

## News Release

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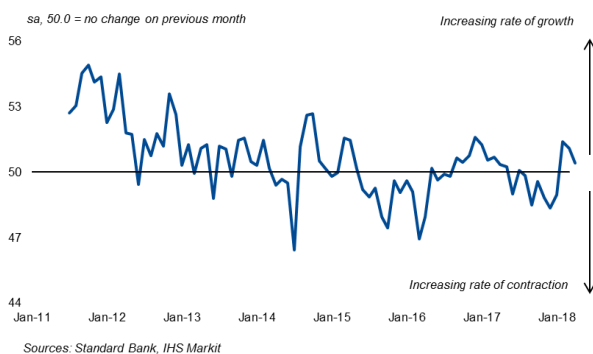
## Standard Bank South Africa PMI®

### Business conditions show slower improvement in April

#### Data collected April 12-26

- PMI posts 50.4, signalling a more subdued rate of improvement in the South African private sector
- New orders and employment continue to grow
- Output falls into contraction territory

#### Standard Bank South Africa PMI



Business conditions in the South African private sector continued to improve during April, as signalled by the latest PMI data from Standard Bank and IHS Markit. Supporting the overall improvement was an increase in new orders, which rose for the third month in succession. Furthermore, workforce numbers continued to grow in response to planned business expansions.

However, a combination of factors, including the listeria outbreak, caused output to slip into contraction territory, which in turn led to a softer overall pace of improvement in the sector. Meanwhile, inflationary pressures built during April, with higher cost burdens fuelling stronger output price inflation.

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 latest PMI figure posted 50.4, down from 51.1 in March. Though the headline reading signalled a sustained improvement in the health of the South African private sector, the rate of growth was only marginal.

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

*"The private sector Purchasing Managers' Index (PMI) showed that domestic business conditions continued to improve in April, albeit at a slower pace compared to March. The PMI softened to 50.4 in April from 51.1 in March.*

*"The slowdown in April's PMI was largely driven by the output sub-index which fell into contraction territory (i.e. below the 50-neutral mark) as a result of the listeria outbreak, recent labour strikes and a VAT hike, from 14% to 15%. The decline in the output sub-index marginally outweighed continued increases in other major PMI sub-indices such as new orders, employment and stock of purchases.*

*"Nevertheless our view remains unchanged that, over the near term, the PMI should continue showing signs of improving domestic business conditions supported by the improved domestic political backdrop, looser monetary policy and stable ratings outlook. But also the recent survey has shown significant improvement in domestic consumer confidence. This should also provide further support to the PMI ahead."*

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

A further increase in new orders formed the basis for growth, with firms winning new business at a faster pace.

A slew of new projects was behind the rise according to panellists.

Furthermore, staffing levels grew at the fastest pace observed in 16 months. Anecdotal evidence suggested planned business expansions drove the increase in employment.

However, business activity contracted for the first time in three months at the start of the second quarter. As well as blaming the listeria outbreak, panellists often linked the decline in output to recent strikes and a VAT hike.

Purchasing activity meanwhile remained broadly unchanged. Any increase in buying levels caused by higher volumes of new orders was offset by the decline in production.

Elsewhere, average lead times for inputs lengthened further during April. Product shortages were commonly associated with the deterioration in vendor performance by panellists. However, the extent to which delivery times lengthened was only marginal.

On the price front, increases in both purchasing costs and staff pay drove input price inflation during April. Notably, cost burdens rose at the fastest pace observed in 2018 so far.

Consequently, average selling prices rose again at the start of the second quarter. A number of companies attributed the increase to higher input costs as well as the recent VAT hike.

-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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*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 <https://ihsmarkit.com/products/pmi.html>.

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