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ECONOMIC OUTLOOK AND INFLATION FORECASTS



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AND INFLATION FORECASTS

November 2025

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¹ Internal and/or external guests may also participate in Monetary Policy Committee meetings, whenever necessary, at the invitation of the body's Chairman.

Foreword

The primary mandate of the Banco de Moçambique (BM) is to ensure price stability, thereby safeguarding households' purchasing power. This entails maintaining low and stable inflation within single digits over the medium term. The mandate is implemented by the Monetary Policy Committee (MPC), which comprises the Governor, Deputy Governor, BM Board Members, and permanent invitees. In addition, the BM is responsible for overseeing and safeguarding and the stability of the financial system.

Price stability underpins balanced and sustainable economic growth. It reduces uncertainty for economic agents and allows for more attractive interest rates, thereby fostering a macroeconomic environment conducive to savings and investment.

To achieve price stability, the MPC sets the monetary policy interest rate, known as the Mozambique Interbank Money Market Rate (MIMO). Introduced on April 17, 2017, this rate signals the stance of monetary policy and serves as an anchor for operations in the Interbank Money Market. By influencing overnight interest rates in this market, the MIMO rate is expected to affect inflation through expectations, the exchange rate and credit channels.

Decisions on the MIMO rate are primarily based on inflation projections, while carefully weighing the associated risks and uncertainties. The MPC recognizes that monetary policy operates with a lag and therefore adopts a forward-looking approach, assessing macro-financial prospects, including risks and uncertainties, over at least an eight-quarter horizon. When inflation projections deviate materially from the medium-term policy target, the MPC takes appropriate measures to restore alignment.

The MPC meets regularly every two months and may convene extraordinary meetings when warranted by economic conditions. The schedule of regular MPC meetings is announced at the beginning of each year. The schedule of regular MPC meetings is announced at the beginning of each year, while extraordinary meetings may be called whenever macroeconomic developments require policy action.

The BM places great importance on transparency in the communication of its monetary policy. Monetary policy decisions are publicly announced through MPC press releases and, when applicable, press conferences led by the Governor on the day of the meeting.

The Economic Outlook and Inflation Forecasts (CEPI) Report serves as an additional communication tool for MPC decisions. It discloses the factors and rationale behind the measures adopted by the MPC and thereby enhancing the public's understanding of the objectives and conduct of monetary policy.

Rogério Lucas Zandamela

Governor

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Decisions of Session No. 6 of the Monetary Policy Committee, of November 14, 2025

The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to reduce the monetary policy rate, MIMO, from 9.75% to 9.50%. This modest reduction reflects the heightened risks and uncertainties underlying the inflation projections, particularly stemming from the Government's delay in the payment of domestic public debt instruments.

Prospects of single-digit inflation remain unchanged over the medium term. In October 2025, annual inflation stood at 4.8%, after 4.9% in September. Core inflation, which excludes fruits and vegetables and administered prices, also declined. The persistence of single-digit inflation expectations over the medium term largely reflects the stability of the Metical and favourable trends in international commodity prices.

Domestic public debt continues to deteriorate, with implications for the normal functioning of the financial market. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 465.8 billion meticaïs, up by 50.3 billion relative to December 2024. The Government's delay in the payment of domestic public debt instruments is resulting in reduced appetite for government securities and rigidity in the interbank money market interest rates.

Risks and uncertainties associated with inflation projections remain high. Over the medium term, in addition to the risks and uncertainties stemming from climate shocks and the sluggish recovery of productive capacity and the supply of goods and services in the economy, the Government's delay in the payment of domestic public debt instruments is a notable source of vulnerability.

The MPC reaffirms its commitment to pursuing a prudent monetary policy geared towards macroeconomic stability. In light of heightened risks and uncertainties, the direction of monetary policy will henceforth be guided by the assessment of the risks and uncertainties underlying the inflation projections.

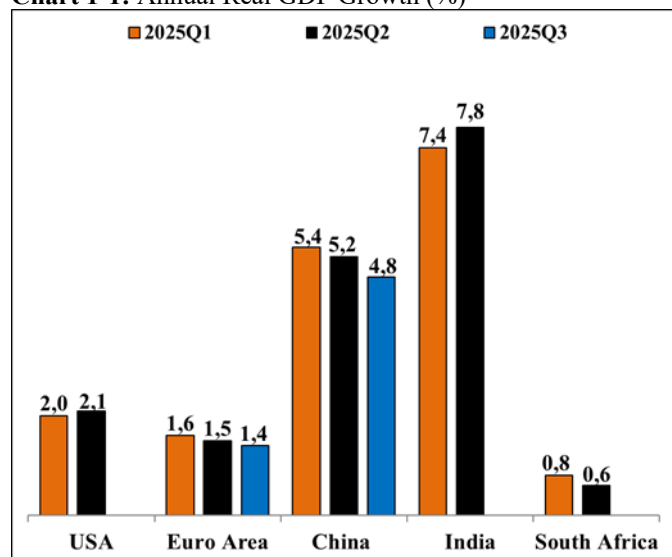
The next MPC meeting is scheduled for January 28, 2026.

