CDH INVESTMENT BANK

First quarter economic review

2024

Contents

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First quarter economic review

2024

1. Executive summary

1.1. The Monetary Policy Committee raised the Policy rate to 26.0% from 24.0% on 1st February 2024.

1.2. Liquidity level on the interbank market increased in the first quarter of 2024 (Q1 2024) compared to the fourth quarter of 2023 (Q4 2023) and the first quarter of 2023 (Q1 2023).

1.3. Market interest rates and yields on government securities increased in Q1 2024 following the 200 basis points increase in the Policy rate.

1.4. The supply of foreign currency remained critically low, and the Reserve Bank of Malawi (RBM) continued to hold foreign exchange auctions with Authorised Dealer Banks in Q1 2024 which resulted in continued depreciation of the Kwacha against major trading currencies during the quarter. The Kwacha to US Dollar TT rate lost by 3.09% to close at K1,750.38 per USD during the quarter.

1.5. Inflation pressures remained elevated in Q1 2024, with headline inflation rate increasing to an average of 33.4% in Q1 2024 from the average of 31.5% in Q4 2023. However, the headline inflation rate decreased in February and March 2024 to close at 31.8% in March 2024, compared to 34.5% in December 2023. RBM projects that the 2024 inflation path is likely to be more elevated than the annual average inflation outturn of 28.8% for 2023.

1.6. The government projects a real GDP growth rate of 3.2% for 2024 from an estimated 1.5% growth in 2023, while the EIU expects growth to remain subdued at 1.5% during the year. Higher growth is expected in 2025 with government's projection at 4.0%.

1.7. The 2024/2025 National Budget is estimated at K5.98 trillion against estimated revenue of K4.55 trillion. Fiscal deficit is estimated to amount to K1.43 trillion (23.9% of total budget) and will be financed by net foreign borrowing of K150 billion and net domestic borrowing of K1.28 trillion.

1.8. The stock market registered a positive return of 2.96% on the Malawi All Share Index (MASI) in Q1 2024, lower than the return of 29.44% registered in the corresponding period in 2023.

2. Interbank market

2.1. Liquidity conditions in the banking system increased in Q1 2024 compared to the levels registered in Q4 2023 and Q1 2023. The banks' daily excess liquidity reserves held with RBM averaged K188.15 billion in Q1 2024 compared to an average of K90.97 billion in Q4 2023 and K49.22 billion in Q1 2023.

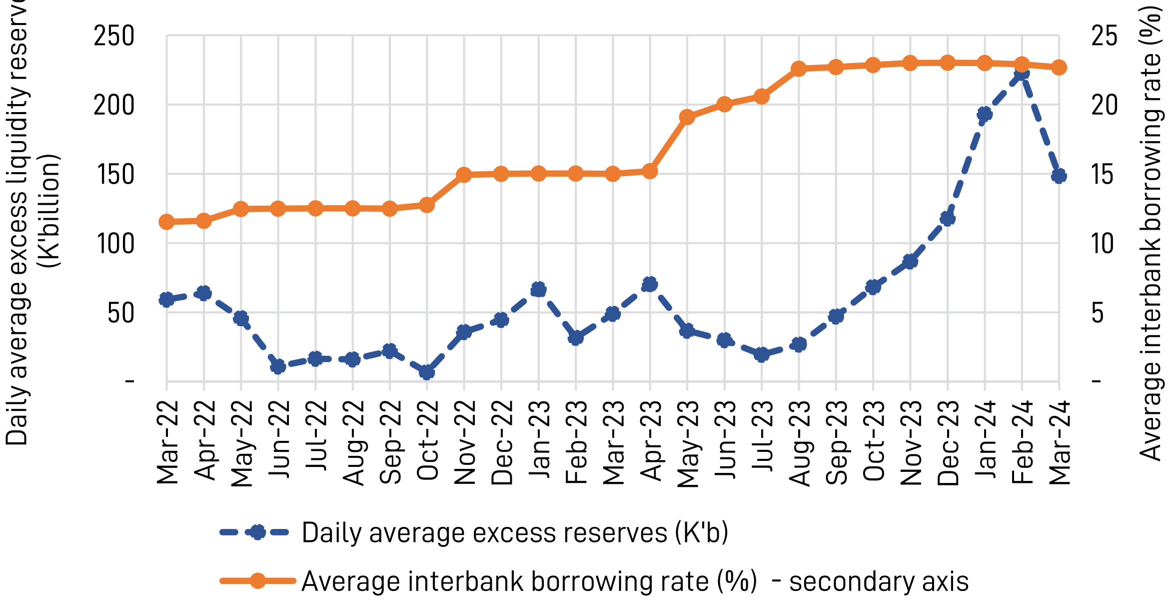
2.2. The volume traded among banks on the interbank market increased in nominal terms to an average of K30.55 billion per day in Q1 2024 from the daily average of K30.34 billion per day in Q4 2023 and K21.25 billion per day in Q1 2023. Funds accessed through the Lombard Facility of the RBM decreased to an average of K40.33 billion per day in Q1 2024 from K64.41 billion per day in Q4 2023 and K72.41 billion per day in Q1 2023.

2.3. The interbank borrowing rate decreased to an average of 22.86% in Q1 2024 from an average of 22.95% in Q4 2023 (15.01% in Q1 2023) on account of higher liquidity levels. The Lombard rate increased to an average of 24.87% in Q1 2024 from 24.20% in Q4 2023

(18.20% in Q1 2023) and was at 26.20% as at the end of the quarter. The increase in the Lombard rate followed an upward adjustment of the Policy rate to 26.00% from 24.00% by the Monetary Policy Committee (MPC) on 1st February 2024.

2.4. Chart 1 shows the increase in liquidity levels in Q1 2024 relative to the previous quarter. The chart also shows that the interbank borrowing rate was largely stable during the quarter, despite the increase in the Policy rate.

