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# ECONOMIC OUTLOOK AND INFLATION FORECASTS



ECONOMIC OUTLOOK  
AND INFLATION FORECASTS

September 2025

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<sup>1</sup> 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 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, 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. 5 of the Monetary Policy Committee, of September 29, 2025**

**The Monetary Policy Committee (MPC) of the Banco de Moçambique has decided to reduce the monetary policy rate, MIMO, from 10.25% to 9.75%. This decision stems from prospects of inflation remaining in single digits over the medium term, partially reflecting the stability of the exchange rate and favourable international commodity prices, despite the prevalence of high domestic risks and uncertainties associated with the projections.**

**Prospects of single-digit inflation remain in place over the medium term.** In August 2025, annual inflation stood at 4.8%, following 4.0% in July. Core inflation, which excludes fruits and vegetables and administered prices, rose slightly. The continued outlook for single-digit inflation over the medium term primarily reflects the monetary policy stance and the downward trend in international commodity prices.

**Moderate economic growth is expected in the medium term, excluding liquefied natural gas (LNG).** In the second quarter of 2025, excluding LNG, gross domestic product (GDP) contracted by 1.7%, following 4.9% in the previous quarter. Including LNG is included, GDP contracted 0.9%, following 3.9% in the previous quarter. In the medium term, a gradual recovery in economic activity, excluding LNG production, is expected, partially supported by the prospects for the implementation of projects in strategic areas.

**Pressure on domestic public debt continues to rise, undermining the normal functioning of the government bond market.** Domestic public debt, excluding loan and lease agreements and overdue liabilities, stands at 454.4 billion meticaïs, a 38.8 billion increase compared to December 2024.

**The risks and uncertainties associated with inflation projections remain high.** Key factors that could contribute to rising inflation over the medium term include the impacts of the exacerbation of the fiscal position, amidst increasing challenges to mobilize financial resources for the State Budget, climate shocks and the sluggish recovery of productive capacity and the supply of goods and services.

**The MPC will continue normalizing the MIMO policy rate over the medium term, albeit in moderate magnitudes.** 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.

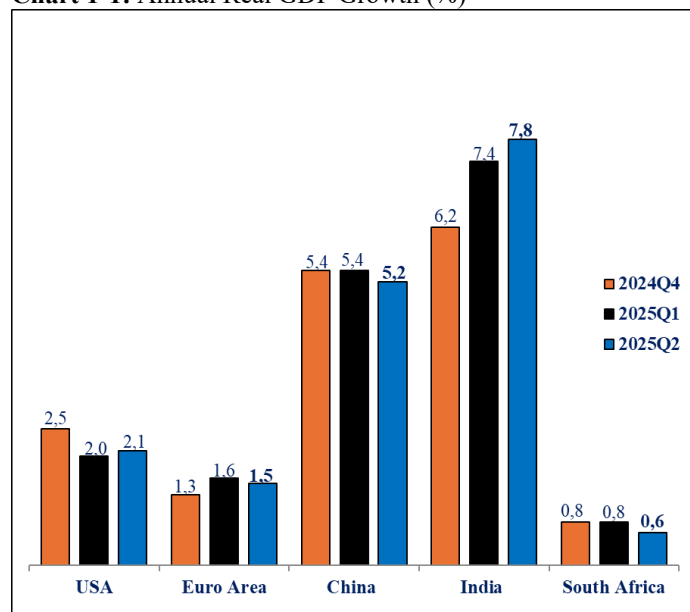
The next MPC meeting is scheduled for November 20, 2025.

**Rogério Lucas Zandamela**  
Governor

## Chapter I. Recent Global Economic Developments and Prospects

According to the July 2025 edition of the *World Economic Outlook* published by the International Monetary Fund, global economic prospects for 2025 and 2026 indicate a slowdown in growth, accompanied by a continued moderation in the pace of inflation. Key risks and uncertainties to the global outlook include trade and geopolitical tensions, as well as fiscal vulnerabilities.

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



Source: Trading Economics

### 1.1. Economic Activity and Inflation

**In the second quarter of 2025, economic activity exhibited divergent trends across major economies.**

In the United States (US) and the Euro Area, gross domestic product (GDP) grew by 2.1% and 1.5% year-on-year, respectively, mainly driven by higher household consumption expenditures (Chart 1-1).

In India and China, GDP grew by 7.8% and 5.2% year-on-year, respectively. Growth in India, was driven by higher consumption and investment spending, whereas in China it was supported by stronger exports. Over the same period, South Africa's GDP grew by 0.6%, reflecting positive contributions from the trade and manufacturing sectors (Chart 1-1).

