

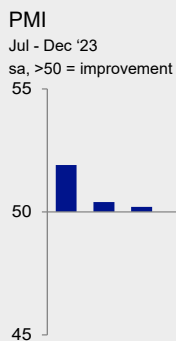


Standard Bank Mozambique PMI[®]

PMI sinks further into contraction territory

48.8

MOZAMBIQUE PMI
DEC '23



Output declines at sharper pace

First drop in new orders for 11 months

Inventory trends remain negative

Mozambique's private sector ended 2023 in its weakest position since the start of the year, PMI[®] survey data signalled, as businesses saw order book volumes tip into negative territory. Activity and purchasing levels continued to decrease, leading to the strongest reduction in stocks since July. On a positive note, weaker input demand helped vendors to deliver items more quickly, whilst also keeping cost pressures subdued despite the first uptick in input prices for three months.

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 latest PMI reading of 48.4 placed the Mozambican private sector in contraction territory for the second month running in December. Dropping from 49.6 in November, the index was also at its lowest reading for 11 months.

Mozambican firms reduced their output

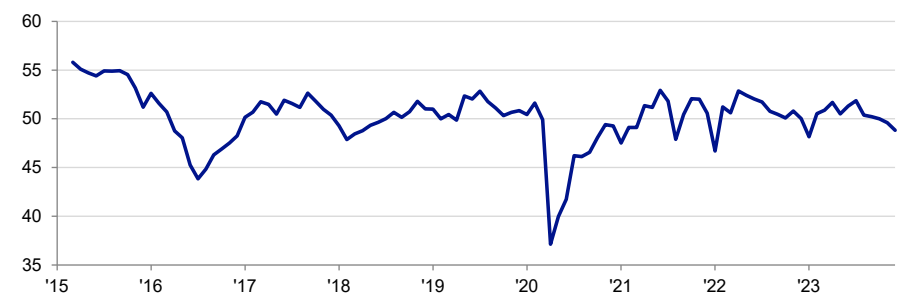
levels for the second month in a row over December, with the decrease quickening slightly but remaining modest overall. According to panel members, lower activity was largely due to weak sales and inventory depletion.

The latest survey data showed a drop in sales volumes for the first time in almost a year. Companies noted that customer purchasing power had weakened amid higher interest rates, although the rate at which new orders declined was only fractional overall.

Inventory data continued to show efforts among Mozambican firms to reduce their input holdings. Stock levels subsequently fell for the third month running in December, with the pace of decrease accelerating to the fastest since July. The fall coincided with a fourth successive monthly reduction in purchasing activity, albeit one that was much softer than November's three-and-a-half-year peak.

Lower demand for inputs contributed to an improvement in supplier performance across Mozambique in December, with

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





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- Business expectations
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firms also citing better material supply and strong vendor competition. Notably, the reduction in average lead times was sharp and the fastest since June.

Inflationary pressures across Mozambique's private sector remained fairly subdued at the end of the fourth quarter. That said, a fresh uptick in purchase prices meant that average input costs rose for the first time in three months. Wages were also up, after broadly stagnating in November, as firms found that a slight increase in employment levels placed pressure on labour costs.

Nevertheless, the rate of selling price inflation slowed for the second month in a row to the softest since May. While some companies raised their prices

due to higher input costs and currency issues, others offered discounts to their customers amid subdued demand.

Despite business conditions deteriorating, Mozambican firms continued to find reason for optimism in December, leading to upbeat predictions for activity over the year ahead. Roughly 46% of survey respondents expect output to grow, driven by robust sales projections and investment into new products.



Comment

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

"The Standard Bank Mozambique PMI fell to 48.8 in Dec, from 49.6 in Nov, signalling a slowdown in economic activity in the last quarter of 2023. This mainly reflected contractions in output, new orders, stocks of purchases and quantity of purchases, all pointing to subdued aggregate demand. PMI prints below the 50-benchmark suggest month-on-month contractions in economic activity."

"Companies faced higher purchase costs in Dec but were unable to lift sales prices in a similar magnitude, due to weak demand. This is consistent with GDP growth remaining low outside the extractive sector, due to subdued investment, and the combined effects of ongoing fiscal pressures and tight monetary policy."

"GDP data for the three quarters to Sep 23 averaged 4.9% y/y, supported by production ramp-up at the Coral South FLNG platform, which saw the extractive sector GDP growing 39.5% y/y. Non-extractive GDP growth was softer at 2.7% y/y."

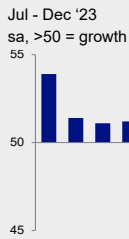
"For 2024, we retain our GDP growth forecast of 5.1% y/y. Even considering that growth may slow in the extractive sector, Mozambique's economy will likely receive some support from the expected resumption of on-the-ground LNG investment in Cabo Delgado, as well as from increased government development expenditure ahead of the Oct 24 general elections."

