



Standard Bank Mozambique PMI™

Business conditions continue to worsen in March

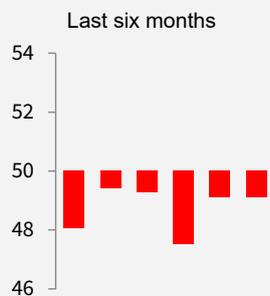
Key findings

Output, new orders and employment all decline

Input shortages and supply delays limit vendor performance

Output prices rise at quickest rate for 13 months

Mozambique PMI



The latest PMI™ survey data continued to show a marginal decline in operating conditions across Mozambique in March, led by reductions in output, new orders and employment. Meanwhile, a shortage of raw materials and shipping delays led to a slower improvement in delivery times and a modest increase in input prices. Notably, firms passed these costs on to customers, as output prices rose at the quickest rate in over 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.

At 49.1 in March, the headline PMI was unchanged from February and signalling a slight deterioration in business conditions during the latest survey period. The decline was the thirteenth in as many months, although the trend has improved markedly since the second quarter of 2020.

Mozambican firms reduced their output at a modest pace at the end of the first quarter. Survey panellists linked the fall to a drop in new order inflows, raw material shortages and some business closures as a result of the coronavirus disease 2019 (COVID-19) pandemic. New business also fell, although the rate of decline was only marginal as some respondents saw an increase in client demand.

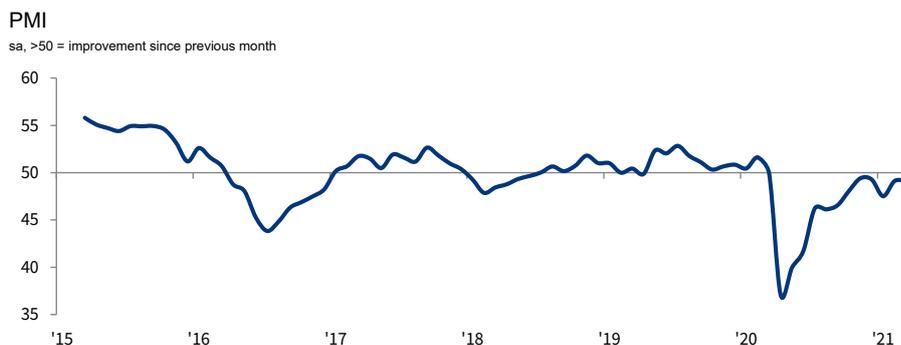
Nevertheless, the overall fall in activity led to a further drop in purchasing activity in March. In addition, reports suggested that a decrease in raw material supply restricted the level of buying at some companies. However, stocks of purchases were little-affected and fell only fractionally.

Input shortages also led some vendors to make slower deliveries, with the rate of improvement in supplier performance easing to a seven-month low. Firms also found that COVID-19 restrictions sometimes delayed the arrival of purchased items.

Output capacity remained strong, however, as firms were able to drive down backlogs for a twelfth month running. Weaker client demand, meanwhile, led companies to reduce staff numbers further and at the quickest pace since August 2020.

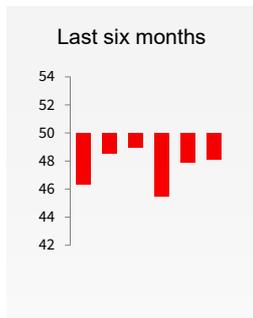
Cost pressures continued to rise in March, with Mozambican firms citing that currency weakness and input shortages were key factors. Firms largely passed these costs on to their clients, as output prices increased at the fastest rate for just over a year.

Finally, businesses gave another optimistic view of future activity growth in March, although the degree of sentiment weakened from February's nine-month high. Plans to expand market reach often underpinned confidence, with roughly 43% of the survey panel predicting an increase in output.





Output Index

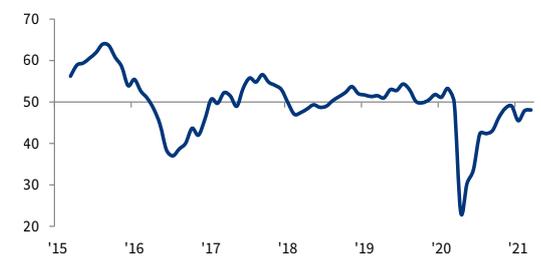


Mozambican private sector firms reported a modest decrease in output at the end of the opening quarter of the year. The rate of decline was little-changed from February, and the thirteenth in as many months. Where a fall in output was recorded, firms linked this to business closures, raw material shortages and weaker new order volumes.

