Economic Report 2023

MOZAMBIQUE

30 June 2023

Executive Summary

Mozambique has shown steady economic recovery despite challenging domestic and external environment witnessed by 4.1% real GDP growth in 2022 for the second consecutive year after economic contraction of -1.23% in 2020 (in 2021 the growth rate was 2.2%). The tertiary sector was the main contributor of GDP growth with around 2%, reflecting the recovery of hotel services and catering and transport and communications, followed by the extractive industry. Nevertheless, the country is struggling to stabilize the economy against persistent risks in then real and monetary sectors. In the monetary side, the monetary authorities have been embarking in tight monetary policy through increase of the policy interest rate to 17.25% as well as the required reserves ratios of the commercial banks to 28% for local currency deposits and to 28.5% for foreign currency deposits by December 2022. This behavior was anchored in the effort to counteract inflationary pressures originated from endogenous (high domestic government indebtedness (39.7% y/y rise or 15.9% of GDP) and administered prices upward adjustments) and exogenous (climate shocks and impact of conflict between Russia and Ukraine) factors. In the fiscal side, the country has been implementing a reform on wage bill which proved to be not only complex but also costly than anticipated in a context of low revenue collection, prompting a cautious implementation of the fiscal policy. These environment resulted in slight deterioration of business conditions for the firms reflected by an increase in overall input prices and purchase costs which lead to higher output prices. With IMF support, the Government presented the Economic Acceleration Stimulus Package to be implemented in 2023 and 2024 aim to improve the business environment as well as accelerate medium and long term economic growth. Switzerland has long supported the Mozambican economy through its development co-operation, which focuses on promoting the private sector in agriculture, strengthening the capacities of local authorities and supporting the development of vocational training. Bilateral economic relations are based on good contractual foundations. In terms of bilateral trade, Switzerland has improved significantly by positioning at 5th and 2nd in Mozambique's exports and imports, after 23rd and 37th respectively. The trade deficit with Mozambique increased by 41.9% in 2022 after moving from CHF 23.3 mio in 2021 to 33.0 mio in 2022.

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Key Macroeconomic Developments in Mozambique[1][2][3]

Steady economic recovery despite challenging domestic and external environment. The country economy continued to grow for the second consecutive year moving from 2.2% in 2021 to 4.1% real growth in 2022, after economic contraction of -1.23% in 2020. This performance reflected the combined improvement in the (i) external demand of the extractive industry and higher prices of key export products (coal and aluminium), and (ii) the return to normal functioning of the economy after the restrictions imposed under COVID-19 which revived particularly the tertiary sector. The country also witness the first export of liquefied natural gas from the Rovuma basin (the offshore "Coral South FLNG").

Besides extractives, the services sectors propelled GDP growth in an economy dominated by agriculture. In GDP growth sectoral contribution, the tertiary sector is the main contributor with around 2%, reflecting the recovery of hotel services and catering and transport and communications, followed by the primary sector, with 1.7%, mainly justified by the performance of the extractive industry and the agriculture. The structure of GDP remained unchanged, with agriculture showing higher weight, making up about 23% of GDP.

High inflation pressures with the country reaching the highest peak in five years. In 2022, the headline inflation accelerated to 9.8%, after reaching 5.7% in the previous year. The inflation behavior was determined by (i) upward prices adjustments in the domestic administered goods and services as well as on oil and food derived from the conflict between Russia and Ukraine; and (ii) supply based climatic shocks in the first semester with heavy rains than expected in Mozambique and South Africa, constraining food production. Nevertheless, the underlying inflation (excluding fruits and vegetables and administered products) slowed to 4.9% in December 2022 after 6.4% in the same 2021 period which show the impact of temporary or idiosyncratic factors in the behaviour of headline inflation.

Tight monetary policy to curb inflation risks from expected fuel price adjustments and imported food inflation as well as government domestic financing pressures. In 2022, the Bank of Mozambique (BoM) maintained restrictive monetary policy to contain the inflationary pressure in a context of high risks and uncertainties at domestic and external level. Thus, the Monetary Policy Committee increased the policy interest rate (MIMO rate), by 400 basis point to 17.25% in December 2022. The most significant monetary policy tightening came through an unprecedented rise of the required reserves ratios (RRR) of the commercial banks increased to 28% for local currency deposits and to 28.5% for foreign currency deposits.

