



The Mozambican Economy

Better outlook ahead, despite some risks

Research

February 2023

Real GDP growth to accelerate in 2023-25

Economic activity is expected to continue to improve in 2023 thanks to a recovery in those sectors that were more impacted by the Covid-19 pandemic, namely tourism, construction and transports and communication. The extractive industry will also see a sharp recovery, boosted by the start of production of LNG in the Coral South Project in the Rovuma Basin in Q4 2022. Overall, the government's 2023 budget proposal assumes that real GDP growth will improve to 5.0% (from an upwardly revised projection of 3.8% in 2022) while average annual inflation is expected to increase from 10.7% in 2022 to 11.5% this year. The authorities also expect growth to accelerate in the medium-term, reaching 8.3% in 2024 and 6.0% in 2025.

Economics

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Better management of public accounts and lower public debt

The government remains committed to the consolidation of fiscal accounts, ensuring that its implementation will safeguard economic growth and the sustainability of public accounts in the medium-term. As a result, the authorities will prioritize the implementation of measures to rationalize public spending and deepen reforms to diversify revenue sources. Another key priority is the management of public debt, including the creation of mechanisms to better manage state-owned enterprises. The aim is to gradually reduce public debt to more sustainable levels over the medium-term.

Budget deficit is expected to decrease in 2023

The 2023 budget proposal foresees an increase in both public revenues (21.5%) and expenditures (4.8%) when compared with the 2022 budget forecasts. This reflects an improvement in tax revenues (mainly taxes on goods and services and income taxes) while, in terms of expenditures, these are expected to increase mostly on the back of higher staff costs. Expenditures on goods and services are expected to fall due to the government's attempt to contain spending on items like fuel and communication while debt payments are also anticipated to decline (but remain at a relatively high level). Still, the modest increase in expenditures is largely explained by the lower public investment levels (-18.6%) projected for the period. Meanwhile, grants are estimated to see a sharp drop of 33.8% and represent 4.4% of GDP, as direct budget support falls from the projected figure for 2022. This means the government foresees the budget deficit (after grants) reaching 4.4% of GDP, down from a projection of -6.2% in 2022 and a reported -6.9% in 2021.

Fiscal consolidation and structural reforms remain crucial

The Mozambican government is banking on the continued improvement in economic activity in the country, together with the reforms that are being implemented to help raise public revenues and the measures to try to contain expenditures, to ensure the sustainability of public finances. That said, significant risks to the country's outlook persist, including from adverse climate events and the fragile security situation. As a result, fiscal consolidation and narrowing the fiscal deficit gap remains crucial to bringing the public debt ratio lower in the medium-term. Reducing foreign exchange volatility will also be important, especially considering that nearly three-fourths of public debt is external debt and is denominated in foreign currency. It remains to be seen whether the Mozambican authorities will take advantage of the better outlook expected ahead to continue to push through the necessary structural reforms that will help promote sustained economic growth and increase resilience to external shocks.

MACROECONOMIC ASSUMPTIONS

The Mozambican economy expanded at a quicker pace than initially expected in 2022. The latest figures published by the National Statistics Institute (INE) showed that real GDP rose 4.1% YoY in the first nine months of the year and that the sectors that recorded the strongest performance were (1) hotels and restaurants (11%), (2) mining industry (8.8%), (3) transports, storage and communications (7.7%) and (4) agriculture (4.5%), with the latter representing 25.8% of the country's total GDP. This better than anticipated evolution led the government to now project real GDP growth of 3.8% for the year (above the 2.9% included in its 2022 budget proposal).

Economic activity grew faster than initially anticipated in 2022

The government expects economic growth to continue to accelerate in 2023 on the back of the recovery in those sectors that were more severely affected by the Covid-19 pandemic, namely tourism, construction and transports and communication. The extractive industry will also be boosted by the start of production and export of LNG in the Coral South Project in the Rovuma Basin in the fourth quarter of 2022. Overall, the 2023 budget proposal incorporates a real GDP growth forecast of 5.0%.

Real GDP growth is expected to accelerate to 5.0% in 2023

The government anticipates that agriculture, which remains by far the largest sector of the local economy, will see growth accelerate to 5.2% in 2023 from the 4.7% projected in the previous year. Activity in the other key sectors like commerce and manufacturing are also expected to rebound in the period, as detailed below.

