



FINANCIAL MARKETS DEPARTMENT

WEEKLY FINANCIAL MARKET DEVELOPMENTS

(08 - 12 NOVEMBER 2021)

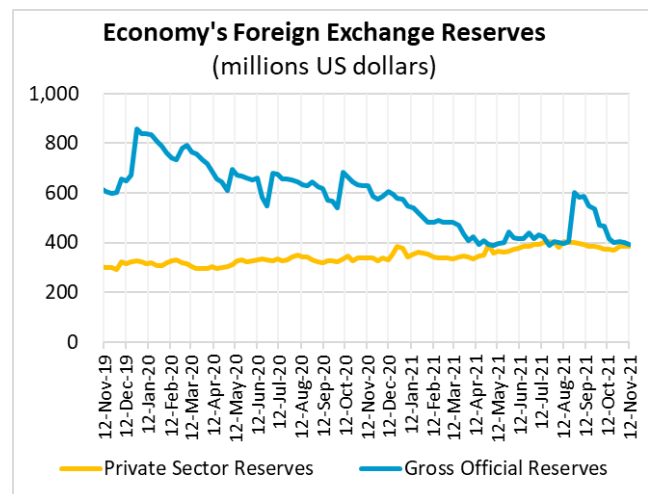
Main Highlights

- ✚ *Gross official foreign exchange reserves declined by US\$7.7 million to close the review week at US\$398.56 million, sufficient to cover 1.59 months of imports.*
- ✚ *The Kwacha continues to perform against currencies of major trading partners given the lean season. The Kwacha closed at K822.8035 per US dollar on 12th November 2021.*
- ✚ *Liquidity conditions in the domestic money market remain very tight with daily average commercial banks' excess reserves, before borrowing from the central bank, averaging negative K94.5 billion per day during the review week.*
- ✚ *The tight liquidity conditions in the banking system continue to affect subscription and allotment on the Treasury securities primary market. Government raised about half of planned issuance on Treasury notes primary market and an insignificant amount on Treasury bills market.*
- ✚ *Inflation accelerated more than expected in October, pushed up by increases of food and fuel prices. Headline inflation rose to*

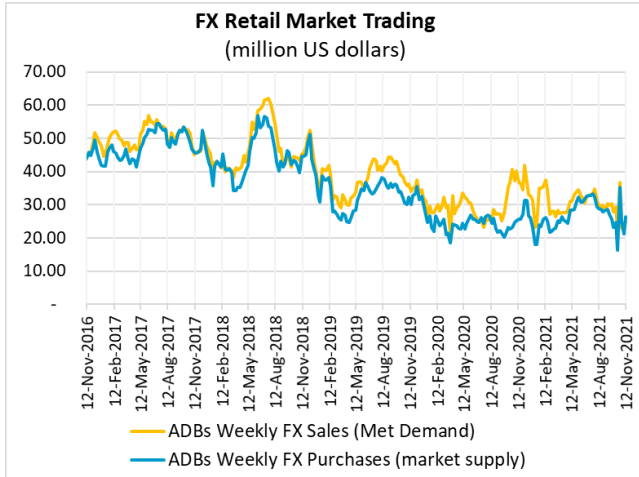
9.8%, from 8.9% in September 2021 and 7.5% in October 2020.

- ✚ *International oil prices have stabilized, after wild swings on prospects of rising oil supply. Crude oil prices fell 0.8% to settle at US\$82.17 per barrel in the week ending 12th November 2021.*

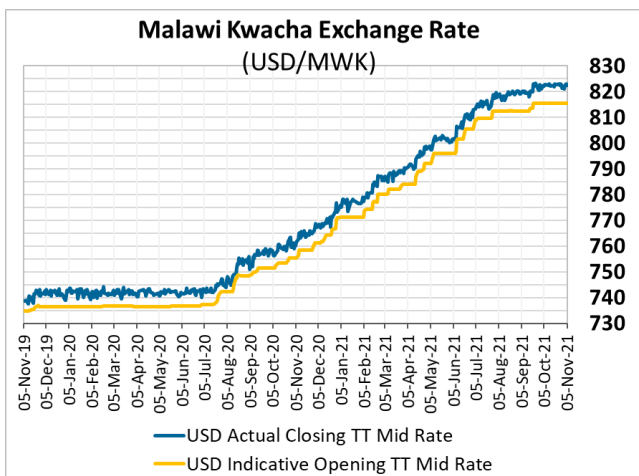
The gross official FX reserves declined by US\$7.7 million to close the review period at US\$398.56 million, sufficient to cover 1.59 months of imports. This is compared to a US\$3.44 million decline recorded during the preceding week.



