



Standard Bank Mozambique PMI™

New business growth slows to four-month low

Key findings

Output and new orders rise at weaker rates

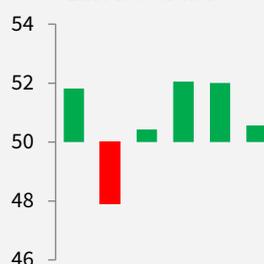
Drop in input buying amid high transport costs

Overall input price inflation softens to seven-month low

Mozambique PMI



Last six months



The latest PMI™ survey data pointed to a softer expansion in Mozambique's private sector economy at the end of 2021, as new business growth ticked down to a four-month low. Output also rose to a lesser extent, while employment numbers picked up only slightly for the second month running. Meanwhile, efforts to reduce the impact of high transport costs led firms to delay new purchases and use up input stocks. More positively, the overall rate of input cost inflation was the softest since May.

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 50.6 in December, the PMI was indicative of only a marginal improvement in the health of the Mozambique private sector economy. The index fell from 52.0 in November to its lowest for three months.

The improvement in business conditions was limited by a much weaker uplift in new business in the final month of the year. The rate of growth softened to a four-month low, as several firms commented on weaker client demand and cash flow problems. As a result, output levels expanded only modestly and to a lesser extent than in November.

The slowdown helped firms to keep on top of backlogs of work, which fell slightly in

December. Subsequently, the pace of job creation remained subdued.

Relatively high freight costs led Mozambican firms to reduce their purchasing activity for the first time in four months. This meant that some businesses had to use up input stocks to fulfil demand, leading to a slight decrease in total inventories.

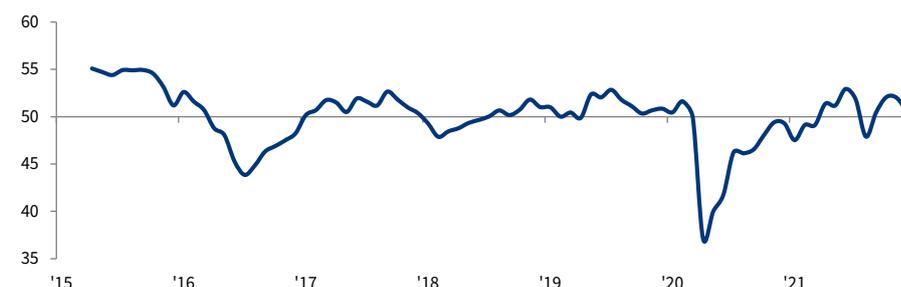
Whilst higher raw material costs and exchange rate weakness were also noted, overall input prices rose at the weakest pace for seven months in December. Both purchasing and staff cost inflation ticked down from November's levels. The overall uptick in input prices was largely passed on to customers, through a modest rise in output charges.

Supply chain performance improved across the Mozambique economy in December, as firms saw a modest reduction in average lead times that was the quickest since August. Panellists often attributed this to increased vendor competition and a relaxation of COVID-19 measures.

Finally, the outlook for the year ahead remained strong, but notably slipped to its weakest level since August. Businesses were generally hopeful that they would be able to expand over 2022 through greater workforces, client bases and geographical scope.

PMI

sa, >50 = improvement since previous month





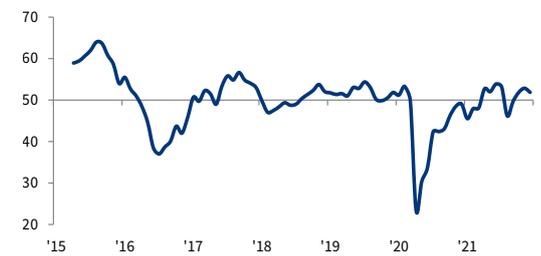
Output Index



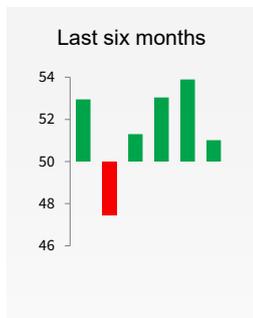
For the third consecutive month, the seasonally adjusted Output Index registered above the 50.0 neutral mark in December to signal an uplift in Mozambican private sector activity. However, the rate of growth slowed for the first time in this sequence and was only modest. Businesses that increased their output cited higher sales and new products, though was this partly offset by a drop in input availability.

