

MONTHLY NEWSLETTER

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The Shift

By Nádia Nunes*

There has been a changing tide, a shift, in the EB scenario in Mozambique.

We have been experiencing an increasing interest from companies to provide benefits such as Pension Funds, Life Insurance and Health Cover. Historically, traditional Mozambican companies, meaning old and well established business, never had employee benefits as top of mind. I'm yet to understand the reasons. Was it due to lack of knowledge/information, or employees had other priorities then? Or both? If you're reading this and would like to share your insights, we would love to hear from you.

Today, entrepreneurs are increasingly younger in one hand, and employees are more connected and informed than ever on the other. There's information about everything, everywhere. Aside from company culture, which is of utmost importance, employee benefits is becoming top of mind for local companies and employees.

As consultants, our job is to help companies navigate the technical nuances of insurance, providing guidance and fit-for-purpose solutions in line with budget. To achieve that, we work very closely with HR professionals, making the process smoother.

*Manager | Carlyle Partners



2022 Investment Resolution and Tax Assessment

By Alberto Pitoro*

The year transition is the perfect occasion to outline and implement brand new plans and projects, reassess goals and opportunities, embrace new challenges both personally and institutionally. It is to be expected and often desirable, that such plans and projects include the investment area and volume, exploration of new markets, new asset classes, portfolio performance and risk assessment, among others.

The beginning of the year is also the moment where the factors associated with the investments are undertaken and/or fulfilled, requiring the attention of the investor himself or his representatives. Some of these aspects are linked to the treasury, to name a few: statements, payments, renewals, waiver and applicable benefits. Depending on the characteristics of each investor, market, financial instrument involved, applicable laws and regulations, the applicable tax requirements and benefits may turn out to be diverse for the investor.

Considering that the tax burden has an impact on the investments financial performance (Net), we would like to take this time to remind the investor, without diving into further details, of the need to take this aspect into account when deciding where to invest the assets. Given the level of complexity of the instruments, market and other aspects involved, our recommendation would be to seek professional advisory in order to ensure the best possible outcome, however, without violating the relevant tax requirements.

*Head of Treasury | Absa Bank Mozambique

Market Intelligence

By Absa Bank Mozambique



Macroeconomic Indicators

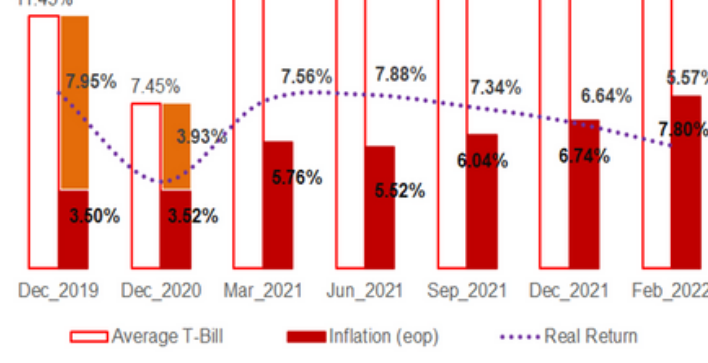
Source: Central Bank, INE, MEF, Absa Research

| | 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 | 15.3 | 13.9 | 15.1 | 18.2 | 21.0 | 21.6 |
| Current Account Balance (% GDP) | -30.3 | -19.7 | -25.8 | -23.8 | -23.7 | -23.1 | -23.7 |
| Fiscal Balance (% GDP) | -5.3 | -0.2 | -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 | 90.1 |
| CPI (%Dec/Dec) | 3.5 | 3.5 | 3.5 | 6.7 | 6.7 | 8.1 | 7.9 |
| CPI (p avg.) | 3.9 | 2.8 | 3.1 | 5.7 | 6.7 | 7.5 | 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 |

| | Q3 21 | Q4 21F | Q1 22F | Q2 22F | Q3 22F | Q4 22F | Q1 23F |
|---------------------|-------|--------|--------|--------|--------|--------|--------|
| 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 |

| | Spot | Q4 21F | Q1 22F | Q2 22F | Q3 22F | Q4 22F | Q1 23F |
|---------|-------|--------|--------|--------|--------|--------|--------|
| 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 |

