

Standard Bank Mozambique PMI[®]

Business conditions improve further in August

Key findings

Stronger expansions in output and new orders

Employment continues to rise

Cost pressures accelerate to 17-month high

The Standard Bank Mozambique PMI[®] signalled an improvement in the private sector economy for the fourth successive month in August, amid further expansions in output and new orders. Rates of growth strengthened, but job creation eased. Supplier delivery times continued to improve, giving firms greater confidence to increase their purchasing activity. Stronger input demand pressure led to a solid rise in input prices, with the rate of overall cost inflation reaching the highest since March 2023.

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 50.9 in August, the headline index was up from 50.6 in July and above the 50.0 no-change mark for the fourth consecutive month. The reading signalled a sustained expansion in the Mozambican private sector economy, although the pace of growth was only modest.

Companies raised their output levels for the fifth month in a row, which survey panellists largely associated with an increase in client demand. Notably, new order volumes rose at a solid pace that was among the fastest in just over a year. In line with this, output expanded to a greater extent than in the previous survey period. Four of the five monitored sectors registered an increase in activity, with construction being the only segment to record a decline.

Mozambican firms reported additional efforts to increase their capacity in August. This was shown by a further rise in workforce numbers, although the rate of job creation slowed from July and was only slight. Similarly, firms raised their quantities of purchases for the fourth month running, which supported renewed growth in input inventories.

Improving supply chains meant that firms were able to receive their new inputs in a speedy manner. Average lead times shortened at a sharp rate that was little changed from June and July.

Subsequently, backlogs of work were reduced for the second

Standard Bank Mozambique PMI

sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.
Data were collected 12-27 August 2024.

Comment

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

"The Standard Bank Mozambique PMI rose to 50.9 in Aug, after having eased to 50.6 in Jul. Despite remaining volatile, the PMI shows notable expansions in output and new orders in Aug, suggesting that economic activity continues to grow.

"PMI prints above the 50-benchmark suggest a month-on-month expansion in economic activity. The Aug PMI also signals some cost pressures, but with firms unable to pass through to their customers, which is typical of a market where aggregate demand is not too strong.

"Evidently, despite GDP growth remaining relatively strong, having accelerated to 4.5% y/y in Q2:24, from a recent low of 3.2% y/y in Q1:24, we note that this growth has been mainly driven by the extractive sector (mostly liquified natural gas and coal), up 17.5% y/y, with the rest of the economy expanding not much higher than population growth at 2.7% y/y in Q2:24.

"The Banco de Moçambique (BOM) has reduced the MIMO policy rate by a total of 300 basis points (bps) since the beginning of the year to the current level of 14.75% as a result of lower inflation, which was last reported at a recent low of 3% y/y in July. The prime lending rate decreased as a result, from 23.5% in January to 21.2% in August. However, credit growth was constrained by the persistence of high cash required reserves (CRR). We still expect the BOM to maintain cutting interest rates, even though inflation is expected to rise, albeit remaining benign because of the stability of the USD/MZN exchange rate.

"High CRR, persistent fiscal pressures and intermittent FX supply point to financing conditions remaining tight, therefore limiting growth outside the extractive sector. We foresee TotalEnergies lifting force majeure on its LNG project next year, which should see an improvement in sentiment and some GDP growth acceleration in the medium term."



month running. As well as improvements in employment and inventories, some panellists noted that longer operating hours and more efficient processes helped them to drive backlogs down.

Survey data regarding input prices signalled a much sharper increase in costs at Mozambican companies in August. The rate of inflation was solid and the quickest recorded in almost one-and-a-half years. This was mainly due to a stronger increase in purchase prices, which panellists largely attributed to rising input demand. Wages also increased, but the pace of inflation remained mild.

Despite overall costs rising at a faster pace, firms reported only a marginal increase in their selling prices, with most respondents keeping them unchanged. The uplift was only slightly quicker than July's 15-month low.

Finally, private sector firms were more optimistic towards the year ahead in August, with output expectations climbing to a three-month high. Increased sales opportunities, higher profits forecasts and improvements in products ranges and quality were mentioned as some reasons to be optimistic. However, the overall level of confidence remained weaker than the survey average.

Contact

Fáusio Mussá
Chief Economist, Mozambique
Standard Bank
T: +258 215 01 012
fausio.mussa@standardbank.co.mz

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Inercio Pene
Public Relations & Communication
Standard Bank
T: +258 843 124 994
inercio.pene@standardbank.co.mz

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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

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.

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