MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 01/2025
Maputo, January 27, 2025

Monetary policy rate reduced to 12.25%

The Banco de Moçambique Monetary Policy Committee (MPC) decided to reduce the policy rate, MIMO, from 12.75% to 12.25%. This decision stems from prospects of inflation remaining in a single-digit over the medium term, despite the increase in risks and uncertainties associated with the projections, particularly those arising from post-election tension, fiscal risk and climate shocks.

In addition, the MPC decided to reduce the Reserve Requirement ratios for liabilities in local currency from 39.0% to 29.0%, and from 39.50% to 29.50% for foreign currency liabilities, to support the economy with more liquidity to restore production capacity and the supply of goods and services.

Prospects of single-digit inflation remain in place over the medium term. In December 2024, annual inflation increased to 4.15%, following 2.84% in November, reflecting the reduction in the supply of goods and services, due to the post-election tension. Core inflation, which excludes fruits and vegetables and administered prices, also increased. Prospects of single-digit inflation remain in place over the medium term, reflecting essentially the stability of the Metical and the impact of the measures taken by the MPC.

Pressure on domestic public debt has increased. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 435.6 billion meticais, a 20.1 billion increase compared to December 2024.

International reserves remain at comfortable levels. Gross international reserves, excluding megaprojects are sufficient to cover around 5 months of import of goods and services.

Money market interest rates continue to decline. The reference lending interest rate, the Prime Rate, continues to decrease, in line with monetary policy decisions. The same trend is observed in the interest rates that banks charge their customers. Meanwhile, credit to the economy rose by 7.30% from January to November 2024.

Risks and uncertainties associated with inflation projections have increased. The impact of the post-election tension, climate shocks and increased pressure on public spending, amidst reduced financing capacity, stand out as factors signaling an increase in inflation over the medium term.

The MPC will continue normalizing the MIMO policy rate over the medium term. 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 MPC meeting is scheduled for March 26, 2025.

Rogério Lucas Zandamela
Governor