

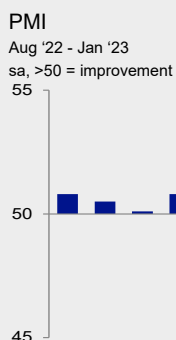


Standard Bank Mozambique PMI™

Business conditions decline for first time in a year

48.2

MOZAMBIQUE PMI
JAN '23



Renewed contractions in output, new orders and inventories

Employment growth slows to marginal pace

Costs and charges both decrease

The Mozambican economy slipped into contraction territory at the start of 2023, according to latest survey data, as weak demand led to a renewed fall in business activity. The downturn subsequently led to a slowdown in hiring and a fresh cut to firms' inventories, although this had the positive effect of driving input costs lower. Firms reduced their output charges in a bid to attract customers. Despite weaker economic conditions, businesses remained broadly confident that output will expand over the coming year.

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.

After registering at the neutral 50.0 mark in December, the headline figure dropped to 48.2 in January, falling for the eighth time in the past nine months.

The latest reading signalled a modest deterioration in the health of the private sector economy, and the first since the Omicron COVID-19 wave in January 2022.

Central to the decline were renewed contractions across several key metrics in January, including output which fell for the first time in a year. According to panellists, activity largely decreased due to reduced client demand, with some firms also mentioning a lack of buying power.

Similarly, new order volumes dropped for the first time in a year amid broad-based declines across each of the five sectors covered by the survey. Agriculture and manufacturing saw the most pronounced downturns. Part of the fall in aggregate sales was linked to a drop in new export orders, the first registered since March 2022.

Falling demand led companies to reduce their input purchases for the third month running, while inventories

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

were cut for the first time in a year. Supply chains continued to improve, although the latest reduction in delivery times was the softest since last January.

On a positive note, the drop in sales helped firms to lower backlogs of work. Whilst modest, the rate of depletion was among the quickest for two-and-a-half years. Spare capacity led to reduced staffing needs, bringing hiring growth down to an 11-month low. Wage inflation consequently eased to the softest pace in a year.

At the same time, purchasing costs at Mozambican businesses fell for the first time since January 2022, as some panellists saw suppliers cut their prices

in response to weak demand. The drop in purchasing costs underscored a renewed decrease in overall cost burdens, prompting firms to reduce their selling prices for the first time in 12 months, albeit marginally.

Finally, output expectations for the year ahead remained buoyant with around 52% of respondents forecasting growth. Firms often related positivity to hopes that development plans can continue despite weaker demand. That said, optimism softened from December and was below the long-run trend.



Comment

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

“The Standard Bank Mozambique PMI slipped into a 12-month low of 48.2 in Jan 23, from 50 in Dec 22. This reflects month on month contractions in output, new orders, and stocks of purchases, which in general was accompanied by softer output and input prices.

“Having printed below the 50-benchmark level, the Jan PMI suggests a contraction in economic growth compared with the previous month.

“After a soft Dec 22, where the PMI suggested that economic activity was flat, clearly this economy is experiencing a softer aggregate demand in Jan on further monetary policy tightening to help fight inflation, which should see the recent increases in both local and foreign currency required reserves ratios translating into tighter liquidity conditions.

“Considering risks still elevated, we see inflation easing towards 9.9% at the end of the year, from 10.9% y/y last Dec as food inflation softens and fuel price pressures moderate. This is consistent

with our views that GDP growth will likely modestly rise to 4.2% y/y in 2023, from an expected 4.1% y/y in 2022.

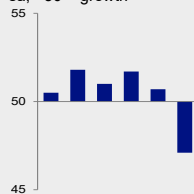
“From a production perspective, growth will likely be driven by primary activities, but may however be softer in manufacturing and services on the back of a tight monetary policy and the planned front-loaded fiscal adjustment.”



Output and demand

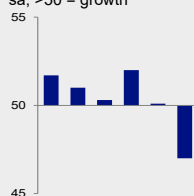
Output Index

Aug '22 - Jan '23
sa, >50 = growth



New Orders Index

Aug '22 - Jan '23
sa, >50 = growth



Output

Adjusted for seasonality, the Output Index fell below the 50.0 threshold in January to signal a renewed decrease in activity at Mozambican companies. The reduction was solid and the first seen in exactly one year, in line with a renewed fall in new order volumes. Four of the five broad sectors covered by the survey recorded output cuts, the exception being agriculture.

