

# Mozambique

**Maria Nkhonjera**



## Overview

Mozambique's economy is driven by agriculture, mining and natural resources.<sup>1</sup> Economic growth, as measured by gross domestic product (GDP), improved to 5% in 2023.<sup>2</sup> Despite this, Mozambique's GDP per capita of MT38 710 (US\$608.4) is amongst the lowest in Sub-Saharan Africa.<sup>3</sup> Since 2017, ongoing conflict in the northern Cabo Delgado province has caused large scale internal displacement. The insurgency delayed a MT3.817 trillion (US\$60 billion) oil and gas investment that was expected to drive development.<sup>4</sup> The instability also puts pressure on an already overburdened infrastructure and housing system.

Mozambique has a population growth rate of 2.8%,<sup>5</sup> and a higher rate of urbanisation of 4.3%.<sup>6</sup> Urbanisation has occurred informally in Mozambique and investment in the needed infrastructure has been insufficient.<sup>7</sup> Approximately 40% of the country's 33.8 million people live in urban areas,<sup>8</sup> with more than half (55%) living in slum housing.<sup>9</sup> Estimates suggest that 60% of the Mozambican population will be in cities by 2030.<sup>10</sup> Population growth in Maputo province is already increasing demand for housing and basic service provision, particularly from young Mozambicans.<sup>11</sup> The Mozambican government continues to deliver affordable housing through its "Habita Moçambique" programme, while recognising the considerable economic contribution of the housing construction sector.<sup>12</sup> National efforts to improve access to basic services have also met with some success. As of 2022, 76% of the population had combined access to water, sanitation, and electricity.<sup>13</sup>

Urban planning and development is severely affected by climate shocks, including recurring cyclones, flash floods and coastal erosion. Mozambique's coastal population particularly grapples with inadequate housing and a cycle of climate-induced destruction and reconstruction. Climate risks have galvanised efforts towards rebuilding and rehabilitating housing to improve living conditions, as well as building climate-proof urban infrastructure.

In March 2024, Mozambique became the first African country in 2024 to lower its monetary policy interest rate (MIMO) twice.<sup>14</sup> As of July 2024, the MIMO and prime rate were 15% and 21.2%, respectively.<sup>15</sup> The interest rate cut followed the easing of inflation, as measured by the Consumer Price Index, to 4.4% in mid-2024 from 6.1% in 2023.<sup>16</sup> Mozambique's currency against the U.S dollar has also been relatively stable, at around MT63.6 per dollar since 2021.<sup>17</sup> Lower interest rates and controlled inflation should ordinarily provide relief to those holding credit with financial institutions. However, the interest rate levels are considered high, suggesting access to credit remains expensive for most households.<sup>18</sup> This is also reflected by an overall fall in bank credit extension, between March 2023 and January 2024.<sup>19</sup> A 2023 financial literacy survey<sup>20</sup> shows only 1% of Mozambicans acquire their homes through mortgages.<sup>21</sup>

## Access to finance

Mozambique aims to reach universal financial inclusion by implementing the National Financial Inclusion Strategy (NFIS). The financial inclusion index, which is tracked by Banco de Moçambique, shows a decrease from 12.76 in

