



## Standard Bank Mozambique PMI<sup>®</sup>

### Output growth stalls in March as demand momentum slows

#### Key findings

Output volumes unchanged after rise in February

New orders expand slightly

Employment and purchasing growth continue

The Mozambique PMI<sup>®</sup> pointed to stable business activity levels in March, after February saw the first monthly uptick since October 2023. Waning new business growth led businesses to leave their output volumes unchanged and become less confident about the year-ahead outlook.

Nonetheless, businesses continued to raise their employment numbers and purchasing activity in March. The expansions helped firms to reduce their outstanding work, following an uptick in February.

Input prices rose for the second month running, but the rate of inflation remained weak. Selling prices continued to rise at a marginal pace.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The PMI dropped from 50.7 in February to 49.7 in March, posting in sub-50.0 contraction territory for the fourth time in five months. This was due to a drop in firms' inventories and shorter delivery times, which offset expansions in new orders and employment.

The remaining sub-component of the PMI, the Output Index, registered at the 50.0 neutral threshold in March, signalling no change in business activity across the Mozambican private sector. Businesses indicated this was largely due to a softening of demand conditions.

Out of the five broad sectors covered by the survey, output levels rose in construction, agriculture and services. Meanwhile, contractions were seen in manufacturing and wholesale & retail.

New order inflows at Mozambican firms grew for the second month running in March, but at a much slower rate compared to February. Moreover, the latest rise was marginal and softer than the long-run series trend.

Nonetheless, the increase in new work prompted a sustained expansion in staffing numbers, as firms sought new hires to fulfil workloads. Similarly, purchases of inputs rose for the second

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 12-25 March 2024.

#### Comment

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

*"The Standard Bank Mozambique PMI fell to 49.7 in Mar, after having risen to a 7-month high of 50.7 in Feb and after having remained below the 50 level from Nov 23 to Jan 24. Output has remained unchanged in Mar, but inventories have declined, suggesting subdued demand."*

*"PMI prints below the 50-benchmark suggest month-on-month contraction in economic activity. The Mar PMI signals weak economic activity at the end of the first quarter, with contractions in manufacturing and trade, but with construction, agriculture, and services in general posting a growth."*

*"The future expectations sub-index remained in positive territory but printed at a six-month low in Mar, suggesting that recurrent climate change events, as well as delays in the implementation of natural gas projects have impacted business confidence."*

*"Inflation, last reported at 4% y/y in Feb is seen remaining in single digit levels, which saw the Banco de Moçambique cutting the monetary policy rate by 150 basis points (bps) in the first quarter of 2024, lowering the MIMO rate to 15.75%, with our forecasts pointing to further 50 bps in rate cuts this year."*

*"This provides some borrowing costs relief for both the government and the private sector. However, cash required reserves being kept high, alongside persistent fiscal pressures and intermittent FX supply points to financing conditions remaining tight."*



consecutive month. That said, rates of expansion slowed from the prior survey period in both cases.

Efforts to build capacity helped companies to reduce their workloads in March. Backlogs of work decreased, following the first uptick in exactly a year in February.

Firms saw a shortening of suppliers' delivery times during March, amid reports of inputs being dispatched quickly and strong availability at vendors. That said, vendor performance improved to the least extent in four months. Stock cuts persisted as purchased material inventories fell for the sixth month running.

Input prices faced by Mozambican firms increased during March, albeit remaining on a mild inflationary trend. While there was a moderate increase in wages, purchase prices rose only slightly.

In turn, companies raised their own selling prices at a subdued pace at the end of the first quarter. Nevertheless, this marked the fastest increase in charges since last October.

Finally, expectations for output in the year ahead dropped to their weakest level for six months in March, though they remained optimistic overall. Predictions of higher activity were linked to new customers, greater productivity, product development and larger workforces.

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### Survey methodology

The Standard Bank Mozambique PMI<sup>®</sup> 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<sup>™</sup> (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](mailto:economics@spglobal.com).

### About PMI

Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) 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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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.

Member of the Standard Bank Group, the largest African bank in terms of geographic dispersion, results and assets, with presence in 20 countries on the African continent, as well as 6 global financial centres, Standard Bank Mozambique has the financial and human resources to serve and connect clients throughout world.

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