



September 2026
No. 63 | Year 15

ECONOMIC OUTLOOK AND INFLATION FORECASTS



ECONOMIC OUTLOOK
AND INFLATION FORECASTS

September 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 BM Governor, Deputy Governor, Board Members, as well as permanent invitees. In addition, the BM is responsible for overseeing and safeguarding and the stability of the financial system.

Price stability also fosters 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 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 whenever warranted by economic conditions, at the request of the Chairperson. The schedule of regular MPC meetings is announced at the beginning of each year. 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.

Felisberto Dinis Navalha
Governor

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MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 5/2026
Maputo, September 30, 2026

The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to keep the monetary policy interest rate, MIMO, unchanged at 9.25% and to change the reserve requirement regime as of the next reserve maintenance period.

This decision primarily reflects the persistence of elevated risks and uncertainties related to the impact of climate shocks and protracted geopolitical tensions in the Middle East and Europe, with potential implications for international fuel and food prices, amid a still subdued recovery in economic activity.

Under the new reserve requirement regime, to remain in effect for 18 months, banks will be allowed to deduct from their local currency reserve requirements an amount equivalent to new lending to firms that support import substitution and/or export growth. The applicable interest rate will be the MIMO rate, with an additional margin of 150 basis points, depending on the purpose of the financing.

Inflation is expected to rise in the near term before declining to single digits over the medium term. In August 2026, annual inflation moderated to 6.5%, from 7.5% in July, while core inflation, excluding fruits and vegetables and administered prices, also declined. In the near term, inflation is expected to increase, reflecting, among other factors, imported price pressures from major trading partners and higher fruit and vegetable prices associated with the end of the winter season, amid exchange rate stability and subdued domestic demand. Over the medium term, inflation is projected to decline to single digits, mainly on account of prospects of lower international fuel and food prices, assuming an easing of tensions in the Middle East.

The outlook for moderate economic growth remains unchanged. Real Gross Domestic Product (GDP) grew by 1.7% year-on-year in the second quarter of 2026, following growth of 0.1% in the first quarter. This performance was supported by the primary sector, mainly agriculture and extractive industries, as well as the services sector. Over the medium term, these sectors, together with the implementation of projects in strategic areas, are expected to continue supporting moderate growth in economic activity.

The foreign exchange market continues to record high volumes of foreign currency purchases and sales, supported by the implementation of liquefied natural gas projects in the Rovuma Basin and the performance of the extractive industry, against a backdrop of exchange rate stability.

Between January and August 2026, foreign currency purchases by commercial banks increased by USD 724 million compared with the same period in 2025, reaching USD 5.73 billion. During the same period, foreign currency sales by banks to their clients increased by USD 593 million, reaching a total of USD 5.65 billion. Between January and September 2026, the Metical depreciated by an average of 0.06% against the US Dollar and 14.64% against the South African Rand in commercial bank transactions with customers, while appreciating by 3.92% against the Euro.

The accumulation of domestic and external debt arrears continues to constrain the normal functioning of the financial market. Arrears in the servicing of domestic and external public debt persist, including obligations to domestic financial institutions and multilateral creditors, with, among other effects, weak demand for government securities, rigidity in interbank money market interest rates, and elevated country-risk perceptions. Indeed, domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at MZN 546.5 billion, an increase of MZN 71.9 billion relative to December 2025 and constituting a source of increased banking system liquidity.

Risks and uncertainties to the inflation projections remain elevated. Domestically, uncertainty persists regarding the magnitude of the effects of imported inflation, developments in public debt and the impact of climate shocks. Externally, uncertainties remain regarding the duration and magnitude of the effects of geopolitical tensions in the Middle East and Europe on trade flows, global supply of goods, and international fuel and food prices.

The MPC reaffirms its commitment to maintaining price stability. In this context, in addition to monetary policy measures, the implementation of fiscal consolidation measures and structural reforms remains vital to strengthening market confidence, improving the business environment, mobilising external financing, increasing production and supporting job creation.

The MPC will continue to monitor domestic and international macroeconomic developments, as well as prevailing risks, and may convene extraordinary meetings and take the necessary corrective measures.

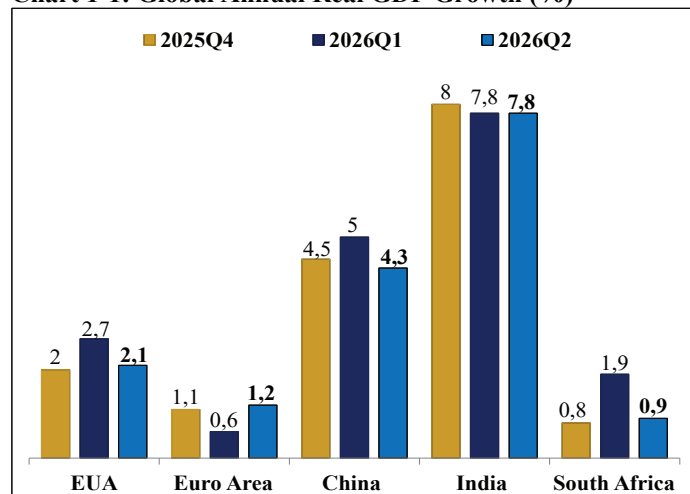
The next MPC meeting is scheduled for November 25, 2026.

Felisberto Dinis Navalha
Governor

Chapter I. Recent Global Economic Developments and Outlook

The International Monetary Fund (IMF), in its July 2026 edition of the *World Economic Outlook* (WEO), revised down its projections for global growth and revised up its inflation projections for 2026, reflecting, among other factors, the impact of the protracted geopolitical tensions in the Middle East on energy prices.

