



Standard Bank Mozambique PMI™

New orders fall only marginally in February

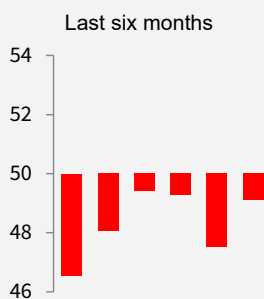
Key findings

Slowest drop in demand of current 11-month downturn

Weaker fall in output offset by renewed job shedding

Business outlook picks up to nine-month high

Mozambique PMI



The downturn in the Mozambican private sector economy eased in February. New business inflows fell at the softest rate in the current downturn, leading to a slower reduction in business activity. Firms also indicated stronger expectations for growth over the coming 12 months as the outlook picked up to the highest since last May.

However, businesses continued to face a number of challenges in the first quarter of 2021, including soft client demand, currency weakness and border closures. Cost inflationary pressures accelerated from January, and a lack of pricing power meant that profits remained under pressure. Firms also shed staff for the first time in four months.

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.

At 49.1 in February, the headline index was up from 47.5 in January to signal a more modest deterioration in the health of the private sector economy. The latest reading extended the sequence of declining business conditions to 12 months.

The rise in the headline index was driven by a softer decrease in new order volumes, as the fall in demand eased to the weakest seen in the current 11-month sequence of decline.

While several firms continued to report lower levels of new business due to the impact of coronavirus, others saw a rise in demand as market confidence strengthened. At the same time, business sentiment rose to its highest since May 2020 as firms projected a rise in customer numbers and improving economic conditions in the near future.

Output levels fell at a slower rate in February, with firms also reducing purchasing activity to a lesser extent. Rising expectations led some firms to rebuild stocks, ending a ten-month sequence of inventory depletion.

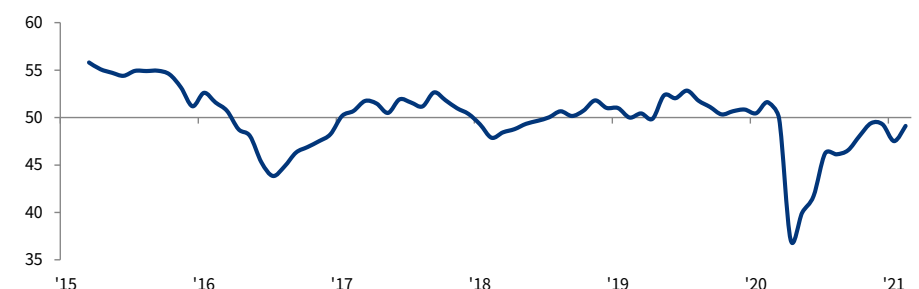
On the flip side, employment numbers fell for the first time since last October, as respondents continued to indicate excess capacity. Job losses were only marginal though, and mainly linked to efforts to cut costs.

Input prices rose at a quicker rate during the month, as businesses noted that currency weakness, border delays and input shortages led to a rise in raw material costs. Some panellists also saw a delay to input deliveries, although input lead times continued to improve overall.

Firms often passed higher costs on to their customers, as output charges rose again in February. That said, the rate of charge inflation remained weak, particularly as some businesses offered discounts in order to gain clients.

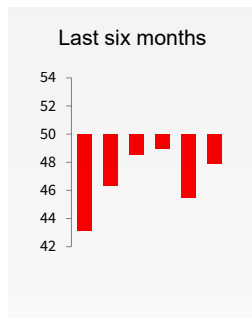
PMI

sa, >50 = improvement since previous month





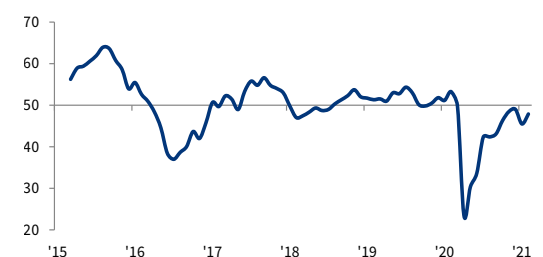
Output Index



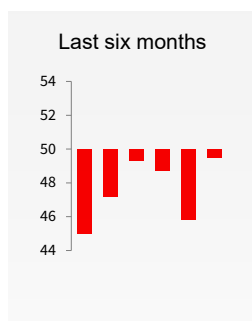
The seasonally adjusted Output Index remained below the 50.0 neutral mark in February, to signal a twelfth straight monthly fall in Mozambican private sector activity. Lower output was mainly linked by panellists to a drop in new orders. However, the index rose from the previous month as the rate of output contraction eased to just a modest pace.

