



Monthly Economic Bulletin of the Mozambican Economy – March 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 from the II to the III quarter, there were significant changes in VAT, other taxes, IRPS, IRPC and among other rates with an increasing trend until the end of the year.
- 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. In February 2022, prices rose, driven by tensions between Russia, Ukraine and NATO. Economic activity fell by 0.79% in February, from 1.9 to 1.11 at the end of the month, according to INE.
- 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 2.63%. The Food and Non-Alcoholic Beverages division was the most prominent, while the and transport were the most prominent, contributing to the total monthly variation with around 0.38 positive pp. And analyzing the variation accumulated by the three collection centers, which serve as a reference for the variation of prices in the country, it is noted that in February, all cities registered price increases, with the City of Beira standing out with about 4.82 %, followed by Maputo City with 2.31% and finally Nampula City with approximately 1.73%.
- In February, the Mozambique Stock Exchange (BVM) appreciated 0.5% compared to January 2022 globally, whether in shares, bonds and other listed securities, thus ending the market capitalization at around 128 422.70 million MZN . The evolution is justified by the increase in the price of shares of CDM and HCB-B, as well as by the issue of MyBucks.
- In February, the Policy Committee of the Bank of Mozambique decided to maintain the MIMO interest rate at 13.25%. With the depreciation of the metical, this indicator should have changed, but it did not due to the risk and uncertainties that affected the other financial indicators. Also maintaining 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 .
- In February, the Mozambican association of banks maintained the prime rate of the Mozambican financial system, for the sixth consecutive month, at 18.60%.
- In February, the metical compared to the main currencies (USD, EUR, GBP, ZAR) decreased between 0.01% and 1.38%.
- For the fifth consecutive month, the metical maintained its stability trend against the North American currency, with the dollar/metical exchange rate set at MZN63.20.

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.

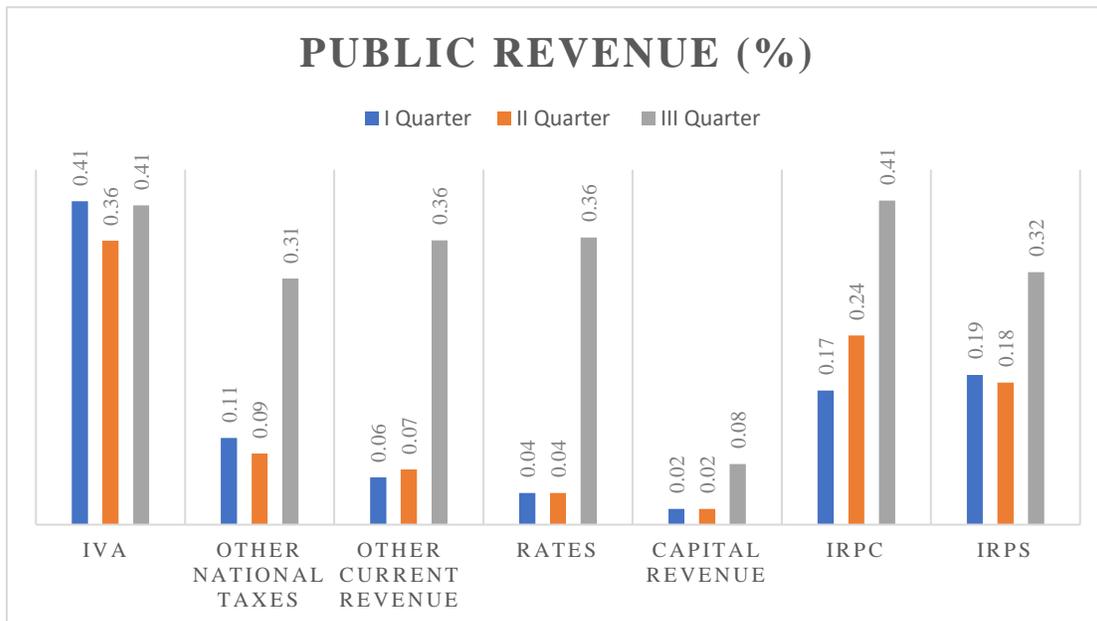
State revenues increased by 16.0% in the second quarter of 2021, compared to the same period in 2020, with capital revenues which grew by 60.0% contributing to this positive effect; IRPC at 17.0%; IRPS and Taxes on Goods and Services at 11.0% and other current income at 7.0% compared to the 2nd quarter 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 2021. In February 2022, prices rose, driven by tensions between Russia, Ukraine and NATO. Economic activity fell by 0.79% in February, from 1.9 to 1.11 at the end of the month, according to INE.