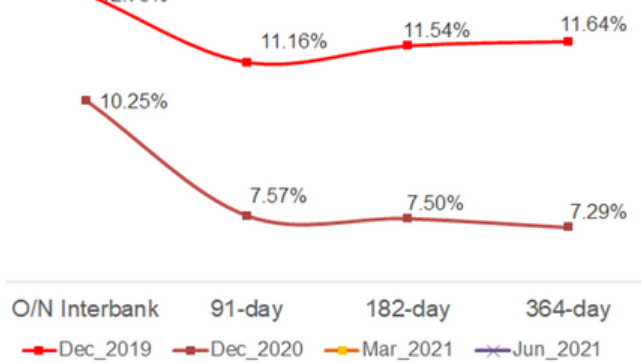
Yield Curve



Note: Inflation for Feb 2022 still the one as of Jan 2022

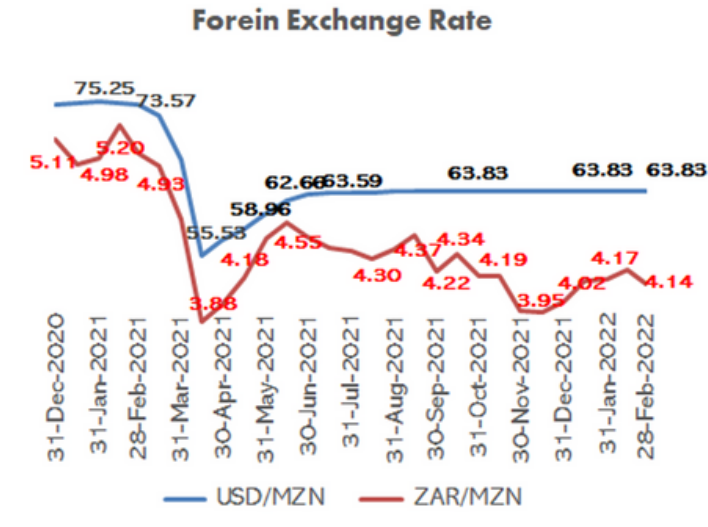
Source: Bank of Mozambique, INE

Yield Curve



Source: Bank of Mozambique

Foreign Exchange Rate



Source: Bank of Mozambique

Sub-Saharan Africa Economic Viewpoints

By Absa Bank*

Sub-Saharan Africa's economic growth in 2021 was overall stronger than expected and the focus in 2022 is likely to shift to broadening the recovery, ensuring greater resilience and sustainability after the pandemic. Favourable base effects, accommodative policies, a stronger global backdrop that supported higher commodity prices and multilateral support have been key drivers behind the stronger growth trajectory seen in many markets. The recovery in some markets remain sluggish, but we expect it to gain momentum this year as part of the post-pandemic normalisation process. We expect infrastructure investments, ongoing policy support (although some of that is likely to be gradually withdrawn), full reopening of economies, digitalisation, the Africa Continental Free Trade Agreement, growth in tourism, higher commodity prices and a stillsupportive global backdrop to continue to support SSA economies. Poor vaccination rates across the region remain a threat and the recovery could still be hindered by new waves of COVID-19 variants, tighter global financial conditions, volatile weather conditions, high inflation rates, elevated debt burdens and fiscal consolidation. Nevertheless, the main challenge over the long term is to continue with the much-needed reforms to ensure more resilient economies and inclusive and sustainable growth.

We have raised our 2021 growth estimate for our coverage region from 3.6% to 4.0%, but expect a softer 3.3% growth rate in 2022. Ghana, Kenya, Botswana, Nigeria, South Africa, Tanzania, Uganda and Zambia staged strong recoveries in 2021 on the back of a low base, whereas Angola, Namibia and Mozambique continued to experience challenging conditions. In 2022, we expect growth to soften in SSA's two largest markets, South Africa and Nigeria, and East African markets to maintain a robust pace of expansion. Excluding South Africa, average growth in our region is likely to remain at an estimated 3.8% in 2022, as was the case in 2021.

We expect fiscal and monetary policy support to be tempered further in 2022. As many markets are still struggling with bloated fiscal deficits, the priority of governments is likely to turn increasingly to fiscal consolidation in 2022 to reduce vulnerabilities. Multilateral support will remain critical, and we expect IMF programmes in Mozambique and Zambia in 2022, with a programme in Zambia subject to successful debt restructuring talks.

High inflation in many markets could lead to more policy rate hikes. Angola, Ghana, Mozambique, South Africa and Zambia raised policy rates last year and may see further hikes this year. We expect most of the remaining markets under our coverage to also look to begin policy normalisation. The main threats to the inflation outlook may stem from higher food and fuel prices, high fiscal spending, weaker exchange rates and elevated global inflation.

