

# Stanbic Bank Zambia PMI™

## Output decreases to greatest extent in four months

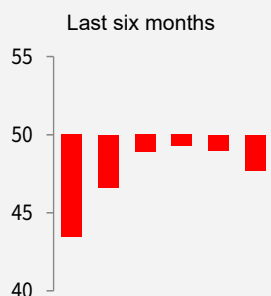
### Key findings

Declines in both activity and new orders quicken

Marked lengthening of suppliers' delivery times

Softest rise in input costs for six months

### Zambia PMI



Increased disruption caused by the coronavirus disease 2019 (COVID-19) pandemic during January meant that business conditions in the Zambian private sector deteriorated to a greater extent at the start of the year, having shown signs of stabilisation towards the end of 2020. Meanwhile, cost inflation remained relatively muted despite upwards pressure from ongoing currency weakness.

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 47.7 in January, down from 49.0 in December and signalling the most marked deterioration in business conditions in the private sector since last September.

Reductions in both output and new orders gathered pace at the start of 2021, in both cases mainly linked by respondents to the COVID-19 pandemic. The fall in activity was the fastest since last September, and extended the current sequence of decline to 23 months.

The accelerated rates of reduction in January followed moves towards stabilisation in the latter months of 2020. Softer falls in new orders had begun to reduce excess capacity, and resulted in a first rise in backlogs of

work since March 2020. That said, the accumulation was only marginal.

Companies continued to lower their staffing levels, partly due to difficulties finding the funds to pay workers. Employment fell at the slowest pace in three months, however.

Further weakness of the Zambian kwacha led to another monthly increase in purchase costs, albeit the softest since last August amid a lack of demand for inputs - purchasing activity decreased for the sixteenth month running. Meanwhile, staff costs decreased, but at the softest pace in three months.

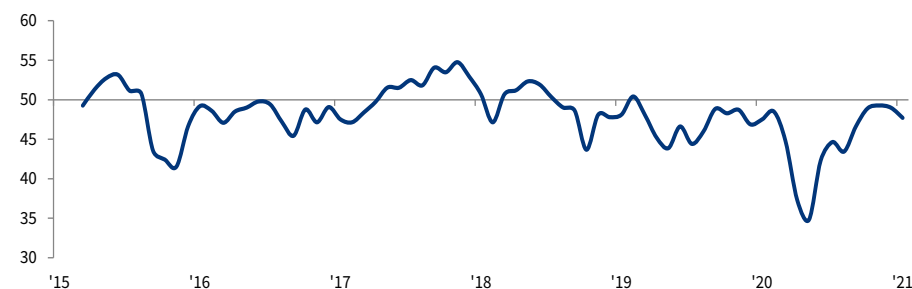
Companies responded to higher purchase costs by raising their output prices. Moreover, the rate of charge inflation quickened at the start of 2021.

Suppliers' delivery times lengthened markedly, and to the greatest extent since last September. COVID-19 travel restrictions contributed to delivery delays, with a number of panellists reporting longer lead times for imported items. Issues securing inputs, as well as falling customer demand, led to a reduction in inventories.

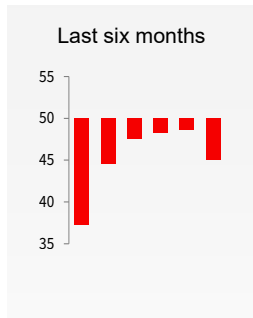
Business confidence remained relatively muted despite ticking up from that seen in December. While those companies predicting a rise in output over the coming year linked this to hopes of a reduced impact from the COVID-19 pandemic, others remained concerned about the ongoing effects of the virus.

### PMI

sa, >50 = improvement since previous month



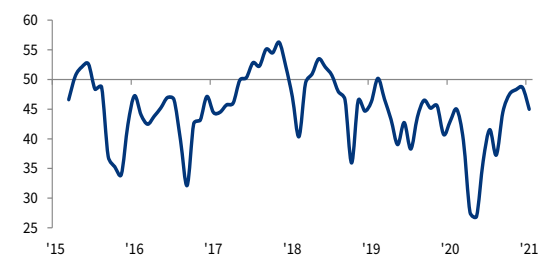
## Output Index



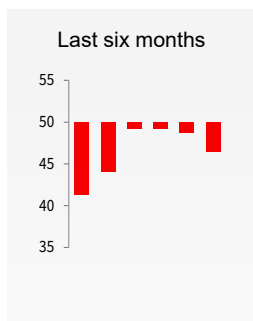
After having neared stabilisation towards the end of 2020, business activity in the Zambian private sector decreased at a sharper pace during January. The fall in output was the fastest since last September. The COVID-19 pandemic and associated restrictions were the key factors behind the fall in activity, with currency weakness exacerbating difficulties for companies.

