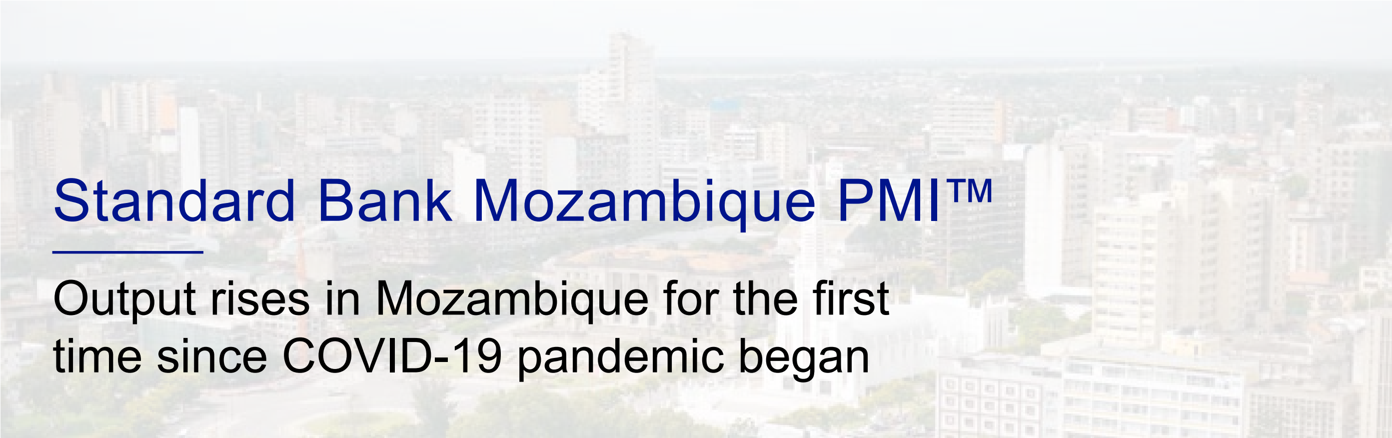


Standard Bank Mozambique PMI™

Output rises in Mozambique for the first time since COVID-19 pandemic began

Key findings

Output and new orders rise for first time since early-2020

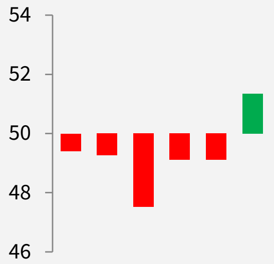
Input purchases expand, but employment falls slightly

Business confidence hits 16-month high

Mozambique PMI

APR
51.3
MAR: 49.1

Last six months



Business conditions improved for the first time in over a year in Mozambique during April, as the latest PMI™ survey data gave initial signs of a recovery from the impact of the COVID-19 pandemic. Firms saw renewed increases in both output and new orders, leading to a strong rise in input purchases and inventory building. This put additional pressure on input costs which rose at the quickest rate since March 2020. Business confidence regarding future output climbed to a 16-month high, but employment numbers continued to fall.

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 51.3 in April, up from 49.1 in March, the headline PMI posted its first reading above the 50.0 neutral mark since February 2020. This signalled the first improvement in business conditions since the economy was first impacted by the COVID-19 pandemic and associated restrictions.

Surveyed firms reported a renewed expansion in output levels during April, that was largely attributed to rising new order inflows and an increase in client numbers. The overall upturn in output was solid, with approximately 22% of businesses reporting higher activity than in March.

Subsequently, purchasing activity was raised at the quickest rate for over a year-and-a-half as companies looked to build their stocks in anticipation of further increases in demand and raw material prices. Rising demand for inputs encouraged an improvement in supplier performance as vendors faced heavy competition, with lead times shortening at a solid pace.

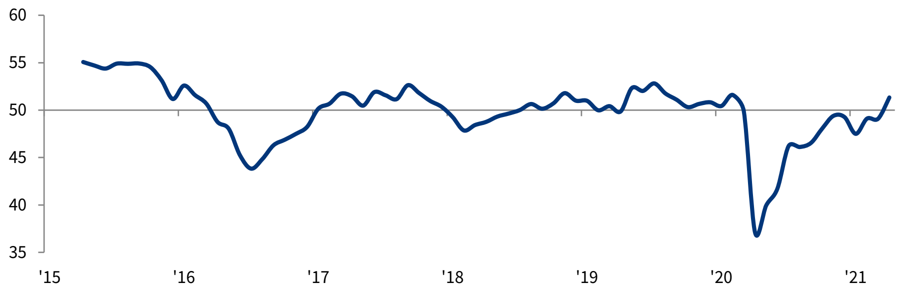
Employment numbers fell for a third straight month, however, leading to capacity pressures at a number of businesses. Notably, backlogs of work rose to the greatest extent since the survey began six years ago.

