



Standard Bank Mozambique PMI™

Business conditions decline sharply in January

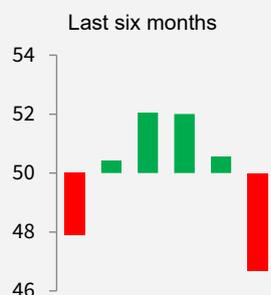
Key findings

Strong falls in output and new orders

Input costs and output prices both decrease

Employment continues to rise as firms remain optimistic for future activity

Mozambique PMI



The start of 2022 saw a renewed deterioration in the strength of the Mozambican economy, latest PMI™ data showed, amid sharp declines in both output and new orders. The fresh downturn led businesses to curtail their input purchases, which contributed to the first declines in both costs and charges since November 2020.

Nevertheless, the outlook for future activity remained bright, with around two-thirds of businesses continuing to post positive growth predictions, leading to a further expansion of staffing levels.

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.

For the first time in five months, the headline PMI fell below the 50.0 neutral mark in January. At 46.7, down from 50.6 in December, the index signalled a solid decline in overall operating conditions and the sharpest recorded since September 2020.

Mozambican companies suffered renewed declines in both output and new orders in January, with rates of contraction the most marked since September 2020 and June 2020 respectively. Lower new business levels were often linked by panellists to a fall in customer demand, as the country faced

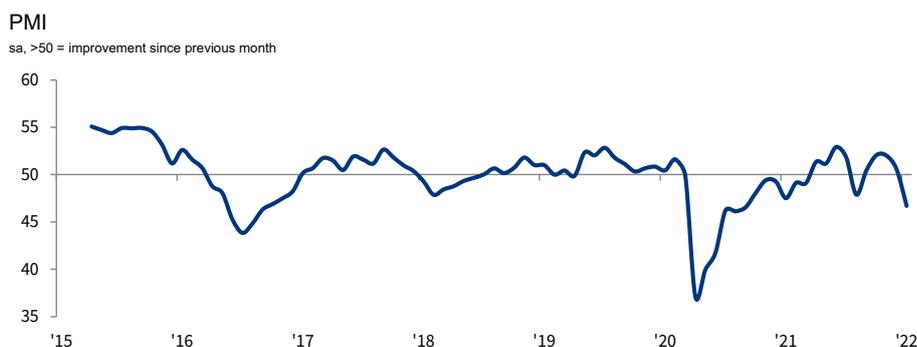
a new wave of COVID-19 cases due to the Omicron variant.

The downturn in sales led to a second consecutive monthly reduction in purchasing activity. Inventory levels were also downsized, with the rate of depletion the quickest seen for 17 months.

On a positive note, the drop in purchases enabled vendors to make quicker deliveries in January, although there were still reports of raw material shortages. Suppliers also lowered their prices, leading to a slight fall in overall input costs that was the first recorded since November 2020. In turn, companies lowered their output charges for the first time over the same period.

Despite the renewed deterioration in business conditions, Mozambican firms remained largely optimistic for activity over the next 12 months, with just under two-thirds of the survey panel expecting growth. Firms retained their hopes of an end to the pandemic and that expansion plans could be put into motion.

As a result, employment numbers continued to increase in the latest survey period, with the rate of job creation accelerating to a three-month high, albeit remaining only marginal. Increased staffing and lower sales meant that companies were able to reduce backlogs of work solidly.





Output Index



January data indicated a renewed fall in private sector activity across Mozambique, as shown by the seasonally adjusted Output Index posting below the 50.0 neutral mark. The decline in activity was the most marked since September 2020, as all sectors except for construction posted an overall fall. Where lower output was recorded, panellists largely mentioned a drop in client demand.

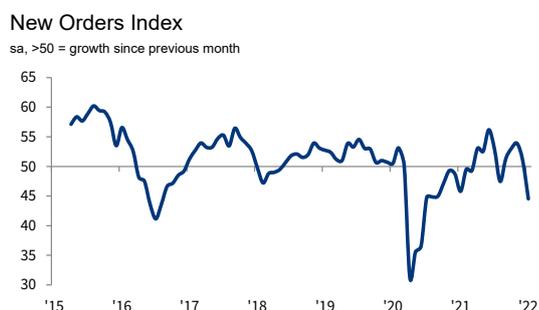


New Orders Index

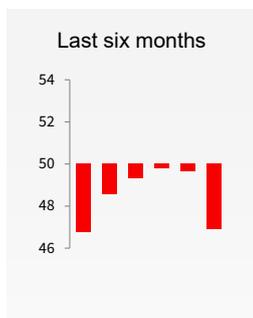


Mozambican companies signalled a strong decline in new order volumes at the beginning of 2022, thereby ending a four-month sequence of growth. Panellists mostly attributed this to a drop in client spending, but also stock shortages in some cases. The overall downturn in new orders was the sharpest recorded since June 2020 during the first wave of the COVID-19 pandemic.

