May 2026
No. 62 | Year 15

ECONOMIC OUTLOOK AND INFLATION FORECASTS

ECONOMIC OUTLOOK

AND INFLATION FORECASTS

May 2026

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[1] Internal and/or external guests may also participate in Monetary Policy Committee meetings, whenever necessary, at the invitation of the body's Chairman.

MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 3/2026
Maputo, May 25, 2026

Monetary Policy Rate Unchanged at 9.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to keep the monetary policy rate, MIMO, unchanged at 9.25%. This decision reflects the persistence of heightened uncertainty regarding the duration of the conflict in the Middle East and its spillover effects on supply chains and the supply of goods, as well as on international and domestic fuel and food prices.

In addition, the MPC has decided to increase the reserve requirement ratio for liabilities in domestic currency from 29.0% to 39.0% to sterilize excess liquidity within the banking system, which could otherwise exert inflationary pressure. Meanwhile, the reserve requirement ratio on foreign currency liabilities remained unchanged at 29.5%.

The inflation outlook has been revised upwards. In April 2026, annual inflation stood at 4.4%, up from 3.4% in March. Core inflation, which excludes fruits and vegetables, as well as administered prices, remained stable. Meanwhile, inflation is expected to accelerate in the short and medium term, potentially reaching double digits depending on the duration of the conflict in the Middle East. The inflation outlook reflects the direct and indirect effects of domestic adjustments in liquid fuel prices, intermittent supply disruptions, and imported inflation, despite the stability of the Metical and subdued economic activity.

Risks and uncertainties surrounding inflation projections continue to deteriorate. Domestically, risks and uncertainties persist regarding the magnitude of the indirect effects of higher fuel prices on the logistics supply chains and the supply of goods, the pace of recovery in productive capacity following the floods that struck the country in the first quarter of the year, and the implications of rising fiscal risks, particularly delays in payments by the Government. On the external front, uncertainty remains regarding the duration and magnitude of the impact of the geopolitical conflict in the Middle East on supply chains and the supply of goods, as well as on energy and food prices.

Public debt and arrears on domestic and external debt remain high, affecting the normal functioning of the financial market and banking liquidity. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at 493.1 billion meticais, representing an increase of 18.5 billion relative to December 2025, contributing to increased banking system liquidity. Delays in the payment of domestic and external public debt persist, including to domestic financial institutions and multilateral creditors, affecting, among others, the appetite for government securities, rigidity in interbank money market interest rates, and the country's risk rating.

The direction of monetary policy will continue to be driven by the assessment of risks and uncertainties underlying inflation projections.

The next MPC meeting is scheduled for July 29, 2026.

Rogério Lucas Zandamela
Governor

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Decisions of Session No. 2 of the Monetary Policy Committee, of May 25, 2026

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The stance of monetary policy will continue to be driven by the assessment of risks and uncertainties underlying inflation projections.

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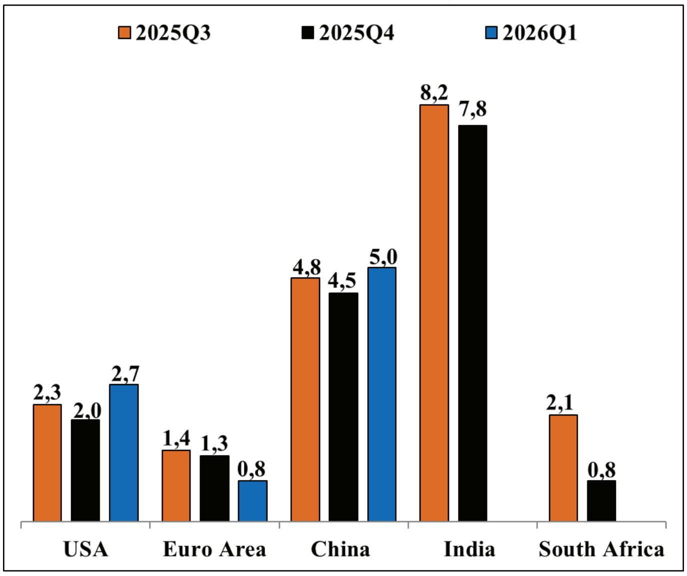
Rogério Lucas Zandamela
Governor

Chapter I. Recent Global Economic Developments and Outlook

The International Monetary Fund (IMF), in its April 2026 edition of the *World Economic Outlook*, anticipates subdued global growth in 2026 and higher global inflation relative to 2025, driven primarily by the adverse effects of the geopolitical conflict in the Middle East.

