HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:15 (Johannesburg), 4 March 2015

compiled by markit

HSBC South Africa PMI™

Private sector output returns to growth in February

Summary

February data signalled a stabilisation in operating conditions at South African private sector companies. This was highlighted by the seasonally adjusted HSBC South Africa PMI rising from January's 49.8 to 50.0.

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Output levels in South Africa's private sector increased in February, following mild declines in each of the previous two months. The rate of growth was above the long-run series average, but modest overall.

Meanwhile, companies reported no change in new orders in February. There were panel reports of falling fuel prices and new clients boosting demand, while slow market conditions hampered any meaningful expansion. Moreover, new export orders continued to act as a drag on demand amid reports of increased competition from overseas markets.

Despite a return to output growth, South African private sector firms were reluctant to take on additional staff in February. Some panellists linked job shedding to efforts to cut costs. Meanwhile, backlogs of work fell for the third month running, albeit at a weaker rate than in January.

As has been the case since data collection began in July 2011, input costs faced by South Africa's private sector companies increased further in February. However, the rate of inflation slowed to the weakest in the survey's history as lower fuel prices exerted some downward pressure on purchasing prices. Meanwhile, staff costs rose at a slightly stronger rate than in the previous month. Output prices also continued to rise on the month. Despite reaching a three-month high, the rate of charge inflation was weak by historical standards.

February data signalled that companies were cautious about their stock policy, with both pre-production inventories and purchasing activity falling further.

Finally, suppliers' delivery times improved for the first time in four months in February, albeit marginally overall.

Comment

Commenting on the South Africa PMI™ survey, Oliver Kolodseike, Economist at Markit, said:

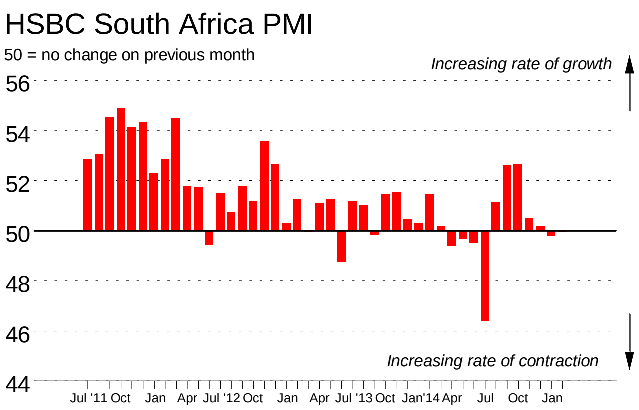
"February's survey results send mixed signals about the health of South Africa's private sector economy. The headline PMI improved slightly since January as output returned to growth. Moreover, new orders stabilised as falling fuel prices exerted some downward pressure on input costs. The respective survey measure for input prices continued to signal inflation, but fell to its lowest in the series history. However, some companies had to reduce their workforce numbers in an attempt to cut costs and firms signalled ongoing spare capacity at their units.

"It will be interesting to see how households will react to the government's plans of raising the personal income tax by 1% and cutting spending by 25bn rand over the course of the next two years."

Key points

- Headline PMI improves as new orders stabilise and output increases
- Marginal decline in employment
- Purchase price inflation falls to record-low

Historical Overview



Sources: Markit, HSBC.

markit

HSBC

For further information, please contact:

HSBC

David Faulkner, Economist
South Africa & SSA
Telephone +27-11-676-4569
Email david.faulkner@za.hsbc.com

Markit

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@markit.com

Joanna Vickers, Corporate Communications
Telephone +44-20-7260-2234
Email joanna.vickers@markit.com

Notes to Editors:

The HSBC South Africa PMI 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 manufacturing, mining, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. 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.

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 Markit. Please contact economics@markit.com.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With more than 6,200 offices in both established and emerging markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and, ultimately, helping people to fulfil their hopes and realise their ambitions.

We serve around 52 million customers through our four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 countries and territories.

About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com

About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 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 www.markit.com/economics