



Malawi Financial Market Update

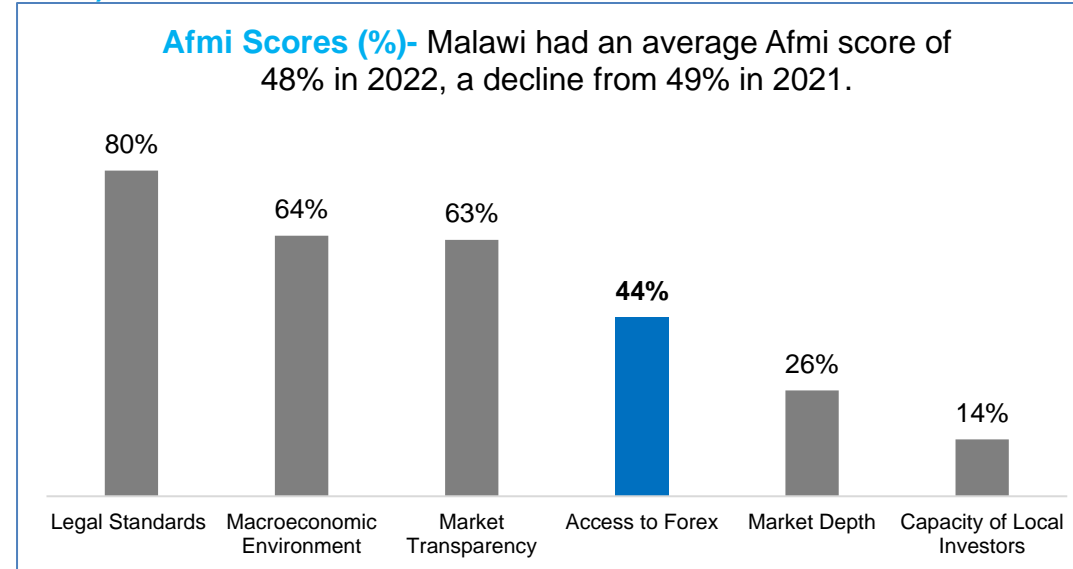
Week ending 27 January 2023



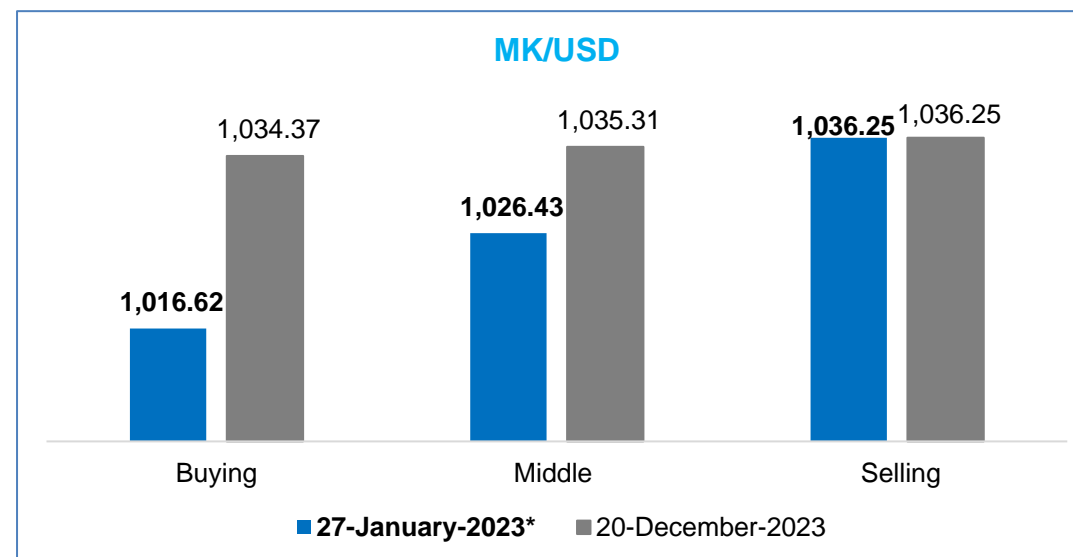
Foreign currency market and other market developments

According to the Absa Africa Financial Markets Index (Afmi) report, in 2022, Malawi failed to sustain the gains it made in the past two years on improving its financial markets because of declining forex reserves. According to the Afmi, the level of development in the Malawian financial sector was at 48% in 2022 from 49% in 2021.