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

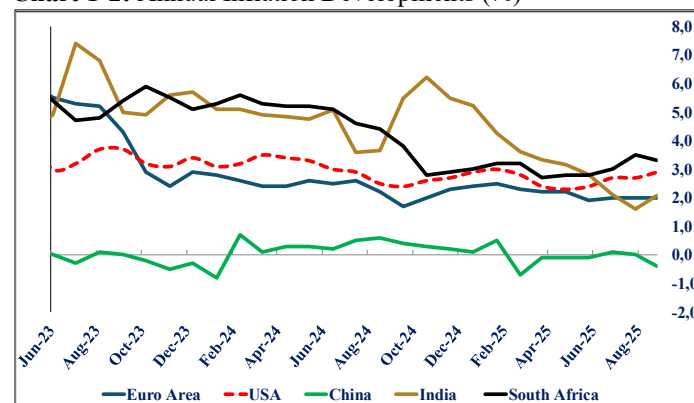
	Actuals	Projections		Difference from April 2025 WEO	
	2024	2025	2026	2025	2026
<b>World Output</b>	3.3	3.0	3.1	0.2	0.1
<b>Advanced Economies</b>	1.8	1.5	1.6	0.1	0.1
United States	2.8	1.9	2.0	0.1	0.3
Euro Area	0.9	1.0	1.2	0.2	0.0
Germany	(0.2)	0.1	0.9	0.1	0.0
Japan	0.2	0.7	0.5	0.1	(0.1)
United Kingdom	1.1	1.2	1.4	0.1	0.0
<b>Emerging Market and Developing Economies</b>	4.3	4.1	4.0	0.4	0.1
China	5.0	4.8	4.2	0.8	0.2
India	6.5	6.4	6.4	0.2	0.1
Brazil	3.4	2.3	2.1	0.3	0.1
<b>Sub-Saharan Africa</b>	4.0	4.0	4.3	0.2	0.1
South Africa	0.5	1.0	1.3	0.0	0.0

Source: IMF, World Economic Outlook (July 2025)

**The outlook for 2025–26 points to a slowdown in global growth compared with 2024.**

The July 2025 WEO forecasts global growth of 3.0% in 2025 and 3.1% in 2026. These represent upward revisions of 20 and 10 basis points (bp), respectively, relative to the April forecasts, but remain below 2024 levels. The revisions reflect front-loaded trade ahead of new US tariffs, lower-than-expected effective tariff rates, improved global financial conditions, and fiscal stimulus in some major economies (Table 1-1).

**Chart 1-2: Annual Inflation Developments (%)**



Source: Trading Economics, 2025

**Annual inflation displayed heterogeneous dynamics across advanced and emerging market economies in August 2025,**

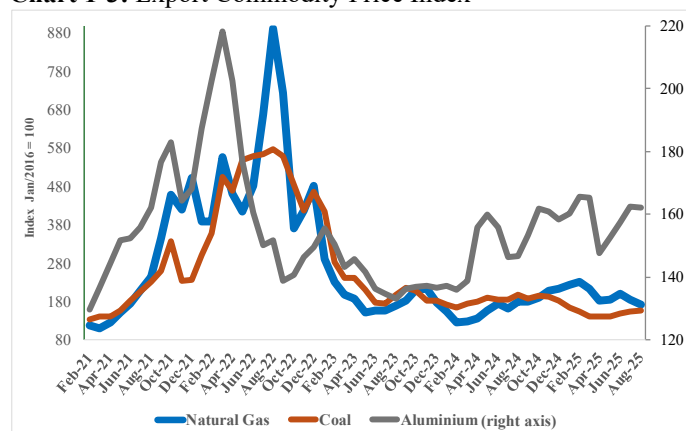
In the US, inflation rose to 2.9% (from 2.7% in July), reflecting higher housing, food, and energy prices. In the Euro Area, it remained stable at 2.0% (Chart 1-2).

Among emerging markets, outcomes diverged: China recorded deflation of 0.4%, due lower food prices; India's inflation accelerated to 2.1% (from 1.6%), driven by higher energy costs; while South Africa's inflation eased to 3.3% (from 3.5%), mainly due falling fuel prices (Chart 1-2).

