

INVESTEC PURCHASING MANAGERS INDEX

RESULTS FOR SEPTEMBER 2007

An economic activity index based on a survey conducted by the Bureau for Economic Research in conjunction with the Institute of Purchasing Managers in South Africa and sponsored by Investec Asset Management

Executive Summary

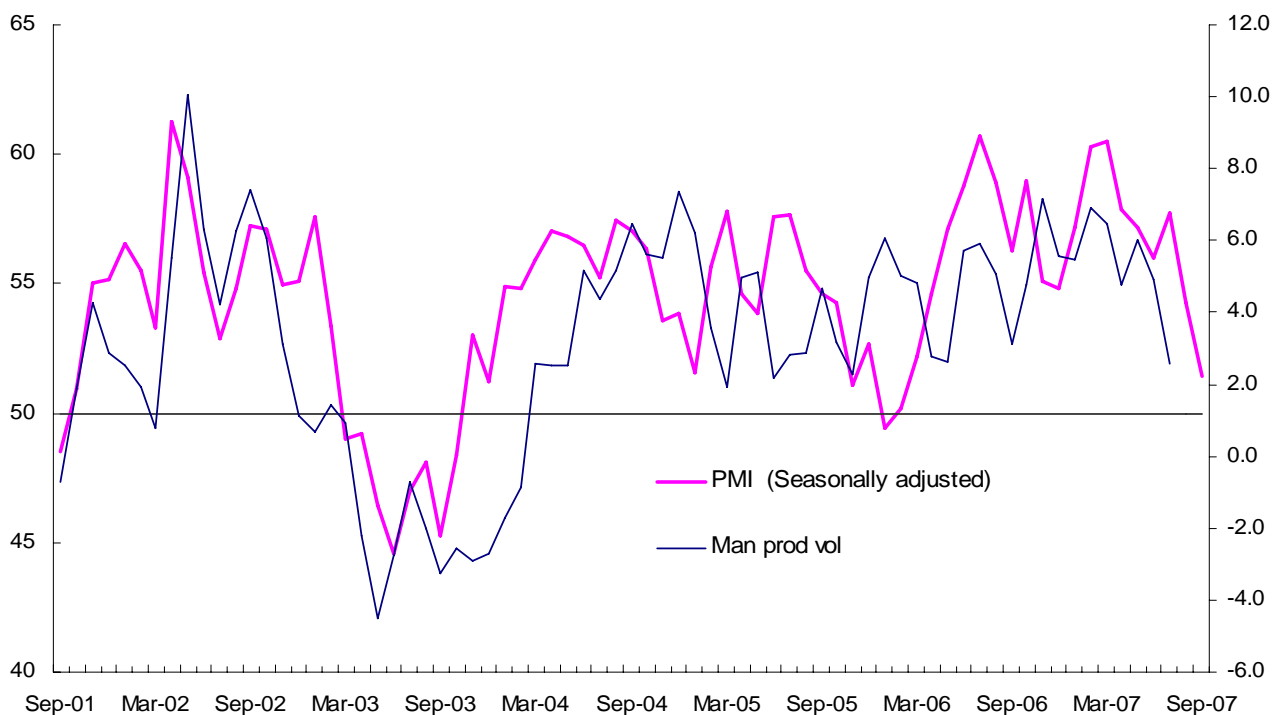
The seasonally adjusted Investec PMI declined further to 51.4, from 54.3 previously. Before these weaker readings, the PMI held between 56 and 60 for seven consecutive months. A big drop in new sales growth was the major contributor to the decline, with the seasonally adjusted new sales orders sub-index declining from 57.8 to 52.5.

Another important contributor to the overall decline was a drop in the seasonally adjusted employment index. It fell to under the critical level of 50, which signifies the onset of some shedding of labour in the sector.

All in all, manufacturing seems to be going through a rough patch, with the sector facing a backdrop of rising input costs, slowing domestic demand, a firm exchange rate and moderating global industrial production. Furthermore, expectations regarding business conditions in 6 months' time were scaled back.

Andre Roux, Investec Asset Management

Investec Purchasing Managers Index



Investec PMI declines further...

