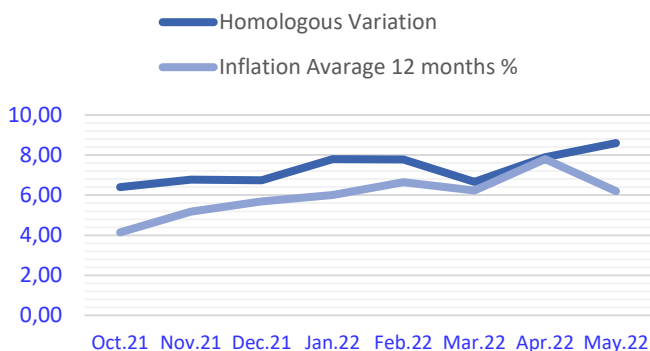


MONTHLY ECONOMIC BULLETIN OF THE MOZAMBICAN ECONOMY

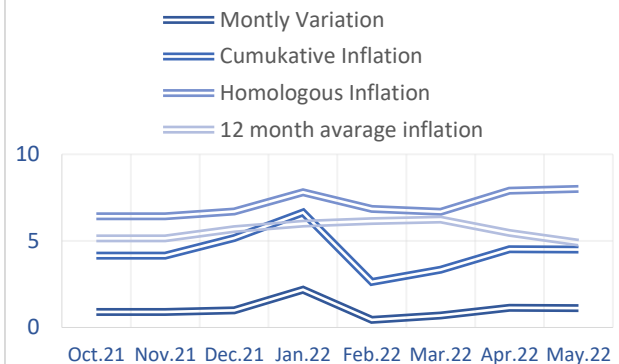
JUNE 2022

MAIN HIGHLIGHTS

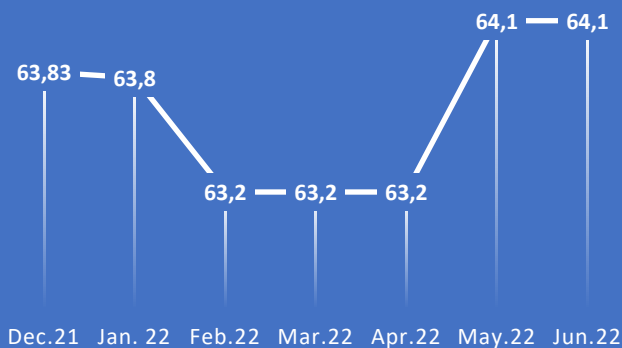
Main Inflation indicators



CONSUMER PRICE INDEX



USD/MZN



- Gross domestic product stood at 2.6%, a year-on-year growth of 1.4%;
- Domestic public debt rose by 220.8 billion to 242.3 billion;
- In June the Mozambique Stock Exchange (BVM) depreciated around 4.7%;
- In June the main indexes showed negative variations throughout the month: JSE top 40, NASDAQ, Eurostoxx, and CAC, closed with falls of 7%, 2.9%, 8%, 3.0%.
- The Central Bank in June closed rates (FDP) at 12.25%, (FPC) at 18.25% and the (PRSF) at 20.40%.

Macroeconomic Indicators

| Projection of Indicators | I Quarter 2022 | Projection for 2022 |
|--|----------------|---------------------|
| GDP (quarterly growth) | 0.039 | 0,029 |
| GDP (mzn mio) | 140000 | 144060 |
| Inflation | 5.3 | 7.5 |
| Exports USD MILLION | 922,9 | 38 |
| Imports | 1431,3 | 20 |
| Public Debt | | 106.2 |
| World Economy | 5.624 | 4,4 |
| MIMO Rate (%) | 16,25 | 14 |
| Prime Rate of the Financial System (%) | 13,25 | 18,6 |
| USD/MZN | 67,25 | 64,33 |
| International Reserves | 3947 | 3,996 |
| Credit to the Economy | 3947 | 4183 |

Source: National Institute of Statistics, Bank of Mozambique and FMI

Economic Activity

As for economic activity, in May, gross domestic product stood at 2.6%, a year-on-year growth of 1.4%. Rising energy prices aggravated by the conflict are expected to dampen economic expansion, partly driven by the acceleration in private consumption. According to INE, these forecasts result from the shock of Russia's invasion of Ukraine.

