



Malawi Financial Market Update

Week ending 26 August 2022



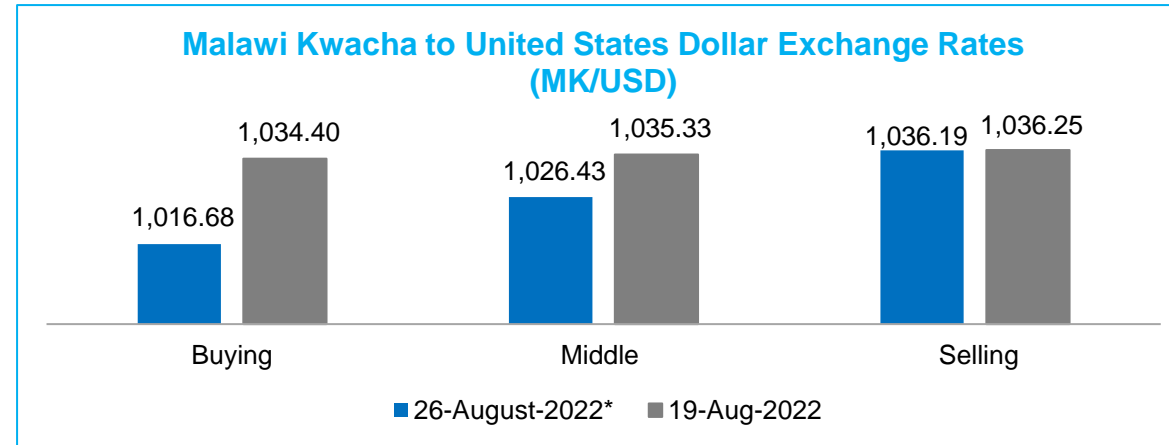
Financial Market Update: Week ending 26 August 2022

Foreign currency market and other market developments (Source: RBM, MSE, AHL)

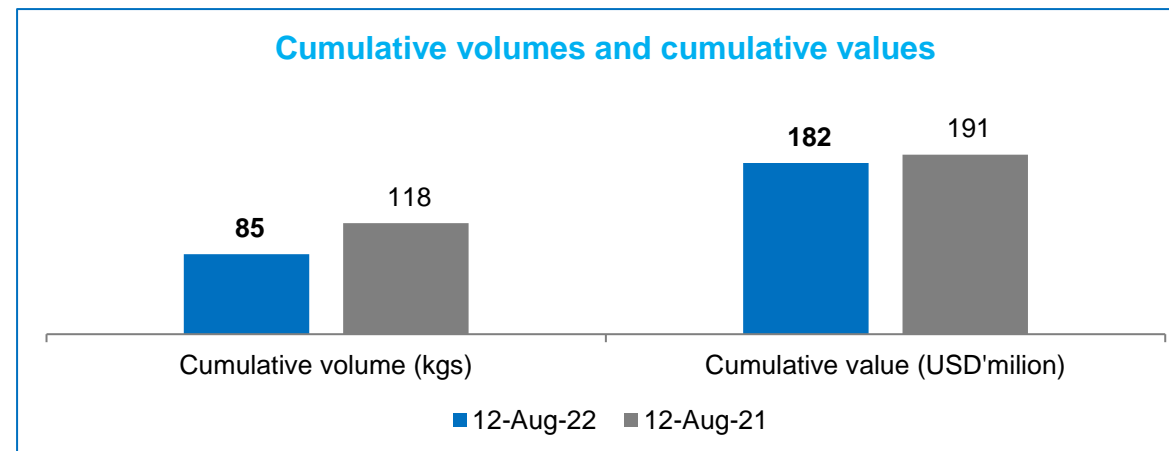
Week-on-week, the Malawi Kwacha marginally appreciated against the USD by 0.86% as it traded at MK1,026.43/USD as of 26 August 2022 from MK1,035.33/USD as of 19 August 2022.

The cumulative value of tobacco sold as of 12 August 2022 was USD182 million, a decrease of 4.7% from a cumulative value of USD191 million sold as of 12 August 2021.

