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Stanbic Bank Zambia PMI™

Output falls for first time in four months

Key findings

Renewed declines in output and new orders

Solid increase in purchase prices amid currency weakness

Employment continues to rise, but only marginally

The recent sequence of growth in the Zambian private sector came to an end in August, with output and new orders both down amid financial pressures caused in part by currency weakness. A depreciation of the kwacha also led purchase costs to rise.

The most positive aspect of the latest survey was a continued increase in employment, although the rate of job creation softened.

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 dipped below the 50.0 no-change mark during August, posting 49.2 from 51.0 in July. The reading signalled a slight deterioration in business conditions midway through the third quarter, thereby ending a three-month sequence of improvement.

Output decreased for the first time in four months amid reports of challenging business conditions, which often reflected money shortages in the economy. Activity fell in the manufacturing, construction and wholesale & retail categories, but rose in agriculture and services.

Similarly, new orders also returned to contraction territory, thereby ending a three-month sequence of expansion.

Money shortages were sometimes linked to currency weakness, which was the main factor behind a renewed increase in purchase costs. Purchase prices rose solidly, and to the greatest extent since April. Some panellists indicated that higher fuel prices had added to cost pressures.

Staff costs were also up, reflecting bonus payments and efforts to help workers with higher living costs. That said,

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 10-24 August 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

"Output and new orders were down in August amid financial pressures caused by currency weakness, consequently reversing the sequence of growth experienced by Zambia's private sector in recent months. However, companies continued to take on extra staff in order to reduce backlogs of work and help ensure projects were completed on time.

"The PMI reading signalled a slight deterioration in business conditions."

PMI™

by **S&P Global**

the rate of inflation softened to the weakest in the current four-month period of increasing staff costs.

The pace of output price inflation also eased and was marginal. Some firms raised selling prices in response to higher cost burdens, but others offered discounts to customers to try and attract new orders.

Although output and new orders decreased in August, companies continued to take on extra staff in order to help make sure projects were completed on time. Employment increased for the third month running, albeit marginally.

The expansion in workforce capacity meant that firms were able to reduce backlogs of work again, extending the current sequence of depletion to seven months.

Purchasing activity ticked down, but stocks of inputs rose for the first time in seven months as business activity fell unexpectedly at some companies, causing a build-up of unused items.

Suppliers' delivery times shortened, but only marginally and to the least extent in the current four-month sequence of improving vendor performance.

Companies remained optimistic that business activity will increase over the coming year, although sentiment dipped to a four-month low. Where confidence in the outlook was recorded, firms linked this to hopes for stabilisation in the economy and improving economic conditions.

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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.

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

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