

MOZAMBIQUE OVERVIEW

ECONOMIC OUTLOOK
2013

PLMJ
INTERNATIONAL
LEGAL NETWORK

MEMBER OFFICES ANGOLA • BRAZIL • CAPE VERDE • CHINA
EAST TIMOR • MACAO • MOZAMBIQUE • PORTUGAL

GLM
GABINETE LEGAL MOÇAMBIQUE
ADVOGADOS

AREA

799 380 KM²

LOCATION

SOUTH-EASTERN COAST OF AFRICA

COORDINATES

MOZAMBIQUE IS LOCATED BETWEEN THE 10° 20' AND 26° 52' PARALLELS OF SOUTHERN LATITUDE AND BETWEEN THE 30° 12' AND 40° 51' MERIDIANS OF EASTERN LONGITUDE

BORDERS

TO THE NORTH WITH THE REPUBLIC OF TANZANIA, TO THE NORTH-EAST WITH MALAWI AND ZAMBIA, TO THE WEST WITH ZIMBABWE AND THE REPUBLIC OF SOUTH AFRICA, AND TO THE SOUTH WITH SWAZILAND AND ALSO THE REPUBLIC OF SOUTH AFRICA

COASTLINE

THE WHOLE OF THE EAST OF THE COUNTRY IS BATHED BY THE INDIAN OCEAN ALONG A COASTLINE OF AROUND 2 470 KILOMETRES

POPULATION DENSITY

29 INHABITANTS/KM²

POPULATION¹

23 MILLION INHABITANTS

PROVINCES

NORTH: NIASSA, CABO DELGADO, NAMPULA
CENTRE: ZAMBEZIA, TETE, MANICA, SOFALA
SOUTH: INHAMBANE, GAZA, MAPUTO

CAPITAL

MAPUTO (1 967 000 INHABITANTS INCLUDING MATOLA AND THE PROVINCE OF MAPUTO)

