



Standard Bank Mozambique PMI™

PMI down to 11-month low in March

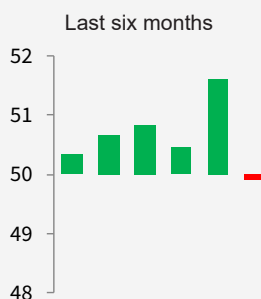
Key findings

Output contracts slightly as sales growth weakens

Slowest rise in employment since April 2019

Cost inflationary pressure eases

Mozambique PMI



Latest Mozambique PMI data showed a contraction in business activity in March. Firms also faced a weaker rise in new work, leading to softer increases in both employment and purchases. Expectations for future output remained strong, however, as input cost inflation eased.

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 fell to 49.9 in March, ticking just below the 50.0 no-change mark and signalling a fractional decline in business conditions at Mozambican firms. The reading was the lowest observed since April 2019 and compared with 51.6 posted in February.

Activity at companies in Mozambique fell slightly during March, the first monthly reduction in five months. Panellists widely reported that weaker demand growth for goods and services led them to lower output.

This was reflected by latest data showing just a marginal upturn in new orders. The rate of expansion weakened due to a number of firms seeing a lack of new clients, which was sometimes associated with the coronavirus disease 2019 (COVID-19) outbreak. That said, other businesses noted stronger sales.

Softer demand growth led firms to scale back the rate of job creation during March. Employment thus rose at the slowest pace for 11 months, with hiring often related to filling vacant roles. Despite this, companies reported only a marginal increase in backlogs that was weaker than that seen in February.

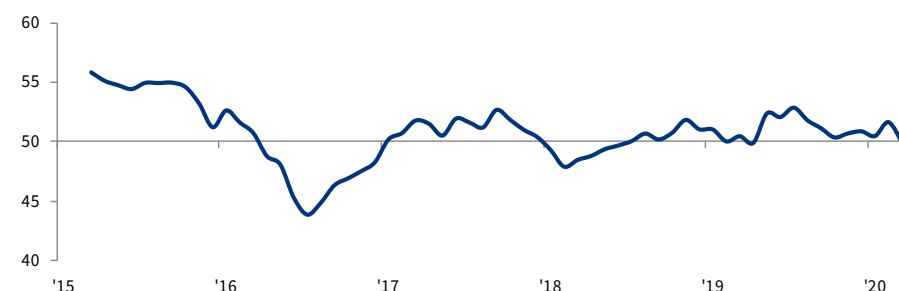
Purchasing activity growth was modest during March, with respondents noting efforts to build stocks. Nevertheless, overall inventories increased only marginally, as some firms struggled to source raw materials and reported delays to some deliveries. These delays were often attributed to the COVID-19 pandemic that caused slower shipments of goods. Efficiency from local suppliers meant that overall delivery times fell, however.

Firms in Mozambique meanwhile saw a solid increase in total input costs, although the rate of inflation softened from the previous month. Some respondents cited a rise in raw material prices due to weaker supply, while others mentioned currency weakness. Output charges were raised for the second month running, albeit only marginally.

Mozambican companies remained optimistic regarding the 12-month outlook for output, with most respondents expecting activity to rise in this period. This was often attributed to plans to introduce new products and expand client bases.

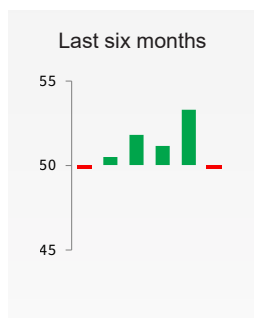
PMI

sa, >50 = improvement since previous month





Output Index



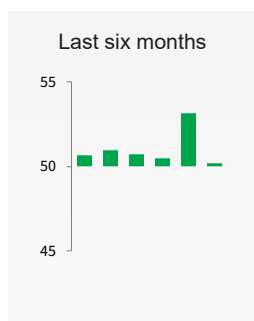
The level of activity at Mozambican businesses fell fractionally in March for the first time in five months. A number of firms reported lowering output due to weaker sales. However, this was mostly offset by stronger activity at other respondents. The latest decline was only the second recorded since the middle of 2018.

Output Index

sa, >50 = growth since previous month



New Orders Index



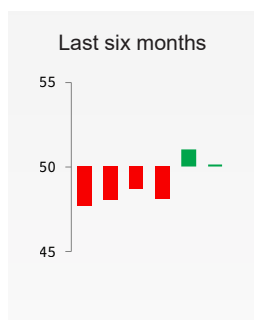
After solid new order growth was registered in the Mozambican private sector in February, demand rose only gradually in March. The rate of increase was the weakest in the current 22-month sequence of upturn. While some businesses noted higher sales, others mentioned a reduction in client numbers, in part related to COVID-19.

