



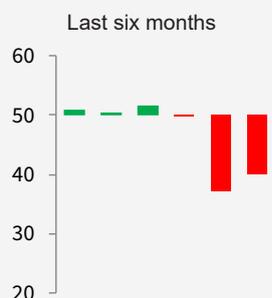
Key findings

Severe fall in business activity in May

Job losses near survey record

Cost pressures drop at sharp pace again

Mozambique PMI



The extension of quarantine measures to curb the spread of coronavirus disease 2019 (COVID-19) had another severe impact on Mozambique's private sector economy in May. Latest PMI survey data showed further sharp declines in output and new business levels, leading to a near-record drop in employment. Deliveries lengthened again, while efforts to lower purchases and staff costs led to a steep fall in expenses.

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 40.0 in May, the headline PMI was up from 37.1 in April, but still indicated a substantial deterioration in business conditions across the Mozambican private sector economy. In fact, the latest reading was the second-lowest seen in the survey history (since April 2015).

This was primarily driven by sharp contractions in output and new orders at Mozambican businesses, of which several temporarily closed due to nationwide lockdown restrictions to stop the COVID-19 pandemic. Firms that remained open saw a dramatic fall in client demand, albeit one that was slightly softer than April's unprecedented decline.

With sales falling rapidly, companies made further reductions to workforces in May,

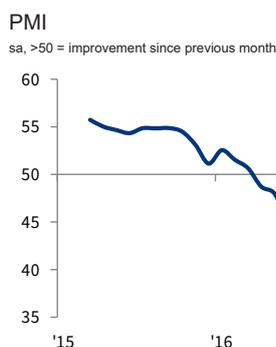
leading to a solid drop in employment that was close to the survey record (in August 2016). Despite this, capacity remained strong as backlogs fell for the second month running.

Purchasing activity also decreased at a sharp pace in May, with firms widely noting that lower sales prompted them to make large adjustments to spending and inventories. Weaker demand for inputs meanwhile led to a steep drop in purchase prices, while staff costs fell at a record pace as many firms reduced salaries.

On the charges side, businesses reported the first drop in output prices since January, which was mainly linked to weak demand. Several firms commented that they offered discounts to try to maintain client sales during the lockdown.

At the same time, quarantine measures meant that deliveries were slower to arrive, highlighted by a second successive monthly increase in lead times. The rate of lengthening was the second-quickest seen in the series history, albeit only modest.

Despite ongoing problems from COVID-19 with activity falling sharply, businesses noted restored confidence towards future output in May. Firms broadly expect activity to rise in 12 months' time, attributed to efforts to grow their own company and improve market share, alongside hopes of a relaxation of emergency measures in the near future.

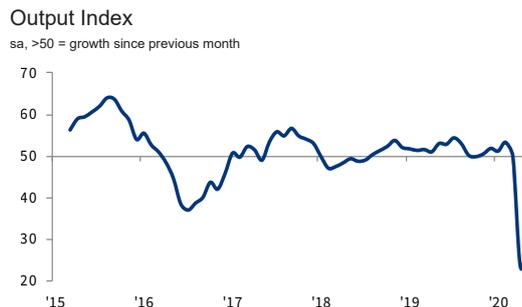




Output Index



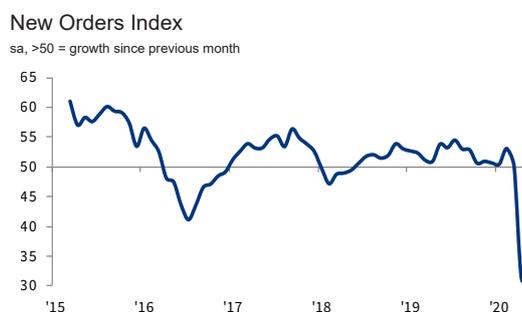
Companies in the Mozambican private sector economy observed a further steep fall in output during May. The seasonally adjusted Output Index rose from April's record low, but was still at its second-lowest reading since data collection began in 2015. Surveyed firms often commented that activity had stopped due to the COVID-19 pandemic, with many temporarily closing as a result of the nationwide lockdown.



