

CHEMICAL SECTOR MONTHLY UPDATE

DATA: JANUARY 2025

March 2025

Henk Langenhoven, Economist
Quantec Research (Pty) Ltd



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INTRODUCTION

These monthly reports continue to evolve as new data sources and/or their uses are revealed. This issue introduced an innovation with each sub-section leading with the most appropriate confidence indicator(s), either from the BER manufacturing survey or the ABSA Purchasing Managers' Index.

We apologize for the delayed publication of this report.

EXECUTIVE SUMMARY

The economic trends emerging from the latest datasets were, in summary:

The first quarter **BER Manufacturing Survey** (chemical sector) and **ABSA Purchasing Managers' Index** (for the whole manufacturing sector) both confirm faltering confidence and therefore, almost certainly, point to lower production for the whole of Q1, 2025. There is a remarkable correlation between general manufacturing and chemical sector confidence with the former leading the latter, for the moment downward. Growing political uncertainty is evident in the data, and will most certainly deepen with the Budget uncertainty.

SALES CONFIDENCE
IS DOWN

5.2% inflation
adjusted growth over 12 months

PETROLEUM
PRODUCTION

50% decline
since 2019

Sales confidence is firmly down in Q1, 2025, with actual non-petroleum sales showing more consistency, as against higher volatility in petroleum sales. January 2025 sales were almost on par with December 2024, but showed 5,2% inflation adjusted growth for the whole sector over 12 months, with non-petroleum at +4,8%, both of which were slightly better than the full 2024 performance on 2023. The fact that confidence for the whole quarter is down, may indicate that the February and March numbers may reverse the January gains.

Expectations about **domestic orders** are strongly positive, with the opposite for **export orders**. Expectations for better sales prices are down, and even more negative from general manufacturing. There is quite a distinction between the different categories of actual sales prices with intermediary prices up by near 9% (February), against final prices down by 1,8%. The opposite is true for final non-petroleum prices, up by near 5%.

Expectations about **chemical sector production** were down in Q1, 2025 (both confidence measures). Production already faltered in January (-4,5% on December), and on a year ago (-9,2%), although the 12 months' reading is still positive. Telling is the near 50% decline in petroleum production since 2019, against non-petroleum which grew by 15% (January verses pre Covid averages). More respondents reported higher production **capacity under-utilization** in Q1, 2025, (similar to 'insufficient demand' responses), with business confidence declining, not surprisingly.

As mentioned earlier, confidence declined regarding export orders in Q1, 2025. The variation in chemical sector business confidence seems to lead actual **international trade in chemical products** (imports plus exports). The former declined in Q1, 2025, although overall trade (absolute number) still grew during the last 12 months. Compared to a year ago, however, imports declined by 1,2% and exports by near 8%. The impact of the US trade tariffs announcements will certainly be felt in future.

The results of cost data up to February have been included in the **Input Cost Index** for the sector. Research to improve the Index continues, with initial results regarding the wage costs, proving not satisfactorily.

BUSINESS CONFIDENCE

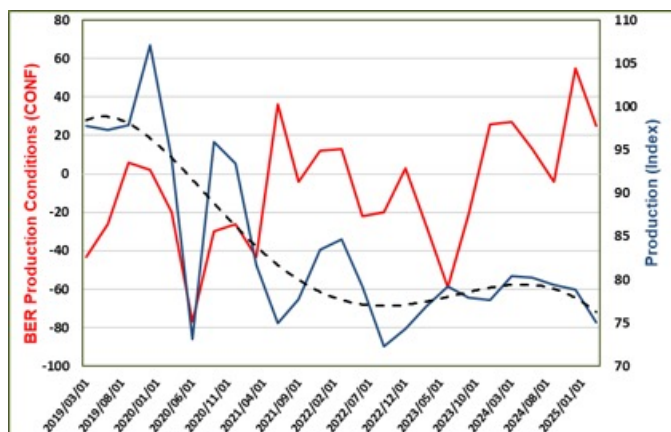


Figure 1

The quarterly (Q1, 2025) **BER Manufacturing Confidence Survey** (chemical sub-sector) (figure 1) seems to indicate some uncertainty about production conditions in future (overlayed on an estimate of production for Q1, based on January data).