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



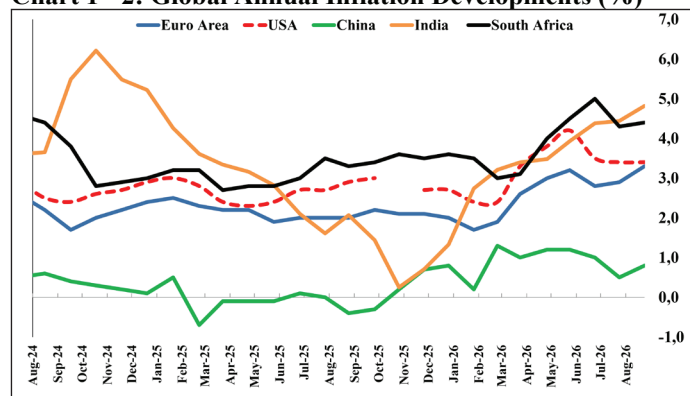
Source: Trading Economics (September 2026)

Table 1-1: Global Annual Real GDP Growth Projections – 2026 and 2027 (%)

	Obs.	Projections		Difference from April/26 WEO	
		2025	2026	2026	2027
World Output	3.5	3.0	3.4	(0.1)	0.2
Advanced Economies	1.9	1.7	1.8	(0.1)	0.1
United States	2.1	2.3	2.2	0.0	0.1
Euro Area	1.4	0.9	1.2	(0.2)	0.0
Germany	0.2	0.7	1.0	(0.1)	(0.2)
Japan	1.1	0.6	0.7	(0.1)	0.1
United Kingdom	1.4	1.0	1.3	0.2	0.0
Emerging Market and Developing Economies	4.5	3.8	4.5	(0.1)	0.3
China	5.0	4.6	4.1	0.2	0.1
India	7.7	6.4	6.7	(0.1)	0.2
Brazil	2.3	2.4	2.2	0.5	0.2
Sub-Saharan Africa	4.5	4.3	4.5	0.0	0.1
South Africa	1.1	1.1	1.3	0.1	0.0

Source: IMF, World Economic Outlook (July 2026)

Chart 1 - 2: Global Annual Inflation Developments (%)



Source: Trading Economics, (September 2026)

1.1 Global Economic Activity and Inflation

In the second quarter of 2026, economic activity evolved unevenly across advanced economies and emerging market economies.

In the United States of America (USA), annual growth of 2.1% in the second quarter of 2026 reflected expansion in private consumption, investment, and exports, albeit the pace of growth moderated relative to the previous quarter. In the Euro Area, by contrast, growth of 1.2% was mainly driven by positive contributions from net exports and household consumption (Chart 1-1).

Among emerging market economies, growth in China moderated to 4.3%, from 5.0% in the previous quarter, reflecting weaker domestic demand amid a prolonged contraction in the real estate sector, despite resilient manufacturing and exports. In India, growth remained unchanged at 7.8%, supported by investment, private consumption, and industrial activity. In South Africa, growth moderated to 0.9%, from 1.9% in the previous quarter, reflecting weaker performance in the mining, manufacturing, and trade sectors (Chart 1-1).

The IMF projects a slowdown in global economic growth in 2026, followed by a recovery in 2027.

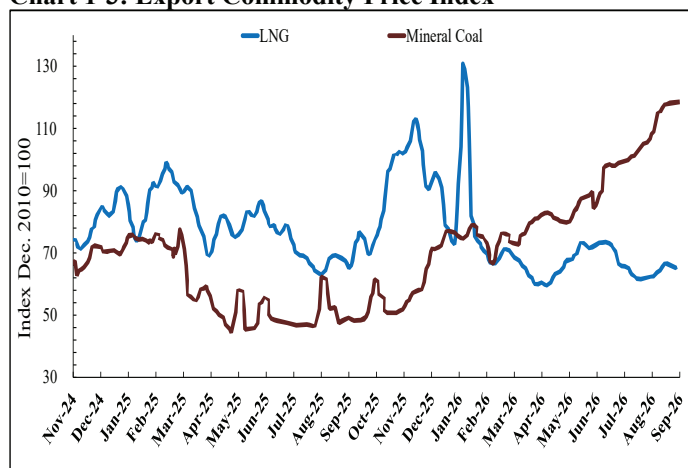
Compared with the IMF's April 2026 WEO projections, global growth forecast for the current year was revised downwards by 0.1 percentage point (pp) in July, from 3.1% to 3.0%, while the forecast for 2027 was revised upwards by 0.2 pp, from 3.2% to 3.4%. According to the IMF, the adverse effects of the conflict in the Middle East are being partly offset by stronger demand associated with the global technology cycle, particularly advances in and the adoption of artificial intelligence (Table 1-1).

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

Region	Observed 2025	Projection		Dif. From Apr./26 WEO	
		2026	2027	2026	2027
World	4,1	4,7	3,9	0,3	0,2
Advanced Economies	2,5	3,0	2,4	0,2	0,2
Emerging Market & Developing Economies	5,2	5,8	4,8	0,3	0,2

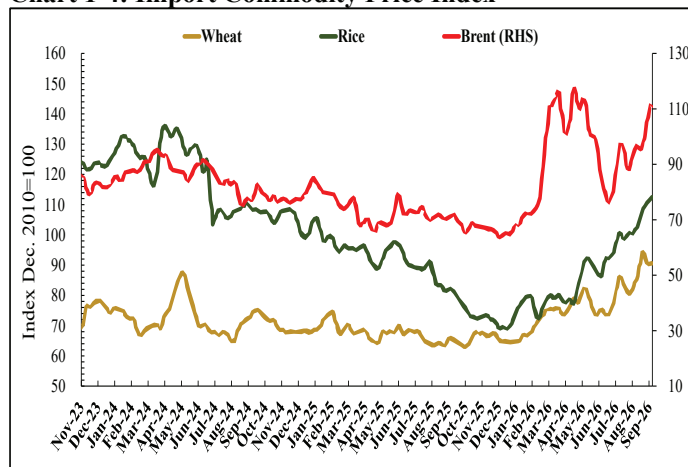
Source: IMF, *World Economic Outlook* (July 2026)

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)

In August 2026, annual inflation remained above target in advanced economies and accelerated in emerging market economies.

