



Banco de Moçambique

# INTERBANK MONEY MARKET AND FOREIGN EXCHANGE MARKET BULLETIN

Markets and Reserves Management Department

## 1. Introduction

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

In the sessions held on January 25th, 2023 and March 29th, 2023, the Monetary Policy Committee (MPC) of the Banco de Moçambique (BM) decided to keep the Policy Rate (MIMO rate) unchanged at 17.25%, underpinned by medium-term single-digit inflation prospects. On January 25th, the MPC also decided to increase the Reserve Requirements ratio from 10.50% to 28.00% for domestic currency liabilities and 11.50% to 28.50% for foreign currency liabilities, in order to absorb surplus liquidity in the banking system, with the potential to cause inflationary pressure.

In the period concerned interest rates in all IMM segments and instruments gravitated around the prevailing MIMO rate. On the other hand, the USD/MZN parity was stable, as average exchange rates in the foreign exchange market gravitated towards the reference exchange rate.

Regarding the interbank market transactions, as compared to the first quarter of 2023 and the fourth quarter of 2022, the following is noteworthy:

### 1.1. IMM Highlights

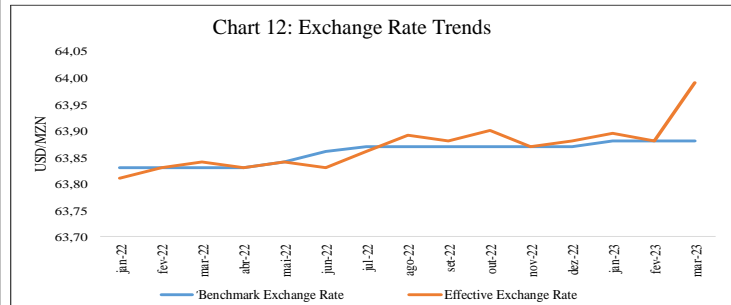
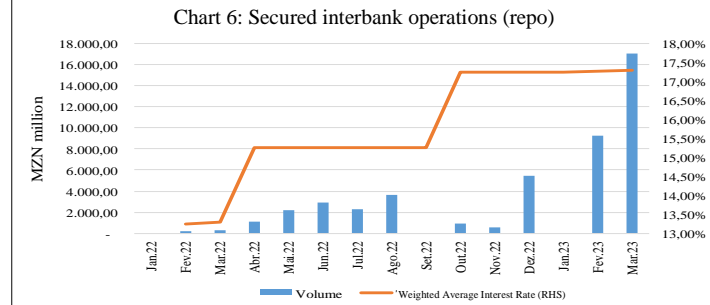
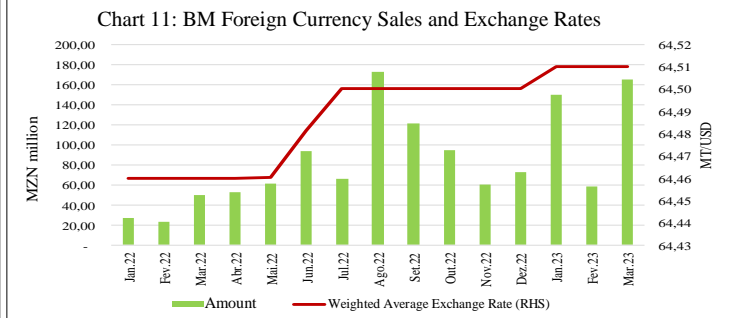
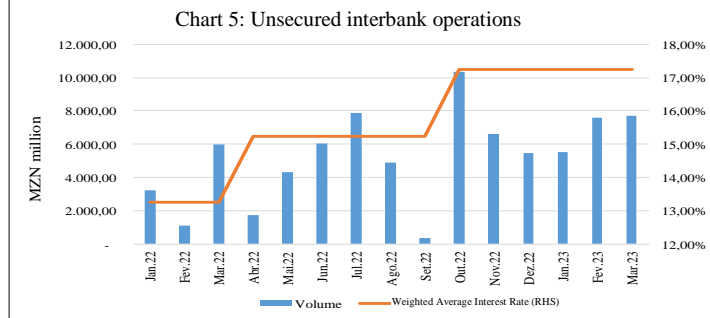
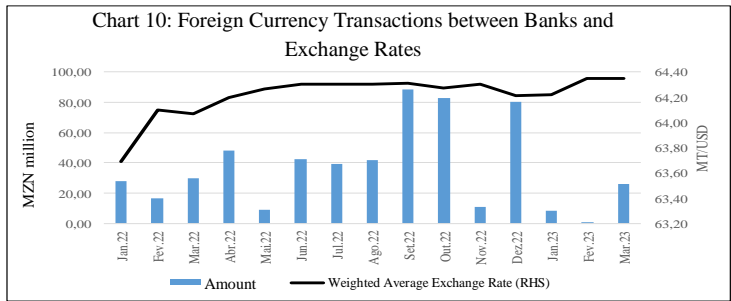
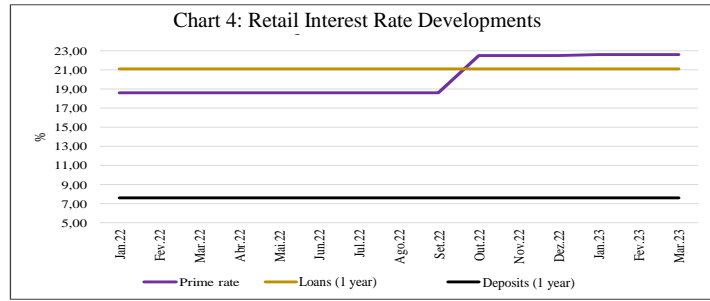
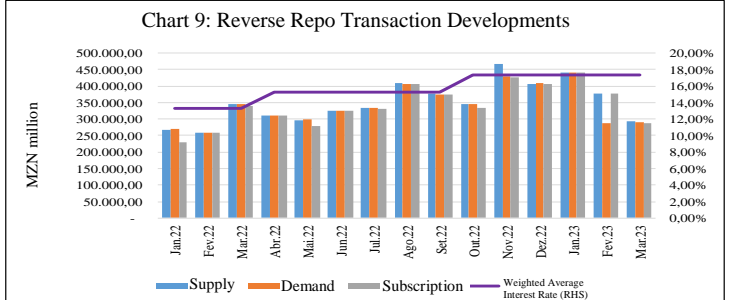
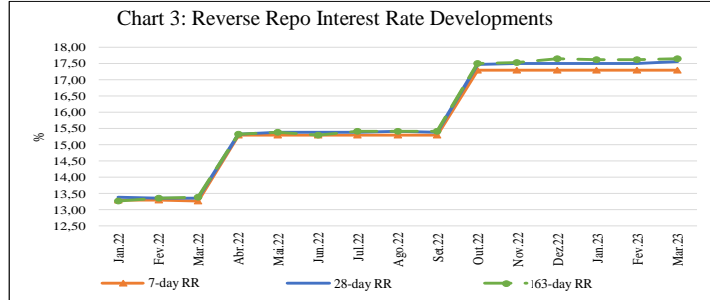
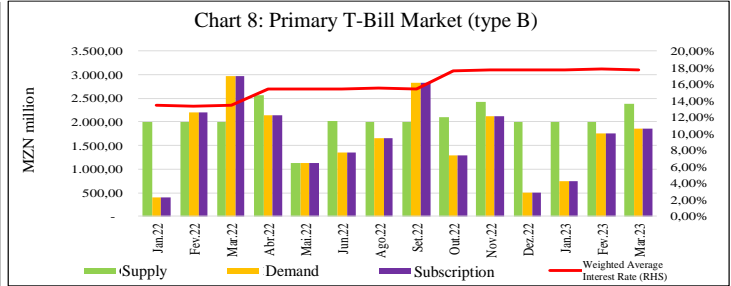
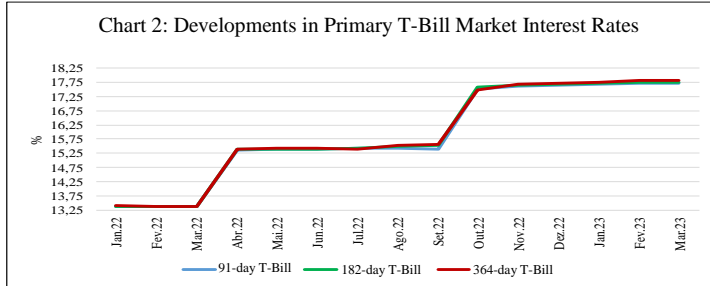
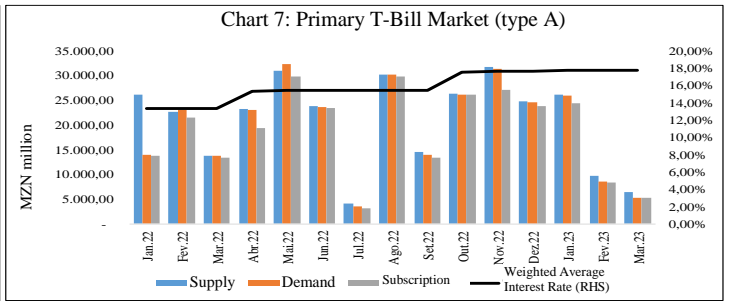
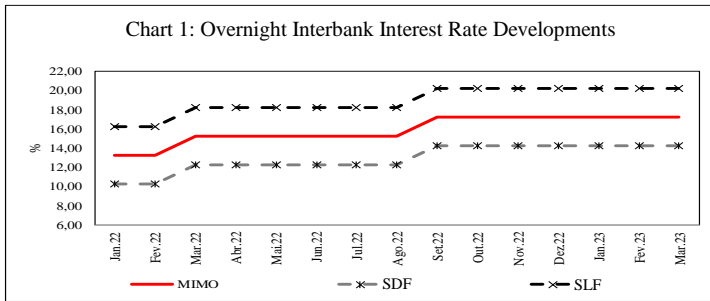
- Interest rates of unsecured lending between banks remained unchanged at 17.25% while the interest rates of secured lending between banks (repos) increased from 17.25% to 17.27% (Charts 5 and 6);
- Increase in Treasury Bill (T-Bill) auction interest rates for the 91-day maturity (from 17.57% to 17.70%), 182-day maturity (from 17.66% to 17.73%) and 364-day maturity (from 17.69% to 17.76%) (Chart 2);
- Reserve repo (RR) auctions interest rates remained unchanged for the 7-day maturity (17.29%) and increased for the 28-day maturity (from 17.49% to 17.52%) and for the 63-day maturity (from 17.59% to 17.62%) (Table 5);
- Decrease in the volumes transacted while subscribing to the Type A T-Bills and reserve repos, and increase in Type B T-Bill subscriptions (Tables 3 to 5); and
- Decrease in the Standing Deposit Facility placements and increase in Standing Lending Facility (Table 6).

