



Malawi Financial Market Update

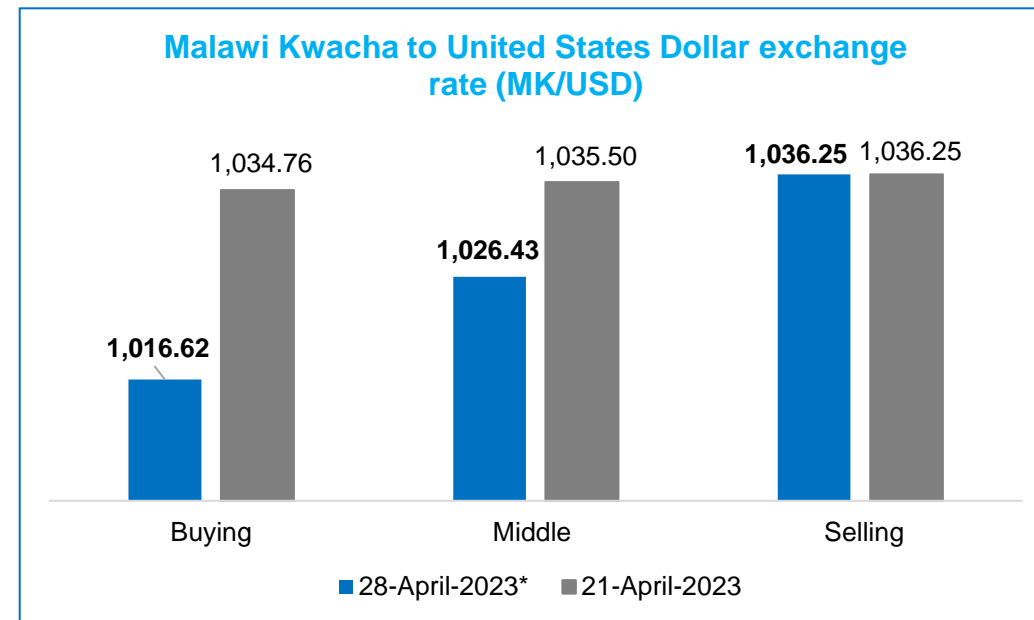
Week ending 28 April 2023



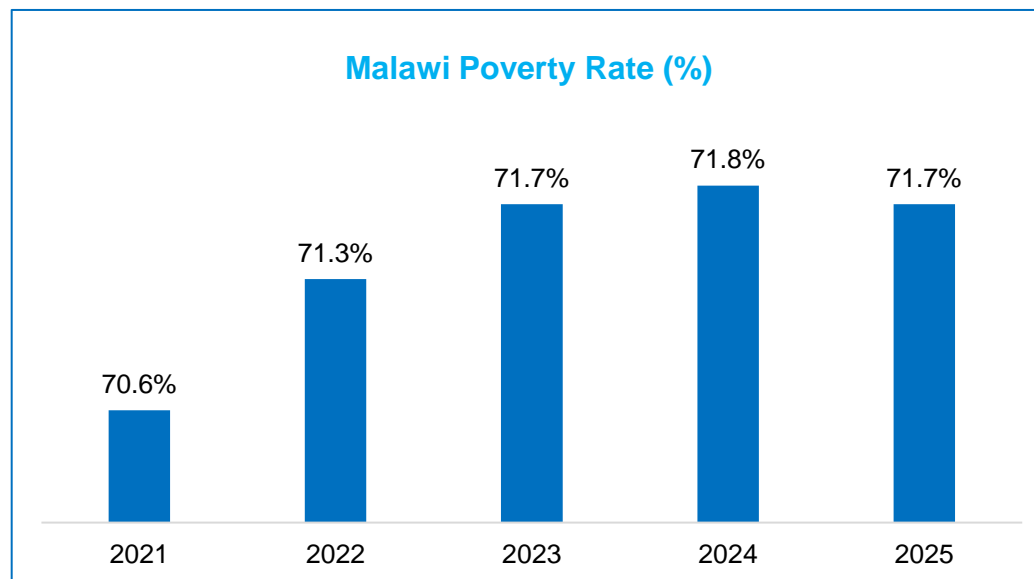
Financial Market Update: Week ending 28 April 2023

Foreign currency market and other market developments

Foreign currency (Source: RBM)



Source: World Bank Malawi Poverty Outlook 2023



*: Reserve Bank of Malawi opening exchange rates as of 28 April 2023

The Monetary Policy Committee (MPC) convened on 26 and 27 April 2023. The MPC has raised the Policy Rate to 22.0% and the Liquidity Reserve Requirement (LRR) Ratio on Domestic Currency Deposits to 5.75%.

