



Standard Bank Mozambique PMI™

Output and new orders close to stabilisation

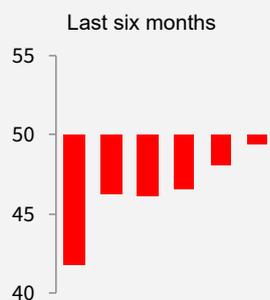
Key findings

Business activity falls at slowest rate since March

Job numbers increase modestly

Lower input costs enable drop in selling charges

Mozambique PMI



The Mozambique PMI™ moved closer to growth territory in November, as declines in output and new orders eased amid a lessening impact from the coronavirus disease 2019 (COVID-19) pandemic. As a result, firms raised workforce numbers at the quickest rate in nine months, although a lack of purchasing power held them back from expanding inventory levels. Meanwhile, input cost pressures continued to fall, supporting the first drop in output charges since June.

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 rose to its highest level in eight months at 49.4 in November, up from 48.1 in October, to move closer to the 50.0 neutral threshold. The latest reading pointed to only a slight deterioration in the health of the private sector economy.

Mozambican firms saw a slower and only modest reduction in output midway through the final quarter of the year. While a number of companies reported financial difficulties from the impact of the COVID-19 pandemic, others were able to expand due to new projects and improved sales.

Similarly, new orders declined only slightly in November, marking the weakest reduction

in the current eight-month downturn. Several panellists noted a rise in demand, in part offsetting a lack of orders at other companies. Backlogs nonetheless fell at the quickest pace recorded in four months.

With the downturn easing, firms grew more confident about the forthcoming year, with forecasts of higher output the strongest seen in three months during November. Hopes were often linked to new investments and expectations of an end to the COVID-19 pandemic.

Subsequently, firms raised workforce numbers at the strongest pace since February, albeit only modestly. Increased workloads, shop openings and marketing efforts were all reported among businesses seeing a rise in employment.

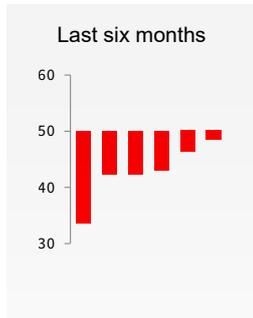
Nevertheless, a lack of cash in circulation meant firms were unable to improve their holdings in November. Input stocks fell slightly, whilst buying activity was unchanged after a slight uptick in October. More positively, there was a further improvement in supplier performance as lead times shortened for the third month in a row.

Cost pressures continued to weaken in the latest survey period, led by a fall in supplier input prices. This supported renewed discounting efforts, as average prices charged decreased for the first time in five months.





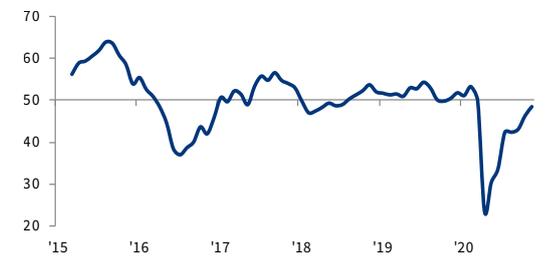
Output Index



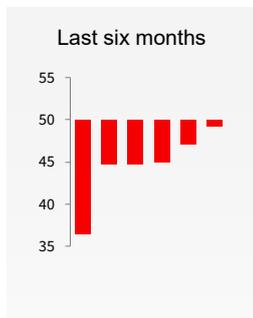
Output levels at Mozambican companies continued to stabilise midway through the final quarter of the year, as latest data signalled the softest recorded fall since March. Of all respondents, about 10% saw a drop in output over the month, against 8% that saw an increase. Lower activity was mainly linked by panellists to reduced new business and difficult financial conditions due to the COVID-19 pandemic.

Output Index

sa, >50 = growth since previous month



New Orders Index



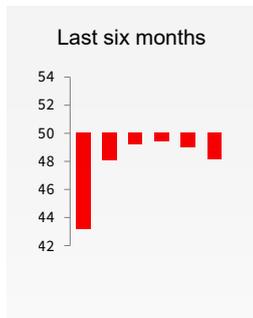
The rate of decline in new orders eased for the third consecutive month in November. Moreover, the respective seasonally adjusted index was only just below the 50.0 neutral threshold. While many companies reported a lack of client demand, others highlighted a higher intake of orders linked to the reopening of the economy.

