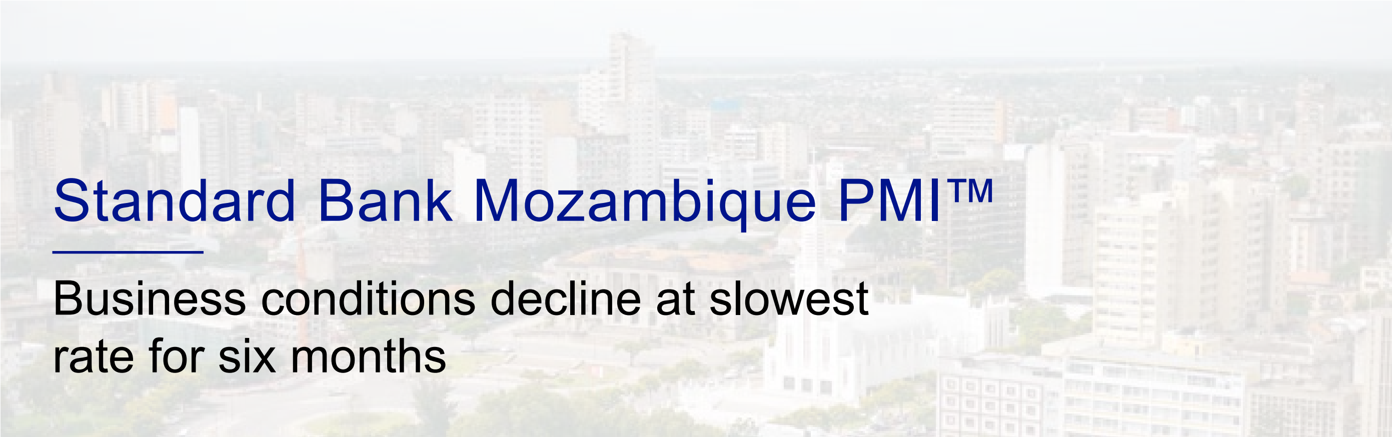
Embargoed until 0800 CAT (0600 UTC) 6 October 2020



Standard Bank Mozambique PMI™

Business conditions decline at slowest rate for six months

Key findings

Output continues to fall sharply, but rate softens

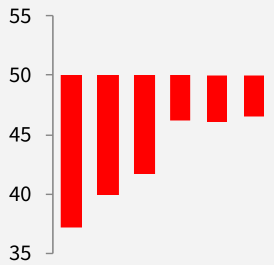
Workforces expand for first time since March

Expectations weaken to near four-year low

Mozambique PMI

SEP
46.6
AUG: 46.1

Last six months



The Mozambican private sector economy recorded further sharp declines in activity and demand in September, according to the latest survey data. The overall downturn eased slightly from August, helped by a first increase in employment for six months. Nevertheless, the outlook among Mozambican firms worsened to a near four-year low.

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 index rose from 46.1 in August to 46.6 in September, signalling a slightly weaker - albeit still solid - deterioration in the health of the Mozambican private sector. The reading marked a seventh successive month of decline, albeit the softest since March.

Coronavirus (COVID-19) restrictions had a further impact on business activity and demand at the end of the third quarter, as a number of surveyed firms reported a drop in client numbers. As a result, new orders fell for the sixth month in a row, albeit at the softest pace in this period.

Output levels continued to decrease in September, as businesses reduced activity in line with weaker sales volumes. The decline softened for the fifth month running, but remained sharp overall. Firms also made additional cuts to purchases and inventories, albeit at slower rates than for output.

More positively, Mozambican companies increased hiring during the month, following a five-month period of job losses amid COVID-19 restrictions. The expansion in workforces reflected efforts by some firms to speed up activity. At the same time, businesses saw only a slight drop in backlogs, the weakest for six months.

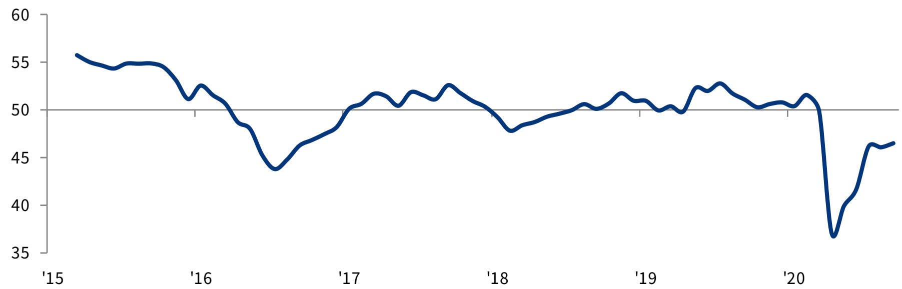
While firms increased employment, there was a more subdued outlook for future activity in September. The degree of confidence for the next 12 months fell to the lowest in nearly four years, amid concerns over the long-run impact of the pandemic.