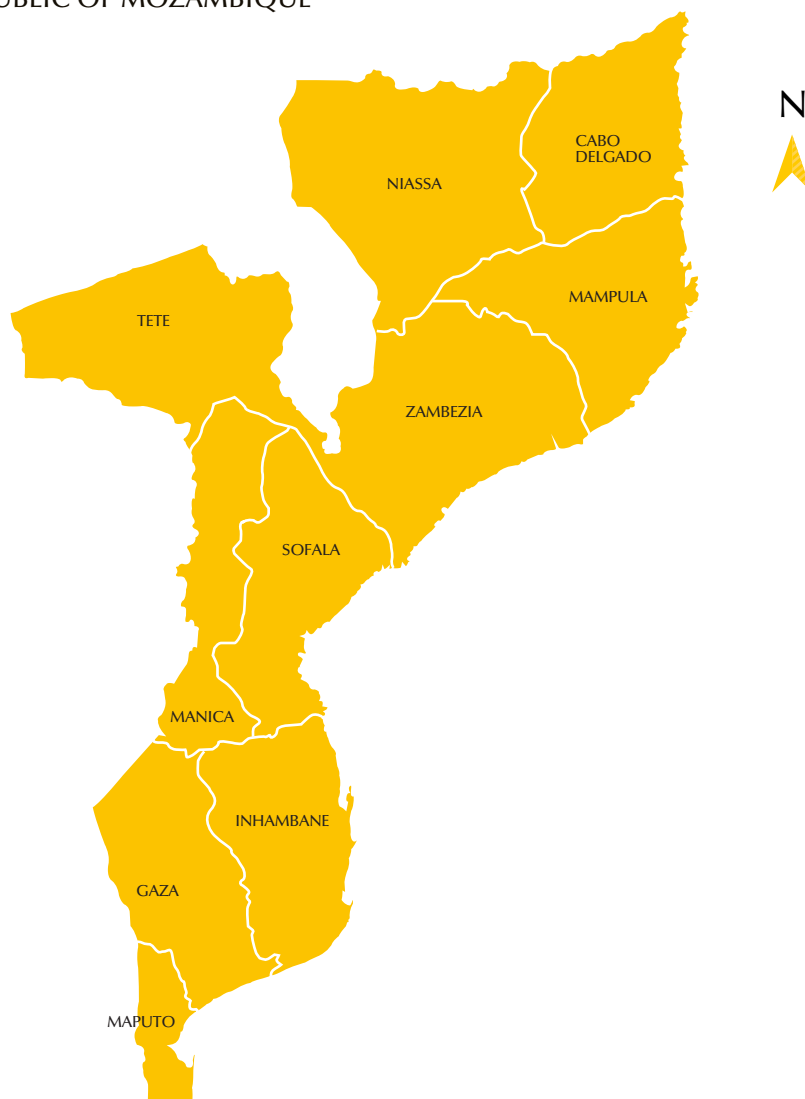
OTHER IMPORTANT CITIES

NAMPULA (576 000 INHABITANTS)
 BEIRA (442 000)
 CHIMOIO (273 000)
 NACALA (230 000)
 QUELIMANE (213 000)
 TETE (182 000)
 PEMBA (175 000)

DESCRIPTION AND IMPORTANT ECONOMIC DATA

OFFICIAL NAME:

REPUBLIC OF MOZAMBIQUE



Country Risk²: General risk – B (February 2013)

(AAA = lower risk; D = higher risk)

Political risk – BB (February 2013)

Credit Risk³: 6 (1 = lower risk; 7 = higher risk)

Degree of openness and size relative to the market:

Exp. + Imp. / GDP = 55.6% (2011)

Imp. / GDP = 34.3% (2011)

Imp. / Worldwide Imp. = 0.03% (2011)

¹ Source: Economist Intelligence Unit (EIU), March 2011

² Source: Economist Intelligence Unit (EIU), March 2011

³ Source: Companhia de Seguros de Créditos (COSEC), February 2011

DESCRIPTION AND IMPORTANT ECONOMIC DATA

OFFICIAL LANGUAGE

PORTUGUESE

OTHER NATIONAL LANGUAGES

CICOPI, CINYANJA, CINYUNGWE, CISENGA, CISHONA, CIYAO, ECHUWABO, EKOTI, ELOMWE, GITONGA, MACONDE (OR *SHIMAKONDE*), KIMWANI, MACUA (OR *EMAKHUWA*), MEMANE, SUAÍLI (OR *KISWAHILI*), SUAZI (OR *SWAZI*), XICHANGA, XIRONGA, XITSWA AND ZULU

RELIGION

AROUND 50% OF THE POPULATION BELONGS TO TRADITIONAL AFRICAN RELIGIONS. THE OTHER RELIGIONS REPRESENTED ARE PRINCIPALLY CHRISTIAN (PREDOMINANTLY ROMAN CATHOLIC), WITH AROUND 5 MILLION ADHERENTS AND MUSLIM, WITH AROUND 4 MILLION ADHERENTS.

CURRENCY

METICAL (MZN). THE RE-VALUED METICAL CAME INTO CIRCULATION ON 1 JUNE 2006. 1 EUR = 40.57 MZN⁴

INTERNET TLD

.MZ

CALLING CODE

+258

TIME

GMT + 2 HOURS

DATE OF INDEPENDENCE

25 JUNE 1975

POLITICAL SYSTEM

MULTI-PARTY DEMOCRACY

PRESIDENT

ARMANDO EMÍLIO GUEBUZA (RE-ELECTED IN OCTOBER 2009)

PRIME MINISTER

AIRES BONIFÁCIO ALI

DATE OF CURRENT CONSTITUTION

22 DECEMBER 2004

MAIN POLITICAL PARTIES

FRELIMO IN GOVERNMENT

RENAMO - MOZAMBICAN NATIONAL RESISTANCE

THE MAIN OPPOSITION PARTY

MDM – MOZAMBIQUE DEMOCRATIC MOVEMENT

NEXT ELECTIONS

LOCAL GOVERNMENT 2013

PRESIDENTIAL, GENERAL AND PROVINCIAL 2014

PUBLIC HOLIDAYS

DATE	NAME	NOTES
1 January	Universal Fraternity Day	-
3 February	Mozambican Heroes Day	Homage to Eduardo Mondlane
7 April	Mozambican Day of the Woman	Homage to Josina Machel
1 May	International Workers Day	-
25 June	National Independence Day	-
7 September	Victory Day	Homage to the signing of the Lusaka Accords
25 September	Armed Forces Day	Homage to Armed Struggle for National Liberation
4 October	Peace and Reconciliation Day	Homage to the General Peace Agreement
25 December	Family Day	-

