Mozambique

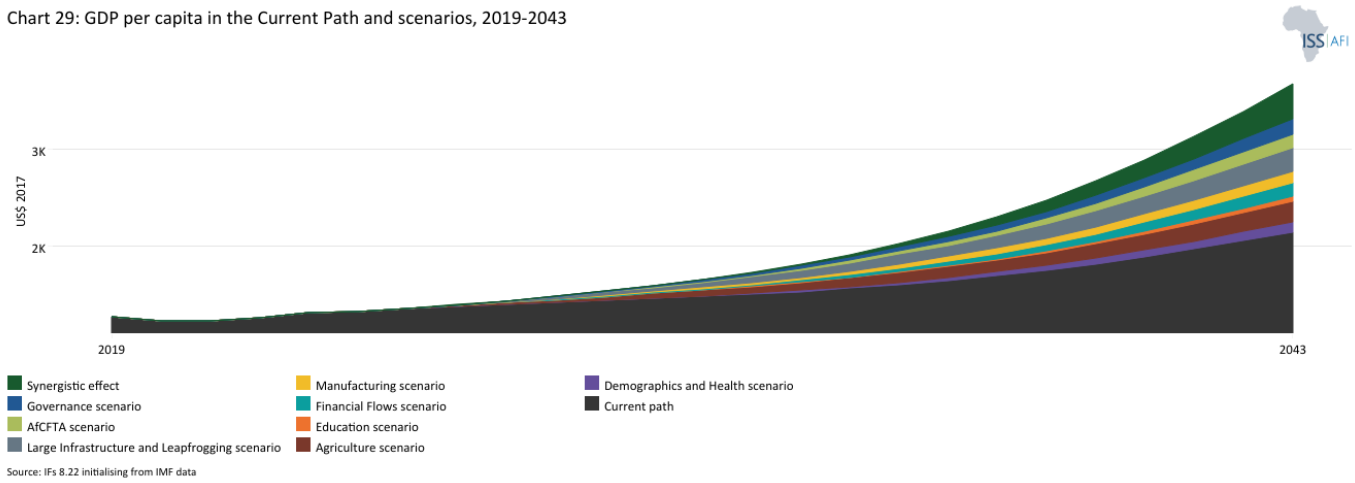
Mozambique: SCENARIO COMPARISONS

Kouassi Yeboua and Blessing Chipanda

Last updated 09 September 2024 using IFs v8.14

Mozambique: SCENARIO COMPARISONS

Chart 29: GDP per capita in the Current Path and scenarios, 2019-2043



Source: IFs 8.22 initialising from IMF data

Chart 29 presents GDP per capita in the Current Path and each of the eight sectoral scenarios plus the synergistic effect. The data is from 2019 with a forecast to 2043 in purchasing power parity.

This section compares the impacts of each sectoral scenario on GDP per capita. Mozambique gets a boost to its GDP per capita in all the scenarios (Chart 29).

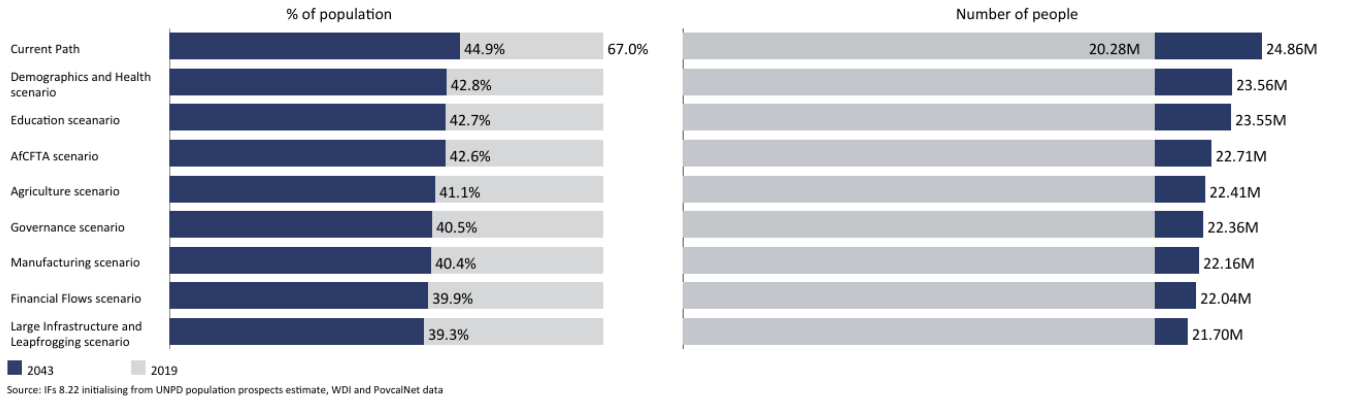
The Large Infrastructure and Leapfrogging scenario has the most significant positive impact on GDP per capita with an increase of US$148 above the Current Path in 2043. The second and third most significant impact of the GDP per capita is achieved in the Agriculture scenario (US$131 above the Current Path) and the Governance scenario (US$92). The Education and the Demographics and Health scenarios are the least impactful, with an increase of US$33 and US$64 (respectively) compared with the Current Path in 2043.

