



Dealing with Export Commodity Price Shocks

Experience of Mozambique

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Outline

- Mozambique economy at glance
- The structure of commodity exports
- Coping with commodity export price shocks.

The role of fiscal policy

- The challenges ahead



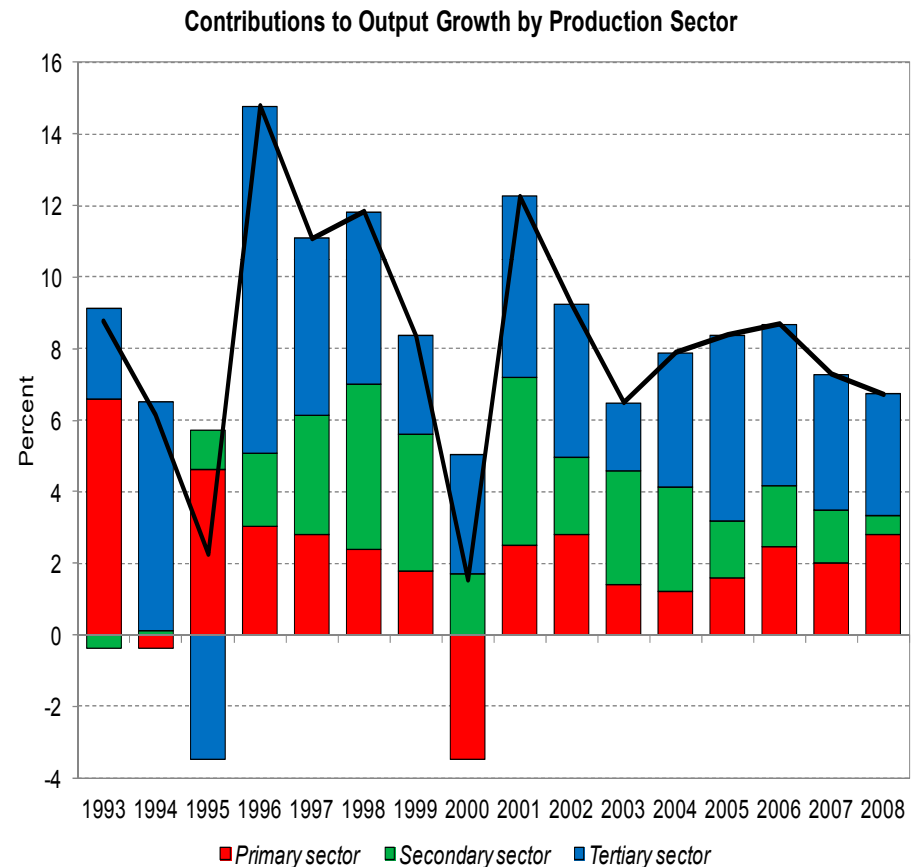
Mozambique economy at glance

- Since end of civil war in 1992, output has grown by **8.2 percent** per year on average, over the last 15 years.
- PPP adjusted output per capita was on **US\$ 400** in 2005. Postwar economic expansion has raised output per capita to **US\$679**.
- This nearly doubled living standards as measured by output per capita, achieving significant reduction in poverty.
 - ❖ Poverty headcount index: **69,4%** in 1994/95 to **54,7%** in 2009/10



Mozambique economy at glance

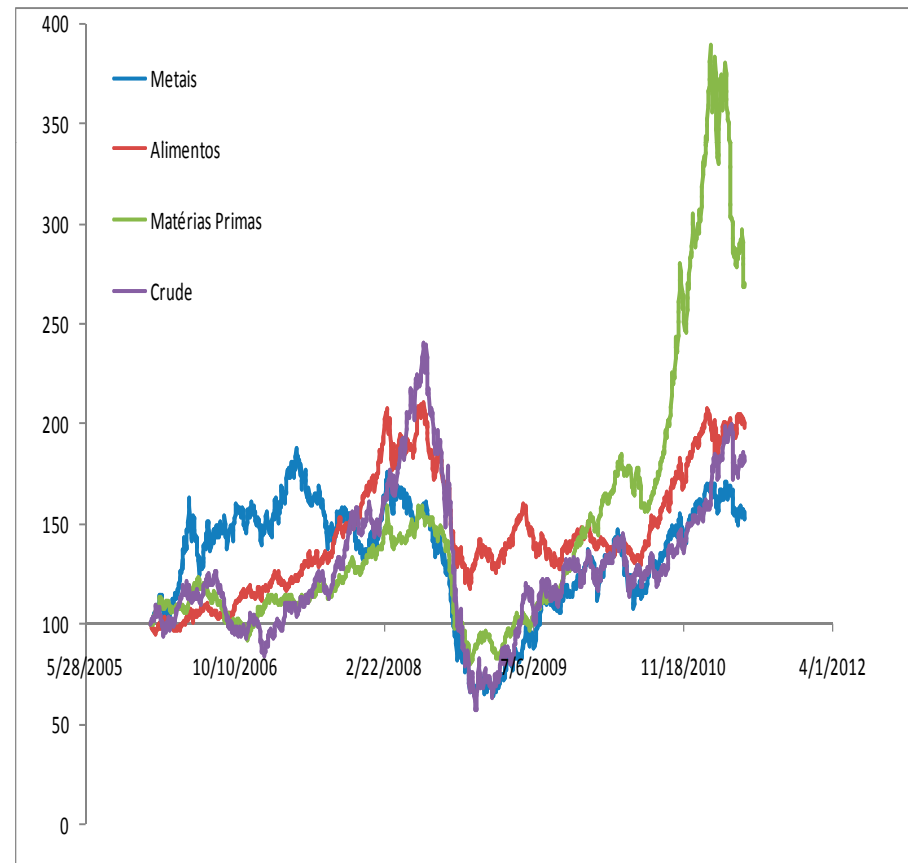
- Strong postwar economic expansion supported by:
 - ❖ Robust private and public capital inflows
 - ❖ High international commodity prices
 - ❖ Prudent macroeconomic policy management
 - ❖ Well sequenced structural reforms



