



Malawi Financial Market Update

Week ending 27 May 2022

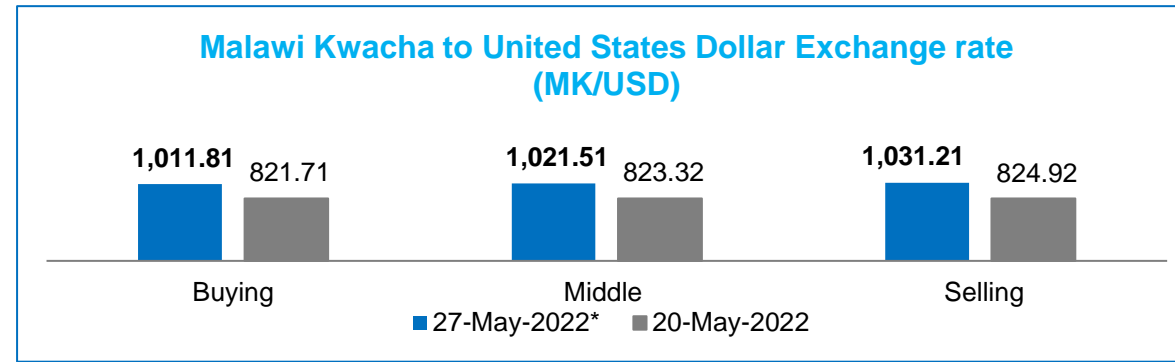


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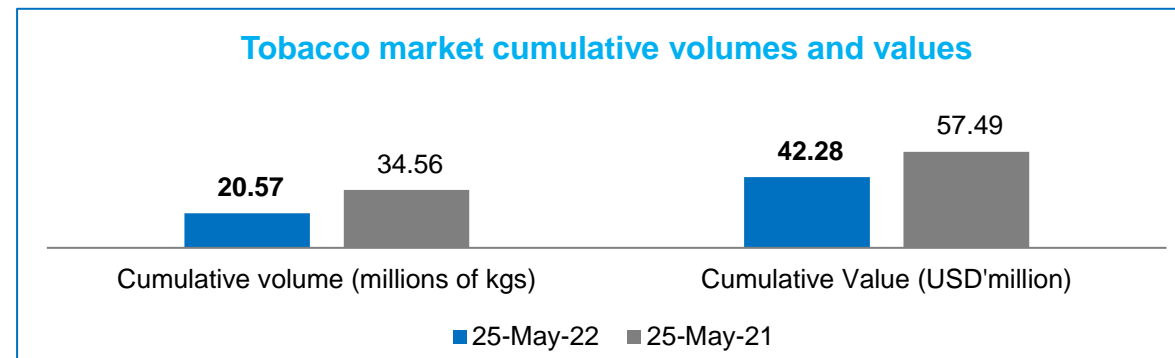
Foreign currency market and other market developments (Source: RBM, MSE, AHL)

The Reserve Bank of Malawi (RBM) informed Authorised Dealer Banks (ADB) to devalue the exchange rate by 25% from the midrate as of 26 May 2022. The Kwacha to USD exchange rate opened at MK1,021.51/USD as of 27 May 2022, an increase of 25% from MK823.32/USD as of 20 May 2022.

Foreign currency (Source: RBM)



Tobacco Market Sales (Source: AHL)



Latest Summary Published Accounts

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	31 December 2021	31 December 2020	Actual Change in profit/(loss)
MPICO	6.42	4.34	48%
ICON Properties	8.72	8.79	-1%
FMB Capital Holdings (USD'million)	40.45	21.28	90%

