



The Mozambican Economy

Eventful start to 2016

Economic growth slows, but stays well ahead of SSA average

The latest news from Mozambique presented investors and market participants with mixed feelings about the country's current situation and outlook for the future. On the economic front, GDP figures showed that economic activity in the country slowed to 5.6% YoY in the last three months of 2015 and that real GDP growth for the year stood at 6.3%, below the 7.4% in 2014 (which is also the average growth of the last decade). This figure is in line with our estimate, but below the 7% expected by the government in the 2016 budget approved in November. It is also well ahead of the IMF's latest 3.5% average growth projection for Sub-Saharan Africa in 2015.

Tighter monetary policy to curb inflation

In terms of inflation, consumer prices picked up once again in January. This reflects the strong depreciation of the metical against the rand and dollar in the latter months of 2015 which translated into higher import prices. Although average inflation levels remain relatively low at 4.27% in January, it is expected to accelerate this year and stay above the local authorities' objective of 5.6%. This will likely require additional monetary policy tightening from the central bank on top of the three rate increases done in the last three meetings of 2015 and its latest move in February.

Twin deficits persist despite improvement in fiscal accounts

The latest data also showed that the country's twin deficits in its fiscal and external accounts persist. However, the 2015 budget execution report showed that the local authorities were able to reduce the budget deficit to 3% of GDP from 8.8% in 2014 (after grants). This was largely done by aggressively cutting capital expenditures and controlling current spending although we note the latter remains at an excessively high 60.9% of total spending (and wages at more than 1/3). Meanwhile, the current account deficit continued to deteriorate in the 9M 2015, standing at an estimated 45.3% of GDP (annualized) and above the levels seen in recent years. This largely results from lower FDI in the country.

Balancing the positive (LNG project) and negative (political tensions) news

Italy's Eni recently announced that Mozambique's Council of Ministers approved the development plan for the company's LNG project, paving the way for Eni to take the final investment decision on the project later this year. This approval relates to the first phase of development of 5 trillion cubic feet of gas located in Area 4 of the Rovuma basin, in the north of the country. It foresees the installation of a floating LNG facility with capacity of around 3.4 MTPA. This is a major announcement (and clearly positive news) for Mozambique. However, other recent news suggesting that political tensions have escalated lately is not so positive for the country. Reports that the army has increased its presence in the central and northern parts of Mozambique in order to disarm militias linked to Renamo (the opposition party) have recently led to the escape of Mozambicans to neighboring Malawi. The risk that these increased political tensions could result in the return of armed conflict to the country is something that the local authorities will need to avoid and eventually resolve. We believe the timing of these events is very unfortunate particularly bearing in mind the upbeat outlook that Mozambique continues to offer at the eyes of the local population and the international community as well.

Research

March 2016

Economics

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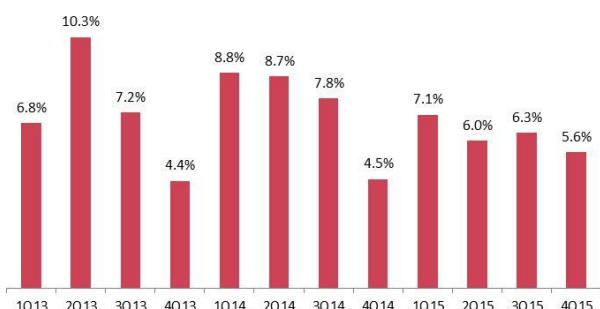
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ECONOMIC ACTIVITY

The latest figures published by the National Statistics Institute (INE) showed that growth in economic activity slowed to 5.6% YoY in the last three months of 2015. This compares with an upwardly revised 6.3% YoY expansion (from 5.9% previously expected) in 3Q. On average, this means that real GDP growth stood at 6.3% for the whole of 2015, which is well below the 7.4% in 2014 and the average growth (also 7.4%) recorded in the last decade. It clearly shows a soft-landing scenario of the Mozambican economy last year that, as previously noted, mainly resulted from (1) a sharp drop in commodity prices, namely aluminum and coal (the country's main exports) and (2) lower foreign direct investment inflows. It is also worth highlighting that this figure is in line with our projection, but below the 7% forecasted by the government when it presented the 2016 budget proposal last November.

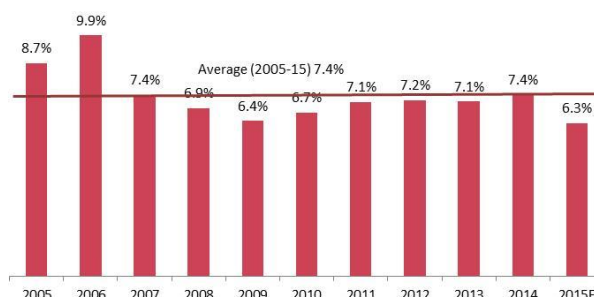
Economic activity slowed to 5.6% YoY in 4Q 2015, meaning that real GDP growth for the whole of 2015 stood at 6.3%

REAL GDP GROWTH (1Q13-4Q15)



Source: National Statistics Bureau (INE).

