

Standard Bank Mozambique PMI™

Activity growth slides to five-month low in August

Key findings

Output and new orders rise at slower rates

Renewed fall in backlogs as hiring expands

Inflationary pressures ease slightly

Data were collected 12-25 August 2022.

The Mozambique PMI pointed to a sustained slowdown in private sector activity growth in August, reaching the lowest for five months as demand conditions also waned. Higher workforces were recorded, enabling a renewed fall in backlogs despite weaker stockpiling efforts. The rate of cost inflation remained sharp but eased to a four-month low, leading to a softer rise in output prices. Meanwhile, sentiment picked up from July but stayed below recent trends.

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.

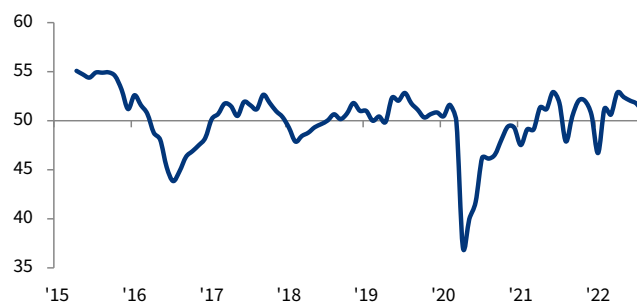
The index recorded a fourth successive monthly drop in August, falling to 50.8 from 51.7 in July. Despite remaining above the crucial 50.0 mark, the index signalled only a marginal improvement in operating conditions that was the softest since March.

The drop in the headline reading was due to weaker growth rates for output, new orders and stocks of purchases in August. Output rose only marginally and to the least extent for five months, with a similar result registered for new business. Firms often noted that demand conditions had softened in the midst of rising prices and an uncertain outlook.

The agriculture sector continued to act as a drag on the

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

Mozambique economy in August, with output falling for the third month running. By contrast, growth was recorded in the manufacturing, construction, wholesale & retail and services categories.

Meanwhile, the continued rise in new orders supported a further increase in employment. The rate of job creation was modest overall and slightly faster than in the previous survey period. As a result, there was a renewed drop in backlogs of work, after rising for the first time in 15 months in July.

Stocks of purchases also expanded in August, although the weaker demand picture meant that the rate of accumulation eased to a five-month low. Concurrently, supplier performance improved to the least extent since March.

Following the recent trend, input costs at Mozambican firms rose at a sharp pace midway through the third quarter, reflecting continued increases in raw material, fuel and labour costs. However, the rate of increase softened slightly for the third month running. Businesses generally opted to pass on price increases to clients, as average prices charged also rose but to a lesser degree.

Finally, business confidence in the year ahead picked up in August, after falling steeply in July following concerns about price rises. That said, it still remained weaker than in the prior 15 months.



Comment

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

"Standard Bank PMI fell for fourth month in a row to 50.8 in Aug, from 51.7 in Jul, on the account of broad-based month on month declines across the PMI sub-indexes, except for employment, quantity of purchases, new export orders and future expectations.

"This could well reflect a softer GDP growth during Q3:22 as the economy still faces high inflation, last reported at 11.8% in Jul, and subdued disposable incomes.

"Still, having remained above the 50-benchmark for the seventh consecutive month, the PMI suggests that economic growth remains in the positive territory in Q3:22.

"With most of Covid-19 health restriction being lifted in Apr, the economy will likely continue to see growth recovery. Higher donor assistance under IMF's 3-y USD456m program is also growth supportive.

"The economy grew 4.4% y/y during H1:22, supported by a broad-based recovery. Growth rates were slower for those sectors typically negatively affected by high inflation and tighter monetary policy; this includes trade, construction, property, and manufacturing (but not the aluminium smelter which operates in the export cluster).

"We see inflation rising to 11.8% y/y during H2:22, from 8.2% during H1:22, closing the year at 11.7% y/y. This could see growth decelerating to 4.1% y/y during H2:22, with average growth for the year at 4.2% y/y, a recovery from 2.3% y/y in 2021."

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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.

August data were collected 12-25 August 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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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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