What Happened this Week

- The Reserve Bank of Malawi (RBM) informed Authorised Dealer Banks (ADB) that effective from 27 May 2022, the Kwacha was to be devalued by 25% from the midrate as of 26 May 2022. This is in response to domestic foreign exchange liquidity challenges which have been brought about by supply-demand imbalances. These developments have manifested through low foreign exchange supply, declining official foreign exchange reserves and widening spread between ADBs and Bureau Cash exchange rates. The country has experienced declining export earnings, increases in the import bills and rising commodity prices caused by the impact of COVID-19, Russia-Ukraine geopolitical tensions and the tropical cyclones, among other factors. Prior to the devaluation, the RBM had aimed to curb the challenges by implementing short-term measures that included continuous intervention in the foreign exchange market and the temporary re-introduction mandatory sale of 30% of export proceeds to the Bank. These short-term measures had not produced the sought after effects in the domestic economy. Going forward, on one hand, the RBM will allow the exchange rate to adjust to a market clearing position with the view of endorsing a flexible exchange rate "managed float" regime that allows the exchange rate developments to reflect market fundamentals. On the other hand, the government will continue to work on initiatives that are aimed at widening the export base through diversification of the exports to the mining sector, establishment of structured commodity markets to increase receipts through formal channels, and the implementation of policies that aim at improving the value of exports (*The Reserve Bank of Malawi, 26-May-22*).
- The country's gross official foreign reserves decreased by 3% to USD363.27 million as of April 2022, from USD374.48 million as of March 2022. The gross official foreign reserves position as of April 2022 represents 1.45 months of import cover, a decrease of 3% from 1.50 months of import cover in March 2022 (*The Reserve Bank of Malawi, 23-May-22*).
- The Malawi Revenue Authority (MRA) has indicated that it could face challenges in some tax lines as a result of the unavailability of foreign exchange in the country. The MRA stated that about 30% of revenue is collected from trade taxes and that this would be affected by the by the foreign exchange shortage (*The Nation, 26-May-22*).

*: Reserve Bank of Malawi opening exchange rates as of 27 May 2022



Government securities (Source: RBM)

