

# **CHEMICAL SECTOR MONTHLY UPDATE:**

*DATA: APRIL 2024*

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## Introduction

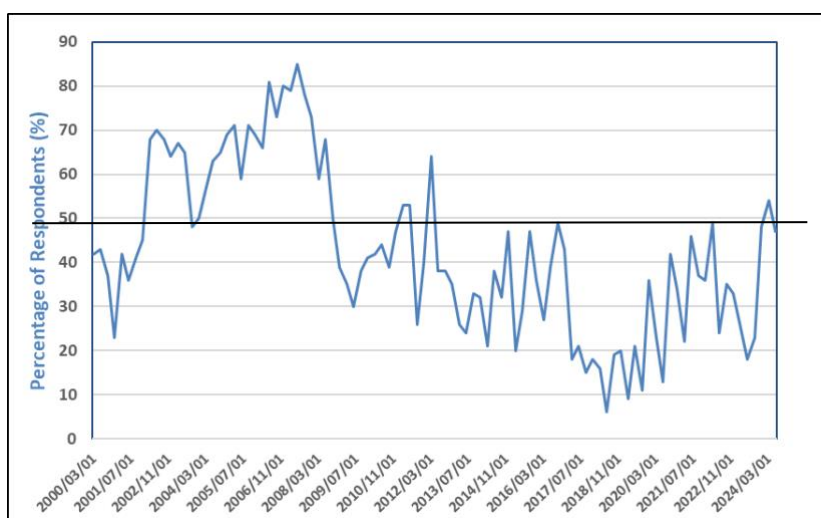
Many datasets were released since the last Monthly Report which covered the data up to the end of March. This Report covers data up to the end of April.

The trends emerging from the latest datasets were in summary;

- Although the SA economy contracted slightly (-0,1%) and manufacturing too (-1,4%) in Quarter 1 of 2024, the **chemical sector grew**; output by 3,6% and value added/GDP by 2,5%.
- **Gross Fixed Capital Formation grew** in nominal terms (on an annual basis), but when inflation is taken out and depreciation included, there is still an alarming deterioration in the value of production capacity in the sector.
- **Employment numbers increased** by 3,5% to 182 742 during 2023.
- The **production performance** during April confirmed a continuation of the trend recovery with a 12 months' **improvement** of 4%. This after a disappointing March.
- **Sales** patterns mirrored the production trends with a 12 months metric of **+10%** and when inflation is discounted, +8,6% against a comparable period before.
- The **international trade balance deteriorated** slightly (-1,3%) with exports declining by 2,4% and imports by near 12%. The largest declines in imports were in the sub-sectors 'petroleum products' and 'basic chemicals'.
- **Confidence levels** in the chemical sector **deteriorated** in Q2 of 2024 (with less than 50% of respondents being optimistic) which may be a warning that the actual performance during Q2 may also have slipped backwards, or moved sideways. This deterioration is noticeable relative to 'domestic and export orders', 'sales realised and expected', more respondents noted 'insufficient demand', and near 80% of respondents reported that 'politics remained a constraint', although the latter pessimism 'lifted' very slightly. A more detailed analysis will be made available in the next full Quarterly Report for Q2, 2024.