⁴ Information from the Bank of Portugal (February 2013)

23 MILLION
POPULATION
2013 

2013
GDP (10⁹ MZN)
467.5

**RATE OF
INFLATION**
2013
AVERAGE
5.5%

8.4%
IMF FORECAST
2013

PRINCIPAL MACROECONOMIC INDICATORS⁵

INDICATORS	UNIT	2012 (estimates)	2013 (forecast)	2014 (forecast)
GDP at market prices	10 ⁹ MZN	386	467.5	536.1
GDP at market prices	10 ⁹ USD	13.6	16.6	19.3
GDP per capita	USD	1074	1156	1242
Real growth in GDP	%	7.4	7.8	7.8
Private Consumption	Var.%	7.1	8.1	7.9
Gross Fixed Capital Formation	Var.%	10.2	10.6	10.7
Rate of Inflation (average)	%	2.2	5.5	n.d.
Public Debt	% do PIB	38.3	39.0	40.0
External Debt	10 ⁹ USD	4.6	5.5	6.5
Lending rate (average)	%	18.8	19.0	18.5

The Mozambican financial system is made up of 18 commercial banks but there is a high level of concentration with the four largest banks representing between them around 89% of the credit in the system and 91% of the deposits:

- *Banco Internacional de Mozambique* (Millennium-BIM)
- *Banco Comercial e de Investimento* (BCI)
- Standard
- Barclays

The sector also has one investment company (GAPI), one risk capital company, one group buying company and three financial leasing companies.

⁵Source: Economist Intelligence Unit (EIU),

ECONOMIC SITUATION AND PERSPECTIVES

MOZAMBIQUE IS SEEN AS A GATEWAY TO THE MARKETS OF THE SADC (SOUTHERN AFRICAN DEVELOPMENT COMMUNITY), WHICH BRINGS TOGETHER AROUND 250 MILLION CONSUMERS.

MOZAMBIQUE IS A COUNTRY WITH ABUNDANT NATURAL RESOURCES INCLUDING HYDRO-ELECTRIC POTENTIAL, NATURAL GAS RESERVES, COAL AND MINERALS IT ALSO HAS 2500 KM OF COASTLINE WITH EXTENSIVE FISHERY RESOURCES

OVER THE LAST FEW YEARS, THE MOZAMBICAN ECONOMY HAS SHOWN A REMARKABLE ROBUSTNESS, MAINTAINING HIGH ECONOMIC GROWTH INDICATORS

Benefitting from a strategic location, Mozambique is seen as a gateway to the markets of the SADC (Southern African Development Community), which brings together around 250 million consumers.

The country is seen as a success case among African economies and has been playing a role of increasing significance in southern Africa, especially because of its potential as a supplier of energy to the region.

Mozambique is a country with abundant natural resources and its hydro-electric potential, natural gas reserves, coal and minerals (gold, precious stones, titanium and bauxite, among others) stand out. It also has 2500 km of coastline with extensive fishery resources and, its principal source of exports, the developing aluminium industry.

The Mozambican economy's distribution by sectors is relatively diverse. The agricultural sector is of great importance and it could see

this position strengthened over the short to medium term as a result of the commitment of the authorities and its enormous potential for development. Agriculture is followed by manufacturing industry, transport, and communications, real estate, electricity and water and the financial sector.

It should be noted that over the last few years, the Mozambican economy has shown a remarkable robustness, maintaining high economic growth indicators (average annual rate of 7% between 2008 and 2012, as compared with 5.5% across sub-Saharan Africa). This signals a movement towards higher living standards in the country.