Activity in the agriculture sector is expected to improve this year

GROWTH FORECASTS					
	2019	2020	2021	2022 (1)	2023 (1)
Agriculture	1.1%	2.8%	4.2%	4.7%	5.2%
Fishing	2.3%	-0.4%	2.1%	1.5%	2.5%
Extractive Industries	-3.7%	-16.8%	10.7%	4.1%	23.1%
Manufacturing	1.4%	-1.2%	3.1%	2.0%	2.5%
Electricity and Gas	-1.1%	2.7%	0.9%	3.2%	3.2%
Construction	2.8%	-0.6%	4.7%	2.5%	5.0%
Wholesale and Retail	0.0%	-1.2%	3.3%	1.6%	2.3%
Hotels and Restaurants	1.0%	-23.1%	2.7%	-1.5%	2.4%
Transports, Storage and Info. & Comunic	4.2%	-2.2%	5.6%	2.0%	3.2%
Financial and Insurance Activities	4.0%	-1.1%	2.0%	2.4%	3.3%
Public Admin., Defense and Social Sec.	4.1%	-6.2%	0.5%	3.5%	3.8%
Education	0.9%	-1.1%	2.1%	3.0%	3.5%
Health and Social Act.	7.5%	4.1%	3.5%	8.6%	8.7%
Total Real GDP	2.3%	-1.3%	3.6%	2.9%	5.0%

(1) Budget Proposal. Sources: INE and Ministry of Economy and Finance.

Meanwhile, the budget proposal assumes that the average inflation rate will increase to 11.5% in 2023 from a projected 10.7% in the previous year. Indeed, inflation rose to double digits in 2022 (from 5.7% in 2021) mostly because of the higher prices of food items and administered goods, mainly liquid fuels, and its transfer effect to the cost of transportation and prices of other goods and services.

Average inflation is expected to increase to 11.5% from 10.7% in 2022

The high inflation rates internationally are expected to keep some pressure on consumer prices in Mozambique in 2023. However, domestic inflation is likely to decelerate over the medium-term and eventually return to single digits. This lower inflation could lead the central bank to implement a more accommodative monetary policy to support credit growth and, as a result, lead to an improvement in financing conditions to the real economy.

Domestic inflation is likely to decelerate over the medium-term and eventually return to single digits

MACRO ASSUMPTIONS						
	2019	2020	2021	2022 (1)	2022 (2)	2023 (1)
Nominal GDP (MZM million)	956,786	974,649	1,133,867	1,124,977	1,165,889	1,320,179
Real GDP Growth	2.3%	-1.3%	3.6%	2.9%	3.8%	5.0%
Average Annual Inflation	2.8%	3.1%	5.7%	5.3%	10.7%	11.5%
Average Exchange Rate (US\$/MZM)	62.6	74.5	63.7	66.0	64.2	65.2
Int. Reserves (US\$ million)	3,685.0	3,576.0	3,329.0	3,995.5	2,718.1	2,936.6
Int. Reserves (months of imports)	7.0	6.0	5.0	6.0	3.0	3.0
Exports (US\$ million)	4,718	3,589	5,579	5,203	8,010	8,806
Imports (US\$ million)	6,799	5,883	7,837	10,299	13,475	9,518
Current Account Balance (US\$ million)	-3,025	-3,813	-4,381	-6,725	-7,123	-1,864
Foreign Direct Investment (US\$ million)	2,212	2,337	1,909	3,189	3,050	2,364

(1) Budget Proposal; (2) Estimate. Sources: INE, Banco de Moçambique and Ministry of Economy and Finance.

