

INVESTEC PURCHASING MANAGERS INDEX

RESULTS FOR JANUARY 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

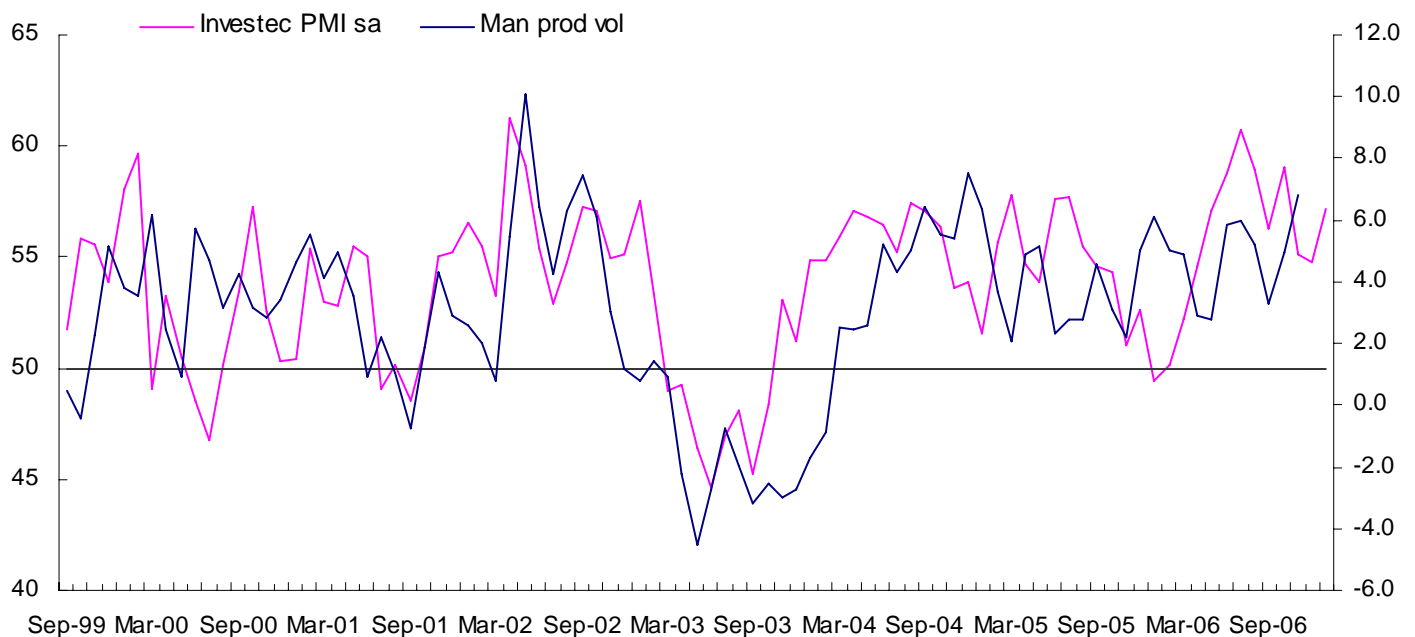
The seasonally adjusted Investec Purchasing Managers Index increased by 2.4 points to reach 57.2 in January 2007.

By far the strongest driver behind the increase was a pick up in business activity and hence production. However, growth in new sales orders rose only slightly in January. Combined with large increases in inventories, this is indicative of the manufacturing sector's rather positive expectations with respect to business conditions over the near term. Purchasing managers also increased their purchasing commitments significantly and upped their expectations regarding business conditions in six months' time.

On the downside, growth in employment creation moderated but the seasonally adjusted employment index is still above the critical level of 50. Furthermore, input price pressures as measured by the PMI price index intensified. However, in all the survey reveals a positive underlying trend in the manufacturing sector.

