



## Malawi Financial Market Update

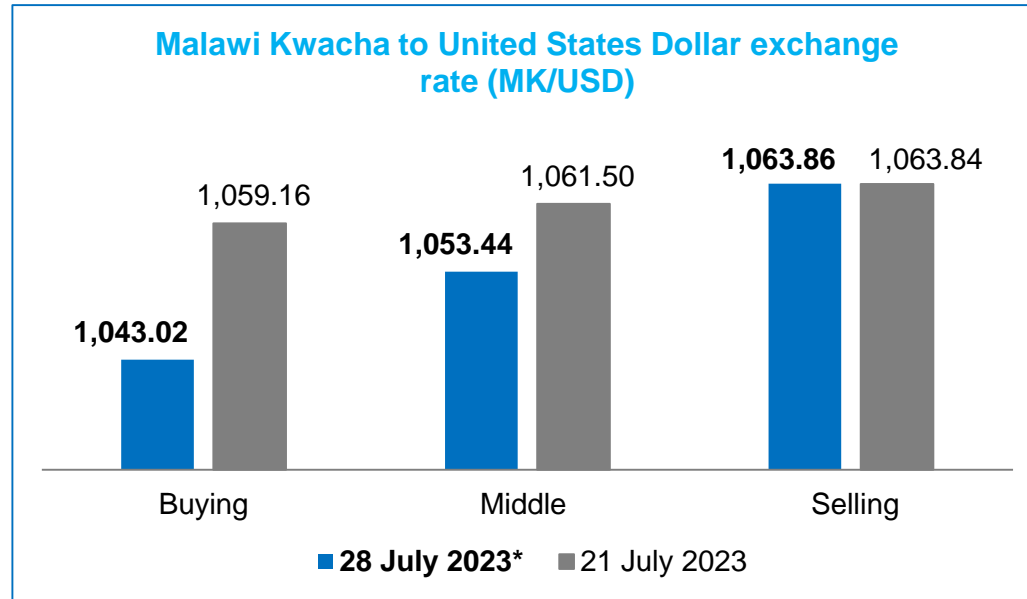
Week ending 28 July 2023



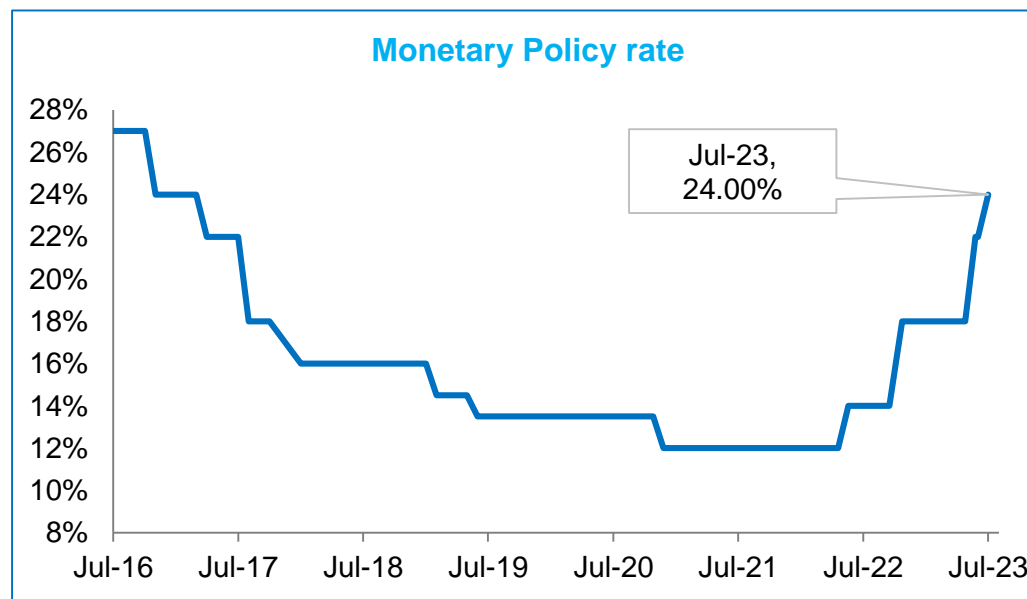
# Financial Market Update: Week ending 28 July 2023

## Foreign currency and other market developments

### Foreign currency (Source: RBM)



### Monetary Policy rate (Source: RBM)



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

The Monetary Policy Committee has raised the Policy rate by 2.0 percentage points to 24.0% from 22.0% and the Liquidity Reserve Requirement ratio on domestic currency deposits by 2.0 percentage points to 7.75% from 5.75%.

