

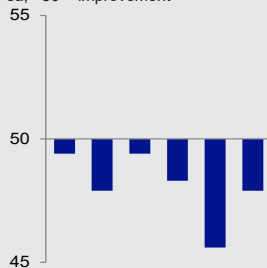
Stanbic Bank Zambia PMI®

Zambian private sector decline eases, but load shedding continues to hamper output

47.9

ZAMBIA PMI
OCT '24

PMI
May - Oct '24
sa, >50 = improvement



Contractions in output and new orders ease

Load shedding continues to drive up purchase costs

Renewed rise in staff costs

October PMI® data indicated a further decline in the health of the Zambian private sector, as the impact of load shedding continued to hamper output and push costs up. That said, the extent of the deterioration in business conditions moderated amid softer contractions in output, new orders and employment. Although firms remained in retrenchment mode, with input buying and stocks also falling, rates of decline slowed on the month. Meanwhile, business confidence improved despite being historically subdued.

At the same time, exchange rate depreciation, higher cost-of-living payments and greater supplier costs drove up overall input prices. That said, the pace of increase slowed, with firms hiking selling prices at a softer pace.

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 47.9 in October, up from 45.6 in September. The latest index reading signalled a modest decline in business conditions for Zambian private sector firms, albeit to a much smaller extent than in the previous survey period.

Contributing to the higher headline index reading was a notably slower decline in business activity during October. The pace of contraction was much softer than the more than three-and-a-half-year record posted in September. The impact of load shedding on business capacity remained a challenge for firms, with work schedules reportedly changing.

Moreover, an unstable power supply also weighed on customer demand, as new orders fell again. The pace of decrease eased, but was still solid overall.

Stanbic Bank Zambia PMI
sa, >50 = improvement since previous month



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Although the downturn in activity was broad-based by sector, agriculture firms recorded a rise in new business.

Capacity constraints stemmed largely from the instability of electricity supplies, with backlogs of work rising for a seventh month running. Nonetheless, Zambian companies cut workforce numbers further amid cashflow issues and lower new orders. The fall in employment was only fractional, however.

Despite a drop in staffing numbers, cost-of-living and unsociable working hour payments pushed up wage bills in October. Staff costs rose following a brief decline in September. Moreover, purchase costs increased again amid a depreciation of the kwacha against the

dollar and higher electricity prices. That said, the rate of purchase cost inflation eased to the weakest in seven months.

In a bid to remain competitive, firms passed through moderations in cost hikes to customers, as selling prices increased at the softest rate since March.

Meanwhile, input buying and stocks of purchases fell at slower rates in October. Although buying decisions were still influenced by new order inflows, companies noted an improvement in vendor performance.

Finally, output expectations for the coming year picked up slightly from September's six-month low. Concerns around load shedding kept optimism historically subdued, however.

Comment

Musenge Komeki, Head of Sales at Stanbic Bank commented:

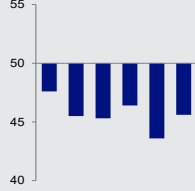
"With the pace of contraction much softer than what was seen in September, the impact of load shedding continues to hamper output and push costs up. However, business confidence did improve compared to the previous survey period."



Output and demand

Output Index

May - Oct '24
sa, >50 = growth



Output

Zambian businesses registered an eleventh successive monthly decline in business activity at the start of the fourth quarter. Output contracted at a strong pace as firms noted that load shedding continued to hamper capacity at firms. The rate of decline was strong overall, but eased from September. Nonetheless, the decrease in activity was broad-based by sector.

Output Index

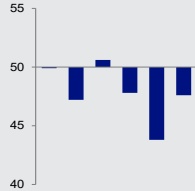
sa, >50 = growth since previous month

45.6
Oct '24



New Orders Index

May - Oct '24
sa, >50 = growth



New orders

October data signalled a third successive monthly contraction in new orders at Zambian businesses. The latest fall reflected issues relating to power supply instability and customer struggles to make payments amid subdued demand conditions. The pace of decline softened notably from September, however. Agriculture was the only monitored sector to record an expansion in new business.