Chart 1: Daily average excess liquidity reserves and interbank borrowing rate



(Data *source: Reserve Bank of Malawi)*

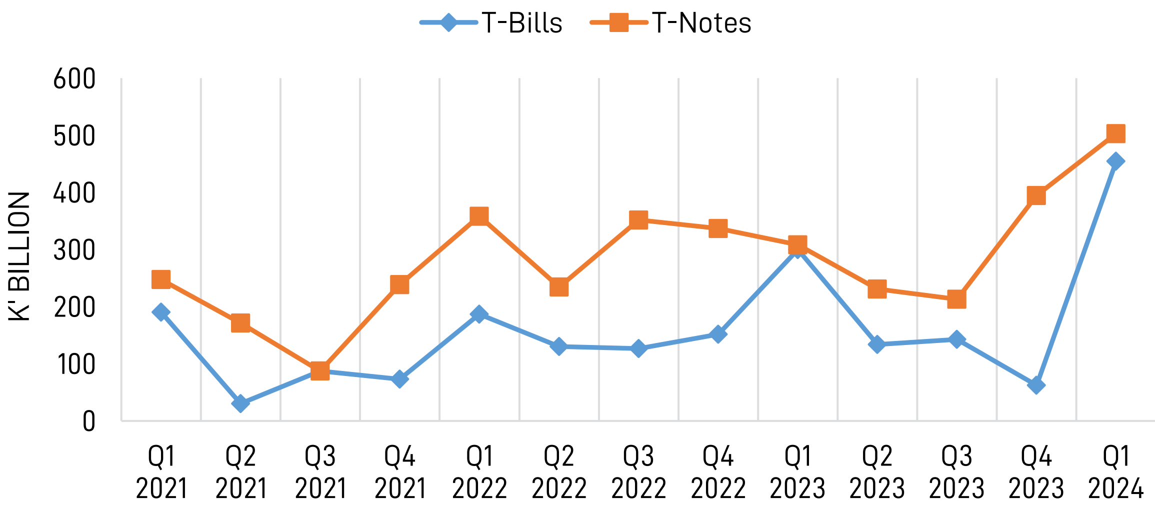
3. Government Securities

3.1. The government raised K454.46 billion in auctions of Treasury Bills (TB) during Q1 2024, representing an increase of 629.44% from K62.30 billion raised in Q4 2023, and an increase of 51.55% when compared to K299.87 billion that was raised in Q1 2023. Rejection rate was at 1.15% during the quarter.

3.2. K502.83 billion was raised in auctions of Treasury Notes (TNs) in Q1 2024, representing a nominal increase of 27.42% when compared to K394.62 billion raised in Q4 2023, and an increase of 63.16% from K308.18 billion raised in Q1 2023.

3.3. Overall, the total amount raised by government in the domestic market through issuance of Treasury securities (TBs and TNs combined) increased to K957.29 billion in Q1 2024 from K456.92 billion in Q4 2023 (representing an increase of 109.51%), and K608.06 billion in Q1 2023 (representing an increase of 57.44%) as shown in Chart 2:

Chart 2: Comparative analysis of amounts raised in treasury securities

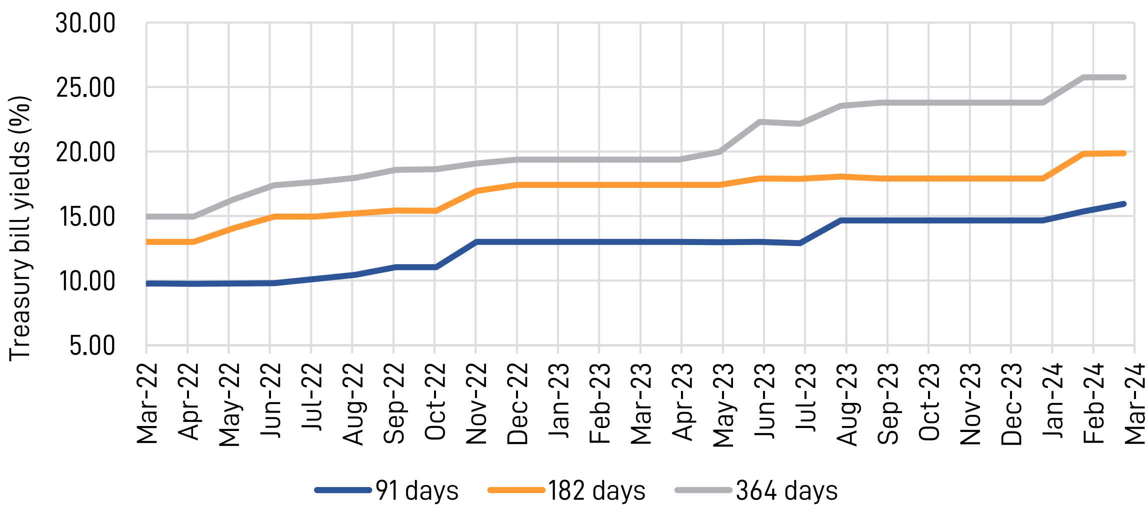


(Data source: Reserve Bank of Malawi)

3.4. Yields to maturity (ytm) on government securities increased during Q1 2024 relative to the levels registered in Q4 2023 and Q1 2023. The all-type average TB yield increased to 20.01% in Q1 2024 from 18.90% in Q4 2023 and 16.67% in Q1 2023. The 364-day yield increased to an average of 25.33% in Q1 2024 from 24.00% in Q4 2023 and 19.50% in Q1 2023. The 182-day yield averaged 19.31% in Q1 2024, up from 18.00% in Q4 2023 and 17.50% in Q1 2023. The 91-day yield averaged 15.37% in Q1 2024 compared to 14.70% in Q4 2023 and 13.00% in Q1 2023.

