



Banco de Moçambique

# INTERBANK MONEY AND FOREIGN EXCHANGE MARKETS BULLETIN

Markets and Reserves Management Department

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### 1. Introduction

This report sheds light on the developments in the Interbank Money Market (IMM) and the Foreign Exchange Market for the second quarter of 2023, compared to the previous quarter.

In the session held on May 31, 2023, the Monetary Policy Committee (MPC) of the Banco de Moçambique decided to keep the MIMO policy rate unchanged at 17.25%, underpinned by the prevalence of high risks and uncertainties associated with inflation forecasts, despite forecasts of medium-term single-digit inflation. In addition, the MPC has also decided to increase the Reserve Requirement ratios from 28.0% to 39.0% for domestic currency liabilities and 28.9% to 39.5% for foreign currency liabilities, in order to absorb surplus liquidity in the banking system, with the potential to cause inflationary pressure. In the same session, the MPC also deliberated the full withdrawal of the Banco de Moçambique from the contribution to the provision of foreign currency for importing fuels, which at that point was up to 60%.

On aggregate, in the period concerned, IMM instruments underwent divestments so as to level liquidity amid the new domestic currency reserve requirement ratio, which was also associated with the substantial increase in transactions between banks. Meanwhile, the period was characterized by the stability of the effective MIMO rate, gravitating around the MIMO policy rate. On the other hand, there was an increase in the average unmet demands by about 76% compared to the previous quarter in the interbank foreign exchange market. Despite this increase, the USD/MZN exchange rate remained stable.

Regarding interbank market transactions, as compared to the first and second quarter of 2023, the highlights are as follows:

#### 1.1. IMM

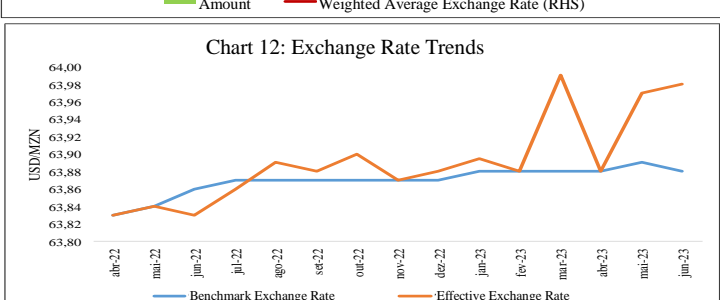
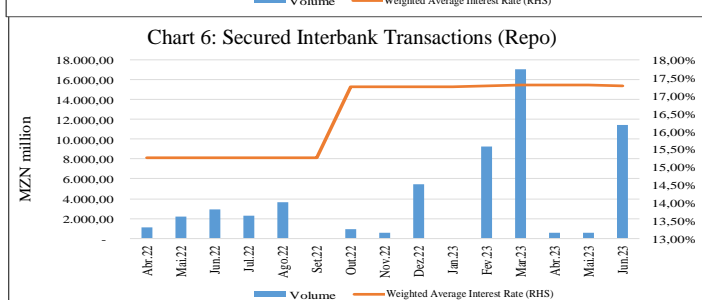
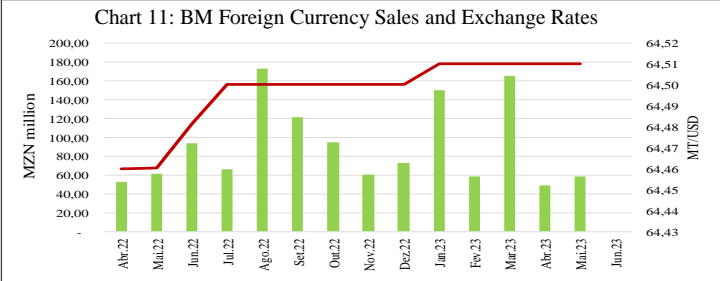
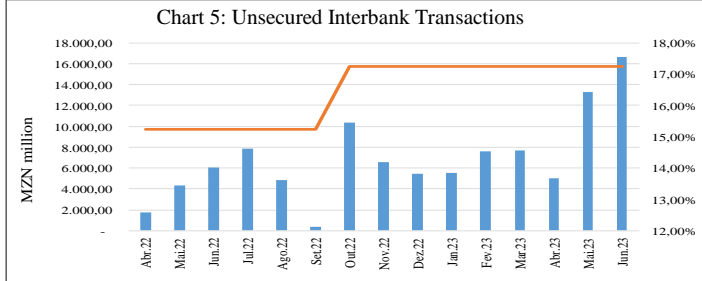
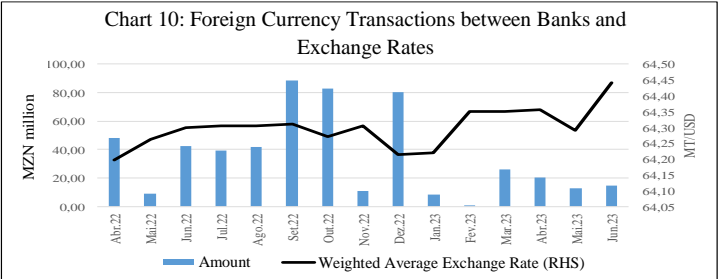
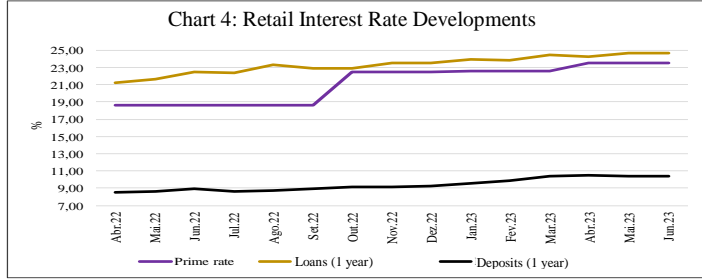
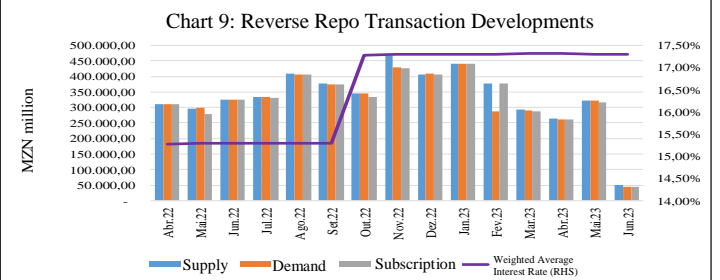
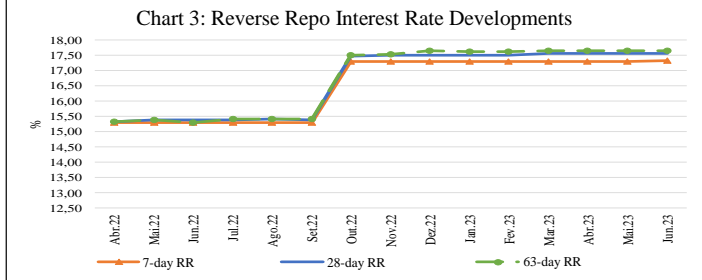
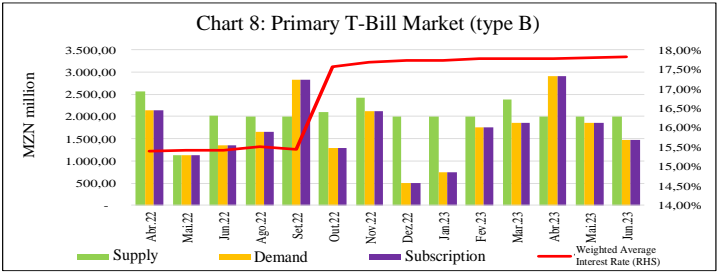
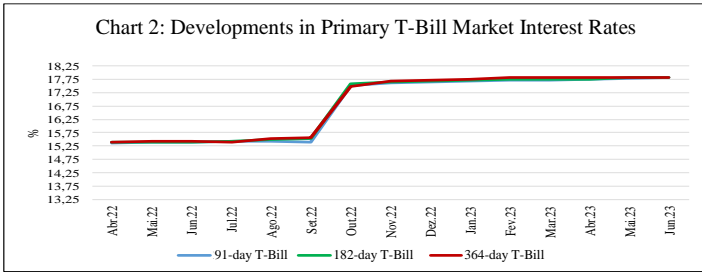
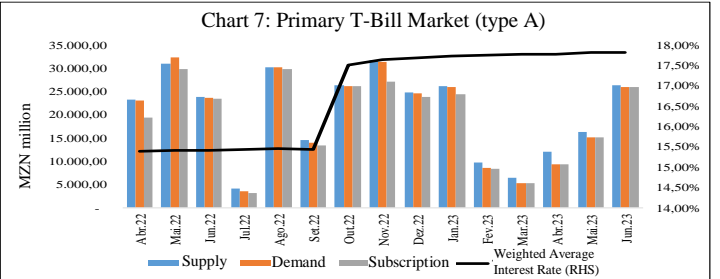
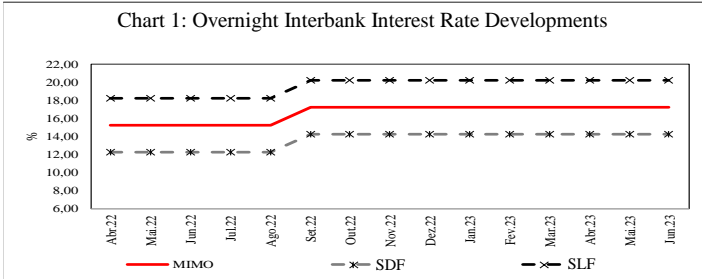
- Interest rates of unsecured lending between banks remained unchanged at 17.25%, while the interest rates of secured lending between banks (repo) decreased from 17.27% to 17.26% (Charts 5 and 6);
- Increase in the Treasury Bill (T-Bill) interest rates for the 91-day maturity (17.70% to 17.79%), 182-day maturity (17.73% to 17.79%) and 364-day maturity (17.76% to 17.82%) (Chart 2);
- Reverse repo interest rates remained unchanged at 17.29% for the 7-day maturity, while the 28-day and 63-day reverse repo interest rates increased from 17.52% to 17.55% and 17.62% to 17.63%, respectively (Table 5);
- Decrease in the volumes transacted while subscribing to Type A T-Bills and reverse repos, and increase in Type B T-Bill subscriptions (Tables 3 to 5); and
- Increase in placements under the Standing Deposit Facility and Standing Lending Facility (Table 6).

