

Embargoed until 1030 CAT (0830 UTC) 3 July 2020

Stanbic Bank Zambia PMI™

Zambian private sector remains in deep downturn

Key findings

Steep decline in output, albeit softer than May's record

New orders also fall sharply

Input prices down for third month running

Data were collected 12-24 June 2020

The coronavirus disease 2019 (COVID-19) pandemic continued to negatively impact the Zambian private sector in June, although there were signs that the worst of the downturn may have passed. Output, new orders and employment all continued to decrease sharply, but at softer rates than in May. Meanwhile, input costs fell again, enabling firms to lower their selling prices to help stimulate demand.

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.

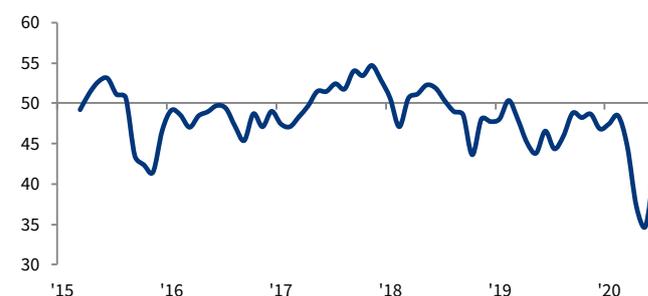
The headline PMI rose to 42.3 in June, up from May's record low of 34.8. The reading signalled a further marked deterioration in the health of the Zambian private sector, albeit one that was the softest in three months. Business conditions have worsened in each month since March 2019.

COVID-19 continued to harm demand at Zambian companies, with customer closures and restrictions on international travel mentioned by respondents. As a result, new orders decreased sharply.

The lack of new work, alongside COVID-19 restrictions, led to a further decrease in business activity. Although slower than the record contraction posted in May, the latest decline was substantial.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Falling new orders led firms to work through outstanding business, while also lowering their staffing levels. Difficulties in paying staff were also behind reduced workforce numbers.

Overall input costs decreased for the third successive month, with both purchase prices and staff costs down during June. Purchase prices fell due to a lack of demand for inputs (purchasing activity declined sharply again), which outweighed the inflationary impact of currency weakness. Meanwhile, lower staff costs reportedly reflected a combination of wage cuts and reductions in staffing levels.

With input prices falling, companies again reduced their charges in an effort to secure new orders. Selling prices were down for the third month running, albeit only marginally.

Suppliers' delivery times lengthened again in June amid restrictions on movement and border closures to prevent the spread of COVID-19. That said, the disruption was less severe than the record seen in the previous month.

Data suggested an ongoing reluctance among firms to hold inventories given demand weakness.

Finally, companies held a broadly neutral outlook regarding business activity over the coming year. Although improving from May, sentiment remained weaker than the series average. There was widespread uncertainty around the outlook.

Comment

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

"Business conditions continue to be impacted negatively by the Covid-19 pandemic though we see signs that the worst of this downturn may have passed."

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

Katherine Smith
 Public Relations
 T: +1 781 301 9311
katherine.smith@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.

June data were collected 12-24 June 2020.

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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>

About IHS Markit

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click [here](#).