



# Standard Bank Mozambique PMI™

## Mozambique PMI rises to four-month high in October

### Key findings

Output expands for first time since July

New order growth accelerates

Delivery times worsen amid slower freight shipments

### Mozambique PMI



The October PMI™ survey data indicated a strengthening of business conditions across the Mozambican economy, as rising new orders drove a renewed expansion in output and a further addition to staff numbers. However, reports of supply chain disruption grew and resulted in the first lengthening of delivery times since August 2020, while higher raw material prices put increased pressure on firms' purchasing costs.

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 52.1 in October, the PMI was indicative of a moderate improvement in the health of the private sector economy, and one that was much stronger than seen in September (50.4). The reading was also the highest in four months and among the greatest recorded over the last six years.

New orders rose for the second consecutive month in October, driven by a further recovery in client demand after pandemic-related measures. The pace of growth accelerated from September and was solid overall.

Consequently, output levels increased for the first time in three months, while there was a further modest uptick in employment. This in turn helped firms to keep on top of

demand, although a weaker fall in backlogs suggested that spare capacity had tightened.

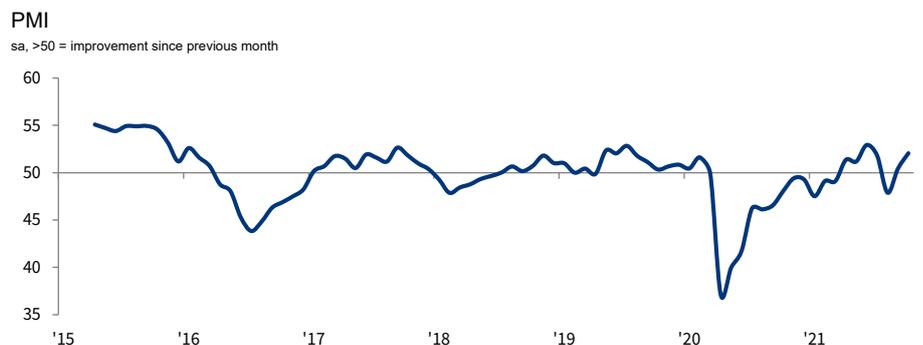
While activity rose across four of the five monitored broad sectors of the economy, there was another sharp decline in manufacturing. Production was again impacted by weak orders and difficulties acquiring inputs due to global supply chain issues.

Supply problems contributed to a slowdown in the arrival of imports at the start of the fourth quarter. This meant that overall delivery times lengthened for the first time in more than a year, albeit only slightly overall.

Elevated raw material prices drove a solid increase in purchasing costs during October, one that was the fastest since June. Efforts to boost staff pay meanwhile led to the sharpest rise in labour costs for nearly two years.

While higher costs and increasing demand led to a mark-up of average prices charged at Mozambican firms, the rate of inflation slowed and was only modest. The uptick was partly offset by sales promotions at some companies.

Business expectations for the coming year remained robust during October, with around 65% of the survey panel expecting output levels to improve. Again, this reflected hopes of a recovery from the pandemic, leading to projections of a strengthening in demand and increased hiring activity.





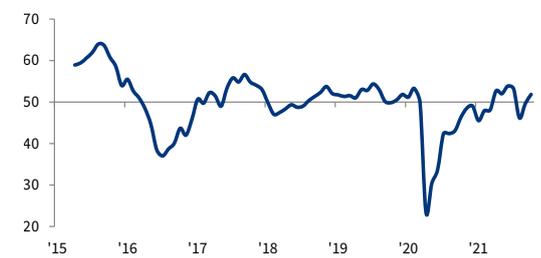
## Output Index



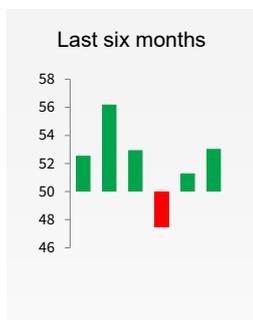
Output at Mozambican firms returned to growth mode in October, following two successive months of decline. Where activity increased, panellists related this to rising client orders. That said, the upturn was slower than those seen in the prior sequence of growth between April and July, and modest overall. Manufacturing bucked the wider trend to post a decrease in production, sometimes linked to problems with raw material supply.

Output Index

sa, >50 = growth since previous month



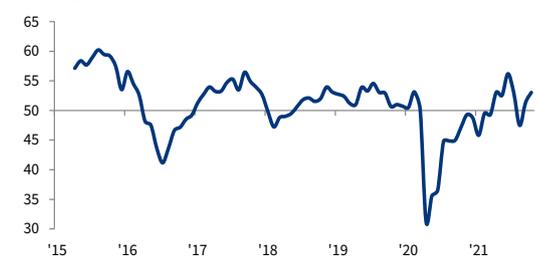
## New Orders Index



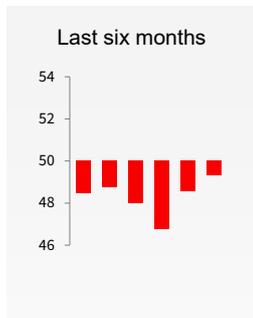
New order volumes received by Mozambican companies rose at a solid and faster rate during October. Surveyed firms reported that increasing demand had led to higher orders and contract requests. Growth of new business was led by the construction and services sectors, whereas manufacturing was the only broad category to register an outright decline.

