WEEKLY

# ECONOMIC INSIGHTS

GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

# WEEKLY ECONOMIC INSIGHTS

**29 MARCH – 1 APRIL 2021**

- **GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH**
- SA RECORDS ANOTHER TRADE SURPLUS IN MARCH
- Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- NEW VEHICLE SALES REBOUND IN MARCH

## WEEKLY HIGHLIGHTS

During the week under review, global manufacturing activity continued to pick up steam with favourable PMI figures in the Netherlands, Germany and US while the US and Brazil and China registered weaker figures for the period under review. In tandem with the continued global manufacturing rally, local PMI increased for the third consecutive month to 57.4 index points in March 2021, owing to broad-based improvement in all sub-indices except the employment index. South Africa continued to record a trade surplus, albeit smaller than previous months, in February 2021. Meanwhile, new vehicle sales increased in March 2021 mainly due to statistical base bias created by the suspended vehicle production during the hard lockdown of March 2020.

## GLOBAL MANUFACTURING ACTIVITY CONTINUES TO PICK UP STEAM IN MARCH

Notwithstanding unprecedented supply-side delays that fuel the highest input costs in a decade, the global J.P. Morgan global manufacturing Purchasing Managers' Index (PMI) continued to rally to 55 in March 2021. The upbeat reading was credited to broad-based improvements in 23 out of 27 surveys due to increased manufacturing output, new orders, and employment as the global economy recovers from the pandemic.

Germany and the Netherlands recorded their highest readings to date in March 2021. German PMI rose from 60.7 in February 2021 to 63.3 in March 2021 owing to improved demand for intermediary goods and investment that was bolstered by buoyant manufacturing activity sentiment. Meanwhile, Dutch PMI expanded from 59.6 to 64.7 between February and March 2021, respectively.

GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

[1] **Compiled by the Economic Planning Branch (Enquiries: Rebaone.Mokgotla@gauteng.gov.za)**

## HIGHLIGHTS

- **GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH**
- SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY
- Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- NEW VEHICLE SALES REBOUND IN MARCH

Dutch manufacturers cited increases in new work, manufacturing output, exports, and employment as reasons behind the uptick in PMI.

Moving West, both the Institute of Supply Management (ISM) and IHS Markit US PMI recorded increases for March 2021. ISM PMI rose by 3.9 to 64.7 in March 2021 while the IHS Markit PMI was more conservative at 59.1 for the same period. The upturn in PMI was attributed to rebounds in oil refineries and plant production from harsh winter conditions in the South in February 2021. In addition, despite rising inflation, PMI was fuelled by higher demand due to stockpiling on the back of consumer price hike fears that increased sales orders.

On the other hand, a spike in new Covid-19 infections led to a 5.6 decline to 52.8 in Brazil's PMI for March 2021. Brazil recorded 66 570 Covid deaths in March 2021, more than double the amount registered for February 2021. Tougher regulations intended to curb the spike in new infections resulted in reduced sales orders, leading to lower production and employment levels. Likewise, the Caixin China PMI marginally dropped to 50.6 in March 2021 due to sluggish production figures – the lowest reading in 11 months – while job shedding in the sector showed signs of slowing.

The uptick in global manufacturing activity, on the back of increased global demand underscores the efficacy of mass vaccination rollout and forecasted global recovery for 2021. However, high-cost inflation that has been shifted to the consumer remains a concern alongside future Covid-19 outbreaks.

## HIGHLIGHTS

- GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH
- **SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY**
- Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- NEW VEHICLE SALES REBOUND IN MARCH

## SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY 2021

South Africa recorded a trade balance surplus of R28.96 billion for February 2021, exceeding expectations. The February trade surplus was a marked improvement from a revised R13.27 trade surplus billion in January 2021. Exports increased by R18.14 billion (16.5%) between January and February 2021 due to broad-based increases in all shipments categories particularly precious metals & stone (4%), minerals products (6%), machinery & electronics (26%). On the other hand, imports increased at a slower pace by R1.6 billion (1.6%) over the same period. The improvement was underpinned by robust minerals product (32%) and original equipment components (16%) figures.

Analyst credit the rise in exports in February 2021 to seasonality. Similarly, the January 2021 Purchasing Managers Index (PMI) also foresaw an uptick in global export demand in February 2021.

| Top 5 Export countries | | 5 Import countries | |
|---|---|---|---|
| China | 14.7% | China | 20.4% |
| Germany | 9.6% | Germany | 9.6% |
| United States | 9.1% | United States | 5.4% |
| Japan | 6.2% | India | 5.4% |
| United Kingdom | 4.6% | Saudi Arabia | 4.5% |

**Data Source:** South African Revenue Services (SARS)

The top 5 destinations for South African exports were China (14.7%), Germany (9.6%), United States (9.1%), Japan (6.2%), and United Kingdom (4.6%). Meanwhile, the top 5 countries South Africa imported from were China (20.4%), Germany (9.6%), United States (5.4%), India (5.4%), and Saudi Arabia (4.5%). As expected, China continued to be South Africa's top trading partner.

