



## FINANCIAL MARKETS DEPARTMENT

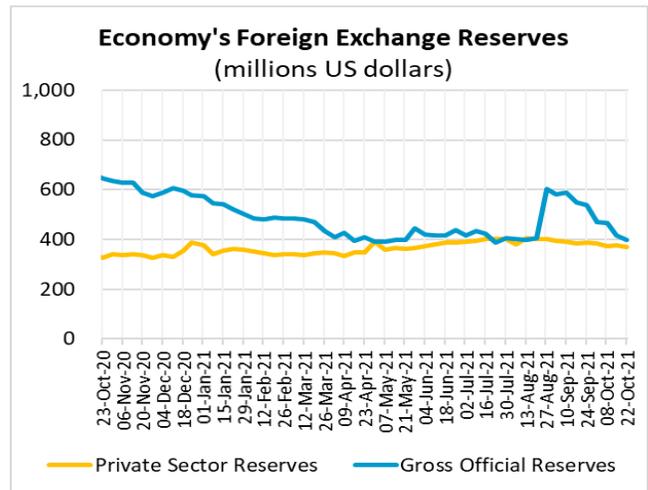
### WEEKLY FINANCIAL MARKET DEVELOPMENTS

(18 – 22 OCTOBER 2021)

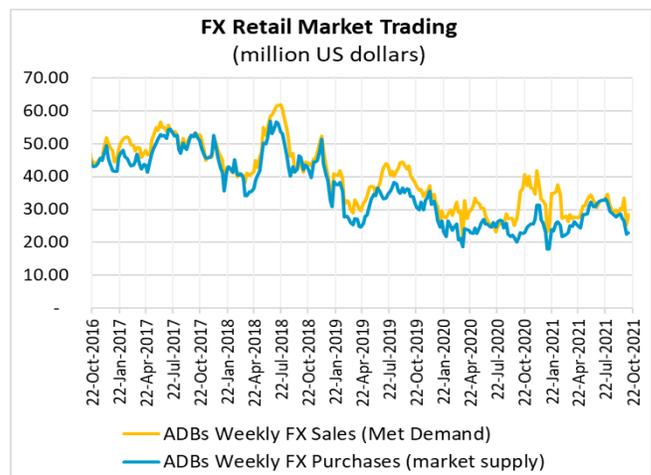
#### Main Highlights

- ✚ *Gross official foreign exchange* closed the review week at US\$399.5 million (1.60 months of imports).
- ✚ *The Kwacha depreciated marginally against the major currencies.* The Kwacha closed at K822.7737 per US dollar on 22<sup>nd</sup> October 2021.
- ✚ *Liquidity conditions in the domestic money market tightened as* daily commercial banks' excess reserves declined.
- ✚ *Subscriptions during auctions for Treasury securities were not sufficient to cover planned issuances.* Both Treasury Bills and Notes were fully allotted.

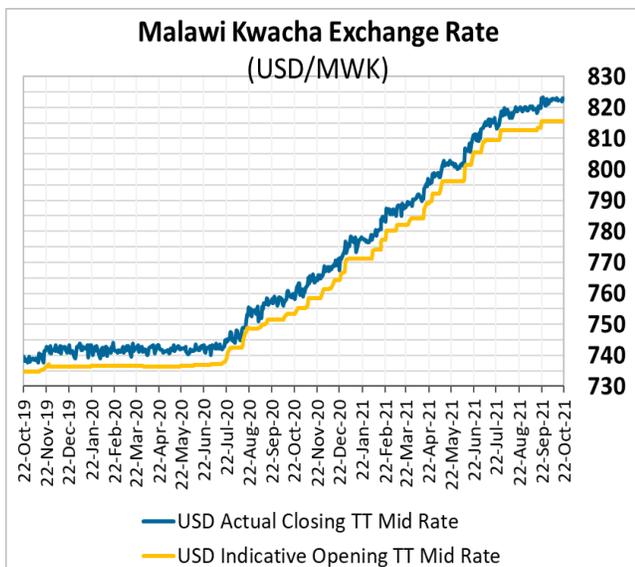
**The gross official FX reserves dropped by US\$18.0 million to close the review period at US\$399.5 million (1.60 months of imports). This is compared to US\$50.6 million decline recorded during the preceding week.**



**Supply in the FX retail market improved but remained low relative to demand.** Authorised Dealer Banks (ADB) purchased a total of 35.3 US\$ million from the market compared to US\$16.3 million that was sourced during the week ended 22<sup>nd</sup> October 2021.