The MPC has also raised their headline inflation projection to an average of 24.5% in 2023.

The World Bank is expected to disburse USD245 million (approximately MK250 billion) in grants as part of the Water and Sanitation deal signed with the Malawi Government.

What Happened This Week

1. The Ministry of Trade and Industry says it continues to negotiate for favourable market access for the country's products on the global market. World Bank data reveals that the country's exports have declined from a peak of 66% of GDP in 2013 to 35% in 2021. The Ministry said soya beans have been highlighted to have potential in reaching the scale of tobacco in terms of net exports. Currently, exports remain largely undiversified with tobacco making up more than 50% of exports. Treasury data also shows that the value of exports decreased by 4.5% from USD1.01 billion (about MK1 trillion) in 2021 to USD956.9 million (about MK956 billion) in 2022 mainly due to low productivity in the agricultural sector (*The Nation*, 24 April 2023).
2. The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has lamented the crowding out effect caused by Treasury's growing appetite to borrow from the domestic market. A debt issuance calendar issued by the Reserve Bank of Malawi (RBM) indicates that Treasury plans to borrow MK685.08 billion through treasury notes and bills between April and June 2023. This represents about 50% of the MK1.187 trillion that Treasury plans to borrow from domestic market in 2023/24 fiscal year that started 1 April 2023. Government domestic debt uptake remains high at over 65%. Treasury data also shows that Malawi's public debt stands at MK7.9 trillion as at December 2022 with domestic debt estimated to be MK4.43 trillion (56%) (*The Nation*, 25 April 2023).
3. The Monetary Policy Committee (MPC) has raised the benchmark policy rate by 400 basis points to 22%. The hike of the policy rate, which is a key driver of interest rates on loans, will in turn compel commercial banks to raise their interest rates from the prevailing rates of 17.3%. The MPC has also decided to increase the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 200 basis points to 5.75% from 3.75%. Both decisions are attempts to curb inflation. Due to worsening inflation outlook, the MPC has also raised their headline inflation projection to an average of 24.5% in 2023. It was projected at 18.2% during the previous MPC meeting and 20.9% in 2022 (*The Nation*, 28 April 2023).
4. The World Bank is expected to disburse USD245 million (approximately MK250 billion) in grants as part of the Water and Sanitation deal signed with the Malawi Government. About, USD100 million (approximately MK100 billion) will go towards Tropical Cyclone Freddy's response. The goal of the funding is to help provide clean and safe water, and improving sanitation, among other things. The World Bank is also mobilizing funds to support Malawi's reconstruction of roads in specific response to damage that resulted from Cyclone Freddy (*The Daily Times*, 28 April 2023).