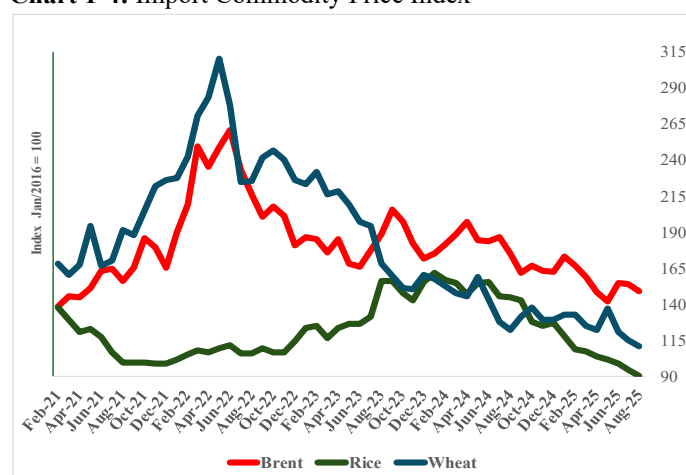
**Table 1-2: Average Annual Inflation Outlook (%)**

Region	Actuals 2024	Projections		Difference from April 2025 WEO	
		2025	2026	2025	2026
<b>World Consumer Prices</b>	<b>5,6</b>	<b>4,2</b>	<b>3,6</b>	<b>(0,1)</b>	<b>0,0</b>
<b>Advanced Economies</b>	<b>2,6</b>	<b>2,5</b>	<b>2,1</b>	<b>0,0</b>	<b>(0,1)</b>
<b>Emerging Market and Developing Econ.</b>	<b>7,7</b>	<b>5,4</b>	<b>4,5</b>	<b>(0,1)</b>	<b>(0,1)</b>

Source: IMF, World Economic Outlook (July 2025)

**Chart 1-3: Export Commodity Price Index**

Source: IMF Primary Commodity Index (September 2025)

**Chart 1-4: Import Commodity Price Index**

Source: IMF Primary Commodity Index (September 2025)

The disinflationary trend is expected to continue in 2025–26, supported largely by declining international commodity prices (Table 1-2).

## 1.2. Prices of Key Commodities

In August 2025, global prices of Mozambique's key export commodities fell year-on-year, except for aluminium. Among exports, thermal coal (-20.6%) recorded the sharpest decline, while aluminium (+10.5%) rose (Chart 1-3).

On the import side, the largest declines were observed for rice (-37.7%), Brent crude (-14.9%), and wheat (-9.2%) (Chart 1-4).



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

**In the second quarter of 2025, real GDP contracted year-on-year, mainly reflecting weak performance in the secondary and tertiary sectors. In the near term, excluding liquefied natural gas (LNG) production, moderate GDP growth is expected.**

**In August 2025, annual inflation accelerated, driven primarily by higher food prices.**

**Table 2: 1 Real GDP by Sector - Annual Change (%)**

Sectors	2024		2025			
	Q1	Q2	Q1	Q2	Contr./Q2(pp)	Wei./Q2 (%)
<b>Primary Sector</b>	<b>5,9</b>	<b>9,1</b>	<b>2,1</b>	<b>2,9</b>	<b>1,3</b>	<b>47,1</b>
Agriculture	-0,3	4,6	0,4	1,1	0,3	30,7
Fishing	11,5	1,8	1,3	3,9	0,0	1,3
Mining	25,5	21,2	6,5	6,8	1,0	15,1
<b>Secondary Sector</b>	<b>-1,4</b>	<b>-0,9</b>	<b>-16,2</b>	<b>-13,9</b>	<b>-1,4</b>	<b>8,7</b>
Electricity, Gas and Water	-2,0	6,7	-22,5	-29,4	-0,8	1,8
Manufacturing	-3,7	-3,7	-14,8	-9,4	-0,6	5,9
Construction	14,9	-0,5	-10,8	-2,2	0,0	0,9
<b>Tertiary Sector</b>	<b>2,7</b>	<b>2,9</b>	<b>-8,4</b>	<b>-1,9</b>	<b>-0,7</b>	<b>35,0</b>
Trade and Services	-0,7	-1,3	-17,9	-5,9	-0,5	7,5
Accommodation and Catering	4,0	5,6	-22,5	-11,3	-0,1	1,1
Transport and Communication	5,2	5,2	-21,3	-3,4	-0,3	8,2
Financial Services	1,1	2,2	4,9	-1,0	0,0	4,0
Public Adm. Education and Health	3,3	3,2	2,3	2,5	0,2	10,4
Other Sectors	4,8	5,8	2,5	0,6	0,0	3,7
<b>GDP at factor cost</b>	<b>3,7</b>	<b>5,4</b>	<b>-4,3</b>	<b>-0,8</b>	<b>-0,7</b>	<b>90,8</b>
Tax on products	1,2	-5,7	-0,6	-2,3	-0,2	9,2
<b>GDP</b>	<b>3,5</b>	<b>4,3</b>	<b>-3,9</b>	<b>-0,9</b>	<b>-0,9</b>	<b>100,0</b>

