News Release

Embargoed until 0915 SAST (0715 UTC) 3 October 2019

IHS Markit South Africa PMI™

Business conditions worsen for fifth month running

Key findings

Output, new orders and employment decrease in September

Selling prices fall for first time since April

Business expectations remain subdued

South Africa's private sector economy saw a further deterioration in September, with output and new orders both falling at accelerated, albeit still modest, rates. Job numbers and purchasing activity also decreased, while businesses reduced their selling prices for the first time since April. Expectations for future output remained relatively weak.

The headline South Africa PMI® is a composite single-figure indicator of private sector business performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates an overall improvement of the sector.

Falling from 49.7 in August to 49.2 in September, the headline PMI reading signalled a marginal, but quicker, deterioration in the health of the South African private sector. It marked the fifth monthly decline in business conditions in a row, and was the second-strongest recorded in this period.

Firms saw an extension of the decline in new orders during September, as latest data indicated the fifteenth successive monthly fall in total demand. The drop was only marginal, but still faster than in August. Businesses also saw a renewed decline in new orders from foreign clients. As such, South African private sector activity contracted for the fifth month running, with the rate of deterioration accelerating from the previous month.

Anecdotal evidence indicated that some firms were negatively affected by unrest and political demonstrations during September. Panellists noted that they limited investment into products and marketing as a result. Some also linked the contraction to a general slowdown in economic conditions.

Supply-side factors were also impacted during the month. Both employment and purchasing activity were down, with firms

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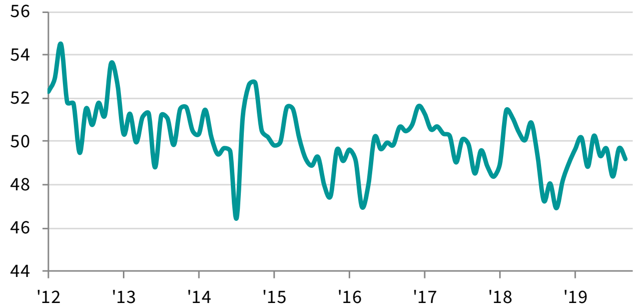
South Africa PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"With some businesses hampered by unrest over the course of September, the headline PMI signalled a further deterioration in the health of the private sector economy. Firms reduced activity at a quicker pace, while also curtailing input purchases and job numbers. Output prices dropped, but only marginally.

"With this in mind, the business outlook remained subdued in September. Sales have now dropped for 15 successive months and, whilst the level of sentiment was positive overall, many panellists noted that uncertainty in the economy dampened their forecasts for future activity.

"The latest survey results meant that the average PMI reading for the third quarter posted at 49.1, the lowest for the year so far, and suggested that third quarter GDP growth will be modest at best."

PMI® By IHS Markit

commenting that continuing demand weakness reduced their buying power and willingness to hire new workers. Panellists meanwhile reported a slight lengthening of delivery times, the eighth in as many months.

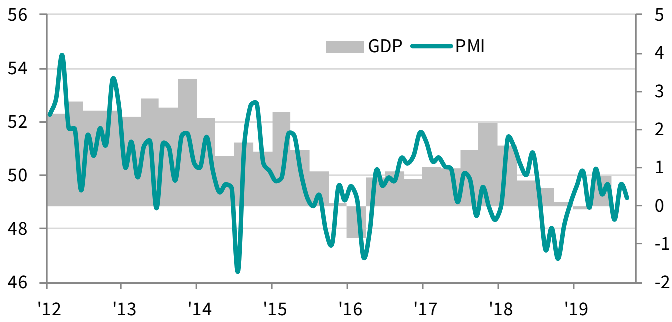
Efforts to recoup sales saw South African firms reduced their output prices slightly in September. This marked the first overall fall in charges for five months, although the pace of decline was weaker than that seen earlier this year.

At the same time, input cost inflation slowed to a five-month low. In fact, barring the slight drop in prices in April, it was the softest increase in overall input costs in the survey history (beginning in July 2011). Purchase prices rose at a relatively soft pace, with principal pressure coming from a deterioration in the exchange rate against the US dollar. Meanwhile, staff costs fell slightly due to lower new orders and a subsequent drop in commissions.

Finally, the outlook for activity remained relatively subdued in September, as has been the case across the third quarter of the year. Despite several firms giving positive forecasts due to expectations of new projects and clients, growing economic uncertainty dampened the overall projection.

South Africa PMI
sa, >50 = improvement since previous month

Gross domestic product (GDP)
% yr/yr



Source: IHS Markit.

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Survey methodology

The IHS Markit South Africa PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

September 2019 data were collected 12-27 September 2019.

Survey data were first collected July 2011.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.