News Release

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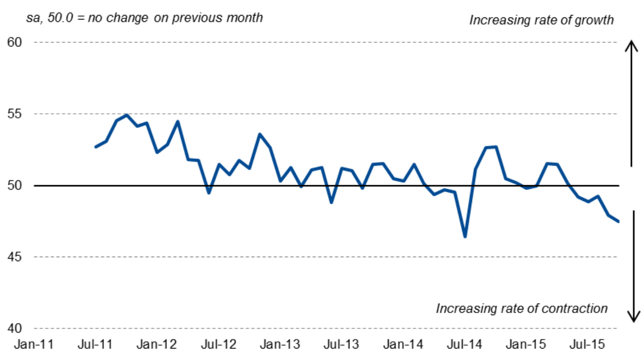
Standard Bank South Africa PMI™

PMI drops to 15-month low as new orders decline at sharper rate

Data collected 12-28 October

- Headline PMI falls from 47.9 to 47.5, signalling further deterioration in business conditions
- Output falls further amid sharper decline in new business
- Staff costs rise at weakest rate in survey history

Standard Bank South Africa PMI



Sources: Standard Bank, Markit

October data highlighted a continuation of the downturn in South Africa's private sector that started in June. Output fell sharply amid an accelerated decline in new business. Moreover, companies continued to shed staff and lowered their purchasing activity further. Input and output prices both rose sharply despite average staff costs increasing at the slowest pace in the survey history.

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 at the strongest rate in 15 months during October. This was highlighted by the Standard Bank South Africa PMI falling from September's 47.9 to 47.5. The PMI has now posted below the crucial 50.0 mark for five months in a row.

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

"The continued decline of the PMI in October to its lowest level in 15 months has been despite a drop-off in days lost due to load shedding and is therefore all the more concerning. Output has been in contraction for six consecutive months and producer intentions to downscale are evident in their decision to reduce employment. This is the first time in the survey's history that the Employment Index has been below 50 for two consecutive months. Importantly, the shedding of jobs is not due to wage increases and coincides with average staff costs increasing at the slowest pace in the survey's history.

"We note that employment tends to emulate new orders and that new orders have fallen 6.1 points since March. Employment started to moderate in May and has lost 3.5 points thus far.

"Businesses have been destocking for four consecutive months. Due to the decline in new orders having outpaced the rate of destocking, the leading PMI indicator (ratio of new orders to inventories) remained below the 1.0 mark.

"Through most of the history of the survey, output prices have remained below purchase costs, implying persistent margin pressure. Interestingly both price indices have trended lower since peaking in February 2014, despite a weakening currency."

The main findings of the October survey were as follows:

A sharper decline in new business was the main reason behind the lower headline PMI. Surveyed companies linked weaker demand to market uncertainties and exchange rate factors. Moreover, the data showed that new export business also fell at a marked rate.

A lack of demand and poor economic conditions meanwhile led to lower levels of activity in South Africa's private sector. Output fell for the sixth month running.

There was little appetite for companies to recruit new employees during month. Consequently, staffing levels fell further. The rate of job shedding was the most marked in 15 months, although slight overall. Meanwhile, backlogs of work fell modestly and average lead times improved fractionally.

Buying activity also continued to fall during October, which in turn led to a further reduction in pre-production inventories. The rates of decline accelerated in both cases.

As has been the case throughout the survey history to date, input costs increased in October. The rate of inflation eased slightly since September, largely a result of the weakest increase in staff costs in the survey history. Meanwhile, companies raised their charges further.

-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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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.