### 1.2. Foreign Exchange Market Highlights

- 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 and customer transactions (Table 8);
- Increase in BM sales volume to cover the payment of fuel import invoices (Table 9); and
- Increase in the volume of transactions in financial derivatives (forward foreign exchange transactions and foreign exchange swaps) - Table 8.

Find the details in the charts and tables below.

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**Table 1 - Unsecured interbank operations**

Period	Number of Transactions	Amount (million)	Average Rate (%)
Overnight	42	21,165.00	17.25
02 to 07 days	0	0.00	-
<b>Q1 2023 (24 days)</b>	<b>42</b>	<b>21,165.00</b>	<b>17.25</b>
<b>Q4 2022 (23 days)</b>	<b>55</b>	<b>22,430.00</b>	<b>17.25</b>

Note: Weighted Average Interest Rate

**Table 2 - Secured interbank operations (Repo) between Banks**

Period	Number of Transactions	Amount (million)	Average Rate (%)
Overnight	82	26,249.00	17.27
02 to 07 days	2	450.00	17.30
More than 07 days	0	0.00	0
<b>Q1 2023 (22 days)</b>	<b>84</b>	<b>26,699.00</b>	<b>17.27</b>
<b>Q4 2022 (14 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)		Rate
	Supply	Subscription	Average (%)
91	15,200.00	14,246.00	17.70
182	13,300.00	11,932.00	17.73
364	13,800.00	11,928.00	17.76
<b>Q1 2023</b>	<b>42,300.00</b>	<b>38,106.00</b>	<b>17.73</b>
<b>Q4 2022</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 BM and Commercial Banks**

Maturity (days)	Amount (MZN million)		Rate
	Supply	Subscription	Average (%)
Overnight	-	-	-
7 days	1,069,000.00	1,061,604.00	17.29
28 days	37,900.00	37,455.00	17.52
63 days	5,400.00	4,800.00	17.62
<b>Q1 2023</b>	<b>1,112,300.00</b>	<b>1,103,859.00</b>	<b>17.30</b>
<b>Q4 2022</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)		Rate
	Supply	Subscription	Average (%)
182	3,390.00	2,804.00	17.75
364	3,000.00	1,557.00	17.79
<b>Q1 2023</b>	<b>6,390.00</b>	<b>4,361.00</b>	<b>17.76</b>
<b>Q4 2022</b>	<b>6,531.00</b>	<b>3,904.00</b>	<b>17.65</b>

Note: Weighted Average Interest Rate

**Table 6 – Standing Facilities**

Period	Lending				Deposit			
	Amount (MZN million)	Number of days	Average Amount (MZN million)	Rate of Interest (%)	Amount (MZN million)	Number of days	Average Amount (MZN million)	Rate of Interest (%)
January	26,600.00	1.00	26,600.00	20.25	223,831.71	21	10,658.65	14.25
February	37,603.79	5.00	7,520.76	20.25	172,104.62	19	9,058.14	14.25
March	36,875.00	9.00	4,097.22	20.25	227,732.10	23	9,901.40	14.25
<b>Q1 2023</b>	<b>101,078.80</b>	<b>15.00</b>	<b>38,217.98</b>	<b>20.25</b>	<b>623,668.43</b>	<b>63</b>	<b>9,899.50</b>	<b>14.25</b>
<b>Q4 2022</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 7 – Foreign Currency Sales between Commercial Banks**

Period	Spot	
	Amount (USD million)	Weighted average exchange rate (USD/MZN)
January	8.60	64.22
February	1.00	64.35
March	26.00	64.35
<b>Q1 2023</b>	<b>35.60</b>	<b>64.32</b>
<b>Q4 2022</b>	<b>174.14</b>	<b>64.25</b>

**Table 8 – Foreign Currency Sales between Commercial Banks and Customers**

Period	Purchase	Sales	Derivatives	Total
	Amount (USD million)	Amount (USD million)	Amount (USD million)	
January	539.67	647.77	9.93	1,197.38
February	593.32	651.02	8.53	1,252.87
March	693.56	832.70	8.27	1,534.53
<b>Q1 2023</b>	<b>1,826.56</b>	<b>2,131.49</b>	<b>26.73</b>	<b>3,984.78</b>
<b>Q4 2022</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 9 – BM Foreign Currency Sales**

Period	Spot	
	Amount (USD million)	Weighted average exchange rate (USD/MZN)
January	150.12	64.51
February	58.69	64.51
March	165.31	64.51
<b>Q1 2023</b>	<b>374.12</b>	<b>64.51</b>
<b>Q4 2022</b>	<b>228.20</b>	<b>64.50</b>