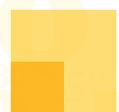


# MOZAMBIQUE OVERVIEW

ECONOMIC OUTLOOK  
FOR 2016



**AREA**  
**799 380 KM<sup>2</sup>**

**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**

TO THE NORTH WITH TANZANIA, TO THE NORTH-EAST WITH MALAWI AND ZAMBIA, TO THE EAST WITH ZIMBABWE AND SOUTH AFRICA, AND TO THE SOUTH WITH SWAZILAND AND SOUTH AFRICA

**COASTLINE**

THE WHOLE 2515 KM EASTERN COASTLINE IS BATHED BY THE INDIAN OCEAN

**POPULATION**

**DENSITY**

32.3 INHABITANTS/KM<sup>2</sup>

**POPULATION<sup>1</sup>**

26.4 MILLION

**PROVINCES**

**NORTH:** NIASA, CABO DELGADO, NAMPULA

**CENTRE:** ZAMBÉZIA, TETE, MANICA, SOFALA

**SOUTH:** INHAMBANE, GAZA, MAPUTO

**CAPITAL<sup>2</sup>**

MAPUTO

POPULATION 2.8 MILLION (INCLUDING THE PROVINCE)

**MAJOR CITIES<sup>2</sup>**

NIASSA (1.6 MILLION INHABITANTS)

CABO DELGADO (1.9 MILLION)

NAMPULA (4.9 MILLION)

ZAMBÉZIA (4.7 MILLION)

TETE (2.4 MILLION)

MANICA (1.9 MILLION)

SOFALA (1.9 MILLION)

INHAMBANE (1.5 MILLION)

GAZA (1.4 MILLION)

**Characteristics and Main Economic Data**

**OFFICIAL NAME:**

Republic of Mozambique



**COUNTRY RISK<sup>3</sup>:** General risk: B (April 2016)  
Political risk: B (April 2016)  
(AAA = lowest risk; D = highest risk)

**CREDIT RISK<sup>4</sup>:** 7  
(1 = lowest risk; 7 = highest risk)

**DEGREE OF OPENNESS AND SIZE IN RELATION TO THE MARKET:**  
EXP. + IMP. / GDP<sup>5</sup> = -45% (2014)  
IMP. / GDP = 76% (2014)

<sup>1</sup>Source: National Institute of Statistics, INE (Forecast 2016).

<sup>2</sup>Source: INE, Statistical Yearbook 2014 - Mozambique.

<sup>3</sup>Source: Economist Intelligence Unit (EIU), April 2016.

<sup>4</sup>Source: Portuguese Agency for Foreign Investment and Trade (AICEP), March 2016.

<sup>5</sup>Source: INE, May 2016.

## 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 THE POPULATION BELONGS TO TRADITIONAL AFRICAN RELIGIONS. THE OTHER RELIGIONS REPRESENTED ARE PRINCIPALLY CHRISTIAN, MOSTLY ROMAN CATHOLIC (AROUND 5 MILLION) AND MUSLIM (AROUND 4 MILLION)

## CURRENCY<sup>6</sup>

METICAL (MZN)  
THE REVALUED METICAL CAME INTO CIRCULATION ON 1 JUNE 2006. 1 EUR = 57.22 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, inaugurated in January 2015)

## 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 party)  
MDM - Democratic Movement of Mozambique (the second largest 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	-

Source: Government Site and EUI.

<sup>6</sup> Source: Information from Banco de Portugal, March 2016 (end of period exchange rate).  
\*Value subject to exchange rate fluctuations.

**POPULATION  
FORECAST  
2016**  
26.4 MILLION

**GDP 2016**  
USD 19 BILLION

**RATE OF  
INFLATION  
2016**  
10.3 % (ESTIMATE)

**IMF GROWTH  
FORECAST  
2016**  
6%

## MAIN MACROECONOMIC INDICATORS

INDICATORS	UNIT	2015 (estimate)	2016 (estimate)	2017 (forecast)
GDP at market prices	USD BILLION	17	19	21.2
GDP per capita	USD	1190	1239	1291
Real growth in GDP	Var.%	6.1	5.2	5.5
Public sector balance	% GDP	-6.3	-5.5	-5.3
Public debt	% GDP	57.9	61.6	67.1
Exports of goods	USD BILLION	3.1	3.4	4.4
Exports of goods and services	Var.%	10.5	8.3	6.5
Imports of goods	USD BILLION	6.3	5.8	6.9
Imports of goods and services	Var.%	7.5	3.3	4.5
Current account balance	% GDP	-32.7	-25.6	-27.8
External debt	% GDP	8	8.4	9.1
Rate of inflation (average)	%	3.6	10.3	8.1

Source: The Economist Intelligence Unit (EIU); International Monetary Fund (IMF).

