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By IHS Markit

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 09:15 (Cape Town) / 07:15 (UTC) 3 October 2018

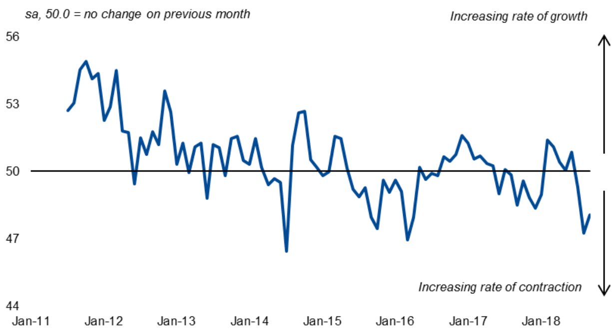
Standard Bank South Africa PMI®

Private sector business conditions continue to deteriorate in September

Data collected September 12-26

- Slower declines in output and new business compared with August
- Faster contraction in new export orders
- Strongest upward pressure on input prices in over two years

Standard Bank South Africa PMI



Sources: Standard Bank, IHS Markit

Operating conditions in South Africa's private sector economy deteriorated for the third straight month in September, reflecting further declines in output, new orders and employment. Export demand weakened further, and firms cut back on purchasing and input stocks. Average purchase prices rose at an accelerated pace, although inflation of both wages and output prices remained relatively subdued in comparison with the trends shown over the seven-year-plus survey history.

The headline Standard Bank South Africa PMI® is a composite single-figure indicator of private sector business performance. 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 of the sector.

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

"Domestic business conditions again deteriorated in September albeit at a slower pace compared to August. This as the economy-wide PMI remained below the 50-nuetral mark at 48.0 index points, an uptick from August's 47.2 index points. Overall, business conditions were broadly unfavourable in 3Q18 as the PMI printed below the 50-netral mark through all three months.

"The recent improvements in the Mining Charter together with President Ramaphosa's economic stimulus plan which includes, among others, plans to reduce cost of doing business, should boost business confidence and investment and, in turn economic growth over the medium term. We expect lacklustre real GDP growth of 0.9% this year, rising to 1.8% next year, and over a longer horizon (post 2019), real GDP growth should average 2.5% per annum through 2022.

"All major sub-indices that make up the composite economy-wide PMI remained below the 50-neutral mark, with the output sub-index coming in at 46.4, new orders 46.7, employment 49.6 and stocks of purchases at 48.4 index points."

The main findings of the September survey were as follows:

The PMI rose from August's 29-month low of 47.2 to 48.0 in September, but still pointed to a third consecutive monthly deterioration in the health of the South African private sector. Four of the five components of the headline figure contributed negatively to the latest reading, the exception being suppliers' delivery times.

The volume of new business received by private sector firms fell for the third month running in September. The rate of decline eased since August but was nonetheless the fifth-fastest registered since the survey began in July 2011. New export business declined for the twelfth month in succession, and at the fastest rate since April. Lower receipts of new orders impacted total business activity and backlogs, which both declined for the third month running.

Rand depreciation continued to exert pressure on overall cost burdens in September. The rate of increase in average purchase prices hit a 26-month record. In contrast, staff costs rose at a slower pace than in August, and one that remained below the long-run survey average.

Although cost pressures increased, the wider recession in the economy limited firms' pricing power. The rate of charge inflation slowed from August's recent high and was weak in the context of historical survey data.

Lower intakes of new business and higher purchase prices discouraged firms from purchasing new inputs in September. Buying activity declined for the third month running, albeit at a slower rate. This contributed to a fourth successive monthly drop in stocks of inputs.

The weak private sector business climate in South Africa was underlined by a further reduction in employment in September. The current three-month sequence of job shedding is the longest in over two-and-a-half years, although the rate of decline remained only marginal in the latest period.

-Ends-

For further information, please contact:

Standard Bank:

Thanda Sithole

Telephone +27-11-415-4285

Email Thanda.Sithole@standardbank.co.za

IHS Markit:

Trevor Balchin, Economics Director

Telephone +44-1491-461-065

Email trevor.balchin@ihsmarkit.com

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email joanna.vickers@ihsmarkit.com

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.

Standard Bank:

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From our head office in Johannesburg, we have developed and refined our universal banking competencies while playing a central role in developing the sophisticated South African financial sector, in what is today a successful developing economy. Our deep roots in South Africa provide a strong base for our growth in Africa, and position us well to realise significant opportunities for clients doing business in these markets.

See more at: http://www.standardbank.com/OurBusiness.aspx

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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.