At an aggregate level, the trade surplus tallied at R 41.38 billion for the year to date. This is more than 4 times the R10.28 billion recorded for the same period last year. The large variance is likely linked to the pandemic-related disruptions in international trade during the period, especially from South Africa's main trading partner China.

Going forward, South Africa's trade surplus is expected to continue to narrow due to the global economic recovery that may increase import demand and dwarf stellar export figures to date.

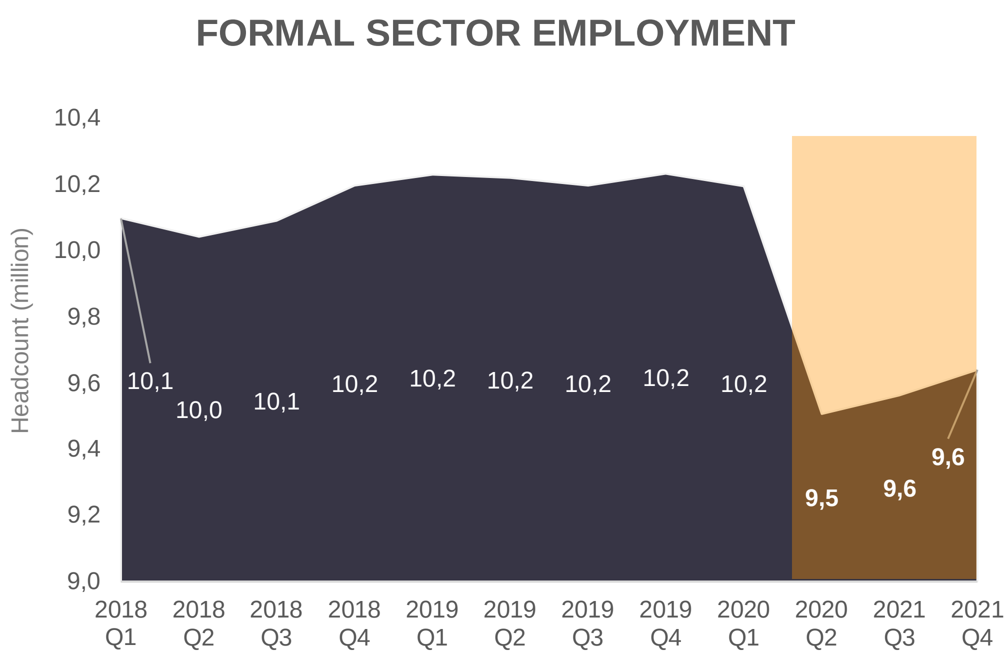
## HIGHLIGHTS

- GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH
- SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY
- **Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY**
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- NEW VEHICLE SALES REBOUND IN MARCH

## Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY

Following the further easing of lockdown restrictions at the start of the fourth quarter of 2020 (Q4:2020), formal sector employment staged yet another recovery, improving by 76 000 (+0.8%) to a total of 9.6 million. All of the jobs gained in the fourth quarter were for part-time (87 000) employment, partly due to the prominence of seasonal jobs in the last quarter of every year. Meanwhile, full-time employment declined by -11 000. The variation between part-time and full-time employment numbers is an indication that the recovery recorded in the last half of 2020 is likely to be temporary, fuelled by further uncertainties in the economy that stifle future business prospects.

Moreover, notwithstanding the recovery, total employment in Q4:2020 continued to remain significantly below pre-COVID levels, highlighting the depth of the impact of the pandemic on employment. By the end of last year, a total of 555 000 individuals nationally, had not found their way back into formal employment, following 688 000 job losses in the sector, in the second quarter.



