

MOZAMBIQUE: Further devaluation

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In the fourth move of its kind in eighteen months, Mozambique's currency has just been devalued by 20.80%. One U.S. dollar now buys 580 meticals, compared with 450 since January this year, and just 40 at the start of 1987. The move, according to the *Bank of Mozambique*, is intended to "stabilise the metical" and comes within the orbit of a programme to relaunch the economy drawn up in association with the IMF and the World Bank.

I.O.N.- The relaunch plan, adopted in January 1987, has three essential objectives: to relaunch production and restore a minimum of revenue for the rural population, to reduce financial imbalance and to decentralise economic decision-making by bringing market forces into play.

In the financial area, apart from the adjustment measures already taken, the plan envisages: the ending of government budgetary support for state enterprises between now and 1990; as many devaluations as may be necessary for the official exchange rate to reach that of the parallel market; control over the increase in money in circulation so that it remains below that in prices; and the withholding of fresh foreign exchange allocations for imports from now until the end of this year.

As far as Mozambique's external debt is concerned, the government aims to reduce debt charges by setting ceiling of 50 million dollars for non-concessional borrowings of less than 12 months for the three-year duration of the economic adjustment programme. In the area of prices and internal trade, the government's objective is to adjust prices according to real costs and changes in exchange rates, and to bring about a progressive liberalisation of the marketing of all goods, with emphasis on the rural areas. The results of this relaunching plan were poor in 1987. Growth was recorded at 4%, mainly due to an improvement in industrial production and in construction, but agriculture and transport--two key sectors--remained stagnant (See ION N 334).