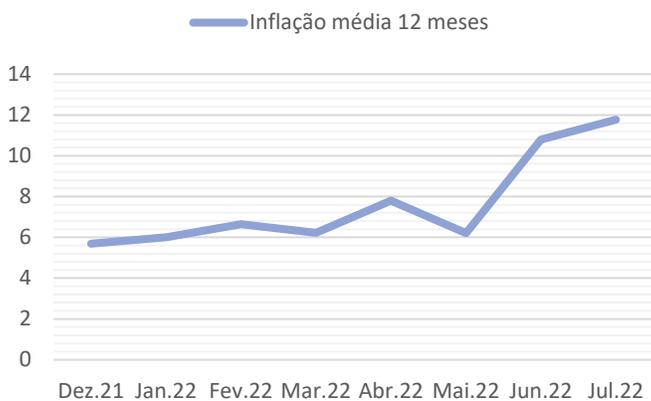


# MONTHLY ECONOMIC BULLETIN OF THE MOZAMBICAN ECONOMY

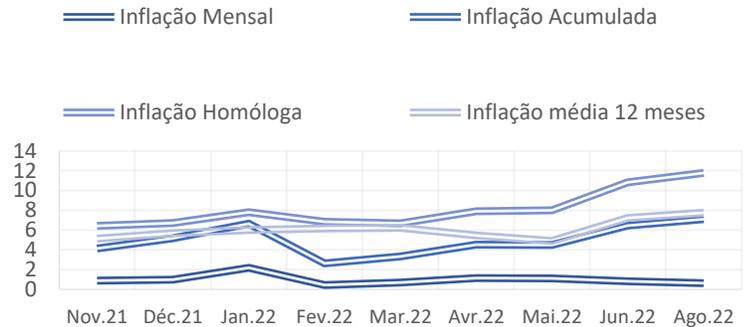
AUGUST 2022

## MAIN HIGHLIGHTS

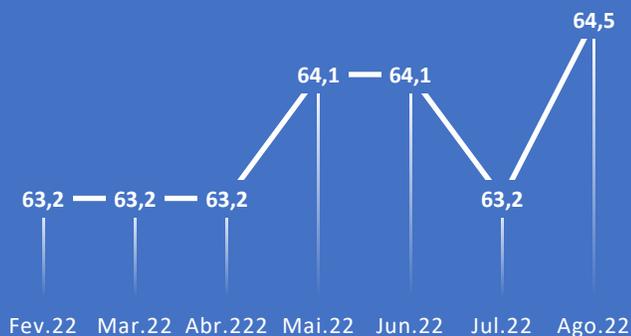
### Main Inflation Indicators



### CONSUMER PRICE INDEX



### USD/MZN



- Gross domestic product stood at 4.14%, a year-on-year growth of 1.54%;
- Domestic public debt rose by 220.8 billion to 248.216 billion;
- - In June the Mozambique Stock Exchange (BVM) depreciated around 4.7%;
- - In August the main indexes showed negative variations throughout the month: Dow Jones, NASDAQ, Eurostoxx, and CAC, closed with falls of 6.4%, 12.4%, 13%, 4.5%
- - The Central Bank in June closed the rates (FDP) at 12.25%, (FPC) at 18.25% and the (PRSF) at 20.6%.

## Macroeconomic Indicators

| Indicator Projection                   | II Quarter 2022   | Projection to 2022 |
|--|-------------------|--------------------|
| GDP (quarterly growth)                 | 0.039             | 0,029              |
| GDP (mzn mio)                          | 140000            | 144060             |
| Inflation                              | 12.10%            | 7.5                |
| Exports USD MILLION                    | 1566              | 38                 |
| Imports                                | 2042              | 20                 |
| Public Debt                            | 248,2 mil milhões | 106.2              |
| World Economy                          | 5.624             | 4,4                |
| MIMO Rate (%)                          | 15,25             | 14                 |
| Prime Rate of the Financial System (%) | 20.6              | 18,6               |
| USD/MZN                                | 64.5              | 64,33              |
| International Reserves                 | 3224              | 3,996              |
| Credit to the Economy                  | 3947              | 4183               |

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

## Economic Activity

Regarding economic activity, gross domestic product stood at 4.37% in July and this performance is due to the easing of restrictive measures at domestic and external level. The rise in energy prices aggravated by the conflict is expected to curb economic expansion and is partly driven by the acceleration of private consumption. According to INE, these forecasts result from the shock of the Russian invasion of Ukraine. The side effects of the conflict between Russia and Ukraine creating a slowdown in the growth of the world economy are still notable.

