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News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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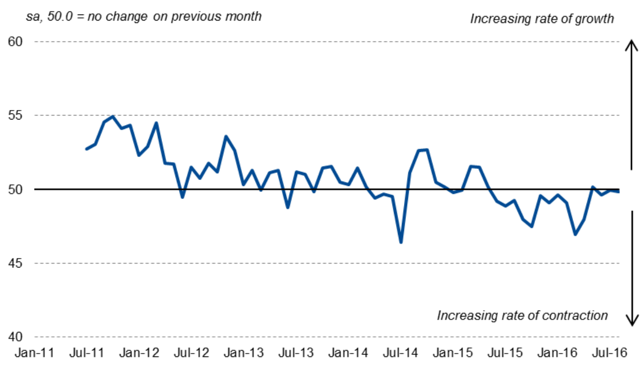
Standard Bank South Africa PMI™

Output stabilises, thereby ending 15-month period of decline

Data collected 12-26 August

- Headline PMI posts 49.8, but output stabilises and new orders rise marginally
- Solid improvement in supplier delivery times weighs on headline PMI
- Weakest increase in charges in over two years

Standard Bank South Africa PMI



Sources: Standard Bank, IHS Markit

August saw output stabilise amid a renewed increase in new order intakes, and companies continued to raise their workforce numbers marginally. Meanwhile, selling prices rose to the smallest extent since mid-2014 as some firms reduced their charges in an attempt to remain competitive.

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 results pointed to broadly stable operating conditions at South African private sector firms, with the seasonally adjusted Standard Bank South Africa PMI posting 49.8, little-changed from July's 49.9.

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

"The stabilisation in August's PMI to 49.8 from 49.9 comes as output (supply) in the private sector rose to 50 points following 15 consecutive contractionary monthly prints.

"New orders rebounded in August after contracting in July, resulting in the PMI leading indicator rising to above 1 as the stocks of purchases sub-index fell to 50.

"The employment sub-index subtracted from the headline print despite remaining in expansionary territory in August. The largest drag, however, was suppliers' delivery times which subtracted 0.2 of a point from the private sector PMI as the improvement in delivery times was due to a combination of weaker demand and better availability of inputs.

"Prices continued to climb, but at a slower rate due to greater competition for possible market share as noted by some respondents."

The main findings of the August survey were as follows:

Positive contributions to the headline PMI in August came from the survey measures for new orders and employment. However, rates of growth were only marginal in both cases, with total new business weighed down by the sharpest decline in foreign sales since last November.

Meanwhile, South African private sector firms reported a stabilisation of their output levels in August, thereby ending a 15-month period of contraction. Some panellists commented on new project wins.

Despite a marginal increase in new business, companies remained cautious about their input buying activity, with latest survey data signalling a further decline in the quantity of items purchased. Moreover, pre-production inventories were unchanged since the prior month, while backlogs of work fell slightly.

Input prices rose at the slowest pace since March 2015, as companies reported weaker purchase price inflation and only a moderate rise in average staff costs. Although some companies passed higher input costs on to their clients, selling prices rose to the weakest extent in just over two years, with some panellists commenting on increased competition.

Meanwhile, suppliers' delivery times improved to the greatest degree in the series history, which some companies attributed to subdued demand and better availability of inputs.

-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@ihsmarkit.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/product/pmi.