Foreign currency (Source: RBM)



Tobacco sales (source: AHL)



Annual General Meetings

Company	Venue	Date	Time
FMBCH**	Virtual	30 August 2022	14:00 hrs
ICON	Ryalls Hotel, Blantyre and Virtually	1 September 2022	14:00 hrs

*: Reserve Bank of Malawi opening exchange rates as of 26 August 2022

** Special meeting

What Happened this Week

1. The Board of Directors of the Millennium Challenge Corporation (MCC) has approved a USD350 million (about MK360 billion) package for Malawi's second compact. The second compact comes after Malawi successfully competed a USD350.7 million energy compact. The Minister of Finance indicated that the MCC board approved the package for Malawi's second compact on 12 August 2022 (*The Daily Times, 22-August-2022*).
2. The World Bank has warned that the rising food prices triggered by a global food crisis will drive millions of people into extreme poverty and erase economic gains, especially in low-income countries such as Malawi (*The Nation, 23-August-2022*).
3. A study by Malawi Economic Justice Network (MEJN) and Tax Justice Network Africa has revealed that Malawi's fiscal performance has resulted in large and increasing budget deficits over the past 10 years with a shortfall expanding from MK30.7 billion in 2012 to MK857.8 billion by 2022. The sharp rise in annual budget deficits has resulted in a jump in public debt levels which have increased from 28.6% of Gross Domestic Product (GDP) in 2012 to 66.9% of GDP in 2022 (*The Daily Times, 23-August-2022*).
4. Shortage of beef supply on the market has hit the Southern and Central regions of Malawi, fueling a sharp rise in the price of the commodity. The development follows reported cases of foot and mouth disease in Chikwawa and Nsanje, which are considered Malawi's biggest producers of beef (*The Daily Times, 24-August-2022*).
5. Malawi will have a MK5.5 billion non-interest rate loan owed to China written off, as part of China's response and commitment to foster stronger economic ties with the African continent. During the Forum on China-Africa Cooperation Conference, the Chinese Foreign Minister said the Chinese government has waived 23 interest free loans for 17 African countries (*The Nation, 25-August-2022*).
6. A report by the Malawi Economic Justice Network (MEJN) has raised serious questions on how Malawi used the USD188.70 million (about MK153 billion) Special Drawing Rights (SDR) resources from the International Monetary Fund (IMF) in August 2021. Presenting the findings at the African Conference on Debt and Development (AfCoDD-II), currently underway in Lilongwe, MEJN Executive Director said the SDRs were not used for the intended purpose (*The Daily Times, 26-August-2022*).