Output Index

sa, >50 = growth since previous month



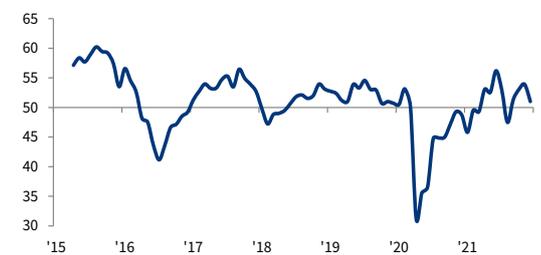
New Orders Index



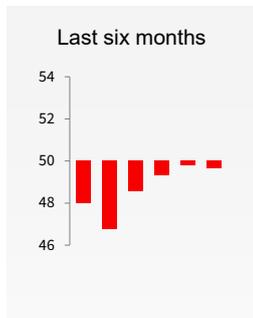
New orders at Mozambican firms also rose at a slower rate in the final month of 2021. The pace of expansion softened to the weakest seen in the current four-month sequence. Whilst demand levels improved, a lack of clients and cash flow problems at some companies reportedly weighed on the upturn. The construction and services sectors posted an increase in new work, but reductions were seen in agriculture, wholesale & retail and manufacturing.

New Orders Index

sa, >50 = growth since previous month



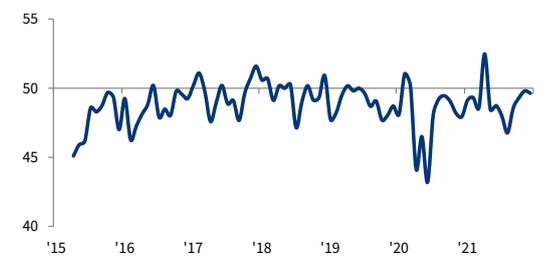
Backlogs of Work Index



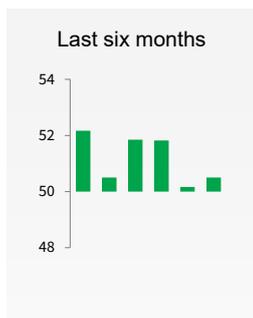
Volumes of incomplete work continued to fall fractionally in December, as firms adjusted their output to the current level of new business. Panellists that saw a decrease in backlogs found that demand pressures were softer than in the previous month. Notably, the respective seasonally adjusted index fell for the first time since August.

Backlogs of Work Index

sa, >50 = growth since previous month



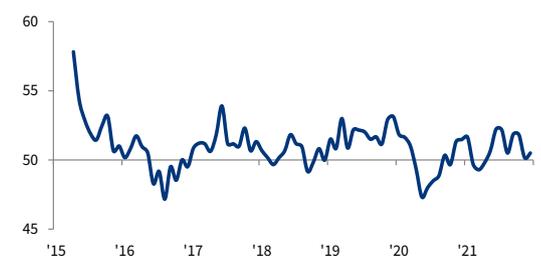
Employment Index



As has been the case since May, staff levels at Mozambican businesses rose at the end of the year. The rate of job creation was little-changed from November, remaining marginal. Hiring activity was often related to an increase in demand. Four out of the five monitored sectors reported a rise in employment, the exception being agriculture.

