



Stanbic Bank Zambia PMI™

Business conditions stable in August

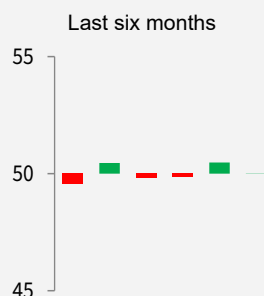
Key findings

Output and new orders tick down

Job creation continues

Inflationary pressures soften

Zambia PMI



Business conditions were unchanged in the Zambian private sector during August. Output and new orders ticked lower, but employment continued to rise. Companies were helped by softer inflationary pressures, with rates of increases in both input costs and output prices easing.

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.

At 50.0 in August, the headline PMI signalled no change in operating conditions for Zambian companies midway through the third quarter of the year. This followed a marginal improvement in July, when the index posted 50.5.

New orders were down fractionally in August, after having risen slightly in July. Low customer numbers and money shortages reportedly weighed on new business, but some firms reported that softer inflationary pressures had enabled them to secure new orders.

Weaker customer numbers also impacted business activity, which decreased slightly. Again, this represented a turnaround from July when output had risen marginally. Activity decreased in agriculture, manufacturing and services, but increased in construction and wholesale & retail.

On a more positive note, companies continued to expand their employment and purchasing activity in August, reflecting recent demand improvements and efforts to keep on top of workloads. Despite this, backlogs of work increased for the eighth month running.

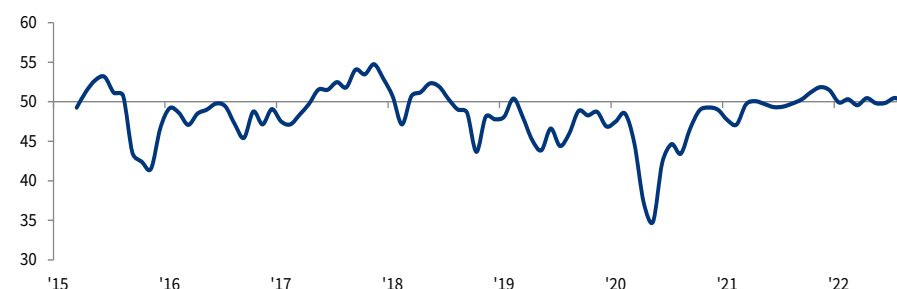
In line with higher input buying, firms recorded an increase in inventories. Meanwhile, suppliers' delivery times lengthened for the second month running, mainly due to shipping delays.

Rates of inflation softened in August, with purchase prices, staff costs and output charges all increasing at weaker rates during the month. The rise in purchase costs was the slowest since January, with favourable exchange rate movements reportedly helping to limit costs. Where purchase prices rose, this was mainly linked to higher fuel and transportation costs.

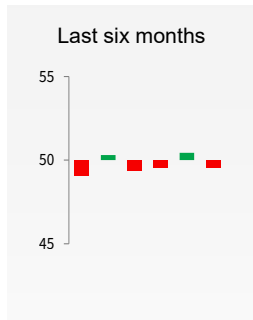
Some firms took advantage of softer cost inflation to lower their selling prices in order to stimulate demand. As a result, charges increased at the weakest pace in the current seven-month sequence of inflation. Construction and wholesale & retail posted reductions in selling prices.

A more favourable exchange rate and hopes of an improvement in economic conditions supported optimism that output will increase over the coming year. Sentiment improved, but was still below the series average.

PMI
sa, >50 = improvement since previous month



Output Index

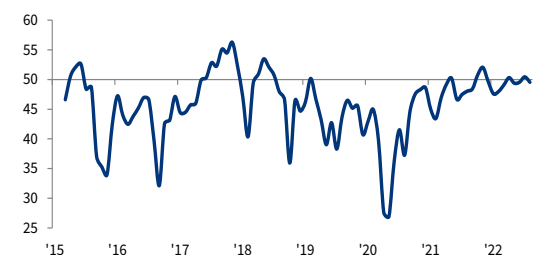


August data pointed to a slight reduction in business activity in Zambia, following a modest increase in July. Output has now fallen in three of the past four months. Where activity decreased, panellists mentioned low customer numbers. On the other hand, some respondents continued to see new orders rise, leading them to expand output.

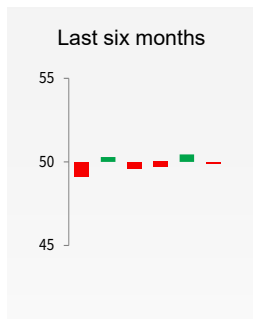
Activity fell in agriculture, manufacturing and services, but rose in construction and wholesale & retail.

