

### Financial market highlights for the week

The following highlights compare the week ending 11 September 2020 to the week ending 4 September 2020:



#### 2020/21 BUDGET STATEMENT (Source: Ministry of Finance)

- The 2020/21 Budget will have a fiscal deficit of K0.76 trillion, with total revenue and grants at K1.44 trillion while total expenditure is K2.19 trillion.
- The highest allocation of total expenditure has gone to wages and salaries, at 23.9%. This is followed by interest payments at 17.2%.
- The Education sector has been allocated the most money at K384.5 billion, with the agriculture sector and health sector at K354.8 billion and K204.7 billion, respectively.



#### GOVERNMENT SECURITIES (Source: RBM)

- A total of K43.72 billion was raised this week in the Treasury Bill (TB) and Treasury Note (TN) auction.
- The rejection rates for the TB and Tn auctions were 25.57% and 5.05%, respectively.
- The average all type Treasury Bill yield was 12.10% this week from 12.04% in the previous week.



#### FINANCIAL MARKET DEVELOPMENTS (Source: RBM)

- The Malawi Kwacha marginally depreciated against the USD from K750.87 per USD to K754.99 per USD. It also depreciated against the EUR (from K927.50 to K928.58) and ZAR (from K46.77 to K47.32).
- The Malawi Kwacha appreciated against the GBP from K1,020.88 to K1,000.00.
- The daily overnight interbank average rate this week was steady at 13.60%.



#### EQUITY MARKET (Source: MSE)

- MASI decreased to 31,511.91 points this week, from 31,571.31 points last week. The return on MASI (year-to-date) was 4.16%: It was 1.26% during the same period last year
- There were share price gains for AIRTEL (from K28.50 to K28.73) and share price losses for FDH Bank (from K12.89 to K12.80), ICON (from K12.69 to K12.68), PCL (from K1,344.99 to K1,344.95) and TNM (from K21.50 to K21.00).

# Financial Market Update

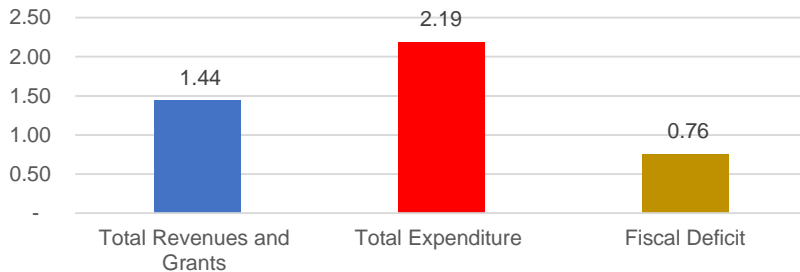
## Week ending 11 September 2020



### 2020/21 BUDGET STATEMENT (Source: Ministry of Finance)

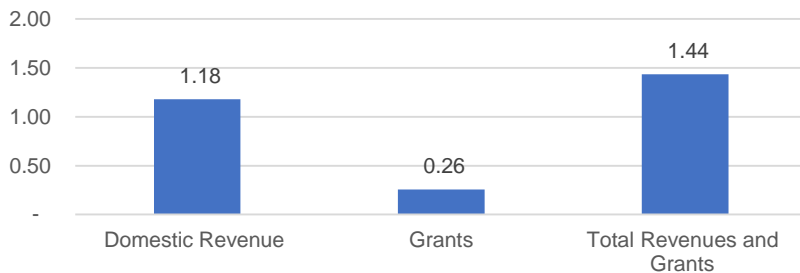
The 2020/21 Budget will have a fiscal deficit of K0.76 trillion, with total revenue and grants at K1.44 trillion while total expenditure is K2.19 trillion.

2021 Budget (K'Trillions)



Domestic revenue was projected at K1.18 trillion, with 97% of the revenue from tax. K0.26 trillion will come from grants.

