



# Standard Bank Mozambique PMI™

## Economy close to stalling in October as demand growth cools

# 50.1

MOZAMBIQUE PMI  
OCT '22



New business rises at slowest rate for nine months

Output expansion moderates, but job creation quickens

Cost pressures soften considerably

The Mozambican economy lost further growth momentum and was close to stagnation in October, latest PMI survey data showed, as firms signalled waning demand and reduced appetite for spending among customers. Recent inflationary pressures pushed new business growth to a nine-month low, although costs rose to a much lesser extent than in the previous survey period. Business optimism towards future output improved to a four-month high, encouraging firms to add to their staffing numbers at the fastest rate since April.

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 50.5 in September to 50.1 in October, posting only fractionally above the 50.0 no-

change value. The reading signalled the weakest improvement in operating conditions in the current nine-month sequence of growth.

Mozambican businesses reported only a slight increase in new order volumes at the start of the fourth quarter, marking the weakest uplift in nine months. Softer client demand, linked in part to domestic and international price pressures, was often associated by panellists with the easing of sales momentum. Only 12% of companies saw a rise in new orders since September, whereas 8% recorded a decline on the month.

Sector data showed that sales growth was concentrated on construction and services firms in October, with both categories registering only mild expansions. At the same time, agriculture, manufacturing and wholesale & retail recorded lower new business volumes.

As a result, Mozambican businesses

Standard Bank Mozambique PMI  
sa, >50 = improvement since previous month





## Contents

Overview and comment

Output and demand

Business expectations

Employment and capacity

Purchasing and inventories

Prices

International PMI

Survey methodology

Further information

saw only a modest rise in output in October, with the rate of expansion slipping from the previous survey period. As well as softer demand, some panellists added that higher expenses had weighed on activity.

On the other hand, firms recorded an improved outlook for the next 12 months, with over 59% of respondents expecting output to grow. This marked the highest degree of optimism since June. As a result, firms continued to boost their staffing numbers, with employment growth accelerating to a six-month high, allowing companies to make further inroads into their backlogs.

October data also signalled a renewed rise in purchasing activity, leading to a slight increase in input inventories. Lead times on inputs shortened amid reports that soft demand, improving supply and competition among vendors had supported faster deliveries.

Prices data pointed to a considerable softening of input cost inflation in October. Input prices rose only moderately and at the slowest pace since April, despite reports of higher fuel costs and currency weakness. This translated into a softer rise in output charges; the pace of inflation slowed for the fourth time in five months to the weakest since March.



## Comment

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

*"The Standard Bank Mozambique PMI fell for the sixth straight month to 50.1 in Oct, from 50.5 in Sep. This reflects a softer growth in output, declining new orders, and softer new export orders, all reflecting a cooling of aggregate demand.*

*"The PMI also suggests a softer inflation in Oct, per the decline in output prices, in sync with a decline in input prices on stable fuel prices since Aug, and a stronger metical against the rand*

*and the euro, which subdues imported inflation.*

*"Having remained only a fraction above the 50-benchmark, the PMI suggests that economic growth could have stalled in the beginning of Q4:22. Looking ahead, we note the rise in the future expectations sub index, which could reflect optimism around GDP growth accelerating next year.*

*"This is aligned with our Sep edition of African Markets Revealed (AMR) views sees inflation easing in Oct, after a possible peak of 12.1% y/y in Aug. Our year end inflation forecast stands at*

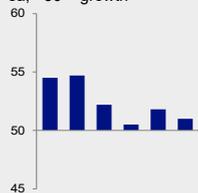
*11.7% y/y this year and 8.1% y/y next year. Despite the planned front-loaded fiscal adjustment under the FY2023 government budget for the 12-m ending Dec 23, and a tight monetary policy to help fight inflation, we see foreign direct investment, external assistance and net exports supporting growth next year, which accelerates to 4.4% y/y, from our 4.2% y/y forecast for 2022."*



# Output and demand

## Output Index

May - Oct '22  
sa, >50 = growth



## Output

The seasonally adjusted Output Index signalled only a mild expansion in business activity at Mozambique companies in October, as sluggish demand weighed on overall growth. The upturn slowed from that seen in September and was one of the weakest recorded in over a year. Rising business expenses were also noted by some panellists as a drag on output.

