



Malawi Financial Market Update

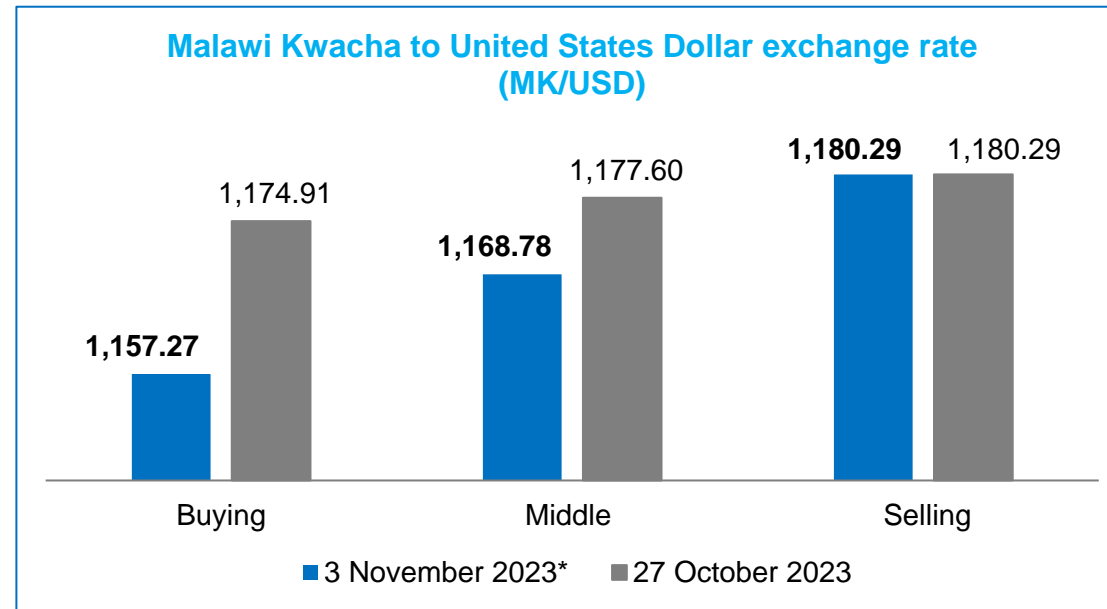
Week ending 3 November 2023



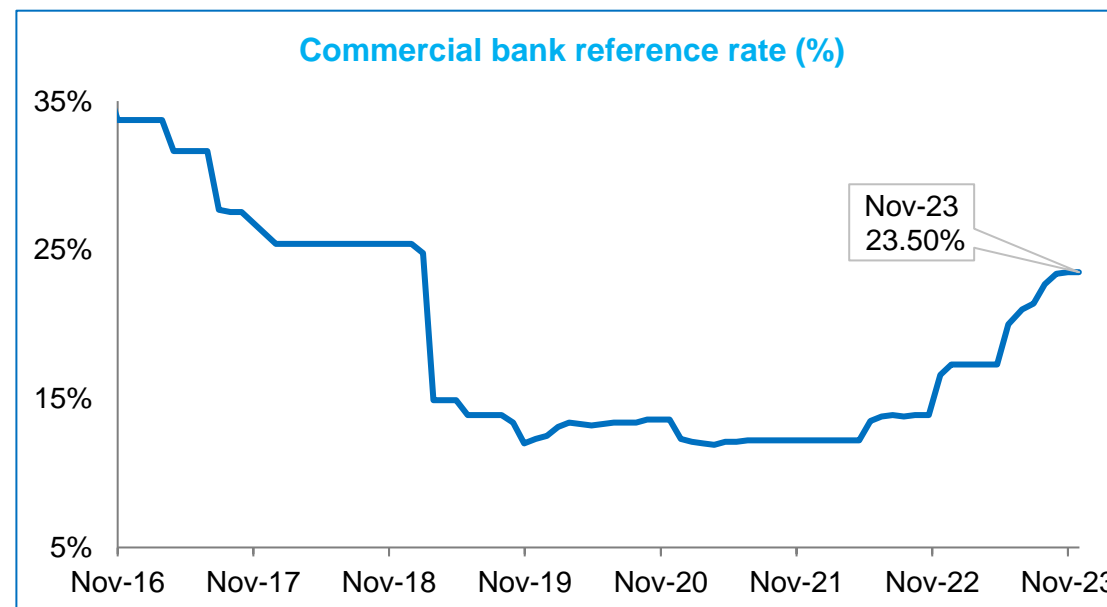
Malawi Financial Market Update: Week ending 3 November 2023

