

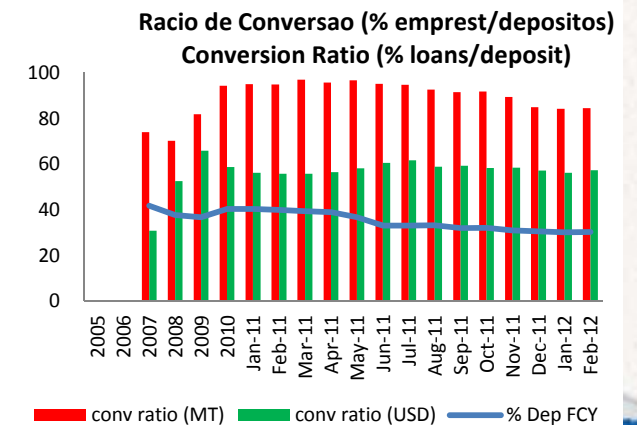
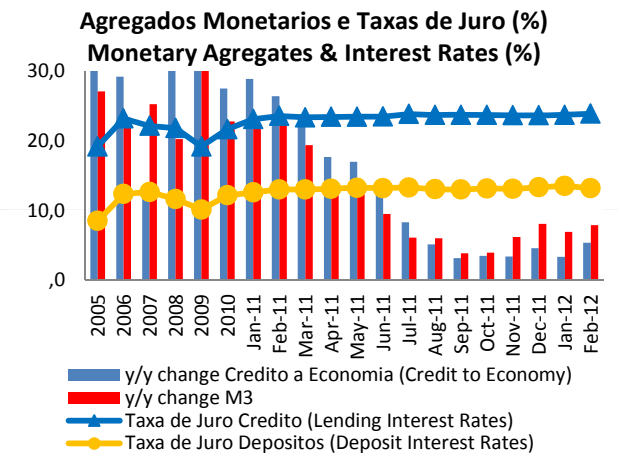
economic briefing

Mozambican Economy in a World Looking for Stability
(19.04.2012)

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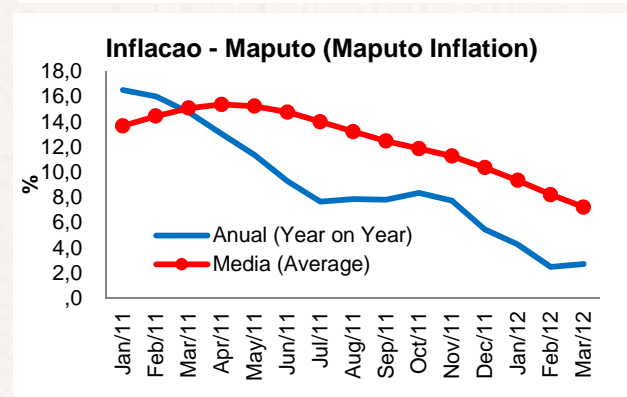
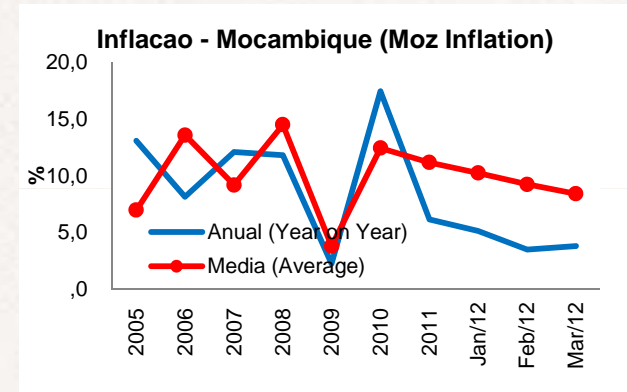
Lower growth in Monetary aggregates

- As a result of a tight monetary policy, money supply (M3) and credit to the economy grew at much slower rates during 2011 (8,1% y/y and 4,6% y/y)
- Lending and deposit interest rates remained relatively flat, during 2011 (mainly influenced by a high conversion ratio in LCY), with liquidity improvement from Dec/2011, prime lending rates started to ease in Feb 2012 to around 19%
- The targets for 2012 are:
 - Reserve Money: 17.5% (9% in 2011) / M3: 18.9% / Credit to the economy: 22.2%
- Lending and deposit interest rates are expected to ease this year, following the Central Bank's FPC cuts