The Mozambican financial system is made up of 18 commercial banks, but 90% of assets, loans and deposits are held by the six largest banks, which are almost all controlled by Portuguese and South African investors.

For the six largest banks (Millennium BIM, BCI, Standard Bank, Barclays, Moza Banco and Banco Único), loans grew by 27%, loans in local currency grew by 31% and deposits by 20%. As a result of good operational performance, profits of the big six banks grew by 29%.

Three Mozambican banks were on the list of the 100 largest banks in Africa by own capital that was published in the magazine African Business in 2015. Millennium BIM was in 55<sup>th</sup> place (57 in 2014), with USD 422 million, Standard Bank Mozambique in 95<sup>th</sup> place with USD 188 million and Banco Comercial de Investimentos in 98<sup>th</sup> place, with USD 180 million<sup>7</sup>.

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

<sup>7</sup> Source: Macauhub, October 2015.

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, AND MORE THAN 2500 KM OF COASTLINE WITH EXTENSIVE FISHERY RESOURCES

OVER RECENT YEARS, THE MOZAMBICAN ECONOMY HAS BEEN VERY ROBUST, MAINTAINING HIGH RATES OF ECONOMIC GROWTH

## Economic Situation and Outlook<sup>8</sup>

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.

In recent years, the country has been 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 secondary sector, which represents about 15% of GDP, was the one that grew the most in the third quarter of 2015: by 8.4% over the previous year. This was due, essentially, to strong growth of 19% in the electricity, water and gas sector. The primary sector, which represents close to 26% of GDP, grew by 6.3% as a result of an expansion of 8.7% in mining activity, 5.6% in agriculture and 8.4% in fisheries. The services sector, which represents more than 50% of GDP, witnessed the smallest growth of only 4.8%. This was due to the weak performance of commerce and services.

In 2016, it will be a government priority to consolidate the progress seen in 2015 in the various production sectors and in social matters. The government will carry on with and conclude various ongoing infrastructure projects. It will also increase the State's capacity to provide basic goods and social services to the population, and it will strengthen support for production capacity by mobilising domestic and foreign resources. The government will also continue with its programme of institutional reforms to consolidate the administrative decentralisation of the State. Finally, it will continue to build economic cooperation on a regional, continental and worldwide level.

For 2016, the government forecasts economic growth of around 7.0%, which is higher than the IMF forecast of 6.0% and, taking into account the worldwide crisis in general and the fall in the price of raw materials in particular, which would be difficult to achieve. This growth will be influenced by the positive performance expected in agriculture (6.5%), electricity and gas (7.7%), construction (7.9%), commerce (8.0%), extractive industries (10.0%), transport (5.8%), education (8.0%), health (7.5%), fisheries (4.8%) and the financial sector (8.2%) (forecast for gross domestic product for 2016).

The tax outlook for 2016-2018 shows that total resources will remain at an average of around 35.4% of GDP, with 27.7% of GDP for internal resources and 7.8% for external resources. In terms of structure, internal resources may rise from 78.4% in 2016, to 82.6% in 2018. This is the expected result of the impact of the tax reforms and the implementation of structural projects that will contribute to an increase in tax revenue for the State. It is hoped there will be an improved tax and monetary situation, with the launch of liquefied natural gas (LNG) projects, which also bring the prospect of strong economic growth in the medium and long-term.

The State Budget proposal for 2016 was prepared against a backdrop of signs of a global slowdown in terms of world economic and trade growth. This was the result of a fall in the prices of raw materials, a reduction in the flow of foreign direct investment, a strengthening of the dollar against other currencies and instability in the financial markets. This situation has been made worse by the budget deficit and increased public debt of most developing countries. All this means that budget policy for 2016 will continue to focus on maintaining macroeconomic stability, increasing the volume of resources by capturing more revenue, developing infrastructures and providing basic services to the population. Prioritising and rationalising public spending will be crucial.

