AFRICA RISK CONSULTING

Mozambique Monthly Briefing October 2026

Mozambique Summary 14 October 2026

President Daniel Chapo (2025-present) leads a three-day state visit to Botswana on 28 September, during which he co-hosts the Mozambique-Botswana Business Forum, and focuses discussions on bolstering economic cooperation between the two countries. Mozambique experiences successive credit ratings downgrades in September, highlighting its strained fiscal position as debt restructuring becomes an increasingly likely outcome. The government is continuing negotiations with the International Monetary Fund (IMF) on a new programme, which is becoming critical to restoring macroeconomic stability, improving access to foreign currency and bolstering investor confidence. Government estimates that it will need $401m to mitigate the impact of the upcoming El-Niño weather event, of which it has only secured $125m through external support.

Chapo seeks to bolster ties with Botswana

President **Daniel Chapo** (2025-present) led a three-day state visit to **Botswana** on 28 September, during which he co-hosted the **Mozambique-Botswana Business Forum** and focused discussions on bolstering economic cooperation between the two countries. The visit was preceded by the 9th **Botswana-Mozambique Joint Permanent Commission on Cooperation (JPCC)**, which reviewed 18 draft agreements and the possibility of upgrading the JPCC to a binational commission, which would be a higher-level political and institutional structure. During his visit, Chapo highlighted that economic relations, and specifically trade relations, remain below their potential, with Mozambique exporting goods worth $79m to Botswana between 2021 and 2025, while importing goods worth $13m in the same period.

Chapo and his counterpart, President **Duma Boko** (2024-present), discussed projects of joint interest, including the **Ponta Techobanine** and the **Limpopo Development Corridor**. Another area of focus was Botswana's use of Mozambique's logistics corridors. Boko visited Mozambique in March 2025, visiting the ports of **Maputo** and **Nacala**, which offer Botswana access to the **Indian Ocean**, as well as the area where the Ponta Techobanine will be developed.

The Ponta Techobanine involves the construction of 1,700 km of railway linking Botswana, Mozambique and **Zimbabwe** to port infrastructure in Mozambique. Boko and Chapo called for the parties involved to work on implementing the project, but at an expected cost of $6.5 billion, it will require significant investment, and most likely the support of private sector partners. Mozambique aims to increase the volume of cargo moving through its various logistics corridors, helping it to capture a greater share of the market in **Southern Africa** and drive up revenues. This is part of Chapo and Mozambique's diversification strategy and will help to cement it as a logistics partner in the region.

Moody's & S&P downgrade Mozambique on debt restructuring risk

Mozambique was subject to successive credit ratings downgrades in September, highlighting the strained fiscal position in which it finds itself, as debt restructuring becomes an increasingly likely outcome. **United States (US)**-headquartered **Moody's Ratings** on 18 September cut Mozambique's sovereign rating one notch from Caa2 to Caa3, maintaining a stable outlook. Moody's cited in its ratings action that Mozambique faced a higher risk of having to restructure its private sector foreign currency debt, including a $900m **Eurobond** that will mature in 2031. Fellow US-headquartered **S&P** on 25 September also lowered its long-term foreign currency rating for Mozambique from 'CCC+' to

'CCC' with a negative outlook, while maintaining the long-term local currency rating as selective default (SD). S&P stated that the negative outlook is based on its view that Mozambique will restructure its Eurobond.

Both agencies mention that Mozambique's difficulties in servicing domestic debt have had an impact on its external debt, thus raising the risk of debt restructuring. According to S&P, the government has delays of up to six months in coupon and principal payments on government treasury bonds; total external arrears stood at $328m at the end of 2025, equal to 1.3% of GDP. To manage its debt, the government has conducted switch auctions since October 2024, allowing investors to exchange certain existing bonds for different government bonds. However, S&P classifies these operations as distressed, as it believes the government would be unable to meet its repayments without resorting to switch auctions.

The credit ratings actions reflect Mozambique's external debt position, which the **International Monetary Fund (IMF)** assessed as being at high risk of distress and unsustainable in February. Mozambique is seeking a new IMF programme after ending its last **Extended Credit Facility (ECF)** arrangement in April 2025 due to disagreements with the IMF over fiscal consolidation. Mozambique reversed some policies in response to the effects of the 2024/25 civil unrest. The loss of the IMF funding has undermined Mozambique's ability to effectively finance its budget and manage its balance of payments. The IMF concluded a mission to Mozambique on 18 September, reviewing recent developments and holding discussions on reforms that would underpin a new programme. However, no programme has been reached and the IMF noted that discussions on the reforms for a new programme would continue to be discussed in the coming months.

