



Standard Bank Mozambique PMI™

Business conditions rebound in February as Omicron wave passes

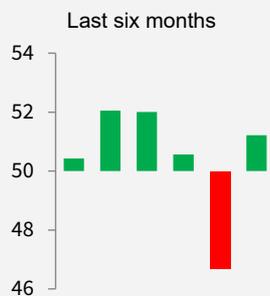
Key findings

Output recovers after sharp decline in January

New orders rise solidly, but employment levels fall

Business expectations pick up to seven-month high

Mozambique PMI



The Mozambique PMI signalled renewed growth across the private sector economy in February, as a sharp drop in COVID-19 cases linked to the Omicron variant led to a rebound in sales and customer demand. In response, business activity levels were expanded, although there were reductions in both staffing levels and input purchases. The upturn in sales gave firms greater confidence in future activity and contributed to a renewed uptick in selling prices.

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 51.2 in February, the index was back above the 50.0 neutral mark after having slipped to a 16-month low of 46.7 in January. The reading signalled a modest improvement in operating conditions across the private sector. Three elements of the PMI had a positive influence, namely Output, New Orders and Stocks of Purchases which all returned to growth.

The rise in business activity was solid in February, and the joint-quickest since July last year. Higher output was widely linked by panellists to a renewed increase in sales, as a sharp fall in COVID-19 cases prompted an improvement in customer demand. After expanding in just one of the five monitored sectors in January, the latest data signalled

that output and new business grew in all areas except for agriculture.

Despite the renewed uplift in business conditions, the Omicron wave continued to impact firms' purchasing and hiring decisions. Input buying levels fell for the third month running, albeit to the least extent in this sequence. More notably, employment levels decreased for the first time in ten months, as firms continued to highlight spare capacity and lower backlogs.

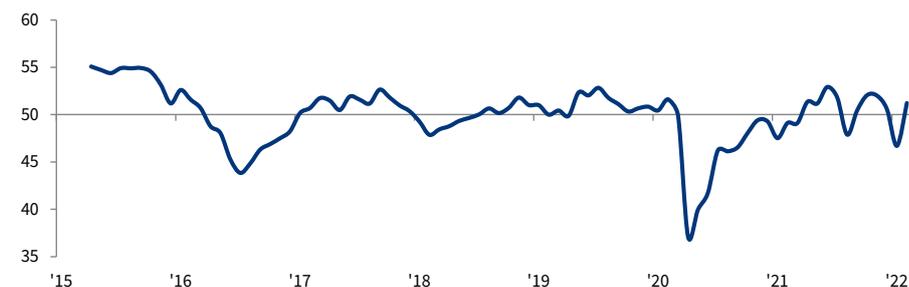
On the cost front, Mozambican businesses saw a renewed uptick in purchase prices and a further increase in staff salaries in February. However, with purchases falling still, overall input costs dropped for the second month running and at a faster rate.

Output charges were meanwhile raised by private sector firms, following a slight reduction in the previous month as the Omicron wave hit demand. Notably though, the rate of output price inflation was softer than those seen in the seven months prior to January.

Finally, the outlook for future activity jumped to the strongest level since July last year, as rising new orders gave firms greater confidence in the near-term performance of the economy. Increased sales also led firms to expand their stocks of purchases for the first time in three months, which was helped by a solid improvement in suppliers' delivery times.

PMI

sa, >50 = improvement since previous month





Output Index



The seasonally adjusted Output Index climbed back above the 50.0 neutral threshold in February, indicating growth in private sector activity across Mozambique. The expansion in output was the fourth seen in five months, and the joint-fastest since last July. Where output increased, firms mostly linked this to a rebound in sales.

Four of the five monitored sectors recorded a rise in activity during February, up from just one in the previous month. Agriculture was the only category to register a decline.

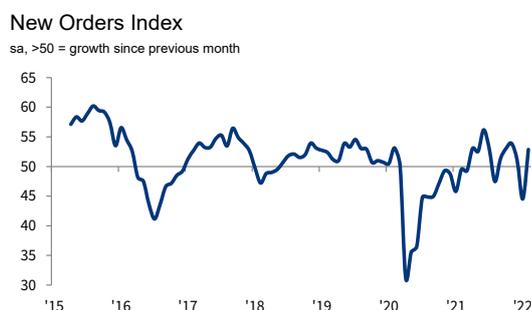


New Orders Index



Following a sharp downturn in new orders during January, due to the latest wave of the COVID-19 pandemic, the latest data signalled a return to growth. The upturn in sales was solid and the quickest seen since last November. Panellists often cited an increase in client numbers as cases linked to the Omicron variant declined.

