



Banco de Moçambique

INTERBANK MONEY AND FOREIGN EXCHANGE MARKETS BULLETIN

Markets and Reserves Management Department

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1. Introduction

This bulletin reports the developments in the Interbank Money Market (IMM) and the Foreign Exchange Market in the third quarter of 2023, compared to the previous quarter.

On July 3, 2023, BM's new interbank money market (IMM) operational framework came into force, with the aim of improving the monetary policy transmission mechanism, entailing the following: (i) repo (liquidity supply) or reverse repo (liquidity absorption) for the 7-day maturity will now be carried out at a predetermined interest rate (MIMO rate); (ii) the 63-day maturity will now be discontinued; (iii) the 1-month auctions now have 28 and 35-day effective maturities, depending on the calendar days of the month; and (iv) fine-tuning overnight repo or reverse repo auctions at a predetermined interest rate (MIMO rate) are introduced, issued on the last working day of each reserve maintenance period.

In the ordinary session held on September 22, 2023, the Monetary Policy Committee (MPC) of the Banco de Moçambique decided to keep the policy rate, MIMO rate, unchanged at 17,25%, underpinned by the worsened risks and uncertainties associated with inflation forecasts, despite forecasts of inflation remaining in the single digits.

In aggregate terms, in the quarter under review, T-Bill investments increased, amid increased interest rates on this IMM instrument. Transactions between banks also increased considerably. Meanwhile, the period was characterized by the stability of the effective MIMO rate, gravitating around the policy rate (MIMO rate). In the interbank foreign exchange market, average unmet demand increased by about 8%, while the conversion of major exporters grew by about 23% compared to the previous quarter, resulting in a stable USD/MZN exchange rate in the quarter concerned.

Regarding the interbank market transactions for the third quarter of 2023, as compared to the second quarter of the same year, the highlights are as follows:

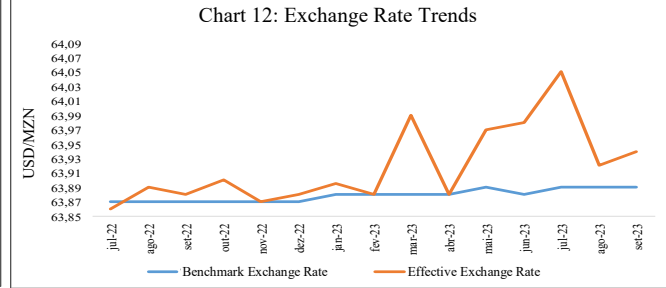
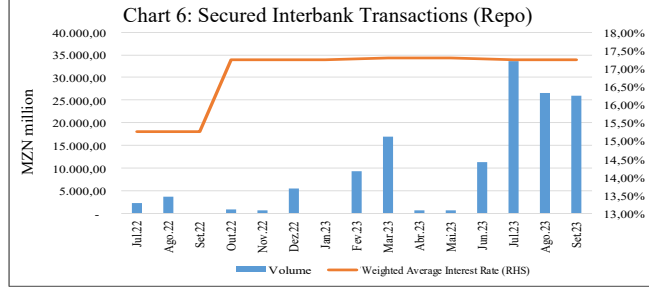
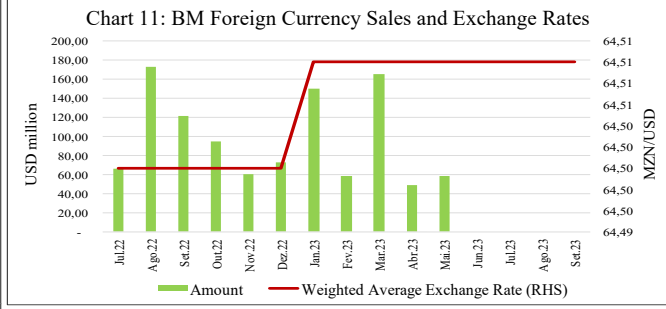
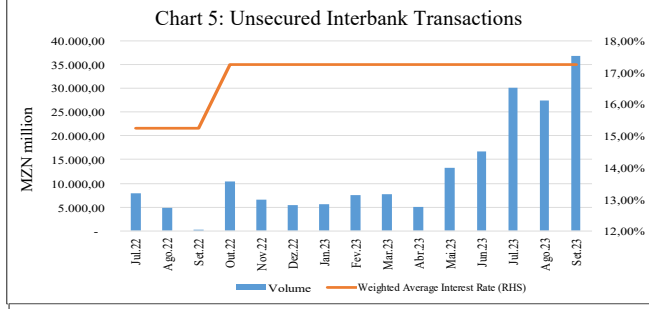
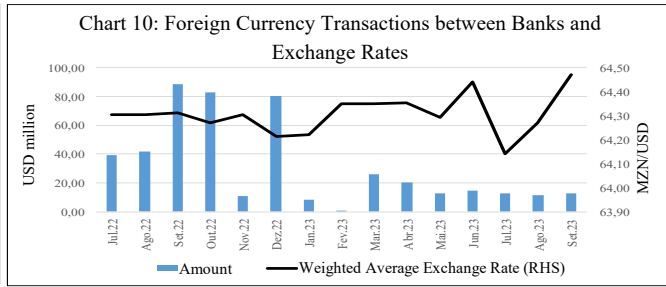
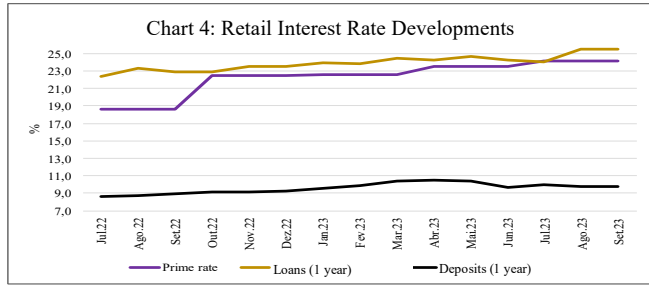
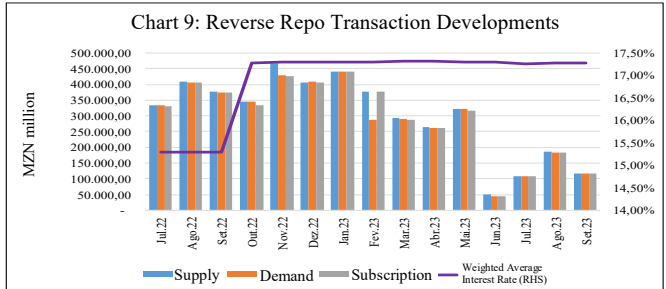
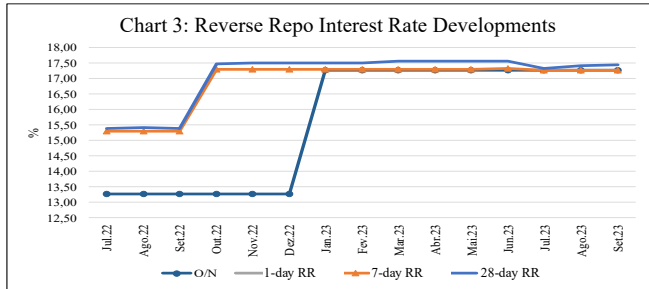
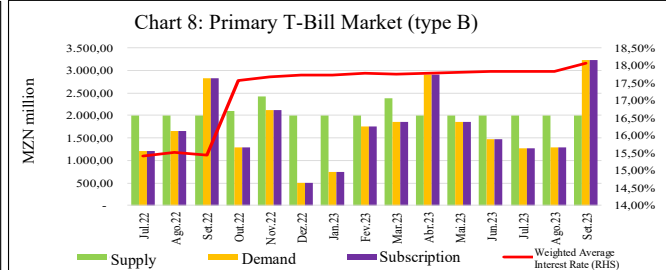
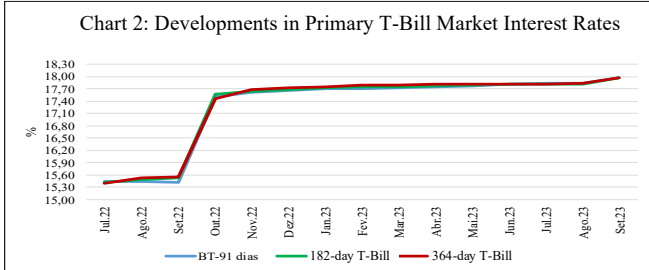
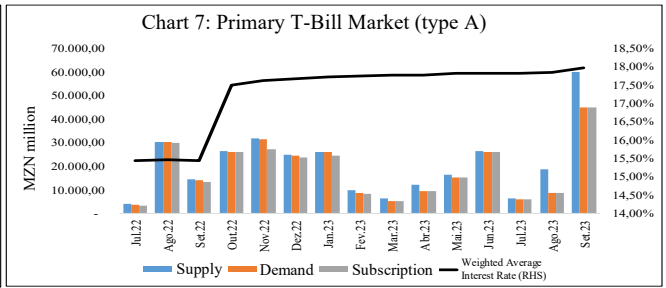
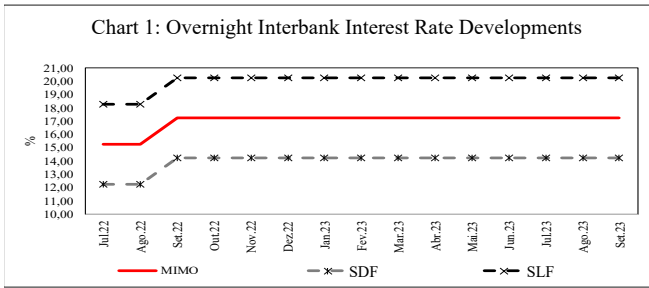
1.1. IMM

