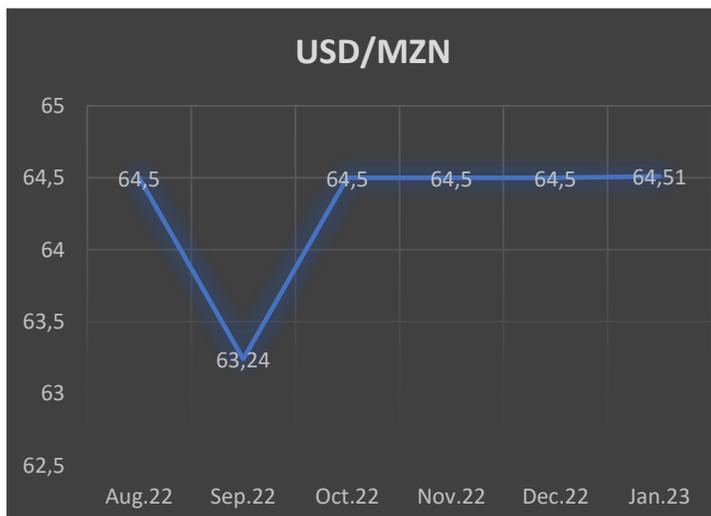
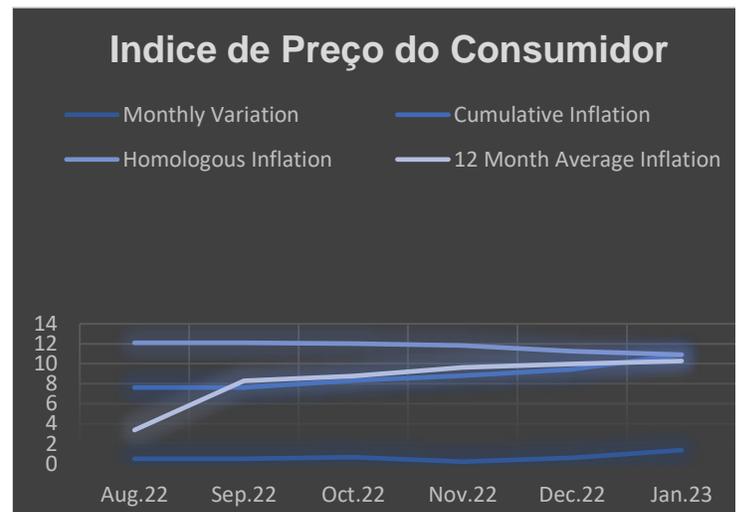
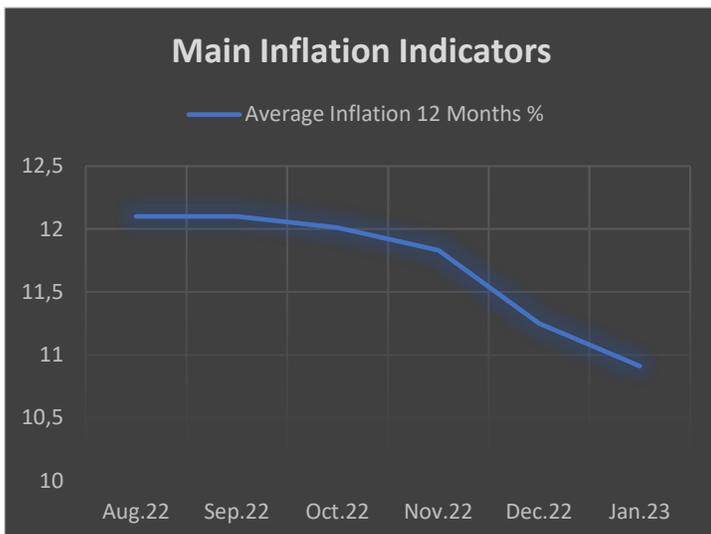




MONTHLY ECONOMIC BULLETIN OF THE MOZAMBICAN ECONOMY

JANUARY 2023

MAIN HIGHLIGHTS



- Gross domestic product stood at 3.6%;
- Domestic public debt rose from 250,666.94 to 274.8 billion meticals;
- In January the Mozambique Stock Exchange (BVM) had a variation of 9.1pp;
- In November the main indexes showed negative variations throughout the month: Dow Jones, NASDAQ, Eurostoxx, e CAC, closed with -2.7, -16.00, 0.0 e 1.7 respectively;
- O Banco de Moçambique em Janeiro fechou as taxas, MIMO em 17.25%, (FPD) em 14.25%, (FPC) em 20.25% e a (PRSF) em 22.60%.

