

# Standard Bank South Africa PMI™ compiled by markit

## South Africa PMI nudges up to 19-month high

### Key findings:

- Output expands further as new orders rebound slightly
- Backlogs of work rise for first time in two years
- Inflation remains subdued

This report contains the latest release of data collected from the new monthly survey of business conditions in the South African private sector. The survey, sponsored by Standard Bank and produced by Markit, has been conducted since July 2011 and provides an early indication of operating conditions in South Africa. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

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.

November data signalled a continuation of the economic upturn in South Africa that started in September. With new business rising and backlogs of work increasing for the first time in two years, companies raised their employment and output levels again during the latest survey period. Meanwhile, inflationary pressures remained subdued with both input and output prices up only modestly.

The seasonally adjusted Standard Bank South Africa PMI rose slightly from October's 50.5 to 50.8 in November and signalled a further improvement in operating conditions at South African

private sector firms. Moreover, the latest PMI reading was the best since April 2015.

November survey data highlighted a slight rebound in new orders placed with private sector firms in South Africa, following a marginal decline in October. However, the rise in total new work was driven solely by the domestic market, as new export orders fell at the quickest pace in a year.

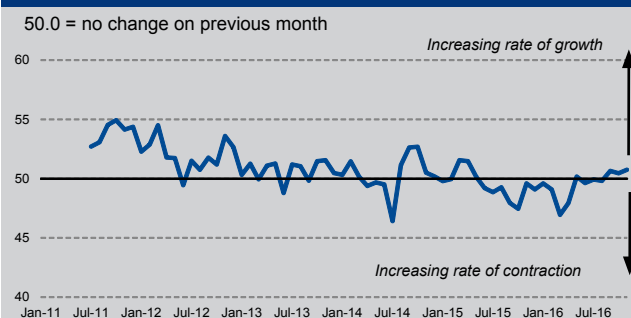
However, some companies struggled to process higher inflows of new orders. This was highlighted by the first increase in backlogs of work for two years. The rise in business outstanding was only marginal, however.

With new business and backlogs increasing, companies raised their output and employment levels in November. While the expansion in activity was only slight, the rate of job creation reached a 19-month high. Purchasing activity also increased during the month which in turn led to a build-up of inventories. Rates of expansion were modest in both cases.

Input costs rose further in November, although the rate of inflation remained subdued by historical standards. Output prices also increased only modestly, albeit at a slightly quicker pace than in October.

Finally, suppliers' delivery times improved for the first time in three months in November, albeit only fractionally.

Standard Bank South Africa Purchasing Managers' Index™ (PMI™)



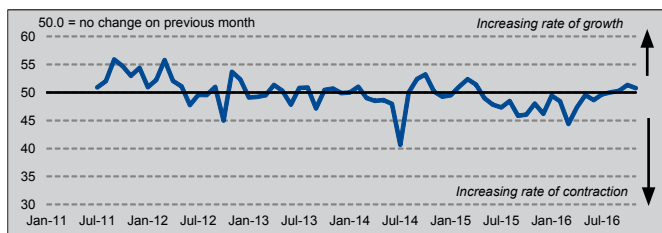
		Purchasing Managers' Index	
		Unadj.	Seas. Adj.
2016	Sep	52.2	50.7
	Oct	52.7	50.5
	Nov	54.2	50.8

The Standard Bank South Africa Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the South African economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Standard Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Ltd.

### Output Index

Q. Please compare your production/output this month with the situation one month ago.

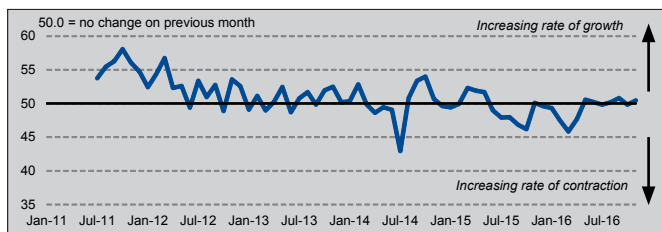
November data signalled a third successive monthly increase in South African private sector output. However, the pace of expansion slowed since October and remained subdued. Although 15% of the survey panel reported growth, the majority of panellists (79%) recorded no change in activity during the month.



### New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

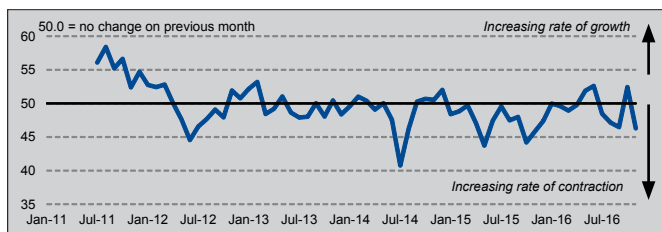
The seasonally adjusted New Orders Index returned above the neutral 50.0 threshold in November to signal a slight rebound in new business wins at South African private sector firms. Moreover, it was the third time in four months that growth has been reported. The expansion in new work was driven by the domestic market, as export sales declined sharply.