These sectors are, however, not isolated; they are strongly interlinked. For instance, infrastructure and human capital development are crucial for industrialisation and economic diversification. Similarly, the provision of rural roads is vital for agriculture commercialisation and food self-sufficiency. Agriculture can also pave the way to manufacturing through agro-processing while improving governance and security cuts across all sectors. Thus, a holistic approach or a coordinated policy push across industries is the best option to achieve inclusive, sustained growth in Mozambique. Therefore, the Combined scenario links all the abovementioned sectoral scenarios; it represents an integrated development push to remove the binding constraints on sustained, inclusive growth and development in Mozambique.

In the Combined scenario, the GDP per capita (PPP) will be US$ 3 677, which will be US$1 536 larger than on the Current Path in 2043.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 30: Poverty in the Current Path and scenarios, 2019-2043



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

Chart 30 presents poverty in the Current Path and for each scenario, from 2019 to 2043. The data is for the number of people and as a % of the population. The user can select the number of extremely poor people or the percentage of the population.

All the scenario interventions contribute to poverty reduction in Mozambique. The poverty rates in the scenarios by 2043 are 41.1% in the Agriculture, AfCFTA (42.6%), Education (42.7%), Financial Flows (39.9%), Governance (40.5%), Demographics and Health (42.6%), Large Infrastructure and Leapfrogging (39.3%) and the Manufacturing scenarios (40.4%), compared to 44.9% in the Current Path.

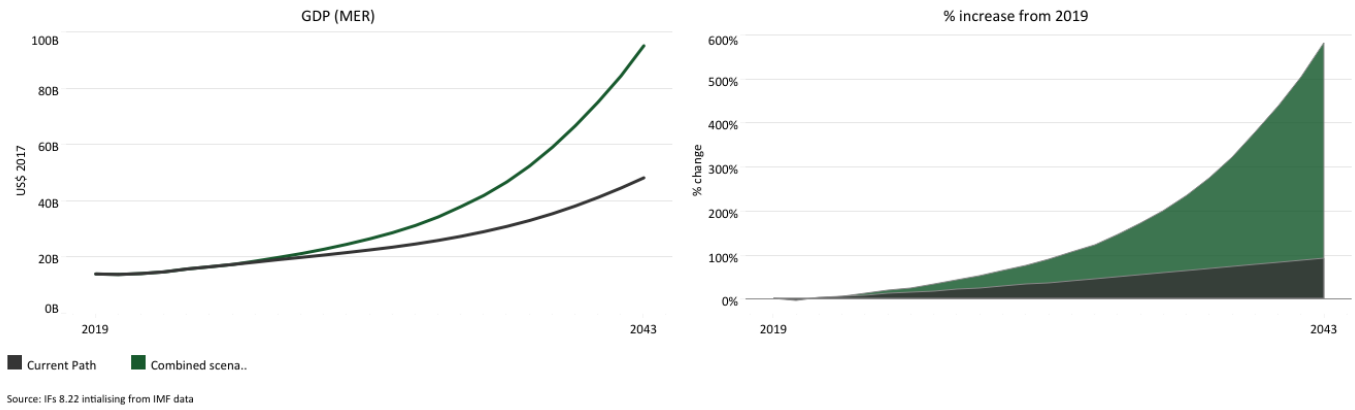
Until 2035, infrastructure development and the Agriculture scenario will have the lowest number of poor people compared to other scenarios. These findings imply that in the short to medium term, infrastructure development and growth in the agriculture sector have the most potential to raise income and consumption among the poorest in Mozambique.

