



# Status Report COVID-19

## Exchange Mozambique

### [Abstract](#)

Report on the effects of COVID-19 in Mozambique

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## Table of Contents

1. Summary .....	2
2. General overview and statistics .....	3
3. Current Measures.....	5
Phase 1: Low Risk Activities – Beginning on August 18th.....	5
Phase 2: Medium Risk Activities – Beginning September 1 .....	5
Phase 3: High Risk Activities – Beginning October 1 .....	5
4. Impact .....	6
4.1 Impact in Companies.....	6
4.2 Sector Specific Impact .....	8
4.2.1 Agriculture.....	8
4.2.2 Industry .....	9
4.3 Impact on Employment.....	9
Conclusions and recommendations: .....	11

The information in this volume is destined to provide a description of the COVID-19 status and its impact on social and economic life in the 5 Sub-Saharan African countries with cooperation programmes of Exchange vzw. The ambition is to give insights, based on information gathered by Exchange’s business development managers based in these countries. Exchange vzw. can not be held responsible for errors, omissions or lack of accuracy and disclaims any liability in connection with the use of this information. Feedback is welcome at [info@exchangevzw.be](mailto:info@exchangevzw.be)



## 1. Summary

This report builds upon the previous Country updates presented. It summarizes the status of COVID virus spread and the measures taken to prevent its dissemination in Mozambique. The document aims at providing an updated overview of the economic situation in Mozambique, with a focus on the impact of the measures and the pandemic on the economy, particularly on private sector activities.

The first chapter provides an overview of the disease spread, showing a growing trend in number of tested and identified positive cases, with few recorded deaths and almost half of the total number of cases identified already recovered. The pandemic passed through a phase of community contamination in Nampula, which has now been resolved.

At the beginning of August, the Government of Mozambique adopted a new approach to contain the risk of infection, mediating between the public health needs and the plea by private sector to gradually re-open the economy. A phased approach has been designed, to maintain control over the trends, whilst allowing most of the sector to resume normal activity.

The impact of COVID measure on private sector have been rather heavy, and expected to keep producing effects until the end of 2020, despite the positive outlook presented by the Ministry of Industry and Commerce, forecasting lower reductions on revenues for the companies in the second semester of the year<sup>1</sup>. The document presents a general overview of the economy, highlighting the impact on revenues in relative and absolute terms in each sector. Small and medium enterprises suffered a reduction of up to 70% of their business volumes, with those active in tourism, agriculture and commerce being the ones who suffered the most.

A focus is provided on the impact of the measure in the agriculture sector, with highlights to the reduction of input availability and the challenges faced by export oriented firms to place their products in the market, with consequent losses of profitability in the order of 25%, and over 1.3mln people affected along the value chains.

From a direct employment perspective, over 11% of formal jobs have been lost or suspended during the State of Emergency, and during the second semester the data will arise on the extent to which suspensions were temporary or permanent due to employers having entered bankruptcy or having stopped operations.

A final chapter summarizes the recommendations. In the short term, Government could relook at the measures already approved and expand their scope to make them more effective to the private sector. For the medium term, the Country needs to undergo structural reforms to improve the business environment and improve framework conditions for better functioning markets, trades, processing and to move informal businesses into the formal space.

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<sup>1</sup> <https://www.diarioeconomico.co.mz/economia/perdas-de-facturacao-de-empresas-nacionais-podem-baixar-para-32/>

## 2. General overview and statistics

As of the 20<sup>th</sup> of August, Mozambique has the following statistics:

<b>TOTAL CONFIRMED CASES</b>	<b>3045</b>
<b>TOTAL ACTIVE CASES</b>	1733
<b>TOTAL RECOVERED</b>	1291
<b>TOTAL TESTED</b>	80913
<b>TOTAL IN QUARENTINE</b>	6775
<b>TOTAL DEATHS</b>	19

