

Absa Purchasing Managers' Index August 2019

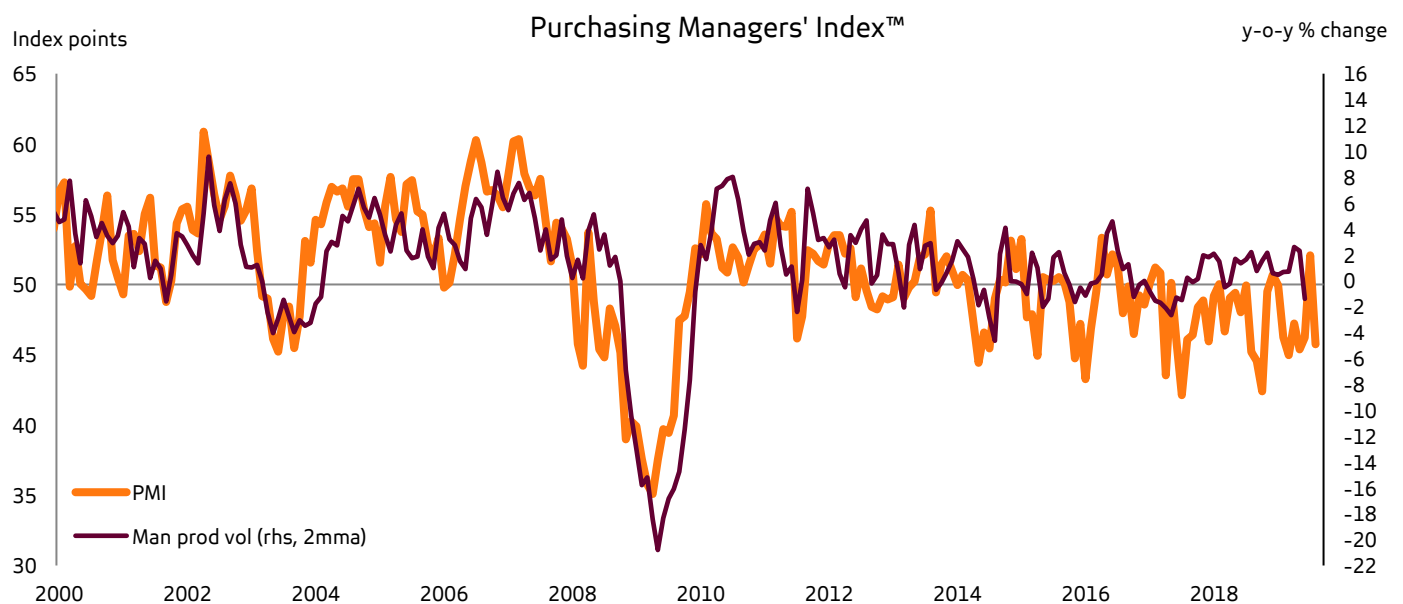
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The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** declined to 45.7 index points in August, down from 52.1 in July. While the magnitude of the decline may have been larger than anticipated, a fall in the PMI in August was not totally unexpected. This followed on July's surprisingly solid reading despite the weak domestic demand environment and growing concerns about the health of the global economy.

All of the PMI's major subcomponents came in below the neutral 50-point mark, signalling general weakness in the sector. For some time, the **suppliers' deliveries index** had managed to remain (well) above 50 points, providing support to the headline index. However, even this indicator dropped in contractionary terrain in August. This was the first time this index declined to below 50 since April 2018. The **business activity** and **new sales orders indices** also slumped back in contractionary terrain during August after a single month above 50 points in July. Respondents continued to be fairly downbeat about exports for a third straight month, while domestic demand likely also weighed on orders. This negatively impacted output levels, while the sustained weakness in output growth, in turn, affected employment. The **employment index** fell by four index points to reach a more than five-year low in August.

Worryingly, the index tracking **expected business conditions in six months' time** also dipped back below the neutral 50-point mark for the first time since November 2018. This means that more purchasing managers expect conditions to worsen (from already weak levels) going forward.