The government's macroeconomic policy targets for 2023 also include (1) increasing the level

Other macroeconomic

of international reserves to US\$ 2,936.6 million, corresponding to three months of imports of goods and services (excluding megaprojects), (2) reaching exports of goods amounting to US\$ 8,806 million (+9.9% YoY), which should be mainly boosted by the export of LNG from the Coral South Project, (3) narrowing the current account deficit to US\$ -1,864 million (equivalent to about 9.2% of GDP) and (4) attaining net foreign direct investment of US\$ 2,364 million.

policy targets for 2023

PUBLIC ACCOUNTS

Fiscal Policy (2023)

The Mozambican government stated in the 2023 budget proposal that fiscal policy will remain focused on strengthening the consolidation of public accounts, ensuring that its implementation will safeguard economic growth and the sustainability of public accounts in the medium term. As a result, the government will prioritize the implementation of measures to rationalize public spending and deepen reforms to diversify revenues sources. Moreover, it aims to improve debt sustainability indicators, lower fiscal risks, in particular those risks related to state-owned enterprises (SOEs) and reach a phased autonomy of the pension fund of government employees and agents. The government also said that it will take actions to enable the contribution from the country's wealth fund in the efficient management of receipts arising from the production and export of LNG.

Fiscal policy will remain focused on strengthening the consolidation of public accounts

The main fiscal policy reform measures for 2023 include (1) the reform of the VAT and CICE taxes (CICE is the tax code over specific consumption), (2) the revision of the CIRPC tax (CIRPC is the tax code on the income of individuals), broadening the tax base of the IRPS tax with the TSU (IRPS is the tax on the income of individuals and TSU is the single salary table), (3) the revision of the customs tariff code and (4) implementing tax administration measures.

Main fiscal policy reform measures for 2023

First, the implementation of the new VAT code will imply its reduction from 17% to 16% and the elimination of exemptions on certain goods and services that are not part of the basic basket. Second, the revision of the customs tariff code foresees the increase in tariffs in certain cases from 2.5% to 7.5% and includes customs tariffs on the imports of goods and services that will see their exemption suppressed by the reform of the VAT tax. And third, the revision of the IRPC code foresees the reduction of the corporate tax from 32% to 10% in certain cases namely to make private investment in the agrobusiness and aquaculture sectors more attractive. The lower corporate tax will also apply to the public transport sector to boost the number of public transport providers over the medium term, mainly in urban areas, and contribute to the improvement of mobility and dignified transportation for citizens.

Implementation of a new VAT code, revision of the customs tariff code and revision of the IRPC code

Budget Proposal (2023)

In terms of the 2023 budget proposal figures, the government foresees (1) total revenues rising 21.5% YoY to MZM 357,064 million (27.0% of GDP), (2) grants falling 33.8% YoY to MZM 57,478 million (4.4% of GDP) and (3) total expenditures increasing 4.8% YoY to MZM 472,122 million (35.8% of GDP). These percentage changes are relatively to the 2022 budget proposal figures.

Total revenues and grants are expected to increase 8.9% YoY and total expenditures to rise 4.8% YoY in 2023

STATE BUDGET					YoY Change			% of GDP				
	2020	2021	2022 (1)	2023 (1)	2021 / 2020	2022 (1) / 2021	2023 (1) / 2022 (1)	2020	2021	2022 (1)	2023 (1)	
Million MZM												
Total Revenues and Grants	273,577	284,611	380,784	414,542	4.0%	33.8%	8.9%	28.1%	25.1%	33.8%	31.4%	
Total Revenues	235,213	265,936	293,917	357,064	13.1%	10.5%	21.5%	24.1%	23.5%	26.1%	27.0%	
Grants	38,364	18,675	86,867	57,478	-51.3%	365.2%	-33.8%	3.9%	1.6%	7.7%	4.4%	
Total Expenditures	354,114	362,293	450,577	472,122	2.3%	24.4%	4.8%	36.3%	32.0%	40.1%	35.8%	
Current Expenditures	226,745	247,028	284,908	316,919	8.9%	15.3%	11.2%	23.3%	21.8%	25.3%	24.0%	
Debt Payments	27,378	26,998	44,724	41,400	-1.4%	65.7%	-7.4%	2.8%	2.4%	4.0%	3.1%	
Capital Expenditures	78,710	68,636	114,703	93,331	-12.8%	67.1%	-18.6%	8.1%	6.1%	10.2%	7.1%	
Net Lending	48,659	46,629	50,966	61,873	-4.2%	9.3%	21.4%	5.0%	4.1%	4.5%	4.7%	
Primary Balance (before Grants)	-91,523	-69,360	-111,936	-73,659	-24.2%	61.4%	-34.2%	-9.4%	-6.1%	-10.0%	-5.6%	
Primary Balance (after Grants)	-53,159	-50,685	-25,069	-16,181	-4.7%	-50.5%	-35.5%	-5.5%	-4.5%	-2.2%	-1.2%	
Budget Balance (before Grants)	-118,901	-96,358	-156,660	-115,059	-19.0%	62.6%	-26.6%	-12.2%	-8.5%	-13.9%	-8.7%	
Budget Balance (after Grants)	-80,537	-77,683	-69,793	-57,581	-3.5%	-10.2%	-17.5%	-8.3%	-6.9%	-6.2%	-4.4%	

