

Standard Bank South Africa PMI™ compiled by markit

South African business conditions improve for seventh month running

Key findings:

- PMI above 50.0 for longest period in over four years...
- ...but signals only marginal improvement in private sector conditions
- Input price inflation at survey-record 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 seventh month running in March, the longest sequence of positive readings in over four years and signalling an ongoing improvement in private sector operating conditions. That said, the PMI was little-changed from February's 50.5, at 50.7, indicating only a marginal overall rate of growth. The latest figure was broadly in line with the long-run survey average of 50.8.

The five components of the PMI were all mildly positive in March. Output, new orders and stocks of purchases increased

at slightly faster – albeit still weak – rates than in February, while the pace of job creation slowed. Suppliers' delivery times lengthened only slightly.

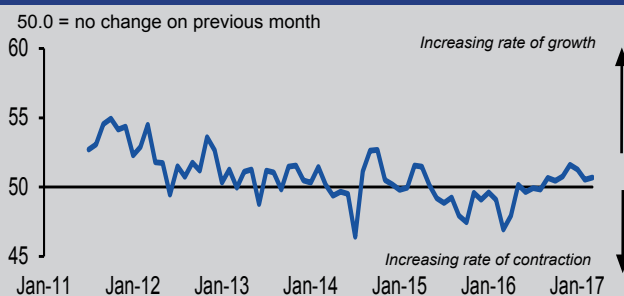
Private sector activity rose for the seventh month running in March, the longest sequence of growth in nearly five years. That said, the rate of expansion remained muted despite improving slightly since February. New business also rose at a fractionally faster pace, despite a further decline in new export orders. The strength of new order growth was weak overall, however, and insufficient to generate rising backlogs which were broadly unchanged during the month.

Growth of employment was maintained for the ninth month running in March, linked to expanded capacity and new work. That said, the rate of workforce growth slowed since February.

The rate of input price inflation slowed for the ninth time in ten months in March, to hit a new record low since the survey began in mid-2011. Staff costs rose at one of the weakest rates to date, while purchase price inflation was the second-slowest in the series history. Input buying increased for the sixth month running, but the rate of growth remained marginal.

With relatively weak cost pressures, prices charged by South African companies rose only slightly in March. The rate of inflation was the second-slowest in the survey history.

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



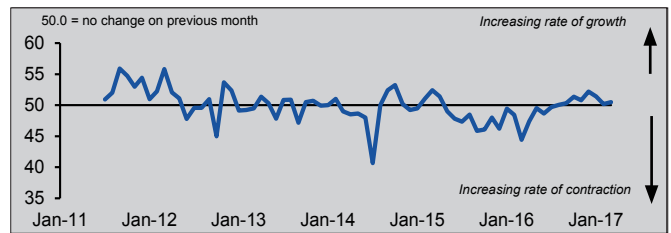
Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2017	Jan	46.7	51.3
	Feb	50.9	50.5
	Mar	51.0	50.7

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.

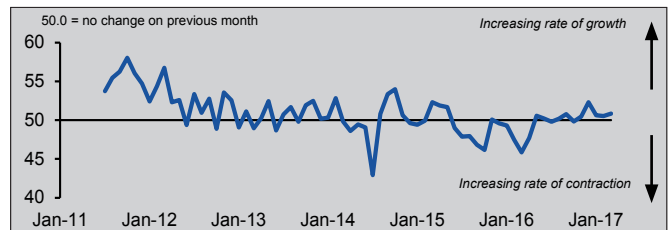
South African private sector output rose for the seventh consecutive month in March. The current growth sequence is the longest registered in nearly five years. Firms linked higher activity to receipts of new business. The rate of expansion picked up from February's marginal pace, but remained weak.



New Orders Index

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

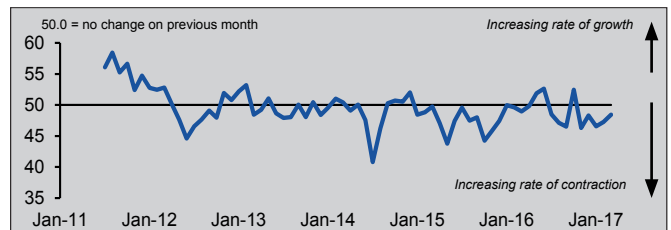
The volume of new business received by South African private sector companies rose for the fifth successive month in March. This marked the longest period of continuous growth in new work in over three years. A number of firms reported winning new customers. The rate of expansion edged up to a three-month high, but remained muted overall.



