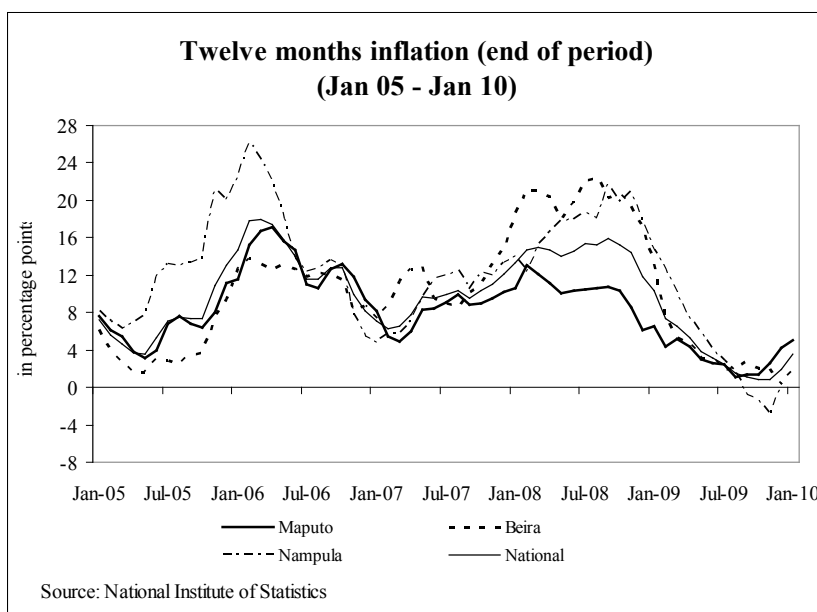


**Presentation of the IMF Resident Representative in Mozambique to
the Development Partner Group: March 4, 2010^{1 2}**

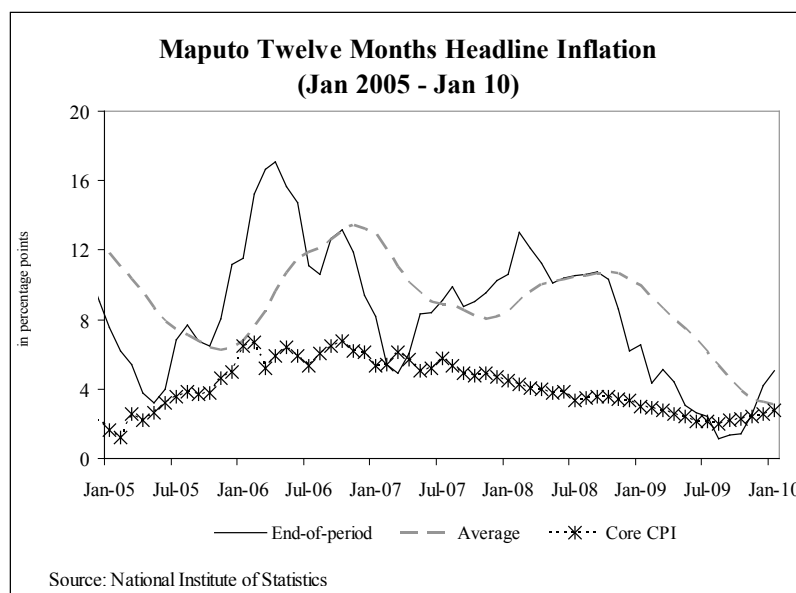
In January the Maputo headline CPI increased by 2.1 percent.

The twelve months January headline inflation increased to 5.1 percent, while the average inflation rate continued to slightly decrease to 3.2 percent. Food items accounted for 89 percent of the price changes, with tomatoes exerting the major upward influence in the total CPI change.



The January inflation was also pronounced in other parts of the country.

The CPIs for Beira and Nampula increased by 1.9 percent and 2.6 percent, respectively, against 0.3 percent in December 2009. The national CPI, which aggregates the CPIs of Maputo, Beira and Nampula, increased from 2.0 to 3.6 percent.