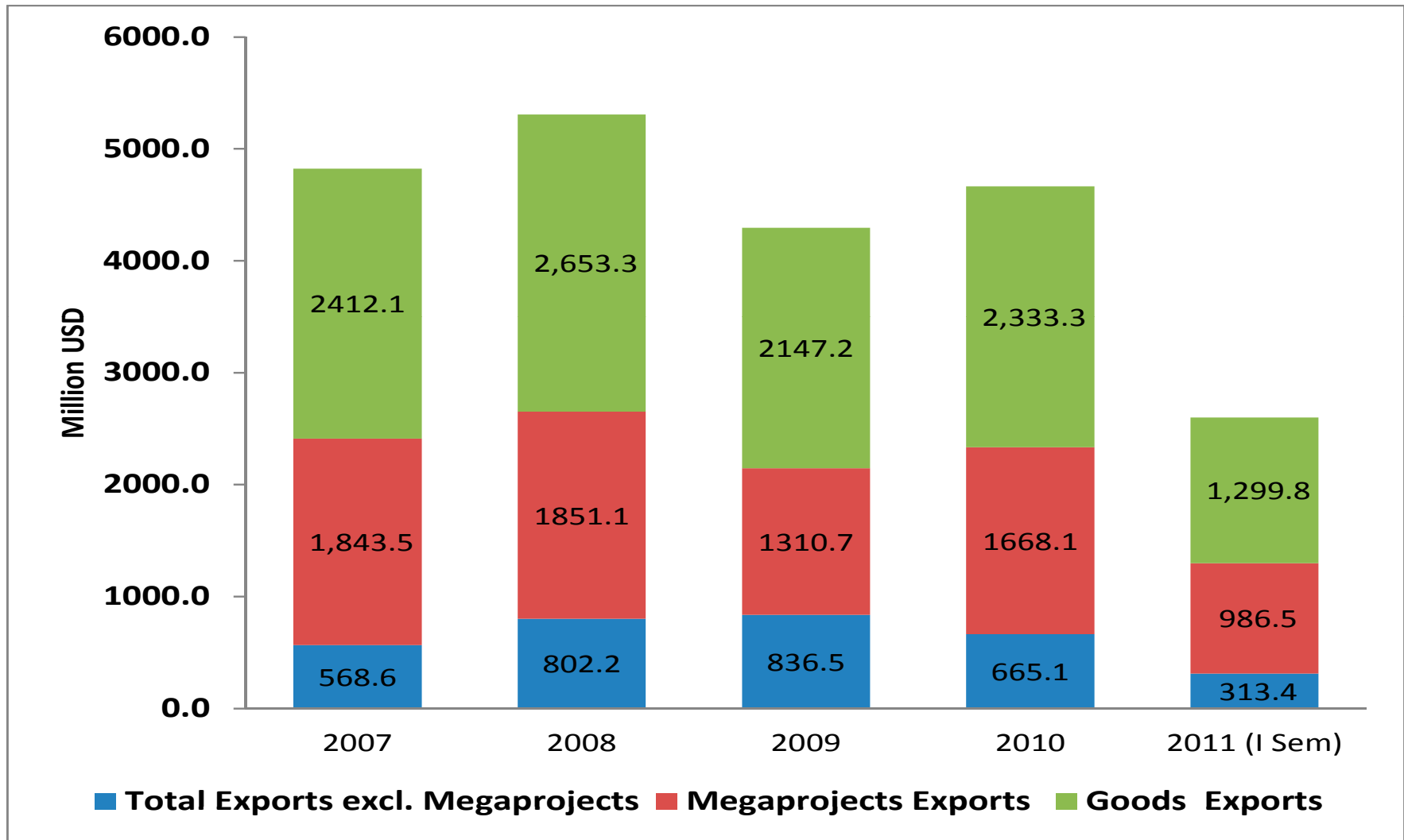
Mozambique economy at glance

- Recently the country was affected by double shock: food and oil prices shock (2008/09) and world economic crises in 2010
- Decline in commodity prices exports jeopardizes the efforts aimed at boosting the tradable sector.