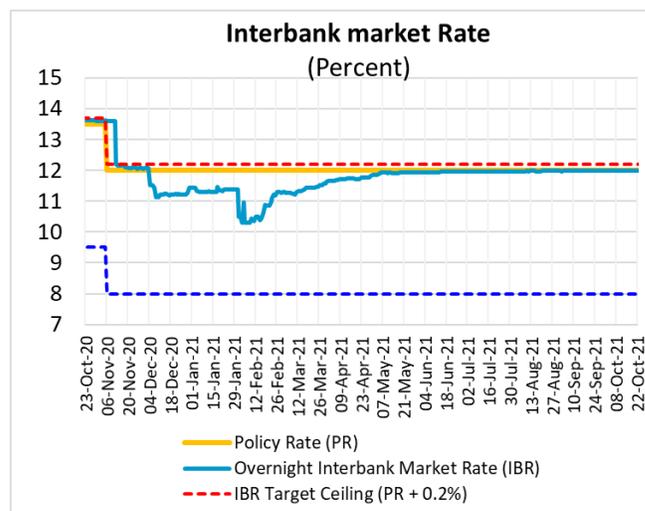
**The Kwacha depreciated against the all major currencies, namely the US Dollar, the Euro, the British Pound and the Rand.** The Kwacha lost 0.07% (K0.62) against the US dollar to settle at K822.7737 per US dollar following the preceding week's gain of 0.08% (K0.64). The local unit was weaker by 0.73% (K8.67), 2.95% (K30.53), and 1.81% (K1.09) against the Pound Sterling, the Euro and the South African Rand, respectively.



**Liquidity conditions in the domestic money market were tighter during the review period.** The daily commercial banks' excess reserves, before borrowing from the central bank, averaging negative K53.7 billion from negative K36.0 billion recorded during the week ended 14<sup>th</sup> October 2021. However, commercial banks' access on the Lombard facility declined to average K53.4 billion per day compared to K71.8 billion per day that was recorded during the previous week. Banks were able to fund their overnight shortfalls on the interbank market whereby trading averaged K18.7 billion per day from K10.5 billion per day observed during the week ended 14<sup>th</sup> October 2021.

**The IBR has 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 contractionary, withdrawing a net of about K5.5 billion from the banking system.** Net Open Market Operations and issuances of Treasury securities withdrew K10.6 billion and K13.6 billion, respectively from the banking system. On the other hand, Government operations supplied K6.6 billion as Currency in circulation increased by K12.1 billion.

**Subscriptions for Treasury securities were not sufficient to cover planned issuances.** There was full allotment on both Treasury Bills and Treasury Notes although Treasury Notes were undersubscribed. Government raised a total of K15.4 billion against a planned issuance of K54.1 billion. A total of K8.2 billion was raised on Treasury bills primary market against subscription of K8.2 billion and planned issuance of K8.2 billion. This represents an allotment to subscription ratio and allotment to planned issuance ratio of 100 percent. About 99.7 percent of the allotment went to the 364-day tenor. A total of K7.2 billion was raised on Treasury Notes primary market against

subscription of K7.2 billion and planned issuance of K45.9 billion. This represents an allotment to subscription ratio and allotment to planned issuance ratio of 100 percent and 15.7 percent, respectively. The foregoing has reduced the cumulative Treasury securities allotment to planned issuance ratio in 2021/22 fiscal year to 45.5% from 47.5% and increased cumulative allotment to subscription ratio to 86.36% from 85.5%.