Andre Roux, Investec Asset Management

Investec Purchasing Managers Index



Investec PMI recovers

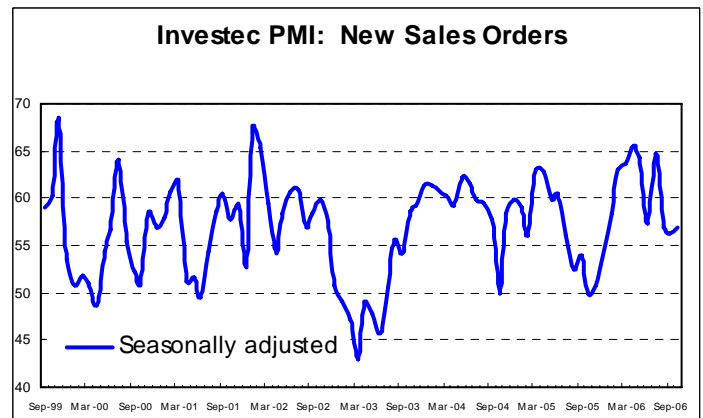
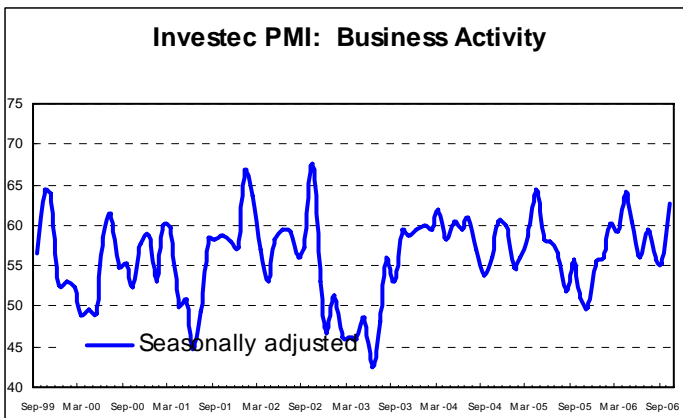
- Driven almost exclusively by a pick up in business activity, the seasonally adjusted Investec Purchasing Managers Index increased to 57.2 index points – from 54.8 in December 2006. Factors that may have spurred the increase in output include the need to replenish inventories, intensified backlogs of sales orders, as well as the slight depreciation in the rand exchange rate which impacts positively on manufacturers expectations with respect to business conditions (even in the short term as imports become less competitive). Purchasing managers upped their expectations regarding the buoyancy of business conditions within the manufacturing sector in six months' time: this index rose from 65.1 to 67.9 between December and January.
- Growth in new sales orders accelerated marginally with the seasonally adjusted new sales orders index increasing by 0.7 points to reach 56.9. However, purchasing managers increased their purchasing commitments significantly.
- Employment creation grew at a more moderate pace in January – with the seasonally adjusted employment index declining from 53.2 to 51.2. However, this index still remains above the critical level of 50. Furthermore, input price inflation as measured by the PMI price index increased. The price index rose to 76.8, after having receded to 73.4 in December.
- In all, the results reveal a positive trend within the manufacturing sector and bode well for business conditions over the short term.

Investec Purchasing Managers Index: Results for January 2007

	2006						2007
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Business activity*	64.1	60.5	56.0	59.4	55.7	55.2	62.7
New sales orders*	65.6	64.4	57.4	64.7	56.8	56.2	56.9
Backlog of sales orders	52.1	49.5	48.8	51.0	57.0	48.4	54.5
Inventories*	62.8	65.9	65.0	61.9	59.6	56.5	64.9
Purchasing commitments	58.9	62.2	60.5	66.2	64.9	55.6	62.1
Suppliers' performance*	52.4	49.2	53.6	46.7	50.9	52.0	51.1
Prices	85.8	84.2	82.0	85.8	83.5	73.4	76.8
Employment*	54.3	52.5	52.8	57.7	52.4	53.2	51.2
PMI (not seasonally adj.)	57.7	59.2	60.5	62.4	62.9	58.7	50.6
PMI (seasonally adjusted)	60.7	58.9	56.3	59.0	55.1	54.8	57.2