## KEY FIGURES

Exchange rate (1 July 2024): 1 USD = [a]		63.63 Mozambican Metical
Demographic	Total population [c]   Total households [b]	33 897 354   6 885 971
	Population growth rate [b]	2.78%
	Urban households [d]   Urbanisation rate [e]	2 668 520   4.24%
	Three largest cities [e]	Maputo, Matola, Nampula
Economic	Percentage of urban population living in slums (2020) [b]	55%
	GDP per capita (Current US\$) [b]	US\$608
	GDP (Current US\$) [b]	US\$20 625 million
	GDP growth rate [b]	5.00%
Employment	Inflation rate [f]	4.40%
	Gini coefficient (2014) [e]   HDI country score (2022) [g]	50.5   0.461
	Unemployment rate (excluding discouraged job seekers) (2023) [b]	3.5%
	Percentage of women participating in formal labour market [h]	78.3%
Housing finance	Employment (% of total labor force) – Informally employed (2015) [h]	95.6%
	Median range of annual pay of public servants before tax	n/a
	Proportion of adult population that borrowed formally (2021) [i]	45%
	Number of residential mortgages outstanding	n/a
Property market	Value of residential mortgages outstanding (2023) [j]	US\$138 550 000
	Ratio of mortgages to GDP	0.67%
	Average lending rate (2022) [f]	20.13%
	Typical non-subsidised interest rate of residential mortgages [k]	23.50%
Green	Number of residential mortgage providers (2023) [n]	15
	Number of microfinance providers (2021) [j]	12
	Number of microfinance loans outstanding	n/a
	Total number of residential properties (formal and informal) (2017) [l]	5 400 000
Green	Total number of residential properties with a title deed (2020) [m]	477 786
	Percentage of women who own a house alone and/or jointly (2023) [n]	57.70%
	Number of formal dwellings completed annually [o]	124
	Median national house price	n/a
Green	Price of the cheapest, newly-built house by a formal developer or contractor in an urban area (2023) [p]	MT620 000 (US\$9 738)
	Size of the cheapest, newly-built house (2023) [p]	26m <sup>2</sup>
	Typical monthly rental for the cheapest, newly-built house (2023) [p]	MT10 000 (US\$158)
	National average construction cost per square meter	n/a
Green	Cost of standard 50kg bag of cement (2023) [q]	MT460 (US\$7.23)
	Building materials annual cost inflation rate	n/a
Green	ND-GAIN Index measuring the ability of housing & infrastructure to withstand climate-related events (2021) [r]	39
	Percentage of total population living in areas where elevation is 5 meters or less (2015) [b]	3%
	Are green residential construction certification standards used? [s]	Yes
	Percentage of total households using renewable energy sources for electricity and heating (2021) [b]	77%
Green	Number of EDGE-certified homes	n/a
	Price of low flow taps	n/a

NB: Figures are for 2024 unless stated otherwise.

[a] Xe.com	[j] Bank of Mozambique
[b] World Bank World Development Indicators (as at end 2023)	[k] Trading Economics
[c] World Population Review (WPR)	[l] National Institute of Statistics
[d] Desktop review by 2024 Yearbook Data Team	[m] Presidency of the Republic of Mozambique
[e] Worldometer	[n] Demographic and Health Surveys, USAID (DHS)
[f] International Monetary Fund (IMF)	[o] Casa Minha
[g] United Nations Development Programme (UNDP)	[p] Casa Real
[h] International Labour Organization (ILO)	[q] Builders Warehouse
[i] World Bank Global Index Database 2017	[r] Notre Dame Global Adaption Initiative (ND-GAIN)
	[s] Constructive Voices, GBIG
	[t] EDGE Buildings

Members of African Union for Housing Finance (AUHF):

Casa Real

## CASE STUDY: Small Scale ‘Dependências’ – Backyard Rental in Sommerschild, Maputo<sup>84</sup>



One of the backyard rental units in Sommerschild.

Source: Maria Nkhonjera



The formal main house with a backyard rental unit/ commercial space under construction on the property.

Source: Maria Nkhonjera

Backyarding is a common urban feature in Mozambique's housing market. It is a combination of formal and informal land tenure which involves the owner of a formal house renting a portion of their backyard to generate rental income, facilitating access to affordable rental in urban centres. This micro developer is a small landowner with multiple units on their main property (a two-bedroom, one-bedroom and commercial space), which serve as an income generator. This Sommerschild backyard rental project is near completion, with two units currently occupied and one under construction. The two-bedroom unit is fitted with a kitchen, separate lounge, and bathroom; the one-bedroom has an open plan kitchen and toilet, while the third unit is made available as a barbershop, boutique store, or office space for small businesses. Monthly rental prices are MT13 000 (US\$204) for the two-bedroom, MT11 000 (US\$173) one-bedroom, and MT8 000 (US\$126) for the commercial space. The dwellings are constructed incrementally and self-financed with the developers' own salary, as well as from rental income.