<sup>8</sup> 2016 State Budgets; Economic and Social Plan 2016, World Bank 2016.

**PRINCIPAL EXPORT**  
ALUMINIUM AND ALUMINIUM  
PRODUCTS  
33.6% OF TOTAL

**PRINCIPAL IMPORT**  
MINERAL FUELS AND OILS  
13% OF TOTAL

**MAIN SUPPLIER**  
SOUTH AFRICA  
30.1% SHARE

**MAIN CLIENT**  
THE NETHERLANDS  
29.8% SHARE

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

	2015	2016
2016 State Budget	7.5	7.0
IMF (Country Report October 2015)	6.3	6.5
Economist Intelligence Unit (December 2015)	6.3	6.4

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

## TRADE

### BALANCE OF TRADE IN GOODS BETWEEN PORTUGAL AND MOZAMBIQUE

10 <sup>3</sup> EUR	2011	2012	2013	2014	2015	% CHANGE (a)	2014 JANU- ARY	2015 JANUARY	% CHANGE 16/15 (b)
Exports	216.9	287.1	327.8	318	355.6	13.8	20.3	17.5	-13.6
Imports	42	16.4	62.7	34.9	37.8	46.2	1	7.7	690.5
Balance	174.9	270.7	265.1	283.1	317.8	-	19.3	9.8	-

Source: INE - National Institute of Statistics.

Unit: millions of euros

(a) Mathematical average of the annual growth rates for the period 2014-2015;

(b) Rate of change 2014-2015

Because of different calculation methods, the value for "Goods and Services" does not correspond to the sum ["Goods" (INE) + "Services" (Banco de Portugal)]. "Goods" component based on data from the INE, adjusted to f.o.b. values.

The main Mozambican exports were aluminium (33.6%) and mineral fuels and oils (30.4%). Together, these represented more than 60% of products sold abroad.

Mozambique's imports are basically made up of mineral fuels and oils (13%), machinery and mechanical equipment (12%), motor vehicles and other land vehicles (9.2%) and electronic machinery and equipment (7.7%).

EXPORTS	% TOTAL	IMPORTS	% TOTAL
Aluminium and aluminium products	33.6	Mineral fuels and oils. etc.	13
Mineral fuels and oils, etc.	30.4	Mechanical machinery and equipment	12
Tobacco and tobacco substitutes	9.2	Motor and other vehicles	9.2
Minerals, slag and ash	4.6	Electrical machinery and equipment	7.7
Sugars and confectionery products	3.9	Ships, boats and floating structures	6.8

Source: International Trade Center.

South Africa is traditionally Mozambique's most important commercial partner, in particular, its main supplier (30.1% of Mozambican imports in 2015) and its second client (18.3% 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 also an important client of Mozambique.

The Netherlands is Mozambique's main client, receiving a large slice of Mozambican exports (29.8% of the total in 2015, according to the latest data from the International Trade Centre). This reflects the "Rotterdam Effect", which is the port where a large proportion of the goods destined for the European Union arrive.

Together, South Africa and the Netherlands represented 48.1% of Mozambique's total exports in 2015.

MAIN CLIENTS	SHARE %	MAIN SUPPLIERS	SHARE %
1 <sup>st</sup> The Netherlands	29.8	1 <sup>st</sup> South Africa	30.1
2 <sup>nd</sup> South Africa	18.3	2 <sup>nd</sup> China	12.5
3 <sup>rd</sup> India	10.6	3 <sup>rd</sup> The Netherlands	7.3
4 <sup>th</sup> Singapore	4.6	4 <sup>th</sup> Portugal	5.8
5 <sup>th</sup> Italy	3.1	5 <sup>th</sup> Bahrain	5.2

Fonte: International Trade Center.

### STATE BUDGET FOR 2016<sup>9</sup>

The 2016 State Budget provides the financial support for the action to be taken by the government under the Economic and Social Plan in pursuing the Government Five-Year Plan 2015-2019. The central focus of this plan is to improve living conditions for the Mozambican people by creating employment, improving productivity and competitiveness, creating wealth and ensuring balanced and inclusive development. This is to be done in an environment of security, harmony, solidarity, justice and cohesion between Mozambicans.

