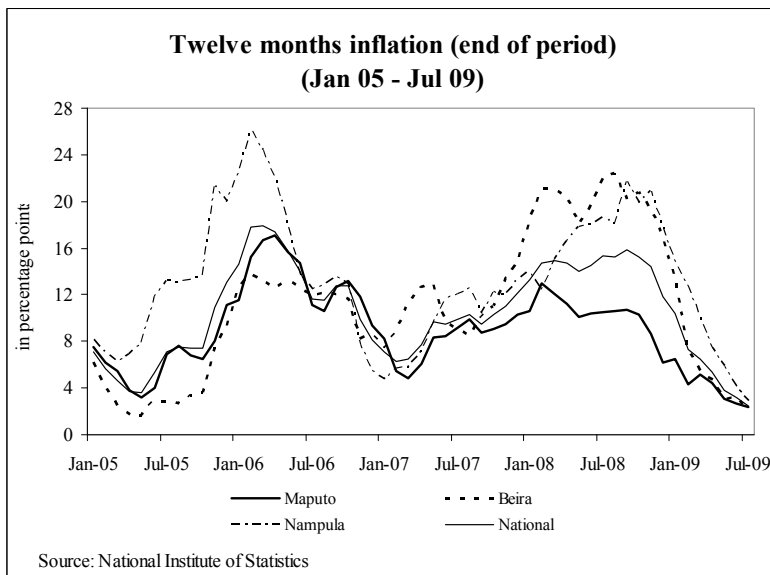


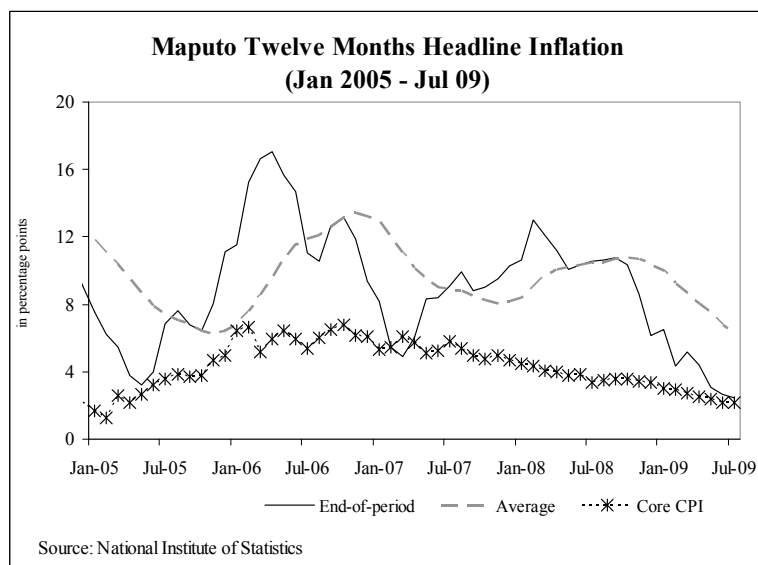
**Presentation of the IMF Resident Representative in Mozambique to
the Development Partner Group: September 3, 2009^{1 2}**

Monthly Maputo CPI rate was negative in June (-0.3) and barely positive in July (0.2). Cumulated inflation for the first 7 months of the year is 0.5 percent, and the end-period and average inflation rates dropped to 2.4 and 6.1 percent, respectively. Tomatoes were the main downward driver, as a result of the buoyant domestic agricultural activity and declining import prices from South Africa.



The regional (Beira and Nampula) and national inflation rates have also been following a strong declining trend in 2009 and converge with the Maputo CPI rate. The year-on-year inflation in Beira has dropped below the Maputo level.

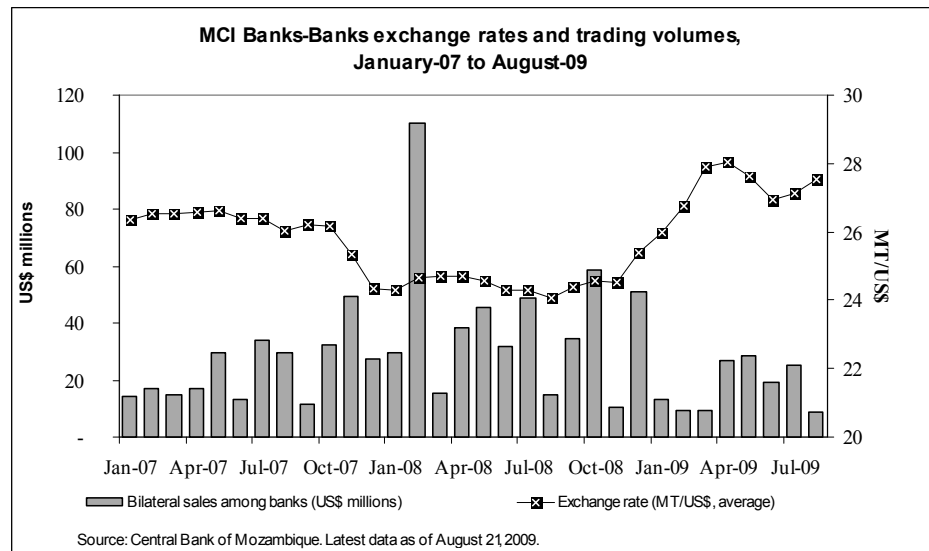
Core inflation in Maputo continued to decline to 2.1 percent and now stands slightly below the year-on-year inflation rates.



