

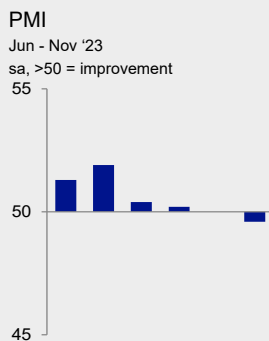


Standard Bank Mozambique PMI[®]

Business conditions worsen in November

49.6

MOZAMBIQUE PMI
NOV '23



Output levels contract for first time since January

New business rises only fractionally

Input costs fall for second month running

Businesses in Mozambique noted a deterioration in operating conditions in November, the first for ten months, as demand momentum continued to slow and activity levels contracted. The downturn led to a steep reduction in purchasing activity, whilst the pace of job creation slowed to its weakest for 21 months. Nevertheless, firms retained a robust degree of confidence in future activity, supported by receding price pressures.

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.

For the first time since January, the headline PMI registered inside contraction territory, dropping to 49.6 in November from the 50.0 neutral value in October. That said, the reading signalled only a marginal decline in the health of the private sector.

Reflecting the headline index, output

levels at Mozambican firms decreased for the first time in ten months during November. Slower demand conditions, a lack of purchasing power and payment delays were behind the fall, according to the survey panellists, although the overall decrease was only slight.

At the same time, new business growth in the private sector was only just sustained, with the rate of expansion slipping to its weakest in ten months. Granular data indicated that the upturn was solely concentrated on the wholesale & retail sector, as declines in sales were registered across agriculture, manufacturing, construction and services.

There was a faster drop in backlogs of work during November, suggesting an element of spare capacity at Mozambican companies. Subsequently, the pace of employment growth slowed to a 21-month low, with some firms even cutting staff numbers to make cost savings. As a result, overall labour expenses were largely stable after rising in each of the prior 26 months.

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





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Input purchasing was meanwhile cut to a sizable degree. The latest fall in purchases was the sharpest recorded since May 2020, resulting in a sustained (albeit marginal) drop in inventories. While firms enjoyed a further improvement in supplier performance, November's upturn was the softest registered since the start of the year.

With staff costs fairly settled, and a drop in input purchases leading to a reduction in supplier prices, the latest data signalled back-to-back monthly falls in overall expenses at Mozambican firms. This was the first such occurrence since early-2022, although the latest drop in input costs was only marginal. Reflecting this, firms' output charges rose to the least degree for six months and only mildly.

Looking ahead, firms remained broadly confident of an increase in output in November. The degree of confidence ticked down from the preceding month but was strong overall, with 45% of businesses predicting an expansion. In general, firms hope to expand their operations in the coming year and foresee higher new business intakes.



Comment

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

"The Standard Bank Mozambique PMI fell to 49.6 in Nov, from 50 in Oct, signalling a slowdown in economic activity this Q4:23. PMI prints below the 50-benchmark suggest month-on-month contractions in economic activity. We noted nearly all sub-indices declining comparing with the previous month, with 7 out of the 13 sub-indices still printing at the 50 level or above, suggesting a broad-based growth deceleration.

"There is little growth support from both monetary and fiscal policies, which are set to help keep inflation in single digits and manage ongoing government domestic debt pressures, which makes growth acceleration heavily reliant on liquified natural gas projects.

"Inflation has declined below 5% y/y, but with risks still high. On the fiscal side, despite the domestic primary balance improving to 2.2% of GDP in Q3:23, from a deficit of 2.8% of GDP in 2022, there are persistent domestic debt pressures, emanating from last year's 39.7% y/y rise in government personal

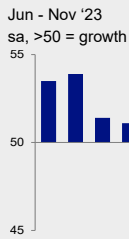
expenditure to 16.5% of GDP.

"With real interest rates likely to remain high for longer, growth outside the resources economy will likely remain subdued. For 2024 we retain our forecasts of overall GDP growth accelerating to 5.1% y/y, supported by progress in LNG investments, with our year end inflation forecast at 5.9% y/y, from 4.8% y/y this year."