#### 1.2. Interbank Foreign Exchange Market

- Stability of the effective and reference exchange rate of the Metical against the United States Dollar (Chart 12);
- Decrease in the total turnover of banks in customer transactions (Table 9);
- Decrease in the volume of sales by the Banco de Moçambique to cover the payment of fuel import invoices (Table 10); and
- Increase in the volume of transactions in financial derivatives (forward foreign exchange transactions and foreign exchange swaps) (Table 9).

Find the details in charts and tables below.

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**Table 1 - Unsecured Interbank Transactions**

Period	Number of Transactions	Amount (million)	Average Rate (%)
Overnight	53	32.869,00	17,25
02 to 07 days	4	2.096,00	17,25
<b>Q2 2023 (30 days)</b>	<b>57</b>	<b>34.965,00</b>	<b>17,25</b>
<b>Q1 2023 (24 days)</b>	<b>55</b>	<b>22.430,00</b>	<b>17,25</b>

Note: Weighted Average Interest Rate

**Table 2 - Secured Interbank Transactions (Repo)**

Period	Number of Transactions	Amount (million)	Average Rate (%)
Overnight	48	11.455,00	17,26
02 to 07 days	6	1.125,00	17,30
<b>Q2 2023 (16 days)</b>	<b>54</b>	<b>12.580,00</b>	<b>17,27</b>
<b>Q1 2023 (22 days)</b>	<b>24</b>	<b>7.050,00</b>	<b>17,25</b>

Note: Weighted Average Interest Rate

**Table 3 - T-Bill Issuance - Type A**

Maturity (days)	Amount (MZN million)		Average Rate (%)
	Supply	Subscription	
91	40.500,00	39.086,00	17,79
182	7.100,00	5.914,00	17,79
364	7.000,00	5.472,00	17,82
<b>Q2 2023</b>	<b>54.600,00</b>	<b>50.472,00</b>	<b>17,80</b>
<b>Q1 2023</b>	<b>82.800,00</b>	<b>77.145,00</b>	<b>17,60</b>

