INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/45

REPUBLIC OF MOZAMBIQUE

February 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF MOZAMBIQUE

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Republic of Mozambique, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 13, 2026, consideration of the staff report that concluded the Article IV consultation with the Republic of Mozambique.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 13, 2026, following discussions that ended on November 21, 2025, with the officials of the Republic of Mozambique on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 28, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Republic of Mozambique.

The documents listed below have been or will be separately released.

Selected Issues

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International Monetary Fund
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PRESS RELEASE

PR 26/052

IMF Executive Board Concludes 2025 Article IV Consultation with the Republic of Mozambique

FOR IMMEDIATE RELEASE

Washington, DC – February 13, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Republic of Mozambique.[1]

Mozambique continues to face a complex macroeconomic environment marked by subdued growth, fiscal and debt vulnerabilities, and declining foreign aid. At the same time, the country faces pressing development needs, capacity constraints, and frequent natural disasters. Despite some positive developments—including low inflation, adequate foreign reserves, resumption of a major LNG project, and removal from the Financial Action Task Force (FATF) grey list—the challenges remain significant.

Economic activity has been recovering gradually after the sharp contraction in late 2024 following the October 2024 elections. Inflation has remained low since December 2023. While the current account deficit narrowed in 2025, it remains significantly wider than levels consistent with economic fundamentals. Gross international reserves covered about 6.5 months of imports at end-2025. In response to FX shortages in the market, the central bank has tightened FX regulations and capital outflow controls. The exchange rate against the US dollar has remained stable since 2021.

The government is facing increasingly difficult financing conditions. With debt service delays, holdings of government debt by domestic banks—the main source of financing of large and persistent fiscal deficits—have plateaued. Net external financing has been negative. Given these tight financing conditions, the fiscal deficit is estimated to have narrowed significantly in 2025, falling to 4.5 percent of GDP from 6.2 percent in 2024, largely due to reduced spending on goods, services, and capital projects.

Current macroeconomic policy settings—notably large fiscal deficits and the need for greater exchange rate flexibility—are likely to exacerbate macroeconomic and debt vulnerabilities. Primary fiscal deficits are projected to average around 2 percent of GDP through 2029, but overall deficits are likely to widen due to rising interest payments. Economic growth outside the mining sector is expected to remain modest, at around 2 percent, reflecting weak credit growth. Inflation will likely exceed the central bank's implicit target over the medium term, driven by monetary financing of large fiscal deficits. On the upside, the LNG sector offers substantial medium-term potential, with production anticipated to start from 2030 onward. Until then, the current account deficit is projected to remain large, reflecting LNG-related imports and external debt service obligations.

Executive Board Assessment

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

In concluding the 2025 Article IV Consultation with the Republic of Mozambique, Executive Directors endorsed staff's appraisal as follows:

"Executive Directors agreed with the thrust of the staff appraisal. They welcomed positive developments including low inflation, adequate international reserves, the planned resumption of a major LNG project, and Mozambique's removal from the FATF grey list. However, Directors stressed substantial downside risks and vulnerabilities stemming from large internal and external imbalances, weak growth, high public debt, security challenges, institutional fragilities, and climate shocks. They underscored the urgency of formulating a comprehensive policy reform package to entrench macroeconomic stability and lay the foundation for stronger and more durable growth. A clear communication of reform objectives would be critical to secure stakeholder buy-in and help build public trust.

"Directors emphasized the critical need for ambitious and credible fiscal consolidation to help reduce financing needs and restore debt sustainability, and to create fiscal space to finance vital social and development needs. They stressed the importance of containing the wage bill, broadening the tax base, enhancing public financial management, addressing fiscal risks from state-owned enterprises and the pension system, and strengthening debt management and transparency, while protecting vulnerable groups.

"Directors welcomed the Bank of Mozambique's prudent monetary policy and well-anchored inflation expectations. They considered however that room for easing tight monetary conditions is limited owing to exchange rate rigidities and the risk of aggravating foreign exchange shortages. Directors concurred that additional exchange rate flexibility would allow the economy to adjust to changing external conditions and support growth and recommended maintaining a prudent level of foreign exchange reserves. Directors encouraged close monitoring of financial sector risks, notably arising from banks' sovereign exposures, together with continued improvements in supervision, stress testing, and resolution frameworks, and further measures to promote financial inclusion. Efforts to further bolster the central bank's governance framework remain important.

"Directors underscored the criticality of strengthening structural reform implementation, focused on strengthening governance, transparency and accountability, while fostering a more conducive environment for private sector development. They welcomed the completion of the legal framework of the Sovereign Wealth Fund, which will allow it to become fully operational. Directors also underscored that continued well-targeted capacity development remains paramount to achieving the country's development objectives.

"It is expected that the next Article IV consultation with the Republic of Mozambique will be held on the standard 12-month cycle."

Mozambique: Selected Economic Indicators

	2021	2022	2023	2024	2025 Est.
National income and prices					
Nominal GDP (MT billion)	1,058	1,206	1,337	1,454	1,565
Real GDP growth (percentage change)	2.4	4.4	5.5	2.1	0.5
Consumer price index (percentage change, end of period)	7.3	10.9	4.3	4.1	3.2
Government Operations (percent of GDP)					
Total revenue	25.1	23.7	24.6	24.2	22.2
Total expenditure and net lending	32.1	32.9	33.3	33.3	28.1
Overall balance	-5.2	-5.3	-4.2	-6.2	-4.5
Primary Balance	-2.7	-2.3	-0.4	-2.1	-0.6
Public sector debt	104.3	100.4	90.8	89.9	91.4
of which: external	80.8	72.1	66.3	60.9	61.2
Money and Credit					
Reserve money (percentage change)	-14.3	0.6	117.8	20.7	-15.0
M3 (Broad Money) (percentage change)	1.9	8.7	3.5	15.9	13.6
Credit to the economy (percentage change)	5.2	4.0	-2.5	3.7	2.3
Credit to the economy (percent of GDP)	25.8	23.5	20.7	19.7	18.7
External sector (percent of GDP)					
Merchandise exports	35.3	43.9	39.6	36.1	31.5
excluding megaprojects	10.3	11.2	9.8	8.9	7.6
Merchandise imports	-48.5	-70.6	-43.9	-36.8	-33.1
excluding megaprojects	-43.5	-41.8	-37.6	-29.9	-26.2
External current account, after grants	-20.4	-33.7	-10.6	-11.0	-13.2
Net international reserves (millions of U.S. dollars, end of period)	2927	2333	3055	3175	3462
Gross international reserves (millions of U.S. dollars, end of period)	3470	2888	3632	3861	4238

Sources: Mozambican authorities; and IMF staff estimates and projection.

INTERNATIONAL MONETARY FUND

REPUBLIC OF MOZAMBIQUE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

January 28, 2026

KEY ISSUES

Context. Mozambique faces deep-rooted development challenges, including widespread poverty, regional insecurity, and high climate vulnerability. However, its natural resource sector holds promise of significant revenue for the country, which—if invested wisely—will allow it to address development needs. On the economic front, growth has been lackluster, while high and persistent fiscal deficits have become increasingly difficult to finance. On the external front, international reserves are adequate, and the exchange rate vis-à-vis the US dollar has been stable. However, real exchange rate appreciation has undermined competitiveness, and growing foreign exchange shortages weigh on economic activity.

Policy Priorities. Under current policies, public debt is assessed as unsustainable and the external position is substantially weaker than the level implied by medium-term fundamentals and desirable policies. A comprehensive and coordinated strategy is needed urgently to: i) restore fiscal and debt sustainability while protecting the most vulnerable, ii) maintain price and financial stability and ease foreign exchange shortages, and iii) promote private sector growth to support job creation and reduce poverty.

- **Fiscal Policy**. Front-loaded fiscal consolidation is essential to restore fiscal sustainability and reduce debt vulnerabilities, while creating fiscal space for development and safety nets for the most vulnerable. Wage bill rationalization should be prioritized, and the tax base broadened. These actions, together with enhancement of debt management operations, could potentially restore debt sustainability.

- **Monetary and Exchange Rate Policy**. While inflationary expectations are well anchored and growth is below potential, room for easing tight monetary conditions is limited due to exchange rate rigidities and the risk of aggravating foreign exchange shortages. The central bank should closely monitor financial stability, conduct stress tests, and deploy bank resolution frameworks as needed. Greater exchange rate flexibility is needed to allow the economy to adjust to changing external conditions and support growth.

- **Structural Reforms**. Strengthening governance, transparency, accountability, and the rule of law is critical for fostering a predictable business environment that can attract investment and create jobs. Addressing public financial management (PFM) weaknesses—such as budget credibility, procurement monitoring, arrears financing, and fiscal transparency—is crucial. Adopting a fiscal responsibility law could further improve fiscal discipline.

Approved By
Andrea Richter Hume (AFR) and Jay Peiris (SPR)

An IMF team comprising Pablo Lopez Murphy (head), Mai Farid, Can Sever, Carlos van Hombeeck (all AFR), Anna Belianska (SPR) held discussions with the Mozambican authorities during a mission to Maputo from November 12–21, 2025. The mission met with Ms. Carla Louveira, Minister of Economy and Finance; Rogério Zandamela, Governor of the Bank of Mozambique; senior officials, members of parliament and private sector representatives. Concurrently, an Article VIII mission took place and comprised Ioana Luca (head, LEG), Eugenia Siracusa (LEG), and Satita Buranasumpatanont (MCM). The teams were assisted in Maputo by Olamide Harrison, resident representative; Vanda Castelo and Santos Bila, local economists; Esther Palacio, TA coordinator; and Béatrice Rangel, office manager. Adriano Ubisse (Executive Director-OEDAS) and Enilde Sarmento (Advisor, OEDAS) participated in some meetings. Elena Esbaile and Danielle Bieleu (both AFR) contributed to the preparation of this report.

CONTENTS

ANNEXES

CONTEXT

1. **Mozambique has experienced a prolonged period of sluggish growth, constrained by limited external support and compounded by pressing development needs**. Since the hidden debt scandal in 2016, growth performance has weakened (SIP), poverty rates have risen (Figure 2), and external financing has declined. The recent cuts in U.S. development assistance—though less severe than initially anticipated—adds further pressure (Annex I).

2. **A low-income, fragile state, Mozambique faces an ongoing insurrection in the north and limited institutional capacity**. Frequent natural disasters (Figure 2) exacerbate these vulnerabilities (Figure 6). Diversifying the economy and creating jobs is critical to harnessing the demographic dividend from its young and growing population (Annex II).

3. **The natural resource sector offers substantial revenue potential which if managed and invested wisely, can be leveraged to effectively address critical development needs**. However, bridging the gap until higher government revenues materialize requires current spending to remain aligned with available financing.

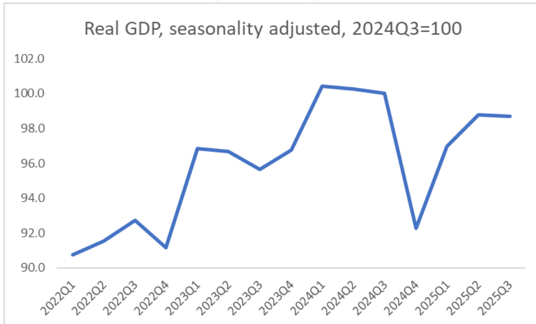
4. **With rising deficits and reduced external financing, Mozambique is facing increasingly difficult financing conditions**. Domestic banks—the main source of financing of large and persistent fiscal deficits—have become increasingly reluctant to increase their holdings of government debt amid concerns over debt service delays. In March 2025, S&P classified Mozambique's local currency debt as "selective default". Debt service arrears continued throughout 2025 and, since October, have extended to short-term securities for the first time.

5. **Macroeconomic policies have remained broadly unchanged since the last Article IV**. Critical policy recommendations in the 2024 Article IV—including fiscal consolidation and greater exchange rate flexibility— have not been implemented (Annex IV). The previous Fund-supported program lapsed in April 2025, with two reviews pending. The government requested a successor Fund-supported program in May; progress towards agreement will depend on implementation of critical reforms to address internal and external imbalances.

RECENT ECONOMIC DEVELOPMENTS

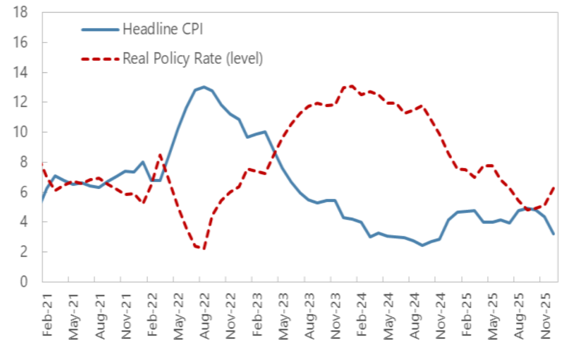
6. **The recovery from the post-election social unrest of October 2024 remains fragile**. Real GDP contracted by 8 percent q/q in 2024Q4, rebounded in early 2025, but lost momentum in 2025Q3 (Text Figure 1). Growth for 2025 is estimated at 0.5 percent, with contraction in services (0.8 percent) offset by growth of 1 percent in the secondary sector (mainly extractive industries) and 1.4 percent in the primary sector. PMI readings remain volatile (Figure 1). On investment, ENI's "Coral North" received approval in April, and TotalEnergies lifted force majeure in October 2025 on its project halted since March 2021.

Text Figure 1. Mozambique: Real GDP Growth
(Percent)



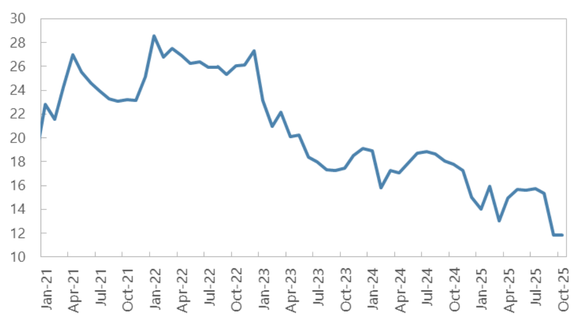
Source: INE, BM; IMF staff estimates.

Text Figure 2. Mozambique: Inflation
(Percent; yoy)

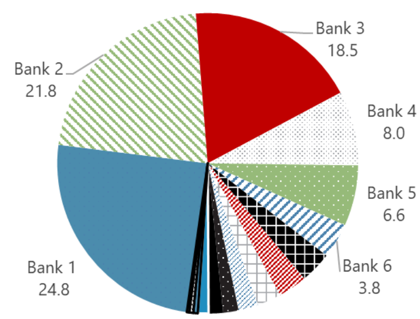


Source: INE, BM; IMF staff estimates.

Text Figure 3. Mozambique: Banks' Profitability (Return on Equity)
(Percent, annualized)



Text Figure 4. Mozambique: Banking Concentration 20025Q2
(Percent of Total Assets)



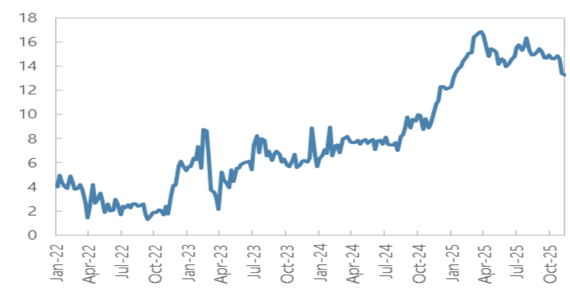
Source: Bank of Mozambique, Fitch Connect, Banks' Demonstrations, Haver, IMF staff calculations.

7. **Inflation has stayed below the central bank's implicit target of 5 percent since December 2023, despite temporary price pressures in early 2025 following the post-election unrest**. Fuel price reductions in February and June helped ease transportation costs and inflation eased to 3.2 percent y/y by December (Text Figure 2), also reflecting high prices one year earlier due to social unrest during late 2024. The Bank of Mozambique has cut the policy rate by 775 basis points since January 2024, and reserve requirements by 1,000 basis points in January 2025. Nonetheless, interest rates remain high in real terms—the real policy rate is 6 percent and commercial real lending rates hover around 11.5 percent. Reserve requirements are also still high, at 29 percent (Figure 3, top right).

8. **Systemic risks in the banking sector appear contained, but vulnerabilities persist**. Bank profitability was hit by the 2024Q4 unrest and by higher provisioning for sovereign exposures, as arrears on sovereign bonds rose during 2025 (Text Figure 3). Capital adequacy stands at 28 percent, while NPLs are at about 8 percent as of October 2025. Private sector credit has stagnated since September 2024, even though deposits grew 12 percent between then and September 2025. The banking sector is highly concentrated: a few banks hold over 75 percent of total assets (Text Figure

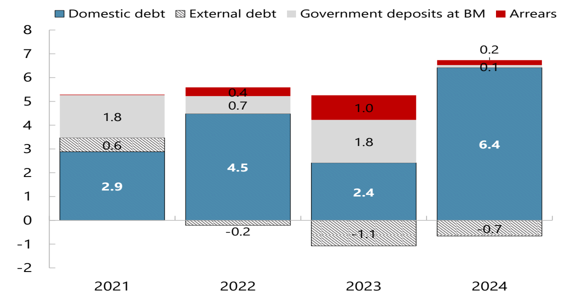
4). For the top five banks, government securities account for roughly 35 percent of risk-weighted assets (RWA), with public sector loans adding another 6 percent.

Text Figure 5. Mozambique: Parallel vs. Official USD/MZN Spread
(Percent)



Source: Bank of Mozambique

Text Figure 6. Mozambique: Financing Sources of Fiscal Deficit, 2021–24
(Percent of GDP)



Source: Ministry of Finance; and IMF staff estimates.

9. The external position in 2025 remained substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex V). While the non-megaproject current account deficit narrowed to 11.8 percent of GDP in 2025, this was still 5.4 percentage points higher than the norm estimated by staff. The goods trade deficit narrowed, with lower imports due to subdued domestic demand, lower oil prices and constrained access to FX more than offset weaker exports. Primary-income outflows also fell, driven largely by a decline in other-investment income payments (interest-type outflows). During 2025, the depreciation of the US dollar resulted in a slight real exchange rate depreciation. Even so, staff still assess the metical to be overvalued in real terms (reflecting an appreciation of over 20 percent in real effective terms since mid-2021).

10. Gross international reserves stood at about 6.5 months of non-megaproject imports at end-2025, compared to 6.1 months a year earlier. The parallel market premium for the US dollar reached about 14 percent in late 2025, compared to under 10 percent a year earlier (Text Figure 5).[1] Banks and corporates have reported increased difficulties during 2025 in obtaining FX, with waiting times having increased. This may reflect reduced inflows related to exports and external aid. FX shortages may induce the use of informal import and export channels, which is reflected in the widening differences between Mozambique's trade statistics, and those of partner countries (Annex XII). During 2025, the central bank raised surrender requirements for exporters from 30 to 50 percent (in April), tightened limits on banks' FX long position limits (from 20 to 2 percent, in July), and capped overseas credit card use (in December). These measures are designed to reduce foreign currency outflows and are assessed as macro-critical capital flow management measures (CFMs).[2] However, they were not deployed as a part of broader policy package to address the chronic FX shortage, including fiscal consolidation and improved exchange rate flexibility.

[1] The official market is dominated by banks. Bureaus of exchange, which exchange smaller cash volumes, are only responsible for 0.2 percent of the volume of FX transactions in the official market. The spread of the exchange rate practiced by bureaus of exchange to the one practiced by banks ranged between 10 and 15 percent in late 2025.
[2] The 30 percent surrender requirement in place since 2020 is considered a CFM, while the limits of 20 percent for overall net FX open position before the recent change were classified as a macroprudential measure.

11. The fiscal deficit narrowed significantly in 2025, falling to 4.5 percent of GDP from 6.2 percent in 2024, largely due to reduced spending on goods, services, and capital projects (Table 2b).[3] The social unrest following the October 2024 election led to business closures, lower imports, and a sharp contraction in services. These contributed to a steep drop in tax revenues in the fourth quarter, reducing them to 18.7 percent of GDP for the year as a whole, from 20.3 percent in 2024. The revenue shortfall, compounded by limited access to financing, forced the government to implement severe expenditure cuts, particularly in goods and services as well as capital investment. Domestic financing declined from 6.7 percent of GDP in 2024 to 3.2 percent in 2025, while arrears financing rose markedly, from 0.3 percent of GDP in 2024 to 1.9 percent in 2025 (Text Table 1). As of end-December 2025, total debt service arrears add up to 1.3 percent of GDP, of which external and domestic debt service arrears are at 0.9 and 0.4 percent of GDP, respectively. Debt maturities have declined, with short-term securities representing 35 percent of total government securities by end-2025 (compared to 32 percent a year earlier). External financing has been negative since 2022, leaving domestic debt as the primary source of funding for the large fiscal deficits recorded during 2022–24 (Text Figure 6).

Text Table 1. Mozambique: Central Government Operations, 2021–2025
(Percent of GDP)

	2021	2022	2023	2024	2025 Est.
Primary expenditure	29.6	30.0	29.5	29.1	24.1
Interest payments	2.6	2.9	3.9	4.1	4.0
Revenue	25.1	23.7	24.6	24.2	22.2
Grants	1.8	3.9	4.5	2.9	1.3
Primary deficit	-2.7	-2.2	-0.4	-2.1	-0.6
Overall balance	-5.2	-5.2	-4.2	-6.2	-4.5
Financing	5.2	5.2	4.2	6.2	4.5
Net external financing	1.0	0.0	-0.6	-0.7	-0.6
Net domestic financing	3.7	4.8	3.8	6.7	3.2
Short-term debt	1.3	1.0	1.2	3.2	2.1
Medium-term debt	0.8	3.5	0.9	3.2	1.2
BM financing	0.0	0.0	0.0	1.7	2.1
Domestic financial sector	0.8	3.5	0.9	1.6	-0.9
Change in government deposits at BM	1.6	0.3	1.7	0.3	0.0
Arrears financing (flow)	0.5	0.4	1.0	0.3	1.9

Source: Ministry of Finance; and IMF staff projections.

12. The government conducted several voluntary, market-based Liability Management Operations (LMOs) during 2025. In each operation, it exchanged bonds maturing on the day of maturity or a few days before for new 5-year bonds. By end-September, these operations enabled the rollover of roughly two-thirds of scheduled bond amortizations. A final LMO in December—combined with the issuance of additional bonds—allowed the authorities to fully roll over all 2025 government bond amortizations and clear most domestic debt-service arrears accumulated through the third quarter of 2025 (Debt Sustainability Analysis (DSA), Box 2 and ¶5).

MACROECONOMIC OUTLOOK AND RISKS

13. Current policies are unsustainable. Staff's baseline projections assume that macroeconomic policies remain broadly unchanged.[4] The primary fiscal deficit is projected at 2 percent of GDP in 2026–29 (Text Table 3), broadly in line with 2021–24. However, due to rising interest payments, the overall fiscal deficit is expected to widen steadily. Given external financing constraints, this would require a level of domestic financing—primarily from the domestic financial system but also, within legal limits, from the central bank—which appears unrealistic.

14. Under these conditions, economic growth over the near- and medium-term is likely to remain anemic. Over 2026–28, non-mining growth would remain subdued at around 2 percent,

[3] Fiscal data for 2025 are highly preliminary and subject to revisions. The fiscal deficit is measured by the change in the levels of government debt, government deposits, and government arrears (see Annex X).
[4] Baseline and unchanged policies are used interchangeably throughout the report.

weighed down by fiscal uncertainty, lack of credit given government financing needs, and FX shortages. Inflation would exceed the 5 percent target over the medium term, reflecting continued reliance on monetary financing. LNG projects led by TotalEnergies (onshore) and ENI (offshore) are expected to begin production in 2030, followed by Exxon's second onshore LNG project in 2031.

15. The current account deficit is projected to persist over the medium term. In 2026, LNG-related imports are expected to drive up the deficit to 33 percent of GDP (though these imports are expected to be self-financed). As LNG production ramps up from 2030 onward, the megaproject current account balance is expected to shift to surplus. However, international reserves are projected to decline steadily over the medium term, as net export proceeds will not offset rising external debt service obligations.

16. Risks to the outlook are squarely to the downside. Domestic risks include delays in LNG projects and associated debt dynamics, intensification of FX shortages, mounting state-owned enterprises' (SOEs) losses, and a potential sovereign debt default (Annex VI). A banking sector crisis could emerge if losses on government securities compromise capital adequacy, while excessive monetary financing risks triggering a depreciation–inflation spiral. Additionally, the possible shutdown of a major aluminum producer—whose output represents about 2 percent of GDP and one-fifth of Mozambique's exports—would further constrain growth and FX availability. External risks include pandemics, natural disasters, reduced foreign aid, and commodity price volatility (Annex VII and XI), particularly higher global fuel prices, which could worsen the balance of payments (Annex VII). Upside risks are limited and related to stronger-than-expected spillovers from LNG projects.

17. A comprehensive and coordinated strategy could deliver a narrow path to stabilization. This would require action across fiscal, monetary, and exchange rate policies, complemented by strengthened safety nets, and governance reforms. The goal would be to (i) restore fiscal and debt sustainability; (ii) maintain price and financial stability while addressing FX shortages; (iii) protect the most vulnerable from adjustment costs; and (iv) foster a dynamic private sector through improved governance and transparency (Text Table 2). Careful sequencing of these measures (e.g., fiscal consolidation should come first) will be essential to build credibility in the government's reform commitments, while sustaining confidence in the metical. While fiscal consolidation and external rebalancing would temper economic growth in the near term, these comprehensive measures would lay the foundation for stronger and more sustainable growth over the medium term (Annex IX).

Text Table 2. Mozambique: Unchanged Polices vs. Reform Scenario: Main Pillars

		Baseline				Reform Scenario			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
	Est.	Proj.				Proj.			
Real GDP, excl. extractive industries	0.5	1.9	2.7	2.2	3.1	1.5	2.9	2.8	3.2
Primary fiscal balance	-0.6	-2.0	-2.0	-2.0	-2.0	0.3	2.0	2.5	2.5
Total public sector debt	91	95	102	108	112	104	106	106	104
Current account balance excl. mega projects (MP) and indirect MP imports	-11.8	-11.9	-12.0	-11.4	-11.1	-8.9	-8.8	-7.6	-7.0

Sources: Ministry of Finance; and IMF staff projections

Authorities' Views

18. The authorities broadly concurred with staff's assessment of the outlook and risks but were more optimistic about near-term growth, projecting stronger economic activity. They agreed that inflation is likely to remain below double digits throughout the forecast horizon. The authorities shared staff's view that the financial system is stable and well capitalized, while acknowledging the high risk stemming from sovereign exposure. They emphasized Mozambique's vulnerability to external shocks, particularly from fuel price volatility and reductions in external aid. Although global uncertainty tends to affect Mozambique indirectly, they noted that tight trade linkages mean disruptions among external partners can quickly spill over domestically. Finally, they highlighted that Mozambique's status as a net importer of nearly all goods heightens its exposure to external shocks.

POLICIES TO HELP RESTORE MACROECONOMIC STABILITY AND SUPPORT GROWTH

A. Restoring Fiscal and Debt Sustainability

Mozambique faces severe fiscal risks, and under current policies, public debt is assessed as unsustainable. A front-loaded fiscal adjustment through wage bill containment and revenue measures is critical to restore stability. Voluntary, market-based liability management may also be needed to address severe near-term financing pressures. Clear, transparent communication is essential to build public trust and secure support for these measures.

19. Persistent fiscal deficits have imposed significant costs on the Mozambican economy. Rising debt service and the growing public wage bill have reduced resources for health and education (Annex III), while sizeable government borrowing from domestic banks has crowded out lending to the private sector, slowing economic growth. Large deficits have weakened investor confidence, causing capital outflows, and overtime deficits have reduced fiscal space for the government to be able to respond to shocks.

20. Mozambique's 2026 budget, which sets out a large deficit reduction, lacks the measures needed to deliver the targeted fiscal consolidation (Text Table 3). While the budget targets a deficit of 0.3 percent of GDP—a consolidation of 4.2 percentage points from the estimated deficit for 2025—staff projects the fiscal deficit to widen to 6.3 percent of GDP.[5] Staff's expenditure projections (2.8 percentage points higher than the budget) assume a recovery in spending on goods, services, and capital expenditure, as the sharp cuts observed in 2025 are considered unsustainable. Wage bill spending is projected to be 1.1 percentage point higher than budgeted, reflecting the reinstatement of career progressions and promotions that were suspended following the adoption of the single salary scale reform in 2022, the 13th month salary, and a realistic estimate of overtime.[6]

[5] Fiscal outturns have been weaker than budgeted for many years, often by a substantial margin (Text Figure 7).

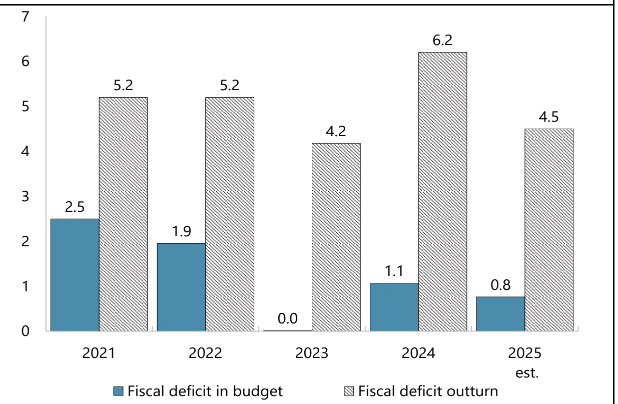
[6] Staff projects wage-bill spending to rise by 7 percent in nominal terms in 2026 (Table 2a), reflecting both an increase in public sector employment and the reinstatement of career progressions and promotions.

With respect to revenue and grants, while staff project that they will remain broadly flat, the budget assumes an increase of 1.6 percentage points for each). Regarding financing, the budget anticipates a substantial reliance on medium-term debt (about 2 percent of GDP), which staff considers unrealistic. Instead, staff projects financing to come mainly from short-term debt and central bank borrowing within legal limits (Tables 2a and 2b).

Text Table 3. Mozambique: Central Government Operations, 2025–2029
(Percent of GDP; Unchanged Policies)

	2025 Est.	2026 MoF Budget	2026 IMF Proj.	2027 IMF Proj.	2028 IMF Proj.	2029
Total revenues and grants	**23.5**	**27.1**	**23.9**	**23.7**	**23.8**	**23.9**
Total revenue	22.2	24.0	22.4	22.5	22.6	22.7
Grants	1.3	3.1	1.5	1.2	1.2	1.2
Total expenditure and net lending	**28.1**	**27.4**	**30.2**	**30.8**	**31.9**	**32.7**
Current expenditure	24.1	21.4	25.2	26.1	27.0	28.0
Wage bill	13.9	12.6	13.7	13.6	13.5	13.4
Goods and services	2.2	2.3	3.1	3.2	3.3	3.4
Interest payments	4.0	4.0	4.2	5.2	6.1	6.8
Subsidies and transfers	2.7	2.5	2.7	2.7	2.8	3.1
Unidentified expenditure	1.4	0.0	1.4	1.4	1.4	1.4
Capital expenditure	3.7	5.9	4.7	4.4	4.6	4.4
Net lending	0.2	0.1	0.2	0.3	0.3	0.3
Primary balance	**-0.6**	**3.6**	**-2.0**	**-2.0**	**-2.0**	**-2.0**
Overall balance	**-4.5**	**-0.3**	**-6.3**	**-7.1**	**-8.1**	**-8.8**

Text Figure 7. Mozambique: Fiscal Deficit Central Government, 2021–25
(Percent of GDP)



Source: Ministry of Finance; and IMF staff projections.

21. Staff's medium-term fiscal projections are equally concerning: the primary deficit remains unchanged, and public debt follows an unsustainable trajectory. Under staff's baseline, the present value (PV) of public debt-to-GDP rises sharply and stays well above its indicative benchmark. Without clear articulation and commitment to implementing a comprehensive policy package that could potentially and sufficiently reverse these dynamics, public debt is unsustainable (see DSA). Overall public debt is classified as in distress, as debt service arrears exceeded 1 percent of GDP at end-2025. This represents a deterioration relative to the July 2024 DSA.

Text Table 4. Mozambique: Unchanged Policies vs. Reform Scenario

		Baseline				Reform Scenario			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
	Est.	Proj.				Proj.			
National income and prices									
Real GDP	0.5	1.9	2.7	2.2	3.1	1.5	2.9	2.8	3.2
Real GDP, excl. extractive industries	0.0	2.0	2.0	2.0	3.0	1.5	2.2	2.7	3.2
Consumer prices (annual average)	4.4	5.6	6.3	6.8	7.2	7.6	8.2	5.0	5.5
GDP per capita	-2.4	-1.0	-0.2	-0.7	0.2	-1.4	0.0	-0.1	0.3
Central government operations									
Primary fiscal balance	-0.6	-2.0	-2.0	-2.0	-2.0	0.3	2.0	2.5	2.5
Overall fiscal balance	-4.5	-6.3	-7.1	-8.1	-8.8	-3.2	-2.1	-1.5	-1.4
Financing sources	4.5	6.3	7.1	8.1	8.8	3.2	2.1	1.5	1.4
Net external financing	-0.6	-0.7	-0.8	-0.9	-0.8	-0.1	-0.3	-0.5	-1.0
Net domestic financing	3.2	7.0	7.9	9.0	9.6	3.3	2.4	2.0	2.4
Short-term debt (net)	2.1	10.7	11.0	11.4	11.4	0.0	0.0	0.0	0.0
Medium-term debt (net)	1.2	-3.7	0.8	0.9	-5.7	3.3	2.4	2.0	2.4
Arrears	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector debt									
Total	91	95	102	108	112	104	106	106	104
of which: external debt	61	60	59	56	53	73	73	70	67
of which domestic debt	30	35	43	51	59	31	33	35	38
External sector									
Current account balance	-13.2	-32.3	-33.5	-30.8	-25.7	-31.9	-35.2	-30.4	-23.8
excl. megaprojects (MP) and indirect MP imports	-11.8	-11.9	-12.0	-11.4	-11.1	-8.9	-8.8	-7.6	-7.0
Gross international reserves (millions of US dollars, end of period)	4,238	4,262	3,992	3,534	3,057	4,217	4,380	4,501	4,523
Months of next year's non-megaproject imports	7.0	6.4	5.9	5.0	4.1	7.0	7.1	7.0	6.6

Sources: Ministry of Finance; and IMF staff projections.

22. A front-loaded fiscal adjustment underpinned by specific and rigorously costed measures is essential to reduce financing needs and restore debt sustainability. Fiscal consolidation of about 3 percent of GDP over three years (2026–28) will help restore fiscal sustainability and reduce financing needs to 2.1 percent of GDP in 2027, a level that should be feasible to meet through domestic markets (Annex VIII) and multilateral partners. Voluntary, market-based liability management could also help address near-term financing pressures. While consolidation may weigh on short-term growth, it will lay the foundation for stronger medium-term growth by reinforcing macroeconomic stability. Once LNG revenues materialize (around 2030), a fiscal rule enshrined in a Fiscal Responsibility Law would help ensure that spending is consistent with debt sustainability, while also maintaining buffers for future shocks.

23. Fiscal consolidation should be primarily expenditure based, though some revenue measures could help. Potential measures could include (Annex IX):

- **Revenue (0.8 percent of GDP)** (Text Table 5). Given Mozambique's relatively high tax-to-GDP ratio, measures should focus on broadening the tax base and improving efficiency, such as (i) applying the standard VAT rate to a wider range of imported goods—such as mineral products, plastics, rubber, and transport equipment—while eliminating exemptions on machinery and capital goods; and (ii) removing VAT exemptions on fee-based financial services, insurance, commercial real estate leases, and gambling. Excise taxes could be raised, and corporate income tax (CIT) holidays rationalized, with harmonization of CIT rates across sectors. These reforms should be complementary to modernizing tax administration systems, supported by technical assistance from the IMF, to enhance compliance and reduce leakages. The authorities expect to mobilize around 1 percent of GDP in 2026 from digitalizing tax processes and taxing digital transactions.

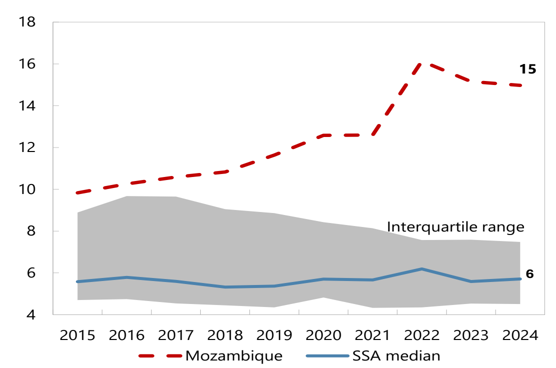
Text Table 5. Mozambique: Potential Tax Policy Measures
(Percent of GDP)

Total additional revenues	**0.80**
VAT base broadening measures on imported goods	**0.18**
Mineral products	0.02
Plastic and rubber	0.01
Transport material	0.15
Elimination of zero VAT rate on	**0.32**
Machinery and equipment	0.24
Capital goods	0.08
Excises	**0.30**
Domestic goods	0.10
Imported goods	0.20

Source: IMF staff estimates based on IMF TA reports.

- **Expenditure (2.2 percent of GDP)**. Expenditure savings should primarily come from wage bill containment (reduction by 3 percentage points of GDP), as Mozambique's wage bill—among the highest in the region at 14.4 percent of GDP in 2024—accounts for roughly half of government spending. By reducing the public wage bill to 11 percent of GDP by 2028, this would create space to increase domestically financed capital and social spending, which recover under the reform scenario (Text Figure 8, Annex III). Recommended measures include (i) eliminating the 13th-month salary in 2026, then partially reinstating it (25 percent in 2027 and 50 percent in 2028); (ii) freezing base salaries in nominal terms during 2026–28; (iii) freezing promotions and career progressions over 2026–30; (iv) strict ceiling limiting overtime; and (v) restricting new hires over (2026–30) to priority sectors (health, education and justice).

Text Figure 8. Mozambique: Mozambique's Wage Bill
(Percent of GDP)



Source: Ministry of Finance; IMF staff estimates.