2021 Budget Revenue (K'Trillions)



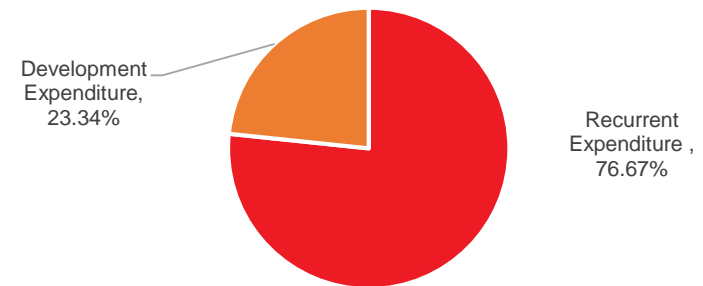
From the total expenditure of K2.19 trillion, K1.68 trillion is recurrent expenditure while K0.51 trillion is from development expenditure.

2021 Budget Expenditure (K'Trillions)



The share of total expenditure between recurrent expenditure and development expenditure is 76.67% and 23.34%, respectively.

Major budget allocations as a percentage of total expenditure



# Financial Market Update

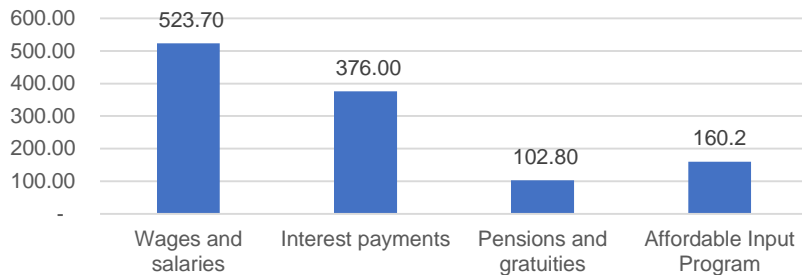
## Week ending 11 September 2020



### 2020/21 BUDGET STATEMENT (Source: Ministry of Finance)

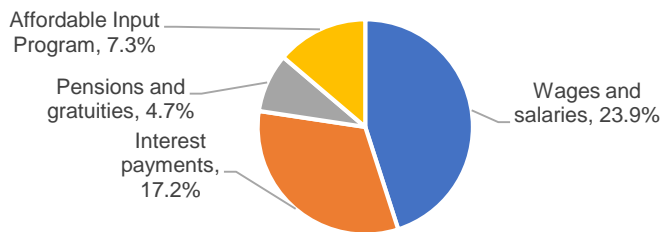
Wage and salaries have been allocated K523.70 billion while Interest payments have been projected at K376 billion.

Budget Allocations (K'Billions)



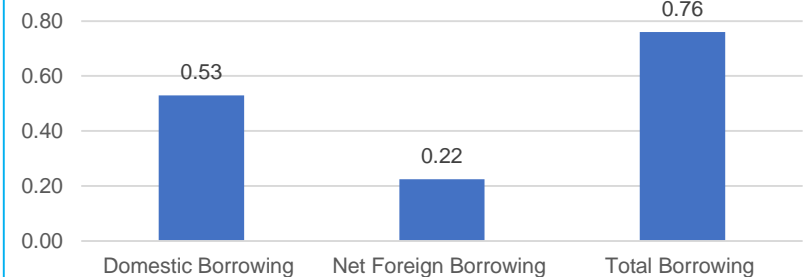
The highest allocation of total expenditure has gone to wages and salaries, at 23.9%. This is followed by interest payments at 17.2%.

Major budget allocations as a percentage of total expenditure



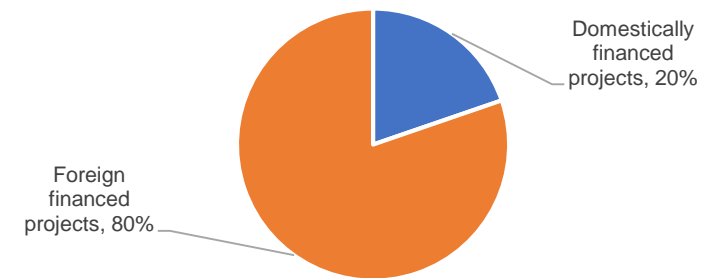
The fiscal deficit of K0.76 trillion will be financed by domestic and net foreign borrowing of K0.53 trillion and K0.22 trillion, respectively.

