

**COUNTRY PROFILE:****REPUBLIC OF MOZAMBIQUE****DATED:****JANUARY 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restriction

*Recent Political Highlights*

- ❑ Chief of state since February 2005 has been President Armando Guebuza. The next election is due by December 2009.
- ❑ Mozambique's main opposition party, the former rebel movement Renamo, has declared (despite its disastrous performance in the November 2008 municipal elections), that it would not change its electoral strategy and expects to win the presidential, parliamentary and provincial elections that are scheduled for later this year. It will also not change its candidate, Afonso Dhlakama, who would be running for presidency for the fourth time. Renamo refused to accept last November's results, claiming that the ruling Frelimo committed massive fraud.
- ❑ The ruling party announced that it was already preparing for victory in this year's presidential, parliamentary and provincial election. As part of these preparations, Frelimo brigades from Maputo went to all provinces to thank citizens for the massive vote of confidence given to Frelimo in the municipal elections. Frelimo candidates were elected mayors in 41 of the 43 municipalities.

*Recent Economic Highlights*

- ❑ Mozambique has a population of 21.3m with an estimated growth rate of 1.8% in 2008.
- ❑ Government claims that it is winning the battle against inflation and according to the latest data from the National Statistics Institute (INE), inflation in December 2008 was only 0.47% compared to 2.8% in December 2007. Inflation in 2008 was 6.19% from 10.3% in 2007. The low December figure was due to significant reductions in fuel prices, which help offset increases in the price of several key food items.
- ❑ The economy grew by 7.5% in 2007 and was expected to slow to between 6.5% and 7% in 2008. High growth and low inflation remain the country's key goals for 2009. Government's economic growth target for 2009 was 6.7% and inflation 9.8%. The target for agricultural growth was 14.9% on the back of the construction or rehabilitation of 3,000 hectares of irrigation schemes and the production of over 7,500 tonnes of certified improved seeds. Electricity and water production are expected to rise by 7% this year.
- ❑ The Institute says that there was a 6.09% nominal depreciation of the metical against the dollar from the 8.3% appreciation in 2007. The metical depreciated over the year by 2.86% against the euro, but rose in value by 22.3% against the rand, but has subsequently lost some of the gain against the rand in recent weeks. Its nominal depreciation was 9.4% against the rand in the last fortnight of 2008. The central bank put the country's net international reserves on 31<sup>st</sup> December 2008 at slightly over \$1.6bn, covering five months of imports.
- ❑ The International Finance Corporation, the private sector funding arm of the World Bank, has announced its plan to invest in projects in Mozambique in the Australian mining company Baobab Resources. The IFC would provide an equity package of up to \$5m to Baobab during the exploration and feasibility studies phases of iron ore mining projects in the western province of Tete. The project will help sustain the company's local workforce of over 40 employees during the current global financial crisis while supporting technology and management skills transfer.
- ❑ Authorities in the northern Mozambique province of Cabo Delgado have fined four timber companies 784,000 meticals (\$31,000) for attempted illegal export of logs. The four companies – Mofid, Pacifico Internacional, Kings Way and Thienhe – tried to send containers of logs to Asia (again) from the port in the provincial capital, Pemba. The export of unprocessed hardwoods is forbidden in Mozambique.

*Latest Trade Developments*

- ❑ Major exports: aluminium, prawns, cashews, cotton, sugar, citrus, timber and bulk electricity.
- ❑ Major imports: machinery and equipment, vehicles, fuel, chemicals, metal products, food and textiles.
- ❑ Main trading partners: SA, Italy, Belgium, Spain, UK, China and Australia.
- ❑ Government forecasts export earnings to reach \$2.926bn, an 8.9% increase on the projected figure for 2008. The three chief export commodities include electricity, natural gas and aluminium ingots, which combined contributes 74% of export earnings.
- ❑ Qatar's Emir Sheik Hamad bin Khalifa al Thani has stated that his country is interested in investing in Mozambique, particularly in tourism, energy and infrastructures. Discussion between both countries included the possibility of investing in tourism and infrastructure in the northern port of Nacala.
- ❑ South African exports to Mozambique totaled R9bn in 2007 from R6bn in 2006 and R1.9bn in the year to March 2008.

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