

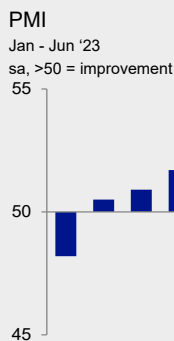


Standard Bank Mozambique PMI™

Output growth hits one-year high in June

51.3

MOZAMBIQUE PMI
JUN '23



Activity rises amid solid expansion in new orders

Inflationary pressures relatively muted

Employment increases for sixteenth month running

June data pointed to a further modest improvement in business conditions in Mozambique's private sector as the first half of the year drew to a close. Success in securing new customers led to a solid expansion in new orders, in turn leading to a similarly-paced increase in activity.

Employment also rose, but purchasing activity dipped amid funding difficulties. This was despite inflationary pressures remaining relatively muted.

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 51.3 in June, up from 50.5 in May and above the 50.0 no-change mark for the fifth successive month. The index pointed to a modest strengthening in the health of the private sector at the end of the

second quarter.

The main positive from the latest survey was a solid and accelerated rise in new orders. New business increased for the fifth month running as a number of firms were reportedly able to secure new customers.

In response to the expansion in new orders, companies increased their business activity accordingly. Moreover, the solid rise in output was the fastest for a year. Growth of activity was seen across each of the five broad sectors covered by the survey, and led by wholesale & retail.

Employment was also up in June, extending the current sequence of job creation to 16 months. Although modest, the latest increase was faster than that seen in May.

The expansion in staffing levels helped firms to keep on top of workloads, despite rising inflows of new orders. In fact, some panellists reported having been able to complete all outstanding

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





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business during the month. Work-in-hand decreased slightly, and for the fourth successive month.

Less positive was the picture for purchasing activity, which was scaled back for the third month running amid some reports of financing difficulties. In turn, stocks of purchases were also down slightly following a rise in May.

Those firms that did purchase items during the month benefitted from a marked shortening of delivery times. In fact, supplier performance improved to the greatest extent since May 2022. Among the factors causing lead times to shorten were competition among suppliers, greater efficiency and a desire to please customers.

Although purchase costs continued to

rise in June, the rate of inflation eased for the second month running and was the softest since February.

Staff costs on the other hand increased at a faster pace than in May, and one that was the joint-fastest in 2023 so far. According to respondents, higher employee expenses reflected rising staffing levels and salary increases.

Companies increased their selling prices for the second month running, albeit at only a modest pace as some firms offered discounts as part of efforts to generate new order growth.

Confidence in the year-ahead outlook for activity improved in June, with more than half of respondents optimistic. Higher orders and staff hiring were predicted to keep output growing.



Comment

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

"The Standard Bank Mozambique PMI recorded a modest recovery to the 51.3 level in Jun, from 50.5 in May. This mainly reflects an acceleration in new orders and output, with job creation recording a modest increase. There was also a modest rise in output prices, suggesting muted inflation pressures.

"Having printed above the 50-benchmark level, the Jun PMI suggests that this economy continues to experience a gradual recovery in economic activity.

"Despite adverse weather impact, monetary policy tightening, intermittent FX liquidity and fiscal pressures, Mozambique continues to display growth resilience. The ramp up of production at Coral South Floating LNG platform should boost extractive sector GDP this year.

"Per our Jun edition of the African Markets Revealed (AMR), we note though that GDP growth outside extractives remains softer than 2022 levels, due to tighter financing conditions. Non-extractive GDP growth eased to 2.7% y/y in Q1:23, from an

average of 3.9% y/y in 2022.

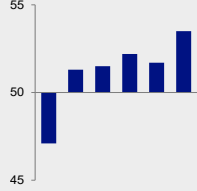
"Should inflation continue to ease, we see the Banco de Moçambique cutting policy rates by at least 200 bps during H1:24, as we see year-end inflation at 8.6% y/y this year and 6.8% y/y at the end of 2024. This is consistent with our views that GDP temporarily eases to 3.7% y/y this year, from 4.2% y/y in 2022, accelerating towards 5.1% y/y in 2024 as LNG investment advances."