(1) Budget Proposal. Sources: Ministry of Economy and Finance and Eaglestone.

Overall, and according to our calculations, this means that the budget deficit (before grants) is expected to stand at 8.7% of GDP, which compares with a deficit of 13.9% of GDP projected in the 2022 budget proposal. If including grants, the budget deficit is expected to reach 4.4% of GDP (vs. -6.2% in the previous year). Moreover, the primary balance, which excludes debt payments, is forecasted to reach a deficit representing 5.6% of GDP (before grants) and 1.2% of GDP (after grants).

The budget deficit (after grants) is forecasted to reach 4.4% of GDP, below the deficit of 6.2% of GDP projected for 2022

The government’s projected revenue improvement for 2023 is based on the assumption that tax receipts will recover 23.3% YoY. This evolution is due to a much stronger contribution from taxes on goods and services, namely VAT, but also some improvement in income taxes from corporates and individuals. Other current revenues, including non-tax income, are expected to continue to record a healthy performance, with the same being said for capital revenues.

Total receipts are expected to improve significantly in 2023 thanks to the healthy increase in current revenues (mostly related to tax proceeds)

REVENUES Million MZM					YoY Change			% of GDP			
	2020	2021	2022 (1)	2023 (1)	2021 / 2020	2022 (1) / 2021	2023 (1) / 2022 (1)	2020	2021	2022 (1)	2023 (1)
Current Revenues	229,637	262,279	283,973	344,059	14.2%	8.3%	21.2%	23.6%	23.1%	25.2%	26.1%
Tax Revenues	212,870	240,772	232,350	286,600	13.1%	-3.5%	23.3%	21.8%	21.2%	20.7%	21.7%
Income Tax	99,353	99,933	114,263	132,801	0.6%	14.3%	16.2%	10.2%	8.8%	10.2%	10.1%
Corporate	58,214	59,262	68,020	78,385	1.8%	14.8%	15.2%	6.0%	5.2%	6.0%	5.9%
Personal	40,923	40,477	45,482	53,687	-1.1%	12.4%	18.0%	4.2%	3.6%	4.0%	4.1%
Other	216	194	762	729	-10.3%	292.9%	-4.3%	0.0%	0.0%	0.1%	0.1%
Tax on Goods & Services	87,299	109,328	107,993	137,631	25.2%	-1.2%	27.4%	9.0%	9.6%	9.6%	10.4%
VAT	62,565	81,140	73,091	91,900	29.7%	-9.9%	25.7%	6.4%	7.2%	6.5%	7.0%
Other	24,734	28,188	34,903	45,731	14.0%	23.8%	31.0%	2.5%	2.5%	3.1%	3.5%
Other Tax Revenues	26,218	31,511	10,094	16,169	20.2%	-68.0%	60.2%	2.7%	2.8%	0.9%	1.2%
Other Revenues	16,767	21,507	51,623	57,458	28.3%	140.0%	11.3%	1.7%	1.9%	4.6%	4.4%
Capital Revenues	5,577	3,657	9,943	13,005	-34.4%	171.9%	30.8%	0.6%	0.3%	0.9%	1.0%
Total Revenues	235,213	265,936	293,917	357,064	13.1%	10.5%	21.5%	24.1%	23.5%	26.1%	27.0%

(1) Budget Proposal. Source: Ministry of Economy and Finance.