Output Index

sa, >50 = growth since previous month



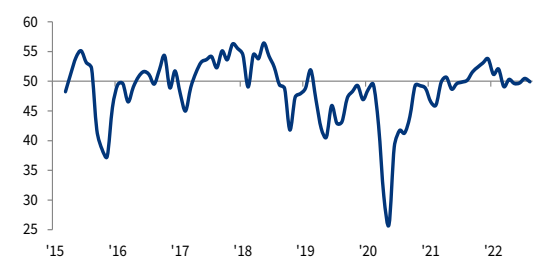
New Orders Index



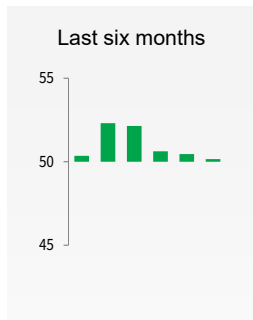
New business decreased fractionally during August, after having risen marginally in the previous month. Some companies saw demand improve, helped by more muted price pressures, but others pointed to low customer numbers and money shortages.

New Orders Index

sa, >50 = growth since previous month



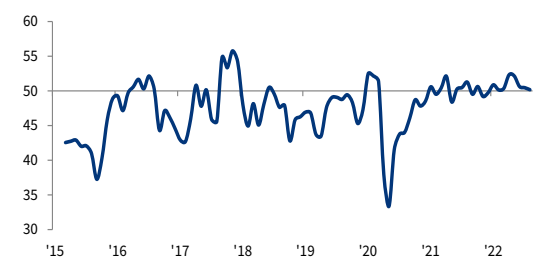
Backlogs of Work Index



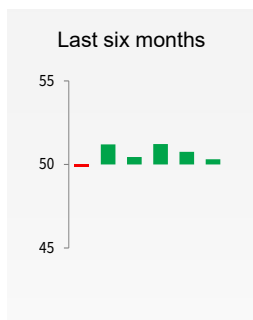
As has been the case in each of the past eight months, companies in Zambia recorded a rise in backlogs of work during August. Anecdotal evidence suggested that recent new order growth, material delivery delays and a lack of machinery had contributed to the latest increase. That said, the rate of accumulation was only marginal and the weakest since February.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



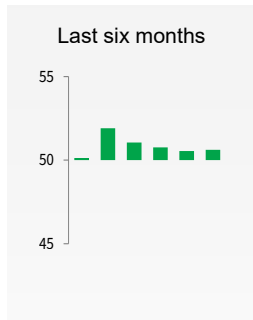
The need to keep on top of orders resulted in a further increase in staffing levels during August, thereby extending the current sequence of job creation to five months. The pace of increase softened, however, and was the weakest in this period. Manufacturing, construction, wholesale & retail and services all posted rises in employment.

Employment Index

sa, >50 = growth since previous month



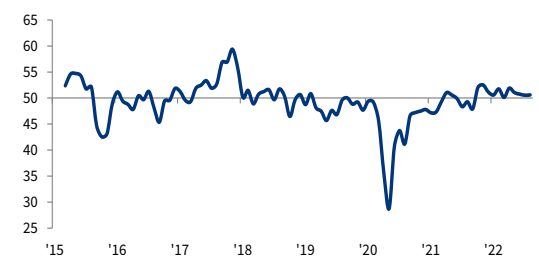
Quantity of Purchases Index



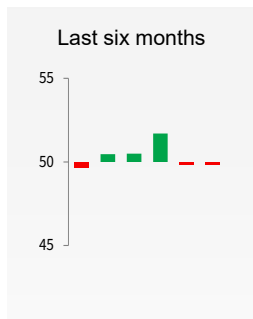
Recent improvements in demand encouraged companies in Zambia to increase their purchasing activity in August. As a result, input buying rose for the eleventh successive month and at a broadly similar pace to that seen in July.

Quantity of Purchases Index

sa, >50 = growth since previous month



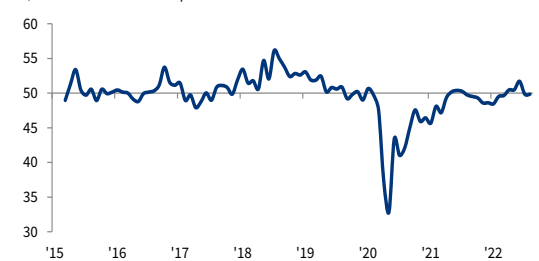
Suppliers' Delivery Times Index



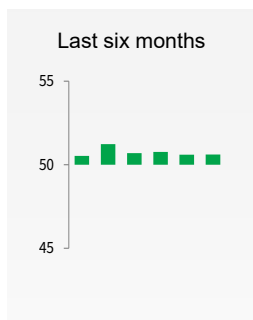
August data pointed to a second consecutive slight lengthening of suppliers' delivery times, with the deterioration in vendor performance unchanged from the previous month. According to respondents, shipping delays was the primary factor leading to longer delivery times.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



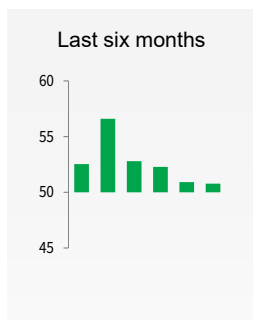
Increased purchasing activity fed through to a rise in inventories in August as companies made efforts to ensure that they had sufficient holdings of inputs to meet customer demand. Stocks of purchases were accumulated for the eleventh consecutive month, albeit modestly.

