

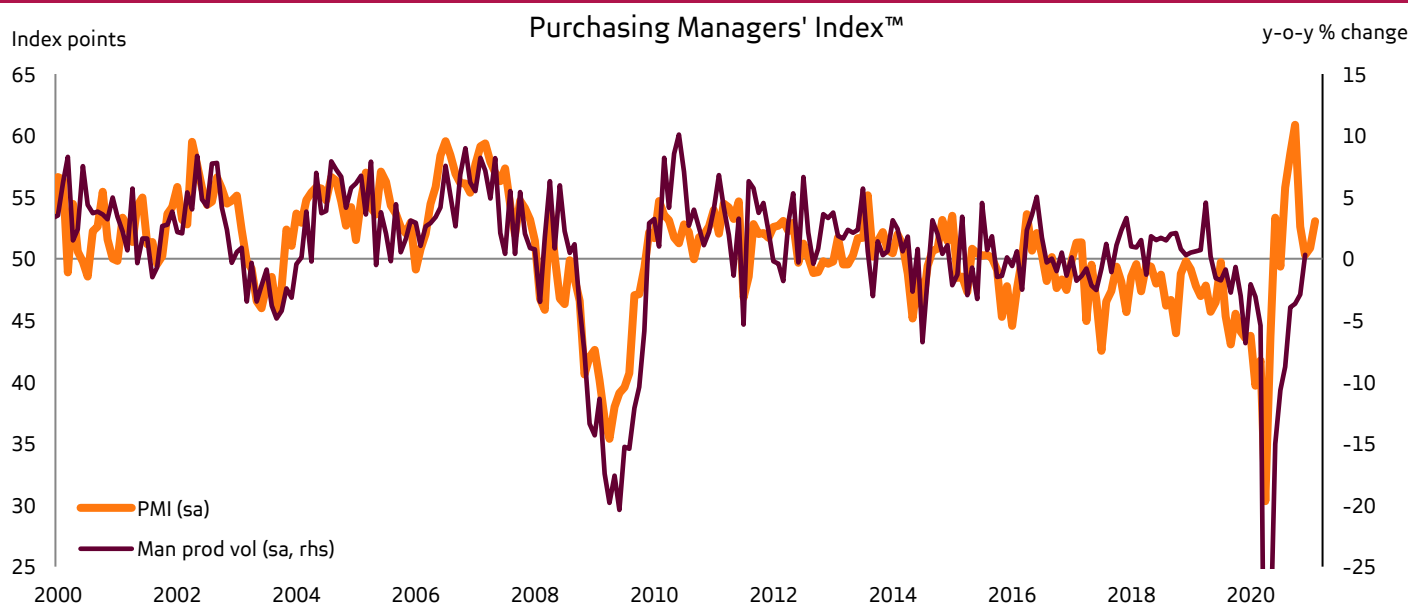
# Absa Purchasing Managers' Index February 2021

Embargoed until 11:00 1 March 2021

The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** increased to 53 index points in February from 50.9 in the month before. The further increase was supported by three of the five subcomponents gaining relative to January. Only the **employment index** moved lower, while the **supplier deliveries index** also ticked down but remained well above the neutral 50-point mark and thus supported the headline figure.

The most encouraging outcome of the February survey was a continued improvement in **new sales orders**. Following a rise in January, the index rose further to 54.0 index points, which is the best level since October 2020. The improvement was supported by better export sales relative to the previous month, while the loosening of local lockdown restrictions likely also contributed to an uptick in domestic demand. The improvement in orders supported an increase in the **business activity index**. Following four consecutive declines, the activity index rose by a sizeable 8.6 index points in February. The increase suggests that production growth reaccelerated after losing steam towards the end of last year. The **inventories index** also regained all of January's losses and moved back above the neutral 50-point mark.

Purchasing managers remain relatively optimistic about the six-month outlook, with the **expectations index** unchanged at 59.2 index points. A factor which may quell sentiment going forward could be continued upward pressure on costs. This, especially if the demand environment remains relatively weak and producers cannot pass on these costs to mitigate some pressure on profitability. Indeed, after a sharp increase the previous month, the **purchasing price index** rose further. A hefty fuel price increase at the start of February likely contributed to the continued acceleration in cost pressure. Fuel prices are expected to rise further in coming months on the back of a higher Brent crude oil price as well as an increase in fuel levies. A sharp hike in electricity tariffs will also push up costs.

