

# MOZAMBIQUE OVERVIEW

  
ECONOMIC OUTLOOK

## AREA

# 799 380 KM<sup>2</sup>

## LOCATION

SOUTH-EASTERN COAST OF AFRICA

## COORDINATES

MOZAMBIQUE IS LOCATED BETWEEN THE 10° 27' 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 2470 KILOMETRES

## POPULATION DENSITY

28 INHABITANTS/KM<sup>2</sup>

## POPULATION<sup>1</sup>

23.4 MILLION INHABITANTS

## PROVINCES

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

## CAPITAL

MAPUTO (1 880 000 INHABITANTS INCLUDING MATOLA AND THE PROVINCE OF MAPUTO)

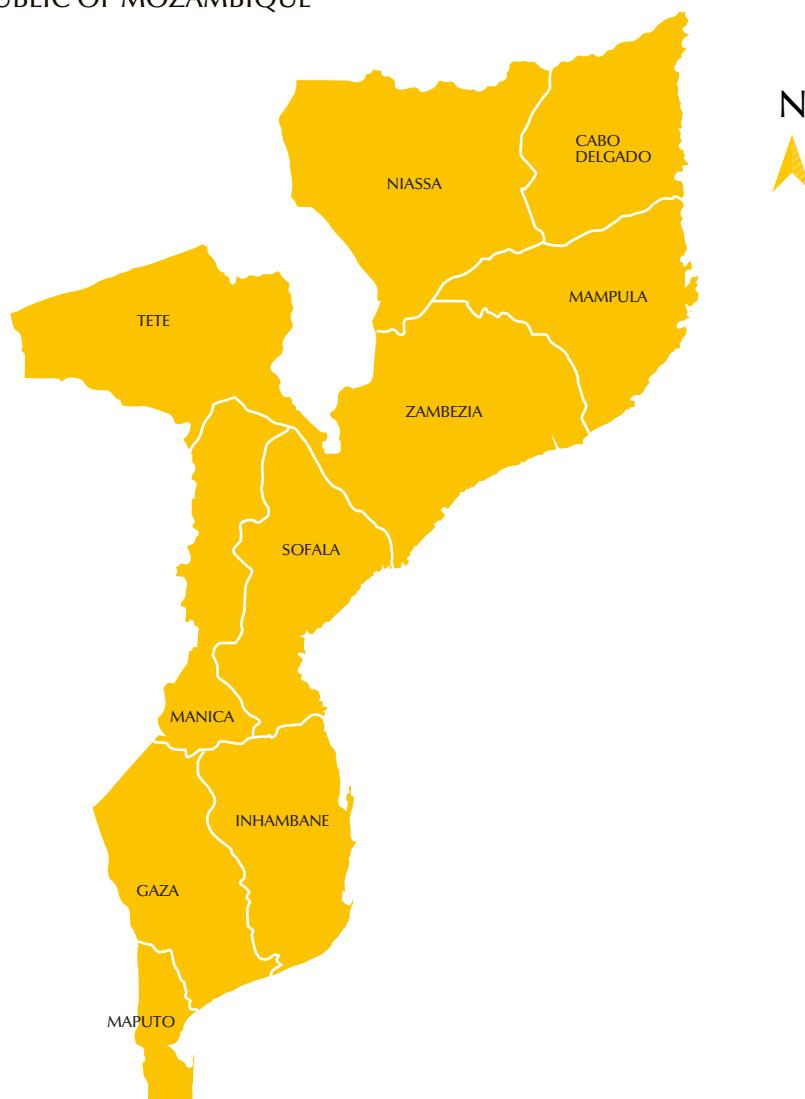
## OTHER IMPORTANT CITIES

NAMPULA (535 000 INHABITANTS)  
 BEIRA (440 000)  
 CHIMOIO (259 000)  
 NACALA (221 000)  
 QUELIMANE (205 000)  
 TETE (170 000)  
 PEMBA (161 000)

## DESCRIPTION AND IMPORTANT ECONOMIC DATA

### OFFICIAL NAME:

REPUBLIC OF MOZAMBIQUE



Country Risk<sup>2</sup>: General risk – B  
 (AAA = lower risk; D = higher risk)

Political risk – BB

Credit Risk<sup>3</sup>: 6 (1 = lower risk; 7 = higher risk)

Degree of openness and size relative to the market:

Exp. + Imp. / GDP = 66,1% (2010)