"Inflation, last reported at 5.4% y/y in Nov 23 will likely continue rising, mainly reflecting food price pressures. We retain our year-end inflation forecast at 5.9% y/y for 2024."



Output and demand

Output Index



Output

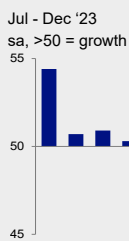
Output levels across Mozambique dropped for the second consecutive month in December, as the respective seasonally adjusted index posted once again below the 50.0 neutral mark. The overall decrease in activity was only modest, but nonetheless quickened from that recorded in November. Anecdotal evidence signalled that weak sales and reduced stockpiling were behind the contraction.

Output Index

sa, >50 = growth since previous month



New Orders Index



New orders

Adjusted for seasonal variance, the New Orders Index fell below the 50.0 no-change value for the first time in almost a year during December, indicating a renewed decrease in sales at Mozambican firms. The decline was only fractional, however, as some panellists saw a reduction in purchasing power at clients. The manufacturing, service and wholesale & retail sectors registered lower new work inflows.

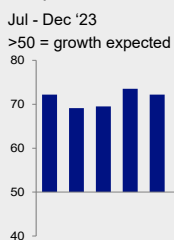
New Orders Index

sa, >50 = growth since previous month



Business expectations

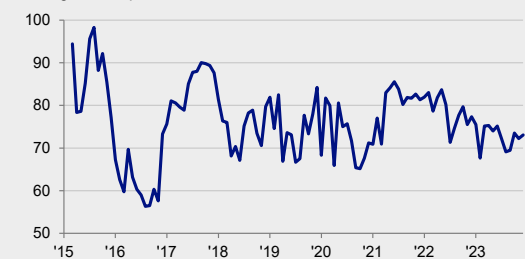
Future Output Index



Businesses in Mozambique looked ahead to 2024 with a firm degree of positivity. The 12-month outlook for output ticked slightly higher in December, with around 47% of companies predicting an expansion and less than 1% expecting a decline. Of the reasons provided by panel members for optimism, stronger demand, new client wins, product investment and new branches were among the most common.

Future Output Index

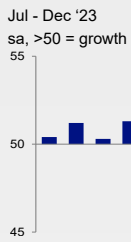
>50 = growth expected over next 12 months





Employment and capacity

Employment Index



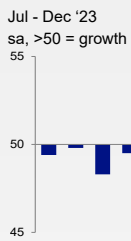
Employment

Mozambican companies boosted their staffing levels at the end of 2023, thereby extending the sequence of job creation that began in March 2022. Where workforce numbers rose, this was mainly linked to capacity expansion. That said, despite picking up from November's 21-month low, the pace of employment growth remained subdued. Around 96% of respondents signalled no change in headcounts over the month.

Employment Index



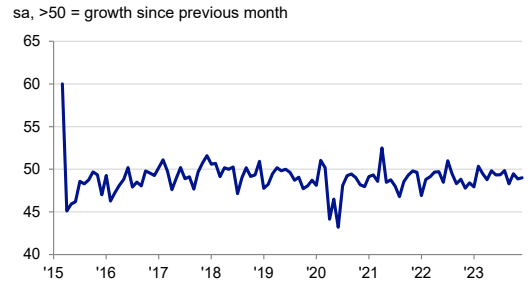
Backlogs of Work Index



Backlogs of work

The volume of incomplete business at firms in Mozambique continued to decrease in the final month of the year. Reports from panel members indicated that a lack of new orders gave them time to focus on work outstanding. Backlogs have now fallen for ten months in succession, although the latest decline was marginal and equal to the series trend.

Backlogs of Work Index

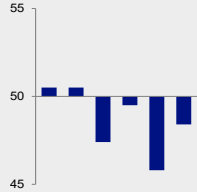




Purchasing and inventories

Quantity of Purchases Index

Jul - Dec '23
sa, >50 = growth



Quantity of purchases

Purchasing activity in the Mozambican economy was in contraction territory for the fourth month running in December. The latest decline was nonetheless much softer than that recorded in November, as the seasonally adjusted index rose from a three-and-a-half-year low. Where input purchases fell, respondents mentioned a lack of new orders and reduced investment capacity.

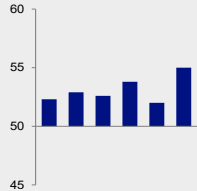
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

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



Suppliers' delivery times

December survey data showed a continual improvement in supplier delivery times at Mozambican firms, which was the fastest recorded in six months. According to panellists, vendors were able to make faster deliveries due to sufficient material supply, increased competition and lower demand from clients. Vendor improvements were once again broad-based across the sector groupings.