Input prices were driven higher in April, largely due to a sharp increase in purchasing costs that was attributed to rising demand for raw materials. Overall input costs rose at the fastest rate since March 2020. Firms passed these costs on to customers through an increase in selling charges, although the pace of inflation eased slightly from the previous survey period.

Lastly, business confidence regarding the next 12 months of private sector activity was strongly positive in April. More than two-thirds of respondents expect output to grow amid hopes of greater new business inflows, increased exports and new branch openings. As a result, the degree of optimism was the highest seen since the end of 2019.

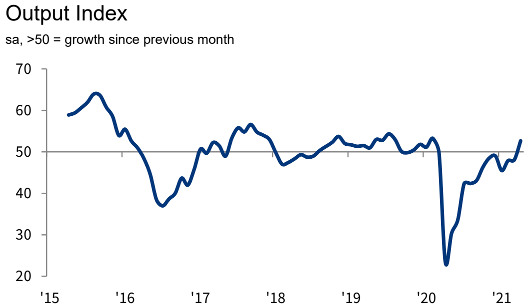
PMI

sa, >50 = improvement since previous month

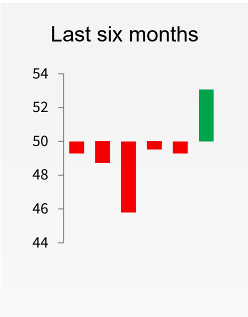


Output Index

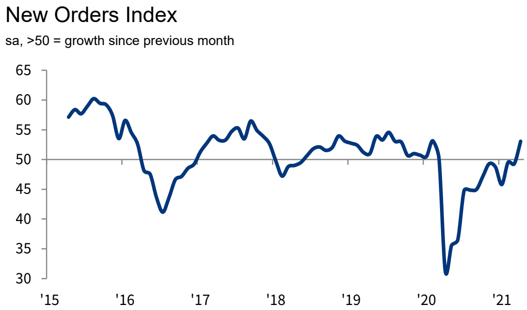
Private sector companies in Mozambique raised output for the first time in 14 months during April. The seasonally adjusted Output Index rose above the 50.0 no-change mark and pointed to a solid rate of activity growth. Where an increase was recorded, firms commented on a surge in new orders and greater client numbers. Higher output was seen across all five monitored industries in April, with growth led by wholesale & retail.



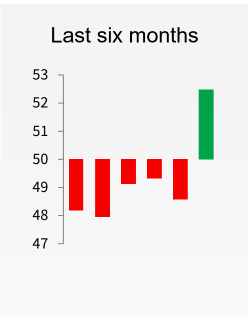
New Orders Index



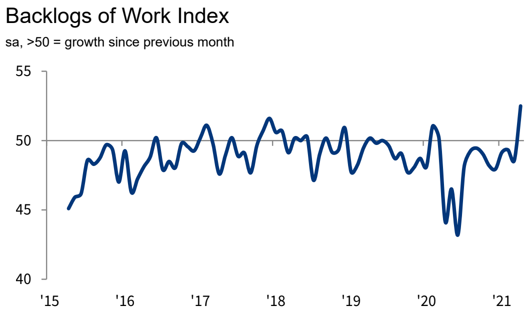
Adjusted for seasonal variation, the New Orders Index climbed above the 50.0 no-change mark at the start of the second quarter. The overall rise in sales was solid and the joint-fastest since July 2019. Panellists often linked the upturn to new clients and a recovery in economic activity from COVID-19. Rising demand was seen in all sectors but was particularly marked at service providers.



