

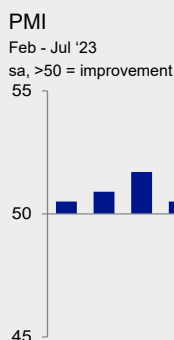


# Standard Bank Mozambique PMI™

## PMI strengthens to 13-month high in July

# 51.9

MOZAMBIQUE PMI  
JUL '23



Fastest growth of output and new orders since mid-2022

Employment growth moderates amid pay pressure

Inventories fall at quickest rate since January 2022

Mozambique's private sector economy began the second half of 2023 on a strong footing, according to the latest PMI™ survey data, which signalled the strongest improvement in business conditions for just over a year. Output growth accelerated to a sharp pace, driven by robust demand and rising customer numbers. The upturn encouraged a stronger round of selling price increases, supporting firms' margins at a time of modest cost pressures.

However, businesses struggled to convert sales growth into staffing additions, as recent wage pressures hit cashflows and stifled recruitment. Similarly, input stocks were depleted despite a renewed increase in purchasing, as weak procurement over the second quarter forced firms to use their holdings to support output.

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 index posted above the 50.0 no-change mark for the sixth month running, rising from 51.3 in June to 51.9 in July. The reading was the highest recorded since June 2022 and signalled a moderate improvement in the health of the private sector.

Companies often based improving conditions on a sharp expansion in new order intakes, where the rate of growth picked up to its strongest since May 2022. Survey panellists typically cited an increase in demand and greater customer orders. Upturns were seen across most of the private sector, the exception being construction where new work decreased for the third month running.

Higher new order inflows translated into an increase in output at the start of the third quarter, one that was the most marked in just over a year. The rise meant that companies were generally able to stay on top of workloads, contributing to a slight drop in outstanding orders.

Greater demand levels encouraged firms to raise their output prices more quickly

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





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in July. The overall increase in charges was modest, but nonetheless the fastest recorded since September last year. Some firms commented on efforts to pass through higher purchase prices to customers, which rose to the greatest extent for three months.

Mozambican businesses reported only a fractional rise in employment numbers in July. Despite aiming to recruit more staff to fulfil order books, pay pressures and cashflow issues forced some firms to reduce their headcounts. Notably, this helped to ease wage cost inflation to a five-month low.

At the same time, weaker purchasing activity over the second quarter led firms to withdraw from their stocks for the second month running in July. In fact,

the drop in inventories was the strongest since the start of 2022, albeit modest overall. In response, firms upped their input spending for the first time in four months, but only fractionally as some panellists encountered cashflow issues.

Average lead times on inputs continued to shorten during July, although the rate of improvement eased substantially from June's recent high. There were reports that improved material availability had supported supply chains, but strikes had led to some delays.

Lastly, Mozambican firms remained confident about the year ahead in July, with 45% of respondents predicting growth of activity amid rising new business. Optimism waned, however, and was the lowest since February.



## Comment

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

*“The Standard Bank Mozambique PMI continued to rise in July, maintaining a straight two-month increase and reaching a 13-month high of 51.9, from 51.3 in June. This mainly reflects a continued acceleration of growth in new orders and output.*

*“Having printed above the 50-benchmark level, the July PMI suggests that this economy continues to experience growth resilience and a gradual recovery in economic activity.*

*“The PMI suggests softer month on month performance in agriculture and construction, with the latter most likely impacted by tighter monetary conditions and intermittent FX liquidity and fiscal pressures.*

*“While there seems to be some growth resilience in the services economy, we would not be surprised if this starts to wane due to ongoing corrections in the government wage bill, which was cut twice this year, alongside tight monetary policy, which tends to impact the economy with a lag.*

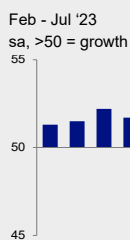
*“Per our June edition of the African*

*Markets Revealed (AMR), we note 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.”*



# Output and demand

## Output Index



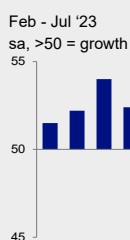
## Output

Firms in Mozambique registered another strong increase in business activity at the start of the third quarter of the year. The rate of growth picked up from June and was the sharpest in just over a year, driven mainly by wholesalers, retailers and services firms. In contrast, output fell across agriculture and construction. Where an upturn was recorded, this was chiefly associated with an improvement in firms' order books.