This development is well-located in an up-market suburb. It is close to a large supermarket, commercial buildings, public transport routes, and international schools. The area (Sommerschild) has attracted affluent locals and expatriates over the years. The developer targets individuals, youth, and families with a household income ranging from MT25 000 (US\$393) to MT50 000 (US\$786) or more. Renting in this neighbourhood would otherwise cost between MT35 000 (US\$550) and MT45 000 (US\$707) for a two-bedroom apartment in old colonial buildings and MT100 000 (US\$1 572) in more modern developments. This dependência ultimately delivers affordable housing to the gap market who would otherwise be excluded from formal housing. Accordingly, demand is high and tenants are easily secured. Plots to scale such developments are generally inaccessible in this area.

2021 to 12.14 in 2022.<sup>22</sup> Just under half (48%) of Mozambicans have a bank account.<sup>23</sup> Much of the progress has been driven by digital technologies. The Ministry of Education and Human Development in collaboration with financial institutions is scaling efforts to embed financial literacy in schooling systems. Creating and designing a national finance programme for housing was also a pillar of the NFS. This goal was achieved by the government's Fundo de Fomento de Habitação (FFH).<sup>24</sup>

Fourteen commercial banks provide home loans in Mozambique<sup>25</sup> and they are funded largely through bank deposits.<sup>26</sup> The margins of mortgage lenders range from 1% (Standard Bank) to 6% (First Capital Bank and Société Générale).<sup>27</sup> For microfinance institutions (MFIs), such as Microbanco de Apoio aos Investimentos and Socremo, spreads are 5.8% and 33.5% respectively.<sup>28</sup> In May 2024, interest rates on housing loans averaged 23.3%.<sup>29</sup> As of April 2024, credit to the housing sector amounted to MT8.4 billion (US\$13.2 million). This accounted for only 3.5% of total credit for economic activities, while the construction and public works sector made up 5.7%.<sup>30</sup> For the banking system, the ratio of non-performing loans to total gross loans was 8.24% at the end of 2023<sup>31</sup> – 3.24 percentage points above the international benchmark.<sup>32</sup>

Mortgage terms vary across lenders. Monthly repayment of a loan to buy a new home should not exceed 30% of monthly net income.<sup>33</sup> It is typically paid over 20 years,<sup>34</sup> with maximum terms of 30 years.<sup>35</sup> For MFIs, housing credit terms are up to four years and repayment terms must not exceed 40% of monthly household income.<sup>36</sup> To access micro loans formally, borrowers must provide evidence of a salaried bank account or other income for at least three months.

Traditional finance does not suitably cater to the underserved and unbanked housing market. Microfinance products are generally more accessible. Casa Real's rent-to-own programme, in partnership with Empowa, demonstrates how fintech can unlock access to housing for families with informal and irregular incomes.<sup>37</sup> Empowa's innovative model for financing low and very low income households has increased Mozambique's mortgage base by 5%.<sup>38</sup>

### Demand & affordability

Mozambique with a Gini coefficient of 50.5, is an unequal society.<sup>39</sup> The Human Development Index, as of 2022, is 0.46,<sup>40</sup> ranking Mozambique 183<sup>rd</sup> out of 193 countries.<sup>41</sup> The unemployed make up 3.43% of the total labour force,<sup>42</sup> although estimates from the 2022 Household Budget Survey suggest this figure is higher; at 18.4%.<sup>43</sup> Furthermore, quality, formal jobs remain out of reach and most of the population is employed informally. As a result, the number of people living in poverty reached 19.5 million in 2021.<sup>44</sup> The Cost of Living Index (excluding rent or mortgage costs) in 2024, ranks Mozambique as the most expensive African country to reside in.<sup>45</sup> The lack of adequate housing in Mozambique is a reality,

and demand for affordable finance is particularly high amongst the growing young population.