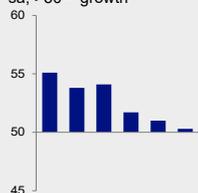
## Output Index

sa, >50 = growth since previous month



## New Orders Index

May - Oct '22  
sa, >50 = growth



## New orders

For the third consecutive month, the rate at which new order volumes increased in October softened from the previous survey period. Furthermore, the overall uplift in sales was only marginal and the slowest in nine successive months of expansion, as several firms commented on subdued customer demand. Of the five broad sectors covered by the survey, new orders rose only in construction and services.

## New Orders Index

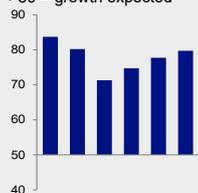
sa, >50 = growth since previous month



# Business expectations

## Future Output Index

May - Oct '22  
>50 = growth expected



Business expectations continued to rebound from July's 16-month low, strengthening for the third consecutive month in October. Over 59% of respondents gave a positive outlook for business activity over the forthcoming year. Firms often pinned confidence on hopes of new clients, increased jobs, greater business reach and new investment. The degree of optimism was stronger than the series average, but remained weaker than those seen through much of 2021.

## Future Output Index

>50 = growth expected over next 12 months

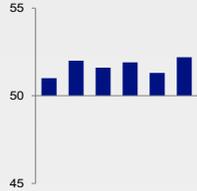




## Employment and capacity

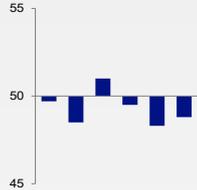
### Employment Index

May - Oct '22  
sa, >50 = growth



### Backlogs of Work Index

May - Oct '22  
sa, >50 = growth



### Employment

Mozambican businesses continued to expand their staffing levels at the start of the fourth quarter of the year, thereby continuing the run of expansion that began in March. Moreover, the rate of job creation accelerated to a six-month high. Employment rose in all five sectors monitored by the survey, with construction recording the fastest upturn.

### Backlogs of work

Softer demand conditions paired with improved delivery schedules led to a decrease in backlogs of work across the Mozambique economy during October. That said, the overall rate of depletion eased from the end of the third quarter and was modest. While companies in the agriculture, wholesale & retail and service sectors saw backlogs fall, increases were registered in manufacturing and construction.

