



Monthly Economic Bulletin of the Mozambican Economy – February 2022

Summary

- Public revenues have been undergoing constant changes over the quarters, due to several factors and mainly due to the pandemic that we are experiencing today with effects at all levels, whether in private or public institutions. It was noted that in the II to the III Quarter, there were significant changes in VAT, other taxes, IRPS, IRPC and other rates, with an increasing trend until the end of the year.
- With regard to economic activity, gross domestic product grew by 3.32% in the fourth quarter of 2021, when compared to the same period in 2020. This performance is essentially explained by the gradual relaxation of measures to contain the spread of COVID-19, combined with the recovery of the prices of the main export commodities. The economic activity index in December fell by 54.4pp.
- The inflation measured by the CPI (Consumer Price Index) in the City of Maputo, Beira and Nampula, when compared to the previous month, indicates that the country registered an inflation of around 2.18%. transport were the most prominent, in the order of 2.18%. by contributing to the total monthly variation with around 1.21 and 0.51 pp. And analyzing the monthly variation by the three collection centers, which serve as a reference for the country's price variation, it is noted that in January, all cities registered about 2.60%, %, followed by Maputo City with 2.29% and finally Nampula City with approximately 1.69%.
- In January, the Mozambique Stock Exchange (BVM) depreciated by 1.2% compared to the end of December 2021 globally, whether in shares, bonds and other listed securities, thus ending the market capitalization at around 124,592.14 million MZN.
- In January, the Policy Committee of the Bank of Mozambique decided to maintain the MIMO interest rate at 13.25%, maintain the interest rates on the permanent deposit facility (FDP) at 10.25% and on the permanent Lending facility at 16.25%, as well as the reserve coefficients mandatory for liabilities in local and foreign currency by 11.50% and 34.5% respectively.
- In January, the Mozambican association of banks announced that they would maintain the prime rate of the Mozambican financial system, for the fifth consecutive month, at 18.60%.
- In January, the metical proved to be resilient against the US dollar, with the exchange rate set at USD/MZN 63.85, this stabilization is motivated by the injection by the Bank of Mozambique, in the national market, of the currencies.

Macroeconomic Indicators

Projection of Indicators	2021		
	I Quarter	II Quarter	III Quarter
GDP (quarterly growth)	0.12	1.97	4.2
GDP	160000	475200	495158
GDP (MZN mio)	160000	177871	166285
Inflation	5.76	5.52	7.42
Export USD Millions	922.9	1122.4	1551.2
Import	1431.3	1936.9	2041.8
MZN Public Debt	824886.4	165,853.00	229,005.8**
Credit to the economy	5,624	5,847	5.82*
MIMO rate (%)	16.25	13.25	13.25
Prime Rate of the Financial System (%)	13.25	18.9	18.6
USD/MZN	67.25	62.5	63.20
NIR (\$mio)	3947	3673	606.7

Source: International Monetary Fund and Bank of Mozambique

Caption: GDP - Gross Domestic Product

RIL - Net International Reserves

*Credit to the economy – Summary of the financial system/Bank of Mozambique

** Public Debt - State Budget Execution Report

Public Revenue

In 2020, public revenues corresponded to 93,562.90 million MZN. State revenues increased by 9.6% in the 1st quarter of 2021 compared to the same period in 2020, with IRPS revenues having a positive effect, which grew by 10.2%; the tax on goods and services with 8.8%. However, with the increase in the spread of the COVID-19 pandemic and consequently the measures taken to prevent it, it contributed to the fall in entertainment activities and in the productive sectors with a negative impact on revenue from the special tax on gambling and IRPC that had decrease by 53.2% and 7.6% compared to 2020, from IRPS by 10.2% compared to the 1st quarter of 2020.