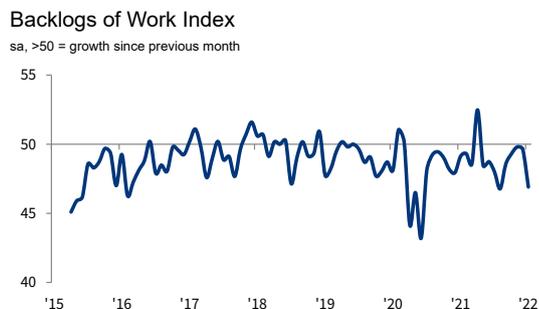
Consistent with output data, construction was the only broad category to register an uplift in new business over January.



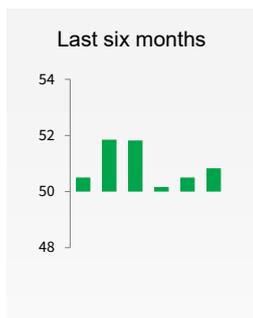
Backlogs of Work Index



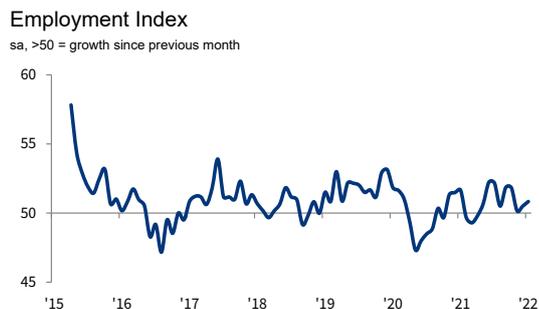
Lower demand levels alleviated capacity constraints at Mozambican firms during January, illustrated by a solid and much faster decrease in outstanding work. The respective seasonally adjusted index fell to its lowest level since last August. While many firms were able to reduce their backlogs, some panellists noted that a lack of payment from clients delayed the completion of orders.



Employment Index



Employment in the private sector economy increased for the ninth successive month in January, as the rate of job creation picked up to the highest since last October (albeit remaining mild). Anecdotal evidence suggested that the latest decline in sales did not reduce firms' hiring intentions, amid consistently strong expectations for future output.





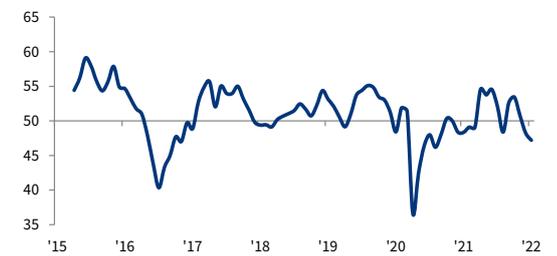
Quantity of Purchases Index



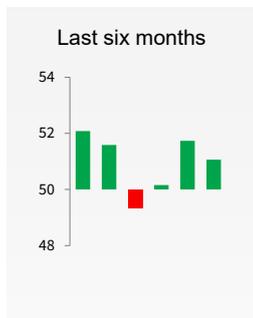
Companies in Mozambique reduced their input purchases again in January, thereby signalling the first back-to-back declines in procurement levels since early-2021. Furthermore, due to the rapid drop in customer demand, the contraction in buying activity was the strongest seen in almost a year-and-a-half.

Quantity of Purchases Index

sa, >50 = growth since previous month



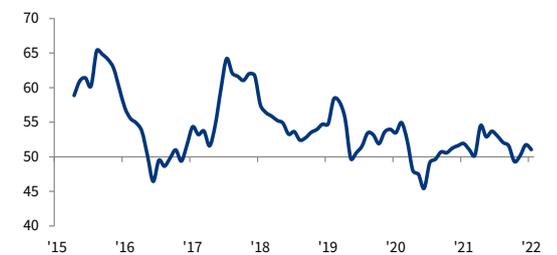
Suppliers' Delivery Times Index



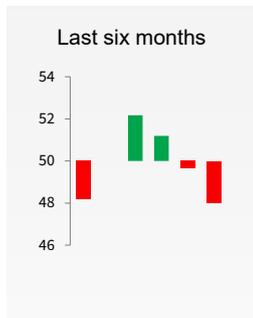
Supplier performance improved for the third month running during January, although the rate of improvement softened from that seen in December and was only marginal. Panellists indicated that falling demand for vendors had supported overall lead times, but this was partly offset by raw material shortages.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



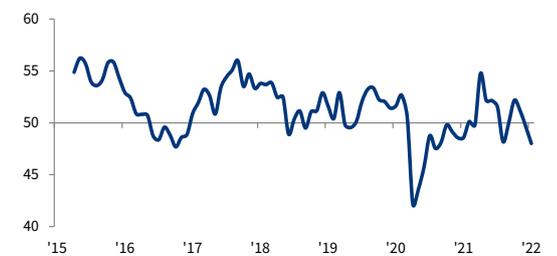
Stocks of Purchases Index



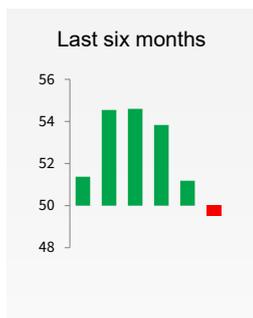
A further decline in input purchasing translated into a modest reduction in stock levels at Mozambican businesses at the start of 2022. Nevertheless, this marked the fastest rate of inventory depletion since August 2020. A decrease in stocks was also registered across all the monitored sectors.