Chart 1-1: Annual Real GDP Growth (%)



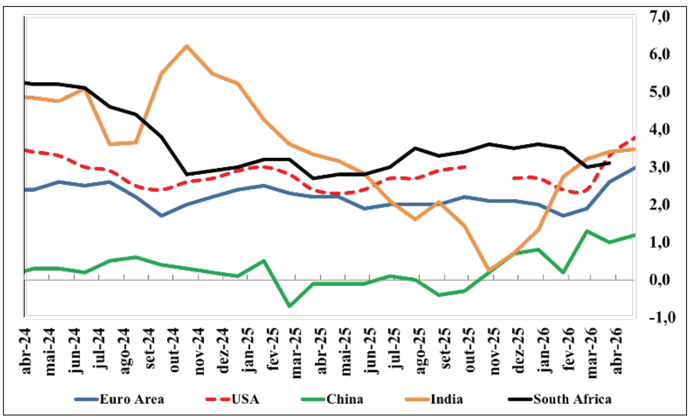
Source: *Trading Economics (May 2026)*

Table 1-1: Global Annual Real GDP Growth Projections – 2025 e 2026 (%)

	Obs.	Proj.		Difference from Apr. 2026 WEO	
	2025	2026	2027	2026	2027
World Output	**3,4**	**3,1**	**3,2**	**(0,2)**	**0,0**
Advanced Economies	**1,9**	**1,8**	**1,7**	**0,0**	**0,0**
United States	2,1	2,3	2,1	(0,1)	0,1
Euro Area	1,4	1,1	1,2	(0,2)	(0,2)
Germany	0,2	0,8	1,2	(0,3)	(0,3)
Japan	1,2	0,7	0,6	0,0	0,0
United Kingdom	1,3	0,8	1,3	(0,5)	(0,2)
Emerging Market and Developing Economies	**4,4**	**3,9**	**4,2**	**(0,3)**	**0,1**
China	5,0	4,4	4,0	(0,1)	0,0
India	7,6	6,5	6,5	0,1	0,1
Brazil	2,3	1,9	2,0	0,3	(0,3)
Sub-Saharan Africa	**4,5**	**4,3**	**4,4**	**(0,3)**	**(0,2)**
South Africa	1,1	1,0	1,3	(0,4)	(0,2)

Source: IMF *World Economic Outlook* (April 2026)

Chart 1-2: Global Annual Inflation Developments (%)



Source: *Trading Economics (May 2026)*

1.1 Global Economic Activity and Inflation

In the first quarter of 2026, economic activity exhibited an uneven performance across advanced and emerging market economies.

In the United States of America (USA), Gross Domestic Product (GDP) grew by 2.7%, mainly driven by higher public expenditure and private investment, while growth in the Euro Area was subdued at 0.8%, weighed down by energy supply constraints linked to the Middle East conflict (Chart 1-1).

Among emerging market economies, China recorded notable growth of 5.0%, driven particularly by robust industrial production and strong export performance (Chart 1-1).

The IMF's macroeconomic outlook released in April 2026 points to a downward revision to global growth in 2026, with projections remaining unchanged for 2027.

The IMF anticipates a more subdued pace of global growth, at 3.1%in 2026 while maintaining its 2027 projection at 3.2%, relative to the January 2026 projections. The downward revision for 2026 primarily reflects the adverse effects of geopolitical tensions in the Middle East, which have generated heightened volatility in energy commodity prices and exerted pressure on global supply chains (Table 1-1).

In April 2026, annual inflation accelerated remaining (i) above target in advanced economies, and (ii) broadly stable in emerging market economies.

In advanced economies, annual inflation drifted further from the 2.0% target, accelerating to 3.8% and 3.0% in April in the United States and the Euro Area, respectively, mainly driven by rising fuel prices (Chart 1-2).

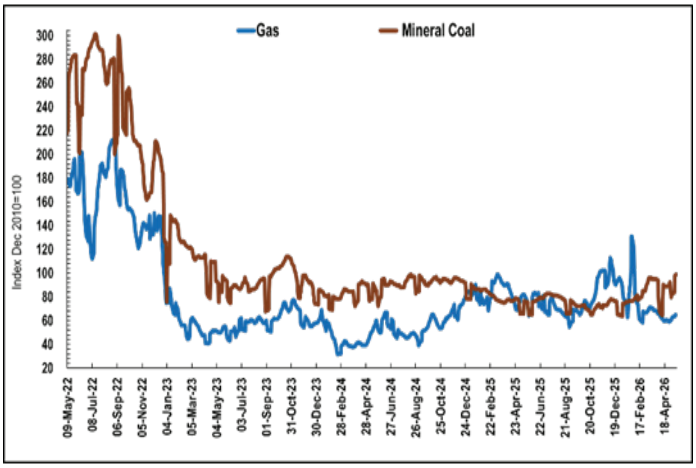
In emerging market economies, inflation remained stable in China (1.2%) and India (3.5%), reflecting still subdued domestic demand and the adoption of

Table 1-2: Global Annual Average Inflation Outlook (%)

Region	Obs. 2025	Proj.		Difference from Apr. 2026 WEO	
		2026	2027	2026	2027
World Consumer Prices	4,1	4,4	3,7	0,6	0,3
Avanced Economies	2,5	2,8	2,2	0,6	0,1
Emerging Market and Developing Economies	5,2	5,5	4,6	0,7	0,3

