CHEMICAL SECTOR MONTHLY UPDATE

DATA: MARCH 2024

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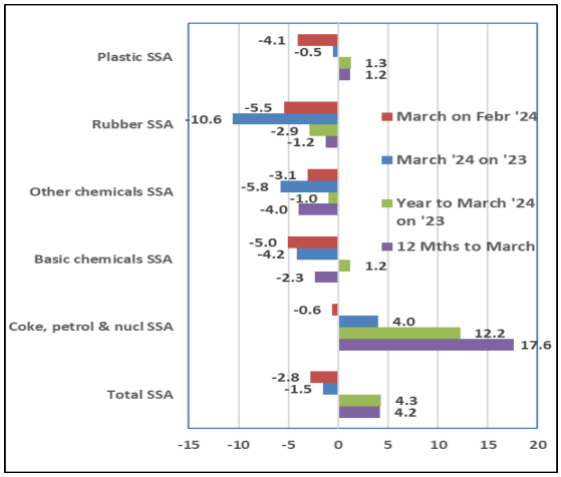
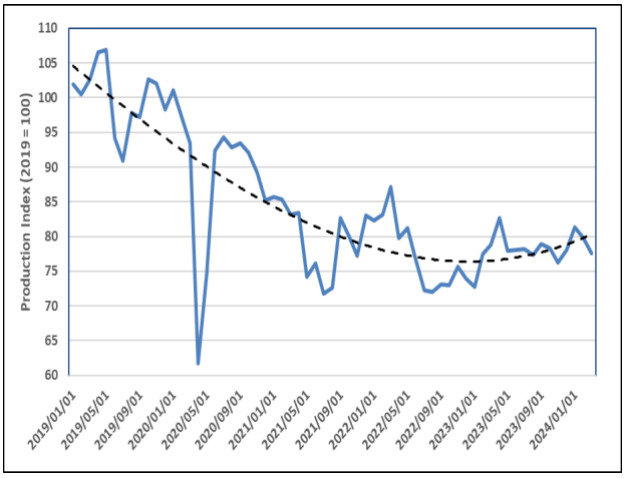
Production Trends

Production Index Seasonally Adjusted	March on Febr '24	March '24 on '23	Q1 '24 on Q4 '23	Q1 '24 on Q1 '23
Total	- 2.8	- 1.5	2.6	4.3
Coke, petrol & nucl	- 0.6	4.0	1.6	12.2
Basic chemicals	- 5.0	- 4.2	0.1	1.2
Other chemicals	- 3.1	- 5.8	6.1	- 1.0
Rubber	- 5.5	- 10.6	1.4	- 2.9
Plastic	- 4.1	- 0.5	1.1	1.2





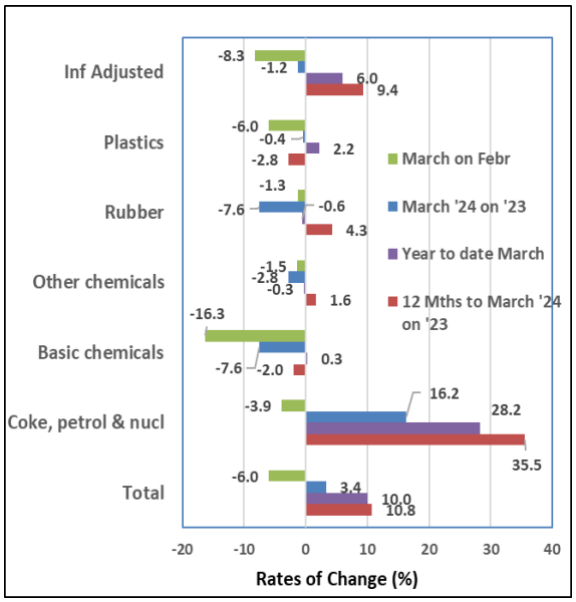
Source: Statistics SA, Manufacturing Production & Sales, p3041.2

