March 2026
No. 61 | Year 15

ECONOMIC OUTLOOK AND INFLATION FORECASTS

ECONOMIC OUTLOOK

AND INFLATION FORECASTS

March 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.

Foreword

The primary mandate of the Banco de Moçambique (BM) is to ensure price stability, thereby safeguarding households' purchasing power. This entails maintaining low and stable inflation within single digits over the medium term. The mandate is implemented by the Monetary Policy Committee (MPC), which comprises the Governor, Deputy Governor, BM Board Members, and permanent invitees. In addition, the BM is responsible for overseeing and safeguarding and the stability of the financial system.

Price stability underpins balanced and sustainable economic growth. It reduces uncertainty for economic agents and allows for more attractive interest rates, thereby fostering a macroeconomic environment conducive to savings and investment.

To achieve price stability, the MPC sets the monetary policy interest rate, known as the Mozambique Interbank Money Market Rate (MIMO). Introduced on April 17, 2017, this rate signals the stance of monetary policy and serves as an anchor for operations in the Interbank Money Market. By influencing overnight interest rates in this market, the MIMO rate is expected to affect inflation through expectations, the exchange rate and credit channels.

Decisions on the MIMO rate are primarily based on inflation projections, while carefully weighing the associated risks and uncertainties. The MPC recognizes that monetary policy operates with a lag and therefore adopts a forward-looking approach, assessing macro-financial prospects, including risks and uncertainties, over at least an eight-quarter horizon. When inflation projections deviate materially from the medium-term policy target, the MPC takes appropriate measures to restore alignment.

The MPC meets regularly every two months and may convene extraordinary meetings when warranted by economic conditions. The schedule of regular MPC meetings is announced at the beginning of each year, while extraordinary meetings may be called whenever macroeconomic developments require policy action.

The BM places great importance on transparency in the communication of its monetary policy. Monetary policy decisions are publicly announced through MPC press releases and, when applicable, press conferences led by the Governor on the day of the meeting.

The Economic Outlook and Inflation Forecasts (CEPI) Report serves as an additional communication tool for MPC decisions. It discloses the factors and rationale behind the measures adopted by the MPC and thereby enhancing the public's understanding of the objectives and conduct of monetary policy.

Rogério Lucas Zandamela

Governor

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Decisions of Session No. 2 of the Monetary Policy Committee, of March 23, 2026

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 materialisation and substantial exacerbation of several risks and uncertainties associated with inflation projections, most notably the outbreak of conflict in the Middle East and its impact on supply chains, as well as on the supply and prices of energy and food, which has led to an upward revision of inflation forecasts. Against this backdrop, the MPC has suspended the easing cycle initiated in January 2024, conditioning future policy decisions upon the evolution and materialisation of domestic and external risks and uncertainties.

Risks and uncertainties associated with inflation projections have increased significantly. On the external front, key risks arise from the duration and magnitude of the impact of the geopolitical conflict in the Middle East on supply chains, as well as on the supply and prices of energy and food. Domestically, uncertainties relate to the magnitude of the impact of climate shocks on supply chains and goods supply, the pace of recovery in productive capacity, and the effects of persistent fiscal risks, particularly delays in the payments due by the State.

The inflation forecasts have been revised upwards. In February 2026, annual inflation stood at 3.2%, after 3.0% in January. Core inflation, which excludes fruit, vegetables and administered prices, remained stable. In the short and medium term, inflation is expected to rise, reflecting, among other factors, the effects of the conflict in the Middle East and recent floods, despite the continued stability of the Metical.

Economic growth is projected to remain moderate. In the fourth quarter of 2025, gross domestic product grew by 4.7%, after contracting by 0.9% in the previous quarter, driven by stronger performance across all sectors. Over the short and medium term, economic activity is expected to recover gradually, albeit at a slower pace, reflecting the effects of climate shocks and the likely slowdown in the global economy amid the conflict in the Middle East.

Domestic public indebtedness continues to increase, conditioning the normal functioning of the financial market. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at 487.3 billion meticais, up by 12.7 billion compared to December 2025. Delays in the payment of domestic public debt by the State persist, dampening demand for government securities and contributing to rigidity in interbank money market interest rates.

