



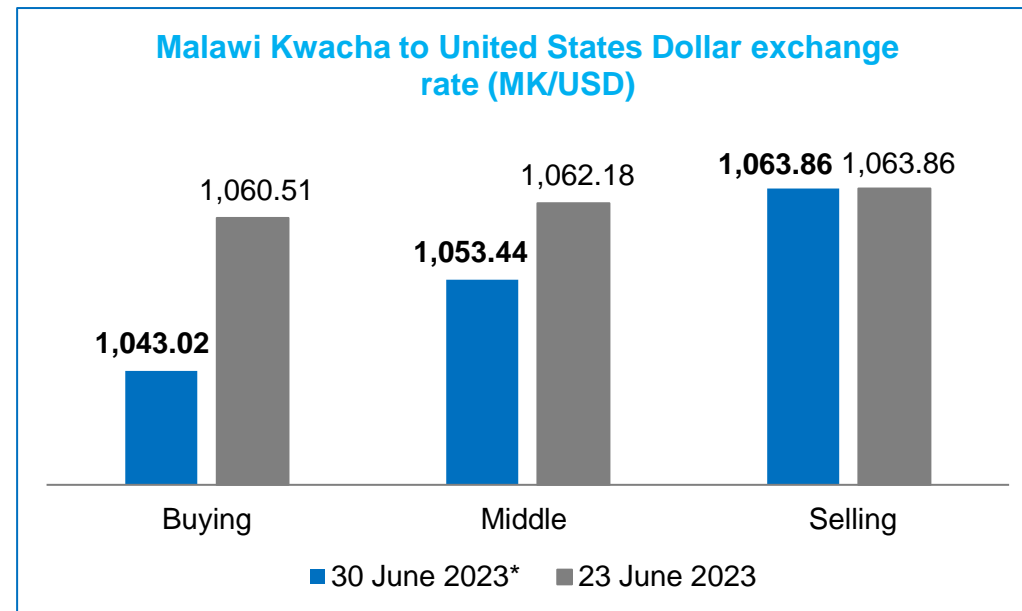
Malawi Financial Market Update

Week ending 30 June 2023

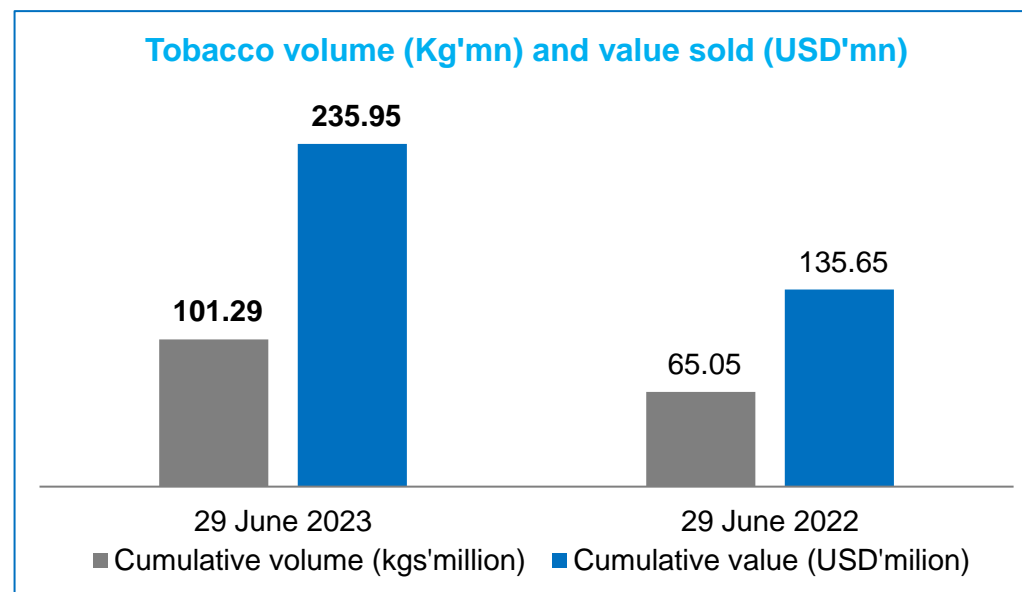


Foreign currency and other market developments

Foreign currency (Source: RBM)



