



Stanbic Bank Zambia PMI™

New orders broadly stable in July

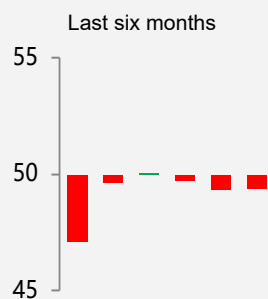
Key findings

New business broadly unchanged

Employment rises for second month running

Slower increase in input costs, but charges up sharply

Zambia PMI



The Zambian private sector moved closer to stabilisation in July. New orders were broadly unchanged, output decreased at a softer pace and employment increased for the second month running. Meanwhile, there were signs that rates of input cost inflation slowed, but companies continued to increase their selling prices sharply, in part to help improve profitability.

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 posted 49.4 in July, up fractionally from 49.3 in June and signalling a marginal decline in business conditions in the Zambian private sector.

New orders were broadly unchanged, following two successive months of decline. Although the COVID-19 pandemic led to reductions in new business at some companies, others reported greater customer numbers.

Despite the stabilisation of new orders, firms reduced their business activity amid COVID-19 disruption. That said, the rate of decline softened from that seen in June. Activity rose in the agriculture and manufacturing sectors, but fell in construction, services and wholesale & retail.

Employment increased for the second month running as companies made efforts to expand capacity. This could not prevent a further accumulation of backlogs of work, however.

Although purchase costs continued to increase at a solid pace in July amid currency weakness, the rate of inflation softened to a six-month low. Staff costs also increased at a weaker pace.

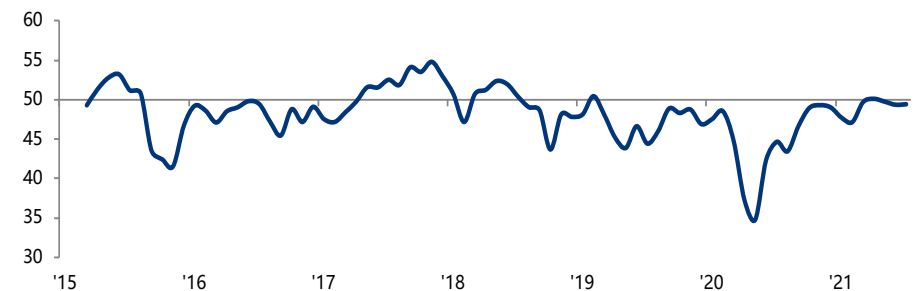
While rates of cost inflation slowed, companies continued to raise their own selling prices rapidly. The rate of inflation was only slightly weaker than June's recent peak. Respondents indicated that they had raised charges in response to higher input prices and to help improve profitability.

Purchasing activity decreased for the second month running, with the reduction feeding through to a first decline in inventories since February. Some panellists reported a reluctance to hold inputs given a still relatively subdued demand environment.

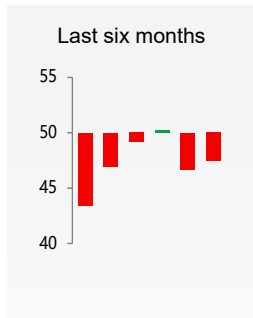
A third successive marginal improvement in suppliers' delivery times was registered in July. Although some firms reported border delays, others indicated that the use of local suppliers had led to shorter delivery times.

Business confidence dipped to a five-month low and was below the series average. That said, firms were still optimistic on balance, with some expecting a rise in activity following the upcoming elections.

PMI
sa, >50 = improvement since previous month



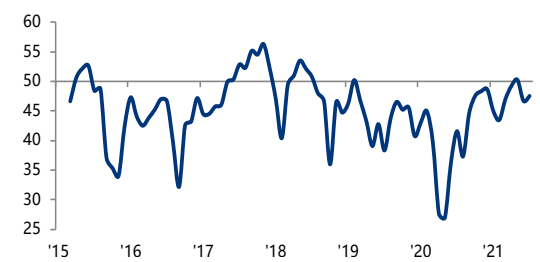
Output Index



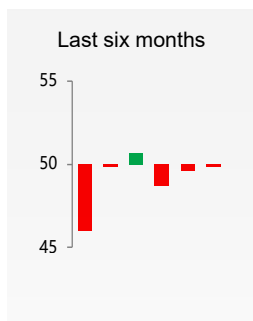
Business activity in Zambia ticked down for the second month running during July. Although the rate of reduction was solid, it was softer than that seen in June. Where output decreased, panellists linked this to the COVID-19 pandemic. Activity declined in the construction, services and wholesale & retail sectors, but expanded in agriculture and manufacturing.

