



Stanbic Bank Zambia PMI™

First rise in new orders for 26 months

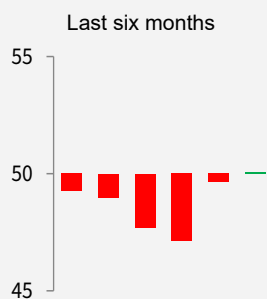
Key findings

New business returns to growth

Sharper inflation of input costs and output prices

Business confidence at 14-month high

Zambia PMI



There were signs of improvement in the Zambian private sector during April. In particular, new business expanded for the first time in 26 months amid strengthening market conditions. This helped lead to the slowest fall in activity in more than two years and renewed growth of input buying. Meanwhile, weakness of the Zambian kwacha continued to add to inflationary pressures.

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 above the 50.0 no-change mark for the first time in 26 months at the start of the second quarter. At 50.1, the reading was up from 49.7 in March, but signalled only a fractional improvement in the health of the private sector overall.

New orders returned to growth in April, thereby ending a 25-month sequence of decline. Those firms that saw new business expand often linked this to signs of improving market conditions. That said, the increase in new orders was slight amid the ongoing effects of the COVID-19 pandemic.

Although companies continued to lower their output, the rate of decline was only marginal and the softest in the current 26-month sequence of contraction. The COVID-19

pandemic and currency weakness were behind the fall in output.

The combination of rising new orders and a further drop in output meant that backlogs of work rose for the second month running in April. The rate of accumulation was the fastest in 14 months. Some firms indicated that reduced staffing levels meant that they struggled to keep on top of workloads. Employment decreased for the fifteenth successive month, albeit marginally.

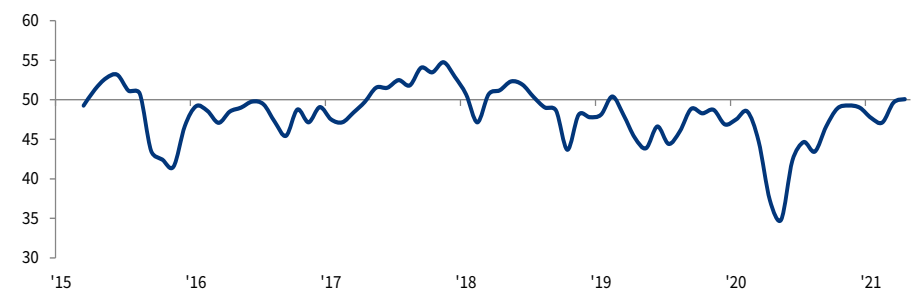
Signs of improvement in customer demand encouraged companies to expand their purchasing activity for the first time since February 2019, with inventories also increasing accordingly. Restrictions due to the COVID-19 pandemic meant that suppliers' delivery times continued to lengthen, but the rate of deterioration in vendor performance was the least pronounced in 14 months.

Weakness of the Zambian kwacha led to a sharp and accelerated increase in purchase costs at the start of the second quarter. Staff costs also increased at a sharper pace, but one that was still softer than that seen for purchase prices. In line with the trends in costs, companies increased their own selling prices at the fastest pace in 22 months.

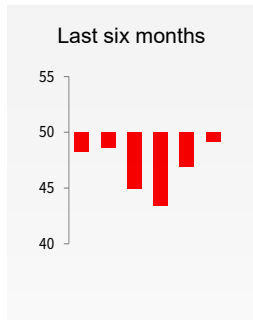
Business confidence improved to the highest since the onset of the pandemic, with confidence boosted by improvements in new orders and business conditions.

PMI

sa, >50 = improvement since previous month



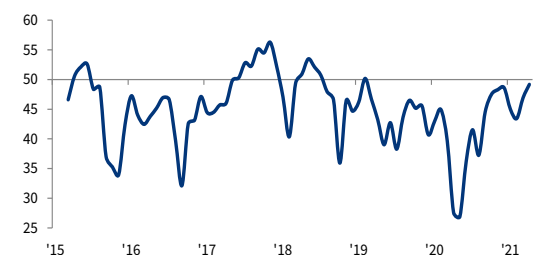
Output Index



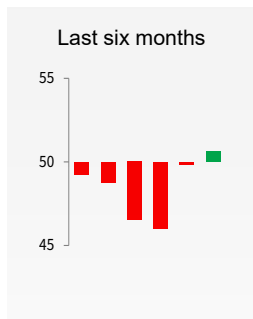
Business activity in the Zambian private sector neared stabilisation in April, falling only marginally and at the slowest pace in the current 26-month sequence of decline. Higher new orders and signs of strengthening demand conditions were mentioned by some companies, but others continued to see output fall amid difficulties caused by the COVID-19 pandemic and currency weakness.