The growth perspectives for Mozambique for 2013 and the following years continue to be favourable. The EIU projects an economic activity expansion rate of 7.8% in 2013 (7.8% in 2014), while the IMF points to 6.7%. At the same time, the Mozambican Ministry of Finance expects growth in GDP for this year of 8.4%.

FORECASTS FOR MOZAMBICAN GROWTH (REAL GDP GROWTH RATE, %)

	2012	2013	2014
State Budget 2011	7.5	8.4	-
IMF (Oct 2012)	7.5	8.4	7.2
Economist Intelligence Unit (March 2013)	7.4	7.8	7.8

Source: Mozambican Ministry of Finance, Economist Intelligence Unit, IMF.

TRADE

EVOLUTION OF THE BALANCE OF TRADE

(10 ⁶ USD)	2012	2013	2014
Exports	3,821	4,438	5,104
Imports	-5,579	-6,361	-7,219
Balance	-1,758	-1,923	-2,115

South Africa and the Netherlands are traditionally the most important commercial partners for Mozambique. The former is the principal supplier and the latter, the principal client.

The main Mozambican exports were made up of aluminium⁶ (45% do total),

fuels (16.3%), fruit (7.1%), tobacco (5.0%), minerals (4.9%). Large projects were responsible for the greater part of total exports.

Imports to Mozambique are currently dominated by fuels and oils (23.6%), and machinery (14.0%).

45.1%
MAIN
EXPORT
ALUMINIUM

23.6%
MAIN
IMPORT
MACHINERY

EXPORTS	WEIGHT %	IMPORTS*	WEIGHT %
Aluminium and aluminium products	45.1	Fuel and mineral oils	23.6
Fuel and mineral oils	16.3	Machinery and mechanical equipment	14.0
Fruit	7.1	Aluminium and aluminium products	11.0
Tobacco and substitutes	5.0	Motor Vehicles and parts	10.2
Minerals, slag and ash	4.9	Cereals	4.9

Source: Mozambique National Institute of Statistics.

Note: *The Mozambique National Institute of Statistics identifies the values inherent to mega-projects (Mozal, Sazol and Kenmare) without specifying the products.

The main destination for Mozambican exports is Europe and, in particular, the Netherlands which received 86% of exports to Europe in 2010. This situation is, in part, due to large-scale exports by Mozal which is a producer of aluminium blades held by a Dutch/Australian capital company with its head office in the Netherlands. This

explains the volume of exports to European countries.

Africa is the main source of imports to Mozambique (38.1% of the total, with South Africa responsible for 34.4% of all imports), followed by Europe and Asia.

33.6%
MAIN
SUPPLIER
SOUTH AFRICA

38.9%
MAIN
CLIENT
THE NETHERLANDS

MAIN CLIENT	% OF TOTAL	MAIN SUPPLIERS	% OF TOTAL
1 The Netherlands	38.9	1 South Africa	33.6
2 South Africa	16.2	2 The Netherlands	10.7
3 United kingdom	5.5	3 USA	6.4
4 China	4.7	4 China	5.9
15 Portugal	1.2	7 Portugal	3.6

⁶ Aluminium production, the fruit of a large Australian and South African investment, puts Mozambique among the biggest exporters of this product in the world.

STATE BUDGET FOR 2013

At the end of 2012, the Mozambican Government presented its proposal for the 2013 State Budget, forecasting a continual acceleration in national economic growth for 2013-2014. According to the Mozambican authorities, the expectation of a return to growth and stability in the

world economy and improvement in the business environment in the country through reforms to promote private domestic and direct foreign investment have contributed to this growth. It is expected that coal will be principally responsible for growth in GDP.

PRINCIPAL ECONOMIC INDICATORS BEHIND THE STATE BUDGET

	2011	2012	2013
	Real	Forecast	
Nominal GDP (MTZ millions)	372 000	384 846	457 614
Real growth in GDP (%)	7.1	7.4	7.8
Average annual inflation (%)	10.4	2.2	5.5

Source: E.I.U

ECONOMIC RELATIONS WITH PORTUGAL

Mozambique has been growing in relevance as a client of Portugal having occupied the 23rd position in the ranking in 2012 (with a share of 0.62%

of Portuguese Exports), whereas over recent years (2007 a 2008) it had found itself in 35th place.

