



Standard Bank Mozambique PMI™

Inflationary pressures intensify in May, but demand remains strong

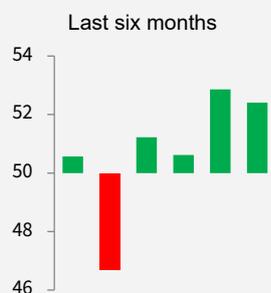
Key findings

Fastest rise in purchasing prices for five years

Activity growth accelerates to 55-month high

Supply chain performance improves

Mozambique PMI



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

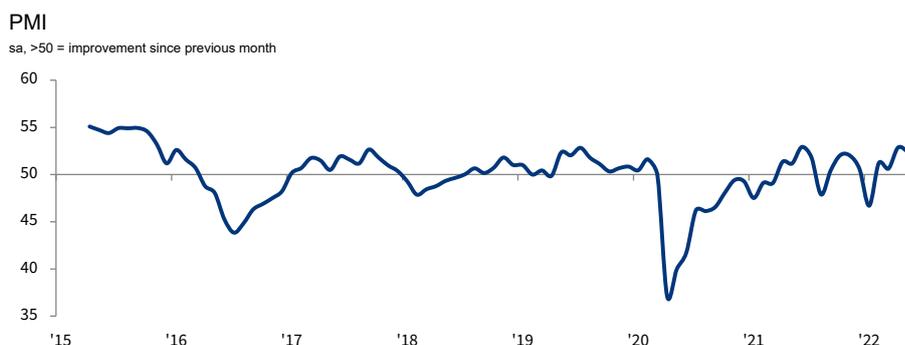
While staffing levels were raised to support higher capacity, the rate of job creation softened to a three-month low in May. Despite this, firms were able to keep on top of new work and reduce their backlogs.

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.





Output Index



May survey data pointed to another relatively sharp expansion in output levels in the Mozambique private sector economy, amid reports of higher sales, increased demand and quicker input deliveries. The upturn was the fourth in as many months, and the fastest recorded since October 2017. Agriculture, manufacturing, wholesale & retail and services all registered higher activity, with construction the only monitored area to record a decline.

Output Index

sa, >50 = growth since previous month



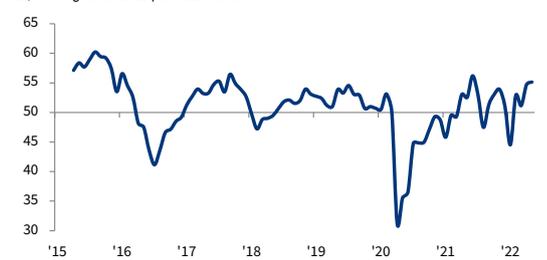
New Orders Index



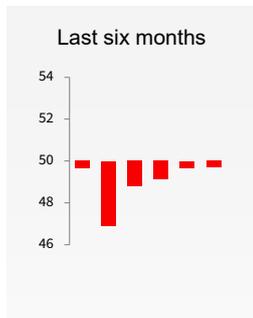
New business received by Mozambican firms rose for the fourth consecutive month in May, with growth accelerating to the strongest since June 2021. While upturns were registered in all five broad sectors, it was most pronounced in agriculture, amid evidence of greater stockpiling of primary items in the wider economy. By comparison, new work among construction firms rose only mildly.

New Orders Index

sa, >50 = growth since previous month



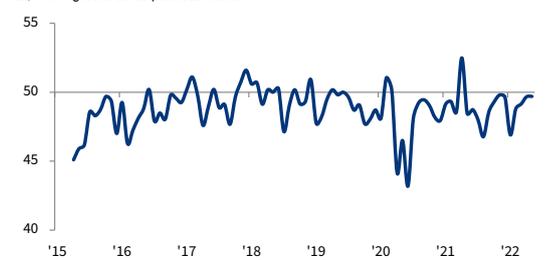
Backlogs of Work Index



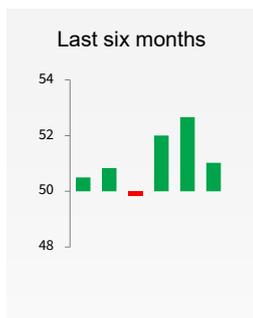
Adjusted for seasonality, the Backlogs of Work Index remained just below the 50.0 no-change mark half-way through the second quarter, posting an unchanged reading since April. Outstanding business has now decreased for 13 months in succession. Surveyed firms often indicated that they had spare capacity to deal with incoming work.

