

Malawi



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COUNTRY OVERVIEW:

The Republic of Malawi is a landlocked country in southeast Africa that was formerly known as Nyasaland. It is bordered by Zambia to the northwest, Tanzania to the northeast and Mozambique, which surrounds it on the east, south and west. The country is separated from Tanzania and Mozambique by Lake Malawi. The name Malawi comes from the Maravi, one of the original Bantu tribes to inhabit the area.

Malawi was first settled during the 10th century and remained under native rule until 1891 when it was colonized by the British, who ruled the country until 1964. Upon gaining independence it became a single-party state under the presidency of Hastings Banda, who remained president until 1994, when he was ousted from power. Bingu Mutharika, elected in 2004, is the current president. Malawi has a democratic, multi-party government. Malawi has a small military force that includes an army, a navy and an air wing. Malawi's foreign policy is pro-Western and includes positive diplomatic relations with most countries and participation in several international organizations.

Economy:

Malawi is among the world's least developed and most densely populated countries. The economy is heavily agriculture-based, with around 85% of the population living in rural areas. More than one-third of GDP and 90% of export revenues come from agriculture. The economy of Malawi has in the past been dependent on substantial economic aid from the World Bank, the International Monetary Fund (IMF) and individual nations. In December 2000, the IMF stopped aid disbursements due to corruption concerns, and many individual donors followed suit, resulting in an almost 80% drop in Malawi's development budget.

In 2005, Malawi was the recipient of over US\$575 million in aid. The Malawian government faces challenges in developing a market economy, improving environmental protection, dealing with the rapidly growing HIV/AIDS problem, improving the education system and satisfying its foreign donors that it is working to become financially independent. Improved financial discipline has been seen since 2005 under the leadership of President Mutharika and Financial Minister Gondwe. As of 2008, it was estimated that Malawi had a GDP of \$4.082 billion, with a per capita GDP of \$299 and inflation estimated at around 7.9%. Agriculture accounts for 35% of GDP, industry for 19% and services for the remaining 46%. Malawi has one of the lowest per capita incomes in the world, although economic growth was estimated at 9.7% in 2008 one of the fastest in the world and strong growth for 2009 is predicted by the International Monetary Fund and The Economist at 8.3% making it the fastest growing economy in Africa and the second fastest growing economy in the world for the year. The poverty rate in Malawi is decreasing through the work of the government and supporting organizations, with people living under the poverty line decreasing from 54% in 1990 to

40% in 2006, and the percentage of "ultra-poor" decreasing from 24% in 1990 to 15% in 2007.

