



Standard Bank Mozambique PMI™

PMI rises to seven-month high in October

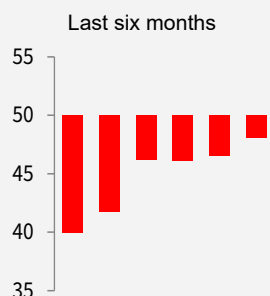
Key findings

Softer reductions in output and new orders

Employment ticks down following rise in September

Business confidence lowest in almost four years

Mozambique PMI



The start of the fourth quarter of 2020 saw Mozambique's private sector move closer to stabilisation. Both output and new orders decreased at slower rates and firms raised their purchasing activity. That said, business confidence dropped to the lowest in just under four years and the return to growth of employment seen in September was cancelled out.

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 48.1 in October, up from 46.6 in September, the headline PMI posted its highest reading since March, prior to the outbreak of COVID-19 in Mozambique. The index signalled a modest deterioration in the health of the private sector, and the eighth in as many months.

Signs of improving demand conditions as companies recovered from the coronavirus disease 2019 (COVID-19) lockdown helped the private sector move closer to stabilisation in October.

New orders decreased at a solid pace, albeit one that was the slowest in the current seven-month sequence of decline. Where new business decreased, panellists reported that customer numbers remained low.

Meanwhile, the pace of contraction in

business activity slowed for the sixth consecutive month from April's record. That said, there were still some reports that the pandemic impacted negatively on output.

After having returned to growth in September, employment decreased fractionally in October amid a continued lack of pressure on capacity.

Purchasing activity increased, however, thereby ending a six-month sequence of decline. Competition among suppliers led them to shorten their delivery times for the second month running, while stocks of purchases were broadly unchanged.

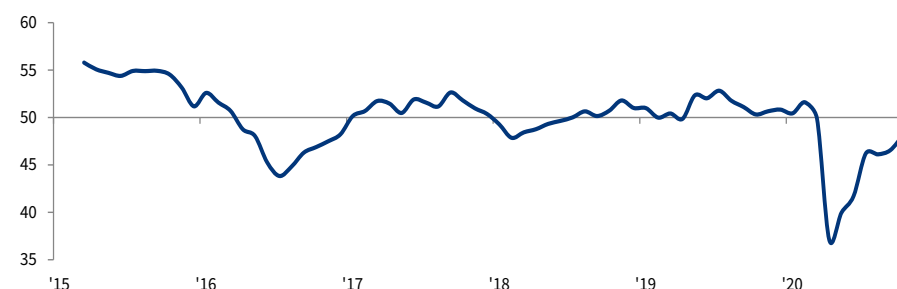
Although purchasing increased marginally in October, overall demand for inputs remained relatively weak. Therefore, suppliers reduced their charges and purchase costs in the private sector decreased for the seventh successive month. In contrast, staff costs increased marginally, and for the first time since March.

Companies in Mozambique raised their own selling prices for the fourth month running in October, albeit at a marginal pace that was the slowest since July.

Despite signs of improving demand conditions during the month, business confidence dropped to the lowest since November 2016. Those panellists that did predict growth of output over the coming year linked this to predictions of stronger demand and business expansion plans.

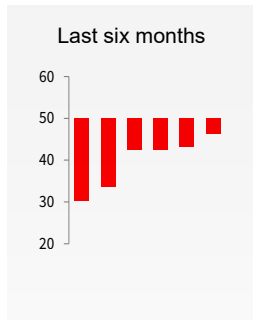
PMI

sa, >50 = improvement since previous month





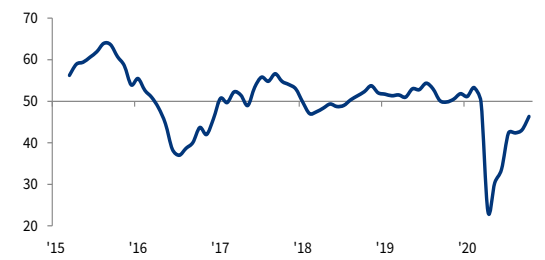
Output Index



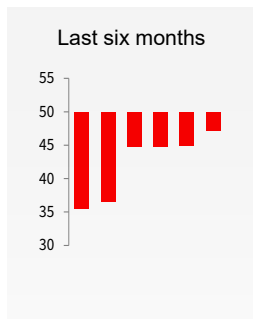
Although business activity in Mozambique's private sector continued to fall in October, the pace of reduction slowed for the sixth month running from April's record and was the softest since March. The loosening of COVID-19 restrictions and signs of improving market demand supported the move towards stabilisation. That said, a number of firms continued to report declines in output due to the pandemic.

