



Standard Bank Mozambique PMI™

Private sector edges into expansion in September

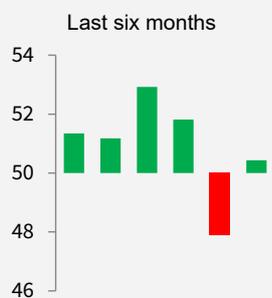
Key findings

New orders recover modestly after decline in August

Output continues to fall, but only slightly

Job creation quickens as confidence improves

Mozambique PMI



The Mozambique PMI™ signalled a renewed improvement in business conditions in September, after falling back into decline over August. New orders rose at a modest pace, helping to boost confidence and growth in employment. Input purchases also rose, but output levels decreased for the second month running. Renewed upticks in both purchase and staff costs meanwhile drove a sharp rise in overall cost burdens, leading to the fastest increase in output charges since June.

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 50.4 in September, the headline index was back above the 50.0 neutral mark to signal a slight recovery in overall business conditions in the private sector economy. This followed a tightening of COVID-19 lockdown measures that led the index to a seven-month low of 47.9 in August.

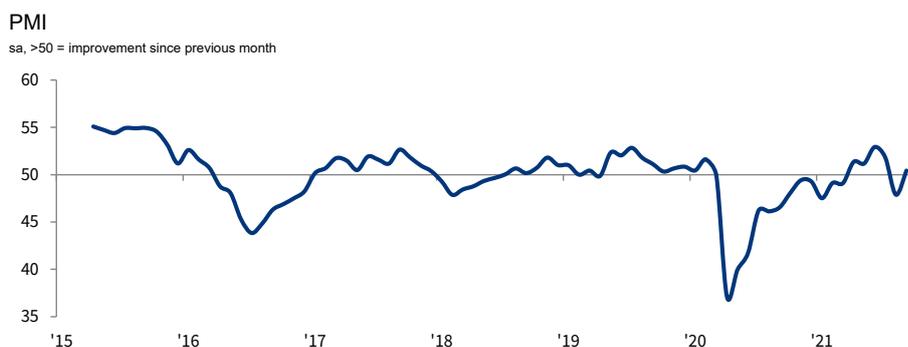
New orders at Mozambican businesses increased in September, as firms reported an uplift in client demand. That said, the rate of growth was modest and weaker than those seen in the four months prior to August. Manufacturing was the main drag on the economy, as all other monitored sectors saw a rise in sales in the latest survey.

Higher sales encouraged firms to raise their employment levels at the end of the third quarter, with the rate of job creation accelerating from August. Confidence for future activity meanwhile strengthened for the first time in three months, with around 65% of panellists expecting an improvement over the coming year.

Whilst total output decreased for the second month running in September, the rate of decline eased markedly from August and was only marginal. Latest data suggested that output capacity remained higher than demand, as firms were able to reduce their backlogs of work.

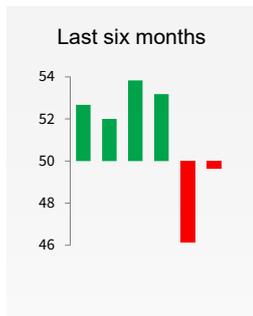
Input purchasing meanwhile rose in line with new order growth. However, there were reports of delivery delays and material shortages weighing on supplier performance, as lead times improved at the slowest rate since March. As a result, overall inventories of inputs were unchanged from the previous month.

Mozambican firms saw renewed increases in both purchase prices and salaries in September. Rising input demand, material shortages and increased hiring were reportedly behind the upsurge. Notably, overall input costs rose at one of the fastest rates in the past three years. Firms largely passed this through to their customers, as output charges increased to the greatest extent since June.

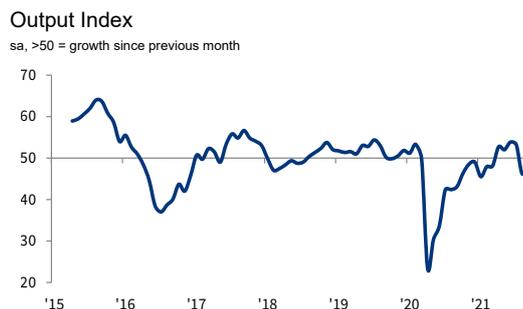




Output Index



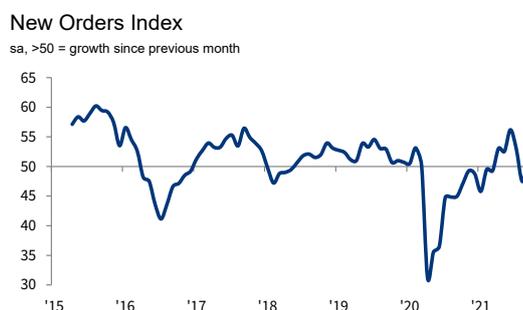
Private sector output in Mozambique fell for a second month running over September, as the respective seasonally adjusted index posted below the crucial 50.0 mark. However, the rate at which output decreased was much softer than in August, and only marginal overall. According to panellists, a recovery in sales helped to largely offset reductions in activity elsewhere.