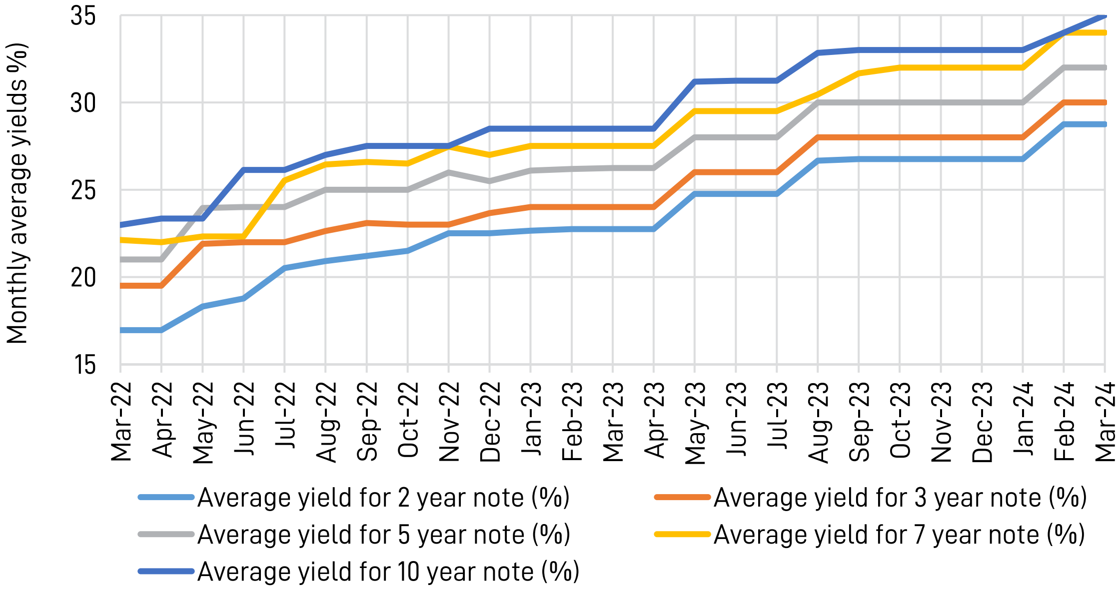
3.5. Charts 3 and 4 and Table 1 indicate that yields of Treasury securities increased in Q1 2024 relative to the previous quarter, reflecting the upward adjustment of the Policy rate on 1st February 2024.

Chart 3: Monthly average Treasury bill yields



(Data source: Reserve Bank of Malawi)

Chart 4: Monthly Average Treasury Note Yields



(Data source: Reserve Bank of Malawi)

Table 1: Quarterly average yields of Treasury Notes

Description	2 years	3 years	5 years	7 years	10 years
Q1 2024 average yield	28.08%	29.33%	31.33%	33.33%	34.00%
Q4 2023 average yield	26.75%	28.00%	30.00%	32.00%	33.00%
Q3 2023 average yield	26.06%	27.33%	29.33%	30.54%	31.83%
Q2 2023 average yield	24.08%	25.33%	27.42%	28.83%	30.31%
Q1 2023 average yield	22.72%	24.00%	26.18%	27.50%	28.50%
2023 average yield	24.90%	26.17%	28.23%	29.72%	30.91%
2022 average yield	19.60%	21.65%	23.80%	24.39%	25.69%
2021 average yield	16.58%	18.87%	20.17%	20.77%	22.57%
%pt. increase: Q1 2024 vs Q4 2023	1.33%	1.33%	1.33%	1.33%	1.00%
%pt. increase: Q1 2024 vs Q1 2023	5.37%	5.33%	5.16%	5.83%	5.50%

(Data source: Reserve Bank of Malawi)

3.6. Looking ahead, government securities' yields to maturity (ytm) are expected to remain elevated in the short to medium term on account of persistent high inflation pressures, still tight monetary policy and prevailing fiscal pressures. However, the yields are expected to be more stable in Q2 2024 as no major Policy rate changes are expected during the quarter.

4. Foreign exchange market

4.1. The Kwacha continued to depreciate against major trading currencies during Q1 2024 as the country's forex reserves remained critically low.

4.2. The Malawi Kwacha to USD telegraphic transfer (TT) exchange rate increased during Q1

2024 to close at K1750.38 per USD from K1697.98 as at the end of Q4 2023, representing a Kwacha depreciation of 3.09%.

4.3. During the same period, the Kwacha also depreciated against the GBP, EUR and ZAR by 2.00%, 1.66% and 0.50%, respectively, as shown in Table 2a below.

4.4. In terms of TT quarterly averages, as Table 2b indicates, in Q1 2024 the Kwacha depreciated against USD, GBP, EUR and ZAR by 15.26%, 17.58%, 16.23% and 13.23%, respectively, compared to averages for Q4 2023.

4.5. The RBM continued to hold monthly, at times fortnightly, foreign exchange auctions with Authorised Dealer Banks during the quarter aimed at facilitating the discovery of prevailing market clearing exchange rates for the Kwacha against major currencies. While there were no exchange rate changes during auctions held in January and February 2024, the auction held on 18th March 2024 resulted in an increase in the maximum USD selling price to K1,751.00 per USD from K1,700.00 per USD, representing a Kwacha depreciation of 3%.

