

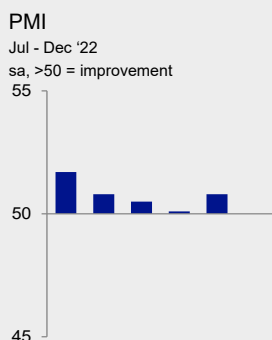


Standard Bank Mozambique PMI™

Business conditions unchanged in December as growth sequence ends

50.0

MOZAMBIQUE PMI DEC '22



Firms see little change in new order volumes

Output levels expand only marginally

Purchasing activity falls at strongest rate in 11 months

The Mozambique private sector ended 2022 on a subdued note, according to latest survey data, as businesses saw no change in operating conditions and new order growth almost stalled. The slowdown led to only marginal increases in output and employment, while input purchases decreased at the sharpest pace since January. On a positive note, cost pressures ticked up only slightly from November's recent low and remained modest, and firms continued to signal a strong degree of optimism towards the year-ahead outlook.

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 50.8 in November to 50.0 in December, signalling no change in the health of the

private sector during the month. The latest reading ended a sequence of growth that stretched back to February.

The drop in the index largely reflected a marked slowdown in new business growth at the end of the year, with firms registering only a fractional increase since November. While some firms reported higher orders and increased client numbers, others saw a weakening of demand conditions.

Similarly, business activity rose at a slower and marginal rate in December, as companies indicated that weak new order growth weighed on output. Moreover, the upturn was largely concentrated on the construction industry, with sector data pointing to falling output in the agriculture, manufacturing and services as well as stagnation in wholesale & retail.

Subdued demand fed through to a reduction in input purchases in December, the third seen in four months. While modest, the rate of

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





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contraction was the quickest recorded since January, leading to a softening of inventory growth. Firms continued to see an improvement in supplier performance, albeit one that was the least marked since August.

Mozambican firms continued to add to their employment numbers in December, amid efforts to expand output. The rate of job creation was marginal though. Higher output and employment meant that companies were able to reduce outstanding work for the fifth consecutive month.

Firms meanwhile saw only a moderate increase in overall input costs, although the rate of inflation quickened slightly from November's recent low.

Where costs increased, panellists mainly linked this to supply issues, rising purchase prices and higher staff expenses. With cost inflation remaining low, firms raised their prices charged only modestly, albeit to a greater extent than in the previous month. Notably, agriculture bucked the wider trend and posted falls in both input and output prices.

Lastly, output expectations remained strong and picked up slightly from the month before, with around 55% of panellists forecasting growth for the upcoming year.



Comment

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

"The Standard Bank Mozambique PMI decelerated to the 50 level in Dec after having risen for the first time in seven months to 50.8 in Nov. This essentially reflects a deceleration in output growth, a sharp decline in new orders, falling stock purchases and a contraction in quantity of purchases.

"In line with ongoing inflation pressures, the PMI recorded an increase in overall input prices and purchase costs that resulted in higher output prices. This

suggests an ongoing passthrough effect from higher costs into higher sales prices.

"At the 50-benchmark level, the Dec PMI suggests that economic growth was flat in the last month of 2022, after a temporary growth acceleration in Nov.

"This could well suggest that aggregate demand has softened, as the fight on inflation resulted in a tighter monetary policy. We also noted prudent fiscal spending, which saw the government announcing that the discretionary 13th cheque would not be paid, clearly negatively impacting the purchasing

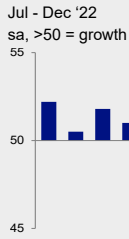
power of public servants.

"Looking ahead, there is some encouraging signs in the rise in new export orders and in the future expectations sub index, which rose. Most likely this suggests some optimism related to prospects of Total Energies resuming on site construction for its LNG project in 2023, and ongoing strong performances in agriculture and mining, which should continue in 2023."

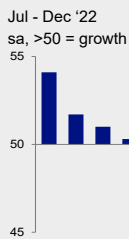


Output and demand

Output Index



New Orders Index



Output

Mozambican companies registered only a marginal increase in output levels in the final month of 2022. The rate of expansion was the slowest seen since August, with construction the only sector to record growth. By contrast, output fell in agriculture, manufacturing and services, and was broadly unchanged in wholesale & retail. Panellists noted that the weak demand environment weighed on activity.