Tobacco market (Source: AHL)



In the foreign exchange auction held by the Reserve Bank of Malawi (RBM) the highest rate offered was MK1,139.87/USD. The highest rate accepted was MK1,075.00/USD while the lowest rate accepted was MK1,038.00/USD.

The Economic Intelligence Unit (EIU) has projected the policy rate to increase by 400 basis points to 26% amid rising inflation which may average 30.6% in 2023.

What Happened This Week

1. During the foreign exchange auction held by the Reserve Bank of Malawi (RBM) on 19 June 2023, USD350,000 (approximately, MK350 million) was raised. The RBM released a press statement disclosing that the highest rate offered was MK1,139.87/USD. The highest rate accepted was MK1,075.00/USD while the lowest rate accepted was MK1,038.00/USD. The weighted average rate accepted was MK1,063.86/USD (*The Reserve Bank of Malawi, 28 June 2023*).
2. According to the Malawi Energy and Regulatory Authority (MERA), consumption of diesel and petrol has increased by 36% and 25% respectively, between the 2021/22 and 2022/23 financial years. MERA highlights that in the 2022/23 financial year which ended in March 2023, 379.69 million litres of diesel were consumed from 254.16 million litres in the previous year. MERA stated that the increased demand during the specified period necessitated the use of fuel from strategic reserves since the country had consumed more fuel than it imported (*The Nation, 29 June 2023*).
3. A grant from Japan, via the Japan International Cooperation Agency, worth USD19.05 (approximately 19 billion) is expected to help the Electricity Supply Corporation of Malawi (ESCOM) connect 79,000 new customers through the upgrade of Kanengo and Lilongwe Old Town substations. ESCOM Chief Operating Officer stated that 78.2% of the works have been completed thus far and the benefits include replacement of old equipment and upgrading capacity of the substations (*The Daily Times, 29 June 2023*).
4. Figures from Auction Holdings Limited (AHL) tobacco sales show that 7.01 million kilograms (Kgs) of tobacco were sold at an average price of USD2.49/Kg during the week ending 30 June 2023. This brought cumulative national figures up to 101.29 million Kgs sold at an average price of USD2.33/Kg in the 2023 selling season up to 29 June 2023. The cumulative national value of tobacco sold stood at USD235.95 million (approximately MK235 billion), up 73.93% from USD135.65 million (about MK135 billion) of value sold during the same period in the previous year (*AHL Tobacco Sales Ltd, 29 June 2023*).
5. The Economic Intelligence Unit (EIU) has projected the policy rate to increase by 400 basis points to 26% from 22% amid rising inflation. The hike of the policy will likely cause an increase in the commercial bank reference rate from the current 21%. The EIU observed that foreign currency shortages are resulting in costly imports of food and fuel, possibly prompting devaluation and hence more inflationary pressure. The EIU projects inflation to average 30.6% in 2023, up by 9.6 percentage points from an average of 21% in 2022 (*The Nation, 30 June 2023*).