Table 2a: End period TT middle exchange rates

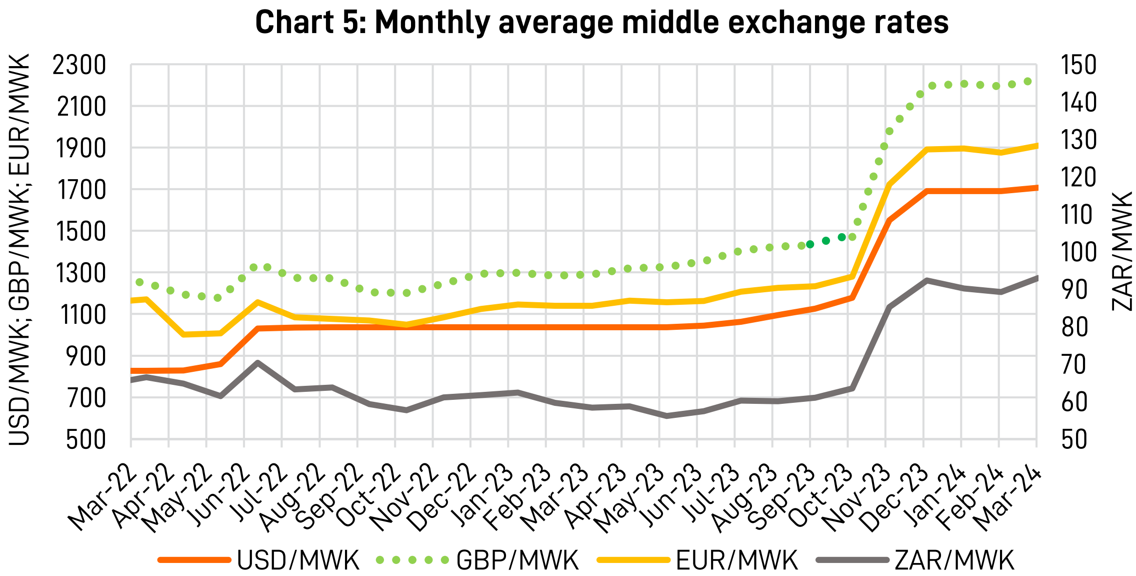
Currency	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Mar 2024 - Dec 2023 Change	Mar 2024 - Mar 2023 Change
USD/MWK	1750.38	1697.98	1126.50	1058.82	1033.80	▼ 3.09%	▼ 69.32%
GBP/MWK	2268.77	2224.30	1412.17	1377.77	1315.33	▼ 2.00%	▼ 72.49%
EUR/MWK	1949.34	1917.45	1225.22	1183.15	1156.66	▼ 1.66%	▼ 68.53%
ZAR/MWK	94.64	94.17	60.67	57.92	59.76	▼ 0.50%	▼ 58.37%

Table 2b: Average TT middle exchange rates

Currency	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q1 2024 - Q4 2023 Change	Q1 2024 - Q1 2023 Change
USD/MWK	1703.82	1478.22	1093.69	1037.70	1034.77	▼ 15.26%	▼ 64.66%
GBP/MWK	2224.47	1891.92	1424.29	1335.37	1293.52	▼ 17.58%	▼ 71.97%
EUR/MWK	1903.73	1637.85	1223.76	1161.46	1141.60	▼ 16.23%	▼ 66.76%
ZAR/MWK	90.86	80.25	60.07	56.98	59.75	▼ 13.23%	▼ 52.08%

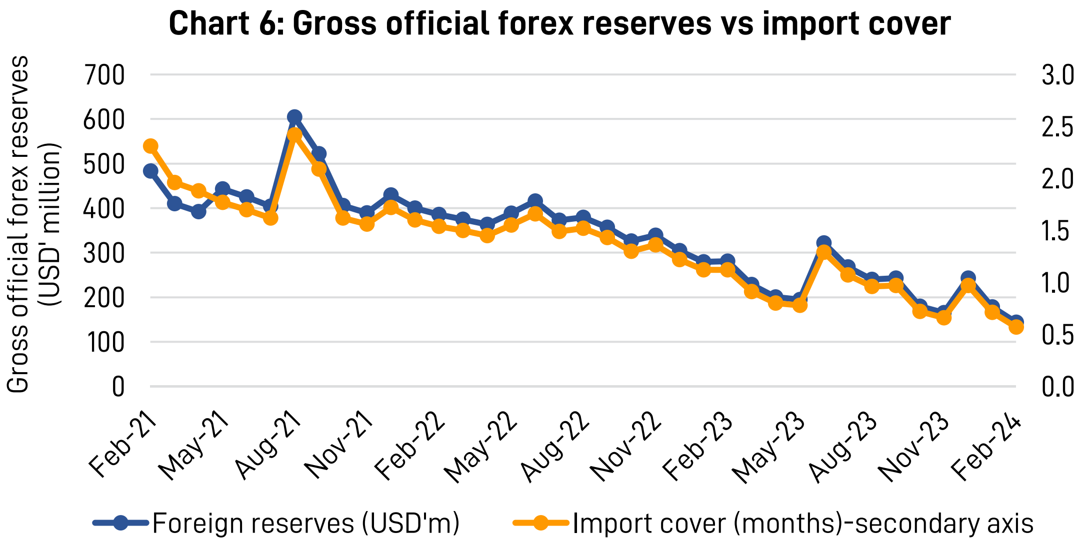
(Data source: Reserve Bank of Malawi)

(Downward and upward arrows represent depreciation and appreciation of the Kwacha, respectively)



(Data source: Reserve Bank of Malawi)

4.6. Foreign exchange shortages remained prevalent during the quarter with gross official forex reserves decreasing to US$143.60m (0.57 months of import cover) in February 2024 from US$242.58m (0.97 months of import cover) in December 2023. The official reserves have been below the recommended 3 months of import cover since November 2020. Private sector forex reserves decreased to US$396.72m (1.59 month import cover) in February 2024 from US$433.01m (1.73 month import cover) in December 2023.



(Data *source: Reserve Bank of Malawi)*

4.7. Looking forward, an improvement in forex inflows is expected during the agricultural marketing season and as budget support inflows from development partners improve during the 2024/2025 fiscal year. The tobacco market opened on 15th April 2024.

4.8. However, generally exchange rate depreciation pressures are expected to remain high during the year as the imbalance between demand and supply of forex remains high and as the RBM allows more flexibility in the exchange rate. The EIU expects a steady depreciation in 2024 to MK1,845:US$1 at year-end.