REAL GDP GROWTH (2005-15E)

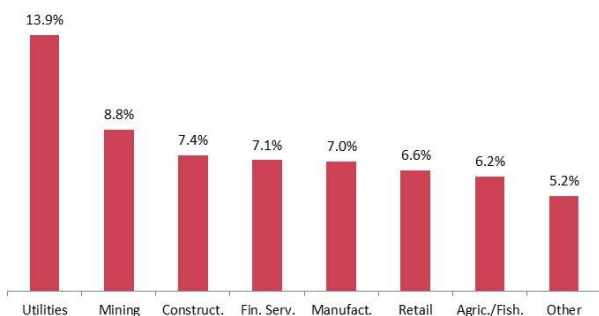


Source: National Statistics Bureau (INE) and Eaglestone Securities.

The utilities sector (including electricity and water) saw the strongest growth last year (13.9%) and was the only one recording a double-digit growth performance. It was followed by mining (8.8%) and construction (7.4%). Unsurprisingly, the primary sector remains the largest sector of the Mozambican economy, with agriculture and fishing related activities accounting for a combined 23.2% of GDP in 2015. Transports and communication represented 12.1% of the total GDP while retail accounted for 11%. The mining (or extractive) sector only accounts for a small share of 3.8%, but its contribution is expected to increase in the long-run due to large investments expected in the natural gas sector and higher coal production.

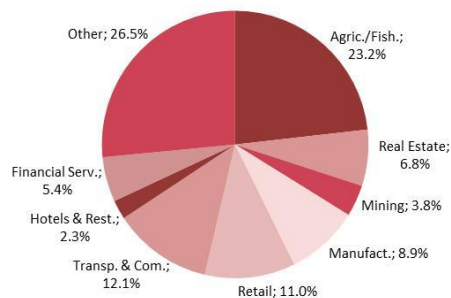
Utilities recorded the strongest growth in 2015 followed by mining and construction

REAL GDP GROWTH BY SECTOR (2015E)



Source: National Statistics Bureau (INE).

GDP STRUCTURE (2015E)

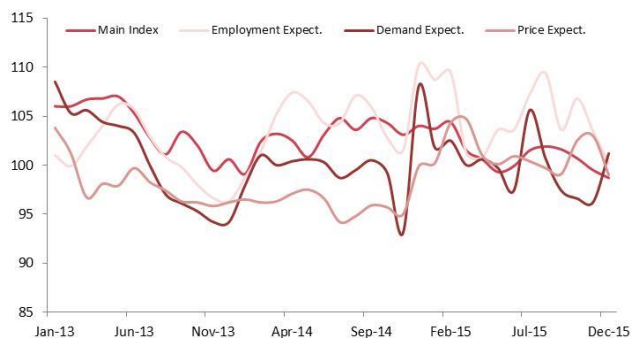


Source: National Statistics Bureau (INE).

Meanwhile, also according to the INE, business confidence measured by the economic climate index fell for the fourth consecutive month in December. This reflected the negative sentiment that local businesses had about employment and price expectations, which more than offset a recovery in demand expectations. Data showed that confidence levels dropped significantly in the retail sector at the end of 2015, which is mostly explained by a more negative feeling about the current activity of the sector as the sentiment about the outlook for demand remains upbeat. Sentiment in the construction sector also fell for the second month in a row, namely due the deterioration in the outlook for employment and business volume in the sector.

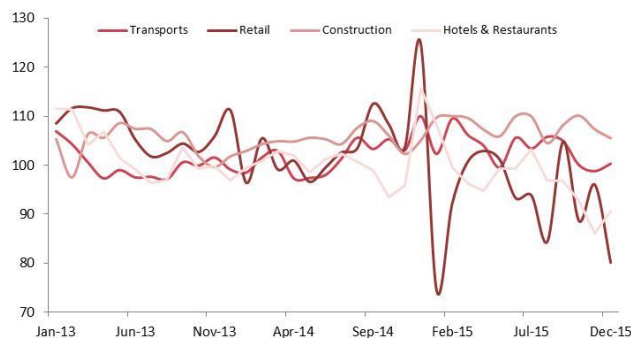
The main index for economic climate fell for the fourth consecutive month in December 2015

ECONOMIC CLIMATE INDEX



Source: National Statistics Bureau (INE).

ECONOMIC CLIMATE INDEX BY SECTOR



Source: National Statistics Bureau (INE).

On the other hand, confidence levels in the transport and hotels and restaurants sectors saw a slight recovery from the recent past. Managers in the transport sector are more upbeat about the business volume and employment expectations while in the hotels and restaurants sector market players are more positive about business volume as well as current and future demand.