Output and demand

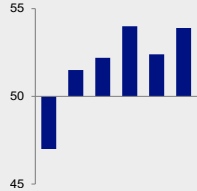
Output Index

Jan - Jun '23
sa, >50 = growth



New Orders Index

Jan - Jun '23
sa, >50 = growth



Output

June data pointed to a further expansion in business activity at companies in Mozambique, thereby extending the current sequence of growth to five months. Moreover, the rate of increase was solid and the sharpest for a year. Higher new orders amid greater customer numbers were behind the rise in output, according to respondents. Growth was led by the wholesale & retail category.

New orders

Success in securing new customers meant that companies were able to expand their new business volumes at the end of the second quarter. New orders have now risen in each of the past five months, with the rate of growth quickening from that seen in May.

Output Index

sa, >50 = growth since previous month



New Orders Index

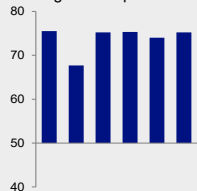
sa, >50 = growth since previous month



Business expectations

Future Output Index

Jan - Jun '23
>50 = growth expected



Business sentiment remained positive in June, and picked up slightly from the previous survey period. A number of respondents expressed confidence in their ability to boost output, often due to higher staffing levels. New order growth was also a factor behind the optimistic outlook. Just over half of all firms predicted a rise in output over the coming year, against less than 1% that were pessimistic.

Future Output Index

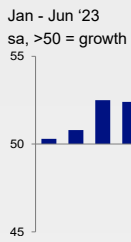
>50 = growth expected over next 12 months





Employment and capacity

Employment Index



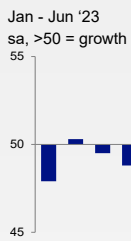
Employment

Rising new orders encouraged companies to expand their staffing levels in June, thereby extending the current sequence of job creation to 16 months. The latest increase was only modest, but stronger than that seen in May. Four of the five monitored sectors registered rises in employment, the exception being construction.

