



Standard Bank Mozambique PMI™

Output growth accelerates to 33-month high

Key findings

Strong increase in new orders

Purchasing and hiring growth quicken

Selling prices rise solidly

Mozambique PMI



Growth in the Mozambique private sector economy soared in April, as sharp rises in output and new orders sent the PMI™ to its joint-highest since late-2015. Firms enjoyed a strong increase in demand that also led to improvements in confidence, hiring and purchasing. However, increases in fuel and material costs contributed to a solid uptick in firms' selling prices that was the joint-quickest since March 2018.

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 Mozambique PMI made considerable gains in April, rising from 50.6 in March to 52.9, to indicate a solid improvement in operating conditions across the private sector. Furthermore, the index was at its joint-highest level since November 2015 (level with June 2021).

The rise in the headline PMI was mainly due to sharp accelerations in both output and new order growth in April, which hit 33- and ten-month highs respectively. Where activity rose, firms often highlighted a positive effect from improvements in sales and capacity. As well as a recovery in economic conditions following the pandemic, some firms added that clients had made advance orders due to concerns over price inflation and supply constraints. This was particularly noticeable

in the agriculture and wholesale & retail sectors where sales rose substantially in April.

The sharp rise in output encouraged a further increase in workforce sizes at Mozambican firms in April. The overall rise in employment was solid and the quickest seen since the end of 2019.

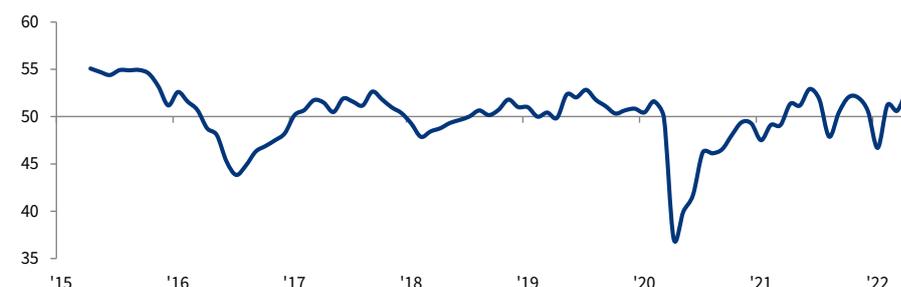
Purchasing activity also rose sharply, leading to an expansion in inventories that was the strongest seen in exactly a year. Notably, vendors continued to respond well to requests for increased deliveries, as lead times were reduced to the greatest extent since last June. Capacity improvements helped firms to maintain control over their backlogs, which fell for the twelfth month running, albeit only fractionally.

At the same time, Mozambican businesses faced a marked increase in their purchase costs during April, driven by a sharp rise in global fuel and commodity prices. With costs rising, and demand growing, output charges were raised at the joint-fastest pace in over four years, led by a sharp increase at manufacturing firms.

Despite heightened inflation risks, firms remained largely confident that a demand-led recovery would continue to drive output higher over the coming year. As a result, the level of optimism picked up from March's 12-month low and was broadly aligned with the recent trend.

PMI

sa, >50 = improvement since previous month

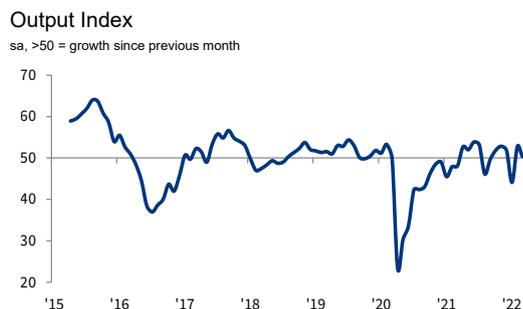




Output Index



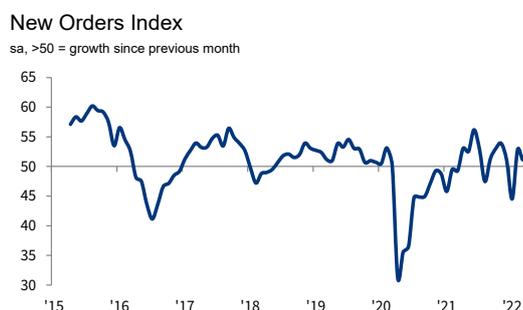
Companies in Mozambique saw a sharp increase in output levels at the start of the second quarter of the year. The upturn accelerated markedly from the previous month and was the fastest recorded since July 2019. Rising sales, increased capacity and relaxed pandemic measures were often cited by survey panellists as behind the rise in output. Growth was registered across all five monitored sectors, up from just one in March.



