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Stanbic Bank Zambia PMI™

Output falls at slowest pace in 21 months

Key findings

Slower decline in activity

Input costs increase sharply

Staffing levels reduced for tenth month running

Data were collected 12-24 November 2020

Business conditions in the Zambian private sector neared stabilisation in November amid further signs of improvement in demand. The coronavirus disease 2019 (COVID-19) pandemic continued to impact output and new orders, however, as well as disrupting supply chains. Currency weakness led to another marked increase in input costs, while efforts to manage expenses contributed to reductions in employment, purchasing and wages.

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 rose to 49.3 in November, up from 48.9 in October and the highest since February 2019. The reading signalled a slight deterioration in operating conditions.

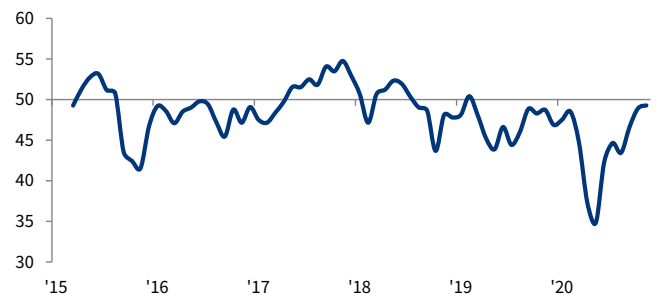
New orders decreased slightly as business conditions remained challenging, often due to the COVID-19 pandemic. That said, there were some reports of improving customer demand.

These signs of improvement helped output to near stabilisation. Activity decreased at the slowest pace in the current 21-month sequence of decline. Where output fell, panellists linked this to COVID-19, currency weakness and a lack of money in circulation.

The weakness of the Zambian kwacha against the

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

US dollar was the principal cause of a fifth successive increase in purchase costs. In turn, this resulted in a rise in overall input prices, despite a further reduction in staff costs.

Efforts to limit expenses contributed to a fall in employment, the tenth in as many months. Moreover, the rate of job cuts quickened from that seen in October.

Cost management was also reportedly a factor behind a reduction in inventories. Meanwhile, purchasing activity decreased, but to the smallest degree since February. Firms lowered input buying in line with a further decline in new orders, although some panellists expanded purchasing in response to signs of improving demand.

Companies in Zambia raised their selling prices for the fourth month running as higher cost burdens were passed on to customers. The rate of inflation was solid, but eased to a three-month low.

Suppliers' delivery times lengthened sharply in November, and to a greater extent than in October. The main cause of delivery delays was the COVID-19 pandemic, in particular delays clearing customs.

Hopes that business conditions will improve over the coming year as the pandemic passes supported confidence that activity will increase. That said, sentiment remained historically muted amid continued challenging business conditions.

Comment

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

"Input costs continued to rise in November albeit at the slowest pace in 3 months. This was mainly attributed to the relative weakness of the Zambian Kwacha against the US Dollar. Despite the currency having stabilised, the challenge has been the South African Rand continues to post gains against the US Dollar resulting in increased prices of imports from South Africa. Imports from South Africa are a sizable portion of the import basket."

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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.

November data were collected 12-24 November 2020.

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>

About IHS Markit

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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