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Stanbic Bank Zambia PMI™

Rate of decline in output softest in six months

Key findings

Weaker reductions in output and new orders

First rise in employment for six months

Sentiment lowest since June 2016

Although the Zambian private sector remained in contraction territory at the end of the third quarter of the year, there were signs of improvement in September as both output and new orders fell at softer rates and employment returned to growth. That said, business sentiment fell amid challenging market conditions and uncertainty regarding the future.

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.

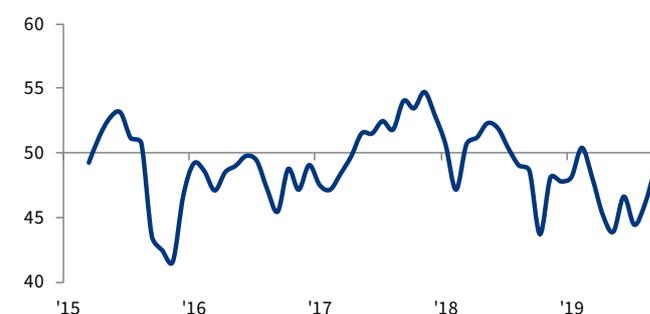
The headline PMI rose to 48.8 in September, from 46.0 in August, signalling a modest and softer deterioration in business conditions during the month. In fact, the latest decline in the health of the private sector was the weakest in the current seven-month sequence of deterioration.

A much weaker reduction in new business was registered in September amid some signs of customer demand improving. That said, low client numbers remained a factor making new business harder to come by.

A similar picture was seen with regards to business activity, with the rate of contraction easing markedly from that seen in August. Output still fell at a solid pace, however, sometimes linked by panellists to money shortages.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

The main positive from the latest survey period was a return to growth of employment. Staffing levels increased for the first time in six months, linked to efforts to improve operating capacity. Meanwhile, backlogs of work continued to fall, albeit at the slowest pace since July 2018.

On a less positive note, business confidence dropped to a 39-month low due to concerns about market conditions and a certain level of unpredictability around the future.

Rates of inflation of both purchase prices and staff costs ticked up in September, but remained relatively muted. Where higher purchase costs were recorded, panellists linked this to currency weakness.

As a result of higher cost burdens, companies increased their own selling prices during the month. That said, the rate of inflation slowed for the third consecutive month and was the weakest since March. Some respondents indicated that they had lowered selling prices in order to stimulate demand.

Purchasing activity stabilised in September, ending a six-month sequence of decline. Meanwhile, stocks of inputs increased, with some signs of improvements in demand encouraging companies to raise inventories.

Suppliers' delivery times lengthened for the first time in 22 months, with panellists linking delays to disruption caused by attacks on foreign businesses in South Africa.

Comment

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

"Inflation and expected increases in energy costs will be the major headwinds that businesses will face despite signs of improvement in both output and new orders as business sentiment fell in challenging market conditions."

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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.

September 2019 data were collected 12-24 September 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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