



# Standard Bank Mozambique PMI™

## Downturn in business activity accelerates in January

### Key findings

Output falls at quickest rate since last September

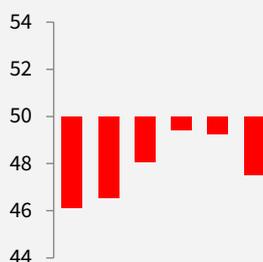
Decline in new order inflows worsens

Employment growth touches one-year high

### Mozambique PMI



Last six months



The Mozambique PMI™ signalled a stronger deterioration in the private sector economy during January. Output and new orders both declined sharply, after having neared stabilisation at the end of 2020. Businesses cut spending on input purchases, leading to a softer rate of cost inflation. On the upside, employment increased at the quickest pace for a year.

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.

January saw a fall in the PMI to 47.5 from 49.3 in December, indicating a solid deterioration in business conditions and the fastest seen in four months. Moreover, the 1.8-point drop in the index was the largest since April 2020 at the height of the coronavirus disease 2019 (COVID-19) pandemic.

Companies in Mozambique reported a sharp decline in new order inflows at the start of the year, with the contraction accelerating for the second month in a row. Anecdotal evidence indicated that weaker client demand and supply problems for some inputs drove the latest fall in new work.

This led to a marked reduction in output, with the rate of contraction quickening for

the first time since last April to the strongest in four months. That said, the downturn was softer than those seen on average during the second and third quarters of 2020.

Mozambican businesses reduced their purchasing activity in January, leading to a modest drop in the volume of input stocks. The fall in demand helped to ease pressure on suppliers, as lead times improved at the strongest pace in ten months. However, some firms noted delays that were related to the pandemic.

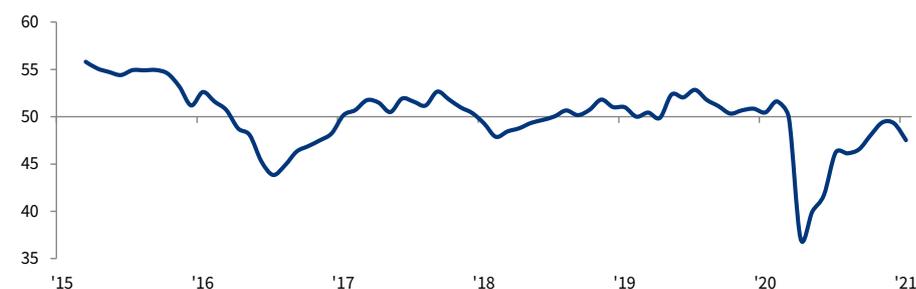
More positively, employment rose for the third successive month in January, with growth accelerating to the fastest in a year. Outstanding work volumes continued to fall, but only marginally.

Input prices rose for the second month in a row, following an eight-month run of decline between April and November 2020. However, the rate of inflation softened from December and was marginal, despite reports of a deterioration in local exchange rates. Firms noted the pass-through of higher costs to clients, as output charges also rose slightly.

Businesses expectations for the year ahead were again upbeat in January, as firms often cited plans to expand their operations. Around 43% of respondents expect to output to rise by January 2022.

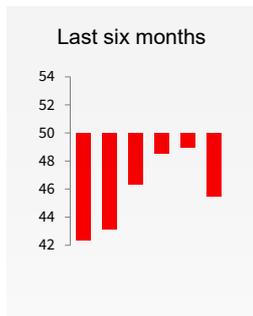
### PMI

sa, >50 = improvement since previous month

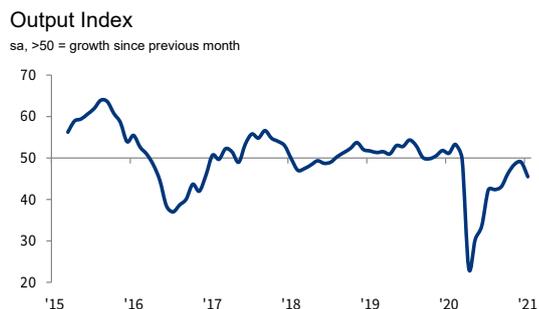




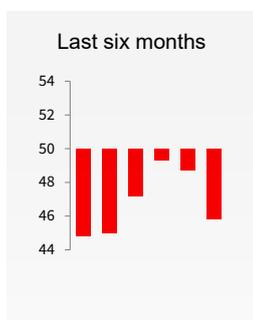
## Output Index



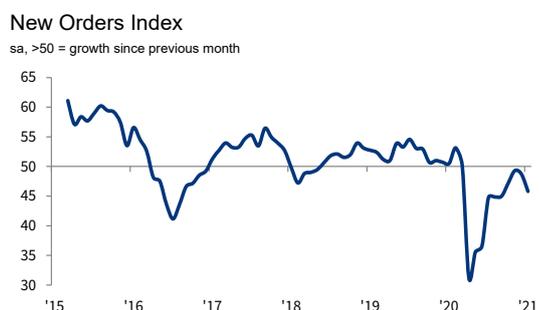
Output in the Mozambique private sector economy fell for the eleventh successive month in January. Furthermore, the rate of contraction accelerated for the first time since last April at the height of the COVID-19 pandemic. Whilst the latest fall in output was sharp, it remained much softer than those seen during the second quarter of 2020.