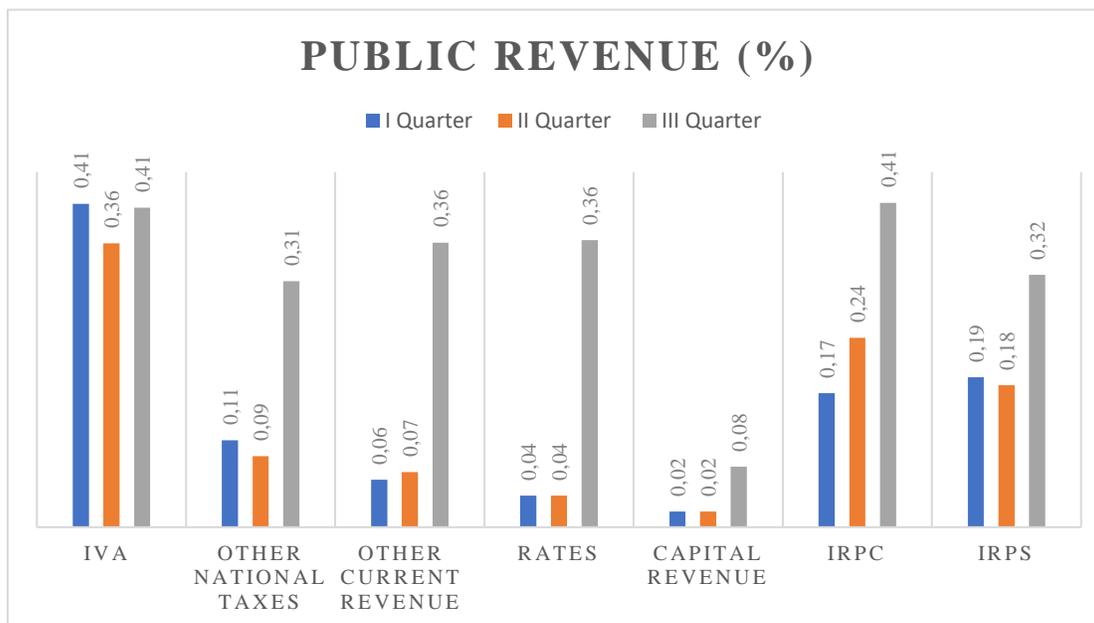
State revenues increased by 16.0% in the second quarter of 2021, compared to the same period in 2020, with capital revenues which grew by 60.0% contributing to this positive effect; IRPC at 17.0%; IRPS and Taxes on Goods and Services at 11.0% and other current income at 7.0% compared to the 2nd quarter of 2020.

The growth of internal and external demand may have determined the growth of the tax on goods and services,

having contributed to the growth in the volume of VAT collection - in domestic operations around 11.0%; VAT - on imports at 11.0%; except for the financial charges which decreased by 6.6%, explained by the partial forgiveness, suspension and cancellation of debt service payments, which contributed to contain the spread of the pandemic in the country, also for the third quarter.

The tax policy for the 2nd quarter of 2021 continued to be oriented towards the reactivation of the activity of the business sector, having for this purpose increased the refund of VAT by 10.7%, compared to the 2nd quarter of 2020.

The composition of State revenue in the third quarter of the year was dominated by Taxes on Goods and Services with 36.0%, followed by IRPC with 41.0%, IRPS with 32.0%, Other National Taxes with 31.0% and finally, other sources of income. revenue with 36.0%. Most of the State expenditure items had an increasing trend in this quarter



Source: Ministry of Economy and Finance

Economic Activity

In terms of economic activity, gross domestic product grew by 3.32% in the fourth quarter of 2021, when compared to the same period in 2020. It maintained its trend towards recovery, despite the slight deceleration compared to the previous quarter. This performance is essentially explained by the gradual relaxation of measures to contain the spread of COVID-19, combined with the recovery in the prices of the main export goods.

Economic activity decelerated in December and the economic climate decreased in January, from 2 to 1.9 in January according to INE.