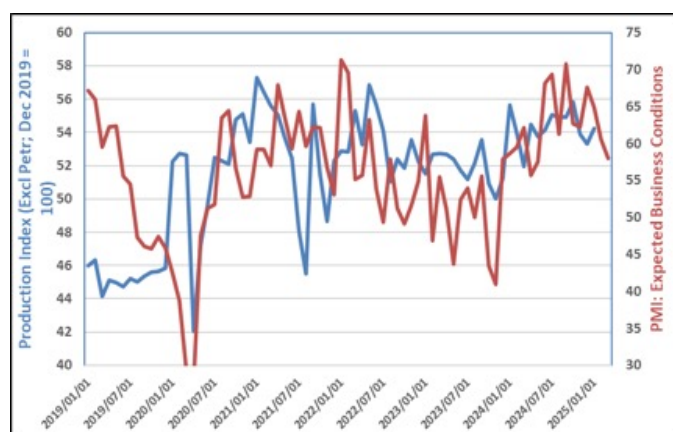


Figure 2

The monthly **ABSA Purchasing Managers' Index** (figure 2) contains data for March 2025, and is therefore a more recent print of perceptions. After deeper analysis and discussions with the BER, it was confirmed that the petroleum sub-sub portion of the chemical sector is excluded from the PMI survey results. The 'non-petroleum' part correlates well with the PMI Expected Business Conditions.

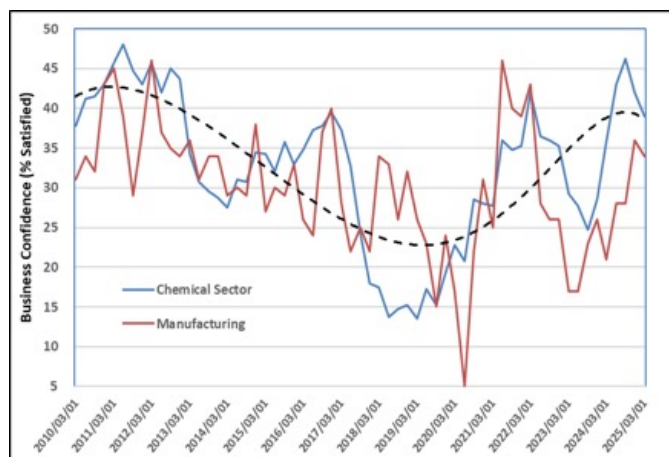


Figure 3

The March (Q1, 2025) result therefor confirms the quarterly BER confidence results (figure 3) and indicate that production most probably declined for the whole of Q1, 2025.

There seems to be a remarkable correlation between general manufacturing and chemical sector confidence with the former leading the latter. This, despite the latter's share only being about one third of the former.

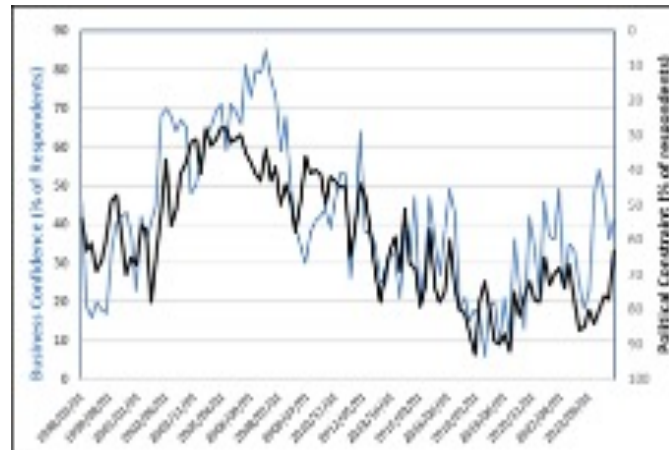


Figure 4: Source: BER Manufacturing Confidence Survey.

The expectations (and outcome) of the functioning of the government of national unity (GNU) up till Q4 enhanced business confidence, but there is certainly a measure of 'euphoria' and relapse evident in the political confidence indicator, as shown on the graph (figure 4).

SALES TRENDS: CONFIDENCE

As far as **Sales** is concerned, the graph to the left indicates a strong drop in confidence about sales and the estimates for inflation adjusted (domestic) sales and exports in Q1, are both down. The (monthly) ABSA Purchasing Managers' Index (below) shows the same trends, albeit with a bit more volatility right through.

Overall Chemical Sector (inflation adjusted) Sales correlate well with the PMI Expected Business Conditions (figure 6). Non-petroleum sales numbers (figure 7) show stronger growth than the overall sales, indicating more positivity than the PMI index would indicate.

