Mozambique

Mozambique: CURRENT PATH

Kouassi Yeboua and Blessing Chipanda

Mozambique: CURRENT PATH

Chart 2: Population structure in the Current Path, 1990-2043

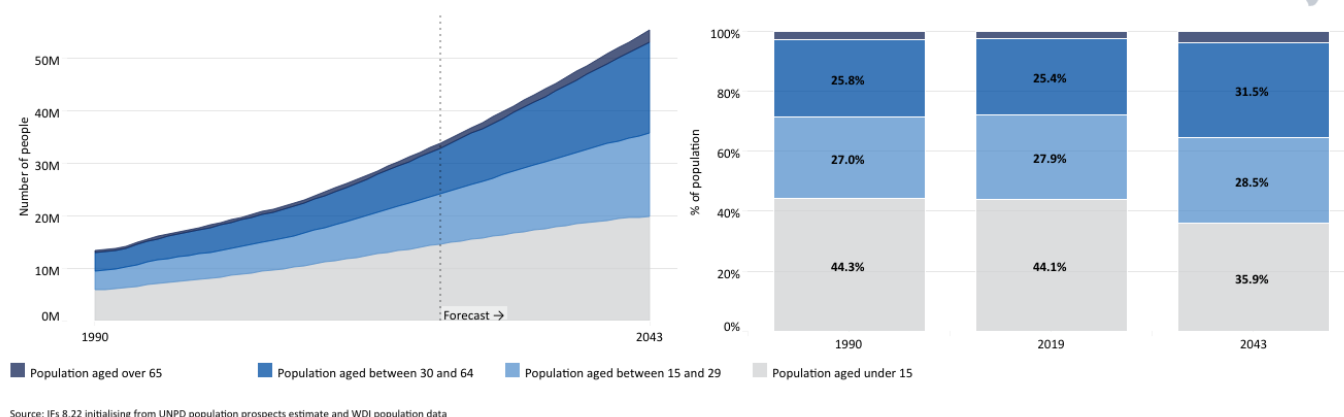Source: IFs 8.22 initialising from UNPD population prospects estimate and WDI population data

Chart 2 presents the Current Path forecast of the population structure, from 2019 to 2043.

The characteristics of a country's population can shape its long-term social, economic and political foundations; thus, understanding a nation's demographic profile indicates its development prospects. Since 2000, Mozambique's population has increased by about 70% from 18 million to about 32.9 million in 2022, making it the 14th largest population in Africa and the 3rd largest in the southern African region after South Africa and Angola.

On the Current Path, Mozambique's population will reach 55.4 million people by 2043, reflecting the reduction in mortality and elevated fertility. The average population growth rate between 2023 and 2043 will be 2.5%, which is significantly above the target of 1.8% set out in the National Development Strategy (ENDE) over the same period. In 2043, Mozambique's population growth rate will be 2.1%, on par with the average for low-income Africa but above the target of 1.3% set out in the ENDE for that year.

The GOM has reiterated that the management of population growth is a critical priority in order to meet the country's social and economic development goals. This is currently prioritised as a focus area in the ENDE. On the Current Path, the total fertility rate in Mozambique will be 3.1 births per woman in 2043, below the average of 3.4 for African low-income countries and above 2.8 for Southern Africa.

High fertility rates coupled with low life expectancies resulted in Mozambique having one of Africa's most youthful age structures. The median age was 16.8 years in 2021 (the latest available data), the thirteenth lowest in Africa. Yet, this is an increase from 15.5 years at the end of the civil war in 1992, indicating a transition in Mozambique's age structures, albeit slowly. The Current Path shows that the median age in 2043 is likely to be 21.8 years, meaning that half of the population will be younger than 22 years. This gradual ageing of the population is most noticeable in the decline in the population below 15 years, with associated growth in the economically active age groups.

In 2023, about 43% of the Mozambique population was below the age of 15 years. This large cohort of children below 15 years of age requires huge investment in education and healthcare infrastructure. With an expected drop in fertility rates by 2043, 35.8% of the population will be below 15 years of age. The increase in life expectancy is evident in the growing elderly dependent population group, which will increase from 2.8% in 2023 to 4.1% by 2043.

