



Malawi Financial Market Update

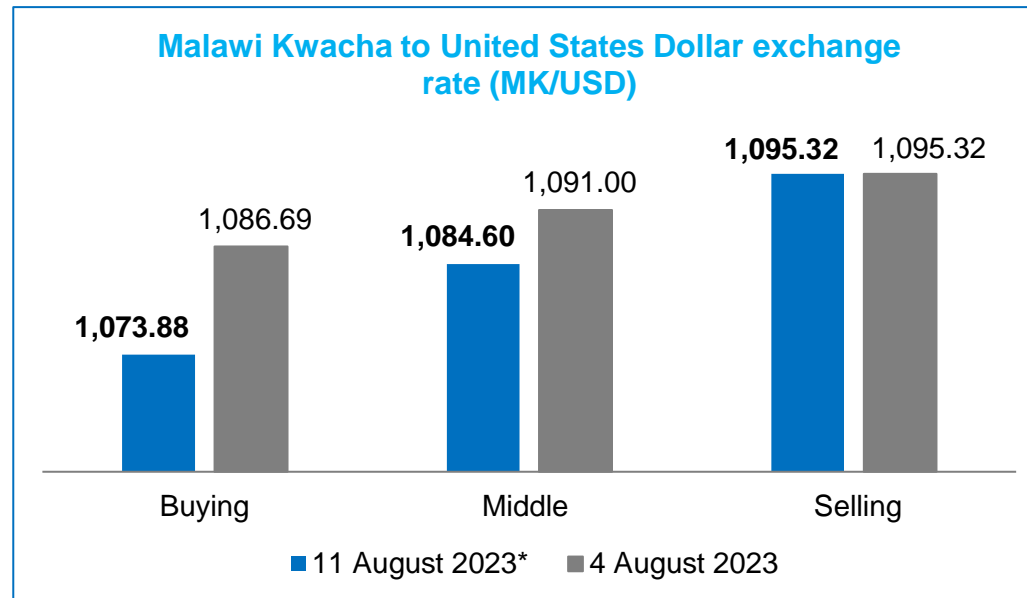
Week ending 11 August 2023



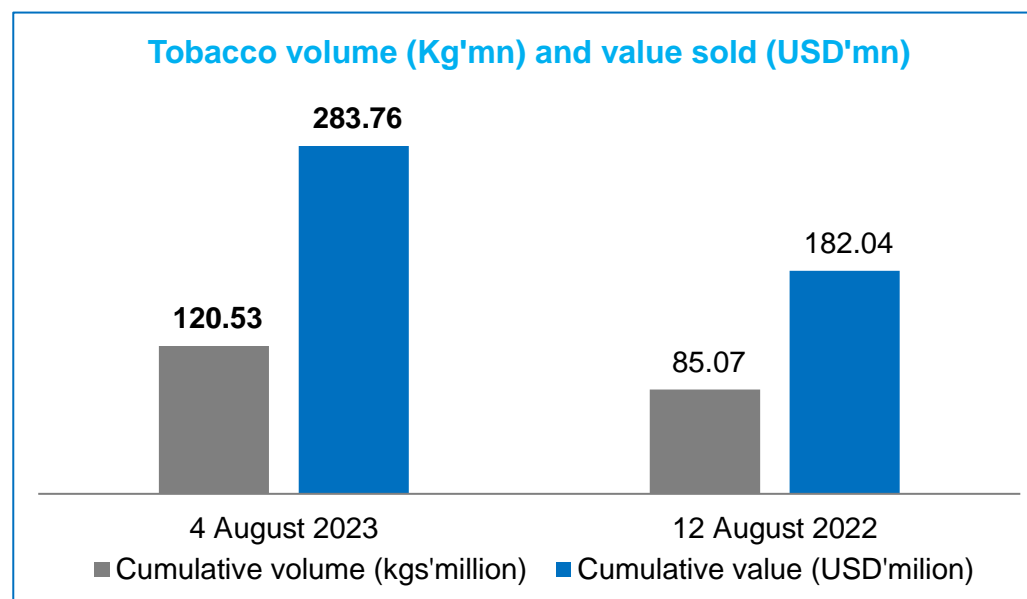
Financial Market Update: Week ending 11 August 2023

