



FINANCIAL MARKETS DEPARTMENT

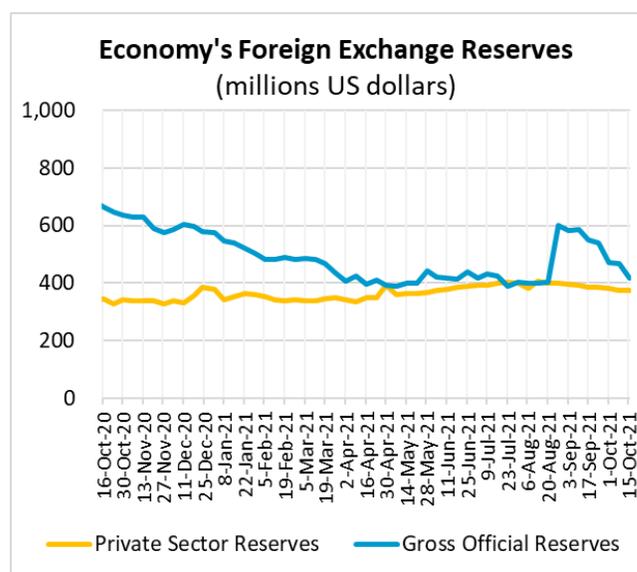
WEEKLY FINANCIAL MARKET DEVELOPMENTS

(11 – 14 OCTOBER 2021)

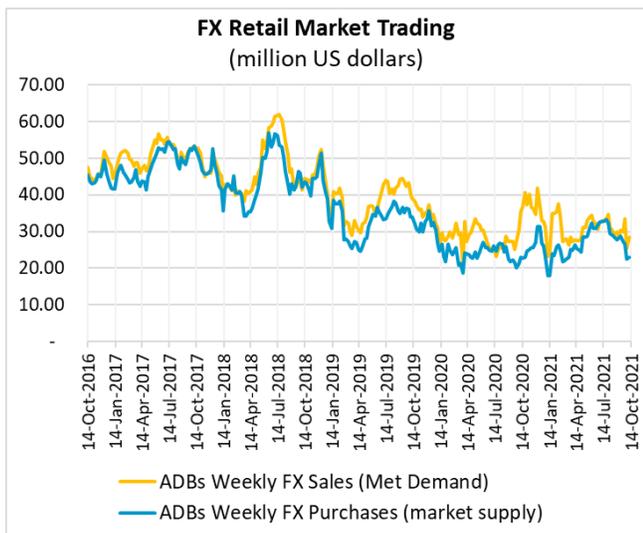
Main Highlights

- ✚ *Gross official foreign exchange reserves declined* to close the review week at US\$417.5 million (1.67 months of imports).
- ✚ *During the review week, The Kwacha gained against the US Dollar and the Euro. On the other hand, it lost against the British Pound and the Rand.* The Kwacha closed at K822.1582 per US dollar on 14th October 2021.
- ✚ *The Kwacha liquidity conditions in the banking system improved but remained tight* with the daily commercial banks' excess reserves, *before borrowing from the central bank, averaging negative K36.0 billion during the review week.*
- ✚ *Government securities were oversubscribed leading to Treasury notes over-allotment to cover up for previous under-allotments but Treasury bills were under-allotted due to price concerns.* Cumulatively in 2021/22 fiscal year, Government has only managed to source 47.5% of targeted amount from the domestic debt market, reflecting the impact of persistent tight liquidity conditions and price concerns.

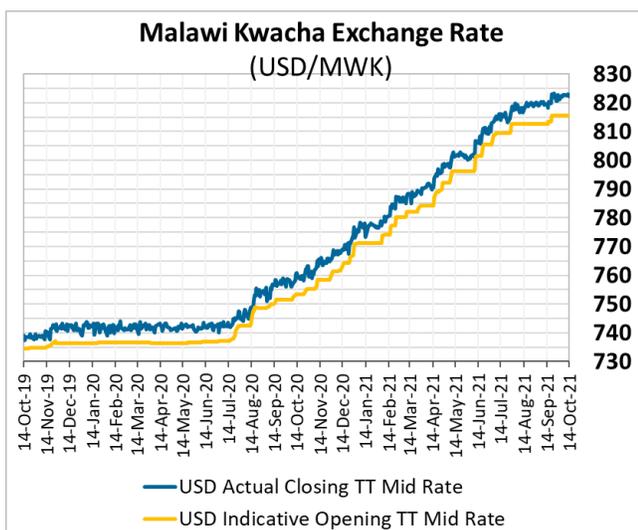
The gross official FX reserves dropped by US\$50.6 million to close the review period at US\$417.5 million (1.67 months of imports). This is compared to US\$3.0 million decline recorded during the preceding week.