Rogério Lucas Zandamela
Governor

Chapter I. Recent Global Economic Developments and Prospects

The International Monetary Fund (IMF), in its *World Economic Outlook*, October 2025 edition, continues to anticipate a slowdown in global growth in 2025 and 2026 and the persistence of a decelerating inflation trend. Key risks and uncertainties to the global outlook include trade and geopolitical tensions, fiscal vulnerabilities, and climate-related shocks.

Chart 1-1: Annual Real GDP Growth (%)



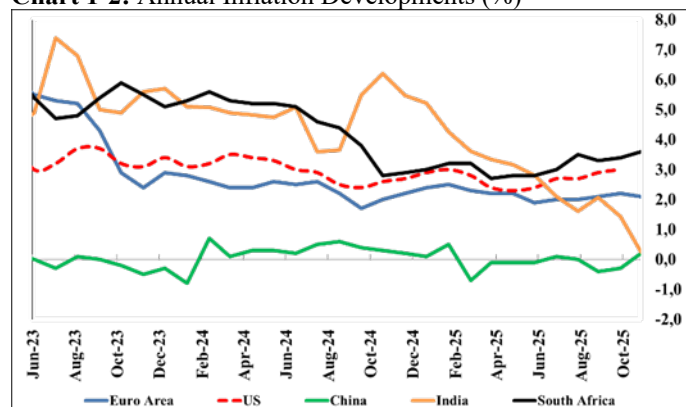
Source: Trading Economics

Table 1-1: Annual Real GDP Growth Projections – 2025 and 2026 (%)

	Actuals	Projections		Difference from July 2025 WEO	
	2024	2025	2026	2025	2026
World Output	3.3	3.2	3.1	0.2	0.0
Advanced Economies	1.8	1.6	1.6	0.1	0.0
United States	2.8	2.0	2.1	0.1	0.1
Euro Area	0.9	1.2	1.1	0.2	(0.1)
Germany	(0.5)	0.2	0.9	0.1	0.0
Japan	0.1	1.1	0.6	0.4	0.1
United Kingdom	1.1	1.3	1.3	0.1	(0.1)
Emerging Market and Developing Economies	4.3	4.2	4.0	0.1	0.0
China	5.0	4.8	4.2	0.0	0.0
India	6.5	6.6	6.2	0.2	(0.2)
Brazil	3.4	2.4	1.9	0.1	(0.2)
Sub-Saharan Africa	4.1	4.1	4.4	0.1	0.1
South Africa	0.5	1.1	1.2	0.1	(0.1)

Source: IMF, World Economic Outlook (October 2025)

Chart 1-2: Annual Inflation Developments (%)



Source: Trading Economics, 2025

1.1. Economic Activity and Inflation

In the third quarter of 2025, economic activity slowed in both the Euro Area and China.

In the Euro Area, Gross Domestic Product (GDP) grew by 1.4% year-on-year, primarily driven by higher household consumption and private investment (Chart 1-1).

Over the same period, the Chinese economy grew by 4.8%, supported by the combined effect of higher industrial production and private consumption (Chart 1-1).

The outlook for 2025 and 2026 continues to point to a slower pace of global economic growth relative to 2024.

The October 2025 edition of the *World Economic Outlook* forecasts global growth of 3.2% in 2025 and 3.1% in 2026. Although the 2025 forecast represents an upward revision of 20 basis points (bp) from the July publication, it remains below 2024 levels. The upward revision of global growth in 2025 continues to be explained primarily by the milder global impact of US trade tariffs (Table 1-1).

In October 2025, annual inflation remained above target in advanced economies, contrasting with very low levels in emerging market economies, except for South Africa.

In advanced economies, annual inflation eased to 2.1% in October in the Euro Area, down from 2.2% in September, mainly supported by a moderation in energy prices (Chart 1-2).