Commodity Price Indices
(2006=100)



Mozambique's Exports



Mozambique's Exports

- Price shocks had severe impact on megaprojects comparing to other economic sectors which the decrease on exports;
- Megaprojects exports had decrease from **USD 1.151.7** million in 2008 to USD **1.668,1** million in 2010;

Millions USD

	2008	2009	2010	2011 (I Sem)
Cotton	48.0	26.5	29.1	9.9
Sugar	71.3	58.3	87.5	16.5
Tabacco	195.0	180.6	152.6	49.0
Wood	38.9	38.1	65.6	15.6
Cashew nuts	15.0	13.2	14.9	34.1
Electrical energy	221.2	274.4	276.5	146.4
Gas	152.0	123.3	133.8	77.9
Aluminium	1451.8	867.7	1159.6	698.1
Total Exports excl. Megaprojects	802.2	836.5	665.1	313.4
Megaprojects Exports	1851.1	1310.7	1668.1	986.5
Goods Exports	2,653.3	2147.2	2,333.3	1,299.8



Coping with commodity export price shocks. The role of fiscal policy

	2008	2009	2010	2011	2012	Média
	CGE	CGE	CGE	LEI	Proposta	(2008-2012)
	<i>Percentagem do PIB</i>					
Recursos Internos	16.5%	18.0%	21.7%	22.0%	22.7%	19.3%
Receitas do Estado	16.3%	17.9%	20.3%	21.3%	22.0%	9.8%
Crédito Interno	0.1%	0.1%	1.4%	0.7%	0.6%	0.5%
Despesa	29.0%	31.9%	34.2%	38.1%	37.5%	25.5%
Funcionamento	15.5%	16.5%	19.0%	19.8%	19.4%	15.7%
Investimento	11.8%	13.3%	14.0%	17.4%	15.0%	7.9%
Operações Financeiras	1.7%	2.2%	1.3%	0.9%	3.1%	1.8%
Financiamento Externo	12.9%	14.9%	13.4%	16.1%	14.9%	11.8%
Donativos	9.6%	9.7%	8.7%	9.5%	8.0%	7.2%
Créditos	3.3%	5.2%	4.6%	6.6%	6.8%	5.1%
Saldo global antes de donativos	-12.7%	-14.0%	-13.9%	-16.8%	-15.5%	-9.7%
Saldo global após donativos	-3.1%	-4.3%	-5.2%	-7.3%	-7.4%	-4.7%
Défice Primário	-2.6%	-3.8%	-4.3%	-6.5%	-6.4%	-4.3%
Crédito Líquido ao Governo (CLG)	-0.6%	-1.0%	0.3%	0.6%	0.4%	-0.3%



Coping with commodity export price shocks.

The role of fiscal policy

	2008	2009	2010	2011	2012
	CGE	CGE	CGE	OE	Proposta
DESPESA TOTAL (milhões MT)	69,694.9	84,876.1	107,085.5	141,757.2	162,535.4
Despesa Total nos Sectores Prioritários (milhões MT)	41,494.0	47,583.0	57,341.0	80,888.9	96,458.6

Despesas na áreas prioritárias (em % da despesa total excluindo encargos da dívida e operações financeiras)

Total	64.5%	61.2%	55.7%	59.9%	66.7%
Educação	23.5%	21.4%	19.3%	16.5%	18.2%
Saúde	10.3%	10.0%	7.5%	7.0%	7.8%
Infraestruturas	14.7%	13.0%	14.9%	13.9%	13.4%
Estradas	7.8%	7.0%	8.9%	7.2%	9.5%
Águas e Obras Públicas	4.8%	4.6%	5.0%	5.3%	2.8%
Recursos Minerais e Energia	2.1%	1.5%	1.0%	1.4%	1.2%
Agricultura e Desenvolvimento Rural*	3.8%	4.7%	3.6%	10.6%	11.1%
Governança, Segurança e Sistema Judicial	9.7%	9.8%	8.2%	6.9%	7.9%
Outros Sectores Prioritários	1.5%	1.4%	1.1%	1.7%	2.5%

Comércio e Ministério da Administração Estatal para OE 2011 e OE 2012

** Inclui Subsídios sociais que visam minimizar o elevado custo de vida das populações para OE 2011 e OE 2012



The challenges ahead

- Enhance macroeconomic management
 - ❖ Increase the tax base and diversify the sources of domestic revenues
 - ❖ Increase the share of public resources to investment
Increase the fiscal space for social protection
 - ❖ Enhance the coordination between fiscal and monetary policies



Thank you

