

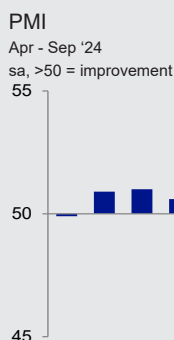


Standard Bank Mozambique PMI®

Private sector economy continues to expand, but growth slows in September

50.3

MOZAMBIQUE PMI
SEP '24



New business intakes rise further

Output levels grow only marginally

Moderate rise in purchase prices

Private sector business conditions across Mozambique improved for the fifth successive month in September, according to the latest Standard Bank Mozambique PMI®, as firms continued to receive greater intakes of new business. However, a much slower uplift in business activity weighed on performance, leading to weaker job creation and a slight drop in input purchases.

Reduced input buying volumes curbed purchase price inflation in September, leading to a modest uptick in overall business expenses. Average selling prices also increased, with the rate of inflation only marginal but the quickest since June.

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.

Falling from 50.9 in August to 50.3 in September, the headline PMI pointed to a slower expansion in the private sector

economy at the end of the third quarter. The index was above the 50.0 neutral mark for a fifth successive month, but at its lowest point in this period.

Supporting growth was a moderate rise in new order volumes during September. Mozambican firms reported that the introduction of new services, expanded capacities and new clients wins had driven sales. In addition, some panellists noted that the general election next month encouraged clients to bring forward new orders.

Although higher levels of incoming new work prompted a further expansion in business activity in September, the rate of growth softened markedly from the previous month and was only minimal. According to anecdotal reports, slower demand growth, limited financial resources and reduced imports weighed on private sector activity. Growth eased in the manufacturing, wholesale & retail and service sectors, while reductions in output were observed across agriculture and construction.

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



PMI®

by S&P Global



Contents

- Overview and comment
- Output and demand
- Business expectations
- Employment and capacity
- Purchasing and inventories
- Prices
- International PMI
- Survey methodology
- Further information

With activity growth slowing, Mozambican firms registered a slight decline in their purchasing activity, the first since April. Job creation slowed, with the survey data signalling the softest increase in employment for five months. Reduced purchases and softer headcount growth coincided with a fresh uptick in backlogs, which was marginal but the second-fastest in over two years.

On a positive note, the drop in purchases contributed to a slower increase in business expenses. After reaching a 17-month high in August, the rate of overall input cost inflation moderated in September, though was still among the strongest seen in 2024 so far, with higher material prices and unfavourable exchange rates noted by panellists. Part

of the increase in costs was passed on to customers through an additional rise in output charges. The latest rise in selling prices was the quickest since June, but remained much slower than the survey long-run trend.

Finally, output expectations among Mozambican firms softened in September and were among the weakest recorded since early 2023. Nevertheless, firms broadly expect activity to increase, with comments signalling investment, innovation and greater market share as some of the drivers of positive forecasts.



Comment

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

"The Standard Bank Mozambique PMI fell to a seasonally adjusted 50.3 in Sep, after rising to 50.9 in Aug, therefore remaining volatile. Sep PMI data shows softer growth in output, new orders, employment, supplier delivery times and stocks of purchases."

"Still, the PMI has been above the 50 neutral level for the past five months, implying m/m growth in economic activity. Nevertheless, Sep data shows growth slowing in manufacturing, trade, and services in general, and even output contracting in agriculture and construction."

"Business sentiment, as measured by the future business expectations sub-index, declined – and remains volatile, with survey respondents expecting softer growth in output over the next 12-m."

"Inflation, last reported at 2.8% y/y in Aug, has been bottoming as seasonal m/m disinflation comes to an end and intermittent foreign exchange (FX) supply limits the imports of basic consumption goods."

"Despite monetary policy interest rates being cut since the beginning of this year, with the prime lending interest rate now down to around 20%, interest rates remain high in real terms, and financing conditions

remain tight, as demonstrated by high cash required reserves (CRR), and exacerbated by the build-up in government goods and services arrears as well as delays in VAT reimbursements."

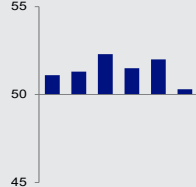
"Further, government borrowing has grown rapidly, thereby crowding out private sector credit. This, alongside intermittent FX supply, has seen growth in credit to the economy in negative territory since Nov 23, contracting by -4.1% y/y in Jul, implying limited private sector investment, except for the extractive sector. GDP grew by just 3.9% y/y in H1:24, down from an upwardly revised 4.6% y/y in H2:23 and 6.2% y/y in H1:23. GDP growth may even slow further."



