Mozambique Residential/Non-Residential Building Forecast

Key View: *Mozambique's large-scale LNG projects are set to shape the outlook for the industrial construction industry between 2025 and 2034. However, should these projects fail to be implemented as planned, we expect the broader building construction industry to underperform compared to GDP and overall construction growth during this period.*

Latest Developments

- In October 2025, the authorities will officially launch the USD7.2bn Coral Norte LNG project in Mozambique. The project, located in Area IV of the Rovuma Basin and led by Eni, is expected to produce 3.55mtpa of LNG over 30 years. Building on the Coral Sul floating liquefied natural gas success, the project will use a floating unit fed by six subsea wells and gas reserves of up to 500bcm, reinforcing Mozambique’s global LNG position. The launch is expected in October, with construction starting next month and first production set for Q2 2028.

- In July 2024, it was announced that TotalEnergies will resume the USD20bn LNG project in Mozambique in 2025. The project is backed by USD14.9bn in financing.

- In March 2025, the US Export-Import Bank approved an approximately USD5bn loan for the TotalEnergies-led Area 1 liquified natural gas (LNG) project in

Mozambique, marking a significant step towards restarting the project after construction was halted in 2021 due to violent unrest in Cabo Delgado. The USD20bn project will feature an onshore liquefaction and export terminal with two liquefaction trains totalling 13mtpa capacity, expandable to 43mtpa annually. It will also include two 180,000cu m LNG storage tanks, condensate storage facilities, a multi-berth marine jetty, and necessary utilities and infrastructure. The offshore component will comprise subsea production systems, including subsea production trees, manifolds, chemical injection distribution facilities, flowlines, electro-hydraulic control umbilicals, and pipeline end termination systems. TotalEnergies CEO anticipates further support from UK and Dutch agencies.

- During the same time, Mozambique's Minister of Public Works, Housing and Water Resources Fernando Rafael initiated the construction of 2,067 resilient homes in Guara-Guara, Sofala province. The project, funded by the Tzu-Chi Charitable Foundation with a budget of approximately USD33.5mn, aims to support over 10,000 people through the Post-Cyclone Housing Programme. This initiative focuses on rebuilding homes damaged by Cyclones Idai and Kenneth in 2019. The resettlement area is located near essential social infrastructure, including hospitals, schools and water systems, to ensure access to basic services. Minister Rafael stressed the importance of adhering to resilience standards and ensuring quality construction.

Structural Trends

During our forecast period, Mozambique's construction sector is anticipated to be propelled by several large-scale LNG projects, notwithstanding the persistent risks to these industrial undertakings. Broader industrial construction is projected to experience limited growth over the next decade, especially in the short-to-medium term. Notably, we forecast growth in Mozambique's residential construction sector continuing to be concentrated in the informal sector. The formal housing sector will likely remain constrained by low average incomes, despite the country's rapidly expanding population.