## Output Index



## New Orders Index



## New orders

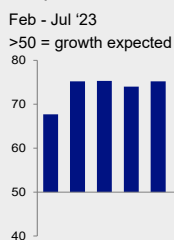
New order volumes in the Mozambican private sector economy rose at a sharp pace in July, with the expansion quickening for the second month running to the most marked since May 2022. Survey panellists often commented on an increase in demand and stronger customer orders. New orders rose in all monitored sectors except for construction, where a decline was noted.

## New Orders Index



# Business expectations

## Future Output Index



July survey data signalled a moderate loss of confidence towards the year ahead among Mozambican firms. The Future Output Index dropped three points over the month to signal the lowest optimism since February, though it remained firmly in positive territory with 45% of firms predicting growth. Survey panellists generally hoped that rising new orders would allow them to lift output.

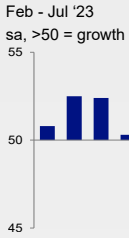
## Future Output Index





# Employment and capacity

## Employment Index



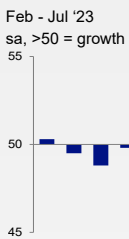
## Employment

Demand strength in July translated into only a slight increase in employment numbers, latest survey data showed. The seasonally adjusted Employment Index posted just above the 50.0 neutral mark, as staffing growth in the agriculture, manufacturing and wholesale & retail sectors conflicted with reductions in construction and services. According to survey panellists, heightened pay pressures and tempered job creation resulted in staffing cuts in some cases.

