

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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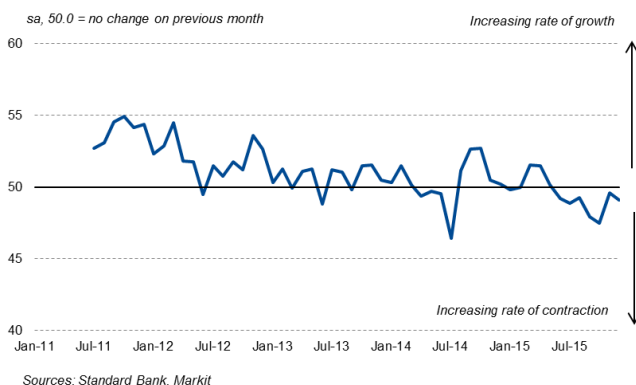
## Standard Bank South Africa PMI™

### Downturn in South Africa's private sector extends to seven months

#### Data collected 4-21 December

- Private sector output falls at sharper rate amid renewed decline in new business
- Marginal drop in employment
- Output prices increase at fastest pace since May

#### Standard Bank South Africa PMI



The downturn in South Africa's private sector continued in December, with output declining at an accelerated pace and new business falling for the sixth time in seven months. Further job shedding was reported and companies lowered their buying activity again. Meanwhile, average selling prices rose at a faster pace despite input cost inflation slowing fractionally.

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.

December data highlighted a continuation of the downturn in South Africa's private sector that started in June. Moreover, the rate at which business conditions deteriorated was slightly stronger than that seen in

November. This was highlighted by the seasonally adjusted Standard Bank South Africa PMI falling from 49.6 to 49.1.

#### Commenting on December's survey findings, Oliver Kolodseike, Economist at Markit said:

*"South Africa's private sector remained in the doldrums in December, thereby continuing the trend that has defined the second half of 2015. Poor market conditions and a lack of demand were some of the factors weighing on the country's performance, according to survey respondents.*

*"With business outstanding falling further and conditions in the sector showing no signs of immediate improvement, companies continued to cut jobs, although the rate of job shedding remained marginal overall.*

*"Meanwhile, the price indices remained elevated in December, as the rand's continued depreciation raises the cost for imported goods and services."*

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

Poor market conditions and a lack of demand were the main drivers behind the latest drop in output, according to anecdotal evidence. Activity fell at a sharper rate than in November, with around 15% of panellists noting a decrease.

Meanwhile, companies reported a renewed decline in new business, following a stabilisation in the previous month. The decline was only marginal, however. New orders from foreign markets also decreased during the month.

As has been the case since September, employment in South Africa's private sector fell marginally in December.

Meanwhile, spare capacity was evident in the sector, as backlogs of work declined for the thirteenth successive month.

Input costs rose further in December. The rate of inflation was little-changed since the previous month, as a weaker increase in average staff costs offset a sharper rise in purchase prices. Companies continued to pass on higher

costs to their clients, as highlighted by a rise in output prices.

Subdued demand remained one of the main reasons for companies to reduce their buying activity in December. Lower input buying in turn contributed to a further reduction in pre-production inventories.

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

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##### **About PMI**

*Purchasing Managers' Index*® (PMI®) 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/economics](http://www.markit.com/economics).

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