In the long term, the contribution of the agricultural sector to poverty reduction will decline due to the structural transformation of the economy which involves the shift of productive resources from low-productivity sectors, such as subsistence agriculture, to higher productivity activities in the manufacturing or high-end service sector.

The Combined scenario has the potential to generate inclusive growth in Mozambique. On the Combined scenario trajectory, the poverty rate (at US$2.15) will be 22.4% in 2043 instead of 44.9% on the Current Path in the same year. This translates to about 11 million people in extreme poverty in 2043 compared with nearly 25 million people on the Current Path. In other words, 13.5 million fewer Mozambicans will live in extreme poverty in 2043 than on the Current Path.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 31: GDP (MER) in the Current Path and Combined scenario, 2019-2043



Source: IFs 8.22 intialising from IMF data

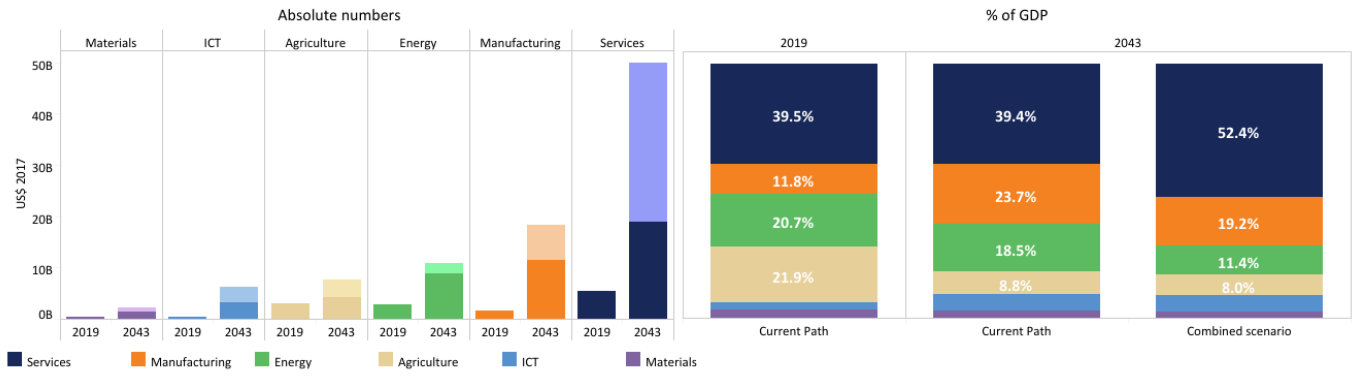
Chart 31 presents GDP in the Current Path forecast and in the Combined scenario, from 2019 to 2043. The data is in Chart 31 presents GDP in the Current Path forecast and in the Combined scenario, from 2019 to 2043. The data is in US$ 2017 and at market exchange rates.

The Combined scenario combines all eight sectoral scenarios: Governance, Demographics and Health, Education, Large Infrastructure and Leapfrogging, Agriculture, Manufacturing, AfCFTA and Financial Flows.

If the Combined scenario were enacted, Mozambique could expect a significant improvement in its human and economic development prospects. In this scenario, the average growth rate between 2023 and 2043 is 9.3%, in line with the expected average growth rate of 9.2%[1] over the same period in the Government Optimistic Scenario in the National Development Strategy (2023-2043).

The size of the Mozambican economy measured in GDP at the market exchange rate (MER) is US$47 billion larger than the Current Path in 2043. On the Current Path, Mozambique will have the 26th-largest economy in Africa by 2043. If the Combined scenario were to be implemented, the country would have the 17th largest economy in Africa in 2043 with a GDP of US$95.2 billion, assuming a business-as-usual scenario (Current Path) for other countries.

