



Malawi Financial Market Update

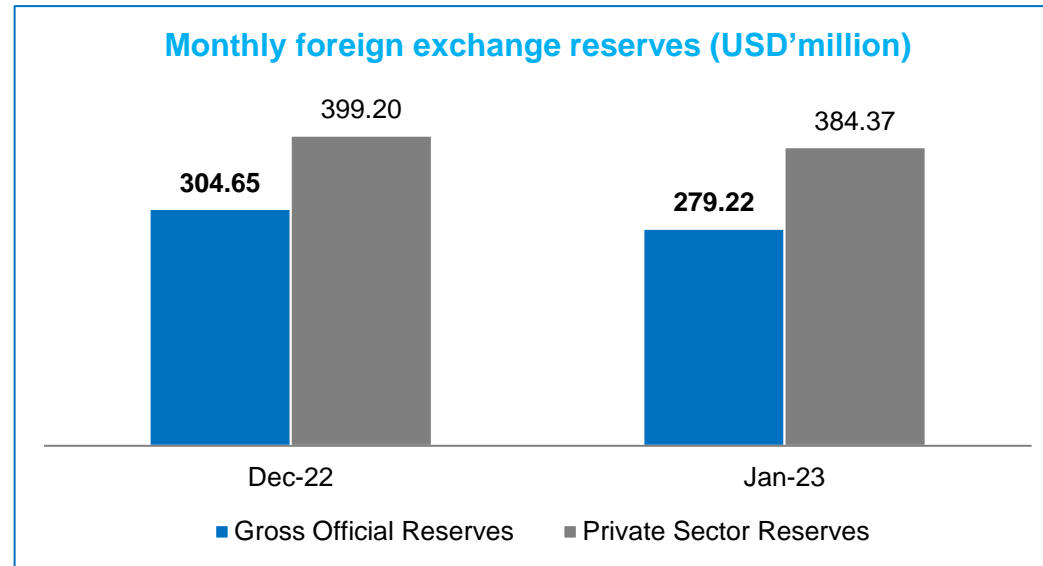
Week ending 3 March 2023



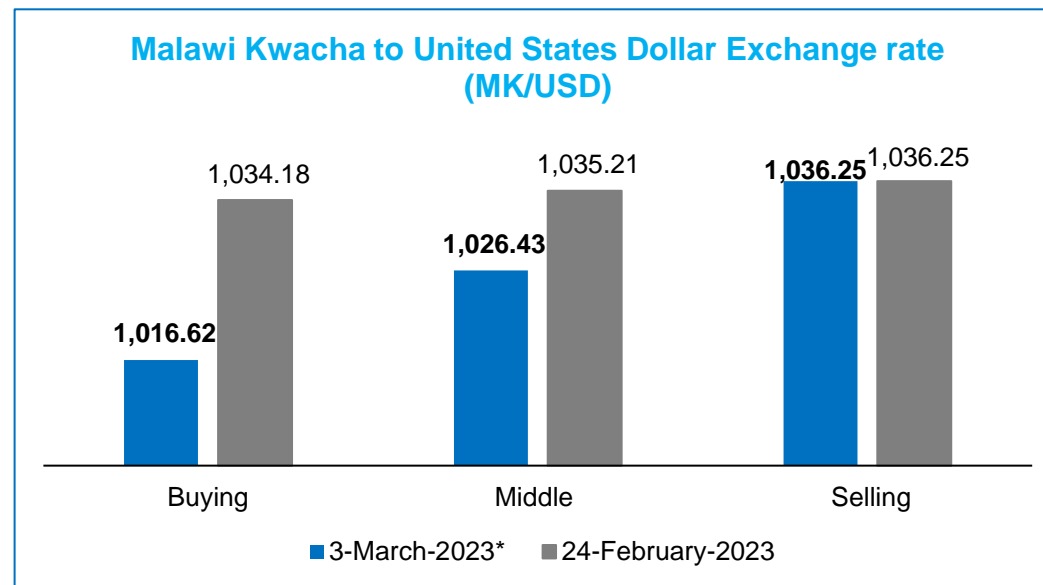
Foreign currency market and other market developments

Gross Official Foreign Reserves for January 2023 were recorded to be at USD279.22 million, an 8.3% decrease from USD304.65 million recorded in December 2022. This translates to an import cover of 1.12 months. While Private Sector Reserves decline by 2.3% to USD384.37 million from USD399.20 million in December 2022. This translates to an import cover of 1.54 months. Total reserves amounted to USD663.59 million and this covers imports for 2.66 months.

