



Standard Bank Mozambique PMI™

Business conditions deteriorate in August amid tightened lockdown rules

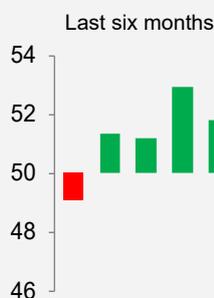
Key findings

Output and new orders fall for first time since March

Job numbers rise at slower pace

Business confidence remains strong

Mozambique PMI



Mozambique's private sector economy fell back into decline in August, as COVID-19 restrictions were tightened in response to a rise in cases. Output, new orders and purchasing all fell at the quickest rates since January, while employment levels rose at a much softer pace. Despite easing to a five-month low, business confidence remained strong, with firms hoping that economic conditions will recover quickly.

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 PMI fell to a seven-month low of 47.9 in August, down from 51.8 in July and posting below the 50.0 level for the first time in five months. The reading signalled a moderate deterioration in the health of the private sector economy as output, new orders and input inventories all decreased since July.

The downturn was overwhelming linked by surveyed firms to a tightening of COVID-19 measures, including curfew hours, temporary business closures and the banning of private social gatherings. These measures led to a solid drop in client demand and a decline in business capacity, with both the output and new orders indices falling to their lowest levels since January.

Sector data showed that the manufacturing and services areas of the economy were the hardest hit, with agriculture firms also seeing a loss of demand. Conversely, construction was the only sector to see continued expansions in both output and new orders.

With sales dropping and firms keen to reduce holding costs, input buying was scaled back at the quickest pace in seven months during August. This helped vendors to make efficiency gains, as input lead times shortened for the twelfth month running.

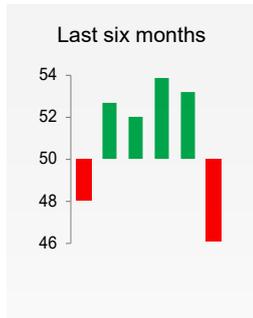
Reduced demand for inputs also led suppliers to offer lower prices, resulting in the first drop in purchasing costs since November 2020. Staff costs also declined in the latest survey period. As a result, the overall rise in input costs softened to a three-month low, with upward pressure largely due to rising freight prices. Notably, the rate of selling charge inflation also weakened to a three-month low.

Despite the sharp loss of momentum in August, firms remained largely confident that output will rise over the next 12 months, with many hoping that disruption from COVID-19 restrictions will be short-lived. As a result, Mozambican companies continued to add to their workforces, though the rate of job creation softened considerably from July and was only marginal.





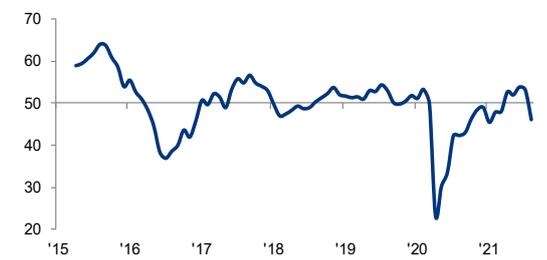
Output Index



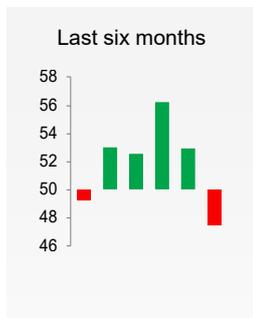
Output in the Mozambican economy contracted in August, thereby ending a four-month sequence of growth. The decline was the sharpest since the beginning of 2021 and broadly widespread across the private sector, with construction the only monitored category to see an overall increase. Firms commonly linked the reduction to a tightening of COVID-19 lockdown measures, including nightly curfews, temporary business closures and the banning of social gatherings.

