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## Stanbic Bank Zambia PMI™

### Sharpest fall in output since February 2021

#### Key findings

Final month of 2022 sees faster reduction in business activity

New orders, employment and purchasing activity all fall

Selling prices unchanged

Companies in Zambia endured a challenging end to 2022, with waning demand and financial pressures leading to further reductions in new orders and output in December. In turn, firms scaled back their staffing levels and purchasing activity. Meanwhile, input costs were little-changed over the month and companies kept their own selling prices stable.

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 fell to 48.3 in December from 49.1 in November, below the 50.0 no-change mark for the third month running to signal a sustained deterioration in the health of the private sector. Although modest, the latest decline in business conditions was the most pronounced since February 2021.

Challenging economic conditions were reportedly a key factor leading new orders to fall in December. New business was down for the third consecutive month, with the reduction the sharpest in 22 months.

Part of the difficulties facing firms were from money shortages in the economy. This, allied with a drop in new orders, resulted in a further decrease in business activity, and one that was the most pronounced since February 2021. Each of the five broad sectors covered by the survey signalled a reduction in activity.

Falling new business led to a fractional reduction in backlogs of work, following no change in the previous month. In turn, companies kept their staffing levels broadly stable. While some firms took on additional workers for specific projects, others reported that difficulties paying staff had led them to scale back workforce numbers.

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 06-19 December 2022.

#### Comment

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

*"Challenging economic conditions have seen a continued decline in business conditions over the past month which is partly attributed to continued money shortages and a reduction in new orders."*

Purchasing activity also fell, down for the third month running. This trend was matched in terms of inventories, with companies reportedly reluctant to hold stock amid decreasing new business. The reduction in stocks of purchases was the fastest in 23 months.

Overall input costs ticked down in December as a slight fall in purchase prices outweighed a fractional increase in staff costs. In fact, the rise in staff costs was the slowest in the current nine-month sequence of inflation.

Meanwhile, suppliers' delivery times were broadly unchanged.

Continuing the theme of generally stable price and supply indicators at the end of the year, companies kept their selling prices unchanged. This ended a three-month sequence in which output charges had decreased.

Although on balance firms expect business activity to rise over the course of 2023 due to positive expectations for new business, widespread uncertainty meant that confidence was relatively muted in December. The construction sector registered the highest optimism, followed by services. The lowest positive sentiment was seen among manufacturing companies.

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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](mailto: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](http://ihsmarkit.com/products/pmi.html)

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