24. A clear and well-targeted communication strategy is needed to help build public trust and secure stakeholder buy-in for fiscal consolidation and expenditure realignment. The narrative should explain why consolidation is necessary, how it benefits the population, and what safeguards are in place to protect the most vulnerable. Transparency is key—the authorities must share data, timelines, and trade-offs in simple, consistent language that emphasizes fairness and social protection. Multiple channels should be used to ensure broad outreach and engagement, including traditional media, and digital platforms. By fostering understanding and trust, the strategy will help mitigate discontent and enhance the credibility of the adjustment.

Authorities' Views

25. The authorities concurred with staff on the fiscal outlook and the need for policy action to restore fiscal and debt sustainability. In response to the economic slowdown, they submitted a revised 2026 budget to Parliament in December, with lower revenue and expenditure projections than the 2026 budget sent to Parliament in October. To strengthen revenue mobilization over the medium term, the Parliament approved a Domestic Revenue Mobilization Strategy, which will guide tax policy reforms aimed at broadening the tax base and improving tax administration—critical elements for a growth-friendly fiscal consolidation. Measures include applying the standard VAT rate to digital transactions (e-commerce), revising the excise tax code, a simplified tax regime for small businesses, and updating personal and corporate income tax provisions to include capital gains. On expenditure, the authorities acknowledged implementation challenges in wage bill reform but reiterated their commitment to rationalization under the 2026 budget. Planned measures (reflected in staff's baseline projections) include a nominal freeze on base salaries, restrictions on new hires, and caps on overtime. However, in January 2026, the government announced paying 40 percent of the 13th month base salary for public employees and pensions. Although the authorities recognize the need to undertake fiscal consolidation and bring down public debt, they expressed that staff's proposed reform package is not politically feasible.

B. Monetary and Exchange Rate Policy

Monetary policy remains tight, helping to anchor inflation expectations, but constraining credit expansion and growth. Monetary easing risks worsening FX shortages in the context of a substantially weak external position. Fiscal stress complicates liquidity management and threatens financial stability. Greater exchange rate flexibility and prudent monetary policy are essential to complement frontloaded fiscal consolidation and restore external viability and increase competitiveness.

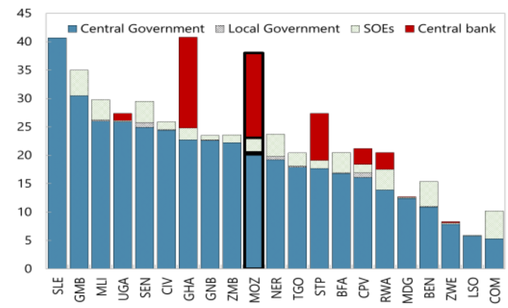
26. Tight monetary conditions are constraining growth, yet scope for easing remains limited due to exchange rate rigidities and FX shortages. With inflation expectations anchored near the central bank's target and economic activity subdued, a monetary easing could support domestic demand by lowering borrowing costs and stimulating credit. However, in an environment of foreign exchange shortages, monetary easing entails significant risks, as increased liquidity could fuel import demand and aggravate FX shortages. Persistent currency shortages could also become inflationary by increasing costs related to imports.

27. Liquidity management is becoming challenging amid ongoing fiscal stress, though transmission of monetary policy decisions to market interest rates is still effective (Figure 3, top right panel). However, transmission could weaken if fiscal pressures persist, as evidenced by the widening spread between the policy rate and T-bill rates. Monetary financing to the government, even within legal limits, increases the liquidity in the banking system. The Bank of Mozambique's open market operations are a preferable method to adjust liquidity through voluntary transactions and fostering financial market development, but recent government debt service delays may undermine this instrument. Reserve requirements near 30 percent act as a tax on banks, raising intermediation costs and discouraging credit growth. Over time, these requirements should be reduced—or remunerated if maintained at elevated levels.

28. An unsustainable fiscal position also threatens financial stability, given commercial banks' heavy exposure to sovereign debt. Government securities account for 23 percent of banks' assets—in line with averages among low-income countries in SSA (Text Figure 9). The central bank should enhance monitoring through stress tests focused on sovereign risk and prepare contingency plans and resolution frameworks to manage potential bank distress without triggering contagion. Ultimately, fiscal consolidation is essential to address sovereign risk at its source (¶21), help safeguard financial stability, and maintain confidence in the banking system.

Text Figure 9. Mozambique: SSA LICs's Public Sector- Bank Nexus, May 2025

(Percent of banks' assets)



Source: IMF MFS and Barrail, Dehmej, and Wezel (forthcoming).

29. The metical has remained stable against the US dollar since July 2021. Based on its assessment of Mozambique's foreign exchange system, staff find that Mozambique's foreign exchange system gives rise to two exchange restrictions and one multiple currency practice (MCP). These are subject to Fund approval. The first exchange restriction arises from undue delays[7] in accessing and using FX for current international transactions and external payment arrears due to (i) the authorities' prioritization of FX for certain transactions, including payment on public external debt service, and the Bank of Mozambique's informal guidance to commercial banks to prioritize FX allocations for essential imports (mainly fuel, food and medicines), combined with (ii) informal guidance to commercial banks to maintain the exchange rate at a level that does not clear the market. The second exchange restriction arises from the requirement of a tax clearance certificate for the purposes of making current international payments and transfers.[8] The MCP arises from the impermissible spread between the commercial banks' rates which are subject to informal guidance by the Bank of Mozambique and the FX bureaus' exchange rates which are freely determined. [9] These measures, which have resulted in two exchange rate restrictions and one MCP, hinder necessary exchange rate adjustments and exacerbate FX shortages, preventing external rebalancing.

[7] Market participants consistently reported undue delays of several months.

[8] The tax clearance certificate needs to confirm that there are no outstanding tax liabilities of any kind, including tax liabilities unrelated to the requested transaction.

[9]As set out in the Guidance Note for the Fund's Policy on Multiple Currency Practices, an "impermissible spread" is defined as a difference between exchange rates arising from official action breaching the range between the highest and lowest exchange rates of the benchmark exchange rate on a given day in the wholesale FX market, with a tolerance margin of +/- 2 percent. In the case of Mozambique, the market determined FX bureau exchange rate was used as a benchmark, consistent with paragraph 20, paragraph 5 of Annex II and paragraph 12 of Annex V of the Guidance Note.

30. Greater exchange rate flexibility would help restore balance in the FX market and improve resource allocation. Against a backdrop of real exchange rate appreciation during recent years, the current exchange rate arrangement is contributing to growing macroeconomic imbalances. Delays in accessing FX disrupt trade and production by limiting firms' ability to import raw materials and capital equipment. In addition, foreign investors may delay projects, fearing difficulties in repatriating income and profits. Delaying the necessary adjustment will likely raise the costs of correction. A market-clearing exchange rate would narrow the gap between official and parallel rates, reducing distortions and speculative hoarding, and allow for the phased removal of export surrender requirements and other controls, such as asymmetric FX position limits on banks. Firms and households would adjust consumption and investment decisions based on true relative prices, curbing excess import demand and boosting competitiveness.

31. A carefully sequenced policy package is critical to support this transition. Conditional on actual fiscal adjustment, the launch of FX auctions that follow best practices by the Bank of Mozambique could signal that the central bank looks to the market to decide the rate. Given shallow FX market conditions, occasional interventions by the central bank may be warranted. These should follow the principle of "discretion under constraint," consistent with BM's FX intervention framework. Clear communication—anchored in an inflation-targeting regime—will be vital to manage expectations and limit volatility.

32. Should the currency weaken during implementation of such a policy package, some monetary tightening may be necessary to anchor inflation expectations. With food and fuel accounting for 27 and 10 percent of the CPI basket, passthrough effects could be significant. Despite large importers being bound to the official rate, the extent of parallel market use remains unclear. Fiscal consolidation would help contain inflationary pressures, while the central bank maintains positive real rates and tightens policy if expectations deteriorate. It is also critical for it to remain within the legal limit on central bank financing.

33. The authorities should build a plan to phase out the outflow CFMs to avoid destabilizing FX market. FX shortages reflect substantial current account deficits, partly due to excessive fiscal deficits and low exchange rate flexibility. Therefore, the appropriate response to address the FX shortage is a policy package as delineated by staff. CFMs should not be used as substitutes for warranted macroeconomic policies. While CFMs should be phased out, premature and drastic removal of the measures could aggravate the FX shortage and destabilize the FX market. Thus, their gradual removal should be planned in tandem with declining external imbalances and improved exchange rate flexibility.

Authorities' Views

34. The Bank of Mozambique is committed to prudent monetary policy. Future policy direction will depend on assessments of risks related to inflation projections. Although the central bank expects inflation to remain in single digits through the medium term, it considers that inflationary risks remain high. Besides climate shocks and slow recovery in productive capacity, delays in public debt service are the most important concern.

35. The authorities agreed that the real exchange rate is overvalued but disagreed about the magnitude of the estimated misalignment and the appropriateness of assumptions underpinning the EBA methodology. They raised concerns regarding the applicability and customization of the EBA-Lite model for Mozambique, noting that their own analytical frameworks (Equilibrium Exchange Rate model and others) assessed an overvaluation of about 6.3 percent in 2025, within BM's acceptable bounds. The authorities expect FX market conditions to improve as the impact of recent shocks dissipates, exports pick up, and energy and extractive industry megaprojects start to be implemented.

36. The authorities do not see convincing evidence of FX shortages in the official market. In their view, elevated FX demand reflects a series of shocks that have undermined confidence—primarily stemming from the social unrest in 2024Q4 and the deterioration of fiscal conditions. The official market continues to be the primary provider of FX, with the parallel market being insignificant. They attribute the widening parallel market spread to intrinsic characteristics of the parallel market rather than scarcity in the official market.

37. The Bank of Mozambique considers its withdrawal from FX market interventions a significant achievement. The monetary authority successfully resisted pressures to intervene during the crisis in 2024Q4 and managed to build reserves. The introduction of FX auctions is viewed with caution, citing unfavorable past experiences, structural differences between Mozambique and countries where auctions have purportedly worked well, concerns about compatibility with the BM's FX intervention and inflation-targeting frameworks, and communication challenges. The BM acknowledges that exchange rate volatility has remained moderate and reiterates that the rate is market-determined. The authorities view the low volatility from its prudent monetary policy, which has helped in maintaining strong exchange-rate related fundamentals (e.g., positive real interest rate, low and stable inflation, increase in reserves).

38. The central bank shares the view that fiscal imbalances are impairing the normal functioning of financial markets. It remains committed to fulfilling its mandate and keeping monetary financing within legal limits. Reserve requirements are regarded as a key instrument for managing banking system liquidity, and current conditions do not permit their reduction or remuneration. The BM continues to monitor financial stability risks closely.

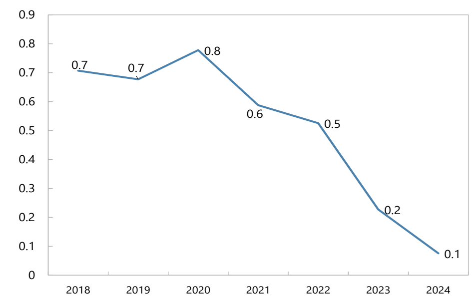
C. Structural Fiscal Reforms to Support Inclusive Growth

Protecting vulnerable groups requires restoring social transfers and improving INAS efficiency through digital payments and registry upgrades. Governance reforms and anti-corruption enforcement are critical. Establishing a Supreme Audit Institution, addressing SOE and pension risks, improving fiscal transparency, strengthening the Treasury Single Account, and clearing arrears will bolster accountability and fiscal sustainability.

39. Increasing resources for the most vulnerable is essential to ensure an inclusive recovery. The National Institute of Social Action (INAS) administers non-contributory social programs, including cash transfers to the elderly—currently benefiting around 600,000 individuals. These transfers play a critical role in reducing poverty and food insecurity. Spending on these transfers has fallen sharply, from 0.8 percent of GDP in 2020 to 0.1 percent in 2024, crowded out by wage bill spending (Text Figure 10). To strengthen delivery and reduce leakages, efforts to expand digital payment systems should accelerate, alongside investments in connectivity and removal of operational bottlenecks. Upgrading the INAS registry over the medium term would generate efficiency gains and improve targeting. Addressing gender-based disparities in outcomes is equally crucial for poverty reduction and inclusive growth (Annex XII).

Text Figure 10. Mozambique: Budget Transfers to INAS, 2018–24

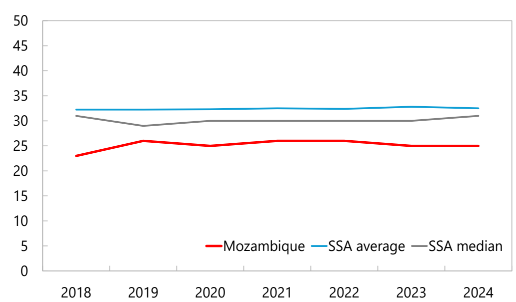
(Percent of GDP)



Source: MoF, IMF staff calculations

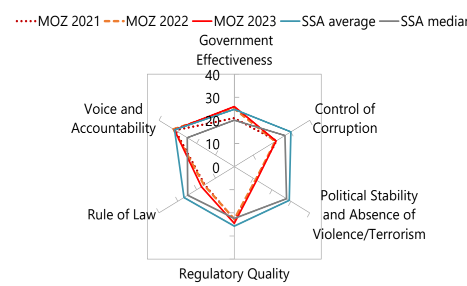
40. Further progress in improving governance, transparency, financial integrity, and accountability—while reinforcing the rule of law—is vital for creating a predictable business environment, attracting investment, and generating jobs. Mozambique continues to lag regional peers on corruption and governance indicators (Text Figures 11 and 12). Unlocking private sector growth requires decisive implementation of the anti-corruption framework, stronger accountability institutions, enhanced judicial integrity and independence, and better protection and enforcement of property rights and contracts. On a positive note, Mozambique was removed from the FATF grey list in October 2025, reflecting substantial progress on Mozambique's AML/CFT framework compliance

Text Figure 11. Mozambique : Corruption Perception Index,[1] 2018–24



Sources: Transparency International and IMF staff calculations.
Note: Scale 0-100,100 indicating the lowest level of perceived corruption.

Text Figure 12. Mozambique: Worldwide Governance Indicators,[1] 2021–23



Sources: WGI by D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank); IMF staff calculations.
Note: Percentile Rank (0-100) indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to the highest rank.

1/ These indicators are derived from derived from perception-based data, estimates are subject to uncertainty and should be considered carefully.

since its listing in October 2022. However, deficiencies remain, notably in ensuring timely access to accurate beneficial ownership information.

41. Establishing an independent and well-resourced Court of Accounts, in line with international standards, would significantly bolster accountability and transparency in the use of public resources. Currently, the Administrative Tribunal performs the Supreme Audit Institution functions but lacks the comprehensiveness, independence, and operational autonomy recommended by international standards. The new Court of Accounts' mandate should include carrying out financial, compliance, performance and special audits, ensuring strong transparency requirements and autonomy safeguards and effective coordination mechanisms with other agencies.

42. Addressing fiscal risks from SOEs is critical. Contingent liabilities from SOEs were 3.5 percent of GDP in 2024. LAM (airline), TmCel (telecommunications), and ADM (airports) are the SOEs where contingent liabilities are more likely because of poor liquidity, high indebtedness, and negative profitability. Planned investments in LAM by three profitable SOEs pose risks of resource diversion from critical infrastructure. Transactions between the government and SOEs (e.g., transfers, dividends) should flow through the budget. A transparent strategy to improve LAM's efficiency and ensure investments are based on rigorous cost-benefit analysis is essential. SOEs with persistent negative performance should be restructured and state guarantees to SOEs should only be extended with stricter criteria and oversight.

43. Ensuring the sustainability of public civil service pensions (INPS) is paramount to help mitigate fiscal risks. The INPS may result in fiscal costs of 1 percent of GDP per year by 2035. The system is overly generous, with low retirement age (60), and other challenges. The ratio of contributors to pensioners went from 5.5 in 2020 to 3.8 in 2025 and is expected to continue declining. The system provides a pension equal to 100 percent of the final salary—well above the 40 percent African average. Although the law requires the State to contribute 7 percent as the employer, actual contributions have averaged 2 percent (1.7 percent in 2024). Reforms should include raising the retirement age, enforcing pension contributions, and reducing the replacement rate.

44. Strengthening fiscal transparency is essential to secure financing and build confidence. Persistent discrepancies between above-the-line and below-the-line deficit measures, highlighted in Annex X, underscore the need for greater clarity. The lack of historical audited fiscal accounts has contributed to opacity. The recent publication of audited 2024 accounts is a welcome step and should become standard practice, complemented by comprehensive arrears reporting. Sustained improvements in transparency will enhance risk assessment for both authorities and creditors, supporting better policy decisions and access to financing.

45. The accumulation of arrears to finance fiscal deficits undermines confidence, disrupts service delivery, and incentivizes tax non-compliance. The government should quickly validate legitimate claims and clear arrears under agreed modalities (e.g., discounts, securitization). Addressing underlying causes—poor budget credibility and weak expenditure controls—is crucial. Establishing sequential expenditure stages (commitment, verification, payment) is warranted to strengthen expenditure controls.

46. **Enhancing transparency in procurement processes is critical to mitigating corruption risks**. Timely publication of procurement data—particularly for large purchasing entities—would strengthen oversight and accountability. Plans to establish a single procuring entity to improve efficiency and transparency should be complemented by robust monitoring, enforcement mechanisms, and stronger disclosure requirements. A hybrid model—centralized for strategic procurement and decentralized for routine tasks—could better align with current practices and capacity.

47. **The Treasury Single Account (CUT) faces significant challenges that undermine fiscal management**. Fragmentation and limited fungibility of funds—caused by source-of-funds restrictions—create idle balances that cannot be used for urgent payments. Delays in revenue classification and transfers further complicate timely access to resources, while large volumes of public funds remain outside the CUT in "off-CUT" accounts, weakening cash unity and oversight. In addition, there is limited integration of foreign currency accounts. Staff recommend minimizing source-of-funds restrictions, automating revenue classification, incorporating off-CUT accounts into the CUT, and integrating foreign currency accounts to improve fungibility and efficiency.

48. **The Sovereign Wealth Fund (SWF) management agreement was signed in November 2025, completing the fund's legal framework**. This will ensure incoming revenues will be managed in line with the law. Strengthening governance reforms (Annex XIV) will be critical to safeguard the integrity of the SWF framework and ensure efficient use of resource revenues.

49. **The last safeguards assessment was completed in 2020**. Key outstanding recommendations relate to legal and governance reforms, including amendments to the Bank of Mozambique's Organic Law to strengthen its mandate, autonomy, and governance arrangements.

Authorities' Views

50. **The authorities underscored the critical role of social spending and governance reforms in achieving inclusive and sustainable growth**. They recognized gender equality as macro-critical and highlighted the strong link between INAS programs and girls' empowerment. Building on recent progress that enabled Mozambique's exit from the FATF gray list, the authorities reaffirmed their commitment to strengthening transparency and accountability frameworks to foster private sector-led job creation. Key initiatives under discussion include establishing a Court of Accounts and creating a central procurement agency to bolster anti-corruption efforts.

51. **The authorities shared staff's concern about safeguarding social spending for the most vulnerable, which continues to be crowded out by current expenditures**. Regarding fiscal structural reforms, the authorities highlighted recent progress in public financial management, wage bill control, tax administration, cash and debt management, and risk mitigation—particularly in relation to SOEs. They reaffirmed their commitment to improving governance at LAM and closely monitoring risks within and from the SOE sector. Furthermore, the Sovereign Wealth Fund Management Agreement was signed in November 2025 which operationalizes the fund.

DATA PROVISION AND CAPACITY DEVELOPMENT

52. While data provided to the Fund has some shortcomings, it remains broadly adequate for surveillance (Annex XIV).

53. Capacity Development activities are closely aligned with Mozambique's structural reforms priorities. The priority is to improve public financial management and government financial statistics (Annex XV).

54. The authorities are committed to improving the quality and transparency of national statistics and have requested TA on Government finance statistics planned for FY26.

STAFF APPRAISAL

55. Mozambique's large internal and external imbalances present serious near-term risks to macroeconomic and debt sustainability. At the same time, Mozambique faces daunting long-term challenges related to deep-rooted poverty, institutional fragility, and high climate vulnerability. Despite some positive developments—such as muted inflation and adequate international reserves—weak economic growth, a deteriorating fiscal position, and growing foreign exchange shortages underscore the urgency of comprehensive policy reforms.

56. Loose fiscal policy is the principal threat to macroeconomic stability. Large and persistent fiscal deficits, financed increasingly through short-term domestic debt and central bank borrowing, put debt on an unsustainable path. At the same time, excess spending on the public wage bill and rising debt service are crowding out resources for development and social protection. The risk of sovereign default is rising, as reflected in the "selective default" rating by Standard and Poor's on domestic debt, and the reluctance of banks to increase exposure to government securities. In addition, Mozambique stock of debt service arrears stood at about 1.3 percent of GDP at end-2025, some of which exceeded 180 days. This worrisome outlook undermines investor confidence and hampers economic recovery.

57. Front-loaded fiscal consolidation is essential to help restore debt sustainability. Staff recommend a multi-year adjustment focused on wage bill containment and broadening the tax base to reduce financing needs and restore debt sustainability. Achieving a primary balance of 2 percent of GDP by 2027 would align Mozambique's financing requirements with regional norms and lay the foundation for stronger medium-term growth. Clear and transparent communication is critical to build public trust and secure support for these measures, especially given the need to protect the most vulnerable.

58. Monetary policy should remain tight. Although high real interest rates and weak credit expansion are constraining growth, monetary easing risks worsening existing FX shortages. The central bank should continue to monitor price developments and inflationary expectations closely and be prepared to tighten policy if necessary.

59. Exchange rate policies must support external adjustment and competitiveness. Greater exchange rate flexibility would help strengthen the external position, restore balance in the FX market, narrow the gap between official and parallel rates, and improve resource allocation. CFMs should not be used as a substitute for warranted macroeconomic policy adjustments. Their removal should be gradual and carefully planned to avoid disruption. The authorities have not requested approval and staff does not recommend approval of the identified exchange restrictions and MCP. Staff urges the removal of these measures as soon as conditions allow.

60. Safeguarding financial stability is paramount. The banking sector remains well capitalized, but heavy exposure to sovereign debt poses systemic risks. The central bank should enhance stress testing, prepare contingency plans, and coordinate closely with fiscal authorities to address sovereign risk at its source.

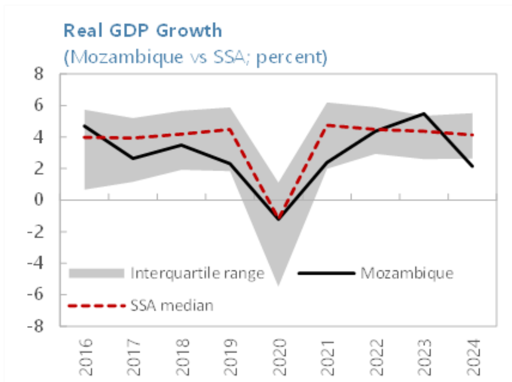
61. Fiscal structural reforms are critical for inclusive growth and resilience. Safeguarding resources for the most vulnerable amid high poverty rates should be a priority. Strengthening governance, transparency, and accountability—including the establishment of a Supreme Audit Institution and reconciling above-the-line and below-the-line in the annual fiscal accounts—will foster a predictable business environment, attract investment, and generate jobs. Addressing fiscal risks from SOEs and pension systems, improving social transfer delivery, and enhancing procurement processes are essential to mitigate vulnerabilities and support development.

62. Delaying reforms will deepen the crisis and increase adjustment costs. Immediate, coordinated action is needed urgently to restore stability, protect vulnerable groups, and lay the foundation for sustainable, inclusive growth. The authorities' commitment to fiscal and governance reforms, as well as capacity development, is encouraging, but implementation will be key.

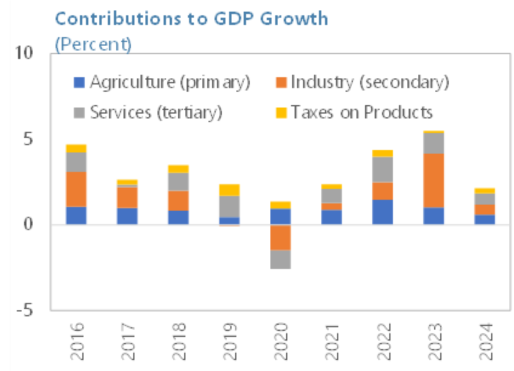
63. It is expected that the next Article IV Consultation with Mozambique will take place on the standard 12-month cycle. As of end-December 2025, Mozambique's credit outstanding to the Fund reached 226 percent of quota—exceeding 200 percent of quota—a Post-Financing Assessment is anticipated by August 2026.

Figure 1. Mozambique: Growth and Inflation

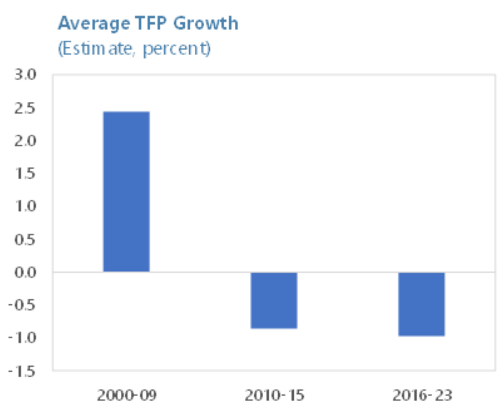
GDP growth has remained weak and has been hit by various shocks in recent years.



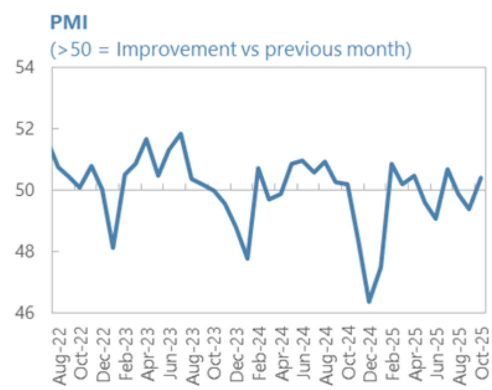
Recent mining developments have increased the secondary sector's growth contribution, before the 2024 social unrest shock.



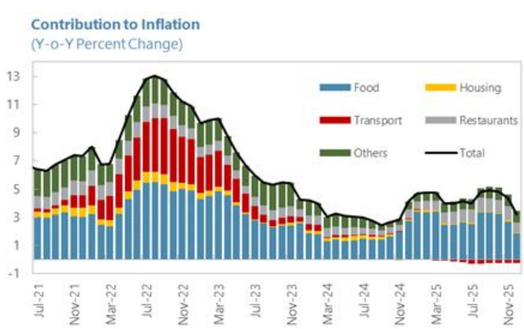
Total factor productivity (TFP) growth is estimated to have been negative since the 2010s, on average.



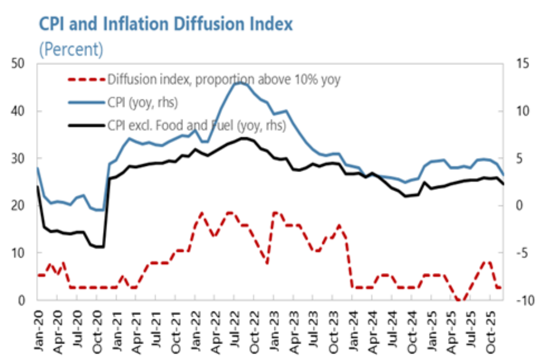
The Purchasing Managers' Index (PMI) showed signs of some improvement in early 2025, while the momentum was lost later.



Inflation picked up after August due to food, but it has been helped by reductions in fuel prices, as well as base effects…



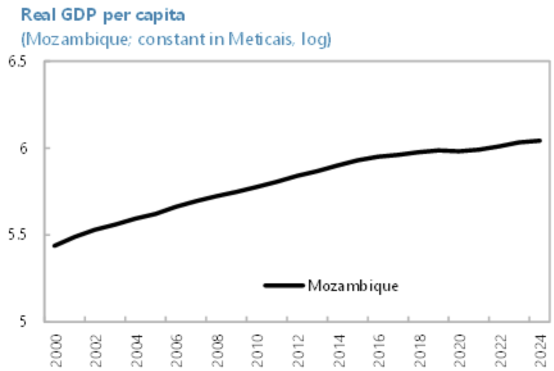
with no large pressures coming from any other items



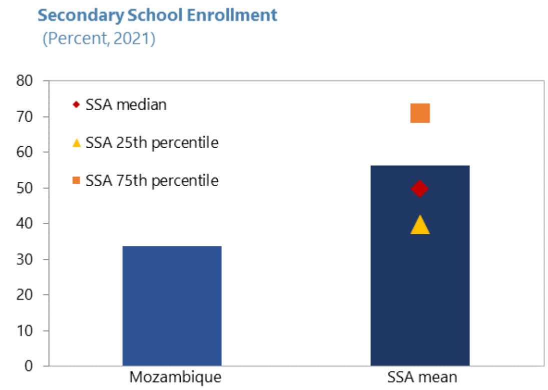
Sources: INE, Penn World Tables, and IMF Staff Calculations

Figure 2. Mozambique: Development Indicators

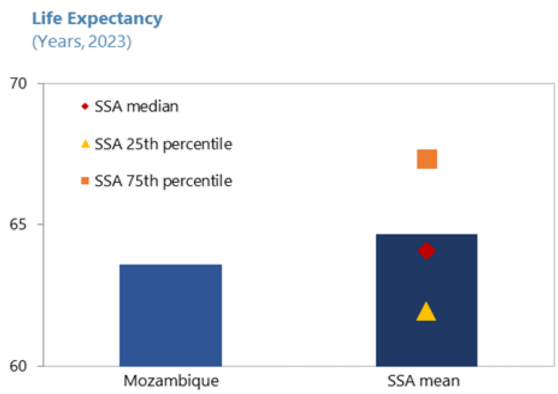
Steady growth in GDP per capita during 2000-2015 slowed starting in the mid-2010s.



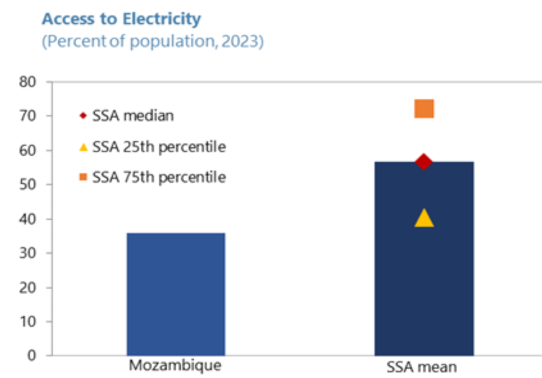
Education outcomes are weak.



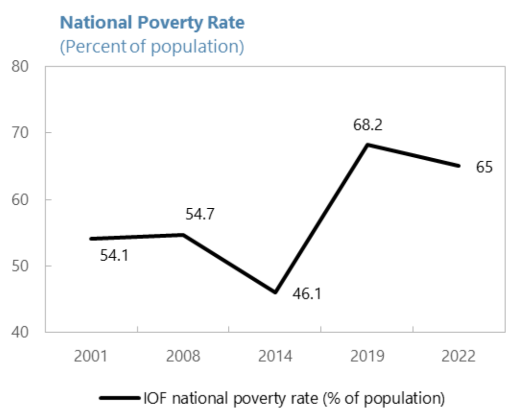
Life expectancy lags



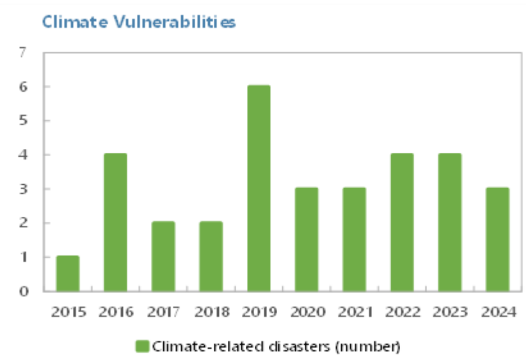
Access to electricity is low.



Poverty has increased significantly since the mid-2010s



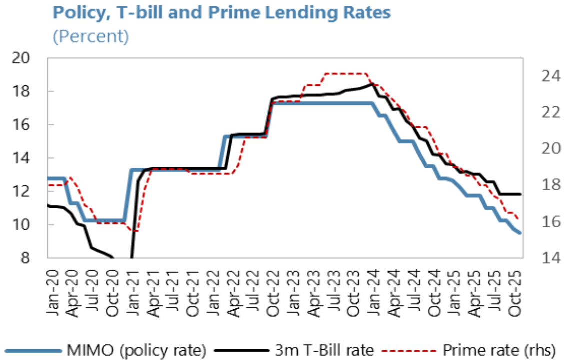
while frequent climate-related shocks affect people's lives and livelihoods



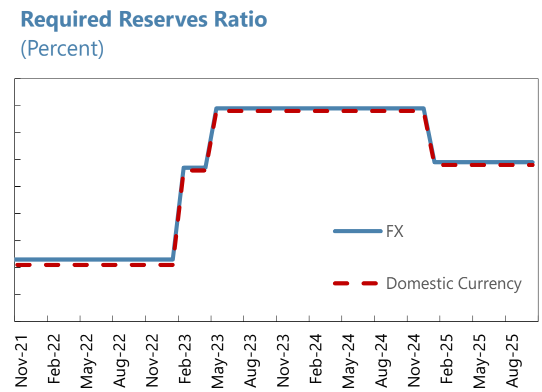
Sources: World Bank World Development Indicators, World Bank, Mozambique Household Surveys, IOF, EMDAT, UN Human

Figure 3. Mozambique: Monetary and Financial Developments

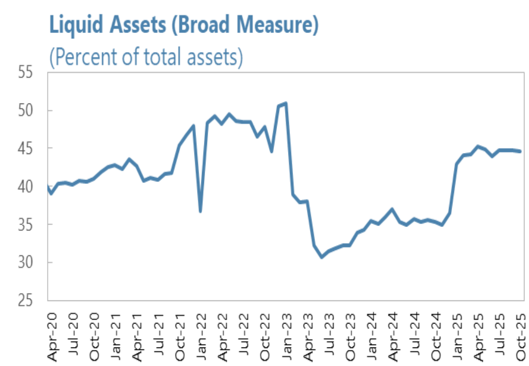
The central bank embarked on an easing cycle in January 2024, with good transmission to the lending rates...



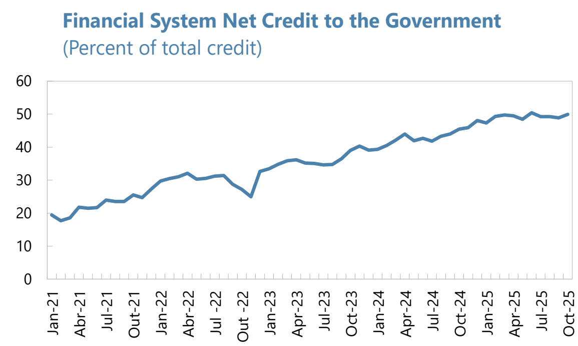
and has cut reserve requirements by 10 percentage points after two years at very high levels



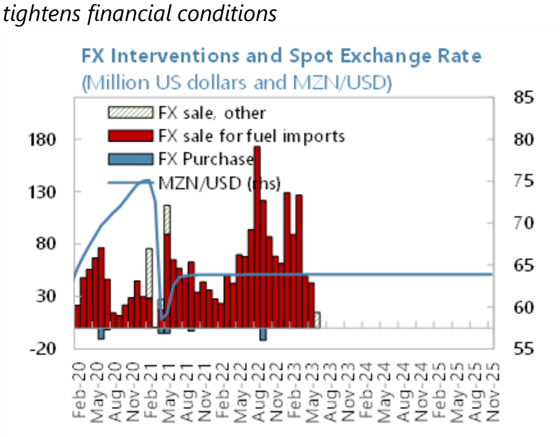
increasing liquidity ratios in the banking system.



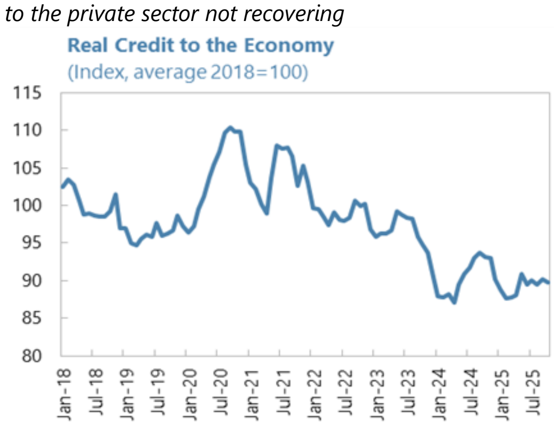
However, a large and rising share of credit is absorbed by the government



... and the stable MZN/USD exchange rate since 2021 tightens financial conditions



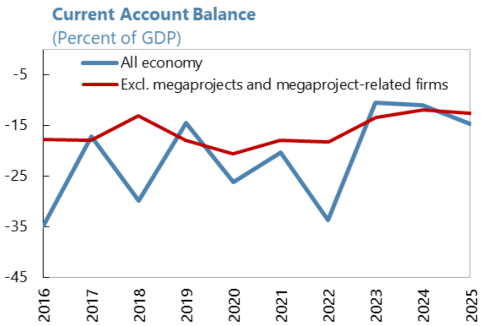
leading, together with arrears by the government, to credit to the private sector not recovering



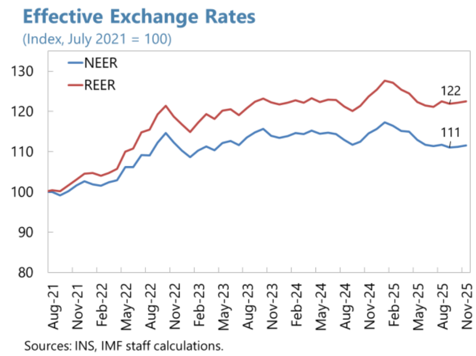
Sources: Mozambican authorities and IMF staff estimates.