Output Index

sa, >50 = growth since previous month



New Orders Index

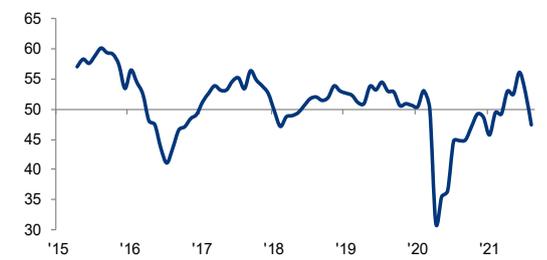


The reimplementing of lockdown rules also led to a renewed decrease in new order volumes in August. This was highlighted by the respective seasonally adjusted index falling below the neutral 50.0 mark. As was the case for output, the rate of decline was the fastest for seven months.

At the sector level, new orders declined the most among manufacturing firms, with agriculture and services also seeing a downturn. By contrast, demand rose in construction and wholesale & retail.

New Orders Index

sa, >50 = growth since previous month



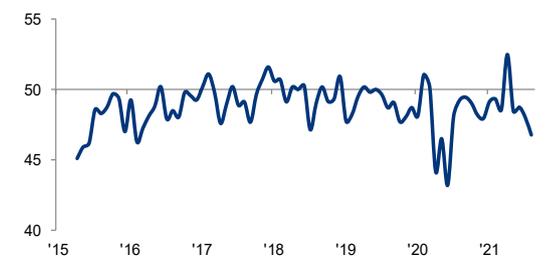
Backlogs of Work Index



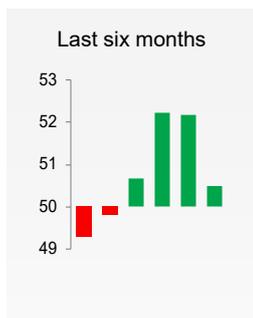
With total sales falling in August, Mozambican businesses were better able to manage backlog volumes. This resulted in a fourth straight monthly decline in outstanding work, and the quickest recorded since June 2020. That said, some firms noted that COVID-19 restrictions and supplier delays stopped them from completing some orders.

Backlogs of Work Index

sa, >50 = growth since previous month



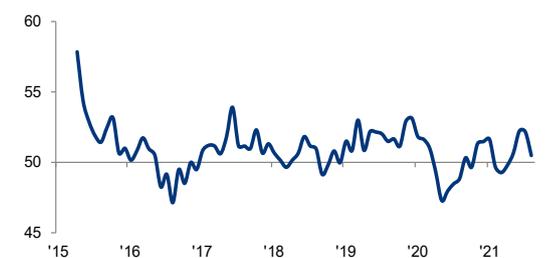
Employment Index



Whilst remaining above the 50.0 level, the seasonally adjusted Employment Index signalled a much slower rise in job numbers than in July. Moreover, the pace of job creation slipped to a four-month low, which firms linked to a reduction in new work due to COVID-19 measures. Construction, services and wholesale & retail all registered a softer increase in employment compared to the previous survey period, while agriculture and manufacturing both saw a renewed decline.

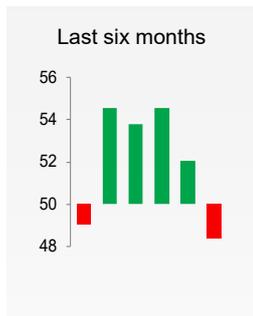
Employment Index

sa, >50 = growth since previous month



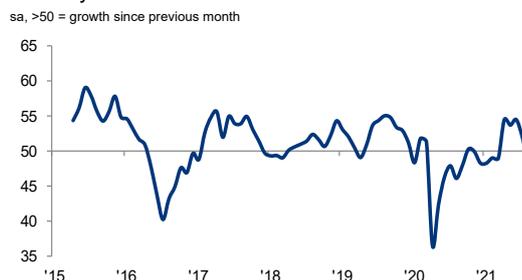


Quantity of Purchases Index

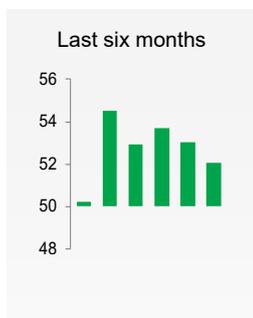


Falls in output and new orders coincided with a renewed decrease in buying activity across the Mozambican private sector. Moreover, the rate of decline was the strongest since January, albeit only modest overall. Firms that reduced their purchases related this to a drop in client numbers and efforts to lower stock levels.

