

## News Release

**Purchasing Managers' Index<sup>™</sup>**  
**MARKET SENSITIVE INFORMATION**  
**Embargoed until: 09:15 (Cape Town) / 07:15 (UTC) July 5<sup>th</sup> 2017**

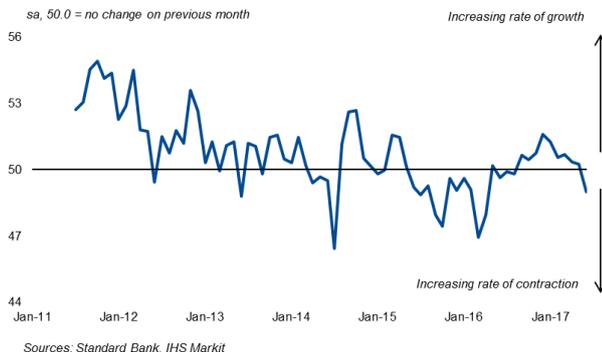
## Standard Bank South Africa PMI<sup>®</sup>

### South African private sector output contracts in June

#### Data collected 12-28 June

- Sharpest fall in business activity since April 2016
- PMI below 50.0 as new orders and employment also decline
- Inflationary pressures remain weak

#### Standard Bank South Africa PMI



This report 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 IHS 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<sup>™</sup> (PMI<sup>®</sup>).

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 deterioration.

The Standard Bank South Africa PMI fell below the no-change mark of 50.0 in June, registering 49.0, down from 50.2 in May. This signalled a slight deterioration in overall

private sector operating conditions, and halted a nine-month sequence of improvement.

#### Commenting on June's survey findings, Shireen Darmalingam, FX strategist at Standard Bank said:

*"The June SA PMI fell to 49.0, below the 50-benchmark line, which separates expansion from contraction, and marks the sixth consecutive monthly decline in the index. Worryingly, four sub-components of the index had negative contributions in June. The Employment sub-component reflected the largest decline in June, followed by Output and New orders. Stocks of purchases also fell, although its subtraction from the overall index was more muted in June. We expect the index to remain pressured as the SA economy battles with low business confidence and slow economic activity as reflected in the recent recessionary Q1:17 GDP data."*

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

The negative influences on the PMI in June were declines in output, new orders, employment and stocks of purchases. Only suppliers' delivery times had a positive contribution to the headline figure.

Private sector business activity in South Africa declined for the third successive month in June. Moreover, the rate of contraction accelerated to the fastest since April 2016. The main influence on the drop in overall activity was a reduction in the volume of incoming new business for the first time since October 2016. Moreover, new export orders declined for the eighth consecutive month.

Spare capacity was evident in the South African private sector in June, as the level of outstanding business declined at the fastest rate since June 2016. With a lack

of incoming new work, firms reduced their staffing levels on average for the first time in a year.

Purchasing operations were scaled back in June as the volume of incoming new business declined. Input buying in the private sector fell for the second month running, and at a slightly faster rate than in May. Subsequently, stocks of purchases declined for the second month in a row. Despite reduced pressure on suppliers, their delivery times lengthened to the greatest extent since March 2016.

Inflationary pressures in the South African private sector remained weak in June, despite strengthening slightly compared with May. Input and output prices rose at the fastest rates in four and five months respectively, albeit ones that were still among the weakest seen over the survey history.

-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:**

Trevor Balchin, Senior Economist

Telephone +44-1491-461-065

Email [trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@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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#### About PMI

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

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