The economic activity index fell by 52.4pp according to the Central Bank, this was due to the impact of the Ómicron variant. However, prices for goods and services are rising at a record pace. There was a retraction in the Energy segment to 6.7%, impacted by the above average temperatures recorded in January and the advance with the agricultural indicator (Wheat, corn, rice, ETC..) and also the metal segment, this grew by 9.8%. In January, the year-on-year rate of change in the indicator for economic activity was 5.5% (-3.3% in January 2021), accelerating from 5.4% in December 2021, while the year-on-year change in the indicator for private consumption decreased from 6.2% in December to 5.6% in January (-2.6% in January 2021) For 2022, a slow recovery in boosted economic activity is still expected,

The prices of commodities in general showed a positive behavior with only the decrease in world sugar of 4.8% in relation to the previous month, thanks to the favorable production in India and the drop in the price of ethanol in Brazil. Corn had an increase of 26.5% in January. Brent crude rose to \$85.53/bbl, up around 56% year-on-year, due to the movement of people and goods in circulation.

Natural gas grew by around 62.8%, from \$/mmbtu 3.7 to \$/mmbtu 4.77 in January 2021, due to the evolution of energy from renewable sources to be supplied. The aluminum price rose by around 11.5% over the month, as a result of the price of coal. This is all due to the relaxation of containment measures, increased demand for coal from China.

The FAO (Food and Agriculture Organization) Food Price Index shows that in January the indicator reached an average of 135.7 points, an increase of 1.1% higher than the December figures. Accelerated by supply constraints of vegetable oils around 4.2%. FAO also highlights that soybean oil prices were influenced by the increase in imports, especially from India, while the price of sunflower seed oil was impacted by the increase in global import demand.

Another commodity evaluated monthly by the UN agency is beef, which rose in price in January, mainly because the global value of beef peaked in January.

	Jan 21	Dez 21	22-Jan	VR(%)	VH(%)
Corn (\$/mt)	234.47	507.6	641.9	26.5	173.8
Wheat, US HRW (\$/mt)	276.45	0	0	0.0	-100.0
Rice, Thai 5% (\$/mt)	545	400	427	6.7	-21.7
Sugar, World (\$/kg)	0.34	0.42	0.4	-4.8	17.6
Cotton, Index (\$/mt)	1.92	2.65	2.91	9.8	51.6
Aluminum(\$/mt)	2003.98	2,695.530	3,005.980	11.5	50.0
Coal, South Africa (\$/mt)	86.85	142.5	169.65	19.1	95.3
Brent oil (\$/bbl)	54.55	74.3	85.53	15.1	56.8
Natural gas, USA (\$/mmbtu)	2.66	3.73	4.33	16.1	62.8
Liquefied natural gas, JPN (\$/mmbtu)	7.75	15.32	15.7	2.5	102.6

Source: World Bank Commodity Price Data and Trading economics

Caption: VM- Monthly variation; VH- Homologous variation

Inflation

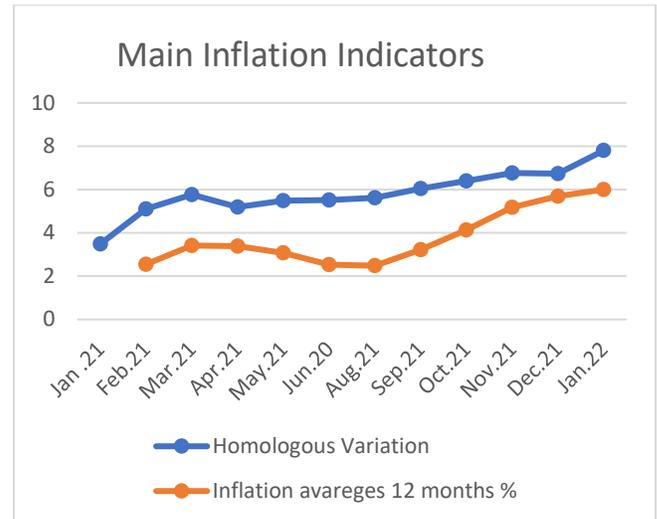
The inflation measured by the CPI (Consumer Price Index) in the City of Maputo, Beira and Nampula, when compared to the previous month, indicates that the country registered an inflation of around 2.18%. The Food and Non-Alcoholic Beverages and Transport divisions were the most prominent, with 2.18%. by contributing to the total monthly variation with around 1.21 and 0.51 pp positive. In relation to the monthly variation of some products, especially chicken (5.5%), fresh shrimp (6.2%) and lemon (16.1%), they contracted the upward trend, contributing with about 0.10pp negative.

