Standard Bank

AFRICA TRADE BAROMETER

Highlights of the current cross-border trade landscape in Mozambique

Mozambique

COUNTRY FOCUS

September 2023 | Issue 3

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EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank has leveraged its presence and expertise across the continent to create the Standard Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

This is Issue 3 of the SB ATB. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a primary data perspective, the Standard Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest.

From a secondary research perspective, the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

The SB ATB is an aggregate of the SB QTB and the SB STB.

This is the country report for Mozambique. It contains analysis of the primary and secondary data gathered specifically for Mozambique between March and May 2023 and showcases trends and opportunities in trade within the country.

Mozambique's position in the overall SB ATB ranking improved from position 6 in September 2022 to position 3. This gain is mainly due to the country improving in the SB STB ranking from position 9 to position 6. Mozambique's macroeconomic conditions relative to the other nine countries have remained stable, resulting in the country maintaining position 3 in the SB QTB ranking.

Mozambique has improved in the overall SB ATB ranking from position 6 in September 2022 to position 3.

The table below shows Mozambique's relative performance in the seven broad thematic categories of the SB ATB.

Maputo, Mozambique

SB STB ranking for Mozambique across seven thematic areas

Thematic category	Indicator	Sep'22	May'23	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence	57	59	4 ↑ (+1)
Governance and Economy	Government Support on Trade	41	34	10 ↓ (-1)
Infrastructure	Quality of infrastructure	31	37	9 ↑ (+1)
	Infrastructure obstacles	47	52	9 (unchanged)
Access to Finance	Access to Credit	31	36	10 ↓ (-1)
Traders' Financial Behaviour	Credit Terms Extended to Clients	33	61	2 ↑ (+6)
	Credit Terms Advance from Suppliers	34	54	6 ↑ (+1)
Foreign Trade	Ease of Trade	37	43	5 ↑ (+5)
Trade Openness	Trade openness	53	55	3 ↑ (+1)

Sep'22 May'23

Note: All indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score.

Mozambique's overall macroeconomic conditions are average, with a positive outlook hence having a moderate impact on her tradability attractiveness. Mozambique's rising GDP and FDI net inflows - which have recovered from the effects of the pandemic - as well as the share of merchandise trade driven by rising exports as a percentage of GDP have a positive impact on its tradability attractiveness. On the other hand, Mozambique's relatively high interest rates to contain rising domestic inflation due to global inflation stemming from Russia's invasion of Ukraine have negatively impacted its tradability attractiveness. Moreover, due to higher fuel import costs in 2022, Mozambique has been battling with foreign currency liquidity constraints as the country's foreign currency reserves have been relatively low.

Business confidence among Mozambican businesses is relatively positive. Mozambique's business confidence index has improved with a score of 59 in May 2023, just above the average of 58 for SB ATB markets from 57 in September 2022. This has resulted in Mozambique's position improving from position five to position four (**see the table above**). The positive sentiments around the economy are reflected in businesses optimism around the future performance of their businesses, whereby the majority (92%) of surveyed businesses believe that their revenue will increase over the next year. Optimistic views are likely a reflection of the expected increase in liquefied natural gas production fuelled by the discovery of new natural gas reserves off Mozambique's Inhassoro coast in the south of the country, and potential high global.

On average, relative to other SB ATB markets, businesses do not feel that the Government is supportive of cross-border trade activities. Mozambique ranks the lowest in terms of businesses perception on government support (**see the table above**). This is because the country saw a significant decrease in the share of businesses who stated that the Government was supportive of their cross-border trading activities in May 2023 (19%) relative to 29% in September 2022 and 54% in January 2022. This is likely a reflection of increasing foreign currency liquidity challenges in the country. When asked how the Government could boost cross-border trade, the most salient interventions identified by respondents was providing financial assistance in the form of lowering taxes and customs duties, improving clarity around the customs clearance process, as well as improving foreign currency liquidity.

Business perceptions of infrastructure are relatively poor, and businesses on average feel that the state of infrastructure in Mozambique represents an obstacle to their operations. Mozambique ranks in position nine in the SB ATB in terms of both the quality of infrastructure and the degree to which the state of the infrastructure represents an obstacle to their business operations **(see table above)**. The state of the power supply and road infrastructure remains the most poorly perceived aspect of the country's infrastructure, as well as the infrastructural aspect that represents the largest obstacle to their operations. To address some of these challenges, the Mozambican Government has committed to full electrification of the country by 2030 through their Integrated Power Sector Master Plan.[1] The Government has partnered with the World Bank on Safer Roads for Economic Integration Project to rehabilitate a total of 508 kilometres of priority roads.[2]

Business sentiments in Mozambique point toward increased cross-border trade over the next few years. The majority of surveyed importers (68%) and exporters (59%) expect the scale of their foreign trade activity to increase—signalling businesses' intent to increasingly engage in trade with other markets. Both importers and exporters primarily expect their trade relationships with South Africa to increase, pointing toward strengthened trade ties between the two Southern African Development Community (SADC) countries in the short to medium term.

Businesses perceive access to credit as becoming more difficult. In addition, Mozambique ranks as the SB ATB market where access to credit is perceived to be the most difficult **(see table above)**. This finding aligns with the current economic climate in Mozambique, characterised by a more stringent Monetary Policy pursued by the Central Bank as it attempts to rein in inflation by increasing interest rates. In addition, the Monetary Policy Committee has increased the reserve requirement ratio for both local and foreign currency deposits from 10.5% to 28% and 11.5% to 28.5%, respectively. This has resulted in more stringent credit conditions, as financial institutions have less money to lend to businesses.

Mozambique is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). Awareness of the AfCFTA amongst surveyed Mozambican businesses has significantly improved, increasing to 18% in May 2023 from 3% in September 2022. Businesses expect that the implementation of AfCFTA will ease the movement of goods and services across borders, facilitate greater investment across countries, as well as provide a larger market for their goods and services.

A key point that will be interesting to examine in future iterations of the SB ATB in Mozambique will be how the gradual implementation of infrastructure projects will yield benefits for surveyed businesses. The SB STB demonstrates that surveyed businesses in Mozambique feel that the state of the electricity supply significantly constrains their ability to grow as well as their capacity to engage in trade with other countries. Recognizing these sentiments, the Government hopes to achieve full electrification by 2030 through a series of large generation, transmission and distribution projects, the Power Sector Master Plan. It will be interesting to evaluate how these interventions influence business perceptions of infrastructure in Mozambique, and whether any associated improvements in the enabling environment are accompanied by changes in firm trade activity.

[1] Mozambique Ministry of Mineral Resources and Energy, 2018. Available here

[2] World Bank, 2022. Available here

1. INTRODUCTION

Being Africa's largest bank, Standard Bank has leveraged its presence and expertise across the continent to create the Standard Bank Africa Trade Barometer (SB ATB). The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

Definition of trade in the context of the SB ATB

Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 3 of the SB ATB. Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda, and Zambia.

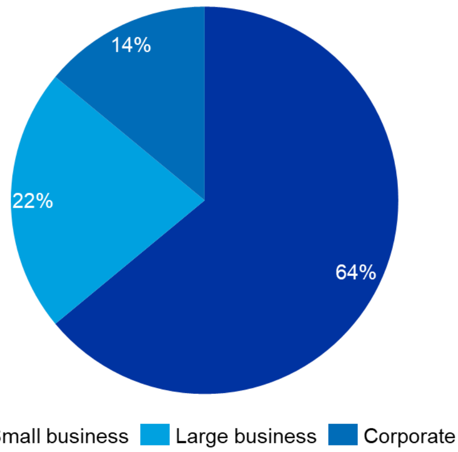
The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem. Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges, and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact trade. These are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy, and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses, and corporates across the 10 countries.[3] The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

This is the country report for Mozambique. It contains analysis of the primary and secondary data gathered specifically for Mozambique and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Mozambique between March and May 2023 for this third issue of the SB ATB.

A total of 292 businesses were surveyed in Mozambique. In order to be representative, the majority of these (64%) were small businesses (see **Figure 1**) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. That said, because the majority of businesses in our sample are small businesses, the results presented here potentially represent a more realistic picture of trade on the ground. The surveyed businesses were located in Maputo Cidade, Matola and Beira.

