MALAWI

Political and economic news

Firm raises new funds for mining project

Mkango Resources Limited says it has raised 2.49m Canadian dollars (about K3.2bn) from existing shareholders to boost funding for its rare earths project at Songwe Hills in Phalombe District. The Toronto Stock Exchange-listed mining group said in a statement that USD 2.19m Canadian dollar (about K2.8bn) came from existing shareholders while USD 302 000 Canadian dollar (about K387m) was contributed by Eit Rawmaterials—a network of partners from industry, research and academia, which will acquire shares in one of its subsidiaries that will fund part of the Songwe project. Reads the report: "EIT Raw Materials will, subject to the approval of the Toronto Venture Exchange, provide additional funding of USD 302 000 Canadian dollar (about K390m) and receive a 5.7% interest in Mkango Polska sp, a subsidiary of Mkango Resources Limited, which will fund optimisation process for the Songwe Hill Rare Earths Project in Malawi." EIT RawMaterials comprises about 300 members from industry, university and research and development in the raw materials sector collaborating with the European Institute of Innovation and Technology and co-funded by the European Union. Mkango Resources Limited chief executive said the recent signing of the mine development agreement (MDA) for the Songwe Project and the opportunity to progress process optimisation through the investment by EIT RawMaterials, will enhance options for the Songwe project. He said: "With the recent signing of the MDA for Songwe, existing shareholders were happy to continue to support the company with further investment at a minimal discount to prevailing prices. "Furthermore, the investment by EIT Raw Materials further highlights the strategic importance of Songwe to the strengthening of rare earth supply chains in Europe and beyond." *(Source: Business Times)*

Can fiscal discipline, IFMIS rescue Malawi?

The Malawi is facing a severe debt crisis, with its public debt reaching K15.17tn. This represents 81% of the country gross domestic product (GDP), which is 1 600 basis points above the 65% threshold recommended by global financial institutions. The international community, including the World Bank and the United States, is alarmed by this unsustainable debt burden and is urging the Malawi Government to take decisive action to stabilise its finances. According to economic analysts, the keys to addressing Malawi's debt crisis are fiscal consolidation and the full implementation of the Integrated Financial Management and Information System (Ifmis). These interrelated strategies, if properly executed, could offer hope for restoring fiscal discipline, fostering economic growth and addressing the country's mounting debt. Fiscal consolidation is not merely about reducing public expenditure, rather it involves a more nuanced approach that seeks to achieve sustainable fiscal policies through efficient revenue and expenditure management, according to Scotland-based Malawian economist. This process involves cutting down on unnecessary government spending, enhancing revenue collection through measures such as broadening the tax base and improving enforcement mechanisms and negotiating with creditors to restructure existing debt obligations. One of the primary challenges facing Malawi is the reduction of wasteful government expenditure. Inefficiencies within public administration, exacerbated by corruption and inflated procurement costs, have significantly contributed to the current fiscal crisis. An advisor at the International Monetary Fund (IMF), said after her team's mission to Malawi that addressing these inefficiencies could free up critical resources and restore confidence in government institutions. In addition to reducing expenditures, enhancing revenue collection is a crucial aspect of fiscal consolidation. Malawi's revenue collection system is inefficient, with widespread tax evasion and poor administration. *(Source: The Nation)*