Monthly foreign exchange reserves (Source: RBM)



Foreign currency (Source: RBM)



What Happened This Week

1. The Malawi Government has proposed new measures to strengthen foreign exchange controls and prevent transfer pricing, with stiffer penalties for those involved in moving forex out of the country. The Foreign Exchange Bill of 2022 aims to regulate forex flows entering or exiting Malawi and requires authorized dealers to apply for a license to conduct business. It also prohibits the use of foreign currency for indexing, accepting quotation of prices or demanding payment for goods or services sold in Malawi. Those taking or sending any foreign currency out of the country must provide evidence of purchase from an authorized dealer. The proposed measures follow existing guidelines introduced by the Reserve Bank of Malawi (RBM) in 2021 to track export proceeds and guide operation of Foreign Currency-Denominated Accounts (FCDAs) and existing regulations for taxpayers to have documentation verifying their controlled transactions are consistent with the arm's length principle (*The Nation, 1 March 2023*).
2. The Electricity Generation Company (EGNCO) missed its Kapichira Hydro-Electric Power Plant rehabilitation completion deadline. A section of the Kapichira dam was washed away in February 2022 when the country experienced the cyclone Ana, incapacitating the power generation process. At the time, the dam was expected to be rehabilitated by mid-2022, which was then changed to December 2022 and then to February 2023. As of 28 February 2023, the power station was yet to resume operation. Some private sector players noted that they incurred expenses amounting to MK443.3 billion (USD432 million) between February and December 2022 from using alternative sources of energy (*The Daily Times, 1 March 2023*).
3. The Malawi Energy Regulatory Authority (MERA) stated that the country's fuel inflows are not yet at the most optimal level. MERA stated that based on the daily reports from oil marketing companies, an average of over 84% of the replenishments are done on time. The Authority further stated that while the inflows are not at the optimal level, there is significant improvement from November 2022 and that fuel the deliveries and consumption of fuel are ongoing and no cause for alarm (*The Nation, 2 March 2023*).