Exchange rate and other market developments

Exchange rate (Source: RBM)



Commercial bank reference rate (Source: NBM)



The World Bank and the Malawi government have engaged in discussions on a USD60 million (approximately MK71 billion) De-risking Import of Strategic Commodities Project in which the World Bank will act as a guarantor to help local firms in importing strategic commodities.

The commercial bank reference rate has been maintained at 23.5%, effective 3 November 2023.

What Happened This Week

1. The commercial bank reference rate has been maintained at 23.5%, effective 3 November 2023 (*National Bank of Malawi, 1 November 2023*).
2. A forecast from the Department of Climate Change and Meteorological Services indicates that the country may experience normal to below normal rainfall due to El Nino. Following this forecast, the Lilongwe University of Agriculture and Natural Resources (LUANAR) Centre for Agricultural Research and Development (CARD) has published a policy brief in which it has argued that El Nino may negatively impact agricultural crop output, thereby reducing the country's economic growth. Given this, CARD has recommended that it is essential that the Ministries of Finance, Agriculture, Gender, Department of Disaster Management Affairs (DoDMA), National Planning Commission (NPC), and development partners mobilize resources to finance emergency responses and provide price stabilization mechanisms (*Centre for Agricultural Research and Development, 24 October 2023*).
3. At the recent Reserve Bank of Malawi (RBM) Fourth Monetary Policy Technical Forum, the Economics Association of Malawi (ECAMA) Executive Director cautioned authorities to tame expectations of Malawi getting the Extended Credit Facility (ECF) program. The Executive Director stated there are high expectations that Malawi may get an ECF program, which may negatively affect the economy, given that all sectors believe the ECF is the solution to Malawi's economic challenges. He further urged authorities to temper high expectations of foreign exchange inflows that may come because of the ECF program (*The Nation, 2 November 2023*).
4. The World Bank and the Malawi government have engaged in discussions on a USD60 million (approximately MK71 billion) De-risking Import of Strategic Commodities Project in which the World Bank will be a guarantor to help local firms import strategic commodities. According to an RBM spokesperson, the World Bank and the RBM will recommend financial institutions to participate in the scheme. On top of this, the RBM will also recommend the products to be included in the project, and it will monitor the scheme's performance (*The Nation, 3 November 2023*).
5. Data from the recently published International Monetary Fund (IMF) Sub-Saharan Africa Regional Economic Outlook shows that the IMF projects 2023 reserves for Malawi to average 2.3 months of import cover. For 2024, the IMF projects that reserves will average 3.3 months of import cover (*The International Monetary Fund, October 2023*).