Mozambique has a large youth bulge at 49%, which, on the Current Path, will slightly decline to 44.5% by 2043. A youth

bulge, defined as the percentage of the population between 15 and 29 years old relative to the population aged 15 and above, exhibits a strong relationship with upsurges in violence, and socio-political instability in poor countries, particularly when opportunities are scarce, education quality is low and democratic expression is inhibited.

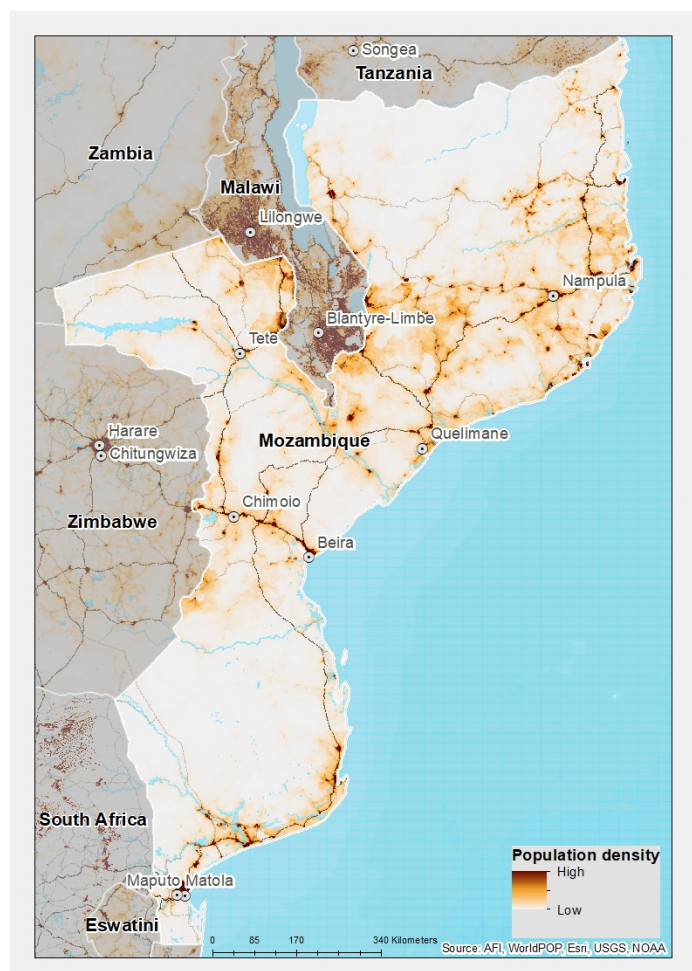**Chart 3: Population distribution map, 2023**

Chart 3 presents a population distribution map for 2023.

Mozambique is a sparsely populated country. Its population density is about 40 people per square kilometre. Three large populations clusters are found along the southern coast between Maputo and Inhambane, in the central area between Beira and Chimoio along the Zambezi River, and in and around the northern cities of Nampula, Cidade de Nacala, and Pemba; the northwest and southwest are the least populated areas (Chart 3).

Chart 4: Urban and rural population in the Current Path, 1990-2043

Source: IFs 8.22 initialising from UN World Urbanization Prospects data
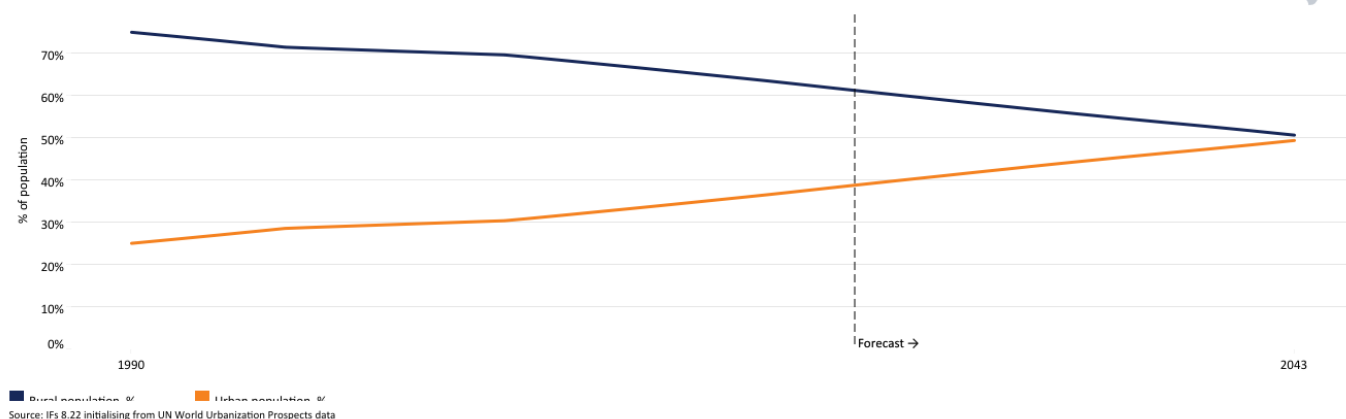
Chart 4 presents the urban/rural population, from 1990 to 2043.

