



# Standard Bank Mozambique PMI™

## Downturn in business activity remains strong in August

### Key findings

Upward momentum in the PMI stalls

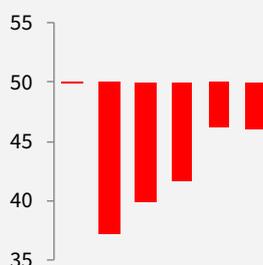
New orders and output fall sharply

Job numbers decrease at softest rate since April

### Mozambique PMI



Last six months



Mozambican companies reported a further solid deterioration in the health of the private sector economy in August, as output and new business continued to fall at sharp rates. However, employment was reduced more slowly, while delivery times moved closer to stabilisation.

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 dipped fractionally from 46.2 in July to 46.1 in August, to signal a sixth successive monthly deterioration in business conditions at Mozambican private sector firms. It was also the first time in four months where the headline reading decreased on the month, although it remained nine points higher than in April.

The solid downturn reflected a further sharp decline in business activity in August, as firms moderated output again due to the impact of the coronavirus disease 2019 (COVID-19) pandemic. The rate of contraction was the slowest since March, but only fractionally weaker than in July.

Receipts of new work also fell at a sharp pace midway through the third quarter, as firms noted weak demand due to the pandemic. After slowing for three successive months up to July, the rate of decline was unchanged in August.

Subsequently, further cuts to employment were recorded at Mozambican firms in an effort to reduce capacity. More positively though, the rate of job shedding was the softest in four months, and only slight. Meanwhile, backlogs fell at the slowest rate in the current five-month run of depletion.

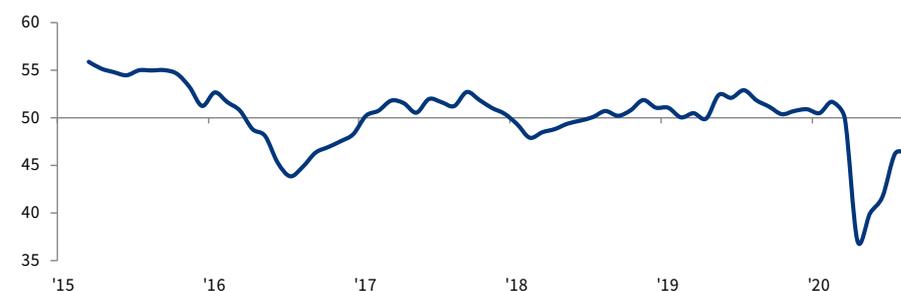
Businesses saw further delays to the delivery of raw materials in August, amid continued supply disruption. However, as demand for inputs fell further, some vendors were able to speed up, leading to the smallest increase in lead times for five months.

At the same time, input costs decreased again in the private sector, but the rate of decline slowed markedly to just a marginal pace. Notably, some firms cited that the redirection of supply chains led to higher purchasing costs, as well as new equipment purchases, which partly offset supplier price reductions. Output charges were meanwhile raised for the second month running, albeit only slightly.

The outlook for the Mozambican economy weakened to a four-month low in August. Whilst many firms were hopeful of an uplift in activity amid new branch openings, some voiced concerns about the longevity of the COVID-19 pandemic. The impact of the pandemic on demand led firms to reduce inventories further, with the rate of contraction accelerating for the first time since stocks began decreasing in April.

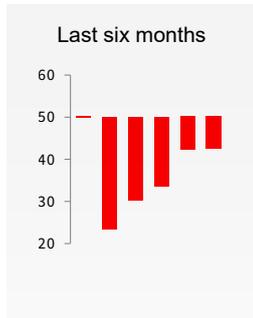
### PMI

sa, >50 = improvement since previous month





## Output Index



Adjusted for seasonal factors, the Output Index rose to its highest in five months in August, ticking up fractionally from July's reading. That said, it signalled another sharp decrease in business activity at Mozambican firms. Where a decline was recorded, panellists related this to fewer clients and a decrease in sales.

Output Index

sa, >50 = growth since previous month



## New Orders Index



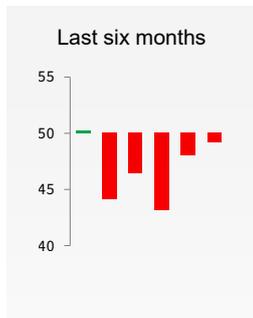
Companies in Mozambique saw a further steep fall in new work midway through the third quarter of the year. The COVID-19 pandemic was again highlighted as a drag on sales. Some panellists also noted shortages of raw materials. The rate of contraction was unchanged from July and the joint-weakest over the current five-month sequence of decline.

