



**MONETARY POLICY COMMITTEE  
COMMUNIQUE N. ° 01/2020  
Maputo, 27 February 2020**

**Policy rate unchanged at 12.75%**

**The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to leave the key interest rate (MIMO) unchanged at 12.75%. The decision is underpinned by the fact that the projections continue to indicate single-digit inflation, despite the increased risks and uncertainties for the short to medium-term horizon.**

**The MPC 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 for liabilities in domestic and foreign currency at 13.0% and 36.0%, respectively.**

**The Committee's assessment on the recent macroeconomic environment and the outlook indicates that the risks and uncertainties associated with the projections have deteriorated.** Internally, it stands out the intensification of military instability in the central and northern areas of the country, in addition to the uncertainties regarding the extension and impact of the floods and droughts that has struck the national territory. Externally, it is stressed the recent outbreak of coronavirus disease - Covid-19 which, if it persists for a long period, could potentially result in the slowdown of the global economy and consequent weak external demand, affecting negatively the dynamics of domestic prices.

**The inflation outlook for the medium term has been revised upward, although it remains in a single-digit band.** This increase is mainly a result of the upward adjustment of the impact of climate shocks on future price dynamics, combined with the Metical depreciation prospects on the domestic exchange market in the short term, and the trend towards higher food prices on the international market. Since the last MPC, Mozambique's annual inflation has accelerated from 2.58% in November 2019 to 3.48% in January 2020.

**Economic activity is expected to recover in 2020, although at levels below potential.** The Gross Domestic Product slowed from 3.4%, in 2018, to 2.2%, in 2019, in line with expectations, taking into account the impact of cyclones Idai and Kenneth on economic activity and the low external demand. Meanwhile, prospects continue to point to a recovery of economic activity in 2020, supported by the implementation of investments in gas exploration, materialization of post-cyclone reconstruction projects and improved investor confidence in view of the settlement of part of the state's debt with the suppliers of goods and services.



**The country's international reserves increased, remaining at comfortable levels.** At the end of the third week of February 2020, gross international reserves stood at USD 3,921 million, up by USD 178 million, from the data presented in the last MPC, a level sufficient to cover more than 6 months of imports, excluding major projects.

**Domestic public debt increased.** Since the last MPC until 26 February, domestic public debt contracted with Treasury Bills, Treasury Bonds and advances from the Banco de Moçambique increased from MTN 140,073 million to MTN 145,571 million, mainly reflecting the use of Treasury Bills by the State. The above amounts do not take into account other domestic public debt amounts, such as loan and leasing contracts, as well as debt arrears.

**The MPC outlook on future raises concern over the evolution of risks and uncertainties underlying inflation projections.** Accordingly, the MPC will continue to monitor economic and financial indicators and risk factors and their impact on inflation prospects, and may take the necessary corrective measures before its next regular meeting, scheduled for 30 April 2020.

**Rogério Lucas Zandamela**

**Governor**