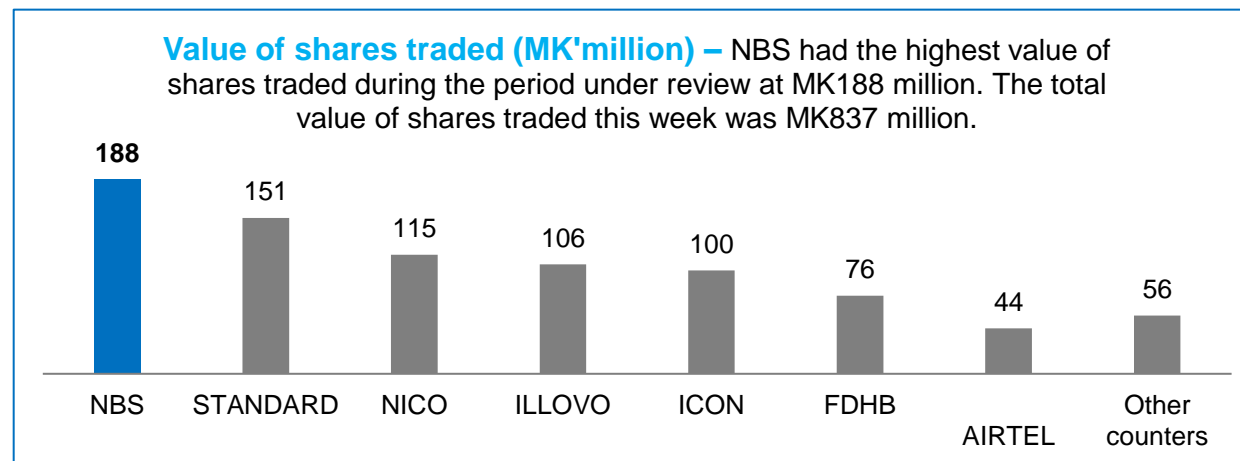
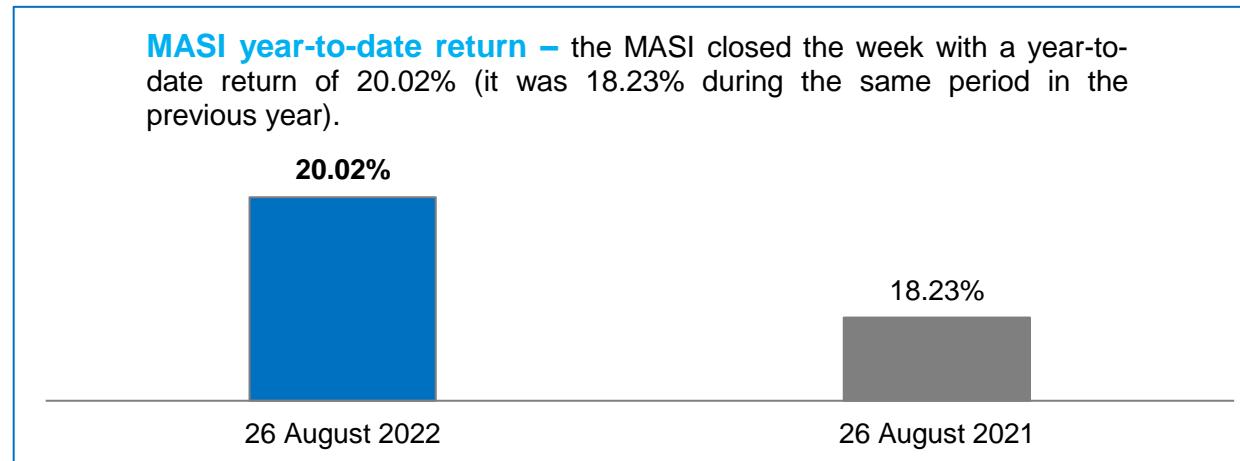
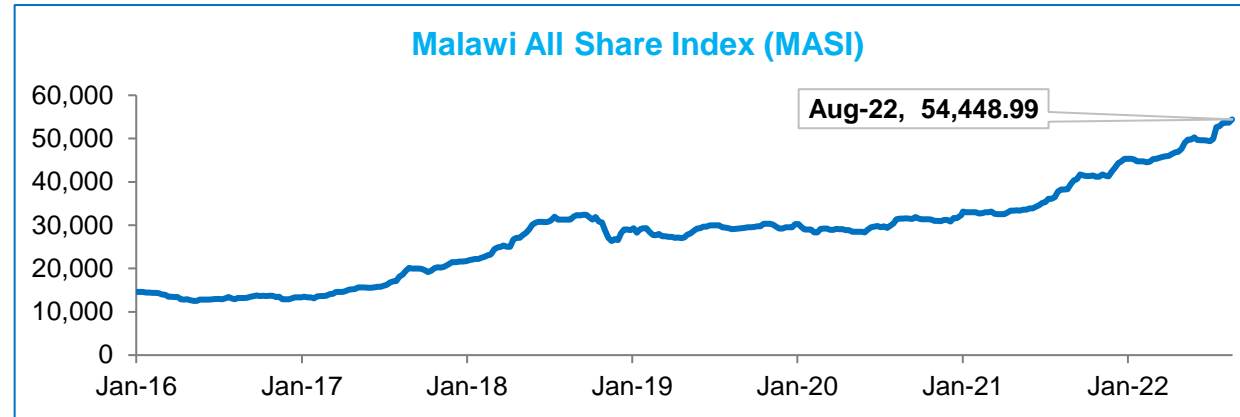