Meanwhile, the latest data signalled a renewed improvement in input delivery times, as suppliers reportedly added capacity in order to win clients. The improvement offset reports of delays at airports and supply weakness.

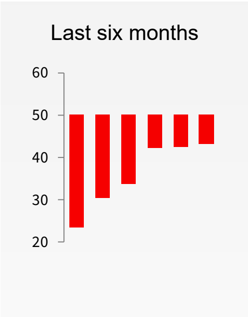
Input prices decreased for the sixth month in a row during September, amid weaker demand for inputs and further cuts to wages. However, as was seen in August, deflationary cost pressure was only mild and far softer than at the height of the pandemic. Meanwhile, a deterioration in exchange rates led firms to raise their charges, marking the third successive increase in selling prices.

PMI

sa, >50 = improvement since previous month

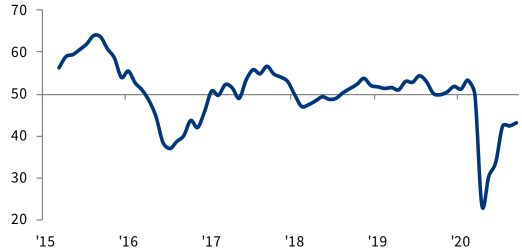


Output Index

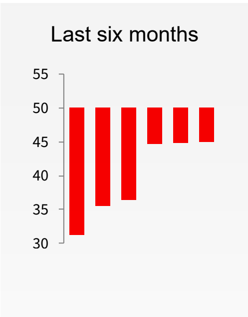


The seasonally adjusted Output Index rose for the fifth month running in September, signalling a slower rate of decline in activity at Mozambican firms. The downturn remained strong overall, however, and was often attributed to weak demand and a shortage of clients amid COVID-19 lockdown measures. That said, it was far softer than seen at the height of the pandemic in April.

Output Index
sa, >50 = growth since previous month



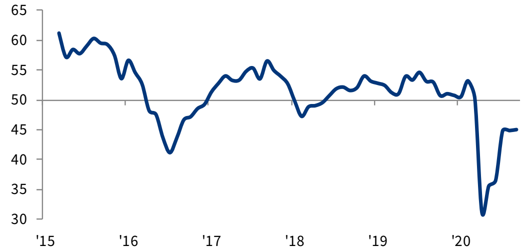
New Orders Index



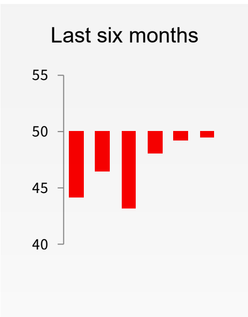
September data signalled a further decrease in new orders received by Mozambican firms, extending the current downturn to a sixth month. The respective seasonally adjusted index ticked up from August, however, to record the weakest fall in the current period of contraction.

While some panellists noted a rise in demand, a higher number of companies reported lower client numbers and business closures amid coronavirus restrictions.

New Orders Index
sa, >50 = growth since previous month

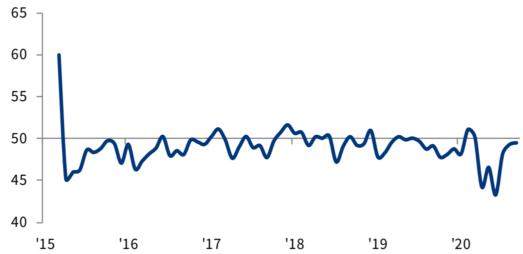


Backlogs of Work Index

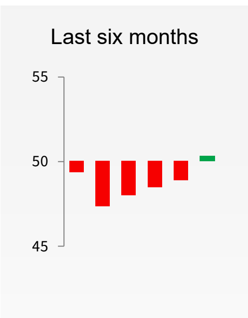


The rate of backlog depletion slowed to just a marginal rate in September, the weakest in the current six-month sequence of decline. Anecdotal evidence showed that several companies were able to complete backlogs due to a lack of new orders. However, some found that restrictions led to a hold-up of production and the provision of services.

Backlogs of Work Index
sa, >50 = growth since previous month



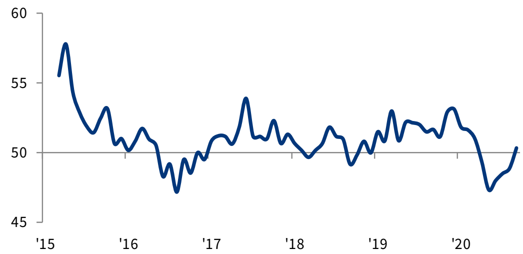
Employment Index



Rising for the fourth successive month in September, the seasonally adjusted Employment Index posted in growth territory for the first time since March. Additions to workforces were reportedly due to some companies looking to speed up activity.