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

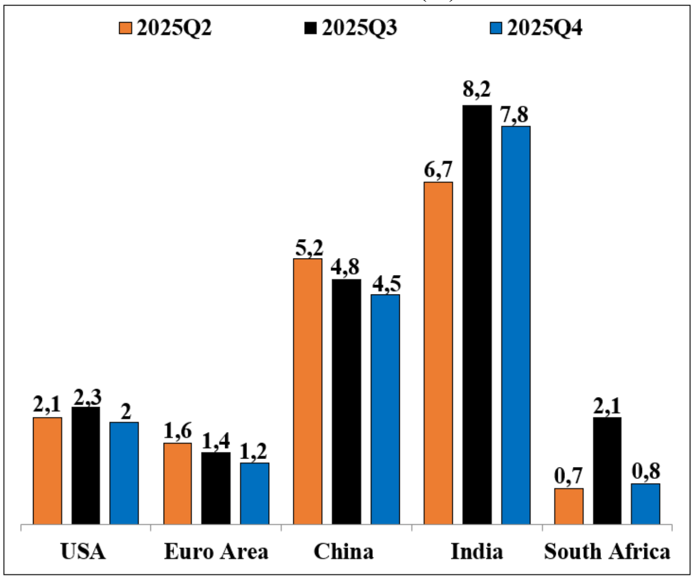
The next MPC meeting is scheduled for May 27, 2026.

Rogério Lucas Zandamela
Governor

Chapter I. Recent Global Economic Developments and Outlook

The International Monetary Fund (IMF), in its January 2026 edition of the *World Economic Outlook,* forecasts that global growth in 2026 and 2027 will remain broadly in line with 2025 levels, while global inflation is expected to continue to decelerate. However, the outbreak of conflict in the Middle East has significantly heightened the risks and uncertainties associated with these prospects, particularly as the global economy was already facing trade-related and geopolitical challenges.

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



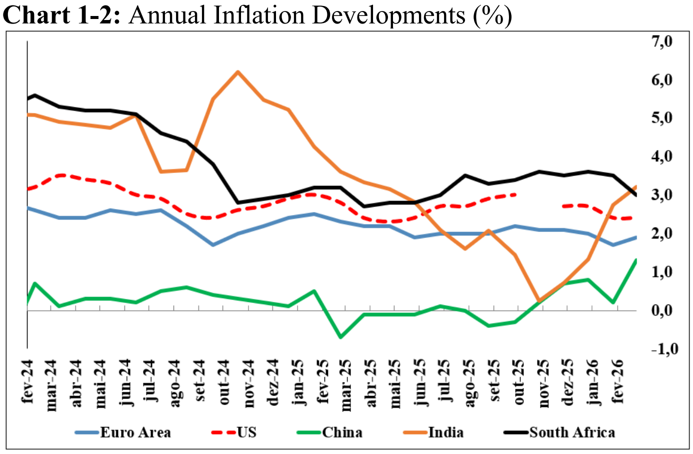
Source: *Trading Economics*

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

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

Source: IMF, World Economic Outlook (January 2026)

Chart 1-2: Annual Inflation Developments (%)



Source: *Trading Economics, 2026*

1.1. Economic Activity and Inflation

In the fourth quarter of 2025, economic activity slowed across advanced and emerging market economies.

In the United States and the Euro Area, real Gross Domestic Product (GDP) grew by 2.0% and 1.2% year-on-year, respectively, mainly reflecting weaker household consumption and private investment (Chart 1-1).

Among emerging market economies, China's economy grew by 4.5%, driven by increased industrial production and an improvement in the trade balance, while India's economy expanded by 7.8%, supported by higher public expenditure and a reduction in the goods and services tax. Nonetheless, growth in both economies was lower than in the third quarter. Meanwhile, in South Africa, economic activity remained subdued, reflecting a decline in net exports (Chart 1-1).

For 2026 and 2027, the IMF´s January 2026 outlook points to global economic growth remaining broadly in line with 2025 levels, despite elevated risks and uncertainties surrounding the outlook.

The IMF projects a global growth of 3.3% in 2026 and 3.2% in 2027. The upward revision to the 2026 global growth forecast primarily reflects robust investment in information technology, particularly in artificial intelligence, as well as the resilience of global supply chains (Table 1.1).

In February 2026, annual inflation remained above target in some advanced economies and stable in emerging markets.

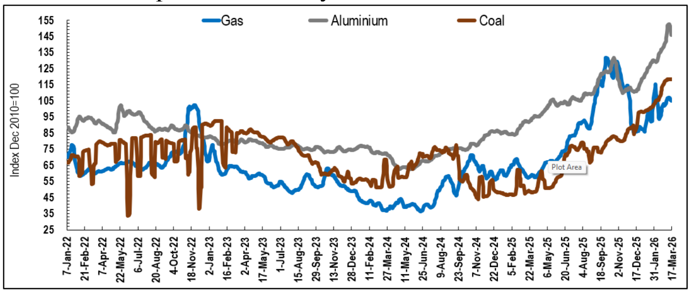
Among advanced economies, annual inflation in the Euro Area rose to 1.9% year-on-year in February, from 1.7% in January, largely reflecting higher services prices. In contrast, in the United States, inflation remained above target (2.0%), standing at 2.4% in February, unchanged from January (Chart 1-2).

