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## Stanbic Bank Zambia PMI<sup>®</sup>

### Sharpest fall in new orders since September 2020

#### Key findings

Marked reduction in new business

Activity, employment and purchasing all scaled back

Purchase prices rise sharply, but at softer pace

February data pointed to a further decline in the health of the Zambian private sector as money shortages impacted firms' ability to secure new orders from customers. In turn, output, employment and purchasing activity were all scaled back. Meanwhile, there were some signs of inflationary pressures softening, but purchase costs continued to increase sharply.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>). 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 dropped to 47.3 in February from 49.2 in January, below the 50.0 no-change mark for the third consecutive month and signalling a solid monthly deterioration in business conditions in the private sector. In fact, operating conditions worsened to the largest degree since March last year.

February saw a marked reduction in new orders, with the rate of contraction the most pronounced in almost three-and-a-half years. A combination of prices rises and shortages of money in circulation was behind the latest fall in new business, according to respondents. Backlogs of work were also down, and to the largest degree in ten months.

A lack of money in circulation also had a negative impact on business activity in February, with output decreasing for the third month running. As was the case with new orders, the rate of decline in activity quickened over the month and was the fastest in close to a year. Falls in output were broad based across the five monitored sectors.

With new orders and activity requirements falling, companies also reduced their employment and input

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.  
Data were collected 12-23 February 2024.

#### Comment

Musenge Komeki, Head of Sales at Stanbic Bank commented:

*“The private sector health in Zambia declined further in February with the sharpest fall in new orders since September 2020. Money shortages crippled new orders and forced cutbacks in output, employment, and purchasing activity. Though inflation showed signs of cooling, high purchase costs persisted. Businesses cautiously eye a potential exchange rate improvement, but overall optimism weakened.”*

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buying. Staffing levels decreased for the third month running, but again only fractionally. Meanwhile, the latest fall in purchasing activity was the most pronounced since last September. In turn, stocks of purchases also fell at a solid and accelerated pace. Where firms did purchase inputs, they were faced with lengthening lead times for the first time in ten months.

As well as reflecting lower activity requirements, the drop in purchasing activity was also linked by some companies to price pressures.

Purchase costs continued to rise sharply as the depreciation of the kwacha against the US dollar in previous months continued to impact prices despite a recent improvement in the exchange rate. That said, the rate of inflation softened from that seen in January. Meanwhile, staff costs increased at the fastest pace in seven months as companies acted to help their workers deal with higher living costs.

In line with the picture for overall input costs, the rate of selling price inflation softened in February as some companies offered discounts amid weak demand. That said, charges still increased at a solid pace over the month.

Although hopes of an improvement in the exchange rate supported optimism in the year-ahead outlook for business activity, sentiment dropped in February and was the lowest since November 2022.

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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@spglobal.com](mailto:economics@spglobal.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. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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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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