Figure 4. Mozambique: External Sector Developments

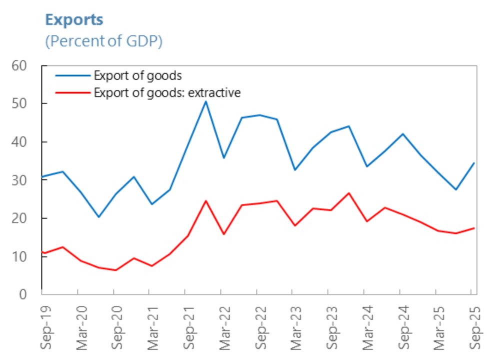
While the non-megaproject current account deficit narrowed in 2025 on account of economic contraction,



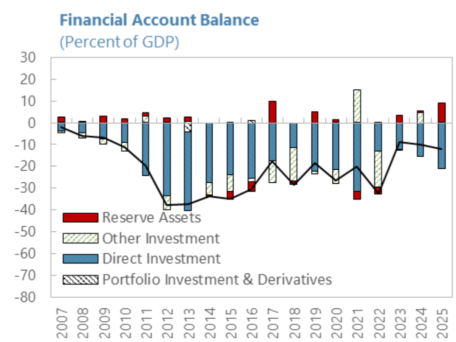
Mozambique's trade competitiveness has eroded.



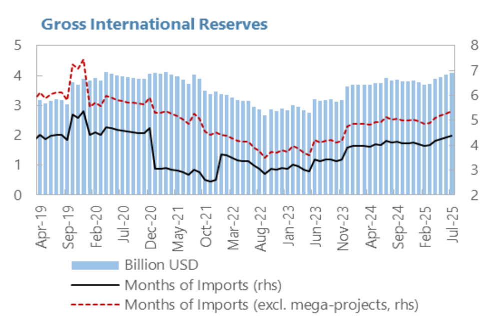
Extractive sector exports remain strong.



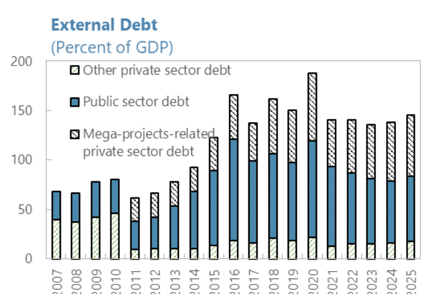
Financial flows have been dominated by FDI.



International reserves remain adequate.



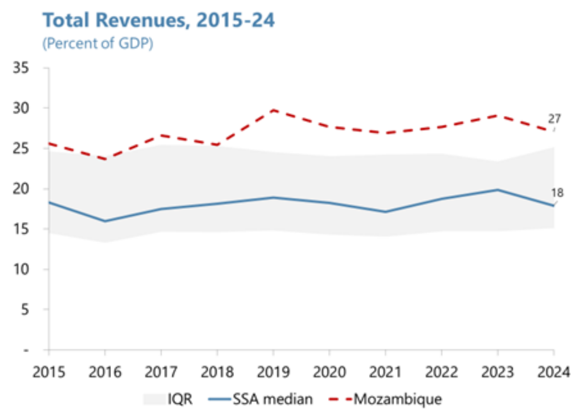
External public debt declined amid limited external financing.



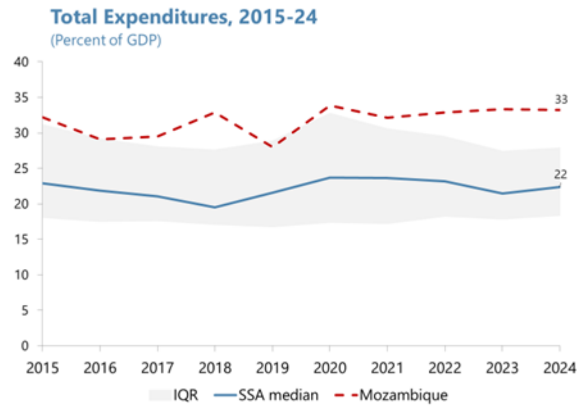
Sources: Mozambican authorities and IMF staff estimates.

Figure 5. Mozambique: Fiscal Developments

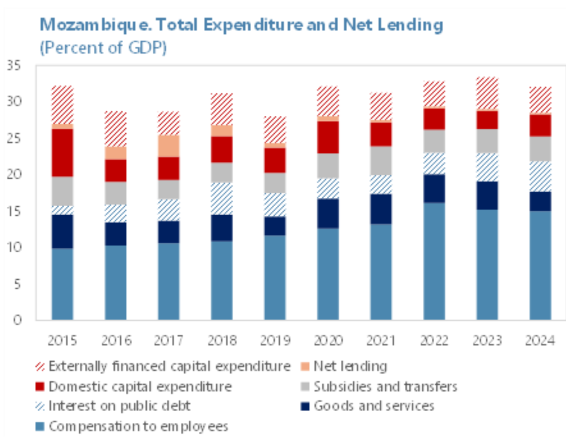
While total revenue is in the top quartile compared to SSA peers



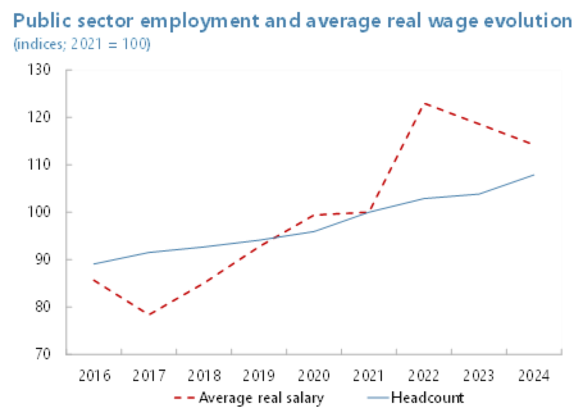
total expenditure is also high relative to other SSA countries.



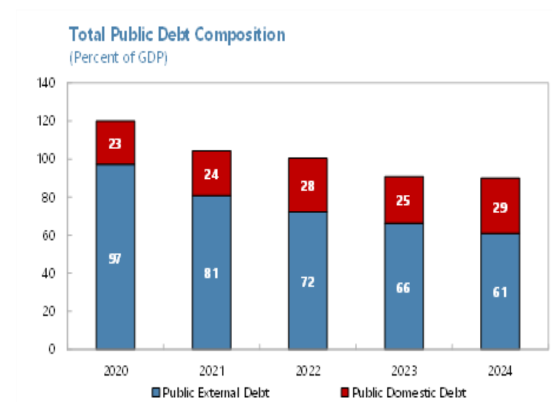
Wage bill spending and interest payments have been crowding out capital expenditure and social spending.



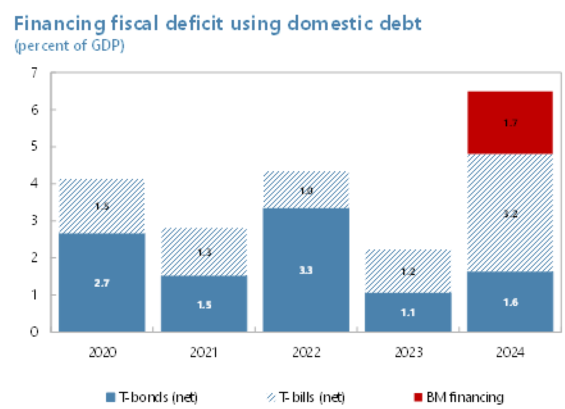
Higher real wages have been the main driver of the increase in wage bill spending.



External financing sources have been declining



and replaced with costly domestic debt and, more recently, with central bank financing.

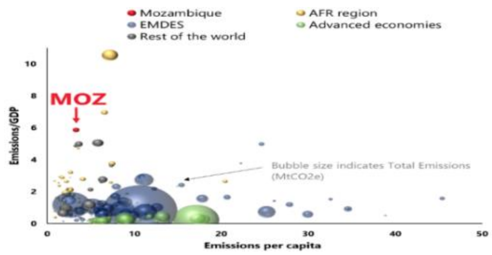


Sources: Mozambican authorities and IMF staff estimates.

Figure 6. Mozambique: Vulnerability to Climate Change

Mozambique accounts for only 0.02% of global GHG emissions but has a relatively high emissions intensity (Emissions/GDP) compared to other SSA countries and EMDEs.

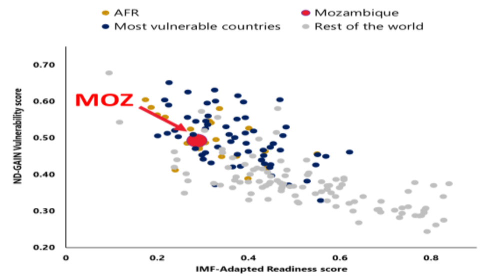
GHG Emissions Intensity vs. Total Emissions, 2021



Sources: IMF Climate Change Dashboard (2021) and IMF World Economic Outlook (WEO).
Note: Bubble size indicates total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

Mozambique's vulnerability to climate is near the global average, but its readiness to address these risks is poor

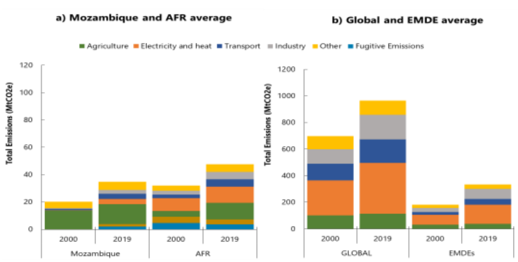
Climate Risks and Readiness (NDGAIN, 2021)



Sources: IMF-Adapted ND-GAIN (2021) from IMF Climate Change Indicators Dashboard.

Mozambique's transport, industrial, waste, and power emissions have increased in line with the trend in other SSA countries.

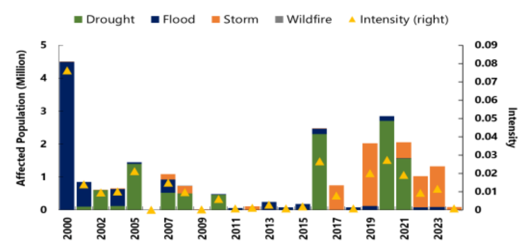
Emission by Sector



Sources: Our World in Data (2021).

Mozambique has often faced multiple natural hazards in a single year, however, there is no evidence yet of increased intensity of these disasters.

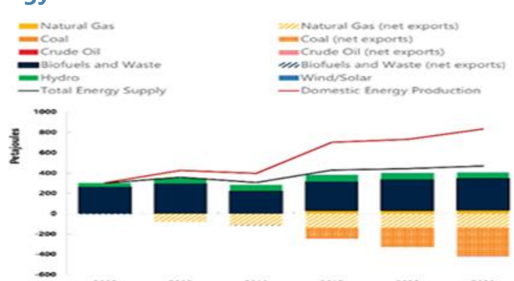
Key Natural Hazard Statistics



Sources: EMDAT and Staff calculations using Pondi and others (2022).
Note: Following Pondi and others (2022), intensity is defined as (Total death+30% Total Affected)/Total population

Mozambique is a net exporter of coal and natural gas. Renewable energies make up only a small share of domestic energy.

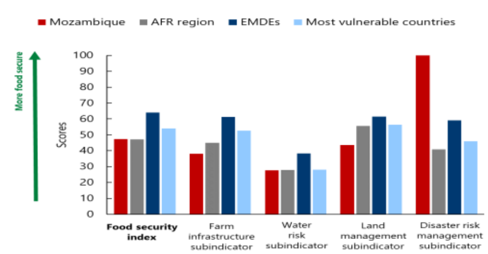
Energy Mix



Source: World Energy Balances (2022).
Note: Net exports are depicted with a negative sign. Total Energy Supply includes energy produced or imported, minus energy exported or stored. Domestic Energy Production includes any fossil fuels mined, nuclear fission, renewable power sources, and bioenergy.

While the country faces food insecurity due to challenges in farming infrastructure and water risks, it benefits from strong disaster risk management (DRM).

Food Security and Adaptation



Source: Global Food Security Index 2022 from the Economist and Corteva.

Table 1. Mozambique: Selected Economic and Financial Indicators, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Est.						Proj.			
National income and prices (Percentage change, unless otherwise indicated)											
Real GDP	-1.2	2.4	4.4	5.5	2.1	0.5	1.9	2.7	2.2	3.1	11.9
Real GDP, excl. extractive industries	0.3	2.4	3.9	2.2	1.2	0.0	2.0	2.0	2.0	3.0	4.0
Nominal GDP	1.9	7.0	13.9	10.9	8.8	7.6	8.4	9.3	9.2	10.6	20.6
GDP deflator	3.2	4.6	9.2	5.1	6.5	7.1	6.3	6.5	6.9	7.3	7.8
Consumer prices (end of period)	4.4	7.3	10.9	4.3	4.1	3.2	6.0	6.5	7.0	7.5	8.0
Consumer prices (annual average)	0.9	6.6	10.4	7.0	3.2	4.4	5.6	6.3	6.8	7.2	7.7
GDP (billions of meticais)	989	1,058	1,206	1,337	1,454	1,565	1,696	1,854	2,026	2,240	2,702
GDP (billions of US dollars)	14.2	16.2	18.9	20.9	22.7	24.4	26.0	27.3	28.6	30.2	34.5
GDP per capita (US dollars)	457	504	573	617	653	681	705	723	736	756	843
Investment and savings (Percent of GDP)											
Gross domestic investment	44.8	40.4	43.2	19.5	17.7	20.2	44.5	42.6	37.9	33.5	22.8
Gross domestic savings, excl. grants	18.6	20.0	9.5	9.0	6.7	7.0	12.2	9.1	7.1	7.8	10.4
Central government (Percent of GDP)											
Total revenue 1/	23.8	25.1	23.7	24.6	24.2	22.2	22.4	22.5	22.6	22.7	24.9
of which: LNG revenues	N.A.	N.A.	N.A.	0.0	0.0	0.2	0.4	0.4	0.4	0.4	2.5
Total expenditure and net lending	33.9	32.1	32.9	33.3	33.3	28.1	30.2	30.8	31.9	32.7	34.9
of which: current expenditure	24.7	24.8	26.3	26.3	26.4	24.1	24.7	25.6	26.5	27.5	27.5
Grants	3.9	1.8	4.0	4.5	2.9	1.3	1.5	1.2	1.2	1.2	1.1
Overall fiscal balance	-6.2	-5.2	-5.3	-4.2	-6.2	-4.5	-6.3	-7.1	-8.1	-8.8	-8.9
Primary fiscal balance	-3.4	-2.7	-2.3	-0.4	-2.1	-0.6	-2.0	-2.0	-2.0	-2.0	-2.0
Structural domestic primary balance 4/	-2.8	-0.5	-2.8	0.1	-0.5	0.6	-1.3	-1.4	-1.7	-1.8	-4.0
Public sector debt (Percent of GDP) 2/											
Nominal stock of total debt	120.0	104.3	100.4	90.8	89.9	91.4	94.6	101.7	107.9	112.3	108.0
of which: external	97.3	80.8	72.1	66.3	60.9	61.2	59.7	58.6	56.4	53.4	46.7
Money and credit (Percentage change, unless otherwise indicated)											
Reserve money	9.0	-14.3	0.6	117.8	20.7	-15.0	11.4	9.9	10.9	11.5	13.7
Broad Money (M3)	23.3	1.9	8.7	3.5	15.9	13.6	10.1	11.0	11.7	11.0	12.1
Percent of GDP	59.0	56.2	53.6	50.1	53.4	56.3	57.2	58.1	59.4	59.6	55.4
Credit to the economy	13.1	5.2	4.0	-2.5	3.7	2.3	2.4	1.7	1.1	0.2	5.0
Percent of GDP	26.2	25.8	23.5	20.7	19.7	18.7	17.7	16.5	15.2	13.8	12.0
Policy rate (percent) 3/	10.25	13.25	17.25	17.25	15.0	…	…	…	…	…	…
External sector (Percent of GDP, unless otherwise indicated)											
Current account balance	-26.2	-20.4	-33.7	-10.6	-11.0	-13.2	-32.3	-33.5	-30.8	-25.7	-12.4
excl. megaprojects	-27.9	-32.8	-27.4	-26.9	-20.5	-16.7	-16.5	-16.6	-16.0	-15.8	-14.7
excl. megaprojects (MP) and indirect MP imports	-17.9	-20.6	-18.0	-18.3	-13.4	-11.8	-11.9	-12.0	-11.4	-11.1	-10.4
Merchandise exports	26.1	35.3	43.9	39.6	36.1	31.5	32.1	32.1	32.6	31.7	40.5
excl. megaprojects	8.5	10.3	11.2	9.8	8.9	7.6	7.4	7.8	8.2	8.4	7.8
Merchandise imports	-41.3	-48.5	-70.6	-43.9	-36.8	-33.1	-34.4	-33.9	-32.9	-31.9	-28.5
excl. megaprojects	-35.9	-43.5	-41.8	-37.6	-29.9	-26.2	-25.3	-24.4	-24.0	-23.8	-22.1
Net foreign direct investment	-21.3	-31.6	-13.0	-12.0	-15.6	-21.1	-24.0	-29.8	-29.3	-23.3	-10.5
Terms of trade (Percentage change)	-0.1	0.4	-3.7	7.0	-0.9	6.2	2.2	0.3	0.2	0.0	0.0
Gross international reserves (millions of US dollars, end of period)	4,070	3,470	2,888	3,632	3,861	4,238	4,262	3,992	3,534	3,057	2,624
Months of next year's non-megaproject imports	5.9	4.5	3.8	5.5	6.1	6.5	6.4	5.9	5.0	4.1	3.2
Net international reserves (millions of US dollars, end of period)	3,493	2,927	2,333	3,055	3,175	3,462	3,572	3,398	3,063	2,724	2,410
Exchange rate											
Meticais per US dollar, end of period	74.9	63.8	63.9	63.9	63.9	…	…	…	…	…	…
Meticais per US dollar, period average	69.5	65.5	63.9	63.9	63.9	…	…	…	…	…	…
Real effective exchange rate (Percentage change)	-5.4	3.5	13.5	7.0	2.1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Sources: Mozambican authorities; and IMF staff estimates and projections.
1/ Net of verified VAT refund requests.
2/ Public sector debt includes central government debt, ENH debt and SOE domestic debt.
3/ Mozambique Interbank Market Offer rate (MIMO, latest as of June 2024).
4/ Structural domestic primary balance excludes LNG revenues, and one-off revenue/expenditure.

Table 2a. Mozambique: Central Government Finances, 2020–30

(Billions of Meticais)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Est.						Proj.			
Total revenues and grants	274	285	334	389	393	368	405	439	481	536	702
Total revenue [1]	235	266	286	328	351	348	379	417	457	509	674
Tax revenue	196	222	244	280	295	292	318	349	381	425	572
Income and profits	99	100	128	149	155	165	178	195	213	235	281
Goods and services [1]	72	91	84	91	102	94	102	113	124	140	172
International trade	15	18	18	23	21	17	18	19	20	23	30
Other	10	12	14	16	16	15	20	22	24	28	89
Of which: Revenue from LNG	…	…	…	0	0	3	7	8	8	10	69
Nontax revenue 2/	39	44	42	48	56	56	61	68	76	85	102
Of which: One-off revenue [2]				4							
Grants received	38	19	48	60	42	20	26	22	24	26	28
Project support	23	19	30	40	42	19	26	22	24	26	28
Budget support	15	0	18	21	0	1	0	0	0	0	0
Total expenditure and net lending	335	340	397	445	484	439	511	571	645	733	944
Current expenditure	244	262	317	351	384	378	428	484	546	628	758
Compensation to employees [3]	124	139	194	203	209	217	233	253	272	300	359
Goods and services	41	45	48	53	46	34	53	59	66	76	91
Interest on public debt	27	27	35	52	60	62	72	96	124	153	187
Domestic	16	18	24	40	46	51	61	84	112	143	178
External	12	9	11	11	15	11	11	12	11	10	8
Subsidies and transfers	33	42	38	44	50	43	47	51	56	69	84
Of which: Capital transfer				9	14	…	…	…	…	…	…
Of which: INAS/social protection floor	5	6	6	3	1	4	4	11	12	14	17
Unidentified expenditure	18	10	1	0	19	22	24	26	28	31	38
Capital expenditure	84	74	77	91	96	58	80	82	94	99	180
Domestically financed	44	35	36	33	45	16	34	41	55	59	137
Externally financed	40	39	41	58	51	42	45	40	39	40	42
Net lending [4]	7	4	3	3	4	4	4	5	5	6	6
Domestically financed	2	1	3	3	3	4	4	4	5	5	6
Externally financed loans to public enterprises	5	3	0	0	0	0	0	1	0	0	0
Primary balance	-16	-28	-26	-5	-30	-9	-35	-36	-40	-45	-55
Overall balance	-61	-55	-63	-57	-91	-71	-107	-132	-164	-197	-242
Financing	61	55	63	57	91	71	107	132	164	197	242
Net external financing	17	10	0	-7	-10	-10	-12	-15	-19	-18	-35
Disbursements	44	23	24	22	17	23	20	19	15	14	14
Project	17	21	11	18	9	23	20	18	14	14	14
Nonproject support	27	3	13	4	8	0	0	1	0	0	0
Loans to public enterprises	5	3	0	0	0	0	0	1	0	0	0
Of which budget support (including IMF)	23	0	13	4	8	0	0	0	0	0	0
Amortization	-27	-13	-24	-29	-28	-33	-32	-34	-33	-33	-50
Net domestic financing	34	39	58	50	97	51	119	147	183	215	277
Short term debt (net)	15	14	12	16	46	32	182	205	231	255	308
Medium term debt (net)	23	9	42	12	47	19	-63	-58	-48	-40	-31
Issuances of medium term debt	52	39	55	36	88	91	35	36	41	45	49
of which: Central bank financing	0	0	0	0	25	33	35	36	41	45	49
of which: Domestic financial system	52	39	55	36	64	59	0	0	0	0	0
Amortization of medium term debt	-29	-31	-13	-24	-41	-73	-98	-94	-89	-84	-80
Change in Deposits	-4	17	4	22	4	0	0	0	0	0	0
Domestic arrears (flow) [5]	5	0	4	14	3	30	0	0	0	0	0
Float from previous year [5]	-4	-9	-9	-14	-27	-31	-61	-61	-61	-61	-61
Float at the end of year [5]	9	9	14	27	31	61	61	61	61	61	61
Financing gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Domestic primary balance (excluding LNG revenues and 2023 and 2024 debt settlement)	-28	-5	-34	2	-7	10	-22	-25	-34	-40	-109
Stock of domestic debt	197	227	281	314	407	458	576	723	906	1121	1398

Sources: Mozambican authorities; and IMF staff estimates and projections.

[1] VAT presented on a net basis (collection minus verfied and paid VAT refunds). Total revenues includes LNG revenues.

[2] Non-tax revenue in 2023 includes a one-off fine collection due to the cancellation of LNG exploration of US$66 million (MT 4.2 billion or 0.3 ppt of GDP).

[3] Projections of compensation for wages and salaries have been adjusted to exlclude social insurance to align with the authorities classification, and instead are added to subsidies and transfers.

[4] Externally financed loans to SOEs.

[5] Domestic arrears (net) is the difference between domestic arrears at the end of **t-1** which consists of other accounts receivable and domestic arrears accumualted at period **t** which consists of other account payable. A positive (negative) value implies accumulation of (paying down) domestic arrears.

Table 2b. Mozambique: Central Government Finances, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.					Proj.			
Total revenues and grants	27.7	26.9	27.7	29.1	27.1	23.5	23.9	23.7	23.8	23.9	26.0
Total revenue [1]	23.8	25.1	23.7	24.6	24.2	22.2	22.4	22.5	22.6	22.7	24.9
Tax revenue	19.9	20.9	20.3	20.9	20.3	18.6	18.7	18.8	18.8	19.0	21.2
Taxes on income and profits	10.0	9.4	10.6	11.2	10.7	10.5	10.5	10.5	10.5	10.5	10.4
Taxes on goods and services [1]	7.3	8.6	6.9	6.8	7.0	6.0	6.0	6.1	6.1	6.2	6.4
Taxes on international trade	1.5	1.7	1.5	1.8	1.5	1.1	1.0	1.0	1.0	1.0	1.1
Other taxes	1.0	1.2	1.1	1.2	1.1	1.0	1.2	1.2	1.2	1.2	3.3
Of which : Revenue from LNG	…	…	…	0.0	0.0	0.2	0.4	0.4	0.4	0.4	2.5
Nontax revenue [2]	3.9	4.2	3.5	3.6	3.9	3.6	3.6	3.7	3.8	3.8	3.8
Grants	3.9	1.8	4.0	4.5	2.9	1.3	1.5	1.2	1.2	1.2	1.1
Project support	2.4	1.8	2.5	3.0	2.9	1.2	1.5	1.2	1.2	1.2	1.1
Budget support	1.5	0.0	1.5	1.5	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	33.9	32.1	32.9	33.3	33.3	28.1	30.2	30.8	31.9	32.7	34.9
Current expenditure	24.7	24.8	26.3	26.3	26.4	24.1	25.2	26.1	27.0	28.0	28.0
Compensation to employees [3]	12.6	13.2	16.1	15.2	14.4	13.9	13.7	13.6	13.5	13.4	13.3
Goods and services	4.2	4.2	3.9	3.9	3.2	2.2	3.1	3.2	3.3	3.4	3.4
Interest on public debt	2.8	2.6	2.9	3.9	4.1	4.0	4.2	5.2	6.1	6.8	6.9
Domestic	1.6	1.7	2.0	3.0	3.1	3.3	3.6	4.5	5.5	6.4	6.6
External	1.2	0.9	0.9	0.8	1.0	0.7	0.7	0.6	0.6	0.4	0.3
Subsidies and transfers	3.4	4.0	3.1	3.3	3.4	2.7	2.7	2.7	2.8	3.1	3.1
Of which: Capital transfer	0.0	0.0		0.7	1.0	…	…	…	…	…	…
Of which: INAS/basic social protection floor	0.5	0.6	0.5	0.2	0.1	0.2	0.2	0.6	0.6	0.6	0.6
Capital expenditure	8.5	7.0	6.4	6.8	6.6	3.7	4.7	4.4	4.6	4.4	6.6
Domestically financed	4.5	3.3	3.0	2.5	3.1	1.0	2.0	2.2	2.7	2.6	5.1
Externally financed	4.0	3.7	3.4	4.3	3.5	2.7	2.7	2.2	1.9	1.8	1.6
Net lending [4]	0.7	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2
Domestically financed	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Externally financed loans to public enterprises	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified expenditure	1.8	0.9	0.1	0.0	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Primary balance	-1.7	-2.7	-2.2	-0.4	-2.1	-0.6	-2.0	-2.0	-2.0	-2.0	-2.0
Overall balance	-6.2	-5.2	-5.2	-4.2	-6.2	-4.5	-6.3	-7.1	-8.1	-8.8	-8.9
Financing	6.1	5.2	5.2	4.2	6.2	4.5	6.3	7.1	8.1	8.8	8.9
Net external financing	1.7	1.0	0.0	-0.6	-0.7	-0.6	-0.7	-0.8	-0.9	-0.8	-1.3
Disbursements	4.4	2.2	2.0	1.6	1.2	1.5	1.2	1.0	0.7	0.6	0.5
Project	1.7	1.9	1.0	1.4	0.6	1.5	1.2	1.0	0.7	0.6	0.5
Nonproject support	2.8	0.3	1.1	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Of which budget support (including IMF)	2.3	0.0	1.0	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-2.8	-1.2	-2.0	-2.2	-1.9	-2.1	-1.9	-1.8	-1.6	-1.5	-1.8
Net domestic financing	3.4	3.7	4.8	3.8	6.7	3.2	7.0	7.9	9.0	9.6	10.3
Short term debt (net)	1.5	1.3	1.0	1.2	3.2	2.1	10.7	11.0	11.4	11.4	11.4
Medium term debt (net)	2.3	0.8	3.5	0.9	3.2	1.2	-3.7	-3.1	-2.4	-1.8	-1.2
Issuances of medium term debt	5.3	3.7	4.6	2.7	6.1	5.8	2.1	1.9	2.0	2.0	1.8
of which: Central bank financing	0	0	0	0	1.7	2.1	2.1	1.9	2.0	2.0	1.8
of which: Domestic financial system	5.3	3.7	4.6	2.7	4.4	3.7	0	0	0	0	0
Amortization of medium term debt	-3.0	-2.9	-1.1	-1.8	-2.8	-4.6	-5.8	-5.0	-4.4	-3.8	-3.0
Change in Deposits	-0.4	1.6	0.3	1.7	0.3	0	0	0	0	0	0
Domestic arrears (flow) [5]	0.5	0.0	0.4	1.0	0.3	1.9	0.0	0.0	0.0	0.0	0.0
Float from previous year [5]	-0.4	-0.9	-0.8	-1.0	-1.9	-2.0	-3.6	-3.3	-3.0	-2.7	-2.3
Float at the end of year [5]	0.9	0.9	1.1	2.1	2.1	3.9	3.6	3.3	3.0	2.7	2.3
Financing gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Domestic primary balance (excluding LNG revenues and 2023 and 2024 debt settlement)	-2.8	-0.5	-2.8	0.1	-0.5	0.6	-1.3	-1.4	-1.7	-1.8	-4.0
Stock of domestic debt	20	21	23	23	28	29	34	39	45	50	52

Sources: Mozambican authorities; and IMF staff estimates and projections.

[1] VAT presented on a net basis (collection minus verfied and paid VAT refunds). Total revenues includes LNG revenues.

[2] Non-tax revenue in 2023 includes a one-off fine collection due to the cancellation of LNG exploration of US$66 million (MT 4.2 billion or 0.3 ppt of GDP).

[3] Projections of compensation for wages and salaries have been adjusted to exlclude social insurance to align with the authorities classification, and instead are added to subsidies and transfers.

[4] Externally financed loans to SOEs.

[5] Domestic arrears (net) is the difference between domestic arrears at the end of t-1 which consists of other accounts receivable and domestic arrears accumulated at period t which consists of other account payable. A positive (negative) value implies accumulation of (paying down) domestic arrears.

Table 2c. Mozambique: Central Government Finances, 2020–30

(Percent of non-LNG GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.						Proj.		
Total revenues and grants	27.7	26.9	27.7	30.1	28.0	24.4	24.6	24.4	24.5	24.6	28.3
Total revenue [1]	23.8	25.1	23.7	25.4	25.0	23.0	23.0	23.2	23.3	23.4	27.2
Tax revenue	19.9	20.9	20.3	21.7	21.0	19.3	19.3	19.4	19.4	19.5	23.1
Taxes on income and profits	10.0	9.4	10.6	11.6	11.1	10.9	10.8	10.8	10.8	10.8	11.4
Taxes on goods and services [1]	7.3	8.6	6.9	7.1	7.3	6.2	6.2	6.3	6.3	6.4	6.9
Taxes on international trade	1.5	1.7	1.5	1.8	1.5	1.1	1.1	1.0	1.0	1.0	1.2
Other taxes	1.0	1.2	1.1	1.3	1.2	1.0	1.2	1.2	1.2	1.3	3.6
Of which : Revenue from LNG	...	...	...	0.0	0.0	0.2	0.4	0.4	0.4	0.5	
Nontax revenue [2]	3.9	4.2	3.5	3.7	4.0	3.7	3.7	3.8	3.9	3.9	4.1
Grants	3.9	1.8	4.0	4.7	3.0	1.3	1.6	1.2	1.2	1.2	1.2
Project support	2.4	1.8	2.5	3.1	3.0	1.3	1.6	1.2	1.2	1.2	1.2
Budget support	1.5	0.0	1.5	1.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	33.9	32.1	32.9	34.5	34.5	29.1	31.0	31.8	32.8	33.7	38.1
Current expenditure	24.7	24.8	26.3	27.2	27.4	25.0	26.0	26.9	27.8	28.8	30.6
Compensation to employees [3]	12.6	13.2	16.1	15.7	14.9	14.3	14.1	14.1	13.9	13.8	14.5
Goods and services	4.2	4.2	3.9	4.1	3.3	2.2	3.2	3.3	3.4	3.5	3.7
Interest on public debt	2.8	2.6	2.9	4.0	4.3	4.1	4.4	5.3	6.3	7.0	7.5
Domestic	1.6	1.7	2.0	3.1	3.3	3.4	3.7	4.7	5.7	6.6	7.2
External	1.2	0.9	0.9	0.9	1.0	0.7	0.7	0.7	0.6	0.4	0.3
Subsidies and transfers	3.4	4.0	3.1	3.4	3.5	2.8	2.8	2.8	2.8	3.2	3.4
Capital expenditure	8.5	7.0	6.4	7.1	6.9	3.8	4.8	4.5	4.8	4.6	7.3
Domestically financed	4.5	3.3	3.0	2.6	3.2	1.1	2.1	2.3	2.8	2.7	5.5
Externally financed	4.0	3.7	3.4	4.5	3.6	2.8	2.8	2.2	2.0	1.8	1.7
Net lending [4]	0.7	0.3	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Domestically financed	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Externally financed loans to public enterprises	0.5	0.3	0.02	0.02	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical Discrepancy	1.8	0.9	0.1	0.0	1.4	1.4	1.4	1.4	1.4	1.4	1.5
Primary balance	-1.7	-2.7	-2.2	-0.4	-2.2	-0.6	-2.1	-2.0	-2.1	-2.0	-2.0
Overall balance	-6.2	-5.2	-5.2	-4.4	-6.5	-4.7	-6.5	-7.3	-8.3	-9.1	-9.8
Financing	6.1	5.2	5.2	4.4	6.5	4.7	6.5	7.3	8.3	9.1	9.8
Net external financing	1.7	1.0	0.0	-0.6	-0.7	-0.6	-0.7	-0.8	-0.9	-0.8	-1.4
Disbursements	4.4	2.2	2.0	1.7	1.2	1.5	1.2	1.0	0.7	0.7	0.6
Project	1.7	1.9	1.0	1.4	0.6	1.5	1.2	1.0	0.7	0.6	0.6
Nonproject support	2.8	0.3	1.1	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Of which budget support (including IMF)	2.3	0.0	1.0	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-2.8	-1.2	-2.0	-2.3	-2.0	-2.2	-1.9	-1.9	-1.7	-1.5	-2.0
Net domestic financing	3.4	3.7	4.8	3.9	6.9	3.3	7.2	8.2	9.3	9.9	11.2
Short term debt (net)	1.5	1.3	1.0	1.2	3.3	2.1	11.1	11.4	11.7	11.7	12.4
SDR allocation			1.1								
Medium term debt (net)	2.3	0.8	3.5	0.9	3.4	1.2	-3.8	-3.2	-2.5	-1.8	-1.3
Issuances of medium term debt	5.3	3.7	4.6	2.8	6.3	6.0	2.1	2.0	2.1	2.0	2.0
Amortization of medium term debt	-3.0	-2.9	-1.1	-1.9	-2.9	-4.8	-6.0	-5.2	-4.5	-3.9	-3.2
Change in Deposits	-0.4	1.6	0.3	1.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears (flow) [5]	0.5	0.0	0.4	1.1	0.2	2.0	0.0	0.0	0.0	0.0	
Float from previous year [5]	-0.4	-0.9	-0.8	-1.1	-2.0	-2.0	-3.7	-3.4	-3.1	-2.8	-2.5
Float at the end of year [5]	0.9	0.9	1.1	2.1	2.2	4.0	3.7	3.4	3.1	2.8	2.5
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Domestic primary balance (excluding LNG revenues and 2023 and 2024 debt settlement)	-2.8	-0.5	-2.8	0.1	-0.5	0.6	-1.3	-1.4	-1.7	-1.8	-4.4

Sources: Mozambican authorities; and IMF staff estimates and projections.

[1] VAT presented on a net basis (collection minus verified and paid VAT refunds).

[2] Non-tax revenue in 2023 includes a one-off fine collection due to the cancellation of LNG exploration of US$66 million (MT 4.2 billion or 0.3 ppt of GDP).

[3] Projections of compensation for wages and salaries have been adjusted to exlclude social insurance to align with the authorities classification, and instead are added to subsidies and transfers.

[4] Externally financed loans to SOEs.

[5] Domestic arrears (net) is the difference between domestic arrears at the end of t-1 which consists of other accounts receivable and domestic arrears accumulated at period t which consists of other account payable. A positive (negative) value implies accumulation of (paying down) domestic arrears.

