



Standard Bank Mozambique PMI™

Further mild deterioration in business conditions in December

Key findings

Output falls at slowest pace since March

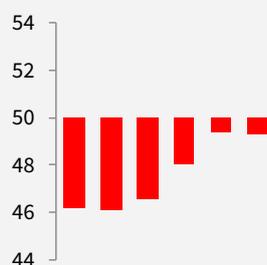
New orders decrease modestly, but rate quickens

Employment growth strengthens to ten-month high

Mozambique PMI



Last six months



The Mozambique PMI™ edged down in the final survey release of 2020, as incoming new business declined at a stronger rate for the first time since April. Nevertheless, more positive signs were recorded for output, which contracted at the slowest pace since March, and employment which grew at the most marked rate for ten months amid building optimism for the future.

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 49.3 in December, the headline PMI was down fractionally from 49.4 in November, marking only the second decrease in the index for eight months. That said, the reading signalled only a slight deterioration in the health of the private sector economy, as the impact of the coronavirus disease 2019 (COVID-19) pandemic remained weaker than seen earlier in the year.

The headline index masked slight variations in direction of some of the key indicators in December. On the downside, new orders at Mozambican firms decreased at a quicker pace than in November, amid a fall in client numbers and reports that export goods took longer to arrive at destinations. That said, the fall in demand remained modest.

By contrast, there were upticks in both the output and employment indices in December. Latest data signalled the slowest decrease in business activity since March, while job numbers rose at the strongest pace for ten months. Notably, several panellists reported concerted efforts to build back their workforces after the COVID-19 downturn.

These efforts were in part driven by an improvement in business expectations in December, amid increased hopes of a global recovery due to the development of COVID-19 vaccines. Optimism strengthened for the second month running, although it remained below the series average.

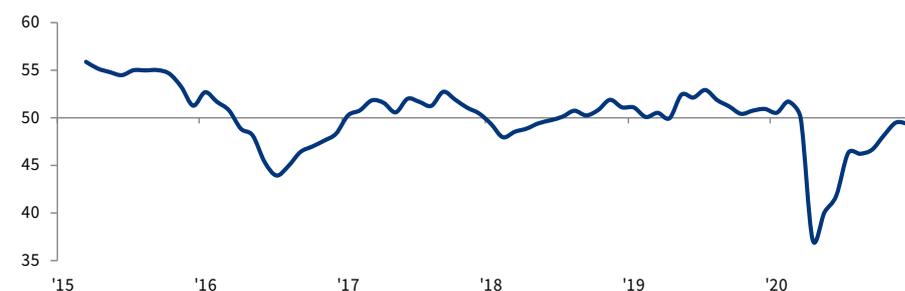
Meanwhile, a fall in new orders led firms to reduce their purchasing activity for the first time in three months in December. This resulted in a further reduction in stocks, and helped suppliers shorten delivery times at the fastest rate since March.

On the price front, Mozambican firms indicated a renewed increase in cost pressures in December, the first recorded for nine months. Anecdotal evidence largely related the rise to a weaker exchange rate against the US dollar. Staff wages also rose, but at a slower rate than in November.

Currency weakness led firms to pass higher costs on to clients, shown by a renewed increase in selling charges at the end of the year. That said, the overall uptick was only marginal.

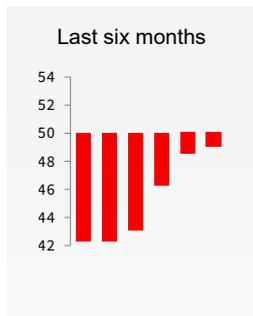
PMI

sa, >50 = improvement since previous month

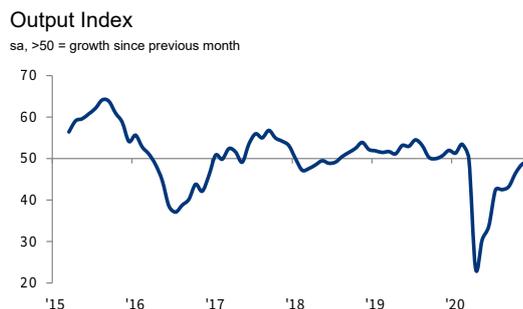




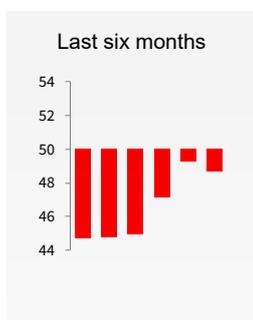
Output Index



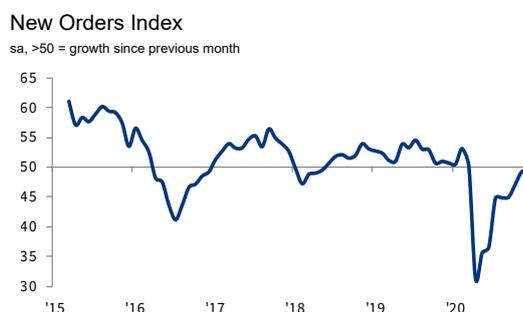
Mozambican businesses registered a further fall in output at the end of 2020, extending the sequence of decline that began in March. However, the rate of contraction eased for the eighth month running, and was marginal, as expansions related to higher client demand in part offset weak activity reported elsewhere.