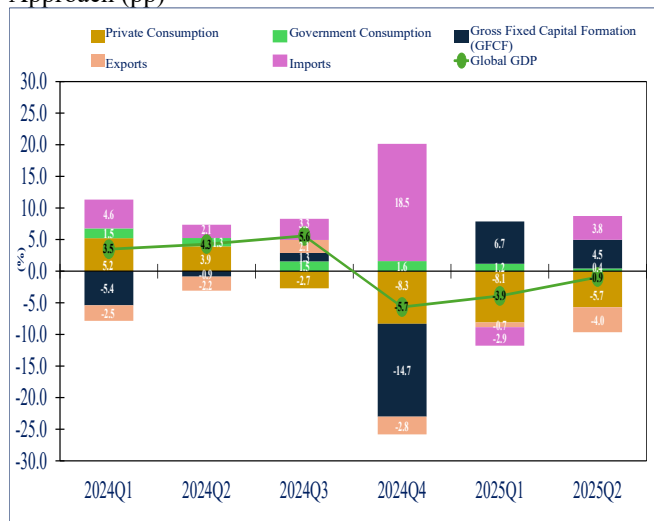
Source: INE

### 2.1. Near-Term Economic Activity

**In the second quarter of 2025, GDP contracted 0.9% year-on-year, following 3.9% in the previous quarter.** The contraction primarily reflects negative contributions from the secondary and tertiary sectors, which together contributed with minus 2.1 percentage points (pp). Key sub-sectors driving the decline included electricity and water, manufacturing, trade and services, and transport and communications (Table 2-1).

From the expenditure side, the contraction was driven by declines in private consumption and exports, contributing -5.7 pp and -4.0 pp, respectively (Chart 2-1).

**Chart 2-1: Annual Real GDP Growth (%) and the Contribution of GDP Components from the Expenditure Approach (pp)**



Source: INE

Cumulatively, GDP contracted by 2.4% in the first half of 2025, following growth of 3.9% in the same period of 2024.

**In the near term, excluding LNG production, GDP is expected to grow moderately,** reflecting primarily improved performance in traditional extractive industries and the tertiary sector, as the effects of post-electoral tensions gradually dissipate.

### 2.2. Domestic Public Debt

**Pressure on domestic public debt continues to increase, affecting the normal functioning of the government securities market.** Domestic debt, excluding loan and lease agreements and arrears reached 454.4 billion meticaís, up 38.8 billion relative to December 2024.

## Box 1: Monetary, Financial and Foreign Exchange Rate Developments

### I. Interest Rate Developments

#### a) Money Market Interest Rates

**Treasury bill (T-Bill) yields declined between May and September 2025.** Yields for 91, 182, and 364-day T-Bills fell by 92-121 bp, reaching 11.80%, 12.22%, and 12.26%, respectively, in line with the reduction of the MIMO policy rate (Chart 1).

**The downward trend in short-term rates continued.** The MIMO rate, the effective MIMO rate (overnight swaps), and the T-Bill 7-day reverse repo rate all fell by 150 bp to 10.25% over the same period. Similarly, the 28-day reverse repo rate declined 155 bp, reaching 10.45% (Chart 2).

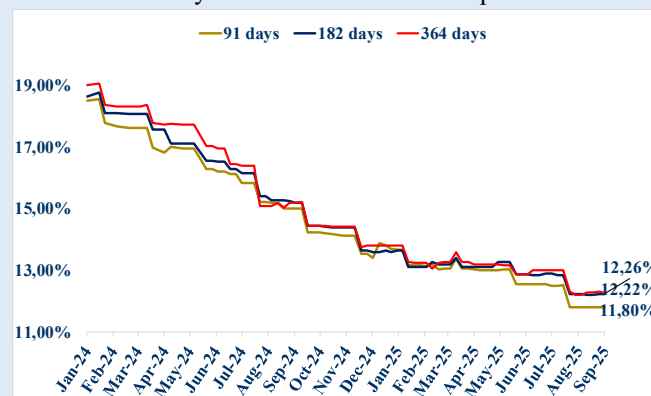
#### b) Treasury Bond Interest Rates

Between May and September 2025, the government conducted 5-year Treasury Bond (T-Bond) swap auctions. In the most recent auction, the fixed rate stood at 13.95%, down 5.0 bp from the previous 5-year swap auction (Chart 3).

