



# Standard Bank Mozambique PMI™

## Output at Mozambican businesses expands for seventh month in a row

### Key findings

New orders see moderate improvement

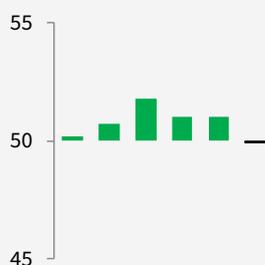
Output growth weakest for five months

Selling charges rise for second month running

### Mozambique PMI



Last six months



This report contains the first public release of data collected from the monthly survey of business conditions in the Mozambican private sector. The survey, sponsored by Standard Bank and produced by IHS Markit, has been conducted since April 2015 and provides an early indication of operating conditions in Mozambique. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI fell from 51.0 in January to 50.0 to February, signalling no change in the health of the Mozambique private sector economy. This was the first instance where growth was not recorded since July 2018.

At the same time though, output at Mozambican firms continued to expand, extending the current run to seven months. Businesses increased activity due to stronger sales and new projects. However, the rate of growth fell to the weakest since last September.

New order growth also slowed down slightly in February, albeit still pointing to a moderate

improvement in customer demand. Panellists highlighted new projects and more requests for services. Nevertheless, firms managed to reduce backlogs for the second month in a row.

In addition, Mozambican firms continued to raise employment during the first quarter. However, after a modest increase during January, February saw only a marginal expansion of jobs. Similarly, input purchases grew at a softer rate in line with the weaker rise in new orders.

Supplier performance improved sharply in February, as firms reported a fall in delivery times. Moreover, the rate at which times decreased was the fastest for 14 months, with panellists relating this to strong competition among suppliers.

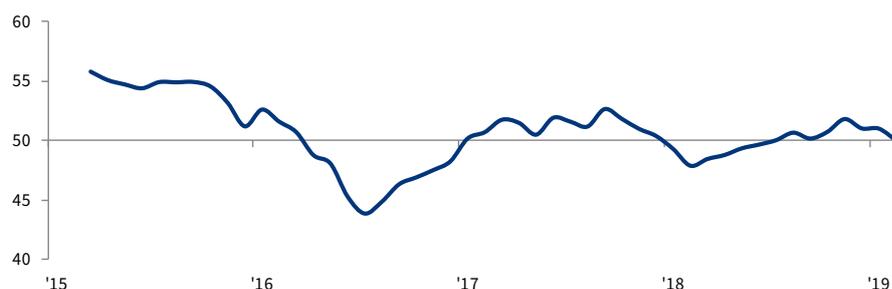
On the price front, charges set by Mozambican businesses rose marginally in February. Anecdotal evidence linked the uptick with a weakening exchange rate and higher input costs.

The rate of overall input price inflation was unchanged from January, although this still pointed to a sharp increase in costs. Specifically, firms associated this with exchange rate depreciation, higher raw material prices and increased wages.

Lastly, expectations for future output were upbeat, as many firms reported aims to grow their product range, employment and geographical scope.

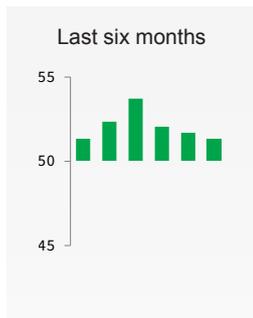
### PMI

sa, >50 = improvement since previous month





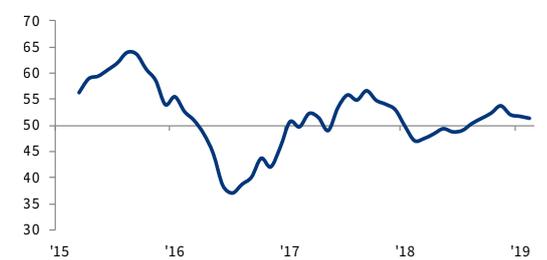
## Output Index



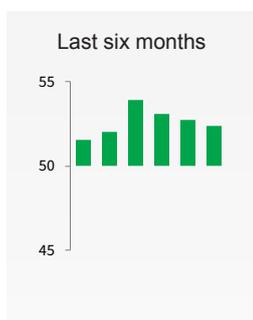
While output rose for the seventh month running in February, the rate of growth slowed to the weakest since September 2018. Mozambique firms that increased activity mentioned improved demand, new projects and movement of premises. Nevertheless, the overall expansion in output was modest.

Output Index

sa, >50 = growth since previous month



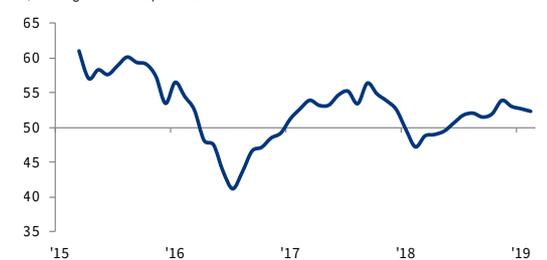
## New Orders Index



New orders at Mozambican private sector firms increased moderately in February. While in line with the average for the survey which began in April 2015, the rate of demand growth was the softest in four months. Panellists that saw new business rise associated this with greater service requests, winning new contracts and a higher number of clients.

