



Standard Bank Mozambique PMI[®]

Mozambican firms face worst monthly contraction since August 2020

Key findings

Downturn intensifies as protests continue

Output, orders, purchases and employment fall further

Selling prices cut as costs decrease

Mozambican private sector companies reported a stronger deterioration in business conditions in the final month of 2024, as output and order books were again negatively impacted by protests and strikes. Customer demand fell at the quickest rate in four-and-a-half years, leading to additional cutbacks in purchasing, stocks and staffing.

Lower purchases of inputs helped to soften business costs, which dropped for the second month running and supported a renewed reduction in charges. Additionally, firms were slightly more confident about the business outlook than in November.

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.

The headline PMI dropped another two index points in December, registering well inside contraction territory. At 46.4, from 48.4 in November, the reading indicated a solid deterioration in the health of the private sector. Furthermore, it was the lowest reading since August 2020.

Surveyed businesses widely reported that the decline in operating conditions was due to protests and strikes following the general election. Unrest had a considerable impact on total new order intakes, which fell to the greatest degree since June 2020 and across all monitored sectors.

Similarly, business activity contracted at a marked rate that was the quickest recorded in over four years. In addition to the protests curbing demand and capacity, there were some reports that border closures led to product shortages. Purchasing activity was thereby also affected, with firms registering a sharp decline in December.

Contractions in output and sales led to sustained decreases in employment and inventories. In both cases, rates of decline were similar to those observed in November. The drop in inventories was solid, while that for workforce numbers was slight. Qualitative evidence signalled that some firms found it challenging to recruit workers during the protests.

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.
Data were collected 5-18 December 2024.

Comment

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

"The Standard Bank Mozambique PMI slipped to a seasonally adjusted level of 46.4 in December, down from 48.4 in November, declining for the fourth month running and to the lowest level since August 2020. PMI prints below the 50-benchmark suggest month-on-month contraction in economic activity.

"Post-election protests since 21 October have been weighing down economic activity, with the December PMI reflecting month-on-month contractions in output, new orders, supplier's delivery times and stock of purchases, on the back of a slump in aggregate demand and supply-chain disruptions.

"We have lowered our GDP growth estimates for 2024 to 2.5% y/y, and our growth forecasts for 2025 to 3% y/y. Growth was 5.4% y/y in 2023. This implies GDP growth turning negative, at least in Q4:24 and Q1:25. Climate change events could also have a negative impact on growth. Tropical cyclone Chido which hit parts of Northern Mozambique has already caused a death toll, displacements and material infrastructure damage.

"However, we retain our year-end inflation forecasts for 2025 at 5.8% y/y. Nevertheless, the risks to inflation have increased due to higher food inflation as well as entrenched fiscal and foreign exchange (FX) pressures.

"The outlook has worsened markedly due to post-election tension, GDP growth backtracking, inflation rising, fiscal pressures, FX supply-demand imbalances, recurrent episodes of insecurity in Cabo Delgado and as a result, recurrent LNG investment delays."



Whilst product shortages and strikes resulted in capacity challenges for some businesses, this was largely outweighed by a lack of demand. As such, the volume of backlogged work at Mozambican firms fell in December (albeit fractionally). Capacity shortfalls at vendors meanwhile led to a further lengthening of lead times, although the degree to which lead times lengthened was less marked than in November.

With input buying falling, businesses again highlighted a reduction in purchase costs in December. Wage costs were relatively stable, extending the muted trend seen over the fourth quarter. Subsequently, the latest survey data pointed to the fastest decrease in overall business expenses since July 2020, with reductions observed in all of the five sectors monitored by the survey.

Selling prices likewise decreased, marking the first reduction in 20 months. That said, the fall was mild and centred on the manufacturing and services categories, contrasting with upticks in agriculture, construction and wholesale & retail.

Despite the downturn worsening in December, Mozambican firms were slightly more confident about the business outlook. That said, sentiment was still at one of its lowest levels in four years.

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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.

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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.

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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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