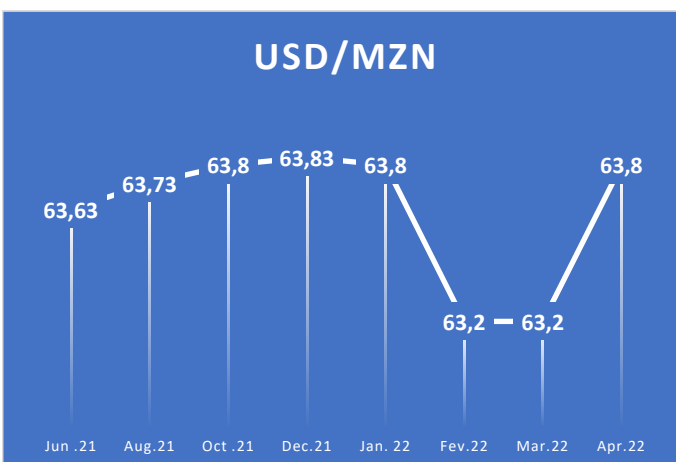
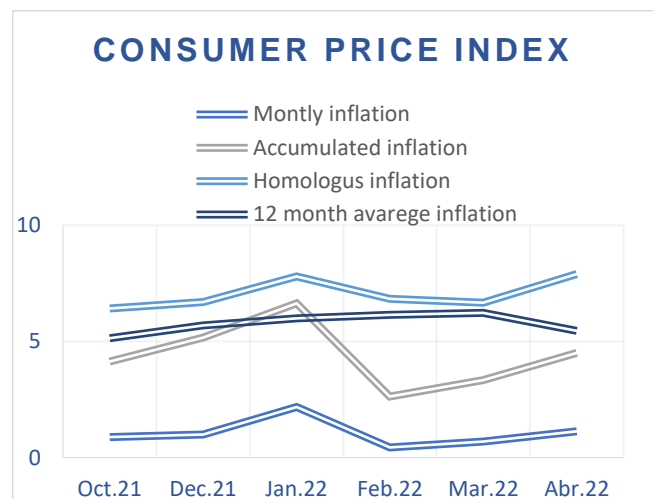
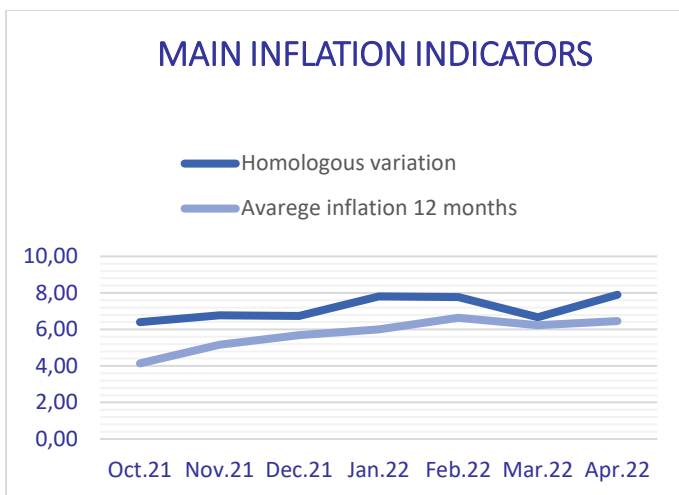




# MONTHLY ECONOMIC BULLETIN OF THE MOZAMBICAN ECONOMY

MAY 2022

## KEY HIGHLIGHTS



- In April the GDP stood at 1.13%, meaning a drop of 0.8pp in comparison to the previous month;
- The domestic public debt rose by 220.8 billion to 242.3 in April;
- Mozambique stock exchange devalued 2.38%;
- The share indices of the main stock markets registered mostly negative variations during the month;
- The CPMO of the Bank of Mozambique decided to increase the MIMO rate, of 13.25%.

## Macroeconomic Indicators

Projection of Indicators	I Quarter of 2022	Projection for 2022
GDP (quarterly growth)	0.039	0.029
GDP (mzn mm)	140000	144060
Inflation	5.3	7.5
Exports USD MILLIONS	922.9	38
Import	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 bookings	3947	3,996
Credit to the economy	3947	4183

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

## Economic Activity

In terms of economic activity, in April the gross domestic product stood at 2.6% after 2.1% in March. According to INE, forecasts of recovery of economic activity in 2022 are maintained. These forecasts result from the relaxation of restrictive measures for the execution of energy projects in Inhambane and in the Rovuma Basin, with a more positive contribution of domestic demand to the chain variation of GDP, in part motivated by the acceleration of private consumption.