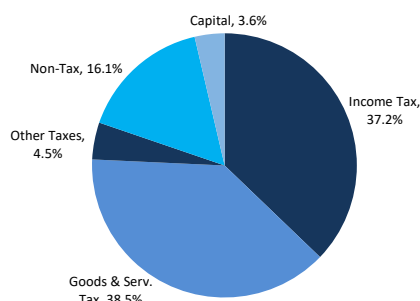
The revenue breakdown shows that receipts from income tax and taxes on goods and services account for most of the total proceeds. In particular, taxes on goods and services are expected to account for 38.5% of the total revenues in 2023 while income tax is expected to stand at 37.2% of the total revenues in the period. This compares with 36.7% and 38.9%, respectively, projected in the 2022 budget.

Receipts from income tax and taxes on goods and services account for most of the total proceeds

Revenues are estimated to represent 86.1% of total government receipts (if excluding domestic and external financing) and grants to account for 13.9% of the total, with the latter expected to see a sharp decline from the projection of 22.8% for the previous year. We note, however, that looking back to 2013, the amount of grants as a percentage of receipts (excluding financing) is expected to stand above the average of 10.1% recorded during the period 2013-21. Also, the amount of grants as a percentage of GDP is expected to stand at 4.4% (vs. 7.7% forecasted for 2022), as detailed below.

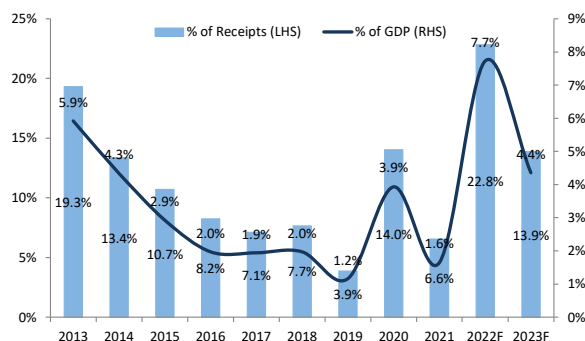
Grants are expected to account for 13.9% of the total government proceeds in 2023

TOTAL REVENUE BREAKDOWN (2023F)



Source: Ministry of Economy and Finance.

EVOLUTION OF GRANTS (2013-23F)



Note: Total Receipts excluding Domestic and External Financing. Source: Ministry of Economy and Finance.

Meanwhile, the government is projecting a 4.8% increase in total expenditures when compared with the amount forecasted in the 2022 budget. As shown below, this modest increase is due to

Total expenditures are expected to increase by a more modest 4.8% YoY

lower public investment levels (-18.6% YoY) projected for the period, as current expenditures are still expected to increase at double digit figures as is net lending too.

because of the expected decline in public investment levels

Indeed, current expenditures are anticipated to increase 11.2% YoY, as the need to hire more people for the education, healthcare, and agriculture sectors, together with more employees needed in the justice administration area, is reflected in a jump of 20% YoY in staff costs. The government foresees new admissions of 12,491 employees strictly for these sectors, having an estimated impact of MZM 2,500 million on the 2023 budget.

Current expenditures are anticipated to increase due to the need to hire more people for certain sectors

Expenditures on goods and services is expected to fall 11.8% YoY due to the government’s attempt to contain spending on fuel, communications, among others. Debt payments are also expected to decline (-7.4% YoY) but remain at a relatively high level compared with recent years. Transfers are expected to increase 12.8% YoY, with transfers to families accounting for more than three-fourths of the total, while subsidies are projected to remain in line with the level included in the 2022 budget proposal.

Spending on goods and services is expected to drop due to the government’s attempt to contain spending on certain items while debt payments are also projected to fall

