News Release

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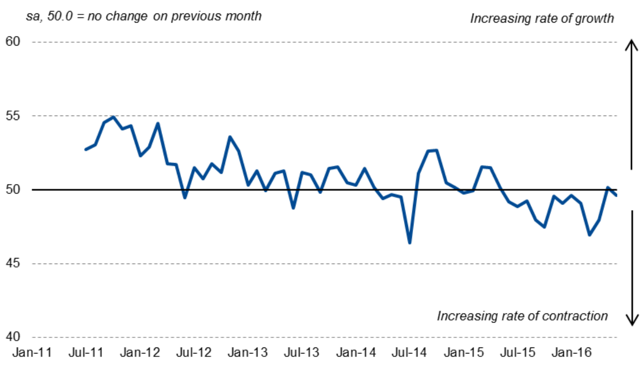
Standard Bank South Africa PMI™

Slight deterioration in business conditions at the end of the second quarter

Data collected 13-28 June

- Headline PMI falls from May's 13-month high of 50.2 to 49.6
- Output and employment both decline, while new order growth slows
- Purchase prices rise at fastest pace in over two years

Standard Bank South Africa PMI



Sources: Standard Bank, Markit

Challenging economic conditions in South Africa led to declines in output and employment at the end of the second quarter. Although growth of new business was maintained, the underlying pace of expansion was only fractional. Meanwhile, input costs rose sharply, which in turn led to a marked rise in selling prices.

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.

June data signalled a slight deterioration in operating conditions at South African private sector firms, following the first improvement in a year during May. This was highlighted by the seasonally adjusted Standard Bank South Africa PMI falling from 50.2 to 49.6. The rate of deterioration was only fractional, however.

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

"May's above-50 points private sector PMI print was unsustainable in June, and while the PMI fell marginally in the month, it veered back into contraction at 49.6 points. June's decline was driven by a faster pace of contraction in output as well as job-shedding. New orders remained above 50 for a second month, but increased at a slower pace. The expansionary print in new orders was attributed to a rise in new export orders. Output also remains constrained by higher input costs, particularly purchases costs of raw materials, which some companies passed on to consumers.

"The 3-month moving average of the leading PMI indicator remained above 1 in June which implies that new orders are exceeding stocks of purchases. Encouragingly, inventories rose above 50 in June, but this pace would have to be sustained for it to meaningfully signal future expansion in the private sector."

The main findings of the June survey were as follows:

One of the main drags on the headline PMI in June came from an accelerated decline in output, which companies attributed to slow market conditions. In response to falling activity and declining backlogs of work, some firms lowered their workforce numbers marginally.

Meanwhile, new business growth slowed to only a fractional pace. The overall rise in total new business was largely driven by the strongest increase in new export orders since February 2013.

Purchasing activity decreased for the thirteenth month running in June, although the pace of decline was only marginal overall. Nonetheless, pre-production inventories rose for the first time in a year.

On the price front, overall input costs continued to rise markedly at the end of the second quarter, with purchasing price inflation reaching a 27-month high. Panellists commented on exchange rate factors and higher prices for some raw materials. Some companies passed higher costs on to their clients, resulting in a further rise in selling prices.

Finally, average lead times improved for the first time since last October in June, albeit only marginally.

-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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