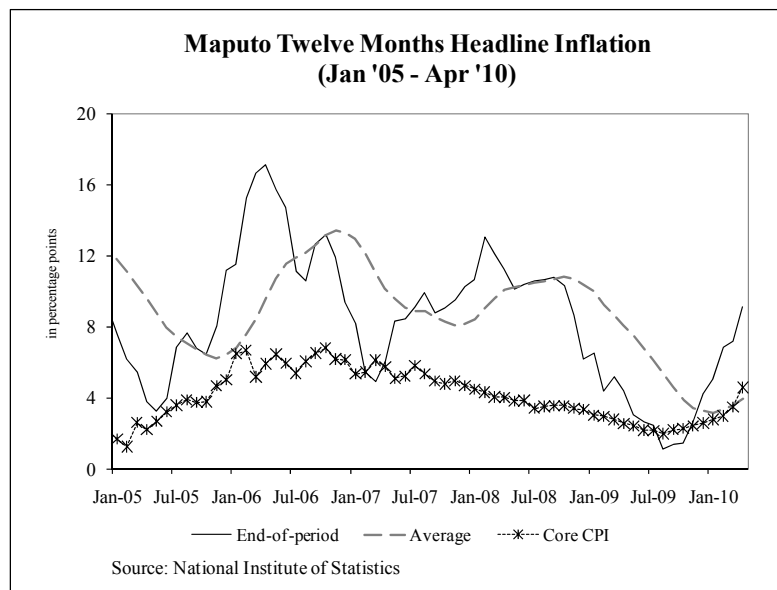
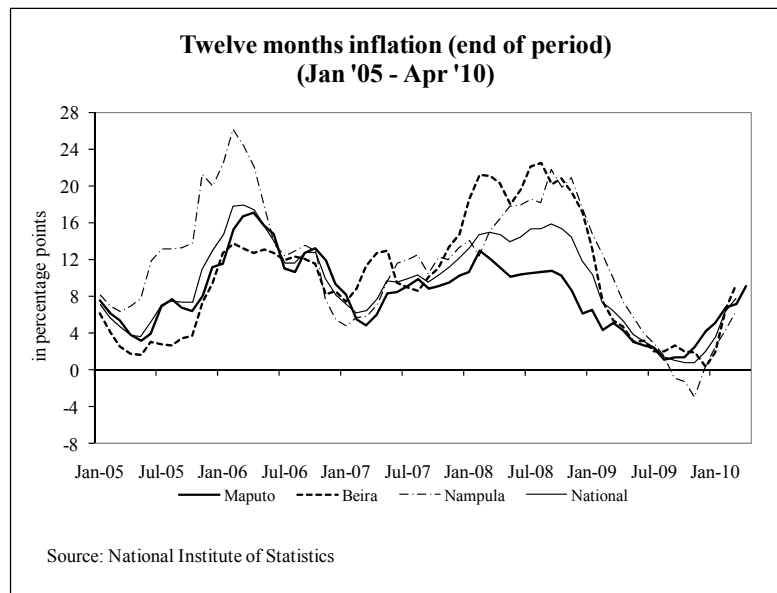


**Presentation of the IMF Resident Representative Office in Mozambique to  
the Development Partner Group: July 5, 2010<sup>1 2</sup>**

**The Maputo headline CPI rose by almost 2 percent in May bringing the inflation rates, both the end-of-period and the average, to 12.7 percent and 4.8 percent, respectively, in twelve months terms.** The main drivers of inflation were again food items, with 73 percent share of the total price increases, which over this year have accumulated increases by 6.8 percent (against a total CPI increase of 8.8 percent). *The revised IMF program targets for 2010 are 8 (average) and 9.3 percent (end of period).*

**In May, the regional CPI rates exceeded the single digits barrier as well with the Beira CPI hitting the highest inflation rate.** The Beira CPI has reached almost 15 percent while Nampula CPI has stood at 11.1. percent in twelve months end of period terms.