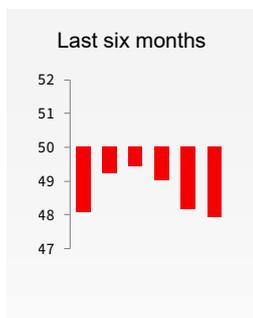
New Orders Index



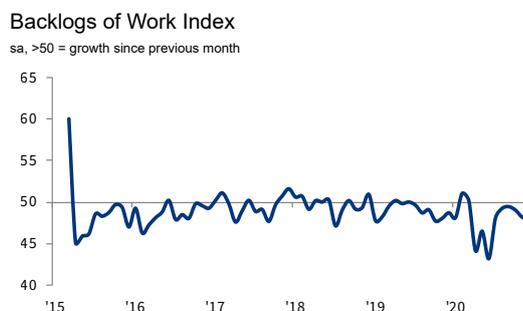
December data indicated a modest decline in new business received by private sector firms. Notably, for the first time since April, the seasonally adjusted New Orders Index fell over the month, pointing to a faster drop in sales compared to November. A reduction in client numbers and delays to export deliveries were often mentioned as reasons for weaker demand.



Backlogs of Work Index



The rate of decline in outstanding work quickened for a third successive month in December. Moreover, the fall was the strongest since June, albeit only moderate overall. Panellists heavily linked the decrease in backlogs to lower demand, particularly as clients reported delays to export deliveries.



Employment Index

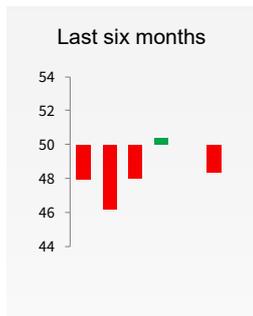


Employment in the private sector economy rose for the third time in four months at the end of the year, as firms reported efforts to expand their workforce sizes. Furthermore, the rate of growth quickened from November to the most marked since February, and above the average seen over the series history.



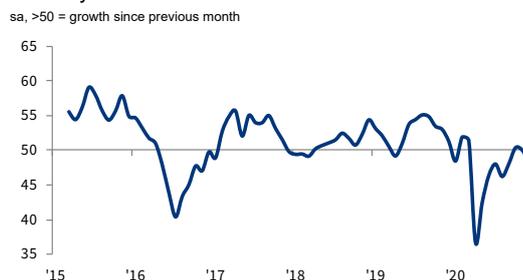


Quantity of Purchases Index



December saw a renewed decrease in purchasing activity, as the seasonally adjusted Quantity of Purchases Index fell below the 50.0 neutral threshold. The fall in input buying was the first recorded for three months, but only modest and far softer than the nadir set in April. Lower sales were a key factor leading firms to cut their purchases, according to anecdotal evidence.

Quantity of Purchases Index

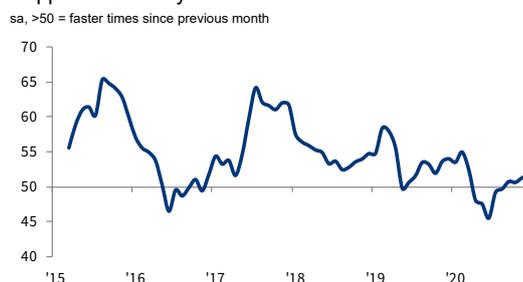


Suppliers' Delivery Times Index

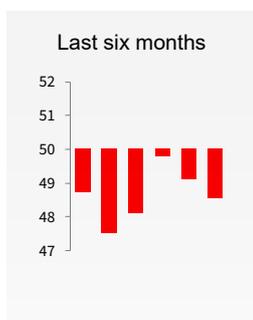


Supplier's delivery times continued to shorten during December, as has been the case in each of the last four months. Moreover, the rate of improvement strengthened to the fastest since March. While some firms saw delays related to COVID-19, many suppliers were able to deliver more quickly as input demand fell.

Suppliers' Delivery Times Index

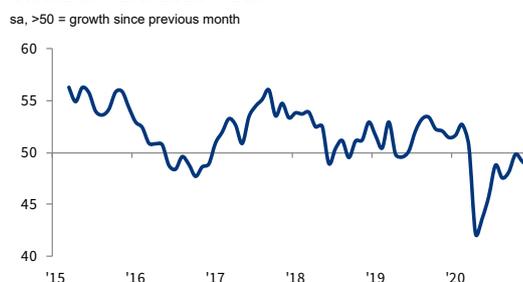


Stocks of Purchases Index



Weaker input demand and shortages of some raw materials led to a further contraction in overall stocks of purchases in December. The latest decline marked the ninth in as many months. Moreover, the rate at which stocks depleted quickened for the second month in a row from October, albeit remaining modest.