Mixed feelings on Q3 performance

Malawi Confederation of Chambers of Commerce and Industry has described the third quarter (Q3) as mixed, saying positive trade facilitation initiatives were overshadowed by continued scarcity of foreign exchange and re-emergence of electricity load shedding. In an email response to assess the performance of the economy in Q3, MCCCI chief executive officer said businesses continue to face challenges due to macroeconomic lapses, particularly scarcity of foreign exchange, rising inflation and volatile exchange rate despite some positive developments. Inflation rate is currently at an 11-year high of 33.9% while official foreign exchange reserves have dropped to just above one month of import cover. She further stated that the finalisation of negotiations for the Simplified Trade Regime with Mozambique and the enactment of Micro Small and Medium Enterprises (MSME) Bill into law by Parliament are the positives, but lamented the outstanding economic challenges and continued power blackouts. She said: “The enactment of MSME Bill by Parliament is expected to strengthen regulation and support for the sector, a key driver of the economy. Additionally, the Simplified Trade Regime framework between the governments of Malawi and Mozambique is set to facilitate cross-border trade, benefiting both economies. The government’s push to promote railway infrastructure for fuel importation is anticipated to improve efficiency in supply of fuel and reduce operational costs. She said foreign exchange shortages remained a critical issue, with manufacturers struggling to secure vital inputs for production. “If the resurgence of load shedding continues, it poses significant risks for businesses. Load shedding forces companies to operate at lower capacity and increases production costs as many resort to alternative energy sources.” Industry expert and Common Market for Eastern and Southern Africa Business Council president said that there is need for dialogue between government and private sector on the foreign exchange issue and other economic challenges. *(Source: The Nation)*

Market activity and colour

Market commentary

The market traded 36.5m shares in 299 trades recording a market turnover of MWK 5.7bn during the week ended. AIRTEL (+11.2%), OMU, STANDARD BANK and TNM (+0.1%) were the market gainers whilst FDHB (-0.1%), FMBCH, ILLOVO (-0.2%), MPICO (-0.1%), NBM and NITL (-0.3%) dropped in prices. The price gains on the counters mentioned pushed MASI up by 0.7%.

However, the index recorded a 29.5% rise on year-to-date and 0.7% on index per month.

SYMBOL SUMMARY

Trading Summary for the week ending 04 October 2024

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	44.97	50.02	11.2% ↑	72,069	3,584,589.00	10	550,220,000,000
BHL	13.51	13.51	0.0%	427,000	5,768,770.00	5	11,345,032,025
FDHB	149.24	149.15	-0.1% ↓	13,530,787	2,018,376,909.10	73	1,029,288,810,938
FMBCH	398.68	398.66	0.0% ↓	1,335,536	532,450,970.00	21	980,005,945,000
ICON	14.90	14.90	0.0%	664,532	9,901,526.80	4	99,532,000,000
ILLOVO	1,302.08	1,300.00	-0.2% ↓	934	1,214,200.00	5	927,477,708,300
MPICO	14.92	14.90	-0.1% ↓	175,423	2,613,883.22	7	34,240,907,154
NBM	3,449.96	3,449.93	0.0% ↓	27,829	96,008,211.00	47	1,610,881,810,878
NBS	149.58	149.58	0.0%	11,507,252	1,721,253,030.00	57	435,363,562,590
NICO	198.70	198.70	0.0%	6,350,808	1,261,905,807.30	20	207,252,265,775
NITL	411.08	410.00	-0.3% ↓	37,767	15,484,370.00	8	55,350,000,000
OMU	1,866.00	1,866.01	0.0% ↑	262	488,894.62	2	23,751,080,969
PCL	2,499.83	2,499.83	0.0%	139	347,476.37	2	300,619,106,511
STANDARD	5,335.06	5,335.09	0.0% ↑	10,801	57,624,287.00	20	1,251,975,764,405
SUNBIRD	225.05	225.05	0.0%	0	0.00	0	58,869,159,629
TNM	18.49	18.50	0.1% ↑	2,361,043	43,908,091.00	18	185,748,325,000
Totals				**36,502,182**	**5,770,931,015.41**	**299**	**7,761,921,479,173**

					4-Oct-24	27-Sep-24	31-Dec-23
INDEX (week)	**142,711.26**	**143,705.95**	**0.7% ↑**	MWK/USD	1734.01	1734.01	1683.37
INDEX (month)	**142,686.97**	**143,705.95**	**0.7% ↑**	MWK/GBP	2345.95	2389.18	2212.41
INDEX (year to date)	**110,951.21**	**143,705.95**	**29.5% ↑**	MWK/ZAR	102.47	103.71	93.54

Market cap (MWK'm)	7,761,921.48	3,348,012.68
Market cap (USD'm)	4476.279504	1988.879473

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