Descrição	Contribuição
Food products and non-alcoholic beverages	1.21
Alcoholic Beverages and Tobacco	0.00
Clothing and Footwear	0.04
Housing, water, electricity, gas and others	0.01
Furniture, decorative items	0.05
Health	0.01
Transport	0.51
Education	0.08
Leisure, Recreation and Culture	0.01
Restaurants, hotels, cafes and the like	0.24
Miscellaneous goods and services	0.02
Total	2.15

Fonte: Instituto Nacional de Estatística

This behavior of inflation reflects the pressure of more persistent prices on the supply side registered in energy, food and non-energy goods, reaching the highest level since October 2017, due to the recent adjustment in the price of fuel and the continuity of inflation of food goods. According to the most recent reports from the Bank of Mozambique, the main risks that could influence a price rise in Mozambique are related to the impacts of COVID-19, rising prices and liquid fuels and the constraint in the supply chain of goods in the international market.

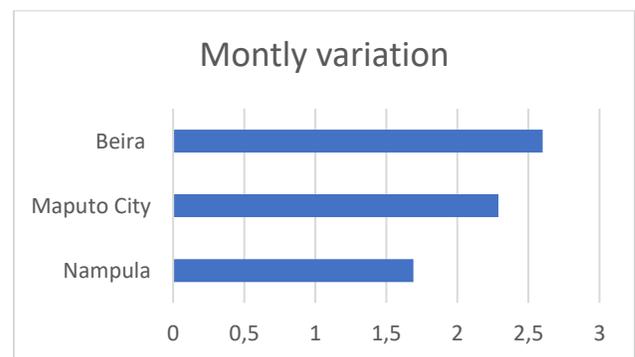
Compared to the accumulated variation, it is notable in the chart below that there was a positive evolution throughout the year, although there was a decrease in November-December, from 6.77% to 6.74% respectively, it managed to recover, so much so that in January 2022 it reached inflation with around 7.8%.



Source: National Statistics Institute (Nat. Statistics Institute)

Regarding the year-on-year change, Maputo City led the trend of increasing the general level of prices with approximately 8.81%, followed by Nampula City with about 7.87% and finally the city of Beira with 4.93%

And analyzing the monthly variation by the three collection centers, which serve as a reference for the country's price variation, it is noted that in January, all cities registered price increases, with the City of Beira standing out with about 2.60%, followed by Maputo City with 2.29% and finally Nampula City with approximately 1.69%.



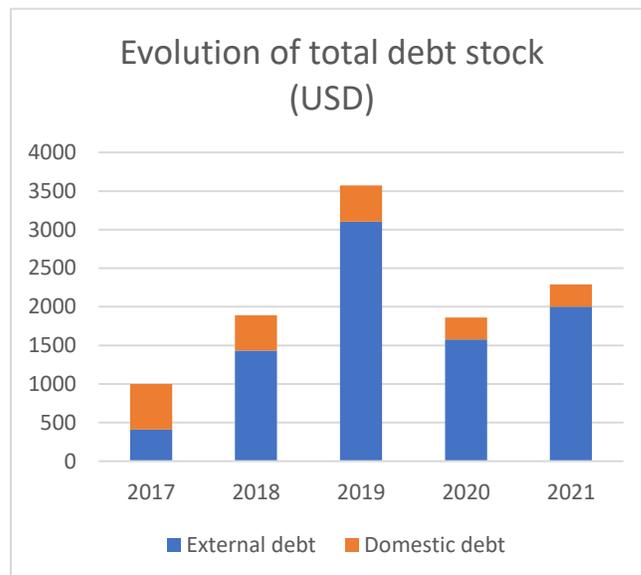
Source: National Statistics Institute (Nat. Statistics Institute)

