



Monetary Policy Committee COMMUNIQUÉ No. 03/2022 Maputo, May 19, 2022

Policy rate unchanged at 15.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to keep the policy rate, MIMO, unchanged at 15.25%. This decision follows from the prospects of inflation remaining at a single digit in the medium term, despite the high risks and uncertainties associated with these forecasts, especially the effects of the geopolitical tension in Europe. However, inflation should remain high in the short term, driven by the impact of the adjustment of prices of administered goods.

Prospects of single-digit inflation remain for the medium term, despite greater pressure in the short term, due to the adjustment of prices of administered goods. In April, annual headline inflation accelerated to 7.9%, following 6.9% in March, reflecting the rise in fuel and food prices. Core inflation, which excludes the prices of administered goods and services, as well as fruits and vegetables, and is impacted by monetary policy, remains stable. For the medium term, inflation is expected to remain at a single digit, reflecting, in part, the stability of the Metical.

Risks and uncertainties associated with inflation forecasts remain high. Domestically, the uncertainties regarding the magnitude of the increase in prices of administered goods, especially fuel and its effects on the prices of other goods and services, are highlighted. On the external side, supply chain bottlenecks and the Russia-Ukraine geopolitical conflict remain, with an impact on rising prices of oil and food in the international market.

Prospects for economic growth for 2022 and 2023 prevail. Gross domestic product rose by 4.1% in the first quarter of 2022, reflecting the ongoing easing of restrictive measures for containing COVID-19, which boosted the hotel and catering sector, in particular, and the external demand upturn, which fostered the performance of the mining industry. For the short and medium term, prospects of economic recovery remain, also backed by the implementation of energy projects in the Inhambane province and the Rovuma basin, against a backdrop of resumption of the program with the International Monetary Fund.

Pressure on domestic public debt remains. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 245.6 billion meticaís, representing an increase of 26.7 billion compared to December 2021.

The current macroeconomic outlook is consistent with keeping the current policy rate, MIMO, unchanged in the short term, so as to ensure low and stable inflation, which is the main purpose of the Banco de Moçambique. The MPC shall continue to monitor the developments of the risks and uncertainties associated with inflation forecasts, and will not hesitate to take the necessary corrective measures.

The next regular meeting of the MPC is scheduled for July 27, 2022.

Rogério Lucas Zandamela
Governor