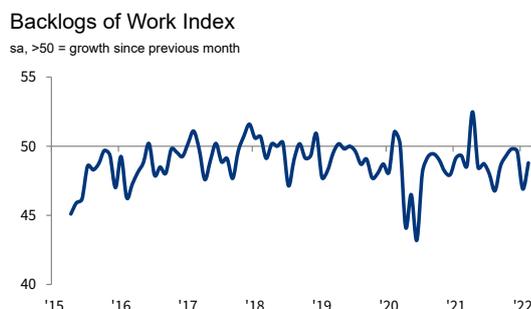
Like output, new business rose in four of the five broad sectors covered by the survey, with agriculture the only exception.



Backlogs of Work Index



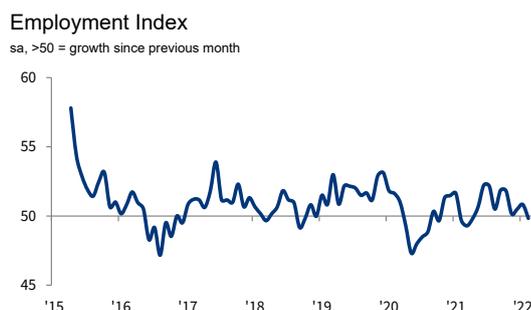
Mozambican firms signalled a sufficient level of business capacity in the second month of the year. Despite reports that higher demand had put pressure on some businesses, backlogs of work fell for the tenth month running. That said, the rate of depletion slowed from the start of the year and was marginal.



Employment Index



For the first time since April 2021, the seasonally adjusted Employment Index fell below the 50.0 neutral mark in February, indicating lower staffing levels. The indicated decline in job numbers was only fractional, however. Sector-level data suggested that reductions in workforces in the agriculture and services sectors were largely offset by growth among manufacturing, construction and wholesale & retail firms.





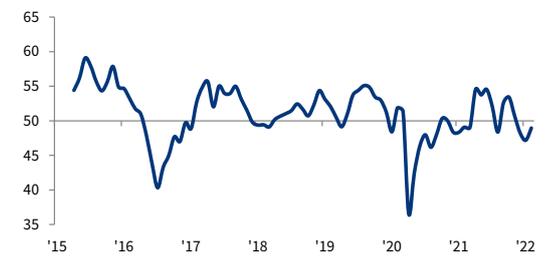
Quantity of Purchases Index



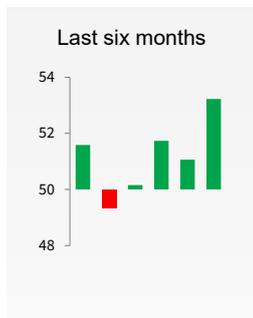
The quantity of inputs purchased by Mozambican companies fell for the third straight month during February. However, some respondents noted that sales growth had led them to adjust their input buying higher. As a result, the overall rate of contraction was the slowest seen during this period.

Quantity of Purchases Index

sa, >50 = growth since previous month



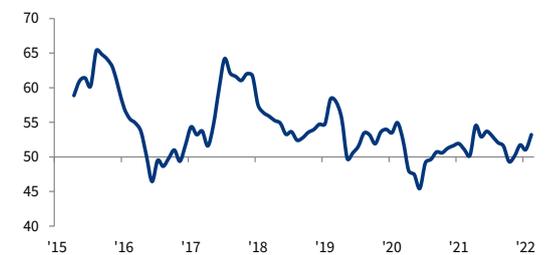
Suppliers' Delivery Times Index



A further improvement in suppliers' delivery times was signalled by the February survey. Reduced lead times were often linked by panellists to vendors' efforts to win more clients. The improvement in supplier performance was solid and the most marked for eight months.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



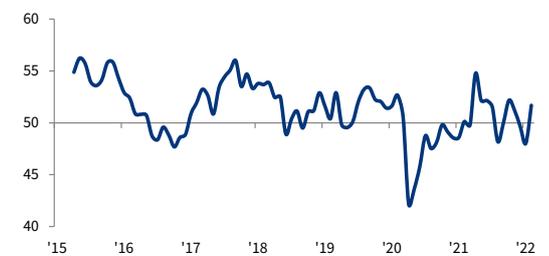
Stocks of Purchases Index



After two successive months of decline, stocks of purchases expanded halfway through the first quarter. While modest, the rate of growth was the quickest seen in four months and above the series average. Firms noted that rising client demand led them to stockpile additional inputs.

