



## Standard Bank Mozambique PMI<sup>®</sup>

### Output returns to growth amid further rise in new orders

#### Key findings

Modest improvements in output and new business

Employment ticks higher

Inflationary pressures remain muted

Further improvements in demand conditions fed through to a renewed expansion of business activity in Mozambique's private sector at the start of the second quarter of the year. In turn, employment also increased, but purchasing activity and inventories declined. Meanwhile, rates of inflation remained relatively muted.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>). 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 ticked up to 49.9 in April from 49.7 in March and was only fractionally below the 50.0 no-change mark. As such, the index signalled broadly unchanged business conditions during the month.

Increases in output, new orders and employment were cancelled out by a reduction in stocks of purchases and shorter supplier delivery times, suggesting spare capacity in supply chains.

The aforementioned increase in output was the second in the past three months and followed no change in activity during March. Sector data indicated that services was the main driver of growth, while weakness was recorded in manufacturing.

Anecdotal evidence suggested that business activity increased in response to higher new orders. In turn, new business was up for the third month running on the back of improved demand conditions which helped firms to secure new orders from both new and existing clients. The pace of expansion in April was modest, but quicker than seen in March.

Expectations of further improvements in new orders in the coming months supported confidence in the year-ahead outlook for business activity. Moreover, sentiment strengthened to a six-month high. The hiring of additional staff is also projected to support output growth.

Confidence in the future and higher new orders encouraged firms to take on new workers in April, the third month running in which this has been the case. That said, the pace of job creation eased and was only fractional. Higher staffing levels caused

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 11-25 April 2024.

#### Comment

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

*"The Standard Bank Mozambique PMI rose to 49.9 in Apr, from 49.7 in Mar, but remained below the 50 level for the second month running, after temporarily printing above 50 in Feb. The PMI has remained below the 50 benchmark between Nov 23 and Jan 24, suggesting subdued aggregate demand.*

*Output, new orders and employment sub-indices grew in Apr, however, purchases sub-indices (stock and quantity) as well as new export orders came below the 50 level, impacting the overall PMI. This PMI print below 50 benchmark suggests month-on-month contraction in economic activity at the beginning of Q2:24.*

*The PMI suggests that price pressures are continuing to subside, however companies face difficulties in sourcing foreign exchange to meet their external payment needs, which may have limited their ability to grow inventories.*

*While we maintain our year-end inflation forecast of 5.9% y/y for 2024, we have trimmed our inflation forecasts for end Q2:24 to end Q3:24 to below 3% y/y due to weaker aggregate demand. It implies that 12-m average inflation will likely decline to 3.3% y/y in 2024, down from our previous forecast of 4.9% y/y and 7.1% y/y in 2023.*

*Even though the MIMO policy rate was cut by 150 basis points to 15.75% in Jan 24 and further cuts are expected, the cash required reserves remains high. This, along with ongoing fiscal pressures and intermittent FX supply, indicates that financing conditions are still tight, and that GDP growth is likely to slow this year."*



staff costs to increase, albeit modestly.

Meanwhile, backlogs of work decreased for the second month running, with the pace of depletion broadly in line with that seen in March.

Inflationary pressures remained relatively muted at the start of the second quarter. Purchase cost inflation quickened for the third month running to a nine-month high, but was still only slight.

In response to a modest rise in input costs, companies increased their selling prices marginally. Charge inflation has been registered on a monthly basis throughout the past year.

In contrast to the rises in output, new orders and employment, companies recorded a fall in purchasing activity in April, the first in three months. Some panellists indicated that difficulties sourcing materials had discouraged them from purchasing. In turn, stocks of inputs also fell, and at a solid pace that was the fastest since August 2020.

Muted demand for inputs and requests for faster deliveries resulted in a further shortening of supplier lead times, with the latest solid improvement slightly more pronounced than that seen in the previous survey period.

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### Survey 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. Data were first collected March 2015.

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.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.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.

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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