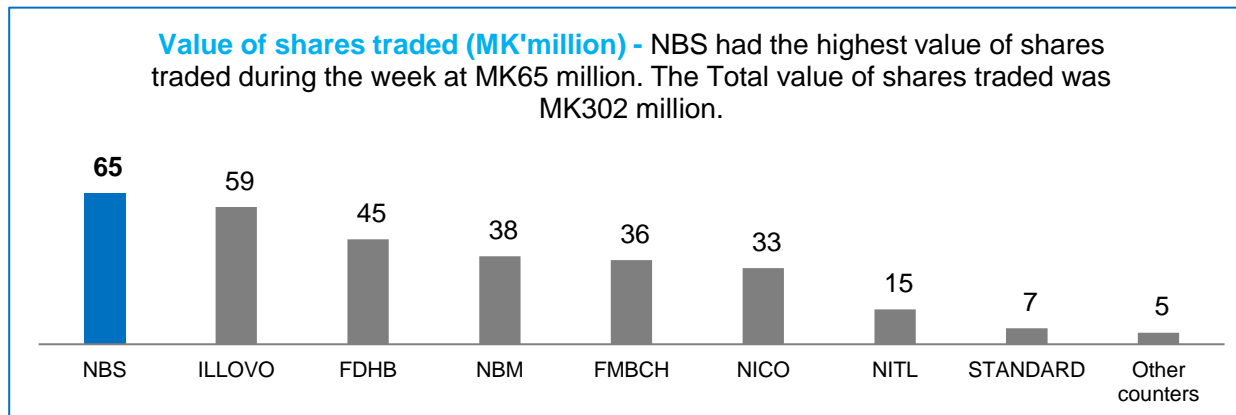
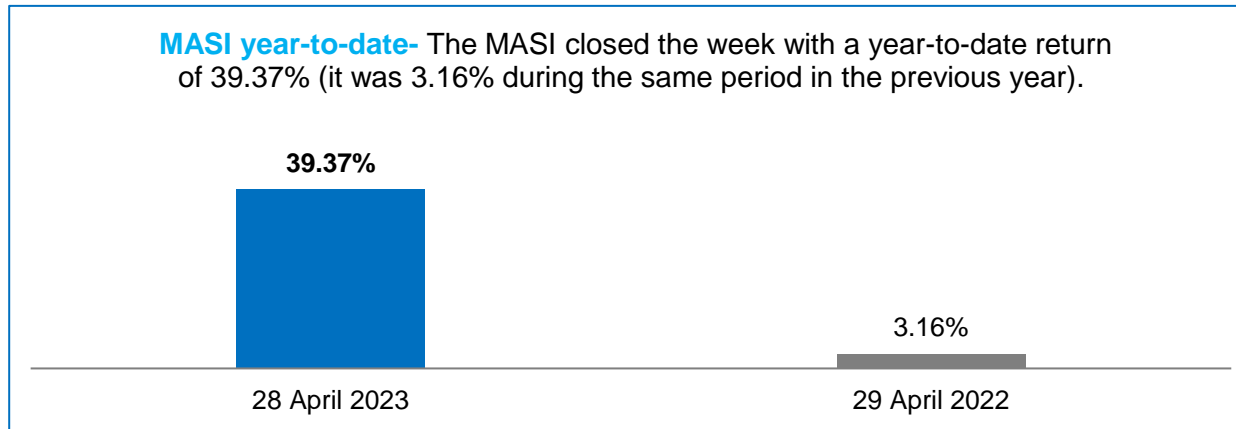
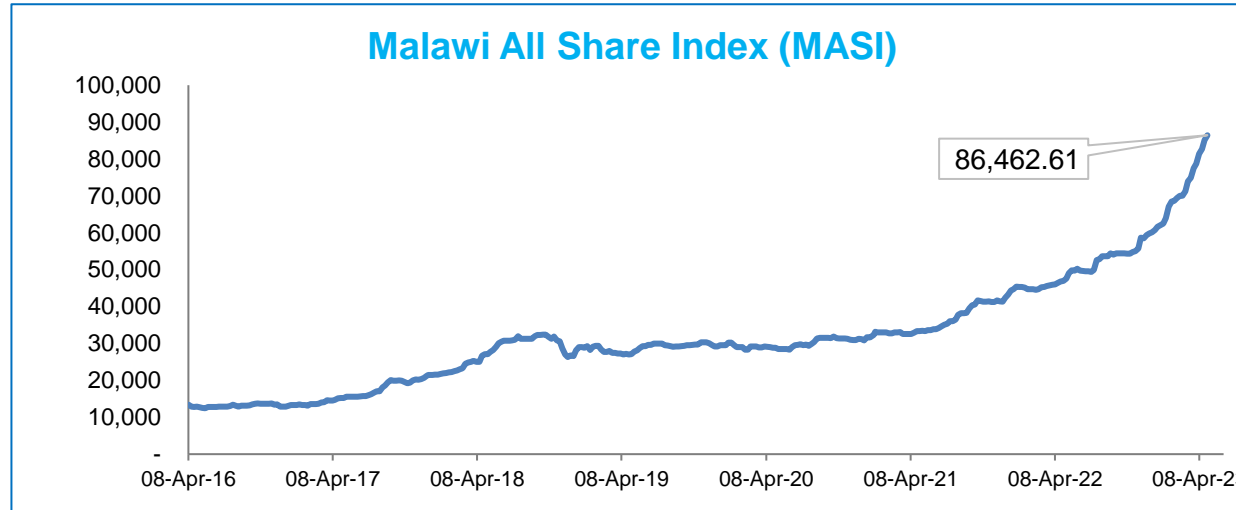


