

# CHEMICAL SECTOR MONTHLY UPDATE:

*DATA: AUGUST 2024*

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## Introduction

Several innovations are reflected in this report; inflation adjusted are used where appropriate, a distinction is being made in some cases between the petroleum sub-sector and the rest, a new input cost index for the sector is included, as well as a special focus on salient trends in the plastics sub-sector (with others to follow in months to come).

The economic trends emerging from the latest datasets were in summary;

- **Confidence levels** in the chemical sector **deteriorated** further in Q3 of 2024 (with only 36% of respondents being optimistic). The 'political constraint' indicator practically stayed at the same low level (77% of respondents agreeing that it's an obstacle).
- The **production** performance of the sector in summary is; growth for the year seems to be settling between 2% and 3%. August was 0,6% better than July; 8 months were 2,3% better than last year; August 2024 was 2,2% better than 2023, and 12 months to August 3,3% better than before. It seems as if production capacity utilization is deteriorating though.
- August was not a good **sales** month (-4,3%) although sales of non-petroleum products showed moderate growth (+1%). Despite this setback Q3 is expected to be better than Q2 and the full year sales number should show +5% growth on 2023.
- The **international trade balances** remained basically the same. Notable is the almost 'extreme' fluctuations in the import trends.
- The **production price inflation** for both final and intermediary products hardly reaching 5% in the latest measures. There seems to be a 'new anker' for selling prices (in the words of the Governor of the SARB), but in this Sector's case clearly linked to petroleum price determinations.
- A new addition to these reports is the first draft results of a newly constructed **input cost index** for the Sector. Members' response and feedback is eagerly anticipated.