*: Reserve Bank of Malawi opening exchange rates as of 3 November 2023

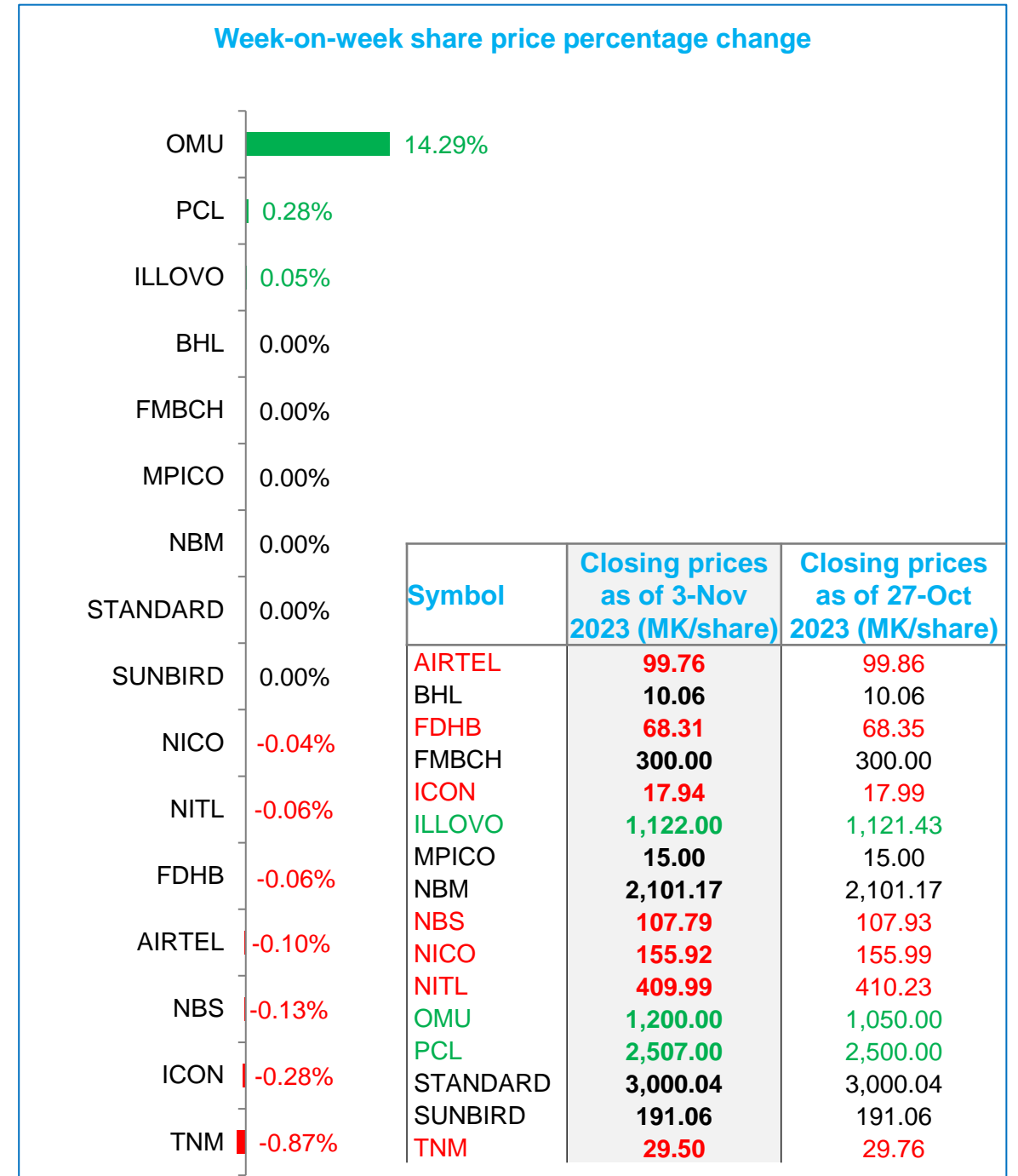
