



Standard Bank Mozambique PMI™

Businesses enjoy solid improvement to operating conditions in May

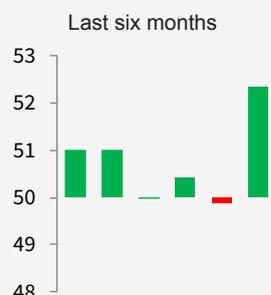
Key findings

Headline PMI up to 20-month high

Solid expansions of output and new orders

Firms see minimal costs increase

Mozambique PMI



Private sector firms in Mozambique were buoyed by a notable uplift in new business in May, driving activity growth to the strongest for six months. Employment grew at a moderate rate whilst input buying also expanded. In addition, businesses faced the softest rise in overall input costs in the survey's history (since April 2015).

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 52.3 in May, the headline PMI was up markedly on April's reading of 49.9 and signalled a solid improvement to business conditions that was also the quickest since September 2017. This followed a relatively settled picture since the start of the year.

Contributing to the heightened index reading was a solid increase in new orders at Mozambican firms in May. The rate of growth was the joint-strongest in 19 months and reportedly driven by higher demand from new and existing clients.

As such, firms expanded their output levels in May, with the rate of increase the sharpest in six months. In fact, businesses raised activity at such a pace that stock levels were depleted for the second month running, despite greater input buying. However, this meant that firms were able to keep on top

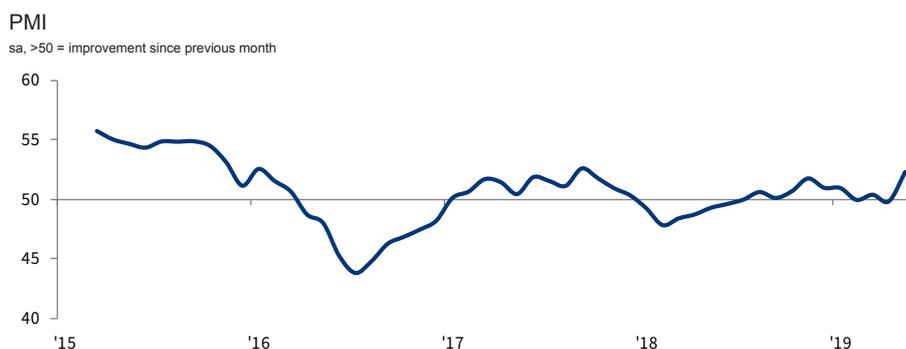
of backlogs, with the level of outstanding business dropping fractionally from the previous month.

Supply chains were hampered slightly in May. Panellists reported a marginal rise in lead times after notable reductions during the opening four months of 2019. Anecdotal evidence found that issues at suppliers led to multiple delays of input deliveries.

Meanwhile, hiring activity increased at Mozambican firms, as stronger demand led companies to raise job numbers at a modest but quicker pace. Despite this, salary costs ticked up at a softer rate than that seen in April.

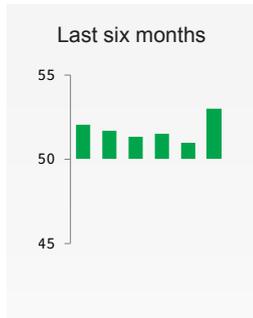
Furthermore, overall input costs faced by panellists rose at only a fractional rate in May. This marked the softest increase of input prices seen throughout the survey history, as firms noted an easing of inflationary pressure on purchase prices. Nonetheless, businesses raised their selling charges at the fastest pace in four months, partly due to an unfavourable exchange rate.

The recent improvement in demand growth boosted future sentiment in May, which climbed up from the 29-month low during April. Overall, businesses were strongly optimistic that output will increase in the future. A number of respondents stated plans to open new businesses over the coming year, while others were focused on expanding their client bases.