New Orders Index

sa, >50 = growth since previous month



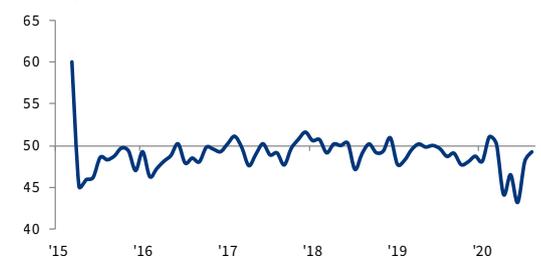
## Backlogs of Work Index



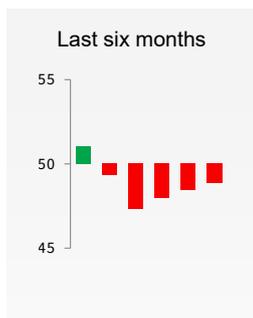
While backlogs fell for the fifth month running in August, the rate of depletion was the slowest seen in this sequence. The seasonally adjusted index rose for the second consecutive month and indicated just a marginal reduction in outstanding business. Firms reported that weak demand led them to focus on backlogs, although some were hindered by difficulties acquiring materials and delivery delays.

Backlogs of Work Index

sa, >50 = growth since previous month



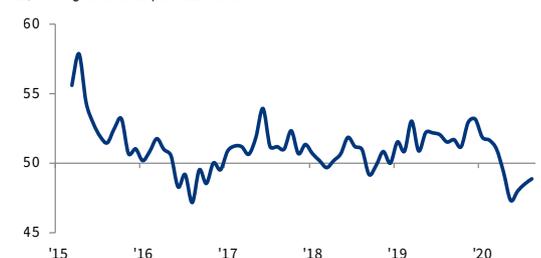
## Employment Index



Job numbers at Mozambican private sector companies were trimmed in August, extending the sequence of job shedding that began in April. However, the rate of reduction slowed for the third month in a row, with firms cutting workforce numbers only slightly. The fall in employment was commonly linked to lower new business.

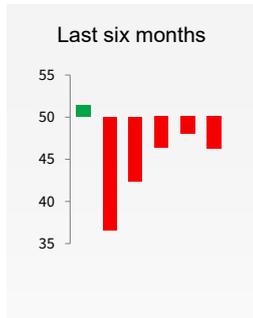
Employment Index

sa, >50 = growth since previous month





## Quantity of Purchases Index



As demand across the Mozambican economy fell further in August, firms moderated their purchases for the fifth month in a row. Notably, the rate of reduction accelerated from that seen in July to the quickest for three months. Nearly 16% of companies cut purchasing activity from the previous month, with just 5% reporting an increase.

Quantity of Purchases Index

sa, >50 = growth since previous month



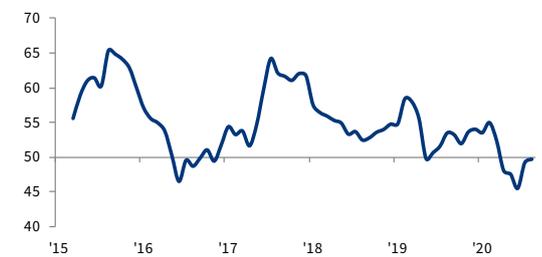
## Suppliers' Delivery Times Index



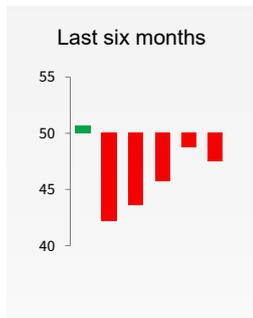
The seasonally adjusted Suppliers' Delivery Times Index pointed to a further lengthening of lead times in August. That said, the decline in supplier performance was marginal, as the index rose to just beneath the 50.0 no-change mark. Panellists mentioned that due to lower demand and high competition, some suppliers delivered quicker than in July, helping to offset COVID-19-related delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



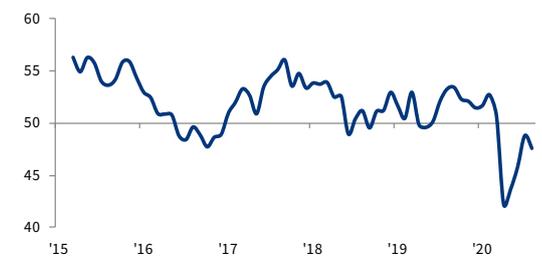
## Stocks of Purchases Index



Stocks of inputs held by private sector firms in Mozambique decreased for the fifth successive month during August. As was the case for purchasing activity, the fall in stocks quickened from July's modest pace, signalling the first acceleration in stock depletion since holdings were reduced in April.

