

## Standard Bank Mozambique PMI™

### Output and new order growth slow markedly in August

#### Key findings

New orders rise only marginally

Activity growth moderates from July's 13-month high

Confidence drops to second-weakest in nearly three years

The Mozambique PMI™ slipped to a seven-month low in August as rates of expansion in activity and new business slowed considerably from the recent highs recorded in July. A cooling of sales growth led to weaker optimism towards future activity. Nevertheless, firms added to their employment numbers and raised their inventories for the first time since May.

Mozambican companies meanwhile saw reduced pressure on their expenses, as a slight dip in purchase prices helped to offset a further rise in wages. Businesses again increased their selling charges, albeit at a moderate rate.

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.

After rising to a 13-month high of 51.9 in July, the headline index dropped to 50.4 in August. The reading was the lowest seen in seven months, and indicated only a slight improvement in the health of the private sector.

Driving the PMI lower was a considerable slowdown in new business growth, which was the softest recorded in the current seven-month period of expansion. Several panellists reported difficulties acquiring new work, although others managed to gain customers. Notably though, the weaker rise in sales followed the strongest upturn for 14 months in July.

Subsequently, activity levels increased modestly and to a weaker extent during August, with the rate of growth slowing to a six-month low. Sector data signalled that weakness in construction weighed on output, as falling new orders led to a sharper contraction in this category. By comparison, expansions were recorded in the agriculture, manufacturing, wholesale & retail and service sectors.

Meanwhile, Mozambican companies made further additions

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sa, >50 = improvement since previous month



Sources: Standard Bank, S&P Global PMI.  
Data were collected 10-25 August 2023.

#### Comment

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

*"The Standard Bank Mozambique PMI moderated to the 50.4 level in Aug, which is the lowest since Jan, from 51.9 in Jul, which was the highest level in 11 months. This mainly reflects a sharp deceleration in output and new order growth, with job creation recording a modest increase. Output prices and input prices grew at softer paces, suggesting a further easing in inflationary pressures.*

*"Having printed above the 50-benchmark level, the Aug PMI nevertheless suggests that the economy continues to experience a gradual recovery in economic activity.*

*"We see H1:23 monetary policy tightening by means of higher cash required reserves leading to a further deceleration in inflation in the second half of the year. Last reported at 5.7% y/y in Jul, we see inflation easing towards 5.5% y/y in Aug, supported by a stable metical and seasonal food category disinflation.*

*"Combined with ongoing fiscal containment measures to help address the wage bill and government domestic debt pressures, this should see GDP growth outside the resources sector decelerating further this year. Non-resources GDP growth fell to 2.6% y/y in H1:23, from 3.4% y/y in H2:22 and 4.3% in H1:22. For now, softer non-resources growth seems inevitable to help ease FX liquidity pressures towards supporting metical stability in the context of the FX reforms progress."*



to their staffing in August, with the latest data indicating a modest uptick in jobs. Greater labour capacity helped to keep the lid on backlog volumes, which ticked down fractionally and for the sixth month running.

Similarly, businesses expanded their purchasing activity again, following a renewed rise in July. Stocks of purchases also increased, marking the first accumulation in three months. That said, rates of growth for both metrics were only marginal, while several firms noted that relatively subdued input demand led to both quicker delivery times and a first drop in purchase prices since January.

Overall input costs continued to rise over August, driven by a further increase in wages. However, the dissipation of purchase price pressures meant that the overall rate of input cost inflation eased to a six-month low and was mild.

At the same time, businesses raised their selling prices at a moderate rate in August, and one that was roughly the same as July's ten-month high. Anecdotal evidence suggested that several companies sought to protect their margins.

Output expectations for the year ahead weakened further in August, dropping to the second-lowest since late-2020. That said, firms still generally expect an expansion in activity, amid mentions of new products, investment and hopes of growing client bases.

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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](mailto: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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