Output Index

sa, >50 = growth since previous month



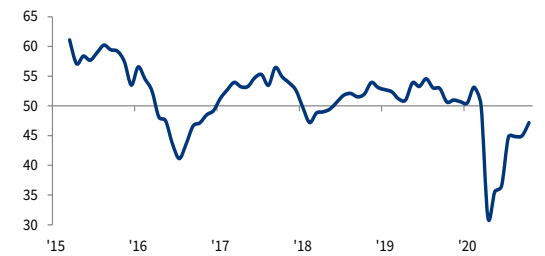
New Orders Index



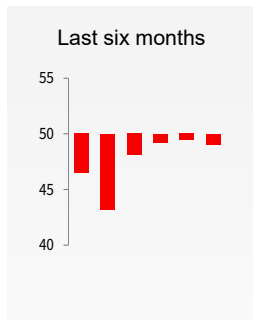
As has been the case in each of the past seven months, new orders decreased in October. That said, the rate of contraction was the slowest in this sequence. Some panellists reported that customer numbers remained low, but others noted signs of demand starting to improve.

New Orders Index

sa, >50 = growth since previous month



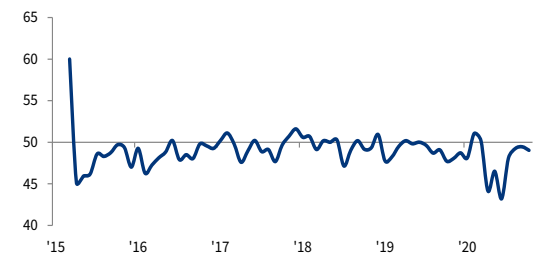
Backlogs of Work Index



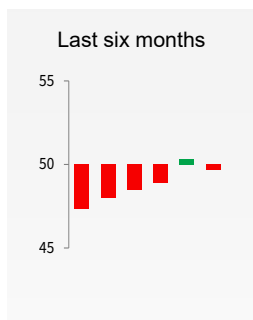
October data pointed to a further reduction in backlogs of work at companies in Mozambique, thereby extending the current sequence of depletion to seven months. The pace of decline was slight, but the fastest since July. Where outstanding business decreased, this was often linked to the COVID-19 pandemic and an associated lack of new work.

Backlogs of Work Index

sa, >50 = growth since previous month



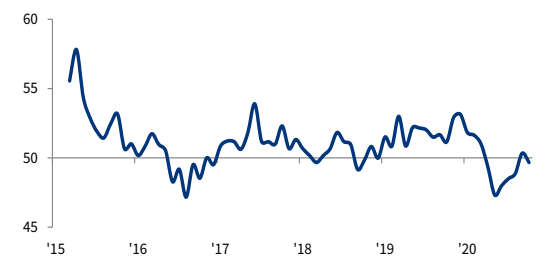
Employment Index



After employment had returned to growth in September, staffing levels fell slightly during October. Job cuts have now been signalled in six of the past seven months, but the dip at the start of the fourth quarter was only fractional. Highlighting this, the vast majority of respondents (95%) signalled no change to their staffing levels during the month.