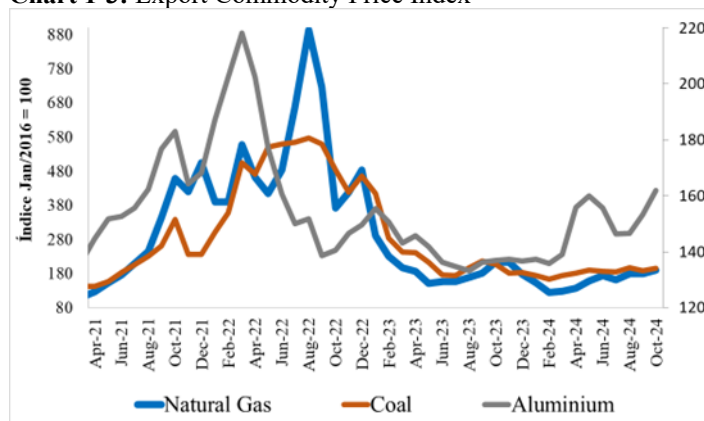
In emerging market economies, excluding South Africa - where annual inflation accelerated to 3.6% from 3.4% in September - annual inflation remained well below target, standing at 0.2% in China (from -0.3% in September) and 0.3% in India (1.4% in September) (Chart 1-2).

Table 1-2: Average Annual Inflation Outlook (%)

Region	Actuals 2024	Projections		Difference from July 2025 WE O	
		2025	2026	2025	2026
World Consumer Prices	5,8	4,2	3,7	0,0	0,1
Advanced Economies	2,6	2,5	2,2	0,0	0,1
Emerging Market and Developing Econ.	7,9	5,3	4,7	(0,1)	0,2

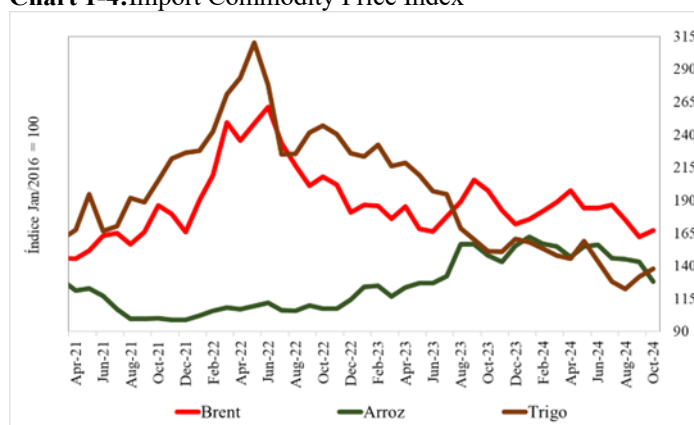
Source: IMF, World Economic Outlook (October 2025)

Chart 1-3: Export Commodity Price Index



Source: IMF Primary Commodity Index (November 2025)

Chart 1-4: Import Commodity Price Index



Source: IMF Primary Commodity Index (November 2025)

Global inflation is forecasted to continue its downward trajectory in 2025 and 2026, supported mainly by the sustained decline in international commodity prices (Table 1-2).

1.2. Prices of Key Commodities

In October 2025, international prices for key commodities traded by Mozambique generally trended downwards, with the exception of aluminium. Among export commodities, thermal coal (−26.7%) and natural gas (−7.5%) recorded the largest year-on-year declines (Chart 1-3).

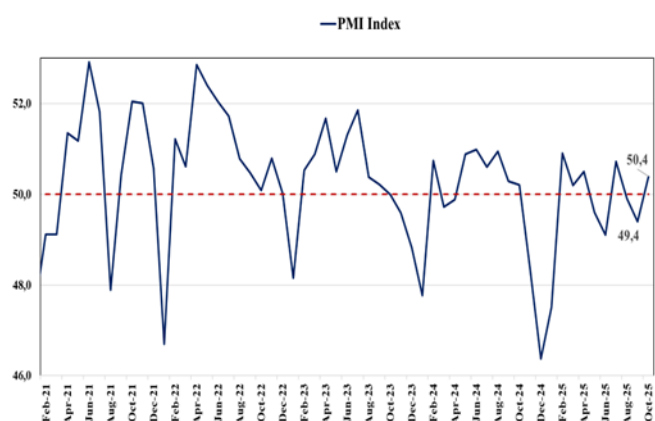
On the import side, rice (−29.9%), wheat (−20.3%) and Brent Crude (−15.0%) posted the most significant declines (Chart 1-4).

Chapter II. Recent Domestic Economic Developments and Near-Term Prospects

Excluding liquefied natural gas (LNG) production, the outlook for the fourth quarter of 2025 points to a recovery in economic activity relative to the same period in 2024, reflecting improved performance in the traditional extractive industry and the tertiary sector.

