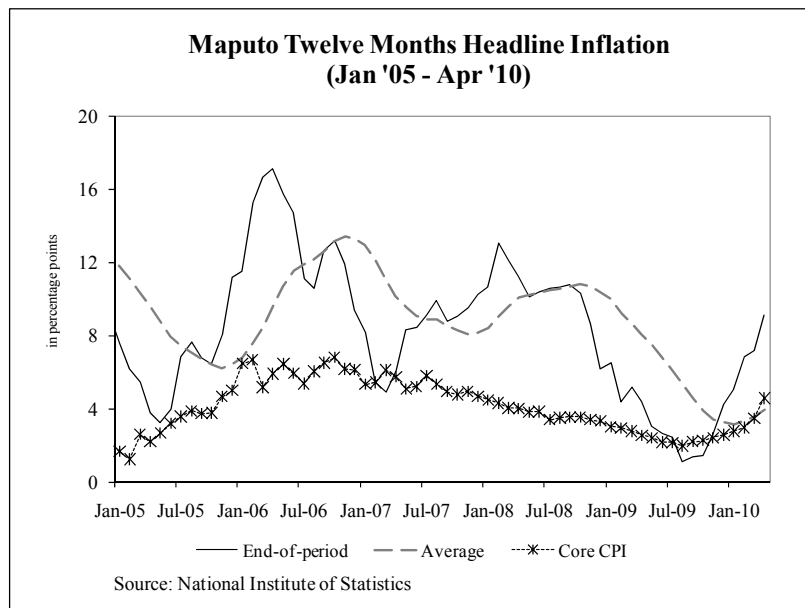
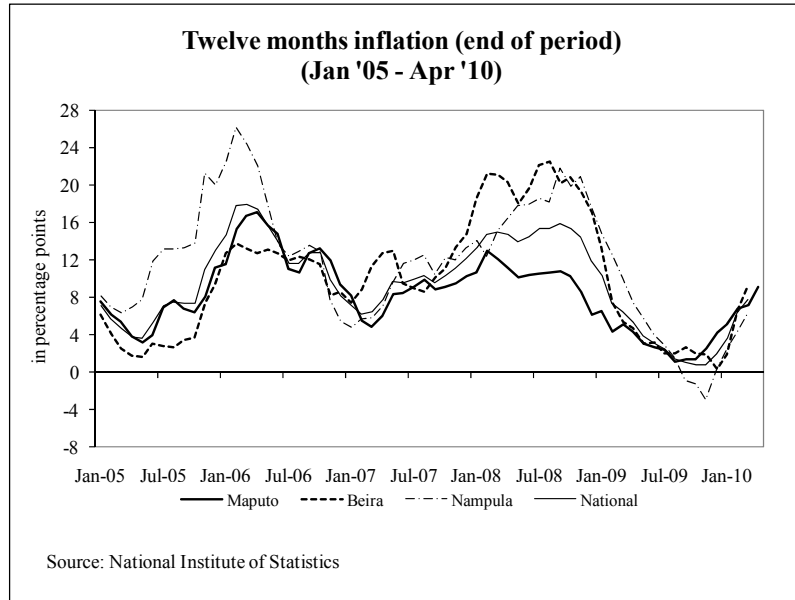


**Presentation of the IMF Resident Representative in Mozambique to  
the Development Partner Group: June 3, 2010<sup>1 2</sup>**

**The data on price increases during the month of May is expected to be released by the National Institute of Statistics (INE) shortly. Inflation in April increased at a rate that was somewhat higher than targeted by the Central Bank and consequently the Bank of Mozambique tightened its monetary policy.** The Maputo headline CPI rose by 1.5 percent in April after an increase of 1.2 percent in March. As a result, the 12-month headline inflation rate increased to 9.1 percent and the 12-month average inflation rate to 3.9 percent.

Inflation also increased in other regions of the country. In April, the 12-month headline inflation reached 10.7 percent in Beira and 8.8 percent in Nampula.

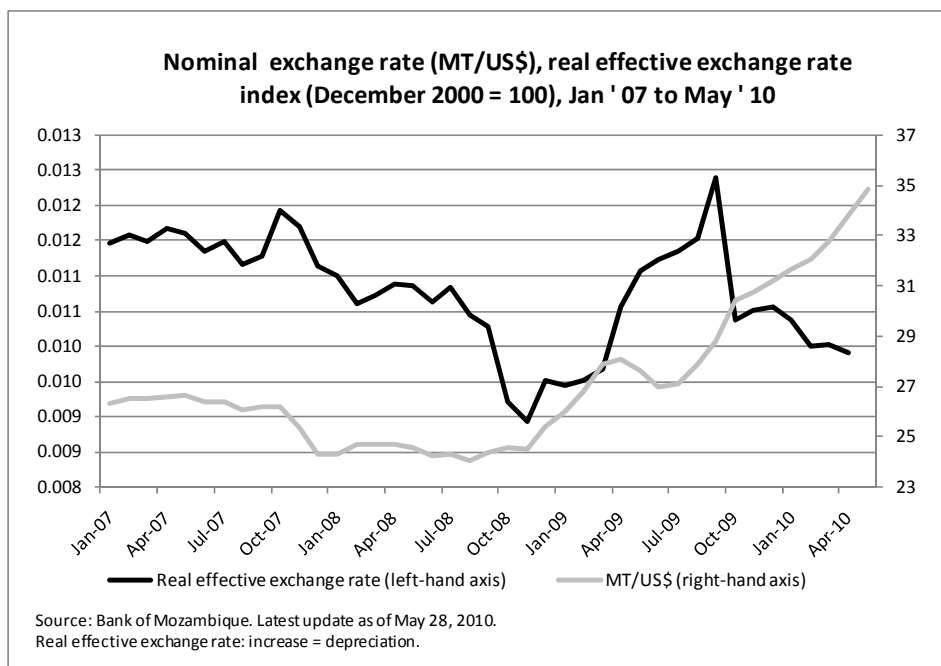
In Maputo core inflation—one of the key indicators for monetary policy—increased to 4.7 percent indicating a more generalized increase in the price level.