## Employment Index



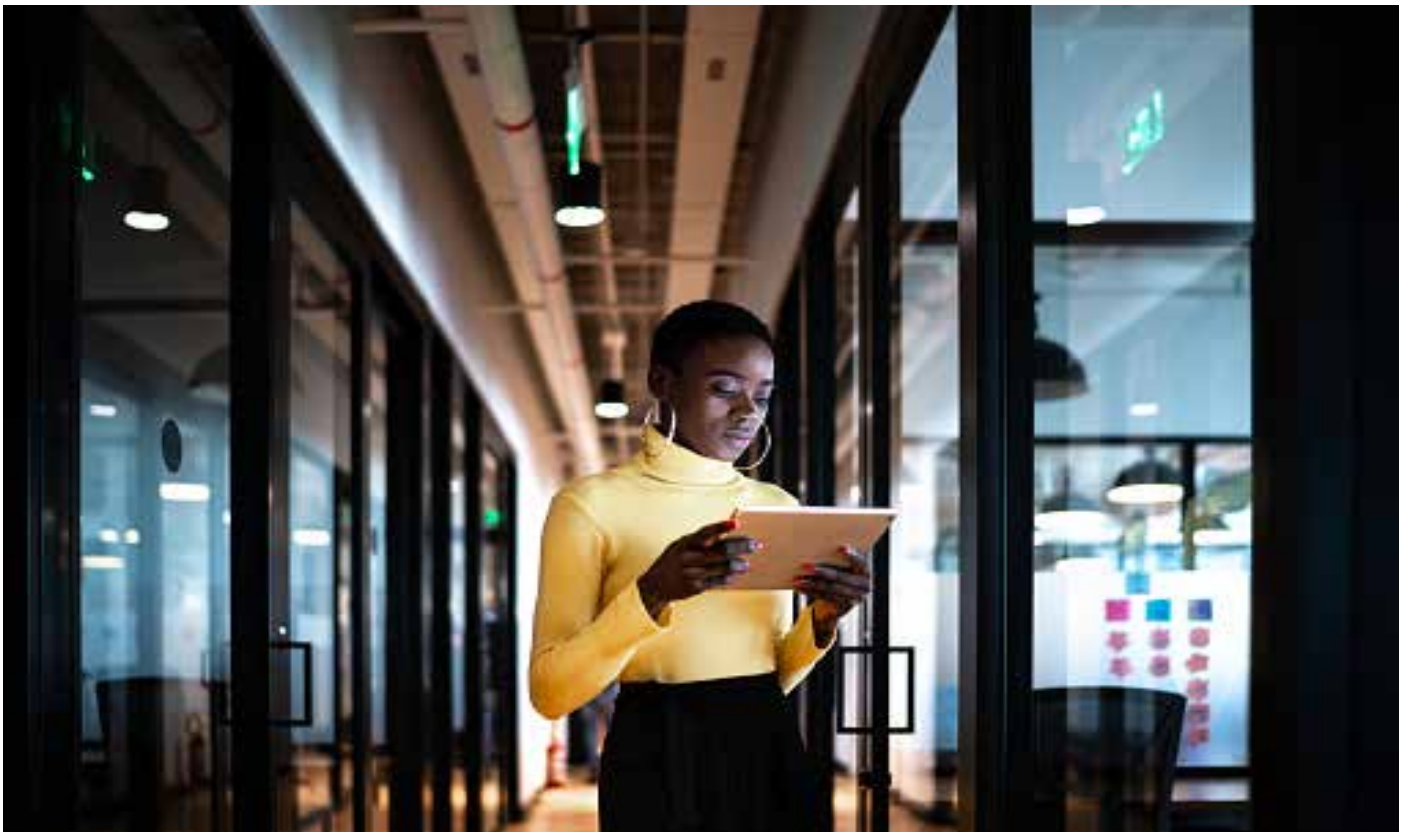
## Backlogs of Work Index



## Backlogs of work

Mozambican firms were able to stay on top of their workloads in July, supporting a slight reduction in outstanding orders for the fifth month running. This was led by the agriculture sector, with decreases also recorded in manufacturing and construction. Wholesale & retail was the only sector covered by the survey to see backlogs rise.

## Backlogs of Work Index

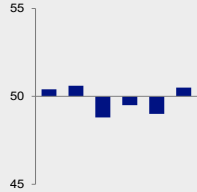




# Purchasing and inventories

## Quantity of Purchases Index

Feb - Jul '23  
sa, >50 = growth



## Quantity of purchases

Mozambican firms reported greater purchasing efforts at the start of the third quarter. Adjusted for seasonal factors, the Quantity of Purchases Index posted inside growth territory for the first time in four months. That said, the expansion was only marginal, as some survey panellists mentioned that cashflow weakness prevented them from making purchases.

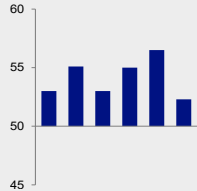
## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

Feb - Jul '23  
sa, >50 = faster times



## Suppliers' delivery times

Average lead times on inputs received by Mozambican firms continued to shorten during the latest survey period. However, after hitting a 13-month high in June, the rate of improvement in vendor performance softened markedly and was the slowest since the beginning of the year. There were some reports that improved material availability had supported supply chains, but strikes led to delays for other businesses.

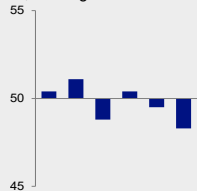
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index

Feb - Jul '23  
sa, >50 = growth



## Stocks of purchases

Despite a renewed (but slight) rise in input buying, firms were forced to deplete their stocks of purchases in order to meet output requirements in July. Subsequently, inventories fell for the second month running, and the rate of contraction was the fastest recorded since January 2022. Notably, all five monitored sectors recorded a decline in stock levels.

## Stocks of Purchases Index

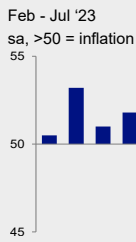
sa, >50 = growth since previous month



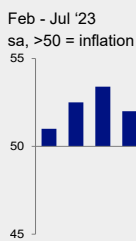


# Prices

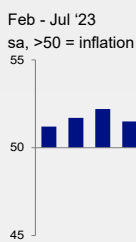
## Input Prices Index



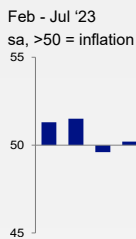
## Purchase Prices Index



## Staff Costs Index



## Output Prices Index



## Input prices

Mozambican businesses reported a moderate increase in their expenses at the start of the third quarter, extending the sequence of rising costs to a sixth successive month. The rate of inflation nonetheless softened for the first time since April. Detailed survey data suggested that this was mainly due to a softening of wage pressures, conflicting with a faster rise in purchasing costs.

Overall input prices rose in four of the five monitored sectors in July, the outlier being wholesale & retail.

