



WIDER Working Paper 2021/94

## **The impact of COVID-19 on consumption poverty in Mozambique**

Giulia Barletta,<sup>1</sup> Finório Castigo,<sup>2</sup> Eva-Maria Egger,<sup>3</sup> Michael  
Keller,<sup>1</sup> Vincenzo Salvucci,<sup>1,\*</sup> and Finn Tarp<sup>1</sup>

June 2021

**Abstract:** This study assesses the impact of the COVID-19 pandemic and the state of emergency implemented by the Government of Mozambique on household consumption poverty. To predict changes in income and the associated effects on poverty and inequality, we rely on macroeconomic impacts estimated by Betho et al. (2021) using a social accounting multiplier model. We assume two main impact channels are at work leading to higher consumption poverty: direct income/wage and employment losses. To estimate the direct income/wage losses, we use the information from Betho et al. (2021) on the impact on wages, on gross domestic product by industry, and on household income; to estimate the employment losses, we use the information on the impact on employment from Betho et al. (2021). The two impact channels are then combined to assess the final impact on consumption and poverty. Our simulations suggest that consumption decreased by between 7.1 and 14.4 per cent, and that poverty increased by between 4.3 and 9.9 percentage points in 2020, depending on the specification. This corresponds to about 2 million people entering poverty in less than a year and to a reversal of the positive poverty reduction trend observed during the period 2008/09–2014/15. While the COVID-19 shock affected urban areas the most, our results indicate that rural areas experienced a higher increase in poverty rates due to the already low levels of consumption. Poverty most certainly increased in the pre-COVID 2015–20 period due to other shocks, so Mozambique finds itself in an intense and deepening struggle against poverty.

**Key words:** COVID-19, poverty, inequality, Mozambique

**JEL classification:** I32, O21

**Acknowledgements:** We appreciate helpful advice and comments from Professor Sam Jones. The usual caveats apply.

---

<sup>1</sup> Development Economics Research Group (DERG), University of Copenhagen, Denmark; <sup>2</sup> National Directorate of Economic Policies and Development, Ministry of Economy and Finance, Mozambique; <sup>3</sup> UNU-WIDER; \* corresponding author: [vincenzo.salvucci@gmail.com](mailto:vincenzo.salvucci@gmail.com)

This study has been prepared within the UNU-WIDER project [Inclusive growth in Mozambique – scaling-up research and capacity](#) implemented in collaboration between UNU-WIDER, University of Copenhagen, University Eduardo Mondlane, and the Mozambican Ministry of Economics and Finance. The project is financed through specific programme contributions by the governments of Denmark, Finland, and Norway.

Copyright © UNU-WIDER 2021

UNU-WIDER employs a fair use policy for reasonable reproduction of UNU-WIDER copyrighted content—such as the reproduction of a table or a figure, and/or text not exceeding 400 words—with due acknowledgement of the original source, without requiring explicit permission from the copyright holder.

Information and requests: [publications@wider.unu.edu](mailto:publications@wider.unu.edu)

ISSN 1798-7237 ISBN 978-92-9267-034-4

<https://doi.org/10.35188/UNU-WIDER/2021/034-4>

Typescript prepared by Ayesha Chari.

United Nations University World Institute for Development Economics Research provides economic analysis and policy advice with the aim of promoting sustainable and equitable development. The Institute began operations in 1985 in Helsinki, Finland, as the first research and training centre of the United Nations University. Today it is a unique blend of think tank, research institute, and UN agency—providing a range of services from policy advice to governments as well as freely available original research.

The Institute is funded through income from an endowment fund with additional contributions to its work programme from Finland, Sweden, and the United Kingdom as well as earmarked contributions for specific projects from a variety of donors.

Katajanokanlaituri 6 B, 00160 Helsinki, Finland

The views expressed in this paper are those of the author(s), and do not necessarily reflect the views of the Institute or the United Nations University, nor the programme/project donors.

## 1 Introduction

The global economic slowdown due to the COVID-19 pandemic is halting and reversing recent achievements in poverty reduction (Sumner et al. 2020; Lakner et al. 2019). The decline in global demand and travel restrictions that keep tourists away are hitting poorer countries such as Mozambique hard. Furthermore, governments have limited fiscal space to counteract the economic downturn compared with the generous support packages underway in richer economies. Prior to the pandemic, growth forecasts for Mozambique for 2020 were as high as 6 per cent (United Nations 2020). Yet, at the end of 2020, the gross domestic product (GDP) at market prices had actually decreased by 1.3 per cent (INE 2021a).

Egger et al. (2021) document the serious deterioration of livelihoods in several low-income countries, including sharp declines in income due to job or revenue losses, more common food insecurity, and other negative effects, and Mozambique is no exception. With the decline in GDP, the question arises of how much livelihoods, and especially consumption poverty, are affected and what Mozambique can do to in terms of policy responses.

After a long war until 1992, Mozambique rapidly reduced poverty between 1997 and 2008 from around 70 per cent to around 50 per cent. In the most recent national poverty assessment from 2014/15, the official poverty rate stood at 46.1 per cent (DEEF 2016). A study by Egger et al. (2020) finds that in the period after 2015, poverty reduction stagnated due to several economic and climatic shocks. The impact of the pandemic has come on top and has surely worsened the situation, but potentially with heterogeneous impacts across sectors and between urban and rural areas.

The National Statistics Institute (Instituto Nacional de Estatística, INE) is processing the most recent detailed household survey, conducted throughout 2020. Thus, a timely assessment of the microeconomic impact of the COVID-19 pandemic on poverty needs to rely on simulation methods. Betho et al. (2021) assess the macroeconomic impact of COVID-19 and related government restrictions on the Mozambican economy applying a social accounting matrix multiplier analysis. Employing a set of assumptions and data on key economic indicators, they tune in on a decline in growth of 3.6 per cent and in employment of 1.9 per cent on average due to COVID-19 in 2020. In other words, Mozambique's economy contracted by 1.3 per cent in 2020, while in the counterfactual of a COVID-free world Mozambique would have grown by 2.3 per cent. According to the study, the hardest-hit sectors through the channel of foreign demand decline are mining, trade, and hospitality. Lower domestic demand affected construction, manufacturing, and trade and hospitality. The effect works primarily through capital-intensive sectors relying on foreign demand and primarily affects urban labour.

In the present study, we build on the Betho et al. (2021) results to estimate changes in household income and consumption, and we use these in turn to calculate the impact on the poverty rates. We find that consumption decreased by between 7.1 and 14.4 per cent, and that the poverty rate increased by between 4.3 and 9.9 percentage points, depending on the specifics of the analytical approach in focus.<sup>1</sup> On average, this corresponds to about 2 million people falling into poverty in less than a year and to a reversal of the positive poverty reduction trend over the period 2008/09–2014/15. Betho et al. (2021) reported larger effects for urban workers, but our results bring out that rural areas experienced a higher increase in their poverty rates. This is due to low initial levels

---

<sup>1</sup> See Section 6 for details as well as Appendix A.

of consumption in rural areas, which make the rural population especially vulnerable to shocks in terms of falling below the poverty line. Similarly, we find that the reduction in consumption is comparable across people with different educational attainment up to completed secondary school, but poverty rates increased much more for uneducated people than for more educated ones. In sectoral terms, small traders show the highest reduction in consumption, while we find the biggest increases in poverty rates for people working in subsistence agriculture. Moreover, while most provinces present similar levels of reduction in consumption, we see scattered increases in average poverty rates. Inequality also appears to have increased due to the COVID-19 shock, mainly in urban areas.

In this study, we present short-term estimates of changes in consumption and poverty in Mozambique to help inform policy on potential recovery measures using the latest available data of the 2014/15 household budget survey (Inquérito de Orçamento Familiar, IOF; henceforth, IOF14). A more detailed analysis based on actual data instead of simulations will be possible once the 2019/20 household budget survey (IOF 2019/20) becomes available. Our study assumes that the main channel of poverty impact is through employment and income losses. We do not include other potential channels such as food price increases as prices remained relatively stable throughout 2020.<sup>2</sup> We highlight that short-term declines in income can lead to long-run detrimental effects. Examples are poverty traps due to distress sale of assets (Dercon 2004), poorer health and consequent labour market outcomes due to food insecurity (Alderman et al. 2004; Hoddinott and Kinsey 2001), and worse labour market outcomes for children not returning to school (Beegle et al. 2003; Edmonds 2006; Bandara et al. 2015).

The Government of Mozambique is trying hard to contain the spread of the COVID-19 pandemic while simultaneously avoiding a very costly (and possibly unrealistic<sup>3</sup>) lockdown. At the end of March 2020, President Filipe Nyusi announced the implementation of a state of emergency. It was initially in place for 120 days. After a short interim period of 30 days to enact new legislation covering calamities, a renewal took effect. The first 120 days focused on preventing the disease, while the latest stage of emergency/calamity seems to accept both the existence of the virus and the need for envisaging a ‘new normal’ combined with a slow opening of the economy.

So far, the government managed to avoid a complete lockdown. Nevertheless, the pandemic combined with the mitigation measures likely came at a heavy cost to the economy. To come to grips with the impact and the policy dilemmas involved, with a view to designing optimal policy responses, we aim here to analyse the impact of the pandemic and its consequences across the economy. When we began this study, COVID-19 cases had just increased drastically and the government was introducing new stricter measures to reduce the spread of the virus, including its more contagious South African variant.

The study proceeds as follows. Section 2 outlines the trends of consumption poverty and inequality in Mozambique, and Section 3 presents literature on the economic impact of the pandemic globally and in low-income countries. Section 4 summarizes the development of COVID-19 and the government response in Mozambique, whereas Section 5 presents the data used in the analysis. Section 6 explains the methodology applied to address the research question, and Section 7 presents results. Section 8 concludes and provides policy recommendations.

---

<sup>2</sup> See the bulletin in INE (2021b). Inflation over the 12 months of 2020 was 3.52 per cent, very close to the value registered in 2018 and 2019.

<sup>3</sup> See Jones et al. (2020) and Egger et al. (2020).

## **2 Trends in poverty and inequality in Mozambique**

The Government of Mozambique measures consumption poverty and inequality using the nationally representative household budget survey (IOF) collected every 5 years since 1997. While INE collected the most recent survey during 2020, the data are not yet available. Once available, it will help shed light on the direct impact of the pandemic on livelihoods and the consequences of the events between 2015 and 2020. In the meantime, we rely on the latest available household consumption data from 2014/15.

After a long war until 1992, Mozambique entered a period of fast growth and poverty reduction in the 1990s. Annual growth rates were on average 7.2 per cent during the period 2000 until 2016 and GDP per capita grew by 4 per cent annually so that Mozambique was among the fastest growing economies in Sub-Saharan Africa (SSA) (World Bank 2018). Over the same period, poverty rates fell by 25 percentage points, yet with an increase in the number of poor people due to high population growth. The latest national poverty assessment published in 2016 and based on data from IOF14 estimated the poverty headcount to be at 46.1 per cent corresponding to 11.8 million Mozambicans living in poverty (DEEF 2016). This is almost as many poor people as in 1997 when estimates suggested 12 million Mozambicans were poor (DEEF 2016). Furthermore, consumption gains show divergent trends. There is a strong rural–urban divide and a regional hierarchy has emerged, with the southern region, where also the national capital Maputo is located, as the richest. Rural areas in the central and northern regions remain disconnected from markets, electricity, and other basic services as documented in the multidimensional poverty analyses (DEEF 2016; Cardoso et al. 2016). For example, in 2014/15, 18 per cent of urban Mozambicans were considered multidimensionally poor contrasting with 72 per cent of the rural population (DEEF 2016).

Inequality at the national level has increased from a Gini coefficient of 0.40 in 1997 to 0.47 in 2014/15, which is relatively high in comparison to other low-income SSA countries (World Bank 2018). The rise in inequality stems primarily from urban areas and especially in the southern region where higher income groups made substantial gains. In 2014/15, the top 5 per cent of the consumption distribution in urban areas consumed 21 times as much as the lowest 5 per cent. In contrast, in rural areas, this ratio remained relatively stable at around 8–9.

Since the last national poverty assessment and nationally representative household survey in 2014/15, a combination of several crises hit the country. The so-called hidden debt scandal led to donor withdrawal and a sharp reduction in aid as well as a drop in GDP. At the same time, prices and demand for Mozambique's highest value products, such as coal and gas, dropped and the country was hit by severe weather events causing great damage to people's livelihoods. In addition, conflicts burst in the northern province of Cabo Delgado, destabilizing the region and with attacks on civilians, who fled in masses to neighbouring provinces and across the border into Tanzania. Egger et al. (2020), with data from the demographic and health surveys, document that these combined events led to a stagnation in multidimensional poverty between 2014 and 2018.

## **3 COVID-19 and poverty in low-income countries**

After almost 25 years of decline in global poverty, the outbreak of COVID-19 represents a gloomy setback for human development, further undermining the goal of bringing global extreme poverty to less than 3 per cent by 2030 (World Bank 2020). An emerging body of literature analyses the economic impacts of the COVID-19 pandemic, both on a global and on a national scale.

