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## Stanbic Bank Zambia PMI™

### Output returns to growth as price pressures ease

#### Key findings

Sharpest rise in activity for five-and-a-half years

Input cost inflation slowest in year-to-date

Renewed expansions in new orders and purchasing activity

The Zambian private sector returned to growth midway through the second quarter of the year, on the back of renewed expansions in output and new orders. Purchasing activity also increased, but firms maintained a cautious approach to hiring. Helping companies in May was an easing of inflationary pressures, with input costs rising at the softest pace in 2023 so far.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI moved back above the 50.0 no-change mark in May, posting 51.4 from 48.7 in April. The index signalled a first improvement in business conditions in three months. Although modest, the strengthening of the health of the private sector was the largest seen since December 2021.

Helping to support the overall improvement in business conditions were renewed expansions in both output and new orders. In each case, the rises were the first in three months. New orders increased at the fastest pace in almost a year-and-a-half, while growth of activity was the most pronounced since November 2017.

Output increased across each of the five broad sectors covered by the survey.

A key factor behind the renewed growth of the sector in May was an easing of inflationary pressures. Overall input cost inflation slowed for the second month running to the weakest in the year-to-date. In turn, output prices increased modestly, and to the least extent in four months.

The slowdown in overall input cost inflation was mainly centred on purchase prices, where the pace of increase

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.  
Data were collected 12-24 May 2023.

#### Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

*“Renewed expansions in both output and new orders helped to support the overall improvement in business conditions over the previous month. Additionally a key factor was the easing of inflationary pressures which altogether led to the index signalling a first improvement in business conditions in three months.”*

was much softer than that seen in April. While fuel prices and exchange rate fluctuations continued to lead to higher purchase costs, there were some reports that the appreciation of the kwacha against the US dollar in April had limited price pressures in May.

Meanwhile, staff costs increased for the first time in three months, largely reflective of wages being raised in order to help workers with higher living costs.

Cost considerations meant that companies continued to reduce staffing levels in May despite the renewed rise in new orders. Employment was down for the fourth month running, but at a marginal pace that was the slowest since February.

Purchasing activity did increase, thereby ending a two-month sequence of decline. Reports suggested that inputs were often used directly to support activity, however, meaning that stocks of purchases continued to fall.

Suppliers' delivery times shortened for the first time in four months, and to the greatest extent since June last year. Competition among suppliers and a lack of travel restrictions reportedly contributed to shorter lead times.

Business confidence picked up as the improving situation in May boosted optimism in the year-ahead outlook for activity. That said, sentiment remained below the series average.

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### Survey methodology

The Stanbic Bank Zambia PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected March 2015.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html)

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Stanbic Bank Zambia Limited is the largest bank in Zambia by balance sheet, offering a full range of banking and related financial services. The Bank is well capitalized and its capital position is above the regulatory minimum.

The Bank which has more than 60 years' operating experience has a huge network of branches countrywide offering full spectrum of financial services from retail to corporate and investment banking

Our strategy is to be the leading financial services organisation in, for and across Zambia, delivering exceptional client experiences and superior value. We believe we can achieve this as Zambia is our home, we drive her growth. The Bank has been an integral part of the Zambian economy and is a leading player in the country's financial services sector. <http://www.stanbicbank.co.zm>

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