



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

### Business activity rises strongly in June

#### Key findings

New order growth strengthens across Mozambique

Stockpiling continues for second month running

Fastest increase in selling prices since August 2023

Business conditions in Mozambique improved for the second month in a row, according to the June Standard Bank Mozambique PMI<sup>®</sup> survey. Stronger client demand supported a moderate increase in private sector activity, which was the fastest recorded since July 2023. Increased sales and output requirements encouraged firms to stockpile inputs, as supplier delivery times also improved. Selling prices rose at the sharpest rate for ten months, despite a cooling of input price pressures.

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.

At 51.0 in June, the headline index was up fractionally from 50.9 in May, and above the 50.0 no-change threshold for the second successive month. The index signalled a slight upturn in the health of the private sector economy.

Business activity across Mozambique expanded for the third month in a row during June, as firms stepped up their operations due to higher customer numbers and stronger demand conditions. The rate of output growth was the quickest seen in 11 months, with all five sectors covered by the survey registering an upturn since May.

Growth of new order inflows also strengthened in June, as survey panellists commented on the arrival of new customers and greater work requests.

Rising demand levels precipitated another increase in inventory levels in June. Stocks of purchases rose for the second straight month, following a seven-month period of reduction. The expansion softened from May and was only slight, due in part to a weaker uplift in purchasing activity.

Positively, firms continued to report quicker input deliveries. Average lead times shortened to a greater extent than May's six-month low, amid reports of speedier vendors, greater input availability and improved supply lines from abroad.

Despite a stronger rise in output, employment growth was fairly subdued at the end of the second quarter. The latest

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 12-25 June 2024.

#### Comment

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

*"The Standard Bank Mozambique PMI rose to a seasonally adjusted level of 51.0 in June, up from 50.9 in May, mainly reflecting further increases in output and new orders. Notably, there was an increase in sales prices, denoting some improvement in aggregate demand.*

*"PMI prints above the 50-benchmark suggest month-on-month growth in economic activity. Despite these improvements, we note that the future business expectations sub-index declined to a 16-m low of 68.2 in Jun, signalling that output could grow at a softer pace.*

*"After all, despite the Banco de Moçambique (BOM) cutting the main policy rate, MIMO, by cumulative 225 basis points (bps) since the beginning of the year to the current level of 15%, which saw the prime lending rate down to 22% in Jun, from 23.5% in Jan. Interest rates remain elevated in real terms (nominal interest rate minus inflation), with inflation last reported at 3.1% y/y in May.*

*"This, alongside high cash reserve ratios, intermittent foreign exchange (FX) supply, and persistent fiscal pressures is subduing non-extractive sector growth. Credit growth to companies contracted by -16.2% y/y in Apr, the fastest contraction on record since Nov 2011, which pushed the contraction of credit to the economy to -7% y/y in Apr, from -5.6% y/y in Mar.*

*"We have lowered our 2024 year-end inflation forecast to 5.1% y/y, from 5.9% y/y, on metical stability and financing conditions remaining tight. Therefore, we retain our forecasts of GDP growth decelerating to 4.6% y/y this year, from 5.4% y/y in 2023."*



data showed only a marginal rise in overall staffing numbers. Concurrently, firms noted an increase in their backlogs for the first time in four months, and the sharpest uplift since April 2021.

On the price front, June survey data pointed to some relief for Mozambican companies. Overall input costs rose at the slowest pace in the current five-month run of inflation. This was due to a softer rise in purchase costs as well as a near stabilisation in wages. That said, there were some reports of increases in material prices, fuel costs and supplier charges.

In contrast, average prices charged by Mozambican companies rose to the sharpest degree since August last year, though only at a modest rate overall. Companies reported efforts to boost margins and pass on cost rises to customers.

Output expectations, while remaining firmly positive, slid to their lowest level since February 2023 in June. Around 37% of surveyed companies predict output to expand over the next year, with mentions of business development, sales growth, quality improvements and expansion into foreign markets.

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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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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.

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