



MALAWI STOCK EXCHANGE

ANNUAL MARKET PERFORMANCE REVIEW

2004

MALAWI STOCK EXCHANGE
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MALAWI STOCK EXCHANGE LIMITED

ANNUAL MARKET PERFORMANCE REVIEW FOR 1st JAN. TO 31st DEC. 2004

1.0 INTRODUCTION

YEAR -TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR -TO-DATE INDEX RETURN		
		LOCAL CURRENCY	US DOLLAR	
MASI	583.48	27.60 %	20.40 %	
DSI	426.03	85.58 %	84.74 %	
TOP FOUR CAPITAL GAINERS IN 2004				
COUNTER	SUCOMA	PCL	NICO	NBM
CAPITAL GAIN %	120.78	110.53	88.24	68.07
TOP THREE TRADED COUNTERS BY VOLUME IN 2004				
COUNTER	NBM	SUCOMA	NICO	
% TRADED	48.58	28.91	12.46	

This report reviews and analyses the performance of the stock market during the period from 1st January to 31st December 2004. The report also discusses the country's economic position during the review period and how this impacts on the general performance of the stock market.

2.0 MARKET PERFORMANCE

2.1 Trade Performance Statistics

The trading position for the period January to December, 2004 shows a total of 110,592,066 shares were transacted at the bourse for a total consideration of MK669.103 million (US\$6.15 m) in 282 deals. Compared to the same period last year 2003, the market transacted a total of 181,872,236 shares at a total turnover of MK808.036 million (US\$8.71 m) reflecting a decrease of 39.19 percent in terms of share volume and 17.19 percent in terms of share value. In comparison to the year 2002, the market trading position increased by 158.492 percent in terms of share value from a total turnover of MK258.85 m (US\$3.53 m) and by 249.94 percent in terms of share volume from 31,602,923 shares traded in the year 2002.

The highest sales of share trades in terms of volume were transacted in the month of March 2004 with 38,879,149 shares at total turnover of MK182.858 million (US\$1.68 m) while the least share sales were registered in the month of November 2004 with 833,840 shares at a total turnover of MK3.898 million (US\$0.04 m).

TABLE 1: TRADING SUMMARY FOR 1st JAN. – 31st DECEMBER 2004

MARKET STATISTICS: THE YEAR 2004				
WEEK	TRADES	VOLUME of	TURNOVER	TURNOVER
Ended		Shares	MKm	US\$m
Jan-04	25	12,033,314	63.744	0.59
Feb-04	13	423,645	2.710	0.02
Mar-04	23	38,879,149	182.858	1.68
Apr-04	17	12,713,821	61.505	0.56
May-04	18	1,156,171	6.527	0.06
Jun-04	20	22,176,121	161.916	1.49
Jul-04	28	3,779,810	24.960	0.23
Aug-04	13	7,666,156	11.601	0.11
Sep-04	45	3,302,422	51.259	0.47
Oct-04	34	4,092,187	39.406	0.36
Nov-04	19	833,840	3.898	0.04
Dec-04	27	3,535,430	58.720	0.54
2004	282	110,592,066	669.103	6.15
2003	290	181,872,236	808.036	8.71
2002	651	31,602,923	258.849	3.53
% Δ 03-04	-2.759	-39.192	-17.194	-29.439
% Δ 02-04	-56.682	249.943	158.492	74.032

2.2 Market Capitalisation And Index

Total market capitalization for the nine listed stocks was at MK584,167.37 million (US\$5,387.68 million) at the beginning of the year 2004 and increased to MK745,271.02 (US\$6,485.417 million) as at 31st December 2004 reflecting an increase by 27.6 percent in Malawi Kwacha and 20.40 percent in US Dollar terms. The increase in the market capitalization was due to an increase in the share prices of some of the traded stocks such as STANBIC, NBM, NICO, PCL, PIM, SUCOMA SUNBIRD and OML plc. The increase in the share prices was due to demand for shares which emanated from investment portfolio reallocation from money market to stock market which exhibited competitive yields over money markets yields which were on the decline following the reduction of the Reserve Bank Rate from 35 percent to 25 percent. The reduction in the Bank rate was reflected in both the Reserve Bank bills rate as well as the Government Treasury bills rate.

