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Stanbic Bank Zambia PMI™

Business conditions stable in August

Key findings

Output and new orders tick down

Job creation continues

Inflationary pressures soften

Data were collected 12-24 August 2022

Business conditions were unchanged in the Zambian private sector during August. Output and new orders ticked lower, but employment continued to rise. Companies were helped by softer inflationary pressures, with rates of increases in both input costs and output prices easing.

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 50.0 in August, the headline PMI signalled no change in operating conditions for Zambian companies midway through the third quarter of the year. This followed a marginal improvement in July, when the index posted 50.5.

New orders were down fractionally in August, after having risen slightly in July. Low customer numbers and money shortages reportedly weighed on new business, but some firms reported that softer inflationary pressures had enabled them to secure new orders.

Weaker customer numbers also impacted business activity, which decreased slightly. Again, this represented a turnaround from July when output had risen marginally. Activity decreased in agriculture, manufacturing and services, but increased in construction and wholesale & retail.

On a more positive note, companies continued to expand

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

their employment and purchasing activity in August, reflecting recent demand improvements and efforts to keep on top of workloads. Despite this, backlogs of work increased for the eighth month running.

In line with higher input buying, firms recorded an increase in inventories. Meanwhile, suppliers' delivery times lengthened for the second month running, mainly due to shipping delays.

Rates of inflation softened in August, with purchase prices, staff costs and output charges all increasing at weaker rates during the month. The rise in purchase costs was the slowest since January, with favourable exchange rate movements reportedly helping to limit costs. Where purchase prices rose, this was mainly linked to higher fuel and transportation costs.

Some firms took advantage of softer cost inflation to lower their selling prices in order to stimulate demand. As a result, charges increased at the weakest pace in the current seven-month sequence of inflation. Construction and wholesale & retail posted reductions in selling prices.

A more favourable exchange rate and hopes of an improvement in economic conditions supported optimism that output will increase over the coming year. Sentiment improved, but was still below the series average.

Comment

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

"A slightly stronger kwacha muted the rise in input costs. Businesses remained optimistic that this trend will continue against the backdrop of expected improvements in economic conditions. The softer inflationary pressures seen in the month of August are supported by the marginal drop in year on year inflation from 9.9 in July to 9.8 in August."

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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.

August data were collected 12-24 August 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.

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