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

Region	Estimate 2025	Projections		Difference from Oct 2025 WEO	
		2026	2027	2026	2027
World Consumer Prices	4,1	3,8	3,4	0,1	0,0
Advanced Economies	2,5	2,2	2,1	0,0	0,0
Emerging Market and Developing Economies	5,2	4,8	4,3	0,1	0,1

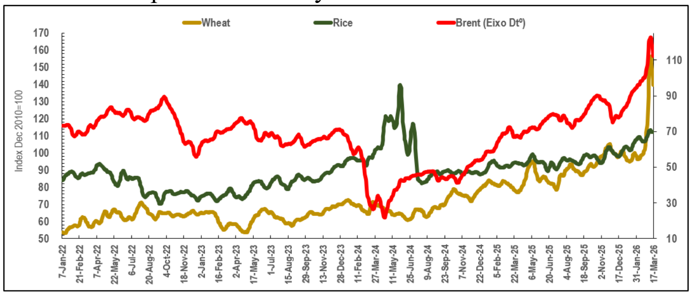
Source: IMF, World Economic Outlook (January 2026)

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)

Across emerging market economies, inflation remained stable, despite increases in China (1.3%) and India (3.21%) (Chart 1-2). In South Africa, inflation slowed to 3.0%, from 3.5% in January, reflecting lower fuel prices.

In its January 2026 publication, the IMF projected that global inflation would continue to decelerate in 2026 and 2027, primarily supported by the combined effect of subdued demand and the downward trajectory of energy prices (Table 1-2). However, a prolonged conflict in the Middle East could trigger upward pressure on global prices, reflecting its impact on supply chains, supply, and energy and food prices.

1.2. Prices of Key Commodities

On a year-on-year basis, international prices of the main commodities traded by Mozambique exhibited a mixed trend as of 17 March 2026. On the export side, except for natural gas, whose price declined by 24.5%, aluminium (26.5%) and thermal coal (24.7%) prices increased notably (Chart 1-3).

The import bill deteriorated, reflecting higher brent crude prices (45.5%) and wheat (3.7%), offset partially by a decline in rice prices by 15.9% (Chart 1-4).

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

In the fourth quarter of 2025, economic activity expanded, largely driven by improved performance across all sectors. In the near term, growth is expected to continue at a gradual pace, underpinned by the recovery of the secondary and tertiary sectors, while the primary sector is expected to remain constrained due to the impact of recent climate shocks.

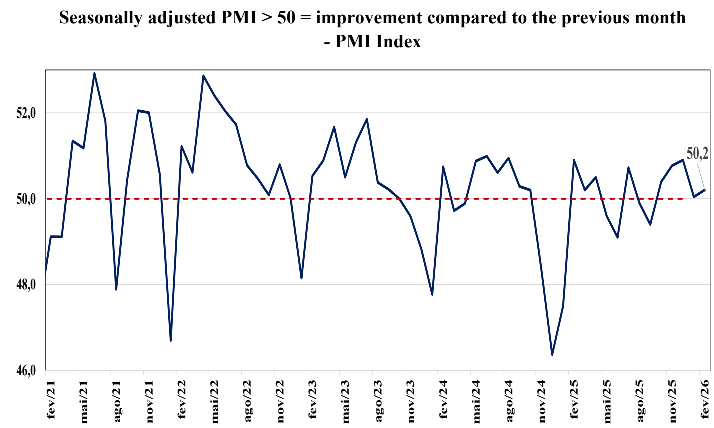
Inflation is expected to accelerate in the near term. This outlook reflects constrained supplies of fresh agricultural products following the floods affecting the country, as well as higher freight and logistics costs and imported inflation related to the conflict in the Middle East. However, the onset of the winter season and the availability of fuel stocks in the near term may help dampen the overall inflationary impact.

