

MALAWI STOCK EXCHANGE

ANNUAL MARKET PERFORMANCE REVIEW

2002

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OLD RESERVE BANK BUILDING, VICTORIA AVENUE
PRIVATE BAG 270

BLANTYRE

TEL. (265) 01 624 233

FAX (265) 01 623 636

E-mail. mse@mse-mw.com

WEBSITE. www.mse.co.mw

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1.0 MARKET PERFORMANCE

1.1 Market Statistics

In 260 business days of the year 2002, a total of 31,602,923 shares were traded at the bourse for a total turnover of MK258,848,690.18 (US\$3,532,444.78) in 651 transactions. This gives an average daily turnover of MK995,571.89 (US\$13,586.33) reflecting an 82.19 percent drop from the daily average turnover of MK5,590,012.10 (US\$81,674.32) registered in 2001. With regard to share volume, the daily average decreased by 82.72 percent from the daily traded volume of 703,569 shares recorded in the preceding year of 2001. The highest sales of shares were transacted in the first quarter of the year with 19,159,840 shares traded at a total turnover of MK 136,671,626.68 (US\$1,978,377.98) in 473 trades representing 61 percent of the traded shares in the year under review.

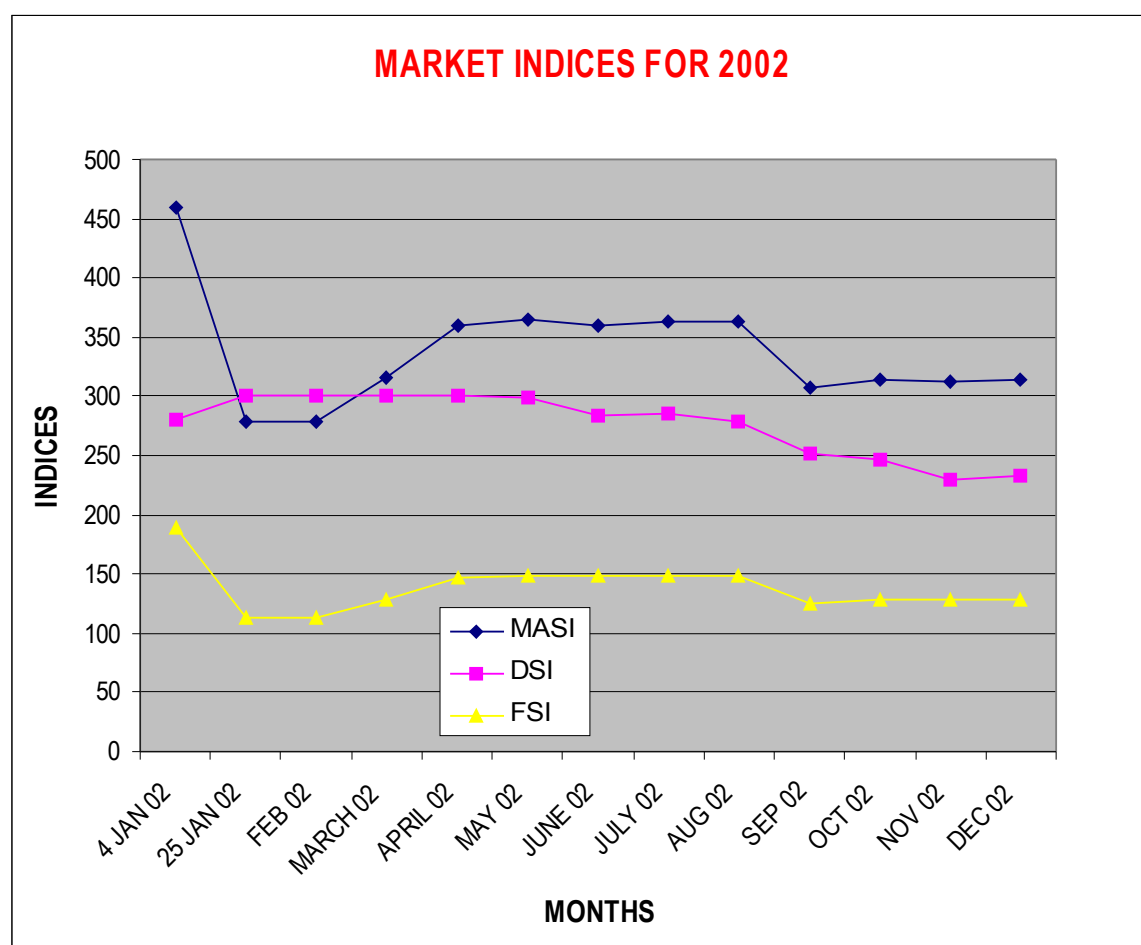
The Malawi All Share Index (MASI) opened the year at 458.74 points but decreased to its lifetime low of 251.83 points during the third week of January 2002. This was however followed by an increase in the fourth week of the same month to 279.43 points. Overall, the MASI lost 31.68 percent during the year under review. The Foreign Share Index (FSI), represented by Old Mutual plc opened the year at 188.54 points and dropped to its lifetime low of 101.81 points before closing the year at 128.29 points reflecting a 32.0 percentage decrease in the review year. The decrease in the FSI was a result of a drop in the share price of OML plc from an opening price of MK150.00 per share to MK102.00 per share recorded at the end of the year. The decrease in FSI in turn affected the Malawi All Share Index substantially.

