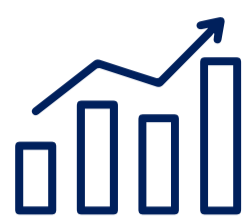


# VISUAL SUMMARY

## FINANCIAL STABILITY BULLETIN - First Half of 2023



The consolidation of the recovery in economic growth in the first half of 2023, reflecting the continued improvement in exports, coupled with the implementation of natural gas projects, contributed to the maintenance of moderate systemic risk, despite vulnerabilities and risks at home and abroad.



The banking sector remained strong and resilient, as results grew and capitalization and liquidity remained adequate, consolidating the prevalence of moderate systemic risk.



In order to contain the risks and mitigate the vulnerabilities of the national financial system, the Banco de Moçambique has decided to maintain all the macroprudential policy instruments, amidst the moderate systemic risk of the financial sector.

# REPORT - INFOGRAPHICS

## FINANCIAL STABILITY BULLETIN - First Half of 2023



### INTERNATIONAL MACROFINANCIAL ENVIRONMENT

Risks to global financial stability have worsened, amid rising central bank policy rates and the recent stress events in the international banking sector.

Given the banking sector stress, the authorities of the most advanced economies took measures to restore the confidence in the global financial system.

The banking sector in South Africa has maintained adequate capital and liquidity despite high inflation and high interest rates.



### VULNERABILITIES OF THE MOZAMBICAN FINANCIAL SYSTEM

The consolidation of the recovery in economic growth contributed to the maintenance of moderate systemic risk, despite the identified vulnerabilities.

**Military instability in the northern region of the country** - progress has been reported in the restoration of security in areas struck by terrorism, albeit not enough to drive the resumption of onshore development of TotalEnergies' Mozambique LNG project.

**Public sector indebtedness** - the rise in public debt increases pressure on the financial system.

**Extreme weather events** - Cyclone Freddy's landfall in the center of the country accelerated the devaluation of several real estate properties, which hampered the portfolio of assets of banks, insurance companies and other financial institutions.

**International market confidence in the country** - domestic state financing, which absorbs a significant amount of banking sector funds, has the potential to increase sovereign risk.



### RISK ASSESSMENT OF THE MOZAMBICAN FINANCIAL SYSTEM

Systemic risk remained moderate, underpinned by the recovery in economic activity and the slowdown in inflation, despite the rise in public debt and the non-performing loan (NPL) ratio.

**Macroeconomic risk**  
Albeit remaining high, macroeconomic risk has improved. This improvement was driven by the recovery in economic activity and the inflation slowdown.

**Sovereign risk**  
Remained severe, driven by the prevailing high State indebtedness, despite the reduction in external indebtedness.

**Profitability and solvency risk**  
Remained low, signaling that the banking sector remains profitable, financially robust and resilient, with the solvency ratio well above the recommended minimum.

**Credit risk**  
Remained moderate, despite the worsening of NPL.

**Funding and liquidity risk**  
Remained low, reflecting the weak growth in credit to the economy.

**Market risk**  
Remained moderate, underpinned by the Metical's stability, despite the increase in the financial system's prime rate.



### A FEW FINANCIAL SYSTEM PERFORMANCE INDICATORS

#### Solvency ratio

**26.95%** (December 2022) **23.33%** (June 2023)  
\*Above the 12% regulatory minimum

#### Non-performing loan ratio

**8.97%** (December 2022) **10.58%** (June 2023)  
\*Above the 5.0% conventional benchmark

#### Insurance industry production

**MZN 4.6 billion** (First half of 2022) **MZN 5.2 billion** (First half of 2023)  
\*14% increase

#### Market capitalization

**MZN 130 billion** (June 2022) **MZN 175 billion** (June 2023)  
\*35% increase

#### Weight of treasury bonds in market capitalization

**87%** (December 2022) **89%** (June 2023)



### MACROPRUDENTIAL POLICY DECISIONS

The objective of macroprudential policy is to make the financial system resilient to risk absorption, while ensuring adequate levels of financial intermediation and contributing to sustainable economic growth.

The Banco de Moçambique has decided to maintain macroprudential policy measures already established to mitigate systemic risk, which remained moderate.