

Mozambique: Vale-Mozambique Continues to Run At a Loss

15 AUGUST 2019

Agencia de Informacao de Mocambique (Maputo)

Maputo — The Mozambican subsidiary of the Brazilian mining giant Vale registered an operational loss of 145 million US dollars in the second quarter of 2019, a result which the company blames on falling coal prices.

Information presented at a Maputo press conference on Wednesday by the Vale-Mozambique financial director, Marcelo Tertuliano Godoy, showed that the company's revenue fell by 15 million dollars between the first and second quarters - from 286 to 271 million dollars - even though the amount of coal sold, 2.2 million tonnes, was the same in both quarters..

Vale put the fall in coal prices at five per cent which it blamed on uncertainties arising from the current trade war waged by US President Donald Trump mainly against China. Furthermore, thermal coal is now facing strong competition from natural gas and from renewable sources of energy, as European economies in particular strive to reduce their carbon emissions.

Production at the Vale open cast coal mine in Moatize, in the western province of Tete, rose from 2.2 million tonnes in the first quarter of the year to 2.4 million in the second quarter. But this is well below the 3.5 million tonnes forecast.

Falling revenue also meant that Vale paid less money in royalties to the Mozambican state - 3.6 million dollars, compared with four million dollars paid in the first quarter.

The overall result was the operational loss of 145 million dollars, much higher than the 120 million dollar loss in the first quarter. The company's debts increased from 8.2 billion dollars in 2018, to 8.9 billion in the first quarter of this year.

Vale-Mozambique says it needs to produce more than a million tonnes of coal a month. It believes that achieving this figure "will put the company on a sustainable and healthy path, from the economic and financial point of view".

But currently Vale is nowhere near that level of production. Indeed the forecast production for 2019 has been cut from 14 to 10 million tonnes.