

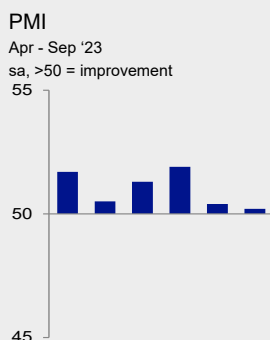


Standard Bank Mozambique PMI™

Growth in operating conditions comes close to stalling in September

50.2

MOZAMBIQUE PMI SEP '23



PMI at eight-month low of 50.2

Output and employment rise at softer rates

New order growth remains mild

Business conditions at Mozambican firms improved only fractionally in September, the latest PMI™ survey data showed, as output growth softened further amid a marginal increase in new order volumes. The slowdown resulted in a softer rise in employment and only a slight uptick in inventories, whilst supplier delivery times continued to improve.

Encouragingly, the latest data also pointed to a subdued inflation environment. Led by the slowest increase in overall input prices since February, output charges rose to a lesser extent. Despite receding pressure on costs, firms made renewed cuts to their purchasing activity amid subdued sales growth.

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 index edged closer to the 50.0 neutral threshold, registering 50.2 in September. Falling from 50.4 in August to

an eight-month low, the reading indicated only a marginal improvement in the health of the Mozambican private sector economy.

New order volumes remained in growth territory during September, as businesses on balance reported stronger client demand. However, as was the case in August, the rate of expansion was only marginal.

Output levels grew at the softest pace since the beginning of the year, due in large part to the subdued demand picture. Out of the five broad sectors covered by the survey, only services and wholesale & retail recorded higher activity. By contrast, output fell in agriculture and construction, while manufacturers saw no change.

Despite the weaker uplift in activity, Mozambican firms remained on top of their workloads during September, leading to a drop in backlogs for the seventh month in a row. The latest fall was the quickest since January, though modest overall. Concurrently, firms

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





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expanded their employment numbers and inventory levels only slightly, while new input purchases decreased for the first time in three months and to the greatest extent since January 2022.

Supplier delivery times shortened again in September, stretching a run of improvement that began nearly two years ago. Survey participants noted that efficient services and strong competition helped vendors to cut delivery times, although some firms highlighted material shortages. The overall reduction in lead times was solid, but slightly weaker than seen in August.

Cost pressures faced by Mozambican businesses stayed relatively mild at the end of the third quarter. There was a renewed (albeit mild) uptick in purchase

prices, whereas wage pressures softened and were only modest. Combined, the rate of overall input price inflation ticked down to a seven-month low, which allowed for a softer increase in selling charges. Sector data indicated that cost reductions at agriculture firms had supported the cooler price environment.

Finally, firms' predictions towards activity over the next 12 months remained relatively subdued in September. Despite ticking slightly higher since August, the degree of confidence was still among the weakest seen in the past three years. However, the balance of sentiment was still positive, with firms signalling that activity will grow due to factors such as new client wins, greater investment, higher employment and increased tourism.



Comment

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

"The Standard Bank Mozambique PMI moderated to 50.2 in Sep, after declining to 50.4 in Aug. There was a notable moderation in output and job creation, which suggests growth deceleration. The continued easing of input price inflation is a sign that price pressures are receding. Having printed above the 50-benchmark level, the Sep PMI suggests that economic recovery continues.

"There has been some moderation in

Mozambique's current account deficit excluding the large projects, last reported at 26.5% of GDP in Q2:23, down from 29.8% of GDP in 2022, and a further decline in the wage bill to revenue ratio to 53.5% in Q2:23, from 69.3% in 2022.

"This, alongside easing inflation, last reported at 4.9% y/y in Aug, down from a peak of 13% y/y in Aug 22, suggests that the Central Bank may start contemplating a policy rate cut at the Nov MPC meeting.

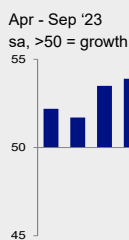
"Overall, we see inflation easing further towards 4.8% y/y by year end, but not

without slower GDP growth outside the resources sector, which printed at 2.5% y/y in Q2:23 and will likely average 2.1% y/y this year, down from 3.9% y/y last year. We see overall GDP growth accelerating to 5.1% y/y in 2024, from 4.6% y/y this year, supported by LNG investments. Our year end inflation forecast for 2024 of 5.9% y/y reflects risks emanating from climate events and fuel prices."