Table 2 -1: Real GDP by Sector – Annual Change (%)

Sectors	2024		2025			
	Q4	Year	Q4	Year	Contr./Q 4(pp)	Contr. Year (pp)
Primary Sector	**-11,7**	**4,3**	**4,6**	**3,0**	**1,3**	**1,2**
Agriculture	-4,3	2,4	2,9	1,4	0,4	0,3
Fishing	-4,9	1,4	1,1	1,1	0,0	0,0
Mining	-18,6	8,2	6,6	6,0	0,9	0,8
Secondary Sector	**-8,5**	**-4,2**	**4,9**	**-9,2**	**0,6**	**0,1**
Electricity, Gas and Water	-3,4	-0,3	-17,6	-25,3	-0,5	-0,7
Manufacturing	-10,1	-6,1	13,6	-3,8	1,1	-0,3
Construction	-10,0	-0,3	4,0	-3,6	0,0	0,0
Tertiary Sector	**-3,6**	**1,7**	**4,1**	**2,0**	**1,8**	**-0,8**
Trade and Services	-11,6	-0,8	4,1	-6,3	0,4	-0,6
Accommodation and Catering	-14,7	-0,2	21,7	-6,1	0,3	-0,1
Transport and Communication	-8,8	1,2	4,5	-5,8	0,5	-0,5
Financial Services	6,5	2,2	7,3	3,2	0,4	0,1
Public Adm. Education and Health	2,9	3,1	1,9	2,2	0,3	0,2
Other Sectors	4,5	4,8	0,6	1,1	0,0	0,0
GDP at factor cost	**-7,2**	**2,1**	**4,4**	**-0,6**	**3,8**	**-0,6**
Tax on products	4,6	2,8	6,6	0,3	0,9	0,0
GDP	**-5,7**	**2,2**	**4,7**	**-0,5**	**4,7**	**-0,5**

Source: INE

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



Source: HIS, MarkitNE

2.1. Near-Term Economic Activity

After four consecutive quarters of contraction, GDP grew by 4.7% in the last quarter of 2025. This outcome was driven by broad-based gains across key sectors, especially the extractive industry, trade and services, manufacturing, and transport and communications, which together contributed 2.9 percentage points to the overall growth (Table 2-1).

Economic activity contracted by 0.5% in 2025, following 2.2% growth in 2024, reflecting the adverse impact of post-election tensions and climate-related shocks on the economy.

Modest growth is projected in the near term. A gradual recovery in economic activity is anticipated, supported by gains in the secondary and tertiary sectors, while climate shocks will continue to constrain economic activity, particularly the primary sector. This outlook is consistent with the rise in the *Purchasing Managers' Index* (PMI) in February 2026 (Chart 2-1).

2.2. Domestic Public Debt

Domestic public debt continues to deteriorate, constraining the functioning of the financial market. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at 487.3 billion meticais, up by 12.7 billion relative to December 2025 (Table 2-1). Government delays in servicing obligations on domestic debt instruments, particularly Treasury bonds, have contributed to reduced demand for new government securities, as well as to the persistent rigidity in interbank money market interest rates (see Box 1).

Table 2 - 1 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	171,658	158,308	488,677	29.5%
Mar – 2026	159,621	169,337	158,308	487,266	29.4%
Flow (Dec/25 - Mar/26)	2,815	-2,321	12,183	12,676	

* Data updated until 19.03.26

Source: BM and BVM

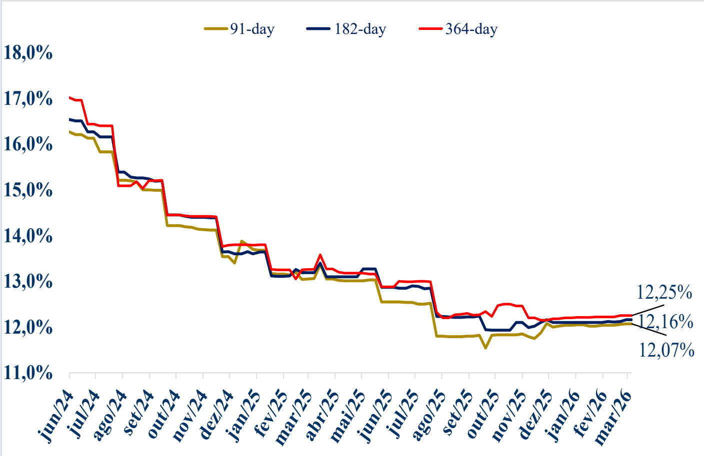
Box 1: Monetary, Financial and Foreign Exchange Developments

I. Interest Rate Developments

a) Money Market Interest Rates

Interest rates on Treasury Bills (T-Bills) remained relatively stable between January and March 2026. Interest rates for the 91-, 182- and 364-day maturities were virtually unchanged, standing at 12.07%, 12.16% and 12.25%, respectively, compared with 12.02%, 12.10% and 12.21% at end-January 2026. This rigidity mainly reflects commercial banks' perception of elevated fiscal risk (Chart 1).