Stocks of Purchases Index

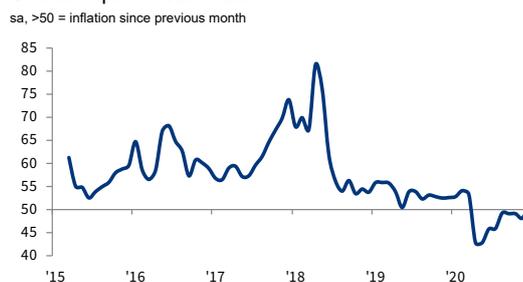


Overall Input Prices Index



Input costs faced by Mozambican businesses began to rise in December, as the seasonally adjusted Overall Input Prices Index posted above the 50.0 value for the first time since March. Cost breakdowns showed that a renewed increase in purchase prices contributed to the uptick, while staff costs grew for the third month running. However, cost pressures increased only slightly from that seen in November.

Overall Input Prices Index





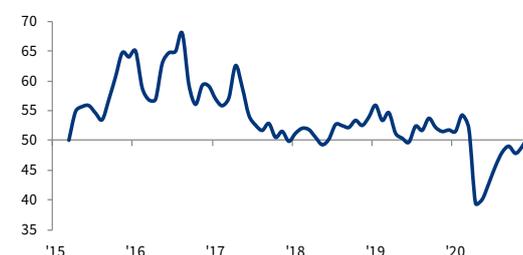
Purchase Prices Index



A rise in purchase prices in the Mozambican economy was recorded for the first time in nine months in December. Firms largely related the uptick to a weakening in the metical/dollar exchange rate. That said, a reduction in input demand led some suppliers to lower prices, weighing on the overall pace of inflation.

Purchase Prices Index

sa, >50 = inflation since previous month



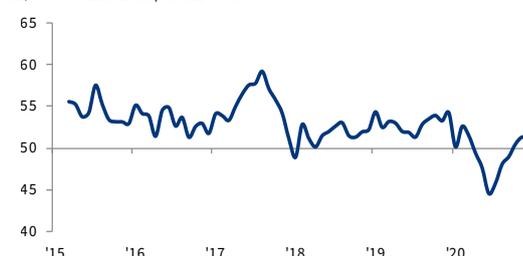
Staff Costs Index



Companies in Mozambique raised employee wages for the third month running in December. However, the pace of salary inflation was marginal, as the respective seasonally adjusted index fell for the first time since June. Firms that recorded a rise in wages linked this to efforts to improve staff compensation.

Staff Costs Index

sa, >50 = inflation since previous month



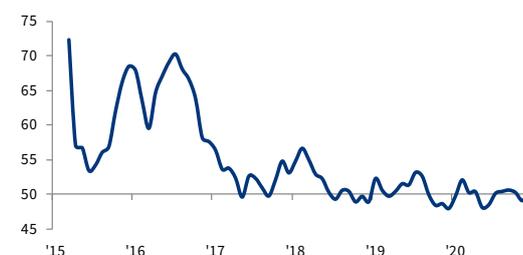
Output Prices Index



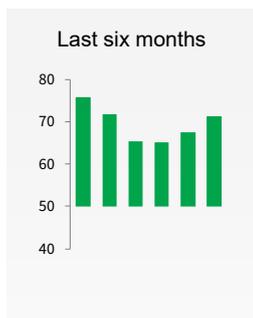
After a slight fall in November, latest data signalled a renewed increase in output prices at the end of the fourth quarter. The overall uptick was marginal, however. Despite higher selling charges at several companies, linked to a deterioration in the exchange rate, this was offset by price discounts at other firms in response to weak client purchasing power.

Output Prices Index

sa, >50 = inflation since previous month



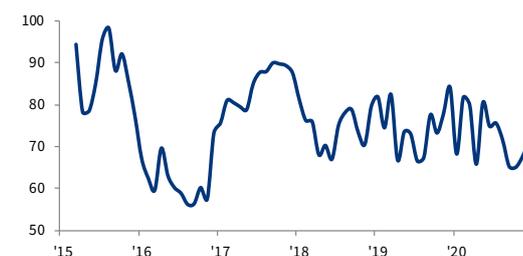
Future Output Index



The Future Output Index rose further in December, pointing to strong optimism that business activity will rise over the coming year. Efforts to expand their business and hopes of a recovery from the COVID-19 pandemic notably drove firm's expectations. That said, the degree of sentiment was weaker than the series trend, with 44% of companies giving a positive outlook compared to 55% of respondents that remained neutral.

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.

December data were collected 4-18 December 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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About Standard Bank

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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