

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Stanbic Bank Zambia PMI™

Business activity contracts at start of 2018

Data collected January 12-25

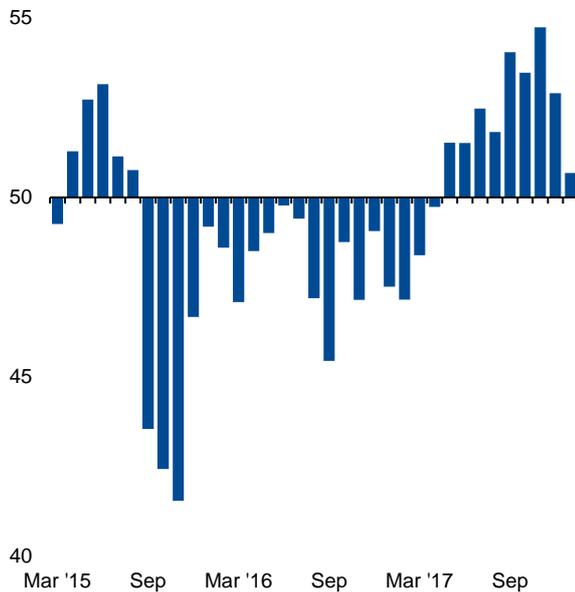
- Output enters contraction territory for first time in eight months
- PMI registers at 50.7
- New orders and employment continue to grow

the price front, companies faced an increase in cost burdens which led firms to leave their prices broadly unchanged after ten successive months of price cuts.

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.

Stanbic Bank Zambia PMI

sa, 50 = no change on previous month



Sources: Stanbic Bank, IHS Markit.

The latest PMI survey data from Stanbic Bank and IHS Markit signalled a further improvement in the health of the Zambian private sector at the beginning of the year. That said, although firms continued to win new business at a strong pace, output declined for the first time in eight months. Anecdotal evidence linked the fall to a lower customer turnout, in part due to the recent cholera outbreak. Purchasing activity also showed signs of weakness, remaining broadly unchanged in January. On

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

"The effects of the cholera outbreak and the measures taken thereafter by government have had a significant impact on business activity in January. Higher purchase costs are likely to have largely been driven by a strong Rand. Rand has appreciated by 15% over last three months. The Rand is a significant component of Zambia's import basket."

The main findings of the January survey were as follows:

Falling to 50.7 in January from 52.9 in December, the latest PMI reading signalled a moderate improvement in business conditions in the Zambian private sector. That said, the headline figure was the weakest observed since the economy started to grow in May last year.

January saw business activity enter contraction territory, falling for the first time in eight months. Indeed, output declined at a solid pace with panellists mentioning that the recent cholera outbreak contributed to a reduced customer turnout.

The lower customer turnout also halted purchasing activity at Zambian private sector businesses, which remained roughly unchanged. Consequently, inventories were left unmoved.

In contrast, the headline PMI figure was supported by a rise in new orders amid stronger underlying demand. The rate of expansion was solid, though weakened for the second month in a row.

As firms continued to win new business, companies increased employment further in January. In fact, job creation accelerated to a four-month high.

Higher staffing levels allowed businesses to address their work-in-hand as backlogs declined for the first time in five months.

Overall cost inflationary pressures picked up at the beginning of the year with data suggesting that higher purchase prices were the main contributing factor.

Anecdotal evidence pointed to a depreciation of the kwacha against the US dollar having led to higher prices for some inputs.

Accelerating cost inflation caused businesses to leave their average selling prices unchanged in January. This was the first time in 11 months that firms had not cut prices in order to further stimulate 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 <https://ihsmarkit.com/products/pmi.html>.

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