Worsening of fiscal policy mainly due to slippage in the implementation of a complex wage bill reform and revenue underperformance. The implementation of public servant unified wage bill since June 2022 resulted in average wages increases than anticipated in a context of low revenue collection. This economy wage bill rose by 39.7% to MZN194.4bn (15.9% of GDP) which exacerbated domestic debt pressures. In addition, there was softer nominal growth in revenue of 7.4% in 2022, to MZN285.7bn (23.4% of GDP). This prompted prudent fiscal spending, including the government announcing not being able to pay the discretionary 13th bonus cheque. To address the prevalent fiscal stress, the Government of Mozambique (GoM) resorted mainly to costly domestic financing squeezing further the level of funding available for private sector and public investment. This will subdue further private sector credit growth.

The GoM announced 20 measures to improve business environment and stimulate medium and long term growth. The efforts for the improvement of the business climate was dominated by the launch in August 2022 of the Economic Acceleration Stimulus Package

[1] Bank of Mozambique Economic Situation and Inflation Outlook (March 2023): https://www.bancomoc.mz/media/5tspiymw/conjuntura-econ%C3%B3mica-e-perspectivas-de-infla%C3%A7%C3%A3o-maio-de-2023.pdf
[2] Bank of Mozambique Annual Report 2022 (June 2023): https://www.bancomoc.mz/media/tuhcdxco/relat%C3%B3rio-anual-2022.pdf
[3] Mozambique Economic Update : Shaping the Future - Why Services Matter for Growth and Jobs (March 2023): http://documents1.worldbank.org/curated/en/099550103092314496/pdf/IDU0a06fd8fc08d5604d740941803b1a33a5bdf6.pdf

(*Pacote de Aceleração Económica – PAE*) to be implemented in 2023 and 2024. With PAE, the GoM aim to improve the business environment by simplifying administrative procedures and ensuring an improvement in macroeconomic stability and the sustainability of the fiscal system in the mid and long term[4]. The PAE comprise 20 measures fall into two categories of (i) tax reform measures and stimulus to the economy, and (ii) measures to improve the business-environment, transparency and governance, as follows:

Tax reform measures and stimulus to the economy:

- Value Added Tax (VAT) rate reduction from 17% to 16%;
- VAT exemption for imports on the productive sectors of agriculture and electrification;
- Lower the corporate income tax rate from 32% to 10%, in the agriculture, aquaculture and urban transport sectors;
- Acceleration of the amortizations for paid-up capital to half of the period established in the tax code, for investments made in company installations and equipment that result in the creation of at least 20 additional permanent jobs;
- Simplification of capital repatriation procedures;
- Strengthening supervision of natural resource export operations;
- Reorienting the mission of the Housing Development Fund to develop land infrastructure for citizens and investors, as well as boosting the building materials industries;
- Allocation of 10% of tax revenues from natural resources to the development of provinces where extraction occurs, exclusively for the financing of infrastructure projects and development programs;
- Creation of a Mutual Guarantee Fund to support small and medium-sized Mozambican companies;
- Mandatory blending of imported fuels with biofuels

Measures to improve the business-environment, transparency and governance

- Improving competitiveness of national airports, ports and logistics corridors;
- Stimulate the local production of goods acquired in scale by the state;
- Exemption of visas for citizens of countries with low risk of migration and granting of investment visas with longer periods;
- Labour and investment laws adjustments to make them more attractive to foreign investment;
- Simplification of administrative processes in the relations between the State, companies and citizens;
- Reform of selected elements of the justice administration system;
- Simplification of public administration improving its efficiency and the quality of services offered to citizens;
- Creation and implementation of the Mozambique Sovereign Fund with a regulatory framework to ensure the use of oil revenues in a transparent manner and to protect the economy against external shocks.
- Strengthen the supervision of social security funds and complementary funds;
- Reforming the State's internal audit subsystem to reduce corruption and misappropriation of public funds.

During 2022, under implementation of PAE, regulation reforms were made of which is to highlight:

- **Electronic visa.** It was introduced e-visa as part of the process of simplifying the entry of foreigners into the country. The platform is https://evisa.gov.mz/
- **Revisions to tax code and fiscal reforms.** The VAT was reduced from 17% to 16% for all goods and agricultural equipment and electrification imports are exempted, while the Corporate Income Tax was reduced from 32% to 10% for the sector of agriculture, aquaculture and urban transportation. It was also approved the reduction of the withholding tax levied on the income of non-resident entities in Mozambique, which

[4] https://pae.gov.mz/

provide services to national agricultural companies, from 20% to 10%. Under the Specific Consumption Tax, it was extend the benefit of reducing the fees to breweries that use domestic raw materials, as a measure to encourage the development of value chains in agriculture as well as reduce Specific Consumption Tax rates on hygiene and cleaning products from 30% to 10%, making them more accessible to the majority of the population in order to promote public health.