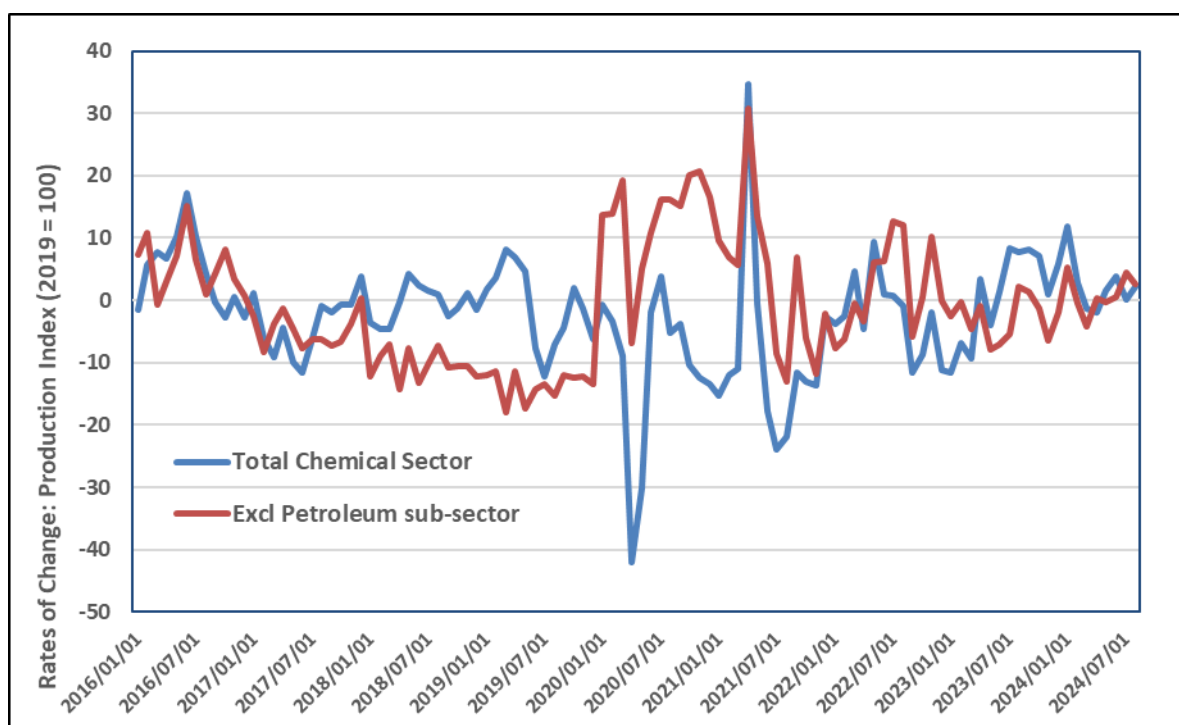
## Production Trends

Chemical sector production growth improved marginally to 2,3% over the first 8 months of the year compared to the half year of 2024, with August improving marginally (+0,6%) in August. Without the petroleum sector, the metrics are slightly lower than the total.

Taken the important comparisons for the whole chemical sector together, growth for the year seems to be settling between 2% and 3%. August was 0,6% better than July; 8 months were 2,3% better than last year; August 2024 was 2,2% better than 2023, and 12 months to August 3,3% better than before. Fluctuations in production remains however.

Production Index Seasonally Adjusted	Aug on July '24	Year to Aug '24	Aug '24 on '23	Q1 '24 on Q4 '23	Q2 '24 on Q1 '24	12 Mths to Aug '24
<b>Total</b>	0.6	2.3	2.2	2.7	0.8	3.3
<b>Coke, petrol &amp; nucl</b>	1.9	5.2	1.9	2.2	2.7	10.3
<b>Basic chemicals</b>	- 2.6	2.6	0.8	- 0.7	0.8	3.0
<b>Other chemicals</b>	2.1	- 0.5	6.0	6.1	- 1.4	- 2.6
<b>Rubber</b>	- 9.7	- 5.9	- 17.0	- 0.2	- 6.4	- 5.0
<b>Plastic</b>	1.0	2.8	1.2	1.3	3.0	1.8
<b>Total Excl Petroleum</b>	0.03	1.0	2.6			- 0.03

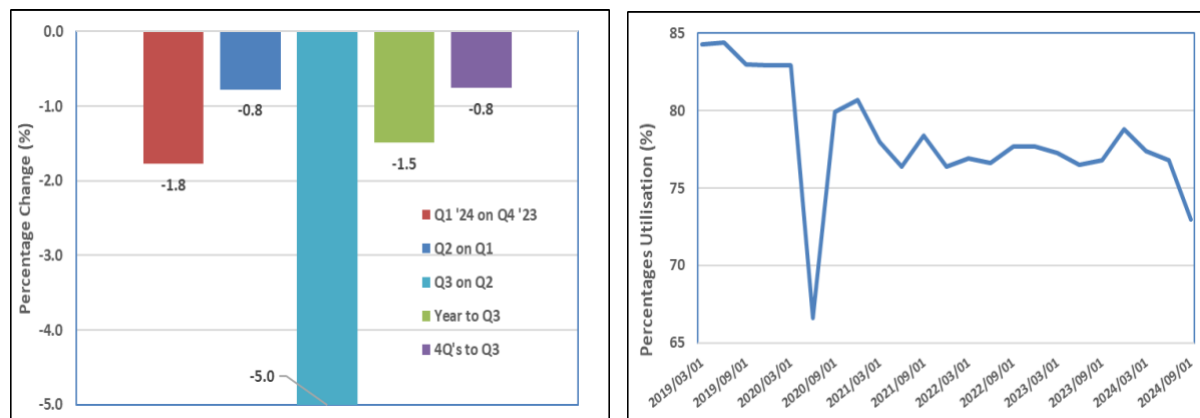
Source: Statistics SA, Manufacturing Production & Sales, p3041.2, Quantec



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## Production Capacity Utilization in the Chemical Sector

The benchmark for 'full capacity' in production is 85%. The chemical sector is performing well below this benchmark, and this trend is not improving. The third quarter data used here is an estimate based on the BER chemical sector confidence index trend on capacity underutilization. Data shows that fixed capital stock, or available production capacity in the chemical sector declined by nearly 8% since 2019. These numbers indicate, that not only is there less capital stock, but what is available is also under-utilized, hence the much lower production levels (-21%) over the same period. 'Coke, petroleum and nuclear' and the 'rubber' sub-sector production contracted by 39% and 17% respectively.



