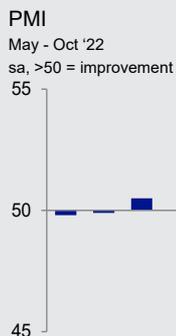


# Stanbic Bank Zambia PMI™

## Renewed decrease in business activity

# 49.0

ZAMBIA PMI  
OCT '22



Output and new orders decline

Selling prices lowered for second month running

Business confidence highest in year-to-date

October data pointed to a renewed deterioration in business conditions in the Zambian private sector as money shortages impacted negatively on new orders and output. Employment continued to rise, however, helping firms to deplete backlogs of work, while business confidence was the strongest in the year-to-date.

Meanwhile, overall input costs increased slightly, but firms lowered their own charges in a bid to remain competitive and attract new business.

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 49.0 in October, down from 50.5 in September, the headline PMI signalled a slight deterioration in business conditions in the Zambian private sector. The decline was the first in four

months, and although only slight, the most pronounced since February 2021.

A solid reduction in business activity was one of the main factors impacting negatively on overall operating conditions at the start of the fourth quarter. Output was down following a rise in September, with the rate of contraction the sharpest in 16 months.

Firms that saw a decrease in output often linked this to money shortages and the effect this had on new orders, which also decreased during October following a rise in the previous survey period.

Despite the drop in new orders, efforts to keep on top of projects meant that companies raised their staffing levels for the seventh month running, although the rate of job creation was the joint-slowest in this sequence. The increase in employment, combined with a drop in new orders, led firms to deplete their backlogs of work for the first time in ten months.

Stanbic Bank Zambia PMI  
sa, >50 = improvement since previous month



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Companies did scale back their purchasing activity, however, ending a 12-month sequence of growth. In turn, inventories also decreased. Suppliers' delivery times lengthened again, and to the greatest extent since January.

Overall input prices increased slightly following a fall in the previous survey period, with rises seen in the wholesale & retail, services and construction sectors. Underlying data suggested that the increase in overall input prices reflected higher staff costs as purchase prices continued to fall amid favourable exchange rates.

Meanwhile, output prices decreased

for the second successive month amid efforts to price competitively and attract customers. Some firms indicated that exchange rate stability had enhanced their ability to keep charges lower.

Although companies saw business activity and new orders decrease in October, their predictions for the future path of output were more positive. In fact, sentiment strengthened to the highest in 2022 so far. Currency stability and expected improvements in economic conditions supported confidence in the year-ahead outlook for business activity.

## Comment

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

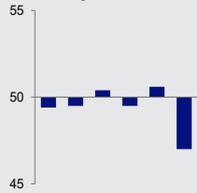
*"Business conditions deteriorated in October mainly due to a significant reduction in business activity which resulted in output falling compared to the previous month."*



## Output and demand

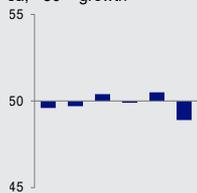
### Output Index

May - Oct '22  
sa, >50 = growth



### New Orders Index

May - Oct '22  
sa, >50 = growth



### Output

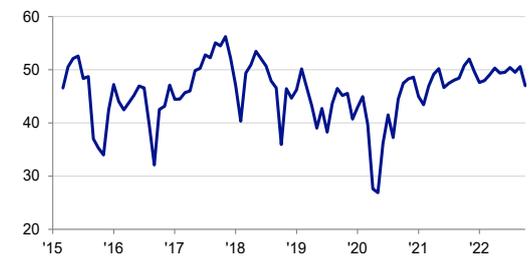
Zambian companies recorded a fall in output during October, after posting a rise in activity in September. Moreover, the rate of decline was solid and the fastest since June 2021. A number of respondents mentioned that a lack of money in circulation in the economy had led to a drop in new orders and subsequent reduction in output. Of the five broad sectors covered by the survey, only agriculture posted a rise in activity.

### New orders

Financing issues at customers caused a renewed decrease in new orders at the start of the final quarter of the year, with new business down for the second time in the past three months. That said, the reduction was only slight. New orders rose in the construction sector but decreased elsewhere.