New Orders Index

sa, >50 = growth since previous month



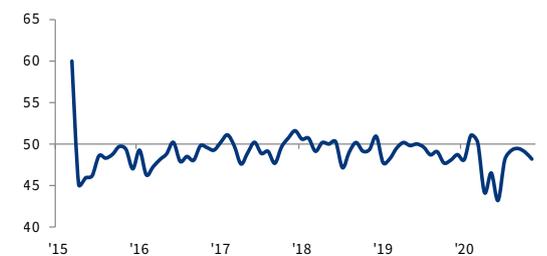
Backlogs of Work Index



Backlogs of work held by Mozambican firms decreased further in November, thereby extending the run of depletion that began in April. Latest data also indicated a quicker reduction for the second month running, although it remained only modest overall. Firms often found that they were able to clear backlogs due to faster lead times on inputs and weaker demand pressure.

Backlogs of Work Index

sa, >50 = growth since previous month



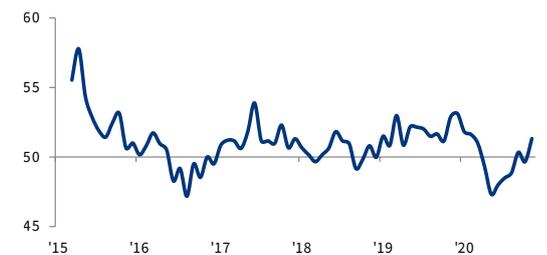
Employment Index



Job numbers rose in November for only the second time whilst COVID-19 containment measures have been in place. Moreover, the overall rise in employment was the strongest seen since February and slightly above the long-run survey average. Increased workloads, shop openings and marketing efforts were all reported as reasons for higher employment.

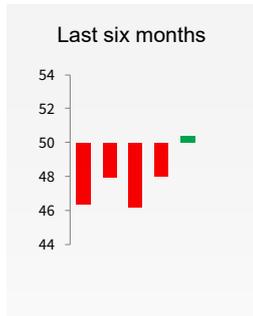
Employment Index

sa, >50 = growth since previous month





Quantity of Purchases Index



After a marginal uplift in October, the quantity of purchases in the Mozambican economy was unchanged in the latest survey period. While some companies reported efforts to increase input stocks, others were hindered by falling sales and a lack of money in circulation.

Quantity of Purchases Index

sa, >50 = growth since previous month



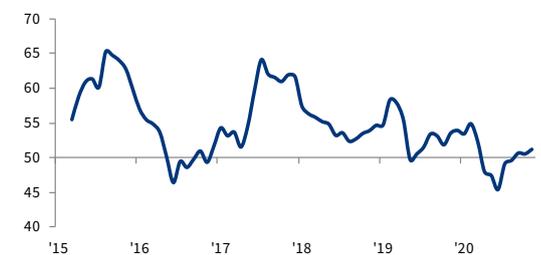
Suppliers' Delivery Times Index



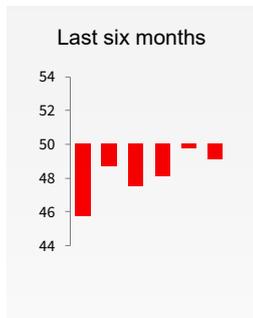
Lead times improved for the third month in a row during November, amid rising vendor competition and efforts to improve flexibility. While marginal overall, the rate of improvement picked up from the previous month to the quickest seen since March. This contrasted with solid declines in supply chain performance during the global lockdown earlier in the year.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



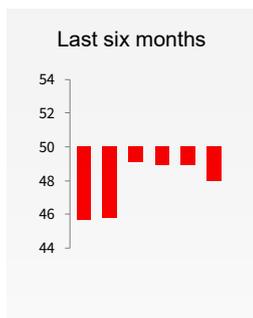
Decreases in stocks of inputs were registered for the eighth successive month during November. Where firms cut inventories, this was linked to falling sales and a lack of purchasing power. That said, despite accelerating from October, the rate of depletion was the second-slowest in the aforementioned sequence.

Stocks of Purchases Index

sa, >50 = growth since previous month



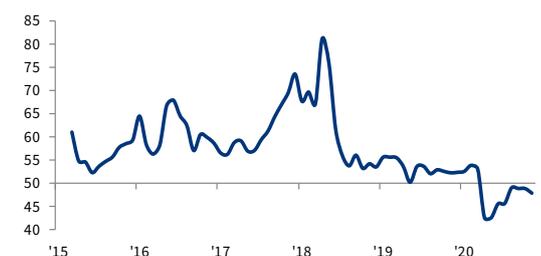
Overall Input Prices Index



Firms in Mozambique saw a moderate fall in overall input prices midway through the fourth quarter of the year. As was the case in October, the reduction in cost pressures was due to weak demand for input goods that led suppliers to lower prices. Meanwhile, wages and salaries rose for the second month in a row.