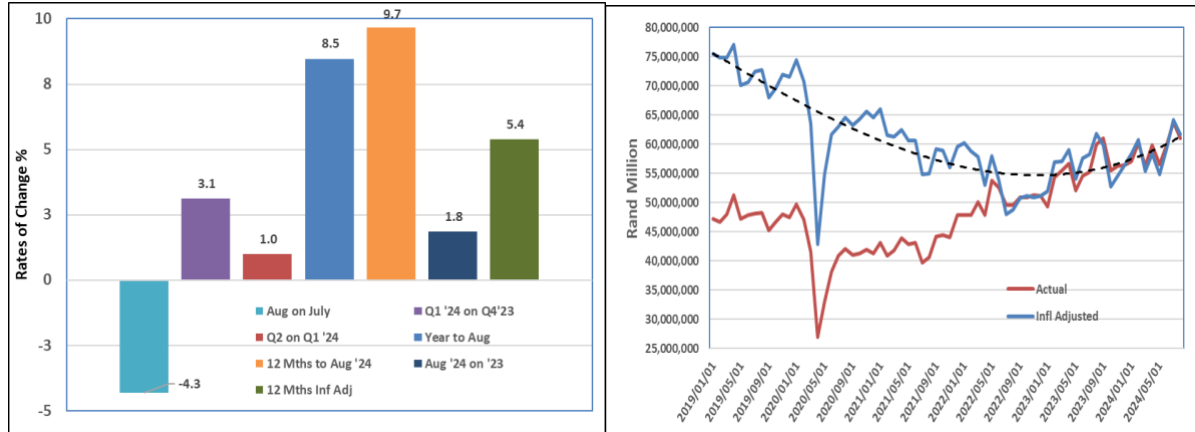
Source: Statistics South Africa - P3043 Capacity Utilisation in Manufacturing

## Sales Trends

August was not a good sales month (-4,3%) although sales of non-petroleum products showed moderate growth (+1%). Despite this setback Q3 is expected to be better than Q2 and the full year sales number should show +5% growth on 2023.

Sales Values Seasonally Adjusted	Aug on July '24	Year to Aug '24	August '24 on '23	Q1 '24 on Q4 '23	Q2 '24 on Q1 '24	12 Mths to August '24
<b>Total</b>	- 4.3	8.5	1.8	3.1	1.0	9.7
<b>Coke, petrol &amp; nucl</b>	- 12.7	18.4	- 2.2	- 3.1	- 4.3	27.1
<b>Basic chemicals</b>	- 2.8	4.8	- 3.0	13.6	8.4	1.3
<b>Other chemicals</b>	5.2	2.0	11.0	6.9	2.3	1.2
<b>Rubber</b>	- 6.5	- 4.7	- 15.7	3.3	- 1.6	- 4.3
<b>Plastic</b>	0.2	5.9	6.7	2.1	3.7	2.2
<b>Total Inflation Adjusted</b>	- 3.8	3.5	- 0.2	6.7	- 3.3	5.4
<b>Total Excl Petroleum</b>	1.1	3.3	4.2			1.2

