

MALAWI

Political and economic news

Business struggling to access forex

Businesses in the country are still struggling to source foreign exchange from banks, three months after the Reserve Bank of Malawi (RBM) devalued the kwacha by 44%. The devaluation, which was a condition for the Malawi Government to clinch the four-year USD175m (about MWK 297.5bn) International Monetary Fund (IMF) Extended Credit Facility (ECF) programme, brought the expectation that foreign currency would start flowing into the formal market and reduce depreciation pressure on the kwacha. However, in its January 2024 Economic and Business Review, Malawi Confederation of Chambers of Commerce and Industry (MCCCI) said the scarcity is despite the stability of the foreign exchange rate. Reads the review in part: "Despite the stability of the foreign exchange rate, following the devaluation, forex is still scarce, and the difficulties of acquiring raw materials and machinery still persist." MCCCI says while the IMF initiative is a stamp of approval for Malawi's commitment to creating a conducive business environment, and that there is an expectation of increased foreign direct investment following the ECF, this intervention will take time to manifest. "We, therefore, should expect some of the macroeconomic fundamentals to be unfavorable for an extended period." Following the devaluation, the kwacha has remained stable at MWK 17,000 against the US dollar. Already, in January 2024 alone, RBM has conducted two foreign exchange auctions aimed at determining the prevailing market clearing price of the Malawi kwacha against the US dollar and other major currencies. *(Source: The Nation)*

Infrastructure development, Visa regime to stimulate MSE trading

Expectations are high that trading activity on the Malawi Stock Exchange will increase in 2024 owing to anticipated infrastructure developments and amendment of the Immigration Act on visa requirements. On the 9th of February, the president delivered a State of Nation Address (Sona) where he indicated, among other things, that government is working on infrastructure projects such as construction of Namikalango Bridge in Chikwawa, Makanjira road in Mangochi, rehabilitation of the Kasungu loop road and construction of one lane of the dual carriageway from Kanengo to Crossroads in Lilongwe. "Significant progress has been made on the Lilongwe City Road expansion programme, specifically on Kenyatta Road, Sharrar and Mzimba streets, which will be completed in the new financial year. The other one is Mpatamanga Bridge, which will be completed before the start of the new financial year, while construction of the port in Likoma is at 80%," he said. Some 24hrs earlier, the government had amended immigration laws and removed visa restrictions for people from 78 countries. The development means people from Australia, Canada, China, Germany, the United Kingdom (UK) and the United States (US) will no longer need visas to enter the country. Commenting on the developments, MSE Chief Executive Officer said such infrastructure developments will require financial resources where some will be sourced locally though issuance of long-term financial instruments such as Treasury Notes and Government Bonds. "These will in turn help in widening the scope of financial products in the market but at the same time help in financial deepening of our market. *(Source: Times Business)*

RBM eyes 5% inflation by 2026

The Reserve Bank of Malawi (RBM) has indicated that inflation will begin to fall starting in May 2024 and reach the medium-term target of 5% in 2026 on the back of the tight monetary policy stance it has adopted in recent years. This came out during a Monetary Policy Technical Forum held in Blantyre. During a presentation, the Central bank highlighted that inflationary pressures are expected to continue rising in the first half of the year hovering above 35% before prices begin to stabilise. However, authorities from the central bank were not forthcoming to share the actual inflation projection for 2024. In an interview, RBM's Director Economic Policy and Research said the Central Bank adopted a plus or minus 2 inflation target which means the 5% is in the range of 3 to 7%. "The 5% is a desirable target. First, we belong to region blocks such as Sadc and Comesa. We agreed to have a desirable rate for the regional economy among others is that we want the Gross Domestic Product GDP to be growing at 6% to reduce poverty, we also want our foreign exchange reserves to be above 3 months of cover, we also want debt as a percentage of GDP to be sustainable that is below 60%. "For all these to be achieved inflation must be consistent so in calculating all these that is where the 5% target comes. We have been in single digit inflation before, and we will achieve the target in the medium term. "It has been difficult since 2020 understandably because of the disasters that we have experienced in between. In 2012 we devalued the Kwacha by about 50% and inflation moved from single digit to 37.9% in February 2013 then started coming down again to single digit between 2017 and 2018 what happened during that period? We kept policy rate high up to 27%. That helped inflation to come down to single digit, it also helped the Kwacha to stabilize without controlling it, by mid-2016. That helped reserves to start picking up and the economy to grow," he said. One of the participants at the event, an Economist said the RBM failed to acknowledge the damaging effects of Broad Money or M2 on inflation which was at some point 38%. *(Source: The Business Times)*

