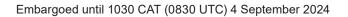
# **News Release**





# **Stanbic Bank Zambia PMI<sup>®</sup>**

# Decline in business conditions intensifies amid renewed drop in new orders in August

# **Key findings**

New business falls as activity still constrained by load shedding

Employment contracts but backlogs continue to rise

Purchase and staff cost inflation eases

August PMI<sup>®</sup> data signalled a further contraction in the overall health of the Zambian private sector. The decline in business conditions stemmed from a continued drop in activity, alongside renewed decreases in new orders and employment. Pressure on capacity remained amid the impact of load shedding, nonetheless, as backlogs of work rose at a faster pace. Concerns regarding supply and future cost increases led to a return to growth in input buying, however.

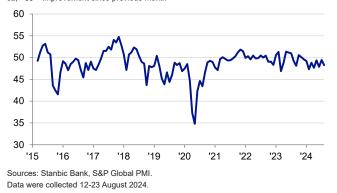
Meanwhile, rates of increase in purchase and staff costs softened. At the same time, firms raised their selling prices at the weakest pace in four months.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (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 48.3 in August, down from 49.4 in July, to signal a modest decline in the health of the Zambian private sector. The latest decline extended the current sequence of contraction that began in late-2023, and was quicker than in the previous survey period.

Contributing to the overall decline was a renewed contraction in new orders during August. The fall was the eighth in the last nine months, with companies suggesting a reduction in purchasing power at customers, load shedding and higher costs dented client demand. The decrease was moderate overall.

The impact of load shedding on power supplies and lower new orders led to a further drop in output midway through the third quarter. Of the five monitored sectors, manufacturing was alone in recording an increase in activity. The pace of contraction overall eased to the slowest in three months, however. Stanbic Bank Zambia PMI sa. >50 = improvement since previous month



# Comment

Mark P. Katemangwe, Head of Trading at Stanbic Bank Zambia Ltd commented:

"Challenges persist in the overall health of Zambia's private sector. New business fell, constrained by load management. The decrease was moderate overall, with companies suggesting a reduction in the purchasing power of customers, as load shedding and higher costs dented client demand."





Despite a renewed fall in employment as a result of muted demand, Zambian firms registered a fifth consecutive monthly rise in backlogs of work in August. Incomplete business reportedly accumulated following power outages and supplier delivery delays.

Moreover, another monthly decline in vendor performance alongside concerns around future price hikes sparked a renewed rise in input buying. Some firms noted efforts to begin building safety stocks as the pace of depletion in inventories slowed to the weakest since May.

On the price front, both purchase and staff costs increased further in August, amid reports of unfavourable dollar exchange rate movements, higher fuel and utility costs, and cost-of-living payments to staff. That said, rates of increase softened to the slowest in four and five months, respectively.

Zambian companies registered another monthly increase in selling prices, meanwhile. August data signalled a historically sharp rise in output charges as firms passed through higher costs to customers. The rate of inflation eased to the softest in four months, however.

Finally, Zambian firms remained upbeat regarding the outlook for output over the coming year in August. Confidence reportedly stemmed from hopes of a stabilisation in the dollar exchange rate and the supply of energy. The degree of optimism slipped for the third month running and was weaker than the series average.

Survey methodology The Stanbic Bank Zambia PMI<sup>®</sup> 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<sup>®</sup>) 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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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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