

Standard Bank Mozambique PMI™

Business conditions improve for fourth month running in August

Key findings

Output and new orders continue solid growth paths...

...but rates of expansion slow from July

Employment rises modestly

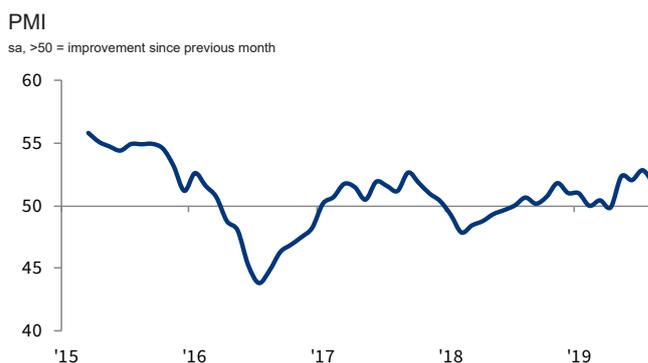
August survey data signalled that operating conditions in the Mozambican private sector economy continued to improve, albeit at a softened rate as output and new order growth both slowed. Employment also rose at a weaker pace, but input buying grew sharply. Overall input price inflation eased while firms marked up their selling prices at a solid rate.

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 51.8 in August, down from 52.8 in July, the headline PMI reading signalled a moderate improvement in the health of the private sector in Mozambique. Despite slowing to a four-month low, the rate of improvement was stronger than the average for the series.

Mozambican companies saw softer upticks in output, new orders and employment during August. Output increased at a still solid rate, with the rate of growth easing moderately from July's 21-month high. By comparison, firms raised purchasing activity at a quicker pace for the third successive month. Stock levels subsequently expanded solidly.

Demand conditions also remained solid, albeit with the rate of increase slowing from July to the weakest in four months. New clients and larger orders were reportedly behind the latest upturn in sales.



Sources: Standard Bank, IHS Markit.

Employment growth also weakened during August. Mozambican firms reported only a modest rise in job numbers, relating this to higher output levels. This extended the current sequence of hiring activity to eight months. Businesses were consequently able to reduce backlogs for the second month running, partly helped by weaker new order growth.

Lead times meanwhile shortened, as new transportation options allowed vendors to reduce delivery times. In addition, the rate of improvement was the fastest observed since April.

Output prices continued to increase solidly, although the rate of inflation eased from July's recent high. This was generally attributed to softer demand growth and weakened cost inflationary pressure. Overall input prices rose at one of the slowest rates in the series history, due to a subdued uptick in purchasing costs.

Finally, expectations for future activity were broadly unchanged in August, remaining below the series trend but positive overall. Businesses commented that plans to raise company investment, including acquiring new machinery and premises, helped to improve their forecasts. Many firms also hope for stronger sales growth in the year ahead.



Comment

Fáusio Mussá, Regional Economist at Standard Bank commented:

"There is a wide gap contrasting the current performance of the Mozambican economy and the positive medium to long term outlook. Quarterly data shows that the economy remains fragile and volatile, not being able to sustain a recovery in the overall aggregate demand, even with interest rates falling and with the USD/MZN relatively stable, trading around the 60 mark. Long term growth prospects remain positive, with the final investment decision for the Rovuma LNG still expected this year.

"We continue to see GDP bottoming out this year with a real growth rate of 2.7% y/y, from 3.4% last year before accelerating next year towards 3.5% y/y as the construction of LNG platforms takes shape, which is likely to start mobilizing substantial foreign direct investment inflows, which should help improve foreign exchange liquidity and keep inflation under control. We still expect average inflation to close this year at 3.7%, accelerating to 6.7% next year.

"At less than two months for the general elections, substantial progress has been made to ensure a relatively peaceful environment. While the elections might turn out to be peaceful, one can't rule out the possibility that the opposition will refuse to accept election results in parts of the country."

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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.

August 2019 data were collected 12-27 August 2019.

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. To learn more go to 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 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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