Adding to Mozambique's poor fiscal position, the finance ministry highlighted in its 2027 fiscal risks report on 18 September that the country's wage bill will absorb 65.3% of tax revenue in 2027 while debt servicing will absorb 30.7% of tax revenue, leaving little room to accommodate economic shocks. The government is considering depreciation of the metical, which is under pressure as Mozambique is not generating enough foreign currency to meet demand, while the country's questionable debt sustainability is eroding investor confidence. The finance ministry has forecast that a 20% depreciation of the metical could increase external debt by 8% of GDP and raise debt servicing by MZN 12.52 billion ($195.92m). The IMF has previously assessed that the metical is overvalued in real terms and it is highly likely that an IMF programme would require depreciation of the metical, with some forecasts set at a 30% depreciation.

The credit downgrades, lack of IMF programme and finance ministry report highlight that Mozambique faces significant fiscal risks for the remainder of this year and heading into 2027. Securing an IMF programme will help to restore some macroeconomic stability, improve its access to foreign currency and bolster investor confidence. However, reforms will be unpopular and will likely include containing the public sector wage bill and reforming exchange rate flexibility. In addition, the IMF is unlikely to agree to a programme without debt restructuring to restore debt sustainability.

Government prepares to face El Niño

Public works, housing and water resources minister **Fernando Rafael** told a coordinating council meeting on 17 September that the government has estimated it will need $401m to mitigate the impact of the upcoming **El Niño** weather event. To date, the government has secured only $125m through external support. Rafael told the meeting that current forecasts indicate that the weather event will largely impact southern and central Mozambique. The government has prepared a mitigation plan that provides for emergency assistance for over 343,733 people, interventions for 155,000 farmers and over 90,500 livestock keepers.

The minister's announcement preceded an 11-day visit by the **United Nations (UN)** special rapporteur on climate change, **Elisa Morgera**, who warned that Mozambique is ranked as one of the most vulnerable countries in Africa, alongside **Madagascar** and **Malawi**, facing this next El Niño weather pattern. Agriculture accounts for 25% of Mozambique's GDP (and employs more than 70% of

the workforce) while hydropower accounted for 83% of total electricity output in 2024. El Niño's expected droughts, cyclones and floods will impact these cornerstones of the economy. The projected humanitarian impacts are also dire – the government estimates that it will record six million cases of climate-sensitive diseases due to the weather phenomenon, and up to a 55% increase in acute food insecurity by March 2027.

This is the second El Niño the country is facing in a three-year period. During the 2023/2024 El Niño, Mozambique's maize losses were equivalent to 7% of agricultural GDP, with maize prices rising to 55% above the five-year average, while 2.79 million people experienced crisis or acute food insecurity. The impact on livelihoods forces households to adopt coping strategies such as selling their livestock or consuming their seed stocks, further impacting their livelihoods.

Mozambique is in a vulnerable climate position and its sensitivity and exposure to climate-related events is increasing in the face of climate change. Between January 2024 and October 2026 – roughly the time period covering the two El Niño's – the country has faced six cyclones that made landfall, impacting eight regions, underscoring the climate-related challenges it faces. In January, the country faced its worst flooding in a generation, with over 724,000 people impacted and an estimated $644m in damage incurred.

The UN has recommended that Mozambique focus on protecting drought-prone agricultural systems, safeguard water security, prioritise support for highly vulnerable populations and areas, and maintain preparedness for concurrent hazards. However, as Rafal noted, these mitigation and preparedness plans require funding to which Mozambique does not have access, and so significant consequences are still expected. To this point, the government has revised GDP growth for 2026 downwards to 0.9%, citing economic shocks and effects of flooding, and expressed concern over the impact of El Niño and general climate risk, which could result in an MZN 18.45 billion loss ($288.71m) Climate change should be considered part of Mozambique's baseline operating risk, especially considering the frequency and extent to which the country is being impacted.