Output Index

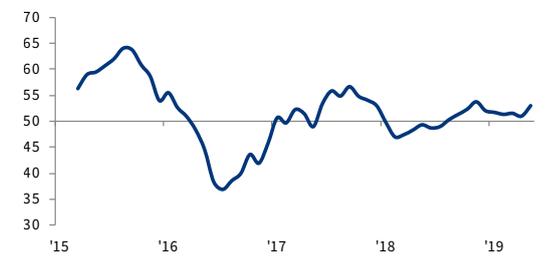


Output at Mozambican private sector businesses grew solidly midway through the second quarter. The rate of expansion accelerated from the recent trend of modest increases to the fastest since last November.

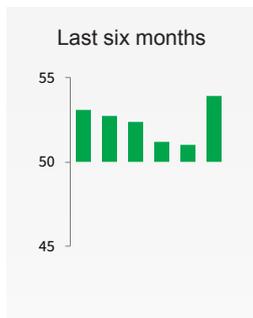
According to panel evidence, firms that raised activity related this to new investment and products. Improved sales were also mentioned.

Output Index

sa, >50 = growth since previous month



New Orders Index

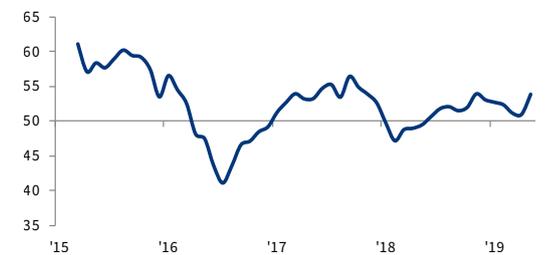


In line with the picture for business activity, new work at Mozambican firms increased at a solid pace in May. Reversing the recent downwards growth trend, order book volumes rose at a notably quicker rate than in April.

Around 13% of respondents noted higher new orders, due to heightened demand from both new and existing clients.

New Orders Index

sa, >50 = growth since previous month



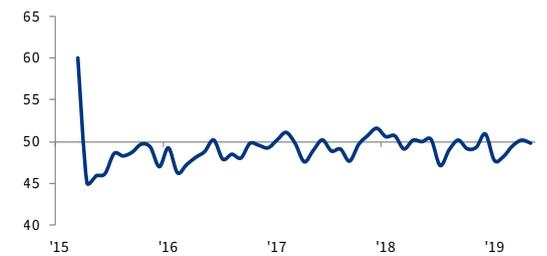
Backlogs of Work Index



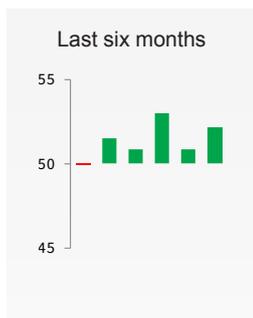
As with the previous month, backlogs of work were broadly unchanged in May as indicated by the respective seasonally adjusted index posting just below the 50.0 no-change mark. While some companies saw work-in-hand fall due to soft demand in previous months, others found that a lack of capital and problems with suppliers led to elevated levels of outstanding business.

Backlogs of Work Index

sa, >50 = growth since previous month



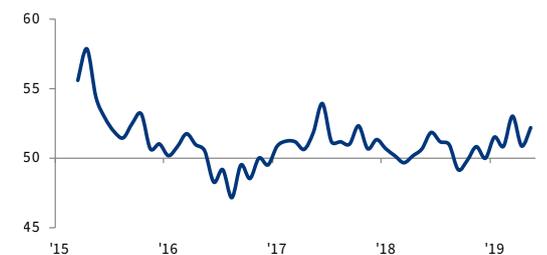
Employment Index



Employment growth was modest midway through the second quarter, marking the fifth successive monthly rise in job numbers. Anecdotal evidence found that Mozambican firms hired employees in reaction to stronger demand. That said, 89% of respondents kept workforce numbers unchanged.

