

CHEMICAL SECTOR MONTHLY UPDATE:

DATA: MAY 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 May.

The trends emerging from the latest datasets were in summary;

- **Confidence levels** in the chemical sector **deteriorated** in Q2 of 2024 (with less than 50% of respondents being optimistic). The actual numbers for production, sales and the trade balance for mid Q2 (May) confirmed the pessimism.
- The **production performance** during May (compared to April) were disappointingly low (-1,9%) after a strong April, but did not alter the continuation of the recovery trend with most period comparisons around +2% and the 12 months' **improvement** remaining at 4,3%.
- **Sales** patterns mirrored the production trends but the month (May) performance was much weaker at -4,6% (-5,3% inflation adjusted) but it too did not slow the upward trends (+ 4,3% on 2023, and near 10% for other comparative periods.
- The **international trade balance deteriorated** further, slightly (-0,6%) with exports improving in May (+4,6%) but declining over 12 months (-1,8%). Imports grew by 0,7% in May, but were lower for the 5 months to May (-3,1%) and 12 months (-10%). The largest declines in imports were in the sub-sectors 'coke and petroleum products' and 'basic chemicals'.

General Business Confidence in the Chemical Sector; Q2, 2024

In our previous report we stated that the Bureau for Economic Research's manufacturing survey showed that **confidence levels** in the chemical sector **deteriorated** in Q2 of 2024 (with less than 50% of respondents being optimistic). We cautioned that the actual performance data for April, May and June might also have slipped backwards, or moved sideways.

April data generally confirmed the continuation of a recovery (seemingly contrary to the confidence metric) but data for May were disappointing. June metrics is eagerly awaited.

Production Trends

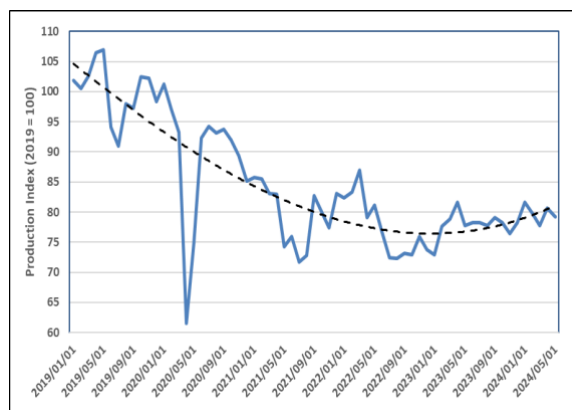
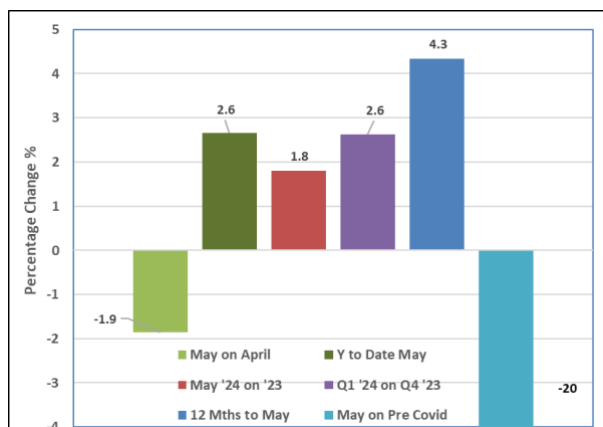
May compared to April was not a good month; production for the sector fell by near 2%, with virtually all sub-sectors retreating. However, production for the first 5 months of 2024 was still 2,6% better than last year. June numbers will indicate whether Q2 outperforms Q1.

The 12 months' performance remains positive (+4,3%), and although too few months of 2024 are included in this measure, it should give an indication of the full 2024 performance towards Q3. The fluctuations around the trend line on the graph below reflect uncertainty.