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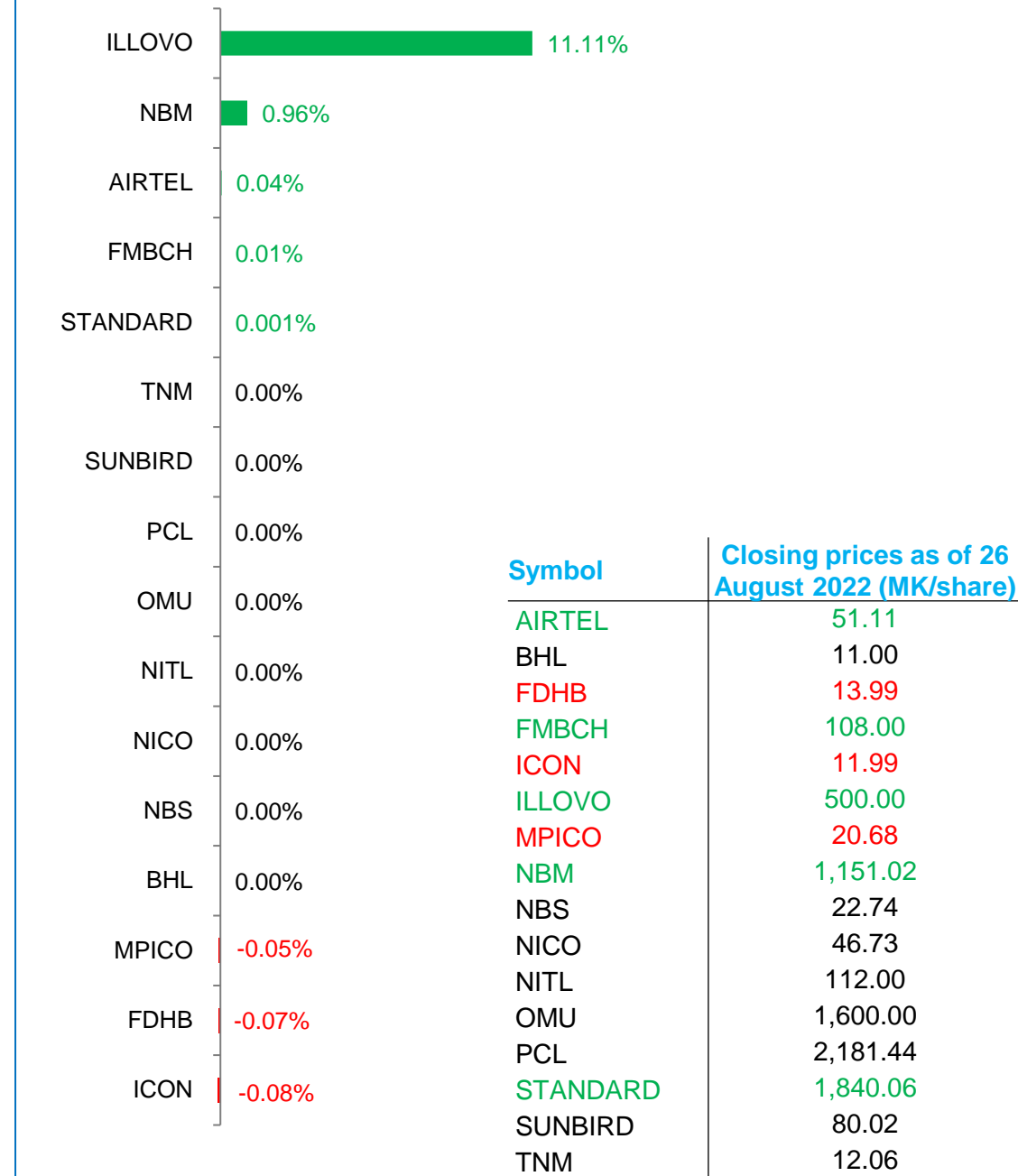
Stock market (Source: MSE)

The stock market was bullish over the period with the Malawi All Share Index (MASI) closing the week ending 26 August 2022 at 54,448.99 points from 53,686.23 points for the week ending 19 August 2022. Week-on-week, this represents an increase of 1.4%.

There was a share price gain for ILLOVO and marginal share price gains for NBM, AIRTEL, FMBCH and Standard bank. The share price gains offset marginal share price losses in MPICO, FDH bank and ICON during the period under review.



Week-on-week share price gains/losses (%)





