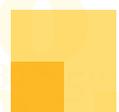


MOZAMBIQUE OVERVIEW

ECONOMIC OUTLOOK
FOR 2015



AREA
799 380 KM²

LOCATION
SOUTH-EAST 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
TANZANIA, MALAWI, ZAMBIA, ZIMBABWE, SOUTH AFRICA AND SWAZILAND

COASTLINE
2515 KM BATHED BY THE INDIAN OCEAN

POPULATION DENSITY
32.3 PEOPLE/KM²

POPULATION¹
27.1 MILLION

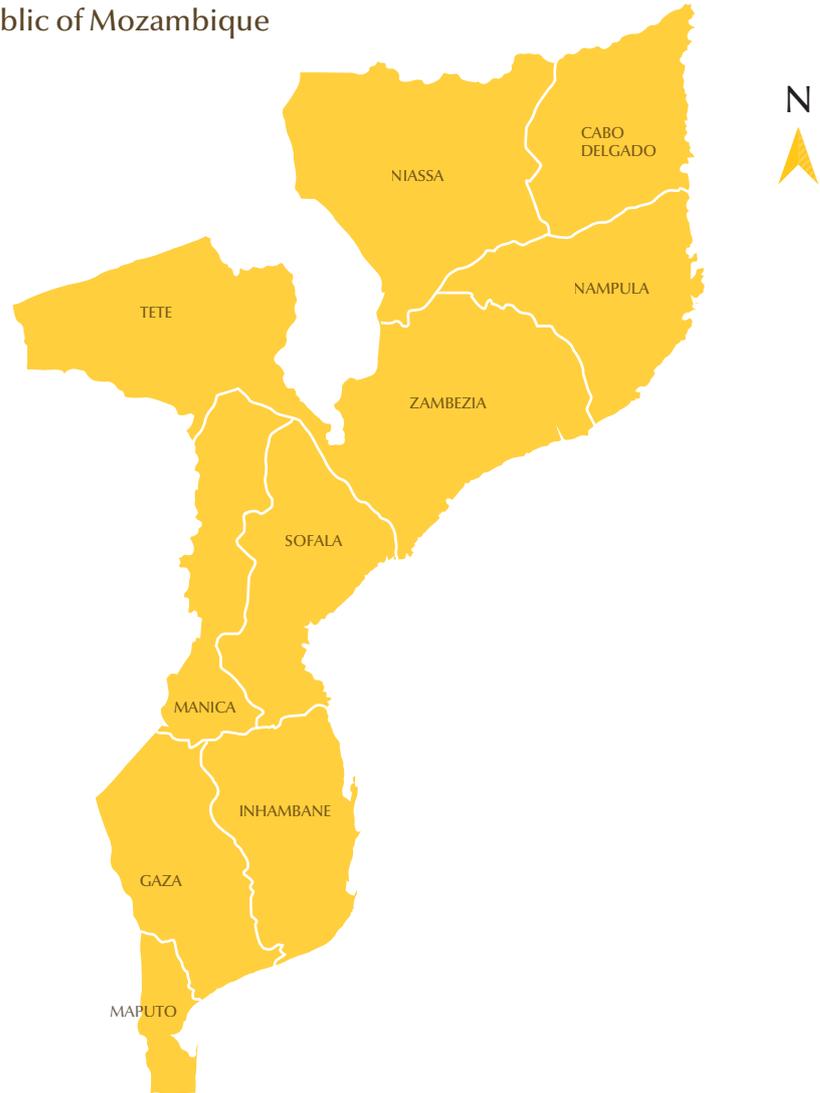
PROVINCES
NORTH: NIASA, CABO DELGADO, NAMPULA
CENTRE: ZAMBEZIA, TETE, MANICA, SOFALA
SOUTH: INHAMBANE, GAZA, MAPUTO

CAPITAL
CITY OF MAPUTO
(2 000 000 INHABITANTS INCLUDING MATOLA AND MAPUTO PROVINCE)

