

## COVID-19 update

The Coronavirus disease (COVID-19) continues to spread in Malawi and across the globe. Since the first three reported cases on 2<sup>nd</sup> April 2020, Malawi has registered a total of 16 confirmed cases and 2 deaths as at 13<sup>th</sup> April 2020. Since the disease was discovered in December 2019, globally there have been more than 1,905,935 confirmed cases of COVID-19 with more than 446,336 recoveries and 118,623 deaths 2020 as at 13<sup>th</sup> April 2020 (Source: Johns Hopkins University). Lockdowns continue in many countries in an effort to contain further spread of the virus.

## Banking industry measures to mitigate the impact of COVID-19

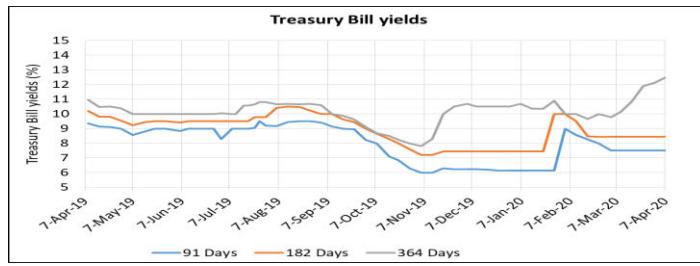
On 10<sup>th</sup> April 2020, the Bankers Association of Malawi (BAM) and the Reserve Bank of Malawi (RBM) announced new banking industry measures aimed at mitigating the impact of COVID-19. The measures are effective 9<sup>th</sup> April 2020 and include the following:

**Actions by commercial banks:** provide three-month moratorium on loan repayments on a case by case basis; restructure loans for borrowers affected by COVID-19 on a case by case basis; reduce by 40% fees and charges related to internet and mobile banking; and defer payments of bonuses and dividends (Source: RBM).

**Actions by RBM:** reduced Liquidity Reserve Requirement (LRR) from 5% to 3.75%; reduced Lombard rate from 13.9% to 13.7%; activate and make available to banks the Emergency Liquidity Assistance Facility; approve the recapitalization plan under the Prompt Corrective Action Directive beyond 90 days in the event of a bank breaching the Prudential Capital Requirement Directive as a result of COVID-19; and grant relief to banks on the provisioning of restructured loans and loans on moratorium impacted by COVID-19 (Source: RBM).

## Government securities

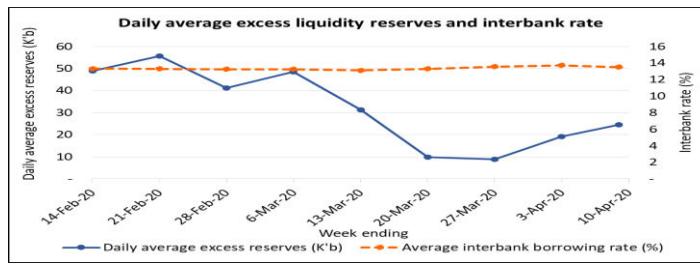
Government raised K6.87b during the week's auction for Treasury Bills (TB) against an offered amount of K12.30b. The auction registered a rejection rate of 21.60%. In the previous week, K9.53b was raised against an offer for subscription of the same amount. The all-type average TB yield increased to 9.48% from 9.36% in the previous week due to an increase in the 364-day yield to 12.48% from 12.11% while the 91-day and 182-day yields were stable at 7.50% and 8.46%, respectively (Source: RBM).



During the week, there was also an auction for a 3 year Treasury Note (TN). A total of K22.18b was raised during the auction, against the K32.62b that was offered for subscription. This brings the total amount raised through auctions of Government securities during the week to K29.05b. Maturities of Government securities for the week amounted to K9.21b, resulting in a net withdrawal of K19.84b from the market (Source: RBM).

## Market liquidity and interbank market activity

Liquidity conditions continued to improve during the week – average daily excess reserves increased to K24.65b compared to K19.26b recorded in the previous week. Consequently, borrowing on the interbank market decreased to an average of K13.33b per day from K15.77b per day in the previous week and the average interbank borrowing rate decreased to 13.51% from 13.71%. Borrowing on the Lombard Facility decreased to an average of K11.55b per day from K19.18b per day in the preceding week. The Lombard rate decreased from 13.90% at the beginning of the week to 13.70% at the close of the week following the Monetary Policy Committee's decision to reduce it by 0.2 percentage point on 1<sup>st</sup> April 2020 as one of the measures aimed at mitigating potential liquidity challenges that might ensue in the banking system with the COVID-19 pandemic (Source: RBM).



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## Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 0.38% to close the week at 29,064.79 points from 29,176.06 points recorded in the previous week due to share price losses in AIRTEL, ICON and NBM. The rest of the listed companies registered no share price movement. A total of 270,411 shares were traded at a consideration of K31.88m in 22 trades compared to 6,280,965 shares traded at a consideration of K726.20m in 68 trades in the previous week. This represents a decrease of 95.69% in traded volume and a decrease of 95.61% in traded value. The year-to-date return on MASI stands at -3.93% compared to -5.78% in the corresponding period in 2019 (Source: MSE).

