

# Standard Bank Mozambique PMI™

## Activity and new order growth weaken in April

### Key findings

Output increases at softest pace in eight months

New orders rise only marginally

Outlook declines to 29-month low

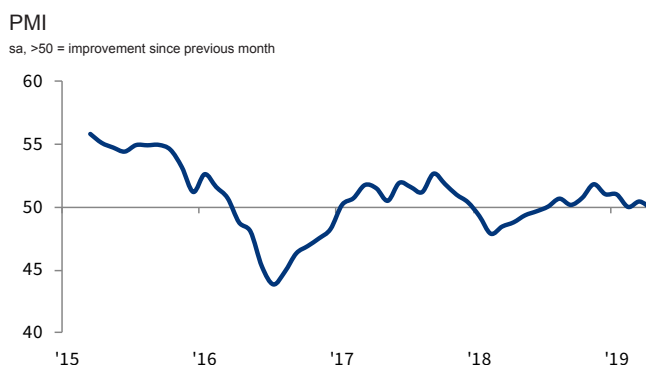
Business conditions in Mozambique's private sector economy were subdued in April, with output, new orders and employment increasing at slower rates. Input prices rose at a relatively cool pace, while future business sentiment fell sharply to the lowest in nearly two-and-a-half years.

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 PMI fell from 50.4 in March to 49.9 in April, signalling a very slight deterioration in business conditions at the start of the second quarter. It was the first time in ten months that the PMI had slipped below the 50.0 no-change mark.

Mozambican firms found that operating conditions were harmed by weaker output growth during April. The rate of expansion slowed to the least marked since August 2018. Anecdotal evidence reflected softer demand pressures across the private sector, while some companies cited a lack of stocks and financing problems leading to lower output.

New order growth was slightly softer in April compared to March. Survey data showed only a marginal rise in new work that was the weakest for ten months. According to panel reports, demand was partly affected by the



Sources: Standard Bank, IHS Markit.

aftershock from Cyclone Idai. Nevertheless, new orders appeared to outstrip activity, as businesses reported a slight increase in backlogs of work for the first time in 2019 to date.

Employment was another key index which had a negative directional effect on the headline PMI in April. The rate of job creation slowed markedly from March, with firms seeing only a marginal rise in employment. Panellists also reduced purchases for the first time in 13 months, attributing this to an excess supply of inventories in this period of softer demand growth. As such, stock levels dropped, albeit fractionally.

Input price inflation dipped in April, following broadly unchanged rates of inflation in the first quarter of the year. This was partly due to only a modest rise in purchasing costs, although some firms found that a fall in the value of the metical led to higher import prices. In response, some of these firms raised output charges, with overall selling prices increasing slightly from the previous month.

With demand growth sliding and the economy impacted by Cyclone Idai, future business sentiment declined sharply in April. Expectations remained positive overall but were at their weakest since November 2016. Nevertheless, many businesses still hoped that greater hiring, company development and higher sales would lead to improved activity in the future.



## Comment

Fáusio Mussá, Regional Economist at Standard Bank commented:

*"The Mozambican economy has been severely affected by Cyclones Idai and Kenneth recently, prompting economic analysts and institutions to revise downwards their GDP forecasts for the year by up to 2 percentage points lower than initial projections. Latest available data published by the National Statistics Institute shows that the economy grew 3.3% year on year during 2018, the lowest growth rate since 2001.*

*"Nevertheless, Central Bank seems concerned with potential foreign exchange liquidity pressures, fiscal constraints and inflationary implications. Monetary policy easing has paused, with the main policy rate unchanged at 14.25% since Dec 2018 and an unexpected increase in the foreign exchange reserve requirements ratio to 36%. National inflation closed March at 3.4% y/y, slightly higher than the 3.1% y/y recorded during the same period of 2018. We see the 12-m average inflation increasing going forward, but remaining within Central Bank expectations of 6% to 7%.*

*"The USD/MZN pair continues to rise, reflecting a combination of factors that continue to pressurize foreign exchange liquidity in the market. Since the end of September last year, the pair increased by 6.5% to 64.6, the highest level in 24 months. We still see the pair heading higher before it reverses the trend in the second half of the year, most likely supported by the natural gas final investment decisions targeted for the 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.

April 2019 data were collected 10-25 April 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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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.

[www.standardbank.co.mz](http://www.standardbank.co.mz)

### About IHS Markit

IHS Markit (Nasdaq: 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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