The natural gas contract in the US market appreciated 21.01% from \$7.26/mmbtu in July to \$8.79/mmbtu in August 2022. Black gold export by Russia at an even pace led to lower prices in oil.

South African coal saw an increase in the order of 7.6 from \$284.87/mt in June to \$306.4/mt in July justified by the process of easing 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 FAO's (Food and Agriculture Organization) Food Price Index fell to 140.9 points in July which is down approximately 8.6% compared to June. The conflict between Russia and Ukraine has led to a significant increase in the prices of food, fuel and fertilizers causing a threat to world food security.

In the specific case of the Cereals Price Index, there was a decrease of 11.5% in July, pulled by the reduction in the price of wheat which fell by 14.5%, there was concern about the condition of crops in several exporting countries and wheat production in Ukraine continues to be reduced due to the war. The price of milk and milk products also fell by 2.5% in August but the average remained 25.4% higher than in July. The price of cheese remained stable due to high demand in tourist countries in the European zone.

Meat prices also decreased in July by 0.5% compared to June due to the weak level of imports and demand for beef. In contrast, international prices of poultry meat reached a record high, due to high import demand and shortage of supply given the outbreaks of avian influenza in the northern hemisphere.

Data for the month of August 2022

| Comodity                              | August de 2021 | June 2022 | August 2022 | VR(%) | VH(%) |
|---------------------------------------|----------------|-----------|-------------|-------|-------|
| Corn (\$/mt)                          | 256.9          | 335.71    | 289.84      | -13.7 | 12.8  |
| Wheat, US HRW (\$/mt)                 | 318.8          | 459.6     | 282.86      | -38.5 | -11.3 |
| Rice, Thai 5% (\$/mt)                 | 405.7          | 444       | 431         | -2.9  | 6.2   |
| Sugar, World (\$/kg)                  | 0.42           | 0.42      | 0.39        | -7.1  | -7.1  |
| Cotton, A index (\$/mt)               | 2.22           | 3.4       | 2.74        | -19.4 | 23.4  |
| Aluminum(\$/mt)                       | 2,645.00       | 2,563.440 | 2,430.790   | -5.2  | -8.1  |
| Coal, South Africa (\$/mt)            | 135.4          | 284.87    | 290         | 1.8   | 114.2 |
| Brent Oil (\$/bbl)                    | 73             | 120.08    | 98.6        | -17.9 | 35.1  |
| Natural Gas, US (\$/mmbtu)            | 4.32           | 7.67      | 8.79        | 14.6  | 103.5 |
| Liquefied Natural Gas, JPN (\$/mmbtu) | 10.87          | 17.07     | 20.15       | 18.0  | 85.4  |

Fonte: World Bank Commodity Price Data  
 Legend: VM- Monthly variation; VH- Year-on-year variation

## Inflation

In August, inflation measured by the CPI (Consumer Price Index) in Maputo City, Beira and Nampula, when compared with the previous month, indicate that the country recorded a monthly inflation of 0.49%. (Figure 5) The Food and Transport and Non-Alcoholic Beverages divisions were the most prominent, contributing around 0.63 and 0.11 pp positive in the total monthly variation, respectively. This rise in inflation is in line with the Consumer Price Index, which stood at 148 points, compared to 139 points for the Producer Price Index.

In relation to the monthly change per product, the increase in the prices of petrol (4.3%), diesel (10.9%), wheat bread (1.0%), fresh fish (1.3%), fresh cassava (24.2%) and bottled butane gas (18.6%), among others, contributed around 0.67 pp to the monthly change. However, some products like cabbage (7.1%), coconut (3.8%), horse mackerel (0.9%) and cabbage (8.0) countered the upward trend in prices by contributing around 0.11 pp negative.