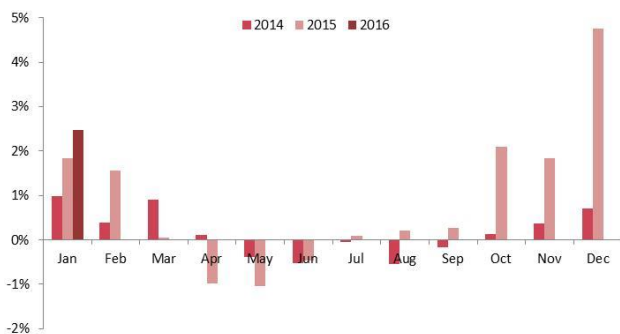
Confidence levels in the transport and hotels and restaurants sectors recovered at end-2015

INFLATION AND MONETARY POLICY

Data from the INE showed that the consumer price index (CPI) for the cities of Maputo, Beira and Nampula (used as a proxy for the inflation in the country) rose 2.48% MoM in January. This figure compares with a very strong monthly increase of 4.76% in the previous month, the largest recorded in recent years. The recent acceleration in the inflation rate mostly reflects the depreciation of the metical at the end of 2015, which has raised the prices of imported goods, namely food items. Indeed, the food and non-alcoholic beverages segment was once again the one providing the largest contribution (1.81% MoM) to the monthly price increase last month. The prices of tomato (11.5%), rice (13%), corn (13.2%) and beans (22.5%) all recorded strong increases in the period.

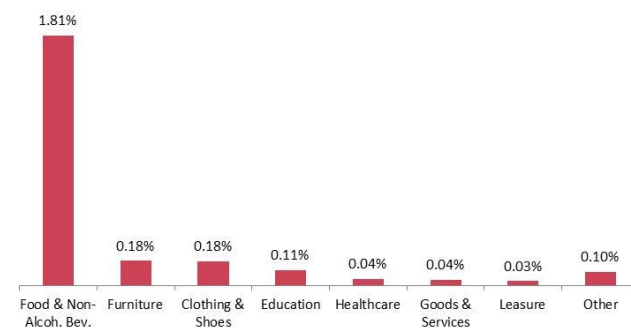
Consumer prices were up very strongly once again at the start of 2016

CONSUMER PRICE INDEX (MONTHLY CHANGE)



Source: National Statistics Bureau (INE).

STRONGEST CONTRIBUTION TO CPI (JANUARY 2016)



Source: National Statistics Bureau (INE).

Meanwhile, prices rose 11.25% YoY, which is another double-digit increase after the 10.55% seen at the end of 2015. This compares with a 2.79% YoY increase in January 2015. The 12-month average remained at a more modest 4.27% (up from 3.55% in December), but it is likely to accelerate as consumer prices remain under pressure throughout the year. This is clearly evident in the graph below depicting the accumulated inflation data, namely in the last quarter of 2015. Recent data also showed that the downward trend in consumer price growth that started in early-2011 has been interrupted and, in fact, been reversed in recent months.

The downward trend in the annual inflation that started in mid-2011 has been interrupted

CONSUMER PRICE INDEX (ACCUMULATED YTD)



Source: National Statistics Bureau (INE).

CONSUMER PRICE INDEX (12-MONTH AVERAGE AND YOY)

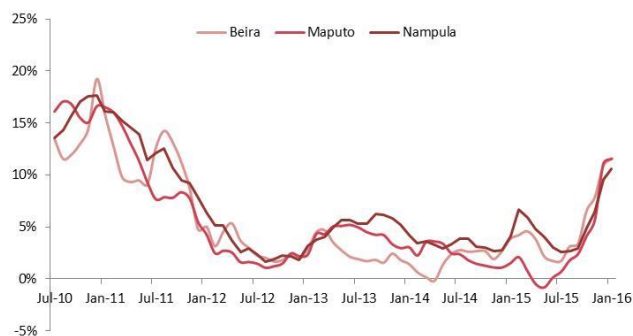


Source: National Statistics Bureau (INE).

Looking at the inflation rate in the three cities, Beira (3.53%) recorded once again the biggest monthly increase in January followed by Nampula (2.73%) and Maputo (1.97%). Still, Maputo (0.99%) unsurprisingly had the biggest contribution to the 2.48% MoM national increase, with Nampula and Beira contributing 0.91% and 0.58%, respectively. On an annual basis, Maputo posted an inflation rate of 11.55%, Beira 11.58% and Nampula 10.63%. Finally, the 12-month average stood at 3.23% in Maputo, 5.17% in Beira and 5.36% in Nampula.

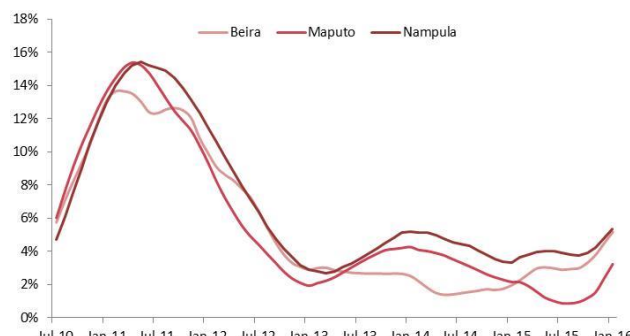
Maputo unsurprisingly continues to have the largest contribution to the national inflation rate

CPI FOR THREE LARGEST CITIES (YOY)



Source: National Statistics Bureau (INE).

