



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 05/2022
Maputo, September 30, 2022**

Policy rate increases to 17.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to increase the MIMO policy rate from 15.25% to 17.25%. The measure seeks to ensure the return of inflation to a single digit in the medium term, against a backdrop of expected ongoing volatility of energy and food prices in the global market, amid the prolonged Russia-Ukraine conflict, with the potential to trigger a spiral of sustained domestic price increases.

Inflation is expected to continue to accelerate in the short term, and slow down in the medium term. In August, annual inflation accelerated to 12.1%, following 11.8% in July, mainly driven by the rise in prices of administered goods, especially urban public transportation, despite core inflation remaining stable. In the medium term, inflation is expected to return to a single digit, driven by the effects of the MIMO rate increases and ongoing Metical stability, amid uncertainties regarding the dynamic of energy and food prices in the international market.

Risks and uncertainties associated with inflation forecasts remain high. Domestically, uncertainties associated with the adjustment of prices of administered goods and its impact over the prices of other goods and services remain. On the external side, uncertainties remain over the magnitude and persistence of effects of the Russia-Ukraine geopolitical conflict.

Prospects for economic recovery in 2022 and 2023 remain, despite forecasts of slowing external demand. These prospects are backed by the implementation of energy projects in the Inhambane province and the Rovuma basin and the beginning of liquified gas exports, amid the implementation of the program with the International Monetary Fund and resumption of foreign aid from cooperation partners.

Domestic public debt has increased. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 263.1 billion meticaís, an increase of 44.3 billion, compared to December 2021.

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 November 30, 2022.

**Rogério Lucas Zandamela
Governor**