### Output Index

sa, >50 = growth since previous month



### New Orders Index

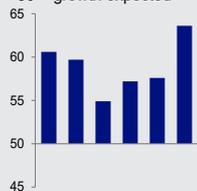
sa, >50 = growth since previous month



## Business expectations

### Future Output Index

May - Oct '22  
>50 = growth expected



Despite reductions in output and new orders in October, companies were more optimistic in the year ahead outlook. In fact, sentiment improved to the strongest in the year-to-date. Respondents often linked optimism to currency stability and expectations of an improvement in economic conditions. More than 28% of respondents predicted a rise in output in 12 months' time, against just 1% that were pessimistic.

### Future Output Index

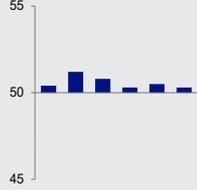
>50 = growth expected over next 12 months



# Employment and capacity

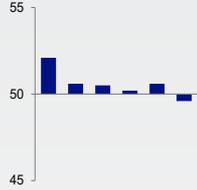
## Employment Index

May - Oct '22  
sa, >50 = growth



## Backlogs of Work Index

May - Oct '22  
sa, >50 = growth



## Employment

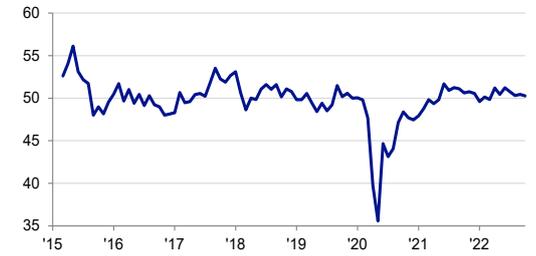
Zambian companies continued to expand their workforce numbers in October, thereby extending the current sequence of job creation to seven months. The latest increase was only marginal, however, and the joint-softest in the current sequence. Some panellists reported taking on extra staff in order to keep on top of projects, but others laid off workers due to a reduction in new orders.

## Backlogs of work

A combination of rising employment and lower new order volumes meant that firms were able to reduce backlogs of work during October, the first time this has been the case since December last year. That said, the pace of reduction was only slight as some firms noted pressure on capacity.