Table 3. Mozambique: Monetary Survey, 2020–2030
(Billions of Meticais; unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.					Proj.			
Bank of Mozambique											
Net foreign assets	251	158	122	168	176	196	209	206	191	175	160
(US$ billions)	3.3	2.5	1.9	2.6	2.8	3.0	3.2	3.0	2.6	2.3	2.0
Net international reserves	262	187	149	195	203	222	237	235	222	207	194
(US$ billions)	3.5	2.9	2.3	3.1	3.2	3.5	3.6	3.4	3.1	2.7	2.4
Net domestic assets	-84	-16	22	145	201	125	147	186	243	309	391
Credit to central government (net)	-68	-73	-38	19	54	87	122	158	199	245	295
Credit to banks (net)	-105	-81	-126	-70	-68	-134	-147	-81	-77	-71	-47
Credit to the economy[1]	5.0	6.0	6.6	7.0	7.7	6.6	7.3	8.1	8.9	10.0	11.3
Other items (net; assets +)	84	132	179	189	207	166	165	101	112	125	132
Reserve money	166	142	143	312	377	320	357	392	435	485	551
Currency in circulation	69	73	81	80	85	94	104	115	129	145	166
Bank Deposits (reserves) in BM	98	70	63	232	291	226	253	277	306	340	385
Commercial Banks											
Net foreign assets	62	84	81	50	45	96	109	128	149	159	159
(US$ billions)	0.8	1.3	1.3	0.8	0.7	1.5	1.6	1.9	2.1	2.1	2.0
Net domestic assets	468	454	502	557	662	709	777	855	949	1,058	1,203
Banks' reserves	115	87	84	249	306	244	272	299	330	367	416
Credit to central bank (net)	103	79	122	68	67	134	147	81	77	71	47
Credit to central government (net)	128	175	175	158	210	230	315	426	568	750	998
Credit to the economy[1]	254	267	277	269	279	291	303	312	320	325	338
Of which: in foreign currency	45	41	45	46	46	48	50	52	53	54	56
(billions of U.S. dollars)	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Other items (net; assets +)	-132	-153	-157	-187	-201	-190	-259	-263	-346	-455	-596
Deposits	531	538	583	606	707	805	886	983	1,098	1,217	1,362
Demand and savings deposits	331	328	343	355	433	494	543	603	673	746	835
Time deposits	200	210	240	251	273	311	343	380	425	471	527
Monetary Survey											
Net foreign assets	313	242	203	217	221	291	318	334	341	334	319
(US$ billions)	4.2	3.8	3.2	3.4	3.5	4.5	4.8	4.8	4.7	4.4	4.0
Net domestic assets	270	352	443	452	557	591	652	743	862	1,000	1,178
Domestic credit	319	375	421	454	551	615	747	905	1,096	1,330	1,642
Credit to central government (net)	60	102	138	177	264	317	437	584	767	995	1,293
Credit to the economy[1]	259	273	284	276	287	298	310	320	329	335	349
Of which: in foreign currency	45.2	41.2	45.5	46.1	46.2	49.3	51.3	53.0	54.4	55.5	57.7
Other items (net; assets +)	-49.0	-22.5	22.2	-1.5	6.4	-24.1	-94.3	-162.2	-234.2	-329.9	-464.1
Money and quasi money (M3)	584	595	647	670	776	882	971	1,077	1,203	1,334	1,496
Foreign currency deposits	158	144	146	147	149	188	204	228	253	268	274
(US$ billions)	2.1	2.3	2.3	2.3	2.3	2.9	3.1	3.3	3.5	3.5	3.4
M2	426	450	501	523	627	694	766	849	949	1,066	1,222
Currency outside banks	53	56	63	63	69	77	85	94	105	118	135
Domestic currency deposits	373	394	437	460	557	617	682	756	845	949	1,087
Memorandum Items											
12-month percent change											
Reserve money	9.0	-14.3	0.6	117.8	20.7	-15.0	11.4	9.9	10.9	11.5	13.7
M2	24.0	1.4	11.2	4.5	20.2	10.4	10.5	10.8	11.8	12.3	14.6
M3	23.3	1.9	8.7	3.5	16.2	13.3	10.1	11.0	11.7	11.0	12.1
Credit to the economy	13.1	5.2	4.0	-2.5	3.7	4.0	4.0	3.3	2.7	1.9	4.1
Money multiplier (M2/reserve money)	2.56	3.16	3.49	1.67	1.66	2.17	2.15	2.17	2.18	2.20	2.22
Velocity (GDP/M2)	2.32	2.35	2.41	2.56	2.31	2.26	2.21	2.18	2.13	2.10	2.21
Nominal GDP	989	1,058	1,206	1,337	1,454	1,565	1,696	1,854	2,026	2,240	2,702
Nominal GDP growth	1.9	7.0	13.9	10.9	8.8	7.6	8.4	9.3	9.2	10.6	20.6

Sources: Bank of Mozambique (BM); and IMF staff estimates and projections.

[1] Credit to the private sector

Table 4a. Mozambique: Balance of Payments, 2020–30
(Millions of U.S. dollars; unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Est.				Proj.					
Current account balance	-3,736	-3,299	-6,367	-2,207	-2,493	-3,229	-8,389	-9,159	-8,799	-7,749	-4,283
Trade balance for goods	-2,163	-2,130	-5,056	-903	-164	-390	-588	-495	-81	-50	4,150
Of which: Megaprojects	1,730	3,238	725	4,916	4,617	4,170	4,064	4,039	4,435	4,604	9,064
Exports, f.o.b.	3,720	5,704	8,281	8,276	8,211	7,703	8,327	8,784	9,320	9,569	13,978
Megaprojects	2,504	4,032	6,172	6,225	6,188	5,857	6,418	6,649	6,968	7,038	11,278
Other	1,216	1,673	2,109	2,051	2,024	1,846	1,909	2,135	2,352	2,531	2,701
Imports, f.o.b.	5,883	7,834	13,337	9,180	8,375	8,093	8,915	9,279	9,401	9,620	9,828
Megaprojects	774	794	5,448	1,309	1,570	1,687	2,354	2,611	2,533	2,435	2,214
Other	5,109	7,040	7,890	7,871	6,805	6,407	6,561	6,668	6,868	7,185	7,614
Services (net)	-2,008	-1,750	-1,466	-872	-966	-1,129	-6,701	-6,853	-6,586	-5,385	-4,769
Megaprojects	-1,632	-1,365	-1,288	-737	-1,036	-1,094	-6,586	-6,782	-6,493	-5,271	-4,618
Other	-376	-385	-178	-135	71	-43	-117	-65	-79	-95	-113
Primary income (net)	-287	-340	-1,422	-1,842	-2,516	-2,818	-2,202	-2,933	-3,275	-3,491	-4,889
Of which : Interest on public debt (net) [1]	-193	-161	-181	-167	-187	-271	-274	-530	-261	-183	-177
Of which : Megaprojects (Net interest and dividends)	0	0	-613	-759	-1,472	-2,243	-1,583	-1,867	-2,136	-2,312	-3,616
Secondary income (net)	721	921	1,578	1,410	1,152	1,109	1,103	1,122	1,143	1,178	1,225
Of which : External grants	245	110	388	414	38	58	40	42	44	46	47
Capital account balance	286	202.7	442	442	267	267	281	294	309	316	326
Financial account balance	3,848	2,235	5,953	2,507	2,687	3,249	8,218	8,690	8,156	7,094	3,643
Net foreign direct investment	3,035	5,102	2,458	2,509	3,553	5,141	6,239	8,146	8,367	7,032	3,608
Megaprojects	2,568	3,080	1,929	2,087	2,913	4,357	5,357	7,151	7,231	5,717	2,074
Other	466	2,022	530	422	640	784	882	995	1,137	1,314	1,534
Borrowing (net) by the general government	7	31	-189	-373	-205	-181	-213	-495	-655	-650	-1,003
Disbursements	326	295	214	136	313	364	311	274	207	194	183
Repayments [2]	319	264	403	509	517	545	524	769	862	843	1,186
Loans (net) by the nonfin private sector	889	-1,046	658	-186	-198	-206	-229	-246	-258	-266	-277
Megaprojects	0	0	0	0	0	0	0	0	0	0	0
Other	889	-1,046	658	-186	-198	-206	-229	-246	-258	-266	-277
Other financial flows (net) [3]	-82	-1,851	3,025	556	-463	-1,505	2,421	1,285	701	978	1,315
Of which: Megaproject trade credit (net)	-3,712	-5,302	2,522	-1,912	-798	-1,089	-1,276	-868	-1,337	249	-405
Of which: net SDR	6	300	-240	2	-6	0	0	0	0	0	0
Net errors and omissions	-213	262	-609	17	0	0	0	0	0	0	0
Overall balance	184	-599	-580	758	461	287	109	-174	-335	-339	-314
Financing	-184	599	580	-758	-143	-287	-109	174	335	339	314
Reserve assets (- = increase)	-726	405	424	-792	-253	-233	-23	260	427	339	314
Of which : SDR allocation (- = increase)	0	-305	259	0	0	0	0	0	0	0	
Net use of credit	281	-26	124	34	111	-54	-86	-86	-93	0	0
Of which : IMF disbursements/Financing gap (+)	309	0	150	60	122	0	0	0	0	0	0
Of which : Repayments to the IMF (-)	-28	-26	-26	-26	-11	-54	-86	-86	-93	0	0
Exceptional financing [4]	261	220	32	0	0	0	0	0	0	0	0
Of which : IMF CCRT grants	28	26									
Memorandum items:											
Current account balance (Percent of GDP)	-26.2	-20.4	-33.7	-10.6	-11.0	-13.2	-32.3	-33.5	-30.8	-25.7	-12.4
excl. megaprojects (MP) (Percent of GDP)	-27.9	-32.8	-27.4	-26.9	-20.5	-16.7	-16.5	-16.6	-16.0	-15.8	-14.7
excl. MP and indirect MP imports (Percent of GDP) [5]	-17.9	-20.6	-18.0	-18.3	-13.4	-11.8	-11.9	-12.0	-11.4	-11.1	-10.4
Net foreign assets	3,347	2,478	1,907	2,625	2,755	3,042	3,152	2,978	2,643	2,304	1,990
Net international reserves [6]	3,493	2,927	2,333	3,055	3,175	3,462	3,572	3,398	3,063	2,724	2,410
Gross international reserves	4,070	3,470	2,888	3,632	3,861	4,238	4,262	3,992	3,534	3,057	2,624
Months of next year's imports of goods and services	4.7	2.6	3.1	4.2	4.5	3.0	3.0	2.8	2.6	2.3	2.3
Months of next year's imports of goods and services, excl. MP	5.9	4.5	3.8	5.5	6.1	6.5	6.4	5.9	5.0	4.1	3.2
Percent of broad money (M2)	71.5	49.2	36.9	44.4	39.4	39.3	36.9	32.5	27.0	20.1	15.6

Sources: Data from Government of Mozambique and projections by IMF staff.

[1] Includes interest payments for Ematum and previously undisclosed loans.

[2] Includes repayments of previously undisclosed loans.

[3] Other financial account flows include net portfolio investment; net financial derivatives; net currency and deposits; insurance, pension and standardized guarantee schemes (net); net trade credits and advances; net other accounts receivable/payable; net other equity and net special drawing rights.

[4] Exceptional financing consists of external debt service arrears on defaulted loans and IMF CCRT grants.

[5] Imports by domestic firms to supply megaprojects (estimated).

[6] NIR include USD reserve deposits of commercial banks at the Bank of Mozambique. NIR do not include any disbursements by the IMF, foreign currency swaps, foreign currency liabilities of the central bank to non-residents, foreign currency deposits by resident banks, or reserve requirement deposits in foreign currency by resident banks.

Table 4b. Mozambique: Balance of Payments, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Est.				Proj.					
Current account balance	-26.2	-20.4	-33.7	-10.6	-11.0	-13.2	-32.3	-33.5	-30.8	-25.7	-12.4
current account, ex. MP and related import	-17.9	-20.6	-18.0	-18.3	-13.4	-11.8	-11.9	-12.0	-11.4	-11.1	-10.4
Trade balance for goods	-15.2	-13.2	-26.8	-4.3	-0.7	-1.6	-2.3	-1.8	-0.3	-0.2	12.0
Of which: Megaprojects	12.2	20.0	3.8	23.5	20.3	17.1	15.7	14.8	15.5	15.3	26.3
Exports, f.o.b.	26.1	35.3	43.9	39.6	36.1	31.5	32.1	32.1	32.6	31.7	40.5
Megaprojects	17.6	24.9	32.7	29.8	27.2	24.0	24.7	24.3	24.4	23.3	32.7
Other	8.5	10.3	11.2	9.8	8.9	7.6	7.4	7.8	8.2	8.4	7.8
Imports, f.o.b.	41.3	48.5	70.6	43.9	36.8	33.1	34.4	33.9	32.9	31.9	28.5
Megaprojects	5.4	4.9	28.8	6.3	6.9	6.9	9.1	9.5	8.9	8.1	6.4
Other	35.9	43.5	41.8	37.6	29.9	26.2	25.3	24.4	24.0	23.8	22.1
Services (net)	-14.1	-10.8	-7.8	-4.2	-4.2	-4.6	-25.8	-25.1	-23.0	-17.9	-13.8
Megaprojects	-11.5	-8.4	-6.8	-3.5	-4.6	-4.5	-25.4	-24.8	-22.7	-17.5	-13.4
Other	-2.6	-2.4	-0.9	-0.6	0.3	-0.2	-0.5	-0.2	-0.3	-0.3	-0.3
Primary income (net)	-2.0	-2.1	-7.5	-8.8	-11.1	-11.5	-8.5	-10.7	-11.4	-11.6	-14.2
Of which: Interest on public debt (net) [1]	-1.4	-1.0	-1.0	-0.8	-0.8	-1.1	-1.1	-1.9	-0.9	-0.6	-0.5
Of which: Megaprojects (net Interest and dividends)	0.0	0.0	-3.2	-3.6	-6.5	-9.2	-6.1	-6.8	-7.5	-7.7	-10.5
Secondary income (net)	5.1	5.7	8.4	6.7	5.1	4.5	4.2	4.1	4.0	3.9	3.5
Of which: External grants	1.7	0.7	2.1	2.0	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Capital account balance	2.0	1.3	2.3	2.1	1.2	1.1	1.1	1.1	1.1	1.0	0.9
Financial account balance	27.0	13.8	31.5	12.0	11.8	13.3	31.7	31.8	28.5	23.5	10.6
Net foreign direct investment	21.3	31.6	13.0	12.0	15.6	21.1	24.0	29.8	29.3	23.3	10.5
Megaprojects	18.0	19.0	10.2	10.0	12.8	17.8	20.6	26.2	25.3	19.0	6.0
Other	3.3	12.5	2.8	2.0	2.8	3.2	3.4	3.6	4.0	4.4	4.4
Borrowing (net) by the general government	0.0	0.2	-1.0	-1.8	-0.9	-0.7	-0.8	-1.8	-2.3	-2.2	-2.9
Disbursements	2.3	1.8	1.1	0.7	1.4	1.5	1.2	1.0	0.7	0.6	0.5
Repayments [2]	2.2	1.6	2.1	2.4	2.3	2.2	2.0	2.8	3.0	2.8	3.4
Loans (net) by the nonfin private sector	6.2	-6.5	3.5	-0.9	-0.9	-0.8	-0.9	-0.9	-0.9	-0.9	-0.8
Megaprojects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	6.2	-6.5	3.5	-0.9	-0.9	-0.8	-0.9	-0.9	-0.9	-0.9	-0.8
Other financial flows (net) [3]	-0.6	-11.4	16.0	2.7	-2.0	-6.2	9.3	4.7	2.5	3.2	3.8
Net errors and omissions	-1.5	1.6	-3.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.3	-3.7	-3.1	3.6	2.0	1.2	0.4	-0.6	-1.2	-1.1	-0.9
Financing	-1.3	3.7	3.1	-3.6	-0.6	-1.2	-0.4	0.6	1.2	1.1	0.9
Reserve assets (- = increase)	-5.1	2.5	2.2	-3.8	-1.1	-1.0	-0.1	1.0	1.5	1.1	0.9
Net use of credit	2.0	-0.2	0.7	0.2	0.5	-0.2	-0.3	-0.3	-0.3	0.0	0.0
Of which: IMF disbursements/Financing gap (+)	2.2	0.0	0.8	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Repayments to the IMF (-)	-0.2	-0.2	-0.1	-0.1	0.0	-0.2	-0.3	-0.3	-0.3	0.0	0.0
Exceptional financing [4]	1.8	1.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : IMF CCRT grants	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[1] Includes interest payments for Ematum and previously undisclosed loans.

[2] Includes repayments of previously undisclosed loans.

[3] Other financial account flows include net portfolio investment; net financial derivatives; net currency and deposits; insurance, pension and standardized guarantee schemes (net); net trade credits and advances; net other accounts receivable/payable; net other equity and net special

[4] Exceptional financing consists of external debt service arrears on defaulted loans and IMF CCRT grants. The CCRT grant for the debt service falling due in the 12 months from April 14, 2021 is subject to the availability of resources under the CCRT.

Table 5. Mozambique: Financial Soundness Indicators for Banking Sector[1/], 2020–25

(In percent; unless otherwise indicated)

	Jun-20	Aug-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Oct-25
Capital Adequacy																								
Regulatory capital to risk-weighted assets	25.2	25.7	26.5	26.1	26.2	25.6	27.9	26.2	25.5	26.8	26.7	26.9	25.1	25.4	24.0	25.7	25.1	26.3	25.9	26.1	26.5	25.3	28.5	28.0
Regulatory Tier I capital to risk-weighted assets	25.4	26.1	27.0	27.2	27.2	26.6	28.5	26.7	26.0	27.3	27.2	27.5	25.6	26.0	24.6	26.6	25.8	27.0	26.7	26.8	27.2	26.0	29.1	28.7
Capital (net worth) to assets	11.4	11.7	12.1	11.8	11.9	11.6	12.9	12.9	11.9	12.5	13.0	12.5	12.3	12.2	12.7	12.8	12.5	13.1	12.6	12.2	11.8	11.4	12.8	12.5
Tier 1 Capital to total Assets	11.5	11.9	12.3	12.3	12.3	12.0	13.1	13.1	12.1	12.8	13.2	12.8	12.5	12.6	13.0	13.3	12.8	13.5	13.0	12.5	12.1	11.7	13.1	12.8
Asset Quality																								
Nonperforming loans to gross loans [1]	12.6	12.1	11.8	9.8	9.8	9.9	9.8	10.2	9.2	10.0	9.3	9.0	10.4	10.6	9.1	8.2	8.8	8.3	7.9	9.3	7.9	7.8	7.7	7.6
Total provision to NPLs	78.4	81.6	82.5	78.3	81.0	80.8	77.9	73.7	75.5	73.1	79.6	77.1	75.9	77.1	80.1	71.5	71.9	72.5	71.1	63.5	57.1	57.0	55.4	63.6
NPLs net of provisions to total capital	12.2	10.5	9.6	9.7	8.7	8.9	8.5	9.9	9.4	10.6	8.9	8.5	9.1	9.0	7.6	7.6	7.8	6.8	7.0	9.7	11.4	11.4	10.7	10.0
NPLs net of provisions to capital and reserves	7.7	6.8	6.3	6.6	5.9	5.8	5.9	6.8	6.5	7.7	6.4	5.8	6.2	6.3	5.4	5.3	5.4	5.2	5.0	6.8	7.8	7.5	7.9	7.3
Specific provisions to NPLs	75.0	78.1	78.8	74.1	76.4	75.3	73.3	68.5	70.7	68.0	72.0	71.8	71.6	70.6	71.0	66.0	66.7	67.8	67.4	60.3	52.6	54.3	52.6	54.1
Earnings and Profitability																								
Return on Equity	20.2	20.2	20.1	18.7	24.3	24.6	23.1	17.5	18.3	18.2	17.8	19.1	22.1	18.4	17.3	19.1	17.2	18.7	18.0	15.0	13.0	15.6	11.9	11.8
Return on Assets	2.4	2.4	2.4	2.2	2.9	2.9	2.8	3.9	4.5	4.5	4.4	4.7	5.5	4.6	4.4	4.7	4.2	4.5	4.3	3.6	3.4	3.8	2.9	2.8
Interest margin to gross income	68.5	67.5	67.2	65.9	66.2	64.9	66.6	64.1	66.8	67.1	68.0	68.5	70.5	69.0	67.5	63.9	69.8	66.3	66.1	66.7	67.8	66.3	66.3	65.7
Noninterest expenses to gross income	62.5	62.1	62.6	62.1	60.2	57.1	57.8	53.7	53.6	53.3	53.7	53.9	50.9	54.4	56.1	53.8	59.1	57.5	58.0	58.3	57.0	56.8	57.6	57.7
Personnel expenses to noninterest expenses	44.3	45.4	45.7	45.9	43.6	44.3	44.0	44.5	44.4	43.7	44.4	43.7	43.0	42.9	42.9	43.2	45.1	44.2	43.9	43.6	43.8	43.4	42.8	42.8
Trading and fee income to gross income	11.3	11.8	11.6	12.0	13.3	13.5	12.7	14.9	11.5	11.1	10.9	10.8	10.0	10.2	10.7	10.5	9.9	10.1	10.6	10.5	11.2	10.6	10.5	10.4
Fee and commission to total income	20.5	20.5	20.5	21.2	22.5	22.1	22.6	21.7	21.9	21.8	21.6	21.4	19.9	20.8	21.5	20.9	19.9	21.2	21.7	21.7	22.1	22.4	22.9	23.0
Liquidity																								
Liquid assets (core) to total assets	11.6	10.6	12.5	13.8	13.2	11.9	12.0	18.1	16.9	16.4	16.4	15.4	10.6	8.5	8.8	9.4	9.7	9.5	9.6	11.5	12.9	13.5	12.0	12.4
Liquid assets (broad measure) to total assets	40.5	40.7	40.6	42.5	43.6	41.2	41.7	47.9	49.2	48.6	53.1	50.5	38.0	30.7	32.3	34.4	35.9	34.9	35.6	36.5	44.2	44.0	44.7	44.6
Liquid assets (core) to total deposits	16.5	15.0	17.7	19.1	18.6	16.9	17.1	25.5	23.8	23.1	23.3	21.1	14.8	12.1	12.6	13.5	14.2	13.8	13.9	16.5	18.2	18.9	16.8	17.4
Liquid assets (core) to demand deposits	26.7	24.6	29.2	30.6	30.4	26.6	27.9	42.0	40.8	39.5	40.4	35.2	26.3	20.7	21.6	22.9	24.8	23.5	23.4	26.6	30.2	31.6	27.3	28.0
Liquid assets (core) to short term liabilities	16.5	14.8	17.3	19.0	17.9	16.5	16.7	25.7	24.5	23.3	22.0	21.3	14.8	11.6	12.0	13.0	13.6	13.0	13.2	15.6	17.4	18.3	16.3	16.8
Liquid assets (broad measure) to short term liabilities	57.8	56.8	56.0	58.5	59.0	56.9	58.4	68.3	71.5	68.8	71.0	69.8	53.2	42.1	44.4	47.4	50.2	47.7	48.7	49.6	59.5	59.7	60.8	60.5
Customer deposits to total (noninterbank) loans	186.4	186.1	186.1	204.3	203.8	195.8	192.8	199.1	208.8	208.0	193.8	212.4	209.4	202.6	210.4	222.7	229.1	230.4	235.2	244.5	261.5	263.2	262.0	263.4
Sensitivity to market risk																								
FX loans to FX deposits 1/	46.2	48.3	48.5	37.1	43.5	42.3	42.6	34.1	36.2	35.9	36.1	33.5	34.0	37.5	38.9	35.1	35.0	34.2	41.5	37.4	39.6	37.1	37.8	28.9
FX loans to total loans	21.1	20.5	20.5	16.9	18.1	18.0	18.2	15.6	16.8	17.0	14.4	14.5	16.3	17.4	17.1	16.3	16.4	15.8	18.6	17.5	16.2	15.4	14.9	11.9
FX liabilities to total liabilities	26.3	25.6	25.4	26.2	23.8	23.2	23.1	23.6	24.1	25.0	23.0	23.3	23.0	21.4	21.3	21.3	20.3	20.6	20.4	19.9	19.0	19.6	19.1	19.0

Source: Bank of Mozambique (BM).

1/ Includes deposits at parent banks.

Table 6. Mozambique: Composition of Public Debt and Debt Service by Creditor, 2024–26[1]

	Debt Stock (end of period) 2024			Debt Service					
				2024	2025	2026	2024	2025	2026
	(In million US$)	*(Percent total debt)*	*(Percent GDP)*	*(In million US$)*			*(Percent GDP)*		
Total	20,178.9	100.0	96.5	2058.0	2801.7	3281.8	9.8	12.3	13.5
External[2]	13,809.2	68.4	66.0	700.2	875.7	889.9	3.3	3.9	3.6
Multilateral Creditors[3]	5,126.0	25.4	24.5	247.4	264.2	295.7	1.2	1.2	1.2
IMF	619.9	3.1	3.0						
World Bank	2,952.6	14.6	14.1						
ADF	948.6	4.7	4.5						
Other Multilaterals	604.9	3.0	2.9						
o/w : IDB	219.0	1.1	1.0						
IFAD	136.8	0.7	0.7						
BADEA	101.4	0.5	0.5						
EIB	70.3	0.3	0.3						
Bilateral Creditors	3,590.2	17.8	17.2	348.6	409.2	378.4	1.7	1.8	1.6
Paris Club	966.9	4.8	4.6	63.8	62.8	58.0	0.3	0.3	0.2
o/w: Japan	408.8	2.0	2.0						
Korea	228.9	1.1	1.1						
Brazil	71.9	0.4	0.3						
France	131.4	0.7	0.6						
Non-Paris Club	2,623.3	13.0	12.5	284.9	346.4	320.3	1.4	1.5	1.3
o/w: China	1,445.3	7.2	6.9						
Portugal	401.5	2.0	1.9						
Libya	253.4	1.3	1.2						
India	255.0	1.3	1.2						
Iraq	64.0	0.3	0.3						
Bonds	900.0	4.5	4.3	35.3	80.7	80.7	0.2	0.4	0.3
Commercial Creditors	53.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Senior Creditors of LNG Debt Financing	53.0	0.3	0.3						
Other International Creditors	4,140.1	20.5	19.8	68.8	121.6	135.0	0.3	0.5	0.6
o/w: ENH's LNG Project Partners[4]	4,140.1	20.5	19.8						
Domestic	6,369.7	31.6	30.5	1,357.8	1,926.0	2,392.0	6.0	7.9	9.4
Held by Residents, Total									
Held by Non-Residents, Total									
T-Bills	2,060.7	10.2	9.1						
Bonds	2,844.8	14.1	12.5						
Loans	1,464.2	7.3	6.4						
Memo items:									
Collateralized Debt[5]	-		-						
o/w: Related	-		-						
o/w: Unrelated	-		-						
Contingent Liabilities	53.0	0.3	0.3						
o/w: Public Guarantees	53.0	0.3	0.3						
Nominal GDP (millions US$), eop Exchange Rate				22,744	24,349	25,528			

Sources: Mozambican authorities and IMF staff estimates and projections.

[1] As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except the stock of domestic debt does not include state-owned enterprise equivalent to 1.4 percent of GDP.

[2] External debt data are IMF estimates.

[3] Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

[4] Annual interest due are capitalized until beginning of project production.

[5] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

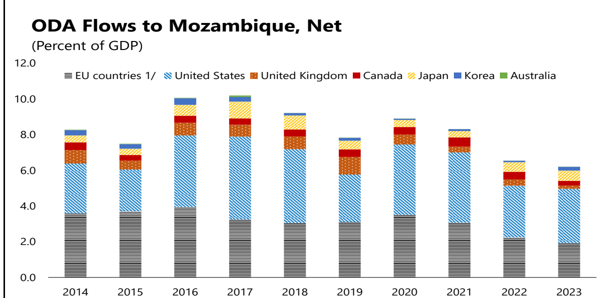
Annex I. Foreign Aid: Recent Developments

Since the mid-2010s, Mozambique has experienced a steady decline in foreign aid. Given the lack of access to commercial external financing, this decline has had a significant macroeconomic impact. The U.S. remains the largest donor, with its assistance focusing on governance, health, and education.

1. **Mozambique has faced a steady decline in foreign aid for several years.** Official Development Assistance went from about 10 percent of GDP in 2016 to 6 percent in 2023 (Annex I, Figure 1). The United States remains the largest bilateral donor, followed by the European Union and Japan. Donor support has been critical for development spending, particularly in health and education.

2. **The U.S. provides assistance across a wide range of areas**, focusing on strengthening democratic institutions, promoting transparency and inclusive governance, and improving healthcare, education, poverty reduction, job creation, and food security. Several U.S. agencies have contributed to these efforts, including the United States Agency for International Development (USAID), the Centers for Disease Control and Prevention, and the Millennium Challenge Corporation (MCC), which invests in transport and infrastructure development.

Annex I. Figure 1. Mozambique: Official Development Assistance Flows to Mozambique



Sources: OECD, IMF World Economic Outlook
1/ EU countries include Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Türkiye

3. **In 2024, half of U.S. support was allocated to the PEPFAR program, which finances two-thirds of HIV-related interventions**. In July 2025, all active USAID programs transitioned to the Department of State (DoS). A total of USD 267 million was awarded to projects in Mozambique aimed at epidemic control, improving HIV outcomes, ensuring uninterrupted health commodity supplies, and strengthening supply chains and transport systems.

4. **PEPFAR-funded programs aligned with the February 2025 life-saving waiver remain operational.** To avoid service disruptions, the DoS secured USD 160 million in bridge funding for October 2025–March 2026, a 21 percent reduction compared to 2025.

5. **In December 2025, the US signed an agreement committing up to USD 1.8 billion to strengthen health systems and expand healthcare access over the medium-term.** In turn, Mozambique pledged to increase its health spending by roughly 30 percent over the next 5 years.

6. **The MCC Compact in Mozambique remains in place.** This USD 500 million grant signed in September 2023, aims to strengthen infrastructure, improve agricultural productivity, and enhance climate resilience. Key priorities include reinforcing flood-prone infrastructure, reducing rural access deficits, advancing fiscal reforms, catalyzing commercial agriculture, and boosting fisheries productivity while mitigating climate vulnerabilities and promoting inclusive growth.

Annex II. Economic Growth

After 2016, Mozambique's growth slowed sharply from the 2000–15 period, and gains in per capita income stalled. This slowdown reflected structural shifts, as agriculture and manufacturing declined while extractive industries picked up, and all sectors of the economy slowed down in comparison to the previous period. To achieve inclusive growth, priorities include boosting agricultural productivity, diversifying beyond LNG, and investing in human capital through education, health, and gender equality reforms.

1. **Mozambique's economic performance has weakened significantly since 2016**. Between 2000 and 2015, real GDP grew at an average annual rate of 7.9 percent—an exceptional outcome compared to Sub-Saharan African countries (Annex II, Figure 1, top-left chart). Since 2016, growth has averaged only 2.9 percent per year, with about half of the decline driven by weaker services (Annex II, Figure 1, top-right chart). As a result, per capita GDP growth has stalled. This contrasts with the 5.2 percent annual average increase recorded during 2000–15, allowing per capita income to increase 2.1-fold (Annex II, Figure 1, middle-left chart).

2. **Since the early 2000s, Mozambique's economic structure has changed significantly**. The primary sector's share has declined, while the secondary sector expanded, largely driven by extractives industries. Agriculture's contribution fell from about one-third of GDP in 2000 to one-quarter in 2024 (Annex II, Figure 1, middle-right chart). This decline was offset by mining growth, while manufacturing contracted (Annex II, Figure 1, bottom-left chart).

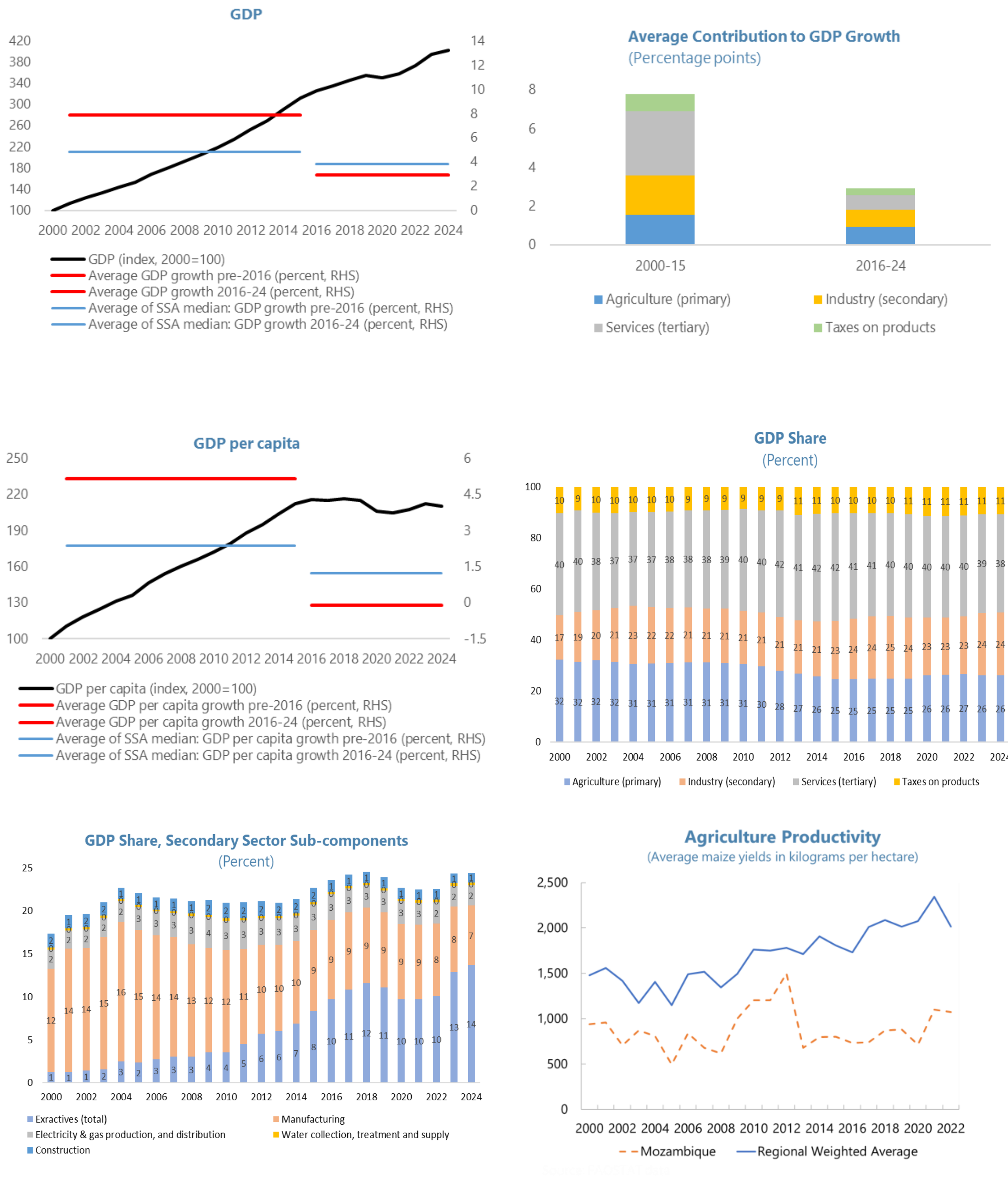
3. **With large LNG projects on the horizon, accelerating private sector development, economic diversification, and productivity growth is essential for strong, sustainable, and inclusive growth:**

- **Agriculture**. Only 12 percent of land is cultivated (Bratley and Meyer-Cirkel 2025). The sector remains dominated by smallholders with limited access to inputs and finance, and low resilience (UNU-WIDER 2025). Productivity is low (Annex II, Figure 1, bottom-right chart). Given that agriculture employs 70 percent of the workforce (ILO estimates), boosting productivity growth and climate resilience is critical to reduce poverty and food insecurity.

- **Economic diversification**. Rising dependence on extractives and a shrinking manufacturing base pose risks. Leveraging agriculture and promoting agro-industry could foster diversification and expand exports. Tourism also offers strong potential but currently accounts for only 1.3 percent of GDP. Achieving diversification requires reforms to improve the business environment, support private sector development, and invest in infrastructure.

- **Human capital accumulation**. Mozambique ranks 182nd of 193 countries in the 2023 UNDP Human Development Index. Investing in education and health systems is vital to strengthen human capital (Figure 2). Improvements would enhance productivity, support private sector growth, and enable the country to harness its young population and realize a demographic dividend. Reforms to empower women to fully utilize their skills would further sustain long-term growth (Annex XIII).

Annex II. Figure 1. Mozambique: Economic Growth in Mozambique



Sources: FAOSTAT; Bratley and Ceyer-Merkel (2025); World Development Indicators; IMF staff calculations and estimations.

Annex III. Wage Bill Spending

Mozambique's public sector wage bill has surged over the past decade as a share of GDP, becoming a major fiscal pressure point. Despite recent containment measures, spending remains high, driven mainly by wage increases rather than employment growth. Cross-country comparisons show Mozambique as an outlier, with relatively high wages and low public sector employment.

1. **Mozambique's public sector wage bill has emerged as a significant fiscal challenge, rising sharply over the past decade and crowding out other spending priorities**. Between 2016 and 2021, wage bill spending increased from 10.3 percent of GDP to 13.2 percent (Annex III, Figure 1, top-left). The implementation of the Single Salary Scale (TSU)—a reform aimed at rationalizing salary structures—triggered a sharp increase in the wage bill, pushing it to 16.1 percent of GDP in 2022. At that point, it absorbed 49 percent of total government expenditure and 80 percent of tax revenues, compared to 35 percent and 56 percent, respectively, in 2016 (Annex III, Figure 1, top-right).

2. **Efforts since 2023 to curb wage bill growth—such as freezing base salaries, suspension of career progressions and promotions, and partially paying the 13th month salary—have provided limited relief**. In 2024, the wage bill remained elevated at 14.4 percent of GDP, equivalent to 71 percent of tax revenue and 43 percent of total expenditure. Over 2020–24, total government spending as a share of GDP stayed broadly unchanged, while the wage bill share in total expenditure increased from 37 percent in 2020 to 43 percent in 2024, underscoring that the wage bill increase has crowded out other priority expenditures.

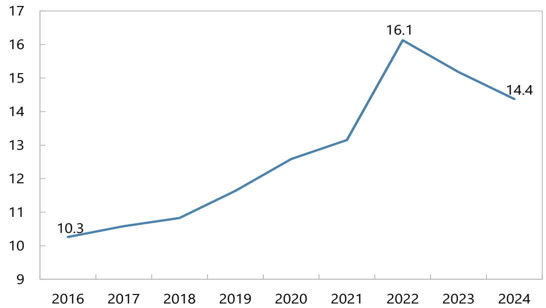
3. **The rapid expansion of the wage bill reflects rising wages rather than significant employment growth**. Between 2016 and 2021, the wage bill surged by 78 percent in nominal terms—from MT78 billion to MT139 billion—driven by a 59 percent increase in the average wage and only a 12 percent rise in employment (Annex III, Figure 1, middle-left). From 2021 to 2024, wage bill spending grew by another 51 percent, reaching MT210 billion, as public employment rose by 8 percent and the average wage of public sector employees climbed by 40 percent.

4. **Cross-country comparisons highlight that Mozambique's public employment is relatively small in number but high in wages**. In 2022, public sector employment represented just 4.3 percent of total employment, compared to an average of 8.3 percent among selected SSA countries (Annex III, Figure 1, middle-right). At the same time, average monthly earnings of public sector employees in Mozambique are high relative to its GNI per capita, reinforcing concerns about wage affordability and sustainability (Annex III, Figure 1, bottom-left).