The Malawi All Share Index (MASI), the barometer that measures the average price movement of all counters at the Exchange increased from 457.27 points registered in the month of January to 583.48 points registered as at 31st December, 2004 giving a return on Index of 27.60 percent. Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of 85.58% from 229.57 points to 426.03 points during the same corresponding review period of 1st January to 31st December 2004. This return on Index for domestic counters is comparatively competitive and gives an edge over the prevailing interest rates in the money market, which are currently averaging 24.4% per annum. The return is a manifestation of the superior and best long-term returns in the stock market over the short –term money market.

Table 2: Market Capitalization and Index

MARKET CAPITALISATION AND INDEX : THE YEAR 2004					
WEEK	MKT. CAP	MKT. CAP	MKT. CAP	MKT. CAP	MSE
Ended	MKm	MKm*	US\$m	US\$m*	Index
Jan-04	584,167.37	10,259.68	5,387.681	94.623	457.27
Feb-04	584,636.42	10,728.74	5,369.938	98.544	457.63
Mar-04	611,373.60	10,683.55	5,615.521	98.129	478.64
Apr-04	611,386.68	10,696.63	5,615.641	98.250	478.66
May-04	624,437.09	12,268.89	5,735.511	112.691	488.46
Jun-04	625,183.26	13,015.06	5,742.364	119.544	489.47
Jul-04	625,933.10	13,764.91	5,749.252	126.432	489.66
Aug-04	626,187.33	14,019.13	5,749.237	128.714	490.25
Sep-04	705,887.74	17,198.51	6,480.993	157.905	552.65
Oct-04	706,099.68	17,410.45	6,482.939	159.851	552.82
Nov-04	706,369.60	17,680.37	6,485.417	162.329	553.03
Dec-04	745,271.02	18,321.29	6,842.584	168.214	583.48
2004	745,271.02	18,321.29	6,842.517	168.214	583.48
2003	584,060.60	10,270.50	5,386.700	94.723	457.27
2002	395,179.35	10,074.25	4,537.720	115.679	313.40
% Δ 03-04	27.602	78.387	20.397	77.585	27.601
% Δ 02-04	88.591	81.863	42.922	45.414	86.177

* 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 Capitalization (TVT/MCAP*), was recorded at 3.65 percent compared to 7.87 percent recorded in 2003 and 2.57 percent in 2002.

The ratio of Market Capitalisation to Gross Domestic Product (MCAP*/GDP recorded the liquidity level of 9.01 percent in the review period while in the previous year 2003, the liquidity was at 6.232 percent. The increase in liquidity levels was as a result of share price increases of most the traded counters in the review period compared to last year's prices.

Table 3: Market Liquidity

MARKET LIQUIDITY : THE YEAR 2004						
WEEK	Mkt. Cap/GDP	Mkt. Cap*/GDP	TVT/Mkt. Cap	TVT/Mkt. Cap	TVT/Mkt. Cap*	TVT/Mkt. Cap*
Ended	%	%	%	(US\$)%	%	(US\$)%
Jan-04	287.304	5.046	0.011	0.011	0.621	0.621
Feb-04	287.535	5.277	0.000	0.000	0.025	0.025
Mar-04	300.685	5.254	0.030	0.030	1.712	1.712
Apr-04	300.691	5.261	0.010	0.010	0.575	0.575
May-04	307.110	6.034	0.001	0.001	0.053	0.053
Jun-04	307.477	6.401	0.026	0.026	1.244	1.244
Jul-04	307.845	6.770	0.004	0.004	0.181	0.181
Aug-04	307.970	6.895	0.002	0.002	0.083	0.083
Sep-04	347.169	8.459	0.007	0.007	0.298	0.298
Oct-04	347.273	8.563	0.006	0.006	0.226	0.226
Nov-04	347.406	8.696	0.001	0.001	0.022	0.022
Dec-04	366.538	9.011	0.008	0.008	0.321	0.321
2004	347.406	9.011	0.090	0.095	3.652	3.655
2003	354.400	6.232	0.138	0.162	7.870	9.198
2002	267.770	6.826	0.066	0.078	2.570	3.054

2.4 Company Trading Performance

The market recorded trading activity on all counters during the year 2004. The biggest trading volume of 53,721,820 shares at a total consideration of MK333,441,906.30 was recorded on National Bank of Malawi representing 48.58 percent of the total volume traded. The least traded counter was Blantyre Hotels Limited with 36,752 shares at a total turnover of MK135,982.40 representing 0.03 percent.

