

Standard Bank Mozambique PMI™

Sustained growth in Mozambican economy in May

Key findings

Output and new business rise for second month in a row

Job numbers expand for first time in four months

Expectations for future output at 17-month high

Data were collected 12-25 May 2021.

For the second month running, PMI™ survey data indicated an expansion in the Mozambican economy during May, as businesses recovered from the impact of the COVID-19 pandemic. Output and new orders continued to grow, albeit at slightly weaker paces compared to the initial uplifts in April. Employment rose for the first time since January, while the outlook for future activity improved to the strongest since December 2019.

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.

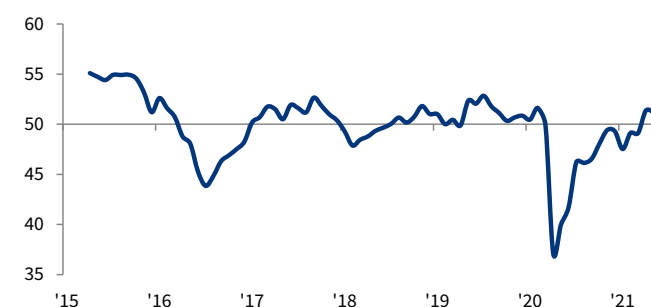
At 51.2 in May, the headline PMI was broadly in line with April's 51.3 to signal a second consecutive monthly improvement in the health of the private sector economy. This followed 13 straight months of decline that were largely attributed to the COVID-19 pandemic.

The expansion was primarily driven by an increase in output levels during May. The pace of growth slowed from the previous month and was modest, but nonetheless indicated only the second upturn in activity since March 2020.

Increasing output was widely linked to an uplift in new order volumes for the second month running. Firms often attributed the expansion to higher customer orders and

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

improving confidence that the impact of the pandemic will recede.

Showcasing this confidence, overall business expectations for the next 12 months improved to the strongest since December 2019. Over two-thirds of respondents expect output to continue growing, linking this to forecasts of higher sales and business investment.

Subsequently, employment levels were increased for the first time in four months as firms looked to expand their capacity in anticipation of a strong economic recovery. This allowed firms to reduce their backlogs after a renewed increase was recorded in April.

At the same time, purchasing activity increased sharply for the second month in a row. Suppliers continued to deliver more quickly, enabling firms to build their inventories for the third time in four months, albeit to a lesser extent in comparison to April.

On the prices side, Mozambican firms reported only a slight uptick in purchasing costs in May, with the rate of inflation softening to a four-month low. In contrast, there was the quickest increase in staff costs in 2021 so far, as job creation led some firms to raise overall pay. Stronger cost pressures were largely passed on to consumers during the month, as output charges rose for the sixth month running, albeit only slightly.



Comment

Fáusio Mussá, Chief Economist - Mozambique at Standard Bank commented:

"Mozambique's growth prospects have diminished materially as security challenges have caused yet further delays in the implementation of the Rovuma Basin liquified natural gas (LNG) projects. Terror attacks in the Cabo Delgado province resulted in both a humanitarian crisis and a diminished outlook for foreign direct investment (FDI), with negative fiscal and growth implications.

"The ease in Covid-19 related restrictions, combined with some recovery in agricultural output and easing inflation pressures, seem to be having a positive effect on disposable incomes and economic activity in the second quarter of the year. However, as published in the May edition of Standard Bank's African Markets Revealed, GDP growth will likely remain slow this year at 1.6% y/y, accelerating to 2.2% y/y next year.

"For now, from a sentiment point of view, easing Covid-19 restrictions seem to be offsetting the negative impacts of remaining security challenges. Total's force majeure declaration on its USD20bn LNG project elevated real interest rates and FX liquidity shortages in the market. At the time of writing, the metical maintained a depreciation bias, with the USD/MZN pair trading above the psychological 60 level. We maintain expectations of year end inflation at 6.4% with the MZN/USD pair closing at the 65.4 level."

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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.

May data were collected 12-25 May 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.

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 more than US 200 million 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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