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Stanbic Bank Zambia PMI™

Record fall in output amid COVID-19 disruption

Key findings

Unprecedented declines in output and new orders

Employment down at record pace

Input prices decrease

The Zambian private sector suffered as a result of the coronavirus disease 2019 (COVID-19) pandemic in April, posting the sharpest deterioration in business conditions since the survey began over five years ago. Record falls were seen for output, new orders and employment, while negative sentiment regarding the future was observed for the first time.

Demand for inputs also decreased at a steep pace, contributing to falls in input costs. Output prices declined marginally.

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.

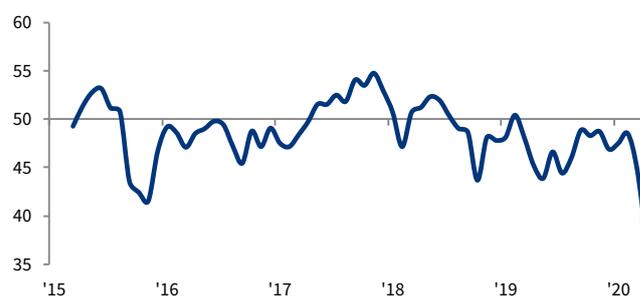
The headline PMI sank to 37.3 in April, well down on March's reading of 44.7 and the lowest since the survey began in March 2015.

Company shutdowns as a result of COVID-19 were widely mentioned, with falling demand also signalled. These factors contributed to record declines in both output and new orders. Almost half of all respondents indicated that their business activity had decreased over the month.

With new orders falling sharply, companies were able to reduce backlogs of work for the first time in four months. A number of panellists indicated that they had completed most or all of their outstanding business.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

In line with the trends in output and new orders, Zambian companies saw a record decline in employment during April. As a result, staff costs were down at an unprecedented pace.

Business closures and falling demand led firms to scale back their purchasing of inputs, and to the greatest extent in the series so far. This also led to a record fall in stocks of purchases. Meanwhile, travel restrictions put in place to limit the spread of the virus meant that suppliers' delivery times lengthened substantially.

Weaker demand for inputs often led suppliers to reduce their charges. Subsequently, purchase costs decreased for the first time in four months, and at a record pace.

Zambian companies lowered their selling prices for the first time in just over a year-and-a-half, in line with reduced input costs. That said, the pace of reduction in output prices was only marginal, with some firms increasing charges due to unfavourable exchange rate movements and efforts to maintain profit margins.

For the first time since the survey began in March 2015, companies were pessimistic regarding the outlook for business activity over the coming year. Concerns about the COVID-19 pandemic and how long any disruption will last were central to negative sentiment.

Comment

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

"Business environment was negatively impacted and will be further impacted in the months to come by Covid 19 pandemic."

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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.

April data were collected 07-24 April 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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