MALAWI

Political and economic news

Malawi can earn K1TN from mining shares

Malawi can earn about USD 600m (about K1.039tn) by offloading shares from listing of the large-scale mining firms to the investing public. This is according to data compiled by the Minority Shareholders Association of Listed Companies presented to Ministry of Mining. The earnings could come from listing rare earths project on Songwe Hills in Phalombe run by Mkango Resources Limited, niobium project in Kanyika, Mzimba by Globe Metals and Mining, rutile and graphite project in Kasiya, Lilongwe by Sovereign Metal Limited and uranium at Kayelekera in Karonga by Lotus Resources Limited. The firms, which are projected to generate a cumulative USD 27bn (about K47tn) in the next 25 years as per their feasibility studies, with start-up costs of about USD 1.246bn based on the current feasibility studies. In an interview, the association's general secretary said the start-up costs could be funded by both equity and debt finance. He said: "The Government of Malawi should invoke Section 260 [2] of the Mines and Minerals Act 2023 to acquire free shares based on frank and tough negotiations with the large-scale mining companies and not limit itself to 15% as was the case with Paladin (Africa) Limited, former owners of Kayelekera Mine. "The minimum optimum shareholding would be 20% which would comply with listing on the Malawi Stock Exchange [MSE]. This would enable the Government of Malawi to earn not less than USD 600m by simply offloading the shares to the local citizens through the Initial Public Offering." He said the feasibility studies should be the basis for the determination of stated capital in line with Section 30 of the Malawi Companies Act 2013 so that large-scale mining firms should not divert from the rosy projections to register meagre profits or losses and not declare appropriate dividends. *(Source: The Nation)*

Money supply on the rise, threatens inflation outlook

Money supply (M2) continues to rise, increasing by K 343.8bn to K4tn in the first quarter of this year, a development analysts say could threaten the country's inflation outlook. In the previous quarter, Reserve Bank of Malawi (RBM) data shows that M2, the total amount of cash and cash equivalents circulating in an economy at a given point, increased by K 384.4bn or 11.7%, in the previous quarter. In an interview yesterday, market analyst observed that with inflation still high, it is likely that the central bank will have to adjust its monetary policy stance to manage the increased liquidity and control potential inflation. He said: "With more money circulating, there is a higher likelihood of increased spending, which can lead to demand-pull inflation if the supply of goods and services does not keep up with the rising demand. "On the other hand, the significant increases in demand deposits and term deposits indicate higher savings and liquidity in the banking system which can boost investment." He further stated that despite being inflationary, an increase in available capital could spur economic activities, promoting growth and potentially leading to job creation and higher gross domestic product. He advised investors in the money market to assess the risks associated with inflation and interest rate changes, observing that a high growth rate in M2 usually signals future volatility, influencing the demand for short-term versus long-term investments. "The rise in foreign currency denominated deposits can affect the exchange rate dynamics. If these deposits are the result of increased foreign investments or remittances, it could strengthen the local currency," he said. *(Source: Times Business)*

Agro investments key to boosting output

The Reserve Bank of Malawi (RBM) says investments in irrigation projects, mega farms and animal production are key to boosting agricultural output, but experts have warned that this could take time to bear positive results. In the latest Financial and Economic Review, the central bank, which has put the agriculture sector growth at 0.7% this year, expects the sector to offset the damage caused by El Nino and rebound to a 4.3% growth in 2025. Data from the Ministry of Agriculture indicates that erratic weather patterns induced by El Nino affected nearly half or 44.3% of the national crop area and left more than two million households facing acute food shortages. But experts have warned that while promising, the mega farms are not developing fast enough to ensure full-scale agriculture commercialisation and industrialization. In an interview yesterday, Mzuzu University agriculture economist said less than one percent growth in the agriculture sector is insufficient to overcome El Nino losses and drive economic development. “Mega farms developments are encouraging, but more needs to be done,” he said. He said there is need for immediate investment in short-term irrigation projects to bridge potential food gaps caused by El Nino. He called for long-term investments in irrigation infrastructure and promoting alternative value chains such as soya beans and groundnuts. Lilongwe University of Agriculture and Natural Resources economist said much as mega farms are critical to agricultural output, they should just complement and not replace existing smallholder farmers and estate production. *(Source: The Nation)*

Market activity and colour

Market commentary

The market traded 9.1m shares in 146 trades recording a market turnover of MWK 992m during the week ended. FDHB and TNM (+0.1%) were the market gainers whilst FMBCH (-0.1%), NBS (-0.9%), NICO and STD dropped in prices. The price drops pushed MASI down.

However, the index recorded a 6.2% rise on year-to-date.

SYMBOL SUMMARY

Trading Summary for the week ending 14 June 2024

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	51.12	51.12	0.0%	114,916	5,874,506.04	11	562,320,000,000
BHL	13.05	13.05	0.0%	0	0.00	0	10,958,746,700
FDHB	74.52	74.55	0.0% ↑	7,368,163	549,290,692.26	41	514,471,879,688
FMBCH	377.99	377.77	-0.1% ↓	20,338	7,686,527.71	16	928,653,102,500
ICON	16.00	16.00	0.0%	0	0.00	0	106,880,000,000
ILLOVO	1,355.13	1,355.13	0.0%	126,400	171,288,442.71	12	966,809,897,576
MPICO	15.00	15.00	0.0%	16,564	248,460.00	2	34,470,711,900
NBM	2,700.00	2,700.00	0.0%	9,372	25,304,400.00	22	1,260,715,692,600
NBS	90.77	89.99	-0.9% ↓	493,884	44,471,157.19	12	261,922,496,306
NICO	199.39	199.37	0.0% ↓	851,719	169,823,490.83	10	207,951,103,310
NITL	411.47	411.44	0.0%	2,519	1,036,405.77	6	55,544,400,000
OMU	1,500.03	1,500.03	0.0%	262	393,007.86	1	19,318,887,870
PCL	2,506.97	2,506.97	0.0%	5,965	14,954,080.00	2	301,477,733,065
STANDARD	3,950.35	3,950.34	0.0% ↓	100	395,034.00	5	927,019,027,075
SUNBIRD	224.01	224.01	0.0%	0	0.00	0	58,597,113,746
TNM	15.50	15.51	0.1% ↑	139,176	2,158,602.26	6	155,727,379,500
Totals				**9,149,378**	**992,924,806.63**	**146**	**6,372,838,171,836**

					14-Jun-24	7-Jun-24	31-Dec-23
INDEX (week)	117,919.91	117,873.18	0.0% ↓	MWK/USD	1733.87	1733.87	1683.37
INDEX (month)	115,418.29	117,873.18	2.1% ↑	MWK/GBP	2274.32	2282.71	2212.41
INDEX (year to date)	110,951.21	117,873.18	6.2% ↑	MWK/ZAR	96.80	94.38	93.54

Market cap (MWK'm)	6,372,838.17	3,348,012.68
Market cap (USD'm)	3675.507895	1988.879473

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