Financing of the fiscal deficit (K'Trillions)



20% of the development projects will be financed domestically, while 80% will be foreign financed projects.

Financing of development expenditure



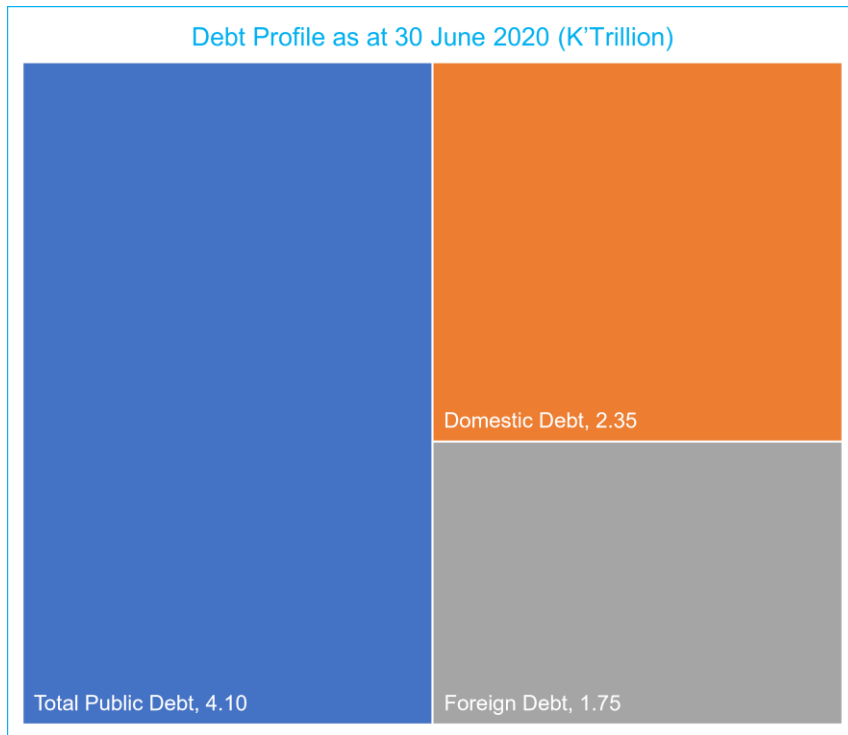
# Financial Market Update

## Week ending 11 September 2020

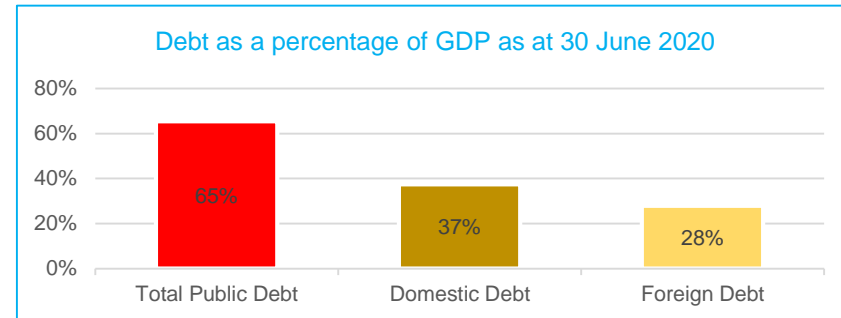


### 2020/21 BUDGET STATEMENT (Source: Ministry of Finance)

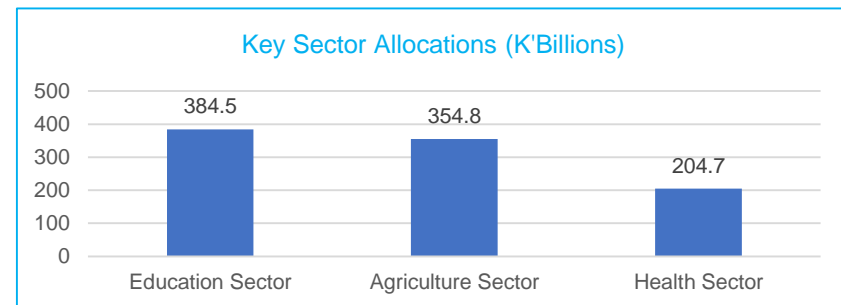
As at 30 June 2020, total public debt was at K4.10 trillion. Domestic debt was at K2.35 trillion and foreign debt was at K1.75 trillion.