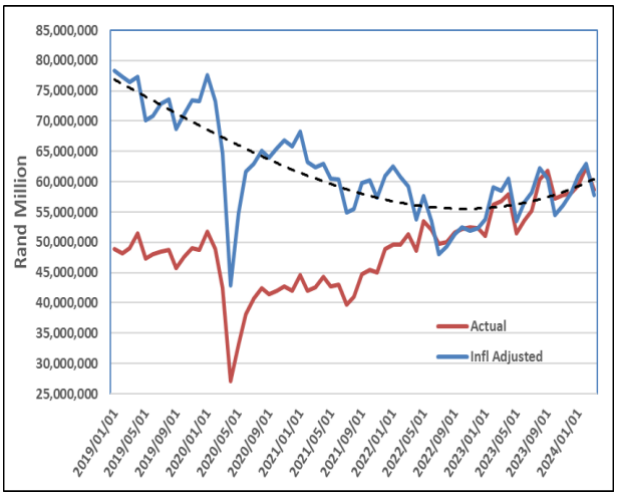
March was not a good month with declines in production amongst all sub-sectors. The graph on the left shows that only the 'coke, petroleum and nuclear' sub-sector expanded to any degree. The trend pattern of production seems to indicate a lower turning point, but if short term performances remain negative then the sector will simply move sideways. It is further of concern that all sub-sectors retracted relative to March 2023, bar petroleum.

Sales Trends

Sales Values Seasonally Adjusted	March on Febr '24	March '24 on '23	Q1 '24 on Q4 '23	Q1 '24 on Q1 '23
Total	- 6.0	3.4	4.3	10.0
Coke, petrol & nucl	- 3.9	16.2	0.3	28.2
Basic chemicals	- 16.3	- 7.6	13.6	0.3
Other chemicals	- 1.5	- 2.8	5.9	- 0.3
Rubber	- 1.3	- 7.6	5.1	- 0.6
Plastic	- 6.0	- 0.4	2.0	2.2
Total Inflation Adjusted	- 8.3	- 1.2	7.8	6.0

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





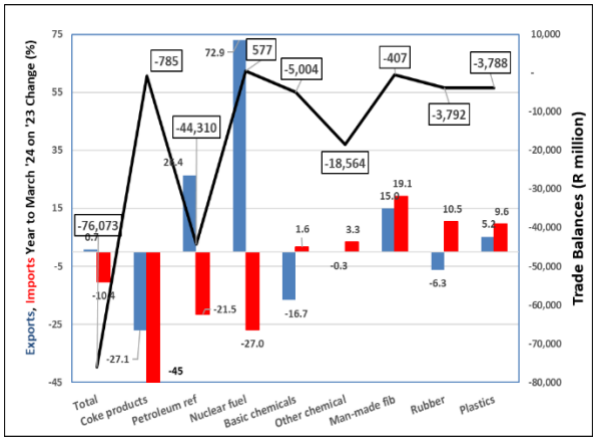
Source: Statistics SA, Manufacturing Production & Sales, p3041.2

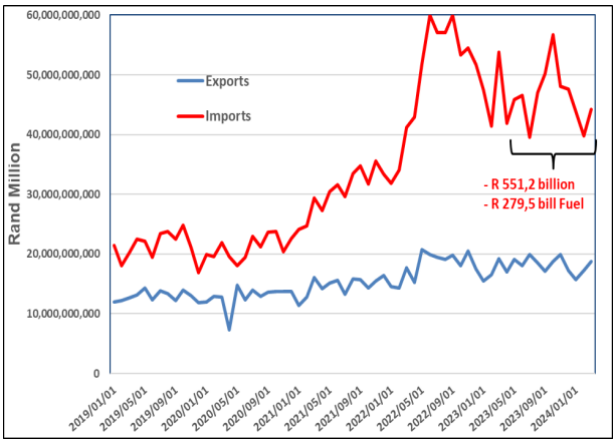
Sales also declined across the board in March versus February figures. Without the positive growth in the 'coke, petroleum and nuclear fuel' sub-sector, in 2023, March would also have been retracting relative to 2023. Quarterly numbers were positive due to a strong February performance, largely due to the 'petroleum' sub-sector's large influence. The year to March, and 12 months numbers are positive. The 'stop-start'/directionless pattern in sales is obvious from the graphic on the right. Low production price inflation (as discussed later in the report) had a minimal 'erosion' impact on the numbers.

