

# Standard Bank Mozambique PMI™

## Business conditions deteriorate in August amid tightened lockdown rules

### Key findings

Output and new orders fall for first time since March

Job numbers rise at slower pace

Business confidence remains strong

Data were collected 12-25 August 2021.

Mozambique's private sector economy fell back into decline in August, as COVID-19 restrictions were tightened in response to a rise in cases. Output, new orders and purchasing all fell at the quickest rates since January, while employment levels rose at a much softer pace. Despite easing to a five-month low, business confidence remained strong, with firms hoping that economic conditions will recover quickly.

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 PMI fell to a seven-month low of 47.9 in August, down from 51.8 in July and posting below the 50.0 level for the first time in five months. The reading signalled a moderate deterioration in the health of the private sector economy as output, new orders and input inventories all decreased since July.

The downturn was overwhelming linked by surveyed firms to a tightening of COVID-19 measures, including curfew hours, temporary business closures and the banning of private social gatherings. These measures led to a solid drop in client demand and a decline in business capacity, with both the output and new orders indices falling to their lowest levels since January.

### PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

Sector data showed that the manufacturing and services areas of the economy were the hardest hit, with agriculture firms also seeing a loss of demand. Conversely, construction was the only sector to see continued expansions in both output and new orders.

With sales dropping and firms keen to reduce holding costs, input buying was scaled back at the quickest pace in seven months during August. This helped vendors to make efficiency gains, as input lead times shortened for the twelfth month running.

Reduced demand for inputs also led suppliers to offer lower prices, resulting in the first drop in purchasing costs since November 2020. Staff costs also declined in the latest survey period. As a result, the overall rise in input costs softened to a three-month low, with upward pressure largely due to rising freight prices. Notably, the rate of selling charge inflation also weakened to a three-month low.

Despite the sharp loss of momentum in August, firms remained largely confident that output will rise over the next 12 months, with many hoping that disruption from COVID-19 restrictions will be short-lived. As a result, Mozambican companies continued to add to their workforces, though the rate of job creation softened considerably from July and was only marginal.



## Comment

### Fáusio Mussá, Chief Economist - Mozambique at Standard Bank commented:

"The Standard Bank PMI fell below the 50.0 benchmark in August, signalling a monthly contraction in economic activity. It printed at 47.9, the lowest level since January, from 51.8 in July, and after a recent 67-month high of 52.9 in June. This could well signal a deceleration in growth momentum during the third quarter, following the recovery experienced during the first half of the year. Second quarter data shows that growth was assisted by an acceleration in exports, on the account of a mining output recovery and a positive performance in agriculture, supported by better commodity prices and recovering global demand.

"The PMI decline in August mainly reflects the negative impact of Covid-19 restrictions on economic activity, aggravated in July at the peak of the third wave of the pandemic. Among the restrictions, the reduction of trading hours, with a 4pm close of business, was the most severe from a business perspective. This is among the tightest business restrictions since the outbreak of the pandemic last year.

"At the time of writing, cumulative Covid-19 infections fell by 44% to 24,518 positive cases in August, from 44,122 cumulative infections in July. As daily Covid-19 reported infections decline and the vaccination campaign accelerates, we expect Covid-19 restrictions to ease. The future expectations index also decelerated, but remained high at 80.2 in August, from 83.8 in July. This could well reflect some optimism with the decline in Covid-19 daily infections and progress on military campaign against terrorism, which over time could help restore foreign direct investment in Cabo Delgado."

## Contact

### Standard Bank

Chief Economist - Mozambique  
Fáusio Mussá  
T: +258 215 01 012  
[fausio.mussa@standardbank.co.mz](mailto:fausio.mussa@standardbank.co.mz)

Public Relations & Communication  
Inercio Pene  
T: +258 843 124 994  
[inercio.pene@standardbank.co.mz](mailto:inercio.pene@standardbank.co.mz)

### IHS Markit

David Owen  
Economist  
T: +44-1491-461-002  
[david.owen@ihsmarkit.com](mailto:david.owen@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44-2072-602-234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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.

August data were collected 12-25 August 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.

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### 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 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.

[www.standardbank.co.mz](http://www.standardbank.co.mz)

### 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click here.