Overall slight deterioration of business conditions for the firms. Based on the Standard Bank Mozambique Purchasing Managers' Index (PMI), the business environment was challenging with persistent inflationary pressures, tighter monetary policy and prudent fiscal policy in an environment of increased government domestic financing. At the real sector, there was an increase in overall input prices and purchase costs that resulted in higher output prices. In fact, the PMI slowed down from 50.6 in December 2021 to 50.0 in December 2022 reflecting the deterioration of business conditions for the firms.

Lower financial ratings on the international market. The main financial rating agencies[5] maintained the country's rating in the international market at the level of substantial risk, although the slight improvement in evaluation, in a year marked by the resumption of the International Monetary Fund to State Budget support, after a six-year period of absence. The low notation reveals existence of risk for investors, considering the current financial situation of the country, characterized by a state budget deficit, and uncertainties regarding future revenues.

Mozambique entered on the list of jurisdictions under increased monitoring – "grey list" – of the Financial Activities Task Force (FATF) meaning the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring to ensure strengthening of the effectiveness of its AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism) regime. The main consequence is that the country will be subject of higher compliance scrutiny by banks on most financial transaction involving an international operation, such as a wire transfer

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

The Mozambican economy is still in very early stages of development and offer a myriad of opportunities in almost all sectors. Based on the economic trend of the last years and looking to the economic prospects, it can be highlighted potential in some sectors such as logistics and clean energy.

- **Logistics:** The economic corridors that depart from the three main port connecting to hinterland as well as booming of extractive industry including the oil and gas offer a significant logistics opportunities to supply an array of services.
- **Clean energy:** The recent reform on the energy law gives space for development of off-grid energy solutions particularly on solar to provide clean energy to any economy that is expected to have steady economic growth in the next 20 years meaning increased energy demand domestically as well as in the region that is in supply deficit. According to the National Statistics Institute (INE), solar power was the fastest growing source of electricity in Mozambique between 2017 and 2021.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Mozambique signed the African Continental Free Trade Area (AfCFTA) agreement in March 2018 and was recently ratified in December 2022 by the Mozambican Parliament together

[5] By the end of 2022: Moody's (**Caa2** positive), Standard & Poor's (**CCC+** stable) and Fitch Ratings (**CCC+**)

with the implementation plan. The GoM sees AfCFTA as an opportunity to improve the business environment and promote industrialization through support of SMEs to become competitive and insert in regional value chains. According to the World Bank (2020), Mozambique should expert limited export expansions from the agreement (10–30 percent)[6]. The understanding is that AfFCTA will act as complementary to existing FTAs such as SADC with the former offering offer new different and/or bigger opportunities primarily while the later offers proximity and established trade partnerships. The main overall benefits (and thus overall effects) of the AfCFTA are likely to come, not from tariff reductions, but from a reduction in NTBs[7].

Mozambique is part of the USA African Growth and Opportunity Act (AGOA) trade initiative that offers special access to its market to Sub-Saharan African beneficiary countries. AGOA builds on - and significantly enhances - the trade preferences of the U.S. Generalized System of Preferences (GSP) and it provides non-reciprocal duty free access to the US market for approximately 6,500 products, including for some categories generally considered to be 'sensitive'. Qualifying products (subject to complying with the Rules of Origin – local processing requirements) include textiles and clothing, motor vehicles and parts, many agricultural products including macadamia nuts, leather products, chemicals, wine, travel luggage, machinery and equipment.

In addition, Mozambique has bilateral trade agreements with Malawi and Zimbabwe.

3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

Switzerland and Mozambique have good bilateral framework conditions, with:

- a 1979 trade and economic cooperation agreement;
- an investment promotion and protection agreement of 2002 for the economic field;
- a Memorandum of Understanding for political consultations signed in October 2017;
- an International Cooperation Agreement signed in February 2018 (yet to be ratified); and
- an Air Agreement initialled in December 2018 and approved by the Federal Council in September 2019.

A double taxation agreement which was first drafted between 2013 and 2015 with discussions from 2018 onward, was signed in 2022.