In the wake of the pandemic, in March 2020, the International Labour Organization (ILO) estimated an increase in global unemployment of between 5.3 and 24.7 million in 2020 (see ILO 2020). The ILO report also projected an increase in working poverty of between 9 and 35 million using a poverty line of US\$3.20/day (ILO 2020). These estimates emerged from a hybrid dynamic stochastic general equilibrium/computable general equilibrium model implemented by McKibbin and Fernando (2020), who proposed three potential scenarios (low, middle, and high) with a drop in GDP of 2, 4, and 8 per cent, respectively. Laborde et al. (2020) presented a set of parallel projections in March 2020, which they updated in April. For their scenarios, they used the International Food Policy Research Institute (IFPRI) global general equilibrium model, MIRAGRODEP, and they concluded that globally, in the absence of mitigating policy interventions, an additional more than 140 million people could fall under the US\$1.90/day poverty line.

ILO's and IFPRI's estimates are based on variants of computable general equilibrium models that estimate how supply and demand shocks, changes in production factors, or trade and output contractions affect poverty. Taking a different approach, Sumner et al. (2020) estimate the impact of the pandemic on global poverty due to direct consumption shocks. The authors provide estimates based on three scenarios with 5, 10 or 20 per cent income or consumption contraction, performed for the US\$1.90, US\$3.20, and US\$5.50 per day poverty lines, respectively. Assuming a 5 per cent contraction in per capita incomes, the global poverty headcount is projected to increase by more than 80 million for the US\$1.9/day poverty line, more than 130 million for the US\$3.2/day standard, and almost 124 million for the higher poverty line of US\$5.5/day. In the high global contraction scenario, of 20 per cent, the increases could be about 420 million, 580 million, and 520 million people, respectively. Notably, these estimates reflect distribution neutral assumptions and omit any policy impact, and labour market and household level responses.

Lakner et al. (2019) simulate global extreme poverty until 2030 under different growth and inequality scenarios based, until 2021, on the growth projections of the June 2020 edition of the World Bank's Global Economic Prospect report. After 2021, the authors use three different scenarios based on historical growth rates. The study models the impact of distributional changes on poverty by changing a country's Gini index and using different growth incidence curves. To model the pass-through rate from growth in GDP to household level growth, the authors rely on a machine-learning algorithm (model-based recursive partitioning). The study concludes that COVID-19 might have pushed 60 million people into extreme poverty in 2020. The authors also highlight that distributional changes could have a substantial impact on poverty reduction. A 1 per cent annual decline in each country's Gini index is shown to have a bigger impact on global poverty than if each country experiences a 1 percentage point higher annual growth rate than expected.

Valensisi (2020) provides a preliminary assessment of the COVID-19 impact on global poverty based on the International Monetary Fund's (IMF) growth forecasts in April 2020. The author, assuming a distribution neutral shock, estimates an increase of 68 million people living below the US\$1.90/day poverty line in 2020, but this number could easily rise to 100 million in case of a recession deeper than the one forecasted by the IMF. The study also underscores the disproportional social and economic impact that the crisis could have on least developed countries (LDCs). Intrinsic vulnerabilities of LDCs make them highly susceptible to external shocks, which often act through a tension in the balance of payment. In addition, a considerable share of the population in LDCs is concentrated just above the global extreme poverty line. The economic shock could dissolve the past decades' gains in poverty reduction and exacerbate structural vulnerabilities, hitting particularly hard in South Asia and SSA.

Attempting to tackle the scarcity of systematic quantitative evidence on the economic impact of the COVID-19 crisis in low- and middle-income countries, some studies rely on phone surveys,

based on random phone digital dialling (RDD), on previously conducted studies, or high-frequency phone surveys (HFPS). While these studies shed further light on the actual impact of COVID-19 on households, care is required for sample selection and comparability of the surveys across countries.

Egger et al. (2021) present results from 16 samples in nine countries (Bangladesh, Burkina Faso, Colombia, Ghana, Kenya, Nepal, Philippines, Rwanda, and Sierra Leone), covering heterogeneous samples relying on RDD and on earlier studies. The study looks at changes in income, employment, access to markets, food security, and government or NGO support, and reveals heightened economic distress and a substantial increase in the incidence of food insecurity. Between 8 and 87 per cent of those responding report a drop in income, with a median share of 70 per cent. In addition, 5–49 per cent (median 30 per cent) report not to work since the crisis hit. Substantial impediments to livelihood, in terms of access to markets and healthcare, which resulted in 9–87 per cent of the respondents being forced to miss or reduce meals (median share is 45 per cent) compound these effects.

Khamis et al. (2021) present estimates on the impact of the crisis in the labour market in 39 countries based on HFPS data, and evaluate the consistency of these data with macroeconomic projections (IMF's World Economic Outlook and ILO's ILOSTAT). The study finds that work stoppage was common, averaging 34 per cent across countries, while, especially in Latin America and the Caribbean, wage workers frequently reported partial or no payments. Dividing the workers into three different sectors—agriculture, industry, and services—the study finds that work stoppages were more common in services and industry than in agriculture, even though the last sector also experienced significant disruptions. When comparing the results to macroeconomic projections, the authors highlight some discrepancies with labour market outcomes based on HFPS data, especially in SSA. This suggests that macroeconomic projections do not fully capture the impact on households, particularly in countries with high levels of informality.

A growing body of literature also aims to provide projections and assessments for the country-specific impact of the pandemic-related crisis. The vast majority of these studies consist of microeconomic and macroeconomic projections of the national impact of the pandemic, due to the lack of real-time data. However, a few exceptions rely on weekly financial household data (Janssens et al. 2021) or nationally representative surveys (Jain et al. 2020; Menta 2021).

An example of the first strand of this literature is the study by Suryahadi et al. (2020) on the impact of COVID-19 on poverty in Indonesia. The forecast of the impact on the distribution of household expenditure uses the 2005–06 Indonesian economic shock, which the authors apply as a pattern of shock experienced by each expenditure percentile to measure the distributional impact of COVID-19 on household expenditure. Due to the pandemic, the growth rate for 2020 is expected to reduce from 5 per cent to between 4.2 per cent and –3.5 per cent. Depending on the gravity of the scenario, the poverty headcount is expected to grow by an additional 1.3–19.7 million people.

Cuesta and Pico (2020) analyse the effect of the crisis on gendered employment disparities, income generation gaps, and poverty gaps by developing an ex-ante simulation exercise using a static microsimulation model. In doing so, the authors predict poverty scenarios with and without COVID-19 and analyse the effect of different policy interventions. The study estimates that the pandemic increases the number of people living in poverty by between 3 and 9.1 per cent and finds no significant difference in the poverty impact on men and women.

For Mozambique, Mussagy and Mosca (2020) estimate the poverty and inequality outcomes of COVID-19. The projections presented in the study use a contraction of 5, 10, and 20 per cent in

consumption (optimistic, moderate, and pessimistic scenarios) and are based on the data of the nationally representative household budget survey undertaken in 2014/15. The reduction in consumption is not homogeneous across households, rather it depends on a series of household characteristics such as the level of poverty recorded in the last assessment, the household size, and whether the household is located in an area affected by the recent cyclones or insurgencies.<sup>4</sup> When the international US\$1.90/day poverty line is used, the microsimulation results in an estimated national poverty rate of 92.6, 93.1, or 93.37 per cent (1–2 percentage points up from an initial level of 91.7 per cent), depending on the scenario.<sup>5</sup> The pandemic is expected to have a slightly more severe impact in urban areas, in line with the projections of the latest *Poverty and Shared Prosperity* report (World Bank 2020). However, in Mozambique, COVID-19 is not projected to invert the historical trend of a higher level of poverty in rural areas. As for the level of inequality, the study estimates an increase in the Gini index to 0.478, 0.484, or 0.504 for each of the scenarios. The limitations of this study include that it does not take into account the effect of mitigation policies implemented by the government and that the time perspective of the pandemic's economic impact is limited to two trimesters.

Another attempt to analyse the implications of COVID-19 for the economy, business, and households in Mozambique is contained in the recently published *Mozambique Economic Update* of February 2021 (World Bank 2021a). The study highlights that in 2020, the country is expected to experience its first economic contraction in almost 30 years. This combines with a slowdown in foreign direct investment and capital inflows, and substantial fiscal challenges. COVID-19 has also seriously affected enterprises and households, causing sudden income losses and worsening living conditions, hitting particularly hard the services sector and the urban poor engaged in the informal sector. In terms of poverty incidence, the study presents different scenarios characterized by a decline in consumption of 5, 10, 25, and 50 per cent. A reduction of 10 per cent in consumption per capita by all households, which the authors regard as reasonable given the scale of the crisis, would lead to an increase in the poverty rate by more than 5 percentage points, meaning that at least 1.4 million more Mozambicans could fall below the national poverty line. Moreover, the World Bank report also stresses the potential impact of the crisis on human capital in the medium to longer term, especially due to school closures. These challenges could pose serious threats to Mozambique's progress towards achieving the United Nation's Sustainable Development Goals.

#### **4 COVID-19 in Mozambique and the government response**

We proceed to discuss the development of the COVID-19 pandemic and the government responses to mediate its effect. Figure 1 illustrates the evolution of COVID-19 in Mozambique until December 2020. At the onset of the COVID-19 pandemic, Mozambique was able to protect itself against the spread of the virus due to early border closure, travel restrictions including quarantine, and strict containment measures. In this way, the so-called first wave from March until June 2020 saw relatively few cases. This continued to be so for a few more months until September 2020 when numbers increased but plateaued at a slightly higher level. With the end-of-year holidays

---

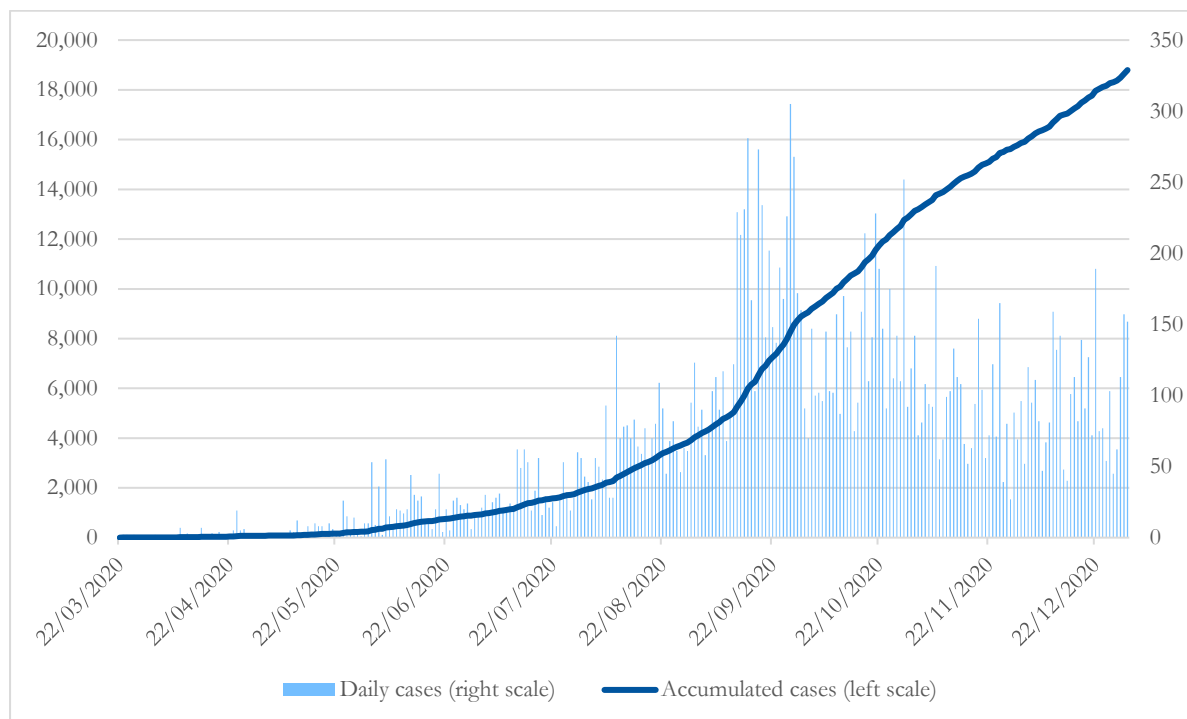
<sup>4</sup> The way in which the reduction in consumption depends on the above-mentioned characteristics is not specified in the paper.

<sup>5</sup> Conversely, when the national poverty line is used as a reference, the national poverty rate is estimated to increase up to 58.1, 61.1, and 67.5 per cent (from an initial level of 49.2 per cent), depending on the scenario. Here, it seems that the authors decided to use the poverty rates obtained using the older methodology for computing poverty in Mozambique, not the revised one, whose results are official (DEEF 2016). Indeed, the official poverty rate at national level for 2014/15 is not 49.2 per cent but 46.1 per cent.



and re-opening of the borders with South Africa, where the more infectious mutation of the virus was rapidly spreading, the infection rate jumped over the festive season and into 2021, with a concentration in the capital city of Maputo.