MAJOR CITIES
NAMPULA (POP. 597 000)
BEIRA (442 000)
CHIMOIO (280 000)
NACALA (235 000)
QUELIMANE (216 000)
TE.TE (188 000)
PEMBA (175 000)
LICHINGA (184 000)

Characteristics and Main Economic Data

OFFICIAL NAME:
Republic of Mozambique



COUNTRY RISK²: General risk: B (January 2015)
Political risk: B (January 2015)
(AAA = lower risk; D = higher risk)
CREDIT RISK³: 6
(1 = lower risk; 7 = higher risk)
DEGREE OF OPENNESS AND SIZE IN RELATION TO THE MARKET:
EXP. + IMP. / GDP⁴ = 66.07% (2013)
IMP. / GDP = 38.22% (2013)
IMP. / WORLD IMP. = 0.03% (2011)

¹Source: Economist Intelligence Unit (EIU), 2015 (forecast).

²Source: Economist Intelligence Unit (EIU), January 2015.

³Source: The Portuguese Agency for External Investment and Trade (AICEP), March 2015.

⁴Source: International Trade Centre and the World Bank, 2013.

⁵Source: World Trade Organization, 2013.

OFFICIAL LANGUAGE

PORTUGUESE

OTHER 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 PEOPLE BELONG TO TRADITIONAL AFRICAN RELIGIONS. THERE ARE AROUND 5 MILLION CHRISTIANS (MAINLY ROMAN CATHOLIC), AND AROUND 4 MILLION MUSLIMS

CURRENCY

METICAL (MZN)

INTERNET TLD

.MZ

CALLING CODE

+258

TIME ZONE

GMT + 2 HOURS

DATE OF INDEPENDENCE

25 JUNE 1975

POLITICAL SYSTEM

MULTI-PARTY DEMOCRACY

Characteristics and Main Economic Data

PRESIDENT

Filipe Jacinto Nyusi (elected in October 2014)

PRIME MINISTER

Carlos Agostinho do Rosário

DATE OF CURRENT CONSTITUTION

30 November 1980, amended in 1996 and 2004

MAIN POLITICAL PARTY

FRELIMO - Mozambique Liberation Front (in government)

RENAMO - Mozambique National Resistance (main opposition party)

MAIN OPPOSITION PARTIES

MDM - Mozambique Democratic Movement

PAHUMO - Mozambique Humanitarian Party

NEXT GENERAL ELECTIONS

Local elections: November 2018

Presidential, legislative and provincial: October 2019

NATIONAL PUBLIC HOLIDAYS 2015

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 Worker's Day	-
25 June	National Independence Day	-
7 Setembro	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, 2014 (exchange rate end of period).

**POPULATION
FORECAST
2015**
27.1 MILLION

GDP 2015
USD 18.5 BILLION

**RATE OF
INFLATION
2015**
5.2% (FORECAST)

**IMF GROWTH
FORECAST
2015**
7% (FORECAST)

MAIN MACROECONOMIC INDICATORS⁵

INDICATORS	UNIT	2014 (Forecast)	2015 (Forecast)	2016 (Forecast)
GDP at market prices	USD ⁹	16.6	18.5	20.3
GDP per capita	USD	1175	1249	1336
Real growth in GDP	% Change	7.5	7.2	7.7
Public sector balance	% GDP	-10.4	-2.8	-7.3
Public debt	% GDP	47.0	46.8	49.2
Exports of goods	10 ⁹ USD	4.1	4.5	5.2
Exports of goods and services	% Change	6.4	14.1	13.3
Imports of goods	10 ⁹ USD	8.5	7.7	9.3
Imports of goods and services	% Change	9.0	11.5	13.4
Current account balance	% GDP	-6.4	-7.0	-8.2
External debt	% GDP	8.2	9.0	10.7
Rate of inflation (average)	%	1.1	5.2	4.3

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 around 89% of the credit in the system and 91% of the deposits. These banks are:

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

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

⁵ Source: The Economist Intelligence Unit (EIU), the Bank of Portugal, 2015.

