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# Stanbic Bank Zambia PMI™

## Sharpest reduction in new orders for six months

### Key findings

Money shortages lead to drop in new business

Output also declines sharply

Employment decreases at marginal pace

The Zambian private sector continued to struggle during April as reports of a lack of money in the economy led to steeper declines in output and new orders. Falling workloads discouraged firms from holding inventories and purchasing activity was reduced accordingly. Meanwhile, business confidence dropped to one of the lowest in the past two-and-a-half years.

One relative bright spot was employment, as a number of respondents maintained staffing levels despite sharp falls in output requirements. Employment decreased only marginally over the month. Meanwhile, inflationary pressures were relatively muted.

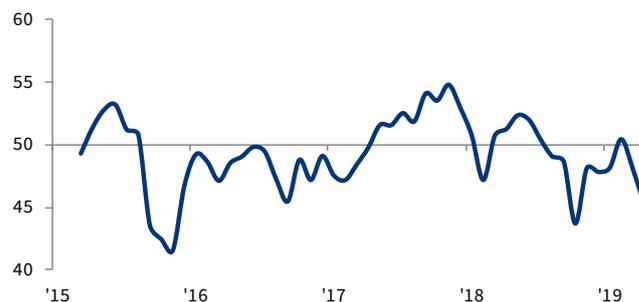
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 45.2 in April, down from 48.1 in March, the headline PMI signalled a marked deterioration in business conditions in the Zambian private sector, and one that was the most pronounced since last October. Operating conditions have now worsened in eight of the past nine months.

As has been the case in recent months, reports of money shortages were central to the latest deterioration, with panel members suggesting that customers were not able to commit to new projects.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

New business fell sharply, and to the greatest extent in six months. Similarly, output also decreased at the fastest pace since last October.

The marked reduction in new orders resulted in a further substantial drop in backlogs of work, with the rate of depletion little-changed from that seen in March.

Employment also decreased, but only marginally and to a much lesser degree than output and new orders. Some respondents signalled that they had decided to leave staffing levels unchanged for the time being.

Companies scaled back their purchasing activity in response to lower new orders, with stocks of purchases falling solidly as a result.

Modest increases in both purchase prices and staff costs were signalled. Where purchase prices rose, this was often linked to weakness of the Zambian kwacha. Meanwhile, the rate of output price inflation quickened to a four-month high, with companies seeing charges increase at a faster pace than their cost burdens.

Concerns about ongoing exchange rate weakness led to a further drop in business sentiment, which fell for the second month running and was the second-weakest since August 2016. That said, hopes of an improvement in business conditions meant that companies were still optimistic that output will rise over the coming year.

## Comment

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

*"The month of April saw a challenging business environment which affected output and new orders, with a bright spot of some businesses maintaining staffing levels."*

## Contact

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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 2019 data were collected 10-24 April 2019.

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. To learn more go to [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>

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