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Stanbic Bank Zambia PMI™

Output decreases to greatest extent in four months

Key findings

Declines in both activity and new orders quicken

Marked lengthening of suppliers' delivery times

Softest rise in input costs for six months

Data were collected 12-25 January 2021

Increased disruption caused by the coronavirus disease 2019 (COVID-19) pandemic during January meant that business conditions in the Zambian private sector deteriorated to a greater extent at the start of the year, having shown signs of stabilisation towards the end of 2020. Meanwhile, cost inflation remained relatively muted despite upwards pressure from ongoing currency weakness.

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.

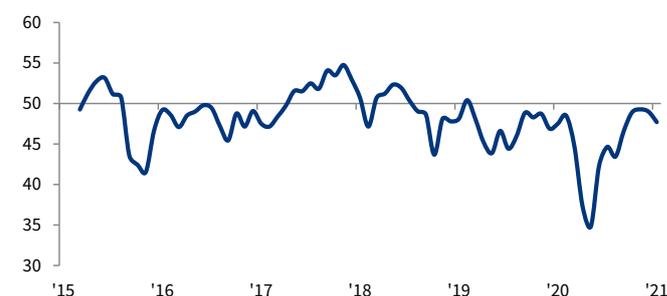
The headline PMI dropped to 47.7 in January, down from 49.0 in December and signalling the most marked deterioration in business conditions in the private sector since last September.

Reductions in both output and new orders gathered pace at the start of 2021, in both cases mainly linked by respondents to the COVID-19 pandemic. The fall in activity was the fastest since last September, and extended the current sequence of decline to 23 months.

The accelerated rates of reduction in January followed moves towards stabilisation in the latter months of 2020. Softer falls in new orders had begun to reduce excess capacity, and resulted in a first rise in backlogs of work since March 2020. That said, the accumulation was only

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

marginal.

Companies continued to lower their staffing levels, partly due to difficulties finding the funds to pay workers. Employment fell at the slowest pace in three months, however.

Further weakness of the Zambian kwacha led to another monthly increase in purchase costs, albeit the softest since last August amid a lack of demand for inputs - purchasing activity decreased for the sixteenth month running. Meanwhile, staff costs decreased, but at the softest pace in three months.

Companies responded to higher purchase costs by raising their output prices. Moreover, the rate of charge inflation quickened at the start of 2021.

Suppliers' delivery times lengthened markedly, and to the greatest extent since last September. COVID-19 travel restrictions contributed to delivery delays, with a number of panellists reporting longer lead times for imported items. Issues securing inputs, as well as falling customer demand, led to a reduction in inventories.

Business confidence remained relatively muted despite ticking up from that seen in December. While those companies predicting a rise in output over the coming year linked this to hopes of a reduced impact from the COVID-19 pandemic, others remained concerned about the ongoing effects of the virus.

Comment

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

"The start of the year 2021 has unfortunately been negatively impacted by the second wave of Covid 19 which has resulted in the disruption of the recovery in business conditions we have witnessed in the past 6 months."

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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.

January data were collected 12-25 January 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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