Malawi's Scores in the Africa Financial Markets Index (Afmi) (Source: Absa)



Foreign currency (Source: RBM)



Note

*: Reserve Bank of Malawi opening exchange rates as of 27 January 2023

What Happened This Week

1. According to the Absa Africa Financial Markets Index (Afmi) report, in 2022, Malawi failed to sustain the gains it made in the previous two years on improving its financial markets because of declining forex reserves. Based on Afmi scores, the level of development in the Malawian financial sector was at 48% in 2022 from 49% in 2021. The report has indicated that even though Malawi did well in other aspects such as market transparency, access to forex was a major challenge. The performance of countries measured by the Afmi score is determined by relative measures of market depth, access to forex, market transparency, tax and regulatory environment, capacity of local investors, the macroeconomy, and the legal environment (*Absa 2022 Africa Financial Markets Index, January 2023*).
2. According to the World Bank, Malawi stands a chance of accessing up to USD250 million (about MK259 billion) for a successor project of the Agriculture Sector Wide Approach Support Project II (ASWAp SP II). However, access to the funds will be subject to the successful completion of the ASWAp SP II which is set to conclude in June 2023. The current project is said to have improved agricultural productivity, nutrition, and access to markets for local farmers. According to World Bank Malawi, the successor project will be an agriculture commercialization project that will further deepen the impact of the ASWAp SP II project. The World bank and the Malawi government are currently in preparatory stages of discussing a budget for the successor project, which is expected to begin by the end of 2023. The ASWAp SP II was worth USD69.8 million (about MK72.3 billion) and it was implemented by the Ministry of Agriculture with funding from various developmental partners (*The Nation, 25-January-23*).
3. Community, social and personal loans accounted for the largest stock of outstanding private sector credit at 34.3% in November 2022. According to the November 2022 monthly economic review by the Reserve Bank of Malawi (RBM), individual loans have increased by 3.8% from 30.5% in June 2022 to 34.3% of the total private sector credit stock in November 2022. This is in contrast to sectors such as agriculture, forestry and fishing and wholesale and retail trade which have declined in the same period. The growth in personal loans has increased the annual growth rate of private sector credit to 26.5% in November 2022 from 15.3% in November 2021. Economic experts have attributed the trend to economic hardships which have made more people to resort to borrowing for consumption (*The Nation, 21-January-23*).