- Interest rates on secured and unsecured lending between banks unchanged at 17,25%, despite the significant increase in transacted volume by about 279% (charts 5 and 6);
- Increase in the T-Bill interest rates for the 91-day maturity (from 17,79% to 17,93%), 182-day maturity (from 17,79% to 17,94%) and 364-day maturity (from 17,82% to 17,96%) (chart 2);
- Decrease in reverse repo interest rates for the 7-day maturity (from 17,29% to 17,25%) and 1-month maturity (from 17,55% to 17,40%) (chart 3);
- Increase in the volume of Type-A T-Bill subscriptions and decrease in the volume of reverse repo and Type-B T-Bill subscriptions (tables 3 to 5); and
- Decrease in placements at the Standing Deposit Facility and a significant increase for the Standing Lending Facility by about 282% (table 7).

1.2. Interbank Foreign Exchange Market

- Effective and reference Metical exchange rate stability against the United States Dollar (chart 12);
- Decrease in the volume of transactions between commercial banks by about 23% (table 8);
- Increase in the total turnover of banks' transactions with their customers (table 9); and
- Decrease in the volume of transactions in financial derivatives (foreign exchange forwards and foreign exchange swaps) (table 9).

Find the details in the charts and tables below.



INTERBANK MONEY AND FOREIGN EXCHANGE MARKETS BULLETIN

Table 1 – Unsecured Interbank Transactions

| Period | Number of Transactions | Amount (million) | Average Rate (%) |
|--------------------------|------------------------|------------------|------------------|
| Overnight | 126 | 91.175,00 | 17,25 |
| 02 to 07 days | 4 | 3.113,00 | 17,25 |
| Q3 2023 (60 days) | 130 | 94.288,00 | 17,25 |
| Q2 2023 (30 days) | 57 | 34.965,00 | 17,25 |

Note: Weighted Average Interest Rate

Table 2 – Secured Interbank Transactions (Repo)

| Period | Number of Transactions | Amount (million) | Average Rate (%) |
|--------------------------|------------------------|------------------|------------------|
| Overnight | 325 | 85.928,00 | 17,25 |
| 02 to 07 days | 1 | 100,00 | 17,25 |
| Q3 2023 (63 days) | 326 | 86.028,00 | 17,25 |
| Q2 2023 (16 days) | 54 | 12.580,00 | 17,27 |

