

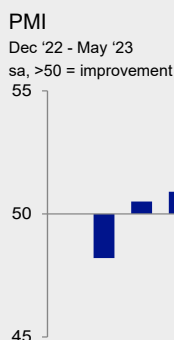


Standard Bank Mozambique PMI™

Business conditions improve at softer pace in May

50.5

MOZAMBIQUE PMI MAY '23



Output, new order and employment growth ease

Cost pressures remain modest

Confidence remains strong, despite falling to three-month low

Business conditions improved across Mozambique for the fourth month in a row in May, according to latest PMI™ survey data, with further expansions in output, sales and employment recorded. However, rates of growth softened in all three cases, resulting in a weaker improvement than April's recent high.

At the same time, companies reported a further sharp improvement in supply chain performance, helping to keep cost inflation modest and, in turn, selling prices largely unchanged. Subsequently, firms continued to display a strong degree of confidence in future activity, though the level of optimism slipped to the lowest since February.

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.

Following a nine-month high of 51.7 in April, the headline PMI dropped to 50.5 in May, to indicate only a marginal improvement in the health of the private sector economy. Four of the five sub-indices had a negative directional influence on the PMI, the exception being stocks of purchases which saw a renewed expansion.

The overall demand picture remained broadly positive though, shown by a solid increase in new business intakes. Despite slowing from April, the rate of expansion was the second-fastest in ten months, as companies highlighted that rising demand, new customers, advertising and access to new markets supported higher sales.

The upturn in demand led to a fourth consecutive monthly increase in business activity. Output rose in each of the agriculture, manufacturing, services and wholesale & retail sectors. Falling new orders at construction firms meant this was the only monitored category to record a drop in output.

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





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Despite growth of activity, firms reduced their purchases of inputs for a second month running in May, as some panellists signalled a lack of buying power. This helped to free up capacity at vendors, contributing to a sharp improvement in delivery times.

May survey data also signalled a fading of hiring growth among Mozambican companies, following relatively strong increases in employment over the previous two months. The latest rise in staffing was in fact only marginal and the joint-slowest in the current 15-month run of job creation.

On a positive note, companies continued to enjoy relatively mild price pressures in May. Despite the pace of input cost inflation picking up slightly, it was only modest and much slower

than the survey long-run trend. Rates of increase in both purchase prices and staff costs were subdued.

Meanwhile, average prices charged by Mozambican firms were largely stable for the second month in a row. Sector data signalled that price mark-ups in the manufacturing, agriculture and wholesale & retail sectors were offset by cuts in construction and services.

Looking ahead, firms continued to display a notable degree of confidence that output will rise over the coming year, citing hopes of new clients, new products and greater business investment. That said, just under half of survey respondents (48%) held this positive view, meaning the overall degree of optimism dropped to the lowest since February.



Comment

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

"The Standard Bank Mozambique PMI slid to the 50.5 level in May, after rising for three consecutive months to 51.7 in Apr, the highest level since Jul 22. PMI moderation in May reflects softer growth rates in output, new business and employment. Higher input prices translated into higher output prices, which suggests a relatively strong passthrough feeding ongoing inflation pressures.

"Having printed above the 50-benchmark

level, the May PMI suggests that this economy continues to experience a gradual recovery in economic activity, impacted by adverse weather from Jan to Apr, including cyclone Freddy, which hit Mozambique twice in Feb and Mar.

"The PMI indicates that this economy continues to exhibit economic resilience despite adverse weather, monetary policy tightening and fiscal pressures. The May PMI data suggests resilient aggregate demand across agriculture, manufacturing, and services, including trade. Construction, however, experienced a decline in new orders,

which translates into a contraction in construction output.

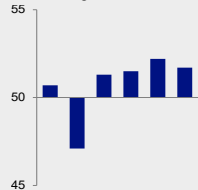
"Looking ahead, monetary policy tightening to combat inflation, limited foreign exchange supply, combined with inadequate fiscal support, should continue to subdue growth outside of primary activities. The market is already experiencing FX liquidity pressures due to a decline in commodity prices and lower FX sales from Banco de Moçambique for fuel imports."



