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Stanbic Bank Zambia PMI™

Near-stabilisation of new orders in March

Key findings

New business and employment broadly unchanged

Company optimism highest since prior to the pandemic

Output price inflation at 13-month high

Data were collected 12-25 March 2021

March PMI data indicated that the Zambian private sector neared stabilisation at the end of the first quarter of the year, amid signs of improvement in customer demand. Output continued to fall, but new orders and employment were broadly stable and companies were at their most optimistic since the onset of the coronavirus disease 2019 (COVID-19) pandemic.

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 49.7 in March, up from 47.1 in February and only just below the 50.0 no-change mark. In fact, the latest reading signalled the softest deterioration in business conditions in just over two years.

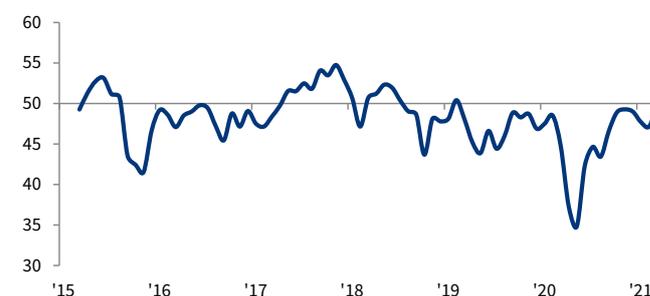
New business neared stabilisation in March, falling only fractionally and to the least extent in 25 months. Although customer numbers remained low, there were some reports of an improvement since February.

Hopes of increasing new business led to greater optimism in the 12-month outlook for output in March. Sentiment improved for the third month running and was the highest since the onset of the pandemic.

Latest data showed that output continued to fall at a solid pace, however, albeit one that was the softest in 2021 so far. The COVID-19 pandemic and issues with the amount

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

of money in circulation were behind the latest reduction in activity. The agriculture sector bucked the wider trend and posted an increase in activity.

The combination of a further decrease in output and signs of stabilisation in new orders led to a second increase in backlogs of work in the past three months.

A more stable demand picture and rising outstanding work contributed to a broadly unchanged level of employment in the private sector, with agriculture seeing staffing levels expand.

The rate of purchase cost inflation quickened to a four-month high, with rising purchase prices mainly linked to currency weakness. Higher staff costs were meanwhile reported for the first time in 13 months. Companies often reported passing on higher input costs to their customers. As a result, output prices increased sharply, and to the greatest extent since February 2020. Manufacturers posted the sharpest rise in selling prices.

Purchasing activity decreased, but at the slowest pace in 14 months. Stocks of inputs were accumulated for the first time in a year-and-a-half as companies responded to signs of improvement in demand.

Finally, suppliers' delivery times continued to lengthen as restrictions on movement due to the COVID-19 pandemic impacted supply chains again in March.

Comment

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

"With the best PMI reading in over 2 years, business optimism was at its highest since the onset of the Covid-19 pandemic, signalling the softest deterioration in business conditions."

Contact

Stanbic Bank

Victor Chileshe
 Head of Global Markets
 T: +260 967 214 477
chileshev@stanbic.com

Chanda Katongo
 Public Relations & Communications
 Manager
 T: +260 964 645 232
 T: +260 977 875 011
katongoc@stanbic.com

IHS Markit

Andrew Harker
 Economics Director
 T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
 Corporate Communications
 T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Methodology

The Stanbic Bank Zambia PMI™ is compiled by IHS Markit 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.

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.

March data were collected 12-25 March 2021.

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

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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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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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