Chart 32: Value added by sector in the Current Path and Combined scenario, 2019-2043



Source: IFs 8.22 initialising from IMF World Economic Outlook data

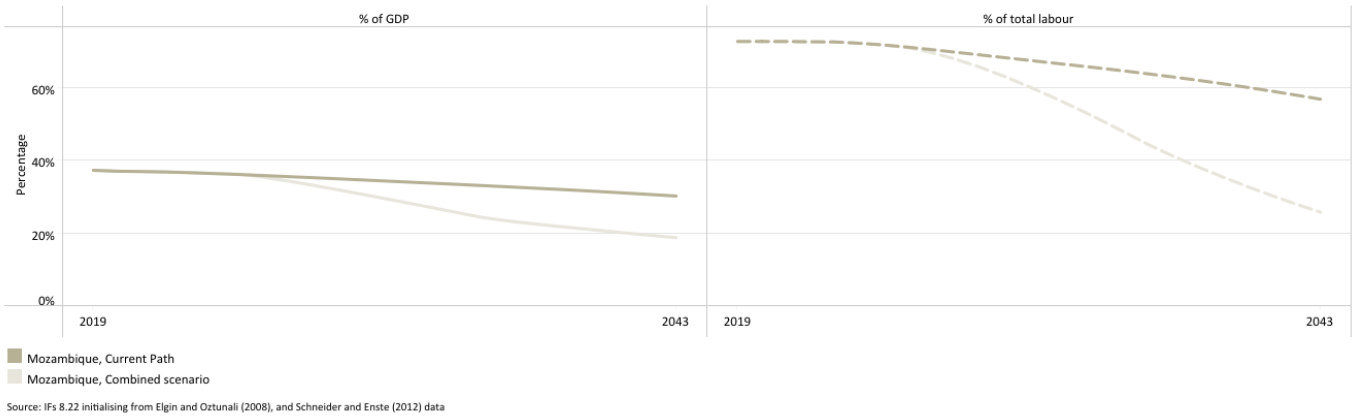
Chart 32 presents the value added by sector in the Current Path forecast and in the Combined scenario, from 2019 to 2043. The data is in US$ 2017 and as a % of GDP.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

In 2043, the agriculture value-added in the Combined scenario is about US$3.3 billion larger than the Current Path in the same year. The services and the manufacturing value-added are US$30.8 and US$6.8 billion higher than the Current Path in 2043, respectively.

Implementing the Combined scenario could accelerate the structural transformation of the Mozambican economy, with the share of the manufacturing sector in GDP increasing from 12.6% in 2023 to 19% in 2043. The share of the agriculture sector in GDP declines from 21.5% in 2023 to 7.9% in 2043 as a result of the structural transformation of the economy. The services sector remains the dominant sector in the economy, with its contribution to GDP in the Combined scenario increasing from 40% in 2023 to 52% in 2043.

Chart 33: Informal sector in the Current Path and Combined scenario, 2019-2043



Source: IFs 8.22 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 33 presents the size of the informal sector as % of the total economy in the Current Path forecast and in the Combined scenario, from 2019 to 2043.

Like many other low-income countries, the size of the informal economy is very large in Mozambique. 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.

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.

In the Combined scenario, the size of the informal sector will represent 18.7% of Mozambique's GDP in 2043, 11.4 percentage points of GDP compared to the Current Path in the same year.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 34: Life expectancy in the Current Path and Combined scenario, 2019-2043