The economic activity index fell, according to the Central Bank, this was due to the impact of the decline in the agricultural (-2.20%) and metal (-1.89%) components. The central bank also announced that commodities, down 3.75% in February, but have increased by 21.25% in 12 months. However, prices for goods and services are rising at a record pace, having increased by 3% in February.

Oil prices recorded monthly gains, around 15% monthly variation compared to the previous month, influenced by the escalation of tensions and the confirmation of the beginning of the bombing of Ukraine's territory. Brent oil accelerates 7.92% to 104 dollars.

The natural gas futures contract in the US market had a positive monthly variation, ending with around 4.66, while the JPN had a retraction of 4.8%.

Also in February 2022, coal increased by 15.8%, from \$169.65/mt in January to \$196.40/mt in February 2022. This evolution is justified by the cut in exports and the closing of some stations by the Indonesia.

There was an increase in the aluminum segment, around 8% month on month and 56.2% compared to the same period in

2021, and the increase in energy due to the worsening of military tensions between Russia, Ukraine and NATO.

Basically, the year-on-year rate of change of the indicator for economic activity in February showed a rate like that of the previous month, while the indicator for private consumption decreased again: from 5.5% (-2.1% in February 2021), maintaining accelerating from 5.5% in January, while the year-on-year change in the indicator for private consumption decreased from 5.4% in January to 4.8% in February. For 2022, a slow recovery of economic activity is still expected, driven mainly by external demand.

The prices of commodities in general showed a positive behavior with only the decrease in world sugar of 7.5% in relation to the previous month, as some mills were flexible in lowering the values of their offers due to resistance from buyers.

The FAO (Food and Agriculture Organization) Food Price Index shows that in February the indicator reached a new historic high of 140.7 points, an increase of 3.9% above the level of a year ago. This increase was led by "large increases in the vegetable oil and dairy price sub-indices". Cereal and meat prices rose, while the price of sugar fell for the third consecutive month. FAO also highlights that there are signs of a rise in prices in the short term at the current moment of instability. Another commodity evaluated monthly by the UN agency is beef, which increased by 1.1% in February, mainly on the part of the importers and greater pressure under the supply coming from Brazil and Australia.

	Feb 21	Jan 22	Feb 22	VR(%)	VH(%)
Corn (\$/mt)	245.24	641.9		-100.0	-100.0
Wheat, US HRW (\$/mt)	276.63	374.24	390.5	4.3	41.2
Rice, Thai 5% (\$/mt)	557	427	427	0.0	-23.3
Sugar, World (\$/kg)	0.36	0.4	0.37	-7.5	2.8
Cotton, Index (\$/mt)	2.05	2.91	3.05	4.8	48.8
Aluminum(\$/mt)	2,078.59	3,005,980	3,245,790	8.0	56.2
Coal, South Africa (\$/mt)	82.76	169.65	196.4	15.8	137.3
Brent oil (\$/bbl)	61.96	85.53	95.76	12.0	54.6
Natural gas, USA (\$/mmbtu)	5.07	4.33	4.66	7.6	-8.1
Liquefied natural gas, JPN (\$/mmbtu)	8.97	15.7	14.94	-4.8	66.6

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 Maputo City, Beira and Nampula, when compared to the previous month, indicates that the country registered an inflation of around 0.44%. The Food and Non-Alcoholic Beverages division was the most prominent, while and transport were the most prominent, contributing to the total monthly variation with around 0.38 positive pp.