New Orders Index

sa, >50 = growth since previous month



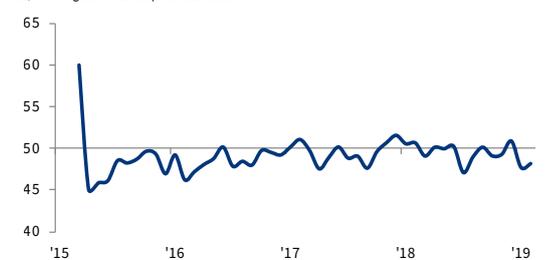
## Backlogs of Work Index



Outstanding work at Mozambican firms declined modestly midway through the first quarter, albeit at a slower rate than in January. Around 7% of respondents reduced backlogs in the latest survey period, often due to efficiency improvements. However, some also pointed to a lack of orders.

Backlogs of Work Index

sa, >50 = growth since previous month



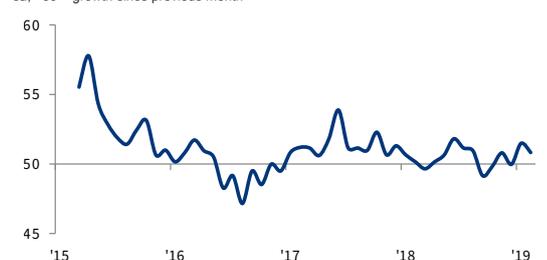
## Employment Index



Private sector firms in Mozambique raised staff numbers for the second month running in February, with the seasonally adjusted Employment Index pointing to a marginal increase. Firms that expanded their workforce generally linked this to company growth.

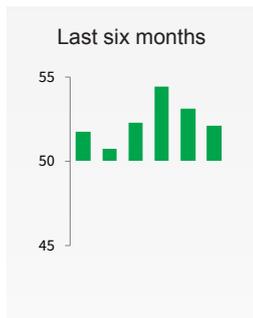
Employment Index

sa, >50 = growth since previous month





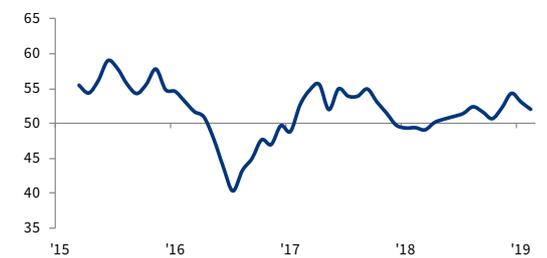
## Quantity of Purchases Index



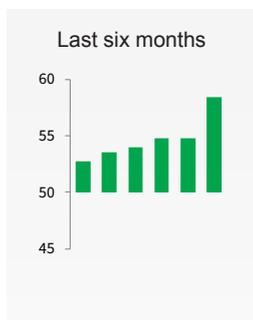
Purchasing activity continued to expand during February, although the pace of increase was softer than the previous three months. Of the firms that raised their purchases, anecdotal evidence mainly pointed to higher sales. The seasonally adjusted Quantity of Purchases Index has now posted above the 50.0 no-change mark in 11 successive months.

Quantity of Purchases Index

sa, >50 = growth since previous month



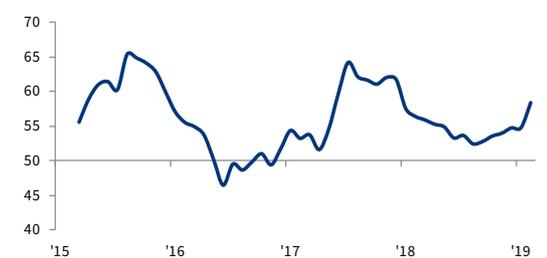
## Suppliers' Delivery Times Index



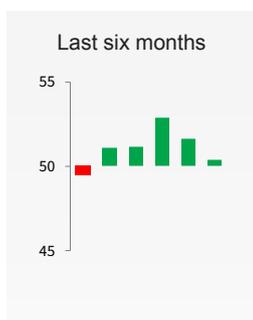
Lead times decreased rapidly in February, as the seasonally adjusted Suppliers' Delivery Times Index improved to a 14-month high. Mozambican firms found that vendors were incentivised by strong competition to deliver goods quickly. Nearly 19% of businesses reported stronger supplier performance.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



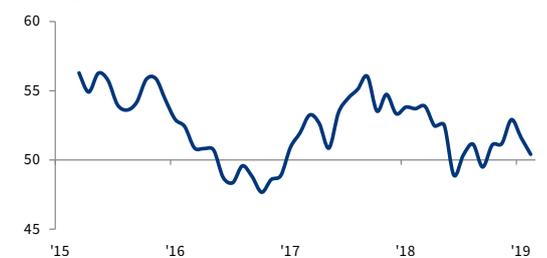
## Stocks of Purchases Index



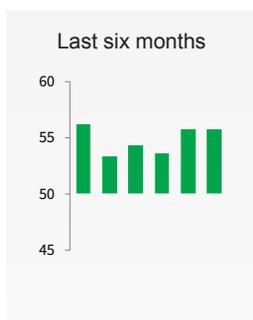
Mozambican firms saw only a slight rise in input stocks during February. The rate of expansion fell to the lowest in the current five-month sequence of growth. While a number of panellists increased stocks due to higher orders, others delayed inventory building because of a lack of raw material supply.