Output and demand

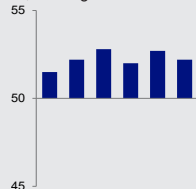
Output Index

Apr - Sep '24
sa, >50 = growth



New Orders Index

Apr - Sep '24
sa, >50 = growth



Output

Private sector firms in Mozambique raised their output for the sixth consecutive month in September. However, with the seasonally adjusted Output Index hovering close to the 50.0 mark, the survey data signalled only a fractional uplift. Output rose in some areas due to higher demand, but fell elsewhere as a result of fewer customers, limited financial resources and reduced imports, according to panel members.

Output Index

sa, >50 = growth since previous month



New orders

Firms in Mozambique received higher new orders in September for the eighth successive month, with the modest pace of expansion roughly aligned with the average over this period. The upturn in sales was broadly linked to the introduction of new services, increased capacity and clients bringing orders forward in anticipation of the upcoming election.

New Orders Index

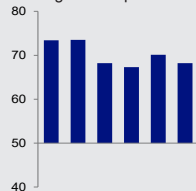
sa, >50 = growth since previous month



Business expectations

Future Output Index

Apr - Sep '24
>50 = growth expected



Business expectations regarding future output slipped in September. Notably, July 2024 was the only month since early last year to record lower sentiment than in the latest survey period. Nevertheless, firms remained generally positive, with 37% of panellists anticipating growth of output. Comments highlighted greater investment, innovation and an expansion of market share as key factors supporting optimism.

Future Output Index

>50 = growth expected over next 12 months

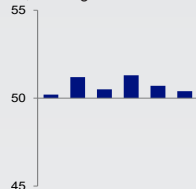




Employment and capacity

Employment Index

Apr - Sep '24
sa, >50 = growth



Employment

September data signalled only a marginal gain in staffing across the private sector in Mozambique, with the rate of job creation being the slowest since April. Increases in employment were observed in agriculture, manufacturing, and services, contrasting with declines in construction and wholesale & retail.

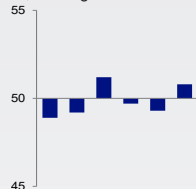
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Apr - Sep '24
sa, >50 = growth



Backlogs of work

The seasonally adjusted Backlogs of Work Index ticked above the 50.0 neutral threshold in September, signalling the first rise in outstanding business for three months. Where a rise was recorded, panellists reported difficulties completing pending orders. Although marginal, the overall uplift in backlogs was the second-fastest in over two years.

Backlogs of Work Index

sa, >50 = growth since previous month

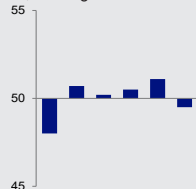




Purchasing and inventories

Quantity of Purchases Index

Apr - Sep '24
sa, >50 = growth



Quantity of purchases

When adjusted for seasonal influences, the Quantity of Purchases Index dropped below the 50.0 no-change mark at the end of the third quarter, signalling lower buying volumes at Mozambican firms. Some respondents noted that slowdowns in activity and sales growth led to reduced input needs. However, the overall contraction in purchases was only marginal.

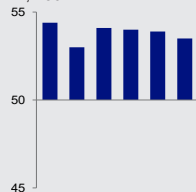
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Apr - Sep '24
sa, >50 = faster times



Suppliers' delivery times

The rate of improvement in suppliers' delivery times across Mozambique remained solid in September, albeit eased slightly to a four-month low. Firms continued to cite competitive pressures as a key driver of quicker deliveries, while others mentioned a preference for purchasing domestic products rather than international ones. Shorter lead times were observed in all sectors, except manufacturing.

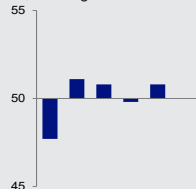
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Apr - Sep '24
sa, >50 = growth



Stocks of purchases

Inventories of inputs were stable in September, with firms indicating that growth was eradicated by a cut in purchasing activity. This followed a slight increase in holdings over the previous survey period.