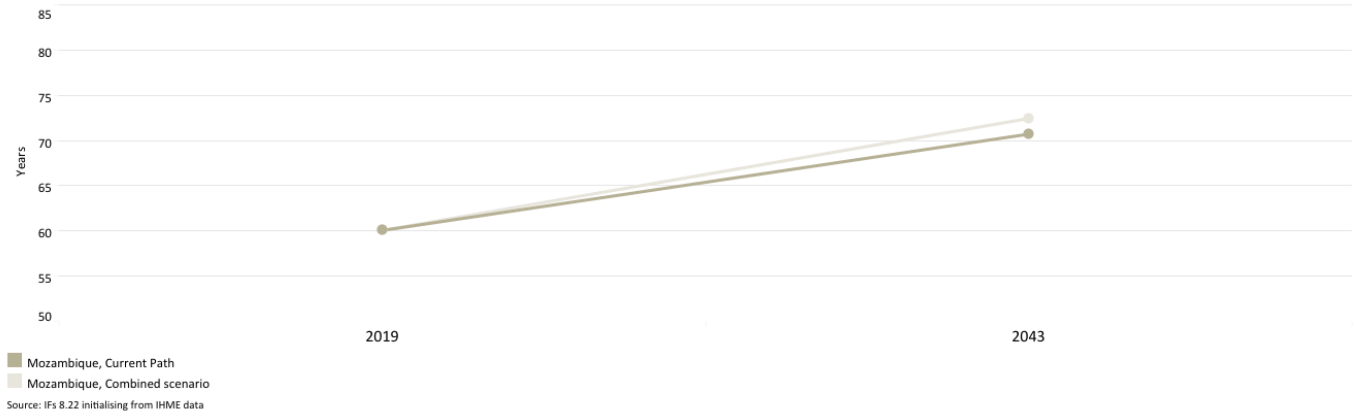


Chart 34 compares life expectancy in the Current Path forecast with the Combined scenario from 2019 to 2043.

In Mozambique, life expectancy at birth (years) has improved by 10.1 years from 52.3 years in 2000 to 62.4 years in 2023. On the Current Path, life expectancy at birth will improve to 70.7 years by 2043. In the Combined scenario, the average Mozambican could expect to live about two years longer at 72.4 years.

Chart 35: Domestic Gini in the Current Path and Combined scenario, 2019-2043

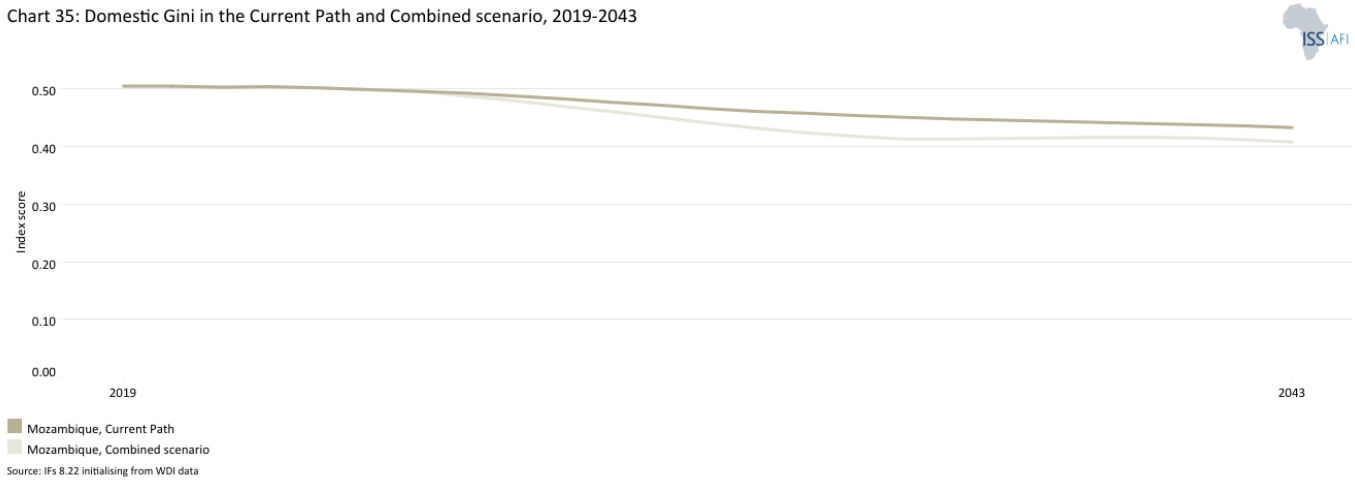


Chart 35 compares the Gini coefficient in the Current Path forecast with the Combined scenario, from 2019 to 2043.

