

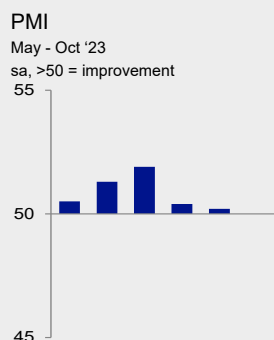


Standard Bank Mozambique PMI[®]

Business conditions stagnant in October as new order growth slows

50.0

MOZAMBIQUE PMI OCT '23



Sales increase at softest rate for nine months

Modest expansions in output and employment

Purchases fall for second month running

The latest Mozambique PMI[®] survey findings signalled an erosion of growth in the private sector economy at the start of the fourth quarter, as companies reported softening demand momentum and inventory curtailment. New business intakes grew at the weakest rate for nine months in October, while output and employment levels saw only modest upturns.

Input buying stayed on a downward slope, despite a pick-up in confidence among businesses towards future activity. Reduced purchases supported a renewed fall in overall cost burdens, contrasting with a further uptick in firms' output charges.

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 above-50.0 readings in each of the past eight months, the headline index slipped from 50.2 in September to

50.0 in October, signalling a stagnation of operating conditions and an end to the recent growth run.

While Mozambican firms continued to report an increase in new order volumes at the turn of the quarter, the uptick was fractional and the weakest in nine months. Whereas sales increased at some surveyed companies, others reported challenging conditions at clients and lower investment activity.

The mixed picture reflected differing trends at the sector level in October. While growth was registered in the manufacturing, construction and wholesale & retail industries, this was largely offset by reduced sales among agriculture and services firms.

Output growth in the Mozambican private sector was sustained in October, although as was the case in September, the rate of expansion was modest and weaker than those seen around mid-year. On the plus side, firms reported a quicker rise in employment numbers, albeit one that was largely centred on the manufacturing

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





Contents

Overview and comment

Output and demand

Business expectations

Employment and capacity

Purchasing and inventories

Prices

International PMI

Survey methodology

Further information

and service sectors.

On the negative side, purchases of inputs fell for the second month in a row during October, reflecting softer demand growth and a lack of capacity pressure. That said, the reduction was milder than the 20-month record set in September. Lower buying levels led to a depletion of input inventories for the first time since July, albeit one that was also only marginal.

At the same time, reduced demand for materials weighed on cost pressures, with the latest survey data indicating a negligible uptick in purchase prices. Wage inflation was at its softest level for more than two years, as firms reported only a fractional rise in salaries.

Selling charges were nevertheless increased for the sixth straight month,

amid reports that uncertainty in commodity markets had encouraged companies to raise their prices. The pace of inflation was modest and only slightly quicker than in September.

Despite stagnant business conditions, firms indicated a greater degree of confidence regarding the future path of activity in October. Indeed, optimism recovered from recent lows to the strongest since June. Panellists were broadly hopeful that new work and investments in the coming months would support activity.



Comment

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

“The Standard Bank Mozambique PMI moderated to 50 in Oct, from 50.2 in Sep. There was a timid recovery in output and job creation, but with companies curtailing inventory, suggesting growth stalling at the beginning of the fourth quarter. Alongside subdued demand, there was a fresh contraction in input prices, a sign that inflationary pressures continue to recede. Having printed at the 50-benchmark level, the Oct PMI suggests stagnant business conditions.

“This month’s episodes of protests and violence, following the 11 Oct municipality elections, could further deteriorate the economic performance of the non-resources economy.

“Limited issuances of phytosanitary licences in northern Mozambique, following a campaign to clear reported irregularities in export processing has caused a temporary pause of agricultural exports. This combined with some food imports and subdued local demand helped moderate food price pressures.

“Inflation, last reported 4.6% y/y in Sep,

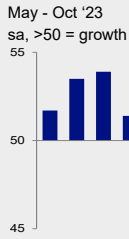
a 32-m low, could be near a bottom, with risks increasing, considering geopolitical tensions and possible oil price pressures. This suggests monetary policy remaining tight, with policy rate likely kept on hold at 17.25% in the Nov MPC.

“Fiscal risks too have increased, considering Oct 24 general elections. We note the FY2024 budget proposal (12-m ending Dec 24) implying high net increase in domestic borrowings of MZN22.8bn or 1.5% of GDP, to help partially fund a steep increase in development expenditure.”