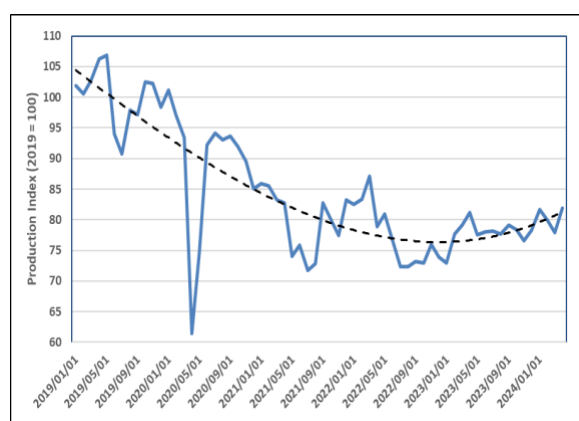
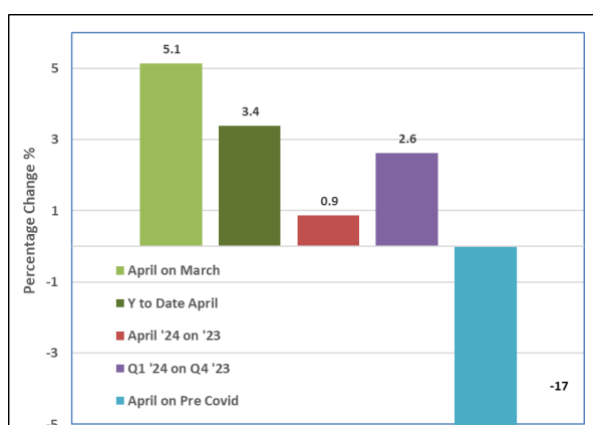
## General Business Confidence in the Chemical Sector; Q2, 2024

The Bureau for Economic Research's manufacturing survey results for Q2, 2024 was released recently. The graph below shows the 'general business confidence' with less than 50% of respondents being optimistic.



## Production Trends

Production Index Seasonally Adjusted	April on March '24	April '24 on '23	Q1 '24 on Q4 '23	Q1 '24 on Q1 '23
<b>Total</b>	5.1	0.9	2.6	4.3
<b>Coke, petrol &amp; nucl</b>	5.7	1.8	1.6	12.2
<b>Basic chemicals</b>	7.8	5.7	0.1	1.2
<b>Other chemicals</b>	2.6	- 4.9	6.1	- 1.0
<b>Rubber</b>	3.2	- 5.0	1.4	- 2.9
<b>Plastic</b>	6.7	9.2	1.1	1.2



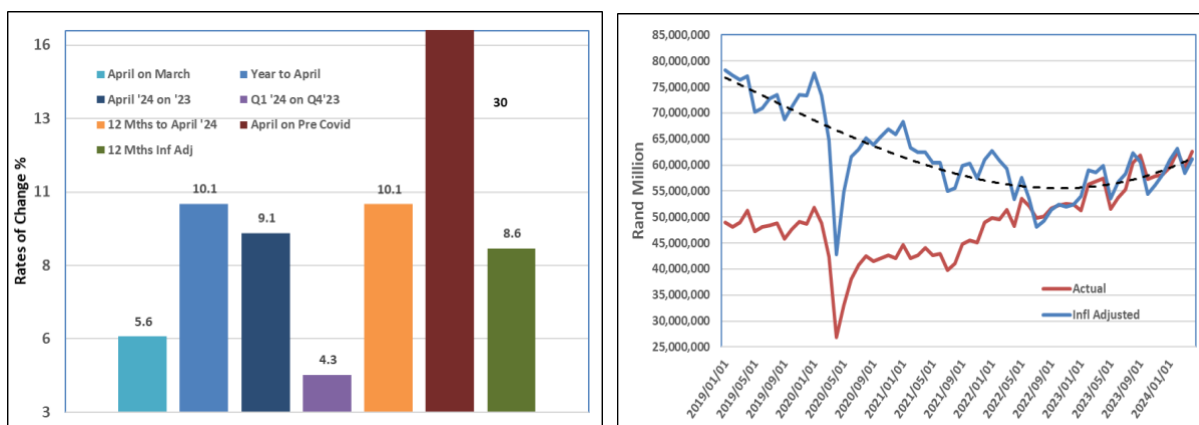
Source: Statistics SA, Manufacturing Production & Sales, p3041.2

April data confirmed a continuation of the (trend) recovery in production, after some concern due to a weaker March performance. Production for the first 4 months of 2024 was 3,4% better than last year. Furthermore, every single sub-sector recorded growth for the month and 4 months, with the exception of 'rubber' and 'other chemicals'. Production over 12 months to April 2024 was 4% higher than a similar year ago.

