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Stanbic Bank Zambia PMI™

Slowest fall in output for 20 months

Key findings

Decline in activity softens amid marginal fall in new orders

Rate of job cuts continues to ease

Sharpest rise in purchase costs since February

Data were collected 12-26 October 2020

The Zambian private sector neared stabilisation during October as business conditions across the economy showed signs of improvement following the worst of the coronavirus disease 2019 (COVID-19) pandemic earlier in the year. New orders fell only slightly, while the decline in output was the weakest for 20 months. Similarly, softer reductions were seen in employment and purchasing activity at the start of the final 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.

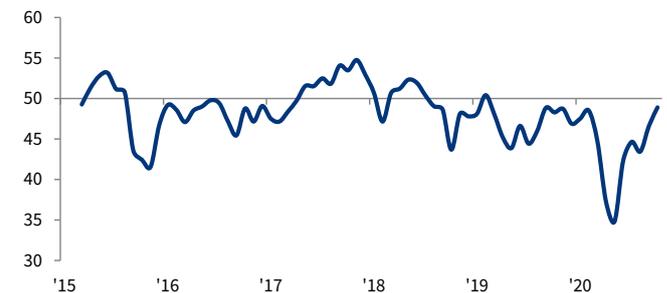
The headline PMI improved to 48.9 in October, up from 46.6 in September and the highest in the current 20-month sequence of sub-50 readings. That said, the index still signalled a modest deterioration in private sector operating conditions.

The pace of decline in new orders continued to slow sharply during October as some firms were able to secure greater new business volumes. The overall fall was only marginal and the slowest since prior to the COVID-19 outbreak, although respondents indicated that demand remained fragile.

With new orders showing signs of recovery, companies reduced their business activity to the least extent in the current 20-month sequence of contraction. Where output

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

continued to fall, respondents linked this to the COVID-19 pandemic and a lack of money in circulation.

Slower reductions in both backlogs of work and employment were recorded during October, consistent with the trends in output and new orders. The decrease in staffing levels was modest and the slowest since February, just prior to the outbreak of COVID-19. Where employment fell, some firms reported difficulties paying staff.

Pressure on wages reportedly came from efforts to incentivise workers and signs of improving demand. Staff costs were broadly unchanged, following seven successive monthly reductions in employee expenses.

Meanwhile, purchase cost inflation was the steepest since February, with panellists mainly linking higher prices to weakness of the Zambian kwacha against the US dollar.

The increase in purchase costs fed through to higher selling prices. Charges rose at a marked pace, albeit one that was slightly weaker than that seen in September.

Companies remained reluctant to hold inventories and therefore lowered purchasing and stocks of inputs. That said, the respective rates of decline softened.

Finally, business confidence ticked higher but remained well below the series average amid ongoing uncertainty.

Comment

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

"Business conditions are showing signs of improvement as Zambia and the world awakens from the COVID-19 slumber. What is an emerging theme however, is the rise in input costs. This has largely been driven by recent Kwacha weakness. Our expectation is that this should begin to ease as the exchange rate starts to show some signs of stability 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.

October data were collected 12-26 October 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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