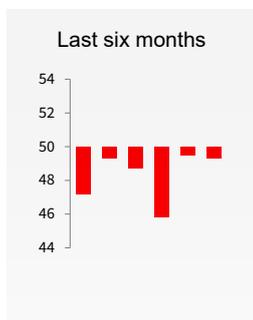
Most monitored sectors saw a monthly fall in activity in March, with wholesale & retail the only one to record an expansion.

Output Index

sa, >50 = growth since previous month



New Orders Index



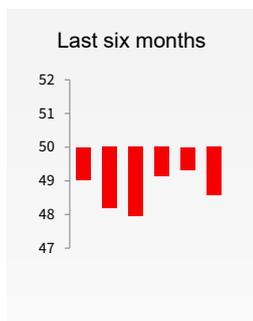
As has been the case in each month since May 2020, new orders received by Mozambican businesses fell during March. However, the overall decrease was marginal and one of the slowest seen in this period, particularly as some panellists reported a marked increase in demand. Declining new order inflows were centred on the agriculture, manufacturing and services sectors, but construction and wholesale & retail saw an upturn.

New Orders Index

sa, >50 = growth since previous month



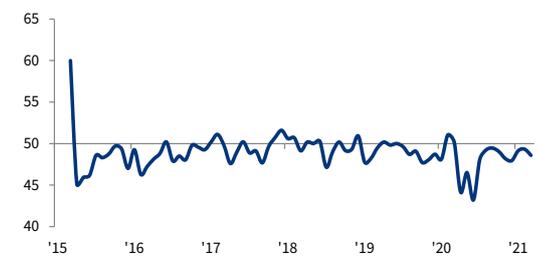
Backlogs of Work Index



Reduced pressure on output capacity was shown by a further drop in outstanding work levels in March. The rate of backlog depletion was the quickest for three months, albeit only modest. Four of the five monitored sectors saw a reduction in work-in-hand during the latest survey period, with construction seeing a modest increase.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Staff reductions were recorded in the Mozambican private sector for a second month in a row during March. The seasonally adjusted Employment Index fell to a seven-month low, but indicated only a marginal drop in overall workforces. Falling customer demand was the main factor linked to the reduction in jobs, according to respondents. Notably, the decline was broad-based across the five monitored sectors for the first time in ten months.

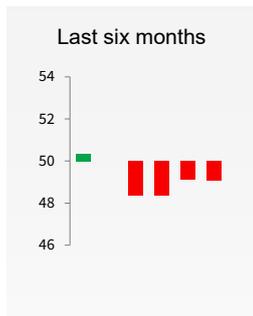
Employment Index

sa, >50 = growth since previous month





Quantity of Purchases Index



Purchasing activity in Mozambique fell again in March, extending the current run of decrease that started in December 2020. The rate of reduction was unchanged from February and marginal. Weaker demand was the main contributor to lower buying levels, surveyed firms noted, although some found that shortages of raw materials restricted their purchasing decisions.

Quantity of Purchases Index

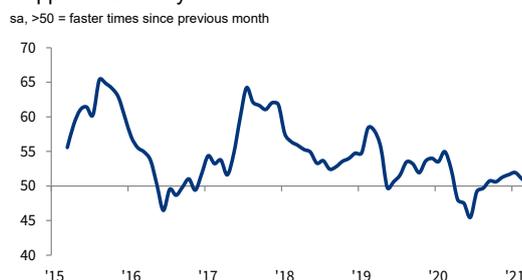


Suppliers' Delivery Times Index

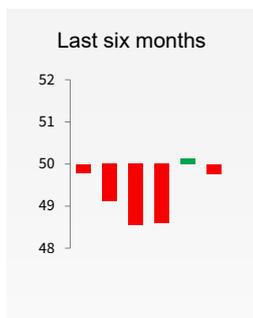


Supplier performance improved for a seventh successive month in March. However, the rate of improvement slipped for the second month running to just a marginal pace. Notably, firms reported that raw material shortages and delays in acquiring materials led to a deterioration in some vendor services. This weighed on efforts from other suppliers to make quicker deliveries in order to win customers.

Suppliers' Delivery Times Index

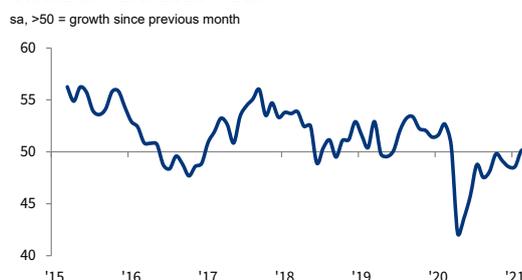


Stocks of Purchases Index



Stocks of purchases dropped fractionally in March, as the respective seasonally adjusted index ticked below the 50.0 no-change mark. Inventories have now decreased in 11 of the past 12 months, after February data indicated a broad stabilisation. Some firms commented that weaker cash flow stopped them from adding to their stocks.

