

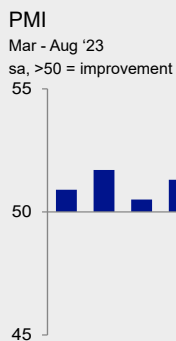


# Standard Bank Mozambique PMI™

## Output and new order growth slow markedly in August

# 50.4

MOZAMBIQUE PMI  
AUG '23



### New orders rise only marginally

### Activity growth moderates from July's 13-month high

### Confidence drops to second-weakest in nearly three years

The Mozambique PMI™ slipped to a seven-month low in August as rates of expansion in activity and new business slowed considerably from the recent highs recorded in July. A cooling of sales growth led to weaker optimism towards future activity. Nevertheless, firms added to their employment numbers and raised their inventories for the first time since May.

Mozambican companies meanwhile saw reduced pressure on their expenses, as a slight dip in purchase prices helped to offset a further rise in wages. Businesses again increased their selling charges, albeit at a moderate rate.

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 rising to a 13-month high of 51.9 in July, the headline index dropped to 50.4 in August. The reading was the lowest seen in seven months, and indicated only

a slight improvement in the health of the private sector.

Driving the PMI lower was a considerable slowdown in new business growth, which was the softest recorded in the current seven-month period of expansion. Several panellists reported difficulties acquiring new work, although others managed to gain customers. Notably though, the weaker rise in sales followed the strongest upturn for 14 months in July.

Subsequently, activity levels increased modestly and to a weaker extent during August, with the rate of growth slowing to a six-month low. Sector data signalled that weakness in construction weighed on output, as falling new orders led to a sharper contraction in this category. By comparison, expansions were recorded in the agriculture, manufacturing, wholesale & retail and service sectors.

Meanwhile, Mozambican companies made further additions to their staffing in August, with the latest data indicating a modest uptick in jobs. Greater labour

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





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- Output and demand
- Business expectations
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capacity helped to keep the lid on backlog volumes, which ticked down fractionally and for the sixth month running.

Similarly, businesses expanded their purchasing activity again, following a renewed rise in July. Stocks of purchases also increased, marking the first accumulation in three months. That said, rates of growth for both metrics were only marginal, while several firms noted that relatively subdued input demand led to both quicker delivery times and a first drop in purchase prices since January.

Overall input costs continued to rise over August, driven by a further increase in wages. However, the dissipation of purchase price pressures meant that the overall rate of input cost inflation eased to a six-month low and was mild.

At the same time, businesses raised their selling prices at a moderate rate in August, and one that was roughly the same as July's ten-month high. Anecdotal evidence suggested that several companies sought to protect their margins.

Output expectations for the year ahead weakened further in August, dropping to the second-lowest since late-2020. That said, firms still generally expect an expansion in activity, amid mentions of new products, investment and hopes of growing client bases.



## Comment

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

*“The Standard Bank Mozambique PMI moderated to the 50.4 level in Aug, which is the lowest since Jan, from 51.9 in Jul, which was the highest level in 11 months. This mainly reflects a sharp deceleration in output and new order growth, with job creation recording a modest increase. Output prices and input prices grew at softer paces, suggesting a further easing in inflationary pressures.*

*“Having printed above the 50-benchmark*

*level, the Aug PMI nevertheless suggests that the economy continues to experience a gradual recovery in economic activity.*

*“We see H1:23 monetary policy tightening by means of higher cash required reserves leading to a further deceleration in inflation in the second half of the year. Last reported at 5.7% y/y in Jul, we see inflation easing towards 5.5% y/y in Aug, supported by a stable metical and seasonal food category disinflation.*

*“Combined with ongoing fiscal containment measures to help address*

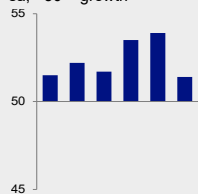
*the wage bill and government domestic debt pressures, this should see GDP growth outside the resources sector decelerating further this year. Non-resources GDP growth fell to 2.6% y/y in H1:23, from 3.4% y/y in H2:22 and 4.3% in H1:22. For now, softer non-resources growth seems inevitable to help ease FX liquidity pressures towards supporting metical stability in the context of the FX reforms progress.”*



# Output and demand

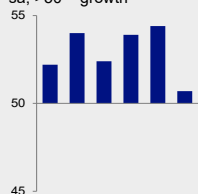
## Output Index

Mar - Aug '23  
sa, >50 = growth



## New Orders Index

Mar - Aug '23  
sa, >50 = growth



## Output

Mozambican businesses signalled a slowdown in the rate of output growth during August. After reaching a 13-month high in July, the upturn softened to the weakest recorded since February and was modest overall. Survey members frequently linked the cool down to a slower increase in new work volumes, although some commented on gaining new customers. Output rose in four of the five monitored sectors, with construction the sole exception.