Stocks of Purchases Index

sa, >50 = growth since previous month



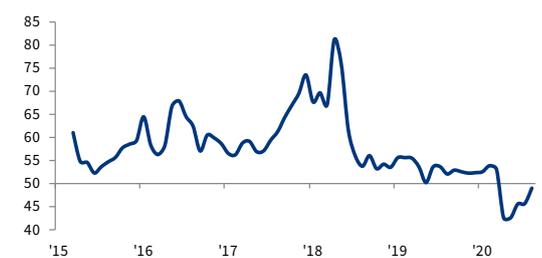
## Overall Input Prices Index



Companies continued to report lower input costs midway through the third quarter, driven by weaker demand pressure on inputs and falling employee costs. That said, the decrease in total costs was only slight, and the weakest seen in the current five-month sequence of deflation.

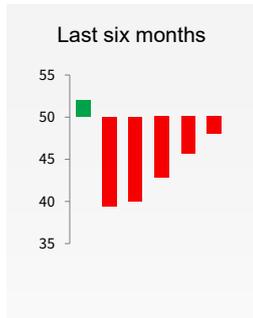
Overall Input Prices Index

sa, >50 = inflation since previous month





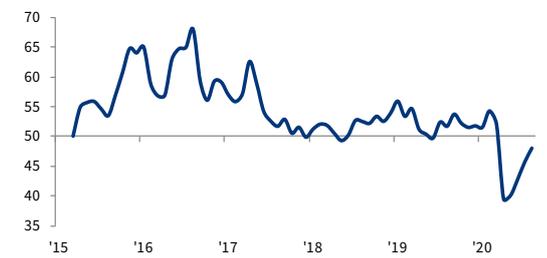
## Purchase Prices Index



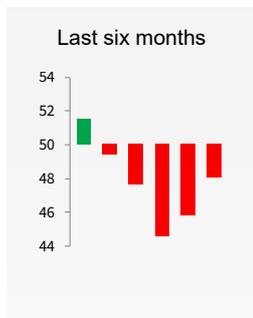
Latest data signalled a fifth successive fall in purchase prices in August, as firms highlighted that weak demand for inputs led suppliers to reduce prices. However, the pace of reduction continued to slow, with the latest decrease only modest overall. Some respondents mentioned that new equipment purchases, currency weakness and redirected supply chains led to a rise in cost pressures, partly offsetting the decline in prices.

### Purchase Prices Index

sa, >50 = inflation since previous month



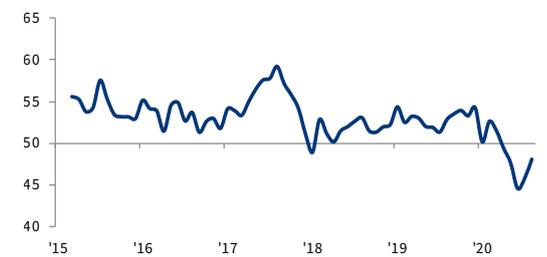
## Staff Costs Index



Staff costs in the Mozambique private sector fell at a modest pace in August, as the respective seasonally adjusted index rose for the second month running to its highest since April. Wages and salaries were often reduced due to a lack of new work and weaker profits, according to survey respondents.

### Staff Costs Index

sa, >50 = inflation since previous month



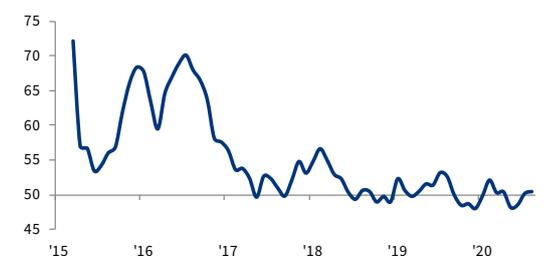
## Output Prices Index



Average prices charged by private sector firms increased further in August, following the first rise in three months during July. That said, the uptick was again only slight and much weaker than the series trend. Firms that increased their charges mainly attributed this to the softer reduction in input costs.

### Output Prices Index

sa, >50 = inflation since previous month



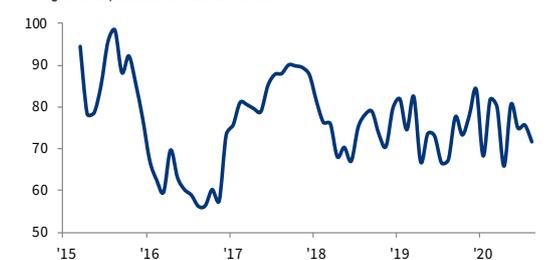
## Future Output Index



Business sentiment dipped to its lowest in four months during August, reflecting some firms' concerns about the longevity of the COVID-19 pandemic. Nevertheless, confidence remained strong in the Mozambican private sector, as 44% of respondents expect activity to rise in the forthcoming year. Hopes were often pinned to the planned opening of new branches and acquiring more 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.

August data were collected 12-25 August 2020.

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.

[ihsmarkit.com/products/pmi.html](https://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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