

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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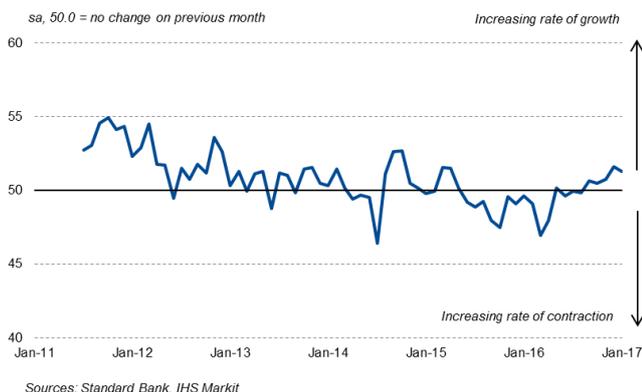
## Standard Bank South Africa PMI™

### Business conditions improve for fifth straight month

#### Data collected 12-27 January

- PMI remains above neutral 50.0 mark but signals only modest expansion
- Slight rises in output and new work
- Rate of job creation eases

#### Standard Bank South Africa PMI



This press release contains the latest release of data collected from the monthly survey of business conditions in the South African private sector. The survey, sponsored by Standard Bank and produced by Markit, 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™).

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.

Although dipping slightly from December's 21-month high of 51.6, the seasonally adjusted Standard Bank South Africa PMI remained in growth territory at 51.3 in

January. The latest reading was above the fourth quarter average of 50.9 (the best for two years), despite pointing to only a modest improvement in business conditions overall.

#### Commenting on January's survey findings, Kuvasha Naidoo, Economist at Standard Bank said:

*"January's expansion in economic activity extended December's trend, further supporting the idea that domestic growth may have troughed."*

*"Exports continued to suffer, however, recording an accelerated pace of contraction in January month-on-month. This was while overall demand continued to expand (albeit at a slower pace). In response, output, a measure of supply in the private sector, also expanded at a more moderate pace in January. The steady rise in supply is in line with deteriorating lead times as indicated by the suppliers' delivery times index falling below 50 and is also consistent with a corresponding expansion in employment."*

*"The leading PMI indicator (new orders over inventories) dipped below 1.0 in January as inventories responded to stronger demand. Solid domestic demand would likely need to be sustained in order for stocks of purchases to continue to accelerate."*

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

New business in South Africa's private sector rose only slightly in January. Growth had quickened to its highest since March 2015 during December, but eased in the latest period amid a sharper fall in exports. Some firms blamed the loss of major international contracts.

Likewise, private sector output increased at a weaker pace. That said, the rise marked a five-month expansionary sequence – the longest since the early part of 2012. Anecdotal evidence indicated that higher budgets and incoming new work had helped bolster activity.

With client demand remaining on an upward trajectory, job creation was sustained in January. The latest rise in employment was the seventh in as many months, albeit modest overall. A larger workforce enabled firms to clear some outstanding business for the second successive month.

Purchasing activity showed a similar trend to output and new orders, rising at a slightly reduced rate in January.

Growth of input buying was nevertheless in line with the average over the current four-month period. Stocks of purchases also rose, with the rate of inventory building hitting a 21-month peak.

Meanwhile, suppliers' delivery times lengthened for the first time in three months. Customs delays and inadequate stocks were the main causes, according to panellists.

On the price front, cost pressures remained solid but historically muted. Both salaries and purchase costs increased, driven in part by bonus payments and a weak rand respectively. Charges continued to rise as a result.

-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.

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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.

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**About PMI**

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