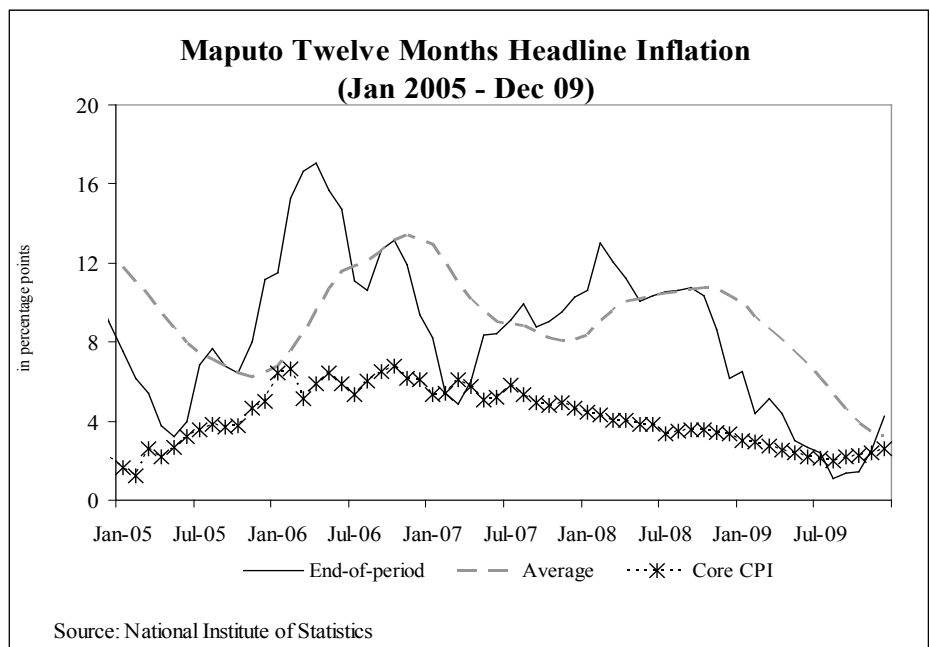
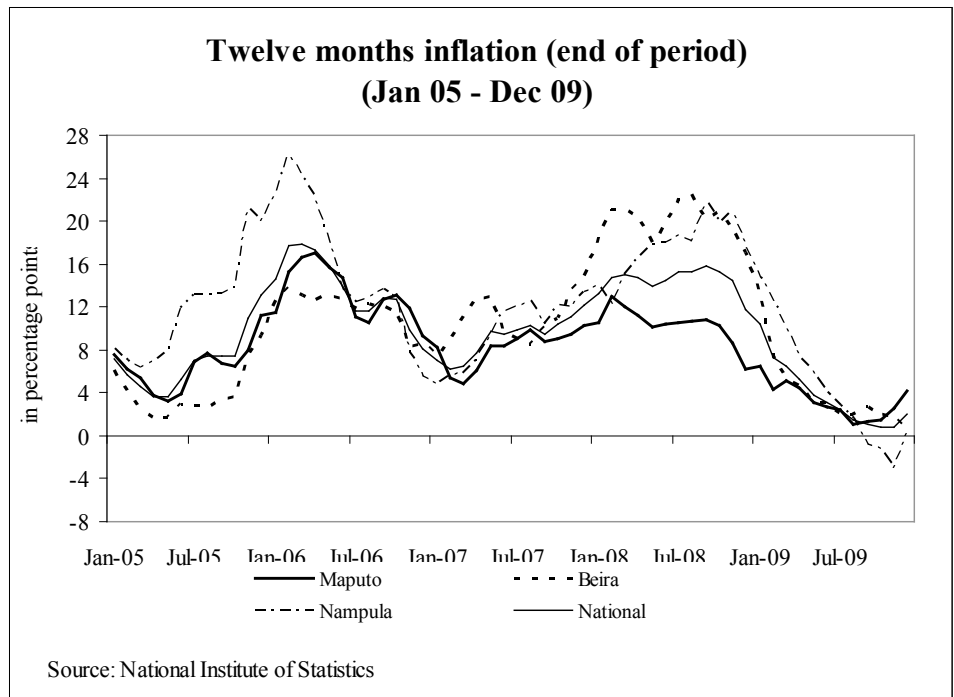


**Presentation of the IMF Resident Representative in Mozambique to
the Development Partner Group: February 4, 2010^{1 2}**

In 2009 Mozambique had one of the lowest inflation rates in years. The 12-month Maputo headline CPI closed at 4.2 percent. Half of the price increase occurred in the month of December (2.1 percent), where food items accounted for 96 percent of the increase. The average inflation rate in 2009 was 3.3 percent.