Standard Bank, one of the largest domestic credit institutions,<sup>46</sup> offers home loans for properties valued at MT2.5 million (US\$39 292) or more.<sup>47</sup> The loan-to-income ratio cannot exceed 45%. With a required down payment of MT250 000 (US\$3 929) – 10% of the value of the property, borrowers would need to earn a monthly net income of MT306 000 (US\$4 809) and pay a monthly instalment of MT137 436 (US\$2 160) over 20 years. In contrast, Casa Real and Empowa's model would require a 24-year-old female health worker to make monthly rent-to-own payments of MT60 356 (US\$949) which can be accrued "over multiple transactions with no penalty".<sup>48</sup> Banco Mais offers microfinance for buying, building and renovating dwellings. The minimum loan value is MT300 000 (US\$4 715) with a loan-to-value ratio of 80%; the interest rate on such a loan would be high, ranging between 24.2% and 31.2%.<sup>49</sup>

For most urban households, salaried work is the main source of income,<sup>50</sup> and income ranges from MT5 000 (US\$79) to MT45 000 (US\$707) a month.<sup>51</sup> The monthly minimum wage ranges between MT4 941 (US\$78) and MT17 981 (US\$282).<sup>52</sup> The borrowing terms of formal banking institutions contribute to the housing unaffordability of cost-burdened households. For those with some access to credit "most housing is funded through short- and medium-term consumer loans",<sup>53</sup> due to the costs of mortgages.

The Fundo de Fomento de Habitação (FFH) was established 29 years ago, under the auspices of the Ministério das Obras Públicas, Habitação e Recursos Hídricos (MOPHRH). FFH's mandate is to support the housing market, by ensuring financial support for the delivery of government housing programmes.<sup>54</sup> The five-year housing programme Habita Moçambique provides subsidised products targeting different income groups.<sup>55</sup> It targets Mozambican citizens who earn up to five times the minimum wage, which may include salaried or other income earned from a spouse.<sup>56</sup> The cheapest house provided by FFH's Renascer project is MT667 767 (US\$10 495), with monthly instalments of MT2 782 (US\$44)<sup>57</sup> over a period of 20 years, at zero interest. This compares closely with Casa Real's incremental homes, which are sold from a starting price of MT636 266 (US\$10 000) – the cheapest formal house on the market.<sup>58</sup> Together the government and private developers offer housing finance solutions aimed at the affordable housing market. These efforts still require significant scale to adequately meet housing demand.

### Housing supply

The FFH's projects range from supplying infrastructure and land, to the construction of "Renascer Type 0" (with a living room, bedroom, and bathroom) homes and housing complexes.<sup>59</sup> These projects are designed as evolutionary

houses that allow homeowners to expand the units incrementally (up to three bedrooms), according to their needs and available resources. Beneficiaries submit an expression of interest, through an online form, to access homes across provinces.<sup>60</sup> For the 2020 – 2024 period, the government's housing programme has an indicative budget of MT2 billion (US\$31.4 million). The programme sought to finance the construction of 200 social houses in 2023 and has planned for 100 in 2024, with 800 (2023) and 440 (2024) beneficiaries expected from the state's housing construction efforts.<sup>61</sup>

According to the FFH, the Renascer project completed 150 houses in 2023 (100 in Maputo and 50 in Cabo Delgado).<sup>62</sup> In February 2024, the first 24 houses of the Renascer project were completed in Monapo, Nampula. These houses are on plots that are clearly demarcated and have access to piped water, energy, improved roads, and social amenities. The benefits of these services extend to residents in neighbouring areas. To deliver on this project, FFH invested MT25 million (US\$392 917).<sup>63</sup> An additional 50 homes were delivered to families in Pemba, Cabo-Delgado.<sup>64</sup> The construction of 89 houses is underway across several provinces. This is despite the MOPHRH recognising the financial challenges faced by the Ministry in making these projects viable.

Construction activities in Mozambique are regulated to ensure efficiency in urban planning, land use, and zoning. To enact new structures or make significant modification, an Urbanism Certificate is required.<sup>65</sup> However, informal houses are still often self-built, using non-durable and unsustainable materials such as wooden sticks, bamboo, and grass.<sup>66</sup> This makes informal housing extremely vulnerable to natural disasters.