Output Index

sa, >50 = growth since previous month



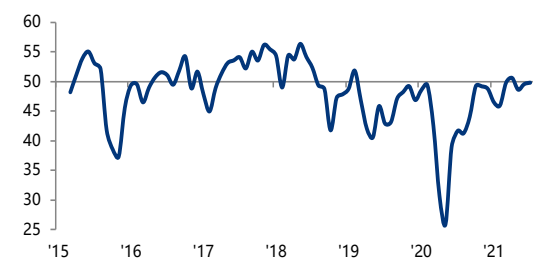
New Orders Index



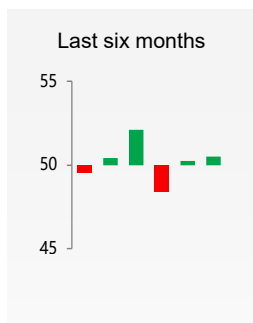
Zambian companies signalled broadly unchanged new order volumes during July, following marginal reductions in each of the previous two months. While some firms continued to see demand hit by disruption caused by the COVID-19 pandemic, this was countered by signs of improving customer numbers.

New Orders Index

sa, >50 = growth since previous month



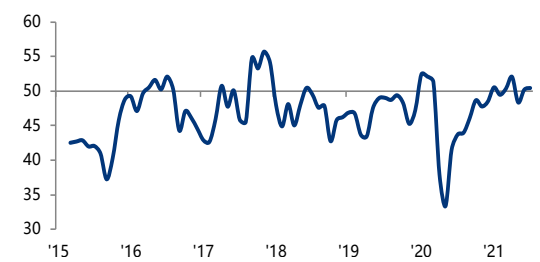
Backlogs of Work Index



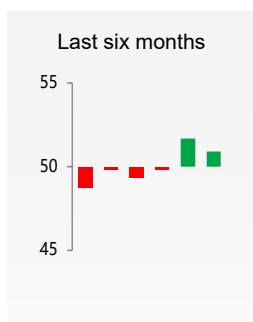
Backlogs of work increased for the fourth time in the past five months at the start of the third quarter. Although marginal, the rate of accumulation was faster than that seen in June. Respondents indicated that delays in receiving inputs from some suppliers had prevented the timely completion of projects, thereby leading to a build-up of outstanding business.

Backlogs of Work Index

sa, >50 = growth since previous month



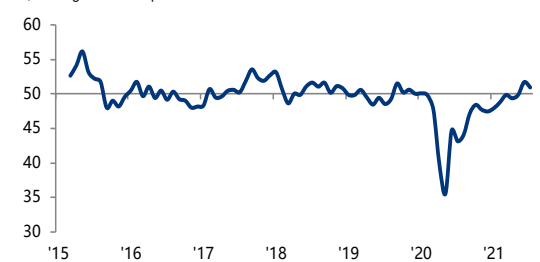
Employment Index



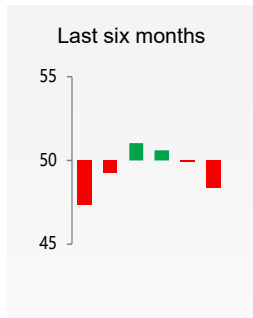
July data pointed to a second successive monthly increase in staffing levels in the Zambian private sector. Where employment rose, panellists generally linked this to the need for greater operating capacity. Job creation was signalled in the agriculture, construction and service sectors, with reductions in manufacturing and wholesale & retail.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