Figures from Auction Holdings Limited (AHL) tobacco sales show that the cumulative national value of tobacco sold stood at USD279.42 million (approximately MK279 billion) as of 27 July 2023.

### What Happened This Week

1. According to the July 2023 update of the International Monetary Fund (IMF) World Economic Outlook, global GDP growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. According to the IMF, the rise in central bank policy rates to fight inflation continues to weigh on economic activity. In Sub-Saharan Africa, growth is projected to decline from 3.9% in 2022 to 3.5% in 2023 before picking up to 4.1% in 2024 (*The International Monetary Fund, 25 July 2023*).
2. Figures from Auction Holdings Limited (AHL) tobacco sales show that 1.19 million kilograms (Kgs) of tobacco were sold at an average price of USD2.50/Kg during the week ending 28 July 2023. This brought cumulative national figures up to 118.77 million Kgs sold at an average price of USD2.35/Kg in the 2023 selling season up to 28 July 2023. The cumulative national value of tobacco sold stood at USD279.42 million (approximately MK279 billion), up 57.3% from USD177.64 million (approximately MK177 billion) of value sold during the same period in the previous year (*AHL Tobacco Sales Ltd, 27 July 2023*).
3. Following the third Monetary Policy Committee (MPC) meeting held on 26 and 27 July 2023, the MPC has raised the Policy rate by 2.0 percentage points to 24.0% from 22.0% and the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 2.0 percentage points to 7.75% from 5.75%. The MPC decided to maintain the LRR ratio on foreign currency deposits at 3.75% and the Lombard rate at 20 basis points above the policy rate (*The Reserve Bank of Malawi, 28 July 2023*).
4. The Monetary Policy Committee (MPC) observed that limited supply of foreign exchange, the impact of adverse weather conditions, as well as the lingering effects of the Russia-Ukraine war, has weakened the initial prospects of a stronger real GDP growth of 2.7% in 2023 to 1.9%. In terms of the outlook on inflation, headline inflation is now projected to average higher at 29.5% in 2023 than 24.5% forecasted during the previous MPC meeting and compared to an average of 20.9% in 2022 (*The Reserve Bank of Malawi, 28 July 2023*).
5. The World Bank has warned that Malawi remains susceptible to having acute food shortage in the short to medium terms unless necessary interventions are deployed by authorities. In its July 2023 Food Security Update, the World Bank notes that regions that were affected by Tropical Cyclone Freddy are expected to experience phase 3 (serious) malnutrition rates. The World Bank also notes that although food prices have declined in most markets since the main harvest, prices remain higher than last year and the five-year average (*The Daily Times, 28 July 2023*).