Output Index

sa, >50 = growth since previous month



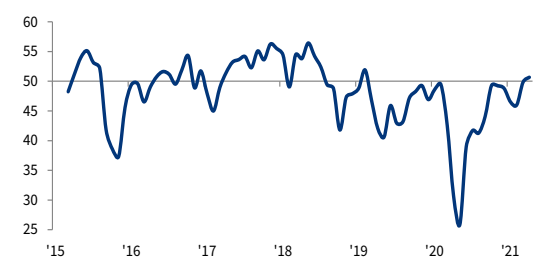
New Orders Index



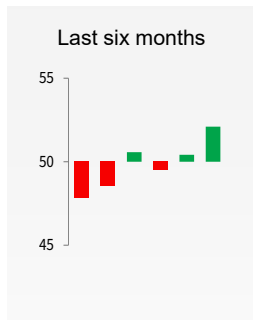
New orders returned to growth in April, thereby ending a 25-month period of contraction. Where new business increased, panellists linked this to improving market conditions. That said, the rate of expansion was only slight, often due to the effects of the COVID-19 pandemic.

New Orders Index

sa, >50 = growth since previous month



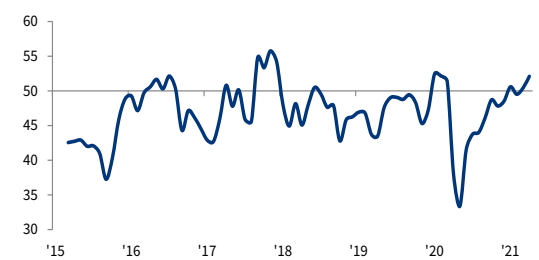
Backlogs of Work Index



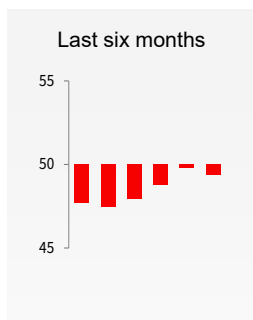
There were signs that the rise in new orders placed pressure on operating capacity in April as backlogs of work increased for the second month running. Some firms reportedly struggled to complete orders, with others highlighting the need for greater workforce numbers. The modest accumulation of outstanding business was the fastest in 14 months.

Backlogs of Work Index

sa, >50 = growth since previous month



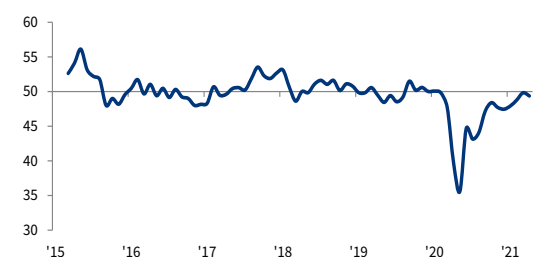
Employment Index



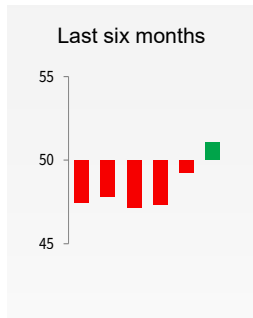
Zambian companies continued to lower their staffing levels at the start of the second quarter of the year, extending the current sequence of job cuts to 15 months. Although sharper than in the previous month, the pace at which employment fell was only marginal as the vast majority of respondents (97%) saw no change in staffing levels.

