



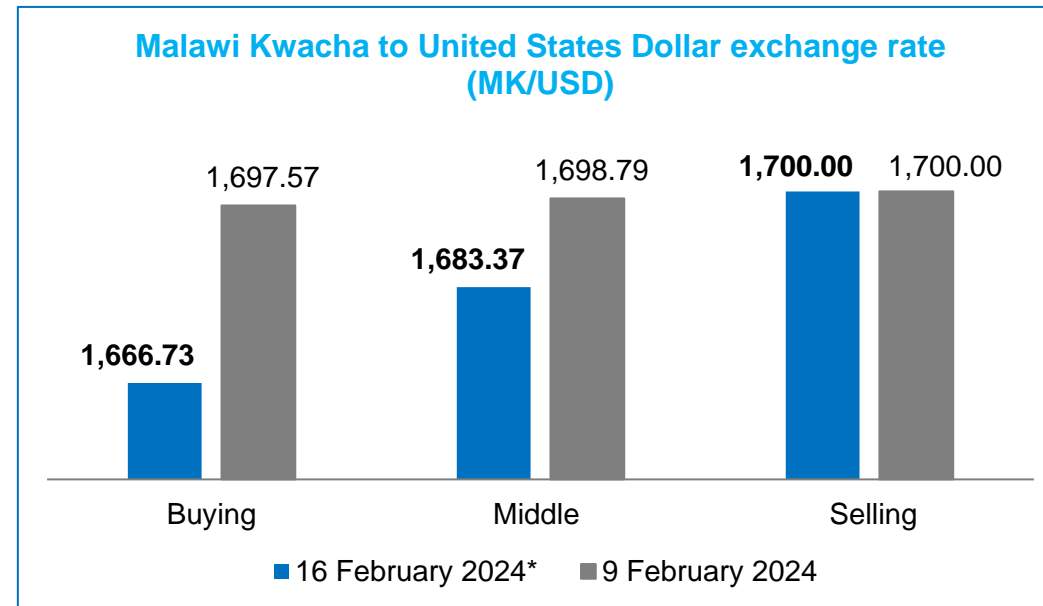
Malawi Financial Market Update

Week ending 16 February 2024

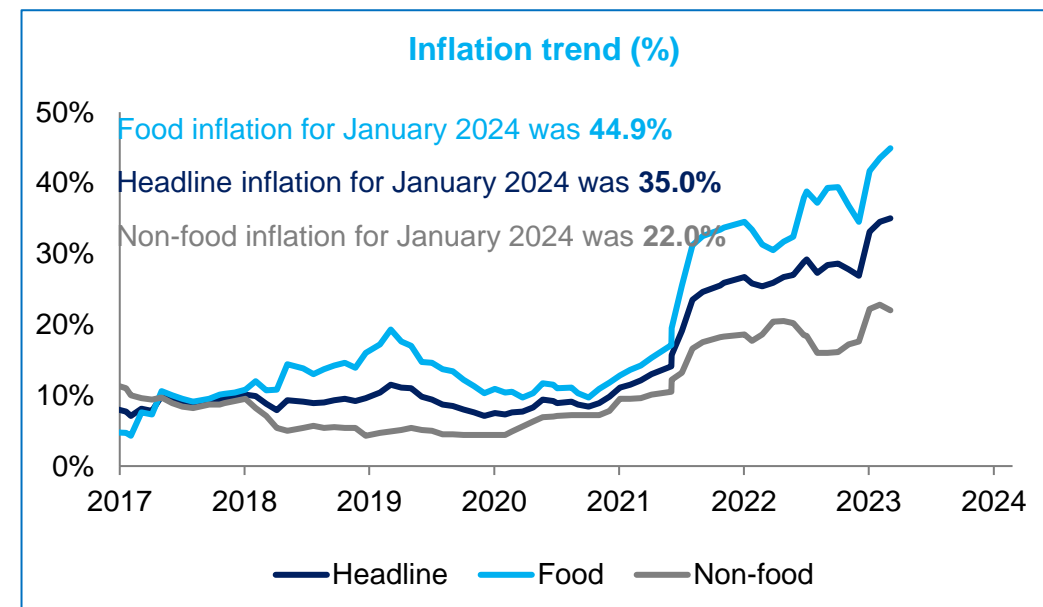


Exchange rate and other market developments

Exchange rate (Source: RBM)



Inflation (Source: NSO)



According to the NSO, the year-on-year inflation rate for January 2024 stands at 35.0%.

