

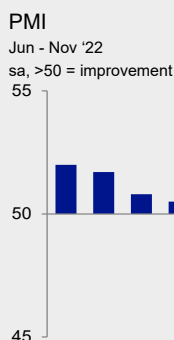


Standard Bank Mozambique PMI™

Business conditions continue to improve in November

50.8

MOZAMBIQUE PMI
NOV '22



PMI rises from nine-month low in October

New business growth strengthens for first time since July

Job creation slows and input purchasing falls

The Mozambique PMI signalled that the private sector economy evaded a contraction in November, as an improvement in new business growth helped to sustain expansions in output and employment. The upturn followed a near-stalling of business conditions in October. Despite the improvement, firms reined in their purchases over the latest month, helping to soften purchase cost inflation to the slowest since March.

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.

In November, the headline PMI increased to 50.8, after slipping to a nine-month low of 50.1 in October. The uptick in the index suggested that the private sector economy continued to grow, with the expansion accelerating

for the first time since April.

Mozambican businesses mainly linked this to a stronger rise in new work inflows, after only a marginal increase was recorded at the start of the fourth quarter. Panellists attributed the upturn to new customers and increased demand. That said, sales growth was restricted to the construction and service sectors, as new orders fell in manufacturing and wholesale & retail and were broadly unchanged in agriculture.

Overall business activity also expanded to a greater degree in November, although growth was modest and again mostly driven by construction and services. Output has now risen in each month since February.

Job numbers also increased in the penultimate month of the year as firms looked to fulfil higher workloads and strengthen capacity. However, with some panellists noting cuts to staffing levels, the overall rate of employment

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





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growth slowed to a six-month low. The rise in workforce numbers allowed firms to lower backlogs of work at a solid and faster pace.

Cost-cutting efforts were registered on the purchasing side in November, as Mozambican firms reported a second reduction in input buying for three months. Despite this, and in part linked to previous overbuying of inputs and faster deliveries, stock levels rose modestly and at the strongest pace since July. Lead times continued to shorten, albeit to a lesser degree than in October.

The drop in purchasing followed a period of sharp input cost inflation earlier in the year. However, November

data signalled that falling input demand weighed on these price pressures. Overall input prices rose at the slowest rate for eight months, while wage growth picked up from October. Concurrently, average prices charged by Mozambican firms rose marginally and at the softest pace for ten months.

Lastly, future output expectations ticked lower for the first time since July, but remained firmly inside optimistic territory. A majority of firms (52%) expect activity to increase over the forthcoming year, amid hopes that they will be able to expand their facilities, product lines and client numbers.



Comment

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

"The Standard Bank Mozambique PMI rose for the first time in seven months to 50.8 in Nov, from 50.1 in Oct. This reflects output growth acceleration, an increase in new orders, higher stock purchases, and rising export orders, all suggesting that despite ongoing inflation pressures, the economy continues to show signs of resilience.

"Having remained above the 50-benchmark since February, the PMI suggests that economic growth could be

accelerating this last quarter of the year, supported by a strong performance in the mining sector, coal in particular, which continues to see strong output growth.

"The employment sub index declined, but remained above the 50 level, suggesting that job creation remains soft, which alongside with increased staff costs suggests that cost pressures limits hiring.

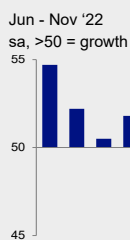
"Despite the commencement of Coral South Floating LNG exports in November, which over time should contribute to strengthen Mozambique's

exports and should contribute to the fiscus, we noted a decline in the future expectations sub-index, which could reflect weaker growth prospects outside mining and agriculture, as monetary policy gets tighter to help fight inflation, and fiscal consolidation reforms under the IMF program implies a front-loaded fiscal adjustment next year."



Output and demand

Output Index



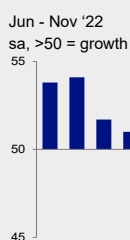
Output

The seasonally adjusted Output Index posted above the 50.0 no-change mark in November, signalling a further expansion in activity over the month. The upturn was modest and faster than in October, which panellists largely linked to a stronger rise in sales. Output growth was centred on the construction, service and wholesale & retail sectors, whereas manufacturing and agriculture both registered reductions.

Output Index



New Orders Index



New orders

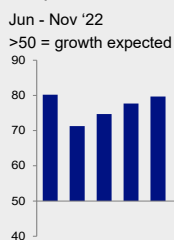
The rate of new order growth in the Mozambican economy accelerated for the first time in four months during November. Moreover, the upturn in sales was faster than the series trend and the strongest since July. Approximately 11% of survey panellists saw an increase in new orders from the month before, compared with 6% that noted a decline.

New Orders Index



Business expectations

Future Output Index



Mozambican companies remained upbeat about future output prospects in November, with a majority of respondents (52%) predicting an expansion in activity over the next 12 months (against 1% that expect a fall). Businesses tended to cite hopes of growing their facilities, product lines and client bases. The degree of positivity slipped for the first time in four months and was the weakest since August, however.