'Rubber' and 'other chemicals' seems to be retreating the most, over most comparative periods.

| Production Index Seasonally Adjusted | May on April '24 | Year to May '24 | May '24 on '23 | Q1 '24 on Q4 '23 | 12 Mths to May '24 |
|---|---------------------|--------------------|-------------------|---------------------|-----------------------|
| Total | - 1.9 | 2.6 | 1.8 | 2.6 | 4.3 |
| Coke, petrol & nucl | - 4.0 | 7.2 | 3.2 | 1.6 | 12.2 |
| Basic chemicals | - 0.8 | 2.6 | 4.6 | 0.1 | 1.2 |
| Other chemicals | - | 2.1 | - 2.1 | 6.1 | - 1.0 |
| Rubber | - 3.4 | - 3.5 | 0.3 | 1.4 | - 2.9 |
| Plastic | - 0.7 | 3.7 | 3.9 | 1.1 | 1.2 |

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



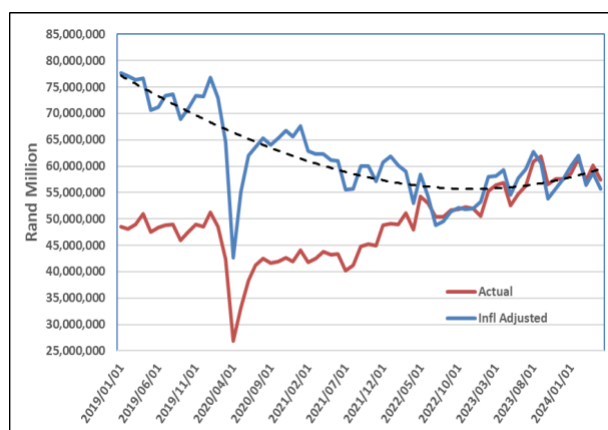
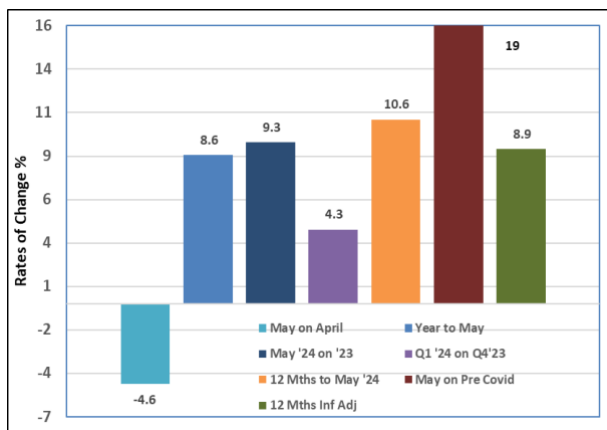
Source: Statistics SA, Manufacturing Production & Sales, p3041.2

Sales Trends

Sales patterns were virtually the same as production trends. May numbers against April were down 4,6% with all sub-sectors bar 'other chemicals' retreating. The 5 months to May recorded strong growth (mainly due to the 'petroleum' sub-sector), except again for 'rubber' and 'other chemicals'. For the 12 months up to May 2024, sales continue to grow at 10%.

| Sales Values Seasonally Adjusted | May on April '24 | Year to May '24 | May '24 on '23 | Q1 '24 on Q4 '23 | 12 Mths to May '24 |
|-------------------------------------|---------------------|--------------------|-------------------|---------------------|-----------------------|
| Total | - 4.6 | 8.6 | 9.3 | 4.3 | 10.0 |
| Coke, petrol & nucl | - 5.6 | 23.6 | 32.1 | 0.3 | 28.2 |
| Basic chemicals | - 11.2 | 1.4 | - 2.2 | 13.6 | 0.3 |
| Other chemicals | 1.1 | - 1.1 | - 2.4 | 5.9 | - 0.3 |
| Rubber | - 8.5 | - 2.7 | - 9.6 | 5.1 | - 0.6 |
| Plastic | - 1.6 | 5.2 | 6.5 | 2.0 | 2.2 |
| Total Inflation Adjusted | - 5.3 | 3.4 | 1.9 | 7.8 | 8.9 |