Planner

21-22 Oct 2026 **(Mozambique)** Opposition **Resistência Nacional Moçambicana (Renamo)** national council meeting;

17 Nov 2026 **Maputo (Mozambique)** Opposition leader **Venâncio Mondlane**'s criminal trial begins;

20-25 Jul 2027 **(Mozambique)** Ruling **Frente de Libertação de Moçambique**'s **(Frelimo)** 13th congress;

Oct 2028 **(Mozambique)** Municipal elections;

Oct 2029 **(Mozambique)** National general election;

Chronology

12 Oct 2026 **Maputo (Mozambique)** *Club of Mozambique*. President **Daniel Chapo** says the country has gone a year without any reported kidnappings of business owners, noting that this milestone bolsters investor confidence and demonstrates the authorities' progress in combating organised crime;

8 Oct 2026 **Maputo (Mozambique)** *Club of Mozambique.* The **Tribunal Supreme** (supreme court) has ordered that banks must unfreeze opposition leader **Venâncio Mondlane**'s accounts, stating that there are no legal grounds for maintaining a freeze;

8 Oct 2026 **Maputo (Mozambique)** *Club of Mozambique.* Mozambique and **Tanzania** adopt joint defence and security protocols to address cross-border threats, including terrorism and organised crime;

8 Oct 2026 **Maputo (Mozambique)** *Africa Intelligence.* President **Daniel Chapo** and **France**-headquartered **TotalEnergies**' CEO **Patrick Pouyanné** have reportedly failed to agree on key issues to restart the company's LNG project in Mozambique, including financial claims following TotalEnergies declaring force majeure in 2021;

7 Oct 2026 **Maputo (Mozambique)** *Club of Mozambique.* Planning and development minister **Salim Valá** says that he expects *"good news"* from ongoing negotiations with the **International Monetary Fund (IMF)** for a new financial support programme, calling it vital for boosting international partner confidence;

7 Oct 2026 **Maputo (Mozambique)** *Business Insider Africa.* **Abu Dhabi**-based **International Resources Holdings (IRH)** approaches **Ireland**-headquartered **Kenmare Resources** about a possible takeover, potentially adding the **Moma** titanium minerals mine, one of Mozambique's largest mineral-sands operations, to its growing **African** mining portfolio;

1 Oct 2026 **Maputo (Mozambique)** *Club of Mozambique*. **Banco de Moçambique** (central bank) says the benchmark rate for bank loans in Mozambique will remain at 15.5% throughout October while the policy rate will remain 9.25% following cumulative cuts of 800 basis points (bps) between December 2023 and January 2026;

30 Sep 2026 **Maputo (Mozambique)** *Bloomberg*. The mineral resources and energy ministry says the capital Maputo will see fuel supplies normalise after some pumps ran dry yesterday;

30 Sep 2026 **Maputo (Mozambique)** *Bloomberg*. New **Banco de Moçambique** (central bank) governor **Felisberto Navalha** announces measures to boost Mozambique's foreign exchange supply, which has seen shortages for months;

28 Sep 2026 **Maputo (Mozambique)** *S&P.* **United States (US)**-headquartered **S&P** revises Mozambique's economic growth forecast of 2026 downwards to 0.7%, citing ongoing US dollar shortages, tight financing conditions, and weak private investment constraining the manufacturing, construction, and import-related sectors;

23 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. Mozambique and **Angola** sign a migration cooperation agreement to improve coordination between migration services, including data sharing and efforts to combat illegal migration, human trafficking, document forgery and transnational crime;

22 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. Finance ministry warns that salaries and debt servicing could absorb 96% of the country's tax revenue in 2027, reducing the margin available for investment, goods and services, or emergency responses;

21 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. **United States (US)**-based **Moody**'s downgrades Mozambique's foreign-currency sovereign rating by one notch from Caa2 to Caa3, citing increased risks that the government may restructure private-sector foreign-currency debt, including its $900m **Eurobond**;

17 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. Public works minister **Fernando Rafael** estimates that $401m is needed to mitigate the effects of a severe **El Niño** during the 2026/27 rainy season, with $125m already secured through external support and $276m still to be mobilised;

16 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. The **United Kingdom (UK)** and Mozambique launch the **Climate and Ocean Adaptation and Sustainable Transition (COAST) Facility** on 15 September, with the UK committing up to £8m ($10.8m) through 2030 to support sustainable fisheries, coastal resilience and mangrove restoration;

15 Sep 2026 **Maputo (Mozambique)** *Club of Mozambique*. Government data show electricity production rose 8.8% year-on-year to 8.06 million megawatt-hours (MWh) in the first half of

2026, driven by a 12.2% recovery in hydropower generation following severe drought-related declines in 2025;

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