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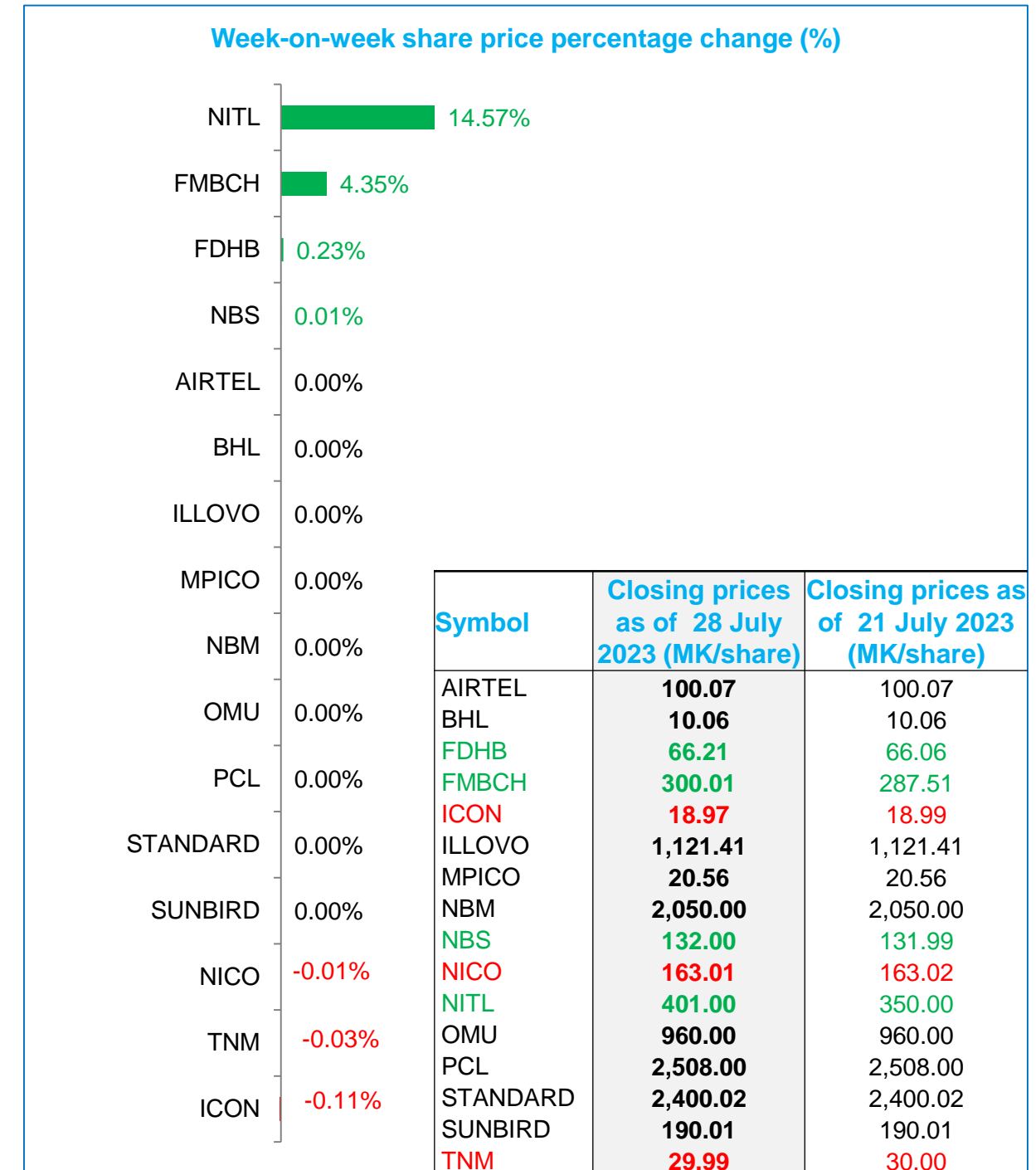
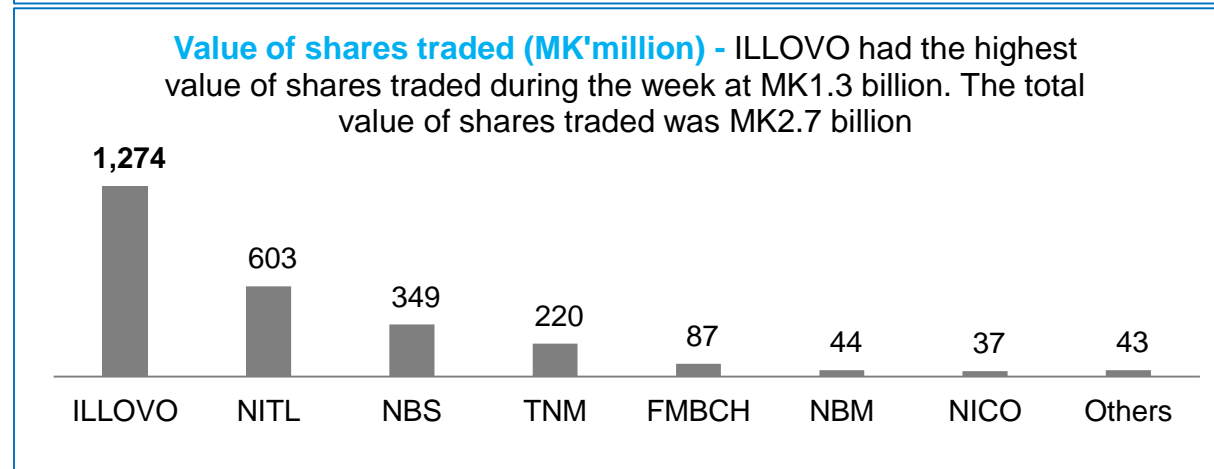