New orders

Mozambican firms indicated a fresh decline in new work inflows at the start of the year. The seasonally adjusted New Orders Index fell for the fifth time in the past six months to register below the 50.0 mark for the first time since January 2022. According to anecdotal evidence, a lack of client buying power was largely behind the reduction in sales.

Output Index

sa, >50 = growth since previous month



New Orders Index

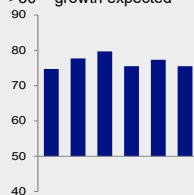
sa, >50 = growth since previous month



Business expectations

Future Output Index

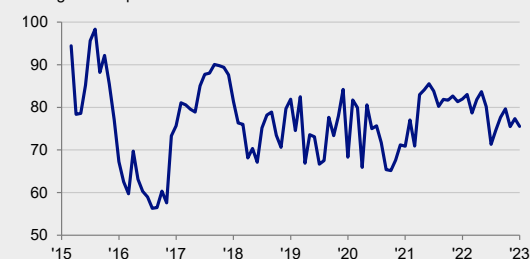
Aug '22 - Jan '23
>50 = growth expected



Mozambican businesses continued to signal a strong level of confidence in future activity during January. Approximately 52% of respondents expect output to expand over the coming 12 months, against just 1% that forecast a decline. That said, the level of sentiment weakened slightly and was below its long-run average. Firms holding a positive outlook often based this on their own development plans, as well as hopes that sales will increase.

Future Output Index

>50 = growth expected over next 12 months

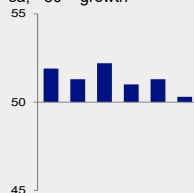




Employment and capacity

Employment Index

Aug '22 - Jan '23
sa, >50 = growth



Employment

The reduction in new work appeared to dent hiring activity in January. Adjusted for seasonal factors, the Employment Index remained above the 50.0 neutral mark for an eleventh straight month, but fell to its lowest level in this sequence. The vast majority of respondents kept their staffing levels unchanged from December. Wholesale & retail was the only sector to see an overall fall in employment.

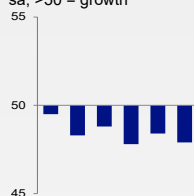
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Aug '22 - Jan '23
sa, >50 = growth