| Stock market                                      |                         |                     |                       |
|---|-------------------------|---------------------|-----------------------|
| MASI  | 9-Apr-20<br>29,064.79   | ↓<br>-0.38%         | 3-Apr-20<br>29,176.06 |
| DSI   | 24,038.84               | ↓<br>-0.41%         | 24,138.07             |
| FSI   | 2,290.78                | ↑<br>0.00%          | 2,290.78              |
| Traded volume                                     | 270,411                 | ↓<br>-95.69%        | 6,280,965             |
| Number of trades                                  | 22                      | ↓<br>-67.65%        | 68                    |
| Value of shares traded (K'm)                      | 31.88                   | ↓<br>-95.61%        | 726.20                |
| Market capitalisation (K'm)                       | 1,512,881.80            | ↓<br>-0.38%         | 1,518,602.97          |
| Gainers   | Closing price (K)       | % Δ                 | Opening price (K)     |
| None  |                         |                     |                       |
| Losers  | Closing price (K)       | % Δ                 | Opening price (K)     |
| AIRTEL  | 17.00                   | ↓<br>-2.86%         | 17.50                 |
| ICON  | 10.46                   | ↓<br>-0.29%         | 10.49                 |
| NBM   | 540.00                  | ↓<br>0.00%          | 540.01                |
| Reference rate                                    |                         |                     |                       |
| Rate  | Apr-20<br>13.20%        | ↓<br>-0.10          | Mar-20<br>13.30%      |
| Inflation rate                                    |                         |                     |                       |
| Rate  | Feb-20<br>11.00%        | ↓<br>-0.1           | Jan-20<br>11.1%       |
| Treasury Bill auctions                            |                         |                     |                       |
| Auction date                                      | 7-Apr-20                | % pts Δ             | 31-Mar-20             |
| Amount offered -cost value (K'm)                  | 12,297.00               | ↑<br>29.02%         | 9,531.00              |
| Applied - cost value (K'm)                        | 8,759.60                | ↓<br>-51.60%        | 18,097.47             |
| Allotted - cost value (K'm)                       | 6,867.12                | ↓<br>-27.95%        | 9,531.27              |
| Overall rejection rate                            | 21.60%                  | ↓<br>-25.73         | 47.33%                |
| 91 days yield                                     | 7.50%                   | ↑<br>0.00%          | 7.50%                 |
| 182 days yield                                    | 8.46%                   | ↑<br>0.00%          | 8.46%                 |
| 364 days yield                                    | 12.48%                  | ↑<br>0.37           | 12.11%                |
| All-type yield                                    | 9.48%                   | ↑<br>0.12           | 9.36%                 |
| Treasury Note auctions                            |                         |                     |                       |
| Date  | 7-Apr-20                | % pts Δ             | 10-Mar-20             |
| Tenor   | 3 Years                 | 7 Years             | 2 Years               |
| Coupon rate                                       | 11.00%                  | 13.50%              | 10.00%                |
| Amount offered -cost value (K'b)                  | 32.62                   | 34.07               | 26.59                 |
| Applied - cost value (K'b)                        | 24.84                   | 37.46               | 57.63                 |
| Allotted - cost value (K'b)                       | 22.18                   | 34.07               | 26.59                 |
| Allotted - weighted average ytm                   | 14.50%                  | 19.08%              | 12.38%                |
| Current yields for Treasury Notes                 |                         |                     |                       |
| Tenor   | Last auction's yield    | Last auction        | Next auction          |
| 2- year   | 12.38%                  | 10-Mar-20           | 19-May-20             |
| 3-year  | 14.50%                  | 7-Apr-20            | 16-Jun-20             |
| 5-year  | 15.55%                  | 18-Feb-20           | 14-Apr-20             |
| 7-year  | 19.08%                  | 24-Mar-20           | 2-Jun-20              |
| 10-year   | 17.47%                  | 4-Feb-20            | 21-Apr-20             |
| Upcoming Treasury Note auctions                   |                         |                     |                       |
| Auction date                                      | Tenor                   | Amount (K'b)        | Last coupon rate      |
| 14-Apr-20   | 5-year Development Bond | 21.00               | 12.50%                |
| 21-Apr-20   | 10                      | 8.86                | 15.50%                |
| 5-May-20  | 5                       | 44.11               | 10.50%                |
| 19-May-20   | 2                       | 34.09               | 10.00%                |
| 2-Jun-20  | 7                       | 20.07               | 13.50%                |
| 16-Jun-20   | 3                       | 27.48               | 11.00%                |
| Projected maturities                              |                         |                     |                       |
| Week ending                                       | 10-Apr-20               | 17-Apr-20           | Apr-20                |
| TBs, PNs & TNs (K'm)                              | 9,205                   | 5,637               | 36,961                |
| OMO (K'm)   | 0                       | 0                   | 0                     |
| Indicative opening mid exchange rates             |                         |                     |                       |
| USD   | 9-Apr-20<br>736.4403    | ↑<br>0.00%          | 3-Apr-20<br>736.4403  |
| GBP   | 911.5658                | ↓<br>0.02%          | 911.3449              |
| EUR   | 799.9951                | ↓<br>0.18%          | 798.5222              |
| ZAR   | 40.4909                 | ↓<br>2.04%          | 39.6810               |
| Gross official foreign exchange reserves position |                         |                     |                       |
| Reserves (USD'm)                                  | 29-Feb-20<br>785.31     | 31-Jan-20<br>786.71 | 31-Dec-19<br>846.55   |
| Import cover (months)                             | 3.76                    | 3.76                | 4.05                  |

(Sources: MSE, RBM, NSO)

## Foreign exchange market developments

The Kwacha was stable at K736.4403 per USD during the week but depreciated against all the other major trading currencies, namely, GBP, EUR and ZAR. Gross official foreign exchange reserves were last recorded at USD785.31m (3.76 months of import cover) on 29<sup>th</sup> February 2020, a slight decrease from USD786.71m (3.76 months of import cover) recorded on 31<sup>st</sup> January 2020 (Source: RBM).