Despite the war in Ukraine and the rise in power prices in particular, the economy has been accelerating since the beginning of April. The economic activity index stood at 2.2% after 2.1% in March. Commodity prices in general showed a varied behavior.

The natural gas contract in the US market had a positive monthly variation, ending up with about 6.7%, and the JPN liquefied gas had a decrease of 4.1% compared to the previous month, this due to the perspective of disruptions caused by the conflict in Ukraine. South African coal saw a decrease of around 64%, from \$29.42/mt in March to 103.4/mt in April, due to the aim of alleviating the country's power problems by 2022. Agricultural commodities also fell relatively small in the month April in relation to industrial commodities: Copper, platinum, nickel, uranium and zinc which have suffered a lot and are reflecting the slowdown in China. There was also a decrease of 7.3% month-on-month and a growth of 39.9% compared to the same period in 2021 in the Aluminum sector, ending the month with 3,244\$/mt. This oscillation is also justified by the reduction in the volume of purchases in the country due to the uncertain scenario experienced today.

The FAO (Food and Agriculture Organization) Food Price Index fell by 0.8% in April, accompanied by the decline in vegetable oils and corn, 30% higher than in 2021, the indicator thus settled at 1.584. This decline in the index is a welcome relief, particularly for low-income, food-deficit countries. In turn, the 3% fall in maize contributed to the reduction in the price of cereals, limited by the blockade of wheat in Ukrainian ports, due to the war. Even so, the price of rice rose again by 0.1pp as demand from China increased.

	March 2021	March 2022	April 2022	VR (%)	VH (%)
Corn (\$/mt)	268.23	294.2	291	-0.03	-100.0
Wheat, US HRW (\$/mt)	281.28	486.3	495.3	1.9	76.1
Rice, Thai 5% (\$/mt)	495	422	431	2.1	-12.9
Sugar, World (\$/kg)	0.36	0.42	0.44	0.2	16.7
Cotton, Index (\$/mt)	two	3.11	3.42	10.0	71.0
Aluminum (\$/MT)	2,319.39	3,498.3	3,244.3	-7.3	39.9
Coal, South Africa (\$/MT)	89.13	294.42	103.4	-64.9	16.0
Brent oil (\$/bbl)	64.77	115.59	105.4	-8.8	62.7
Natural gas, USA (\$/mmbtu)	2.61	4.88	6.53	33.8	150.2
Liquefied natural gas, JPN (\$/mmbtu)	7.96	18.03	17.18	-4.7	115.8

Source: National Institute of Statistics

## Inflation

In April, 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 a monthly inflation of 1.13%. (Figure 5). The Food and Non-Alcoholic Beverages and Transport divisions were the most prominent classes, contributing to the total monthly variation with around 0.54 and 0.48 positive pp. This rise in inflation is in line with all forecasts for the Mozambican economy, according to the Consumer Price Index (CPI) bulletin and is in line with the global inflationary climate, in which it is exceeding expectations.

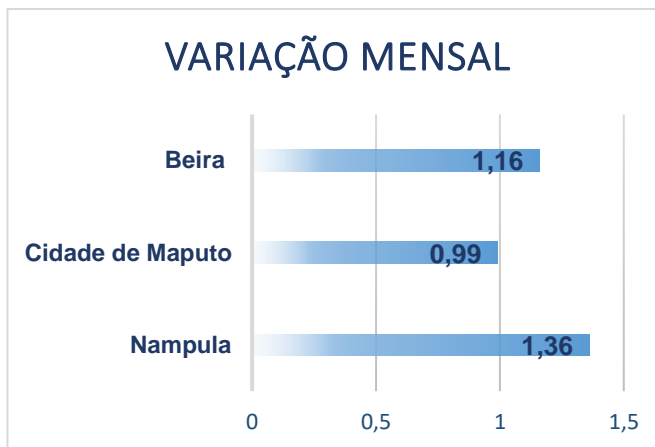
In relation to the monthly variation by product, it is worth mentioning the increase in the prices of gasoline (0.33%), wheat bread, cooking oil (0.27%), dried fish (0.19%), among others that contributed to the total monthly variation with around 1.34 positive pp. Some products such as tomato, fresh fish, refrigerated or frozen, cabbage, countered the upward trend by contributing about 0.20 pp negative.