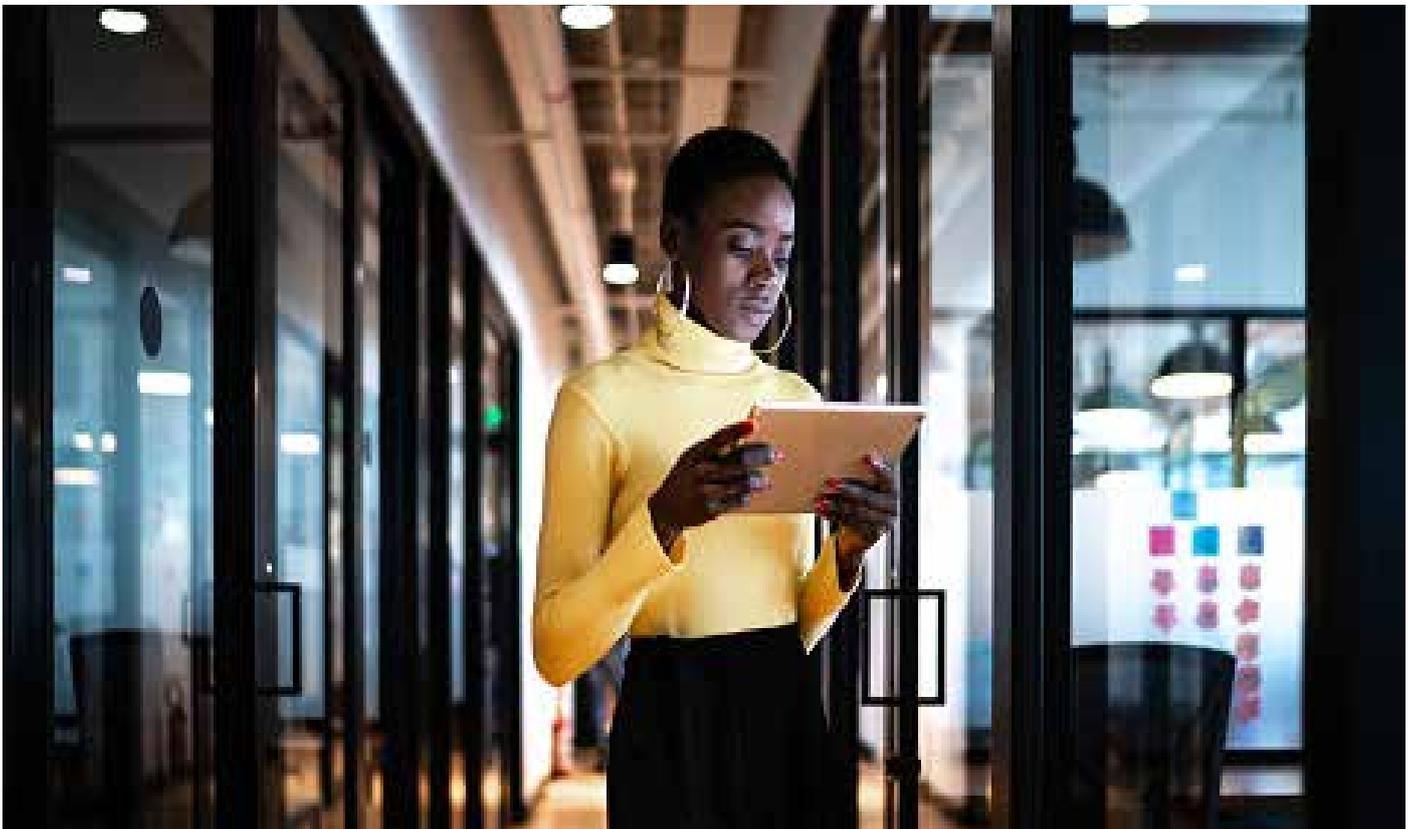
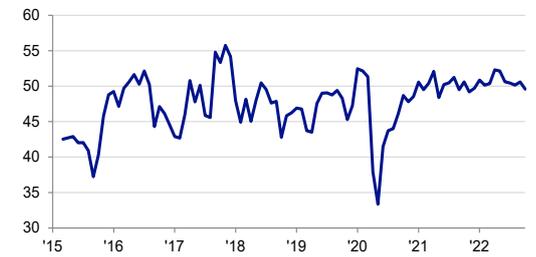
## Employment Index

sa, >50 = growth since previous month



## Backlogs of Work Index

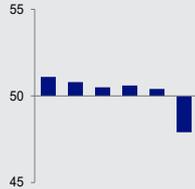
sa, >50 = growth since previous month



# Purchasing and inventories

## Quantity of Purchases Index

May - Oct '22  
sa, >50 = growth

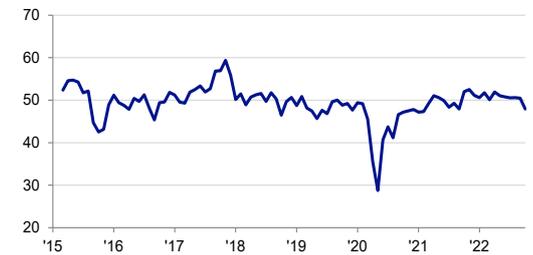


## Quantity of purchases

Purchasing activity decreased in October, thereby ending a 12-month sequence of expansion. The modest reduction was the joint-fastest since February 2021. Respondents indicated that lower new orders and high prices both contributed to the decrease in input buying.

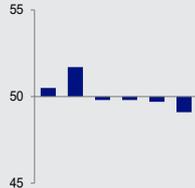
## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

May - Oct '22  
sa, >50 = faster times



## Suppliers' delivery times

As has been the case in each of the past four months, suppliers' delivery times lengthened in October. The deterioration in vendor performance was slight, but the most pronounced since January. Payment delays, transportation issues and material shortages were all mentioned as factors behind the latest lengthening of lead times.

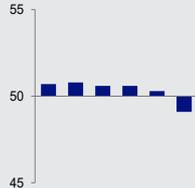
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index

May - Oct '22  
sa, >50 = growth



## Stocks of purchases

A reduction in purchasing activity fed through to a drop in inventories at the start of the fourth quarter, the first in just over a year. That said, the rate of depletion was only slight. Manufacturers bucked the wider trend and posted a rise in stocks of purchases.