Note

*: Reserve Bank of Malawi opening exchange rates as of 2 March 2023

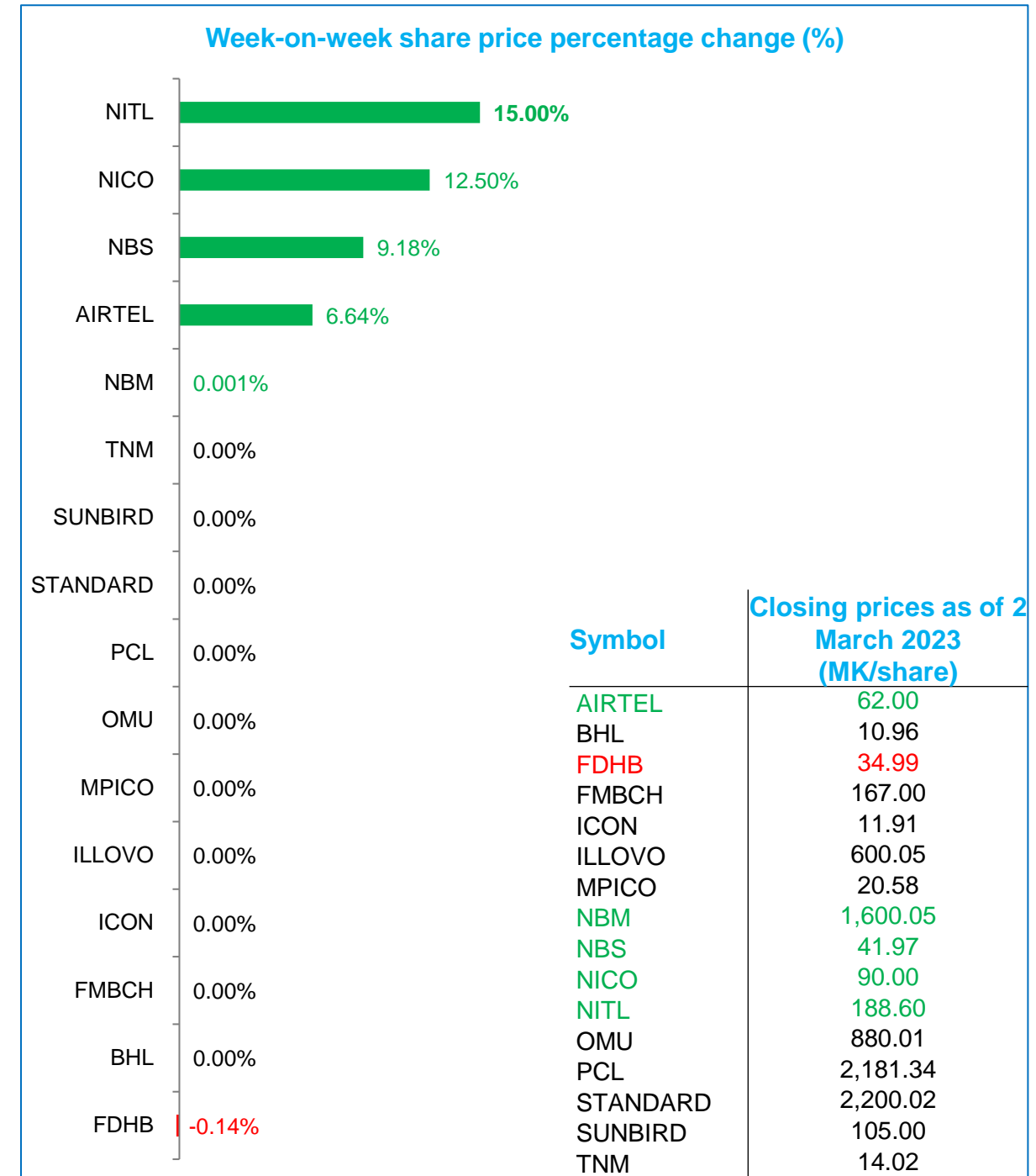