Output Index

sa, >50 = growth since previous month



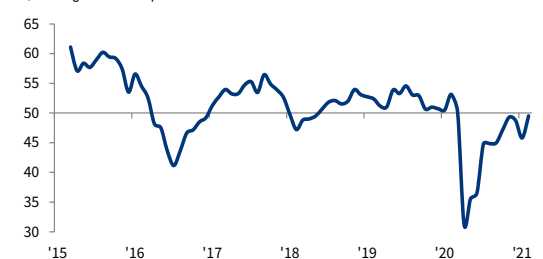
New Orders Index



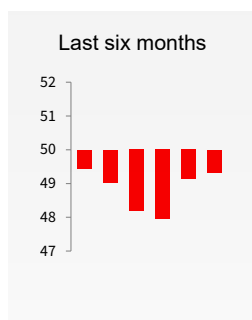
New business received by firms in Mozambique continued to decline midway through the opening quarter of the year. That said, the rate of decrease softened from January and was the least marked in the current 11-month downturn. While several businesses saw a reduction in new orders due to lower client demand, others reported an influx of new work.

New Orders Index

sa, >50 = growth since previous month



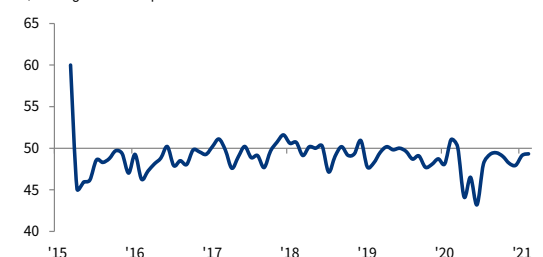
Backlogs of Work Index



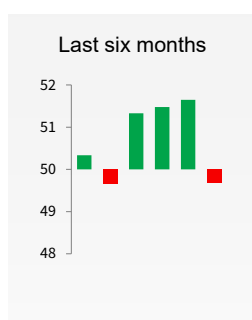
Backlogs of work continued to decline in February, signalling further excess capacity at Mozambican companies. The decrease was mostly attributed by survey respondents to a fall in new orders. Overall though, the respective seasonally adjusted index pointed to only a slight reduction in work-in-hand that was the softest since last September.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Companies resumed their efforts to lower staff numbers midway through the first quarter, as latest data signalled a slight decrease in private sector employment. This followed three successive months of job creation. That said, while several firms reported making redundancies due to COVID-19 and cost-cutting efforts, some continued to hire additional workers.

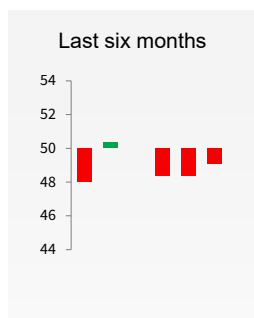
Employment Index

sa, >50 = growth since previous month





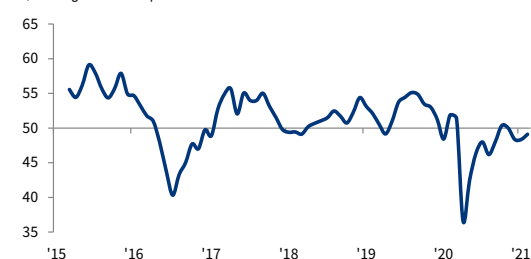
Quantity of Purchases Index



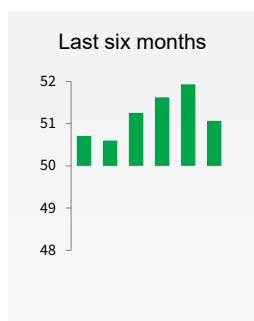
A further reduction in new orders led companies to lower their purchasing activity in February. However, the rate of reduction eased from January and was the slowest seen in the current three-month sequence of decline. This was mainly due to some businesses reporting an upturn in new orders.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



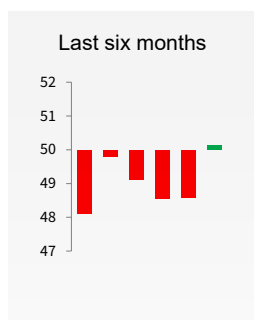
Suppliers continued to make improvements to their delivery schedules in February, leading to a sixth straight month of shortening input lead times. The rate of improvement slowed for the first time since last October, however, and was only marginal. According to anecdotal evidence, increased competition and capacity among vendors helped them to reduce delivery times, although some firms reported delays due to border closures and raw material shortages.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



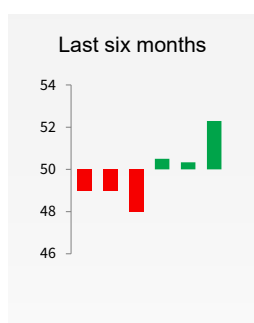
Stocks of purchased items at Mozambican firms were broadly unchanged in February, thereby ending a ten-month sequence of inventory depletion. Firms that stocked more inputs during the month often linked this to higher client demand. However, reduced sales and liquidity issues at other companies largely cancelled out the expansion.

