

CHEMICAL SECTOR QUARTERLY REPORT

DATA: FIRST QUARTER 2025

Henk Langenhoven, Economist
Quantec Research (Pty) Ltd



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EXECUTIVE SUMMARY

The final estimates for chemical sector value add/gross domestic product, and several other important metrics for 2024 has been released, and will be covered in a special Report to be published soon.

General Business Confidence trends: 'Uncertainty' is the overwhelming sentiment both regarding the international, and domestic economic environment and outlook. The synchronicity between and intensity of international trade and economic policy uncertainty and South African political/policy uncertainty coupled with low business confidence and depressed gross fixed capital formation is clear and on par with the situation during the COVID-19 pandemic. The impact on near future economic activity will undoubtedly be negative but, more concerning, is the appetite and decisions taken on current fixed investment, without which economic growth will remain elusive.

Confidence (BER chemical sector survey) regarding the **production** performance in the sector declined decidedly in quarter 1, and was matched by an actual contraction of 4%. The ABSA PMI for April shows a further decline of no less than 16% on March 2025. Non petroleum production in Q1, 2025, was near 4% higher than the same period during 2024. As high as 75% of respondents reported lower production capacity utilization in Q1, now 12% below the 85% benchmark.

Confidence showed by a net number of optimistic respondents regarding **sales** performance was only reported by the end of 2023, only to show a marked negative turning point in Q1, 2025. Actual inflation adjusted sales started to improve from quarter 3, 2022 onwards, but progress has not been continuous, with the latest quarter (Q1, 2025) marginally lower for total sales, and 6,4% lower for non-petroleum products. Worryingly, confidence about domestic and export orders have waned in Q1, 2025 (BER Survey), coupled with a strong weakening in the April ABSA PMI reading regarding 'expected business conditions'. This may indicate a much weaker second quarter 2025.

Confidence about **international trade** prospects fluctuates violently, from a negative 60% (middle 2023) to positive 40% (Q4, 2024) of respondents, and has turned negative again. Actual export performance has been on the decline since the end of 2021 (with a small increase in Q4, 2025, only to relapse again).

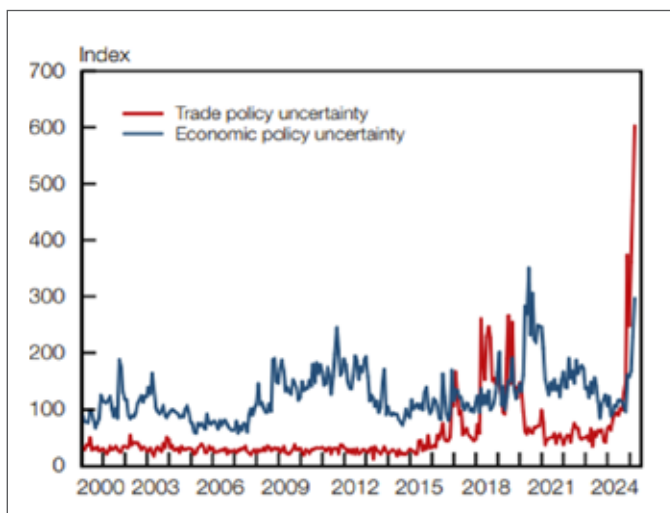
The variation in **production price inflation** between the measurements for overall products (petroleum inclusive) and non-petroleum price movements, is stark. Furthermore, whereas final product prices experience deflation/declines, intermediary products sold to other industries measure inflation of 6,9%, with 'basic and other chemical' inflation as high as 9,4%. Confidence indicators for domestic prices are indicating faster price escalation, while export prices increases are expected to slow down.

Although **employment** numbers are still substantially higher than pre Covid levels, there has clearly been a turning point. There were 3 240 job losses between Q1, 2023 and Q4, 2024 in the chemical sector.