Figure 1: Breakdown of surveyed businesses in Mozambique by business segment



Source: Standard Bank Africa Trade Barometer Issue 3

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Standard Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample composition being majority small businesses, the emphasis and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in

[3] The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report

Africa that do not necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level. This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

There were three IDIs conducted in Mozambique as part of this third issue. One interview was with a representative from Bayport Financial Services, another with a representative from the United States Agency for International Development (USAID) Mozambique, and finally with a representative from the Confederation of Business Association of Mozambique (CTA).

Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases. This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.

Nampula, Mozambique

2. COUNTRY RANKINGS

Mozambique has gained three positions in the Standard Bank Africa Trade Barometer ranking, from position 6 to position 3

In order to construct the Standard Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a secondary research perspective, the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources.

From a primary data perspective, the Standard Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months are driven mostly by the changes in the SB STB scores.

It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

Mozambique has improved from position 6 to position 3 in the SB ATB (see **Figure 2**). This gain is mainly due to the country improving in the SB STB ranking from position 9 to position 6. Mozambique maintained position 3 in the SB QTB.

Mozambique's SB STB ranking improved partly due to significant improvements in the perceptions of businesses as to export tariff regulations and credit terms extended to clients and advanced to suppliers. In other words, businesses perceive export tariff regulations to have become more conducive to business compared to other countries, and businesses are also utilising credit arrangements with clients and suppliers relatively more. However, there was a significant decline in the perceptions of government support on trading activities.

The rest of this report unpacks Mozambique's performance in the Standard Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country

Source: Standard Bank Africa Trade Barometer Issue 3.
Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time; Red border indicates that the country has declined in the relevant ranking from September 2022, Green border indicates that the country has improved in ranking from September 2022, Grey indicates that the country has remained in the same position as in September 2022.

3. MACROECONOMIC ENVIRONMENT

Mozambique's macroeconomic conditions have a moderate impact on her tradability attractiveness

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

> Macroeconomic conditions continue to improve although the shortage of foreign currency continues to adversely affect Mozambique tradability attractiveness

Mozambique's overall macroeconomic conditions are average with a positive outlook, hence having a moderate (i.e., neither too positive nor too negative) to positive impact on overall tradability attractiveness (see **Table 1**). Notable variables that have a positive impact on the country's tradability attractiveness include recovering FDI net inflows, current GDP and GDP growth rates, and increasing merchandise trade and exports (as a percentage of GDP). With the reopening of borders and reduced disruption to cross-border trade, Mozambique's merchandise trade (as a percentage of GDP) surpassed pre-pandemic levels (to 96% in 2022), driven by an increase in both imports and exports. This merchandise trade ratio is among the highest in all the countries in the Standard Bank Africa Trade Barometer, reflecting Mozambique's high trade openness. The Mozambican Metical has remained stable on the back of increasing exports, positively impacting trade attractiveness. On the other hand, the country has relatively high interest rates which does not bode well for the flourishing of trade and negatively affects Mozambique's tradability attractiveness. Inflation, after increasing in 2022 due to rising food and commodity prices, has been stable in 2023 which has had a positive impact on trade. With the sharp increase in global fuel prices, Mozambique incurred higher fuel import costs in 2022 which drained its foreign currency reserves since the country's main fuel importers received foreign currency from Bank of Mozambique to pay their fuel import bill.[4] As a result, Mozambique has been battling with foreign currency liquidity constraints, thereby negatively impacting the country's tradability attractiveness.

Table 1: Mozambique's macroeconomic indicators and their impact on tradability attractiveness

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 15 billion	USD 15 billion	USD 14 billion	USD 16 billion	USD 18 billion
Real GDP growth (%)	3.4%	2.3%	-1.2%	2.4%	4.1%
Inflation (%)	3.9%	2.8%	3.1%	5.7%	10.3%
Lending interest rate (%)	23.0%	19.0%	17.1%	18.2%	20.1%
Exchange rate (MZN:USD, period average)	60.3	62.6	69.5	65.5	63.9
FDI net inflows (BoP, current USD)	USD 1.7 billion	USD 3.4 billion	USD 3.2 billion	USD 5.3 billion	USD 2.5 billion
Merchandise trade (% of GDP)	81%	79%	72%	90%	96%
Imports of goods & services (% of GDP)	82%	80%	66%	69%	69%
Exports of goods & services (% of GDP)	45%	32%	30%	31%	43%

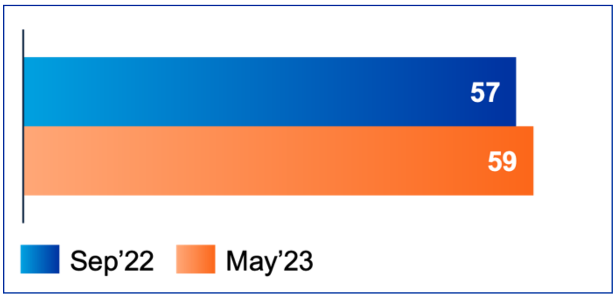
Source: UN Comtrade, National Institute of Statistics
Note: Percentages and figures are rounded to the nearest whole number

[4] World Bank, 2023. Available here

4. MACROECONOMIC STABILITY

Confidence in the economy is relatively positive

Mozambique's business confidence index score



Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the May 2023 SB ATB survey results, Mozambique's business confidence index score increased from 57 to 59. This means surveyed businesses in Mozambique have more confidence in the performance of the economy in relation to business compared to September 2022.

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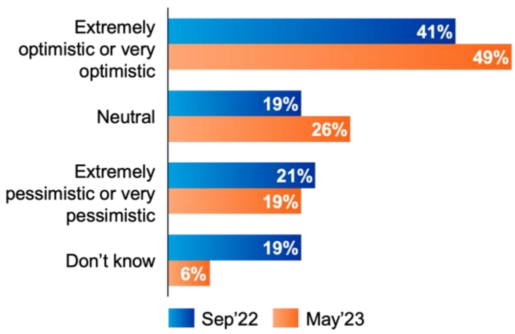
Perceptions on the performance of the economy in relation to business are relatively positive among businesses in Mozambique, regardless of their size (see **Figure 3**). 49% of the surveyed businesses are optimistic about Mozambique's economic performance over the next three years, compared to 19% of businesses that are pessimistic. Although the share of businesses with neutral views increased, overall, perceptions on future economic performance have improved compared to the September 2022 survey.

Figure 3: Outlook of businesses on the performance of the Mozambican economy over the next three years

Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



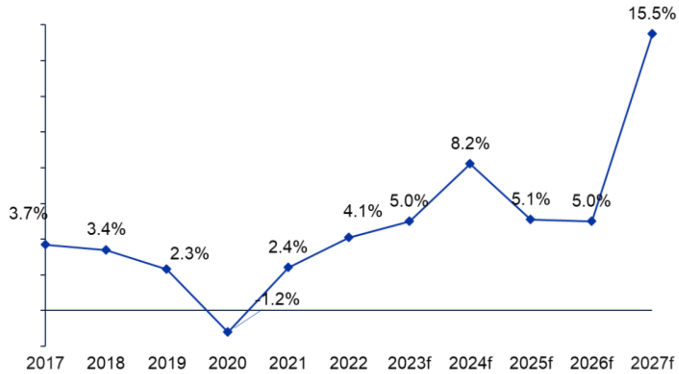
Source: Standard Bank Africa Trade Barometer Issue 3

[5] AfDB, 2023. Available here

The positive posture adopted by Mozambican businesses possibly reflects the projected performance of the economy at the aggregate country level (see **Figure 4**). Mozambique's economy has recovered strongly from recent shocks such as the COVID-19 pandemic, conflict, and global geopolitical tensions to record a growth rate of 4.2% in 2022.[5] A growth rate of 5.0 is expected in 2023, and GDP growth is projected to remain on an upward trajectory in the medium-term. The positive medium-term economic outlook is on the account that the services sector will continue to recover, there will be increased liquefied natural gas production fuelled by the discovery of new natural gas reserves off Mozambique's Inhassoro coast in the south of the country, and high global commodity prices which will increase the country's revenue.[6] As such businesses were more optimistic about the performance of the Mozambican economy in this iteration of the survey.