Figure 1: COVID-19 in Mozambique—daily and accumulated cases



Source: authors' computation based on Ministério da Saúde (2020).

Since the first cases of COVID-19 in the country in March 2020, Mozambique has identified and implemented several concrete measures to prevent and/or contain COVID-19, the first measure being the state of emergency, through the Presidential Decree No. 11/2020 of March 30, ratified by Law No. 1/2020 of March 31, for 30 days. Among several other measures, the last measure taken until the time of this study was the extension of Decree No. 2/2021 of 4 February 2021, reviewing the measures to contain the spread of the pandemic of COVID-19 and continuing management of the public disaster situation, including curfews in the metropolitan area of Greater Maputo (Maputo and Matola cities and Marracuene and Boane Vila) from 9.00 p.m. to 4.00 a.m.

The different government measures target sanitary measures, travel restrictions, import and export restrictions, an economic recovery plan, a support plan for businesses, and a support plan for exporters. We provide in the following some examples of the economic stimulus and social protection policy measures taken:

- Tax policies
  - Value-added tax (VAT) exemption for sugar, cooking oil, and soap until 2023 for families and firms was put in place. The effectiveness of this measure is subject to doubt because to compensate VAT credits with other taxes owed depends on having a legal case already decided in court, which is not common, especially with the courts closed.
  - The National Social Security Institute released a fund for micro, small, and medium enterprises (MSMEs) to guarantee payment of salaries and protect jobs (US\$ 22.9 million). The National Investment Bank of Mozambique (Banco Nacional de Investimento, BNI) subsidized a line of credit to MSMEs and saw applications

from companies six times larger than the available resources. Although disbursements are yet to happen, while assessing collaterals, there may be challenges related to repayment rates.

- A total of 2.9 billion Mozambican meticaís (MZN) was budgeted for payment of debts with suppliers of goods and services to the state.
- Total exemption was given to customs duties and miscellaneous taxes on the import of medicines and reagents (a substance for use in chemical analysis), as well as all COVID-19 prevention materials and ventilators included in a list previously approved by the tax authority.
- Measures to wave and postpone payments of corporate taxes for firms with less than MZN 2.5 million revenue (under personal income tax) only affected a small proportion of firms (40 per cent of personal income tax firms do not pay taxes, while many in this cohort are in the simplified tax regime). Moreover, deferred taxes can become a financial burden for MSMEs in the future.
- Negotiations about minimum wage adjustment were suspended.
- Benefit and social protection policies
  - Utility tariffs were reduced: fee exemption for drinking water up to 5 m<sup>3</sup>, 10 per cent reduction in the energy bill of general tariff customers excluding households and exemption of energy payments for social tariff customers, with effect from June 2020 for a period of 6 months.
  - A projected fund of US\$240 million was to assist 1 million vulnerable people in urban areas and border towns. Existing beneficiaries of social assistance programmes were meant to receive an additional amount worth a 3-month benefit (592,179 beneficiaries). Additional households were registered to receive a monthly transfer of 1,500 MZN per month for a period of 6 months. However, this programme is still in the process of being rolled out, with only a few households having received their first payments.
  - Subsidy of 30 per cent of salaries for civil servants in the health and defence sector was approved.
  - The cost of mobile money transactions was reduced and daily and unique transaction limits were increased to support transactions during the COVID-19 pandemic.
- Financial/monetary policies
  - Bank of Mozambique reduced the cost for consumers for bank transactions. Measures adopted by the Bank of Mozambique include reducing interest rates and regulatory requirements, raising the liquidity of the banking sector. Still, such measures are unlikely to trickle down to firms due to increased risk-aversion of the financial sector.
  - A credit line of US\$500 million was made available for imports.
- Policy to support employment and business
  - Tax forgiveness and deferral were employed to provide private sector companies with cash relief.
  - The electricity tariff was reduced for small and medium enterprises (SMEs) during the emergency period.
  - The BNI announced the operationalization of a 600 million MZN financing line for MSMEs to cope with the impact of COVID-19.

Expectations are that poor families suffer if they earn income from work, mainly in the private sector where companies had to shut down. In that sense, actions that aimed to protect SMEs are likely to have been effective in alleviating the situation of entrepreneurs and of workers. Especially households with low consumption levels are at risk of falling into poverty due to income loss.

Thus, measures such as reduction in utility tariffs or mobile money transaction costs as well as the strengthening of the social protection system might have helped to reduce the impact.

## 5 Household data

We use the quarterly data from the 2014/15 household budget survey (i.e., IOF14 as a primary data source in this study. IOF14 is the latest of the four nationally representative household budget surveys available, produced by INE.<sup>6</sup> The IOF14 is representative of Mozambique as a whole, of rural and urban areas, and of each of the 11 provinces, including the capital, Maputo. It includes information about general household characteristics, employment, education, access to basic services, daily expenses and household consumption from own production, possession of durable goods, housing conditions, receipts and transfers received and paid, income from various sources, as well as less frequent expenses.

The official method for poverty calculations in Mozambique employs the widely used ‘cost of basic needs’ approach and it computes temporal and spatially adjusted region-specific poverty lines of minimum consumption. Consumption is computed per capita per day and covers large expenses during the past 12 months, regular monthly expenses on items such as school fees or clothes, and daily consumption of food including consumption of own production.

Inequality is computed as the Gini coefficient based on daily per capita consumption (for a detailed description of the methodology, see DEEF 2016).<sup>7</sup> Moreover, the IOF14 is a repeated interview (mini-panel) survey (DEEF 2016; INE 2015a). Implementation took place from mid-August 2014 to mid-August 2015, and INE divided the 12-month period as follows: Quarter 1, mid-August to mid-November 2014; Quarter 2, mid-November 2014 to mid-February 2015; Quarter 3, mid-February to mid-May 2015; and Quarter 4, mid-May to mid-August 2015.<sup>8</sup> Additional information on IOF14 and on the poverty assessment derived from the analysis of these data is found in DEEF (2016) and INE (2015a).

## 6 Methodology

As introduced, we assume two main impact channels are at work, leading to lower consumption and higher poverty: direct income/wage and employment losses. To estimate the direct impact on income/wage, we rely on the information from Betho et al. (2021) on the impact on wages, on

---

<sup>6</sup> Before IOF14, three household budget surveys for 1996/97, 2002/03, and 2008/09 existed (abbreviated as IAF96, IAF02, and IOF08, respectively). All the IAFs/IOFs were designed and implemented by INE, whereas the poverty analyses were performed by the Ministry of Economics and Finance with technical assistance from various partners, including the International Food Policy Research Institute, the United Nations University World Institute for Development Economics Research, and the University of Copenhagen, depending on the survey year (DEEF 2016; DNEAP 2010; DNPO 1998, 2004; INE 2004, 2010, 2015a).

<sup>7</sup> Based on the technical household budget survey documents issued by INE, the sampling methodology remained essentially the same across different survey rounds, even though relatively minor changes occurred over time: for example, non-essential survey modules were added or dropped depending on the survey year and the list of consumption items changed over time (INE 2004, 2010, 2015a).

<sup>8</sup> Originally, it had been designed so that each household had to be interviewed four times over the four quarters of the year. However, for various reasons Quarter 3 of the IOF14 survey ended up not being implemented, but fieldwork was reinstated in the fourth quarter.

GDP by industry, and on household income. To estimate the employment losses, we use the information on the impact on employment from Betho et al. (2021). The two impact channels—direct income/wage and employment losses—are then combined to assess the final impact on consumption and poverty using the IOF14 data.

We pursue three analytical approaches, referred to in what follows as Approach 1, 2, and 3, which we summarize here while including a detailed description in Appendix A. Moreover, in Section 7 only the average impacts from the three approaches are presented, while the detailed results are in Appendix B.

In Approach 1, we use as primary inputs the impacts on wages gathered from Betho et al. (2021), and referred to as ‘impact on income GDP by production factor with labour by rural/urban and by educational attainment’.<sup>9</sup> Next, we compute an estimate for the consumption–wage elasticity by computing an aggregate consumption–income elasticity (marginal propensity to consume) at the national level using national accounts data on GDP and household final expenditure.<sup>10</sup> Once we have an estimate for the consumption–income elasticity, it is possible to translate the impacts on wages into impacts on consumption (see Appendix A for details). This represents the direct impact on income/wage, which constitutes the first component of our final estimate for the impact on consumption and poverty.<sup>11</sup>

The second component is represented by the impact from employment losses. For this component, we consider the impacts on employment at the rural/urban–educational attainment level, also found in Betho et al. (2021). Accordingly, we use the impacts on employment in each rural/urban–educational attainment group as probabilities of losing the job for these categories. In each group, we randomly select a percentage of individuals, equal to the estimated impact on employment in the same group as in Betho et al. (2021), and impose a drop in income of 100 per cent for the individual. As an example, if Betho et al. (2021) estimate that the impact on employment for urban workers who have completed secondary education is –4.6 per cent, we randomly select a number of workers in this category equal to 4.6 per cent of the total working population in this category (urban workers who have completed secondary education) and impose a drop in income of 100 per cent for the selected individuals.<sup>12</sup>

We also take into account that when a household member loses their individual job, this has an impact on the level of consumption of the entire household. We exploit the panel structure of the IOF14 and estimate the average drop in consumption experienced by a household in which one

---

<sup>9</sup> The data at this level of disaggregation are not directly available in the paper by Betho et al. (2021), but were kindly made available by the authors.

<sup>10</sup> The value obtained for the consumption–income elasticity (marginal propensity to consume) is in line with expectations and with values found in the literature for other developing countries (about 0.639).

In the Appendix we also discuss an alternative way of computing a set of consumption–wage elasticities for each sector, using a linear regression approach. Results do not change substantially when the latter approach to estimate consumption–wage elasticities is implemented.

<sup>11</sup> We are aware that only a relatively small proportion of individuals in Mozambique earn a wage (only about 20 per cent of individuals who declare a (non-zero) income from any working activity in the IOF14 data earns a wage), but in what follows we also discuss the way in which the results with respect to wage workers are applied and generalized to non-wage workers.

<sup>12</sup> When we compute the impact from employment loss, we do not limit our analysis to the subset of wage earners, but we consider all income earners in each rural/urban–educational attainment category.

household member lost their job. We then apply this estimate to the simulation exercise. We estimate this drop in consumption to be about 15 per cent.<sup>13</sup>

We finally combine the reduction in wages at rural/urban–educational attainment level and the effect on employment at the same level to obtain an estimate of the overall reduction in consumption and the relative increase in the poverty rate. We can easily compute these estimates for the subsample of individuals earning a salary or wage (‘wage workers’). However, we proceed and make a key assumption. It is that the reduction in wages for each rural/urban–educational attainment category is a good approximation for the reduction in incomes also for the individuals working in these categories but not receiving a fixed wage (such as self-employed or family workers). On this basis, we can then estimate the consumption and poverty effects for all workers in these categories, that is, the (larger) subsample of individuals earning any income from any kind of working activities. In Section 7, we only present the estimates with respect to the larger sample of individuals earning any income from any kind of work activities, while we show those restricted to wage workers in Appendix B.

Approach 2 is similar to Approach 1 with one difference. It is that we use as main inputs the results from Betho et al. (2021) regarding impacts on GDP by industry/sector referred to as ‘total impact on production GDP by industry’ in place of impacts on wages by rural/urban and by educational attainment. We use the GDP impacts as proxies for the impacts on wages in each of those sectors, and compute the consumption–wage elasticity using the method already described. On this basis, it is again possible for us to translate the impacts on wages into consumption impacts (details in Appendix A). Moreover, in Approach 2, we take into account the impacts on employment and the impact on total household consumption due to the job loss of one of the household members in the same way as we did in Approach 1. We subsequently combine the wage reductions at the sector/industry level and the effect on employment at the industry/sector level to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate.<sup>14</sup>

In Approach 3, we use as inputs the impacts on household income from Betho et al. (2021), referred to as ‘impact on household income by urban/rural population and income quintiles’.<sup>15</sup> Using the consumption–income elasticity mentioned earlier, we can directly translate the impacts on income into impacts on consumption.<sup>16</sup> In Approach 3, as also in Approaches 1 and 2, we take into account the impacts on employment and the impact on total household consumption due to the job loss of household members. Finally, we combine the reduction in income at urban/rural–

---

<sup>13</sup> We perform the calculation for the case in which a household member loses their salaried job and for the case in which a household member loses their source of income (not limited to a wage/salary). Results are very close (in the range 15–18 per cent). Calculations are available upon request.

<sup>14</sup> As for the first approach, the estimates obtained using the second approach can be immediately computed for wage workers. However, assuming that the reduction in wages for each sector/industry is a good approximation for the reduction in incomes for the individuals working in these sectors/industries but not receiving a fixed wage (such as self-employed or family workers), we can then estimate the consumption and poverty effects over all workers in these sectors. Likewise, only the estimates with respect to the larger sample of all workers are presented in Section 7, while those restricted to the wage workers are only shown in Appendix B.