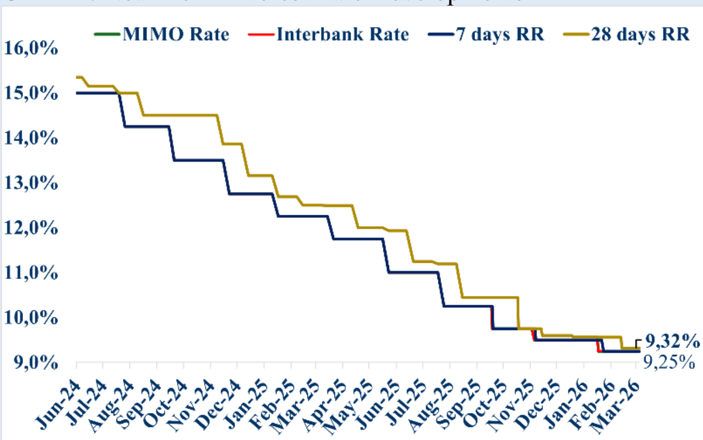
Chart 1: Treasury Bill Interest Rate Developments*



Source: BM
* Data updated up to March 17, 2026

The downward trajectory of short-term interest rates persisted. The MIMO and the effective MIMO rates (overnight swaps), as well as the 7-day reverse repo rate and the 28-day reverse repo rate, all declined between 24 to 25 bp over the period. All rates settled at 9.25%, except for the 28-day reverse repo, which stood at 9.32% (Chart 2).

Chart 2: Near-Term Interest Rate Developments*

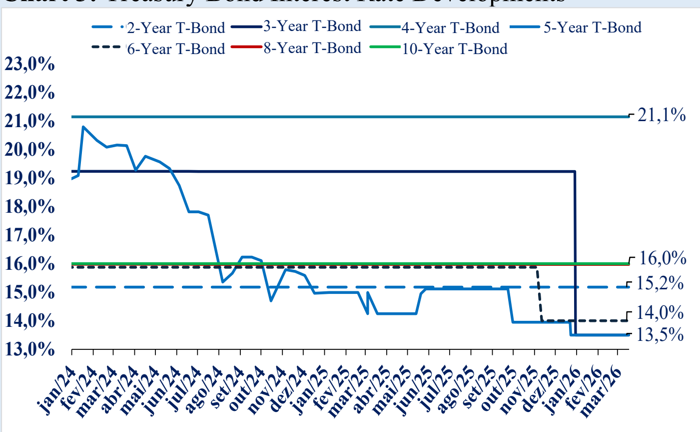


Source: BM
* Data updated up to March 17, 2026

b) Treasury Bond Interest Rates

Between January and March 2026, the State conducted 3-year Treasury bonds (T-bonds) exchange auctions, with the weighted average interest rate standing at 13.50%, the same level recorded in the previous auction for the same maturity (Chart 3).

Chart 3: Treasury Bond Interest Rate Developments*

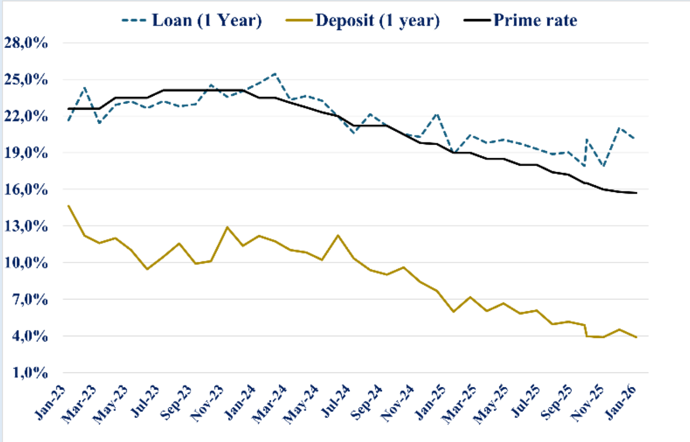


Source: BM
* Data updated up to March 17, 2026

c) Retail Interest Rates

Lending and deposit interest rates for the one-year maturity in the retail market continued to decline. January 2026 data indicate that, relative to December 2025, average deposit and lending interest rates for the one-year maturity declined (Chart 4).