Economic Situation and Outlook

MOZAMBIQUE IS SEEN AS A GATEWAY TO THE MARKETS OF THE SADC (SOUTHERN AFRICAN DEVELOPMENT COMMUNITY), WHICH BRINGS TOGETHER AROUND 280 MILLION CONSUMERS

MOZAMBIQUE IS A COUNTRY WITH ABUNDANT NATURAL RESOURCES, IN PARTICULAR, ITS HYDRO-ELECTRIC POTENTIAL, NATURAL GAS RESERVES, COAL AND MINERALS, MORE THAN 2500 KM OF COASTLINE WITH EXTENSIVE FISHERY RESOURCES

OVER RECENT YEARS, THE MOZAMBICAN ECONOMY HAS SHOWN ITSELF TO BE VERY ROBUST, MAINTAINING HIGH RATES OF ECONOMIC GROWTH

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 280 million consumers .

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

Mozambique is a country with abundant natural resources, in particular, its hydro-electric potential, natural gas reserves, coal and minerals (gold, precious stones, titanium and bauxite, among others). 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 services sector is Mozambique's largest and contributed 46.4% to the country's Gross Domestic Product in 2013. However, it is only responsible for 13% of employment. The next largest sector is agriculture with 28.7% but with an 81% share of employment. Agriculture is followed by industry, which contributes 24.9% to GDP but employs only 6% of the labour force. However, Mozambique has a vast quantity of mineral resources, particularly in terms of coal and natural gas, which could potentially place the country among the largest suppliers in the world. It also has a number of projects to invest in natural resources that are either being implemented or are on the drawing board. This means the sector is expected to play a much larger role in the economic structure of the country. In 2014, the industrial sector registered growth of 9%.

Between 2010 and 2014, GDP grew at an annual average rate of 7.1%. This growth was driven by a number of megaprojects (aluminium, electrical energy, natural gas, titanium and coal), by the growth in the agricultural sector (benefiting from good climatic conditions and the emphasis placed on investment and reorganisation of the sector) and by construction of basic infrastructures.

According to the Economist Intelligence Unit (EIU), the pattern of evolution in the Mozambican economy will continue until 2018, with stimulating levels of growth thanks to the rapid development of the extractive sector and to investments in natural gas.

The growth in GDP should accelerate from 7.3% in 2014 to 7.4% in 2016 and will be driven by coal extraction and investment in new infrastructures in the transport sector. The financial, industrial and communications sectors should also see high growth rates. According to the EIU, from 2016, the growth in GDP will be supported by the construction of new liquefied natural gas facilities, although production is not expected to begin before 2020. The prospects for growth in Mozambique for 2015 and the years that follow continue to be favourable.

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

	2014 (forecast)	2015 (forecast)	2016 (forecast)
Mozambique Ministry of Finance	8.0	7.5	n/a
IMF	8.0	7.0	n/a
Economist Intelligence Unit	7.3	7.2	7.4

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

PRINCIPAL EXPORT
MINERAL FUELS AND OILS
30% OF TOTAL

PRINCIPAL IMPORT
MINERAL FUELS AND OILS
19.2% OF TOTAL

MAIN SUPPLIER
SOUTH AFRICA
33.1% SHARE

MAIN CLIENT
THE NETHERLANDS
23.5% SHARE

TRADE

BALANCE OF TRADE IN GOODS BETWEEN PORTUGAL AND MOZAMBIQUE

10 ³ EUR	2010	2011	2012	2013	2014	% CHANGE 14/10 (a)	2014 JANUARY	2015 JANUARY	% CHANGE 15/104 (b)
Exports	150.7	216.9	287.1	326.7	318.5	21.9	17.6	20.3	15.2
Imports	29.2	42.0	16.4	62.7	34.9	55.1	1.4	1.0	-30.9
Balance	121.5	174.9	270.7	263.9	283.5	-	16.2	19.4	-

Source: INE - National Institute of Statistics

Unit: millions of euros

(a) Mathematical average of the annual growth rates for the period 2010-2014;

(b) Rate of change 2014-2015;

2010 to 2012: definitive results; 2013: provisional results; 2014 and 2015: preliminary results.

