

CHEMICAL SECTOR MONTHLY UPDATE:

DATA: JUNE 2024

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Introduction

Important datasets were released since the last Monthly Report which now cover the period up to the end of June.

The 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** during July deteriorated (-3,4%) compared to June, and did slow down the recovery trend (+2,2% over 6 months, but -1% over the 12 months' up to July 2024).
- The **sales** improvement in July slowed down (from +6,1% to +4,9%) but the 6 months improvement stayed at 9,4% for the half year. The upward trend continued though, at +11% for 12 months and near 9% when inflation is taken into account.
- An additional discussion about **production capacity utilisation** has been included. It turns out that the sector only uses 76,8% of current capacity, which is 8% below theoretical 'full capacity', but also 8% below pre Covid levels. However, with capital stock deterioration since 2019 of 8%, the 21% lower production now against 2019, indicates substantial loss of production capacity since 2019.
- The **international trade balances** remained basically the same. Notable was that imports of petroleum declined by around 10% (half and full year), as did domestic petroleum production (near -11%) but sales increased (+18%) in July.

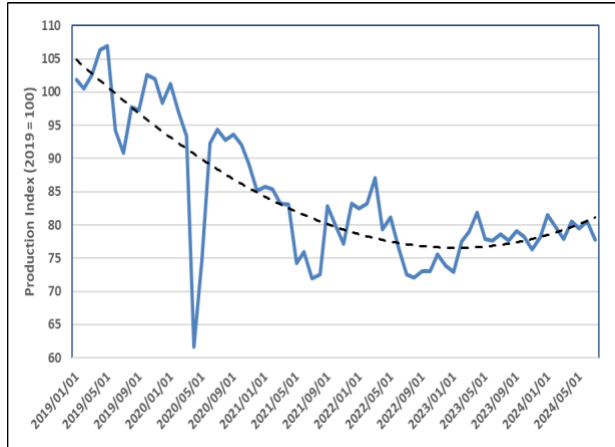
Production Trends

Chemical sector production growth slowed down to 2,2% over the first 7 months of the year compared to the half year of 2024, due to July recording a decline of 3,4% in June. Without the petroleum sector contraction (near -11%) the monthly growth number would have been +1%.

The 12 months comparison to July show a strong improvement (+3,7%) on 12 months earlier, and bodes well for the full year. However, the July '24 weak performance on July 2023 may indicate a slowdown towards year end.

The directionless fluctuations around the trend line on the graph below are still a matter of concern. The production trend has clearly turned positive, but lacks impetus.

Production Index Seasonally Adjusted	July on June '24	Year to July '24	July '24 on '23	Q1 '24 on Q4 '23	Q2 '24 on Q1 '24	12 Mths to July '24
Total	- 3.4	2.2	- 1.0	2.7	0.8	3.7
Coke, petrol & nucl	- 10.7	5.8	- 6.1	2.2	2.7	11.7
Basic chemicals	1.4	2.8	7.8	- 0.7	0.8	2.8
Other chemicals	0.1	- 1.8	- 0.4	6.1	- 1.4	- 3.0
Rubber	9.5	- 4.1	- 2.3	- 0.2	- 6.4	- 2.7
Plastic	2.4	3.0	2.3	1.3	3.0	2.0