## New orders

The seasonally adjusted New Orders Index slipped in August, registering its largest drop in over a year-and-a-half. The index posted only slightly above the 50.0 neutral mark, to signal the weakest rise in new work intakes in the current seven-month sequence of growth. While some panellists reported more customers and increased sales, others struggled with fewer orders.

## Output Index

sa, >50 = growth since previous month



## New Orders Index

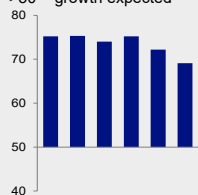
sa, >50 = growth since previous month



# Business expectations

## Future Output Index

Mar - Aug '23  
>50 = growth expected



Firms in Mozambique continued to hold an optimistic outlook for the year ahead in August, as projections for future activity remained upbeat. Companies generally expect to expand their businesses and build client bases, according to panellists, whilst mentions of investment in new products and equipment were also observed. That said, the degree of optimism weakened further, and was the second-lowest since late-2020.

## Future Output Index

>50 = growth expected over next 12 months

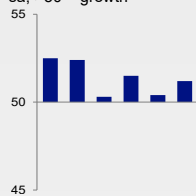




# Employment and capacity

## Employment Index

Mar - Aug '23  
sa, >50 = growth



## Employment

Businesses across Mozambique added to their workforce numbers over the course of August, thereby extending the run of employment growth to one-and-a-half years. The increase was quicker than that seen in the previous survey period, and broadly aligned with the long-run trend. Employment rose in the manufacturing, wholesale & retail and services categories, was unchanged in agriculture, and fell in construction.