Foreign currency and other market developments

Foreign currency (Source: RBM)



Tobacco market (Source: AHL)



*: Reserve Bank of Malawi opening exchange rates as of 11 August 2023

What Happened This Week

1. The Malawi Vulnerability Assessment Committee (MVAC) annual food security assessment results show that an estimated 4.4 million Malawians are likely to face hunger in the 2023/24 consumption period. This represents 22% of the country's projected population of 19.6 million. When compared to the previous consumption period, the number of affected people in rural areas has increased by 23% whilst urban areas have registered a 25% decline. The government has since committed MK167.55 billion for support mechanisms (*The Nation*, 6 August 2023).
2. According to the 2023 Global Report on Food Crises (GRFC), Malawi is in phase 3 of acute food insecurity. The five distinct phases include; (1) Minimal/None, (2) Stressed, (3) Crisis, (4) Emergency, (5) Catastrophe/Famine. Malawi is said to be among 13 countries that are facing food crises. The report indicates that one of the contributing factors to Malawi's food insecurity is weather shocks, which have been worsened by climate change. Unrealistic agricultural policies have been cited as being among the factors impeding the improvement of the agricultural sector, which the report says is a vital sector for the country's economic development. The report also indicates that only 1% of the agricultural gross domestic product is devoted to research, with subsidies taking precedence over other sectors (*The Daily Times*, 7 August 2023).
3. At the end of the 2023 tobacco marketing season, 120.53 million kilograms (Kg) of all tobacco types have been sold at an average price of USD2.35/kg. The total cumulative national value of tobacco sold stood at USD283.76 million (approximately MK283 billion) after 17 weeks of sales. This represents a 55.9% growth in sales revenue from USD182.04 million (about MK182.04 billion) recorded in 2022 (*AHL Tobacco Sales Limited*, 7 August 2023).
4. In the documents for the first review under the Staff-Monitored Program with Executive Board involvement, the International Monetary Fund (IMF) has warned Malawi not to make u-turns on fiscal prudence, citing the 2023/24 national budget as the yardstick for prudence. According to the IMF, domestic debt service is exerting pressure on money growth, the exchange rate, and inflation. This compromises the already limited delivery of public goods and the attainment of Malawi's 2063 vision goals. The IMF further warns that if there is a slippage in the execution of the budget, there are two ways to fill the additional financing gap, but none of the options would be easy. Option 1 involves cutting primary or other expenditures, while option 2 involves faster rationalization of the wage bill and more aggressive winding down of the Affordable Inputs Program (AIP) (*The Daily Times*, 7 August 2023).

The Malawi Vulnerability Assessment Committee (MVAC) has disclosed that an estimated 4.4 million Malawians are likely to face hunger in the 2023/24 consumption period.

Total cumulative national value of tobacco sold stood at USD283.76 million (approximately MK283 billion) after 17 weeks of sales in the 2023 season.



