



# Stanbic Bank Zambia PMI™

## Output returns to growth in May

### Key findings

First rise in activity for 27 months

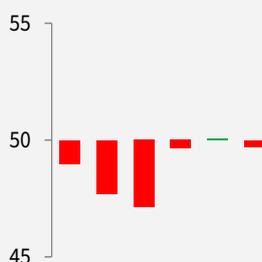
Near-stabilisation of employment

Sharpest rise in purchase costs since December 2016

### Zambia PMI



Last six months



Output returned to growth in the Zambian private sector during May, one month after the same had been the case for new orders. New business ticked back down slightly in the latest survey period, but there were further signs that overall business conditions are more conducive to growth than has been the case for some time. As a result, firms continued to expand their purchasing activity and kept their staffing levels broadly unchanged.

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 49.7 in May, down marginally from 50.1 in April and signalling a fractional deterioration in business conditions during the month. That said, the PMI was above its survey average of 48.2.

Business activity ticked higher in May, thereby ending a 26-month sequence of decline. Although business conditions remained challenging for a number of firms, others indicated that they had raised output in line with recent improvements in customer demand.

After also returning to growth in April, new orders took a step back in May, falling marginally. A lack of money in circulation remained a factor limiting new order inflows,

according to respondents.

The combination of rising output and falling new orders meant that firms were able to work through backlogs during May. A modest reduction in outstanding business was recorded, ending a two-month sequence of accumulation.

Employment was broadly stable, falling only fractionally and at the joint-slowest pace in the current 16-month sequence of decline.

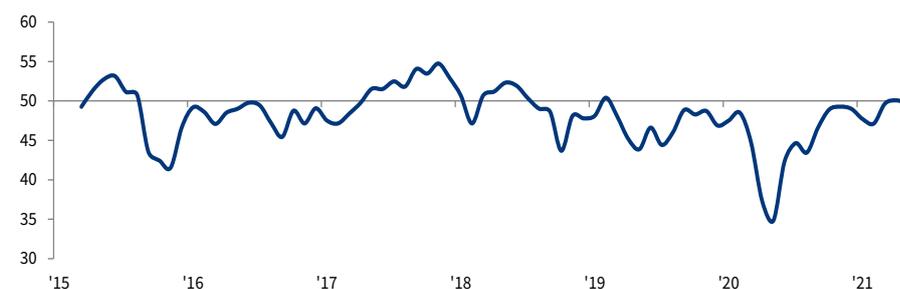
Firms meanwhile increased their purchasing activity for the second month running, leading to a further accumulation of inventories as suppliers' delivery times improved for the first time in 16 months. Firms reported that competition among suppliers had been behind shorter lead times.

Weakness of the Zambian kwacha against the US dollar led to a further sharp increase in purchase costs in May, with the rate of inflation accelerating for the fourth month running to the fastest since December 2016. Staff costs also rose, but only marginally. The passing on of higher input costs to customers resulted in a further marked increase in selling prices.

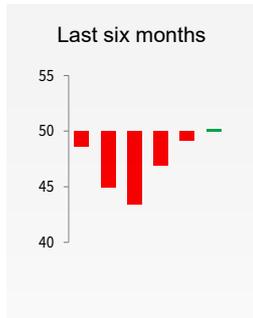
Companies remained optimistic that output will increase over the coming year, with positive sentiment reflecting expectations of improvements in new orders. Confidence dipped slightly, but was the second-highest since February 2020.