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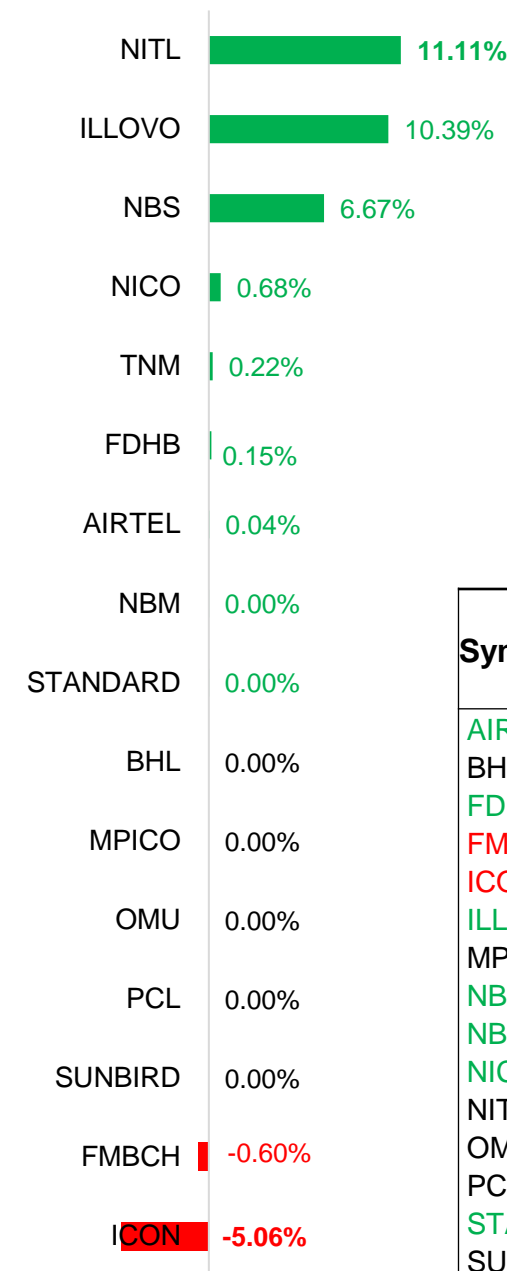
Stock market (Source: MSE)

The stock market was bullish, with the Malawi All Share Index (MASI) closing the week ending 28 April 2023 at 86,462.61 points from 85,139.00 points for the week ending 21 April 2023. Week on week, this represents a 1.55% increase.

There were share price gains for NITL, ILLOVO and NBS. There were also marginal share price gains for NICO, TNM, FDH Bank, AIRTEL, NBM and STANDARD. The share price gains offset a share price loss for ICON and marginal share price losses for FMBCH during the week under review.



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



Symbol	Closing prices as of 28 April 2023 (MK/share)	Closing prices as of 21 April 2023 (MK/share)
AIRTEL	80.08	80.05
BHL	10.96	10.96
FDHB	38.90	38.84
FMBCH	163.00	163.99
ICON	11.26	11.86
ILLOVO	850.03	770.02
MPICO	20.57	20.57
NBM	2,000.09	2,000.05
NBS	80.00	75.00
NICO	150.00	148.98
NITL	250.00	225.00
OMU	1,025.01	1,025.01
PCL	2,181.29	2,181.29
STANDARD	2,250.04	2,250.01
SUNBIRD	120.01	120.01
TNM	17.94	17.90