The highest capital gainer through a share price rise during the period under review was SUCOMA by 120.78 percent from an opening price of MK3.85

to MK8.50 per share, seconded by Press Corporation Limited by 110.53 percent from an opening price of MK9.50 to a closing price of MK20.00 per share. Other price gainers were NICO (88.24 percent), NBM (68.07 percent), STANBIC (46.21 percent), SUNBIRD (42.86 percent), Packaging Industries Limited (26.92 percent), OML (26.67 percent) and BHL (2.78 percent).

The counter-by-counter capital gains during the year under review shows that stock market investment gives better long-term returns compared to money market investment whose rates are currently stagnant at an average of 24% per annum.

Table 4: COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS :THE YEAR 2004						
Company	Opening Price	Closing Price	Change in Price	% Price Change	Share Vol. Trade	% Traded
BHL	3.60	3.70	0.10	2.78	36,752	0.03
STANBIC	6.60	9.65	3.05	46.21	3,922,725	3.55
NBM	5.95	10.00	4.05	68.07	53,721,820	48.58
NICO	0.85	1.60	0.75	88.24	13,778,506	12.46
PCL	9.50	20.00	10.50	110.53	6,730,571	6.09
PIM	1.30	1.65	0.35	26.92	82,682	0.07
SUCOMA	3.85	8.50	4.65	120.78	31,974,425	28.91
SUNBIRD	1.40	2.00	0.60	42.86	177,060	0.16
OML	150.00	190.00	40.00	26.67	167,525	0.15
					110,592,066	100

3.0 ECONOMIC POSITION

3.1 Inflation Rates

The year on year national inflation rate for the month ending November 2004 was registered at 12.8 percent reflecting a slight increase by 0.6 percentage point increase from 12.2 percent registered in the month of October, 2004. The increase in the rate was as a result of an increase in both the urban and rural inflation rates, which slightly inched upwards from 13.3 percent to 14.0 percent and from 11.6 percent to 12.3 percent respectively.

A sharp increase in food prices and energy costs pushed the overall annual inflation rate. The upward price trend will continue in the first quarter of 2005 due to seasonal pressure on the food basket as well as pressure from world

fuel prices and this will eventually spark an increase in the domestic oil prices which would in turn push up inflation. In 2003, the annual inflation rate for the month of ending November 2003 was at 9.6 % while for the month ending December 2003 was registered at 9.8 %.

3.2 Exchange Rates

The Malawi Kwacha during the period 1st January to 31st December 2004 exhibited stable trends against the United States Dollar but slightly depreciated against other major trading partners such as the British Pound Sterling, the South African Rand and the Euro as follows:-

Table 5: Exchange Rates

CURRENCY	1 st January' 04	31 st December' 04	% CHANGE
MK/US\$	108.4265	108.9166	- 0.45
MK/GBP	193.2093	209.3895	- 7.73
MK/ZAR	16.4760	19.6116	- 15.99
MK/EUR	136.1438	146.7251	- 7.21

3.3 Interest Rates

End of period (January to December 2004) RBM Bill Rates, TB Rates and commercial bank's prime rates were as follows:-

Table 6: RBM, TB Commercial Banks' Prime Rates and Inflation Rates

RBM BILLS				
TENOR	January'03	December'03	January'04	December'04
63 Days	37.01	33.01	32.25	24.90
91 Days	37.03	34.52	34.52	24.75
TREASURY BILLS				
91 Days	37.43	33.12	34.03	24.51
182 Days	38.10	34.04	34.45	24.89
273 Days	38.44	33.86	34.54	24.94
RBM and COMMERCIAL BANKS LENDING RATES				
RBM Discount Rates	40.00	35.00	35.0	25.0
Prime Rates	43.25	36.00	36.0	27.0
Inflation Rate	10.70	9.8	10.1	12.8 (Nov.)