Stocks of Purchases Index

sa, >50 = growth since previous month



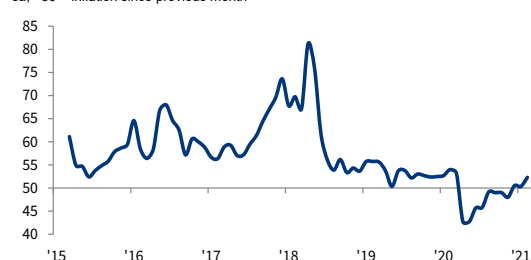
Overall Input Prices Index



Input prices rose for a third month running during February, after having recorded lower prices during the initial impact of the COVID-19 outbreak. Moreover, the rate of inflation accelerated to the sharpest for nearly a year, albeit still much weaker than the series average. Cost pressures were mainly attributed to higher raw material prices and weakness in the metical against the US dollar.

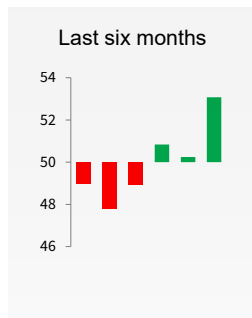
Overall Input Prices Index

sa, >50 = inflation since previous month





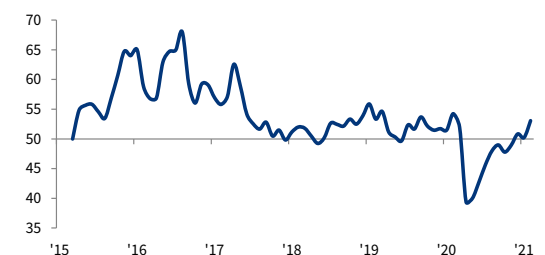
Purchase Prices Index



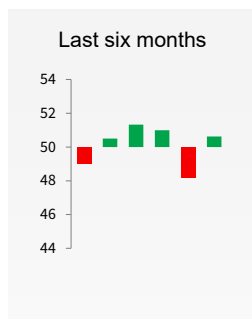
Purchase prices rose at a solid rate in February, continuing the run of inflation seen since the end of last year. Moreover, the pace of increase was the sharpest recorded since February 2020. Currency weakness and rising raw material prices were largely to blame for the uptick, according to panellists, with some also citing the impact of border closures and higher fuel prices.

Purchase Prices Index

sa, >50 = inflation since previous month



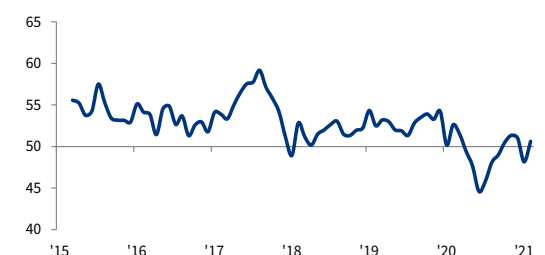
Staff Costs Index



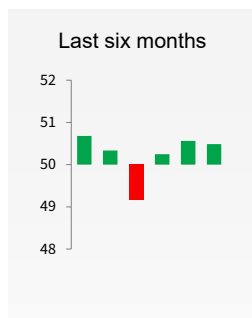
February data signalled a renewed rise in staff costs in the private sector economy, albeit only at a marginal rate. Firms that hired new workers sometimes reported a rise in salaries too. On the other hand, a number of businesses reduced wages due to lower sales.

Staff Costs Index

sa, >50 = inflation since previous month



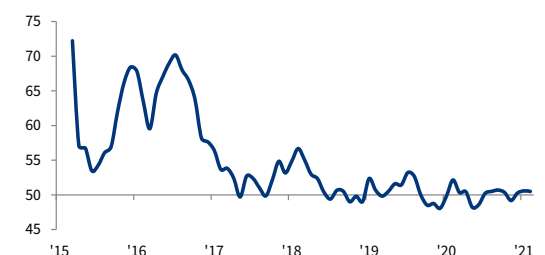
Output Prices Index



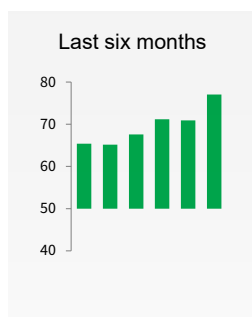
Mozambican companies continued to report the pass-through of higher input costs to clients in February, as output charges increased for the third month running. The rate of inflation was little-changed from the first month of 2021 and marginal, despite a much quicker rise in input prices. Notably, some firms continued to offer discounts to gain additional clients.

Output Prices Index

sa, >50 = inflation since previous month



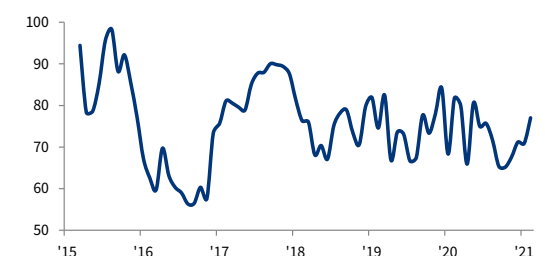
Future Output Index



The Future Output Index rose to its highest level for nine months in February, to signal a strong degree of confidence towards the next 12 months of business activity. Over 59% of respondents projected output to rise within the time frame, amid hopes of increasing customer numbers and accelerating market growth. This compared with just 5% of the survey panel that forecast a decline in activity by February 2022.

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.

February data were collected 11-23 February 2021.

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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