CPI FOR THREE LARGEST CITIES (12-MONTH AVERAGE)



Source: National Statistics Bureau (INE).

We believe the monthly inflation rate could be somewhat volatile in the near term and largely depend on the evolution of the metical exchange rate against the rand and the dollar. We note that the metical has depreciated nearly 3% against the rand so far this year and has remained relatively unchanged versus the dollar. This follows depreciations of 5.5% and 47.4% in 2015, respectively. Prices will also depend on the impact of weather conditions on local agricultural production output and the need to import more or less food items from abroad. All in all, we foresee the average inflation rate gradually picking up during 2016 and likely ending the year at close to double-digits, which is well above the target of 5.6% set by the government.

Monthly inflation is likely to be volatile in the short-term and dependent on the metical exchange rate and the impact of weather conditions on food production

This will require additional monetary tightening measures by the central bank this year (on top of the ones already recently implemented) bearing in mind the need to limit the exchange rate depreciation and protect international reserves. We note that in its last three meetings of 2015, the Banco de Moçambique either raised interest rates and/or increased reserve requirements. The monetary policy tightening measures taken led to increases in (1) the overnight lending interest rate by a combined 225bps to 9.75%, (2) the deposit standing facility interest rate by 250bps to 3.75% and (3) the reserve requirements by 250bps to 10.5%.

The central bank tightened monetary policy in its last three meetings of 2015 and in February of this year

More recently, the central bank left interest rates unchanged in its January meeting, but again decided to tighten monetary policy in February. The overnight lending interest rate was raised by an additional 100bp to 10.75% while the deposit standing facility interest rate was raised by 50bp to 4.25%. The reserve requirement coefficient remained unchanged at 10.5%.

After pausing in its January meeting, the central bank increased interest rates once again in February

Meanwhile, data released by the central bank showed that net international reserves fell by an estimated US\$ 124.5 million (or 6.2% MoM) to US\$ 1,869 million in January. The amount of

Net international reserves fell by 30.8% YoY in 2015

gross international reserves in the period corresponded to 3.1 months of imports of goods and services (excluding mega-projects). This drop in the first month of the year followed a decline of US\$ 888.5 million (or 30.8%) in net international reserves in the whole of 2015.

EXCHANGE RATE (USD/MZN AND ZAR/MZN)



Sources: Central Bank of Mozambique (BM) and Bloomberg.

INTERNATIONAL RESERVES (US\$ MILLION)



Source: Central Bank of Mozambique (BM).

BUDGET EXECUTION (2015)

Mozambique's Ministry of Finance recently disclosed its budget execution report for the whole of 2015. Total revenues in the period amounted to MZM 154,639 million, or US\$ 3,222 million if considering the US\$/MZN exchange rate at the end of 2015. It also means that total revenues stood at 96.2% of the annual target (vs. an execution rate of 102.1% in 2014) and 1.1% below the figure recorded in the previous year. We note that income taxes were 12.7% higher than expected in the period, despite being down 8.2% YoY. In particular, corporate income taxes stood 23.3% above the budget forecast while income taxes on individuals stood 1.7% below expected. However, corporate income taxes declined 18.3% YoY mostly as a result of non-recurrent effects related to capital gains in 2014 whereas income taxes on individuals rose 16.1% from the previous year.

According to the budget execution report for 2015, total revenues stood at 96.2% of the targeted figure for the year (vs. 102.1% in 2014)

Meanwhile, non-tax revenues were also slightly better than expected in the year after a strong 20.2% annual improvement. On the other hand, taxes on goods and services, which includes among other items the VAT tax, stood well below expected (85% execution rate) after a near 6% annual decline. All in all, total revenues represented an estimated 25.7% of GDP in 2015, down from 29.4% of GDP in the previous year.

Taxes on goods and services, which includes the VAT tax, stood well below expected

REVENUES Million MZM	Executed Amount		Execution Rate		2015 vs. 2014		% of GDP	
	2014	2015	2014	2015	Executed Amount	Execution Rate	Executed (2014)	Executed (2015)
Tax Revenues	135,085	128,396	102.1%	96.5%	-5.0%	-5.6%	25.4%	21.3%
Income Tax	63,097	57,930	106.3%	112.7%	-8.2%	6.3%	11.9%	9.6%
Corporates	44,681	36,513	107.2%	123.3%	-18.3%	16.1%	8.4%	6.1%
Individuals	18,345	21,308	104.6%	98.3%	16.1%	-6.3%	3.5%	3.5%
Other	71	109	76.2%	106.5%	53.9%	30.3%	0.0%	0.0%
Goods & Services Tax	67,846	63,897	100.4%	85.0%	-5.8%	-15.4%	12.8%	10.6%
VAT	48,194	45,264	100.6%	93.9%	-6.1%	-6.7%	9.1%	7.5%
Other	19,652	18,633	100.0%	69.0%	-5.2%	-31.0%	3.7%	3.1%
Other Taxes	4,142	6,570	77.2%	102.3%	58.6%	25.1%	0.8%	1.1%
Non-Tax Revenues	9,666	11,616	102.8%	102.3%	20.2%	-0.5%	1.8%	1.9%
Capital Revenues	2,887	3,131	90.6%	98.2%	8.4%	7.6%	0.5%	0.5%
Other Revenues	8,698	11,495	105.8%	87.4%	32.2%	-18.4%	1.6%	1.9%
Total Revenues	156,336	154,639	102.1%	96.2%	-1.1%	-5.9%	29.4%	25.7%

