

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION

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Stanbic Bank Zambia PMI™

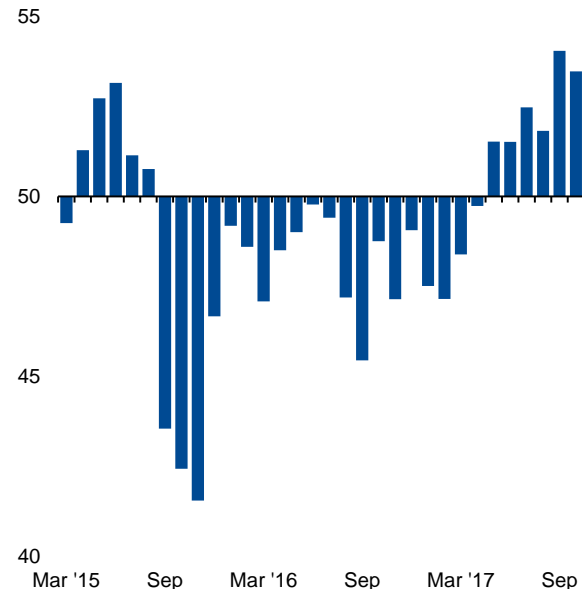
Business conditions in Zambian private sector continue to improve solidly

Data collected October 12-25

- At 53.5, PMI indicates second-fastest pace of growth since survey began in March 2015
- Purchasing activity and pre-production inventories grow at quickest pace so far
- Output, new orders and employment all increase solidly

Stanbic Bank Zambia PMI

sa, 50 = no change on previous month



Sources: Stanbic Bank, IHS Markit.

The latest PMI survey data from Standard Bank and IHS Markit signalled a further improvement in business conditions in the Zambian private sector in October. Higher underlying demand caused both output and new business to expand, though at slightly lesser rates than observed in September. Firms reacted by expanding their capacity as workforce numbers and purchasing activity rose. However, they were not able to accommodate all

new orders as outstanding business increased for the second consecutive month. Meanwhile, input costs rose at a weaker pace and firms continued to lower their output prices, offering discounts to bolster demand.

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.

Commenting on October's survey findings, Victor Chileshe, Head of Global Markets at Stanbic Bank said:

"Though the PMI was lower in October at 53.5, compared to September (54.0), it was the sixth consecutive month of improvement in business conditions. This provides further evidence that the prevailing monetary policy environment is still bearing fruit, especially with regards to keeping a lid on inflation. As such, business activity in the private sector continued to be boosted by growth in demand which allowed private sector firms to secure greater business for the seventh successive month. However, we still remain cautious given the depreciation that we have seen in the local currency over the last month and how this in turn will play with regards to input cost inflation for businesses."

The main findings of the October survey were as follows:

The PMI registered at 53.5 in October, down slightly from 54.0 in September. Although the rate at which business conditions improved softened from the previous month, it was the second-fastest rate of improvement in the survey history.

Improvements in the health of the private sector were predominantly driven by amplified demand which allowed private sector firms to secure greater new business for the seventh successive month. Output expanded for the fifth consecutive month in response. Encouragingly, the rate at which business activity grew was the second-fastest since the inception of the survey in March 2015.

Furthermore, the trend in new business over the past seven months caused backlogs of work to expand again. That said, the rate at which outstanding business accumulated eased slightly from September.

Firms reacted by hiring additional staff and increasing their purchasing activity in October. Employment expanded for the sixth successive month, while purchasing activity rose at an accelerated rate. In fact, quantities of purchases expanded at the fastest pace

observed in the survey's 32-month history. This was also the case with stocks of purchases, which increased substantially.

Vendor performance improved, in spite of the extra pressure caused by amplified demand for inputs.

Cost burdens at Zambian private sector firms continued to rise in October driven by higher purchase cost and wage inflation. That said, the rate of inflation was well below the series average.

Despite input price inflation, companies cut their charges for the eighth consecutive month in October. This suggested that firms offered discounts in order to further bolster demand.

-Ends-

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Note to Editors:

The Stanbic Bank Zambia Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Zambian economy, including agriculture, construction, industry, services and wholesale & retail. The panel is stratified by GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the summary unadjusted and seasonally adjusted values. The unadjusted summary value is calculated as the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual sub-components with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Suppliers' Delivery Times sub-component inverted so that it moves in a comparable direction.

The headline PMI and individual summary values for each question have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. A reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Stanbic Bank Zambia Limited

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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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 www.markit.com/product/pmi.

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