

MALAWI

Political and economic news

Concern grows as fiscal deficit hits K189.2 billion

The Malawi government recorded a fiscal deficit of K189.2bn in August 2024, a sharp reversal from the K13.8bn surplus in July. Figures from the Reserve Bank of Malawi (RBM) in the August 2024 Monthly Economic Review reveal that the shortfall stems from a combination of declining revenues and rising expenditures, sparking concerns about the country's economic direction, especially considering that the recent deficit is almost double the K97.1bn recorded in August 2023. The report indicates that total government revenue for August stood at K329.7bn, a steep drop from K516.2bn in July 2024. The main driver of this decline was a 38.6% fall in tax revenues, amounting to K134.8bn. Non-tax revenues also experienced a substantial reduction, declining by 23.8%, while grants decreased by K49bn over the same period. On the expenditure front, government spending increased to K518.9bn in August, up from K502.4bn in July. Recurrent expenditure was on the rise, growing by K31.2bn, or 8.8%. However, there were notable decreases in development and other expenditures. Development spending dropped by K14.7bn, or 10%, while other expenditures plummeted by 77.8% to K8.8bn. Economic analysts warn that the widening deficit and the gap between revenues and expenditures raise concerns about the sustainability of the government's fiscal policies. As recurrent expenditures rise, the decline in tax revenues and external grants could indicate looming financial challenges, especially if the trend persists. The report aligns with a call from the Budget and Finance Committee of Parliament to fast-track a World Bank-supported Fiscal Governance Programme for Results, aimed at creating an alternative revenue stream for the Malawi Revenue Authority (MRA). *(Source: Business Times)*

Project tips SMEs on revenue generation

The Financial Inclusion and Entrepreneurship (Fines) project has moved in to train small and medium enterprises (SMEs) in sales and revenue generation to boost their revenue streams and contribute to the country's economic growth. The training focused on three core areas, namely sales management, financial management and business operations and has targeted SMEs who participated in the personal initiative training of the World Bank-supported project. Fines project manager said the training was built on the success of the personal initiative training, which has shifted the mindset of SMEs to recognise the value of knowledge. Previously, most SMEs owners believed financial support was the only valuable form of business assistance. But he stressed that financial access remains a key component in the later stages of the Fines training developed by the IBF Consulting Group, Belgium-based international consulting group that focuses on development aid projects financed by international organisations. "In the next five years, we aim to develop strong, resilient and business-oriented firms rather than rely on one-off interventions that have mostly focused on extending credit," he said. Reacting to the training, founder and manager of Kazinyama Restaurant, said the "structured" training helped them to refine successful sales strategies and address ineffective business practices. He said: "The whole point of a business is to make sales and generate revenue. This training helped us better understand what we were already doing. The interactive sessions underscored the importance of sales and record-keeping." Chindikani Investments founder and general manager, another participant in the training, said the record-keeping knowledge will help her to address critical business challenges, such as financing. "Some of us [entrepreneurs] miss out on loans because we can't convince banks that we generate enough revenue to expand and repay. Hopefully, that will improve going forward," she said. *(Source: The Nation)*

Amended laws tackle SMEs challenges, says ministry

Ministry of Trade and Industry says amendments to the Business Licensing Act (2012) and the Control of Goods Act (2018) have helped to protect small businesses, creating a sustainable pathway for their expansion and growth. The ministry's Principal Secretary said this in Lilongwe when she appeared before the Legal Affairs Committee of Parliament to update the committee on the impact of recent amendments to the Business Licensing Act and the Control of Goods Act, which were gazetted on May 31 and August 15 2024, respectively. Following her presentation, committee members questioned her on how the ministry is leveraging the Business Licensing Act, which seeks to license non-Malawian businesses to provide actionable data to the government on potential revenue streams while ensuring that local businesses remain competitive. Regarding the Control of Goods Act (Import and Export), the committee inquired whether the amendment, has been effective in regulating imports controlled goods such as poultry products. This concern arose following reports that some retail chains were importing restricted poultry products. Member of the committee, who is lawmaker for Machinga Likwenu, noted that some retail chains such as KFC, may need to import poultry products to comply with franchise agreements signed with their parent companies. "A company operating under a KFC franchise agreement is required to produce chickens of a quality [taste and texture] comparable to that offered in the United States. This is why they may need to import," he said. In response, she said that some of the Burundians in question had been naturalised and, therefore, would be considered Malawians under the law. "Some have been naturalised by marriage and others have passports and national identity cards, so we cannot regulate them," she said. *(Source: The Nation)*

Market activity and colour

Market commentary

The market traded 25.4m shares in 315 trades recording a market turnover of MWK 1.6bn during the week ended. AIRTEL (+1.8%), BHL (+0.1%), ICON (+6.5%), ILLOVO (+4.2%), NBS, NICO, OMU and SUNBIRD were the market gainers whilst FDHB (-0.1%) and MPICO (-0.1%) dropped in prices. The price gains on the counters mentioned pushed MASI up by 0.7%.

However, the index recorded a 30.9% rise on year-to-date and 1.8% on index per month.

Weekly Market Report



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SYMBOL SUMMARY



Trading Summary for the week ending
25 October 2024

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
AIRTEL	50.11	51.03	1.8% ↑	558,690	28,119,512.70	13	561,330,000,000
BHL	14.20	14.21	0.1% ↑	388,103	5,514,944.00	10	11,932,857,518
FDHB	149.24	149.19	0.0% ↓	890,698	132,879,294.00	91	1,029,564,852,188
FMBCH	398.65	398.65	0.0%	389,879	155,425,732.10	12	979,981,362,500
ICON	14.88	15.84	6.5% ↑	18,000,614	284,955,125.76	8	105,811,200,000
ILLOVO	1,299.98	1,355.10	4.2% ↑	7,136	9,532,978.50	12	966,788,494,244
MPICO	14.89	14.88	-0.1% ↓	190	2,827.20	1	34,194,946,205
NBM	3,449.93	3,449.93	0.0%	83,050	286,515,958.00	34	1,610,881,810,878
NBS	149.58	149.61	0.0% ↑	4,163,641	622,812,616.00	57	435,450,879,791
NICO	198.76	198.78	0.0% ↑	400,797	79,663,939.00	30	207,335,709,063
NITL	409.96	409.96	0.0%	42,958	17,611,031.00	8	55,344,600,000
OMU	1,866.01	1,866.50	0.0% ↑	3,794	7,081,507.00	5	23,757,317,822
PCL	2,499.82	2,499.82	0.0%	171	427,469.22	3	300,617,903,952
STANDARD	5,335.11	5,335.11	0.0%	0	0.00	0	1,251,980,457,768
SUNBIRD	240.01	240.03	0.0% ↑	4,000	960,100.00	2	62,787,666,677
TNM	20.50	20.50	0.0%	518,794	10,632,555.00	29	205,829,225,000
Totals				25,452,515	1,642,135,589.48	315	7,843,589,283,606

					25-Oct-24	18-Oct-24	31-Dec-23
INDEX (week)	144,191.92	145,230.00	0.7% ↑	MWK/USD	1734.01	1734.01	1683.37
INDEX (month)	142,686.97	145,230.00	1.8% ↑	MWK/GBP	2316.13	2331.67	2212.41
INDEX (year to date)	110,951.21	145,230.00	30.9% ↑	MWK/ZAR	100.96	101.42	93.54

Market cap (MWK'm)	7,843,589.28	3,348,012.68
Market cap (USD'm)	4523.377109	1988.879473

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