

Kagiso Purchasing Managers Index



An economic activity index based on a survey conducted by the Bureau for Economic Research in conjunction with CIPS Southern Africa and sponsored by Kagiso Tiso Holdings

April 2012

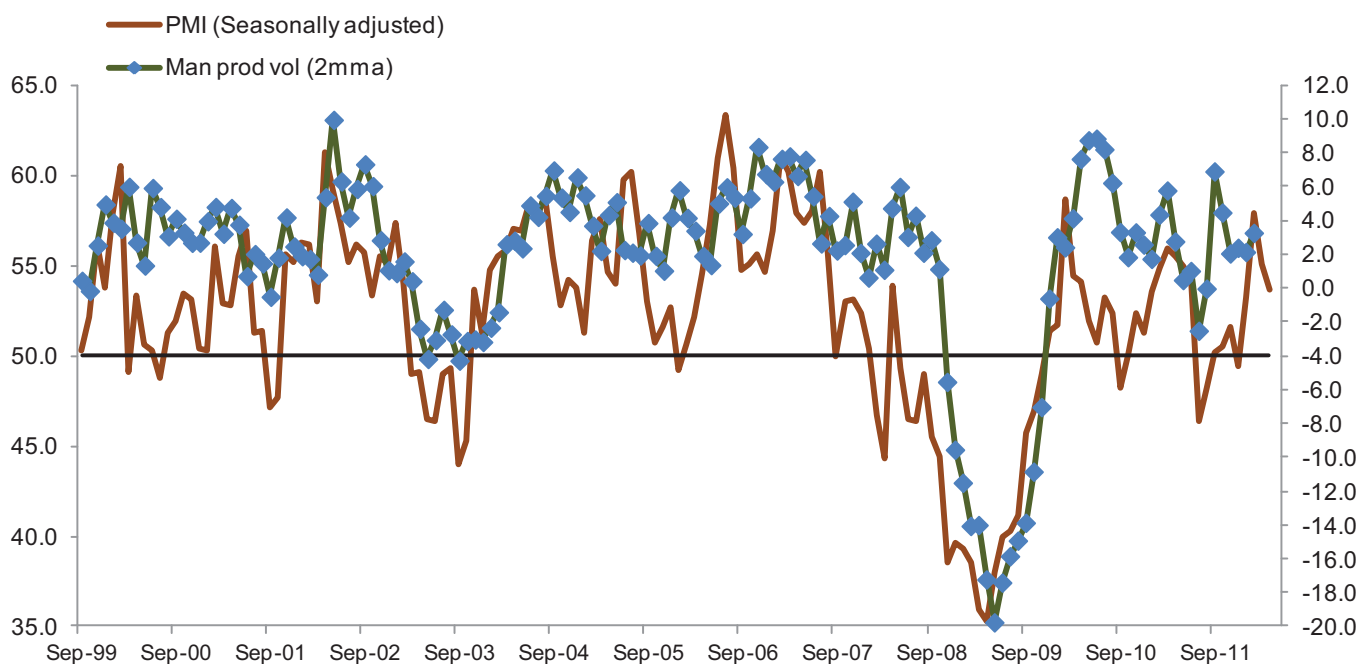
Executive Summary

The seasonally adjusted Kagiso PMI declined for the second consecutive month in April, losing 1.4 index points to 53.7. While still in expansionary territory, the level of the index provides the first signal that the monthly momentum of factory sector growth may have eased at the start of 2012Q2 after a strong first quarter.

The forward looking indicators of the PMI provide some clues that a further moderation in the headline index may be on the cards. The **new sales orders** index, which at 30% is the largest weighted PMI sub-component, declined by 4.3 points to 55.4. The index still reflects robust demand for factory goods, but the rate of demand growth appears to have moderated in the last couple of months.

At the same time, the **inventory** index stabilised at a fairly high level of 57.6. The result is that the **PMI leading indicator** (measured as the ratio between new sales orders and inventories) declined below 1 (to 0.96) for the first time since December 2011. A number below 1 indicates that inventories are too high relative to the demand for manufactured goods. The index measuring **expected business conditions** in 6 months' time also lost significant ground, falling by 6.2 index points to 56.2.

Kagiso Purchasing Managers Index



PMI declines for a second month and further easing may be on the cards...