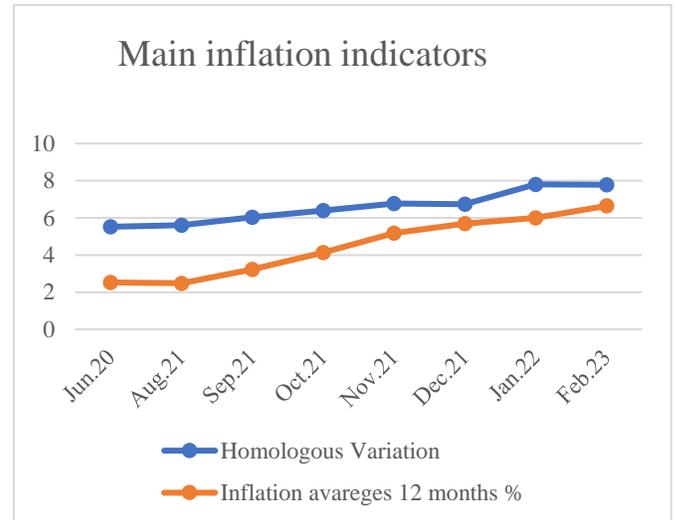
In relation to the monthly variation by product, the price of tomatoes (15.3%), onions (6.4%) among others contributed to the total monthly variation with around 0.66 pp. Some products, such as live chicken, fresh shrimp, and horse mackerel, contracted the upward trend, contributing to the upward trend, with around 0.29 pp negative.

Descrição	Contribution
Food products and non-alcoholic beverages	0.38
Alcoholic Beverages and Tobacco	-0.02
Clothing and Footwear	-0.01
Housing, water, electricity, gas and others	0.05
Furniture, decorative items	0.00
Health	0.01
Transport	0.01
Education	0.00
Leisure, Recreation and Culture	0.00
Restaurants, hotels, cafes and the like	-0.01
Miscellaneous goods and services	0.03
Total	0.44

Fonte: Instituto Nacional de Estatística

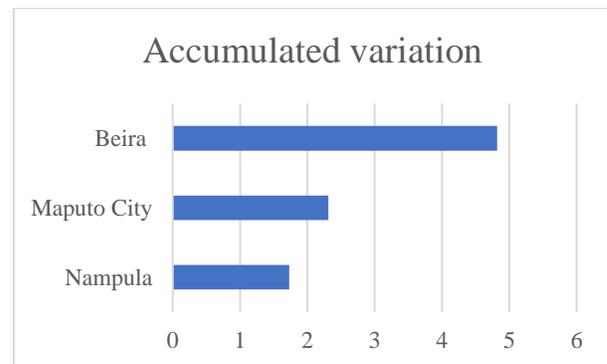
This behavior of inflation reflects the pressure of more persistent prices on the supply side registered in the sector suffered: energy, foodstuffs at 4.1% compared to 3.5% and non-energy industrial goods (3% compared to 2.1%), according to the most recent Bank reports of Mozambique, the main risks that may influence the rise in prices in Mozambique are related to the impacts of Ómicron, increase in prices and liquid fuels and the constraint in the supply

chain of goods in the international market. Omicron, compared to the accumulated variation, it is noticeable in the chart below that there was a retraction in terms of prices in the order of 2.63% and throughout the year, although there was a decrease from November-December, from 6.77% to 6.74% respectively, managing to recover, so much so that in February 2022 it ended up with 7.7%.