New orders

Adjusted for seasonal factors, the New Orders Index recorded only fractionally above the 50.0 neutral mark in December, to signal broadly no change in new order inflows since the previous month. While some firms saw higher orders and increased client numbers, others reported deteriorating demand conditions. Sales growth in the construction and service sectors was offset by declines in agriculture, manufacturing and wholesale & retail.

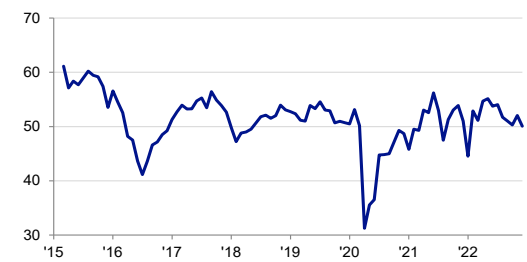
Output Index

sa, >50 = growth since previous month



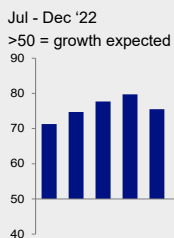
New Orders Index

sa, >50 = growth since previous month



Business expectations

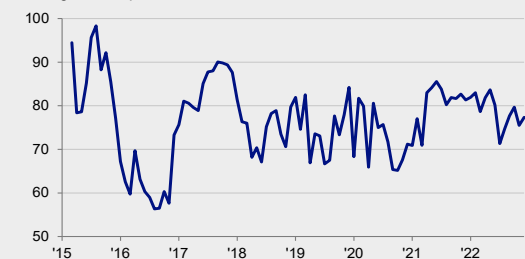
Future Output Index



The Future Output Index ticked higher in December to signal a strengthening of expectations towards business activity in 12 months' time. In total, 55% of respondents expect output to grow over the forthcoming year, with firms often linking positivity to expansion plans and hopes of stronger new business volumes. Optimism was broad-based by sector, with wholesale & retail firms giving the strongest projection.

Future Output Index

>50 = growth expected over next 12 months

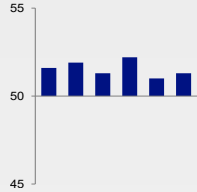




Employment and capacity

Employment Index

Jul - Dec '22
sa, >50 = growth



Employment

Mozambican businesses continued to raise payroll numbers in the final month of 2022. While modest, the rate of employment growth quickened slightly from that seen in November and was above the series average. The latest upturn reflected job creation in all five sectors covered by the survey.

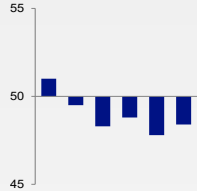
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Jul - Dec '22
sa, >50 = growth