Imp. / GDP = 38,0% (2010)

Imp. / Worldwide Imp. = 0,02% (2009)

<sup>1</sup> Source: Economist Intelligence Unit (EIU), March 2011

<sup>2</sup> Source: Economist Intelligence Unit (EIU), March 2011

<sup>3</sup> Source: Companhia de Seguros de Créditos (COSEC), February 2011

**OFFICIAL LANGUAGE**

PORTUGUESE

**OTHER NATIONAL LANGUAGES**

CICOPI, CINYANJA, CINYUNGWE, CISENGA, CISHONA, CIYAO, ECHUWABO, EKOTI, ELOMWE, GITONGA, MACONDE (OU *SHIMAKONDE*), KIMWANI, MACUA (OU *EMAKHUWA*), MEMANE, SUAILI (OU *KISWAHILI*), SUAZI (OU *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 = 43.45 MZN<sup>4</sup>

**INTERNET TLD**

.MZ

**CALLING CODE**

258

**TIME**

GMT + 2 HOURS

**DATE OF INDEPENDENCE**

25 JUNE 1975

**POLITICAL SYSTEM**

MULTI-PARTY DEMOCRACY

**DESCRIPTION AND IMPORTANT ECONOMIC DATA****PRESIDENT**

ARMANDO EMÍLIO GUEBUZA (RE-ELECTED IN OCTOBER 2009)

**PRIME MINISTER**

AIRES BONIFÁCIO ALI

**DATE OF CURRENT CONSTITUTION**

22 DECEMBER 2004

**MAIN POLITICAL PARTIES**

LIBERATION FRONT OF MOZAMBIQUE (FRELIMO) IN GOVERNMENT, MOZAMBICAN NATIONAL RESISTANCE (RENAMO), THE MAIN OPPOSITION PARTY

**NEXT ELECTIONS**

(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 Accord       |
| 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                   | -  |

<sup>4</sup> Information from the Bank of Portugal (April 2011)

23.4

POPULATION

2010 

2011

GDP (10<sup>9</sup> MZN)

374.5

RATE OF  
INFLATION

AVERAGE

7.5%

7.5%

IMF FORECAST

2011

PRINCIPAL MACROECONOMIC INDICATORS <sup>5</sup>

| INDICATORS                    | UNIT      | 2009  | 2010  | 2011<br>(estimates) | 2012<br>(estimates) |
|-------------------------------|-----------|-------|-------|---------------------|---------------------|
| GDP at market prices          | 109 MZN   | 275.3 | 324.8 | 374.5               | 420.0               |
| GDP at market prices          | 109 USD   | 10.0  | 9.3   | 11.7                | 13.5                |
| GDP per capita                | USD       | 879   | 938   | 1001                | 1078                |
| Real growth in GDP            | %         | 6.0   | 8,5   | 7.3                 | 7.5                 |
| Private Consumption           | % change  | 4.2   | 10.6  | 7.8                 | 8.7                 |
| Public Consumption            | % change. | 25.6  | 3.8   | 4.2                 | 4.8                 |
| Gross Fixed Capital Formation | % change  | 3.5   | 4.2   | 6.8                 | 4.2                 |
| Rate of Inflation (average)   | %         | 3.3   | 12.7  | 7.5                 | 5.0                 |
| Current Balance               | 106 USD   | -923  | -1018 | -1247               | -1232               |
| Current Balance               | % of GDP  | -9.2  | -11.0 | -10.7               | -9.1                |
| Public Debt                   | % of GDP  | 35.0  | 41.2  | 38.3                | 38.5                |
| External Debt                 | 109 USD   | 4.2   | 5.1   | 5.5                 | 5.8                 |
| Lending rate (average)        | %         | 15.7  | 14.6  | 15.0                | 14.8                |

The Mozambican financial system is made up of 12 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 two investment banks (BIM Investimento, SARL and Moza Banco – with capital from Portugal, Mozambique and Macao), one investment company (GAPI), one risk capital company, one group-buying company and three financial leasing companies.

<sup>5</sup>Source: 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 AND ITS 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 8% between 1996 and 2007, 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 2011 and the following years continue to be favourable. The EIU projects an economic activity expansion rate of 7.3% in 2011 (7.5% in 2012), while the IMF points to 7.5%. At the same time, the State Budget for this year assumes growth in GDP of 7.2%.