Output and demand

Output Index



Output

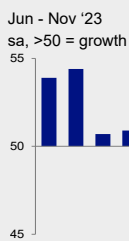
Output volumes at Mozambican private sector firms decreased in November, as indicated by the seasonally adjusted index posting underneath the 50.0 neutral threshold. The decline ended a nine-month sequence of rising activity. Slower demand conditions, a lack of purchasing power and payment delays were the main factors behind the drop in output, anecdotal evidence showed.

Output Index

sa, >50 = growth since previous month



New Orders Index



New orders

New orders remained just inside expansion territory in November. However, after adjusting for seasonality, the respective index fell slightly to a ten-month low. Finer data showed that wholesale & retail was the only broad category to post an expansion in sales, contrasting with falls in agriculture, manufacturing, construction and services.

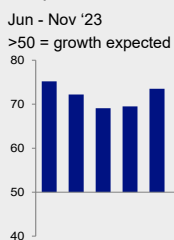
New Orders Index

sa, >50 = growth since previous month



Business expectations

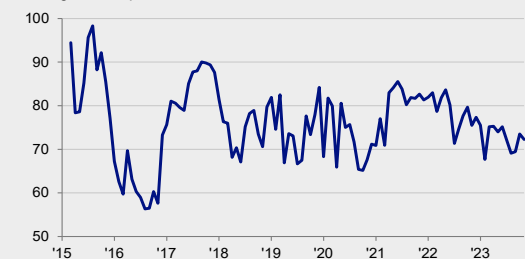
Future Output Index



Private sector firms in Mozambique remained confident that activity will increase over the next 12 months. November data signalled a solid degree of confidence, although optimism softened for the first time since August. Around 45% of survey respondents forecast an increase in output, compared to 1% that expect a contraction.

Future Output Index

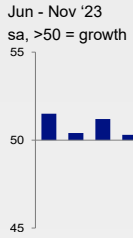
>50 = growth expected over next 12 months





Employment and capacity

Employment Index



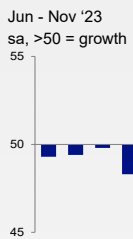
Employment

The latest survey data indicated only a fractional rise in workforce numbers over the course of November. In fact, the rate of job creation was the weakest recorded in the current 21-month run of expansion. While some firms took on workers amid reports of new customers, a similar proportion noted a reduction in part due to cost savings.