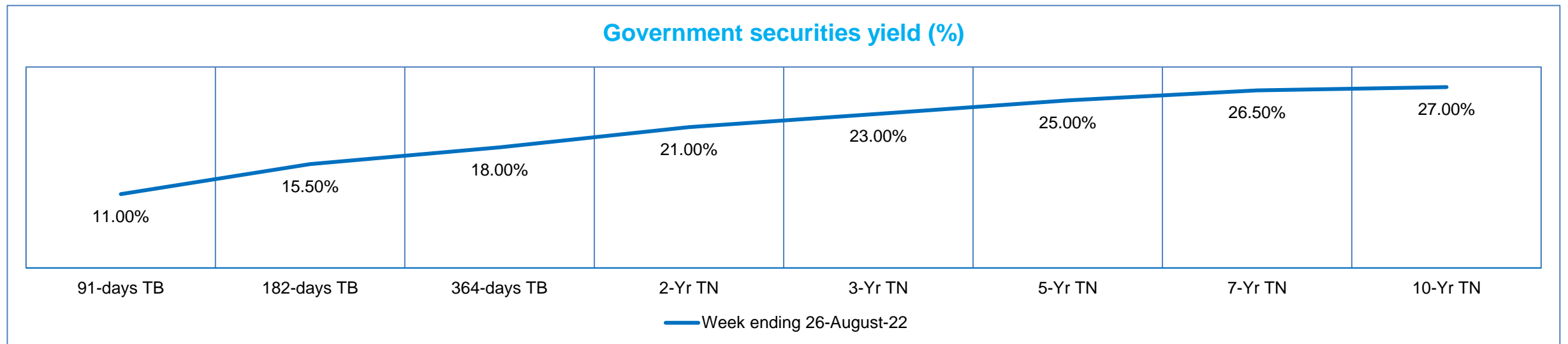
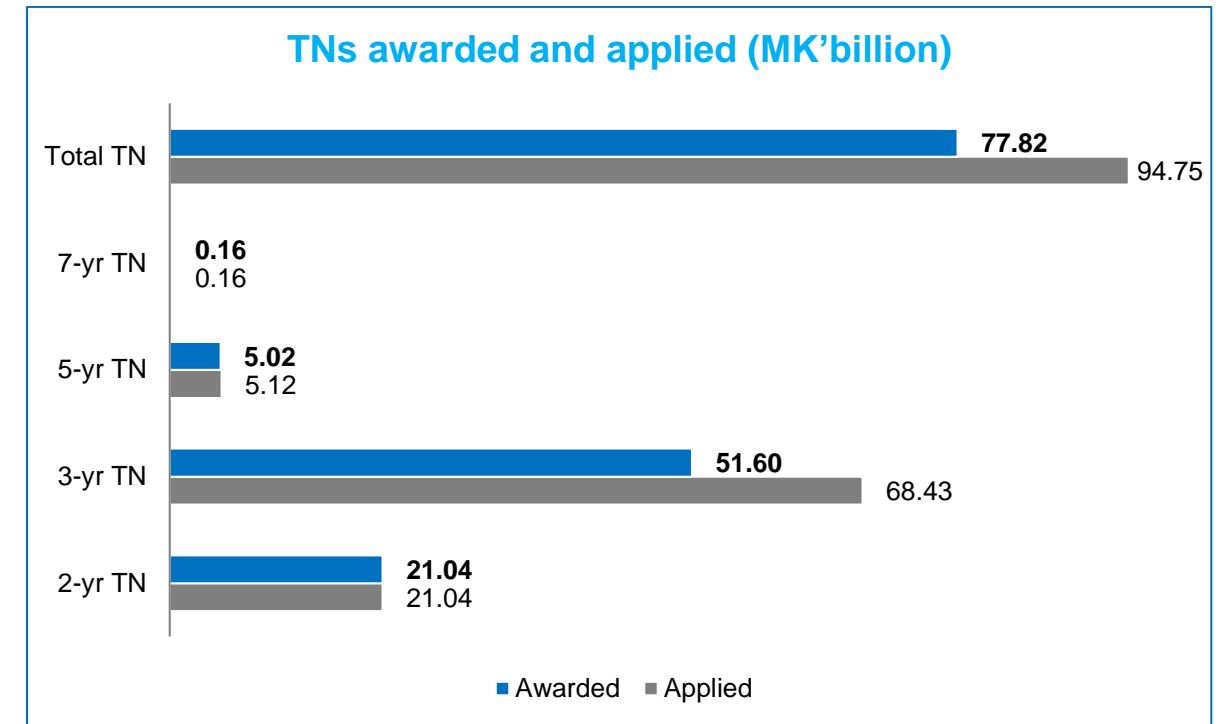
