

SA manufacturing expands at faster rate in May - Absa PMI

By Mfuneko Toyana

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South Africa's manufacturing activity expanded at a faster pace in May as new sales orders grew, driven by domestic demand, the seasonally adjusted Absa Purchasing Managers' Index (PMI) showed on Tuesday.



A worker checks bottles of wine coming out of a production line at Nederburg Wine Estate in Paarl, South Africa, 8 July 2020. Reuters/Mke Hutchings

The index, a gauge of manufacturing activity in Africa's most industrialised economy, rose to 57.8 points in May from 56.2 points in April, remaining above the 50-point mark that separates expansion from contraction.

Four of the five subcomponents in the index were above the 50-point mark, with only the employment index dipping back into negative terrain, Absa said.

The new sales orders index reversed last month's loss, rising to 60.5, despite a dip in export sales. Absa said the increase was likely down to higher demand locally.



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The bank said recent sharp increase in confirmed Covid-19 cases, which saw the country implement tighter lockdown measures on Sunday, and nationwide power outages, would likely restrain manufacturing in coming months, however.

"Even though government has to date adopted a softer touch to lockdown restrictions, a renewed virus-induced change in spending behaviour by consumers and firms could still hinder domestic demand," Absa said in the release.

"The ever-present possibility of disruptive load-shedding likely also remains top of mind for many producers."

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