



# Presentation of the IMF Resident Representative Office in Mozambique to the Development Partner Group<sup>1,2</sup>

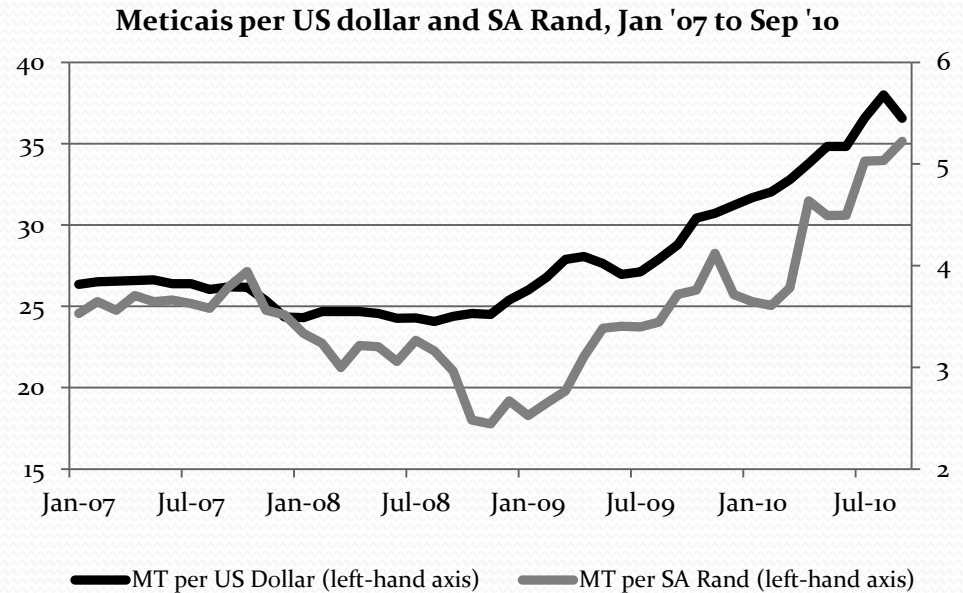
**Rolando Wane**  
October 14, 2010

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

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

# Recent developments and outlook

- The nominal exchange rate has remained relatively stable relative to the US dollar over the last two months, partially reversing the strong depreciation observed until May.
- Relative to SA Rand, however, the Metical continued to depreciate due to the stronger and persistent appreciation of the South African currency reflecting sustained capital inflows.



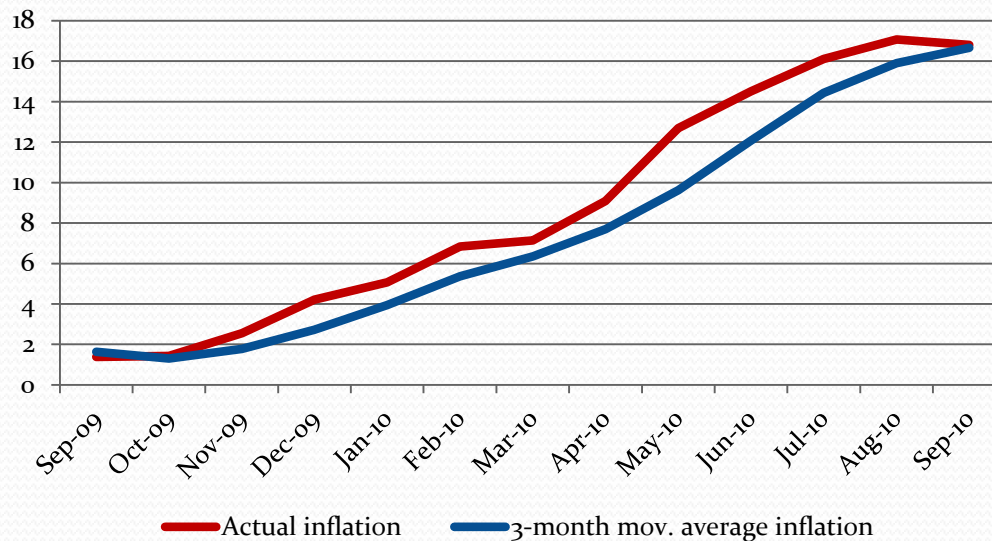
Source: Bank of Mozambique and [www.oanda.com](http://www.oanda.com). Latest update as of September 30, 2010.



# Recent developments and outlook

- As a result, 12-month inflation has shown some signs of deceleration but at this stage more in line with seasonal patterns.