Annual inflation in October 2025 moderated slightly, primarily influenced by the year-on-year decline in administered prices.

Chart 2-1: Purchasing Managers Index (PMI)



Source: HIS, MarkitNE

Table 2-1 Domestic Public Debt (MZN Million)*

Domestic Public Debt (in MZN million)					
	Use of T-Bills	Treasury Bonds	In the BM	Total Debt	Debt as % of GDP
Dec-20	39.889	61.817	54.267	155.973	15%
Dec-21	34.672	66.317	54.267	155.256	15%
Dec-22	69.872	142.056	63.186	275.114	23%
Dec-23	85.536	155.490	71.314	312.341	23%
Mar-24	94.107	168.604	88.080	350.791	24%
Dec-24	130.511	178.899	106.146	415.556	29%
Mar-25	150.910	171.791	125.058	447.759	29%
Jun-25	149.418	166.542	138.612	454.571	29%
Sep-25	159.621	169.893	144.836	474.350	31%
Oct-25	155.812	169.893	144.836	470.540	30%
Nov-25	152.347	168.626	144.836	465.809	30%
Fluxo (Dec/24 - Nov/25)	21.836	-10.273	38.690	50.253	

Source: BM and BVM

* Data updated up to November 12, 2025

2.1. Near-Term Economic Activity

Excluding LNG production, GDP is expected to remain in positive territory in the fourth quarter of 2025. The projected GDP growth for this period is supported by a strong base effect and prospects for improvement in the performance of the traditional extractive industry and the tertiary sector.

These growth prospects are consistent with the improvement in the *Purchasing Managers Index* (PMI) recorded in October 2025 (Chart 2-1).

2.2. Domestic Public Debt

Domestic public debt continues on an upward trajectory, constraining the normal functioning of the financial market. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stood at 465.8 billion meticaís, up by 50.3 billion relative to December 2024 (Table 2-1). Delays in the settlement of domestic public debt instruments by the government are contributing to lower appetite for government securities and sustained rigidity in interbank money market interest rates.

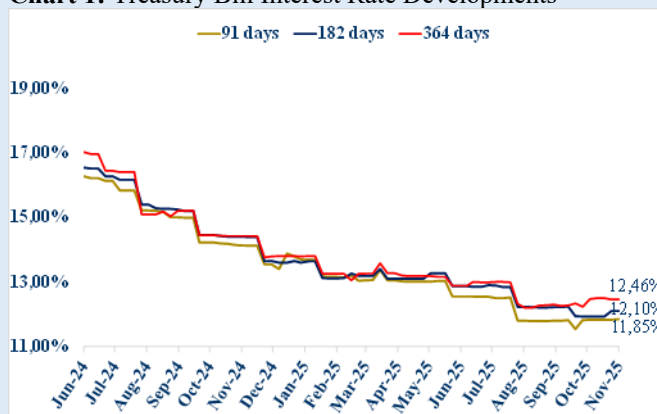
Box 1: Monetary, Financial and Foreign Exchange Developments

I. Interest Rate Developments

a) Money Market Interest Rates

Between September and November 2025, Treasury Bill (T-Bill) interest rates exhibited heterogeneous movements. T-Bill interest rates for the 91-, 182- and 364-day maturities evolved differently: the 91-day rate remained unchanged, the 182-day rate declined by 14 bp, and the 364-day rate rose by 19 bp (Chart 1).

Chart 1: Treasury Bill Interest Rate Developments*

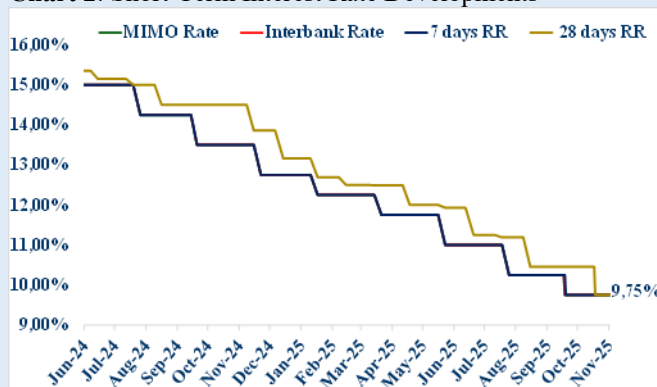


Source: BM

* Data updated up to November 12, 2025

Short-term interest rates continued their downward trajectory. Both MIMO rate and effective MIMO rates (overnight swaps), the 7-day reverse-repo rate, and the 28-day reverse-repo rate declined by between 50 and 70 bp over the period, all settling at 9.75% (Chart 2).