Output and demand

Output Index



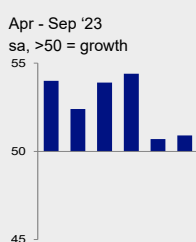
Output

Output in Mozambique’s private sector grew at the end of the third quarter, extending the current sequence of expansion to eight months. However, the uplift was only marginal and eased to the softest over this period. Sector data indicated a mixed picture, with growth in services and wholesale & retail contrasting with downturns in agriculture and construction. Manufacturing production stagnated.

Output Index



New Orders Index



New orders

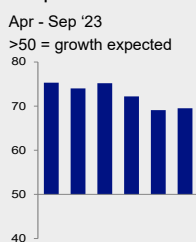
Similar to output, new order volumes rose only slightly over the course of September. The rate of growth ticked up fractionally from the previous survey period, but was the second-weakest in the current eight-month period of expansion. While some firms reported higher order volumes and new customer wins, others noted weak demand. Upturns were seen in the services, wholesale & retail and construction categories.

New Orders Index



Business expectations

Future Output Index



Firms in Mozambique were slightly more confident about the path of future output in September, as the latest data signalled an improvement for the first time since June. The degree of optimism was, however, subdued in the context of the survey history and among the weakest seen over the past three years. Around 40% of panellists expect activity to grow over the coming 12 months, with confidence especially robust in the construction sector. Panellists attributed positive sentiment to new clients, investment, higher staffing and greater tourism.

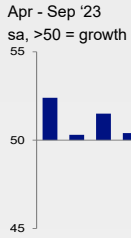
Future Output Index





Employment and capacity

Employment Index



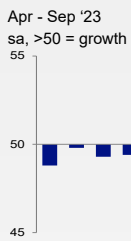
Employment

The seasonally adjusted Employment Index indicated a further rise in job numbers at Mozambican firms in September, continuing the run of growth that began in March 2022. However, slowing from the previous survey period, the rate of increase in staffing levels was only marginal. Agriculture was the only category to buck the wider trend and register a fall in headcounts.