<sup>1</sup> The Development Partner Group consists of heads of mission in Mozambique of bilateral donors, the UNDP, and the international financial institutions.

<sup>2</sup> This document has not been approved by the IMF Executive Board.

**The real effective exchange rate has appreciated somewhat while the Metical depreciated in nominal terms vis-à-vis the US dollar.** At end-May, the dollar in the interbank money market (Mercado Monetário Interbancário—MCI) was exchanged on averaged at 34.8 meticaís, against 33.8 at end-April 2010. In May, the foreign exchange spreads between the central bank’s foreign exchange sale and the market’s interbank and retail rates remained low.



**The treasury bills’ nominal interest rates have increased by 0.6 percentage points** following the recent increase by 100 basis points of the central bank’s lender of last resort interest rate (Facilidade Permanente de Credito--FPC).

Interest rates (December 2004 - May 2010)

	2005	2006	2007	2008				2009				2010				
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Oct	Nov	Dec	Mar	Apr	May 1/
<b>Central bank policy rates</b>																
FPC 2/	13.8	17.5	15.5	14.5	14.5	14.5	14.5	13.0	13.0	11.5	11.5	11.5	11.5	11.5	12.5	12.5
FPD 3/	7.8	13.0	10.5	10.3	10.3	10.3	10.3	7.0	7.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Central bank reverse repo auctions</b>																
Overnight 4/	7.8	13.2	-	10.3	-	-	-	-	-	6.2	-	5.3	-	-	-	-
2 to 6 days 5/	8.1	13.2	12.0	10.8	10.8	-	-	-	7.1	6.5	6.1	7.0	-	-	-	-
7 days 6/	-	-	-	-	10.8	13.2	13.3	8.3	8.3	7.2	-	7.2	-	-	-	-
<b>Central bank repo auctions</b>																
Overnight	-	-	-	-	-	-	-	-	-	6.2	6.7	6.8	6.5	6.8	-	-
<b>Treasury bills auctions</b>																
91 days	10.2	15.8	14.8	13.5	13.5	14.0	14.1	10.9	9.9	9.6	9.6	9.6	9.5	9.5	9.5	11.1
182 days	11.1	16.1	15.0	13.8	13.8	14.2	14.3	11.6	10.5	-	-	10.4	10.3	10.4	10.7	-
364 days 7/	11.6	16.5	15.1	14.0	14.0	14.4	14.5	12.1	11.1	11.0	11.0	11.0	11.0	11.0	11.0	11.3
364 days real interest rate 8/	3.1	5.0	5.5	2.1	3.5	3.7	6.1	6.8	7.8	9.4	9.7	9.2	8.3	4.7	3.3	-

1/ as of May 28, 2010

2/ Permanent Access Facility

3/ Standing overnight deposit facility (until early October 2005 Excess Liquidity Rate)

4/ Until end-January 2008 BM Overnight deposit auctions

5/ Until end-January 2008 BM 2 to 6 days deposit auctions

6/ Series started in July 2007.

7/ Earliest data as of end January 2005

8/ Using simple average of last 3 monthly headline inflation rates

Source: Central Bank of Mozambique and National Statistics Institute

### Other News

- **The Board meeting for the decision on the 6<sup>th</sup> Review Under the Policy Support Instrument, 2<sup>nd</sup> Review Under the Arrangement Under the Exogenous Shocks Facility, and Request for a Three-Year Policy Support Instrument for Mozambique is scheduled for June 14, 2010.** A press conference on the board meeting is scheduled for June 15, 2010. The board documents will become available on our external website within one week of the board meeting ([www.imf.org/external/country/MOZ](http://www.imf.org/external/country/MOZ)).
- **An IMF-WB technical assistance mission on debt management, medium-term debt strategy and debt sustainability analysis (DSA)** will take place from June 15-29, 2010 and will be led by Christian Mulder from the Fund's Monetary and Capital Markets Department.
- **An IMF Evaluation Mission by Gilda Fernandez from the IMF Strategy, Policy and Research (SPR) Department on the Implementation of the Standards and Codes Initiative took place last week.** SPR conducts a review of the standards and codes based on evaluations made in several countries. The conclusions of the review will be presented to the IMF board later this year with recommendations for improvements. The standard and codes were introduced after the Asian crisis with the objective to help prevent future crisis. They include the definition of international best practice in the areas of banking supervision, monetary policy, insurance, accounting, payment and public finance management systems and aim at increasing transparency and dissemination of data.
- **After 4¼ years, Felix Fischer, the current IMF resident representative in Maputo terminates his term on June 15, 2010. Mr. Victor Lledo will succeed him starting from June 21, 2010.** Mr. Fischer will return to the IMF headquarters and work on the Democratic Republic of Congo (DRC).