

Embargoed until 1030 CAT (0830 UTC) 6 January 2020

Stanbic Bank Zambia PMI™

Business activity falls sharply at end of 2019

Key findings

Rates of decline in output and new orders accelerate

Staffing levels left unchanged

Purchase prices down for first time in nine months

The Zambian private sector moved deeper into contraction at the end of 2019 as challenging market conditions impacted on operations. Both output and new orders fell at faster rates in December, while firms brought an end to a recent period of job creation.

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 fell to 46.9 in December, down from 48.7 in November. The reading signalled a solid decline in the health of the private sector, and one that was the sharpest in four months. Business conditions have deteriorated in each month since March.

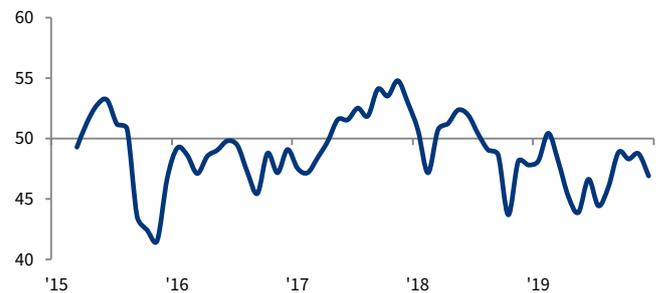
Business activity fell sharply, with the rate of contraction accelerating to the fastest in five months. As has been the case for much of the current downturn, a lack of money in the economy was mentioned by a number of respondents. Declining new business and deteriorating economic conditions were also central to the latest fall in output, according to respondents.

New orders decreased to the greatest extent in four months, with widespread reports from panel members of a lack of new customers.

With new orders falling sharply, companies expressed a reluctance to take on additional staff. Employment levels

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

were unchanged in December, ending a three-month sequence of job creation. Firms also faced a lack of pressure on capacity, as signalled by backlogs of work falling again.

Companies continued to scale back their purchasing activity, with input buying down for the third month running. Lower client demand and money shortages were among the factors given by panellists for the latest fall in purchasing. Despite reduced demand for inputs, suppliers' delivery times lengthened amid reports of financing issues at vendors. Meanwhile, stocks of purchases ticked down again.

Marginal reductions in both purchase prices and staff costs were registered. The fall in purchase costs was the first since March and the fastest since the survey began in March 2015. The drop in wages and salaries ended an eight-month sequence of inflation.

On the other hand, output prices continued to rise, extending the current sequence of inflation to 15 months. Respondents indicated that currency weakness had led them to increase their selling prices.

Business confidence dropped sharply, with some respondents concerned about business conditions. Optimism was the second-lowest in three-and-a-half years, but hopes of an improving economic environment in 2020 supported a positive outlook at a number of firms.

Comment

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

"The private sector continues to be negatively impacted by challenging market conditions comprising a weaker Kwacha and a lack of money in the economy on the back of elevated interest rates. This may continue amidst weaker consumer demand as recent increases in electricity tariffs and local fuel pump prices take their toll."

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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.

December 2019 data were collected 05-17 December 2019.

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. To learn more go to 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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