

Standard Bank Mozambique PMI™

Business conditions return to growth in February

Key findings

Firms see modest recovery in new orders

Input purchases rise for first time in four months

Business confidence falls to lowest since November 2020

February survey data pointed to a renewed improvement in the health of the Mozambican economy, as a modest upturn in new order volumes supported fresh increases in output and purchasing activity. The return to growth followed a subdued start to the year as business conditions declined for the first time in 12 months in January.

That said, the pick-up in the economy was only mild overall, and came alongside renewed increases in both input costs and output charges. Furthermore, confidence in future activity dimmed to the weakest level since November 2020, while subdued hiring growth contributed to a slight increase in backlogs.

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 above the 50.0 neutral mark for the first time in three months in February, rising to 50.5 from a 12-month low of 48.2 in January. The reading was indicative of only a marginal expansion in operating conditions.

Three of the five PMI sub-components returned to growth territory in February, namely output, new orders and stocks of purchases. The latest survey data signalled a modest upturn in output that panellists mostly linked to improved demand levels. However, the expansion was not broad-based by sector; manufacturing, wholesale & retail and services registered higher activity, whereas decreases were seen in agriculture and construction.

Similarly, new order inflows rose in February, following a first decline in 12 months at the beginning of the year. The rate of growth was the quickest seen for three

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

Data were collected 10-23 February 2023.

Comment

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

"The Standard Bank Mozambique PMI rose to a seasonally adjusted level of 50.5 in Feb, from a recent low of 48.2 in Jan. This reflects mild recoveries across output, new orders and employment sub-indices, all printing above the 50.0 benchmark level, which suggests a recovery in economic activity in Feb, from a contraction in Jan, compared with the previous month.

"Despite this mild recovery, the PMI suggests that the economy continues to experience a slow start to the year in 2023, from a growth perspective. Alongside this, we noted renewed price pressures, reflected in increases in input costs and output prices. This suggests that inflation, which printed at the single digit level of 9.5% y/y in Jan could remain volatile, and temporarily return to double digit levels. After all, this rainy and cyclone season has seen adverse weather causing crop damage and destruction of road infrastructure, which should pressurise food and transport costs, at least temporarily.

"Looking ahead, there has been a material decline in the future expectations sub-index, which suggests limited growth support from both fiscal and monetary policies. We retain our forecast that GDP growth recovery for 2023 will likely remain uneven and tilted towards primary activities. This, combined with delays in the natural gas projects implementation and the noise around the government wage bill reform weighs on sentiment."



months and slightly above the series trend, but was only modest overall and indicated only a partial recovery from January's downturn. Like output, sales volumes rose in only three of the five monitored sectors.

Nevertheless, overall expansions in output and new business led firms to increase their purchasing activity in February, thereby ending a three-month run of contraction. Stocks of purchases also rose, albeit slightly, while firms saw a solid reduction in delivery times.

Higher input demand underlined a renewed increase in purchase prices, which fed through to a slight uptick in overall input costs. Firms largely opted to pass these costs onto their customers, as output prices rose modestly following a slight reduction in January.

Business capacity came under renewed pressure in February, as backlogs of work rose for the first time in seven months. The accumulation was partly due to relatively weak hiring growth, which picked up from January but was only mild overall.

Subdued employment trends came alongside a marked drop in firms' expectations for future activity, which fell to a 27-month low. Notably, just over a third (35%) of respondents were hopeful that output will rise over the forthcoming year.

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Survey 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. Data were first collected March 2015.

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.

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. ihsmarkit.com/products/pmi.html

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