Annex III. Figure 1. Mozambique: Mozambique's Wage Bill

The wage bill in percent of GDP increased steadily during 2016–21 and sharply in 2022.

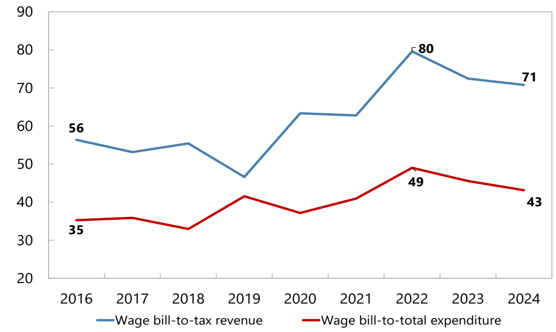
Compensation to Employees, 2016-24
(percent of GDP)



Source: Mozambican authorities; and IMF staff projections.

The wage bill also increased in percent of tax revenues and in percent of total government expenditures.

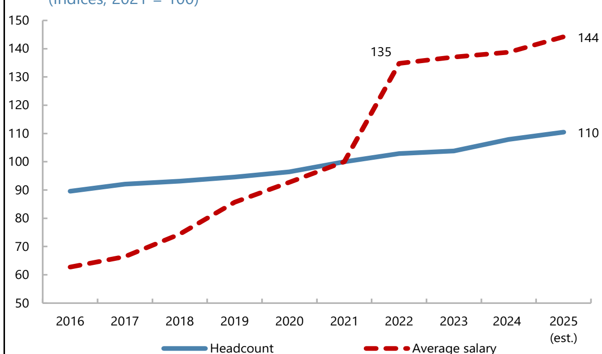
Compensation of Employees, 2016-24
(Percent)



Source: Mozambican authorities; and IMF staff projections.

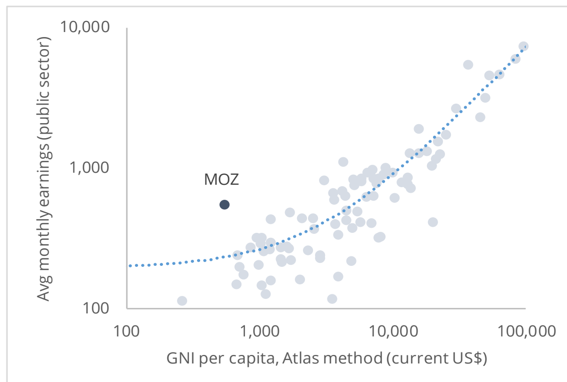
The rapid expansion of the wage bill reflects rising wages rather than significant employment growth.

Employment and Compensation per Employee
(Indices; 2021 = 100)



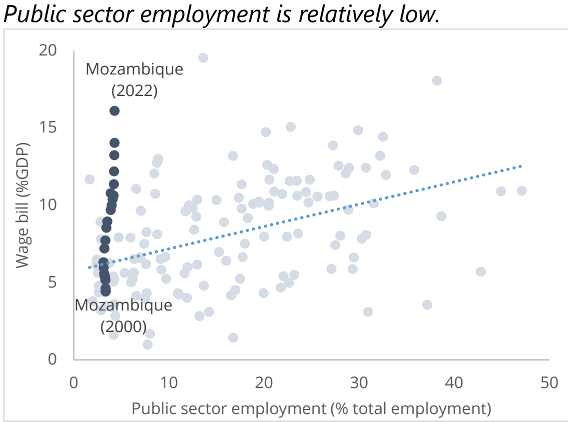
Source: Mozambican authorities; and IMF staff projections.

Average wages in the public sector during 2000–22 were considerably above the values observed in similar countries.



Source: WB estimates based on Mozambican Authorities, ILO, and World Development Indicators.

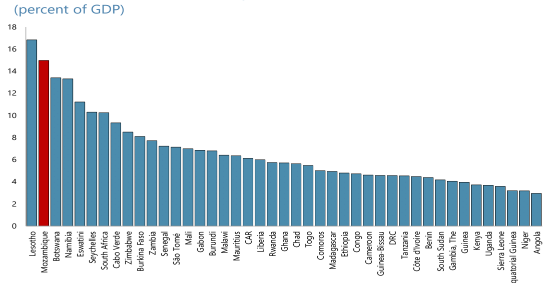
Public sector employment is relatively low.



Source: WB estimates based on Mozambican Authorities, and World Development Indicators.

Wage bill spending is very high compared to countries in the region.

Compensation of Employees, 2024
(percent of GDP)



Source: Mozambican authorities; and IMF staff projections.

Annex IV. Status of Key Recommendations from the 2024 Article IV Consultation

Recommendation	Status
Fiscal	
Implementing growth-friendly fiscal consolidation, including through wage bill rationalization, tackling high debt and financing constraints	The fiscal deficit increased in 2024, and wage bill rationalization has been slower than expected. Domestic public debt has increased sharply.
Improving MEF oversight of SOEs borrowing, including by publication of information on arrears between SOEs, and SOEs and government and of SOE procurement plans and practices.	IGEPE is publishing SOEs' consolidated accounts, but with delay. Information on arrears as of 2023 was published in May 2025. In addition, IGEPE published procurement policies for some SOEs.
Prioritize roll-out of the electronic platform for filing asset declarations and publication of those filed by high-level officials, and ensure timely publication of Tribunal Administrativo's audit reports	The authorities put in place a digital system to file asset declarations with a 94 percent compliance rate by obligated officials in 2024, although public access is pending. Audit reports by Tribunal Administrativo remain unpublished.
Strengthen disclosures practices on non-competitive public procurement and promote risk-based monitoring and enforcement	The authorities are considering creating an entity to centralize procurement functions.
Continuing progress in public financial management (PFM), including by increasing the coverage of treasury single account, improving cash management, and integrating procurement processes into e-SISTAFE. Continuing efforts toward digitalization of tax filing and payments to help mobilize domestic revenues.	Important deficiencies remain, leading to budget deficit and wage bill spending overruns, delays in debt service, accumulation of arrears with suppliers and inaccurate measurement of the fiscal deficit. Implementation of the digital interface (Portal do contribuinte) to allow all taxpayers to file and pay all taxes electronically is progressing.
Implementing the Medium-term Debt Strategy (MTDS) to strengthen debt management and budget execution.	The maturity structure of the public debt deteriorated, with an increasing share of short-term debt (T-bills) and little market appetite for T-bonds. Despite potential leverage of the new Meridian database to better monitor and manage debt flows, incurrence of arrears continues.
Completing the general audit and "proof of life" of all public sector servants.	The audit has been completed for 97 percent of public servants.
Strengthening social protection and aiming to reduce the incidence of poverty, including by helping those most affected by climate shocks	Transfers to the National Institute of Social Action (INAS) for non-contributory programs were significantly lower than the committed amounts.
Monetary	
Revisiting the policy mix, in accordance with an inflation targeting framework.	Since January 2024, the BM has reduced the policy rate by 775 bps to 9.5 percent, with inflation under control despite shocks to food supply caused by social unrest at the end of 2024 and larger fiscal impulse.
Ensuring greater exchange rate flexibility and implementing a revised methodology for calculation of the reference exchange rate.	Progress has been slower than expected. The implementation of the methodology has been delayed by the development of a new IT system. The BM has not intervened in the FX market since mid-2023.

Recommendation	Status
Reducing high reserve requirements, using other instruments to adjust structural excess liquidity in the money market. Consider remunerating reserve requirements over the medium term.	While reserve requirements were cut by 1,000 basis points in January 2025, they remain high at 29 percent.
Structural	
Strengthening the AML/CFT framework, including enhancements of beneficial ownership requirements	While the general AML/CFT framework has been strengthened, progress in transparency of information on beneficial ownership has been slow. Mozambique was removed from the FATF grey list in October 2025.
Continuing the implementation of the recommendations from the safeguards assessment	The BM implemented some of the recommendations, but progress on the remaining, including a new Organic Law, has been slow.
Ensuring transparency in management of LNG revenues with the creation of a transparent, accountable and independently managed SWF; and adopting a fiscal framework to support SWF and manage the revenues efficiently while avoiding high volatility in the budget flows	The government approved the revised Investment Policy in October 2025, an important step in strengthening the institutional setup. The SWF was activated in November with the signature of the management agreement between the BM and the government.

Annex V. External Sector Assessment

Overall Assessment*: The external position in 2025 is substantially weaker than the level implied by medium-term fundamentals and desirable policies. The cyclically adjusted non-megaproject current account (CA) deficit is estimated at 11.8 percent of GDP in 2025, vis-à-vis an estimated CA deficit norm of 7.2 percent of GDP.[1] The EBA-lite CA model suggests an overvalued metical and a real effective exchange rate (REER) gap of 17.1 percent.*

Potential Policy Responses*: A policy package comprised of upfront fiscal consolidation, further loosening of monetary policy, a more flexible exchange rate, and structural reforms is key to restore external competitiveness, boost exports, diversify the economy, and strengthen the external sector position.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Mozambique has a large negative net international investment position (NIIP), estimated at -300 percent of GDP at end-2025.[2] Total external liabilities are estimated at 403 percent of GDP in 2025, out of which 129 percent of GDP are debt liabilities, composed of loan and debt securities.

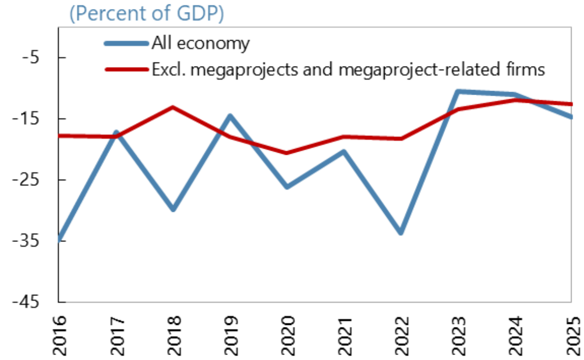
Assessment. Going forward, the negative NIIP is projected to persist in the medium term, due to projected CA deficits, which increase external debt relative to GDP. Structural reforms to improve competitiveness and fiscal consolidation will be critical to address external imbalances.

2025 (% GDP)	NIIP: -300	Gross Assets: 103	Debt Assets: 79	Gross Liab.: 403	Debt Liab.: 129

Current Account

Background. Excluding self-financed megaproject transactions, the non-megaproject CA deficit is estimated to have narrowed slightly to 11.8 percent of non-megaproject GDP in 2025, from 13.4 percent in 2024 and 18.3 percent in 2023. This tightening of the non-megaproject CA deficit reflects a sluggish economic recovery following the 2024-2025 political turmoil, which contributed to a broad-based contraction in imports amid tight financial conditions and to supply disruptions that weighed on exports.

Current Account Balance
(Percent of GDP)



Sources: BM, IMF staff calculations.

Assessment. The external balance assessment (EBA)-Lite CA model suggests that Mozambique's external position in 2025 was substantially weaker than the level implied by medium-term fundamentals and desirable policies. The cyclically adjusted non-megaproject CA is estimated at -12.6 percent of GDP in 2025. The multiple laterally consistent cyclically adjusted CA norm is estimated at -7.2 percent of GDP in 2025. This implies a CA gap of -5.4 percent of GDP, out of which the policy gap contribution is estimated at 2.9 percent of GDP.

Mozambique: Model Estimates for 2025 (in percent of GDP)

	CA model 1/	REER model
	(in percent of GDP)	
CA-Actual	**-11.8**	
Cyclical contributions (from model) (-)	0.5	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	0.4	
Adjusted CA	**-12.6**	
CA Norm (from model) 2/	**-7.2**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-7.2**	
CA Gap	**-5.4**	**-3.5**
o/w Relative policy gap	2.9	
Elasticity	-0.3	
REER Gap (in percent)	**17.1**	**10.4**

1/ Based on the EBA-lite 3.0 methodology.

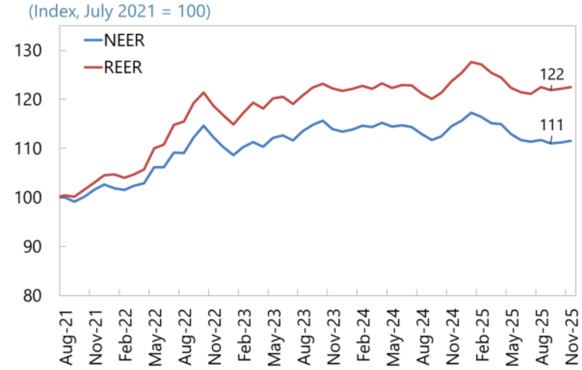
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Mozambique's de jure exchange rate arrangement is classified as floating exchange rate, while the de facto exchange rate arrangement is classified as a stabilized arrangement. Since early 2021, the Mozambican metical has remained in a very narrow range against the U.S. dollar, despite shocks (climate events, insurgency, commodity price swings). The nominal effective exchange rate (NEER) has appreciated in recent years, in line with the movement of the U.S. dollar. The REER appreciated by 2.1 percent in 2024, and by more than 25 percent over 2021–24. The average value of the REER in 2024 was 14.9 percent higher than the average value in 2020–23 or 11 percent higher than the pre-pandemic average values during 2004-2019. Since July 2021, the multilateral NEER has strengthened by about 11 percent in nominal terms, reflecting the appreciation of the USD against most currencies. In real terms, the metical has appreciated by roughly 22 percent, reflecting higher domestic inflation relative to trading partners. Since January 2025, the depreciation of the USD has eased appreciation pressures on the metical, implying that by November 2025 the REER slightly depreciated, by 1 percent yoy, or by 4 percent since January 2025.

Effective Exchange Rates

(Index, July 2021 = 100)



Sources: INS, IMF staff calculations.

Assessment. The CA model implies an overvaluation of the metical and a REER gap of 17.1 percent, based on the CA-REER elasticity of 0.3. While the REER model indicates a REER overvaluation of 10.4 percent, the

REER model has large estimation uncertainties, and importantly, it does not control for megaproject-related activities, making it unsuitable for Mozambique. Thus, the bottom-line REER assessment relies on the CA model instead of on the REER model.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2025 (data through Q3), Mozambique's non-megaproject financial account inflows were dominated by FDI and other investment, including trade credit. Government borrowing recorded net outflow of 0.7 percent of GDP, as disbursement of new concessional external credit remained limited relative to debt repayments. Megaproject-related FDI inflows are estimated at 17.8 percent of GDP during 2025.

Assessment. With limited fast-moving capital flows, risks of external financing distress in the private sector are relatively contained. The government should seek external long-term concessional loans and grants to achieve development objectives and balance-of-payments stability.

FX Intervention and Reserves Level

Background. At end-December 2025, gross international reserves stood at USD 4,238 million, or 6.5 months of next year's non-megaproject imports (or 3.0 months of current non-megaproject imports) from USD 3,861 million at end-2024. The increase in net international reserves was supported by the megaproject-related FDI inflows and the Bank of Mozambique's discontinuation (in June 2023) of the FX window to cover fuel import bill, as well as temporary inflow of about USD 199 million up to end-September 2025, related to LNG revenue, scheduled to be reallocated to the sovereign wealth fund by end-2025.

Assessment. The reserve adequacy tool for credit-constrained economies is applied to Mozambique. With economic classification of fragile states and the cost of holding reserves assumed at 6.2 percent for ECF countries, Mozambique's reserve adequacy level is estimated to be 5 months of non-megaproject imports assuming a fixed exchange rate, and 1.6 month for a flexible exchange rate. While Mozambique's gross international reserves exceed the minimum level commonly recommended for LICs (3 months), higher reserves would bolster resilience to external shocks. Greater exchange rate flexibility would help the economy better absorb external shocks.

[1] The non-megaproject current account is used for external sector assessment as foreign enterprise-led and funded megaproject-related activities do not have a bearing on international reserves. This approach involves additional adjustments by deducting estimated megaprojects' indirect or induced imports within the traditional economy, as these data are not available.

[2] For the international investment position, total economy data is reported due to data availability constraints.

Annex VI. Risk Assessment Matrix[1]

Global Risks				
Source of Risks	**Likelihood**	**Horizon**	**Impact**	**Policy Response**
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth.	High	ST, MT	Medium	• Formulate credible medium-term fiscal path to support investor confidence • Implement reforms to improve competitiveness and remove bottlenecks to the private sector development
Financial Market Volatility and Correction. A sudden shift and disruptive shift in investor sentiment or policy stance could trigger market corrections, exchange rate turbulence, spikes in sovereign bonds yields, and capital flows volatility.	High	ST, MT	Medium	• Implement upfront actions to ensure fiscal and debt sustainability • Strengthen the resolution and crisis management frameworks • Increase exchange rate flexibility to serve as a shock absorber
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions.	High	ST, MT	High	• Implement upfront actions to ensure fiscal and debt sustainability • Strengthen debt management to ensure a financing mix which relies on concessional financing, and longer maturity domestic debt
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth.	High	ST, MT	Medium	• Diversify export products and partners • Adjust monetary policy as needed to inflation pressures • Improve social safety nets
Commodity Price Volatility. Shifts in supply and demand may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	ST, MT	High	• Prioritize transfers to the vulnerable Allow the exchange rate to act as shock absorber • Adjust monetary policy as needed to inflation pressures
Decline in International Aid. A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries.	High	ST, MT	Medium	• Implement upfront actions to ensure fiscal and debt sustainability • Allow the exchange rate to act as shock absorber • Adjust monetary policy as needed to inflation pressures
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	ST, MT	High	• Address infrastructure gaps • Strengthen safety nets • Invest in climate resilient infrastructure and agriculture. • Strengthen institutions to manage related risks

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Likelihood	Horizon	Impact	Policy Response
Domestic Risks				
Intensification and spread of conflict in the north.	High	ST, MT	High	• Implement socioeconomic policies to improve social cohesion.
Heightening of social tensions. High poverty rates can raise risks of social discontent.	High	ST, MT	High	• Improve participatory decision-making processes and transparent use and distribution of resources.
Materialization of fiscal risks (contingent liabilities from SOEs, revenue shortfalls, expenditure overruns).	High	ST, MT	High	• Strengthen cash and debt management and commitment controls, restructure SOEs in distress, and improve budget credibility.
Sovereign debt distress.		ST, MT		• Implement upfront actions to ensure fiscal and debt sustainability • Improve budget credibility, fiscal transparency and accountability • Strengthen debt management to ensure a financing mix relying on concessional financing and long maturity domestic debt
Financial instability. Domestic financing pressures can compromise banks' balance sheets exposed to government.	High	ST, MT	High	• Strengthen the resolution and crisis management frameworks. • Enhance regulation/supervision.
Delays in LNG projects. Deterioration of the security situation can affect onshore projects.	Medium	ST, MT	High	• Implement reforms to improve social cohesion, ease tensions, and support economic diversification, private sector and inclusive growth.
FX shortages. Elevated FX shortages can impede imports of essential goods such as fuel, food and medicine, and thus economic activity.	High	ST, MT	High	• Increase exchange rate flexibility. • Implement reforms to improve competitiveness, diversify the economy and remove bottlenecks to the private sector development

Annex VII. Impact of Global Developments

Mozambique's external sector is relatively resilient, supported by stable official grants, but vulnerable to fuel price volatility and aid reductions. A sensitivity analysis shows that a fuel price shock could widen the current account deficit by 2.8 percent of GDP, while grant cancellation would weaken the capital account by 0.2 percent.

1. **Background**. Mozambique's external sector is relatively insulated from many global shocks due to its export structure and the composition of capital inflows, which are predominantly official project grants and historically stable. However, fuel imports account for 14 percent of total imports, making the country vulnerable to global fuel price volatility and exchange rate movements that could affect inflation. Exports to the United States represent only 1.2 percent of total goods exports, so the direct impact of current bilateral trade measures is negligible. The main downside risks to the balance of payments stem from adverse fuel price movements and potential reductions in external aid.

Illustrative Shocks: Impact on Current Account

	Change to baseline projections		
	2025 (base)	2026 (shock)	2027 (recovery to pre-shock)
Fuel imports		Impact on current account	
US$, mn	1,232	369	377
% of GDP	5.1	-1.4	-1.4
Grant inflow		Impact on capital account	
US$, mn	61	(43)	-
% of GDP	0.3	-0.2	0.0
Combined impact on BOP			
US$, mn		326	377
% of GDP		-1.6	-1.4

Source: IMF staff estimates.

2. **To assess Mozambique's vulnerability to global developments, an illustrative sensitivity analysis is used to simulate adverse shocks to fuel prices and external grants**.

- **Fuel prices shock**. The scenario assumes a one-standard-deviation increase in fuel import prices based on historical volatility over the past decade. The shock is applied to the 2026 baseline projections, with prices returning to the pre-shock growth path in 2027. Import volumes remain constant, and no offsetting policy response is assumed.
- **External grant shock**. A complete cancellation of external grant project assistance in 2026 is assumed, with inflows resuming in 2027.

- **Balance of Payments impact**. Higher fuel prices would significantly raise Mozambique's import bill, worsening the goods trade balance and increasing the current account deficit by 2.8 percent of GDP over 2026–2027. Similarly, the cancellation of external grants in 2026 would reduce capital account inflows, weakening the capital account by 0.2 percent of GDP and widening the external financing gap.

Annex VIII. Sustainable Domestic Financing

Mozambique faces fiscal stress due to heavy reliance on domestic borrowing to finance deficits. Domestic public debt rose sharply between 2021–2024, with interest costs doubling. Domestic bank financing averaged 4 percent of GDP, far above the regional norms, posing sustainability risks beyond 2 percent, which is the level that countries in the region, including Mozambique, were mostly able to sustain historically.

Annex VIII. Figure 1. Mozambique: Financing Fiscal Deficit
(Percent of GDP)

Figure 1a. Central Government Operations and Debt, 2021–24
(Percent of GDP)

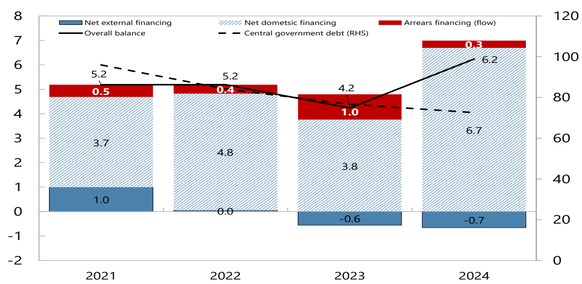
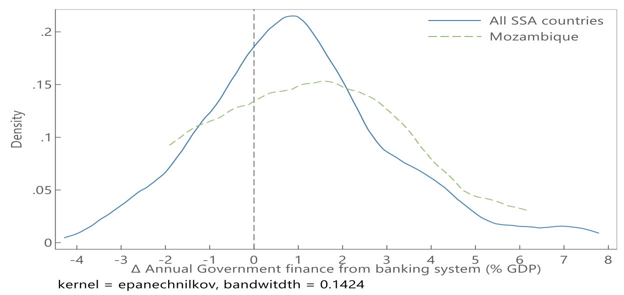


Figure 1b. Net Domestic Financing, Mozambique versus SSA Regional Peers, 2000–25



Source: Ministry of Finance, IMF IFS, IMF staff calculation.

1. **Mozambique's government is facing growing fiscal stress, driven by challenges in financing its deficit and rolling over existing debt**. Between 2021 and 2024, the government relied heavily on domestic debt to cover fiscal shortfalls (Figure 1a), leading to a sharp increase in both debt stock and servicing costs. Domestic debt rose from 23.5 percent of GDP in 2021 to 28 percent in 2024, while interest payments increased from 1.6 percent to 3.1 percent of GDP over the same period, reflecting the sharp rise in interest rates driven by monetary policy tightening up to January 2024. Preliminary 2025 data suggests further increase in the reliance on domestic debt to about 30 percent of GDP, while interest payments remained elevated at 4 percent of GDP as in 2024.

2. **Mozambique stands out in Sub-Saharan Africa for its reliance on the domestic banking system to finance government deficits**. While domestic bank financing typically averages around 1 percent of GDP per year, while Mozambique's has been closer to 2 percent (Figure 1b). During 2020–24, Mozambique's average annual domestic bank financing reached 4 percent of GDP, well above regional norms.

3. **Based on this evidence, staff assess that annual domestic financing exceeding 2 percent of GDP poses sustainability risks, given rising debt service costs and potential crowding out of private sector credit**. With Mozambique's sovereign-bank nexus about average (see ¶28 of the main text), banks' deposits increasing at a pace of 5 percent of GDP per year, and banks parking the equivalent of 8 percent of GDP in overnight instruments at the BM, there is space for further absorption of government debt, once confidence is restored.

Annex IX. A Path to Macroeconomic Stability

The reform scenario combines front-loaded fiscal consolidation and greater exchange rate flexibility to restore stability and confidence. Measures include wage bill rationalization and revenue mobilization. These reforms lower debt, reduce domestic financing needs, improve investor sentiment, and support gradual private sector recovery.

1. **A decisive policy adjustment package could avert a crisis and create conditions for a gradual private sector recovery, offsetting the drag from fiscal consolidation**. The reform scenario (Text Table 4) assumes front-loaded fiscal consolidation and greater exchange rate flexibility, including a real depreciation to align with fundamentals. It also assumes concessional external financing. This scenario is benchmarked against the baseline presented in Text Table 4.

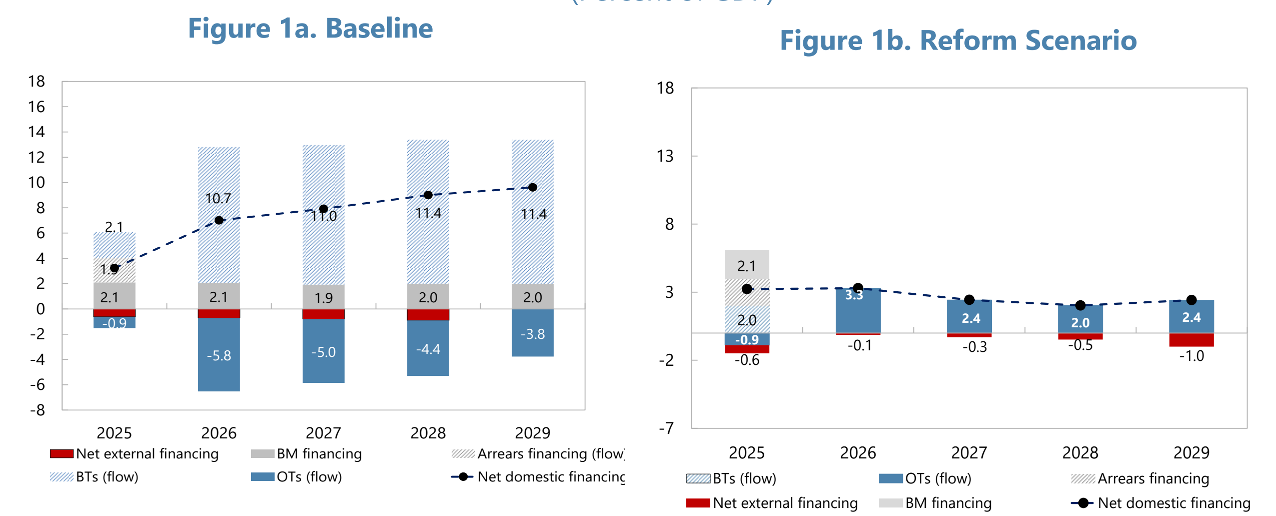
2. **Fiscal adjustment**. A 3 percentage points of GDP improvement in the primary balance over 2026–28 is driven by wage bill rationalization (3 percentage points of GDP) and revenue measures (0.8 percentage points of GDP). Public debt would decline to 104 percent of GDP by 2030, compared to rising to 112 percent of GDP under baseline, contingent on credible fiscal policies that restore donor confidence and enable higher concessional financing. Expenditure measures include wage bill rationalization (containing the 13th month salary, nominal freeze of the base salary, freezing promotions and progressions, and limiting overtime and new hires) (¶21). These measures could yield about 3 percentage points of GDP reduction in wage bill spending by 2028 that would create space for priority spending. Revenue mobilization measures include broadening VAT base, eliminating VAT exemptions, and increasing excise taxes, rationalizing corporate income tax (CIT) holidays, and harmonizing CIT rates across sectors (¶23).

3. **Growth and Inflation**. Real GDP growth is projected at 1.5 percent in 2026, with non-mining growth at 1.5 percent (0.5 percentage points below baseline) due to fiscal consolidation. Non-mining growth rises to 2.2 percent in 2027 (compared to 2 percent in the baseline), supported by improved sentiment and credit growth from reduced deficit financing and greater FX availability. Inflation will temporarily increase in 2026–27 due to passthrough from an exchange rate depreciation (partially limited by fiscal consolidation) before converging to the BM's 5 percent target over the medium term.

4. **External sector**. The current account deficit (excluding mega-projects) will widen modestly due to import normalization and real exchange rate depreciation amid supply disruptions. LNG-related imports and weak coal prices drive the overall deficit. Reserves will decline slightly by end-2025 amid limited external support but narrow over the medium term as fiscal consolidation and exchange rate adjustment take hold.

5. **Financing assumptions**. Under the baseline (Figure 1a), limited concessional financing requires reliance on short-term domestic debt and central bank financing, raising domestic debt by about 21 percent of GDP and interest costs by 3 percent over the medium term. Under the reform scenario, upfront consolidation reduces net domestic financing from 3.2 percent of GDP in 2025 to 2 percent in 2028, with no central bank financing or arrears accumulation. Credible reforms would improve investor confidence and revive demand for longer-term securities.

Annex IX. Figure 1. Mozambique: Fiscal Deficit Financing Assumptions, 2025–29
(Percent of GDP)



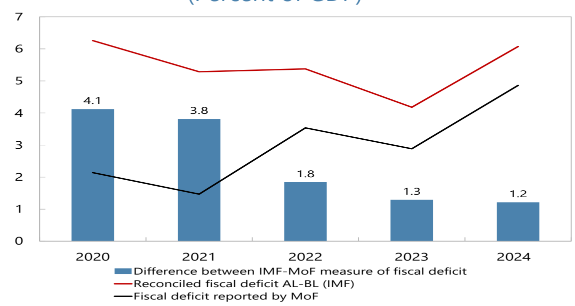
Source: IMF staff projections.

Annex X. Measuring the Fiscal Deficit

Persistent gaps between above-the-line and below-the-line fiscal deficit measures signal possible unrecorded expenditures, undermining transparency and credibility. Reconciling both measures in annual accounts is essential to reduce uncertainty and strengthen fiscal discipline. Staff consider below-the-line estimates a more reliable indicator of fiscal performance.

1. **There are significant discrepancies between above-the-line (AL) and below-the-line (BL) estimates of the fiscal deficit**. AL focuses on revenue and expenditure flows, while BL captures changes in government debt—including the stock of outstanding arrears—and financial assets. During 2020–24, the average annual fiscal deficit measured AL was 3 percent of GDP, compared to 5.4 percent of GDP when measured BL, implying an average annual discrepancy between IMF and the authorities measure of the fiscal deficit of 2.5 percent of GDP (Figure 1). Consistent reconciliation of AL and BL measures of the fiscal deficit by the annual fiscal accounts (Conta Geral do Estado, CGE) is critical to enhance fiscal transparency, accuracy, and policy credibility.

Annex X. Figure 1. Mozambique: Fiscal Deficit, 2020–24
(Percent of GDP)



Source: Ministry of Finance; and IMF Staff estimate.

2. **The BL measure has consistently exceeded the AL measure**. Large unexplained gaps may signal unrecorded transactions in AL accounts or off-budget operations, eroding trust in fiscal data. One potential reason for this could be explained by the fiscal accounts (CGE) coverage which reports 94 percent of gross public sector expenditures.[1] Such omissions would mean that the reported deficit is understated, which distorts the assessment of fiscal sustainability. In addition, fragmentation of oversight of fungible funds available to state budget (off-CUT/off-TSA), weakens fiscal reporting and cash management (¶45). Moreover, staff identified various inconsistencies in official debt statistics including inconsistencies in debt data provision between Ministry of Finance and Bank of Mozambique, and also between the Meridian database maintained by the Ministry of Finance and World Bank's International Debt Statistics. In this context, debt liabilities incurred by ENH is not accounted for as part of total public debt, creating a discrepancy in debt data reported by the IMF and official debt statistics.

3. **While staff will continue to support the authorities in improving fiscal reporting and public financial management (PFM) through capacity development,[2] staff consider the BL measure to be a more reliable indicator of the fiscal deficit**. It is worth noting under the 2022 Extended Credit Facility staff continuously reconciled AL and BL to ensure an accurate measure of the fiscal deficit.

[1] IMF (2022). *Fiscal Transparency Evaluation*.
[2] Capacity development provided by the IMF aimed at strengthening PFM, enhancing budget credibility, and fiscal discipline and transparency. Technical assistance included Fiscal Transparency Evaluation (2021), strengthening cash management (2025, 2023), Treasury Single Account operations and budget execution (2022).

Annex XI. Asymmetries in Trade Statistics

Mozambique's trade data shows persistent and widening discrepancies with partner-country statistics. These gaps could be related to FX constraints and reflect tax avoidance, informality, and customs inefficiencies rather than valuation errors. Strengthening data integrity through customs digitalization is critical to improve transparency, fiscal revenues, and policy credibility.

1. **Mozambique's official trade data often diverges significantly from partner-country records, indicating systemic issues rather than isolated errors**.[1] While minor gaps can arise from valuation differences (FOB vs. CIF), exchange rate conversions, or statistical errors, the magnitude and persistence of Mozambique's discrepancies suggest structural problems such as trade mis-invoicing, capital flight, and tax evasion.

2. **Persistent negative gaps in both imports and exports have been observed with major trading partners, with import gaps widening since 2015**. Negative imports and exports gaps with the World averaged around 80 and 20 percent of Mozambique's reported imports and exports respectively over 2021-2024, meaning that in both areas, Mozambique's statistics recorded lower trade than recorded by statistics of trading partners.[2] These discrepancies are more pronounced than in other SSA countries. Negative imports asymmetries with South Africa, India, and China have increased sharply since 2021, despite a slight easing in 2022 following FX law changes aimed to guide a gradual liberalization of the FX market and introduced greater flexibility in FX transactions and liberalization of capital operations.[3] Over 2021-2024, negative imports asymmetries with South Africa and China averaged 150 and 170 percent of Mozambique's reported imports respectively (imports from South Africa and China account for 25 and 15 percent of Mozambique's total imports).

3. **The drivers of these asymmetries extend beyond statistical errors**. Foreign exchange controls and shortages incentivize practices such as under-invoicing of trade to retain more FX abroad, while tax and tariff avoidance and policy-induced informality further exacerbate the problem. Customs inefficiencies and weak enforcement compound these issues. Mozambique's large informal economy—over 80 percent of employment and up to 40 percent of GDP—reinforces incentives for underreporting imports.

4. **Persistent and widening imports asymmetries signal market frictions and barriers to formal FX access, encouraging informal trade and mis-invoicing**. These distortions undermine

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[1] These gaps appear across multiple sectors (see J. Oppewal, da Cruz, A., IGC, 2022).

[2] The exports (imports) asymmetry measures the difference between country A's (i.e., Mozambique's) reported exports (imports) to country B (i.e., Mozambique's trade counterpart) and country B's reported imports (exports) from country A; that is: Exports Asymmetry(A,B) = Exports(A to B) − Imports(B from A) and Imports Asymmetry(A,B) = Imports(A from B) − Exports(B to A), which are reported as a share of Mozambique's reported exports (imports). A negative asymmetry means that underreporting of exports or imports flows relative to the counterpart's data.

[3] The Foreign Exchange Law No. 28/2022 included measures such as mandatory repatriation and conversion of export proceeds; the establishment of mandatory use of meticais for domestic payments; the introduction of a Unique Bank Identification Number and standardized declarations/formalities for FX operations.

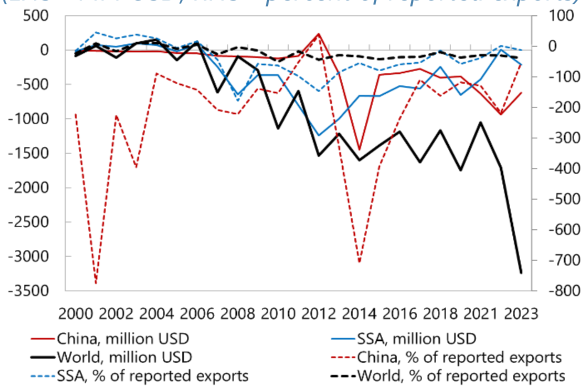
fiscal revenues, obscure external sector analysis, and weaken policy credibility. While valuation and timing differences explain some gaps, the scale and trend point to structural constraints and governance weaknesses.

5. **Strengthening the integrity and coverage of Mozambique's trade data is essential**. Large negative imports asymmetries likely reflect underreporting at borders, weaknesses in customs administration, and widespread informal trade. Addressing these gaps requires digitalizing customs systems, improving data-sharing with trade partners, and conducting targeted studies on informal flows.

