

MONTHLY FLASH REPORT

DECEMBER 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 December 2024:

OPERATING HIGHLIGHTS

- The **Kwacha** opened the month at ZMW26.95/USD1 and closed at ZMW27.88/USD1, translating into a monthly depreciation of 3.45% and Year-to-Date (YTD) movement of -8.44%. The depreciation of the local unit was mainly attributed to high demand for foreign currency for imports such as fuel, electricity, and agricultural inputs. Against the British Pound Sterling and Euro, the Kwacha lost 2.19% and 1.86% respectively. However, against the South African Rand the local unit gained 0.78%. (Bank of Zambia, 2024)
 - Money market liquidity** fell to an average of ZMW 4.28 billion from ZMW 5.74 billion, while the **average interbank** rate marginally rose to an average of 14.04% from 13.74% in the prior month.
- Annual inflation** rose for the eighteenth consecutive month to 16.7% from 16.5% the prior month on the back of the adverse effects of the drought and continued currency weakness. Annual food inflation rose to 18.6% from 18.2% and annual non-food inflation rose to 14.2% from 14.1%. On a month-on-month basis, inflation was recorded at 1.2% compared to 1.6% the prior month.
- Copper prices** on the London Metal Exchange (LME) opened the month at USD 8,878.5/tonne and closed at USD 8,705.5/tonne, translating into a monthly depreciation of 1.95% and YTD movement of +2.71%. The price of the red metal traded lower in December on the back of a stronger US dollar, which made it more expensive for holders of other currencies. This was further exacerbated by the weaker-than-expected stimulus policies announced by the Chinese government to aid the economic recovery, as well as increased supply of inventory in the LME warehouses.
- December recorded a total of eleven price movements on the **Lusaka Securities Exchange (LuSE)** including BATZ (15.00%), CEC Africa (12.50%), Chilanga (1.15%), Zaffico (1.01%), Shoprite (0.80%), AECI (0.16%), Zambia Sugar (-0.14%), CEC, (-0.79%), Madison (-1.64%), Zanaco (-4.32%) and Stanchart (-23.85%). The LuSE All Share Index closed the month at 15,440.90 points, representing a month-on-month loss of 2.50% and YTD movement of 42.60%. The LuSE Free Float Index closed the month at 9,430.94 points, representing a month-on-month loss of 1.35% and YTD movement of 41.36%. Speaking to the trading activity, the total number of trades registered on the LuSE was 2,699 up from 2,473 the prior month, while the total turnover registered for the month was ZMW129,829,783.21, down from ZMW251,002,236.07.
- Global equities** as measured by the MSCI World Index had a USD monthly loss of 2.69% (YTD +17.00%). In kwacha terms, the index gained 0.67% (YTD 26.87%).

- The **Treasury-bill auctions** were held on the 12th and 26th of December:

	Amount Offered	Amount Bid	Amount Allocated	Yield Rate (%)	Prev Yield (%)	Change (%)
91	290.00	400.03	398.89	↑ 11.4991	⇒ 10.0000	▲ 1.4991
182	330.00	394.51	393.99	↑ 10.1200	⇒ 10.0000	▲ 0.1200
273	350.00	409.13	408.29	↑ 10.3000	↓ 10.0000	▲ 0.3000
364	480.00	1,002.17	1,000.37	⇒ 15.5000	↓ 15.5000	-
Total	1,450.00	2,205.84	2,201.54			

The auctions had an average bid rate of 114.06% and an average allocation rate of 113.81%, in cost terms. Upward rate movements were recorded across all tenors except for the 364-day T-bill rate, which remained unchanged. The most significant movement was recorded on the 91-day T-bill rate, which rose by 150 basis points. **Next auction dates:** 9th and 23rd January.