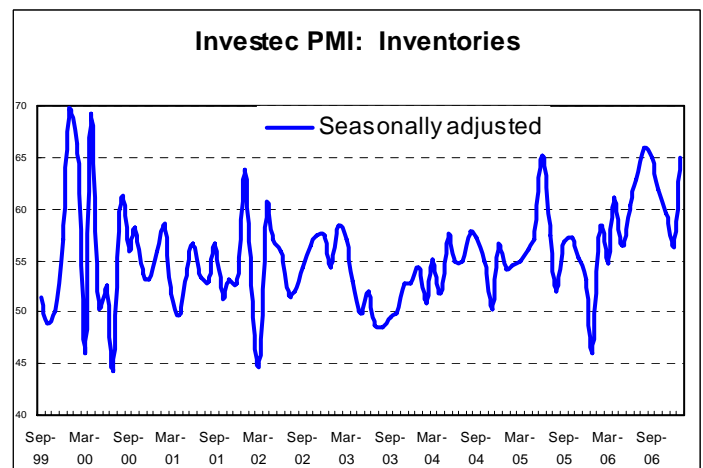
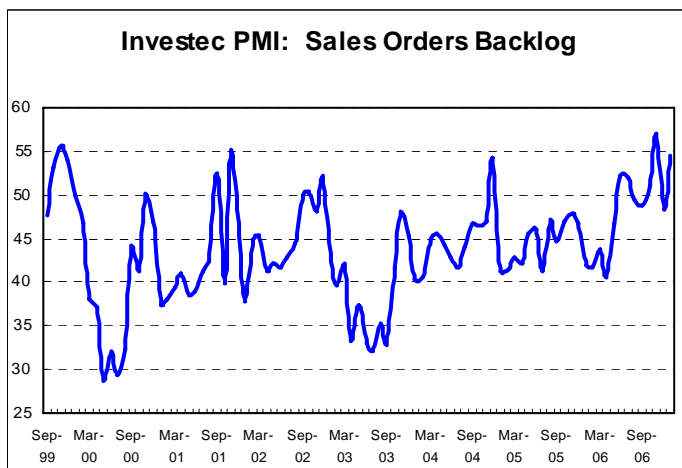
* These series have been seasonally adjusted using Census X12.

- Output accelerated significantly in January with the seasonally adjusted business activity index increasing by 7.5 index points, to reach 62.7 in January. Possible drivers behind the rise in output include the need to replenish inventories, intensified backlogs of sales orders, as well as the slight depreciation in the rand exchange rate.
- The seasonally adjusted new sales order index rose slightly from 56.2 previously to 56.9. However, purchasing managers increased their purchasing commitments notably, with this index increasing to 62.1 – up from 55.6.



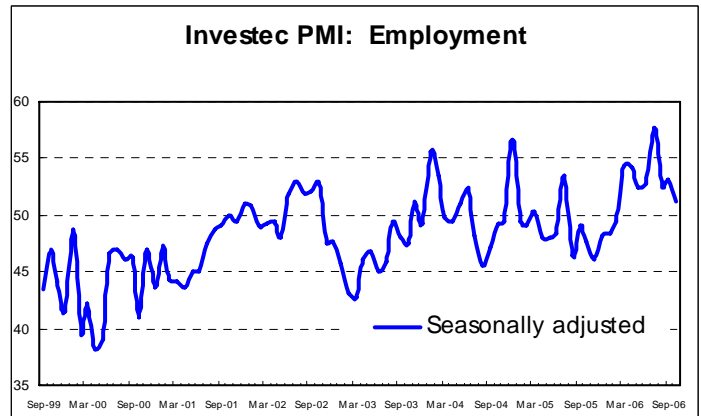
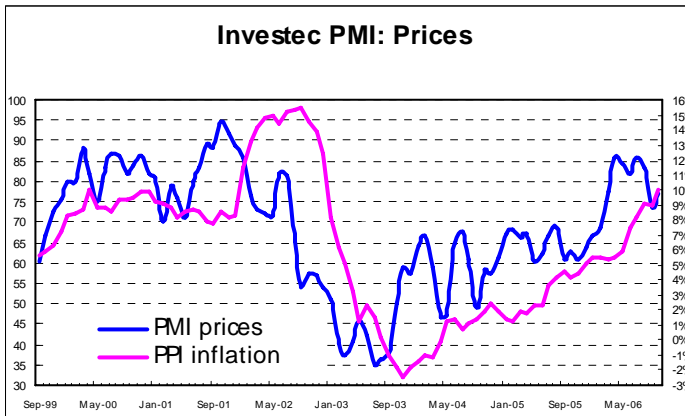
Sharp rise in inventories

- Manufacturers' purchasing inventories increased strongly: the seasonally adjusted inventory index rose to 64.9 – up 8.4 index points from December's 56.5. This, together with more bullish expectations regarding business conditions, bode well for future Investec PMI readings.
- Given continued accelerating new sales orders, the backlog in sales orders intensified with this index increasing from 48.4 to 54.5 in January. Furthermore, suppliers' performance deteriorated.



Price pressures flare up again...

- The PMI price index once again revealed pressure on input prices possibly due to continued pressure from agricultural inputs as well as the effect of the slight currency depreciation. The index increased from 73.4 to 76.8 and may imply a slightly higher January PPI figure.
- Employment creation grew at a more moderate pace in January – with the seasonally adjusted employment index declining from 53.2 to 51.2. However, this index still remains above the critical level of 50.



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1 February 2007