

# **MALAWI STOCK EXCHANGE LIMITED**

## **ANNUAL MARKET PERFORMANCE REVIEW**

**1<sup>ST</sup> JANUARY – 31<sup>ST</sup> DECEMBER 2003**

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## ANNUAL MARKET PERFORMANCE REVIEW: 2003

### 1.0 INTRODUCTION

The report gives an outline of the performance of the stock market and the Malawi economy for the period 1<sup>st</sup> January to 31<sup>st</sup> December 2003.

### 2.0 ECONOMIC POSITION

The year on year national inflation rate for the month ending November 2003 was registered at 9.6% reflecting a slight increase from 9.5% recorded in the month of October 2003. The increase in the rate was a result of an increase in both the urban and rural inflation rates, which slightly inched upwards from 10.6% to 10.8% and from 9.0% to 9.1% respectively. The upturn in the rates emanated from the food index, which has experienced an overall increase of 3.0% due to the continued upward price movement in the prices of cereals and cereal products. The upward price trend will continue in 2004 due to the fuel price increases towards the end of the year 2003 as these have cost push effect on the whole economy but more specifically on the manufacturing and transport industry. In 2002, the annual inflation rate for the month ending November 2002 was at 12% while for the month ending December 2002 was registered at 11.5%

The Malawi Kwacha during the period 1<sup>st</sup> January to 31<sup>st</sup> December 2003 depreciated by 19.7 % against the United States Dollar from the trading position of K87.0877/US\$ to K108.42653/US\$. Against the South African Rand and the Euro the Kwacha lost by 40.2% from K9.9498/ZAR to K16.6331/ZAR and by 33.7 % from K90.4474/EUR to K136.4905/EUR respectively. Against the British Pound, the Kwacha depreciated by 27.5% from K140.1468/GBP to K193.2969/GBP.

The loss in value of the Kwacha has been aggravated by the suspension of donor aid coupled with low foreign exchange proceeds from tobacco sales due to low prices and low revenue from other non-traditional exports during the period. Foreign reserves to sustain the normal demand are low currently at 1.6 months of import cover.

The Reserve Bank rate was at 40% at the beginning of the year 2003 but increased to 45% in June 2003. In the month of November the Bank rate was reduced to 40% and was further reduced to 35% in December 2003. The reduction of the Bank rate as cited by the Reserve Bank of Malawi was as a result of the improvements in monetary conditions and sharp decline in government borrowing.

The commercial bank's lending rates also followed the same trend as the Reserve Bank rate. The commercial bank's rates were registered at an average of 41.50% at the beginning of the year but increased to an average of 46.0% in June when the Bank rate had also gone. The rates later bounced back to an average range of 40.0-41.1% in November and closed the year 2003 at an average range of 36.0-37.0%.

The 91 days T-bill yield was at 37.07% at the beginning of January and inched upwards to its lifetime high in the year of 44.18% in week ending 5<sup>th</sup> September 2003 but inched back to 33.12% at the close of the year. The yield on the 182 days T-bill went up from 38.10% in January to 44.45% recorded on 25<sup>th</sup> July and later closed the year at 34.04%. The 273 days T-bill yield decreased from 38.44% to 33.86% in the same period.

In the RBM Bill market, the yield on the 63 days tenor decreased from 37.10% to 33.01% and the 91 days tenor decreased from 37.04% to 34.42% during the review period.

## **2.0 MARKET PERFORMANCE**

### **2.1 Market Statistics**

For the period 1<sup>st</sup> January to 31<sup>st</sup> December, 2003 the market transacted a total of 181,872,236 shares at a total consideration of MK808,035,640.55 (US\$ 8,712,401.19) in 290 deals against a total volume of 31,602,923 shares at a total turnover of MK258,848,690.18 (US\$3,532,444.78) in 651 deals in 2002. This reflects a robust performance by an increase of 475.5 percent in terms of share volume and 212.2 percent in terms of share value in Malawi Kwacha and 146.6 percent in US Dollar terms. The first half of the year registered the biggest share trade of 141,892,201 shares at a total consideration of MK592,337,872.05 (US\$6,543,898.37) against 39,980,035 shares at a turnover of MK215,697,768.50 (US\$2,168,502.82) traded in the second half of 2003.