Despite the war in Ukraine and rising energy prices in particular, the economy has been accelerating since the beginning of April. The economic activity index stood at 2.9% after 2.2% in April and commodity prices were generally positive.

The natural gas contract in the USA market had a monthly growth of 24.7%, ending with about 6.7%, and the JPN liquefied gas had a retreat of 3.4% in relation to the previous month, this due to the bet by the European Union on the basis on which it can replace Russian energy.

South African coal prices increased by 6.4%, rising from \$103.4/mt in April to 110.1/mt in May due to the process of alleviating the country's energy problems by 2022. Food prices, which have soared this year to levels similar to those reached during the 2007/2008 food crisis, fell by 1% in May. The slight decline was mainly due to lower prices of cereals and sugar, which mitigated the effect of the rising cost of meat and dairy products.

The Food and Agriculture Organization's (FAO) Food Price Index registered a reduction in May, closing the month with an average of 157.4 points, 0.6% below April's figures. Despite this, it is still 22.8 per cent higher than the figure for the same period last year. The FAO forecasts a record cereal harvest (2,315 million tonnes), an increase of 3.5% on 2010. However, FAO considers that high and volatile prices will remain this year and in 2012, given the reduction in food stocks and the insignificant production increases for most crops.

In the specific case of the Cereals Price Index, there was an increase of 2.2%, pulled by the increase in the price of wheat, there was concern about the conditions of the crops in several exporting countries and the production of wheat in Ukraine remains reduced due to the war. The price of milk and dairy products also fell 3.5% in May, due to uncertainties in the milk powder market caused by restrictions imposed by China related to Covid-19. **The invasion of Ukraine and the resurgence of the pandemic in Asia, particularly China, have constrained economic activity, trade and global inflation.**

Data for the month of May 2022

| | May 2021 | Apr 2022 | May 2022 | MV (%) | VH (%) |
|----------------------------|----------|----------|----------|--------|--------|
| Corn (\$/mt) | 395.31 | 248.17 | 318 | 28.1 | -19.6 |
| Wheat, US HRW (\$/mt) | 270.98 | 495.3 | 522.3 | 5.5 | 92.7 |
| Rice, Thai 5% (\$/mt) | 493 | 431 | 464 | 7.7 | -5.9 |
| Sugar, World (\$/kg) | 0.38 | 0.42 | 0.43 | 2.4 | 13.2 |
| Cotton, A index (\$/mt) | 2.0 | 3.42 | 3.61 | 5.6 | 80.5 |
| Aluminium (\$/MT) | 2.433.5 | 3.244.3 | 3.830.5 | -12.8 | 16.3 |
| Coal, South Africa (\$/MT) | 99.31 | 103.4 | 110.1 | 6.5 | 10.9 |
| Brent Oil (\$/bbl) | 68.04 | 105.4 | 112.4 | 6.6 | 62.7 |
| Natural Gas, US (\$/mmbtu) | 2.89 | 6.53 | 8.14 | 24.7 | 181.7 |
| Liquefied Natural Gas, JPN | 8.06 | 17.18 | 16.53 | -3.8 | 105.1 |

Source: World Bank Commodity Price Data

Legend: MV- Monthly variation; VH- Year-on-year variation

Inflation

In May, inflation measured by the CPI (Consumer Price Index) in Maputo City, Beira and Nampula, when compared to the previous month, indicate that the country registered a monthly inflation of 1%. (Figure 5) The Food and non-alcoholic beverages and transport divisions were the most prominent classes, contributing around 0.67 and 0.16 pp positive in the total monthly variation, respectively. This rise in inflation is in line with all forecasts for the Mozambican economy according to the Consumer Price Index (CPI) bulletin, published by INE.

