

## News Release

**Purchasing Managers' Index<sup>™</sup>**  
**MARKET SENSITIVE INFORMATION**  
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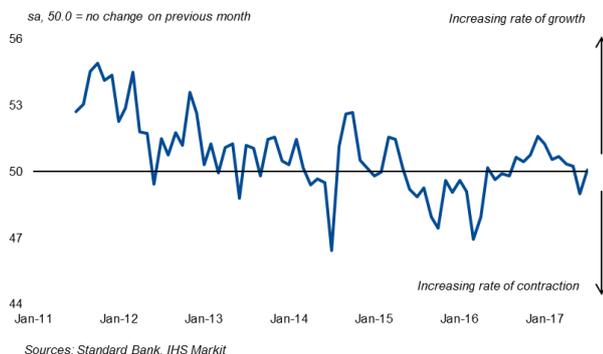
## Standard Bank South Africa PMI<sup>®</sup>

### South African private sector business conditions remain weak

#### Data collected 12-27 July

- PMI rises to 50.1, signalling little improvement in business climate
- Higher new business and employment offset by lower output
- Slowest rise in wages in six-year survey history

#### 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 a deterioration.

The Standard Bank South Africa PMI rose from 49.0 in June to 50.1 in July, signalling broadly no change in overall private sector operating conditions at the start of

the second half of 2017. The latest figure is the second-lowest in the past 11 months and below the six-year long-run survey average of 50.7.

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

*"The private sector PMI climbed above the 50 mark reaching 50.1 in July from 49.0 in June. At 50.1 as well as 50.3 average recorded between January-July this year, the PMI is marginally above the 49.7 average recorded in 2016. This means that private sector prospects are slightly better now than last year and could even improve more meaningfully should domestic policy execution become positive and entrenched."*

*"Indices tracking new orders, employment and stocks of purchases climbed above 50 while that tracking output improved but remained in contractionary terrain."*

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

The rise in the PMI in July reflected renewed growth in new business, employment and stocks of purchases and a slower fall in output.

Private sector business activity in South Africa declined for the fourth successive month in July. The rate of contraction slowed since June, but was still the second-fastest registered since April 2016.

Output declined despite a renewed rise in new work. New business grew at the fastest rate since March, albeit one that was modest overall. A further decline in new export sales weighed on growth of total new orders.

Private sector employment also rose in July, following the first decline in a year in June. Though marginal overall,

job creation helped firms to cut the level of outstanding business for the second consecutive month.

Purchasing operations were stepped up in July as the volume of incoming new business grew. Input buying in the private sector rose for the first time in three months, albeit at a weak rate. Subsequently, stocks of purchases also expanded slightly and for the first time since April. Suppliers' delivery times lengthened, albeit only slightly.

Inflationary pressures in the South African private sector remained relatively weak in July. This mainly reflected a survey-record low rate of wage inflation during the month. Purchase prices increased at the strongest rate in six months, albeit one that remained weaker than the six-year long-run survey average.

-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](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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