

# Standard Bank Mozambique PMI™

## Business conditions decline at slowest rate for six months

### Key findings

Output continues to fall sharply, but rate softens

Workforces expand for first time since March

Expectations weaken to near four-year low

Data were collected 11-25 September 2020.

The Mozambican private sector economy recorded further sharp declines in activity and demand in September, according to the latest survey data. The overall downturn eased slightly from August, helped by a first increase in employment for six months. Nevertheless, the outlook among Mozambican firms worsened to a near four-year low.

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.

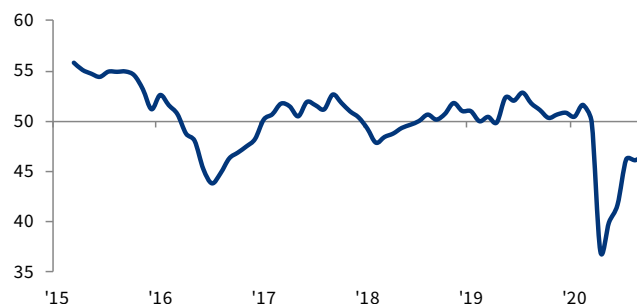
The headline index rose from 46.1 in August to 46.6 in September, signalling a slightly weaker - albeit still solid - deterioration in the health of the Mozambican private sector. The reading marked a seventh successive month of decline, albeit the softest since March.

Coronavirus (COVID-19) restrictions had a further impact on business activity and demand at the end of the third quarter, as a number of surveyed firms reported a drop in client numbers. As a result, new orders fell for the sixth month in a row, albeit at the softest pace in this period.

Output levels continued to decrease in September, as businesses reduced activity in line with weaker sales volumes. The decline softened for the fifth month running, but remained sharp overall. Firms also made additional

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

cuts to purchases and inventories, albeit at slower rates than for output.

More positively, Mozambican companies increased hiring during the month, following a five-month period of job losses amid COVID-19 restrictions. The expansion in workforces reflected efforts by some firms to speed up activity. At the same time, businesses saw only a slight drop in backlogs, the weakest for six months.

While firms increased employment, there was a more subdued outlook for future activity in September. The degree of confidence for the next 12 months fell to the lowest in nearly four years, amid concerns over the long-run impact of the pandemic.

Meanwhile, the latest data signalled a renewed improvement in input delivery times, as suppliers reportedly added capacity in order to win clients. The improvement offset reports of delays at airports and supply weakness.

Input prices decreased for the sixth month in a row during September, amid weaker demand for inputs and further cuts to wages. However, as was seen in August, deflationary cost pressure was only mild and far softer than at the height of the pandemic. Meanwhile, a deterioration in exchange rates led firms to raise their charges, marking the third successive increase in selling prices.



## Comment

Fáusio Mussá, Regional Economist at Standard Bank commented:

*"Mozambique continues to make progress on gradually lifting social and economic restrictions that were implemented to help fight the Covid-19 pandemic, even as the number of infections continues to rise. This includes opening of borders as governments seek to establish a "new norm" and help reduce the negative impact of the pandemic on economic activity. The State of Emergency was lifted as the government implemented the "Situation of Calamity" since 7 September.*

*"Data from 29 September shows that Mozambique recorded a cumulative of 8,556 Covid-19 infections, after performing 136,683 tests. With a recovery rate of 60.8% or 5,205 recoveries and 59 deaths, we see daily infections accelerating towards 300 cases per day at the end of September. This suggests that it remains uncertain when the peak will be reached in Mozambique.*

*"As published in the September edition of Standard Bank's African Markets Revealed, we have updated our growth scenarios for Mozambique, which considers greater uncertainty and negative effects from the pandemic and the escalation of war in Cabo Delgado. As a result, our base, bull and bear cases now factor in a GDP contraction this year, ranging from 1.3% y/y in the base case to 1.9% y/y in the bear case, with a recovery expected from the second quarter of 2021 in our base case."*

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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 11-25 September 2020.

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.

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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