Total public debt was 65% of total public debt accumulated by 30 June 2020. Domestic debt and foreign debt were 37% and 28% of GDP as at the same date.



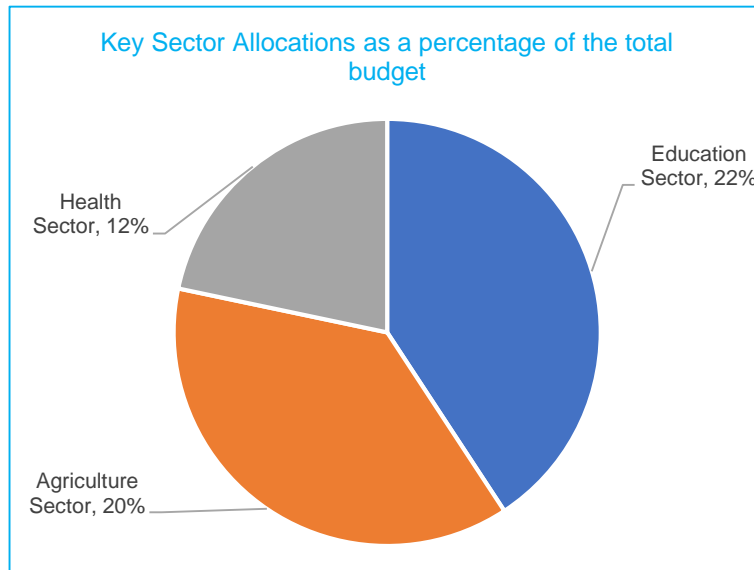
The Education sector has been allocated the most money at K384.5 billion, with the agriculture sector and health sector at K354.8 billion and K204.7 billion, respectively.





### 2020/21 BUDGET STATEMENT (Source: Ministry of Finance)

The Education sector has the highest allocation of the total budget at 22%. It is followed by the Agriculture sector and Health sector at 20% and 12%, respectively.



### Other Highlights

- The 2020/2021 budget assumes the following:
  - Real GDP growth rate of 1.9% in 2020 and 4.5% in 2021;
  - Average inflation rate of 9.9%; and
  - A Policy rate of 13.5% during the fiscal year.
- Establishment of Job Centres to enable job seekers to get jobs
- Free water and electricity connections upon the completion of reforms of the concerned utility companies.
- The Malawi Sovereign Wealthy Fund to be established from the Debt Retirement Fund that will be established to retire public debts.
- An increase in the Pay As You Earn zero bracket from MK45,000.00 to MK100,000.00.
- Government departments to submit monthly reports to the ministry of finance failing which monthly funding will be withheld.
- Introduction of a 20% withholding tax on winnings from betting and gambling transactions.
- Introduction of standard rate of 16.5% VAT on refined cooking oil
- Reduction of passport fee and free driving License renewal.
- Issuance of diaspora development bond as a way of encouraging Malawians in diaspora to invest in the country.
- Establishment of treasury single account which is a unified structure of bank accounts where government resources are pooled and treated as fungible.
- Engaging credit rating agencies for sovereign credit rating
- Government to issue a 15-year development bond for strategic projects and clearing outstanding payment arrears
- An increase in the wages and salaries allocation of 13.5% from last year's allocation due to increases in salaries, employer contribution to the contributory Pension scheme and recruitments.