While in 2008 inflation was higher outside of Maputo, the opposite occurred in 2009. Beira and Nampula had a headline inflation for 2009 of merely 0.3 percent. As a result, in 2009, inflation for the nation as a whole amounted to 2.0 percent. The national average inflation decelerated continuously throughout the year starting at 14.2 percent in January to 3.7 percent in December.

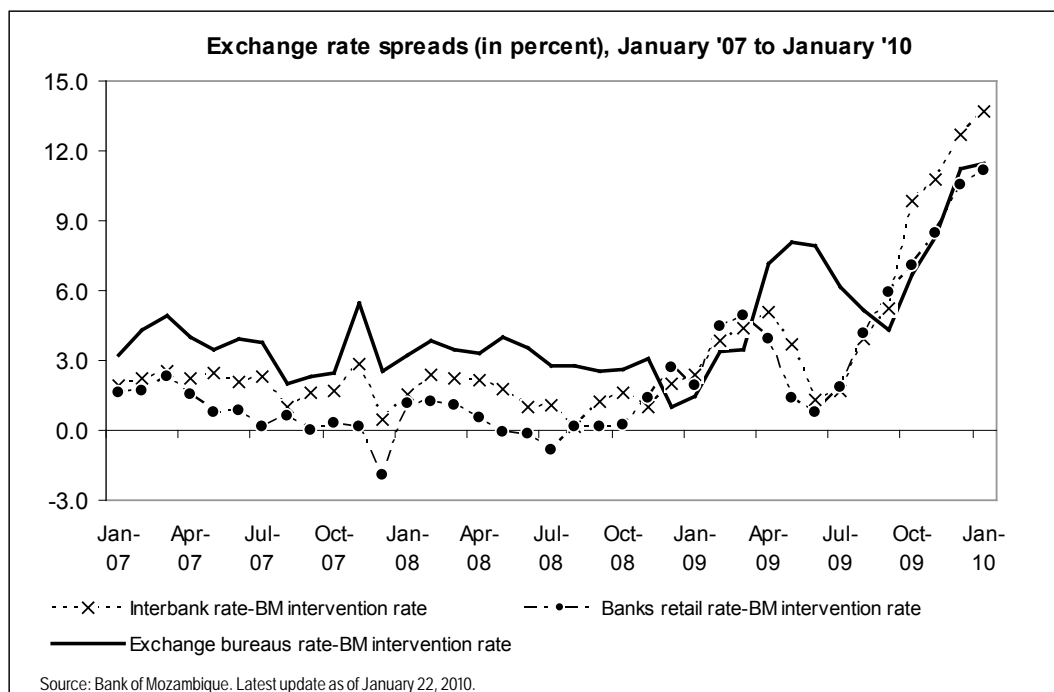
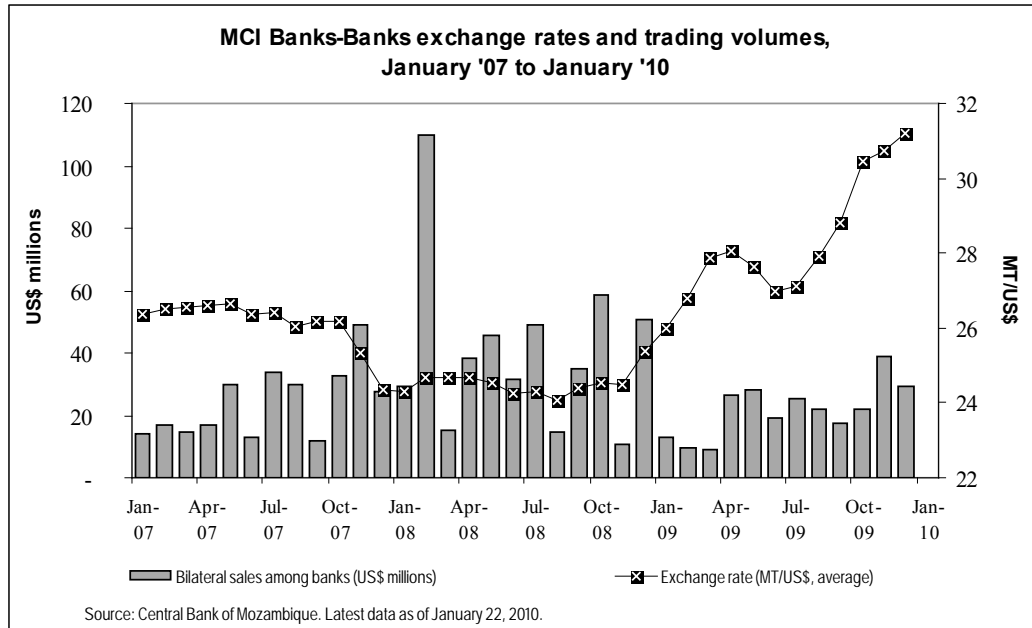
After a sustained decline, core inflation in Maputo started to increase slightly in recent months to 2.6 percent in December 2009 (from previous 2.4).