In the USA, year-on-year inflation remained at 3.4% in August 2026, unchanged from the previous month, while in the Euro Area it accelerated from 2.9% to 3.2%. Inflation developments in these economies were associated with higher energy prices, amid disruptions in energy markets stemming from the conflict in the Middle East (Chart 1-2).

Among emerging market economies, inflation increased in China and India, mainly reflecting higher energy prices in China and food prices in India. In South Africa, by contrast, inflation remained relatively stable, supported in part by lower petrol prices. In August, inflation stood at 0.8%, 4.8% and 4.4% in China, India, and South Africa respectively (Chart 1-2).

Global inflation is expected to increase in 2026 and 2027.

In its July 2026 WEO, the IMF revised up its global inflation forecast for 2026 from 4.4% to 4.7%, mainly reflecting higher energy and food prices associated with the effects of the conflict in the Middle East. Global inflation is projected to moderate to 3.9% in 2027, albeit 0.2 pp higher than forecast in April, amid an expected normalisation of supply conditions and energy markets (Table 1-2).

1.2.Prices of Key Commodities

As of September 21, 2026, international prices of major commodities traded by Mozambique were generally higher on a year-on-year basis, with the exception of natural gas.

Among export commodities, coal prices recorded a cumulative increase of 46.5%, while natural gas prices declined by 1.8% (Chart 1-3).

The import bill maintained its upward trend, mainly reflecting higher prices of Brent crude oil (50.5%), rice (39.7%), and wheat (39.1%) (Chart 1-4).

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

Real gross domestic product (GDP) grew by 1.7% year-on-year in the second quarter of 2026, largely driven by positive contributions from agriculture, the extractive industry, and services. In the near term, excluding liquefied natural gas (LNG) production, economic activity is expected to recover moderately, mainly supported by the favourable performance of the primary and services sectors. In contrast, the secondary sector remains constrained by the shutdown of Mozal's operations.

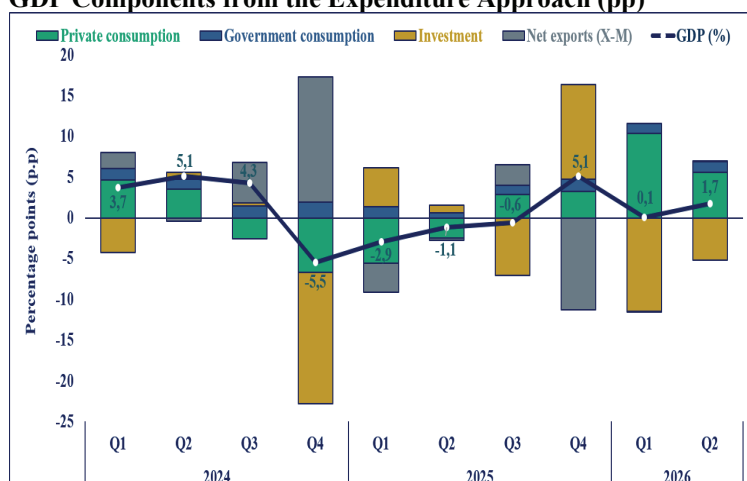
Regarding prices, inflation is expected to accelerate in the near term, reflecting, among other factors, by imported inflation from major trading partners and higher fruit and vegetable prices associated with the end of the winter season, amid a stable Metical and subdued domestic demand.

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

Sectors	2025		2026			
	Q1	Q2	Q1	Q2	Contr./Q2 (pp)	Wei./Q2 (pp)
Primary Sector	2,7	3,9	-4,8	1,8	0,9	47,9
Agriculture	-0,8	2,1	2,2	2,0	0,6	31,6
Fishing	8,2	3,9	0,9	-1,1	0,0	1,3
Mining	11,4	8,0	-21,6	1,7	0,3	15,0
Secondary Sector	-15,5	-13,8	3,2	-6,0	-0,5	8,0
Electricity, Gas and Water	-21,3	-28,0	6,8	7,1	0,1	2,0
Manufacturing	-14,0	-9,9	2,2	-11,2	-0,7	5,2
Construction	-11,2	-2,8	2,0	0,8	0,0	0,9
Tertiary Sector	-5,2	-3,3	3,5	2,5	0,9	34,6
Trade and Services	-18,8	-7,3	4,5	1,2	0,1	7,3
Accommodation and Catering	-22,7	-11,6	5,1	14,5	0,2	1,3
Transport and Communication	-6,5	-4,6	3,9	0,7	0,1	8,0
Financial Services	3,8	-8,0	3,1	4,2	0,2	3,8
Public Adm. Education and Health	2,4	2,5	2,9	2,7	0,3	10,5
Other Sectors	2,3	0,4	2,7	2,9	0,1	3,7
GDP at factor cost	-2,6	-0,8	-0,7	1,3	1,2	90,5
Tax on products	-5,9	-4,2	7,7	5,9	0,5	9,5
GDP	-2,9	-1,1	0,1	1,7	1,7	100,0

Source: INE, 2026

Chart 2-1: Annual Real GDP Growth (%) and the Contribution of GDP Components from the Expenditure Approach (pp)



