FINANCIAL MARKETS DEPARTMENT

WEEKLY FINANCIAL MARKET DEVELOPMENTS
(03 - 10 DECEMBER 2021)

Main Highlights

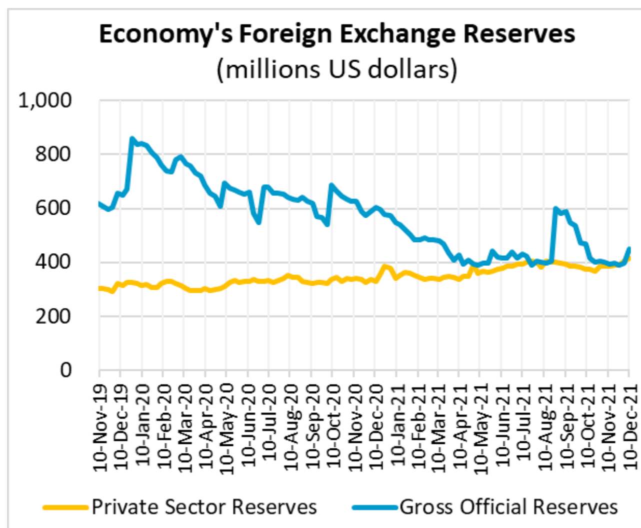
- ***The gross official FX reserves increased by about US$51.6 million*** to close the review period at US$448.3 million (1.79 months of imports).

- ***The Kwacha depreciated against the US dollar and the South African Rand but gained value against the British Pound and the Euro.*** The local unit lost 0.14% (K1.19) to close the review period at K824.1690 per US dollar.

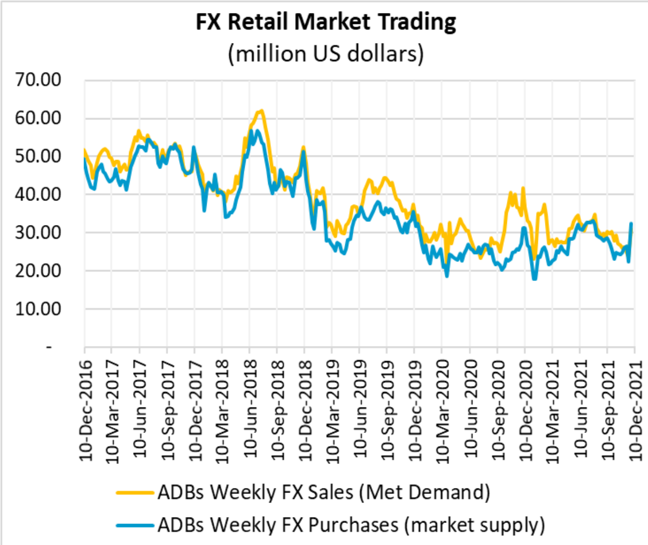
- ***Liquidity conditions in the domestic money market remained very tight*** with daily average commercial banks' excess reserves, *before borrowing from the central bank*, averaging negative K82.5 billion per day.

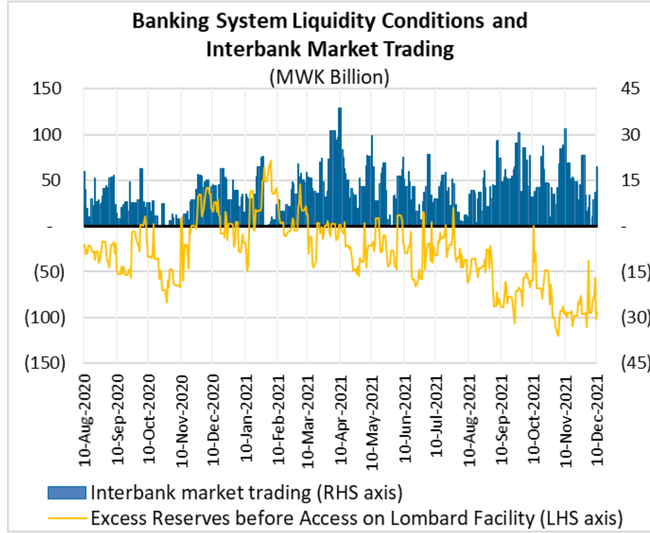
- ***Treasury bills primary auctions continue to be considerably under-subscribed and under-allotted while the Treasury notes primary auctions was over-subscribed and over-allotted following a reopening on three treasury notes.*** The cumulative Treasury securities allotment to planned issuance ratio in 2021/22 fiscal year, to 45.01% from 41.61%.

The gross official FX reserves increased by about US$51.6 million to close the review period at US$448.3 million (1.79 months of imports). This followed a US$7.2 million increase recorded during the preceding week.