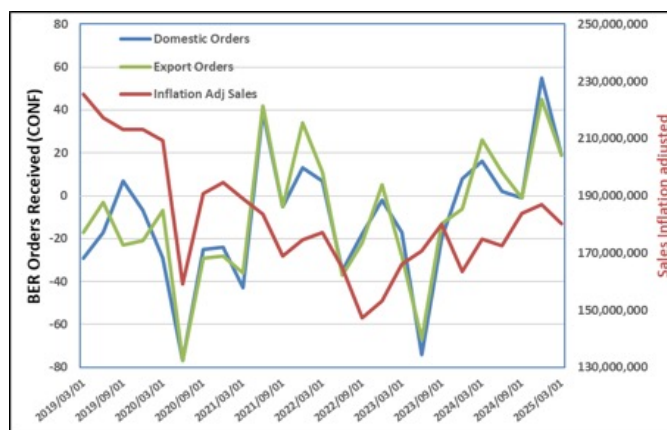


Figure 5

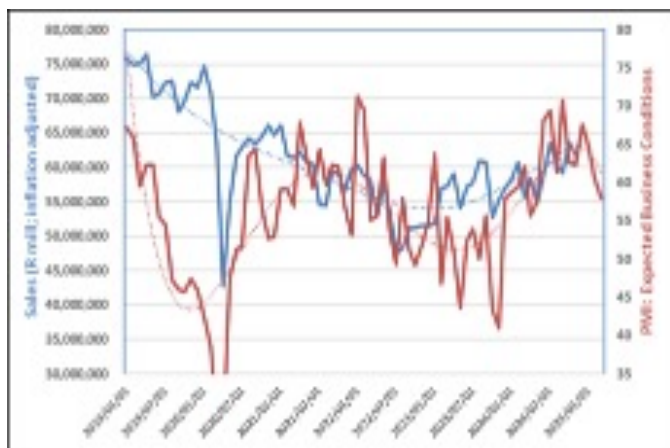


Figure 6: Sources: ABSA Purchasing Managers' Index & Statistics SA, Manufacturing Production & Sales, p3041.2

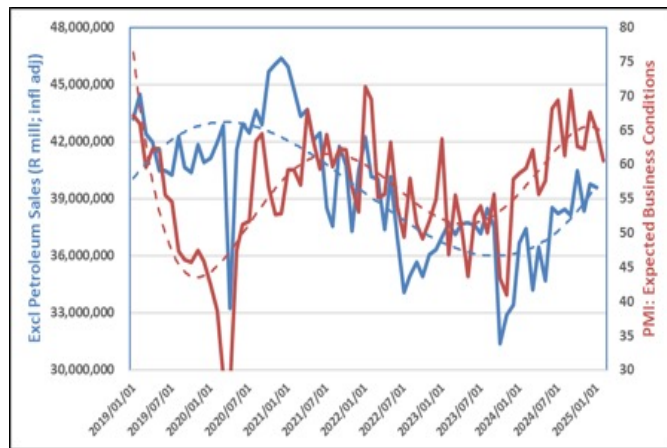


Figure 7: Sources: ABSA Purchasing Managers' Index & Statistics SA, Manufacturing Production & Sales, p3041.2



SALES TRENDS: ACTUAL

January was a good month; near 2% better than December, and 5,5% better than a year ago. Sales for 12 months ending in January showed stellar growth of near 7%, with petroleum, basic chemicals and plastics performing equally well.

Sales Values seasonally adjusted	Jan '25 on Dec '25	Year to Jan '25	12 mths to Jan '25	Jan '25 on '24
Total	1.9	6.7	5.5	6.7
Coke, petrol & nucl	5.1	8.2	6.8	8.2
Basic chemicals	0.1	7.4	6.3	7.4
Other chemicals	1.3	4.8	3.2	4.8
Rubber	4.0	0.2	3.4	0.2
Plastic	2.9	7.3	7.8	7.3
Total inflation adjusted	1.4	8.7	5.2	8.7
Total excl petroleum	0.1	5.9	4.8	5.9

Figure 8: Source: Statistics SA, Manufacturing Production & Sales, p3041.2

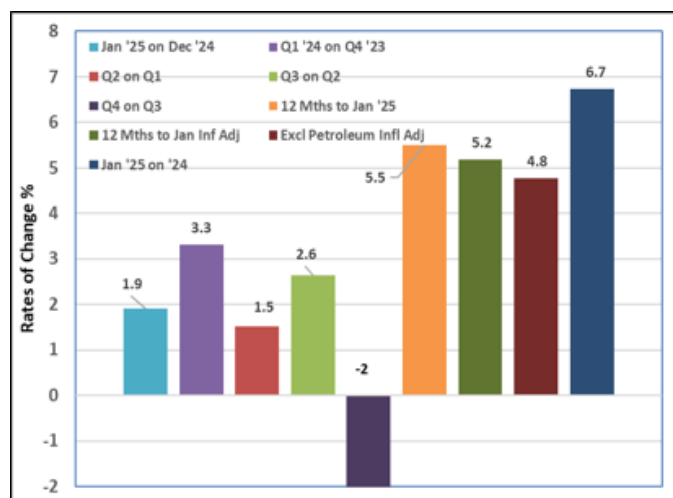


Figure 9 & 10: Source: Statistics SA, Manufacturing Production & Sales, p3041.2

The differential patterns between the overall and the non-petroleum' sub-sector is evident.