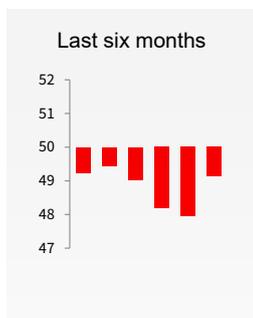
## New Orders Index



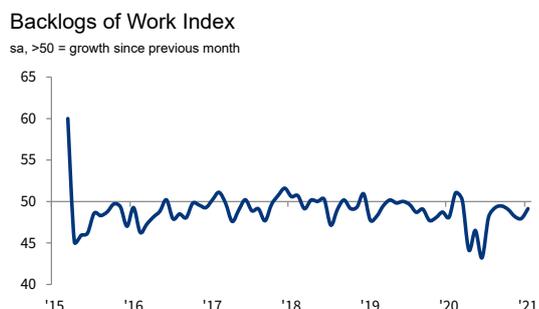
Lower activity was often related by surveyed companies to a strong reduction in new order inflows in the first month of 2021. The pace of decline quickened for the second month running, to the fastest since last September. Firms often cited softer client demand, with others also reporting hold-ups from suppliers.



## Backlogs of Work Index



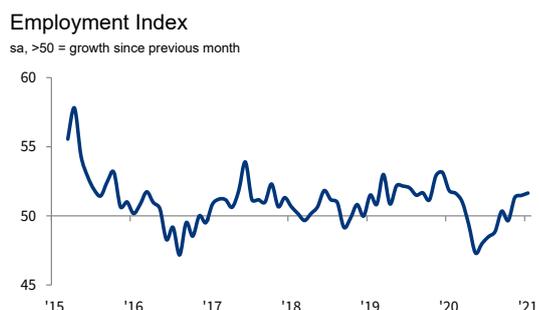
Mozambican firms maintained their efforts to reduce backlogs of work over January. That said, after adjusting for seasonal influences, the respective index rose for the first time in four months to signal a slower rate of depletion than in December. The overall decrease in backlog volumes was only marginal.



## Employment Index



January data indicated a modest increase in private sector employment in Mozambique, to mark the third straight month of expansion. The rate of job creation accelerated slightly from December and was the strongest observed for a year. Around 4% of companies reported hiring additional staff at the start of 2021, against 1% that reduced employment.





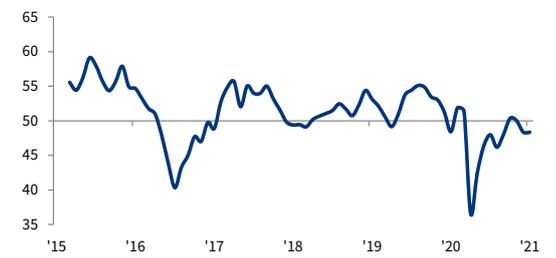
## Quantity of Purchases Index



Mozambican companies highlighted the need for fewer purchases in January, due to a reduction in new business. There was a moderate drop in input buying during the month, with the rate of decline broadly unchanged since December. Several firms cited difficulties with sourcing some raw materials due to a lack of global supply.

Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

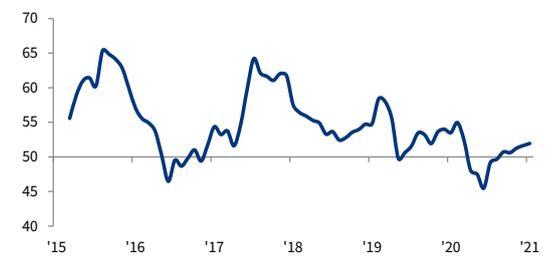


Private sector firms in Mozambique reported that suppliers were generally able to deliver more quickly in January. Lead times improved for the fifth month running, and to the greatest extent since March 2020.

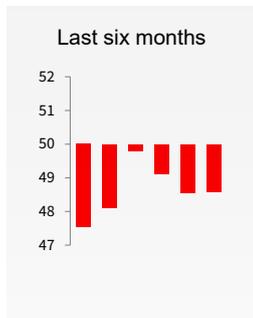
However, reports of delays due to the impact of the pandemic on global supply chains notably weighed on the overall improvement. The rate at which lead times shortened was still far slower than the series average.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



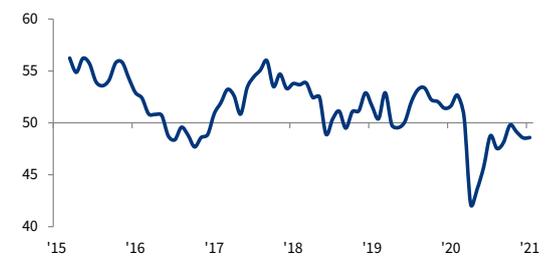
## Stocks of Purchases Index



Stocks of purchases were run down for the tenth month in a row during January. The rate of contraction was unchanged from the previous survey period, and moderate. Companies that lowered their holdings often cited a reduction in new orders.

