

Embargoed until 1030 CAT (0830 UTC) 4 October 2023

## Stanbic Bank Zambia PMI™

### Stronger price rises lead to drop in new orders

#### Key findings

Purchase costs increase at fastest pace since April

New orders down for second month running

Employment continues to rise

Building inflationary pressures meant for a more challenging business environment for Zambian companies during September. New orders were down for the second month running, with output also lower.

More positively, firms remained optimistic that business activity will rise over the coming year and continued to expand staffing levels.

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.

At 48.1 in September, down from 49.2 in August, the headline PMI posted below the 50.0 no-change mark for the second month running, signalling a further decline in business conditions in the private sector. Although modest, the deterioration in operating conditions was the most marked in six months.

Companies in Zambia posted a second successive monthly reduction in new orders. The pace of decline was solid and the sharpest in six months.

Firms recorded a similarly solid fall in business activity. Output decreased in the manufacturing, wholesale & retail and services categories, but increased in agriculture and construction.

According to respondents, both new orders and business activity were impacted negatively by rising prices, with higher fuel costs mentioned in particular.

Higher purchase costs were the main driver of overall input price inflation in September. The rate of increase in purchase prices was sharp and the fastest in five months. Panellists linked higher purchase costs to a combination of exchange rate weakness and rising fuel

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.

Data were collected 12-25 September 2023.

#### Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

*“Inflationary pressures proved challenging for the business environment during September as the Stanbic Bank Zambia PMI posted a second successive drop below the 50.0 no-change mark. On a positive, firms remained optimistic that business activity will rise over the coming year and hence continued to expand staffing levels.”*

prices. Meanwhile, staff costs were up marginally and to a broadly similar extent to that seen in August.

With overall input cost inflation quickening, companies increased their own selling prices accordingly. Charges rose for the ninth month running, and at the fastest pace since April.

Despite the recent falls in new orders, firms continued to increase their staffing levels as part of efforts to keep on top of workloads. Employment rose for the fourth month in a row. Although modest, the rate of job creation was the joint-fastest since June 2022. With workforce numbers increasing, companies were again able to reduce their backlogs of work.

Alongside the positive trend in employment was ongoing confidence in the 12-month outlook for activity. Optimism strengthened from August amid expectations that economic conditions will improve over the year ahead.

Purchasing activity fell solidly in September, with the pace of decline the steepest since March. According to respondents, the reduction reflected a combination of lower new orders and higher prices for inputs.

The drop in purchasing fed through to a reduction in stocks of inputs following a marginal increase in August.

Lower demand for inputs, reliable payments and efforts by suppliers to speed up deliveries resulted in the joint-strongest improvement in vendor performance since January 2019.

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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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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