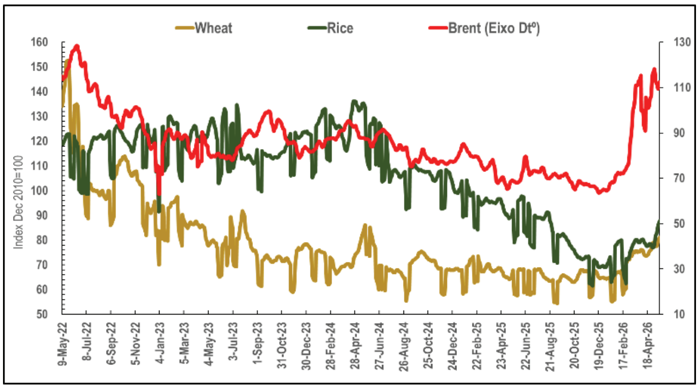
Source: IMF *World Economic Outlook* (April 2026)

Chart 1-3: Export Commodity Price Index



Source: *Refinitiv, moving average (7 days)*

Chart 1-4: Import Commodity Price Index



Source: *Refinitiv, moving average (7 days)*

fiscal measures to curb pressure on liquid fuel prices (Chart 1-2).

In its April 2026 publication, the IMF projects higher global inflation in 2026, driven predominantly by rising energy and commodity prices amid geopolitical tensions in the Middle East, which have disrupted global supply chains. Inflation is expected to moderate in 2027, reflecting prospects of stabilisation in commodity prices, a normalisation of supply conditions, and the persistence of a more restrictive monetary policy stance (Table 1-2).

1.2. Prices of Key Commodities

As at mid-May 2026, international prices of the main commodities traded by Mozambique generally increased on a year-on-year basis, except for natural gas. Among export commodities, coal prices rose by 32.6%, whereas natural gas prices fell by 9.3% (Chart 1-3).

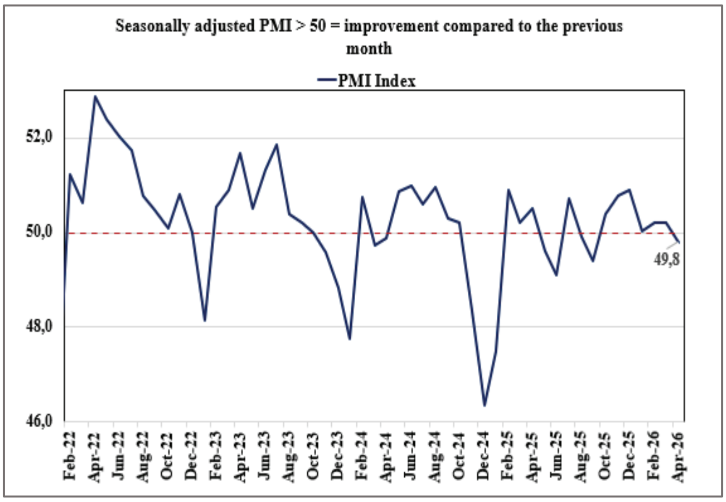
The import bill remained under pressure, reflecting primarily the impact of rising Brent crude oil (71.4%) and wheat (26.6%) prices (Chart 1-4).

Chapter II. Recent Domestic Economic Developments and Near-Term Outlook

GDP growth prospects, excluding Liquefied Natural Gas (LNG) production, suggest a weakening in economic activity in the second quarter of 2026, largely reflecting the impact of higher liquid fuel prices, coupled with the adverse effects of the Mozal operational shutdown on industrial output and exports.

Regarding inflation, despite the onset of the winter season, typically associated with greater supply of fresh agricultural produce, the near-term outlook continues to point to an acceleration, reflecting higher fuel prices, intermittent fuel supply, and imported inflation.

Chart 2-1: Purchasing Managers Index (PMI) - Mozambique



Source: HIS, MarkitNE

Table 2-1: Mozambique's Domestic Public Debt (MZN million)

Domestic Public Indebtedness - T-Bonds, T-Bills and Advances at the BM (MZN million)*					
	Use of T-Bills	**Treasury Bonds**	**In the BM**	**Total Debt**	**Debt as % of GDP**
Dec - 2020	39,889	61,817	54,267	155,973	14.7%
Dec - 2021	34,672	66,317	54,267	155,256	14,7%
Dec – 2022	69,872	142,056	63,186	275,114	22.8%
Dec – 2023	85,536	155,490	71,314	312,341	23.4%
Dec – 2024	130,511	178,899	106,146	415,556	28.6%
Mar – 2025	150,910	171,791	125,058	447,759	29.0%
Dec – 2025	156,806	171,658	146,125	474,589	30,7%
Jan – 2026	156,829	171,658	158,308	486,795	29.4%
Feb – 2026	158,711	169,393	158,507	486,611	29.4%
Mar – 2026	155,715	169,393	159,482	484,590	29.3%
Apr – 2026	154,271	169,393	167,904	491,568	29.7%
May – 2026	155,819	169,393	167,904	493,116	29.8%
Flow (Dec/25 - May/26)	-987	-2.265	21.779	18.526	

* Updated as of 19 May 2026.

