

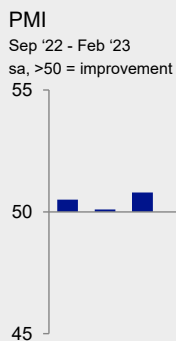


Standard Bank Mozambique PMI™

Business conditions return to growth in February

50.5

MOZAMBIQUE PMI
FEB '23



Firms see modest recovery in new orders

Input purchases rise for first time in four months

Business confidence falls to lowest since November 2020

February survey data pointed to a renewed improvement in the health of the Mozambican economy, as a modest upturn in new order volumes supported fresh increases in output and purchasing activity. The return to growth followed a subdued start to the year as business conditions declined for the first time in 12 months in January.

That said, the pick-up in the economy was only mild overall, and came alongside renewed increases in both input costs and output charges. Furthermore, confidence in future activity dimmed to the weakest level since November 2020, while subdued hiring growth contributed to a slight increase in backlogs.

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 posted above the 50.0 neutral mark for the first time in three months in February, rising to 50.5 from a 12-month low of 48.2 in January. The reading was indicative of only a marginal expansion in operating conditions.

Three of the five PMI sub-components returned to growth territory in February, namely output, new orders and stocks of purchases. The latest survey data signalled a modest upturn in output that panellists mostly linked to improved demand levels. However, the expansion was not broad-based by sector; manufacturing, wholesale & retail and services registered higher activity, whereas decreases were seen in agriculture and construction.

Similarly, new order inflows rose in February, following a first decline in 12 months at the beginning of the year. The rate of growth was the quickest seen for three months and slightly

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





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above the series trend, but was only modest overall and indicated only a partial recovery from January's downturn. Like output, sales volumes rose in only three of the five monitored sectors.

Nevertheless, overall expansions in output and new business led firms to increase their purchasing activity in February, thereby ending a three-month run of contraction. Stocks of purchases also rose, albeit slightly, while firms saw a solid reduction in delivery times.

Higher input demand underlined a renewed increase in purchase prices, which fed through to a slight uptick in overall input costs. Firms largely opted to pass these costs onto their

customers, as output prices rose modestly following a slight reduction in January.

Business capacity came under renewed pressure in February, as backlogs of work rose for the first time in seven months. The accumulation was partly due to relatively weak hiring growth, which picked up from January but was only mild overall.

Subdued employment trends came alongside a marked drop in firms' expectations for future activity, which fell to a 27-month low. Notably, just over a third (35%) of respondents were hopeful that output will rise over the forthcoming year.



Comment

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

“The Standard Bank Mozambique PMI rose to a seasonally adjusted level of 50.5 in Feb, from a recent low of 48.2 in Jan. This reflects mild recoveries across output, new orders and employment sub-indices, all printing above the 50.0 benchmark level, which suggests a recovery in economic activity in Feb, from a contraction in Jan, compared with the previous month.

“Despite this mild recovery, the PMI suggests that the economy continues

to experience a slow start to the year in 2023, from a growth perspective. Alongside this, we noted renewed price pressures, reflected in increases in input costs and output prices. This suggests that inflation, which printed at the single digit level of 9.5% y/y in Jan could remain volatile, and temporarily return to double digit levels. After all, this rainy and cyclone season has seen adverse weather causing crop damage and destruction of road infrastructure, which should pressurise food and transport costs, at least temporarily.

“Looking ahead, there has been

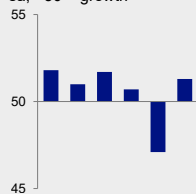
a material decline in the future expectations sub-index, which suggests limited growth support from both fiscal and monetary policies. We retain our forecast that GDP growth recovery for 2023 will likely remain uneven and tilted towards primary activities. This, combined with delays in the natural gas projects implementation and the noise around the government wage bill reform weighs on sentiment.”



