MALAWI

Political and economic news

Good tidings on MSE continue, index up 5.85%

The 16-counter Malawi Stock Exchange (MSE) continued on a positive trajectory in August with nine counters registering share price gains, pushing up the overall market measure by an average 5.85%, a market report shows. YTD, return on investment, an approximate measure of an investment's profitability, stands at 91.95%, a jump from 20.03% in a similar period last year 2022. The MSE market performance report for August 2023 shows that the Malawi all share index (MASI), the overall measure of the local shares market's performance, increased. Reads the report in part: "The price gains registered on National Bank of Malawi plc, Standard Bank plc, FMB Capital Holdings plc, Old Mutual Malawi plc, National Investment Trust Limited, Illovo Sugar Malawi plc, FDH Bank plc, Airtel Malawi plc and Sunbird Tourism plc were enough to offset share price losses in Nico Holdings plc, NBS Bank plc, Icon Properties plc and TNM plc, resulting into an upward movement of the MASI". Market capitalization during the review period increased from MWK 6.07tn to MWK 6.44tn. Minority Shareholders Association of listed companies' secretary general in an interview described the performance of the market as exceptional, saying investors are happy. *(The Nation)*

Import cover seen at USD267.91m

Gross official foreign exchange position went down to USD 267.91m in July, representing 1.07 months' worth of imports. This is according to figures from the Reserve Bank of Malawi(RBM) quoted by local financial advisory firm, Bridgepath Capital, in its August 2023 Monthly Economic Review. The report indicates that during the preceding month of June, the reserves were at USD 321m. "The import cover for gross official foreign exchange reserves decreased by 17.1% to 1.07 months in July 2023 from 1.29 months in June 2023", the report adds. The increase in June was the highest since November 2022, when the gross official foreign exchange reserves were at USD 338m, representing 1.36 months of import cover. Finance Market Dealers Association of Malawi president stated that the improvement in June was a result of retention policy on export proceeds and tobacco proceeds considering the increased floe of tobacco market by them. He indicated that the sustainability of the positive performance was dependent on efforts to improve the supply of foreign exchange. *(The Daily Times)*

Budget records MWK 20.7bn surplus

The 2023/2024 National budget recorded a MWK20.7bn surplus in July, a turnaround from a MWK51.5bn deficit recorded in June, a latest Reserve Bank of Malawi (RBM) report shows. The RBM report has attributed the positive turnaround to improved tax collection and grants. This is the first surplus recorded by the treasury in 17 months; a development economist highlighted could be a step in the right direction. Data contained in the RBM Monthly Economic Report for July 2023 shows that in the current financial year which started in April, deficits have accumulated to MWK247.5bn. But the report shows that the July fiscal outturn was also an improvement from a deficit of MWK53.4bn recorded in the corresponding period in 2022. The report further shows the total government revenues increased by 21% or MWK 42.8bn to MWK246.7bn in July 2023. Reads the report in part: "The increase in revenue was attributed to a 31.7% or MWK48.9bn increase in tax revenue and 21% or MWK6.4bn increase in grants ". The report indicates that expenditure, on the other hand, declined by 11.5% to MWK226bn in July from MWK255.4bn in June, attributed to decreases in both recurrent and development expenditures. Reads the report: "Expenditure decline was on account of a 9.3% or MWK19.5bn decrease in recurrent expenditure to MWK189.6bn and a 21.3% or MWK9.9bn decrease in development expenditure to MWK36.4bn". *(The Nation)*

Microfinance sector in mixed fortunes

The Reserve Bank of Malawi (RBM) says despite registering steady growth in assets and strong earnings in the first half of this year, the microfinance sector posted results. Data contained in the latest RBM Financial Stability Report shows that during the period, assets for non-deposit taking microfinance institutions increased by 14.7% to MWK37.1bn whereas those of deposit-taking microfinance institutions jumped by 27.3% to MWK76.5bn. The report further indicates that both deposit-taking microfinance subsector and non-deposit taking ones were stable during the review period as both earnings and asset quality improved. Reads the report in part: "Credit risk remained high in the sector due to high levels of non-performing loans. "The increase in non-performing loans was due to lagged effects of the lean period coupled by effects of inflationary pressures, which negatively affected businesses". The RBM mentioned that the microfinance institutions continued to face interest rate risk derived from fixed lending rates against floating borrowing rates from commercial banks. The data, however, shows non-performing loans under the deposit taking microfinance sector increased by 6.7% to MWK2.1bn with gross loans registering a relatively higher increase than the growth in non-performing loans. *(The Nation)*

