

# Territorial NEWSLETTER Africa

**EETPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**Ravi Sehgal**

Mozambique continues in a slow growth trajectory that followed the 2016 hidden debt crisis. Macroeconomic conditions are improving, but the economic performance is yet to revert to the pre-crisis levels. Small and medium enterprises have fallen back and their capacity to generate jobs has been restricted even further as credit supply and demand for goods and services remains constrained. A slight recovery in growth is expected, projections sit around 4% of GDP for 2019 and may be higher in the medium term if gas production investments are materialized.

I believe this progress in trade and cooperation would continue and benefit people in both the regions. I also hope, our readers find this Newsletter useful

## Message from Chairman, Committee on Trade with Central, Eastern & Southern Africa



**Rohinton  
Engineer**

This edition of Territorial Newsletter talks of the economic and commercial monthly development of Mozambique. The new sector and areas of investment that the African country is offering after the crisis of early 2016. Mozambique has more of intra Africa trade as it is landlocked with many of the African nations as its neighbours. Though, the country is endowed with ample arable land, water, energy, as well as mineral resources and newly discovered natural gas offshore.

The newsletter also presents a brief analysis of trade pattern in engineering products between India and Africa during December 2018.

## Message from Chairman, Committee on Trade with Western & Northern Africa



**Amrutlal B.  
Bhimani**

India's engineering exports to the African continent experienced a jump in December 2018 as compared to the corresponding month in the last year, with a growth rate of over 14%. Also, the top engineering export destination was again occupied by South Africa and Nigeria to second largest importer of engineering goods. The rate of growth for South Africa was impressive as it experienced a growth rate of over 21% and Nigeria was very impressive for the month of December 2018 over December 2017 with above 59% respectively.

Besides, this Newsletter also contains information on upcoming tenders from the African region along with factsheets on non-tariff barriers. I am hopeful that the Newsletter will give fruitful information to our readers.

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## Basic Facts: Africa

**Area:** 11,668,599 Sq. km

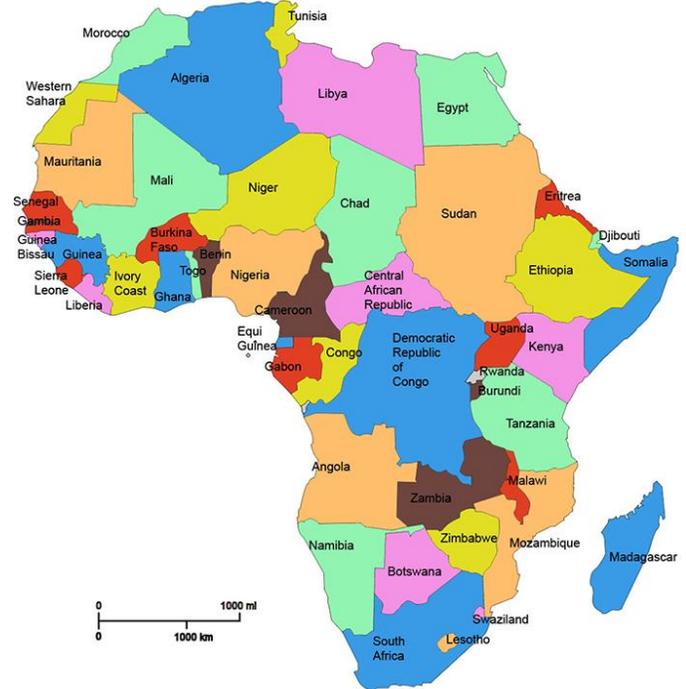
**Population:** 1.216 billion (2016)

**GDP:** USD 3.3 trillion (2017)

**Currency:** US Dollar (\$) / Canadian Dollar

**Climate:** Africa is the hottest continent on earth and 60% of the entire land surface consists of dry lands and deserts. Climate of Africa ranges from tropical to subarctic on its highest peaks. Its northern half is primarily desert, or arid, while its central and southern areas contain both savanna plains and very dense jungle regions.

**Natural resources:** Diamonds, salt, gold, iron, cobalt, uranium, copper, bauxite, silver, petrol eum and cocoa beans, woods and tropical fruits. Much of its natural resources are undiscovered or barely harnessed.