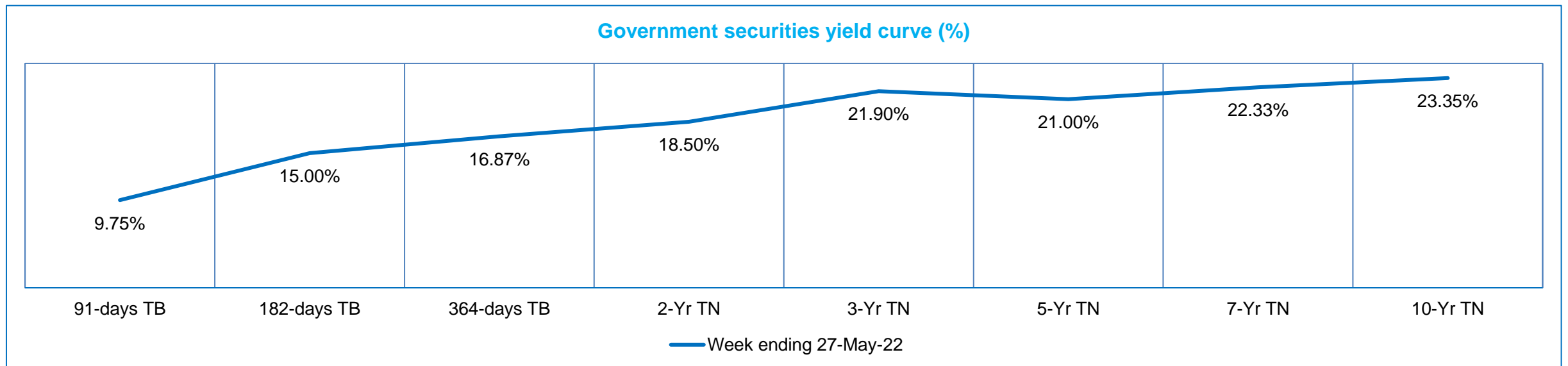
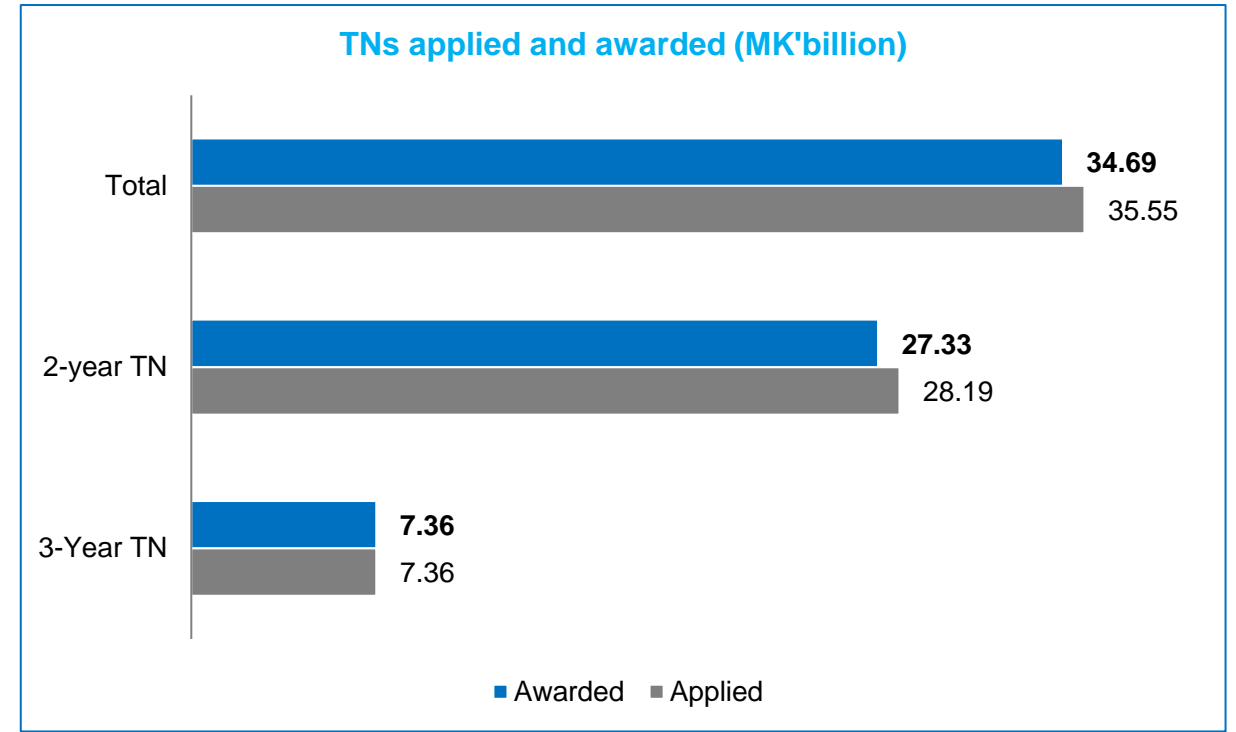
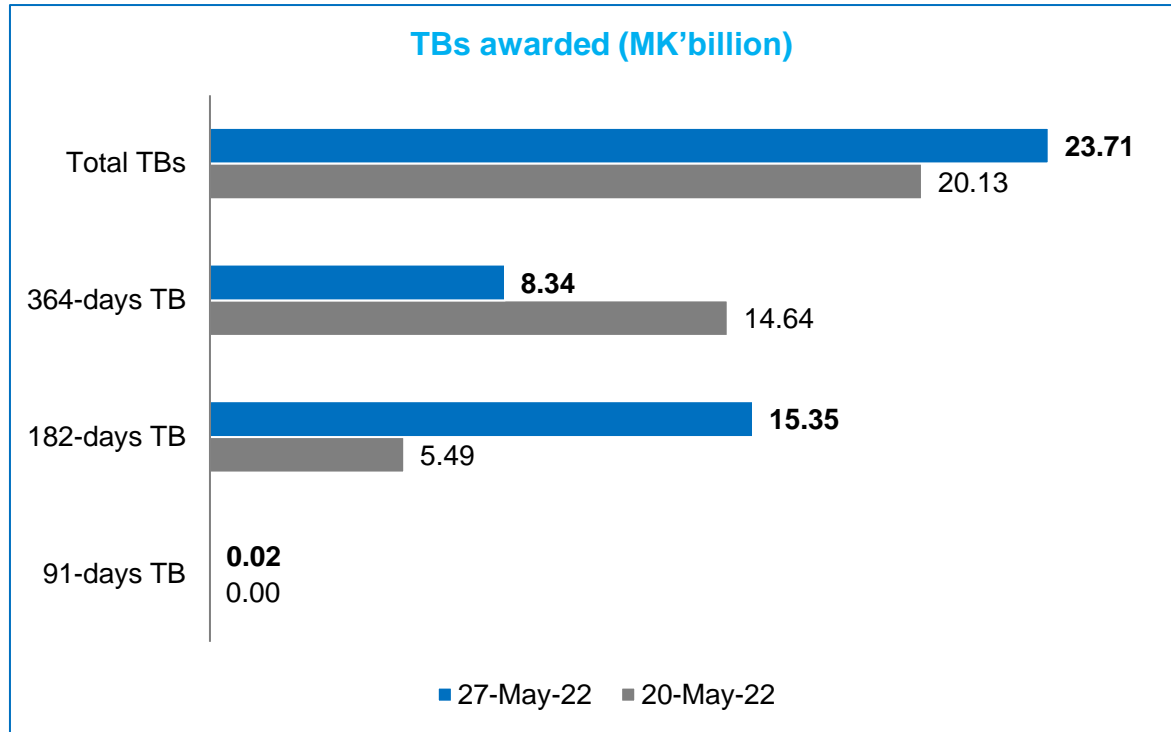
A total of MK51.04 billion was awarded in Tuesday's auctions of Treasury Bills (TBs) and Treasury Notes (TNs).