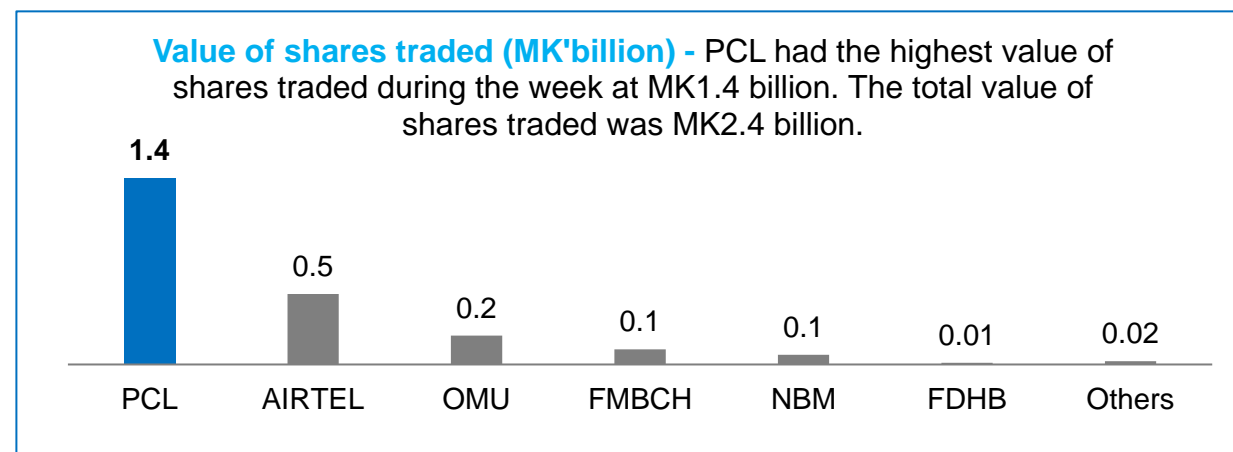
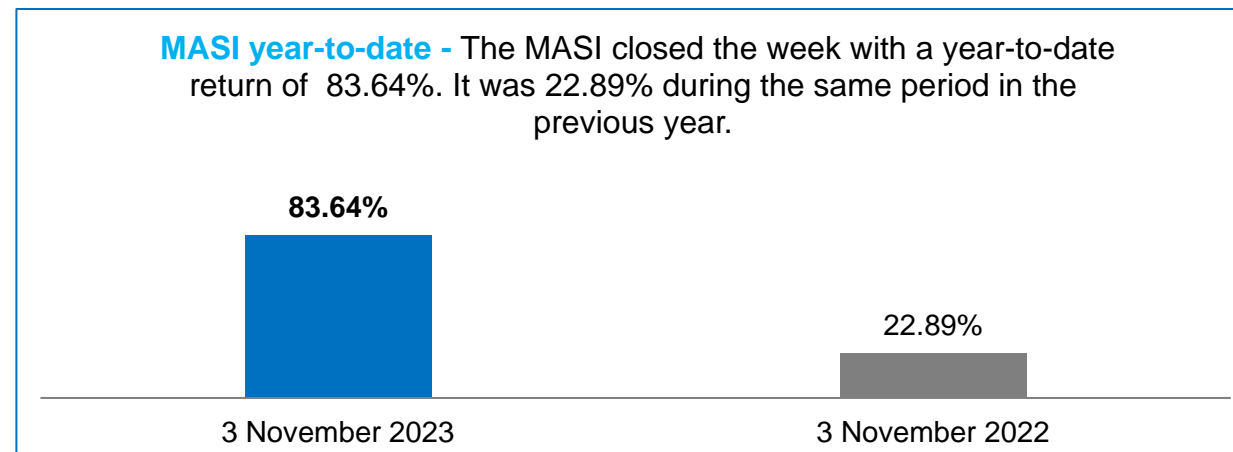
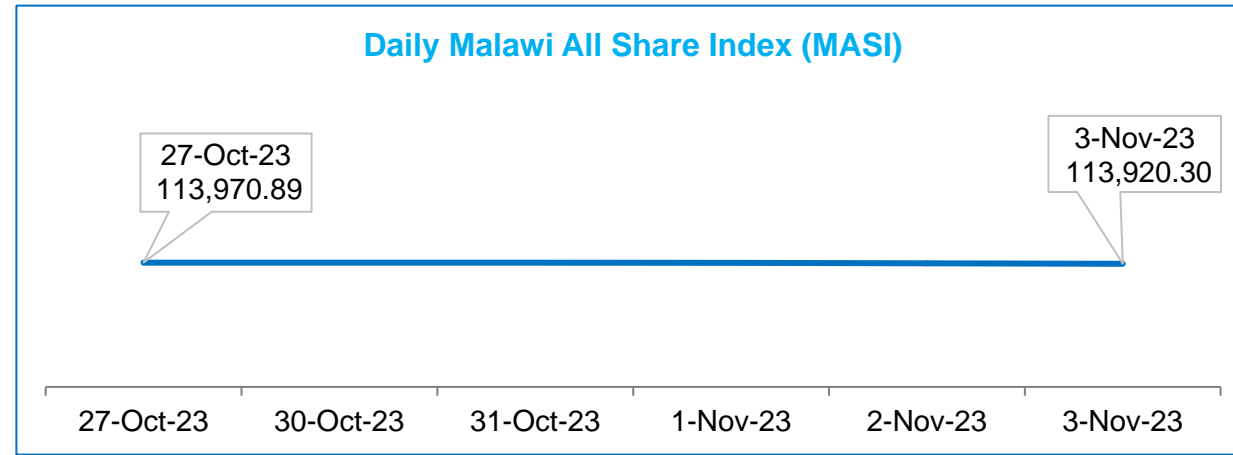