BUSINESS CONFIDENCE INDICES: Q1 2025

General Business Confidence

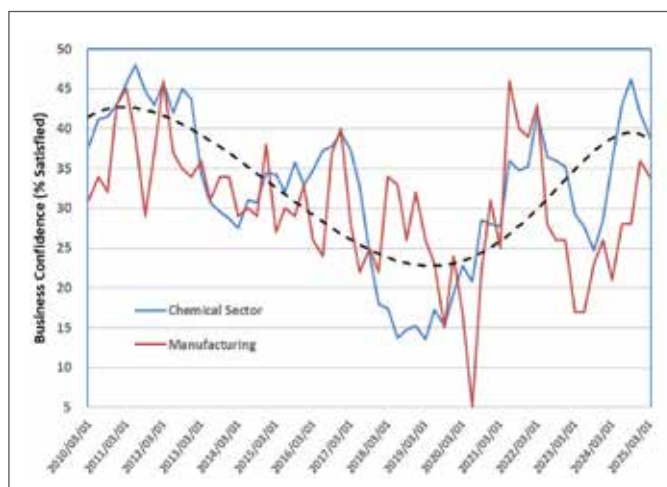
It is a huge understatement that 'uncertainty' is the overwhelming sentiment both regarding the international, as well as domestic economic environment and outlook (the word appears no less than 40 times in the April SARB Monetary Policy Review). The impact on the near future economic activity will undoubtedly be negative (although the quantum is unknown), but, more concerning, on current fixed investment appetite and decisions, which will certainly have medium to longer term negative consequences for growth.



Sources: SA Reserve Bank, BER Manufacturing & Composite Business Confidence Surveys

The graph on the left shows worldwide uncertainty measures relative to the global financial crisis (2007/8), and Covid disruptions (2019/21) versus the current US policy induced disturbances. The graph on the right shows the SA situation, with political/policy uncertainty and business confidence relative to gross fixed capital formation. The synchronicity is clear and the extent of the uncertainty on par with the situation during the COVID-19 pandemic. "If these uncertainties include losing AGOA advantages, plus additional 25% US tariffs plus exchange rate depreciation, the impact on GDP growth could be between -0,04% and -0,69% points" over the next three years, according to the SA Reserve Bank scenario study.

The US announcement pitched a 30% tariff on SA imports, later adjusted to 10%, which pushed the AGOA exemptions from 0% to 10%. There is a remarkable correlation between general manufacturing and chemical sector business confidence with the former leading the latter. Depending on the impact of these trade deterrents on manufacturing exports to the US (R96 billion or 10% of its exports in 2024), a similar (but smaller in quantum) reaction should be expected in chemicals.



Source: BER Manufacturing Survey

In 2024, total SA chemical sector exports (in Rand terms) amounted to R213,725 billion, of which R11.16 billion went to the USA, or 5,2% of the total. The initial exemptions lowered the effected value to 5% of sector exports.

The Manufacturing Confidence Survey (chemical sub-sector) and the ABSA Purchasing Managers' Survey (total economy) show very similar patterns since 2017. The latter depicted a strong downward trend in April (tracking perceptions monthly, see below) which leads to one conclusion as mentioned earlier; negative sentiment and probably downward actual performance in the chemical sector going forward

