

Standard Bank Mozambique PMI™

Private sector edges into expansion in September

Key findings

New orders recover modestly after decline in August

Output continues to fall, but only slightly

Job creation quickens as confidence improves

Data were collected 13-27 September 2021.

The Mozambique PMI™ signalled a renewed improvement in business conditions in September, after falling back into decline over August. New orders rose at a modest pace, helping to boost confidence and growth in employment. Input purchases also rose, but output levels decreased for the second month running. Renewed upticks in both purchase and staff costs meanwhile drove a sharp rise in overall cost burdens, leading to the fastest increase in output charges since June.

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 50.4 in September, the headline index was back above the 50.0 neutral mark to signal a slight recovery in overall business conditions in the private sector economy. This followed a tightening of COVID-19 lockdown measures that led the index to a seven-month low of 47.9 in August.

New orders at Mozambican businesses increased in September, as firms reported an uplift in client demand. That said, the rate of growth was modest and weaker than those seen in the four months prior to August. Manufacturing was the main drag on the economy, as all other monitored sectors saw a rise in sales in the latest survey.

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

Higher sales encouraged firms to raise their employment levels at the end of the third quarter, with the rate of job creation accelerating from August. Confidence for future activity meanwhile strengthened for the first time in three months, with around 65% of panellists expecting an improvement over the coming year.

Whilst total output decreased for the second month running in September, the rate of decline eased markedly from August and was only marginal. Latest data suggested that output capacity remained higher than demand, as firms were able to reduce their backlogs of work.

Input purchasing meanwhile rose in line with new order growth. However, there were reports of delivery delays and material shortages weighing on supplier performance, as lead times improved at the slowest rate since March. As a result, overall inventories of inputs were unchanged from the previous month.

Mozambican firms saw renewed increases in both purchase prices and salaries in September. Rising input demand, material shortages and increased hiring were reportedly behind the upsurge. Notably, overall input costs rose at one of the fastest rates in the past three years. Firms largely passed this through to their customers, as output charges increased to the greatest extent since June.



Comment

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

"Standard Bank PMI printed above the 50 benchmark in September, at 50.4 after having slipped to 47.9 in Aug, which signals a slight recovery in business conditions following an ease in Covid-19 restrictions. The output index though, still printed below the 50-benchmark for the second consecutive month, consistent with expectations of a slow growth recovery this year.

"September data shows a material decline in Covid-19 infections to a daily average below 200 cases, from 870 in Aug and 1,423 in July, at the peak of the third wave of the pandemic. While this allows for an ease in restrictions, we see limited availability of vaccines still exposing the country to the risk of stricter restrictions in the case of an increase in Covid-19 infections.

"Business confidence increased in September, with the sub-index printing at 81.9 after having declined since June, which could suggest expectations of an acceleration of output in the next 12 months as the security situation improves and the pandemic restrictions reduce."

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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.

September data were collected 13-27 September 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.

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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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