

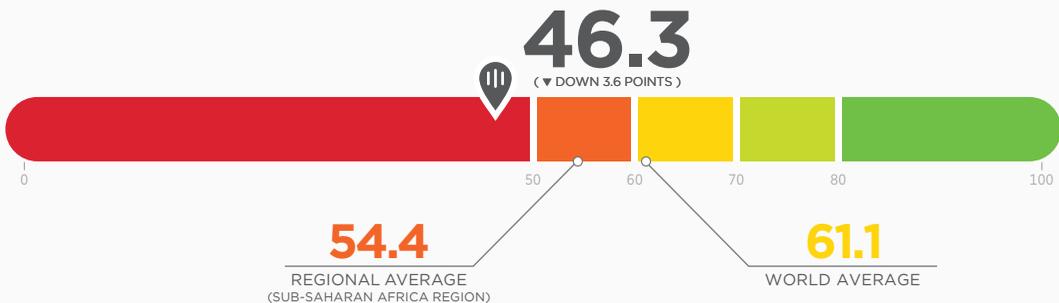
# MOZAMBIQUE

WORLD RANK: **170** | REGIONAL RANK: **42**  
 ECONOMIC FREEDOM STATUS: **REPPRESSED**

Mozambique's economic freedom score is 46.3, making its economy the 170th freest in the 2018 *Index*. Its overall score has decreased by 3.6 points, with steep declines in scores for the **fiscal health** and **monetary freedom** indicators overwhelming a modest improvement in **judicial effectiveness**. Mozambique is ranked 42nd among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Mozambique faces an unsustainable external debt burden, a sharp drop in capital inflows, and weak economic growth that threatens macroeconomic stability. Although the country had benefited from debt forgiveness and rescheduling, the government used state-owned defense and security companies to borrow an additional \$2 billion from 2012–2014 without parliamentary approval or national budget inclusion. The scandal vividly illustrates the substantial institutional shortcomings, such as corruption and political influence on the judiciary, that are damaging long-term economic development.

## ECONOMIC FREEDOM SCORE

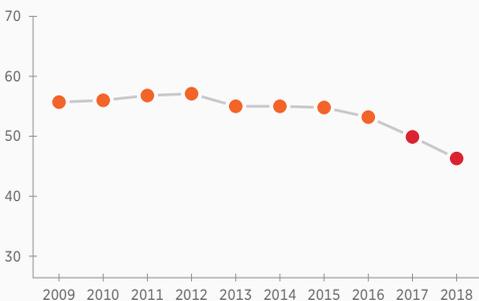


**NOTABLE SUCCESSES:**  
 Trade Freedom

**CONCERNS:**  
 Fiscal Health, Rule of Law, and  
 Investment Freedom

**OVERALL SCORE CHANGE  
 SINCE 2014:**  
 -8.7

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
 28.8 million

**GDP (PPP):**  
 \$34.9 billion  
 3.4% growth in 2016  
 5-year compound  
 annual growth 6.4%  
 \$1,215 per capita

**UNEMPLOYMENT:**  
 24.4%

**INFLATION (CPI):**  
 19.2%

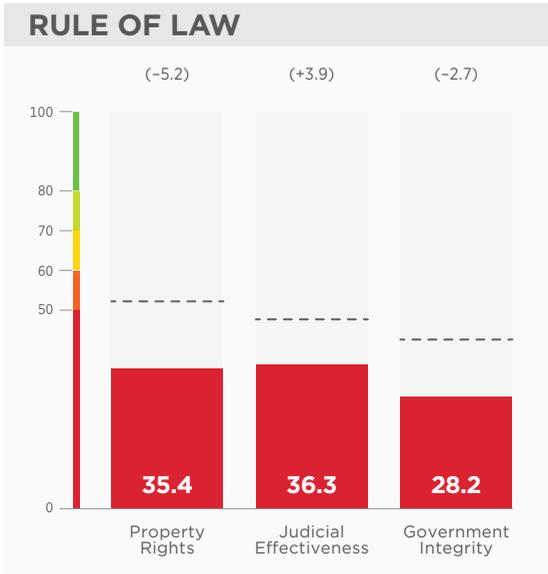
**FDI INFLOW:**  
 \$3.1 billion

**PUBLIC DEBT:**  
 115.2% of GDP

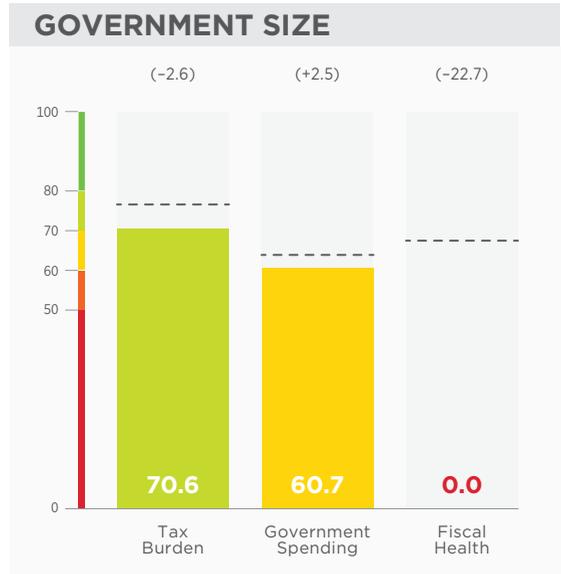
*2016 data unless otherwise noted. Data compiled as of September 2017*