MK23.71 billion and MK27.33 billion was awarded in the TBs and TNs auctions, respectively.

The TB auction had a nil rejection rate, while the TNs auctions had a rejection rate of 3%.

The average TB yield increased to 13.87% from 13.64%, while the average TN yield increased to 21.42% from 20.86% during the period under review.

The government intends to hold auctions for TBs and a 5-year TN on 31 May 2022.



TB: Treasury Bill
TN: Treasury Note
Yr: Year

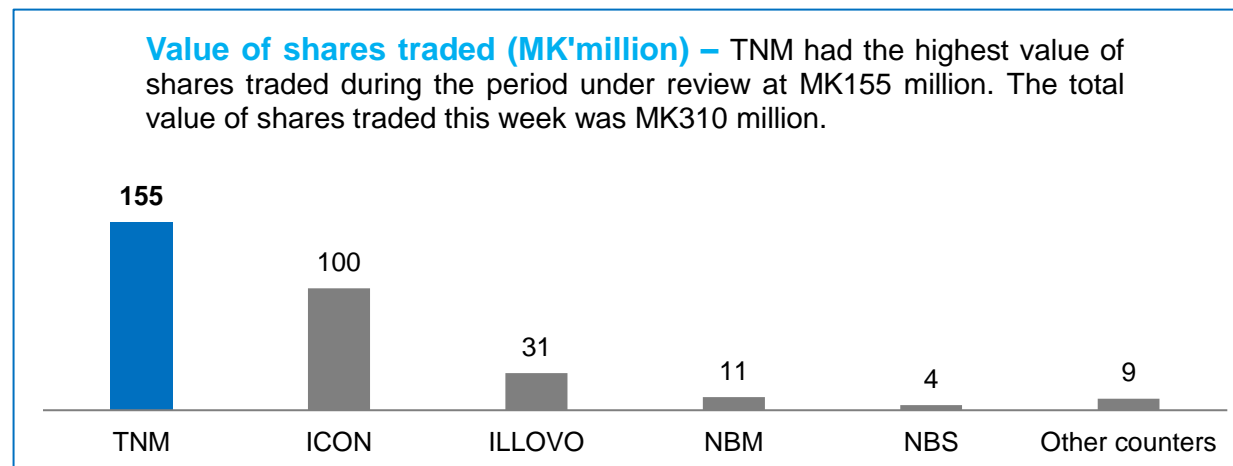
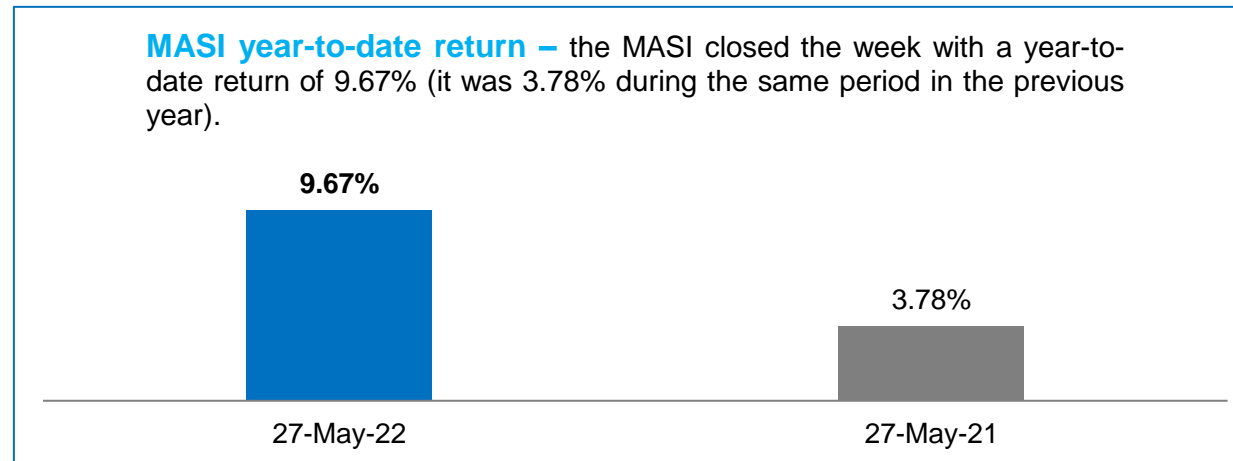
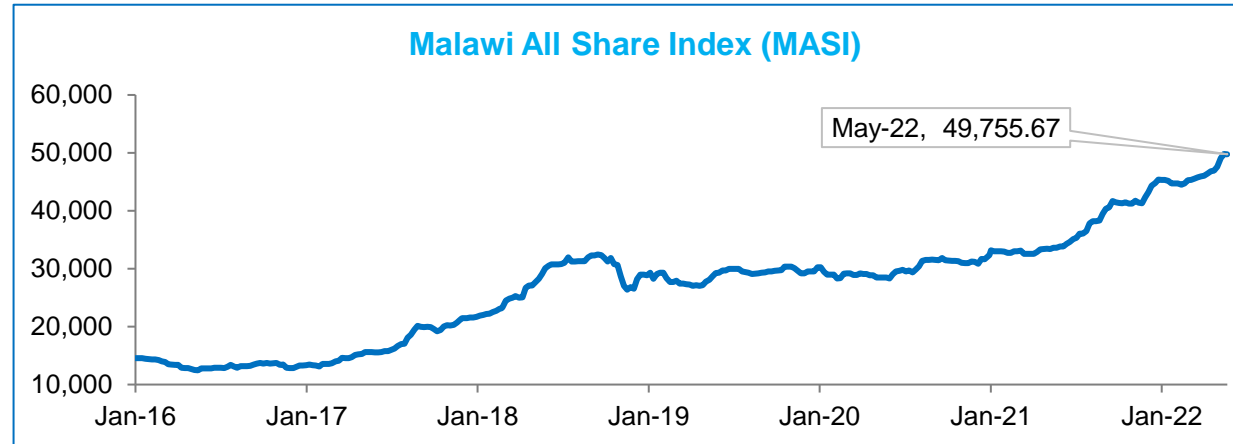