Source: INE, 2026

2.1 Near-Term Economic Activity

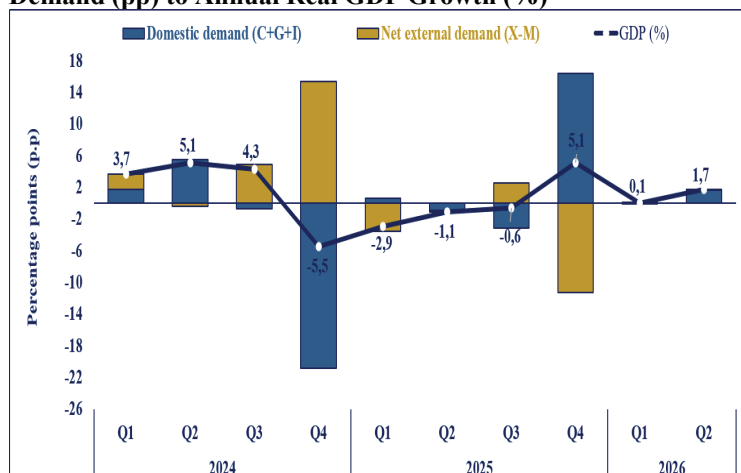
In the second quarter of 2026, real GDP grew by 1.7% year-on-year. The expansion largely reflected the positive performance of the primary sector (agriculture and extractive industry) and the tertiary sector (services), which together contributed 1.8 pp to the growth in economic activity. This performance was, however, partially offset by the negative contribution of the secondary sector (-0.5 pp), mainly due to the contraction in manufacturing associated with the shutdown of Mozal's operations (Table 2-1).

From the expenditure side, GDP growth was supported by a positive contribution from domestic demand, despite a contraction in investment. Domestic demand mainly reflected the favourable contribution of private consumption, while the decline in investment was the main factor constraining growth. Meanwhile, net external demand made only a marginal contribution, reflecting the limited contribution of exports to the expansion of economic activity (Charts 2-1 and 2-2).

On a cumulative basis, GDP grew by 0.9% in the first half of 2026, following a contraction of 2.0% in the same period of 2025.

Excluding LNG production, the near-term outlook points to moderate growth in economic activity. This forecast is supported by prospects of improved performance in the primary and

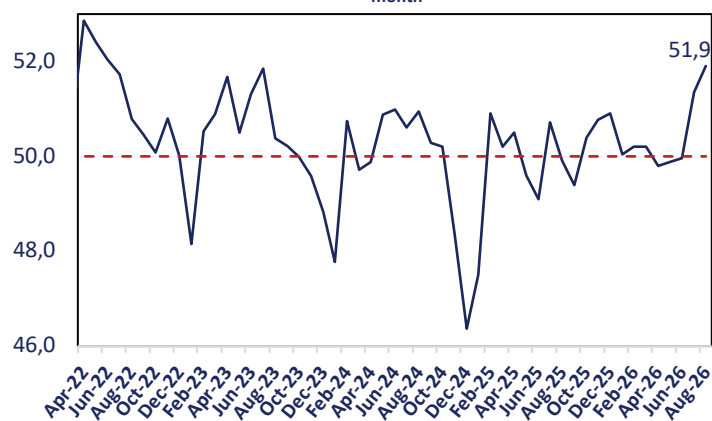
Chart 2-2: Contributions of Domestic Demand and Net External Demand (pp) to Annual Real GDP Growth (%)



Source: INE, 2026

Chart 2-3: Purchasing Managers Index (PMI) – Mozambique

Seasonally adjusted PMI > 50 = improvement compared to the previous month



Source: HIS, Markit

Table 2 - 2: Mozambique's 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%
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	169,393	158,507	486,611	29.4%
Mar - 2026	155,715	169,393	159,482	484,590	29.3%
Apr - 2026	154,271	169,393	212,717	536,380	32.4%
May - 2026	154,480	169,393	213,698	537,570	32.5%
Jun - 2026	154,686	169,393	214,189	538,267	32.5%
Jul - 2026	155,457	169,393	214,419	539,269	32.6%
Aug - 2026	152,709	169,393	215,692	537,793	32.5%
Sep - 2026	150,390	169,393	226,692	546,474	33.0%
Flow (Jan/26 - Sep/26)	-6,416	-2,265	80,566	71,885	

Source: BM and BVM

*Updated as of 09.23.2026

tertiary sectors, particularly agriculture, the extractive industry, trade and services, transport and communications, and hotels and restaurants.

The economic growth outlook is consistent with recent developments in the *Purchasing Managers Index* (PMI), which, for the second consecutive month, signals an improvement in business operating conditions (Chart 2-3).

2.2 Domestic Public Debt

The persistence of domestic and external debt arrears continues to constrain the normal functioning of the financial market.

Domestic and external public debt arrears persist, including obligations to domestic financial institutions and multilateral creditors, with, among other effects, weak demand for government securities, rigidity in interbank money market interest rates, and the assessment of sovereign risk. Indeed, domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at MZN 546.5 billion, an increase of MZN 71.9 billion relative to December 2025, thereby contributing to higher bank liquidity (Table 2-2).