New Orders Index

sa, >50 = growth since previous month

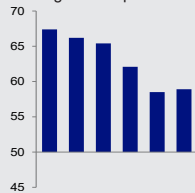
47.6
Oct '24



Business expectations

Future Output Index

May - Oct '24
>50 = growth expected



Business confidence across the Zambian private sector remained positive at the start of the fourth quarter, with the degree of confidence picking up from September. Expectations were underpinned by hopes of stronger demand conditions and greater diversification of products. Companies also hoped for increased stability in the supply of electricity, with concerns around load shedding weighing on optimism. The level of positive sentiment was below the historic series trend.

Future Output Index

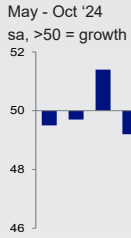
>50 = growth expected over next 12 months

58.9
Oct '24



Employment and capacity

Employment Index



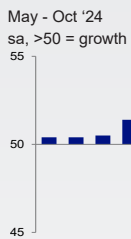
Employment

Staffing numbers at Zambian businesses fell further in October, with employment decreasing in five of the last six months. Anecdotal evidence commonly noted that lower new orders had caused cashflow issues, with many redundancies stemming from an inability to pay workers. That said, the pace of job shedding slowed markedly and was only fractional overall.

Employment Index



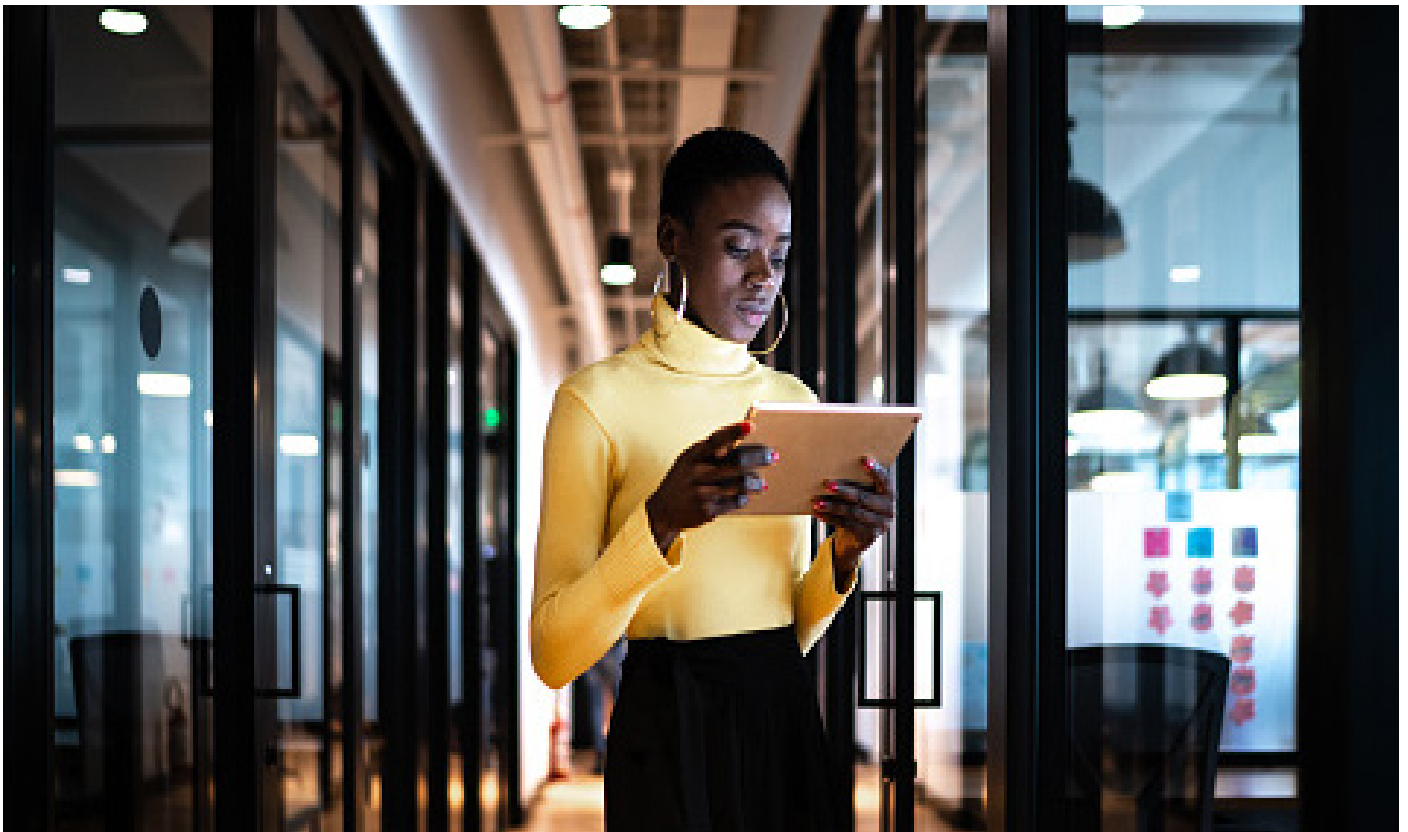
Backlogs of Work Index



Backlogs of work

In line with pressure on capacity from load shedding, Zambian firms registered a seventh successive monthly expansion in backlogs of work. The pace of accumulation of outstanding business eased to the slowest since June, however. Sector data indicated that the increase in work-in-hand was driven by the agriculture segment.

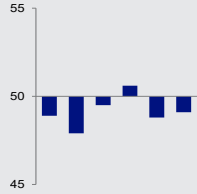
Backlogs of Work Index



Purchasing and inventories

Quantity of Purchases Index

May - Oct '24
sa, >50 = growth



Quantity of purchases