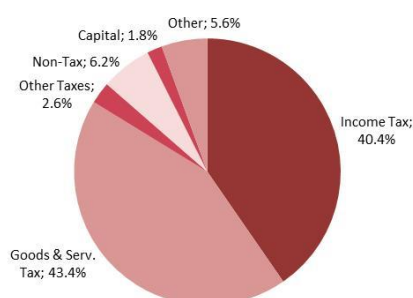
Sources: Ministry of Finance and Eaglestone Securities.

Taxes on goods and services continued to be the largest contributor to total revenues (41.3% of the total vs. 43.4% in 2014) while income taxes accounted for 37.5% of the total, down from 40.4% in the previous year. Also worth highlighting is the lower than projected performance in capital revenues (despite a high single-digit annual improvement) and in other revenues (which

Fiscal revenues (income and goods & services taxes) accounted for most of the government receipts

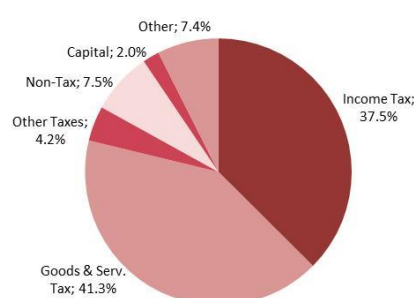
include fuel taxes). Capital revenues were in large part impacted by a 31% drop in dividends, namely from the central bank (-58% YoY) and the public railway company CFM (-36% YoY).

TOTAL REVENUE BREAKDOWN (2014)



Source: Ministry of Finance.

TOTAL REVENUE BREAKDOWN (2015)



Source: Ministry of Finance.

Moreover, the contribution from megaprojects reached MZM 11,551 million in 2015 (+10.3% YoY) and accounted for 7.5% of total revenues (vs. 6.7% in 2014). The largest contribution came from oil exploration related megaprojects, which improved by more than 20% from 2014. The energy production sector also performed quite well, representing nearly 20% of the total contribution from megaprojects.

The contribution of megaprojects to total revenues improved 10% YoY in 2015 and accounted for 7.5% of total revenues (vs. 6.7% in 2014)

MEGAPROJECTS Million MZM	Contribution			% of Total		% Total Revenues	
	2014	2015	Change	2014	2015	2014	2015
Energy Production	2,000	2,291	14.6%	19.1%	19.8%	1.3%	1.5%
Oil Exploration	5,554	6,689	20.4%	53.0%	57.9%	3.6%	4.3%
Mineral Resources Exploration	2,271	1,906	-16.1%	21.7%	16.5%	1.5%	1.2%
Other	646	665	2.9%	6.2%	5.8%	0.4%	0.4%
Total	10,471	11,551	10.3%	100.0%	100.0%	6.7%	7.5%

Sources: Ministry of Finance and Eaglestone Securities.

Looking now at total expenditures in 2015, we note that these reached MZM 193,099 million (or US\$ 4,023 million), a drop of 15% YoY. This represents an execution rate of 85.7% in the period, below the 91.2% in 2014. Overall, total expenditures accounted for an estimated 32.1% of GDP, which is well below the 42.7% of GDP in the previous year.

Total spending executed in 2015 represented 85.7% of the projection for the whole year vs. 91.2% in 2014)

The amount of current expenditures accounted for nearly 61% of total spending in the period (vs. 52% of the total in 2014) and stood relatively unchanged from the previous year. It also stood 1.5% below its budgeted figure for the year. Staff costs performed very much in line with expectations as did current transfers and debt payments, with the latter recording a very significant 45.9% annual increase. In particular, it is worth noting the increases in (1) staff costs, which is explained by the recruitment of new public sector employees in 2015, namely in the education and health sectors, (2) debt payments from much higher interest owed on external debt and (3) transfer payments, namely to underprivileged families.