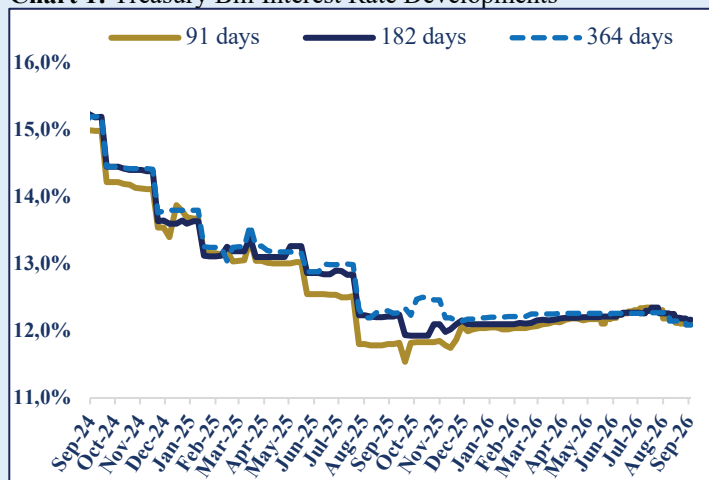
Box 1: Monetary, Financial and Foreign Exchange Developments

I. Interest Rate Developments

a) Money Market Interest Rates

Treasury bill (T-bill) interest rates remain rigid. Interest rates on 91-, 182- and 364-day T-bills remained broadly unchanged, standing at 12.10%, 12.17% and 12.09%, respectively, in September 2026, compared with 12.18%, 12.21% and 12.26% at end-May 2026. The rigidity largely reflects commercial banks' elevated perception of fiscal risk, which continues to constrain their appetite for government securities (Chart 1).

Chart 1: Treasury Bill Interest Rate Developments*

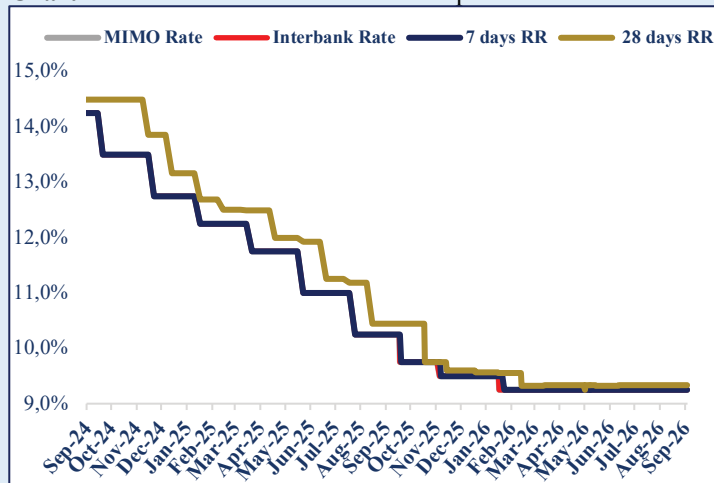


Source: BM

* Data updated as of September 23, 2026

Interest rates on shorter maturities remained broadly stable between May and September 2026. The MIMO policy rate and the effective MIMO rate, both with overnight maturities, as well as the 7-day reverse repo rate, remained unchanged at 9.25% in September 2026. By contrast, the 28-day reverse repo rate increased marginally, from 9.25% at end-May to 9.34% in September 2026 (Chart 2).

Chart 2: Near-Term Interest Rate Developments*



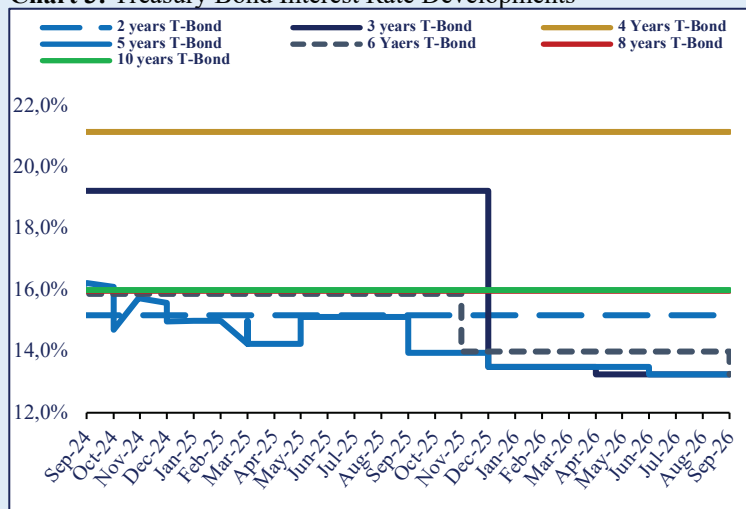
Source: BM

* Data updated as of September 23, 2026

b) Treasury Bond Interest Rates

Between May and September 2026, the Government conducted Treasury bond exchange auctions for 5- and 6-year maturities. The weighted average interest rate stood at 13.25%, slightly below the level recorded in the most recent auctions for the same maturities (Chart 3).

Chart 3: Treasury Bond Interest Rate Developments*



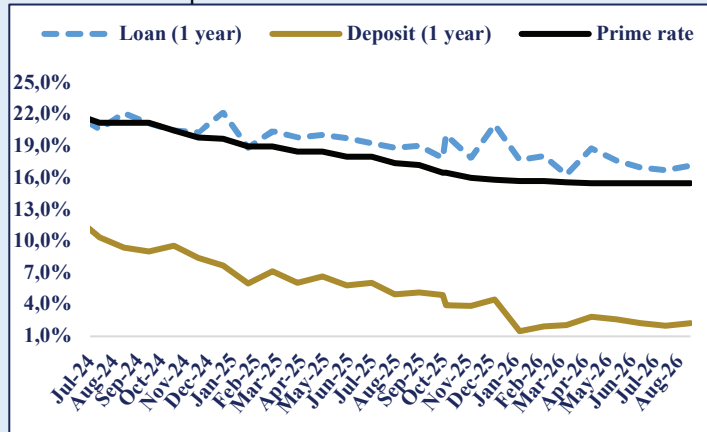
Source: BM

* Data updated as of September 23, 2026

c) Retail Interest Rates

Lending and deposit interest rates for one-year maturities in the retail market continue to trend downward. In August 2026, average deposit and lending rates for a one-year maturity decreased by 38 bp and 49 bp, respectively, relative to May 2026, settling at 2.23% and 17.14%. Consequently, the spread between the two rates narrowed by 12 bp (Chart 4).