Employment Index

sa, >50 = growth since previous month



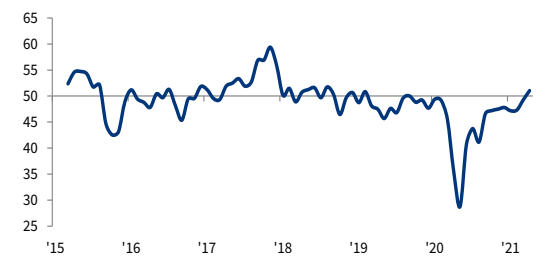
Quantity of Purchases Index



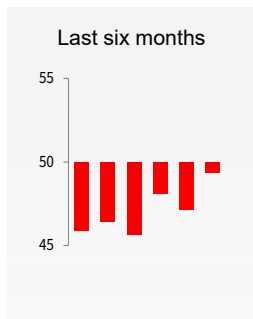
Companies in Zambia responded to signs of improving customer demand by raising their purchasing activity during April. The increase in input buying was the first in 26 months. Although slight, the rate of growth was the fastest since August 2018.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



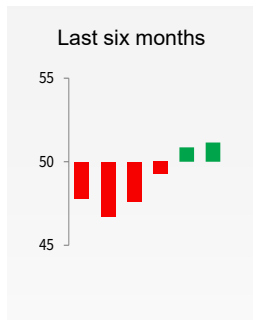
Suppliers' delivery times lengthened again at the start of the second quarter, with panellists mainly linking delivery delays to restrictions on movement due to the COVID-19 pandemic. Lead times have now lengthened in each of the past 15 months. That said, competition among suppliers meant that the latest deterioration was only slight and the weakest since the pandemic emerged.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



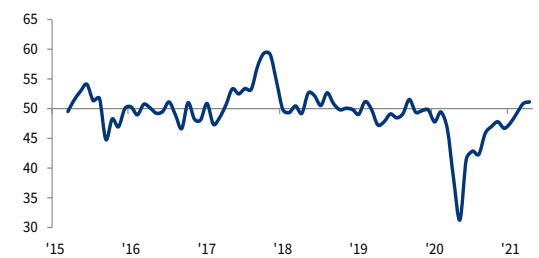
Stocks of Purchases Index



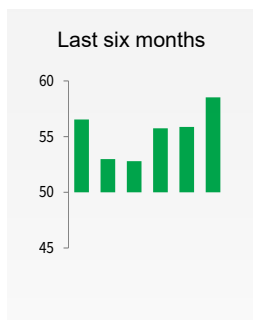
Stocks of purchases increased for the second successive month in April, marking the first back-to-back accumulations of inventories since the third quarter of 2018. The pace at which stocks rose picked up slightly and was the fastest in just over a year-and-a-half. According to respondents, efforts to build inventories were made in response to higher new orders.

Stocks of Purchases Index

sa, >50 = growth since previous month



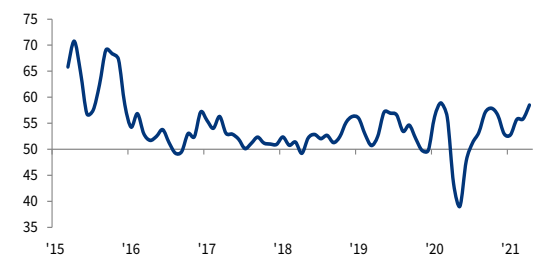
Overall Input Prices Index



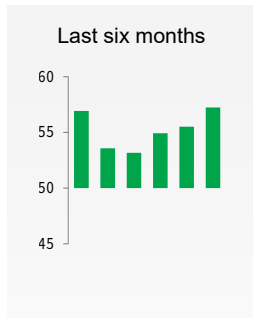
April data signalled a sharp increase in overall input prices. Furthermore, the rate of inflation quickened to the fastest since February 2020. Rises were seen in both purchase prices and staff costs, and in each case the rate of inflation accelerated from that seen in March.