Supply in the FX retail market improved, but remained low relative to demand with ADBs purchasing from the market a total of US\$26.47 million from US\$21.3 million recorded during the week ended 5th November 2021.

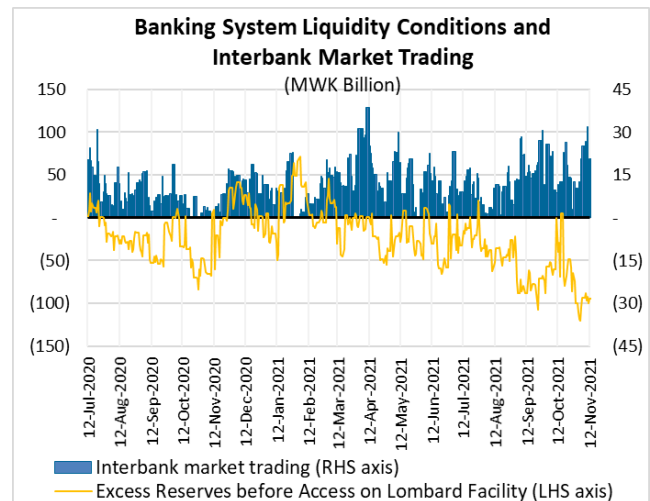


The Kwacha generally continues to perform against currencies of major trading partners during the lean season. The Kwacha lost 0.04% (29 tambala) against the US dollar to close the review week at K822.8035 per US dollar. Likewise, the local unit lost 0.60% (35 tambala) in value against the South African Rand. On the other side, during the same period, the Kwacha gained 1.07% (K12.72) and 1.38% (K14.61) in value against the British Pound and the Euro, respectively.



So far, almost half way into the fourth quarter of 2021, the Kwacha has only lost 0.08% (64 tambala) against the US dollar, 0.24% (K2.84) against the Pound, 1.82% (K18.68) against the Euro, and 0.40% (K24 tambala) against the Rand. This year up to 12th November 2021, the Malawi Kwacha has depreciated by 6.5% against the US dollar.

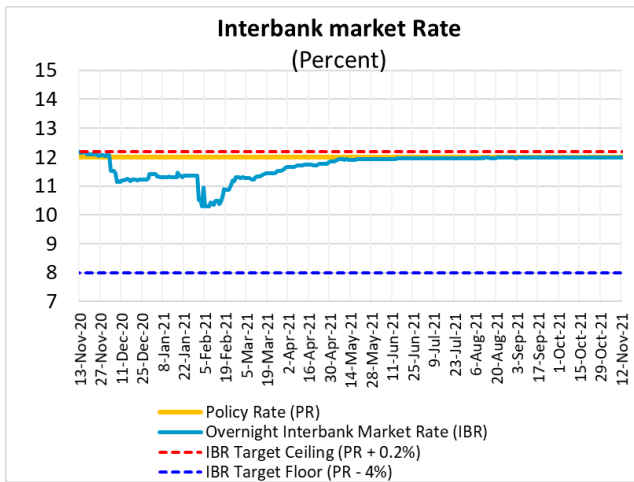
At Sub-Saharan Africa level, currencies exhibited mixed performance. The Tanzanian shilling has depreciated by 7.8% so far this year, while the Nigerian naira has weakened by 7.1% against the US dollar. On the other hand, the Zambian kwacha has gained 18.4% against the US dollar, while the Angolan Kwanza has appreciated by 7.5% against the dollar.



Liquidity conditions in the domestic money market remained very tight, albeit recording improvement as captured by increase in the daily commercial banks' excess reserves, before borrowing from the central bank, to an average of negative K94.5 billion per day from negative K109.2 billion per day recorded during the week ended 5th November 2021. Consequently, resources available on the interbank market increased and borrowing from the central bank, as a last resort, declined. Interbank traded volume increased to K22.7 billion per day from

K14.9 billion per day observed during the previous week while access on the Lombard facility dropped to K105.9 billion per day from K118.8 billion per day.

