

## IHS MARKIT SOUTH AFRICA PMI®

### Input prices fall in first time in survey history

#### KEY FINDINGS

Decline in both input and output prices...

...as new orders weaken for tenth month running

Output stabilises in April

South Africa's private sector saw a slight improvement to operating conditions in March. Output stabilised after nine successive months of contraction. However, a run of weak demand culminated in a second successive drop in selling prices and the first fall in input prices throughout the survey history.

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.

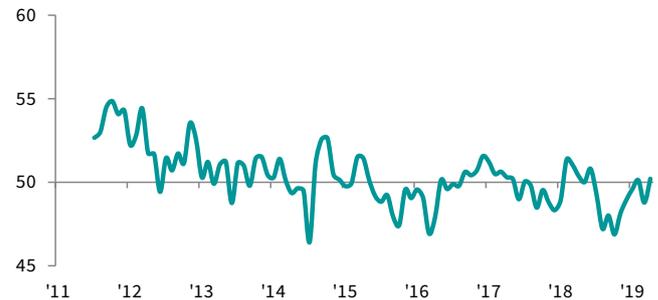
Rising from 48.8 in March, the headline PMI posted 50.3 in April to signal only the second improvement to business conditions in ten months. As with February, the rate of improvement was only slight, as both output and new orders recorded little change.

Business activity showed the smallest of increases in April after nine straight months of decline. Most panellists kept output unchanged from March, although some reduced activity due to a lack of input supply.

Similarly, new business was relatively unmoved at the start of the second quarter, recording a negligible contraction. This followed a decline in new work in each of the previous nine months, with panellists relating the latest results to low market activity in the run up to the election. Export sales meanwhile fell for the third month running, although the rate of decrease was modest and softer than in March.

PMI

sa, >50 = improvement since previous month



The recent period of falling new orders continued to impact prices in April. Firms reduced their selling charges for the second consecutive month. Also, previous drops in input demand led suppliers to readjust their prices, leading to the first reduction in overall costs since data collection first began in July 2011.

On a positive note, latest data showed a return to growth for input purchases, as some firms raised buying levels in response to more stable rates of activity. Inventories continued to fall though, due to some businesses trying to clear backlogs of work.

Employment markets remained relatively settled in April. Latest data signalled a slight rise in job numbers that offset the marginal decline seen at the end of the first quarter. However, continued weakness in demand-side factors led companies to reduce salaries at a moderate pace. This was only the second instance in the series where staff costs have fallen.

Finally, the business activity outlook improved slightly in April, yet was still subdued compared to the average for the series. Some respondents noted that demand could likely pick-up after the general election. In addition, firms commented on business expansion plans over the coming year that may encourage greater market activity.

## COMMENT

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

*"The fall in output from the recent power cuts was short-lived, which businesses will be pleased to hear, as the latest PMI data showed activity stabilising in April. This helped push the headline reading back into growth territory for only the second time in ten months.*

*"However, new orders failed to rise after firms reported slow customer response rates as they await the election results. Coupled with poor demand levels since mid-way through 2018, both sellers and suppliers were forced to reduce prices in April. While sellers also lowered prices in March, this represented the first fall in input prices in the survey history.*

*"As such, while business profit margins should not be affected, this shows that firms are struggling to locate extra revenues in the midst of difficult market conditions. Some panellists hope for a pick-up after the election which, if it does appear, may be sorely needed."*

## 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.

April 2019 data were collected 10-26 April 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).