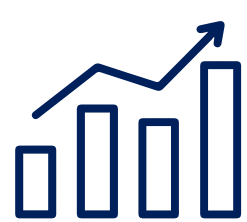


VISUAL SUMMARY

FINANCIAL STABILITY REPORT – DECEMBER 2022



The protracted Russia-Ukraine conflict and slower growth in China amid the zero covid policy, have added to uncertainties in global financial markets.



The consolidating recovery of domestic economic growth, driven by ongoing external demand improvement, coupled with the normalization of the economy and the implementation of energy projects, contributed to keeping systemic risk moderate.



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, amid the moderate systemic risk of the financial sector.

REPORT - INFOGRAPHICS

FINANCIAL STABILITY REPORT – DECEMBER 2022



INTERNATIONAL MACROFINANCIAL ENVIRONMENT

The protracted Russia-Ukraine conflict and slower growth in China amid the zero covid policy, have added to uncertainties in global financial markets.

Fears of a global recession and escalation of geopolitical tensions have contributed towards increasing global financial market volatility.

Despite deteriorating economic and financial conditions, financial institutions maintain robust capital and liquidity levels and the global financial system remains prepared to withstand additional shocks.



VULNERABILITIES OF THE MOZAMBICAN FINANCIAL SYSTEM

Despite the vulnerabilities identified, the system is resilient and able to support the economy against a particularly adverse domestic and international backdrop.

Military instability in the north of the country - the country has made progress in restoring security in areas devastated by terrorism;

Public sector indebtedness - domestic public debt has increased, driven by increased financing by issuance of Treasury Bonds and Treasury Bills;

Adverse climatic factors - the center and north of the country were struck by Cyclone Gombe and Tropical Storm Ana;

International market confidence in the country - the main rating agents kept the country's rating at substantial risk, despite the slight improvement in the assessment.



RISK ASSESSMENT OF THE MOZAMBICAN FINANCIAL SYSTEM

Systemic risk remained moderate, despite the rise in inflation and the prime rate of the national financial system

Macroeconomic risk remained high, underpinned by the improvement in the performance of economic activity, amid worsening inflation;

Sovereign risk Remained severe, driven by the prevailing high Government indebtedness, despite the reduction in external indebtedness;

Profitability and solvency risk Remained low, signaling that the banking sector remains solid and sufficiently capitalized;

Credit risk Declined to low risk, supported by a lower non-performing loans ratio (NPL);

Financing and liquidity risk remained low, reflecting the weak growth of credit to the economy and the high liquidity in the market;

Market risk Remained moderate, despite the increase in the prime rate of the national financial system.



SOME FINANCIAL SYSTEM PERFORMANCE INDICATORS

The capital adequacy ratio

26.19%  26.96%

*Above the regulatory minimum of 12.0%

Non-performing loans ratio

10.60%  8.97%

*Above the agreed maximum of 5.0%

Insurance industry production

10.80%  26.10%

*increase signal

Market capitalization

126,105 million MT  164,288 million MT

2021 2022

*aumento de 30%

Weight of public securities in market capitalization

82.3%  86.6%

2021 2022



MACROPRUDENTIAL POLICY DECISIONS

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

In 2022, the Banco de Moçambique decided to maintain the macroprudential policy measures already established to mitigate systemic risk, which remained moderate