> Positive sentiments have increased driven by the discovery of new natural gas reserves off Mozambique's Inhassoro coast, increased security as businesses resume activity in Cabo Delgado, and improved macroeconomic conditions

Figure 4: Real GDP growth (%, 2017 - 2027)



Source: National Institute of Statistics; IMF
Note: 'f' represents forecasted data points

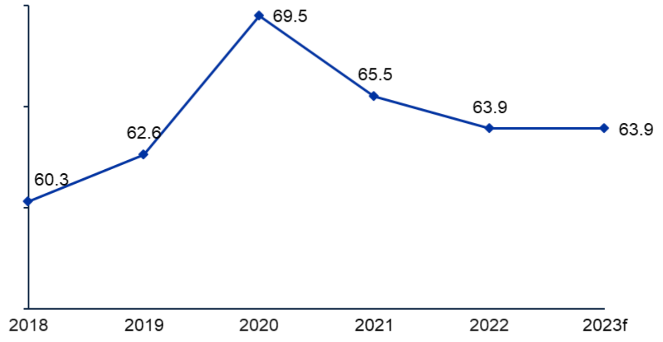
Respondents who hold optimistic views on the future outlook of the Mozambican economy commonly cited business growth (25%) as the main factor to their

[6] World Bank, 2023. Available here | Further Africa, 2023. Available here.

optimism. These sentiments indicate the waning effects of the COVID-19 pandemic as the majority of the optimistic businesses stated that they expect higher demand for their goods and services (21%), and increased business activity going forward. Improved security concerns most likely explain the expected increase in business activity. The Mozambican Government has historically struggled to annihilate insecurity concerns as a result of the insurgency linked to the self-proclaimed Islamic State, which has adversely affected cross border trade.[7] Insurgents linked to the Islamic State have staged attacks since October 2017 in Cabo Delgado, a coastal province abundant in natural gas reserves with an estimated USD 60 billion worth of potential international investment in gas projects. However, in recent months, the displaced population has been returning to the region, including to the districts hosting the large natural gas investment projects.[8] TotalEnergies, the largest consortium partner, had suspended operations in March 2021 but is currently assessing security conditions to decide when activities can be resumed, and several commercial banks have reopened their branches in this region. As a result, the improved security standing of the country is likely to have contributed to an increase in business sentiments observed in the May 2023 survey.

Other factors that contribute to the optimistic perceptions among businesses is Mozambique's exchange rate stability (see Figure 5) and improved domestic inflation, both of which bode well for the country's economic performance. In 2022, the Mozambique Metical remained stable against the US dollar, standing at 70 for each dollar unit (MT / USD) at the close of the year.[9] This was due to the ease of purchasing and selling foreign currencies in the foreign exchange market and the increase in the country's exports. Moreover, as a result of a stable exchange rate, Mozambique experienced a decline in inflation in 2023—decreasing from 10.8% in March to 9.6% in April 2023.[10] A stable exchange rate provides greater certainty for importers and exporters, therefore encouraging international trade and investment. Similarly, a relatively lower and stable inflation rate results in more confident businesses as they are able to predict future costs and sales, which drives optimism to invest.

Figure 5: Foreign exchange (MZN:USD, 2017 - 2023)



Source: Bank of Mozambique; African Markets Revealed Report
Note: 'f' represents forecasted data points

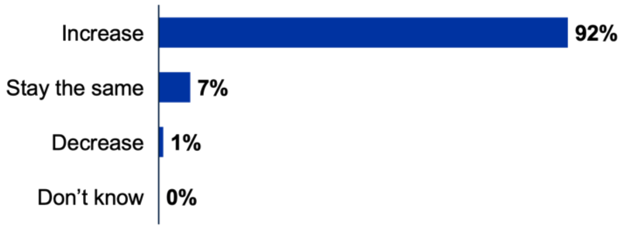
While most businesses are optimistic about Mozambique's future economic outlook, some respondents were sceptical and the most commonly cited reasons were a poor economy (37%) and high cost of living (11%). Currently, Mozambique is marred by increased pressure on public expenditure to cope with security risks, climate shocks and the implementation of a higher wage structure to civil servants in the country.[11] In addition, the global rise in food and fuel prices as a result of Russia's invasion of Ukraine induced a rise in domestic inflation, and therefore an increase in the cost of living.[12] In May 2023, the Mozambican government announced a substantial diesel price increase of 6.7 Meticals per litre, justifying the negative sentiments experienced by businesses due to the higher cost of living.[13] However, Mozambique's inflation rate has improved due to a decline in food prices, reflecting the combined effect of the slump in food prices in the global market, and a favourable exchange rate.[14] Moreover, in May 2023 the Mozambican Government announced their plans to reduce the wages of ministers and other senior officials to grapple with the country's rising wage bill.[15] As such, pessimistic views are likely to decline further in the near-future.

Businesses are optimistic about the future performance of their individual businesses (see **Figure 6**). The majority (92%) of businesses believe that their revenue will increase over the next year. This is primarily due to the perception that demand for their goods or services will increase in the near-future driven by increased marketing activity. In addition, businesses plan to increase production to match the anticipated increase in demand. This overall sense of optimism reflects the waning effect of the COVID-19 pandemic on the operations of businesses.

[7] Council on Foreign Relations, 2022. Available here
[8] World Bank, 2023. Available here.
[9] Fitch Solutions, 2023. Available here
[10] Bank of Mozambique, 2023. Available here
[11] World Bank, 2023. Available here
[12] AfDB, 2023. Available here
[13] BNN, 2023. Available here.
[14] Bank of Mozambique. Available here
[15] Bloomberg, 2023. Available here.

Figure 6: Businesses revenue expectations over the next year

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same.



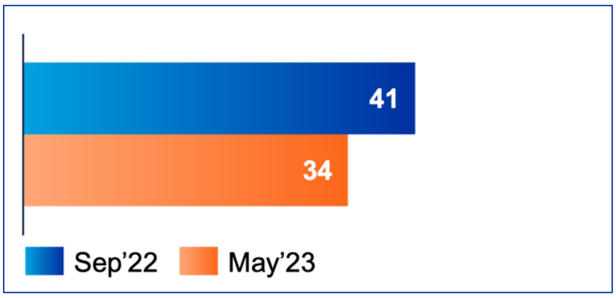
Source: Standard Bank Africa Trade Barometer Issue 3

Maputo, Mozambique, Photo by Rohan Reddy on Unsplash

5. GOVERNMENT SUPPORT

Perceptions of government support on cross-border trade are on a downward trend

Mozambique's government support index score



The government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme Government support. In the May 2023 SB ATB survey results, Mozambique's Government support index score decreased from 41 to 34. This means that surveyed businesses in Mozambique feel the Government has been less supportive of cross-border trade activities in this iteration of the survey compared to the September 2022 survey.

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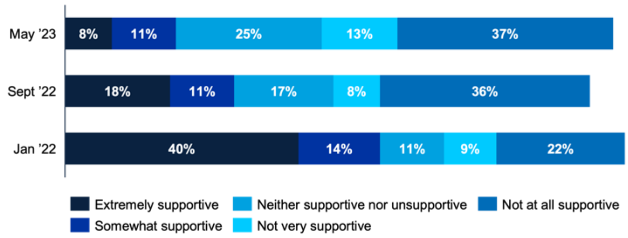
Over the past three surveys, the positive perception of the Government's role in supporting cross-border trade activities has been on a downward trend, regardless of business size (see **Figure 7**). There is a significant decrease in the share of businesses who stated that the Government was supportive (either extremely supportive or somewhat supportive) of their cross-border trading activities in May 2023 (19%) relative to January 2022 (54%) and 29% in September 2022. Businesses with neutral (neither supportive or unsupportive) viewpoints on Government support have also increased over the course of the three surveys. The growing negative sentiments possibly reflect, among other things, the implementation of a higher minimum required reserves ratio on foreign currency reserves of commercial banks by the Bank of Mozambique, limiting the availability of foreign currency in the market, in an attempt to sustain dwindling foreign currency. In January 2023, the Bank of Mozambique raised the required reserve ratio for foreign current deposits from 11.5% to 28%, then to 28.5% in February 2023, and even further to 39.5% in May 2023.[16] In addition, the Bank of Mozambique reduced its provision of foreign currency to fuel importers from 100% of the fuel bill to 60%, thus highlighting the foreign currency liquidity challenges in the country.[17] As a result, changes to Mozambique's forex market are most likely a key contributor to the observed decrease in positive sentiments as businesses feel the Government has been less supportive in this iteration of the survey compared to the two previously conducted surveys.

