

Standard Bank Mozambique PMI™

Business conditions improve only slightly in March

Key findings

Marginal growth in output and new orders

Input prices start to rise again

Outlook for future activity drops to 12-month low

Data were collected 11-28 March 2022.

March PMI™ survey data indicated a milder improvement in operating conditions in the Mozambique private sector, as businesses reported a softening of demand growth and only a marginal rise in activity. At the same time, input costs increased for the first time in three months amid rises in fuel and raw material prices. Strong hiring growth also led to an uplift in staff wages, which firms passed on to customers through higher selling prices. With the threat of inflationary pressures harming future output, plus increased global uncertainty due to the war in Ukraine, business confidence was at its lowest level since March 2021.

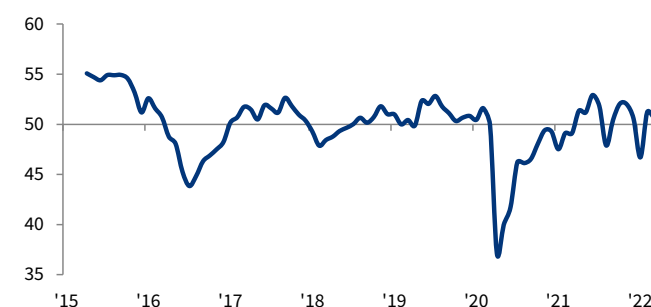
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI fell from 51.2 in February to 50.6 in March, remaining above the 50.0 neutral mark for a second consecutive month. The drop in the index came amid weaker expansions in output, new orders and stocks of purchases.

Output at Mozambican companies grew for the second month running in March, signalling a further recovery from the COVID-19 lockdown at the start of the year. However, the uplift in activity was only marginal. According to the survey panel, output momentum was largely based on

PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

new order book volumes, which also rose to a lesser extent than in February. Sector performances were notably split, with new business growth in wholesale & retail and services contrasting with falls across agriculture, manufacturing and construction.

March data also pointed to a renewed rise in cost pressures faced by Mozambican firms. Overall input prices increased for the first time in three months, which panellists attributed to upticks in global fuel and raw material prices due to the war in Ukraine. In response, firms raised their output charges for the second month running.

Suppliers' delivery times continued to improve in March as businesses highlighted greater flexibility among vendors. In turn, firms raised their input purchases for the first time since last November, helping to expand stock levels.

Following a slight drop in February due to the Omicron wave, Mozambican firms were able to add to their workforces at the end of the first quarter. Employment growth soared to an eight-month high, contributing to a further modest rise in salary costs.

Finally, the outlook for business activity dimmed in March amid concern over global inflationary pressures and the war in Ukraine. Overall sentiment was at its lowest for exactly a year, but remained strongly positive, with around 57% of firms expecting output to grow.



Comment

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

"Standard Bank PMI fell to 50.6 in Mar, from 51.2 in Feb 22. While the index printed above the 50-benchmark it still signals a deceleration in growth momentum.

"After all, several regions in Mozambique have been hit by heavy rains and bad weather since the beginning of the year, which caused crop and infrastructure damage, weakening both aggregate supply and demand. Recent fuel price adjustment and higher imported food costs elevates inflation risks which could negatively impact the economic recovery.

"Recent policy rate hike by 200bps to the level of 15.25% will likely negatively impact GDP growth, even considering the impact of an expected rise in external assistance related to the IMF funded program and progress on the natural gas projects investment. We maintain that growth has decelerated towards 3.0% y/y during Q1:22, from 3.3% y/y during Q4:21."

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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.

March data were collected 11-28 March 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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Over the past five years, Standard Bank has invested more than US 200 million 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.

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