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



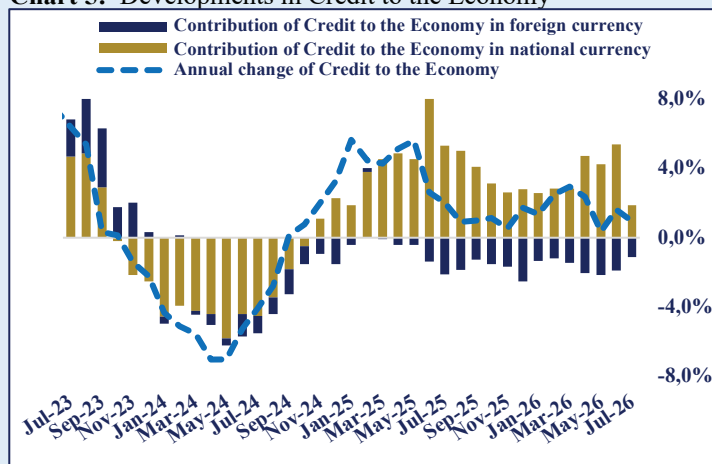
Source: BM

*Data updated as of August 31, 2026

II. Developments in Credit to the Economy

Credit to the economy continues to grow at a subdued pace. In July 2026, credit to the economy grew by 0.94% year-on-year, relative to 0.36% in May (Chart 5). This dynamic reflects, among other factors, commercial banks' elevated perception of credit risk, amid a slow recovery in economic activity and high sovereign risk.

Chart 5: Developments in Credit to the Economy*



Source: BM

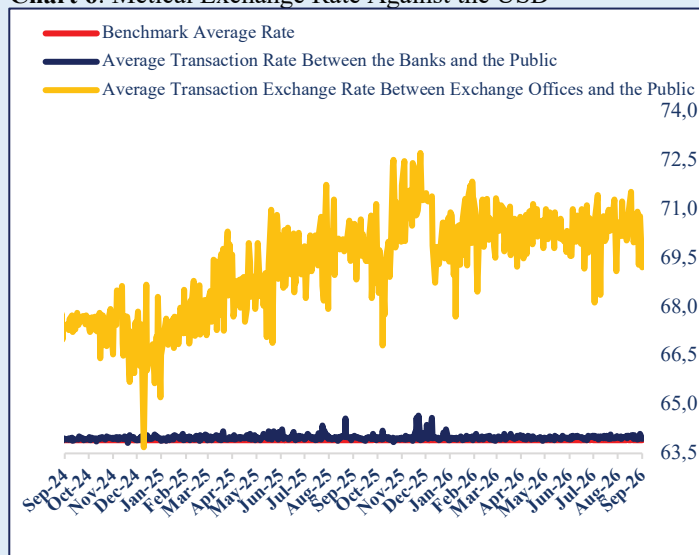
*Data updated as of July 31, 2026.

III. Exchange Rate Developments

a) Metical-US Dollar Exchange Rate

The Metical (MZN) remains stable against the US Dollar (USD). In mid-September 2026, the average MZN/USD reference exchange rate remained unchanged at MZN/USD 63.91, the same level recorded in May 2026. Similarly, exchange rates in the effective market segment and at foreign exchange bureaus remained stable, moving from MZN/USD 64.01 and MZN/USD 70.30, respectively, in May to MZN/USD 63.94 and MZN/USD 69.20 in September 2026 (Chart 6).

Chart 6: Metical Exchange Rate Against the USD*



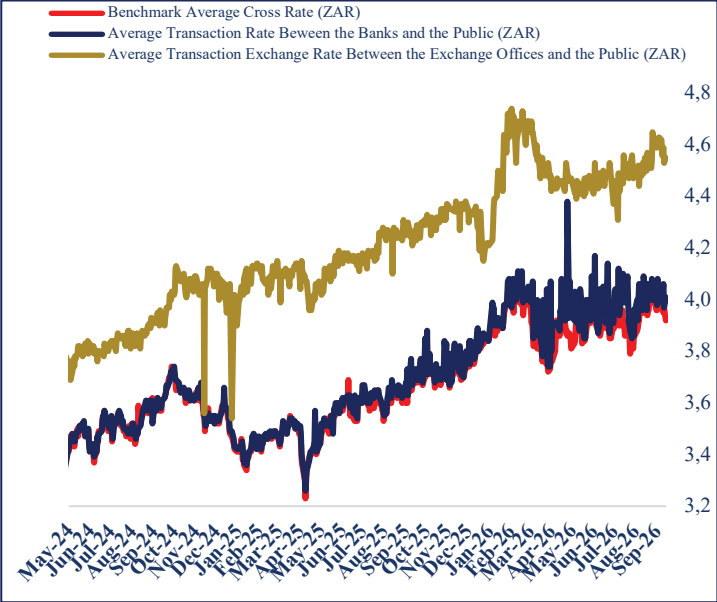
Source: BM

* Data updated as of September 23, 2026.