## Sales Trends

Sales Values Seasonally Adjusted	April on March '24	April '24 on '23	Q1 '24 on Q4 '23	Q1 '24 on Q1 '23
<b>Total</b>	5.6	9.1	4.3	10.0
<b>Coke, petrol &amp; nucl</b>	1.8	16.9	0.3	28.2
<b>Basic chemicals</b>	20.2	9.0	13.6	0.3
<b>Other chemicals</b>	1.5	- 2.7	5.9	- 0.3
<b>Rubber</b>	6.2	1.8	5.1	- 0.6
<b>Plastic</b>	6.0	12.4	2.0	2.2
<b>Total Inflation Adjusted</b>	4.8	2.1	7.8	6.0

Source: Statistics SA, Manufacturing Production & Sales, p3041.2



Source: Statistics SA, Manufacturing Production & Sales, p3041.2

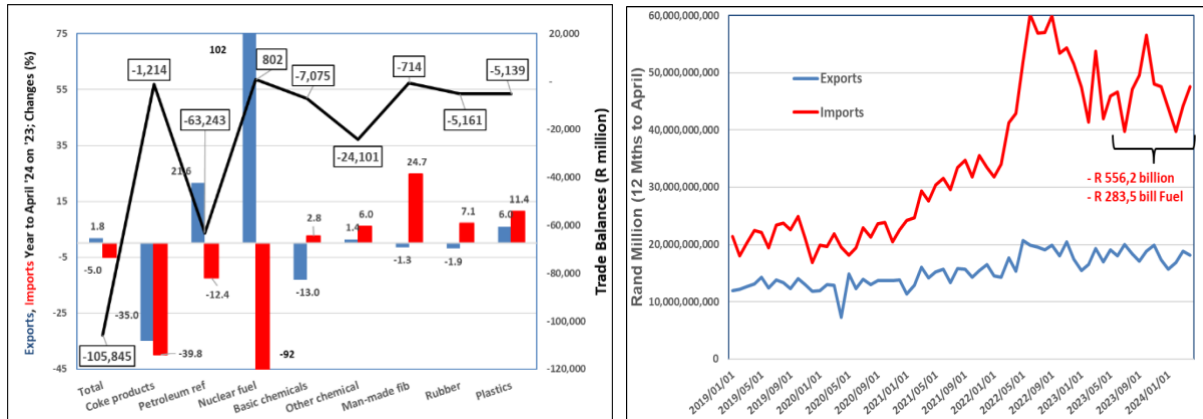
Sales patterns were virtually the same as production trends. April sales were better than March for all sub-sectors and over 4 months, except again for ‘rubber’ and ‘other chemicals’ although very marginally lower. For the 12 months up to April 2024, sales were 10% higher than the comparable period before, and when inflation is taken into account, near 9% better than before. The variation in sales performance (see graph on the right) does not negate the fact that the trend is clearly upward since the lower turning in the second half of 2022.

## International Trade

	Month-on-Month April on March '24	Year to date April '24 on '23	12 Months to April '24	April '24 on '23	Trade Balance 12 Mths Billion
Exports	%	%	%		
Total	3.3	1.8	2.4	7.2	338,357
Coke products	9.2	35.0	15.6	54.0	4,334
Petroleum ref	5.6	21.6	14.4	14.9	221,222
Nuclear fuel	40.0	102.2	59.0	233.1	1,607
Basic chemicals	3.7	13.0	19.8	0.3	21,462
Other chemical	2.7	1.4	5.0	6.1	62,893
Man-made fib	19.4	1.3	5.3	35.7	1,799
Rubber	6.2	1.9	0.3	15.3	14,423
Plastics	2.2	6.0	1.6	8.3	13,830
Imports					
Total	7.5	5.0	11.7	13.4	
Coke products	29.4	39.8	23.4	24.3	
Petroleum ref	9.0	12.4	16.7	24.1	
Nuclear fuel	138.7	92.1	85.2	96.0	
Basic chemicals	11.5	2.8	17.2	6.0	
Other chemical	1.9	6.0	1.7	15.1	
Man-made fib	25.2	24.7	20.2	36.2	
Rubber	4.8	7.1	6.9	1.3	
Plastics	2.1	11.4	5.7	16.6	