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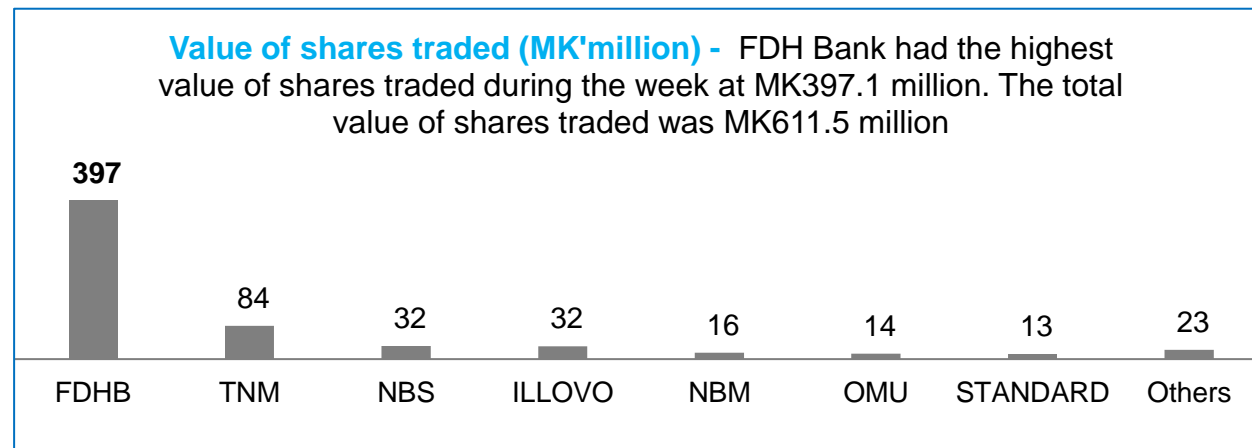
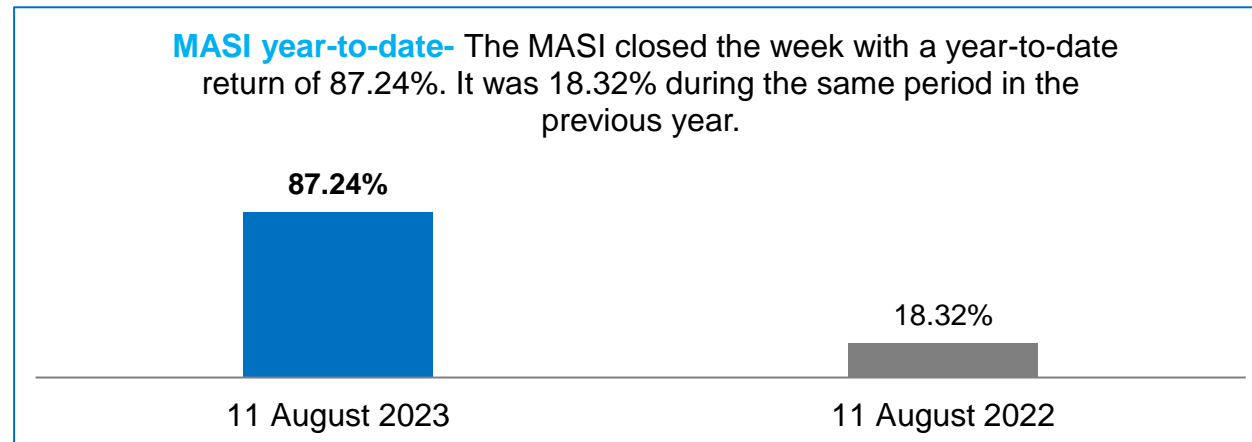
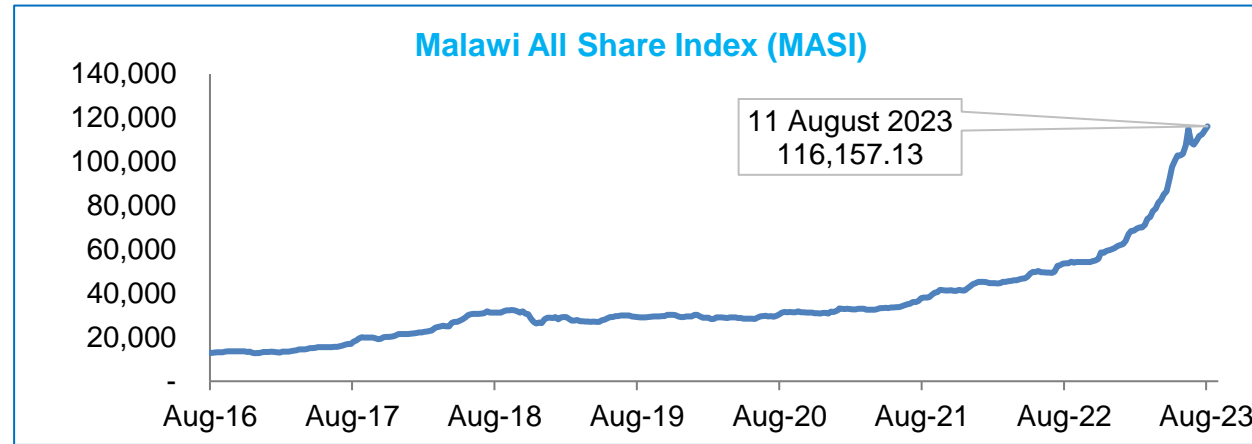
Stock market (Source: MSE)

The stock market was bullish, with the Malawi All Share Index (MASI) closing the week ending 11 August 2023 at 116,157.13 points from 114,207.81 points for the week ending 4 August 2023. Week on week, this represents a 1.71% increase.