The main Mozambican **exports** were mineral fuels and oils (30%) and aluminium (29.9%). Together, these represent 60% of exported products.

Mozambique's main **imports** are mineral fuels and oils (19.2%), mechanical machinery and equipment (13%), motor vehicles and other land vehicles (9.8%) and electrical machinery and equipment (8%).

EXPORTS ⁶	WEIGHT %	IMPORTS	WEIGHT %
Mineral fuels models, etc.	30.0	Combustíveis e óleos minerais, etc.	19.2
Aluminium and aluminium products	29.9	Máquinas e equipamentos mecânicos	13.0
Inorganic chemical products	9.4	Veículos automóveis e terrestres	9.8
Tobacco substitutes	5.5	Máquinas e equipamentos eléctricos	8.0
Minerals, slag and ash	4.0	Alumínio e suas obras	6.6

Source: International Trade Center, 2013.

South Africa is traditionally Mozambique's most important commercial partner and, in particular, its main supplier (33.1% of Mozambican imports in 2013), and its second client (20.1% of exports). Its proximity, the development of the country and its dominant position in the Southern African Development Community (SADC) explain why South Africa is an important client of Mozambique.

The Netherlands is Mozambique's main client, receiving a large slice of Mozambican exports (23.5% of the total in 2013, according to the latest data from the International Trade Centre). This reflects the "Rotterdam Effect", as the port where a large part of the goods destined for the European Union arrive.

Together, South Africa and the Netherlands represented 43.6% of Mozambique's total exports in 2013.

MAIN CLIENTS	% OF THE TOTAL	MAIN SUPPLIERS	% OF THE TOTAL
1 st The Netherlands	23.5	1 st South Africa	33.1
2 nd South Africa	20.1	2 nd Bahrain	9.3
3 rd Singapore	10.0	3 rd China	8.0
4 th India	8.2	4 th The Netherlands	6.9
5 th United Kingdom	4.4	5 th USA	5.5

Source: International Trade Center, 2013

⁶ The production of aluminium, which results from significant Australian and South African investment, places Mozambique among the world's largest exporters of this product.

STATE BUDGET FOR 2015

In April 2015, the Mozambican government presented its proposal for the 2015 State Budget. This proposal provided for economic growth of 7.5%, an annual average rate of inflation of 5.1% and an average increase in civil service salaries of around 9%. The 2015 State Budget marks the beginning of the Five-Year Government Programme for 2015-2019, with a focus on “improving living conditions for the Mozambican people, increasing employment, productivity and competitiveness, creating wealth and generating balanced and inclusive development”.

MAIN ECONOMIC INDICATORS IN THE BUDGET FRAMEWORK

	2013	2014	2015
	Real	Forecast	Forecast
Nominal GDP (MZN millions)	470 472	526 495	594 649
Real growth in GDP (%)	7.4	7.4	7.5
Annual average inflation	4.2	2.6	5.1

Source: State Budget, April 2015

Economic Relations with Portugal

Mozambique has been growing in importance as a client of Portugal. In 2014, it occupied 19th position in the ranking, with a share of 0.66% of Portuguese exports, while in 2007 and 2008 it had found itself in 35th place.

MOZAMBIQUE'S IMPORTANCE IN PORTUGAL'S TRADE FLOWS

STATUS	INDICATOR	2014	2015 JANUARY
As client	Position	19 th	22 nd
	% Outbound	0.66	0.53
As supplier	Position	64 th	80 th
	% Inbound	0.06	0.02

Source: INE - National Institute of Statistics

In the period 2013-2014, the amount of Portuguese exports to Mozambique saw a slight increase of 4.4%, while imports fell by 32.7%.

