

SA factory activity shrinks on unrest, Covid-19 restrictions - PMI

By [Olivia Kumwenda-Mlambo](#)

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South African private sector activity fell at its fastest rate in 10 months in July as output tumbled in the wake of civil unrest in some parts of the country and tighter coronavirus lockdown restrictions, a survey showed on Wednesday.



Source: Reuters/Mike Hutchings/File Photo

IHS Markit's Purchasing Managers' Index (PMI) fell to 46.1 in July from 51.0 in June, dropping below the 50-point mark that separates expansion from contraction for the first time since September 2020. Alongside a sharp fall in output, whose sub-index dipped to 39.1 in July from 48.8 in June, new orders, employment and stocks of purchases also declined, IHS Markit said.

"The South African economy saw a marked impact from civil unrest in July," said IHS Markit economist David Owen. "After nine consecutive months of growth, the downturn was the first notable setback in the country's economic recovery, as the hit to consumer confidence added to the impact of a return to 'Level 4' (coronavirus) lockdown."

Prolonged period of recovery after riots

In July, riots broke out in several parts of South Africa after former president Jacob Zuma handed himself in to start a 15-month jail term for contempt of court. The unrest swiftly degenerated into looting, which destroyed hundreds of businesses and killed over 300 people.



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Owen said that, while the easing of the coronavirus lockdown restrictions late in July may help restore some confidence, many businesses faced a prolonged period of recovery after suffering damage from the riots.

"Supply chains will also take longer to rebuild, particularly amid ongoing difficulties sourcing and supplying raw materials due to the pandemic," Owen said.

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