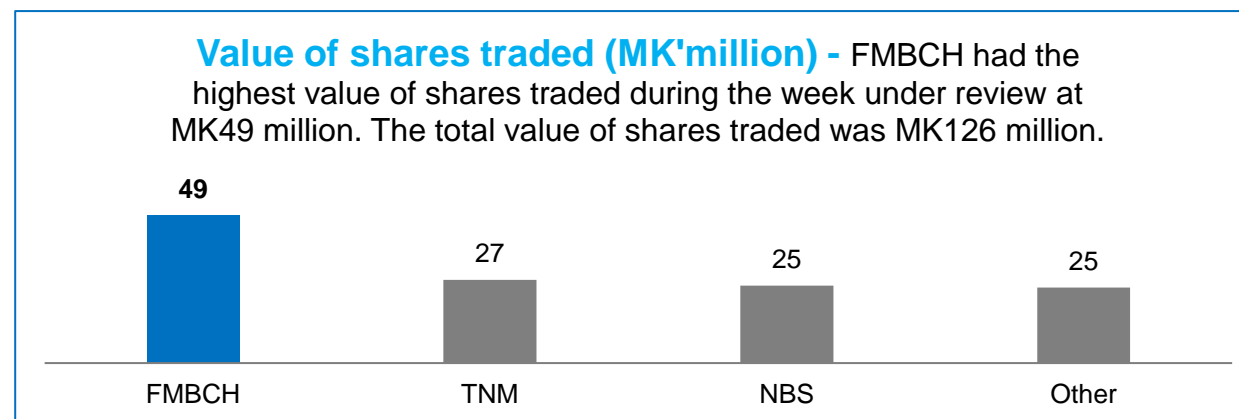
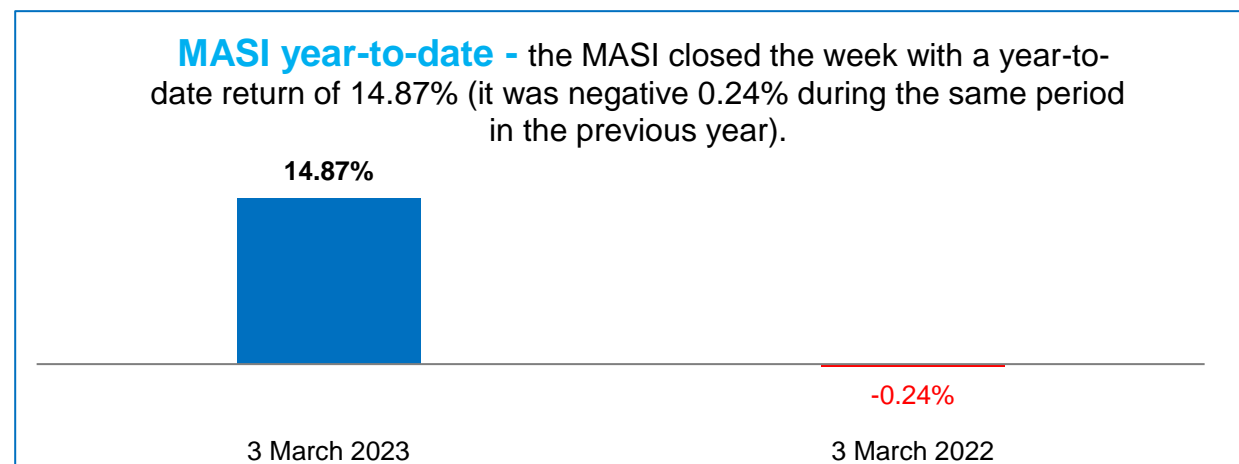
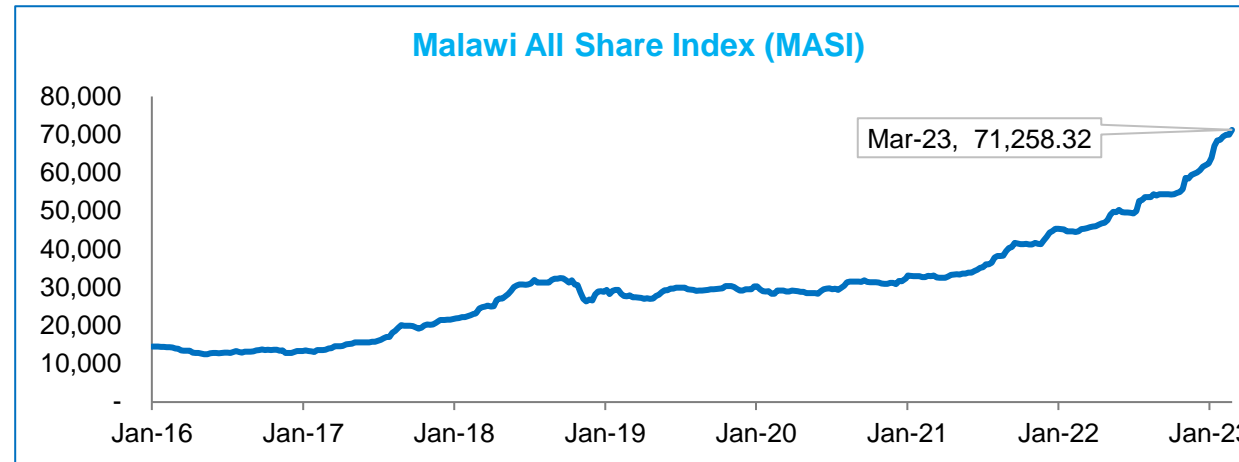