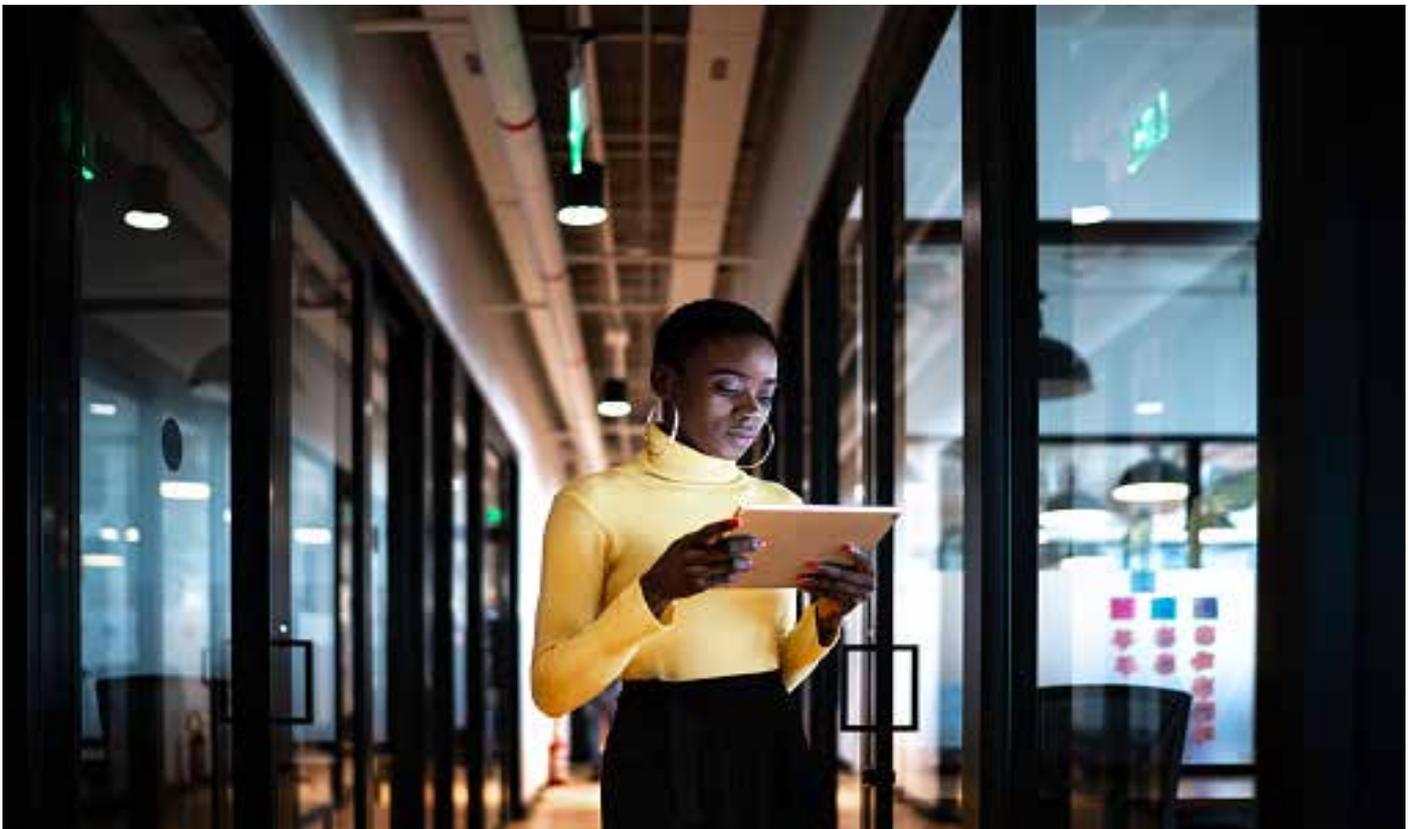
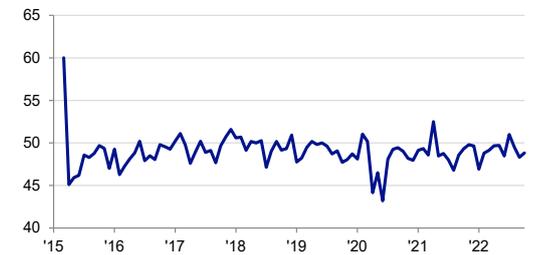
### Employment Index

sa, >50 = growth since previous month



### Backlogs of Work Index

sa, >50 = growth since previous month

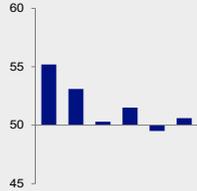




# Purchasing and inventories

## Quantity of Purchases Index

May - Oct '22  
sa, >50 = growth



## Quantity of purchases

October survey data indicated a renewed improvement in firms' purchases of inputs, with the slight uptick following a comparably mild reduction in September. Where higher input buying was recorded, some firms cited new customers and rising sales. That said, the broad softening of demand pressures weighed on growth, according to panellists.

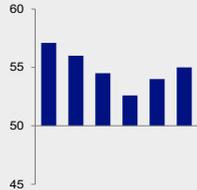
## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

May - Oct '22  
sa, >50 = faster times



## Suppliers' delivery times

Mozambican companies saw a sharp and accelerated improvement in supplier performance in October, shown by a further rise in the seasonally adjusted Suppliers' Delivery Times Index. The index was also at its highest level since June. Firms highlighted that reduced demand, improved input supply and strong competition among vendors were behind the shortening of lead times.

