

Standard Bank Mozambique PMI™

New business growth slows to four-month low

Key findings

Output and new orders rise at weaker rates

Drop in input buying amid high transport costs

Overall input price inflation softens to seven-month low

Data were collected 6-20 December 2021.

The latest PMI™ survey data pointed to a softer expansion in Mozambique's private sector economy at the end of 2021, as new business growth ticked down to a four-month low. Output also rose to a lesser extent, while employment numbers picked up only slightly for the second month running. Meanwhile, efforts to reduce the impact of high transport costs led firms to delay new purchases and use up input stocks. More positively, the overall rate of input cost inflation was the softest since May.

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 50.6 in December, the PMI was indicative of only a marginal improvement in the health of the Mozambique private sector economy. The index fell from 52.0 in November to its lowest for three months.

The improvement in business conditions was limited by a much weaker uplift in new business in the final month of the year. The rate of growth softened to a four-month low, as several firms commented on weaker client demand and cash flow problems. As a result, output levels expanded only modestly and to a lesser extent than in November.

The slowdown helped firms to keep on top of backlogs of

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, IHS Markit.

work, which fell slightly in December. Subsequently, the pace of job creation remained subdued.

Relatively high freight costs led Mozambican firms to reduce their purchasing activity for the first time in four months. This meant that some businesses had to use up input stocks to fulfil demand, leading to a slight decrease in total inventories.

Whilst higher raw material costs and exchange rate weakness were also noted, overall input prices rose at the weakest pace for seven months in December. Both purchasing and staff cost inflation ticked down from November's levels. The overall uptick in input prices was largely passed on to customers, through a modest rise in output charges.

Supply chain performance improved across the Mozambique economy in December, as firms saw a modest reduction in average lead times that was the quickest since August. Panellists often attributed this to increased vendor competition and a relaxation of COVID-19 measures.

Finally, the outlook for the year ahead remained strong, but notably slipped to its weakest level since August. Businesses were generally hopeful that they would be able to expand over 2022 through greater workforces, client bases and geographical scope.



Comment

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

"Standard Bank PMI decelerated to the lowest for three months at 50.6 in Dec, from 52.0 in Nov. Still, it remained above the 50-benchmark for the fourth month in a row, which suggests that economic growth remains in positive territory.

"While PMI data suggests the economy continued to experience growth during the fourth quarter, following the 3.4% y/y third quarter growth, it would not come as a surprise if growth rate decelerates.

"After all, as per third quarter GDP growth data, economic activity outside primary activities remains fragile. Covid-19 restrictions too brings uncertainty regarding the depth of the fourth wave negative impact, which could continue to weigh on the economic recovery."

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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.

December data were collected 6-20 December 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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