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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Mozambique's economy recorded average growth rates above 7% of GDP over the period 2000-2016, supported by foreign investment, the rapid growth of the mining sector, and the increase in coal and hydrocarbon reserves. However, the economy has slowed down, impacted by a sovereign debt crisis, the passage of tropical cyclones, and more recently the Covid-19 pandemic and the war in Ukraine. For the first time in thirty years, GDP contracted in 2020, but the country resumed its growth path straight after. The IMF anticipates Mozambique's real GDP growth to sustain its strength, averaging 4.8% over 2024-2025, following an estimated 5.9% in 2023. The robust economic momentum in 2023 stemmed from the increasing output of ENI's Coral South floating LNG project, whereas growth in the non-extractive sector has continued to slow down. However, the outlook for the extractive sector remains robust, as significant LNG projects are expected to resume activities due to sustained improvements in security conditions in the north.

Following fiscal slippages in 2022, authorities have enacted robust corrections to realign fiscal policy. The domestic primary balance was forecasted at 0.8% of GDP in 2023. Fitch anticipates the fiscal deficit to continue narrowing, reaching 2.6% in 2024 and 2.0% in 2025. This improvement is primarily attributed to a further 1.2 percentage point reduction in expenditure on employees' compensation over the period. Concerning the general government debt-to-GDP ratio, the IMF predicts an increase to 92.4% by the end of 2024, before it decreases to 90.2% in 2025, from 89.7% at the end of 2023. This decline is mainly attributed to robust nominal GDP growth over the period, as well as from an out-of-court agreement between Mozambique and creditors from the Proindicus loan, one of the three state-owned enterprises implicated in the "hidden debt scandal". Inflation – estimated at 7.4% in 2023 – is set to marginally ease over the forecast horizon, landing at 6.2% in 2025. The decrease in inflation, coupled with nominal interest rates remaining relatively stable, has led to both policy and market interest rates rising to elevated levels in real terms. This has resulted in very stringent financial conditions. In January 2024, the central bank reduced its key policy rate by 75 basis points to 16.5%, after a 400 basis point increase from January to September 2022, bringing the rate to 17.5%. The authorities are committed to an ambitious reform program focusing on establishing a sovereign wealth fund to transparently manage LNG wealth, mobilizing additional tax revenue, and strengthening public financial management and governance (IMF). Among the main challenges identified by the IMF are adverse climate events, a fragile security situation, governance weaknesses, and debt vulnerabilities.

Unemployment rate was estimated at 3.8% in 2022 according to the World Bank (modeled ILO estimate). However, the informal is still prominent and youth unemployment levels are above 30%. Social inequalities are increasing and a large part of the population lives in poverty (over 63% according to AFDB), especially in rural areas. The northern province of Cabo Delgado, where more than 800,000 people have been displaced due to terrorism, has been particularly affected by increased food insecurity (IMF).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	19.16	21.94	23.96	25.72	27.18
GDP <i>(Constant Prices, Annual % Change)</i>	4.2	7.0	5.0	5.0	4.0
GDP per Capita <i>(USD)</i>	581	647	687	718	738

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	95.5	89.7	92.4	90.2	87.5
Inflation Rate <i>(%)</i>	n/a	7.4	6.5	6.3	5.7
Current Account <i>(billions USD)</i>	-6.30	-3.51	-9.41	-11.13	-12.26
Current Account <i>(in % of GDP)</i>	-32.9	-16.0	-39.3	-43.3	-45.1

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Mozambique is rich in natural resources and produces a large variety of agricultural products. It has significant coal and gas reserves and hydroelectric potential, and possesses the world's largest reserves of tantalite. It is among the largest producers of cassava and oilseeds (FAO). Although agriculture employs 70% of the country's active population, it represents 26.5% of GDP (World Bank, latest data available). Most agricultural production comes from family farms, but the sector is particularly vulnerable to natural disasters such as droughts and floods. The main crops in the country are corn, cassava, beans, rice, and a variety of vegetables and oilseeds.

Mozambique's natural resources include recently discovered gas and coal, high-quality iron ore, gold, bauxite, graphite, marble, and the rare mineral tantalite. The mining sector holds substantial potential for revenue generation and foreign investment. The manufacturing sector is still weak (9% of GDP) and is dominated by the production of the Mozal aluminium smelter. Overall, the industrial sector contributes to 22.8% of the country's GDP and employs 9% of the active population.

The service sector represents 40.6% of GDP and accounts for more than one-fifth of total employment (21%). Tourism is the main industry, although it is still performing well below its potential. In addition to expanding financial services, the tertiary sector has a growing number of micro-scale retail businesses. The banking sector is primarily controlled by foreign-owned financial institutions, with 19 commercial banks among the total of 40 financial institutions. The major players include Millennium BIM (with Portuguese and Mozambican shareholders), BCI (with Portuguese and Mozambican shareholders), and Standard Bank (with South African shareholders). Together, these three banks account for over 70% of all financial assets, including deposits and loans.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	70.3	9.3	20.5
Value Added <i>(in % of GDP)</i>	27.5	21.9	40.1
Value Added <i>(Annual % Change)</i>	4.4	3.9	4.4

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Mozambique Metical (MZN) - Average Annual Exchange Rate For 1 USD	63.06	63.58	60.33	62.60	69.51

Source: World Bank - Latest available data.

