RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 16 October 2014

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 17th October 2014
Projected Transactions (+= Net injection / - = Net withdrawal)	-5,844	-3,360
Estimated Excess Reserves	-2,591	-2,312
Required Reserves	46,062	46,062

Commentary:

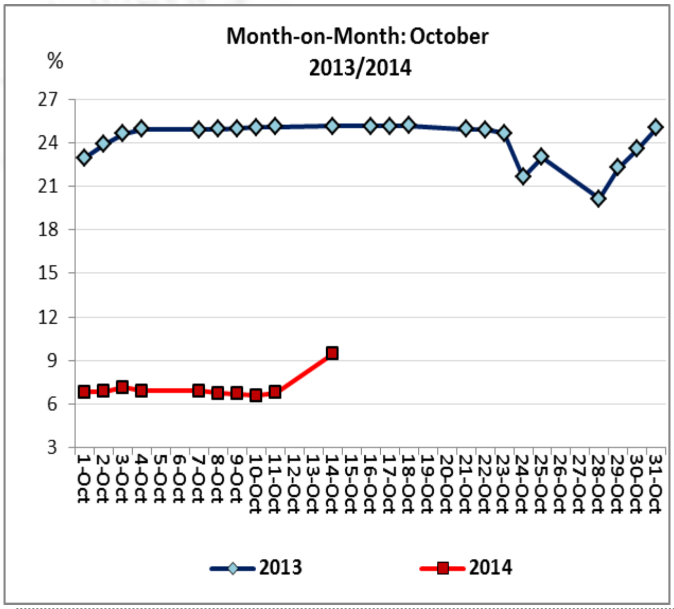
- Excess reserves are expected to close today at negative MK2.59 billion from MK3.25 billion observed on Tuesday, 14th October 2014.

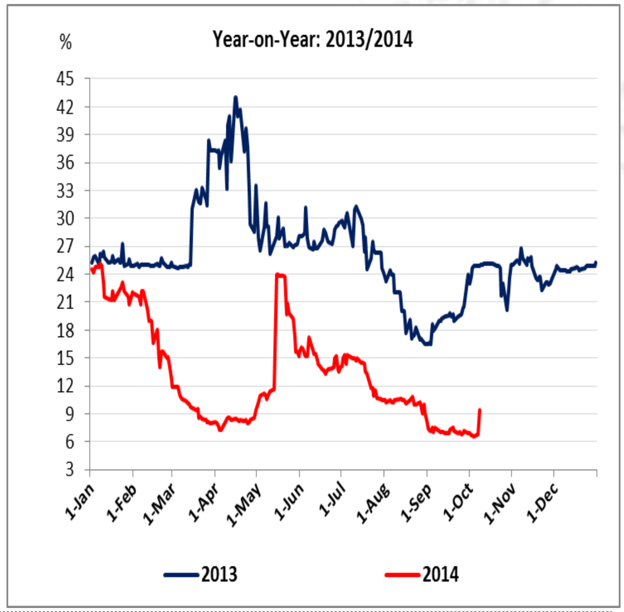
B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Day's Domestic Money Market Activity

(a) Inter-bank borrowing	**Volume**	**Average rate (%)**
O/N	3,000	9.45
7 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
(ii) Reverse Repos		
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	5,100	24.50

ii. Weighted Average Interbank Rates





Commentary:

- Traded volumes on the interbank market increased to MK3.00 billion on Tuesday, 14th October 2014 from MK1.85 billion recorded the previous day.
- The interbank rate (IBR) went up to 9.45 percent from 6.78 percent recorded on Monday, 13th October 2014.
- A total of MK5.10 billion was accessed on the Lombard Facility on Tuesday, 14th October 2014.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

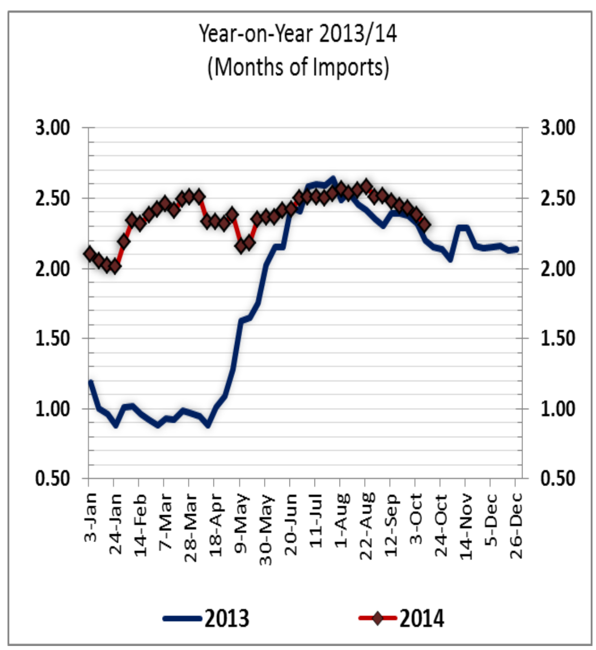
(Foreign reserves under the direct control of the Central Bank)

