

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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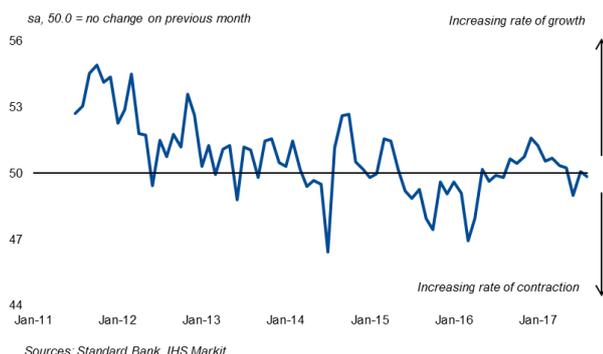
## Standard Bank South Africa PMI®

### South African private sector stagnates in August

#### Data collected 11-29 August

- PMI falls to 49.8, signalling broad stagnation in business climate
- Output and new business both decline
- First drop in wages in six-year survey history

#### 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 IHS 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 fell to 49.8 in August, from 50.1 in July, signalling a broad stagnation in overall private sector operating conditions midway through the third quarter of 2017. The latest figure is the

second-lowest in the past 12 months and below the six-year long-run survey average of 50.7.

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

*"The private sector PMI slipped below the 50 mark reaching 49.8 in August from 50.1 in July. On a 3mma basis, the PMI remained in contractionary terrain for three consecutive months, indicating a continued deterioration in domestic operating business conditions.*

*"The fall in the PMI in August was largely driven by output and new orders sub-components. Output fell to 48.2 from 48.5 and has been in contraction for five successive months. New orders, a proxy for demand, dropped to 48.9 from 50.8. Surprisingly, the employment index ticked up despite stubbornly high unemployment rate and looming job losses in the mining sector. Stock of purchases index also ticked up to 50.6 from 50.4, reflecting inventory restocking.*

*"Policy uncertainty and political turmoil will keep the private sector PMI volatile in the near term."*

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

The fall in the PMI in August reflected declines in output and new business. The impact of these was partly offset by stronger growth of employment, lengthening suppliers' delivery times and higher input stocks.

Private sector business activity in South Africa declined for the fifth successive month in August. The rate of contraction quickened slightly since July, and was the second-fastest registered since April 2016.

Lower output was linked to declining intakes of new work. New business fell for the second time in three months, and at the fastest rate since April 2016. This was despite a rise in new export sales for the first time in ten months.

More positively, private sector employment in South Africa continued to expand in August. The rate of job creation strengthened to the fastest since January, and contributed to a third successive decline in outstanding business.

Purchasing operations were cut back in August as the volume of incoming new business fell. Input buying in the private sector declined for the third time in four months, albeit at a marginal rate. Stocks of purchases also

expanded further, and suppliers' delivery times lengthened.

Input price inflation in the South African private sector sharpened to a seven-month high in August. This mainly reflected a faster rate of purchase price inflation, linked to higher steel and fuel costs. In contrast, average staff costs fell for the first time since the survey began in July 2011. Prices charged for goods and services rose at the fastest rate since January.

-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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#### About PMI

*Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/product/pmi).

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