Chart 2: Short-Term Interest Rate Developments*



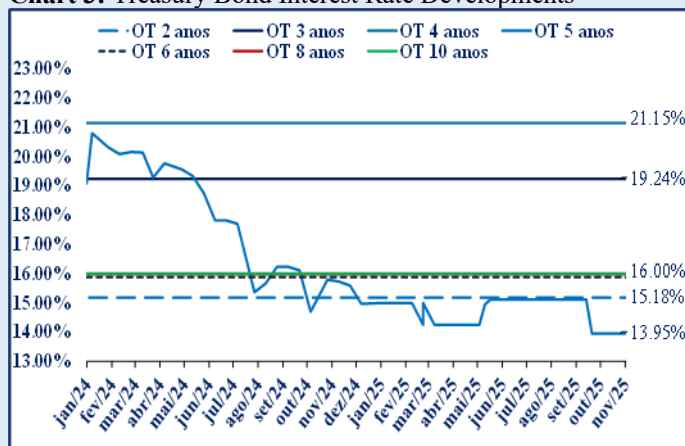
Source: BM

* Data updated up to November 13, 2025

b) Treasury Bond Interest Rates

Between September and November 2025, the government conducted 5-year Treasury bond (T-Bond) exchange auctions. In the latest auction, the fixed interest rate stood at 13.95%, a reduction of 5.0 bp compared with the preceding exchange auction of the same maturity (Chart 3).

Chart 3: Treasury Bond Interest Rate Developments*



Source: BM

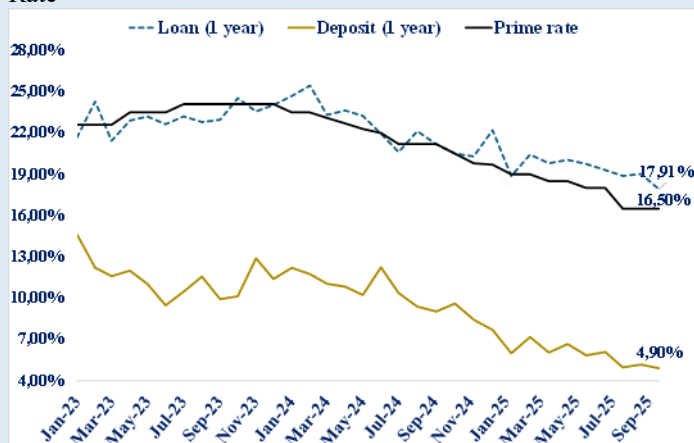
* Data updated up to November 11, 2025

c) Retail Interest Rates

The declining trend in one-year deposit and lending rates in the retail market persisted.

Between July and September 2025, average one-year deposit and lending rates declined by 7 bp and 98 bp, respectively, settling at 4.90% and 17.91%, respectively. This development widened the spread between the two rates (Chart 4).

Chart 4: Developments in Retail Interest Rates and the Prime Rate

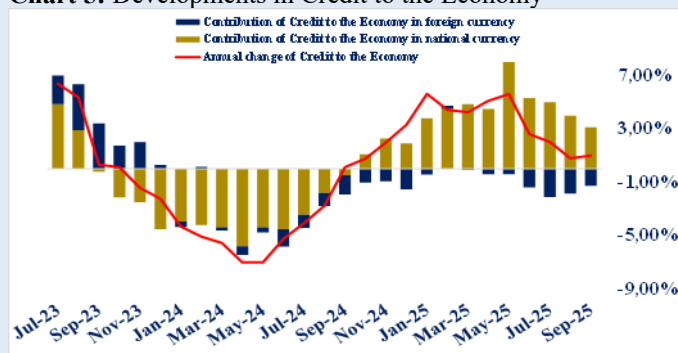


Source: BM

II. Credit Developments

Credit to the economy continues to grow. In September 2025, credit increased by 1.1% month-on-month, following 0.3% in July. On a year-on-year basis, credit grew by 1.0%, following 2.0% in July 2025 (Chart 5).