Employment Index



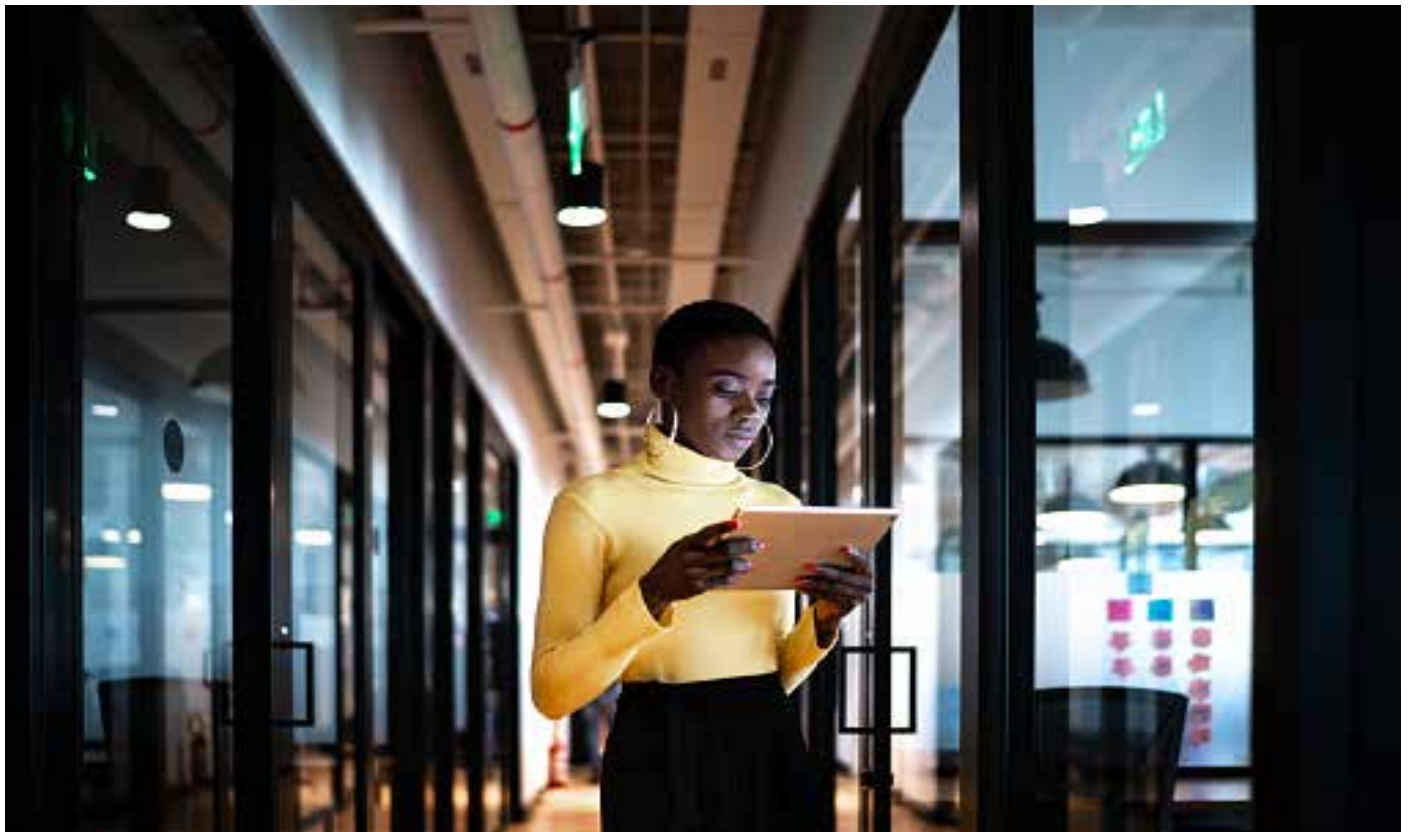
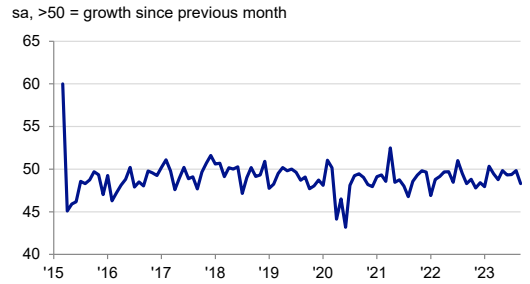
Backlogs of Work Index



Backlogs of work

Backlogs of work held at Mozambican private sector firms were depleted again during September. The rate of decline picked up to the quickest since the beginning of the year, but was moderate overall. Panellists generally linked the fall in backlogs to soft new business growth.

Backlogs of Work Index

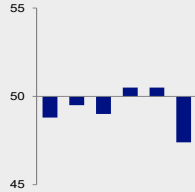




Purchasing and inventories

Quantity of Purchases Index

Apr - Sep '23
sa, >50 = growth



Quantity of purchases

Buying activity decreased for the first time in three months at Mozambican businesses in September. The solid cut was the quickest since January 2022, offsetting the slight expansions registered in July and August. Some panellists indicated that weak demand and a lack of purchasing power were behind the reduction.

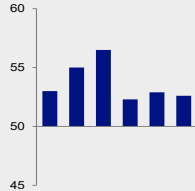
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Apr - Sep '23
sa, >50 = faster times



Suppliers' delivery times

Vendor performance continued to improve in the final month of the third quarter, thereby extending the current run of growth to almost two years. The improvement in performance was solid overall, but eased slightly from August and was softer than the long-run average. Businesses signalled that efficient services and strong competition helped to cut delivery times at suppliers. On the flip side, some firms reported delays due to material shortages.