With regard to agreements concluded by Mozambique with other countries, in view of the generally liberal practices governing access to the Mozambican market, the embassy is not aware of any negative consequences for Swiss economic actors.

4 FOREIGN TRADE[8]

4.1 Developments and general outlook

Mozambique's trade deficit worsened by more than 100% deteriorating to USD 5'056.4 million (30% of GDP) from USD 2'251.6 million (14.3% of GDP) in 2021. This performance resulted from the increase of imports by 70.2%, to USD 13'337.3 million (79.2% of GDP) mainly from megaprojects sector which grew by more than 100%, with the arrival of the Coral Sul offshore floating LNG platform for gas production in area 4 of the Rovuma basin. Nevertheless, the negative imports behaviour was smoothed by growth of exports of goods, both from the megaprojects sector and the traditional crops to USD 6'172.3 million (36.6% of GDP) and

[6] World Bank (2020) The African Continental Free Trade Area: Economic and Distributional Effects: https://openknowledge.worldbank.org/bitstreams/ef1aa41f-60de-5bd2-a63e-75f2c3ff0f43/download (20-06-2023)

[7] Byiers et al (2023) Lessons from SADC for the AfCFTA: The case of Mozambique: https://ecdpm.org/download_file/52f00e24-9e3b-460a-9b6f-e33d37a955d8/3468 (20-06-2023)

[8] Bank of Mozambique Balance of Payments (2022): https://www.bancomoc.mz/media/l1bmpaxt/boletim-anual-da-balan%C3%A7a-de-pagamentos-2022.pdf

USD 2’108.5 million (12.5% of GDP) corresponding to an increase of 53% and 36.3%, respectively.

4.1.1 Trade in goods

In 2022 the exports yielded to the country USD 8’280.9 million (corresponding to 49.2% of GDP), an increase of 32.6% when compared to the previous year. The positive export performance is justified by increase in the sales of exported products from the megaprojects sector as well as from the rest of the economy which reached USD 2’136.9 million and USD 561.4 million, respectively.

The megaprojects sector, the industry extractive, benefiting from prices rise in the international market and increase in exported volume, had significant revenue increase of USD 1’776.4 million mainly from coal, heavy sands, gas natural, rubies, sapphires and emeralds. The manufacturing industry had the second contribution with an increase of USD 387 million from aluminium and aluminium cables. Regarding to the rest of the economy, it is worthwhile to highlight the exports of agricultural products that grew by 36.3% to USD 2’108.5 million. The main exports destination of Mozambican products were India (21.1%), South Africa (18.3%), United Kingdom (11.9%), South Korea (6.1%), China (5.2%), Singapura (3.9%) and The Netherlands (3.8%).

The imports of goods invoice was influenced, essentially, by the arrival in the first quarter of the Coral Sul offshore floating LNG platform in Area 4 of the Rovuma basin, valued at USD 13’337.3 million (79.2% of GDP) recording an increase of megaprojects spending by 70.2% compared to 2021, in a context where the rest of economy increased its external purchases by 12.1%. Excluding the value of the Coral Sul offshore floating LNG platform, the Imports of goods maintained the growth pace recording USD 9’128.5 million (54.2% of GDP), an increase of 16.5% compared to 2021, mainly influenced by the increase in imports of intermediate goods. In terms of imports trading partners, based on 2022 figures, the top trading partner were South Korea (32%), South Africa (15.6%), UAE (10%), China (7.2%), India (5.7%) and Singapura (4.6%).

For more details on Mozambique's trading partners, please refer to Annex 3 of this report.

4.1.2 Trade in services

The services balance had a deficit of USD 1’447.1 million (8.6% of GDP), which, compared to 2021, represents an improvement in the deficit by 16.6%. Excluding the megaprojects transactions, net costs of importing services stood at USD 160.9 million (1% of GDP), which corresponds to a reduction of the balance deficit by 56.6%. The improvement in the services account is explained, on the one hand, by the reduction in the contracting of Technical Assistance services (43.6%), financial services (78%), others services (30.9%) and research and development (41.3%), and, on the other hand, by the increase in net revenue from the travel item, by more than 100%. The reduction of net payments for Technical Assistance and Research and Development, is in line with the decrease in demand for specialized services, by GPs, particularly those exploring for gas in the Rovuma basin as a result the interruption of work on some gas exploration projects due to issues of insecurity in the North of the Country.