Macroeconomic Indicators

Indicator Projection	Projection for III 2022	Projection for 2023
GDP(quarterly growth)	0.039	0,029
GDP (mzn mio)	178964	1320178.7
Inflation	10.91	11.5
Exports USD MILLION	2163.6	8806.0
Imports	2309.70	9518.0
Public Debt	130.00	135
World Economy	4.59	4,7
MIMO Rate (%)	17.25	17.25
Prime Rate of the Financial System (%)	22.60	22.6
USD/MZN	64.51	65.2
Internacional Reserves	2763.4	2936.6
Credit to the Economy	3947	2936.6

Source: Instituto Nacional de Estatística, Banco de Moçambique e FMI

Economic Activity

The World Bank revised downwards its economic growth forecasts for all Portuguese-speaking African Countries (PALOP) with the exception of Equatorial Guinea, which was the only country in this group with a recession forecast of 2.7%. The Angolan economy is forecast to grow by 2.8%, Guinea Bissau with a growth forecast of 4.5%, Cape Verde with the expectation of expansion of 4.8%, Sao Tome and Principe with 2.1% and Mozambique with 5%. Due to the slowdown of the global economy, worsening financial conditions, rising global inflation that has hampered the recovery of countries in Sub-Saharan Africa, the Bank reduced its global growth forecast from 3% to 1.7% in 2023.

The United Nations Organisation (UN) expects Mozambique's gross domestic product (GDP) to grow by 5 percent this year according to the 'World Economic Situation and Prospects Report 2023'. In relation to projections for 2024, the UN forecasts GDP growth in Mozambique of 7.5%.

In terms of world economic activity, global inflation is expected to remain high in 2023 at 6.5 percent and world production will slow compared to 2022, to 1.9 percent, the UN said. The sequence of severe shocks such as the Covid-19 pandemic, the war in Ukraine, food and energy crises, rising inflation, tightening of debts also as climate emergencies worsened in 2022 and their side effects will continue to impact the world economy in 2023.

According to the Economic and Social Plan and the State Budget (PESOE), around 178 billion meticals should be invested to boost economic growth with the hope of generating new employment opportunities in the country, creating wealth in families and reducing social inequality. Social programmes developed by the National Education, Youth and Employment System (SEJE) aim to boost economic growth, include girls in employment opportunities and support productivity projects in youth-owned businesses.

Economic activity growth for 2023, projected at 5.5%, is sustained by the positive performance of the extractive industry (23.1%), health and social work (8.7%), agriculture (5.2%), construction (5.0%), public administration, defence and social security (3.8%), education (3.5%), transport and communications (3.2%), manufacturing and fishing, both with 2.5%.

Data relative to GDP growth rate by branch of activity in 2023 (%)

Convenience	2022 LEI	2022 I SEM. REAL	2023 LEI
Agriculture, Livestock, Hunting and Forestry	4.7	5.1	5.2
Fishing	1.5	2.5	2.5
Extractive Industries	4.1	9.1	23.1
Manufacturing Industry	2.0	3.2	2.5
Electricity and Gas	3.2	6.9	3.2
Construction	2.5	2.3	5.0
Wholesale and Retail Trade	1.6	2.0	2.3
Lodging, Restaurants and Similar	-1.5	7.6	2.4
Transp. Warehousing and Infor. And Communications	2.0	8.5	3.2
Financial and Insurance Activities	2.4	3.6	3.3
Rent. Imo. Serv. Prov. Emp	3.5	1.3	3.7
Public Admin. Public Admin, Defence and Social Security	3.5	1.9	3.8
Education	3.0	3.7	3.5
Health and social work	8.6	3.7	8.7
GDP growth rate	2.9	4.4	5.0

Fonte: MEF, 2022

Caption: Taxa de crescimento do PIB por Ramo de Actividade em 2023 (%)

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In order to achieve the Government's objectives in 2033, the PESOE 2023 will continue to prioritise resource allocation in productive sectors such as agriculture, fisheries and aquaculture, tourism industry and economic and social infrastructure.

The Food and Agriculture Organization (FAO) Food Price Index continued to decline, marking the ninth consecutive reduction of 132.4 pp.

