

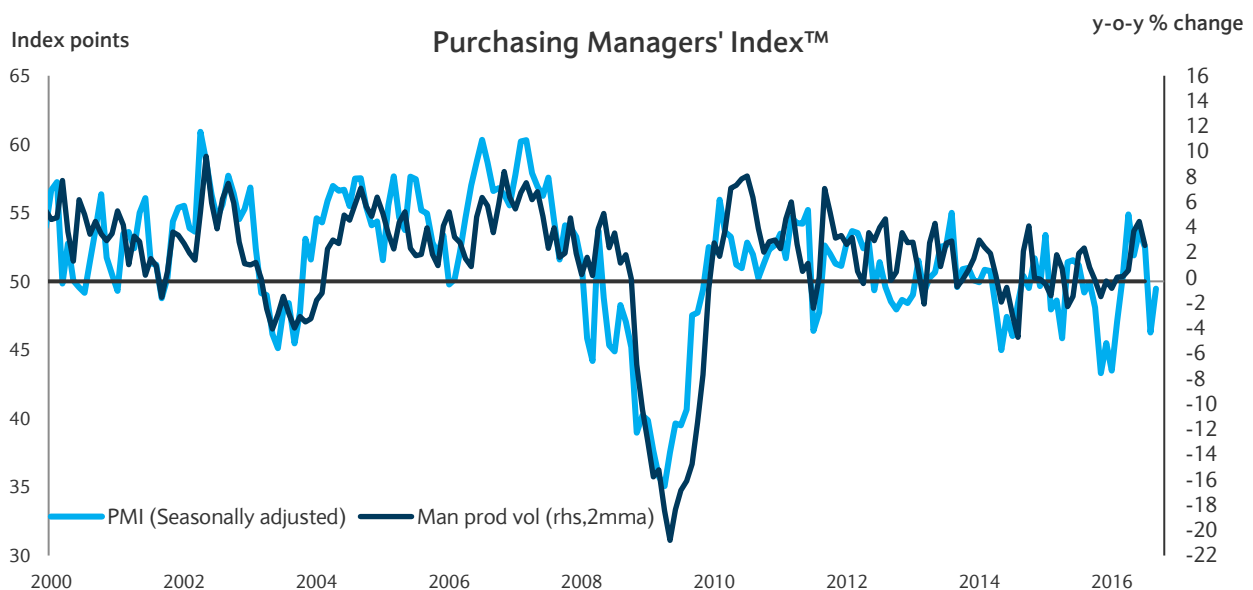
Barclays Purchasing Managers' Index September 2016

Embargoed until 11:00 3 October 2016

The seasonally adjusted **Barclays Purchasing Managers' Index (PMI)** rose by 3.2 points to reach 49.5 index points in September. The September reading, as well as the average for the third quarter, are below the neutral 50-point mark. In fact, the average reading in the third quarter is well below the second quarter average. This suggests a slowdown in actual quarter-on-quarter manufacturing production growth after a solid performance in the second quarter.

Four out of the five main PMI subcomponents increased in September. Nonetheless, only the **business activity** and **suppliers' performance indices** came in above 50 points. The **new sales orders index** continued to point to subdued demand. In contrast, the **inventories index** ticked higher in September and edged back above the level of the new sales orders index. This means that the **PMI leading indicator** is below one, which does not bode well for output growth going forward. The **employment index** declined in September and fell below 50 for the first time since June.

On a positive note, the index tracking **expected business conditions in six months' time** increased notably to 63.8 points. This was the third straight increase and the index is now at the highest level since the start of 2015. The more upbeat sentiment could be driven by less pressure on costs. Indeed, the **price index** fell for a third straight month to the lowest level in almost six years. This is likely driven by the rand exchange rate remaining relatively firm from August to September and two consecutive months of declining fuel prices. In addition, despite of the slightly stronger rand exchange rate of late, respondents still reported higher export orders. On the domestic front, some manufacturers may benefit from an expected turnaround in the agriculture sector as the impact of the drought diminishes.