Compared to the same period of the previous year, the country recorded a price increase of around 12.10% in the month under review. The city of Nampula led the general price increase trend with approximately 14.03%, followed by the city of Beira with approximately 11.49% and, finally, the city of Maputo with 10.70%.

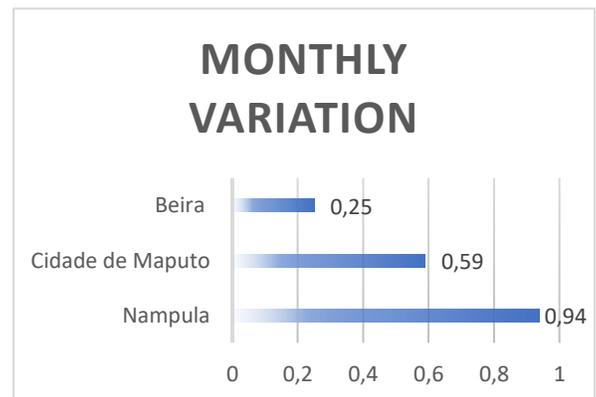
Analysing the monthly variation for the three collection centres, which serve as a reference for the price variation in the country, it can be seen that in July, all the cities registered price increases, but relatively lower compared to the previous month, with the City of Nampula standing out with 0.94 compared to 1.36 in the previous month, followed by the City of Maputo with 0.59% compared to 0.99 in the previous month and finally the City of Beira with 0.25 compared to 1.16.

Data for the month of August 2022

| Description                                 | Contribution |
|---|--------------|
| Food products and non-alcoholic beverages   | 3.34         |
| Alcoholic Beverages and Tobacco             | -0.01        |
| Clothing and Footwear                       | 0.09         |
| Housing, water, electricity, gas and others | 0.29         |
| Furniture, decoration articles              | 0.22         |
| Health                                      | 0.01         |
| Transport                                   | 2.43         |
| Communications                              | 0.01         |
| Education                                   | 0.08         |
| Leisure, recreation and culture             | 0.03         |
| Restaurants, hotels, cafés and the like     | 0.51         |
| Miscellaneous goods and services            | 0.10         |
| <b>Total</b>                                | <b>7.10</b>  |

Fonte: Instituto Nacional de Estatística

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## Public Debt Market

Mozambique's public debt worsened in 2021 by 8% to 14 billion dollars and continues to be mainly composed of external debt, which represents 86% of the public debt.