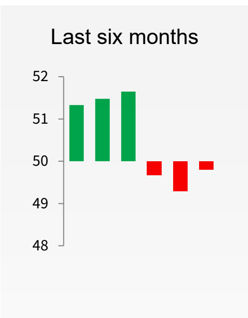
Backlogs of Work Index



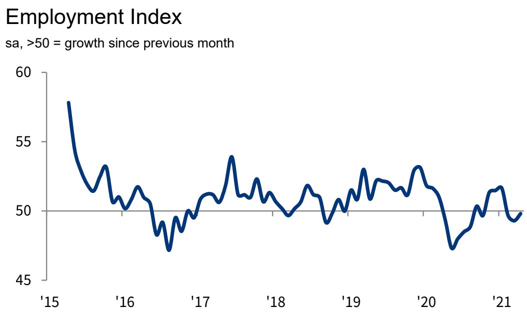
A rise in new orders led to a renewed accumulation in backlogs of work in April. Moreover, the rate of increase was the sharpest seen in six years of data collection. Companies that recorded higher backlogs generally related this to stronger demand, with some mentioning supply shortages and delays linked to the pandemic.



Employment Index

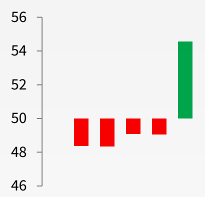


Employment in the Mozambican private sector fell for a third successive month in April. That said, the rate of decline eased from the previous survey period and was close to stabilisation. Staff reductions were recorded in the wholesale & retail sector, but expansions were seen in the four remaining categories.



Quantity of Purchases Index

Last six months



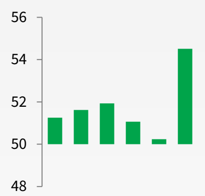
The volume of inputs purchased by Mozambican companies increased sharply in April, which panellists mainly linked to rising output requirements. Notably, this marked the first month-on-month rise in purchases since last October, and the sharpest for over one-and-a-half years.

Quantity of Purchases Index

sa, >50 = growth since previous month

Suppliers' Delivery Times Index

Last six months



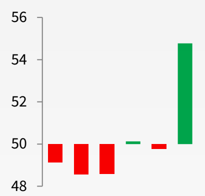
Rising demand for inputs encouraged stronger competition among vendors in the latest survey period, as respondents commented on efforts by suppliers to win clients. This drove a sharp reduction in average lead times that was the most marked since February 2020. Delivery times improved across the agriculture, construction and wholesale & retail sectors, but worsened slightly among manufacturers.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

Stocks of Purchases Index

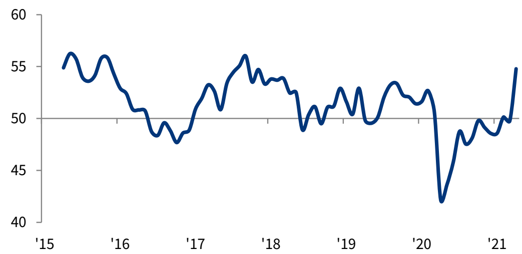
Last six months



Stocks of purchased items at private sector firms rose sharply at the start of the second quarter. The respective seasonally adjusted index climbed above the 50.0 no-change mark to signal the largest intake of stocks since September 2017. Panellists reported that inventory building was largely due to higher client demand, with some mentioning efforts to avoid risk from exchange rate fluctuation.

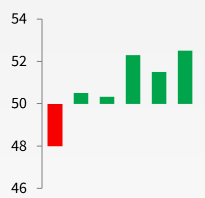
Stocks of Purchases Index

sa, >50 = growth since previous month



Overall Input Prices Index

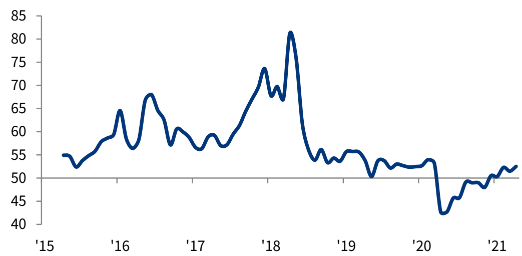
Last six months



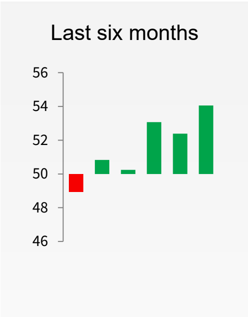
The current run of input price inflation stretched to a fifth successive month during April, with latest data signalling a moderate increase in overall cost pressures. Moreover, the pace of inflation was the strongest seen for over a year, mainly due to rising purchase costs. Construction was the only sector to see a fall in input prices during the month.