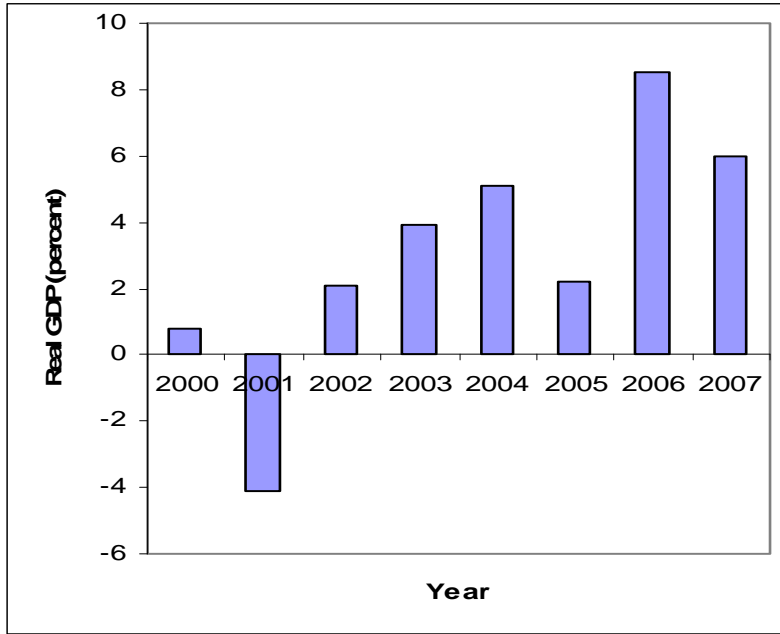
Macro Data

Malawi 2006

Population (mn)	13.17	13.17
Population Growth (annual %)		2.2
Official Language (s)		English/Chichewa
Currency		Malawian Kwacha (MWK)
GDP (Current US\$ bn)		2.19
GDP Growth (annual %)		8.4
GDP Per Capita (US\$)		167
FDI, net inflows (US\$ mn) (2005)		3
External Debt (US\$ mn)		4,000
External Debt/GDP (%)		184.4
CPI Inflation (annual %)		13.4
Exports of goods and services (% of GDP)		28.5
Gross Official Reserves (bn US\$)		0.116
Gross Official Reserves (In months of imports)		1.4

* Source: AfDB, IMF, UNCTAD, UNDP, UN Population Division

Growth in Real GDP



Source: MEPD, RBM, Treasury and NSO

Economic Data	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
GDP, constant prices National currency Billions	59.84	56.7	58.13	60.27	63.51	66.42	66.27	67.35	69.49	70.42	74.43	80.93	75	82.20
GDP, constant prices Annual percent change	0.395	-5.245	2.516	3.694	5.373	4.571	-0.215	1.625	3.177	1.345	5.692	8.73	-7.333	9.692
GDP, current prices National currency Billions	1.005	1.108	1.246	1.437	1.707	1.945	2.198	2.564	3.418	4.199	4.719	6.177	6.484	9.117
GDP, current prices U.S. dollars Billions	1.238	1.238	1.18	1.223	1.208	1.131	1.181	1.161	1.334	1.522	1.729	2.204	1.8	2.071
GDP, deflator Index	1.68	1.954	2.143	2.384	2.688	2.928	3.316	3.807	4.919	5.963	6.34	7.633	8.646	11.08
GDP per capita, constant prices National currency Units	9678.19	8919.33	8912.94	8991.14	9151.4	9155.96	8650.07	8268.17	8031.35	7733.41	7871.16	8361.21	7655.31	8347.91
GDP per capita, current prices National currency Units	162.56	174.31	191	214.36	246.02	268.12	286.84	318.76	395.03	461.13	499.04	638.19	661.89	925.12
GDP per capita, current prices U.S. dollars Units	200.18	194.7	180.95	182.47	174.06	155.97	154.12	142.51	154.23	167.11	182.87	227.66	183.69	210.12
GDP based on PPP valuation of country GDP Current international dollar Billions	2.116	2.194	2.386	2.572	2.812	3.03	3.09	3.226	3.442	3.62	3.974	4.472	4.24	4.758
GDP based on PPP per capita GDP Current international dollar Units	342.28	345.07	365.86	383.67	405.17	417.7	403.32	396.04	397.83	397.56	420.26	462.04	432.77	482.82
GDP based on PPP share of world total Percent	0.017	0.016	0.016	0.016	0.016	0.017	0.016	0.016	0.015	0.015	0.016	0.017	0.015	0.016
Implied PPP conversion rate National currency per current international dollar	0.475	0.505	0.522	0.559	0.607	0.642	0.711	0.795	0.993	1.16	1.187	1.381	1.529	1.916
Inflation, average consumer prices Index, 2000=100	1.522	1.705	1.867	2.124	2.544	2.815	3.214	4.019	5.379	6.049	6.766	7.322	9.024	11.08
Inflation, average consumer prices Annual percent change	19.19	12	9.524	13.77	19.75	10.64	14.18	25.05	33.84	12.45	11.86	8.227	23.24	22.78
Inflation, end of period consumer prices Index, 2000=100	1.417	1.545	1.738	2.061	2.307	2.562	2.917	3.953	4.996	4.947	6.095	6.545	8.907	10.54
Inflation, end of period consumer prices Annual percent change	8.998	12.51	18.61	11.93	11.05	13.85	35.51	26.37	-0.974	23.2	7.388	36.09	18.31	
Population Persons Millions	6.183	6.357	6.522	6.704	6.94	7.254	7.661	8.146	8.652	9.106	9.456	9.679	9.977	9.854
Current account balance U.S. dollars Billions	-0.207	-0.087	-0.091	-0.104	0.004	-0.072	-0.042	-0.03	-0.018	-0.138	-0.064	-0.153	-0.225	-0.183
Current account balance Percent of GDP	-16.73	-7.006	-7.724	-8.498	0.321	-6.384	-3.544	-2.603	-1.355	-9.072	-3.672	-6.965	-12.49	-8.826

