

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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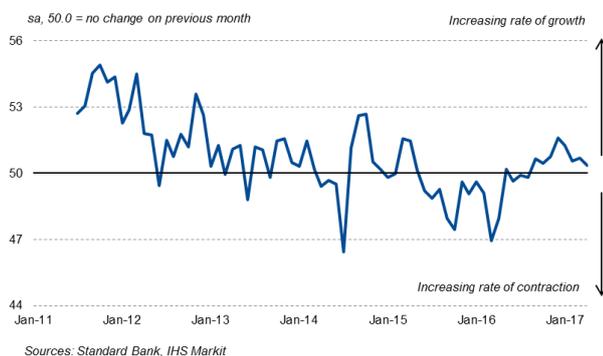
Standard Bank South Africa PMI™

South African business conditions improve only fractionally in April

Data collected 11-26 April

- PMI moves closer to neutral mark of 50.0
- Business activity declines for first time in nine months
- Input price inflation eases further to new survey low

Standard Bank South Africa PMI



This report contains the latest release of data collected from the monthly survey of business conditions in the South African private sector. The survey, sponsored by Standard Bank and produced by Markit, has been conducted since July 2011 and provides an early indication of operating conditions in South Africa. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

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.

The Standard Bank South Africa PMI remained above 50.0 for the eighth month running in April, signalling the longest sequence of overall improvement in operating

conditions in over four years. That said, the PMI fell to 50.3, from 50.7 in March, signalling only marginal growth that was the weakest over the current expansionary sequence.

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

"The PMI remained above 50 for eight consecutive month, albeit moderating to 50.3 in April from 50.7 in March. April's print was the lowest since August 2016 but encouragingly above the 49.5 and 49.7 averages recorded for 2015 and 2016 respectively.

The output index fell to 49.6 after remaining above 50 since September 2016, primarily due to slow sales, economic and political uncertainty. New orders and employment indices fell but remain in expansionary terrain.

New export orders remained in contractionary territory signalling uncertainty and weak confidence."

The main findings of the April survey were as follows:

The continued improvement in the South African business climate was underpinned by a further rise in new business received. April marked the sixth consecutive month of growth in new work, although the rate of expansion slowed to a marginal pace and the weakest since last November. A further decline in new export orders weighed on growth of total new business.

Inflows of new work spurred further growth of purchasing activity by South African private sector companies in April. Input volumes rose for the seventh month running, and at the fastest rate in three months. Similarly, the level of inputs held in stock increased for the sixth consecutive month and at the fastest rate since January. Suppliers'

delivery times lengthened for the fourth successive month.

With new business rising only fractionally, companies were able to reduce the level of outstanding work in April. Backlogs declined modestly, having been broadly stable in March. Moreover, the volume of total business activity declined for the first time since July 2016, albeit at a marginal pace.

Inflationary pressures slowed further in April. The four price indices all remained above 50.0, signalling inflation, but three hit record lows. The exception was staff costs which was nonetheless the fourth-lowest on record.

Private sector employment in South Africa increased for the tenth month running in April, the longest period of job creation in nearly four years. That said, the rate of growth slowed to only a fractional pace in the latest period.

-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.

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@ihsmarkit.com.

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Purchasing Managers' Index® (*PMI*®) surveys are now available for over 30 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.

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