



Standard Bank Mozambique PMI™

Business conditions improve as employment records solid growth in March

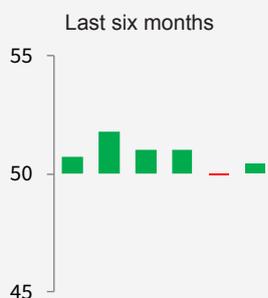
Key findings

Jobs rise at fastest rate in 21 months

New order growth slows

Business expectations at 15-month high

Mozambique PMI



Mozambique's private sector recorded a marginal improvement in business conditions in March. Despite new order growth slowing to a nine-month low, output rose modestly while employment increased at the fastest rate in nearly two years. Furthermore, business expectations rose to the highest in 15 months.

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.

The headline PMI rose to 50.4 in March, signalling a slight improvement in the health of the private sector. This followed February's reading of 50.0 which indicated no change in operating conditions. A reading below 50.0 has not been recorded for nine consecutive months.

Key to the improvement in the private sector was a solid increase in employment during March. Job numbers grew at the fastest rate since June 2017, with firms highlighting greater work requirements as activity rose.

Output levels continued to increase, marking the eighth successive month of expansion at Mozambican firms. That said, the rate of growth was modest and only slightly stronger than in February. Panellists that raised activity cited stronger sales and product promotions as key reasons.

At the same time, new orders increased at the weakest rate in nine months. While many panellists reported strong demand due to new clients and projects, others saw orders soften.

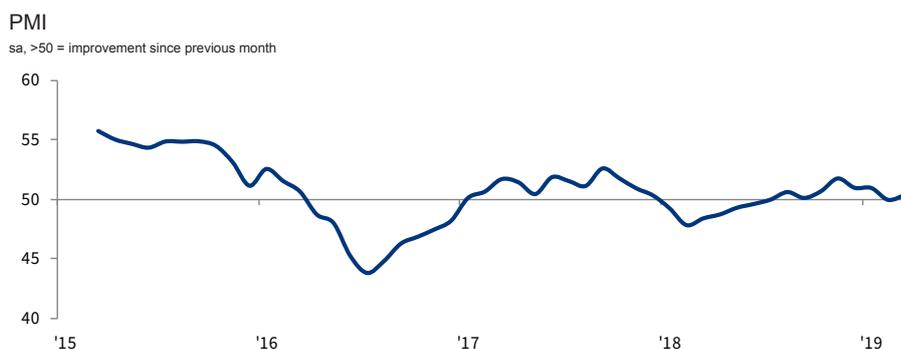
As such, input purchases grew only marginally during March, marking the weakest expansion since last April. However, stock levels rose solidly as some firms commented that they overbought inputs in previous months.

Delivery times were shortened again in March. Panellists commented on suppliers' strong flexibility and punctuality at meeting orders. The rate at which lead times fell was the second-fastest in 15 months.

Businesses were unable to raise their output prices in March, following increases earlier in the year. This was due to new promotions and greater market competition forcing down prices, albeit fractionally.

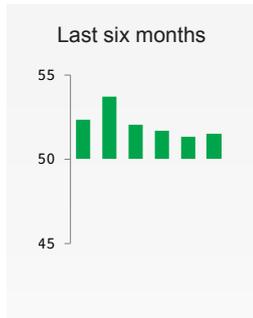
Meanwhile, input prices increased sharply, with the rate of inflation relatively unchanged since January. Purchasing costs rose at a quicker pace, which firms generally linked to higher demand for inputs. Also, staff salaries increased solidly as some firms upped their employee work hours.

Lastly, business expectations toward output in 12 months' time rose to a 15-month high. Most panellists were optimistic that new projects and company growth will boost activity over the coming year.





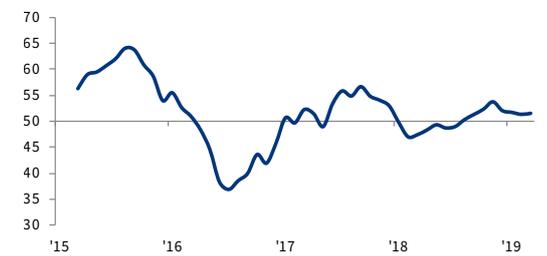
Output Index



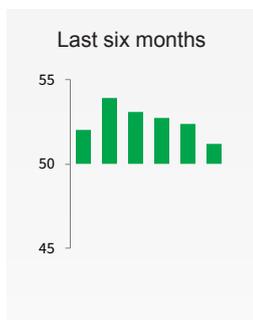
Activity at Mozambican businesses expanded modestly in March. The rate of growth quickened marginally from February to be in line with the average for the series. Around 26% of panellists saw output rise, mostly due to higher sales and product promotions. Activity has increased for eight months in a row.