Economic Data	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP, constant prices National currency Billions	73.78	83.98	92.36	98.45	99.49	103.02	103.82	99.51	101.36	105.63	110.91	113.44	122.38
GDP, constant prices Annual percent change	-10.31	13.83	9.979	6.587	1.061	3.541	0.775	-4.147	1.862	4.206	5.006	2.278	7.877
GDP, current prices National currency Billions	10.48	21.36	34.92	43.8	54.4	78.3	103.82	123.93	204.38	236.24	285.87	338.04	430.31
GDP, current prices U.S. dollars Billions	1.2	1.397	2.281	2.664	1.751	1.776	1.743	1.717	2.665	2.426	2.625	2.855	3.164
GDP, deflator Index	14.21	25.43	37.81	44.49	54.67	76.01	100	124.54	201.63	223.66	257.74	297.99	351.63
GDP per capita, constant prices National currency Units	7436.41	8359.19	9015.1	9375.2	9217.93	9288.32	9130.43	8558.27	8398.01	8560.68	8796.95		
GDP per capita, current prices National currency Units	1056.55	2125.87	3408.25	4170.56	5039.68	7059.55	9130.43	10658.19	16933.13	19146.45	22673.2		
GDP per capita, current prices U.S. dollars Units	120.94	139.09	222.64	253.67	162.21	160.12	153.33	147.63	220.82	196.62	208.21		
GDP based on PPP valuation of country GDP Current international dollar Billions	4.358	5.062	5.673	6.147	6.281	6.598	6.794	6.668	6.911	7.355	8.118	8.567	9.534
GDP based on PPP per capita GDP Current international dollar Units	439.24	503.85	553.68	585.38	581.94	594.87	597.5	573.5	572.58	596.09	643.84		
GDP based on PPP share of world total Percent	0.014	0.016	0.017	0.017	0.017	0.017	0.016	0.015	0.015	0.015	0.016	0.015	0.016
Implied PPP conversion rate National currency per current international dollar	2.405	4.219	6.156	7.125	8.66	11.87	15.28	18.59	29.57	32.12	35.22	39.46	45.13
Inflation, average consumer prices Index, 2000=100	14.92	27.32	37.63	41.07	53.3	77.16	100	127.25	149.22	163.53	182.21	210.39	239.68
Inflation, average consumer prices Annual percent change	34.66	83.15	37.73	9.137	29.78	44.76	29.6	27.25	17.27	9.586	11.42	15.46	13.92
Inflation, end of period consumer prices Index, 2000=100	17.49	30.6	32.65	37.6	57.58	73.83	100	132.4	153.79	148.7	169.07	197.07	217.03
Inflation, end of period consumer prices Annual percent change	65.97	74.95	6.7	15.16	53.15	28.23	35.45	32.4	16.16	-3.31	13.7	16.56	10.13
Population Persons Millions	9.921	10.05	10.25	10.5	10.79	11.09	11.37	11.63	12.07	12.34	12.61		
Current account balance U.S. dollars Billions	-0.287	-0.143	-0.173	-0.302	-0.008	-0.148	-0.092	-0.117	-0.343	-0.175	-0.222	-0.352	-0.195
Current account balance Percent of GDP	-23.95	-10.24	-7.593	-11.35	-0.431	-8.307	-5.251	-6.792	-12.88	-7.202	-8.469	-12.32	-6.16