The increase in net travel revenues reflects the recovery of this sector, as a consequence of the opening of the economy in the world, in general, and in Mozambique, in particular, after the period of restrictions imposed by COVID-19. The revenue of the tourism category reached the figure of USD 200.3 million, corresponding to 1.2% of GDP, in line with the increase in international arrivals of 705’327 travellers in 2021 to 878’628 in 2022.

4.2 Bilateral trade

Switzerland is ranked 5th and 2nd in Mozambique’s exports and imports with share of 6% and 15%, respectively. This is significant development considering that in 2021, Switzerland was positioned at 23rd and 37th, in the same order. As with most sub-Saharan African countries, Switzerland has a trade deficit with Mozambique corresponding 41.9% after moving from CHF 23.3 mio in 2021 to 33.0 mio in 2022.

4.2.1 Trade in goods

Swiss bilateral trade statistics for 2021 show a 67.3% reduction in Swiss exports to Mozambique (CHF 3.6 million in 2021 compared to CHF 10.9 million in 2020) and a 13.8% increase in imports from Mozambique (CHF 26.9 million in 2021 compared to CHF 23.6 million in 2020).

Switzerland imports mainly sunflower-seed, safflower or cotton-seed oil (51.4% of imports), precious or semi-precious stones (39.2%), unmanufactured tobacco (6.4%). It exports machinery for preparation of food and drinks (16.8% of exports), medicine (10.4% of experts), instruments for physical and chemical analusis (8.3%) and electric motors and generators (8.1%).

More details on bilateral trade can be found in Annex 4 of this report.

4.2.2 Trade in services (if data available)

No data available.

5 DIRECT INVESTMENTS[9]

5.1 Developments and general outlook

In 2022, foreign direct investment (FDI) flows decreased by 61.3% to USD 1’975.3 million (11.7% of GDP) when compared to the USD 5’101.7 million (32.3% of GDP) recorded in 2021.

FDI related to megaprojects recorded a decrease compared to the year 2021, due to the disinvestment carried out by companies in the coal industry. In turn, the FDI excluding megaprojects registered a mixed behaviour characterized by increases and decreases.

In terms of sectoral distribution of FDI, the extractive industry maintained its position of the largest recipient of investment flows, with a total of USD 1’558.3 million, (78.9% of total FDI), followed by the electricity production and distribution sector, gas and water with USD 130.2 million (6.6% of total FDI), manufacturing industry with USD 40.5 million (2.0% of total FDI), and transport, storage and communication with USD 11.6 million (1.0% of total FDI). The FDI in the extractive industry was mostly absorbed by the activities of preparation for the exploration of natural gas, having the activity recorded an annual growth in FDI inflows of 5.3%, corresponding to a cash flow of USD 2’272.2 million.

The FDI in Mozambique is dominated by Mauritius in top position with 70.5%, followed by The Netherlands, United Arab Emirates and Italy, with 27.6%, 9.3% and 7.9% of the country's total (net) FDI, respectively.

For more details on direct investment in Mozambique, see Annex 5 of this report.

5.2 Bilateral investment

[9] Bank of Mozambique Balance of Payments (2022): https://www.bancomoc.mz/media/l1bmpaxt/boletim-anual-da-balan%C3%A7a-de-pagamentos-2022.pdf

At the end of 2022, Switzerland ranked 13th in terms of FDI in Mozambique, with capital inflow of USD 9.1 million after USD 2.8 million in 2021 corresponding to year to year increase of 225%.

The Embassy considers that there are about 20 companies in Mozambique that can be considered Swiss, either because of their headquarters, ownership or the origin of the goods distributed. In most cases, these are distributors of Swiss products or service providers.

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

Swiss foreign economic promotion instruments are not present in Mozambique although is low income country. Initial contacts were made with Swiss Business Hub (SBH) in Pretoria and will be continued in order to fine tune the Swiss foreign economic promotion instruments to the context of Mozambique.

6.2 The host country's interest in Switzerland

Switzerland has an excellent reputation in Mozambique, and the establishment of a Swiss Protestant Mission in the 19th century with its contribution to the training of an intellectual elite are still highly valued today. As a developing economy, however, Mozambique has very little presence as an investor abroad, with companies concentrating on domestic investment and trade with neighbouring countries and the Portuguese-speaking community.
The Swiss financial centre is not very attended by Mozambique. In the long term, the development of the capital market or the establishment of a possible sovereign wealth fund for revenues from the extractive industry could represent an opportunity for the Swiss financial centre.