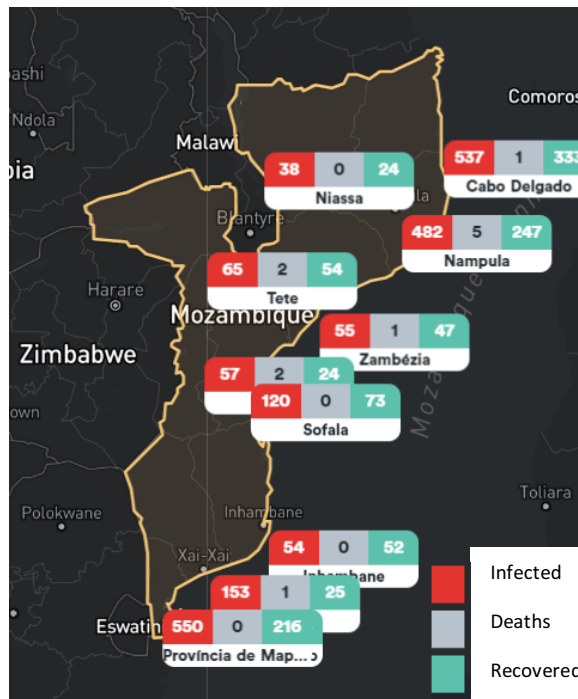


Figure 1: Visual representation of cases through Mozambican provinces

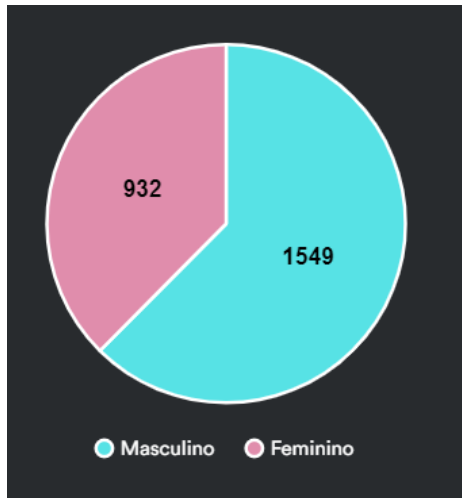


Figure 2: Distribution by Gender

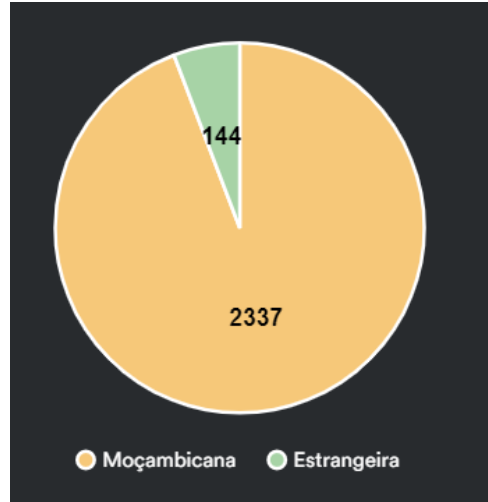


Figure 3: Distribution by nationality

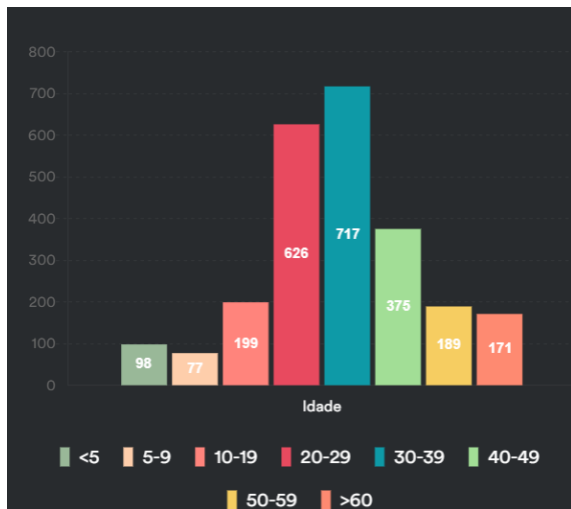


Figure 4: Distribution of COVID cases per age group

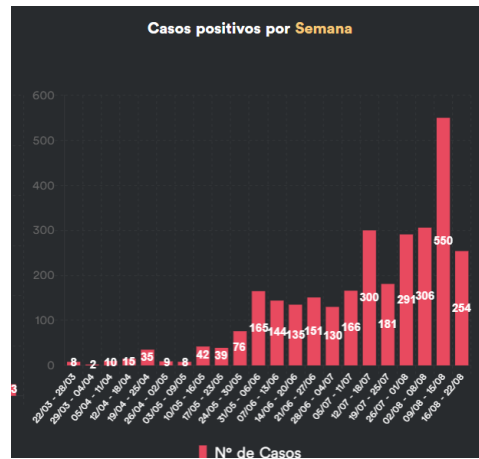


Figure 5: Positive cases per week

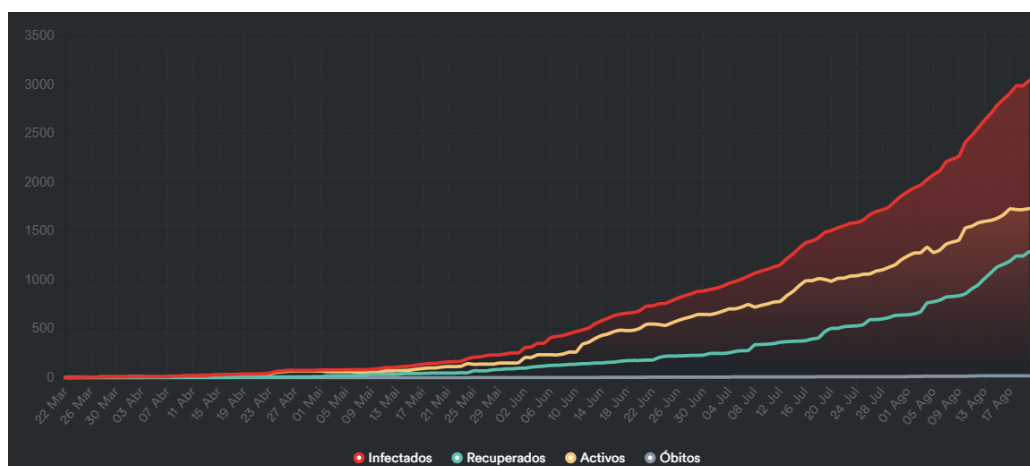


Figure 6: General progression of cases



Table 1: Impact of COVID on Mozambique neighboring countries

Country	Confirmed cases	Deaths
South Africa	512,944	12,264
Zimbabwe	5,378	141
Zambia	9,981	264
Malawi	5,193	163
Eswatini (Swaziland)	3,989	76
Tanzania	509	21

### 3. Current Measures

On August 5th, President Nyusi declared a new State of Emergency, effective since August 8th to September 6th, 2020. This enables continued enforcement of restrictive measures to prevent and control the pandemic, including (i) mandatory wearing of face masks in public spaces, (ii) social distancing measures, and (iii) limits on social gatherings and recreational activities. Individuals should fully review and comply with COVID-19 prevention measures imposed under the State of Emergency to avoid fines and possible arrest.

A phased approach to resuming economic and social activity in Mozambique was also announced.

#### Phase 1: Low Risk Activities – Beginning on August 18th

- Restarting of higher education classes
- Restarting of classes in the academies and schools of security and defense forces
- Restarting of primary and adult education teaching training classes
- Resumption of technical and vocational classes
- Resumption of medical training classes at public professional training centers
- Increased participation in funeral services to 50 people, except in cases where the cause of death is COVID-19 (in which case only ten participants are allowed)