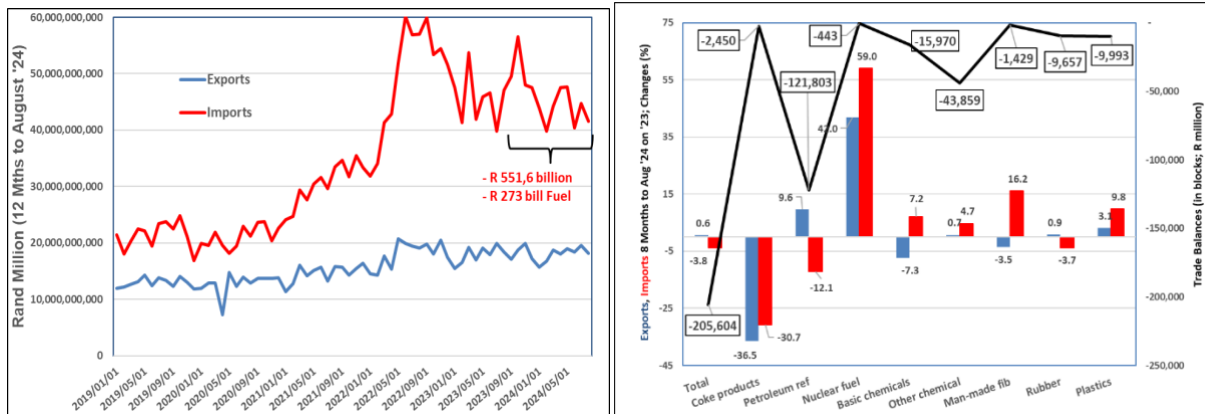
Source: Statistics SA, Manufacturing Production & Sales, p3041.2



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

## International Trade

The chemical sector **trade balances** (exports minus imports) remained negative (but largely unchanged over the last month) with large fluctuations in import values since 2023.

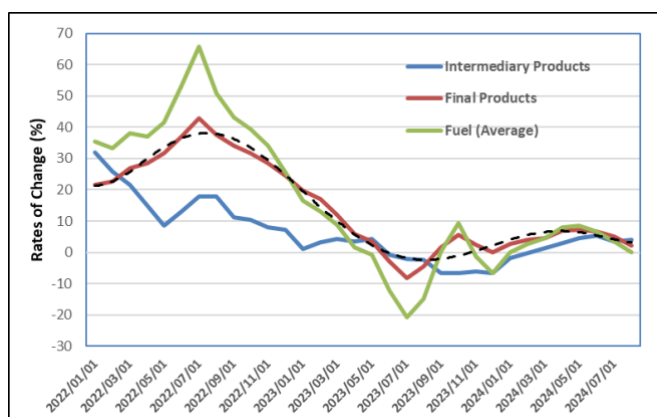


Source: SARS Export/Import data

	Month-on-Month	Year to date	12 Months to		Trade Balance
	Aug on July '24	Aug '24 on '23	Aug '24	Aug '24 on '23	12 Mths
Exports	%	%	%		Billion
Total	7.1	0.6	0.9	0.8	334,263
Coke products	19.7	36.5	38.6	54.3	4,150
Petroleum ref	3.6	9.6	8.1	16.4	210,977
Nuclear fuel	22.8	42.0	30.3	3.1	246
Basic chemicals	12.6	7.3	8.9	11.3	25,105
Other chemical	9.3	0.7	0.4	7.1	64,191
Man-made fib	24.6	3.5	1.3	19.9	1,910
Rubber	3.9	0.9	1.1	6.8	13,203
Plastics	11.4	3.1	1.5	7.5	14,483
Imports					
Total	6.9	3.8	5.4	11.6	
Coke products	45.0	30.7	21.6	6.6	
Petroleum ref	17.4	12.1	11.3	27.0	
Nuclear fuel	41.4	59.0	62.7	64.0	
Basic chemicals	9.6	7.2	2.4	1.4	
Other chemical	9.7	4.7	3.5	6.4	
Man-made fib	19.4	16.2	16.1	21.8	
Rubber	6.7	3.7	4.0	6.8	
Plastics	9.5	9.8	8.8	11.0	

Source: SARS Export/Import data

## Chemical Sector Product/Sales Price trends



Source : Statistics SA, Production Price Indices, P0142.1, Quantec.

Production price inflation for the chemical sector as a whole seems to have stabilised in a band below 10% with averages for both final and intermediary products hardly reaching 5%.