CHEMICAL SECTOR PRODUCT/SALES PRICE EXPECTATIONS & TRENDS

The expectations about, and actual selling price movements, are remarkably similar. The actual data below shows that intermediary product prices are moving higher while final products lag and even experience deflationary conditions. The latter trend may continue as shown by expectations for export prices as well as by declining confidence expressed by PMI respondents generally

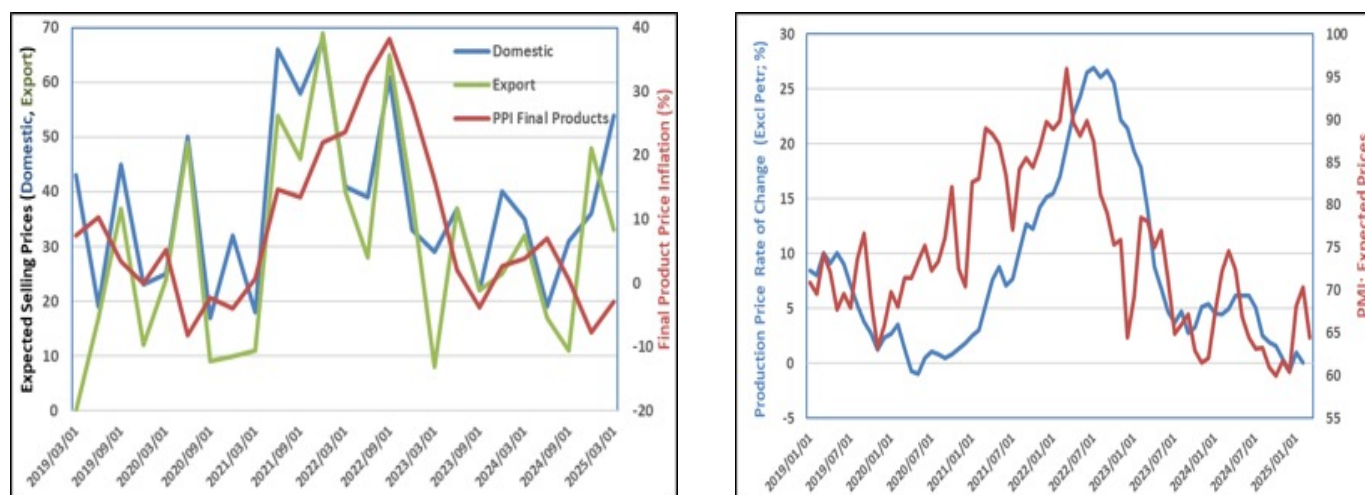


Figure 11 & 12: Sources: BER Chemical Sector Confidence Index, ABSA Purchasing Mangers' Index and StatsSA, Production Price Index, p0142.1

	M-o-M Feb on Jan (%)	YTD Feb '25 (Index)	Prev YTD Feb'24 (Index)	YTD Change (%)	12 Mths Feb '25 (Index)	Prev 12 Mths Feb'24 (%)	Change 12 Mths (%)	Y-o-Y Feb'25 on '24 (%)
Production Price	Intermediary products							
Total	2.1	109.8	101.2	8.5	106.7	101.0	5.6	8.7
Basic & Other Chem	2.9	112.4	101.4	10.9	107.9	101.3	6.5	11.1
Plastics	-0.7	102.8	101.0	1.8	104.0	100.2	3.9	1.5
Rubber	-	99.9	99.0	1.0	99.8	99.0	0.8	2.0
Production Price	Final products							
Total	1.6	96.6	98.4	-0.8	98.5	98.6	-0.1	-1.8
Coal & Petroleum	3.0	91.8	97.4	-5.8	95.6	98.3	-2.8	-5.7
Petrol	4.5	93.4	98.4	-5.1	98.5	102.4	-3.7	-4.9
Diesel	5.5	90.4	96.0	-5.8	93.1	98.6	-5.5	-4.9
Other	-2.1	91.6	97.7	-6.3	94.9	94.3	0.6	-7.5
Chemical Products	0.2	101.2	99.5	1.8	100.7	98.8	2.0	2.1
Rubber & Plastics	0.2	106.0	99.6	6.4	105.7	98.9	6.8	5.5
Total (Excl Fuel)	-0.5	99.5	99.0	0.5	100.3	97.5	2.9	-4.9