International Trade

Exports	Month-on-Month March on Febr '24 %	Year to date March '24 on '23 %	12 Months to March '24 %	March '24 on '23	Trade Balance 12 Mths Billion
Total	9.4	0.7	-1.9	-2.4	-333,780
Coke products	-31.1	-27.1	0.6	-50.2	-4,423
Petroleum ref	-3.8	26.4	15.5	18.5	-217,212
Nuclear fuel	386.6	72.9	46.6	326.3	321
Basic chemicals	20.8	-16.7	-19.6	-15.4	-20,982
Other chemical	9.8	-0.3	5.8	-5.7	-61,740
Man-made fib	-10.9	15.0	14.4	-6.4	-1,639
Rubber	8.5	-6.3	-0.1	-10.7	-14,534
Plastics	-2.6	5.2	1.2	-11.0	-13,571
Imports					
Total	11.2	-10.4	-12.6	-17.8	
Coke products	55.0	-45.3	-15.6	-18.1	
Petroleum ref	17.3	-21.5	-18.3	-29.1	
Nuclear fuel	24.7	-27.0	34.2	-42.7	
Basic chemicals	6.0	1.6	-19.4	-7.8	
Other chemical	0.7	3.3	1.0	-1.7	
Man-made fib	88.5	19.1	19.5	35.6	
Rubber	7.0	10.5	9.9	-5.5	
Plastics	18.7	9.6	5.9	13.6	

Source: SARS Export/Import data



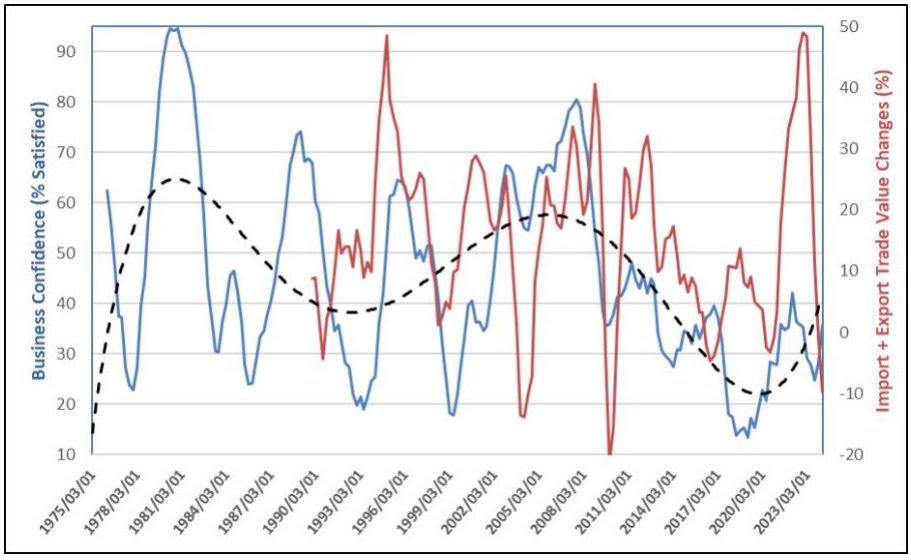


Source: *SARS* Export/Import data

Confidence Indicators of International Trade in Chemicals

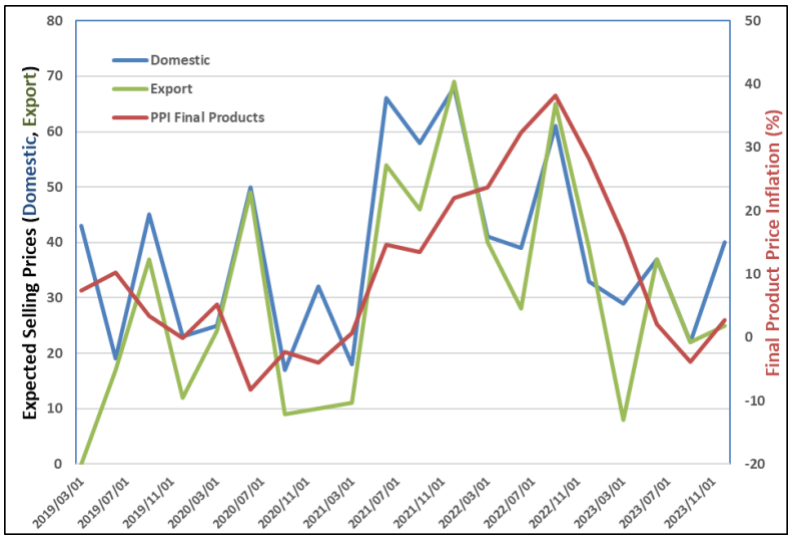
The dependency of the chemical sector (and the country, therefore) on international trade (imports and exports) has been stated several times. This fact is confirmed by numerous metrics.