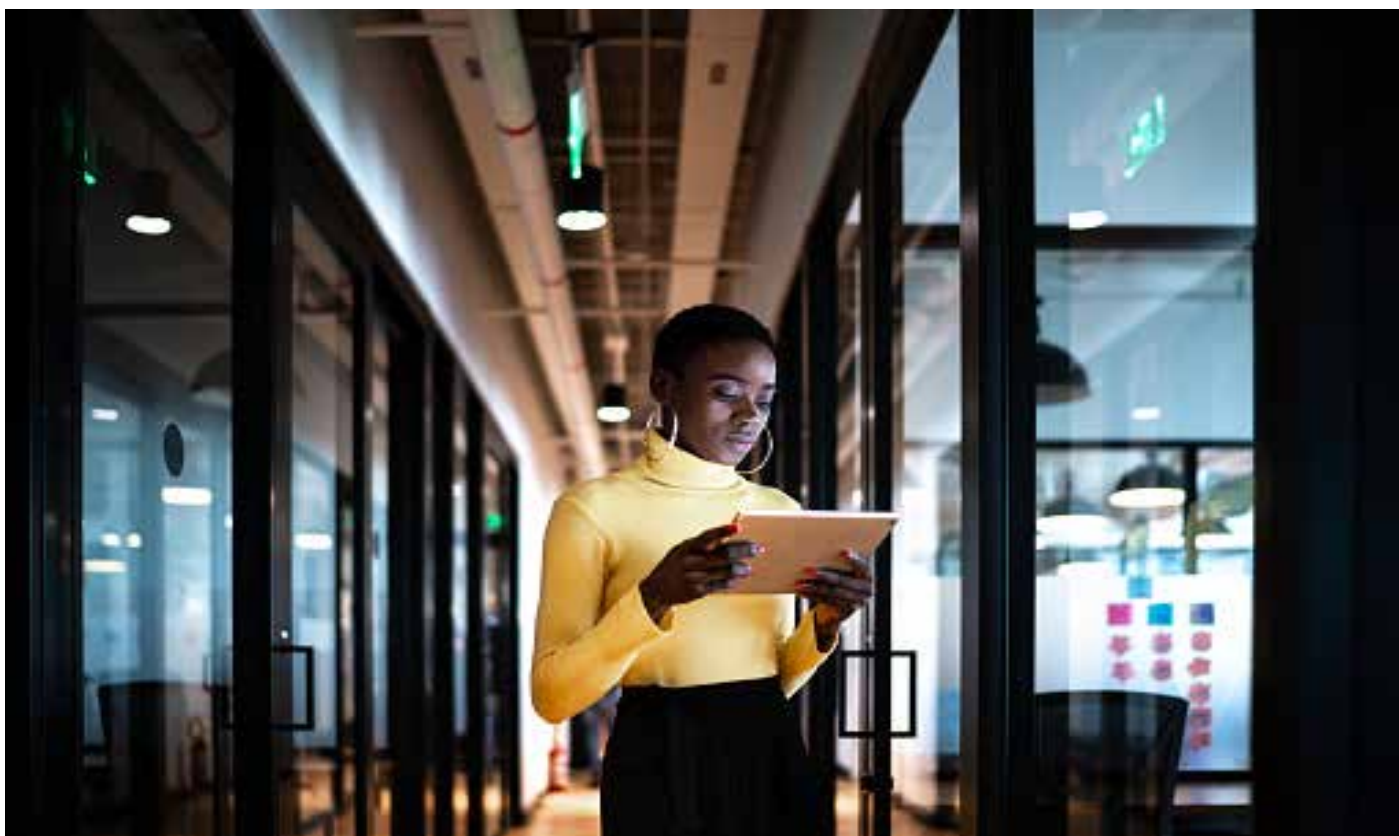


Backlogs of work

January data signalled a further reduction in backlogs of work at Mozambican firms, stretching the present sequence of decline to six months. Whilst modest overall, the rate of decrease was among the quickest seen since the initial COVID-19 wave in June 2020. Companies mostly linked the decline in work-in-hand to lower sales.

Backlogs of Work Index

sa, >50 = growth since previous month

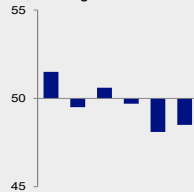




Purchasing and inventories

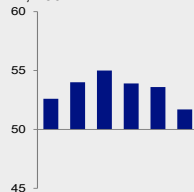
Quantity of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



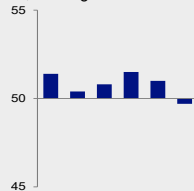
Suppliers' Delivery Times Index

Aug '22 - Jan '23
sa, >50 = faster times



Stocks of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



Quantity of purchases

Firms in Mozambique reported a sustained contraction in purchasing activity in January, continuing the trend of decline that began in November. Anecdotal evidence suggested that weaker new order inflows and a lack of buying power led to the reduction in purchases, which nonetheless eased slightly on the month and was only modest.

Suppliers' delivery times

Supply chain performance in the Mozambican economy improved again in January. That said, the respective seasonally adjusted index fell to a 12-month low, signalling only a moderate improvement in lead times. While there were several mentions of vendors supplying items on time, other panellists reported delays. Services firms saw delivery times shorten, while agriculture and wholesale & retail companies signalled delays. Vendor performance was stable at manufacturers.

Stocks of purchases

Ending an 11-month sequence of expansion, stocks of inputs decreased in January. Firms noted that the sustained reduction in input buying was behind the fall. That said, the rate of stock depletion was only slight. Lower inventory levels in agriculture, manufacturing and wholesale & retail were partly offset by an uplift in the services economy.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month

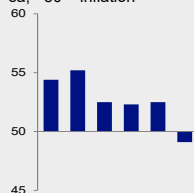




Prices

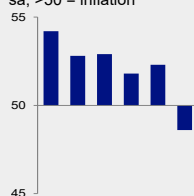
Input Prices Index

Aug '22 - Jan '23
sa, >50 = inflation



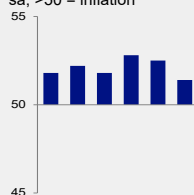
Purchase Prices Index

Aug '22 - Jan '23
sa, >50 = inflation



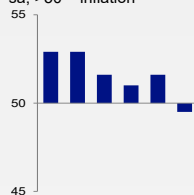
Staff Costs Index

Aug '22 - Jan '23
sa, >50 = inflation



Output Prices Index

Aug '22 - Jan '23
sa, >50 = inflation



Input prices

January data pointed to a decrease in average input costs in the Mozambican economy, bringing to an end a ten-month inflationary sequence. However, the reduction was only slight and linked to a renewed drop in purchase prices as staff costs continued to rise. Falling input prices were recorded in agriculture, manufacturing and wholesale & retail, contrasting with increases in construction and services.