## Economic and Commercial Report for the month of December 2018 - Mozambique

### Bank of Mozambique cuts interest rates:

On 13th December, the Monetary Policy Committee of the Central Bank of Mozambique announced reducing the bank's interest rates by 75 base points, because inflation is under control and the Mozambican currency metical has also remained fairly stable. Thus the Inter-bank Money Market Rate (MIMO) falls from 15 to 14.25 per cent. The Compulsory Reserves Coefficient – the amount of money that the commercial banks must deposit with the Bank of Mozambique – remains unchanged at 14 per cent for local currency and 27 per cent for foreign currency.

As per the state of the Central Bank of Mozambique, Mozambique's net Foreign Reserves remained at comfortable levels, the reserves had increased by 70.8 million dollars in December, and at the end of December it stood at 3.130 billion dollars – enough to cover seven months of imports of goods and non-factor services, excluding the transactions of the Foreign Investment Mega-projects.

The release warned that the government's domestic indebtedness continues to grow. In December the public debt resulting from the issuing of high interest bearing treasury bills and bonds plus advances to the government from the central bank rose by 3.759 billion metical (about 61.5 million dollars). The total domestic debt now stands at slightly more than 112 billion metical (about 1.8 billion USD equivalent to 12.8 per cent of Mozambique's GDP).

### IMF forecasts economic growth of 4.7%:

On 12th December, the Resident Representative of the International Monetary Fund (IMF), Ari Aisen said that IMF forecasts economic growth between 4 to 4.7% for Mozambique in 2019. Ari Aisen was speaking on the sidelines of a seminar promoted by the Higher School of Higher Studies and Business (ESAEN), on a theme "International Economic

Conjuncture and Potential Impacts on Emergent Economies and Mozambique”. Aisen highlighted that the performance of the Mozambican economy in 2019 will partially depend on the Final Investment Decision (FID) of the companies operating in the gas sector in Rovuma basin, province of Cabo Delgado.

He added that the payment to suppliers and the continue cautious relaxation of the monetary policy may favor the increase of credit, as well as an effective and lasting peace is a key element for the economic growth of the country.

### **Mineral coal led Mozambican exports at the end of the third quarter of 2018**

According to data from National Statistics Institute, Mozambican exports reached about US\$1.2 billion between July and September this year, with Moatize coal in the foreground, a weight of 33.9%, followed by aluminum, electricity and tobacco.

Meanwhile, the country’s imports stood at US\$1.6 billion in the third quarter of 2018, resulting in a trade deficit of about US\$366.1 million. Compared to the same quarter last year, both exports and imports increased by 1.6% and 26.1%, respectively.

### **Qatar Petroleum signs exploration deal marking its first entry in Mozambique**

According to the Minister of State for Energy Affairs, and President & CEO of Qatar Petroleum, Saad Sherida Al-Kaabi, Qatar Petroleum entered into an agreement with an ExxonMobil affiliate to acquire a 10% stake in three offshore exploration blocks in the Angoche and Zambezi basins in Mozambique. The offshore blocks are A5-B which lies in the Angoche basin, and Z5-C and Z5-D, which lie in the Zambezi basin.

Both basins are frontier and underexplored. The two Zambezi blocks have a total area of about 10.200 square km with water depths ranging from about 200 to 2.000 meters, while the Angoche basin block has an area of about 6.450 square km with water depths ranging from about 1.800 to 2.500 meters. The consortium will be made up of ExxonMobil (operator) with a 50% participating interest, Empresa Nacional de Hidrocarbonetos (ENH) with a 20% participating interest, Rosneft with a 20% participating interest and Qatar Petroleum with a 10% participating interest.

### **China plans to support construction of new central hospital in Maputo**

The Chinese government plans to help Mozambique rehabilitate the 100 years old central hospital in Maputo. The investment was discussed during a visit by the Chinese Ambassador, Su Jian, to the Hospital in December 2018. Su Jian said China has already provided support to the health sector in Mozambique through the construction and improvement of health infrastructure in the country. He mentioned Health, Education and Agriculture are the priority areas of China’s international cooperation with the African continent for the next few years. One year ago, a new pediatric block was built and equipped with support from China, became operational at Beira Central Hospital.

