

# HSBC South Africa PMI™

## HSBC South Africa PMI hits 21-month high in September

### Summary

This report contains the twelfth public release of data collected from the new monthly survey of business conditions in the South African private sector. The survey, produced by Markit on behalf of HSBC, 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™).

Operating conditions in South Africa's private sector improved for a second successive month in September, and at the strongest rate since December 2012. This was highlighted by the seasonally adjusted HSBC South Africa PMI rising from 51.1 in August to 52.6.

September data signalled a return to output growth at South African private sector companies. The pace at which activity rose was the sharpest in 21 months, with survey participants commenting on increased order intakes and improved conditions in the mining sector.

New orders placed with South African private sector firms also rose on the month, with the pace of expansion accelerating to the strongest in nearly two years. Improving market conditions and successful contract wins had boosted new business, according to panellists. New export orders also rose in September, albeit marginally overall, suggesting that the rise in total new business was mainly driven by the domestic market.

Increased output and new orders encouraged companies to increase their workforce numbers and raise their buying activity in September. Employment and purchasing activity both rose sharply, with the rates of growth the strongest in 22 and 21 months, respectively. Meanwhile, backlogs of work accumulated for a second month running, as companies struggled to process large inflows of new work.

Cost pressures remained elevated in September, with both purchase prices and staff costs increasing at sharper rates. Purchase price inflation reached a three-month high, while the latest rise in staff costs was the strongest in the series history. Panellists commented on successful wage negotiations. In response to higher input costs, companies raised their output charges further.

Finally, average lead times deteriorated only marginally and stocks of purchases rose at the sharpest rate in 21 months.

### Comment

Commenting on the South Africa PMI™ survey, David Faulkner, Economist at HSBC, said:

*"This month's HSBC South Africa PMI reading provides further evidence of the rebound in private sector economic activity following the resolution of this year's protracted strike disruptions. The pace of expansion accelerated to its fastest in 21 months suggesting a strengthening growth momentum at the end of the third quarter."*

*"Demand indicators led the improvement, with marked increases in output and new orders, while companies rebuilt inventories in anticipation of recovering demand. Export orders also stabilised following their recent weakness providing hope for better trade balance figures following last month's large deficit. Overall, these demand dynamics are supporting more favourable labour market developments, and the employment sub-index expanded at its fastest pace since the middle of last year."*

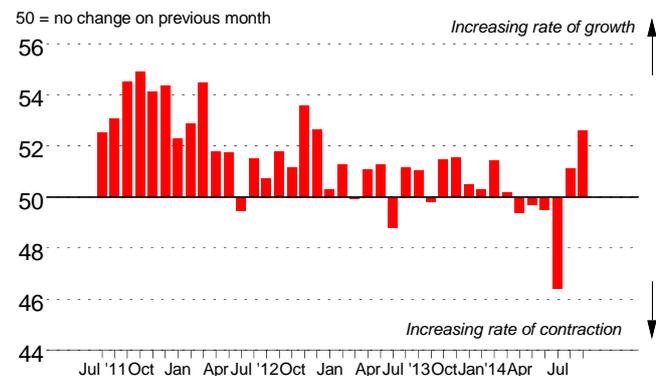
*"Yet there remains upward pressure on prices in the economy, with both the input and output price sub-indices at elevated levels. Wage inflation as shown by the staff costs sub-index rose to an all-time high in September, illustrating the cost pressures associated with recent high wage settlements in several sectors of the economy."*

### Key points

- Activity rises for first time in seven months amid stronger new order growth
- Companies continue to increase their workforce numbers
- Staff costs increase at sharpest rate on record

### Historical Overview

#### HSBC South Africa PMI



Sources: Markit, HSBC.

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## **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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

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*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](http://www.markit.com/economics)

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