**BACKGROUND:** The Mozambique Liberation Front (FRELIMO), headed since 2015 by President Filipe Nyusi, has been in power since independence from Portugal in 1975. A 16-year civil war between FRELIMO and the rebel Mozambican National Resistance (RENAMO) ended with a peace agreement in 1992. After several armed clashes with FRELIMO in 2013, RENAMO pulled out of the peace accord, and sporadic violence has followed. The buildup of unauthorized debt has prompted aid donors to suspend budgetary support. More than half of the population remains below the poverty line and reliant on subsistence agriculture. In 2010, one of the largest gas fields found in decades was discovered off the coast of Mozambique.

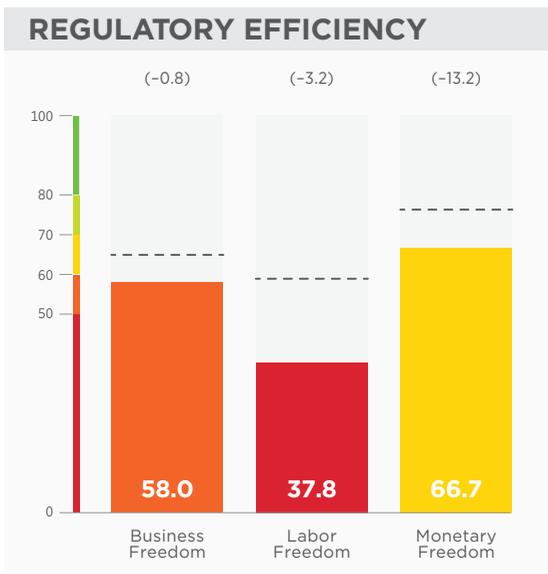
# 12 ECONOMIC FREEDOMS | MOZAMBIQUE



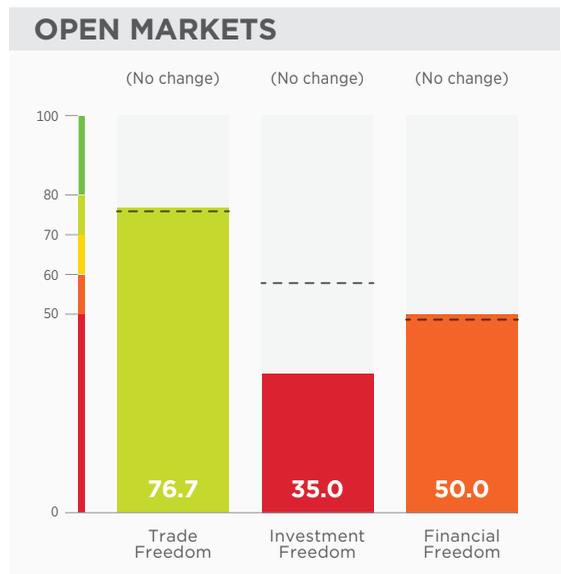
The government recognizes and enforces the protection of private property and provides a mechanism that protects and facilitates its acquisition and disposition, but enforcement is uneven. Although constitutionally independent, the judiciary is understaffed, inadequately trained, and subject to influence from the executive and FRELIMO. Corruption is a problem in all branches of government and at all levels.



The top individual income and corporate tax rates are 32 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 29.8 percent of total domestic income. Over the past three years, government spending has amounted to 36.2 percent of total output (GDP), and budget deficits have averaged 8.0 percent of GDP. Public debt is equivalent to 115.2 percent of GDP.



In 2016, Mozambique made it harder to start a business by increasing registration and notary fees, but it also improved access to credit information by allowing a credit bureau to be established. Subsistence agriculture continues to employ the vast majority of the workforce. The government maintains interests in large enterprises such as an aluminum smelter, the largest bank, and the public energy company but reduced fuel subsidies in 2017.



Trade is extremely important to Mozambique's economy; the combined value of exports and imports equals 112 percent of GDP. The average applied tariff rate is 4.2 percent. Nontariff barriers impede trade. Government openness to foreign investment is below average. The financial market, dominated by a competitive and growing banking sector, is fairly well developed compared to other economies in the region.