Stocks of Purchases Index

sa, >50 = growth since previous month



Overall Input Prices Index



There were further signs of the rate of overall input price inflation easing in August, with the pace of increase softening for the fourth month running. Overall input costs rose only marginally, at the slowest pace since January and less quickly than on average during the series so far.

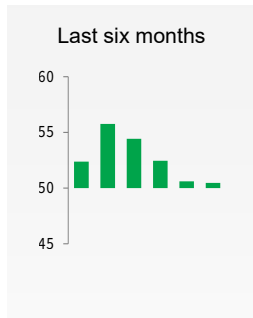
Inflationary pressures were most pronounced in the agriculture sector, while wholesale & retail firms saw broadly stable input costs.

Overall Input Prices Index

sa, >50 = inflation since previous month



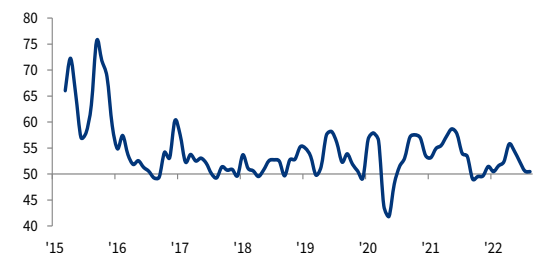
Purchase Prices Index



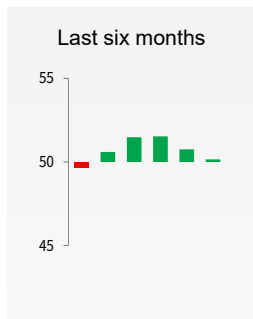
Purchase prices increased for the ninth month running in August, but at the joint-lowest pace in this sequence as the rate of inflation eased for the fourth successive month. Higher fuel prices and rising transportation costs were mentioned by panellists, but favourable exchange rate movements reportedly helped to limit the pace of inflation.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



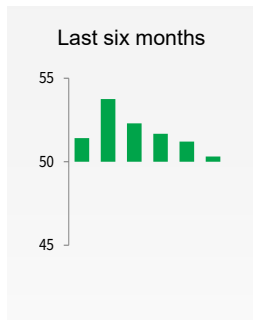
August data pointed to only a fractional increase in staff costs across the Zambian private sector, with the rate of inflation the softest in the current five-month sequence of rising wages. Staff costs increased in the manufacturing, wholesale & retail and services sectors, were unchanged in agriculture and decreased in construction.

Staff Costs Index

sa, >50 = inflation since previous month



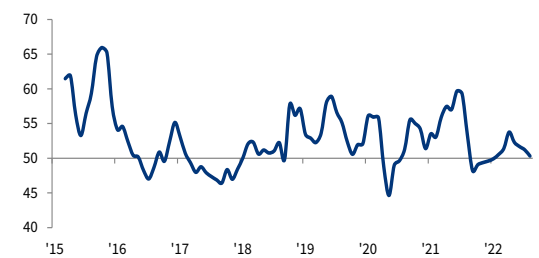
Output Prices Index



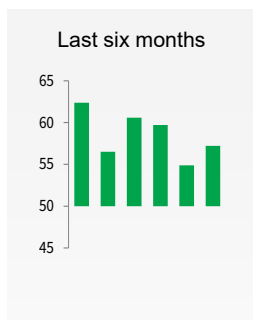
In line with the picture for input costs, the rate of output price inflation softened during August. Charges were up only slightly, and to the least extent in seven months of rising selling prices. While some companies increased charges in response to higher input costs, others reported that softer cost inflation had enabled them to lower output prices in order to stimulate demand.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index



Optimism regarding the year-ahead outlook for business activity strengthened in August, but remained below the series average. Those respondents that expect activity to rise over the coming year mentioned hopes of an improvement in economic conditions. Some firms indicated that a more favourable exchange rate would help to support output.