Fonte: Instituto Nacional de Estatística (Nat. Statistics Institute)

In relation to the year-on-year variation, the City of Nampula led the trend of increasing the general level of prices with approximately 7.56%, followed by the City of Maputo with approximately 7.03% and finally the City of Beira with 5.31%. And analyzing the variation accumulated by the three collection centers, which serve as a reference for the variation of prices in the country, it is noted that in February, all cities registered price increases, with the City of Beira standing out with about 4.82%, followed by Maputo City with 2.31% and finally Nampula City with approximately 1.73%.



Source: National Institute of Statistics

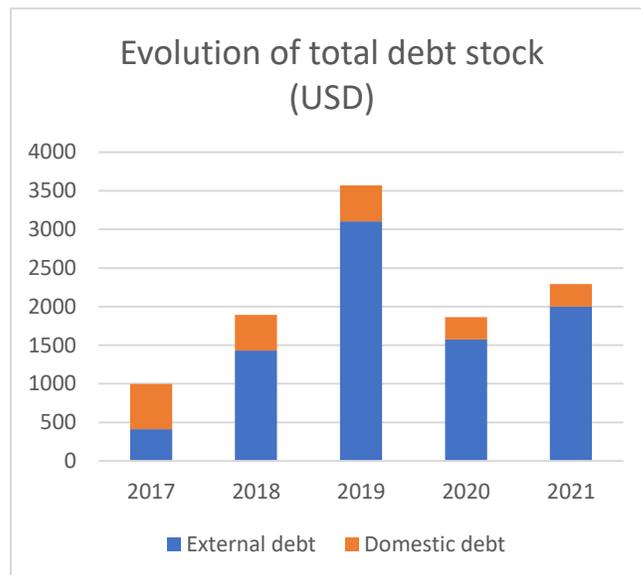
Public Debt Market

Mozambique's public debt continues to be mainly composed 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% compared to the same period in 2020. Of which 2,906 domestic debt and 10,146 million, corresponding to a growth of 0.02% compared to the same period in 2020. Comprising multilateral debt of USD 5,645 million and bilateral debt of USD 4,501 million.

In the third quarter, domestic debt grew by 4.4% and was valued at USD 3623.50 (218.6 billion MZN) million, in a context in which the perspective of budgetary pressure remains, associated with public expenditure to contain the spread of the Covid-19 pandemic, humanitarian assistance and reconstruction of areas affected by the terrorist attacks in Cabo Delgado. While the external debt, with the agreements signed in the form of donations, for financing with the bank reached around 11620.51 million USD in favor of the state business sector. In December 2021, domestic debt, excluding loan and lease agreements and arrears, increased by 2.4

billion to 220.6 billion meticaïs, around 3 million dollars. (Bank of Mozambique).



Source: BVM: Mozambique Stock Exchange and Bank of Mozambique

Capital Markets

Stock markets have been accumulating significant losses since the beginning of 2022, after two consecutive years of rises despite the economic cost and in lives of the covid-19 pandemic.

In February, the Mozambique Stock Exchange (BVM) appreciated 0.5% compared to January 2022 globally, whether in shares, bonds and other listed securities, thus ending the market capitalization at around 128 422.70 million MZN. The evolution is justified by the increase in the share price of CDM and HCB-B, as well as by the issue of MyBucks, which has operations in 12 African countries.

In the international space, the equity indices of the main stock markets registered negative variations throughout the month of February, justified by the change in the geopolitical scenario in Europe with the invasion by Russia in Ukraine, as a consequence, the world stock market suffered a loss of 2.6%.

The S&P 500 Index gained 2.9% from the previous month to settle at USD 4103.22 million. The Nasdaq in New York declined by 0.8% in February, the French

market CAC 40 was no exception from the aftermath of the war, thus devaluing to 4.9%. Of the markets under analysis, the German DAX market was the most affected, with a drop of 6.5%.

