

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

### Business conditions deteriorate in November amid protests

#### Key findings

Output drops at sharpest rate in nearly three years

Weaker sales hits staffing and purchases

Average input costs fall for first time since January

The Mozambique PMI<sup>®</sup> signalled a decline in the private sector economy in November, as output and order books were widely curbed by protests and strikes. The downturn caused firms to make renewed cuts to staffing numbers and procurement. Concurrently, optimism for future business activity receded.

Supply chains were also hit, with the latest survey data signalling a solid lengthening of input delivery times. Stocks of purchases subsequently fell solidly. More positively, reduced buying and a subdued jobs market helped to bring down expenses.

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 slipped below the 50.0 neutral threshold for the first time in seven months in November. At 48.4, down from 50.2 in October, the index signalled a modest contraction in the Mozambican private sector economy.

Overall business activity dropped at the quickest pace since January 2022. The decline was widely associated by survey respondents with protests and strikes following the general election, which led to both reduced capacity and weaker customer demand.

Similarly, the latest survey data revealed a solid decline in new business volumes. All five sectors covered by the survey saw sales decrease, with the most pronounced decline in the construction industry. The overall downturn ended a prior nine-month sequence of new order growth.

With business conditions weakening, and as part of measures to control costs, companies reduced their business capacity during November. Though marginal, jobs were shed at the fastest rate since March 2021. This contributed to the first decrease in salary costs in over three years.

Similarly, input purchases fell at a solid pace that was the sharpest seen for ten months, which also led to a notable drop in inventories. In fact, the contraction in stocks was the greatest ever observed except for those seen during the second quarter

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 12-26 November 2024.

#### Comment

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

*"The Standard Bank Mozambique PMI fell to a seasonally adjusted ten-month low of 48.4 in November, after easing to 50.2 in October. Dropping for the third month running in November, the PMI data showed month-on-month contractions in output, new orders, employment and stocks of purchases, plus a lengthening of supplier delivery times.*

*"The PMI printing below the 50 neutral level suggests a deterioration in private sector business conditions, on the wake of post-election tension that may prove protracted. Business sentiment, as measured by the future business expectations sub-index, declined for the third month running, with respondents expecting softer growth in output over the next 12 months.*

*"PMI data suggests muted inflation pressures. Despite some supply disruptions amid protests, there has been weak demand and stable foreign exchange rates, which limits price pressures. This allowed the Banco de Moçambique (BOM) to cut the MIMO policy rate at the November MPC meeting by 75 basis points (bps) to 12.75%, bringing cumulative cuts since the beginning of the year to 450 bps, as the BOM see the USD/MZN pair stability helping keep inflation under control.*

*"Notably, downside risks to the economy have increased, considering the prospect of protracted post-election tension, relentless fiscal pressures and growing foreign exchange supply/demand imbalances. We retain our forecasts of softer GDP growth in 2025 of 3.3% y/y and inflation rising towards 5.7% y/y by the end of 2025.*

*"This implies that even in the case of BOM continuing to cut the MIMO policy rate, financing conditions will likely remain tight, manifest in high cash required reserves (CRR), and exacerbated by the build-up in government goods and services arrears as well as delays in VAT reimbursements, all limiting private sector credit growth and subduing aggregate demand."*



of 2020.

Disruption to supply chains was also observed in November. As well as protests, many panellists reported that a border closure with South Africa triggered product shortages and vendor delays. Notably, the respective seasonally adjusted index saw its largest monthly decrease in the survey's history (down 6.8 points from October).

Total purchase costs fell for the first time in a year in November, as businesses indicated a reduction in supplier charges due to weak demand. With staff costs also down, overall business expenses fell at a moderate pace that was the sharpest since February 2022.

Selling prices continued to rise, but only marginally. While supply shortages pressed some firms to raise their charges, weak demand undermined pricing power elsewhere.

Looking ahead, Mozambican firms were generally hopeful of activity increasing over the next 12 months. The degree of optimism softened in November, however, and was the lowest in just over four years. Where optimism was seen (at nearly a third of surveyed firms), this was linked to expectations of higher recruitment, new sales and increased publicity.

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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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