BANKING SYSTEM

Bank Overview:

Malawi has a sound banking sector, overseen and well regulated by the Reserve Bank of Malawi -- its central bank. There are ten full-service commercial banks: Ecobank, First Merchant Bank Limited; Indebank; National Bank of Malawi (NBM); Standard Bank (SB); First Discount Merchant Bank; New Building Society Bank; Malawi Savings Bank; Nedbank; and Opportunity International Bank. Another bank will open its doors in 2009. Other financial institutions are: Indefinance; Investment and Development Fund of Malawi (INDEFUND); Finance Corporation of Malawi (Fincom); Leasing and Finance Company of Malawi (LFC); the Malawi Rural Finance Company (MRFC); Continental Discount House, and First Discount House.

National Banks:

Commercial banks in Malawi provide an intermediary role of attracting deposits and channeling them to profitable investments in both the domestic and foreign markets. They also provide homogeneous products ranging from corporate and investment banking services which include letters of credit, letters of guarantee, short and long term loan, overdrafts as well as personal banking and business banking for individuals and small businesses. The leasing company provides asset financing services to companies who cannot raise enough funds to purchase capital items. Most of the banks also have divisions within their structures that provide leasing facilities. Discount Houses help in bringing liquidity to the market players by accepting to purchase (sell) financial instruments from (to) the general public i.e. Treasury Bills and Local Registered Stock.

Bank Ownership

Commercial Bank Ownership			
Bank	Govt	Local	Foreign
* FIRST MERCHANT BANK		77.5	22.5
* INDEBANK LIMITED		58.6	41.4
* LOITA INVESTMENT BANK			100
* MALAWI SAVINGS BANK	100		
* NATIONAL BANK OF MALAWI		100	
* NBS BANK		100	
* NEDBANK MALAWI	2.9		97.1
* OPPORTUNITY INTERNATIONAL BANK OF MALAWI		6.2	93.8
* STANDARD BANK MALAWI			
* CONTINENTAL DISCOUNT HOUSE		84	16
* FIRST DISCOUNT HOUSE LIMITED		75	25
* LEASING AND FINANCE COMPANY		100	
* NATIONAL FINANCE COMPANY			

TYPES OF BANKING AND FINANCIAL INSTITUTIONS PERMISSIBLE ACTIVITIES AND STATUTORY							
TYPE	Demand	Fiduciary	Lending	Limnit	Minimum	Capital	Reserve Requirement
	Deposits						
Commercial Bank	Yes	Yes	If approved	25% total Capital	None	US\$1.5 Million or Equivalent MWK	35% of total Deposit balances and Savings
Merchant Bank	No	Time only	If approved	25% total Capital	K10,000	US\$750,000 or S\$750,000 or Equivalent MWK	
Finance Institution	No	Time only	If approved	25% total Capital	K10,000	US\$750,000 or Equivalent MWK	
Mortgage	No	Yes	If approved	25% total Capital	None	Equivalent MWK	_

INTEREST RATE STRUCTURE, percent							
2007	Bank Rate	Minimun	Maximum	Minimum	Maximum	Minimum	Maximum
		Lending	Lending	Saving	Saving	Fixed	Fixed
	Rate	Rate	Rate	Deposit	Deposit	Deposit	Deposit
		Rate	Rate	Rate	Rate	Rate	Rate
Jan..	20	22.5	28.5	2	3.5	4	7
Feb..	20	22.5	28.5	2	3.5	4	7
Mar..	20	22.5	28.5	2	3.5	4	7
April	20	22.5	28.5	2	3.5	4	7
May	20	22.5	28.5	2	3.5	4	7
June	20	22.5	28.5	2	3.5	4	7
July	20	22.5	28.5	1.25	3.5	4	7
Aug	17.5	21	27	1.25	3	2	5
Sep	17.5	21	27	1.25	3	2	5
Oct	17.5	21	27	1.25	3	2	5
Nov	15	21	27	1.25	3	2	5
Dec	15	19.5	27	1	2.5	2	5

