

MONTHLY NEWSLETTER

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Impact of the Russian-Ukrainian war on the investment sector

By Alberto Pitoro*

In this year's March edition, Newsletter 13, we made a brief introduction about what could be the expected impact of the conflict between Russia and Ukraine on financial investments. In this context, we noted that, because institutional investor portfolios are concentrated on higher liquidity assets, they were less vulnerable to crises, based on what happened during the COVID-19 pandemic.

four months after this analysis, and in face of this uprising inflation and the subsequent increase on interest rates, it would be interesting to make a brief review of the position of Mozambique's economy in this sector.

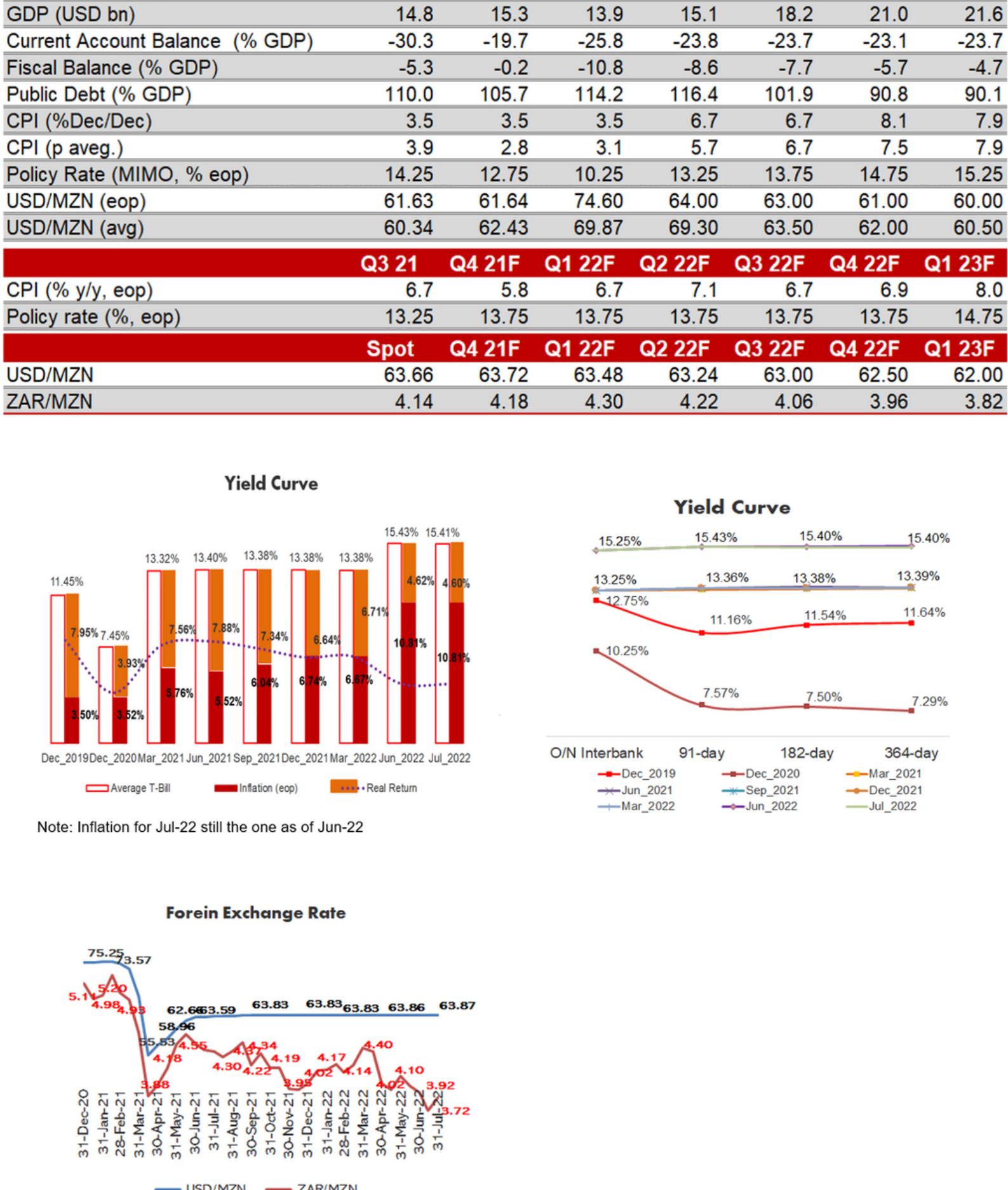
Taking South Africa as a reference and a selection of the main advanced economies, the inflation rate of Mozambique, despite the significant increases registered, is relatively closer to its single-digit inflation target, than the remaining economies.