EVOLUTION OF THE BILATERAL BALANCE OF TRADE

(10 ³ EUR)	2011	2012	2013	2014	% CHANGE (a)	% CHANGE (b)
Exports	304.8	396.5	454.0	474.1	23.0	4.4
Imports	79.5	75.4	125.4	84.4	15.9	-32.7
Balance	225.3	321.1	328.6	389.8	--	--

Source: Bank of Portugal.

(a) Mathematical average of annual growth rates in the period 2010-2014;

(b) Rate of change 2013-2014.

International and Regional Relations

The Republic of Mozambique is a member of the African Union (UA), the African Development Bank (AFDB), the International Chamber Of Commerce (ICC) and the United Nations (UN). Mozambique is also a member of the UN's specialised bodies including the International Bank for Reconstruction and Development (IBRD). The country has also been a member of the World Trade Organization (WTO) since 26 August 1995 and was admitted as a full member of the Commonwealth in November 1995.

On a regional level, Mozambique is a member of the SADC – the Southern African Development Community and the CPLP – the Community of Portuguese Language Countries.

On a commercial level, a Free Trade Zone was created in 2000 and there is currently a reduction of 85% in internal customs tariffs. Preparations are now being made to create a Customs Union, a Common Market and a Monetary Union, following the European Union model. The SADC is one of the most solid economic integration projects on the African continent.

As far as relations with the European Union are concerned, the Cotonou Agreement was signed on 13 June 2000 and came into force on 1 April 2003. This Agreement replaced the Lomé Conventions which, for decades, formed the framework of cooperation between the Member States of the European Union and the countries of Africa, the Caribbean and the Pacific (ACP).

The Cotonou Agreement is in force for 20 years and establishes a new regulatory framework for cooperation between the parties. The principal objective of the Agreement is to reduce poverty and, in the long term, eradicate it altogether. The Agreement also focuses on sustainable development and the progressive and phased integration of the ACP countries (taking into account the specific characteristics of each one) into the world economy. Mozambique ratified the agreement on 2 December 2001.

ON A COMMERCIAL LEVEL, A FREE TRADE ZONE WAS CREATED IN 2000 AND THERE IS CURRENTLY A REDUCTION OF 85% IN INTERNAL CUSTOMS TARIFFS. PREPARATIONS ARE NOW BEING MADE TO CREATE A CUSTOMS UNION, A COMMON MARKET AND A MONETARY UNION, FOLLOWING THE EUROPEAN UNION MODEL. THE SADC IS ONE OF THE MOST SOLID ECONOMIC INTEGRATION PROJECTS ON THE AFRICAN CONTINENT.

PRINCIPAL SOURCES OF INFORMATION

- **Câmara de Comércio Portugal Moçambique**
<http://www.ccpm.pt/>
- **Banco de Moçambique**
<http://www.bancomoc.mz>
- **CPI - Centro de Promoção de Investimentos**
<http://www.cpi.co.mz/>
- **Página de Moçambique**
<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/>
- **Banco de Portugal**
<http://www.bportugal.pt/pt-PT/Paginas/inicio.aspx>
- **Instituto Nacional de Estatística (INE)**
<http://www.ine.pt/>
- **Instituto Nacional de Estatística de Moçambique**
<http://www.ine.gov.mz/>
- **Portal do Governo**
<http://www.portaldogoverno.gov.mz/>
- **BPI**
<http://www.bpiinvestimentos.pt/research>
- **Ministério da Planificação e Desenvolvimento**
<http://www.mpd.gov.mz>
- **IMF - International Monetary Fund**
<http://www.imf.org/>
- **ITC - International Trade Center**
<http://www.intracen.org>



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