INTEREST RATE STRUCTURE, percent							
2008	Bank Rate	Minimun	Maximum	Minimum	Maximum	Minimum	Maximum
		Lending	Lending	Saving	Saving	Fixed	Fixed
		Rate	Rate	Deposit	Deposit	Deposit	Deposit
		Rate	Rate	Rate	Rate	Rate	Rate
Jan..	15	19.63	27	1	2.5	Negotiable	Negotiable
Feb..	15	19.63	27	1	2.5	Negotiable	Negotiable
Mar..	15	19.63	27	1	2.5	Negotiable	Negotiable

Credit:

Net domestic credit extended by the banking system rose by K9.0 billion to K55.4 billion in 2007 following another increase of K7.0 billion in 2006. Gross credit to the private sector increased by 22.5 percent (K6.2 billion) to K34.0 billion following another increase of K10.2 billion in the previous year. This outturn partly reflected lagged effects of reduction in interest rates during year 2006, coupled with the downward adjustments of interest rates in the second half of 2007.

Net Domestic Credit				
	2004	2005	2006	2007
Credit to Government	22,322.1	23,398.4	19,048.5	20,092.5
Monetary Authorities	12,045.6	11,457.2	7,459.5	(822.1)
Commercial Banks	10,276.5	11,941.2	11,589.0	20,914.6
Credit to Statutory Bodies	(482.9)	(1,479.4)	(331.8)	1,331.1
Credit to the Private Sector (gross)	13,923.3	17,500.3	27,746.6	33,988.0

Commercial Banks: Sources and Uses of Funds:

Total resources of the commercial banks rose by K23.1 billion to K92.7 billion at the end of 2007 following another increase of K11.6 billion in 2006. Deposits of the private sector were the main source of funds for the commercial banks as they recorded an increase of K17.0 billion. This development was explained by a drop in interest rates on Treasury bills which reduced the opportunity cost of holding bank deposits against Treasury bills. Liabilities to non-residents grew by K3.2 billion to K5.8 billion and this was partly explained by the external sector's participation in initial public offer of the Malawi Property Investment Company at the Malawi Stock Exchange. Capital accounts rose by K2.1 billion on account of profits made during the year whereas official sector deposits, particularly those for parastatals bodies rose by K1.0 billion to K3.1 billion.

Much of the commercial banks' resources (73.3 percent), were used in extending credit to the domestic economy that recorded an annual increase of 41.3 percent. Credit to the central government rose by K9.5 billion against a decline of K255.2 million in 2006. This was reflected by an increase of K9.3 billion in Treasury bills holdings by the

commercial banks. Commercial banks' credit to the private sector rose by K6.2 billion to K33.9 billion following another increase of K3.6 billion in the preceding year.

Commercial Banks: Sources of Funds			
	2005	2006	2007
A. Sources of Funds			
Private Sector	40,261.0	45,846.0	62869.3
Official Sector Deposits	2,208.8	2,061.5	3072.1
Borrowing from the RBM			
Foreign Borrowing	1,832.2	2633.1	5845.6
Capital Accounts	8,722.7	11760.2	13866.6
All other liabilities	4,957.8	7251	7042
Total	57,982.5	69551.9	92695.6
B. Uses of Funds			
I. Domestic Credit to:			
Private Sector	17,500.3	27746.6	33988
Statutory bodies	307.2	1210.4	2470.2
Central Govt.	12,363.5	12108.3	21583.3
Sub Total	30,170.9	41065.3	58041.5
II. Deposits with Reserve Bank plus			
currency in banks	7,860.9	4811	5320.8
III. Foreign Assets			
IV All other Assets	4,813.8	8239.7	5605.6
V Total (I+II+III+IV)	15,136.9	15435.9	23727.6
	57,982.5	69551.9	92695.5