In relation to the monthly variation per product, it is worth highlighting the increase in the prices of wheat (15.6%), cooking oil (3.7%), fresh fish (1.4%), amongst others which contributed around 0.88 pp to the monthly variation. However, some products such as dried fish (3.5%), coconut (6.4%) and cabbage (6.0%) countered the upward trend in prices by contributing around 0.15 pp negative.

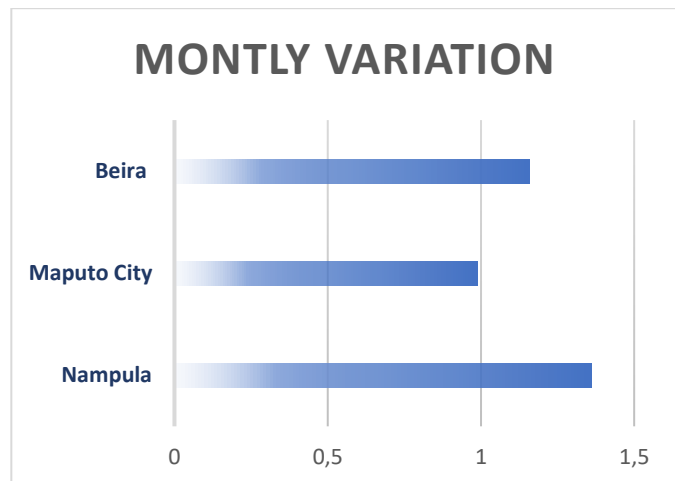
Compared to the same period last year, the country recorded a price increase of 9.31% in the month under review. The city of Nampula led the general price increase trend with approximately 11.31%, followed by the city of Beira with approximately 8.68% and finally the city of Maputo with 8.52%.

Analysing the monthly variation for the three collection centres, which serve as a reference for the price variation in the country, last May, all the cities registered an increase in prices, with the city of Nampula standing out with approximately 2.15%, followed by the city of Beira with 1.05% and finally the city of Maputo with approximately 0.40%.

Data relative to the month of May 2022

| Description | Contribution |
|---|--------------|
| Food products and non-alcoholic beverages | 0.67 |
| Alcoholic beverages and tobacco | 0.00 |
| Housing, water, electricity, gas and others | 0.01 |
| Furniture, decoration articles | 0.05 |
| Communications | 0.01 |
| Transport | 0.16 |
| Restaurants, hotels, cafés and the like | 0.06 |
| Miscellaneous goods and services | 0.01 |
| Total | 1.00 |