## Purchase prices

Purchase costs in the Mozambican economy increased at a solid pace during July, with the rate of inflation quickening from June's four-month low. A number of respondents noted that increased demand for inputs exerted upward pressure on supplier prices. On the other hand, some firms commented on a lack of buying power.

## Staff costs

The pace of wage inflation eased noticeably in July, signalled by a drop in the seasonally adjusted Staff Costs Index to its lowest level since February. While greater hiring and cost-of-living pressures led to pay rises at several companies, dismissals and a loss of staff elsewhere led to falls in salary costs. As was the case for overall input prices, wholesale & retail was the only monitored category to see payroll costs decline.

## Output prices

Higher client demand and increased costs combined to drive an uptick in selling charges at Mozambican firms in July. The rise was the third seen in as many months and, though modest, was the fastest registered since September last year. Selling price inflation was most pronounced among services and agriculture companies.

## 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

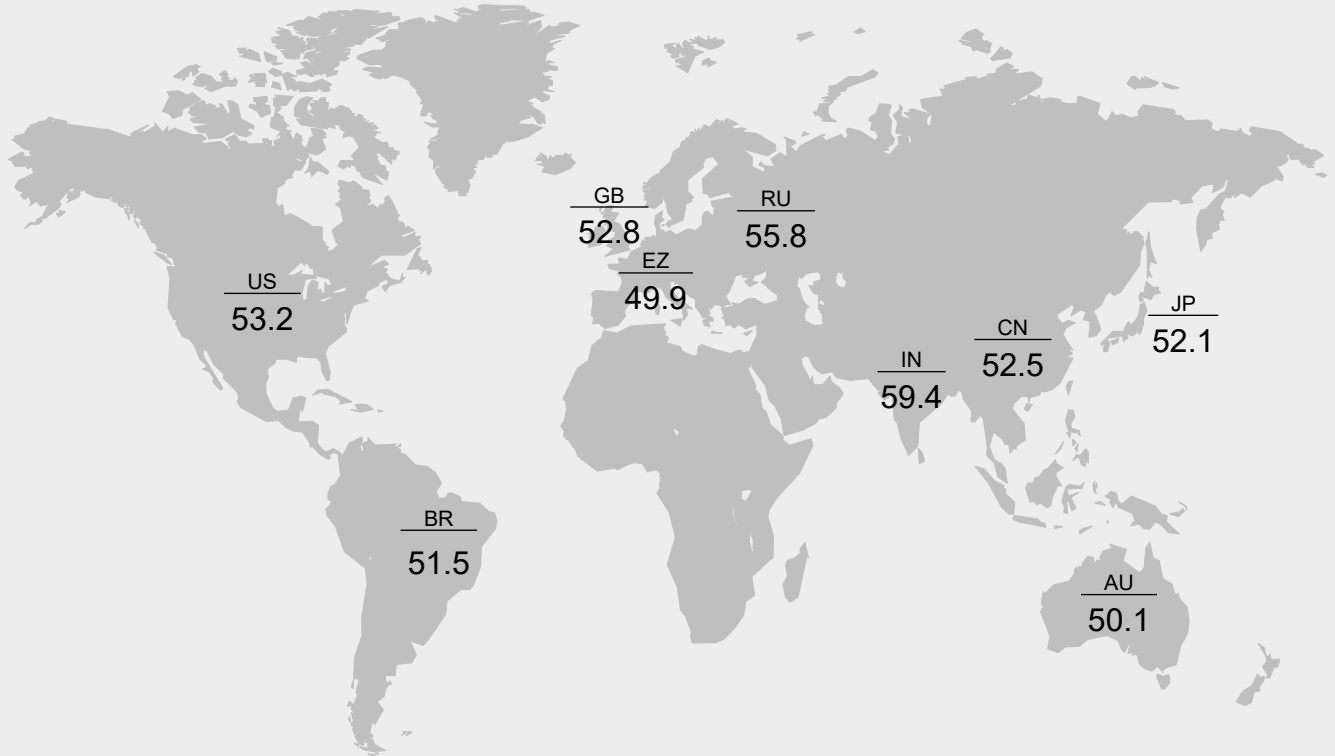




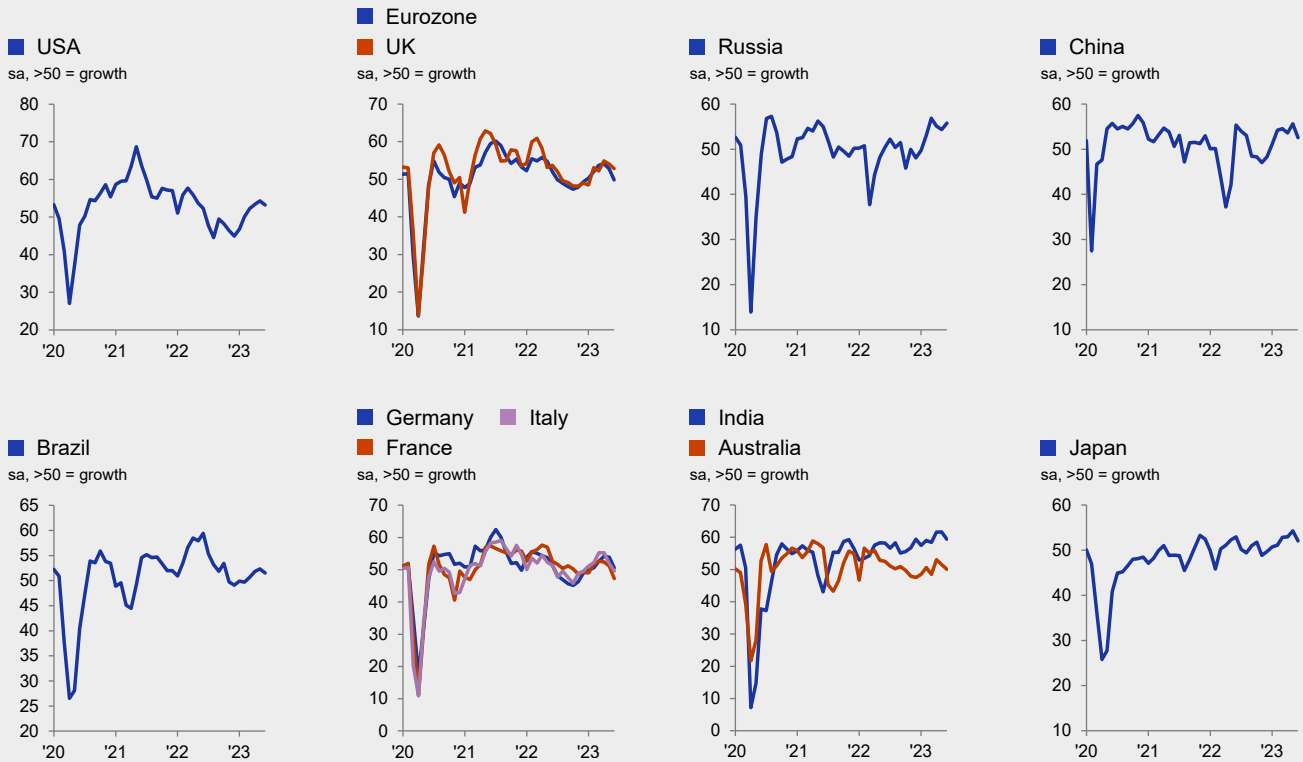
# International PMI

Composite Output Index, Jun '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](mailto:economics@ihsmarkit.com).

## Survey dates

Data were collected 12-26 July 2023.

### Survey questions

Private sector

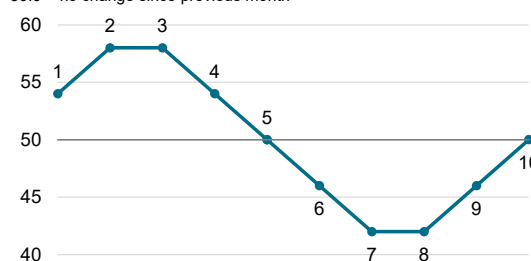
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

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

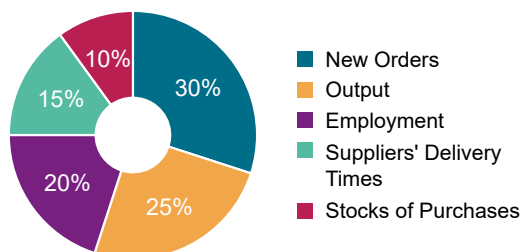
### Index interpretation

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](https://ihsmarkit.com/products/pmi.html)