

Absa Purchasing Managers' Index

July 2019

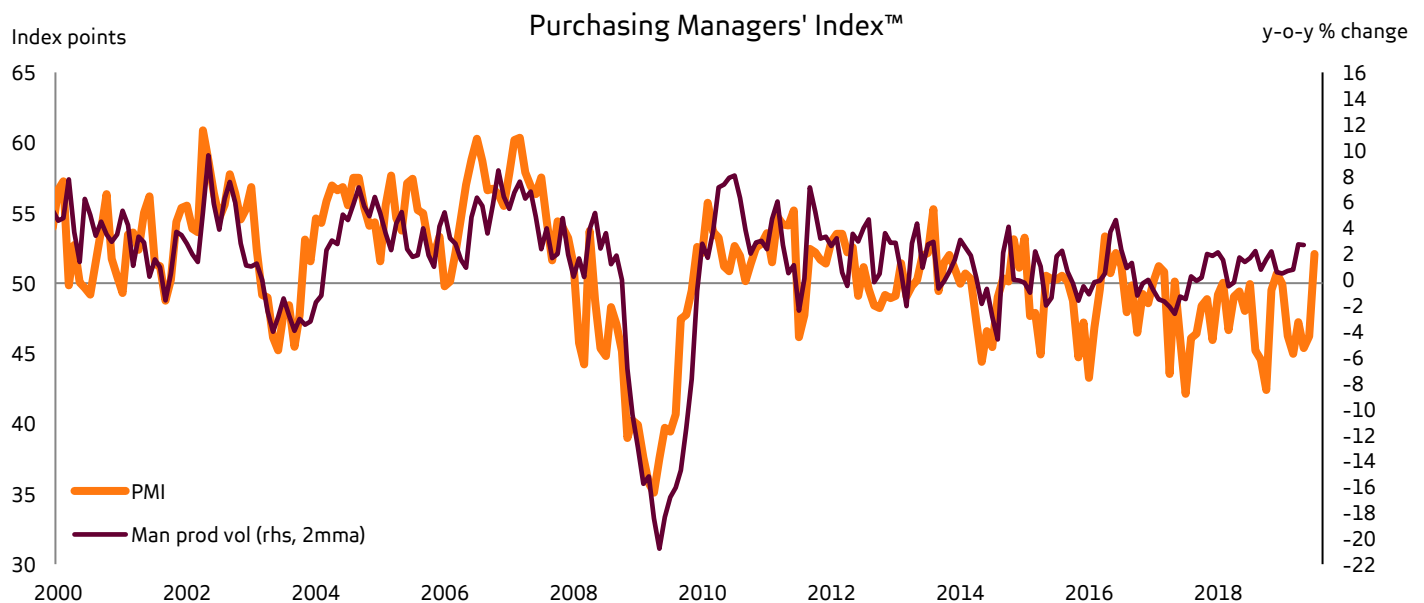
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The seasonally adjusted **Absa Purchasing Managers' Index (PMI)** measured 52.1 index points in July, up from 46.2 in June. This is the first reading above the neutral 50-point mark since December 2018 with the improvement well supported by the underlying subcomponents. Four of the five major subcomponents came in above the neutral 50-point mark, signalling an expansion in activity. However, given growing concerns about the health of the global manufacturing sector, it remains to be seen whether this improvement can be sustained going forward. Indeed, while purchasing managers continue to expect conditions to improve in six months' time, they are less optimistic than before. The **expected business conditions index** declined to 54.5 index points in July, down from 62.3 just two months before and more than 12 points below the level recorded at the start of the year.

In July, the **new sales orders index** rose for a second consecutive month. The reported improvement in demand likely contributed to the rise in **business activity**. As a result, both indices rose well above the neutral 50-point mark. The **purchasing inventories index** also edged back above the neutral level to reach 50.9 points after averaging 42.5 points in the preceding three months. It is not clear what the catalyst for these notable increases was. It may be that a number of manufacturing firms in - or supplying to - sectors that are busy with wage negotiations (automotive and platinum mining, for example) increased output, or saw increased demand for their products, in July to guard against possible strike-related production disruptions. Should this be the case, the notable upward moves in July are unlikely to be repeated.

