

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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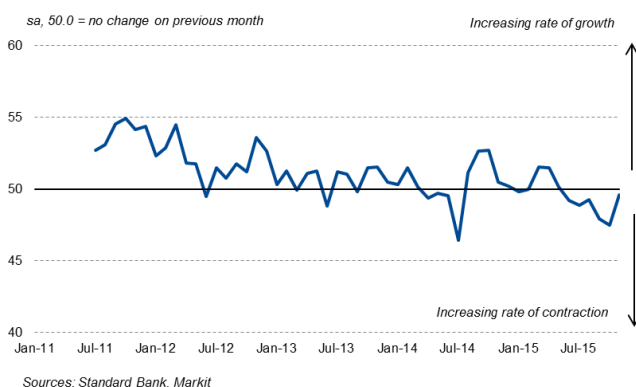
Standard Bank South Africa PMI™

Standard Bank South Africa PMI edges closer to stabilisation in November

Data collected 12-26 November

- Headline PMI rises to six-month high of 49.6 as new orders stabilise
- Activity declines at weaker rate
- Companies raise charges to greatest extent for six months

Standard Bank South Africa PMI



November data signalled an easing in South Africa's private sector downturn, with new orders and employment levels stabilising and output declining at a weaker rate. However, new export business continued to fall sharply and companies continued to reduce their buying activity.

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 edged closer to stabilisation in November. This was signalled by the index rising from October's 15-month low of 47.5 to 49.6.

Despite still signalling deteriorating operating conditions, the PMI reached a six-month high. Upwards contributions to the headline index came from all five sub-components.

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

"The 2.1 points improvement in November's PMI to 49.6, indicating a slower pace of deterioration in private sector business conditions, was spurred by a rise in new orders to above the 50 points threshold. Notably, new orders and suppliers' delivery times were the only PMI sub-indices to have a positive contribution to the headline PMI, with the remaining categories remaining in contraction in the month. This led to an improvement in the PMI leading indicator to above 1.0 for the first time in six months as inventories continued to decline.

"While this is an encouraging sign of a pickup in domestic demand specifically, we note that output has been in contraction for seven consecutive months. New export orders also remained in contraction; the last time new export orders grew was in December 2014.

"Overall input prices were pressured, expanding at a faster rate in November due to a spike in staff costs, but a slower rise in purchase costs. Higher input prices in general are expected to squeeze manufacturers' margins. Notably, firms continued to pass on higher costs in November as reflected by the rise in output price inflation to a six-month high."

The main findings of the November survey were as follows:

The main driver of an improved PMI reading came from a stabilisation in new business in November, following a five-month period of contraction. Some companies commented on successful contract wins. However, the rise was domestically driven, as new export orders fell further.

Latest survey data highlighted that difficult economic conditions continued to weigh on private sector output in South Africa. Activity fell for a seventh month running, although at a slower pace than in October.

Employment broadly stabilised during November, with the latest round of job cuts only marginal. Meanwhile,

panellists reported ongoing spare capacity, as signalled by a further reduction in business outstanding.

Companies remained cautious about their stock policies in November, with both pre-production inventories and purchasing activity falling further. The rates of decline eased in both cases, however. Meanwhile, suppliers delivery times lengthened, following a marginal improvement in October.

Input costs continued to rise amid reports of higher purchase prices and increased average wages. Consequently, companies raised their charges again. The rate of charge inflation was the most marked in six months.

-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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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.

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