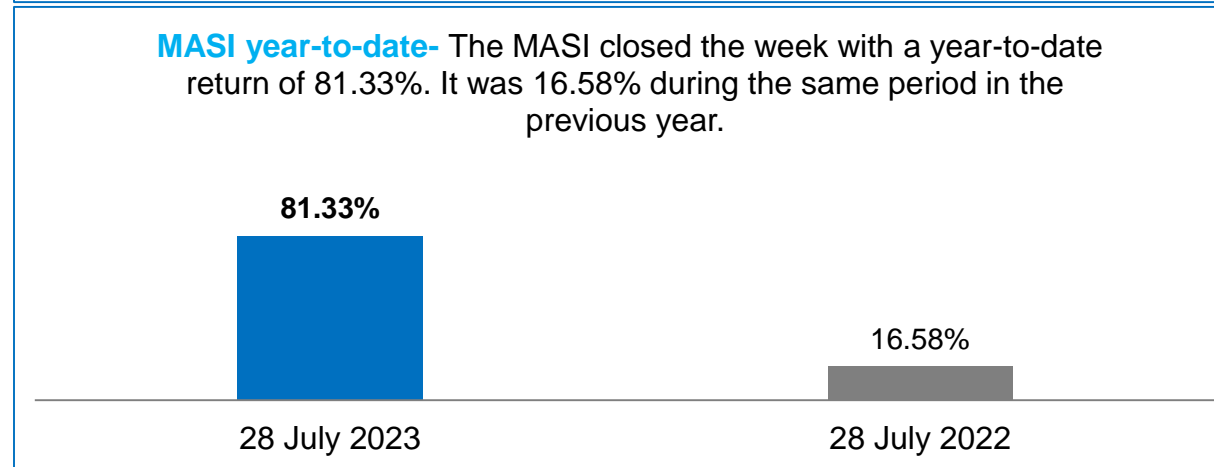
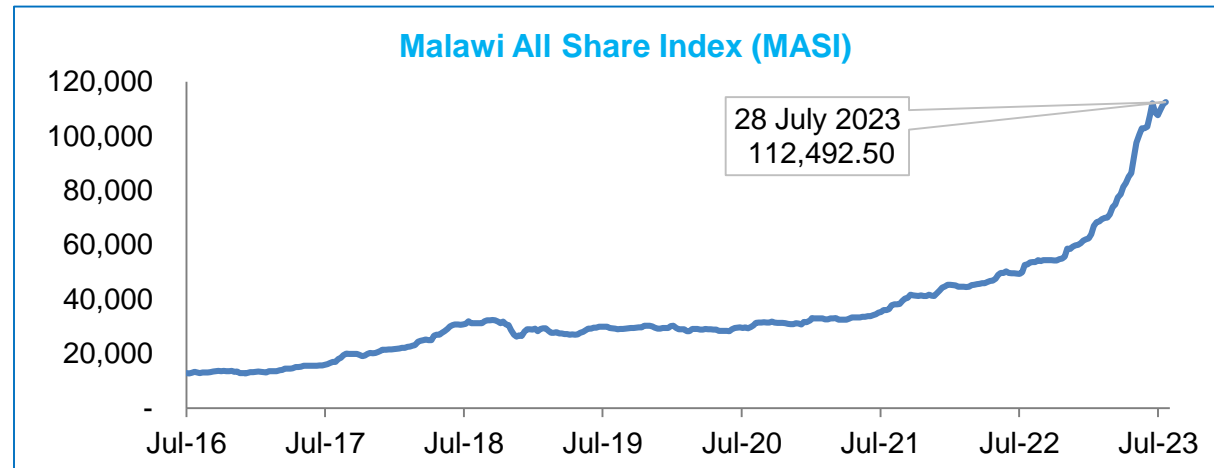
## Stock market (Source: MSE)