Employment Index



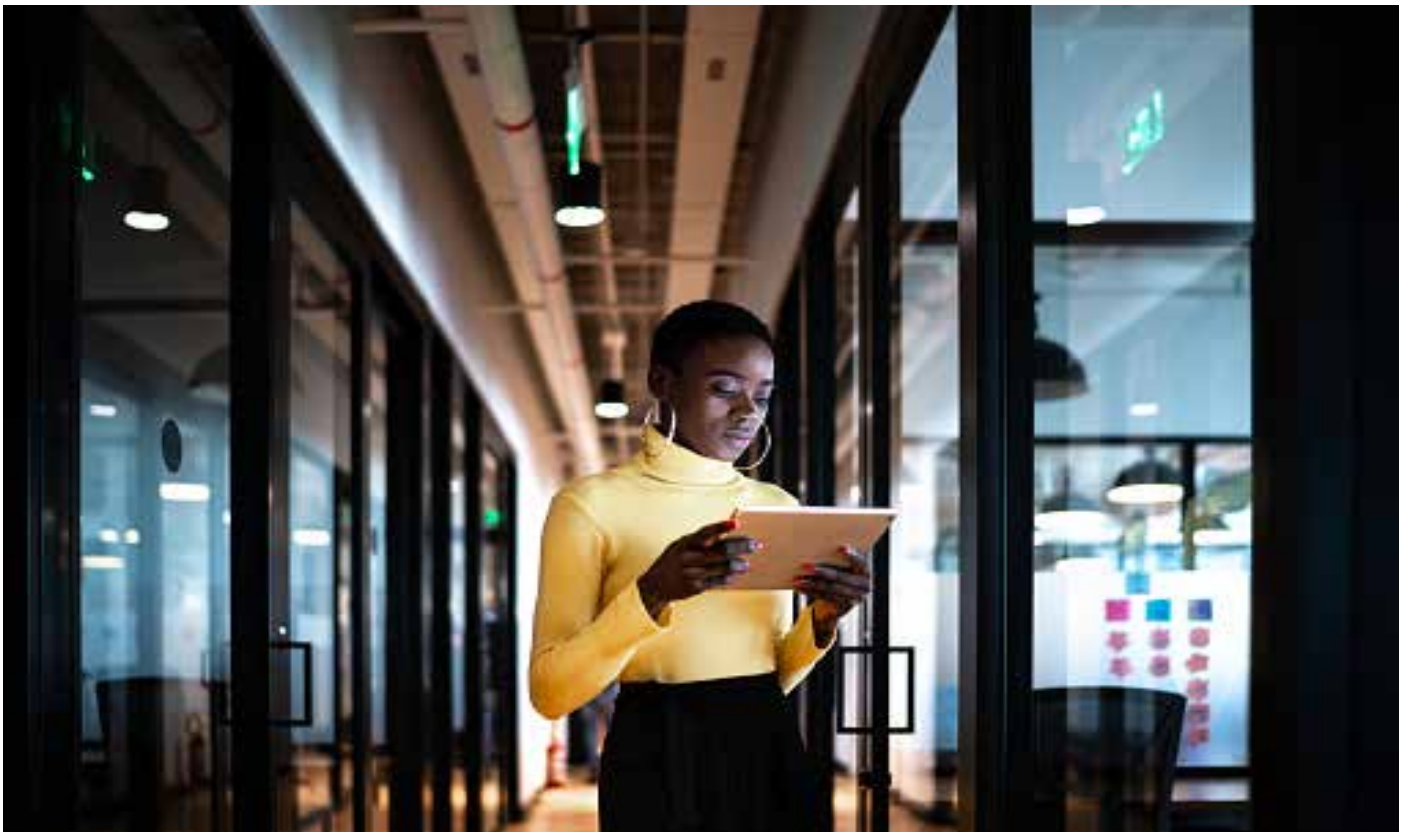
Backlogs of Work Index



Backlogs of work

The seasonally adjusted Backlogs of Work Index posted below the 50.0 critical threshold for the ninth successive month in November, signalling that companies completed pending workloads at a quicker pace. The overall decline was marginal, however, and roughly in line with the series long-run average. Often, businesses mentioned that subdued demand enabled the completion of outstanding work.

Backlogs of Work Index

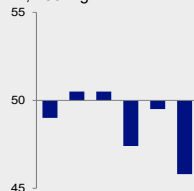




Purchasing and inventories

Quantity of Purchases Index

Jun - Nov '23
sa, >50 = growth



Quantity of purchases

Companies in Mozambique made considerable cuts to their purchasing activity in the penultimate month of the year. Falling for the third month in succession, the decline in input purchases was the most marked since May 2020 and among the quickest seen in the survey history. Firms mostly related the drop in buying levels to a softening of order books, while some found it difficult to import raw materials.

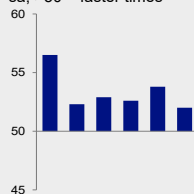
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

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



Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index pointed to a modest improvement in vendor performance at Mozambican companies in November. Having softened from the previous survey period, the shortening of lead times was the smallest recorded since January. Improvements were seen in manufacturing, construction, agriculture and wholesale & retail.