- September witnessed a further deterioration in manufacturing business conditions. The seasonally adjusted Investec PMI declined to 51.4, from 54.3 previously. Before these weaker readings, the PMI held between 56 and 60 for seven consecutive months.
- The new sales orders sub-index exerted the most downward pressure on the overall PMI, declining from 57.8 to 52.5.
- Another important contributor to the overall decline was a drop in the seasonally adjusted employment index. It fell to under the critical level of 50, which signifies the onset of some shedding of labour in the sector.
- The seasonally adjusted business activity index also dropped below the 50 level during the month, to 48.3. This indicates a contraction in manufacturing output – last witnessed in early 2006. Furthermore, expectations regarding business conditions in 6 months' time were scaled back.
- Strong upward pressure on input purchasing prices remains an issue – the PMI price index increased to 82.4 in September.
- All in all, manufacturing seems to be going through a rough patch, with the sector facing a backdrop of rising input costs, slowing domestic demand, a firm exchange rate and moderating global industrial production.

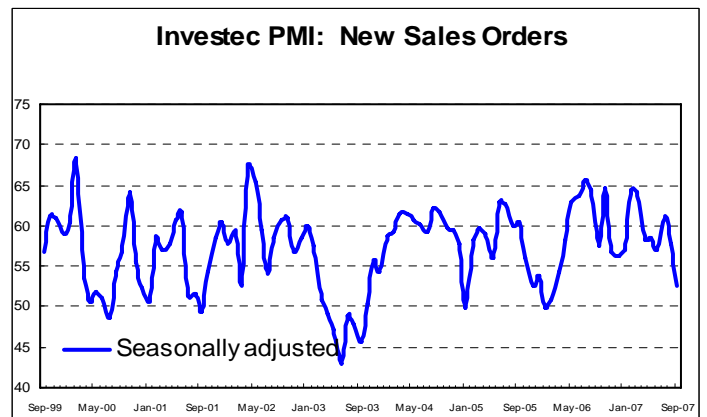
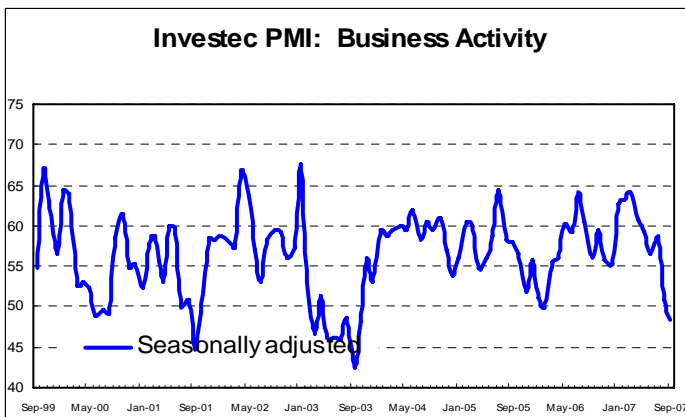
Investec Purchasing Managers Index: Results for September 2007

	2007						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Business activity*	64.1	60.8	59.2	56.4	58.4	50.9	48.3
New sales orders*	64.2	58.3	58.5	57.0	61.3	57.8	52.5
Backlog of sales orders	51.9	45.6	48.9	41.3	45.5	46.3	45.9
Inventories*	55.6	62.2	60.9	54.4	60.8	57.1	57.4
Purchasing commitments	59.1	54.9	56.5	51.1	52.8	57.3	59.6
Expected business conditions	66.0	69.4	67.7	65.9	68.3	65.2	60.1
Suppliers' performance*	52.6	54.2	56.5	55.8	52.7	48.6	52.7
Prices	76.2	80.2	81.2	84.7	81.7	79.3	82.4
Employment*	58.7	54.4	51.2	55.0	53.4	56.1	49.8
PMI (not seasonally adj.)	59.1	54.0	55.5	54.4	54.9	54.6	55.2
PMI (seasonally adjusted)	60.5	57.9	57.2	56.0	57.7	54.3	51.4

* These series have been seasonally adjusted using Census X12.