Stocks of Purchases Index

sa, >50 = growth since previous month



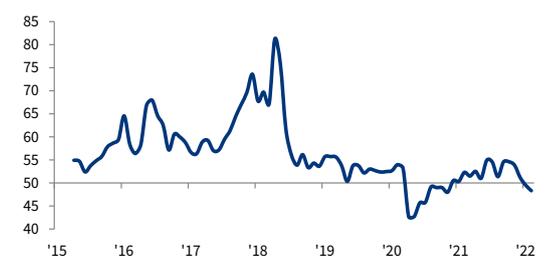
Overall Input Prices Index



Mozambican firms continued to see input prices fall during February, following a renewed decrease at the start of the year. The pace of decline accelerated but was still only modest. Anecdotal evidence suggested that the drop in overall input costs was related to weaker purchasing activity, although this was partly offset by upticks in raw material prices and wages.

Overall Input Prices Index

sa, >50 = inflation since previous month





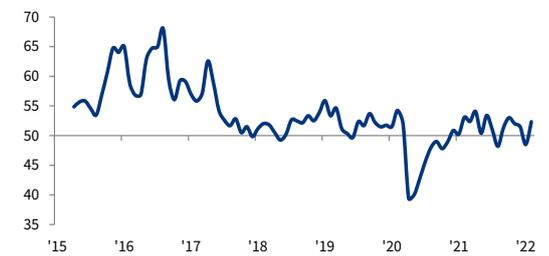
Purchase Prices Index



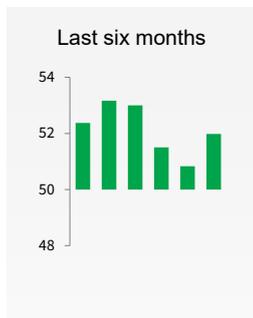
Purchasing costs faced by businesses in Mozambique saw a renewed increase during February, after last month's data signalled a modest decline amid the Omicron wave. The overall uplift in prices was the fastest seen since October last year, albeit only modest. Construction, wholesale & retail and services firms saw purchasing prices rise during the latest survey period.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



Staff salaries also increased in February, the sixth month in a row in which this has been the case. Furthermore, the rate of inflation picked up to a three-month high. Some panellists reported that wages were raised due to increased hours and additions to their workforces.

Staff Costs Index

sa, >50 = inflation since previous month



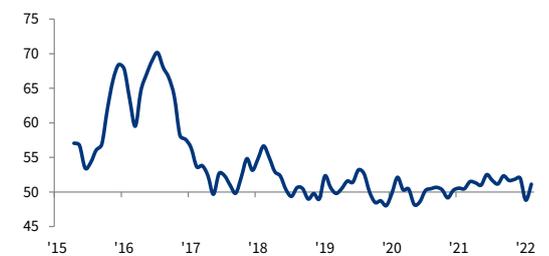
Output Prices Index



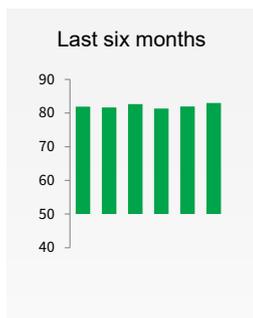
Rising demand and raw material prices prompted firms to increase their output prices in the second month of the year, following the first reduction for 14 months in January. However, the rise was only marginal, as some companies continued to discount their charges to attract more clients. Notably, average prices charged rose in all broad sectors except for construction.

Output Prices Index

sa, >50 = inflation since previous month



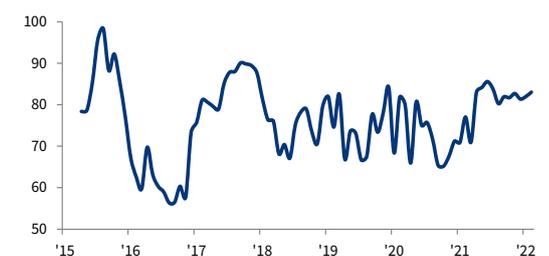
Future Output Index



A recovery in demand following the Omicron wave prompted a slight improvement in business confidence in February. The Future Output Index rose to its highest level since July 2021, as roughly two-thirds of businesses projected output growth for the next 12 months. Positive sentiment was seen across all five monitored sectors, led by agriculture and wholesale & retail.

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.

February data were collected 10-23 February 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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About Standard Bank

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.

www.standardbank.co.mz

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.