Employment Index

sa, >50 = growth since previous month





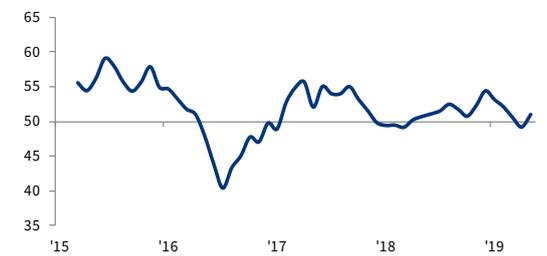
Quantity of Purchases Index



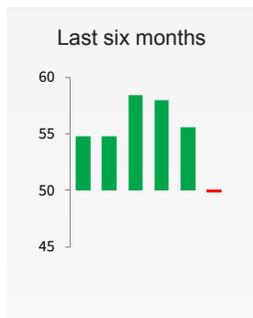
Purchasing activity in Mozambique's private sector returned to expansion territory in May, after April data recorded a slight decline in purchases. That said, the rise was only marginal. Generally, firms linked the increase in buying activity to higher output growth.

Quantity of Purchases Index

sa, >50 = growth since previous month



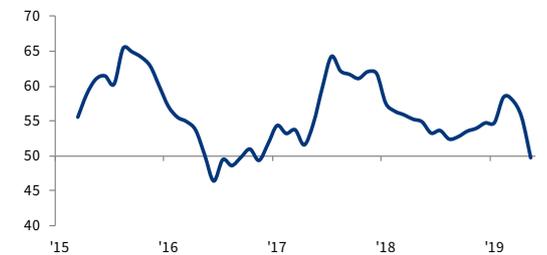
Suppliers' Delivery Times Index



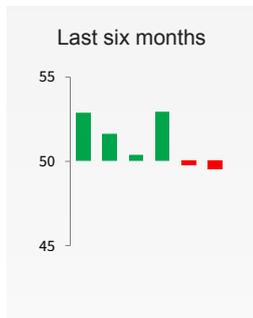
Adjusted for seasonal factors, the Suppliers' Delivery Times Index dipped below the 50.0 neutral threshold for the first time in two-and-a-half years. This signalled a fractional deterioration in vendor performance which was a notable change from sharp improvements seen in the previous few months. Firms found that problems at suppliers led to more frequent delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

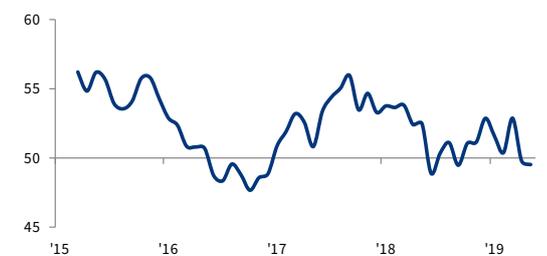


Mozambican companies reported another slight drop in stocks of purchases in May. This marked the first back-to-back monthly fall in inventories since the end of 2016.

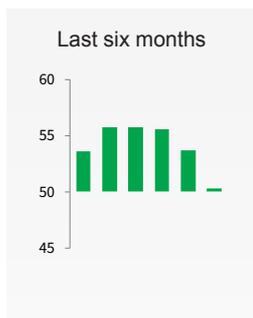
Panellists that reported a reduction in stock levels found that delays to supplier deliveries and faster output growth meant that inventories were depleted.

Stocks of Purchases Index

sa, >50 = growth since previous month



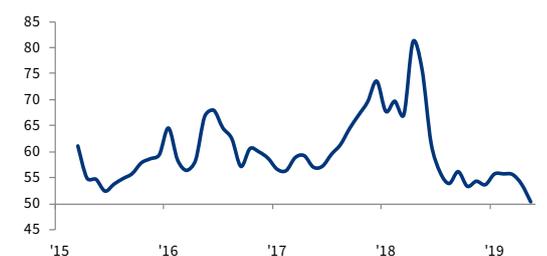
Overall Input Prices Index



Overall input price inflation slowed to only a fractional pace during May, marking the weakest rise in overall costs at Mozambican firms since the survey began in April 2015. This was driven by only a slight increase in purchasing prices, while staff costs ticked up at a softer rate than that seen in April.