Production: Confidence & Actual performance

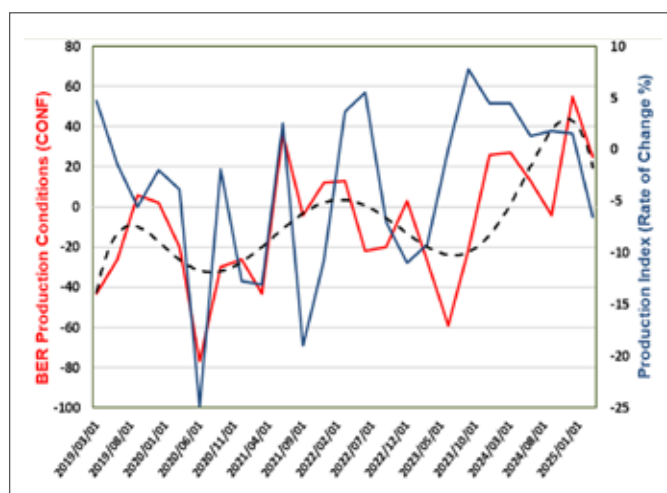
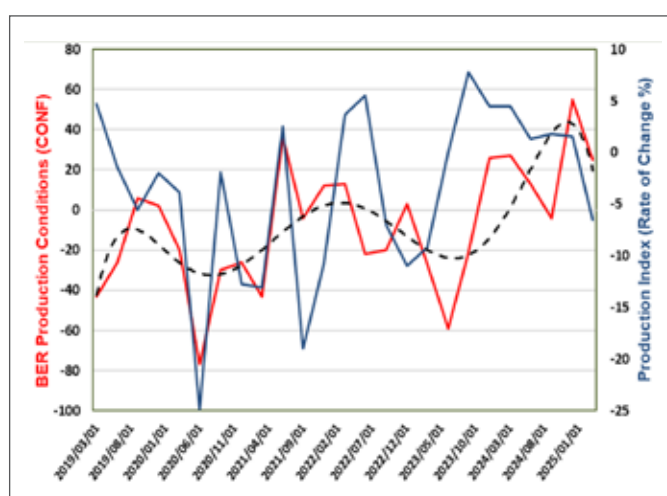
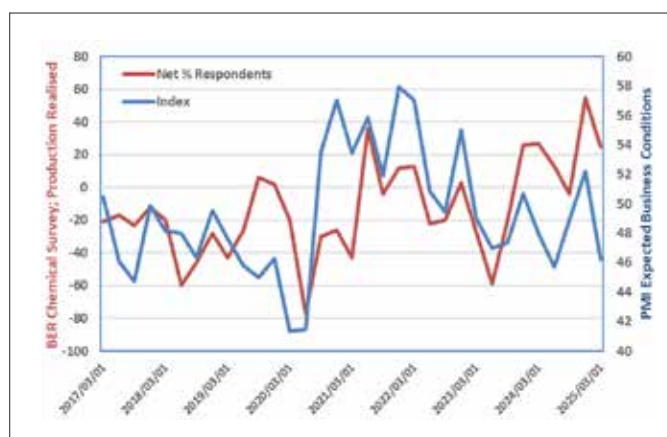
The confidence of the respondents to the BER sub-sector survey regarding better production conditions has been generally negative since the Covid-19 disruptions with confidence sporadically re-emerging (middle 2022 and at the end of 2023).

Production fluctuated substantially year on year by -19%, (Q3, 2021), +5,5% (mid 2022), -11% (end 2022), +8% (Q3, 23) and -6,5% (Q1, 2025).

The monthly ABSA purchasing managers' index, gauging economy-wide confidence, has been leading the chemical production index (excluding petroleum products) very well since 2020. The concern is that 'expected business conditions' weakened in April (on March) by no less than 16%, and against Q1, 2025, by 20%, and so did every leading indicator measured by the PMI.

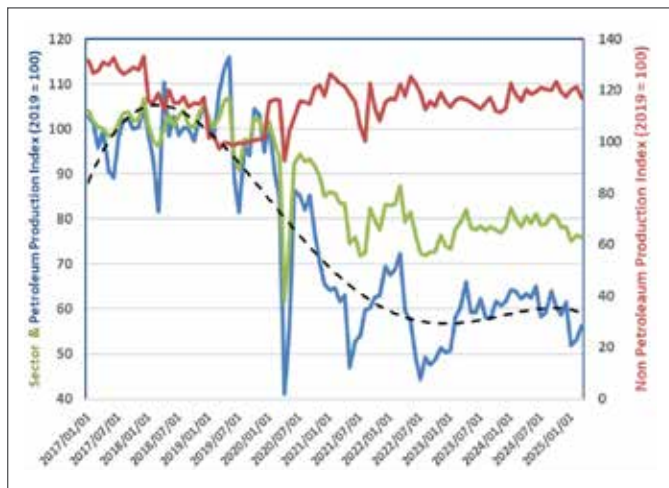
Chemical sector production growth slowed down by 0,7% in March, which was more or less on par with the 12 months comparison to a year ago. However, against March 2024, the contraction was 5,5%. Declines were recorded for all sub-sectors barring 'other chemicals and plastics.