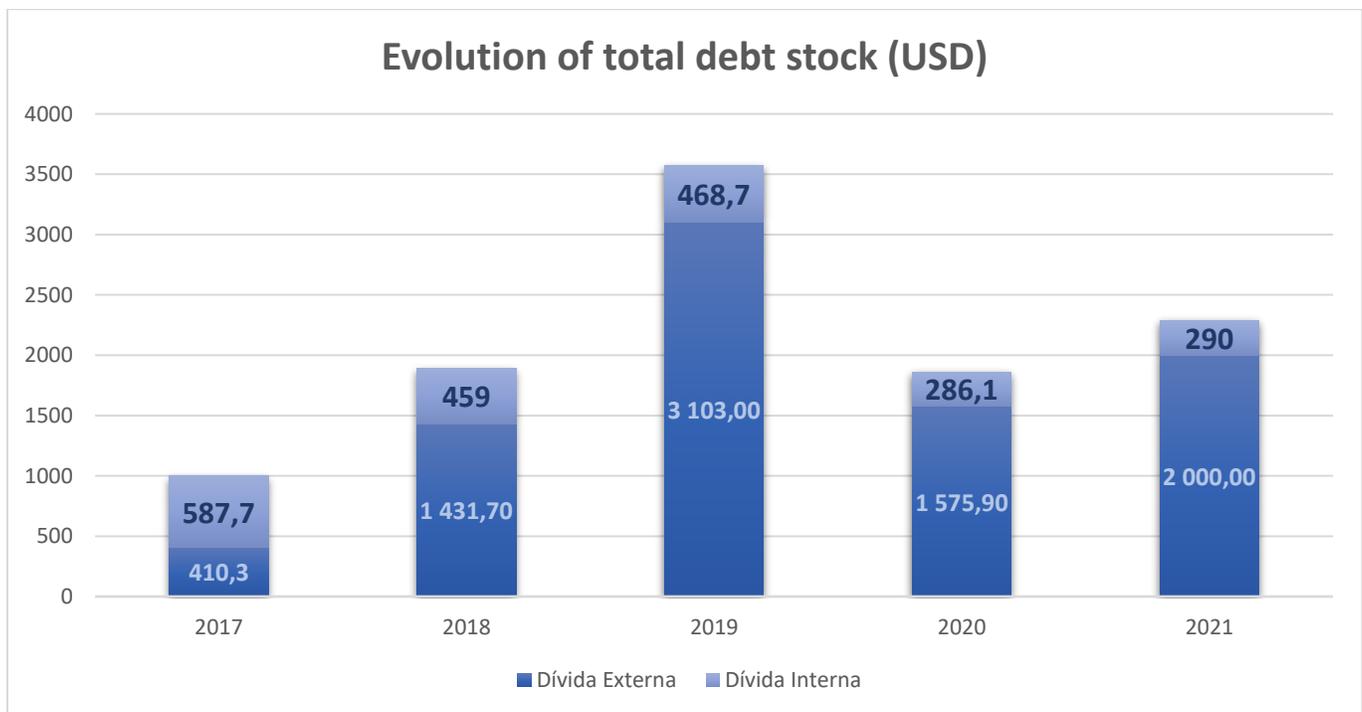
The stock of internal debt in the first quarter of 2022 reached the amount of 3 billion dollars (243,277.8 MZN).

Domestic public debt increased to 248,216.00 million meticaís and it is expected that the inflow of funds from partners will ease the pressure on domestic sources of public debt. The CPMO will therefore continue to monitor the evolution of risks and uncertainties associated with the projections, in order to keep inflation low and stable. The 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, the internal debt, excluding loan and lease contracts and overdue liabilities, increased by 2.4 billion to 220.6 billion meticaís, about 3 million dollars (Bank of Mozambique).

The World Bank made a Direct Financing Agreement to the State Budget in the amount of USD 300 million and this agreement is due to the positive results of the reforms implemented by the Mozambican Government to restore the confidence of the international partners. This agreement, which comes in the form of grants, aims at not increasing the Mozambican public debt and is subject to two conditions: maintenance of the adequate macroeconomic policy framework and satisfactory completion of previous actions for the satisfactory achievement of a set of reforms conducted by the Government

.Data for the first quarter of 2022



Source: Ministry of Economy and Finance

## Capital Markets

BVM recorded growth in turnover, standing at 6543.49 million meticaís in the second half of the year. Currently, BVM's market capitalisation increased by 2.5 billion (1.88%) due to the reopening of the Treasury Bonds 2022 which totalled 4.2 billion, notwithstanding the reduction of 1.8 billion on the Equity Market which was influenced by the fall in the share price of CMH-C to 1538.00 compared to 2800.00 the previous month and CDM which fell to 50.00 compared to 60.00 the previous month.

The main indexes showed negative variations throughout the month: NASDAQ, Eurostoxx, and CAC 40, closed with falls of -12.4%, -13.0% and -4.5% respectively. At a time when the US central bank is raising interest rates at an aggressive pace to combat skyrocketing inflation. In this context, the stock markets globally reflect the bad mood of investors with a greater aversion to risk.

The Dow Jones index closed at 33063.61, up 3.4% on July, the S&P 500 with no increase, thus ending the month at 3966.84 pp and the DAX at 13230.57 a 1% increase on the previous month.