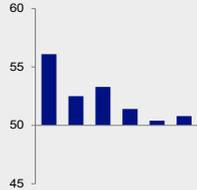
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index

May - Oct '22  
sa, >50 = growth



## Stocks of purchases

As was the case in September, Mozambican companies saw only a mild increase in stocks of purchases at the start of the fourth quarter. Despite accelerating slightly, the rate of growth was the second-slowest for seven months. While some firms actively built inventories to avoid shortages and serve new customers, others linked a reduction in stocks to higher output and increased holding costs.

## Stocks of Purchases Index

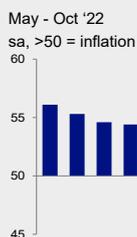
sa, >50 = growth since previous month





# Prices

## Input Prices Index



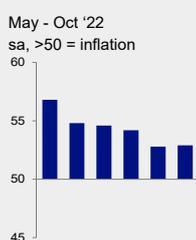
## Input prices

Mozambican companies signalled a notable easing of cost burdens at the start of the final quarter of the year. Adjusted for seasonality, the Input Prices Index dropped to its lowest level since April, indicating only a moderate uptick in input costs over the month. While prices rose in all five monitored sectors, they did so to a lesser extent in every category except agriculture.

## Input Prices Index



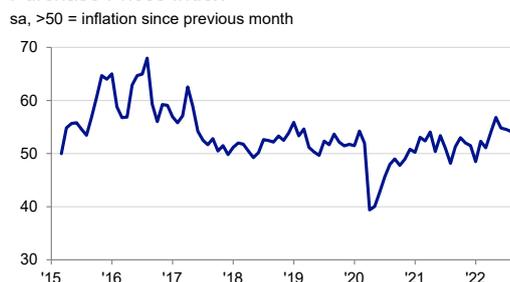
## Purchase Prices Index



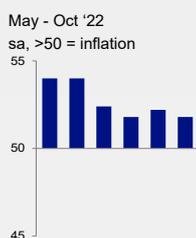
## Purchase prices

Purchase prices rose in October, thereby continuing the run of inflation that began in February. However, despite ticking up fractionally from that recorded in September and being solid overall, the pace of increase remained slower than those seen in the prior five months. Higher purchase costs were often attributed to currency weakness and stock building efforts, although others noted that relatively soft input demand had partly dampened inflationary pressures.

## Purchase Prices Index



## Staff Costs Index



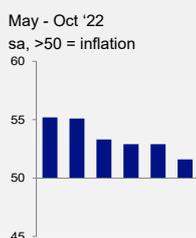
## Staff costs

Staff wages set by Mozambican firms continued to increase moderately in October, with the pace of inflation softening slightly from September and remaining below the survey trend. While 7% of firms saw a rise in staffing costs, often associated with increased hiring activity, around 92% noted no change from September.

## Staff Costs Index



## Output Prices Index



## Output prices

The rate of output charge inflation eased for the fourth time in five months in October. Overall, companies indicated only a modest uptick in their selling charges, which was the least marked since March. Some companies cited that higher fuel and operating costs led them to raise their charges. On the other hand, some firms reported promotional efforts and weaker client spending power.