Commercial Banks: Assets and Liabilities

	2001	2002	2003	2004	2005	2006	2007
I. Liabilities							
A. Foreign							
1.1 Deposits of non-residents	803.3	892.9	1,271.1	1,219.6	580.8	603.0	827.4
1.2 Liabilities to foreign banks	212.5	225.1	331.8	476.6	1,251.5	2,030.1	5,018.1
1.3 Sub-total (1.1+1.2)	1,015.7	1,118.0	518.9	1,699.3	1,832.2	2,633.1	5,845.6
B. Official							
1.4 Deposits of Central government	565.8	788.6	629.3	434.5	422.2	519.3	668.7
1.5 Deposits of Statutory bodies and local authorities	850.9	796.9	1,148.2	782.4	1,786.5	1,542.2	2,408.4
1.6 Sub-total (1.4+1.5)	1,416.7	1,585.5	1,148.2	1,216.9	2,208.8	2,061.5	3,072.2
C. Domestic banks							
1.7 Liabilities to RBM	-	-	-	-	-	-	-
1.8 Liabilities to other domestic banks	150.6	401.9	75.2	15.2	241.8	748.5	204.7
1.9 Sub-total (1.7+1.8)	150.6	401.9	75.2	15.2	241.8	748.5	204.7
D. Domestic private sector							
1.10 Demand deposits	6,277.1	7,476.1	9,625.9	14,450.7	18,256.9	19,536.8	28,501.5
1.11 Time and savings deposits	11,382.1	13,770.4	17,718.5	20,222.5	22,003.9	26,309.2	34,367.8
1.12 Capital accounts	3,730.4	4,902.6	6,563.9	7,317.1	8,722.7	11,760.2	13,866.6
1.13 Sub-total (1.10+1.11+1.12)	21,389.6	26,149.1	33,908.3	41,990.3	48,983.5	57,606.2	76,735.9
E. Other liabilities	3,169.1	4,100.5	4,597.2	5,170.9	4,715.9	6,502.6	6,837.3
F. Total liabilities (A+B+C+D+E)	27,141.7	33,355.0	41,331.7	50,092.5	57,982.5	69,552.0	92,695.6
2. Assets							
A. Foreign							
2.1 Claims on foreign banks	5,118.1	4,188.7	5,604.0	6,366.9	4,769.7	3,233.9	5,603.3
2.2 Loans and Advances, bills payable to non-residents	3.3	107.7	9.5	6.2	44.2	5.8	2.3
2.3 Sub-total (2.1+2.2)	5,121.3	4,296.4	5,613.5	6,373.2	4,813.8	3,239.7	5,605.6
B. Official claims on Central government							
2.4 Local Registered Stock	1,849.6	1,932.5	1,880.1	1,843.2	1,843.2	1,833.9	1,993.9
2.5 Treasury Bills and advances	881.8	4,815.8	9,087.4	8,867.8	10,520.3	10,274.4	19,589.5
2.6 Sub-total (2.4+2.5)	2,731.4	6,748.3	10,967.5	10,711.0	12,363.5	12,108.3	21,583.3
C. Claims on statutory bodies	575.1	676.5	277.4	299.5	307.2	1,210.4	2,470.2
D. Total official (2B+2C)	3,306.6	7,424.8	11,244.9	11,010.4	12,670.6	13,318.7	24,053.5
E. Domestic banks							
F. Claims on Reserve Bank							
2.7 Deposits and currency ^a	5,592.8	6,179.8	5,690.2	7,243.9	8,070.9	5,631.0	5,820.8
2.8 Claims on other domestic banks	1,610.8	1,205.1	1,225.7	1,612.5	1,180.3	2,537.5	422.4
2.9 Sub-total (2.7+2.8)	7,203.6	1,205.1	6,915.9	8,856.5	9,251.1	8,168.5	6,243.2
G. Domestic private sector Loans and Advances	6,396.9	7,362.2	9,668.2	13,926.3	17,500.3	27,746.6	33,988.0
H. Bills discounted and purchased	57.1	1.2	140.5	-	-	-	-
I. Sub-total (G+H)	6,454.0	7,363.5	9,808.7	13,926.3	17,500.3	27,746.6	33,988.0
J. Other assets	4,599.8	6,885.3	7,748.7	9,926.1	13,746.6	12,078.5	22,805.2
K. Total assets (2.3+2.6+2.9+I+J)	27,141.7	33,355.0	41,331.7	50,029.5	57,982.5	69,552.0	92,695.6