### **Mozambique and Thailand signed visa waiver agreement for diplomatic and service passports:**

The visa free agreement between Mozambique and Thailand for holders of diplomatic and service passports was signed during the visit of the Minister of Foreign Affairs and Cooperation of Mozambique, Jose Pacheco, to Thailand from 3-5 December 2018. During his visit to Thailand, Minister Pacheco visited rural development projects and an economic venture linked to the exploration and production of natural gas, thereby focusing on areas of cooperation with Mozambique.

Bilateral

EXIM Bank of India financed USD 95 million for procurement of Railway rolling stock: On 31st December 2018, Mozambican Ministry of Economy and Finance signed a Credit Agreement (CA) with Exim Bank of India, for the

procurement of railway rolling stock including locomotives, coaches & wagons. The Agreement was signed by the National Treasury Director and General Manager of the EXIM bank of India. The concession of Indian credit comes at a time when the public company Mozambique Railways (CFM) aims to mitigate to the high demand from railway for transport of goods and services.

### Trade Data

The monthly and progressive bilateral trade between India and Mozambique for the fiscal year 2018-19 and its comparison vis-à-vis corresponding period last fiscal are as under:

#### Mozambique Monthly trade figures: October 2018 (As per DGCIS)

Values: Million US\$

	October 2017	October 2018	Variation in %
<b>Indian Exports</b>	35.00	42.13	(+)20.37
<b>Mozambican Exports</b>	81.64	86.39	(+)5.82
<b>Total trade</b>	116.64	128.52	(+)10.19

*Note: The figures in parenthesis represent the percentage change compared to the previous period.*

#### Progressive Trade data: April to October 2018 vis-à-vis April to Oct 2017

Values in Million US Dollars

	April – October 2017	April – October 2018	Variation in %
<b>Indian Exports</b>	394.92	412.13	(+)4.36
<b>Mozambican Exports</b>	568.53	613.00	(+)7.82
<b>Total trade</b>	963.45	1025.13	(+)6.40

### India's latest trend in engineering exports to Africa

Countries with the highest demand for Indian engineering products during December 2018 in absolute values include:

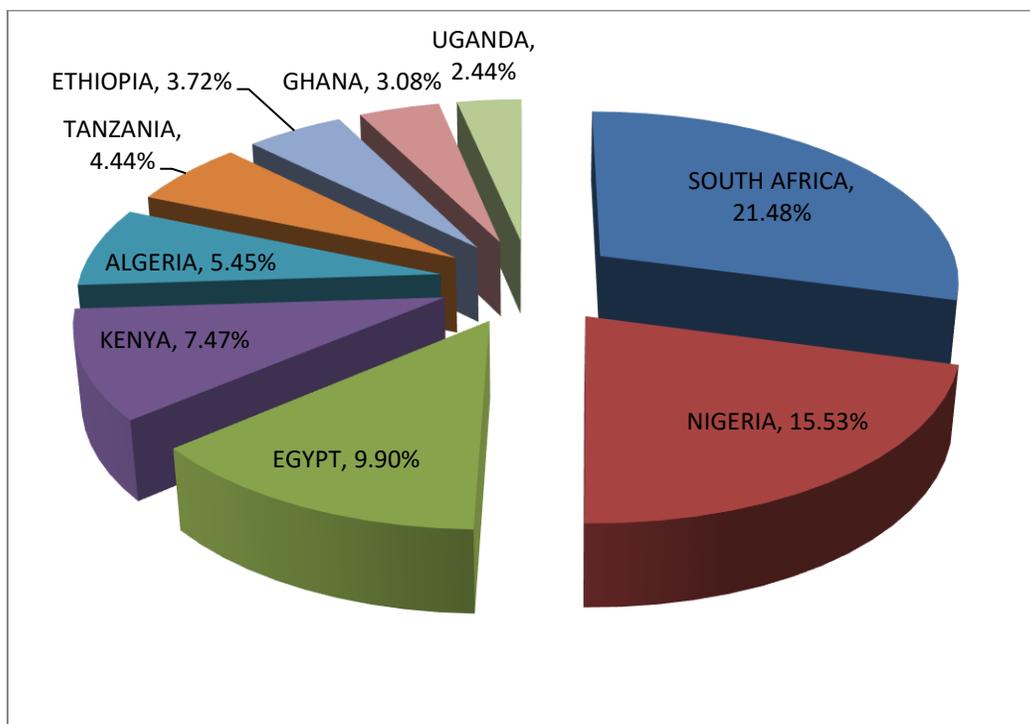
**Table 1: Engineering Exports to Africa (USD million)**

