



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

### New orders continue to rise, but at softer pace

#### Key findings

Modest expansions in output and new orders

Rate of job creation picks up

Inflationary pressures muted

The latest Standard Bank Mozambique PMI<sup>®</sup> signalled ongoing growth in the country's private sector. Companies were able to generate further increases in sales, feeding through to rises in output, employment and purchasing activity. Cost pressures remained muted and companies kept their own selling prices broadly unchanged. Less positive was the outlook for activity over the coming year, which dropped to the weakest since October 2020.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (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 posted above the 50.0 no-change mark for the third month running in July, thereby signalling a continued strengthening in the health of the Mozambican private sector. That said, at 50.6 the index was down from 51.0 in June to signal a marginal improvement in business conditions that was the least pronounced in the current expansionary sequence.

New orders increased for the sixth month running in July amid strengthening market demand and the securing of new customers. The rate of expansion eased to a three-month low, however.

Similarly, business activity continued to rise as the second half of the year got underway, with firms responding to higher new orders by expanding their output. That said, the rate of growth moderated. Sector data indicated that the overall increase in activity was centred on the agriculture, manufacturing and wholesale & retail categories.

Companies also responded to higher new orders by expanding their workforce numbers and purchasing activity.

Employment rose for the sixth consecutive month. Despite being modest, the rate of job creation quickened to a level unsurpassed in just over a year. As with output, the agriculture, manufacturing and wholesale & retail sectors were the main sources of rising staffing levels.

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 11-26 July 2024.

#### Comment

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

*"The Standard Bank Mozambique PMI remains volatile and slipped to 50.6 in Jul, down from 51.0 in Jun. This mostly reflects softer growth in output and new orders, compared with the previous month, and stocks of purchases slipping below the 50-level. Notably, employment continued to rise for the sixth month running, as most sectors continued hiring.*

*"PMI prints above the 50-benchmark suggest month-on-month growth in economic activity. Nevertheless, the future business expectations sub-index declined for the second month running and slipped to nearly a 4-y low, with respondents expecting a softer growth in output in the next 12-m.*

*"Intermittent foreign exchange supply, persistent fiscal pressures, tight financing conditions and subdued investment will likely continue to see this economy growing at a softer pace.*

*"Indeed, GDP growth decelerated to nearly a 3-y low of 3.2% y/y in Q1:24, from a downward revised 4.8% y/y in Q4:24, mostly reflecting dissipating favourable base effects from Coral South production ramp up. Therefore, we forecast GDP growth decelerating to 3.6% y/y this year, with year-end inflation at 5.1% y/y, up from 3% y/y recorded in Jun.*

*"After all, monetary policy normalization which begun in Jan 24 could take two to three years, implying that financing conditions could remain tight for longer. The Banco de Moçambique (BOM) cut the MIMO policy rate by cumulative 300 basis points (bps) since the beginning of the year to the current level of 14.25%, which saw the prime lending rate down to 21.2% currently, from 23.5% in Jan, but cash required reserves remain unchanged and high, which subdues credit growth."*



Purchasing activity was up only marginally in July, albeit to a greater extent than in June. Although buying levels rose, stocks of inputs decreased for the first time in three months.

The increases in employment and input buying meant that firms were generally able to keep on top of workloads, reducing outstanding business marginally following a rise in the previous survey period.

Firms were also helped by further improvements in supply chains. Lead times on the delivery of inputs have shortened in each month since November 2021, with the latest solid improvement in vendor performance broadly in line with that seen in June.

Inflationary pressures generally remained muted at the start of the third quarter. Purchase costs were up slightly as increased demand for inputs reportedly led suppliers to increase their charges. Meanwhile, rising employment added to staff costs. In both cases, however, rates of inflation were softer than their respective series averages.

With input costs rising only slightly, companies kept their output prices broadly unchanged.

Although business expansion plans and expected growth of new orders supported confidence in the year-ahead outlook for business activity, sentiment dropped in July to the lowest since October 2020. Exactly 35% of panellists were optimistic in the outlook.

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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](mailto: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.

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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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