Deposit Insurance

The mechanism on how this would work is currently being worked out.

OTHER FINANCIAL INSTITUTIONS

Non-bank financial institutions in Malawi are represented by 10 local insurance companies, 1 foreign insurance company, and 1 reinsurance company. Eight of the insurers are non-life insurance companies.

List of Insurance Brokers

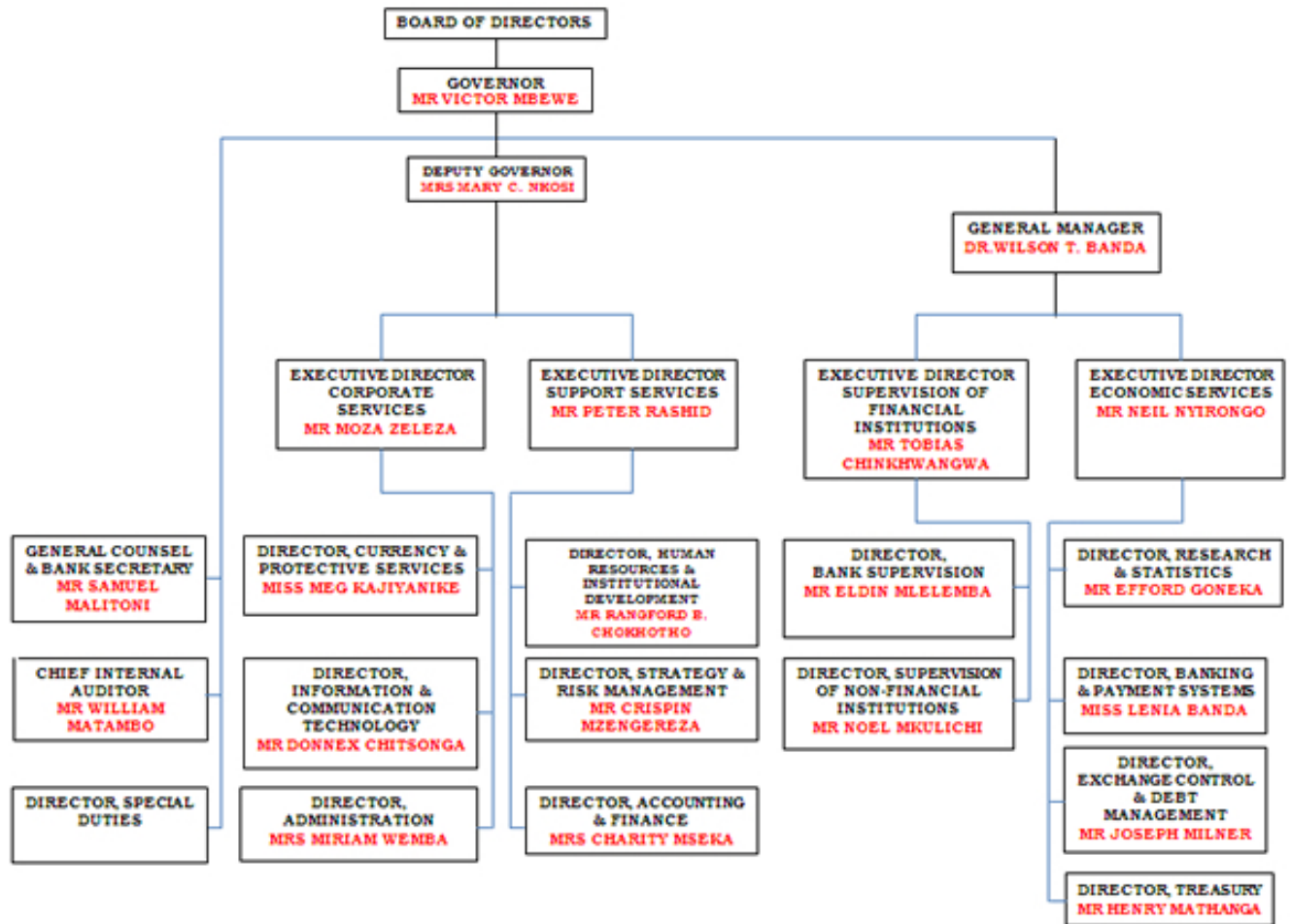
- * ABC ASSOCIATES (PVT) LTD
- * ALEXANDER FORBES MALAWI LIMITED
- * AON MALAWI LIMITED
- * BAOBAB PENSIONS
- * CITY STATE INTERNATIONAL
- * CORPORATE INSURANCE BROKERS
- * EAGLE INSURANCE BROKERS
- * GUARDIAN INSURANCE SERVICES
- * HUBERTUS CLAUSIUS (MALAWI) LIMITED
- * KINGFISHER ASSOCIATES
- * RHINO INSURANCE BROKING AND CONSULTING