Output and demand

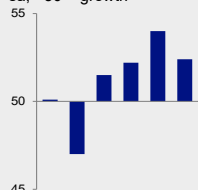
Output Index

Dec '22 - May '23
sa, >50 = growth



New Orders Index

Dec '22 - May '23
sa, >50 = growth



Output

Output levels among Mozambican companies expanded for a fourth consecutive month in May. The modest upturn was slightly weaker than that recorded in April, when the rate of growth reached a nine-month high. Where an increase was recorded, this was generally attributed to higher levels of new business. Output rose in the agriculture, manufacturing, wholesale & retail and services sectors. Construction was the only monitored category to post a decline.

New orders

In line with the output trend, new order volumes in the Mozambican economy rose for the fourth month in a row during May. The rate of growth was also softer than the recent peak set in April, but remained stronger than the series long-run average. According to anecdotal evidence, rising demand, new customers, advertising and access to new markets supported the upturn in sales. New orders rose in all sectors bar construction.

Output Index

sa, >50 = growth since previous month



New Orders Index

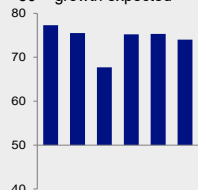
sa, >50 = growth since previous month



Business expectations

Future Output Index

Dec '22 - May '23
>50 = growth expected



Firms in Mozambique remained confident about the activity outlook in May, although the degree of sentiment ticked down for the first time since February. Just under half of all survey respondents (48%) predicted activity to rise over the next 12 months, citing hopes of new clients, new products, business development and softer price pressures. Construction firms were the most upbeat about future output, whereas agriculture firms were the least.

Future Output Index

>50 = growth expected over next 12 months

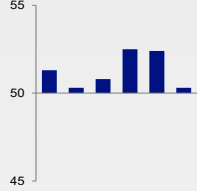




Employment and capacity

Employment Index

Dec '22 - May '23
sa, >50 = growth



Employment

Employment numbers showed a softer rise in May, after growing at relatively strong rates in each of the previous two survey periods. Furthermore, the latest upturn was only marginal, and the joint-slowest recorded in the current 15-month run of employment growth. Firms often cited that the non-replacement of leavers had weighed on staffing levels.

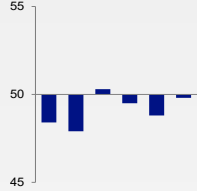
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Dec '22 - May '23
sa, >50 = growth

