

News Release

Purchasing Managers' Index[™]
MARKET SENSITIVE INFORMATION
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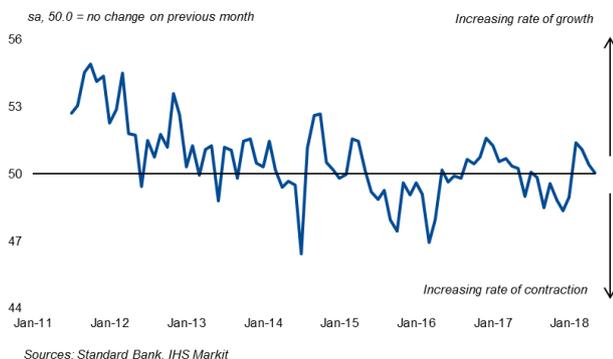
Standard Bank South Africa PMI[®]

Business conditions remain unchanged in May

Data collected May 11-29

- PMI registers 50.0, signalling no change in overall business conditions in the private sector
- Business activity contracts
- New orders and employment both continue to rise, but at slower rates

Standard Bank South Africa PMI



The latest PMI data from Standard Bank and IHS Markit indicated that overall business conditions in the South African private sector were unchanged during May. Latest survey data signalled that greater volumes of new orders and rising employment contrasted with a contraction in business activity. Elsewhere, purchasing activity rose for the first time in three months as new business increased further. Cost pressures meanwhile continued during May, fuelling a sustained rise in output prices. That said, both cost burdens and average selling prices rose to a lesser extent than in April.

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 remained unchanged in May, as signalled by the latest headline figure posting 50.0, down from 50.4 in April. A contraction in output weighed on the overall PMI, but this was offset by rises in new orders, stock levels and employment, as well as increases in delivery times.

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

"The economy-wide Purchasing Managers' Index (PMI) indicated that domestic business conditions remained neutral (unchanged) in May, with the index posting 50 points compared to April's 50.4 points.

The PMI jumped to 51.4 in February 2018 following positive political developments that emerged from the ANC's December 2017 conference. However, since then, the PMI has been gradually moderating each month indicating a modest slowdown in the rate at which business conditions have been improving. This will likely be reflected in the 1Q18 GDP numbers which will be released later today and which we expect contracted 0.4% q/q (saar).

Nonetheless, today's PMI print together with our 1Q18 growth forecast does not alter our GDP growth forecast of 1.8% in 2018 and 2.2% in 2019. In our view the PMI will, during the remainder of 2018, largely show signs of improving domestic conditions. In other words, domestic business conditions should be better in 2018 compared to 2017, aided by our expectation of continued momentum in consumption expenditure. Several factors, such as the ongoing debate on land expropriation, elevated international oil prices and a volatile rand, remain key risk to our PMI outlook."

The main findings of the May survey were as follows:

Business activity contracted for the second month in succession during May. Panel members mentioned that product shortages and weaker market conditions were factors driving the decline. However, the pace of decrease was modest, having slowed from April.

On a more positive note, South African private sector firms continued to win new business during May, though at a slower pace. Evidence suggested domestic orders drove demand as exports remained in contraction territory.

Furthermore, workforce numbers rose for the fifth month running mid-quarter. However, as was the case with new orders, job creation was fractional and the slowest in the current sequence of employment growth.

Supplier delivery times lengthened in the middle of the second quarter, though the extent to which vendor performance deteriorated was only fractional.

On the price front, overall input costs rose in May, driven in part by the recent VAT hike. Both higher staff costs and purchase prices also contributed to the overall increase. Despite easing from April, the rate of input price inflation in the South Africa private sector remained solid.

Businesses reported a subsequent increase in average selling prices during May. As was the case with cost burdens, the rate of output price inflation eased from April.

-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.

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

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