5. Inflation

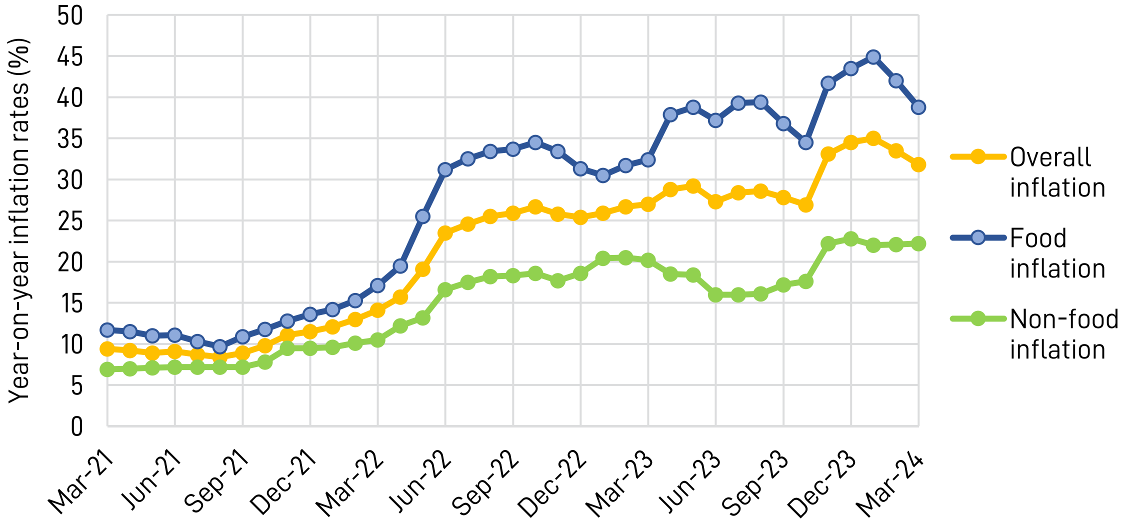
5.1. Inflation pressures remained high during the quarter under review.

5.2. The year-on-year overall inflation rate averaged 33.4% during Q1 2024, representing an increase of 1.9 percentage points from the average of 31.5% in Q4 2023 and an increase of 6.9 percentage points when compared to an average of 26.5% in Q1 2023. The increase in overall inflation was on account of an increase in the average year-on-year food inflation rate to 41.9% during Q1 2024 from the average of 39.9% in Q4 2023 and 31.5% in Q1 2023, and an increase in the average year-on-year non-food inflation rate to 22.1% in Q1 2024 from averages of 20.9% in Q4 2023 and 20.4% in Q1 2023.

5.3. As at the end of the quarter, the year-on-year overall inflation rate stood at 31.8% in March 2024, compared to 34.5% in December 2023 and 27.0% in March 2023. In February and March 2024, inflation decreased largely as a result of a decrease in maize prices as ADMARC depots sold more maize during the period.

5.4. Chart 7 depicts the trend of inflation rate in the past three years.

Chart 7: Year-on-year inflation rates



(Data *source: National Statistical Office)*

5.5. Inflation pressures are expected to continue subsiding in the short term as the harvest period commences. However, risks to this outlook include continued depreciation of the Kwacha, possible lower maize production due to El Nino weather condition and expected upward adjustment in electricity tariffs, among other factors.

5.6. In the medium term, inflation is expected to remain elevated throughout 2024. The Economist Intelligence Unit revised upwards their projection of annual average inflation rate for 2024 to 33.9% in the March 2024 report from the projection of 25.1% made in their Q4 2023 report, owing to ongoing deficit monetization keeping money-supply growth high, alongside expected currency weakness as more exchange rate flexibility is allowed.

5.7. The EIU's revised outlook is in line with RBM's projection made in the February 2024 Monetary Policy report that the 2024 inflation path is likely to be more elevated than the inflation outturn of 28.8% for 2023.

5.8. In subsequent years, domestic inflation is expected to gradually decline, partly supported by an expected decline in global inflation and as domestic economic conditions improve. IMF projects that global headline inflation will fall from an estimated 6.8% in 2023 (annual average) to 5.8% in 2024 and 4.4% in 2025.

Table 3: Projected annual average inflation rates

	2021	2022	2023	2024f	2025f	2026f	2027f	2028f
Government	9.3%	20.9%	28.8%	27.1%	12.4%			
IMF	9.3%	20.8%	30.3%	27.9%	14.7%	8.1%	6.8%	6.5%
World Bank	9.3%	21.8%	28.4%	22.1%				
EIU			28.8%	33.9%	26.4%	24.1%	16.8%	13.3%

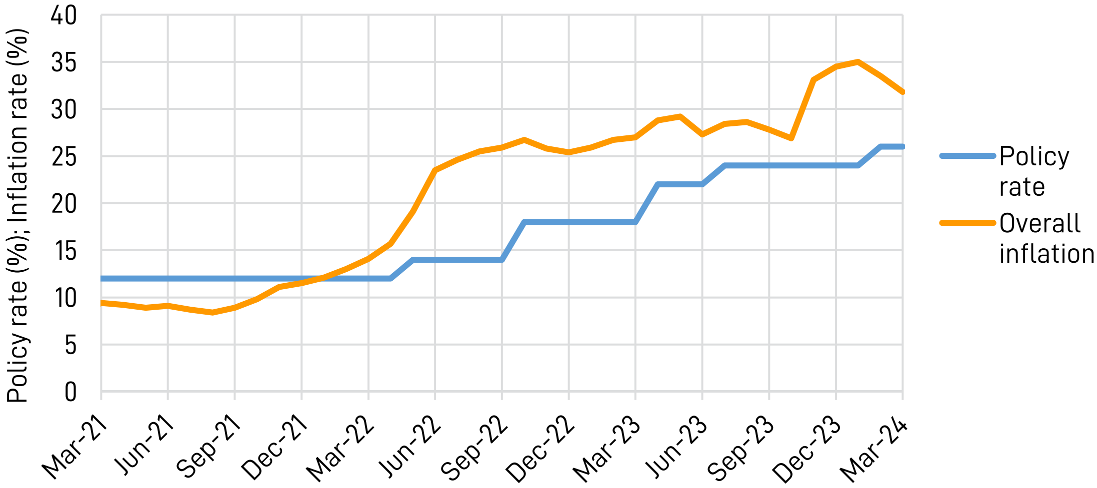
Sources:
Government: 2024-25 National Budget, February 2024
IMF: World Economic Outlook, April 2024
World Bank: Malawi Economic Monitor, February 2024
EIU: Q1 Malawi Country Report, March 2024

6. Monetary policy

6.1. The Monetary Policy Committee held its first meeting of 2024 on 31st January and 1st February 2024. During the meeting, the Committee decided to raise the Policy rate by 200 basis points from 24.0% to 26.0%. The decision was intended to counter inflationary pressures and restore price stability. The Lombard rate was maintained at 20 basis points above the Policy rate (26.2%). The Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits was maintained at 7.75% and the LRR on foreign currency deposits was maintained at 3.75%.