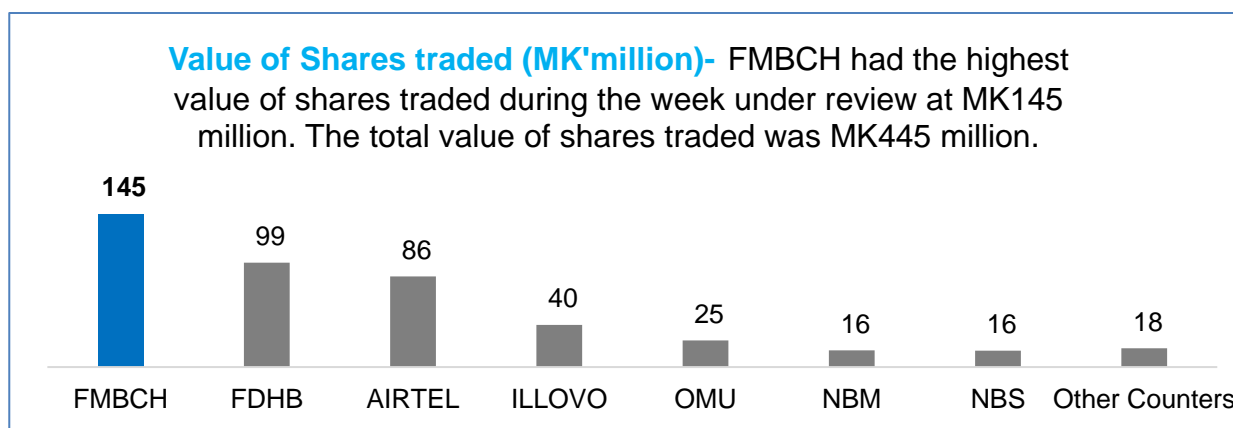
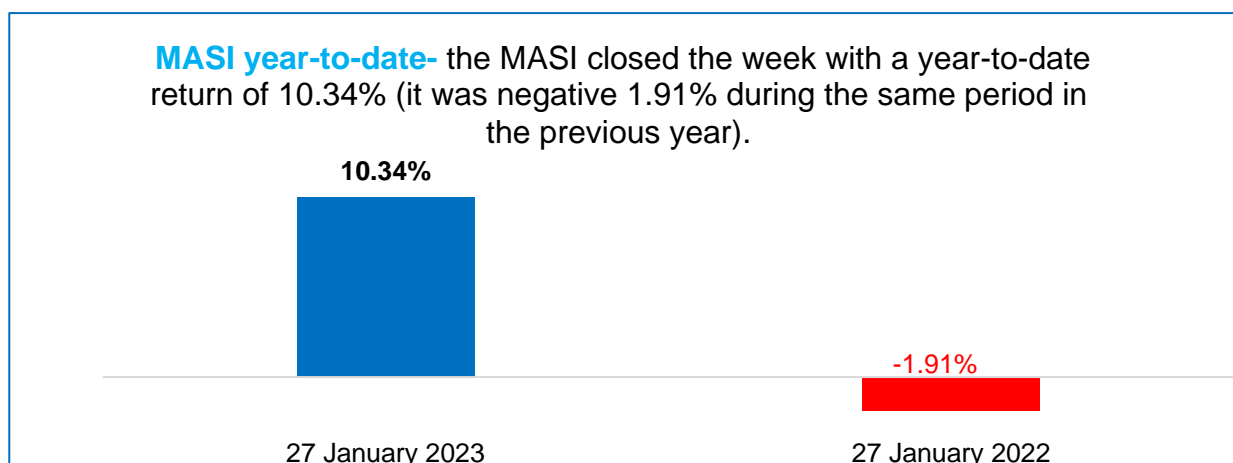
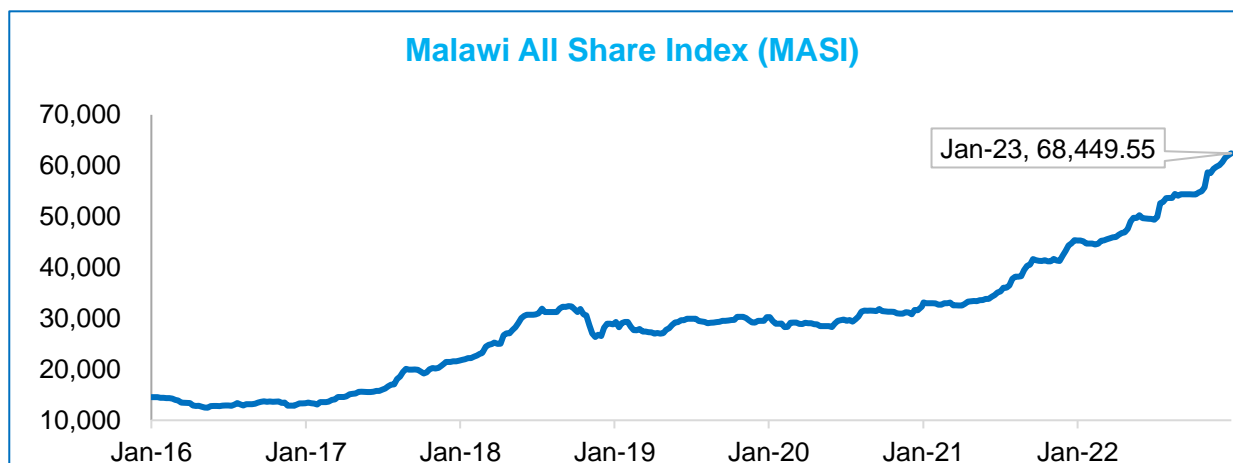
Financial Market Update: Week ending 27 January 2023

Stock market (Source: MSE)

The stock market was bullish with the Malawi All Share Index (MASI) closing the week ending 27 January 2023 at 68,449.55 points from 67,055.81 points for the week ending 20 January 2023. Week on week, this represents a 2.08% increase.

The year-to-date return on the MASI is 10.34%.

There were share price gains for FDH Bank, ILLOVO, AIRTEL, and NICO, as well as a marginal share price gain for NBM. The share price gains offset a share price loss for OMU and marginal share price losses for ICON, BHL, TNM, and MPICO during the period under review.



