

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

Embargoed until: 0915 (Cape Town) / 0715 (UTC) November 3<sup>rd</sup> 2016

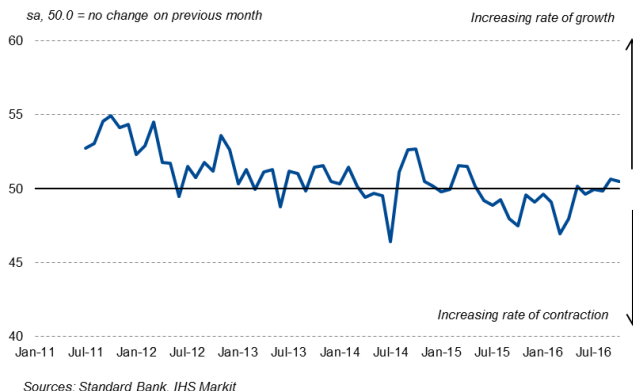
## Standard Bank South Africa PMI™

### Upturn in South Africa's private sector continues as output growth accelerates

#### Data collected 12-27 October

- Headline PMI signals further improvement in operating conditions despite marginal decline in new orders
- Output and employment expand further
- Weakest increase in charges since the survey's inception

#### Standard Bank South Africa PMI



South African private sector firms recorded a further rise in output at the start of the fourth quarter despite new business declining marginally. Nonetheless, companies were generally encouraged to raise employment levels and buying activity. Meanwhile, competitive pressures and subdued cost inflation resulted in the weakest increase in selling prices since data collection began in July 2011.

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.

Latest survey data signalled a second successive

monthly improvement in operating conditions, with the seasonally adjusted Standard Bank South Africa PMI posting 50.5, little-changed from September's 50.7. The latest PMI reading was indicative of only marginal growth in the sector.

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

*"October's PMI continued to indicate further growth in the private sector for a second consecutive month albeit at a slightly slower pace from September.*

*"One of the main drivers was the rise in output, which expanded at an accelerated pace in October. This was also the likely reason that employment remained in expansion in the month, although the data pointed to a weaker increase in workforce numbers than in September.*

*"Overall new orders, a measure of demand, fell from expansion into contraction. However, the data suggested a strong pickup in new export orders which rebounded six points in October.*

*"The leading PMI indicator remained above 1 for a third consecutive month, but with both new orders and stocks of purchases printing below 50 points in October, it is uncertain what this means in terms of expansion in the private sector in the quarters to come."*

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

The main drivers behind the October upturn were sustained expansions in output and employment. While the rate of job creation slowed, activity increased at the fastest pace in one-and-a-half years and was supported

by a solid rise in new export business. Meanwhile, total new orders fell fractionally, following a two-month spell of marginal growth.

Overall input prices rose at one of the weakest rates on record as exchange rate factors tamed inflation during October. The weaker rise in input costs paired with competitive pressures led to a further slowing of charge inflation. In fact, selling prices rose at the weakest rate in the survey's history.

Latest survey data highlighted ongoing pressure on supply chains, with average lead times lengthening for a second month running in October. The rate at which vendor performance deteriorated was only slight,

however. Meanwhile, business outstanding fell at the slowest pace in the current 23-month period of backlog depletion.

Finally, companies generally remained cautious about their stock policies, as highlighted by a further fall in pre-production inventories. However, some firms raised their purchasing activity amid signs of rising demand.

-Ends-

#### **For further information, please contact:**

##### **Standard Bank:**

Kuvasha Naidoo

Telephone +27-11-415-4183

Email [Kuvasha.naidoo@standardbank.co.za](mailto:Kuvasha.naidoo@standardbank.co.za)

##### **IHS Markit:**

Oliver Kolodseike, Economist

Telephone +44-1491-461-003

Email [oliver.kolodseike@ihsmarkit.com](mailto:oliver.kolodseike@ihsmarkit.com)

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.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@ihsmarkit.com](mailto:economics@ihsmarkit.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 IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in

business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2016 IHS Markit Ltd. All rights reserved.

#### **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/product/pmi](http://www.markit.com/product/pmi).

**The intellectual property rights to the Standard Bank South Africa PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS 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 IHS 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. IHS Markit is a registered trademark of IHS Markit Ltd.**