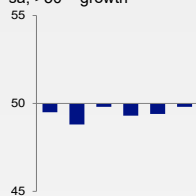
## Employment Index

sa, >50 = growth since previous month



## Backlogs of Work Index

Mar - Aug '23  
sa, >50 = growth

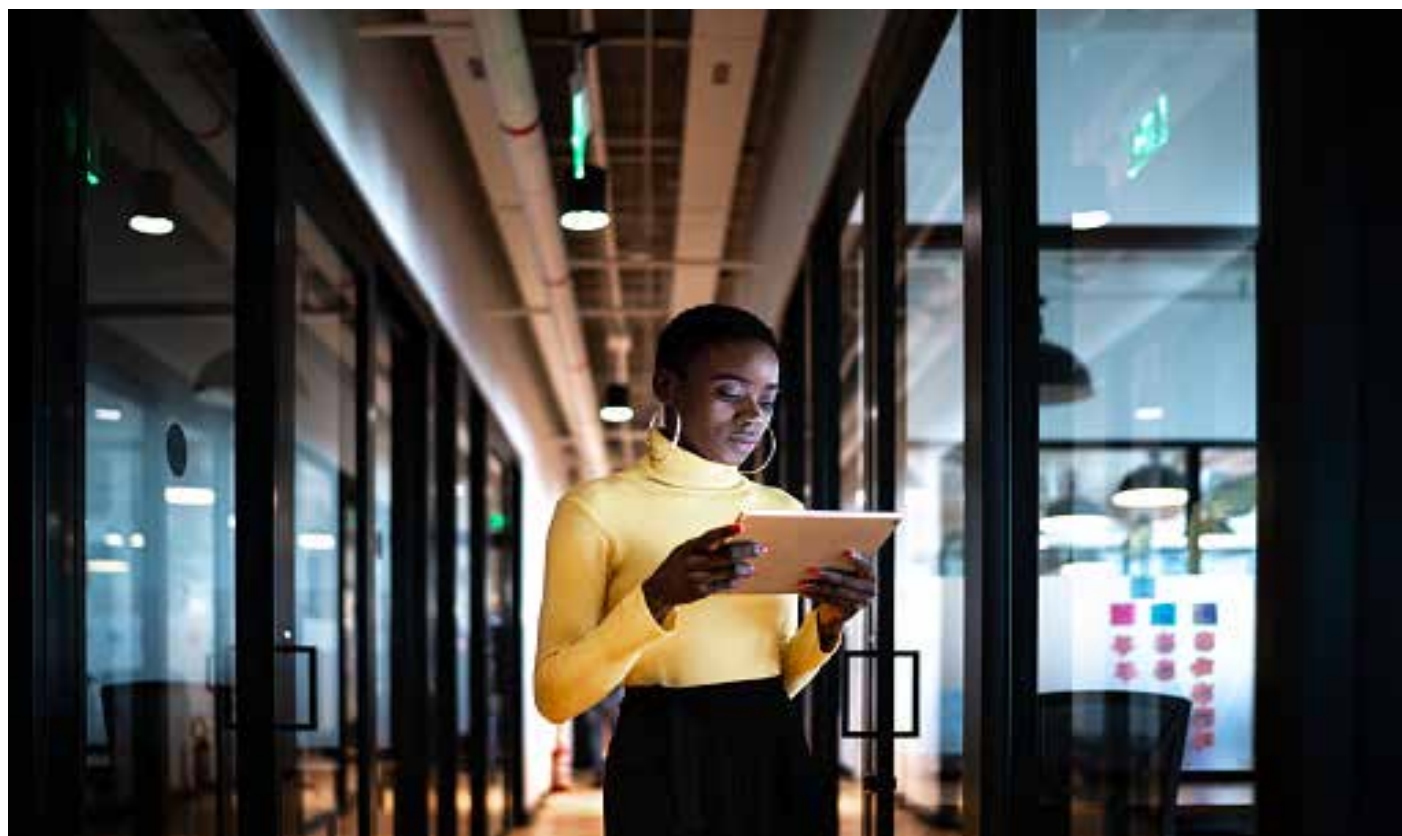


## Backlogs of work

August survey data indicated a further decrease in backlogs of work faced by Mozambican firms, as the respective seasonally adjusted index registered below the 50.0 neutral mark for the sixth month running. That said, the overall reduction was only fractional. Respondents often mentioned that a slower rise in new work helped them to complete outstanding business.

## Backlogs of Work Index

sa, >50 = growth since previous month



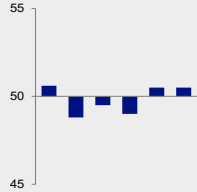




# Purchasing and inventories

## Quantity of Purchases Index

Mar - Aug '23  
sa, >50 = growth



## Quantity of purchases

Input purchases made by Mozambican companies rose further in August, after picking up for the first time in four months during July. However, the rate of expansion was unchanged from the previous survey period and slight. Where an increase was recorded, firms signalled that higher new work inflows led to greater input requirements.

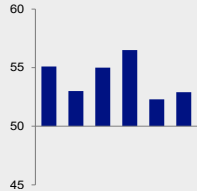
## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

Mar - Aug '23  
sa, >50 = faster times



## Suppliers' delivery times

As has been the case in every month since November 2021, average lead times in the Mozambican economy improved halfway through the third quarter of the year. Some firms associated shorter delivery times with relatively subdued input demand. The overall upturn was solid and slightly faster than that recorded in July, but remained much softer than June's recent high.

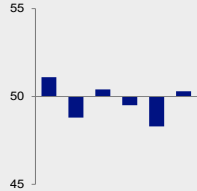
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index

Mar - Aug '23  
sa, >50 = growth



## Stocks of purchases

Mozambican firms managed to increase their stock holdings over the course of August, ending a two-month sequence of decline. That said, the expansion was only marginal. Increased inventories at manufacturing, wholesale & retail and services companies contrasted with declines in agriculture and construction.

## Stocks of Purchases Index

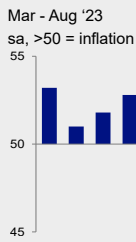
sa, >50 = growth since previous month





# Prices

## Input Prices Index



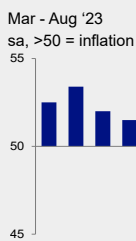
## Input prices

Adjusted for seasonality, the Input Prices Index pointed to a rise in input costs across the Mozambican economy during August. The increase was the seventh in successive months, but slowed to the weakest since February and was only marginal. Only two of the five monitored sectors saw expenses tick higher over the month, namely services and wholesale & retail.

## Input Prices Index



## Purchase Prices Index



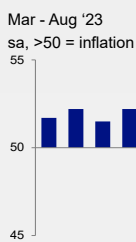
## Purchase prices

Purchase price stability helped to soften overall inflationary pressures faced by Mozambican companies in August, as the respective seasonally adjusted index posted under the 50.0 threshold for the first time in seven months. According to respondents, relatively soft demand for inputs induced a drop in supplier prices. That said, the overall reduction was only fractional.