Purchase prices

Adjusted for seasonality, the Purchase Prices Index posted below the 50.0 no-change mark for the first time in a year. The indicated drop in purchase prices was only modest, however. Some panellists mentioned that reduced buying activity and weak demand in general had weighed on prices.

Staff costs

As has been the case in each month since September 2021, staff costs increased in January. Companies often noted that staff costs had risen due to higher salaries for new workers. That said, in part due to weaker sales, the rate of salary inflation softened to the lowest in a year.

Output prices

Mozambican firms signalled a marginal drop in selling charges at the start of the year. Whilst lower costs were partly behind the reduction, panellists mostly commented on efforts to win customers through price promotions. A slight drop in VAT was also mentioned. Wholesale & retail was the only category to record an increase in charges.

Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month

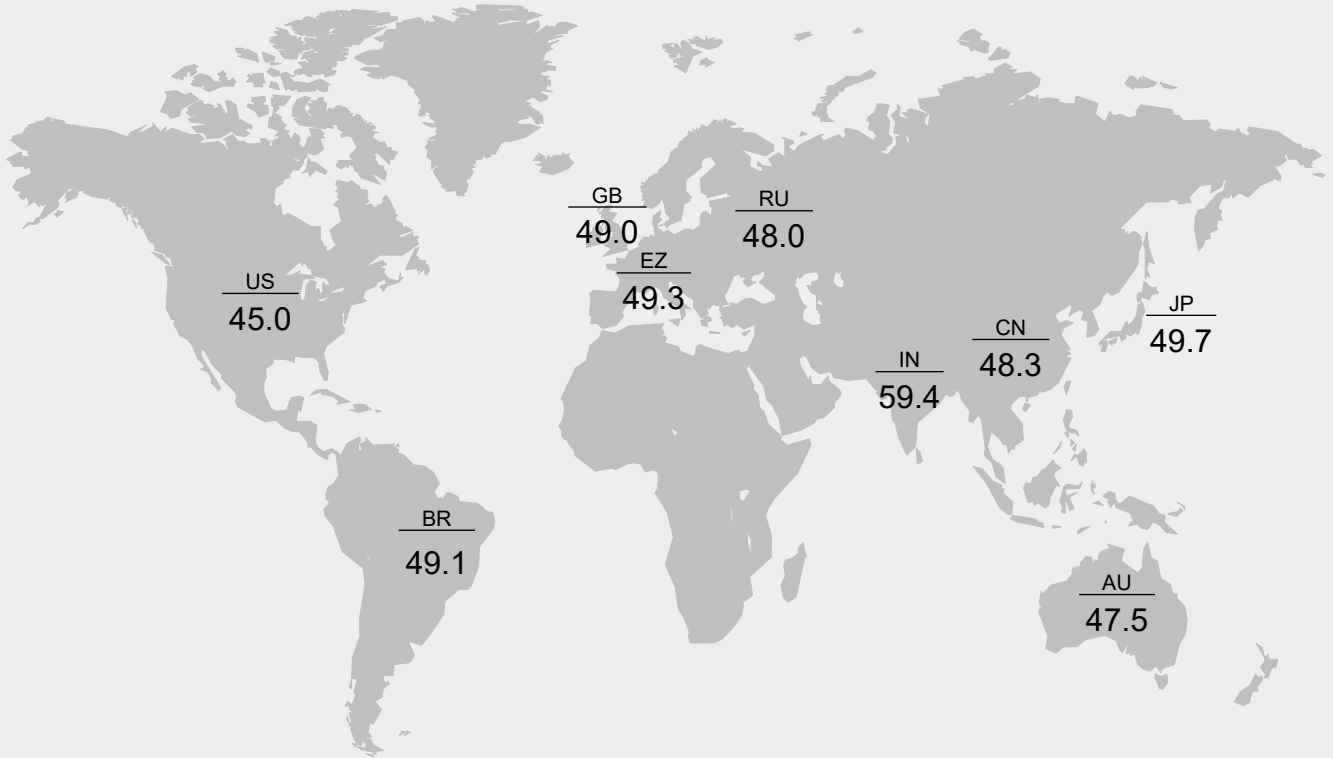




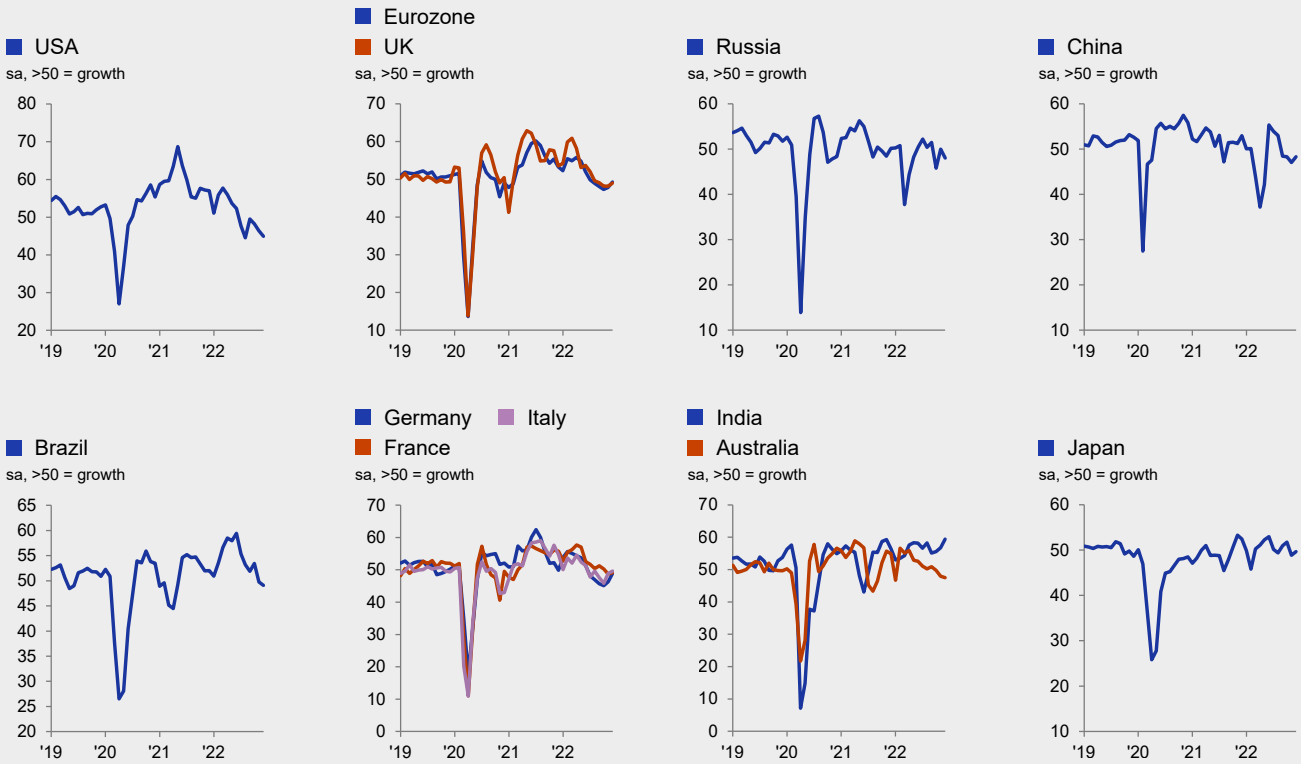
International PMI

Composite Output Index, Dec '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.

Survey dates

Data were collected 12-26 January 2023.

Survey questions

Private sector

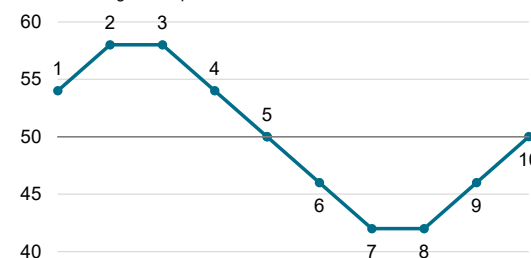
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

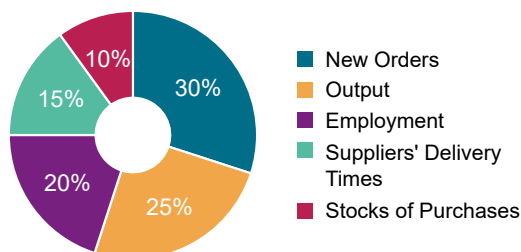
Index interpretation

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 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.

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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