New Orders Index

sa, >50 = growth since previous month



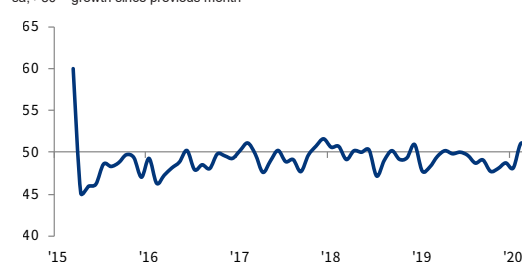
Backlogs of Work Index



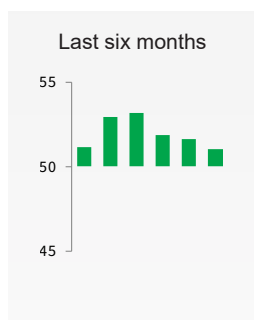
With output and new orders recording fractional movements during March, firms reported only a slight uptick in the amount of work-in-hand. The monthly increase was the second in a row, following a larger, albeit modest, expansion during February. Firms highlighted that softer demand allowed them to keep backlogs stable.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Mozambican businesses registered a further rise in employment at the end of the opening quarter. However, the rate of growth slowed for the third consecutive month, with the latest round of job creation only marginal. Companies that grew workforces linked this to filling open roles.

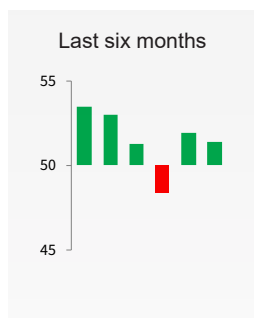
Employment Index

sa, >50 = growth since previous month





Quantity of Purchases Index



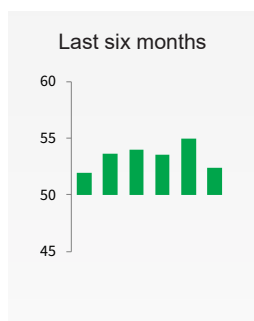
Firms in Mozambique made greater purchases of inputs for the second month in a row during March, after a slight decline at the start of the year. Panellists often attributed this to efforts to build stock. However, the slower increase in new orders meant that the latest rise in purchases was softer than in February, and modest overall.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



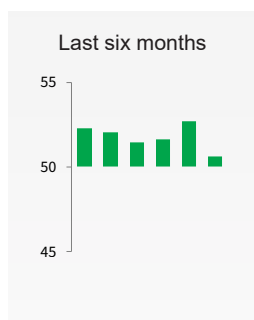
Vendor performance improved again in the latest survey period, extending the current sequence of falling lead times to ten months. Firms largely attributed this to supplier efficiency. At the same time, some respondents noted that the COVID-19 pandemic had an adverse impact on supply chains, particularly at ports, which slightly offset the overall gain.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



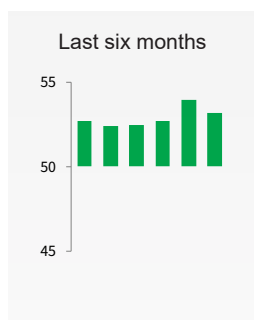
Latest survey data signalled only a slight expansion in inventories of purchased inputs at Mozambican companies in March. The rate of growth slowed from February's five-month high. Despite greater input buying, some firms struggled to increase stock levels due to a lack of raw materials and disruption to suppliers.

Stocks of Purchases Index

sa, >50 = growth since previous month



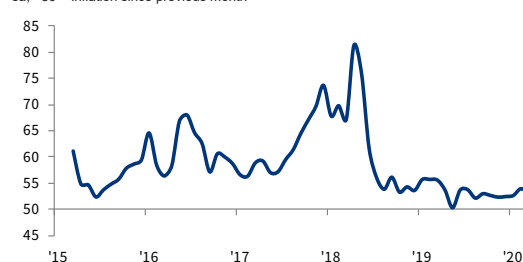
Overall Input Prices Index



March saw a solid increase in overall input prices at firms in Mozambique. The rate of inflation was slightly softer compared to February, but was the second-fastest for eight months. Rises in both purchase prices and staff wages were recorded, though both saw rates of increase slow from the previous survey period.