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

Source: BVM: Mozambique Stock Exchange

Indicators	Feb.21	Jan.22	Feb.22	VM (%)	VH(%)
BVM (Moçambique)*	117978.70	127815.04	128422.70	0.5	8.9
JSE Top 40	60754.30	67820.89	67719.40	-0.1	11.5
Dow Jones	30932.37	35131.46	35631.00	1.4	15.2
S&P 500	3811.15	4515.55	4103.22	2.9	7.7
Nasdaq	13192.34	14239.90	14119.25	-0.8	7.0
Euro Stoxx 50	3636.44	4174.60	4071.96	-2.5	12.0
DAX	13786.29	15471.20	14461.02	-6.5	4.9
CAC 40	5703.22	6999.20	6659.41	-4.9	16.8

Source: Investing.com Financial Market and Mozambique Stock Exchange
*Expression values in millions

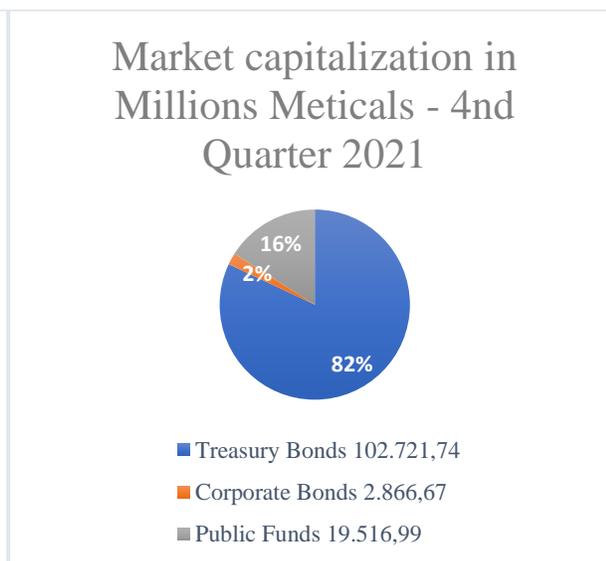
Between the third quarter of 2021 and the fourth quarter, the market capitalization increased from 121,422.10 million meticaís to 1,956.34 million meticaís, an increase of 9.57%, while the market capitalization ratio reached 18.2% growth.

A slight increase was notable in terms of Shares and

Corporate 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.



Source: BVM: Mozambique Stock Exchange



Source: BVM: Mozambique Stock Exchange

Money Markets

In February, the Policy Committee of the Bank of Mozambique decided to maintain the MIMO interest rate at 13.25%. With the depreciation 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 Cending facility at 16.25%, as well as the mandatory reserve ratios for liabilities in national and foreign currency at 11.50 % and 34.5% respectively.

At the end of February, the Mozambican association of banks announced that they would maintain the Prime rate rate of the Mozambican financial system, for the sixth consecutive month, at 18.60%, after a drop of 30 basis points compared to September 2021, announced by AMB . 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, expected since the end of 2021. 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	Feb.21	Jan.22	Feb.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	12.61	13.38	13.36	0.0	0.8
BT - 182D	13.31	1338	13.38	0.0	0.1

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.

In February, Mozambique continued to strengthen its external position by maintaining gross international reserves at comfortable levels since November, which makes it possible to cover another month of imports this year. The increase in international reserves also counted on the allocation of Special Drawing Rights by the International Monetary Fund (IMF) in an amount equivalent to 308 million dollars. International reserves in February ended the month at US\$17.3 billion, up US\$1.2 billion compared to the previous month. At the end of February, 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 slight improvement in domestic inflation in the short and medium term, despite the prevalence of risks and uncertainties. The CPM also decided to reduce the mandatory reserve ratios in national and foreign currency in September 2021. The decision to reduce the coefficients allowed for the injection of more than 500 million USD into the Mozambican financial system, which will later be able to contribute to the process of economic recovery this year. (Bank of Mozambique).

Foreign Exchange Markets

In February 2022, the metical compared to the main trading currencies (USD, EUR, GBP, ZAR) decreased between 0.01% and 1.38%.