Firm sees debt-to-gdp ratio at 81.1% by 2027

Local financial advisory firm, Bridgepath Capital Limited, has projected a continued surge in the public debt-to-gross domestic product (GDP) ratio, saying it could hit 81.1% by 2027. The projection is contained in Bridgepath Capital Limited's Malawi Economic Indicator Projections for the period 2023 to 2027, released on Monday. Cumulatively, Malawi's total public debt has been growing over the past decades to MWK 7.9t, an equivalent of 69.93% of the GDP. Of this stock, MWK 4.43t is domestic debt while MWK 3.47t is external debt. In the report, the firm has consolidated figures from the International Monetary Fund (IMF), the Economic Intelligence Unit, Oxford Economics and the World Bank. It quotes the World Bank noting that worsening fiscal deficits and the government's increased domestic borrowing to fund these deficits are contributing to the rising debt stock. The fiscal deficit is seen at MWK1.32t or 8.7% of GDP in the 2023-24 national budget. *(The Daily Times)*

Market activity and colour

Market commentary

The market traded 8.4m shares in 287 trades recording a market turnover of MWK 3.3bn during the week ended. FMBCH (+3.8%), NBM, NITL, STD and SUNBIRD were the market gainers whilst AIRTEL, FDHB (-0.3%), ICON (-0.1%), NBS (-0.1%), PCL and TNM (-0.1%) dropped in prices. The jump in the prices on the counters registered pushed MASI up with 0.5%.

However, on year-to-date the index went up by 93.7%. As a result, the market capitalisation rose 94.03% in MWK and 78.49% USD terms.

SYMBOL SUMMARY

Trading Summary for the week ending 15 September 2023

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	100.46	100.44	0.0% ↓	4,154,069	417,243,126.00	46	1,104,840,000,000
BHL	10.06	10.06	0.0%	0	0.00	0	8,447,892,092
FDHB	75.96	75.75	-0.3% ↓	587,811	44,639,692.50	55	522,753,117,188
FMBCH	400.01	415.02	3.8% ↑	157,851	65,511,170.00	34	1,020,222,915,000
ICON	18.96	18.94	-0.1% ↓	10	189.40	1	126,519,200,000
ILLOVO	1,121.43	1,121.43	0.0%	79,680	89,355,546.00	18	800,077,943,399
MPICO	17.50	17.50	0.0%	3,199	55,982.50	2	40,215,830,550
NBM	2,101.01	2,101.03	0.0% ↑	14,178	29,788,272.00	14	981,037,589,490
NBS	131.91	130.50	-1.1% ↓	267,395	35,116,352.30	28	379,829,822,958
NICO	162.99	162.99	0.0%	296,238	48,286,098.00	17	170,005,268,237
NITL	401.04	401.05	0.0% ↑	74,964	30,119,242.50	16	54,141,750,000
OMU	1,050.00	1,050.00	0.0%	0	0.00	0	14,171,527,650
PCL	2,508.00	2,507.00	0.0% ↓	1,005,970	2,359,312,790.00	6	301,481,340,740
STANDARD	2,650.01	2,650.02	0.0% ↑	53,760	142,465,100.00	6	621,875,322,663
SUNBIRD	191.00	191.02	0.0% ↑	1,000	191,020.00	1	49,967,504,432
TNM	29.94	29.92	-0.1% ↓	1,755,385	52,545,889.88	43	300,410,264,000
Totals				**8,451,510**	**3,314,630,471.08**	**287**	**6,495,997,288,399**

					15-Sep-23	8-Sep-23	31-Dec-22
INDEX (week)	119,595.35	120,133.90	0.5% ↑	MWK/USD	1115.78	1115.78	1026.43
INDEX (month)	119,077.99	120,133.90	0.9% ↑	MWK/GBP	1427.72	1437.37	1273.64
INDEX (year to date)	62,036.05	120,133.90	93.7% ↑	MWK/ZAR	60.54	60.28	62.35

Market cap (MWK'm)	6,495,997.29	3,348,012.68
Market cap (USD'm)	5821.919184	3261.787967

Cedar Capital Limited
4th Floor, Livingstone Towers
Sir Glyn Jones Road
P O Box 3340
Blantyre, Malawi
+265 1 831 995
Feedback: nzimar@cedarcapital.mw