Future Output Index

>50 = growth expected over next 12 months

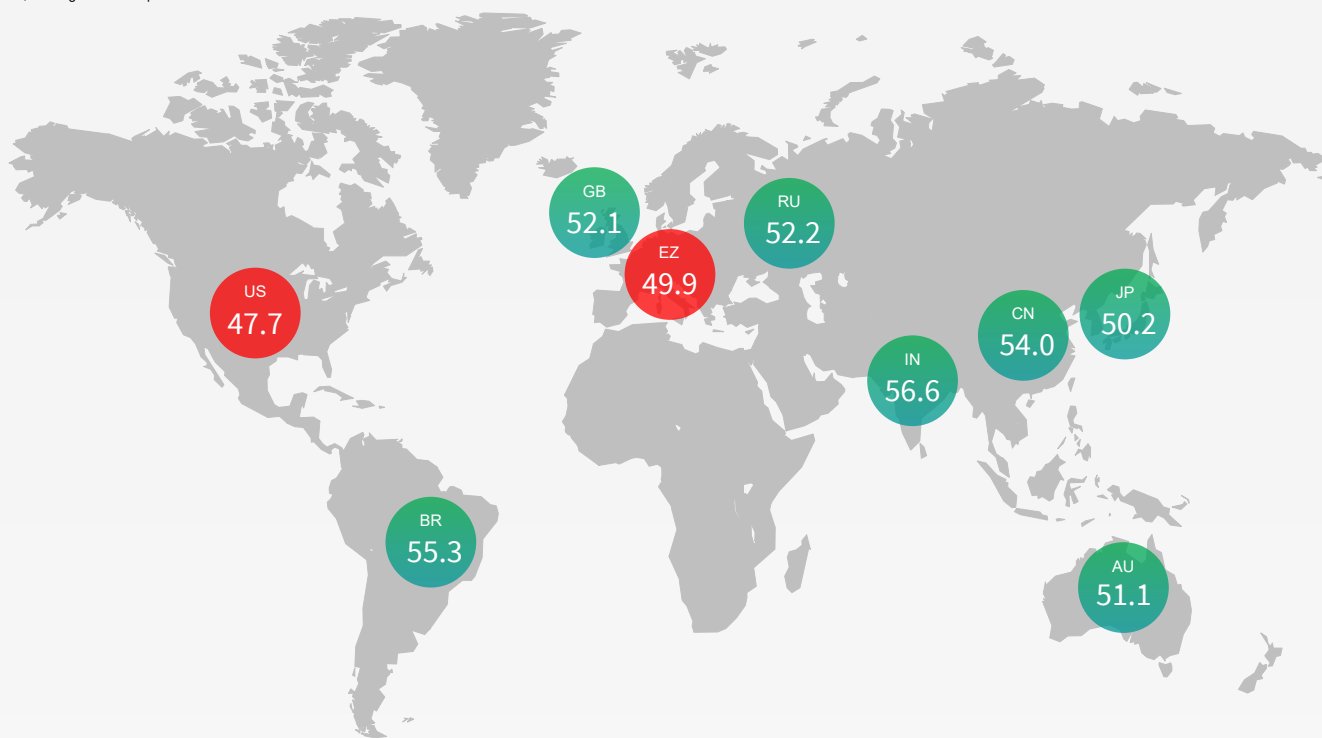


International PMI

Composite Output Index, Jul '22

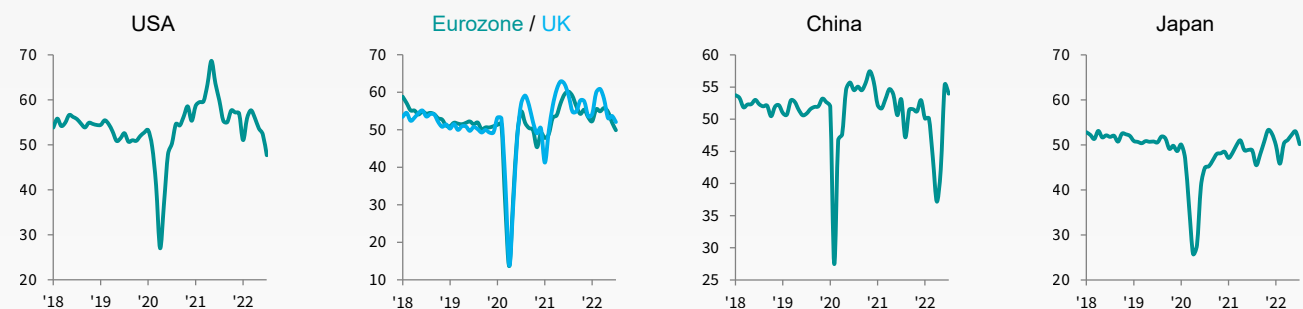
sa, >50 = growth since previous month

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 S&P Global 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 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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PMI™

by **S&P Global**

About Stanbic Bank

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 S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.