

## MALAWI

### Political and economic news

*IMF, analysts wary of dollar strength*

Economic analysts have called for economic diversification to cushion Malawians amid concerns that the appreciation of the dollar against the kwacha could trigger sustained inflation. The analysts were reacting to an International Monetary Fund (IMF) analytical tone, which cautioned that appreciation of the greenback against the major currencies in sub-Saharan Africa could lead to “higher inflation, larger debt and weaker trade balance in the near term”. Reads the note in part: “For the region as a whole, a one percentage point increase in the rate of depreciation against the US Dollar leads, on average, to an increase in inflation of 0.22 percentage points within the first year. Since January last year (2022), the Kwacha has depreciated against the dollar, dropping 20.41 percentage points from MWK823.30/ USD1 to MWK1035.03/ USD1 in April 2023. In May 2022, the kwacha was devalued by 25 percent. Meanwhile, inflation is hovering at around 27 percent, according to National Statistical Office. Malawi University of Business and Applied Science associate professor of economics cautioned that inflationary pressures rising from depreciation of the local currency against the dollar will persist if local monetary authorities do not address the root cause of inflation in Malawi. We are killing our economy by relying on imports. We need to address that, he emphasised. (Source: *The Nation*)

*Malawi transport cost under spotlight*

The World Bank mentioned that while transport and logistics costs are high in many countries, those faced in Malawi and other landlocked developing countries in Sub-Saharan Africa translate to competitive disadvantages. Malawi is one of the world’s landlocked countries with no access to sea and heavily relies on its neighbours known as transit countries to access international trade. In its latest report titled *Harnessing Natural Resources for Economic Transformation*, the World Bank stated that transportation and logistics costs in Sub-Saharan African countries are high compared to other developing countries, thereby undermining intraregional trade and economic transformation. Reads the report in part: “The cost of shipping a container from China to Beira in Mozambique is USD2000 (about MWK2m), but transporting that same container from Beira to Malawi, a distance of 500 kilometres inland costs USD5000 (about MWK5m)”. “the development linked to range of factors, including poorly developed and under maintained physical infrastructure, lack of regional and international transport connectivity, inefficient logistics services and poor access to shipping services makes the country uncompetitive”. The World Bank has since recommended that Malawi should strengthen its infrastructure and connectivity with the world to reduce logistics and transport cost as well as achieve greater commercial and economic activity. “Landlocked Sub-Saharan countries need to put digital technology at the forefront of policy objectives and adapt to rules of origin.” (Source: *The Nation*)

## *Dealers weigh in on MW Kwacha footing*

Financial market dealers have painted mixed outlook for the local unit, the kwacha, stating that the currency would remain volatile in the short to medium term. The experts say the currency will only gain momentum and move towards stability if the country works towards addressing the prevailing mismatches between forex demand and supply by enhancing exportation. This comes following an analysis by the International Monetary Fund (IMF) which suggests that most Sub-Saharan African currencies have weakened against the US dollar, fanning inflationary pressures across the continent as import prices surge. In a blog post on Monday (15 May 2023), IMF economist stated this, together with a growth slowdown, leaves policymakers with difficult choices as the balance keeping inflation in check with a still-fragile recovery. Figures available suggest that a one percentage point increase in the rate of currency depreciation against the US dollar leads, on average, to an increase in inflation of 0.22 percentage points within the first year in the region. In an interview on 17 May 2023, Financial Market Dealers Association of Malawi President stated that depreciation of most currencies in the region were driven by external factors, coupled with low levels of exports. He mentioned that the local unit is expected to pick up in a short term, albeit marginally, thanks to trickling in of forex earnings from tobacco, Malawi's top export crop. *(Source: Times Business)*

