

Stanbic Bank Zambia PMI™

New orders return to growth, but activity ticks down amid pause during election period

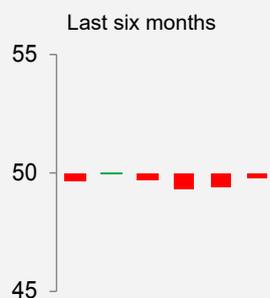
Key findings

First rise in new business in four months

Activity decreases, but at modest pace

Inflationary pressures ease

Zambia PMI



There were signs of encouragement for the Zambian private sector in August. New orders returned to growth, while firms expanded their workforce numbers for the third month running. Although output decreased, anecdotal evidence suggested that this was largely due to a pause in activity during the election period. Meanwhile, there were signs of waning inflationary pressures, with both input costs and selling prices rising at the slowest rates since the first quarter of the year.

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 ticked up to 49.8 in August from 49.4 in July and signalled broad stability in business conditions midway through the third quarter.

New business returned to growth, rising marginally for the first time in four months amid signs of an improvement in customer demand. In turn, some companies increased their business activity. That said, output continued to fall modestly overall as a number of respondents reported a pause in activity during the election period.

The drop in activity, staff shortages and supplier delays all contributed to a rise in backlogs of work, the third in as many

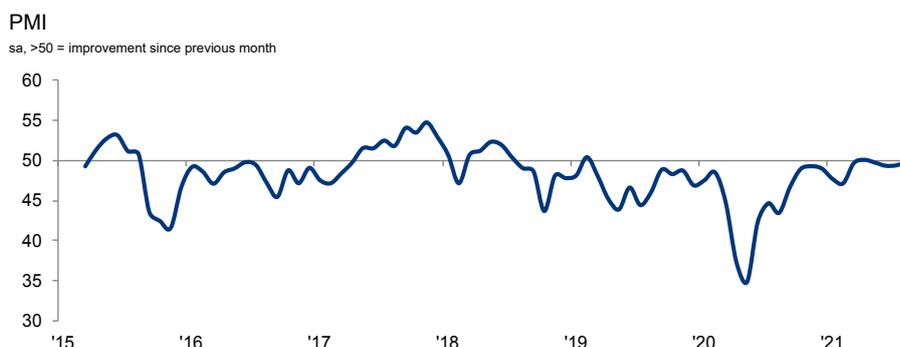
months. In response to higher workloads, firms continued to expand their staffing levels. Employment was up for a third successive month, and at a slightly faster pace than in July.

The rate of purchase cost inflation eased to a seven-month low. Although the Zambian kwacha has appreciated against the US dollar recently, it remained relatively weak and contributed to upwards price pressures, with raw material costs also rising. Alongside the trend in purchase prices, staff costs also increased at a softer pace.

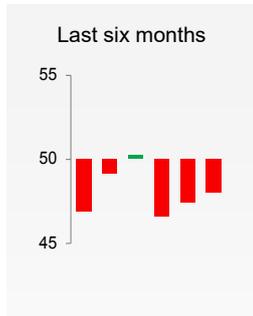
In turn, the rate of output price inflation slowed sharply. The latest increase in charges was the softest since February.

Marginal reductions in both input buying and stocks of purchases were recorded, with rates of decline easing in both cases. Meanwhile, suppliers' delivery times lengthened for the first time in four months. Respondents indicated that COVID-19 restrictions contributed to longer lead times.

Confidence in the year-ahead outlook for business activity strengthened, but remained much weaker than the series average. A number of companies expect business activity to pick up now that the election period has ended, while other firms based optimism on the recent appreciation of the kwacha. On the other hand, there were ongoing reports that the future path for business activity remains uncertain.



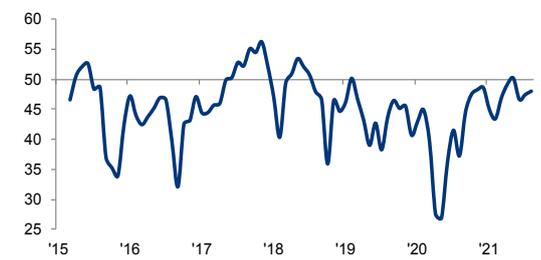
Output Index



Although business activity decreased for a third successive month in August, the rate of decline softened and was the weakest in the current sequence of contraction. A number of respondents indicated that the election period had resulted in lower activity. On the other hand, some companies expanded activity in response to improving new order inflows. The agriculture and service sectors posted rises in activity, but reductions were seen in construction, manufacturing and wholesale & retail.

