

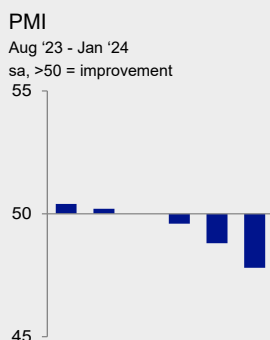


Standard Bank Mozambique PMI[®]

Mozambique PMI falls to two-year low as staff levels start to decline

47.8

MOZAMBIQUE PMI
JAN '24



Employment numbers drop for first time since February 2022

Sharper declines in output and new orders

Lower purchasing keeps cost burdens settled

Mozambique's private sector economy contracted for the third month in a row in January and at the sharpest pace in exactly two years, according to the latest PMI[®] survey findings. Output and new order trends continued to worsen, leading to the first drop in employment since February 2022. Input purchasing also fell sharply, which helped to keep cost pressures down and selling prices settled. Despite the downturn in activity, firms remained upbeat about output levels in the coming year as sales, profits and investment were all expected to rise.

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 PMI registered below the 50.0 mark for the third straight month in January, dropping to 47.8 from 48.8 in December. The reading was the lowest recorded since January 2022, but signalled a moderate deterioration in the

health of the private sector economy.

Output levels at Mozambican companies decreased at a quicker rate at the start of the year. The contraction was largely due to a weakening of order books, as the survey data also signalled back-to-back declines in sales. Respondents often noted receiving fewer new orders as demand conditions worsened. According to sector data, lower new business in the construction, manufacturing and service sectors contrasted with uplifts in agriculture and wholesale & retail.

Contractions in output and demand tipped employment levels into decline in January, as the latest data signalled the first fall in staffing levels in almost two years. That said, the overall rate of job shedding was only fractional. Despite staff cuts, businesses were able to keep outstanding work volumes down for the eleventh month running.

Reduced new orders led Mozambican firms to purchase fewer inputs in January. Purchasing activity fell for the fifth straight month, with the pace of reduction

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





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quicken to the second-fastest since May 2020. Lower demand, combined with greater vendor efficiency, supported a sharp improvement in delivery times that was the strongest seen in over a year-and-a-half.

The drop in input demand helped to keep price pressures relatively stable at the start of 2024. Purchasing costs were little changed since the previous month, despite rises in some raw material prices. Similarly, a reduction in staffing meant that labour costs were also settled, with the latest data marking the joint-lowest increase in almost two-and-a-half years (level with that recorded in November 2023).

As a result, average prices charged by Mozambican firms rose only marginally

in January. The pace of inflation was roughly the same as December's seven-month low, with price increases confined to the service economy.

Looking ahead, output expectations for the upcoming year remained strongly positive in January. That said, the degree of optimism weakened slightly to a four-month low and was below the series trend. Where companies expect an increase in activity, panel comments mostly related this to hopes of greater sales, profits and investment.



Comment

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

"The Standard Bank Mozambique PMI fell to 47.8 in Jan, a two-year low, from 48.8 in Dec, signalling a contraction in economic activity for the third month in a row. This mainly reflect declines in output, new orders, employment, and purchases, all pointing to subdued aggregate demand. PMI prints below the 50-benchmark suggest month-on-month contractions in economic activity.

"Consistent with subdued aggregate demand, and a stable metical, companies

reported muted cost pressures, which helped keep sales prices relatively stable. Future expectations continued to signal prospects of an increase in investment, sales and profits, most likely associated with the resumption this year of on-the-ground liquified natural gas (LNG) investments in Cabo Delgado.

"The Banco de Moçambique cut its main monetary policy interest rate, MIMO, by 75 basis points to 16.5% last month, from 17.25%, signalling the beginning of an easing cycle for monetary policy, permitted by the decline in inflation. We retain our year-end inflation forecasts of 5.9% y/y for 2024 and 6.3% y/y for 2025,

up from 5.3% y/y in 2023.

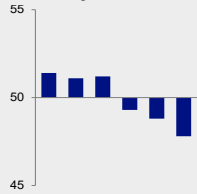
"Prudent monetary policy easing implies financing conditions remaining tight. As a result, we retain our Jan edition of the African Markets Revealed forecasts of GDP growth decelerating to 4.6% y/y this year and 3.8% in 2025, even considering the resumption of LNG investment, based on persistent government debt pressures and intermittent FX supply."