Annex XI. Figure 1. Mozambique: Asymmetries Mozambique's trade statistics

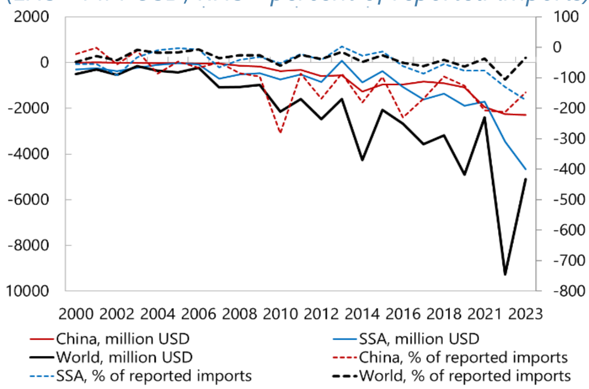
Exports Asymmetries with the World, China, SSA

(LHS - MM USD, RHS - percent of reported exports)



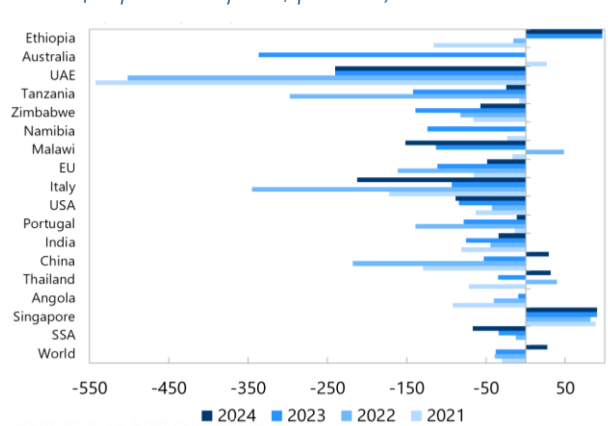
Imports Asymmetries with the World, China, SSA

(LHS - MM USD, RHS - percent of reported imports)



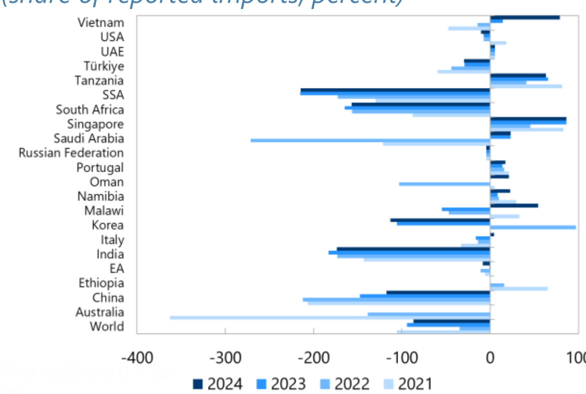
Mozambique's Exports Asymmetries with Trade Partners

(share of reported exports, percent)



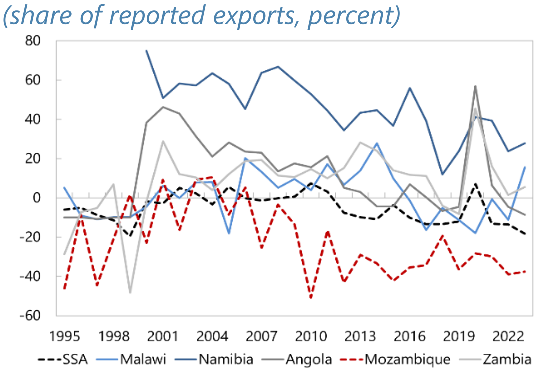
Mozambique's Imports Asymmetries with Trade Partners

(share of reported imports, percent)



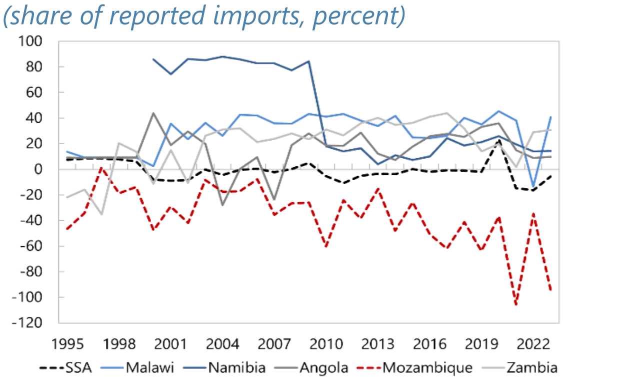
Mozambique's Exports Asymmetries vs. Other SSA

(share of reported exports, percent)



Mozambique's Imports Asymmetries vs. Other SSA

(share of reported imports, percent)



Source: IMTS, staff calculations.

Note: Extreme values are discarded. The International trade in goods by partner country dataset (IMTS, formerly DOTS) provides merchandise trade statistics (goods only, not services) broken down by reporting country and partner country.

Annex XII. Moving Toward Gender Equality

Gender equality is critical for Mozambique's inclusive growth. Despite progress in addressing legal constraints to women's economic participation, outcome gaps remain wide, driven by high adolescent fertility and limited skills for formal jobs. Closing gender disparities could boost GDP by up to 15 percent. Achieving this requires holistic policies and sustained political commitment.

1. **Beyond its human rights dimension, gender equality is critical for sustainable and inclusive growth**. Greater equality—measured by the Gender Inequality Index (GII), which captures disparities in education, health, labor market outcomes, and political participation—is associated with higher per capita GDP and lower poverty, inequality, and informality. Mozambique ranks 121st out of 173 countries globally for gender equality (UNDP), reflecting weak development indicators

2. **Mozambique has advanced toward gender equality since the 2000s, but significant barriers persist**. While legal frameworks for women's economic participation are comparable to those in upper-middle-income countries (UMICs), outcome indicators lag behind (Annex XIII, Figure 1). High adolescent fertility rates hinder girls' education, perpetuating gender gaps in schooling and limiting skills for formal sector employment. Despite progress at a pace similar to UMICs, Mozambique's gender outcome gaps remain wide.

3. **Closing gender gaps could yield substantial economic benefits**. Empirical evidence suggests Mozambique's real per capita GDP growth could rise by 0.5–0.8 percentage points annually if its GII matched UMIC levels. Model-based estimates indicate GDP could increase by 15 percent if workforce disparities were eliminated (Cuberes and Teignier, 2016)[1], while Pennings (2022)[2] estimates up to 7 percent per capita GDP gains from closing labor market gaps. In a low-growth environment (Annex II), enabling women's full participation in the labor force is essential for long-term growth.

4. **Achieving gender equality is a priority in Mozambique's National Development Plan (ENDE 2025–2044)**. Given the economy's vulnerability to shocks—including climate disasters and security challenges that exacerbate gender disparities—leveraging women's potential is vital for inclusive, private sector-led growth (Ganum and Sever 2025).[3] Efforts must be holistic, cross-cutting, and supported by sustained political commitment to address the multifaceted nature of gender inequality.

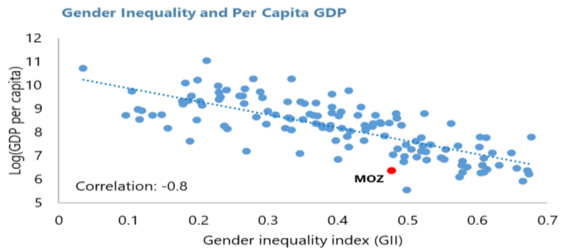
[1] Cuberes, David, and Marc Teignier. "Aggregate effects of gender gaps in the labor market: A quantitative estimate." Journal of Human Capital 10, no. 1 (2016): 1–32.

[2] Pennings, Steven Michael. "A Gender Employment Gap Index (GEGI): A Simple Measure of the Economic Gains from Closing Gender Employment Gaps, with an Application to the Pacific Islands." World Bank (2022).

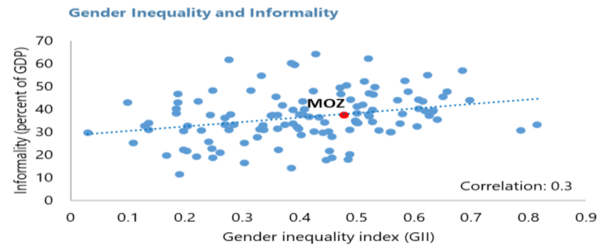
[3] Ganum, Paola, and Can Sever. "Frayed Societies: Decoding the Interplay between Conflicts and Gender Inequality." IMF Working Paper. No 12 (2025).

Annex XII. Figure 1. Mozambique: Gender Inequalities and Economic Outcomes

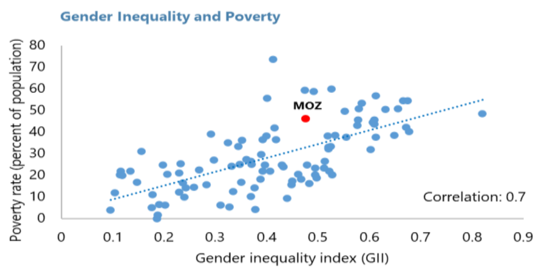
Gender inequality is associated with lower per capita GDP…



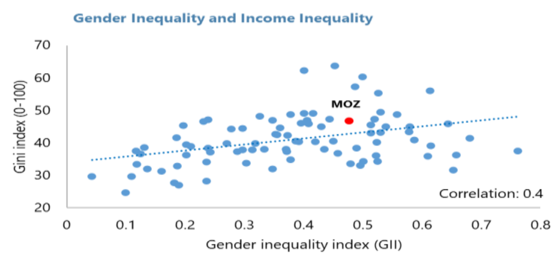
…, higher levels of informality…



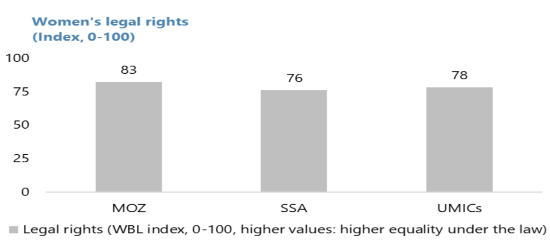
…, higher poverty rates…



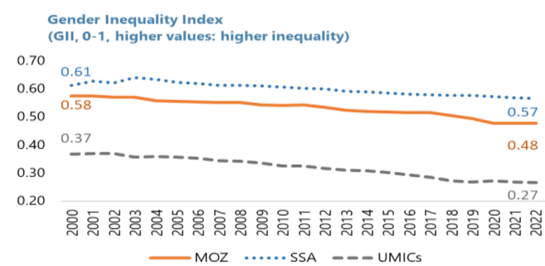
…, and greater income inequality.



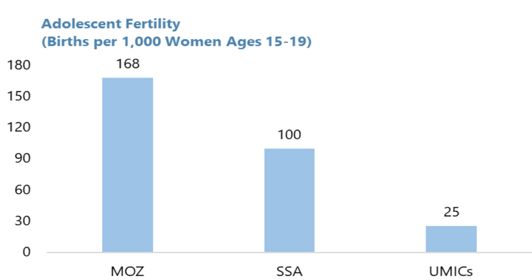
Mozambique reforms similar to UMICs regarding women's legal rights…



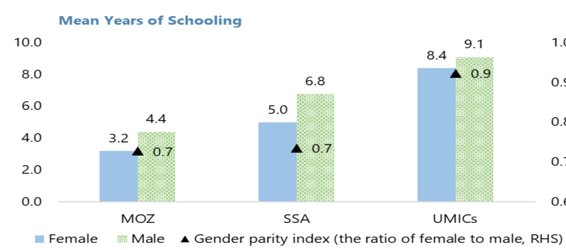
but it lags behind in gender equality in outcomes, despite progress.



doslecent fertility rate is high…



…, and females remain less educated.



Sources: World Bank, UNDP, Solt (2016), Elgin et al. (2021), and IMF staff calculations. Gender inequality index (GII) ranges between 0 and 1, higher value indicating higher gender inequality in outcomes. Gini index is between 0 and 100, with higher values representing higher income inequality. The variables are from the years in parentheses: GDP per capita (2022), informality (2020), Gini index (2015-21 latest for each country), poverty rate based on national line (2014-22 latest for each country), adolescent fertility rate (2020), mean years of schooling (2022), WBL index on legal rights (2023). In the scatter plots, each dot is a country, GII is from the latest year of periods for the other variable as indicated in parentheses, and the sample consists of emerging markets and developing economies (EMDEs) with available data. Upper-middle income countries (UMICs, as classified by the World Bank) and Sub-Saharan Africa (SSA, excluding Mozambique) are population-weighted averages

Annex XIII. Data Issues

Annex XIII. Table 1. Mozambique: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	C	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	C	B	B		
Granularity 3/	C		C	B	C		
			B		A		
Consistency			C	C		B	
Frequency and Timeliness	A	A	B	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. In real sector, the coverage is adequate for surveillance, while the granularity (e.g., in the extractives sector) and consistency with other sectors has scope for improvement. In prices, coverage of inflation is restricted to several cities which is noted as a drawback. In the monetary and financial sectors, more granularity of government debt holdings and other items of banks' balance sheets, as well as improvements in the data on non-banking sector, will be useful for surveillance. In the external sector statistics, any adjustments to BOP errors and omissions should be discontinued, and issues regarding inconsistencies and data collection identified by the IMF Statistics Department should be addressed. Moreover, some of the classifications of subcomponents on the external sector statistics and the government sector data are not fully in line with BPM6 recommendations, as well as with government finance statistics are still not consistent with the BPM6 methodology. In public finances, more granularity in both the revenue and expenditure sides will help staff assess the fiscal sector better. The recording of some SOE-related expenditures, including quasi-fiscal operations, and consistency of stock and flows also need improvements. Intersectoral consistency is negatively affected by (i) discrepancy in government borrowing arising from different recoding of T-Bills by the BdM and MoF, (ii) recording of SOE operations and obligations by MoF, and (iii) absence of official reporting of arrears to domestic suppliers and VAT refund arrears.

Changes since the last Article IV consultation. National Statistics Institute (INE) started to share longer time series for quarterly national accounts going back to 2017, and including the breakdown of supply and demand subcomponents. The Ministry of Finance started to publish arrears within the SOE sector. Benefiting from IMF STA on Governemnt Finance Statistics (GFS), the authorities are in the process of submitting more timely and internally consistent GFS data. INE disclosed the CPI basket at a granular level. Areas of progress and possible future needs for TA are summarized below.

Corrective actions and capacity development priorities. Mozambique received TA from IMF Statistics Department to fix issues in the external sector statistics, which will be helpful to bridge data gaps going forward. In 2019, Mozambique launched the National Summary Data Page (NSDP) to disseminate data as a participant of e-GDDS. The priority is to further improve the quality, coverage, and frequency of monetary, external, and government finance statistics, and public sector debt statistics, including strengthening compilation and dissemination of fiscal data by aligning with the latest GFS Framework-Government Operation Statement; implementing regular reconciliation of net credit to the government and public debt statistics; and expanding the coverage to consolidated General Government; and ensure that national accounts and price statistics are compiled and disseminated using appropriate statistical techniques by reviewing improved quarterly national accounts compilation and improving the linked CPI series, respectively.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Estimate for the informal sector, as well as more timely data on income inequality and poverty, and vulnerabilities of the economy to climate shocks will be helpful for staff analysis.

Annex XIII. Table 2. Mozambique: Data Standards Initiatives

Mozambique participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since July 2019.

Annex XIII. Table 3. Mozambique: Table of Common Indicators Required for Surveillance

(As of December 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Mozambique[8]	Expected Timeliness[6,7]	Mozambique[8]
Exchange Rates	Jan-26	Jan-26	D	W	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	16-Jan-26	22-Jan-26	W	W	M	M	1M	30D
Reserve/Base Money	16-Jan-26	22-Dec-26	D	W	M	M	2M	1M
Broad Money	30-Nov-25	15-Jan-26	M	M	M	M	1Q	1M
Central Bank Balance Sheet	30-Nov-25	15-Jan-26	M	M	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	30-Nov-25	15-Jan-26	M	M	M	M	1Q	1M
Interest Rates[2]	16-Jan-26	22-Dec-26	D	W	M	M	...	1M
Consumer Price Index	Dec-25	9-Jan-26	M	M	M	M	2M	10D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-25	Nov-25	Q	Q	Q	A	1Q	60D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-25	Nov-25	Q	Q	Q	A	2Q	60D
External Current Account Balance	Sep-25	Nov-25	Q	I	Q	Q	1Q	50D
Exports and Imports of Goods and Services	Sep-25	Nov-25	Q	I	M	Q	12W	50D
GDP/GNP	Sep-25	28-Nov-25	Q	Q	Q	Q	1Q	45D
Gross External Debt	Dec-25	Jan-26	A	I	Q	A	2Q	50D
International Investment Position	Sep-25	Nov-25	Q	I	A	Q	3Q	50D

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex XIII. Table 3. Mozambique: Summary of Data Quality Factsheets 1/2/

1/ The heatmap compares different dimensions of the country's data quality to its regional and income group peers, based on the findings from sectoral data quality factsheets. The ratings are based on the following scoring system: good data quality (shown as green-colored cells in the map) refers to countries that meet or exceed the relevant benchmarks established in statistical manuals or the Fund's dissemination standards, whereas weak data quality (shown as red-colored cells) refers to countries that lag behind these benchmarks or do not report the data. In cases where a statistical standard or benchmark is not established (e.g., internal consistency between CPI and GDP deflator, size of unidentified debt-creating flows), good data quality refers to countries that are at or above the median of the Fund membership, and weak data quality refers to countries below this median or without the data.

2/ All colored-cells in this heatmap are also presented in sectoral data quality factsheets (worksheets starting with "DQF-"), in the form of bar charts and heatmaps, together with additional details and sources. In the case of granularity-related indicators, which are based on heatmaps in data quality factsheets, we take the median rating of individual data categories to determine the cell color (i.e., "green" if the country's median rating is above or equal to the Fund median and "red" if not).

3/ The consistency indicator captures the following in each sector: the 5-year average correlation between CPI and GDP deflator inflation in the real sector ("Prices"); the size of unidentified government debt creating flows in the fiscal sector; and the size of net errors and omissions in the balance of payments in the external sector.

4/ GO: Government Operations; ESS: External Sector Statistics; MFS: Monetary and Financial Statistics; and FSI: Financial Soundness Indicators.
Disclaimer: Information reported in the map—sourced from FAD, SPR, STA, and RES databases, as well as from the authorities' National Summary Data Page (for those countries participating in the Data Standard Initiatives), may be incomplete or outdated. This information is offered as input for the team's overall assessment of data adequacy, which should also reflect each country's surveillance priorities and specific circumstances.

Annex XIV. Capacity Development Strategy

Mozambique receives extensive technical assistance from the IMF focused on PFM, revenue mobilization, debt management, governance, and resource revenue management. Progress has been made, but absorption is constrained by limited capacity and resources. The authorities value IMF's practical support and prioritize macro-fiscal frameworks, fiscal digitalization, and central bank modernization.

1. **Mozambique is a major recipient of IMF Technical Assistance (TA) and Capacity Development (CD)**, with support focused on governance, public financial management (PFM), revenue mobilization, natural resource wealth management, monetary and macroprudential frameworks, and government, real, and financial sector statistics. TA/CD activities respond to authorities' requests and align with reform priorities in the five-year government plan, the long-term national strategy, and Fund staff recommendations. Policy advice under surveillance and the 2022 ECF arrangement builds on macro-critical TA recommendations. Despite administrative and strategic planning challenges, progress has been made on structural reforms.

CD Priorities

2. **The CD strategy emphasizes consolidating PFM reforms, modernizing revenue administration, supporting digital transformation, and strengthening fiscal stability and debt management**. It also targets improved governance, modernization of central bank operations, enhanced compilation and dissemination of fiscal and real sector statistics, and preparation for transparent management of natural resource revenues and climate resilience. While progress has been achieved, absorption remains constrained by limited capacity, resource shortages, staff turnover, and weak prioritization. These challenges can be mitigated through a sequenced approach, strong leadership buy-in, and complementary donor support.

Authorities' Views

3. **Senior officials from the Ministry of Finance, Bank of Mozambique, Revenue Authority, and INE expressed appreciation for IMF support delivered through the Resident Representative Office, AFRITAC South, HQ missions, short-term experts, and online training**. They value the IMF's practical, high-quality advice and consider Fund staff trusted partners. Authorities endorsed CD priorities, highlighting macro-fiscal frameworks for managing resource revenues and climate shocks, wage-bill consolidation, debt management, and fiscal digitalization. Ongoing work includes improving forecasting, strengthening budget execution and controls, managing fiscal risks, enhancing government finance statistics, and modernizing revenue administration with a focus on large taxpayers. The central bank modernization project, financed by Norway and focusing on several aspects of central banking such as operational risk management, payment systems oversight, cash currency management, and the forecasting and policy analysis framework, continues to deepen previous gains.

Priorities	Objectives
Public Finance Management (PFM)	Strengthening fiscal institutions with a view to improving budget planning and cash forecasting, wage bill consolidation, spending control, fiscal risk management, fiscal governance and transparency, fiscal reporting, natural resource wealth management, and climate resilience that could be supported by an RSF program. Efficiency and transparency gains through digital transformation.
Tax Policy and Revenue Administration	Strengthening revenue mobilization by enhancing core tax administration and customs functions, broadening the revenue base, improving tax revenue compliance, and enhancing customs administration core functions to support fiscal consolidation and strengthen revenue mobilization. For revenue administration, strengthening management and core and support functions should be priorities. with focus on large taxpayers, risk assessments and more digital-by design management processes to increase efficiency and transparency.
Debt Management	Enhance debt management operations to ensure timely debt service, reduce borrowing costs, and mitigate risks.
Monetary and Macroprudential Policy; and Central Bank Operations	Strengthening central bank governance and supporting the central bank's modernization efforts across most areas of central bank responsibility.
Governance	Strengthening the implementation of the governance reform agenda through institutional strengthening of the anti-corruption framework, modernizing the legal framework for the supreme audit function to strengthen independence and allow for timely publication of audit recommendations and the Financial Integrity Unit's (GiFIM) capacity for effectiveness in AML/CFT supervision of Designated Non-financial Businesses and Professions.
Statistics	Strengthening the implementation of the governance reform agenda through reinforcing the anti-corruption framework, modernizing the legal framework governing the supreme audit function to ensure independence and enable timely publication of audit recommendations, and enhancing the Financial Integrity Unit's (GiFIM) capacity to effectively supervise AML/CFT compliance.

INTERNATIONAL MONETARY FUND

REPUBLIC OF MOZAMBIQUE

2025 ARTICLE IV CONSULTATION —DEBT SUSTAINABILITY ANALYSIS

January 28, 2026

Approved By
Andrea Richter Hume (AFR) and Jay Peiris (SPR) and Hassan Zaman and Manuela Francisco (WB)

Prepared by the staff of the International Monetary Fund and the World Bank.

Mozambique: Risk Rating Summary	
Joint Bank-Fund Debt Sustainability Analysis	
Risk of External debt distress:	High
Overall risk of debt distress	in debt distress
Granularity in the risk rating	Unsustainable
Application of judgment	No

Overall public debt is projected to be on an unsustainable path.[1] *A comprehensive policy package that could potentially safeguard debt sustainability, including a credible fiscal adjustment, greater exchange rate flexibility, and a prudent debt management strategy—has yet to be articulated by the authorities. External public debt is at high risk of debt distress, with the present value (PV) of external debt-to-GDP above the sustainability threshold for multiple years, consistent with previous DSAs. Meanwhile overall public debt is assessed as in distress as total debt-service arrears amounted to 1.3 percent of GDP at end-2025—a downgrade relative to the July 2024 DSA.*[2] *The PV of total public debt-to-GDP is projected to remain significantly above its benchmark throughout the projection horizon. In contrast, the PV of external debt-to-GDP is expected to stay above its sustainability threshold for several years but fall below the threshold by 2032 as LNG revenues pick up (compared to 2030 in the previous DSA).* Fiscal consolidation and greater exchange rate flexibility, combined with enhanced debt management, would significantly help restore debt sustainability.

[1] Baseline and unchanged policies are used interchangeably throughout the report.

[2] Similar to the July 2024 DSA, Mozambique's debt carrying capacity is assessed as "weak" based on a compositor indicator value of 2.49. This assessment is based on the World Economic Outlook, October 2025 and the 2024 Country Policy and Institutional Assessment.

PUBLIC DEBT COVERAGE

1. **Public debt coverage remains unchanged from the 2024 DSA** (Text Table 1). It encompasses external and domestic obligations of the central government, state-owned enterprises (SOEs) debt, and government guarantees for SOE contracted debt. Empresa Nacional de Hidrocarbonetos (ENH) is involved in LNG exploitation. ENH's external debt accounts for 19.2 percent of GDP, while the rest of SOEs' external debt accounts for 1.2 percent of GDP (as of end-2024). Debt is assessed by currency, as creditor residency information is not available. The contingent liabilities stress test assumes the realization of contingencies related to municipal debt,[3] an ongoing arbitration claim by Export Trading Group, and non-ENH SOEs external debt—each estimated at 2 percent of GDP and 1.5 percent of GDP, respectively.[4,5] These contingencies are at or below the default amount for SOEs debt.

Text Table 1. Mozambique: Public Debt Coverage and Design Stress Tests of Contingent Liability

Public Sector Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

Definition of Contingent Liabilities

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	2 percent of GDP	2.0	Municipalities debt and Export Trading Group (ETG) arbitration claim
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	1.5	Non-ENH SOE direct external debt (1.5 ppt of GDP)
4	PPP	35 percent of PPP stock	3.3	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		11.8	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Source: Mozambican authorities and IMF staff calculations.

[3] Municipalities debt is not systematically collected by the authorities. Staff understanding is that municipalities typically hold short-term and they are required to obtain authorization from the Minister of Finance before contracting longer-term debt.

[4] External debt includes debt by TMCel (telecom company), Petromoc (fuel importer), EMEM (mining company), EDM (electricity company) and BNI (Banco National de Investimento).

[5] Ongoing arbitration claim by Export Trading Group (ETG) of USD 120 million relates to compensation for business damage. ETG has started the official process of arbitration in London.

BACKGROUND

A. Recent Debt Developments

2. **With large fiscal deficits and reduced external financing, Mozambique is navigating a fiscal crisis**. The social unrest that followed the October 2024 election led to business closures, lower imports, a sharp contraction in services, and a lower real GDP path compared to the July 2024 DSA (Text Table 3). There was also a steep drop in tax revenues to 18.7 percent of GDP in 2025, from 20.3 percent in 2024. The revenue shortfall, compounded by limited access to financing, forced the government in 2025 to implement severe expenditure cuts, particularly in goods and services as well as capital investment. Net external financing has been negative since 2022, leaving domestic debt as the primary source of funding for fiscal deficits. Domestic financing declined from 6.7 percent of GDP in 2024 to 3.2 percent in 2025 with heavy reliance on short-term debt, while arrears financing (suppliers and debt service arrears) are estimated to have risen markedly, from 0.3 percent of GDP in 2024 to 1.9 percent in 2025.

3. **Public debt was about 91 percent of GDP at end-2024, about the same as a year earlier** (Text Table 2).[6] As external public debt declined amid constrained external financing, while domestic debt rose significantly due to a large fiscal deficit, ENH debt increased to 20.4 percent of GDP (Box 1).[7] Public external debt remains largely concessional, owed to multilateral institutions and bilateral donors (Text Table 2, Table 5). In 2024, the authorities finalized settlement of Mozambique's "hidden debt" obligations. Out-of-court settlements in October 2023 and June 2024 resolved Proindicus and MAM disputed debt, averting a larger fiscal burden from potential adverse court rulings.

4. **Mozambique is facing increasingly difficult financing conditions resulting in the accumulation of debt service arrears estimated at 1.3 percent of GDP at end-December 2025.** In 2024, Mozambique accumulated USD 54 million in new external debt service arrears to official creditors; these were settled in February 2025. At end-2024, outstanding arrears stood at USD 601 million[8] (Text Table 4). As of end-2025, additional external debt service arrears of USD 230 million or 0.9 percent of GDP have been incurred, delayed by 79 days on average, some of which delayed by 8 months. External debt service arrears have been accumulated with both multilateral institutions—Arab Bank for Economic Development in Africa (BADEA), the European Investment Bank (EIB), Islamic Development Bank (IsDB), the International Fund for Agricultural Development (IFAD), International Development Association (IDA), the Nordic Development Fund (NDF), and the OPEC Fund—and bilateral creditors—Saudi Arabia, the Saudi Fund for Development (SFD), Austria, Belgium, Brazil, China, France, India, Japan, Kuwait, Libya, Portugal, Romania, Russia, South Korea, and Spain. In 2022, Mozambique reached an agreement to settle arrears with Brazil (pending parliamentary approval), and is negotiating pre-HIPC arrears with Angola, Bulgaria and Poland, having reached agreements with Iraq and Libya. Domestic debt service arrears continued throughout 2025, and in

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[6] The stock of debt reported in Text Table 2 includes ENH debt, while Mozambique's 2024 Annual Debt Report excludes ENH debt, which accounts to USD 4.6 billion, equivalent to 20.4 percent of GDP in 2024 (see Annex XV).

[7] Like the previous DSA, the DSA includes government guaranteed debt to ENH of about USD 2.25 billion until 2028.

[8] Long-standing lack of debt service reported by the authorities for Brazil, Libya, Angola, Poland, and Bulgaria.

October 2025 were incurred for the first time on short-term securities. By end-December 2025, domestic debt arrears have reached 0.4 percent of GDP. Amid rising arrears, S&P downgraded domestic debt to selective default in March 2025, reaffirming this rating in October 2025.

Text Table 2. Mozambique: Debt, Public and Publicly Guaranteed
(Percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public sector debt	**124.8**	**103.8**	**105.5**	**98.3**	**120.0**	**104.3**	**100.4**	**90.8**	**91.5**
Public sector external debt (incl. guarantees)	**102.5**	**83.5**	**85.3**	**78.8**	**97.3**	**80.8**	**72.1**	**66.3**	**62.5**
A. Bank of Mozambique-IMF	2.0	1.3	1.0	1.4	4.0	3.0	3.1	3.0	2.7
B. General Government	88.5	72.1	73.6	72.5	92.3	77.0	67.9	63.0	59.5
Multilateral creditors, excl IMF	35.5	29.2	29.3	26.8	32.7	27.5	23.6	21.4	19.8
Bilateral creditors	38.5	32.1	32.4	29.1	33.8	27.1	22.0	18.7	15.6
Paris Club	7.1	7.1	8.0	7.2	8.6	6.4	5.3	5.0	4.1
China (incl. EXIMBANK of China)	15.9	14.2	14.5	12.8	14.8	11.9	9.1	7.4	6.4
Portugal	5.9	4.9	4.1	3.6	3.7	3.1	2.6	2.1	1.8
Pre-HIPC loans[1/]	5.5	4.2	4.0	3.8	4.5	3.6	3.3	2.9	2.2
Banks	6.8	5.1	4.9	5.7	6.8	5.4	4.8	4.3	4.0
EMATUM/Mozam Eurobond	6.8	5.1	4.9	5.7	6.8	5.4	4.8	4.3	4.3
Other public sector: *ENH (LNG project)*	7.6	5.7	7.0	10.8	19.0	17.0	17.6	18.6	20.1
C. Government guaranteed external debt	11.0	8.2	7.9	3.8	0.5	0.3	0.3	0.3	0.2
EMATUM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proindicus	6.1	4.7	4.7	0.0	0.0	0.0	0.0	0.0	0.0
MAM	5.4	4.3	4.3	4.1	0.0	0.0	0.0	0.0	0.0
ENH	0.0	0.0	0.0	0.3	0.3	0.3	0.2	0.3	0.3
Other guarantees	0.4	0.3	0.2	0.2	0.2	0.1	0.0	0.0	0.0
D. External arrears	1.0	1.9	2.7	1.0	0.5	0.5	0.8	0.0	0.0
Public sector domestic debt (incl. guarantees)	**22.3**	**20.3**	**20.3**	**19.5**	**22.7**	**23.5**	**28.3**	**24.6**	**29.0**
Memo item: disputed external arrears (not included in debt stock) /1	*0.0*	*0.0*	*0.0*	*4.4*	*10.1*	*8.1*	*7.1*	*6.4*	*5.9*

1/ Stock of debt owed to Angola, Bulgaria, Iraq, Libya, Poland. These loans are not being repaid; debt stock interest and late interest (penalty) accruing on unresolved arrears are not added to the debt stock; negotiations are ongoing and, although initial stock of debt is reported here, HIPC terms are expected to be used, in line with PC representative agreement.
Source: Mozambican authorities and IMF staff calculations.

Box 1. Empresa Nacional de Hidrocarbonetos (ENH) Debt Dynamics

Mozambique has four LNG projects, with Coral South producing since 2022 and the other three expected to begin producing by 2030–31. ENH, which is fully state-owned, holds equity positions of 10–15% in the LNG projects. As these are financed through loans from project partners, they contribute significantly to public debt: USD 4.6 billion (19.6% of GDP) in 2024 to USD 20 billion (22.3%) by 2045. In a downside scenario in which development of Area 1 is suspended, the impact on Mozambique would be a reduction in ENH debt by 17.4 points with minimal revenue loss (2.7 percent of GDP)**.**

Mozambique currently has four LNG projects (Table below): (i) Coral South (ENI-led) production started in 2022; (ii) Golfinho Atum (TotalEnergies-led)--construction suspended in April 2021; expected to restart soon and begin production in 2030; (iii) Coral North (ENI-led): approved in 2025; production expected in 2030; and (iv) Coral Mamba (Exxon-led) approval expected in 2026; production projected for 2031.

ENH' Role and Financing Structure. ENH, the state-owned oil and gas company, holds equity stakes in all projects—15 percent in Golfinho Atum and 10 percent in others. These shares are financed through project loans carried by partner companies.

	Project	Operator	Approval Year	Start of production Year	Capacity (MTPA) 1/	ENH share Percent in equity	Sovereign guarantee US dollars billion
Area 4	Coral South FLNG	ENI	2017	2022	3.4	10	No
	Coral North FLNG	ENI	2025	2030	3.4	10	No
	Rovuma LNG	ExxonMobil	[2026]	2031	18	10	No
Area 1	Golfinho Atum	TotalEnergies	2018	2030	13	15	Guarantee of $2.25 bn

Source: ENH based on development agreements signed with international oil companies.
1/ Million of Tones Per Annum.

ENH Debt Profile and Costs.

- Coral South debt: USD 1.6 billion (7% of GDP) at end-2024; interest rate 8.7% compounded annually.
- Golfinho Atum debt: USD 3 billion (12.8% of GDP) at end-2024; interest 9% during development, rising to 13% post-completion.
- No debt yet for Coral North and Rovuma projects.

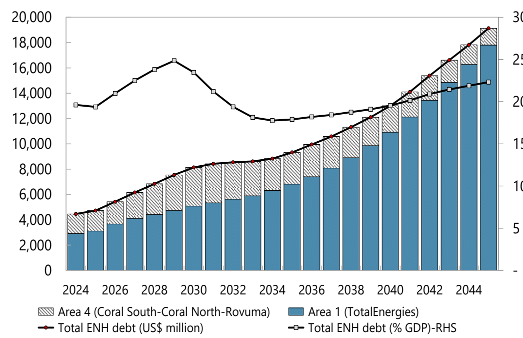
Debt repayment mechanism. ENH repays debt from project profits.

- Golfinho: 80% of net revenues allocated to debt service.
- Coral and Rovuma: 90% of net revenues allocated to debt service.
- After 15 years—or upon reaching a trigger point—100% of revenues will be used to clear remaining debt.

Sovereign Guarantee Exposure. A USD 2.25 billion (15% of GDP) sovereign guarantee covers ENH's share in Golfinho Atum financing. It lapses about one year after LNG production starts (2030). Current exposure is USD 43 million (lenders disbursed $287 million). No other guarantees exist.

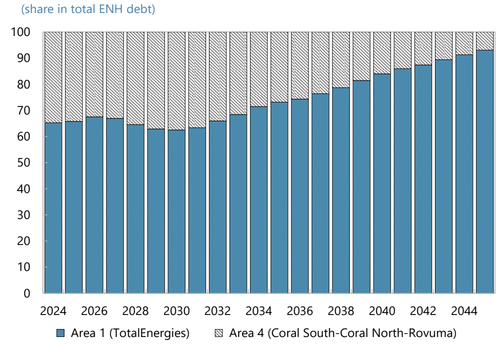
Projected ENH debt trajectory. ENH debt is projected to rise from USD 4.6 billion (19.6% of GDP) in 2024 to USD 20 billion (22.3% of GDP) by 2045 (Text Figure 1). Area 1 (TotalEnergies) accounts for 93% of ENH debt, driven by its financing structure and high interest costs (Text Figure 2).

Text Figure 1. ENH debt dynamics by area, 2024-25
(in USD million, unless otherwise indicated)



Source: IMF staff projections using the FARI model.

Text Figure 2. ENH debt dynamics by area, 2024-25
(share in total ENH debt)



5. Amid tight financing conditions and liquidity constraints, the government has been engaging more proactively with the financial sector to roll over its obligations, but arrears on domestic debt service persist and stand at 0.4 percent of GDP by end-2025 (Box 2).

Box 2: Voluntary Market-Based Liability Management Operations (LMOs)

The government undertook several LMOs during 2025, exchanging new 5-year securities for ones maturing on the day of (or shortly before) the operation (Table below). By end-September, these operations enabled the rollover of roughly two-thirds of scheduled bond amortizations. A final LMO in December—combined with the issuance of additional bonds—allowed the authorities to fully roll over all 2025 government bond amortizations and clear most domestic debt-service arrears accumulated through the third quarter of 2025.

Date of issuances 2025	Amount issued (MT million)	Interest rate (Percent)	Maturity (Years)
Mar 11	3,744	14.3	5
May 15	4,776	15.0	5
Sep 9	1,004	14.1	5
Sep 16	1,000	14.0	5
Sep 22	740	14.0	5
Sep 29	14,410	14.0	6
Dec 26	2,083	13.5	5
Dec 29	2,946	15.0	6
Dec 29	2,946	15.0	6
Dec 30	8,365	13.5	3

Source: Bolsa De Valores de Moçambique.

Going forward, LMOs could be improved by implementing best practice principles. A 2025 joint IMF-World Bank technical assistance mission provided recommendations in line with best practices advising on reforms of the primary market practices, including legal frameworks to enable early and calendar-adherent issuances, increased auction transparency, implementation of a benchmark bond policy, and ensuring LMOs are voluntary, auction-based, well-planned, and transparent. Some of these recommendations were implemented by a government decree at the beginning of December, which expanded the set of instruments that Treasury can issue, such as indexed by inflation, bonds for retail investors and green bonds.

B. Macroeconomic Forecasts

6. Under unchanged policies, macroeconomic imbalances are expected to deteriorate. Staff's baseline projections assume that macroeconomic policies remain broadly unchanged. Economic growth in 2025 is estimated at 0.5 percent, reflecting prolonged impact of election-related social tensions on economic activity, while fiscal uncertainties and FX shortages further strain the economy. Growth recovers to 2 percent in 2026 but remains low over the medium term (on average 2.3 percent in 2027–29) due to policy uncertainties and weak credit to the economy. Primary deficits persist over the medium-term with surpluses in the long term supported by LNG revenues. Inflation is projected to increase and remain above the implicit 5 percent inflation target due to the reliance of the government on monetary financing (Text Table 3).