- The **Government bond** auction held on 20th December 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	225.50	224.95	1.002	00.22% - 16.50%	17.00% - 17.00%	⇒ 16.5000	⇒ 16.5000	⇒ -
3	260.00	669.50	669.50	1.000	15.00% - 20.00%	Nil	↑ 20.0000	↓ 19.9000	↑ 0.1000
5	270.00	307.82	299.12	1.029	7.00% - 20.80%	21.00% - 26.00%	↑ 20.8000	↓ 20.7400	↑ 0.0600
7	190.00	349.07	329.07	1.061	10.00% - 21.50%	22.75% - 22.75%	⇒ 21.5000	⇒ 21.5000	⇒ -
10	190.00	229.48	228.98	1.002	0.22% - 22.50%	25.50% - 25.50%	⇒ 22.5000	⇒ 22.5000	⇒ -
15	160.00	787.74	773.46	1.018	5.00% - 23.50%	23.85% - 27.25%	↑ 23.5000	↓ 23.2900	↑ 0.2100
Total	1,300.00	2,569.11	2,525.08	1.017					

The auction had a subscription rate of 197.62% and an allocation rate of 194.24%. Upward yield movements were recorded on the 3-year, 5-year and 15-year tenors whose yields rose by 10 basis points (bps), 6 bps and 21 bps, while all other tenors remained unchanged. On a YTD basis, 100.51% of the amount on offer was allocated. **Next auction date:** 17th January

- The December **Purchasing Managers Index (PMI)** reading rose to 50.8 from 49.2 the previous month, ending twelve consecutive months of contraction in business conditions. The upturn was supported by a stronger rise in new orders and new business increasing at the fastest pace since 2023.

LOOKING AHEAD

- The year 2024 was characterized by a remarkable resurgence in global financial markets. The U.S. stock market powered higher during the year owing to the significant outperformance of a handful of large-cap technology stocks, backed by investor enthusiasm about how Artificial Intelligence (AI) will transform the U.S. economy and the world at large. The combination of AI trends, improving inflation metrics, and the start of the U.S Federal Reserve's interest rate cutting cycle all contributed to the bullish sentiment and equity prices soared. The S&P 500 Index ended the year up by 25%, with broad based strength seen across most sectors. Japanese markets also performed well with the Japan TOPIX ending the year with gains of 20.5%, boosted by continued optimism about the end of deflation, coupled with a weak yen and ongoing corporate reforms. In addition, a major theme for developed markets in 2024 was the loosening of monetary policy by major central banks, as they began lowering interest rates in response to lower inflationary pressures across the globe.
- Overall, 2024 turned out to be better than expected. A few general themes seem likely to continue to dominate the narrative going into 2025. These include ongoing geopolitical tensions which may be impacted by the incoming administration in the US, stubborn inflationary pressures and the threat of new tariffs to be imposed on different countries once President Trump is inaugurated. In terms of economic forecasts, according to the Organisation for Economic Co-operation and Development (OECD), global inflation is expected to ease further from 5.4% in 2024 to 3.8% in 2025 and 3.0% in 2026, while global GDP growth is forecasted to rise from 3.2% in 2024 to 3.3% in 2025 and 2026 respectively. The OECD further projects that growth prospects are expected to vary across regions with GDP growth in the US projected at 2.8% in 2025 (2026: 2.4%), 1.3% (2026: 1.5%) in the Euro area, 1.5% (2026:0.6%) in Japan and 4.7% (2026: 4.4%) in China.
- Locally, the GDP growth forecast was initially projected at 4.8% in 2024. However, as the Zambian economy faced significant setbacks amid a severe drought, the forecast was revised downward twice by the International Monetary Fund (IMF), firstly to 2.3% and thereafter to 1.2%. Despite the economic challenges, the Ministry of Finance has projected a 6.6% GDP growth in 2025 driven by a recovery in the mining sector and favourable weather conditions, which are expected to boost agricultural output, electricity generation and industrial productivity. Some analysts have expressed some degree of scepticism about the country's ability to achieve the 6.6% GDP growth target owing to the ongoing electricity challenges, as well as the sluggishness of the recovery in the mining sector that has been experienced so far. Furthermore, with annual inflation remaining in the high double digits and moving further away from the central bank's target range, monetary policy conditions are expected to remain restrictive in the near term. The Bank of Zambia's Monetary Policy Committee is likely to further raise the policy rate in their February meeting, albeit at a modest pace, as a weak Kwacha, higher electricity tariffs and food shortages are expected to add additional pressure on food prices in the near term (all things being equal).

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