News Release

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Stanbic Bank Zambia PMI™

New orders fall at sharpest pace in two-and-a-half years

Key findings

Renewed falls in output and new orders

Purchase cost inflation joint-fastest since November 2015

Employment down amid difficulties paying staff

Strong price pressures and money shortages had a negative impact on the Zambian private sector during March. Renewed falls in output and new orders were recorded, while firms scaled back employment and purchasing activity. Currency weakness and higher fuel costs resulted in a steep increase in purchase prices, which in turn fed through to another marked rise in firms' charges.

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 dropped below the 50.0 no-change mark for the first time in three months during March, posting 46.9 following a reading of 51.3 in February. In fact, the deterioration in business conditions was the most pronounced since September 2020.

Widespread reports of money shortages, price pressures and lower customer numbers impacted the Zambian private sector in March and led to renewed reductions in both new orders and business activity. In each case, the falls were the first in three months. The declines in new business and output were the most marked in 30 and 25 months, respectively.

Business activity increased in the agriculture and manufacturing sectors, but decreased in construction, wholesale & retail and services.

Issues with funding were in part caused by stronger inflationary pressures. In fact, purchase costs rose at the joint-fastest pace since November 2015. The main factors behind the latest sharp increase were weakness of the kwacha against the US dollar and higher fuel costs.

Stanbic Bank Zambia PMI

sa, >50 = improvement since previous month

Sources: Stanbic Bank, S&P Global.
Data were collected 10-27 March 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

"The PMI reading for March was impacted by Kwacha weakness against the Dollar and higher fuel costs which led to stronger inflationary pressures, resulting in higher purchase costs. Despite these challenges, companies remained optimistic that output will increase over the coming year."

PMI™ by S&P Global

The passing on of rising purchase prices to customers resulted in a further marked increase in selling prices. Although easing from that seen in February, the rate of inflation was the second-fastest in 20 months.

In contrast to the picture for purchase prices, staff costs ticked down in March, falling for the first time in a year as some companies closed temporarily. Staffing levels were also down, linked to difficulties for firms to pay their workers. There were some reports of employees being let go, while others left voluntarily due to a lack of payment.

Falling new orders and difficulties paying suppliers led to a drop in purchasing activity in March, thereby ending a two-month sequence of growth. Inventories were also down markedly, and to the greatest extent since August 2020.

Suppliers' delivery times lengthened for the second month running. The deterioration in vendor performance was modest, but the joint-strongest in two years. Logistical challenges, border delays and higher fuel prices were all mentioned as factors leading to delivery delays.

Despite the challenges signalled by the March survey results, companies remained optimistic that output will increase over the coming year. The positive outlook was often reflective of hopes that the current difficulties would begin to ease. Sentiment was little changed from the readings in January and February.

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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

About Stanbic Bank

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

About S&P Global

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