In the specific case of the Cereals Price Index, it ranged between 147.3 pp in January which is a reduction of 2.9 points compared to the previous month. The vegetable oil price index reflects a value of 144.4 pp for the month of January, a reduction of 10.3 pp resulting in a drop in prices of soybean oil and sunflower oil. The Meat Price stood at 113.8 in January, poultry meats have fallen too much with the import limitation of the large export companies that have been affected by the influenza outbreaks. The reduction in this index is the fourth consecutive price reduction. The Sugar Price Index averaged 117.2 pp in January

Data for the month of January 2023

Convenience	January 2022	December 2022	January 2023	VR (%)	VH (%)
Maize (\$/MT)	301.6	320.9	302.2	-5.8	0.2
Wheat, US HRW (\$/MT)	417	422.7	386.3	-8.6	-7.4
Rice, Thai 5% (\$/MT)	425.3	440	467	6.1	9.8
Sugar, Mundo (\$/kg)	0.41	0.41	0.42	2.4	2.4
Cotton, A index (\$/MT)	2.86	2.23	2.22	-0.4	-22.4
Aluminum(\$/MT)	2,705.00	2,351.000	2,402.000	2.2	-11.2
Coal, South Africa (\$/MT)	291.5	320.9	326.2	1.7	11.9
Brent Oil (\$/bbl)	99.8	91.1	80.9	-11.2	-18.9
Natural Gas US (\$/mmbtu)	6.37	5.28	5.5	4.2	-13.7

Source: World Bank Commodity Price Data

Caption: VM- Variação mensal; VH- Variação homóloga

Inflation

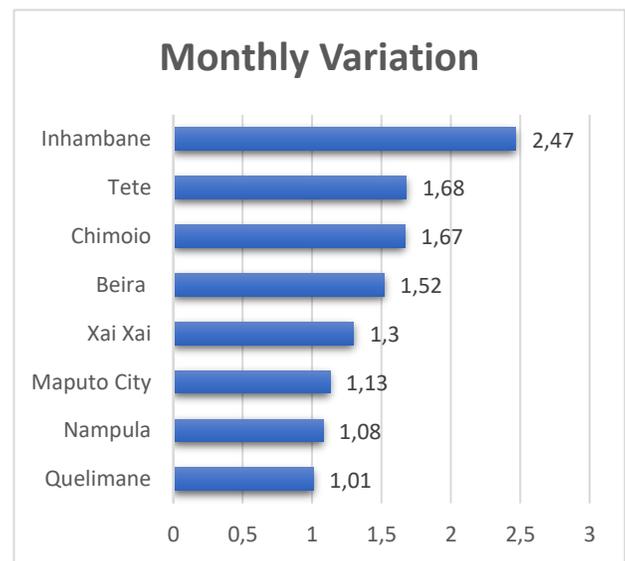
The UN expects inflation to be 8.9 percent in Mozambique in 2023 and from a global perspective, inflation is expected to remain high in 2023 with a figure of 6.5 percent and global production is likely to slow down to 1.9 percent. The UN is calling on governments to avoid austerity and this inflation will provide room for the Bank of Mozambique to cut interest rates by 50 basis points during the year. From January to December 2022, the country recorded a price rise of around 10.91 percent and the food, non-alcoholic beverages and transport divisions were the most prominent. In 2022 the country recorded an increase in prices of about 10.28% with an exuberant increase in the food and non-alcoholic beverages sectors also like transport with about 12.89% and 16.83% respectively. Real inflation in 2022 was almost double the figure forecast by the government, which expected 5.3%, and the cost of living will remain high in 2023. The Mozambican state budget for 2023 forecasts inflation of 11.5 percent.

In December, inflation measured by the CPI (Consumer Price Index) in Maputo City, Beira and Nampula, Quelimane, Tete, Chimoio, Xai Xai and Inhambane when compared with the previous month, indicate that the country registered a drop in inflation of around 1.35 percent. The Food and non-alcoholic beverages divisions were the most prominent, contributing around 1.22 pp to the total monthly variation. In relation to the monthly change per product, it is worth mentioning the increase in the prices of tomato (10.0%), coconut (14.7%), onion (13.0%), horse mackerel (2.9%), maize grain (6.4%), live chicken (4.2%) and fresh fish (1.8%), which contributed around 0.89 pp to the total monthly change. However, some products like cooking oil (0.5%), lemon (16.6%), bottled butane gas (3.5%), hair conditioning creams and hair gel (2.1%), pineapple (27.8%), bar soap (0.5%) and yam (7.1%) countered the upward price trend by contributing about 0.66 pp negative.