In relation to the year-on-year change, there was an increase in relation to the previous month, described above in the main highlights. Nampula led the trend of increasing the general level of prices with around 8.80 percent, followed by Maputo with around 7.87% and, finally, Beira with 6.70%. (Figure 1).

Analysing the monthly variation by the three collection centres, which serve as a reference for the variation in prices in the country, it can be seen that last April, all the cities registered an increase in prices, with the city of Nampula standing out with around 1.36%, followed by Beira with 1.16% and finally, Maputo, with around 0.99%. (Graph below of the monthly variation). Compared to the accumulated variation, the city of Beira had the biggest increase in the general level of prices with around 6.66%, followed by Nampula with 4.42% and Maputo with 3.80%.

Description	Contribution
Food products and non-alcoholic beverages	0.54
Alcoholic beverages and tobacco	0.00
Housing, water, electricity, gas and others	0.01
Furniture, decorative items	0.03
Health	0.00
Transport	0.48
Restaurants, hotels, cafes and the like	0.05
Miscellaneous goods and services	0.01
<b>Total</b>	<b>1.13</b>

Source: National Institute of Statistics



Source: National Institute of Statistics

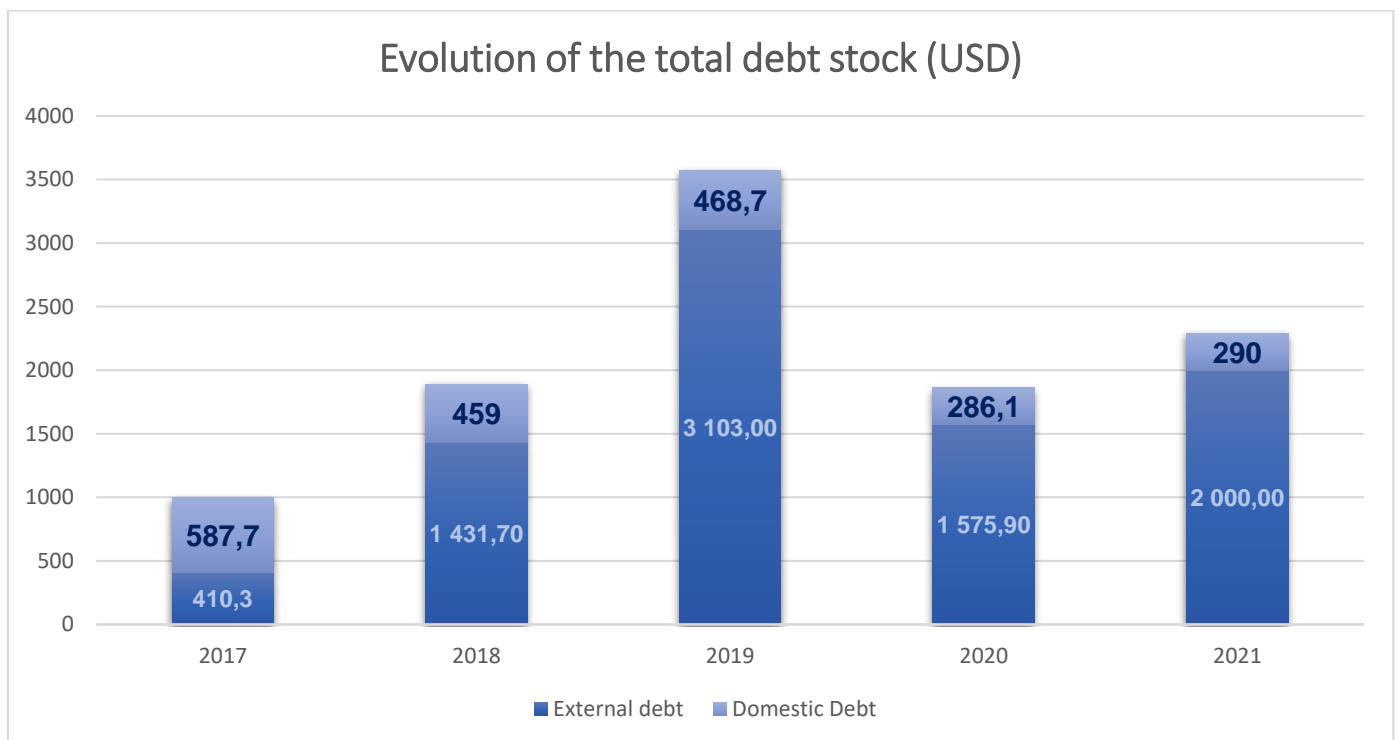
## Public Debt Market

Mozambique's public debt worsened in 2021 by 8%, positioning at 14 billion dollars and continues to be composed mainly of external debt, which represents 86% of public debt, there was a growth in a context of disbursements and contracting of external loans that rose at 3%.