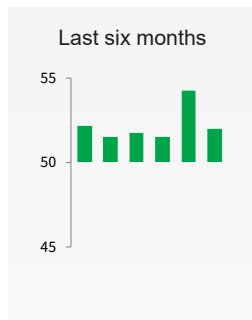
Overall Input Prices Index

sa, >50 = inflation since previous month





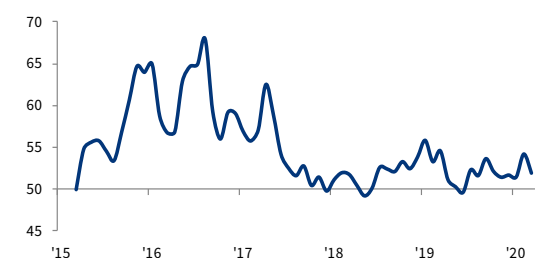
Purchase Prices Index



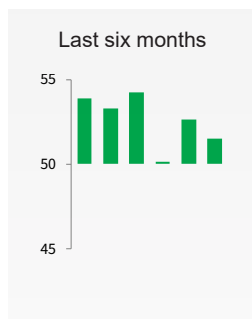
Purchasing costs faced by businesses in the Mozambican private sector rose in March. According to panellists, the uptick in costs arose from currency weakness, higher raw material prices and greater input buying. The rate of inflation was moderate though, and softer than in February.

Purchase Prices Index

sa, >50 = inflation since previous month



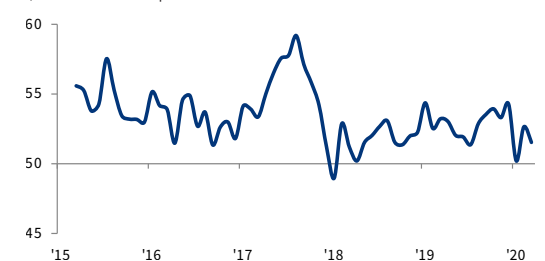
Staff Costs Index



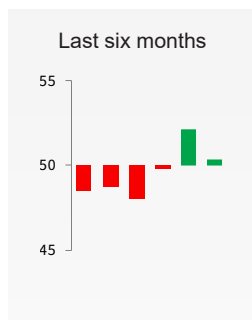
Companies reported just a modest increase in staff wages at the end of the first quarter of the year. The pace of inflation slowed from the previous survey period, and was softer than the average for the current 26-month run of increases.

Staff Costs Index

sa, >50 = inflation since previous month



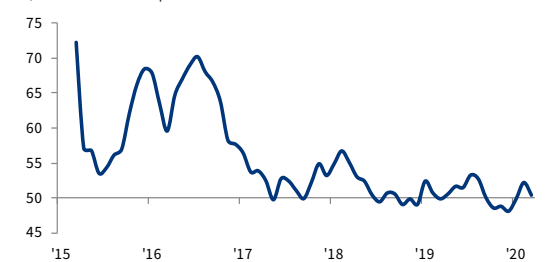
Output Prices Index



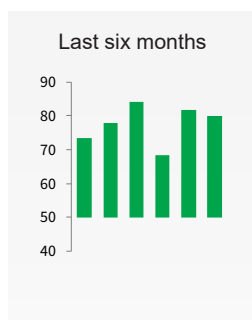
Selling charges rose for the second consecutive month in March, following a prior four-month sequence of decline. Some firms raised charges due to higher costs, though others dropped prices amid increased competition. That said, the respective seasonally adjusted index was just above the neutral 50.0 threshold, indicating only a marginal price increase.

Output Prices Index

sa, >50 = inflation since previous month



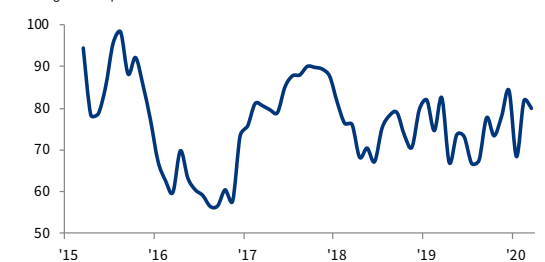
Future Output Index



Businesses were again optimistic that output will increase over the coming year, with around 61% of respondents giving a positive response. Anecdotal evidence often linked optimism to efforts to grow companies through new products and improved client bases. The degree of optimism was slightly weaker compared to February, but remained stronger than the series average.

Future Output Index

>50 = growth expected over next 12 months





Methodology

The Standard Bank Mozambique 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.

March data were collected 12-26 March 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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Standard Bank is established in Mozambique since 1894, actively participating in the development of the country by financing the national economy and placing its vast expertise in the areas of energy, infrastructure and mineral resources available to the national business community and in attracting foreign investment.

Over the past five years, Standard Bank has invested heavily in credit lines for infrastructure projects for the transport of coal, storage of liquid fuels, expansion and construction of airports and roads, as well as projects in the areas of telecommunications and mineral resources.

Standard Bank is a solid and profitable bank with branches in all of the country's provinces and a wide range of products and services for large, small and medium-sized businesses and individuals. The bank reverts part of its profits to the communities where it is inserted, through the implementation of social projects in the areas of health, education and sports.

Member of the Standard Bank Group, the largest African bank in terms of geographic dispersion, results and assets, with presence in 20 countries on the African continent, as well as 6 global financial centres, Standard Bank Mozambique has the financial and human resources to serve and connect clients throughout world.

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