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Stanbic Bank Zambia PMI[®]

Stronger decline in private sector performance as demand conditions weaken

Key findings

Quicker drop in activity driven by slowdown in customer demand

Faster increases in purchase and staff costs

Renewed rise in employment amid backlog

Business conditions across the Zambian private sector continued to decline in April, as output and new orders fell at sharper rates. A reduction in money in circulation and a higher cost of living placed strain on customer purchasing power, according to firms. Moreover, weaker demand conditions led to the fastest fall in business activity since February 2021. Nonetheless, increased backlogs of work spurred firms to increase employment, with job creation noted for the first time since last November. At the same time, business confidence reached a ten-month high amid hopes of more stable economic conditions.

On the price front, a weaker kwacha exchange rate against the dollar pushed imported goods costs up, resulting in a sharper pace of overall input price inflation. Firms also raised their output charges at a steeper rate.

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 at 47.7 in April, down from 48.8 in March, to signal a solid deterioration in the health of the Zambian private sector. The downturn was the fifth in as many months.

Weaker customer demand drove a further fall in new orders during April, as reduced money in circulation and a depreciation of the kwacha against the dollar weighed on client purchasing power. The pace of contraction quickened from March and was sharper than the series average.

Lower new sales inflows led firms to cut output levels for the fifth successive month. Moreover, the rate of decrease was the quickest since February 2021 and solid overall.

Stanbic Bank Zambia PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, S&P Global PMI.
Data were collected 11-24 April 2024.

Comment

Musenge Komeki, Head of Sales at Stanbic Bank commented:

"Despite business confidence reaching a 10-month high amid hopes of more stable economic conditions, headwinds in business conditions, a reduction in money in circulation, and a higher cost of living all resulted in the downturn in the PMI for the month."

The impact of the depreciation of the kwacha led to sharper increases in imported goods prices in April, placing additional strain on cost burdens. Total input prices rose at the steepest rate in two years, as paces of purchase and staff cost inflation picked up. Similarly, output charges increased at the fastest pace in 13 months.

Zambian companies registered a renewed rise in employment during April, as pressure on capacity became evident through a fresh accumulation of backlogs of work. Although only fractional, the rate of job creation was the fastest since last October. The increase in incomplete business, meanwhile, was the first since January 2023.

Greater staffing numbers stemmed in part from an improvement in business confidence at Zambian firms at the start of the second quarter. Although soft in the context of the series history, the level of optimism was the strongest in ten months amid hopes of a stabilisation in economic conditions.

Lower demand for inputs was evident through a faster fall in purchasing activity at Zambian firms in April. The decrease was the sharpest in just over a year, with firms reducing their holdings of inputs as a result of weaker demand.

Nonetheless, greater availability at suppliers and vendor efforts to remain competitive led to a sharper improvement in lead times. Delivery times were shortened to the greatest extent since last September.

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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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PMI®

by **S&P Global**

About Stanbic Bank

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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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