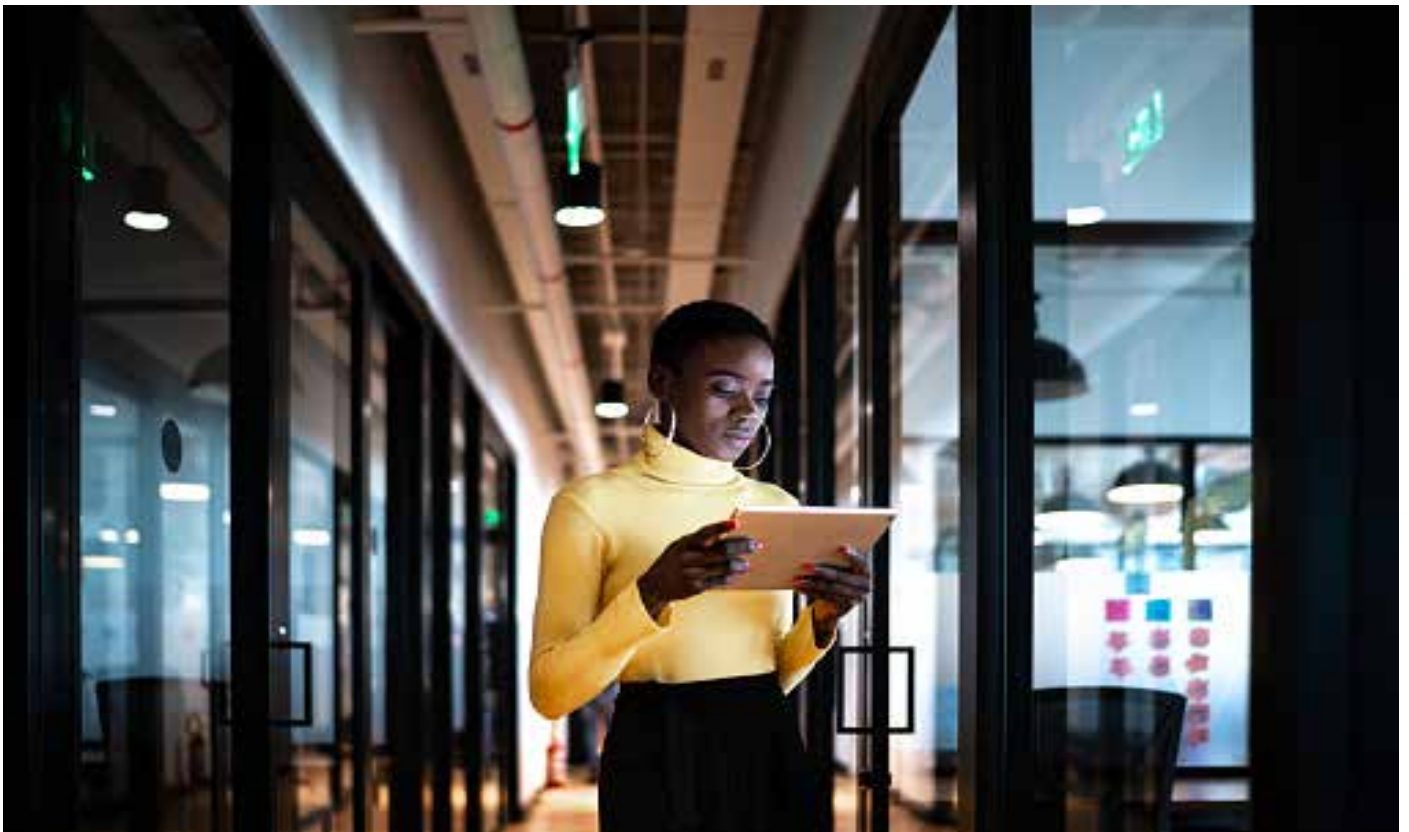


Backlogs of work

The volume of outstanding work in Mozambican private sector decreased for the third consecutive month in May, with firms sometimes reporting that the slower rate of demand growth helped them to keep on top of sales. That said, the drop in backlogs softened from April and was only slight, shown by the respective seasonally adjusted index posting just below the 50.0 neutral threshold.

Backlogs of Work Index

sa, >50 = growth since previous month

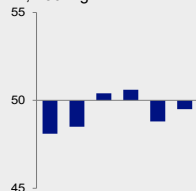




Purchasing and inventories

Quantity of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Quantity of purchases

Mozambican companies signalled a slight reduction in purchasing levels midway through the second quarter. Some panellists cited that this was due to a lack of purchasing power. The overall contraction – which was led by the agriculture sector - eased from the previous month, however.

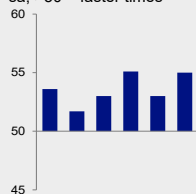
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Dec '22 - May '23
sa, >50 = faster times



Suppliers' delivery times

Supplier performance in the Mozambican economy improved sharply in May, accelerating from the previous month and posting just shy of March's nine-month high. Around 10% of companies saw lead times shorten, compared to just 2% that reported a lengthening. According to respondents, competition among vendors and increased capacity were contributing factors to the improvement.

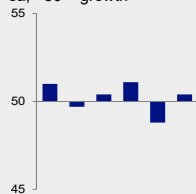
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Stocks of purchases

Stocks of purchases increased over the course of May, following a renewed decline in the previous survey period. However, the seasonally adjusted index registered only slightly above the 50.0 neutral mark, signalling only a marginal upturn in inventories. Agriculture and services were the only categories to record a rise in stock levels, contrasting with falls in manufacturing, construction and wholesale & retail.

Stocks of Purchases Index

sa, >50 = growth since previous month

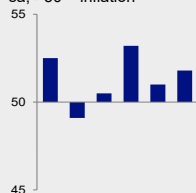




Prices

Input Prices Index

Dec '22 - May '23
sa, >50 = inflation



Input prices

Input prices faced by Mozambican private sector companies rose again in May, continuing the sequence of inflation that began in February. The pace of cost inflation picked up from the previous month, but was modest and remained much weaker than the series long-run trend. Sector data revealed that price pressures were largely concentrated on the services and agriculture sectors, although manufacturing and wholesale & retail also saw costs rise.

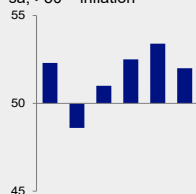
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

Dec '22 - May '23
sa, >50 = inflation



Purchase prices

Purchase prices increased for the fourth month running in May, but the pace of inflation slowed for the first time in this sequence after reaching an eight-month high in April. Panellists often mentioned that demand for inputs led to a rise in supplier prices, while some firms mentioned currency instability and broader inflationary pressures.