> The shortage of foreign currency, exacerbated by the central bank's decision to increase the minimum required reserves ratio on foreign currency, amongst other factors has dampened business sentiments on the support that the Government is providing to boost cross-border trade in the country

Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Standard Bank Africa Trade Barometer Issue 3

Respondents noted that they would like the Government to support cross-border trade by lowering taxes and customs duties. Businesses find that taxes and customs duty on imports are high, thus impeding their ability to engage in cross-border trade. However, given current conditions, it is unlikely that the Government will support businesses by lowering taxes and customs duties in the short to medium term. The Government is facing increased pressure on public expenditure to cope with security risks, climate shocks and implementation of a higher wage structure to civil servants in the country.[18] Hence, lowering taxes and customs duty would increase the fiscal deficit further.

[16] World Bank, 2023. Available here
[17] World Bank, 2023. Available here
[18] Bank of Mozambique. Available here

Another key area businesses in Mozambique require Government support is the customs clearance process. Opaque and bureaucratic import and export regulations in Mozambique delay the clearance of goods from the Mozambican Tax Authority.[19] Delays associated with customs procedures have a significant negative impact on imports and exports as they increase the cost of trade for businesses and the government, damaging Mozambique's international competitiveness. In addition, businesses stated that there is lack of clarity on customs payable. This increases time taken to move goods between borders as businesses incur additional time delays to rectify the amount of duty payable with authorities. Given the importance of cross border trade to economic growth, Government support is necessary to improve efficiency at the borders and consequently boost trade.

Finally, improving foreign currency liquidity was stated by surveyed businesses as another area Government support is required. The stabilisation of the Mozambican Metical in recent years coincides with declining foreign exchange reserves observed since September 2021, which suggests that authorities are selling foreign currency in order to support the Metical.[20] Historically, payments for imported goods in Mozambique have been difficult, as foreign currency payments outside the country needed to be approved by the Central Bank due to continuous intervention by the Bank of Mozambique to keep the Metical stable.[21] However, since January 2023 Mozambican firms no longer need to justify their payment to the central bank and obtain authorisation to make foreign payments when purchasing imports.[22] The Bank of Mozambique faces a trade-off between maintaining adequate foreign currency reserves to support cross-border trade, and maintaining a stable Metical. Given its commitment to foreign exchange stability, the Bank of Mozambique will likely intervene further to keep the Metical stable, thus recurring foreign currency shortages will likely continue to be a key factor negatively affecting cross-border trade activities of businesses.

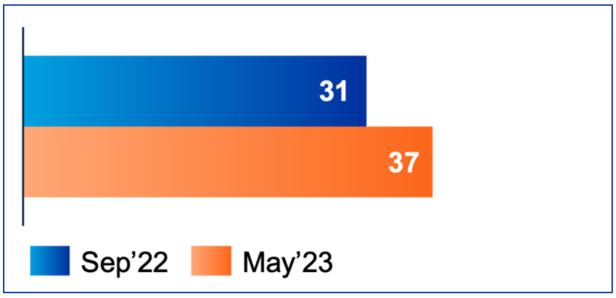
Port of Maputo. Source: DP World

[19] International Trade Administration, 2022. Available here
[20] Fitch Solutions, 2023. Available here
[21] International Trade Administration, 2022. Available here
[22] MDR Advogados, 2023. Available here.

6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

The perceived quality of infrastructure in Mozambique has slightly improved

Mozambique's quality of trade-related infrastructure index score



The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, Mozambique's quality of trade-related infrastructure index score improved from 31 to 37.

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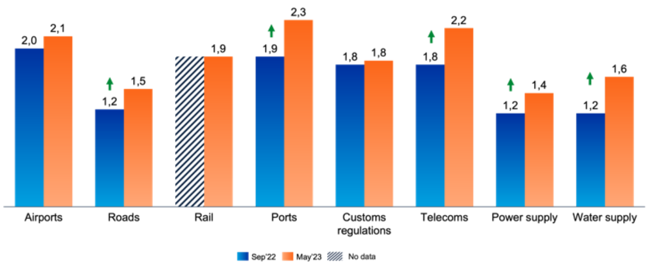
The perceived quality of infrastructure by Mozambican businesses has slightly improved on average relative to the survey conducted in September 2022 (see **Figure 8**). This broad improvement was driven by significant improvements in the perceived quality of the country's road, port, telecommunications, power and water infrastructure.

Figure 8: The perceived quality of various infrastructural aspects by businesses (5-point scale)

Question: How would you rate the quality of each of the following aspects in your market?



Source: Standard Bank Africa Trade Barometer Issue 3.
Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality. Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.

The state of power supply in Mozambique remains the most poorly perceived aspect of the country's infrastructure (see **Figure 8**)**.** Power supply was also identified by businesses as the infrastructural aspect that constrains their operations to the largest degree, with 45% of surveyed businesses reporting the state of the power supply to be a major or severe obstacle to their current operations. Indeed, Mozambique ranks 114th out of 137 countries in terms of quality of electricity supply.[23] This is likely driven by the fact that access to electricity remains low compared to other countries, with only 32% of the population having access to electricity.[24] Those who do have access, meanwhile, suffer from poor service quality and outages.[25]

> **45%** *of surveyed businesses feel that power outages are a major or severe obstacle to their current operations.*

The state of road infrastructure is equally poorly perceived (see **Figure 8**) **and is a significant constraint on the operations of surveyed businesses.** This is unsurprising, given that Mozambique ranks 134th out of 141 countries in terms of road quality.[26] Insights from interviews with thought leaders reveal that this is a particularly salient issue for traders in remote locations who face isolation from markets due to the lack of quality road connectivity to economically active locations. These sentiments are supported by secondary data—Mozambique has the lowest road density in Southern Africa with roughly 75% of roads varying from gravel to rural dirt tracks.[27] This presents numerous obstacles to traders, including delays in the receipt of inputs, high transportation costs, and isolation from remote markets.

> "Poor road infrastructure undermines trade in our country. The roads do not link the north and south completely, so businesses in some regions do not have roads to access the hinterland to transport certain goods. This makes distribution a problem."

Representative from Bayport Financial Services

[23] Salite et al., 2021. Available here
[24] World Bank, 2021. Available here
[25] Salite et al., 2021. Available here
[26] World Economic Forum, 2019. Available here
[27] Fitch Solutions, 2023. Available here

Water shortages also present challenges to Mozambican businesses. The state of the water supply was the third most poorly perceived infrastructural aspect (see **Figure 8**) and was identified as a significant obstacle constraining the operations of surveyed businesses. These shortages are largely attributed to the country's highly variable climate and recurring droughts, as well as the underdevelopment of water infrastructure including limited water storage facilities.[28] In addition, Mozambique's water supply situation is characterised by low levels of access to basic water sources, with the latest estimates indicating that only 47% of the population have access.[29] The precarious nature of the water supply in Mozambique has significant implications for the country's businesses, constraining growth and productivity particularly in sectors such as agriculture, manufacturing and services that are heavily dependent on water. Furthermore, the cost of investing in water infrastructure or alternative water sources can be a significant financial burden for businesses, particularly for small and medium-sized enterprises.[30]

Some relief from infrastructural challenges may be forthcoming for Mozambican businesses. With regards to water, for instance, the Government has been working with the World Bank to expand access to water in the Nampula and Zambezia provinces which are home to a large proportion of the country's population (39%) but also face the lowest access rates to water.[31] In addition, the Government has committed to full electrification of the country by 2030 through their Integrated Power Sector Master Plan which involves several large generation, transmission and distribution projects as well as a focus on renewable energy.[32]

Similarly, the Government has plans to improve the country's logistics infrastructure. The Government has partnered with the World Bank for their Safer Roads for Economic Integration Project which aims to improve road connectivity and rehabilitate a total of 508 kilometres of priority roads and roads connecting rural areas to foster economic integration.[33] Port infrastructure will also receive some attention, in the form of an expansion and construction of a coal terminal at the port of Beira and the receipt of two additional mobile cranes and additional equipment at the port of Maputo.[34] Additionally, a new freight rail service recently opened between Maputo Port and key trade hubs in Zimbabwe aims to facilitate connections between importers, exporters and the Port of Maputo - providing access to global trade partners for businesses in the region.[35]

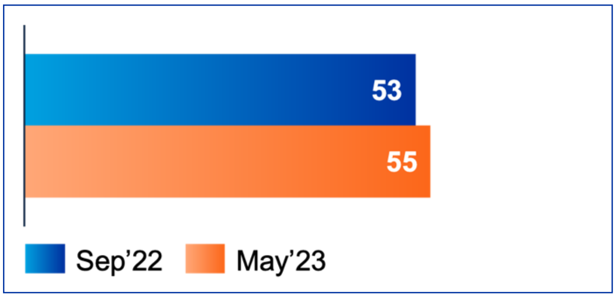
Port of Nacala.