New Orders Index

sa, >50 = growth since previous month



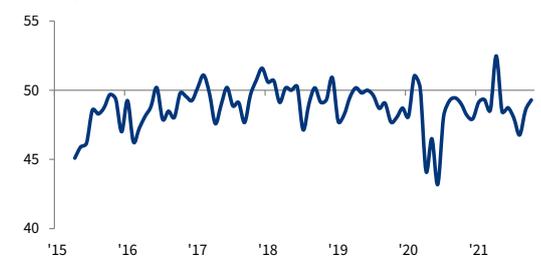
## Backlogs of Work Index



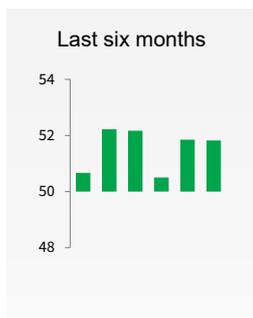
Higher demand meant that the gap between business capacity and orders continued to close in October. Backlogs of work fell at a marginal rate that was slower than the average seen since data collection began in April 2015. According to anecdotal evidence, shortages of some inputs and delivery delays weighed on efforts to reduce work outstanding.

Backlogs of Work Index

sa, >50 = growth since previous month



## Employment Index



The seasonally adjusted Employment Index signalled a further uplift in job numbers across Mozambique at the start of the fourth quarter. The increase in staffing levels was modest and broadly unchanged from that seen in September. Where a rise in employment was signalled, firms generally linked to higher client demand.

Employment Index

sa, >50 = growth since previous month





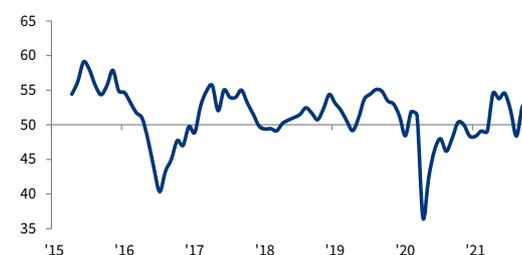
## Quantity of Purchases Index



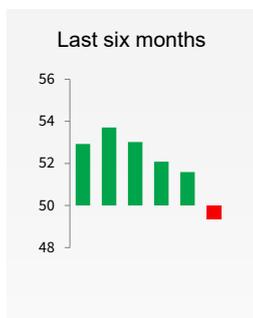
Input purchasing remained in line with the trend for new orders in October, rising for the second month in succession and at a faster pace. Indeed, the latest rise in input buying was solid and the most marked since June. Purchasing increased to the greatest extent among construction firms, followed by manufacturers.

Quantity of Purchases Index

sa, >50 = growth since previous month



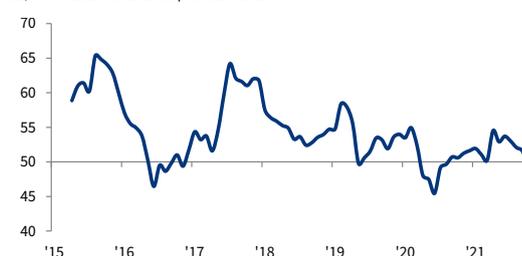
## Suppliers' Delivery Times Index



Adjusted for seasonal variance, the Suppliers' Delivery Times index fell for the fourth straight month and below the 50.0 no-change mark in October. This indicated the first decline in supplier performance since August 2020. Around 15% of the survey panel reported longer lead times, citing pandemic-related delays to import shipments. This contrasted with 13% of businesses that saw delivery times improve.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



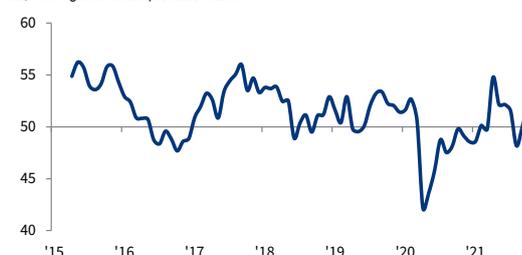
## Stocks of Purchases Index



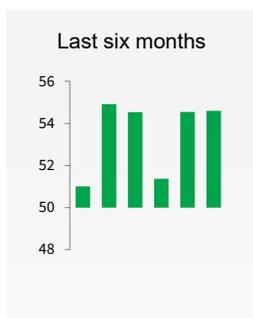
October data signalled a renewed increase in stocks of purchased items at Mozambican firms, the first recorded since July. Respondents often reported adding to their stocks to support the rise in new orders. Whilst moderate overall, the rate of stock accumulation was the fastest for five months and led by the construction sector.