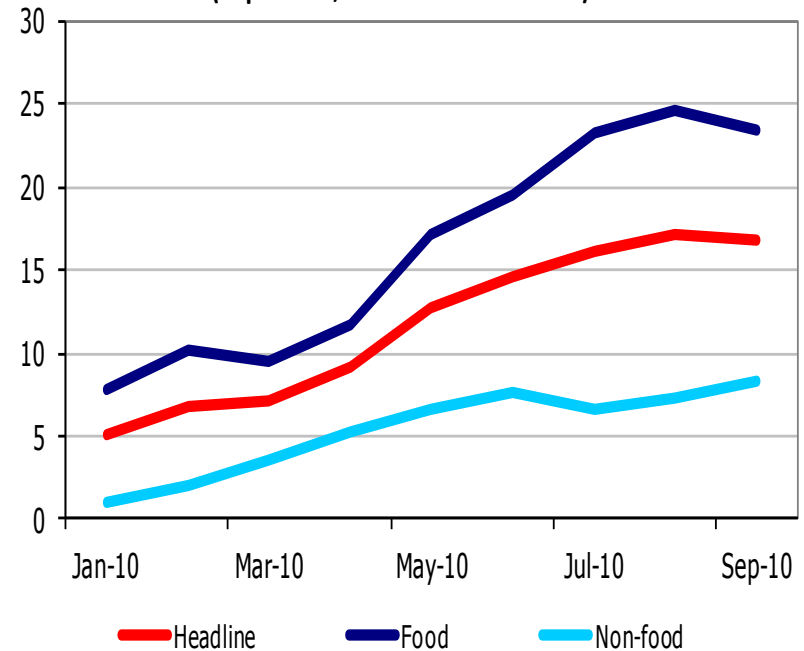
Headline inflation, Sep '09 to Sep '10  
(in percent, 12 months)



# Recent developments and outlook

- The driver of that downward trend is the fall in food prices, specially tomatoes.
- It should be noted, however, that non-food inflation has picked up recently.

Maputo inflation rates, Jan '10 to Sep '10  
(in percent, twelve months terms)

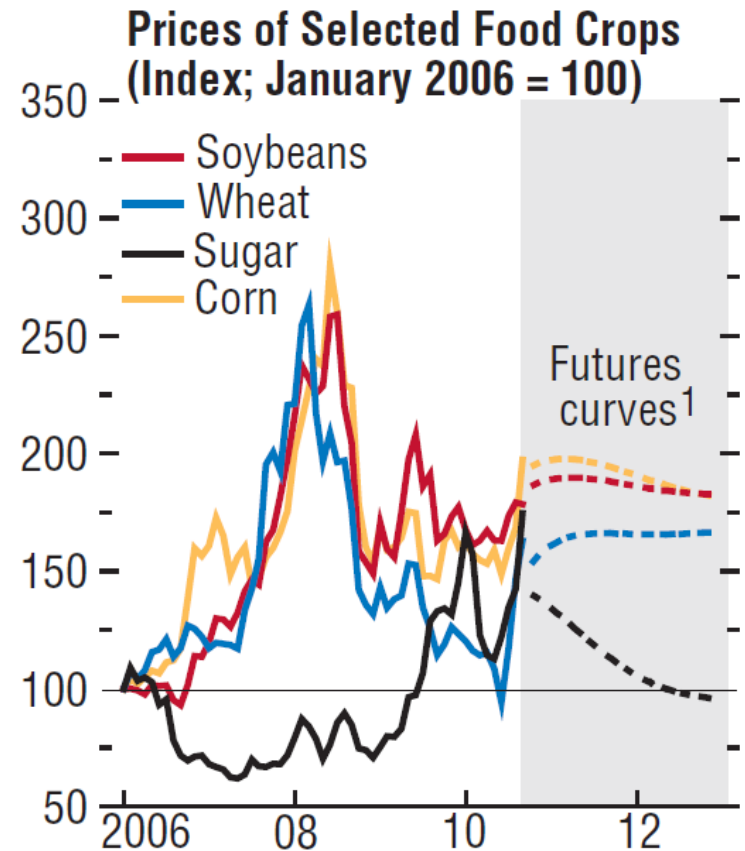


Source: National Statistics Institute (INE).



# Recent developments and outlook

- Inflationary pressures likely persist...
  - Non-food inflation may feed inflationary expectations.
  - Adjustments in fuel prices still to be completed.
- ... while domestic food inflation is not expected to surge due to pressures coming from abroad.



Source: IMF WEO, October 2010.



# Recent developments and outlook

## Aiming at keeping inflation under control...

- The Bank of Mozambique has continued to tighten monetary policy through:
  - Increased foreign exchange sales.
  - Raised policy rates.
  - Higher liquidity reserve requirements.
- Government has indicated its commitment, under the 2011 budget, to limit access to domestic financing to help reign inflation while avoiding a crowding out of the private sector credit.



# Recent developments and outlook

## Forthcoming IMF PSI review mission...

- Will discuss and assess the policy response and its impact on growth and poverty.
- More details will be provided at the usual donor briefing at the end of the mission.





Thank you!