



Standard Bank Mozambique PMI™

Activity growth slides to five-month low in August

Key findings

Output and new orders rise at slower rates

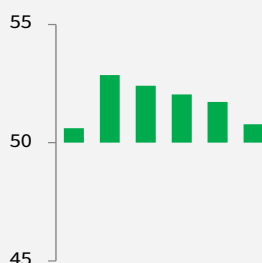
Renewed fall in backlogs as hiring expands

Inflationary pressures ease slightly

Mozambique PMI



Last six months



The Mozambique PMI pointed to a sustained slowdown in private sector activity growth in August, reaching the lowest for five months as demand conditions also waned. Higher workforces were recorded, enabling a renewed fall in backlogs despite weaker stockpiling efforts. The rate of cost inflation remained sharp but eased to a four-month low, leading to a softer rise in output prices. Meanwhile, sentiment picked up from July but stayed below recent trends.

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 index recorded a fourth successive monthly drop in August, falling to 50.8 from 51.7 in July. Despite remaining above the crucial 50.0 mark, the index signalled only a marginal improvement in operating conditions that was the softest since March.

The drop in the headline reading was due to weaker growth rates for output, new orders and stocks of purchases in August. Output rose only marginally and to the least extent for five months, with a similar result registered for new business. Firms often noted that demand conditions had softened in the midst of rising prices and an uncertain outlook.

The agriculture sector continued to act as

a drag on the Mozambique economy in August, with output falling for the third month running. By contrast, growth was recorded in the manufacturing, construction, wholesale & retail and services categories.

Meanwhile, the continued rise in new orders supported a further increase in employment. The rate of job creation was modest overall and slightly faster than in the previous survey period. As a result, there was a renewed drop in backlogs of work, after rising for the first time in 15 months in July.

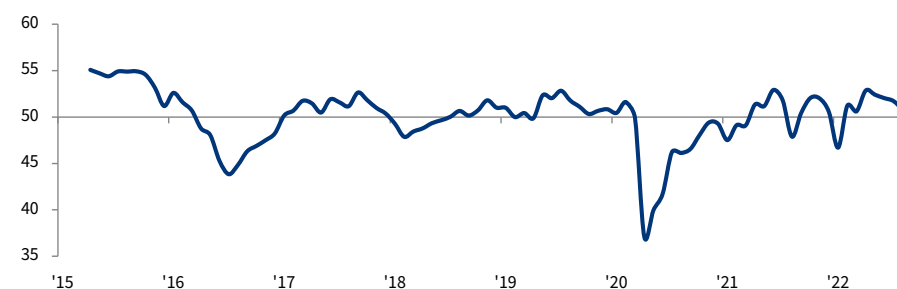
Stocks of purchases also expanded in August, although the weaker demand picture meant that the rate of accumulation eased to a five-month low. Concurrently, supplier performance improved to the least extent since March.

Following the recent trend, input costs at Mozambican firms rose at a sharp pace midway through the third quarter, reflecting continued increases in raw material, fuel and labour costs. However, the rate of increase softened slightly for the third month running. Businesses generally opted to pass on price increases to clients, as average prices charged also rose but to a lesser degree.

Finally, business confidence in the year ahead picked up in August, after falling steeply in July following concerns about price rises. That said, it still remained weaker than in the prior 15 months.

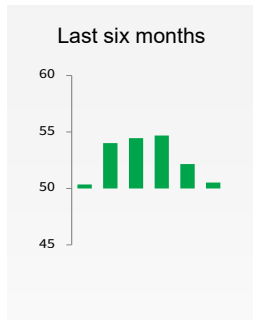
PMI

sa, >50 = improvement since previous month





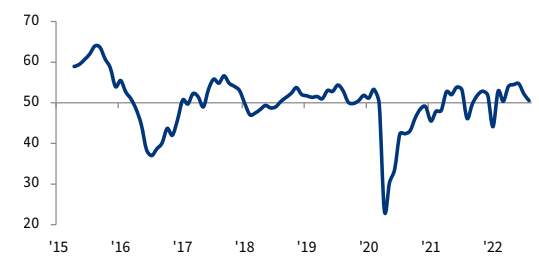
Output Index



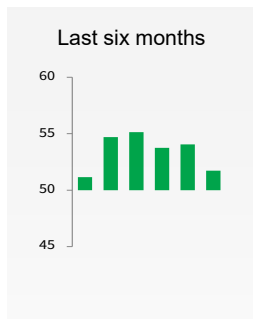
August survey data indicated a near-stalling of output growth in the Mozambique economy, as the respective seasonally adjusted index dropped to its lowest since March and was only just above the 50.0 no-change threshold. Several firms reported that a rise in new orders supported an expansion in activity, although others found that higher expenses and a lack of client spending weighed on the upturn. Agriculture was the only sector to record a fall in output.