The chemical sector production performance is truly a 'tale of two cities'/halves, with petroleum related production currently at +/-30% of its 2019 level, while non-petroleum production is more or less 20% higher compared to 2019.

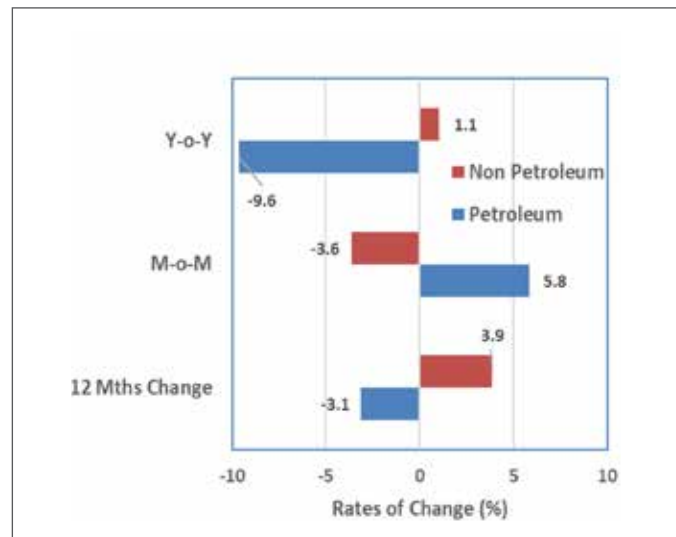


Source: ABSA purchasing managers' index

Production Index Seasonally Adjusted	Mar on Feb 2025	March '25 on '24	Year to Mar '25	Q1 '25 on Q4 '24	Q1 '25 on '24	Q1 on Pre Covid
Total	-0.7	-5.5	-0.2	-4.0	-2.1	-22.1
Coke, petrol & nucl	5.8	-15.3	-3.1	-10.6	-5.8	-41.5
Basic chemicals	-3.9	-2.1	0.8	-2.7	0.4	-7.8
Other chemicals	-5.2	1.9	2.0	1.4	0.1	-9.2
Rubber	6.8	-4.7	-6.6	1.8	3.4	-9.4
Plastic	-1.9	1.8	3.8	-1.2	-0.5	8.1
Total Excl Petroleum	-13.6	0.4	3.9			

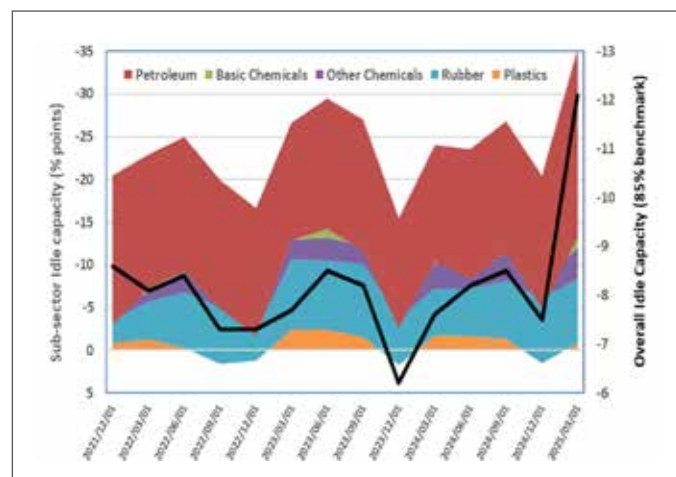


Source: Statistics SA, Manufacturing Production & Sales, p3041.2



Capacity Utilisation

business Confidence is directly correlated with capacity utilisation. The 'over capacity' utilisation (higher than 85%) achieved at the end of 2023, has deteriorated to more than 12% under-utilisation in quarter 1, 2025. Conversely, confidence has dipped below the 50% mark.