Employment Index



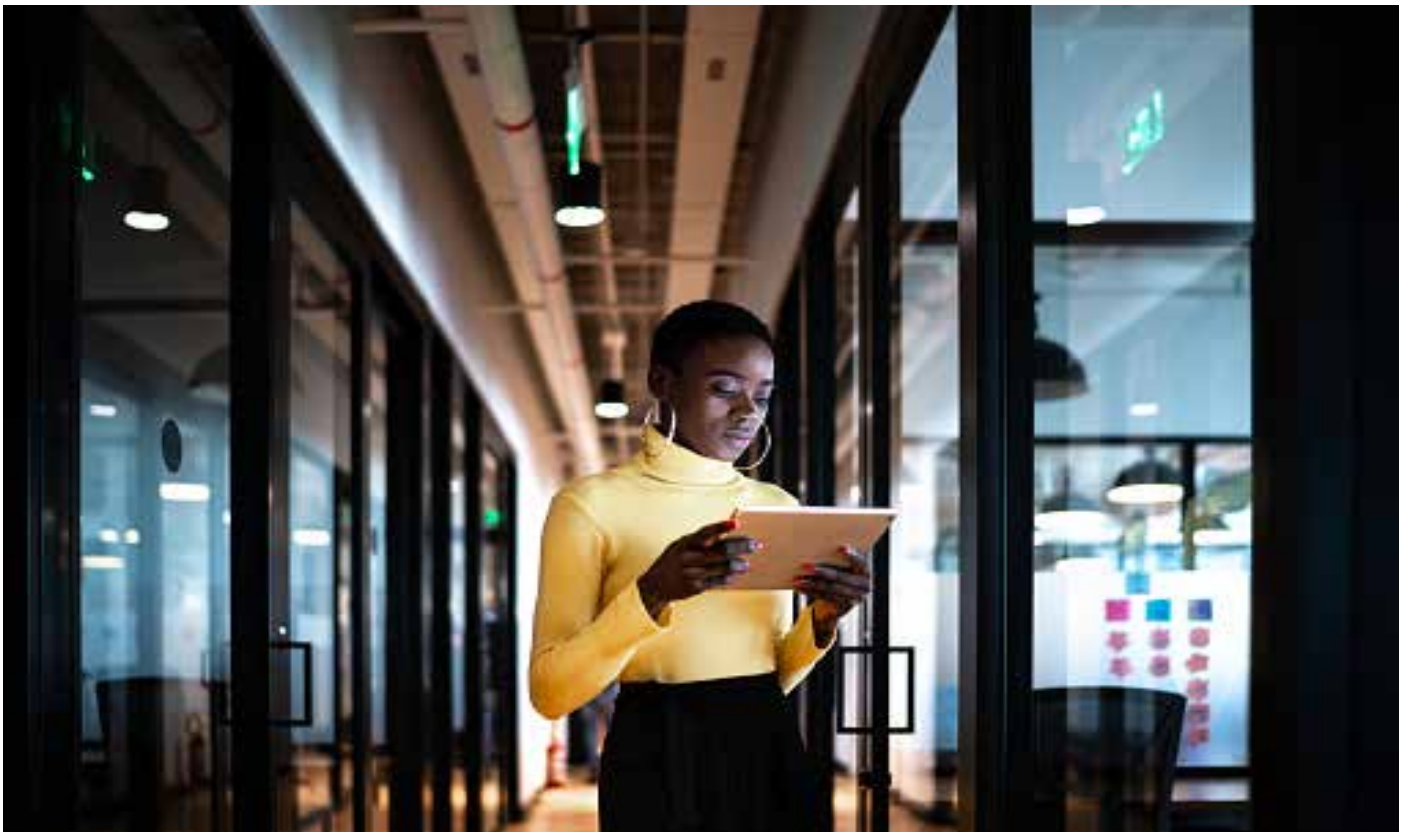
Backlogs of Work Index



Backlogs of work

Mozambican firms signalled a fourth successive monthly decrease in backlogs of work during June. The rate of depletion was marginal, but slightly faster than in the previous month. Some panellists reported that they had been able to clear all outstanding business.

Backlogs of Work Index

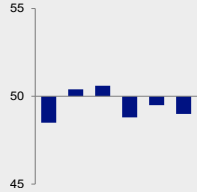




Purchasing and inventories

Quantity of Purchases Index

Jan - Jun '23
sa, >50 = growth



Quantity of purchases

Despite growth of output and new orders at the end of the second quarter of the year, buying activity continued to fall in June amid reports that firms were facing difficulties funding purchases. Input buying declined for the third month in a row, albeit at a slight pace.

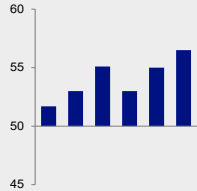
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Jan - Jun '23
sa, >50 = faster times



Suppliers' delivery times

Greater efficiency, competition among suppliers and a desire to please customers led to an improvement in vendor performance again in June. Suppliers' delivery times shortened markedly, and to the greatest extent since May 2022. Lead times have now shortened in 20 consecutive months.

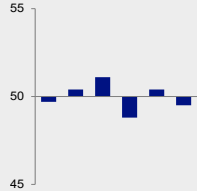
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jan - Jun '23
sa, >50 = growth



Stocks of purchases

The recent period of falling input buying fed through to a reduction in stocks of purchases during June. Inventories were down for the second time in the past three months, following a slight increase in May. That said, the rate of depletion was only marginal.

Stocks of Purchases Index

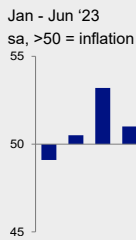
sa, >50 = growth since previous month





Prices

Input Prices Index



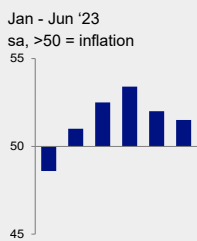
Input prices

Although overall input prices increased at a faster pace in June, the rate of inflation remained softer than the series average. Underlying data pointed to rises in both purchase prices and staff costs. Inflation of overall input costs was recorded in four of the five monitored sectors, the exception being construction.

Input Prices Index



Purchase Prices Index



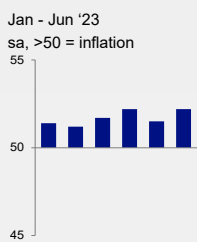
Purchase prices

Purchase costs rose for the fifth month running in June, but the rate of inflation eased amid muted demand for inputs. The pace of increase softened for the second successive survey period and was the weakest since February. Purchase prices rose in manufacturing, services and wholesale & retail, but fell in agriculture and construction.