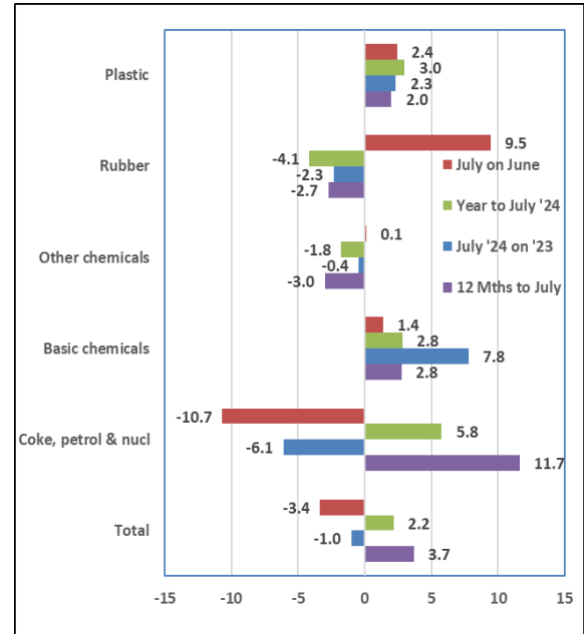


Source: Statistics SA, Manufacturing Production & Sales, p3041.2

Sales Trends

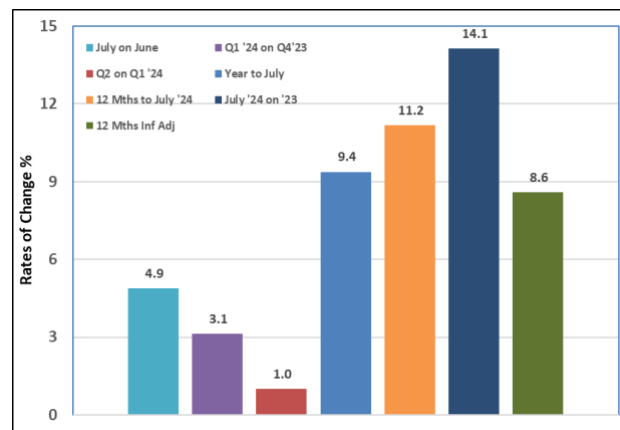
Due to the strong July sales performance relative to June and July '23, the year to date (+9,4%), 12 months to date (+11,2%) and inflation adjusted (+8,6%) sales performances were substantially more robust than production trends over the same periods.

Telling is the difference between petroleum production (near -11%) and sales (+18%) in July.



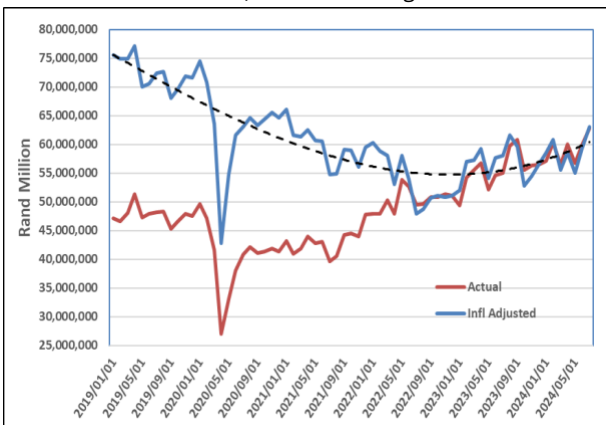
Sales Values Seasonally Adjusted	July on June '24	Year to July '24	July '24 on '23	Q1 '24 on Q4 '23	Q2 '24 on Q1 '24	12 Mths to July '24
Total	4.9	9.4	14.1	3.1	1.0	11.2
Coke, petrol & nucl	18.1	22.0	26.4	3.1	4.3	32.6
Basic chemicals	8.8	5.9	18.5	13.6	8.4	2.2
Other chemicals	0.4	0.2	3.0	6.9	2.3	0.6
Rubber	8.4	2.9	4.8	3.3	1.6	1.3
Plastic	0.4	5.8	5.3	2.1	3.7	1.1
Total Inflation Adjusted	8.5	3.3	3.6	6.7	3.3	8.6