- Resumption of religious services (50 participants maximum)

#### Phase 2: Medium Risk Activities – Beginning September 1

- Reopening of cinemas, theaters, casinos, and gyms
- Reopening of driving schools and resumption of motorsports

#### Phase 3: High Risk Activities – Beginning October 1

- Resumption of Grade 12 classes
- Resumption of primary and other secondary classes, depending on compliance with the conditions imposed by the health and education authorities and the assessment of the local and regional COVID-19 infection rates
- Resumption of group sports based on the same conditions as primary and secondary classes
- The Government has not yet announced details on the resumption of international flights. Once regularly scheduled international flights resume, airlines will be required to observe health and safety measures as specified by health authorities. To date, repatriation flights were organized by TAP on a weekly basis, and passengers were able to travel upon receipt of Government authorization.



The implementation of the phased resumption of socio-economic activity will be contingent upon:

- The ability of the Government to manage the evolution of the pandemic
- The national health system’s guaranteed response capacity
- The robustness of testing capacity

**Entry and Exit Requirements:** The Ministry of Health (MISAU) has implemented screening at airports and other points of entry, scanning the temperatures of all travelers. Travelers will be required to provide proof of negative Polymerase Chain Reaction (PCR)-based COVID-19 test results administered in their country of origin within 72 hours of departure.

All arrivals to Mozambique, regardless of citizenship, will be on a mandated 10-day self-quarantine (see quarantine information below). Following the 10-day self-quarantine, travelers will be required to pass a second PCR-based COVID-19 test to confirm continued negative test results. The cost for the test will be incurred by the traveler.