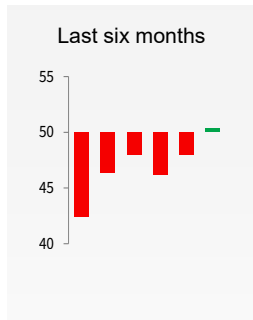
Employment Index

sa, >50 = growth since previous month





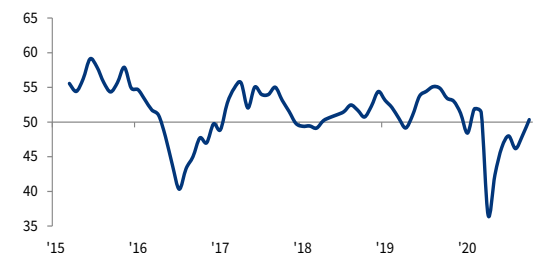
Quantity of Purchases Index



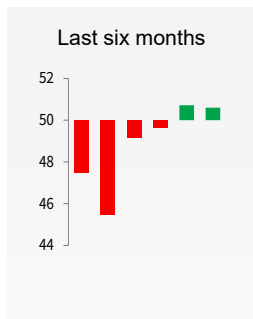
Companies in Mozambique increased their purchasing activity during October, thereby ending a six-month sequence of contraction. That said, the rise was only marginal. Where input buying expanded, respondents generally attributed this to signs of improving market demand.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



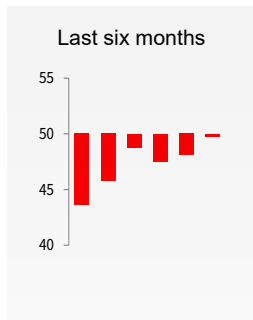
Competition among suppliers and efforts on their part to secure business led to a second successive improvement in input delivery times at the start of the final quarter of the year. Lead times shortened modestly, and to a broadly similar extent to that seen in September.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



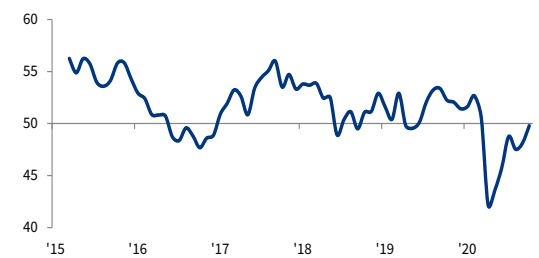
Stocks of Purchases Index



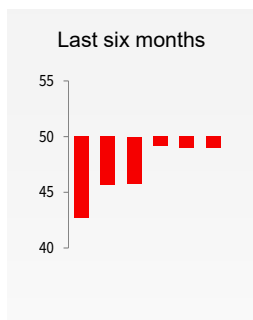
Stocks of purchases were broadly unchanged in October, following reductions in each of the previous six months. A rise in purchasing activity led to higher inventories at some firms. Conversely, other respondents indicated that they remained wary of holding stocks due to the COVID-19 pandemic.

Stocks of Purchases Index

sa, >50 = growth since previous month



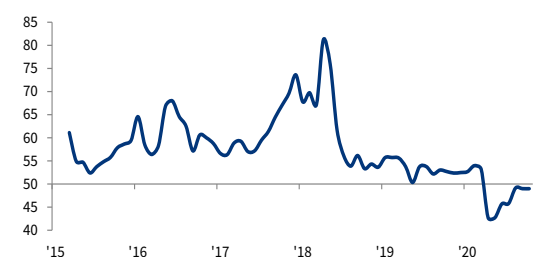
Overall Input Prices Index



Overall input prices decreased for the seventh month running in October, with the rate of decline unchanged from that seen in September. Underlying data signalled that the reduction in overall input costs was centred on purchase prices, as staff costs increased.

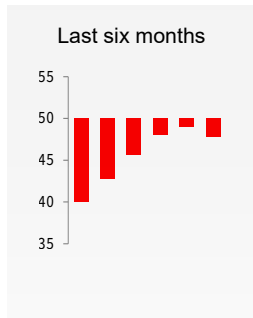
Overall Input Prices Index

sa, >50 = inflation since previous month





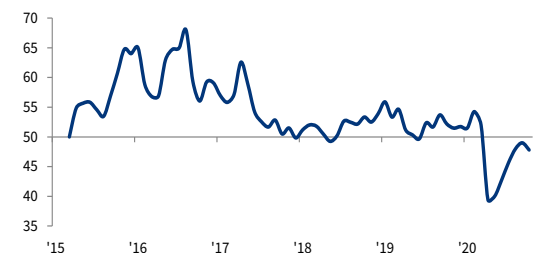
Purchase Prices Index



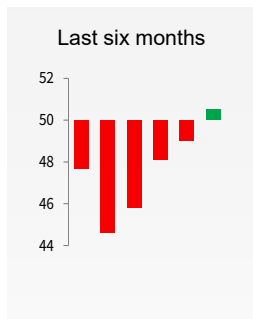
October data pointed to a further reduction in purchase prices, with the pace of decline quickening slightly from that seen in September. Purchase costs have now decreased in seven successive months. According to respondents, relatively weak demand for inputs reduced pricing power at suppliers.