### PMI

sa, >50 = improvement since previous month



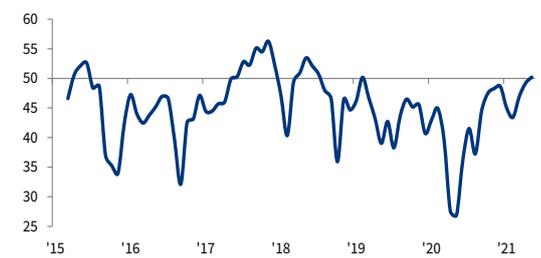
## Output Index



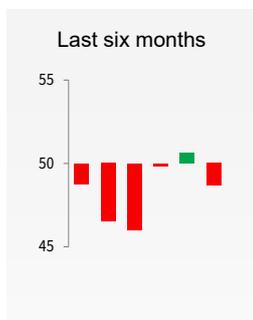
May data signalled a rise in output in the Zambian private sector, thereby ending a 26-month sequence of decline. Where activity increased, panellists linked this to a recent improvement in client demand. The rate of expansion was only fractional, however, as business conditions remained challenging for a number of firms.

Output Index

sa, >50 = growth since previous month



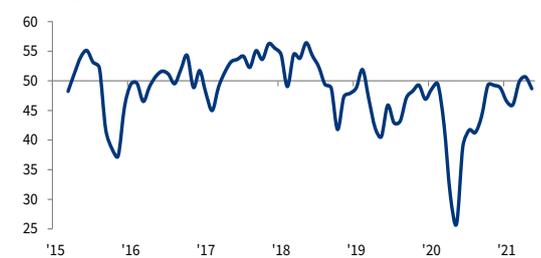
## New Orders Index



New orders ticked down in May, after having risen for the first time in 26 months during April. Where new business decreased, respondents often linked this to a lack of money in circulation. On the other hand, some firms were able to take advantage of improvements in demand. As a result, the pace of reduction was softer than the series average.

New Orders Index

sa, >50 = growth since previous month



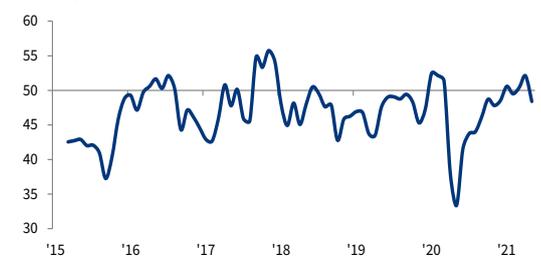
## Backlogs of Work Index



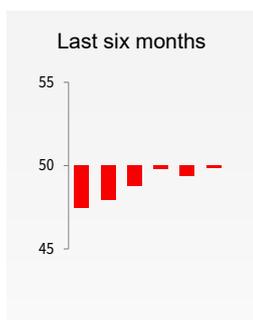
The combination of an expansion in business activity and slight fall in new orders led to a drop in outstanding business during May. The reduction in backlogs was the first in three months. Although modest, the rate of depletion was the sharpest since last November.

Backlogs of Work Index

sa, >50 = growth since previous month



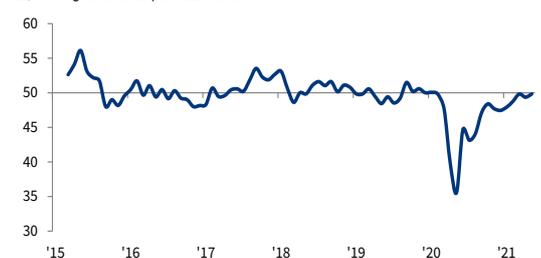
## Employment Index



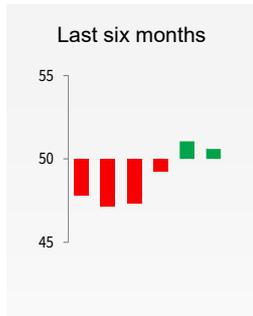
Employment in the Zambian private sector neared stabilisation midway through the second quarter, with staffing levels falling only fractionally and at the joint-softest pace in the current 16-month sequence of decline. Some firms indicated that they had expanded their workforce numbers in line with improving workloads.