#### c) Retail Interest Rates

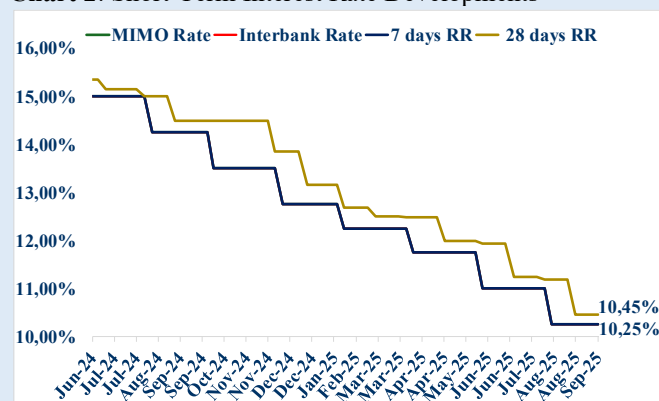
**The downward trend in 1-year loan and deposit rates in the retail market persisted.** Between May and July 2025, average 1-year loan and deposit rates fell by 4 bp and 16 bp, respectively, to 18.88% and 4.89%, widening the spread between the two rates (Chart 4).

Chart 1: Treasury Bill Interest Rate Developments



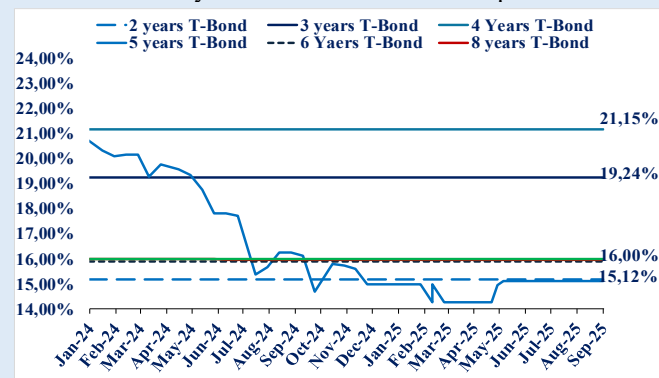
Source: BM

Chart 2: Short-Term Interest Rate Developments



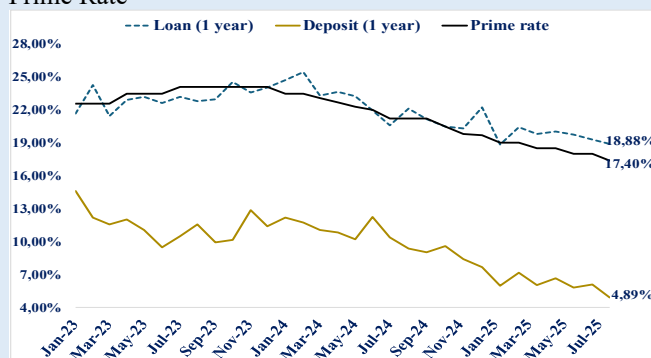
Source: BM

Chart 3: Treasury Bond Interest Rate Developments



Source: BM

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

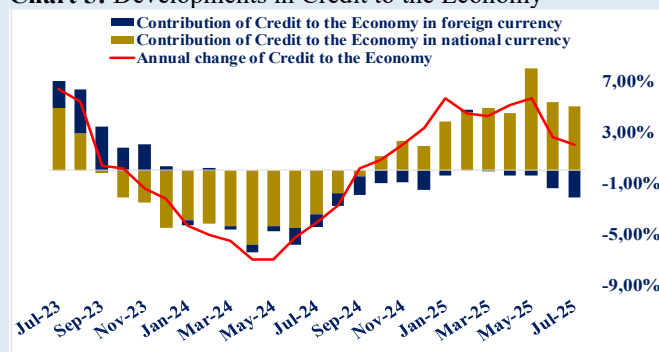


Source: BM

## II. Credit Developments

**Credit to the economy continued to expand, though at a slower pace.** In July 2025, credit increased 0.29% month-on-month, compared with 2.89% in May. On a year-on-year basis, growth moderated to 2.03%, down from 5.63% in May 2025 (Chart 5).