The table below also shows that intermediary product price inflation (on average for 2024) is now rising at about half the rate of final product price inflation.

This is good news for the country's production price index, but also a sign of a weak market for chemical products.

Production Price	Intermediary Prices							
Indices	Year to date Aug '24	Prev Y to date Aug '23	Change	12 Mths to date Aug '24	Prev 12 mths Aug '23	Change 12 mths	M-o-M Aug on July	Y-o-Y Aug '24 on '23
(Dec '23 = 100)	Index	Index	%	Index	%	%	%	%
Total	104.4	101.9	2.4	102.8	103.4	- 0.6	0.9	3.9
Basic & Other Chem	105.0	102.5	2.4	103.2	104.2	- 1.0	0.9	3.3
Plastics	103.4	100.2	3.2	102.1	101.8	0.4	0.8	6.2
Rubber	99.2	100.1	- 0.9	99.0	98.5	0.5	0.7	3.7
Final Products								
Total	100.4	95.7	4.9	101.2	97.2	4.0	0.5	2.1
Coal & Petroleum	99.7	94.7	5.3	101.3	97.6	3.8	1.3	1.2
Petrol	103.6	99.0	4.7	104.7	100.0	4.8	0.7	0.9
Diesel	97.9	94.2	3.8	101.2	100.2	1.0	1.1	0.8
Other	97.2	91.3	6.4	97.5	92.5	5.3	2.5	3.2
Chemical Products	100.4	97.3	3.3	100.2	96.5	3.9	0.2	2.2
Rubber & Plastics	103.9	97.7	6.3	102.3	97.1	5.4	1.0	2.0

## Chemical Sector Input Cost Index

When we started with the research to understand economic trends in the chemical sector, one of the objectives was to build an Input Cost Index for the sector. Production price indices reflect selling prices and are heavily influenced by the fuel price determinations of the Department of Minerals. Much progress has been made in this endeavour, and your feedback and input in its further development, is crucial for refinement. This general sector-wide analysis can and will be replicated for each sub-sector of the total Sector.

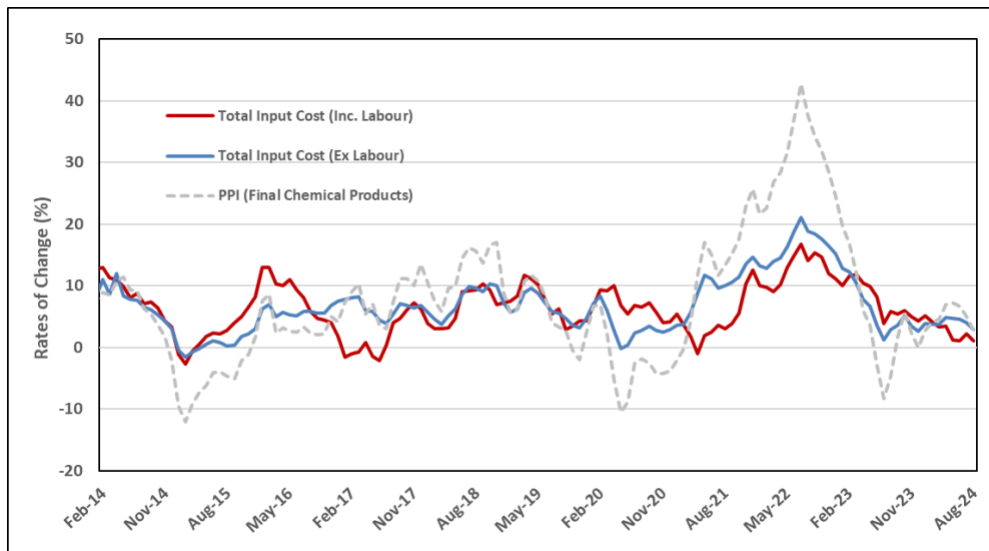
The first important step was to determine the intermediate input product and labour components and their weightings in total costs. Quantec Research is at the forefront of this research in the country and by using the latest (2023) Input-Output tables for the Chemical Sector, we could deduct the values, reflected in the table.