Output Index

sa, >50 = growth since previous month



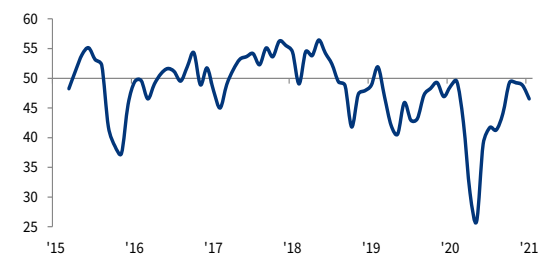
## New Orders Index



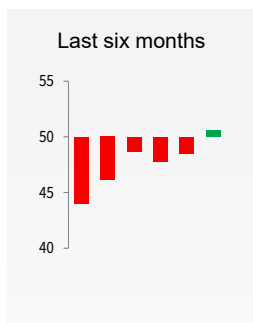
As has been the case in each of the past 23 months, new orders declined at the start of 2021. The latest fall was solid and the sharpest in four months. There were widespread reports of declining customer demand, in turn often linked to the effects of the COVID-19 pandemic.

New Orders Index

sa, >50 = growth since previous month



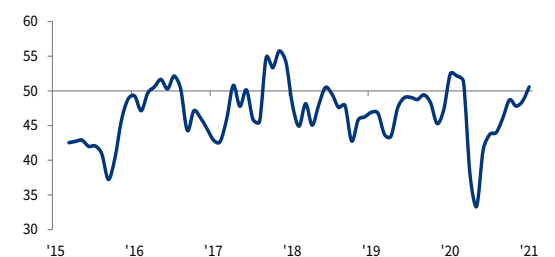
## Backlogs of Work Index



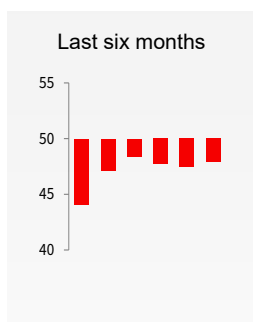
Backlogs of work increased in January, thereby ending a nine-month sequence of falling outstanding business. Signs of improvement in new orders towards the end of 2020 contributed to the increase in backlogs, which was nonetheless only marginal as business inflows generally remained slow.

Backlogs of Work Index

sa, >50 = growth since previous month



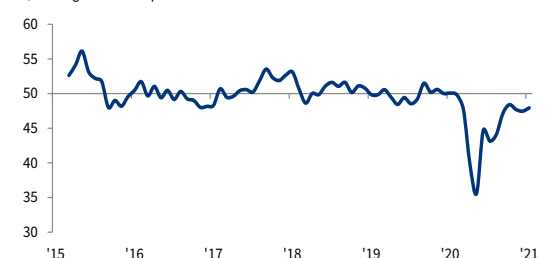
## Employment Index



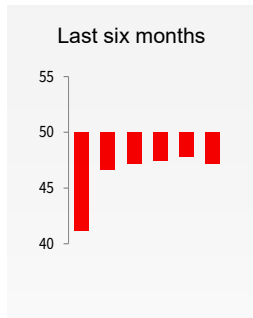
Companies in Zambia continued to lower their staffing levels during January, extending the current sequence of job cuts to 12 months. That said, the reduction was modest and the softest since last October. A lack of money to pay staff was reportedly behind the latest decrease in employment.