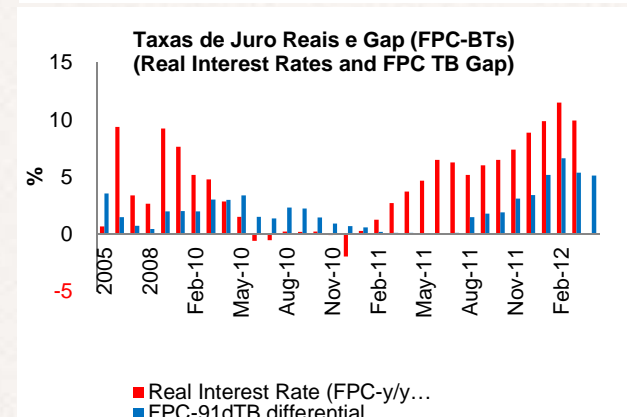
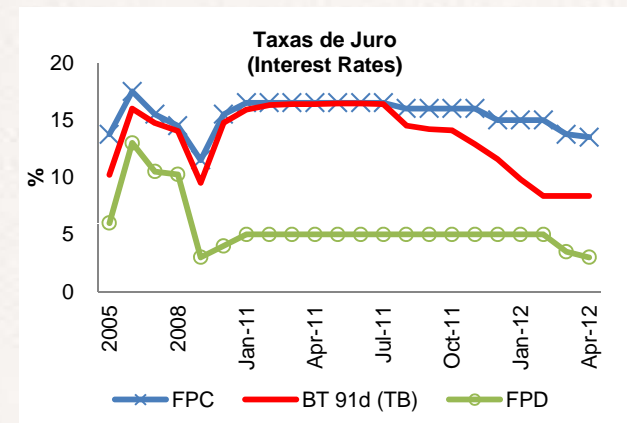
Inflation came down substantially

- Inflation, measured by consumer price index has decreased substantially and projected by Govt. to average 7.2% in 2012 and 5.6% by 2014 (our updated forecast is 5%), from 12.43% in 2010
- The March annual inflation came at 3.81% (country) and 2.71% (Maputo), bringing down the averages to 8.41% and 7.22%, respectively
- The ease in inflation is mainly attributed to the strength of the local currency (Metical) against the USD and ZAR (17.3% and 32.5% y/y in 2011), together with the tightening of monetary policy from August 2010
- Risks on food and international oil prices has reduced



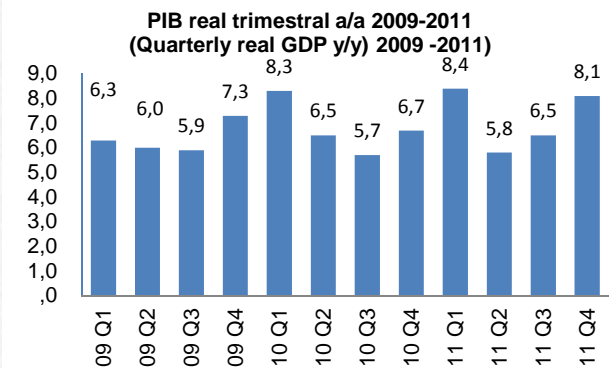
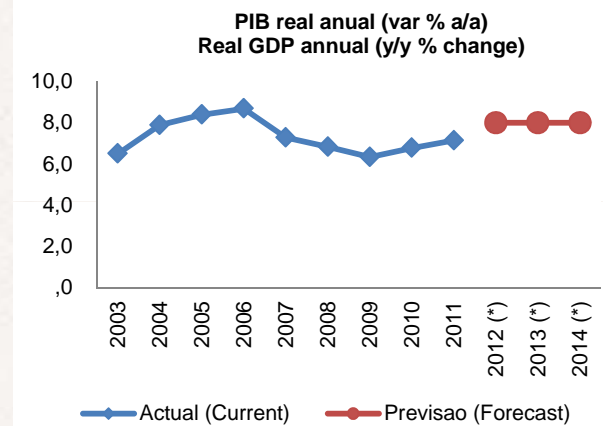
Real interest rates are still high

- Current easyng cycle of monetary policy started in Aug 2011 with FPC down 300bp to 13.5% and FPD200 bp to 3%
- 91d TBs came down to an historical low of 8.37%
- But real interest rates (difference between interest rate and inflation) and differential between FPC and TB remain high increasing expectations of further FPC cuts in the next months