Africa	December 2017	December 2018	Growth (%)
<b>South Africa</b>	1050.11	1273.75	21.30
<b>Nigeria</b>	578.97	920.94	59.07
<b>Egypt</b>	625.98	587.03	-6.22
<b>Kenya</b>	364.36	442.87	21.55
<b>Algeria</b>	287.91	323.13	12.23
<b>Total Africa</b>	<b>5178.76</b>	<b>5930.63</b>	<b>14.52</b>

Source: DGCI&S

South Africa remains the top importer for Indian engineering exports in December 2018 as compared to December 2017 but with a positive growth rate of over 21%. The main engineering products exported to the country include Motor Vehicles and Parts, Industrial Machinery, Products of Iron and Steel, Electrical Machinery, Auto Components/Parts, etc. The following pie chart demonstrates share of top African countries in India's total export during December 2018. (Fig 1)

**Fig 1: India's engineering export share to African Countries (%) in December 2018**



Source: DGCI&S

Among top 15 panels, engineering exports from India decreased in case of only two panels, thirteen panels recorded positive growth (Table 2).

**Table 2: Top 15 engineering panels exported to Africa in December 2018 (US\$ Million)**

DGCI&S Engineering Panels	India's export in December 2017	India's export in December 2018	Growth (%)
Motor Vehicle/cars	1323.86	1415.77	6.94
Industrial Machinery	606.03	788.53	30.11
Products of Iron & Steel	428.92	559.23	30.38
Two and Three Wheelers	295.87	410.76	38.83
Iron and Steel	445.50	397.61	-10.75
Electric Machinery	308.34	378.89	22.88
Auto Components/Part	230.16	258.02	12.11
Ships Boats and Floating structures and parts	357.51	226.94	-36.52
Air condition and Refrigerators and parts	119.17	224.25	88.17
Construction Machinery	145.41	162.26	11.59
Aluminum and products	108.73	140.43	29.16
Medical and Scientific Instruments	109.92	122.02	11.01
IC Engines and Parts	78.35	98.43	25.62
Machinery for ATMs	77.25	88.70	14.82
Nuclear Reactors, Industrial boilers etc	59.23	88.09	48.73

**Table 3:** Country wise and product wise India’s engineering exports to Africa in December 2018

Country	Top products traded
<b>South Africa</b>	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Iron & Steel etc
<b>Nigeria</b>	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Articles of Iron & Steel etc
<b>Kenya</b>	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
<b>Egypt</b>	Ships, boats and floating structures, Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
<b>Algeria</b>	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Optical, Medical and scientific instruments etc
<b>Ethiopia</b>	Iron & Steel, Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery etc
<b>Ghana</b>	Mechanical Machinery, Motor Vehicles & parts, Iron & Steel, Articles of Iron & Steel etc
<b>Tanzania</b>	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc
<b>Senegal</b>	Articles of Iron & Steel, Electrical Machinery, Mechanical Machinery, Motor Vehicles & parts, etc
<b>Uganda</b>	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc

## News in Focus

### ➤ What are the tariffs on trade with Africa?

Prime Minister Theresa May's trip to Africa has generated vigorous debate about how easy trade is between Africa and the EU and whether the UK can keep the same arrangements or even lower barriers.

The European Union's critics sometimes invoke the presence of tariffs - effectively taxes on imported items - on African goods when they accuse it of being a protectionist club or racket.

Source: <https://www.bbc.com/news/business-45342607>

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