7 SECTORAL CHALLENGES FOR SWISS COMPANIES *INTERNAL*

7.1 In general

On the whole, Swiss companies enjoy a situation largely comparable to that of local and foreign competitors and operate under the same framework conditions.
Most of them have been established for a relatively long time and are generally satisfied with the conditions offered to them, highlighting the good climate and relative safety in Mozambique compared to other countries in the region.

However, this positive assessment must be put into perspective in view of the many challenges faced by any local or foreign company. A rather liberal normative and legislative framework is contrasted with a very relative application of these provisions due to an inefficient and rather opaque administration, and courts with often arbitrary decisions. Corruption is present at all levels, and entrepreneurs also complain about non-performing services, especially electricity, high transaction costs and deficient infrastructure.

Finally, it should be noted in general that entrepreneurship and productivity remain severely constrained by limited education and skills, as well as a low absorptive capacity for innovation and technology.

7.2 Special considerations

- **Trade in goods:** Export and import procedures appear to be smooth. The Embassy is not aware of any problematic cases in this area.
- **Investment:** The investment law is very liberal and allows full foreign ownership. Investors have access to incentives and land can be made available for free for

agricultural projects. The licensing process works fairly well and seems less affected by corruption than other areas. However, major problems remain with the judicial system in case of disputes, and with the general constraints mentioned above. The investment law was approved by Parliament while the land law is due to be submitted to the Parliament after a comprehensive consultation process.

- **Public procurement:** Many tenders are held in Mozambique in the context of mega projects. With the development of gas projects in particular, an increasing number of Swiss companies are involved. This is an area that is highly affected by corruption. No cases of discrimination against local or foreign competitors in tendering procedures were reported in the period under review.
- **Intellectual property:** The Embassy is not aware of any specific cases where Swiss economic interests have been harmed by violations of international rules on intellectual property.
- **Horizontal areas:** There are no known problems in horizontal areas (taxation, competition law, company law, etc.) that affect Swiss business interests. One company reported the sometimes excessive zeal of regional tax authorities; a move to the capital to the central authority solved the problem according to the company.

8 SPECIFIC PROBLEMS FACED BY SWISS COMPANIES *INTERNAL*

There are no specific problems faced by Swiss companies that were reported to the Embassy.

9 CONCLUSION *INTERNAL*

The path for economic and social development of Mozambique has been made with several challenges. In the short term, the country is in critical situation of finding a balanced policy mix able to absorb the pressure of increasing cost of life in particular in the urban and peri-urban areas and most vulnerable groups, in a context of limited fiscal space. In the medium to long term, the country should intensify actions to solve the insecurity problems in the northern province of Cabo Delgado and create conditions for the return of onshore LNG investments. The fiscal resources originated from oil and gas sector are expected to be used for diversification of the rest of the economy (non-oil and gas sector such as agriculture, manufacturing and tourism) and contribute for the reduction of poverty and income inequalities. For this, the creation of a sovereign wealth fund with clear mandate and appropriate governance is crucial.

⇒ *Switzerland is strongly engaged in Mozambique at several levels and supports its economic and social development through the SDC, SECO and the DSH, with a priority focus on the northern region. It will continue to do so in the coming years in line with its multi-year program for Mozambique 2022-2025.*

In terms of investment and economic activity, Mozambique, being a developing country in a growth path, has business opportunities almost in all sectors. The LNG investments is expected to offer various upstream and downstream windows as supplier of goods and services particularly to medium to large companies. Nevertheless, it is important to generate knowledge on how to navigate the business in the country and make business happen in a context of challenging business environment. The Swiss/Mozambique Chamber of Commerce together with other business association can have an important role in this regard.

⇒ *For a company that knows how to engage in a difficult context, the potential of Mozambique deserves to be better known. As a first step to foster this knowledge, an exchange between the Embassy, the Swiss Business Hub in Pretoria and Mozambican economic operators (Swiss/Mozambique Chamber of Commerce, Mozambique's umbrella economic association) should take place to review the opportunities and consider possible promotional events.*

⇒ *For spontaneous contacts or possible problems encountered by Swiss companies in Mozambique, the current approach, involving regular follow-up by the Embassy* *and ad hoc steps if necessary, will be maintained.*

ANNEX 1 – Economic structure

Economic structure of the host country

Distribution of GDP*	Year 2021	Year 2022
Primary sector (Agriculture, fisheries and extractive industries)	30.4%	30.9%
Manufacturing sector (Manufact, gas & electricity prod, construction)	11.9%	11.7%
Services	57.7%	57.4%
- of which public services[10] (Administration, education, health, security and social protection)	13.5	13.3%

