

# MOZAMBIQUE

Following the 0.5 percent contraction in 2025, growth is projected at 0.9 percent in 2026, supported by the resumption of the Mozambique Liquefied Natural Gas (LNG)–TotalEnergies project. The recovery remains fragile amid fiscal pressures, foreign exchange shortages, and flood-related disruptions. Poverty is projected to stay high at 82 percent, amid weak non-extractive growth and limited job creation, with risks from climate shocks, fiscal slippages, and insecurity.

## Key conditions and challenges

The economy continues to face overlapping shocks in a fragile macro-fiscal context. The January 2026 floods, comparable to the 2000 floods, compounded existing vulnerabilities, damaging agriculture, transport corridors, and basic infrastructure as services were gradually resuming. Given agriculture's central role in employment and rural livelihoods, the shock is expected to weaken food security and household incomes. Poverty at the US\$3 per day (PPP) line remains high, affecting about 82 percent of the population.

Structural constraints persist. Agriculture employs over 70 percent of workers but remains low-productivity and highly climate-exposed. Informality dominates the labor market, constraining productivity and revenue mobilization, while growth remains concentrated in extractives with limited job creation and weak spillovers.

Fiscal pressures have intensified. Limited external financing has increased reliance on domestic borrowing, raising debt vulnerabilities. Mozambique is in debt distress, and public debt is assessed as

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
35.6	26.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
63.6	119.2
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
22.4	628.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

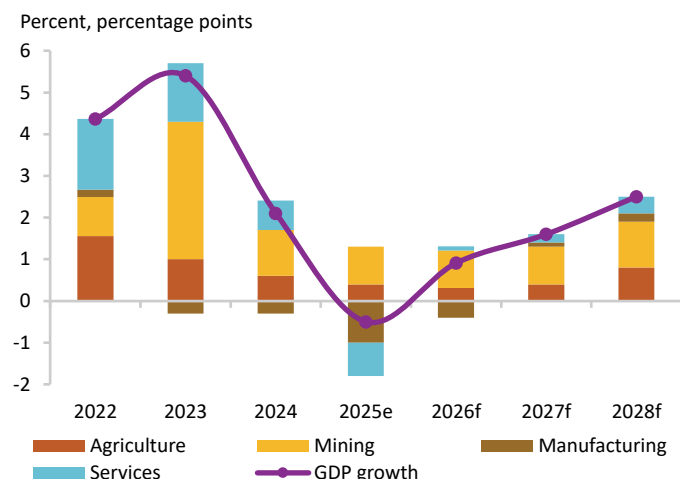
unsustainable, reflecting high financing needs and limited buffers. The wage bill and interest payments absorb 87 percent of tax revenues, crowding out investment and social spending.

## Recent developments

Economic activity contracted by 0.5 percent in 2025, reflecting post-election unrest following the October 2024 elections, compounded by fiscal pressures and foreign exchange shortages that weakened investor confidence. The downturn was most pronounced in manufacturing, transport, hotels and restaurants, and electricity and water.

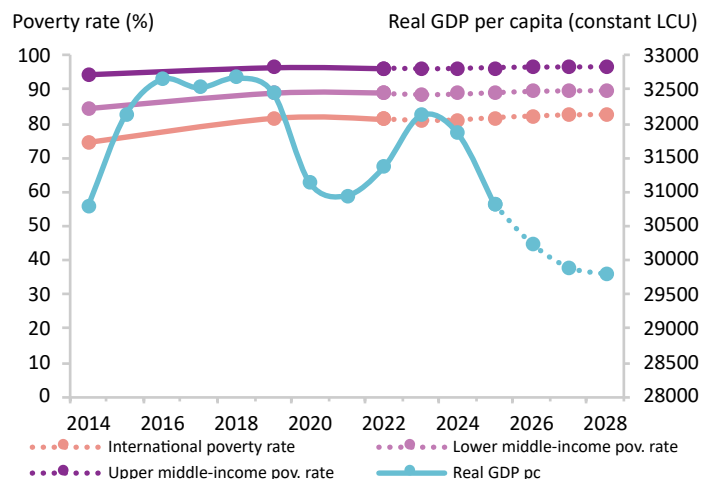
Inflation averaged 4.4 percent in 2025, up from 3.2 percent in 2024, but remained below the central bank's 5 percent target. Year-on-year inflation fell to 3.2 percent in February 2026 (from 4.7 percent a year earlier), driven mainly by food and transport. The Bank of Mozambique continued easing, lowering the policy rate to 9.25 percent in January 2026. However, private sector credit remains subdued at 16 percent of GDP, reflecting high lending rates and crowding out from domestic government borrowing.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: National Bureau of Statistics and World Bank.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit widened from 11 to 14 percent of GDP between 2024 and 2025, driven by higher profit repatriation and external debt service, despite slight declines in both exports and imports. International reserves rose to five months of exports (excluding megaprojects). Nonetheless, foreign exchange pressures intensified, reflected in a backlog estimated at US\$800 million (excluding dividends) and a premium of around 10 percent as of January 2026.