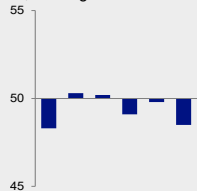
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jul - Dec '23
sa, >50 = growth



Stocks of purchases

Falling input buying translated into another drop in the level of raw and semi-finished materials held at Mozambican firms in December. The reduction was the third seen in as many months and, though modest, was the quickest since July. Sector data indicated a particularly sharp decrease in inventories at wholesale & retail companies.

Stocks of Purchases Index

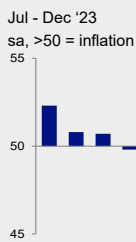
sa, >50 = growth since previous month





Prices

Input Prices Index



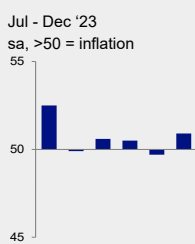
Input prices

December survey data pointed to a renewed rise in input costs in the Mozambican private sector, after back-to-back declines were recorded in October and November. However, the overall increase was only fractional, with just the manufacturing and services categories reporting a monthly uptick. Reports of higher expenses coincided with a fresh rise in purchase prices.

Input Prices Index



Purchase Prices Index



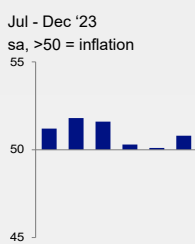
Purchase prices

Mozambican firms reported a slight increase in prices paid for materials and components at the end of the year, reversing a marginal decline in the previous survey period. The increase was the quickest seen for five months, albeit much slower than the series historical average.

Purchase Prices Index



Staff Costs Index



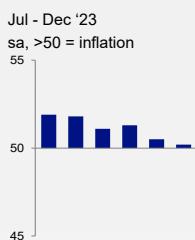
Staff costs

The latest survey data pointed to a rise in staff costs at Mozambican companies in December. The uptick was only slight, but nonetheless faster than in November when wages had broadly stagnated. Some panellists signalled that higher staff costs coincided with a rise in employment.

Staff Costs Index



Output Prices Index



Output prices

Adjusted for seasonality, the Output Prices Index dropped for the second straight month in December to its lowest point since May. Moreover, the index was only fractionally above the 50.0 neutral mark, signalling only a negligible increase in selling charges. While some companies raised their prices due to higher costs and currency issues, others offered discounts amid subdued sales.

