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Stanbic Bank Zambia PMI™

Renewed decrease in business activity

Key findings

Output and new orders decline

Selling prices lowered for second month running

Business confidence highest in year-to-date

October data pointed to a renewed deterioration in business conditions in the Zambian private sector as money shortages impacted negatively on new orders and output. Employment continued to rise, however, helping firms to deplete backlogs of work, while business confidence was the strongest in the year-to-date.

Meanwhile, overall input costs increased slightly, but firms lowered their own charges in a bid to remain competitive and attract new business.

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 49.0 in October, down from 50.5 in September, the headline PMI signalled a slight deterioration in business conditions in the Zambian private sector. The decline was the first in four months, and although only slight, the most pronounced since February 2021.

A solid reduction in business activity was one of the main factors impacting negatively on overall operating conditions at the start of the fourth quarter. Output was down following a rise in September, with the rate of contraction the sharpest in 16 months.

Firms that saw a decrease in output often linked this to money shortages and the effect this had on new orders, which also decreased during October following a rise in the previous survey period.

Despite the drop in new orders, efforts to keep on top of projects meant that companies raised their staffing levels for the seventh month running, although the rate of job creation was the joint-slowest in this sequence. The increase in employment, combined with a drop in new

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 12-25 October 2022.

Comment

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

"Business conditions deteriorated in October mainly due to a significant reduction in business activity which resulted in output falling compared to the previous month."

orders, led firms to deplete their backlogs of work for the first time in ten months.

Companies did scale back their purchasing activity, however, ending a 12-month sequence of growth. In turn, inventories also decreased. Suppliers' delivery times lengthened again, and to the greatest extent since January.

Overall input prices increased slightly following a fall in the previous survey period, with rises seen in the wholesale & retail, services and construction sectors. Underlying data suggested that the increase in overall input prices reflected higher staff costs as purchase prices continued to fall amid favourable exchange rates.

Meanwhile, output prices decreased for the second successive month amid efforts to price competitively and attract customers. Some firms indicated that exchange rate stability had enhanced their ability to keep charges lower.

Although companies saw business activity and new orders decrease in October, their predictions for the future path of output were more positive. In fact, sentiment strengthened to the highest in 2022 so far. Currency stability and expected improvements in economic conditions supported confidence in the year-ahead outlook for business activity.

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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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