[28] Nordstrom, 2019. Available here
[29] World Bank, 2018. Available here
[30] OECD, 2011. Available here
[31] World Bank, 2021. Available here
[32] Mozambique Ministry of Mineral Resources and Energy, 2018. Available here
[33] World Bank, 2022. Available here
[34] Fitch Solutions, 2023. Available here | Club of Mozambique, 2023. Available here
[35] Freight News, 2023. Available here

7. TRADE OPENNESS

SADC member countries, particularly South Africa, and China remain important cross-border trade partners for smaller Mozambican businesses

Mozambique's trade openness index score



The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, Mozambique's trade openness index score improved from 53 to 55.

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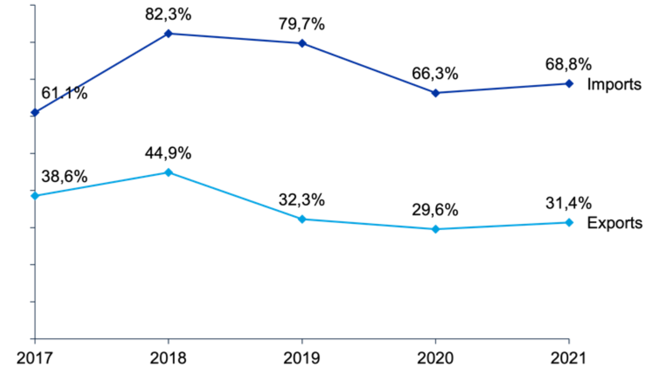
40% of surveyed businesses in Mozambique import their inputs, a relatively large proportion compared to most of the comparator countries in the Standard Bank Africa Trade Barometer.[36] For those businesses that do import, the majority operate in the diversified industrials sector and purchase their inputs directly from primary sources (international manufacturers / farmers). The relatively high level of import activity amongst Mozambican firms in the Standard Bank Africa Trade Barometer reflects data at the aggregate country-level, where imports into Mozambique represent a significant share of GDP (see **Figure 9**). The large volume of imports into Mozambique is driven by its limited domestic manufacturing capacity. As such, Mozambique relies on imports for many of its capital and consumer goods.

Figure 9: Imports and exports (% of GDP, 2017 - 2021)



Source: World Bank

South Africa is the most common source of inputs for Mozambican importers. 63% of surveyed importers import from South Africa. Businesses' import relationships with South Africa are also relatively deep, with 52% of the average importer's import basket being accounted for by South African imports. Furthermore, the share of imports from South Africa also increased significantly (by 19 percentage points) relative to September 2022; indicating that South Africa is becoming an increasingly important import partner for Mozambican firms. The high level of import activity with South Africa corresponds with data at the aggregate country level, where South Africa is Mozambique's largest import partner, primarily of fast-moving consumer goods.[37] The high level of trade flows between Mozambique and South Africa is facilitated by some of the country's highest quality road corridors, including the Maputo Development Corridor which connects Maputo with South Africa's Gauteng province and the EN1 and EN4 highways which connect Maputo with the South African border.[38]

Another integral import partner is China. 22% of surveyed importers source their inputs from China, whilst imports from China constitute roughly 13% of the average importer's gross imports. China's importance as an import partner mirrors data at the aggregate country level, where China is Mozambique's second largest import partner (accounting for 11% of total imports).[39] When asked about the factors

[36] The share of importers is larger in only three out of the nine other countries in the Standard Bank Africa Trade Barometer (Nigeria, Namibia and Uganda)
[37] WITS, 2020. Available here
[38] Fitch Solutions, 2023. Available here
[39] WITS, 2020. Available here

underpinning their decision to trade with China, surveyed importers most commonly identified the availability of advanced technologies that are not necessarily available in other markets as well as the fast response times of Chinese exporters. Additionally, insights from the interviews with thought leaders reveals that trading with China has also improved the productivity of some Mozambican businesses through the provision of modern machinery as well as the construction of roads.

> "China has also helped in construction of roads which enables farmers to transport their goods in a timely manner without spoilage or delays due to bad roads. It has also improved mining technology especially of coal through supply of modern machinery with a quick turnaround of mineral production."

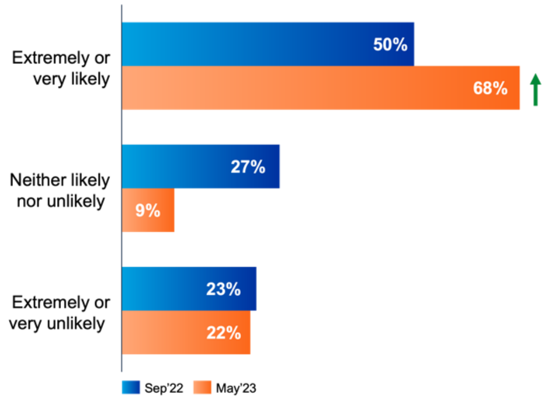
Representative from the United States Agency for International Development (USAID) Mozambique

Import activity from other African countries—besides South Africa—is low. For example, only 2% of surveyed importers source inputs from Central and East Africa respectively. Moreover, imports from the rest of Africa account for only 8% of the average importer's gross imports when those originating from South Africa are not considered.

The majority of Mozambican importers expect the volume of their imports to increase in the near future (see **Figure 10**). 68% of surveyed importers expect the scale of their imports to increase over the next two years, representing a significant (18-percentage point) increase relative to sentiments recorded in September 2022. The majority of businesses (62%) who hold this sentiment primarily expect imports from South Africa to increase by an average of 56% of their current volumes. This further points toward strengthened trade ties between the two Southern African Development Community (SADC) countries.

Figure 10: Importers perceptions on their likelihood to increase import volumes over the next 2 years (%)

Question: How likely are you to increase the volume of imports in the next 2 years?



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

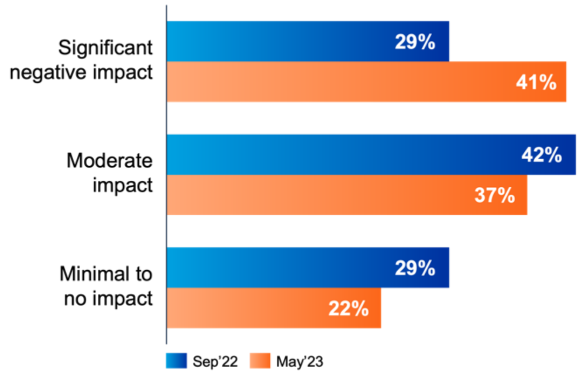
Most Mozambique importers feel that importation-related customs and trade regulations have a negative impact on the capacity of their businesses to grow (see **Figure 11**). Similar to the results recorded in September 2022, 41% of respondent importers indicated that import taxes have a severe or major impact on their business growth while 37% of importers reported a moderate impact. Insights from the interviews with thought leaders reveals that this may in part be driven by the fact that businesses find many customs regulations and tariff schedules to be confusing and applied inconsistently.

> "When cross-border trade is conducted, the information on customs regulations is not adequate. If you want to trade with partners, you have to do this in 5 codes. The policies are not simplified so that all can understand them and implement them correctly."

Representative from Bayport Financial Services

Figure 11: The impact of importation-related customs and trade regulations on importers

Question: To what extent do importation-related customs and trade regulations impact your business growth?



Source: Standard Bank Africa Trade Barometer Issue 3
Notes: Sample includes importers only. Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

In terms of businesses' selling activity, only 8% of surveyed Mozambican businesses export their goods to other markets. For those businesses who export, the majority operate in the diversified industrials sector and sell their goods directly to end consumers.

Other countries in Southern Africa are popular markets for Mozambican exports. Most of the surveyed exporters in Mozambique (73%) sell their goods to other countries in Southern Africa, particularly South Africa (55% of exporters). Furthermore, exports to other Southern African countries account for a large share (68%) of the average exporter's export basket. Insights from interviews with thought leaders indicate that the high level of export activity with other Southern African countries is attributable to Mozambique's participation in the SADC Free Trade Area which has facilitated the elimination of tariffs and non-tariff barriers between Mozambique and other Southern African countries.[40]

> "It is also important to take into consideration that we participate in the SADC free trade zone which helps facilitate trade flows between Mozambique and its neighbours—with dominance of South Africa."