Output Prices Index

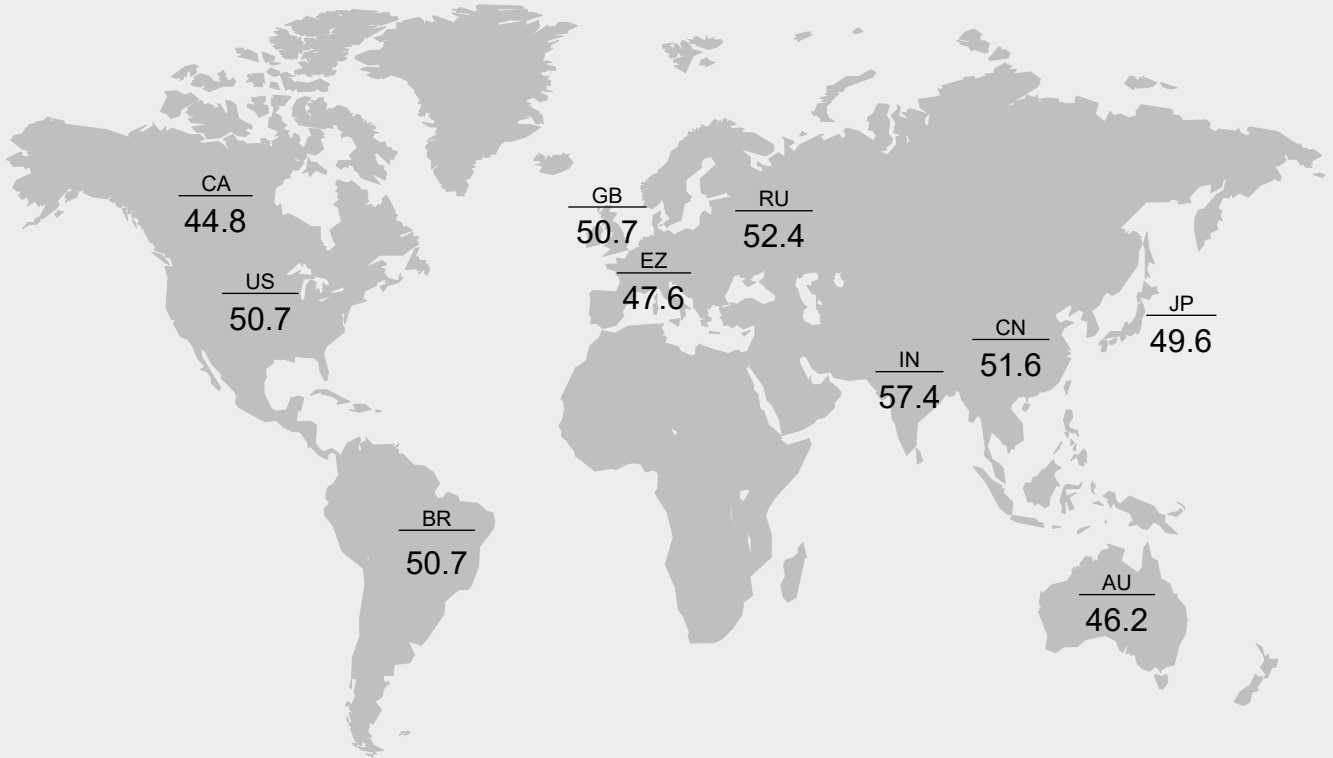




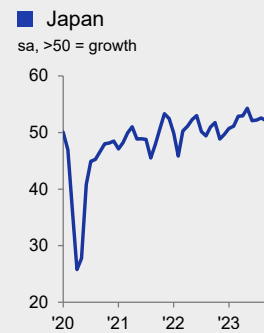
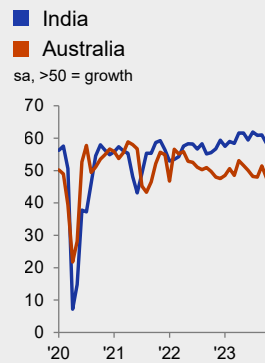
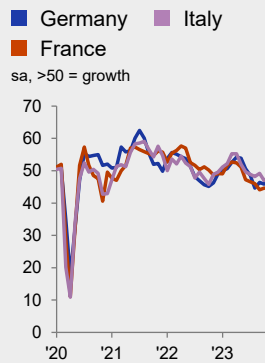
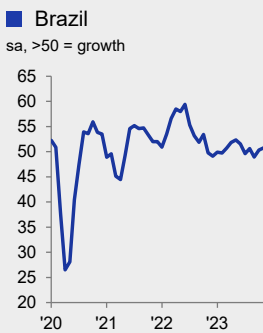
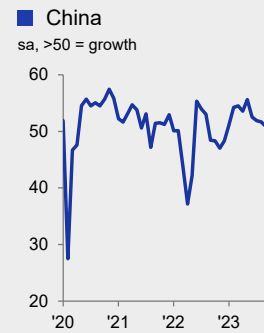
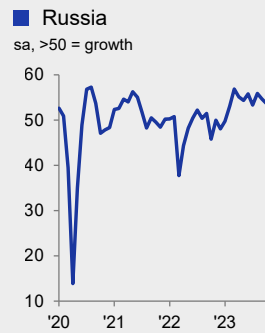
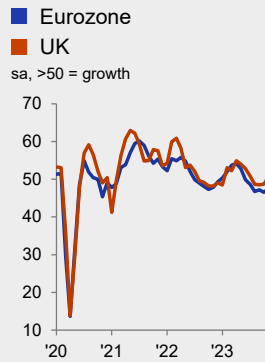
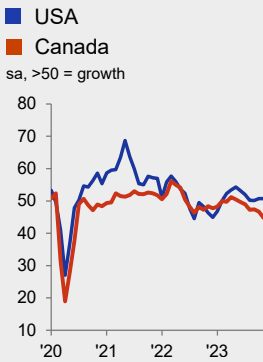
International PMI

Composite Output Index, Nov '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 6-19 December 2023.

Survey questions

Private sector

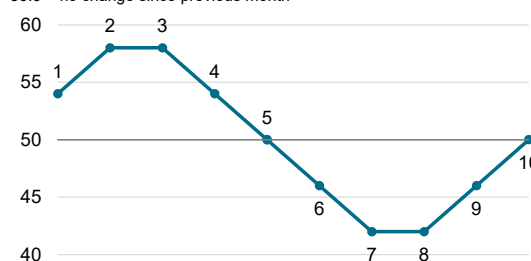
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

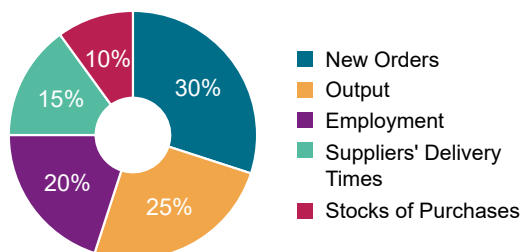
Index interpretation

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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