*: Reserve Bank of Malawi opening exchange rates as of 30 June 2023



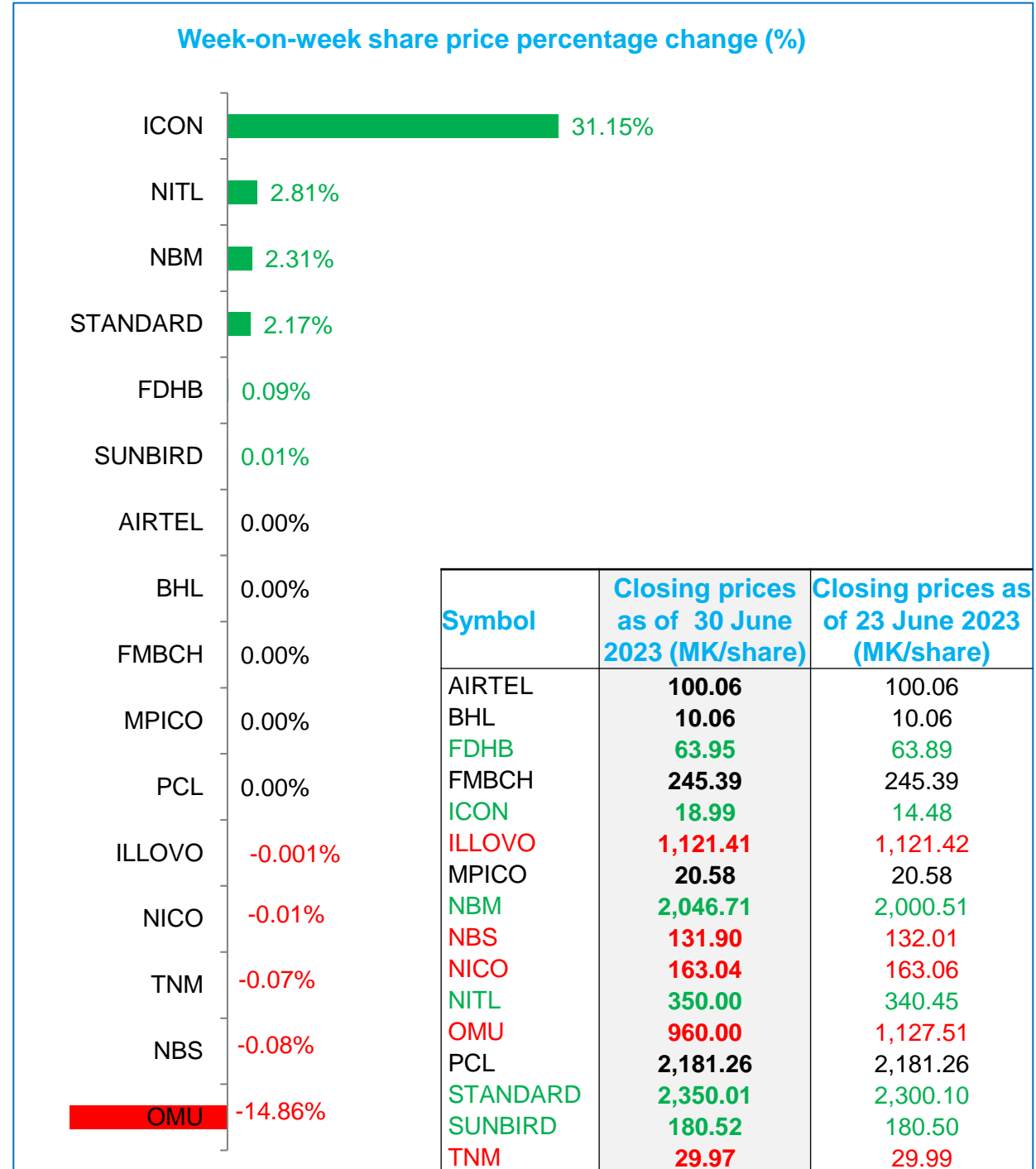
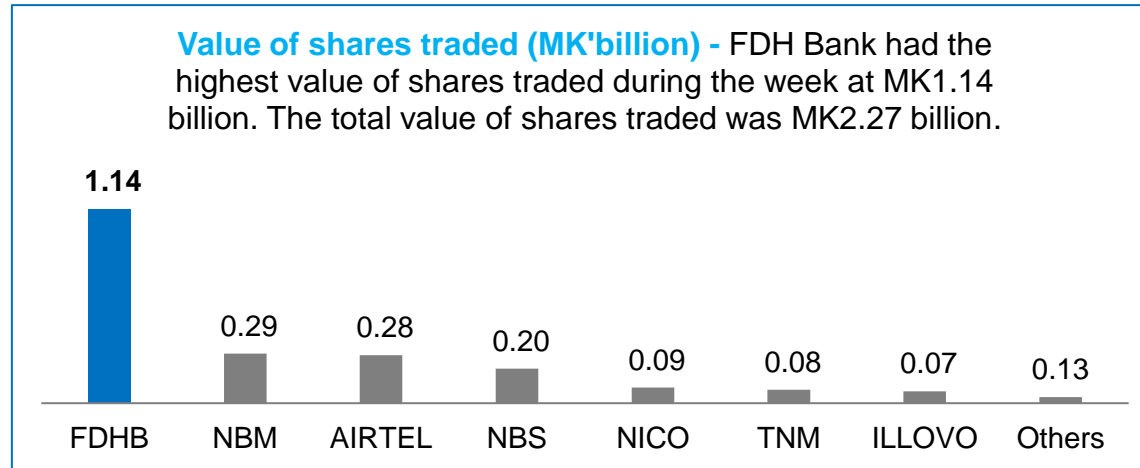