**Chart 5: Developments in Credit to the Economy**



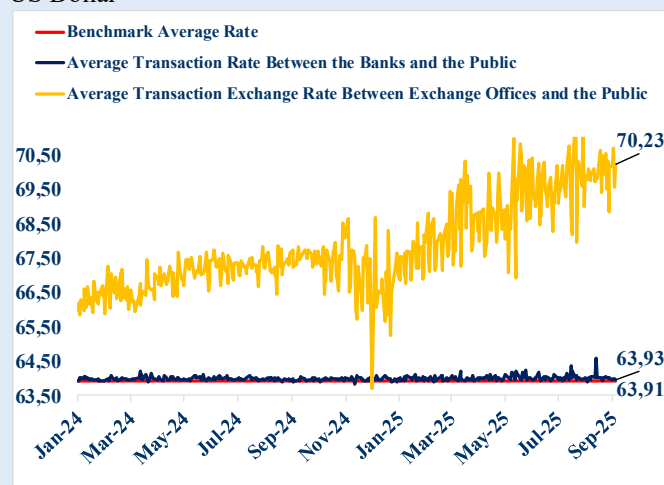
Source: BM

## III. Exchange Rate Developments

### a) Metical Exchange Rate against the US Dollar

**The Metical (MZN) remained broadly stable against the US Dollar.** At end-September 2025, the average reference rate and the effective market rate were unchanged at MZN/USD 63.91 and MZN/USD 63.93, respectively, compared with May 2025. In the exchange bureau segment, however, the Metical depreciated, moving from MZN/USD 68.32 in May to MZN/USD 70.23 in September (Chart 6).

**Chart 6: Metical Exchange Rate Developments against the US Dollar\***



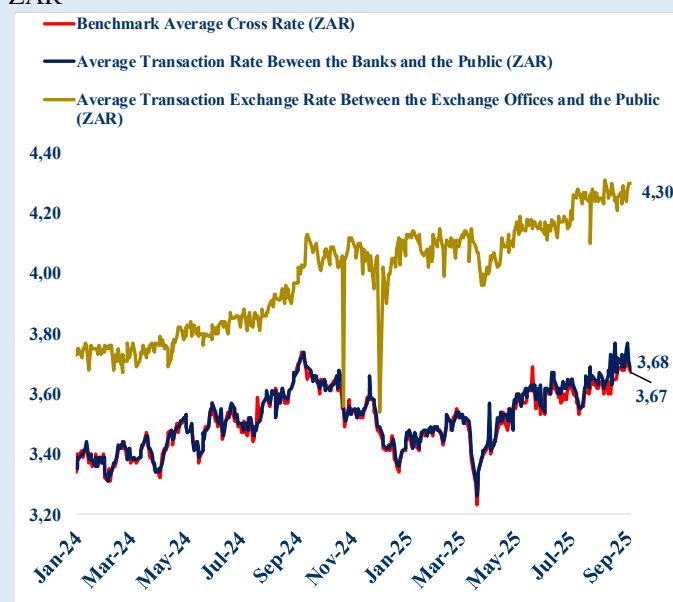
Source: BM

\* Data updated up to September 26, 2025.

### b) Metical Exchange Rate against the Rand

**The Metical depreciated against the South African Rand (ZAR).** Over the reporting period, the average reference exchange rate, effective market rate, and exchange bureau rate depreciated by 3.8%, 5.8%, and 4.6%, respectively, reaching MZN/ZAR 3.67, MZN/ZAR 3.68, and MZN/ZAR 4.30 (Chart 7).

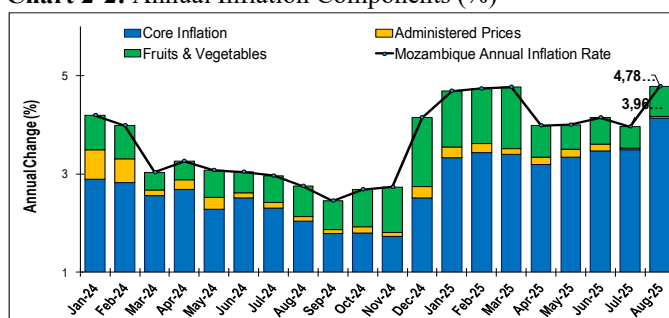
**Chart 7: Metical Exchange Rate Developments against the ZAR\***



Source: BM

\* Data updated up to September 26, 2025.

