



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 3/2024
Maputo, May 27, 2024**

Policy rate reduced to 15.00%

The Banco de Moçambique Monetary Policy Committee (MPC) decided to reduce the policy rate, MIMO, from 15.75% to 15.00%. This decision is underpinned by the continued consolidation of single-digit inflation prospects over the medium term, in a context where the assessment of the risks and uncertainties associated with projections remains favorable.

This MPC session was preceded by the Banco de Moçambique Financial Stability and Inclusion Committee (CEIF) meeting, which assessed the developments in systemic risk and main vulnerabilities, also reflected herein, and concluded that the national financial system remains stable and resilient.

Prospects of inflation remain under single digit in the medium term. In April 2024, annual inflation stood at 3.3%, following 3.0% in March. Core inflation, which excludes fruits and vegetables and administered prices, remained stable. Prospects for single-digit inflation in the medium term remain unchanged, mainly reflecting the stability of the Metical and the impact of the measures taken by the MPC.

The assessment of the risks and uncertainties associated with inflation projections remains favorable. Possible factors restraining inflation in the medium term include the stability of the Metical and the milder impact of geopolitical conflicts on the logistics supply chain and commodity prices in the global market.

The banking sector remains sound, capitalized and resilient. In March 2024, the capital adequacy ratio stood at 25.1%, above the regulatory minimum of 12%, and the liquidity ratio stood at 50,2%, also above the regulatory level of 25%. The macroprudential solvency stress test, which consists of a simulation of shocks to assess banking sector resilience, showed that it has sufficient capital buffers to absorb potential losses and remain sound and capitalized in the medium term.

Systemic risk, which assesses the potential spillover effect from banking system disruptions, is moderate. This reflects the gradual recovery of economic activity, the stability of the Metical and the recent trend in inflation, despite the increased exposure of the banking sector to public debt. Indeed, domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 361.8 billion meticaís, a 49.5 billion increase compared to December 2023.

The MPC will continue easing the MIMO rate over the medium term. Meanwhile, the pace and magnitude will continue to depend on inflation prospects, as well as the assessment of the risks and uncertainties associated with medium-term projections.

The next regular MPC meeting is scheduled for July 31, 2024.

**Rogério Lucas Zandamela
Governor**