**Table 1 Market Statistics**

Yr Ending	Trades	Volume	Value (MK)	Value (US\$)
2001	1,327	182,928,035	1,453,403,147.18	21,235,324
2002	651	31,602,923	258,848,690.18	3,532,444.78
2003	290	181,872,236	808,035,640.55	8,712,401.19
<b>% CHANGE 01-02</b>		<b>-82.72</b>	<b>-82.19</b>	<b>-83.37</b>
<b>% CHANGE 01-02</b>		<b>475.49</b>	<b>212.17</b>	<b>146.64</b>

## 2.2 Market Capitalization and Index

The total market capitalization for the month of January 2003 was K395,103.64m (US\$4,433.51m) and increased to MK584,060.69 million (US\$ 5,386.70m) as at 31<sup>st</sup> December 2003 reflecting an increase of 47.80% in Malawi Kwacha and 18.71% in US Dollar terms.

The Malawi All Share Index (MASI), the index that reflects the average price movement of all counters at the Exchange increased from 313.40 points registered in the month of January to 457.27 points registered at 31<sup>st</sup> December 2003, giving an annual return on index of 45.91%. The increase in MASI is due to an increase in the Foreign Share Index from 128.20 points registered in January to 188.53 points registered on 31<sup>st</sup> December 2003. The average return on index of 46 percent is a superior reflection of stock market investment over other financial instruments during the year 2003. This high average return has been a result of high returns in some of the listed counters such as NICO and OML plc despite others exhibiting low or negative returns.

**Table 2: Market Capitalization and Index**

Yr Ending	Mkt. Cap. MKm.	Mkt. Cap US\$m	Mkt. Cap. MKm*	Mkt. Cap US\$m*	MASI
2001	543,218.65	8,067.64	10,517.09	156.195	458.74
2002	395,179.35	4,537.72	10,074.25	115.679	313.40
2003	584,060.60	5,386.70	10,270.50	94.723	457.27
<b>% CHANGE 01-02</b>	<b>-27.25</b>	<b>-43.75</b>	<b>-4.21</b>	<b>-25.94</b>	<b>-31.68</b>
<b>% CHANGE 01-02</b>	<b>47.80</b>	<b>18.71</b>	<b>1.95</b>	<b>-18.12</b>	<b>45.91</b>

\* Excludes non-Malawi register Old Mutual plc shares

## 2.3 Market Liquidity

The turnover velocity, an indicator of the liquidity of assets traded on the market as measured by the ratio of Total Value of Trades to Market Capitalisation (TVT/MCAP\*) stood at 7.87%, compared to 2.57% registered in 2002.

**Table 3: Market Liquidity**

WEEK Ended	Mkt. Cap/GDP %	Mkt. Cap/GDP* %	TVT/Mkt. Cap (US\$)%	TVT/Mkt. Cap* (US\$) %	TVT/Mkt. Cap %	TVT/Mkt. Cap* %
2001	439.02	8.500	0.263	13.595	0.268	13.82
2002	267.77	6.826	0.078	3.054	0.066	2.57
2003	354.40	6.232	0.162	9.198	0.138	7.87

\* Excludes non-Malawi register Old Mutual plc shares

## 2.4 Company Trading

During the year 2003, all the nine listed counters were traded at the Exchange with some exhibitively active trades while some sparsely traded. The most traded counter during the period under review was SUCOMA with a trade volume of 122,994,750 shares accounting for 67.63 %. The least traded counter was Blantyre Hotels Limited (BHL) with 60,280 shares out of 181,872,236 traded shares accounting for 0.03 %. Last year 2002, the most traded counter was NBM while the least traded counter was Press Corporation Limited (PCL). The highest price gainer during the year 2003 was NICO Holdings with a 112.5 percentage price increase from an opening share price of MK0.40 to year-end closing price of MK0.85 per share. OML plc registered an annual capital gain of 47.0 percent from an opening price of MK102.00 to MK150.00 per share while STANBIC registered 3.12 5 capital gain from MK6.40 to MK6.60 per share. Capital losers in the year under review were BHL(-19.10%), NBM(-7.14%), PCL(-26.92%), PIM(-15.79%), SUCOMA(-1.28%) and SUNBIRD(-24.32%).