According to MCCI's Business Climate Survey, firms' capacity utilisation declined in 2023 because of economic challenges such as forex and power shortages, floods, and droughts.

What Happened This Week

1. According to the National Statistical Office (NSO), the year-on-year inflation rate for January 2024 is 35.0%, an increase from 34.5% recorded in December 2023. The Food and Non-Food inflation rates are 44.9% and 22.0%, respectively (*NSO Consumer Price Indices: January 2024*).
2. In their trading statement, Illovo Sugar (Malawi) Plc expects the consolidated profit after tax for the six months ending 29 February 2024 to range between MK22 billion and MK25 billion. This represents a decrease of between 35% and 26% from the previous corresponding period's profit after tax of MK33.7 billion. The decline in profit after tax is attributable to a drop in production caused by lower cane yields resulting from the impact of Cyclones Ana and Freddy, substantial cost inflation, and foreign exchange losses of MK17 billion due to the devaluation of the Malawi Kwacha against the US Dollar (*The Daily Times, 16 February 2024*).
3. During the Monetary Policy Technical Forum held in Blantyre, the Reserve Bank of Malawi (RBM) indicated that inflation will begin to fall starting in May 2024 and reach the medium-term target of 5% in 2026. This is through the tight monetary policy stance it has adopted in recent years. The RBM highlighted that inflationary pressures are expected to continue rising in the first half of 2024, hovering above 35% before prices begin to stabilise. However, the 2024 inflation projection was not disclosed. According to RBM's Director of Economic Policy and Research, a 5% plus or minus 2% inflation target was adopted, meaning the target range is 3% to 7%. The RBM targets Gross Domestic Product (GDP) growth of 6%, foreign exchange reserves above 3 months of cover and a sustainable debt-to-GDP ratio of below 60% (*The Daily Times, 14 February 2024*).
4. According to the Malawi Confederation of Chambers of Commerce and Industry (MCCI) Business Climate Survey, firms' capacity utilisation has dropped. Capacity utilisation is a measure of the extent to which the productive capacity of a business is being used. As per the survey, 20.9% of the businesses utilise between 76% and 100% of their productive capacity, compared to 19% in 2022. In 2021, only 38% of the firms could utilise between 76% and 100% of their capacity. The drop in capacity utilisation has been attributed to economic challenges such as forex and power shortages, floods and droughts. In 2023, 31.1% of businesses increased the number of employees, while 15.9% laid off some employees. During the year under review, 50.8% of the businesses increased their investment levels while 17.1% decreased their investments (*The Nation, 15 February 2024*).