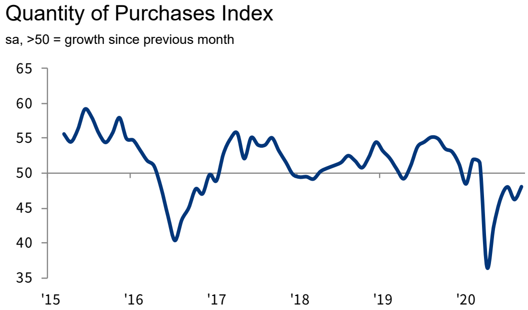
The increase in workforce numbers was only slight though, and notably slower than the survey trend.

Employment Index
sa, >50 = growth since previous month

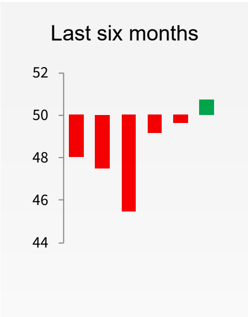


Quantity of Purchases Index

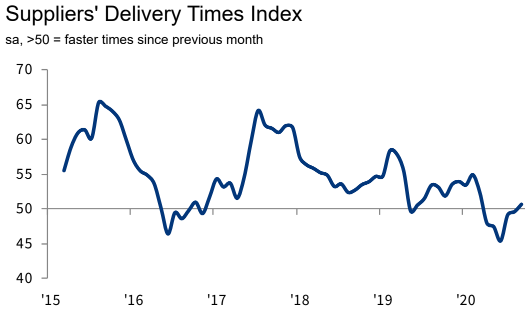
Purchasing activity at private sector firms fell for the sixth month running in September, aligning with the current sequence of output contraction caused by the COVID-19 pandemic. Firms largely commented on a lack of clients and weak demand for materials. The rate of decline in input buying slowed from the previous month, however, and was only modest.



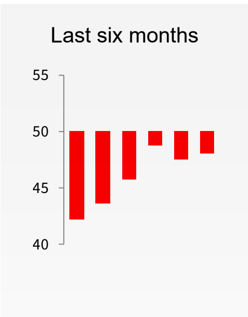
Suppliers' Delivery Times Index



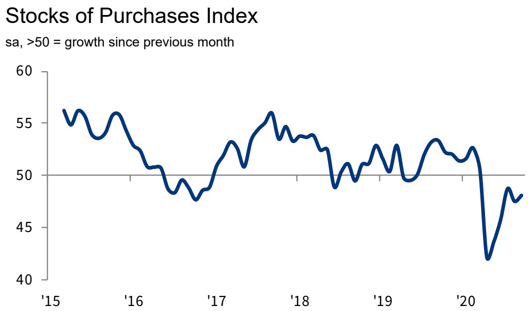
Supplier performance began to improve during September, as the seasonally adjusted Suppliers' Delivery Times Index rose above the 50.0 no-change mark. This ended a five-month run of worsening supply chains. Whilst firms noted further difficulties in the supply of inputs, linked to delays at airports, there were mentions of vendors reducing lead times to win clients.



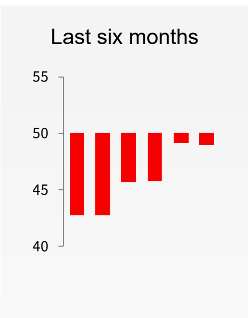
Stocks of Purchases Index



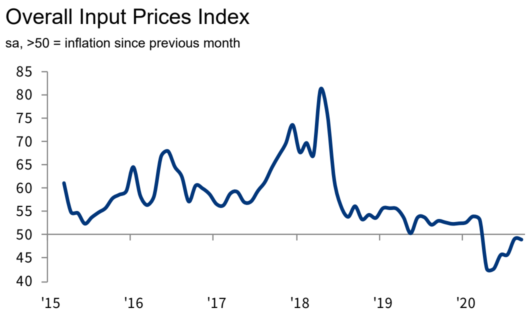
Stocks of purchased items continued to decrease in September. However, the rate of depletion slowed since August, and was the second-weakest for six months. Firms largely attributed inventory cuts to a fall in new business, although some panellists saw demand improve during the month.