Stocks of Purchases Index

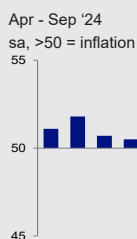
sa, >50 = growth since previous month





Prices

Input Prices Index



Input prices

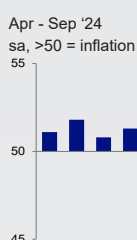
Overall input prices faced by Mozambican firms rose in September, stretching the current run of inflation that began in February. The latest increase was modest and one of the quickest observed so far this year, despite easing since August. Cost developments across the monitored sectors were mixed, with only the wholesale & retail and services categories reporting an overall rise in expenses.

Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index



Purchase prices

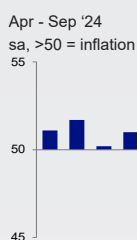
September saw a moderate uplift in purchase costs across the private sector, albeit one that was less marked than in August. Where higher costs were recorded, panellists stated that this was largely due to higher material prices and unfavourable exchange rates. However, some firms reported that lower sales led to a reduction in spending on purchases and, in turn, a fall in expenses.

Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index



Staff costs

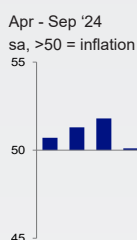
Staff costs at Mozambican companies rose at the slowest pace for three months in September, as signalled by a slight drop in the respective seasonally adjusted index. The latest reading was also just above the 50.0 neutral threshold, indicating only a marginal rise in total payroll expenses. Increases were generally attributed to the hiring of new staff.

Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index



Output prices

Mozambican firms signalled a marginal rise in their output charges at the end of the third quarter. Despite quickening to a three-month high, the rate of inflation remained much slower than the average recorded across the survey history (which began in March 2015). Firms that upped their charges cited the pass-through of higher material and salary costs to clients.

Output Prices Index

sa, >50 = inflation since previous month

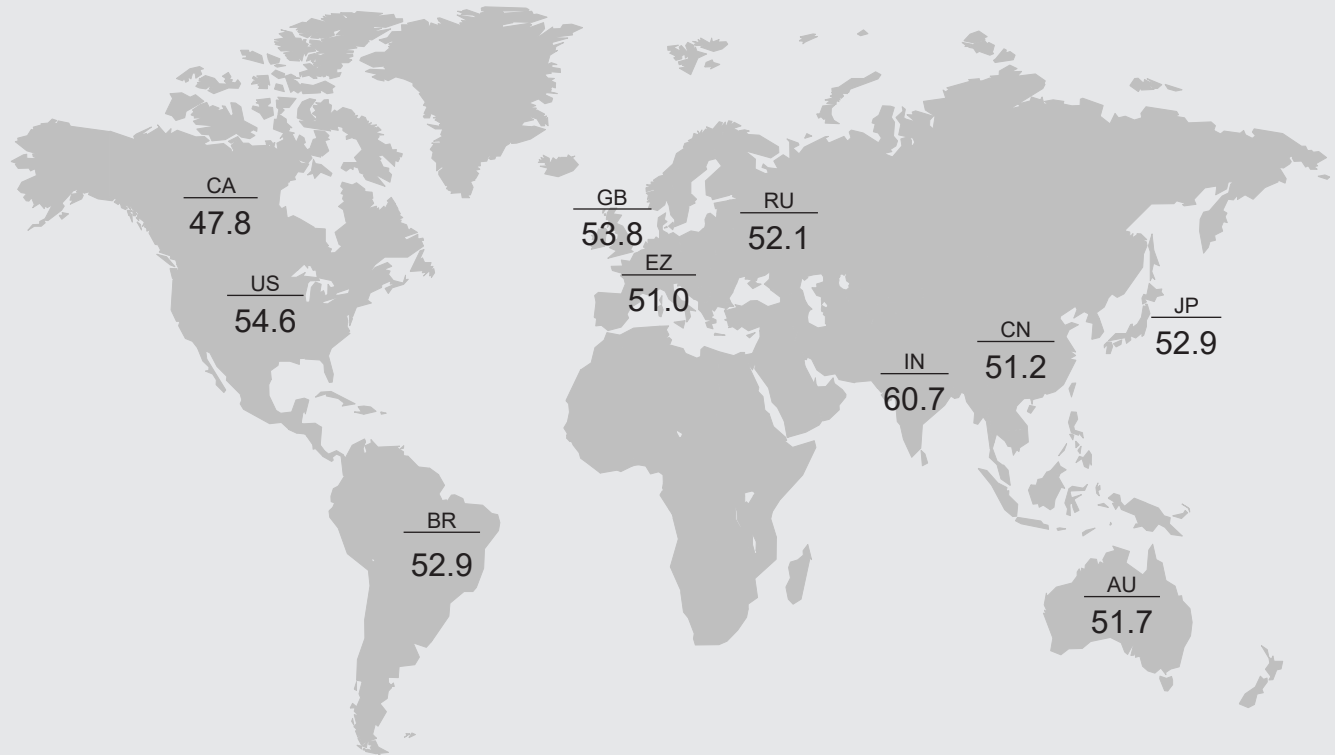




International PMI

Composite Output Index, Aug '24
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.

