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Stanbic Bank Zambia PMI™

Output falls in January amid wave of COVID-19 infections

Key findings

Output down but new orders continue to rise

First reduction in employment in eight months

Charges broadly unchanged

Data were collected 12-26 January 2022

A wave of the Omicron variant of the COVID-19 pandemic led to a pause in growth in the Zambian private sector during January. New order growth softened, while business activity and employment decreased. Meanwhile, there remained a lack of inflationary pressure at the start of the year, despite some signs of higher fuel prices adding to cost burdens.

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 dropped to 49.9 in January, fractionally below the 50.0 no-change mark and therefore signalling an end to a four-month sequence of improving business conditions. The reading was down from 51.5 in December.

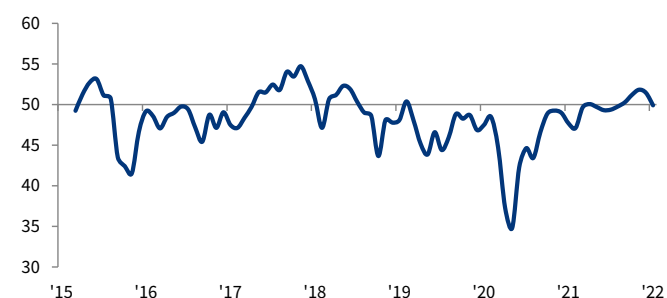
A fall in business activity was a key factor leading operating conditions to deteriorate. Output was down for the second month running, with the pace of reduction the most marked since July last year. Respondents indicated that the fall was due to the COVID-19 pandemic.

Employment also decreased in January, thereby ending a seven-month period of job creation. That said, the reduction in staffing levels was only marginal.

In contrast to the trends in output and employment, new orders continued to rise at the start of the year amid reports of solid client demand. Growth was recorded for

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

the sixth month running, although the rate of expansion eased to the softest since last August.

A combination of higher new orders and a drop in output resulted in a modest accumulation of backlogs of work, the first in three months.

Companies responded to new orders by expanding their purchasing activity. Input buying increased for the fourth month running, albeit at a marginal pace. In turn, stocks of purchases also rose slightly.

A second successive increase in purchase prices was recorded in January amid reports of higher fuel costs. The rate of inflation remained modest, however. Meanwhile, staff costs continued to decrease.

Although some firms increased their selling prices in line with rising purchase costs, relatively muted inflationary pressures meant that others were still able to offer discounts to customers. On average, charges were broadly unchanged.

Hopes of improvements in business conditions and favourable government policies supported confidence in the 12-month outlook for activity. Sentiment remained strongly positive, despite easing to a five-month low.

Comment

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

"January PMI printed at 49.9. This pause was attributed to the COVID-19 pandemic. Output and employment slowed in the month. However, in contrast, new orders continued to grow. Purchasing prices in the month also continued to rise with the rise being attributed to the recent fuel price hike."

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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.

January data were collected 12-26 January 2022.

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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