

**Carlyle Partners**

Health - Life - Pensions

# MONTHLY NEWSLETTER

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# The Retirement Dream

In the previous edition, we spoke about the importance of creating a snowball effect with our savings. We spoke about how a simple term deposit could generate a snowball effect over time. We also spoke that, in our country, the government was responsible for providing retirement benefits through the INSS, which is compulsory, however, we could also find private pension funds to complement the INSS benefit.

If there are institutions that specifically look after retirement, then why is it important to promote the habit of voluntary savings and investment? In fact, it may seem more practical to delegate the responsibility to the government or the employer altogether. But the world has been following a very different trend.

Before we move to a discussion about the different investment products that we can find in the financial markets, we should look at some facts that may help us understand the true size of our challenge and the opportunities as well. According to a 2019 report from the Organisation for Economic Co-operation and Development (OECD)<sup>[1]</sup>:

- The total value of pension funds, pension insurance contracts, and other retirement products worldwide, exceed USD 50 trillion.
- USD 49.2 trillion are from OECD member countries (just 37 countries worldwide), with USD 1.6 trillion for the rest of the world;
- Coming back to our region, the pension fund industry in Mozambique contributes with less than 1% to the country's GDP, against 5% from South Africa, and 2% from Malawi and Botswana;
- The majority of countries in the sub-Saharan Africa, with the exception of South Africa, do not have individual pension plans.

So, with the aim of promoting a better quality of life on retirement, in Mozambique, the subject is of significant importance. In the next editions we'll look at the investment opportunities available in the market, having diversification as a guiding principle.

See you soon.

**Alberto Pitoro**

Head of Treasury | Absa Bank Mozambique

[1] OECD (2020), Pension Markets in Focus 2020, [www.oecd.org/finance/pensionmarketsinfocus.htm](http://www.oecd.org/finance/pensionmarketsinfocus.htm)

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# Pension Funds



A pension fund, also known as a superannuation fund in some countries, is any plan, fund, or scheme that provides retirement income (CFA Institute, 2021). Pension funds are pooled monetary contributions from pension plans set up by employers, unions, or other organizations to provide for their employees' or members' retirement benefits. There are two types of pension funds. The Defined Benefits Funds guarantees a retirement income for life based on a plan formula. Defined Benefits Funds are mainly popular in government institutions. The Defined Contribution Fund guarantees contributions but not the income in retirement. Pension funds hold large investments.

Members of pension funds should always remember that pension monies are for the day of pension (retirement). Although Members face different social challenges, they should still be discouraged to do withdrawals before retirement date. Some countries enable preservation through legislation, which is perceived to be the most effective method. Members are also encouraged to do additional voluntary contributions to their Pension Funds in order to ensure a favorable nett replacement ratio.

## **Gerson Veundja Kamatuka**

Independent Chairperson: FundsAtWork Umbrella Fund and Chairperson: NBC Retirement Fund = Namibia

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# Employee Benefits: The Most Important Investment You'll Make



The primary goal of a smart investment is to earn returns that exceed the input. For any business, there is no smarter decision than to invest in the wellbeing and future of its employees. The business benefits far outweigh the administrative effort and financial commitment.

Meaningful employee benefits make people feel valued at work and often alleviate common life stressors related to their health and future. These factors lead to happier employees, which, in turn, lead to several significant, measurable benefits for the business, including:

- Increased employee loyalty
- Improved focus
- Higher productivity
- Decreased absenteeism

It also often differentiates a company from its competitors and helps an employer attract and retain talent, which could lower costs associated with staff turnover.

## **Employee benefits that matter**

Group risk benefits provide financial protection for employees. These benefits include death, disability, critical illness and funeral.

Group health that seeks to indemnify employees for the costs related to health treatments.

Group personal accident that provides benefits if employees suffer an accidental injury, disability or death.

## **Invest in your team, invest in your success**

As a business owner, looking after your employees should always come first – when you look after them, they will look after your business.