Current expenditures represented nearly 61% of total spending

EXPENDITURES Million MZM	Executed Amount		Execution Rate		2015 vs. 2014		% of GDP	
	2014	2015	2014	2015	Executed Amount	Execution Rate	Executed (2014)	Executed (2015)
Current Expenditures	118,470	117,502	97.7%	98.5%	-0.8%	0.8%	22.3%	19.5%
Staff Costs	59,831	64,092	99.2%	99.4%	7.1%	0.2%	11.3%	10.6%
Goods and Services	26,038	22,453	96.6%	95.9%	-13.8%	-0.7%	4.9%	3.7%
Debt Payments	5,193	7,577	85.6%	100.0%	45.9%	14.4%	1.0%	1.3%
Current Transfers	18,333	19,858	98.7%	99.2%	8.3%	0.5%	3.5%	3.3%
Subsidies	2,671	2,213	100.0%	97.2%	-17.1%	-2.8%	0.5%	0.4%
Other Current Expenditures	6,404	1,308	96.3%	86.5%	-79.6%	-9.8%	1.2%	0.2%
Capital Expenditures	87,036	58,651	83.3%	70.5%	-32.6%	-12.7%	16.4%	9.7%
Domestically Financed	45,375	42,562	98.1%	94.8%	-6.2%	-3.3%	8.5%	7.1%
Externally Financed	41,662	16,089	71.5%	42.0%	-61.4%	-29.5%	7.8%	2.7%
Net Lending	21,543	16,946	92.3%	74.0%	-21.3%	-18.3%	4.1%	2.8%
Total Expenditures	227,049	193,099	91.2%	85.7%	-15.0%	-5.5%	42.7%	32.1%

Sources: Ministry of Finance and Eaglestone Securities.

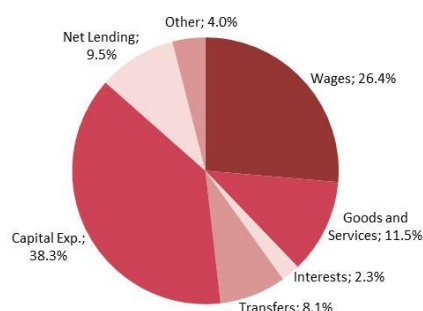
We also note the sharp drop of nearly a third (in nominal terms) in the executed amount of capital expenditures, as these stood at just 70.5% of the projection for the whole year. The Mozambican government stated that this was due to the fact that in the first four months of the year it had only executed projects included in the 2014 budget.

Capital expenditures saw a significant drop due to the late execution of projects still pending from 2014

The Mozambican authorities continue to allocate a significant share of public expenditures to pay the salaries of public sector employees. According to the 2015 budget execution report, this amount reached a third of total spending, which was well above the 26.4% of the total in the previous year. Also, for the reasons aforementioned, it is worth noting that the share of (1) capital expenditures fell to 30.4% of the total (from 38.3% in 2014) and (2) interest payments rose to nearly 4% of the total (from 2.3% in 2014).

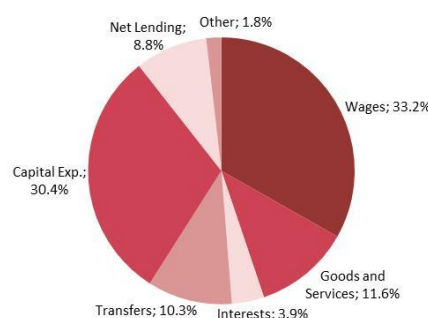
Wages represent a third of total government expenditures

TOTAL EXPENDITURES BREAKDOWN (2014)



Source: Ministry of Finance.

TOTAL EXPENDITURES BREAKDOWN (2015)



Source: Ministry of Finance.

All in all, the budget deficit (before grants) stood at MZM 38,460 million (or US\$ 800 million), which is 45.6% lower than in the previous year. If including grants, the deficit would stand at MZM 18,287 million (or US\$ 380 million), representing a sharp fall in nominal terms of 60.8% YoY. This would represent a deficit of 6.4% and 3% of GDP, respectively, in 2015, which is well below the levels recorded in the previous year.

The budget deficit fell significantly in 2015 when compared with the previous year

STATE BUDGET Million MZM	Executed Amount		Execution Rate		2015 vs. 2014		% of GDP	
	2014	2015	2014	2015	Executed Amount	Execution Rate	Executed (2014)	Executed (2015)
Total Revenues and Grants	180,443	174,812	98.3%	96.5%	-3.1%	-1.9%	34.0%	29.0%
Total Revenues	156,336	154,639	102.1%	96.2%	-1.1%	-5.9%	29.4%	25.7%
Grants	24,107	20,173	79.3%	98.6%	-16.3%	19.3%	4.5%	3.3%
Total Expenditures	227,049	193,099	91.2%	85.7%	-15.0%	-5.5%	42.7%	32.1%
Current Expenditures	118,470	117,502	97.7%	98.5%	-0.8%	0.8%	22.3%	19.5%
Capital Expenditures	87,036	58,651	83.3%	70.5%	-32.6%	-12.7%	16.4%	9.7%
Net Lending	21,543	16,946	92.3%	74.0%	-21.3%	-18.3%	4.1%	2.8%
Deficit (before Grants)	-70,713	-38,460	73.6%	59.5%	-45.6%	-14.1%	-13.3%	-6.4%
Deficit (after Grants)	-46,607	-18,287	71.0%	41.4%	-60.8%	-29.6%	-8.8%	-3.0%

Sources: Ministry of Finance and Eaglestone Securities.