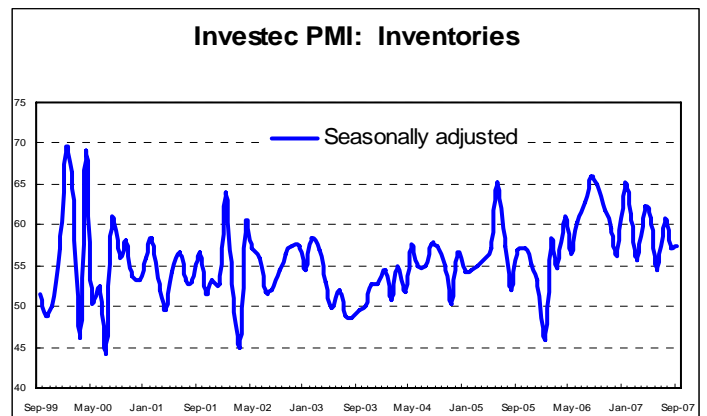
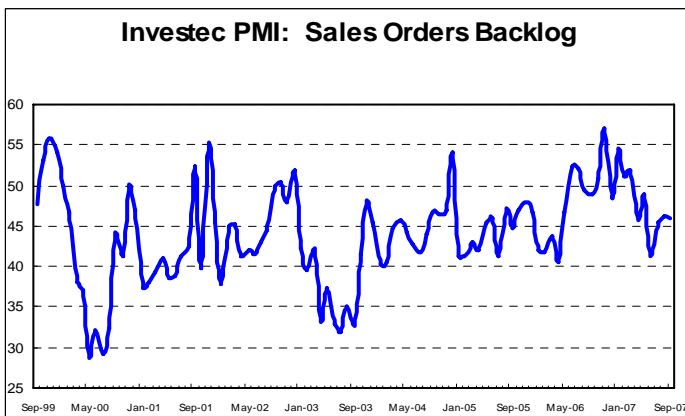
Business activity indicator plummets and growth in sales orders moderates

- The seasonally adjusted business activity index declined further during September to 48.3. This decline to below 50 signifies a contraction in business activity within the manufacturing sector.
- Growth in new sales orders fell sharply with the seasonally adjusted index declining from 57.8 to 52.5 – this 5.3 point decline in new orders made the largest contribution to the decline in the overall PMI.



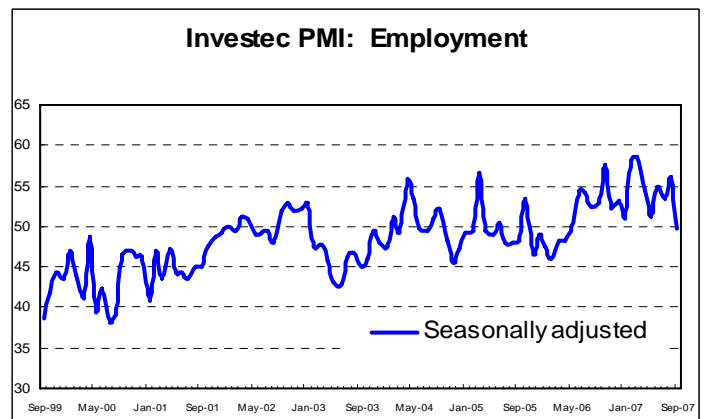
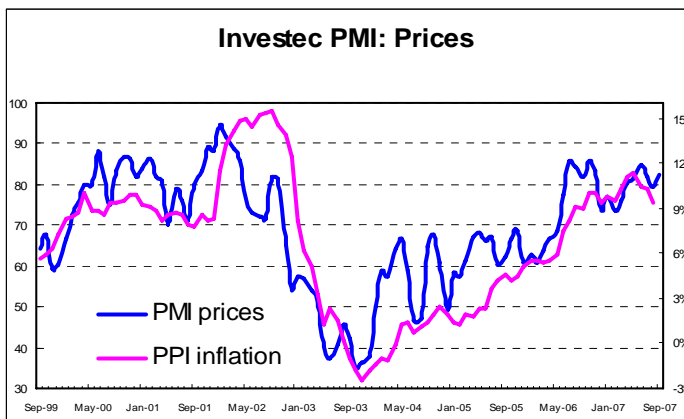
Backlog of sales orders diminishing while inventories remain unchanged

- The backlog of the sales orders index has been hovering below 50 since April and came in at 45.9 in September, indicating that capacity pressures have waned since the second quarter of this year.
- The seasonally adjusted inventory index remained around the 57 level during September. In contrast, purchasing managers upped their purchasing commitments, with the index rising from 57.3 to 59.6.



PMI price index ticks up and manufacturers shed labour

- Input price increases remain stubbornly high. The PMI price index increased to 82.4 from 79.3 in August. This index tracks official producer price inflation relatively well and this does not bode well for the September PPI figure. The month witnessed renewed pressure on the international oil price.
- The fact that the seasonally adjusted employment index dropped to 49.8, hence below the critical level of 50, is disappointing as it indicates that producers are shedding labour along with the cutbacks in production. The BER Manufacturing Survey revealed unprecedented upward pressure on unit labour costs which may have added further pressure on employment.



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