

Mozambique Inflation

Flash note

- The year-on-year inflation rate decreased to 3.96% in July, compared to 4.15% in June. The reduction in annual inflation was driven by food and non-alcoholic beverages and restaurants and hotels, due in part to lower fuel prices and VAT exemption on basic products to relieve the cost of living in Mozambique.
- The average inflation rate stood at 3.77% in July, remaining within the monetary authority's target. In monthly terms, there was a deflation for the fourth consecutive month (-0.22%), which is typical between the months of April and July, marked by greater availability of vegetables due to better climate conditions. The Harmonised Index of Consumer Prices (HICP) of Mozambique's trading partners also slowed down in July 2025, with the USA (2.7%), South Africa (3.0%) and the Euro Area (2.0%) standing out.
- The lower volatility of the exchange rate USD/MZN also helped to contain inflationary pressure and guide the Central Bank's monetary policy on a less restrictive path. Indeed, benchmark interest rates have accumulated cuts totaling 250 basis points since December 2024.
- Although inflation is currently under control, upside risks persist due to the adverse international context (geopolitical and trade tensions with an impact on commodity prices) and increased fiscal pressures reflecting high expenses associated with the costs of the wage bill and public debt service.

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