Despite the decline in the diesel price in early August, the **purchasing price index** rose by 5.7 points to reach 73.6 in August – the highest level since March. The increase was likely driven by the sharply weaker rand exchange rate during the month compared to July.

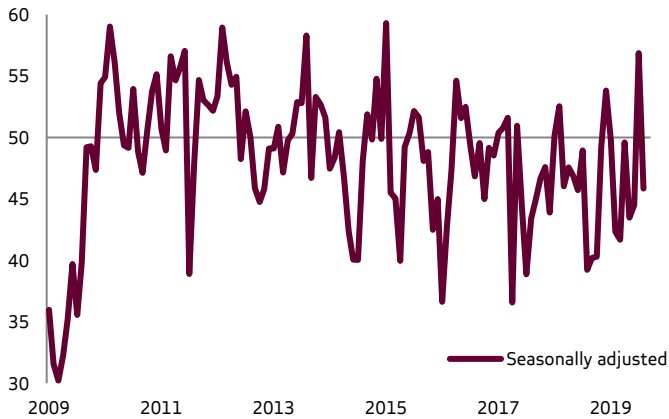


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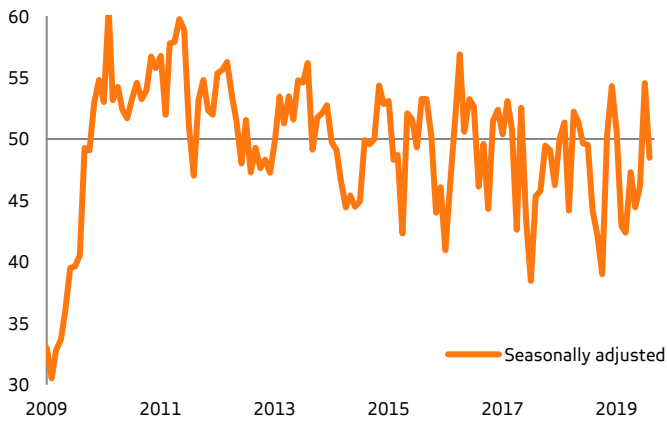
PMI: Business activity



As cautioned in the previous report, the **business activity index** was unable to hold on to last month's strong gain. Indeed, the index slumped back below the 50-point mark in August. The index nonetheless managed to stay above June's reading and the average for the first two months of the third quarter is well above the level recorded in the second quarter.

	Jun	Jul	Aug
Business activity	44.5	56.9	45.8

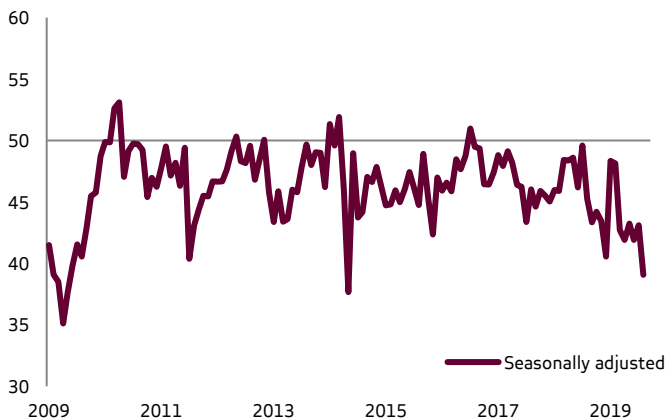
PMI: New sales orders



After two consecutive solid increases, the **new sales orders index** declined again in August. The index slumped back below the neutral 50-point mark to 48.5 points. Despite the drop, the index remained at a level above that recorded during most of 2019. The index is now more or less in line with the average level of 2018.

