News Release

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Stanbic Bank Zambia PMI®

Output rises for second month running, but at softer pace

Key findings

Weaker growth of output, new orders and employment

Selling price inflation at eight-month high

Business confidence lowest in year-to-date

November data saw companies in Zambia continue to eke out growth amid marginal increases in output and new orders. Stronger inflationary pressures acted to limit the pace of expansion in the private sector, however, amid a sustained depreciation in the kwacha against the US dollar. Meanwhile, business confidence eased to an 11-month low.

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 posted 50.1 in November, remaining fractionally above the 50.0 no-change mark following a reading of 50.6 in October. Business conditions have now improved in two successive months.

In line with the picture for the overall health of the sector, business activity increased for the second month running in November, but at a softer pace that was only marginal overall as currency weakness and money shortages impacted customer demand. Where output expanded, this was linked to higher new orders and relatively stable economic conditions.

Sector data pointed to rises in output in agriculture and construction, but falls in manufacturing, services and wholesale & retail. These sectoral trends were matched with regards to new orders and employment.

New orders expanded for the second consecutive month, but at a marginal pace that was softer than that seen in October. With inflows of new orders only modest, companies were again able to reduce outstanding business. The rate of depletion eased, however, and was the softest since February.

Stanbic Bank Zambia PMI

sa, >50 = improvement since previous month

Sources: Stanbic Bank, S&P Global PMI.
Data were collected 09-24 November 2023.

Comment

Musenge Komeki, Head of Trading at Stanbic Bank commented:

"Business conditions improved two successive months as marginal increases in output and new orders helped eke out some growth. Business sentiment continues to wane as inflationary pressures and kwacha depreciation act to limit the pace of expansion."

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Helping to keep on top of workloads was a fractional increase in employment. That said, where new staff were taken on, these were generally on a temporary or part-time basis.

The rate of overall input cost inflation quickened in November, driven by a sharp increase in purchase prices that was the joint-fastest in seven months. Panellists reported that the latest rise in purchase costs was due to a further depreciation of the kwacha against the US dollar. Staff costs were also up on the back of rising employment and overtime payments.

Companies often passed through higher input costs to their customers, resulting in a solid increase in charges that was the most pronounced in eight months.

Rising costs for inputs and softer new order growth led companies to scale back their purchasing activity following an increase in the previous survey period. Stocks of purchases also ticked down in November.

Suppliers' delivery times shortened for the seventh month running as vendors reportedly responded well to requests for quicker deliveries.

Business sentiment continued to wane midway through the final quarter of the year. Optimism softened for the second month running and was the lowest in the year-to-date. Around 16% of respondents predicted a rise in output over the coming year, but anecdotal evidence suggested that there was a level of uncertainty around the outlook.

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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

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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