Quantity of Purchases Index

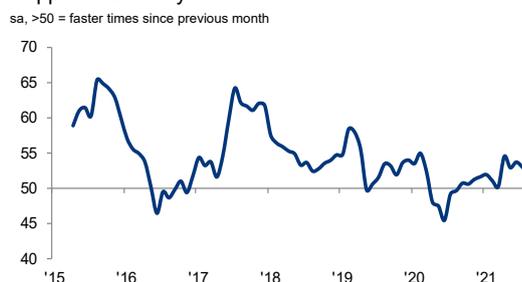


Suppliers' Delivery Times Index



A reduction in input demand contributed to an improvement in supplier efficiency midway through the third quarter. Delivery times shortened again, albeit to the smallest degree in five months. Nevertheless, vendor performance has now improved continuously for a whole year, the longest sequence since that which ran until April 2019.

Suppliers' Delivery Times Index

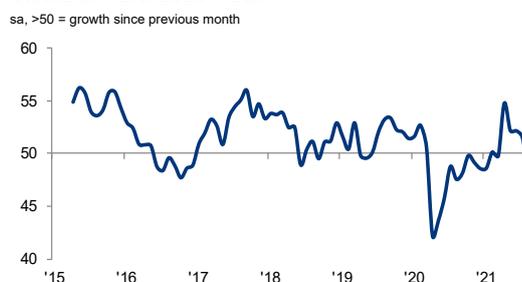


Stocks of Purchases Index

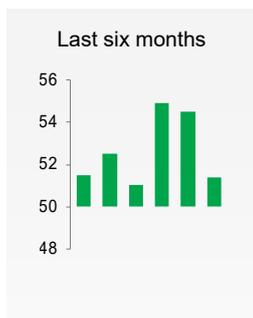


Stocks of purchases among Mozambican companies declined in August, thus ending a four-month run of stock accumulation. In addition, the rate at which inventories were depleted was the quickest in nearly a year. Survey panellists largely attributed this to a loss of sales due to tighter restrictions.

Stocks of Purchases Index

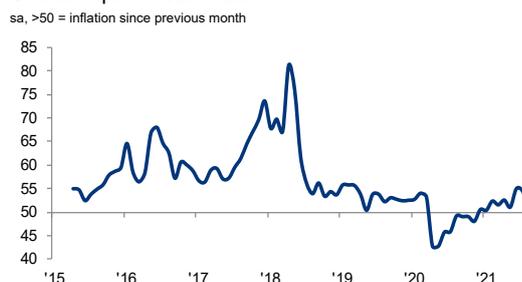


Overall Input Prices Index



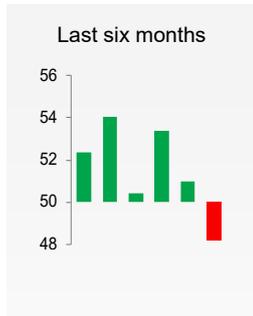
The pace of overall input price inflation slowed sharply in August, after having reached a 27-month high in June. The latest mark up in prices was modest and softer than the average seen in the current nine-month run of inflation. While firms continued to see rising costs linked to supply shortages, inflationary pressures were eased by a drop in input demand and staff salaries. Of the five monitored sectors, construction was the only one to see a drop in overall input prices.