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



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

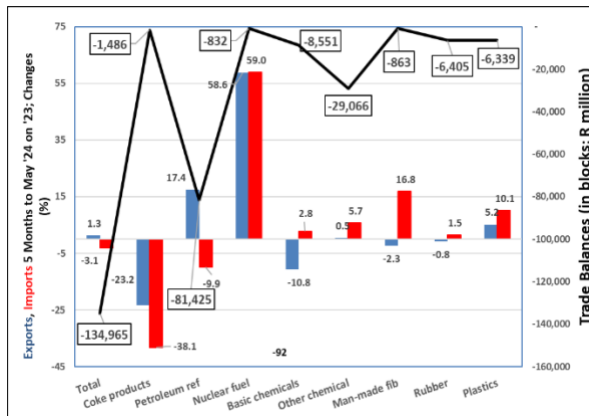
The variation in sales performance (similar to production) does not negate the fact that the trend is clearly upward (+7% inflation adjusted) since the low point in mid-2022.

International Trade

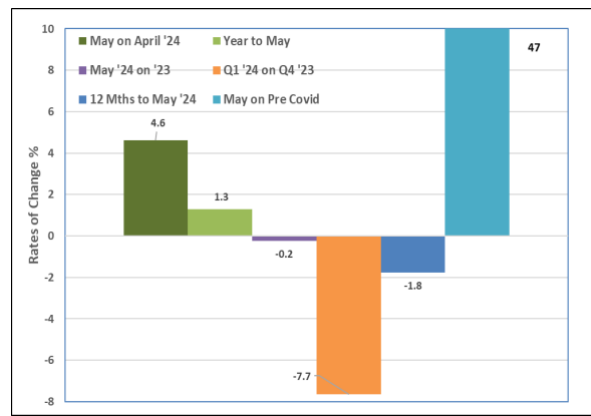
| | Month-on-Month May on April '24 | Year to date May '24 on '23 | 12 Months to May '24 | May '24 on '23 | Trade Balance 12 Mths Billion |
|-----------------|------------------------------------|--------------------------------|-------------------------|----------------|-------------------------------------|
| Exports | % | % | % | | |
| Total | 4.6 | 1.3 | 1.8 | 0.2 | 340,691 |
| Coke products | 91.8 | 23.2 | 11.0 | 40.8 | 4,135 |
| Petroleum ref | 1.9 | 17.4 | 13.9 | 3.4 | 221,285 |
| Nuclear fuel | 17.4 | 58.6 | 39.2 | 14.9 | 272 |
| Basic chemicals | 7.0 | 10.8 | 16.9 | 2.0 | 21,798 |
| Other chemical | 6.8 | 0.5 | 3.0 | 2.2 | 63,479 |
| Man-made fib | 18.7 | 2.3 | 3.1 | 6.1 | 1,780 |
| Rubber | 8.6 | 0.8 | 1.0 | 3.4 | 14,020 |
| Plastics | 11.1 | 5.2 | 1.3 | 2.7 | 13,923 |
| Imports | | | | | |
| Total | 0.7 | 3.1 | 10.5 | 4.2 | |
| Coke products | 21.8 | 38.1 | 26.2 | 30.7 | |
| Petroleum ref | 3.2 | 9.9 | 15.4 | 0.5 | |
| Nuclear fuel | 3,978.9 | 59.0 | 1.5 | 10,404.1 | |
| Basic chemicals | 1.9 | 2.8 | 14.9 | 2.8 | |
| Other chemical | 2.0 | 5.7 | 1.5 | 4.8 | |
| Man-made fib | 34.8 | 16.8 | 15.5 | 9.0 | |
| Rubber | 2.4 | 1.5 | 1.7 | 15.8 | |
| Plastics | 1.7 | 10.1 | 5.4 | 5.6 | |

Source: SARS Export/Import data

The chemical sector **trade balance** (exports minus imports) improved slightly (0,6%) for the 12 months up to May against April. Overall **exports** declined by 1,8% (12 months), due to 'basic chemical' and 'coke' sector exports declining. May on April as well as the first 5 months of 2024 showed growth against similar periods last year. Total **imports'** declining trend continue (-10,5%) over the same period with 'coke, petroleum, nuclear fuel and basic chemicals' retreating.