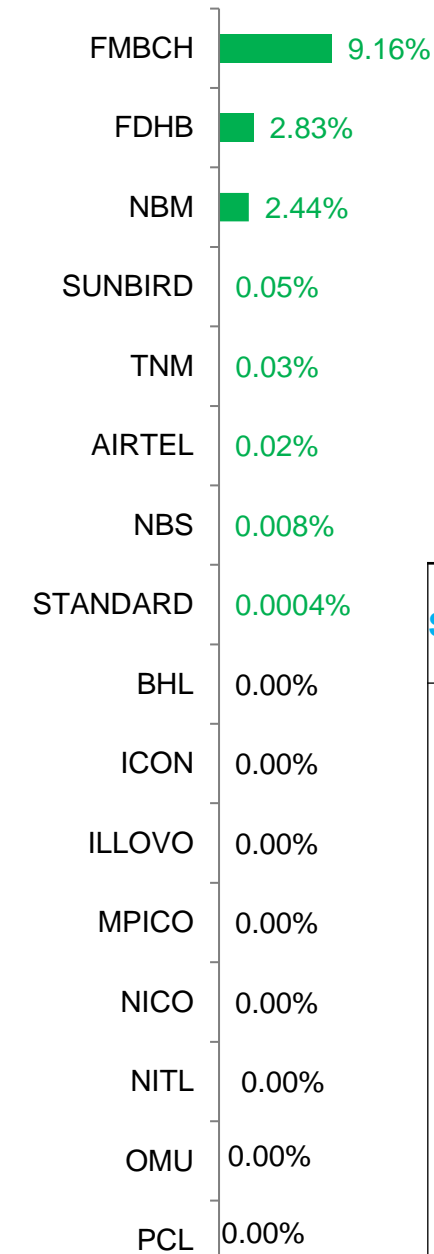
There were share price gains for FMBCH, FDH Bank and NBM. There were also marginal share price gains for SUNBIRD, TNM, AIRTEL, NBS and STANDARD. There were no share price losses during the week under review.

In a revised trading statement, NITL has disclosed that profit after tax for the 2023 half-year period is expected to fall within MK16.0 billion to MK16.6 billion, compared to MK1.5 billion in the previous period. The previous expectation was at least a profit after tax of MK11.5 billion.

At the ICON Annual General Meeting, a final dividend of MK868.4 million (MK 0.13 per share) was declared. The total dividend payout will be MK1.7 billion (MK0.25 per share).



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



Symbol	Closing prices as of 11 August 2023 (MK/share)	Closing prices as of 4 August 2023 (MK/share)
AIRTEL	100.10	100.08
BHL	10.06	10.06
FDHB	74.20	72.16
FMBCH	340.00	311.47
ICON	18.97	18.97
ILLOVO	1,121.41	1,121.41
MPICO	20.56	20.56
NBM	2,100.00	2,050.00
NBS	132.00	131.99
NICO	163.02	163.02
NITL	401.01	401.01
OMU	1,050.00	1,050.00
PCL	2,508.00	2,508.00
STANDARD	2,500.01	2,500.00
SUNBIRD	190.10	190.01
TNM	30.00	29.99