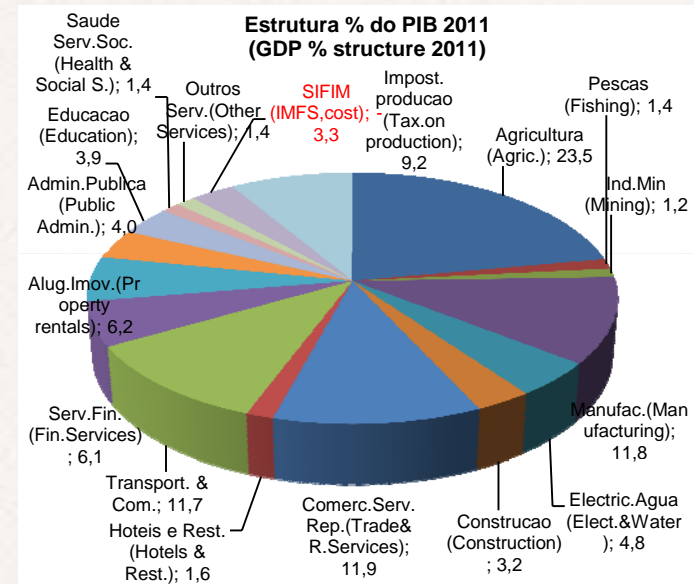
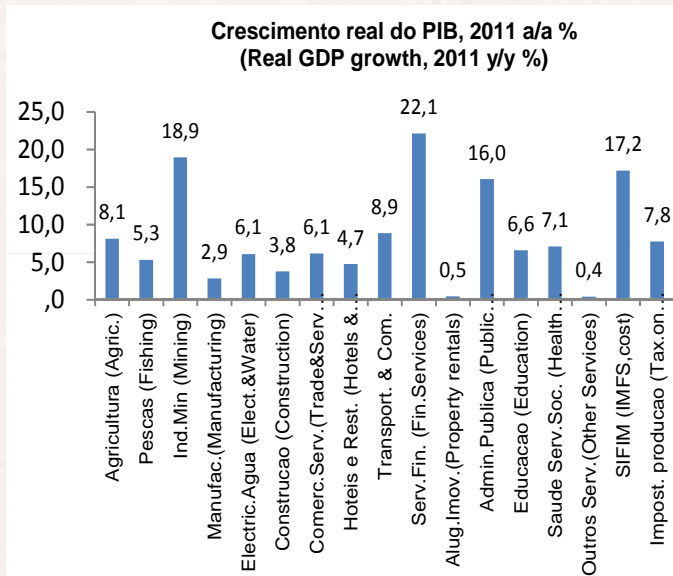


Declining interest rates should support GDP

- Real GDP accelerated 0,4pp to a 7,1% y/y expansion in 2011
- The main contributors to this growth were the agriculture sector, which accounts for 23.5% of the GDP and grew 8.1%, transport and communications sector with 8.9% growth, financial sector 22.1% and the strong expansion in mining sector, 18.9%
- We expect real GDP to accelerate to 8% this year, supported by forecasts of a good performance of the agriculture sector, the continuation of foreign direct investment and strong infra-structural spending, in a context of a more accommodative monetary and fiscal policy.



Resources sector is growing fast from almost zero



- Coal sector is expected increase substantially its contribution to GDP from 2015 onwards, as production, transport and export capabilities reach projected levels to cater for an annual production of 20 million metric tons, with potential to triplicate to 60 million by 2018.
- Natural gas discoveries at Rovuma basin, announced by Anadarko and ENI, with total resources currently estimated in 70 trillion cubic feet has the potential to mobilize minimum investment amounts between 2013 and 2018 of USD 18 billion for exploration and export of natural gas, which is expected to impact substantially in size and structure of the country's GDP.