Output Index

sa, >50 = growth since previous month



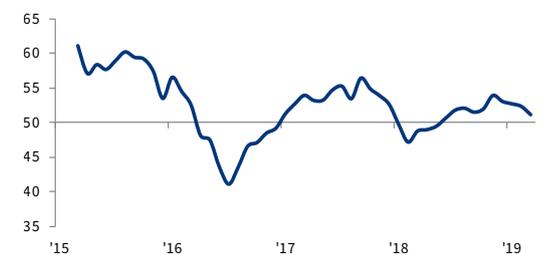
New Orders Index



March saw a further slowdown in the rate of expansion in new orders, according to Mozambican firms. While many respondents commented on increased sales and new projects, others reported weaker client activity. As a result, the seasonally adjusted New Orders Index slipped to its lowest in nine months.

New Orders Index

sa, >50 = growth since previous month



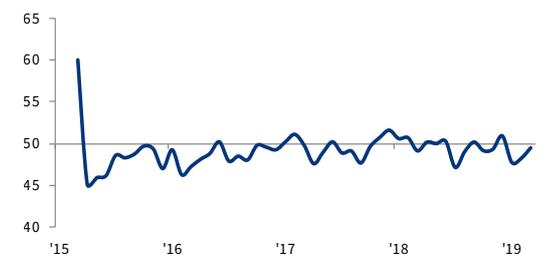
Backlogs of Work Index



Outstanding business at private sector firms in Mozambique fell for the third month running in March, albeit at a marginal and softer pace. In particular, respondents stated that improved efficiency and flexibility allowed them to reduce the number of overdue orders. Weaker new order growth was also found to have contributed to lower backlogs.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Employment growth strengthened at the end of the first quarter, with the respective seasonally adjusted index climbing to a 21-month high. The latest reading suggested a solid increase in jobs, which firms related to higher output volumes and new branch openings. So far, employment has increased each month in 2019.

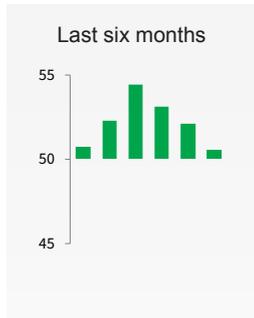
Employment Index

sa, >50 = growth since previous month





Quantity of Purchases Index



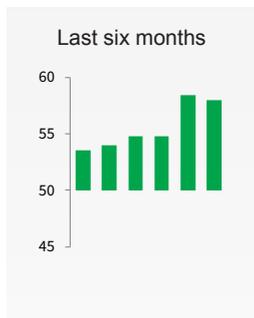
Mozambican firms increased input purchases at a slight rate in March. This marked the weakest expansion for 11 months, as panellists pointed to slower new order growth. Nevertheless, the latest reading extended the current run of rising buying levels to exactly one year.

Quantity of Purchases Index

sa, >50 = growth since previous month



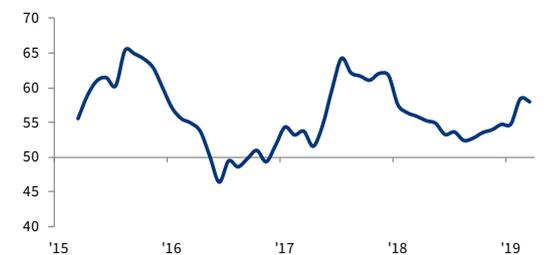
Suppliers' Delivery Times Index



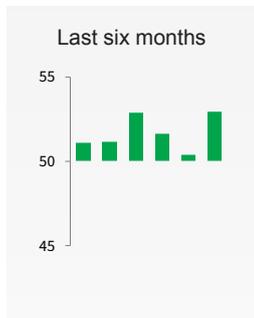
Vendor performance continued to improve quickly during March, albeit at a slightly slower pace than February's 14-month high. Anecdotal evidence found that suppliers were punctual in delivering orders from companies, with over 17% of firms seeing lead times fall.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



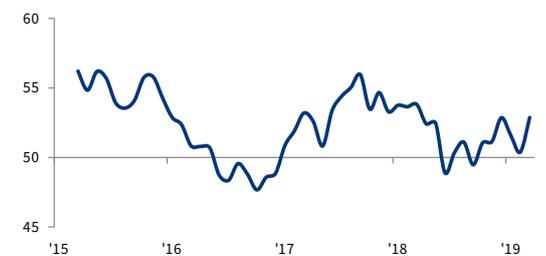
Stocks of Purchases Index



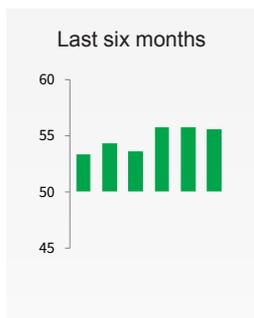
Stocks of inputs at Mozambican private sector firms expanded solidly during March. The rate of increase climbed to the joint-sharpest in 12 months, and was much faster than in February. While some panellists linked greater stockpiling to a rise in sales and new clients, others reported the overbuying of inputs.