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

|  | 2010 | 2011 | 2012 |
|--|------|------|------|
| State Budget 2011                      | 6.5  | 7.4  | -    |
| IMF (CR July '11)                      | 7.0  | 7.5  | 7.8  |
| Economist Intelligence Unit (July '11) | 6.5  | 7.3  | 7.5  |

Source: Mozambican Ministry of Finance, Economist Intelligence Unit

**40.4%**  
**MAIN EXPORT**

ALUMINIUM

**15.5%**  
**MAIN IMPORT**

MACHINERY

**35.5%**  
**MAIN SUPPLIER**

SOUTH AFRICA

**41.6%**  
**MAIN CLIENT**

THE NETHERLANDS

## TRADE

### EVOLUTION OF THE BALANCE OF TRADE

| (10 <sup>6</sup> USD) | 2009  | 2010 |
|-----------------------|-------|------|
| Exports               | 1948  | 2697 |
| Imports               | 3060  | 3650 |
| Balance               | -1112 | -953 |

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 aluminium<sup>6</sup> (40.4% of the total), electrical energy (12.8%), tobacco (8.4%), natural gas

(3.6%), sugar (2.7%) and prawns (shrimps) (2.5%). Large projects were responsible for the greater part of total exports.

Mozambique's imports continue to be dominated by raw materials (19.6%), 78% are fuel and 22% energy. Consumer goods and capital goods make up around 26% of total imports.

| EXPORTS           | WEIGHT % | IMPORTS*          | WEIGHT % |
|-------------------|----------|-------------------|----------|
| Aluminium         | 40.4     | Machinery         | 15.5     |
| Electrical Energy | 12.8     | MOZAL             | 12.4     |
| Tobacco           | 8.4      | Motor vehicles    | 8.8      |
| Natural Gas       | 3.6      | Cereals           | 7.3      |
| Sugar             | 2.7      | Diesel            | 5.9      |
| Prawns (Shrimps)  | 2.5      | Electrical energy | 3.4      |

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.

| MAIN CLIENT     | % OF TOTAL | MAIN SUPPLIERS  | % OF TOTAL |
|-----------------|------------|-----------------|------------|
| The Netherlands | 41,6       | South Africa    | 35,5       |
| South Africa    | 21,4       | The Netherlands | 13,0       |
| China           | 3,5        | India           | 6,5        |

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

## DIRECT FOREIGN INVESTMENT (DFI)

IN 2010, DFI CORRESPONDED TO 8.08% OF GDP. IN 2011, THE DFI COMING IN WAS CHANNELLED, IN THE MAIN, TO THE EXTRACTIVE INDUSTRY (AROUND 93%).

THE AGRICULTURE, ANIMAL PRODUCTION, HUNTING AND FORESTRY SECTORS WERE ALSO IMPORTANT IN TERMS OF DFI (4% OF THE TOTAL) AS WERE TRANSPORT, WAREHOUSING AND COMMUNICATIONS (AROUND 2%).

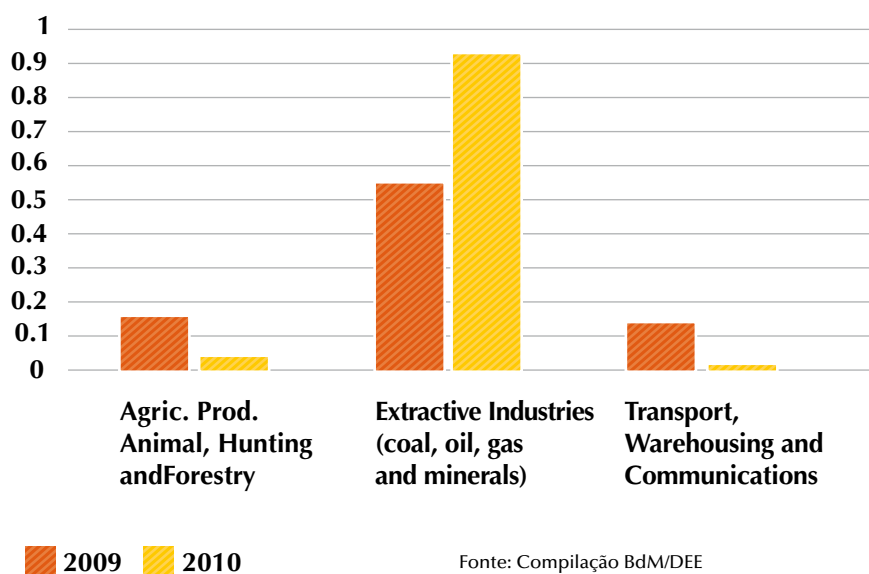
The Centre for Promotion of Investment (CPI) indicates that over the last few years the main countries making investments have been South Africa, Portugal, Mauritius, India, the United Kingdom, Norway and China.

