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Stanbic Bank Zambia PMI™

Zambian PMI signals weakest decline in activity since before COVID-19 pandemic

Key findings

Output continues to fall, but at weaker pace

Slowest decrease in employment since March

Currency weakness leads to sharp rise in purchase costs

Data were collected 11-24 September 2020

September data indicated that the downturn in the Zambian private sector eased markedly. Looser restrictions to prevent the spread of the coronavirus disease 2019 (COVID-19) led to softer reductions in output, new orders and employment, while business confidence strengthened.

On the price front, currency weakness led to a sharp increase in purchase costs, in turn resulting in the fastest rise in output prices since March.

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 46.6 in September from 43.4 in August. The reading continued to signal a deterioration in business conditions at the end of the third quarter, but the decline was the softest since February.

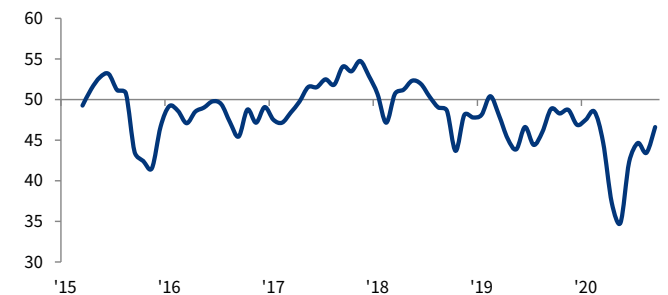
A number of indices in the latest survey were at their highest since the outbreak of COVID-19 earlier in 2020.

Output decreased at the slowest pace in seven months amid looser COVID-19 restrictions. That said, the pandemic continued to be a key factor behind falling activity, with a lack of money in circulation and currency weakness also mentioned.

New orders fell for the nineteenth consecutive month in

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

September, albeit at the slowest pace since February. The rate of decline was much softer than May's record, but panellists continued to report a lack of demand.

Employment showed signs of nearing stabilisation as the rate of job cuts softened for the second month running. The vast majority of respondents (91%) kept workforce numbers unchanged. Companies continued to record falls in backlogs of work, extending the current sequence of depletion to six months.

A depreciation of the Zambian kwacha against the US dollar led to a sharp increase in purchase prices. Moreover, the rate of inflation accelerated to a seven-month high. This resulted in a marked rise in overall input prices, in spite of a slight fall in staff costs.

Output charges also rose sharply as companies passed on higher input costs to their customers. The increase in selling prices was the second in as many months, and the fastest since March.

Purchasing activity continued to fall, but at a reduced pace. Ongoing travel restrictions due to COVID-19 meant a further lengthening in the time taken to receive purchased items from suppliers.

The degree of confidence regarding the 12-month outlook for business activity was at a seven-month high in September as sentiment continued to recover.

Comment

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

"The rise in this month's PMI is an indication of the improving business conditions as economic activity peaked since the outbreak of Covid-19 earlier this year."

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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 data were collected 11-24 September 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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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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