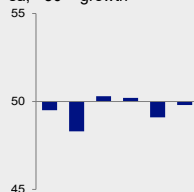
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jun - Nov '23
sa, >50 = growth

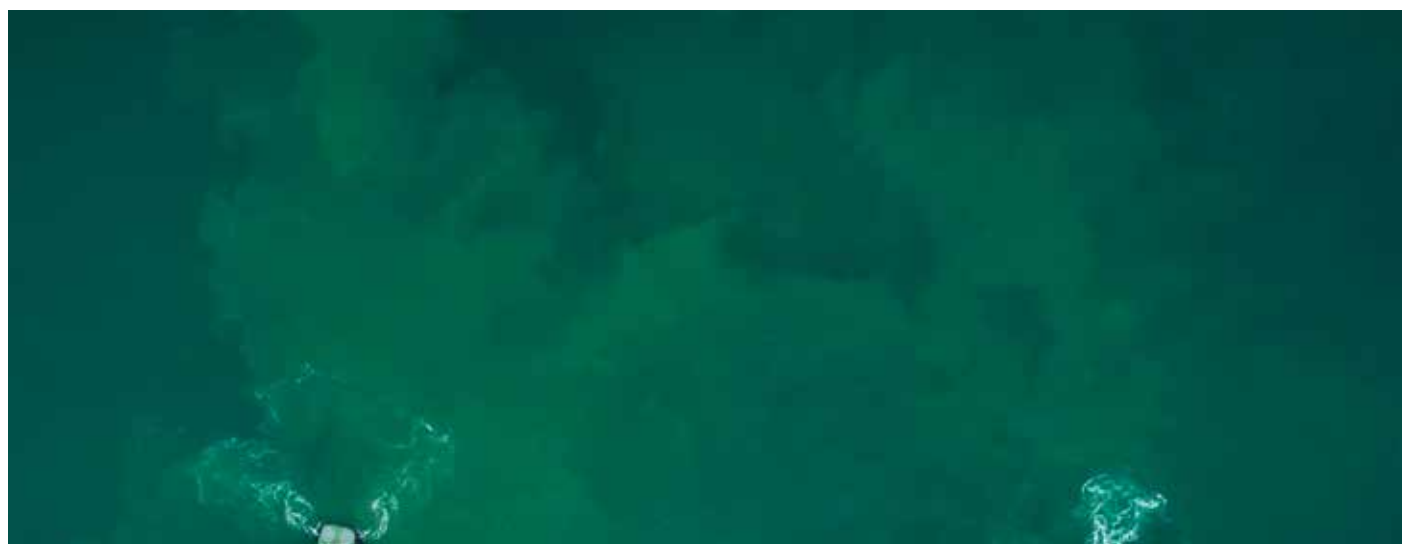


Stocks of purchases

The volume of input stocks held at Mozambican firms was broadly stable in November, shown by the seasonally adjusted index posting just below the 50.0 no-change mark. This followed a marginal reduction at the start of the fourth quarter. While some firms saw an increase in inventories due to new product offerings, this was outweighed by a reduction in purchasing activity at other companies.

Stocks of Purchases Index

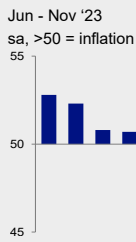
sa, >50 = growth since previous month





Prices

Input Prices Index



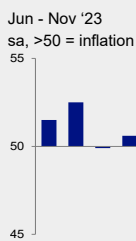
Input prices

November data signalled back-to-back monthly declines in input costs across Mozambique's economy, the first time this has occurred since the beginning of 2022. The drop in input costs accelerated slightly from that seen in October, although it was still marginal at best. Reductions at agriculture, wholesale & retail and services companies outweighed further rises in the manufacturing and construction categories.

Input Prices Index



Purchase Prices Index



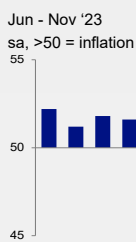
Purchase prices

Purchase prices decreased for the first time in three months in November, as indicated by the seasonally adjusted index slipping below the 50.0 threshold. Although marginal, the rate of decline was the quickest recorded since the beginning of the year. Survey panellists noted that supplier prices had fallen due to a reduction in purchases.

Purchase Prices Index



Staff Costs Index



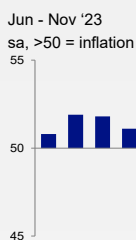
Staff costs

Staff costs at Mozambican companies were little-changed midway through the final quarter of the year, with the latest data signalling only a fractional rise. Some respondents linked an increase to the taking on new employees and the higher cost of living, whereas others saw a drop in wage costs amid staff reductions. The uptick in overall staff costs was the softest recorded in over two years.