	Policy Rate (%)	Inflation Rate (year-on-year, %)	Inflation Target (%)	Actual Policy Rate (%)
Mozambique	15.25%	10.81%	1 Digit	4.44%
South Africa	5.50%	7.40%	3%-6%	-1.90%
United Kingdom	1.25%	9.40%	2.00%	-8.15%
USA	2.50%	9.10%	2.00%	-6.60%
Euro	0.50%	9.00%	2.00%	-8.50%

Source: Bank of Mozambique, Absa Research

Of all the selected economies, Mozambique is the only one with a positive interest rate and buffer to deal with potential inflation increases and continue to provide positive returns in the upcoming years.

*Head of Treasury | Absa Bank Mozambique



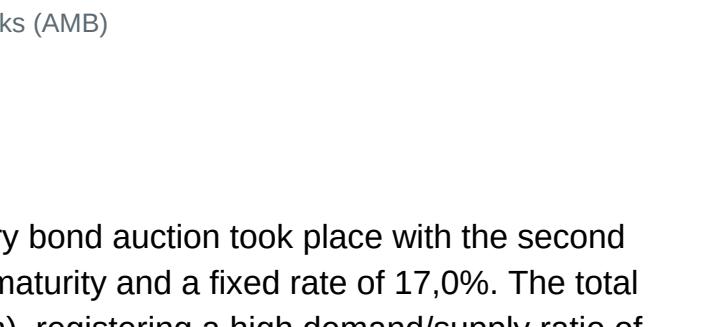
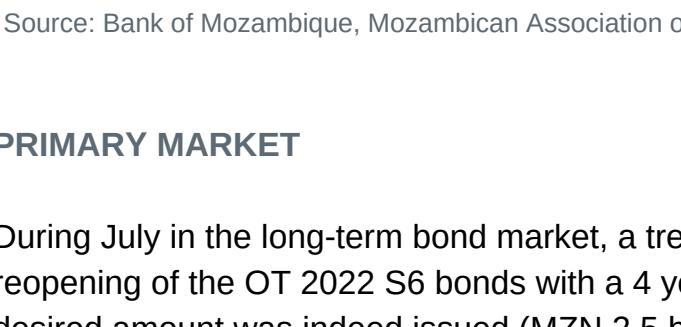
RSM conducts a community survey about family planning and gender-based violence

By Julia Wood dos Santos*

Mozambique's Northern Provinces of Nampula, Cabo Delgado, and Niassa are host to some of the nation's highest poverty rates which have been compounded by recent political instability. These challenges have been contributing factors regarding Mozambique's high rates of premature marriage / premature pregnancy as well as other forms of gender-based violence. For example, as many as 24% of Mozambican women between the ages of 18-49 have reported that they have experienced physical violence in their lifetime (Data from IMASIDA, 2015). In addition, as many as 50% of girls between the ages of 15-17 in these provinces are already married (Data from UNFPA/INE).

As part of RSM's Development Consulting services, our local researchers set out in rural and urban settings in these provinces to better understand girls' knowledge, attitudes, and practices with regards to family planning and gender based violence. The goal of this research activity was to help our client to influence this population more effectively during their upcoming programming and to establish baseline values for measuring girls' beliefs about these topics.