New Export Orders Index

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

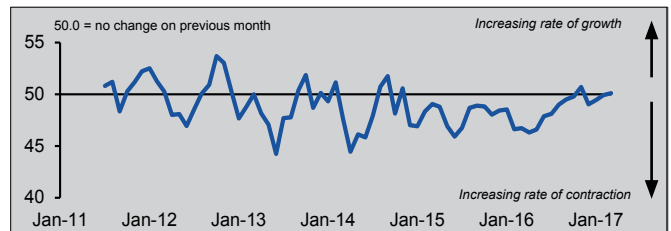
The seasonally adjusted New Export Orders Index remained below 50.0 for the fifth month running in March, indicating a further decline in new business received from international markets. Firms reported subdued demand conditions and the loss of business to international competitors. That said, the rate of decline was the slowest registered in the current sequence of contraction.



Backlogs of Work Index

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

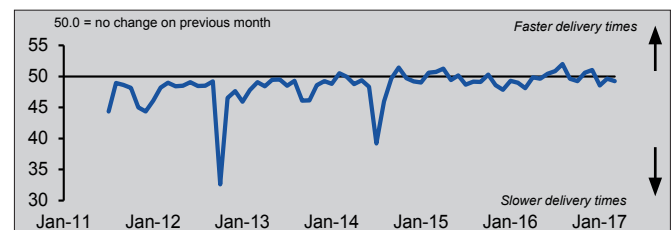
The level of outstanding business in the South African private sector was broadly stable in March compared with one month previously. This followed a three-month period of declining backlogs. Around 7% of firms reported higher levels of incomplete work, linked to new business inflows. The seasonally adjusted Backlogs of Work Index remained above its long-run average of 48.9.



Suppliers' Delivery Times Index

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

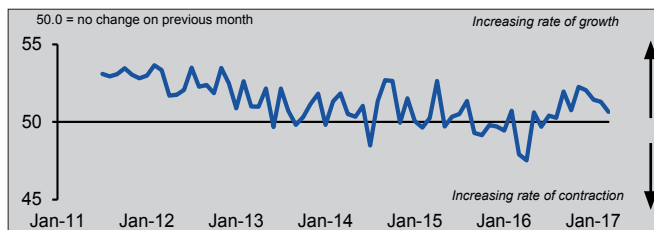
March survey data indicated a third successive month of lengthening suppliers' delivery times in the South African private sector economy. Some firms reported shortages of certain items or problems with overseas suppliers. That said, the extent to which times lengthened since February was only marginal.



Employment Index

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

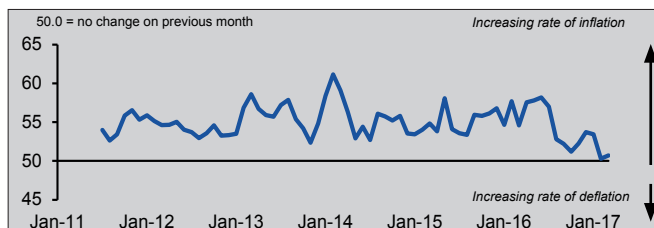
Private sector employment in South Africa increased for the ninth consecutive month in March, the longest period of growth in nearly four years. Recruitment was linked by survey respondents to the expansion of capacity and new contracts. That said, the rate of job creation weakened to the slowest since August 2016.



Output Prices Index

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

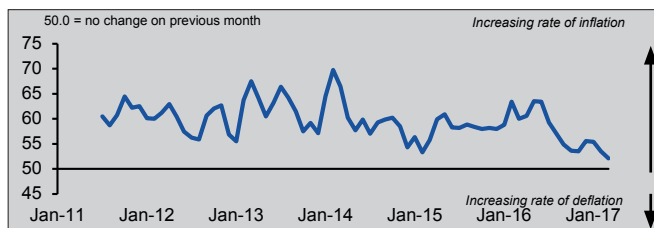
The rate at which prices charged by South African private sector companies increased remained weak in March. The rate of inflation picked up slightly from February's record low, but was nonetheless the second-slowest in the survey history. Around 6% of firms reported higher charges during the month, linked to increased input prices.



Overall Input Prices Index

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

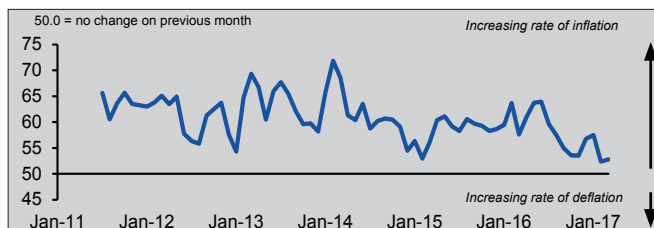
Overall cost pressures in the South African private sector moderated to a survey-record low in March. The seasonally adjusted Overall Input Prices Index remained above 50.0 but fell for the third month running to its lowest figure since the series started in July 2011. The weaker rate of inflation reflected slower wage growth, as purchase price inflation picked up slightly since February.