## *Miners faults government over inactive Kayerekera*

Lotus Resources Limited, a miner at the Kayerekera Uranium Mine, has faulted the government for what it calls failure to conclude on time, the drawing of a Mining Development Agreement (MDA) which would see resumption of operations. On of Lotus Resources Limited added that negotiations between the two parties were already concluded, and the firm awaits a government nod. "it is the government that is delaying the process. The prices on the international market are no longer a problem. If the agreement is concluded now, finances would be raised and they would start resuscitating the factory since it has been idle since 2014. "It would take at least a year and half to resume mining from the time the agreement is signed. So, it is really up to the government". The ministry of Mining Spokesperson attributed the delay to what he rated as inadvertent delays from both parties in reaching a consensus on complexity and risks associated with the concerned MDA. He added that the government is moving to have an accurate deal in the best interest of Malawians. As a country, we want to ensure that the range and applicable rates of royalties, taxes, duties and levies and the manner in which such liabilities will be calculated make sense for Malawi. "Admittedly, this has not been easy to come by considering that each party always seeks the best out of the MDA". *(Source: The Times Business)*

## Market activity and colour

### Market commentary

The market traded 31m shares in 316 trades recording a market turnover of MWK 1.8bn during the week ended. AIRTEL (+11.9%), FMBCH (+10.4%), ILLOVO, NBM, NBS (+0.3%), NITL (+10.0%), NITL (+9.1%), SUNBIRD (+14.1%) and TNM (+0.3%) were the market gainers whilst BHL (-8.8%) and FDHB (-0.1%) dropped in prices. The significant jump in the prices on the counters registered pushed MASI up with 3.1%.

However, on year-to-date the index went up by 62.1%. As a result, the market capitalisation rose 61.91% in both MWK and USD terms.

# Weekly Market Report



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## SYMBOL SUMMARY



Trading Summary for the week ending  
19 May 2023

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	85.54	95.73	11.9% ↑	266,244	25,448,969.00	27	1,053,030,000,000
BHL	10.96	10.00	-8.8% ↓	991,159	9,911,590.00	6	8,397,507,050
FDHB	65.04	64.95	-0.1% ↓	12,500,057	812,213,690.00	59	448,221,979,688
FMBCH	163.11	180.00	10.4% ↑	7,540	1,357,200.00	1	442,485,000,000
ICON	11.26	11.26	0.0%	88,200	993,132.00	2	75,216,800,000
ILLOVO	1,121.27	1,121.30	0.0% ↑	49,618	55,635,797.00	31	799,985,195,628
MPICO	20.58	20.58	0.0%	202,428	4,165,968.24	3	47,293,816,727
NBM	2,000.26	2,000.27	0.0% ↑	25,700	51,406,939.00	21	933,989,547,569
NBS	94.01	94.26	0.3% ↑	2,261,885	213,202,545.00	42	274,350,644,537
NICO	164.99	164.99	0.0%	816,452	134,706,283.00	24	172,091,350,429
NITL	300.00	330.00	10.0% ↑	59,100	19,503,000.00	11	44,550,000,000
OMU	1,127.51	1,127.51	0.0%	125,000	140,938,775.00	2	16,597,305,748
PCL	2,181.28	2,181.28	0.0%	7,116	15,521,988.00	3	262,311,615,050
STANDARD	2,250.11	2,250.11	0.0%	0	0.00	0	528,029,177,998
SUNBIRD	138.00	157.50	14.1% ↑	8,778	1,382,535.00	3	41,199,256,350
TNM	27.10	27.19	0.3% ↑	13,636,836	370,571,030.00	81	272,999,835,500
<b>Totals</b>				<b>31,046,113</b>	<b>1,856,959,441.24</b>	<b>316</b>	<b>5,420,749,032,273</b>

					19-May-23	12-May-23	31-Dec-22
<b>INDEX (week)</b>	<b>97,562.43</b>	<b>100,565.73</b>	<b>3.1% ↑</b>	<b>MWK/USD</b>	1026.43	1026.43	1026.43
<b>INDEX (month)</b>	<b>86,462.61</b>	<b>100,565.73</b>	<b>16.3% ↑</b>	<b>MWK/GBP</b>	1311.28	1323.44	1273.64
<b>INDEX (year to date)</b>	<b>62,036.05</b>	<b>100,565.73</b>	<b>62.1% ↑</b>	<b>MWK/ZAR</b>	54.78	54.87	62.35

Market cap (MWK'm)	5,420,749.03	3,348,012.68
Market cap (USD'm)	5281.142557	3261.787967

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