



Presentation of the IMF Resident Representative Office in
Mozambique to
the Development Partner Group^{1,2}

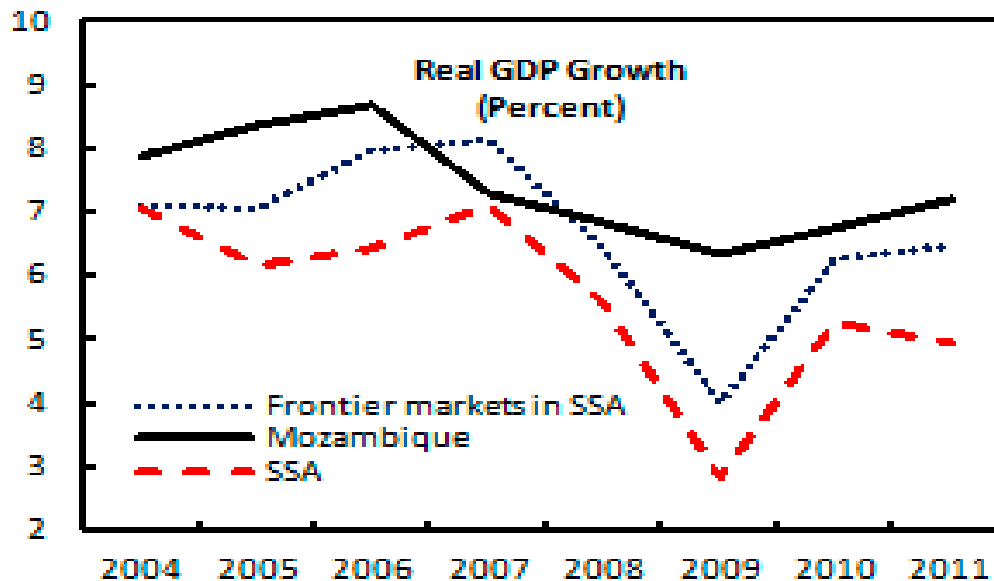
Victor Lledó
February 2, 2012

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

² This document has not been approved by the IMF Executive Board.

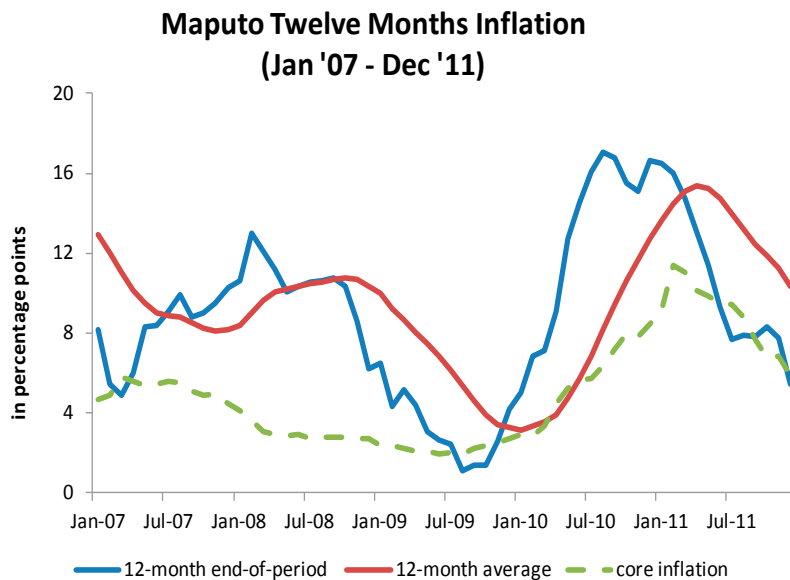
Mozambique's growth performance has been strong in 2011...

- ❖ Preliminary data shows GDP growth at near 7 percent in Q3 2011
 - ✓ Highest growth : Mining (35 percent).
 - ✓ Largest contributors : Agriculture, Financial Services, and Infrastructure.
 - ✓ Performance in line with annual projection of 7.2 percent.
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- ❖ Growth performance was also strong by regional standards.