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Stock market (Source: MSE)

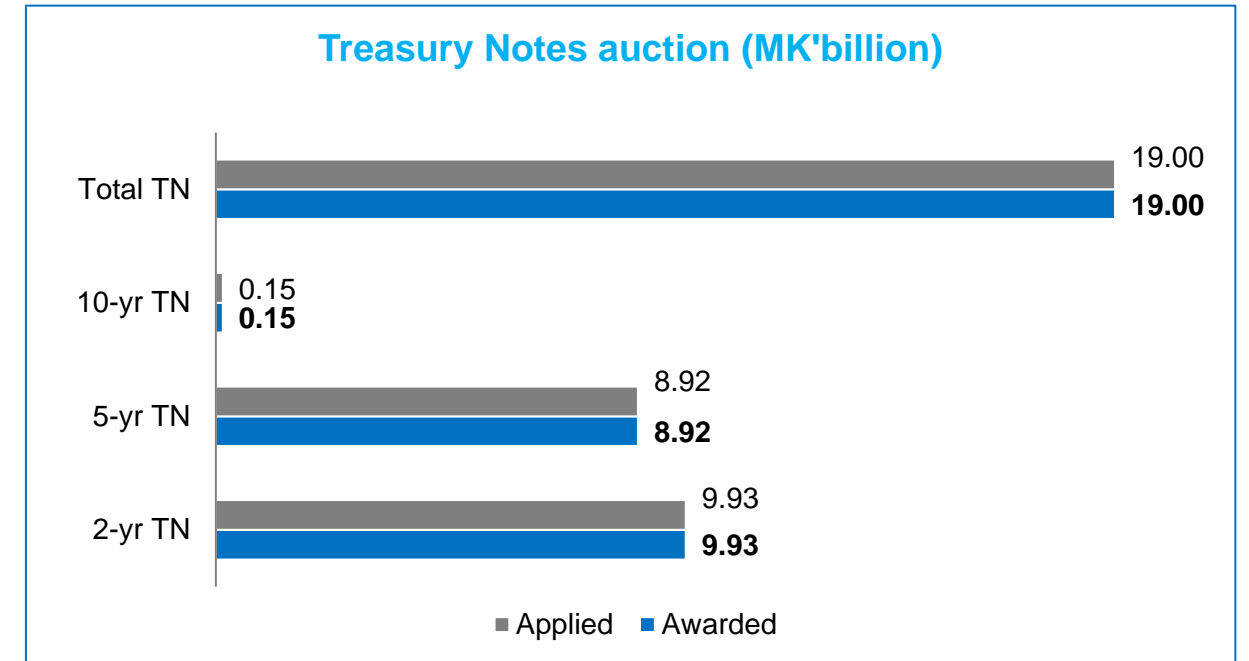
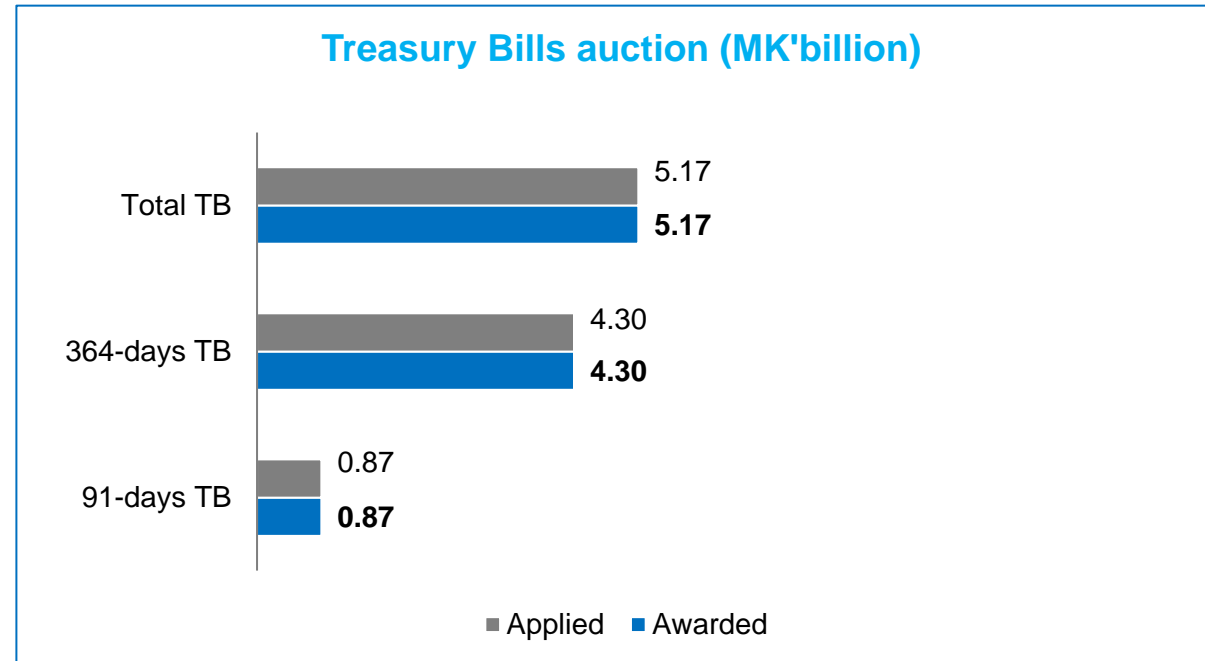
The stock market was marginally bearish, with the Malawi All Share Index (MASI) closing the week ending 3 November 2023 at 113,920.30 points from 113,970.89 points for the week ending 27 October 2023. Week on week, this represents a 0.04% decrease.