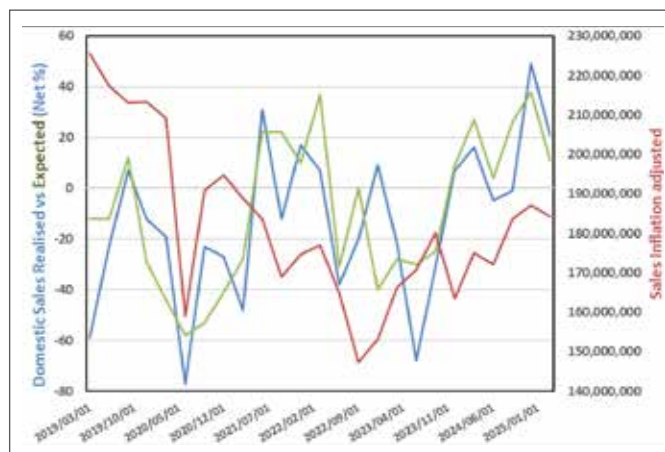


Sources: BER: Manufacturing Survey: Chemical sub-sector; StatsSA: Manufacturing Utilisation of Production Capacity, p3043

SALES TRENDS

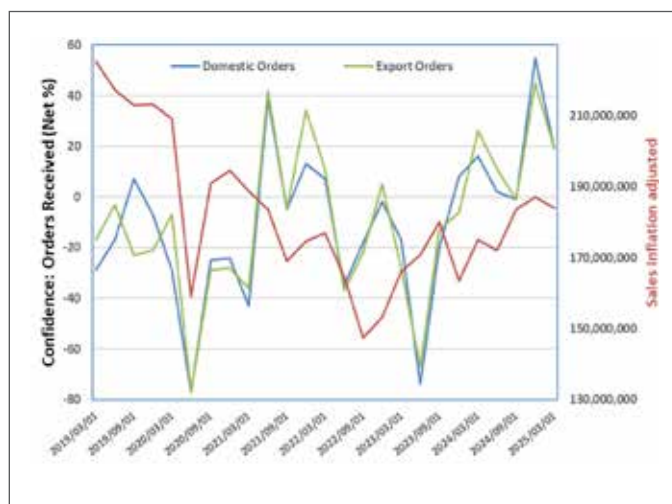
Realized & Expected Domestic Sales Confidence vs Actual inflation adjusted Sales

The confidence about sales, measured by the net percentage of respondents (optimists minus pessimists) has been negative, or very low, for the majority of quarters since 2019 (pre Covid). After the rebound/‘correction’ in confidence during 2021, actual inflation adjusted sales started to improve from quarter 3, 2022. Progress has not been continuous though, with the latest quarter (Q1 of 2025), no exception.



Sources: Manufacturing Production and Sales Statistics p3041.2, BER Manufacturing Survey

Domestic and Export Orders vs inflation adjusted Sales

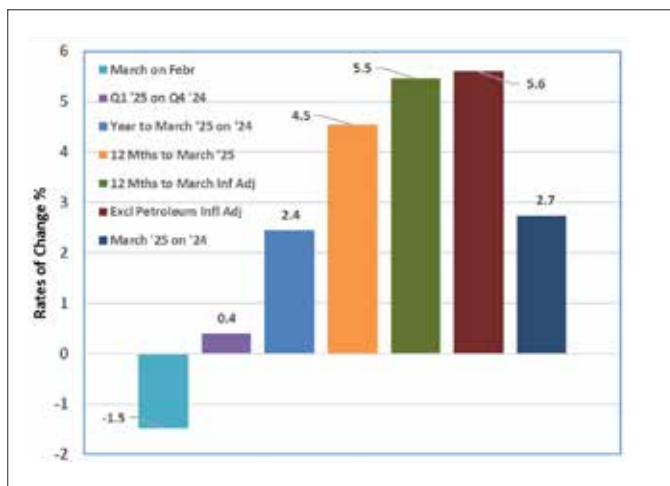


Sources: Manufacturing Production and Sales Statistics p3041.2, BER Manufacturing Survey, ABSA purchasing managers' index

Actual inflation adjusted sales have declined during quarter 1, 2025, and confidence about domestic and export orders are indicating that this trend may continue. Furthermore, the ABSA PMI (monthly) ‘expected business conditions’ for April, indicates a dramatic weakening in confidence at the beginning of the second quarter of 2025.