Backlogs of Work Index

sa, >50 = growth since previous month



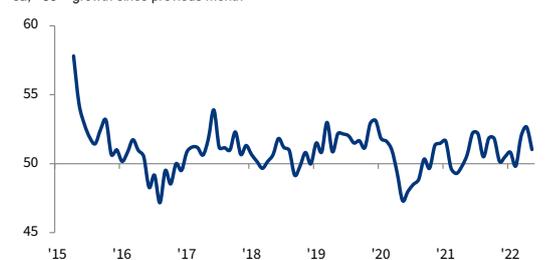
Employment Index



Job creation was recorded by Mozambican firms for the third month in a row during May amid efforts to add to labour capacity. However, there were some reports of firms actively reducing their workforce sizes or being unable to replace voluntary leavers. As a result, the overall rate of employment growth softened from the previous month and was only marginal.

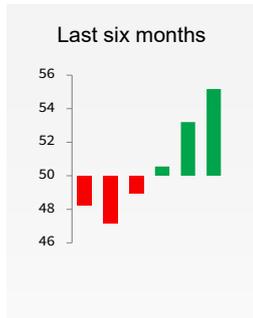
Employment Index

sa, >50 = growth since previous month





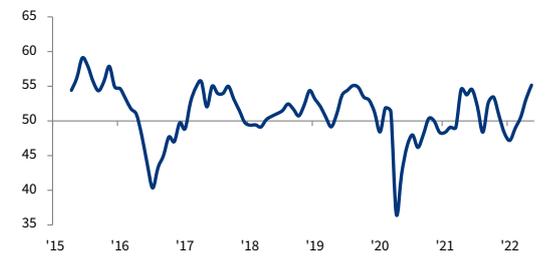
Quantity of Purchases Index



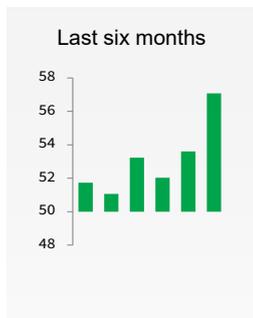
Purchasing activity among Mozambican companies continued to rise midway through the second quarter of the year. Furthermore, the upturn accelerated and was the fastest since April 2017. Firms generally stated that input purchases had risen in line with higher order book volumes and labour capacity.

Quantity of Purchases Index

sa, >50 = growth since previous month



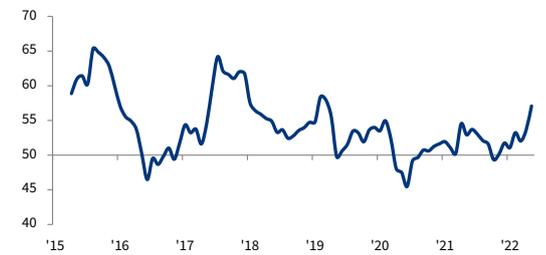
Suppliers' Delivery Times Index



The latest data signalled a marked improvement in supply chain performance across Mozambique during May. The seasonally adjusted Suppliers' Delivery Times Index climbed to its highest level for over three years. Panellists often found that increased material supply, reduced border disruption and flexible delivery schedules helped vendors to transport items more quickly.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



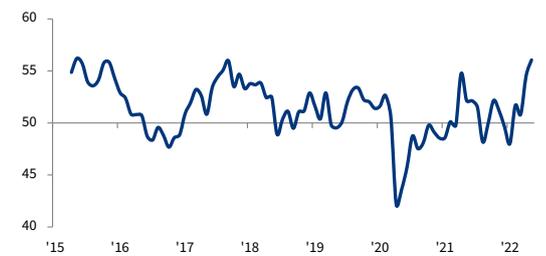
Stocks of Purchases Index



Mozambican companies were able to accumulate stocks of purchased items in May as the latest data signalled a fourth consecutive monthly expansion. In line with a marked and accelerated rise in buying activity, the rate of inventory growth quickened to the fastest since May 2015.