Overall Input Prices Index

sa, >50 = inflation since previous month



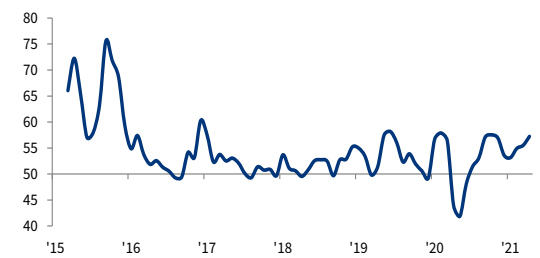
Purchase Prices Index



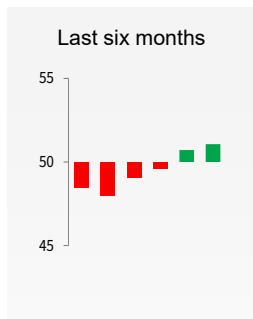
The rate of purchase cost inflation quickened to a six-month high in April, and was sharper than the series average. Respondents overwhelmingly linked higher purchase prices to weakness of the kwacha. Purchase costs have now risen in each of the past ten months.

Purchase Prices Index

sa, >50 = inflation since previous month



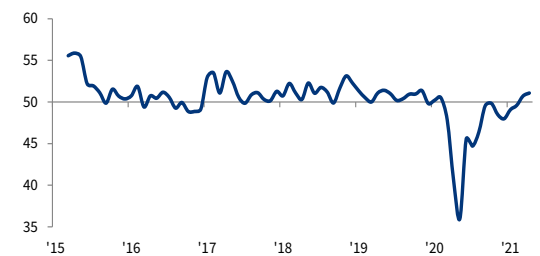
Staff Costs Index



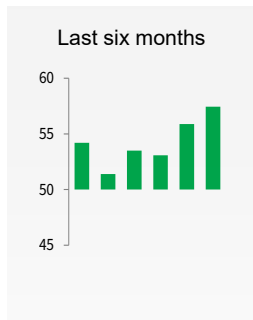
Zambian companies raised their wages and salaries for the second month running in April. The rate of inflation was modest, but quickened to the fastest since November 2019. The vast majority of respondents (98%) registered no change in their staff costs during the month.

Staff Costs Index

sa, >50 = inflation since previous month



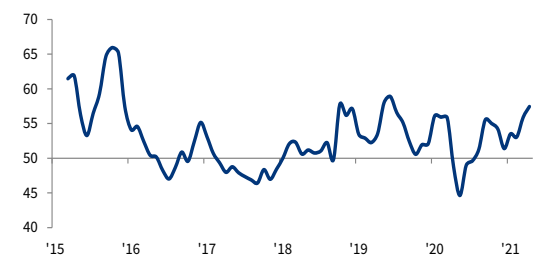
Output Prices Index



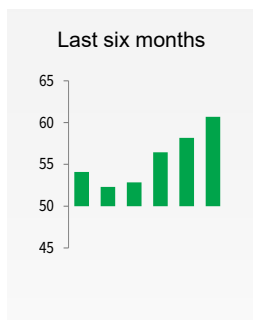
Higher prices from suppliers and the inflationary effects of currency weakness meant that output prices continued to rise in April. Charges have now increased for nine months running. The rate of inflation was sharp, accelerating for the second successive month to the strongest since June 2019.

Output Prices Index

sa, >50 = inflation since previous month



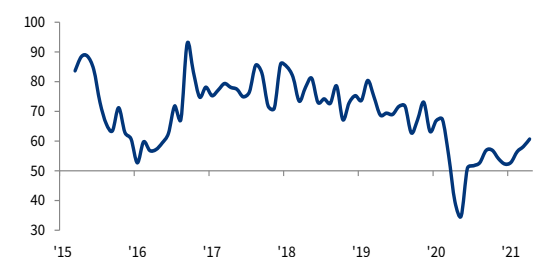
Future Output Index



There were further signs of growing confidence in the 12-month outlook for activity in April, with sentiment improving for the fourth consecutive month to the highest since the onset of the COVID-19 pandemic. Promising trends in new orders, signs of improving business conditions and hopes that the pandemic will come to an end supported confidence. The level of optimism remained below the series average, however, amid ongoing uncertainty.