SSA currencies have shown some resilience in the face of a stronger USD, but risks linger. Since the beginning of this year, we have seen mild improvements in the performance of the BWP, UGX and MZN, while the island currencies as well as the KES and the TZS have weakened marginally against the USD. Although most countries' external positions are much stronger now than at the start of the pandemic and previous episodes of Fed tightening, idiosyncratic factors will matter as well. We believe the GHS is still the most vulnerable given current fiscal risks and large foreign portfolio holdings. Any tensions ahead of the elections in Kenya could also hurt sentiment and drive the currency weaker.

*Sub-Saharan Africa Research

Key Macroeconomic Data

Sources: Various national statistics offices, Absa Research

Figure 1: Key macroeconomic data

| | Real GDP (% y/y) | | | Inflation (% , avg.) | | |
|--------------|------------------|-------|-------|----------------------|-------|-------|
| | 2021F | 2022F | 2023F | 2021 | 2022F | 2023F |
| Angola | -0.1 | 2.4 | 3.2 | 25.8 | 25.9 | 20.4 |
| Botswana | 12.5 | 5.2 | 4.8 | 6.7 | 5.4 | 4.6 |
| Ghana | 5.0 | 5.5 | 5.3 | 10.0 | 11.7 | 9.5 |
| Kenya | 7.3 | 5.6 | 5.1 | 6.1 | 6.2 | 5.1 |
| Mauritius | 5.2 | 10.3 | 5.6 | 4.0 | 4.4 | 3.4 |
| Mozambique | 1.9 | 3.9 | 5.0 | 5.7 | 6.7 | 7.5 |
| Namibia | -0.2 | 2.4 | 2.7 | 3.6 | 4.9 | 4.6 |
| Nigeria | 2.9 | 2.7 | 3.1 | 17.0 | 14.6 | 12.2 |
| Seychelles | 10.1 | 9.1 | 5.2 | 9.8 | 3.6 | 3.6 |
| South Africa | 4.7 | 2.1 | 1.7 | 4.6 | 4.8 | 4.3 |
| Tanzania | 5.0 | 5.7 | 6.2 | 3.7 | 3.9 | 3.7 |
| Uganda | 5.3 | 5.5 | 5.3 | 2.2 | 3.0 | 3.8 |
| Zambia | 4.1 | 2.6 | 3.2 | 22.0 | 11.6 | 9.8 |
| Average | 4.0 | 3.3 | 3.4 | 11.1 | 10.2 | 8.7 |

Mozambique Financial Markets

By Banco BiG Moçambique*



Primary Market

The long term bond market opened in February issuing Treasury Bonds with 5 years (OT 2022 S1) and 3 years (OT 2022 S2) maturities, with an aggregated amount of MZN 6,87 billion. The average yield for the bonds issued in both auctions were: 14,58% for OT 2022 S1 and 14,82% for OT 2022 S2. In both auctions, the government has managed to raise MZN 4,85 billion.

| Bonds | OT 2022 S1 | OT 2022 S2 |
|---------------------|------------------|------------------|
| Type | Opening | Opening |
| Maturity | 5 years | 3 years |
| Coupon rate | 14.50% | 14.00% |
| Amount of the issue | 3,000,000,000.00 | 3,873,000,000.00 |
| Amount from demand | 4,305,000,000.00 | 3,877,000,000.00 |
| Issued amount | 1,800,000,000.00 | 3,052,000,000.00 |
| Nominal value | 100 | 100 |
| Minimum rate | 14.50% | 14.00% |
| Maximum rate | 16.88% | 16.25% |
| Average rate | 14.58% | 14.82% |
| Nº of bonds issued | 18,052,380 | 31,118,657 |
| Demand/Supply Ratio | 143.50% | 100.10% |

Secondary Market

BVM – Shares

In February, the stock Market was marked by the volume of MZN 3,5 million from the CMH shares followed by CDM shares with a transaction volume of MZN 995 thousand. Whilst the CDM share price decreased to 60,00 MZN/share (with a depreciation of -25%), most of the shares transacted have increased considerably, HCB increased in 2,50 MZN/share (+19,05%), CMH increased in 3,250 MZN / share (+8,33%) and EMOSE increased in 15,00 MZN / share (+25,00%).