Output Index

sa, >50 = growth since previous month



New Orders Index



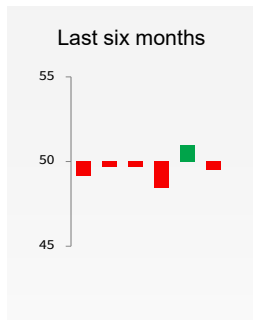
New orders received by Mozambican firms rose for the seventh consecutive month during August. The rate of growth was modest, however, and the slowest recorded since March. Some panellists noted that demand had waned in line with strong inflationary pressures. New business growth was led by the wholesale & retail and manufacturing sectors, with only mild upturns seen elsewhere.

New Orders Index

sa, >50 = growth since previous month



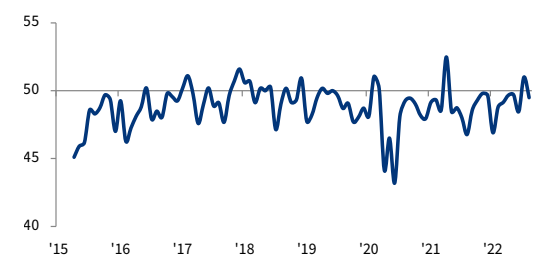
Backlogs of Work Index



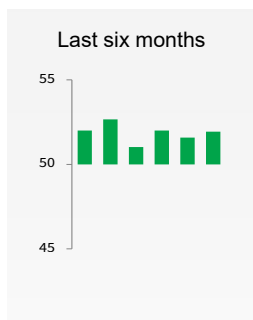
After signalling the first accumulation for 15 months in July, Mozambican businesses saw a renewed drop in outstanding work midway through the third quarter. That said, the decrease was only marginal. Where backlogs had fallen, respondents mainly linked this to a slowdown in demand.

Backlogs of Work Index

sa, >50 = growth since previous month



Employment Index



Employment levels among Mozambican companies remained on an upwards trend in August, rising for the sixth month in a row. The rate of job creation was slightly quicker than in the previous month and stronger than the survey average, with firms often citing the need to hire workers to complete workloads.

As was the case for output, the agriculture sector bucked the wider trend in August, posting a reduction in workforces for the first time since March.

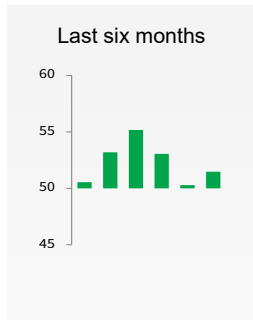
Employment Index

sa, >50 = growth since previous month





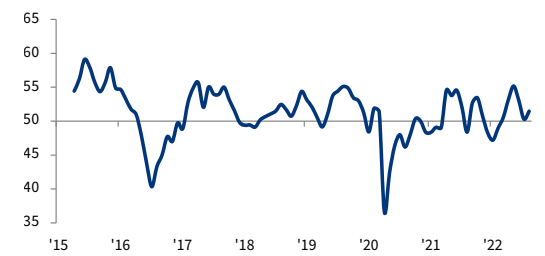
Quantity of Purchases Index



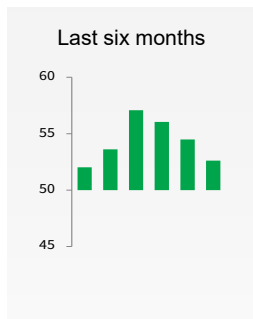
Mozambican firms indicated an expansion in purchasing activity in August, the sixth monthly upturn in a row. After sliding to only a marginal pace in July, the rate of purchasing growth picked up and was above the series trend. Buying activity was generally linked by surveyed businesses to efforts to build input inventories in line with rising new order inflows.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



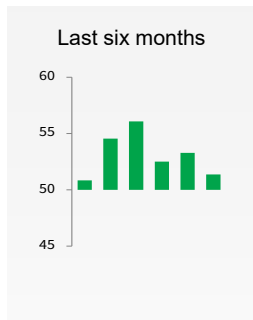
Although signalling an overall improvement in supplier performance, the seasonally adjusted Suppliers' Delivery Times Index fell for the third successive month in August to its lowest reading since March. The slowdown came amid reports of input shortages and transport constraints. That said, firms mainly commented on quicker deliveries due to improved supply and reduced COVID-19 restrictions.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



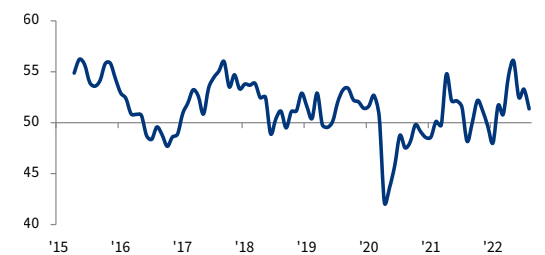
Stocks of Purchases Index



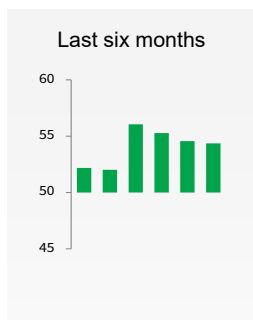
Stocks of purchases increased for the seventh month running in August, although the rate of accumulation eased to the softest since March. The overall expansion was only modest, as firms indicated that weaker purchasing growth in recent months had weighed on inventories. Some panellists noted that a deceleration in new business growth had also led to reduced appetite for building stocks.

