

Embargoed until 1030 CAT (0830 UTC) 7 July 2021

## Stanbic Bank Zambia PMI™

### Output scaled back, but employment rises for first time in 17 months

#### Key findings

Sharpest job creation since January 2018

Output down amid further wave of COVID-19

Fastest rise in output prices since November 2015

Data were collected 11-24 June 2021

The latest wave of the COVID-19 pandemic in Zambia prevented growth in the private sector at the end of the second quarter. New orders were broadly stable, while output decreased following a rise in May. On a positive note, firms increased employment for the first time in almost a year-and-a-half.

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 ticked down to 49.3 in June from 49.7 in May, signalling a marginal deterioration in business conditions in the Zambian private sector.

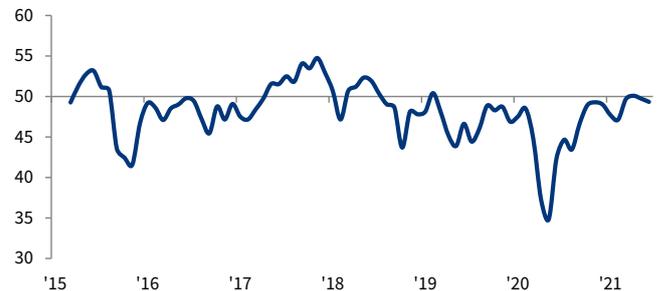
Output decreased in June, reversing the expansion seen in May. The COVID-19 pandemic was the main factor leading to a drop in business activity. On the other hand, some panellists reported an improved demand climate.

New orders fell only fractionally, as customer demand remained more favourable than has been the case through much of the past two years. Growth of new business was seen in agriculture, construction and manufacturing, but the services and wholesale & retail sectors posted declines.

Recent improvements in demand fed through to increased staffing levels, which rose for the first time in 17 months. Moreover, the rate of job creation was the quickest since

#### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

January 2018. Despite a rise in workforce numbers, backlogs of work ticked higher.

Weakness of the Zambian kwacha continued to lead to higher purchase costs in June. Purchase prices were up sharply, albeit to a lesser extent than in May. Staff costs also rose, and at the fastest pace for two-and-a-half years. According to respondents, higher wages reflected efforts to motivate staff and help with higher living costs.

The rate of output price inflation, meanwhile, accelerated to the fastest since November 2015 as firms passed higher costs onto customers. Selling prices have now risen in 11 successive months.

Cost increases deterred some companies from purchasing inputs. Other firms did expand their purchasing, however, resulting in broadly no change in input buying overall. Similarly, stocks of purchases were unchanged, thereby ending a three-month sequence of accumulation.

Meanwhile, suppliers' delivery times shortened for the second month running, albeit marginally.

Worries about the COVID-19 pandemic meant that business confidence remained below average at the end of the second quarter. That said, on balance companies remained optimistic that activity will rise over the coming year.

## Comment

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

*"Employment rose for the first time in 17 months however the latest wave of COVID-19 pandemic in Zambia prevented growth in the private sector which meant that business confidence remained below average at the end of the second quarter."*

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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.

June data were collected 11-24 June 2021.

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.

[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>

### About IHS Markit

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