Representative from the Confederation of Business Association of Mozambique (CTA)

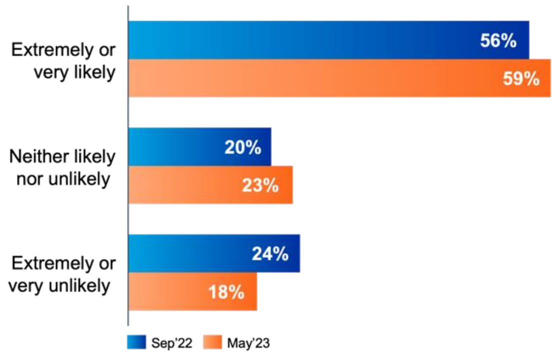
Export activity toward other countries in Africa are however very low. For example, only 9% and 5% of surveyed exporters sell their goods to countries in West or East Africa, respectively. Additionally, only 6% of the average exporter's gross exports are sold to the rest of Africa when SADC countries are not considered.

Most Mozambican exporters predict the volume of their exports to increase (see **Figure 12**). 59% of respondent exporters believe that the scale of their exports will increase over the next two years, similar to the results recorded in September 2022. The majority of the exporters who hold this sentiment primarily expect volumes toward South Africa to increase, providing further indication of a potential strengthening of trade ties between Mozambique and South Africa in the medium term.

> **59%** *of surveyed exporters feel that it is very or extremely likely that the scale of their exports will increase over the next two years.*

Figure 12: Exporters perceptions on their likelihood to increase export volumes over the next 2 years (%)

Question: How likely are you to increase the volume of exports in the next 2 years?



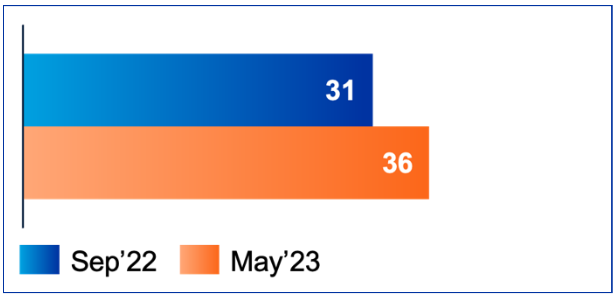
Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous surveys

40 Gitau, 2020. Available here

8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Mozambican businesses prefer digital payment methods for cross-border transactions and cash for domestic transactions

Mozambique's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, Mozambique's access to finance index score increased to 36 from 31 in September 2022. This means surveyed businesses in Mozambique found it easier to access finance compared to September 2022.

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As businesses grow in size, so does their appetite for digital payment solutions such as EFTs

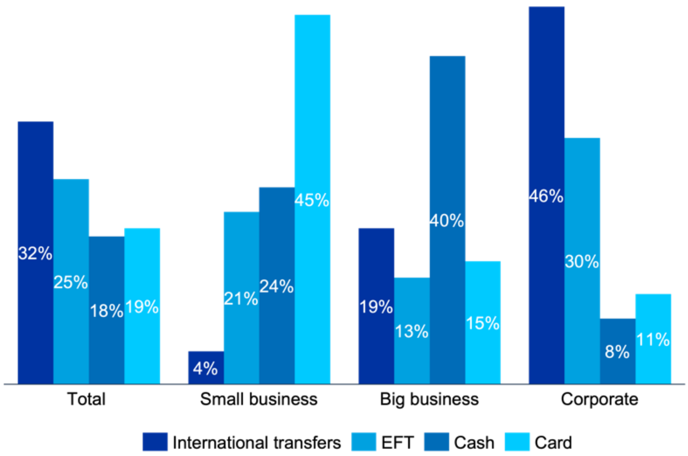
Digital payment methods are increasingly becoming the dominant payment methods for cross-border transactions in Mozambique, especially among larger businesses. 60% of surveyed businesses utilise digital payment methods for cross border sales, while 54% use them for cross-border purchases. International transfers (the direct movement of funds between two banks located in different countries) is the most common digital payment method. 32% and 28% of businesses use it for cross-border sales and purchases, respectively. However, a more detailed analysis reveals that larger businesses are driving this trend. 46% of surveyed corporations facilitate cross-border sales through international transfers, while only 4% of small businesses utilise this method for their cross-border sales (see **Figure 13**). Small businesses tend to facilitate their cross-border sales with traditional methods of payment such as card (45%) and cash (24%).

> "The smaller traders, they go to South Africa to buy their goods and will carry MT 1 million in cash to trade because they believe that if they put their MT 1 million into a bank, by the time they want to pay in South Africa, it will be MT 800,000."

Representative from the United States Agency for International Development (USAID) Mozambique

Figure 13: Preferred payment method for cross-border sales

Question: Thinking of your sales, generally how are you paid for goods/services when trading with buyers in other countries?



Source: Standard Bank Africa Trade Barometer Issue 3

Cash remains the dominant payment method for domestic transactions in Mozambique. 41% and 44% of surveyed businesses use cash for domestic sales and purchases, respectively. This trend is largely driven by small businesses—47% of whom facilitate their domestic transactions through cash. Similar to cross-border transactions, as businesses grow, they increasingly turn to digital payment methods for domestic transactions. 41% of corporates facilitate their domestic sales through EFTs.

The adoption of mobile money in domestic transactions is highest among small businesses in Mozambique. 17% and 18% of small businesses rely on mobile money for sales and purchase transactions, respectively. Mobile money plays a vital role in bridging the digital payments gap, particularly for unbanked or underbanked populations. With a substantial agency network of 228 active mobile money agents per 100,000 adults in 2019 (seven times more than ATMs and twenty times more than bank branches), it enables small businesses in Mozambique to access digital financial services.[41]

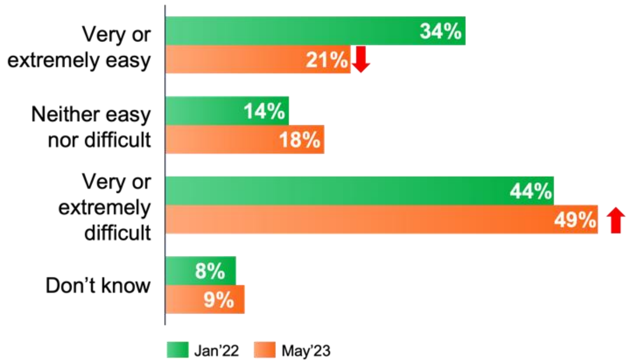
49% *of surveyed businesses found it difficult to access credit*

Businesses—particularly corporates—perceive access to credit as becoming more difficult (see **Figure 14**). 49% percent of surveyed businesses find it difficult to access credit, an increase from 44% in the survey conducted in January 2022. Notably, corporates recorded a substantial 26 percentage point rise in perceived difficulty between September 2022 and May 2023. This finding aligns with the current economic climate post-pandemic in Mozambique, characterised by a more stringent Monetary Policy agenda pursued by the Central Bank to mitigate inflationary pressures. The Monetary Policy Committee (MPC) has progressively increased the Mozambique Interbank Money Market Rates (MIMO) from 10.25% in December 2020 to 17.25% by December 2022, resulting in an increased cost of borrowing for businesses.[42] Furthermore, the MPC increased the reserve requirement ratio for both local and foreign currency deposits on January 25, 2023, from 10.5% to 28% and 11.5% to 28.5%, respectively. This adjustment has resulted in more stringent credit conditions, as financial institutions have less money to lend to businesses.[43] Amid a challenging credit landscape, businesses are increasingly embracing credit arrangements with their suppliers, as the uptake of such arrangements significantly rose from 34% in September 2022 to 54% in May 2023.

In addition to the escalating financial challenges associated with obtaining credit, **small businesses face the additional burden of complicated application processes and meeting stringent collateral requirements.** These hurdles further limit their ability to secure credit, consequently impeding the growth potential of their enterprises.

Figure 14: The level of difficulty in accessing credit

Question: Please indicate how difficult or easy it is to get credit from financial institutions



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Bars will not add up to 100% as 'Refused' has been excluded from the graph

In terms of support from financial institutions (FIs) in facilitating cross-border trade, **businesses highlighted the need for assistance in funding and insuring their goods.** Particularly, businesses emphasised the importance of flexible loan terms, along with quicker access to funds, and a general need for FIs to better understand their business operations. Additionally, businesses recognise the need for insurance coverage to mitigate climate-related risks. Insurance plays a crucial role in helping the agricultural sector in Mozambique—which contributes 27.5% to GDP—manage the risks posed by extreme weather events like heavy rainfall and tropical cyclones.[44] In February 2023, Cyclone Freddy devastated 133,979 hectares of agricultural land, diminishing the capacity of farmers to make loan repayments.[45] However, despite the evident need, climate risk insurance remains limited in Mozambique due to factors such as the lack of insurance products and limited demand.[46]

"Financial institutions play a major role in terms of providing channels where money flows from foreign countries and being placed in other countries in terms of services being provided, loans and other typical financial services."