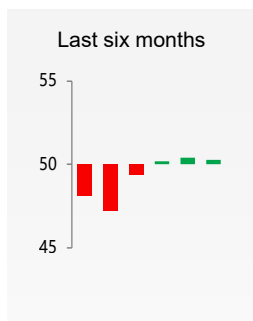
Purchasing activity decreased modestly in July, after having been broadly unchanged during June. Some respondents indicated that demand remained relatively muted, thereby limiting the need for new purchases. Other firms, meanwhile, suggested that currency weakness meant that the cost of inputs had increased, thereby deterring purchasing.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



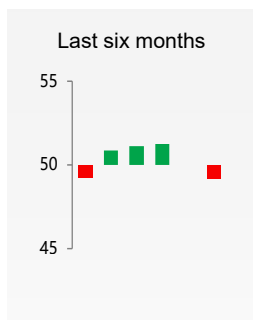
July data pointed to a marginal shortening of suppliers' delivery times for the third month running. Where lead times shortened, panellists sometimes linked this to the use of local suppliers. On the other hand, there were reports of border delays leading to longer lead times for imported goods.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



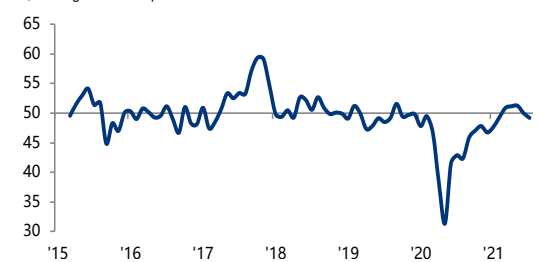
Stocks of Purchases Index



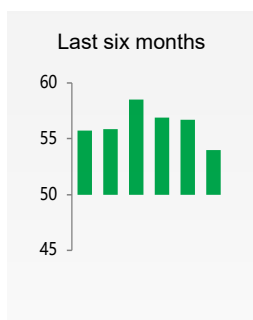
After having been unchanged in June, stocks of purchases decreased in July for the first time in five months. The fall was only slight, however. A relatively soft demand environment meant that firms were reluctant to hold stocks. The vast majority of respondents (90%) signalled no change in inventories during the month.

Stocks of Purchases Index

sa, >50 = growth since previous month



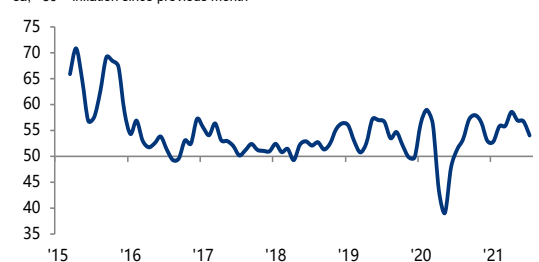
Overall Input Prices Index



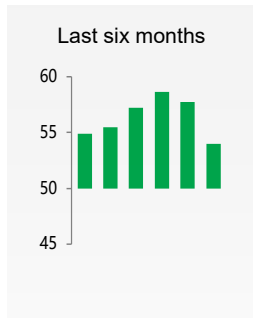
The rate of overall input cost inflation eased for the third consecutive month in July and was the softest since January. The latest rise was also slower than the series average. Underlying data pointed to weaker increases in both purchase prices and staff costs. Of the five broad sectors covered, agriculture posted the fastest rise in overall input prices.

Overall Input Prices Index

sa, >50 = inflation since previous month



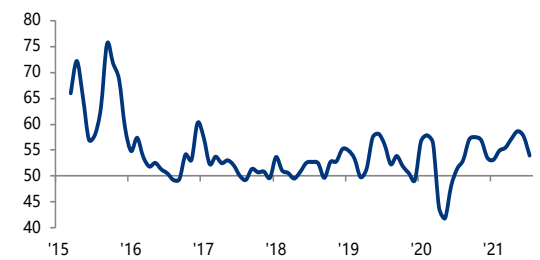
Purchase Prices Index



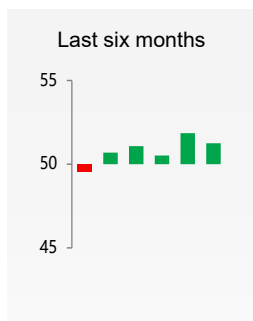
Weakness of the Zambian kwacha against the US dollar resulted in a further increase in purchase prices during July. That said, the rate of inflation eased to the slowest since January. Purchase costs rose across all five broad sectors, with inflation led by agriculture companies.

