

## News Release

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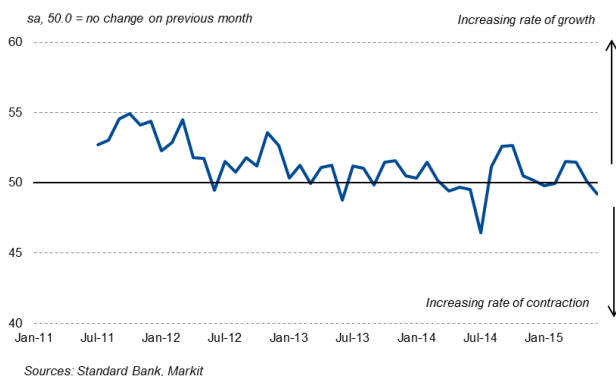
## Standard Bank South Africa PMI™

### South African private sector falls into contraction

#### Data collected 12-26 June

- Output and new orders decline at sharpest rates in nearly a year
- Companies report marginal rise in workforce numbers
- Cost pressures ease since May

#### Standard Bank South Africa PMI



June data signalled a contraction in South Africa's private sector, with output and new orders falling amid reports of a weak economic environment and subdued demand. A marginal rise in employment levels meanwhile helped companies to reduce their backlogs of work further. Input and output prices both rose at weaker rates while suppliers' delivery times improved marginally.

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.

Operating conditions at South African private sector companies deteriorated for the first time since January, according to latest survey data. The headline PMI fell from May's 50.1 to an 11-month low of 49.2, thereby

signalling a mild contraction in the sector at the end of the second quarter.

#### Commenting on June's survey findings, Oliver Kolodseike, economist at Markit said:

*"June's survey data paint a worrying picture of the health of South Africa's private sector economy, as the headline PMI fell into contraction territory. In particular, the downwards spiral in output continued as a weak economic environment and a lack of new business affected the sector. The rates of contraction in both output and new orders were in fact the strongest in nearly a year.*

*"Exchange rate factors, rising fuel prices and increasing staff costs meanwhile continued to exert upward pressure on overall input costs, but the rate of inflation slowed slightly since May. Consequently, companies raised their charges to a lesser degree.*

*"The growth outlook for South Africa remains lacklustre as a combination of declining order intakes and falling purchasing activity suggests that the sector is likely to remain stuck in reverse gear, at least in the short term."*

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

The main downwards contributions to the headline PMI came from the output and new orders sub-indexes. Activity fell for a second month running, while the decline in new business was the first in four months. The fall in new work was broad-based, as new export orders continued to decrease. Moreover, the rates of contraction in output and total new orders were the most marked in 11 months in both cases, and attributed by panellists to a weak economic environment and subdued demand.

Despite the declines in output and new orders, companies reported a marginal rise in employment. This helped to further reduce business outstanding in the

sector. Meanwhile, suppliers' delivery times improved fractionally.

The survey data also signalled that companies were cautious about their stock policies, with input buying declining for the first time since February and stocks of purchases unchanged since one month previously.

The latest increase in input costs was the least marked in three months, with both purchase prices and staff costs rising at slower rates. Nevertheless, firms continued to pass higher input costs on to their clients in the form of higher charges.

-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 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. 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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