

MALAWI

Political and economic news

Short-term industry punitive taxes worry investor

The African Development Bank (AfDB) has decried the Malawi Government's preference for short-term debt securities with relatively high interest rates, this is worsening the country's debt vulnerability. In its 2023 Africa Economic Outlook, the Pan-African bank mentioned that the domestic bond market is characterised by short-term securities with interest rates averaging 20%, attracting high repayments for the government. Reads the report in part: While this is good for commercial banks, it is a cause for concern because it may increase roll-over risk and borrowing costs which may exacerbate debt vulnerabilities as government may be tempted to turn to the restructuring of domestic debt. AfDB stated that with such a development, restructuring of domestic debt, currently hovering at MWK 4.43tn as of December 2022, could become more frequent in future. Currently, government securities, mostly Treasury bills (T-bills), have risen by an average of five percentage points across all the three tenors from the second half of last year to date. *(Source: The Nation)*

Forex mismatch widens year after devaluation

One year after the Reserve Bank of Malawi (RBM) devalued the kwacha by 25%, misalignments in the foreign exchange market still prevail with figures showing a 49.61% spread between bank rates and the official rate. The kwacha is trading at an average of MWK 1,550 in authorised dealer banks (ADBAs) against MWK 1,036, which is the daily foreign exchange bureau rates published by the RBM. This is creating a spread of about MWK 514. Analysts states that the prevailing spread, which is prevalent a year after the devaluation of the kwacha on May 27 2022, which was meant to align forex supply to macroeconomic fundamentals and ensure supply in the formal market, is a pointer to the pressure on the kwacha as demand for foreign currency surges against available supply. Spot checks by Business News show that the parallel market rates are even higher than those in foreign exchange bureaus, where local unit is trading at around MWK 1,600 against the dollar. Commenting on the developments, financial services strategist mentioned that the devaluation of the kwacha has not achieved any objective that RBM wanted to achieve going by the disparities in both pricing and supply. *(Source: The Nation)*

Sugar importation deals worry Illovo

The government, through the Ministry of Trade, has issued two sugar importation contracts to two firms to bring into the country 20,000 tonnes of brown sugar, a development that has shocked sugar giant, Illovo. But Trade Minister declined to comment on the matter, saying authorities have called for a meeting on the same on June 5. However, some industry sources backed the government's decision to issue the import licences, arguing that the cost of industrial sugar in Malawi is way above the price of sugar that the same Illovo exports. In a letter dated May 9 2023, addressed to its stakeholders including the Sugar Association of Malawi (Sugam), Lakeshore Cane Growers Association (LCGA) and Shire Valley Cane Growers Trust, Illovo Managing Director described the news on the issuance of the import licences as not only sad but something that would impact the sugar stakeholders and Illovo itself negatively. The permits allow for 10,000tns each of sugar to be imported from Zimbabwe and Mozambique through Dedza and Mwanza border, respectively. He observed that if the licences are not ended, the imported sugar will displace 20,000tns of locally produced sugar in the domestic market and therefore, have a negative impact on stakeholder's earnings. *(Source: The Daily Times)*

TNM's 5G impresses minority shareholders

Minority shareholders for listed TNM plc have hailed the company's decision to invest an initial USD 5m (MWK 5.2bn) in the launch of the 5th Generation (5G) network platform. TNM plc recently became the first mobile operator in Malawi to launch the 5G network on a pilot basis following approval by the sector regulator, Malawi Communications Regulatory Authority. Following the launch, the Minority Shareholders Association of Malawi has expressed optimism for improved prospects in the company's performance going forward. The equity lobby group's secretary general stated in an interview that the group welcomes the decision and looks forward to TNM taking a commanding role in helping improve the country's telecoms and ICT landscape. 5G technologies support applications that will have great impact on our society in areas such as healthcare, education, and industry automation, among other benefits. With this in mind, minority shareholders are excited and look forward to a different TNM. *(Source: The Daily Times)*

Market activity and colour

Market commentary

The market traded 39.8m shares in 272 trades recording a market turnover of MWK 6.2bn during the week ended. AIRTEL, FMBCH (+16.1%), ILLOVO, NBM and TNM (+1.3%) were the market gainers whilst FDHB (-0.6%), NBS (-5.1%) and NICO (-1.2%) dropped in prices. The increase in the prices on the counters registered pushed MASI up with 1.0%.

However, on year-to-date the index went up by 65.8%. As a result, the market capitalisation rose 65.68% in both MWK and USD terms.

Weekly Market Report



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SYMBOL SUMMARY



Trading Summary for the week ending
02 June 2023

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	100.03	100.05	0.0% ↑	1,213,792	121,437,244.00	59	1,100,550,000,000
BHL	10.00	10.00	0.0%	0	0.00	0	8,397,507,050
FDHB	64.87	64.45	-0.6% ↓	5,160,655	332,982,246.00	42	444,771,464,063
FMBCH	180.00	209.00	16.1% ↑	559,473	116,196,164.87	19	513,774,250,000
ICON	11.26	11.26	0.0%	21,008,966	236,560,960.00	5	75,216,800,000
ILLOVO	1,121.42	1,121.43	0.0% ↑	10,600	11,887,057.00	14	800,077,943,399
MPICO	20.58	20.58	0.0%	80,298	1,652,532.84	6	47,293,816,727
NBM	2,000.29	2,000.31	0.0% ↑	1,252,031	2,504,425,171.00	15	934,008,224,839
NBS	93.24	88.45	-5.1% ↓	307,395	27,520,504.00	22	257,440,213,338
NICO	164.98	163.00	-1.2% ↓	53,158	8,697,840.28	12	170,015,698,648
NITL	330.00	330.00	0.0%	7,497,877	2,474,288,500.00	26	44,550,000,000
OMU	1,127.51	1,127.51	0.0%	337,594	380,640,653.00	8	15,803,928,827
PCL	2,181.27	2,181.27	0.0%	4,775	10,415,560.00	3	262,310,412,491
STANDARD	2,300.01	2,300.01	0.0%	0	0.00	0	539,739,119,282
SUNBIRD	180.50	180.50	0.0%	0	0.00	0	47,215,655,690
TNM	28.00	28.46	1.6% ↑	2,362,284	67,101,566.00	41	285,751,207,000
Totals				39,848,898	6,293,805,998.99	272	5,546,916,241,353

					26-May-23	19-May-23	31-Dec-22
INDEX (week)	101,868.17	102,869.06	1.0% ↑	MWK/USD	1026.43	1026.43	1026.43
INDEX (month)	102,837.75	102,869.06	0.0% ↑	MWK/GBP	1304.30	1311.28	1273.64
INDEX (year to date)	62,036.05	102,869.06	65.8% ↑	MWK/ZAR	53.50	54.78	62.35

Market cap (MWK'm)	5,546,916.24	3,348,012.68
Market cap (USD'm)	5404.060444	3261.787967

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