Bond Market

Mozambique's bond market in 2020 was around 15,011 million USD (exchange rate: USD/MZN: 63.20). It is still composed mainly of external debt, which represents 80% of the public debt

In the 1st quarter of 2021 the stock of public debt stood at 13,052 million USD, corresponding to a growth of 0.68% in relation to the same period of 2020. Of which, 2,906 was domestic debt and 10,146 million, corresponding to a growth of 0.02% in relation to the same period of 2020. Being, composed by the multilateral debt of 5,645 million USD and the bilateral debt of 4,501 million USD.

In the 3rd quarter the internal debt grew 4.4% and was evaluated at 3623.50 (218.6 billion MZN) million USD, in a context where the perspective of budgetary pressure remains, associated to public spending to contain the spread of the Covid-19 pandemic, humanitarian assistance and reconstruction of the areas affected by the terrorist attacks in Cabo Delgado. While the external debt, with the agreements signed in the modality of donations, for financing with the bank reached about 11620.51 million USD in favour of the state business sector. (Bank of Mozambique).



Source: BVM: Mozambique Stock Exchange and Bank of Mozambique

Capital Markets

In January, the Mozambique Stock Exchange (BVM) depreciated by 1.2% compared to the end of December 2021 globally, whether in shares, bonds and other listed securities, thus ending the market capitalization at around 124,592.14 million MZN. The evolution is justified by the increase in the price of CDM and HCB-B shares, as well as by the increase in treasury bonds. The COVID-19 pandemic and the lack of some services are among the causes of poor adherence by companies. In the international space, the share indices of the main stock markets registered mixed variations throughout the month of January, encouraged by the latest studies in return for the Ómicron variant, which fuel economic growth, but also by the new capital market law (new code of securities) in force in January. The S&P 500 Index closed down 3% from the previous month to settle at USD 4176.26 million. The Nasdaq in New York also declined sharply by 8% at the end of 2021, the French CAC 40 appreciated, the German DAX lost 0.7pp. This happens because the stock exchanges are really

overheated in the market and because of the invasion of Russia, which causes the fear and insecurity of the population.

Stock Market Indicators 2021	IVQuarter
No. of listed companies	12
Number of Listed Securities	54
Transaction volume during the period (Millions of Meticais)	12,058
Transaction volume during the Period (Millions of USD)	187.06
Market Capitalization (Millions of Meticais)	126,105
Turnover (% in Mt)	9.56%
Market Capitalization (Millions of USD)	1,956.34

Source: BVM: Mozambique Stock Exchange

Indicadores	Jan.21	Dez.21	Jan.22	VM (%)	VH(%)
BVM (Moçambique)*	109208.26	126105.40	124592.14	-1.2	14.1
JSE Top 40	57312.45	67052.40	65653.18	-2.1	14.6
Dow Jones	29982.62	36488.63	34934.27	-4.3	16.5
S&P 500	3714.24	4778.73	4475.01	2.9	20.5
Nasdaq	13070.70	15741.60	14482.75	-8.0	10.8
Euro Stoxx 50	3481.44	4306.07	4176.26	-3.0	20.0
DAX	13432.87	15886.00	15011.13	-5.5	11.7
CAC 40	5399.21	6721.16	6975.76	3.8	29.2

Fonte: Mercado Financeiro Investing.com e Bolsa de Valores de Moçambique

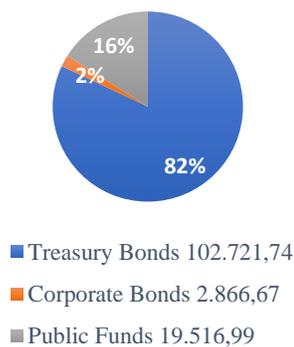
*Valores expressões em milhões

Between the third quarter of 2021 and the fourth quarter, the market capitalization increased from 121,422.10 million meticaais to 1,956.34 million meticaais, an increase of 9.57%, while the market capitalization ratio reached 18.2% growth.