Source: BM and BVM

2.1 Near-Term Economic Activity

The near-term outlook point to a weakening of economic activity, driven mainly by the adverse impact of higher liquid fuel prices across nearly all sectors of the economy, particularly transport and communications, agriculture, manufacturing, construction, and fisheries.

Furthermore, the shutdown of Mozal's operations, which entered care and maintenance mode on 15 March, is likely to constrain the performance of the secondary sector, given the company's average share in manufacturing, estimated at around 13% over 2020-2024. This impact arises in a context where the economy is still reeling from extreme climate shocks that struck the southern and central regions of the country in early 2026.

The anticipated near-term slowdown in economic activity is reinforced by a decline in the *Purchasing Managers' Index* (PMI) in April 2026 (Chart 2-1).

2.2 Domestic Public Debt

Public debt and arrears on both domestic and external obligations remain high, constraining the normal functioning of the financial market and banking liquidity. Domestic public debt, excluding loan and leasing agreements and overdue liabilities, stood at 493.1 billion meticais, representing an increase of 18.5 billion meticais relative to December 2025, contributing to increased banking system liquidity (Table 2-1). Delays in servicing of domestic and external public debt obligations persist, including towards domestic financial institutions and multilateral creditors, adversely affecting, inter alia, appetite for government securities, the rigidity of interbank money market interest rates, and the country's risk assessment (see Box 1).

Box 1: Monetary, Financial and Foreign Exchange Developments

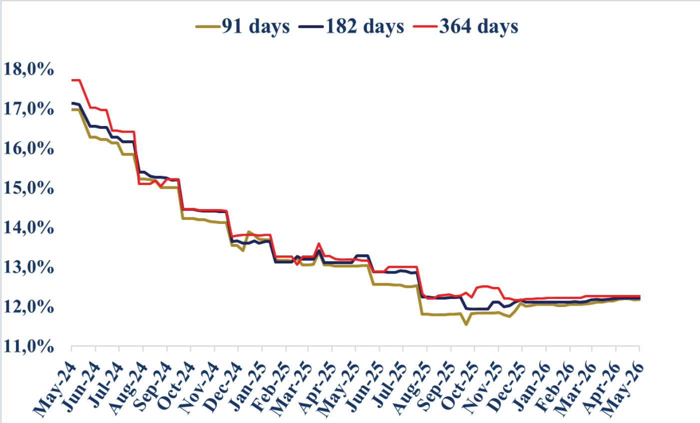
I. Interest Rate Developments

a) Money Market Interest Rates

Treasury bills (T-Bill) continued to exhibit a pattern of rigidity across maturities. Rates on the 91-, 182-, and 364-day instruments remained broadly unchanged, standing at 12.18%, 12.21%, and 12.26%, respectively, in May 2026, compared with 12.07%, 12.16%, and 12.25% at end-March 2026, respectively. The persistence in yield stability continues to reflect, primarily, sustained perceptions of elevated fiscal risk among commercial banks (Chart 1).

Short term interest rates remained broadly stable between March and May 2026. The MIMO policy rate and the effective MIMO rate (overnight lending), both with overnight maturities, as well as the 7-day T-Bill reverse repo selling rate and the 28-day reverse repo rate, remained largely unchanged at 9.25% (Chart 2).

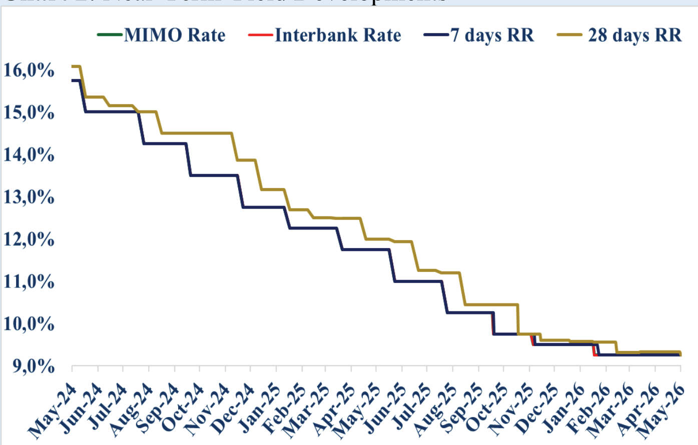
Chart 1: Treasury Bill Yield Developments*



Source: BM

*Data updated as of May 13, 2026.

