

Standard Bank South Africa PMI™ compiled by markit

South African business conditions improve only fractionally in April

Key findings:

- PMI moves closer to neutral mark of 50.0
- Business activity declines for first time in nine months
- Input price inflation eases further to new survey low

This report contains the latest release of data collected from the monthly survey of business conditions in the South African private sector. The survey, sponsored by Standard Bank and produced by Markit, has been conducted since July 2011 and provides an early indication of operating conditions in South Africa. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

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 remained above 50.0 for the eighth month running in April, signalling the longest sequence of overall improvement in operating conditions in over four years. That said, the PMI fell to 50.3, from 50.7 in March, signalling only marginal growth that was the weakest over the current expansionary sequence.

The continued improvement in the South African business climate was underpinned by a further rise in new business received. April marked the sixth consecutive month of growth in new work, although the rate of expansion slowed to a marginal

pace and the weakest since last November. A further decline in new export orders weighed on growth of total new business.

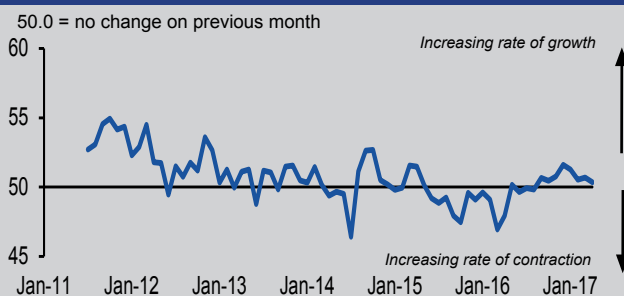
Inflows of new work spurred further growth of purchasing activity by South African private sector companies in April. Input volumes rose for the seventh month running, and at the fastest rate in three months. Similarly, the level of inputs held in stock increased for the sixth consecutive month and at the fastest rate since January. Suppliers' delivery times lengthened for the fourth successive month.

With new business rising only fractionally, companies were able to reduce the level of outstanding work in April. Backlogs declined modestly, having been broadly stable in March. Moreover, the volume of total business activity declined for the first time since July 2016, albeit at a marginal pace.

Inflationary pressures slowed further in April. The four price indices all remained above 50.0, signalling inflation, but three hit record lows. The exception was staff costs which was nonetheless the fourth-lowest on record.

Private sector employment in South Africa increased for the tenth month running in April, the longest period of job creation in nearly four years. That said, the rate of growth slowed to only a fractional pace in the latest period.

Standard Bank South Africa Purchasing Managers' Index™ (PMI™)



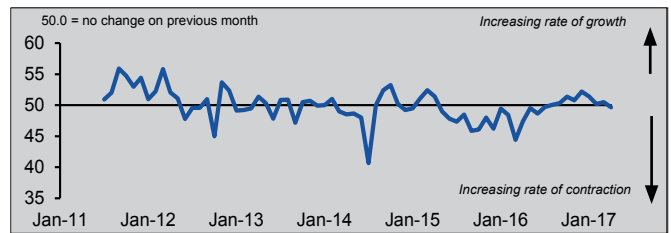
Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2017	Feb	50.9	50.5
	Mar	51.0	50.7
	Apr	48.3	50.3

The Standard Bank South Africa Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the South African economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. 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. IHS Markit is a registered trade mark of IHS Markit Ltd.

Output Index

Q. Please compare your production/output this month with the situation one month ago.

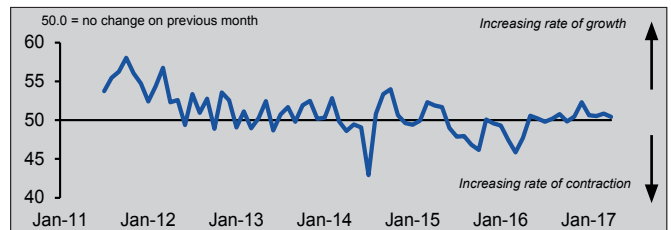
April data signalled a decline in South African private sector output. This followed a seven-month sequence of continuous growth, the longest registered in nearly five years. Companies attributed lower business activity to slow sales, economic and political uncertainty and weaker confidence. That said, the rate of decline was only marginal.



New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

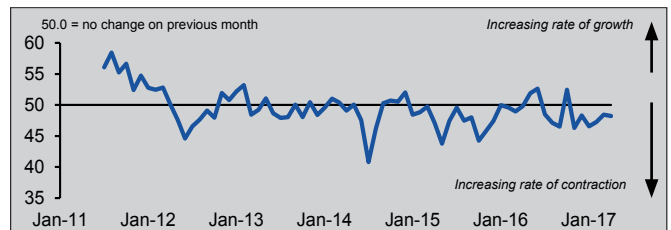
The volume of new business received by private sector firms in South Africa increased in April, mainly linked to strengthening demand. This extended the current sequence of growth to six months, the longest registered in nearly five years. That said, the rate of increase was only fractional and the joint-weakest seen during the current expansionary phase.