There was a 14.29% share price gain for OMU and marginal share price gains for PCL and ILLOVO. The share price gains were offset by marginal share price losses for TNM, ICON, NBS, AIRTEL, FDH Bank, NITL and NICO during the week under review.





Government securities (Source: RBM)



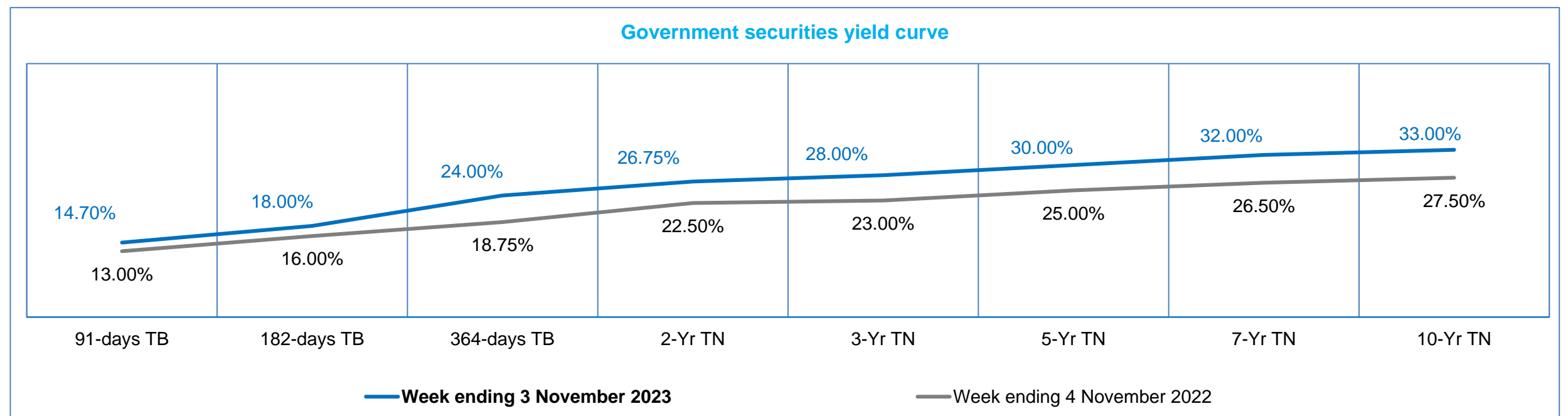
The RBM held auctions for all tenors of Treasury Bills (TBs) and all tenors of Treasury Notes (TNs) during the period under review.

