



Standard Bank Mozambique PMI™

New orders continue to rise solidly in July

Key findings

Rate of expansion in new orders accelerates

Backlogs of work up as output growth softens

Business confidence drops due to inflation concerns

Data were collected 12-26 July 2022.

Business conditions continued to improve in Mozambique's private sector during July, with firms again able to secure greater volumes of new business, feeding through to rises in activity, employment and purchasing. Rates of inflation generally remained solid at the start of the third quarter, and worries around the impact of price rises dampened business sentiment.

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.

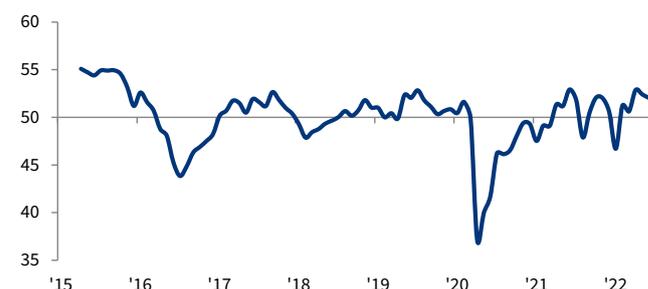
The headline PMI posted 51.7 in July, above the 50.0 no-change mark for the sixth month running but down from 52.0 in June to signal a slightly softer improvement in business conditions in the private sector.

New business increased for the sixth successive month in July, with the securing of new customers helping to boost new orders. The latest expansion was solid and slightly faster than that seen in June.

Higher new orders fed through to a further rise in business activity, but in contrast to the picture seen for new work the rate of expansion in output slowed over the month. With growth of activity failing to keep pace with that of new orders, backlogs of work accumulated for the first time since April 2021.

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

Companies responded to higher new orders by expanding their staffing levels, resulting in a fifth consecutive rise in employment. Job creation was seen across all five broad sectors covered by the survey.

Purchasing activity was also expanded, but the rate of growth slowed to the weakest in the current five-month period of rising input buying. Some respondents indicated that they had paused purchasing as inventory holdings were sufficient for current requirements. Indeed, stocks of purchases increased at a solid pace that was faster than in June. Meanwhile, suppliers' delivery times shortened again, albeit to a smaller degree.

Purchase costs increased solidly in July, with the rate of inflation only fractionally softer than in June. Higher fuel and transportation costs were widely mentioned. Rising staff costs were also registered, in part reflective of hiring activities.

Rising fuel prices was the main factor leading to another increase in output charges. Selling price inflation was signalled for the sixth month running, although the latest upturn was the weakest since April.

Concerns about the impact of price rises led to a drop in confidence regarding the year-ahead outlook for business activity. Sentiment was at its lowest level since March 2021, but firms remained optimistic overall amid business investment and expansion plans.



Comment

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

"Standard Bank PMI fell slightly for the second month in a row to 51.7 in Jul, from 52 in Jun, on the account a broad base month on month declines across the PMI sub-indexes, except for new orders, stocks of purchases and backlogs of work. This could reflect a softer GDP growth at the beginning of Q3:22 as the economy faces rising inflation, which touched a double-digit level of 10.8% in Jun, and subdued disposable incomes.

"The year-ahead outlook for business activity measured by the future expectations sub-index dropped to the lowest level since Mar 21, as rising inflation and fears of a global economic slowdown negatively weights on business sentiment. Still, having remained above the 50-benchmark for the sixth 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. Per our May edition of the African Markets Revealed, we see GDP growth at 3.3% y/y this year, accelerating to 3.7% y/y next year, supported by foreign direct investment and increased external support on the back of a 3-y IMF funded program."

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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.

July data were collected 12-26 July 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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