Even though income inequality slightly decreased over the period 2015-2020, Mozambique remains among the most unequal countries in sub-Saharan Africa. In 2019, the national Gini coefficient was 0.50 (out of 1.00) compared to 0.54 in 2014.

Often, the implicit assumption in poverty reduction strategies is that poverty reduction will come through growth, i.e., the benefits of more rapid economic growth will trickle down to reduce poverty. While economic growth is necessary, it is not sufficient for poverty reduction as levels of inequality matter. Higher levels of inequality have been shown to undermine the poverty-reducing effect of economic growth. This is because an initial maldistribution of physical, human and financial resources makes it much harder for poor people to participate in and therefore gain from the proceeds of economic growth.

Public expenditure and investment have been unevenly distributed across the regions, with the wealth concentrated in the

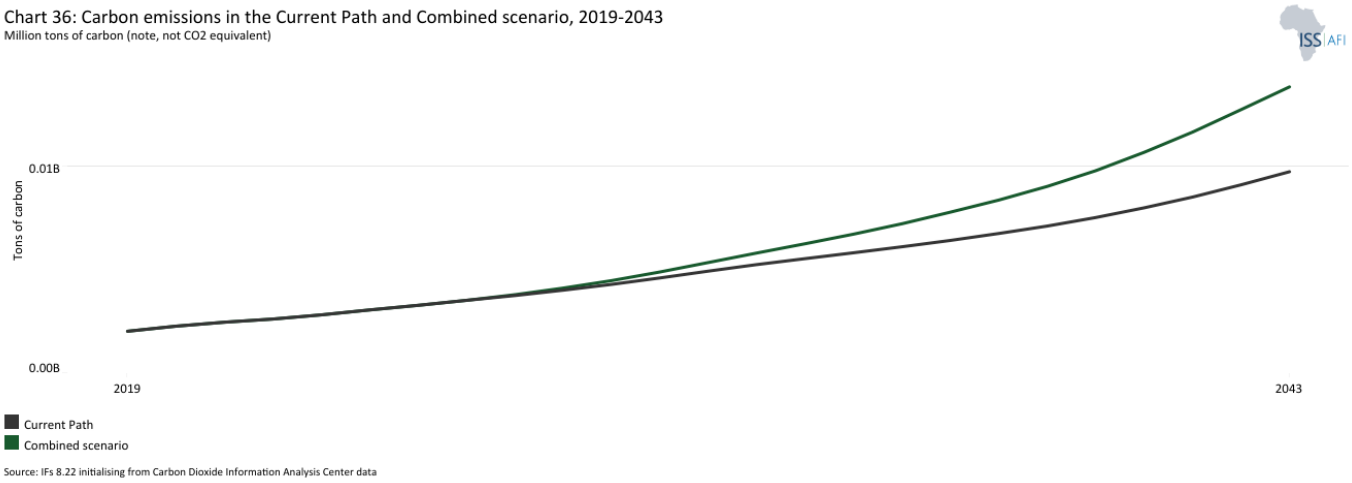
© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

southern region, especially Maputo. Without tackling inequality, economic growth will have little effect on poverty reduction in Mozambique.

On the Current Path, the Gini coefficient for Mozambique by 2043 will be 0.43, above the projected average of 0.38 for low-income Africa in the same year.

The implementation of the Combined scenario could however generate inclusive growth and improve income distribution in the country. In the Combined scenario, the Gini index will decline to 0.40 by 2043, 8% lower than the Current Path in the same year.