October data indicated a second successive monthly decrease in purchasing activity at Zambian companies. Panellists stated that lower business requirements, alongside cashflow issues, led to the latest reduction in input buying. The pace of decline eased slightly from September and was only slight.

Quantity of Purchases Index

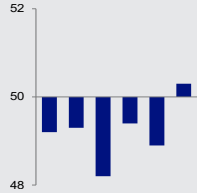
sa, >50 = growth since previous month

49.1
Oct '24



Suppliers' Delivery Times Index

May - Oct '24
sa, >50 = faster times



Suppliers' delivery times

Following five months of deterioration in vendor performance, October data signalled an improvement in supplier delivery times across the Zambian private sector. Lead times shortened only fractionally, but survey respondents linked this to competition among suppliers for work and a higher quality service being provided amid muted demand for inputs.

Suppliers' Delivery Times Index

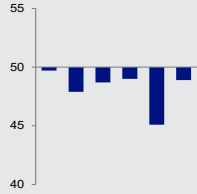
sa, >50 = faster times since previous month

50.3
Oct '24



Stocks of Purchases Index

May - Oct '24
sa, >50 = growth



Stocks of purchases

As has been the case since November 2023, Zambian businesses registered a further decline in pre-production inventories during October. The reduction in stocks of purchases was linked to subdued demand conditions and lower new order inflows, alongside challenges storing items due to load shedding. The pace of contraction softened from September's over four-year low.

Stocks of Purchases Index

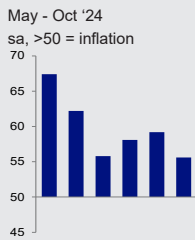
sa, >50 = growth since previous month

48.9
Oct '24



Prices

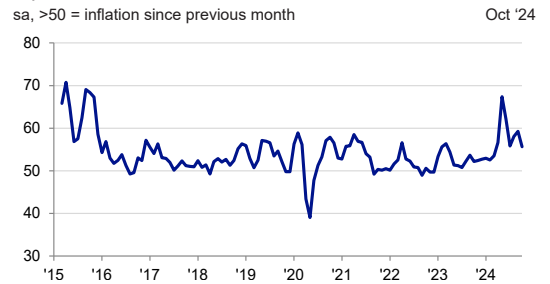
Input Prices Index



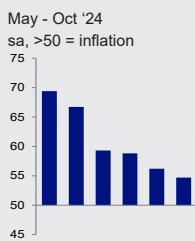
Input prices

Total input costs increased further in October, and at a strong pace. The uptick was driven by higher purchase and staff costs, with the latter signalling a renewed rise. The pace of inflation in overall cost burdens eased, however, to the slowest in seven months.

