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Stanbic Bank Zambia PMI™

Softest reduction in activity for 22 months

Key findings

Output approaches stabilisation

Employment continues to fall

Currency weakness leads to higher purchase costs

Data were collected 04-17 December 2020

The final month of 2020 saw a further slight moderation of business conditions in the Zambian private sector. There were some pockets of improving demand, but operations continued to be hindered by the coronavirus disease 2019 (COVID-19) pandemic and 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 posted 49.0 in December, down marginally from 49.3 in November and signalling a further modest deterioration in business conditions in the private sector. The reading was the second-highest in almost two years, with conditions much closer to stability than was the case earlier in 2020.

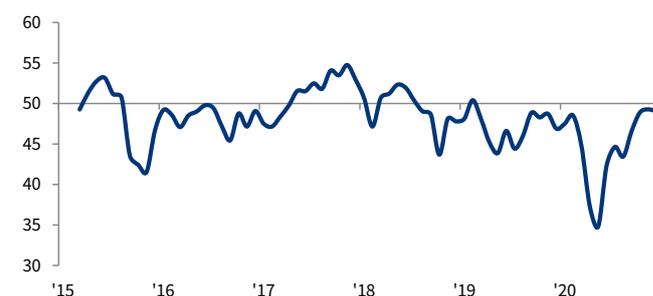
The pace of reduction in output eased to the softest in 22 months during December as some companies increased activity in response to rising sales. A number of firms continued to see output decline, however, linked to closures due to COVID-19 and price pressures related to currency weakness.

Despite some signs of improvement, demand conditions remained challenging, resulting in a further modest reduction in new business.

Firms lowered employment, and to a greater extent than in November. Difficulties paying workers were mentioned

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

by some panellists, and this also contributed to another reduction in staff costs.

In contrast to the picture for employee-related costs, purchase prices continued to rise in December. The latest increase in purchase costs was widely linked to currency weakness. That said, there were signs of inflation softening, with the latest rise the weakest in four months.

With overall input prices rising, companies increased their own charges for the fifth successive month, albeit at the slowest pace since August.

Purchasing activity fell again in December, but at the slowest pace since prior to the COVID-19 pandemic. Restrictions related to the pandemic hampered supplier deliveries, resulting in a further lengthening of lead times. Some panellists reported delays at the border.

Falling purchasing activity and a reluctance to hold inventories led to another monthly decline in stocks of purchases, and one that was the most marked in three months.

Companies expressed muted optimism in the 12-month outlook for business activity. Sentiment dipped to a five-month low, and was at a level below any seen prior to the COVID-19 outbreak. Concerns remained around the future path of the economy.

Comment

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

"Business conditions continued to be impacted by a weak local currency and the seasonal industrial break in the month of December."

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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.

December data were collected 04-17 December 2020.

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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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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