



Presentation of the IMF Resident Representative Office in  
Mozambique to  
the Development Partner Group<sup>1,2</sup>

**Victor Lledó**

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<sup>1</sup> The Development Partner Group consists of heads of mission in Mozambique of bilateral donors, the UN, and the international financial institutions.

<sup>2</sup> This document has not been approved by the IMF Executive Board.

## Outline of the presentation

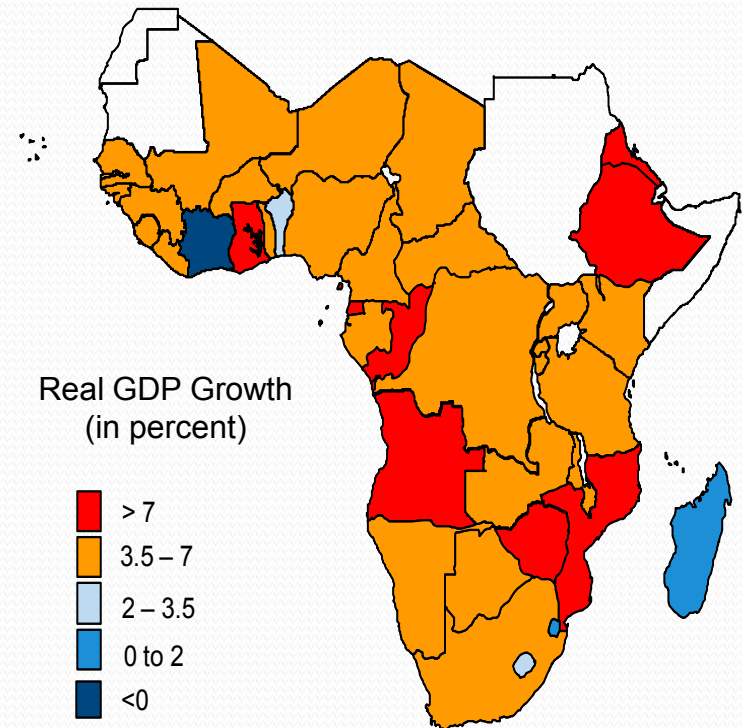
- Sub-Saharan Africa Economic Outlook:
  - Recovery and New Risks
  
- Mozambique Economic Outlook
  - Recent Economic Developments and 2011 Prospects
  