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



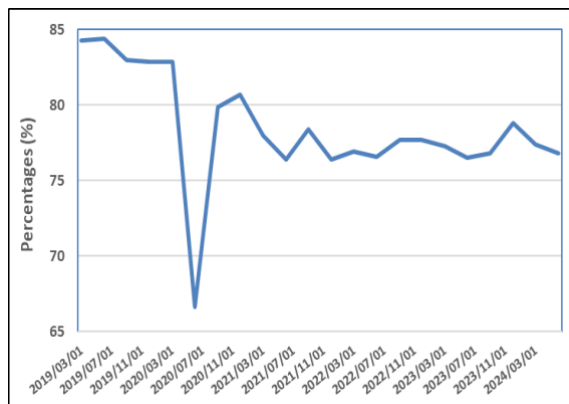
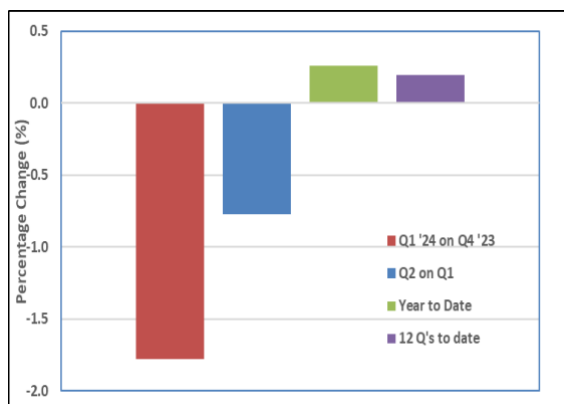
Sales, p3041.2

Source: Statistics SA, Manufacturing Production &



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, although there has been a slight improvement when the first half (two quarters) of 2024 is compared to the same period in 2023, but still a far cry from 2019 levels.



Source: Statistics South Africa - P3043 Capacity Utilisation in Manufacturing

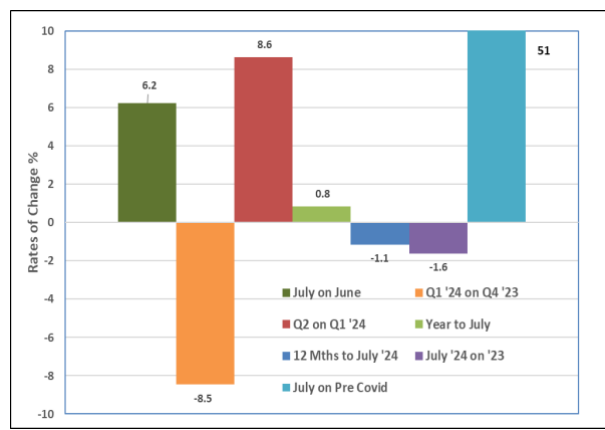
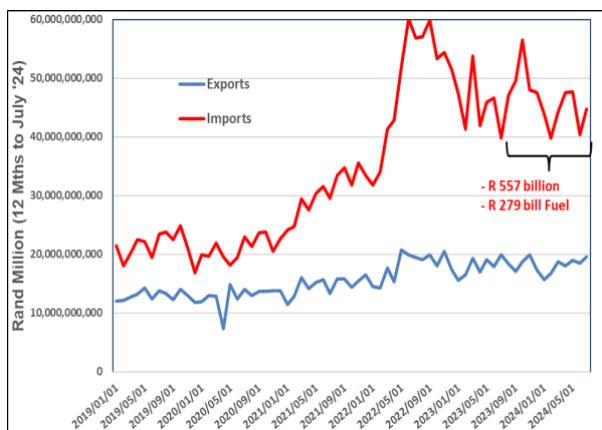
A worrying comparison is that production levels are 21% below the average over 12 months pre Covid. Utilization of chemical sector production capacity is at 76,8% (Q2, 2024), which is nearly 8% below the pre Covid levels. It a well-known fact that the latter indicates usage of current capacity, but that under-utilized capacity gets 'laid off/put out of commission' over time. Data shows that fixed capital stock in the chemical sector also declined by nearly 8%. So, not only is there less capital stock, or production capacity, but what is available is also under-utilized, hence the much lower production levels (-21%).