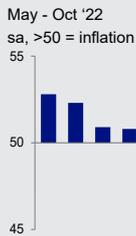
## Stocks of Purchases Index

sa, >50 = growth since previous month



# Prices

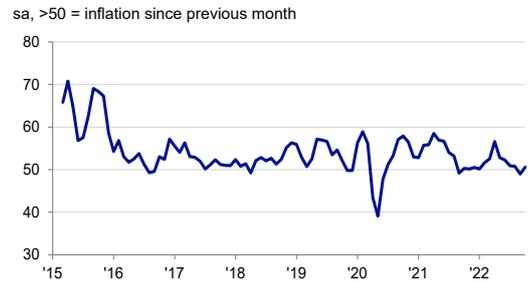
## Input Prices Index



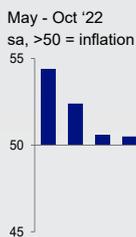
## Input prices

Overall input costs ticked higher in October following a first fall in 12 months in the previous survey period. The rate of inflation was softer than the series average, however. Overall input prices increased in the wholesale & retail, services and construction sectors, but decreased in agriculture and manufacturing.

## Input Prices Index



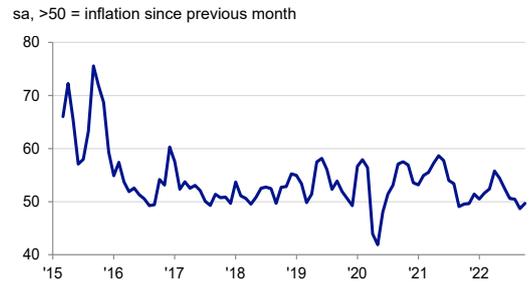
## Purchase Prices Index



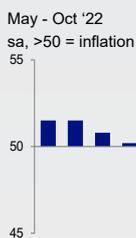
## Purchase prices

Zambian companies reported that purchase costs decreased for the second successive month during October, albeit with the rate of decline softening from that seen in September. According to respondents, relatively favourable exchange rates helped to keep purchase prices down, although there were some reports of suppliers raising their charges.

## Purchase Prices Index



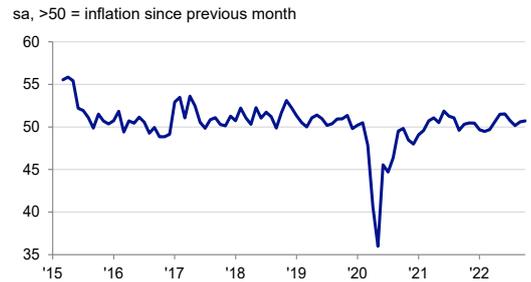
## Staff Costs Index



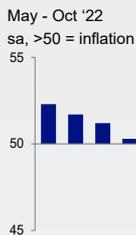
## Staff costs

October data pointed to a further increase in staff costs in the Zambian private sector, the seventh in as many months. The modest rise was broadly in line with that seen in September. A number of firms reported having raised wages in order to motivate staff. Employee expenses increased in the services and construction sectors, decreased in agriculture and manufacturing, and were unchanged in wholesale & retail.

## Staff Costs Index



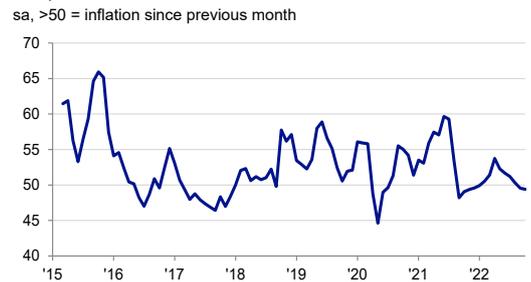
## Output Prices Index



## Output prices

Output prices decreased slightly for the second consecutive month in October, with the rate of decline quickening to the fastest since last November. Companies lowered charges as part of efforts to remain competitive and attract customers. Some firms reported that stable exchange rates had helped them to lower output prices.

