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Stanbic Bank Zambia PMI[®]

Currency weakness causes first drop in new orders in three months

Key findings

Marginal reductions in output and new orders

Output price inflation at nine-month high amid currency weakness

Employment ticks down

The Zambian private sector dipped into contraction at the end of 2023 as currency depreciation pushed up prices and restricted demand. Output, new orders and employment all ticked down in December.

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 in December. At 49.6, the latest reading was down from 50.1 in November to signal a first deterioration in business conditions in three months. That said, the pace of decline was only marginal.

The headline figure matched trends for output and new orders, which each decreased marginally in December after having risen in November.

Business activity was down for the first time in three months as reductions in manufacturing, services and wholesale & retail outweighed the growth seen in agriculture and construction.

Both output and new orders were negatively impacted by unfavourable currency fluctuations, according to respondents, more than cancelling out the positive impact of some pockets of improving demand.

Weakness of the kwacha also added to inflationary pressures at the end of 2023. Purchase costs increased sharply, and at the fastest pace since April. The latest rise was also sharper than that seen across the year as a whole. Meanwhile, staff costs continued to rise marginally, with any increases in wages generally linked to payments to help staff with rising living costs.

The increase in purchase costs caused by currency

Stanbic Bank Zambia PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.

Data were collected 06-18 December 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

“Kwacha weakness significantly weighed down on business activity which was down for the first time in three months as reductions in manufacturing, services and wholesale & retail outweighed the growth seen in agriculture and construction and ultimately resulted in the PMI dropping below the 50.0 mark to 49.6.”

PMI[®]

by **S&P Global**

fluctuations fed through to selling prices in December. Output charges rose for the twelfth successive month, and at the fastest pace since March.

Some companies responded to higher costs for inputs by reducing their purchasing activity, but others attempted to get ahead of future price rises by buying inputs in advance. Overall, input purchasing was broadly unchanged, while stocks of purchases decreased for the second month running.

Where inputs were purchased, firms often noted quick deliveries by suppliers. Lead times shortened for the eighth consecutive month in December, albeit marginally.

Falling new orders and an associated reduction in income meant that companies in Zambia scaled back their workforce numbers at the end of the year. Employment decreased for the first time in seven months, with construction the only sector to buck the wider trend and post an increase in staffing levels.

The final month of 2023 saw a further softening of business confidence amid concerns about the impact of currency weakness on business activity. Optimism dropped to the lowest in a year, but hopes for a recovery in the kwacha's position meant that firms were still confident that output will increase over the course of 2024.

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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.

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

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PMI®

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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>

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