News Release

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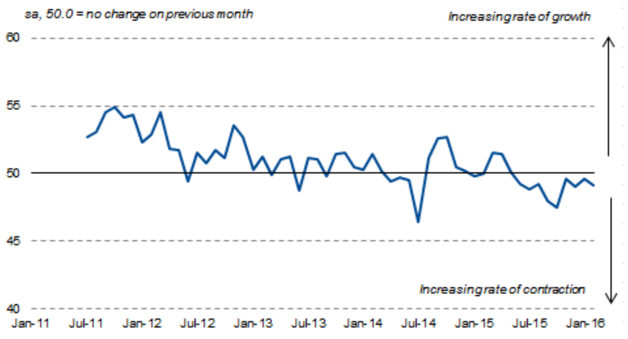
Standard Bank South Africa PMI™

Downturn in South Africa's private sector extends to nine months

Data collected 12-25 February

- Output and new orders decline at sharper rates, despite marginal employment gain
- Backlogs of work fall at fastest pace since last June
- Strongest rise in input costs in nearly two years

Standard Bank South Africa PMI



Sources: Standard Bank, Markit

February data signalled a continuation of the downturn in South Africa's private sector that started last June. Output and new orders both fell at accelerated rates, buying activity declined and work-in-hand decreased markedly. Meanwhile, input costs rose at the steepest rate in nearly two years, which in turn led to a sharp increase in output charges.

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.

Operating conditions at South African private sector companies deteriorated for a ninth successive month in February. This was highlighted by the seasonally adjusted Standard Bank South Africa PMI registering 49.1. This was down from 49.6 in January and pointed to a modest worsening of conditions.

The main downward contributions to the headline index came from sharper declines in output and new orders, which companies generally attributed to a fragile economic environment. The data highlighted a broad-based decrease in new order intakes, as new export orders also fell.

Commenting on February's survey findings, Kuvasha Naidoo, Economist at Standard Bank said:

"February's PMI retraced December's print of 49.1, with accelerating rates of contraction recorded in three out of the five weighted categories. Specifically, the two largest categories – output and new orders, which have been in contraction for ten and three months respectively – provided the largest drags to the headline index, and were attributed to weak economic conditions. De-stocking was also evident, with stocks of purchases recording a marginal acceleration in contraction.

"Notably, despite the weak currency new export orders also swung into contractionary territory in February.

"Inflationary pressures may start to erode some of SA's competitive advantage; the rise in input prices, particularly purchase prices, attributed to the exchange rate and staff costs, resulted in companies increasing their selling prices by one of the fastest rates recorded over the past two years."

The main findings of the February survey were as follows:

Reflective of weaker demand, companies scaled back their buying activity during the month. However, the pace of decline was only marginal overall. Consequently, pre-production inventory holdings also fell slightly.

Companies signalled ongoing spare capacity in February, as highlighted by the sharpest reduction in business outstanding in eight months. Nevertheless, companies added to their payrolls for the first time since last August. The rate of job creation was marginal, however.

Exchange rate factors and higher prices for certain raw materials led to sharply rising input costs in February. The rate of cost inflation was in fact the steepest in almost two years. Purchase prices and staff costs both rose at accelerated rates. Some firms passed higher input costs on to their clients, resulting in the strongest rise in charges since last May.

Finally, suppliers' delivery times continued to lengthen at a moderate rate.

-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.

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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.