<sup>15</sup> The data at this level of disaggregation are not directly available in the paper by Betho et al. (2021), but were kindly made available by the authors.

<sup>16</sup> We consider a broad definition of income here that includes wages from main activity, wages from secondary activity, imputed values of wages in kind, net income from the commercialization of products (agricultural, livestock, forestry, fishing, or other types of products), net income from other business activities, and income from rental or sale of the house or from rental of the farmland, among other sources of income.

quintile level and the effect on employment at the industry/sector level to obtain an estimate of consumption and poverty effects.<sup>17</sup>

## 7 Results

We now turn to describing the main results from the three analytical approaches just outlined. We present results at the national, urban/rural, and provincial levels, by consumption quintiles, educational attainment, gender, main occupation, type of employer, and sector of economic activity. Baseline poverty rates and consumption levels are shown in Table 1 at the national, urban/rural, and provincial levels, while the complete table with baseline poverty rates and consumption levels for all the categories is in Appendix B.<sup>18</sup>

Table 1: Baseline consumption poverty rates (%) and average consumption levels (meticaïs/person/day) at different levels

	Consumption poverty rates (%)	Average consumption levels (meticaïs/person/day)
National	46.1	47.1
Urban	37.4	82.3
Rural	50.1	30.8
Province		
Niassa	60.6	32.7
Cabo Delgado	44.8	43.4
Nampula	57.1	28.1
Zambezia	56.6	26.3
Tete	31.7	41.3
Manica	41	41.2
Sofala	44.1	38.9
Inhambane	48.5	45.8
Gaza	51.2	43.0
Maputo Province	18.9	111.3
Maputo City	11.7	180.5

Note: data represent percentage of poor people over the total population for different areas. The Mozambique metical (MZN) is the national currency; its plural, spelled as meticaïs, is used here as unit of measurement for consumption.

Source: authors' elaboration based on DEEF (2016) and IOF14.

Tables 2 and 3 present key results in terms of decline in consumption and increase in the poverty rate. In particular, we present the results from the three approaches described and our preferred set of estimates, which is the average of the results obtained over the three approaches. The results presented here refer to all workers or, when possible, the entire population. That is, our estimates include, for example, self-employed and informal traders, which constitute a non-negligible share of the working population in Mozambique. Detailed results for each of the three approaches, as well as results for wage workers only, are available in Appendix B.

<sup>17</sup> In this case, the estimates obtained using the third approach can be directly computed with respect to the individuals living in households with some source of income, which is basically equivalent to considering the entire population.

<sup>18</sup> Poverty rates coincide with the results found in DEEF (2016), whereas the average consumption levels for the different categories differ from those in DEEF (2016), since here we consider the consumption aggregates in nominal terms.

Table 2: Change in consumption reduction (%) at national and urban/rural levels

	Consumption reduction (%)			
	Approach 1	Approach 2	Approach 3	Approach 1–3 average
National	–7.1	–14.4	–9.2	–10.2
Urban	–9.9	–13.4	–7.6	–10.3
Rural	–5.8	–14.8	–10.0	–10.2

Note: in column ‘Approach 1–3 average’, we present the average from the three approaches. Data represent consumption reduction over all workers/entire population.

Source: authors’ calculations based on IOF14.

Table 3: Poverty rate increase (pp) at different levels and population entering poverty (thousands)

	Approach 1	Approach 2	Approach 3	Approach 1–3 average
Poverty rate increase (pp)				
National	4.3	9.9	6.2	6.8
Urban	5.0	6.8	3.8	5.2
Rural	4.0	10.9	7.3	7.4
Population entering poverty (thousands)				
National	1,292.9	2,976.6	1,864.1	2,044.5
Urban	502.5	683.4	381.9	522.6
Rural	800.7	2,181.8	1,461.2	1,481.2

Note: pp, percentage point. In column ‘Approach 1–3 average’, we present the average from the three approaches. Data represent consumption reduction over all workers/entire population. The number of people falling into poverty is estimated using the population projections for 2020 provided by INE; these projections are based on the 2017 census (see INE 2021d).

Source: authors’ calculations based on IOF14.

We present results in terms of percentage reduction in consumption and percentage point increase from the initial poverty rates, at the different levels. For increase in the poverty rate, we also include results corresponding to absolute number of people falling into poverty, as estimated using the population projections for 2020 provided by INE.<sup>19</sup>

Starting with consumption, the three approaches yield results in the range from –14.4 to –7.1 per cent at the national level. For the urban population, the results range from –13.4 to –7.6 per cent, while the range is wider from –14.8 to –5.8 per cent for the rural population. Thus, the average consumption reduction is around 10.2–10.3 per cent at the national level and for the rural and urban populations, respectively. This is not far from the main scenario discussed in World Bank (2021a), which assumes a drop in consumption of 10 per cent.

At the national level, the increase in poverty as estimated in the three different approaches lies in the range between 4.3 and 9.9 percentage points. For the subsample of the population residing in urban areas, we estimate poverty to have increased by between 3.8 and 6.8 percentage points, which is below the estimated impact for the rural population of 4.0 to 10.9 percentage points. That is, the average across the three approaches is 6.8 at the national level, 5.2 for the urban population, and 7.4 for the rural population. These estimates reveal a more serious picture of the impact of COVID-19 on poverty than that noted in Betho et al. (2021). In that analysis, the authors state that ‘[...] adopting the growth–poverty elasticity in the period 2008/09–2014/15 of 0.68 estimated

<sup>19</sup> These projections are based on the 2017 census (see INE 2021d).

by the World Bank,<sup>20</sup> a 3.6 per cent loss in GDP is associated with an increase in monetary poverty of 2.45 percentage points.’ Based on their projections, Betho et al. (2021) also underscore that a different way of putting this is that the equivalent of more than half the progress in terms of poverty reduction realized between 2008/09 and 2014/15 is likely to have been wiped out in 2020 due to COVID-19.’ Given the even bleaker nature of our more detailed estimates, which go well beyond relying on a simple aggregate growth–poverty elasticity, it is evident that the impact of COVID-19 on both the poverty rate and the number of poor in absolute terms are a major policy concern. This is so, in particular, since the pandemic comes on top of an otherwise troubling trend since 2015 due to other shocks.

This highlights once more how important it is to estimate the impact of a major shock like the COVID-19 one from both the macroeconomic and the microeconomic perspective, using different sources of data and methods. The World Bank computed the elasticity referred to before during a period of sustained growth and steady poverty reduction. Arguably, the value for the growth–poverty elasticity may well have increased during the contraction spells, as suggested in our present analysis. The implication is that poverty may increase much more when GDP growth suffers a loss than when it falls as growth picks up. Also, these elasticity estimates were computed over a period of 6 years, while the short-term elasticity may be quite different.<sup>21</sup>

Our results also differ from those of Mussagy and Mosca (2020). They present two sets of estimates. One uses the national poverty lines, which is more directly comparable with ours, and the other relies on the international US\$1.90/day poverty line. They estimate an increase of about 9–18 percentage points compared with the baseline at national poverty lines depending on the scenario (Mussagy and Mosca 2020). These estimates are on average much higher than those computed here. This likely depends on the choice of Mussagy and Mosca (2020) to use the poverty rates obtained using the older methodology for computing poverty in Mozambique, not the revised one, whose results are official (DEEF 2016), combined with the relatively crude assumption of reducing the consumption level of the whole population by the same percentage.<sup>22</sup>

Conversely, our estimates are not far from those in World Bank (2021a): assuming a reduction of 10 per cent in consumption per capita by all households,<sup>23</sup> the *Mozambique Economic Update* of February 2021 estimates an increase in poverty of about 5 percentage points, with poverty in urban and rural areas going up by 3.7 and 5.8 percentage points, respectively. On average, the World Bank (2021a) estimates are only about 1.5–1.8 percentage points below those emerging here.

Even though the COVID-19 shock may appear to have hit urban areas more, we find that the percentage change in consumption in urban and rural areas are of comparable magnitudes, about –10 per cent. Nonetheless, we find that rural areas have experienced a bigger increase in poverty rates (7.4 percentage points, on average, versus 5.2 percentage points for the urban areas) (Table

---

<sup>20</sup> See Baez et al. (2018).

<sup>21</sup> Discrepancies between macroeconomic projections and micro data are also found by Khamis et al. (2021). Referring to high-frequency phone survey data, the authors highlight that, especially in SSA, GDP projections do not fully capture the effect of the crisis ‘on the ground’. This might be especially true for countries with high levels of informality, such as Mozambique.

<sup>22</sup> In their optimistic scenario, which is closer to our estimates in terms of simulated poverty rates, consumption is reduced by a value between 5 and 10 per cent for the whole population, and then additional assumptions are included regarding the level of poverty recorded in the last assessment, the household size, and whether the household is located in an area affected by the recent cyclones or insurgencies. These assumptions, not described in detail in the paper, may well lead to further increases in the poverty rate.

<sup>23</sup> This is very close to the average drop in consumption obtained here, equal to –10.2 per cent.



3). Indeed, even small shocks in generally poorer rural areas can push many households below the poverty line, whereas urban households hit by comparatively larger shocks could still end up with consumption levels above the poverty line. The higher probability of falling into poverty for households in rural areas is in line with Salvucci and Tarp (2021). In their study, they also find that the probability of becoming poor has decreased over time from 2008/09 to 2014/15. However, they note as well that the pandemic has most likely reversed this positive trend. Accordingly, the study also highlights that downward transitions from the vulnerable to the poor category is more likely for rural areas than for urban areas. This substantiates our findings of significantly higher increases in the poverty rate relative to comparable rates of consumption reduction.

This is in agreement with the findings by Mussagy and Mosca (2020). They argue that the urban areas suffered more profound consequences because of the pandemic, especially due to the nature of the economic activity in urban centres. Conversely, as agriculture was less affected by the pandemic and the related measures implemented by the government [which is also reflected in the assumption of zero direct supply impact on agriculture in Betho et al. (2021)], rural areas suffered less from direct economic impact. However, due to overall much lower consumption levels, more people fell into poverty in rural areas than in urban areas.

Concerning absolute numbers of people entering poverty because of the COVID-19 shock, we estimate (as described earlier) that approximately 1.5 million people in rural areas have fallen into poverty, whereas the estimated number for urban areas is about 523,000 people, summing up to about 2 million people at the national level (Table 3). In this case, too, this estimate is not very far from the one in World Bank (2021a), which estimates that about 1.4 million more Mozambicans have fallen below the poverty line.<sup>24</sup>

Average results, over the three approaches and for all workers/entire population, are shown in Figure 2. They include results at the national, urban/rural, and provincial levels, by consumption quintiles, educational attainment, gender, main occupation, type of employer, and sector of economic activity. Disaggregated results from the three approaches are shown in the Appendix B.