New Orders Index



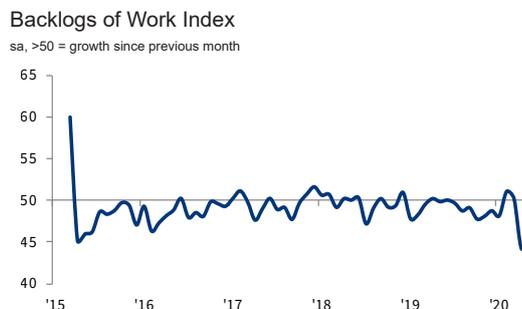
New orders received by Mozambican businesses fell on a large scale during May, mainly due to the extension of lockdown measures across the country to stop the spread of COVID-19. The rate of decline was slower than that seen in April, but still the second-sharpest in the survey history. Just over one-third of panellists (34%) reported lower new orders compared to the previous month.



Backlogs of Work Index



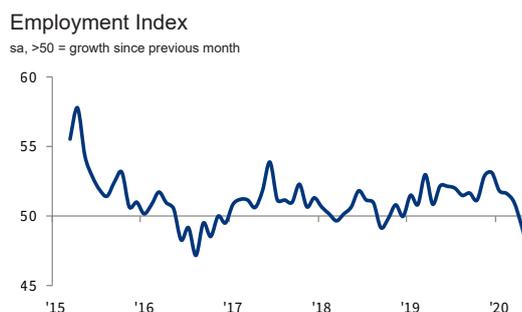
The large drop in new business freed up additional capacity at Mozambican firms midway through the second quarter of the year. This was highlighted by the seasonally adjusted Backlogs of Work Index posting below 50.0 for the second month running, and indicating a fall in outstanding work. The overall depletion of backlog volumes was solid, but softer than April's survey record.



Employment Index



The termination of employee contracts and reluctance to hire new staff led to a further fall in employment across Mozambique's private sector in May. Adjusted for seasonal factors, the Employment Index dropped to its lowest since August 2016, and signalled the second-fastest reduction of workforce numbers in the series history. Firms that lowered employment attributed this to falls in both activity and new orders.





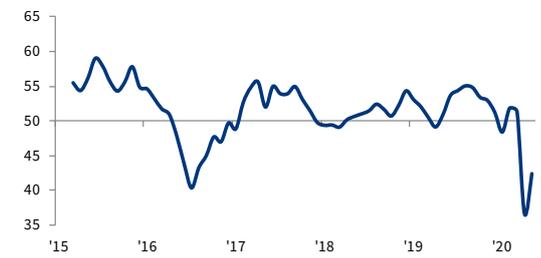
Quantity of Purchases Index



The seasonally adjusted Quantity of Purchases Index rose notably from April's record low in May. That said, it still signalled a sharp reduction in the purchase of inputs at Mozambican firms, the third-quickest in over five years of data collection. Purchases were reportedly lowered due to a lack of new business amid extensive public health measures.

Quantity of Purchases Index

sa, >50 = growth since previous month



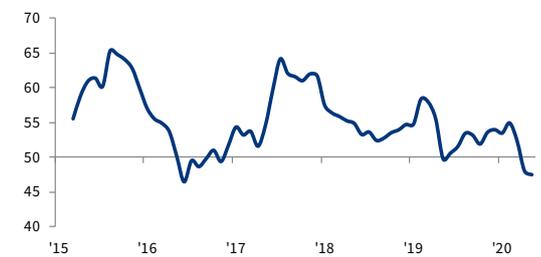
Suppliers' Delivery Times Index



Suppliers' delivery times lengthened for the second successive month in May. The rate of increase was moderate overall but relatively severe, with a worse deterioration in supplier performance only seen in June 2016. According to anecdotal evidence, quarantine measures and border closures led to difficulties in receiving purchased inputs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



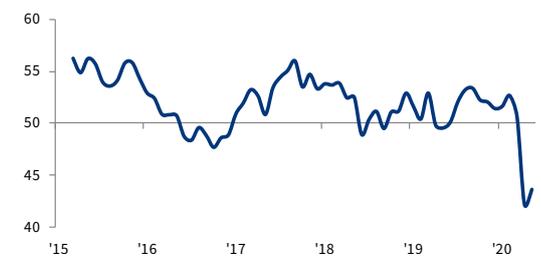
Stocks of Purchases Index



Companies in Mozambique made another sharp adjustment to inventory levels over the course of May. Stocks of purchases fell at a slightly softer pace than seen in April, albeit one still historically marked. Respondents linked inventory depletion to the steep reduction in new orders and purchasing activity amid the COVID-19 pandemic.