The results of the survey were both powerful and insightful. In the words of our in-house qualitative researcher (who was responsible for interviewing parents, religious leaders, community leaders, and nurses across all three provinces), "This research taught me what it feels like to be in these girls' shoes and to see the world through their experiences. This made it easier for me to understand these phenomena in my country."



*Development Consulting Manager | RSM Mozambique

Market Intelligence

By Absa Bank Mozambique



Source: Central Bank, INE, MEF, Absa Research

	2018	2019	2020	2021F	2022F	2023F	2024F
Real GDP (% y/y)	3.3	2.2	-1.3	1.9	3.9	5.0	6.1
GDP (USD bn)	14.8	15.2	-13.9	15.1	18.2	21.0	23.7
Current Account Balance (% GDP)	-30.3	-19.7	-25.8	-23.8	-23.7	-23.1	-23.7
Fiscal Balance (% GDP)	-5.3	-0.7	-10.8	-8.6	-7.7	-5.7	-4.7
Public Debt (% GDP)	110.0	105.7	114.2	116.4	101.9	90.8	97.9
CPI (p. avg/econ)	3.9	3.8	3.5	5.7	6.7	8.1	7.9
Policy Rate (MIMO, % eop)	14.25	12.75	10.25	13.25	13.75	14.75	15.25
USD/MZN (eop)	61.63	61.64	74.60	64.00	63.00	61.00	60.00
USD/MZN (avg)	60.34	62.43	69.87	69.30	63.50	62.00	60.50
CPI (% y/y, eop)	6.7	5.8	6.7	7.1	6.7	6.9	8.0
Policy rate (% eop)	13.25	13.75	13.75	13.75	13.75	13.75	14.75
USD/MZN	63.66	63.72	63.48	63.24	63.00	62.50	62.00
ZAR/MZN	4.14	4.18	4.30	4.22	4.06	3.96	3.82

Mozambique Financial Markets

By Banco BIC Mozambique*

The Central Bank's Monetary Policy Committee (CPMO) met on 21 July and decided to maintain the monetary policy rates unaltered. The decision of maintaining the interest rates unaltered was due to the increase on the inflation to 1 digit in medium term, the slowdown on external demand and the international cost of commodities. With the aim of maintaining currency stability, the Committee believes that the inflation may return to normal despite the short term tendency to increase due to the high prices of oil and food in the international scenario. The Central bank, however, remains optimistic on the economic recovery in 2022 and 2023, despite the slowdown on external demand. The Committee shall meet again on 15 September to address the impact of the events that will take place in the upcoming months.

REFERENCE RATES				
Rate	Current	Previous	1 Variation	Δ Annual
MIMO	15.25%	15.25%	0.00%	2.00%
FPC	18.25%	18.25%	0.00%	2.00%
FPD	12.25%	12.25%	0.00%	2.00%
Prime Rate	20.60%	20.60%	0.00%	2.00%
RO's (MN)	10.50%	10.50%	0.00%	0.00%
RO's (ME)	11.50%	11.50%	0.00%	0.00%

1 - Data referring to CPMO of May 19, 2022.