According to the World Bank, the country went up by nine places on the World Bank's Ease of Doing Business Index for 2011 and it is currently in 126th place (135th and 140th in 2010 and 2009, respectively) among 183 countries monitored. The progress achieved in the ease of opening up a business can be explained by the reduction in the procedural steps and the time needed, as well as the elimination of the minimum capital required to open a company.

In fact, over the last few years Mozambique has managed to attract the large volumes of investment essential for the development of the country.

In 2010, DFI corresponded to 8.08% of GDP. In 2011, the DFI coming in was channelled, in the main, to the extractive industry (around 93%). In fact, Mozambique's mineral resources are the principal attraction for foreign investment and this trend should continue over the coming years. The agriculture, animal production, hunting and forestry sectors were also important in terms of DFI (4% of the total) as were transport, warehousing and communications (around 2%).

### DFI BY SECTOR (% OF DFI)



It is worth noting that, as Mozambique is a successful example of political and social stabilisation in a post-war period, it continues to benefit from external aid

in the form of international donations and this translates into a guarantee of stability for investors.

## AMENDING BUDGET FOR 2011

Last April the Mozambican government presented a proposal to alter the 2011 State Budget with a full review of all the amounts involved, both in respect of revenue and spending. According to the Mozambican authorities, this

alteration reflects changes in the variables in the macroeconomic background on which the formulation of the initial budget were originally based in October 2010.

## PRINCIPLE ECONOMIC INDICATORS FORMING THE BASIS OF THE AMENDING BUDGET

|                                 | 2009       |           | 2009       |                                 |
|---------------------------------|------------|-----------|------------|---------------------------------|
|                                 | BUDGET '11 | Confirmed | BUDGET '11 | Forecast<br>BUDGET '11 Revision |
| Nominal GDP (USD millions)      | 9 759      | 9 901     | 10 218     | 11 394                          |
| Nominal GDP (MTZ millions)      | 324 000    | 323 226   | 375 000    | 379 851                         |
| Real growth rate (%)            | 6.7        | 6.5       | 7.2        | 7.4                             |
| Average Annual Inflation        | 12.7       | 12.7      | 8          | 9.5                             |
| Exchange Rate MTZ/USD (average) | 33.2       | 32.6      | 36.7       | 32.9                            |

Source: National Budget Directorate -, Proposal for Revision of the State Budget for 2011

## ECONOMIC RELATIONS WITH PORTUGAL

Mozambique has been growing in relevance as a client of Portugal having occupied the 28th position in the ranking in 2010 (with a share of 0.41%

of Portuguese Exports), whereas over recent years (2006 a 2008) it had found itself in 35th place.

### IMPORTANCE OF MOZAMBIQUE IN PORTUGAL'S TRADE FLOW

| STATUS      | INDICATOR | 2009 | 2008 |
|-------------|-----------|------|------|
| As client   | Position  | 27th | 28th |
|             | % outflow | 0.38 | 0.41 |
| As supplier | Position  | 59th | 66th |
|             | % inflow  | 0.08 | 0.05 |

In the first two months of 2011, the value of Portuguese exports to Mozambique went up by 28.6% in

equivalent terms and imports saw a decrease of 11.6%.

### EVOLUTION OF THE BILATERAL BALANCE OF TRADE

| (10 <sup>3</sup> EUR) | 2009    | 2010    | 09/10<br>% Change | 2010<br>Jan/Feb | 2011-08-01<br>Jan/Feb | 10/11<br>% Change |
|-----------------------|---------|---------|-------------------|-----------------|-----------------------|-------------------|
| Exports               | 120 883 | 150 971 | 20.1              | 18 907          | 24 319                | 28.6              |
| Imports               | 42 800  | 29 184  | 4.0               | 1 268           | 1 121                 | -11.6             |
| Balance               | 78 083  | 121 787 | --                | 17 639          | 23 198                | --                |

## 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 has also been 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**

**GLM** ■■■  
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ADVOGADOS

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