## Purchase Prices Index



## Staff Costs Index



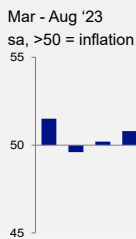
## Staff costs

In contrast to the trend for purchase prices, there was a sustained, albeit moderate increase in wages at Mozambican firms midway through the third quarter of the year. The rate of pay growth picked up from the previous survey period, but remained slower than the survey trend. Higher wages were often attributed by panel members to salary adjustments and increased hiring activity.

## Staff Costs Index



## Output Prices Index



## Output prices

Output charges set by Mozambican businesses rose for the fourth successive month in August. The pace of inflation was broadly unchanged from July's ten-month high, but moderate overall. Where charges rose, panellists cited higher costs and the release of new products. Construction was the only sector covered by the survey to record a decrease in output prices.

## Output Prices Index

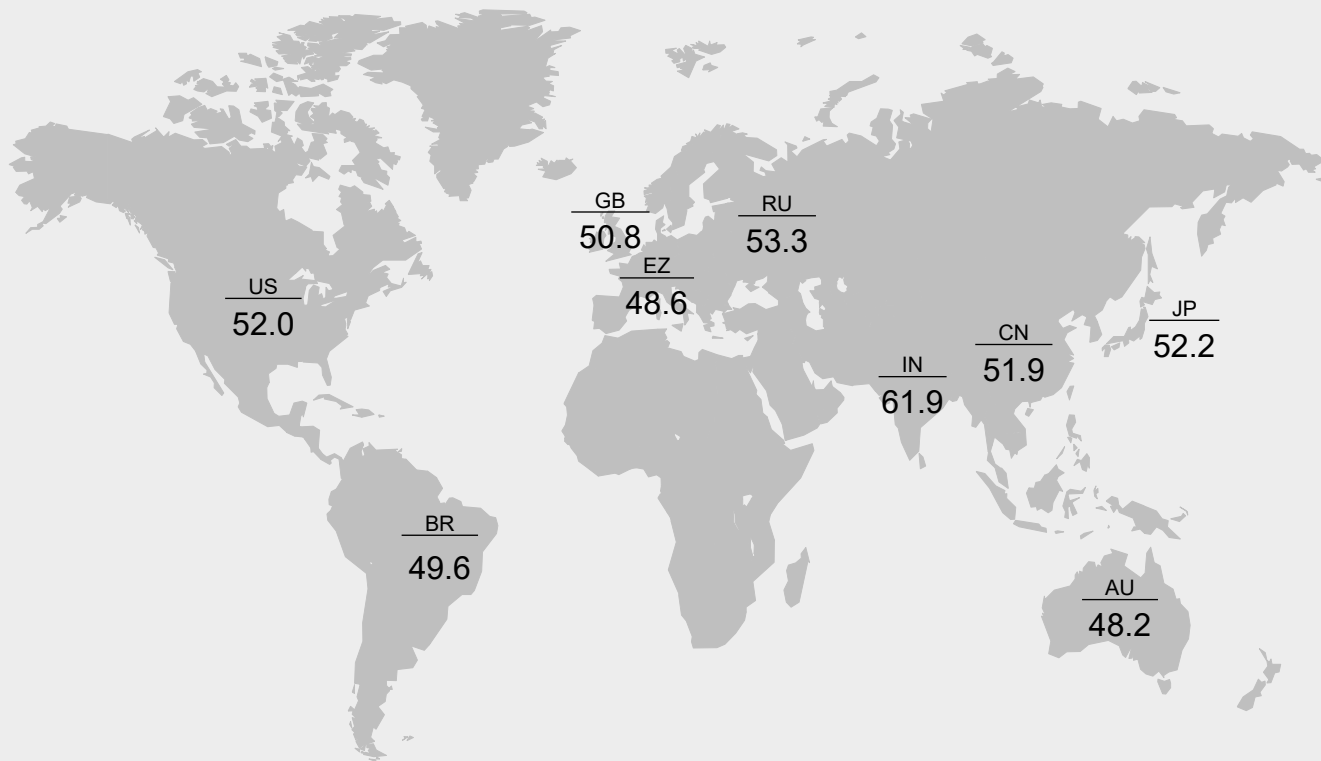




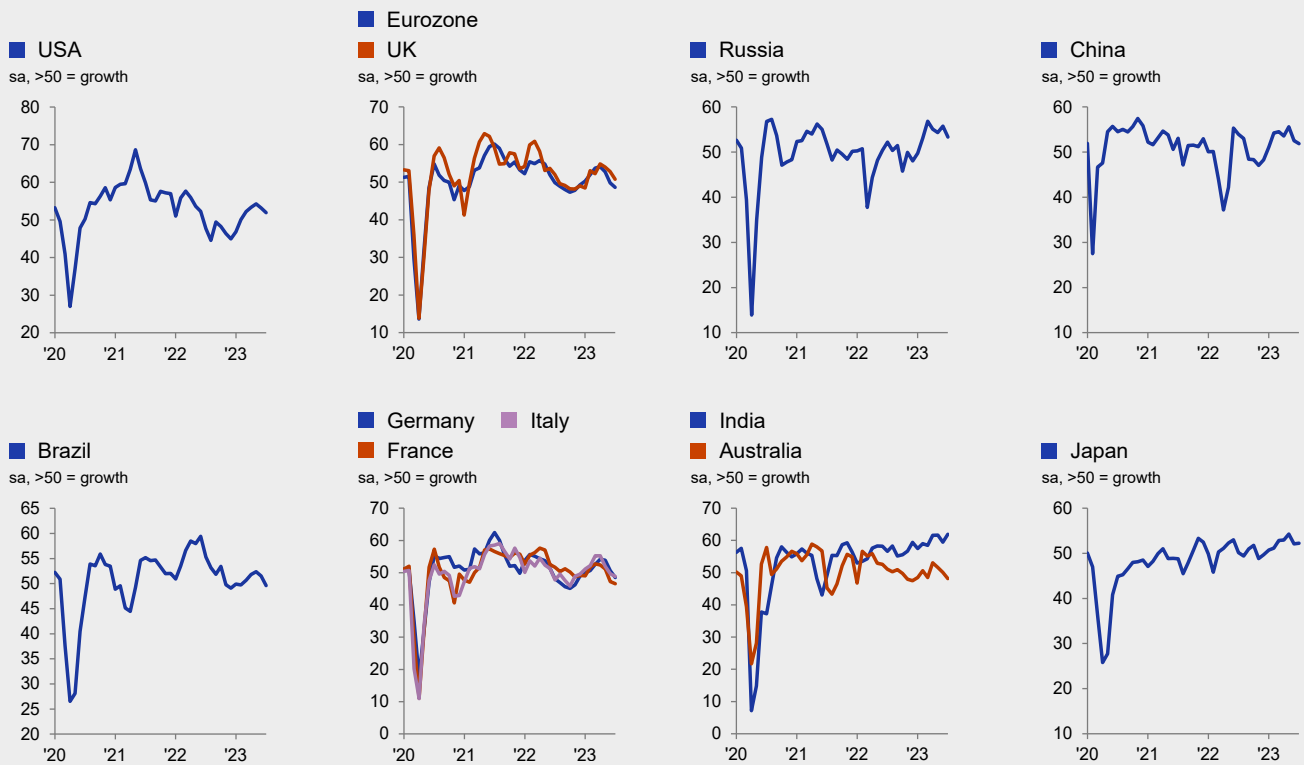
# International PMI

Composite Output Index, Jul '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 10-25 August 2023.

### Survey questions

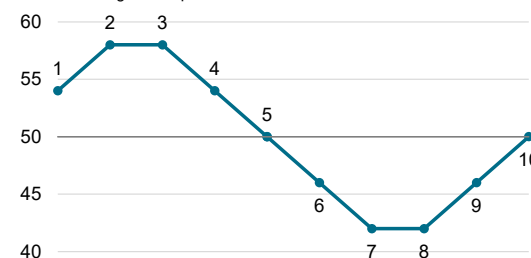
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

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

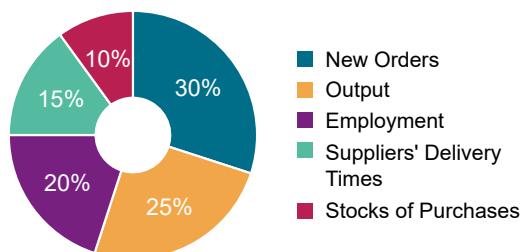
### Index interpretation

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)