Table 1: Market Statistics

MARKET STATISTICS FOR YEAR ENDING 2002					
YEAR End	MKT. CAP MKm	MKT. CAP MKm*	TURNOVER MKm	VOLUME of Shares	MASI
1999	367,037.45	8,296.23	290,731,000.00	50,577,679	337.58
2000	613,751.29	11,224.81	552,103,037.94	115,749,308	518.40
2001	543,218.65	10,517.09	1,453,403,147.18	182,928,035	458.74
2002	395,179.35	10,074.25	258,848,690.18	31,602,923	313.40

* Excludes non-Malawi register Old Mutual plc shares

Fig 1: MARKET INDICES FROM JANUARY – DECEMBER 2002



2.2 Market Liquidity

The liquidity level as measured by the ratio of Total Value of Trades to Market capitalisation (TVT/MCAP), an indicator of the liquidity of assets traded on the market during the year 2002, was registered at 2.57 percent, down from 13.82 percent recorded in 2001. The ratio of Total Value of Trades to GDP (TVT/GDP), which measures the ability to trade economically significant positions on the stock market, exhibited the liquidity level of 0.13 percent reflecting a decrease of 87 percent from 1.01 percent recorded in the preceding year 2001.

Table 2: Market Liquidity

MARKET LIQUIDITY FOR YEAR ENDING 2002					
YEAR	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/GDP	TVT/Mkt. Cap*	Shares Traded/Shares In Issue* %
End	%	%	%	%	%
2000	591.29	10.81	0.53	4.92	7.16
2001	375.89	7.28	1.01	13.82	11.27
2002	199.16	5.08	0.13	2.57	1.62

* Excludes non-Malawi register Old Mutual plc shares

2.3 Company Trading

All the nine listed stocks were active during the year under review. National Bank of Malawi (NBM) was the most traded counter with a trade volume of 15,180,081 shares accounting for 48.03 percent, seconded by SUCOMA with 6,250,733 shares accounting for 19.78 percent. The least traded stock was Press Corporation Limited (PCL) with 86,605 shares accounting for 0.27 percent. The highest price gainer during the year under review was NICO with a 69.4 percent price increase from an opening price of MK1.60 to the year-end closing price of MK2.71 per share. BHL registered a 1.14 percent price increase from MK4.40 to MK4.45 per share. Price losers in the year under review were Commercial Bank of Malawi (-17.42 percent), National Bank of Malawi (-10.00 percent), Press Corporation Limited (-21.21 percent), Packaging Industries Malawi Limited (-20.83 percent), SUCOMA (-26.42 percent), Sunbird Tourism Limited (-2.63 percent) and Old Mutual plc (-32.0 percent).

Table 3: Company Trading Statistics

COMPANY TRADING STATISTICS FOR YEAR ENDING 2002					
Company	Opening Price	Closing Price	% Change in Price	Share Vol. Trade	% Traded
BHL	4.40	4.45	1.14	146,466	0.46
CBM	7.75	6.40	-17.42	5,320,350	16.83
NBM	7.00	6.30	-10.00	15,180,081	48.03
NICO	1.60	2.71	69.38	2,205,252	6.98
PCL	16.50	13.00	-21.21	86,605	0.27
PIM	2.40	1.90	-20.83	1,053,883	3.33
SUCOMA	5.30	3.90	-26.42	6,250,733	19.78
SUNBIRD	1.90	1.85	-2.63	896,559	2.84
OML	150.00	102.00	-32.00	462,994	1.47
				31,602,923	100.00

2.0 MARKET DEVELOPMENT

Several major developments have had a direct or an indirect bearing on the stock performance and development. Some of the pertinent market developments were.

- The Malawi Stock Exchange admitted the second stock broking company (NICORP Securities Limited) onto the market on 1st February 2002. The entry of NICORP Securities Limited marked the commencement of the call over system involving two brokers and this resulted in an improvement in the price discovery mechanism. Most of the trades were now on inter-broker interface as compared to the hitherto book-overs with only one stock broking company.
- The Malawi Stock Exchange during the year granted a listing of 261,582,580 ordinary shares in Sunbird Tourism Limited on the exchange at an offer price of MK1.85 per share. 39,237,400 ordinary shares representing 15 percent of the existing issued share capital of the company were offered to the general public.
- The market also experienced the first capital raising of approximately MK188,270,050 by SUCOMA through a rights issue to its existing shareholders at a subscription cash price of 475 tambala per share.
- During the last quarter, the market witnessed the introduction of a 20 percent surtax on brokerage commission. This has resulted in an increase in brokerage costs to investors by 20 percent. This is perceived by the market as negating the development of the stock market in Malawi.