- Policy Discussions : 2<sup>nd</sup> PSI review/Article IV mission
  
- Forthcoming IMF events



## Sub-Saharan Africa: Recovery and New Risks

### Sub-Saharan Africa: 2011 Growth Outlook

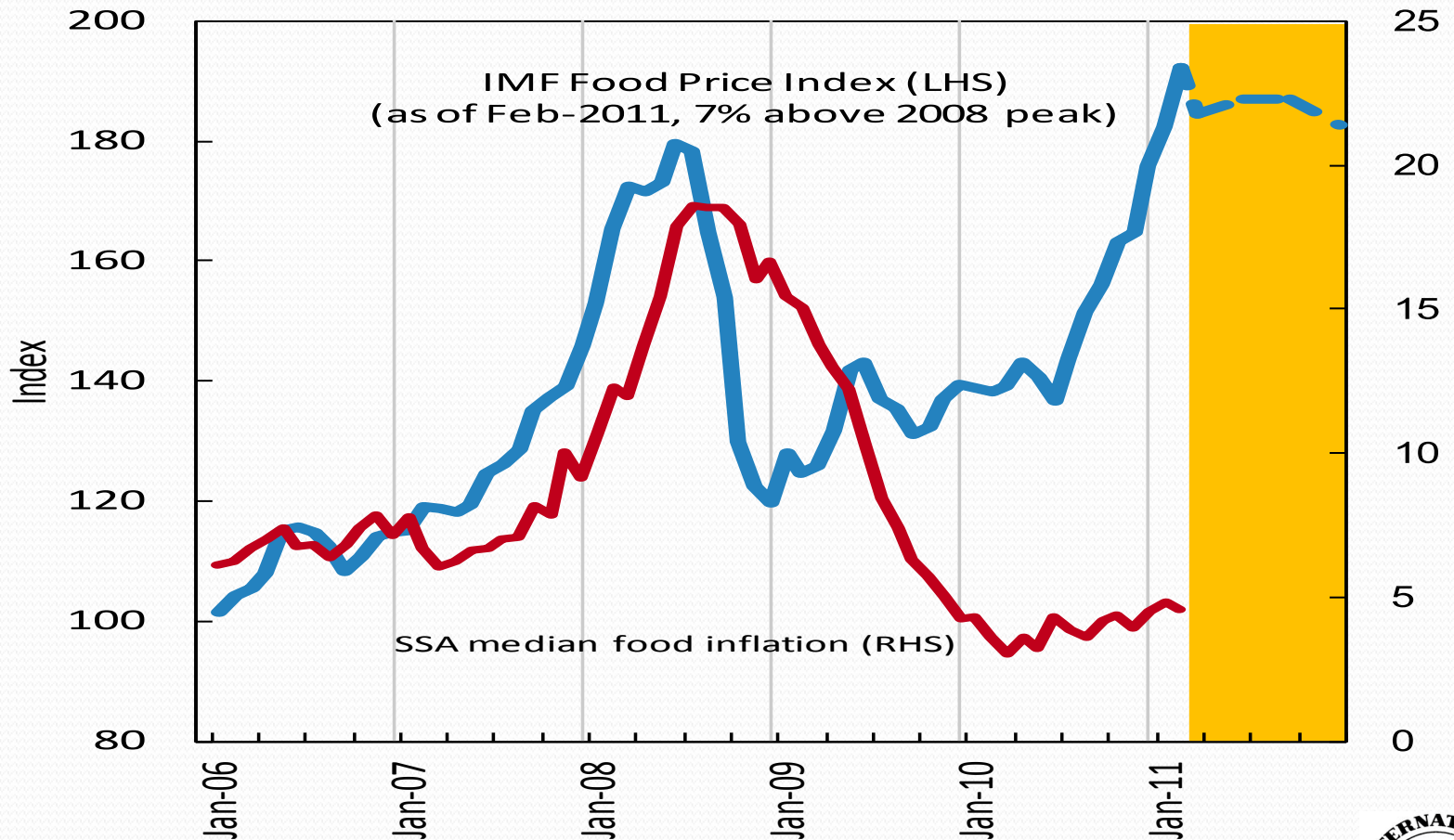
- Recovery is under way in most of Sub-Saharan African (SSA) countries but less so for middle-income countries such as South Africa.
- Eastern Africa countries are faring particularly well: Mozambique, Tanzania, Uganda, Malawi and Zambia. Also some oil exporters: Nigeria, Republic of Congo.
- Resilience evident throughout SSA, mainly because of much improved policies prior to global recession.
- Risks now come from rising government debt levels in some countries and the current food and fuel price shock, which will impact on inflation, poverty, and fiscal and external accounts