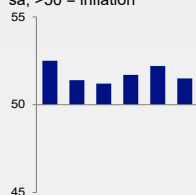
Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

Dec '22 - May '23
sa, >50 = inflation



Staff costs

Mozambican companies reported an increase in staff salaries midway through the second quarter, in part due to greater hiring and overtime pay, survey comments showed. The uptick in salaries resulted in another modest increase in overall staff costs, albeit one that was the slowest recorded since February. Construction bucked the wider trend and posted a decrease in staff costs.

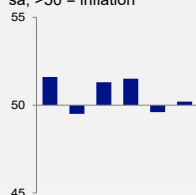
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

Dec '22 - May '23
sa, >50 = inflation



Output prices

For the second month in a row, average output prices set by Mozambican firms were largely unchanged in May, as the respective seasonally adjusted index registered only fractionally above the 50.0 no-change mark. While some companies opted to raise their charges due to higher costs, improved product quality and increases from competitors, others reported a reduction that was partly related to a loss of customers.

Output Prices Index

sa, >50 = inflation since previous month

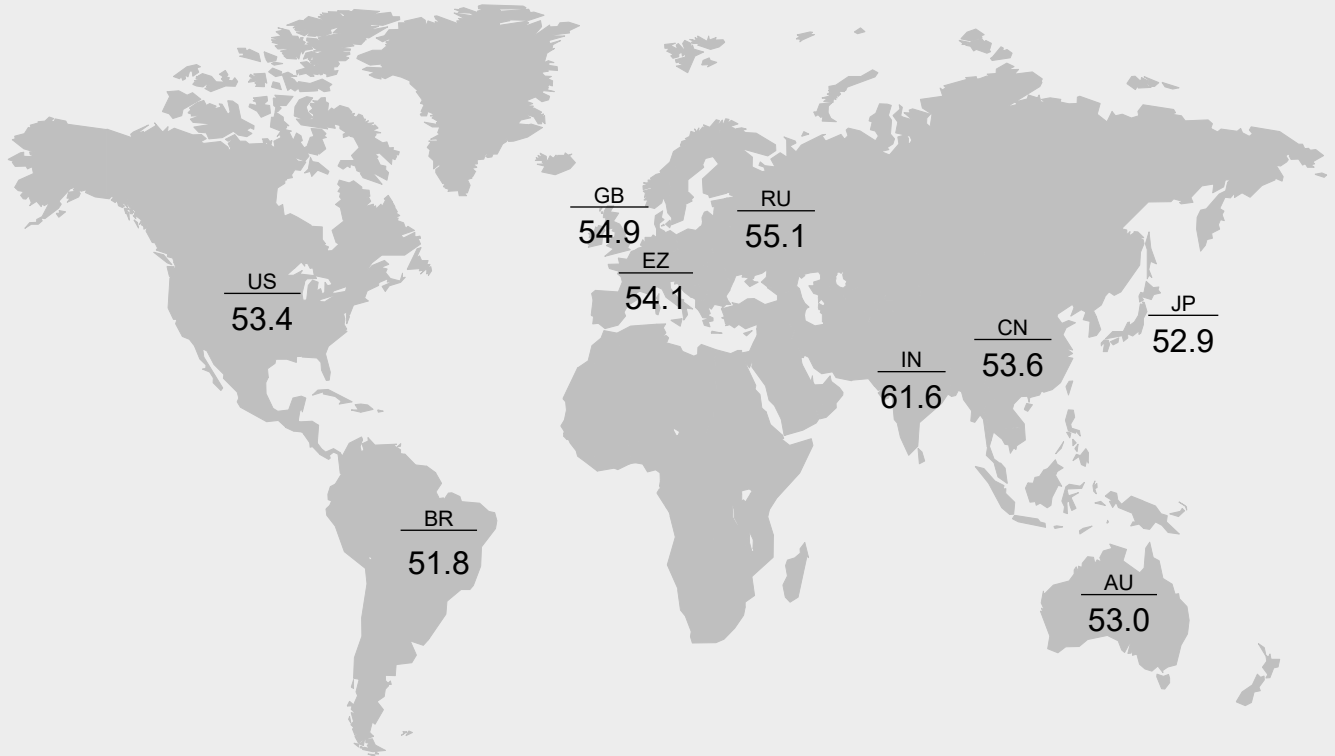




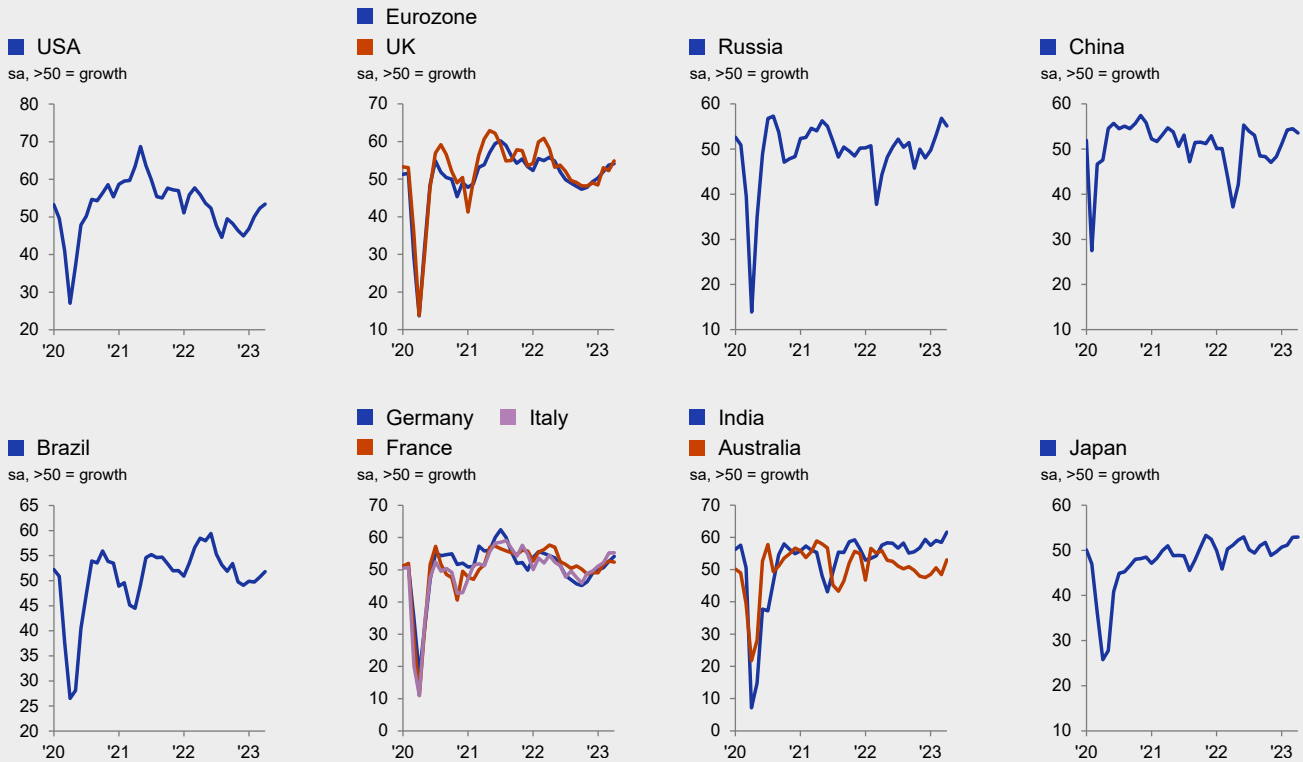
International PMI

Composite Output Index, Apr '23
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 12-25 May 2023.

Survey questions

Private sector

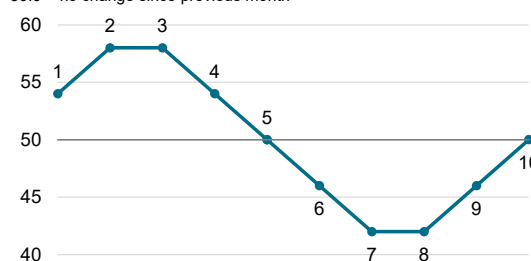
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

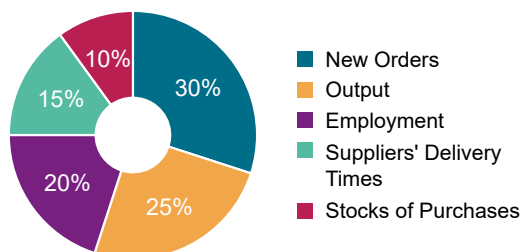
Index interpretation

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.

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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