News Release

**Purchasing Managers' Index™**
**MARKET SENSITIVE INFORMATION**
**Embargoed until: 0915 (Cape Town) / 0715 (UTC) October 5th 2015**

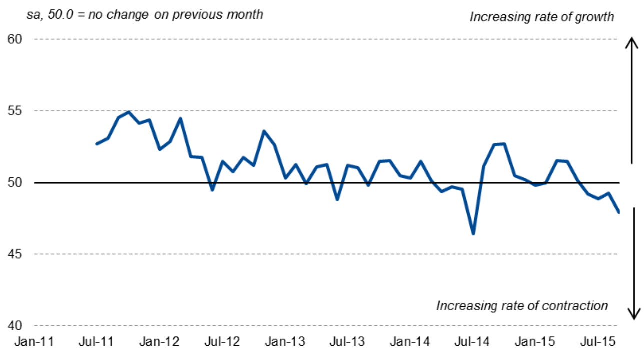
# Standard Bank South Africa PMI™

## Downturn in South African private sector intensifies as PMI drops to 14-month low

**Data collected 11-28 September**

- Output, new orders and purchasing activity decline at stronger rates
- Employment falls for first time in four months
- Cost inflation remains elevated despite slowing slightly

**Standard Bank South Africa PMI**



Sources: Standard Bank, Markit

South African private sector companies reported a continued contraction of output and new orders in September, with the rates of decline accelerating since August. Consequently, firms reduced their buying activity and lowered their workforce numbers. Output price inflation reached a four-month high and input costs continued to rise at a robust rate.

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 fell from August's 49.3 to 47.9 in September, thereby signalling the steepest contraction in the sector for 14 months. Moreover, the average PMI reading for the quarter as a whole (48.7) was the worst on record.

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

*"The South African private sector deteriorated in September, with the PMI declining to 47.9 from 49.3 in August in a fourth consecutive sub-50 print.*

*"Notable declines were registered in both the demand and business activity indices.*

*"In addition, employment fell below 50 for the first time since May 2015 and was the second largest contributor after economic activity, to the decline in September's PMI. We expect employment in the manufacturing, mining and construction sectors, to be particularly impacted by lower commodity prices and slower domestic and global economic growth.*

*"While overall input costs (purchasing and staff costs) increased at a slower rate in September, they remain high. Higher input prices in general are expected to continue to place strain on companies' margins, although some firms were noted as passing on higher costs in September as reflected by a sharp rise in output prices which reached a four-month high.*

*"Looking ahead, signals from the PMI's leading indicator continue to suggest ongoing deterioration, with the ratio of new orders to inventory falling further in September and remaining below 1 for a fourth consecutive month."*

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

September data signalled a further decline in new business placed with South African private sector firms, which survey participants generally linked to a poor economic environment. The rate of decrease was the strongest since last July. New export orders also fell further, although at a slightly slower pace than in August.

Activity at South African private sector firms decreased at a sharper rate in September. Mirroring the trend for new orders, the pace of contraction was the quickest in 14 months.

A lack of new work resulted in the first decline in payroll numbers since May. While the rate of job shedding was only marginal overall, it was nonetheless the most marked in over a year. Meanwhile, backlogs of work fell for the tenth month running.

Overall input prices increased further in September. That said, the rate of inflation slowed fractionally since August as purchase prices and staff costs both increased at weaker rates. Some firms passed higher costs on to their clients, resulting in a further rise in selling prices. The rate of charge inflation was the highest in four months.

Meanwhile, buying activity and stocks of purchases fell further in September and suppliers' delivery times continued to lengthen. The rate at which vendor performance deteriorated was little-changed from August.

-Ends-


**For further information, please contact:**

**Standard Bank:**

Kuvasha Naidoo

Telephone +27-11-415-4183

Email Kuvasha.naidoo@standardbank.co.za

**Markit:**

Oliver Kolodseike, Economist

Telephone +44-1491-461-003

Email oliver.kolodseike@markit.com

Joanna Vickers, Corporate Communications

Telephone +44-207-260-2234

Email joanna.vickers@markit.com


## 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.

#### Standard Bank:

Standard Bank are a universal bank and full-service financial group offering transactional banking, saving, borrowing, lending, investment, insurance, risk management, wealth management and advisory services.

From our head office in Johannesburg, we have developed and refined our universal banking competencies while playing a central role in developing the sophisticated South African financial sector, in what is today a successful developing economy. Our deep roots in South Africa provide a strong base for our growth in Africa, and position us well to realise significant opportunities for clients doing business in these markets.

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

## About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

## 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.