



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ NO. 4/2022
Maputo, July 21, 2022**

Policy rate unchanged at 15.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to keep the policy rate, MIMO, unchanged at 15.25%. This decision follows from forecasts of inflation decelerating to a single digit in the medium term, driven by the slowdown in external demand and the resulting decline in international commodity prices, against a backdrop of exchange rate stability. However, in the short term, prices are expected to continue to rise, reflecting the pass-through of high oil and food costs in the international market to the domestic economy.

Inflation is expected to accelerate in the short term and slow down in the medium term. In June, annual inflation accelerated to 10.8%, following 9.3% in May, driven mainly by the rise in prices of administered goods, especially fuel and transport. Core inflation, which excludes prices of administered goods and services, as well as fruit and vegetables, and is affected by monetary policy, has accelerated slightly, essentially reflecting the pass-through of prices of administered goods to other goods and services. In the medium term, inflation is expected to remain at a single digit, favored by the Metical's stability and lower international commodity prices, as a result of the slowdown in external demand.

Risks and uncertainties associated with inflation forecasts remain high. Domestically, uncertainties associated with the adjustment of the prices of administered goods prevail, especially regarding fuel, and the magnitude of its impact on the prices of other goods and services. On a global scale, the uncertainties regarding the prolongation of the Russia-Ukraine geopolitical conflict also remain.

Prospects for economic recovery in 2022 and 2023 prevail, despite the slowdown in external demand. In the short and medium term, prospects for economic recovery remain, mainly backed by the implementation of energy projects in the Inhambane province and the Rovuma basin and the kick-off of liquefied gas exports, in a setting of resumption of the program with the International Monetary Fund and foreign aid from other cooperation partners.

Domestic public debt remains high. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 248.2 billion meticaís, an increase of 29.4 billion, compared to December 2021.

The current macroeconomic outlook is consistent with maintaining the current MIMO rate in the short term. However, in the event of the exacerbation of the risks and uncertainties associated with inflation forecasts, the MPC shall not hesitate to increase the MIMO rate in order to ensure single-digit inflation in the medium term.

The next regular meeting of the MPC is scheduled for September 15, 2022.

Rogério Lucas Zandamela
Governor