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## Stanbic Bank Zambia PMI™

### Business activity rises at fastest pace since May 2018

#### Key findings

Sharper increases in output and new orders

Employment down amid cost considerations

Purchase cost inflation steepest since December 2016

February data pointed to building growth momentum in the Zambian private sector, with output and new orders each increasing at sharper rates. In turn, companies raised their purchasing activity, but employment was scaled back slightly due to cost considerations. Indeed, purchase prices increased at the fastest pace in more than six years, largely reflecting currency weakness.

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 rose to 51.3 in February, up from 50.6 in January and signalling a second successive monthly strengthening of business conditions in the private sector. The improvement was modest but the most pronounced since December 2021.

Business activity expanded solidly in February, rising for the second month in a row and at the fastest pace since May 2018. Growth was signalled across four of the five monitored sectors, the exception being wholesale & retail.

According to respondents, improving demand and higher customer numbers contributed to the increase in output, with new order volumes also benefitting from the securing of new customers. As was the case with activity, new orders rose for the second consecutive month. The rate of expansion was at a one-year high.

Companies responded to higher new orders by increasing their purchasing activity. The rise was slight, but the sharpest in nine months. Purchased items were often used directly to support output growth, meaning that stocks of inputs decreased.

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 10-22 February 2023.

#### Comment

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

*"Building on the previous month's momentum, business activity expanded solidly in February, rising for the second consecutive month and at the fastest pace since May 2018. Growth was signalled across four of five monitored sectors, driven by improving demand and higher customer numbers which accelerated an increase in output and new orders."*

*"Signs of cost pressures persisted as purchase prices increased at a fast pace largely due to currency weakness and a rise in fuel prices."*

Employment was also down in February, following a slight rise in January. Where a fall in staffing levels was recorded, this was often linked to cost considerations.

There were signs of cost pressures intensifying during the month, particularly with regards to purchases. Purchase prices increased at the fastest pace since December 2016. Currency depreciation was the main factor leading purchase costs to increase, while there were also mentions of higher fuel prices.

Staff costs were also up, rising for the eleventh successive month. The rate of inflation quickened, but remained modest. Panellists often linked higher wages to increasing living costs.

With input prices increasing at a much sharper pace, companies raised their own selling prices accordingly. The rate of output charge inflation hit a 19-month high, with prices up across each of the five broad sectors covered by the survey.

Suppliers' delivery times lengthened marginally, with respondents pointing to logistical difficulties at suppliers. This followed a slight improvement in vendor performance in January.

Business confidence was unchanged from the previous survey period. Close to 30% of respondents predicted a rise in output over the coming year, often linked to optimism around the prospects for the wider Zambian economy.

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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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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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