Policy for 2016 is focused on increasing and diversifying sources of revenue, rationalising public spending, concluding ongoing works projects, continuing to provide basic social services, prioritising payment of debt servicing and getting the National Institute of Social Welfare up and running. The aims behind this focus are to boost the development of human capital and create a business environment that favours the development of Mozambican businesses.

The strengthening of the US dollar against other currencies has led to a lowering of the forecasts for economic growth for 2016. The forecast is for growth in Gross Domestic Product (GDP) of 7.0% and an average annual rate of inflation of 5.6%, which corresponds to an increase of 0.5% compared with 2015.

### MAIN ECONOMIC INDICATORS IN THE BUDGET FRAMEWORK

	2014	2015	2016
	Real	Law	Actual
Nominal GDP (MZN millions)	526,495	594,649	680,487
Real growth rate (%)	7.4	7.5	7
GDP per capita (MZN/person)	21,328	23,152	25,753
Annual average rate of inflation (%)	2.3	5.1	5.6

Source: 2016 State Budget.

<sup>9</sup> 2016 State Budget.

# Economic relations with Portugal

Mozambique has been growing in importance as a client of Portugal. In 2015, it occupied the 19<sup>th</sup> position in the ranking (with a share of 0.71% of the Portuguese exports). Not too long ago (2007 and 2008) it was in 35<sup>th</sup> place. The forecast for 2016 assumes it will move into 23<sup>rd</sup> place, with a share of 0.47%.

## IMPORTANCE OF MOZAMBIQUE IN PORTUGAL'S TRADE FLOWS

STATUS	INDICADOR	2015	2016 JANUARY
As client	Position	19 <sup>a</sup>	23 <sup>a</sup>
	% Outbound	0.71	0.47
As supplier	Position	67	47
	% Inbound	0.06	0.18

Source: INE - National Institute of Statistics.

In the period 2014-2015, Portuguese exports to Mozambique grew by 24.4%, while imports fell by 4,7%.

## DEVELOPMENT OF THE BILATERAL BALANCE OF TRADE

MILLIONS OF EUROS	2012	2013	2014	2015	% CHANGE 15/11 (a)	% CHANGE 15/14 (b)
Exports	398.2	456.9	480.8	597.9	18.7	24,4
Imports	75.4	125.4	94.7	90.2	8	-4.7
Balance	322.8	331.5	386.2	507.7	-	-

Source: Banco de Portugal.

(a) Mathematical average of annual growth rates in the period 2011-2015;

(b) Rate of change 2014-2015

ON A COMMERCIAL LEVEL, A FREE-TRADE ZONE WAS CREATED IN SEPTEMBER 2000. PREPARATIONS ARE NOW BEING MADE FOR A CUSTOMS UNION, A COMMON MARKET AND MONETARY UNION, FOLLOWING THE MODEL OF THE EUROPEAN UNION (EU).

THE SADC IS ONE OF AFRICA'S MOST SOLID ECONOMIC INTEGRATION PROJECTS.

## International and Regional Relations

The Republic of Mozambique is a member of the African Union (AU), the African Development Bank (ADB), the Islamic Development Bank (ISDB) and the International Chamber of Commerce (ICC). It has also been a member of the United Nations (UN) since 1975, and of its specialist bodies including the World Bank, the International Monetary Fund (IMF), the World Tourism Organization (UNWTO) and the World Health Organization (WHO). It joined the World Trade Organisation (WTO) on 26 August 1995 and was admitted to the Commonwealth as a full member in November 1995.

On a regional level, Mozambique is part of the Southern African Development Community (SADC), the African Union (AU) and the Community of Portuguese Language Countries (CPLP).

On a commercial level, a free trade zone was created in 2000 and there is currently a reduction of 85% in the 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, had 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.

In June 2009, Mozambique signed an interim Economic Partnership Agreement (EPA) with the European Union. The aim of this agreement is to ensure that Mozambique has access to the European market until a definitive agreement can be reached between southern Africa and Europe.

Mozambique enjoys a very favourable position in terms of its relationships within the SADC and with other countries around the world. The plan to gradually eliminate international barriers has the potential for a considerable impact on Mozambican economic and social development.

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