



Standard Bank Mozambique PMI™

Output growth accelerates to 33-month high

Key findings

Strong increase in new orders

Purchasing and hiring growth quicken

Selling prices rise solidly

Data were collected 11-26 April 2022.

Growth in the Mozambique private sector economy soared in April, as sharp rises in output and new orders sent the PMI™ to its joint-highest since late-2015. Firms enjoyed a strong increase in demand that also led to improvements in confidence, hiring and purchasing. However, increases in fuel and material costs contributed to a solid uptick in firms' selling prices that was the joint-quickest since March 2018.

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 Mozambique PMI made considerable gains in April, rising from 50.6 in March to 52.9, to indicate a solid improvement in operating conditions across the private sector. Furthermore, the index was at its joint-highest level since November 2015 (level with June 2021).

The rise in the headline PMI was mainly due to sharp accelerations in both output and new order growth in April, which hit 33- and ten-month highs respectively. Where activity rose, firms often highlighted a positive effect from improvements in sales and capacity. As well as a recovery in economic conditions following the pandemic, some firms added that clients had made advance orders due to concerns over price inflation and supply constraints. This was particularly noticeable in the

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

agriculture and wholesale & retail sectors where sales rose substantially in April.

The sharp rise in output encouraged a further increase in workforce sizes at Mozambican firms in April. The overall rise in employment was solid and the quickest seen since the end of 2019.

Purchasing activity also rose sharply, leading to an expansion in inventories that was the strongest seen in exactly a year. Notably, vendors continued to respond well to requests for increased deliveries, as lead times were reduced to the greatest extent since last June. Capacity improvements helped firms to maintain control over their backlogs, which fell for the twelfth month running, albeit only fractionally.

At the same time, Mozambican businesses faced a marked increase in their purchase costs during April, driven by a sharp rise in global fuel and commodity prices. With costs rising, and demand growing, output charges were raised at the joint-fastest pace in over four years, led by a sharp increase at manufacturing firms.

Despite heightened inflation risks, firms remained largely confident that a demand-led recovery would continue to drive output higher over the coming year. As a result, the level of optimism picked up from March's 12-month low and was broadly aligned with the recent trend.



Comment

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

"Standard Bank PMI rose to 52.9 in Apr, from 50.6 in Mar. The latest print suggests a robust recovery in economic activity during the first month of Q2:22, after having remained volatile between Jan and Mar 22.

"We see the rise in PMI reflecting the positive impact of an ease in health restrictions related to the Covid pandemic as well as some relief as we get out of adverse weather season, which could see some improvement in agricultural output.

"Still, we maintain that the Mar 200bps policy rate hike to the level of 15.25% will likely negatively impact GDP growth, even considering the impact of expected rise in external assistance related to the IMF funded program and progress on the natural gas projects investment.

"Early in Apr, our GDP growth forecast for 2022 has been cut to 2.8% y/y, from 3.1% y/y initially, to reflect headwinds from the Russia invasion to Ukraine and a tighter monetary policy stance from Banco de Moçambique as inflation risks remain elevated."

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Methodology

The Standard Bank Mozambique PMI™ is compiled by S&P Global 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.

April data were collected 11-26 April 2022.

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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