Purchase Prices Index



Staff Costs Index



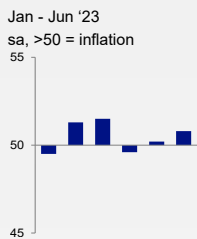
Staff costs

Increasing workforce numbers and salary rises meant that firms in Mozambique posted further inflation of staff costs at the end of the second quarter. Employee expenses have now risen in each of the past 22 months. The rate of inflation was modest, but quickened from the previous month to the joint-fastest in 2023 so far.

Staff Costs Index



Output Prices Index



Output prices

June data pointed to a slight rise in output prices in Mozambique's private sector, following a fractional increase in the previous survey period. Where higher charges were reported, panellists linked this to the passing on of increased input costs to their customers. On the other hand, some respondents offered discounts in order to try to attract new clients.

Output Prices Index

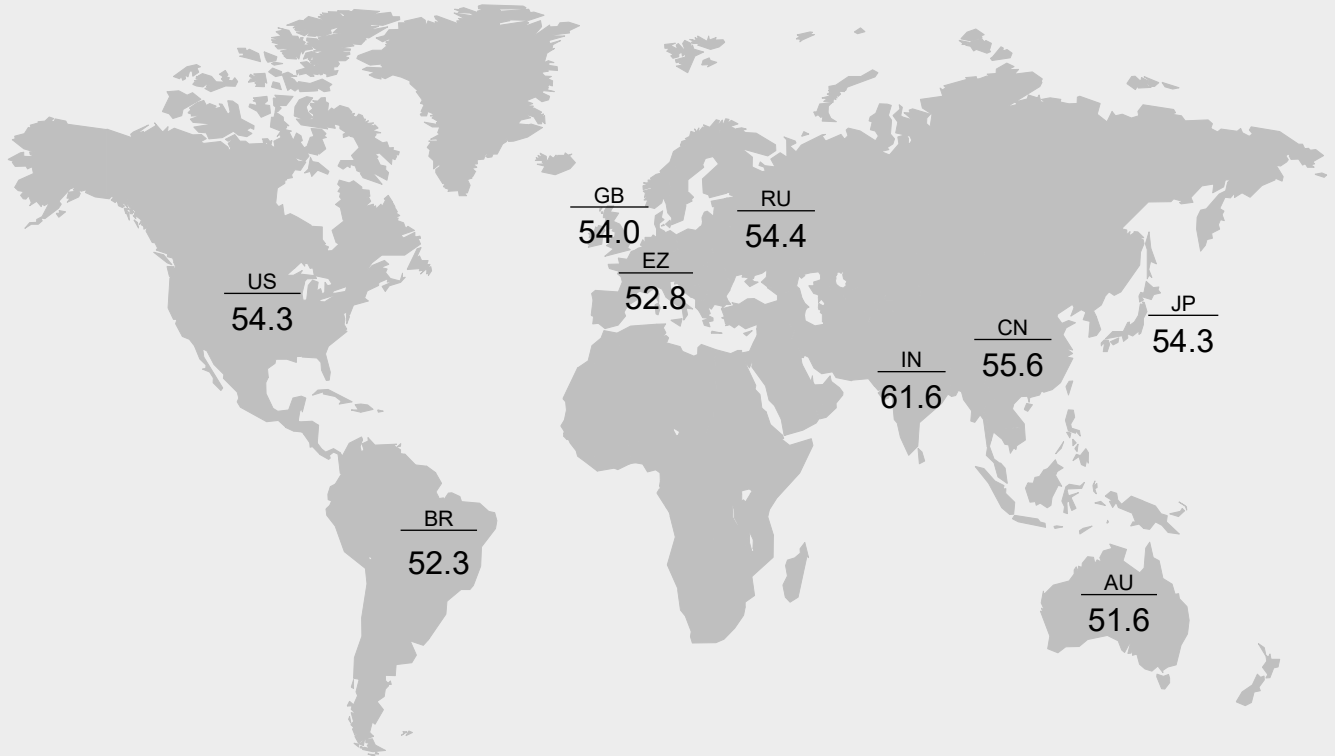




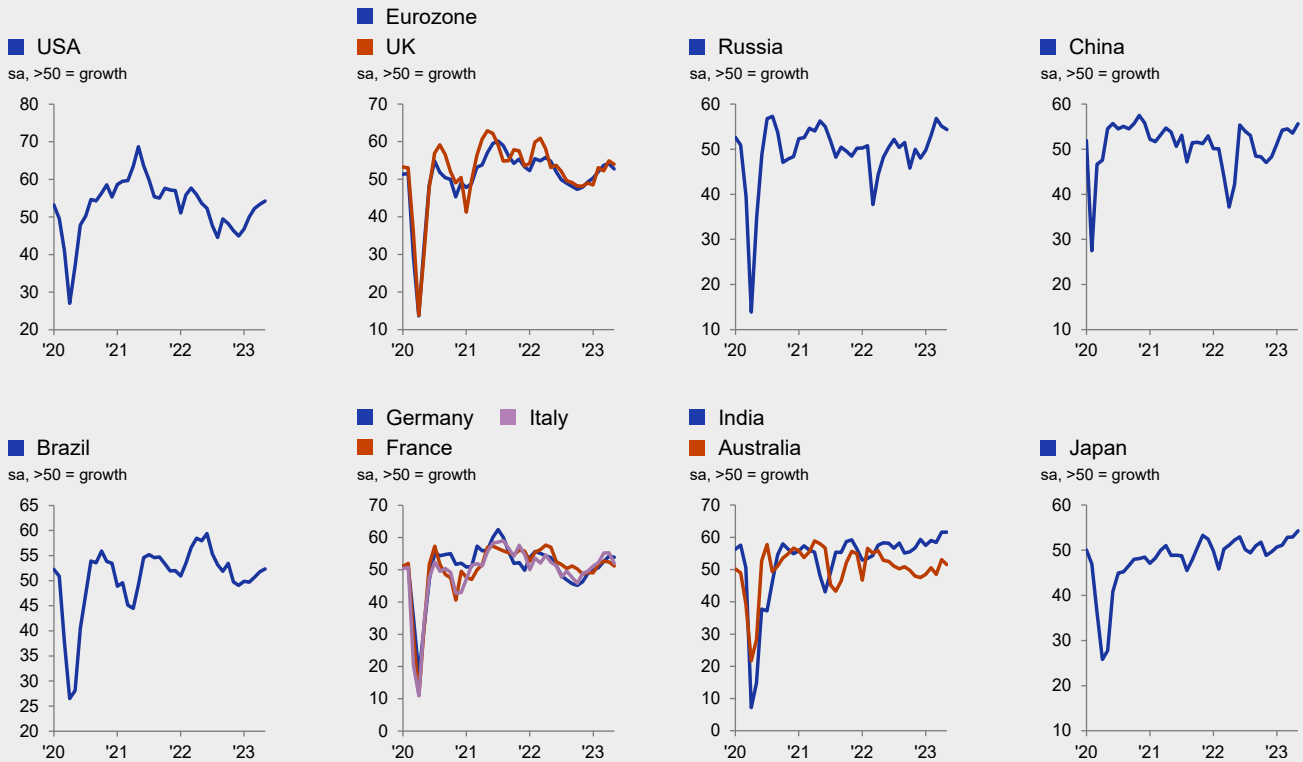
International PMI

Composite Output Index, May '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 12-27 June 2023.

Survey questions

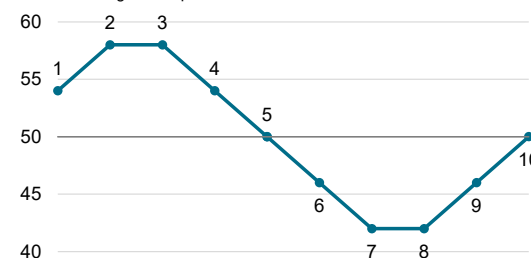
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

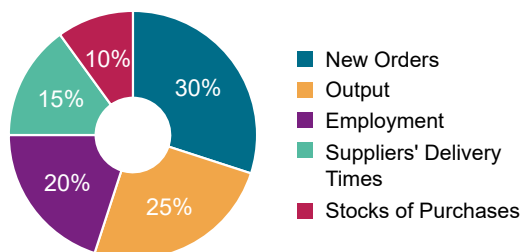
Index interpretation

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