Together with population growth and structural demographic changes, Mozambique will see a dramatic shift towards urban areas. Mozambique is one of the least urbanised in the world, with 61% of its population dwelling in rural areas as of 2023. On the Current Path, the urban transition will get momentum, with 49.4% of the population in urban areas and 50.6% in rural areas.

Urbanisation is critical to economic growth and development as it fosters entrepreneurship and increases productivity. Despite constituting only about 5% of the country's population, Maputo is responsible for about 20% of Mozambique's GDP. Urbanisation can reduce poverty and provide several social and economic benefits when managed sustainably.

Chart 5: GDP (MER) and growth in the Current Path, 1990-2043

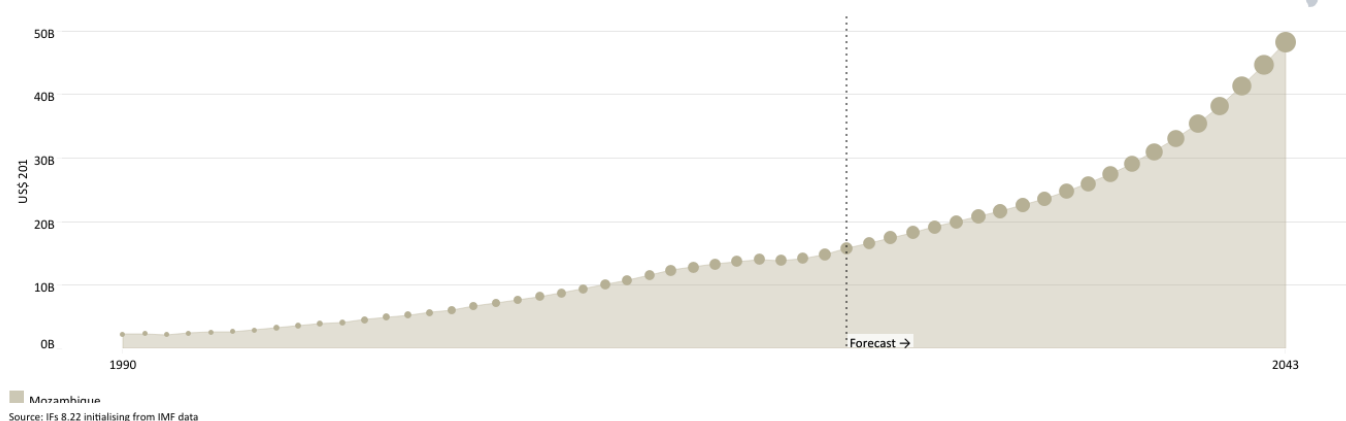Source: IFs 8.22 initialising from IMF data

Chart 5 presents GDP in MER and growth rate in the Current Path forecast, from 1990 to 2043.

Agriculture, mining, and energy form the foundation of Mozambique's modest economy. From 1992 until 2015, the country consistently ranked among the world's top 10 fastest-growing economies. However, the revelation of undisclosed debts in 2016, commonly referred to as "hidden debt", precipitated a sharp decline in growth, triggering an economic governance crisis and a prolonged deceleration in economic activity, with growth plummeting from 6.7% in 2015 to an average of 3% between 2016 and 2019. This growth slump was further compounded by the compounding impact of natural disasters in 2019, the insurgency in Northern Mozambique escalating since 2017, the global pandemic in 2020 and the Russian–Ukraine war with its associated high energy and food prices.

