

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**Embargoed until: 0915 (Cape Town) / 0715 (UTC) March 3<sup>rd</sup> 2017**

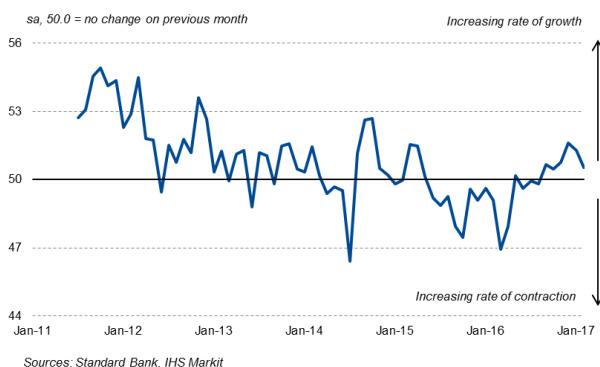
## Standard Bank South Africa PMI™

### South African business conditions improve further, but at weaker rate

#### Data collected 10-24 February

- PMI remains above 50.0 for sixth month running, longest sequence in nearly three years
- Weaker growth of both output and new orders
- Output price inflation slows to 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 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 sixth month running in February, the longest sequence of positive readings in nearly three years and

signalling an ongoing improvement in private sector operating conditions. That said, the PMI fell further from December's 21-month high of 51.6 to 50.5, indicative of only a slight improvement. The latest figure was below the long-run survey average of 50.8.

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

*"The private sector PMI encouragingly remained above 50 for a sixth consecutive month in February, albeit slowing to 50.5 from 51.6 and 51.3 in December and January respectively. This was above the 49.7 average for 2016 and the 50.9 average for Q4:2016, indicating gradually improving prospects for economic conditions in the months ahead.*

*"Indices tracking output, new orders, employment and stocks of purchases moderated, but remained above 50 while suppliers' delivery times remained below 50 but improved to 49.6.*

*"New export orders remained in contractionary terrain but improved marginally reaching 47.3, in part due to the recent rand strengthening. Demand for domestic exports will remain under pressure should the rand strength persist in 2017."*

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

South African private sector output increased for the sixth successive month in February, the longest sequence of growth in nearly five years. That said, the rate of expansion eased and was the slowest registered over the aforementioned period. In a sign of a lack of pressure on operating capacity, the volume of outstanding business was broadly unchanged since January.

The volume of new business increased for the fourth month running in February. That said, the rate of growth slowed further from December's 21-month high, and was only marginal. New business volumes were weighed down to some extent by a further reduction in new export orders, which was partly linked to the recent strength of the rand.

Although growth of new business slowed during February, firms continued to expand their purchasing activity. Input stocks also increased, albeit at a marginal pace.

Private sector employment rose for the eighth month running in February, the longest period of job creation in nearly four years. The rate of workforce growth was

modest, and broadly in line with the long-run survey average.

February data indicated a weakening in cost pressures. Overall input prices rose at a rate that almost matched the survey-record low set in February 2015. This reflected a series-record low rate of purchase price inflation linked to the strong rand, and a slower increase in labour costs. With muted cost pressures, firms raised their own prices at the weakest rate in the five-and-a-half-year survey history.

-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](mailto:economics@ihsmarkit.com).

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*Purchasing Managers' Index*<sup>®</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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