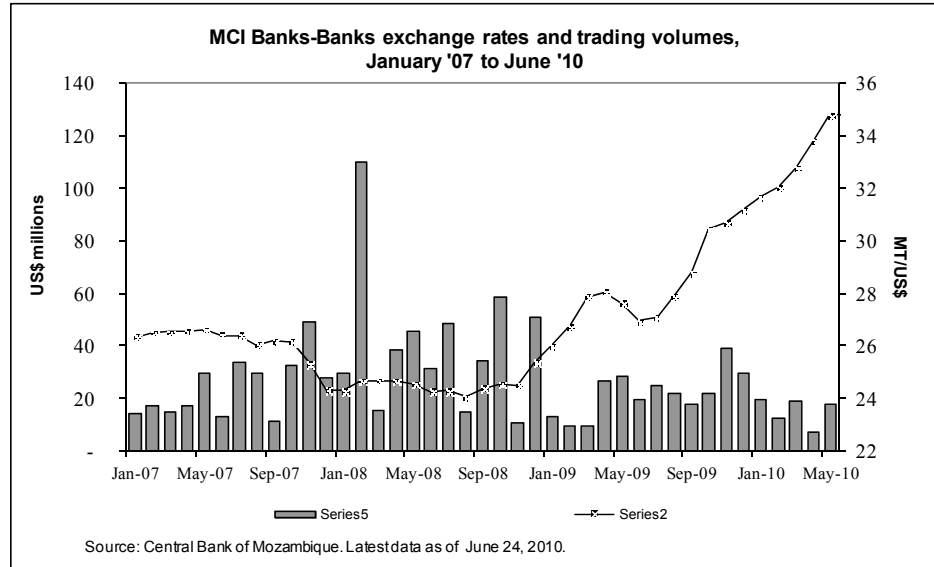


**The Maputo headline CPI core inflation kept growing steadily, now to 5.6 percent.**

<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 Metical nominal depreciation against the US dollar stabilized on the interbank market at end-June and the central bank interventions fell dramatically in comparison with past months. At**



end-May, the MCI (Mercado Monetário Interbancário) average rate was 34.8 meticaïs per US dollar and the Bank of Mozambique sold only US\$15.3 million dollars (against a monthly average of US\$81 million since the beginning of the year).

**The t-bills nominal interest rates continued to increase still as a result of the higher central bank's policy rates. The nominal t-bill rates are now 200 basis points on average higher than the rates that prevailed at end-May.**

**Interest rates (December 2004 - June 2010)**

	2005		2006			2007			2008			2009			2010		
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Oct	Nov	Dec	Mar	Apr	May	Jun 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	14.5
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	4.0
<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	12.9
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	-	13.2
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	14.0
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	1.7	

1/ as of June 24, 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

**Real GDP in the first quarter of 2010 has grown by 9.5 percent, driven mainly by agriculture (11.9 percent) and revised data for end-2009 indicate that in the last quarter of 2009 it had grown by 7 percent.** In 2009, the tertiary sector (i.e. services) led the growth rates, with the commerce and reparation services, financial services, public administration, education and social action being the best performers. *The IMF revised program target for real GDP growth in 2009 was 6.3 percent.*

### Other News

- **The IMF Board concluded last June 14, 2010 the 6th Review Under the Policy Support Instrument, 2nd Review Under the Arrangement Under the Exogenous Shocks Facility, and Request for a Three-Year Policy Support Instrument for Mozambique.** *The most debated issue was the authorities' new policy orientation towards accessing non-concessional sources to finance public investments for the next three years.*
- **IMF-WB mission on developing capacity to conduct a Medium Term Debt Strategy (MTDS) and Debt Sustainability Analysis (DSA) was successfully concluded on June 30, 2010.** *This joint mission, which had also the opportunity to work on the issues of project evaluation and selection and of domestic debt market development, was strongly welcomed by the authorities. The technical staff of the Finance, Planning and Development and other line ministries, the Bank of Mozambique and the Mozambique Stock Exchange was intensively trained for two weeks and seems to be highly enthusiastic to carry out, in the near term, the preparation of the authorities' own Debt Sustainability Analysis (DSA) and debt strategy document as well.*