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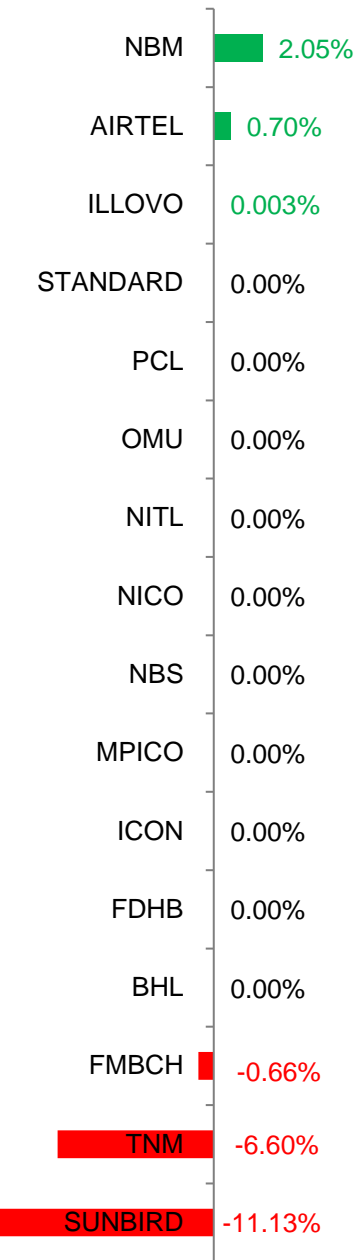
Stock market (Source: MSE)

The stock market was marginally bearish over the period with the Malawi All Share Index (MASI) closing the week ending 27 May 2022 at 49,755.67 points from 49,788.91 points for the week ending 20 May 2022. Week-on-week, this represents a decrease of 0.07%.

There were share price losses for SUNBIRD and TNM, as well as a marginal share price loss for FMBCH. The share price losses offset a share price gain for NBM and marginal share price gains for AIRTEL and ILLOVO during the period under review.



Week-on-week share price gains/losses (%)



Symbol	Closing prices as of 27 May 2022 (MK/share)
AIRTEL	47.61
BHL	11.01
FDHB	14.51
FMBCH	143.99
ICON	12.00
ILLOVO	305.52
MPICO	20.70
NBM	1,000.06
NBS	22.78
NICO	46.75
NITL	110.02
OMU	1,785.00
PCL	1,900.00
STANDARD	1,507.17
SUNBIRD	80.00
TNM	14.00