Figure 13: Source: StatsSA, Production Price Index, p0142.1

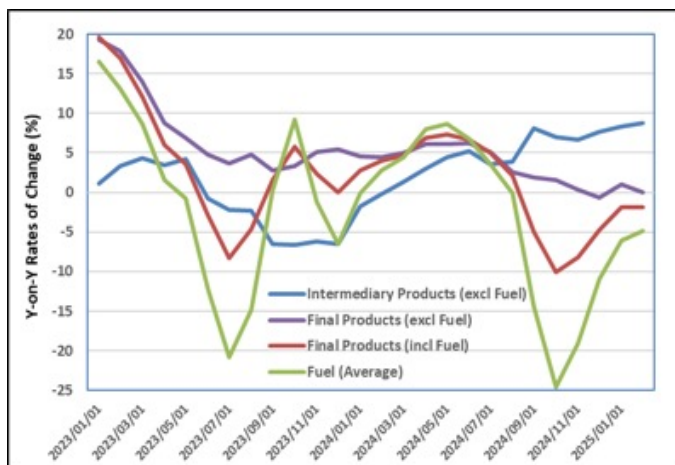


Figure 14: Source : Statistics SA, Production Price Indices, P0142.1, Quantec

The graphs show the differential patterns clearly; higher intermediary inflation versus low, or no price increases for final products.

The impact of substantial variations in fuel prices is also evident.

Intermediate (figure 15) and Final Product Price movements (figure 16).

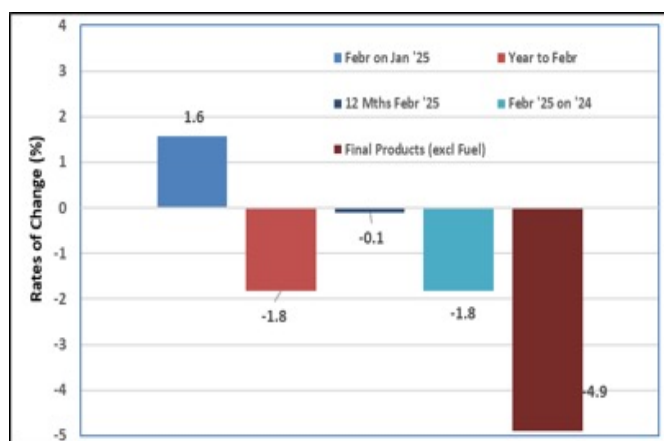
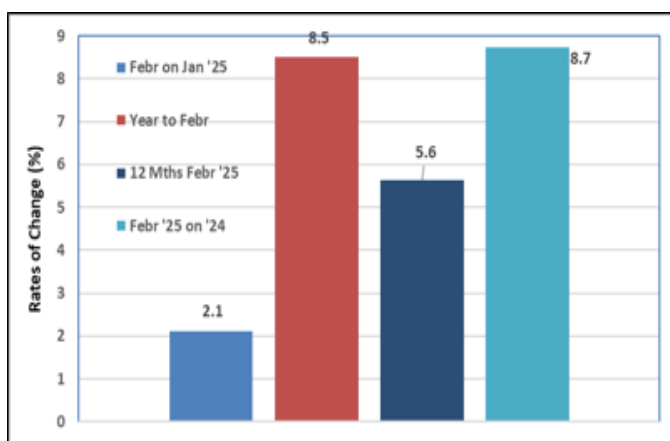


Figure 15 & 16 Source: Statistics SA, Production Price Indices, P0142.1, Quantec

PRODUCTION CONFIDENCE & TRENDS

We stated earlier that confidence regarding higher production has been waning in the first quarter of 2025. Although the Purchasing Managers' Index improved slightly in March (on February), it is highly volatile, remains below the neutral 50 mark, and the Q1, 2025 reading is more than 10% down on Q4, 2024.

Chemical sector production faltered somewhat in January (-4,5% on December), and on a year ago (-9,2%), but the 12 months reading is still positive. Telling is the near 50% decline in petroleum production since 2019, against non-petroleum which grew by 15% (January verses pre Covid averages).