Input Prices Index



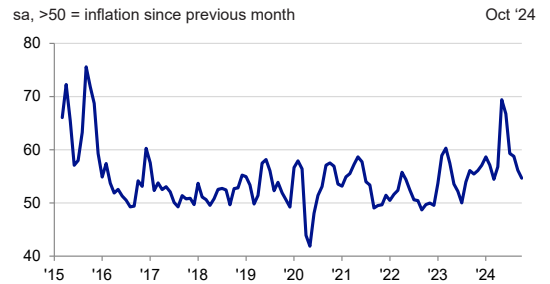
Purchase Prices Index



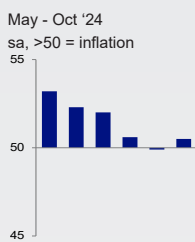
Purchase prices

A softer rise in overall input prices in part stemmed from a slower uptick in purchase prices during October. Zambian businesses recorded the least marked increase since March, albeit one that was broadly in line with the long-run series average. Unfavourable exchange rate movements against the US dollar, greater electricity costs and higher supplier prices reportedly underpinned purchase cost inflation, according to panellists.

Purchase Prices Index



Staff Costs Index



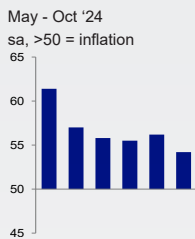
Staff costs

October data indicated a fresh rise in staff costs at Zambian firms, following a fractional drop in September. The rate of wage bill inflation was only marginal, but in line with the long-run series average. Higher staffing costs were commonly linked to greater unsociable working hours payments due to electricity supply schedules and increased cost-of-living payments for employees.

Staff Costs Index



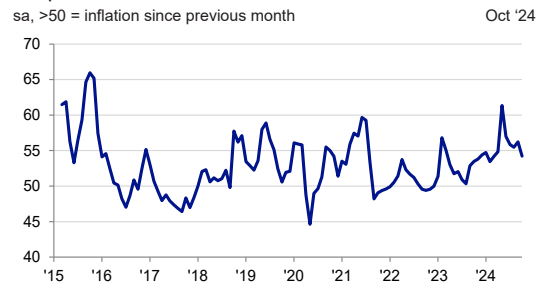
Output Prices Index



Output prices

In line with a softer increase in overall input costs, Zambian businesses raised their selling prices at a moderated pace at the start of the fourth quarter. Anecdotal evidence largely attributed the uptick in output charges to the pass-through of higher costs to customers. The pace of output price inflation was the slowest in seven months.