Stocks of Purchases Index

sa, >50 = growth since previous month



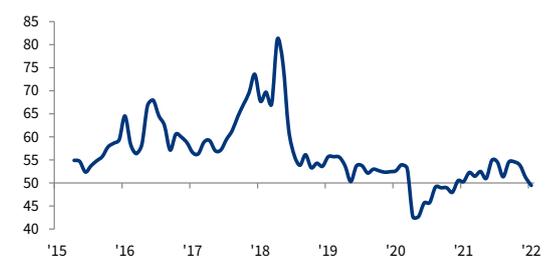
Overall Input Prices Index



A renewed decrease in overall input costs in the Mozambique private sector was recorded in January, bringing to an end a 13-month run of inflation. This was often linked to a cut in suppliers' prices which was largely in response to falling input demand. The rate of decline in input costs was only marginal, however, and driven largely by the manufacturing sector.

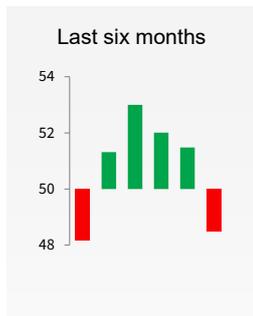
Overall Input Prices Index

sa, >50 = inflation since previous month





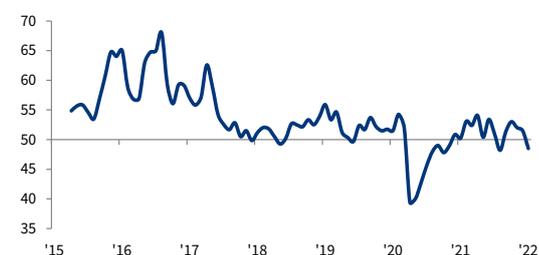
Purchase Prices Index



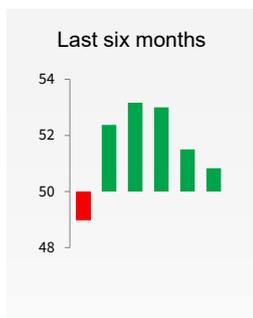
Purchase prices faced by Mozambican firms decreased for the first time in five months during January. Where a fall was recorded, businesses mainly attributed this to lower input demand linked to the latest decline in new orders. Notably though, the drop in purchase prices was only modest.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



The rate of wage inflation among private sector firms softened for the third consecutive month in January, as the seasonally adjusted Staff Costs Index fell to a five-month low and was only just above the 50.0 threshold. While some firms noted raising salaries for new hires, a decrease in output levels reportedly weighed on overall wage growth.

Staff Costs Index

sa, >50 = inflation since previous month



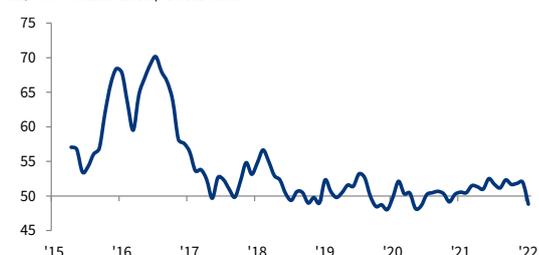
Output Prices Index



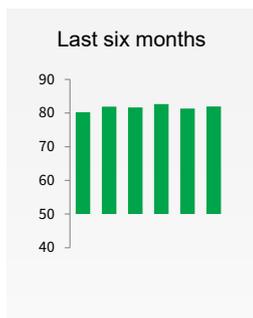
Mozambican companies passed the slight reduction in costs on to their customers in January, as the latest data signalled a renewed fall in selling charges. The decrease in prices was the first recorded since November 2020 and the fastest seen for over a year-and-a-half. Panellists noted that efforts to restrengthen sales were also behind discounting.

Output Prices Index

sa, >50 = inflation since previous month



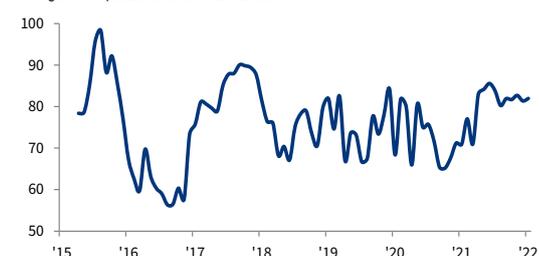
Future Output Index



Business confidence among Mozambican firms remained elevated at the start of 2022, as nearly two-thirds of respondents projected an increase in activity over the next 12 months. Positive sentiment was often driven by hopes of an improvement in market conditions and an end to the pandemic, with some companies also citing expansion plans and efforts to gain new business.

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.

January data were collected 12-26 January 2022.

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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