Chart 2: Near-Term Yield Developments*



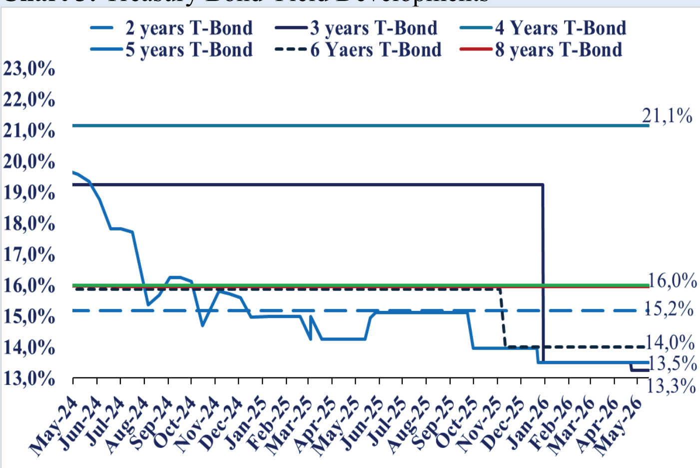
Source: BM

*Data updated as of May 13, 2026.

b) Treasury Bond Yields

Between March and May 2026, the Government conducted Treasury bond (T-bond) exchange auctions for the 3-year maturity, in which the weighted average yield was set at 13.25%, marginally lower than the level recorded in the previous auction for the same maturity (Chart 3).

Chart 3: Treasury Bond Yield Developments*



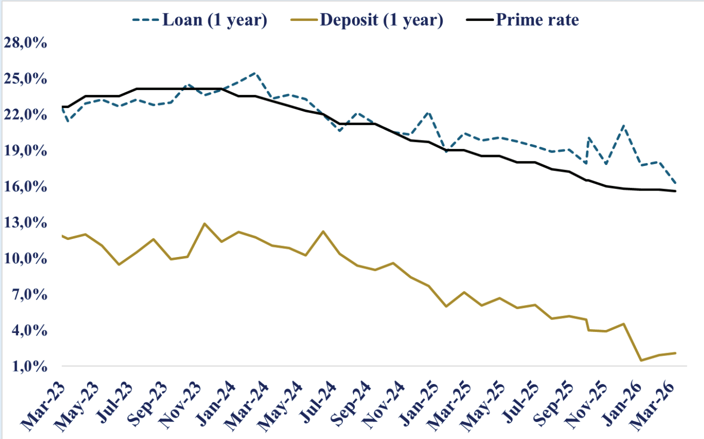
Source: BM

*Data updated as of May 15, 2026.

c) Retail Interest Rates

Retail deposit and lending rates for the one-year maturity segment exhibited mixed developments between January and March 2026. Data reported for March 2026 indicate that, relative to January 2026, the average one-year deposit rate increased by 60 basis points to 2.08%, while the average lending rate declined by 143 basis points to 16.30%. As a result, the spread between the two rates narrowed slightly (Chart 4).

Chart 4: Developments in Retail Interest Rates and the Prime Rate

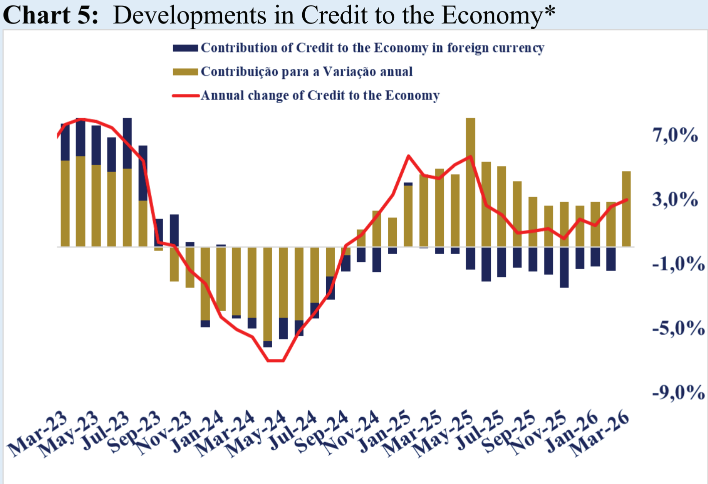


Source: BM
*Data updated as of May 31, 2026.

II. Developments in Credit to the Economy

The gradual recovery trend in credit to the economy remains in place. In March 2026, credit to the economy recorded year-on-year growth of 2.9%, up from 2.5% in the previous month (Chart 5). The current credit dynamics reflect, among other factors, the trajectory of the monetary policy rate, partly offset by the slow recovery in economic activity and persistent perceptions of elevated credit risk among commercial banks.