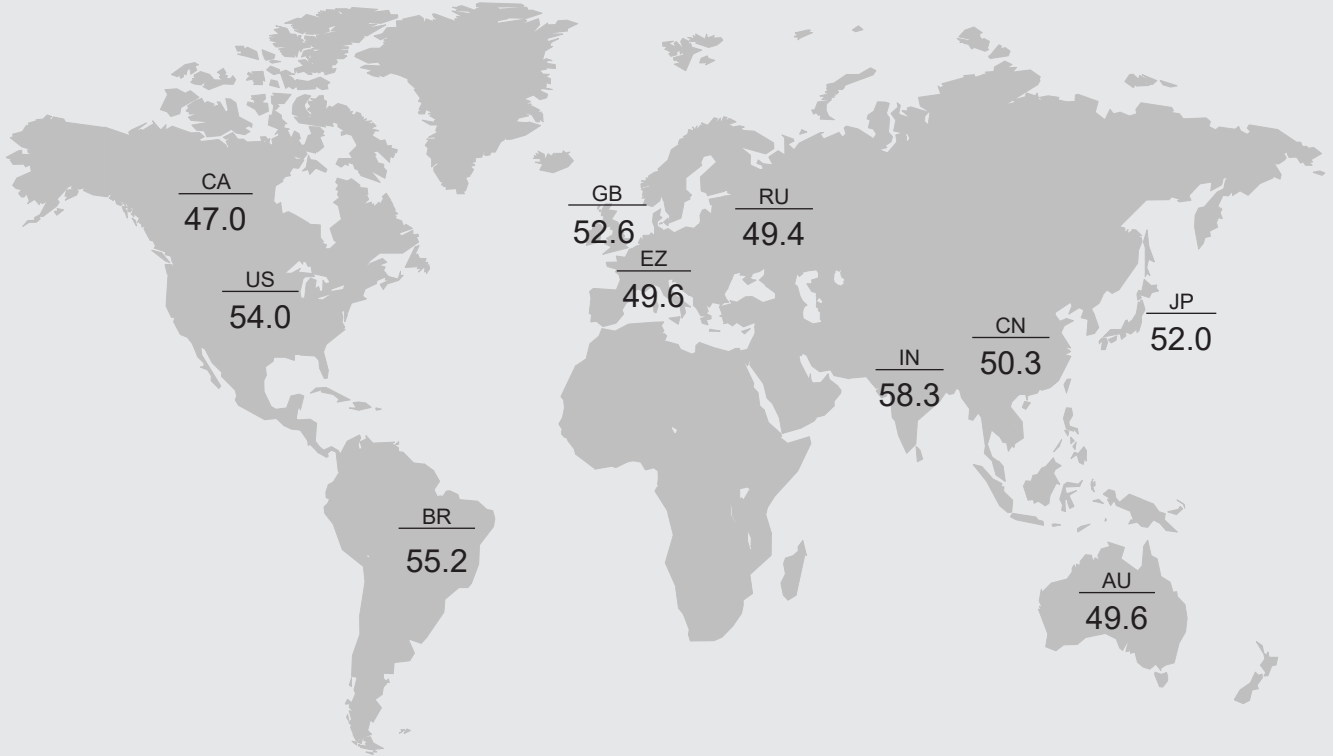
Output Prices Index



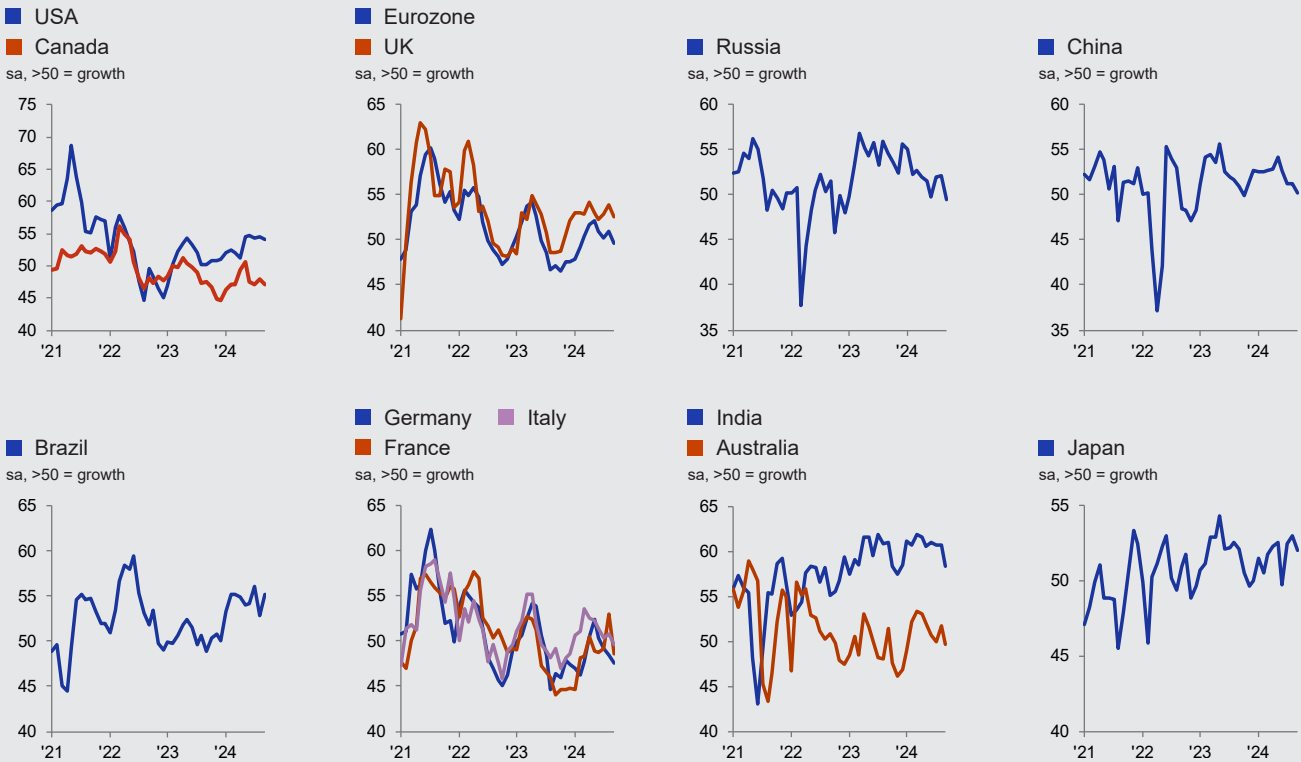
International PMI

Composite Output Index, Sep '24
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



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.

Survey dates

Data were collected 10-25 October 2024.

Survey questions

Private sector

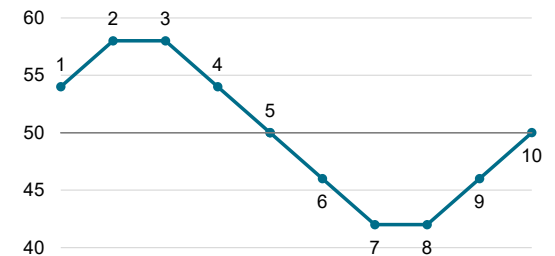
Output	Stocks Of Purchases
New Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	
Suppliers' Delivery Times	

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

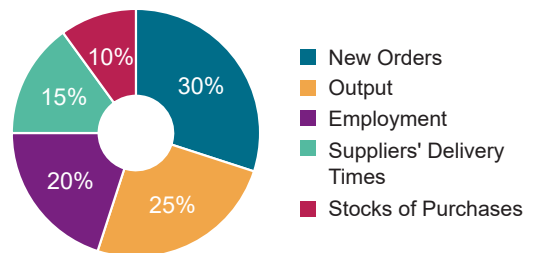
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

Index summary

Private sector

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Overall Input Prices	Purchase Prices	Staff Costs	Output Prices
05 '24	49.4	47.6	49.9	n/a	67.4	49.5	50.4	48.9	49.2	49.7	67.4	69.4	53.2	61.4
06 '24	47.9	45.5	47.2	n/a	66.2	49.7	50.4	47.9	49.3	47.9	62.2	66.7	52.3	57.0
07 '24	49.4	45.3	50.6	n/a	65.4	51.4	50.5	49.5	48.2	48.7	55.8	59.3	52.0	55.8
08 '24	48.3	46.4	47.8	n/a	62.1	49.2	51.4	50.6	49.4	49.0	58.1	58.8	50.6	55.5
09 '24	45.6	43.6	43.8	n/a	58.5	47.0	52.5	48.8	48.9	45.1	59.2	56.2	49.9	56.2
10 '24	47.9	45.6	47.6	n/a	58.9	49.7	50.4	49.1	50.3	48.9	55.6	54.7	50.5	54.2

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About Stanbic Bank

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.

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