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

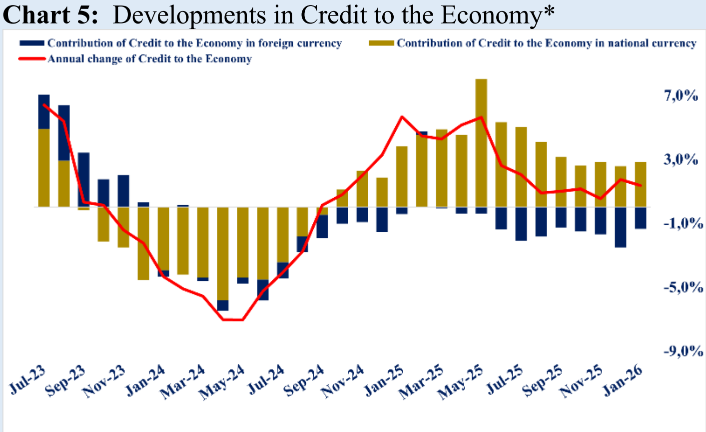


Source: BM
*Data updated up to January 30, 2026

II. Credit Developments

Credit to the economy remained relatively stable. In January 2026, credit to the economy increased by 1.4%, following a 1.7% rise in the previous month (Chart 5). The current credit dynamics reflect, among other factors, the slow recovery in economic activity and commercial banks' perception of elevated credit risk.

Chart 5: Developments in Credit to the Economy*



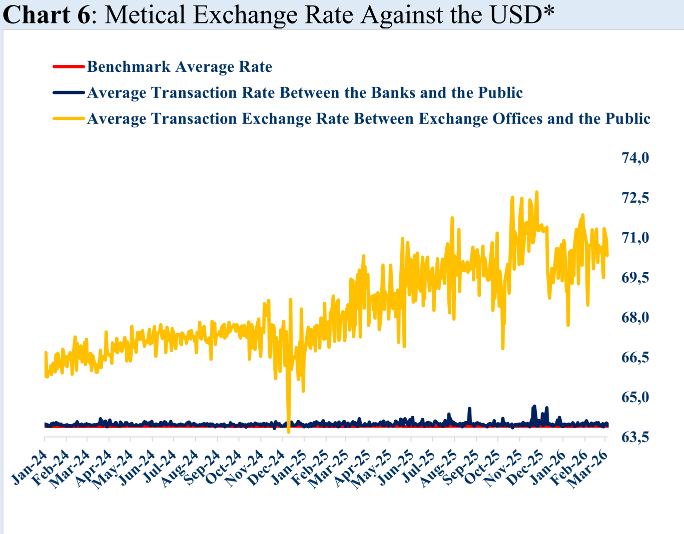
Source: BM
*Data updated up to January 30, 2026

III. Exchange Rate Developments

a) Metical Exchange Rate against the US Dollar

The Metical (MZN) remains stable against the US Dollar (USD). As of mid-March 2026, the average reference exchange rate remained unchanged at MZN/USD 63.91, the same level observed in January 2026. Similarly, rates in the spot market and at foreign exchange bureaux remained stable, shifting from 63.91 and 70.69 MZN/USD in January to 63.94 and 70.40 MZN/USD in March 2026, respectively (Chart 6).

Chart 6: Metical Exchange Rate Against the USD*

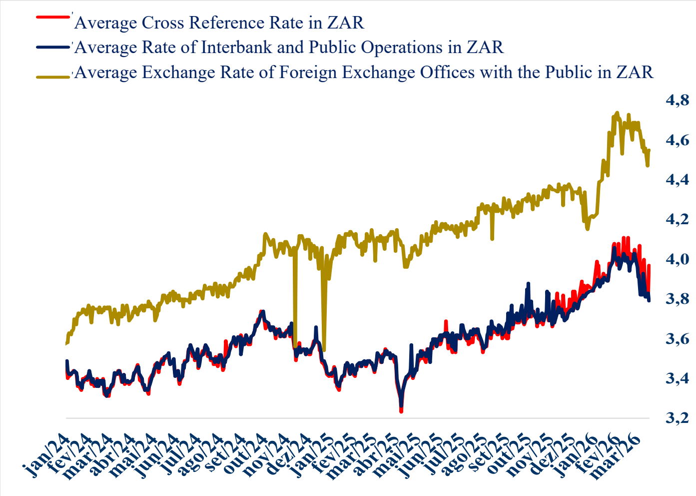


Source: BM
* Data updated up to March 18, 2026.

b) Metical Exchange Rate against the South African Rand

The Metical appreciated against the South African Rand (ZAR). Over the reporting period, the average reference exchange rate of the MZN against the ZAR, as well as rates in the spot market and at foreign exchange bureaux, appreciated by 1.5%, 5.5% and 3.6%, respectively, settling at MZN/ZAR 3.97, MZN/ZAR 3.79, and MZN/ZAR 4.55 (Chart 7).