# Financial Market Update

## Week ending 11 September 2020



### EQUITY MARKET (Source : MSE)

The stock market was bearish during the week under review, relative to the previous week due to the marginal decrease in the Domestic Share Index (DSI). The Foreign Share Index (FSI) was steady during this period. There was a share price gain in AIRTEL, but this was offset by losses in FDH Bank, ICON, PCL and TNM. The MASI registered a year-to-date return of 4.16% this year (it was 1.26% last year).

A total of 16.13 million shares were traded during the week under review in 35 trades. During the previous week, 3.9 million shares were traded in 65 trades. The total value of the shares traded this week was K297 million, from K75 million from last week. Relative to each counter's total number of shares, NBS had the highest proportion of shares traded at 0.52% of total shares in issue. These shares were traded for a combined value of K256 million. There was no activity on 5 out of the 16 counters in the period under review. The counters with no trades were BHL, MPICO, NICO, NITL and SUNBIRD.



### Corporate Announcements

1. PCL expected a 20% decrease in their half year profits for the period ending June 2020, largely because of the coronavirus pandemic. However, their half year profits for this period increased by 14% to K12.69 billion from K11.17 billion in the period ending June 2019.
2. ICON Properties will hold their AGM on 21 September 2020 while BHL will have theirs on 17 September 2020.

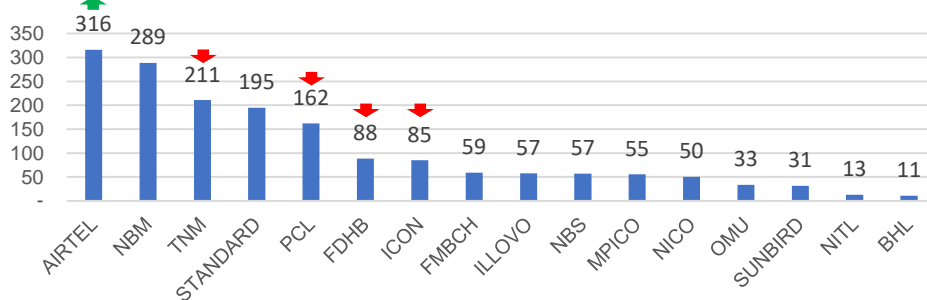
MSE Code	Dividend yield (%)	P/E ratio	P/BV	4-Sep-20 Share Price	11-Sep-20 Share Price
AIRTEL	4.35	19.87	20.07	28.50	28.73
BHL	1.55	23.28	1.67	12.94	12.94
FDHB	0.00	11.26	3.90	12.89	12.80
FMBCH	0.00	(16.03)	1.02	24.00	24.00
ICON	1.66	11.69	1.15	12.69	12.68
ILLOVO	0.62	5.70	0.81	80.50	80.50
MPICO	1.04	9.97	1.41	24.00	24.00
NBM	2.89	16.89	2.87	618.76	618.76
NBS	1.80	12.69	3.69	19.44	19.44
NICO	3.96	6.25	1.57	48.00	48.00
NITL	0.79	7.20	1.11	94.98	94.98
OMU	2.46	25.32	3.18	2,199.99	2,199.99
PCL	1.93	19.83	1.03	1,344.99	1,344.95
STANDARD	3.65	12.27	2.23	830.00	830.00
SUNBIRD	0.83	12.10	1.34	120.00	120.00
TNM	3.57	14.00	4.59	21.50	21.00
<b>MASI</b>	<b>2.72</b>	<b>14.54</b>	<b>2.22</b>	<b>31,571.31</b>	<b>31,511.91</b>
<b>DSI</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>26,948.42</b>	<b>26,895.56</b>
<b>FSI</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,460.99</b>	<b>1,460.99</b>