Text Table 3. Mozambique: Selected Macroeconomic Assumptions

	2025	2026	2027	2028	2029	2030	Long-term 1/
Primary Deficit (Percent of GDP) 2/							
Current DSA-Baseline	-0.8	0.6	0.6	0.6	0.6	0.6	-2.2
July 2024 DSA	-1.0	-1.5	-2.2	-3.0	-4.2	-5.5	-10.6
Inflation rate (GDP Deflator, In Percent)							
Current DSA-Baseline	7.1	6.3	6.5	6.9	7.3	7.8	5.7
July 2024 DSA	5.5	6.3	6.0	5.8	5.7	5.7	5.6
Nominal GDP (Meticals billion)							
Current DSA-Baseline	1,565	1,696	1,854	2,026	2,240	2,702	7,007
July 2024 DSA	1,567	1,730	1,904	2,216	2,578	2,928	6,454
Real GDP Growth (Percent)							
Current DSA-Baseline	0.5	1.9	2.7	2.2	3.1	11.9	4.5
July 2024 DSA	4.3	3.9	3.8	10.0	10.0	7.5	3.9
Exports of Goods and Services (Growth)							
Current DSA-Baseline	-6.0	7.2	5.9	5.6	2.7	41.2	7.4
July 2024 DSA	4.7	3.2	5.1	28.0	20.4	10.7	6.5
Current Account Balance (Percent of GDP)							
Current DSA-Baseline	-13.2	-32.3	-33.5	-30.8	-25.7	-12.4	8.2
July 2024 DSA	-32.4	-32.2	-28.1	-16.2	-13.4	-7.9	-1.6

Sources: Mozambican authorities; and IMF staff calculations.
1/ Average 2031-45, except 2024 DSA where the long-term average covers the period 2031-2044.
2/ The primary balance presented in Text Table 4 is composed of the central government primary deficit augmented by LNG revenues accruing to repay ENH debt.

7. TotalEnergies lifted force majeure on the onshore LNG project in October 2025, ending a pause declared in 2021 due to insecurity in the north. The US EX-IM Bank approved a USD 4.7 billion loan in March 2025. Production is now expected to start in 2030 (vs. 2028 previously). The Exxon-led LNG project is set for 2031 and the ENI-led Coral North project, approved in April 2025, is expected to start in 2030.

8. The medium-term growth outlook remains positive. Under both scenarios, real GDP growth is projected to reach about 12 percent in 2030 with the start of two LNG projects (TotalEnergies and Coral North), followed by Exxon's project which will further boost growth in 2031. As LNG projects reach full capacity, their impact on growth will diminish. Medium-term growth assumptions remain conservative, excluding potential spillovers from LNG to the broader economy.

Text Table 4. Mozambique: Evolution of the Stock of External Arrears
(Millions of U.S. dollars)[1]

	End-2019	End-2020	End-2021	End-2022	End-2023	End-2024
Commercial debt	**1337.6**	**1337.6**	**1337.6**	**1337.6**	**648.3**	**-**
Mozam/ EMATUM	-	-	-	-	-	-
MAM [2]	644.0	644.0	644.0	644.0	535.0	-
Proindicus [2]	693.6	693.6	693.6	693.6	113.3	-
Bilateral debt	**295.3**	**380.7**	**463.6**	**594.9**	***594.9***	***600.9***
Paris Club: Brazil [3]	51.9	65.6	78.9	142.5	*142.5*	*142.5*
Non-Paris Club [4]	243.4	315.1	384.8	452.3	*452.3*	*458.4*
Total	**1632.9**	**1718.4**	**1801.3**	**1932.5**	**1243.2**	**600.9**

Source: Mozambican authorities and IMF staff calculations.
Note: Most external arrears (disputed loans and pre-HIPCs) can be deemed away under LIC DSF, allowing total arrears to remain below 1 percent of 2024 GDP.
1/ Staff estimates based on information received from the authorities. Contractual penalty fees or rates have not been included.
2/ Arrears are in dispute since 2020 for MAM and 2019 for Proindicus.
3/ An MoU agreeing on reconciled amount and a debt service path has been signed in 2022 and is awaiting Brazilian Parliament approval. The reconciled amount is entered as a new loan in the DSA.
4/ Data reported by the authorities for Libya, Angola, Poland, and Bulgaria lack of debt service. The initial loan amounts are included in the debt stock of the DSA.

9. Mozambique's external position in 2025 is assessed as substantially weaker than the level implied by medium-term fundamentals and desirable policies (Staff Report, Annex V). While the non-megaproject current account deficit narrowed to 13.4 percent in 2024 and is estimated to have narrowed further to 11.8 percent of GDP in 2025 due to weak economic recovery, it remains significantly above the current account deficit norm of 7.2 percent of GDP, which is the level of current account balance consistent with the underlying macroeconomic and structural fundamentals at their actual values and with desirable medium-term policies, once temporary and cyclical factors are excluded. The current account deficit is projected to persist in the medium term, driven by LNG investment. Under the baseline, the current account deficit widens substantially in 2026, mainly due to LNG-related imports.

10. International reserves are expected to decline under the baseline. At end-2025, gross international reserves covered 6.5 months of non-megaproject imports and 4.5 months of total imports. Under the baseline, the reserves are projected to decline steadily over the medium term, as net export proceeds are insufficient to offset rising external debt service obligations, falling to 2.3 months of total imports coverage by 2030.

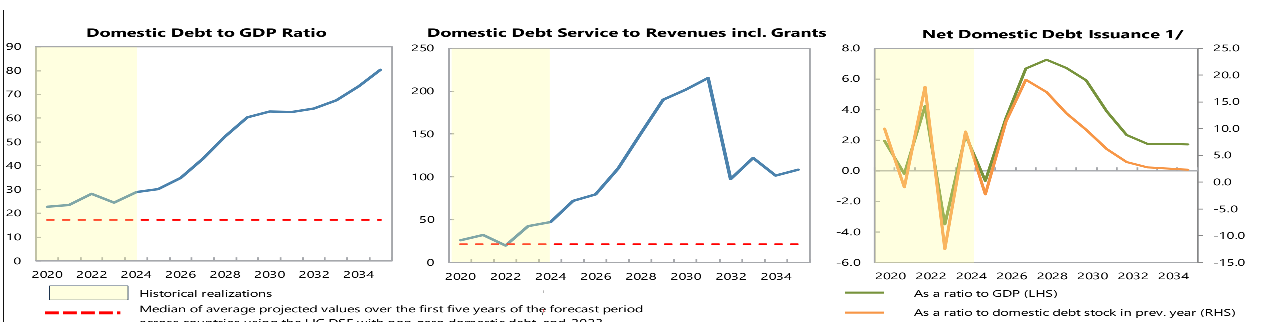
11. The primary fiscal deficit is forecast to be in deficit over the medium term under unchanged policies. Financing would increasingly rely on costly domestic debt and monetary financing. Over the medium term, additional domestic revenue mobilization remains modest, while primary expenditure increases mainly driven by the wage bill which remains elevated at about 13.5 percent of GDP, on average. This expenditure composition crowds out necessary fiscal space for social and development spending.

12. Domestic debt is expected to remain the primary source of funding and rise sharply under the baseline. Domestic debt is projected to reach about 63 percent of GDP in 2030 and about 100 percent of GDP, on average, over the long term with interest payments at about 5 percent of GDP on average over the period 2025-30, and average real interest rate of 9.3 percent over 10-year projections (2026-36) (Text Figure 3).

13. Mozambique's medium-term debt strategy (MTDS) aims to increase concessional external debt and extend domestic debt maturity. Guided by the 2025–29 MTDS, Mozambique is expected to rely less on external financing as LNG revenues materialize. In 2026, Mozambique continues to benefit from project grants from the US Millennium Challenge Corporation. On domestic debt, voluntary, market-based liability management operations are ongoing aimed at extending the maturity structure of domestic debt to support the transition towards medium-term domestic debt instruments (Box 2). In addition, the MTDS aims to limit short-term debt to less than 10 percent of new domestic debt by 2029 to help reduce rollover risks. The authorities are strengthening debt management capacity, and are considering to mobilize innovative sustainable financing instruments such as green bonds, sukuk, and catastrophe bonds to support development priorities and deepen the financial market.

14. The Bank of Mozambique (BM) has limited space to reduce the policy rate amid baseline risks. Since January 2024, the policy rate has been cut by 775 bps, to 9.5 percent in November 2025. Inflation recorded 4.8 percent yoy in October, below the 5 percent target since December 2023. The real policy rate remains elevated at around 5 percent. Under the baseline, monetary financing may lead to higher inflation. Perceived debt sustainability risks may cause detachment between the policy rate and the yield on debt instruments, thereby shortening maturities.

Text Figure 3. Mozambique: Indicators of Domestic Public Debt, Under Unchanged Policies, 2020–35 (Percent)[1]



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	38%
Short-term	62%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	11.1%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	9.2%

Sources: Country authorities; and staff estimates and projections.

Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

15. Risks to the outlook are heavily to the downside. External risks include pandemics, natural disasters, regional conflicts, aid reductions, and commodity price volatility. Domestic risks include heightened insecurity—potentially delaying LNG projects— foreign exchange shortages, and weak non-mining sector performance. Fiscal vulnerabilities could intensify due to expenditure pressures and SOE losses, complicating domestic debt rollover. Ongoing negotiations over electricity tariffs with MOZAL present further risks. Upside risks include earlier-than-expected LNG production from ENI's Coral North.

16. Debt sustainability framework realism tools indicate that existing policies deepens fiscal stress and macroeconomic imbalances. The baseline assumes a deterioration of the fiscal deficit by about 4 percentage points of GDP in 2026–28 (Figure 4). Thus, as the current fiscal stance continues and in the absence of commitment to policy adjustment, fiscal pressures will increase, crowding out capital and social spending, increasing financing needs and monetary financing.

C. Public Debt Related to LNG

17. The DSA accounts for both the sovereign guarantee and the equity tranche of disbursed ENH debt. The guarantee's value will rise with project disbursements, up to a USD 2.25 billion ceiling, and be cancelled upon LNG production start (Box 1).

COUNTRY CLASSIFICATION

Text Table 5. Mozambique: Composite Indicator Score

Country	Mozambique
Country Code	**688**
Debt Carrying Capacity	**Weak**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.494	Weak 2.53	Weak 2.58

Note: Until the April 2019 WEO vintage is released, the two previous vintages ago classification and corresponding score are based solely on the CPIA per the previous framework.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.082	1.19	48%
Real growth rate (in percent)	2.719	3.658	0.10	4%
Import coverage of reserves (in percent)	4.052	25.560	1.04	42%
Import coverage of reserves^2 (in percent)	-3.990	6.533	-0.26	-10%
Remittances (in percent)	2.022	1.105	0.02	1%
World economic growth (in percent)	13.520	3.035	0.41	16%
CI Score			2.494	100%
CI rating			**Weak**	

Source: IMF staff calculations.

18. Debt carrying capacity continues to be assessed as weak. This assessment is based on a composite index, which stands at 2.49 for Mozambique (Text Table 5).[9] If megaprojects were excluded, capacity would be *medium,* positively affecting import coverage of reserves, will result in higher debt distress thresholds. Megaproject imports are fully financed through special investment vehicles, not affecting international reserves.

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

19. Under current policies, external debt-to-GDP breaches thresholds under the baseline, and debt service to exports and debt service to revenue ratios have deteriorated compared to the 2024 DSA, signaling high risk (Table 1, Figure 1). These breaches due to projected future borrowing related to large LNG projects will be repaid directly from future LNG revenues, which are expected to be significant. Key projections include:

- The PV of external public debt-to-GDP is projected at 45.3 percent at end-2025, staying above threshold of 30 percent until 2032, compared to 2030 in the 2024 DSA.
- The PV of external public debt-to-exports peaks at 126 percent in 2025, compared to 128 percent in the 2024 DSA, remaining below the threshold of 140 percent over the projection period.
- External public debt service-to-exports remains below the threshold until 2028 when it reaches 10 percent in 2028, and remains below the threshold of 10 percent over the projection period (2029-45).
- External public debt service-to-revenues ratio remains below the threshold until 2028 when it temporarily breaches the threshold at 16 and 15 percent in 2028 and 2029, respectively, then remains below the 14 percent threshold over the projection period (2030-45).

20. Standard stress tests indicate that all shocks—particularly those affecting exports and other flows—result in threshold breaches across all debt indicators. Key findings point to:

- Export shocks raise the PV of external public debt-to-GDP by an average of 25 percentage points above the threshold over 2025–35.[10]
- Similarly, exports shocks increase the PV of external public debt-to-exports above the threshold, peaking at 310 percent in 2027, and returning below the threshold by 2033.
- Export shocks push the debt service-to-export and debt service-to-revenue ratios above the thresholds by about 3 and 2 percentage points on average during 2027–35.

[9] Debt carrying capacity is assessed to be *weak* with an index strictly below 2.69 for two years in a row, *medium* with an index between 2.69 and 3.05, and *strong* with an index strictly above 3.05.

[10] This stress test does not reflect a plausible scenario as it implies that there would be no export revenue from LNG, despite still including all the debt created by the projects.

- Combined shocks to current transfers-to-GDP and FDI-to-GDP keep the PV of debt-to-GDP above the threshold through the projection period, while the same shock pushes the PV of debt to exports above the threshold over the medium term.
- As in the previous DSA, a 30 percent nominal depreciation in 2025 would lead to an average of 13 percentage points increase in the PV of debt-to-GDP ratio above the threshold in 2025–31.

21. Under existing policies, the realization of contingent liabilities or natural disasters would severely impact solvency indicators. If contingent liabilities materialize, the PV of external public debt-to-GDP would surpass the threshold by an average of 13 percentage points throughout the projection period. A major disaster shock—equivalent to 10 percent of GDP—would significantly weaken debt sustainability, breaching the threshold throughout the projection period. Additionally, a disaster shock would result in the PV of external public debt-to-GDP breaching the threshold by about 13 percentage points on average through 2025-35.

B. Public Sector Debt Sustainability Analysis

22. Under the baseline, the PV of public debt to GDP ratio breaches of the benchmark are significant and sustained throughout the projection period, compared to falling below the benchmark in 2032 under the previous DSA. Under existing policies, chronic fiscal deficits and reliance on costly domestic debt, combined with weaker economic growth, result in an unsustainable debt path (Table 2, Figure 2).

23. Public debt sustainability indicators are highly sensitive to shocks to growth, other flows, and exports (Table 4). A shock to growth results in PV of debt-to-GDP reaching as high as 112 percent in 2029. Disruptions in current transfers-to-GDP and FDI-to-GDP ratios push the PV of debt-to-GDP to a peak of 138 percent in 2029, while an export shock results in PV of debt-to-GDP reaching as high as 121 percent in 2029.

24. Overall public debt is in debt distress, due to persistent debt service arrears, while external debt is assessed at high risk of debt distress. This revised rating reflects total accumulation of debt service arrears of 1.3 percent of GDP, exceeding de minimis threshold of 1 percent of GDP. Based on preliminary data as of December 2025, external and domestic debt service arrears are estimated at 0.9 and 0.4 percent of GDP, respectively (¶4).[11] Under unchanged policies, domestic debt vulnerabilities will worsen due to the reliance on costly short-term domestic debt; on average 35 percent of total domestic debt. Similarly, servicing external debt will become more challenging under the baseline due to the declining path of grants and concessional financing shown in the deterioration of the debt service-to-exports and debt service-to-revenue ratios compared to the 2024 DSA (Figure 1, bottom charts).

[11] *Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries* (2018).

RISK RATING AND VULNERABILITIES

25. Mozambique's external debt is assessed at high risk of debt distress, while overall debt is assessed as in distress. Debt is currently assessed as unsustainable primarily due to the political infeasibility of a comprehensive policy adjustment that could potentially safeguard debt sustainability. Additional risks to the deterioration of the debt path include contracting non-concessional debt at unfavorable terms, further delays in resumption of LNG projects, and terms of trade and disaster shocks.

26. A comprehensive and coordinated strategy could reduce macroeconomic imbalances and help restore debt sustainability. Fiscal consolidation through wage bill containment and revenue measures is critical to restore stability, while creating fiscal space for development and safety nets for the most vulnerable. Voluntary, market-based liability management may also be needed to address severe near-term financing pressures. Greater exchange rate flexibility is needed to complement fiscal consolidation, allow the economy to adjust to changing external conditions, and support growth.

27. While the authorities have improved debt management, better debt data collection and further oversight is needed. The authorities adopted MTDS in August 2023, transitioned to the Meridian system and has incorporated external debt and plan to include domestic debt, and strengthen cash management. Annual and quarterly debt reports are published. Further technical assistance will help strengthen processes, ensure timely payments, reduce borrowing costs, and mitigate financial risks.

28. In line with IDA's Sustainable Development Financing Policy (SDFP), Mozambique has committed to measures addressing debt vulnerabilities. As a high-risk IDA country, it is subject to SDFP, including Policy and Performance Actions (PPAs) to improve sustainability. Mozambique implemented FY25 PPAs. Under the policy, the authorities committed in FY26 to (i) refrain from entering contractual obligations for new PPG non-concessional debt and (ii) to migrate and reconcile all the external and domestic central government debt to the CS-Meridian system and to publish the information on external and domestic debt payments that are overdue by more than 30 days annually in the annual debt report and at least once quarterly. The Government has requested a waiver to the non-concessional borrowing limit for the equity participation of ENH in the Coral North project.

AUTHORITIES VIEWS

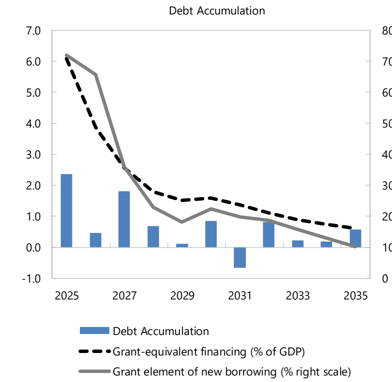
29. The authorities agreed with the DSA assessment. Restoring debt sustainability is a priority to the authorities as presented in their 2025 MTDS. They are considering innovative financing solutions, such as carbon credits and debt for development swaps. The government is committed to enhancing the transparency of public sector debt, and publishing quarterly and annual debt reports, covering stocks, on-lending, and state guarantees, including for most SOEs. The Ministry of Finance completed the migration of external debt to the CS-Meridian system with support from the World Bank, and are making progress in incorporating domestic debt data in the system. The authorities confirmed that an agreement had been reached with the Brazilian authorities on a reconciled amount for a new loan covering the arrears linked to ADM. The repayment plan is under discussion and pending ratification by the Brazilian parliament.

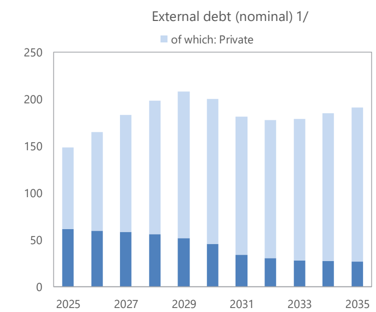
Table 1. Mozambique: External Debt Sustainability Framework, Under Unchanged Policies, 2022–2045

(In percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	140.4	135.8	136.6	148.3	164.8	182.6	198.1	207.8	199.7	190.6	29.7	146.3	183.0
of which: public and publicly guaranteed (PPG)	72.1	66.3	60.9	61.2	59.7	58.6	55.6	51.9	45.3	26.5	29.7	80.3	43.4
Change in external debt	-1.4	-4.6	0.8	11.7	16.5	17.8	15.5	9.7	-8.1	6.1	0.4		
Identified net debt-creating flows	0.3	-15.1	-15.5	-8.5	6.0	-0.2	-1.6	-2.2	-18.3	-17.2	-22.7	0.4	-10.7
Non-interest current account deficit	32.0	7.5	8.1	8.2	27.6	27.7	24.7	19.6	6.8	-11.6	-12.6	21.8	7.1
Deficit in balance of goods and services	34.5	8.5	5.0	6.2	28.1	26.9	23.3	18.0	1.8	-21.5	-20.7	25.4	0.0
Exports	49.8	45.0	41.1	36.0	36.3	36.5	36.9	35.9	44.3	53.8	50.7		
Imports	84.4	53.4	46.1	42.2	64.4	63.4	60.2	53.9	46.1	32.3	29.9		
Net current transfers (negative = inflow)	-8.4	-6.7	-5.1	-4.5	-4.2	-4.1	-4.0	-3.9	-3.5	-2.8	-2.6	-6.0	-3.6
of which: official	-2.0	-1.8	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1		
Other current account flows (negative = net inflow)	5.8	5.7	8.2	6.5	3.8	4.9	5.4	5.5	8.5	12.7	10.7	2.3	10.7
Net FDI (negative = inflow)	-13.0	-12.0	-15.6	-21.1	-24.0	-29.8	-29.3	-23.3	-10.5	-4.2	-9.8	-19.4	-14.3
Endogenous debt dynamics 2/	-18.6	-10.6	-8.0	4.3	2.4	1.9	3.0	1.5	-14.6	-1.4	-0.4		
Contribution from nominal interest rate	1.8	3.1	2.9	5.0	5.1	6.2	6.8	7.2	7.0	4.1	0.5		
Contribution from real GDP growth	-5.3	-6.9	-2.7	-0.7	-2.7	-4.2	-3.8	-5.7	-21.6	-5.5	-0.9		
Contribution from price and exchange rate changes	-15.1	-6.7	-8.2	...	...	...	...	...	...	...	...		
Residual 3/	-1.7	10.5	16.4	20.2	10.5	18.0	17.1	11.9	10.1	23.4	23.1	4.2	15.6
of which: exceptional financing	-0.4	-0.4	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0		
of which: ENH-related gurantees	0.0	0.0	0.2	0.0	4.5	1.9	1.0	0.2	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	46.5	45.6	43.3	42.8	41.6	39.5	35.3	24.5	26.8		
PV of PPG external debt-to-exports ratio	...	...	113.1	126.5	119.2	117.2	112.8	110.1	79.6	45.5	52.9		
PPG debt service-to-exports ratio	6.1	8.0	7.9	8.9	8.3	7.8	10.0	9.3	6.8	3.2	2.9		
PPG debt service-to-revenue ratio	12.8	14.6	13.5	14.4	13.5	12.6	16.4	14.8	12.1	6.8	4.7		
Gross external financing need (Million of U.S. dollars)	4510.8	522.4	-217.2	-972.3	3329.9	2356.4	2383.6	2987.9	3276.2	-3343.9	-13021.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.4	5.5	2.1	0.5	1.9	2.7	2.2	3.1	11.9	3.1	3.4	3.4	5.2
GDP deflator in US dollar terms (change in percent)	11.9	5.0	6.4	6.8	4.3	2.6	2.4	2.3	2.3	1.6	1.8	0.0	2.6
Effective interest rate (percent) 4/	1.4	2.4	2.3	3.9	3.7	3.9	3.9	3.8	3.9	2.3	1.9	1.4	3.2
Growth of exports of G&S (US dollar terms, in percent)	44.2	0.0	-0.5	-6.0	7.2	5.9	5.6	2.7	41.2	3.1	4.3	10.1	11.2
Growth of imports of G&S (US dollar terms, in percent)	51.2	-29.8	-6.2	-1.7	62.1	3.7	-0.7	-5.5	-2.2	4.3	6.4	1.5	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	72.0	65.8	36.1	23.0	18.1	22.4	10.1	0.4	...	28.6
Government revenues (excluding grants, in percent of GDP)	23.7	24.7	24.2	22.2	22.4	22.5	22.6	22.7	24.9	25.6	30.9	24.3	23.6
Aid flows (in Million of US dollars) 5/	1140.5	1153.8	1069.9	1796.1	1197.9	834.3	595.2	518.4	682.6	368.3	65.5		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	6.1	3.9	2.6	1.8	1.5	1.6	0.6	0.1	...	2.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	76.6	76.0	51.4	47.6	49.4	46.0	26.9	2.5	...	48.7
Nominal GDP (Million of US dollars)	18,884	20,921	22,745	24,416	25,952	27,345	28,604	30,156	34,503	52,006	85,278		
Nominal dollar GDP growth	16.8	10.8	8.7	7.3	6.3	5.4	4.6	5.4	14.4	4.7	5.2	3.3	7.9
Memorandum items:													
PV of external debt 7/	...	...	122.3	132.7	148.4	166.9	184.1	195.5	189.6	188.6	26.8		
In percent of exports	...	...	297.3	368.5	408.4	457.0	499.5	544.3	428.0	350.6	52.9		
Total external debt service-to-exports ratio	9.9	15.7	16.0	24.5	25.5	29.5	35.0	38.0	29.7	17.4	13.9		
PV of PPG external debt (in Million of US dollars)			10585.9	11123.0	11236.7	11704.3	11889.7	11921.2	12176.7	12740.3	22881.5		
(PVt-PVt-1)/GDPt-1 (in percent)				2.4	0.5	1.8	0.7	0.1	0.8	0.6	2.3		
Non-interest current account deficit that stabilizes debt ratio	33.3	12.1	7.2	-3.5	11.1	9.8	9.2	9.9	14.9	-17.7	-12.9		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g)]/(1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

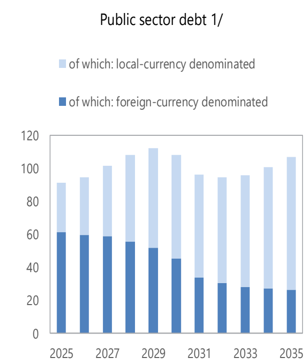
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

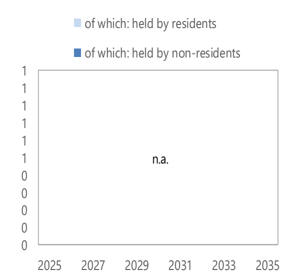
Table 2. Mozambique: Public Sector Sustainability Framework, Under Unchanged Policies, 2022–2045

(In percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	100.4	90.8	89.9	91.4	94.6	101.7	107.9	112.3	108.1	106.8	214.1	**102.4**	**100.9**
of which: external debt	72.1	66.3	60.9	61.2	59.7	58.6	55.6	51.9	45.3	26.5	29.7	**80.3**	**43.4**
Change in public sector debt	-3.9	-9.6	-1.0	1.5	3.2	7.1	6.2	4.5	-4.2	6.3	17.2		
Identified debt-creating flows	-6.1	-5.9	-1.5	0.0	3.3	3.9	4.3	2.1	-6.9	2.8	11.6	**0.3**	**-0.3**
Primary deficit	2.2	0.3	0.8	-0.8	0.6	0.6	0.6	0.6	0.6	-1.7	0.5	**1.1**	**-0.3**
Revenue and grants	27.7	29.2	27.1	23.5	23.9	23.7	23.8	23.9	26.0	26.0	30.9	**27.0**	**24.5**
of which: grants	4.0	4.5	2.9	1.3	1.5	1.2	1.2	1.2	1.1	0.4	0.1		
Primary (noninterest) expenditure	29.8	29.5	27.9	22.7	24.5	24.2	24.4	24.5	26.6	24.3	31.4	**28.1**	**24.2**
Automatic debt dynamics	-8.3	-6.2	-2.3	-0.2	-3.1	-1.5	0.1	-0.7	-9.4	4.5	11.1		
Contribution from interest rate/growth differential	-3.6	-4.1	0.9	-0.2	-3.1	-1.5	0.1	-0.7	-9.4	4.5	11.1		
of which: contribution from average real interest rate	0.8	1.1	2.8	0.3	-1.4	1.0	2.2	2.5	2.6	7.5	17.5		
of which: contribution from real GDP growth	-4.4	-5.2	-1.9	-0.5	-1.7	-2.5	-2.2	-3.2	-11.9	-3.0	-6.4		
Contribution from real exchange rate depreciation	-4.7	-2.1	-3.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	2.4	1.8	2.7	1.0	5.8	4.8	3.7	2.1	1.9	0.0	0.0	**0.7**	**1.8**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (ENH-related)	2.4	1.8	2.7	1.0	5.8	4.8	3.7	2.1	1.9	0.0	0.0		
Residual	-0.2	-5.4	-2.2	1.5	-0.1	3.2	1.8	2.4	2.7	3.5	5.6	**1.6**	**1.9**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**75.6**	**75.9**	**78.9**	**86.8**	**94.8**	**101.0**	**99.1**	**105.3**	**211.7**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**279.1**	**322.4**	**330.6**	**366.6**	**398.7**	**422.3**	**381.2**	**405.1**	**684.6**		
Debt service-to-revenue and grants ratio 3/	**31.0**	**54.9**	**59.4**	**85.8**	**92.4**	**121.9**	**165.8**	**204.4**	**213.6**	**114.9**	**309.2**		
Gross financing need 4/	10.7	16.3	16.9	19.4	22.7	29.4	40.0	49.5	56.1	28.2	96.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.4	5.5	2.1	0.5	1.9	2.7	2.2	3.1	11.9	3.1	3.4	**3.4**	**5.2**
Average nominal interest rate on external debt (in percent)	1.4	1.6	1.5	1.5	1.4	1.3	1.1	1.0	1.1	2.5	1.9	**1.6**	**1.7**
Average real interest rate on domestic debt (in percent)	6.9	4.7	11.0	7.0	6.1	7.3	6.7	6.0	5.4	10.3	10.8	**5.1**	**7.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	-6.1	-3.1	-4.8	...	...	...	...	...	...	...	...	**3.6**	**...**
Inflation rate (GDP deflator, in percent)	9.2	5.1	6.5	7.1	6.3	6.5	6.9	7.3	7.8	5.5	5.3	**6.4**	**6.8**
Growth of real primary spending (deflated by GDP deflator, in percent)	8.7	4.2	-3.5	-18.1	10.1	1.5	2.7	3.6	21.6	6.6	4.8	**2.2**	**4.2**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	6.1	9.9	1.7	-2.3	-2.6	-6.5	-5.6	-3.9	4.8	-8.0	-16.7	**5.9**	**-1.9**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

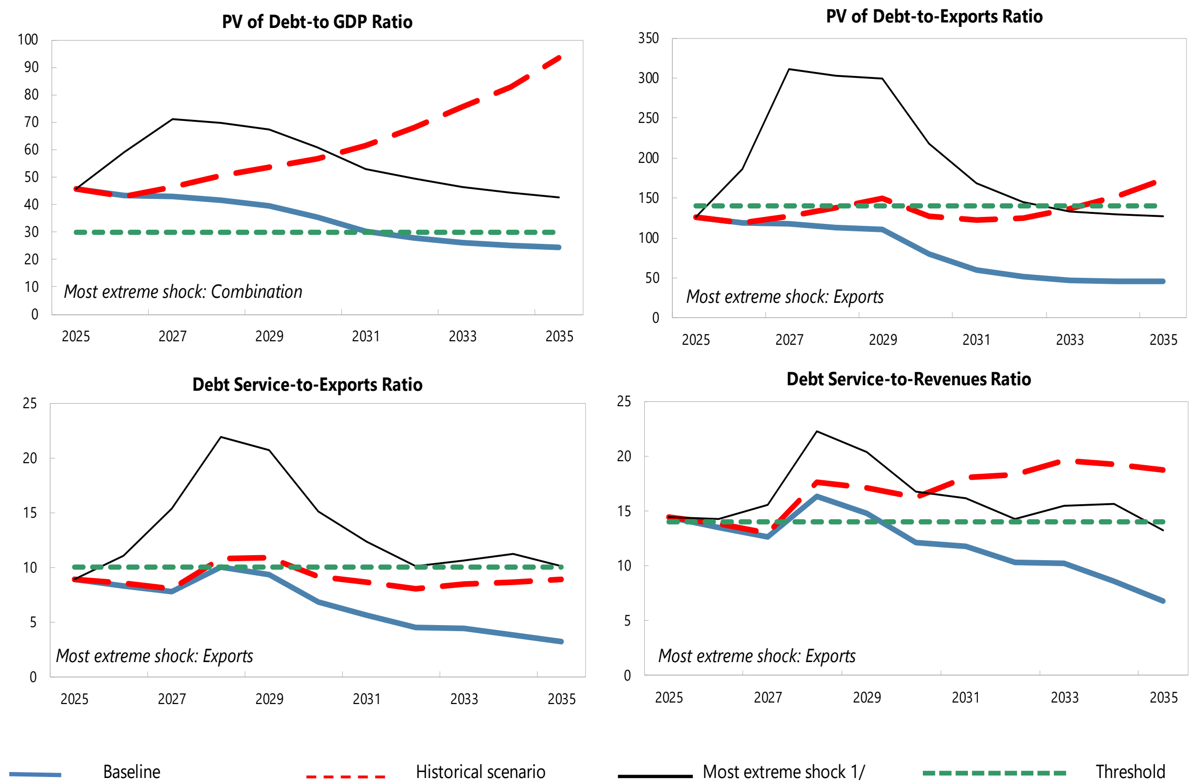
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Mozambique: Indicators of Public and Publicly Guaranteed External Debt Under Unchanged Policies, 2025–35



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	No	No
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

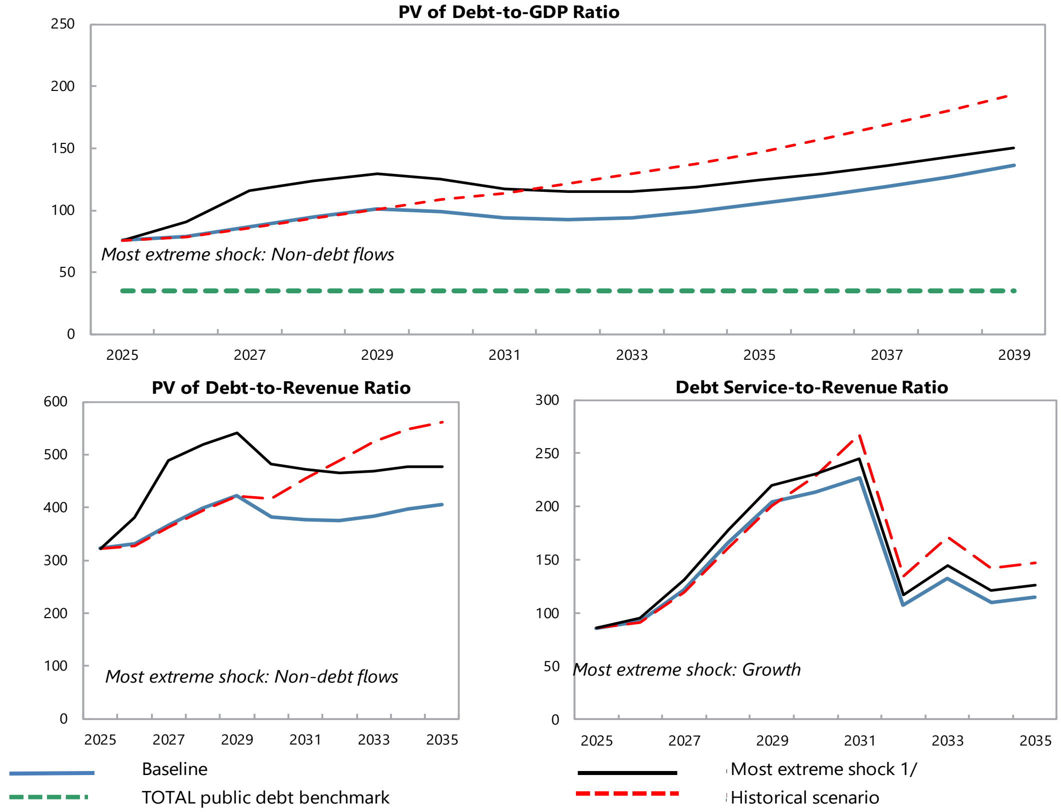
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.5%	3.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	24
Avg. grace period	9	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Mozambique: Indicators of Public Debt Under Unchanged Policies, 2025–2039



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	8%	90%
Domestic medium and long-term	35%	8%
Domestic short-term	57%	2%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.5%	3.5%
Avg. maturity (incl. grace period)	27	24
Avg. grace period	9	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	11.1%	12.0%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	9.2%	12.5%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Mozambique: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Under Unchanged Policies, 2025–35