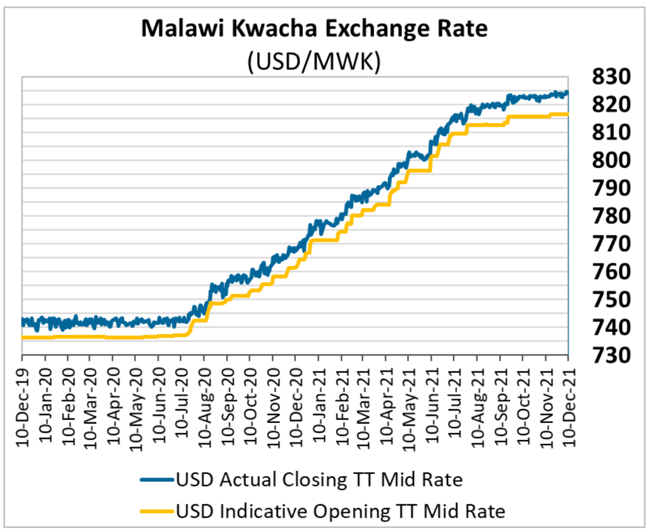


During the review week, the FX retail market registered lower but notable inflows considering the levels typically observed during the lean season. ADBs purchased a total of US$29.42 million compared to US$30.23 million recorded during the preceding week.





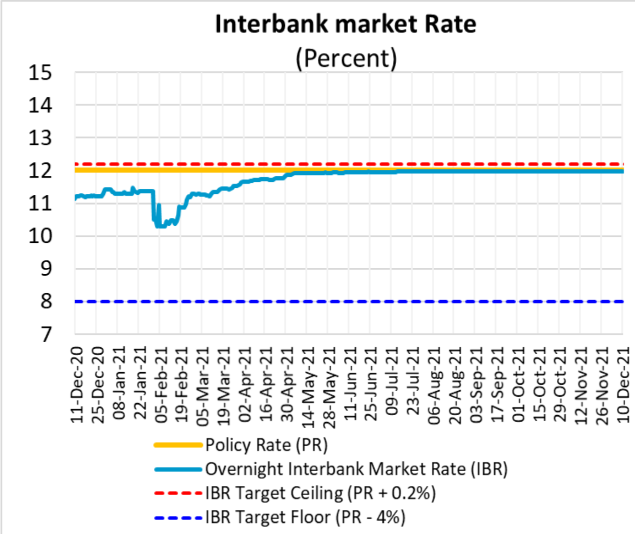
The Kwacha depreciated against the US dollar. In process, the local unit lost 0.14% (K1.19) to close the review period at K824.1690 per US dollar.



During the same period, the Kwacha gained value against the British Pound and the Euro but recorded a loss against the South African Rand. The Kwacha registered appreciation of 0.05% (63 tambala) and 3.01 % (K32.39) against the British Pound and the Euro respectively. The local currency lost 1.66% (K0.95) against the South African Rand.

Liquidity conditions in the domestic money market remained very tight during the review period as captured by daily average commercial banks' excess reserves, *before borrowing from the central bank,* which stood at negative K82.5 billion, from the negative K84.6 billion observed during the previous week. Trading in the interbank market increased to K9.6 billion per day from K6.3 billion per day recorded during the preceding week while access on the Lombard facility slightly decreased to K106.9 billion per day from K109.2 billion per day.

The IBR remains firm 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.



Central bank operations with commercial banks were contractionary during the review week. A total of about K11.3 billion was injected through net open market operations that included net access on Lombard facility amounting to K3.1 billion and repos totaling K8.2 billion. On the other hand, Government operations withdrew K28.4 billion through net issuance of domestic debt securities amounting K30.0 billion countered by net expenditures of K1.6 billion. Further withdrawal of banking system liquidity emanated from commercial banks' currency withdraws from the central bank to meet customer demands amounting to K3.3 billion and central bank's net foreign exchange operations of about K2.8 billion.

Treasury bills primary auctions continue to be considerably under-subscribed and under-allotted while the Treasury notes primary auctions was over-subscribed and over-allotted following a reopening on three treasury notes. On the Treasury bills primary auction, a total of K7.3 billion was subscribed and fully allotted against planned issuance of K17.0 billion. This represents an allotment to planned issuance ratios of 45.60%. On the Treasury notes primary auction, a total of K32.3 billion was subscribed and fully allotted against planned issuance of K20.0 billion. This represents an allotment to planned issuance ratios of 161.67%. The developments led to an increase in cumulative Treasury securities allotment to planned issuance ratio in 2021/22 fiscal year, to 45.01% from 41.61%, and increased allotment to subscription ratio, to 89.93% from 88.71%.