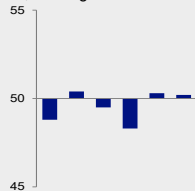
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Apr - Sep '23
sa, >50 = growth

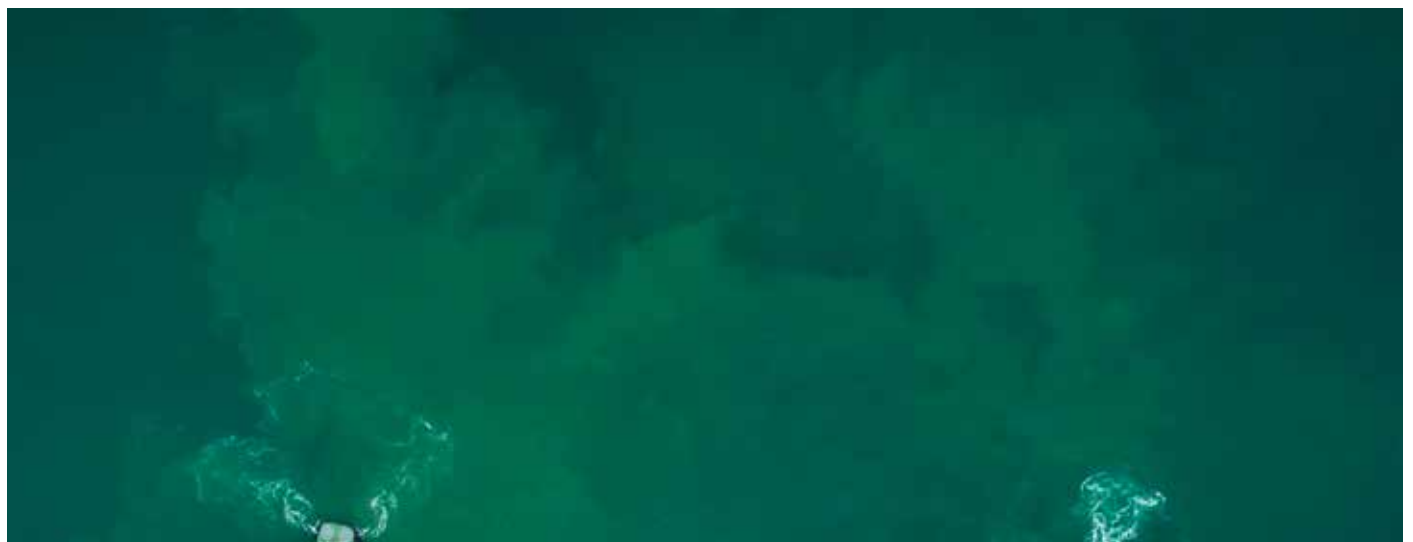


Stocks of purchases

Similar to August, stocks of unused inputs at Mozambican companies rose only marginally during September, as the respective seasonally adjusted index registered close to the 50.0 no-change mark. Construction and services firms were able to raise their inventories, contrasting with declines in agriculture, manufacturing and wholesale & retail.

Stocks of Purchases Index

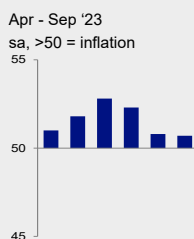
sa, >50 = growth since previous month





Prices

Input Prices Index



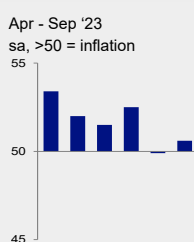
Input prices

The latest survey data indicated another month of subdued price pressures across Mozambique's private sector economy. Adjusted for seasonality, the Input Prices Index ticked down for the third month running, to signal the slowest rise in input costs since February. Expenses rose across four of the five monitored sectors in September, the exception being agriculture.

Input Prices Index



Purchase Prices Index



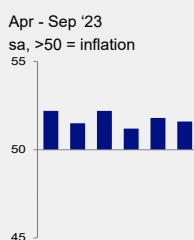
Purchase prices

After registering a mild decline for the first time in seven months in August, purchase prices increased in the latest survey period. Companies that saw a rise generally related this to higher demand, with some also mentioning increased fuel bills. The uptick was, however, only marginal.

