

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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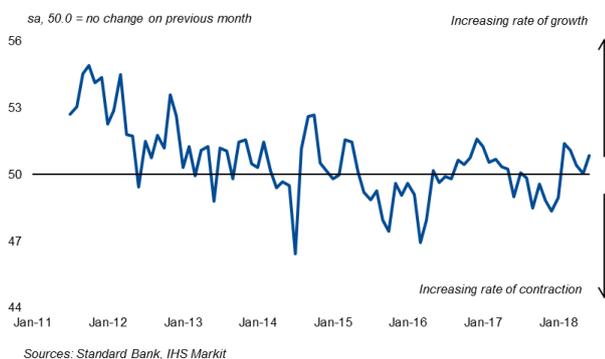
Standard Bank South Africa PMI®

PMI signals overall improvement in South African private sector

Data collected June 11-27

- PMI posts 50.9 in June, up from 50.0
- Output increases for the first time in second quarter
- New business and employment rise at accelerated rates

Standard Bank South Africa PMI



Business conditions in the South African private sector improved in June, as indicated by the latest data from Standard Bank and IHS Markit. Contributing towards the positive overall picture was stronger growth in new orders amid greater demand. As a result, business activity rebounded, registering in expansion territory for the first time in the second quarter. Job creation also continued in June.

Price pressures strengthened during June, as overall input costs rose at a marked and accelerated pace. Output prices increased to a greater extent as a result.

The headline Standard Bank PMI is a composite single-figure indicator of changes in private sector business conditions. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in conditions.

The headline figure posted 50.9 during June, up from 50.0 in May, signalling an improvement in the health of the South African private sector following stagnation in the previous month. Moreover, business conditions strengthened at the fastest rate for three months, though the pace remained modest overall.

Commenting on June's survey findings, Thanda Sithole Economist at Standard Bank said:

"Encouragingly, the economy-wide Purchasing Managers' Index (PMI) indicated that domestic business conditions improved in June after stagnating in May. The economy-wide PMI increased to 50.9 index points from a neutral 50 in May.

This is in line with our view that the PMI will, during the remainder of 2018, largely show signs of improving domestic business conditions influenced by domestic consumption expenditure and reasonable global growth. Nevertheless, we acknowledge and will monitor the risks associated with elevated international oil prices, a continued domestic currency weakness, the ongoing debate on land expropriation alongside the continued global trade concerns. At this stage, our economic prognosis is for GDP growth of 1.7% GDP for 2018, rising to 2.2% for 2019.

The increase in the June PMI was largely led by the new orders index (proxy for demand) which increased to 51.3, from 50.6. In response to an increase in new orders, the output index accelerated to 50.9 after remaining below 50 for two successive months. The employment index accelerated to 51.3 from 50.2, while the stock of purchases (inventories) index fell below the 50-neutral mark, weighing on overall PMI."

The main findings of the June survey were as follows:

The South African private sector experienced an increase in business activity during June, the first expansion since March. Anecdotal evidence linked output growth to greater volumes of new orders. However, the rate of increase was only modest.

Furthermore, firms continued to win new business in June, and at an accelerated pace compared to May. New order growth was linked by panel members to stronger demand. Data suggested that new business from domestic channels underpinned the overall increase in new orders, as exports continued to decline.

Businesses meanwhile continued to expand their workforce numbers, with job creation quickening from the previous survey period.

On the price front, overall input costs continued to increase amid higher fuel prices. Data also suggested that rising purchase costs and staff pay were contributors to the overall increase. Input cost inflation was marked, having accelerated from May.

As a result, output prices rose further in June, continuing the trend observed since the survey began in July 2011. As was the case with cost burdens, average selling charges rose to a greater extent than that observed in May. That said, the rate of output price inflation remained slower than that observed for input costs.

-Ends-

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Note to Editors:

The Standard Bank South Africa Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the South African economy, including mining, manufacturing, services, construction and retail. The panel is stratified by GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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About PMI

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