

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

Embargoed until: 0915 (Cape Town) / 0715 (UTC) February 3rd 2016

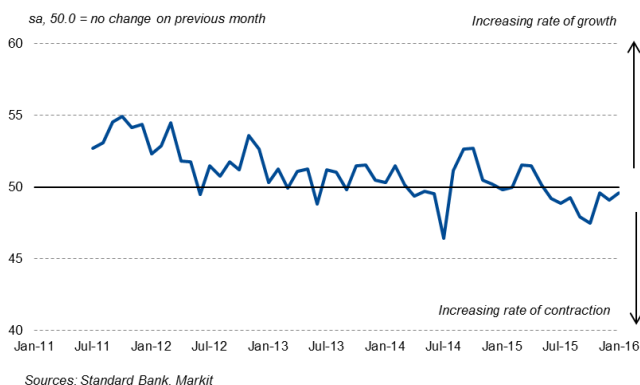
Standard Bank South Africa PMI™

Headline PMI improves as output moves closer to stabilisation

Data collected 12-27 January

- Marginal downturn in South Africa signalled as PMI rises to 49.6, from 49.1
- New export orders stabilise, but total new work falls further
- Weakest rise in staff costs in survey's history

Standard Bank South Africa PMI



South Africa's private sector remained in decline at the start of 2016, with employment, new orders and output all falling since December. However, rates of contraction were only marginal in all three cases. Moreover, while the weak rand helped exports to stabilise, it also exerted some upward pressure on input costs, resulting in the steepest increase in overall input costs for five months.

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 seasonally adjusted Standard Bank South Africa PMI rose from December's 49.1 to 49.6 in January, thereby signalling a slowing in the rate at which business conditions deteriorated.

Although South Africa's private sector firms reported a ninth consecutive monthly fall in output in January, the pace of decline slowed substantially since December and was only marginal overall.

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

"Although the PMI improved in January 2016 versus December 2015, the reading below 50 indicates that the private sector remains in contraction. Both demand and supply side PMI indicators imply sustained weakness in South Africa's economy.

"The increase in input costs, as a result of a weaker rand, is negative for producers' margins, especially for producers that supply to the domestic market; we anticipate SA will fall further into a downward phase of the business cycle in 2016 and that rising producer costs will not be easily passed onto consumers. However, if the slower growth in staff costs experienced in January is sustained, this could counter margin compression to some extent and provide support for both domestic and export orders in the future.

"We expect the weak currency will start to have a positive effect on those industries which are import substituting, and may result in the PMI gaining ground later in the year."

The main findings of the January survey were as follows:

New business also fell slightly during the month, as a difficult economic environment continued to act as a barrier to growth. However, new export orders stabilised, as the weak rand made South African goods and services cheaper for clients abroad.

Meanwhile, a lack of new orders resulted in a further decline in work outstanding in January, signalling spare capacity at businesses. Consequently, some firms reduced their workforce numbers. However, the rate of job cuts was only marginal.

Sharply rising purchase prices (generally linked to unfavourable exchange rates) led to a further steep rise in overall input costs at the start of 2016. Meanwhile, average staff costs rose at the weakest rate on record. Some firms passed higher costs on to their clients, resulting in a further rise in average charges.

January saw purchasing activity broadly stabilise, with the latest reduction only marginal overall. Meanwhile, stocks of purchases also fell fractionally.

Suppliers' delivery times rose marginally in January, signalling ongoing modest pressure on supply chains in South Africa's private sector.

-Ends-

For further information, please contact:

Standard Bank:

Kuvasha Naidoo

Telephone +27-11-415-4183

Email Kuvasha.aidoo@standardbank.co.za

Markit:

Oliver Kolodseike, Economist

Telephone +44-1491-461-003

Email oliver.kolodseike@markit.com

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email joanna.vickers@markit.com

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.

Standard Bank:

Standard Bank are a universal bank and full-service financial group offering transactional banking, saving, borrowing, lending, investment, insurance, risk management, wealth management and advisory services.

From our head office in Johannesburg, we have developed and refined our universal banking competencies while playing a central role in developing the sophisticated South African financial sector, in what is today a successful developing economy. Our deep roots in South Africa provide a strong base for our growth in Africa, and position us well to realise significant opportunities for clients doing business in these markets.

See more at: <http://www.standardbank.com/OurBusiness.aspx>

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund

administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

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.

The intellectual property rights to the Standard Bank South Africa PMI™ provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Standard Bank use the above marks under licence. Markit is a registered trade mark of Markit Group Limited.