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Capital Markets IdeaCast

Capital Markets Association
Of Zambia CMAZ

MPC Executive Summary

MPC maintains policy rate at 8.5%.

Implementation of fiscal adjustment measures premised on fiscal discipline, the dismantling of domestic arrears, enhancement of revenue collections, achieving a sustainable budget balance, securing an IMF Programme, and external debt restructuring remain critical to restoring macroeconomic stability.

MPC Rate maintained

8.5 %

Bond Subscription rate August

428.6 %

TBill Subscription rate August

99.4 %

Gov Securities Stock

K180.2 Bn

26.2% increase

Yield rates on Gbonds August

29.3 %

Yields for Tbills reduced to 23.9% in August

Gross Int'l reserves

US\$2.9 Bn

Or 5.4 months import cover - August

BOZ Net Purchases Jul - Aug

US\$152.4m



Global Growth

Growth is projected at 6.0 percent in 2021, and to then moderate to 4.9 percent in 2022. This is despite the emergence of more contagious COVID-19 variants coupled with the slower pace of vaccinations, particularly in most emerging markets and developing economies, as well as geopolitical tensions



Domestic Economic Activity

High frequency indicators suggest weaker growth in the second quarter of 2021 against a preliminary real GDP growth of 0.7 percent in the first quarter. Stanbic Bank Zambia Purchasing Managers Index (PMI) has averaged below 50 over the past number of months. The PMI stood at 49.4 in Jul, from 49.3 in Jun and 49.7 in May.



Inflation

In August 2021, inflation declined marginally to 24.4 percent from 24.6 percent in July mainly as a result of the appreciation of the Kwacha against the US dollar.



Overnight interbank rate

The overnight interbank rate was broadly unchanged at 8.50 percent .

Interest rates
decline

Commercial banks' lending rate declined to 25.6 percent in June. By end August, the weighted average yield rates on Government securities declined to 23.9% and 29.3% for Tbills and G-bonds, respectively, owing to overwhelming demand.

US\$573.3m

Mining taxes

With US\$374.9 million directly remitted to Bank of Zambia

US\$358.2m

BOZ sales

To moderate FX pressures

16.5%

Credit to private sector

Supported by increased disbursements from the Bank of Zambia Targeted Medium-Term Refinancing Facility .

K15.94 per US dollar

Between Jul - Aug Kwacha appreciated sharply mainly due to significant inflows from non-resident investors in Government bonds and improved market sentiments.

Demand for Government securities strengthens

This was mostly on the back of high yield rates and improved investor sentiments following the credit rating upgrade by Fitch in April 2021. These developments particularly attracted non-resident investors who accounted for about 70.0 percent of total demand for bonds.