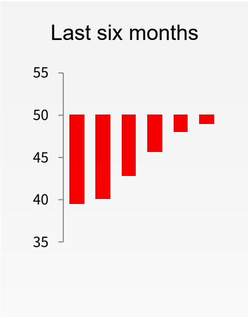
Overall Input Prices Index



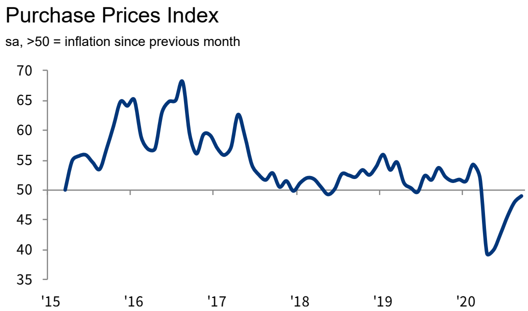
A sixth monthly decline in input prices was seen across the Mozambique private sector in September, as firms continued to report low pressure on purchasing costs and wages due to subdued levels of demand. However, the pace at which costs decreased was little-changed from August's marginal rate, and much softer than during the second quarter of the year.



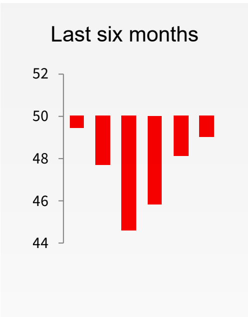
Purchase Prices Index



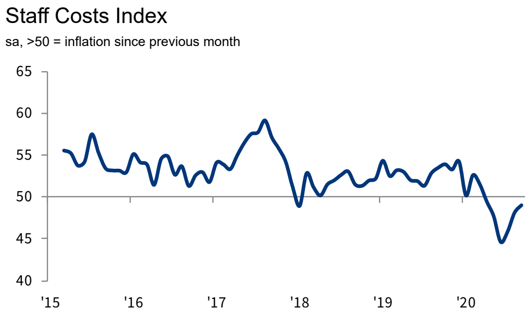
Adjusted for seasonality, the Purchase Prices Index ticked up for the fifth month running in September, moving closer to stabilisation. The latest reading signalled only a slight drop in prices paid for inputs. Panellists often highlighted weak demand for materials, although this was partly offset by a deterioration in the metical against the US dollar.



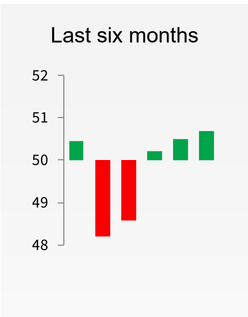
Staff Costs Index



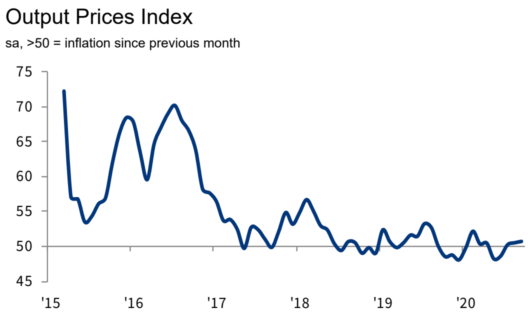
The seasonally adjusted Staff Costs Index saw a steady uptick in September, pointing to a more gradual fall in wages paid to private sector employees. Moreover, the rate of decline was the softest since April. Companies largely blamed the latest reduction on the impact of the pandemic, with some mentioning a delay in the payment of salaries.



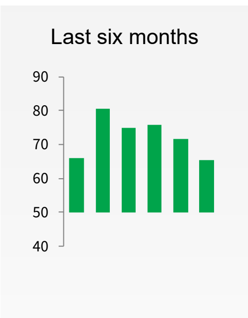
Output Prices Index



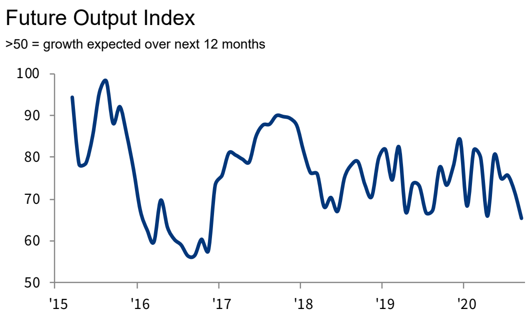
Mozambican firms raised their charges for the third straight month in September, as respondents often commented on a rise in the US dollar value. The rate of inflation accelerated from August and was the quickest in seven months, but remained marginal overall.



Future Output Index



The Future Output Index recorded another fall in September, as businesses were less optimistic of a rise in activity over the year ahead. Notably, the degree of optimism was the weakest seen for nearly four years. While over a third of respondents (34%) still expect activity to improve, there were increasing concerns of the impact of the COVID-19 pandemic on future output, particularly as several businesses remained closed.



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.

September data were collected 11-25 September 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.

About Standard Bank

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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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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