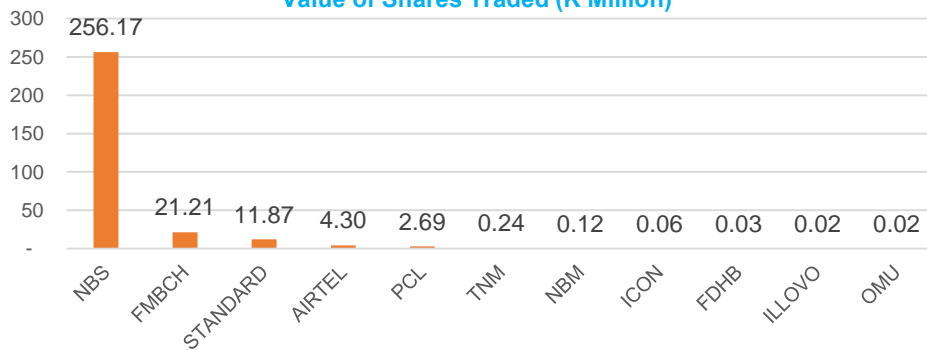
### EQUITY MARKET (Continued)

Airtel leads the Malawi Stock Exchange counters with a market capitalization of K316 billion.

#### Market Capitalization (K'Billions)



#### Value of Shares Traded (K'Million)

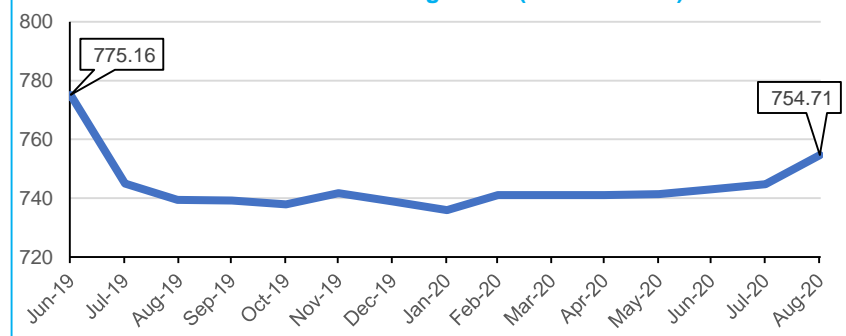


### CURRENCY MARKET (Source: RBM)

During the week under review, the Malawi Kwacha marginally depreciated against the United States Dollar from MK750.87 per USD to MK754.99 per USD. It also marginally depreciated against the EUR and ZAR during the period. However, it appreciated against the GBP. The table below summarizes the movements in the Kwacha during the period.

CURRENCY	04-Sep-20	10-Sep-20	% Change
MK/USD	750.87	754.99	↓ -0.55%
MK/GBP	1,020.88	1,000.00	↑ 2.09%
MK/ZAR	47.41	47.72	↓ -0.64%
MK/EUR	927.50	928.58	↓ -0.12%

#### MK/USD Exchange Rate (Source: RBM)





### GOVERNMENT SECURITIES (Source: RBM)



#### Applications and Allotments (K'Bn)

A total of K43.72 billion was raised by the government this week, with the Treasury Bill (TB) and Treasury Note (TN) auctions raising K2.37 billion and K41.35 billion, respectively. This is significantly higher than the K8.08 billion that was raised in the TB auction last week. Applications for this week's TB and TN auction were K3.18 billion and K43.55 billion, respectively.



#### Rejection and Subscription rates (%)

The rejection rate for the TB was 25.57% this week from 42.55% in the previous week. The TN auction had a 5.05% rejection rate this week.

The 91 days, 182 days and 364 days paper had subscription rates of 15.55%, 56.38% and 28.07%, respectively. In the previous week, the respective rates were 3.48%, 20.16% and 76.36%, respectively.



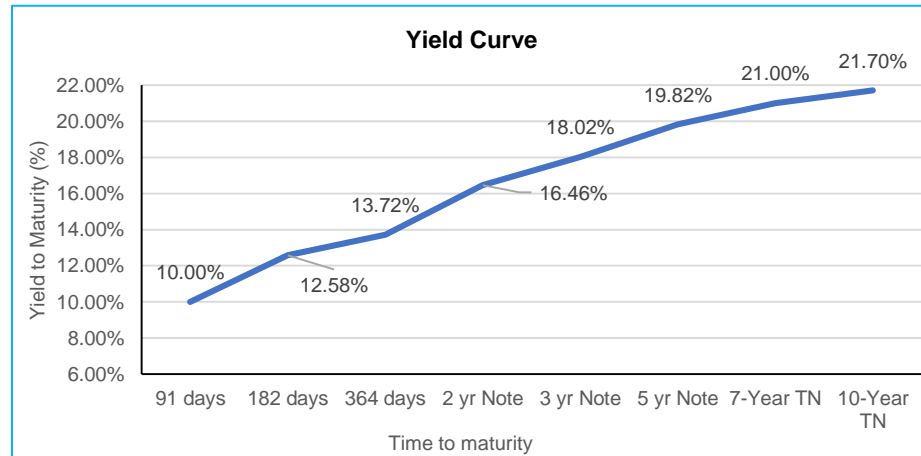
#### Yields (%)

