

# Standard Bank Mozambique PMI™

## Output falls for first time in 15 months

### Key findings

Activity levels drop slightly

New order growth weakens to 16-month low

Selling charges fall at quickest pace on record

Mozambican businesses saw a further slowing in private sector growth in October, as new work rose at only a marginal pace, leading firms to cut output levels for the first time in 15 months. Job numbers rose, but only slightly, while output charges were reduced at the quickest rate recorded in the series history.

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 decreased from 51.1 in September to 50.3 in October, indicating only a marginal improvement in private sector business conditions. It was the lowest reading since April, as firms saw a weakening of growth momentum at the start of the final quarter of 2019.

Activity levels were restrained in October, with latest data signalling a fractional decline in output at Mozambican businesses. This marked the first deterioration seen since July 2018. While activity at some panellists was reportedly curbed by a lack of raw materials, most firms linked the decrease to an easing in new order growth. The national election was also noted as leading to slower market conditions.

Concurrently, the level of new work received by Mozambican firms rose marginally, indicating the weakest rate of growth for nearly a year-and-a-half. A number of firms saw sales improve from September, often due to



Sources: Standard Bank, IHS Markit.

greater customer numbers. However, this was weighed on by a lack of orders at other companies.

Consequently, the rate of job creation was limited to a marginal pace that was the least marked for six months. Nevertheless, backlogs were cleared at the sharpest rate since July 2018.

Purchasing activity growth also softened, although the upturn was still solid as raw material shortages at some firms led them to purchase greater input volumes. Stocks of purchases grew modestly, while companies again saw an improvement in vendor performance due to greater competition and flexibility among suppliers.

To counteract the slowdown in sales, a number of firms looked to reduce selling prices in October. As such, output prices fell at the sharpest rate in the series history. Meanwhile, cost burdens increased solidly, with salary inflation accelerating to a nine-month high.

As a result of weaker sales growth, business expectations dropped during October, although the overall level of sentiment remained positive. Firms expecting an increase in output cited hopes of raising client numbers amid new marketing strategies, products and branch openings.



## Comment

### Fáusio Mussá, Regional Economist at Standard Bank commented:

"Several metrics indicate that economic activity remains subdued, a situation that is only likely to improve gradually next year as the natural gas projects investment gains momentum. The USD/MZN is facing upward pressure since mid-Sep on subdued export performance and seasonal supply/demand imbalances in the FX market. This upward trend also denotes Central Bank commitment to protect FX reserves, consistent with the view that FX rate flexibility should remain an important tool to help manage Balance of Payments (BOP) pressures.

"The USD/MZN is heading towards the recent peak around 65 recorded in Apr but is expected to stabilize and start to fall towards the 60 mark. The recent Capital Gains Taxation (CGT) inflow pushed FX gross reserves to a high of USD3.9bn at the end of October, which results in a comfortable import cover ratio in excess of 6-m should help alleviate FX liquidity pressures. The fact that inflation remains historically low and stable for the second month in a row at 2% y/y in Sep, which results in elevated real interest rates when considering commercial banks' prime lending rates, currently at 18%, seems not capable to overweight the view of the continuation of a prudent monetary policy stance in face of the buildup of post-election security concerns and also taking into account fiscal pressures and balance of payments vulnerabilities."

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### 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 2019 data were collected 11-28 October 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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Over the past five years, Standard Bank has invested more than US 200 million 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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### About IHS Markit

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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