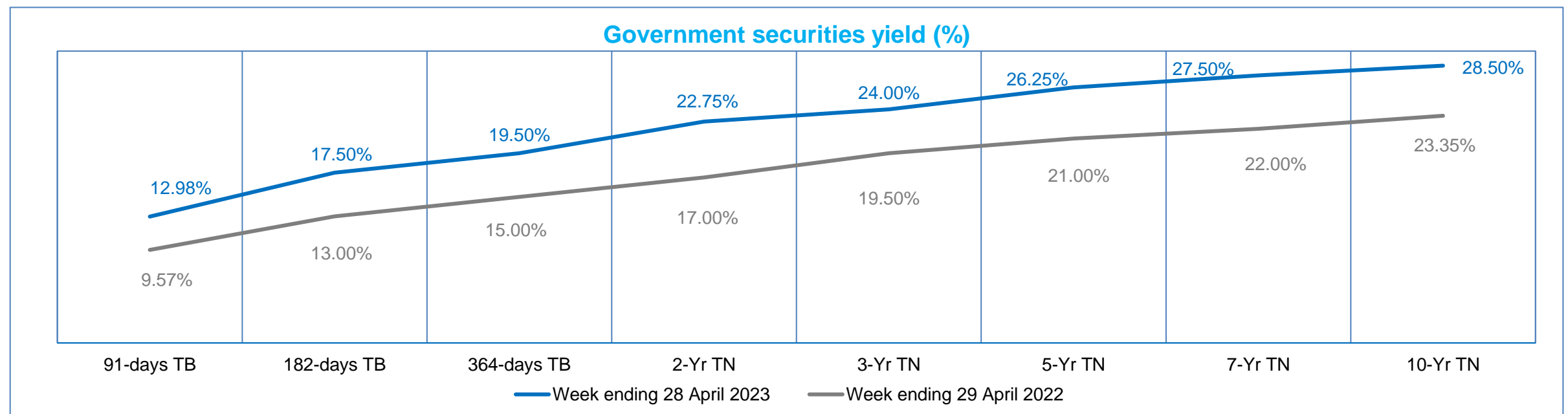
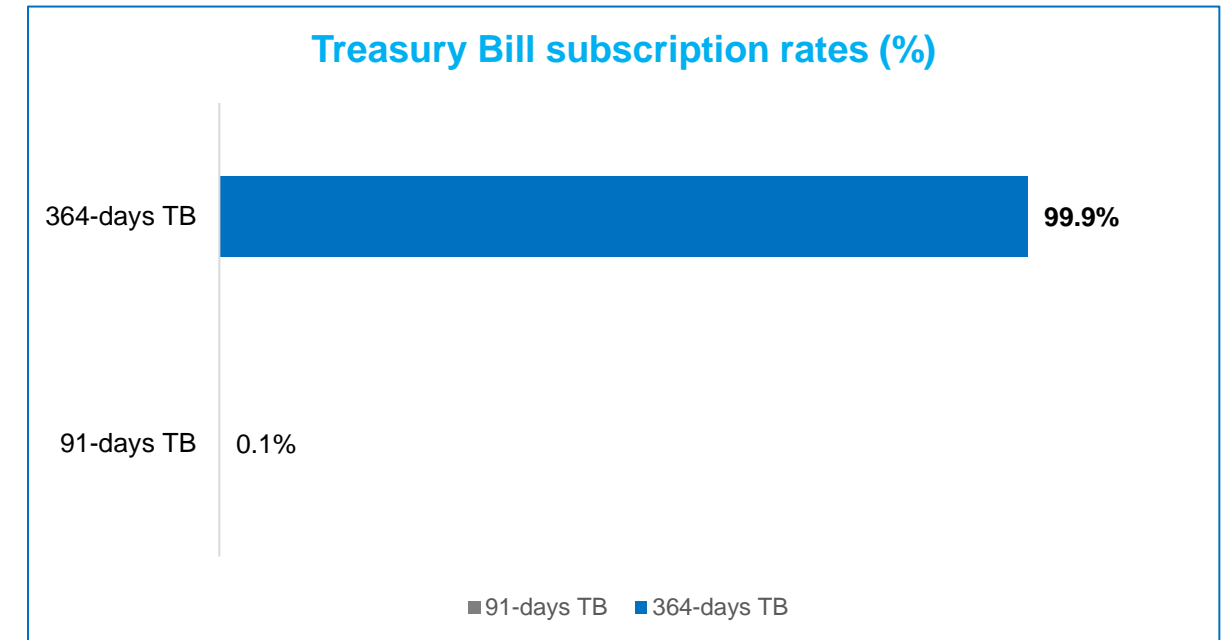
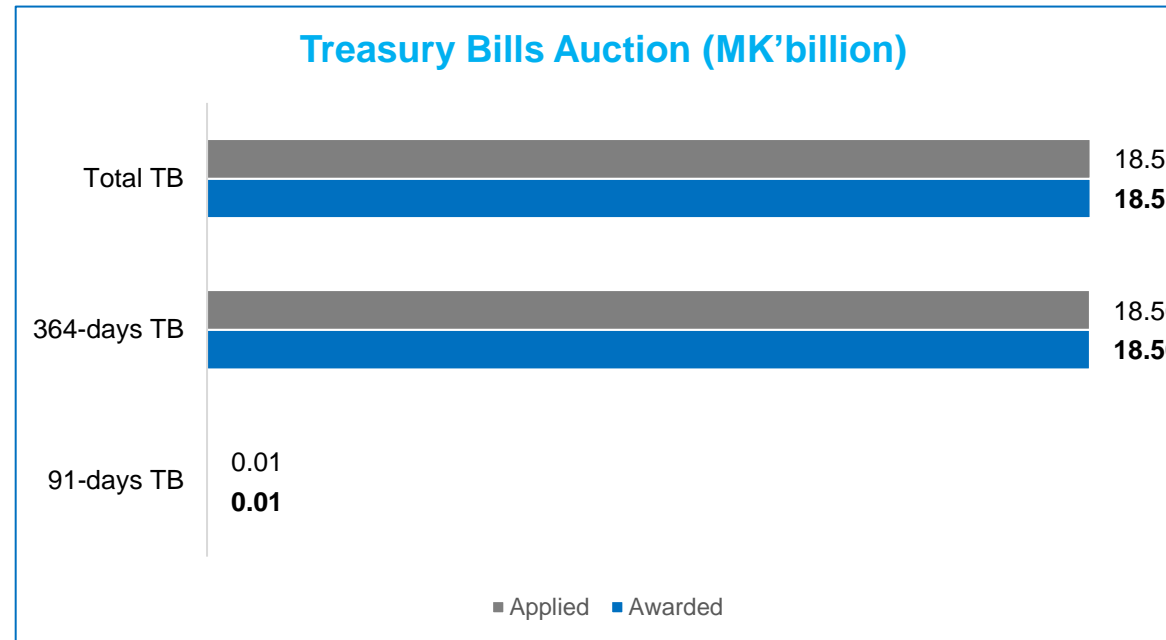