Financial Market Update: Week ending 3 March 2023

Stock market (Source: MSE)

The stock market was marginally bullish with the Malawi All Share Index (MASI) closing the week ending 3 March 2023 at 71,258.32 points, from 70,023.82 points from 70,017.92 points for the week ending 24 February 2023. Week on week, this represents a 0.03% marginal increase.

There were share price gains for NITL, NICO, NBS and AIRTEL, as well as marginal share price gains for NBM. The share price gains offset a marginal share price loss in FDH Bank during the week under review.



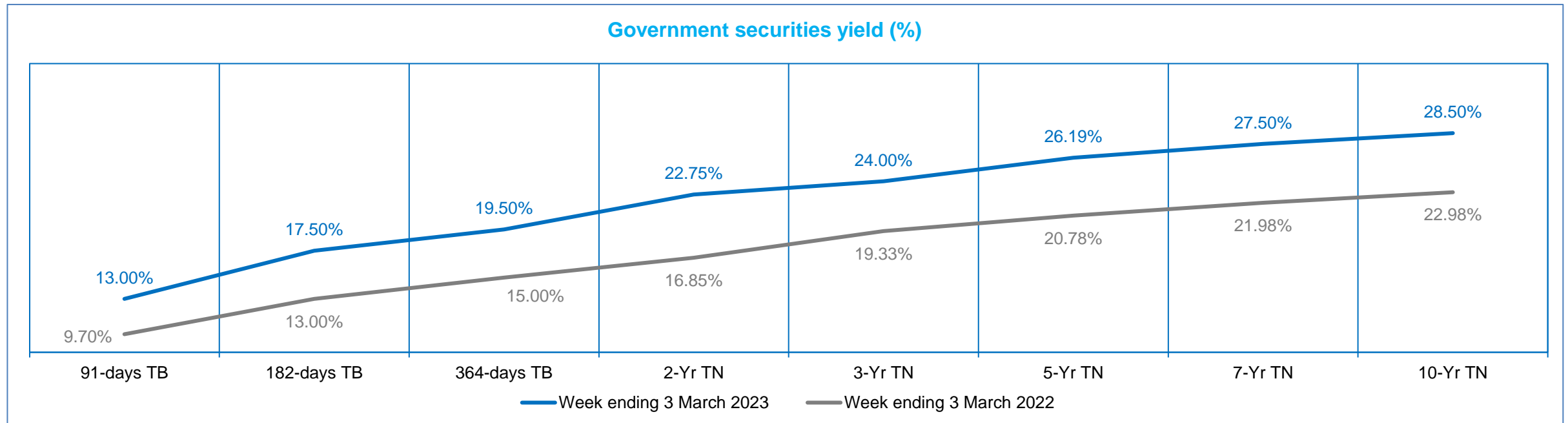
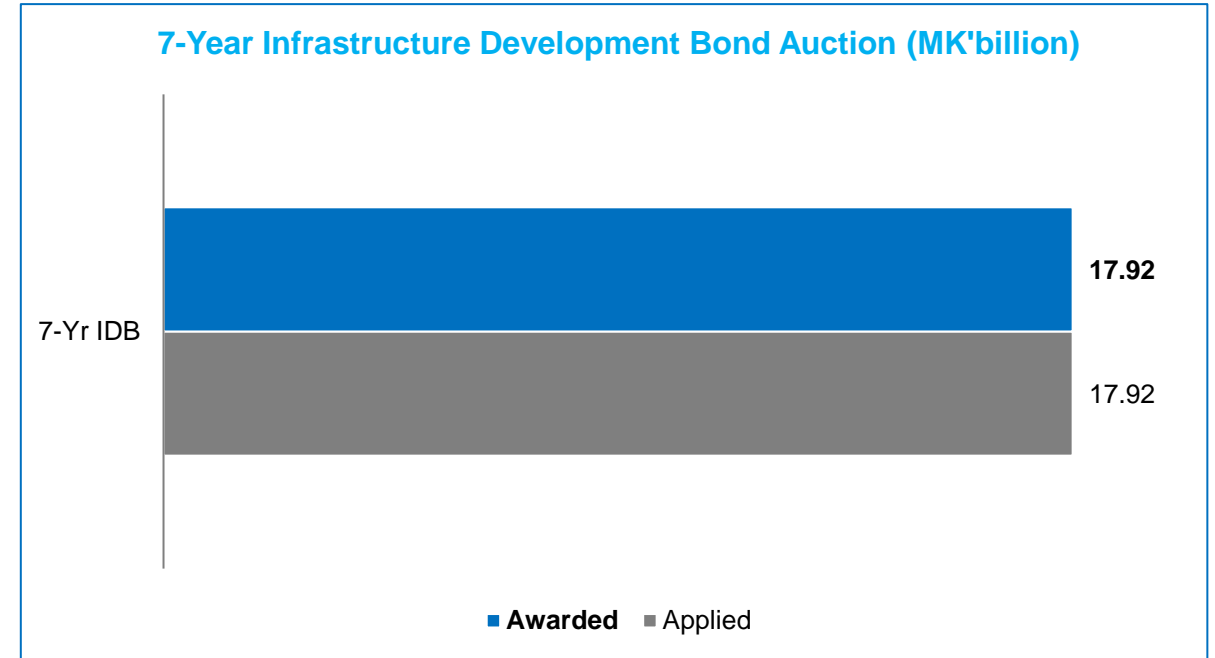
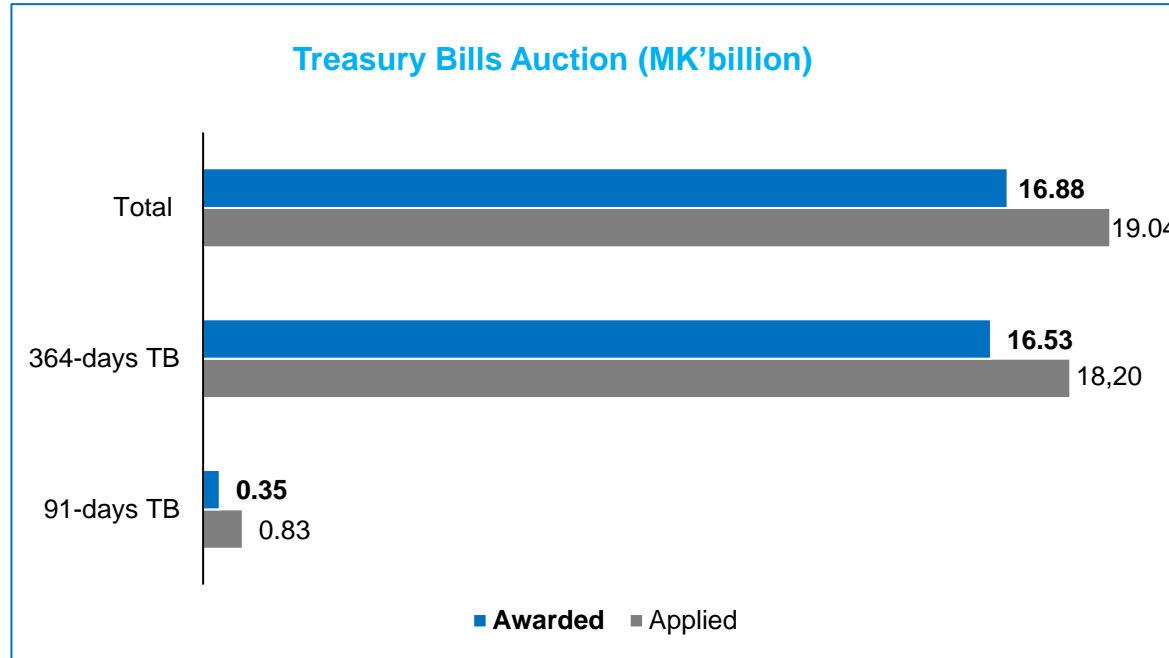