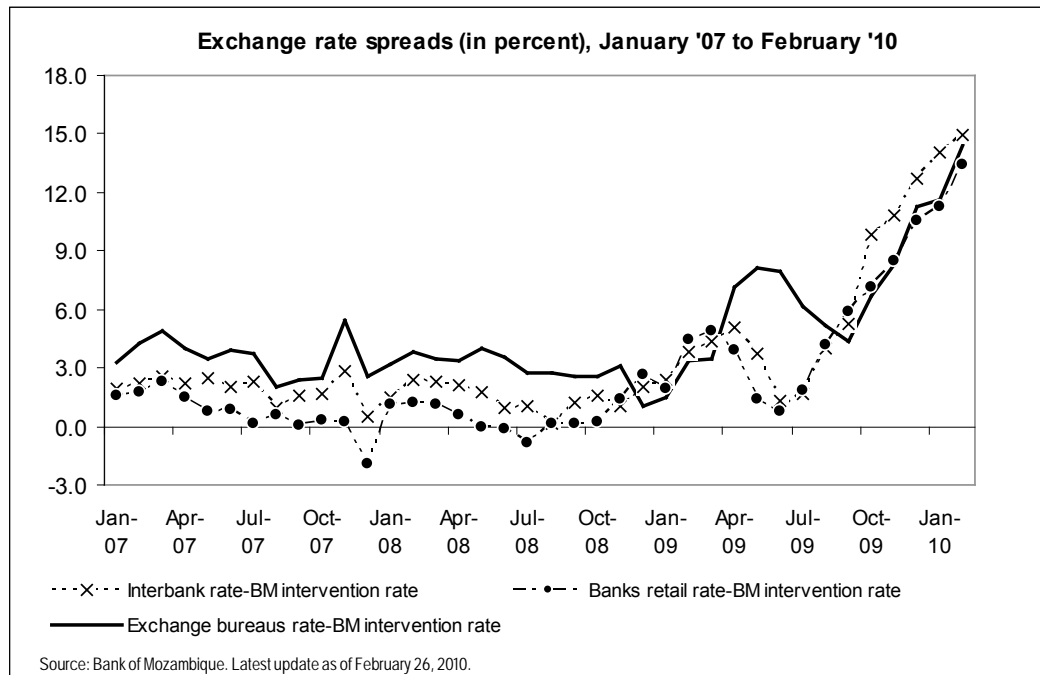
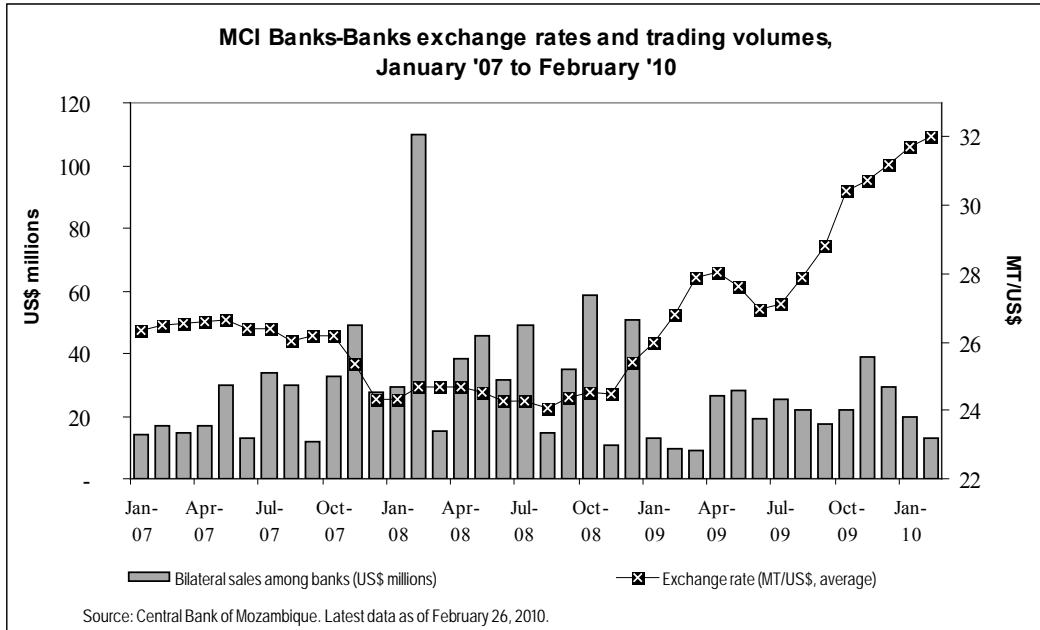
Core inflation for Maputo has been

following the CPI trend and increased from 2.6 to 2.8 percent over the same period.