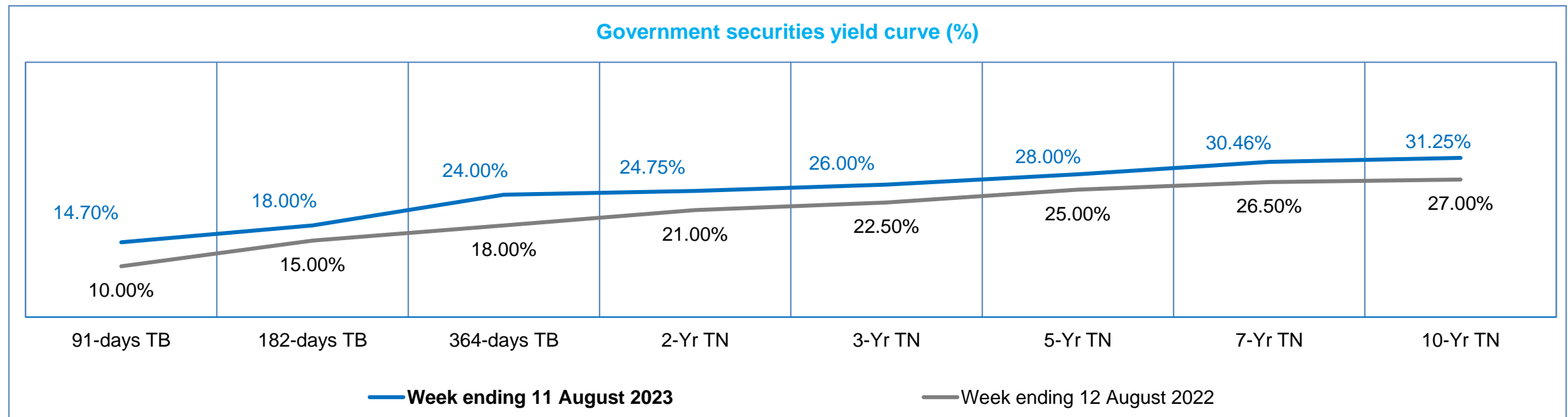
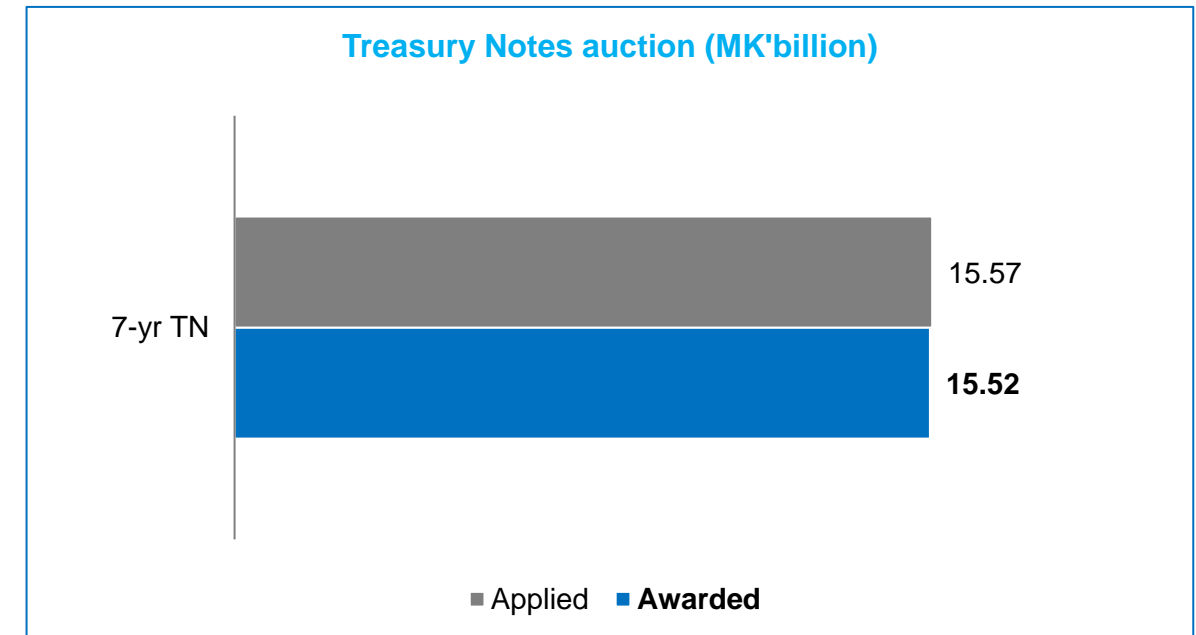
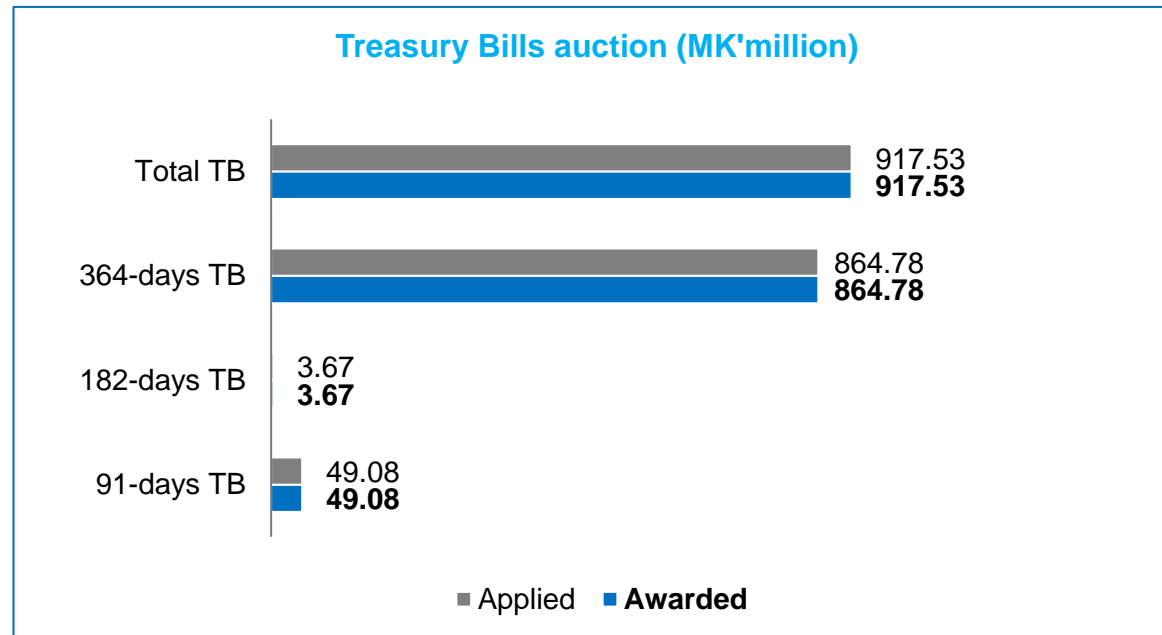
Government securities (Source: RBM)

