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Stanbic Bank Zambia PMI™

New orders continue to fall sharply

Key findings

PMI signals further solid decline in business conditions

Output decreases at softer pace

Inflationary pressures ease

Business conditions in Zambia's private sector continued to deteriorate in August, with weak demand again signalled amid falling customer numbers and a lack of money in the economy. Companies responded to falling workloads by reducing their purchasing activity and employment, albeit at weaker rates than in July.

Rates of inflation softened midway through the third quarter. Overall input prices, purchase costs and output prices all rose to lesser extents.

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.

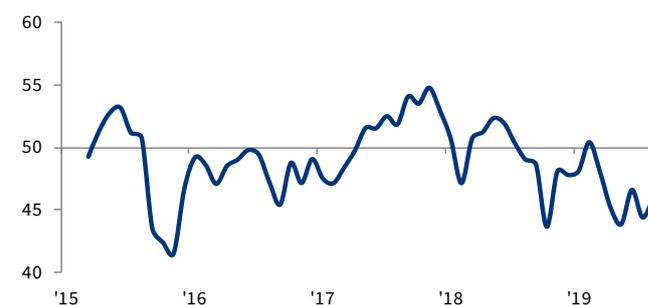
At 46.0 in August, the headline PMI pointed to a solid deterioration of business conditions in Zambia. This was despite the index rising from 44.4 in July. The health of the private sector has now worsened in six successive months.

Central to the latest deterioration in operating conditions was a further sharp decline in new business. As has been the case in recent months, a lack of money and low customer numbers were mentioned by those panellists seeing new business fall.

With business slow, Zambian firms recorded a further decrease in activity. Although slowing to the weakest since March, the rate of contraction remained marked.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

Falling new orders led to reductions in both staffing levels and purchasing activity. In each case, however, rates of decline softened and were only marginal. Stocks of purchases, meanwhile, decreased in line with lower input buying.

Despite the reduction in operating capacity, Zambian companies were still able to work through outstanding business. Backlogs were down for the fourteenth month running.

Inflationary pressures showed signs of softening midway through the third quarter of the year. Overall input costs increased at the slowest pace since April as purchase prices rose at a weaker pace. Staff costs continued to increase marginally.

Slower cost inflation gave some space to companies to offer discounts to customers as part of efforts to attract sales. As a result, output prices increased at the weakest pace in four months. That said, the rate of inflation was still marked, with currency fluctuations and maize supply shortages contributing to higher prices.

Hopes of an improvement in business conditions among some firms led to an optimistic outlook for activity over the coming year. Sentiment was broadly in line with that seen in July. That said, a sizeable number of panellists indicated that the unpredictable nature of current conditions made forecasting future output difficult.

Comment

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

"The PMI continues to show further decline in business conditions. With long standing comments such as there is no money in the economy being backed up by the tight liquidity conditions we have seen prevail in the last couple of months on the interbank market."

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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.

August 2019 data were collected 12-23 August 2019.

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. To learn more go to 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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