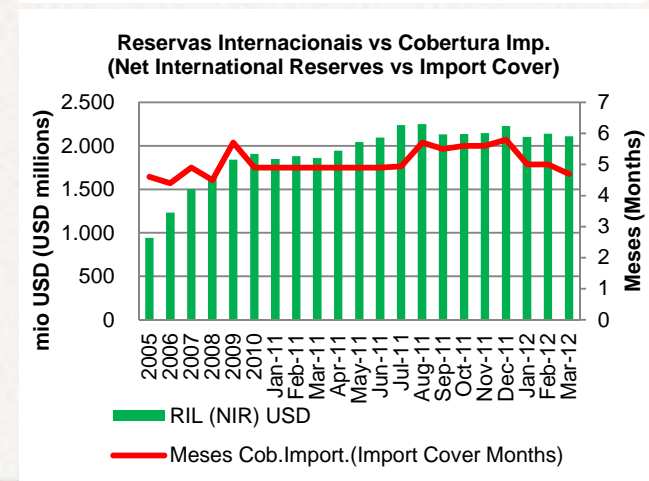
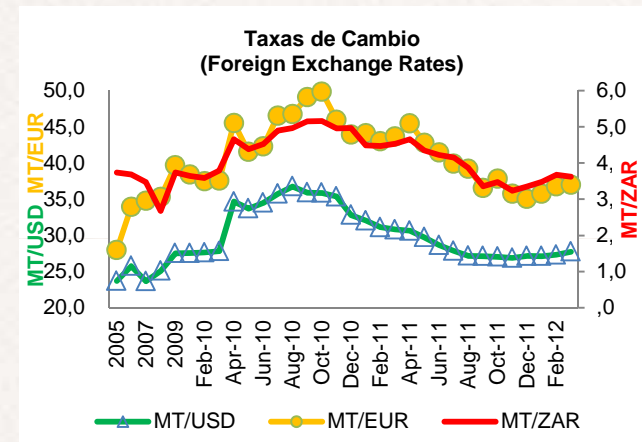
Fiscal discipline helped to contain inflation

- During 2011 we have seen improved fiscal discipline, with Government meeting most of their targets from a revenue and spending point of views, at levels that supported efforts to contain inflation
- Fuel prices started to increase indicating that subsidies are being phased out.
- Under 2012 budget, revenue is projected to grow 20.7% with expenditure growing 14.7%. Donor support is expected to reduce from 56.4% of the deficit to 51.8% reflecting the global economic environment

	2011	2012	2011	2012
Orcamento do Estado (Government Budget)	(MT 10 ⁶)	(MT 10 ⁶)	%PIB (%GDP)	%PIB (%GDP)
Recursos Internos (Internal Resources) (*)	79.158,0	95.538,0	21,3	22,0
Despesa Total (Total Expenditure)	141.757,3	162.535,4	38,1	37,5
Deficit Global (Global Deficit)	(62.599,3)	(66.997,4)	(16,8)	(15,5)
Donativos (Grants)	35.284,5	34.718,6	9,5	8,0
Deficit apos Donativos (Deficit after Grants)	(27.314,8)	(32.278,8)	(7,3)	(7,4)
Credito Interno (Internal Borrowings)	2.618,6	2.650,1	0,7	0,6
Credito Externo (External Borrowings)	24.696,1	29.628,8	6,6	6,8

Local currency is expected to remain stable

- Following a strong depreciation in 2010 against the USD of 19.3%, the Metical has appreciated significantly during 2011, stabilizing at the level of 27 MZN/USD, with an annual appreciation of 17.3%
- The gains of the local currency in 2011 were extended to the Euro and the Rand, with annual appreciations for 20.2% and 32.5%, respectively
- Foreign direct investment, combined with donor support to Govt. budget, external aid inflows and prospects of exports increase continues to support the local currency
- Despite m/m depreciation occurred since the begging of the year, Net International Reserves and import cover remain healthy at USD2,1bn and 4,7 months in March
- we expect 2012 to be more stable from a currency perspective trading around MZN 28.5 per USD



Long term projections from GOM

Projections (*)	2010	2011(*)	2012(*) (...)	2025(*)	2035(*)
Nominal GDP (MT10^6)		371.645	433.279		
Nominal GDP (USD 10^9)	9,6		16,0	59,4	213,6
Real GDP (%)	6,8	7,1	7,5	10,4	8,8
Average Inflation (%)	12,7	10,3	7,2	5,1	5,2
Population (million inhabitants)	22,4	23,0	23,6	33,2	41,6
Per capita GDP (USD)	457,2	594,8	675,2	1.791,0	5.140,3
Internal Revenue (% GDP)	20,0	38,1	37,5	20,5	23,0
External Resources (% GDP)	12,7	16,1	14,9	6,5	4,7
Donnations	8,6	9,5	8,0	3,7	2,7
External loans	4,2	6,6	6,8	2,8	2,0
Expenditure (% GDP)	32,3	38,1	37,5	33,1	32,4
Current	19,1	19,8	19,4	14,0	10,1
Investment	13,2	17,4	15,0	19,1	22,3
Trade Balance (% GDP)	(10,4)			4,3	6,2
Exports	23,4			24,1	18,7
Imports	33,8			19,8	12,5
M3 (growth %)	22,8		18,9		
Credit to the Economy (growth %)	27,5		22,2		
Reserve Money (growth %)	29,2		17,5		

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Thank you