Sales Values Seasonally Adjusted	Mar on Feb 2025	Year to March '25	12 Mnths to Mar '25	March '25 on '24	Q1 '25 on Q4 '24	Q1 '25 on Q1 '24
Total	-1.5	2.4	4.5	2.7	0.4	2.4
Coke, petrol & nucl	7.7	-1.4	2.8	2.2	-0.4	-1.4
Basic chemicals	-7.1	6.1	7.2	8.7	3.1	6.1
Other chemicals	-8.5	6.6	5.0	2.3	1.8	6.6
Rubber	-1.4	-0.2	-2.7	-1.6	1.3	-0.2
Plastic	-2.0	0.9	6.7	-1.2	-3.8	0.9
Total Inflation Adjusted	-1.6	5.2	5.5	7.2	-1.6	5.2
Total Excl Petroleum	-6.4	4.8	5.6	3.1		

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



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



INTERNATIONAL TRADE

Export Orders received vs Actual (inflation adjusted) Export Values

The graph shows the correlation between the export orders and realized export sales (confidence reflected by the BER Survey) versus actual exports realized (inflation adjusted) numbers from SARS (up to Q1, 2025).

Export performance rebounded for a brief period after the Covid disruptions but has been declining ever since, turning positive only once in 2024. The recent US tariff policy disruptions will no doubt also be detrimental to export competitiveness.



Sources: BER Manufacturing Survey, SARS Export data set

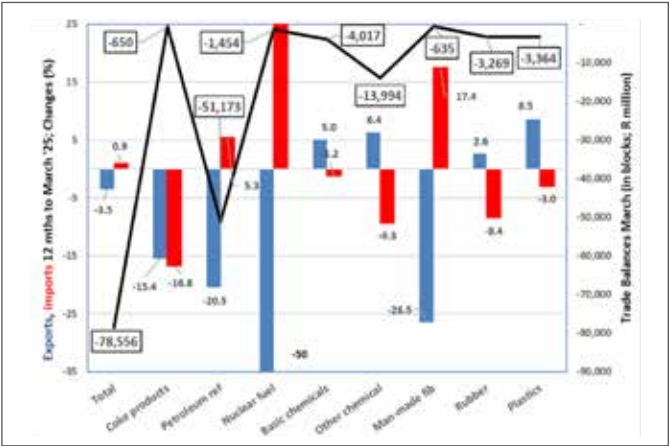
Table below: Source: SARS Export/Import data

Exports	Mar on Feb (%)	March 2025 YTD (%)	12 Mths to Mar '25 (%)	Mar 2025 on 2025 (%)	Trade Balance 12 Mths (billions)
Total	-2.4	-3.5	-1.8	-11.9	-299,248
Coke, petrol & nucl	-29.4	-15.4	-31.2	1.4	-3,213
Petroleum ref	-0.8	-20.5	-7.1	-28.4	-184,102
Nuclear Fuel	-70.3	-49.8	14.1	-99.0	-1,823
Basic chemicals	-8.7	5.0	-2.2	-10.0	-24,249
Other chemicals	10.1	6.4	3.6	4.7	-55,193
Man-made Fib	6.0	-26.5	-15.1	-12.4	-2,508
Rubber	-2.9	2.6	-0.8	-5.6	-13,754
Plastic	16.2	8.5	2.5	-18.8	-14,405
Imports					
Total	-5.9	0.9	-6.5	-7.4	
Coke, petrol & nucl	7.6	-16.8	-28.0	-16.7	
Petroleum ref	-4.5	5.3	-13.7	-3.8	
Nuclear Fuel	-98.7	3,441.1	168.2	21.9	
Basic chemicals	-12.5	-1.2	1.8	-11.6	
Other chemicals	11.7	-9.3	-0.8	-7.5	
Man-made Fib	26.0	17.4	21.6	-2.3	
Rubber	7.0	-8.4	-3.8	-17.2	
Plastic	-4.6	-3.0	4.4	-19.9	

The chemical sector trade balances (exports minus imports) remained negative (but largely unchanged over the last year) albeit highly volatile.