Stocks of Purchases Index

sa, >50 = growth since previous month



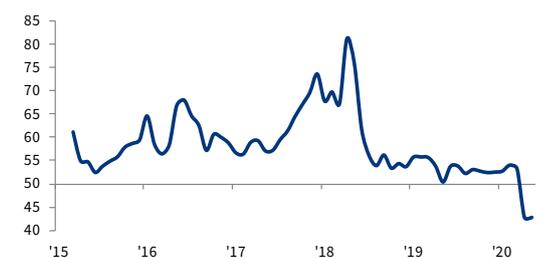
Overall Input Prices Index



For the second time in the series, Mozambican firms reported an overall drop in input prices during May, following April's sharp decline. In fact, the latest reduction was in line with that seen in April and attributed to falls in both purchasing costs and staff costs, with the former recording the sharper decrease.

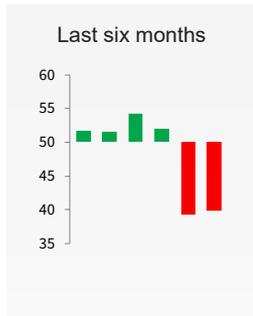
Overall Input Prices Index

sa, >50 = inflation since previous month





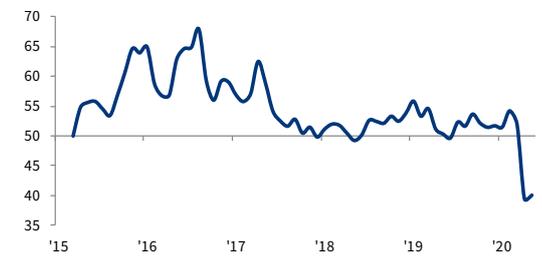
Purchase Prices Index



Adjusted for seasonal variation, the Purchase Prices Index posted below 50.0 in May, indicating a reduction in supplier prices in the Mozambican private sector economy. This marked the second consecutive fall in prices, the first time this has occurred in the series history. Where firms reported lower purchase costs, a lack of demand for inputs was often mentioned.

Purchase Prices Index

sa, >50 = inflation since previous month



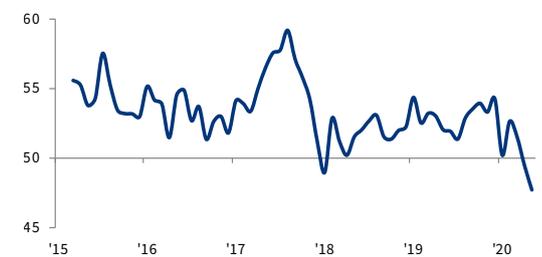
Staff Costs Index



In line with purchase prices, Mozambican firms also saw a second consecutive monthly drop in staff costs during May. Furthermore, the rate of decline was the quickest on record. In addition to employment cuts, panellists often commented on reducing salaries amid the coronavirus pandemic.

Staff Costs Index

sa, >50 = inflation since previous month



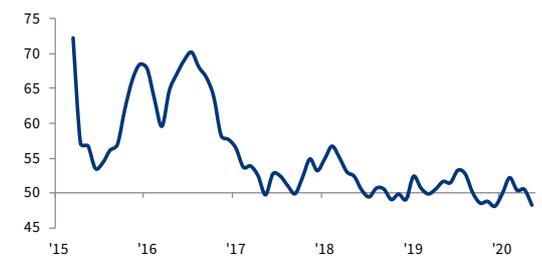
Output Prices Index



Lower levels of new business was a key factor leading Mozambican firms to offer price discounts in May. Output prices fell for the first time in four months as a result, with the latest decline moderate yet the quickest seen in the year-to-date. Firms mentioned having to reduce charges in order to continue sales with some clients.

Output Prices Index

sa, >50 = inflation since previous month



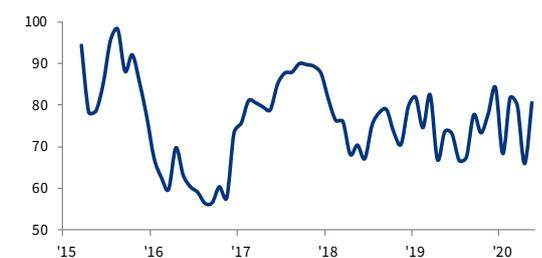
Future Output Index



The level of sentiment regarding the 12-month horizon for output was broadly positive in May. The Future Output Index jumped back up from April's 41-month low, as approximately 65% of respondents expect activity to improve over the coming year. Firms linked these positive projections to efforts to grow the company and improve their share of the market, as well as hopes that the economic impact from COVID-19 will subside.

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 data were collected 12-26 May 2020.

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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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.

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