Overall Input Prices Index

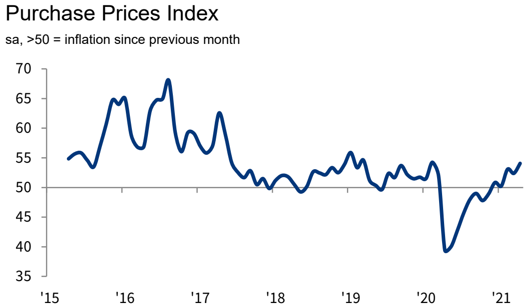
sa, >50 = inflation since previous month



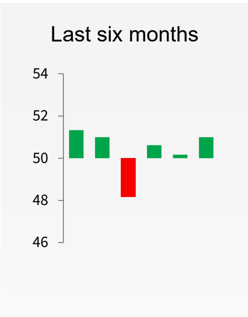
Purchase Prices Index



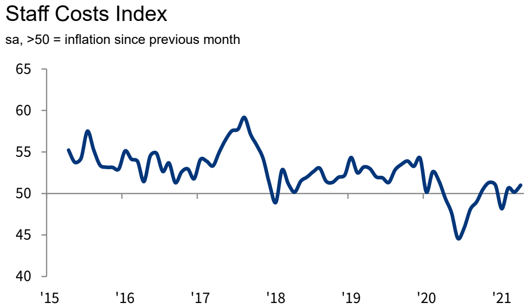
Purchase prices rose at a sharp and accelerated rate during April, as the respective seasonally adjusted index ticked up to a 14-month high. Firms indicated that a rise in input demand and fluctuations in the value of the metical led suppliers to raise their prices. Some firms also mentioned an increase in transport costs.



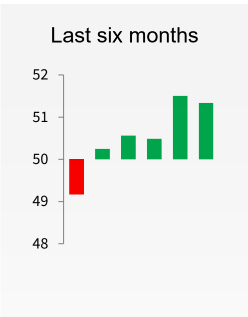
Staff Costs Index



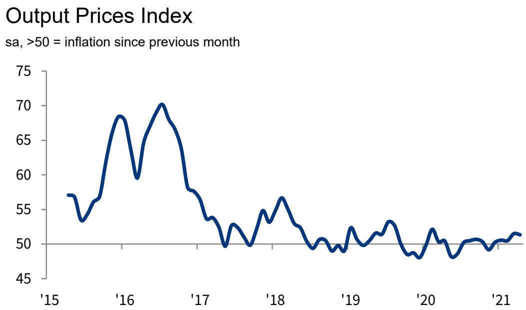
Staff costs at Mozambican firms rose for a third straight month in April. However, despite accelerating to the quickest since last December, the rate of increase was only slight. Panellists that reported a rise in salaries often commented on greater hiring activity, but this was largely offset by wage cuts elsewhere that were partly linked to COVID-19.



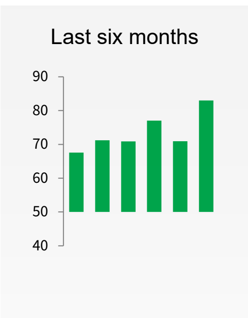
Output Prices Index



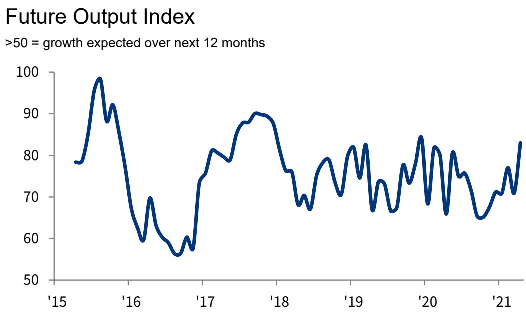
Firms continued to mark up their selling prices in line with an increase in input costs during April. However, the rise was modest and slightly weaker compared to March. Roughly 8% of respondents raised their prices charged in April, compared to 5% that posted a decline.



Future Output Index



Business expectations regarding future activity in Mozambique were robust in April, with over two-thirds (68%) of respondents expecting output to rise by April 2022. This drove the Future Output Index to its highest level since December 2019. Firms were largely expectant of a rise in new business inflows through quality improvements, higher exports and new branch openings.



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.

April data were collected 12-27 April 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.

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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