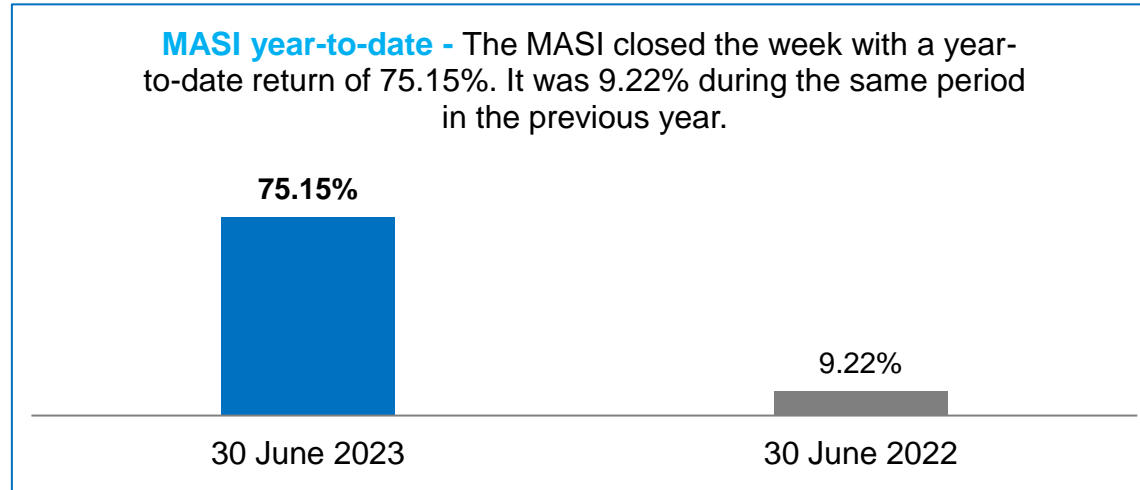
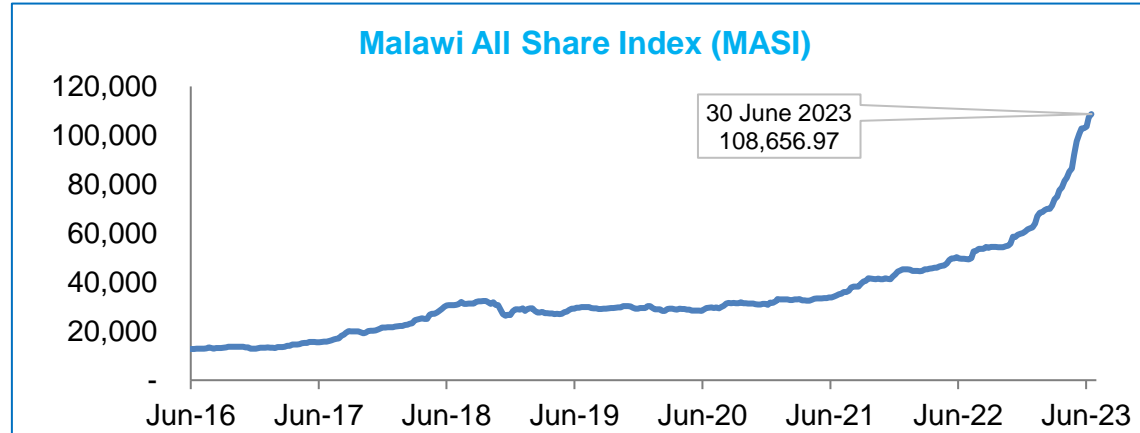
Financial Market Update: Week ending 30 June 2023