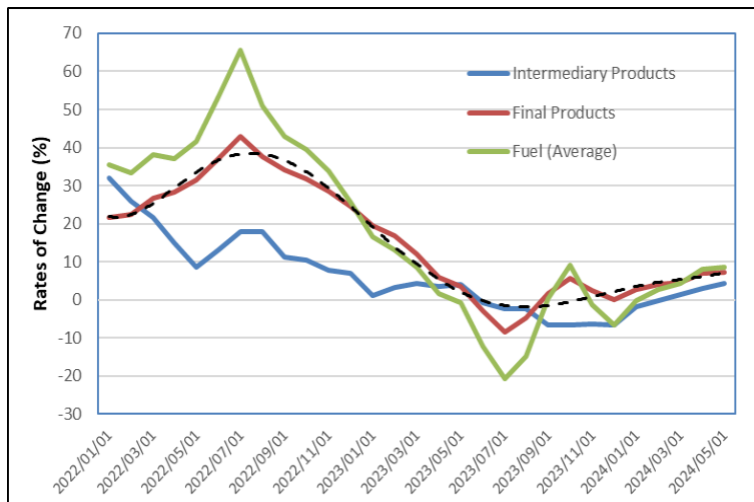


Source: SARS Export/Import data



Chemical Sector Price trends

Production price inflation for the chemical sector as a whole seems to have stabilised in a band below 10%. Average monthly final product price inflation was only 1,5% higher on a 12-month basis up to May 2024.



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

The conventional inflation metric (current month on same month 1 year ago), however, seemed to have reached a lower turning point in the second quarter of 2023, and showed a 7,3% increase on May 2023.

The second quarter expectations for domestic and export price inflation in the sector were clearly down. The trajectory of crude oil prices internationally and resultant domestic fuel prices will have a major influence.

| Production Price Indices | Intermediary Prices | | | Final Products | | | M-o-M | | Y-o-Y | | |
|--------------------------|---------------------|----------------|--------|-----------------|--------------|--------|-------|-------|-------|-------|--|
| | Year to date | Prev Y to date | Change | 12 Mths to date | Prev 12 mths | Change | M-o-M | Y-o-Y | M-o-M | Y-o-Y | |
| (Dec '23 = 100) | Index | Index | % | Index | % | % | % | % | % | % | |
| Total | 103.1 | 101.7 | 1.4 | 101.7 | 103.9 | -2.1 | 2.1 | 4.4 | | | |
| Basic & Other Chem | 103.5 | 102.2 | 1.3 | 102.1 | 104.3 | -2.1 | 2.6 | 4.8 | | | |
| Plastics | 102.8 | 100.4 | 2.3 | 101.0 | 103.8 | -2.7 | 0.4 | 4.0 | | | |
| Rubber | 98.6 | 101.3 | -2.7 | 98.5 | 96.8 | 1.8 | 1.2 | 0.2 | | | |
| Final Products | | | | | | | | | | | |
| Total | 100.8 | 95.9 | 5.1 | 100.1 | 98.6 | 1.5 | 0.8 | 7.3 | | | |
| Coal & Petroleum | 101.0 | 95.5 | 5.7 | 100.2 | 100.4 | -0.2 | - | 9.2 | | | |
| Petrol | 104.8 | 98.7 | 6.2 | 104.2 | 103.7 | 0.4 | 1.6 | 8.2 | | | |
| Diesel | 99.7 | 96.5 | 3.4 | 100.2 | 105.5 | -5.1 | 1.5 | 9.2 | | | |
| Other | 97.5 | 91.5 | 6.6 | 96.1 | 91.9 | 4.5 | 0.3 | 7.7 | | | |
| Chemical Products | 99.9 | 96.6 | 3.5 | 99.5 | 95.2 | 4.5 | 2.3 | 3.4 | | | |
| Rubber & Plastics | 102.6 | 96.2 | 6.7 | 100.9 | 96.1 | 5.0 | 0.3 | 9.0 | | | |

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

Average monthly prices of intermediary products still retreated (-2.1%) over the last 12 months (to May).