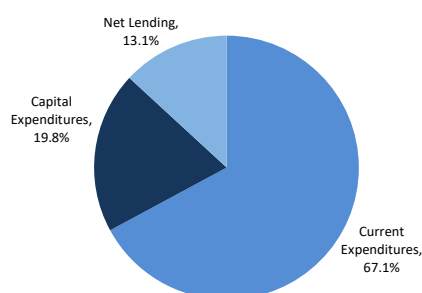
EXPENDITURES					YoY Change			% of GDP				
	2020	2021	2022 (1)	2023 (1)	2021 / 2020	2022 (1) / 2021	2023 (1) / 2022 (1)	2020	2021	2022 (1)	2023 (1)	
Million MZM												
Current Expenditures	226,745	247,028	284,908	316,919	8.9%	15.3%	11.2%	23.3%	21.8%	25.3%	24.0%	
Staff Costs	124,441	139,193	154,434	185,258	11.9%	10.9%	20.0%	12.8%	12.3%	13.7%	14.0%	
Goods and Services	39,222	42,378	46,283	40,839	8.0%	9.2%	-11.8%	4.0%	3.7%	4.1%	3.1%	
Debt Payments	27,378	26,998	44,724	41,400	-1.4%	65.7%	-7.4%	2.8%	2.4%	4.0%	3.1%	
Current Transfers	32,280	34,499	34,490	38,912	6.9%	0.0%	12.8%	3.3%	3.0%	3.1%	2.9%	
Subsidies	1,467	1,562	2,013	2,013	6.5%	28.8%	0.0%	0.2%	0.1%	0.2%	0.2%	
Other	1,957	2,399	2,964	8,497	22.5%	23.6%	186.7%	0.2%	0.2%	0.3%	0.6%	
Capital Expenditures	78,710	68,636	114,703	93,331	-12.8%	67.1%	-18.6%	8.1%	6.1%	10.2%	7.1%	
Domestically Financed	44,191	34,707	32,384	33,256	-21.5%	-6.7%	2.7%	4.5%	3.1%	2.9%	2.5%	
Externally Financed	34,519	33,929	82,319	60,075	-1.7%	142.6%	-27.0%	3.5%	3.0%	7.3%	4.6%	
Net Lending	48,659	46,629	50,966	61,873	-4.2%	9.3%	21.4%	5.0%	4.1%	4.5%	4.7%	
Assets	6,805	3,580	4,653	4,456	-47.4%	30.0%	-4.2%	0.7%	0.3%	0.4%	0.3%	
Liabilities	41,854	43,049	46,313	57,417	2.9%	7.6%	24.0%	4.3%	3.8%	4.1%	4.3%	
Total Expenditures	354,114	362,293	450,577	472,122	2.3%	24.4%	4.8%	36.3%	32.0%	40.1%	35.8%	

(1) Budget Proposal. Source: Ministry of Economy and Finance.

Overall, current expenditures are forecasted to represent 67.1% of the total spending, capital expenditures 19.8% and net lending 13.1%. In terms of the breakdown of current expenditures, we note that staff costs are still expected to account for well over half of this type of spending followed by spending on debt payments (13.1%), goods and services (12.9%) and current transfers (12.3%). The remaining 3.3% relates to subsidies and others.

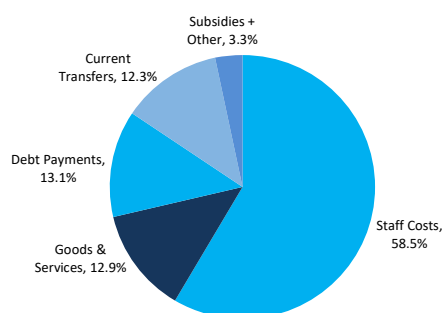
Current expenditures are expected to represent 67.1% of total spending

TOTAL EXPENDITURES BREAKDOWN (2023F)



Source: Ministry of Economy and Finance.

CURRENT EXPENDITURES BREAKDOWN (2023F)



Source: Ministry of Economy and Finance.

In terms of expenditures by sector, the government will continue to allocate more funds toward the general public services, education and economic sectors, with these representing 46.8%, 16.4% and 9.8% of total spending, respectively. The table below provides the breakdown of the government’s planned expenditures by sector.

The government will continue to allocate most funds to the general public services, education and economic sectors

