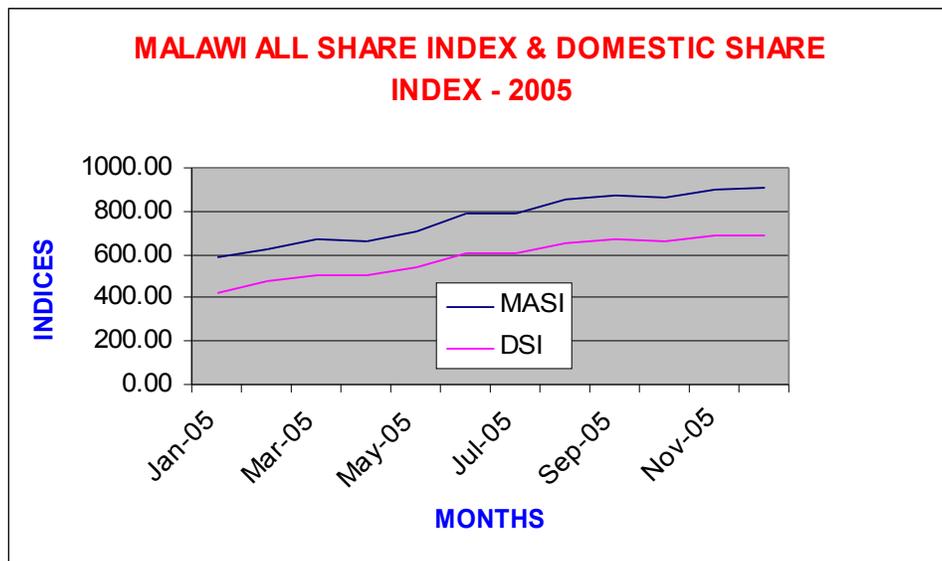




MALAWI STOCK EXCHANGE

# ANNUAL MARKET PERFORMANCE REVIEW

## 2005



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# MALAWI STOCK EXCHANGE LIMITED

## ANNUAL MARKET PERFORMANCE REVIEW FOR 1<sup>st</sup> JAN. TO 31<sup>st</sup> DEC. 2005

### 1.0 INTRODUCTION

YEAR -TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR -TO-DATE INDEX RETURN		
		LOCAL CURRENCY	US DOLLAR	
MASI	906.85	55.42 %	36.76 %	
DSI	687.00	61.26 %	41.89 %	
TOP FOUR CAPITAL GAINERS IN 2005				
COUNTER	PCL	NBM	NICO	PIM
CAPITAL GAIN %	150.0	110.0	68.75	66.67
TOP THREE TRADED COUNTERS BY VOLUME IN 2005				
COUNTER	NICO	NITL	PCL	
% TRADED	27.05	25.12	20.41	

This report reviews and analyses the performance of the stock market during the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2005. 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 1<sup>st</sup> January to December, 2005 shows a total of 61,564,967 shares were transacted at the bourse for a total turnover of MK917.807 million (US\$7.594 million) in 480 deals. Compared to the same period last year 2004, the market transacted a total of 110,592,066 shares at a total turnover of MK669.10 million (US\$6.15 m) reflecting a decrease in terms of share volume by 44.33 percent but an increase in terms of share value by 37.17 percent. In comparison to the year 2003, the market trading position increased by 13.58 percent in terms of share value from a total turnover of MK808.036 m (US\$3.53 m). The increase in share value was due to increase in share prices of most of the traded stocks during the review period.

The highest sales of share trades in terms of share volume were transacted in the month of March 2005 with 10,633,271 shares while as in terms share value was in the month of July at total turnover of MK196.58 million (US\$1.594 m). The least share sales were registered in the month of April 2005 with 1,490,097 shares at a total turnover of MK11.78 million (US\$0.104m).