Employment Index

sa, >50 = growth since previous month



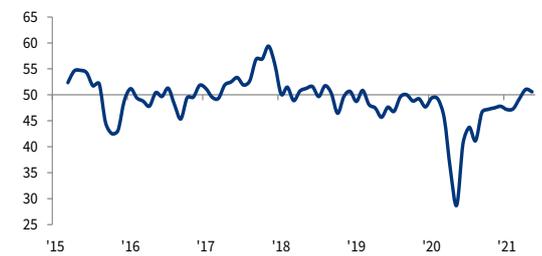
## Quantity of Purchases Index



Companies raised their purchasing activity for the second month running in May, the first back-to-back expansions of input buying since the third quarter of 2018. Anecdotal evidence suggested that purchasing had been increased in response to signs of improving demand. The rate of growth was modest and softer than that seen in April.

Quantity of Purchases Index

sa, >50 = growth since previous month



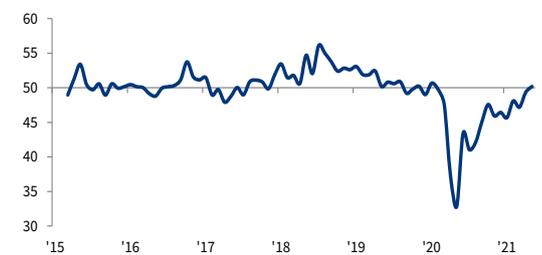
## Suppliers' Delivery Times Index



May data pointed to a fractional improvement in vendor performance, thereby ending a 15-month sequence of lengthening delivery times. According to respondents, shorter lead times reflected competition among suppliers. On the other hand, some panellists continued to report delivery delays caused by COVID-19 restrictions.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



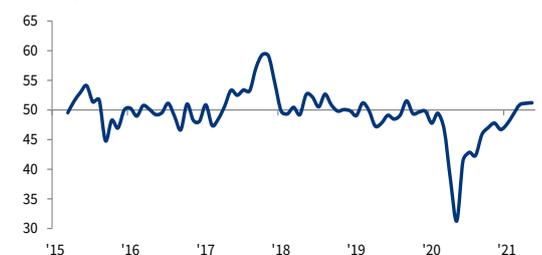
## Stocks of Purchases Index



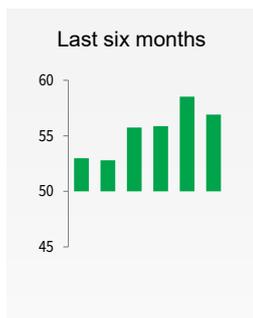
Rises in purchasing activity fed through to an accumulation of inventories in May as companies responded to signs of a pick-up in new business. Stocks of purchases increased for the third month running. Although the pace of accumulation was modest, it was the sharpest for 20 months.

Stocks of Purchases Index

sa, >50 = growth since previous month



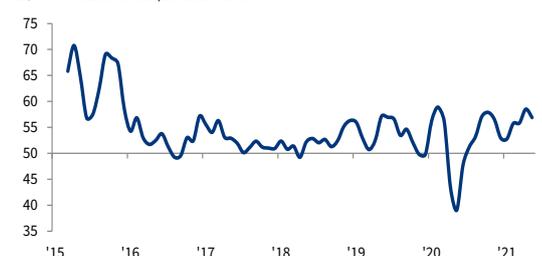
## Overall Input Prices Index



Overall input prices increased again during May, extending the current sequence of inflation to 11 months. The rate of inflation was sharp and faster than the series average, despite slowing from that seen in April. Purchase prices continued to increase more quickly than staff costs.

Overall Input Prices Index

sa, >50 = inflation since previous month



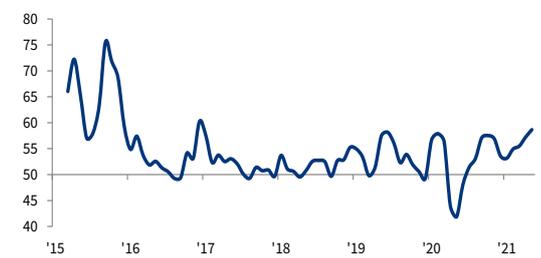
## Purchase Prices Index



The rate of purchase cost inflation accelerated for the fourth successive month in May and was the sharpest since December 2016. Around 15% of respondents posted a rise in purchase prices, which they mainly linked to a depreciation of the Zambian kwacha against the US dollar.