**Chart 2-2: Annual Inflation Components (%)**



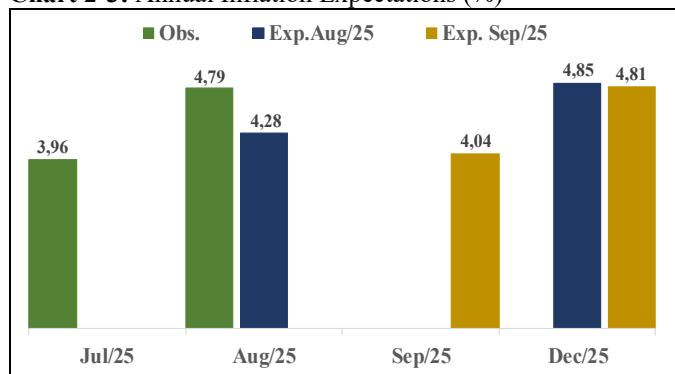
Source: INE

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

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
<b>CPI Mozambique</b>	<b>4,77</b>	<b>3,99</b>	<b>4,00</b>	<b>4,15</b>	<b>3,96</b>	<b>4,79</b>
Food	12,08	8,79	8,73	9,38	8,99	11,91
Grains & Derivatives	11,03	10,36	11,75	12,22	11,2	10,84
Fruits & Vegetables	21,35	10,38	9,17	9,83	8,21	10,85
Seafood & Derivatives	13,21	10,37	10,13	11,16	11,86	23,64
Clothing	1,81	1,37	1,72	2,30	2,25	2,53
Restaurants	6,09	7,18	8,35	8,53	9,04	9,14
Administered Prices	0,48	0,61	0,65	0,58	0,15	0,14
<b>CPI Excluding Fruit.Veg.</b>	<b>3,76</b>	<b>3,61</b>	<b>3,74</b>	<b>3,90</b>	<b>3,77</b>	<b>4,51</b>
<b>CPI Excluding Adm.</b>	<b>6,44</b>	<b>5,26</b>	<b>5,28</b>	<b>5,55</b>	<b>5,37</b>	<b>6,52</b>
<b>Core Inflation</b>	<b>5,00</b>	<b>4,73</b>	<b>4,91</b>	<b>5,15</b>	<b>5,12</b>	<b>6,14</b>

Source: INE

**Chart 2-3: Annual Inflation Expectations (%)**



Source: INE and BM

## 2.3. Recent Inflation Developments and Near-Term Prospects

**In August 2025, annual inflation accelerated.**

Annual inflation rose to 4.79%, up from 3.96% in July, representing a month-on-month increase of 83 bp, largely driven by higher food prices, notably dried fish (Chart 2-2 and Table 2-2).

**Core inflation also increased.** Excluding fruits and vegetables, as well as administered prices, core inflation reached 6.14% in August, up from 5.12% in July (Table 2-2).

**The Banco de Moçambique's economic agents' survey points to broadly stable annual inflation.** Results from the September 2025 survey indicate that economic agents expect annual inflation of 4.81% in December 2025, a slight downward revision of 4 bp from the previous survey (Chart 2-3).

## Chapter III. Medium Term Inflation and Economic Activity Prospects

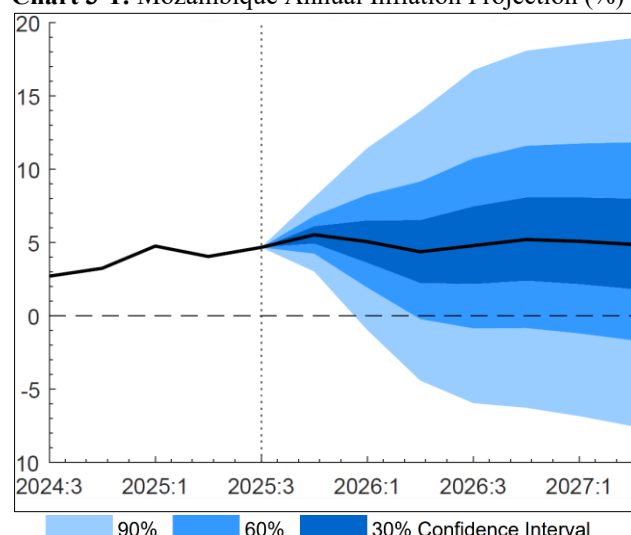
Inflation is expected to remain within single digits over the medium term, supported by the monetary policy stance, the stability of the Metical and global commodity prices. However, domestic risks to inflation outlook remain significant, particularly those associated with worsening fiscal conditions, climate shocks, and the sluggish recovery of productive capacity and the supply of goods and services.