Metical-Rand Exchange Rate

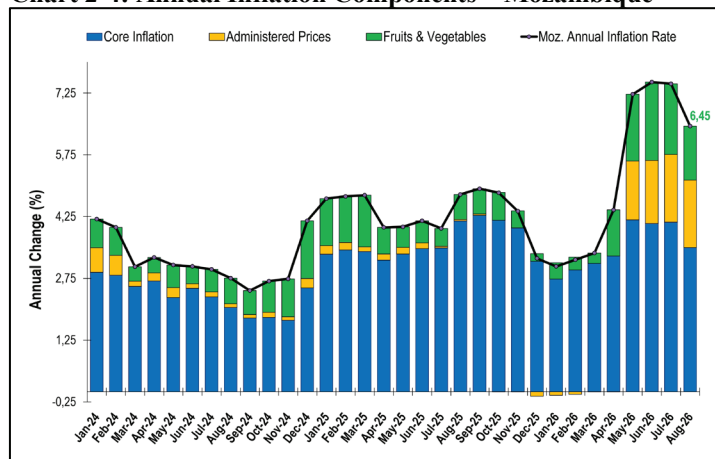
The Metical recorded a mixed pattern against the South African Rand (ZAR) across the different foreign exchange market segments. During the period under review, the average reference exchange rate, and the exchange rate applicable to transactions between banks and the public declined by 0.5% and 2.0%, respectively, to MZN/ZAR 3.92 and MZN/ZAR 4.01. Conversely, the average rate quoted by foreign exchange bureaus increased by 2.7% to MZN/ZAR 4.55 (Chart 7).

Chart 7: Metical Exchange Rate Against the ZAR*



Source: BM
* Data updated as of September 23, 2026.

Chart 2-4: Annual Inflation Components – Mozambique



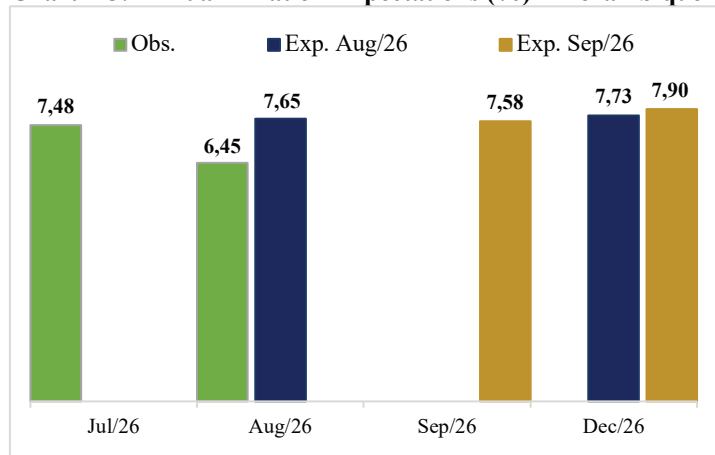
Source: INE

Table 2-3: Core Inflation (%) – Mozambique CPI

	Mar/26	Apr/26	May/26	Jun/26	Jul/26	Aug/26
Mozambique Headline Inflation	3,37	4,41	7,22	7,51	7,48	6,45
Food	6,20	10,24	12,93	13,35	12,62	8,91
Grains and Derivatives	0,68	-0,03	-1,86	-2,54	-2,08	-2,33
Fruits and Vegetables	3,81	18,97	27,09	30,77	26,38	20,01
Clothing and Footwear	4,68	5,23	4,83	4,62	4,81	4,18
Restaurants	5,30	4,58	4,61	4,44	4,22	3,98
Administered Prices	-0,01	-0,14	5,85	6,41	6,87	6,88
CPI excl. Fruits & Vegables	3,33	3,39	5,98	6,04	6,39	5,62
CPI excl. Admin	4,47	6,04	7,96	8,09	7,91	6,40
CPI excl. Fruit, Veg & Admin,	4,54	4,67	6,02	5,90	6,21	5,16

Source: INE

Chart 2-5: Annual Inflation Expectations (%) - Mozambique



Source: INE and BM

2.3 Recent Inflation Developments and Near-Term Outlook

In August 2026, annual inflation continued along its deaccelerating path for the second consecutive month.

In August, annual inflation moderated to 6.45%, from 7.48% in July, mainly reflecting lower food prices, particularly fruit and vegetables, whose inflation rate fell from 26.38% to 20.01%, supported by the seasonal increase in supply associated with the winter season (Chart 2-4 and Table 2-3).

Core inflation also deaccelerated. Excluding fruit and vegetables and administered prices, core inflation also moderated, reflecting the stability of the Metical and the limited pass-through of the domestic fuel price adjustment to the prices of other goods and services (Table 2-3).

The results of the Banco de Moçambique's survey of economic agents suggest a slight upward revision in inflation expectations. In the September survey, economic agents anticipate annual inflation to reach 7.90% in December 2026, equivalent to an upward revision of 17 bp relative to the expectations in the previous survey (Chart 2-5).

Chapter III. Medium-Term Inflation and Economic Activity Outlook

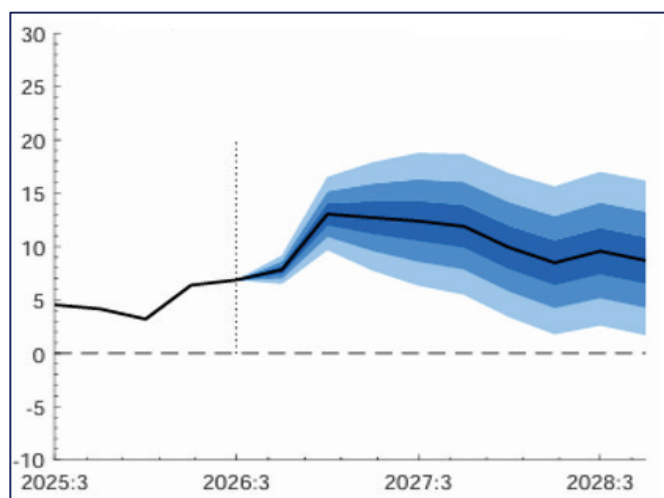
Despite the prospects for higher prices in the near term, inflation is expected to return to single digits over the medium term, mainly reflecting the anticipated decline in international fuel and food prices, contingent on a possible easing of tensions in the Middle East.