6.2. Chart 8 indicates that the Policy rate has been below headline inflation rate since January 2022. However, the gap narrowed in February and March 2024 as inflation eased.

Chart 8: Policy rate versus inflation rate



(Data source: Reserve Bank of Malawi, National Statistical Office)

6.3. The Market Reference Rate (MRR) for commercial banks increased to 24.9% in March 2024 from 23.6% in December 2023 following the increase in the Policy rate.

6.4. Looking ahead, market interest rates are expected to be more stable in the short term as inflation pressures subside during the harvest period. However, in the medium term, upward risks remain high as inflation risks also remain high due to expected low agricultural production this year and persistent exchange rate depreciation pressures.

7. Economic growth

7.1. The government projects that Malawi's economic growth will pick up to 3.2% in 2024 and 4.0% in 2025, from 1.5% in 2023, supported by an increase in public investment and recovery in mining and quarrying, manufacturing, information and communication, financial and insurance activities, and education sectors. The positive outlook is however clouded by El Niño-induced weather conditions and a highly uncertain global economic and geopolitical environment.

7.2. The IMF and World Bank economic growth projections for 2024 are at 3.3% and 2.8%, respectively. These institutions expect the IMF ECF programme to play a key role in improving foreign exchange inflows, supporting structural reforms, supporting investor confidence and helping to stabilise economic conditions which will support economic growth.

7.3. The EIU, however, expects growth to remain subdued in 2024 at 1.5%, as hard-currency shortages exacerbated by drought conditions weigh on agricultural output.

Table 4a: Annual percentage growth rates					
Industry	**2021**	**2022**	**2023***	**2024***	**2025***
Agriculture, Forestry and Fishing	3.8	0.9	0.8	1.9	2.8
Crop and Animal Production	*4.2*	*0.5*	*0.9*	*1.8*	*2.9*
Forestry and Logging	*-0.2*	*3.2*	*2.5*	*4.3*	*5.6*
Fishing and Aquaculture	*-5.4*	*9.5*	*-2.0*	*3.0*	*2.0*
Mining and Quarrying	-3.6	2.6	3.5	5.8	6.7
Manufacturing	4.1	-1.4	0.4	4.4	4.6
Electricity, Gas and Water Supply	-1.8	-2.9	8.0	4.2	5.6
Construction	2.8	3.1	8.2	5.6	6.7
Wholesale and Retail trade	3.3	-2.3	-1.9	1.4	3.8
Transport and storage	5.7	2.2	3.4	4.5	5.0
Accommodation and food services	1.7	6.5	8.6	9.9	10.2
Information and communication	6.9	1.5	3.2	6.8	7.5
Financial and Insurance activities	6.3	5.4	3.6	6.1	6.7
Real estate activities	4.5	1.5	2.2	3.7	4.0
Professional and Support Services	3.7	3.3	2.1	5.8	6.3
Public administration and defense	3.6	4.9	3.6	4.9	4.7
Education	2.6	4.5	3.2	6.3	6.0
Health and Social Work activities	2.2	2.1	2.6	4.4	3.9
Other Services	6.4	4.4	5.3	4.9	5.4
Sum of all industries	3.8	1.1	2.0	3.9	4.7
GDP in 2017 constant prices	**4.6**	**0.9**	**1.5**	**3.2**	**4.0**

Source: Malawi Government Annual Economic Report 2024

Table 4b: Projections by the Economist Intelligence Unit						
	2023e	**2024f**	**2025f**	**2026f**	**2027f**	**2028f**
GDP at constant market prices (% change)	**1.6**	**1.5**	**2.2**	**3.4**	**3.2**	**3.4**
Agriculture	1.0	0.8	1.3	2.1	2.0	2.2
Industry	1.4	2.2	2.4	3.0	2.9	2.9
Services	2.0	1.7	2.6	4.1	3.8	4.1

Source: Malawi Country Report - Q1 2024

Table 4c: World Bank Projections			
	2022e	**2023p**	**2024p**
GDP at constant market prices (% change)	**0.9**	**1.6**	**2.8**
Agriculture	-1	0.6	2.4
Industry	0.9	1.6	2.7
Services	1.8	2.1	3

Source: Malawi Economic Monitor - February 2024

Table 4d: IMF projections					
	2023e	**2024f**	**2025f**	**2026f**	**2027f**
Real GDP growth	1.6	3.3	3.8	4.3	4.5