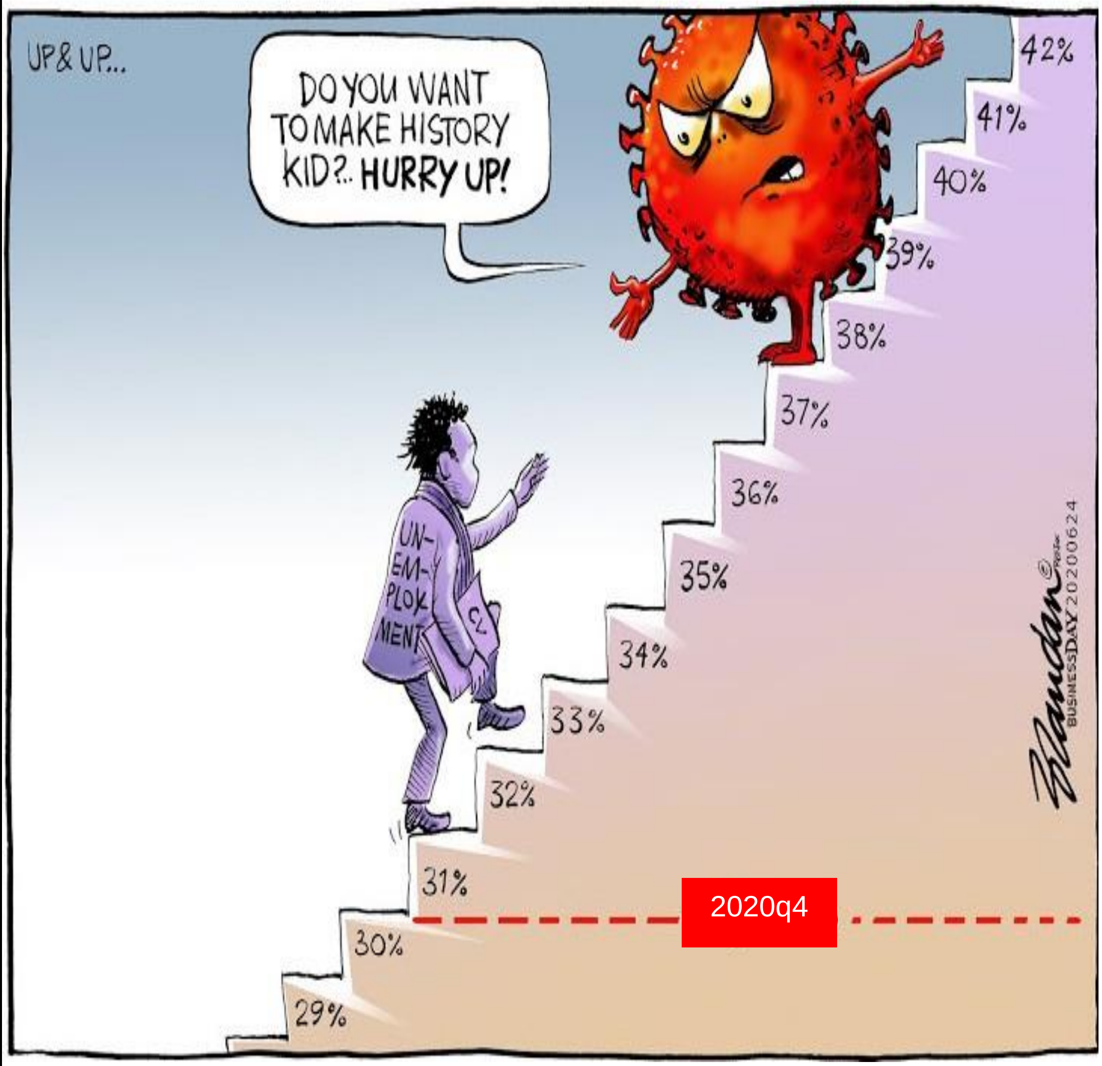

**Data Source**: Statistics South Africa

Quarterly, the recovery in employment was recorded in three (3) of the eight (8) sectors, particularly supported by Trade jobs (54 000), on the back of seasonal job gains in the retail sector. Furthermore, the hotels and restaurant sub-sector (one of the hardest-hit sectors) gained 6 000 jobs while Community services added 51 000 jobs. On the other hand, major job losses were recorded in Construction (-18 000) and Manufacturing (-13 000) sectors.

## HIGHLIGHTS

- GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH
- SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY
- **Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY**
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- NEW VEHICLE SALES REBOUND IN MARCH

The quarterly employment recovery supported a 9% increase in gross earnings in the last quarter of 2020. However, annually, earnings remained downbeat at 5%, indicative of the slow recovery in formal sector employment - 6% lower than in the previous year.




**Original image:** https://www.businesslive.co.za/bd/opinion/2020-06-24-cartoon-covid-19s-job-losses-carnage/

As seasonal employment ends, the recovery in jobs witnessed since the third quarter of 2020 is expected to slow down, weighing down on the employment outlook. Moreover, the renewed restrictions witnessed in the first quarter of 2021 and the uncertainty surrounding the third wave, alongside delays in the vaccination program rollout are likely to put a downward pressure on employment. The muted growth in employment will have ripple effects on spending, suppressing any chance of overall economic recovery. As such, analysts are expecting no growth in aggregate employment for 2021.