Purchase Prices Index

sa, >50 = inflation since previous month



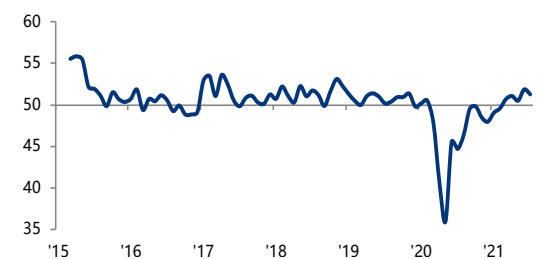
Staff Costs Index



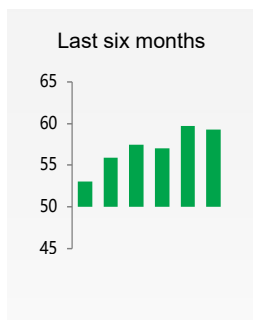
As has been the case in each of the past five months, staff costs increased during July. The rate of inflation was modest, and slightly weaker than that seen in June. Where higher staff costs were recorded, panellists linked this to a combination of rising employment levels and efforts to help staff with an increased cost of living.

Staff Costs Index

sa, >50 = inflation since previous month



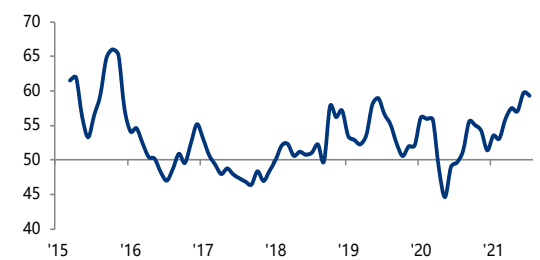
Output Prices Index



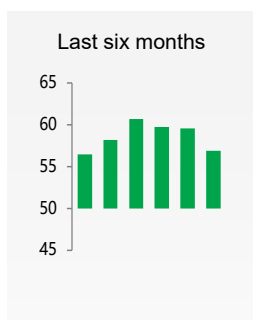
Zambian companies continued to increase their selling prices at a rapid rate in July, with the pace of inflation only slightly weaker than June's 67-month high. The passing on of higher input costs to customers and efforts to improve profitability were behind the latest increase in charges. The fastest rise in selling prices was seen in the construction sector.

Output Prices Index

sa, >50 = inflation since previous month



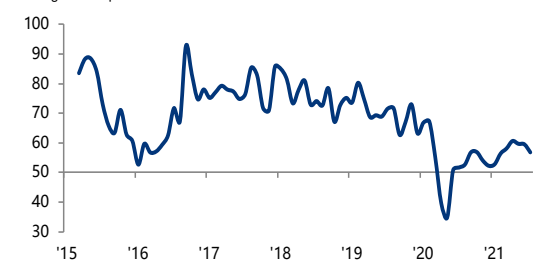
Future Output Index



Business sentiment remained relatively subdued in July, dropping to the lowest in five months and posting below the series average. A number of respondents indicated that they expect business to pick up following the upcoming elections. Meanwhile, others noted that the future path for activity was unclear given the uncertainty around the COVID-19 pandemic.