- The 'import leakage' percentage (imports as % of domestic output plus imports) has shot up from an average of 35% in the 5 years to 2019 (leading up to the Covid restrictions) to over 80% since.
- The ratio of intermediate imports (products used as inputs in manufacturing) to final product imports has shifted from about 40:60 to 25:75 over the same period. In essence, this means that the dependency on final product imports (replacing local manufacturing) is rising all the time.
- The impact of variations in trade values (imports + exports) virtually mirrors business confidence in the sector, as shown below.



Sources: SARS trade data, BER Manufacturing Survey (chemical sub-sector)

- Expected domestic and export prices similarly 'mirrors' the realised final product price inflation in the sector. This again shows the influence of international trade and price movements on domestic trends.



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

Employment and Gross Earnings

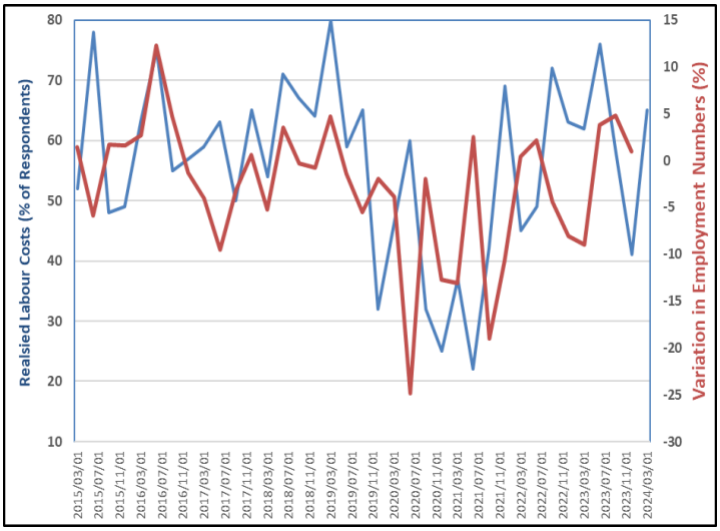
	EMPLOYMENT				
	Q4 on Q3 '23	**Avg 2023**	**Avg 2022**	**Change**	**Q4 '23 on '22**
Total	- 0.8	182,742	178,539	2.4	0.1
Petroleum	- 0.4	29,270	28,640	2.2	1.6
Basic Chemicals	0.3	22,121	22,131	- 0.0	1.5
Other Chemicals	- 0.2	66,048	65,083	1.5	- 1.4
Rubber	- 3.6	13,100	12,567	4.2	- 3.3
Plastics	- 1.4	52,203	50,118	4.2	1.3
	GROSS EARNINGS				
	Q4 on Q3 '23	**Total 2023 Rands**	**Total 2022 Rands**	**Change**	**Q4 '23 on '22**
Total	10.9	68,089,638,412	63,186,716,890	7.8	5.6
Petroleum	- 1.9	17,058,378,491	16,580,177,401	2.9	- 1.0
Basic Chemicals	12.5	9,387,549,468	8,910,949,496	5.3	6.3
Other Chemicals	14.2	26,088,517,006	23,384,211,239	11.6	7.2
Rubber	13.9	4,029,327,225	3,747,148,045	7.5	0.8
Plastics	21.0	11,525,866,222	10,564,230,709	9.1	12.6

Source: Statistics SA: Quarterly Employment Survey, p0277 (survey amongst companies)