Employment Index

sa, >50 = growth since previous month



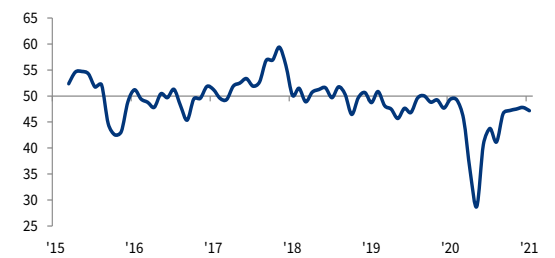
## Quantity of Purchases Index



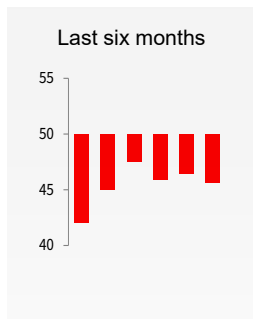
Falling customer demand and closures linked to the COVID-19 pandemic led to a further reduction in purchasing activity at the start of 2021. The pace of decline was solid and the fastest in three months. Input buying has decreased continuously since October 2019.

Quantity of Purchases Index

sa, >50 = growth since previous month



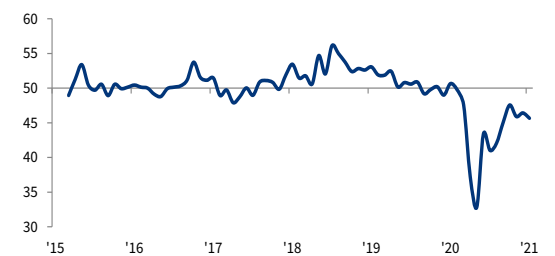
## Suppliers' Delivery Times Index



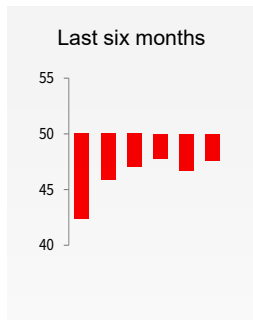
January data pointed to a marked lengthening of suppliers' delivery times, and one that was the most pronounced since last September. Restrictions on travel due to the COVID-19 pandemic caused delays in the receipt of purchased items. This was a particular issue with imported inputs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



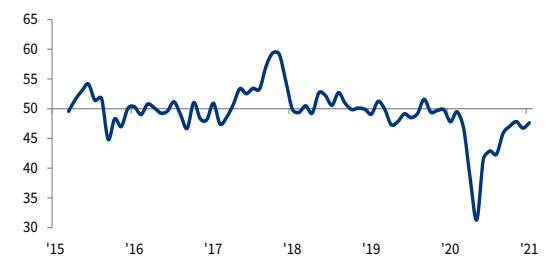
## Stocks of Purchases Index



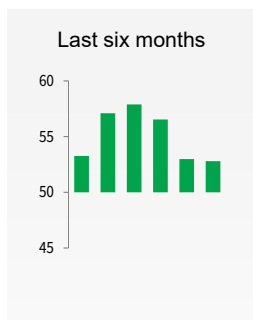
Lower customer demand led companies to reduce their stocks of purchases during January, while difficulties sourcing inputs was also a factor. Inventories decreased for the sixteenth successive month, although the pace of reduction was slightly slower than that seen at the end of 2020.

Stocks of Purchases Index

sa, >50 = growth since previous month



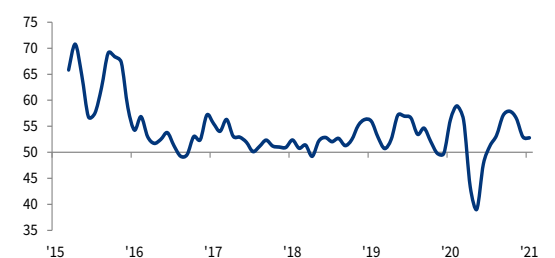
## Overall Input Prices Index



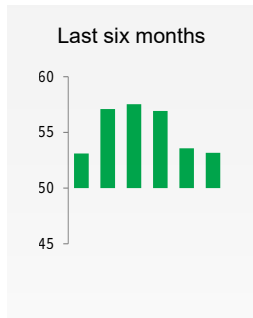
Cost inflationary pressures continued to wane at the start of the year. The rate of overall input cost inflation softened for the third month running and was the weakest since July 2020. Underlying data pointed to a slower increase in purchase prices, while staff costs continued to fall.