Purchase Prices Index



Staff Costs Index



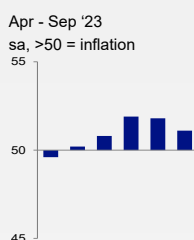
Staff costs

September data pointed to a moderate rise in staff costs at Mozambican businesses. The rate of inflation softened slightly from that seen in August, and remained below the average recorded since the series began in March 2015. Panellists indicated that hiring activity had mostly spurred the increase in labour expenses.

Staff Costs Index



Output Prices Index



Output prices

Selling prices at Mozambican firms increased at the end of the third quarter. Like input costs, the rate of charge inflation softened from the previous survey period, cooling to a modest pace that was the weakest since June. Sector trends also matched the results for overall input prices, with agriculture the only category to post a fall in charges.

Output Prices Index

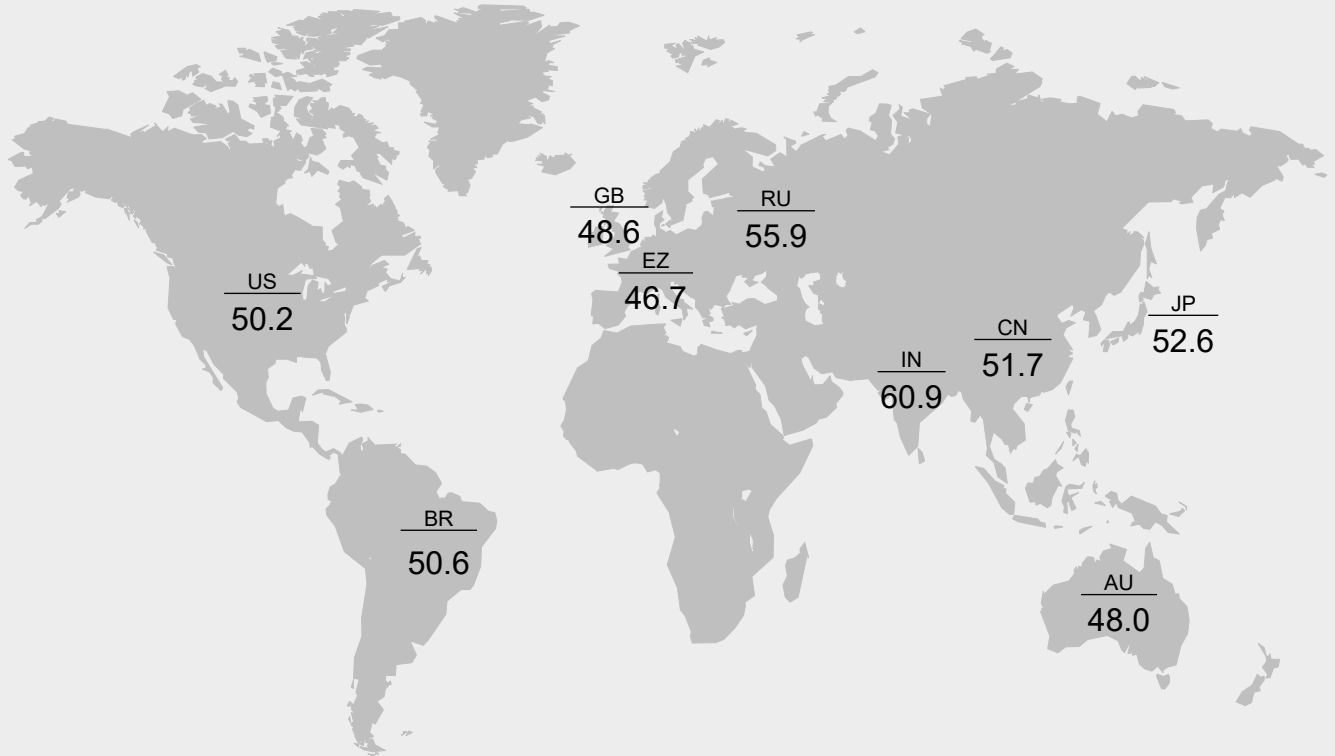




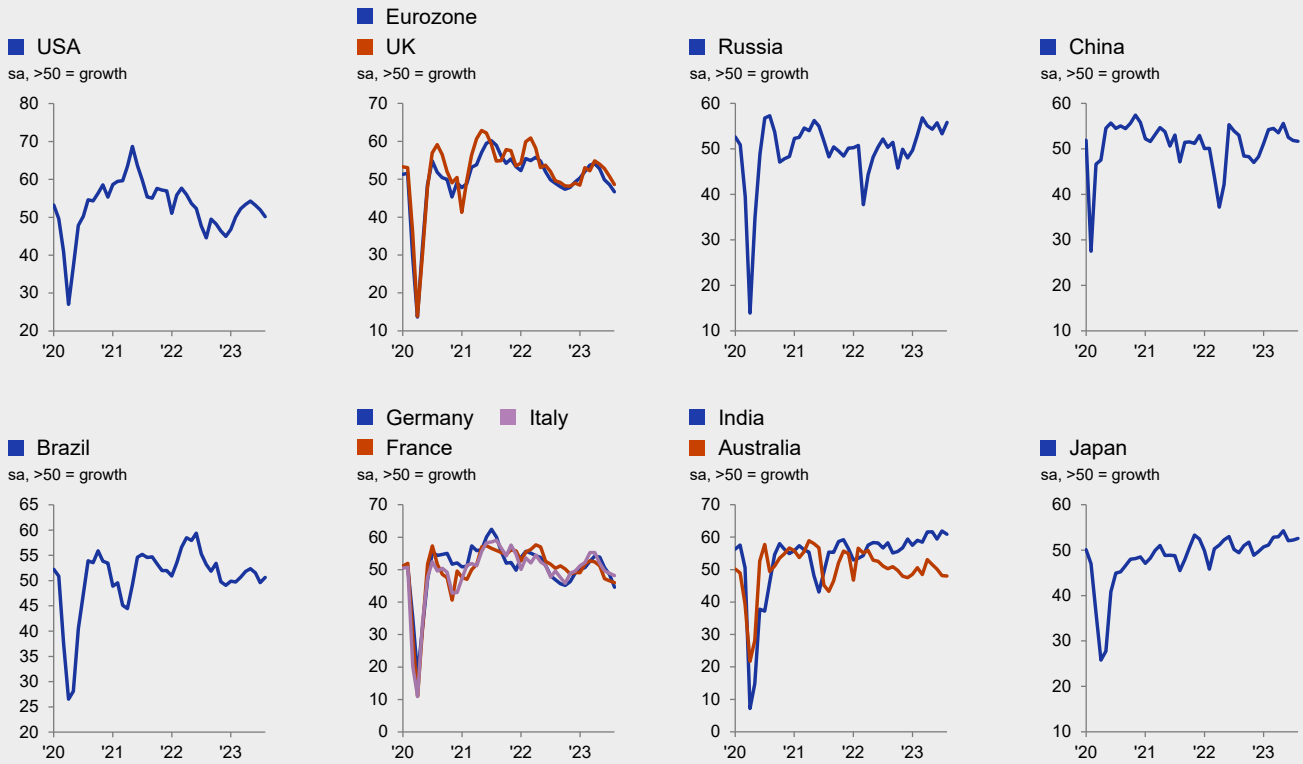
International PMI

Composite Output Index, Aug '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@spglobal.com.

Survey dates

Data were collected 12-26 September 2023.

Survey questions

Private sector

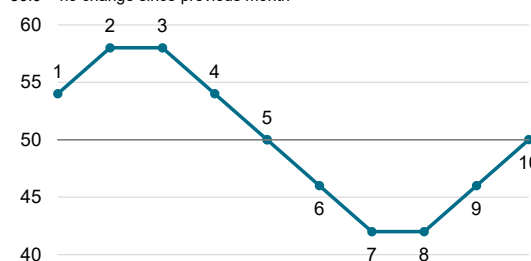
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

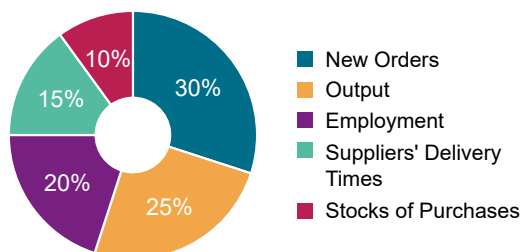
Index interpretation

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.

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