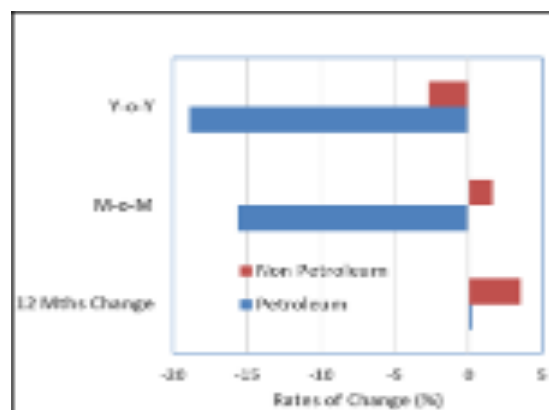


Figure 17: Source: Statistics SA, Manufacturing Production & Sales, p3041.2, Quantec

Production index seasonally adjusted	Jan '25 on Dec '25	Jan '25 on '24	12 mths to Jan '25	Jan '25 on pre-Covid
Total	4.5	9.2	0.5	24.1
Coke, petrol & nucl	15.6	18.9	0.3	46.2
Basic chemicals	2.6	6.2	0.2	2.1
Other chemicals	6.6	3.9	0.5	9.0
Rubber		9.9	7.5	13.3
Plastic	0.6	5.6	4.3	8.8
Total excl petroleum	1.7	2.7	3.6	15.1

Figure 18: Source: Statistics SA, Manufacturing Production & Sales, p3041.2, Quantec

The graphs below show the difference between the overall sector and petroleum vs non-petroleum production trends. The right-hand graph gives clear comparisons of the differential growth patterns. The left-hand graph shows the whole sector (blue) and petroleum (black; left vertical axis) and non-petroleum on the right (different vertical scales).

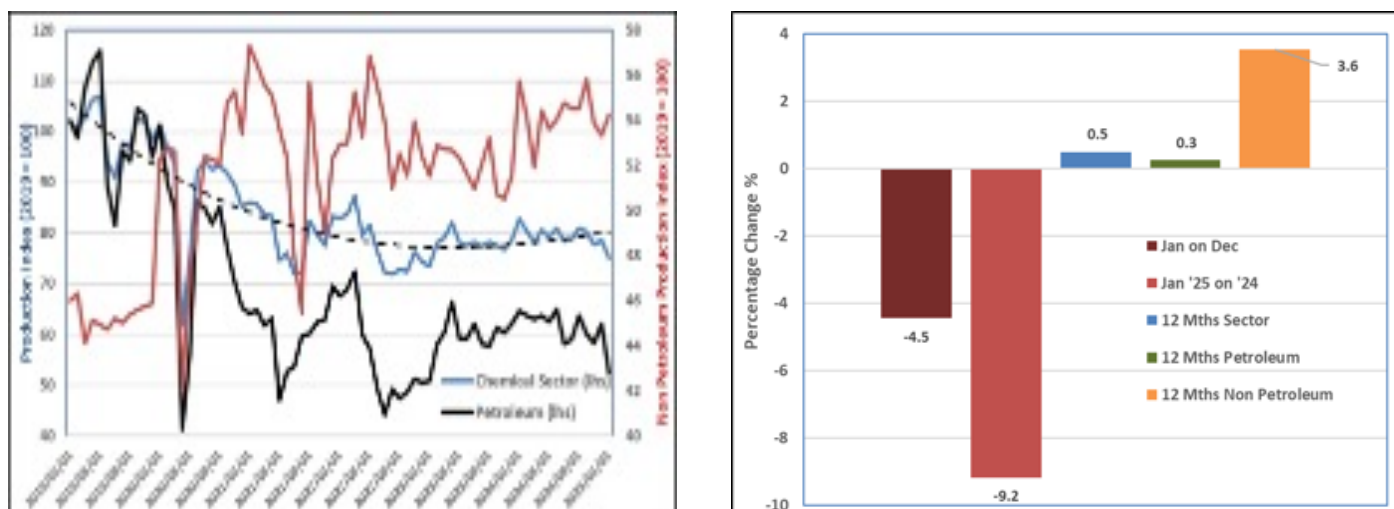


Figure 19 & 20 : Source: Statistics SA, Manufacturing Production & Sales, p3041.2, Quantec

Measured capacity utilization data is dated but Q1, 2025 confidence indicators show worrying trends. The left-hand graph shows more than 50% of respondents' expressing insufficient demand as a concern, and simultaneously a larger number expressing higher underutilization of capacity. On the right the inverse relationship between (higher) underutilization of capacity and (lower) business confidence is clear.