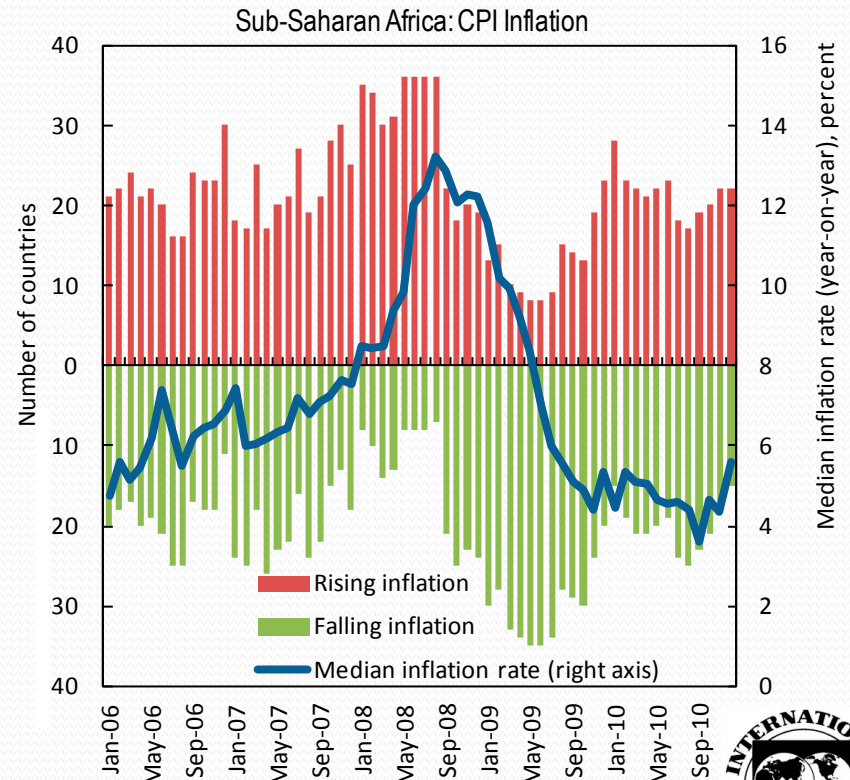
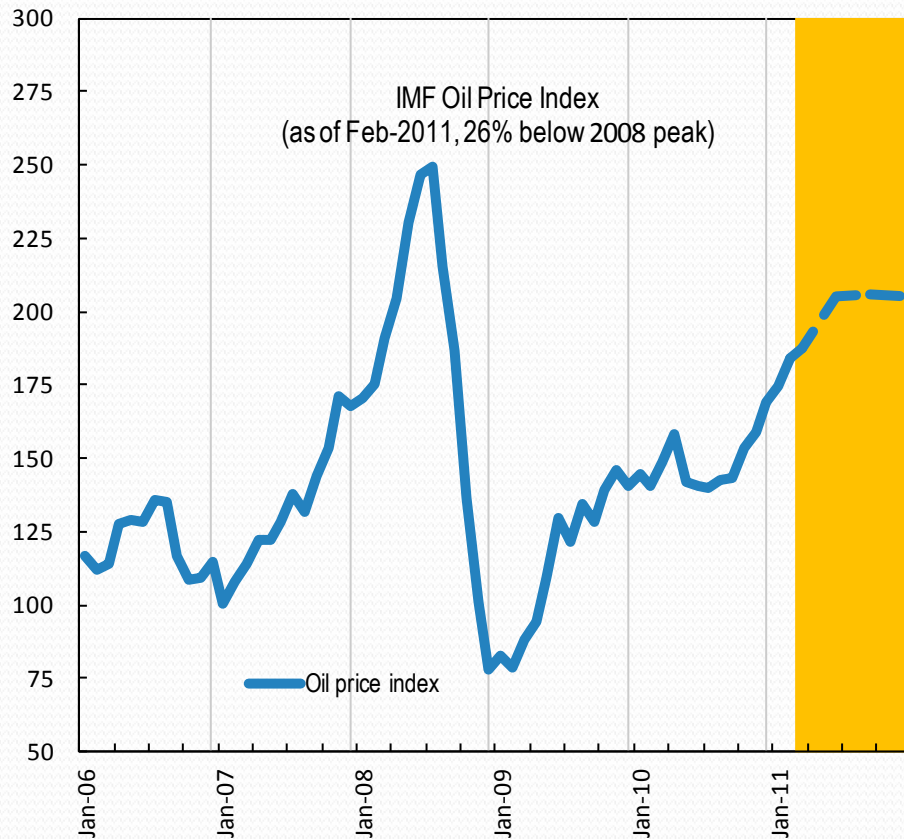
# Sub-Saharan Africa: Recovery and Some New Risks

Unlike in 2008, the surge in global food and fuel prices was not matched by a prompt and widespread increase in domestic food prices.



# Sub-Saharan Africa: Recovery and New Risks

The still more potent threat to economic activity is likely to be the recent surge in oil prices.



## Sub-Saharan Africa: Recovery and New Risks

### ❖ Fiscal policy

- Should continue to move away from the supportive stance of the last few years to a more neutral stance as soon as feasible
- Focus should be on rebuilding policy buffers

### ❖ Monetary policy

- Given the recent uptick in inflation, there is need for a tightening bias in most countries





# Mozambique Economic Outlook :

## Recent Economic Developments and 2011 Prospects

**Mozambique and Sub-saharan Africa: Selected Economic Indicators, 2004-2011**

	Mozambique				Sub-saharan Africa			
	2004-08	2009	2010	2011	2004-08	2009	2010	2011
	Average	Act.	Est.	Proj.	Average	Act.	Est.	Proj.
Real GDP (% growth)	7.8	6.3	6.6	7.2	6.6	2.8	4.9	5.5
Consumer prices (average, %)	10.2	3.3	12.7	9.5	8.4	10.5	7.5	7.8
Broad money (% of GDP)	30.33	39.8	40.6	41.5	42.0	48.6	48.8	48.9
Credit to the private sector (% of GDP)	14.4	26.5	28.2	28.6	17.3	20.7	21.5	-
Current account balance, incl. grants (% of GDP)	-10.9	-12.1	-10.2	-11.4	0.8	-2.3	-2.2	0.5