International Trade

	Month-on-Month	Year to date	12 Months to		Trade Balance
Exports	July on June '24	July '24 on '23	July '24	July '24 on '23	12 Mths
	%	%	%		Billion
Total	6.2	0.8	1.1	1.6	339,573
Coke products	235.0	33.7	28.7	38.7	4,120
Petroleum ref	28.2	8.6	6.8	14.9	217,995
Nuclear fuel	100.4	49.5	32.8	34.3	233
Basic chemicals	11.3	6.8	9.9	1.1	24,592
Other chemical	6.4	2.0	1.6	12.3	63,105
Man-made fib	20.6	1.1	1.5	21.1	1,828
Rubber	3.5	0.0	0.3	4.7	13,390
Plastics	0.7	2.4	0.7	0.5	14,310
Imports					
Total	10.7	2.7	6.1	12.4	
Coke products	20.4	33.6	27.2	10.4	
Petroleum ref	2.7	10.0	11.4	2.7	
Nuclear fuel	168.3	59.0	58.5	159.9	
Basic chemicals	20.2	8.6	3.7	35.7	
Other chemical	20.6	4.4	2.5	15.8	
Man-made fib	10.0	15.3	13.9	6.2	
Rubber	14.0	3.2	4.3	4.9	
Plastics	16.3	9.5	8.2	23.0	

Source: SARS Export/Import data

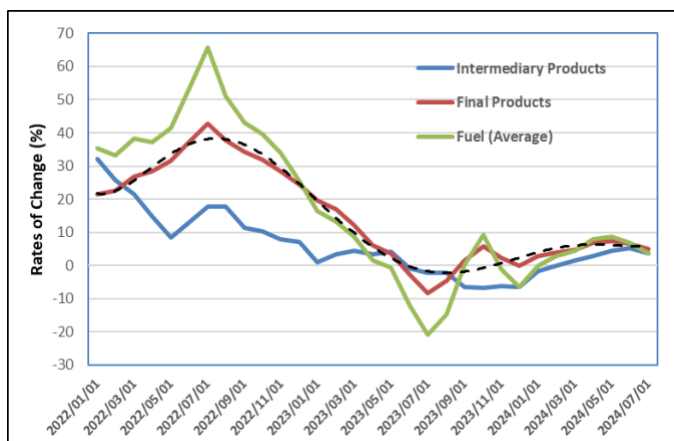
The chemical sector **trade balances** (exports minus imports) remained negative (but largely unchanged over the last month) with only July exports higher than June 2024.



Source: SARS Export/Import data

Chemical Sector Product Price trends

Production price inflation for the chemical sector as a whole seems to have stabilised in a band below 10% with some deviation between intermediary and final product price trends.



Production Price Indices	Intermediary Prices
	Y-o-Y
	June '24 on '23
(Dec '23 = 100)	%
Total	3.5
Basic & Other Chem	3.4
Plastics	3.7
Rubber	3.0
	Final Products
Total	5.0
Coal & Petroleum	5.1
Petrol	1.6
Diesel	5.6
Other	7.4
Chemical Products	3.3
Rubber & Plastics	6.4

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

The conventional inflation metrics (current month on same month 1 year ago), show further declines during July (on June) which is contrary to our earlier conclusion that a lower turning point has been reached in June (see below; month on month column). This is particularly true for final product price movements which all show deflationary numbers.

Production Price Indices	Intermediary Prices							
	Year to date	Prev Y to date	Change	12 Mths to date	Prev 12 mths	Change	M-o-M	Y-o-Y
(Dec '23 = 100)	July '24 Index	June '23 Index	%	July '24 Index	June '23	12 mths %	July on June %	June '24 on '23 %
Total	104.0	101.8	2.2	102.4	103.6	-1.1	0.8	3.5
Basic & Other Chem	104.6	102.3	2.3	102.9	104.3	-1.3	1.4	3.4
Plastics	103.2	100.4	2.8	101.6	102.5	-0.9	0.1	3.7
Rubber	98.9	100.5	-1.6	98.7	98.3	0.5	1.3	3.0
	Final Products							
Total	100.6	95.6	5.3	101.0	97.6	3.5	1.5	5.0
Coal & Petroleum	100.3	94.7	5.9	101.2	98.4	2.8	2.5	5.1
Petrol	104.2	98.8	5.5	104.8	101.1	3.6	4.9	1.6
Diesel	98.5	94.4	4.3	101.2	101.9	-0.7	1.4	5.6
Other	97.5	91.2	6.9	97.2	92.4	5.3	0.7	7.4
Chemical Products	100.3	97.0	3.4	100.1	96.1	4.1	0.2	3.3
Rubber & Plastics	103.5	96.7	7.0	102.2	96.4	5.9	0.4	6.4