Data for the month of August 2022

| Indicators        | August 2021 | July de 2022 | August 2022 | VM (%) | VH(%) |
|-------------------|-------------|--------------|-------------|--------|-------|
| BVM (Mozambique)* | 121627.06   | 125007.40    | 134663.95   | 7.7    | 10.7  |
| JSE TOP 40        | 60168.00    | 61646.00     | 60735.70    | -1.5   | 0.9   |
| Dow Jones futures | 35306.73    | 31990.04     | 31511.09    | -1.5   | -10.8 |
| S&P 500           | 4522.68     | 3966.84      | 3955.00     | -0.3   | -12.6 |
| Nasdaq 100        | 14504.00    | 12328.41     | 11816.20    | -4.2   | -18.5 |
| Euro Stoxx 50     | 4196.41     | 3582.99      | 3517.25     | -1.8   | -16.2 |
| DAX               | 15835.09    | 13093.50     | 12834.96    | -2.0   | -18.9 |
| CAC 40            | 6680.18     | 6238.85      | 6125.10     | -1.8   | -8.3  |

Source: Mercado Financeiro Investing.com e Bolsa de Valores de Moçambique  
\*Values expressed in Millions



Regarding shares in the second Quarter: Shares ended with 18.294,45 (14%), Corporate Bonds 2.710,38 (2,1%) and Treasury Bonds at 109.360,02 (83,90%) (BVM: Mozambique Stock Exchange).

## Money Market

The Monetary Policy Committee (CPMO) of Banco de Moçambique (BM) decided to maintain the monetary policy interest rate, MIMO rate, at 15.25%. This decision is supported by the prospects of maintaining single-digit inflation in the medium term, despite the high risks and uncertainties associated with these projections, with emphasis on the effects of geopolitical tension in Europe. The next session of the CPOMC is scheduled for 30 September 2022, in which inflation expectations for the second half of the year will be addressed. Meanwhile, inflation will remain high in the short-term and decelerate in the medium-term. In August inflation rose to 12.10 percent from 10.8 percent in July, reflecting increases in administered goods such as fuel and transport. As a result, the Central Bank in August closed the deposit facility (FPD) at 12.25% and the lending facility (FPC) at 18.25%. The monthly change between July and August for the FPD was 0% and 0% for the FPC remained at the same level as the previous month.

In August, according to data published by INE, the Prime rate of the Mozambican financial system was 20.6%. This increase in the MIMO rate and the Prime Rate will contribute to dampening the pressure on core inflation.

The economy is expected to recover more slowly in 2022, sustained 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 containing the spread of Covid-19.

Data for the month of August 2022

| Taxes     | Aug-2021 | Jul-22 | Aug-2022 | VM (pp) | VH (pp) |
|-----------|----------|--------|----------|---------|---------|
| FPD (%)   | 10.25    | 12.25  | 12.25    | 0.0     | 2       |
| FPC (%)   | 16.25    | 18.25  | 18.25    | 0.0     | 2       |
| MIMO (%)  | 13.25    | 15.25  | 15.25    | 0.0     | 2       |
| PRSF (%)  | 18.6     | 20.4   | 20.6     | 0.2     | 2       |
| BT - 91D  | 13.33    | 13.04  | 15.28    | 2.2     | 1.95    |
| BT - 182D | 13.43    | 13.430 | 15.410   | 2.0     | 1.98    |

Source: Instituto Nacional de Estatística e Banco de Moçambique

Legenda: FDP: Facilidade Permanente de Depósito; FCP: Facilidade Permanente de Cedência; MIMO: Taxa de juro de Político Monetária; PRSF: Prime Rate do Sistema Financeiro; VM- Variação mensal; VH- Variação homóloga; pp: pontos percentuais