While no homes and projects in Mozambique have been certified as Excellence in Design for Greater Efficiencies (EDGE),<sup>67</sup> housing developers such as Casa Real in Beira have been delivering affordable, secure, and resilient homes since 2018. Furthermore, UN-Habitat is spearheading a Resilient Housing Rehabilitation Initiative to reconstruct low-cost housing using sustainable construction methods and local materials. The project targets 100 vulnerable households in Sofala province and empowers the local community to participate actively in the project design and implementation.<sup>68</sup> The aim is to eventually replicate this model across the country.

### Property markets

Home ownership (84%) is more prevalent than rental (12.7%).<sup>69</sup> Only 57.7% of women own a home alone and/or jointly.<sup>70</sup> Most (76%) acquire homes using their own savings,<sup>71</sup> in addition to other channels including mortgages (1%), government scheme loans (1.1%), bank loans (2%), loans from other sources (4.1%), and through inheritance (13.8%).<sup>72</sup>

Mozambique's real estate sector is characterised by both informal and formal practices.<sup>73</sup> Platforms such as Property24, Lamudi Mozambique and Casa Mozambique provide real estate listings across the country, but word of mouth is commonly relied on to identify suitable properties and tenants, particularly as renting in the city becomes more prominent.<sup>74</sup> A typical one-bedroom rental property in the city centre costs MT55 204 (US\$868) a month, compared to MT17 490 (US\$275) outside the city.<sup>75</sup> A three-bedroom unit in the city centre costs MT108 819 (US\$1 710) and one outside the city MT64 426 (US\$1 013) in monthly rent.

In Mozambique's land tenure system, a *Direito de Uso e Aproveitamento da Terra* (DUAT) or Title of Land Use and Exploitation Rights "represents a form of land lease from the state, given land cannot be privately owned".<sup>76</sup> All title deed records are held with the National Land Directorate. Although a DUAT is the only secure and legal form of title, customary land practices, particularly in rural areas, are still common.

### Policy & legislation

The National Urbanisation Policy was recently under extensive consultation in the context of increasing urban growth and sprawl.<sup>77</sup> The policy has been approved, with the government expected to create new cities as a way to transform metropolitan areas, many of which are coastal cities vulnerable to climate variability. This process will be preceded with various field studies in major cities.<sup>78</sup> An Urbanisation Policy and Implementation Strategy is also under deliberation at cabinet level.<sup>79</sup>

In March 2024, the government embarked on a process of drafting a Regulation for Urban Disaster Risk Management and Climate Resilience.<sup>80</sup> The legal framework will complement other policy instruments to support the development of resilient urban spaces and infrastructure.

### Opportunities

Mozambique's construction market is expected to grow more than 4% between 2025 and 2028.<sup>81</sup> Growth in the residential housing sector will be supported by government's continued commitment to providing low-cost housing, infrastructure development, and a favourable regulatory environment.

A burgeoning population will continue to drive demand for affordable, decent residential homes. A relatively young population (aged 15-35 years old) represents a potential rental market for young families, students, and professionals in major urban centres.<sup>82</sup> The demographic dividend provides a distinct opportunity to cater to low income segments, using low cost housing construction technology.

Mozambique is also considering legislation to support sustainable finance products and instruments. The first green bond aimed at supporting climate change and sustainable infrastructure efforts will be issued by the Mozambican stock exchange.<sup>83</sup> This may provide avenues to raise capital for sustainable housing.

### Websites

Associação Moçambicana de Bancos: [www.amb.co.mz](http://www.amb.co.mz)  
 Associação Nacional de Municípios de Mozambique: [www.anamm.org.mz](http://www.anamm.org.mz)  
 Banco de Moçambique: [www.bancomoc.mz](http://www.bancomoc.mz)  
 Casa Real: [www.casareal.co.mz](http://www.casareal.co.mz)  
 Club of Mozambique: [www.clubofmozambique.com](http://www.clubofmozambique.com)  
 Confederação das Associações Económicas de Moçambique: [www.cta.org.mz](http://www.cta.org.mz)  
 Empowa: [www.empowa.io](http://www.empowa.io)  
 Financial Sector Deepening Moçambique: [www.fsdmoc.org.mz](http://www.fsdmoc.org.mz)  
 Fundo de Fomento de Habitação: [www.ffh.gov.mz](http://www.ffh.gov.mz)  
 Instituto Nacional de Estatística: [www.ine.gov.mz](http://www.ine.gov.mz)  
 Ministério de Obras Públicas, Habitação e Recursos Hídricos: [www.mophrh.gov.mz](http://www.mophrh.gov.mz)  
 Ministério da Terra e Ambiente: [www.mta.gov.mz](http://www.mta.gov.mz)