Unfortunately, job prospects remained bleak with the **employment index** only ticking up to 43.1 index points, thus remaining in deep negative terrain.

The index tracking **purchasing prices** erased most of last month's gain and fell back to 67.9 index points in July. Barring May's reading of 67.7 points, this is the lowest level since May 2018. The stronger rand exchange rate (on average) may have supported the decline in the index.

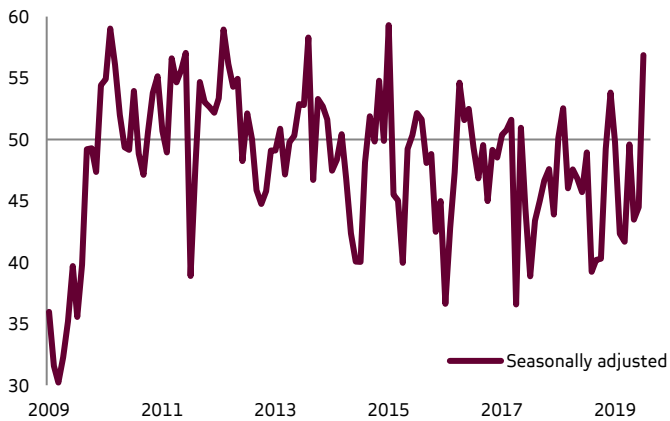


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For further information: Lisette IJssel de Schepper, Economist, BER (Tel: 021 808 9755 / 021 808 9777)

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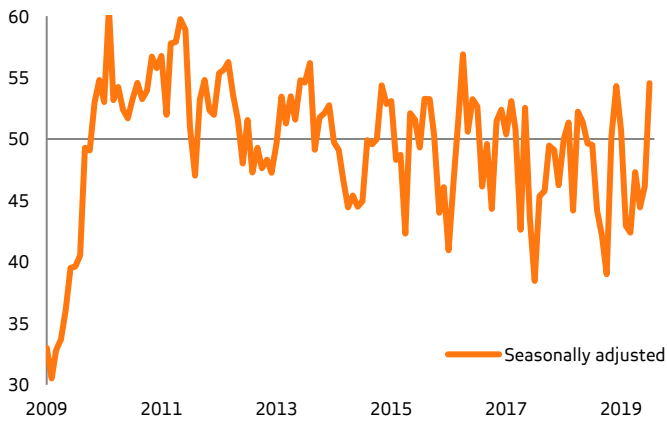
PMI: Business activity



The **business activity index** surged higher in July, far surpassing the neutral 50-point mark. It must be noted that the business activity index can be volatile and might drop lower again in the next month. Some firms may have temporarily ramped up production ahead of possible strike-related production disruptions amid wage negotiations. Should this be the case, the improvement is unlikely to be repeated.

	May	Jun	Jul
Business activity	43.5	44.5	56.9

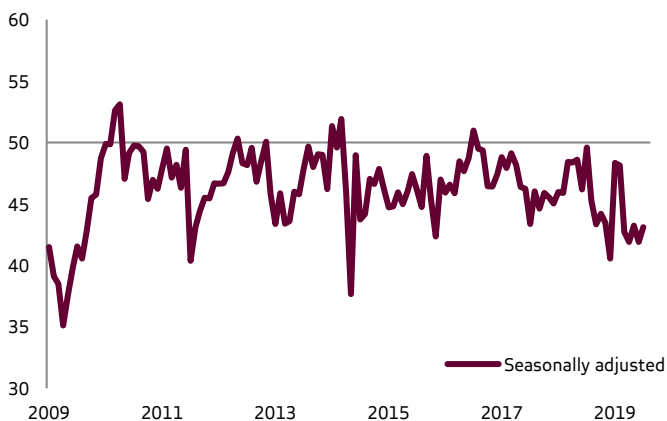
PMI: New sales orders



The **new sales orders index** registered another solid increase to climb to 54.5 index points in July. The index is now about 10 points above the level recorded in May. The fact that the index rose for a second consecutive month is encouraging, but given the growing concerns about the health of the global factory sector, the sustainability of the improvement remains in question.

