

## News Release

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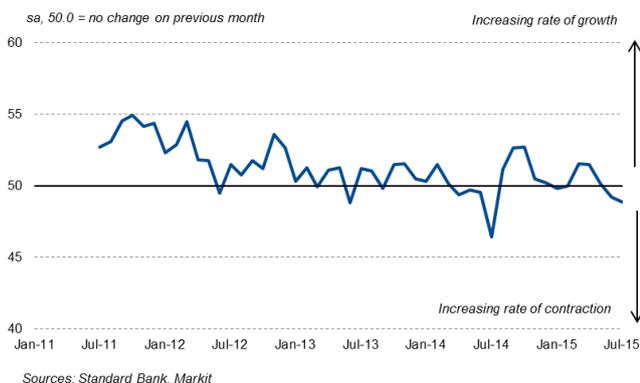
## Standard Bank South Africa PMI™

### Standard Bank South Africa PMI drops to one-year low in July

#### Data collected 13-24 July

- Output, new orders and input buying contract at sharpest rates in 12 months
- Marginal employment growth maintained
- Input cost inflation remains solid as staff costs increase at faster pace

#### Standard Bank South Africa PMI



The latest survey results highlighted a deepening downturn in South Africa's private sector, with output and new orders contracting at the strongest rates in one year. Companies consequently lowered their buying activity, which in turn led to a further fall in inventories. Input costs increased at a rate that was little-changed from June and companies raised their charges further.

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.

At 48.9 in July, down from 49.2 in the previous month, the Standard Bank South Africa PMI posted below the neutral 50.0 threshold for a second month running.

Moreover, the latest index reading was the lowest in one year, signalling a stronger, albeit still modest, deterioration in companies' operating conditions.

#### Commenting on June's survey findings, Walter de Wet, Head of SA Research at Standard Bank said:

*"The July data signalled further contraction in South Africa's private manufacturing sector, with the Standard Bank South Africa PMI falling from 49.2 pts in June to a 12-month low of 48.9 pts in July amid reports of weak economic activity.*

*"The decline in the headline index was driven by another sharp fall in new orders, indicative of subdued demand, as well as supplier's delivery times and stocks of purchases. Output slipped only marginally in July but remained below the benchmark line of 50, while new orders fell for the fourth consecutive month.*

*"Despite the declines, encouraging signs of improvement emanated from the employment sub-component, which held above the 50-benchmark line in July. Indications are that staff costs continue to rise which may curb future hiring amid the manufacturing sector's current constrained growth environment. That said the overall rise in input costs has declined marginally to a 3-month low, largely driven by purchase prices rising at a slower pace.*

*"Lastly, it is worth noting that the Standard Bank South Africa PMI leading indicator (the ratio between new orders and stocks of purchases) remained below 1 for the second consecutive month, indicating that business conditions may remain challenging into Q4:15."*

**The main findings of the July survey were as follows:**

The main downward contributions to the headline PMI came from sharper declines in output and new orders, which companies generally linked to a weakening economic environment and subdued demand. Rates of contraction were the most marked in one year in both cases. Furthermore, the drop in new business was broad-based, as new export orders also fell further.

Despite lower output and falling new orders, some companies hired additional workers in July. However, the rate of job creation was only fractional overall. Meanwhile, companies reported ongoing spare capacity and a further deterioration in suppliers' delivery times.

Overall input costs faced by South African private sector firms increased at a rate that was little-changed from June. Staff costs rose at a faster pace, while purchase prices increased at a slightly weaker rate. Some companies passed higher costs on to their clients, resulting in a further rise in output prices.

Meanwhile, purchasing activity fell at the sharpest rate in a year in July and pre-production inventories declined for the second time in the past three months.

-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 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](mailto:economics@markit.com).

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## About PMI

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