Government securities (Source: RBM)

MK18.51 billion was awarded during this week's Treasury Bills (TBs) auction involving the 91-days and 364-days TBs. The 182-days TB was not auctioned during the period under review.

MK11.5 million was awarded for the 91-days TB while the 364-days TB raised MK18.5 billion. The TBs had a nil rejection rate.

The average TB yield maintained its position at 16.67% during the week under review.





Appendix 1: Historical Economic Indicators

	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	Mar-23	28-Apr-23
Exchange rates (middle rates)																	
MK/USD	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	1,033.80	1,026.44*
MK/GBP	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	1,315.33	1,318.15*
MK/EUR	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	1,156.66	1,163.80*
MK/ZAR	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	59.76	57.56*
Foreign Exchange Reserves																	
Gross Official Reserves (USD'mn)	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	280.66	N/A	N/A
Private Sector Reserves (USD'mn)	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	378.54	N/A	N/A
Total reserves (USD'mn)	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	659.2	N/A	N/A
Gross Official Reserves Import cover (months)	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	1.12	N/A	N/A
Inflation																	
Headline	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%	26.7%	27.0%	N/A
Food	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%	31.7%	32.4%	N/A
Non-food	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%	20.5%	20.2%	N/A
Interest Rates																	
Monetary Policy rate	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%	18.00%
Average Interbank rate	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%	15.00%
Average base lending rate	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%	18.20%
Government Securities Yields																	
91-days Treasury Bill	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%	12.98%
182-days Treasury Bill	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%	17.50%
364-days Treasury Bill	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%	19.50%
2-year Treasury Note	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%	22.75%
3-year Treasury Note	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%	24.00%
5-year Treasury Note	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%	26.25%	26.25%
7-year Treasury Note	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%	27.50%
10-year Treasury Note	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%	28.50%
Stock Market Indices																	
MASI	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	80,298.12	86,462.61
DSI	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	64,886.76	70,512.35
FSI	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	8,381.79	8,202.52

*: Reserve Bank of Malawi opening exchange rates as of 28 April 2023

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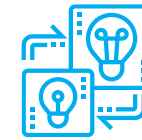
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