Stocks of Purchases Index

sa, >50 = growth since previous month



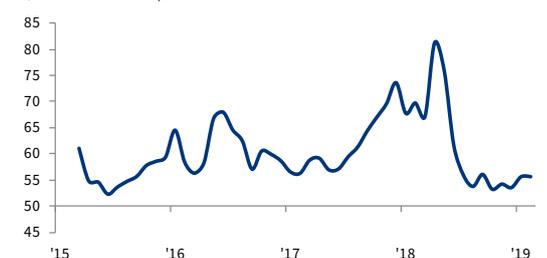
## Overall Input Prices Index



Overall input price inflation was unchanged in February, remaining at the joint-highest level since last September. That said, it was still markedly softer than in early 2018. Almost 13% of respondents reported an increase in costs during the latest survey, compared to 6% that saw a decrease.

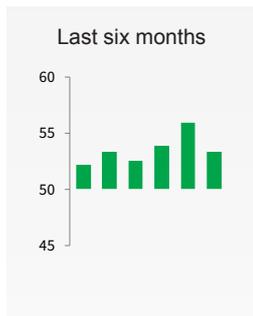
Overall Input Prices Index

sa, >50 = inflation since previous month





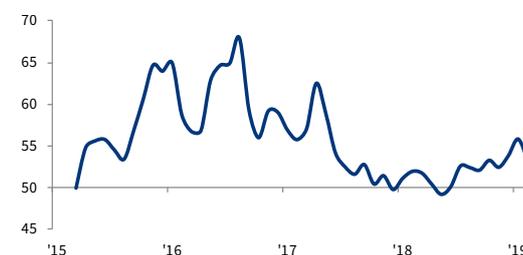
## Purchase Prices Index



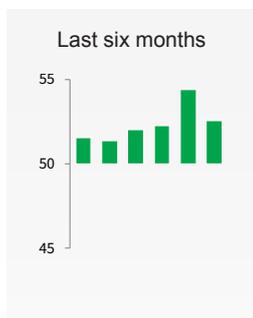
The seasonally adjusted Purchase Prices Index dipped in February from January's 20-month high. The latest figure still indicated a solid rise in purchasing costs, with nearly 8% of panellists reporting increased prices. This was often linked to higher import costs due to a depreciating exchange rate.

Purchase Prices Index

sa, >50 = inflation since previous month



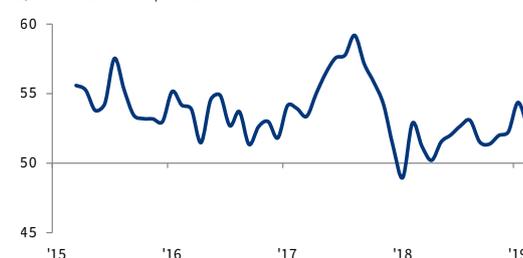
## Staff Costs Index



February data signalled a moderate rise in staff costs at Mozambican firms. The pace at which salaries increased was slower than in January and weaker than the survey average. Businesses that raised wages cited trying to motivate workers to improve productivity.

Staff Costs Index

sa, >50 = inflation since previous month



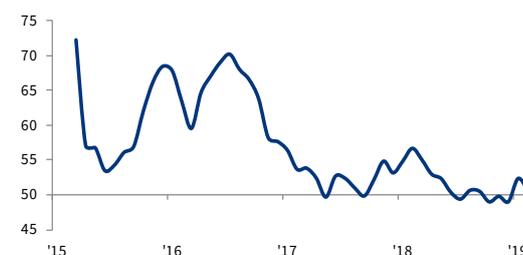
## Output Prices Index



Output prices rose for the second month in a row in February, following three successive drops during the fourth quarter of 2018. That said, the rate of inflation was softer than in January. Those firms that increased their selling prices related this to exchange rate fluctuations and higher input costs.

Output Prices Index

sa, >50 = inflation since previous month



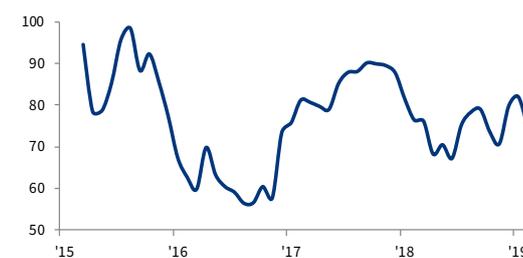
## Future Output Index



Business sentiment remained strongly positive midway through the first quarter, despite the Future Output Index dropping in February. The majority of panellists expected activity to improve over the coming 12 months, with anecdotal evidence pointing to growth in products, premises and workforce numbers. Many firms also mentioned aims to expand their geographical reach.

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 2019 data were collected 12-27 February 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://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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