Government securities (Source: RBM)

A total of MK34.80 billion was awarded in this week's Treasury Bills (TBs) and 7-Year Infrastructure Development Bond (IDB) auctions.

The TBs had a 11.30% rejection rate, while the TN had a nil rejection rate.

The average TB and TN yields maintained their positions at 16.67%, and 25.79%, respectively, during the week under review.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	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	Jan-23	Feb-23	Week- ending 3- Mar-23
Exchange rates (middle rates)																		
MK/USD	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	1,031.87	1,033.68	1,026.43*
MK/GBP	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	1,305.57	1,280.21	1,254.76*
MK/EUR	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	1,152.30	1,129.46	1,124.36*
MK/ZAR	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	60.72	57.32	58.11*
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	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	279.22	N/A	N/A
Private Sector Reserves (USD'mn)	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	384.37	N/A	N/A
Total reserves (USD'mn)	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	663.59	N/A	N/A
Gross Official Reserves Import cover (months)	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	1.12	N/A	N/A
Inflation																		
Headline	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%	25.9%	N/A	N/A
Food	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%	30.5%	N/A	N/A
Non-food	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%	20.4%	N/A	N/A
Interest Rates																		
Monetary Policy rate	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%	18.00%	18.00%
Average Interbank rate	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%	15.00%	15.00%
Average base lending rate	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%	18.20%	18.20%
Government Securities Yields																		
91-days Treasury Bill	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%	13.00%	13.00%
182-days Treasury Bill	12.98%	12.98%	13.00%	13.00%	12.99%	13.00%	13.00%	15.00%	15.00%	15.00%	15.50%	15.50%	15.50%	17.50%	17.50%	17.50%	17.50%	17.50%
364-days Treasury Bill	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%	19.50%	19.50%
2-year Treasury Note	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%	22.75%	22.75%
3-year Treasury Note	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%	24.00%	24.00%
5-year Treasury Note	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%	26.19%	26.19%
7-year Treasury Note	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%	27.50%	27.50%
10-year Treasury Note	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%	28.50%	28.50%
Stock Market Indices																		
MASI	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	68,451.77	71,069.31	71,258.32
DSI	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	54,351.80	56,674.50	56,842.30
FSI	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	8,374.09	8,382.28	8,382.28

*: Reserve Bank of Malawi opening exchange rates as of 2 March 2023

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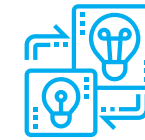
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