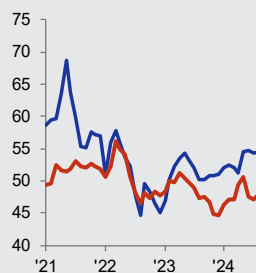


Composite Output Index

■ USA

■ Canada

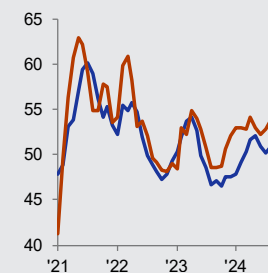
sa, >50 = growth



■ Eurozone

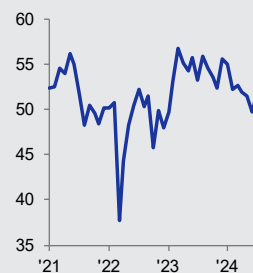
■ UK

sa, >50 = growth



■ Russia

sa, >50 = growth



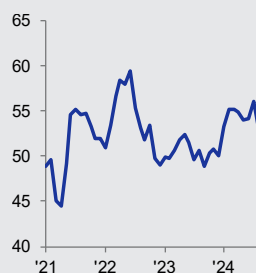
■ China

sa, >50 = growth



■ Brazil

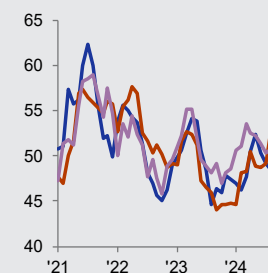
sa, >50 = growth



■ Germany

■ France

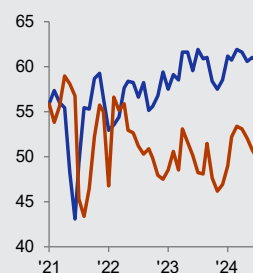
sa, >50 = growth



■ India

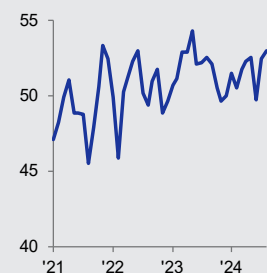
■ Australia

sa, >50 = growth



■ Japan

sa, >50 = growth



PMI®

by S&P Global



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 12-25 September 2024.

Survey questions

Private sector

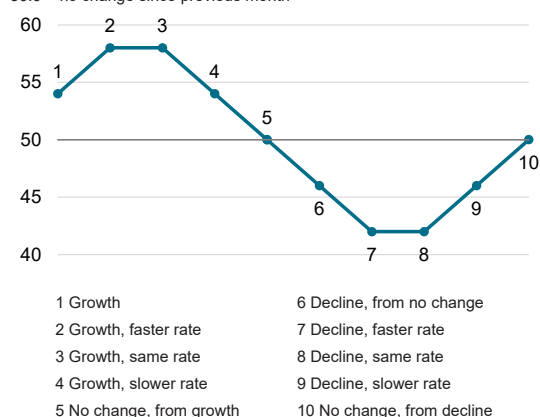
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

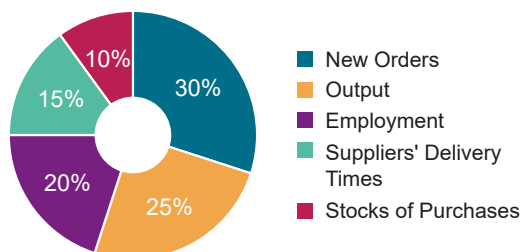
$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

Index interpretation

50.0 = no change since previous month



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

Standard Bank is established in Mozambique since 1894, actively participating in the development of the country by financing the national economy and placing its vast expertise in the areas of energy, infrastructure and mineral resources available to the national business community and in attracting foreign investment.

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.

www.standardbank.co.mz

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI®

by **S&P Global**