News Release

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Standard Bank

Standard Bank Mozambique PMI®

Business conditions weaken again in January

Key findings

Output and new orders fall for third month in a row

Lower costs and weak demand lead to reduced selling prices

Employment and purchases tick higher

The Standard Bank Mozambique PMI® signalled a further contraction in the private sector economy in January. Output levels and order book intakes dropped for the third month running, as protests continued to disrupt economic conditions.

However, the downturn was less severe compared to the end of last year, whilst expectations for future output improved. There were also renewed increases in staffing and purchases, helped by a further drop in input prices. Selling charges also decreased, notably to the greatest extent in three years.

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.

At 47.5 in January, the headline index pointed to a solid deterioration in business conditions at the start of 2025. The index has been below the 50.0 mark for the past three months, although it rose from a 52-month low of 46.4 in December.

Mozambican firms in the survey panel widely commented on a sustained impact from political protests. January saw output and new orders decrease for the third month running, albeit to lesser degrees than in December. Some firms indicated that disruptions had eased, thereby boosting client numbers.

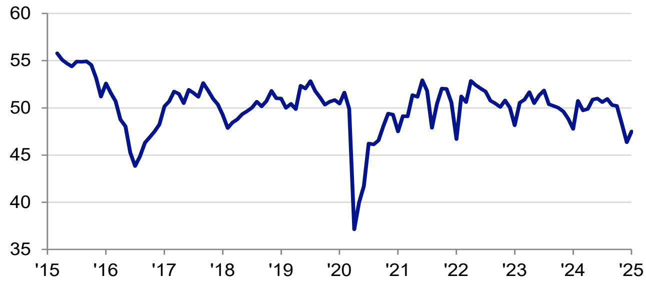
In another sign that the impact of protests on businesses was lessening, survey panellists reported fresh efforts to increase capacity. Total employment rose slightly in January, ending a two-month period of staff cuts. Similarly, after a marked decline in December, purchases of inputs grew for the first time in three months.

Logistics issues were also partly resolved, giving vendors greater flexibility with their deliveries. Although overall lead times continued to worsen, they did so only fractionally and at the slowest pace for three months. Consequently, inventories of inputs at private sector firms expanded at the quickest pace since August 2024.

With weak demand persisting, businesses processed a greater volume of existing orders at the start of the year. Backlogs of

Standard Bank Mozambique PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.
Data were collected 9-28 January 2025.

Comment

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

"The Standard Bank Mozambique PMI rose to 47.5 (seasonally adjusted) in January, from 46.4 in December. There were month-on-month (m/m) contractions in output, new orders, and supplier delivery times. However, there was some recovery in employment and inventories.

"The PMI dwelled below 50 for a third month running in January, implying further m/m contractions in the economy. Though post-election protests eased in January, the political and social environment remained tense.

"Business sentiment, per the PMI future business expectations sub-index, rose for a second month running in January, with respondents expecting higher output over the next 12-m.

"Still, the PMI implies moderating price pressures in January, largely due to subdued aggregate demand. This indicates that inflation may remain contained in the short term, but with food inflation likely to push upward. Therefore, inflation is expected to rise to 6.1% y/y by December 2025, from 4.2% y/y in December 2024.

"Our GDP growth estimates for 2024 at 2.5% y/y, after 5.4% y/y in 2023, reflect a 1.6% y/y contraction in GDP growth for Q4:24 and imply GDP growth excluding the extractive sector (mining and LNG) below 1% y/y in 2024, down from 2.2% y/y in 2023. A contraction in GDP growth is expected to persist through Q1:25, but it should turn the corner later in the year, consistent with our forecast of 3% y/y GDP growth for 2025.

"Monetary policy has seen consistent easing but, in the short term, this economy still faces recurrent fiscal pressures, insufficient foreign exchange supply, and subdued public and private sector investment."

PMI® by S&P Global

work dropped at the quickest rate in eight months.

Turning to prices, the latest survey data signalled a further decrease in output charges during January. Furthermore, the pace of discounting quickened from December and was the most marked in three years. Lower prices were linked to the twin effects of weak demand and falling costs.

On the latter, businesses reported a drop in input costs for the third consecutive month. According to panellists, subdued demand for raw materials due to the protests had brought down supplier fees. Purchase prices declined, albeit only modestly and at the slowest pace for three months. Wage costs also dropped after stabilising in December. Here, firms mentioned that weak demand dented payroll budgets.

Business expectations for the coming year ticked higher in January, improving for the second successive month from November's 49-month nadir. Several companies were hopeful that a return to normal economic conditions will support higher activity, while others projected growth in customer bases and product development.

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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.

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

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.
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About S&P Global

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