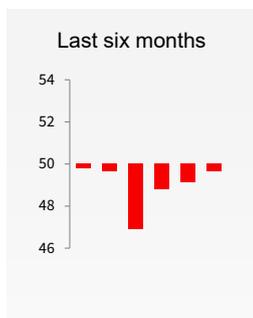
New Orders Index



New business inflows rose for the third consecutive month in the Mozambique private sector during April, and at a sharp and accelerated pace. Firms often commented on an increase in demand which was sometimes linked to stockpiling by customers amid concerns over supply, particularly for food and fuel. Wholesale & retail and agriculture saw the fastest rises in new orders, whilst renewed growth was recorded among manufacturers and construction firms.



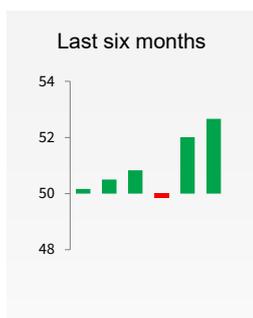
Backlogs of Work Index



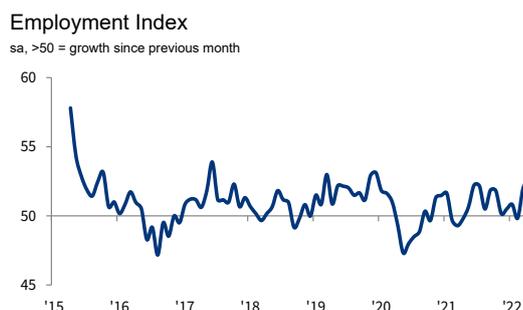
As has been the case in 24 of the past 25 months, outstanding business levels decreased in April. However, the rate at which backlogs fell softened for the third month in succession and was only marginal, as reports from panel members suggested that rising sales had increasingly constrained capacity. Wholesale & retail and services recorded a rise in backlogs, contrasting with declines elsewhere.



Employment Index



Hiring momentum at Mozambican firms continued to improve in April, as the latest data pointed to a solid rise in employment numbers that was the fastest seen since the end of 2019. Where an expansion was registered, firms often mentioned hiring additional workers to support strengthening workloads. Staff increases were recorded in all monitored sectors, except for construction.





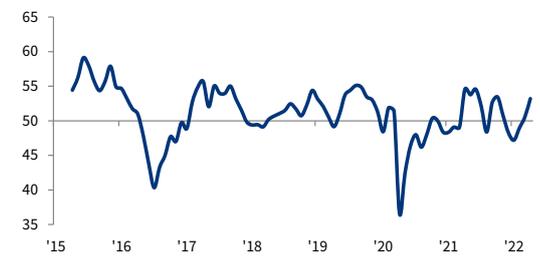
Quantity of Purchases Index



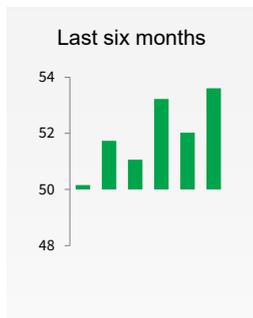
The latest survey data indicated a further increase in input purchases at Mozambican businesses in April, following a renewed upturn in the previous survey period. Moreover, the rate of growth quickened markedly and was solid. According to survey respondents, the rise in purchasing was mainly due to an increase in new orders.

Quantity of Purchases Index

sa, >50 = growth since previous month



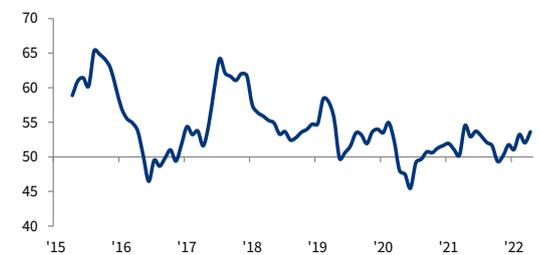
Suppliers' Delivery Times Index



Companies in Mozambique indicated that suppliers were able to reduce their delivery times further at the beginning of the second quarter. The rate of improvement was the fastest seen for ten months, but remained weaker than the series long run trend. While a number of vendors were able to speed up deliveries to meet client demand, some were still impacted by delays to imports and material shortages.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



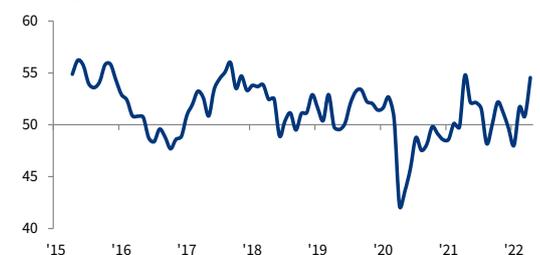
Stocks of Purchases Index



Input purchases in April helped companies to improve their inventories for a third successive month. Adjusted for seasonal factors, the Stocks of Purchases Index rose to its highest level in exactly a year, indicating a sharp increase in input holdings. Companies often mentioned building stocks in line with higher client orders.