Week-on-week share price percentage change (%)

FDHB	11.54%
ILLOVO	11.11%
AIRTEL	1.79%
NICO	1.54%
NBM	0.004%
FMBCH	0.00%
NITL	0.00%
NBS	0.00%
STANDARD	0.00%
SUNBIRD	0.00%
PCL	0.00%
MPICO	-0.05%
TNM	-0.07%
BHL	-0.09%
ICON	0.17%
OMU	-14.85%

Symbol	Closing prices as of 27 January 2023 (MK/share)
AIRTEL	58.04
BHL	10.96
FDHB	28.99
FMBCH	167.00
ICON	11.92
ILLOVO	600.00
MPICO	20.59
NBM	1,543.09
NBS	38.50
NICO	66.00
NITL	164.00
OMU	838.67
PCL	2,181.36
STANDARD	2,200.00
SUNBIRD	105.00
TNM	13.99

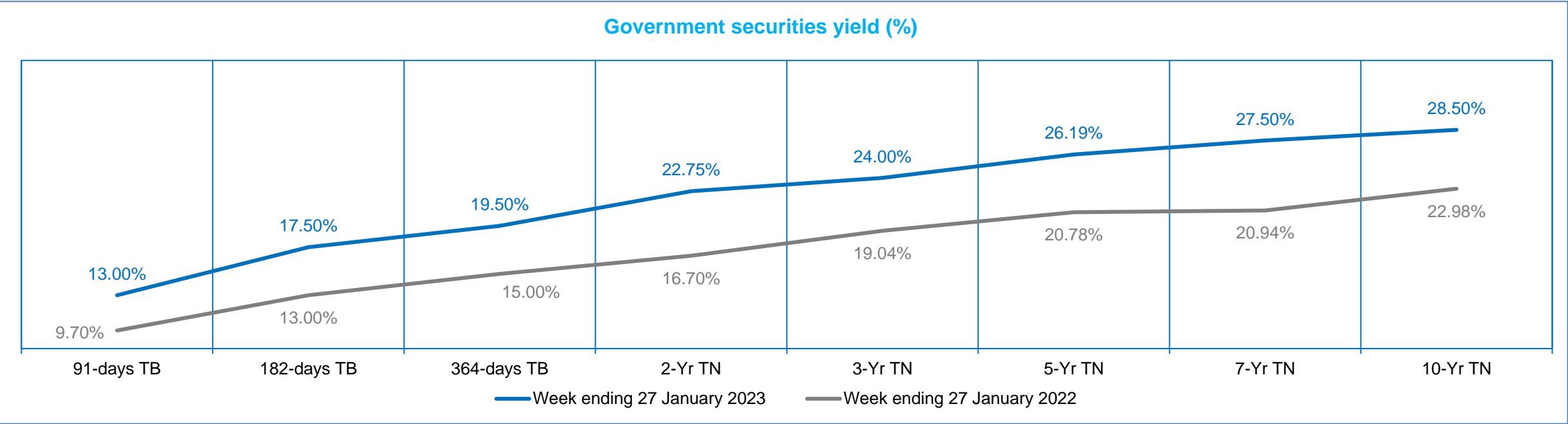
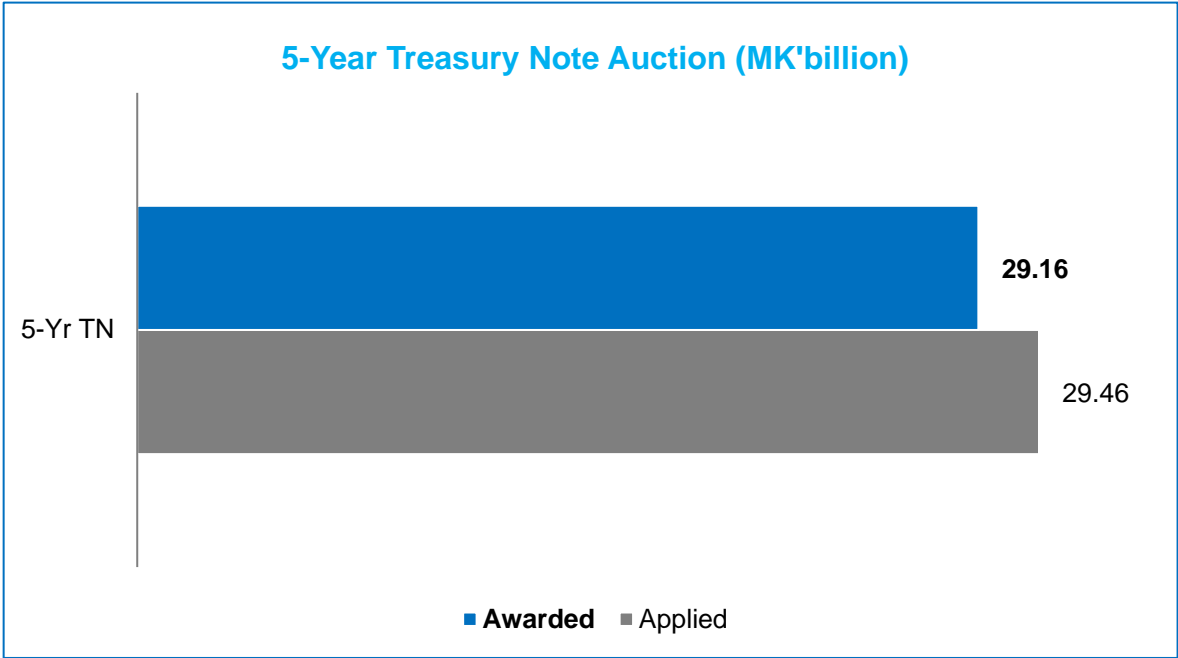
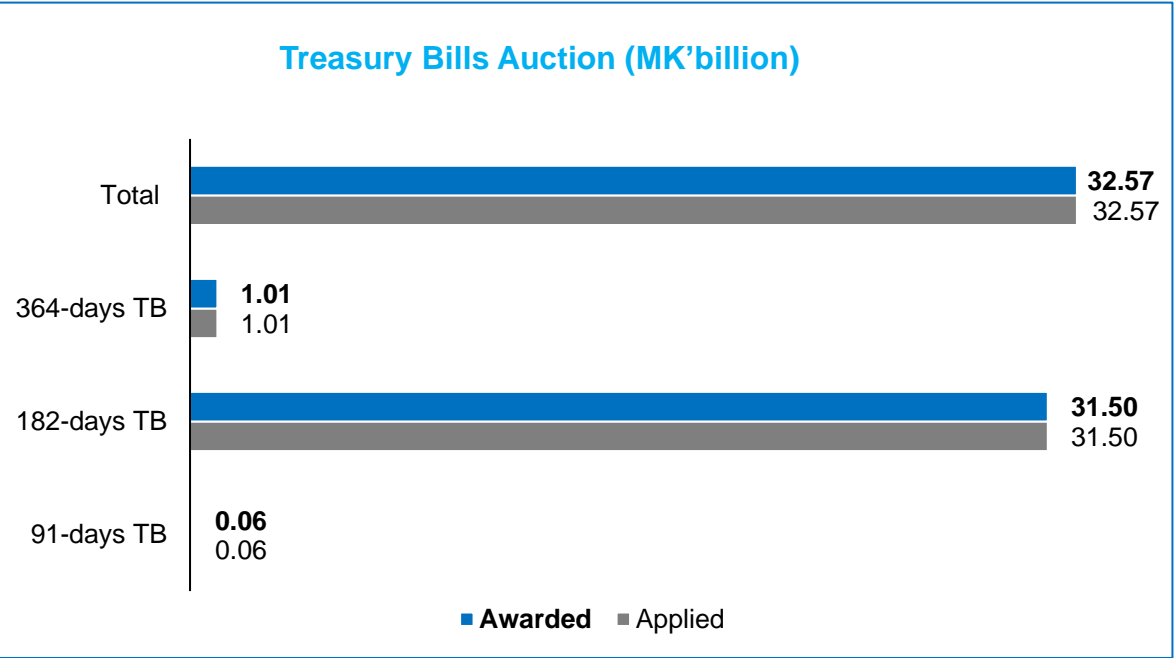


Government securities (Source: RBM)

A total of MK61.73 billion was awarded in this week's Treasury Bills (TBs) and 5-Year Treasury Note (TN) auctions.

The TBs had a nil rejection rate while the TNs had a 1% rejection rate.