Output Index

sa, >50 = growth since previous month



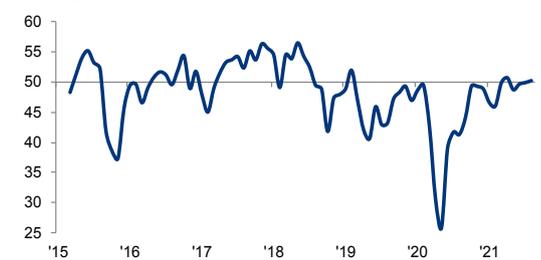
New Orders Index



New orders returned to growth in August, thereby ending a three-month sequence of decline. That said, the rate of expansion was only marginal. Those respondents that secured greater volumes of new orders linked this to improvements in customer demand.

New Orders Index

sa, >50 = growth since previous month



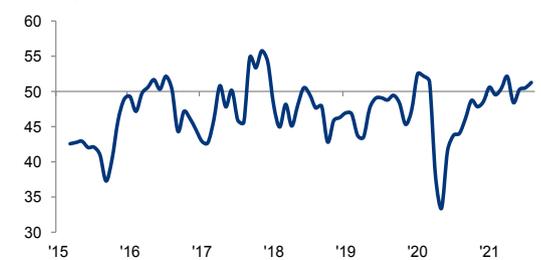
Backlogs of Work Index



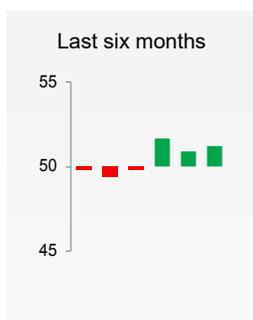
Backlogs of work increased for the third successive month, with the rate of accumulation gathering strength during August. Respondents noted a number of hindrances to the completion of projects, including staff shortages, supplier delays and reduced activity during the election period.

Backlogs of Work Index

sa, >50 = growth since previous month



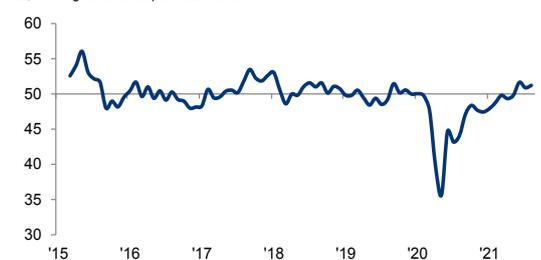
Employment Index



Zambian companies continued to expand their staffing levels in August, extending the current sequence of job creation to three months. The pace of growth was modest, but quickened slightly from July. Where employment rose, panellists generally linked this to higher workloads. Four of the five monitored sectors posted increases in staffing levels, the exception being construction.

Employment Index

sa, >50 = growth since previous month



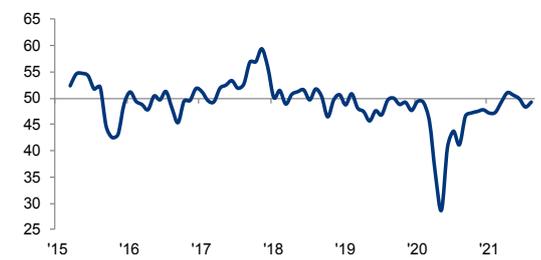
Quantity of Purchases Index



With new business having been subdued in recent months, Zambian companies indicated that they had sufficient inputs and therefore reduced their purchasing activity midway through the third quarter. Input buying was down marginally, with the vast majority of respondents (87%) leaving purchase volumes unchanged in August.