Overall Input Prices Index

sa, >50 = inflation since previous month



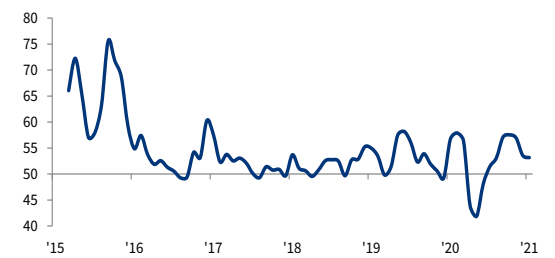
## Purchase Prices Index



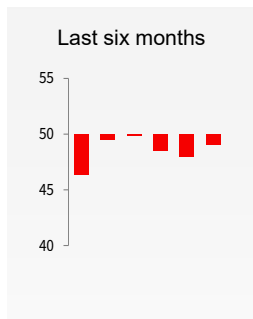
In line with the picture for overall input prices, the rate of purchase cost inflation softened further in January and was the weakest since August last year. Where purchase prices increased, this was overwhelmingly linked to weakness of the Zambian kwacha. Some respondents indicated that a lack of demand for inputs led to softer inflationary pressures.

Purchase Prices Index

sa, >50 = inflation since previous month



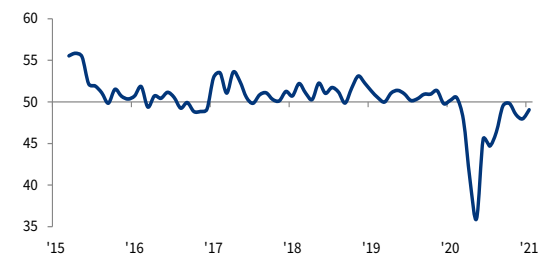
## Staff Costs Index



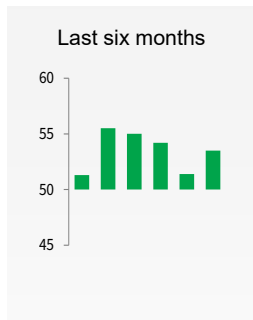
Zambian companies signalled a reduction in staff costs for the eleventh successive month at the start of 2021. That said, the pace of decline was only marginal and the slowest in three months. Highlighting the weakness of the latest fall, the vast majority of respondents (96%) registered no change in wages and salaries.

Staff Costs Index

sa, >50 = inflation since previous month



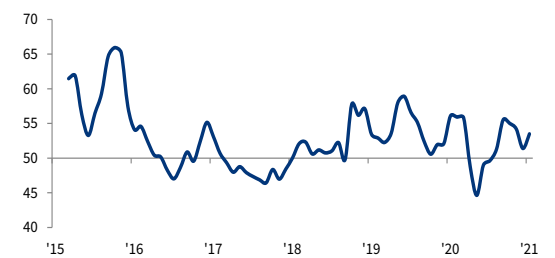
## Output Prices Index



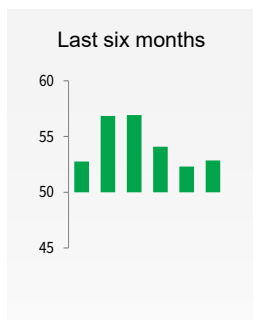
Selling prices increased in January as companies made efforts to pass on higher input costs to their customers. In contrast to the picture for input prices, the rate of charge inflation quickened from that seen in December and was solid. The rise in output prices was faster than the average since the series began in March 2015.

Output Prices Index

sa, >50 = inflation since previous month



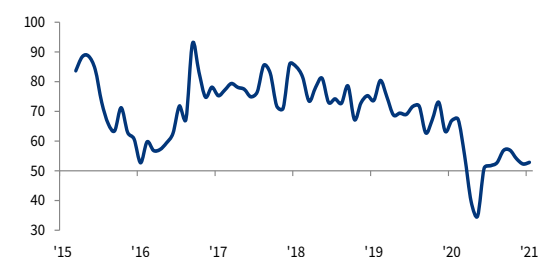
## Future Output Index



Although sentiment ticked up from the end of 2020 and was positive overall, the level of optimism was still well below the series average. Predictions for output over the coming year were generally governed by the expected path of the COVID-19 pandemic. Those firms that were optimistic about the future linked this to hopes of a reduction in the impact of COVID-19, whereas others remained concerned about the ongoing effects on demand conditions.