FOREIGN TRADE

Mozambique is open to foreign trade, which represents more than 100% of the country's GDP (World Bank, latest data available). It is a member of the WTO and of the South African Development Community (SADC), and has signed trade agreements with Malawi and Zimbabwe. In February 2018, Mozambique joined the EU-SADC EPA that was signed in June 2016 by Botswana, Lesotho, Namibia, South Africa, and Swaziland. The country also signed the African Continental Free Trade Agreement. The government seeks to reform its trade regulations to improve its business climate and encourage exports. Customs duties remain high and there are numerous non-tariff barriers in the country (such as slow customs clearance procedures). According to data from the Bank of Mozambique, in 2022, mineral coal – the country's main export - brought in approximately USD 2,852.2 million for the country, marking an increase of USD 1,386.6 million compared to 2021. This surge was fueled by a combination of the global average price rising by over 100% and a 38.1% increase in exported volume. Aluminum generated revenues of USD 1,645.7 million, up from USD 1,258.7 million in 2021, primarily due to a 9.5% increase in the global average price. Revenue from natural gas and heavy sands exports experienced positive growth of 99.5% and 19.5%, respectively. Excluding mineral products, agricultural products and rubies showed significant growth, rising by USD 162.9 million and USD 27.8 million, respectively. As per imports, capital goods contributed 41.4% to total imports, experiencing a more than 100% increase due to a surge in imports of various machinery, 80% of which is attributed to floating platforms. Intermediate goods accounted for 27.6% of total imports. Finally, consumer goods represented 16.4% of the total import bill.

Mozambique's main customers in 2022 were India (21.1%), South Africa (18.3%), the UK (11.9%), South Korea (6.1%), and China (5.2%); whereas imports came chiefly from South Korea (32%), South Africa (15.6%), the UAE (10%), China (7.2%), and India (5.7%).

Mozambique's trade balance is negative and is expected to remain so until exports of coal and gas to Asia develop further. The trade deficit increased recently due to capital goods imports related to construction and liquefied natural gas projects. In 2022, the country exported USD 8.2 billion, importing 14.6 billion (+48.3% and +70.1% year-on-year, respectively – data WTO). In 2022, the foreign trade in services experienced a negative balance of USD 1,447.1 million, equivalent to 8.6% of GDP. Compared to 2021, this reflects a 16.6% improvement in the deficit. Excluding mineral product transactions, the net service import costs amounted to USD 160.9 million, constituting 1% of GDP, reflecting a 56.6% reduction in the negative balance (Bank of Mozambique).

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	6,944	7,428	6,471	8,618	14,665
Exports of Goods (million USD)	5,012	4,669	3,588	5,583	8,281
Imports of Services (million USD)	4,310	2,762	2,778	2,557	2,575
Exports of Services (million USD)	779	931	781	822	1,128

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	127.2	112.0	95.1	100.2	n/a
Trade Balance (million USD)	-1,301	-2,084	-2,294	-2,252	-5,056
Trade Balance (Including Service) (million USD)	-4,831	-3,914	-4,291	-3,987	-6,503
Imports of Goods and Services (Annual % Change)	43.4	-1.5	-22.4	2.8	n/a
Exports of Goods and Services (Annual % Change)	47.9	-9.5	-27.0	7.5	n/a
Imports of Goods and Services (in % of GDP)	82.3	79.7	65.7	68.8	n/a

Foreign Trade Indicators	2018	2019	2020	2021	2022
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Exports of Goods and Services <i>(in % of GDP)</i>	44.9	32.3	29.3	31.4	n/a
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Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-2.1	4.2	3.2	1.1	26.9
Volume of imports of goods and services (Annual % change)	-18.1	47.5	11.3	5.3	-3.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Member of [Southern African Development Community \(SADC\)](#)

Member of [African Union](#)

Member of [Cotonou Agreement](#)

Member of [African Growth and Opportunity Act beneficiary country](#)

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
India	21.1%
South Africa	13.6%
United Kingdom	11.9%
South Korea	6.1%
China	5.2%
See More Countries	42.2%

Main Suppliers <i>(% of Imports)</i>	2022
South Korea	32.0%
South Africa	15.6%
United Arab Emirates	10.0%
China	7.2%
India	5.7%
See More Countries	29.4%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Filipe Jacinto NYUSI (since 15 January 2015; re-elected 15 October 2019)

Prime Minister: Adriano Afonso MALEIANE (since 3 March 2022)

Next Election Dates

Presidential: 9 October 2024

Assembly: 15 October 2024

Main Political Parties

The two main political parties in the country are the Mozambique Liberation Front (Frente de Libertação de Moçambique - **FRELIMO**), the sole legal political party until 1991 and the current leading party, which tends to be more popular in urban areas and the north and south of the country; and the opposition party RENAMO (Mozambican National Resistance), which is stronger in the central and coastal provinces of Manica, Sofala, Zambezia and Nampula. In total, there are also 50 smaller parties active at regional or national level. The Democratic Movement of Mozambique (**MDM**) is the third party represented in the Assembly of the Republic.

Executive Power

The Constitution of Mozambique gives strong power to the President of the Republic, as he functions as the head of state, head of government, commander-in-chief of the armed forces, and as a symbol of national unity. The President is directly elected for a five-year term.

The Prime Minister is appointed by the President. His functions include convening and chairing the Council of Ministers (cabinet), advising the President, assisting the President in governing the country, and coordinating the functions of the other Ministers.

Legislative Power

Mozambique has a unicameral system: the Assembly of the Republic (Assembleia da República) has 250 members. 248 representatives are elected in multi-seat constituencies through party-list proportional representation voting, while 2 members representing Mozambicans living abroad are directly elected through a simple majority vote. Members serve 5-year terms.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Mozambique, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).