EXPENDITURES BY SECTOR Million MZM					YoY Change			% of Total			
	2020	2021	2022 (1)	2023 (1)	2021 / 2020	2022 (1)/ 2021	2023 (1)/ 2022 (1)	2020	2021	2022 (1)	2023 (1)
General Public Services	94,008	96,208	159,387	221,079	2.3%	65.7%	38.7%	26.5%	26.6%	35.4%	46.8%
Defense	21,164	21,813	13,197	13,316	3.1%	-39.5%	0.9%	6.0%	6.0%	2.9%	2.8%
Security and Public Order	40,678	46,689	33,396	34,557	14.8%	-28.5%	3.5%	11.5%	12.9%	7.4%	7.3%
Economic Sector	70,466	73,420	85,198	46,415	4.2%	16.0%	-45.5%	19.9%	20.3%	18.9%	9.8%
Environmental Protection	5,522	5,456	28,384	15,829	-1.2%	420.2%	-44.2%	1.6%	1.5%	6.3%	3.4%
Housing and Collective Development	11,295	8,736	9,231	11,004	-22.7%	5.7%	19.2%	3.2%	2.4%	2.0%	2.3%
Healthcare	32,189	30,842	39,083	35,834	-4.2%	26.7%	-8.3%	9.1%	8.5%	8.7%	7.6%
Recreation, Culture and Religion	1,452	1,901	920	2,703	30.9%	-51.6%	194.0%	0.4%	0.5%	0.2%	0.6%
Education	63,126	66,535	74,698	77,483	5.4%	12.3%	3.7%	17.8%	18.4%	16.6%	16.4%
Security and Social Action	14,214	10,693	7,083	13,903	-24.8%	-33.8%	96.3%	4.0%	3.0%	1.6%	2.9%
Total	354,114	362,293	450,577	472,122	2.3%	24.4%	4.8%	100.0%	100.0%	100.0%	100.0%

(1) Budget Proposal. Source: Ministry of Economy and Finance.

The local authorities plan to finance the 2023 budget by continuing to rely mostly on domestic receipts, which are expected to account for 83.4% of the total (vs. 78.1% in the 2022 budget). Specifically, it means that 75.6% is expected to come from public receipts and 7.8% from domestic financing. All in all, domestic receipts are estimated to represent 29.8% of GDP, down from 31.3% of GDP projected in the 2022 budget.

The government plans to finance the 2023 budget by continuing to rely mostly on domestic receipts

External receipts are expected to account for 16.6% of the total financing and 5.9% of GDP. This is significantly less than the 8.8% of GDP projected in 2022 budget and reflects the lower amount of grants expected in the period. Indeed, grants are anticipated to fall 33.8% YoY to MZM 57,478 million and reach 4.4% of GDP, which compares with the 7.7% of GDP in the 2022 budget. This includes MZM 6,800 million (0.5% of GDP) in direct support to the 2023 budget (down from MZM 13,200 million in 2022).

Grants are expected to represent 4.4% of GDP in 2023, below the 7.7% of GDP projected for the previous year

RECEIPTS & EXPEND.					% of Total				% of GDP			
	2020	2021	2022 (1)	2023 (1)	2020	2021	2022 (1)	2023 (1)	2020	2021	2022 (1)	2023 (1)
Receipts:												
Domestic Receipts	306,823	332,800	351,998	393,712	78.8%	88.8%	78.1%	83.4%	31.5%	29.4%	31.3%	29.8%
Revenues	235,213	265,936	293,917	357,064	60.4%	71.0%	65.2%	75.6%	24.1%	23.5%	26.1%	27.0%
Other Revenues (*)	17,541	15,663	5,000	-	4.5%	4.2%	1.1%	-	1.8%	1.4%	0.4%	-
Domestic Financing	54,068	51,201	53,082	36,648	13.9%	13.7%	11.8%	7.8%	5.5%	4.5%	4.7%	2.8%
External Receipts	82,358	41,931	98,579	78,411	21.2%	11.2%	21.9%	16.6%	8.5%	3.7%	8.8%	5.9%
Grants	38,364	18,675	86,867	57,478	9.9%	5.0%	19.3%	12.2%	3.9%	1.6%	7.7%	4.4%
External Financing	43,994	23,255	11,711	20,933	11.3%	6.2%	2.6%	4.4%	4.5%	2.1%	1.0%	1.6%
Total Receipts	389,181	374,730	450,577	472,122	100.0%	100.0%	100.0%	100.0%	39.9%	33.0%	40.1%	35.8%
Expenditures:												
Current Expenditures	226,745	247,028	284,908	316,919	64.0%	68.2%	63.2%	67.1%	23.3%	21.8%	25.3%	24.0%
Capital Expenditures	78,710	68,636	114,703	93,331	22.2%	18.9%	25.5%	19.8%	8.1%	6.1%	10.2%	7.1%
Domestic	44,191	34,707	32,384	33,256	12.5%	9.6%	7.2%	7.0%	4.5%	3.1%	2.9%	2.5%
External	34,519	33,929	82,319	60,075	9.7%	9.4%	18.3%	12.7%	3.5%	3.0%	7.3%	4.6%
Net Lending	48,659	46,629	50,966	61,873	13.7%	12.9%	11.3%	13.1%	5.0%	4.1%	4.5%	4.7%
Change	35,067	12,437	0	0								
Total Expenditures	354,114	362,293	450,577	472,123	100.0%	100.0%	100.0%	100.0%	36.3%	32.0%	40.1%	35.8%