Purchase Prices Index

sa, >50 = inflation since previous month



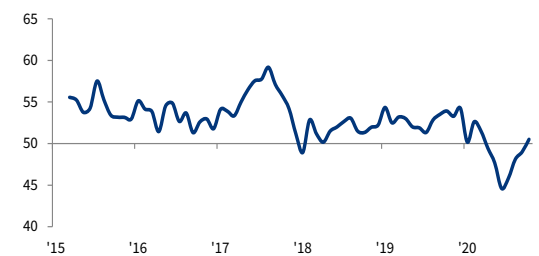
Staff Costs Index



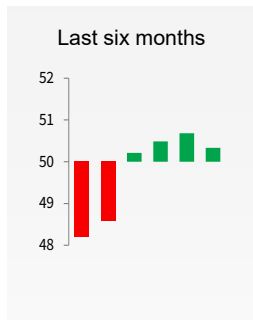
Staff costs increased for the first time in seven months in October as companies increased pay for their workers. That said, the rise was only marginal and softer than the series average. The vast majority of panellists (97%) reported no change in staff costs during the month.

Staff Costs Index

sa, >50 = inflation since previous month



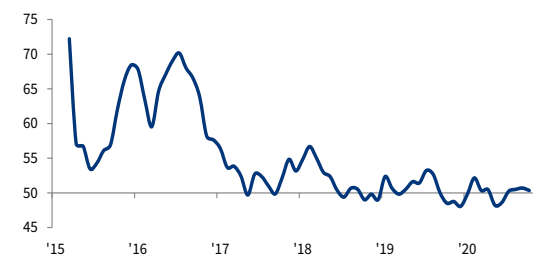
Output Prices Index



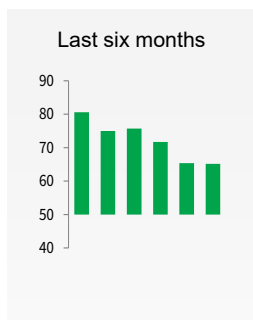
Firms in Mozambique increased their selling prices for the fourth month running in October. The rate of inflation was marginal and the slowest since July. Where output prices were raised, panellists generally linked this to an increase in the cost of inputs caused by currency weakness. On the other hand, some firms lowered charges to stimulate new orders.

Output Prices Index

sa, >50 = inflation since previous month



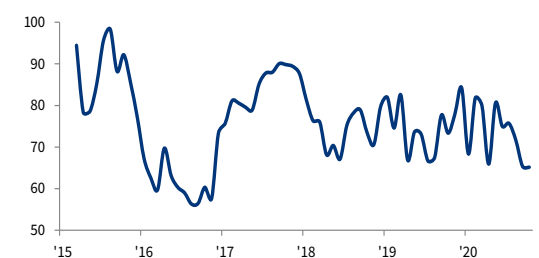
Future Output Index



Business confidence dropped for the third consecutive month at the start of the final quarter and was the lowest since November 2016. Sentiment was also weaker than the series average. Where optimism was recorded, panellists signalled confidence that business conditions and market demand would improve over the coming year, while expansion plans were also mentioned.