Chart 5: Developments in Credit to the Economy



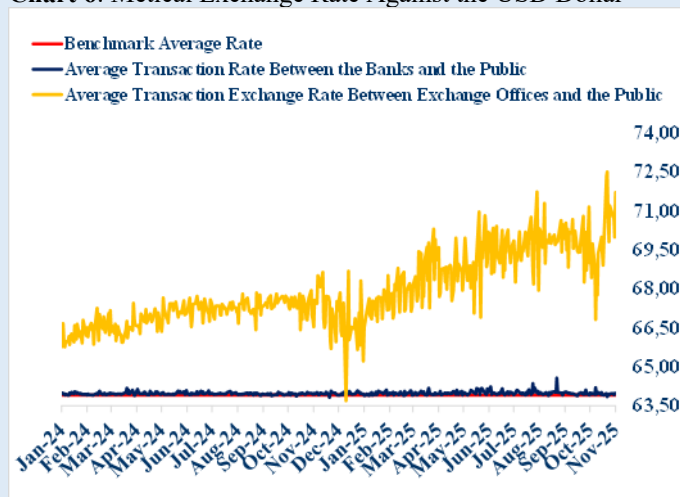
Source: BM

III. Exchange Rate Developments

a) Metical Exchange Rate Against the US Dollar

The Metical (MZN) remained broadly stable against the US Dollar. By mid-November 2025, the average reference exchange rate was unchanged at USD/MZN 63,91, the same level observed in September 2025. Likewise, rates in the spot market and exchange bureaus remained stable, rising marginally from USD/MZN 63.93 and USD/MZN 70.23 in September to USD/MZN 63.98 and USD/MZN 71.72 in November, respectively (Chart 6).

Chart 6: Metical Exchange Rate Against the USD Dollar*



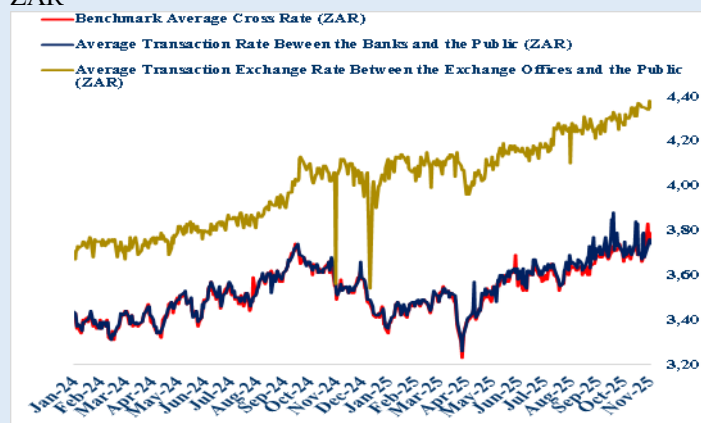
Source: BM

*Data updated up to November 14, 2025

b) Metical Exchange Rate Against the South African Rand

The Metical depreciated against the South African Rand (ZAR). Over the period, the average reference exchange rate of the MZN against the ZAR, as well as rates in the spot market and in exchange bureaus, depreciated by 2.2%, 1.6% and 1.2%, standing at ZAR/MZN 3.75, ZAR/MZN 3.74 and ZAR/MZN 4.35, respectively (Chart 7).

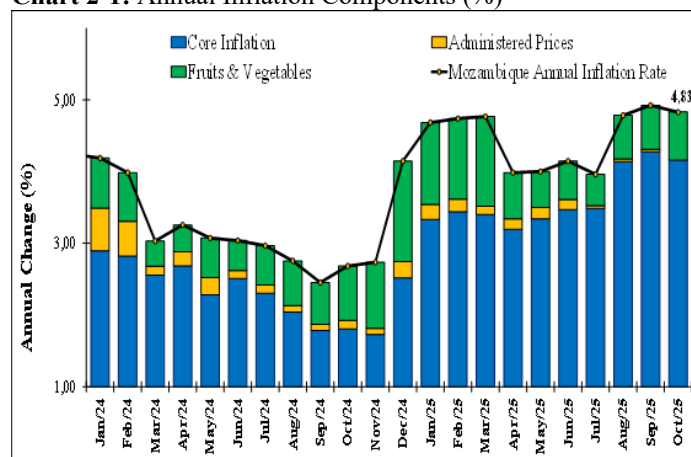
Chart 7: Metical Exchange Rate Developments against the ZAR*



Source: BM

*Data updated up to November 14, 2025

Chart 2-1: Annual Inflation Components (%)



Source: INE

2.3. Recent Inflation Developments and Near-Term Prospects

Annual inflation decelerated marginally in October 2025.

Annual inflation stood at 4.83% in October, a decline of 10 bp relative to September, primarily driven by the year-on-year reduction in administered prices, reflecting the increase in landline and mobile communication prices over the same period of 2024 (Chart 2-2 and Table 2-2).