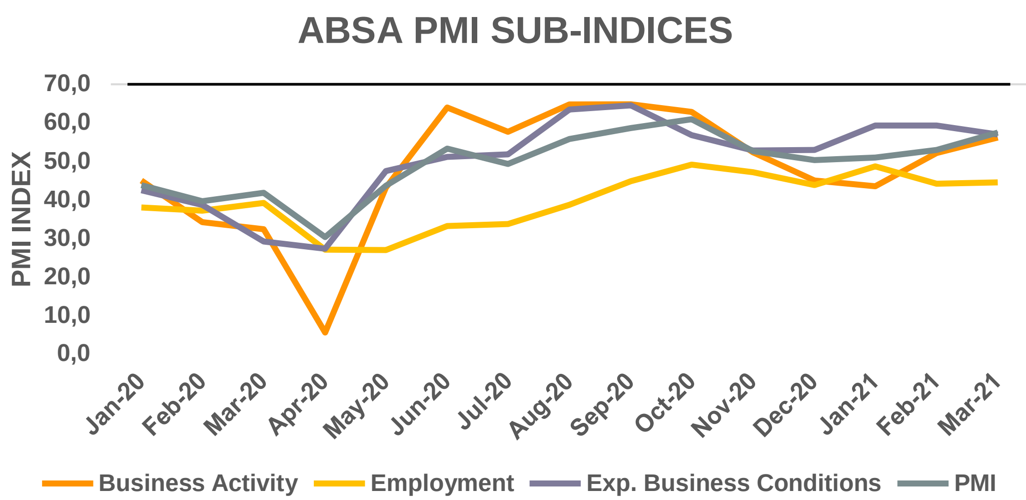
## HIGHLIGHTS

- GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM IN MARCH
- SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY
- Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY
- **ABSA PMI RALLY SIGNAL DOMESTIC ECONOMIC RECOVERY**
- NEW VEHICLE SALES REBOUND IN MARCH

## ABSA PMI RALLY SIGNALS ECONOMIC RECOVERY

The Absa Purchasing Managers' Index (PMI) rose to 57.4 index points for March 2021, an improvement from 53 index points in the previous month. The third consecutive monthly increase was mainly boosted by an improvement in all except the employment index that remained below the neutral 50-point mark.

The increase in headline PMI for March was predominantly driven by an increase in the new sales orders index. New sales orders increased for the third consecutive month to 60.4 index points in March 2021. Similarly, the business activity index expanded from 52.1 index points in February to 56.1 points in March. The upturn in business activity is likely to bode well for continued recovery in manufacturing for the remainder of the year. Following suit, the supplier deliveries index recorded a significant improvement of 8.1 points to 69.8 points in March, owing to an uptick in demand from manufacturers. Meanwhile, the inventories index recorded another solid increase to reach 56.1 index points in March. Encouragingly, despite placing below the 50-midpoint, the employment index marginally improved to 44.4 index points




**Data Source:** Bureau for Economic Research

Looking ahead, after remaining unchanged at 59.2 index points in February 2021, the expected business conditions in six months' time index fell to 57 index points in March 2021, pointing to reduced optimism. The downturn was credited to a resurgence of cases and stricter lockdowns among major trading partners which might dampening domestic export demand. Notwithstanding the encouraging third consecutive improvement in headline PMI, analysts have warned that due to the looming third Covid-19 wave looms and electricity tariff increases, the manufacturing activity is still not out of the woods.

**HIGHLIGHTS**

- GLOBAL MANUFACTURING ACTIVTY CONTINUES TO PICK UP STEAM MARCH
- SA RECORDS ANOTHER TRADE SURPLUS IN FEBRUARY
- Q4 FORMAL EMPLOYMENT RECOVERY LIKELY TEMPORARY
- ABSA PMI RALLY SIGNALS DOMESTIC ECONOMIC RECOVERY
- **NEW VEHICLE SALES REBOUND IN MARCH**

## NEW VEHICLE SALES REBOUND IN MARCH 2021

According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), new vehicles purchases increased in March 2021, following a 13.3% y/y contraction in February 2021. Aggregate domestic sales reflected a substantial 10 671 units (31.8% y/y) increase to 44 217 units in March 2021. In tandem, export sales recorded an improvement of 38.6% (11 137 units) to register at 40 026 units in March 2021. For the first three months ending March 2021, vehicle exports were now 13 019 units or 16.8% above the corresponding period last year.

