



**Monetary Policy Committee
COMMUNIQUÉ NO. 05/2021
Maputo, September 10, 2021**

Policy rate unchanged at 13.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to keep the policy rate, MIMO, unchanged at 13.25%. The decision is based on the maintenance of inflation prospects at a single digit, despite the prevalence of high risks and uncertainties, especially those arising from the impacts of COVID-19.

In addition, the MPC has decided to lower the reserve requirement ratios for liabilities in national currency from 11.50% to 10.50%, and in foreign currency from 34.50% to 11.50%, to provide more liquidity to the economy.

Risks and uncertainties associated with inflation projections have slowed down, but remain high. Domestically, it is noteworthy the slowdown of military instability in the northern region of the country and the prevalence of uncertainties as to the extension and magnitude of the impact of COVID-19 on the economy, as well as the dynamics of the prices of administered goods and services. In the external environment, the pandemic's developments also remain uncertain, in addition to the risk relating to supply chain constraints, which may limit the supply of imported goods.

Inflation is expected to remain at a single digit, in the short and medium term. Annual inflation stood at 5.6% in August, following 5.5% in July, in a context of lower depreciation of the Metical against the US Dollar. Core inflation, which excludes the prices of administered goods and services, and fruits and vegetables, recorded a slight increase. For the short and medium term, inflation is expected to remain at a single digit, despite forecasts for rising food and oil prices in the international market.

Prospects for gradual recovery of the economy in 2021 and 2022 are consolidated. Gross domestic product grew by 2.0% in the second quarter of 2021, reflecting the recovery of most sectors of economic activity. For 2021 and 2022, a gradual recovery of the economy is expected, mainly driven by external demand. However, for the economic growth to return to robust levels, it will continue to require deepening structural reforms in the economy, towards strengthening institutions, improving the business environment, attracting investment and creating jobs.

The Banco de Moçambique reaffirms its commitment to preserving the value of the Metical, which translates into low and stable inflation.

The next MPC meeting is scheduled for November 17, 2021.

**Rogério Lucas Zandamela
Governor**