Market activity and colour

Market commentary

The market traded 7.5m shares in 143 trades recording a market turnover of MWK 387m during the week ended. ILLOVO, NBM, PCL and STANDARD BANK were the market gainers whilst FMBCH (-0.5%), ICON (-0.1%), MPICO (-0.1%), NBS (-4.3%) and TNM (-6.7%) dropped in prices. The significant price drops on the counters registered pushed MASI down by 0.5%.

However, on year-to-date the index closed at 84.6%. As a result, the market capitalisation went down to close at 85.06% in MWK and 12.84% USD terms.

Weekly Market Report



Equity research | News & Analysis

SYMBOL SUMMARY



Trading Summary for the week ending
16 February 2024

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	55.10	55.10	0.0%	404,644	22,295,884.90	17	606,100,000,000
BHL	13.02	13.02	0.0%	0	0.00	0	10,933,554,179
FDHB	65.00	65.00	0.0%	1,641,730	106,718,400.00	27	448,567,031,250
FMBCH	415.00	413.00	-0.5% ↓	35,939	14,876,283.00	8	1,015,257,250,000
ICON	16.90	16.89	-0.1% ↓	11,670	197,106.30	1	112,825,200,000
ILLOVO	1,350.02	1,350.06	0.0% ↑	10,200	13,770,512.00	7	963,192,734,513
MPICO	14.75	14.74	-0.1% ↓	3,495,752	51,562,140.94	9	33,873,219,560
NBM	2,101.75	2,101.80	0.0% ↑	2,964	6,229,647.50	14	981,397,126,928
NBS	114.96	110.00	-4.3% ↓	781,663	86,208,677.44	18	320,163,069,160
NICO	200.00	200.00	0.0%	107,410	21,481,900.00	16	208,608,219,200
NITL	411.45	411.45	0.0%	0	0.00	0	55,545,750,000
OMU	1,500.02	1,500.02	0.0%	0	0.00	0	19,469,151,085
PCL	2,506.95	2,507.00	0.0% ↑	9,811	24,596,180.00	3	301,481,340,740
STANDARD	3,950.15	3,950.16	0.0% ↑	6,120	24,174,980.00	16	926,976,786,806
SUNBIRD	195.02	195.02	0.0%	0	0.00	0	51,013,834,752
TNM	15.00	14.00	-6.7% ↓	1,061,269	14,908,390.00	7	140,566,300,000
Totals				7,569,172	387,020,102.08	143	6,195,970,568,174

					16-Feb-24	9-Feb-24	31-Dec-22
INDEX (week)	115,033.98	114,489.44	-0.5% ↓	MWK/USD	1683.37	1683.37	1026.43
INDEX (month)	115,670.54	114,489.44	-1.0% ↓	MWK/GBP	212.25	2187.27	1273.64
INDEX (year to date)	62,036.05	114,489.44	84.6% ↑	MWK/ZAR	91.64	91.48	62.35

Market cap (MWK'm)	6,195,970.57	3,348,012.68
Market cap (USD'm)	3680.702511	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

This document is confidential and issued for the information of internal and external clients of Cedar Capital Limited registration 8700. It is subject to copyright and may not be reproduced in whole or in part without written permission. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cedar Capital in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/ security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisors to assist the user in reaching any decision. Cedar Capital will accept no responsibility of whatsoever nature in respect of any statement, opinion, recommendation or information contained in this document.