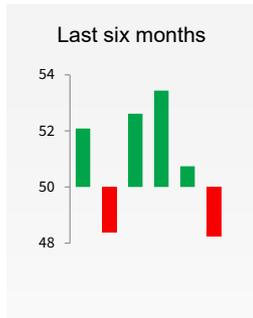
Employment Index

sa, >50 = growth since previous month





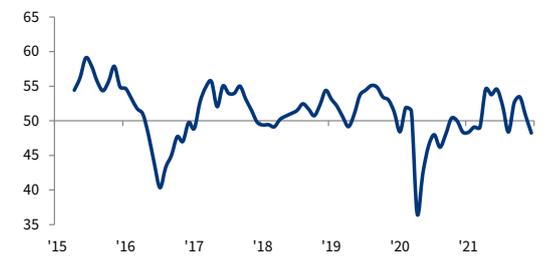
Quantity of Purchases Index



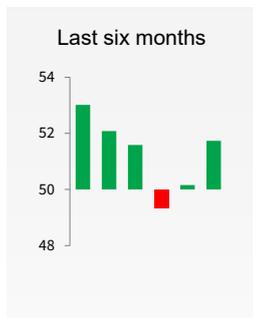
Mozambican firms reduced their input buying in December, for the first time in four months. Whilst only modest, the rate of decline was the quickest since September 2020. Despite higher new orders, an increase in transport costs led some firms to pause their purchasing activity and draw down their input stocks instead.

Quantity of Purchases Index

sa, >50 = growth since previous month



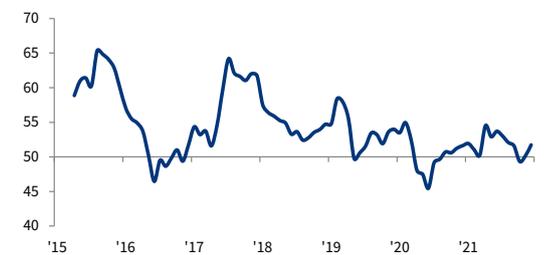
Suppliers' Delivery Times Index



Supplier performance in the Mozambican private sector continued to improve in December, following a slight deterioration during October. Average lead times shortened at a modest pace that was nonetheless the quickest seen in four months. Respondents often attributed this to increased competition among vendors and relaxed COVID-19 measures.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



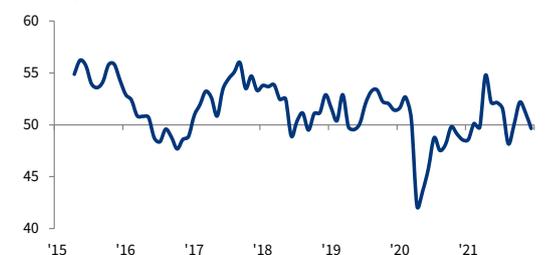
Stocks of Purchases Index



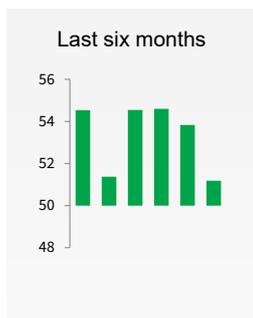
A reduction in input buying led firms to deplete their inventories for the first time in four months during December, as they looked to avoid price rises for transport and raw materials. That said, the overall decrease in stocks of purchases was only fractional.

Stocks of Purchases Index

sa, >50 = growth since previous month



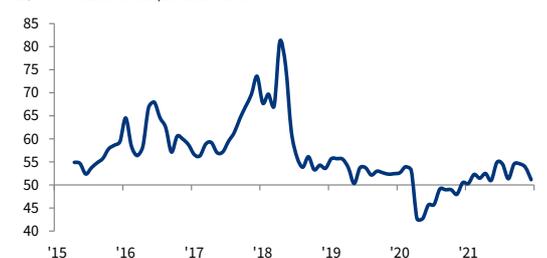
Overall Input Prices Index



Input prices faced by private sector firms in Mozambique continued to rise in December, albeit at a much softer pace compared to November. In fact, the uptick in costs was the weakest recorded for seven months. Whilst higher input prices were registered in the agriculture, construction, wholesale & retail and services categories, rates of inflation slowed in all sectors except for construction.