Inflection Points	Quarters duration	Employment Numbers	Highs/Lows	Employment Variation
Q3 2006		157,241	Low	
middle 2008	6 Up	163,579	High	6,338
middle 2010	8 Down	145,898	Low	-17,681
Q1 2013	12 Up	163,031	High	17,133
Q1 2016	12 Down	154,470	Low	-8,561
Q4 2018	11 Up	174,114	High	19,644
Q1 2021	9 Down	167,087	Low	-7,027
Q1 2023	8 Up	183,246	High	16,159

Total employment numbers have grown during 2023 (2,4%) in all sub- sectors bar 'basic chemicals', and have been fairly stable over the last few quarters of 2023.

However, as reported earlier, due to the 'ebb and flow' of employment levels in the sector, this may not continue without (stronger) sector growth. In contrast, gross earnings of employees have grown strongly during 2023 (near 8%) and even stronger in Q4 of 2023 (near 11%). The latter could partly be due to bonus payments at the end of the year. The perceptions indicator seems to show that variations in labour costs and numbers are more or less in synchrony.

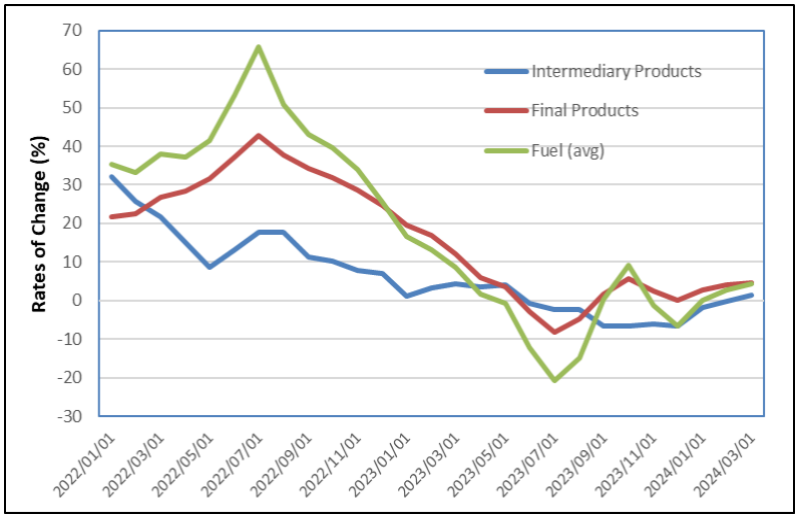


Sources: BER Manufacturing Survey, Statistics SA, Quarterly Employment Survey, p0277

Chemical Sector Production Price trends

Production Price Indices (Dec '23 = 100)	Year to date March '24 Index	Prev Y to date March '23 Index	Change %	12 Mths to date March '24 Index	Prev 12 mths March '23 %	Change 12 mths %	M-o-M March on Febr %	Y-o-Y March '24 on '23 %	Pre Covid Monthly Avg Index	March on Pre C Change %
	Intermediary Products									
Total	101.6	101.8	- 0.2	101.1	103.3	- 2.1	0.5	1.4	74.4	37.8
Basic & Other Chem	101.8	102.2	- 0.4	101.4	103.4	- 1.9	-	1.6	69.0	48.6
Plastics	101.7	100.5	1.3	100.3	104.6	- 4.1	2.4	2.1	80.6	28.2
Rubber	98.6	102.7	- 4.0	98.6	95.1	3.7	-	- 4.7	73.4	33.4
	Final Products									
Total	99.4	95.8	3.8	98.9	97.8	1.1	2.5	4.6	64.3	57.9
Coal & Petroleum	99.1	95.8	3.5	98.8	99.9	- 1.1	4.1	5.8	56.5	81.6
Petrol	101.1	96.5	4.7	102.8	102.8	- 0.0	6.1	5.0	61.3	73.7
Diesel	98.3	98.1	0.2	98.9	106.3	- 7.0	5.4	3.8	57.6	78.7
Other	97.7	92.7	5.5	94.9	90.3	5.1	- 0.1	7.4	50.8	92.4
Chemical Products	99.5	95.9	3.8	99.0	94.0	5.3	0.3	2.5	73.3	35.8
Rubber & Plastics	100.7	95.7	5.2	99.4	95.5	4.1	2.4	6.3	75.4	36.6

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



Production price inflation subsided substantially for the whole chemical sector, with the prices of intermediary products even retreating (-2.1%) over the last 12 months (to March). Final product price escalation was only 1,1% over the same year period, with the price movements of petroleum products having had the largest impact.