Source: National Institute of Statistics



Source: National Institute of Statistics

Public Debt Market

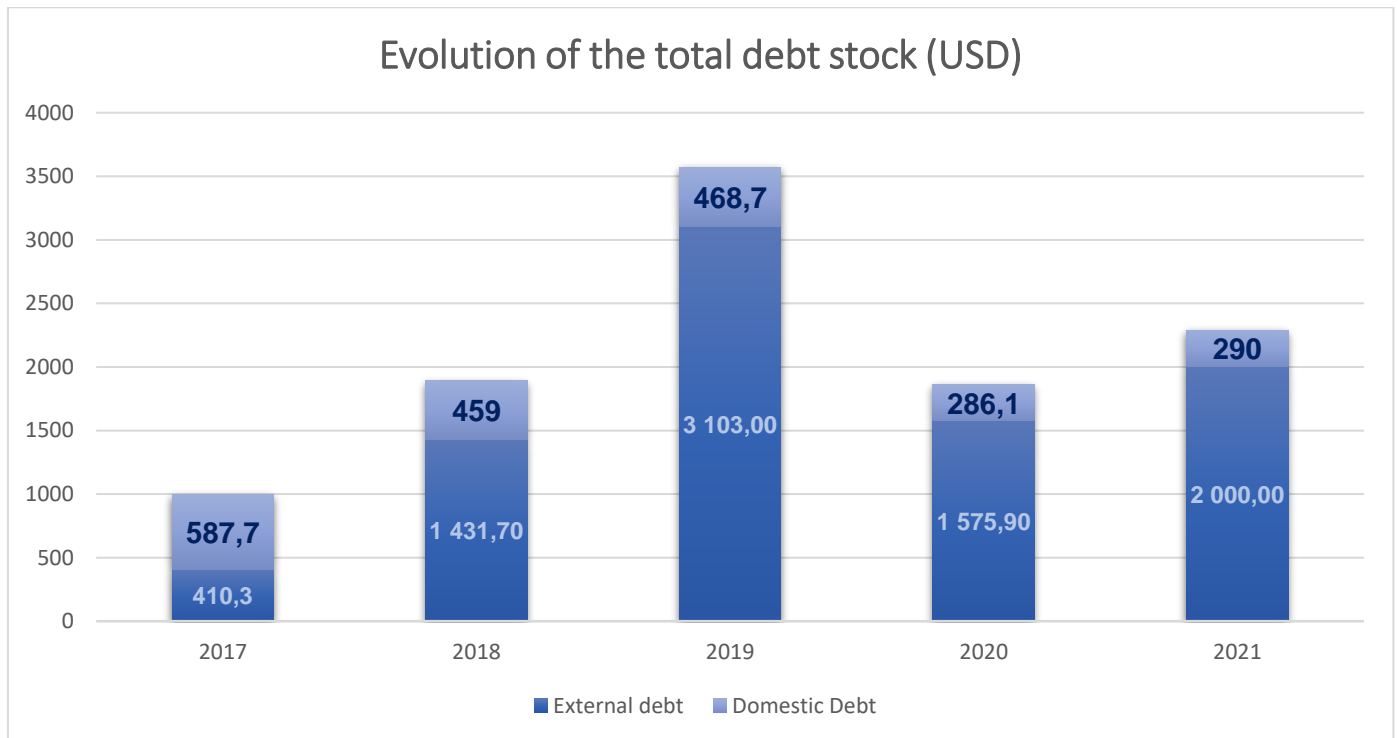
Mozambique's public debt rose by 8% in 2021 to 14 billion dollars and continues to be mainly composed of external debt, which represents 86% of the public debt. There was growth in the context of external loan disbursements and contracting, which rose to 3%.

The stock of internal debt in the first quarter of 2022 reached the amount of 3 billion dollars (243,277.8 MZN).

Domestic public debt increased. Excluding loan and lease contracts and overdue liabilities, it increased from 220.6 billion at the end of December 2021 to 242.3 billion meticaís in H1 2022. The CPMO will then continue to monitor the evolution of risks and uncertainties associated with the projections, to keep inflation low and stable. External debt grew 114% (10256.4 million MZN). It should be noted that no credit agreements or donations were signed in this period.

In December 2021, domestic debt, excluding loan and lease contracts and overdue liabilities, rose by 2.4 billion to 220.6 billion meticaís, about 3 million dollars (Bank of Mozambique).

Data relative to the 1st Quarter of 2022



Source: Ministry of Economy and Finance

Capital Markets

BVM registered a 148% increase in business in the first quarter of 2022. In June, the Mozambique Stock Exchange (BVM) suffered a devaluation of about 4.7% in relation to the previous month at a global level, whether in shares, bonds and other listed securities, thus ending with the market capitalisation at around MZN 125,007.40 million. The devaluation is justified by the fall in the share price of CDM and HCB.

June was not an easy month for the stock market. The main indices showed negative variations throughout the month: JSE top 40, NASDAQ, Eurostoxx, and CAC, closed with falls of 7%, 2.9%, 8% and 3.0% respectively, where the responsible factor was the reinforcement of restrictions in several countries to fight the COVID-19 outbreak, still with fears that the world is entering a recession period taking over the market. At a time when the US central bank is raising interest rates at an aggressive pace to combat skyrocketing inflation. In this context, the global stock markets reflect the bad mood of investors with a greater aversion to risk.

