



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ N. ° 07/2019
Maputo, 12 December 2019**

The Monetary Policy Committee (MPC) of the Banco de Moçambique, gathered today, in Maputo, decided to leave the key interest rate (MIMO) unchanged at 12.75%.

The Committee also decided to keep the Standing Deposit Facility (SDF) and the Standing Lending Facility (SLF) at 9.75% and 15.75%, respectively, as well as the Reserve Requirement ratio (RO) for liabilities in local and foreign currency at 13.0% and 36.0%, respectively.

The decision to maintain the MIMO rate continues to be underpinned by the prevalence of high risks and uncertainties that, if materialized, may reverse the current profile of low inflation. Internally, the risks that stand out are the escalation of military instability in the northern and central areas of the country and the greater likelihood of climate shocks. In terms of the external risks, the MPC notes the prevalence of the commercial and geopolitical tension, with negative implications on the volume of global trade and on the dynamics of commodity prices.

The medium-term projections continue to indicate a low inflation, despite the recent price increase. Data from the National Statistics Institute (INE) shows that the country's annual inflation stood at 2.58% in November, after 2.01% in September. For the medium term, inflation is expected to remain low.

With regard to economic activity, the MPC remains expectant about its recovery in 2020, yet to a level below its potential. According to INE, the Gross Domestic Product continued to slow down - to 2.0% in the third quarter of 2019. However, from 2020 onwards, it is expected to improve supported by (i) the post-cyclone reconstruction, (ii) settlement by the State of debts with suppliers of goods and services and (iii) implementation of projects related to gas exploration.

The country's international reserves remain at comfortable levels. In the first week of December, gross international reserves amounted to USD 3,661 million, enough to cover more than 6 months of imports, excluding large projects.

Domestic public debt fell slightly. Since the last MPC, domestic public debt, incurred through by resorting to treasury bills, treasury bonds and advances granted by Banco de Moçambique, fell from 140,610 to 140,073 million Metical, reflecting the amortization of treasury bonds by 567 million Metical. The above amounts do not take into account other domestic public debt amounts such as loan and lease contracts, as well as debt arrears.



Going forward, the MPC remains concerned by the evolution of the risks and uncertainties underlying the inflation projections. Therefore, the MPC will continue to monitor the economic and financial indicators as well as the risk factors, and will not hesitate to take the necessary corrective measures before its next ordinary meeting, scheduled for 27 February 2020.

Rogério Lucas Zandamela

Governor