### Availability of data on housing finance

Key data hosts include public institutions (government ministries, national statistics institute, and the central bank), and the private sector (commercial banks and private developers).

Data on residential mortgages, lending terms, and microfinance institutions is generally available on commercial bank websites. This data is also consolidated by the Banco de Moçambique and Associação Moçambicana de Bancos. This data is timely and often published annually, quarterly and even monthly. However, some key data is not disaggregated enough to capture developments in the residential property market. Little data is available on microfinance activity for housing, despite its importance for incremental construction and home ownership in Mozambique.

Reliable data on housing construction, land and affordable house prices is typically sourced directly from private developers. The Fundo de Fomento de Habitação together with the Ministry of Public Works, Housing and Water Resources publish data on government's flagship housing programme – Habita Moçambique. However, what is publicly available is not centralised or disseminated in an easily accessible format.

Making housing market data (such as title deed and housing backlog data) accessible at the municipal level, would be useful for Mozambique's data ecosystem and help build a more comprehensive understanding of demand and supply dynamics.

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- <sup>5</sup> World Bank (2023). Population growth (annual %). <https://data.worldbank.org/indicator/SP.POP.GROW?skipRedirection=true> (Accessed 20 July 2024).
- <sup>6</sup> World Bank (2023). Urban population growth (annual %). <https://data.worldbank.org/indicator/SP.URB.GROW?skipRedirection=true> (Accessed 20 July 2024).
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- <sup>8</sup> World Bank (2023). Mozambique. <https://data.worldbank.org/country/mozambique> (Accessed 20 July 2024).
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- <sup>13</sup> World Bank (2022). Access to water - <https://data.worldbank.org/indicator/SH.H2O.BASW.UR.ZS?skipRedirection=true>, Access to sanitation - <https://data.worldbank.org/indicator/SH.STA.BASS.UR.ZS?skipRedirection=true>, Access to electricity - <https://data.worldbank.org/indicator/EN.GELC.ACCTS.UR.ZS?skipRedirection=true> (Accessed 20 July 2024).
- <sup>14</sup> Nhamine, B. and Hill, M. (2024). Mozambique becomes first in Africa to cut rates twice in 2024. 27 March 2024. Bloomberg. <https://www.bloomberg.com/news/articles/2024-03-27/mozambique-becomes-africa-s-first-to-cut-rates-twice-in-2024> (Accessed 5 July 2024).
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- <sup>21</sup> Banco de Moçambique, Alliance for Financial Inclusion, Innovation Global Consulting and CS Research. (2023). Mozambique financial literacy survey findings, October 2023. <https://tinyurl.com/Z2fun38m> (Accessed 10 July 2024). Pg. 15.
- <sup>22</sup> Banco de Moçambique (2024). Financial Inclusion Newsletter, April 2024. <https://bancomoc.mz/media/h0ldghn0/newsletter-de-inclus%C3%A3o-financeira-8-%C2%AA-ed%C3%A7%C3%A3o-abril-2024.pdf> (Accessed 5 July 2024). Pg. 5.
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- <sup>24</sup> See footnote 22. Pg. 55.
- <sup>25</sup> Banco de Moçambique (2024). Licensing of institutions. <https://www.bancomoc.mz/en/areas-of-expertise/licensing/licensing-of-institutions/> (Accessed 5 July 2024).
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- <sup>27</sup> Mozambican Banking Association (2023). Financial system prime rate communication No 06/2023. <https://tinyurl.com/3t964akk> (Accessed 5 July 2024). Pg. 2.
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