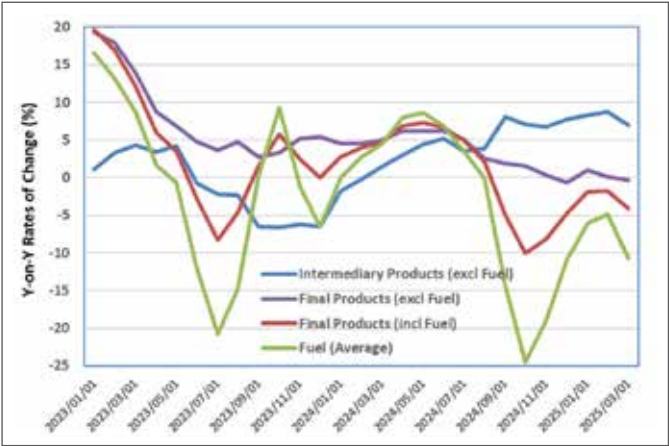


Source: SARS Export/Import data



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.



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

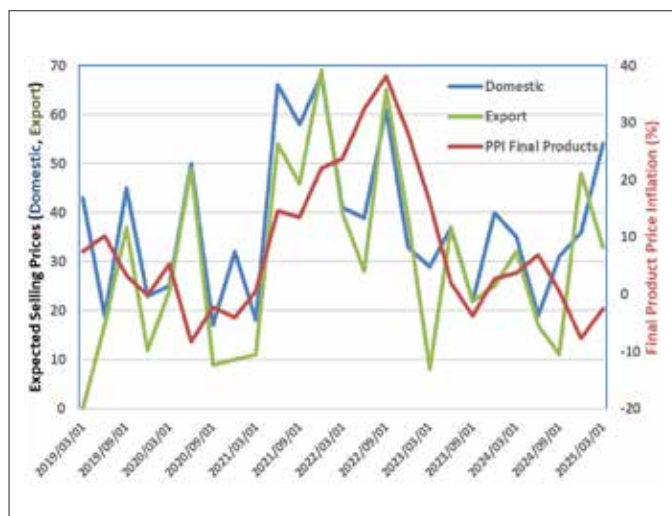
Production Price Indices Dec 2023 = 100	Year on year Mar 2025 on 2024 %
Intermediary Products	
Total	6.9
Basic & other chemicals	9.4
Rubber	-0.4
Plastic	2.0
Final Products	
Total	-4.1
Coal & Petroleum	-9.9
Petrol	-10.6
Diesel	-10.8
Other	-7.7
Chemical products	2.3
Rubber & Plastics	4.2
Total (excl Fuel)	-0.3



The conventional inflation metrics (current month on same month 1 year ago), show further declines in March (as was the case in February) which is contrary to our earlier conclusion that a lower turning point was reached during October/ November 2024.

	M-o-M Mar on Feb (%)	YTD Mar '25 (Index)	Prev YTD Mar '24 (Index)	YTD Change (%)	12 Mths Mar '25 (Index)	Prev 12 Mths Mar'24 (%)	Change 12 Mths (%)	Y-o-Y Mar'25 on '24 (%)
Production Price	Intermediary products							
Total	-1.2	109.7	101.6	8.0	107.3	101.1	6.1	6.9
Basic & Other Chem	-1.6	112.3	101.8	10.4	108.7	101.4	7.1	9.4
Plastics	0.5	102.8	101.7	1.0	104.0	100.3	3.7	-0.4
Rubber	-	99.9	98.6	1.3	100.0	98.6	1.4	2.0
Production Price	Final products							
Total	0.1	96.8	99.4	-2.6	98.1	98.9	-0.8	-4.1
Coal & Petroleum	-0.6	92.0	99.1	-7.2	94.7	98.8	-4.1	-9.9
Petrol	-0.3	93.9	101.1	-7.1	97.6	102.8	-5.1	-10.6
Diesel	-1.1	90.9	98.3	-7.5	92.2	98.9	-6.7	-10.8
Other	-0.3	91.1	97.7	-6.8	94.3	94.9	-0.6	-7.7
Chemical Products	0.5	101.4	99.5	1.9	100.9	99.0	1.9	2.3
Rubber & Plastics	1.1	106.4	100.7	5.7	106.1	99.4	6.7	4.2
Total (Excl Fuel)	0.4	99.5	99.3	0.2	100.3	97.9	2.4	-0.3

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



Sources: Statistics SA, Production Price Index, p0142.1, BER Manufacturing Survey, ABSA Purchasing Mangers' Index.

