

## News Release

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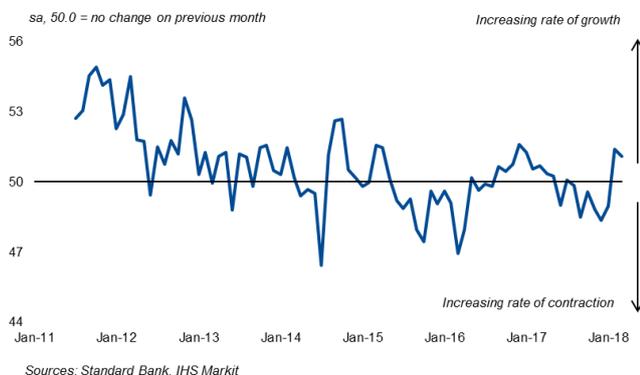
## Standard Bank South Africa PMI®

### Growth in South African private sector continues in March

#### Data collected March 12-27

- PMI registers 51.1, signalling modest improvement in business conditions
- Output, new orders and employment all rise
- Increased cost burdens lead to higher average selling prices

#### Standard Bank South Africa PMI



The latest PMI data from Standard Bank and IHS Markit signalled a further improvement in the health of the South African private sector in March. Business activity increased for the second month in succession as client demand strengthened. Furthermore, new orders rose again in March, though to a lesser extent than that observed in February. Firms reacted to the higher volumes of new business by expanding their workforce numbers. Meanwhile, inflationary pressures continued, driven by higher input costs. In fact, the rate of output price inflation quickened at the end of the first quarter.

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.

Business conditions in the South African private sector continued to improve in March, as signalled by the latest PMI figure posting 51.1, down from 51.4 in February. Despite the rate of growth easing, it remained above the average across the series so far (since July 2011).

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

*"The private sector PMI for March indicated that there was a continued modest improvement in domestic business conditions with the PMI recording 51.1 index points, slightly below February's print of 51.4. YTD (January – March) the PMI has averaged 50.5 compared the 50.8 average recorded over the same period in 2017.*

*"The economy-wide PMI should continue to reflect signs of improving domestic business conditions over the near term. This is premised on the improved political landscape alongside positive interventions in State Owned Enterprises to restore good governance, cabinet renewal in key government positions and recently the Moody's decision to preserve SA's investment grade rating and change the rating outlook from negative to stable. The recent 25bps interest rate cut by the SARB should provide further impetus to domestic demand.*

*"All PMI sub-indices remained in expansionary territory with employment at 51.2 followed by, output recording 51.0 and new orders at 50.9."*

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

Supporting the overall improvement was an increase in business activity, with the latest data marking the second consecutive month of output growth. That said, the rate of

expansion was only modest and had softened from February.

Firms also reported a further increase in total new business during March. New investments coupled with stronger client demand were behind the expansion, according to panel members. That said, weak economic environments in key local trading partners caused foreign sales to decline again at the end of the first quarter.

Nonetheless, higher overall volumes of new orders spurred businesses to increase their staffing levels again in March. In fact, job creation was at a seven-month high, reflecting efforts by employers to expand operating capacity.

Supplier delivery times meanwhile lengthened for the fifteenth month in succession. Panel members commented that stock shortages had hindered supplier performance.

On the price front, a stronger increase in input costs was reported by respondents. Data suggested that both higher purchase and staff prices were factors. Rising fuel costs and unfavourable exchange rates drove purchase prices, whereas increased overtime was the main factor behind higher average wages/salaries. Consequently, average selling prices rose at a quickened pace – the fastest in 2018 so far.

-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™ (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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