

MALAWI

Political and economic news

Bank interest rates hike to strain firms

Commercial banks' move to raise base lending rates in reaction to Reserve Bank of Malawi's (RBM) policy rate hike will strain businesses and consumers. Following RBM's decision to raise the policy rate by 200 basis points to 26%, commercial banks have responded by raising the reference rate to 24.9% from 23.6%. This means that with the current reference rate, which forms part of interest rates charged by banks on loans, borrowers will now be paying an average of between 33 and 35% to service their loans. This is coming at a time demand for loans has increased, with RBM data indicating that the annual growth of private sector credit has accelerated to 22.6% from 19.1% in October 2023. In an interview market analyst observed that for entities and individuals that already servicing loans, this presents a difficult challenge as most repayment projections will not have taken into account high interest rates. He said: "We are, therefore, likely to see an increase in non-performing loans in the commercial banks. "If one is borrowing at 35 percent, what kind of business would you have to be doing to achieve a return that covers this plus some retained earnings?" He said innovative solutions such as private equity funds should spring up to provide alternatives to debt financing." On his part, one economist said with the increase in the reference rate, the cost of borrowing has gone up further and this will put a strain on both businesses and consumers. Speaking separately, Consumers Association of Malawi executive director said interest rates rise will shrink trade, with most industries closing down, thereby threatening jobs. *(Source: The Nation)*

Parastatals chalk mixed performance

High cost of borrowing, inter-agency arrears and tariffs that do not reflect the costs of production continue to weigh in on the performance of State-Owned Enterprises (SOEs), the Malawi Government Annual Economic Report 2024 shows. The report released on Friday as part of 2024/25 National Budget documents shows that the performance of the SOEs in the water and sanitation sector was mixed as of March 1 2023. It also indicates that Central Region Water Board recovered from a loss of MWK390.8m recorded in the 2021/22 financial year to post a profit of MWK1.95bn in 2022/23 fiscal year while the Lilongwe Water Board continued its positive trend with a profit after-tax of MWK395m. But Blantyre Water Board (BWB) and Northern Region Water Board (NRWB), on the other hand, incurred losses of MK20.87bn and MWK1.7bn, respectively, in the year under review, according to the report. A similar trend was observed in the energy sector, with the Electricity Supply Corporation of Malawi posting a profit of MWK12.8bn largely attributed to the government writing off the company's debt to its sister company Electricity Generation Company (Egenco). But Egenco recorded a loss after-tax of MWK2.1bn, a significant drop from the MWK5.1bn profit achieved in the 2022/23 financial year. Meanwhile, the Malawi Housing Corporation registered a loss of MWK268m in the 2022/2023 financial year compared to the prior year when it posted a profit after-tax of MWK1.7bn, according to the report. Ministry of Finance and Economic Affairs has attributed the poor performance of some SOEs to their failure to "generate adequate revenues to meet their operating expenditure largely due to non-cost reflective tariffs and the impact of the exchange rate re-alignment in November 2023". Reacting to the report, Consumers Association of Malawi executive director commended the water boards that made profits for pursuing sustainable business models, saying their expansion to reach more customers and improve the efficiency of their operations allowed them to succeed where others have failed. *(Source: The Nation)*