### New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

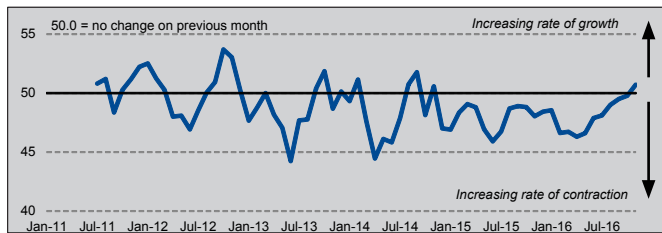
New export orders fell sharply during November, following an increase in the prior month. Latest survey data highlighted the strongest decline in foreign demand for a year which companies attributed to exchange rate factors and the recent floods. New export business fell for the fourth time in the past five months.



### Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

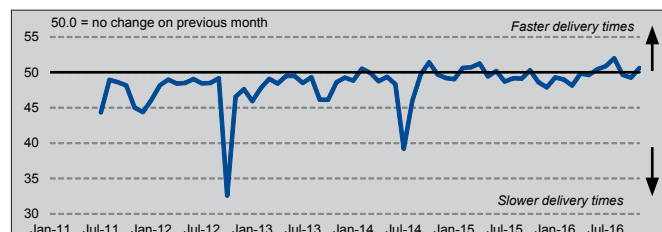
Latest survey results signalled the first rise in business outstanding in two years, with a number of firms struggling to process large inflows of new work. However, the rate at which backlogs accumulated was only marginal, as highlighted by the seasonally adjusted index registering close to the neutral 50.0 threshold.



### Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

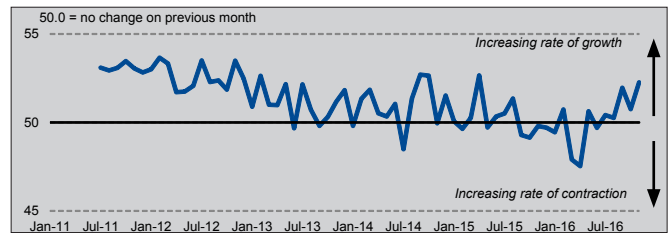
Vendor performance in South Africa's private sector improved for the first time in three months during November. However, the rate at which average lead times shortened was fractional, with the vast majority of the survey panel (94%) noting no change. Anecdotal evidence partly attributed faster delivery times to competition among suppliers.



### Employment Index

*Q. Please compare the level of employment at your unit with the situation one month ago.*

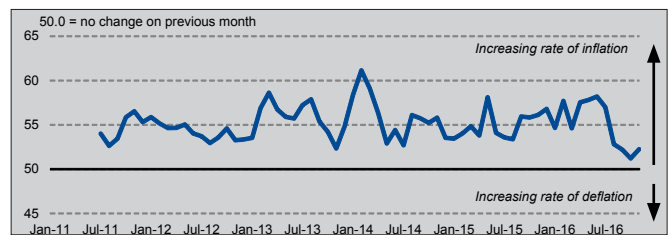
South African private sector companies raised their workforce numbers for the fifth month in a row during November. Moreover, the rate of job creation accelerated since October and was the strongest in just over one-and-a-half years. Companies generally attributed increased employment to new business wins.



### Output Prices Index

*Q. Please compare the average prices you charged this month with the situation one month ago.*

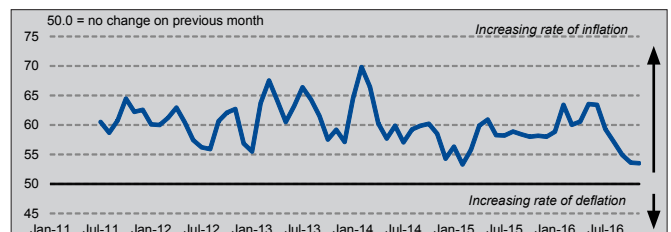
As has been the case throughout the survey history to date, private sector firms in South Africa raised their selling prices in November. Despite accelerating slightly since October, the rate of charge inflation was one of the weakest on record. Some panellists commented they had lowered their charges in an attempt to secure new customers.



### Overall Input Prices Index

*Q. Please compare your overall average input prices this month with the situation one month ago.*

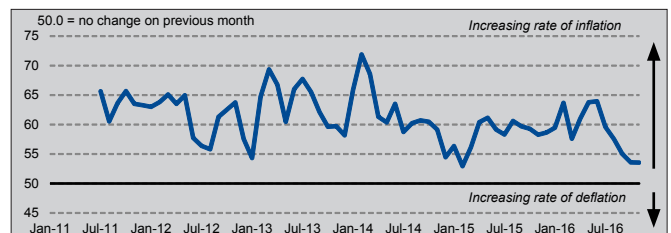
Overall input costs faced by South African private sector companies rose further midway through the fourth quarter. However, the rate of inflation slowed for the sixth month running and was among the weakest seen since data collection began in July 2011. Purchase prices and staff costs both increased at rates that were little-changed since October.