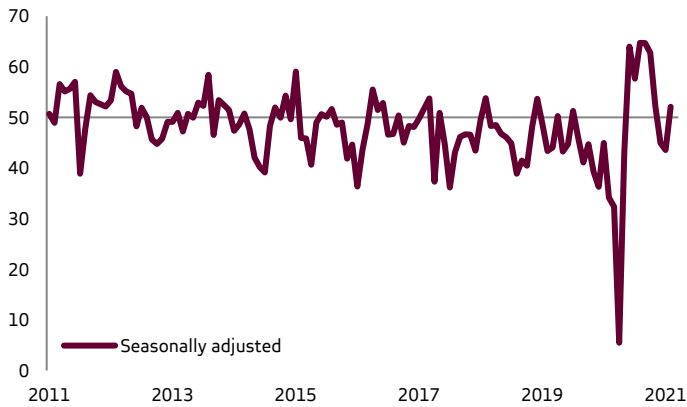


The PMI™ and PURCHASING MANAGERS' INDEX™ are trademarks of Stellenbosch University

**For further information: Lisette IJssel de Schepper, Senior Economist, BER (Tel: 021 808 9777)**

*The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research (BER) and sponsored by Absa. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER, the author(s)/editor and Absa (inclusive of its affiliates and/or subsidiaries) do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER, as well as any interpretations by third parties. Stellenbosch University and Absa further accept no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University or Absa. Absa is an authorised financial services provider and registered credit provider reg no NCRCP7.*

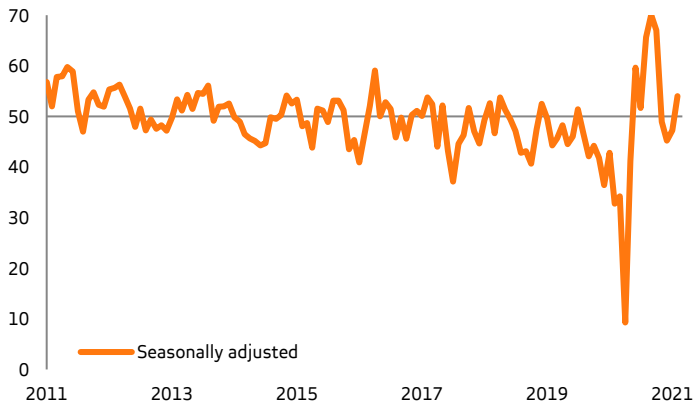
### PMI: Business activity



Following four consecutive declines, the **business activity index** increased by a sizeable 8.6 index points in February. The increase suggests that production growth reaccelerated after losing steam towards the end of last year.

	Dec	Jan	Feb
<b>Business activity</b>	44.9	43.5	<b>52.1</b>

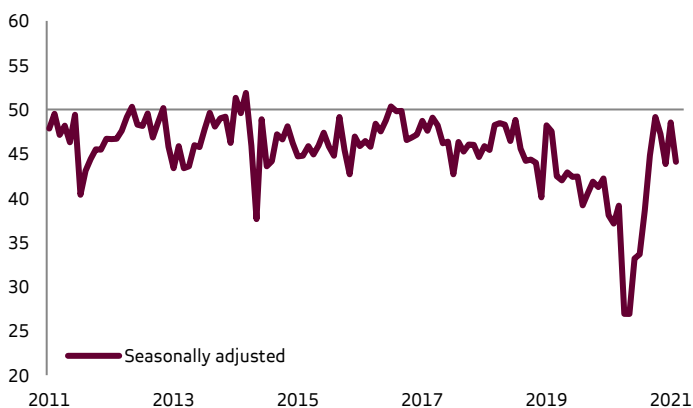
### PMI: New sales orders



The **new sales orders index** rose for a second consecutive month and reached the best level since October 2020. The improvement was supported by better export sales relative to the previous month, while the loosening of local lockdown restrictions likely also contributed to an uptick in domestic demand.