Stocks of Purchases Index

sa, >50 = growth since previous month



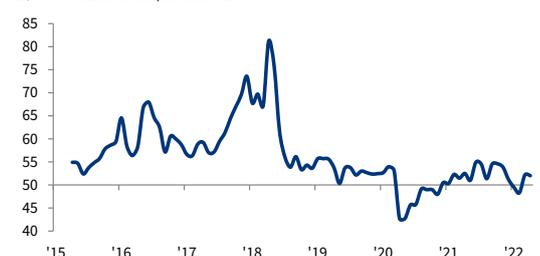
Overall Input Prices Index



Mozambican businesses continued to see overall input costs increase over April, following a renewed uptick during March. The rate of increase was broadly unchanged from the previous month, however, and only modest. Detailed survey data indicated that cost pressures were mainly driven by an increase in purchase prices, although staff costs were also up during the month.

Overall Input Prices Index

sa, >50 = inflation since previous month





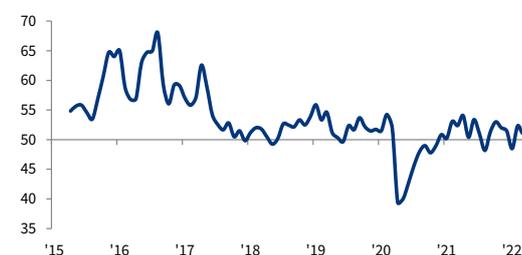
Purchase Prices Index



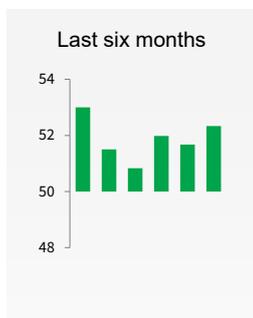
Prices for items purchased by Mozambican companies rose at a sharp pace in April, as indicated by the seasonally adjusted Purchase Prices Index climbing to a 12-month high. There were numerous reports of an increase in fuel prices as well as a general uptick in commodity prices due to the war in Ukraine. Notably, purchase cost inflation accelerated in all five sectors covered by the survey.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



There was a further increase in staff wages across the Mozambique private sector in April, thereby extending the current run of inflation to eight months. Whilst modest, the latest rise in wage costs was the quickest observed since November last year. Panellists often reported seeing an increase in labour expenses in line with hiring activity.

Staff Costs Index

sa, >50 = inflation since previous month



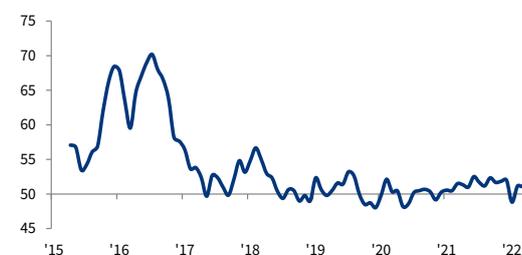
Output Prices Index



Average prices charged by Mozambican firms rose at a historically sharp rate at the start of the second quarter of the year, as firms opted to pass through rising fuel and purchasing costs to their customers. The respective seasonally adjusted index soared to its joint-highest level in just over four years (level with July 2019). Output charges rose in all five broad sectors, led by a marked increase at manufacturers.

Output Prices Index

sa, >50 = inflation since previous month



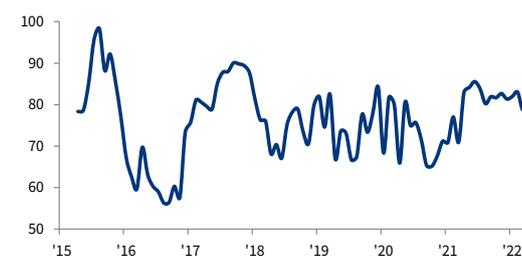
Future Output Index



The Future Output Index recovered some ground after March's 12-month low to signal a stronger degree of confidence that Mozambican output will rise over the coming year. A positive outlook was recorded by approximately 64% of businesses, linked to a return to normal trading conditions and expansion plans. That said, the effects of the war in Ukraine underlined a hesitant outlook at some firms, especially the risk of high inflation due to increased fuel prices.

Future Output Index

>50 = growth expected over next 12 months





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.

April data were collected 11-26 April 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.

ihsmarkit.com/products/pmi.html.

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PMI™

by **S&P Global**

About Standard Bank

Standard Bank is established in Mozambique since 1894, actively participating in the development of the country by financing the national economy and placing its vast expertise in the areas of energy, infrastructure and mineral resources available to the national business community and in attracting foreign investment.

Over the past five years, Standard Bank has invested heavily 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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