

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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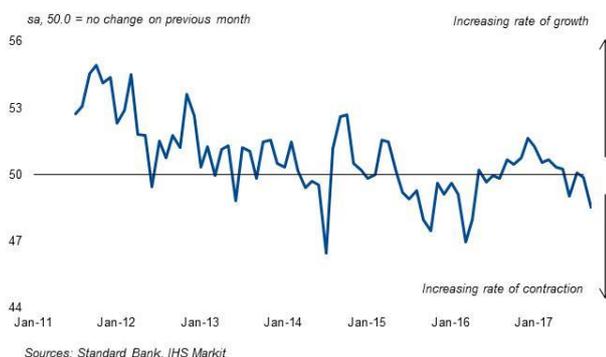
## Standard Bank South Africa PMI<sup>®</sup>

### Business conditions deteriorate in South African private sector

#### Data collected 12-27 September

- PMI registers below 50.0 no-change mark for second month in a row
- Output, new orders and employment all fall
- Drop in new work the sharpest in 17 months

#### Standard Bank South Africa PMI



The latest PMI survey data from Standard Bank and IHS Markit signalled a further contraction in the South African private sector in September. The overall deterioration in business conditions was the greatest seen over the past 17 months. The decline reflected challenging economic conditions and was driven predominantly by falling output, new orders and employment. The latest survey data also indicated a rise in inflationary pressures at private sector firms. Both overall input costs and output prices rose at sharper rates.

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.

The PMI registered 48.5 in September, down from 49.8 in August, indicating a moderate decline in business

conditions. In fact, the second successive monthly deterioration was the most marked since April 2016.

#### Commenting on September's survey findings, Kim Silberman, Economist at Standard Bank said:

*"Stagflationary stress characterised the PMI survey in September: measures of actual growth and expectations of future growth deteriorated, while measures of inflation rose. Rising costs of doing business are expected to put pressure on private sector margins as well as consumer inflation, as the burden is shared between producer and consumer.*

*Although export orders increased marginally for a second consecutive month, we note that unlike in the past, domestic demand over the last 18 months has not responded to an improved global growth environment.*

*The fall in staffing levels is in line with Standard Bank's expectation of net job losses in 2017 and lower inventory levels indicate that demand is likely to continue to weaken, feeding into a slowdown in GDP growth in Q3."*

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

For the sixth consecutive month, output at South African private sector firms declined, with the latest figure pointing to the strongest contraction in 17 months. Both anecdotal evidence and the data linked the reduction to a fall in new orders and a lack of demand.

New business received by private sector firms also declined in September, the third time in the past four months that this has been the case. Notably, the rate at which new orders fell accelerated to the fastest since

April 2016. On the other hand, new export orders increased marginally for the second month in a row.

Declines in output and new orders resulted in a first decrease in staffing levels in three months. Moreover, the fall was the fastest in 17 months.

Inventories were depleted alongside a decrease in the quantity of inputs purchased. Purchasing activity has now decreased in four of the past five months. Anecdotal evidence suggested challenging market conditions were to blame for the latest fall. Suppliers' delivery times remained broadly unchanged following eight months of lengthening. Falling new orders also meant pressure on

capacity was released, leading to another reduction in backlogs of work.

Inflationary pressures increased further in September as both overall input costs and output prices rose at faster rates. Purchase prices increased more quickly than staff costs, although the latter rose following a slight fall in August. Output price inflation was the fastest since January.

-Ends-

#### **For further information, please contact:**

##### **Standard Bank:**

Kim Silberman

Telephone +27-11-415-4430

Email [Kim.Silberman@standardbank.co.za](mailto:Kim.Silberman@standardbank.co.za)

##### **IHS Markit:**

Gabriella Dickens, Economist

Telephone +44-1491-461-008

Email [gabriella.dickens@ihsmarkit.com](mailto:gabriella.dickens@ihsmarkit.com)

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email [joanna.vickers@ihsmarkit.com](mailto: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](mailto:economics@ihsmarkit.com).

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

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#### About PMI

*Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>®</sup>) 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 [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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