Input Costs: Purchase Prices Index

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

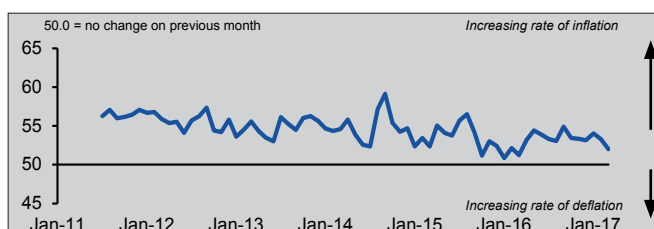
Having weakened in February to a survey-record low, the rate of purchase price inflation in the South African private sector strengthened slightly in March. Raw materials including steel were reported as being up in price. That said, the seasonally adjusted Purchase Prices Index was still at the second-lowest level on record in the latest period.



Input Costs: Staff Costs Index

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

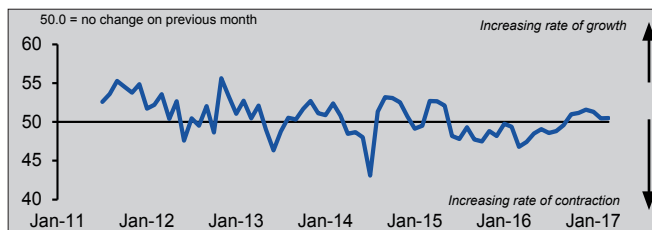
Private sector companies in South Africa continued to report inflation of labour costs in March, as has been the case since the survey started in July 2011. Some firms linked higher staff costs to overtime payments. That said, the rate of inflation weakened further to a 12-month low. Moreover, the seasonally adjusted Staff Costs Index was at the fourth-lowest level in the series history.



Quantity of Purchases Index

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

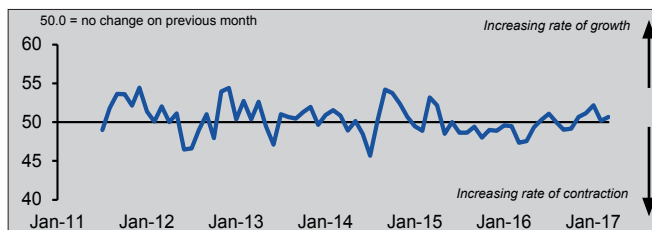
The volume of inputs purchased by South African private sector firms rose for the sixth consecutive month in March. This was the longest period of continuous expansion for three years. Purchasing activity was linked to rising sales and stock replenishment. That said, the rate of growth was only marginal and unchanged from February.



Stocks of Purchases Index

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

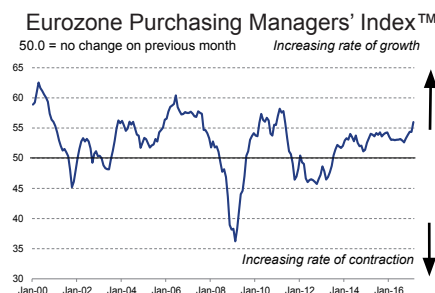
The seasonally adjusted Stocks of Purchases Index remained above the no-change mark of 50.0 for the fifth consecutive month in March, indicating further growth of input inventories at South African private sector firms. Stockbuilding was mainly linked to new business inflows. The rate of growth accelerated slightly since February, but remained only marginal.



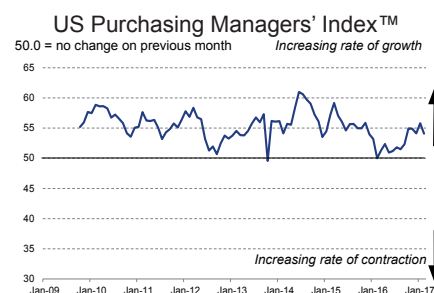
International PMI summary



Sources: IHS Markit, Caixin.



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI (which covers both manufacturing and services) indicated a slight improvement in the rate of output expansion across China in February. The Composite Output Index rose from January's four-month low of 52.2 to stand at 52.6 in February, to signal a moderate increase in overall Chinese business activity.

Growth of eurozone output accelerated to a near six-year record in February. At 56.0, up from 54.4 in January, the Markit Eurozone PMI Composite Output Index rose to a 70-month high. Output growth was led by the manufacturing sector. Momentum also strengthened in the service sector, with business activity rising to the greatest extent for over five-and-a-half years.

The Markit US Composite PMI Output Index fell from 55.8 in January to 54.1. February's reading was indicative of a robust expansion in private sector activity. That said, it also pointed to a slowdown in growth – the index was down from January's 14-month high and below the average since the series started in October 2009 (55.3). The easing was mainly centred on the dominant service sector.

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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