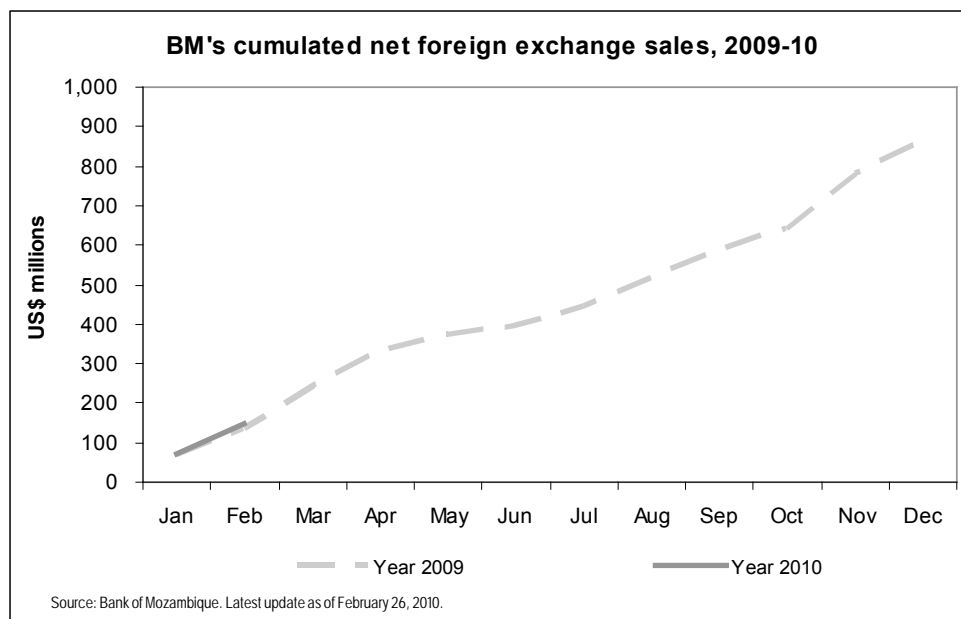
¹ The Development Partner Group consists of heads of mission in Mozambique of bilateral donors, the UNDP, and the international financial institutions.

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

The metical continued to depreciate against the US dollar while foreign exchange sales by the Central Bank continued at average amounts. By the last week of February, the MCI (Mercado Monetário Interbancário) average exchange rate traded at 32.0 meticaïs per US dollar against 31.7 at end-January 2010. The exchange rate spreads vis-à-vis the official intervention rates continued to soar to around 14 percent.



In January and February 2010, the official net foreign exchange sales by the Central Bank were at levels comparable to levels traded in early 2009. (US\$146.1 million against US\$135.8 million at end-February 2009).



Real interest rates declined slightly as inflation has started to increase. Nominal interest rates remain broadly unchanged.

Interest rates (December 2004 - February 2010)

	2005	2006	2007	2008				2009					2010			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Oct	Nov	Dec	Jan	Feb 1/	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	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	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	-	5.5	6.5	
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	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	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	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	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	7.1		

1/ as of February 26, 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

Preliminary data released by INE show a real GDP growth of 6.3 percent for 2009, only slightly 0.4 percent lower than real growth in 2008. Economic growth in 2009 increased steadily from the first through the last quarter with quarterly growth rates of 5.9 percent (Q1), 6.1 percent (Q2), 6.4 percent (Q3) and 7.0 percent (Q4). The main driver for the 0.7 percent growth rate in the last quarter was the primary sector which grew by 7.6 percent, with agriculture counting for 25 percent of GDP growing by 8.4 percent.

Other News

- The 6th PSI/2nd ESF review mission is scheduled to take place from March 15-31, 2010.
- From March 22-25, 2010 the Government, together with the IMF and the World Bank holds a seminar in Namaacha with the objective to distill Mozambique's medium-term economic policy priorities and structural reforms that could help preserve macroeconomic stability, raise the economy's growth potential, improve competitiveness, manage new risks, and identify options for financing of a scaling up of the public investment program. It will include presentations from IMF and World Bank staff, as well as Government officials, drawing on the experience of other low-income countries (LICs) and, in particular, of emerging market economies. It also envisions providing specific technical guidance on the potential financing options to help support the authorities' investment priorities. The seminar's conclusions will be presented in a ½ day special cabinet meeting.
- An IMF Statistics Department (STA) technical assistance mission, led by Ethan Weisman, on quarterly national accounts (QNA), consumer price index (CPI), government finance statistics (GFS), and balance of payments (BOP) statistics visited Maputo from January 27 to February 10, 2010.
- An IMF Fiscal Affairs Department (FAD) technical assistance mission, led by Ricardo Varsano, is visiting Maputo from February 24—March 10, 2010 to advise on tax system reforms to improve revenue mobilization and the business climate. Two additional FAD missions are scheduled for the follow-up of reforms in the public finance management (e-Sistafe), led by Mario Pessoa (April 19—30, 2010) and improvements in tax administration, led by Andrea Lemgruber (April 28—May 11, 2010).