Output and demand

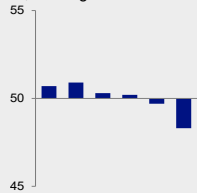
Output Index

Aug '23 - Jan '24
sa, >50 = growth



New Orders Index

Aug '23 - Jan '24
sa, >50 = growth



Output

January survey data signalled a decline in private sector output across Mozambique. Furthermore, the rate of contraction accelerated to the fastest in a year, although it was moderate overall. According to panellists, lower output stemmed from a drop in customer demand. Notably, the current three-month sequence of decline is the longest recorded since early-2021.

Output Index

sa, >50 = growth since previous month



New orders

After slipping below the 50.0 neutral mark in December, the seasonally adjusted New Orders Index dropped further into contraction territory at the start of 2024. Like output, the reduction in new orders was moderate but the strongest for a year. The construction, manufacturing and service sectors saw decreases in sales, contrasting with uplifts in agriculture and wholesale & retail.

New Orders Index

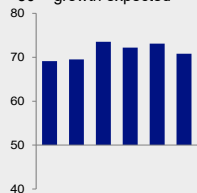
sa, >50 = growth since previous month



Business expectations

Future Output Index

Aug '23 - Jan '24
>50 = growth expected



Mozambican firms broadly anticipated an increase in output levels over the coming 12 months during January. The Future Output Index indicated a solid degree of confidence, albeit one that was the softest for four months and weaker than the long-run trend. Positive expectations were linked to several factors such as forecasts of sales growth, higher profits, greater capital expenditure and hiring efforts.

Future Output Index

>50 = growth expected over next 12 months

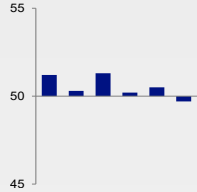




Employment and capacity

Employment Index

Aug '23 - Jan '24
sa, >50 = growth

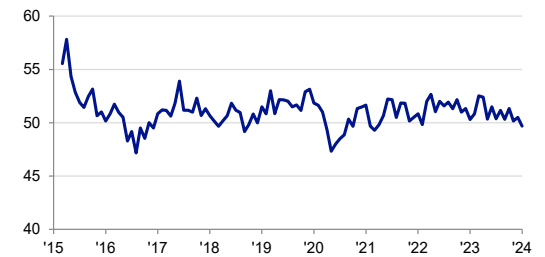


Employment

For the first time since February 2022, the seasonally adjusted Employment Index dropped below the 50.0 neutral threshold to signal a cut in workforce numbers across Mozambique in January. Three out of the five broad sectors registered a decline, namely wholesale & retail, agriculture and services. However, uplifts in manufacturing and construction meant that the overall pace of job shedding was only fractional.

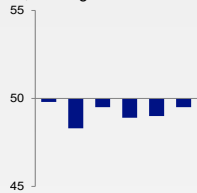
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Aug '23 - Jan '24
sa, >50 = growth

