

SOUTH Africa's private sector is in a state of extreme distress amid poor market conditions and a lack of demand. February 3rd 2016

The Markit/Standard Bank SA headline purchasing managers index (PMI) fell to 49.1 in December from 49.6 in November, continuing the weak trend which began in June 2015.

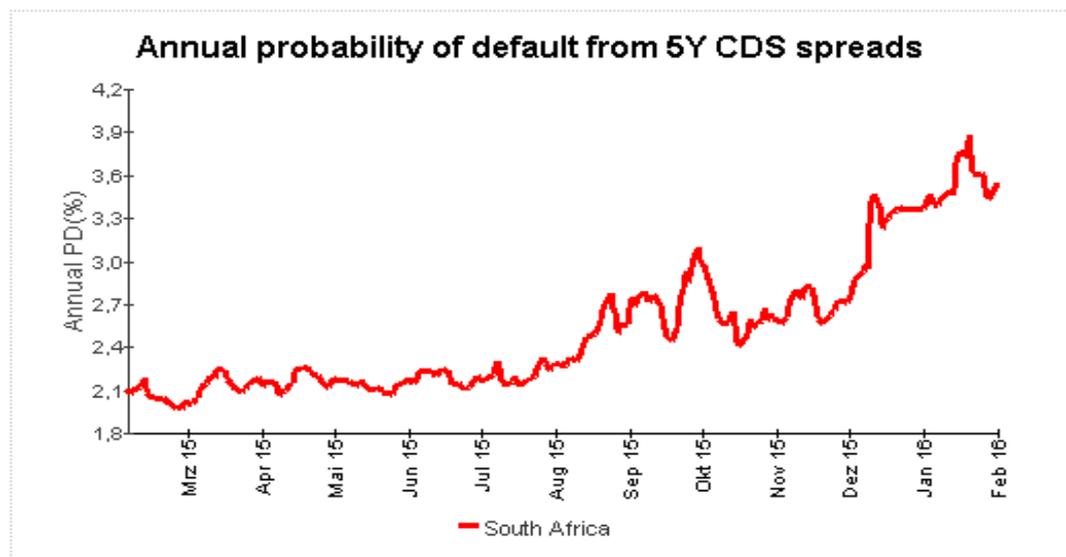
About 400 private-sector executives at companies across various sectors were surveyed on current business conditions including new orders, employment and input prices. A reading below 50 shows deterioration in private-sector business conditions.

Companies reported a renewed decline in new business, following a stabilisation in November. New orders from foreign markets also decreased during the month. As has been the case since September, employment numbers were marginally down in December.

"With business outstanding falling further and conditions in the sector showing no signs of immediate improvement, companies continued to cut jobs, although the rate of job shedding remained marginal overall," said Markit economist Oliver Kolodseike.

Input costs rose further in December. Companies continued to pass on higher costs to their clients, as highlighted by a rise in output prices. Subdued demand remained one of the main reasons for companies to reduce their buying activity in December. Lower input buying in turn contributed to a further reduction in pre-production inventories.

Please select your recovery rate assumption:



South Africa 5y CDS price

Source Bloomberg



GBP v ZAR exchange rate

Source Investec Bank

1D | 1M | 1Y | 5Y Time Frame Add Comparison + Indicators v



OPEN 10,300.00	DAY RANGE 10,150.00 - 10,709.00	VOLUME 2,507,556
PREVIOUS CLOSE 10,480.00	52WK RANGE 9,480.00 - 17,700.00	1 YR RETURN -32.18%
YTD RETURN -8.04%	CURRENT P/E RATIO (TTM) 8.68	EARNINGS PER SHARE (ZAR) (TTM) 12.12
MARKET CAP (B ZAR) 170.321	SHARES OUTSTANDING (B) 1.618	PRICE/SALES (TTM) 1.09

Standard Bank Group share price

Source Bloomberg

Ahead of the Finance Minister Pravin Gordhan presenting his budget speech to Parliament on 24 February 2016, as well fall in the PMI reported above there has been:

- an interest rate increase on South Africa:
<http://www.bdlive.co.za/economy/2016/01/29/reserve-bank-raises-rates-as-it-flags-bleak-year-ahead>
- a downgrade of South Africa's growth prospects by the World Bank:
<http://www.bdlive.co.za/economy/2016/02/02/world-bank-downgrades-sas-growth-prospects>
- The Sovereign CDS price for South Africa has fallen to 351 from a peak of 390 on January 20th. It was below 300 at the beginning of December 2015 before the news of the announcement of the negative rating outlook from Standard and Poor's was announced.
- The SA Rand has also stabilised to 23.4 against the GBP up from a low of 24.5 in mid-January.
- Standard Bank Groups share price is also above January's low and is stable in a generally weak equity market.

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