(*) Includes capital gains used to finance expenditures. (1) Budget Proposal. Source: Ministry of Economy and Finance.

Finally, the latest figures indicate that total public debt rose 7.9% YoY to US\$ 13,955 million in 2021, corresponding to 78.6% of GDP (vs. 92.2% in the previous year). This evolution is mostly explained by the significant increase in domestic debt (25.7%) to US\$ 3,563 million whereas external debt rose by a more modest 2.9% to US\$ 10,392 million. Overall, domestic debt represented 25.5% of total public debt and external debt 74.5% of the total.

Total public debt represented 78.6% of GDP in 2021, down from 92.2% in the previous year

We also highlight from the table below that the share of external debt as a percentage of total debt has gradually declined in recent years. External debt is largely held by six major creditors, with the World Bank and China standing out as the largest ones (holding 22.7% and 14.2% of total debt, respectively), while the country's Eurobonds represented 6.4% of total debt.

The share of external debt as a percentage of total debt has declined in recent years

In terms of domestic debt, we note that Treasury notes represented 45.6% of the total domestic debt and 11.6% of total public debt at the end of 2021, as detailed in the table below.

Treasury notes represented 45.6% of domestic debt and 11.6% of total public debt

PUBLIC DEBT Million US\$						% of Total Debt				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
External Debt	9,488	9,804	9,850	10,101	10,392	83.8%	81.1%	79.7%	78.1%	74.5%
Multilateral	4,180	4,322	4,354	4,742	5,004	36.9%	35.7%	35.2%	36.7%	35.9%
IDA - World Bank	2,825	2,913	2,841	2,910	3,167	25.0%	24.1%	23.0%	22.5%	22.7%
Bilateral	4,582	4,756	4,596	4,459	4,487	40.5%	39.3%	37.2%	34.5%	32.2%
China	2,023	2,151	2,022	1,949	1,981	17.9%	17.8%	16.4%	15.1%	14.2%
OECD	1,101	1,134	1,147	1,095	1,126	9.7%	9.4%	9.3%	8.5%	8.1%
OPEC	519	520	515	513	517	4.6%	4.3%	4.2%	4.0%	3.7%
Eastern Europe	324	343	359	360	331	2.9%	2.8%	2.9%	2.8%	2.4%
Other	614	607	554	542	533	5.4%	5.0%	4.5%	4.2%	3.8%
Eurobonds	727	727	900	900	900	6.4%	6.0%	7.3%	7.0%	6.4%
Domestic Debt	1,829	2,290	2,515	2,835	3,563	16.2%	18.9%	20.3%	21.9%	25.5%
Central Bank	588	630	688	608	661	5.2%	5.2%	5.6%	4.7%	4.7%
Treasury Bills	370	344	483	637	907	3.3%	2.8%	3.9%	4.9%	6.5%
Treasury Notes	558	767	981	1,261	1,624	4.9%	6.3%	7.9%	9.7%	11.6%
Other	313	549	363	329	371	2.8%	4.5%	2.9%	2.5%	2.7%
Total Debt	11,317	12,094	12,365	12,936	13,955	100.0%	100.0%	100.0%	100.0%	100.0%
Public Debt (% of GDP)										
External Debt	66.0%	66.6%	62.7%	72.0%	58.5%					
Domestic Debt	12.7%	15.6%	16.0%	20.2%	20.1%					
Total Debt	78.7%	82.2%	78.7%	92.2%	78.6%					

Sources: Ministry of Economy and Finance, 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

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