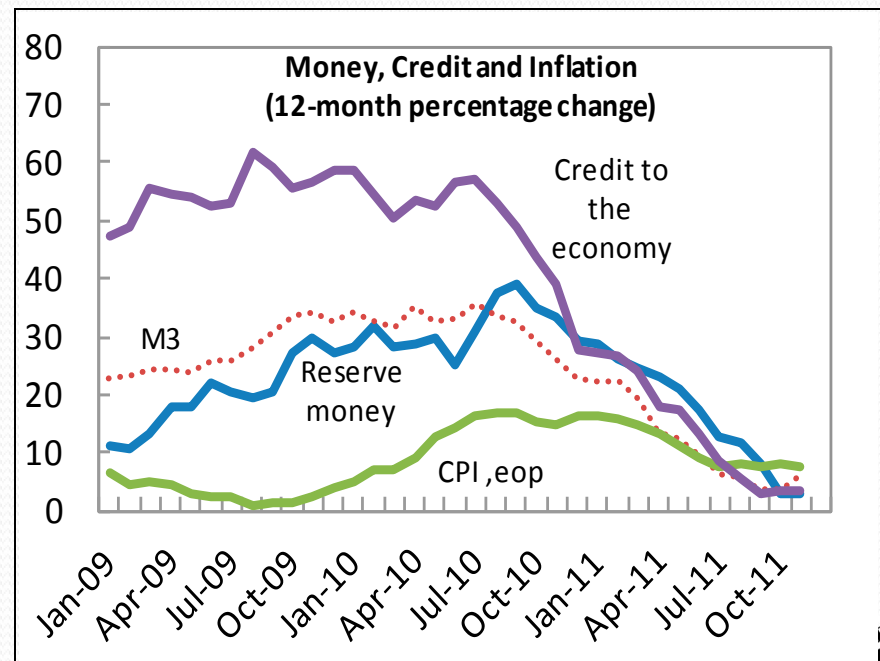


...And inflation in declined markedly.

- Headline inflation declined from 16.6 percent at end-2010 to 5.5 percent at end-2011.
 - Inflation dominated by increases in food (40 percent) and housing and utilities (16.4 percent)
 - Core inflation (inflation excluding food and fuel prices) closed the year below 6 percent.
- This reflects determined monetary tightening during this period.



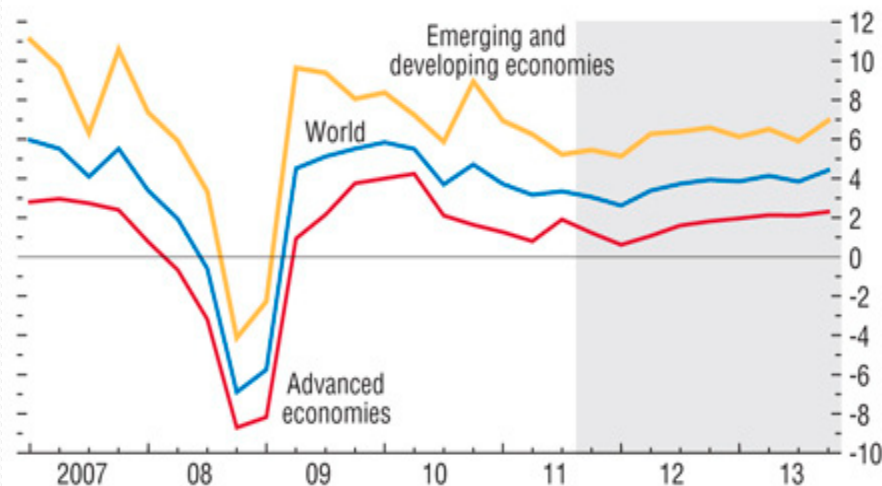
Source: National Institute of Statistics



However, downside risks intensified as the global recovery stalled.

- Global output is projected to expand by 3¼ percent in 2012 down from a 4 percent projected forecast made by the September 2011 IMF World Economic Outlook (WEO).
- Euro area economy is now expected to go into a mild recession in 2012.
- Growth in most emerging and developing economies, including in sub-Saharan Africa, is also expected to slow down because of the worsening external environment and a weakening of internal demand.

Figure 1. Global GDP Growth
(Percent; quarter over quarter, annualized)



Source: IMF staff estimates.



Will the Mozambican economy be once again resilient?

- Good reason to believe so given the countercyclical policy space at the start of 2012 as measured by
 - ✓ Low inflation
 - ✓ Comfortable level of foreign reserves
 - ✓ Low and sustainable public debt
 - ✓ Aid commitments largely confirmed
- But additional risks relatively to the 2008/09 crisis should be factored in
 - ✓ Indirect exposure of the banking system to the sovereign debt and banking crisis in the euro area. No immediate concerns; Financial system remains sound.
 - ✓ South Africa's economy relatively weaker
 - ✓ All in all, need to remain vigilant.
- Should the need arise, timely use of a more accommodative policy stance will be critical.
- Maintaining aid commitments beyond 2012 will be critical → Sustained aid support together with low debt levels were critical to smooth the impact of the 2008/09 crisis in Mozambique and Sub-Saharan Africa in general.



IMF Recent and Forthcoming Events

- IMF Res Rep Workshop : Jan 25-27
 - Visit from the Director of the IMF African Department
 - Joint UN-IMF presentation on social protection
- 4th PSI review mission: March 5-15
- Several TA missions on PFM and Tax Adm : Q1 012.
- TA mission Fiscal Regime Mining and Gas: Mid-April



Thank you!

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