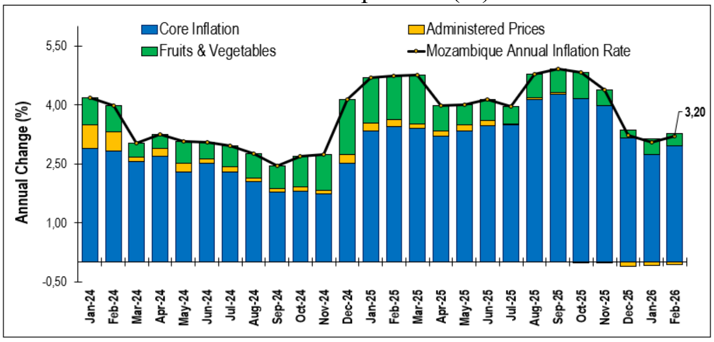
Chart 7: Metical Exchange Rate Against the ZAR*



Source: BM

* Data updated up to March 18, 2026.

Chart 2-1: Annual Inflation Components (%)



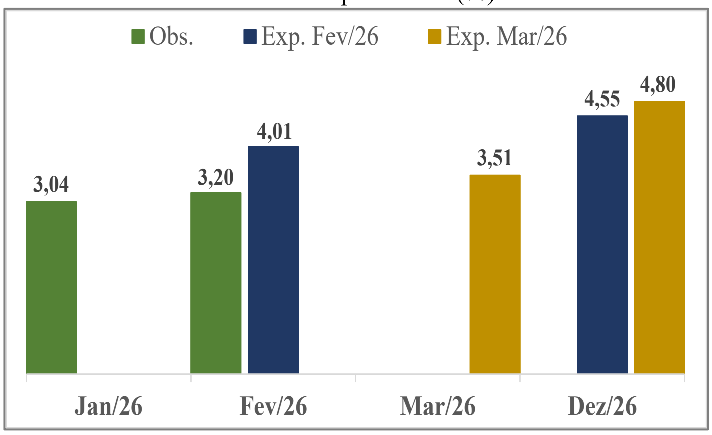
Source: INE

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

	set/25	out/25	nov/25	dez/25	jan/26	fev/26
CPI Mozambique	**4,93**	**4,83**	**4,38**	**3,23**	**3,04**	**3,20**
Food	11,85	11,52	9,52	6,64	5,72	5,83
Cereals and Derivatives	10,56	10,06	9,21	6,28	1,88	0,83
Fruit and Vegetables	10,58	11,11	6,80	2,73	2,73	4,63
Clothing	**2,93**	**3,34**	**3,37**	**2,82**	**3,81**	**4,80**
Housing	**0,61**	**0,57**	**0,78**	**0,52**	**1,68**	**2,71**
Admin. Prices	**0,14**	**-0,03**	**-0,03**	**-0,47**	**-0,38**	**-0,28**
CPI excl. F&V	4,62	4,53	4,26	3,27	2,80	3,02
CPI excl. Admin.	6,65	6,64	5,94	4,47	4,12	4,25
CPI excl. F&V and Admin	6,31	6,23	5,86	4,65	3,96	4,19

Source: INE

Chart 2-2: Annual Inflation Expectations (%)



Source: INE and BM

2.3. Recent Inflation Developments and Near-Term Outlook

In February 2026, annual inflation remained broadly stable.

Annual inflation stood at 3.20% in February, up from 3.04% in January. This development mainly reflects a modest acceleration in food prices, particularly in fruit and vegetables, as well as in the housing category, notably charcoal, following floods in the southern region of the country. The impact was partially offset by lower administered prices[2] (Chart 2-2 and Table 2-2).

Core inflation remained stable. Excluding fruit and vegetables, as well as administered prices, core inflation stood at 4.19% in February, up from 3.96% in January (Table 2-2).

The survey of economic agents conducted by the Bank of Mozambique points to the persistence of low annual inflation. Results from the March macroeconomic expectations survey indicate that economic agents anticipate annual inflation of 4.80% in December 2026, a modest upward revision of 25 basis points relative to the previous survey (Chart 2-3).

[2] Fuel, parking meter, and toll prices recorded a downward adjustment in 2025.

Chapter III. Medium Term Inflation and Economic Activity Outlook

Medium-term inflation forecasts have been revised upward. The revision mainly reflects the materialisation and significant intensification of certain risks and uncertainties surrounding the inflation outlook, notably the onset of the conflict in the Middle East and its impacts on supply chains, as well as on availability and prices of energy and food products.

