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Stanbic Bank Zambia PMI™

Output falls for second month running

Key findings

Money shortages impact client demand

Employment falls for first time in eight months

Output prices reduced to stimulate new orders

Money shortages across the economy led to a further deterioration in business conditions in the Zambian private sector during November, with output and new orders both down for the second month running. In turn, firms reduced their purchasing activity and employment. There remained a lack of inflationary pressure, however, with both input costs and output prices ticking down midway through the final quarter of the year.

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 posted 49.1 in November, broadly in line with October's reading of 49.0 and signalling a modest deterioration in operating conditions in the Zambian private sector for the second month running.

Anecdotal evidence highlighted the negative impact of money shortages in the economy, with customers often unable to commit to new projects. As a result, new orders decreased for the second consecutive month, albeit at a marginal pace that was slower than seen in October.

Feeding on from the drop in new business, output also decreased for the second month running, and at a solid pace. Falls in activity were recorded across each of the five broad sectors covered by the survey. Meanwhile, backlogs of work were unchanged following a fall in October.

In line with the picture for new orders, companies reduced their employment and purchasing activity in November. The slight fall in staffing levels ended a seven-month sequence of job creation, while the reduction in input buying was the second in as many months. Stocks of purchases also decreased for the second successive

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 11-24 November 2022.

Comment

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

"Business activity has been impacted by money shortages in the economy and hopefully should pick up as the festive period approaches."

month.

Despite lower demand for inputs, suppliers' delivery times lengthened, extending the current sequence of deterioration to five months.

Overall input costs decreased marginally midway through the final quarter of the year, after having risen in October. Input prices fell in the agriculture, manufacturing and construction sectors, but rose in wholesale & retail and services.

Purchase prices were unchanged in November, while staff costs continued to increase as firms made efforts to help workers with higher living costs. Wages have risen continuously since April.

Output prices decreased for the third month running as companies offered discounts to try and attract customers. That said, the pace of reduction was only marginal.

Hopes for improvements in business conditions supported optimism in the year-ahead outlook for output, although sentiment dipped to a four-month low and was weaker than 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.

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 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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