The Dow Jones index closed at 34798.00, up 6.9% on May, the S&P 500 rose 5.5%, ending the month at 4480.00 pp and the DAX at 6675.00 an increase of 3% on the previous month.

Data for the month of June 2022

| Indicators | Jun 2021 | May 2022 | Jun 2022 | MV (%) | VH (%) |
|-------------------|-----------|-----------|-----------|--------|--------|
| BVM (Moçambique)* | 118935.97 | 131116.91 | 125007.40 | 4.7 | 5.1 |
| JSE Top 40 | 11406.00 | 10974.00 | 10202.00 | -7.0 | -10.6 |
| Dow Jones | 34502.51 | 32560.64 | 34798.40 | 6.9 | 0.9 |
| S&P 500 | 4297.50 | 4245.00 | 4480.00 | 5.5 | 4.2 |
| NASDAQ | 14504.00 | 11943.93 | 11597.10 | -2.9 | -20.0 |
| Eurostoxx 50 | 4078.89 | 3841.62 | 3533.17 | -8.0 | -13.4 |
| DAX | 15531.04 | 14857.00 | 15645.00 | 5.3 | 0.7 |
| CAC 40 | 6507.83 | 6881.10 | 6675.60 | -3.0 | 2.6 |

Source: Investing.com Financial Market and Mozambican Stock Exchange
*Values expressed in millions

Market capitalisation ended the first quarter of 2022 at 126,457.02 million meticaís and reached 129,369.09 million meticaís in June an increase of 0.023%. With 55 securities listed to date.

Regarding shares in the second Quarter: Shares ended with 18.294,45(14%), Corporate Bonds 2.710,38 (2,1%) and Corporate Bonds at 109.360,02 (83,9%). (BVM: Mozambique Stock Exchange).

Monetary Market

The Monetary Policy Committee (CPMO) of the Bank of Mozambique (BM) decided to maintain the monetary policy interest rate, MIMO rate, at 15.25%. This decision is supported by the prospects of maintaining inflation at one digit in the medium term, despite the high risks and uncertainties associated with these projections, with emphasis on the effects of geopolitical tension in Europe. Meanwhile, in the short term, inflation will remain high, reflecting the impact of the adjustment of administered goods prices. Consequently, the Central Bank in June closed the interest rates on the deposit facility (FDP) at 12.25% and on the permanent lending facility (FPC) at 18.25%.

In June, the Mozambican banks association decided to increase the Prime rate of the Mozambican financial system from 19.10% to 20.40%. This increase represents the first Prime Rate reaction of the system since the beginning of the year, following a 2-percentage point rise in the MIMO rate previously.

A slower recovery of the economy is expected in 2022, supported by weak domestic demand coupled with the suspension of the gas exploration project by Total, notwithstanding the forecast gradual recovery of external demand and the trend towards containment of the Covid-19 spread.

Data for the month of June 2022

| Rates | Jun 2021 | May 2022 | Jun 2022 | MV (pp) | VH (pp) |
|-----------|----------|----------|----------|---------|---------|
| FDP (%) | 10.25 | 10.25 | 12.25 | -2.0 | 2.0 |
| FPC (%) | 16.25 | 16.25 | 18.25 | 6.0 | 2.0 |
| MIMO (%) | 13.25 | 15.25 | 15.25 | 0.0 | 2.0 |
| PRSF (%) | 18.90 | 19.10 | 20.40 | 0.5 | 1.5 |
| BT - 91D | 13.36 | 15.28 | 13.04 | 0.0 | 0.06 |
| BT - 182D | 13.43 | 15.28 | 13.43 | 1.9 | 1.85 |

Source: National Institute of Statistics and Bank of Mozambique

Key: FDP: Deposit Facility; FCP: Transfer Facility; MIMO: Monetary Policy Interest Rate; PRSF: Prime Rate of the Financial System; VM- Monthly change; VH- Year-on-year change; pp: percentage points

Foreign Exchange Market

In June 2022, after nine consecutive months of the metical showing resilience and maintaining a tendency towards stability against the North American currency, the metical ended the month of May with the dollar/metical exchange rate fixed at MZN 63.20.