Future Output Index

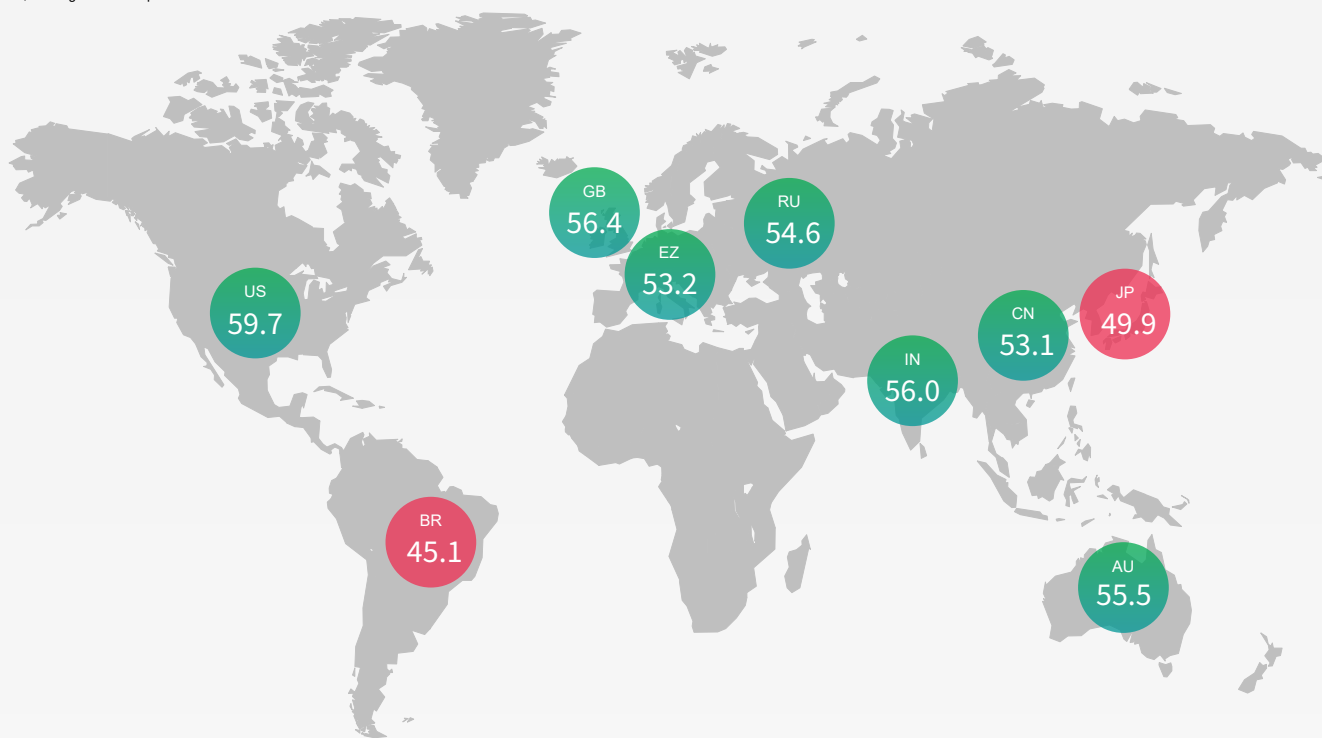
>50 = growth expected over next 12 months



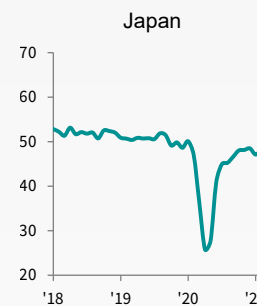
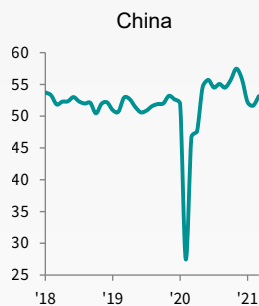
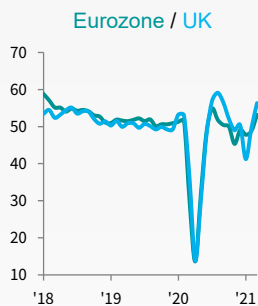
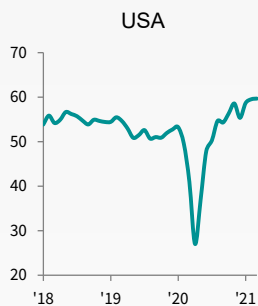
International PMI

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.

April data were collected 12-26 April 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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