Note: Weighted Average Interest Rate

**Table 5 - Reverse Repo between the BM and Commercial Banks**

Maturity (days)	Amount (MZN million)		Average Rate (%)
	Supply	Subscription	
Overnight	-	-	-
7 days	614.800,00	603.115,00	17,29
28 days	18.200,00	17.910,00	17,55
63 days	2.700,00	2.500,00	17,63
<b>Q2 2023</b>	<b>635.700,00</b>	<b>623.525,00</b>	<b>17,30</b>
<b>Q1 2023</b>	<b>1.217.100,00</b>	<b>1.166.889,00</b>	<b>17,29</b>

Note: Weighted Average Interest Rate

**Table 4 - T-Bill Issuance - Type B**

Maturity (days)	Amount (MZN million)		Average Rate (%)
	Supply	Subscription	
182	3.000,00	3.912,00	17,78
364	3.000,00	2.340,00	17,82
<b>Q2 2023</b>	<b>6.000,00</b>	<b>6.252,00</b>	<b>17,79</b>
<b>Q1 2023</b>	<b>6.531,00</b>	<b>3.904,00</b>	<b>17,65</b>

Note: Weighted Average Interest Rate

**Table 6 - Repo between the BM and Commercial Banks**

Maturity (days)	Amount (MZN million)		Average Rate (%)
	Supply	Subscription	
Overnight	-	-	-
02 to 07 days	65.600,00	60.253,00	17,25
<b>Q2 2023</b>	<b>65.600,00</b>	<b>60.253,00</b>	<b>17,25</b>
<b>Q1 2023</b>	<b>-</b>	<b>-</b>	<b>17,29</b>

Note: Weighted Average Interest Rate

**Table 7 - Standing Facilities**

Period	Lending				Deposit			
	Amount (MZN million)	No. of days	Average Amount (MZN million)	Interest Rate (%)	Amount (MZN million)	No. of days	Average Amount (MZN million)	Interest Rate (%)
April	3.000,00	2,00	1.500,00	20,25	170.001,22	19	8.947,43	14,25
May	308,00	2,00	154,00	20,25	225.004,03	22	10.227,46	14,25
June	111.348,62	11,00	10.122,60	20,25	319.872,91	21	15.232,04	14,25
<b>Q2 2023</b>	<b>114.656,62</b>	<b>15,00</b>	<b>11.776,60</b>	<b>20,25</b>	<b>714.878,16</b>	<b>62</b>	<b>11.530,29</b>	<b>14,25</b>
<b>Q1 2023</b>	<b>77.740,01</b>	<b>13,00</b>	<b>2.247,50</b>	<b>20,25</b>	<b>680.770,75</b>	<b>62</b>	<b>10.980,17</b>	<b>14,25</b>

**Table 8 - Foreign Currency Sales Between Commercial Banks**

Period	Spot	
	Amount (USD million)	Weighted Average Exchange Rate (USD/MZN)
April	20,50	64,35
May	12,70	64,29
June	14,85	64,44
<b>Q2 2023</b>	<b>48,05</b>	<b>64,36</b>
<b>Q1 2023</b>	<b>174,14</b>	<b>64,25</b>

**Table 9 - Foreign Currency Sales Between Commercial Banks and Customers**

Period	Purchase	Sales	Derivatives	Total
	Amount (USD million)	Amount (USD million)	Amount (USD million)	
April	553,68	590,29	29,30	1.173,27
May	754,83	770,60	4,10	1.529,54
June	680,64	693,95	49,17	1.423,76
<b>Q2 2023</b>	<b>1.989,16</b>	<b>2.054,83</b>	<b>82,58</b>	<b>4.126,56</b>
<b>Q1 2023</b>	<b>1.999,53</b>	<b>2.233,79</b>	<b>21,18</b>	<b>4.254,50</b>

Note: All currencies converted to USD

**Table 10 - BM Foreign Currency Sales**

Period	Spot	
	Amount (USD million)	Weighted Average Exchange Rate (USD/MZN)
April	49,28	64,51
May	58,02	64,51
June	0,00	-
<b>Q2 2023</b>	<b>107,31</b>	<b>64,51</b>
<b>Q1 2023</b>	<b>228,20</b>	<b>64,50</b>