Chart 5: Developments in Credit to the Economy*



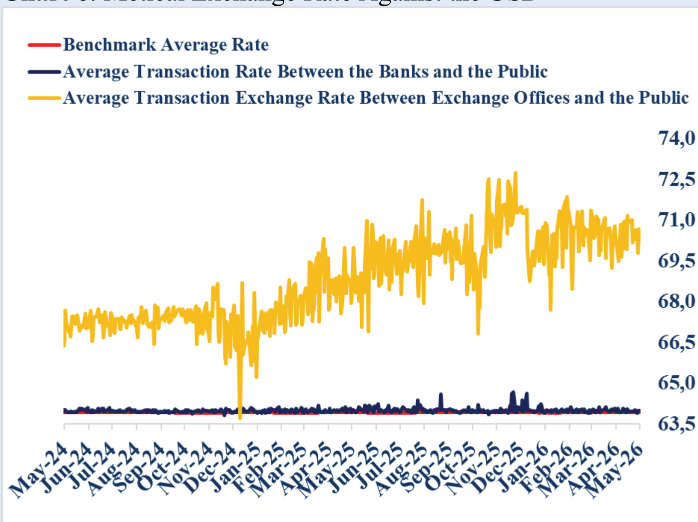
Source: BM
*Data updated as of March 31, 2026.

III. Exchange Rate Developments

a) Metical Exchange Rate Against the US Dollar

The Metical (MZN) remains broadly stable against the US Dollar (USD). In mid-May 2026, the average reference exchange rate remained unchanged at MZN/USD 63.91, identical level recorded in March 2026. Likewise, exchange rates in the effective market segment and foreign exchange bureaus remained broadly stable, shifting from MZN/USD 63.94 and MZN/USD 70.40 in January to MZN/USD 63.98 and MZN/USD 70.16, respectively, in May 2026 (Chart 6).

Chart 6: Metical Exchange Rate Against the USD*

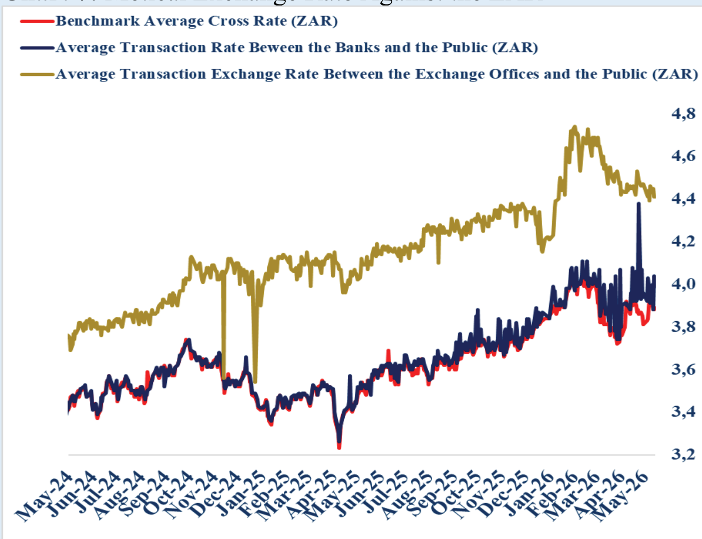


Source: BM
*Data updated as of May 14, 2026.

b) Metical Exchange Rate Against the Rand

The Metical depreciated against the South African Rand (ZAR) during the period under review. The average MZN/ZAR reference exchange rate and the rate in the effective market segment increased by 2.6% and 0.5%, respectively, to MZN/ZAR 3.89 and MZN/ZAR 3.99. Conversely, the foreign exchange bureau segment recorded a 3.1% decline, with the rate settling at MZN/ZAR 4.41 (Chart 7).

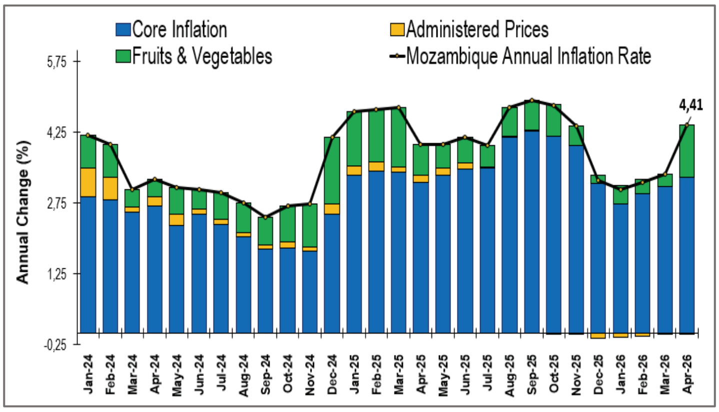
Chart 7: Metical Exchange Rate Against the ZAR*



Source: BM

*Data updated as of May 14, 2026.