Purchase Prices Index

sa, >50 = inflation since previous month



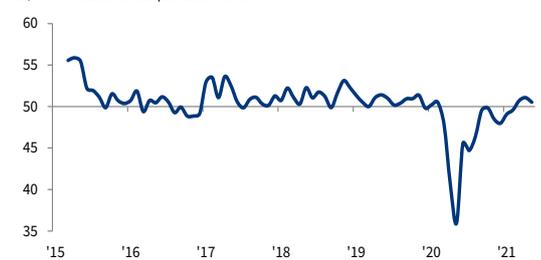
## Staff Costs Index



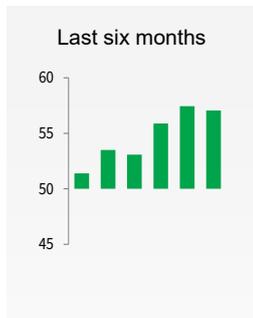
As has been the case in each of the past three months, staff costs increased in May as firms acted to help employees adjust to a higher cost of living. That said, the rate of inflation was only marginal, the weakest in the current sequence and much softer than that seen for purchase prices.

Staff Costs Index

sa, >50 = inflation since previous month



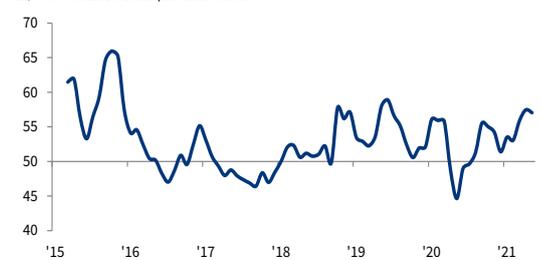
## Output Prices Index



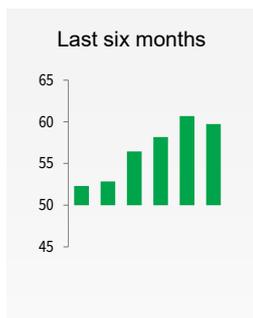
The passing on of higher input costs to customers resulted in a further increase in selling prices in the Zambian private sector. Charge inflation has now been recorded in each of the past ten months. The rise in May was sharp, albeit slightly softer than that seen in April.

Output Prices Index

sa, >50 = inflation since previous month



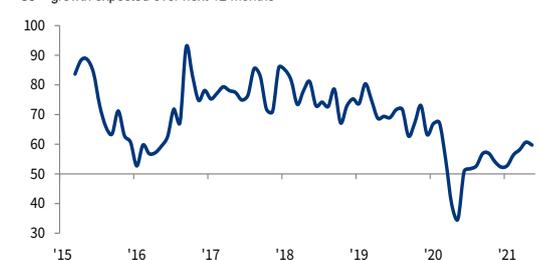
## Future Output Index



Companies remained optimistic that output will increase over the coming year, with sentiment only slightly lower than the 14-month high seen in April. The prospect of improving new orders helped to drive positive sentiment, with some firms predicting an increase in activity following the elections later this year.