IMPORTANCE OF MOZAMBIQUE IN PORTUGAL'S TRADE FLOW

STATUS	INDICATOR	2011	2012
As client	Position	26 th	23 th
	% outflow	0.51	0.62
As supplier	Position	62 th	80 th
	% inflow	0.07	0.03

In the first two months of 2012, the value of Portuguese exports to Mozambique went up by 14.7% in

equivalent terms and imports saw an increase of 36.9%.

EVOLUTION OF THE BILATERAL BALANCE OF TRADE

(10 ³ EUR)	2010	2011	07/11 % Change (a)	2011 Jan/Oct	2012 Jan/Oct	11/12 % Change (b)
Exports	62,132	86,146	20.9	67,269	77,162	14.7
Imports	28,199	36,521	14.3	29,885	40,919	36.9
Balance	33,933	49,625	--	37,384	36,423	--

(a) Mathematical average of annual growth rates for the period 2007-2011; (b) Annual rate of change 2011-2012

INTERNATIONAL AND REGIONAL RELATIONS

ON A COMMERCIAL LEVEL, A FREE TRADE ZONE WAS SET UP IN SEPTEMBER 2000, AND PLANS ARE AFOOT FOR A CUSTOMS UNION, A COMMON MARKET AND MONETARY UNION FOLLOWING THE EUROPEAN UNION (EU) MODEL. THE SADC IS ONE OF THE MOST SOLID PROJECTS FOR ECONOMIC INTEGRATION ON THE AFRICAN CONTINENT.

The Republic of Mozambique is a member of the African Union (AU), the African Development Bank (AfDB), the Islamic Development Bank (IDB), the International Chamber of Commerce (ICC) and the United Nations (UN) and its specialised institutions including, most significantly, the International Bank for Reconstruction and Development (IBRD). It is also a member of the World Trade Organization (WTO) since 26 August 1995 and was welcomed into the Commonwealth as a full member in November 1995.

On a regional level, Mozambique is part of the Southern African Development Community (SADC) and the Community of Portuguese-Speaking Countries, better known by its Portuguese initials, CPLP.

On a commercial level, a free trade zone was set up in September 2000 (currently there is a reduction of 85% in internal trade tariffs), and plans are afoot for a customs union, a common market and monetary union following the European Union (EU) model.

The SADC is one of the most solid projects for economic integration on the African continent.

In terms of relations with the EU, the Cotonou Agreement was signed on 13 June 2000 and came into force on 1 April 2003. This agreement replaced the Lomé Convention which had for years provided the framework for cooperation between the EU Member States and the developing countries of Africa, the Caribbean and the Pacific (ACP).

Set to be in force for a period of 20 years, the Cotonou Agreement establishes a new regulatory legal framework for cooperation between its parties. Its principle objective is to reduce poverty and, in the long term, it seeks to eradicate poverty altogether and to achieve sustainable development and the progressive and phased integration of the ACP countries (according to the specific situation of each one) into the world economy. Mozambique ratified the agreement on 2 December 2001.

SOURCES USED:

- **Portugal Mozambique Chamber of Commerce** - <http://www.ccpm.pt/>
- **The Bank of Mozambique** - <http://www.bancomoc.mz>
- **CPI - Centre for the Promotion of Investments** - <http://www.mozbusiness.gov.mz/>
- **Mozambique Page** - <http://www.mozambique.mz>
- **Aicep** - <http://www.portugalglobal.pt/PT/Paginas/Home.aspx>
- **The Economist Intelligence Unit (EIU)** - <http://www.eiu.com/public/>
- **Companhia de Seguros de Créditos (Cosec)** - <http://www.cosec.pt/>
- **The Bank of Portugal** - <http://www.bportugal.pt/pt-PT/Paginas/inicio.aspx>
- **National Institute of Statistics (INE)** - <http://www.ine.pt/>
- **Mozambique National Institute of Statistics** - <http://www.ine.gov.mz/>
- **Government Portal** - <http://www.portaldogoverno.gov.mz/>
- **BPI - Economic and Financial Studies**



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