MONTHLY FLASH REPORT

OCTOBER 2024

Dear Esteemed Client,

In our bid to keep you well informed regarding key factors that affect your investments, please find below some brief highlights for the month of October 2024:

OPERATING HIGHLIGHTS

- The **Kwacha** opened the month at ZMW26.48/USD1 and closed at ZMW26.76/USD1, translating into a monthly depreciation of 1.04% and Year-to-Date (YTD) movement of -4.07%. The local currency remained on the backfoot as demand for the greenback outweighed supply. However, against the South African Rand, British Pound Sterling and Euro, the Kwacha gained 1.32%, 2.04% and 1.59%, respectively. (Bank of Zambia, 2024).
    - **Money market liquidity** rose to an average of ZMW 4.87 billion from ZMW 4.34 billion while the **average interbank** rate marginally reduced to 13.50% from 13.52% in the prior month.
- **Annual inflation** rose for the sixteenth consecutive month to 15.7% from 15.6% the prior month. The uptick was mainly attributed to the price of food items increasing at a faster pace between October 2023 and October 2024. While annual food inflation rose to 18.2% from 17.9%, annual non-food inflation fell to 12.2% from 12.4%. On a month-on-month basis, inflation increased by 0.8%, the same rate as was reported in September.
- **Copper prices** on the London Metal Exchange (LME) opened the month the month at USD 9,766.50/tonne and closed at USD 9,426.50/tonne, translating into a monthly depreciation of 3.48% and YTD movement of +11.22%. The price of the red metal traded lower mainly owing to growing uncertainties surrounding the US elections. In addition to this, the outlook for demand from China remained lackluster following weaker-than-expected stimulus policies announced by the Chinese government.
- The month of October recorded a total of fifteen price movements on the **Lusaka Securities Exchange (LuSE)** including Shoprite (26.28%), BATZ (12.58%), Stanchart (11.42%), CEC Africa (3.23%), Zaffico (2.50%), ZCCM-IH (1.56%),Chilanga (0.57%), Zanaco (-0.34%), CEC (-0.53%), Madison (-1.64%), Puma (-4.96%), REIZ (-6.41%), Natbrew (-7.09%), Bata (-7.09%) and AECI (-8.57%). The LuSE All Share Index closed the month at 16,045.78 points, representing a month-on-month gain of 0.45% and YTD movement of 48.19%. The LuSE Free Float Index closed the month at 9,674.00 points, representing a month-on-month loss of -0.001% and YTD movement of 44.99%. Speaking to the trading activity, the total number of trades registered on the LuSE was 2,596, down from 3,302 the prior month. Meanwhile the total turnover registered for the month was ZMW20,623,421.21 down from ZMW44,549,632.71.
- **Global equities** as measured by the MSCI World Index had a USD monthly loss of 2.04% (YTD +15.08%). In Kwacha terms, the index lost 1.02% (YTD +19.77%).
- The **Treasury-bill auctions** were held on the 3rd, 17th and 31st of October:

	Amount Offered	Amount Bid	Amount Allocated	Yield Rate (%)	Prev Yield (%)	Change (%)
91	290.00	239.35	237.72	10.0000	10.7500	0.7500
182	330.00	359.70	355.61	10.0000	12.0000	2.0000
273	350.00	393.03	349.81	10.5000	16.0000	5.5000
364	480.00	2,211.15	1,956.86	16.0000	19.0000	3.0000
Total	**1,450.00**	**3,203.23**	**2,900.00**			

The auctions had an average bid rate of 179.45% and an average allocation rate of 141.67%, in cost terms. Downward interest rate movements were recorded across the board, with the most significant being on the 273-day T-Bill whose rate dropped 550 basis points (bps) to 10.5%.