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

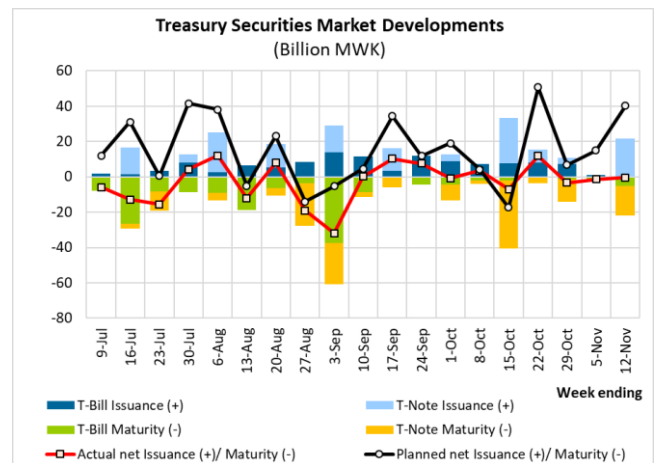


Total central bank operations with the commercial banks were expansionary during the review week, injecting a net of about K18.6 billion into the banking system. Liquidity injections were recorded on account of central bank’s foreign exchange purchases from the market (K4.1 billion), public cash deposits to commercial banks transferred to the central bank (K10.0 billion), central bank’s OMO purchase of Treasury securities (K4.0 billion), and net commercial bank’s borrowing from the central bank on the Lombard facility (K4.7 billion). On the other hand, Government operations, dominated by net issuance of Treasury securities, withdrew K4.4 billion from the banking system.

The tight liquidity conditions in the banking system continue to affect subscription and

allotment on the Treasury securities primary market. A total of about K21.5 billion was raised on Treasury bills (K0.1 billion) and Treasury notes (K21.3 billion) primary markets against planned issuance of K62.0 billion. Allotment to planned issuance ratio stood at 0.78% for Treasury bills and 47.41% for Treasury notes with all bids accepted.

Cumulatively in 2021/22 fiscal year, Treasury securities allotment to planned issuance ratio declined to 43.44% from 44.44% while allotment to subscription ratio increased to 87.86% from 86.92%.



Inflation accelerated more than expected in October 2021, pushed up by increases of food and fuel prices. Headline inflation jumped to 9.8%, from 8.9% in September 2021. Food inflation, which contributes nearly half of the consumer price index (CPI), climbed to 11.8%, from 10.9% in September 2021. Non-food inflation advanced to 7.8%, from 7.2% in September 2021. The transportation component of inflation edged up to 12%, year-on-year, by far the biggest contributor.

In the sub-Saharan Africa region, inflation developments were mixed. In Angola, inflation climbed for the seventh straight month to 26.9% in October 2021, its highest level since July

2017. Inflation in Mozambique accelerated for the third straight month to 6.4%, from 6.0% in the previous month, mainly pushed up by prices of food. Inflation in Botswana accelerated to 8.8% in October, from 8.4% in September 2021. In Ghana, inflation accelerated for the fifth straight months to 11.0% in October 2021, from 10.6% in September 2021. This was the highest inflation level since July 2020. On the other hand, inflation in Zambia decelerated to 21.1% in October 2021, from 22.1% in September 2021. Inflation in Nigeria fell for the seventh straight month to 15.9% in October 2021, from 16.63% in the previous month. Inflation in South Africa stood at 5.0%, unchanged from the previous month. Inflation in Tanzania stood at 4.0% in October 2021, unchanged from the previous month.

International oil prices have stabilized, after wild swings on expectations of rising oil supplies. Crude oil prices were at US\$81.52 a barrel. OPEC+, a group of OPEC, Russia and other countries, has maintained unprecedented restraint on production, even as prices have rebounded from the depths of the early stages of the coronavirus pandemic. Oil prices reached a multi-year high of US\$86.70 per barrel in October 2021, its highest level since October 2018.