FPC - Permanent Assignment Facility

FPD - National Currency

RO's - Permanent Deposit Facility

ME - Foreign Currency

RO's - Mandatory Reserves

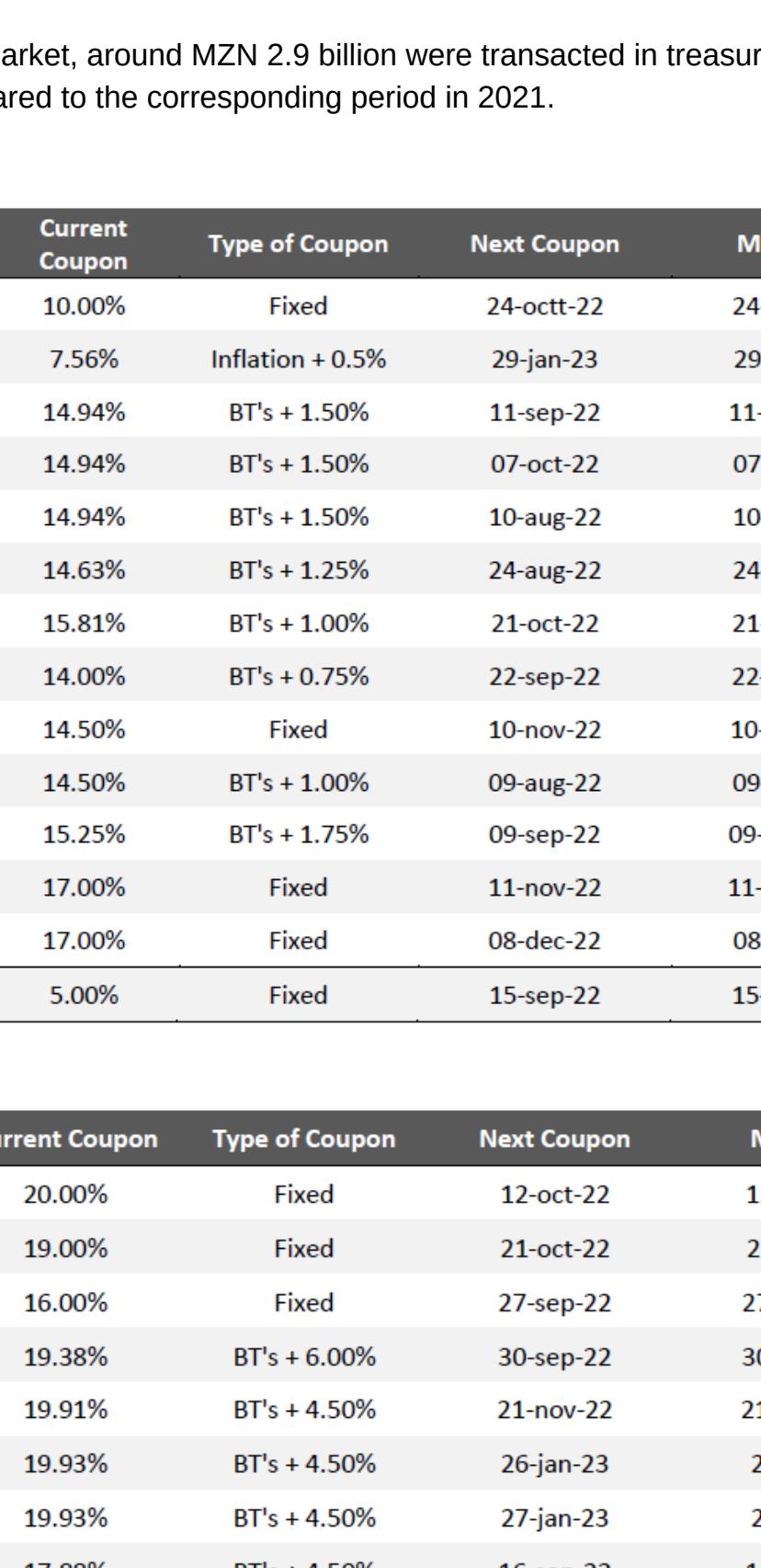
Source: Bank of Mozambique, Mozambican Association of Banks (AMB)

PRIMARY MARKET

During July in the long-term bond market, a treasury bond auction took place with the second reopening of the QT 2022 S6 bonds with a 4 year maturity and a fixed rate of 17.0%. The desired amount was indeed issued (MZN 2.5 billion), registering a high demand/supply ratio of 110% for these bonds. The Treasury has already issued (MZN 5.3 billion) established in the government budget for 2022.