	Jun	Jul	Aug
New sales orders	46.2	54.5	48.5

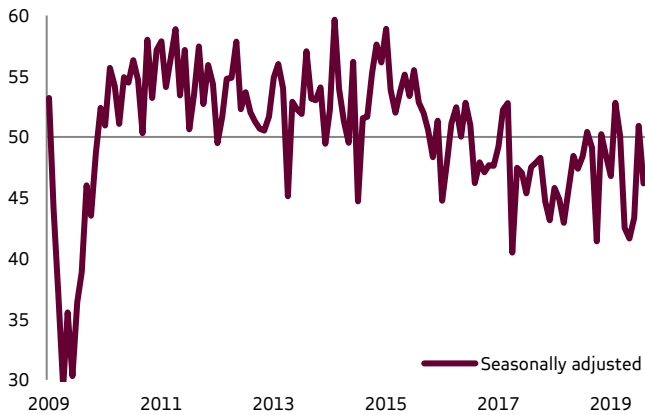
PMI: Employment



The **employment index** fell to a level below 40 points for the first time in more than five years. At 39.1 points, the index is now at the lowest level since May 2014. Barring that single month below 40 points in 2014, the employment index is now at a ten-year low.

	Jun	Jul	Aug
Employment	41.9	43.1	39.1

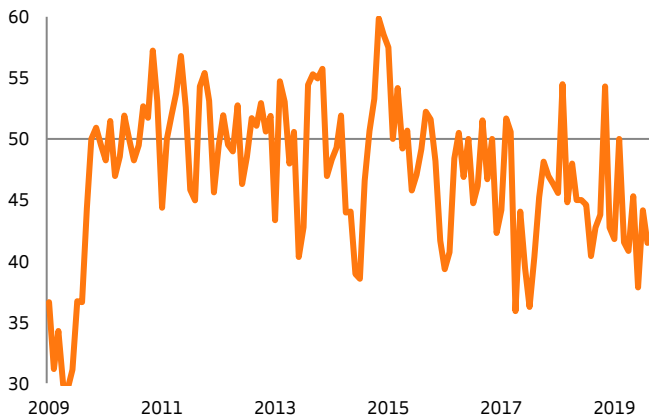
PMI: Inventories



After edging above 50 points in July, the index slumped back into contractionary terrain in August. The index fell by 4.7 points to 46.2 in August. However, despite the decline, the average for the first two months of the third quarter was more than six points above the level recorded in the second quarter.

	Jun	Jul	Aug
Inventories	43.4	50.9	46.2

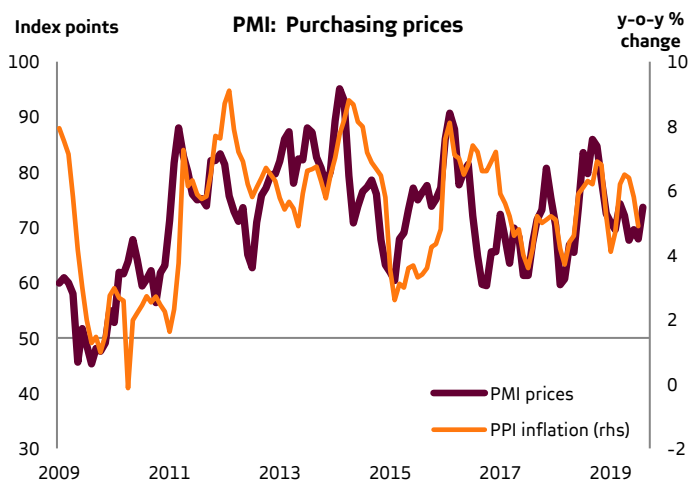
PMI: Purchasing commitments



The **purchasing commitments index** stayed below the neutral 50-point mark for a sixth straight month. The index declined by 2.6 points to 41.5 in August.

	Jun	Jul	Aug
Purchasing commitments	37.8	44.1	41.5

PMI: Purchasing prices



Despite the decline in the diesel price in early August, the **purchasing price index** rose by 5.7 points to reach 73.6 in August – the highest level since March. The increase was likely driven by the (on average) sharply weaker rand exchange rate during the month compared to July.

	Jun	Jul	Aug
Purchasing prices	69.6	67.9	73.6