A slight increase was notable in terms of Shares and

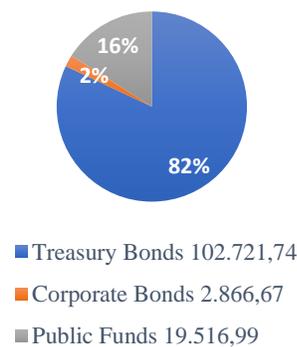
eCorporate Bonds, 1% and 2% respectively. Meanwhile, the Mozambique Stock Exchange (BVM), due to the trading volume, Treasury bonds increased from 85% to 82%, expressing a negative evolution in this period of the COVID-19 Pandemic.

Market capitalization in Millions Meticaais - 3rd Quarter 2021



Source: BVM: Mozambique Stock Exchange

Market capitalization in Millions Meticaais - 4nd Quarter 2021



Source: BVM: Mozambique Stock Exchange

Money Market

In January, the Policy Committee of the Bank of Mozambique decided to maintain the MIMO interest rate at 13.25%. With the appreciation of the metical, this indicator should have changed, but it did not due to the risk and uncertainties that affected the other financial indicators. The central bank also decided to maintain the interest rates on the permanent deposit facility (FDP) at 10.25% and on the permanent assignment facility at 16.25%, as well as the required reserve ratios for liabilities in national and foreign currency at 11.50% and 34.5% respectively.

At the end of January, the Mozambican association of banks announced that they would maintain the prime rate of the Mozambican financial system, for the fifth consecutive month, at 18.60%. This measure is supported by the slight improvement in domestic inflation prospects in the short and medium term, of oil and foodstuffs on the international market.

However, the objective is for all credit operations to be based on a single rate, "plus a spread, which will be added or subtracted from the 'prime rate' through risk analysis" of each contract, explain the promoters.

Taxes	Jan.21	Dec 21	Jan.22	VM(pp)	VH(pp)
FPD (%)	10.25	10.25	10.25	0.0	0.0
FPC (%)	16.25	16.25	16.25	0.0	0.0
MIMO (%)	13.25	13.25	13.25	0.0	0.0
PRSF (%)	15.5	18.6	18.6	0.0	3.1
BT - 91D	7.4	13.34	13.38	0.0	6.0
BT - 182D	7.27	13.38	13.38	0.0	6.1

Source: National Institute of Statistics and Bank of Mozambique

Caption: FDP: Permanent Deposit Facility; FCP: Permanent Assignment Facility; PRSF: Monetary Policy Interest Rate Prime Rate of the Financial System;

VM- Monthly variation; VH- Homologous variation;pp: perceptual points.

Mozambique strengthened its external position by maintaining gross international reserves at comfortable levels in November, which allows it to cover another five months of imports in 2022. The increase in international reserves also counted on the allocation of Special Drawing Rights by the Fund International Monetary Fund (IMF) in an amount equivalent to 308 million dollars. International reserves remained at comfortable levels in January. At the end of January, the Monetary Policy Committee (CPM) of the Bank of Mozambique decided to maintain the basic

interest rate at 13.25%. This decision is supported by the maintenance of the single-digit inflation outlook in 2022, despite the prevalence of risks and uncertainties mentioned above. The CPM also decided, reduce the coefficients of mandatory reserves in national and foreign currency. The decision to reduce the coefficients made it possible to inject more than 500 million USD into the Mozambican financial system, which will later be able to contribute to the process of economic recovery. (Bank of Mozambique).