Source : SARS Export/Import data

The chemical sector **trade balance** (exports minus imports) deteriorated slightly (-1,3%) for the 12 months up to April. Overall **exports** declined by 2,4% (12 months), mainly due to ‘basic chemical sector exports’ weaker performance. Total **imports** declined by near 12% over the same period with strong drops in imports of ‘coke products, petroleum, nuclear fuels’ and ‘basic chemicals’. (Note the graph to the left shows ‘4 month’ comparisons, and not 12 months to April.)

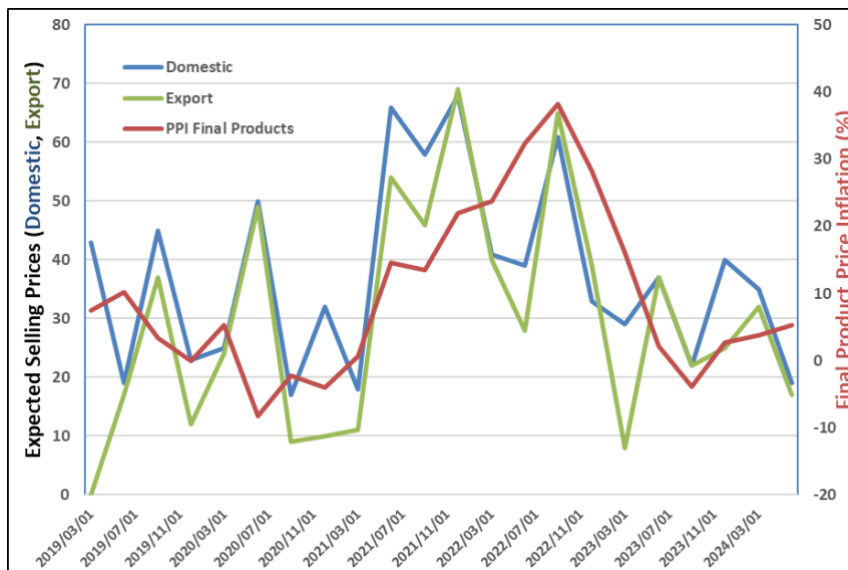


Source: SARS Export/Import data

## Chemical Sector Price trends

Production price inflation for the whole chemical sector seems to have stabilised. Final product prices were only 1,2% higher on a 12-month basis.

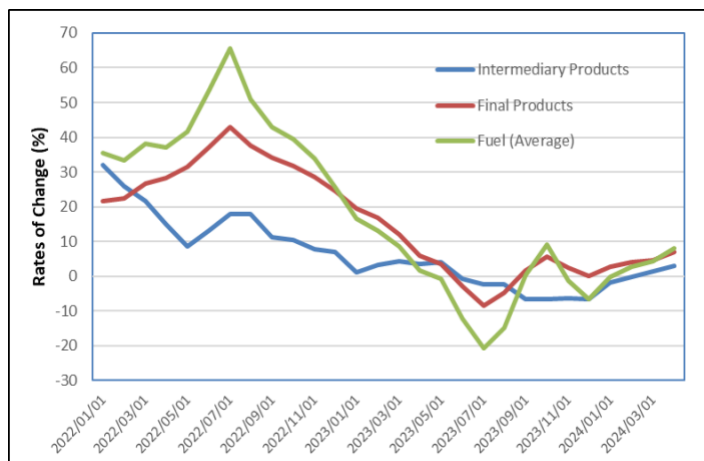
The perceptions of chemical sector respondents to the BER manufacturing survey borne this out. The expectations for domestic and export price inflation in the sector seem to be on a clear downward path. The influence of low crude oil prices internationally and the lower domestic fuel prices cannot be discounted.



Sources: BER Manufacturing Survey, Statistics SA, Production Price Indices, P0142.1, (chemical sub-sector), Quantec.