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

The internal public debt increased. Excluding loan and lease contacts and liabilities in arrears, an increase of 220.6 billion at the end of December 2021 and increased to 242.3 billion meticaís in the first half of 2022. The CPMO will then continue to monitor the evolution of risks and uncertainties also associated with the projections, in order to keep inflation low and stable. The external debt grew by 114% (10,256.4 million MZN), it should be noted that in this period no credit agreements or donations were signed.

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



Source: Ministry of Economy and Finance

## Capital Market

In April, the Mozambique Stock Exchange (BVM) had a devaluation, around 2.38% in relation to the previous month at a global level, whether in shares, bonds and other listed securities, thus ending the market capitalization at around 125,775.81 million MZN. The devaluation is justified by the fall **in the price of CDM shares and Emose shares.**

In the international space, the scenario was challenging, leading to a worsening of the economic situation due to the effects of the Russian invasion of Ukraine. The equity indices of the main stock markets recorded mostly negative variations throughout the month, also due to the negative impacts on consumption and restrictions on the mobility of people, currently in China.

Among the main indexes, JSE top 40, Dow Jones, NASDAQ and Dax, closed with drops of 9.4%, 6.4%, 6.5% and 3.5% respectively, where the responsible factor was the expectation between investors that consumers, who have a larger share of US economic activity, would soon reduce spending. On the other hand, in April, the S&P 500, Eurostoxx 50 and CAC 40 indexes appreciated: 2.9%, 1.2% and 2.4% respectively.

Of the markets under analysis, the JSE top 40 market was the most covered month by month, down by 9.4%, on the other hand, on the average of the last 12 months, the CAC 40 was the index that appreciated the most at 9.9%.

Indicators	April 2021	March 2022	April 2022	VM (%)	VH(%)
BVM (Mozambique)*	116540.41	128700.80	125775.81	-2.3	7.8
JSE Top 40	61096.37	6989.22	6333.92	-9.4	3.7
Dow Jones	33874.85	35228.82	32977.21	-6,4	-2,6
S&P 500	4181,17	4602,45	4131,93	2,9	-1,2
NASDAQ	13962,68	14442,27	13504,53	-6,5	-3,3
Eurostoxx 50	3974,74	3959,14	4006,87	1,2	0,8
DAX	15135,91	14606,05	14097,88	-3,5	-6,9
CAC 40	6269,48	6729,94	6889,98	2,4	9.9

Source: Investing.com Financial Market and Mozambique Stock Exchange

\* Expression values in millions

Market capitalisation ended 2021 at 121,422.10 million meticaís and reached 1,956.34 million meticaís at the end of March, an increase of 9.57%, while the market capitalisation ratio reached 18.2% growth. Shares in relation to the previous month, had a decrease of 2.20% Corporate Bonds, by 0.10%. (BVM: Mozambique Stock Exchange)

## Money Market

At the end of March, the Policy Committee (CPMO) of the Bank of Mozambique decided to increase the monetary policy interest rate, MIMO rate from 13.25% to 15.25%. This decision stems from an upward revision Substantial: of the inflation prospects for the short and medium term, reflecting the materialisation, aggravation of some risks. Among them the war in Ukraine and the occurrence of natural disasters in the north of the country. Consequently, the Central Bank decided to change the interest rates on the deposit facility (FDP) from 10.25% to 12.25% and on the Assignment facility from 16.25% to 18.25%.

In April, the Mozambican Association of Banks (AMB) announced that it would maintain the Prime rate of the Mozambican financial system, for the eighth 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 the prospects of domestic inflation in the short and medium term, despite the worsening of risks and uncertainties, the Bank of Mozambique foresees a maintenance of inflation also due to fiscal pressure, climatic shocks in the country and the increase in prices of oil and foodstuffs and wars in the international space.

Also in April 2022, the central banks of Mauritius, Lesotho, Namibia and Ghana, after also revising their monetary policy rates upwards, by 15 basis points (to 2%), 25 basis points (4.25%), 25 basis points (4%) and 250 basis points (17%), respectively, in an exercise to control inflation levels in economies where, even with the adjustments, some economies continued with negative interest rates.