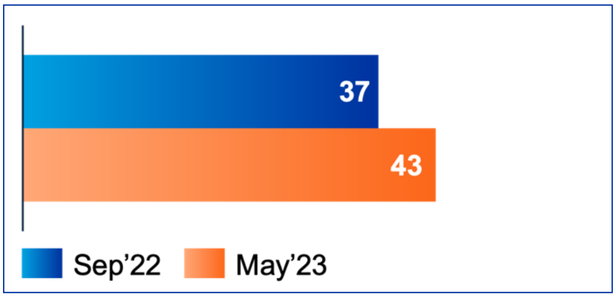
Representative from Bayport Financial Services

[41] GSMA. Available here
[42] Trading Economics. Available here
[43] Mozambique 360, Available here
[44] Statista. Available here
[45] OCHA. Available here
[46] GFDRR. Available here

9. FOREIGN TRADE & TRADING IN AFRICA

Initiatives to create awareness of the AfCFTA appear to be bearing fruit—although businesses still find trading with the rest of Africa difficult

Mozambique's ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, Mozambique's ease of trade index score increased to 43 from 37 in September 2022. This means surveyed businesses in Mozambique found it easier to trade compared to September 2022.

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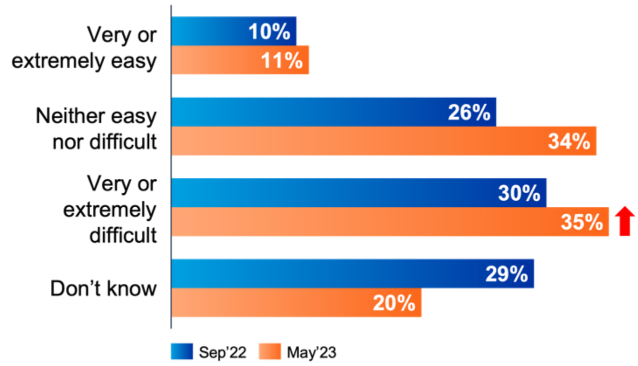
Mozambican businesses prioritise a partner country's market prices (18%), quality of goods (14%), and sufficient product volumes (11%) when considering which partners to conduct cross-border trade with. These priorities further explain the strong trading relations with South Africa and China. Specifically, Mozambican businesses emphasise that their trade engagements with China are propelled by affordability and high-quality goods that originate from the country.

The survey findings suggest that barriers, such as power outages and limited trade knowledge in neighbouring countries, have negatively impacted the perception of Mozambican businesses with regard to the ease of trading with other African countries (see **Figure 15**). The percentage of firms reporting trade with the rest of Africa to be difficult (either very difficult or extremely difficult) increased from 31% in September 2022 to 35% in this iteration of the survey. More granular analysis reveals that this is driven by the percentage of businesses reporting obstacles such as power outages (44%), limited trading knowledge (46%), and import quotas (47%).

Figure 15: Businesses perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa is …?



Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

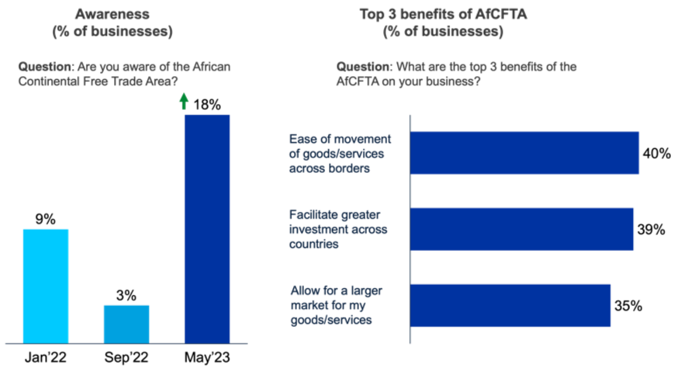
Mozambique is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of these aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

> "The AfCFTA will work well in promoting trade within Africa such that when we produce excess sugar in Mozambique, we can export the surplus to Malawi, Tanzania, or Zambia without too many bottlenecks."

Representative from Bayport Financial Services

Awareness of the AfCFTA amongst Mozambican businesses has significantly increased (see **Figure 16**). The percentage of respondents that are aware of the AfCFTA increased to 18% in May 2023 from 3% in September 2022—a statistically significant change. In March 2023, Mozambique initiated awareness efforts for the AfCFTA with a National Consultative Meeting and Awareness Workshop on the National AfCFTA Strategy, emphasising their commitment to advancing the trade agreement through signing and the ratification of the trade agreement, negotiation of essential trade protocols, and preparation for the implementation of the National AfCFTA Strategy.[47]

Figure 16: Businesses awareness and expected benefits of the African Continental Free Trade Area

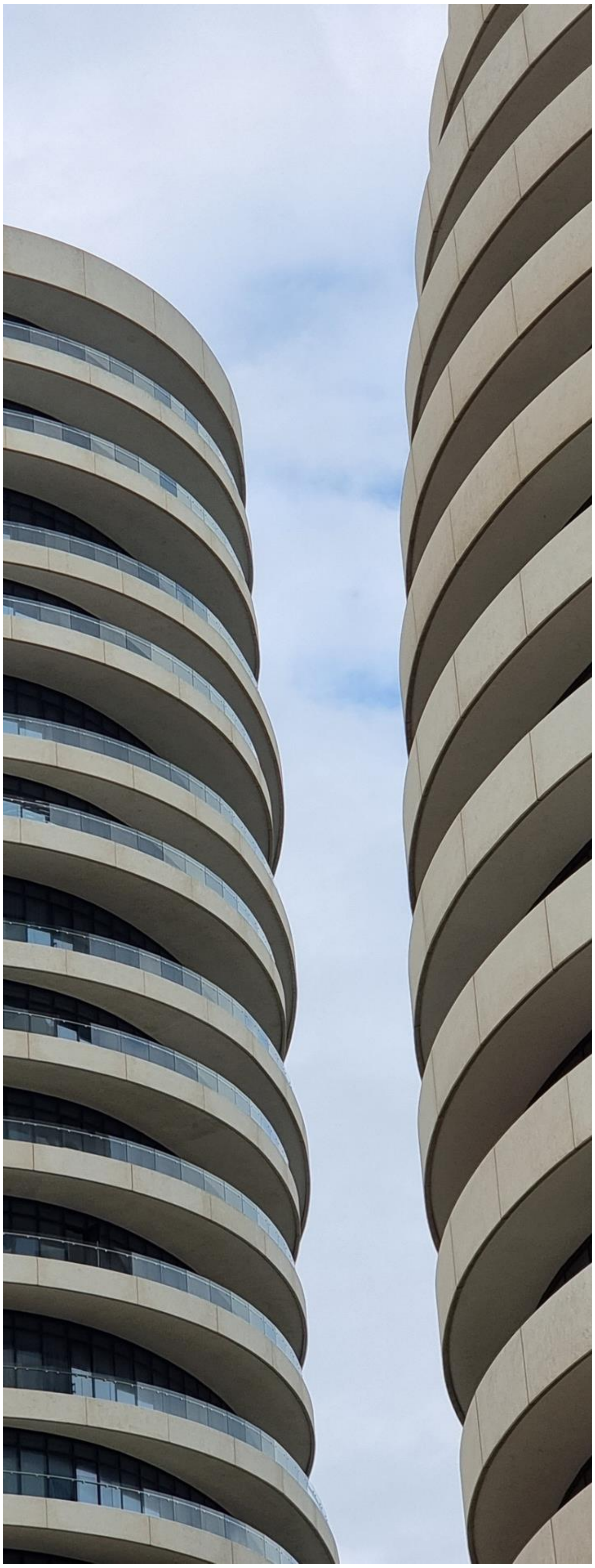


Source: Standard Bank Africa Trade Barometer Issue 3
Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey

Most Mozambican businesses believe that the implementation of the AfCFTA will reap benefits for their businesses (see **Figure 16**). The most commonly identified benefits are an ease in the movement of goods and services across borders, the facilitation of greater investment across countries and increased access to larger markets for goods and services.