Bond	OT 2022 S6 (R2)
Type	Reopening
Maturity	4 years
Coupon Interest Rate	17,00%
Amount of the Issue	2.500.000.000
Amount of Demand	2.765.000.000
Amount Issued	2.500.000.000
Nominal Value	100
Minimum Rate	17,00%
Maximum Rate	20,00%
Average Rate	18,43%
Nº Of Bonds Issued	26.022.119
Demand/Supply Ratio	110,60%

Domestic Debt 2022



Source: Mozambique stock market and Banco BiG Mozambique, S.A

SECUNDARY MARKET

BVM – Shares

During July, the stock market has been marked by being yet again a negative month for most of the shares transacted, with exception of the HCB shares, with an appreciation in share price of +12.50%, and a total volume transacted of MZN 538 thousand. CDM shares registered a depreciation of -11.76% and had a monthly transaction volume of MZN 831 thousand. The EMOSE registered a depreciation of 16.67%, a much reduced transacted volume compared to the other shares.

Shares	Price	Volume (MZN)	Δ Weekly	Δ Monthly	Δ YTD
CDM	60.00	831,616.00	30.43%	-11.76%	20.00%
HCB	2.25	538,228.04	12.50%	12.50%	-25.00%
CMH	2,700.00	600,000.00	0.00%	-3.57%	-10.00%
EMOSE	15.00	25,607.00	0.00%	-16.67%	-25.00%

The table above shows the shares with higher transaction volume over the last (6) six months.

BVM – Bonds

In the secondary market, around MZN 2.9 billion were transacted in treasury bonds, an amount 3 times higher compared to the corresponding period in 2021.

Treasury Bonds

Bonds	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
OT 2019 S8	10.00%	Fixed	24-oct-22	24-apr-25	16.85%
OT Fornecedores 2019	7.56%	Inflation + 0.5%	29-jan-23	29-jan-29	18.61%
OT 2020 S3	14.94%	BT's + 1.50%	11-sep-22	11-mar-23	15.86%
OT 2020 S10	14.94%	BT's + 1.50%	07-oct-22	07-oct-24	16.59%
OT 2021 S1	14.94%	BT's + 1.50%	10-aug-22	10-feb-25	16.75%
OT 2021 S2	14.63%	BT's + 1.25%	24-aug-22	24-feb-26	17.24%
OT 2021 S4	15.81%	BT's + 1.00%	21-oct-22	21-apr-26	17.31%
OT 2021 S8	14.00%	BT's + 0.75%	22-sep-22	22-sep-25	17.04%
OT 2021 S10	14.50%	Fixed	10-nov-22	10-nov-25	17.10%
OT 2022 S1	14.50%	BT's + 1.00%	09-aug-22	09-feb-27	17.69%
OT 2022 S3	15.25%	BT's + 1.75%	09-sep-22	09-mar-30	19.13%
OT 2022 S5	17.00%	Fixed	11-nov-22	11-may-25	16.87%
OT 2022 S6	17.00%	Fixed	08-dec-22	08-jun-26	18.43%
MOZAM (USD)	5.00%	Fixed	15-sep-22	15-sep-31	14.50%

Source: Mozambique stock market and Banco BiG Mozambique, S.A

Total Transactions on the Secondary Market

The secondary market continues to show a remarkable growth compared to the previous years with cumulatively transacted volume of 9.4 billion, 165.0% higher than the volume transacted in the corresponding period.

*Investment Banking

Upcoming Events



The Carlyle Partners Pension Fund Training was designed for Trustees, HR and other professionals that may already be working with pension funds in their companies or are looking to implement one.

News



On 9 August the Council of Ministers approved the appointment of Leonido Banze as Chairman of the Board of Directors of the Insurance Supervision Institute of Mozambique (ISSM).

Post of the Month

31 JULY 2022

Carlyle Partners is an insurance advisory brokerage specialized in Health, Life and Pensions, licensed under the Insurance Supervision Institute of Mozambique (ISSM).

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