The Zambian private sector continued to experience challenging market conditions during June, although there were some signs that the worst of the current downturn may have passed. Output, new orders and employment all decreased to lesser extents than in May.

On the price front, the rate of overall input cost inflation remained elevated due to the fastest rise in purchase prices for two-and-a-half years. The pace of output charge inflation also quickened during the month.

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 46.6 in June, the headline PMI signalled a fourth successive monthly deterioration in the health of the Zambian private sector. The reading was up from 43.9 in May, however, pointing to a softer rate of decline. The average reading over the second quarter of 2019 was the lowest since the final three months of 2015.

Business activity continued to fall sharply during June, with panellists linking the latest decline to currency weakness, a lack of new orders and delays in receiving payments from customers.

The aforementioned issues in receiving new orders were highlighted by a fourth successive monthly reduction across the private sector. That said, the rate of contraction softened to the weakest since March.

Falling new orders also contributed to further reductions in both backlogs of work and employment. In each case, however, the reductions were less marked than seen in the previous month.

The weakness of the Zambian kwacha continued to push up prices during June. Purchase costs rose sharply, and at the fastest pace since December 2016. This led overall input prices to increase at a marked pace again, despite only a slight rise in staff costs. The increase in cost burdens led companies to raise their selling prices, with charge inflation quickening to a 43-month high.

In line with the trends in output and new orders, purchasing activity decreased for the fourth month running. Stocks of purchases also fell, with some panellists indicating that inventory holdings were sufficient for current output requirements.

Companies maintained a similar level of optimism regarding the 12-month outlook for activity as was seen across the rest of the second quarter. Confidence mainly reflected hopes that market conditions would improve over the coming year. Sentiment remained below the series average.
Comment

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

"The rate of deterioration in the PMI reduced this month and this could be an indication that things are beginning to turn, though this turn could be hampered by the projected increasing inflation rate going forward."

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 2019 data were collected 12-24 June 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.

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 © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

© 2019 IHS Markit