**Quarantine Information:** The Mozambican Government has mandated a 10-day self-quarantine for all arrivals, regardless of citizenship or prior travel. The Mozambican Government has mandated a 14-day self-quarantine for all persons who have had direct contact with confirmed cases of COVID-19.

**Local Resources:** Travelers are urged to consult the Mozambican Government portal for information on COVID-19 <https://covid19.ins.gov.mz/> for the most accurate and updated information in Mozambique. COVID-19 Hotline: 84 146.

## 4. Impact

### 4.1 Impact in Companies

The data presented here is extracted from a report prepared by the confederation of Business Associations of Mozambique (CTA)<sup>2</sup>. Data presented were derived from interviews to over 500 entities from all the provinces and the sectors and a macroeconomic analyses based on the application of the Hodrick-Prescott filter to the analyses of the growth trend of the economy, so to estimate the GDP for 2020 and the effects of COVID on the economy. A more definite assessment should be done once the Tax Authority would disclose its own data on taxes collected over revenues and profit, in the upcoming months.

Table 2: Most affected sectors in Semester 1, 2020

Sector	Reduction in Revenue	Volume of losses (USD)	% of companies affected in the sector
Agriculture	52%	\$10,057,143	94%
Industry	60%	\$92,385,714	94%
Commerce and Services	58%	\$233,485,714	93%
Hotel and Tourism	75%	\$28,328,571	100%
Transport	64%	\$67,571,429	96%
Construction	50%	\$12,157,143	93%
Financial Services	52%	\$2,628,571	75%
<b>Total</b>		<b>\$446,614,286</b>	

<sup>2</sup> CTA, 2020 “Impacto da COVID-19 no Sector empresarial e medidas para sua mitigação” as retrieved on [www.cta.org.mz](http://www.cta.org.mz) in August 2020.



From an aggregated sector perspective, the most highly impacted was the Hospitality and Tourism sector, having recorded average estimated losses of 75%, with some operators having reported over 95% drop of business volumes. The second worst impacted sector was transport, having recorded losses of 64% of revenues. According to the survey, all the companies active in this sector have been affected to some extent by the effects of the pandemic.

In terms of absolute values of losses, the commerce and retail sector, representing over 74% of the small firms in the Country<sup>3</sup>, lost over US\$ 233mln. Few companies in this sector encountered business opportunities arising from the pandemic, such as the provision of medical and sanitary equipment, as well as telecommunications. This was followed by the Industry and Manufacturing sector, with reported losses of US\$ 92mln, transport sector reporting US\$ 67mln.

Construction is the least affected sector to date is the construction sector, which still suffered a reduction of 50% of the business volume. Nevertheless, concerning speculations on prices have been recorded over the trade of cement, which is almost fully imported.

Financial services providers reduced their business volumes due to a strong reduction of transactions, which represent the largest revenue stream of the business. However, the measures facilitated by the Bank of Mozambique in terms of freeze or renegotiation of loan repayment terms supported most banks to restructure their portfolio. For that, only 75% of the businesses involved with the study reported being affected by the pandemic, which is significant yet less than other sectors. The results on debt defaults will reflect on the intra-bank rate published on the 1<sup>st</sup> Trimester of 2021.

The agriculture sector suffered a reduction of revenues of 52%. This data should be read in light of the fact that the sector employs over 70% of the active workforce in the Country, primarily smallholder farmers, already living on the edge or below the poverty line. Nevertheless, the real extent of impact of COVID economic repercussions on the sector should be evaluated at the end of 2020, after the results of the harvest campaign and the commodities commercialization season.

Table 3: Impact by company size

Dimension	Percentage of revenues reduced	Volume of losses (MZN)	Volume of losses (USD)
Small	70%	MZM 4,689,000,000.00	\$66,985,714
Medium	66%	MZM 7,815,000,000.00	\$111,642,857
Large	49%	MZM 18,758,000,000.00	\$267,971,429
		MZM 31,262,000,000.00	\$446,600,000

Looking at the impact of COVID-19 by company size, as shown in Table 3, Small companies are the most affected by the COVID-19 pandemic, having recorded estimated 70% monthly losses, followed by medium-sized companies with monthly losses estimated at 66%. This result was already expected since small companies are more vulnerable due, on the one hand, to the size of the business, and on the other hand, to its relatively fragile operating structure. Additionally, most of the small companies trade in B2C settings, and have been affected by the reduction of incomes of their clients, leading to consequent lower demand. From a B2B perspective, small companies may have been more affected

<sup>3</sup> World Bank, 2019: Enterprise Survey Mozambique





also by reduction of business volumes of their larger contractor, which are more likely to reduce contracts from small providers rather than bigger ones.

