



Standard Bank Mozambique PMI™

Inflationary pressures intensify in May, but demand remains strong

Key findings

Fastest rise in purchasing prices for five years

Activity growth accelerates to 55-month high

Supply chain performance improves

Data were collected 12-26 May 2022.

The Mozambique PMI™ pointed to a further improvement in business conditions in May, but one that was accompanied by accelerating inflationary pressures. Amid rises in the price of fuel and raw materials, firms increased their selling prices strongly, although new orders continued to grow at a robust rate. At the same time, rising inventories, higher staffing levels and improved delivery times supported the fastest expansion in activity since October 2017.

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.

Three of the five sub-components of the PMI had positive directional influences on the headline figure in May, that of Output, New Orders and Stocks of Purchases. In fact, the Output index rose to its highest level in over four-and-a-half years as business activity rose markedly in response to a stronger expansion in new order inflows and robust customer demand.

To aid output, Mozambican firms purchased higher volumes of inputs during May, with the latest data signalling the fastest uplift in purchasing activity in just over five years. This led to a marked accumulation of stocks of purchases.

Nevertheless, the headline PMI dropped from 52.9 in

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

April to 52.4 in May, due to the remaining sub-indices of Employment and Suppliers' Delivery Times.

While staffing levels were raised to support higher capacity, the rate of job creation softened to a three-month low in May. Despite this, firms were able to keep on top of new work and reduce their backlogs.

Businesses also saw reduced pressure on supply chains as vendors lowered their delivery times at the fastest pace since March 2019.

May survey data also signalled intense cost pressures on Mozambican companies. Purchasing costs increased at the sharpest rate in exactly five years. Fuel and raw materials were reportedly up in price and exacerbated by rising demand and stockpiling. In addition, staff wage inflation was at its highest since the end of 2019.

Businesses often passed rising input costs onto customers, as indicated by a marked uplift in output prices. The pace of selling charge inflation quickened for the third successive month to the fastest since early-2018.

Despite heightened inflation, firms gave a robust outlook for future activity in May. In fact, the degree of confidence picked up to a ten-month high. Companies often cited increased opportunities for growth as the impact of the pandemic eases.



Comment

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

"Standard Bank PMI fell slightly to 52.4 in May, from 52.9 in Apr, on account of a decline in the employment sub-index, as job creation softened to a three-month low.

"The overall PMI, which printed above the 50-benchmark since Feb, despite volatile, suggests that economic recovery continues, supported by the ease in the pandemic restrictions and a strong agricultural performance.

"For now, output growth and aggregate demand seems strong enough to offset the negative impact of elevated price pressures and a tighter monetary policy. Our base growth scenario still sees year-end inflation at 9.4% y/y.

"Per our May edition of African Markets Revealed (AMR), we forecast GDP growth for 2022 at 3.4% y/y, from a downwardly revised 2.8% y/y in Mar; our Jan edition of AMR forecast was 3.1% y/y.

"This forecast update, considers the positive impacts of a stronger than expected performance in agriculture and increasing external support on the account of the recently approved IMF 3-y Extended Credit Facility (ECF) arrangement of USD456m."

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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.

May data were collected 12-26 May 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 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.

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