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Stanbic Bank Zambia PMI™

New order growth quickens for fourth month running

Key findings

Fastest rise in new business for three-and-a-half years

Employment and purchasing increase again

Inflationary pressures remain muted

Data were collected 06-17 December 2021

Business conditions continued to improve in the Zambian private sector at the end of 2021, helped by a further acceleration in the pace of new order growth. Firms responded to rising new business by expanding employment and purchasing activity, but output ticked down. Meanwhile, cost pressures remained relatively muted and companies continued to reduce their own selling prices to attract customers.

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 51.5 in December, the headline PMI was down slightly from 51.8 in November but continued to signal improvements in the health of the private sector in the final month of the year. The latest strengthening of business conditions was the fourth in as many months.

The main positive from the latest survey was a further expansion in new orders. In fact, the rate of growth in new business quickened for the fourth successive month and was the strongest in three-and-a-half years. Where new orders rose, panellists generally linked this to stronger customer demand.

In response to higher new orders, companies expanded both their staffing levels and purchasing activity in December. The rise in employment was the seventh in as

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

many months, while input buying increased for the third month running. The recent bout of purchasing, including advanced orders in some cases, helped lead to a further expansion of inventories.

Less positive in December was a fractional reduction in output, which ended a two-month sequence of growth. Despite improvements in demand, there were some reports of money shortages limiting activity. Output increased in the agriculture and services sectors, but decreased in manufacturing, construction and wholesale & retail.

Cost inflationary pressures remained relatively muted at the end of the year. Both purchase prices and staff costs increased, but only slightly. Meanwhile, companies lowered their own selling prices for the fourth month running amid efforts to attract customers.

Suppliers' delivery times lengthened for the fifth successive month, and at the same pace as in November. Delivery delays were often the result of disruption related to the COVID-19 pandemic.

Business confidence improved, with around 40% of respondents predicting a rise in activity over the course of 2022. Optimism generally reflected hopes of ongoing improvements in demand. That said, respondents highlighted the uncertain nature of conditions at present.

Comment

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

"Zambian firms continued their recent success in expanding new business during December, with rising new orders proving to be good news for the labour market again. That said, respondents reflected on the uncertainty of the outlook, with the omicron variant of the COVID-19 pandemic having the possibility to dampen activity as 2022 begins."

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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 data were collected 06-17 December 2021.

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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