> "The agreement will impact businesses in many ways, first it calls for countries and businesses to be innovative and add value to their products to increase competitiveness so that they can be players in the greater African market."

Representative from the Confederation of Business Association of Mozambique (CTA)



Maputo, Mozambique **Photo by Ali OGUL on Unsplash**

[47] UNECA. Available here

10. MAIN OBSTACLES TO TRADE

Mozambican businesses continue to face significant obstacles to trade

Businesses in Mozambique report that power outages are the most significant constraint inhibiting their ability to trade with other African countries, similar to the results recorded in September 2022. Specifically, 43% of businesses report power outages to be a major or severe constraint on their ability to trade with the rest of Africa.

43% *of surveyed businesses feel that power outages are a major or severe constraint on their ability to trade with the rest of Africa*

Other infrastructural aspects such as road infrastructure and water shortages were also identified as significant constraints to trading with the rest of Africa. 37% and 36% report road infrastructure and water shortages to be significant obstacles constraining their ability to trade with other African countries. These results suggest that the elimination of tariffs accompanying the introduction of the AfCFTA may not be sufficient to increase intra-African trade, as many businesses face other obstacles that prevent them from trading with other African countries to their full potential. As such, improvement along these lines is crucial to permit businesses to fully realise the benefits of the AfCFTA.

"The main challenge we face when trading with African countries is poor infrastructure. This includes poor infrastructure in our country and poor infrastructure in neighbouring countries such that goods are not traded efficiently and there is no trust."

Representative from Bayport Financial Services

Comparatively, the barriers to trading with the rest of the world appear to be lower. On average, the degree to which obstacles constrain the ability of businesses to trade is lower when trading with the rest of the world relative to when trading with the rest of Africa.

11. CONCLUSION

In conclusion, and looking forward, an aspect that will be interesting to track in future issues of the Standard Bank Africa Trade Barometer (SB ATB) in Mozambique will be how the perceived quality of infrastructure changes in the wake of planned Government interventions, and how this influences the enabling environment for trade. Relative to the nine other comparator countries in the SB ATB, the perceived quality of infrastructure is a particularly large barrier to engaging in cross-border trade for surveyed businesses in Mozambique. Chief amongst the infrastructural aspects that constrain surveyed businesses is the state of the power supply—which is characterised by low levels of access and intermittent outages.

Recognising the importance of improving these infrastructural aspects to enhance the enabling environment for businesses in Mozambique, the Government plans to introduce several initiatives to upgrade electricity and logistics infrastructure. This includes an ambitious project aiming for full electrification of the country by 2030 by implementing several large generation, transmission and distribution projects. As such, it will be interesting to evaluate how businesses' perceptions on the state of electricity supply evolves in the wake of these investments in future iterations of the SB ATB; as well as whether any improvements are associated with changes in trade activity for surveyed Mozambican businesses.

12. APPENDIX

Appendix 1: Standard Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Standard Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Standard Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, South Africa and Zambia, while the majority of ranks for other countries have increased from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Zambia (9th position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (3rd to 2nd position)
- Mozambique (6th to 3rd position)
- Nigeria (8th to 4th position)
- Kenya (7th to 6th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Tanzania (5th to 7th position)
- Uganda (4th to 8th position)

Table 2: Standard Bank Africa Trade Barometer (SB ATB) scores by country

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	74,3 19,5	2	5
Kenya	55,8 19,3	7	6
Mozambique	57,5 30,5	6	3
Namibia	60,2 43,1	3	2
Nigeria	48,4 25,9	8	4
South Africa	100 100	1	1
Tanzania	58,9 15,3	5	7
Uganda	58,9 14,8	4	8
Zambia	43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 2: Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for Angola, Mozambique and South Africa, while the majority of ranks for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Mozambique (3rd position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (4th to 2nd position)
- Nigeria (7th to 4th position)
- Zambia (9th to 7th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Kenya (5th to 6th position)
- Tanzania (6th to 8th position)
- Uganda (8th to 9th position)

Table 3: Standard Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country

Country	Africa Quantitative Barometer (QTB) Score		QTB Ranking	
	Sep'22	May'23	September 2022	May 2023
Angola	0	0	10	10
Ghana	86,2	26,6	2	5
Kenya	63,9	26,4	5	6
Mozambique	67,4	36,9	3	3
Namibia	64,7	46,2	4	2
Nigeria	56,1	32,4	7	4
South Africa	100	100	1	1
Tanzania	59,2	23,1	6	8
Uganda	51,8	17,6	8	9
Zambia	51,8	23,1	9	7

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 3: Standard Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Standard Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa and Namibia, SB STB ranks have changed in this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

Table 4: Standard Bank Survey Trade Barometer (SB STB) scores by country

Country	Africa Survey Barometer (STB) Score		STB Ranking	
	Sep'22	May'23	September 2022	May 2023
Angola	22,6	100	6	1
Ghana	0	18,4	10	7
Kenya	10,3	18,2	7	8
Mozambique	1,2	21,6	9	6
Namibia	34,1	52,7	4	4
Nigeria	8,4	22,5	8	5
South Africa	84,0	66,8	2	2
Tanzania	100	65,2	1	3
Uganda	57,0	12,2	3	9
Zambia	26,6	0	5	10

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Standard Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised[48] which allows for the relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.

Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (%, average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
Nigeria	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
Zambia	3	8	5	3	1	7	9	9

Key: Negative relative trade impact — Positive relative trade impact

[48] Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

13. ABOUT THE RESEARCH

The Standard Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In Mozambique, 292 businesses were surveyed. 46% of these businesses were in Maputo Cidade, 27% in Matola and 27% in Beira. The breakdown of surveyed businesses in Mozambique by business segment was as follows:

- 64% were small businesses
- 22% were big businesses
- 14% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than MT 210,000, large businesses as those with a turnover of between MT 210,000 and 1.9 billion and corporates as those with a turnover of more than MT 1.9 billion.

The breakdown of surveyed businesses in Mozambique by industry was as in **Table 6**:

Table 6: Breakdown of surveyed businesses in Mozambique by industry

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	18%	Electricity, gas, steam and air conditioning supply	3%
Manufacturing	14%	Real estate activities	3%
Accommodation and food service activities	10%	Financial and insurance activities	2%
Transportation and storage	7%	Arts, entertainment and recreation	2%
Construction	6%	Mining and quarrying (includes oil & gas)	2%
Human health and social work activities	6%	Water supply; sewerage, waste management and remediation activities	0.3%
Information and communication	6%	Public administration and defence; compulsory social security	0.3%
Professional, scientific and technical activities	6%	Education	0.3%
Administrative and support service activities	5%	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.3%
Services	4%	Activities of extraterritorial organisations	0%
Agriculture, forestry and fishing	4%		

The breakdown of surveyed businesses by staff complement was as follows:

- 37% had below 5 employees
- 37% had 5 - 10 employees
- 12% had 11 - 20 employees
- 8% had 21 - 50 employees
- 3% had 51 - 100 employees
- 2% had 101 - 1,000 employees
- 1% had 1,001 - 5,000 employees

With regards to individual respondent characteristics within the businesses, 61% were male and 39% were female. The breakdown by their job titles is as follows:

- 39% were general managers
- 12% were owners
- 8% were directors general
- 6% were financial directors
- 5% were heads of departments
- 4% were chief financial officers
- 4% were treasurers
- 3% were chief accountants
- 3% were managing directors
- 3% were deputy chief executives
- 2% were chief executive officers (CEOs)
- 2% were chairpersons
- 1% were deputies directors general
- 1% were executive directors
- 8% held other job titles

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in Mozambique as part of Issue 3. One interview was with a representative from Bayport Financial Services, another with a representative from the United States Agency for International Development (USAID) Mozambique, and finally with a representative from the Confederation of Business Association of Mozambique (CTA). These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Center and individual country central banks and statistics bureaus.

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In-depth details on how the Standard Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research and Insights. For any questions or information requirements on this report please contact tradebarometer@standardsbg.com.

14.ENDNOTES

The secondary sources used in drafting this report are listed below in alphabetical order.

1. Bank of Mozambique
    a. Available here

2. Fitch Solutions
    a. Available here
    b. Available here

3. International Monetary Fund (IMF). Available here

4. Ministry of Finance
    a. Available here
    b. Available here

5. National Institute of Statistics. Available here

6. UN Comtrade. Available here

7. World Bank. Available here

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