Going forward, Mozambique's growth prospects look positive. The LNG production and the associated revenue for the GOM are expected to boost GDP growth rates, although at risk from climate-related shocks and uncertainty around the security situation in the North despite recent improvements and macroeconomic instability. The total public debt is forecast to stabilise at about 92 per cent of GDP in the medium term.[1]

Due to the delay in gas exploitation, the benefits of the megaprojects in terms of economic growth will probably materialise beyond our forecast horizon (2043). Under a business-as-usual scenario incorporating LNG, the average growth rate between 2023-2034 will be 5.8% compared with 7.1% over 2035-2043. The average growth rate between 2023 and 2043 will be 6%, 3.2 percentage points below the expected 9.2% in the GOM's optimistic scenario over the same period in the National Development Strategy (2023-2043). As a result of these expected positive growth rates, Mozambique's GDP (2017 constant US$) will triple from US$15.7 billion in 2023 to US$48.2 billion in 2043, about US$7 billion larger than the US$41 billion projected under a scenario without natural gas resources in the same year.

Chart 6: Size of the informal economy in the Current Path, 2019-2043

Source: IFs 8.22 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data
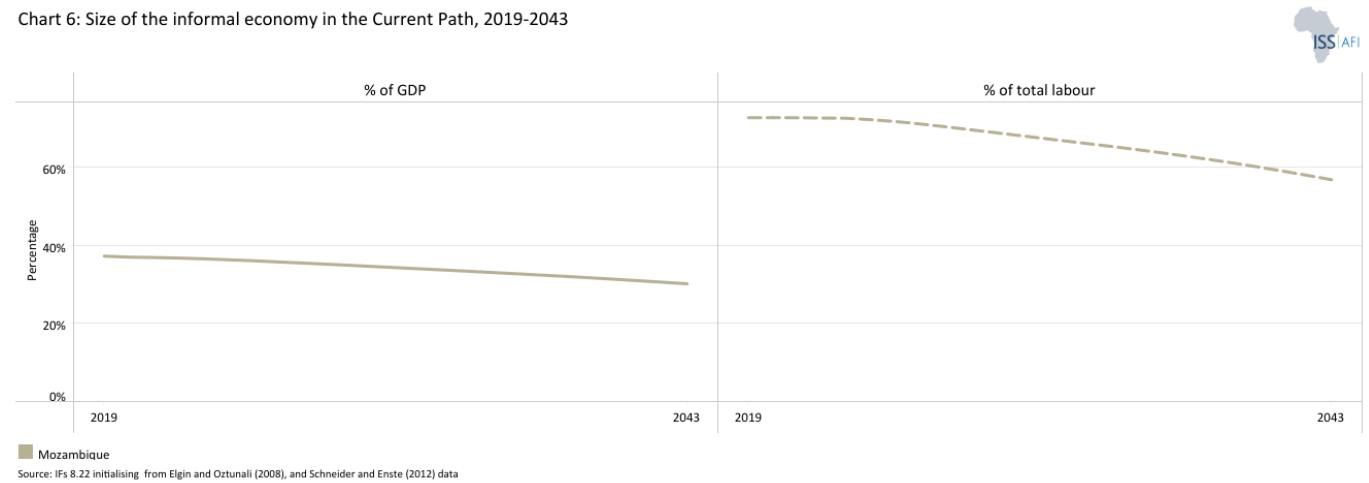
Chart 6 presents the size of the informal economy as per cent of GDP and per cent of total labour (non-agriculture), from 2019 to 2043.

Like many other low-income countries, the size of the informal economy is very large in Mozambique. In 2021, Mozambique had around a 96% informality rate among its workforce. Countries with high informality have a whole host of development challenges, such as low revenue mobilisation. Economic growth tends to be below potential in countries with high levels of informality. A recent study conducted in Mozambique shows that compared to formal micro enterprises, informal firms sell about 14 times less, make 17 times lower profits and are 2-3 times less productive.

