

Standard Bank Mozambique PMI[®]

Mozambique PMI falls to two-year low as staff levels start to decline

Key findings

Employment numbers drop for first time since February 2022

Sharper declines in output and new orders

Lower purchasing keeps cost burdens settled

Mozambique's private sector economy contracted for the third month in a row in January and at the sharpest pace in exactly two years, according to the latest PMI[®] survey findings. Output and new order trends continued to worsen, leading to the first drop in employment since February 2022. Input purchasing also fell sharply, which helped to keep cost pressures down and selling prices settled. Despite the downturn in activity, firms remained upbeat about output levels in the coming year as sales, profits and investment were all expected to rise.

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 registered below the 50.0 mark for the third straight month in January, dropping to 47.8 from 48.8 in December. The reading was the lowest recorded since January 2022, but signalled a moderate deterioration in the health of the private sector economy.

Output levels at Mozambican companies decreased at a quicker rate at the start of the year. The contraction was largely due to a weakening of order books, as the survey data also signalled back-to-back declines in sales. Respondents often noted receiving fewer new orders as demand conditions worsened. According to sector data, lower new business in the construction, manufacturing and service sectors contrasted with uplifts in agriculture and wholesale & retail.

Contractions in output and demand tipped employment levels into decline in January, as the latest data signalled the first fall in staffing levels in almost two years. That said, the overall rate of job shedding was only fractional. Despite staff cuts, businesses were able to keep outstanding work volumes down for the eleventh month running.

Reduced new orders led Mozambican firms to purchase fewer inputs in January. Purchasing activity fell for the fifth straight month, with the pace of reduction quickening to the second-fastest since May 2020. Lower demand, combined with greater vendor efficiency, supported a sharp improvement in delivery

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sa, >50 = improvement since previous month



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

Comment

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

"The Standard Bank Mozambique PMI fell to 47.8 in Jan, a two-year low, from 48.8 in Dec, signalling a contraction in economic activity for the third month in a row. This mainly reflect declines in output, new orders, employment, and purchases, all pointing to subdued aggregate demand. PMI prints below the 50-benchmark suggest month-on-month contractions in economic activity.

"Consistent with subdued aggregate demand, and a stable metical, companies reported muted cost pressures, which helped keep sales prices relatively stable. Future expectations continued to signal prospects of an increase in investment, sales and profits, most likely associated with the resumption this year of on-the-ground liquified natural gas (LNG) investments in Cabo Delgado.

"The Banco de Moçambique cut its main monetary policy interest rate, MIMO, by 75 basis points to 16.5% last month, from 17.25%, signalling the beginning of an easing cycle for monetary policy, permitted by the decline in inflation. We retain our year-end inflation forecasts of 5.9% y/y for 2024 and 6.3% y/y for 2025, up from 5.3% y/y in 2023.

"Prudent monetary policy easing implies financing conditions remaining tight. As a result, we retain our Jan edition of the African Markets Revealed forecasts of GDP growth decelerating to 4.6% y/y this year and 3.8% in 2025, even considering the resumption of LNG investment, based on persistent government debt pressures and intermittent FX supply."



times that was the strongest seen in over a year-and-a-half.

The drop in input demand helped to keep price pressures relatively stable at the start of 2024. Purchasing costs were little changed since the previous month, despite rises in some raw material prices. Similarly, a reduction in staffing meant that labour costs were also settled, with the latest data marking the joint-slowest increase in almost two-and-a-half years (level with that recorded in November 2023).

As a result, average prices charged by Mozambican firms rose only marginally in January. The pace of inflation was roughly the same as December's seven-month low, with price increases confined to the service economy.

Looking ahead, output expectations for the upcoming year remained strongly positive in January. That said, the degree of optimism weakened slightly to a four-month low and was below the series trend. Where companies expect an increase in activity, panel comments mostly related this to hopes of greater sales, profits and investment.

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

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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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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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