Appendix 1: Historical Economic Indicators

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	Week ending 27 May 2022
Exchange rates (middle rates)																		
MK/USD	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	818.44	822.81	822.10	823.60	823.67	1,021.51*
MK/GBP	1,070.14	1,107.24	1,140.90	1,139.62	1,164.37	1,191.58	1,192.94	1,203.74	1,196.67	1,168.72	1,201.21	1,194.23	1,208.01	1,211.73	1,283.92	1,214.22	1,150.18	1,290.88*
MK/EUR	987.95	991.78	1,006.72	993.04	1,035.48	1,042.52	1,032.04	1,048.56	1,044.60	1,026.14	1,037.74	1,099.91	1,138.47	1,072.50	1,170.30	1,031.32	966.40	1,097.82*
MK/ZAR	56.43	54.60	55.69	56.13	59.33	62.28	61.42	60.79	60.90	58.90	59.04	57.21	57.68	61.82	64.84	66.90	59.34	65.06*
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	574.26	502.98	483.38	410.16	392.01	414.41	424.99	404.18	604.50	521.87	405.66	389.26	429.17	399.98	385.40	374.48	N/A	N/A
Private Sector Reserves (USD'mn)	377.97	358.29	340.50	342.58	392.61	369.64	388.78	405.79	389.47	386.05	384.75	404.81	425.52	424.49	407.22	391.49	N/A	N/A
Total reserves (USD'mn)	952.23	861.27	823.88	752.74	784.62	784.05	813.77	809.97	993.97	907.92	790.41	794.07	854.69	824.47	792.62	765.97	N/A	N/A
Gross Official Reserves Import cover (months)	2.75	2.41	2.31	1.96	1.88	1.77	1.70	1.62	2.42	2.09	1.62	1.56	1.72	1.60	1.54	1.50	N/A	N/A
Inflation																		
Headline	7.60%	7.70%	8.30%	9.40%	9.2%	8.9%	9.1%	8.7%	8.4%	8.9%	9.8%	11.1%	11.5%	12.1%	13.0%	14.10%	15.70%	N/A
Food	10.50%	9.70%	10.30%	11.70%	11.5%	11.0%	11.1%	10.3%	9.7%	10.9%	11.8%	12.8%	13.6%	14.2%	15.3%	17.10%	19.50%	N/A
Non-food	4.90%	5.60%	6.30%	6.90%	7.0%	7.1%	7.2%	7.2%	7.2%	7.2%	7.8%	9.5%	9.5%	9.6%	10.1%	10.50%	12.20%	N/A
Interest Rates																		
Monetary Policy rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	14.00%
Average Interbank rate	11.41%	11.34%	10.67%	11.37%	11.72%	13.36 %	11.94%	11.96%	11.98%	11.98%	11.98%	11.98%	11.98%	11.15%	11.70%	11.70%	11.70%	12.50%
Average base lending rate	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	14.20%
Government Securities' Yields																		
91-days Treasury Bill	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%	9.62%	9.33%	9.60%	9.59%	9.60%	9.58%	9.70%	9.70%	9.47%	9.74%	9.57%	9.75%
182-days Treasury Bill	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%	12.81%	12.96%	12.96%	12.98%	12.98%	12.98%	13.00%	13.00%	12.99%	13.00%	13.00%	14.50%
364-days Treasury Bill	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%	13.87%	12.06%	14.08%	14.20%	14.20%	14.22%	14.47%	15.00%	15.00%	15.00%	15.00%	16.87%
2-year Treasury Note	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%	16.65%	16.63%	16.63%	16.63%	16.64%	16.64%	16.66%	16.70%	16.70%	17.00%	17.00%	18.50%
3-year Treasury Note	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%	18.97%	19.00%	18.99%	18.99%	18.99%	19.00%	19.05%	19.04%	19.33%	19.50%	19.50%	19.50%
5-year Treasury Note	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%	20.08%	20.00%	20.09%	20.26%	20.44%	20.53%	20.54%	20.78%	20.78%	21.00%	21.00%	21.90%
7-year Treasury Note	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%	20.59%	20.98%	21.36%	21.36%	21.36%	21.15%	20.94%	20.94%	21.98%	22.00%	22.00%	22.33%
10-year Treasury Note	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%	21.85%	22.54%	23.01%	23.25%	23.00%	22.50%	22.50%	22.98%	22.98%	22.98%	23.35%	23.35%
Stock Market Indices																		
MASI	32,392.84	32,988.58	33,009.75	32,562.96	33,380.63	33,676.89	35,144.56	36,496.03	38,945.62	41,550.15	41,458.37	41,565.98	45,367.68	44,501.63	45,472.09	45,921.23	46,934.16	49,755.67
DSI	27,755.46	28,090.02	28,108.19	27,710.72	28,257.89	28,376.03	28,739.26	29,749.56	31,959.22	34,266.54	34,188.36	34,284.11	37,061.70	36,322.34	37,186.63	37,584.34	37,283.40	38,514.15
FSI	1,363.88	1,613.58	1,614.45	1,614.33	1,844.72	2,030.51	3,234.45	3,479.97	3,479.97	3,450.70	3,450.25	3,450.24	4,223.15	4,183.22	4,182.23	4,184.71	5,720.11	7,354.60

*: Reserve Bank of Malawi opening exchange rates as of 27 May 2022

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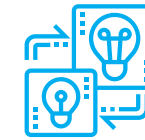
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