Stocks of Purchases Index

sa, >50 = growth since previous month



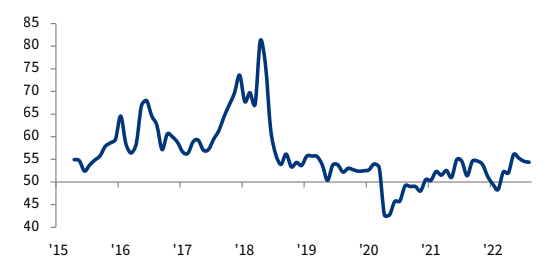
Overall Input Prices Index



The rate of input price inflation in the Mozambique economy continued to tick lower midway through the third quarter of the year. Adjusted for seasonal factors, the index dropped for the third straight month, though it was still indicative of a sharp rise in input prices. Notably, both purchase prices and staff costs increased to a lesser degree than in July. While average costs rose in all monitored sectors in August, manufacturers saw only a marginal uptick.

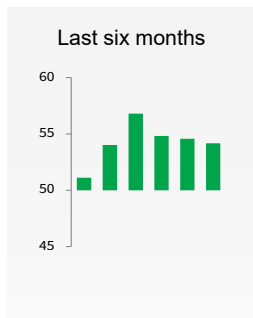
Overall Input Prices Index

sa, >50 = inflation since previous month





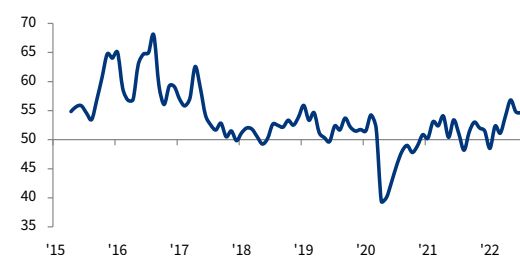
Purchase Prices Index



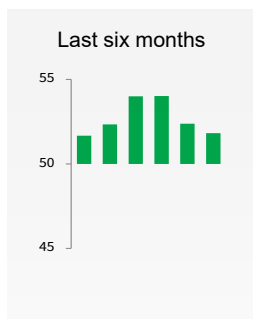
Purchase prices faced by Mozambican firms rose sharply in August, amid reports of further pressure from rising raw material and fuel prices. In addition, some panellists mentioned that strikes had led to higher transport costs. However, the overall rate of purchase price inflation eased slightly for the third month running.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



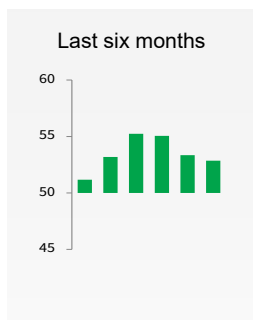
Hiring activity and efforts to increase compensation reportedly drove a further rise in staff costs at Mozambican companies in August. That said, the rate of wage inflation eased to a five-month low, as some firms indicated that softer demand conditions had led to the non-replacement of leavers. Overall labour costs rose in all monitored sectors, except for agriculture.

Staff Costs Index

sa, >50 = inflation since previous month



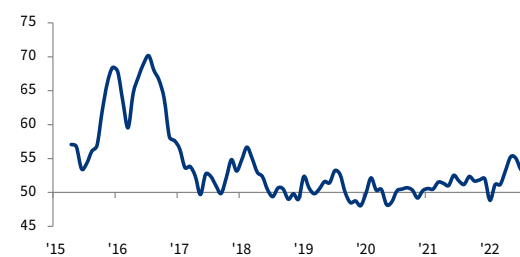
Output Prices Index



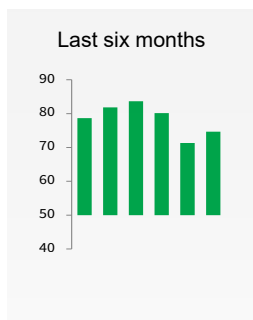
Softer rates of inflation in purchase prices and staff costs led to a slowdown in output charge inflation during August. The pace of increase ticked down to the softest since March, but was still solid overall. Higher charges were mainly attributed to rising supplier prices, fuel costs and exchange rate weakness.

Output Prices Index

sa, >50 = inflation since previous month



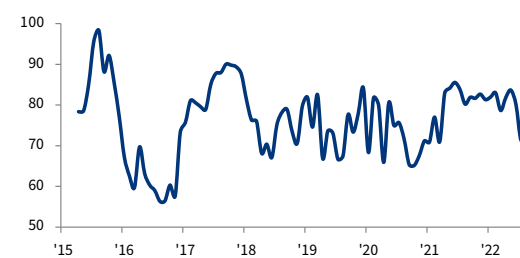
Future Output Index



Mozambican businesses signalled an uptick in year-ahead confidence for the first time in three months in August, although it remained weaker than recent trends. In total, just over half of all surveyed firms gave a positive forecast for output (51%), compared with only 1% that expect a decline. Business expansion, improved products and services, higher sales and reduced pandemic disruption were all cited as reasons for optimism.

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.

August data were collected 12-25 August 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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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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About S&P Global

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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.