Quantity of Purchases Index

sa, >50 = growth since previous month



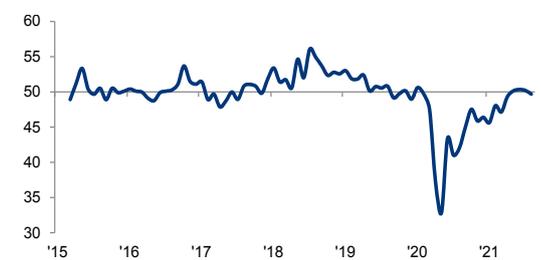
Suppliers' Delivery Times Index



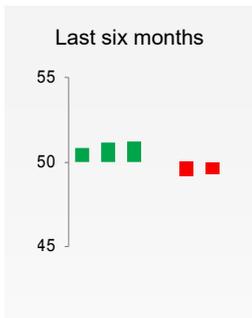
August data pointed to a lengthening of suppliers' delivery times for the first time in four months, although the deterioration in vendor performance was only fractional. Where lead times did lengthen, panellists reported that this was because of COVID-19 restrictions.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



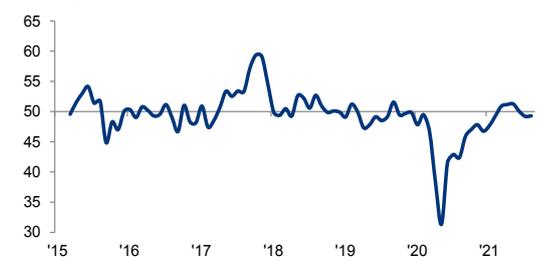
Stocks of Purchases Index



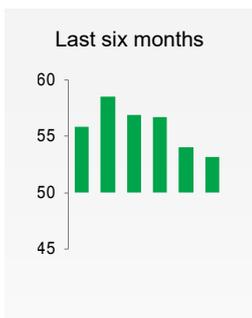
In line with the picture for input buying, stocks of purchases decreased in the Zambian private sector during August. The reduction was the second in as many months, and the modest pace of depletion was broadly in line with that seen in July.

Stocks of Purchases Index

sa, >50 = growth since previous month



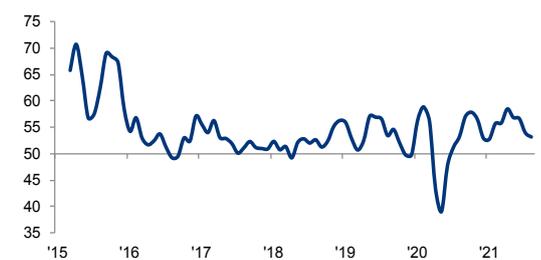
Overall Input Prices Index



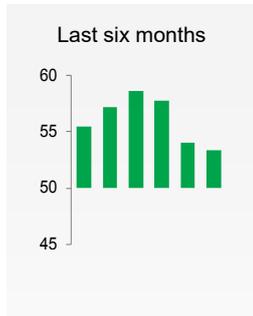
The rate of overall input price inflation continued to ease in August, softening for the fourth successive month to the weakest since January. All five monitored sectors recorded increases in overall input costs, with rates of inflation easing in the construction and manufacturing categories.

Overall Input Prices Index

sa, >50 = inflation since previous month



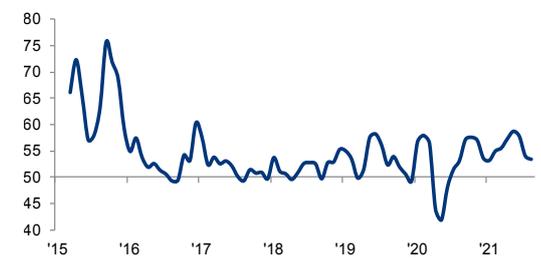
Purchase Prices Index



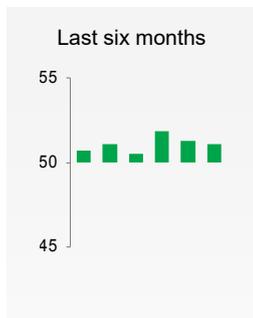
As has been the case in each of the past 14 months, purchase prices rose during August. That said, the rate of inflation slowed for the third consecutive month and was the weakest since January. Where purchase costs increased, panellists linked this to higher raw material prices and exchange rate weakness despite a recent appreciation in the kwacha against the US dollar.

