



Standard Bank Mozambique PMI™

PMI highest in four months, but still signaling worse conditions in July

Key findings

Private sector output falls for fifth month running

New work intakes decline at softest pace during pandemic

Fewest job losses since April

Mozambique PMI



Operating conditions at private sector firms in Mozambique continued to deteriorate in July, according to the latest PMI survey data. Output levels slid at a sharp pace, as intakes of new work dropped for the fourth month in a row. However, the rate of decline in the economy eased as some firms began to see an uplift following the coronavirus disease 2019 (COVID-19) pandemic.

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 latest reading of 46.2 in July signalled a further solid deterioration in the health of the Mozambican private sector at the start of the third quarter. However, the index rose from 41.7 in June and was the highest seen for four months, indicating that the decline in economic conditions was much softer than seen earlier in the pandemic.

Indices for output and new orders remained below the 50.0 growth threshold in July, as companies saw further headwinds from government restrictions on activity. Firms reported that customer demand was weak, with intakes of new work decreasing for the fourth consecutive month. However, the latest decline was easily the softest in this period, as some firms highlighted that customers returned during the month.

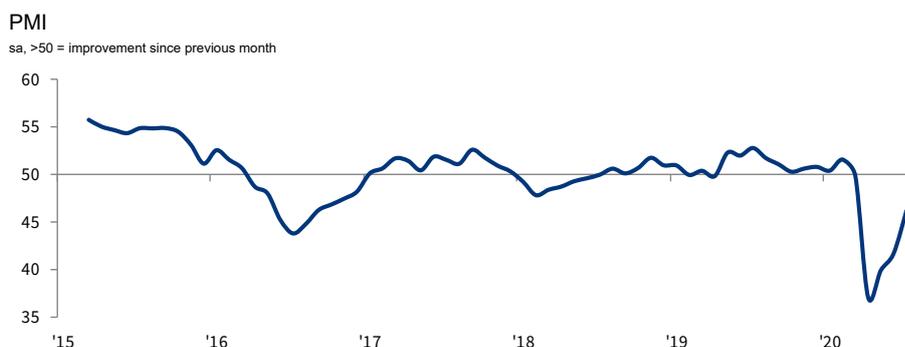
Output levels also fell at the weakest rate in four months in July, as companies responded to the softer fall in new orders. Purchases of inputs meanwhile dropped at only a modest pace, leading to a smaller reduction in stock levels.

Mozambican firms continued to shed workers at the start of the third quarter, which was mainly linked by survey respondents to weak economic conditions. That said, the rate of job losses was the slowest since April, and modest overall. Companies also noted a further clearing of backlogs during July, albeit at a much weaker pace than that seen in June.

Price pressures softened for the fourth consecutive month in July, as lower demand for inputs led to an additional drop in supplier prices and firms continued to reduce salaries in response to weaker sales. Meanwhile, supply chain pressure started to ease, as lead times lengthened the least in four months.

Selling charges rose for the first time since April, reportedly driven by the slower downturn in sales. However, the overall increase was only fractional.

Lastly, the outlook for future activity at Mozambican firms improved only gradually in July. Positive sentiment was sometimes linked to plans to expand into other regions. Notably, the overall level of optimism was broadly similar to the series average.





Output Index



The seasonally adjusted Output Index signalled a further reduction in activity at Mozambican firms during July, after posting below the neutral 50.0 mark for the fifth month running. However, the index edged up for the third successive month, indicating a slower decline. Many businesses that lowered output reported that they were closed due to the COVID-19 pandemic, while others cited a lack of new business.

Output Index

sa, >50 = growth since previous month



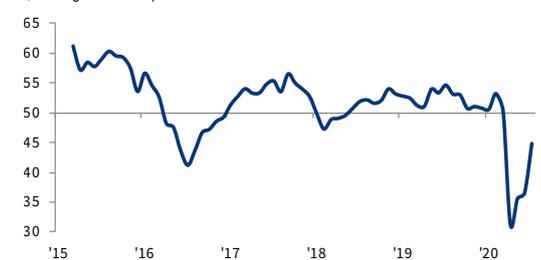
New Orders Index



New orders received by private sector businesses in Mozambique continued to decrease in July, extending the current sequence to four months. However, as the respective seasonally adjusted index rose notably from June, the latest data signalled a much softer fall in demand. Respondents highlighted a lack of clients due to restrictions on movement linked to COVID-19.