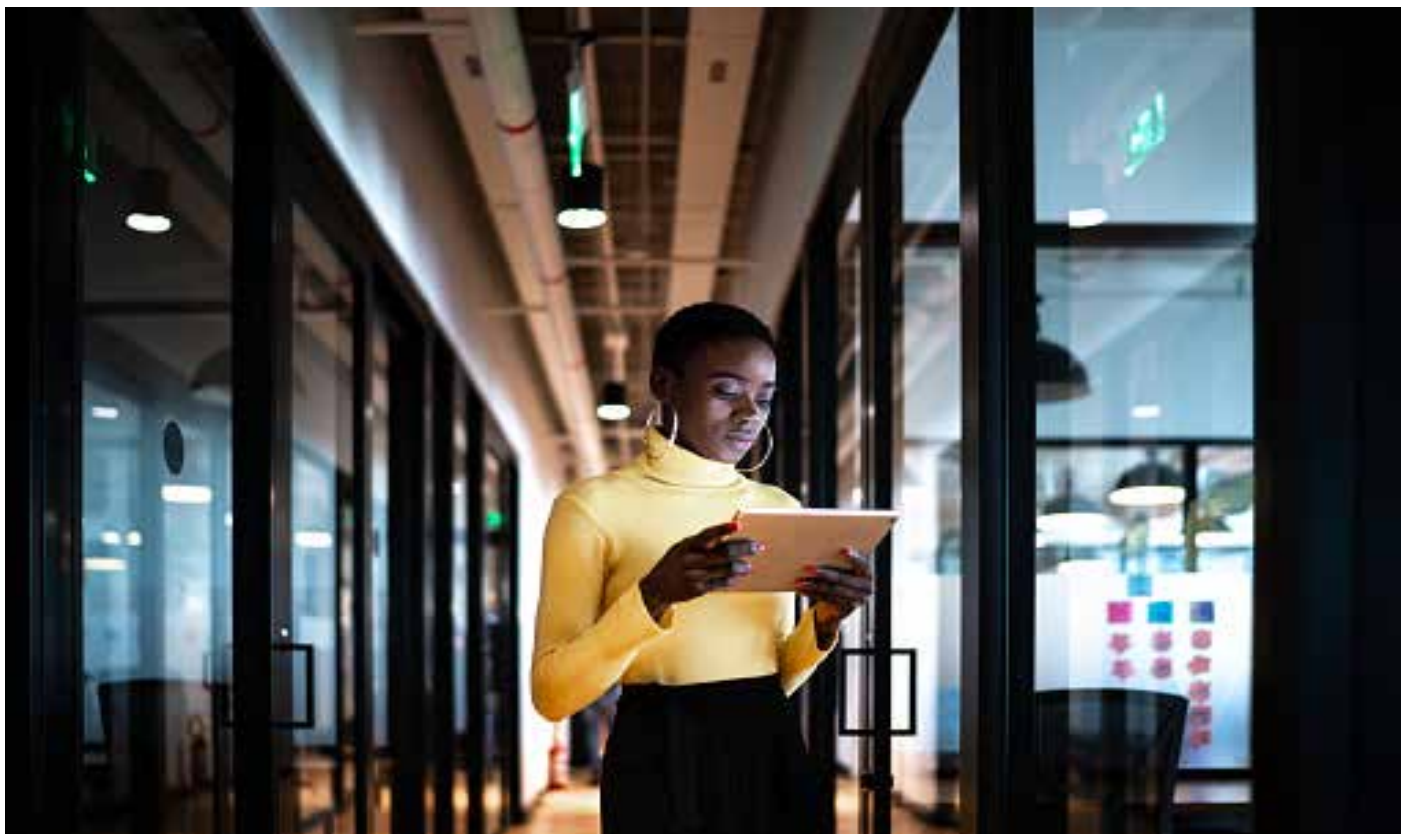
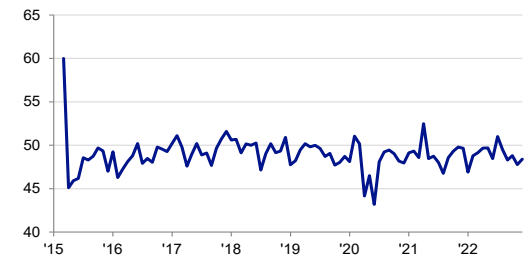


Backlogs of work

Firms in Mozambique reported a moderate fall in outstanding work in December, and one that was softer than in November. While some firms linked the drop in backlogs to robust capacity levels, slowing demand conditions was the main factor cited. The decline was driven by the construction and service categories, as backlogs increased in agriculture, manufacturing and wholesale & retail.

Backlogs of Work Index

sa, >50 = growth since previous month

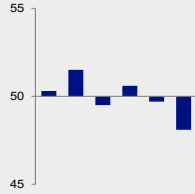




Purchasing and inventories

Quantity of Purchases Index

Jul - Dec '22
sa, >50 = growth



Quantity of purchases

Mozambican companies reported making cuts to purchasing quantities in December, the third reduction in four months. Furthermore, the rate of contraction accelerated from the previous survey period to the fastest since the beginning of the year, but was modest overall. Panellists noted that the slowdown in new order growth dampened purchasing needs, while some mentioned lower inventory capacity.