The influence of the exchange rate appreciating seems to have an impact on expectations for the direction of export prices.

Employment Numbers to Q4, 2024

The latest numbers (Q4, 2024) are stated in the graph.

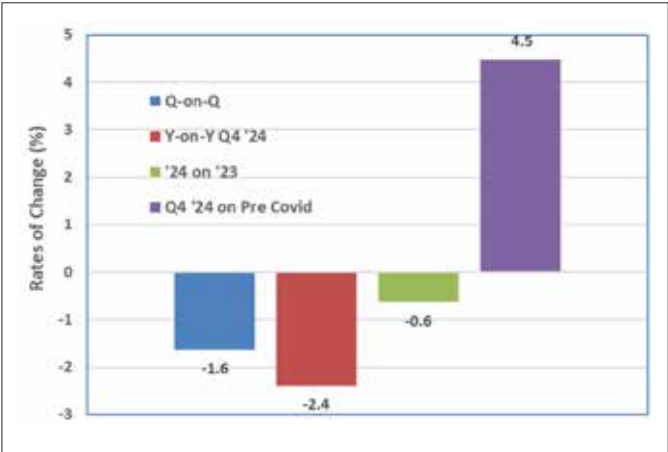
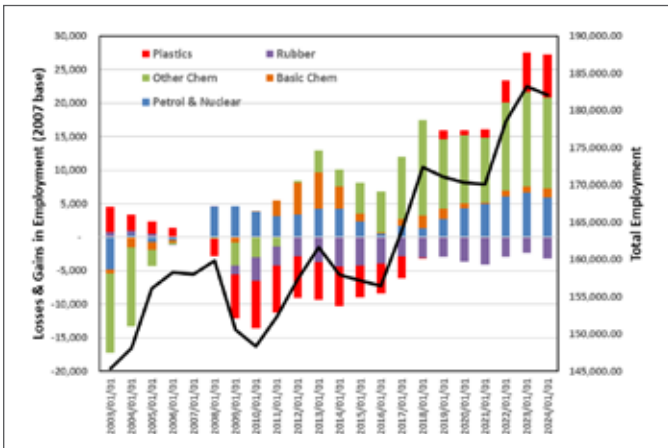
Quarter 1, 2024 shows some decline on the previous quarter, and is now estimated to have been lower than 2023 too.

Although employment numbers are still substantially higher than pre Covid levels, there has clearly been a turning point.

The restatement of employment numbers is reflected in the graph on the left.

The table reflects the levels and rates of change over different time horizons.

The gains/losses per sub-sector over 20 years are shown in the graph below.



Source: Statistics SA; Quarterly Employment Surveys, p0277

Exports	Q4 on Q3 2024	Y-to-Q4	PrevY-to-date	Change	Y-on-Y
EMPLOYMENT					
Total	-1.6	182,120	183,270	-0.6	-2.4
Petroleum ref	-0.6	28,432	29,191	-2.6	-1.7
Basic chemicals	-4.6	22,780	22,239	2.4	-1.3
Other chemicals	-0.7	65,363	66,014	-1.0	-2.1
Rubber	-1.7	12,334	13,104	-5.9	-5.8
Plastic	-2.0	53,211	52,723	0.9	-2.8
GROSS EARNINGS					
Total	14.4	69,900,104,332	68,154,694,424	2.6	2.5
Petroleum ref	12.5	16,641,277,160	16,999,984,797	-2.1	4.1
Basic chemicals	12.9	9,808,410,954	9,388,775,807	4.5	5.0
Other chemicals	14.2	27,072,283,730	26,104,710,568	3.7	2.5
Rubber	13.8	4,268,867,431	4,041,139,689	5.6	1.8
Plastic	18.6	12,019,265,056	11,620,083,562	4.2	-0.9