*: Reserve Bank of Malawi opening exchange rates as of 16 February 2024



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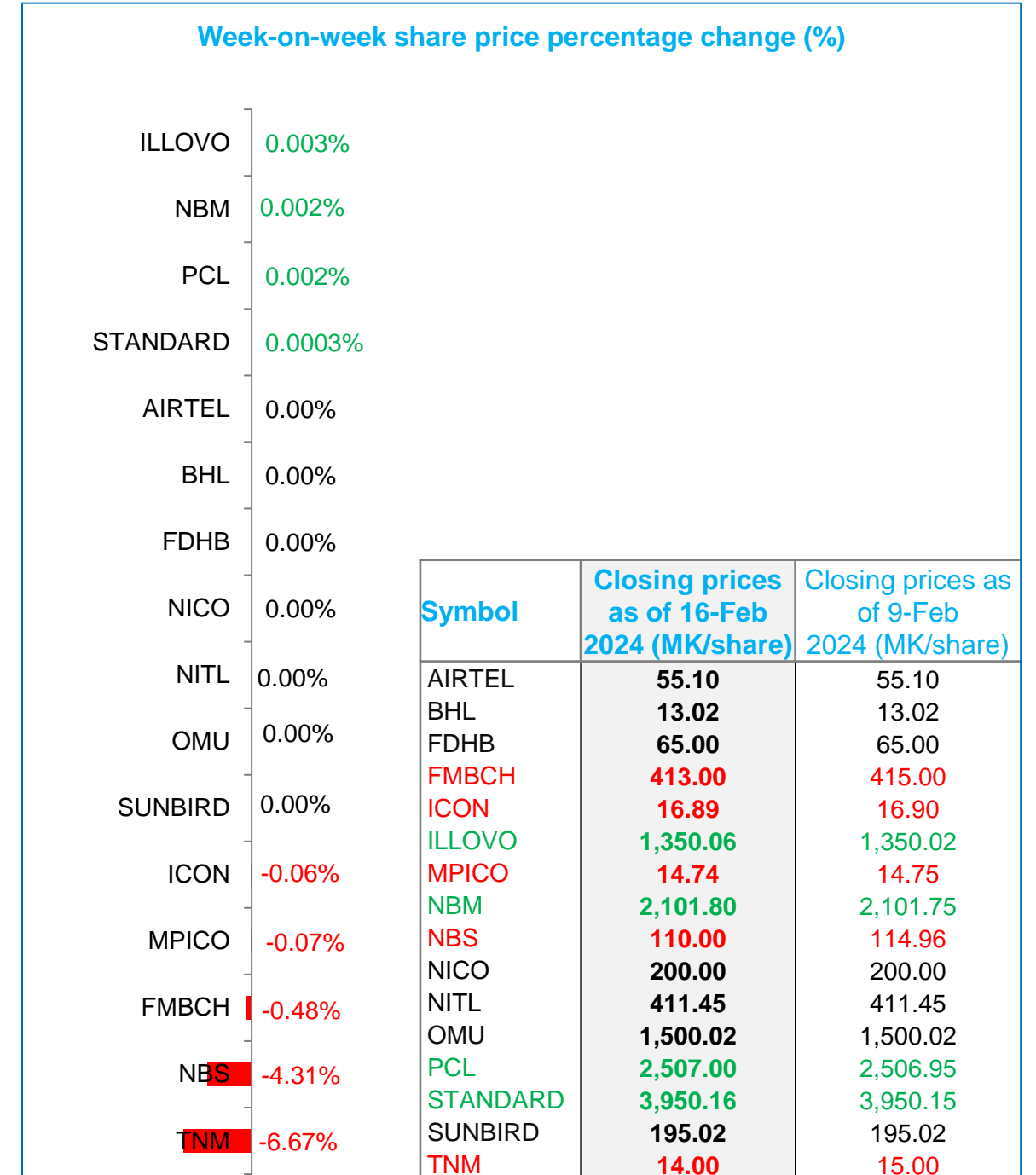