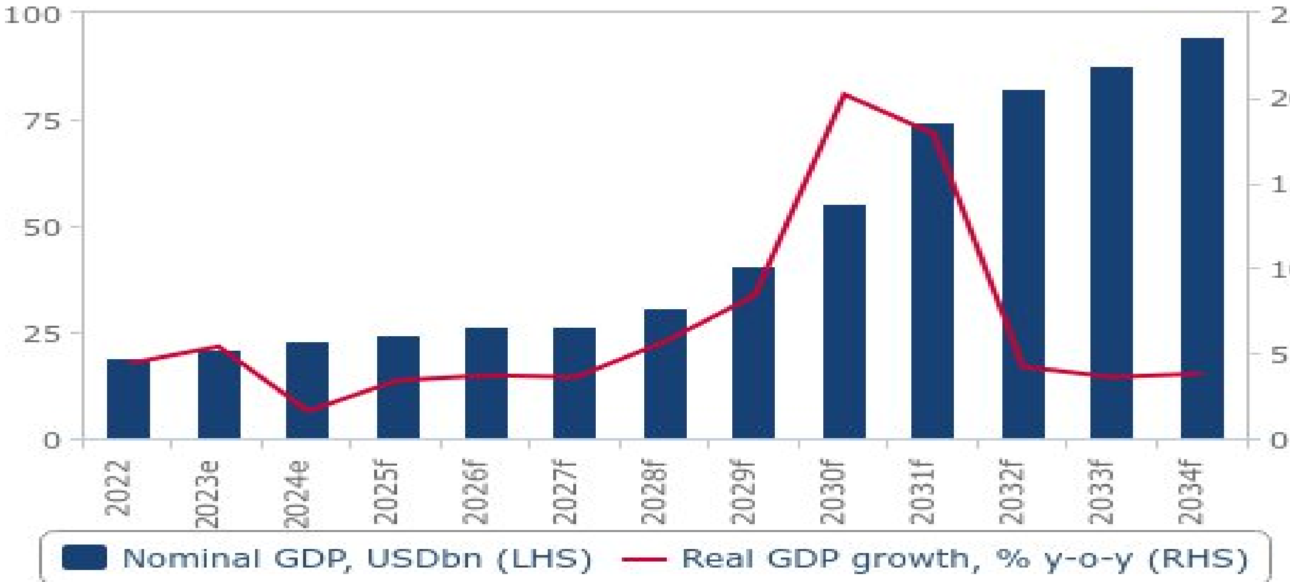
Weak Outlook For Residential Construction

Although Mozambique is experiencing strong population growth, we expect persistent low household income to weigh on the residential construction sector over our forecast period, despite strong nominal GDP growth. Mozambique's residential construction market remains dominated by the informal construction sector, due to the market's low average household income, unaffordable housing finance, high construction costs, and uncertain legal environment.

Despite Mozambique's strong population growth and a 5.0% increase in GDP per capita in US dollar terms between 2011 and 2020, we anticipate that persistently low household incomes will significantly impact the residential construction sector from 2025 to 2034, even amid robust nominal GDP growth. According to the Hunger Project, an international charity, 46.0% of the population still lives below the international poverty line of USD1.25 per day. As a result, the residential construction market in Mozambique remains dominated by the informal sector, influenced by factors such as low average household income, unaffordable housing finance, high construction costs and an uncertain legal environment. While our Country Risk team projects Mozambique's real GDP to achieve an average y-o-y growth rate of 5.9% throughout our forecast period, the number of households able to participate in the formal housing market will increase only slowly, driven mainly by high population growth.

GDP Growth To Accelerate

Mozambique - GDP, USDbn & Real GDP Growth, % y-o-y (2022-2034)



e/f = BMI estimate/forecast. Source: INE, BMI

The high entry cost of Mozambique's formal housing market is partly attributed to elevated mortgage costs, which are driven by an underdeveloped banking system, information asymmetries and a lack of formal labour contracts. In the short-to- medium term, this issue will be exacerbated by persistently high interest rates.
Although we expect that the Banco de Moçambique (BM) to cut its policy rate by a further 125 basis points (bps) to 9.00% by the end of 2025 and 100bps to 8.00% in 2026, we note that low inflation will keep real interest rates elevated, weighing on residential housing investments. Additionally, weak property rights and security threats, particularly in rural areas, deter private investments in real estate, further hindering the residential construction sector. We expect these limiting factors to persist over our forecast period, negatively impacting our outlook for Mozambique's residential construction sector.

On the positive side, rising state revenue through resource rents is set to lead to increased investments in social housing provision towards the end of our forecast period, offering an upside to the residential construction market. This perspective is supported by several ongoing social housing programmes. However, significant risks to this outlook remain including political instability and serious concerns regarding public expenditure management.