Overall Input Prices Index





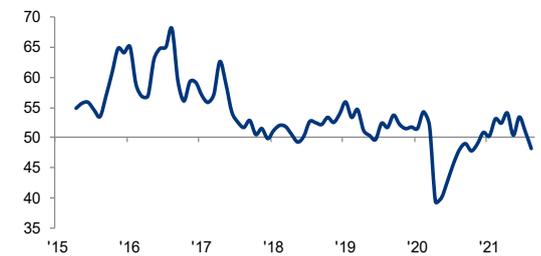
Purchase Prices Index



A decline in input purchases led suppliers to moderate their prices during August, resulting in a renewed decrease in overall purchasing costs. The fall was the first recorded since November 2020. Agriculture, manufacturing and services firms all saw a renewed drop in purchase prices over the month.

Purchase Prices Index

sa, >50 = inflation since previous month



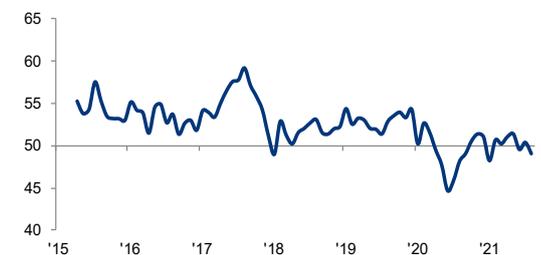
Staff Costs Index



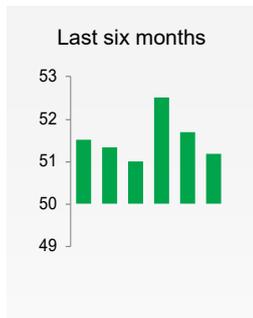
For the second time in three months, the seasonally adjusted Staff Costs Index registered below the 50.0 no-change mark in August. The reading pointed to a fall in private sector salaries, which panellists linked to a reduction in workloads. Whilst only marginal, the pace of decline was the fastest since the opening month of the year.

Staff Costs Index

sa, >50 = inflation since previous month



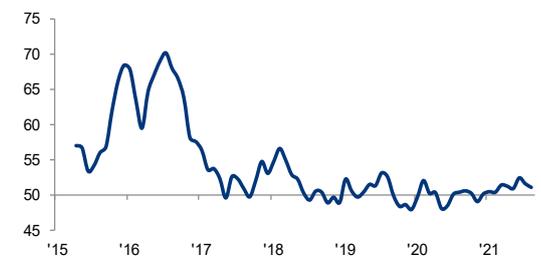
Output Prices Index



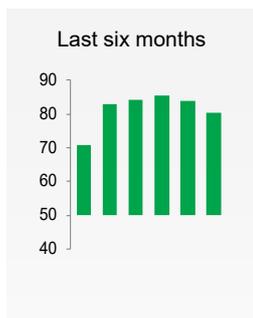
With cost pressures easing, fewer firms marked up their output charges during August, with the overall rate of inflation softening further from June's recent high. Moreover, some firms reported lowering their prices due to softer demand. Selling prices fell at manufacturing and services companies, but continued to rise in the agricultural, construction and wholesale & retail sectors.

Output Prices Index

sa, >50 = inflation since previous month



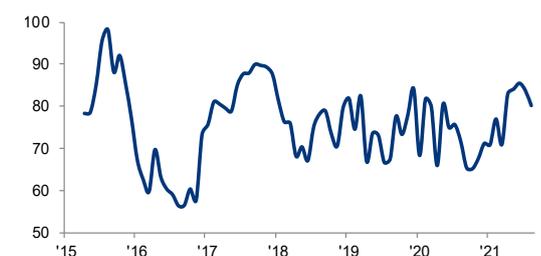
Future Output Index



The Future Output Index fell for the second straight month in August, to indicate a slightly less optimistic forecast for activity in 12 months' time. Overall optimism remained strong, however, and was above the series long-run trend. Firms were largely expectant that COVID-19 restrictions would be eased and that economic conditions would recover quickly.

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.

August data were collected 12-25 August 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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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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