As of 2023, the size of the informal sector in Mozambique was equivalent to 36.5% of its GDP. On the Current Path, informality will decline to about 30% of GDP by 2043, above the average of 26% for African low-income countries and 18.4% for Southern Africa.

Our fieldwork revealed that the time, fees and cumbersome paperwork needed to register a business and the lack of information and training to comply with rules are some of the key factors preventing the formalisation of informal firms. The interviews indicated that some government officials do not know the regulations and ask for more documents than needed to register a business, a practice that discourages formalisation. The formalisation of informal enterprises to boost the Mozambican economy and tax revenue should be gradual as the informal sector is currently the lifeblood of the growing population of young Mozambicans in the absence of formal sector opportunities.

US$ 2017

2K

1K

0K

1990   Forecast →   2043

Mozambique
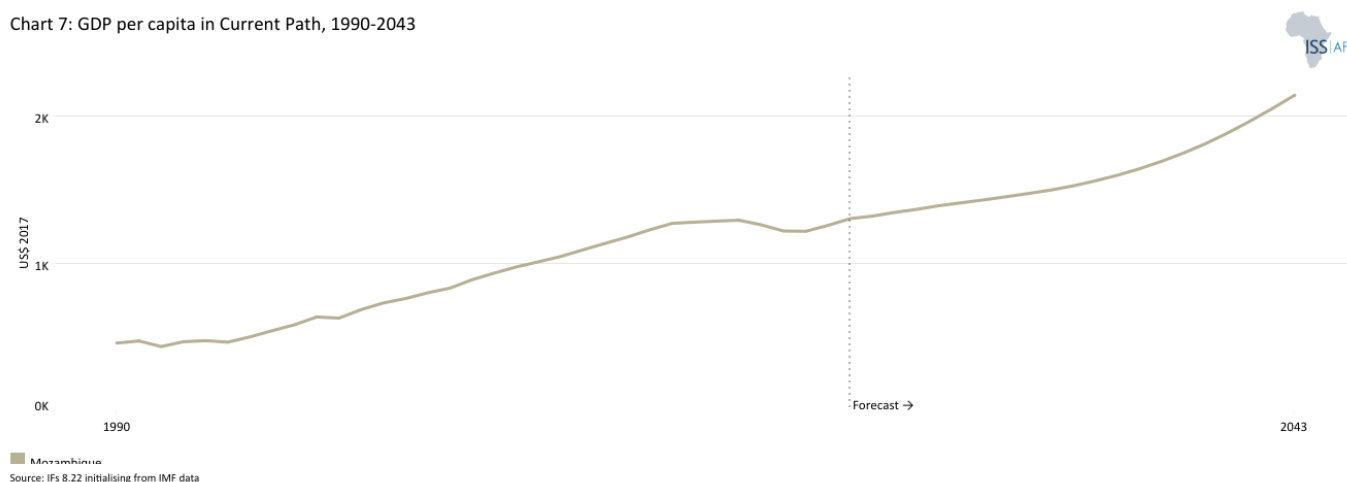Source: IFs 8.22 initialising from IMF data

Chart 7 presents GDP per capita in the Current Path forecast, from 1990 to 2043 compared with the average for the Africa income group.

In 2023, Mozambique had Africa's 7th lowest GDP per capita (PPP). The country significantly reduced the gap between its GDP per capita and the average for its income peers in Africa between 1995 and 2015, reflecting the high growth performance recorded over this period. The gap has started to widen again due to the post-2015 poor growth performance and elevated population growth.

On the Current Path, Mozambique will likely not close the gap with the average for its peers as its real GDP per capita (2017 PPP) will increase by 64.7%, from US$1 300 in 2023 to US$2 141 by 2043, below the average of US$3 254 for low-income Africa, and US$215 larger than the GDP per capita of US$1 927 under a scenario without natural gas resources in 2043. As for the real GDP per capita (market exchange rate), it increases by 87% from US$465 in 2023 to US$870 by 2043, about half of the US$1 610 for low-income Africa in the same year. The increase in Mozambique's GDP per capita between 2023 and 2043 will remain modest compared to the increase in GDP over the same period. High population growth means economic growth rates translate into smaller per capita income increases.