Output and demand

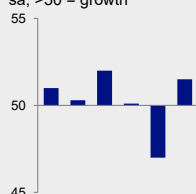
Output Index

Sep '22 - Feb '23
sa, >50 = growth



New Orders Index

Sep '22 - Feb '23
sa, >50 = growth



Output

The seasonally adjusted Output Index printed above the 50.0 neutral mark in February, to signal an uplift in activity following a contraction at the beginning of the year. That said, the overall recovery was only modest overall. Where output increased, firms mainly linked this to a pick-up in customer numbers and higher new order volumes. Business activity rose in the manufacturing, wholesale & retail and service sectors, but fell in agriculture and construction.

New orders

In line with the trend for output, new order volumes at Mozambican companies returned to growth midway through the first quarter of the year. This followed a first decline in 12 months over the course of January. Sales growth was centred on the construction, wholesale & retail and service categories.

Output Index

sa, >50 = growth since previous month



New Orders Index

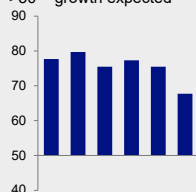
sa, >50 = growth since previous month



Business expectations

Future Output Index

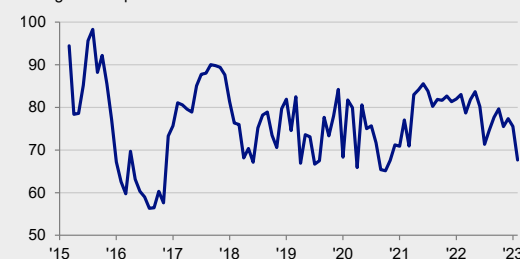
Sep '22 - Feb '23
>50 = growth expected



Mozambican businesses were notably less optimistic about the 12-month outlook for activity in February, with just over a third (35%) of respondents forecasting an expansion. As such, the Future Output Index fell to the lowest since November 2020 and was well below its long-run trend. Sentiment in all five sectors covered by the survey was down since January, with particularly sharp declines recorded in agriculture and construction.

Future Output Index

>50 = growth expected over next 12 months

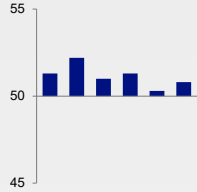




Employment and capacity

Employment Index

Sep '22 - Feb '23
sa, >50 = growth



Employment

The renewed increases in output and new orders encouraged an upturn in employment across the Mozambican private sector in February, extending the current sequence of growth to 12 months. That said, the latest expansion was only mild. According to panellists, hiring activity reflected increased labour needs amid renewed capacity pressures, although others reported a drop in employment as some workers left.

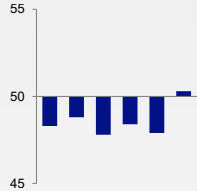
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Sep '22 - Feb '23
sa, >50 = growth