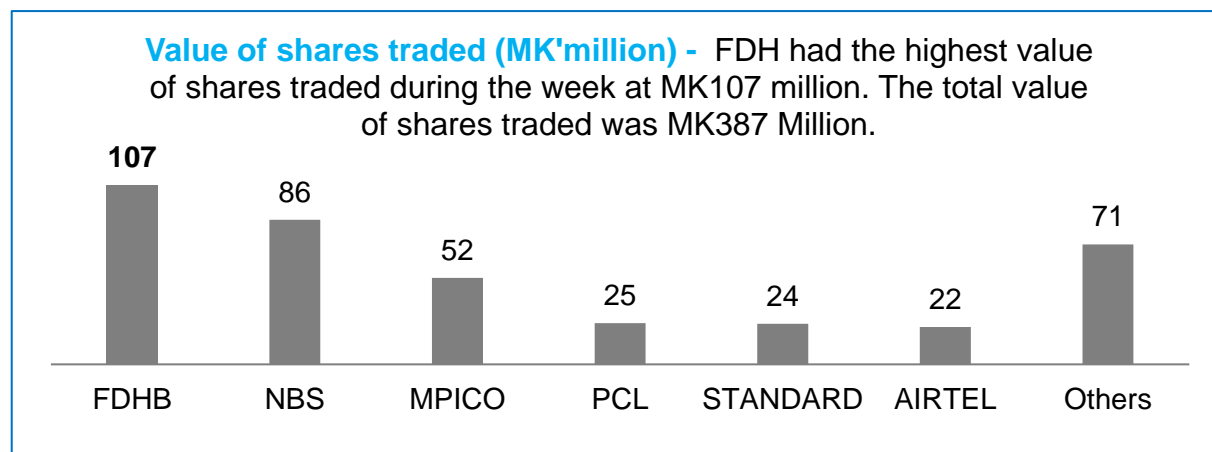
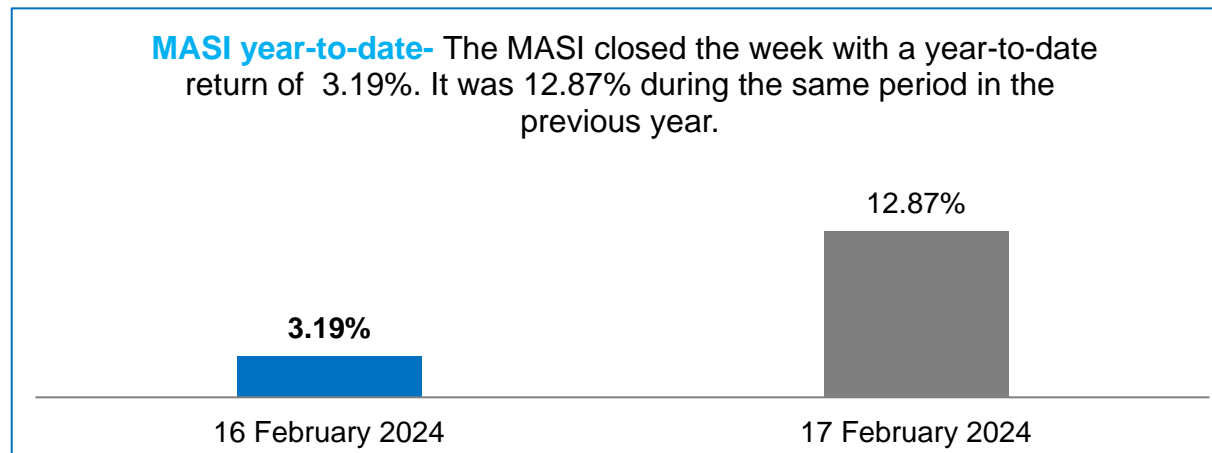
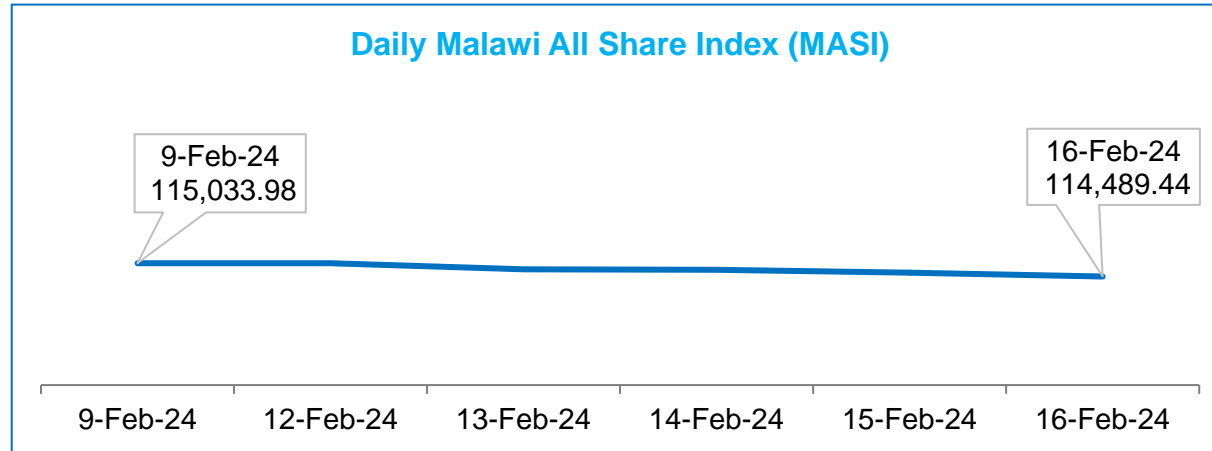
Stock market (Source: MSE)