Stocks of Purchases Index

sa, >50 = growth since previous month



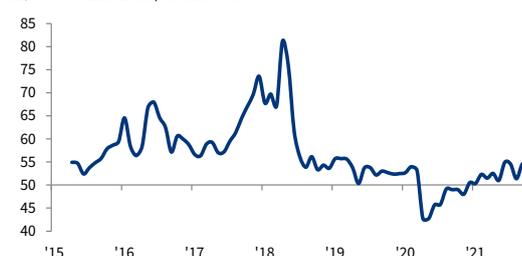
## Overall Input Prices Index



The rate of input price inflation in the Mozambican economy remained sharp during October. Ticking up slightly from the previous month, the respective seasonally adjusted index pointed to the strongest increase in costs since June. Underlying survey data showed that both purchasing and staff costs rose at faster rates in October.

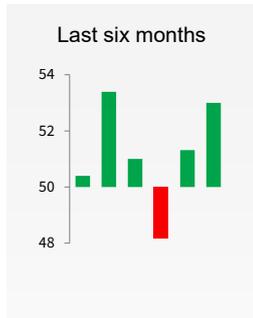
Overall Input Prices Index

sa, >50 = inflation since previous month





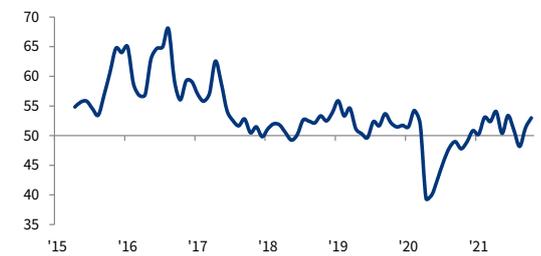
## Purchase Prices Index



The seasonally adjusted Purchase Prices Index rose to a four-month high in October, to indicate a solid increase in prices paid for raw materials and components in Mozambique. Businesses highlighted that growth of new orders had created increased demand for inputs, while a number of commodities rose in price due to global supply problems. Around 13% of respondents saw purchasing costs rise in October, against 8% that registered a fall.

Purchase Prices Index

sa, >50 = inflation since previous month



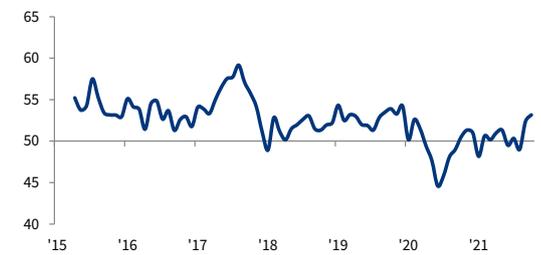
## Staff Costs Index



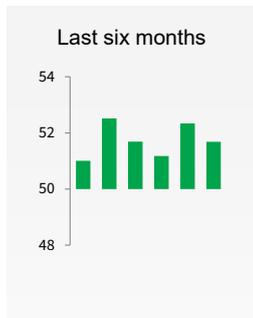
Latest data pointed to a further rise in staff costs at Mozambican companies during October. Moreover, the rate of inflation accelerated from the previous month to the highest since December 2019. Several panellists reported upping their staff pay as demand increased.

Staff Costs Index

sa, >50 = inflation since previous month



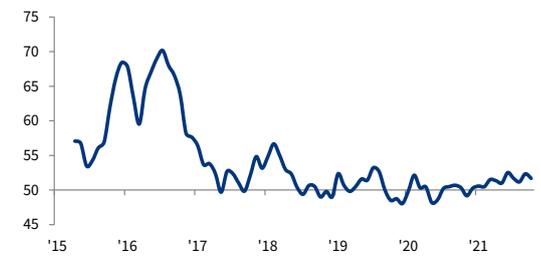
## Output Prices Index



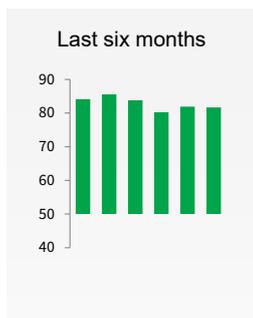
Companies in Mozambique raised their output charges again at the start of the fourth quarter. Anecdotal evidence suggested that the increase was driven by rising sales and higher input costs. That said, the rate of inflation slowed from September's level and was only modest. Charges rose in the manufacturing, construction, wholesale & retail and services sectors, but fell in agriculture.

Output Prices Index

sa, >50 = inflation since previous month



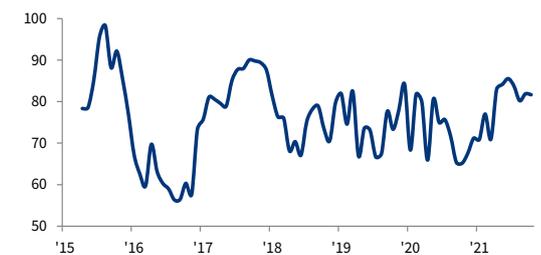
## Future Output Index



The outlook for future activity remained strong in October, with around 65% of surveyed businesses giving a positive forecast for the coming 12 months. Whilst sentiment remained weaker than seen in the middle of the year, it was still above the series long-run average. Firms often expected to see new business rise as the economy recovered from COVID-19, supporting greater activity and hiring.

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.

October data were collected 12-26 October 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://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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