

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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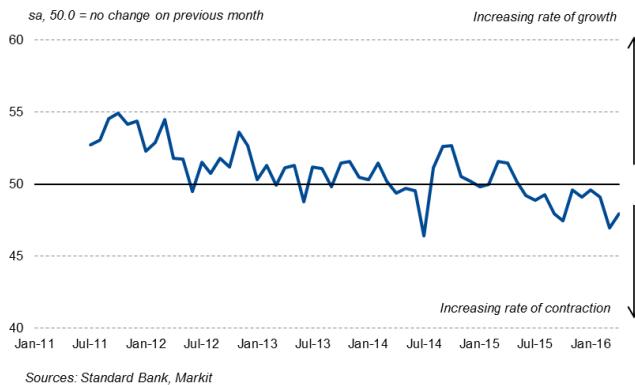
## Standard Bank South Africa PMI™

### Downturn in South Africa's private sector continues at start of second quarter

#### Data collected 12-27 April

- Business conditions deteriorate at slightly slower pace
- Ongoing declines in output, new business and employment
- Average staff costs rise at strongest rate in seven months

#### Standard Bank South Africa PMI



Latest survey results highlighted a slight slowing in the pace at which South Africa's private sector contracted at the start of the second quarter. Nevertheless, output and new orders fell further and companies cut employment to the greatest extent in the survey's history.

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 slightly from March's 20-month low of 47.0 to 47.9 in April. Despite ticking higher since the previous month, the PMI was indicative of one of the most marked

deteriorations in business conditions in the survey's history. Moreover, it was the eleventh consecutive reading below the 50.0 no-change mark.

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

*"Although the PMI improved in April 2016 versus March, the reading below 50 indicates that the private sector remains in contraction with both supply and demand indicators continuing to contract albeit at a declining pace. Destocking also continued, but at a slower pace.*

*"Output has been in contraction for 12 consecutive months and companies' intentions to downscale are evident from the employment index falling to its lowest recorded level since the inception of the series. This could be due to a combination of both wage increases (which rose at a faster pace) as well as declining demand, with the New Orders Index remaining in contraction for a fifth consecutive month. Input as well as output prices inflated more in April as some companies passed on higher costs to consumers."*

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

A lack of new business continued to be a major drag on the headline PMI, with falling demand reported for a fifth month running. Exchange rate factors and an unfavourable economic environment were some of the reasons given behind the latest decline in new work. New export orders also fell during the month, although only fractionally overall.

The fall in new business alleviated pressure on operating capacity and contributed to another decline in activity at

South African private sector firms. The rate at which output decreased was marked, although weaker than that seen in March.

With workloads falling, companies continued to cut workforce numbers. The rate of job shedding accelerated slightly and was the most marked in the survey's history.

There was a slight acceleration of input cost inflation in April, as both purchase prices and staff costs rose at stronger rates. The rate of wage inflation was in fact the most marked in seven months. Output prices also rose at

a faster pace, as some companies passed higher costs on to their clients.

Companies remained cautious about their stock policies, as highlighted by further declines in purchasing activity and pre-production inventories. Meanwhile, suppliers' delivery times broadly stabilised during the month.

-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)

**Markit:**

Oliver Kolodseike, Economist

Telephone +44-1491-461-003

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

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email [joanna.vickers@markit.com](mailto:joanna.vickers@markit.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@markit.com](mailto:economics@markit.com).

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## About PMI

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