Fees	April 2021	March 2022	April 2022	VM(pp)	VH(pp)
FPD(%)	10.25	10.25	12.25	2.0	2.0
FPC(%)	16.25	12.25	18.25	6.0	2.0
MIMO(%)	13.25	13.25	15.25	2.0	2.0
PRSF (%)	18.9	18.6	18.6	0.0	-0.3
BT - 91D	13.34	13.38	13.4	0.0	0.06
BT - 182D	13.35	13,370	13,430	0.1	0.08

Source: National Institute of Statistics and Bank of Mozambique

Caption: FDP: Permanent Deposit Facility; FCP: Permanent Assignment Facility; MIMO: Monetary Policy Interest Rate; PRSF: Prime Rate of the Financial System; VM- Monthly variation; VH- Homologous variation; pp: perceptual points

## Exchange Market

In April 2022, the metical compared to the main transaction currencies (EUR, GBP and ZAR) decreased between 1.87%, 2.73% and 0.01 %. And in relation to the USD currency, it appreciated 0.60%.

For the sixth consecutive month, the metical maintained its stability trend against the North American currency, with the dollar/metical exchanged at MZN 63.80. In cumulative terms, the metical appreciated by 10.78% against the US dollar. Thus, affecting the country's export and import revenues. In the same period, the Rand against the dollar was the only currency in which there was an appreciation, going from MZN 14.46 to MZN 15.76.

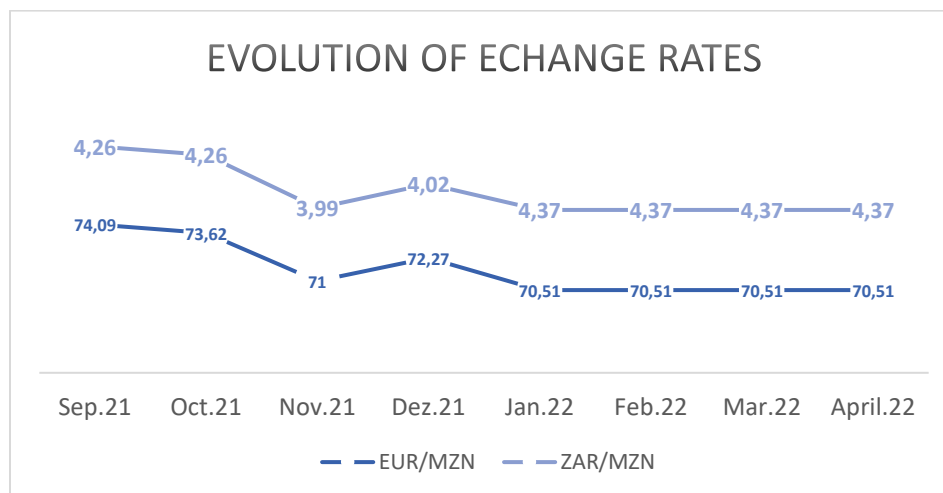
The Euro against the metical with the following closing of the previous session: EUR/MZN 67.53, devaluation of 1.87%. There was a devaluation in GBP/USD, which was 0.05%. Comparatively the main transaction currencies in the country. The metical is the currency that has appreciated the most since the beginning of the year, after the IMF's downward revision of economic growth forecast for this year.

**The exchange rate pressure was reduced substantially, with the demand for foreign exchange being "totally satisfied", as a result of "the greater fluidity observed in the foreign exchange market, contrary to the trend recorded at the beginning of the year.**

In the international sphere, the fears observed, there was a monthly reduction of the dollar against the pound as in the previous month (0.05% against the pound sterling). The euro retreats against the dollar, at 1.87 dollars, the lowest level since May 2020, due to the war in Ukraine and the increase in oil prices. The **ECB shows that members of the institution expressed widespread fears about the spread of inflation and everything points to the beginning of a more restrictive monetary policy.**

Currencies	April 2021	March 2022	Abril 2022	VR (%)	VH (%)
USD/MZN	57,59	63,2	63,8	0,60	10,78
EUR/MZN	69,65	69,40	67,53	-1,87	-3,04
GBP/MZN	80,06	82,99	80,26	-2,73	0,25
ZAR/MZN	4,00	4,37	4,36	-0,01	9,00
GBP/USD	1,38	1,31	1,26	-0,05	-8,56
USD/ZAR	14.49	14.46	15.76	1.30	8.76

Source: Bank of Mozambique | macro trends data | investing.com



Source: The Global economic



## About Mazars

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