New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

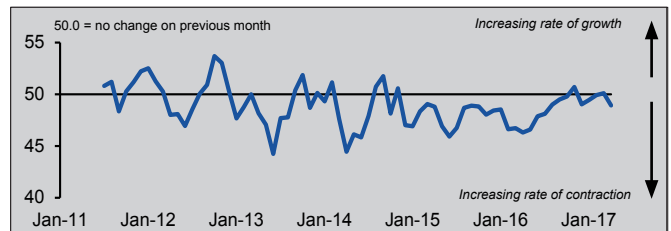
Remaining below the no-change mark of 50.0 for the sixth consecutive month, the seasonally adjusted New Export Orders Index signalled a further decline in the amount of new business secured by South African firms from international markets. Firms linked weaker export business to uncertainty and a lack of confidence. The rate of contraction was modest and little-changed since March.



Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

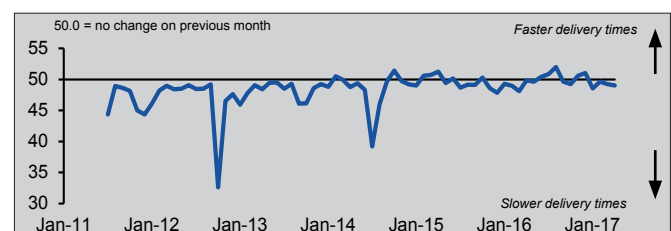
The volume of outstanding business in the South African private sector economy declined in April, having been broadly stable one month previously. Firms linked lower backlogs to relatively subdued growth in new orders, and general lack of pressure on capacity. The rate of decline was the sharpest since July 2016, but modest overall.



Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

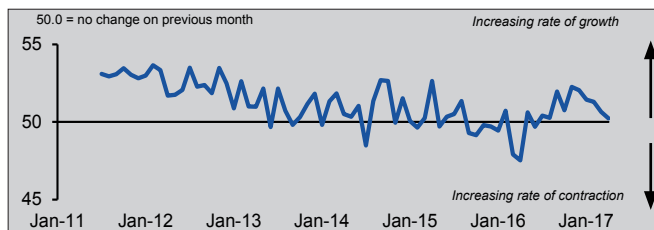
The performance of suppliers in the South African economy continued to deteriorate, on average, in April. Input delivery times lengthened for the fourth successive month. That said, the extent to which times lengthened remained only marginal. The seasonally adjusted Suppliers' Delivery Times Index posted above its long-run trend level of 48.4 during the latest period.



Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

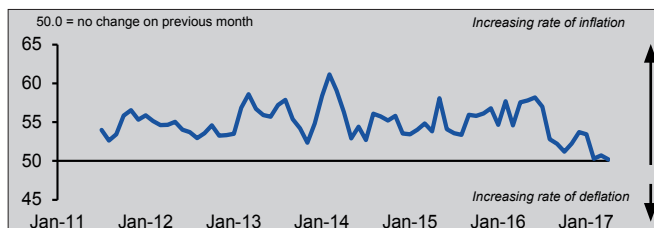
Private sector employment in South Africa increased for the tenth month in a row in April. This continued the longest period of job creation signalled by the survey in nearly four years. Firms linked recruitment to increased workloads. That said, the rate of workforce expansion slowed for the fifth month running and was the weakest in the aforementioned sequence.



Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

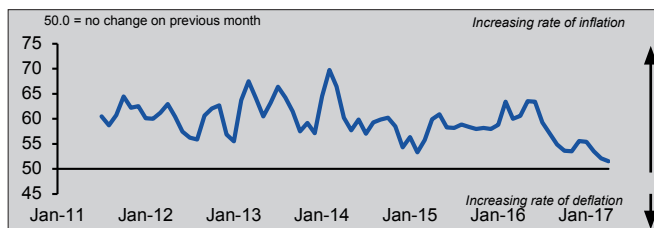
Prices charged for South African goods and services barely increased in April. The seasonally adjusted Output Prices Index fell to a new record low, below the previous nadir set in February, to signal a negligible rate of inflation. Around 5% of survey respondents increased their prices in April, linked mainly to higher raw material costs.



Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

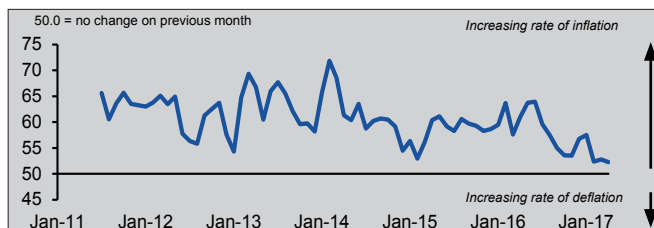
Overall input costs in the South African private sector continued to rise in April, as has been the case since the survey started in mid-2011. Some firms linked higher input prices to the weaker rand against the US dollar. That said, the rate of inflation slowed for the tenth time in 11 months, to a new survey-record low.



Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

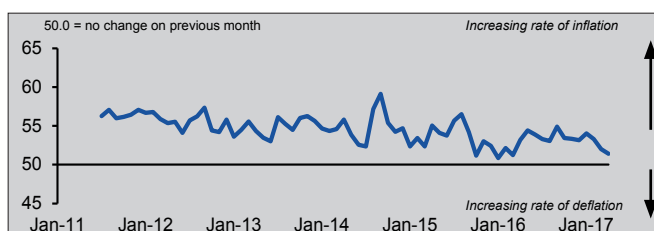
Average purchase prices paid by private sector companies in South Africa rose at the slowest rate in the survey history in April. The seasonally adjusted Purchase Prices Index fell below the previous record low set in February. Around 10% of firms reported higher purchase prices, partly linked to the weaker rand.



Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

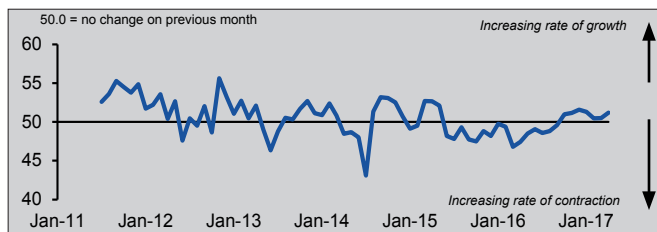
Average staff costs in the South African private sector economy increased at one of the slowest rates in the six-year survey history in April. The rate of inflation weakened for the third successive month, and was the fourth-slowest to date. Only 6% of survey respondents reported increasing their wages and salaries in the latest period.



Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

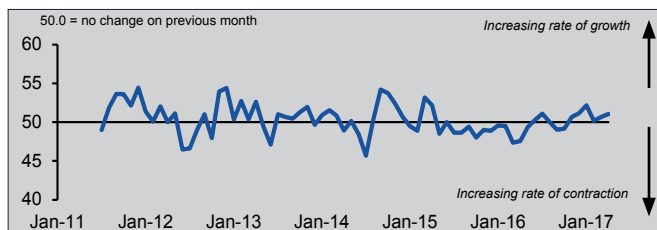
Purchasing activity by South African private sector companies rose in April. The current seven-month sequence of expansion is the longest observed in over three years. Moreover, the rate of growth picked up from the weak pace seen in February and March, and was stronger than the long-run survey average.



Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

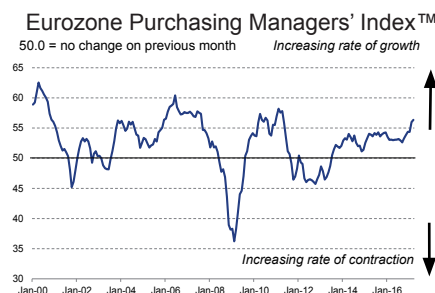
Inventories of inputs held by private sector firms in South Africa increased, on average, for the sixth month running in April. This is the longest period of continuous stockbuilding in four years. The rate of growth picked up slightly to a three-month high. Higher inventories were mainly linked to rising order levels.



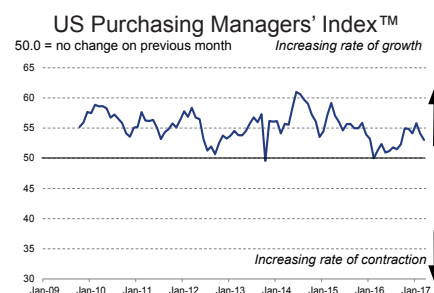
International PMI summary



Sources: IHS Markit, Caixin.



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI pointed to a weaker increase in total Chinese output at the end of the first quarter. At 52.1 in March, the Composite Output Index fell from 52.6 in February to signal the slowest increase in Chinese business activity for six months. Similar trends were seen at the sector level, with both manufacturers and service providers noting slower expansions in output.

Eurozone output and new order growth accelerated to near six-year records in March, rounding off the best quarter for the currency union's economy since the second quarter of 2011. The Markit Eurozone PMI Composite Output Index rose to a 71-month high of 56.4 in March, up from 56.0 in February. The index has signalled expansion in each of the past 45 months.

The seasonally adjusted Markit US Composite PMI Output Index eased to 53.0 during March, down from a reading of 54.1 in the previous survey period. Although solid, the increase in output signalled was the lowest recorded for six months. Both the manufacturing and service sectors recorded slower increases in production and new business during March.

Notes on the Data and Method of Presentation

The 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 manufacturing, mining, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. 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.

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