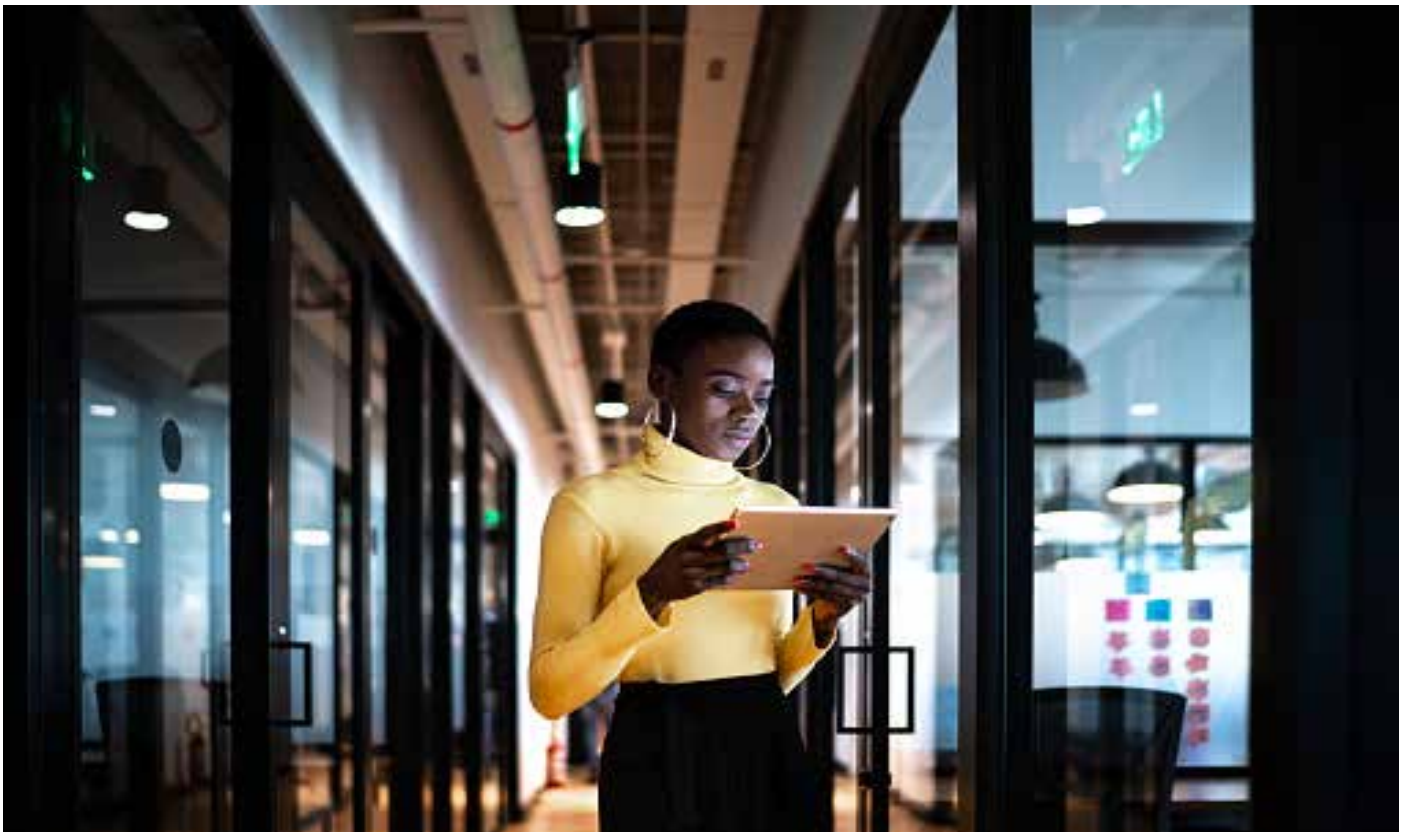
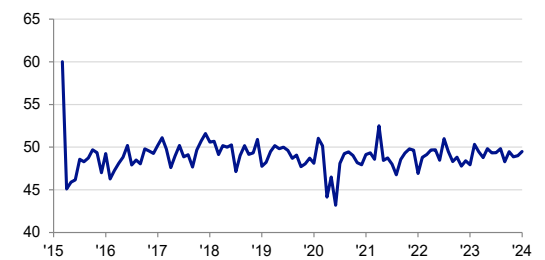


Backlogs of work

Mozambican businesses were able to shrink their outstanding work levels during January, extending the current run of depletion that began in March 2023. Panellists indicated that weak new order volumes had helped to generate spare capacity. The rate of decrease was the slowest for three months and mild, however.

Backlogs of Work Index

sa, >50 = growth since previous month

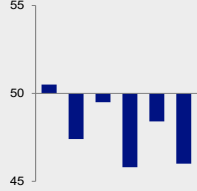




Purchasing and inventories

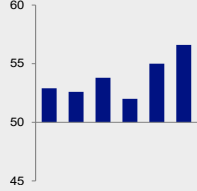
Quantity of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



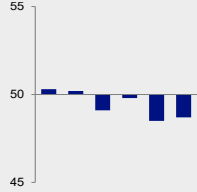
Suppliers' Delivery Times Index

Aug '23 - Jan '24
sa, >50 = faster times



Stocks of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



Quantity of purchases

Input purchases at Mozambican private sector firms decreased again in January amid lower sales volumes. Adjusted for seasonal factors, the Quantity of Purchases Index signalled a sharp reduction in buying that was the second-fastest since May 2020. Contractions were registered in all monitored sectors except for agriculture, which posted a renewed upturn.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' delivery times

Supplier delivery times improved sharply at the beginning of the year. The rate of improvement accelerated for the second consecutive month to the quickest since May 2022. In total, 14% of businesses found that lead times had shortened, against 2% that experienced delays. Improvements were typically linked to flexible vendors and strong material supply.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of purchases

The ongoing reduction in purchasing activity led to a further decrease in overall input stocks during January. The latest drop extended the current sequence of decline to four months. That said, the contraction softened slightly from that recorded in December, and was modest overall.