**TABLE 1: TRADING SUMMARY FOR 1<sup>st</sup> JAN. – 31<sup>st</sup> DECEMBER 2005**

<b>MARKET STATISTICS: THE YEAR 2005</b>				
<b>WEEK</b>	<b>TRADES</b>	<b>VOLUME of</b>	<b>TURNOVER</b>	<b>TURNOVER</b>
<b>Ended</b>		<b>Shares</b>	<b>MKm</b>	<b>US\$m</b>
Jan-05	22	2,132,894	13.56	0.124
Feb-05	26	6,749,108	103.48	0.950
Mar-05	27	10,633,271	24.13	0.220
Apr-05	33	1,490,097	11.78	0.104
May-05	37	2,272,127	12.86	0.111
Jun-05	73	6,469,133	30.065	0.247
Jul-05	45	10,282,571	196.58	1.594
Aug-05	44	3,486,818	112.98	0.913
Sep-05	47	4,940,911	162.31	1.308
Oct-05	37	4,227,185	145.02	1.173
Nov-05	43	5,551,000	42.63	0.345
Dec-05	46	3,329,852	62.41	0.505
<b>2005</b>	<b>480</b>	<b>61,564,967</b>	<b>917.81</b>	<b>7.59</b>
<b>2004</b>	<b>282</b>	<b>110,592,066</b>	<b>669.103</b>	<b>6.15</b>
<b>2003</b>	<b>290</b>	<b>181,872,236</b>	<b>808.036</b>	<b>8.71</b>
<b>% Δ 04-05</b>	<b>70.21</b>	<b>-44.33</b>	<b>37.17</b>	<b>23.53</b>
<b>% Δ 03-05</b>	<b>65.52</b>	<b>-66.15</b>	<b>13.58</b>	<b>-12.84</b>

## 2.2 Market Capitalisation And Index

At the beginning of the year 2004, total market capitalization for the ten listed stocks was at MK745,271.02 million (US\$6,842.58 million) at the beginning of the year 2005 and increased to MK1,120,358.45 (US\$9,051.16 million) as at 31<sup>st</sup> December 2005 reflecting an increase by 50.33 percent in Malawi Kwacha and 39.56 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 ILLOVO, NBM, NICO, NITL, PCL, PIM, and OML plc. The increase in the share prices was due to demand for shares as most counters exhibited competitive yields over money markets yields.

During the year under review, the market exhibited outstanding performance in terms of returns on index in both currencies, local as well as in US Dollar terms. The Malawi All Share Index (MASI), the barometer that measures the average price movement of all counters at the Exchange increased from 583.48 points registered in the month of January to 906.85 points registered as at 31<sup>st</sup> December, 2005 giving a return on Index of 55.42 percent. (36.56% in US\$ terms). The Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of 61.26% (41.89% in US\$ terms) from 426.03 points to 687.00 points during the same corresponding review period of 1<sup>st</sup> January to 31<sup>st</sup> December 2005. This return on Index gives a comparatively competitive edge of the stock market yields over the prevailing interest rates in the money market, which are currently averaging 24.0% per annum. The return is also 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**

<b>MARKET CAPITALISATION AND INDEX : THE YEAR 2005</b>					
<b>WEEK</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MSE</b>
<b>Ended</b>	<b>MKm</b>	<b>MKm*</b>	<b>US\$m</b>	<b>US\$m*</b>	<b>Index</b>
Jan-05	745,271.02	18,321.29	6,842.5843	168.2139	583.48
Feb-05	746,713.39	19,763.66	6,855.8272	181.4568	623.22
Mar-05	748,993.82	22,044.08	6,683.9894	196.7204	667.86
Apr-05	748,741.23	21,791.49	6,556.0357	190.8079	660.89
May-05	750,515.09	23,204.76	6,353.9488	196.4542	703.03
Jun-05	791,365.46	26,155.21	6,434.6345	212.6694	792.44
Jul-05	791,365.46	26,146.81	6,397.4572	211.3728	792.44
Aug-05	908,016.94	28,015.50	7,356.4323	226.9717	849.08
Sep-05	908,789.45	28,015.50	7,323.0297	225.7490	872.49
Oct-05	908,345.32	28,343.87	7,371.0541	230.0052	859.03
Nov-05	947,895.47	29,633.09	7,658.9197	239.4330	898.10
Dec-05	1,120,358.45	29,921.88	9,051.1635	241.7332	906.85
<b>2005</b>	<b>1,120,358.45</b>	<b>29,921.88</b>	<b>9,051.1635</b>	<b>241.7332</b>	<b>906.85</b>
<b>2004</b>	<b>745,271.02</b>	<b>18,321.29</b>	<b>6,485,417</b>	<b>168,214</b>	<b>583.48</b>
<b>2003</b>	<b>584,060.60</b>	<b>10,270.50</b>	<b>5,386.700</b>	<b>94.723</b>	<b>457.27</b>
<b>% Δ 04-05</b>	<b>50.33</b>	<b>63.32</b>	<b>39.56</b>	<b>43.71</b>	<b>55.42</b>
<b>% Δ 03-05</b>	<b>91.82</b>	<b>191.34</b>	<b>68.03</b>	<b>155.20</b>	<b>98.32</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 Capitalization (TVT/MCAP\*), was recorded at 3.07 percent compared to 3.65 percent recorded in 2004.

