

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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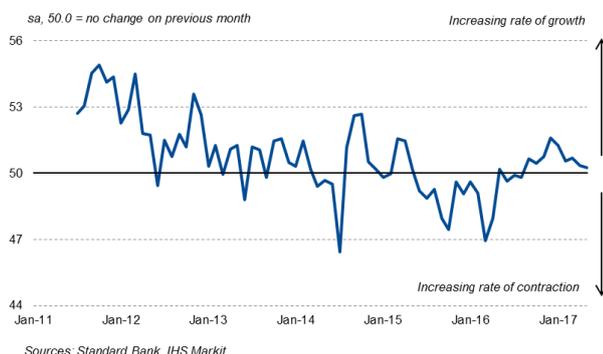
Standard Bank South Africa PMI™

South African private sector growth slows further in May

Data collected 12-26 May

- PMI only just above neutral threshold of 50.0
- Business activity and new work largely unchanged from April
- Input price inflation slows further to new survey record low

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™ (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.

The Standard Bank South Africa PMI remained above 50.0 for the ninth month running in May, signalling the

longest sequence of overall improvement in operating conditions in five years. That said, the PMI fell for the fourth time in five months from 50.3 in April to 50.2, signalling only fractional growth that was the weakest over the current expansionary sequence.

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

"The PMI printed above 50 for ninth successive month, albeit falling to 50.2 in May from 50.3 in April. YTD (January – May) the PMI has averaged 50.6 compared 48.8 recorded in the same period last year. In 2016 the PMI averaged 49.7 peaking at 51.6 in December 2016 and has so far been volatile trending towards the 50 neutral mark separating expansion from contraction.

"New orders fell to 50.1 from 50.4 in April signalling persistent weak demand. Output remained below 50 at 49.9 from 49.6 in April due to weak economic activity and lack of new work. Surprisingly the employment index remains in expansionary terrain."

The main findings of the May survey were as follows:

The main positive influences on the PMI in May were growth of employment and longer suppliers' delivery times. Output and new orders were both broadly neutral and stocks of purchases contracted during the latest period, weighing on the PMI.

Data on new business inflows revealed weak underlying business conditions in the South African private sector economy in May. The volume of new work received was broadly unchanged since April, following only modest growth in the first four months of 2017. Notably, the level of new export business declined for the seventh

consecutive month and at the fastest rate since October 2015.

Reflecting the trend in new business, output was broadly flat in May. Moreover, the volume of outstanding business was little-changed since April, indicating a lack of pressure on capacity.

With overall workloads broadly stagnant during the month, private sector firms in South Africa lowered their purchasing activity. This followed a seven-month sequence of growth. Despite this, suppliers' delivery times lengthened to the greatest extent in four months.

The main positive finding from the latest survey was a further rise in employment. The current 11-month sequence of private sector job creation is the longest observed in four years. That said, the rate of workforce growth was only marginal.

Average purchase prices were broadly unchanged in May. Meanwhile wage inflation remained historically subdued, resulting in a new record low rate of overall input price inflation during the month.

-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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