Chart 2-2: Mozambique Annual Inflation Components



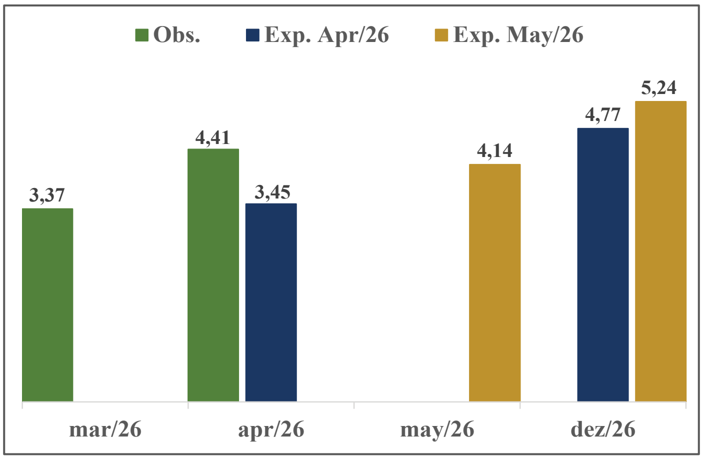
Source: INE

Table 2-2: Core Inflation (%) – Mozambique CPI

	dec/25	jan/26	feb/26	mar/26	apr/26
CPI Mozambique	**3,23**	**3,04**	**3,20**	**3,37**	**4,41**
Food	**6,64**	**5,72**	**5,83**	**6,20**	**10,24**
Cereals and Derivatives	6,28	1,88	0,83	0,68	-0,03
Fruits and vegetables	2,73	2,73	4,63	3,81	18,97
Clothing	**2,82**	**3,81**	**4,8**	**4,68**	**5,23**
Admin. Prices	**-0,47**	**-3,80**	**-0,28**	**-0,01**	**-0,14**
CPI excl. F&V	3,27	2,8	3,02	3,33	3,39
CPI excl. Admin	7,26	4,12	4,25	4,47	6,04
CPI excl. F&V abd Admin	4,65	3,96	4,19	4,54	4,67

Source: INE

Chart 2-3: Annual Inflation Expectations – Mozambique (%)



Source: INE and BM

2.3 Recent Inflation Developments and Near-Term Outlook

Annual inflation accelerated in April 2026.

Annual inflation stood at 4.41% in April, up from 3.37% in March, driven primarily by a sharp increase in fruit and vegetable prices, which rose by 18.97%, compared with 3.81% in March. This development largely reflects supply-side constraints arising from intermittent fuel availability, as well as the lagged effects of climate-related shocks. Conversely, administered prices exerted downward pressure on annual inflation, reflecting favourable base effects related with the downward revision of liquid fuel prices in June 2025, particularly diesel and gasoline prices (Chart 2-2 and Table 2-2).

Core inflation remained broadly stable. Excluding fruit and vegetables and administered prices, core inflation increased marginally to 4.67% in April, from 4.54% in March (Table 2-2).

Results from the Banco de Moçambique's survey of economic agents indicate an upward revision in inflation expectations. In the May survey, economic agents anticipate annual inflation to reach 5.24% in December 2026, 47 bp above the expectations reported in the previous survey (Chart 2-3).

Chapter III. Medium-Term Inflation and Economic Activity Outlook

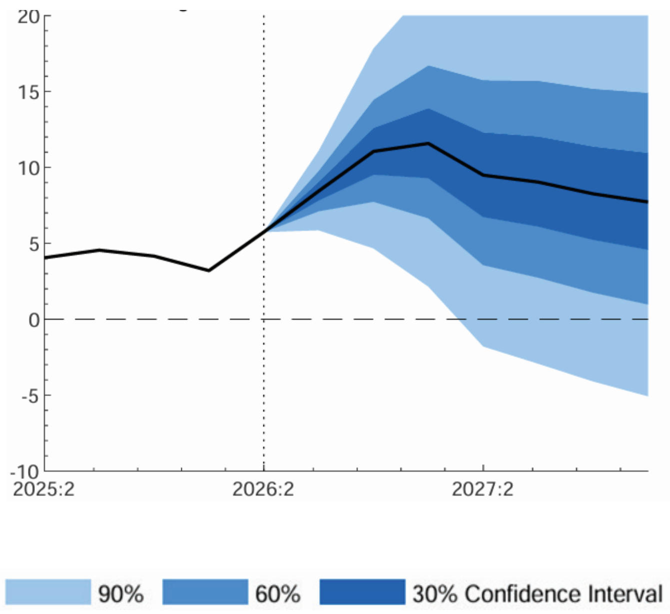
Medium-term inflation projections have been revised upwards and could reach double digit levels, depending on the duration of the conflict in the Middle East. This revision mainly reflects the direct and indirect effects of adjustments in domestic prices of liquid fuels and transport tariffs, as well as imported inflation, despite the relative stability of the Metical and subdued economic activity.