Large companies recorded a greater volume of losses, corresponding to 55% of the total, against 45% of small and medium-sized companies. This scenario is due to the fact that large companies have a larger scale, which means that even if the impact in terms of proportion is not significant, the volume is relatively high compared to Small and Medium Enterprises, which instead are very small in size yet represent the vast majority of economic players. This is an important dynamic to note, which explains the reasoning behind the measures adopted by Government, which were aimed at supporting the large businesses from a fiscal, labor and financial perspective, as they would represent a much larger amount of revenues to the State in the form of taxes.

## 4.2 Sector Specific Impact

### 4.2.1 Agriculture

The sector has already been affected, with worst effects recorded at the commercialization stage of the value chain and, in some specific products value chain dependent on foreign imported inputs, also on the acquisitions of raw materials. National inputs producer's activity decreased by 70%, due to the suspension of international programs which were subsidizing or supporting their production.

#### 4.2.1.1 Horticulture and Food security

An example are the horticultures value chains, namely green leaves, tomatoes, cucumber, peppers. Their inputs are mostly sourced from South Africa. These may have suffered delays due to border controls, or, in other cases, it may be possible that smallholder farmers source their inputs from informal traders. Their movements restrictions due to COVID measures, caused disruptions in the supply chain.

Additionally, most horticulture production comes from peri-urban areas, where public transport was restricted since the beginning of State of Emergency. For fear of the disease, as well as for uncertainty over the availability of transport, several producers abandoned their fields for few weeks, which have been critical to determine the reduction of 40% of the total outcome for the production cycle.

As a consequence, the total volume of production during this semester decreased by 25%. From the producer's perspective, the reduction of prices usually recorded from June, paired with reduced volumes may lead to reduced incomes of 33%.

From the consumers perspective, this reduction on tomatoes, onions and potatoes productions (3 of the staple foods of most urban households) may lead to lower availability of food in the market, increasing prospects for food insecurity and nutritional deficiencies.

#### 4.2.1.2 Export oriented productions

Cash crop producers focused on export markets (i.e. Tobacco, Cotton, Cashewnuts, Macadamia, ..) expect a reduction of revenue in the order of 25% on average, due to the continuous drop of commodity prices in international market, averaging at 23% in the first semester of 2020. In the first trimester of 2020, tobacco export volumes reduced by 18%, whilst sugar was the most affected, with reduction of 79% of revenues, due to the fall of prices and reduction of export volumes.

This is paired to additional concerns related to potential protectionism of recipient markets, such as it can be the case of India and Vietnam for Mozambican cashew nuts that left only 5% of their import



market open. As a consequence, the national cashew processors suspended purchases from 1.3mln smallholder farmers.

#### 4.2.2 Industry

The industrial Production index decreased by 25% in the first trimester of 2020.

Transformative industries, connected to value chains of agriculture, food, manufacturing, logistics, commerce, recorded a reduction of activity in the order of 70% and reduction of revenues by 60%. Producers of oil and soap were particularly affected, with monthly losses of 65%, and the food and beverage industry recording losses in the order of 53%. This has repercussions on smallholder farmers too, with the brewery industry alone engaging 16,000 smallholders in the production of cassava and maize, utilized to produce Impala beers. The decrease was due to the restriction to production capacity (only 30% of the workers could be on-site) and the plummeting of aggregated demand.

Extractive industries recorded losses in the order of 64% of revenue, with most of their operations forced to stop on account of Covid and most of the workers suspended or laid off. This contraction of activities affected also all the SMEs involved along the supply chain of the megaprojects and the extractives, spanning from catering services or maintenance.

#### 4.3 Impact on Employment

The effects of the COVID-19 pandemic have markedly reached the level of employment in Mozambique, due to the negative impacts they have on companies. In the first half of April, therefore 15 days after the entry into force of the State of Emergency, 146 companies had suspended 3,454 jobs, based on Article 123 of the Labor Law in force in Mozambique. By the end of April, therefore, the first month in which the State of Emergency was in force, the number of companies that suspended job posts rose to 205, implying that suspended jobs more than doubled, reaching around 7,969.