Stocks of Purchases Index

sa, >50 = growth since previous month



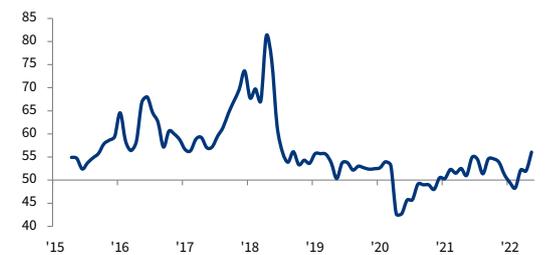
Overall Input Prices Index



Overall input costs faced by private sector businesses in Mozambique rose to a sharper degree in May. The seasonally adjusted index climbed over four points from April to signal the fastest uplift in input prices since September 2018. Stronger inflationary pressures were widespread across the five monitored industries, with wholesale & retail seeing the most marked increase in costs.

Overall Input Prices Index

sa, >50 = inflation since previous month





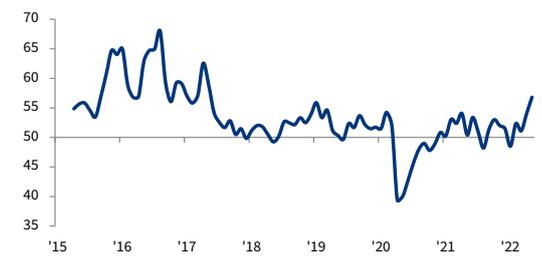
Purchase Prices Index



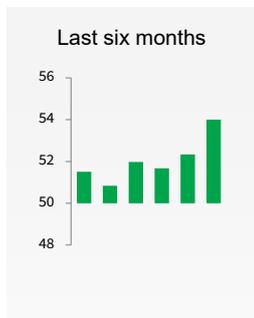
A key driver of inflation was purchasing costs in May, which rose for the fourth month running and at the sharpest pace in exactly five years. Anecdotal evidence suggested that rising demand and underlying global inflationary pressures led to higher prices for a range of items. Firms particularly highlighted an uplift in fuel costs.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



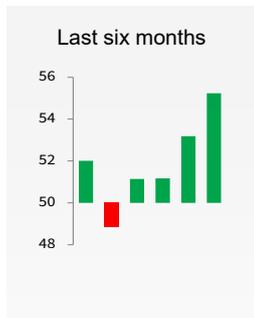
Mozambican companies indicated a further acceleration in wage inflation during May, as the seasonally adjusted Staff Costs Index rose for the second month running. The overall uplift in salaries was marked and the quickest since the end of 2019. Where higher staff expenses were noted, this was sometimes linked to rising client demand and stronger hiring activity.

Staff Costs Index

sa, >50 = inflation since previous month



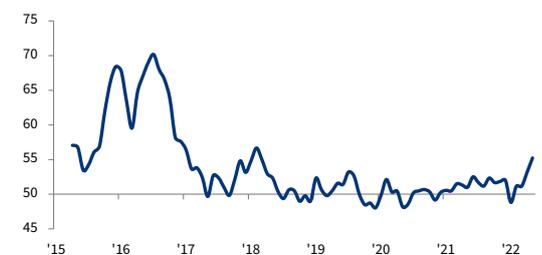
Output Prices Index



The accelerated rise in business costs translated into a faster uptick in average prices charged in May. Charges were raised to the greatest extent since February 2018, reflecting increases in all five broad sectors covered by the survey. Alongside underlying material costs, some firms noted that stronger client demand and the introduction of new products supported higher prices.

Output Prices Index

sa, >50 = inflation since previous month



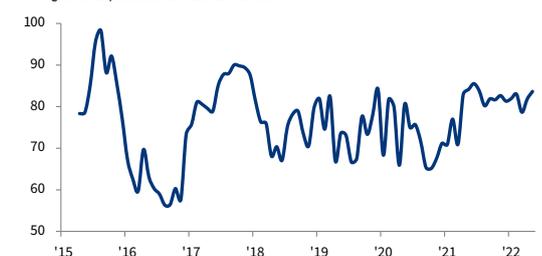
Future Output Index



Business confidence towards the 12-month outlook for private sector activity strengthened for the second successive month in May and remained well above the long-run trend. Over two-third of respondents expect output to expand over the coming year, with some mentioning new opportunities to grow as the pandemic recedes. The degree of optimism was up to a ten-month high.

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.

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 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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.