A total amount of MK5.17 billion was raised from the TBs auctions held during the period under review.

An amount of MK19 billion was raised from all the TNs auctions held during the period under review.

There were no applications for the 182-day TB as well as the 3 and 5-year TNs during the period under review.

The average TB and TN yields remained constant at 18.90% and 29.95% respectively during the period under review.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	3-Nov-23
Exchange rates (middle rates)														
MK/USD	1,032.88	1,034.42	1,031.87	1,031.87	1,033.68	1,033.80	1,034.86	1,034.46	1,058.82	1,061.67	1,094.74	1,126.50	1,179.83	1,168.78
MK/GBP	1,234.05	1,276.81	1,305.57	1,305.57	1,280.21	1,315.33	1,325.22	1,317.23	1,377.77	1,400.92	1,429.20	1,412.17	1,473.63	1,469.29
MK/EUR	1,062.62	1,105.82	1,152.30	1,152.30	1,128.21	1,156.66	1,171.01	1,135.21	1,183.15	1,203.76	1,226.61	1,225.22	1,285.81	1,279.57
MK/ZAR	58.36	62.11	60.72	60.72	57.83	59.76	57.89	53.58	57.92	61.70	60.02	60.67	63.95	65.55
Foreign Exchange Reserves														
Gross Official Reserves (USD'mn)	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	N/A	N/A	N/A
Private Sector Reserves (USD'mn)	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	N/A	N/A	N/A
Total reserves (USD'mn)	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	N/A	N/A	N/A
Gross Official Reserves Import cover (months)	1.30	1.36	1.22	1.12	1.12	0.91	0.80	0.78	1.29	1.07	0.96	N/A	N/A	N/A
Inflation														
Headline	26.7%	25.8%	25.4%	25.9%	26.7%	27.0%	28.8%	29.2%	27.3%	28.4%	28.6%	27.8	N/A	N/A
Food	34.5%	33.4%	31.3%	30.5%	31.7%	32.4%	37.9%	38.8%	37.2%	39.3%	39.4%	36.8	N/A	N/A
Non-food	18.6%	17.7%	18.6%	20.4%	20.5%	20.2%	18.5%	18.4%	16.0%	16.0%	16.1%	17.2	N/A	N/A
Interest Rates														
Monetary Policy rate	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.00%
Average Interbank rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.19%	19.26%	20.38%	20.51%	22.76%	22.79%	22.91%	23.00%
Lombard rate	18.20%	18.20%	18.20%	18.20%	18.20%	18.20%	22.20%	22.20%	22.20%	24.20%	24.20%	24.20%	24.20%	24.20%
Commercial Bank reference rate	13.90%	16.60%	17.30%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	22.70%	22.70%	23.40%	23.50%	23.50%
Government Securities Yields														
91-days Treasury Bill	11.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.98%	13.00%	13.00%	13.00%	14.70%	14.70%	14.70%	14.70%
182-days Treasury Bill	15.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
364-days Treasury Bill	18.75%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.50%	22.50%	24.00%	24.00%	24.00%	24.00%
2-year Treasury Note	21.50%	22.50%	22.50%	22.75%	22.75%	22.75%	22.75%	24.75%	24.75%	24.75%	26.75%	26.75%	26.75%	26.75%
3-year Treasury Note	23.00%	23.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	28.00%	28.00%	28.00%	28.00%
5-year Treasury Note	25.00%	26.00%	26.00%	26.19%	26.19%	26.25%	26.25%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%
7-year Treasury Note	26.50%	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%	29.50%	29.50%	29.50%	30.46%	32.00%	32.00%	32.00%
10-year Treasury Note	27.50%	27.50%	28.50%	28.50%	28.50%	28.50%	28.50%	31.19%	31.25%	31.25%	32.83%	33.00%	33.00%	33.00%
Stock Market Indices														
MASI	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	119,077.99	118,426.19	113,969.91	113,920.30
DSI	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	90,336.93	89,173.86	89,656.70	89,612.56
FSI	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	19,947.76	20,692.42	15,011.81	15,011.81

*: Reserve Bank of Malawi opening exchange rates as of 3 November 2023

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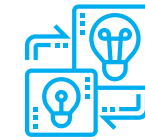
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