Transport and Food and non-alcoholic beverages were the divisions with the highest year-on-year cumulative change with 6.56 pp and 2.77 pp positive respectively. The MIMO rate remained at 17.25% and this decision is with hopes of reducing inflation to single digits. Analysing the monthly variation for the eight collection centres, which serve as a reference for price variation in the country, all cities registered a positive figure. The province of Inhambane stood out with a significant increase of 2.47%, followed by Tete with 1.68%, Beira with 1.52%, Xai-Xai with 1.30%, Maputo with 1.13%, Nampula with 1.08% and finally the city of Quelimane with 1.01%.

Data for the month of January 2023

Description	Contribution
Food products and non-alcoholic beverages	6.56
Alcoholic Beverages and Tobacco	0.02
Clothing and Footwear	0.14
Housing, water, electricity, gas and others	0.33
Furniture, decoration articles	0.28
Health	0.02
Transport	2.77
Communications	0.01
Education	0.05
Leisure, recreation and culture	0.01
Restaurants, hotels, cafés and the like	0.59
Miscellaneous goods and services	0.13
Total	10.91



Source: Instituto Nacional de Estatística

Public Debt Market

The Monetary Policy Committee (CPMO) of the Bank of Mozambique met again and declared that the public debt still remains high. For public debt servicing, an amount of 98,817.0 million MT is forecast, corresponding to 7.5% of GDP, which represents a reduction of 0.6pp in relation to the year 2022. The reduction of the debt service burden demonstrates the efforts made to implement the Medium-Term Strategy for Public Debt Management (2022-2025), which is based on optimising the public debt portfolio to ensure the financing needs of the budget deficit with minimum costs.

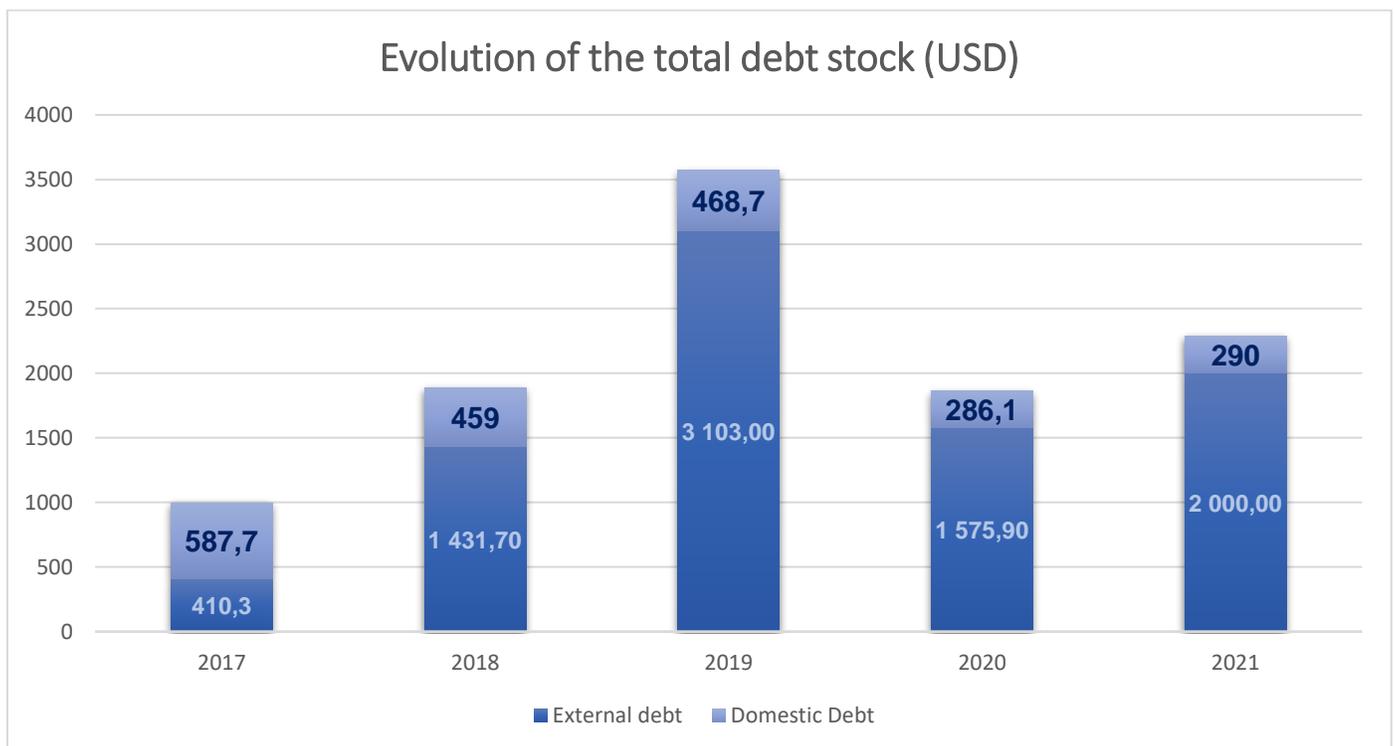
Within the scope of the public debt management strategy, the Government will continue to give priority to:

- (i) Reduction of the primary deficit through the implementation of measures to improve revenue sources and contain public expenditure, which will reduce recourse to domestic credit to finance the budget deficit;
- (ii) The prioritisation of contracting concessional external credits and increasing the proportion of external financing from 30% to 36.5% and the consequent reduction of internal financing from the 70% forecast for 2022 to 63.6% in 2023
- (iii) The continuation of debt restructuring negotiations

Mozambique's public debt in the third quarter of 2022 decreased to 10.2 million dollars which is the equivalent of 657,409.15 million meticaís, a decrease of -0.3% in comparison to the first quarter of the year. 5.8 million dollars corresponds to 57% of the total relating to multilateral creditors and the remaining 4.3 million dollars corresponds to 43% allocated to bilateral creditors. External public debt by type of currency remained constant for all foreign currencies in relation to the first quarter of 2022.

Domestic public debt reflected a value of 274.8 billion in the third quarter. The next regular meeting of the CPMO is scheduled for 25 January 2023. An amount of MT 41.4 billion is foreseen for 2023 for public debt burden expenditure of which MT 29.950.0 million is linked to domestic interest and MT 11.450.0 million to external interest corresponding to 2.3% and 0.9% of GDP respectively.

Public debt data:



Source: Ministério da Economia e Finanças

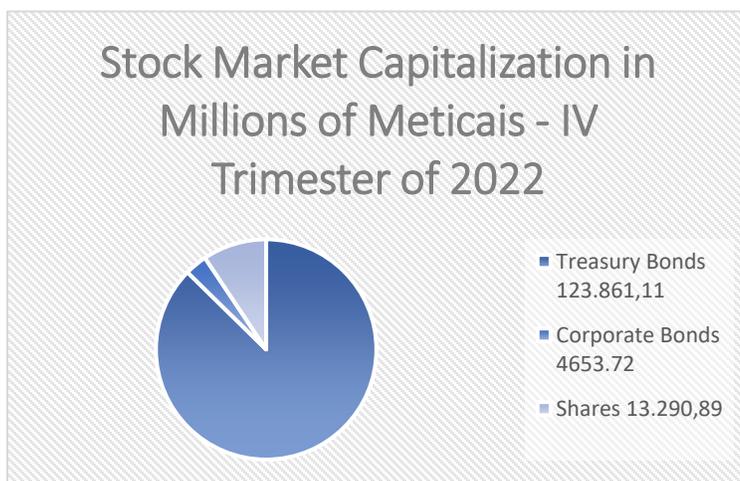
Capital Markets

BVM recorded growth in turnover, standing at 13801.56 million meticaís in the fourth quarter of 2022. Currently, the market capitalisation stands at 142491.03 and this is reflected in the stock market indicators for the fourth quarter 2022. Interest rates on debt instruments reflect 16.17% for treasury bonds, 16.09% for private bonds and 18.9% for commercial paper.

The main indices showed negative variations throughout the month of January: NASDAQ, Eurostoxx, and CAC 40, closed with increases of 11.8%, 9.1% and 8.4% 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 confidence of investors to invest again. Dow Jones index closed at 33978.08, S&P 500 with a significant increase to 4070.56 pp, DAX increased to 15150.03, JSE Top 40 also accelerated in the month of January with a figure of 74766.00 compared to 67323.76 in the previous month.