3.0 ECONOMIC PERFORMANCE

The performance of the national economy for the year 2002 has been projected to improve marginally by 1.4 percentage growth compared to a 1.5 percentage decline in 2001. The dismal performance of the economy is as a result of among other factors prohibitive interest rates, which are negatively affecting investment and economic growth; the agricultural sector, which contributes heavily to total Gross Domestic Product, registered sluggish performance during the year 2002. This was compounded by the lagged effect of the massive food shortfall experienced in the year 2001 and the need to import food at significant cost.

The month on month rate of inflation as measured by the percentage changes in the consumer price Index (CPI) is projected to close the year at 13.44 percent up by 1.44 percent from the month of November, which was at 12.0 percent. The projected December monthly inflation rate is 8.66 percent points lower than the 2001 close at 22.1 percent. The increase of the December inflation from 12.0 percent registered in November, 2002 could be attributable to the fiscal effect of the implementation of the 20 percent surtax, which has led to price

adjustment by most traders. The effect of the surtax ranges from 8 to 20 percent price hike but some traders have increased the price by more than 20 percent. The increase in inflation could also be attributable to the recent loss of value of the Malawi Kwacha against the US Dollar and other trading currencies, such as the British Pound Sterling and South African Rand.

During the year under review, the Malawi Kwacha depreciated against the US Dollar, British Pound Sterling and South African Rand, among others. The Kwacha depreciated by 22 percent from an exchange rate of MK67.9275 per US Dollar traded in January to MK87.0877 per US Dollar at the end of the year. With regard to the British Pound Sterling, the Kwacha lost value by 31.4 percent from MK96.1617/£ to MK140,1468/£. The loss in value of the Kwacha is due to market fundamentals, among others low foreign exchange earnings from this year's tobacco crop coupled with low income from the country's other exports against a stray demand for imports. The effects of drought, which resulted in severe hunger, forced the Government to import maize and this exerted pressure on the Kwacha. The loss in value is also attributable to the delays in the disbursement of donor aid while speculation by some major traders worsened the impact.

The Reserve Bank Discount Rate decreased from 46.80 percent in January to 43.0 percent effected in July 2002. This rate prevailed until the end of the year. The commercial banks' prime rate also decreased during the review period from the range of 45 - 46.0 percent to the 40 - 41.0 percentage range at the end of the year in response to the Reserve Bank rate.

The lending rates charged by most commercial banks despite exhibiting the above downward trend, are still being perceived to be exorbitant. This has counter productive effects on the economy by reducing private investment and capital formation. The interim low donor funding has left the Government to resort to domestic borrowing to meet its funding needs. Mean while most donors are awaiting the outcome of the IMF review meeting. Interest rates are therefore projected to remain high.

The Monetary Authorities did not relent in their efforts to reign in excess liquidity. In the RBM bills market, the 63-days RBM bill yields, dropped from 46.29 percent registered in January to 35.97 percent in December 2002, while the 91 days bill decreased from 46.52 percent to 36.98 percent.

The yields in the treasury bills market exhibited a downward trend during the year under review. The 91 days TB yields decreased from 46.22 percent registered in January to 36.30 percent registered in December 2002. The 182

days and 273 days TB yields decreased from 45.95 and 45.78 percent to 37.20 and 38.58 percent respectively.

TABLE 4. MACROECONOMIC INDICATORS

KEY MACROECONOMIC INDICATORS				
	Jan. 2001	Dec. 2001	Jan 2002	Dec 2002
Inflation Rate	33.70	23.30	20.20	12.0 (Nov.)
RBM Bank Rate	61.29	46.80	46.80	43.00
Prime Rate	51-53.00	45-46.00	45 –46.00	40 –41.00
TB YIELD				
91 Days T-Bill	50.55	45.67	46.22	36.30
182 Days T-Bill	66.43	45.52	45.95	37.20
271 Days T-Bill	61.60	46.02	45.78	38.58
RBM BILL YIELD				
63 Days RBM Bill	39.86 (June)	46.36	46.29	35.97
91 Days RBM Bill	40.15 (June)	46.37	46.52	36.98
EXCHANGE RATES				
MK/US\$	80.008	67.333	67.9275	87.0877
MK/GBP	122.291	97.589	96.1617	140.1468
MK/ZAR	10.900	5.138	6.1374	9.9498
MK/YPY	0.704	0.534	0.5248	0.7409
MK/ZWD	1.483	1.250	1.2614	1.6172