Purchase Prices Index

sa, >50 = inflation since previous month



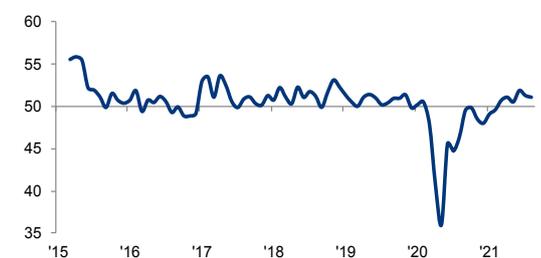
Staff Costs Index



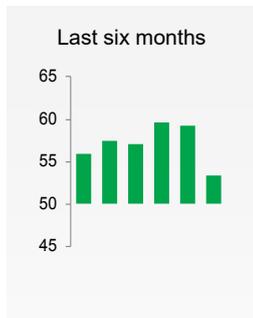
Zambian companies recorded a rise in staff costs for the sixth month running in August, reflecting a combination of higher employment and efforts to help staff with increasing living costs. The pace at which wages and salaries rose remained modest, and softened slightly to a three-month low.

Staff Costs Index

sa, >50 = inflation since previous month



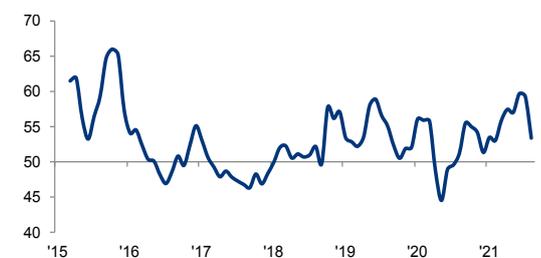
Output Prices Index



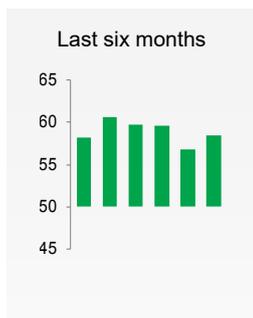
The pace at which Zambian companies raised their own selling prices slowed sharply during August and was the weakest since February. That said, the rate of inflation was broadly in line with the series average. Charges rose in four of the five broad sectors covered by the survey, the exception being construction.

Output Prices Index

sa, >50 = inflation since previous month



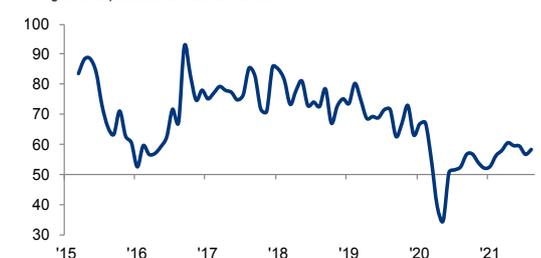
Future Output Index



Business confidence ticked up in August, but remained relatively muted. Some firms expect activity to pick up now that the election period has finished, while others were encouraged by the recent appreciation in the Zambian kwacha against the US dollar. A number of companies, however, highlighted the still unpredictable nature of the outlook.