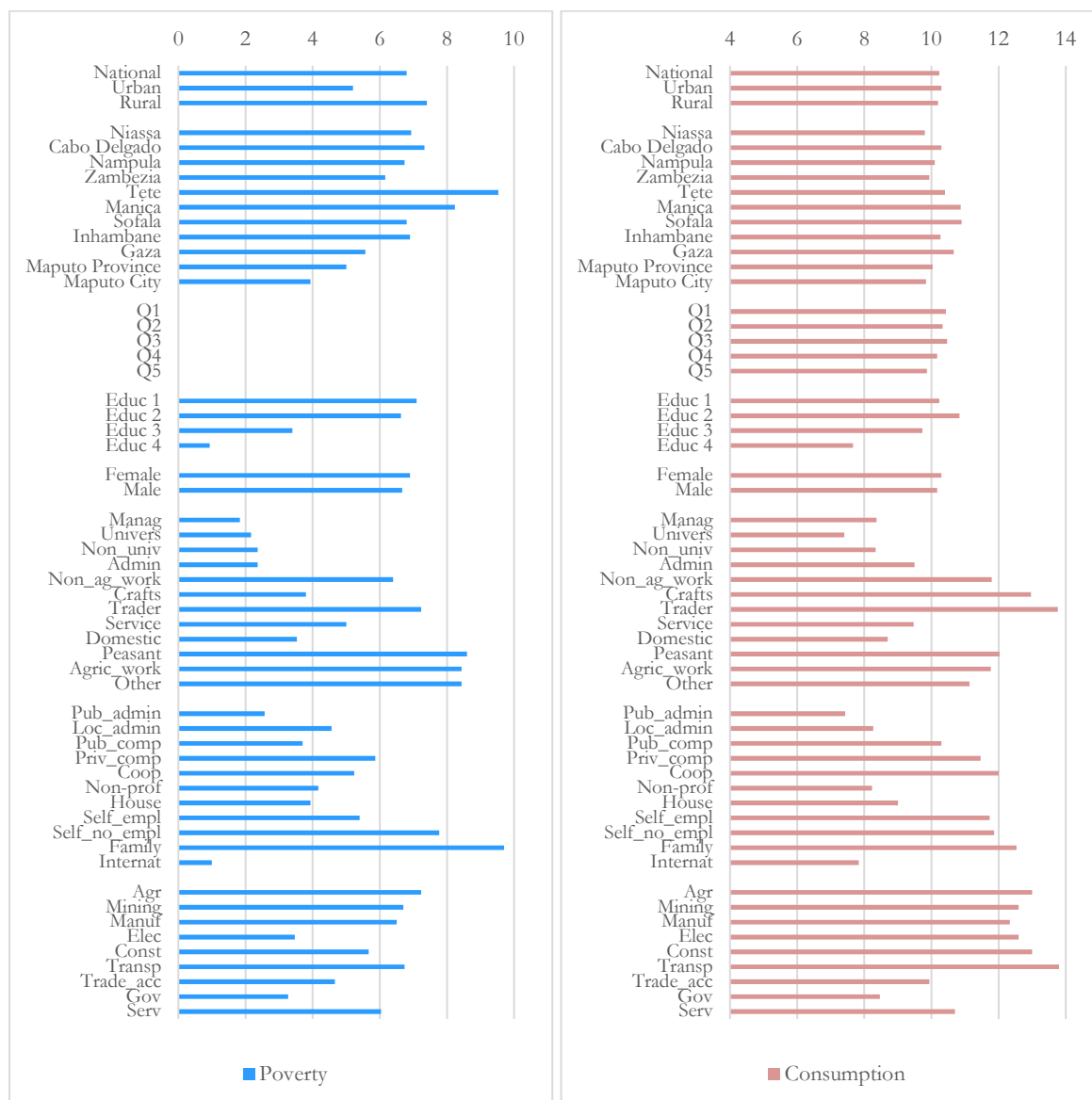
Comparing provinces, we estimate consumption to have decreased relatively homogeneously between 10 and 11 per cent in all provinces. Conversely, the estimated increase in the poverty rate due to COVID-19 is highest in Tete and Manica (8–10 percentage points), followed by Niassa, Cabo Delgado, Nampula, Zambezia, Sofala, Inhambane, and Gaza (6–7 percentage points) and lowest in Maputo City and Maputo Province (4–5 percentage points). This partly reflects the urban/rural nature of the provinces and the provinces' initial level of consumption.

Moreover, even though Betho et al. (2021) estimate the shocks to be bigger for skilled than for unskilled workers, we find that the incidence of poverty appears to have increased much more for individuals with low educational attainment than for better-educated ones. The values range from 6–7 percentage points for low-educated individuals to 1–3 percentage points for individuals with high educational attainment (Figure 2). The fact that the estimated consumption effects do not present such stark differences across the different educational attainment groups underlines how already low levels of consumption among low-educated people results in larger poverty effects.

---

<sup>24</sup> This difference—about 600,000 people—is consistent with the fact that we estimate an increase in the national poverty rate about 1.8 percentage points higher than the one in World Bank (2021).

Figure 2: Poverty rate increase (pp) and consumption reduction (%) at different levels



Note: pp, percentage point; Q1–Q5, consumption quintiles 1–5, respectively; Educ 1, no education/incomplete primary education; Educ 2, complete primary/incomplete secondary education; Educ 3, incomplete/complete second cycle of secondary education; Educ 4, incomplete/complete tertiary education; Manag, senior manager; Univers, university staff/technician; Non\_univ, non-university staff/technicians; Admin, administration staff; Non\_ag\_work, non-agricultural workers; Crafts, self-employed craftsman; Trader, small trader; Service, service staff; Domestic, domestic employee; Peasant, smallholder/peasant; Agric\_work, agricultural worker; Other, other occupations; Pub\_admin, public administration; Loc\_admin, local administration; Pub\_comp, public company; Priv\_comp, private company; Coop, cooperative; Non-prof, non-profit institutions; House, private house; Self\_empl, self-employed with employees; Self\_no\_empl, self-employed without employees; Family, family worker without remuneration and domestic workers; Internat, international organization/embassy; Agr, agriculture, forestry and fishing; Mining, mining and quarrying; Manuf, manufacturing; Elec, electricity, gas and water; Const, construction; Transp, transport, storage, and communication; Trade\_acc: trade, catering and accommodation, and finance; Gov, general government services; Serv: personal services and other services. The results for the increase in poverty rates for different quintiles are not shown because they are not meaningful. The averages are computed over Approaches 1–3 and over all workers/entire population. Disaggregated results from the three approaches are shown in Appendix B.

Source: authors' calculations based on IOF14.

As for the different occupations, poverty increased more for people working in subsistence agriculture and for agricultural workers (around 8–9 percentage points), while the change in consumption was much more pronounced for small traders (–14 per cent). Regarding the different

types of employer, consumption reduced more for people working for private enterprises and cooperatives, self-employed individuals with and without employees, and family workers without remuneration and domestic workers, but poverty rates seem to have increased more for family workers and domestic workers (housemaids, nannies, and similar) and for self-employed without employees. Finally, as for the main sectors of economic activity, the reduction in consumption was the highest in transport and communication while, as outlined earlier, poverty increased especially for families depending on income from agriculture, mining, manufacturing, transportation, construction, and personal and other services (Figure 2).

With respect to inequality, since the three approaches provide similar results, we report in Table 4 only the average results relative to the increase in the Gini index from the baseline. The Gini index computed using the original IOF14 data and the simulated consumption aggregate from the three approaches shows that the inequality index might have increased by 0.003 from an initial value of about 0.534 due to the COVID-19 shock.<sup>25</sup> The estimated (average) increase in inequality is bigger in urban than in rural areas (0.004 versus 0.003). Given the 1-year duration of the COVID-19 shock, this corresponds to a smaller annual inequality increase than the annual increase experienced during the 2008/09–2014/15 period where the Gini index rose by about 0.05 over the full period (DEEF 2016).

Table 4: Increases in inequality (Gini index) at national and urban/rural levels

Gini	Approach 1–3 average
National	0.003
Urban	0.004
Rural	0.003

Note: the average increase in the Gini index (in absolute numbers) is shown at different levels, where we compute the averages over the three approaches and over all workers/entire population.

Source: authors' calculations based on IOF14.

## 8 Policy recommendations and conclusions

We have attempted in this study to estimate the impact of the COVID-19 pandemic on household consumption levels and poverty in Mozambique. The study relies on the assessment of the macro-impact of COVID-19 and related government restrictions on the economy by Betho et al. (2021), and we provide estimates of change in household income and consumption, which in turn were used to estimate poverty rates. In particular, we use the data from the latest available household budget survey, IOF14, and take as inputs the impacts on GDP, employment, and household income estimated at the macroeconomic level by Betho et al. (2021).

We assume that two main channels are at work in leading to lower consumption and higher poverty: direct income/wage and employment losses. To estimate the direct impact on income/wage, we rely on the information from Betho et al. (2021) on the impact on wages, on GDP by industry, and on household income. To estimate the employment losses, we use the information on the impact on employment, from Betho et al. (2021). The two impact channels—

---

<sup>25</sup> This number is different from the one shown in DEEF (2016), because here we used the consumption aggregate expressed in nominal terms, whereas the consumption aggregate used in DEEF (2016) is first spatially and temporally deflated. Nonetheless, results are substantially unchanged if the spatially and temporally deflated consumption aggregate is used.

direct income/wage and employment losses—are then combined to assess the overall impact on consumption and poverty.

The main results include that consumption decreased by 7.1–14.4 per cent and that poverty increased by about 4.3–9.9 percentage points, depending on the approach implemented. The average consumption reduction is slightly above 10 per cent at the national level and for the urban/rural population. For poverty, we find an average increase of 6.8 percentage points at the national level, 5.2 percentage points for the urban population, and 7.4 percentage points for the rural population.

This increase in the poverty rate corresponds to about 2 million people entering poverty in less than a year, with approximately 1.5 million additional poor people in rural areas and an estimated 500,000 people in urban areas. This reflects the higher probability of falling into poverty for households in rural areas, due to already low levels of consumption and their higher vulnerability to external shocks.

Consumption is estimated to have decreased relatively homogeneously across provinces, but the incidence of poverty seems to have increased much more for individuals with low educational attainment than for those with high educational attainment. Furthermore, poverty seems to have increased more for people working in subsistence agriculture and agricultural workers, while the decline in consumption is much more pronounced for small traders. Consumption reduced more for people working for private enterprises, cooperatives, self-employed with and without employees, and family workers without remuneration or domestic workers, but poverty rates increased more for family workers/domestic workers. For the main sectors of economic activity, poverty increased especially in agriculture, mining, construction, transportation, and personal and other services. Finally, we also estimate that inequality increased, as measured by the Gini index, but only modestly compared with the annual average for the 5–6 years between 2008/09 and 2014/15.

Clearly, the preciseness of our results is conditional on the assumptions made and on the estimates contained in Betho et al. (2021). Nonetheless, our findings clearly confirm that after a long period of marked reduction in the poverty rate, the outbreak of COVID-19 has produced a gloomy setback for poverty reduction in Mozambique that comes on top of the impact of other shocks experienced during the past 5 years. Many years of progress have cancelled out and the need for reverting to a downward trend for the poverty rate stands out as a key policy priority.

Our results highlight, first, that following the COVID-19 shock, the number of households falling in poverty or experiencing a large drop in consumption has increased. This includes household categories previously seen as generally less vulnerable such as urban households, individuals working in the informal sector or even in the formal sector, but in sectors seriously affected by the pandemic, small traders residing in the worst-hit areas, or people working in the hospitality sector. The implication is that the drivers of poverty could have changed following the COVID-19 shock. Yet, we also find that the longer-term structural drivers of poverty are still at work during the COVID-19 shock: people in rural areas, working in agriculture and/or as family workers without remuneration, or working in services associated with the family, not or less educated, are among the worst-hit population groups in terms of likelihood of falling into poverty. Surely, additional drivers of vulnerability emerged due to COVID-19, which are not simply additional to standard drivers, as also highlighted in Salvucci and Tarp (2021).

We have presented characteristics linked to bigger reductions in consumption and higher probabilities of entering poverty, which should help in the design of specific emergency social programmes or help re-thinking the existing social protection schemes to respond to the current

situation. Certainly, it emerges that it is essential to support households in rural areas, working in subsistence agriculture and not educated, particularly in the central and northern regions of the country. Chronic poverty interventions that link to the structural drivers of poverty remain critically important, as also highlighted in the four existing poverty assessments (DNPO 1998, 2004; DNEAP 2010; DEEF 2016). Policies in this sense include bigger/better investments in rural development, increasing the productivity of smallholder farmers, expanding markets to enable subsistence farmers to shift to commercial agriculture, among others.

At the same time, it comes across as most important to plan for the implementation of basic safety nets, for example, in the form of cash transfers for vulnerable groups that are perhaps not in poverty, but that are at risk of experiencing huge drops in consumption due to unexpected shocks, such as the COVID-19 pandemic. This is especially important for people working in the informal sector in urban areas or working in the personal service sector. Future research will rely on the upcoming 2020 household survey to validate our results and provide additional insights on the impact of the crises and economic shocks Mozambique has suffered over the past 5–6 years and their impact on the poverty rate and absolute number of poor people.

## References

- Alderman, H., J. Hoddinott, and B. Kinsey (2004). ‘Long-Term Consequences of Early Childhood Malnutrition’. FCND Discussion Paper. Washington, DC: International Food Policy Research Institute. Available at: <https://www.ifpri.org/publication/long-term-consequences-early-childhood-malnutrition> (accessed April 2021).
- Bandara, A., R. Dehejia, and S. Lavie-Rouse (2015). ‘The Impact of Income and Non-Income Shocks on Child Labor: Evidence from a Panel Survey of Tanzania’. *World Development*, 67: 218–37. <https://doi.org/10.1016/j.worlddev.2014.10.019>
- Baez, J.E., G. Caruso, C. Niu, and C. Myers (2018). *Mozambique Poverty Assessment: Strong but Not Broadly Shared Growth. Overview* [English]. Washington, DC: World Bank. Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/377881540320229995/overview> (accessed April 2021).
- Beegle, K., R. Dehejia, and R. Gatti (2003). ‘Child Labor, Crop Shocks, and Credit Constraints’. NBER Working Paper 10088. Cambridge, MA: National Bureau of Economic Research (NBER). <https://doi.org/10.3386/w10088>
- Betho, R., M. Chelengo, S. Jones, M. Keller, I.H. Mussagy, D. van Seventer, and F. Tarp (2021). ‘The Macroeconomic Impact of COVID-19 in Mozambique: A Social Accounting Matrix Approach’. WIDER Working Paper 2021/93. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2021/033-7>
- Cardoso, J., J. Morgado, and V. Salvucci (2016). ‘Mapping Deprivation in Mozambique. An Analysis of Census Data (1997–2007)’. WIDER Working Paper 2016/166. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2016/210-6>
- Cuesta, J., and J. Pico (2020). ‘The Gendered Poverty Effects of the COVID-19 Pandemic in Colombia’. *The European Journal of Development Research*, 32(5): 1558–91. <https://doi.org/10.1057/s41287-020-00328-2>
- DEEF (2016). *Pobreza e Bem-Estar em Moçambique: Quarta Avaliação Nacional [Poverty and Well-Being in Mozambique: Fourth National Assessment]*. Maputo: Direcção de Estudos Económicos e Financeiros, Ministério de Economia e Finanças de Moçambique. Available at: <https://igmozambique.wider.unu.edu/sites/default/files/News/Mozambique-A5-web-24022017.pdf> (accessed April 2021).

