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## Stanbic Bank Zambia PMI™

### New orders return to growth, but activity ticks down amid pause during election period

#### Key findings

First rise in new business in four months

Activity decreases, but at modest pace

Inflationary pressures ease

Data were collected 12-24 August 2021

There were signs of encouragement for the Zambian private sector in August. New orders returned to growth, while firms expanded their workforce numbers for the third month running. Although output decreased, anecdotal evidence suggested that this was largely due to a pause in activity during the election period. Meanwhile, there were signs of waning inflationary pressures, with both input costs and selling prices rising at the slowest rates since the first quarter of the year.

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 up to 49.8 in August from 49.4 in July and signalled broad stability in business conditions midway through the third quarter.

New business returned to growth, rising marginally for the first time in four months amid signs of an improvement in customer demand. In turn, some companies increased their business activity. That said, output continued to fall modestly overall as a number of respondents reported a pause in activity during the election period.

The drop in activity, staff shortages and supplier delays all contributed to a rise in backlogs of work, the third in as many months. In response to higher workloads, firms continued to expand their staffing levels. Employment

#### PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

was up for a third successive month, and at a slightly faster pace than in July.

The rate of purchase cost inflation eased to a seven-month low. Although the Zambian kwacha has appreciated against the US dollar recently, it remained relatively weak and contributed to upwards price pressures, with raw material costs also rising. Alongside the trend in purchase prices, staff costs also increased at a softer pace.

In turn, the rate of output price inflation slowed sharply. The latest increase in charges was the softest since February.

Marginal reductions in both input buying and stocks of purchases were recorded, with rates of decline easing in both cases. Meanwhile, suppliers' delivery times lengthened for the first time in four months. Respondents indicated that COVID-19 restrictions contributed to longer lead times.

Confidence in the year-ahead outlook for business activity strengthened, but remained much weaker than the series average. A number of companies expect business activity to pick up now that the election period has ended, while other firms based optimism on the recent appreciation of the kwacha. On the other hand, there were ongoing reports that the future path for business activity remains uncertain.

## Comment

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

*"With the recent appreciation of the kwacha and waning inflationary pressures, there is optimism that business conditions will improve going forward."*

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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.

August data were collected 12-24 August 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](https://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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