Output and demand

Output Index



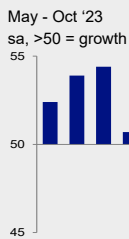
Output

Private sector output in Mozambique continued to increase at the start of the fourth quarter, extending the current sequence of growth to nine months. However, the rate of expansion was only marginal and largely unchanged from that recorded in September. According to monitored companies, softer demand conditions constrained growth, although some firms reported the fulfilment of greater business volumes.

Output Index



New Orders Index



New orders

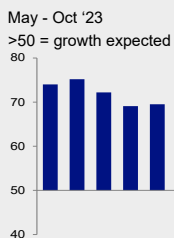
The seasonally adjusted New Orders Index signalled only a fractional rise in order book volumes in October, marking the weakest uptick for nine months. While sales increased at some companies, others reported weak spending power at clients and reduced investment. Growth was registered in manufacturing, construction and wholesale & retail, versus declines in agriculture and services.

New Orders Index



Business expectations

Future Output Index



Business confidence regarding the year-ahead outlook for activity picked up to a four-month high at the start of the final quarter of the year. Firms were broadly hopeful that new work and investments will support a boost to activity and profits. That said, the degree of confidence remained softer than its average.

Future Output Index

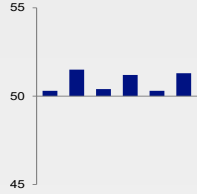




Employment and capacity

Employment Index

May - Oct '23
sa, >50 = growth



Employment

Mozambican companies added to their headcounts in October, thereby stretching the current run of job creation to 20 months. While the pace of employment growth was the quickest since June, it was only modest overall. Hiring growth was mainly driven by the manufacturing and service sectors. Job numbers fell in construction and were broadly unchanged in agriculture and wholesale & retail.

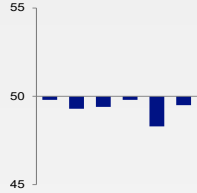
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