- Dercon, S. (2004). 'Growth and Shocks: Evidence from Rural Ethiopia'. *Journal of Development Economics*, 74(2): 309–29. <https://doi.org/10.1016/j.jdeveco.2004.01.001>
- DNEAP (2010). *Poverty and Wellbeing in Mozambique: Third National Poverty Assessment*. Maputo: Ministério da Planificação e Desenvolvimento. Available at: [https://www.preventionweb.net/files/16411\\_thirdnationalpovertyassessment.pdf](https://www.preventionweb.net/files/16411_thirdnationalpovertyassessment.pdf) (accessed April 2021).
- DNPO (1998). *Poverty and Well-Being in Mozambique: The First National Assessment*. Maputo: Ministério de Plano e Finanças.
- DNPO (2004). *Poverty and Well-Being in Mozambique: The Second National Assessment*. Maputo: Ministério da Planificação e Desenvolvimento. Available at: <https://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/IAF%20-%20POVERTY%20AND%20WELL-BEING%20IN%20MOZAMBIQUE-%20THE%20SECOND%20NATIONAL%20ASSESSMENT.pdf> (accessed April 2021).
- Edmonds, E.V. (2006). 'Child Labor and Schooling Responses to Anticipated Income in South Africa'. *Journal of Development Economics*, 81(2): 386–414. <https://doi.org/10.1016/j.jdeveco.2005.05.001>
- Egger, D., E. Miguel, S.S. Warren, A. Shenoy, E. Collins, D. Karlan et al. (2021). 'Falling Living Standards during the COVID-19 Crisis: Quantitative Evidence from Nine Developing Countries'. *Science Advances*, 7(6): eabe0997. <https://doi.org/10.1126/sciadv.abe0997>
- Egger, E.-M., V. Salvucci, and F. Tarp (2020). 'Evolution of Multidimensional Poverty in Crisis-Ridden Mozambique'. WIDER Working Paper 2020/69. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2020/826-9>
- Hoddinott, J., and B. Kinsey (2001). 'Child Growth in the Time of Drought'. *Oxford Bulletin of Economics and Statistics*, 63(3): 409–36. <https://doi.org/10.1111/1468-0084.t01-1-00227>
- INE (2004). *Relatório Final do Inquérito aos Agregados Familiares sobre Orçamento Familiar, 2002/3* [Final Report of the 2002/3 Household Budget Survey]. Maputo: Instituto Nacional de Estatística (INE).
- INE (2010). *Relatório Final do Inquérito ao Orçamento Familiar: IOF-2008/9* [Final Report of the 2008/9 Household Budget Survey]. Maputo: Instituto Nacional de Estatística (INE).
- INE (2015a). *Relatório Final do Inquérito ao Orçamento Familiar: IOF-2014/15* [Final Report of the 2014/5 Household Budget Survey]. Maputo: Instituto Nacional de Estatística (INE).
- INE (2015b). IPC Moçambique Quadros Dezembro 2015 [Consumer Price Index Mozambique – Tables December 2015]. Maputo: Instituto Nacional de Estatística (INE). Available at: [http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/quadros/nacional/ipcmocambique\\_quadros\\_dezembro15.xls/view](http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/quadros/nacional/ipcmocambique_quadros_dezembro15.xls/view) (accessed April 2021).
- INE (2021a). Contas Nacionais de Moçambique, IV Trimestre 2020 [Mozambique National Accounts, Fourth Quarter 2020].
- INE (2021b). IPC Moçambique Nota de Imprensa Dezembro 2020 [Consumer Price Index Mozambique – Press Release December 2020]. Available at: [http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/notas-de-imprensa/mocambique/c-transfer-ipcmocambique\\_nimprensa\\_dezembro20.pdf/view](http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/notas-de-imprensa/mocambique/c-transfer-ipcmocambique_nimprensa_dezembro20.pdf/view) (accessed April 2021).
- INE (2021c). IPC Moçambique Quadros Janeiro 2021 [Consumer Price Index Mozambique – Tables January 2021]. Maputo: Instituto Nacional de Estatística (INE). Available at: [http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/quadros/nacional/ipcmocambique\\_quadros\\_janeiro\\_2021.xlsx/view](http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/quadros/nacional/ipcmocambique_quadros_janeiro_2021.xlsx/view) (accessed April 2021).
- INE (2021d). Projecções da População 2017–2050. Available at: <http://www.ine.gov.mz/iv-rgph-2017/projeccoes-da-populacao-2017-2050/mocambique.xls/view> (accessed 11 May 2021).

- ILO (2020). COVID-19 and the World of Work: Country Policy Responses. International Labour Organization (ILO). Available at: <https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm> (accessed April 2021).
- Jain, R., J. Budlender, R. Zizzamia, and I. Bassier (2020). ‘The Labor Market and Poverty Impacts of Covid-19 in South Africa’. CSAE Working Paper WPS/2020-14. Oxford: Centre for the Study of African Economies (CSAE). Available at: <https://www.csae.ox.ac.uk/materials/papers/csae-wps-2020-14.pdf> (accessed April 2021).
- Janssens, W., M. Pradhan, R. de Groot, E. Sidze, H.P.P. Donfouet, and A. Abajobir (2021). ‘The Short-Term Economic Effects of COVID-19 on Low-Income Households in Rural Kenya: An Analysis Using Weekly Financial Household Data’. *World Development*, 138: 105280. <https://doi.org/10.1016/j.worlddev.2020.105280>
- Jones, S., E.-M. Egger, and R. Santos (2020). ‘Is Mozambique Prepared for a Lockdown during the COVID-19 Pandemic?’ WIDERAngle Blog, April. Available at: <https://www.wider.unu.edu/publication/mozambique-prepared-lockdown-during-covid-19-pandemic> (accessed April 2021).
- Khamis, M., D. Prinz, D. Newhouse, A. Palacios-Lopez, U. Pape, and M. Weber (2021). ‘The Early Labor Market Impacts of COVID-19 in Developing Countries’. Policy Research Working Paper 9510. Washington, DC: World Bank. <https://doi.org/10.1596/1813-9450-9510>
- Laborde, D., W. Martin, and R. Vos (2020). ‘Poverty and Food Insecurity Could Grow Dramatically as COVID-19 Spreads’. In J. Swinnen and J. McDermott (eds), *COVID-19 and Global Food Security* (pp. 16–19). Washington, DC: International Food Policy Research Institute. [https://doi.org/10.2499/p15738coll2.133762\\_02](https://doi.org/10.2499/p15738coll2.133762_02)
- Lakner, C., D.G. Mahler, M. Negre, and E.B. Prydz (2019). ‘How Much Does Reducing Inequality Matter for Global Poverty?’. World Bank Policy Research Working Paper 8869. Washington, DC: World Bank. <https://doi.org/10.1596/1813-9450-8869>
- McKibbin, W., and R. Fernando (2020). ‘The Economic Impact of COVID-19’. In R. Baldwin and B.W. di Mauro (eds), *Economics in the Time of COVID-19* (pp. 45–52). London: CEPR Press. Available at: <https://cepr.org/sites/default/files/news/COVID-19.pdf> (accessed April 2021).
- Menta, G. (2021). ‘Poverty in the COVID-19 Era: Real Time Data Analysis on Five European Countries’. Working Paper 568. ECINEQ: Society for the Study of Economic Inequality. Available at: <http://www.ecineq.org/milano/WP/ECINEQ2021-568.pdf> (accessed April 2021).
- Ministério da Saúde (2020). Boletim Diário Covid-19 [Daily Bulletin for Covid-19]. Available at: <https://www.misau.gov.mz/index.php/covid-19-boletins-diarios>. (accessed April 2021).
- Mussagy, I., and J. Mosca (2020). ‘Micro-simulações dos impactos da covid-19 na pobreza e desigualdade em Moçambique’ [‘Microsimulations of the Impacts of Covid-19 on Poverty and Inequality in Mozambique’]. OMR Working Paper 96. Available at: <https://omrmz.org/omrweb/publicacoes/or-96/> (accessed April 2021).
- Salvucci, V., and F. Tarp (2021). ‘New Insights into Poverty and Vulnerability in Mozambique: An Analysis of Dynamics and Correlates in Light of the Covid-19 Crisis Using Synthetic Panels’. Unpublished manuscript.
- Sumner, A., C. Hoy, and E. Ortiz-Juarez (2020). ‘Estimates of the Impact of COVID-19 on Global Poverty’. WIDER Working Paper 2020/43. Helsinki: UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2020/800-9>
- Suryahadi, A., R. Al Izzati, and D. Suryadarma (2020). ‘Estimating the Impact of Covid-19 on Poverty in Indonesia’. *Bulletin of Indonesian Economic Studies*, 56(2): 175–92. <https://doi.org/10.1080/00074918.2020.1779390>
- United Nations (2020). *Unpacking the Potential Socioeconomic Impact of the Coronavirus Pandemic in Mozambique: A United Nations Situation Analysis and Policy Recommendations*. Maputo, Mozambique: United Nations. Available at:



<https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/Socio-Economic-Impact-COVID-19-Mozambique-UN-Mozambique-March-2020.pdf> (accessed April 2021).

Valensisi, G. (2020). 'COVID-19 and Global Poverty: Are LDCs Being Left Behind?'. *The European Journal of Development Research*, 32(5): 1535–57. <https://doi.org/10.1057/s41287-020-00314-8>

World Bank (2018). Mozambique Poverty Assessment: Strong but Not Broadly Shared Growth [Infographic]. Washington, DC: World Bank. Available at: <https://www.worldbank.org/en/news/infographic/2018/11/14/mozambique-poverty-assessment-strong-but-not-broadly-shared-growth> (accessed April 2021).

World Bank (2020). *Poverty and Shared Prosperity 2020: Reversals of Fortune*. Washington, DC: World Bank. Available at: <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity> (accessed April 2021).

World Bank (2021a). *Mozambique Economic Update, February 2021: Setting the Stage for Recovery*. Washington, DC: World Bank. <https://doi.org/10.1596/35214>

World Bank (2021b). World Development Indicators. Washington, DC: World Bank. Available at: <https://databank.worldbank.org/source/world-development-indicators#> (accessed 2 February 2021).



## Appendix A: Methodological details

In the present analysis, we take as inputs the impacts on gross domestic product (GDP), employment, and household income estimated at the macroeconomic level by Betho et al. (2021) for different sectors and for various categories (urban/rural households, income/consumption quintiles, educational attainment). Then, we attempt to translate these macroeconomic impacts into changes in consumption and poverty, using the IOF14 data as a reference. We develop three approaches, indicated as Approach 1, 2, and 3.

In Approach 1, we use as primary inputs the impacts on wages gathered from Betho et al. (2021) and indicated as ‘full impact on income by rural/urban and educational attainment’. It describes the estimated impact on wage income for different rural/urban and educational attainment categories. The estimated impacts are presented in Table A1 and we see that low-skill workers in urban areas were hit hardest, while high-skill workers in rural areas were among the least affected groups.

Table A1: Full impact on income by rural/urban and educational attainment

Category	Impact (%)
Labour rural, not completed primary	-2.5
Labour rural, completed primary	-2.3
Labour rural completed secondary	-1.5
Labour rural, completed tertiary	-1.9
Labour urban, not completed primary	-3.9
Labour urban, completed primary	-3.9
Labour urban, completed secondary	-3.6
Labour urban, completed tertiary	-2.5

Source: authors' elaboration based on Betho et al. (2021).