Future Output Index

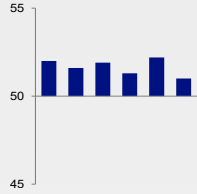




Employment and capacity

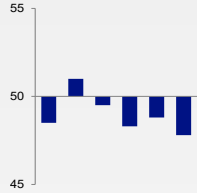
Employment Index

Jun - Nov '22
sa, >50 = growth



Backlogs of Work Index

Jun - Nov '22
sa, >50 = growth



Employment

Employment levels in Mozambique’s private sector increased for the ninth month in succession during November, in line with a continued uplift in new orders. However, with some firms reportedly cutting their headcounts, the overall rate of employment growth was the joint-softest in this sequence and only marginal. Staff additions remained broad-based across the five monitored sectors.

Backlogs of work

Backlogs of unfinished work continued to be lowered midway through the final quarter of the year. The pace of decrease accelerated to the quickest since January, with falls recorded in the wholesale & retail, service and manufacturing sectors. Where backlogs declined, respondents indicated that rising output levels and robust staffing capacity helped them to complete pending work.

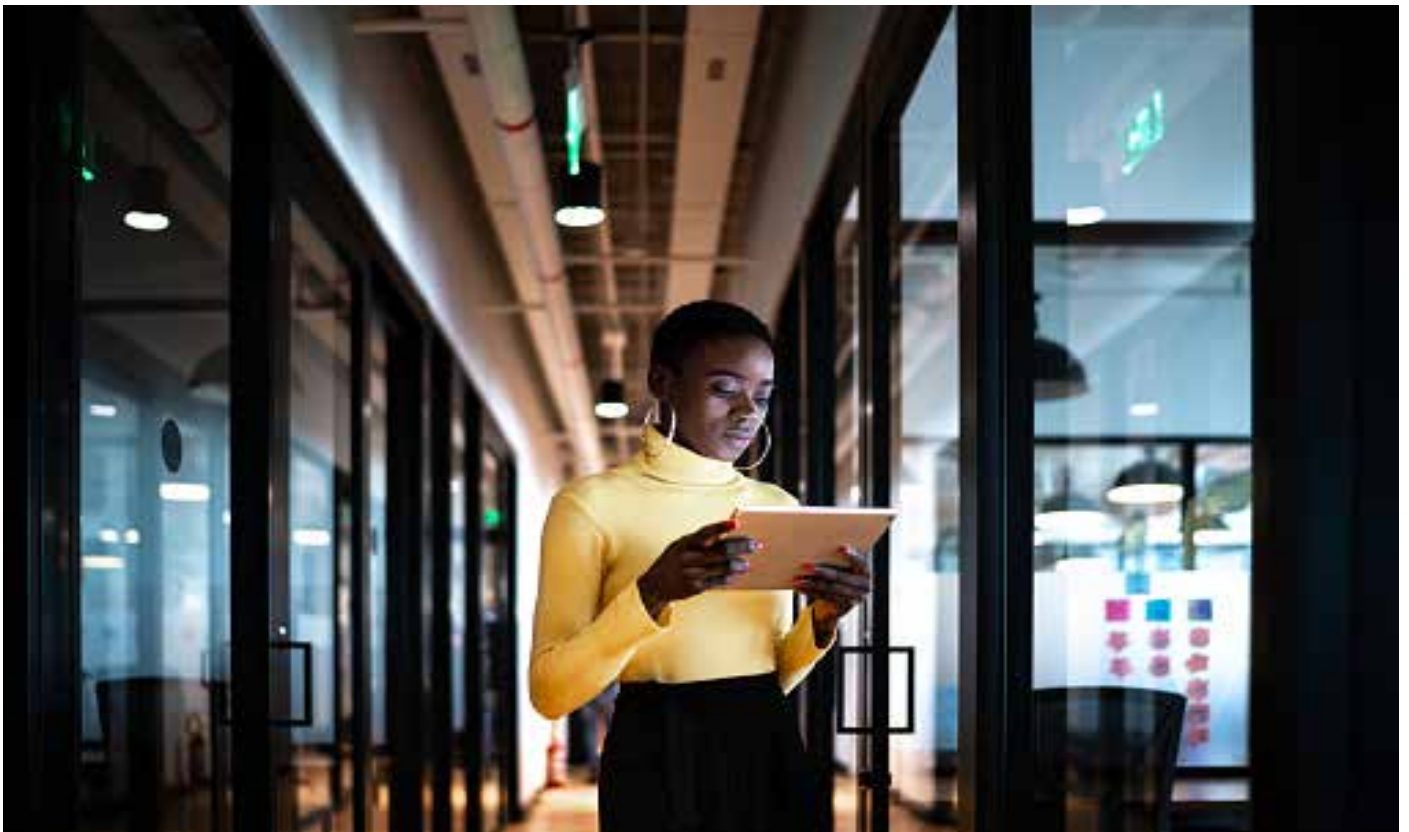
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