Foreign Exchange Markets

In 2021, most majors gained against the euro, providing additional gains for investors. In January, the metical proved to be resilient against the US dollar, with the exchange rate set at USD/MZN 63.85, this stabilization is motivated by the injection by the Bank of Mozambique, in the domestic market, of foreign currencies. In cumulative terms, the metical saw a depreciation of 15.15% against the US dollar. Thus affecting the country's export and import revenues. In the same session, the rand appreciated against the metical, with the exchange rates set at ZAR/MZN 4.12 and the appreciation of EUR/MZN 72.28 against the following closes in the previous session: ZAR/MZN 4.02 and EUR/MZN 72.27. There were exchange gains compared to the main transaction currencies in the country against the metical, namely the euro (from 72.27 to 72.28), although the pound had a loss (from 86.20 to 85.07). The strengthening of

the metical may be justified by the general appreciation of the US currency in the international market.

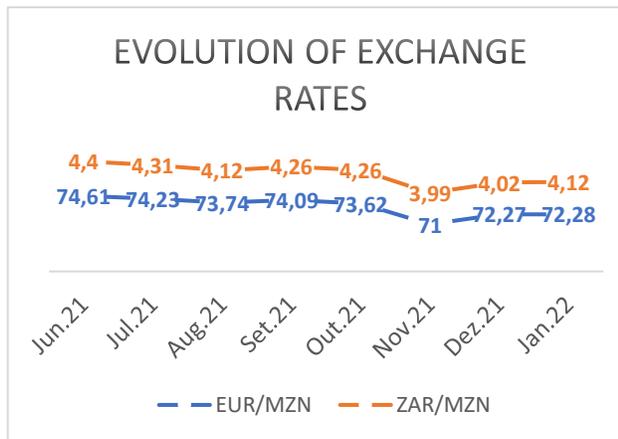
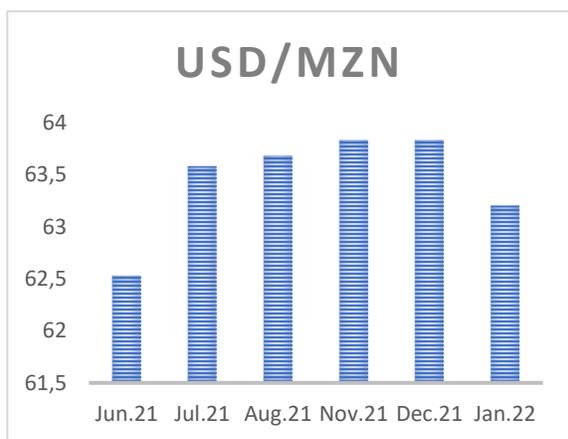
In the international sphere, the fears observed, there was a monthly retreat of the dollar against (-0.73 in relation to the pound sterling). The euro against the dollar fell by 1.4\$, the devaluation movement is continuous since May 2021. Against the yuan, the euro fell from 7.24 to 7.14, a euro depreciation by 1.4%.

The euro also fell against the pound and the yen. US retail sales rose by 5.3% in January, after 4 months of decline, due to rising private consumption, thus pushing eurozone inflation to reach 5.1% in January – the highest recorded in 25 years (Eurostat). And the ECB considers that the increase in inflation is temporary and justified by the COVID-19 pandemic that will begin to decline shortly in 2022.

Moedas	Jan.21	Dec. 21	Jan. 22	VR(%)	VH(%)
USD/MZN	75.25	63.83	63.85	0.02	-15.15
EUR/MZN	91.16	72.27	72.28	0.01	-20.71
GBP/MZN	103.10	86.20	85.07	-1.13	-17.49
ZAR/MZN	4.98	4.02	4.12	0.10	-17.27
GBP/USD	1.37	1.35	1.35	0.00	-1.47
USD/ZAR	15.16	15.99	15.26	-0.73	0.68

Source: Bank of Mozambique | Macrotrends data | Investing.com

Caption: VM- Monthly variation; VH- Homologous variation



Fonte: The Global economic

About Mazars

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Note

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