The stock market was marginally bullish, with the Malawi All Share Index (MASI) closing the week ending 28 July 2023 at 112,492.50 points from 111,803.72 points for the week ending 21 July 2023. Week on week, this represents a 0.62% increase.

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

At the NBS Bank Annual General Meeting (AGM), a final dividend of MK2.62 billion (MK0.90 per share) was declared. The total dividend will be MK9.60 billion (MK3.30 per share).

At the PCL AGM, a final dividend of MK3.49 billion (MK29.00 per share) was declared. The total dividend will be MK4.33 billion (MK36.00 per share).





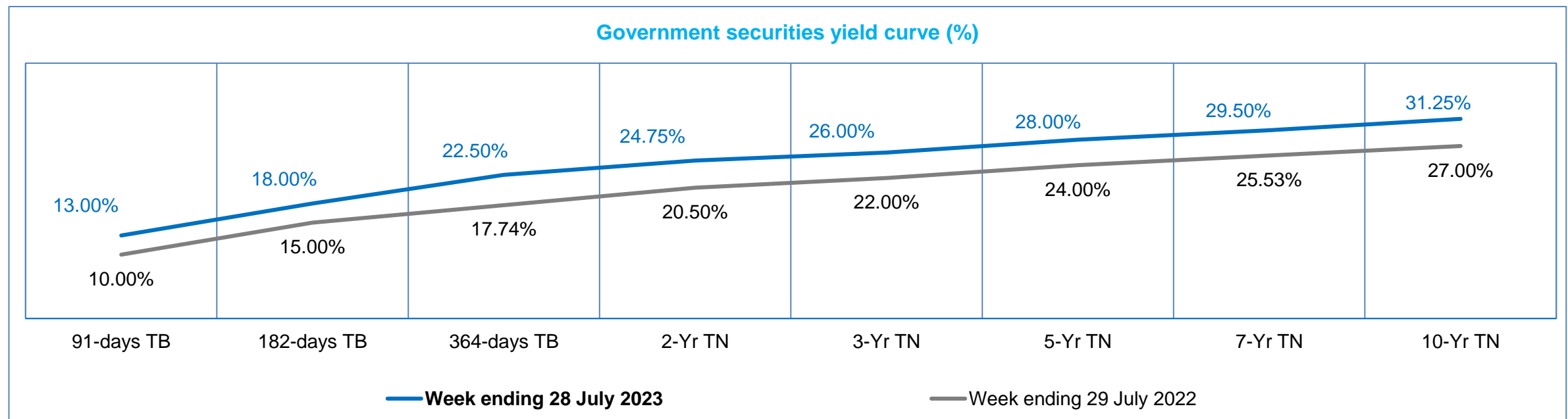
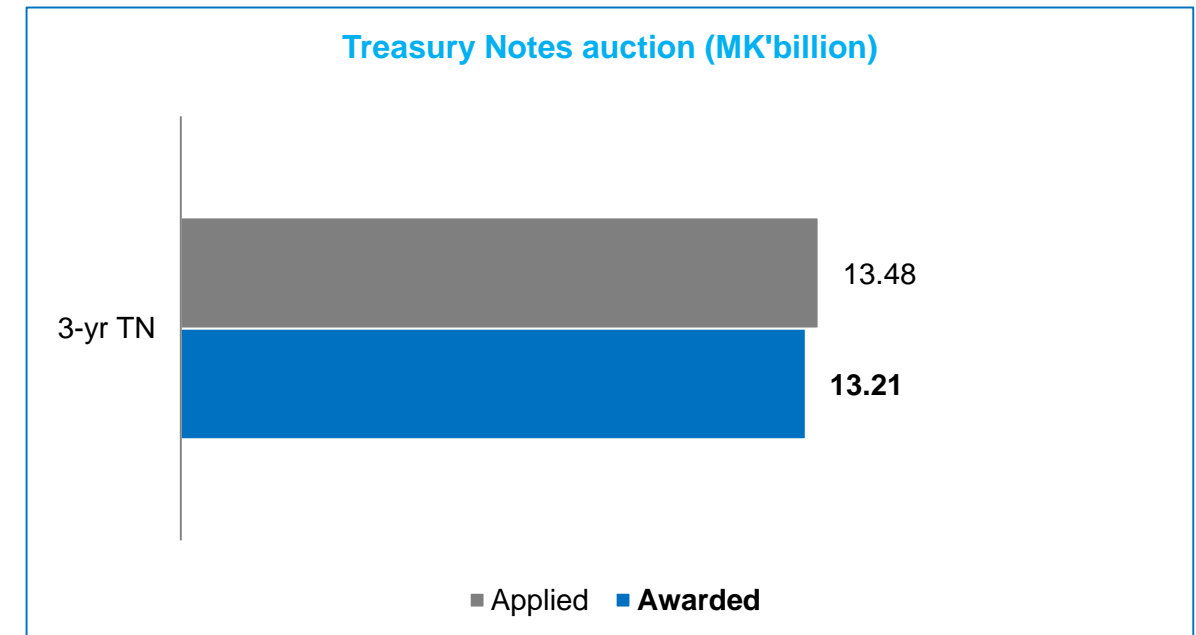
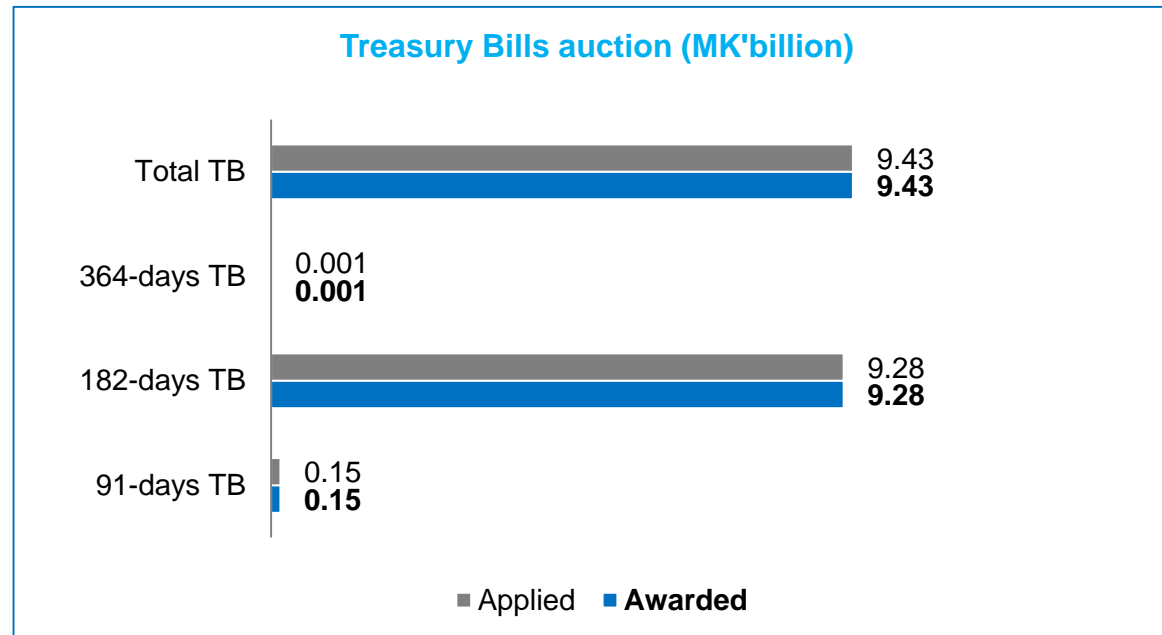
Government securities (Source: RBM)