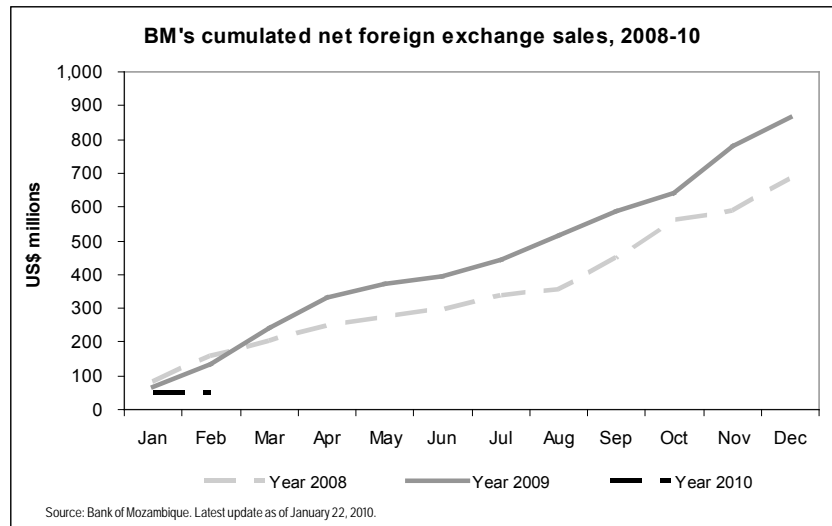
¹ The Development Partner Group consists of heads of mission in Mozambique of bilateral donors, the UNDP, and the international financial institutions.

² This document has not been approved by the IMF Executive Board.

The metical continued to depreciate against the US dollar in recent months. On January 22, the interbank market (Mercado Monetário Interbancário—MCI) average rate amounted to 31.6 meticaís per US dollar. The interbank rates experienced particularly high spreads vis-à-vis the official intervention rates (now exceeding 11 percent) as well as the greatest volatilities compared to the foreign exchange bureaus.



As a result of the global international crisis, which negatively impacted on Mozambique's balance of payments the central bank had to increase net foreign exchange sales in 2009. The Bank of Mozambique sold US\$866 million in 2009 against US\$680 million in 2008. However, foreign exchange sales in 2010 started at lower levels compared to the two previous years.



Despite the cut in policy rates by mid-2009, the interest rates of treasury bills remained broadly unchanged in nominal terms. Real interest rates increased in 2009 as a result of a declining inflation but are expected to decline as inflation picks up.

Interest rates (December 2004 - January 2010)

	2005	2006	2007	2008				2009					2010			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Oct	Nov	Dec	Jan 1/	Feb	Mar
Central bank policy rates																
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		
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		
Central bank reverse repo auctions																
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	-	-		
Central bank repo auctions																
Overnight										6.2	6.7	6.8	6.5	6.5		
Treasury bills auctions																
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		
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		
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		
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			

1/ as of January 22, 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

- **An IMF Monetary and Capital Markets (MCM) TA mission at the Bank of Mozambique was concluded on October 3, 2009.** The mission finalized with the technical staff of the Bank of Mozambique a medium-term macroeconomic forecasting model.
- **On December 2, 2009, the IMF Board approved the 5th review of the Policy Support Instrument (PSI) and 1st review of the Exogenous Shocks Facility (ESF).** The 6th and last review of the PSI and negotiations for a possible follow-up IMF program is scheduled for March 15-31, 2010.
- **An IMF African Department (AFR) mission visited Mozambique from January 25-29, 2010.** The mission discussed the new Debt Sustainability Framework (DSF), possible increase in the limit of non-concessional loans, options on future fund programs, the organization of an IMF/World Bank seminar to be held during the next review mission in March and the government's relation with the budget support donors.
- **An IMF Statistics Department (STA) multitopic mission is currently in Maputo (January 27 to February 10, 2010).** The mission focuses on improving the quality of the quarterly national accounts (QNA), the consumer price index (CPI), the government finance statistics (GFS), and the balance of payments (BOP) statistics.
- **A Fiscal Affairs (FAD) led tax policy mission is scheduled for February 24-March 10, 2010** to advise the Government on tax policy measures aiming at a sustained increase of tax revenues and an improvement of the business environment.