In sum, total receipts reached 93.7% of the targeted figure for the year, with domestic receipts standing at 96.4% and external receipts at 85.7% of their respective targets. Government revenues stood at 96.2% of the target and grants at 98.6%. Moreover, domestic financing was very much in line with the budgeted figure, which contrasts with external financing (78.3%). It is also worth noting that domestic receipts remained the main source of funding for the local authorities, accounting for 77.2% of the total (vs. 68.8% in 2014). Meanwhile, total spending stood at 85.3% of the budgeted annual figure, well below the 91.2% in 2014. This is mostly explained by the significant drop in capital expenditures, which ended at 70.5% of their annual target. Net lending also saw a much lower execution rate while the one for current expenditures remained unchanged from 2014. This means that the local authorities were able to save MZM 19,101 million (nearly US\$ 400 million) last year, which is significantly more than in 2014.

The significant decline in capital expenditures allowed the government to save nearly US\$ 400 million in 2015

RECEIPTS/EXPENDIT.	Executed Amount		Execution Rate		% of Total		YoY Chg
	2014	2015	2014	2015	2014	2015	2015 vs. 2014
Million MZM							
Receipts:							
Domestic Receipts	164,550	163,771	102.0%	96.4%	68.8%	77.2%	-0.5%
Revenues	158,835	154,639	102.1%	96.2%	66.4%	72.9%	-2.6%
Domestic Financing	5,715	9,132	100.0%	99.5%	2.4%	4.3%	59.8%
External Receipts	74,502	48,429	84.8%	85.7%	31.2%	22.8%	-35.0%
Grants	24,107	20,173	79.3%	98.6%	10.1%	9.5%	-16.3%
External Financing	50,395	28,256	87.8%	78.3%	21.1%	13.3%	-43.9%
Total Receipts	239,052	212,200	96.0%	93.7%	100.0%	100.0%	-11.2%
Expenditures:							
Current Expenditures	118,470	117,502	97.7%	97.6%	52.2%	60.9%	-0.8%
Capital Expenditures	87,036	58,651	83.3%	70.5%	38.3%	30.4%	-32.6%
Domestic	45,375	42,562	98.1%	94.8%	20.0%	22.0%	-6.2%
External	41,662	16,089	71.5%	42.0%	18.3%	8.3%	-61.4%
Net Lending	21,543	16,946	92.3%	74.0%	9.5%	8.8%	-21.3%
Total Expenditures	227,049	193,099	91.2%	85.3%	100.0%	100.0%	-15.0%
Change in the Balance	12,003	19,101					59.1%
Receipts & Expenditures	239,052	212,200	96.0%	93.7%			-11.2%

Sources: Ministry of Finance and Eaglestone Securities.

EXTERNAL ACCOUNTS

Preliminary data from the Banco de Moçambique showed that the country's external accounts continued to deteriorate in the first nine months of 2015 and remain significantly above the levels seen in 2010-11 both in nominal and real terms, as seen in the table below. In nominal terms, the current account deficit reached US\$ 5,173 million in 9M 2015, which is 7.1% higher than in the homologous period. It also stood at an estimated 45.3% of GDP if we annualize the 9M figure. This compares with 38% in 2014 (or 37.8% if we also annualize the 9M figure).

The country's external accounts continued to deteriorate in 9M 2015

The trade deficit remained relatively unchanged from 2014, as the drop in exporting levels was mostly offset by lower imports. It is worth highlighting the significant fall in imports related to megaprojects in the period (-43.4% YoY). This reflects the lower imports of capital goods and comes in line with a deceleration in foreign direct investment (FDI) inflows (-16.8% YoY). Despite the lower FDI, it still represents an estimated 34% of GDP in the 9M, which clearly evidences the country's dependence of this type of funding.

Foreign direct investment in the country has slowed, but it still accounts for an estimated 34% of GDP

BALANCE OF PAYMENTS								
	2010	2011	2012	2013	2014	9M 2014	9M 2015	YoY Chg
Values in US\$ million:								
Current Account	-1,523	-2,996	-5,167	-6,253	-6,473	-4,828	-5,173	7.1%
Trade Balance	-1,179	-2,249	-2,698	-4,357	-4,658	-3,584	-3,545	-1.1%
Exports, f.o.b.	2,333	3,118	3,470	4,123	4,717	3,682	3,525	-4.2%
Megaprojects	1,668	2,015	2,173	2,201	2,429	1,760	1,516	-13.9%
Other	665	1,103	1,296	1,922	2,287	1,922	2,009	4.6%
Imports, f.o.b.	-3,512	-5,368	-6,168	-8,480	-9,374	-7,266	-7,071	-2.7%
Megaprojects	-970	-1,513	-2,141	-1,934	-1,487	-1,300	-735	-43.4%
Other	-2,543	-3,854	-4,027	-6,546	-7,887	-5,966	-6,336	6.2%
Services Balance	-685	-1,422	-3,191	-3,259	-3,639	-2,951	-2,351	-20.3%
Income Balance	-341	-190	-39	-59	-237	-189	-261	37.5%
Transfers Balance	682	866	761	1,421	2,060	1,897	985	-48.1%
Capital Account Balance	352	445	426	423	497	404	455	12.7%
Financial Account Balance	1,058	2,458	4,734	5,808	5,999	4,404	4,727	7.4%
Net Foreign Direct Investment	1,018	2,663	5,218	6,175	6,174	4,674	3,889	-16.8%
Net Errors and Omissions	113	94	7	22	-23	20	-10	n.m.
Values as a % of GDP (1):								
Current Account	-15.0%	-22.8%	-33.9%	-39.0%	-38.0%	-37.8%	-45.3%	-7.5%
Trade Balance	-11.6%	-17.1%	-17.7%	-27.2%	-27.3%	-28.0%	-31.0%	-3.0%
Exports	23.0%	23.7%	22.7%	25.7%	27.7%	28.8%	30.9%	2.1%
Imports	34.6%	40.9%	40.4%	52.9%	55.0%	56.8%	61.9%	5.1%
Capital Account Balance	3.5%	3.4%	2.8%	2.6%	2.9%	3.2%	4.0%	0.8%
Financial Account Balance	10.4%	18.7%	31.0%	36.3%	35.2%	34.4%	41.4%	6.9%
Net Foreign Direct Investment	10.0%	20.3%	34.2%	38.5%	36.2%	36.6%	34.0%	-2.5%