NAAMSA credits the remarkable improvement in new vehicle sales to the temporary suspension in vehicle production and sales due to country-wide lockdown restrictions which led to a low base and inflated readings for March 2021.

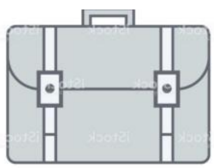
Overall, out of the total reported industry sales of 44 217 vehicles, an estimated 37 572 units (85%) were attributed to dealer sales while 8.7% to vehicle rental industry sales, 3.7% government sales, and 2.6% was attributed to industry corporate fleets sales. The impressive uptick in vehicle rental sales accounted for a solid 12.3% of car sales in March 2021. Meanwhile, new passenger car sales rose by 5 187 units (23.4%) to 27 330 units.

The domestic sales of new light commercial vehicles, bakkies and mini-buses increased by a massive 52.4% (4 941 units) to 14 375 units in March 2021. Sales for medium and heavy truck segments of the industry also reflected a positive performance and at 705 units and 1 807 units respectively.

It is expected that the new vehicles sales market will continue to increase as more sectors of the economy recover and as the government progresses with the vaccination programme across the country.

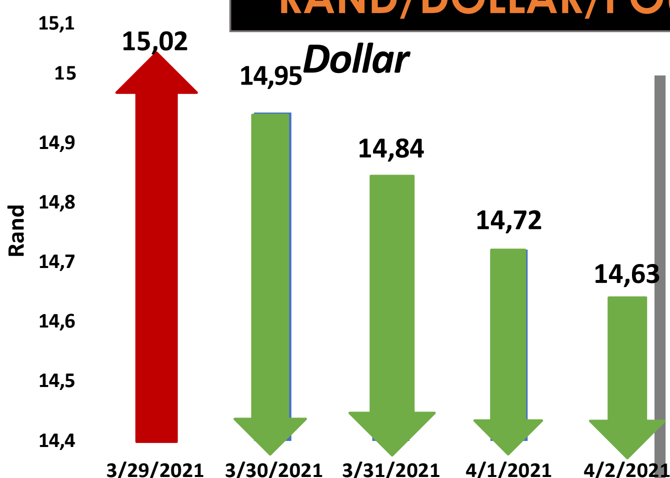
# INDICATORS: Week 29 – 02 April 2021

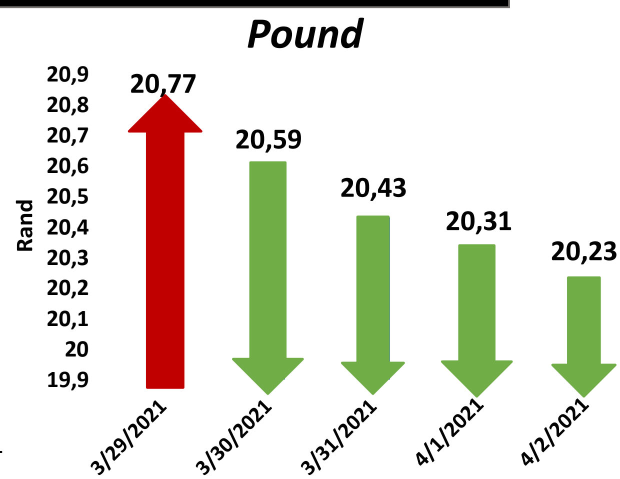
| EMPLOYMENT STATISTICS | ABSA PMI | TRADE STATISTICS | NEW VEHICLE SALES |
|---|---|---|---|
| *0.8% q/q 2020:Q4* | *57.4 Index Points Mar'21* | *Surplus R28.96 billion Feb'20* | *31.8% y/y Feb'21* |




Source: Statistics South Africa

## RAND/DOLLAR/POUND EXCHANGE




Source: *SARB & Trading Economics 15:00, 02 April'21*

## COMMODITIES

| BRENT CRUDE OIL PER BARREL | GOLD PER OUNCE | PLATINUM PER OUNCE |
|---|---|---|
| *$64.86 02 Apr '21* | *$1730.32 02 Apr'21* | *$1208.58 02 Apr'21* |
| ***$ 63.42 26 Mar'21*** | ***$ 1724.98 26 Mar'21*** | ***$ 1149.92 26 Mar'21*** |

Source: *Trading Economic, 15:00, 02 April'21*

**Chief Content Editor**: Bokang Vumbukani-Lepolesa

**Content Editor**: Makhanana Malungane
**Contributors**:
Sechaba Tebakang, Mmalehlohonolo Sekoaila,

Khanya Fakude, and Rendani Siwada