The stock market was bearish, with the Malawi All Share Index (MASI) closing the week ending 16 February 2024 at 114,489.44 points from 115,033.98 points for the week ending 9 February 2024. Week on week, this represents a 0.47% decrease.

There were marginal share price gains for ILLOVO, NBM, PCL, and STANDARD during the week under review.

There were share price losses for TNM and NBS.

There were also marginal share price losses for FMBCH, MPICO, and ICON during the week under review.





Government securities (Source: RBM)

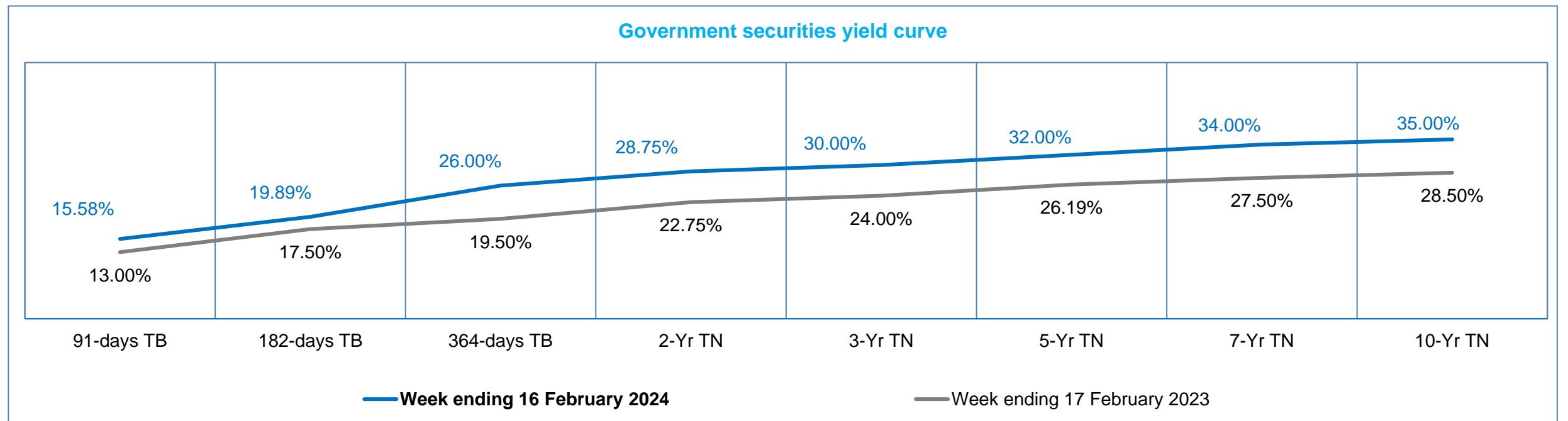
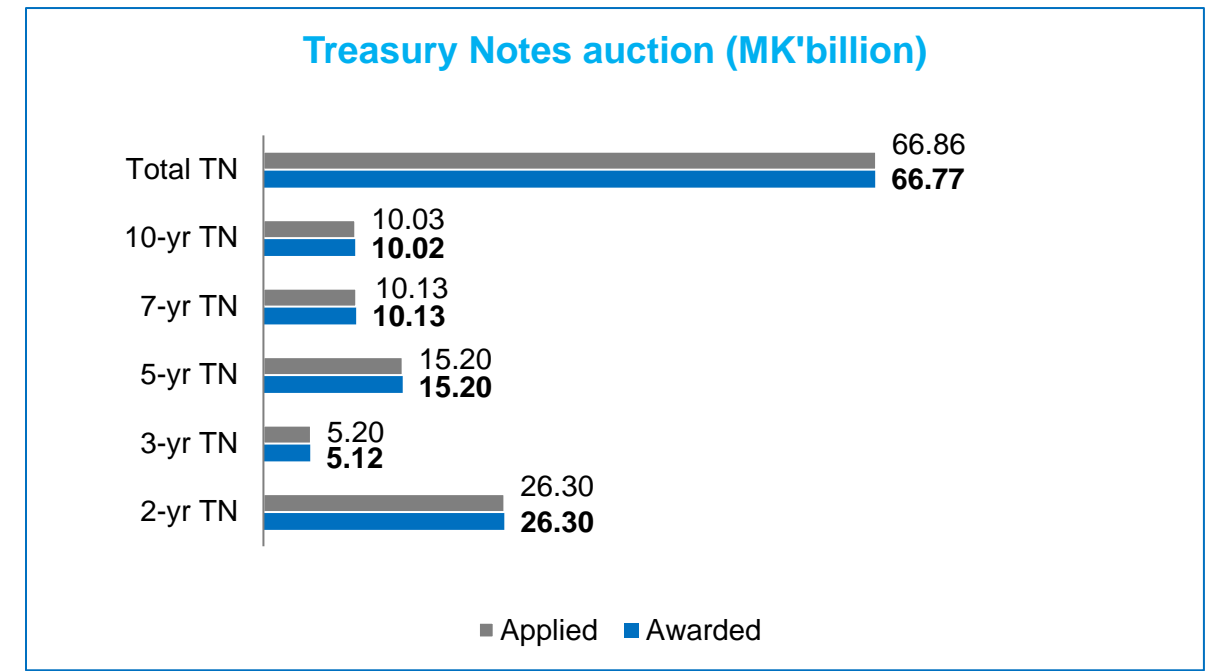
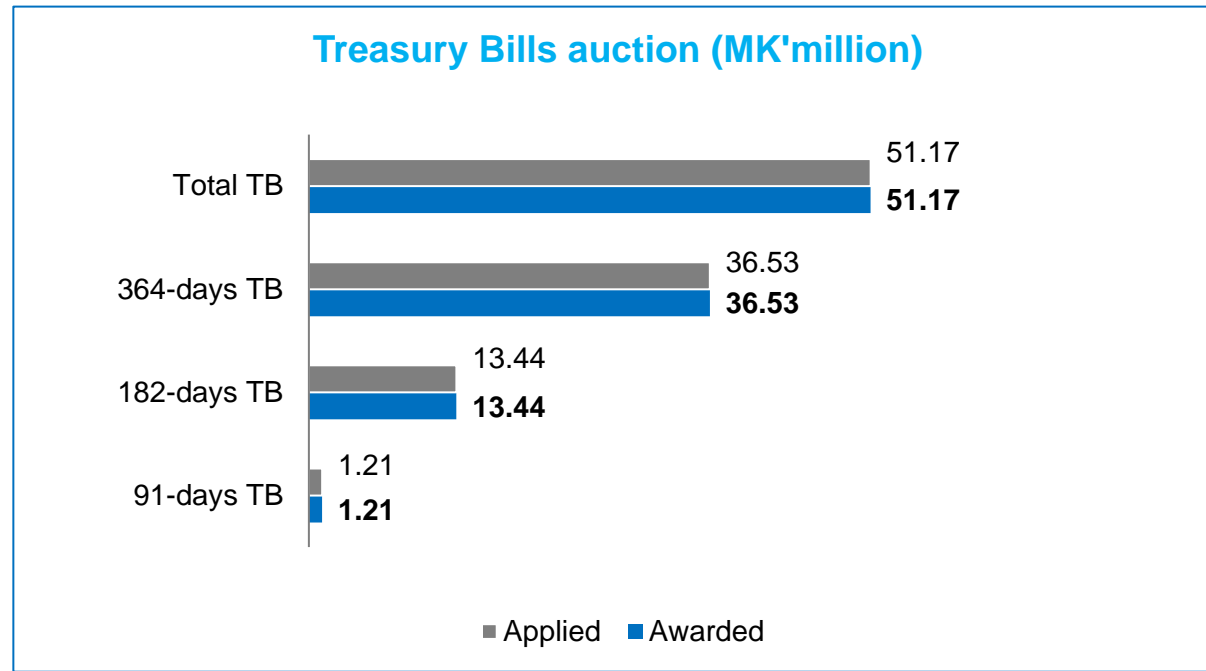
The Reserve Bank of Malawi held auctions for all tenors of Treasury Bills and Treasury Notes during the period under review.