## Output Prices Index

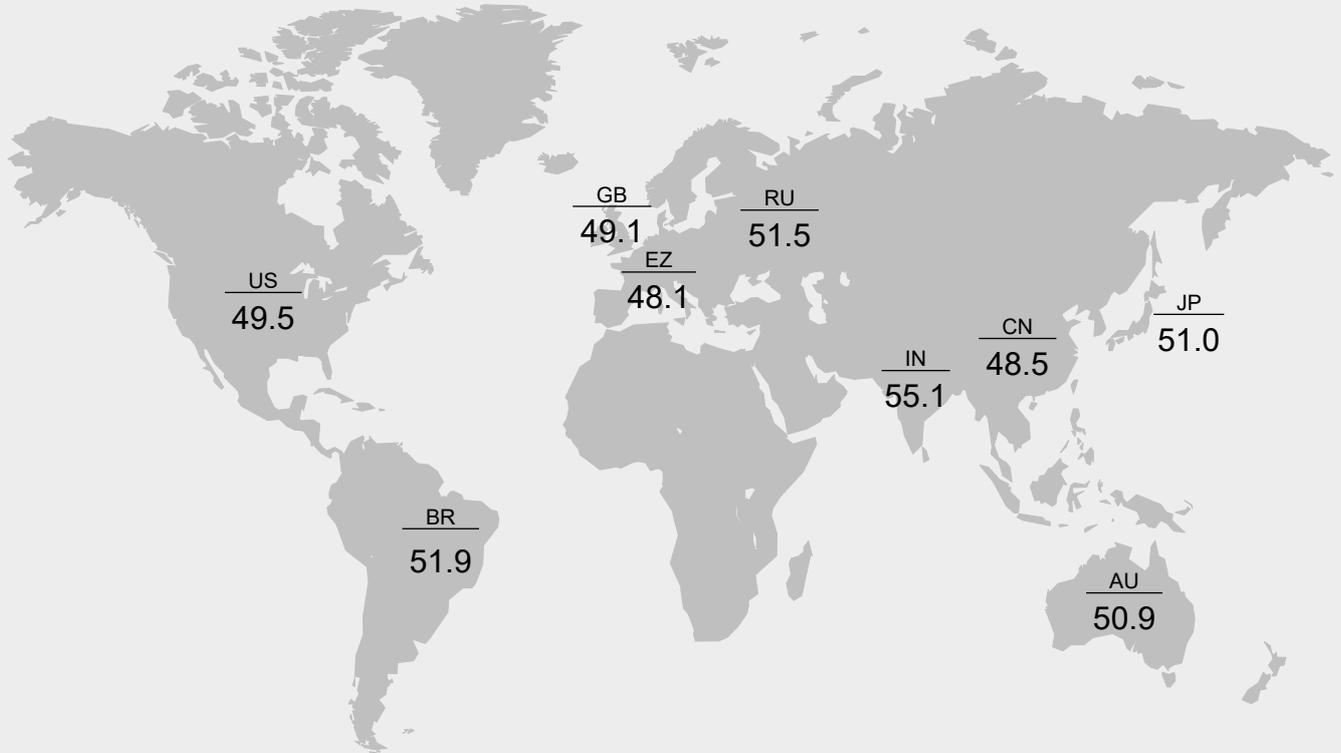




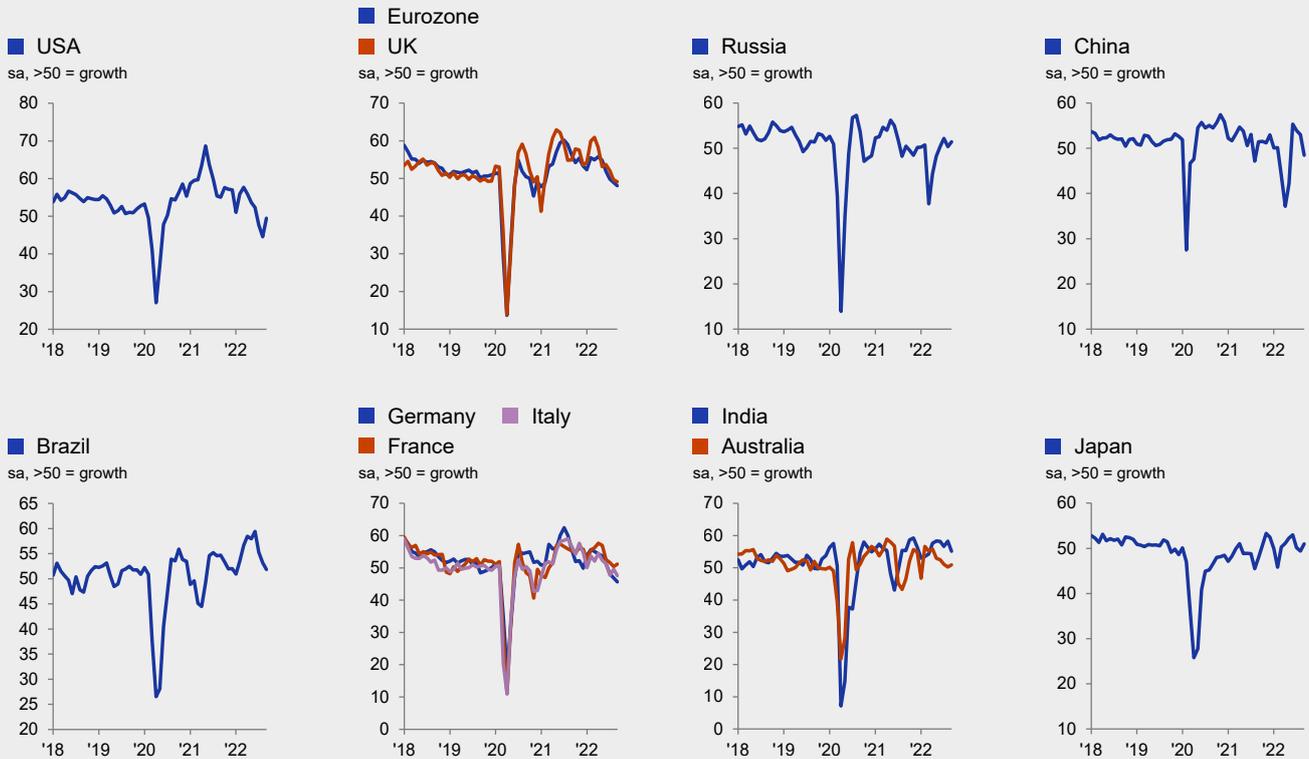
# International PMI

Composite Output Index, Sep '22  
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



## Composite Output Index





# 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey dates

Data were collected 12-26 October 2022.

### Survey questions

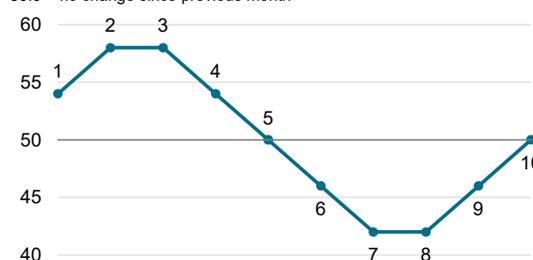
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" })/2$$

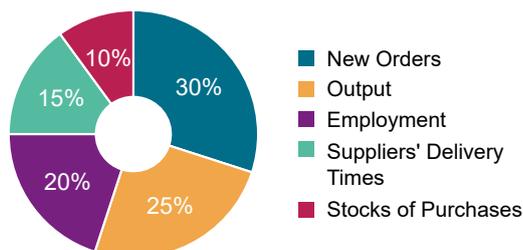
### Index interpretation

50.0 = no change since previous month



- 1 Growth
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

### PMI component weights



### Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

- |   |  |   |   |
|---|--|---|---|
| A | Agriculture, Forestry and Fishing                                    | K | Financial and Insurance Activities                |
| B | Mining and Quarrying   | M | Professional, Scientific and Technical Activities |
| C | Manufacturing  | N | Administrative and Support Service Activities     |
| F | Construction   | P | Education*  |
| G | Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles | Q | Human Health and Social Work Activities*          |
| H | Transportation and Storage   | R | Arts, Entertainment and Recreation                |
| I | Accommodation and Food Service Activities                            | S | Other Service Activities                          |
| J | Information and Communication  |   |   |

\*Private sector



## Contact

Fáusio Mussá  
Chief Economist, Mozambique  
Standard Bank  
T: +258 215 01 012  
[fausio.mussa@standardbank.co.mz](mailto:fausio.mussa@standardbank.co.mz)

Inercio Pene  
Public Relations & Communication  
Standard Bank  
T: +258 843 124 994  
[inercio.pene@standardbank.co.mz](mailto:inercio.pene@standardbank.co.mz)

David Owen  
Economist  
S&P Global Market Intelligence  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

### 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 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.

[www.standardbank.co.mz](http://www.standardbank.co.mz)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

### About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

[www.spglobal.com](http://www.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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)