A total amount of MK16.44 billion was raised during Treasury Bills (TBs) and Treasury Notes (TNs) auctions held by the Reserve Bank of Malawi on 8 August 2023.

In the TBs and TNs auctions, totals of MK917.53 million and MK15.52 billion were raised respectively.

The TBs auction had a nil rejection rate while the TN auction had a 0.3% rejection rate.

The average TB yield increased to 18.90% from 18.40% and the average TN yield increased to 28.09% from 27.90% during the period under review.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	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	Jul-23	11-Aug-23	
Exchange rates (middle rates)																			
MK/USD	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	1,053.44	1,084.60*	
MK/GBP	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	1,388.31	1,419.21*	
MK/EUR	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	1,191.37	1,227.85*	
MK/ZAR	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	61.01	59.23*	
Foreign Exchange Reserves																			
Gross Official Reserves (USD'mn)	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	N/A	
Private Sector Reserves (USD'mn)	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	N/A	
Total reserves (USD'mn)	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	N/A	
Gross Official Reserves Import cover (months)	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	N/A	
Inflation																			
Headline	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	N/A	
Food	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	N/A	
Non-food	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	N/A	
Interest Rates																			
Monetary Policy rate	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%	24.00%	24.00%	
Average Interbank rate	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%	20.51%	22.46%	
Lombard rate	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%	24.20%	24.20%	
Commercial bank reference rate	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%	21.40%	22.70%	
Government Securities Yields																			
91-days Treasury Bill	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%	13.00%	14.70%	
182-days Treasury Bill	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%	18.00%	18.00%	
364-days Treasury Bill	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%	22.50%	24.00%	
2-year Treasury Note	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%	24.75%	24.75%	
3-year Treasury Note	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%	26.00%	26.00%	
5-year Treasury Note	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%	28.00%	28.00%	
7-year Treasury Note	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%	29.50%	30.46%	
10-year Treasury Note	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%	31.25%	31.25%	
Stock Market Indices																			
MASI	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	112,492.50	116,157.13	
DSI	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	88,364.93	90,065.62	
FSI	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	14,982.64	16,975.06	

*: Reserve Bank of Malawi opening exchange rates as of 11 August 2023

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Contact Information

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

Tel No: + 265 111 828 355

Email: info@bridgepathcapitalmw.com

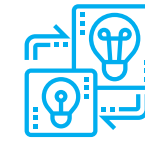
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