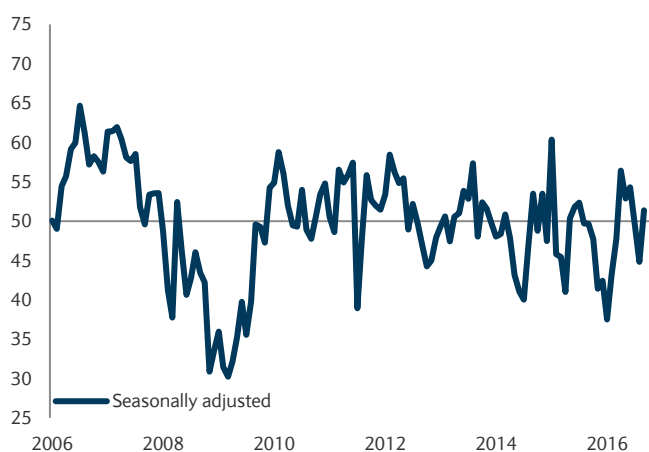


The PMI™ and PURCHASING MANAGERS' INDEX™ are trademarks of Stellenbosch University

For further information: Lisette IJssel de Schepper: Economist, BER (Tel: 021 887 2810)

The PMI is an economic activity index based on a survey conducted by the Bureau for Economic Research and sponsored by Barclays. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER, the author(s)/editor and Barclays Group (inclusive of its affiliates and/or subsidiaries) do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER, as well as any interpretations by third parties. Stellenbosch University and Barclays further accept no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University or Barclays.

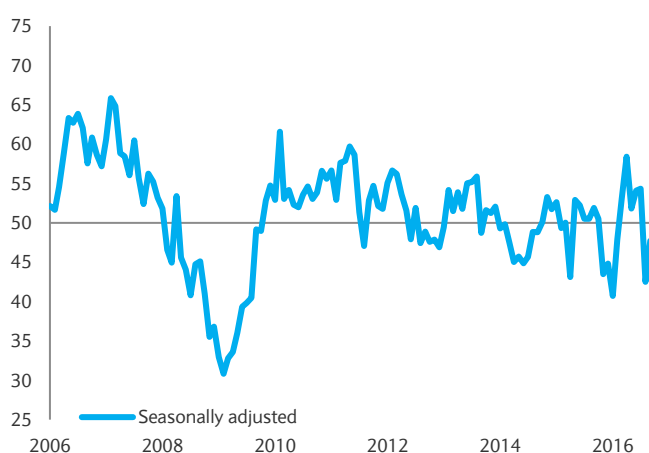
PMI: Business activity



The **business activity index** rose back above the neutral 50-point mark in September. This was, however, not enough to lift the average Q3 reading above 50 points. In addition, the average reading is well below that recorded in the second quarter. This is in line with the production indicator of the Absa Manufacturing Survey remaining in negative terrain during Q3. In all, this suggests that quarter-on-quarter manufacturing growth is likely to slow in Q3 compared to Q2. In Q2, the manufacturing sector expanded by 8.1% (seasonally adjusted and annualised). The first official data point for the third quarter showed a 1.5% month-on-month decline in manufacturing output in July (seasonally adjusted).

	Jul	Aug	Sep
Business activity	49.5	44.8	51.4

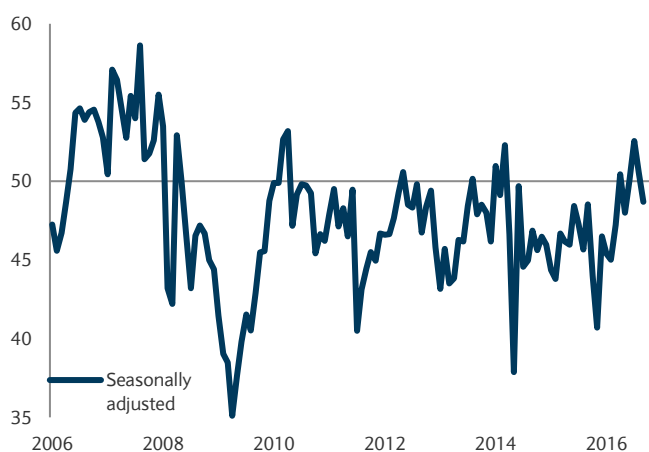
PMI: New sales orders



The **new sales orders index** rose to 47.7 points in September after a slump to 42.5 in August. Some of the respondents noted increased export orders during the month, with domestic demand conditions likely remaining subdued. Despite the uptick in September, the index remained below the neutral 50-point mark. The Q3-average is also well below that recorded in Q2, which suggest demand was under increased pressure in Q3.

