

Embargoed until 1030 CAT (0830 UTC) 4 August 2022

Stanbic Bank Zambia PMI™

Output increases for first time in three months

Key findings

Renewed expansions in output and new orders

Employment continues to increase

Rates of inflation soften

Data were collected 12-25 July 2022

The Zambian private sector returned to growth in July amid signs of improving demand which led to rises in new orders and activity. In turn, firms expanded their employment and purchasing activity. Rates of growth were only slight, however, as rising living costs and money shortages limited demand. That said, rates of inflation in input costs and output prices eased over the month.

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.

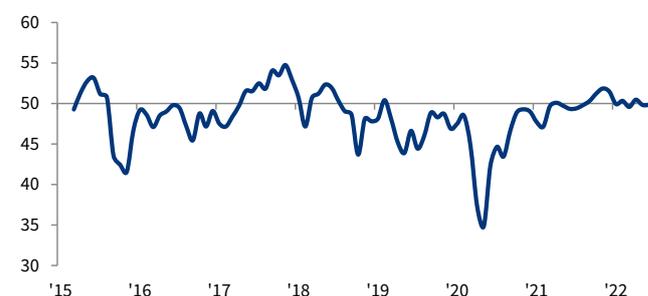
The headline PMI moved back above the 50.0 no-change mark in July, posting 50.5 from 49.9 in June. The reading signalled a modest improvement in the health of the private sector, and the first in three months.

Business conditions were supported by renewed expansions in both new orders and output at the start of the third quarter. Companies reported tentative improvements in customer demand and higher footfall, but demand was limited to some extent by rising living costs and money shortages in the economy. As a result, rates of expansion were only marginal.

Companies responded to increasing new orders and higher activity requirements by taking on more staff and expanding purchasing activity. Employment has now risen in four successive months, with only manufacturing

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

posting a reduction in July.

Sustained growth of purchasing activity fed through to a tenth consecutive monthly rise in stocks of inputs.

Despite capacity increases, firms continued to see backlogs of work accumulate, linked to delays in both receiving inputs and distributing products to customers. Suppliers' delivery times lengthened for the first time in four months, with respondents mentioning border clearance delays and longer shipping times.

The rate of overall input cost inflation slowed for the third month running from April's recent high and was only slight in July. Slower increases were seen in both purchase prices and staff costs. An appreciation of the kwacha reportedly helped to alleviate some inflationary pressures. On the other hand, rising fuel and transportation costs fed through to increases in purchase prices.

In line with the picture for input costs, selling prices also rose at a softer pace, with the latest increase the weakest since February.

Although companies remained optimistic that activity will rise over the coming year, linked to hopes for improved economic conditions, business sentiment dropped in July and was the lowest for a year-and-a-half.

Comment

Victor Chileshe, Head of Global Markets at Stanbic Bank commented:

"The PMI posting of 50.5 for July 2022 is a welcome indicator that business conditions continue to improve and this could lead to more improvements in conditions in the near future."

Contact

Stanbic Bank

Victor Chileshe
 Head of Global Markets
 T: +260 967 214 477
chileshev@stanbic.com

S&P Global Market Intelligence

Andrew Harker
 Economics Director
 T: +44 1491 461 016
andrew.harker@spglobal.com

Sabrina Mayeen
 Corporate Communications
 T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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.

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.

July data were collected 12-25 July 2022.

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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Stanbic Bank Zambia Limited is part of the Standard Bank Group, Africa's largest bank by assets. The Standard Bank Group, with strong African roots and leader in emerging markets, has on-the-ground representation in 20 African countries

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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