News Release

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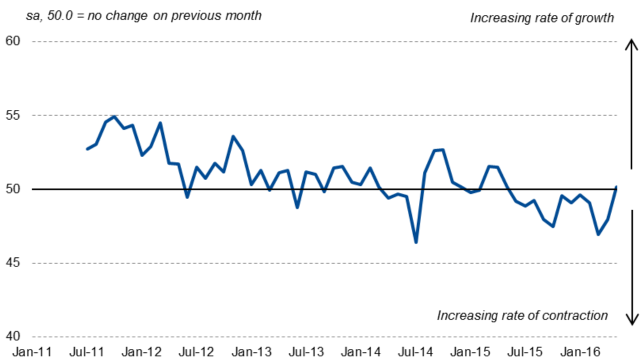
Standard Bank South Africa PMI™

PMI rises above the crucial 50.0 mark for the first time in a year

Data collected 12-26 May

- Headline PMI posts 50.2 in May to signal marginal improvement in operating conditions
- Stronger demand from export markets supports increase in overall new business
- Input cost inflation accelerates

Standard Bank South Africa PMI



Sources: Standard Bank, Markit

Operating conditions at South African private sector businesses improved for the first time in a year during May, mainly driven by a return to new order growth and renewed job creation. However, output continued to decline and companies remained cautious about their stock policies. Inflationary pressures accelerated, with both input and output prices rising at stronger rates.

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 April's 47.9 to 50.2 in May. Although signalling overall growth in the sector, the underlying pace of expansion was only fractional.

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

"The improvement in May's PMI to above 50 points for the first time in 12 months is a welcome turning point in the data. However, more above-50 point prints will be necessary to make a trend that instills investment confidence.

"The rise in the PMI was driven by new orders on the back of rising external demand as well as new clients and investments, which also had a positive impact on employment during the month. However, challenging economic conditions resulted in actual output remaining in contraction. Output was also negatively impacted by rising input costs despite expanding new orders. Both input and output costs rose during the month.

"Interestingly, the three-month moving average of the leading PMI indicator is above 1.0, which implies that new orders are exceeding stocks of purchases. We would have to see a corresponding rise in inventories to above 50 for the ratio to meaningfully signal future expansion in the private sector."

The main findings of the May survey were as follows:

The first increase in new order intakes for six months was the main contributor to the improved PMI figure, with companies commenting on new clients and increased investments. The survey results also highlighted that stronger demand from export markets supported overall new business wins.

With a renewed increase in new work, companies were encouraged to add to their payrolls during May. Employment rose for the first time in three months, albeit marginally. Meanwhile, backlogs of work continued to

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decline, pointing to ongoing spare capacity in the sector and supplier delivery times lengthened slightly.

May data signalled an ongoing decline in output volumes, as economic conditions remained challenging. However, the latest drop in activity was only fractional.

Despite the slight rise in new work, companies lowered their buying activity further during the month, which some panel members attributed to rising input costs. Consequently, pre-production inventories fell.

On the price front, input costs rose at the strongest rate in over two years. Panellists commented on higher fuel prices, rising staff costs and exchange rate factors. Some firms passed higher input costs on to their clients, resulting in a further increase in average selling prices.

-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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