New Orders Index

sa, >50 = growth since previous month



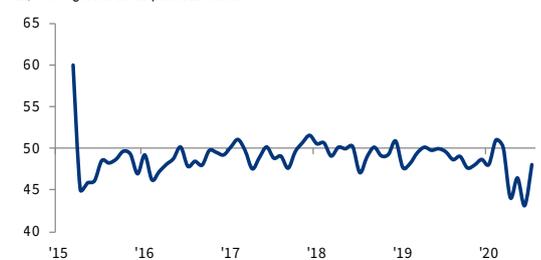
Backlogs of Work Index



With demand falling again in July, firms continued to work on outstanding business. Adjusted for seasonality, the Backlogs of Work Index posted inside contraction territory for the fourth successive month. However, it pointed to just a modest reduction in backlogs in the latest survey period, which was partly attributed to some firms finishing all of their existing work.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Mozambican workers were again negatively impacted by the pandemic in July. Latest survey data showed a further fall in employment levels, albeit one that was the least marked since April. Firms that reduced their workforces mainly related this to weak economic conditions due to COVID-19. However, some highlighted that a lack of mobility meant it was difficult to hire new workers.

Employment Index

sa, >50 = growth since previous month



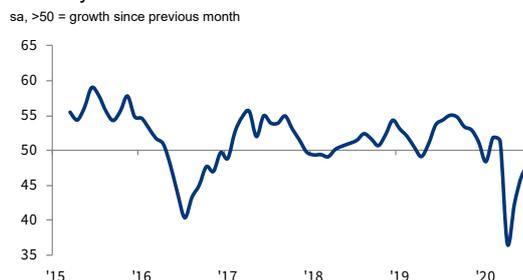


Quantity of Purchases Index



The seasonally adjusted Quantity of Purchases Index climbed higher in July to indicate a slower reduction in the procurement of inputs. According to respondents, the weaker drop in demand led to fewer companies needing to reduce purchases. Around 11% of businesses cut input buying in the latest survey period, which compared with 3% of firms buying more inputs than in June.

Quantity of Purchases Index

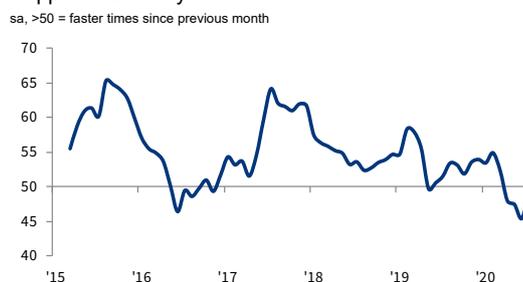


Suppliers' Delivery Times Index



Pressure on Mozambican supply chains eased in July, as the seasonally adjusted Suppliers' Delivery Times Index rose for the first time since February. While it still signalled a lengthening of overall lead times, the rate of deterioration was marginal due to some firms seeing vendors recover following strict lockdown measures. That said, other panellists continued to report delays due to slower freight and border controls.

Suppliers' Delivery Times Index

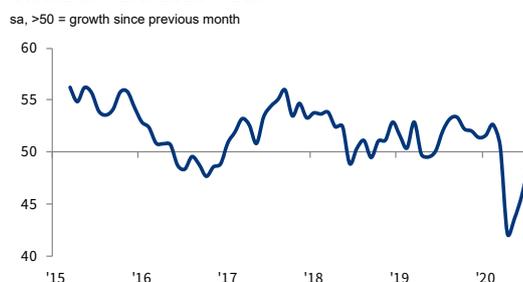


Stocks of Purchases Index



Inventories of purchases items held by Mozambican businesses continued to fall at the start of the third quarter of the year. Following the trend seen for input purchasing, the rate of reduction eased for the third consecutive month to only a marginal pace.