**Table 4: Company Trading Statistics**

<b>COMPANY TRADING STATISTICS :FY 2003</b>							
<b>Company</b>	<b>Opening Price</b>	<b>Closing Price</b>	<b>% Price Change</b>	<b>LT LOW</b>	<b>LT HIGH</b>	<b>Share Vol. Trade</b>	<b>% Traded</b>
BHL	4.45	3.60	-19.10	3.60	4.45	60,280	0.03
STANBIC	6.40	6.60	3.12	5.85	6.60	5,247,066	2.89
NBM	6.30	5.85	-7.14	5.80	6.30	32,148,543	17.68
NICO	0.40*	0.85	112.50	0.40	1.00	2,677,348	1.47
PCL	13.00	9.50	-26.92	7.50	13.00	10,917,642	6.00
PIM	1.90	1.60	-15.79	1.40	1.90	2,089,770	1.15
SUCOMA	3.90	3.85	-1.28	3.00	3.90	122,994,750	67.63
SUNBIRD	1.85	1.40	-24.32	0.90	1.85	5,160,600	2.84
OML	102.00	150.00	47.06	95.00	155.30	576,237	0.32
						<b>181,872,236</b>	<b>100.000</b>

\* NICO'S share price after share split of 3 shares for every 1 share and bonus issue of 3 shares for 2 shares held.

### 3.0 MARKET DEVELOPMENT

The market experienced some developments during the year under review and pertinent developments worth noting were:-

#### Demand Side

##### 3.1 Public Awareness

In a drive to sensitise the general public on stock market investment, the Malawi Stock Exchange during the year under review launched jingle advertisement programme on radio and television. In addition to MSE awareness advertisements on radio and television, the Exchange also launched street pole advertising along the central business districts roads highlighting the benefits of investing at the Stock Exchange and publicizing the MSE logo.

The Exchange also organized a one-day business journalists' stock market symposium aimed at informing them on the technical operation and the role of the stock exchange in the financial system. .

## Supply Side

- 3.2 During the quarter under review, NICO underwent a major restructuring exercise which led to among, others change of name to NICO Holdings, share split and bonus issue exercise which resulted in an increase in shares in issue to 1,043,041,096 ordinary shares but diluting the last traded price to 40 tambala (MK0.40) per share while maintaining the value of the company's market capitalization of MK417.22 million (US\$4.64 million).
- 3.3 Commercial Bank of Malawi changed its name to Stanbic Bank starting from 17<sup>th</sup> June, 2003. The MSE trading code as a result of the change of name became **Stanbic**.
- 3.4 There were no new listings during the year under review however there are prospects for one listing at the Exchange during the second half of the year 2004. The listing is part of the privatization programme undertaken by the Government of Malawi and will bring the number of listed counters to ten.

## Fiscal Restructuring

- 3.5 During the 2003/04 Budget Statement, the following tax policy measures have been amended:
- The rate of Surtax has been reduced from 20% to 17.5%
  - Customs and Excise processing fee has been increased from K200.00 to K600.00
  - Withholding tax rate on supplies of goods and services has been reduced from 10% to 4% and the Government will simultaneously withdraw all tax exemption certificates.

## 4.0 KEY MACROECONOMIC INDICATORS

**Table 4: Macroeconomic Indicators**

<b>KEY MACROECONOMIC INDICATORS</b>				
	<b>Jan 2002</b>	<b>Dec 2002</b>	<b>Jan 2003</b>	<b>Dec 2003</b>
Inflation Rate	20.20	12.0 (Nov.)	10.7	9.6 (Nov.)
RBM Bank Rate	46.80	40.00	40.0	35.00
Prime Rate	45 –46.00	40 –41.00	40 –41.00	36.00
<b>TB YIELD</b>				
91 Days T-Bill	46.22	36.05	37.83	33.12
182 Days T-Bill	45.95	37.20	38.22	34.04
271 Days T-Bill	45.78	38.58	38.39	33.86
<b>RBM BILL YIELD</b>				
63 Days RBM Bill	46.29	35.79	37.10	33.01
91 Days RBM Bill	46.52	37.02	37.04	34.52
<b>EXCHANGE RATES</b>				
MK/US\$	67.9275	87.0877	89.1176	108.4265
MK/GBP	96.1617	140.1468	147.9410	193.2960
MK/EUR	58.8064	90.4474	96.3861	136.4905
MK/ZAR	6.1374	9.9498	10.5237	16.6331
MK/JPY	0.5248	0.7409	0.7607	1.0248
MK/ZWD	1.2614	1.6172	1.6549	0.1383