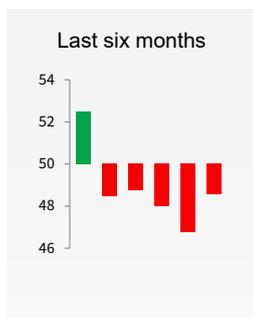
New Orders Index



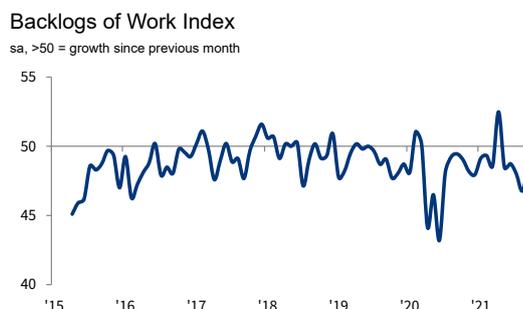
After falling for the first time in five months during August, new order volumes at Mozambican firms returned to growth during September. Around 16% of surveyed businesses saw sales rise during the month, compared to 11% that reported a decline. New orders rose in the agriculture, construction, wholesale & retail and services categories, but fell in manufacturing.



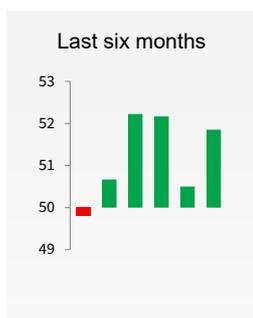
Backlogs of Work Index



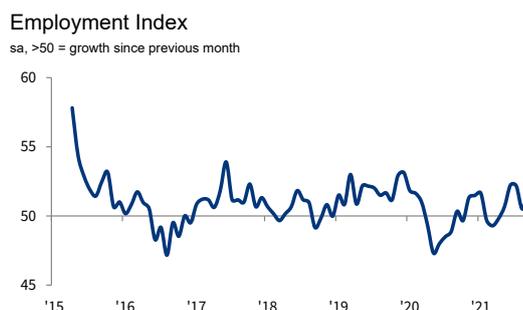
As has been the case since May, backlogs of work decreased during September. However, with new orders rising, the rate at which backlogs fell was softer than in the previous month, and modest overall. Several respondents commented that demand remained lower than capacity due to the pandemic, allowing them to reduce work outstanding.



Employment Index

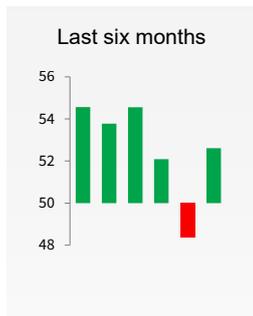


Mozambican businesses added to their workforce numbers again at the end of the third quarter. The rate of employment growth picked up from August and was almost level with those recorded in June and July. Panellists linked efforts to increase staff capacity to higher workloads. Agriculture saw the quickest rise in staff levels of the five monitored sectors, while construction was the only category to record a decline.





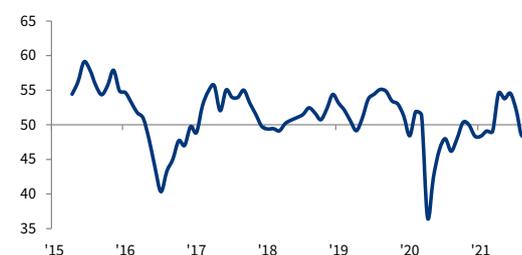
Quantity of Purchases Index



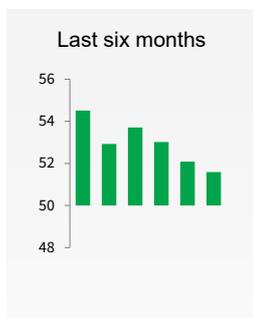
In line with higher new orders, Mozambican firms reported a renewed increase in purchasing activity during September. The rate of expansion was the quickest for three months, and above the long-run series average. Manufacturing was the only monitored sector to record lower buying levels compared to August.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



Gains in supplier performance continued to soften in September, as the seasonally adjusted Suppliers' Delivery Times Index fell for the third month running. As a result, the reduction in input lead times was the weakest since March. While panellists noted that increased capacity and competition among vendors led to quicker deliveries, there were reports of material shortages holding up purchases.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



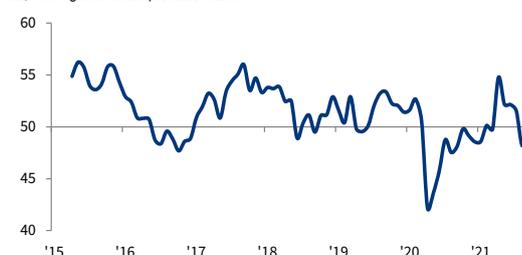
Stocks of Purchases Index



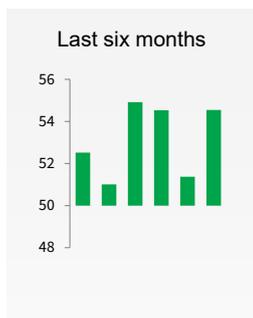
A rise in input buying helped to stabilise stock levels at Mozambican firms in September. Adjusted for seasonal variation, the Stocks of Purchases Index registered at the 50.0 neutral mark, after slipping into contraction territory during August. Material shortages and delivery delays partly stopped inventories from expanding overall.