Staff Costs Index



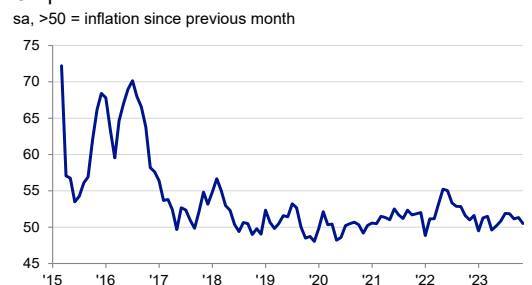
Output Prices Index



Output prices

A sustained drop in overall expenses led to a tempering of charge inflation during November. Firms raised their selling prices at only a mild pace, the slowest for six months. Anecdotal evidence suggested that price hikes were generally carried out to keep up with inflation in Mozambique.

Output Prices Index

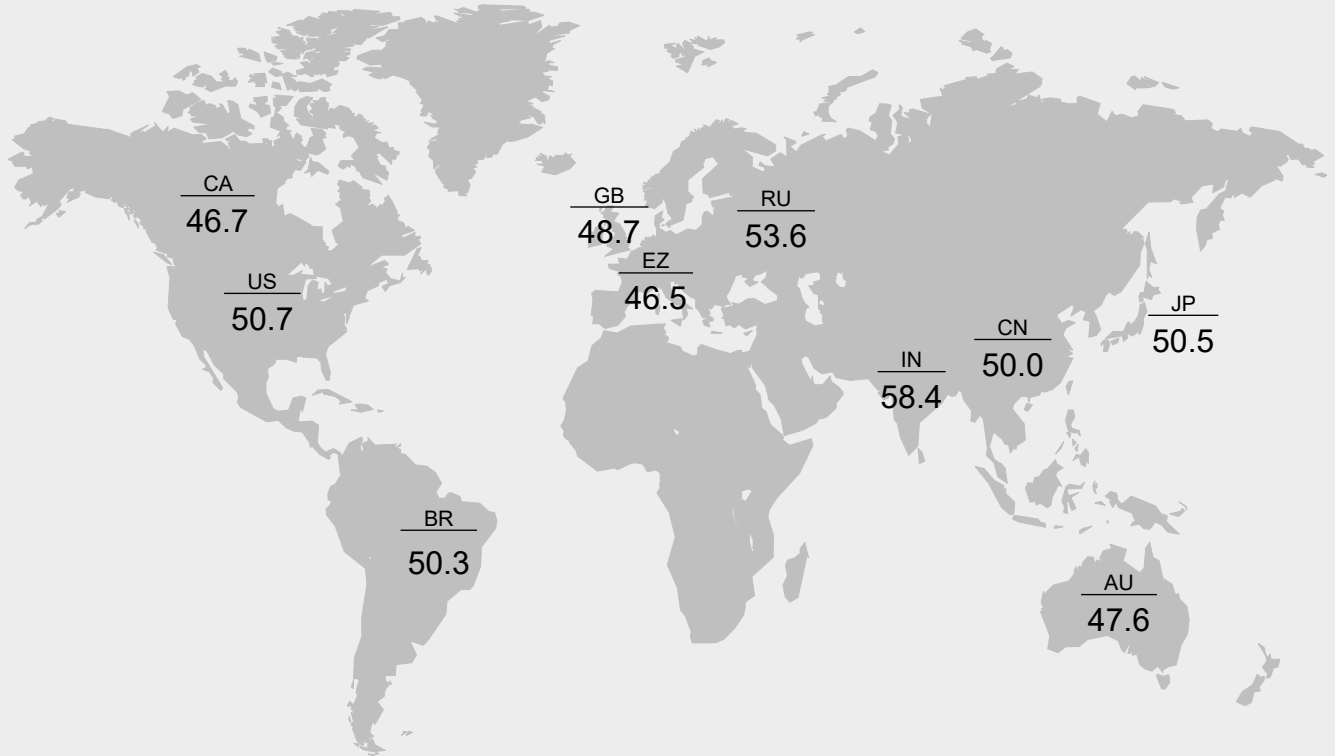




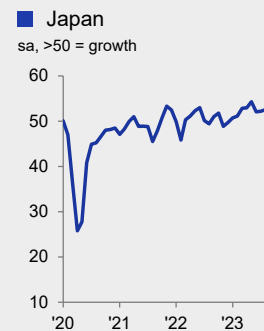
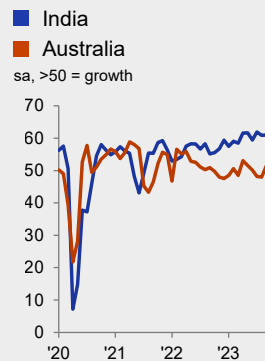
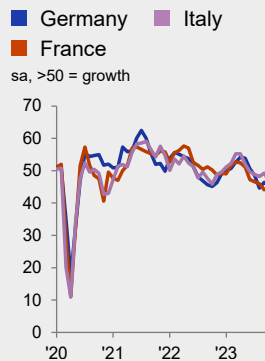
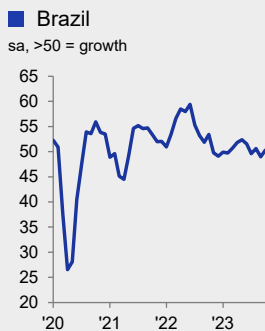
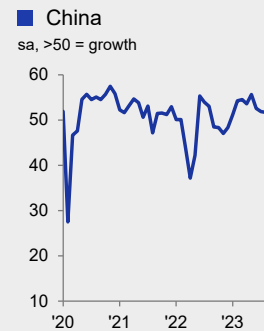
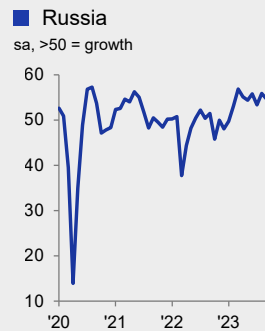
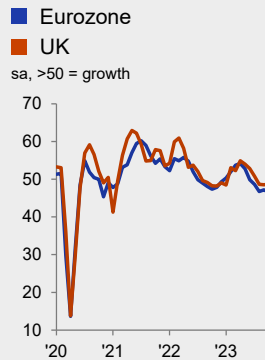
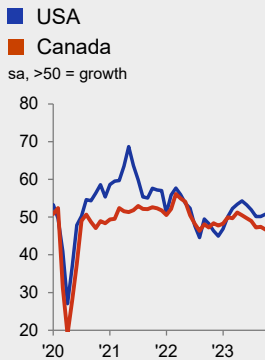