Future Output Index

>50 = growth expected over next 12 months

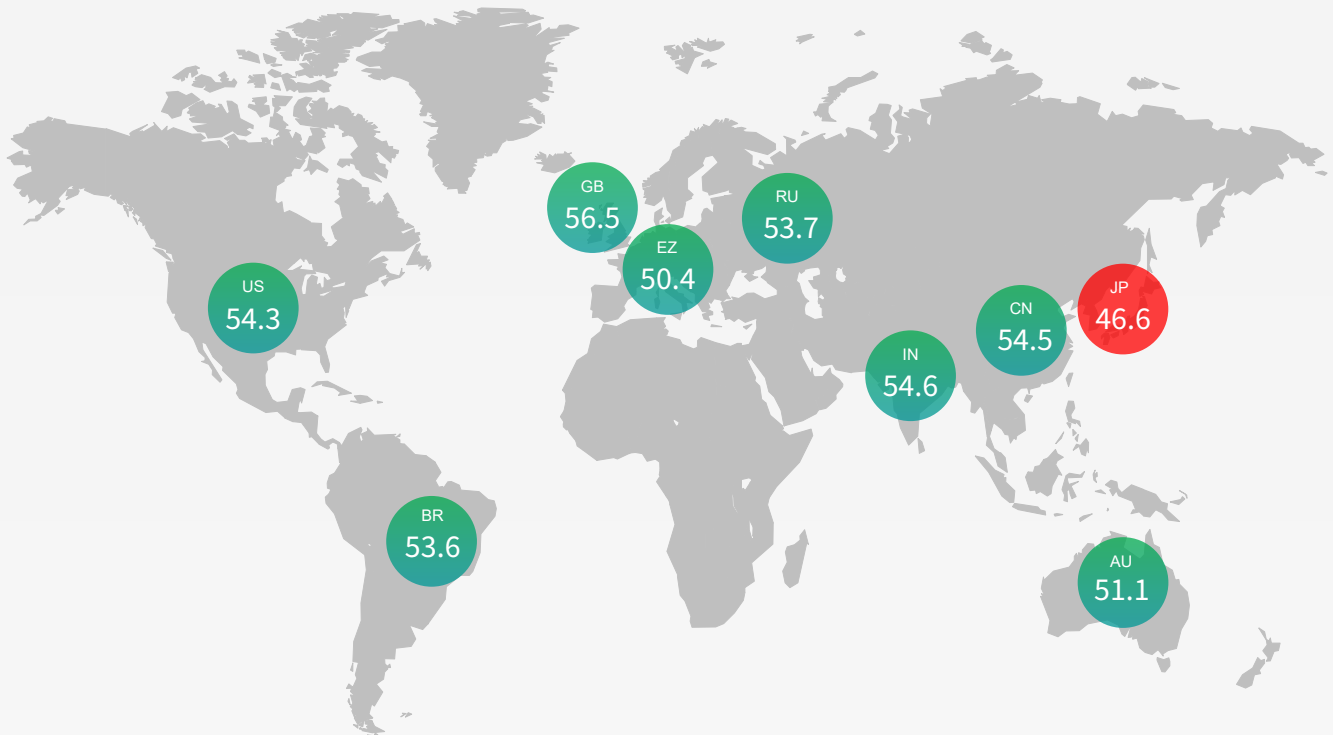




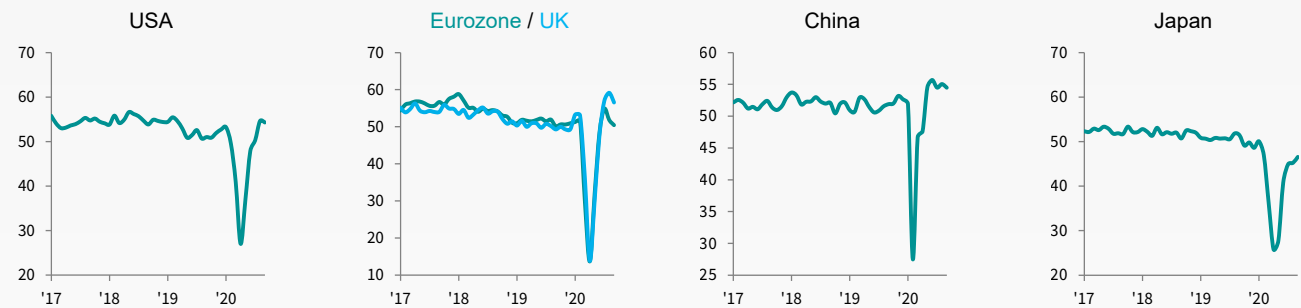
International PMI

Composite Output Index, Sep '20
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index
sa, >50 = growth since previous month





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.

October data were collected 12-27 October 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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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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