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Stanbic Bank Zambia PMI™

Output falls again in April, but at softer pace

Key findings

Output and new orders down amid money shortages

Improvement in currency limits inflationary pressures

Staffing levels fall for third month running

Companies in Zambia continued to face challenging business conditions at the start of the second quarter of 2023, with money shortages again the key factor behind falls in output and new orders. That said, a recent improvement in the strength of the kwacha helped to relieve some pressure on prices and resulted in a softening of the downturn.

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 below the 50.0 no-change mark for the second month running in April, signalling a further deterioration in business conditions in the Zambian private sector. The index rose to 48.7 from 46.9 in March, however, to indicate that the pace of decline softened in the latest survey period.

Money shortages in the economy and related cash flow and financing issues at customers caused further reductions in both output and new orders in April. Activity and new business were each down for the second successive month, but to lesser extents than seen in March as an appreciation of the kwacha against the US dollar helped lead to some signs of customers returning.

New orders decreased in the construction and wholesale & retail sectors, were unchanged in manufacturing and rose in agriculture and services.

The recent improvement in the strength of the currency also acted to limit rates of inflation in the private sector in April, although the sustained depreciation of the kwacha over the course of the first quarter of the year meant that some residual price pressures remained.

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.
Data were collected 12-24 April 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

“The headline PMI posted a second consecutive reading below 50.0 however the pace of decline in business conditions softened compared to the previous month mainly due to the strengthening of the kwacha.”

Purchase costs increased for the fourth month running, albeit at the slowest pace since January. Similarly, output prices continued to rise, but at a softer pace.

While purchase prices continued to rise, staff costs ticked lower for the second month in a row. The drop in employee expenses reflected a further reduction in staffing levels, the third in as many months.

Firms were reluctant to add to workforce numbers given cost considerations and subdued workloads. In fact, companies were again able to deplete their backlogs of work rapidly, with some respondents indicating that they had completed all outstanding business.

Companies also scaled back their purchasing activity, leading to a further reduction in inventories. Those firms that did purchase inputs during the month were faced with a slight lengthening of suppliers' delivery times. Panellists reported delays receiving goods from South Africa and other logistical issues.

Companies were confident that business activity will increase over the coming year, reflecting hopes of greater stability in both the kwacha and the wider economy. The current challenges facing businesses acted to reduce optimism, however, which dropped to a four-month low.

Contact

Musenge Komeki
 Head of Trading
 Stanbic Bank
 T: +260 211 370 230
musengek@stanbic.com

Andrew Harker
 Economics Director
 S&P Global Market Intelligence
 T: +44 1491 461 016
andrew.harker@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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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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