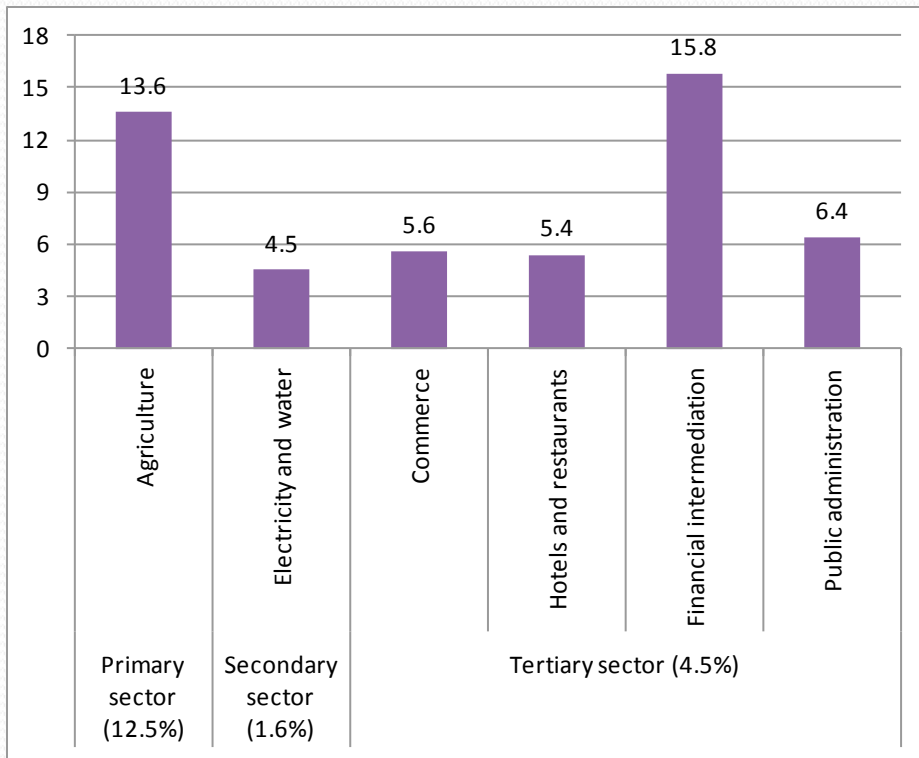
Source: Regional Economic Outlook Subsaharan Africa, IMF, April 2011; Figures from the latest PSI review mission.



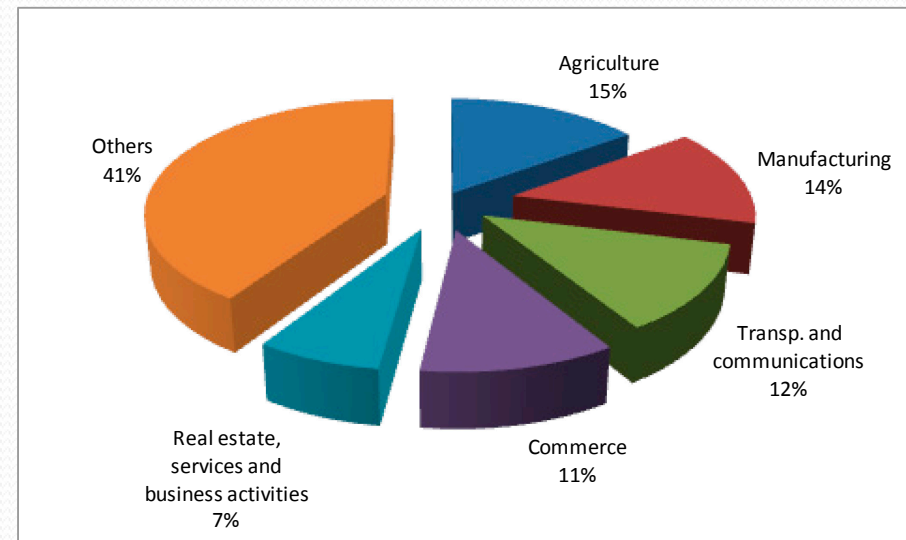
# Mozambique Economic Outlook : Recent Economic Developments and 2011 Prospects

## Gross Domestic Product (GDP)

Most dynamic sector in 2010 4<sup>th</sup> quarter (in %)