Note: Weighted Average Interest Rate

Table 3 – T-Bill Issuance – Type A

| Maturity (days) | Amount (MZN million) | | Average Rate (%) |
|-----------------|----------------------|------------------|------------------|
| | Supply | Subscription | |
| 91 | 36.300,00 | 26.941,00 | 17,93 |
| 182 | 19.400,00 | 14.027,00 | 17,94 |
| 364 | 29.400,00 | 18.556,00 | 17,96 |
| Q3 2023 | 85.100,00 | 59.524,00 | 17,94 |
| Q2 2023 | 54.600,00 | 50.472,00 | 17,80 |

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 | 47.700,00 | 48.746,00 | 17,25 |
| 7 days | 313.600,00 | 311.009,00 | 17,25 |
| 28 days | 47.400,00 | 47.300,00 | 17,40 |
| Q3 2023 | 408.700,00 | 407.055,00 | 17,27 |
| Q2 2023 | 635.700,00 | 623.525,00 | 17,30 |

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 | 2.818,00 | 17,94 |
| 364 | 3.000,00 | 2.975,00 | 17,97 |
| Q3 2023 | 6.000,00 | 5.793,00 | 17,95 |
| Q2 2023 | 6.000,00 | 6.252,00 | 17,79 |

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 | 0,00 | 0,00 | - |
| Q3 2023 | 0,00 | 0,00 | - |
| Q2 2023 | 65.600,00 | 60.253,00 | 17,25 |

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 (%) |
| July | 163.004,46 | 21 | 7.762,12 | 20,25 | 102.415,95 | 21 | 4.876,95 | 14,25 |
| August | 169.848,02 | 23 | 7.384,70 | 20,25 | 149.065,67 | 23 | 6.481,12 | 14,25 |
| September | 105.227,25 | 19 | 5.538,28 | 20,25 | 134.177,09 | 19 | 7.061,95 | 14,25 |
| Q3 2023 | 438.079,72 | 63 | 20.685,09 | 20,25 | 385.658,71 | 63 | 6.121,57 | 14,25 |
| Q2 2023 | 114.656,62 | 15 | 11.776,60 | 20,25 | 714.878,16 | 62 | 11.530,29 | 14,25 |

Table 8 – Foreign Currency Sales between Commercial Banks

| Period | Spot | |
|----------------|----------------------|--|
| | Amount (USD million) | Weighted Average Exchange Rate (USD/MZN) |
| July | 12,95 | 64,14 |
| August | 11,49 | 64,27 |
| September | 12,79 | 64,47 |
| Q3 2023 | 37,23 | 64,30 |
| Q2 2023 | 48,05 | 64,36 |

Table 9 – Foreign Currency Sales between Commercial Banks and Customers

| Period | Purchase | Sale | Derivatives | Total (USD million) |
|----------------|----------------------|----------------------|----------------------|---------------------|
| | Amount (USD million) | Amount (USD million) | Amount (USD million) | |
| July | 720,19 | 738,38 | 26,52 | 1.485,08 |
| August | 857,06 | 797,90 | 19,38 | 1.674,33 |
| September | 652,40 | 629,03 | 16,82 | 1.298,25 |
| Q3 2023 | 2.229,65 | 2.165,30 | 62,71 | 4.457,66 |
| Q2 2023 | 1.989,16 | 2.054,83 | 82,58 | 4.126,56 |

Note: All currencies converted to USD

Table 10 – BM Foreign Currency Sales

| Period | Spot | |
|----------------|----------------------|--|
| | Amount (USD million) | Weighted Average Exchange Rate (USD/MZN) |
| July | 0,00 | - |
| August | 0,00 | - |
| September | 0,00 | - |
| Q3 2023 | 0,00 | - |
| Q2 2023 | 107,31 | 64,51 |