	Jul	Aug	Sep
New sales orders	54.4	42.5	47.7

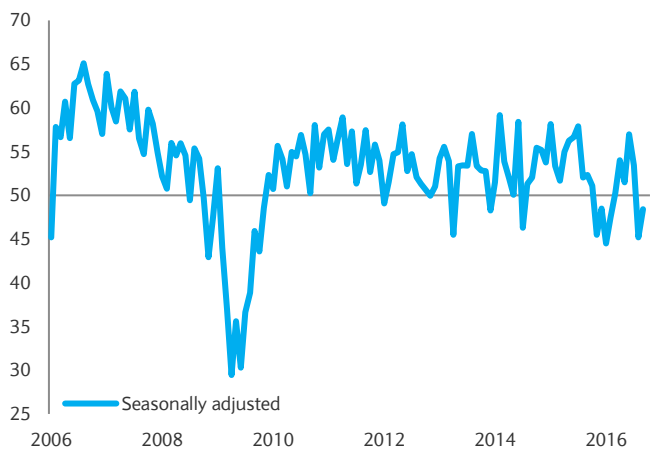
PMI: Employment



After remaining above 50 points for three straight months, the **employment index** declined to 48.7 points in September. The average reading for the third quarter is 1.1 points higher than the second quarter. This suggests that manufacturing employment (as measured by Statistics South Africa's Quarterly Labour Force Survey) may have again registered positive growth in Q3 after a solid 54 000 quarter-on-quarter increase in formal employment in Q2.

	Jul	Aug	Sep
Employment	52.6	50.6	48.7

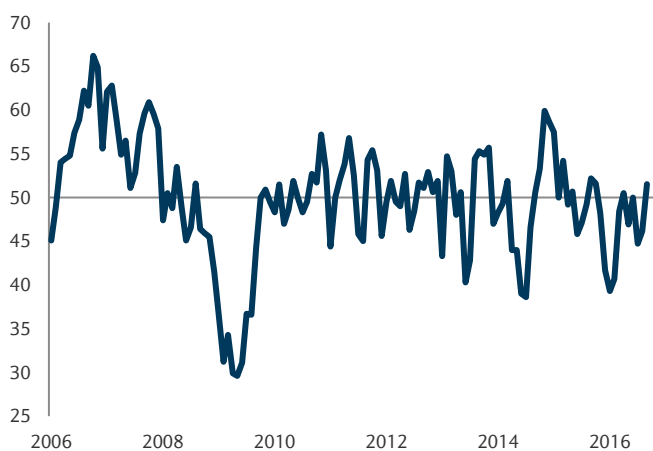
PMI: Inventories



The **inventories index** reversed its recent downward trend and moved up to 48.4 index points in September. Despite the uptick, the average level of the inventories index in the third quarter was still 5.2 points below the average recorded in the second quarter.

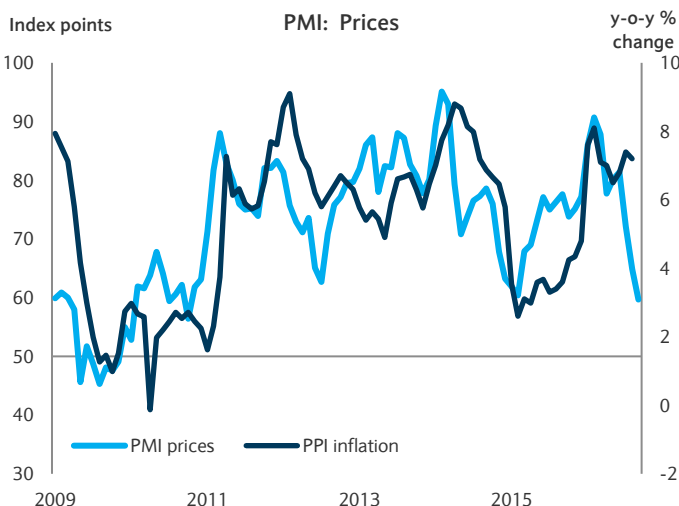
	Jul	Aug	Sep
Inventories	53.4	45.2	48.4

PMI: Purchasing commitments



The **purchasing commitments index** edged back above the neutral 50-point mark in September after lingering below that level in July and August. The current level is the highest since October 2015.

	Jul	Aug	Sep
Purchasing commitments	44.7	46.2	51.5



The **price index** moved down for a third consecutive month to the lowest level in almost six years in September. The moderation in cost increases was likely driven by the rand exchange rate. The rand was, on average, slightly weaker against the dollar in September compared to August. However, barring August, the September average was the strongest level in about a year and only slightly weaker compared to September last year. Fuel price declines at the start of August and September likely also contributed to the downward trend of the price index.

	Jul	Aug	Sep
Prices	72.1	64.8	59.7