sa, >50 = growth since previous month

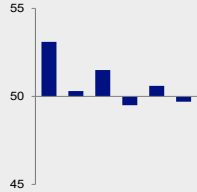




Purchasing and inventories

Quantity of Purchases Index

Jun - Nov '22
sa, >50 = growth



Quantity of purchases

November survey data signalled a slight reduction in input purchases at Mozambican businesses, after a marginal uplift in October. The decrease was the second recorded in three months. Agriculture, manufacturing and wholesale & retail companies reported lower purchases over the latest survey period.

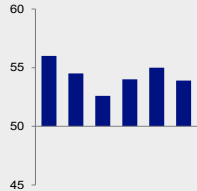
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Jun - Nov '22
sa, >50 = faster times



Suppliers' delivery times

Vendor performance improved solidly during November, despite the rate of improvement easing to a three-month low. Where lead times had shortened, firms cited increased supplier capacity and efforts to win new customers. Firms in the wholesale & retail, service and agriculture categories indicated faster delivery times.

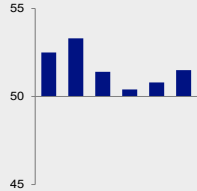
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jun - Nov '22
sa, >50 = growth



Stocks of purchases

Despite lower purchasing activity, Mozambican businesses registered an additional expansion in input stocks halfway through the fourth quarter. The rate of growth was the fastest since July and modest. Some panellists highlighted that overspending in prior months had led to the build-up of inventories in November.

Stocks of Purchases Index

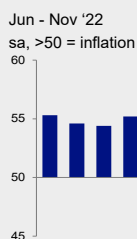
sa, >50 = growth since previous month





Prices

Input Prices Index



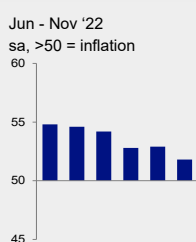
Input prices

Mozambican businesses once again registered a modest increase in input costs during November, as the seasonally adjusted Input Prices Index fell to its lowest since April. Firms were mainly supported by a softer uptick in purchase costs, as staff wages rose at a faster rate. Input prices continued to rise in four of the five monitored sectors, whereas manufacturers saw the first decrease in costs for eight months.

Input Prices Index



Purchase Prices Index



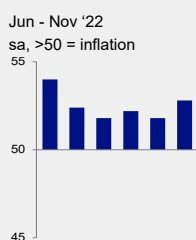
Purchase prices

The rate of purchase price inflation faced by Mozambican companies softened in November, marking the fifth retreat in inflationary pressures in six months. Firms that saw a rise in purchase costs mainly attributed this to higher material requirements, with some also noting an increase in fuel prices. That said, others mentioned that the broad softening of sales growth had helped to ease cost pressures.

Purchase Prices Index



Staff Costs Index



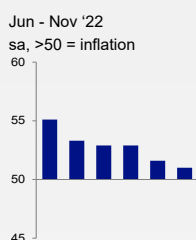
Staff costs

Mozambican companies signalled a further increase in staff salaries midway through the fourth quarter of the year. This was mainly due to increased workloads, according to panellists, although some cited the rising cost of living. Notably, the rate of wage inflation picked up to a five-month high and was solid.

Staff Costs Index



Output Prices Index



Output prices

Output charges at Mozambican firms rose at a slower pace in November, shown by the seasonally adjusted index falling for the fifth time in six months. Overall, the increase in prices charged was marginal and the weakest in the current ten-month run of inflation. Panellists noted that this was generally due to a softening of cost pressures.

Output Prices 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.

Survey dates

Data were collected 11-25 November 2022.

Survey questions

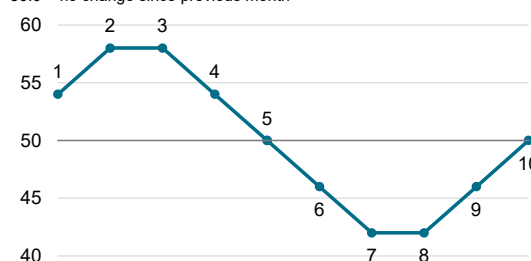
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

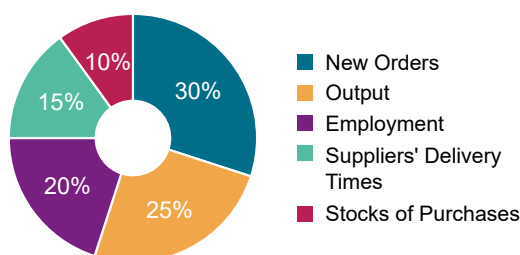
Index interpretation

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



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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