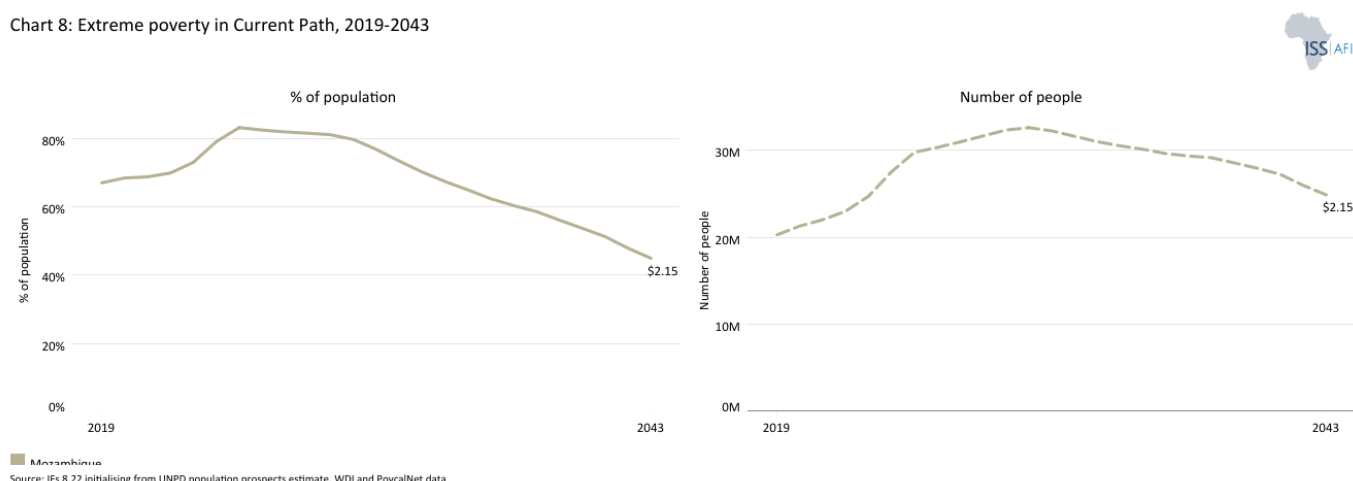Chart 8: Extreme poverty in Current Path, 2019-2043

% of population

% of population

80%

60%

40%

20%

0%

2019   2043

$2.15

Number of people

Number of people

30M

20M

10M

0M

2019   2043

$2.15

Mozambique
Source: IFs 8.22 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 8 presents the rate and numbers of extremely poor people in the Current Path forecast, from 2019 to 2043.

In 2015, the World Bank adopted US$1.90 per person per day (in 2011 prices using GNI), also used to measure progress towards achieving Sustainable Development Goal (SDG) 1 of eradicating extreme poverty. In 2022, the World Bank

updated the poverty lines to 2017 constant dollar values as follows:

- The previous US$1.90 extreme poverty line is now set at US$2.15, also for use with low-income countries.

- US$3.20 for lower-middle-income countries, now US$3.65 in 2017 values.

- US$5.50 for upper-middle-income countries, now US$6.85 in 2017 values.

- US$22.70 for high-income countries. The Bank has not yet announced the new poverty line in 2017 US$ prices for high-income countries.

Using the poverty threshold of US$2.15, Mozambique had the fourth-highest poverty rate at 71% among the 22 low-income countries in Africa in 2022. Chart 6 shows the past trends in poverty and projections on the Current Path. It indicates that poverty is not a new phenomenon but a long-standing issue in Mozambique. The downward trend of the poverty rate in the 1996/1997-2014/15 period has been reversed, and poverty rose from 64.6% to 71% in 2022, erasing the important gains in poverty reduction of the preceding decade. Yet, the number of people living in extreme poverty in Mozambique has consistently increased from 13 million in 1996 to nearly 17 million in 2014 and 23 million people in 2022.

