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Stanbic Bank Zambia PMI™

Output returns to growth, but inflationary pressures continue to build

Key findings

Renewed increases in output, new orders and employment

Higher fuel costs push up purchase prices

Business confidence drops to 14-month low

Data were collected 11-25 April 2022

The opening month of the second quarter of the year saw returns to growth of output, new orders and employment in the Zambian private sector. That said, there were further signs of building inflationary pressures amid widespread reports of higher fuel costs. Concerns around the impact of rising prices led business confidence to fall to a 14-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 rose back above the 50.0 no-change mark during April, posting 50.5 from 49.6 in March. The reading signalled a marginal improvement in business conditions, the second in the past three months.

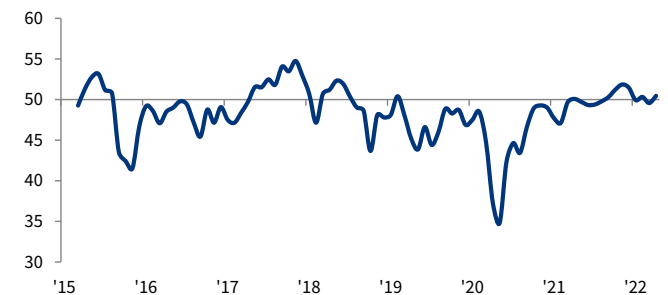
Stronger operating conditions largely flowed from improvements in demand and higher customer numbers. These factors were highlighted by firms as having supported returns to growth of output and new orders in April. The rise in activity was the first in five months, with each of the broad sectors covered by the survey posting increases.

Rates of expansion in both output and new orders were only marginal, however, amid reports that money shortages had limited the improvement in demand.

Employment also returned to growth following a reduction

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global.

in March, but rising new orders imparted pressure on firms' capacity. In fact, backlogs of work increased to the greatest extent since January 2020.

Inflationary pressures continued to build in April. Higher fuel costs pushed up purchase prices to the greatest extent in ten months, while staff costs also rose. In turn, companies raised their own selling prices at the fastest pace since July last year, with charges now having increased in three successive months.

Sector data indicated that cost pressures were most pronounced in the construction and manufacturing sectors.

New order growth encouraged companies to expand their purchasing activity. Input buying rose for the seventh month running, and to the greatest extent since last November.

In turn, stocks of purchases also rose, with efforts to build inventories helped by a shortening of suppliers' delivery times for the first time in nine months. Respondents indicated that competition among suppliers had led to quicker deliveries.

Although signs of improving demand meant that companies maintained a positive outlook for activity over the coming year, concerns around the impact of price rises led to a drop in sentiment. Confidence was the lowest since February 2021 and well below the series average.

Comment

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

"Higher fuel prices have pushed up purchase prices. It is also expected that these rises in costs will be pushed through to consumers. Concerns around the cost outlook of the future have seen a drop in sentiment, the lowest seen since February 2021. Businesses have also seen a rise in demand which has been positive for them in April."

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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.

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.

April data were collected 11-25 April 2022.

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.

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