A total amount of MK51.17 billion was raised from the TB auctions held during the period under review.

A total amount of MK66.77 billion was raised from the TN auctions held during the period under review.

The average TB increased to 20.49% from 20.23% and the average TN yield increased to 31.95% from 29.95% during the period under review.

The increase in the average TB and TN yields was due to increases in the yields of all TB and TN tenors. Notably, the 10-year TN yield increased to 35%, the 7-year TN yield increased to 34%, and the 2-year TN yield increased to 28.75%.



TB: Treasury Bill
TN: Treasury Note
Yr: Year



Appendix 1: Historical Economic Indicators

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	16-Feb-2024
Exchange rates (middle rates)														
MK/USD	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	1,699.31	1,683.37	1,697.80	1,683.37*
MK/GBP	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	2,219.25	2,212.41	2,221.35	2,182.25*
MK/EUR	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	1,907.62	1,918.18	1,888.43	1,865.81*
MK/ZAR	60.72	57.83	59.76	57.89	53.58	57.92	61.70	60.02	60.67	63.95	92.72	93.54	92.94	91.64*
Foreign Exchange Reserves														
Gross Official Reserves (USD'mn)	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	242.68	169.3	165.20	242.58	N/A	N/A
Private Sector Reserves (USD'mn)	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	409.46	396.9	413.20	433.01	N/A	N/A
Total reserves (USD'mn)	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	652.14	566.2	578.40	675.58	N/A	N/A
Gross Official Reserves Import cover (months)	1.12	1.12	0.91	0.80	0.78	1.29	1.07	0.96	0.97	2.3	0.7	1.0	N/A	N/A
Inflation														
Headline	25.9%	26.7%	27.0%	28.8%	29.2%	27.3%	28.4%	28.6%	27.8%	26.9%	33.1%	34.5%	35.0%	N/A
Food	30.5%	31.7%	32.4%	37.9%	38.8%	37.2%	39.3%	39.4%	36.8%	34.5%	41.7%	43.5%	44.9%	N/A
Non-food	20.4%	20.5%	20.2%	18.5%	18.4%	16.0%	16.0%	16.1%	17.2%	17.6%	22.2%	22.8%	22.0%	N/A
Interest Rates														
Monetary Policy rate	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%
Average Interbank rate	15.00%	15.00%	15.00%	15.19%	19.26%	20.38%	20.51%	22.76%	22.79%	22.91%	23.00%	23.00%	23.00%	23.00%
Lombard rate	18.20%	18.20%	18.20%	22.20%	22.20%	22.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	26.20%
Commercial Bank reference rate	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	22.70%	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%
Government Securities Yields														
91-days Treasury Bill	13.00%	13.00%	13.00%	12.98%	13.00%	13.00%	13.00%	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	15.58%
182-days Treasury Bill	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	19.89%
364-days Treasury Bill	19.50%	19.50%	19.50%	19.50%	22.49%	22.50%	22.50%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%
2-year Treasury Note	22.75%	22.75%	22.75%	22.75%	24.75%	24.75%	24.75%	26.75%	26.75%	26.75%	26.75%	26.75%	26.75%	28.75%
3-year Treasury Note	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	30.00%
5-year Treasury Note	26.19%	26.19%	26.25%	26.25%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	32.00%
7-year Treasury Note	27.50%	27.50%	27.50%	27.50%	29.50%	29.50%	29.50%	30.46%	32.00%	32.00%	32.00%	32.00%	32.00%	34.00%
10-year Treasury Note	28.50%	28.50%	28.50%	28.50%	31.19%	31.25%	31.25%	32.83%	33.00%	33.00%	33.00%	33.00%	33.00%	35.00%
Stock Market Indices														
MASI	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	112,790.18	110,951.21	115,670.54	114,489.44
DSI	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	88,577.93	86,359.68	86,383.46	85,706.11
FSI	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	15,048.88	15,792.06	21,124.59	20,647.47

*: Reserve Bank of Malawi opening exchange rates as of 16 February 2024

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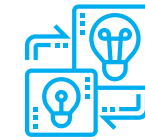
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