The average TB yield maintained its position at 16.67% while the average TN yield rose to 25.79% from 25.71% during the week under review.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Week- ending 27- Jan-23
Exchange rates (middle rates)																		
MK/USD	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	1,035.42	1,033.79	1,032.88	1,034.42	1,034.67	1,026.43*
MK/GBP	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	1,240.77	1,180.36	1,234.05	1,276.81	1,282.60	1,309.06*
MK/EUR	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	1,066.19	1,047.49	1,062.62	1,105.82	1,130.92	1,149.31*
MK/ZAR	60.90	58.90	59.04	57.21	57.68	61.82	64.84	66.90	59.34	72.04	65.02	64.13	62.49	58.78	58.36	62.11	62.69	61.39*
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	604.50	521.87	405.66	389.26	429.17	399.98	385.40	374.48	363.27	388.22	415.73	372.99	378.89	357.18	326.06	338.87	304.65	N/A
Private Sector Reserves (USD'mn)	389.47	386.05	384.75	404.81	425.52	424.49	407.22	391.49	362.84	401.13	401.60	396.02	398.43	408.84	427.67	400.77	399.20	N/A
Total reserves (USD'mn)	993.97	907.92	790.41	794.07	854.69	824.47	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02	753.73	739.64	703.85	N/A
Gross Official Reserves Import cover (months)	2.42	2.09	1.62	1.56	1.72	1.60	1.54	1.50	1.45	1.55	1.66	1.49	1.52	1.43	1.30	1.36	1.22	N/A
Inflation																		
Headline	8.4%	8.9%	9.8%	11.1%	11.5%	12.1%	13.0%	14.10%	15.70%	19.10%	23.50%	24.6%	25.5%	25.9%	26.7%	25.8%	25.4%	N/A
Food	9.7%	10.9%	11.8%	12.8%	13.6%	14.2%	15.3%	17.10%	19.50%	25.50%	31.20%	32.5%	33.4%	33.7%	34.5%	33.4%	31.3%	N/A
Non-food	7.2%	7.2%	7.8%	9.5%	9.5%	9.6%	10.1%	10.50%	12.20%	13.20%	16.60%	17.5%	18.2%	18.3%	18.6%	17.7%	18.6%	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%	14.00%	14.00%	14.00%	14.00%	14.00%	18.00%	18.00%	18.00%	18.00%
Average Interbank rate	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%	12.50%	15.00%	15.00%	15.00%	15.00%
Average base lending rate	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%	14.20%	18.20%	18.20%	18.20%	18.20%
Government Securities Yields																		
91-days Treasury Bill	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%	11.00%	11.00%	13.00%	13.00%	13.00%
182-days Treasury Bill	12.96%	12.98%	12.98%	12.98%	13.00%	13.00%	12.99%	13.00%	13.00%	15.00%	15.005	15.00%	15.50%	15.50%	15.50%	17.50%	17.50%	17.50%
364-days Treasury Bill	14.08%	14.20%	14.20%	14.22%	14.47%	15.00%	15.00%	15.00%	15.00%	17.03%	17.60%	17.74%	18.33%	18.75%	18.75%	19.50%	19.50%	19.50%
2-year Treasury Note	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%	21.50%	21.50%	22.50%	22.50%	22.75%
3-year Treasury Note	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%	23.00%	23.00%	23.00%	24.00%	24.00%
5-year Treasury Note	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%	25.00%	25.00%	26.00%	26.00%	26.19%
7-year Treasury Note	21.36%	21.36%	21.36%	21.15%	20.94%	20.94%	21.98%	22.00%	22.00%	22.33%	22.33%	25.53%	26.75%	26.50%	26.50%	27.50%	27.50%	27.50%
10-year Treasury Note	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%	27.50%	27.50%	27.50%	28.50%	28.50%
Stock Market Indices																		
MASI	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	54,454.45	54,389.92	55,046.26	55,795.69	62,036.05	68,449.55
DSI	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	44,109.31	44,360.30	44,986.52	48,811.22	50,804.03	54,347.03
FSI	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	5,154.73	5,100.84	5,613.43	5,614.30	8,377.67

*: Reserve Bank of Malawi opening exchange rates as of 27 January 2023

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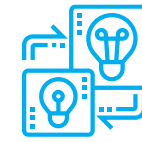
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