Stocks of Purchases Index



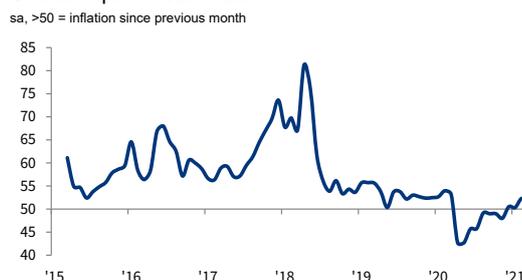
Overall Input Prices Index



The rate of overall input price inflation softened during March, but remained the second-highest seen for a year. Respondents often linked the latest uptick to exchange rate weakness, with purchase prices and staff costs also rising.

At the industry level, inflation was recorded across only the manufacturing and wholesale & retail sectors. Conversely, agriculture, construction and services firms saw falls in input prices.

Overall Input Prices Index





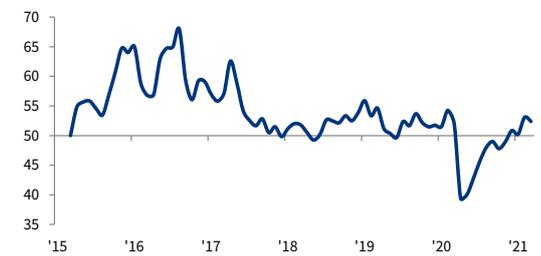
Purchase Prices Index



Purchase prices increased for a fourth straight month in March, with the pace of inflation softening from February's recent high. Panellists often linked the latest rise to currency weakness. Manufacturing firms saw the quickest uptick in prices during the month, closely followed by wholesale & retail businesses. Construction was the only sector to see a fall in purchase costs.

Purchase Prices Index

sa, >50 = inflation since previous month



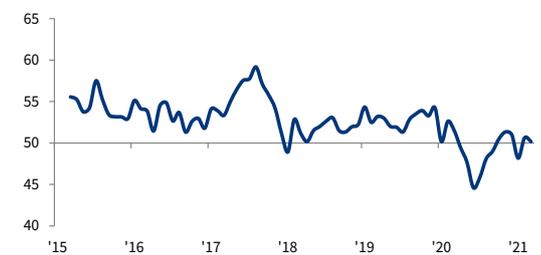
Staff Costs Index



Salaries awarded to Mozambican companies picked up further in March, but the rate of increase slowed from the previous month and was marginal. Where a rise was recorded, panellists often cited efforts to raise productivity. At the same time, staff reductions and lower new order volumes led to decreases in wages at other firms.

Staff Costs Index

sa, >50 = inflation since previous month



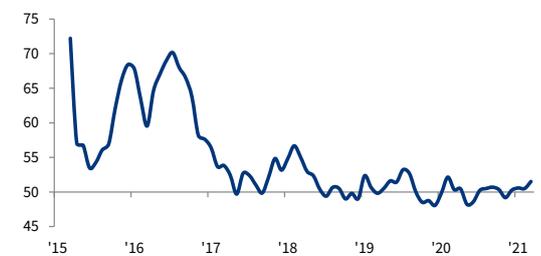
Output Prices Index



Companies continued to up their selling prices at the end of the first quarter. Moreover, the rate of inflation accelerated to the quickest for over a year, albeit remaining modest and weaker than the series average. Respondents often noted the pass-through of rising input prices and exchange rate weakness to their customers.

Output Prices Index

sa, >50 = inflation since previous month



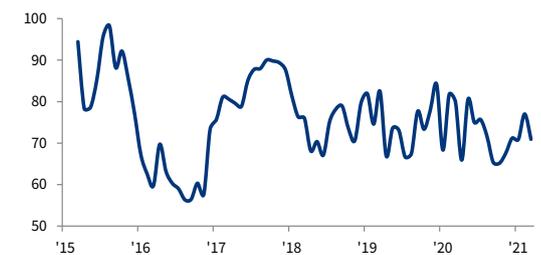
Future Output Index



The Future Output Index slipped back in March, signalling a reduced level of optimism regarding the upcoming 12 months of business activity. That said, predictions remained largely positive, with roughly 43% of the survey panel expecting growth in output against 1% forecasting a decline. Firms often cited hopes of expanding their market reach through new outlets and business development.

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.

March data were collected 12-26 March 2021.

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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