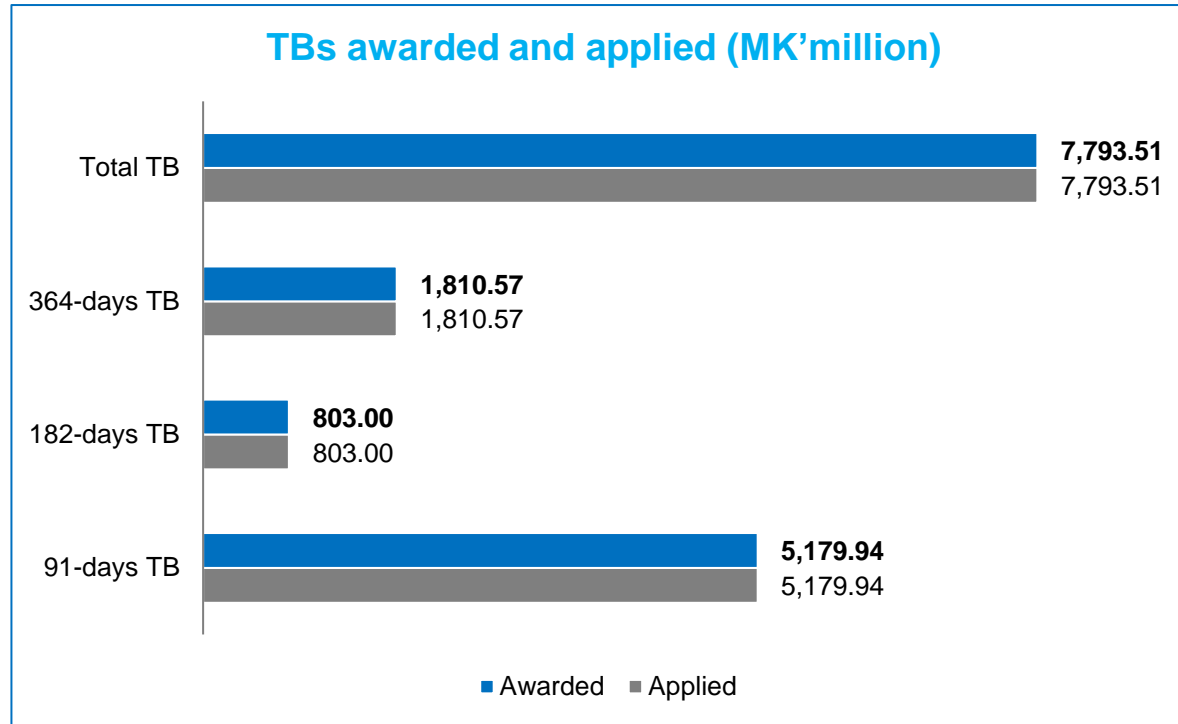
Government securities (Source: RBM)