- The **Government bond** auction held on 25th October had the following results:

	Amount Offered	Amount Bid	Amount Allocated	Bid to Cover Ratio	Range of Accepted Bids	Range of Rejected Bids	Yield Rate (%)	Prev Yield (%)	Change (%)
2	230.00	388.20	230.00	1.688	15.00% - 16.50%	17.00% - 19.00%	16.5000	19.0000	(2.5000)
3	260.00	543.07	460.00	1.181	1.00% - 19.99%	20.00% - 26.00%	19.9900	21.4500	(1.4600)
5	270.00	927.58	395.00	2.348	0.23% - 21.49%	21.50% - 25.00%	21.4900	23.5000	(2.0100)
7	190.00	953.75	190.00	5.020	19.00% - 21.50%	22.24% - 25.00%	21.5000	24.5000	(3.0000)
10	190.00	1,866.91	190.00	9.826	20.00% - 22.50%	23.00% - 26.00%	22.5000	25.7500	(3.2500)
15	160.00	1,277.36	160.00	7.984	20.00% - 23.49%	23.92% - 28.1%	23.4900	27.7500	(4.2600)
otal	**1,300.00**	**5,956.87**	**1,625.00**	3.666					

The auction had a subscription rate of 458.22% and an allocation rate of 125.00%. Downward yield movements were recorded across the board with the most significant being on the 15-year tenor whose yield dropped by 426 basis points bps. Demand was skewed towards the longer end of the curve, with the 10-year and 15-year papers absorbing approximately 52.78% of the total amount bid. On a year-to-date basis, 87.85% of the amount on offer was allocated.

- The October **Purchasing Managers Index** (PMI) reading marginally rose to 47.9 from 45.6 the previous month, signalling a marginal downturn in the Zambian private sector. The reading marked the eleventh consecutive month of continuing contraction in business activity. However, the extent of deterioration in business conditions moderated amid softer reductions in output, new orders and employment.

LOOKING AHEAD

- The Bank of Zambia's Monetary Policy Committee (MPC) held their quarterly meeting on November 11-12 and adjusted the benchmark policy rate upwards by 50 basis points to 14.00%. The decision to raise the benchmark rate to the highest level in nearly eight years was primarily driven by elevated consumer prices and local currency weakness. Annual inflation, which has remained above the central bank's target range of 6%-8% since May 2019 has been further exacerbated by the drought, resulting in reduced agricultural output and an energy crisis, that has negatively impacted economic growth. Following the recent staff-level agreement on the fourth review of the 38-month Extended Credit Facility (ECF) by the International Monetary Fund (IMF), it was reported that the institution trimmed Zambia's real Gross Domestic Product (GDP) growth forecast for 2024 to 1.2% from 2.3%. This portends to be the economy's slowest expansion in 25 years, aside from the -3% seen in 2020 at the height of the Covid-19 pandemic. In 2025, however, real GDP growth is projected at 6.2% reinforced by a recovery in agricultural and mining production, as well as the completion of the debt restructuring. While the medium-term growth outlook remains favourable, inflation is expected to remain above the central bank's target band averaging 13.9% in 2025 amid a weaker exchange rate and an increase in electricity tariffs. Notwithstanding the efforts that have already been made to curb inflation (including raising the statutory reserve ratio and the monetary policy rate), more aggressive policy action may be warranted going forward in order to bring inflationary expectations back in line with the Bank of Zambia's mandate.

- Elsewhere, Elsewhere, Donald Trump's victory in the U.S Presidential election unleashed a massive rally in the U.S dollar, drove US stocks to record highs and increased Treasury bond yields as expectations of tax cuts and tariffs on imports drove optimism about economic growth, while fuelling worries about inflation in the world's largest economy. Meanwhile economies that are expected to suffer under tougher tariffs from the US bore the brunt of the sell-off with the Mexican peso slumping to its lowest level in over two years, while the euro experienced its largest daily drop since 2020 immediately after the election results were announced. Probable tariffs by the Trump Administration are likely to result in economic headwinds for countries like Germany, Mexico and Korea, which are net exporters to the US. The UK, on the other hand, may well stay out of the tariff crosshairs as the US runs a trade surplus with it. India also may avoid coming under fire from any potential tariffs, while it is no secret that mainland China will be the US's main target for tariffs. However, the Chinese government is expected to offset any potentially negative economic impact from a trade war with the US through the implementation of both fiscal and monetary stimulus measures (all things being equal).

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