

MOZAMBIQUE 165

News reports & clippings

2 August 2010

=====

In this issue: Economic news

Mining expansion

India & China investment

Devaluation and inflation

Portuguese banks

Later in the week: social & political news

=====

Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

To subscribe: tinyurl.com/mz-en-sub

To unsubscribe: tinyurl.com/mz-en-unsub

=====

Rapid mining expansion

Mozambique is moving toward being a major mineral exporter. The Australian mining company Riversdale now estimates its reserves at 13 billion tonnes of coal, of which 4 bn is in the Benga mine now being developed and 9 bn in its "Zambeze project" in Changara. Riversdale aims to eventually export 10 million tonnes per year of coking and thermal coal. The first stage of Benga, due to go into production next year, will process 5.3 million tonnes of coal per year, of which 1.7 mn t of hard coking coal and 300,000 t of thermal coal will be exported, and the rest burned on site to generate electricity.

Riversdale is already in partnership with Tata Steel of India, and in June signed a contract with Wuhan Iron and Steel Corporation (Wisco) and the China Communications Construction Company (CCCC) for Wisco to purchase 40% of the Changara production. Wisco will pay up to \$800 million.

Agreement has finally been reached between Riversdale, the Brazilian mining giant Vale, and Mozambican railways on the use of the newly rehabilitated railway from Moatize, Tete, to Beira port. The railway can handle 5 million tonnes per year. Vale will have 68% of that capacity and Riversdale 32%. That puts huge pressure on both companies to find other ways of transporting coal. Riverdale wants to send barges down the Zambeze River, while Vale suggests a new railway across Malawi to link to an upgrading of the existing railway to Nacala port.

Other projects include:

- + Tantalum. Highland Mining, a subsidiary of Noventa, is tripling the size of its Tantalum mine in Ile district, Zambesia, from 150,000 to 450,000 pounds per year.
- + Manganese. London-based Baobab Resources and the Australian company Southern Iron propose to develop a manganese and base metals mine in Changara, Tete, near the Zimbabwe border.

- + Gold. The Canadian company African Queen Mines is drilling for gold in Fingoe, Tete.
- + Phosphates. Vale proposes to exploit phosphate deposits in Nampula province, and says the mine could be bigger than its Tete coal mine.

Five companies are now looking for oil and gas in the Rovuma Basin in the far north of the country: Artumas (Canada), Anadarko (US), Petronas (Malaysia), ENI (Italy) and Norsk Hydro (Norway). Six more companies and consortia have presented bids for exploration in the Zambeze and Limpopo basins and elsewhere in the south, AIM reports.

BHP-Billiton abandoned the proposed mining of titanium bearing heavy sands in Chibuto, Gaza, in part because of high levels of chromium. The government is now looking for other partners.

Small scale and artisanal mining is also expanding, often in quite uncontrolled ways. A tantalite mine near Mocuba, Zambezia, owned by former defence minister Tobias Dai and South African shareholders, was apparently abandoned last year after five years of operation. But former employees and others returned to the site and continued mining. On 28 July part of the mine collapsed, killing seven people including a 12 month old child strapped to her mothers back as the mother dug.

India & China to invest \$2 bn

India and China have already invested \$1 billion and another \$1 bn is expected, according to statements by Mozambican officials in June and July. According to Mahomed Rafique of the government's Investment Promotion Centre (CPI), Indian companies invested \$500 million in Mozambique last year and total investment should reach \$1 billion by next year. And Salimo Abdula of the Mozambican Confederation of Business Associations (CTA) said Chinese investment last year was \$526 million.

There have been large business delegations to and from the big Asian countries. Indian Foreign Minister S M Krishna visited Mozambique in July with a delegation. Mozambican Prime Minister Aires Ali visited China with a large delegation in June and a Chinese business delegation visited Mozambique in July.

During the June visit, Chinese banks said they would fund the second phase of Maputo airport (\$65 million), a cement factory in Sofala (\$89 mn), and a cotton processing plant in Magude, Maputo province (\$20 mn).

Devaluation and inflation

The Metical has devalued by nearly 20% since January and 30% in the past year. In January there were 4 meticais to the South African Rand and 29.3 to the US dollar. By the end of July this was 4.8 and 35.5. The parallel rate is 5 and 38. In 2001 there were 21 meticais to the US\$ and this fell to only 24 in 2008. But the metical has been widely seen as overvalued, so the relatively rapid recent devaluation has in some ways been a catch up, with some economists predicting Mt 40 to the US\$.

Year on year inflation (30 June 2010 compared to 1 July 2009) in Maputo was 14.5%, compared to only 2.6% for July 2009 to June 2008, according to the Instituto Nacional de Estatística. This reflects both the devaluation and the rapid rise in fuel prices. The Bank of Mozambique

Monetary Policy Committee points to a decline in prices of Mozambique's exports (gas, aluminium, and sugar) and a rise in the price of its imports (oil and grain).
<http://www.bancomoc.mz/Files/GAB/cmcpmo0710.pdf>

Fuel subsidies were budgeted at \$43 million this year. The petrol price has risen 60% since March, but this is still well below the import price. The daily O Pais estimated that already this year \$100 mn has been spent on fuel subsidies and unless there is a dramatic price rise, subsidies will cost another \$100 mn for the second half of the year. This would make the fuel subsidy more than 2% of GDP. By contrast, the district development fund ("7 million") is about \$50 mn and 0.5% of GDP.

More Portuguese bank involvement

A third Portuguese bank has taken a major stake in a Mozambican bank. Banco Espirito Santo has purchased 25.1% of Moza Banco for an estimated \$35 million, buying slightly more than half of the holding of Geocapital, the holding company of the Macau billionaire Stanley Ho. Mozambique Capitais (a group of 218 Mozambican investors, both businesses and individuals) remains majority shareholder with 50.4% of the bank. BES holds 25.1%, and Geocapital 24.5%. Moza Banco chair Prakash Ratilal said the investment would allow the bank to expand.

Two other Portuguese banks already have a dominant position in the Mozambican financial sector. The largest Portuguese financial institution, the BCP, is the majority shareholder in Mozambique's largest commercial bank, the Millennium-BIM, while the Portuguese state bank, the Caixa Geral de Depositos (CGD) holds a majority stake in the country's second largest bank, the BCI.

=====

Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart
is now available in **paperback**, for £17.99 (+ p&p)
but only from the publisher (not Amazon)
<http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

Just Give Money to the Poor: The Development Revolution from the Global South

by Joseph Hanlon, Armando Barrientos, and David Hulme
Most of this book can now be **read on the web**
<http://tinyurl.com/justgivemoney>

=====

Also on the web: Previous newsletters and other Mozambique material are posted on
tinyurl.com/mozamb

=====

NOTE OF EXPLANATION:

This mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique*

Political Process Bulletin, published by CIP and AWEPA, but those organisations are not linked to “News reports & clippings”
Joseph Hanlon

=====

Mozambique media websites:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.com

AIM Reports: www.poptel.org.uk/mozambique-news

=====

This mailing is the personal responsibility of Joseph Hanlon, and does not necessarily represent the views of the Open University.

==