Table 3 - 1: Assumptions for External Variables

	2025	2026	2027
US Real GDP (%)	2.1	2.1	2.1
Previous MPC	2.1	2.2	1.8
RSA Real GDP (%)	1.3	1.4	1.3
Previous MPC	1.1	1.7	1.2
	2025Q4	2026Q4	2027Q4
US Inflation (%)	2.7	4.0	3.9
Previous MPC	2.7	4.3	4.0
RSA Inflation (%)	3.6	4.6	3.7
Previous MPC	3.6	5.5	4.9
Brent crude price (USD)	63.1	105	95
Previous MPC	63.1	105	82.2
Food Prices (%)	1.5	5.6	0
Previous MPC	1.5	8.9	-3.5

Source: BM

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



3.1. Medium-Term Projection Assumptions

Macroeconomic projections for the 2026–2027 horizon are based on the following assumptions:

a) External Environment

- **Oil prices remain elevated, above USD 105 per barrel in 2026, before declining gradually in 2027.**

The projections assume that oil prices will remain above USD 100 per barrel in the fourth quarter of 2026, before gradually declining to around USD 95 per barrel in the fourth quarter of 2027, as tensions in the Middle East gradually ease (Table 3-1).

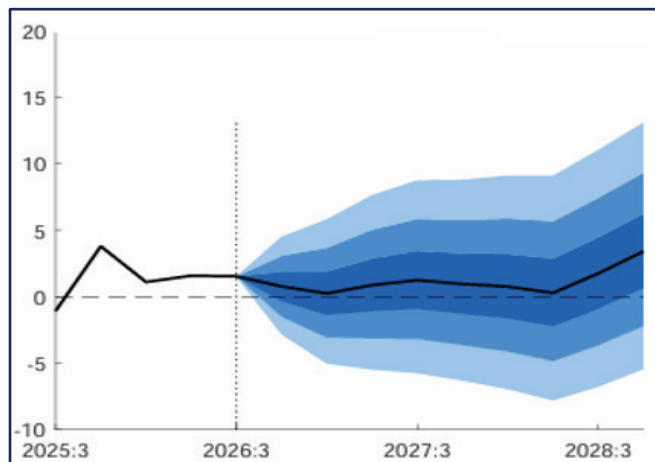
- **Persistence of inflation above target and moderation in growth among trading partners**

Amid the protracted geopolitical tensions in the Middle East and Europe, inflation in Mozambique's main trading partners is assumed to remain relatively elevated in 2026, before converging towards their respective targets in 2027. In South Africa, Mozambique's main trading partner, inflation is projected at approximately 4.6% and 3.7% in the fourth quarters of 2026 and 2027, respectively, converging towards the South African Reserve Bank's (SARB) inflation target of 3% (± 1 pp).

In the USA, inflation is projected to decline gradually towards the Federal Reserve's 2.0% target, reaching approximately 4.0% and 3.9% in the fourth quarters of 2026 and 2027, respectively.

Regarding economic activity, growth prospects in the USA are expected to

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



remain unchanged in 2026, supported by resilient private consumption and strong investment in artificial intelligence and other strategic areas, as well as fiscal incentives. In South Africa, the pace of growth is expected to be revised downward, amid persistent energy infrastructure constraints, structural rigidities, governance challenges, and elevated public debt.

b) Domestic Environment

The main domestic assumptions are:

- The effects arising from imported inflation;
- The persistence of the public financing deficit and arrears in government payments; and
- Stability of the Metical exchange rate against the US Dollar.

3.2. Medium-Term Inflation Projections and Associated Risks

On the basis of the above assumptions, projections point to an upward trend in prices until mid-2027, followed by a moderation thereafter (Chart 3-1).

The decline in inflation over the medium term reflects prospects of lower international fuel and food prices, associated with a possible easing of tensions in the Middle East.

Excluding the LNG sector, the economy is expected to continue recovering, albeit at a gradual pace, due to the effects of climate shocks, weak momentum in the secondary sector and subdued domestic demand (Chart 3-2).

Risks and uncertainties to the inflation projections remain elevated. Domestically, uncertainty persists regarding the magnitude of the effects of imported inflation, developments in public debt and the impact of climate shocks, particularly the *El Niño* phenomenon. Externally, uncertainties centres on the duration and magnitude of the effects of geopolitical tensions in the Middle East and Europe on trade flows,

global supply of goods, and international fuel and food prices.

3.3. Monetary Policy Decision

The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to keep the monetary policy interest rate, MIMO, unchanged at 9.25% and to change the reserve requirement regime as of the next reserve maintenance period.

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
- Keep the Reserve Requirement ratios for liabilities in domestic and foreign currencies unchanged at 39.00% and 29.50%, respectively.

Under the new reserve requirement regime, to remain in effect for 18 months, banks will be allowed to deduct from their local currency reserve requirements an amount equivalent to new lending to firms that support import substitution and/or export growth. The applicable interest rate will be the MIMO rate, with an additional margin of 150 basis points, depending on the purpose of the financing.

The MPC reaffirms its commitment to maintaining price stability. In this context, in addition to monetary policy measures, the implementation of fiscal consolidation measures and structural reforms remains vital to strengthening market confidence, improving the business environment, mobilising external financing, increasing production and supporting job creation.

The MPC will continue to monitor domestic and international macroeconomic developments, as well as prevailing risks, and may convene

extraordinary meetings and take the necessary corrective measures.

