

Standard Bank Mozambique PMI™

Business conditions unchanged in December as growth sequence ends

Key findings

Firms see little change in new order volumes

Output levels expand only marginally

Purchasing activity falls at strongest rate in 11 months

The Mozambique private sector ended 2022 on a subdued note, according to latest survey data, as businesses saw no change in operating conditions and new order growth almost stalled. The slowdown led to only marginal increases in output and employment, while input purchases decreased at the sharpest pace since January. On a positive note, cost pressures ticked up only slightly from November's recent low and remained modest, and firms continued to signal a strong degree of optimism towards the year-ahead outlook.

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 fell from 50.8 in November to 50.0 in December, signalling no change in the health of the private sector during the month. The latest reading ended a sequence of growth that stretched back to February.

The drop in the index largely reflected a marked slowdown in new business growth at the end of the year, with firms registering only a fractional increase since November. While some firms reported higher orders and increased client numbers, others saw a weakening of demand conditions.

Similarly, business activity rose at a slower and marginal rate in December, as companies indicated that weak new order growth weighed on output. Moreover, the upturn was largely concentrated on the construction industry, with sector data pointing to falling output in the agriculture, manufacturing and services as well as stagnation in wholesale & retail.

Subdued demand fed through to a reduction in input

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global.

Data were collected 6-20 December 2022.

Comment

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

"The Standard Bank Mozambique PMI decelerated to the 50 level in Dec after having risen for the first time in seven months to 50.8 in Nov. This essentially reflects a deceleration in output growth, a sharp decline in new orders, falling stock purchases and a contraction in quantity of purchases.

"In line with ongoing inflation pressures, the PMI recorded an increase in overall input prices and purchase costs that resulted in higher output prices. This suggests an ongoing passthrough effect from higher costs into higher sales prices.

"At the 50-benchmark level, the Dec PMI suggests that economic growth was flat in the last month of 2022, after a temporary growth acceleration in Nov.

"This could well suggest that aggregate demand has softened, as the fight on inflation resulted in a tighter monetary policy. We also noted prudent fiscal spending, which saw the government announcing that the discretionary 13th cheque would not be paid, clearly negatively impacting the purchasing power of public servants.

"Looking ahead, there is some encouraging signs in the rise in new export orders and in the future expectations sub index, which rose. Most likely this suggests some optimism related to prospects of Total Energies resuming on site construction for its LNG project in 2023, and ongoing strong performances in agriculture and mining, which should continue in 2023."



purchases in December, the third seen in four months. While modest, the rate of contraction was the quickest recorded since January, leading to a softening of inventory growth. Firms continued to see an improvement in supplier performance, albeit one that was the least marked since August.

Mozambican firms continued to add to their employment numbers in December, amid efforts to expand output. The rate of job creation was marginal though. Higher output and employment meant that companies were able to reduce outstanding work for the fifth consecutive month.

Firms meanwhile saw only a moderate increase in overall input costs, although the rate of inflation quickened slightly from November's recent low. Where costs increased, panellists mainly linked this to supply issues, rising purchase prices and higher staff expenses. With cost inflation remaining low, firms raised their prices charged only modestly, albeit to a greater extent than in the previous month. Notably, agriculture bucked the wider trend and posted falls in both input and output prices.

Lastly, output expectations remained strong and picked up slightly from the month before, with around 55% of panellists forecasting growth for the upcoming year.

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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@ihsmarkit.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. [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html)

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