Source: IMF World Economic Outlook - April 2024

8. 2024/2025 National budget

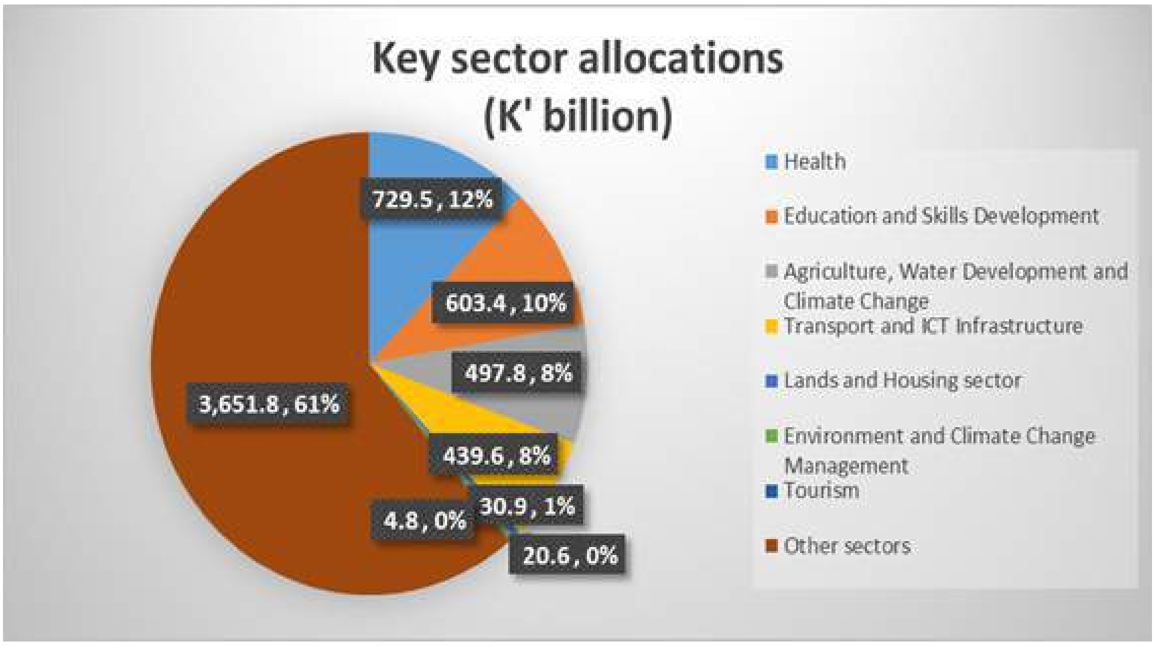
8.1. The 2024/2025 national budget is estimated at K5.98 trillion, representing 31.9% of GDP. Recurrent expenses are estimated at K4.21 trillion (22.5% of GDP and 70.4% of total budget). Development expenditure is estimated at K1.77 trillion, representing 30% of total budget (24% in 2023/2024 financial year).

8.2. Total revenue is estimated at K4.55 trillion (24.3% of GDP). Domestic revenue is estimated at K3.38 trillion (18.1% of GDP) and Grants are estimated at K1.17 trillion.

8.3. Fiscal deficit is estimated to amount to K1.43 trillion (23.9% of total budget), representing 7.6% of GDP. Net foreign borrowing is estimated at K150 billion. Net domestic borrowing is estimated at K1.28 trillion (6.0% of GDP).

8.4. The largest expenditure lines are interest on public debt (K1.46 trillion) and wages and salaries (K1.08 trillion). Top 3 sector allocations include Health (K729.47 billion), Education (K603.4 billion) and Agriculture (K497.75 billion). Other key sector allocations are the Transport and ICT Infrastructure sector (K439.64 billion), Lands and Housing sector (K30.91 billion), Environment and Climate Change Management (K20.55 billion), and Tourism sector (K4.8 billion).

Chart 9: Key Sector Allocations



Category	2023/24 Likely Outturn	2024/25 Proposed Estimates	Variance (2023/24 budget vs 2022/23 likely outturn	% of total budget
Revenue and Grants	**2,992,756**	**4,552,220**	**52.1%**	**76.1%**
Domestic Revenue	**2,407,430**	**3,383,808**	**40.6%**	**56.6%**
Tax Revenue	2,198,090	3,257,273	48.2%	54.5%
Other Revenue	209,340	126,535	-39.6%	2.1%
Grants	**585,326**	**1,168,412**	**99.6%**	**19.5%**
From Foreign Governments	16,652	72,693	336.5%	1.2%
From International Organisations	568,674	1,095,719	92.7%	18.3%
Expenditure	**4,350,053**	**5,978,322**	**37.4%**	**100.0%**
Recurrent Expenses	**3,306,621**	**4,207,663**	**27.2%**	**70.4%**
Compensation of Employees	1,028,922	1,121,981	9.0%	18.8%
Public Debt Interest	931,480	1,455,690	56.3%	24.3%
Use of Goods and Services	647,316	826,743	27.7%	13.8%
Grants	327,489	411,661	25.7%	6.9%
Social Benefits	297,729	358,613	20.4%	6.0%
Other expenses	73,685	32,975	-55.2%	0.6%
Net Acquisition of Non-Financial Assets	**1,043,431**	**1,770,658**	**69.7%**	**29.6%**
Foreign financed projects (Part I)	682,413	1,387,058	103.3%	23.2%
Domestic financed projects (Part II)	361,018	383,600	6.3%	6.4%
Net Lending/ Net Borrowing	**-1,357,297**	**-1,432,524**	**5.5%**	**-24.0%**
Total Financing	**1,357,297**	**1,432,524**	**5.5%**	**24.0%**
Foreign Financing (net)	126,445	149,915	18.6%	2.5%
Domestic Borrowing (net)	1,230,852	1,282,609	4.2%	21.5%

9. Stock market performance

9.1. The market registered a positive return on index of 2.96% (-0.04% in US$ terms) in Q1 2024 lower than the corresponding period 2023 of 29.44% (29.44% in US$ terms).