A total of MK85.62 billion was awarded in this week's auctions of Treasury Bills (TBs) and Treasury Notes (TNs).

MK7.79 billion was awarded in the TBs and MK77.82 billion was awarded in TNs auctions.

The TBs auction had a nil rejection rate, the 2-year and 7-year TNs had nil rejection rates, the 3-year TN had a rejection rate of 24.6% and the 5-year TN had a rejection rate of 2.0%.

The average TB yield increased to 14.83% from 14.41% and the average TN yield increased to 24.50% from 24.40% during the period under review.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	July-22	Week ending 26 August 2022
Exchange rates (middle rates)																		
MK/USD	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	818.44	822.81	822.10	823.60	823.67	1,029.90	1,033.36	1,035.03	1,026.43*
MK/GBP	1,139.62	1,164.37	1,191.58	1,192.94	1,203.74	1,196.67	1,168.72	1,201.21	1,194.23	1,208.01	1,211.73	1,283.92	1,214.22	1,150.18	1,380.71	1,289.26	1,296.86	1,247.95*
MK/EUR	993.04	1,035.48	1,042.52	1,032.04	1,048.56	1,044.60	1,026.14	1,037.74	1,099.91	1,138.47	1,072.50	1,170.30	1,031.32	966.40	1,180.96	1,108.47	1,085.01	1,053.00*
MK/ZAR	56.13	59.33	62.28	61.42	60.79	60.90	58.90	59.04	57.21	57.68	61.82	64.84	66.90	59.34	72.04	65.02	64.13	63.81*
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	410.16	392.01	414.41	424.99	404.18	604.50	521.87	405.66	389.26	429.17	399.98	385.40	374.48	363.27	388.22	415.73	372.99	N/A
Private Sector Reserves (USD'mn)	342.58	392.61	369.64	388.78	405.79	389.47	386.05	384.75	404.81	425.52	424.49	407.22	391.49	362.84	401.13	401.60	396.02	N/A
Total reserves (USD'mn)	752.74	784.62	784.05	813.77	809.97	993.97	907.92	790.41	794.07	854.69	824.47	792.62	765.97	726.11	789.35	817.33	769.01	N/A
Gross Official Reserves Import cover (months)	1.96	1.88	1.77	1.70	1.62	2.42	2.09	1.62	1.56	1.72	1.60	1.54	1.50	1.45	1.55	1.66	1.49	N/A
Inflation																		
Headline	9.40%	9.2%	8.9%	9.1%	8.7%	8.4%	8.9%	9.8%	11.1%	11.5%	12.1%	13.0%	14.10%	15.70%	19.10%	23.50%	24.6%	N/A
Food	11.70%	11.5%	11.0%	11.1%	10.3%	9.7%	10.9%	11.8%	12.8%	13.6%	14.2%	15.3%	17.10%	19.50%	25.50%	31.20%	32.5%	N/A
Non-food	6.90%	7.0%	7.1%	7.2%	7.2%	7.2%	7.2%	7.8%	9.5%	9.5%	9.6%	10.1%	10.50%	12.20%	13.20%	16.60%	17.5%	N/A
Interest Rates																		
Monetary Policy rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	14.00%	14.00%	14.00%	14.00%
Average Interbank rate	11.37%	11.72%	13.36 %	11.94%	11.96%	11.98%	11.98%	11.98%	11.98%	11.98%	11.15%	11.70%	11.70%	11.70%	11.84%	12.48%	12.50%	12.50%
Average base lending rate	11.90%	12.10%	12.10%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	13.50%	13.80%	13.90%	14.20%
Government Securities' Yields																		
91-days Treasury Bill	9.95%	9.88%	9.98%	9.62%	9.33%	9.60%	9.59%	9.60%	9.58%	9.70%	9.70%	9.47%	9.74%	9.57%	9.75%	9.75%	10.00%	11.00%
182-days Treasury Bill	12.80%	12.77%	12.80%	12.81%	12.96%	12.96%	12.98%	12.98%	12.98%	13.00%	13.00%	12.99%	13.00%	13.00%	15.00%	15.00%	15.00%	15.50%
364-days Treasury Bill	13.80%	13.80%	13.83%	13.87%	12.06%	14.08%	14.20%	14.20%	14.22%	14.47%	15.00%	15.00%	15.00%	15.00%	17.03%	17.60%	17.74%	18.00%
2-year Treasury Note	16.50%	16.50%	16.51%	16.65%	16.63%	16.63%	16.63%	16.64%	16.64%	16.66%	16.70%	16.70%	17.00%	17.00%	18.50%	18.85%	20.50%	21.00%
3-year Treasury Note	18.66%	18.80%	18.80%	18.97%	19.00%	18.99%	18.99%	18.99%	19.00%	19.05%	19.04%	19.33%	19.50%	19.50%	21.90%	22.00%	22.00%	23.00%
5-year Treasury Note	19.98%	19.98%	19.98%	20.08%	20.00%	20.09%	20.26%	20.44%	20.53%	20.54%	20.78%	20.78%	21.00%	21.00%	23.95%	24.00%	24.00%	25.00%
7-year Treasury Note	20.50%	20.50%	20.50%	20.59%	20.98%	21.36%	21.36%	21.36%	21.15%	20.94%	20.94%	21.98%	22.00%	22.00%	22.33%	22.33%	25.53%	26.50%
10-year Treasury Note	22.50%	22.50%	22.50%	21.85%	22.54%	23.01%	23.25%	23.00%	22.50%	22.50%	22.98%	22.98%	22.98%	23.35%	23.35%	27.00%	27.00%	27.00%
Stock Market Indices																		
MASI	32,562.96	33,380.63	33,676.89	35,144.56	36,496.03	38,945.62	41,550.15	41,458.37	41,565.98	45,367.68	44,501.63	45,472.09	45,921.23	46,934.16	50,300.44	49,596.14	52,889.87	54,448.99
DSI	27,710.72	28,257.89	28,376.03	28,739.26	29,749.56	31,959.22	34,266.54	34,188.36	34,284.11	37,061.70	36,322.34	37,186.63	37,584.34	37,283.40	39,037.30	39,011.21	42,717.13	44,104.45
FSI	1,614.33	1,844.72	2,030.51	3,234.45	3,479.97	3,479.97	3,450.70	3,450.25	3,450.24	4,223.15	4,183.22	4,182.23	4,184.71	5,720.11	7,305.55	6,538.52	5,548.61	5,548.61

*: Reserve Bank of Malawi opening exchange rates as of 26 August 2022

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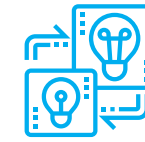
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