(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	**45**	**43**	**43**	**42**	**41**	**36**	**31**	28	26	25	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	**45**	**43**	**47**	**53**	**57**	**62**	**67**	**73**	**81**	**88**	**99**
A2. Alternative Scenario :[Customize, enter title]	**45**	**48**	**54**	**53**	**51**	**45**	**37**	**33**	**30**	29	28
B. Bound Tests											
B1. Real GDP growth	**45**	**45**	**46**	**45**	**44**	**39**	**34**	**31**	28	27	26
B2. Primary balance	**45**	**45**	**47**	**47**	**46**	**41**	**35**	**32**	30	29	28
B3. Exports	**45**	**54**	**71**	**70**	**68**	**62**	**54**	**50**	**46**	**44**	**43**
B4. Other flows 3/	**45**	**55**	**71**	**70**	**69**	**62**	**54**	**50**	**47**	**45**	**43**
B5. Depreciation	**45**	**54**	**45**	**44**	**43**	**38**	**32**	29	26	25	25
B6. Combination of B1-B5	**45**	**59**	**71**	**70**	**69**	**62**	**54**	**50**	**46**	**44**	**43**
C. Tailored Tests	0	9	9	9	10	9					
C1. Combined contingent liabilities	**45**	**52**	**52**	**51**	**51**	**45**	**39**	**36**	**34**	**33**	**32**
C2. Natural disaster	**45**	**52**	**51**	**51**	**51**	**46**	**40**	**37**	**35**	**34**	**34**
C3. Commodity price	**45**	**43**	**43**	**42**	**41**	**36**	**31**	28	26	25	24
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	126	118	116	114	114	82	62	52	47	46	46
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	126	119	128	**143**	**160**	140	134	135	**145**	**162**	**184**
A2. Alternative Scenario :[Customize, enter title]	126	**152**	**194**	**231**	**264**	**215**	**180**	**155**	139	128	116
B. Bound Tests											
B1. Real GDP growth	126	118	116	114	114	82	62	52	47	46	46
B2. Primary balance	126	125	129	127	127	93	71	60	54	53	53
B3. Exports	126	**186**	**310**	**305**	**306**	**223**	**172**	**146**	133	130	127
B4. Other flows 3/	126	**151**	**194**	**191**	**191**	140	108	92	84	82	80
B5. Depreciation	126	118	98	96	95	69	51	43	38	37	37
B6. Combination of B1-B5	126	**175**	**180**	**232**	**232**	**169**	131	111	101	98	96
C. Tailored Tests		25	25	25	27	20					
C1. Combined contingent liabilities	126	**143**	**142**	139	**141**	103	79	67	60	60	59
C2. Natural disaster	126	**145**	**144**	**142**	**144**	106	81	70	64	63	64
C3. Commodity price	126	118	116	114	114	82	62	52	47	46	46
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	9	8	8	8	7	7	6	5	5	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	9	9	8	9	9	9	9	10	**10**	9	9
A2. Alternative Scenario :[Customize, enter title]	9	8	9	**12**	**14**	**14**	**12**	**12**	**12**	**12**	**13**
B. Bound Tests											
B1. Real GDP growth	9	8	8	8	7	7	6	5	5	4	3
B2. Primary balance	9	8	8	8	8	7	6	6	6	4	4
B3. Exports	9	**11**	**15**	**18**	**17**	**15**	**12**	**12**	**12**	**11**	**10**
B4. Other flows 3/	9	8	9	**11**	**10**	9	7	7	7	7	6
B5. Depreciation	9	8	8	7	7	6	5	5	5	3	2
B6. Combination of B1-B5	9	9	**12**	**14**	**13**	**11**	9	9	9	9	8
C. Tailored Tests											
C1. Combined contingent liabilities	9	8	9	9	8	8	6	6	6	4	4
C2. Natural disaster	9	9	9	9	8	8	6	6	6	5	4
C3. Commodity price	9	8	8	8	7	7	6	5	5	4	3
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**14**	13	13	13	11	12	12	12	12	9	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	**14**	14	13	**14**	14	**17**	**19**	**22**	**23**	**20**	**20**
A2. Alternative Scenario :[Customize, enter title]	**14**	13	**15**	**19**	**21**	**24**	**26**	**27**	**29**	**27**	**26**
B. Bound Tests	**14**	13	**15**	**19**	**21**	**24**	**26**	**27**	**29**	**27**	**26**
B1. Real GDP growth	**14**	14	14	14	12	13	13	13	13	9	7
B2. Primary balance	**14**	13	13	14	12	13	12	13	13	10	8
B3. Exports	**14**	**14**	**16**	**18**	**17**	**17**	**16**	**17**	**18**	**16**	13
B4. Other flows 3/	**14**	13	**15**	**18**	**16**	**16**	**16**	**16**	**17**	**16**	14
B5. Depreciation	**14**	**17**	**16**	**15**	13	14	14	**14**	**14**	9	6
B6. Combination of B1-B5	**14**	**14**	**16**	**18**	**17**	**17**	**16**	**16**	**18**	**16**	13
C. Tailored Tests			3	2	1	2					
C1. Combined contingent liabilities	**14**	13	**14**	**14**	13	14	13	14	13	10	8
C2. Natural disaster	**14**	13	**14**	**14**	13	13	13	14	13	10	8
C3. Commodity price	**14**	13	13	13	11	12	12	12	12	9	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Mozambique: Sensitivity Analysis for Key Indicators of Public Debt, Under Unchanged Policies, 2025–35[1/]

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
					PV of Debt-to-GDP Ratio						
Baseline	**76**	**79**	**86**	**95**	**101**	**99**	**93**	**92**	**94**	**99**	**105**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	**76**	**78**	**86**	**93**	**100**	**108**	**114**	**121**	**129**	**137**	**146**
A2. Alternative Scenario :[Customize, enter title]	**77**	**87**	**89**	**88**	**85**	**75**	**62**	**54**	**46**	**41**	**35**
B. Bound Tests											
B1. Real GDP growth	**76**	**82**	**95**	**105**	**113**	**112**	**108**	**108**	**110**	**117**	**125**
B2. Primary balance	**76**	**81**	**92**	**100**	**106**	**104**	**98**	**96**	**98**	**103**	**109**
B3. Exports	**76**	**86**	**108**	**116**	**122**	**118**	**111**	**109**	**110**	**114**	**119**
B4. Other flows 3/	**76**	**91**	**115**	**123**	**129**	**125**	**117**	**115**	**115**	**119**	**124**
B5. Depreciation	**76**	**86**	**92**	**97**	**102**	**97**	**92**	**89**	**88**	**91**	**95**
B6. Combination of B1-B5	**76**	**78**	**87**	**92**	**98**	**96**	**91**	**90**	**92**	**96**	**102**
C. Tailored Tests											
C1. Combined contingent liabilities	**76**	**89**	**97**	**105**	**111**	**108**	**102**	**100**	**101**	**106**	**112**
C2. Natural disaster	**76**	**89**	**97**	**105**	**112**	**109**	**103**	**102**	**104**	**109**	**115**
C3. Commodity price	**76**	**79**	**89**	**99**	**106**	**106**	**101**	**101**	**104**	**110**	**118**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	321	329	365	398	421	380	375	373	382	395	403
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	321	327	362	393	420	415	453	487	521	545	559
A2. Alternative Scenario :[Customize, enter title]	86	85	107	141	171	214	241	124	155	131	140
B. Bound Tests											
B1. Real GDP growth	321	344	401	441	472	432	431	434	449	469	482
B2. Primary balance	321	340	388	420	443	399	393	390	398	411	418
B3. Exports	321	362	457	488	511	455	447	441	446	455	457
B4. Other flows 3/	321	379	487	519	541	481	470	463	467	474	475
B5. Depreciation	321	364	388	412	427	376	370	360	361	365	366
B6. Combination of B1-B5	321	328	367	389	412	371	367	365	373	386	394
C. Tailored Tests											
C1. Combined contingent liabilities	321	372	408	441	464	416	409	405	413	425	432
C2. Natural disaster	321	371	409	443	468	421	416	413	422	436	444
C3. Commodity price	321	333	376	415	445	407	407	410	424	442	455
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					Debt Service-to-Revenue Ratio						
Baseline	86	92	122	162	198	208	221	108	132	110	114
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	86	91	120	158	194	223	261	135	170	142	147
A2. Alternative Scenario :[Customize, enter title]	86	85	107	141	171	214	241	124	155	131	140
B. Bound Tests		3	9	12	15	16					
B1. Real GDP growth	86	96	131	175	213	224	239	117	144	121	126
B2. Primary balance	86	92	123	164	200	209	222	108	133	111	116
B3. Exports	86	92	123	166	201	211	224	110	135	115	119
B4. Other flows 3/	86	92	124	167	202	212	225	111	137	117	121
B5. Depreciation	86	88	117	154	186	196	208	103	125	103	106
B6. Combination of B1-B5	86	90	120	160	194	204	217	106	130	108	112
C. Tailored Tests											
C1. Combined contingent liabilities	86	92	125	165	203	210	223	109	133	111	116
C2. Natural disaster	86	94	127	167	205	213	226	111	135	113	118
C3. Commodity price	86	92	122	163	200	210	224	110	135	113	118
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

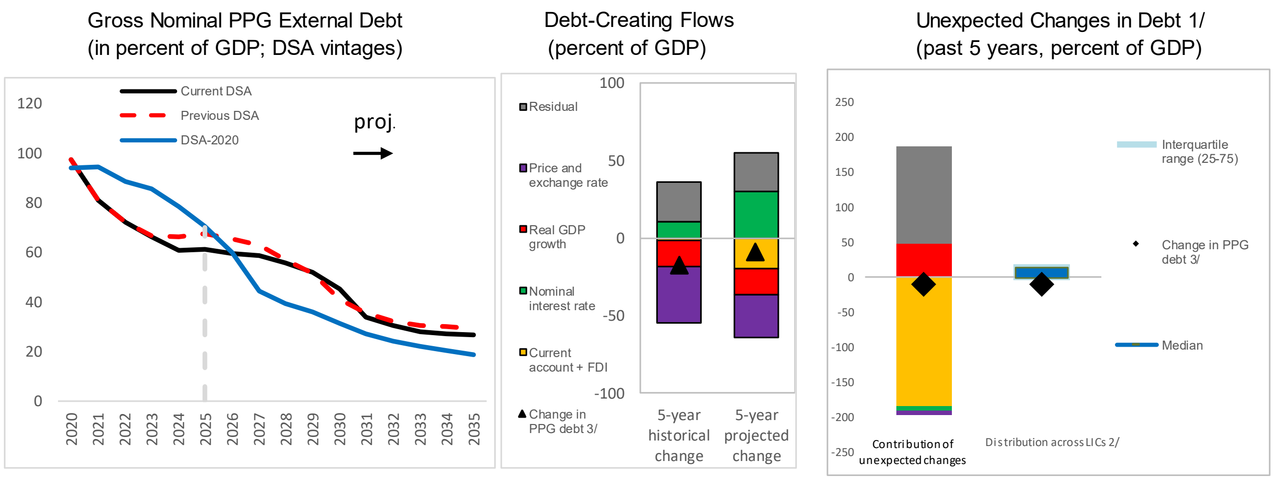
1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

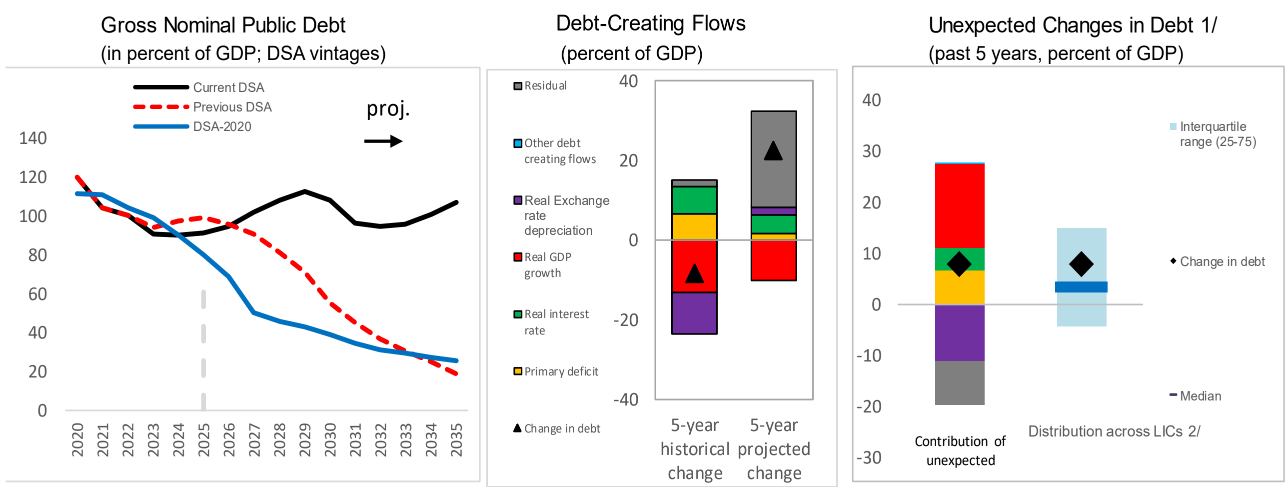
3/ Includes official and private transfers and FDI.

Figure 3. Mozambique: Drivers of Debt Dynamics Under Unchanged Policies

External Debt



Public Debt



Source: Country authorities and staff estimates and projections.

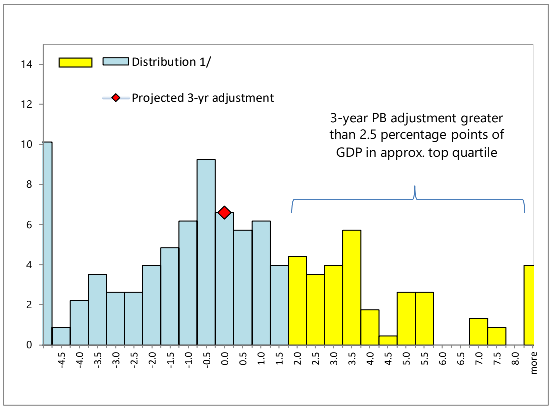
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

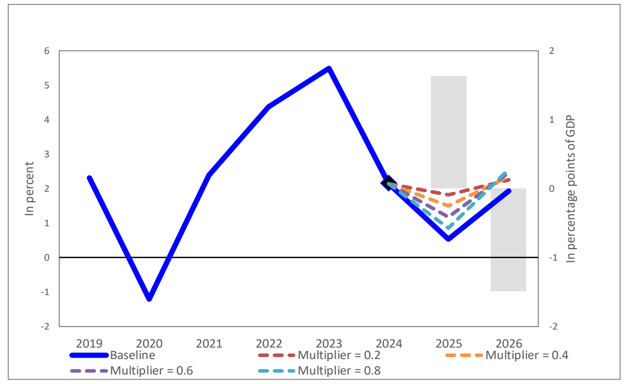
Figure 4. Mozambique: Realism Tools – Under Unchanged Policies

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



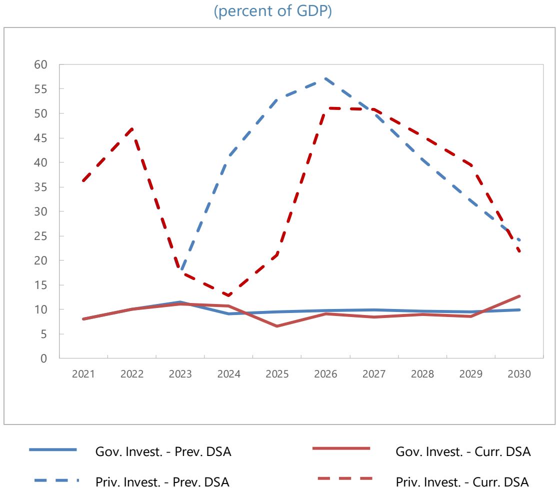
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

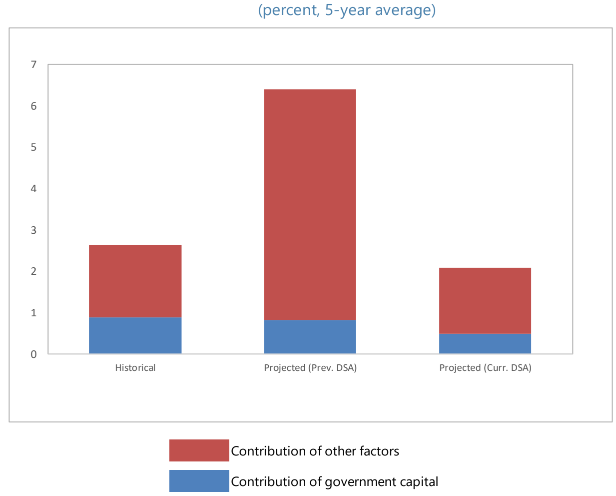


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP Growth
(percent, 5-year average)



Source: Country authorities and staff estimates and projections.

Table 5. Mozambique: Composition of Public Debt and Debt Service by Creditor under Baseline, 2024–26[1]

	Debt Stock (end of period) 2024			Debt Service					
				2024	2025	2026	2024	2025	2026
	(In million US$)	*(Percent total debt)*	*(Percent GDP)*	*(In million US$)*			*(Percent GDP)*		
Total	20,613.6	100.0	90.6	2058.0	2801.7	3281.8	9.0	11.5	12.6
External[2]	14,243.9	69.1	62.6	700.2	875.7	889.9	3.1	3.6	3.4
Multilateral Creditors[3]	5,126.0	24.9	22.5	247.4	264.2	295.7	1.1	1.1	1.1
IMF	619.9	3.0	2.7						
World Bank	2,952.6	14.3	13.0						
ADF	948.6	4.6	4.2						
Other Multilaterals	604.9	2.9	2.7						
o/w : IDB	219.0	1.1	1.0						
IFAD	136.8	0.7	0.6						
BADEA	101.4	0.5	0.4						
EIB	70.3	0.3	0.3						
Bilateral Creditors	3,590.2	17.4	15.8	348.6	409.2	378.4	1.5	1.7	1.5
Paris Club	966.9	4.7	4.3	63.8	62.8	58.0	0.3	0.3	0.2
o/w: Japan	408.8	2.0	1.8						
Korea	228.9	1.1	1.0						
Brazil	71.9	0.3	0.3						
France	131.4	0.6	0.6						
Non-Paris Club	2,623.3	12.7	11.5	284.9	346.4	320.3	1.3	1.4	1.2
o/w: China	1,445.3	7.0	6.4						
Portugal	401.5	1.9	1.8						
Libya	253.4	1.2	1.1						
India	255.0	1.2	1.1						
Iraq	64.0	0.3	0.3						
Bonds	900.0	4.4	4.0	35.3	80.7	80.7	0.2	0.3	0.3
Commercial Creditors	53.0	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Senior Creditors of LNG Debt Financing	53.0	0.3	0.2						
Other International Creditors	4,574.8	22.2	20.1	68.8	121.6	135.0	0.3	0.5	0.5
o/w: ENH's LNG Project Partners[4]	4,574.8	22.2	20.1						
Domestic	6,369.7	30.9	28.0	1,357.8	1,926.0	2,392.0	6.0	7.9	9.4
Held by Residents, Total									
Held by Non-Residents, Total									
T-Bills	2,060.7	10.0	9.1						
Bonds	2,844.8	13.8	12.5						
Loans	1,464.2	7.1	6.4						
Memo items:									
Collateralized Debt[5]	-	-	-						
o/w: Related	-	-	-						
o/w: Unrelated	-	-	-						
Contingent Liabilities	53.0	0.3	0.2						
o/w: Public Guarantees	53.0	0.3	0.2						
Nominal GDP (millions US$), eop Exchange Rate				22,744	24,349	25,528			

Sources: Mozambican authorities and IMF staff estimates and projections.

[1] As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except the stock of domestic debt does not include state-owned enterprise equivalent to 1.4 percent of GDP.

[2] External debt data are IMF estimates.

[3] Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

[4] Annual interest due are capitalized until beginning of project production.

[5] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

INTERNATIONAL MONETARY FUND

REPUBLIC OF MOZAMBIQUE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

January 28, 2026

Prepared By | African Department (In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of November 30, 2025)

Membership Status: Joined September 24, 1984.

General Resources Account	SDR Million	% Quota
Quota	227.20	100.00
Fund holdings of currency	198.72	87.46
Reserve Position in Fund	28.54	12.56

SDR Department	SDR Million	% Allocations
Net cumulative allocation	326.60	100.00
Holdings	1.80	0.55

Outstanding Purchases and Loans:	SDR Million	% Quota
Emergency Assistance	264.12	116.25
Extended Credit Facility Arrangements	249.92	110.00

Latest Financial Arrangements:

			SDR Million	
Type	Arrangement	Expiration	Amount Approved	Amount Drawn
ECF	May 9, 2022	April 17, 2025	340.80	249.92
SCF	Dec 18, 2015	Jun 17, 2017	204.48	85.20
ESF	Jun 30, 2009	Jun 28, 2010	113.60	113.60

Latest Outright Loans:

			SDR Million	
Type	Commitment	Drawn/Expired	Amount Approved	Amount Drawn
RCF	Apr 24, 2020	Apr 28, 2020	227.20	227.20
RCF	Apr 29, 2019	Apr 29, 2019	85.20	85.20

Projected Obligations to the Fund:

(SDR Million: based on existing use of resources and present holdings of SDRs)

	Forthcoming			
	2026	**2027**	**2028**	**2029**
Principal	62.48	69.30	85.20	90.31
Charge/interest	8.89	8.89	8.89	8.89
Total	71.46	78.28	94.18	99.29

Implementation of HIPC Initiative

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Apr 1998	Apr 2000	
Assistance committed			
by all creditors (US$ Million) [1/]	1,716.00	306.00	
Of which: IMF assistance (US$ million)	124.60	18.46	
(SDR equivalent in millions)	93.17	13.73	
Completion point date	Jun 1999	Sep 2001	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	93.17	13.73	106.90
Interim assistance	--	2.31	2.31
Completion point balance	93.17	11.42	104.58
Additional disbursement of interest income [2/]	--	1.10	1.10
Total disbursements	93.17	14.83	108.00

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	106.56
Financed by: MDRI Trust	83.05
Remaining HIPC resources	23.51
II. Debt Relief by Facility (SDR Million)	

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	106.56	106.56

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr 13, 2020	10.89	10.89
N/A	Oct 02, 2020	9.47	9.47
N/A	Apr 01, 2021	9.47	9.47
N/A	Oct 06, 2021	9.47	9.47

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessment. The 2020 safeguards assessment recommended reforms to strengthen the BM's legal framework, financial reporting, internal audit, financial autonomy, and internal controls. While some recommendations have advanced, legal and governance reforms remain pending, and weaknesses in the BM's financial position persist. The BM publishes its audited financial statements on its website.

Exchange Rate Arrangements: Mozambique's exchange system, a de jure float, is classified as a stabilized arrangement. As a major conduit for foreign aid flows, the Bank of Mozambique (BM) is the main channel for foreign exchange into the market, when operating as an agent for the government. The BM also intervenes on the market in connection with disorderly market conditions, but it has not done so since June 2023. In its foreign exchange buying and selling operations on the interbank foreign exchange market (MCI), the BM uses listings from commercial banks. Commercial banks may change their listings when required during the MCI's operating hours.

Mozambique is an Article VIII member and has accepted the obligations under Article VIII, Sections 2, 3, and 4. Mozambique maintains two exchange restrictions and a multiple currency practice (MCP) subject to the Fund's approval under Article VIII, Section 2(a) and Section 3. The first exchange restriction arises from undue delays in accessing and using FX for current international transactions and external payment arrears due to (i) the authorities' prioritization of FX for certain transactions, including payment on public external debt service, and the Bank of Mozambique's informal guidance to commercial banks to prioritize FX allocations for essential imports (mainly fuel, food and medicines), combined with (ii) informal guidance to commercial banks to maintain the exchange rate at a level that does not clear the market. The second exchange restriction arises from the requirement of a tax clearance certificate for the purposes of making current international payments and transfers. The MCP arises from the impermissible spread between the commercial banks' rates which are subject to informal guidance by the Bank of Mozambique and the FX bureaus' exchange rates which are freely determined.

Article IV Consultations: Mozambique is currently under a 12-month consultation cycle. The last Article IV Consultation was concluded on July 8, 2024.

Technical Assistance (TA) (June 2022-December 2025):

MCM/AFS[1]

Cash Management, June 2022.
Implementation of a New Real Time Gross Settlement System, July 2022.
Hybrid support to develop a Cyber Risk Strategy for the Financial Sector, August 2022.
Cash Management, September 2022, December 2024, and July 2025.
Operational Risk Management, October 2022.
Evaluation of the Use of the Forecasting and Policy Analysis System (FPAS), January 2023.
Fourth Mission on Stress Testing, February 2023.
Cyber Risk Supervision – Onsite Examination, February 2023.
Training on implementing International Financial Reporting Standards (IFRS), March 2023.
Fifth Mission on Stress Testing, May 2023.
Monetary Policy Implementation, June 2023.
Remote hands-on advice to Modernize the National Payment System, June to August 2023.
Medium-term Debt Management Strategy and Annual Borrowing Plan, September 2023.
Cash Currency Management, November 2023.
Integrating Stress Testing in Financial Stability Reporting, January 2024.
Cash Management, January 2024.
Liquidity Forecasting, February 2024.
Training on AML/CFT supervision of key banking governance and risk areas, February 2024.
Walk-Through of Monetary Policy Process, Including Best-Practice Use of Macro Models, April 2024.
Hybrid Workshop on Oversight, April 2024
Bank of Mozambique Peer-to-peer Engagement with Norges Bank on Market Intelligence, May to July 2024.
Walk through of Monetary Policy Committee process using core-Quarterly Projection Model – QPM, April 2025.
Prudential Data Reporting and Analysis, July 2025.
Payment Systems Oversight - Self-Assessment against CPSS-IOSCO PFMI, July 2025.
Corporate Governance Regulation, November 2025.

FAD/AFS

Action Plan for Strengthening Cash Management and the TSA-Architecture, June 2022.
Remote support on Sovereign Wealth Fund Law, July 2022.
Hands-on support on the Implementation of the New Conceptual Model for Financial Programming, July to October 2022.
Strengthening Fiscal Risks Monitoring, September 2022.
Reform of Institutional Framework for Cash/Debt Management and Monetary Policy Operations, November 2022.
FARI revenue forecasting workshop, November 2022.
Mining and Gas Industry – Technical Assistance Project, April 2023.

[1] The Regional Technical Assistance Center for Southern Africa (AFRITAC South (AFS)).

Capacity Building in Revenue Modeling, May 2023.Strengthening the Macro Fiscal Framework through Fiscal Rules, June 2023.
Hands-on training on the use of the State-Owned-Enterprises (SOE) Health Check Tool to monitor. SOEs' financial performance and fiscal risks, October 2023.
Project workplan to strengthen natural resources tax administration, October 2023.
Capacity Building in Revenue Modeling, December 2023.
Public Investment Management Assessment – PIMA and Climate PIMA, March 2024.
Support to develop a Tax Compliance Improvement Plan, March 2024.
Remote support to Strengthen Cash-flow Forecasting Practices using the CFAT tool, March to April 2024, and November 2025.
FARI revenue forecasting workshop, May 2024.Remote support to Strengthen Cash-flow Forecasting Practices using the CFAT tool, June 2024.
Strengthening Cash Management, June 2024.
Building a Data-Driven Tax Authority, June 2025.
Implementing tools for assessing fiscal risks in the SOEs sector, September 2025.
PFM Digital Transformation, November 2025.

STA/AFS
National Accounts, March 2023, February and September 2025.
Macro-relevant Climate Change Statistics Diagnostic, July 2023.
External Sector Statistics, September 2023.
National Accounts, September 2023.
Consumer Price Index, September 2023 and May 2025.
Government Finance Statistics, May 2025.

LEG
Support to the Tribunal Administrativo (TA) of Mozambique in Emergency Spending and Strengthening Governance, June 2023.

Joint TA across Departments

FAD-MCM. Reform of Institutional Framework for Cash/Debt Management and Monetary Policy Operations, November 2022.
FAD-LEG. Remote support on Sovereign Wealth Fund Law, July 2022
AFS. Strengthening Strategic Planning and Governance Model, October 2023.
MCM-WB. Domestic Public Debt Market Development, May 2025.

Resident Representative: Olamide Harrison

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

As of December 2025, Mozambique collaborates with the World Bank Group, the African Development Bank, Kreditanstalt für Wiederaufbau (KFW), and the European Union/European Commission. Further information may be obtained from the following sources.

Mozambique: Development news, research, data | World Bank

Republic of Mozambique | African Development Bank Group (afdb.org)

Mozambique - European Commission (europa.eu)

Mozambique: KFW Cooperation and Engagement

Statement by Adriano Ubisse, Executive Director for Mozambique and Enilde Sarmento, Advisor to Executive Director February 13, 2026

Introduction

1. On behalf of our Mozambican authorities, we thank staff for their constructive engagement during the 2025 Article IV consultation mission. Our authorities broadly share the thrust of staff's appraisal and policy recommendations.

2. Mozambique's macroeconomic environment remains fragile, shaped by a prolonged sequence of overlapping shocks that have repeatedly disrupted stability and slowed reform momentum. Since the COVID-19 pandemic, the economy has been adversely affected by persistent security challenges, sharp increases in global food and fuel prices, and increasingly severe climate-related disasters. These pressures have significantly strained the balance of payments, narrowed fiscal space, weakened credit conditions, and heightened social vulnerabilities, while poverty remains widespread. Social unrest following the October 2024 elections further delayed policy execution and reform implementation, underscoring the importance of restoring confidence, social cohesion, and institutional stability.

3. Against this backdrop, the authorities have taken concerted policy actions to safeguard macroeconomic stability. Monetary policy has delivered improved outcomes, with inflation declining and expectations broadly anchored, while strengthening external buffers. The authorities remain cautiously optimistic about near- and medium-term prospects, underpinned by Mozambique's natural resource endowment. They view the Liquefied natural gas (LNG) megaprojects as potentially transformational, with strong commitment to transparent and prudent management of future resource revenues within existing fiscal frameworks. At the same time, they are advancing with economic diversification efforts under the National Development

Strategy (ENDE 2025–2044), providing a coherent long-term framework for structural transformation. Recognizing that peace and social cohesion are prerequisites for sustained growth and investment, the authorities launched an Inclusive National Dialogue (DNI) to rebuild social trust and build consensus on constitutional and governance reforms.

4. The authorities are navigating a difficult transition marked by tight financing conditions, recurrent climate-related shocks, weak credit intermediation, and constrained policy space. Essential spending has been increased to preserve macroeconomic and social stability while maintaining fiscal discipline. In the near term, the authorities are implementing a gradual and growth-friendly fiscal consolidation to restore macroeconomic balance and place public debt on a sustainable path. They emphasize the importance of timely concessional financing, targeted budget support, and instruments to catalyze private sector investment in supporting these efforts.

Recent Economic Developments and Outlook

5. Real GDP growth fell from 5.5 percent in 2023 to 2.2 percent in 2024, followed by a sharp contraction in Q4-2024 and Q1-2025 due to weak demand, post-election instability, and spending delays. Activity began to stabilize in the second half of 2025, supported by a partial rebound in mining, fisheries, and agriculture. Growth is projected to recover gradually to about 3.2 percent in 2026, driven by improvements in the extractive sector and ongoing business-environment reforms. The authorities note that the subdued recovery underscores the need to accelerate productivity, advance reforms, and attract private investment beyond the extractive industries. In October 2025, they approved the Economic Recovery and Growth Plan (PRECE) to mitigate natural-disaster, political and social shock and support a durable medium-term recovery.

6. Inflation expectations remain well anchored in single digits over the medium term. Headline inflation declined to 3.2 percent in December 2025, down from 4.4 percent in November, staying in line with the central bank's single-digit inflation target. The decline was supported by the exchange rate stability, favorable international prices for key imported commodities, and subdued domestic demand.

7. The fiscal deficit declined in 2025, falling to 4.5 percent of GDP from 6.2 percent in 2024. This improvement reflected stronger expenditure prioritization and a more cautious pace of capital project execution amid financing constraints. The adjustment

also stemmed from efforts to contain non-essential outlays while safeguarding priority social spending.

8. The current account deficit widened to 13.2 percent of GDP in 2025, from 11.0 percent in 2024, reflecting a faster pace of import growth relative to exports amid a challenging external environment. Notwithstanding these pressures, international reserves increased to about 6.4 months of imports in 2025, up from 6.1 months in 2024 (excluding mega-projects), and are projected to remain around six months of imports over the medium term.

Fiscal Policy and Debt Management

9. Fiscal consolidation remains a core priority, reflecting the authorities' strong commitment to safeguarding medium-term debt sustainability. The authorities acknowledge that the adjustment should be anchored primarily on the expenditure side, given financing constraints and the need to protect growth-enhancing and social spending. In line with the Medium-Term Fiscal Framework, 2026-2028, fiscal policy is guided by a gradual and credible consolidation path that balances macroeconomic stability with growth objectives, while strengthening transparency and accountability in public financial management. Key priorities include enhancing domestic revenue mobilization, containing current expenditure, particularly the wage bill, improving spending efficiency, and strengthening public debt management. Together, these efforts aim to rebuild fiscal buffers, preserve fiscal space, and support priority social programs and high-impact public investment.

10. On the revenue side, the authorities are advancing a comprehensive reform agenda to strengthen domestic revenue mobilization, which remains a central pillar of fiscal consolidation. Reforms are anchored in the Cabinet-approved Strategy to Improve Efficiency and Modernize the Tax System with a focus on modernizing tax administration, rationalizing tax incentives, and expanding the tax base to enhance fairness and efficiency. In this context, Parliament approved in December 2025 revisions to the VAT, corporate income tax, and personal income tax codes, to be implemented in 2026, including measures to strengthen capital gains taxation and to extend the tax net to activities and transactions within the digital economy. Complementing these legislative reforms, the authorities are accelerating the digitalization of revenue administration through the rollout of a national e-Tax system under a Public-Private Partnership, leveraging automation and data-driven tools to improve compliance, reduce leakages, and sustainably raise revenue performance.

11. The authorities are implementing measures to enhance public expenditure efficiency. They underscore that the public sector wage bill remains a major source of fiscal pressure and are firmly committed to decisive measures to contain its growth. These include strengthened payroll management and controls, limits on new hiring, accelerated retirements, and tighter oversight of overtime practices, particularly in the education and health sectors, to enhance efficiency while maintaining service delivery. Looking ahead, they remain committed to safeguarding priority social spending, protecting vulnerable groups, and progressively reallocating resources toward well-prioritized, high-impact capital investment.

12. The authorities note that public debt remains elevated and underscore that decisive action is needed to place debt on a sustainable path over the medium term. In this context, the Cabinet approved the MTDS (2025–29), which provides a prudent framework to meet the State's financing needs while balancing cost and risk, thereby strengthening policy credibility and safeguarding debt sustainability. The strategy underscores the authorities' commitment to prudent debt management, with a focus on diversifying financing instruments and sources and developing the domestic capital market. Over 2026–27, implementation will prioritize debt stabilization through maturity extensions of domestic debt, continued liability-management operations, a broader investor base, and targeted debt-for-investment and climate-related swap operations with bilateral creditors, to ease liquidity pressures and improve debt-service predictability. Complementing these efforts, the authorities have revised the legal framework for Treasury bonds to broaden market participation and engaged debt advisors to support implementation of a debt management plan in line with fiscal consolidation objectives, reinforcing their commitment to transparency and fiscal discipline.

13. The authorities attach high priority to strengthening public financial management as a core pillar of fiscal strategy and Macro-Fiscal stability. Reforms focus on tightening expenditure controls, strengthening budget formulation, and improving cash management to enhance budget execution, and prevent arrears accumulation. Procurement reforms are also advancing, including through the establishment of a centralized Procurement Center. These measures, aligned with IMF technical assistance recommendations, are expected to support more credible and efficient use of public resources. They have taken decisive steps to strengthen transparency and governance in natural resource revenue management. With all legal and operational arrangements completed in November 2025, the Sovereign Wealth Fund (SWF) is now fully operational and designed in line with international best practices to ensure transparent, accountable, and sustainable use of natural gas revenues while supporting intergenerational equity and fiscal sustainability.

Monetary, Exchange Rate and Financial Sector Policies

14. The Bank of Mozambique (BM) continues to pursue a proactive, forward-looking monetary policy to safeguard price stability and support macroeconomic resilience. With inflation easing to 3.2 percent in December 2025, the BM has gradually lowered the policy rate, MIMO, to 9.25 percent. The authorities remain committed to strengthening the policy framework anchored on the MIMO rate as they advance toward a full inflation-targeting regime to enhance transparency and anchor expectations.

15. The authorities acknowledge pressures in the foreign exchange market but see no evidence of shortages in the official market. Recent FX demand is viewed as temporary, and the wider spread with the parallel rate reflects structural balance-of-payments features rather than limited FX supply. Exchange-rate volatility has remained contained, and the metical continues to be market-determined. FX conditions are expected to improve as shocks dissipate and megaproject activity resumes. In this context, the BM is advancing reforms to modernize the FX market and welcomes IMF technical assistance to strengthen FX operations and transparency.

16. The BM notes that fiscal imbalances continue to weigh on financial-market functioning and complicate liquidity management. Within these constraints, liquidity is managed through reserve requirements and market-based instruments, while monetary financing remains within statutory limits. The authorities reaffirm that the official FX market remains the primary channel for transactions, with the parallel market small and volatile. Despite challenges, monetary policy transmission to interest rates remains broadly effective.

17. The banking system remains stable, supported by strong capital and liquidity buffers, though subdued credit and elevated sovereign exposure continue to pose risks. BM is tightening prudential oversight, strengthening supervision of credit risks, including SOEs, and enhancing stress-testing to ensure timely corrective action. Mozambique’s exit from the FATF grey list marks a key milestone in reinforcing financial integrity, reflecting improvements in the regulatory framework and supervisory effectiveness and contributing to stronger confidence among market participants and international partners.

Structural Reforms

18. The authorities' reform agenda under the National Development Strategy (ENDE 2025–2044) provides a clear framework to advance structural transformation and inclusive growth. Key priorities include stronger governance, greater transparency, enhanced human-capital investment, and climate-resilient infrastructure. Efforts focus on skills development, particularly for women and youth, job creation and promoting private investment across productive sectors. The newly approved Mutual Guarantee Fund (FGM) and Local Economic Development Fund (FDEL) will help ease financing constraints, support SMEs, and deepen local value chains. These measures are complemented by steps to reduce labor-market rigidity and improve the business environment.

19. The authorities are strengthening anti-corruption frameworks as part of their broader governance agenda. Central to this effort is the digitalization of public services to reduce discretion, limit face-to-face interactions, and improve service delivery. They are also developing a national anti-corruption strategy aligned with international standards to reinforce prevention, enforcement, and institutional coordination. Capacity building at the GCCC (Central Anti-Corruption Office) and related bodies is under way. These reforms aim to enhance public-sector integrity and strengthen overall governance.

20. Mozambique remains highly vulnerable to climate shocks, and the authorities are strengthening policies to enhance resilience and disaster preparedness. Efforts focus on integrating climate risks into national planning and budgeting, improving early-warning and response systems, and scaling up targeted protection for communities exposed to floods, cyclones, and droughts. The policy framework is anchored the Master Plan for Risk and Disaster Reduction 2017–2030, while recommendations from the IMF-supported Climate PIMA are being incorporated to strengthen the prioritization and resilience of public investment.

Conclusion

21. The authorities remain firmly committed to advancing their reform agenda to safeguard macroeconomic stability, foster durable and inclusive growth, improve distributional outcomes, and strengthen institutional capacity. They value the Fund's continued engagement and policy advice, which remain instrumental in supporting reform implementation and anchoring macroeconomic stability.