May - Oct '23
sa, >50 = growth

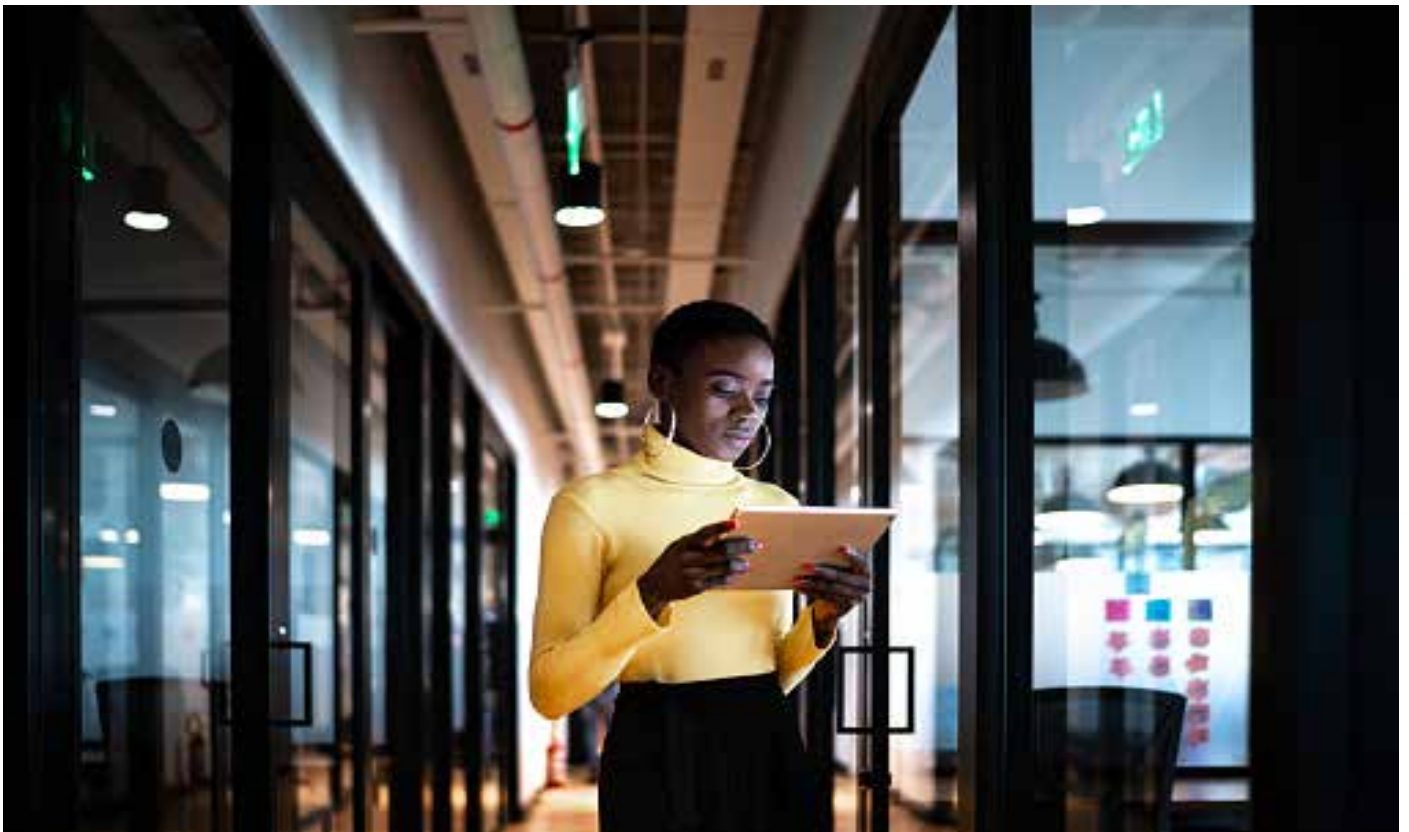


Backlogs of work

October data indicated a further contraction in the volume of outstanding work at Mozambican firms, shown by the seasonally adjusted index staying below the 50.0 neutral threshold. The rate of decline softened from the previous month and was only slight, however. Weaker sales was cited by panellists as the main reason for lower backlogs, although some noted that delays to contracts and a lack of money at customers hampered order fulfilment.

Backlogs of Work Index

sa, >50 = growth since previous month

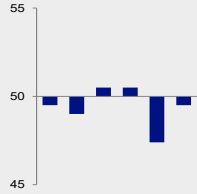




Purchasing and inventories

Quantity of Purchases Index

May - Oct '23
sa, >50 = growth



Quantity of purchases

Mozambican companies reported a further drop in buying activity in October. That said, after falling at the fastest pace for 20 months during September, the rate of contraction softened notably and was only slight. Purchasing activity fell in all categories, except for services.

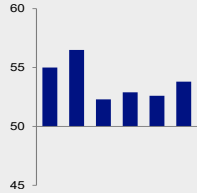
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

May - Oct '23
sa, >50 = faster times



Suppliers' delivery times

The latest survey data indicated a solid improvement in vendor performance during October. Adjusted for seasonal influences, the Suppliers' Delivery Times Index posted above the neutral 50.0 value and picked up to the highest since June. Average lead times improved in all five sectors monitored by the survey, led by construction.

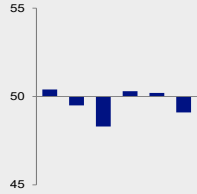
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

May - Oct '23
sa, >50 = growth



Stocks of purchases

Stocks of purchases fell during October, thereby reversing two months of mild growth in both August and September. The decline came amid lower input buying and reports of a lack of investment in capacity. However, the overall reduction in stocks was only mild.

Stocks of Purchases Index

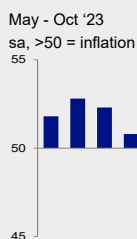
sa, >50 = growth since previous month





Prices

Input Prices Index



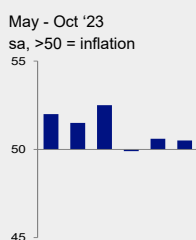
Input prices

October data pointed to a reduction in overall input costs across Mozambique, as lower demand pressures weighed on prices. This represented the first monthly drop in costs since January, although the decline was only fractional. Lower input costs in the service and agriculture categories drove the reduction, whereas sustained upticks in manufacturing, construction and wholesale & retail were noted.

Input Prices Index



Purchase Prices Index



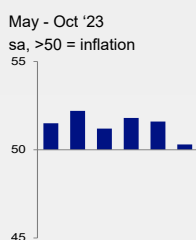
Purchase prices

Purchase prices increased at only a mild pace for the second consecutive month in October, signalled by the respective seasonally adjusted index posting just above the 50.0 no-change mark. The index was largely unchanged from September. Several companies reported that weaker input demand had limited pricing power at suppliers.

