News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 09:15 (Cape Town) / 07:15 (UTC) January 4th 2018

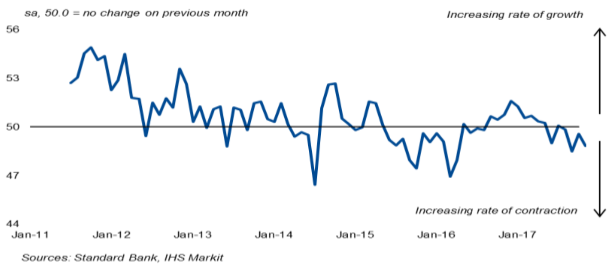
Standard Bank South Africa PMI®

South African private sector experiences further deterioration in business conditions

Data collected December 5-19

- At 48.4, PMI signals decline in the health of the South African private sector
- Output falls at the fastest pace observed in 21 months
- Output price inflation eases slightly, despite a stronger uptick in cost burdens

Standard Bank South Africa PMI



December PMI survey data from Standard Bank and IHS Markit signalled a decline in the health of the South African private sector for the fifth month in a row. A reduction in business activity formed the basis for the deterioration as output fell at a strong and accelerated pace. New business also decreased, but at a slightly softer rate than observed in November. Amid a lack of demand, firms continued to contract their workforce numbers, purchasing activity and inventories. On the price front, there was an uptick in cost burdens as purchase prices were driven higher. That said, output price inflation eased as firms partially absorbed higher input prices.

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 deteriorated further in the South African private sector in December, as signalled by the PMI registering at 48.4, down from 48.8 in November. In fact, December's survey data indicated the fastest decline in 20 months.

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

"The private sector PMI remained in contractionary terrain, dropping to 48.4 in December from 48.8 in November, marking the fifth consecutive month of deteriorating domestic business conditions and was the fastest pace of decline observed in 20 months.

The decline in the PMI is likely to persist in the near term amid deteriorating fiscal outlook and elevated risk of further sovereign ratings downgrades. However, further declines in the private sector PMI could potentially be averted should the governing party work tirelessly to restore lost business confidence.

In 2017 the economy-wide PMI averaged 49.8, slightly higher than the 49.7 average for 2016 but lower than the 50.6 historical average. This reflects continued lack of economic optimism and generally weak domestic economic activity.

The decline in the private sector PMI in December was broad-based and was largely driven by continued declines in output (supply) which registered the fasted pace of decline observed in 21 months. This was followed by further decline in new orders (demand), stocks of purchases (inventories) and employment."

The main findings of the December survey were as follows:

A reduction in business activity was the main influence over the decline in business conditions, as output fell at the fastest pace observed in 21 months. Contractions in output were often linked to a lack of client demand and challenging market conditions.

Total new orders also fell, though at a slightly softer pace than observed in the previous month. Moreover, new business from abroad decreased as political tensions continued.

Private sector businesses reacted to falling workloads by contracting their capacity further. Employment decreased at a solid rate, while purchasing activity was reduced at the quickest pace observed in over three years. Consequently, inventories continued to deplete.

Despite a contraction in capacity, firms were still able to work through their outstanding business as backlogs continued to decline. On the other hand, suppliers' delivery times lengthened further due to delays at certain ports and product shortages.

Meanwhile, higher purchase costs led to an uptick in cost inflationary pressures. Panel members largely attributed the increase to higher raw materials costs and unfavourable exchange rates.

That said, data suggested that businesses partially absorbed the rise in input costs, as output charges increased at a slower pace than cost burdens.

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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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About PMI

Purchasing Managers' Index™ (PMI®) 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.