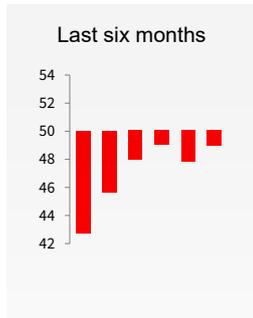
Overall Input Prices Index

sa, >50 = inflation since previous month





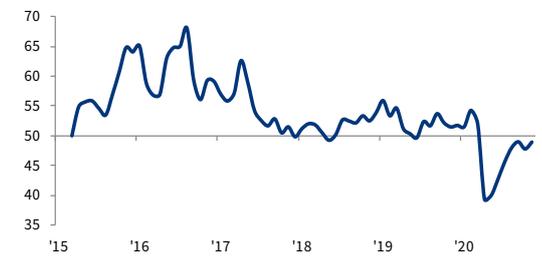
Purchase Prices Index



Purchasing costs fell at a slower and marginal pace during November, extending the run of decline that began in April. Panellists often attributed a drop in purchase prices to subdued demand for inputs. At the same time, however, there were several mentions of a deterioration in the exchange rate having an inflationary impact.

Purchase Prices Index

sa, >50 = inflation since previous month



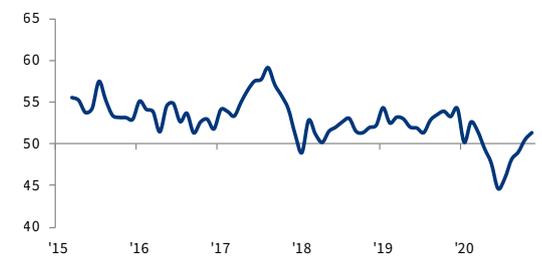
Staff Costs Index



Staff costs maintained an upward trend midway through the fourth quarter. Having fallen as firms shed workers during the COVID-19 downturn, firms raised wages and salaries for the second month in a row. The rate of increase accelerated from that seen in October, but remained slower than the series average.

Staff Costs Index

sa, >50 = inflation since previous month



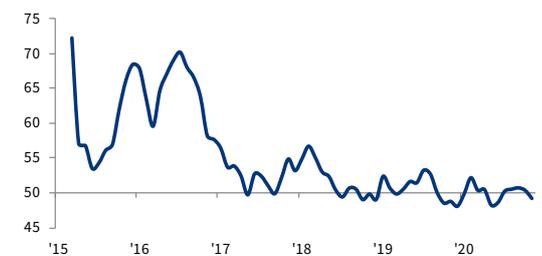
Output Prices Index



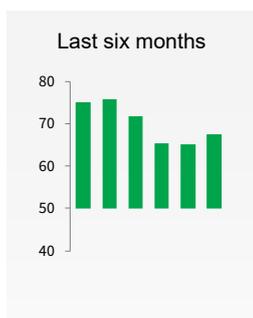
Efforts to win more clients led Mozambican companies to reduce output charges in November, marking the first monthly reduction since June. Firms also indicated that lower input costs allowed them to maintain profit margins. On the flip side, the fall in the value of the metical led some firms to raise their prices, meaning the overall reduction was subdued.

Output Prices Index

sa, >50 = inflation since previous month



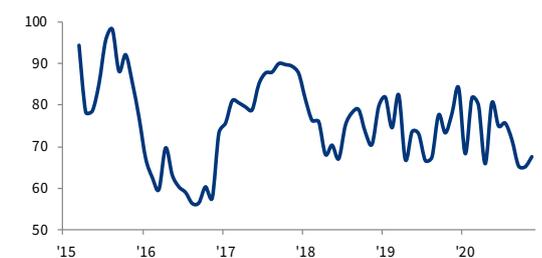
Future Output Index



Businesses were more confident that activity would increase over the coming 12 months in November. The degree of optimism ticked up for the first time in four months, with approximately 37% of respondents giving a positive forecast. Hopes were often linked to new investments and expectations that the COVID-19 pandemic will end. By contrast, only 2% of companies predicted a fall in output by November 2021.

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.

November data were collected 12-25 November 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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IHS Markit (NYSE: 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.

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