Supply in the FX retail market declined and remained low relative to demand. Authorised Dealer Banks (ADB) purchased a total of US\$16.3 million from the market compared to US\$23.1 million that was sourced during the week ended 8th October 2021.

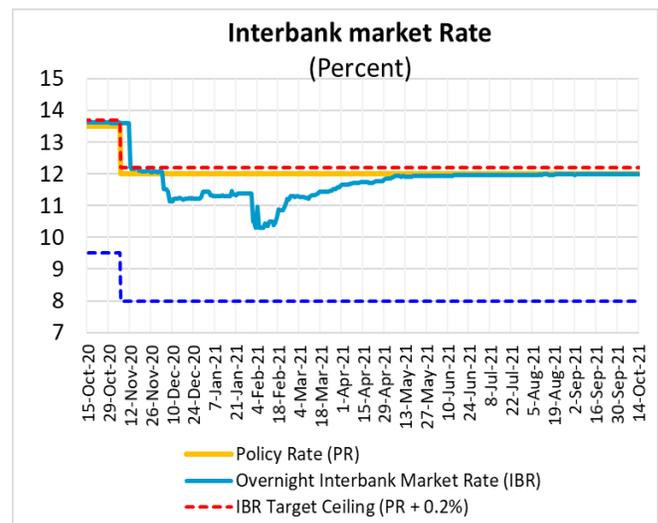


The Kwacha gained against the US Dollar and the Euro. On the other hand, it lost against the British Pound and the Rand during the week. The Kwacha gained 0.08% (K0.64) against the US dollar to settle at K822.1582 per US dollar following the preceding week's loss of 0.21% (K1.73). Similarly, the Kwacha gained 0.19% (K1.92) against the Euro following the preceding week's gain of 2.72% (K28.95). On the downside, the local unit lost 1.11% (K13.07) against the British Pound following a loss of 0.78% (K9.10) and lost 1.77% (K1.05) against the South African Rand following 0.58% (K1.20) loss in the preceding week.



Liquidity conditions in the domestic money market improved but remained tight. The daily commercial banks' excess reserves, *before borrowing from the central bank*, averaging negative K36.0 billion from K58.5 billion recorded during the week ended 8th October 2021. Consequently, commercial banks' access on the Lombard facility declined to average K71.8 billion per day compared to K82.1 billion per day that was recorded during the previous week. There was less activity on the interbank market as trading averaged K10.5 billion per day from K17.3 billion per day observed during the week ended 8th October 2021.

The IBR remains steady and closely aligned to the policy rate at 11.98 percent. Thus, the IBR continues to be within the target corridor of +0.2/-4.0 percentage points around the policy rate.



During the review week, total central bank operations with the commercial banks were expansionary, injecting a net of about K4.0 billion into the banking system. The liquidity injections emanated from Government primary deficit totaling K5.8 billion, customer currency deposits at commercial banks transferred to the central bank amounting to K6.2 billion, and net open market operations (OMO) through net

access on Lombard facility summing up to K2.2 billion. On the part counter, Government withdrew K8.2 billion through net issuance of Treasury securities while the central bank withdrew K2.0 billion through net foreign exchange operations.

For the third time in fifteen auction weeks in 2021/22 fiscal year, Government received enough subscriptions on the Treasury securities primary market relative to planned issuance. There was under allotment on the Treasury Bills due to price concerns. Treasury Notes were over allotted as favorable prices enabled the Treasury to cover for previous under allotments. Government raised a total of K33.4 billion against a planned issuance of K23.7 billion. A total of K7.5 billion was raised on Treasury bills primary market against subscription of K8.6 billion and planned issuance of K8.2 billion. This represents an allotment to subscription ratio of 100.0% and allotment to planned issuance ratio of 92.1%. The majority of allotment at

99.9% was on 364-day tenor. A total of K25.9 billion was raised on Treasury Notes primary market against subscription of K25.9 billion and planned issuance of K15.0 billion. This represents an allotment to subscription ratio of 100.0% and allotment to planned issuance ratio of 172.5%. The foregoing has improved the cumulative Treasury securities allotment to planned issuance ratio in 2021/22 fiscal year to 47.5% from 42.3% and increased cumulative allotment to subscription ratio to 85.5% from 83.3%.