Stocks of Purchases Index

sa, >50 = growth since previous month



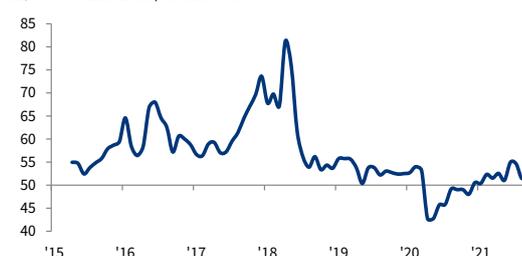
Overall Input Prices Index



Input price inflation re-accelerated to a sharp pace that was one of the quickest seen in the past three years in September. Notably, the latest data showed renewed increases in both purchase and staff costs, with firms also commenting on further rises in additional costs such as fuel. At the sector level, overall input prices rose in all areas except for manufacturing.

Overall Input Prices Index

sa, >50 = inflation since previous month





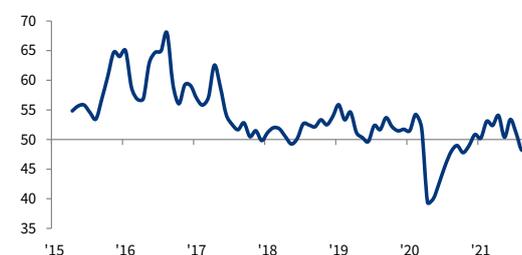
Purchase Prices Index



Adjusted for seasonality, the Purchase Prices Index rose above the 50.0 no-change threshold in September. The latest reading indicated a rise in costs related to the purchasing of inputs at Mozambican firms, albeit one that was only marginal. Survey respondents cited a number of factors behind the increase, including higher input demand, material shortages and currency weakness.

Purchase Prices Index

sa, >50 = inflation since previous month



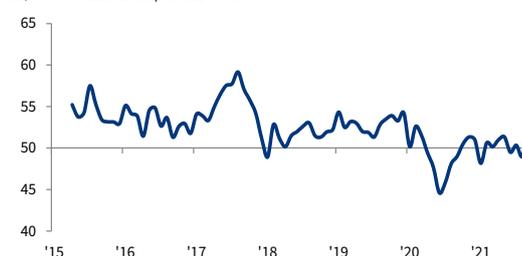
Staff Costs Index



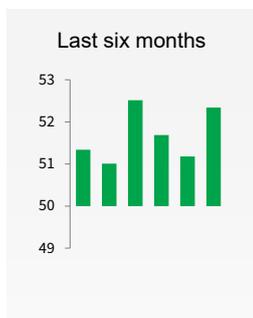
Wages and salaries were marked higher at the end of the third quarter, with around 7% of businesses upping their employee pay since the previous month. As a result, staff costs increased to the greatest extent since February 2020, and at a rate broadly in line with the average for the series (which began in early 2015).

Staff Costs Index

sa, >50 = inflation since previous month



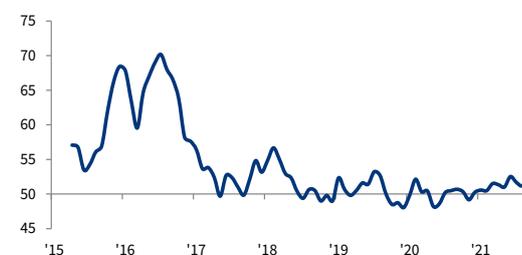
Output Prices Index



Output charges set by private sector businesses in Mozambique rose at the fastest rate in three months during September, as stronger cost pressures directed more companies to raise their prices. Moreover, all five monitored sectors saw an overall rise in charges since August.

Output Prices Index

sa, >50 = inflation since previous month



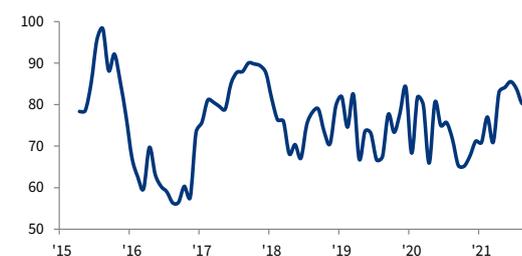
Future Output Index



For the first time since June, business confidence ticked higher in September, as around 65% of respondents projected output to expand over the coming 12 months. Where positivity was seen, firms commented on new opportunities for expansion and investment. The degree of sentiment remained above the series trend for the sixth month running.

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.

September data were collected 13-27 September 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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