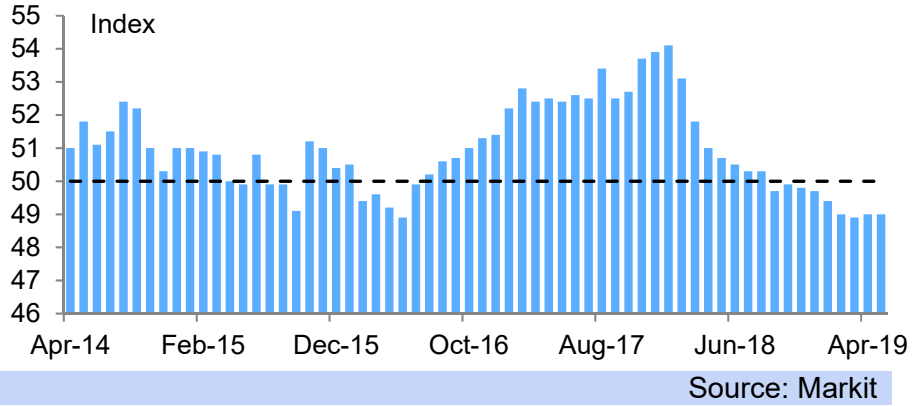
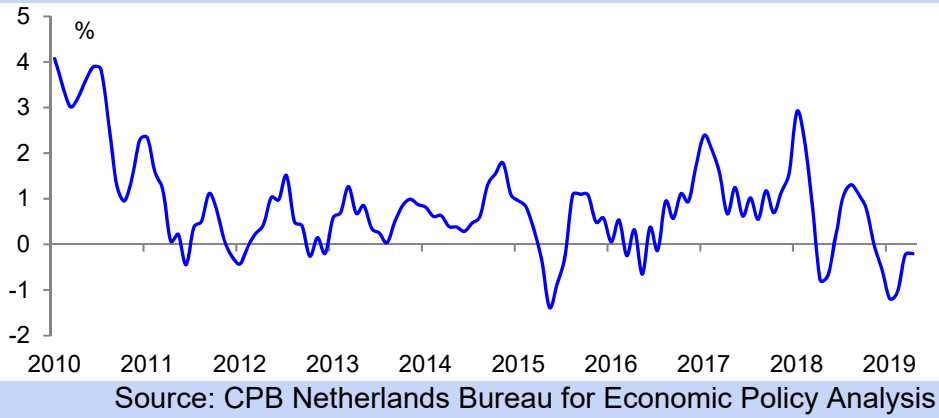


Figure 4: World merchandise trade volume momentum, 3 month change





PMI update: PMI signals that the manufacturing sector remained in contraction in Q2.19

1st July 2019

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PMI update: PMI signals that the manufacturing sector remained in contraction in Q2.19

1st July 2019

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