Table 2-2: Core Inflation (%) – Mozambique CPI

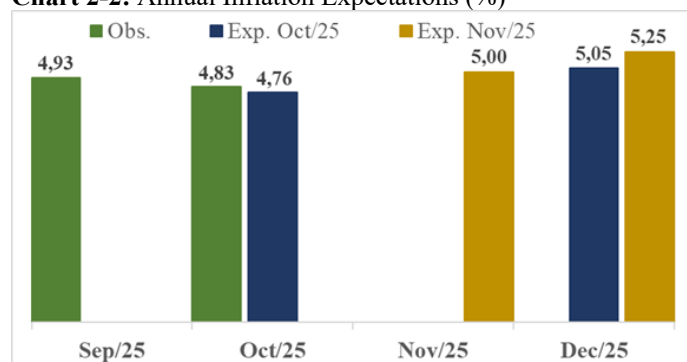
	Sep/24	Oct/24	Jul/25	Aug/25	Sep/25	Oct/25
CPI Mozambique	2,45	2,68	3,96	4,79	4,93	4,83
Food	5,29	6,25	8,99	11,91	11,85	11,52
Grains & Derivatives	6,04	5,88	11,20	10,84	10,56	10,06
Fruits & Vegetables	5,60	8,65	8,21	10,85	10,58	11,11
Seafood & Derivatives	7,43	9,42	11,86	23,64	23,86	23,10
Clothing	1,91	1,77	2,25	2,53	2,93	3,34
Restaurants	3,63	4,09	9,04	9,14	9,15	8,85
Administered Prices	0,38	0,53	0,15	0,14	0,14	-0,03
CPI x Fruit & Veg.	2,21	2,36	3,77	4,51	4,62	4,53
CPI x Adm.	3,14	3,50	6,58	7,74	8,48	8,70
CPI x Fruit & Veg. & Adm.	2,91	3,06	5,12	6,14	6,31	6,23

Source: INE

Core inflation also slowed. Excluding fruits and vegetables and administered prices, core inflation stood at 6.23% in October from 6.31% in September (Table 2-2).

The Banco de Moçambique's economic agents' survey points to an acceleration in annual inflation. Results from the November macroeconomic expectations survey indicate that economic agents expect annual inflation to reach 5.25% in December 2025, 20 bp above expectations reported in the previous survey (Chart 2-3).

Chart 2-2: Annual Inflation Expectations (%)



Source: INE and BM

Chapter III. Medium Term Inflation and Economic Activity Prospects

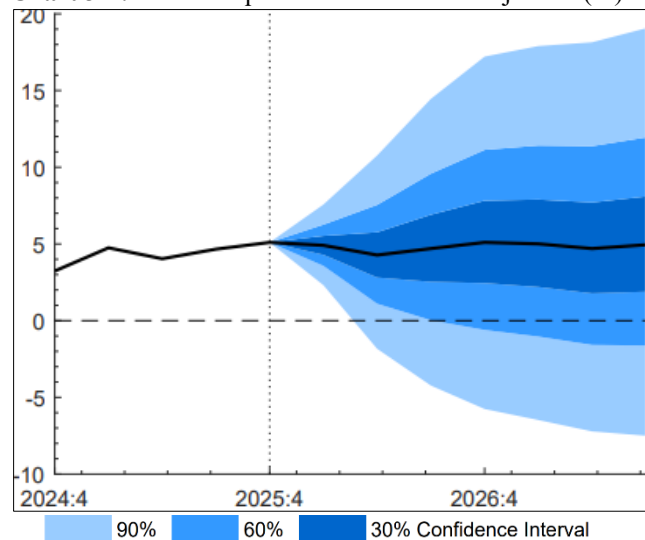
Over the medium term, inflation is expected to remain in single-digit levels, underpinned by a stable Metical and favourable developments in international commodity prices. Domestic risks and uncertainties associated with the inflation projections have increased, particularly due to delays in the settlement of domestic public debt instruments by government.