To measure the impact on consumption for wage earners in these categories, given the impact on wages just shown, we need an estimate of the consumption–wage elasticity. The method used to provide an estimate for the consumption–income elasticity (marginal propensity to consume) is based on national accounts data from the World Development Indicators of the World Bank for the years 2003–19 for Mozambique (see World Bank 2021b). We first obtained the data for GDP (current local currency unit, LCU) and for household final consumption expenditure (current LCU), used as measures of income ( $Y$ ) and private consumption ( $C$ ) at national level. We subsequently compute the marginal propensity to consume as  $\Delta C/\Delta Y$  for the years 2003–19 and predict the value of the marginal propensity to consume for 2020 using a linear trend.\*

As a robustness check, we also implemented a second method to compute group-specific consumption–wage and consumption–income elasticities, namely a regression-based approach based on the IOF14 data. Given that the results do not change substantially, we decided not to present the results obtained using this second approach in the main text. In the regression-based

---

\* If instead of using the period 2003–19 we use the years 1992–2019, the estimate decreases only slightly (0.629 versus 0.639). However, we chose to only use the period 2003–19 because the computed values for  $\Delta C/\Delta Y$  for the years 1992–2002 were much more volatile.

approach, we compute a set of consumption–wage elasticities for each sector, using a linear regression of the type:

$$\ln c_i = \beta_0 + \beta_1(\ln w_i * sector_i) + \beta_2 prov_i + \varepsilon_i \quad (1)$$

where  $i$  indicates the individual,  $c$  is nominal consumption,<sup>†</sup>  $w$  is wage,  $sector$  indicates the employment sector,  $prov$  refers to the province of residence, and  $\varepsilon$  is the error term. Sample weights and survey-specific sample design characteristics are also applied.

Once we have computed sector-specific consumption–wage elasticities using the IOF14 data, it is possible to provide an estimate of the impacts on consumption given the impacts on wage. As an example, if wages for the sector ‘manufacturing’ are reduced by 4.8 per cent and the estimated consumption–wage elasticity for this category is 0.6 (i.e. a 1 per cent increase in wage is associated with an increase in consumption of 0.6 per cent), then we assign to all wage earners in this sector a (percentage) reduction in consumption equal to  $4.8 \times 0.6 = 2.88$ .

The values for the consumption–income elasticity (marginal propensity to consume) obtained using the method based on national accounts data are substantially in line with those obtained using the regression-based method: with the method based on national accounts data we obtain a value of 0.639, while with the regression-based method we compute a set of sector-specific consumption–wage elasticities ranging from 0.527 to 0.755. As mentioned, given that the results change only slightly using one method instead of the other, we decided not to present the results obtained using the regression-based method in the main text.<sup>‡</sup>

Wages/salaries and income in general are in nominal terms in the IOF14 survey, so the per capita and household consumption aggregates used here are also in nominal terms, as are the values for GDP and household final consumption expenditure at the national level. Consequently, we mostly ignore price changes in what follows.<sup>§</sup> This is an acceptable assumption considering that price movements during 2020 were limited compared with other periods. Furthermore, price movements were greatly comparable in magnitude with the price changes observed during the months of August 2014 to August 2015, which correspond to the IOF14 survey period, and with the price changes observed during March/April to December 2020, which are the months connected to the COVID-19 shock. We show the evolution of the consumer price index during the months of the IOF14 survey and during 2020 in Figure A1. Accordingly, poverty lines are also expressed in nominal terms.

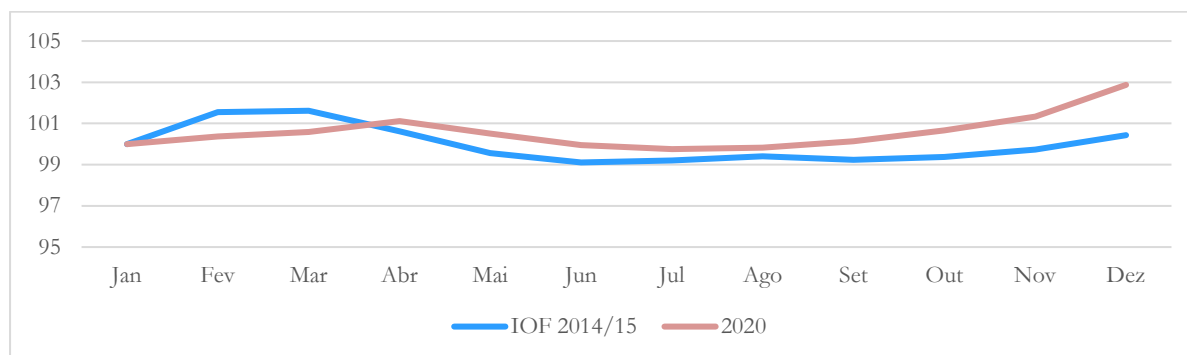
---

<sup>†</sup> In IOF14, consumption is only measured at aggregate household level and then divided by the number of household members in order to get consumption per capita. In this regression, we use as dependent variable the logarithm of the nominal consumption per person per day. Hence, the results of the regression could in principle be influenced by changes in the income of other household members not related to changes in the wage of the household member for whom we register an impact. Therefore, for a more direct link between wage and consumption, we only estimate this regression for households composed of only one household member (i.e. the wage earner).

<sup>‡</sup> One of the reasons for our choice is that income data within the IOF surveys are of lower quality compared with consumption data. Indeed, the IOF surveys are designed to rigorously capture consumption and thus compute poverty, whereas income data are not the primary focus in these surveys.

<sup>§</sup> We only take into consideration the seasonal changes in prices, and only for food products, applying a quarterly temporal deflator to the consumption aggregate used. We do not consider here the spatial price changes and the temporal price changes for non-food products.

Figure A1: Consumer price index during the months of the IOF14 survey and during 2020



Note: January 2015 and January 2020=100.

Source: authors' elaborations based on INE (2015b, 2021c).

The impacts on wages/income and consumption effects represent the first component of the estimation of the overall effect of the COVID-19 shock on consumption and poverty; the second is the impact on employment, also found in Betho et al. (2021) at various levels of disaggregation.

In particular, in the first approach, we consider the impacts on employment at the rural/urban–educational attainment level. To do so, we consider the impacts on employment in each rural/urban–educational attainment group as probabilities of loss of job for these categories. Therefore, we randomly select in each group a percentage of individuals equal to the estimated impact on employment in the same group as found in Betho et al. (2021) and impose a drop of income for these individuals by 100 per cent.\*\* We also take into account that when a household member loses their income, this has an impact on the level of consumption of the entire household.††

As a final step, we combine the reduction in wages at rural/urban–educational attainment level and the effect on employment at the same level to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate. These estimates can be immediately computed with respect to the subsample of individuals earning a salary or wage. We go one-step further and assume that the reduction in wages/salaries for each rural/urban–educational attainment category is a good approximation for the reduction in incomes for all the individuals working in these categories. Then, it is also possible to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate with respect to the (larger) subsample of

\*\* We repeated the random selection 50 times and computed the reduction in consumption due to the loss of job as the average reduction over the 50 repetitions.

†† To measure this broader reduction in consumption, we exploit the panel structure of the IOF14 survey, in which all households, and each individual in each household, were meant to be interviewed three times during the 12-month survey period. Using an individual fixed-effect regression of the type:  $\ln c_{it} = \beta_0 + \beta_1 \text{earn\_wage}_{it} + \beta_2 \text{hhsiz}e + \alpha_i + \varepsilon_{it}$ , where  $i$  indicates the individual,  $t$  indicates the survey quarter,  $c$  is nominal consumption, even though this time we consider the logarithm of total household consumption per day,  $\text{earn\_wage}$  indicates whether individual  $i$  earns a wage in survey quarter  $t$ ,  $\text{hhsiz}e$  is the household size,  $\alpha$  represents individual fixed effects, and  $\varepsilon$  is the error term. Sample weights and survey-specific sample design characteristics are also applied. We estimate the average drop in consumption experienced by those households in which one household member lost their job to be about 15 per cent. Subsequently, we apply this estimate to the simulation exercise (i.e. individuals who are randomly selected to lose their job are assigned a drop in income of 100 per cent, but the consumption level for the associated household members is forced to reduce by 15 per cent).

individuals earning any income from any kind of working activities (including self-employed workers, among others).

Approach 2 is very similar to Approach 1, the only difference being that we use as main inputs the results contained in Betho et al. (2021) with respect to the impacts on GDP by industry/sector (indicated as ‘total impact on production GDP by industry’). We take these impacts and consider them as proxies for the impacts on wages in each of those sectors. Even though we are aware that this is not fully correct,<sup>‡</sup> we apply Approach 2 also as a robustness check for the results obtained using Approach 1. Indeed, our results in the two approaches are not too distant from one another, which might be an indication that in the case of Mozambique the impacts on GDP by industry/sector provide a reasonable approximation for the impacts on wages in those sectors.

The estimated impacts on GDP by industry/sector are in Table A2. The hardest-hit sector is certainly trade and accommodation, but mining and quarrying and manufacturing also present significant impacts.

Table A2: Full impact on GDP by main sectors, average over Q1–Q4 of 2020

Category	Impact (%)
Agriculture, forestry, and fishing	–1.9
Mining and quarrying	–8.1
Manufacturing	–4.8
Electricity, gas, and water	–3.1
Construction	–3.7
Trade and accommodation	–9.3
Transport, storage, and communication	–3.5
Finance, real estate, and business services	–1.1
General government services	–0.5
Personal services	–3.1

Source: authors’ elaboration based on Betho et al. (2021).

Subsequently, we compute an estimate for the consumption–wage elasticity in order to measure the impact on consumption for wage earners in these sectors by implementing the method based on national accounts data for the years 2003–19. This method to provide an estimate for the consumption–income elasticity (marginal propensity to consume), which is based on national accounts data for the years 2003–19, has been described already and is not repeated here. The robustness check implemented in Approach 1 consisting of computing a set of sector-specific consumption–wage elasticities is also implemented in Approach 2; this has also been described already and is not repeated here.

Once an estimate of the consumption–wage elasticity is computed, here as well it is possible to translate the impacts on wage into impacts on consumption. Moreover, also in the second approach the impacts on employment are taken into account, in the same way as in Approach 1. We consider the impacts on employment in each sector as probabilities of loss of job for these categories; then we randomly select, applying 50 repetitions, in each sector a percentage of individuals equal to the estimated impact on employment in the same sector and finally we impose a drop in the individual’s income by 100 per cent. The impact on total household consumption due to the job loss of one household member (equal to about –15 per cent) is applied in Approach

<sup>‡</sup> Khamis et al. (2021) found that the correlation between sectoral GDP drop and employment or income effects was surprisingly low, especially in countries in Sub-Saharan Africa.

2 as well. The reduction in wages at industry/sector level and the effect on employment at the industry/sector level are subsequently combined to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate.<sup>§§</sup>

In Approach 3, instead of using the impacts on wages, as done in Approaches 1 and 2, we use as inputs the impacts on household income from Betho et al. (2021), indicated as ‘impact on household income by urban/rural population and income quintiles’.<sup>\*\*\*</sup> We summarize impacts in Table A3. It emerges that urban households were affected more than rural ones, but also that middle- to lower-income households were affected relatively more than better-off households.

Table A3: Full impact on household income by urban/rural population and income quintiles

Category	Impact (%)
Rural, Quintile 1	-2.7
Rural, Quintile 2	-2.6
Rural, Quintile 3	-2.5
Rural, Quintile 4	-2.4
Rural, Quintile 5	-2.4
Urban, Quintile 1	-3.6
Urban, Quintile 2	-3.8
Urban, Quintile 3	-3.7
Urban, Quintile 4	-3.6
Urban, Quintile 5	-3.4

Source: authors’ elaboration based on Betho et al. (2021).

In this case as well, we compute an estimate for the consumption–income elasticity to measure the impact on consumption for households in each of these categories by implementing the method based on national accounts data for the years 2003–19. A regression-based approach based on the IOF14 data to obtain category-specific consumption–income elasticities is implemented in this case as well as a robustness check. In this case, we compute a set of consumption–income elasticities for each urban/rural–income quintile category, using the following linear regression, this time estimated at the household level:

$$\ln c_h = \beta_0 + \beta_1(\ln y_h * rural_h * quintile_h) + \beta_2 prov_h + \varepsilon_h \quad (3)$$

where  $h$  indicates the household,  $c$  is nominal consumption,  $y$  is income,  $rural$  indicates whether the household lives in an urban or rural area,  $quintile$  is the consumption quintile of household  $h$ ,  $prov$  refers to the province of residence, and  $\varepsilon$  is the error term. Sample weights and survey-specific sample design characteristics are also applied.

<sup>§§</sup> Similarly to the first approach, the estimates obtained using the second approach can be immediately computed for the subsample of individuals earning a salary or wage. However, if we assume that the reduction in wages for each sector/industry is a good approximation for the reduction in incomes for the individuals working in these sectors/industries, it is also possible to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate with respect to the (larger) subsample of individuals earning any income from any kind of working activities.

<sup>\*\*\*</sup> Actually, the social accounting matrix (SAM) in Betho et al. (2021) uses consumption, not income, quintiles; this is motivated by the fact that consumption is measured more accurately than income in the household budget surveys for Mozambique. Therefore, we also use the consumption aggregate to define quintiles, even though we keep the ‘income quintiles’ notation used in Betho et al. (2021).

Once an estimate of the consumption–income elasticity is available, it is possible to provide an estimate of the impacts on consumption given the impacts on income in the same way as for the previous approaches.