The second step was to compile the publicly available price indices for each component, that reflects the price patterns for each and would be most appropriate for use in this exercise.

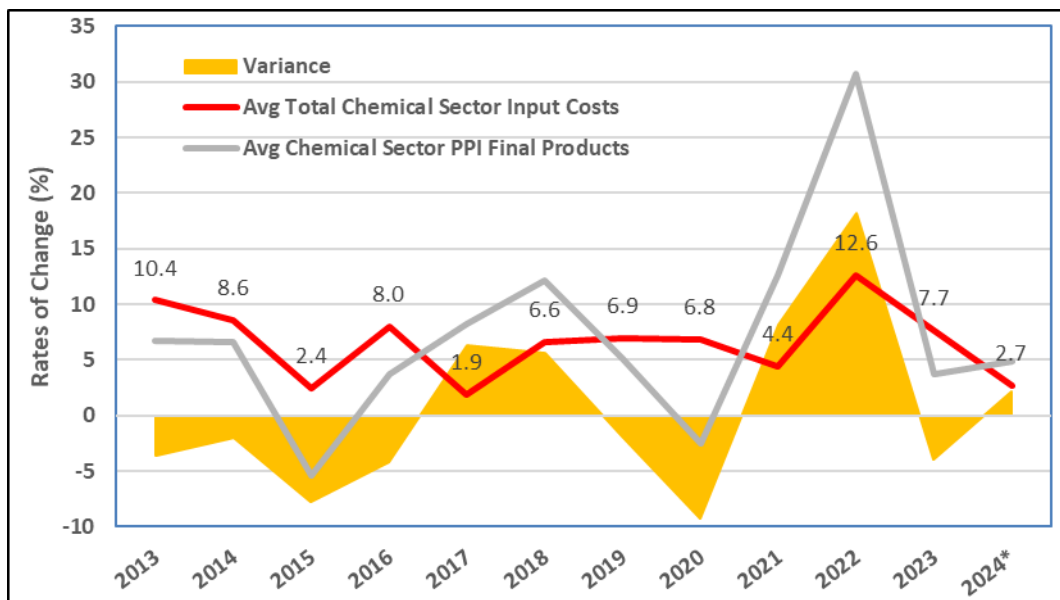
Of great importance is that these indices must be publicly available and timeously (monthly) so, otherwise new surveys would have been necessary, virtually parallel with StatsSA's work.

Cost Basket	2023	Chemical Sector
<b>Intermediate Cost Basket</b>		
Mining & quarrying	37,194	6.55%
Wood & wood products	6,917	1.22%
Coke & refined petroleum	57,396	10.11%
Basic chemicals	27,301	4.81%
Other chemicals	24,631	4.34%
Plastic products	4,014	0.71%
Metal products excluding machinery	10,767	1.90%
Machinery & equipment	942	0.17%
Electrical machinery & apparatus	13	0.00%
Transport equipment	441	0.08%
Electricity & water	8,431	1.49%
Wholesale & retail trade	62,709	11.05%
Transport & storage	36,363	6.41%
Finance, insurance, real estate & business services	26,330	4.64%
Government and Community	32,000	5.64%
Other Intermediate Inputs	900	0.16%
Imported Intermediate Inputs	231,208	40.74%
<b>Total Intermediate Costs (Ex Labour)</b>	<b>567,559</b>	<b>100%</b>
Intermediate Costs	567,559	87%
Compensation of Employees	81,314	13%
<b>Total Input Costs</b>	<b>648,872.5</b>	<b>100%</b>

The initial results are as follows: Monthly Inputs Cost Index for the Chemical Sector



Annual comparison between Input costs and selling prices of final products (PPI)



The 'variance' reflect the percentage point difference between the rise in costs and the selling prices of final chemical products. The numbers indicated (red line) reflect average input cost inflation in each particular year.