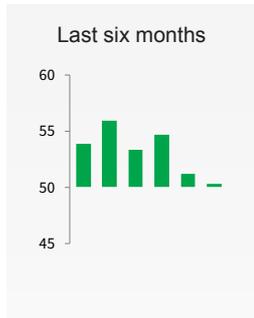
Overall Input Prices Index

sa, >50 = inflation since previous month





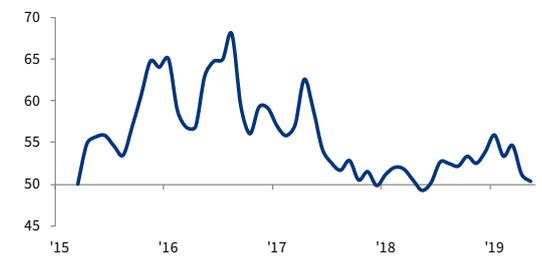
Purchase Prices Index



Firms noted an easing of inflationary pressure on purchase costs for the second month running in May. This brought the rate of inflation down to a fractional pace and the slowest in 11 months. According to anecdotal evidence, increased demand for inputs was a key factor driving prices up. Nonetheless, nearly 87% of respondents reported no change in purchasing costs.

Purchase Prices Index

sa, >50 = inflation since previous month



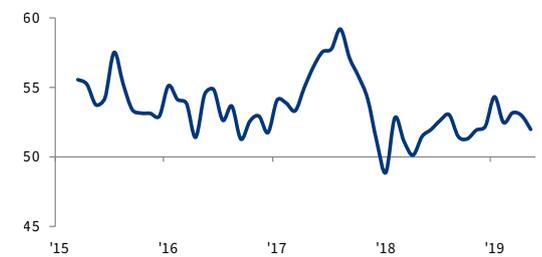
Staff Costs Index



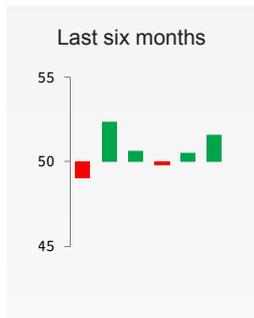
Despite a slight easing in the rate of inflation, companies in Mozambique reported a moderate rise in staff costs over the course of May. Multiple firms highlighted salary increases in line with stronger sales growth, while others found that greater hiring activity led to higher wage costs. Nevertheless, the latest uptick was weaker than the series trend.

Staff Costs Index

sa, >50 = inflation since previous month



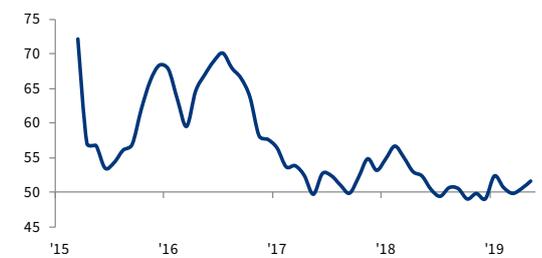
Output Prices Index



May survey data recorded a second consecutive monthly increase in output charges set by private sector firms. It was also the fourth rise in five months, following price discounting in the final quarter of 2018. Panellists often commented that a notable depreciation of the local currency led them to raise their prices.

Output Prices Index

sa, >50 = inflation since previous month



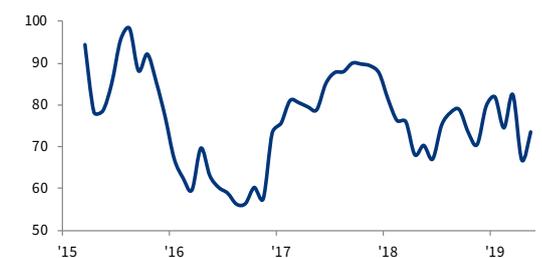
Future Output Index



Future sentiment jumped back up in May from April's 29-month low, albeit was still slightly weaker than the series average. Of all respondents, 48% forecast output to rise over the coming year, with many citing strong growth expectations. Some highlighted plans to open new businesses, while others noted a focus on increasing the number of clients.

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.

May 2019 data were collected 13-28 May 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.

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 (Nasdaq: 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 © 2019 IHS Markit Ltd. All rights reserved.