## Foreign Exchange

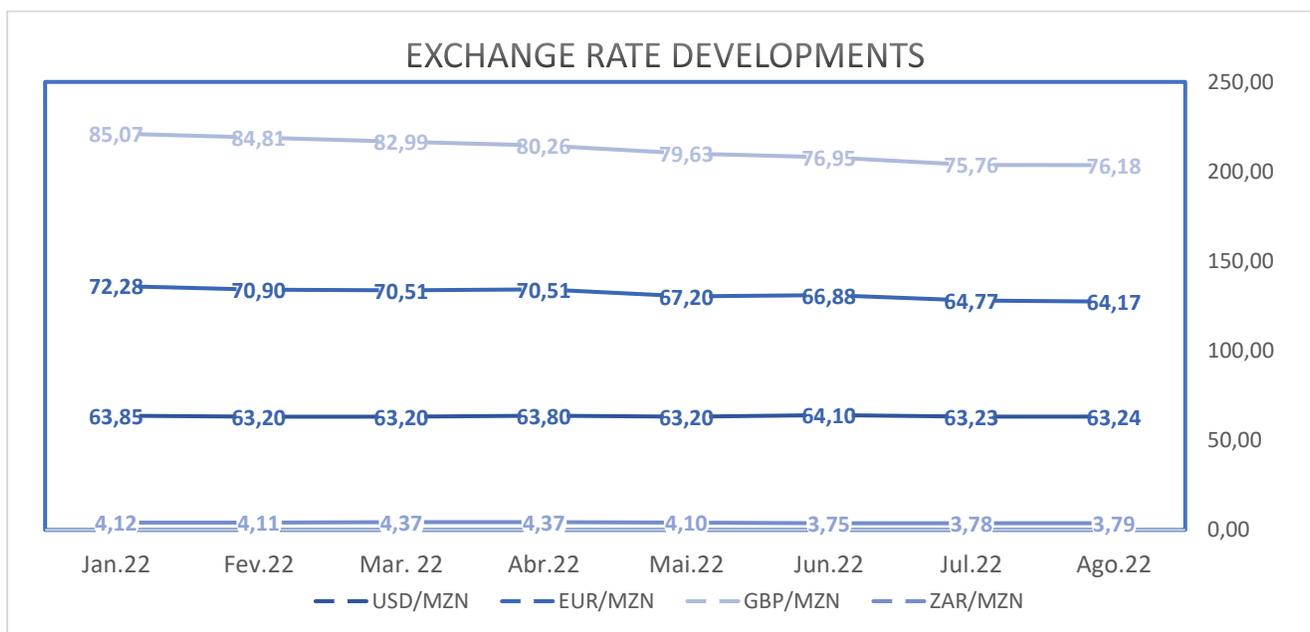
The US dollar showed improvement against the metical, rising from 63.23 in July to 64.5 in August. In the same period the Rand depreciated against the Metical to 3.79 and the Euro depreciated against the Metical from 64.77 in July to 64.17 in August. The GBP/MZN also fell 0.42%, from MZN 75.76 to close at MZN 76.18 in August.

Note that the euro retreats against the dollar, quoted at 0.99 dollars, due to the war in Ukraine and the increase in the price of oil. For the short term a recession of the dollar is expected and consequently an increase in fuel and energy prices. The metical retreated against the main currencies (USD, EUR, GBP). Against the EUR, the metical retreated 0.60% and against the USD and GBP there was an equivalent increase of 0.01% and 0.42% respectively. The trend pointed out by several economists is that the dollar will continue to fall due to interest rates in the USA, higher exports in the United States, as well as the Federal Reserve not taking measures to prevent the dollar from falling in the international market.

Data for the month of August 2022

| Currencies | August 2021 | July de 2022 | August 2022 | VR(%) | VH (%) |
|------------|-------------|--------------|-------------|-------|--------|
| USD/MZN    | 63.63       | 63.23        | 63.24       | 0.01  | -0.61  |
| EUR/MZN    | 75.63       | 64.77        | 64.17       | -0.60 | -15.15 |
| GBP/MZN    | 88.79       | 75.76        | 76.18       | 0.42  | -14.20 |
| ZAR/MZN    | 4.36        | 3.78         | 3.79        | 0.01  | -13.07 |
| GBP/USD    | 1.39        | 1.20         | 1.18        | -0.02 | -15.11 |
| USD/ZAR    | 14.56       | 16.70        | 17.02       | 0.32  | 16.90  |

Source: Banco de Moçambique | Macrotrends data | Investing.com



Source: The Global economic

## About Mazars

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