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Stanbic Bank Zambia PMI[®]

New orders return to growth in October

Key findings

PMI moves back above 50.0 no-change mark

Job creation sustained

Selling price inflation at seven-month high

The Zambian private sector returned to growth in October amid positive signs with regards to demand which led to renewed expansions in new orders and business activity. In turn, firms upped their input buying and staffing levels.

On the price front, unfavourable exchange rate movements and higher fuel prices fed through to a further marked increase in purchase costs. Efforts to pass on rising input prices in order to protect profit margins meant that charges increased solidly.

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 October, posting 50.6 following a reading of 48.1 in September. This signalled a first improvement in business conditions for three months, albeit one that was only marginal.

The renewed improvement in the health of the private sector largely reflected returns to growth of both new orders and output in October.

New orders rose slightly, ending a two-month sequence of decline, with panellists reporting signs of customer demand strengthening.

The renewed increase in new business and reports of a generally more stable economic environment during the month led firms to expand their business activity.

On a sectoral basis, growth of both output and new orders was particularly marked among agriculture firms, while there were signs of weakness in manufacturing and wholesale & retail.

Rising new orders led to a turnaround in purchasing

Stanbic Bank Zambia PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 12-25 October 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

“Despite unfavourable exchange rate movements and higher fuel prices, business conditions in the Zambian private sector rebounded compared to the previous month led by renewed improvement in the health of the private sector. Agriculture firms saw marked growth in output and new orders while manufacturing, wholesale and retail saw signs of weakness.”

activity, which increased following a solid decline in the previous survey period. This helped firms to expand their inventories slightly.

Employment also increased, the fifth month running in which this has been the case. Sustained hiring and the recent soft-patch in new orders meant that firms were able to keep on top of workloads again in October. Outstanding business decreased for the ninth consecutive month, albeit at the softest pace since February.

Purchase prices increased markedly again at the start of the final quarter, despite the rate of inflation easing from that seen in September. Where purchase costs were up, this was linked to currency depreciation and higher fuel prices.

Staff costs also rose, but at only a slight pace. The hiring of additional workers and pay increases as part of staff retention efforts were behind inflation of employee expenses, according to respondents.

With overall input costs rising again, firms increased their own selling prices to try to protect profit margins. Charges were up solidly, and at the fastest pace in seven months.

Despite the return to growth of the private sector in October, business confidence waned and was at a ten-month low. Companies predicted growth of activity, but a number of respondents expressed concerns about the impact of currency weakness and general inflationary pressures.

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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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