Week ending	Reserves (US$ million)	Import Cover * (Months)
03rd October 2014	454.84	2.38
10th October 2014	441.36	2.31

*** US$191 million per month is used in this calculation**

Commentary:

- Gross Official Reserves decreased during the week ending 10th October 2014 compared to the previous week following the Monetary Authorities' continued commitment to support importation of strategic commodities in the economy. However, the official gross fx reserves were still higher than the position observed same time last year.



ii. Private Sector Foreign Reserves

(Foreign reserves under the direct control of authrozed dealer banks (ADBs) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

Week Ending (US$ m)	ADBs Own Position	FCDA	Total	Import Cover * (Months)
03rd October 2014	9.31	292.56	301.87	1.58
10th October 2014	17.77	287.20	304.97	1.60

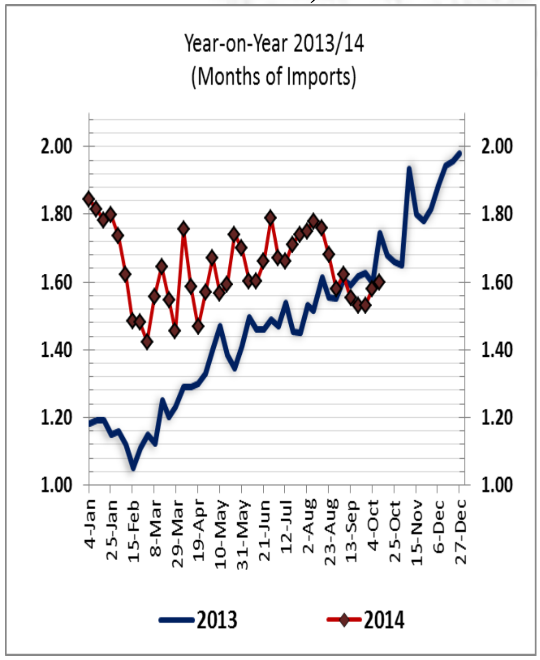
*** US$191.0 million per month is used in this calculation**

ADBs FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US$ m)	ADBs Purchases	ADBs Sales
03rd October 2014	37.41	47.91
10th October 2014	49.31	40.89

Commentary:

- Private sector fx reserves improved during the week ending 10th October 2014 and stood at US$305.0 million as of Friday, 10th October, 2014.

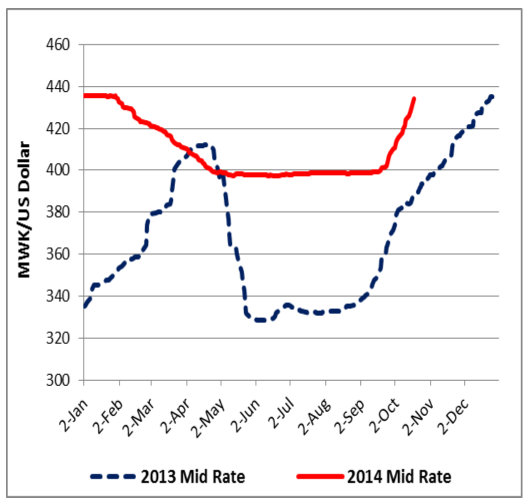


iii. Exchange Rate Developments

Week ending	3rd October 2014	10th October 2014	Today
MWK/USD	417.2631	426.1865	434.0449
MWK/GBP	673.6713	686.8848	695.3399
MWK/EUR	528.6306	540.8733	557.2268
MWK/ZAR	37.3056	38.5166	39.1932

Commentary:

- Compared to Friday, 10th October 2014, the Kwacha has depreciated today against the USD, the GBP, the EUR and the ZAR.



D. MONEY MARKET YIELD CURVE

	Overnight	07 days	14 days	30 days	91 days	182 days	364 days
07th October 2014	6.90%	-	-	-	18.85%	20.30%	20.50%
14th October 2014	9.45%	-	-	-	19.94%	20.42%	20.50%
Change in yield (bp)	255	-	-	-	109	12	0