Stock market (Source: MSE)

The stock market was bullish, with the Malawi All Share Index (MASI) closing the week ending 30 June 2023 at 108,656.97 points from 107,470.16 points for the week ending 16 June 2023. Week on week, this represents a 1.10% increase.

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

During the week under review, the following companies released trading statements regarding change in profit after tax for the half year ending 30 June 2023 as compared to the previous half year period; FDH Bank (up by 65%), STANDARD (up by 50%), NBM (up by 40%), AIRTEL (up by 100%-120%), MPICO (up by 120%) and BHL (loss after tax expected to lower by more than 50%).





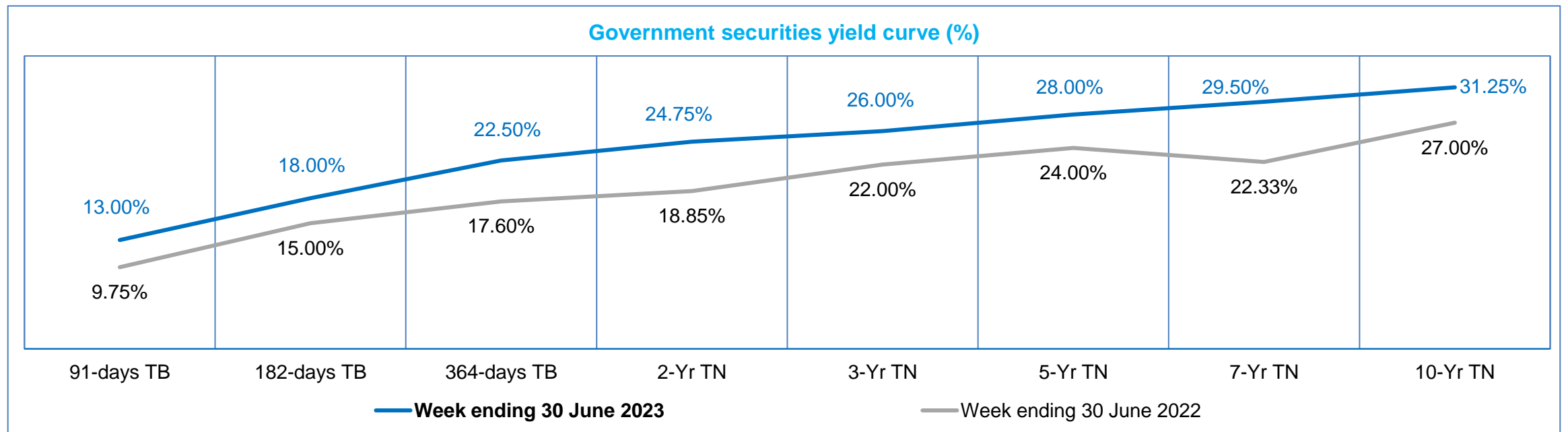
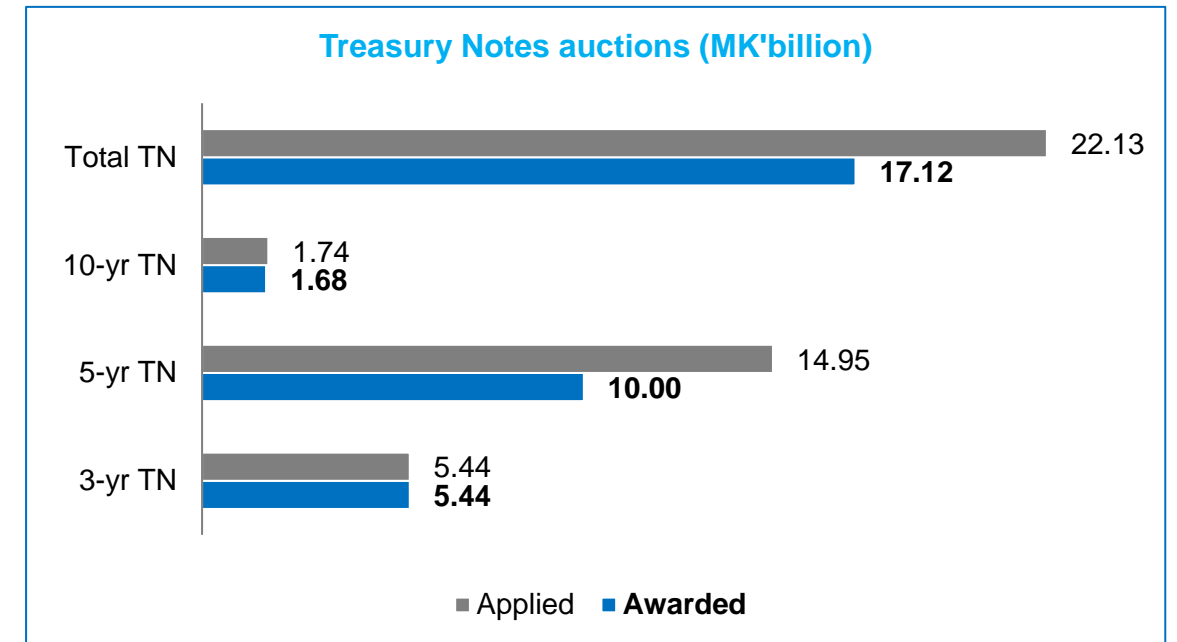
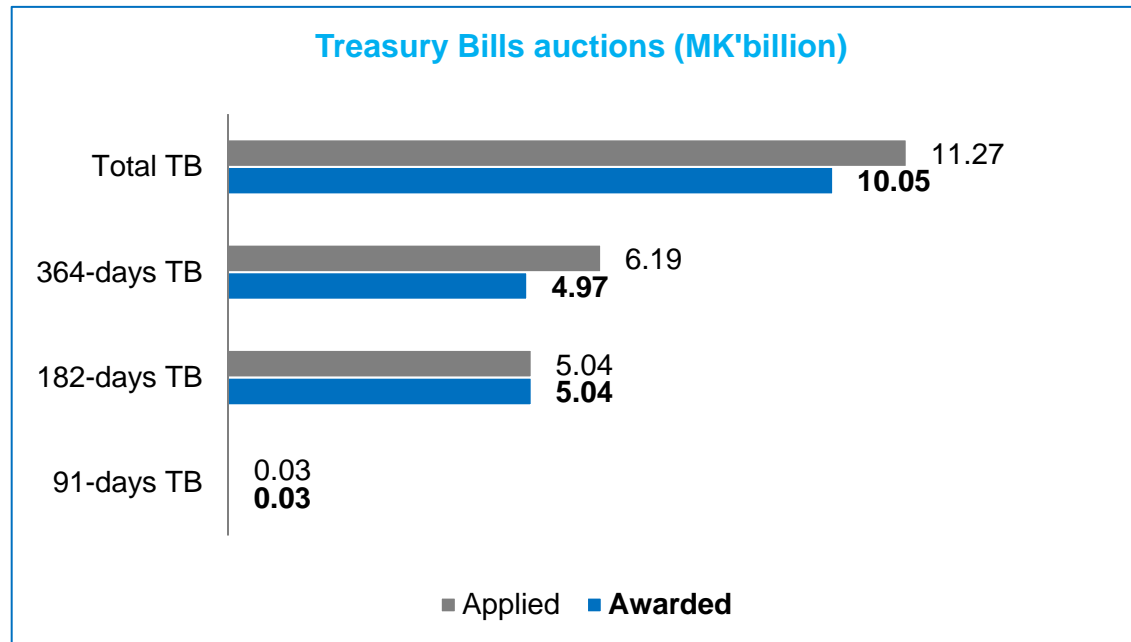
Government securities (Source: RBM)