	Dec	Jan	Feb
<b>New sales orders</b>	45.2	47.2	<b>54.0</b>

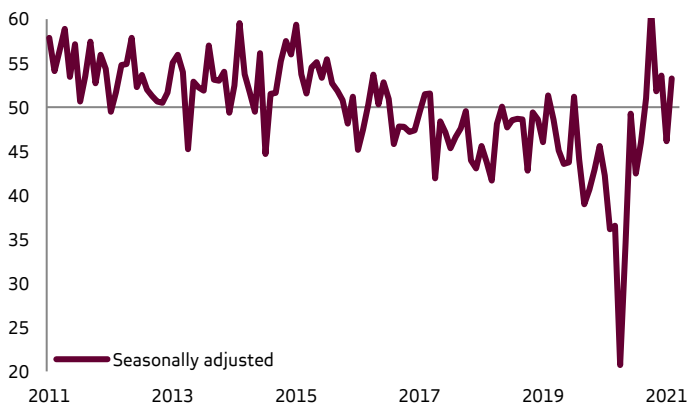
### PMI: Employment



Following a somewhat surprising uptick in the previous month (as activity deteriorated in January), the **employment index** declined again in February. The average for the first two months of 2021 is more or less in line with the 2020Q4 reading. In Q4, the factory sector managed to add 28 000 formal jobs on a quarterly basis, although employment was still down by a sizeable 171 000 jobs from a year before.

	Dec	Jan	Feb
<b>Employment</b>	43.8	48.6	<b>44.1</b>

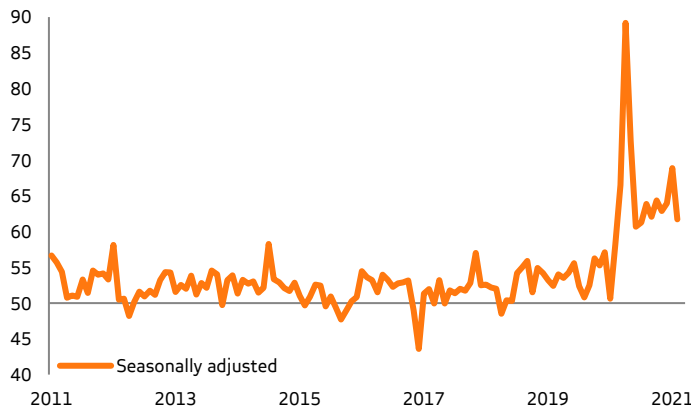
### PMI: Inventories



The **inventories index** almost fully regained last month's losses and rose back above the neutral 50-point mark in February.

	Dec	Jan	Feb
<b>Inventories</b>	53.6	46.1	<b>53.3</b>

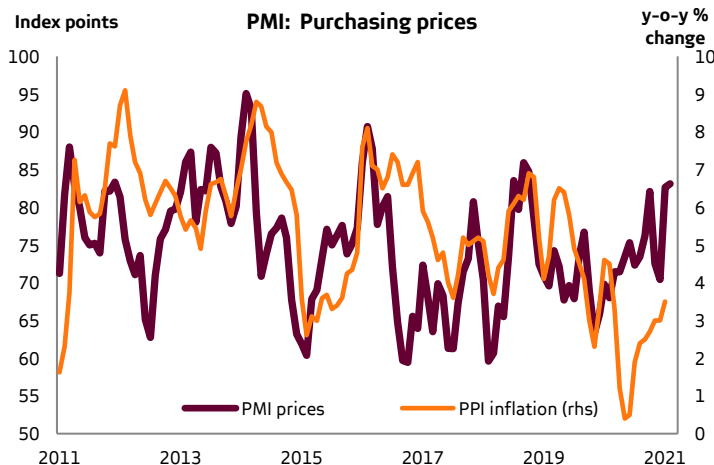
### PMI: Supplier deliveries



Following a sharp increase in January, the **supplier deliveries index** declined by more than seven points to the lowest level since mid-2020. Although the index remains high compared to its long-term history, the sizeable downward move suggests some improvement in the workings of the supply chain. This is because this subcomponent is inverted. If goods are less readily available and purchasing performance worsens, this is normally a sign of increased demand for manufactured products and actually lifts the index. However, other factors, such as lockdowns and production stoppages in the domestic economy or in trading partners, can also distort the supply chain and inadvertently lift the index.

	Dec	Jan	Feb
<b>Supplier deliveries</b>	64.0	68.9	<b>61.7</b>

### PMI: Purchasing prices



The **purchasing price index** ticked up further after reaching a more than two-year high in January. A hefty fuel price increase at the start of the month likely contributed to the acceleration in cost pressure. Fuel prices are expected to rise more in coming months on the back of a higher Brent crude oil price as well as an increase in fuel levies. A double-digit hike in electricity tariffs will also push up costs.

	Dec	Jan	Feb
<b>Purchasing prices</b>	70.4	82.6	<b>83.1</b>

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](http://www.ber.ac.za)).