Stocks of Purchases Index

sa, >50 = growth since previous month



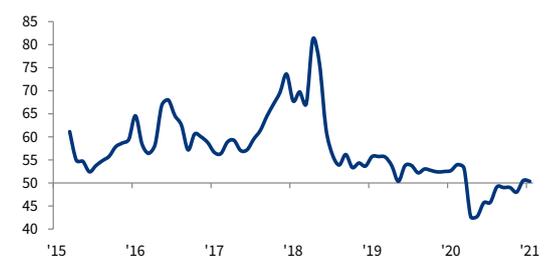
## Overall Input Prices Index



After rising for the first time in nine months in December, January data pointed to a second successive increase in overall input prices. However, the pace of inflation eased slightly from the end of 2020 and was marginal. Underlying data signalled a softer rise in purchase prices than in the month before, while staff costs fell for the first time since last September.

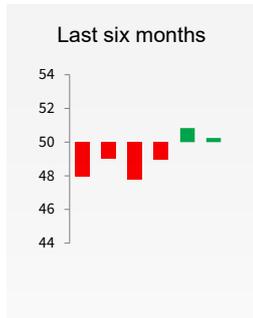
Overall Input Prices Index

sa, >50 = inflation since previous month





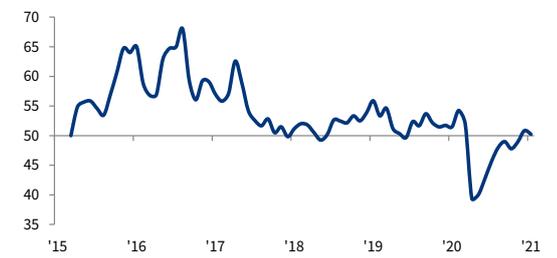
## Purchase Prices Index



Purchasing costs in the Mozambican economy rose for the second month running during January. However, inflationary pressures eased from the previous survey period, and were only slight. Several companies highlighted that weakness in the local currency led to higher import costs, but this was partly offset by lower demand for inputs.

Purchase Prices Index

sa, >50 = inflation since previous month



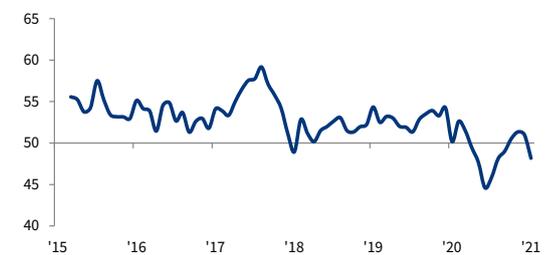
## Staff Costs Index



Adjusted for seasonal variation, the Staff Costs Index fell below the 50.0 neutral mark at the start of the year, signalling a renewed decrease in wages and salaries in the private sector economy. The decline ended a three-month sequence of inflation. Panellists linked the reduction to concerns about the impact of further salary rises on overall expenses.

Staff Costs Index

sa, >50 = inflation since previous month



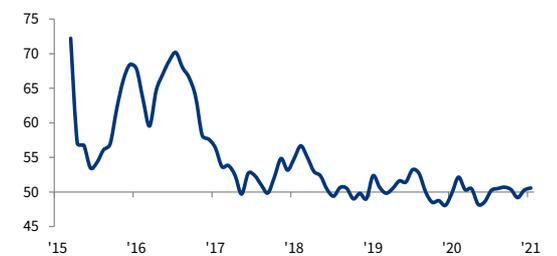
## Output Prices Index



January data pointed to back-to-back monthly increases in output prices, as companies indicated that the deterioration in local exchange rates often led them to raise their charges. The pace of inflation picked up to one of the quickest seen over the past year, but was only marginal overall.

Output Prices Index

sa, >50 = inflation since previous month



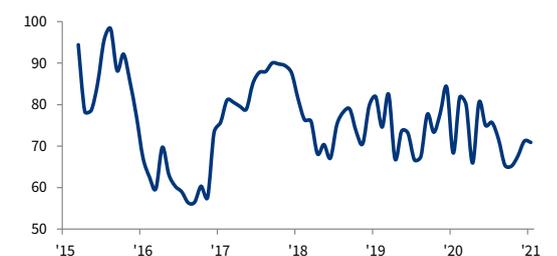
## Future Output Index



Business expectations remained upbeat at the start of the year, despite easing slightly from that seen in December. Around 43% of businesses expect activity to rise in the coming 12 months, while just 1% gave a negative forecast. Positive predictions for output were often linked to expansion plans and hopes that the COVID-19 pandemic will end in 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.

January data were collected 12-26 January 2021.

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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