

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**

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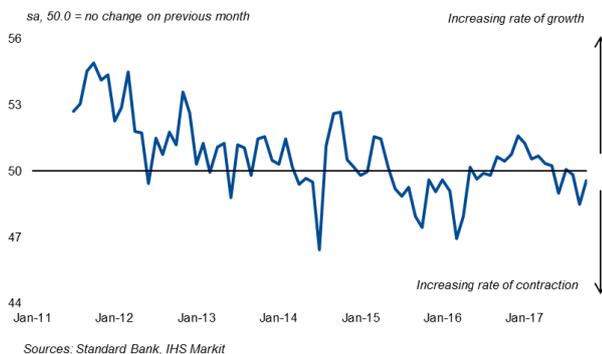
## Standard Bank South Africa PMI®

### South African private sector continues to contract in October

#### Data collected 12-27 October

- PMI registers at 49.6, signalling further deterioration in business conditions
- Output, new orders and new business from abroad all fall
- Inflationary pressures increase as output prices rise at faster pace

#### Standard Bank South Africa PMI



The latest PMI survey data from Standard Bank and IHS Markit signalled a deterioration in business conditions in the South African private sector, although at a slightly slower pace. Firms reported declines in both output and new orders, which reflected lower underlying demand and a challenging economic environment. Furthermore, exports declined for the first time in three months amid low investor demand. Firms responded by lowering their purchasing activity, leading to falling inventories. Inflationary pressures continued, with rising cost burdens causing companies to increase the prices of their products and services. Meanwhile, after declining in September, workforce numbers expanded in October.

The headline Standard Bank PMI is a composite single-figure indicator of changes in private sector business conditions. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks

of purchases. Any figure greater than 50.0 indicates overall improvement in conditions.

The headline figure was at 49.6 in October, up from 48.5 in September. This marked the third consecutive month of declining business conditions. However, the rate of deterioration eased from September.

#### Commenting on October's survey findings, Thanda Sithole, Economist at Standard Bank said:

*"The private sector PMI remained below the 50 mark, albeit marginally increased to 49.6 in October from 48.5 in September, recording a third consecutive month of deteriorating domestic business conditions.*

*"The continued deterioration in the economy-wide PMI is reflective of weak domestic economic activity alongside depressed business and consumer confidence. The decline in the PMI is likely to persist in the near term amid continued domestic political turmoil and a bleak fiscal and economic outlook reflected in the Medium Term Budget Policy Statement.*

*"Output and new orders continued to decline albeit at a slower pace, reflecting continued lower underlying demand and challenging idiosyncratic economic factors. Stock of purchases also remained in contraction as companies lowered their purchasing activity. Meanwhile employment increased after declining in September."*

#### The main findings of the October survey were as follows:

Business activity fell for the seventh successive month in October, and total new business also decreased. Respondents who reported declines frequently

mentioned the current political situation, as well as lower demand. Furthermore, for the first time in three months volumes of new exports decreased due to low investor confidence.

Firms responded to lower demand by reducing their purchasing activity further in October. This led to decreased inventories of purchases for the second month in a row.

Conversely, having contracted slightly in September, private sector employment expanded marginally in October. Higher employment coupled with lower demand helped firms to work through their outstanding business.

Despite decreased buying activity, capacity at vendors remained under pressure as delivery times lengthened for the tenth consecutive month in October. Private sector

companies blamed a lack of availability of inputs for the deterioration in vendor performance.

Meanwhile, inflationary pressures intensified as private sector firms operating in South Africa increased prices charged for their products and services at a faster rate. Panellists linked output price inflation to rising cost burdens. Higher costs of raw materials in particular drove up input prices. Wage inflation was also a factor in the increase.

-Ends-

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#### **Note to Editors:**

The Standard Bank South Africa Purchasing Managers' Index™ 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 mining, manufacturing, services, construction and retail. The panel is stratified by GDP and company workforce size. 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.

IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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See more at: <http://www.standardbank.com/OurBusiness.aspx>

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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 [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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