Stocks of Purchases Index

sa, >50 = growth since previous month

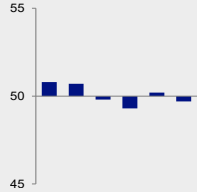




Prices

Input Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Input prices

The latest survey data reinforced a fairly settled picture for input prices in Mozambique. Businesses saw input costs decrease for the third time in four months, although the pace of decline was only slight. Several firms noted that reduced purchasing weighed on supplier prices, while staff cost pressures were also subdued. Agriculture was the only area to see a substantial increase in costs.

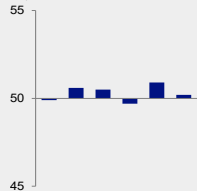
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Purchase prices

Mozambican firms reported little change in purchase prices over the course of January, as signalled by the seasonally adjusted index posting fractionally above the 50.0 no-change mark. The latest movement closely matched the trend seen over the past six months. According to panellists, a cut in input buying dampened the impact of material price rises.

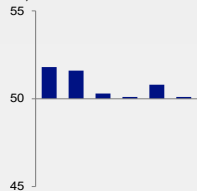
Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

Aug '23 - Jan '24
sa, >50 = inflation



Staff costs

Similar to purchase prices, the seasonally adjusted Staff Costs Index was almost in line with the 50.0 neutral threshold at the start of the year, indicating little change in labour expenses. This followed a quicker, but marginal increase in December. While some firms commented on salary rises, others indicated that a drop in hiring lead to reduced payroll costs.

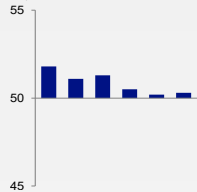
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Output prices

The subdued cost picture meant that Mozambican companies saw little reason to raise their output charges in January. The latest survey data signalled an increase in charges, but one that was only marginal and broadly aligned with December's seven-month low. Services was the only category to post an uptick in selling prices.

