# News Release

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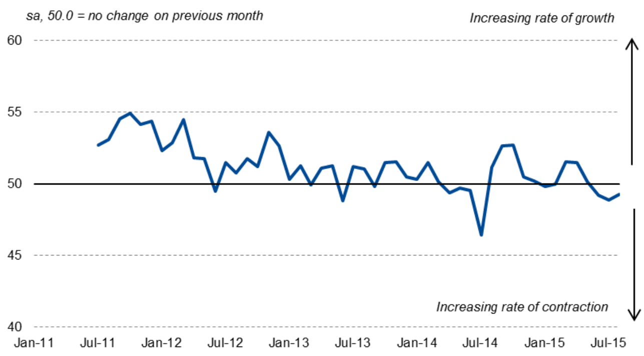
# Standard Bank South Africa PMI™

## Operating conditions deteriorate for third month running

### Data collected 12-26 August

- New orders decline at joint-strongest rate in just over a year
- Rising employment helps companies to further reduce their backlogs
- Input cost inflation ticks higher

**Standard Bank South Africa PMI**




Sources: Standard Bank, Markit

August's survey data highlighted a continuation of the downturn in South Africa's private sector that started in June. Output and new orders declined further and companies continued to scale back their purchasing activity. While input costs rose at a slightly faster pace, companies raised their charges to a lesser extent. Meanwhile, the labour market was generally unaffected by the downturn, with employment rising for the third straight month.

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 rose from July's 48.9 to 49.3 in August, thereby signalling a further, albeit weaker, deterioration in operating conditions. Nevertheless, the downturn in South Africa's private sector now extends to three months.

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

*The private sector continued to face headwinds in August with the PMI printing below 50 for a third consecutive month despite rising slightly to 49.3 from 48.9 in July.*

*Both demand and activity indices remained weak. New orders emerged as the main drag to August's headline index. And, while the output index registered a marginal improvement from July, it remained in contraction.*

*Employment was the exception, rising for a third consecutive month and holding above the 50 points threshold. While encouraging, we think that the pace of increase in employment is likely to be negatively affected by rising staff costs.*

*Higher generalised input prices are expected to constrain companies' margins. The private sector is facing rising electricity costs and slowing growth both domestically and internationally, as reflected in the intensification of the contraction in the new export orders index.*

*Currently, the private sector is in recession and signals from the PMI's leading indicator suggest ongoing deterioration, with the ratio remaining below 1 for a third consecutive month.*

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

The main downward contribution to the headline PMI came from a further decline in new business, with the pace of contraction unchanged from July's one-year record. New export orders also fell further, which some panellists linked to economic uncertainties. While output also continued to decline, the rate of contraction was the weakest since May.

With output and new orders falling further, companies scaled back their buying activity in August. The rate of contraction eased since July, however. Lower purchasing activity and a lack of new work meanwhile resulted in a further reduction in pre-production inventories.

The labour market showed some resilience to the contractions in output and new orders, with employment rising for the third month running. Meanwhile, companies reported ongoing spare capacity at their units.

The rate of cost inflation reached a three-month high in August, with purchases prices and staff costs both rising at sharper rates. In response to higher input costs, companies raised their charges. The latest increase was the weakest since January, however. Finally, suppliers' delivery times lengthened at a slightly weaker rate than in July.

-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@markit.com.

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See more at: http://www.standardbank.com/OurBusiness.aspx

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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/economics.