In the second in the State of Emergency, in May, the numbers began to record astronomical growths. During the following 15 days, the number of companies that suspended their jobs quintupled reaching the mark of 980 companies. This situation led the number of suspended jobs to triple in 15 days, reaching the mark of 21,917. Until the first half of the third month of the State of Emergency, June, the numbers pointed to around 28,000 job posts suspended by a total of 1,166 companies. This represents 3% of formal employment in Mozambique.

These data can demonstrate the expectations of companies, regarding the direction of the economy and its relationship with decision making within the company. For example, it is noted that in April the total suspended jobs reached 7,969, out of a total of 205 companies. In May there was an additional 16,602 suspended jobs in 869 companies. June added 3,408 suspended jobs in 92 companies. Clearly, May was the most critical for this employment indicator.



Figure 7: Job losses by sector

The hospitality and tourism sector has a labor force estimated at 60,000 jobs and most of them are in restaurants and hotels, with a total of 82%. It is hard to predict how will the sector react, firstly due to the limited resilience of many small touristic establishments, particularly those almost completely dependent on international tourists and travelers.

It is assumed that the 20,100 jobs in these two areas, which represent around 34%, will remain at risk. This suggests that, in terms of job suspension, there may be another vacancy, justified by the inactivity of the accommodation areas and travel agencies.



## Conclusions and recommendations:

**As presented in the previous reports, the measures promoted by the Government to support private sector initiatives whilst good in their intention had limited impact on the economy.** This is particularly linked to their limited scope. As examples, the fiscal measures were only addressing small companies registered in the organized accounting regime, which were few hundreds in total; the financial measures promoted offered a temporary alleviation to the cashflow of firms, whilst increasing their debt exposure, as the banks were allowed to compound interest to the semester when repayment will come into effect; the measures reducing electricity bill by 10% were effective only to the margin and should have addressed a reduction of at least 50% and suspension of fixed taxes to sort positive effects on industry).

**As the country exits the emergency state and enters the recovery phase, it would be advisable for Government to relook at the measures already approved and expand their reach to embrace the larger firms paying taxes** under the organized regime and benefit larger industry with reduction to electricity bill. Additionally, the financing line approved to offer relief to firms in financial distress are currently only sufficient for 5% of the funding needs of private sector. The fund should be topped up by almost US\$ 500mln, even if this could only be achieved with the support of the international cooperation partners.

**In the medium term, the hospitality and tourism sector needs tailored measures to restart.** As an example, a strong marketing campaign is made to reassure tourists – particularly international ones – of the respect of preventive measures in all establishments. In addition, measure to temporarily suspend or reduce VAT should be considered, as a mean to alleviate pressure on treasury and avail cash flow for operations.

**The agriculture sector was already a focus for Government, promoting a strategy to increase competitiveness of small scale farmers and including a gender lens and a focus on youth** with it. Improving framework conditions for the sector to function more effectively and improve infrastructure to facilitate trades and transport are of paramount importance to improve resilience of the sector and ensure food security as well as employment, during and beyond COVID.

**Finally, structural improvements to the ecosystem should be considered from a policy perspective. A clear example of that would be a reorganizations of the markets, with a digitalization component and financial services provision** to allow more secure transactions, a healthier environment and a more organized space for facilitating trades. On the other hand, creating duty-free zones for import to facilitate the purchase of goods from formal importers to micro-traders distributing to last mile destinations in the Country may be a solution to counter informal cross-boarder trading, increasing incomes for the State, increasing transparency and still maintaining income for the traders themselves, without causing inflation on prices.

**To conclude, the Covid crisis had a bigger negative economic impact than a health one.** Whilst this is a good news in the short term, the long term effects of the pandemic and the measures adopted to try



preventing it will challenge the stability of the economy in the second semester of 2020 and the resilience of its society.

For ten million children of Mozambique who have already been living in some form of poverty, COVID-19 means a deeper and more prolonged poverty and the denial of their basic rights. According to the latest census data, there are over 14 million Mozambican children aged 0–17, representing more than half of the total population. Children have been the group that has been less affected directly by COVID-19 infection globally, compared to older populations. However, as the indirect effects of measures to fight the pandemic take root in the social and economic realities of cities and communities, the short-, medium- and long-term impacts on children and adolescents can no longer be ignored. Children are suffering most of the secondary impact of the pandemic, regarding education, protection, WASH and regular health-care, as well as nutrition<sup>4</sup>.

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<sup>4</sup> [Shttps://www.unicef.org/mozambique/en/stories/impacts-covid-19-children-mozambique](https://www.unicef.org/mozambique/en/stories/impacts-covid-19-children-mozambique)