



Standard Bank Mozambique PMI™

New business growth starts to wane amid rising prices

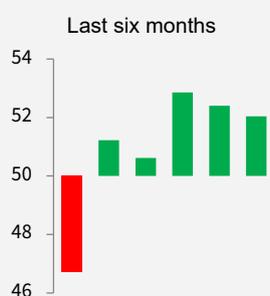
Key findings

New order growth slides to three-month low

Input prices continue to rise sharply

Activity and employment growth pick up

Mozambique PMI



Mozambican private sector firms saw a moderation of new business growth at the mid-point of the year, latest PMI survey data showed, as sharp rises in both fuel prices and output charges led to a slight easing in customer demand. Activity and employment growth continued to accelerate, however, helping firms to deplete their backlogs, whilst the outlook for the upcoming year remained strongly optimistic.

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 fell from 52.4 in May to 52.0 in June, signalling a modest but slightly weaker improvement in the health of the Mozambique private sector. The index has remained above the 50.0 neutral mark for five consecutive months.

The drop in the headline figure was partly due to a softer rise in new orders in June, as growth weakened for the first time in three months. Demand continued to rise solidly overall, helped by recovering economic conditions, but there were signs that price pressures were beginning to dampen client orders.

Despite this, firms raised their output levels at the fastest rate since October 2017 and stepped up hiring activity. As a result, backlogs of work decreased to the greatest

extent since the start of the year.

Input price pressures were again sharp in the Mozambican economy in June, albeit with the rate of inflation softening slightly from May's near four-year high. Both purchase prices and wage costs continued to rise markedly, reflecting higher fuel prices and salary pressures. In turn, businesses raised their output charges at a marked pace amid efforts to pass higher costs through to customers.

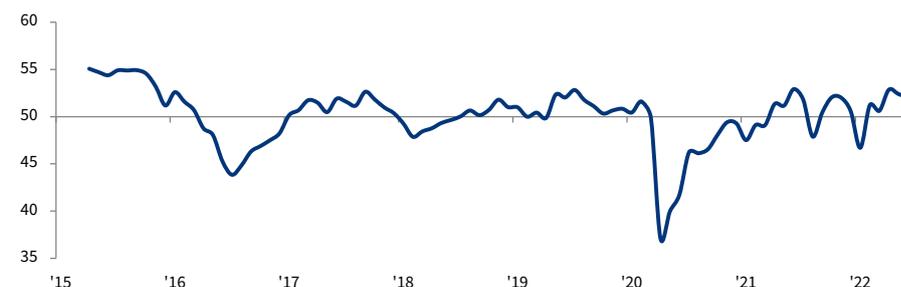
Buying activity reflected softer demand momentum in June. Input purchases rose solidly but at the weakest rate since March, leading to a noticeably slower upturn in inventories. Anecdotal evidence indicated that while some firms stockpiled inputs due to inflation concerns, price pressures led to reduced spending at other companies.

Suppliers' delivery times continued to shorten markedly at the end of the quarter, reflecting the loosening of COVID-19 restrictions and increased competition among vendors. The rate of improvement was the second-strongest since March 2019.

Finally, Mozambican firms continued to signal a robust outlook for future activity in June, with around 62% of respondents forecasting an expansion over the next 12 months. Firms were often hopeful that improved staff capacity, stronger client bases and new business avenues would support growth.

PMI

sa, >50 = improvement since previous month





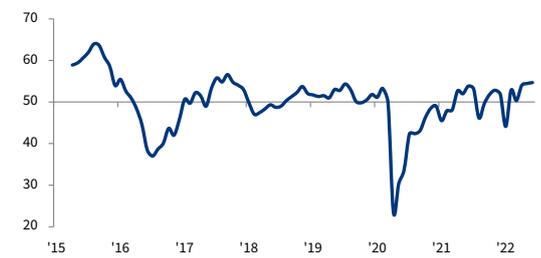
Output Index



Mozambican firms signalled another marked increase in output levels at the halfway point of the year, extending the run of growth that began in February. Furthermore, the upturn quickened slightly and was the strongest recorded since October 2017, amid sharp increases at wholesale & retail and services firms, as well as a renewed rise in construction. Businesses that recorded higher activity generally linked this to rising sales.

