

HSBC South Africa PMI™

Private sector output growth maintained in April, albeit at slower pace

Summary

The upturn in South Africa's private sector continued in April, as highlighted by the seasonally adjusted HSBC PMI remaining above the neutral 50.0 mark. At 51.5, little-changed from March's 51.6, the latest index reading indicated a modest improvement in companies' operating conditions.

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.

April data signalled a third successive monthly rise in output at South African private sector firms, with companies commenting on improved demand and increased new business. However, the pace of expansion slowed since March.

In line with the trend for output, new orders also increased at a weaker rate in April. Moreover, the increase in new business was driven by stronger domestic demand, as new export orders fell further. The rate of contraction accelerated since one month previously to the sharpest since August of last year.

Staffing levels in South Africa's private sector increased for the second straight month in April, with the rate of job creation the best in six months. Anecdotal evidence suggested that companies hired additional workers in response to higher business requirements. Meanwhile, backlogs of work fell further, signalling ongoing spare capacity in the sector.

With new orders and output rising further, South African private sector firms increased their buying activity in April. The rate of increase was unchanged from April's five-month record. Survey data also highlighted that some companies placed their purchases directly into stock, resulting in an accumulation of pre-production inventories.

Meanwhile, input costs continued to increase in April, with the rate of inflation reaching a six-month high. Higher purchase prices were attributed by some panellists to increased fuel costs and the weak rand, while salary increases and employment growth resulted in a rise in average staff costs.

Suppliers' delivery times meanwhile improved at the strongest rate since last October.

Comment

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

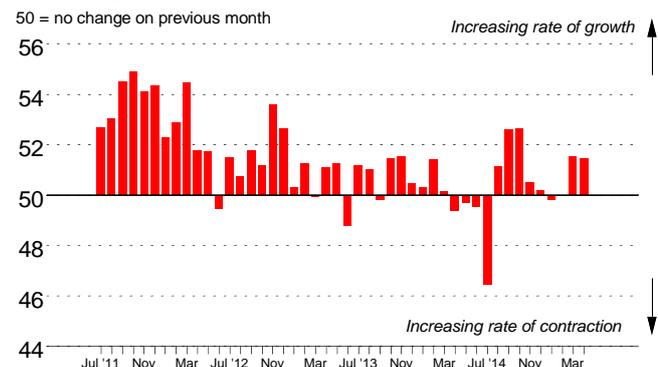
"South Africa's private sector economy entered the second quarter on a positive note, with output and new orders rising further. Moreover, employment growth accelerated and companies reported spare capacity, signalling scope to deal with higher workloads in coming months. However, the data show that the latest increase in new business was driven by domestic demand as new export orders fell at the sharpest rate since last August."

Key points

- Output and new orders rise at weaker rates
- Rate of jobs growth hits six-month high
- Output prices increase at slower pace while input cost inflation accelerates

Historical Overview

HSBC South Africa PMI



Sources: 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 3,500 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

The intellectual property rights to the HSBC South Africa PMI[™] provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[™] and PMI[™] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. HSBC use the above marks under license. Markit is a registered trade mark of Markit Group Limited.