- The seasonally adjusted Kagiso PMI declined for the second consecutive month in April, losing 1.4 index points to 53.7. While still in expansionary territory, the level of the index provides the first signal that the monthly momentum of factory sector growth may have eased at the start of 2012Q2 after a strong first quarter. The weaker pace of growth is in line with the trend in SA's key manufacturing export market, i.e. Europe. The Markit flash EU manufacturing PMI declined to 46 in April from 47.7 during March.
- The forward looking indicators of the PMI provide some clues that a further moderation in the headline index may be on the cards. The **new sales orders** index, which at 30% is the largest weighted PMI sub-component, lost 4.3 points to 55.4. The index still reflects robust demand for factory goods, but the rate of demand growth seems to have moderated in the last couple of months.
- At the same time, the **inventory** index stabilised at a fairly high level of 57.6. The result is that the **PMI leading indicator** (measured as the ratio between new sales orders and inventories) declined below 1 (to 0.96) for the first time since December 2011. A number below 1 indicates that inventories are too high relative to the demand for manufactured goods. The index measuring **expected business conditions** in 6 months' time also lost ground, falling by 6.2 index points to 56.2.
- Other notable developments in April include confirmation that the rate of increase for input costs is moderating. The PMI **price index** declined by another 1.8 points to 71.1 – the lowest level since January 2011. If the oil price is able to stabilise below \$120/bbl or - even better - decline further, it will go some way to ensure a sustainable moderation in factory sector input costs.
- The **employment** index remained just shy of the key 50 mark, rising by 1.7 points to 48.8. By far the majority of respondents reported that employment levels were unchanged in April compared to the previous month.

Kagiso Purchasing Managers Index: Results for April 2012

	2011			2012			
	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Business activity*	50.9	52.3	49.7	53.6	65.2	57.8	57.7
New sales orders*	51.6	51.2	48.3	57.3	64.8	59.7	55.4
Backlog of sales orders	49.0	46.0	40.6	39.4	43.6	41.4	42.2
Inventories*	51.1	54.4	50.9	50.2	51.7	57.4	57.6
Purchasing commitments	55.4	53.1	45.6	49.5	51.9	49.5	49.0
Expected business conditions	62.4	55.0	61.3	65.1	66.2	62.4	56.2
Suppliers' performance*	53.6	56.5	56.0	57.0	48.6	50.3	47.9
Prices	82.1	82.1	83.3	81.4	75.7	72.9	71.1
Employment*	45.6	46.5	45.0	45.2	48.6	47.1	48.8
PMI (not seasonally adj.)	57.0	58.2	53.0	47.5	54.7	54.0	50.1
PMI (seasonally adjusted)	50.5	51.6	49.4	53.2	57.9	55.1	53.7

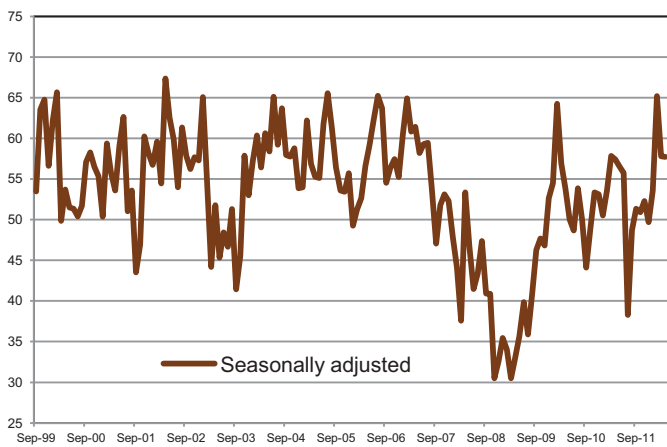
*These series have been seasonally adjusted using Census X12.



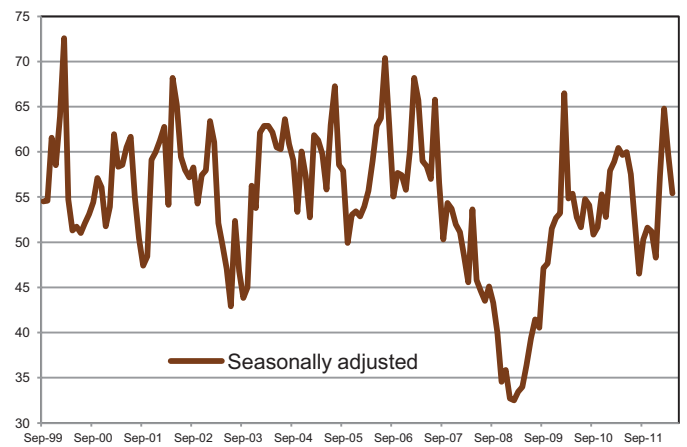
Output stable, but demand less lively

- After declining by a notable 7.4 points in March, the **business activity** index stabilised at a fairly robust level of 57.7 during April. The level of the index is indicative of continued strong manufacturing production growth. The detrimental impact on output of the numerous public holidays in April is reflected in the unadjusted business activity index, which declined by 6.4 points to 51.6.
- The **new sales orders** index, which at 30% is the largest weighted PMI sub-component, lost 4.3 points to 55.4. The index still reflects robust demand for factory goods, but the rate of demand growth seems to have moderated in the last couple of months.