Production Price Indices	Intermediary Products										
(Dec '23 = 100)	Year to date April '24 Index	Prev Y to date April '23 Index	Change %	12 Mths to date April '24 Index	Prev 12 mths April '23 %	Change 12 mths %	M-o-M April on March %	Y-o-Y April '24 on '23 %	Pre Covid Monthly Avg Index	April on Pre C Change %	
Total	102.3	101.7	0.6	101.3	103.5	- 2.1	1.8	3.0	74.4	40.2	
Basic & Other Chem	102.5	102.1	0.5	101.7	103.8	- 2.0	2.1	3.1	69.0	51.8	
Plastics	102.3	100.4	1.9	100.7	104.3	- 3.5	0.8	3.8	80.6	29.2	
Rubber	98.4	101.9	- 3.4	98.5	96.0	2.7	-	1.4	73.4	33.4	
Final Products											
Total	100.2	95.8	4.6	99.5	98.3	1.2	0.8	6.9	64.3	59.2	
Coal & Petroleum	100.3	95.6	4.9	99.5	100.3	- 0.8	1.0	8.9	56.5	83.4	
Petrol	103.2	97.7	5.7	103.5	103.2	0.3	3.0	8.4	61.3	78.9	
Diesel	99.4	97.5	2.0	99.5	106.2	- 6.4	0.2	7.5	57.6	78.4	
Other	97.6	91.8	6.3	95.5	91.3	4.6	0.6	8.8	50.8	91.2	
Chemical Products	99.5	96.1	3.5	99.2	94.5	5.0	0.1	2.7	73.3	35.7	
Rubber & Plastics	101.9	96.0	6.1	100.1	95.9	4.4	2.2	8.7	75.4	39.7	

Source : Statistics SA, Production Price Indices, p0142.1

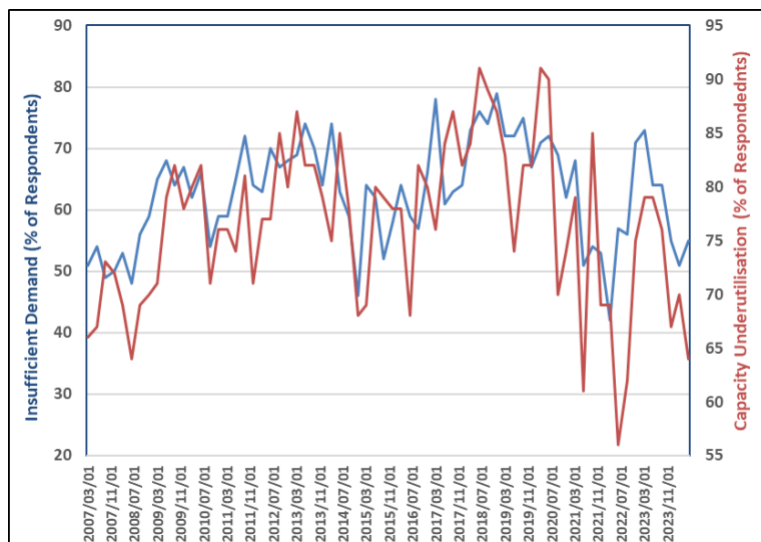


As stated above, production price inflation for the whole chemical sector seems to have stabilised.

Prices of intermediary products still retreated (-2.1%) over the last 12 months (to April). Final product price escalation was 1,2%, a tenth of a percentage point higher than the month before (also over 12 months).

Source : Statistics SA, Production Price Indices, p0142.1

## Chemical Sector Capacity Under Utilization Perceptions



The BER Manufacturing Survey for Q2, indicates capacity under-utilization dropping (red line). The quantitative data about production and sales for the 4 months of 2024 also show improvements, and corroborates this result.

However, more respondents reported 'insufficient demand' (blue line) as a problem during Q2. This may indicate some loss of momentum towards the second half of 2024.

Source: BER Manufacturing Survey.

## Employment and Gross Earnings

(to be published 25 June)