(1) Figures for 9M are annualized. Sources: Banco de Moçambique and Eaglestone Securities.

ANNEX – ECONOMIC FORECAST SUMMARY

ECONOMIC FORECAST SUMMARY									
	2010	2011	2012	2013	2014	2015E	2016F	2017F	2018F
Gross Domestic Product									
Real GDP growth	6.7%	7.1%	7.2%	7.1%	7.4%	6.3%	6.0%	7.0%	7.2%
Gross Domestic Product (current prices, MZM bn)	345	382	433	482	535	602	680	765	870
Gross Domestic Product (current prices, US\$ bn)	10.2	13.1	15.3	16.0	17.2	15.2	13.2	15.8	17.7
Population (million)	22.4	23.0	23.7	24.4	25.0	25.7	26.4	27.1	27.8
Gross Domestic Product per capita (US\$)	453	570	644	657	685	592	500	556	607
External Sector									
Exports of Goods (US\$ mn)	2,333	3,118	3,470	4,123	4,717	4,350	4,459	4,682	4,916
Imports of Goods (US\$ mn)	3,512	5,368	6,168	8,480	9,374	9,428	9,663	10,146	10,654
Trade Balance of Goods (% of GDP)	-11.6%	-17.1%	-17.7%	-27.2%	-27.2%	-33.3%	-39.4%	-34.5%	-32.4%
Current Account Balance (% of GDP)	-15.0%	-22.8%	-33.9%	-39.0%	-37.7%	-45.3%	-37.1%	-57.5%	-76.1%
Consumer Price Inflation									
Consumer Prices (period average)	12.4%	11.2%	2.6%	4.3%	2.6%	3.6%	8.0%	6.0%	5.6%
Consumer Prices (end of period)	17.4%	6.1%	2.0%	3.5%	1.9%	10.6%	8.0%	6.0%	5.6%
Government Accounts (% of GDP)									
Total Revenues	18.4%	21.2%	22.7%	26.2%	29.4%	25.7%	26.2%	26.9%	27.9%
Grants	7.9%	7.2%	6.3%	6.3%	4.5%	3.3%	2.9%	2.7%	2.5%
Total Expenditures	31.1%	33.5%	33.5%	37.8%	42.7%	32.1%	38.4%	35.8%	35.5%
Current Expenditures	17.2%	18.6%	19.3%	19.8%	22.3%	19.5%	20.4%	19.8%	19.3%
Capital Expenditures	12.7%	13.4%	12.3%	15.0%	16.4%	9.7%	13.8%	11.4%	11.7%
Budget Balance (before Grants)	-12.6%	-12.3%	-10.8%	-11.6%	-13.3%	-6.4%	-12.2%	-8.9%	-7.6%
Budget Balance (after Grants)	-4.7%	-5.1%	-4.5%	-5.3%	-8.8%	-3.0%	-9.3%	-6.2%	-5.1%
External Public Debt	29.3%	31.1%	34.5%	42.4%	48.1%	63.6%	60.8%	59.1%	57.7%
Domestic Public Debt	5.4%	5.9%	5.5%	8.6%	8.5%	10.0%	8.6%	6.8%	5.9%
Foreign Investment and Reserves									
Net Foreign Direct Investment (US\$ mn)	1,018	2,663	5,218	6,175	6,174	5,186	3,188	7,376	11,407
Net International Reserves (US\$ mn)	1,917	2,240	2,605	2,996	2,882	1,994	2,251	2,737	3,125
International Reserves (in months of imports)	5.9	4.5	3.9	3.4	3.0	2.8	3.6	6.5	14.8
Exchange Rate									
Exchange Rate (period average, US\$/MZM)	34.0	29.1	28.4	30.1	31.2	39.5	51.5	48.3	49.1
Exchange Rate (end of period, US\$/MZM)	32.8	27.1	29.5	30.0	31.6	45.0	51.5	48.3	49.1

Sources: Mozambican authorities, World Bank, IMF and Eaglestone Securities.

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

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