

# Kagiso PMI adds 1.7 points to 52.4 in November

Activity in the manufacturing sector continued to improve, as suggested by the 1.7-point increase in the seasonally adjusted Kagiso purchasing managers index (PMI) in November, to 52.4.



Business confidence has improved with manufacturers expecting some expansion next year. Image: Spiber [Fotolia](#)

Activity in the manufacturing sector was severely disrupted by strikes in vehicle production and components in the third quarter of this year.

The monthly seasonally adjusted Kagiso PMI is an indicator of activity in manufacturing, where a level below 50 suggests a contraction in activity while that above 50 indicates future expansion.

The rise to 52.4 in November reported on Monday (2 December) brought the average for the first two months of the fourth quarter to 51.6.

The improvement in the PMI was broadly based, with all of the main sub-components increasing in confidence compared with the previous month.

Notably, the business activity index of the PMI rose from 52.6 to 54 index points in November while the new sales orders index also increased, from 50.6 to 51.6.

The employment index gained 1.4 points to 50.8, its highest level so far this, after remaining unchanged in October.

Kagiso asset management research head Abdul Davids said, however, that since the index was only just above the 50-point mark, it did not suggest a significant improvement in manufacturing employment.

Manufacturing shed 68,000 jobs in the third quarter of the year.

The price index fell for the fourth consecutive month, from 80.8 to 77.8 - its lowest level in 2013. Petrol price decreases in recent months have helped ease cost pressures on producers although the petrol price is set to rise by 17c/l on 4 December.

"The inventories index rose marginally, from 52.8 to 53.2, suggesting that manufacturers might be expecting demand to improve in the immediate future," Davids said.

"This is supported by the purchasing commitments index, which rose to 55.7, its highest level since May 2011," he said.

The index measuring expected business conditions in six months' time declined from 62.2 points to just 59.8 but Davids believed the outlook for the sector remained positive.

"Despite the decline, the index is at a high level and suggests that manufacturers are optimistic that conditions will improve," he said.

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