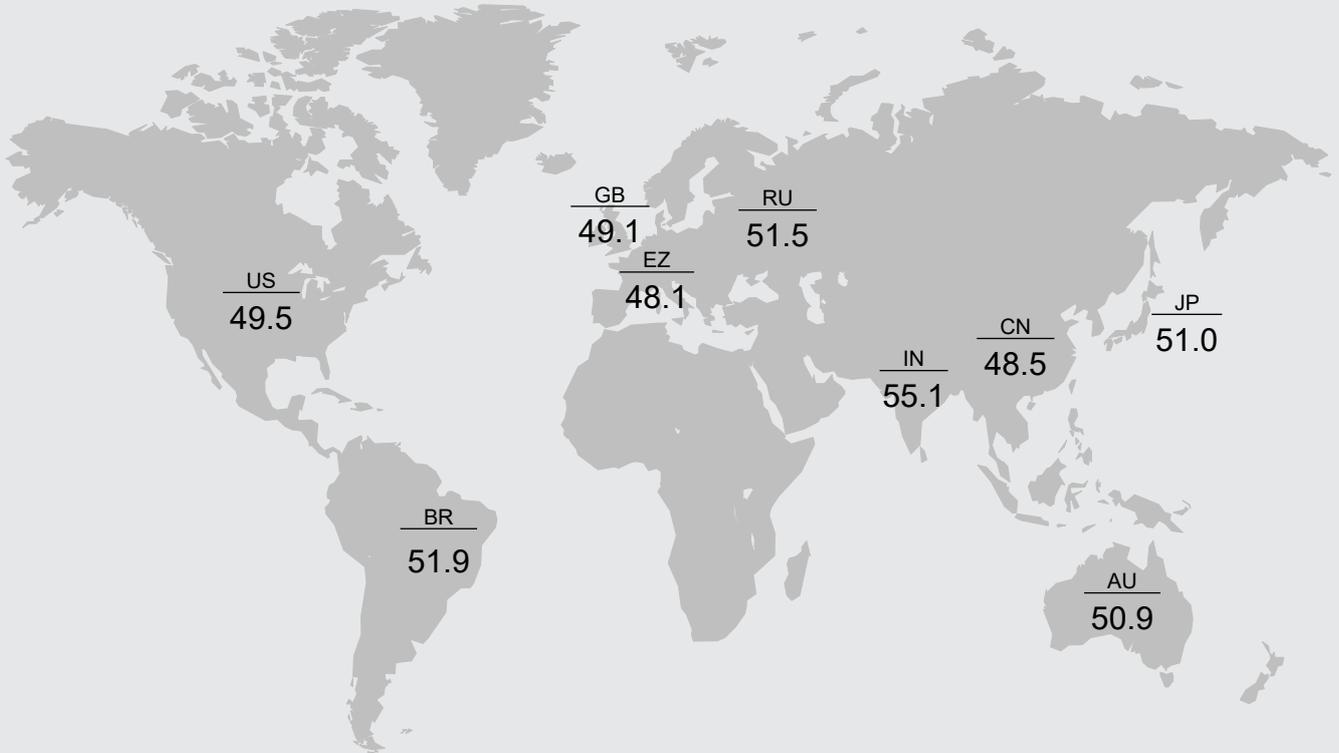
## Output Prices Index



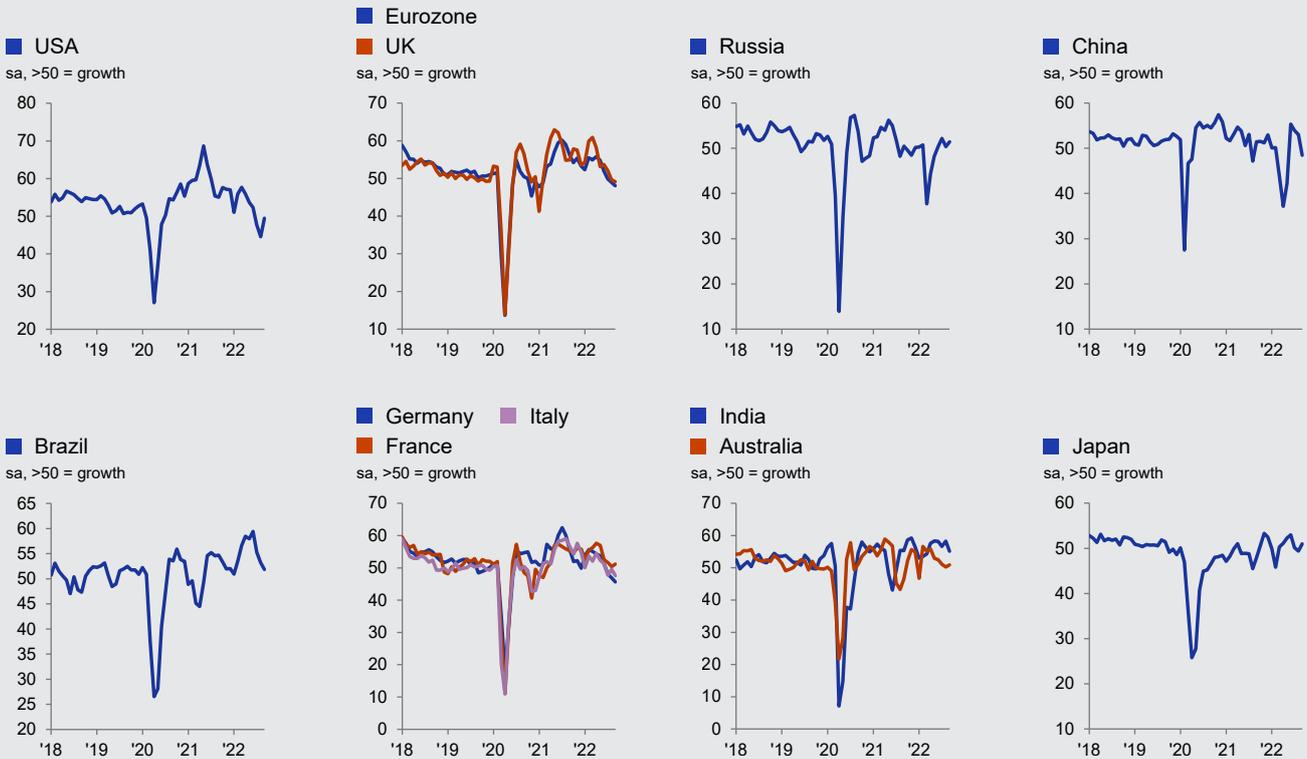
# International PMI

Composite Output Index, Sep '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



## Survey 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. Data were first collected March 2015.

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.

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

## Survey dates

Data were collected 12-25 October 2022.

### Survey questions

Private sector

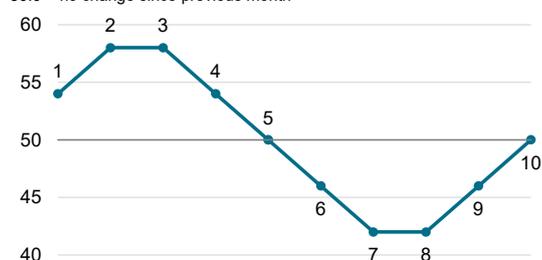
Output	Stocks Of Purchases
New Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	
Suppliers' Delivery Times	

### Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

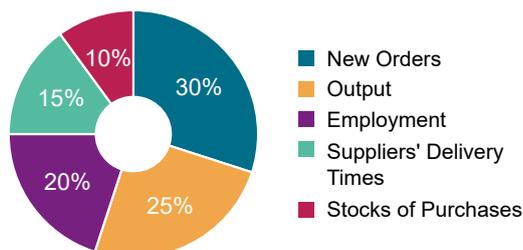
### Index interpretation

50.0 = no change since previous month



- |                          |                            |
|--------------------------|----------------------------|
| 1 Growth                 | 6 Decline, from no change  |
| 2 Growth, faster rate    | 7 Decline, faster rate     |
| 3 Growth, same rate      | 8 Decline, same rate       |
| 4 Growth, slower rate    | 9 Decline, slower rate     |
| 5 No change, from growth | 10 No change, from decline |

### PMI component weights



### Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A	Agriculture, Forestry and Fishing	K	Financial and Insurance Activities
B	Mining and Quarrying	M	Professional, Scientific and Technical Activities
C	Manufacturing	N	Administrative and Support Service Activities
F	Construction	P	Education*
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q	Human Health and Social Work Activities*
H	Transportation and Storage	R	Arts, Entertainment and Recreation
I	Accommodation and Food Service Activities	S	Other Service Activities
J	Information and Communication		

\*Private sector

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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.

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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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)