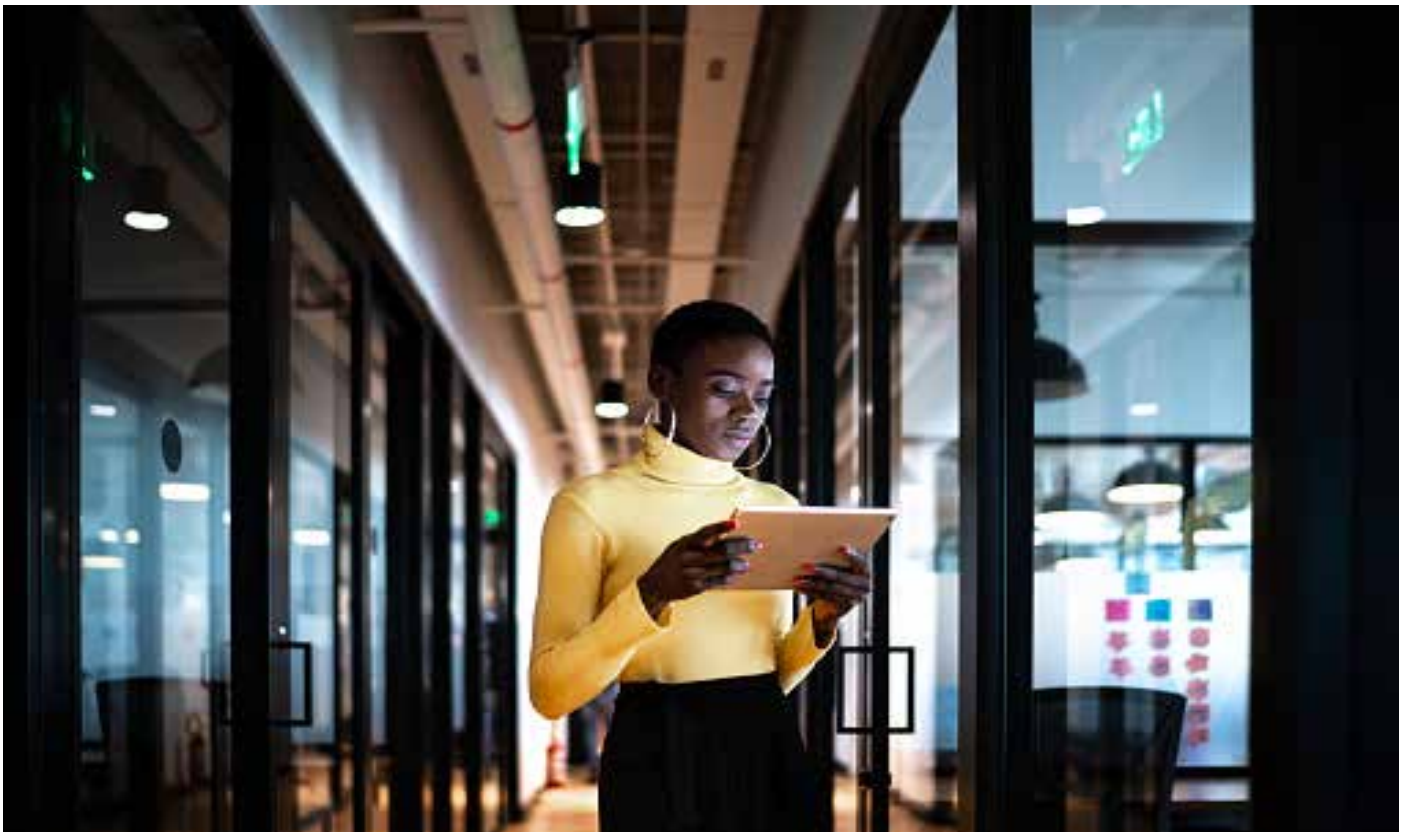


Backlogs of work

Adjusted for seasonal factors, the Backlogs of Work Index rose above the 50.0 neutral threshold in February, marking an uptick in unfinished business for only the second time in 22 months. Survey respondents noted that higher demand, new customers and disruption caused by floods were behind the renewed increase. That said, the overall rate of backlog accumulation was only mild.

Backlogs of Work Index

sa, >50 = growth since previous month

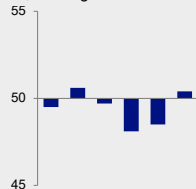




Purchasing and inventories

Quantity of Purchases Index

Sep '22 - Feb '23
sa, >50 = growth



Quantity of purchases

As measured by the seasonally adjusted Quantity of Purchases Index, input purchases at Mozambican firms expanded for the first time since October last year. The rate of growth was only marginal though and centred on the manufacturing and wholesale & retail sectors. Firms that saw an uptick in purchases associated it with a rise in demand.