Tough budget that inspires hope: MCCCCI, Ecama, Icam

Economic think tank Economics Association of Malawi (Ecama), The Malawi Confederation of Chambers of Commerce and Industry (MCCCCI) and the Institute of Chartered Accountants in Malawi have described the 2024-25 national budget as tough and ambitious but inspiring hope among businesses and poor Malawians. Minister of Finance presented the K5.98tn financial blueprint to Parliament on Friday. This is something we hoped for as we are trying to recover the economy. In an interview, Ecama acting Vice President said there are numerous developments that inspire stability and growth of the economy in the coming financial year. For example, mentioned the 30% development allocation, an increase in non-tax measure to increase revenue, alignment of the budget to the State of the Nation Address and an emphasis on the Agriculture, Tourism and Mining (ATM) strategy. “We have seen the government pumping resources into mega farms, the mining sector and tourism for them to contribute significantly to Gross Domestic Product (GDP); so, we are saying this is something we can hope for as an economy. We also noted establishment of the mining company by the government; this is commendable because we shouldn’t wait for investors to come and establish a company and exploit our resources. “We have seen some measures that the government has put in place, for example, taxing importation of finished products such as foods. They are trying to encourage people to import raw materials and that is one way of making sure that industries are functioning. So, this is also something we hoped for as we are trying to recover the economy,” she said. In a separate interview, MCCCCI President said there are some measures that will be pleasing to some members of the private sector such as reductions on taxes on mobile money transactions but, on the other side, the government is extending the tax rate for businesses making profits of more than MWK10bn to a higher rate of 40%, which will disappoint others. “There are bits and pieces that cover manufacturing like reduction of excise taxes on some clear bears from 40% to 20%. So, some members of the private sector will again benefit from that development,” he said.

(Source: The Business Times)

Market activity and colour

Market commentary

The market traded 2.7m shares in 231 trades recording a market turnover of MWK 243m during the week ended. FDHB, ILLOVO, NBS (+2.8%), NITL, STANDARD and SUNBIRD (+0.5%) were the market gainers whilst AIRTEL (-9.3%), FMBCH (-0.4%), ICON (-0.1%), NICO and TNM (-14.3%) dropped in prices. The significant price drops on the counters registered pushed MASI down by 1.2%.

However, on year-to-date the index closed at 82.2%. The market capitalisation in MWK went down by 17.25% y-t-d to MWK 6.1tn and remained the same in USD terms to 3.6bn.

SYMBOL SUMMARY



Trading Summary for the week ending 01 March 2024

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	55.10	50.00	-9.3% ↓	946,685	47,334,235.00	27	550,000,000,000
BHL	13.03	13.03	0.0%	0	0.00	0	10,941,951,686
FDHB	65.14	65.15	0.0% ↑	676,868	44,097,870.00	45	449,602,185,938
FMBCH	413.72	412.00	-0.4% ↓	17,781	7,339,023.00	14	1,012,799,000,000
ICON	16.89	16.88	-0.1% ↓	1,209	20,411.36	2	112,758,400,000
ILLOVO	1,350.10	1,350.11	0.0% ↑	11,587	15,643,688.00	20	963,228,406,733
MPICO	14.72	14.72	0.0%	13,311	195,937.92	3	33,827,258,611
NBM	2,101.80	2,101.80	0.0%	29,438	61,872,793.00	38	981,397,126,928
NBS	107.00	109.98	2.8% ↑	341,869	37,602,770.83	28	320,104,857,693
NICO	199.95	199.92	0.0% ↓	16,232	3,245,264.90	10	208,524,775,912
NITL	411.45	411.48	0.0% ↑	34,751	14,298,731.18	18	55,549,800,000
OMU	1,500.02	1,500.02	0.0%	71	106,501.42	2	19,469,151,085
PCL	2,507.00	2,507.00	0.0%	294	737,058.00	4	301,481,340,740
STANDARD	3,950.16	3,950.18	0.0% ↑	491	1,939,537.00	7	926,981,480,169
SUNBIRD	195.02	196.00	0.5% ↑	3,688	720,476.40	3	51,270,185,680
TNM	14.00	12.00	-14.3% ↓	659,124	8,240,920.00	10	120,485,400,000
Totals				2,753,399	243,395,218.01	231	6,118,421,321,176

				1-Mar-24	23-Feb-24	31-Dec-23
INDEX (week)	114,374.77	113,044.48	-1.2% ↓	MWK/USD	1683.37	1683.37
INDEX (month)	113,039.66	113,044.48	0.0% ↑	MWK/GBP	2188.66	2194.90
INDEX (year to date)	62,036.05	113,044.40	82.2% ↑	MWK/ZAR	90.43	90.51

Market cap (MWKm)	6,118,421.32	3,348,012.68
Market cap (USDm)	3634.634554	1988.879473

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