Output Index

sa, >50 = growth since previous month



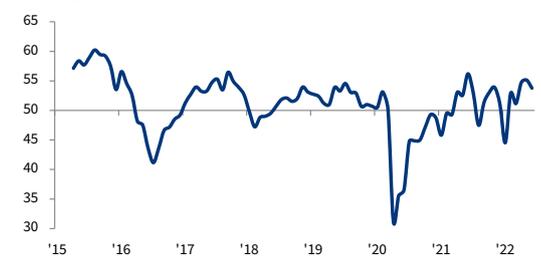
New Orders Index



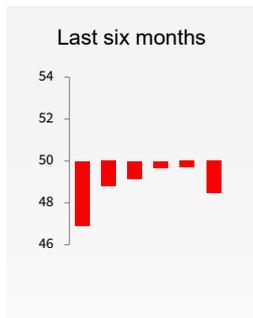
New order volumes expanded for the fifth month running in June, reflecting increased demand levels and strengthening client bases, according to survey panellists. Whilst solid overall, the rate of growth nevertheless eased back from May's 11-month high as some panellists found that price pressures had hit overall spending. All five monitored sectors recorded a further uplift in sales over the latest survey period, led by robust growth in construction and wholesale & retail.

New Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index



A slowdown in new business growth helped firms to keep on top of workloads at the end of the second quarter. After posting close to the 50.0 no-change mark in each of the prior two months, the seasonally adjusted Backlogs of Work Index fell to its lowest since January, to indicate a modest depletion of work-in-hand. Some panellists mentioned that reduced COVID-19 restrictions and improved delivery schedules had been behind the latest decrease.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index

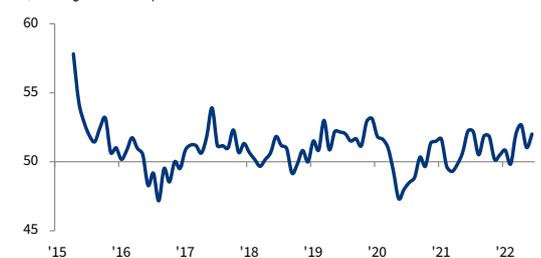


June survey data pointed to further efforts by Mozambican companies to expand their staffing capacity. Hiring activity led to a fourth consecutive monthly rise in employment, and one that was quicker than that recorded in May. Whilst modest, the pace of job creation was also stronger than the long-run series average.

Notably, employment growth was registered in all five sectors covered by the survey for the first time in almost a year.

Employment Index

sa, >50 = growth since previous month





Quantity of Purchases Index



In a similar vein to employment, Mozambican businesses raised their purchases of inputs for the fourth month in a row during June. The latest upturn was solid, albeit softer than May's over five-year high, as firms indicated that a slowdown in new order growth had weighed on input requirements. Some panellists highlighted that price rises had encouraged them to stockpile inputs, however others reported a drop in purchases due to this effect.

Quantity of Purchases Index

sa, >50 = growth since previous month



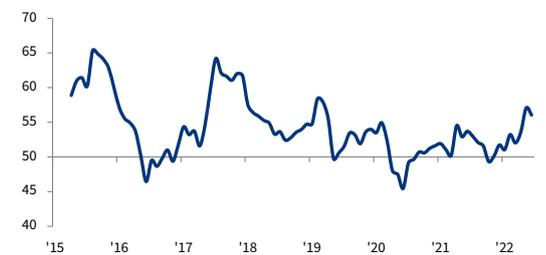
Suppliers' Delivery Times Index



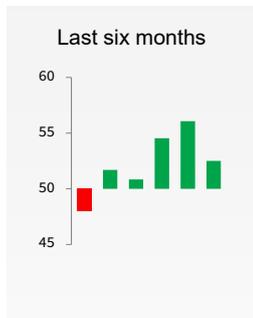
Mozambican companies continued to see a robust improvement in supply chain performance at the midpoint of the year. Despite falling slightly from May's 38-month high, the seasonally adjusted Suppliers' Delivery Times Index registered its second-highest reading for more than three years. Shorter lead times were often attributed by panellists to increased competition among vendors.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



Stocks of purchases held by Mozambican firms increased again in June, thereby extending the run of accumulation to five months. Survey respondents that reported an expansion in stock levels generally linked this to higher sales. That said, the rate of growth softened noticeably from the previous month, as some companies cited efforts to destock and avoid higher material prices.