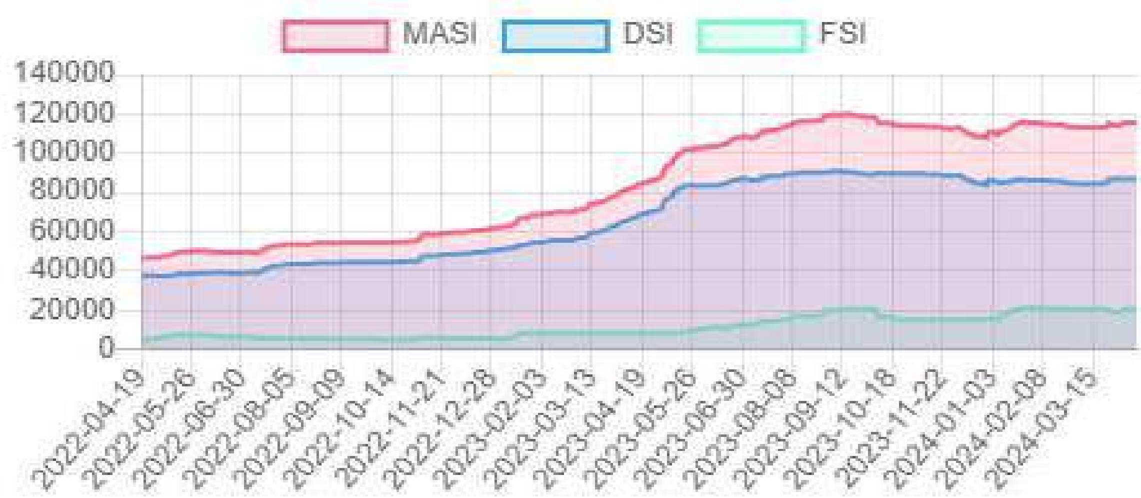
9.2. 9 companies registered share price gains, 1 company registered no share price movement and 6 companies registered share price losses during the quarter.

9.3. The market registered an increase in total value traded despite registering a decrease in total volume of shares. The market transacted a total of 53,935,741 shares at a total consideration of MK8,912,062,489.17 (US$5,258,326.00) in 2,516 trades. In the corresponding period in 2023, the market transacted a total of 118,816,338 shares at a total consideration of MK6,853,106,604.91 (US$6,676,611.71) in 1,545 trades. This reflects a 54.61% decrease in terms of share volume and a 30.04% (-21.24% decrease in US Dollar terms) increase in share value.

9.4. There was neither any listing nor a trade on the debt market during Q1 2024.

9.5. Chart 10 shows a graphical analysis of the Malawi All Share Index (MASI), Domestic Share Index (DSI) and Foreign Share Index (FSI) over the past year and Table 4 shows performance of individual companies in Q1 2024.

Chart 10: Monthly average middle exchange rates



(Chart source: Malawi Stock Exchange)

Table 5: Share trading summary

Company	31-Mar-24	31-Dec-23	31-Mar-23	31 Mar 2024 - 31 Dec 2023 (quarterly and year-to-date) price change (%)	31 Mar 2024 - 31 Mar 2023 (year-on-year) price change (%)
Market indices					
MASI	114,236.98	110,951.21	80,298.12	2.96%	42.27%
DSI	86,761.71	86,359.68	64,886.76	0.47%	33.71%
FSI	19,012.48	15,792.06	8,381.79	20.39%	126.83%
Gainers					
NICO	199.67	150.40	136.00	32.76%	46.82%
FMBCH	380.00	315.00	166.98	20.63%	127.57%
NBM	2400.02	2101.25	1766.29	14.22%	35.88%
ILLOVO	1350.12	1,260.03	750.00	7.15%	80.02%
SUNBIRD	195.02	191.07	120.00	2.07%	62.52%
NITL	411.49	409.99	200.01	0.37%	105.73%
BHL	13.04	13.00	10.96	0.31%	18.98%
STANDARD	3950.22	3950.00	2200.60	0.01%	79.51%
OMU	1500.02	1500.00	880.04	0.001%	70.45%
No price movement					
PCL	2506.99	2506.99	2181.30	0.00%	14.93%
Losers					
MPICO	14.68	15.00	20.58	-2.13%	-28.67%
NBS	109.90	114.90	62.89	-4.35%	74.75%
ICON	16.85	17.85	11.89	-5.60%	41.72%
FDHB	65.07	70.00	38.98	-7.04%	66.93%
AIRTEL	50.08	60.00	75.01	-16.53%	-33.24%
TNM	12.01	18.70	15.50	-35.78%	-22.52%

(Data source: Malawi Stock Exchange)

10. Conclusions

10.1. Inflation pressures remained prevalent in Q1 2024 but are expected to subside in the short term during the harvest period. Overall inflation path for 2024 is expected to remain elevated.

10.2. Market interest rates increased in Q1 2024 following an increase in the Policy rate during the quarter. It is expected that the interest rates will be more stable in Q2 2024 as inflation pressures subside. Overall interest rates are expected to be higher in 2024 compared to the previous year.

10.3. Currency depreciation pressures also remained high in Q1 2024 but are expected to modestly subside in Q2 2024 as forex inflows improve at the opening of the tobacco marketing season on 15th April 2024. However, overall currency depreciation pressures are expected to remain elevated in 2024 as the imbalance between demand and supply of forex in the country remains high.

10.4. The stock market registered a positive return on the Malawi All Share Index and an increase in total value traded despite registering a decrease in total volume of shares. The overall performance of the MSE in Q1 2024 was less favourable compared to that of the corresponding period in 2023.

10.5. The government expects an increase in real GDP growth rate to 3.2% in 2024 and 4.0% in 2025 from 1.5% in 2023, supported by expected improved macroeconomic conditions and improved investments in various sectors. The EIU, however, expect the country's economic growth to remain subdued at 1.5% in 2024.

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CDH Investment Bank

Our contacts

Head Office:

CDH House
5 Independence Drive
PO Box 1444,
Blantyre, Malawi

Tel: +265 (0) 111 8212300
Fax: +265 (0) 111 822 826
Email: info@cdh-malawi.com
Website: www.cdh-malawi.com

Banking Centres:

Blantyre Banking Centre
5 Independence Drive
PO Box 1444
Blantyre, Malawi

Tel: +265 (0) 111 822 300
Fax: +265 (0) 111 822 826

Capital City Banking Centre
CDH Investment Bank Centre
PO Box 30545
Lilongwe 3, Malawi

Tel: +265 (0) 111 776 176 / 776 194 / 772 178
Fax: +265 (0) 111 776 188

Lilongwe Banking Centre
City Mall
Mchinji Roundabout
PO Box 30545,
Lilongwe 3, Malawi

Tel: +265 (0) 111 753 464 / 753 840
Fax: +265 (0) 111 753 833

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