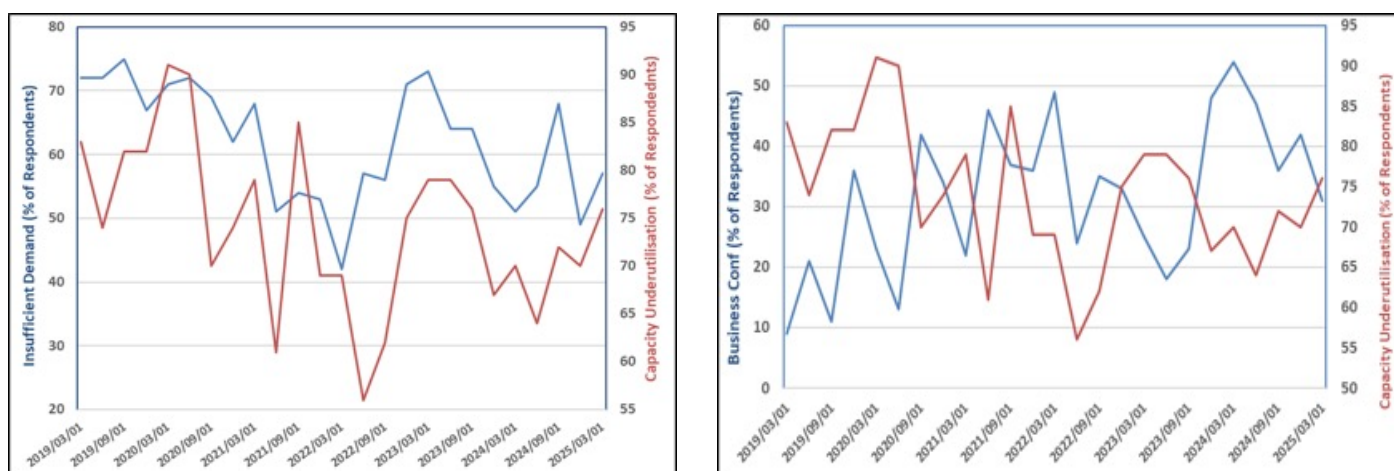


Figure 21 & 22 : Source: BER Manufacturing Confidence Survey

INTERNATIONAL TRADE

Perceptions about both domestic and export orders received and general business confidence in the chemical sector leads international trade (export plus imports) trends. Confidence (of late) has been surging since the middle of 2023, with some hesitation since the latter half of 2024. This may indicate slower international trade for the rest of 2025, as tariff uncertainty may turn into actual restrictions. It is not showing in actual data yet. Figure 25 and 26 show the international trade situation from different perspectives.

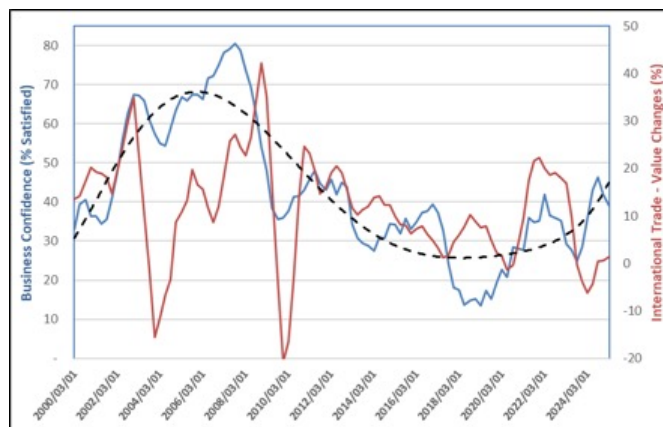


Figure 23 & 24 Sources: BER Manufacturing Confidence Survey, StatsSA Manufacturing Production & Sales, p3041.2, & SARS International Trade data