## **Bruna Quintas**

Employee Benefits Manager | Hollard Mozambique

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# Market Intelligence

By Absa Bank Mozambique

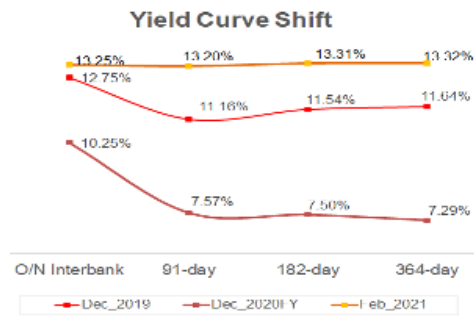
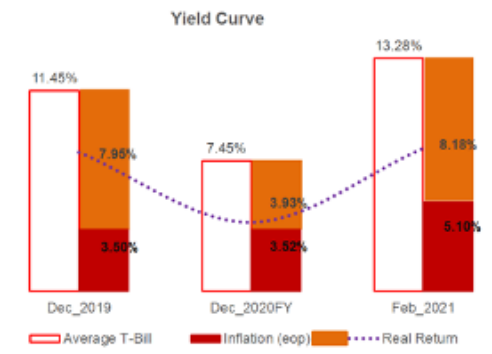


## Macroeconomic Indicators

Source: Central Bank, INE, MEF, Absa Research

|                                 | 2018  | 2019   | 2020E  | 2021F  | 2022F  | 2023F  | 2024F  |
|---------------------------------|-------|--------|--------|--------|--------|--------|--------|
| Real GDP (% y/y)                | 3.3   | 2.2    | -1.3   | 3.0    | 4.5    | 5.4    | 6.3    |
| GDP (USD bn)                    | 14.8  | 15.3   | 13.9   | 13.8   | 14.6   | 16.1   | 15.9   |
| Current Account Balance (% GDP) | -30.3 | -19.7  | -27.7  | -31.1  | -30.6  | -30.2  | -29.2  |
| Fiscal Balance (% GDP)          | -5.3  | -0.2   | -10.8  | -8.5   | -7.8   | -5.9   | -4.8   |
| Public Debt (% GDP)             | 110.0 | 104.0  | 117.0  | 116.3  | 113.1  | 103.1  | 99.4   |
| CPI (%Dec/Dec)                  | 3.5   | 3.5    | 3.5    | 4.8    | 5.2    | 5.7    | 6.7    |
| CPI (p aveg.)                   | 3.9   | 2.8    | 3.2    | 5.5    | 4.2    | 6.0    | 6.0    |
| Policy Rate (MIMO, % eop)       | 14.25 | 12.75  | 10.25  | 13.25  | 13.75  | 14.75  | 14.75  |
| USD/MZN (eop)                   | 61.63 | 61.64  | 74.60  | 77.80  | 82.10  | 80.50  | 80.00  |
| USD/MZN (avg)                   | 60.34 | 62.43  | 69.87  | 77.85  | 80.49  | 81.10  | 80.25  |
|                                 | Q4 20 | Q1 21F | Q2 21F | Q3 21F | Q4 21F | Q1 22F | Q2 22F |
| CPI (% y/y, eop)                | 3.5   | 4.8    | 6.1    | 6.6    | 5.3    | 4.0    | 3.6    |
| Policy rate (% eop)             | 10.25 | 13.25  | 13.25  | 13.25  | 13.25  | 13.75  | 13.75  |
|                                 | Stop  | Q1 21F | Q2 21F | Q3 21F | Q4 21F | Q1 22F | Q2 22F |
| USD/MZN                         | 73.57 | 76.20  | 78.00  | 79.40  | 77.80  | 78.88  | 79.95  |
| ZAR/MZN                         | 4.98  | 5.08   | 4.95   | 4.96   | 4.79   | 4.79   | 4.76   |





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