In this approach as well, the impacts on employment are taken into account in the same way as for the framework of Approaches 1 and 2. We consider the impacts on employment in each sector as probabilities of loss of job for these categories; then we randomly select, applying 50 repetitions, in each sector a percentage of individuals equal to the estimated impact on employment in the same sector and finally we impose a drop in the individual’s income by 100 per cent. The impact on total household consumption due to the job loss of one household member (equal to about –15 per cent) is applied in Approach 3 as well. The reduction in income by urban/rural–income quintile category and the effect on employment at the industry/sector level are subsequently combined to obtain an estimate of the overall reduction in consumption and relative increase in the poverty rate.<sup>†††</sup>

The detailed results for consumption reduction, in percentage, and poverty rate increase, in percentage points, for wage workers only and for all workers/entire population, using the two methods outlined for computing the consumption–income elasticity, at national and urban/rural level, are found in Appendix B. Moreover, the results for consumption reduction, in percentage, and poverty rate increase, in percentage points, for the three approaches and for all workers/entire population, at provincial level, by consumption quintiles, educational attainment, gender, main occupation, type of employer, and sector of economic activity are also presented in Appendix B.

---

<sup>†††</sup> In this case, the estimates obtained using the third approach can be immediately computed for the entire population, because the reduction in consumption due to the reduction in household income is computed for broad household categories and not only for wage or income earners.

## Appendix B: Baseline and estimated changes in consumption poverty rates and average consumption

Table B1: Baseline consumption poverty rates (%) and average consumption levels (meticaais/person/day)

	Consumption poverty rates (%)	Average consumption (meticaais/person/day/)
National	46.1	47.1
Urban	37.4	82.3
Rural	50.1	30.8
Province		
Niassa	60.6	32.7
Cabo Delgado	44.8	43.4
Nampula	57.1	28.1
Zambezia	56.6	26.3
Tete	31.7	41.3
Manica	41.0	41.2
Sofala	44.1	38.9
Inhambane	48.5	45.8
Gaza	51.2	43.0
Maputo Province	18.9	111.3
Maputo City	11.7	180.5
Consumption quintile		
Q1	100	10.6
Q2	100	19.1
Q3	30.4	27.8
Q4	0	42.0
Q5	0	135.9
Educational attainment		
No education/incomplete primary education	50.1	36.9
Complete primary/incomplete secondary education	29.5	68.9
Incomplete/complete second cycle of secondary education	13.8	125.9
Incomplete/complete tertiary education	1.7	418.7
Gender		
Female	45.8	46.5
Male	46.4	47.7
Main occupation		
Senior manager	3.3	681.7
University staff/technician	8.0	228.1
Non-university staff/technician	8.4	194.0
Administration staff	4.8	193.6
Non-agricultural workers	27.3	78.6
Self-employed craftsman	55.0	33.5
Small trader	25.4	81.9
Service staff	21.3	84.1
Domestic employee	26.4	89.0
Smallholder/peasant	48.4	31.3
Agricultural worker	40.6	41.7
Other occupations	35.0	57.0
Type of employer		
Public administration	9.2	150.7
Local administration	16.3	138.2

Public company	13.6	188.7
Private company	24.3	110.8
Cooperative	23.6	70.4
Non-profit institutions	10.8	179.9
Private house	28.4	84.9
Self-employed with employees	23.5	120.2
Self-employed without employees	43.9	39.4
Family worker without remuneration and domestic workers	49.5	31.1
International organization/embassy	24.6	935.3
Sector of economic activity		
Agriculture, forestry, and fishing	48.0	32.0
Mining and quarrying	29.4	78.9
Manufacturing	34.3	67.5
Electricity, gas, and water	11.7	300.6
Construction	22.5	80.0
Transport, storage, and communication	14.5	115.6
Trade, catering and accommodation, and finance	24.7	96.4
General government services	10.4	175.5
Personal services and other services	20.1	119.6

Note: pp, percentage point. Data represent percentage of poor people over the total population for different areas. The Mozambican metical (MZN) is the national currency; its plural, spelled as meticais, is used here as unit of measurement for consumption.

Source: authors' elaboration based on DEEF (2016) and IOF14.

Table B2: Consumption reduction (%) at national and urban/rural levels, for wage workers and for all workers/entire population

	Approach 1	Approach 2	Approach 3	Approach 1–3 average
(a)				
Only wage workers				
National	-6.7	-11.1	-14.0	-10.6
Urban	-9.5	-10.5	-12.5	-10.8
Rural	-5.6	-12.2	-14.6	-10.8
All workers/entire population				
National	-7.1	-14.4	-9.2	-10.2
Urban	-9.9	-13.4	-7.6	-10.3
Rural	-5.8	-14.8	-10.0	-10.2
(b)				
Only wage workers				
National	-5.9	-11.0	-12.7	-9.9
Urban	-8.7	-10.5	-11.1	-10.1
Rural	-4.7	-12.1	-13.3	-10.0
All workers/entire population				
National	-6.2	-14.3	-7.7	-9.4
Urban	-9.0	-13.3	-5.9	-9.4
Rural	-4.9	-14.6	-8.6	-9.4

Note: in Panel (a) we show the estimates for the three approaches obtained using the consumption–income elasticity from the method based on national accounts data; in Panel (b) we show the estimates for the three approaches obtained using the consumption–income elasticity from the regression-based method based on the IOF14 data. In the column labelled 'Approach 1–3 average', we present the averages from the three approaches.

Source: authors' calculations based on IOF14.



Table B3: Poverty rate increase at national and urban/rural levels (pp), for wage workers and for all workers/entire population

	Approach 1	Approach 2	Approach 3	Approach 1–3 average
(a)				
Only wage workers				
National	4.1	5.1	9.5	6.2
Urban	4.5	4.4	6.3	5.1
Rural	3.9	6.7	10.8	7.1
All workers/entire population				
National	4.3	9.9	6.2	6.8
Urban	5.0	6.8	3.8	5.2
Rural	4.0	10.9	7.3	7.4
(b)				
Only wage workers				
National	3.5	5.0	8.5	5.7
Urban	4.1	4.4	5.4	4.6
Rural	3.3	6.4	9.8	6.5
All workers/entire population				
National	3.7	9.7	5.3	6.2
Urban	4.6	6.7	2.9	4.7
Rural	3.3	10.7	6.4	6.8

Note: in Panel (a) we show the estimates for the three approaches obtained using the consumption–income elasticity from the method based on national accounts data; in Panel (b) we show the estimates for the three approaches obtained using the consumption–income elasticity from the regression-based method based on the IOF14 data. In the column labelled ‘Approach 1–3 average’, we present the averages from the three approaches.

Source: authors’ calculations based on IOF14.

Table B4: Poverty rate increase (pp) and consumption reduction (%) at different levels and for different categories

	Poverty rate increase (pp)				Consumption reduction (%)			
	Approach 1	Approach 2	Approach 3	Approach 1–3 average	Approach 1	Approach 2	Approach 3	Approach 1–3 average
National	4.3	9.9	6.2	6.8	-7.1	-14.4	-9.2	-10.2
Urban	5.0	6.8	3.8	5.2	-9.9	-13.4	-7.6	-10.3
Rural	4.0	10.9	7.3	7.4	-5.8	-14.8	-10.0	-10.2
Province								
Niassa	4.4	10.3	6.1	6.9	-6.8	-14.1	-8.5	-9.8
Cabo Delgado	4.5	10.5	7.0	7.3	-6.7	-14.6	-9.6	-10.3
Nampula	4.3	10.0	5.9	6.7	-7.0	-14.4	-8.9	-10.1
Zambezia	3.8	8.9	5.8	6.2	-6.5	-14.1	-9.2	-9.9
Tete	5.3	13.9	9.4	9.5	-6.2	-14.9	-10.1	-10.4
Manica	5.0	11.8	7.9	8.2	-7.1	-15.2	-10.3	-10.9
Sofala	4.7	9.7	6.0	6.8	-7.7	-15.2	-9.8	-10.9
Inhambane	4.4	9.8	6.5	6.9	-6.8	-14.5	-9.5	-10.3
Gaza	2.8	8.6	5.3	5.6	-7.1	-14.9	-10.0	-10.7
Maputo Province	4.4	6.6	4.0	5.0	-8.5	-13.5	-8.1	-10.0
Maputo City	4.6	4.6	2.6	3.9	-9.8	-12.6	-7.1	-9.8
Consumption quintile								
Q1					-7.3	-14.9	-9.1	-10.4
Q2					-6.9	-14.8	-9.3	-10.3
Q3					-6.9	-14.8	-9.7	-10.5
Q4					-6.9	-14.3	-9.3	-10.2
Q5					-7.3	-13.5	-8.8	-9.9
Educational attainment								
No education/incomplete primary education	4.4	10.5	6.4	7.1	-6.9	-14.7	-9.1	-10.2
Complete primary/incomplete secondary education	4.6	8.9	6.4	6.6	-8.2	-14.2	-10.1	-10.8
Incomplete/complete second cycle of secondary education	2.9	4.3	3.0	3.4	-8.7	-12.0	-8.5	-9.7
Incomplete/complete tertiary education	0.9	1.0	0.9	0.9	-6.7	-8.5	-7.8	-7.7
Gender								
Female	4.3	10.1	6.3	6.9	-7.1	-14.5	-9.3	-10.3

Male	4.3	9.6	6.1	6.7	-7.1	-14.3	-9.1	-10.2
Main occupation								
Senior manager	1.7	2.3	1.5	1.8	-6.8	-8.9	-9.4	-8.4
University staff/technician	2.1	2.1	2.3	2.2	-7.3	-6.8	-8.1	-7.4
Non-university staff/technician	2.0	2.7	2.4	2.4	-7.9	-8.2	-8.9	-8.3
Administration staff	2.0	2.8	2.3	2.4	-8.4	-9.9	-10.2	-9.5
Non-agricultural workers	4.4	7.2	7.6	6.4	-8.3	-13.8	-13.3	-11.8
Self-employed craftsman	3.8	3.8	3.8	3.8	-5.8	-17.0	-16.1	-13.0
Small trader	4.2	9.7	7.8	7.2	-8.6	-18.0	-14.7	-13.8
Service staff	4.5	5.0	5.5	5.0	-8.7	-9.7	-10.0	-9.5
Domestic employee	3.5	3.3	3.8	3.5	-8.9	-8.6	-8.6	-8.7
Smallholder/peasant	3.9	10.8	11.1	8.6	-6.1	-14.8	-15.2	-12.0
Agricultural worker	4.5	10.2	10.6	8.4	-6.4	-14.2	-14.7	-11.8
Other occupations	5.6	9.9	9.8	8.4	-7.8	-12.7	-12.9	-11.1
Type of employer								
Public administration	2.6	2.4	2.7	2.6	-7.7	-6.6	-8.0	-7.4
Local administration	4.7	4.2	4.8	4.6	-8.9	-7.3	-8.6	-8.3
Public company	2.6	4.6	3.9	3.7	-8.3	-11.2	-11.4	-10.3
Private company	4.3	6.7	6.6	5.9	-8.1	-13.4	-12.9	-11.5
Cooperative	4.3	5.7	5.7	5.2	-6.0	-14.9	-15.1	-12.0
Non-profit institutions	4.0	3.8	4.7	4.2	-8.1	-7.7	-8.9	-8.2
Private house	3.5	4.2	4.1	3.9	-8.6	-9.2	-9.2	-9.0
Self-employed with employees	3.5	6.3	6.4	5.4	-7.2	-14.2	-13.8	-11.7
Self-employed without employees	3.8	9.7	9.8	7.8	-6.4	-14.6	-14.6	-11.9
Family worker without remuneration and domestic workers	4.3	12.3	12.5	9.7	-6.3	-15.5	-15.8	-12.5
International organization/embassy	1.5	0.0	1.5	1.0	-6.7	-8.0	-8.8	-7.8
Sector of economic activity								
Agriculture, forestry and fishing	4.0	6.6	11.1	7.2	-6.1	-17.7	-15.2	-13.0
Mining and quarrying	3.3	9.5	7.3	6.7	-7.0	-15.8	-15.0	-12.6
Manufacturing	4.7	5.2	9.6	6.5	-8.0	-14.1	-14.9	-12.3
Electricity, gas, and water	1.9	5.2	3.3	3.5	-7.9	-15.8	-14.1	-12.6

Construction	3.6	6.4	7.0	5.7	-8.7	-15.0	-15.3	-13.0
Transport, storage, and communication	3.8	9.4	7.0	6.7	-8.7	-18.0	-14.7	-13.8
Trade, catering, and accommodation	4.1	2.3	7.6	4.7	-8.6	-6.6	-14.6	-9.9
General government services	2.7	4.2	2.9	3.3	-8.3	-8.9	-8.2	-8.5
Personal services and other services	3.8	9.9	4.4	6.0	-8.3	-14.4	-9.4	-10.7

Note: pp, percentage points. The results for the increase in poverty rates for different quintiles are not shown because they are not meaningful. The columns labelled as 'Approach 1–3 average' show the average poverty rate increase (in percentage points) and consumption reduction (in percentage) at different levels, where the averages are computed over the three approaches for all workers/entire population.

Source: authors' calculations based on IOF14.