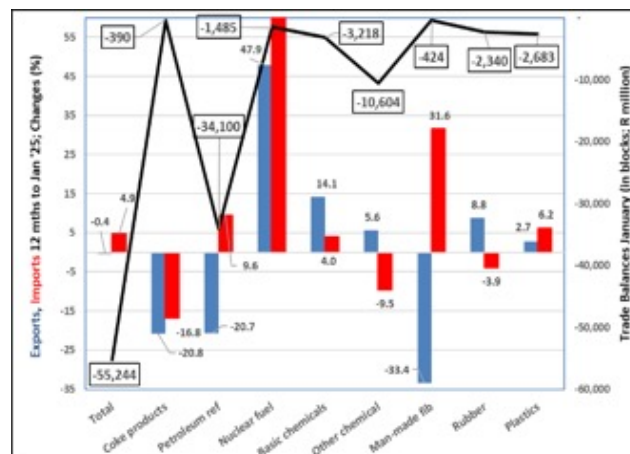


Figure 25 & 26 Source: SARS Export/Import data

	M-o-M Feb on Jan (%)	YTD Feb '25 (Index)	12 mths to Feb '25 (Index)	Feb 2025 on 2024	Trade Balance 12 mnts (billion)
Exports	Intermediary products				
Total	6.9	-0.4	-1.2	-0.7	-303,612
Coke products	37.3	-20.8	-34.8	-0.7	-2,377
Petroleum ref	-0.9	-20.7	-3.9	-27.1	-183,143
Nuclear Fuel	131.1	47.9	70.7	96.4	-1,422
Basic Chemicals	7.9	14.1	-2.9	19.5	-24,445
Other Chemicals	12.5	5.6	2.2	6.0	-59,733
Man-made fib	53.5	-33.4	-14.5	-26.2	-2,500
Rubber	25.4	8.8	-1.3	6.4	-14,047
Plastics	24.4	2.7	0.0	-0.4	-15,046
Imports	Final products				
Total	-1.5	4.9	-7.7	10.1	
Coke products	27.4	-26.8	-28.0	20.0	
Petroleum ref	7.5	9.6	-16.3	19.6	
Nuclear Fuel	12,803.8	5,554.5	165.2	11,222.9	
Basic Chemicals	-5.9	4.1	2.1	7.2	
Other Chemicals	-20.1	-9.5	-0.5	-15.7	
Man-made fib	025.9	31.6	25.3	47.4	
Rubber	-28.6	-3.9	-2.8	-17.3	
Plastics	-24.8	6.2	7.3	-0.8	

Figure 27: Source: SARS Export/Import data

CHEMICAL SECTOR INPUT COST INDEX

The project to refine the Input Cost Index for the sector is continuing. Work is continuing to refine the indices used which reflect cost increases in the different input categories. Research to generate a more accurate and appropriate labour cost index (+/- 15% weight), as well as more sensitive indicators of imported input product costs (40% weight) is continuing, in consultation with colleagues in other sectors and Statistics SA. First efforts did not provide satisfactory results. Only complete data for two months of 2025 is available yet.

Annual comparison between Input costs and selling prices of final products (PPI). The 'variance' reflects 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.

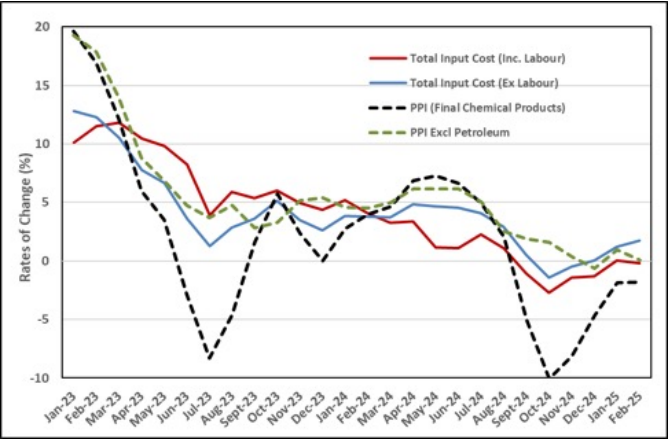


Figure 28

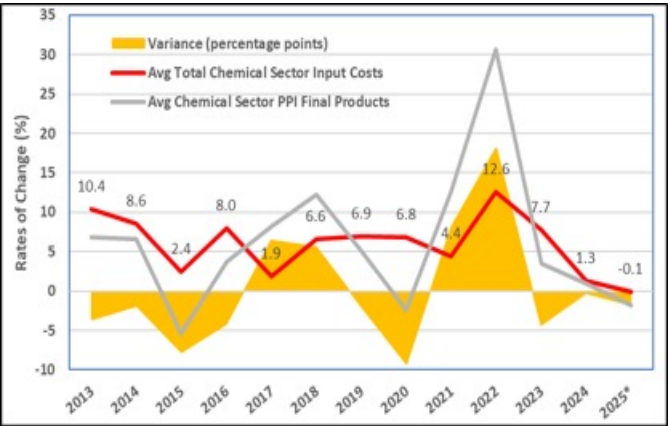


Figure 29

Avg total chemical sector input costs		PPI	Variance
Year	%	%	% Point
2013	10.4	6.8	-3.6
2014	8.6	6.6	-1.9
2015	2.4	-5.3	-7.8
2016	8.0	3.8	-4.2
2017	1.9	8.3	6.4
2018	6.6	12.2	5.6
2019	6.9	5.1	-1.9
2020	6.8	-2.5	-9.3
2021	4.4	12.6	8.1
2022	12.6	30.7	18.2
2023	7.7	3.4	-4.3
2024	1.3	0.9	-0.3
2025*	-0.1	-1.8	-1.7

Figure 30: * Input costs up to February 2025

Image credits: Adobe Stock

