

Standard Bank Mozambique PMI™

Output growth hits one-year high in June

Key findings

Activity rises amid solid expansion in new orders

Inflationary pressures relatively muted

Employment increases for sixteenth month running

June data pointed to a further modest improvement in business conditions in Mozambique's private sector as the first half of the year drew to a close. Success in securing new customers led to a solid expansion in new orders, in turn leading to a similarly-paced increase in activity.

Employment also rose, but purchasing activity dipped amid funding difficulties. This was despite inflationary pressures remaining relatively muted.

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 51.3 in June, up from 50.5 in May and above the 50.0 no-change mark for the fifth successive month. The index pointed to a modest strengthening in the health of the private sector at the end of the second quarter.

The main positive from the latest survey was a solid and accelerated rise in new orders. New business increased for the fifth month running as a number of firms were reportedly able to secure new customers.

In response to the expansion in new orders, companies increased their business activity accordingly. Moreover, the solid rise in output was the fastest for a year. Growth of activity was seen across each of the five broad sectors covered by the survey, and led by wholesale & retail.

Employment was also up in June, extending the current sequence of job creation to 16 months. Although modest, the latest increase was faster than that seen in May.

The expansion in staffing levels helped firms to keep on top of workloads, despite rising inflows of new orders. In fact, some panellists reported having been able to complete all outstanding business during the month. Work-in-hand decreased slightly, and for the fourth successive month.

Less positive was the picture for purchasing activity, which was scaled back for the third month running amid some

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.
Data were collected 12-27 June 2023.

Comment

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

"The Standard Bank Mozambique PMI recorded a modest recovery to the 51.3 level in Jun, from 50.5 in May. This mainly reflects an acceleration in new orders and output, with job creation recording a modest increase. There was also a modest rise in output prices, suggesting muted inflation pressures.

"Having printed above the 50-benchmark level, the Jun PMI suggests that this economy continues to experience a gradual recovery in economic activity.

"Despite adverse weather impact, monetary policy tightening, intermittent FX liquidity and fiscal pressures, Mozambique continues to display growth resilience. The ramp up of production at Coral South Floating LNG platform should boost extractive sector GDP this year.

"Per our Jun edition of the African Markets Revealed (AMR), we note though that GDP growth outside extractives remains softer than 2022 levels, due to tighter financing conditions. Non-extractive GDP growth eased to 2.7% y/y in Q1:23, from an average of 3.9% y/y in 2022.

"Should inflation continue to ease, we see the Banco de Moçambique cutting policy rates by at least 200 bps during H1:24, as we see year-end inflation at 8.6% y/y this year and 6.8% y/y at the end of 2024. This is consistent with our views that GDP temporarily eases to 3.7% y/y this year, from 4.2% y/y in 2022, accelerating towards 5.1% y/y in 2024 as LNG investment advances."



reports of financing difficulties. In turn, stocks of purchases were also down slightly following a rise in May.

Those firms that did purchase items during the month benefitted from a marked shortening of delivery times. In fact, supplier performance improved to the greatest extent since May 2022. Among the factors causing lead times to shorten were competition among suppliers, greater efficiency and a desire to please customers.

Although purchase costs continued to rise in June, the rate of inflation eased for the second month running and was the softest since February.

Staff costs on the other hand increased at a faster pace than in May, and one that was the joint-fastest in 2023 so far. According to respondents, higher employee expenses reflected rising staffing levels and salary increases.

Companies increased their selling prices for the second month running, albeit at only a modest pace as some firms offered discounts as part of efforts to generate new order growth.

Confidence in the year-ahead outlook for activity improved in June, with more than half of respondents optimistic. Higher orders and staff hiring were predicted to keep output growing.

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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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