

Embargoed until 1030 CAT (0830 UTC) 5 November 2019

## Stanbic Bank Zambia PMI™

### Money supply issues and power cuts lead to sharper fall in business activity

#### Key findings

Output decreases at sharper pace

New orders fall at weakest rate in eight months

Output price inflation at 13-month low

Zambian companies were hampered by a lack of money in the economy and power cuts in October as business conditions deteriorated again. There were some signs of the rate of decline in new business moderating, however, and employment ticked up for the second month running. Meanwhile, the rate of input cost inflation moderated, despite currency weakness, and output prices rose at the slowest pace in 13 months.

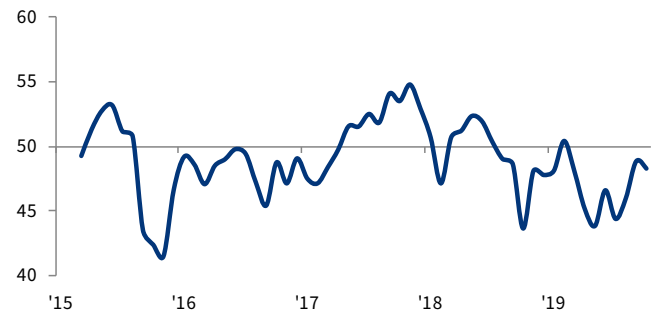
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 48.3 in October, down marginally from 48.8 in September, the headline PMI signalled a further modest deterioration in operating conditions in the Zambian private sector. Business conditions have now worsened in eight successive months.

One of the key factors behind the fall in the PMI was a sharper contraction in business activity. A lack of money in circulation and power cuts were reportedly behind the reduction in output, which was the eighth in as many months.

The steeper decline in output was in contrast to a softer reduction in new orders. In fact, new business decreased at the slowest pace in the current eight-month sequence of contraction amid some signs of demand improving.

PMI  
sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

That said, respondents continued to cite low customer numbers overall.

Employment ticked up for the second month running, although the rise in October was only fractional. This improvement in capacity, combined with lower new orders, meant that companies continued to reduce their backlogs of work.

Lower new orders also led to a drop in purchasing activity. The reduction was the seventh in the past eight months, following no change in input buying in September. Meanwhile, inventories fell, reversing the increase seen in September.

Overall input prices rose at the slowest pace in seven months during October, with modest increases in both purchase prices and staff costs. Some panellists reported that currency weakness had been behind higher cost burdens.

The slower rise in input costs was matched by softer output price inflation. In fact, the latest increase in charges was the weakest in the current 13-month sequence of inflation.

Business confidence improved from September's 39-month low, but remained below the series average. Positive sentiment reflected optimism that business conditions will improve over the coming year, leading to rises in new orders.

## Comment

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

*"The extended power cuts will have an adverse effect on business activity going forward with the cost of doing business likely to increase."*

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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.

October 2019 data were collected 11-25 October 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://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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