LNG Developments To Drive Growth, But Risks Remain

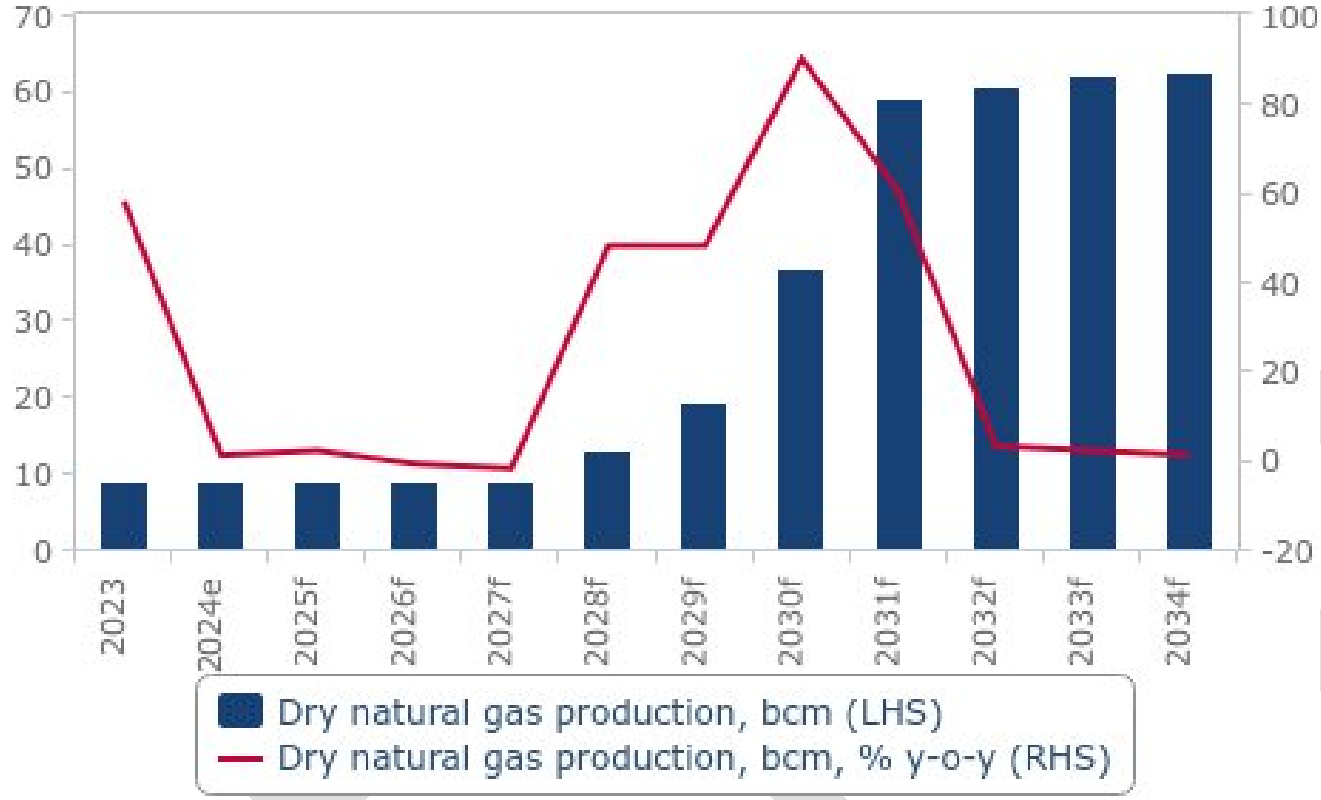
Mozambique's construction sector is set to be primarily driven by substantial industrial construction investments, originating from the development of large-scale natural gas projects. In the short-to-medium term, growth in this sub-sector will be bolstered by progress on the TotalEnergies-led Mozambique LNG development, should the project come to fruition. In March 2025, the US Export-Import Bank approved an approximately USD5bn loan for the project, marking a significant step towards restarting the project after construction was halted in 2021 due to violent unrest in Cabo Delgado. The planned onshore liquefaction and export terminal will feature two liquefaction trains with a total capacity of 13mtpa, with potential expansion up to 43mtpa annually. Additionally, the project will include two 180,000cu m LNG storage tanks, condensate storage facilities, a multi-berth marine jetty and ancillary utilities and infrastructure. The offshore facility will include the installation of subsea production systems, such as subsea production trees, manifolds, chemical injection distribution facilities, flowlines, electro-hydraulic control umbilicals and pipeline end termination (PLET) systems.

