News Release

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IHS MARKIT SOUTH AFRICA PMI®

PMI moves to five-month high in December as decline in business conditions softens

KEY FINDINGS

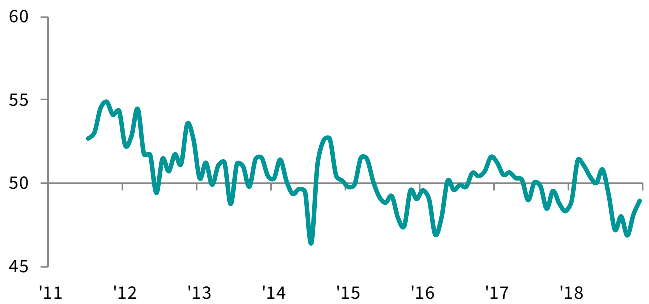
Output and new orders fall for sixth month running...

...but at softest pace since July

Selling prices rise at slowest rate in 11 months

PMI

sa, >50 = improvement since previous month



South Africa's private sector endured a sixth consecutive monthly deterioration in business conditions in December. However, the decline was the softest seen since July, with both output and new orders falling at weakened rates. Purchases also dropped at a slower pace, while employment grew at the fastest since June. Selling prices rose modestly and at the slowest rate in 11 months. Finally, business confidence was at its highest since last April.

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.

December saw the headline PMI rise to 49.0, from 48.2 in November, to signal a softer deterioration in the health of South Africa's private sector. The index has now stayed below the 50.0 neutral threshold for six months, yet the latest reading was the highest since July when conditions started to decline.

The latest reading was indicative of a slower contraction in both output and new orders in December. While many firms highlighted a continued slump in demand, which led to lower output, others found that activity was boosted by signs of a turnaround in the economy. Likewise, demand from abroad fell at the softest rate in six months.

Purchasing activity at South African firms continued to fall in December. However, as with output and new orders, the rate of decrease was slower than in November. Accordingly, the decline in demand for inputs helped suppliers reduce delivery times for the first time in two years.

Employment was boosted by the softer fall in output in December, as firms reported the most marked increase in jobs since last June. Business expansion was often cited by firms that increased staff, although the overall rise was only marginal.

Output prices rose at the softest rate in 11 months during December. The overall increase was modest and reflected a weaker rise in purchasing costs and wages. However, some firms found that volatile exchange rates forced them to raise their charges.

Meanwhile, overall input price inflation was at its weakest in five months, which was reflected by slower increases in both purchase prices and salaries. Higher steel prices contributed to the general rise in costs, although lower demand softened its impact.

Looking ahead, the level of optimism towards future output edged up to an eight-month high in December. South African firms hope that the economy will stay out of a recession next year, thus boosting sales and business growth. Overall though, the latest data cemented 2018 as having the lowest average sentiment since the series began almost seven years ago.

PMI® By IHS Markit

COMMENT

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

"Reports of a turnaround in the economy helped ease the decline in South Africa's private sector in December. The headline PMI was at its highest since July when conditions first deteriorated. Firms reported movement in a number of sectors, with the jobs market also elevated into expansionary territory.

"Notably, confidence levels reached an eight-month high in December, with firms expecting 2019 to be a more positive year for the country. It is hoped that economic reforms will prevent another dip in output next year, although the summer's elections may add extra uncertainty."

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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.

December 2018 data were collected 5-19 December 2018.

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

About IHS Markit
IHS Markit (Nasdaq: 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.