

# South African business activity falls to almost two-year low - PMI

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South African private-sector economic activity contracted for a third consecutive month in May as rolling power cuts and inflationary pressures continued to weigh on business, a survey showed on Monday, 5 June.



Source: Reuters.

The S&P Global South Africa Purchasing Managers' Index (PMI) fell to 47.9 in May, the lowest level since July 2021, from 49.6 in April. Readings above 50 indicate growth in activity.

"After a promising (albeit slight) uplift in new business during April, customer demand was back in negative territory, adding to a steep and accelerated drop in output," said David Owen, economist at S&P Global Market Intelligence.

He added that firms continued to face severe inflation, driven by weakness in the rand, high electricity costs and elevated wage pressures.

South Africa's state power utility Eskom has also warned that it may have to increase power cuts to an unprecedented level this winter, as the country grapples with its worst power crisis on record.

"The bleak energy outlook over the winter suggests that more companies will look for alternative electricity sources, pushing costs and customer prices even higher," Owen said.

However, firms remained positive about the future, flagging an improvement in supply-chain challenges.

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