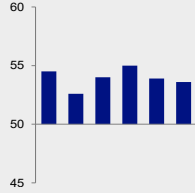
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Jul - Dec '22
sa, >50 = faster times



Suppliers' delivery times

As has been the case in each month since November 2021, supplier performance improved across the Mozambican economy in December. Despite signalling a solid rate of improvement, the respective seasonally adjusted index fell for the second straight month and was below its long-run trend. Faster deliveries were registered in agriculture, manufacturing, services and wholesale & retail.

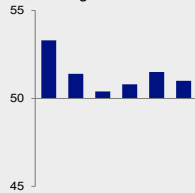
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jul - Dec '22
sa, >50 = growth



Stocks of purchases

December data signalled a further expansion of input stocks at Mozambican companies, continuing the sequence of growth that began in February. However, the rate of inventory accumulation eased from November and was only marginal. Anecdotal evidence indicated that weak demand and lower input buying had weighed on the expansion.

Stocks of Purchases Index

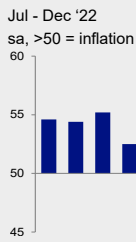
sa, >50 = growth since previous month





Prices

Input Prices Index



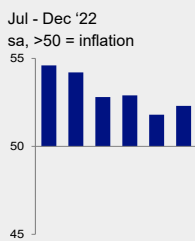
Input prices

Mozambican firms reported only a modest increase in overall input prices at the end of 2022, with the rate of inflation accelerating slightly from November's seven-month low. Exactly 11% of survey panellists saw a rise in their expenses on the month, against 3% that recorded a fall. Higher costs were underlined by moderate rises in purchase prices and staff expenses. Notably, agriculture bucked the wider sector trend and posted a fall in average input prices.

Input Prices Index



Purchase Prices Index



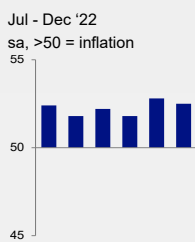
Purchase prices

Purchase prices faced by Mozambican firms increased for the eleventh successive month in December. Despite quickening slightly from November, the rate of increase was modest and the second-slowest for nine months. Rising purchase costs were sometimes related to supply-side issues, currency weakness and higher energy prices, although some firms found that this was partly offset by lower input demand.

Purchase Prices Index



Staff Costs Index



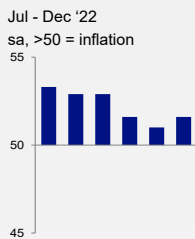
Staff costs

Greater hiring activity underscored a further increase in overall staff costs at Mozambican companies during December. The pace at which payroll costs rose was solid and aligned with the series trend, despite softening slightly from that recorded in November.

Staff Costs Index



Output Prices Index



Output prices

Higher expenses at Mozambican firms drove a further increase in average prices charged in the final month of the year. That said, the latest uptick was modest and only slightly faster than November's ten-month low, with most respondents (93%) keeping their charges unchanged. Matching the trend for input costs, agriculture was the only monitored sector to register a drop in output prices.

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 6-20 December 2022.

Survey questions

Private sector

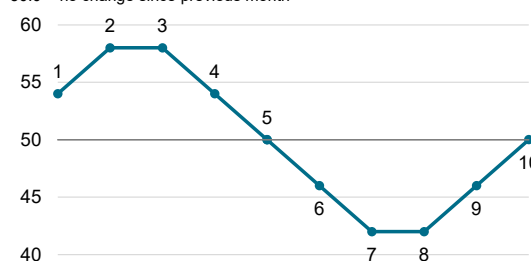
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

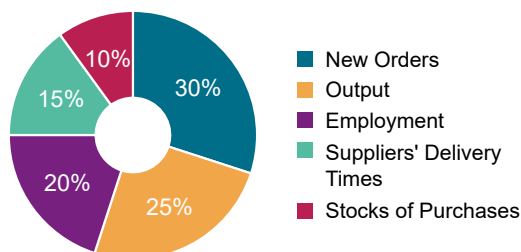
Index interpretation

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

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

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

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

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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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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