The period following 2015 witnessed pronounced economic volatility, both domestically and globally, resulting in a significant reversal in poverty reduction. Various shocks, including the hidden debt crisis and subsequent macroeconomic instability, led to a notable deceleration in economic growth. This situation was exacerbated by the impact of severe cyclones Kenneth and Idai in 2019, the COVID-19 pandemic and the cost-of-living crisis induced by the onset of the war in Ukraine in early 2022. By the end of 2021, before the beginning of the Ukraine war and the cost-of-living crisis, extreme poverty (<US$2.15/day) was estimated at 67.9% of the Mozambican population (about 21 million people). About 3.3% of Mozambique's population was classified as extremely poor in 2022 compared to a year before due to elevated food, energy, and transport costs. This represents a 4.8% increase in extreme poverty rates in Mozambique during this period, reaching 71% by the end of 2022.

Poverty in Mozambique disproportionately affects young people, women, individuals with lower education levels, residents of larger rural households, and those working in the agricultural sector. Geographically, provinces in the northern and central regions of the country are hardest hit by poverty. In contrast, the Maputo Province and Maputo City in the South have the lowest poverty rates, standing at 22.4% and 11.4%, respectively.

In the Mozambique National Development Plan (ENDE), the target is to reduce the proportion of the population living below the national poverty line from 68.2% currently to 35.8% by 2043. On the Current development trajectory, the poverty rate in Mozambique (at US$2.15) will reach 44.9% by 2043, about 25 percentage points above the average of 21.2% for low-income Africa in the same year. The number of poor people will peak at 32.5 million in 2030 due to population growth before steadily declining to 24.8 million by 2043. Under the Non-LNG trajectory, the poverty rate will be 52.3%, equivalent to 29 million people.

Even with the significant boost to economic growth from natural gas production, Mozambique will likely have almost the same number of people living in extreme poverty in 2043 as it has today. For growth to contribute effectively to poverty reduction, it needs to happen in a way that benefits the poor. The production of gas may generate jobs, but not many will be permanent. On a business-as-usual pathway, Mozambique will miss the SDG target of eliminating extreme poverty by 2030 by a substantial margin.

Mozambique's historical and continuing burden of poverty is largely a function of its population growth rates, the limited access to education, health and basic services, especially in rural areas, low productivity and lack of resilience against

climate disasters in the agriculture sector, poor infrastructure, recurrent natural disasters in some regions and persistent high level of income inequality which negatively affects social cohesion.

REPÚBLICA DE MOÇAMBIQUE

ESTRATÉGIA NACIONAL DE DESENVOLVIMENTO

2023-2043

1

Chart 9 depicts the National Development Plan.

The Mozambique National Development Plan or *Estratégia Nacional De Desenvolvimento* (ENDE) 2023-2043 guides the country's development process, aiming to achieve a long-term vision for the country. Its objectives include improving the country's infrastructure, increasing productivity and competitiveness, promoting economic diversification, promoting access to basic services, promoting social inclusion, strengthening governance and transparency, as well as environmental sustainability to increase the country's productive capacity, the population's living conditions, and reduce social and regional inequalities. To achieve these objectives, the ENDE is structured around five main pillars: (i) Structural Transformation of the Economy; (ii) Social and Demographic Transformation; (iii) Infrastructures; (iv) Governance; and (v) Environment and Circular Economy. Each pillar has strategic objectives, result indicators and targets for the period 2023-2043.

Mozambique National Development Plan (ENDE) targets to:

- Reduce the proportion of the population living below the national poverty line from 68.2% currently to 35.8% by 2043.

- Reach a Gini coefficient of 0.3 by 2043.

- Reduce population growth rate to 1.8% by 2043.

- Increase life expectancy to 69.5 years.

- Increase the share of exports as a percentage of GDP to 42.3% by 2043.

Endnotes

1. Mozambique Macro poverty outlook, The World Bank, April 2024

Donors and sponsors

Cite this research

Kouassi Yeboua and Blessing Chipanda (2024) Mozambique. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/mozambique/ [Online Resource] Updated 09 September 2024.

ISS | AFRICAN FUTURES

About the authors

Dr Kouassi Yeboua currently is a senior research consultant to the African Futures and Innovation programme in Pretoria. In his prior role as staff senior researcher, he recently served as lead author on ISS studies on the long-term development prospects of the DR Congo, the Horn of Africa, Nigeria and Malawi. Kouassi has published on various issues relating to foreign direct investment in Africa and is interested in development economics, macroeconomics, international economics, and economic modelling. He has a PhD in Economics.

Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.