Stocks of Purchases Index

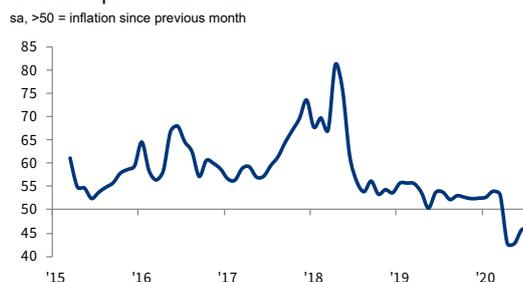


Overall Input Prices Index



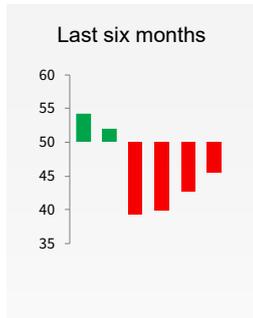
Private sector companies in Mozambique saw another sharp decline in overall input prices in July, as lower demand for inputs drove a further cut to supplier prices amid the COVID-19 pandemic. The rate of decline slowed fractionally from the previous month, and was the weakest seen in the current sequence of decrease.

Overall Input Prices Index





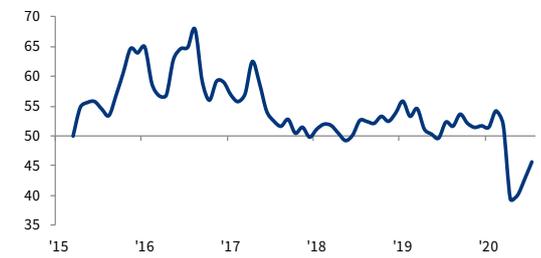
Purchase Prices Index



A further reduction in purchasing activity led suppliers to lower purchase prices even further in July. The latest reduction was solid, albeit the least marked in the current four-month sequence of decline. Panellists highlighted that a lack of demand for materials drove the decrease in price.

Purchase Prices Index

sa, >50 = inflation since previous month



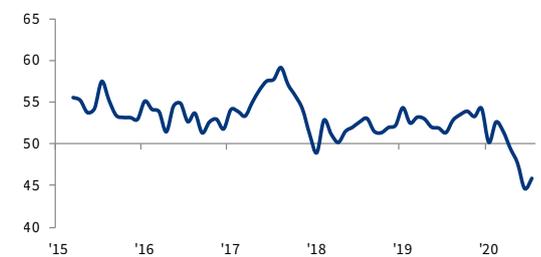
Staff Costs Index



Mozambican firms reported a fourth successive monthly drop in workers' salaries during July. The seasonally adjusted Staff Costs Index pointed to a strong reduction in personnel expenses. That said, the rate of decline weakened for the first time in the negative trend that began in April, as fewer firms lowered salaries compared to the month before.

Staff Costs Index

sa, >50 = inflation since previous month



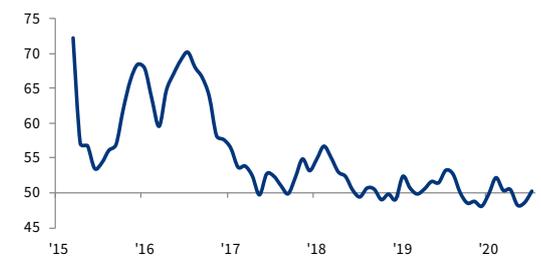
Output Prices Index



For the first time since April, companies saw an increase in average prices in the Mozambique private sector economy. July data signalled that the uptick in prices was only marginal, however. While some respondents noted an increase in market prices, others saw a reduction due to weaker demand.

Output Prices Index

sa, >50 = inflation since previous month



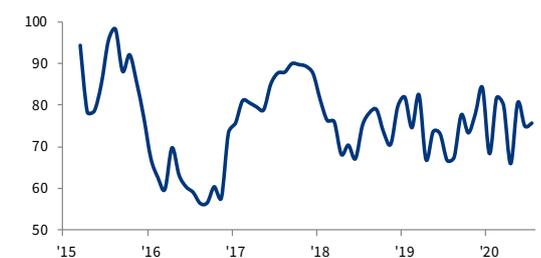
Future Output Index



Sentiment towards future output in the Mozambican private sector improved only slightly during July and was broadly in line with the five-year series trend. Nearly 52% of firms gave a positive response to output predictions, while most other respondents forecast an unchanged level of activity in 12 months' time. Some panellists noted that they planned to expand their business to more provinces in the future.

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.

July data were collected 13-28 July 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.

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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