Purchase Prices Index



Staff Costs Index



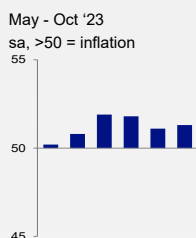
Staff costs

Staff costs at Mozambican companies continued to increase at the start of the fourth quarter, which firms often related to the hiring of new staff. However, the rate of inflation softened from the prior survey period and was the weakest registered in the current 26-month sequence of wage hikes.

Staff Costs Index



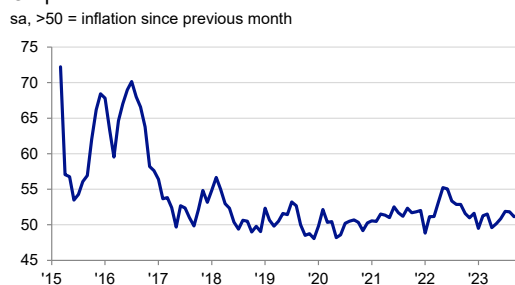
Output Prices Index



Output prices

As has been the case in each month since May, Mozambican firms raised their average prices charged in October. The increase was only modest, despite quickening fractionally since the end of the third quarter. Businesses linked price rises to volatile commodity prices and the passing on of previously absorbed cost burdens.

Output Prices Index

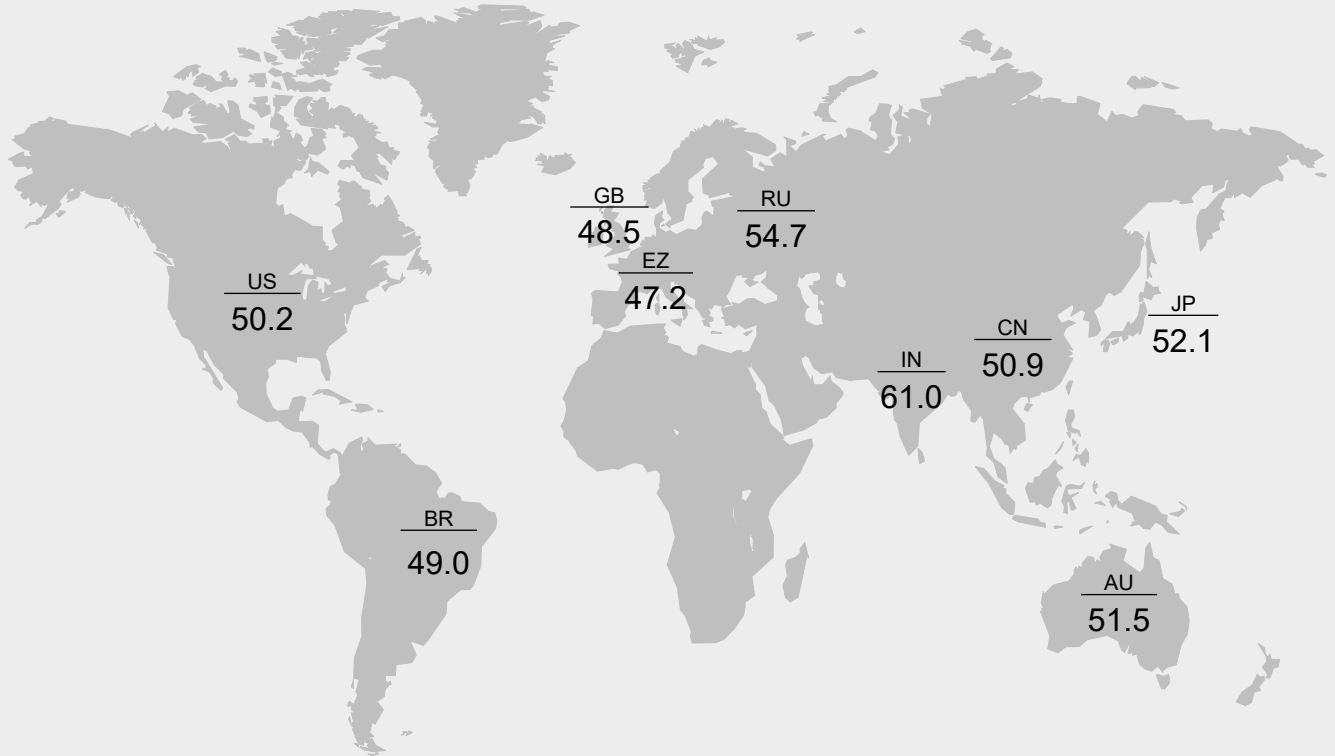




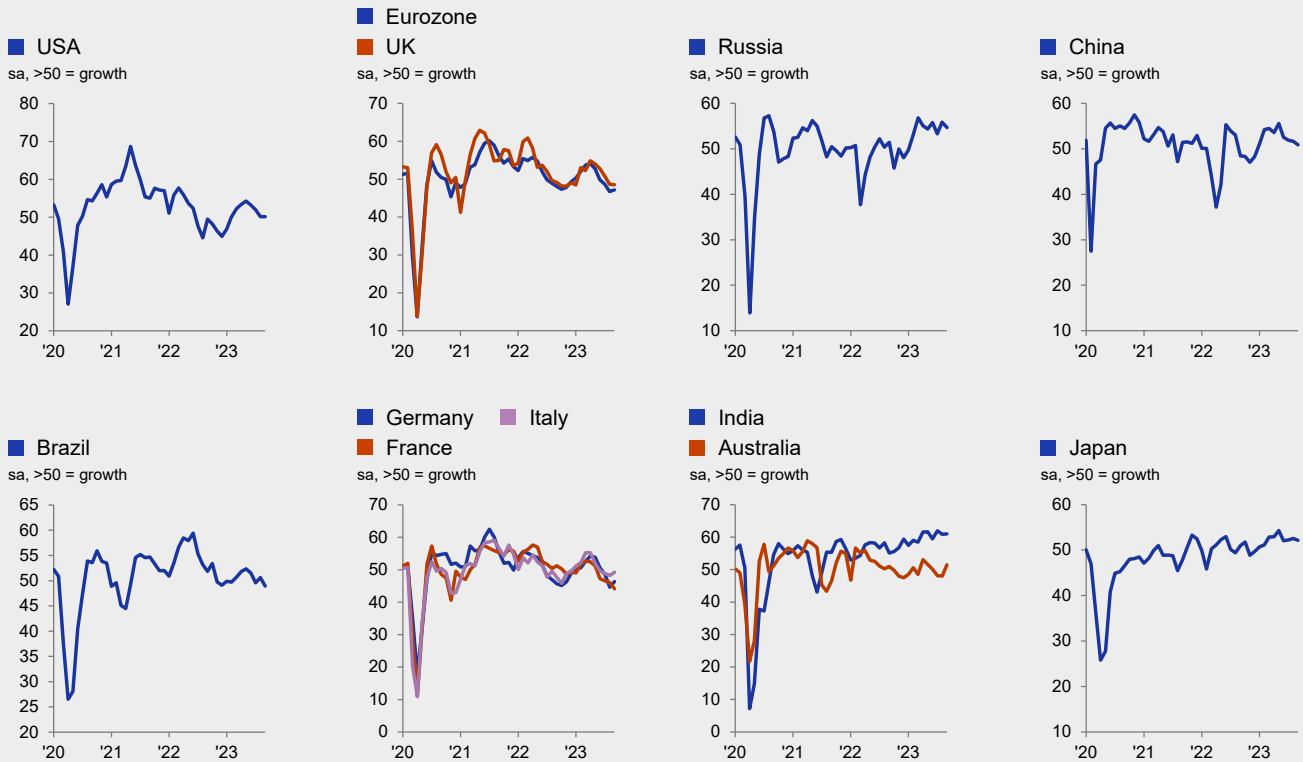
International PMI

Composite Output Index, Sep '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 October 2023.

Survey questions

Private sector

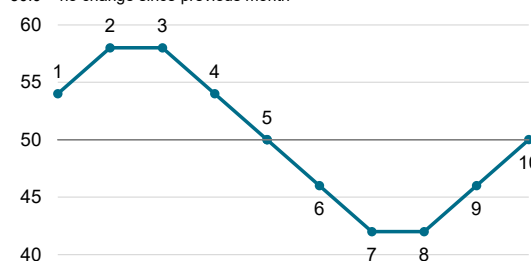
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

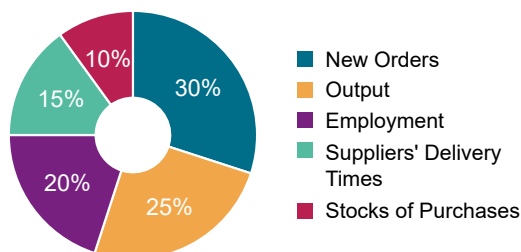
Index interpretation

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

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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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