Distribution of employment** (including informal sector)		
Primary sector	..%	
Manufacturing sector	..%	
Services	..%	
- of which public services	..%	

Formal sector employment***		
Primary sector	..%	
Manufacturing sector	..%	
Services	..%	
- of which public services	..%	

Sources:

*National Statistics Institute of Mozambique, National Accounts, May 2022

**National Statistics Institute of Mozambique, Households Survey, 2015

***National Statistics Institute of Mozambique, Enterprise Survey 2015

[10] The social sectors of education and health are assumed as mainly public sector, but include some private sector)

ANNEX 2 – Main economic data

Host country's main economic data

	2020	2021	2022
GDP (USD bn)*	**14.0**	**16.1**	**17.9**
GDP per capita (USD)*	**449**	**501**	**541**
Growth rate (% of GDP)*	**-1.2**	**2.3**	**4.1**
Inflation rate (%)* (Annual percentage change)	**3.1**	**5.7**	**9.8**
Unemployment rate (%)*			**3.9**
Fiscal balance (% of GDP)* Before grants After grants	**-7.9** **-4.0**	**-4.8** **-3.1**	**-8.9** **-4.9**
Current account balance (% of GDP)* Excluding megaprojects (MP) Excluding MP and indirect MP imports	**-28.4** **-28.3** **-18.2**	**-23.8** **-33.9** **-21.7**	**-37.4** **-31.4** **-19.6**
Total external debt (% of GDP)* (Public sector debt)	**120**	**107.2**	**104.5**
Debt-service ratio (% of exports)*	**24.3**	**109.3**	**9.3**
Reserves (months of imports)*	**4.7**	**4.2**	**2.1**

Sources:

IMF (2022). Republic of Mozambique – Staff Report for the Article IV Consultation and Request for a Three-Year Arrangement Under the Extended Credit Facility (April 2022)

www.imf.org/en/Countries/MOZ

IMF (2022). Regional Economic Outlook – Sub-Saharan Africa (April 2022)

www.imf.org/external/pubs/ft/weo

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2022

Rank	Country	Exports *from the host country* (USD million)	Share	Change[11]	Rank	Country	Imports *to the host country* (USD million)	Share	Change[10]
	EU	**2'099.80**	**25%**	**27%**		**EU**	**817.3**	**6%**	**-13%**
1	South Africa	1'120.6	14%	18%	**1**	South Africa	2'081.8	16%	0%
2	United Kingdom	985.4	12%	68%	**2**	Portugal	252.1	2%	-5%
3	The Netherlands	314.1	4%	-31%	**3**	**Switzerland**	**168.5**	**1%**	**760%**
4	Zimbabwe	210.8	3%	-3%	**4**	Mauritius	123.4	1%	244%
5	Italy	203.8	2%	16%	**5**	German	81.0	1%	34%
6	Spain	185.3	2%	55%	**6**	France	78.4	1%	-58%
7	**Switzerland**	**142.2**	**2%**	**273%**	**7**	Spain	63.4	0%	96%
8	Poland	134.9	2%	16%	**8**	The Netherlands	60.7	0%	25%
9	Belgium	110.6	1%	40%	**9**	Eswatini	56.3	0%	9%
10	Zambia	101.2	1%	91%	**10**	Tanzania	54.2	0%	29%
		(…)					(…)		
	Total	**8'280.8**	**100%**	**48%**		**Total**	**13'337.4**	**100%**	**70%**

Source(s): Bank of Mozambique – Balance of Payments 2022

[11] Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	*Change (%)*	**Import** (CHF million)	*Change (%)*	**Balance** (in million)	**Volume** (in million)
2016	5.9	-40.5%	24.2	-11.3%	-18.3	30.1
2017	3.8	-35.6%	24.9	2.8%	-21.1	28.7
2018	14.8	290.1%	19.1	-23.4%	-4.3	33.9
2019	8.7	-41.3%	26.1	36.7	-17.4	45.4
2020 *(Total 1)**	**10.9**	**26.2**	**23.6**	**-9.5%**	**-12.7**	**34.5**
2021 (I-VI)**	**3.6**	**-67.3%**	**26.9**	**13.8%**	**-23.3**	**30.5**
2022	**2.8**	**-20.8%**	**35.9**	**33.5%**	**33.0**	