Table 3-1: Assumptions for External Variables

	2025	2026	2027
US Real GDP (%)	**2.1**	**2.2**	**1.8**
Previous MPC	**2.2**	**2.2**	**1.8**
RSA Real GDP (%)	**1.1**	**1.7**	**1.2**
Previous MPC	**1.4**	**1.7**	**1.2**
	2025Q4	**2026Q4**	**2027Q4**
US Inflation (%)	**2.7**	**4.3**	**4.0**
Previous MPC	**2.7**	**4.3**	**4.0**
RAS inflation (%)	**3.6**	**5.5**	**4.9**
Previous MPC	**3.6**	**5.5**	**4.9**
Brent crude price (USD/barrel)	**63.1**	**105.0**	**82.2**
Previous MPC	**63.1**	**105.0**	**82.2**
Food Prices (%)	**(1.5)**	**8.9**	**(3,5)**
Previous MPC	**0.6**	**8.9**	**(3.5)**

Source: BM

Chart 3-1: Mozambique Annual Inflation Projection (%)



3.1.Assumptions for Medium-Term Projections

Medium-term macroeconomic projections are based on the following assumptions:

a) External Environment

- **Persistence of elevated oil and food prices in international markets**

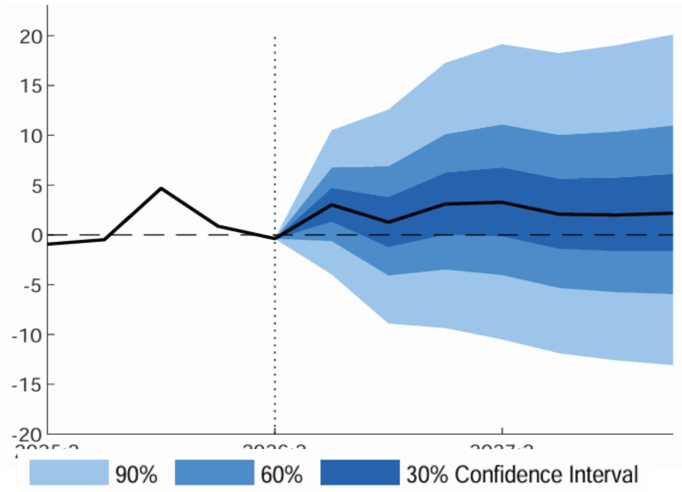
Over the medium term, oil and food prices are expected to remain elevated in international markets, with average oil prices exceeding USD 100 per barrel, reflecting the impact of the conflict in the Middle East (Table 3-1).

Furthermore, against the backdrop of the conflict, disruptions to fertiliser supply, international trade, and global supply chains could exert further upward pressure on global food prices, contributing to the persistence of an adverse inflationary environment.

- **Inflation remaining above policy targets and subdued growth among trading partners.**

Over the medium term, inflation among the country's main trading partners is expected to remain above target. In the USA, inflation is projected to stand at around 4.3% and 4.0% in the fourth quarters of 2026 and 2027, respectively, remaining above the 2.0% target set by the Federal Reserve (FED). Similarly, inflation in South Africa is projected at around 5.5% and 4.9%, respectively, exceeding the 3.0% target set by the South African Reserve Bank (SARB).

Chart 3-2: Mozambique Annual GDP Growth Projection (%)



Regarding economic activity, growth in the United States is expected to accelerate in 2026 relative to 2025, supported by stronger household consumption and robust investment in artificial intelligence, underpinned by fiscal incentives. In South Africa, growth is expected to slow slightly, constrained by structural and energy-related challenges, as well as the effects of the conflict in the Middle East on the cost and availability of production inputs.

b) Domestic Environment

The main domestic assumptions include:

- Higher fuel and transport prices, and the resulting second-round effects;
- Sustained pressure on the Government Budget and delays in Government payment obligations;
- The impact of climate shocks, which may constrain the supply of goods, particularly food; and
- Stability of the Metical exchange rate against the US Dollar.

3.2. Medium-Term Inflation Projections and Associated Risks

Reflecting the above assumptions, medium-term inflation projections are expected to remain above a single digit (Chart 3-1).

Excluding the natural gas sector, economic activity is expected to continue recovering, albeit at a slower pace, because of climate shocks and the anticipated slowdown in the global economic activity amid the conflict in the Middle East (Chart 3-2).

Risks and uncertainties surrounding the inflation projections have continued to increase. Domestically, these include: (i) uncertainty regarding the magnitude of the indirect effects of higher fuel prices and climate shocks on logistics chains and the supply of goods;

and (ii) the persistence of fiscal risks, particularly delays in government payment obligations. Externally, uncertainties remain regarding the duration and magnitude of the impact of the geopolitical conflict in the Middle East and its impact on logistics supply chains, as well as on the supply and pricing of energy and food commodities.

3.3. Monetary Policy Decision

The MPC of the Banco de Moçambique decided to keep the MIMO policy rate unchanged at 9.25%.
Moreover, the MPC decided to increase the Reserve Requirement ratio on domestic currency liabilities from 29.0% to 39.0% to sterilize excess liquidity within the banking system, which could otherwise exert inflationary pressure.

The MPC also decided to:

- Keep the Standing Lending Facility (SLF) at 12.25%;
- Keep the Standing Deposit Facility (SDF) rate unchanged at 6.25%; and
- Keep the Reserve Requirement ratios for foreign currency liabilities unchanged at 29.50%.

The monetary policy stance of will continue to be informed by the ongoing assessment of risks and uncertainties underpinning inflation projections.