Stocks of Purchases Index

sa, >50 = growth since previous month



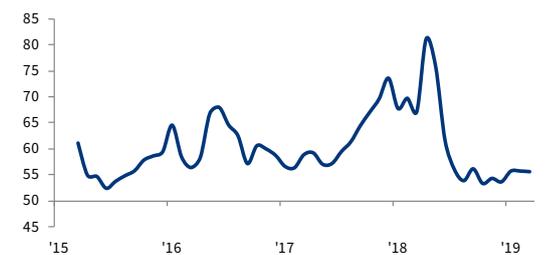
Overall Input Prices Index



The rate of overall input price inflation was relatively unchanged in March. While weaker than the survey average, it remained higher than seen toward the end of 2018. Mozambican businesses highlighted rises in both purchasing and staff costs.

Overall Input Prices Index

sa, >50 = inflation since previous month





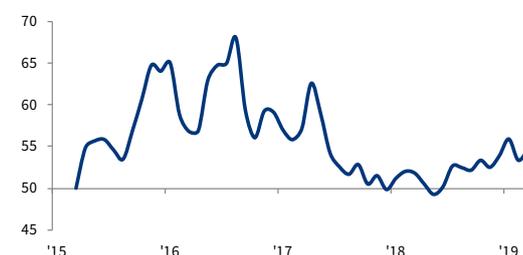
Purchase Prices Index



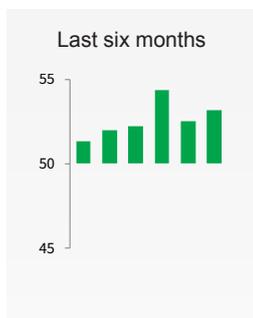
Purchase prices increased sharply at the end of the first quarter. Nearly 16% of respondents reported higher costs, which was generally associated with a rise in activity leading to higher demand for inputs. The rate of inflation was the second-strongest since May 2017.

Purchase Prices Index

sa, >50 = inflation since previous month



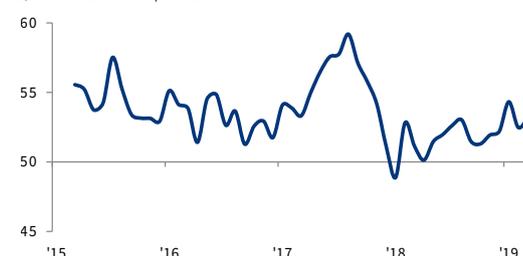
Staff Costs Index



Staff costs continued to rise solidly at Mozambican private sector companies. The increase in salaries was faster than in February but slower than at the start of the year. Firms that reported higher costs linked this to new hires and additional work hours.

Staff Costs Index

sa, >50 = inflation since previous month



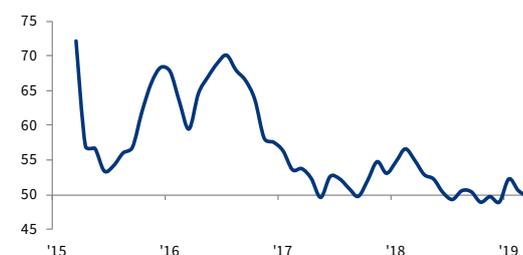
Output Prices Index



After back-to-back increases, output prices recorded a fractional decline in March. Most companies kept charges unchanged, while those that saw a reduction mentioned new promotions and stronger market competition. At the same time, some firms raised their fees due to higher costs and fluctuating exchange rates.

Output Prices Index

sa, >50 = inflation since previous month



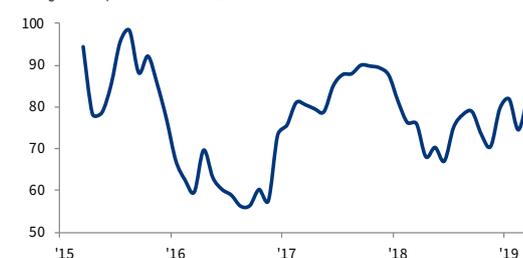
Future Output Index



Future expectations rose to the highest in 15 months in March, as businesses remained strongly optimistic that output will grow over the coming year. Nearly 70% of respondents indicated a positive outlook, relating this to new projects and branches, as well as expanded workforces.

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.

March 2019 data were collected 12-26 March 2019.

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. To learn more go to 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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