*) ‘Economic’ total (total 1): not including gold bars and other precious metals, currencies, previous stones and gems, works of art and antiques

**) Change (%) from the previous year

Exports	**2020** (% of total)	**2021** (% of total)
1. 8438 Machinery for the industrial preparation or manufacture of food or drink	0.2%	16.8%
2. 3004 Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses	4.2%	10.4%
3. 9027 Instruments and apparatus for physical or chemical analysis	0%	8.3%
4. 8501 Electric motors and generators	0.6%	8.1%
5. 8474 Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances	5%	6.4%

Imports	**2020** (% of total)	**2021** (% of total)
1. 1512 Sunflower-seed, safflower or cotton-seed oil	42%	51.4%
2. 7103 precious or semi-precious stones, precious metals	41.9%	39.2%
3. 2401 Unmanufactured Tobacco	9.5%	6.4%
4. 1513 Coconut Copra, palm kernel or babassu oil	1.6%	0.9%
5. 9018 Instruments and appliances used in medical, surgical, dental or vet sciences	0%	0.6%

Source: Swiss-Impex platform of the Federal Office for Customs and Border Security:
https://www.gate.ezv.admin.ch/swissimpex/

ANNEX 5 – Main investing countries

Main investing countries in the host country **Year: 2020***

Rank	Country	Direct investment (USD, stock) 2020	Share	Variation (stock)
1	South Africa	12,004	23.7%	2%
2	Mauritius	7,830	15.5%	21%
3	UAE	5,561	11.0%	18%
4	Portugal	4,943	19.8%	0%
5	India	4,463	8.8%	2%
6	Netherlands	4,091	8.1%	-1%
7	UK	3,908	7.7%	6%
8	Brazil	1,310	2.6%	10%
9	Belgium	964	1.9%	44%
10	China	923	1.8%	35%
24	*Switzerland*	105	*0.2%*	12%
	Total	50,583	100%	8%

FDI inflows 2020-2021**

Rank	Country	Inflows 2021 (USD mio)	Inflows 2022 (USD mio)	Share	Variation
1	Mauritius	1’450.50	1’392.50	71%	-4%
2	The Netherlands	474.80	545.60	28%	15%
3	EAU	1’781.70	182.90	9%	-90%
4	Italy	200.70	155.70	8%	-22%
5	USA	15.90	103.40	5%	550%
6	Portugal	18.10	97.70	5%	440%
7	Ilhas Marshal	34.40	50.10	3%	46%
8	China	46.40	31.60	2%	-32%
9	UK	6.50	14.50	1%	123%
10	Luxembourg	8.00	12.50	1%	56%
13	**Switzerland**	2.80	9.10	**0%**	**225%**
	Total	**5’103.40**	**1’974.80**	**100%**	**-61%**

Source(s):

*coordinated Direct Investment Survey (CDIS), IMF Data Warehouse, June 2022

**Bank of Mozambique, Balance of Payments Bulletin and data 2021, June 2022

ANNEX 6 – Swiss companies in the host country **INTERNAL**

List of Swiss companies with a presence in the host country

Companies	Location (address optional)	Sector of Activity
Banks / financial companies:		
Insurance:		
Service providers:		
MSC Mediterranean Shipping Company*	Maputo	Logistics
MozParks*	Maputo	Real Estate, Investment
Club of Mozambique Lda*	Maputo	Media
SGS*	Maputo	Business Solutions
SGS MCNET*	Maputo	Business Solutions
Florique Lda*	Maputo	Business Consulting
Geosystems Lda*	Maputo	Medical Instruments
Auto Suiça	Maputo	Automotive
Ciedima*	Maputo	Printing/Editing
Bernina*	Maputo	Textile
Crossing*	Maputo	Travel/Tourism
Machinery and infrastructure:		
Chemicals and pharmaceuticals industry:		
Food:		
Nestle	Maputo	Nutrition/Food
Syngenta*	Maputo	Agriculture and Food Security
The African Food Company*	Gaza	Agriculture Production
General industry:		
Sika*	Boane	Construction materials
ABB*	Maputo	Robotics, Power, Automation
Hilti*	Maputo	Construction Materials
Swiss Solar Lda*	Maputo	Energy
Cow Horn*	Maputo	Jewellery
Mozambique Leaf Tobacco*	Head	Tobacco Production

* Member of the Swiss Chamber of Commerce Mozambique.