



**MONETARY POLICY COMMITTEE  
COMMUNIQUÉ N° 01/2019  
Maputo, 11 February 2019**

**The Monetary Policy Committee (MPC) of the Bank of Mozambique, gathered today has decided to keep the monetary policy interest rate, MIMO rate, at 14.25%.**

*It also decided to maintain the Standing Deposit Facility (SDF) and the Standing Lending Facility (SLF) at 11.25% and 17.25%, respectively, as well as the reserve requirements for liabilities in domestic and foreign currency at 14.00% and 27.00%, respectively.*

**The decision to keep the MIMO rate is supported by the fact that the short-and medium-term prospects continue to show that the annual headline inflation is likely to be at a single digit by the end of this year. These prospects are underpinned by the expectations of fuel price reduction in the international market and of price stability in Mozambique's main trading partners, in a context of aggregate demand restraint. However, given that the risks and uncertainties underlying inflation projections have become more prominent, the MPC considers it appropriate to maintain a prudent monetary policy stance.**

**Inflation remained low and stable in 2018.** According to the National Statistical Institute (INE), annual inflation, as measured by the variation in Mozambique's Consumer Price Index (CPI), continued the downward trend started in September 2018. In fact, annual inflation was set at 3.52% last December, down from 5.65% in the same period of 2017. The prudent monetary policy, coupled with the Government's fiscal consolidation efforts, in an environment of slower growth of foodstuff and liquid fuels prices, favored the dynamics of inflation.

**GDP is expected to accelerate slightly in the fourth quarter of 2018 and 2019, underpinned by improved domestic demand.** The boost in domestic demand may reflect not only the partial payment of arrears by the Government to its suppliers of goods and services, but also the dynamism of the productive sector, in line with the optimism of the private sector, reflected in the improvement of the economic climate indicator, in the fourth quarter of 2018, as reported by INE.

**The Metical shows a slight depreciation, in line with the seasonality of the period.** After closing at 61.43 MZN/USD, in December 2018, the average exchange rate applied by commercial banks in the transactions with the public stood at 62.25 MZN, on 8 February. In the same period, the ZAR price increased from MZN 4.25 to 4.61.

**International reserves remain at comfortable levels.** Gross international reserves balance suffered a loss of USD 84.5 million, to USD 3,014.3 million, registered on February 8, 2019, a figure that still allows to cover for 7 months of import of goods and services, excluding major projects transactions.



**Retail interest rates continue to decline, in line with the MIMO rate.** Available data shows that the average interest rate for one-year period decreased from 21.65%, in November, to 20.51%, in December. Over the same period, the average interest rate on deposits for one-year period increased from 11.01% to 11.27%. In November, bank loans to the private sector increased monthly by 2.6%.

**Domestic public debt increased slightly.** Data from January shows that the flow of domestic public debt contracted using Treasury Bills, Treasury Bonds and advances from the Bank of Mozambique has increased by MZN 509 million since the last MPC, to a total of MZN 112,525 million. These amounts do not take into account other amounts of domestic public debt, such as mutual and leasing contracts, as well as past due liabilities.

**External risks have worsened.** Concerns about a slowdown in world growth are rising as trade tensions between major economies continue, with an impact on external trade flows and volatility in international commodity prices, particularly oil prices. The price of a barrel of oil stood at USD 62.10 at the close of February 8, 2019, against USD 64.81 observed in the same period of 2018.

**The current conditions of the Mozambican economy favor the projection of low and stable inflation, around one digit, in the short and medium terms.** Nevertheless, the MPC considers that there are risks associated with the sustainability of the public debt, the natural disasters, as well as the uncertainties regarding the evolution of the prices of the administered goods.

Considering the short- and medium-term inflation outlook and weighted the underlying risks, the MPC has decided to:

- ✓ Keep the monetary policy interest rate, MIMO rate, at 14,25 %
- ✓ Keep the Standing Lending Facility (SLF) at 17,25%;
- ✓ Keep the Standing Deposit Facility (SDF) at 11,25%;
- ✓ Keep the reserve requirement for liabilities in domestic currency at 14.0%; and
- ✓ Keep the reserve requirement for liabilities in foreign currency at 27.0%;

The MPC will continue to monitor economic and financial indicators and risk factors and will not hesitate in taking the necessary corrective measures before the next meeting, scheduled for 24 April 2019.

**Rogério Lucas Zandamela**

**Governor**