

Mozambique: Q3:20 GDP stages a surprise

- National Statistics Institute (INE) GDP data shows that the Mozambican economy contracted by a lesser than expected 1.1% y/y in Q3:20 in real terms, from a contraction of 3.3% y/y in Q2:20 and positive growth of 1.7% in Q1:20.
- We had forecast a Q3 contraction of 2.4% y/y, implying a mild recovery is underway, in line with the positive effects of the gradual removal of social restrictions to contain Covid-19. Borders with neighbouring countries have also re-opened with travel restrictions and workplace quotas having been lifted too.
- Taking into account updated GDP data and expectations that the number of daily Covid-19 infections might already have peaked, at least in the supposed "first wave", we now reduce this year's GDP growth forecast to -0.9% y/y, from -1.3% y/y, maintaining the view of a steady recovery in 2021 towards positive growth of 2.0% y/y.
- The FY2021 government budget assumes a real GDP growth rate of 2.1% y/y from an expected GDP growth contraction of 0.8% y/y this year, downwardly revised from positive growth of 2.2% y/y.
- We forecast average inflation at 3.1% y/y by year-end, before accelerating to 5.6% y/y in 2021, as per our forecasts published in the September edition of *African Markets Revealed*.
- Notably, Q3:20 data shows that primary activities, accounting for 30.5% of GDP, contracted by 1.9% y/y, mainly reflecting the 16.2% y/y decline in mining output and 2.8% y/y contraction in fisheries, with growth in the agriculture sub-sector easing to 3.2% y/y, from 3.5% y/y in Q2:20. While agriculture is recovering from last year's severe negative cyclones impact, mining continues to experience a material decline in output, weighed down by the subdued performance in the coal sector.
- Secondary activities, representing 10.3% of the economy, grew 0.6% y/y, supported by electricity gas and water generation, which grew 4.1% y/y, offsetting the negative effects of contractions of 0.9% y/y and 0.2% y/y respectively in the manufacturing and construction sectors.
- The services economy, with a 46.1% weight on GDP, contracted by 2.4% y/y, translating into a contraction of 31.4% y/y in hotels & restaurants, 1.2% in transport, warehousing & communication, 1.9% y/y in financial services, and 5.5% in public administration.
- Covid-19 uncertainty and security challenges still bring material risks to the expected recovery in 2021. Moreover, ongoing MZN depreciation and fiscal pressures continue to put pressure on disposable income and overall aggregate demand.
- Still, the prospects of continued expansion in agriculture as well as the ramp-up in the implementation of the Rovuma Basin LNG projects from Q2:21 may support Mozambique's economic recovery.

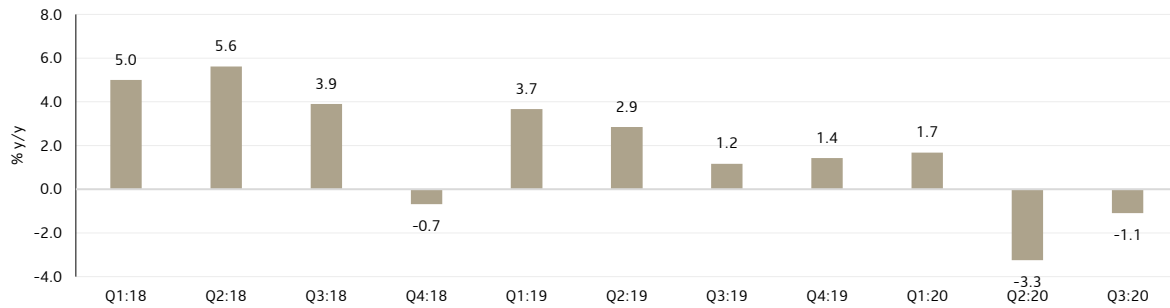
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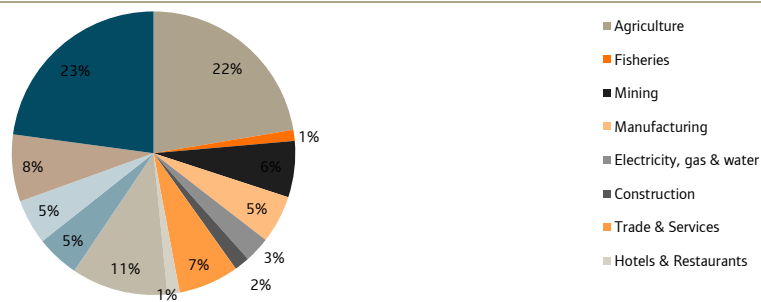
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Figure 1: GDP growth (%)