For the fifth consecutive month, the metical maintained its stability trend against the North American currency, with the dollar/metical rate set at MZN 63.20. In cumulative terms, the metical saw a depreciation of 15.55% against the US dollar. Thus, affecting the country's export and import revenues. In the same period, the rand was the currency that depreciated the least, going from MZN 4.12 to MZN 4.11. The Euro against the metical with the following closing of the previous session: EUR/MZN 70.90. There was a foreign exchange gain only in the currency USD/ZAR, which was 0.10%. comparatively the main transaction currencies in the country. The strengthening of the metical may be justified by the general appreciation of the US currency on the

international market and by the war in Ukraine, thus affecting inflation rates.

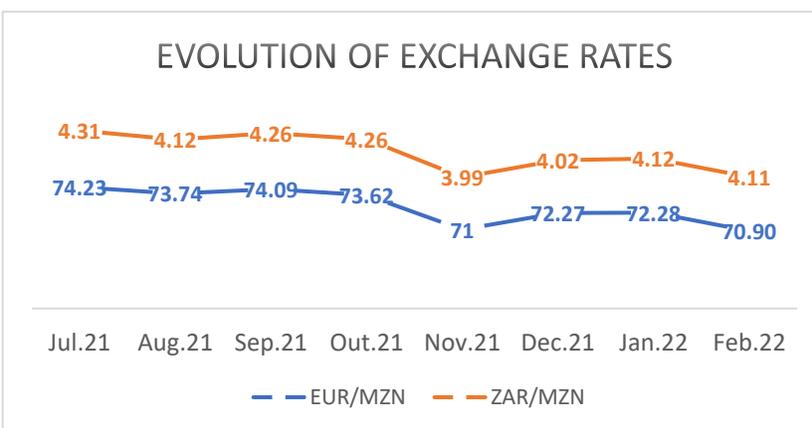
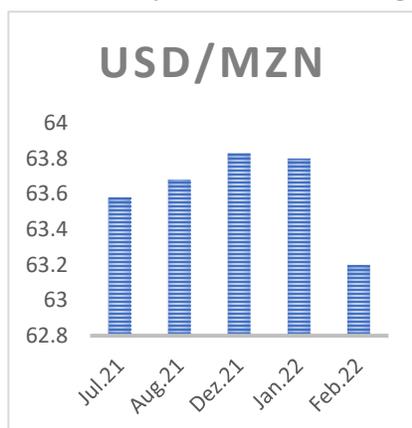
In the international sphere, the fears observed, there was a monthly reduction of the dollar against the pound (0.01% against the pound sterling). The euro against the dollar rose 0.01%, the devaluation movement is continuous since May 2021. Against the yuan, the euro fell from 7.24 to 7.14, a euro depreciation by 1.4%. The euro held its own against the pound and against the yen, the euro appreciated from 124.51 to 162.61.

Retail sales in the US rose in February, after 4 months of decline, due to rising private consumption, thus leading eurozone inflation to reach 5.9% in February – the highest recorded high in 25 years (Eurostat). –And the ECB considers the increase in inflation to be temporary.

Moedas	Feb.21	Jan. 22	Feb. 22	VR(%)	VH(%)
USD/MZN	74.84	63.85	63.20	-0.65	-15.55
EUR/MZN	90.80	72.28	70.90	-1.38	-21.92
GBP/MZN	104.28	85.07	84.81	-0.26	-18.67
ZAR/MZN	5.01	4.12	4.11	-0.01	-17.96
GBP/USD	1.39	1.35	1.34	-0.01	-3.60
USD/ZAR	15.09	15.26	15.36	0.10	1.79

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

Caption: VM- Monthly variation; VH- Homologous variation



Fonte: The Global economic

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Sources:

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- Trading economics:<https://tradingeconomics.com/countries/>
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