

## IHS MARKIT SOUTH AFRICA PMI®

### PMI rises above 50.0 for the first time in eight months in February

#### KEY FINDINGS

Output broadly stabilises after seven months of decline

Softer fall in new orders, while job creation accelerates

Input price inflation at 21-month low

February saw South Africa's headline PMI register above the 50.0 no-change mark for the first time in eight months during February, as output broadly stabilised and new orders fell at a slower pace. Employment increased for the third month running, but vendor performance deteriorated. Meanwhile, input prices rose at the softest rate since May 2017.

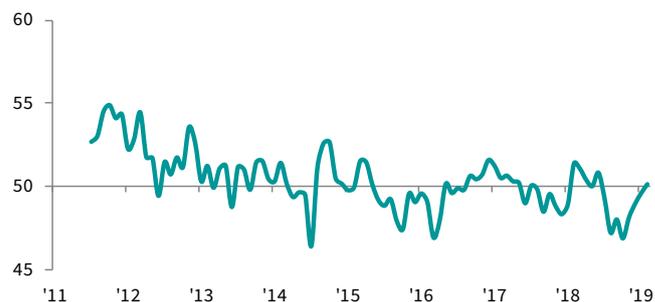
The headline South Africa PMI® is a composite single-figure indicator of private sector business performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates an overall improvement of the sector.

The headline PMI rose from 49.6 in January to 50.2 in February, signalling the first improvement in the health of the private sector since last June. The latest reading was the fourth consecutive rise in the index. However, it was still slightly below the long-run average, with new orders still falling.

Output at South African firms broadly stabilised in February, following seven successive monthly declines. Some panellists raised activity due to higher customer demand. However, others reported a contraction in output, with some relating this to power load shedding over the last few weeks.

New orders continued to fall in February, although the rate of deterioration was the slowest in the current eight-month run of decline. Businesses that saw orders slide were affected

PMI  
sa, >50 = improvement since previous month



by a lack of customers and a drop in foreign demand. New export orders fell modestly after recording a slight increase in January for the first time in 16 months.

Employment rose for the third month running and at a faster rate in February, as several South African firms reported hiring multiple workers. Despite this, backlogs of work increased at the quickest pace since last October.

Vendor performance worsened for the first time in three months, amid weaker new business and supply shortages of raw materials. This also partly caused a fall in purchasing activity among businesses, although stock levels were broadly unchanged.

Selling prices saw only a marginal uptick in February, with South African firms reporting the softest rise in charges for 13 months. In fact, only 2% of panellists increased prices, relating this to higher input costs.

While input prices rose, the rate of increase was the slowest in 21 months. Firms attributed this to weaker growth of purchasing and staff costs. In particular, anecdotal evidence pointed to higher fuel and metal prices, as well as a lack of oil supply for some companies.

Finally, business sentiment towards future output declined in February, despite the improvement to operating conditions. Firms that expected output to increase in 12 months' time related this to anticipation of a pick-up in the economy amid higher export sales, particularly with African trade partners.

## COMMENT

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David Owen, Economist at IHS Markit, which compiles the South Africa PMI survey, commented:

*"With the PMI rising above 50.0 in February, the latest survey showcased the resilience of South African businesses in the midst of repeated setbacks. Output stabilised despite load shedding from Eskom affecting a number of businesses, while employment grew as firms tapped into the pool of unemployed workers.*

*"However, the PMI masked the fact that overall demand is still falling. Also, the return to declining new export orders has dampened businesses' spirits somewhat. Supply chains faltered slightly as well, with some companies reportedly constrained by raw material shortages.*

*"As such, with elections fast approaching, trade and infrastructure spending will likely be high on the agenda, and may be crucial in ensuring sustained growth throughout the second half of the year."*

## CONTACT

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### 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.

February 2019 data were collected 12-26 February 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### 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](http://ihsmarkit.com/products/pmi.html).