Kagiso PMI: Business Activity



Kagiso PMI: New Sales Orders



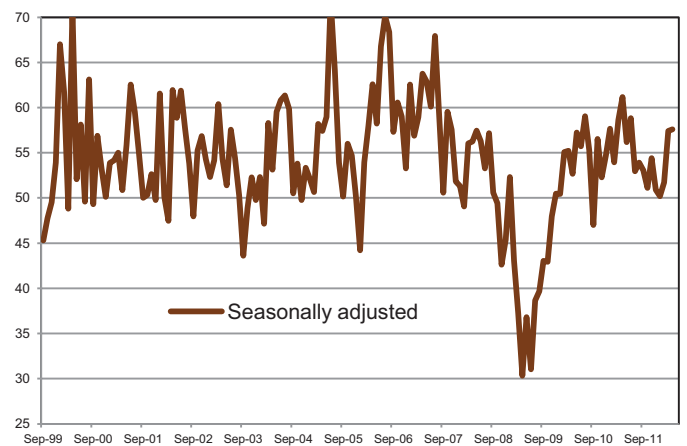
Inventories stable, while purchasing commitments remain below 50

- The **inventory index** eked out a marginal gain and remained fairly high at 57.6, while **purchasing commitments** lost 0.5 points to 49. April was the second month in a row where the commitments index was below the key 50 mark.

Kagiso PMI: Purchasing Commitments



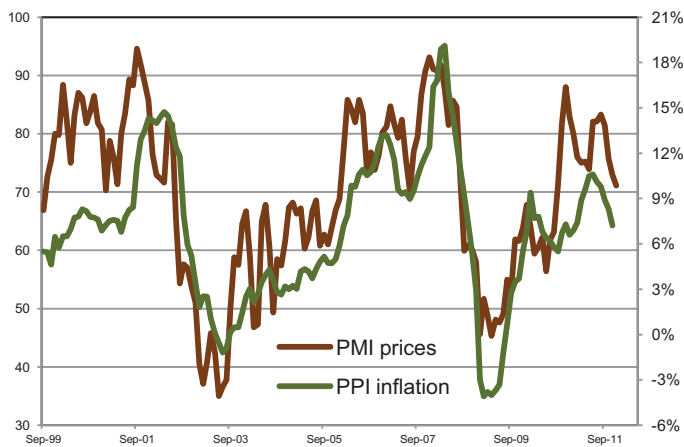
Kagiso PMI: Inventories



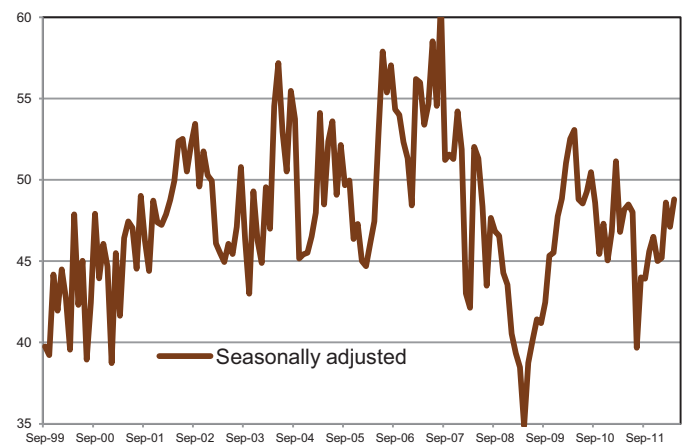
More good news on the input cost front; employment stable just below 50

- A notable development in April was further confirmation that the rate of increase for input costs is moderating. The PMI **price index** declined by another 1.8 points to 71.1 – the lowest level since January 2011. If the oil price is able to stabilise below \$120/bbl or - even better - decline further, it will go some way to ensure a sustainable moderation in factory sector input costs. The lower level of the PMI price index is in line with the trend for actual Stats SA producer price inflation, which moderated from 10.6% in October 2011 to 7.2% during March 2012.
- The **employment** index remained just shy of the key 50 mark, rising by 1.7 points to 48.8. By far the majority of respondents reported that employment levels were unchanged in April compared to the previous month.

Kagiso PMI: Prices



Kagiso PMI: Employment



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