### Input Costs: Purchase Prices Index

*Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.*

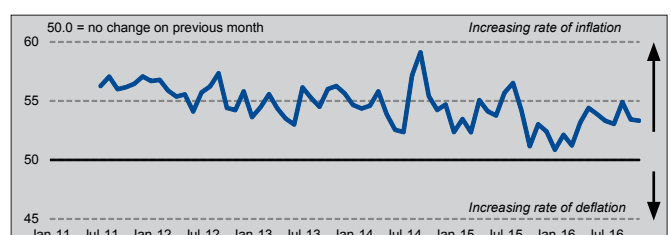
November saw purchase prices in South Africa's private sector rise further, thereby continuing a trend that has been evident since the survey started almost five-and-a-half years ago. Companies generally linked higher purchase costs to increased raw material prices and exchange rate factors. That said, the latest increase was the weakest since February 2015.



### Input Costs: Staff Costs Index

*Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.*

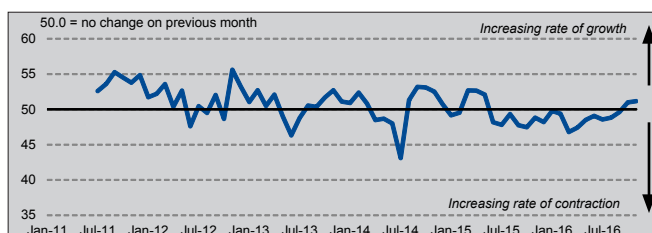
Average staff costs rose further during November. The rate of wage inflation was little-changed from that seen in October and remained slightly above the 2016 average so far. Latest survey data signalled that 7% of companies recorded higher average salaries, while the vast majority (92%) reported stagnant staff costs.



### Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

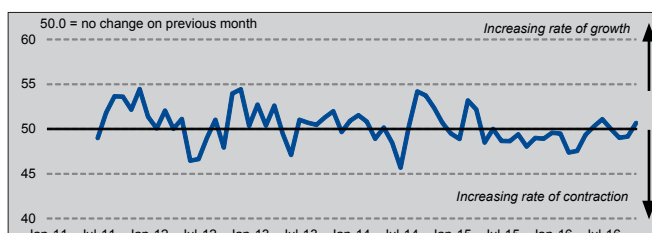
Purchasing activity at South African private sector firms rose for the second successive month in November. Despite rising only fractionally, the seasonally adjusted index signalled the strongest expansion in buying activity for one-and-a-half years. A number of companies linked increased input buying to higher new orders.



### Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

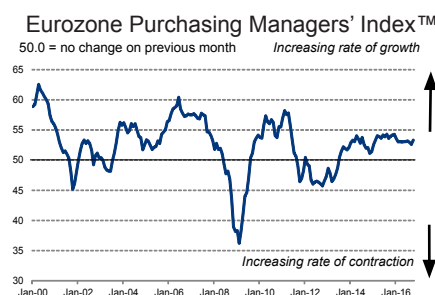
Stocks of raw materials and other pre-production inventories held at South African private sector companies rose for the first time in four months during November which panel members partly linked to rising demand. Although only fractional overall, the increase in inventories was one of the strongest over the past one-and-a-half years.



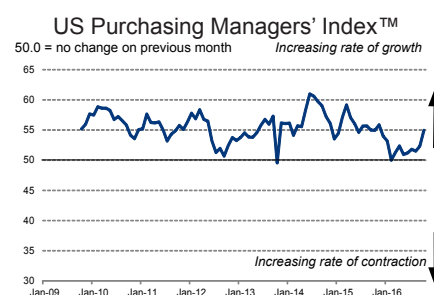
### International PMI summary



Sources: IHS Markit, Caixin.



Source: IHS Markit



Source: IHS Markit

Caixin China Composite PMI data (which covers both manufacturing and services) indicated the fastest expansion in Chinese business activity since early 2013 during October. This was shown by the Composite Output Index rising from 51.4 in September to 52.9 at the start of the fourth quarter.

The Markit Eurozone PMI Composite Output Index rose to 53.3 in October, up from 52.6 in September. Output rose at the quickest pace since January, underpinned by stronger inflows of new business, rising backlogs of work and increased hiring.

The seasonally adjusted Markit U.S. Composite PMI Output Index rose to 54.9 in October, from 52.3 in the previous month. The latest reading signalled the strongest upturn in private sector output since November 2015. Both the manufacturing and service sector recorded faster rates of expansion in October.

### Notes on the Data and Method of Presentation

The 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 manufacturing, mining, 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.

### Warning

The intellectual property rights to the Standard Bank South Africa PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Standard Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Ltd.