| Shares | Price | Volume | Δ Weekly | Δ Monthly | Δ YTD |
|-----------|----------|--------------|----------|-----------|---------|
| CDM | 60.00 | 995,810.00 | -20.00% | -25.00% | -25.00% |
| HCB | 2.50 | 193,281.90 | 0.00% | 19.05% | 19.05% |
| CMH | 3,250.00 | 3,588,650.00 | 0.00% | 8.33% | 8.33% |
| EMOSE | 15.00 | 47,880.00 | 0.00% | 25.00% | 25.00% |
| ARKO SEG. | 1,250.00 | 0.00 | 0.00% | 0.00% | 0.00% |

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

BVM -Bonds

During February, in the secondary Market, more than MZN 2.35 billion were transacted against MZN 145,1 million in treasury bonds from previous month, and MZN 6,6 million against MZN 1,4 million transacted in corporate bonds from previous month.

Treasury Bonds

| Bonds | Current Coupon | Type of Coupon | Next Coupon | Maturity | Yield |
|-------------------|----------------|------------------|-------------|-----------|--------|
| OT 2019 S5 | 14.94% | BT's + 1.50% | 10-apr-22 | 10-apr-22 | 13.53% |
| OT 2019 S9 | 12.00% | Fixed | 12-jun-22 | 12-jun-22 | 13.61% |
| OT providers 2019 | 4.06% | Inflation + 0.5% | 29-jul-22 | 29-jan-29 | 16.62% |
| OT 2020 S10 | 14.94% | BT's + 1.50% | 07-apr-22 | 07-oct-24 | 14.66% |
| OT 2021 S1 | 14.88% | BT's + 1.50% | 10-aug-22 | 10-feb-25 | 14.82% |
| OT 2021 S2 | 13.00% | BT's + 1.25% | 24-aug-22 | 24-feb-26 | 15.29% |
| OT 2021 S4 | 14.00% | BT's + 1.00% | 21-apr-22 | 21-apr-26 | 15.36% |
| OT 2021 S5 | 14.25% | BT's + 0.75% | 09-jun-22 | 09-jun-26 | 15.42% |
| OT 2021 S7 | 14.25% | BT's + 0.75% | 08-mar-22 | 08-sep-25 | 15.08% |
| OT 2021 S8 | 14.00% | BT's + 0.75% | 22-mar-22 | 21-jul-27 | 15.93% |
| OT 2021 S10 | 14.50% | Fixed | 10-may-22 | 10-nov-25 | 15.16% |
| OT 2022 S1 | 14.50% | BT's + 1.00% | 09-aug-22 | 09-feb-27 | 15.73% |
| OT 2022 S2 | 14.00% | BT's + 0.50% | 23-aug-22 | 23-feb-25 | 14.82% |
| MOZAM (USD) | 5.00% | Fixed | 15-mar-22 | 15-sep-31 | 9.91% |

Corporate Bonds

| Bonds | Current Coupon | Type of Coupon | Next Coupon | Maturity | Yield |
|-----------------|----------------|----------------|-------------|-----------|--------|
| Bayport 2019 S1 | 20.00% | Fixed | 12-apr-22 | 12-apr-24 | 17.08% |
| Bayport 2019 S2 | 19.00% | Fixed | 21-apr-22 | 21-oct-24 | 17.38% |
| Bayport 2020 S1 | 16.00% | Fixed | 27-mar-22 | 27-mar-25 | 17.63% |
| Bayport 2020 S2 | 19.40% | BT's + 6.00% | 30-mar-22 | 30-mar-25 | 17.64% |
| Bayport 2021 S1 | 17.88% | BT's + 4.50% | 21-may-22 | 21-may-26 | 18.30% |
| Bayport 2021 S2 | 18.00% | BT's + 4.50% | 26-jul-22 | 26-jul-26 | 18.40% |
| Bayport 2021 S3 | 18.00% | BT's + 4.50% | 27-jul-22 | 27-jul-25 | 17.83% |
| Bayport 2021 S4 | 18.00% | BT's + 4.50% | 16-mar-22 | 16-sep-26 | 18.48% |
| BNI 2019 S1 | 16.00% | MIMO + 2.75% | 30-jul-22 | 30-jul-22 | N/A |

*Investment Banking

Post of the Month

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FOR RENT

T3

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Mobilado, luxuoso três quartos en-suite que são totalmente equipados. Cozinha moderna em plano aberto, sala de jantar e salão com vistas deslumbrantes.

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✓ Gym for residents

✓ Dstv

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