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Stanbic Bank Zambia PMI™

Slight fall in output during June

Key findings

Marginal reductions in output and new orders...

...but employment and purchasing activity rise

Rates of inflation show signs of easing

Data were collected 13-24 June 2022

Business conditions were broadly stable in the Zambian private sector during June. While price pressures and money shortages acted to dampen demand at some companies, leading output and new orders to decrease, others reported having been able to secure new customers. There were signs of inflationary pressures easing, while firms continued to expand their employment levels and purchasing activity.

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.

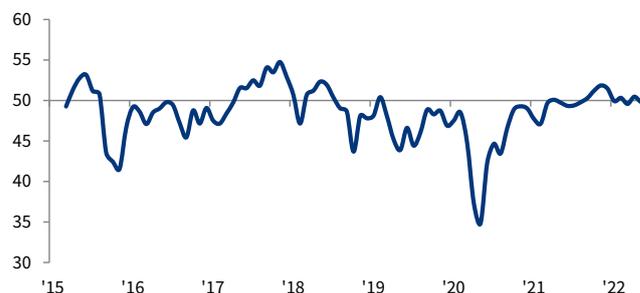
The headline PMI ticked up to 49.9 in June from 49.8 in May. This signalled broadly stable business conditions over the course of the month.

There were further signs of weakness in output and new orders midway through the year, with both falling marginally. Rates of decline were broadly in line with those seen in the previous month. There were again indications from panellists that price rises and money shortages had limited demand, but some firms reported that relatively stable economic conditions had helped them to secure new customers and raise output.

While output and new orders ticked down in June, there were more positive signals with regards to employment and purchasing activity. Staffing levels increased for

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

the third month running. Although slight, the rate of job creation was the joint-fastest since last August. Meanwhile, purchasing activity increased for the ninth month running, feeding through to a further accumulation of inventories.

Rising fuel costs and exchange rate fluctuations led to a further increase in purchase costs in June, although the rate of inflation eased to a three-month low. Meanwhile, staff costs rose at the same pace as in May as companies adjusted pay in line with increased living costs. Mirroring the picture for input costs, output prices continued to rise, but at the slowest pace in three months.

Suppliers' delivery times shortened for the third month running, and to the greatest extent since April 2019. Some firms indicated that they had opted to use air transportation in order to speed up deliveries. Despite shorter lead times on average, firms continued to report delays receiving some items which resulted in another accumulation of backlogs of work. That said, the latest rise was the softest since March.

Hopes that economic conditions will remain stable, helping to support new order growth, contributed to optimism about the year-ahead outlook for business activity. That said, sentiment dipped slightly from May.

Comment

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

"The month on month business conditions remained stable as reflected by the marginal improvement in business conditions. Inflation continues to show signs of easing although panellists continue to see dampened demand which they attribute to the lack of money. This has been a recurring sentiment for a number of months. Panellists remain optimistic over the one year economic outlook and expect economic conditions to remain stable. The recent fuel price hike on the 30th of June is likely to impact business conditions in the month of July."

Contact

Stanbic Bank

Victor Chileshe
 Head of Global Markets
 T: +260 967 214 477
chileshev@stanbic.com

S&P Global Market Intelligence

Andrew Harker
 Economics Director
 T: +44 1491 461 016
andrew.harker@spglobal.com

Joanna Vickers
 Corporate Communications
 T: +44 207 260 2234
joanna.vickers@spglobal.com

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.

June data were collected 13-24 June 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.

<http://www.stanbicbank.co.zm>

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