

News Release

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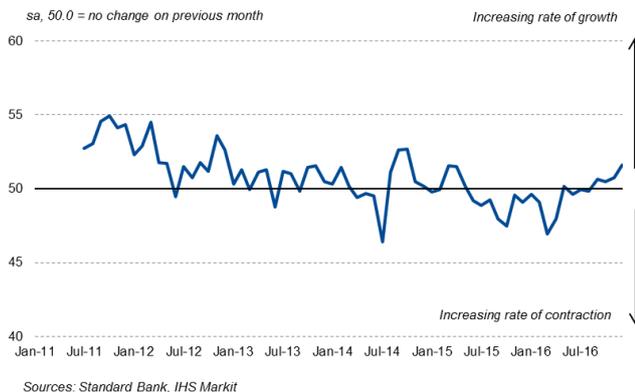
Standard Bank South Africa PMI™

Private sector growth moves up a gear in December

Data collected 6-20 December

- Output and new business rise at fastest rates in 21 months
- Job creation evident for sixth straight month
- Cost pressures intensify but remain relatively subdued

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.

Business conditions in South Africa's private sector improved at a pace not seen since early-2015 during

December. This was signalled by the seasonally adjusted Standard Bank South Africa PMI rising from 50.8 in November to 51.6. Though still pointing to modest growth, the latest reading rounded off the best quarter for two years (average: 50.9).

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

"The upswing in economic activity was sustained in December, supporting the suggestion that South African growth may have troughed. However, the survey also provides evidence that those sectors reliant on exports are under pressure, perhaps as a result of the USDZAR exchange rate staying below 15.00."

"The survey indicates that although inflationary pressure increased it was not demand driven as capacity remained underutilised i.e. backlogs of work declined and staff costs rose at a slower rate. Rather it has been supply side forces such as higher oil and steel prices which were cited as contributing to an uptick in the purchase prices index."

"The recovery in South Africa's PMI is in line with the recovery in the November PMIs for China and the Eurozone (which showed the best reading since December 2015)."

The main findings of the December survey were as follows:

The overall upturn was bolstered by faster expansions of output and new work in December. Both rose to the greatest extent in 21 months, with anecdotal evidence highlighting a general improvement in client demand. Some firms also mentioned investing in new machinery, which helped them raise output.

That said, growth of total new work was dampened by falling exports. The amount of new orders from abroad dropped for the second straight month, despite reports of orders from Russia and some African economies.

The overall improvement in demand was nevertheless sufficient to generate another round of job creation in December. The rate of hiring eased slightly since November, but remained stronger than the series average. A larger workforce contributed to a decline in outstanding business, reversing November's rise.

Purchasing activity also rose in line with greater workloads. Though remaining modest, the rate of growth accelerated to a 19-month high. Pre-production inventories increased at a similarly moderate pace.

Despite a further pick-up in demand for inputs, companies noted a lack of pressure on supply chains.

Average lead times shortened for the fifth time in seven months, with panellists referring to competition between suppliers.

On the price front, both input costs and output charges rose more quickly in December. The former was reportedly driven by higher raw material costs (notably oil and steel), which in turn fed through to firms' selling prices. However, the respective rates of inflation remained slower than long-run trends.

-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.

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About PMI

Purchasing Managers' Index® (*PMI*®) surveys are now available for over 30 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.

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