The Reserve Bank of Malawi (RBM) held auctions for all tenors of Treasury Bills (TBs) on 25 July 2023, and a total of MK9.43 billion was raised from the TBs auctions.

The RBM also held an auction for the 3-year Treasury Note (TN) and MK13.21 billion was raised from the TN auction.

On 27 July 2023, the RBM held re-openings for all tenors of TBs as well as the 2,3 and 5-year TNs. There were no applications for the TBs and TNs re-openings.

The total amount raised this week stood at MK22.64 billion. The average TB and TN yield maintained at 17.83% and 27.90% respectively during the period under review.



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	Jun-23	28-Jul-23	
<b>Exchange rates (middle rates)</b>																			
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	<b>1,053.44*</b>	
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	<b>1,388.31*</b>	
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	<b>1,191.37*</b>	
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	<b>61.01*</b>	
<b>Foreign Exchange Reserves</b>																			
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	321.53	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	407.47	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	729.00	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	1.29	N/A	
<b>Inflation</b>																			
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%	27.3%	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%	37.2%	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%	16.0%	N/A	
<b>Interest Rates</b>																			
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%	<b>24.00%</b>	
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%	<b>20.51%</b>	
Average base lending rate	12.20%	12.20%	12.20%	14.20%	14.20%	14.20%	14.20%	14.20%	18.20%	18.20%	18.20%	18.20%	18.20%	18.20%	18.20%	22.20%	22.20%	<b>22.20%</b>	
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%	<b>21.40%</b>	
<b>Government Securities Yields</b>																			
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%	<b>13.00%</b>	
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%	<b>18.00%</b>	
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%	<b>22.50%</b>	
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%	<b>24.75%</b>	
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%	<b>26.00%</b>	
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%	<b>28.00%</b>	
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%	<b>29.50%</b>	
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%	<b>31.25%</b>	
<b>Stock Market Indices</b>																			
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	<b>112,492.50</b>	
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	<b>88,364.93</b>	
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	<b>14,982.64</b>	

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

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### Contact Information

Bridgepath Capital Limited  
1<sup>st</sup> Floor (106), Development House  
Corner Henderson Street Road  
P.O. Box 2920  
Blantyre

Tel No: + 265 1 828 355

Email: [info@bridgepathcapitalmw.com](mailto:info@bridgepathcapitalmw.com)

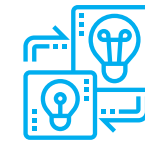
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