Table 3-1: External Assumptions

	2024	2025	2026
US Real GDP (%)	3.0	2.1	1.7
September MPC/2025	2.8	1.7	1.6
RSA Real GDP (%)	0.8	0.9	1.6
September MPC/2025	0.5	0.8	1.4
	2024Q4	2025Q4	2026Q4
US Inflation (%)	2.7	2.9	3.2
September MPC/2025	2.7	2.8	3.2
Inflation in RSA (%)	4.3	3.4	4.1
September MPC/2025	2.9	4.0	4.4
Brent crude price (USD)	78.5	65.0	64.5
September MPC/2025	74.0	66.0	65.7
Food Prices (%)	-0.2	3.0	2.5
September MPC/2025	5.7	3.0	2.5

Source: GPMN

Chart 3-1: Mozambique Annual Inflation Projection (%)



3.1. Assumptions for Medium-Term Projections

The medium-term macroeconomic projections (2025-2026) are based on the following assumptions:

a) External environment

• Stability of global oil and food prices

Over the medium term, global oil prices are expected to remain stable at around USD 65 per barrel by end-2025 and 2026, reflecting increased supply amid slowing global demand. Food prices are also forecasted to remain broadly stable, supported by regular supplies of major crops. However, risks persist, notably from heightened geopolitical tensions, potential new sanctions constraining commodity supplies, and extreme climate shocks, which could exert upward pressure on food prices (Table 3-1).

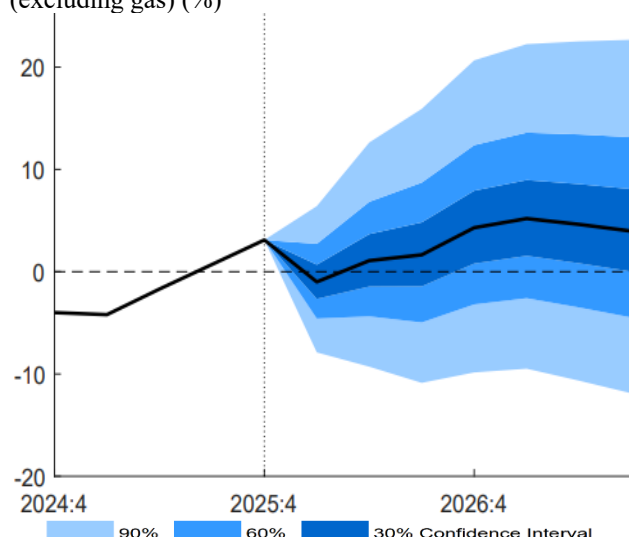
• Moderate acceleration in inflation and modest growth among trading partners

Over the medium term, a moderate acceleration in inflation among the country's main trading partners is expected to persist. In South Africa, inflation is projected to reach around 4% in the last quarter of 2026, remaining above the new 3% SARB² target. In the United States, a modest acceleration in inflation is forecasted, which is expected to remain above the FED's³ target, driven by the gradual pass-through of costs associated with tariff measures.

² South African Reserve Bank

³ Federal Reserve

Chart 3-2: Mozambique Annual Real GDP Projection (excluding gas) (%)



Regarding economic activity, growth in the United States is expected to slow, in line with the deterioration in consumer confidence, the impact of the partial government shutdown, and tariff-related measures. In contrast, a modest acceleration in growth is anticipated in South Africa, supported by gradual improvements in electricity supply and gains in terms of trade.

b) Domestic Environment

The main domestic assumptions include:

- Sustained high pressure on the State Budget;
- Gradual restoration of productive capacity and the supply of goods and services; and
- Severe floods anticipated in the first quarter of 2026 in the southern and central regions, which are expected to temporarily constrain the supply of goods, particularly fresh produce, though the effects are anticipated to be temporary and reversible.

This outlook is set against the backdrop of:

- Stability of the Metical exchange rate against the US Dollar.

3.2. Medium-Term Inflation Projections and Associated Risks

Inflation is projected to remain stable at single-digit levels over the medium term, despite risks associated with public debt instruments and supply shocks (Chart 3-1).

Excluding the natural gas sector, economic activity is expected to expand moderately, supported by the phased implementation of projects in strategic sectors of the national economy (Chart 3-2).

Risks and uncertainties associated with inflation projections remain high. Key concerns include delays in the settlement of domestic public debt instruments, climate-related shocks, and slow restoration of productive capacity and the supply of goods and services.

3.3. Monetary Policy Decision

The Banco de Moçambique's Monetary Policy Committee (MPC) decided to reduce the MIMO policy rate from 9.75% to 9.50%.

The MPC also decided to:

- Reduce the Standing Lending Facility (SLF) rate from 12.75% to 12.50%;
- Reduce the Standing Deposit Facility (SDF) rate from 6.75% to 6.50%; and
- Keep the Reserve Requirement ratios for liabilities in domestic and foreign currencies unchanged at 29.00% and 29.50%, respectively.

The MPC reaffirmed its commitment to pursuing a prudent monetary policy focused on macroeconomic stability. Given the heightened risks and uncertainties, future monetary policy decisions will henceforth be guided by the continuous assessment of the underlying risks to inflation projections.