Data for the month of January 2023

Indicators	January 2022	December 2022	January de 2023	VM (%)	VH (%)
BVM (Moçambique)*	124592.14	142055.73	142055.73	0.0	14.0
JSE TOP 40	65653.18	67323.76	74766.00	11.1	13.9
Dow Jones futures	34934.27	33337.41	33978.08	1.9	-2.7
S&P 500	4475.01	3842.91	4070.56	5.9	-9.0
Nasdaq 100	14482.75	10879.00	12166.60	11.8	-16.0
Euro Stoxx 50	4176.26	3830.12	4178.01	9.1	0.0
DAX	15011.13	13967.78	15150.03	8.5	0.9
CAC 40	6975.76	6545.80	7097.21	8.4	1.7



For stocks in Q4 2022: Stocks ended with 13,290.89 (9.37%), Corporate bonds 4653.72 (3.28%) and Treasury bonds at 123.861,11 (87.39%). (BVM: Mozambique Stock Exchange).

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

*Valores expressões em milhões

Money Market

The Monetary Policy Committee (CPMO) of Banco de Moçambique (BM) decided to maintain the monetary policy interest rate, MIMO rate at 17.25%. This decision is due to the prevalence of high risks and uncertainties underlying inflation projections, with particular attention to the impact of liquidity generated in the economy as a result of pressure on public expenditure, and the prolongation of geopolitical tension in Europe, notwithstanding the maintenance of the outlook for single-digit inflation in the medium term.

There are also prospects of a deceleration of inflation in the short and medium term, reducing it to single digits, and on an external level, uncertainties still prevail in relation to the effects of the prolonged conflict between Russia and Ukraine and the risks of global economic recession. The implementation of energy projects is expected to continue to favour economic growth with the potential for reduced external demand.

The next ordinary meeting of the CPMO is scheduled for 29 March 2023.

In January, inflation stood at 10.91%, a significant drop compared to the previous month. The Central Bank in January closed the interest rates on the deposit facility (FPD) at 14.25% and on the lending facility (FPC) at 20.25%. According to data published by INE the Prime rate remained at 22.60%.

The decision made by the CPMO to increase the Mandatory Reserve coefficients for liabilities in local currency from 10.5% to 28%, and in foreign currency from 11.5% to 28.5%. The IRPS and IRPC are projected to reach 4.1% and 5.9% respectively in 2023. The cost of living in 2023 will increase due to inflation pressure at the international level, and the Economic and Social Plan and State Budget (PESOE) for 2023 shows that the inflation rate could reach 11.5% as against 2.7% for the current year. The same plan also mentions GDP growth of 5%.

Tax policy in 2023 hopes to improve standards of efficiency, equity and social justice in the collection of State revenue to ensure sustainable financing of the country's development needs.

Some measures in the 2023 tax reform package include:

- (i) Implementation of the new VAT code: which is based on reducing the tax rate from 17.0% to 16% and eliminating some exemptions and some goods and services that are not part of the basic basket.
- (ii) Revision of the Customs Tariff: which provides for 26 tariff lines, of which one will change the customs rates from 2.5% to 7.5%.
- (iii) Revision of the IRPC Code: reduce the IRPC rate by 22pp to 10% and make private investment more attractive in the agribusiness and aquaculture sectors.

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Data for the month of January 2023

Taxes	Jan-22	Dec-22	Jan-23	VM (pp)	VH (pp)
FPD (%)	10.25	14.25	14.25	0.0	4
FPC (%)	16.25	20.25	20.25	0.0	4
MIMO (%)	13.25	17.25	17.25	0.0	4
PRSF (%)	18.6	22.6	22.6	0.0	4
BT - 91D	13.38	15.28	17.69	2.4	4.31
BT - 182D	13.38	15.410	17.720	2.3	4.34