Output Prices Index

sa, >50 = inflation since previous month

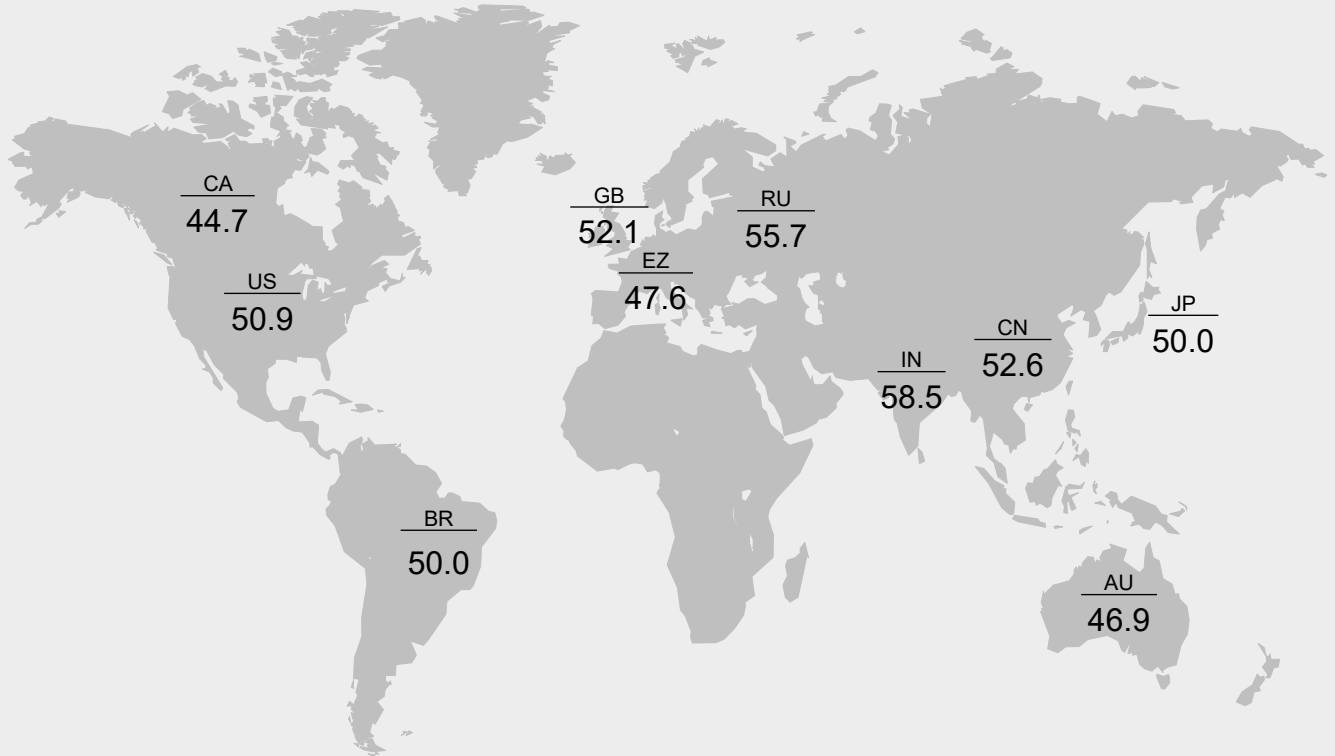




International PMI

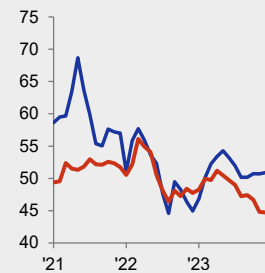
Composite Output Index, Dec '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

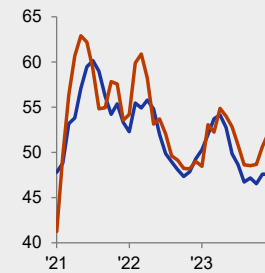


Composite Output Index

■ USA
■ Canada
sa, >50 = growth



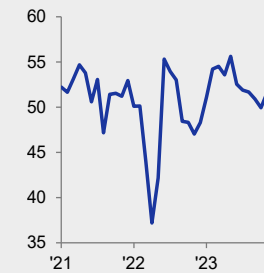
■ Eurozone
■ UK
sa, >50 = growth



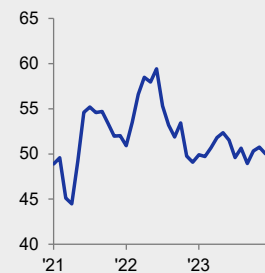
■ Russia
sa, >50 = growth



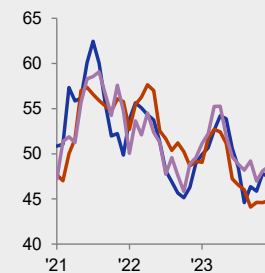
■ China
sa, >50 = growth



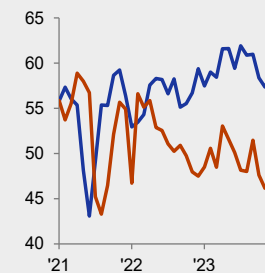
■ Brazil
sa, >50 = growth



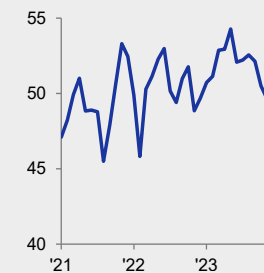
■ Germany
■ France
■ Italy
sa, >50 = growth



■ India
■ Australia
sa, >50 = growth



■ Japan
sa, >50 = growth





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 11-26 January 2024.

Survey questions

Private sector

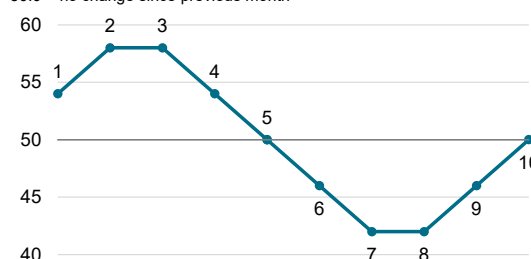
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

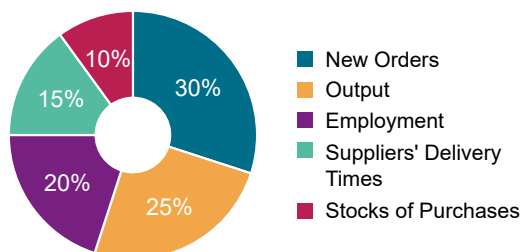
Index interpretation

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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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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