Chart 36: Carbon emissions in the Current Path and Combined scenario, 2019-2043
Million tons of carbon (note, not CO2 equivalent)

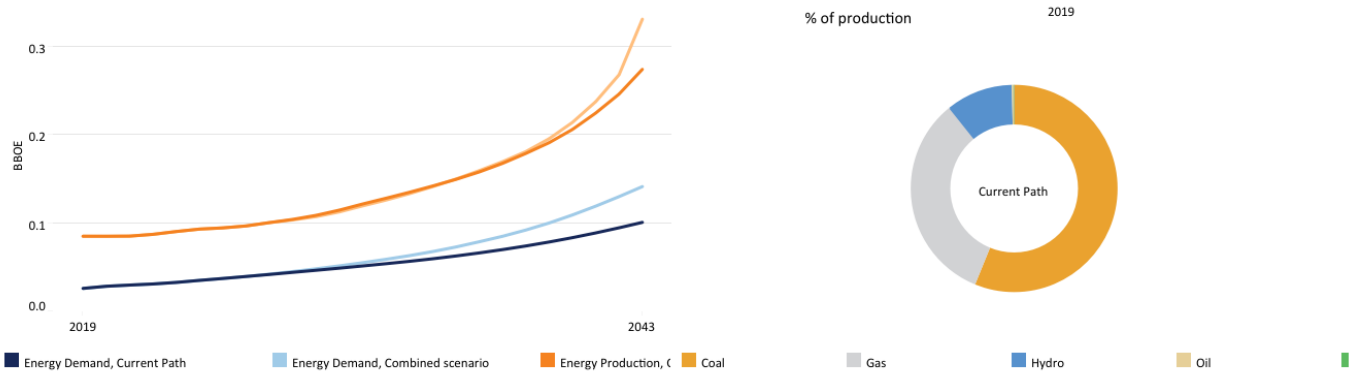


Source: IFs 8.22 initialising from Carbon Dioxide Information Analysis Center data

Chart 36 compares carbon emissions in the Current Path forecast with the Combined scenario from 2019 to 2043.

The implementation of the Combined scenario will require efforts to mitigate its impact on carbon emissions for sustainable accelerated development. With increased economic activity in the Combined scenario, Mozambique will produce 14 million tons of carbon from fossil fuels compared to 10 million tons on the Current Path in 2043.

Chart 37: Energy demand and production by type in the Current Path and Combined scenario, 2019-2043



Source: IFs 8.22 initialising from World Energy Outlook data

Chart 37 compares energy demand and production in the Current Path forecast with the Combined scenario. Production is done in six types, namely oil, gas, coal, hydro, nuclear and other renewables. The data is converted into billion barrels of oil equivalent (BOE) to allow for comparisons. Note that energy production could be for domestic use or for export.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

The total energy produced in Mozambique in 2023 stood at 90 million BOE compared with a total energy demand of 32 million BOE leading to an excess production of 58 million BOE. On the Current Path, total energy production will continue to outgrow demand so that by 2043, excess energy production will be equivalent to 173 million BOE compared to an excess of 190 million BOE in the Combined scenario, reflecting an increase in energy production in the Combined scenario.

However, the aggregate energy production and demand in Mozambique can be misleading as total energy demand outweighs production in all types of energy except Gas. On the Current Path, this trend is likely to persist with Gas production projected to represent 74% of total energy production in 2043. The composition of energy production in the Combined scenario will not significantly differ from the Current Path. Gas production will still constitute about 79% of total energy production.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

Endnotes

1. The Mozambique National Development Strategy (*Estratégia Nacional De Desenvolvimento)*, 2023-2043

Donors and sponsors

Hanns Seidel Foundation

Sweden Sverige

Irish Aid Government of Ireland Rialtas na hÉireann

AUDA-NEPAD AFRICAN UNION DEVELOPMENT AGENCY

Reuse our work

- All visualizations, data, and text produced by African Futures are completely open access under the Creative Commons BY license. You have the permission to use, distribute, and reproduce these in any medium, provided the source and authors are credited.
- The data produced by third parties and made available by African Futures is subject to the license terms from the original third-party authors. We will always indicate the original source of the data in our documentation, so you should always check the license of any such third-party data before use and redistribution.
- All of our charts can be embedded in any site.

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.

© 2024 AFRICAN FUTURES & INNOVATION PROGRAMME

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.

The opinions expressed do not necessarily reflect those of the ISS, its trustees, members of the Advisory Council or donors. Authors contribute to ISS publications in their personal capacity.