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

Chemical Sector Manufacturing Capacity Utilization

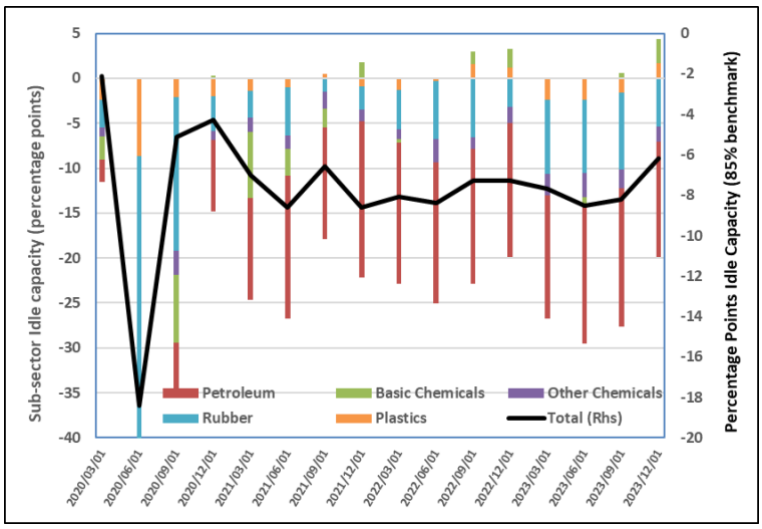
Quarters	Total	Petroleum	Basic Chemicals	Other Chemicals	Rubber	Plastics
2020/03/31	82.9	82.6	82.4	84.0	81.9	82.6
2020/06/30	66.6	62.0	55.5	78.5	50.0	76.3
2020/09/30	79.9	79.3	77.5	82.3	67.9	82.9
2020/12/31	80.7	77.1	85.3	84.0	81.1	83.0
2021/03/31	78.0	73.6	77.7	83.4	82.0	83.6
2021/06/30	76.4	69.1	82.1	83.5	79.6	84.0
2021/09/30	78.4	72.6	82.9	83.1	83.5	85.5
2021/12/31	76.4	67.6	86.8	83.7	82.4	84.1
2022/03/31	76.9	69.3	84.6	83.9	80.6	83.7
2022/06/30	76.6	69.3	85.1	82.4	78.5	84.7
2022/09/30	77.7	70.0	86.4	83.7	78.4	86.6
2022/12/31	77.7	70.1	87.1	83.2	81.8	86.2
2023/03/31	77.3	71.3	85.1	82.6	76.8	82.6
2023/06/30	76.5	69.7	84.0	82.3	76.9	82.6
2023/09/30	76.8	69.6	85.6	82.9	76.5	83.4
2023/12/31	78.8	72.2	87.7	83.3	79.6	86.7

Source: Statistics SA, Manufacturing Capacity Utilization Survey, p3043

As was indicated in earlier reports, capacity under-utilization has a massive impact on business confidence in the sector.

The table to the left shows the metrics for each of the sub- sectors (by quarter) since 2020 (inclusive of the Covid shock). Convention in economic theory has it that 85% capacity utilization equates to 'full capacity'.

Utilizing the 85% 'benchmark', the graph below shows the variation of each sub-sector relative to the other, with the overall pattern on the right-hand axis, represented by the black line.



Source: Statistics SA, Manufacturing Capacity Utilization Survey, p3043

Note for the Record

The highly anticipated (national accounting) data for the 2023 financial year for the chemical sector (and sub- sectors) gross domestic product, and fixed investment trends have been released. This is deemed extremely important, that a separate note will be circulated covering the data for the overall sector.

It is the intention to cover sub-sectors in more detail, one at a time in subsequent monthly reports, as 'special focus' sections.