Sectoral contribution to GDP in 2010 4<sup>th</sup> quarter



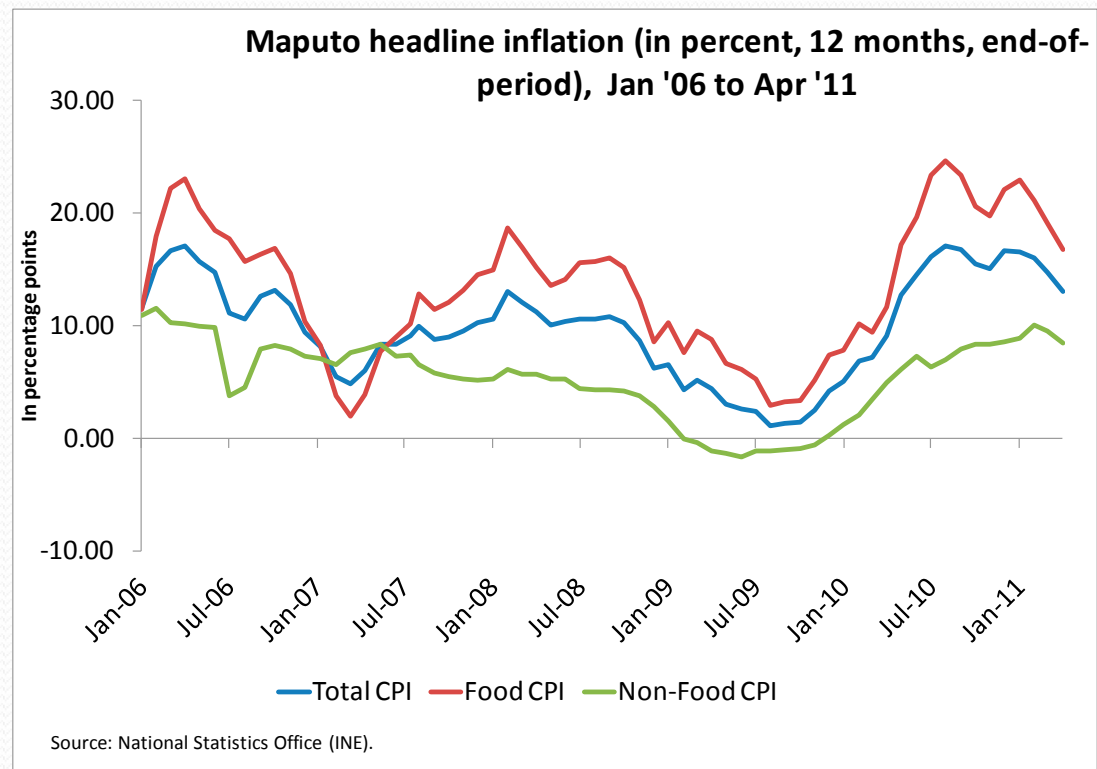


# Mozambique Economic Outlook :

## Recent Economic Developments and 2011 Prospects

### Inflation

- The total inflation has been slowing down since March this year : it was virtually zero in the last two months, reflecting historical patterns.
- The core measure of inflation (which excludes volatile items such as food, transport and energy) has been also following this downward trend.
- But, unfortunately, the total inflation rate remains still above the single digits level (13 percent).



# Mozambique Economic Outlook :

## Recent Economic Developments and 2011 Prospects

### Inflation

Contribution to increases in the Maputo headline inflation,  
January to April 2011 (% accumulated)

Food and non-alcoholic beverages items	50.4
Education	21.9
Energy*	12.7
Other items	15.0

\* liquid and non-liquid fuels.

- The main driver has been food and non-alcoholic beverages, although isolated price hikes of other items (tuition fees from public universities, non-liquid fuels such as charcoals) have played a major role.
- Risks to upward pressures on the inflation rates are likely to threaten the declining trend: e.g. the recent official increases in liquid fuel prices as well as the continued rising volatility of international oil prices.



## Policy Discussions : 2nd PSI review/Article IV mission

- Main messages:
  - Short-run : Tighten monetary policy to arrest inflationary expectations;
    - Fiscal policy must be supportive of this stance.
    - Recent measures to mitigate impact of the higher living costs (e.g. *cesta básica* and transport passes) should be further refined with the involvement of the development partners, private sector, and civil society;
  - Medium-term : Sustain and achieve more inclusive growth
    - Create fiscal space : prudent concessional and non-concessional borrowing, maintain revenue mobilization efforts
    - Scale-up infrastructure
    - Improve current social protection schemes
    - Enhance macroeconomic management of natural resources



## Forthcoming IMF activities

- Presentation and debate on the “Sub-Saharan Africa Regional Economic Outlook” (April 2011):
  - Venue and agenda to be announced soon
- Continuing TA engagement of Mozambique with the Fund:
  - New 3-year program for PFM revenue administration 2011-14
- Forthcoming Public Debt Management mission:
  - In the works
- Authorities are considering participating at the IMF Technical Assistance Natural Resource Topical Trust Fun





Thank you!