Source: Instituto Nacional de Estatística de Moçambique

Figure 2: Structure of GDP (%)



Source: Instituto Nacional de Estatística de Moçambique

Table 1: Medium-term economic growth base scenario

	Q1:20	Q2:20	Q3:20	Q4:20	Q1:21	Q2:21	Q3:21	Q4:21	Q1:22	Q2:22	Q3:22	Q4:22	Q1:23	Q2:23	Q3:23	Q4:23
CPI (% y/y) pe	3.1	2.7	3.0	3.1	4.3	5.6	6.8	7.2	6.7	5.1	5.2	5.1	5.2	5.8	5.5	5.7
MIMO rate (%) pe	12.75	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	9.75	9.75	9.75	9.75	9.75	9.75	9.75
3-m rate (%) pe	11.0	9.9	8.3	7.2	7.7	6.1	6.4	6.8	6.3	4.8	4.9	4.8	4.9	5.5	5.2	5.4
6-m rate (%) pe	11.1	10.4	8.2	7.3	7.8	6.4	6.5	6.9	6.4	4.9	5.0	4.9	5.0	5.6	5.3	5.5
USD/MZN pe	66.7	70.1	72.3	77.1	77.3	74.3	74.1	75.2	73.0	70.1	70.2	65.3	65.1	65.8	65.5	64.8
GDP (% y/y) pa	1.7	-3.3	-1.1	-0.9	-0.4	3.6	2.6	2.0	3.5	3.6	6.0	4.3	6.4	6.2	6.6	6.4

Source: Banco de Moçambique; Instituto Nacional de Estatística de Moçambique; Bloomberg; Ministério da Economia e Finanças; Standard Bank Research

Notes: pa-period average; pe-period end

Table 2: Real GDP per sector

(% y/y change)	Q1:18	Q2:18	Q3:18	Q4:18	Q1:19	Q2:19	Q3:19	Q4:19	Q1:20	Q2:20	Q3:20
Agriculture	2.7	4.0	2.4	4.9	1.0	0.4	-1.9	6.6	2.9	3.5	3.2
Fisheries	6.7	5.9	-3.2	2.3	4.5	6.6	-9.1	6.5	1.5	-1.8	-2.8
Extractives	5.6	7.8	10.0	20.4	9.6	2.0	-6.1	-15.7	-11.7	-25.6	-16.2
Manufacturing	12.8	10.4	10.9	-18.8	-8.2	2.1	-0.8	13.6	2.5	-5.3	-0.9
Electricity gas and water	-2.5	-6.2	-4.0	-0.6	-8.7	-5.0	4.1	5.3	6.5	6.3	4.1
Construction	27.3	13.9	-2.9	-23.6	-0.7	1.0	-3.0	13.7	1.7	-0.9	-0.2
Trade	7.9	7.2	10.2	-13.4	-5.4	1.9	-3.2	6.1	2.9	-5.7	0.2
Hotels and restaurants	-8.9	-1.5	13.8	11.8	7.4	2.4	-0.7	-3.6	-1.4	-35.8	-31.4
Transport warehousing communication and information	0.0	1.7	7.7	9.4	5.8	6.5	4.5	0.3	5.0	-4.7	-1.2
Financial services	2.6	8.7	1.4	6.6	3.7	9.0	1.8	1.7	-0.1	-0.6	-1.9
Property	2.8	3.4	3.8	4.1	4.8	4.9	4.5	3.8	2.6	1.7	-0.4
Public administration	11.6	14.6	-4.4	-8.3	17.4	0.4	1.8	5.0	-6.0	-6.4	-5.5
Education	2.0	2.0	0.8	-1.6	2.7	0.0	-0.5	1.3	-3.4	-0.4	-0.2
Health and social services	4.2	1.2	0.3	0.5	1.9	2.2	4.8	7.4	5.7	9.5	11.4
Other services	3.1	3.0	3.0	4.2	3.3	3.5	3.7	2.8	3.9	3.7	3.2
Value added	4.5	5.5	3.8	-0.8	1.3	2.1	-0.3	3.1	1.0	-3.3	-1.9
Taxes	9.2	6.5	4.6	-0.1	23.6	9.6	13.2	-11.2	6.2	-2.5	4.5
GDP at market prices	5.0	5.6	3.9	-0.7	3.7	2.9	1.2	1.4	1.7	-3.3	-1.1

Source: Instituto Nacional de Estatística; Standard Bank Research

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