The ratio of Market Capitalisation to Gross Domestic Product (MCAP\*/GDP recorded the liquidity level of 14.72 percent in the review period while in the previous year 2004, the liquidity was at 9.01 percent. The increase in liquidity levels was as a result of share price increases of most of the traded counters in the review period compared to last year's prices. In respect of share trades, the ratio of Shares Traded to Shares in Issue, the market recorded a liquidity ratio of 2.13% compared to 3.83 % recorded in 2004. This was due to low share trading volumes in the year under review compared to 2004 share trades.

**Table 3: Market Liquidity**

<b>MARKET LIQUIDITY : THE YEAR 2005</b>					
<b>WEEK</b>	<b>Mkt. Cap/GDP</b>	<b>Mkt. Cap/GDP*</b>	<b>TVT/Mkt. Cap</b>	<b>TVT/Mkt. Cap*</b>	<b>Shares Traded/ Shares</b>
<b>Ended</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>In Issue* %</b>
Jan-05	313.62	7.710	0.0018	0.0740	0.0738
Feb-05	314.23	8.317	0.0139	0.5236	0.2335
Mar-05	315.19	9.276	0.0032	0.1095	0.3515
Apr-05	315.08	9.170	0.0016	0.0541	0.0493
May-05	315.83	9.765	0.0017	0.0554	0.0752
Jun-05	333.02	11.006	0.0038	0.1149	0.2138
Jul-05	333.02	11.003	0.0248	0.7518	0.3399
Aug-05	382.11	11.789	0.0124	0.4033	0.1153
Sep-05	382.43	11.789	0.0179	0.5794	0.1633
Oct-05	382.24	11.928	0.0160	0.5116	0.1397
Nov-05	398.89	12.470	0.0045	0.1439	0.1835
Dec-05	551.01	14.716	0.0056	0.2086	0.1152
<b>2005</b>	<b>551.01</b>	<b>14.716</b>	<b>0.0819</b>	<b>3.0673</b>	<b>2.1302</b>
<b>2004</b>	<b>347.406</b>	<b>9.011</b>	<b>0.0900</b>	<b>3.6520</b>	<b>3.8266</b>
<b>2003</b>	<b>354.400</b>	<b>6.232</b>	<b>0.1380</b>	<b>7.8700</b>	<b>9.3445</b>

## 2.4 Company Trading Performance

The market recorded trading activity on all counters but one , Blantyre Hotels Limited which, did not register any trade during the year 2005. NICO Holdings Limited registered the biggest trading volume of 16,650,571 shares representing 27.05 percent of the total volume of shares traded.

The highest capital gainer through a share price rise during the period under review was Press Corporation Limited by 150.0 percent from an opening price of MK20.00 to MK50.00 per share, seconded by National Bank of Malawi by 110.0 percent from an opening price of MK10.00 to a closing price of MK21.00 per share. Other price gainers were NICO (68.75 percent), PIM (66.67 percent), OML plc (50.0 percent), NITL (37.74 percent) and ILLOVO (18.82 percent). STANBIC and SUNBIRD registered capital loss of 4.15 % and 10.00 %, respectively, during the review period.