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

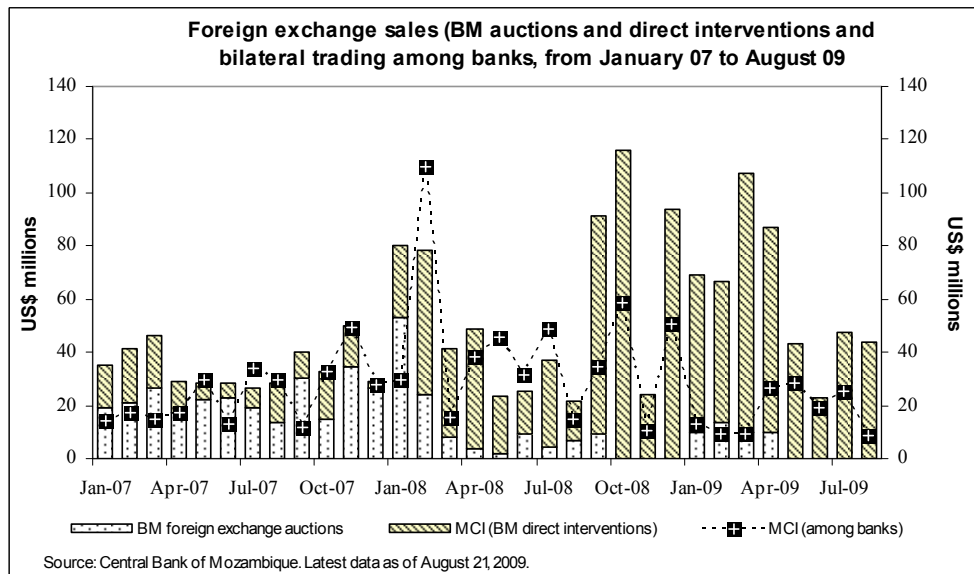
² This document has not been approved by the IMF Executive Board.

Since June, the metical has been depreciating smoothly against the US dollar. The cumulated depreciation in the period was 2.2 percent, bringing the MCI (Mercado Monetário Interbancário) average rate 27.6 meticaïs per US dollar.



Compared with the beginning of the year, the metical has slipped some 8.5 percent vis-à-vis the US dollar, partially reverting the appreciation observed in 2008.

As a result of the international financial crisis Mozambique's export earnings and foreign direct investments (FDI) declined. Consequently, the central bank increased its sale of foreign exchange on the foreign exchange market (MCI), and by August



2009, the central bank had sold US\$488 million against US\$355 million twelve months earlier, with the peak of monthly sales observed last March.

Consistent with declining inflation, in July the central bank reduced the FPC and FPD rates to 11.5 and 3 percent (further widening the corridor between them), respectively, and eased the liquidity reserves ratio (LRR) to inject liquidity into the economy. Market interest rates have not yet reacted substantially to the reduction in the policy rates. The real interest rate continues to increase due to the declining inflation rates. This easing of the monetary policy stance creates space for the authorities to finance their fiscal deficit domestically without crowding out private sector investments.

Interest rates (December 2004 - August 2009)

	2004	2005	2006	2007	2008				2009				
	Dec	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Jul	Aug 1/	Sep
Central bank policy rates													
FPC 2/	13.5	13.8	17.5	15.5	14.5	14.5	14.5	14.5	13.0	13.0	11.5	11.5	
FPD 3/	6.3	7.8	13.0	10.5	10.3	10.3	10.3	10.3	7.0	7.0	3.0	3.0	
Central bank reverse repo auctions													
Overnight 4/	6.4	7.8	13.2	-	10.3	-	-	-	-	-	10.0	7.0	
2 to 6 days 5/	6.4	8.1	13.2	12.0	10.8	10.8	-	-	-	7.1	7.0	7.0	
7 days 6/				-	-	10.8	13.2	13.3	8.3	8.3	7.1	7.1	
Treasury bills auctions													
91 days	10.5	10.2	15.8	14.8	13.5	13.5	14.0	14.1	10.9	9.9	9.9	9.7	
182 days	11.0	11.1	16.1	15.0	13.8	13.8	14.2	14.3	11.6	10.5	10.5	10.3	
364 days 7/	9.1	11.6	16.5	15.1	14.0	14.0	14.4	14.5	12.1	11.1	11.1	11.0	
364 days real interest rate 8/	-1.1	3.1	5.0	5.5	2.1	3.5	3.7	6.1	6.8	7.8	8.4	-	

1/ as of August 21, 2009

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

- On June 30, 2009, the Executive Board of the IMF approved a 12-month, SDR 113.6 million (about US\$176 million) for Mozambique under the IMF's Exogenous Shocks Facility (ESF) to cushion the country from the effects of the global economic downturn.** The approval enabled Mozambique to draw immediately an amount of US\$132 million. The IMF financing helps Mozambique to offset the deterioration of its balance of payments, which has been undermined by the global economic downturn. The IMF Executive Board also completed the fourth review of Mozambique's economic performance under the three-year Policy Support Instrument (PSI).
- The IMF Board of Governors approved on August 7, 2009 the General and Special SDR allocations, totaling US\$283 billion, to bolster members' reserves.** About US\$110 billion of the combined allocations will go to emerging market and developing countries, including over \$20 billion to low-income countries. Mozambique is entitled to access SDR 108.8 million (approximately US\$169.7 million, at US\$1.56 per SDR).
- The IMF 5th PSI and first ESF review mission is scheduled for September 9-23, 2009.** The mission will seek a continuation of the prudent macroeconomic policy mix and a further deepening of structural reforms related to tax administration, public financial management, and financial sector supervision.
- The IMF and World Bank Annual Meetings are scheduled for October 6-7, 2009 and will take place in Istanbul.** The meeting will focus on the world economic outlook, poverty eradication, economic development, and aid effectiveness.