**Table 3-1: External Assumptions**

	2024	2025	2026
US Real GDP (%)	2.8	1.7	1.6
July 2025 MPC	2.8	1.5	1.7
RSA Real GDP (%)	0.5	0.8	1.4
July 2025 MPC	0.6	1.1	1.2
	2024Q4	2025Q4	2026Q4
US Inflation (%)	2.7	2.8	3.2
July 2025 MPC	2.6	3.0	3.3
Inflation in RSA (%)	2.9	4.0	4.4
July 2025 MPC	2.9	4.8	4.5
Brent Price (USD)	74.0	65.0	65.7
July 2025 MPC	74.0	63.8	65.3
Food Prices (%)	6.0	3.0	2.5
July 2025 MPC	5.7	0.2	1.6

**Source:** GPMN

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



### 3.1. Assumptions Underlying Medium-Term Projections

The medium-term macroeconomic projections are based on the following assumptions:

#### a) External environment

##### • Stability of global oil and food prices

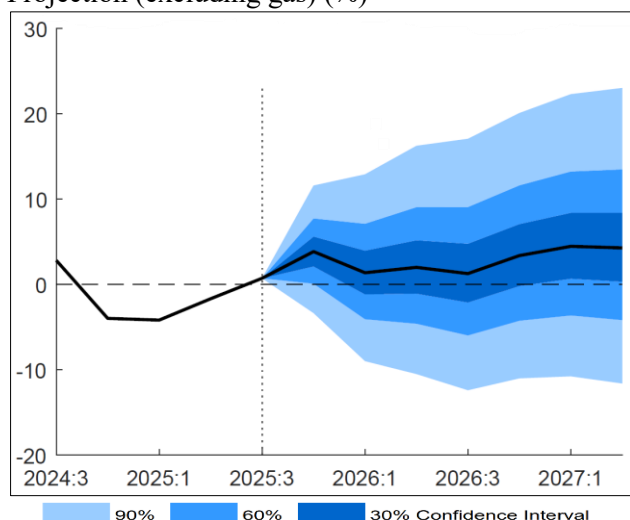
Over the medium term, global oil and food prices are expected to remain stable. In the case of oil, this reflects increased production by OPEC+ and other major producers, while for food, stability is supported by lower energy and transport costs, along with increased supply. Nevertheless, risks persist, particularly climate shocks and geopolitical tensions, which could disrupt global supply chains (Table 3-1).

##### • Moderate acceleration of inflation and modest growth among trading partners

Medium term projections point to a moderate acceleration of inflation in major trading partners. In the US, prices are expected to rise gradually, with delayed convergence toward the Federal Reserve's target. In South Africa, inflation is projected to remain within the South African Reserve Bank's target range but with an upward bias, mainly reflecting food supply shocks.

With respect to economic activity, the US economy is expected to grow at a moderate pace over the medium term, constrained by rising geopolitical uncertainty and the effects of trade tariffs on the global economy. In South Africa, a slight acceleration in growth is anticipated, supported by improvements in terms of trade.

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



## b) Domestic Environment

### Key domestic assumptions include:

- Continued high pressure on the State Budget;
- Gradual restoration of productive capacity and supply of goods and services; and
- Severe flooding projected for in 2026Q1, which is expected to constrain the supply of goods, particularly food.

### 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

Projections indicate that inflation will remain contained at single-digit levels over the medium term, despite risks stemming from fiscal pressures and supply shocks (Chart 3-1).

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

**Nonetheless, risks and uncertainties associated with inflation outlook remain high.** Key factors that could contribute to rising inflation over the medium term include: worsening fiscal conditions, amid growing challenges in mobilizing financial resources for the State Budget; Climate shocks; and sluggish recovery 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 10.25% to 9.75%.**

The MPC also decided to:

- Reduce the Standing Lending Facility (SLF) rate from 13.25% to 12.75%;
- Reduce the Standing Deposit Facility (SDF) rate from 7.25% to 6.75%; and
- Maintain the Reserve Requirement ratios for liabilities in domestic and foreign currencies unchanged at 29.00% and 29.50%, respectively.

The MPC will continue normalizing the MIMO policy rate over the medium term, albeit at moderate magnitudes. The pace and magnitude of future adjustments will continue to depend on inflation prospects and the assessment of risks and uncertainties associated with medium-term projections.