	May	Jun	Jul
New sales orders	44.4	46.2	54.5

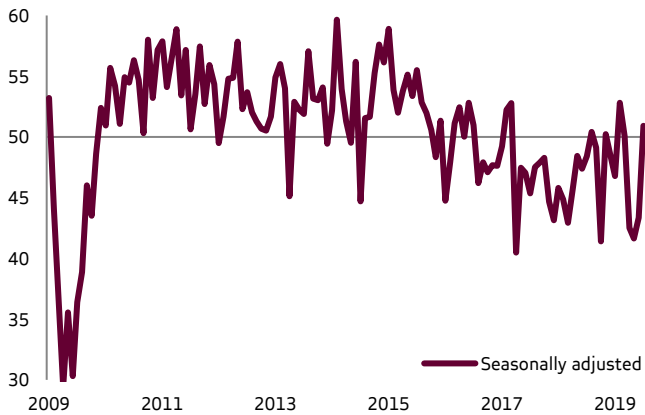
PMI: Employment



The **employment index** recovered from June's decline to reach 43.1 index points in July. Despite the uptick, the index remains well below the neutral 50-point mark.

	May	Jun	Jul
Employment	43.2	41.9	43.1

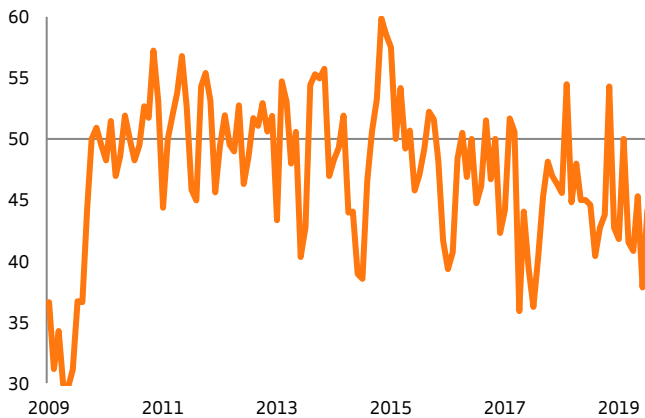
PMI: Inventories



After trending lower since February, the **purchasing inventories index** rose for a second month in July. The 7.5-point gain brought the index back above the neutral 50-point mark after lingering below that level for three months.

	May	Jun	Jul
Inventories	41.6	43.4	50.9

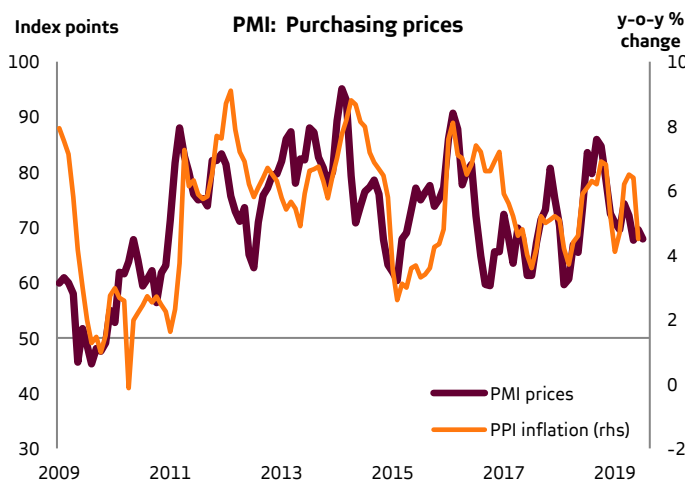
PMI: Purchasing commitments



The **purchasing commitments index** recovered some of June's losses and rose by 6.3 points to 44.1 in July. Despite the solid improvement, the index remained below the neutral 50-point mark for a fifth consecutive month.

	May	Jun	Jul
Purchasing commitments	45.3	37.8	44.1

PMI: Purchasing prices



The index tracking **purchasing prices** erased most of last month's gain and fell back to 67.9 index points in July. Barring May's reading of 67.7 points, this was the lowest level since May 2018. The downtick was likely supported by the stronger rand exchange rate making imports less expensive in rand terms. Despite weakening towards the end of the month, on average, the rand exchange rate appreciated significantly in July compared to June.

	May	Jun	Jul
Purchasing prices	67.7	69.6	67.9