The counter-by-counter capital gains during the year under review also 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**

<b>COMPANY TRADING STATISTICS :THE YEAR 2005</b>						
<b>Company</b>	<b>Opening Price</b>	<b>Closing Price</b>	<b>Change in Price</b>	<b>% Price Change</b>	<b>Share Vol. Trade</b>	<b>% Traded</b>
BHL	3.70	3.70	0.00	0.00	0	0.00
ILLOVO	8.50	10.10	1.60	18.82	1,276,949	2.07
NBM	10.00	21.00	11.00	110.00	10,910,000	17.72
NICO	1.60	2.70	1.10	68.75	16,650,571	27.05
NITL	2.65	3.65	1.00	37.74	15,465,939	25.12
PCL	20.00	50.00	30.00	150.00	12,564,793	20.41
PIM	1.65	2.75	1.10	66.67	168,060	0.27
STANBIC	9.65	9.25	-0.40	-4.15	4,397,155	7.14
SUNBIRD	2.00	1.80	-0.20	-10.00	3,000	0.00
OML	190.00	285.00	95.00	50.00	128,500	0.21
					<b>61,564,967</b>	<b>100.000</b>

### 3.0 ECONOMIC POSITION

### **3.1 Inflation Rates**

The average annual national inflation rate for the year 2005 was registered at 15.4 percent compared to 11.5 percent registered in 2004. Year on Year national inflation rate for December 2005 was at 16.5 percent reflecting a slight increase by 0.3 percentage point from 16.2 percent registered in the month of November, 2005. 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 18.3 percent to 18.7 percent and from 15.2 percent to 15.5 percent respectively.

An increase in food prices and energy costs pushed the overall annual inflation rate. The upward price trend will continue in the first quarter of 2006 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. However, in the second quarter of 2006, the recovery of the agricultural sector especially in maize production will lessen down pressure on food index, which, in turn will lead to low inflation rates.

### **3.2 Exchange Rates**

The Malawi Kwacha depreciated during the review period after maintaining stable trends against major trading currencies during the first quarter of 2005. The Kwacha depreciated by 12.0 percent from the trading position of MK108.9166/US\$ to MK123.7806/US\$ during the year 2005. Against the British Pound Sterling and the South African Rand the Kwacha depreciated by 2.95 percent and 2.60 percent, respectively to close at MK 215.7429/GBP and MK20.1342/ZAR. The loss of value of the Kwacha during the review period was due to low reserve position to support the kwacha as well as the strengthening of the US Dollar against other hard currencies such as the Euro and the British Pound Sterling. Despite the unlocking of donor aid towards balance of payment support, pressure on the Kwacha was mounted due to demand for foreign currency to meet payment obligation on imported subsidized fertilizer as well as for maize for distribution to the vulnerable population.

**Table 5: Exchange Rates**

<b>CURRENCY</b>	<b>1<sup>st</sup> January' 05</b>	<b>31<sup>st</sup> December' 05</b>	<b>% CHANGE</b>
MK/US\$	108.9166	123.7806	-12.0083
MK/GBP	209.3895	215.7429	-2.94489
MK/ZAR	19.6116	20.1342	-2.59558
MK/EUR	146.7251	148.0456	-0.89195

### 3.3 Interest Rates

End of period (January to December 2005) 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**

<b>RBM BILLS</b>				
<b>TENOR</b>	<b>January'04</b>	<b>December'04</b>	<b>January'05</b>	<b>December'05</b>
63 Days	32.25	24.90	24.57	24.25
91 Days	34.52	24.75	24.68	24.22
<b>TREASURY BILLS</b>				
91 Days	34.03	24.51	24.53	24.44
182 Days	34.45	24.89	24.54	24.49
273 Days	34.54	24.94	24.51	24.30
<b>RBM and COMMERCIAL BANKS LENDING RATES</b>				
RBM Discount Rates	35.0	25.0	25.0	25.0
Prime Rates	36.0	27.0	27.0	27.0
Inflation Rate	10.1	13.7	14.0	16.5