



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 01/2024
Maputo, January 31, 2024**

Policy rate reduced to 16.50%

The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to reduce the monetary policy interest rate, MIMO, from 17.25% to 16.50%. The decision is underpinned by the consolidation of prospects for single-digit inflation over the medium term, in a context where the assessment of the risks and uncertainties associated with inflation projections is more favorable.

Prospects of single-digit inflation over the medium term remain unchanged. In December 2023, annual inflation stood at 5.3%, following 5.4% in November. This change is mainly due to the decrease in imported food prices, particularly groceries. Core inflation, which excludes fruits and vegetables, as well as administered prices, also eased, following five months of successive increases. Prospects of single-digit inflation over the medium term remain unchanged, mainly reflecting the stability of the Metical, prospects of falling commodity prices in the global market, and the impact of the measures taken by the MPC.

Pressure on domestic public debt remains high. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 320.6 billion meticaïs, an 8.3 billion increase compared to December 2023.

The assessment of the risks and uncertainties associated with inflation projections is more favorable. Among the possible factors contributing towards lower inflation are fiscal consolidation efforts, the lower severity of extreme climate shocks, and the milder impact of the geopolitical conflicts on the logistics supply chain and on commodity prices in the global market.

The MPC considers that at this point it is appropriate to initiate a cycle of gradual reduction of the MIMO rate, with a view to its normalization over a period of 24 to 36 months. Going forward, the pace and magnitude of the next adjustments will depend on the inflation outlook, as well as the assessment of the risks and uncertainties associated with medium-term projections.

The next regular MPC meeting is scheduled for March 27, 2024.

**Rogério Lucas Zandamela
Governor**