

South African factory activity at four-month high in March - PMI

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South African private sector activity expanded at a faster pace in March compared with February, helped by growth in employment and new orders, a survey showed on Tuesday, 5 April.



Source: Reuters/Mike Hutchings

The S&P Global South Africa Purchasing Managers' Index (PMI) rose to 51.4 in March from 50.9 in February, posting its highest reading in four months. Anything above 50.0 indicates growth in the sector.

The employment index showed expansion for the first time in four months and at the strongest rate since June last year, while new orders climbed as well, albeit at a slower pace.

Worsening of price and supply risks

But the rise in the headline PMI masked a worsening of price and supply risks in the economy in March, said David Owen, economist at S&P Global.

"Pricing data pointed to the second-fastest rise in output charges in the survey's near 11-year history, as firms saw a

substantial rise in costs arising from higher fuel and material prices," Owen said in a statement.

"While the upsurge was largely driven by volatility in commodity markets due to the war in Ukraine, which should ease over time, it added to already sharp inflationary pressures from the pandemic which appear more persistent."

As a result, firms were at their least confident about future activity since August last year, Owen said.



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"Despite output falling, businesses also raised their purchases at the quickest rate in ten months in a bid to boost safety stocks and offset at least some of the expected rise in input prices over the next few months," he said.

The South African Reserve Bank raised its main lending rate last month, citing inflation risks linked to the war in Ukraine.

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