

# Standard Bank Mozambique PMI™

## Mozambique PMI rises to four-month high in October

### Key findings

Output expands for first time since July

New order growth accelerates

Delivery times worsen amid slower freight shipments

Data were collected 12-26 October 2021.

The October PMI™ survey data indicated a strengthening of business conditions across the Mozambican economy, as rising new orders drove a renewed expansion in output and a further addition to staff numbers. However, reports of supply chain disruption grew and resulted in the first lengthening of delivery times since August 2020, while higher raw material prices put increased pressure on firms' purchasing costs.

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 52.1 in October, the PMI was indicative of a moderate improvement in the health of the private sector economy, and one that was much stronger than seen in September (50.4). The reading was also the highest in four months and among the greatest recorded over the last six years.

New orders rose for the second consecutive month in October, driven by a further recovery in client demand after pandemic-related measures. The pace of growth accelerated from September and was solid overall.

Consequently, output levels increased for the first time in three months, while there was a further modest uptick in employment. This in turn helped firms to keep on top of demand, although a weaker fall in backlogs suggested

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

that spare capacity had tightened.

While activity rose across four of the five monitored broad sectors of the economy, there was another sharp decline in manufacturing. Production was again impacted by weak orders and difficulties acquiring inputs due to global supply chain issues.

Supply problems contributed to a slowdown in the arrival of imports at the start of the fourth quarter. This meant that overall delivery times lengthened for the first time in more than a year, albeit only slightly overall.

Elevated raw material prices drove a solid increase in purchasing costs during October, one that was the fastest since June. Efforts to boost staff pay meanwhile led to the sharpest rise in labour costs for nearly two years.

While higher costs and increasing demand led to a mark-up of average prices charged at Mozambican firms, the rate of inflation slowed and was only modest. The uptick was partly offset by sales promotions at some companies.

Business expectations for the coming year remained robust during October, with around 65% of the survey panel expecting output levels to improve. Again, this reflected hopes of a recovery from the pandemic, leading to projections of a strengthening in demand and increased hiring activity.



## Comment

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

"Standard Bank PMI accelerated to 52.1 in Oct, from 50.4 in Sep after having slipped to 47.9 in Aug. Having stood above the series average of 50, and the 50-benchmark for the second consecutive month, the PMI suggests the economy continues to experience growth recovery at the beginning of the fourth quarter, supported by an increase in output.

"The output index rose to 51.8 in Oct, from levels below the 50-benchmark in Sep and Aug. This could well reflect the positive impact from an easing in the pandemic stringency. Covid-19 average daily infections further declined in Oct to close to 20 cases per day, from a recent peak of 1,423 cases per day in Jul at the epicentre of the third wave. This allowed for a further easing in restrictions, which saw an increase in trading hours and exemption of rotation for public servants, among other relief measures, which are valid until 20 Dec.

"The Covid-19 vaccination campaign saw the third phase launched on 20 Oct at national level, which targets 7-m people from 30 to 49 years old in urban areas and 50 years old and above in rural areas. Since the beginning of the vaccination in Mar, 2-m people have been completely vaccinated. Given limited access to vaccines, we only expect the 17-m target to be achieved next year."

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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 data were collected 12-26 October 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.

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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.

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