This project marks the market's first LNG development and aims to exploit the vast gas resources of the Golfinho/Atum fields located within offshore Area 1. The estimated cost of the project is around USD23bn. The Engineering, Procurement and Construction (EPC) contracts have been awarded to a consortium comprising McDermott, Chiyoda and Saipem. In February 2020, TotalEnergies also signed two master services agreements with Worley for engineering services related to Mozambique Area 1.

However, we caution that security risks will continue to pose significant downside risks, particularly given the resurgence of insurgent activities in early 2024. Construction activity on the Mozambique LNG Area 1 project is anticipated to taper off by 2028, when our Oil & Gas team expects the project to deliver its first gas. In the long term, ongoing exploration activities could lead to the installation of additional facilities, further boosting industrial construction activities.

Gas Production To Take Off From Late 2020s

Mozambique - Gas Production, bcm & % y-o-y (2023-2034f)



e/f = BMI estimate/forecast. Source: EIA, BMI

Furthermore, the Rovuma LNG project, spearheaded by ExxonMobil and Eni, aims to tap into the substantial gas reserves in offshore Area 4, which holds approximately 85trn cubic feet of natural gas. The project is operated by Rovuma Venture, a joint venture between Eni, ExxonMobil and China National Petroleum Corporation, in partnership with ENH (10%), Kogas (10%) and Galp (10%).
ExxonMobil is responsible for the operations related to the LNG facilities, while Eni is overseeing the upstream development work.

The project plans to build 12 liquefaction trains, each with a capacity of 1.5mtpa, resulting in a total capacity of 18mtpa, following a revision to the project's liquefaction capacity in late March 2023. At the same time, ExxonMobil submitted a tender for a new FEED and potential EPC work. By August 2024, Area 4 officially entered the FEED phase of the Rovuma LNG project. Mozambique Rovuma Venture (MRV), the operator of Area 4, awarded and executed FEED contracts, paving the way for competitive bids on the project's engineering, procurement and construction components. MRV expects the FEED phase to last around 16 months, which represents the final step before making a Final Investment Decision (FID).

Progress on the project has slowed since 2020 due to the deteriorating security situation in northern Mozambique. Sufficient offtake commitments were signed with the partners' affiliated buyer entities in late 2018. The total project costs are estimated to be around USD27bn, which includes ExxonMobil investments of more than USD500mn in the initial construction phase of the Area 4 LNG project, initially focusing on midstream and upstream project activities. In September 2024, ExxonMobil representatives indicated that a Final Investment Decision (FID) might be made in 2026, with the subsequent start-up expected in 2029, thereby boosting construction activity in the long term.

Industrial Construction To Remain Small

We anticipate that the industrial sector in Mozambique will concentrate on a limited number of high-profile mega projects throughout our forecast period, with overall growth remaining constrained. Over the past decade, Mozambique has embarked on several high-profile industrial projects, often with explicit or implicit state support. While these initiatives have bolstered construction activity, the industrial sector’s overall contribution to construction demand has remained modest.
Additionally, following Mozambique’s economic downturn in 2016, numerous large industrial construction projects were cancelled, illustrating the adverse impact of the market's high-risk operating environment on construction activity.

Throughout our forecast period, we expect foreign investor interest in Mozambique to remain predominantly focused on the gas and mining sectors. Consequently, beyond LNG and mineral processing projects, capital for industrial construction projects will largely need to be sourced from the local business community. Given the market's challenging operating environment and underdeveloped capital markets, we do not foresee a recovery in industrial investments until the anticipated revenue inflows from LNG exports provide the government and connected actors with the financial capacity to support such projects.