The average yields for the 91 days, 182 days and 364 days papers were 10.00%, 12.58% and 13.72%, respectively. In the previous week, the respective yields were 9.85%, 12.57% and 13.71%.

The table below shows the allotments, rejection rates and average yields of the government securities.

Tenor	Total Allotted (K'million)		Rejection Rate (%)		Average Yield (%)	
	4-Sep	11-Sep	4-Sep	11-Sep	4-Sep	11-Sep
91 days	2.43	494.67	99.50	0.00	9.85	10.00
182 days	2,837.11	979.90	0.00	43.35	12.57	12.58
364 days	5,243.35	892.64	51.20	0.00	13.71	13.72
<b>Total TB</b>	<b>8,082.89</b>	<b>2,367.21</b>	<b>42.55</b>	<b>25.57</b>	<b>12.04</b>	<b>12.10</b>
3-Yr TN	-	41,350.00	-	5.05	-	18.02
<b>All Total</b>	<b>8,082.89</b>	<b>43,717.21</b>				

The graph below shows the average government securities' yields compared to the previous respective yields.







### OTHER FINANCIAL MARKET DEVELOPMENTS (Source: RBM)



#### Daily Liquidity

There was a significant increase in the daily average liquidity this week, compared to the previous week. It increased to K12.05 billion from negative K0.78 billion.

Maturities from Treasury Bills and Treasury Notes this week were K3.97 billion while the Government raised K43.72 billion in this week's TB and TN auction. Overall, there was a net liquidity withdrawal of K39.75 billion this week.



#### Interbank Market

The daily overnight interbank average volume decreased by 23% to K9.96 billion from K12.86 billion. However, the average overnight interbank rate remained steady at 13.60% during this period.

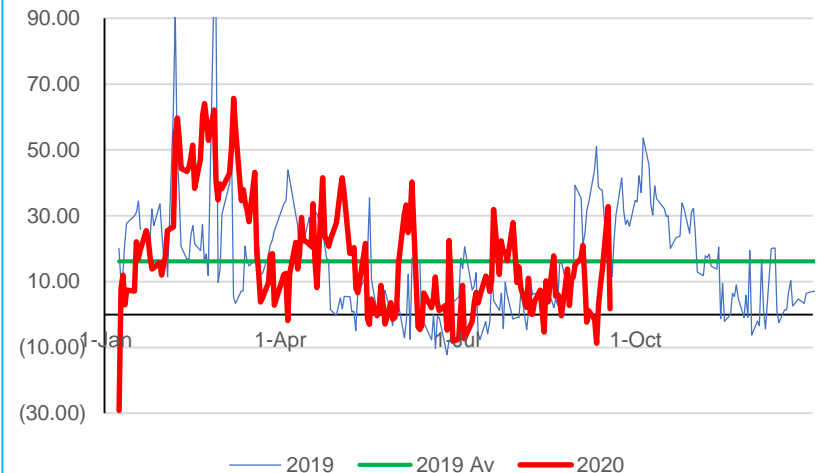


#### Discount Window

Access to the discount window increased by 24%. The average daily amount accessed increased from K31.53 billion in the previous week, to K39.13 billion. The discount window rate (Lombard rate) remained at 13.70%.

The graph below traces the daily liquidity for 2019 and 2020

#### Daily Liquidity in K'Bn (Source: RBM)



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