Future Output Index

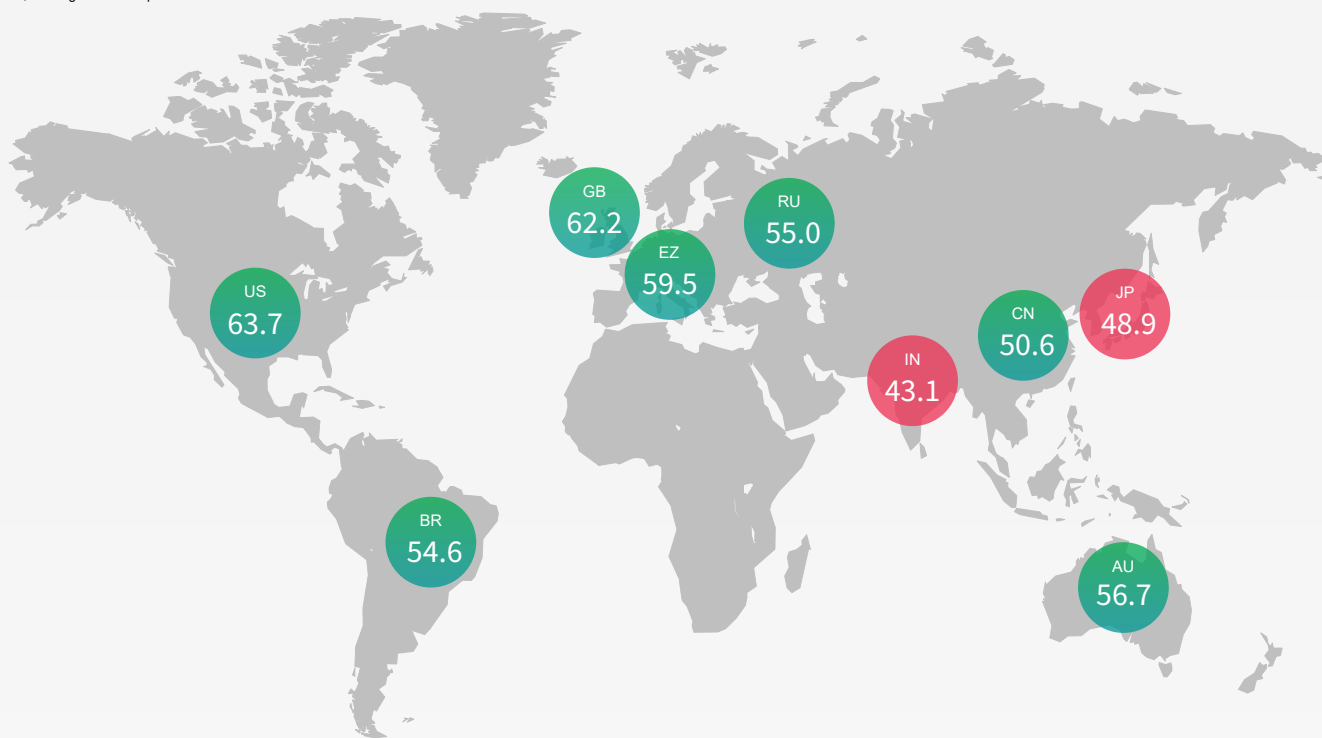
>50 = growth expected over next 12 months



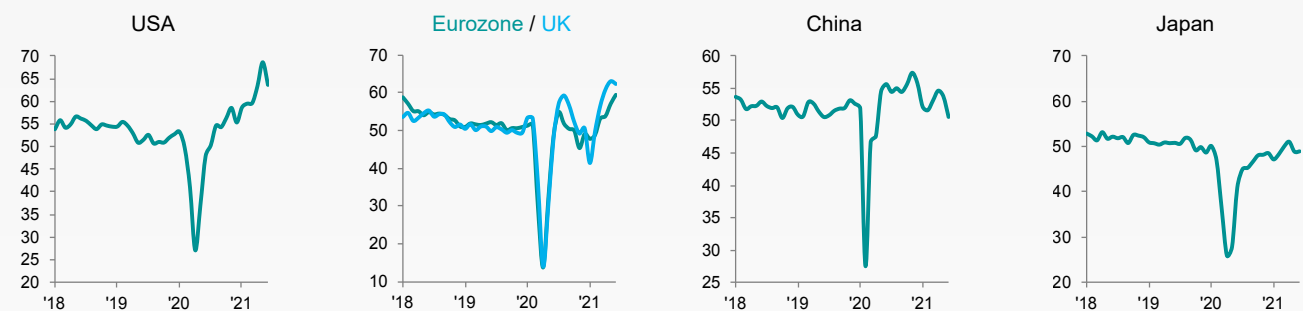
International PMI

Composite Output Index, Jun '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.

July data were collected 12-26 July 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>

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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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