Future Output Index

>50 = growth expected over next 12 months

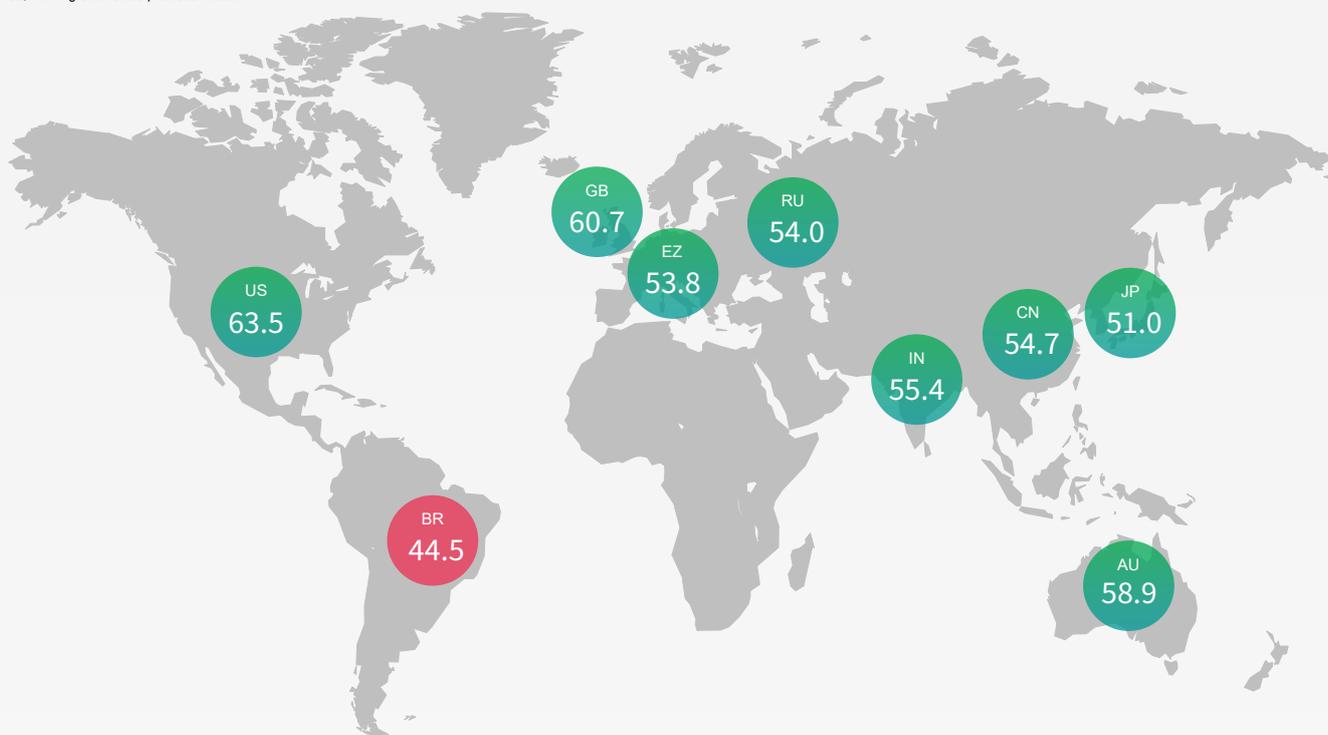


## International PMI

Composite Output Index, Apr '21

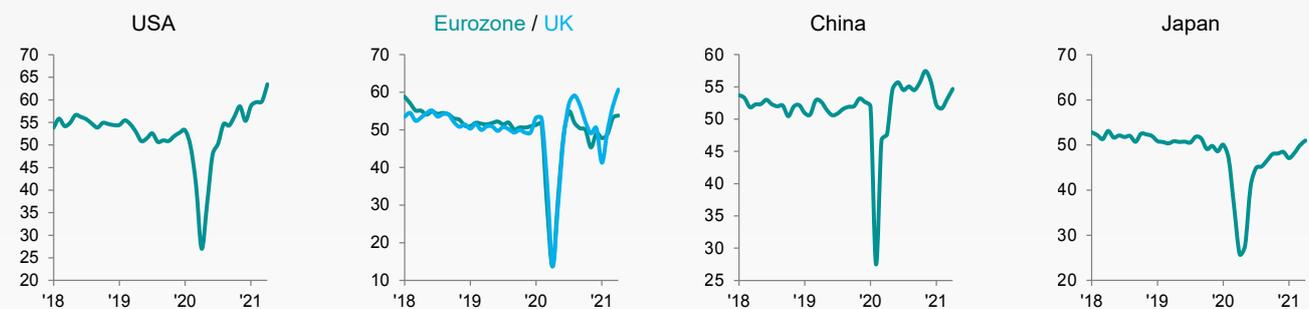
sa, >50 = growth since previous month

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.

May data were collected 12-24 May 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>

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