Future Output Index

>50 = growth expected over next 12 months



Index summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

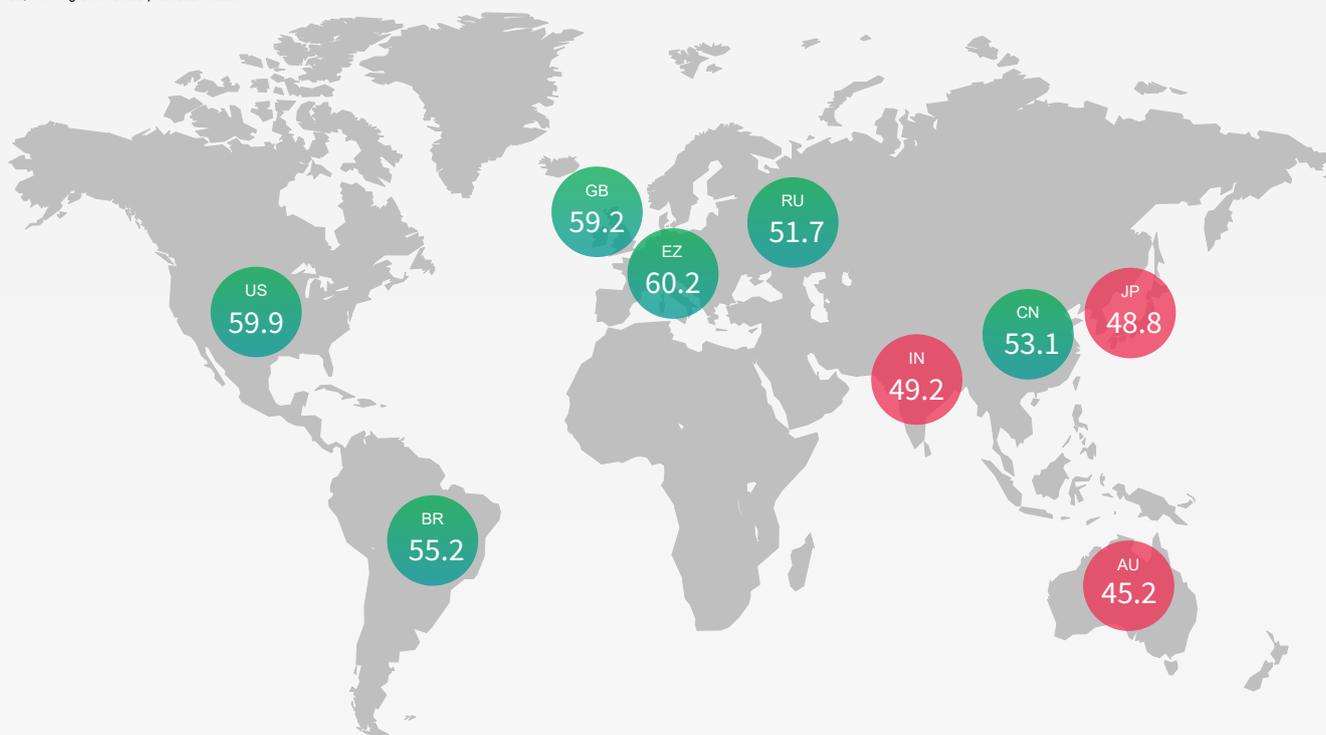
	PMI	Output	New Orders	Backlogs of Work	Employment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Purchase Prices	Staff Costs	Output Prices	Future Output*
03 '21	49.7	46.9	49.8	50.4	49.8	49.3	47.2	50.9	55.9	55.5	50.7	55.9	58.2
04 '21	50.1	49.2	50.7	52.1	49.4	51.1	49.3	51.1	58.5	57.2	51.1	57.4	60.7
05 '21	49.7	50.2	48.7	48.4	49.8	50.6	50.2	51.2	56.9	58.7	50.5	57.0	59.7
06 '21	49.3	46.7	49.6	50.2	51.7	49.9	50.4	50.0	56.7	57.7	51.9	59.7	59.6
07 '21	49.4	47.5	49.9	50.5	50.9	48.3	50.3	49.2	54.0	54.0	51.3	59.3	56.9
08 '21	49.8	48.0	50.2	51.3	51.3	49.3	49.7	49.3	53.2	53.4	51.1	53.4	58.5

International PMI

Composite Output Index, Jul '21

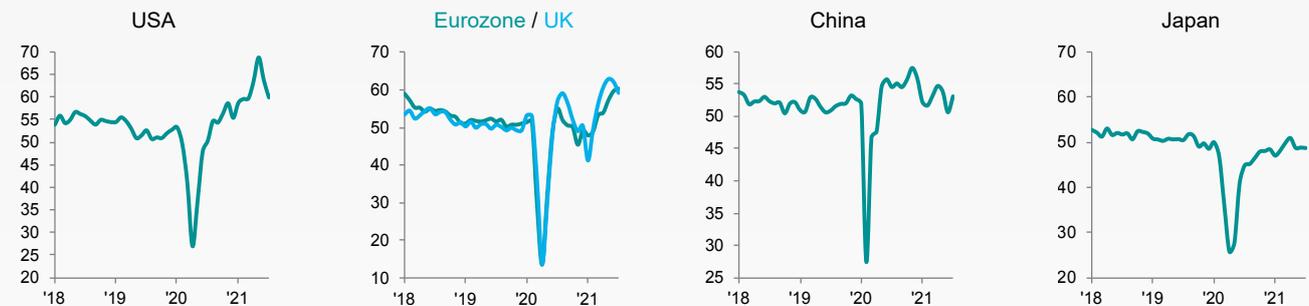
sa, >50 = growth since previous month

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.

August data were collected 12-24 August 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>

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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