



**MONETARY POLICY COMMITTEE
COMMUNIQUÉ No. 2/2023
Maputo, March 29, 2023**

Policy rate unchanged at 17.25%

The Monetary Policy Committee (MPC) of the Banco de Moçambique decided to keep the MIMO policy rate unchanged at 17.25%. This decision is underpinned by the maintenance of single-digit inflation prospects in the medium term, despite the materialization and exacerbation of some risks associated with inflation forecasts, in particular, the occurrence of natural disasters and increased pressure on public expenditure.

Risks and uncertainties associated with inflation forecasts have worsened. Domestically, the uncertainties regarding the short-term impact of recent climate shocks on the prices of goods and services, and the increased pressure on public spending are particularly highlighted. On the external side, the uncertainties with regard to the effects of the volatility in global financial markets and the protracted Russia-Ukraine conflict stand out.

Single-digit inflation is expected in the medium term. In February 2023, annual inflation accelerated from 9.78% to 10.30%, mainly driven by the rise in food prices amidst climate shocks and the increase in administered prices. Meanwhile, core inflation, which excludes fruit and vegetables and administered prices, remained stable. In the medium term, inflation is expected to remain within a single-digit, underpinned by the impact of the measures taken by the MPC, the exchange rate stability and the downward trend in commodity prices in the global market.

Moderate economic growth is anticipated. These forecasts mainly reflect the prevailing tight global financial conditions, resulting in lower expansion of global economic activity, and consequently, a reduction in export commodity prices in the global market. Excluding the ongoing energy projects in the Rovuma Basin, a lower Gross Domestic Product growth is expected, mainly due to the impact of recent climate shocks on agricultural production and various infrastructures.

Domestic public debt has worsened. Domestic public debt, excluding loan and lease agreements and overdue liabilities, stand at 301.3 billion meticaís, a 26.1 billion increase compared to December 2022.

The MPC will continue to monitor the developments of risks and uncertainties associated with inflation forecasts, and will not hesitate to take the necessary corrective measures.

The next regular MPC meeting is scheduled for May 31, 2023.

Rogério Lucas Zandamela
Governor