In the same period, the Rand depreciated against the Metical from MZN 4.10 to MZN 3.98

The Euro against the metical closed the previous session as follows: EUR/MZN 66.88, devaluing 0.32%. The GBP/MZN also depreciated 2.69%, from MZN 78.19 to close at MZN 77.20 in June.

In the international sphere, the fears observed, the British pound recorded the worst week since December 2020 against the dollar, which is forecast to rise by 25 basis points by the end of the year. It should be noted that the euro retreated against the dollar, quoted at 0.95 dollars, the lowest level since May 2020, due to the war in Ukraine and the increase in the price of oil. For the short term a rise in the pair is expected, up to the downward trend line.

The dollar is driven by fears of the risk of a global recession, in the wake of interest rate hikes by the central banks of major economies to try to control inflation. Especially the United States.

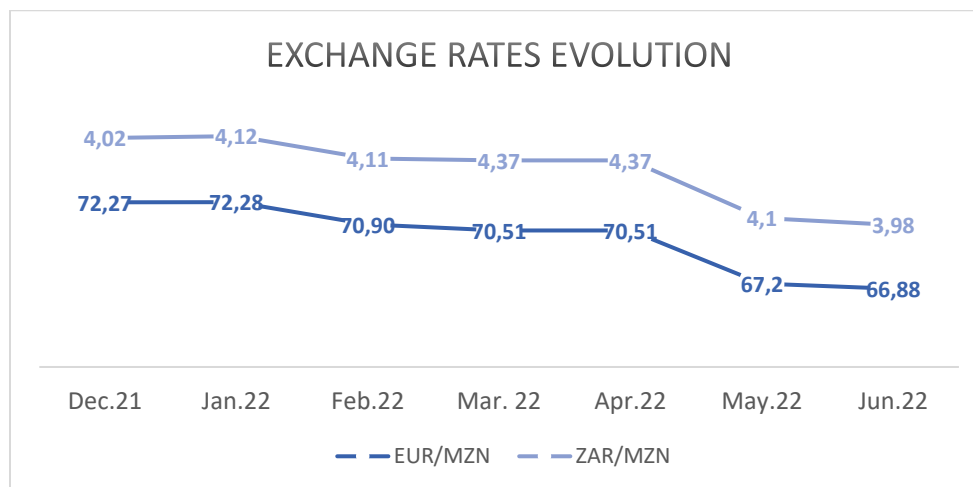
The dollar fell against the main currencies (USD, EUR, GBP and ZARR), dropping by 0.10%, 0.32%, 0.05% and 0.12% respectively.

The trend pointed out by several economists is that the dollar will continue to fall, due to the interest rates in the USA, higher exports in the United States, as well as the Federal Reserve not taking measures to prevent the fall of the dollar in the international market.

Data for the month of June 2022

| Moedas | Jun 2021 | May 2022 | Jun 2022 | MV (%) | VH (%) |
|---------|----------|----------|----------|--------|--------|
| USD/MZN | 63.49 | 63.3 | 63.2 | -0.10 | -0.46 |
| EUR/MZN | 75.50 | 67.20 | 66.88 | -0.32 | -11.42 |
| GBP/MZN | 87.90 | 78.19 | 77.50 | -2.69 | -11.83 |
| ZAR/MZN | 4.45 | 4.10 | 3.98 | -0.12 | -10.56 |
| GBP/USD | 1.38 | 1.18 | 1.23 | 0,05 | -10.87 |
| USD/ZAR | 14.26 | 15.68 | 16.08 | 0.41 | 12.83 |

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



Source: The Global Economic

About Mazars

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