Fonte: Instituto Nacional de Estatística e Banco de Moçambique

Source: 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 Market

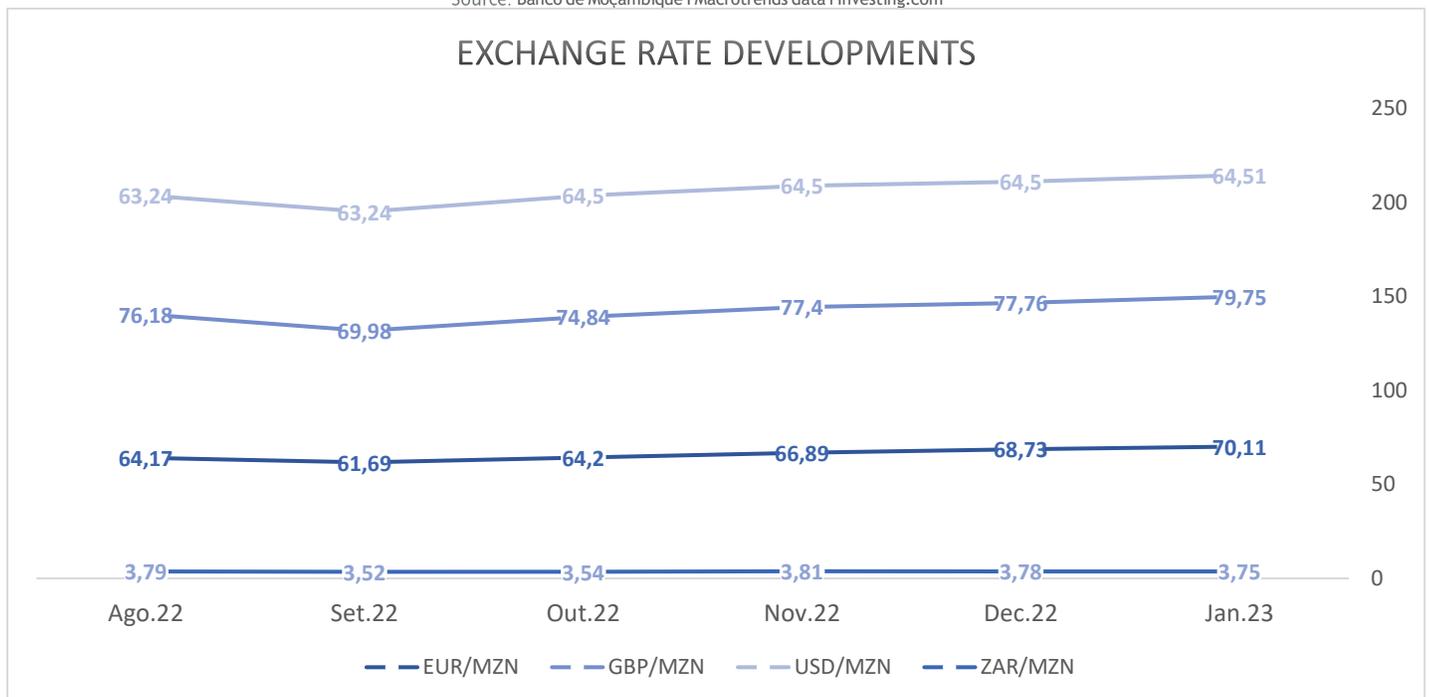
The US Dollar was stable against the Metical, with a slight rise from 64.50 to 64.51, the Rand against the Metical saw a slight fall from 3.78 in November to 3.75 in January, the Euro against the Metical is recovering showing significant monthly rises and currently has a figure of 70.11. The Metical against the Pound has shown a rebound in January with a figure of 79.75.

The Metical has retreated against the major currencies (USD, EUR, GBP). Against the EUR, the metical showed a positive figure of 1.38% and against the ZAR there was a deceleration equivalent to -0.03% and a positive figure of 1.99% against the GBP. The trend indicated by several economists is that the dollar will continue to fall and inflation will remain above 9% for the rest of the year.

Data for the month of January 2023

Currencies	January 2022	November 2022	January 2023	VR (%)	VH (%)
USD/MZN	63.85	64.5	64.51	0.01	1.03
EUR/MZN	72.28	68.73	70.11	1.38	-3.00
GBP/MZN	85.07	77.76	79.75	1.99	-6.25
ZAR/MZN	4.12	3.78	3.75	-0.03	-8.98
GBP/USD	1.35	1.2	1.24	0.04	-8.15
USD/ZAR	15.26	17.18	17.2	0.02	12.71

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



Source: The Global economic

About Mazars

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Source

- Banco Mundial: <https://www.bancomundial.org/>
- Fundo Monetário Internacional [International Monetary Fund - Homepage \(imf.org\)](https://www.imf.org/)
- Bolsa de Valores de Moçambique: <http://bvm.co.mz/>
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- Instituto Nacional de Estatística de Moçambique: <http://www.ine.gov.mz/>
- Ministério da Economia e Finanças de Moçambique: [Início \(mef.gov.mz\)](https://www.mef.gov.mz/)
- Trading economics: <https://tradingeconomics.com/countries/>
- The global economy: <https://www.theglobaleconomy.com//>