Total revenue declined from 27.1 percent of GDP in 2024 to 26.2 percent in 2025, reflecting lower grants and value-added tax revenue, which was affected by higher refund payments. Expenditures declined from 33.3 to 30.3 percent of GDP, driven by cuts in public investment. Although this reduced the fiscal deficit from 6.1 to 4.1 percent of GDP, the adjustment constrained capital spending and service delivery. Financing relied largely on domestic borrowing, contributing to rising domestic debt and interest costs.

Public debt increased to 91 percent of GDP in 2025. The 2026 World Bank–International Monetary Fund Debt Sustainability Analysis assessed public debt as “in distress” and “unsustainable,” reflecting arrears to external and domestic creditors (estimated at 1.3 percent of GDP at end-2025) and solvency indicators projected to remain above sustainability thresholds for several years.

## Outlook

Growth is projected to recover modestly to 0.9 percent in 2026, supported by the construction of the Mozambique LNG project. However, the recovery is expected to remain subdued, reflecting the lingering effects of flood-related disruptions to agriculture, infrastructure, and services, as well as the closure of Mozambique Aluminium (MOZAL), a large aluminum smelter. Growth is

projected to strengthen gradually to 1.6 percent in 2027 and 2.5 percent in 2028, but medium-term prospects remain constrained by structural weaknesses and limited non-extractive job creation. Poverty is projected to remain at 82 percent through 2027 and 2028. Rapid population growth and recent climate shocks are expected to increase the number of people living in poverty by 1.8 million, reaching 32 million by 2028.

Inflation is expected to rise to 7.5 percent in 2026, driven by higher food prices following flood-related supply disruptions and rising fuel costs due to global oil prices increases.

The current account deficit is projected to widen significantly, averaging 23 percent of GDP in 2026–2028, driven by rising LNG-related capital imports, higher fuel import costs, and lower exports. The closure of MOZAL will reduce megaproject export revenues by US\$1.1 billion. The deficit is expected to be financed largely by foreign direct investment inflows associated with gas investments.

The fiscal deficit is projected to widen to 5.2 percent of GDP in 2026, reflecting modest revenue recovery (26.3 percent of GDP), higher current spending driven by wage pressures, and increased capital expenditure. Public debt is projected to rise to 108 percent of GDP by 2028, driven mainly by domestic borrowing, despite a gradual decline in the external debt ratio.

The outlook faces significant risks from further climate shocks, persistent fiscal imbalances, continued foreign exchange pressures, and renewed insecurity in the north of Mozambique. A prolonged conflict in the Middle East could raise global fuel prices, increasing inflationary pressures and worsening poverty outcomes. Fiscal consolidation is critical to restoring debt sustainability and securing macroeconomic stability.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	5.5	2.1	-0.5	0.9	1.6	2.5
Private consumption	9.1	-0.2	-0.3	1.5	2.6	3.5
Government consumption	6.7	7.4	2.4	9.1	5.4	3.2
Gross fixed capital investment	-42.5	-16.0	-23.1	-0.2	0.2	4.3
Exports, goods and services	-5.9	-3.4	-3.4	-2.0	0.5	1.0
Imports, goods and services	-25.3	-10.7	-10.7	2.8	3.5	4.0
<b>Real GDP growth, at constant factor prices</b>	6.8	2.0	-0.5	0.9	1.6	2.5
Agriculture	3.8	2.3	1.3	1.2	2.0	3.0
Industry	13.9	2.4	-0.5	2.0	2.5	3.0
Services	4.0	1.2	-2.3	-0.4	0.3	1.4
<b>Employment rate (% of working-age population, 15 years+)</b>	76.2	76.1	76.1	76.1	76.1	76.1
<b>Inflation (consumer price index)</b>	7.0	3.2	4.4	7.5	6.0	5.5
<b>Current account balance (% of GDP)</b>	-10.6	-11.0	-14.2	-22.7	-23.0	-24.6
<b>Net foreign direct investment inflow (% of GDP)</b>	12.0	15.6	25.4	32.0	28.0	26.2
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-1.6	-6.1	-4.1	-5.2	-5.7	-6.1
<b>Revenues (% of GDP)</b>	29.0	27.1	26.2	26.3	26.4	27.0
<b>Debt (% of GDP)</b>	90.8	90.1	91.4	94.6	101.6	107.9
<b>Primary balance (% of GDP)<sup>1</sup></b>	2.2	-2.0	-0.4	-1.3	-1.5	-1.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	80.8	81.0	81.8	82.3	82.7	82.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	88.8	88.9	89.3	89.6	89.8	89.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.2	1.3	1.0	1.5	2.0	1.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

2/ Calculations based on 2022-IOF. Actual data: 2022. Nowcast: 2023–2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.