International PMI

Composite Output Index, Oct '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 9-27 November 2023.

Survey questions

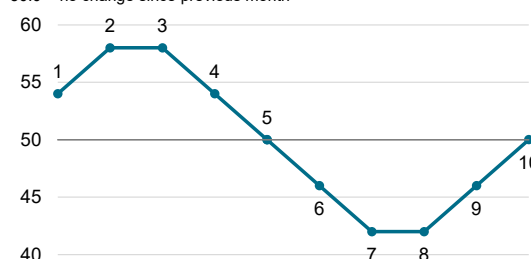
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

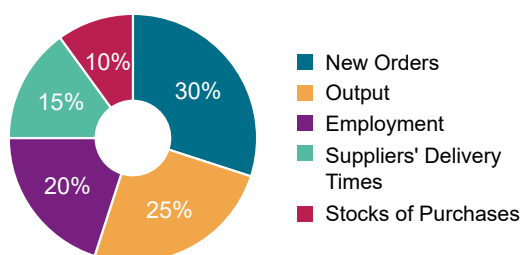
Index interpretation

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



Contact

Fáusio Mussá
Chief Economist, Mozambique
Standard Bank
T: +258 215 01 012
fausio.mussa@standardbank.co.mz

Inercio Pene
Public Relations & Communication
Standard Bank
T: +258 843 124 994
inercio.pene@standardbank.co.mz

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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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