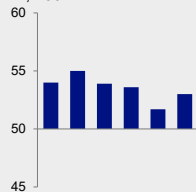
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Sep '22 - Feb '23
sa, >50 = faster times



Suppliers' delivery times

Supply chains continued to strengthen midway through the opening quarter of the year, thereby stretching the run of improvement that began in November 2021. Moreover, the rate of improvement quickened for the first time in four months and was solid. While some firms attributed this to better material production and transport supply, others noted that strong competition among vendors helped to drive efficiency gains.

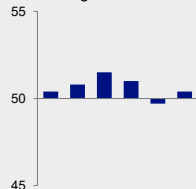
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Sep '22 - Feb '23
sa, >50 = growth



Stocks of purchases

The renewed uplift in buying activity contributed to a slight increase in stocks of purchases in February. This followed a first (albeit mild) contraction for 12 months at the start of the year. However, while firms looked to add to their inventories due to higher new orders, this was partly tempered by a lack of purchasing power at some companies.

Stocks of Purchases Index

sa, >50 = growth since previous month

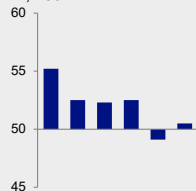




Prices

Input Prices Index

Sep '22 - Feb '23
sa, >50 = inflation



Input prices

February data indicated a slight pick-up in business expenses across Mozambique, following the first decline for 11 months in January. The uptick was led by the service and wholesale & retail sectors, whereas reductions were registered in agriculture, manufacturing and construction. Higher overall cost burdens stemmed from increased staff wages, plus a renewed rise in purchasing costs.

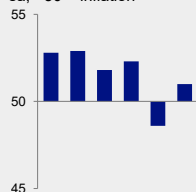
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

Sep '22 - Feb '23
sa, >50 = inflation



Purchase prices

After decreasing for the first time in a year during January, purchase prices increased halfway through the first quarter of 2023. According to anecdotal evidence, higher demand for inputs led suppliers to mark up their prices. That said, the overall rate of purchase cost inflation was only mild and slower than those recorded between February and December 2022.

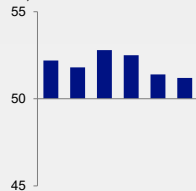
Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

Sep '22 - Feb '23
sa, >50 = inflation



Staff costs

Continuing the trend seen since September 2021, Mozambican companies reported an increase in staff costs over the course of February. Some firms indicated that higher demand levels gave them the ability to raise staff wages. That said, the rate of salary inflation was the softest for 13 months and only modest overall.

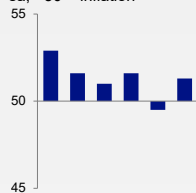
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

Sep '22 - Feb '23
sa, >50 = inflation



Output prices

February survey data indicated that firms broadly opted to pass on rising input costs to customers, as output charges increased slightly. This followed the first decline in charges in exactly a year during January. Wholesale & retail, agriculture and services registered price increases, contrasting with marginal falls in manufacturing and construction.

Output Prices Index

sa, >50 = inflation since previous month





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 10-23 February 2023.

Survey questions

Private sector

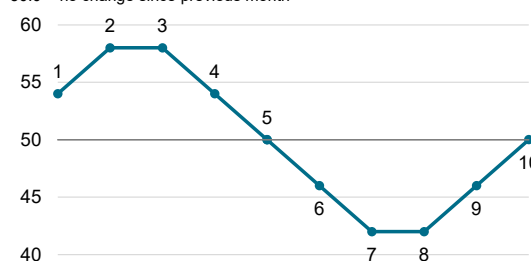
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

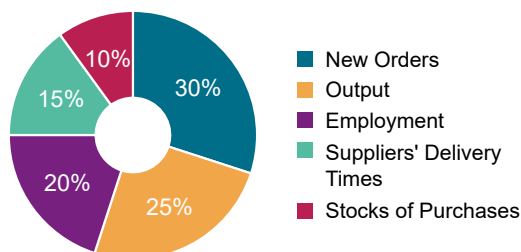
Index interpretation

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

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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.

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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