Future Output Index

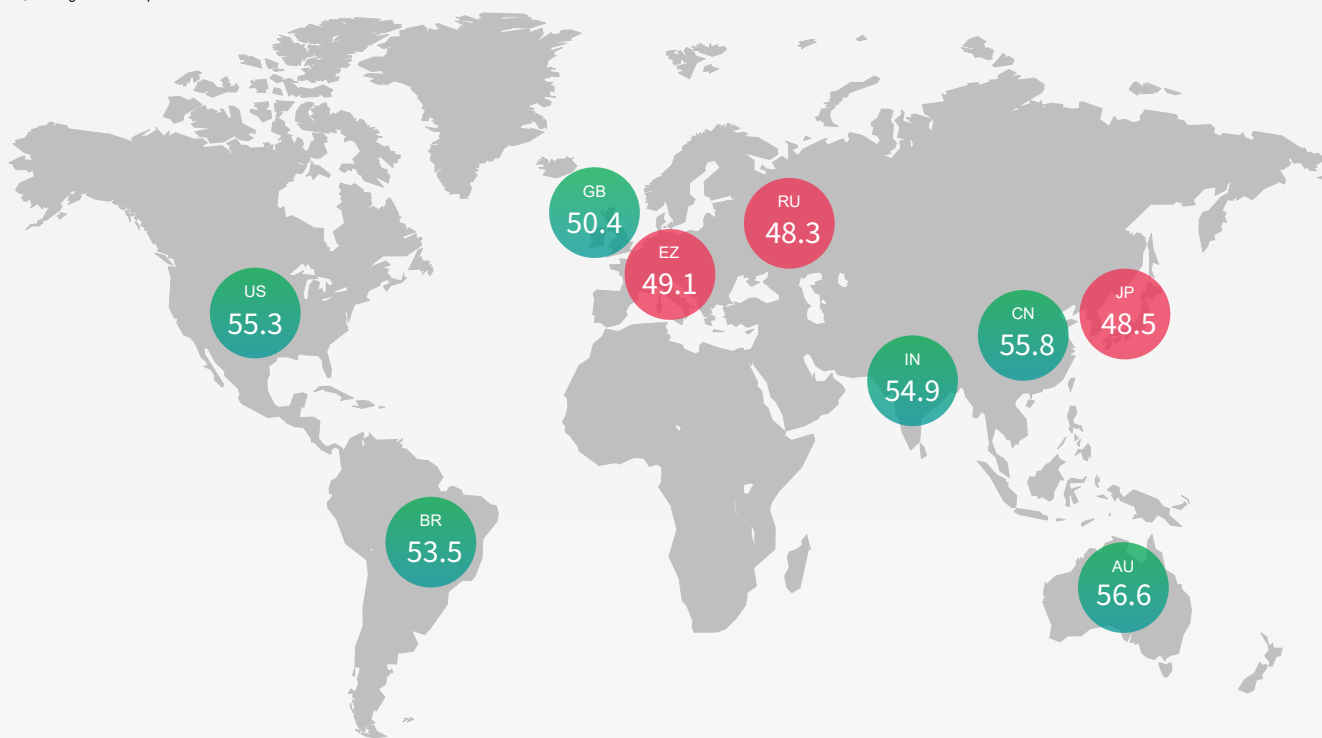
>50 = growth expected over next 12 months



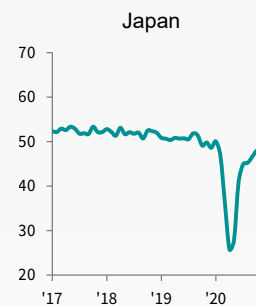
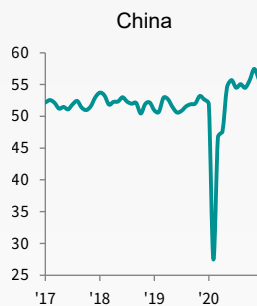
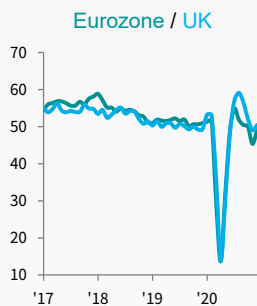
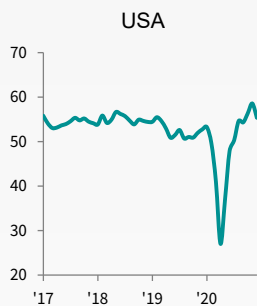
## International PMI

Composite Output Index, Dec '20  
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index  
sa, >50 = growth since previous month



## 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 12-25 January 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://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>

## About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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