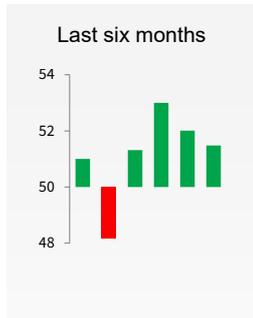
Overall Input Prices Index

sa, >50 = inflation since previous month





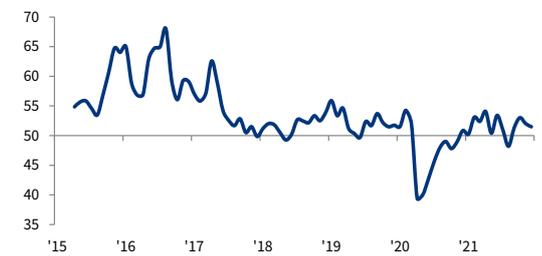
Purchase Prices Index



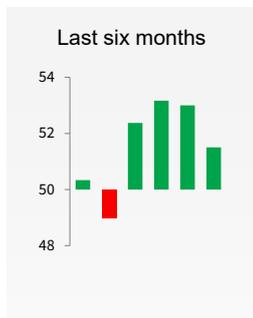
Purchase price inflation softened again in December, to the lowest seen in three months. According to anecdotal evidence, the slowdown was closely linked to a drop in demand for inputs. That said, there were still mentions of higher prices for raw materials and transport.

Purchase Prices Index

sa, >50 = inflation since previous month



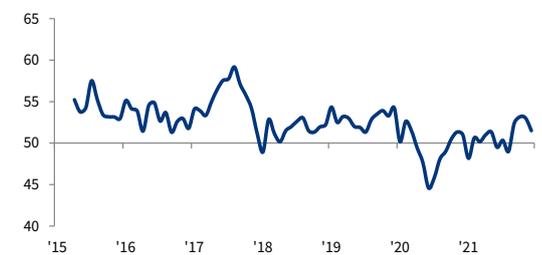
Staff Costs Index



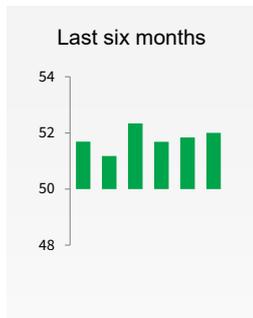
Businesses saw an increase in staff costs for the fourth straight month during December, amid reports of a further rise in salaries. Notably though, the uptick slowed to a modest pace that was the softest seen in the current inflationary sequence.

Staff Costs Index

sa, >50 = inflation since previous month



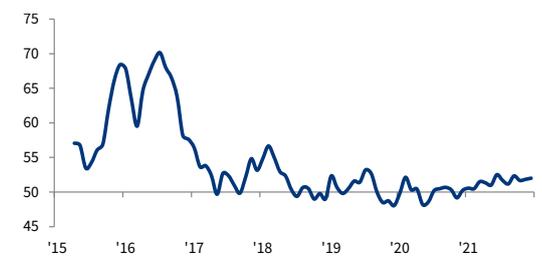
Output Prices Index



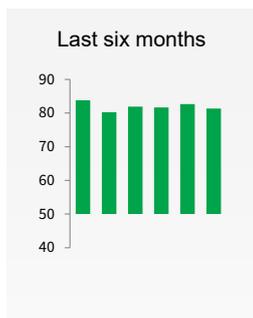
Output charges continued to rise at the end of the year, extending the current run of growth to 13 months. The overall increase in prices was modest and only fractionally quicker than that seen in November. Where charges rose, firms reported efforts to pass on the burden of higher raw material costs and exchange rate fluctuations to their customers.

Output Prices Index

sa, >50 = inflation since previous month



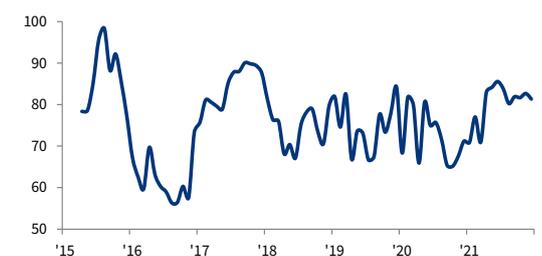
Future Output Index



Overall business confidence remained strong in December, despite slipping to the weakest level in four months. Approximately 63% of panellists held a positive view of future output, linked to expectations of company expansion, new customers and higher staff capacity. By contrast, less than 1% of firms expect activity to decline over the coming year.

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.

December data were collected 6-20 December 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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