3.1. Assumptions for Medium-Term Projections

Macroeconomic projections for the medium term are based on the following assumptions:

a) External Environment

- **Rising international oil and food prices.**

Over the medium term, international oil and food prices are expected to rise, reflecting the impact of the conflict in the Middle East. Projections assume a temporary acceleration in the oil price, reaching around USD 100 per barrel in March and April, followed by a gradual decline towards approximately USD 66 per barrel in the fourth quarter of 2026. In addition, disruptions in fertilizer availability, trade, and logistics could lead to a rise in international food prices.

- **Accelerating inflation and slower growth in trading partners**

Inflation in the country's main trading partners is assumed to accelerate. In South Africa, inflation is projected to stand at approximately 4% in the fourth quarter of 2026 and 2027, remaining above the new SARB [3] 3% target. In the United States, projections assume a delayed convergence of inflation to the Fed's[4] target (2.0%).

Regarding economic activity, growth in the United States is expected to slow, reflecting higher production costs, weaker consumer confidence, and tariff policies. In South Africa, a modest deceleration in growth is assumed, despite prospects of a gradual improvement in electricity supply, infrastructure modernisation, and gains in the terms of trade.

b) Domestic Environment

The main domestic assumptions include:

- Continued high pressure on the Government Budget and delays in payments by the Government;
- Gradual restoration of productive capacity and supply of goods and services;
- Climate shocks, which may constrain the supply of goods, particularly food;
- Stability of the Metical exchange rate against the US Dollar.

3.2. Medium-Term Inflation Projections and Associated Risks

In light of the above assumptions, medium-term inflation projections have been revised upwards (Chart 3-1).

[3] South African Reserve Bank
[4] Federal Reserve

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

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

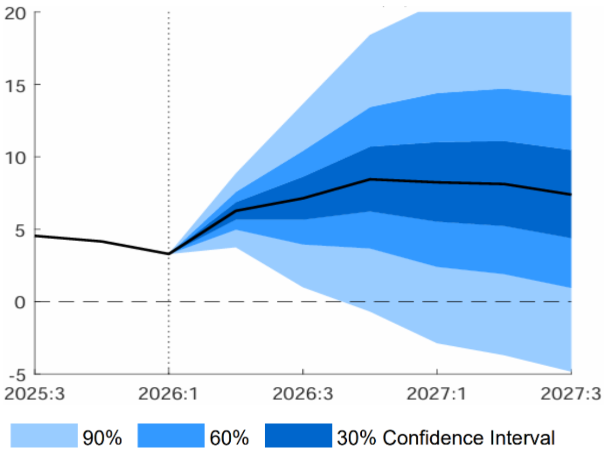
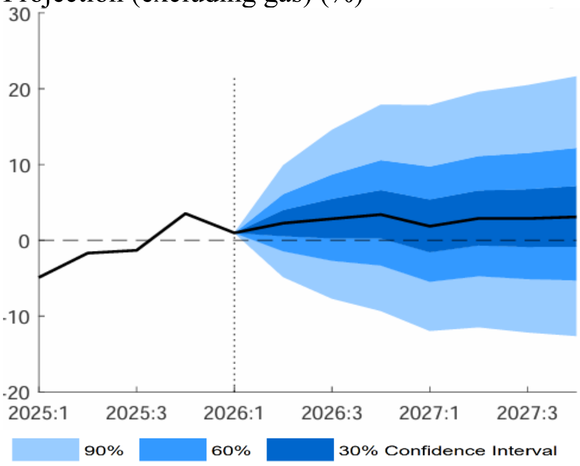


Chart 3-2: Mozambique Annual Real GDP Projection (excluding gas) (%)



Risks and uncertainties associated with inflation projections have increased significantly. Externally, these include the duration and magnitude of the Middle East conflict's impact on supply chains, as well as on the supply and prices of energy and food products. Domestically, uncertainties include the extent of climate-related shocks on logistics and goods supply, the pace of restoration of productive capacity, and the persistent fiscal risk, particularly delays in government payments.

3.3. Monetary Policy Decision

The MPC of the Banco de Moçambique decided to keep the MIMO policy rate unchanged at 9.25%.

In addition, 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
- Maintain the Reserve Requirement ratios for liabilities in domestic and foreign currencies unchanged at 29.00% and 29.50%, respectively.

The conduct of monetary policy will remain conditional on the assessment of risks and uncertainties underlying inflation forecasts.