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## Stanbic Bank Zambia PMI™

### Zambian private sector returns to growth in January

#### Key findings

Renewed upturns in output and new orders

Rising workloads support job creation and higher purchasing

Input costs increase for first time in three months

The Zambian private sector made a positive start to 2023, with January seeing renewed increases in output, new orders, employment and purchasing activity, while business confidence improved markedly. Meanwhile, input costs and output prices also rose.

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 moved back above the 50.0 no-change mark in January to signal a strengthening in the health of the private sector at the start of the year. At 50.6, the index was up from 48.3 in December. Although slight, the improvement in business conditions was the first in four months and the most pronounced since December 2021.

The strengthening of overall conditions reflected renewed expansions in output, new orders, employment and stocks of purchases.

New business increased for the first time in four months amid signs of strengthening demand, higher customer numbers and competitive pricing. The rise in new orders was slight, but the most marked since February 2022.

Higher new orders fed through to an expansion in business activity, also the first in four months. Output increased in the agriculture and services categories, but decreased across manufacturing, construction and wholesale & retail.

Hopes that economic conditions will continue to improve over the course of the year supported a jump in confidence regarding the 12-month outlook for business activity. Sentiment was the strongest in 13 months, albeit still softer than the series average.

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sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

Data were collected 12-26 January 2023.

#### Comment

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

*“Business conditions improved significantly in January and the strongest jump since Dec 2021. This was spurred by strengthening demand, higher customer numbers and competitive pricing, hence provided optimism that economic conditions will continue to improve over the year.”*

With confidence up and new orders increasing, companies expanded their staffing levels and purchasing activity in January. Employment rose for the first time in three months, while input buying increased for the first time since last September. Data also signalled a renewed rise in inventories.

Despite an expansion in capacity, backlogs of work also increased. Some firms linked rising outstanding business to higher new orders, but others mentioned delays caused by power cuts.

Overall input prices increased at a solid pace in January, and one that was the fastest in nine months. Inflation was signalled across all five broad sectors, and most pronounced at construction companies.

The overall rise reflected a renewed increase in purchase prices, plus ongoing staff cost inflation. Panellists largely attributed the rise in purchase prices to higher fuel costs and currency weakness.

Efforts to maintain profit margins in the face of rising cost burdens meant that companies increased their selling prices in January following no change in December.

Finally, suppliers' delivery times shortened at the start of the year, thereby ending a six-month sequence of deteriorating vendor performance.

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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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