The Reserve Bank of Malawi (RBM) held auctions for all tenors of Treasury Bills (TBs) on 27 June 2023 and a total of MK10.05 billion was raised from the TBs auctions.

The RBM also held an auction for a 5-year development bond on 27 June 2023 and a total of MK10.0 billion was raised. On 29 June 2023, reopenings were held for the 3-year and 10-year Treasury Notes (TNs) and a total of MK7.12 billion was raised.

The total amount raised this week stood at MK27.17 billion. The average TB and TN yield maintained at 17.83% at 27.90% respectively, during the period under review.

Throughout the week, the RBM held auctions for Open Market Operations Repos ranging from 6 to 90 days. As a result, a total of MK21.08 billion was withdrawn from the market during the period under review. The OMO Repo yields ranged from 21.00% to 21.50%.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	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	Apr-23	May-23	30-Jun-23
Exchange rates (middle rates)																	
MK/USD	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	1,034.86	1,034.46	1,053.44*
MK/GBP	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	1,325.22	1,317.23	1,367.48*
MK/EUR	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	1,171.01	1,135.21	1,177.92*
MK/ZAR	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	57.89	53.58	57.82*
Foreign Exchange Reserves																	
Gross Official Reserves (USD'mn)	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	228.49	200.08	194.82	N/A
Private Sector Reserves (USD'mn)	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	375.36	403.93	386.90	N/A
Total reserves (USD'mn)	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	N/A
Gross Official Reserves Import cover (months)	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	0.91	0.80	0.78	N/A
Inflation																	
Headline	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%	28.8%	29.2%	N/A
Food	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%	37.9%	38.8%	N/A
Non-food	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%	18.5%	18.4%	N/A
Interest Rates																	
Monetary Policy rate	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%	22.00%	22.00%
Average Interbank rate	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%	19.26%	20.38%
Average base lending rate	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%	22.20%	22.20%
Commercial bank reference rate	12.20%	12.20%	12.20%	13.50%	13.80%	13.90%	13.80%	13.90%	13.90%	16.60%	17.30%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%
Government Securities Yields																	
91-days Treasury Bill	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%	13.00%	13.00%
182-days Treasury Bill	12.99%	13.00%	13.00%	15.00%	15.005	15.00%	15.50%	15.50%	15.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%
364-days Treasury Bill	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%	22.49%	22.50%
2-year Treasury Note	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%	24.75%	24.75%
3-year Treasury Note	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%	26.00%	26.00%
5-year Treasury Note	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%	28.00%	28.00%
7-year Treasury Note	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%	29.50%	29.50%
10-year Treasury Note	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%	31.19%	31.25%
Stock Market Indices																	
MASI	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	102,837.75	108,656.97
DSI	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	83,365.40	87,071.03
FSI	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	10,396.15	12,297.19

*: Reserve Bank of Malawi opening exchange rates as of 30 June 2023

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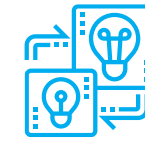
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