Stocks of Purchases Index

sa, >50 = growth since previous month



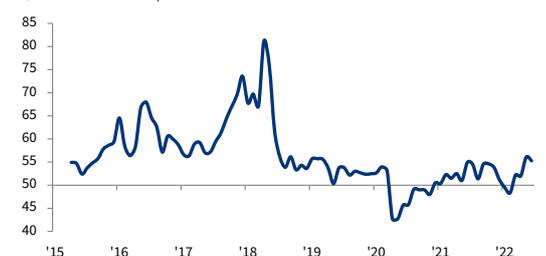
Overall Input Prices Index



As was the case in May, businesses in the Mozambique private sector registered a sharp increase in overall input prices in June. In fact, the rate of inflation was the second-fastest in over three years, as firms saw solid upticks in both purchasing and wage costs. At the sector level, the strongest rise in cost pressures was recorded among construction firms.

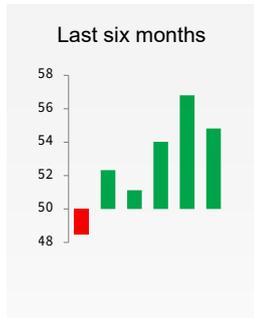
Overall Input Prices Index

sa, >50 = inflation since previous month





Purchase Prices Index

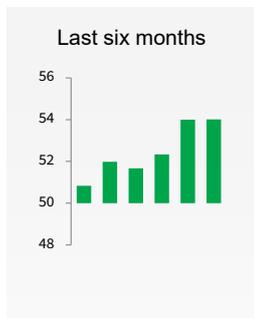


Purchase prices rose at a sharp pace in June, with around 15% of survey respondents reporting a month-on-month uptick. According to anecdotal evidence, higher fuel prices was a key factor, in turn due to the war in Ukraine. That said, after posting the sharpest increase in five years in May, the rate of purchase cost inflation softened.

Purchase Prices Index



Staff Costs Index



Staff costs at Mozambican firms continued to rise sharply during June, with the rate of increase unchanged from May and the joint-quickest since the end of 2019. Anecdotal evidence indicated that rising demand for staff and fuel price inflation had forced firms to offer higher salaries to attract candidates. Wage costs rose in each of the five sectors monitored by the survey.

Staff Costs Index

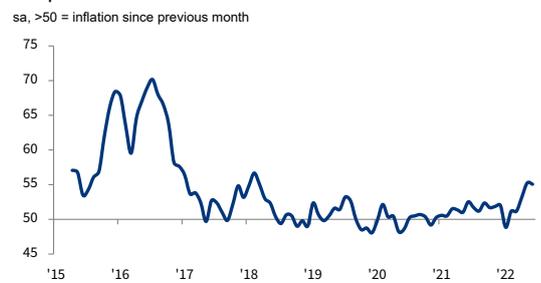


Output Prices Index



Higher input costs continued to be passed through to customers in the Mozambique economy during June. Output charges rose sharply, although the uptick was fractionally slower compared to that seen in May. Panellists cited efforts to pass on fuel cost increases, as well as rising material prices and exchange rate fluctuations. Notably, construction bucked the wider trend and posted a decline in output charges for the first time since February.

Output Prices Index

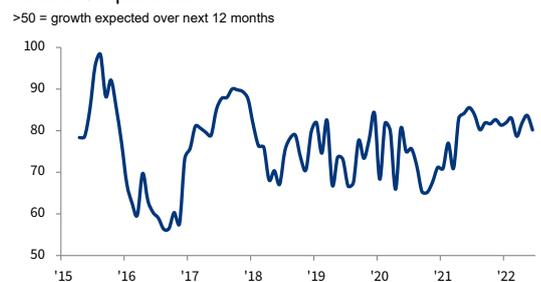


Future Output Index



Mozambican private sector firms remained widely confident of an increase in output over the coming 12 months in June. The degree of optimism was above the long-run series average, despite easing for the first time since March. Around 62% of respondents gave a positive forecast, compared to just 1% that expect a decline. Generally, optimism was supported by plans to hire more workers and expand client bases.

Future Output Index





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.

June data were collected 13-27 June 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.