Insurance Companies

- * CHARTER INSURANCE COMPANY LIMITED
- * CITIZEN INSURANCE COMPANY LIMITED
- * GENERAL ALLIANCE INSURANCE LIMITED
- * NICO GENERAL INSURANCE COMPANY LIMITED
- * NICO LIFE INSURANCE COMPANY LIMITED
- * OLD MUTUAL LIFE ASSURANCE CO (MALAWI) LTD
- * PRIME INSURANCE COMPANY LIMITED
- * REAL INSURANCE COMPANY LIMITED
- * UNITED GENERAL INSURANCE COMPANY LIMITED
- * VANGUARD LIFE ASSURANCE COMPANY LIMITED
- * ZIMBABWE REINSURANCE CORPORATION LIMITED

CENTRAL BANK

Bank Organization Structure



Central Bank Overview

The Reserve Bank of Malawi was established under an Act of Parliament in July 1964 and started its operations in June, 1965 in Blantyre. It replaced a branch of the Federal Bank of Rhodesia and Nyasaland founded to serve as a central bank of the Federation of Rhodesia and Nyasaland. The federation comprised Southern Rhodesia (now Zimbabwe), Northern Rhodesia (now Zambia) and Nyasaland (now Malawi).

In April, 1989, the Reserve Bank of Malawi (RBM) Act was revised stipulating the Bank's principal functions which are in the interest of the national economy and are in line with the economic policies of the government. Before the revision of the Act, the Reserve Bank of Malawi reported to the Treasury. The 1989 RBM Act, however, made the Reserve Bank of Malawi independent from government under section 4. With this independence, the Reserve Bank of Malawi has the full mandate to conduct monetary policy whereas fiscal policy issues are the mandate of the Ministry of Finance. The Reserve Bank of Malawi therefore has to ensure that fiscal developments are consistent with monetary developments.

In 1990, the Reserve Bank of Malawi clocked 25 years of its operations with total assets amounting to K1.03 billion and foreign assets accounting for K324.5 million. By the close of 1998, total assets of the Bank registered a high of K18.8 billion with foreign assets amounting to K11.3 billion. The operations of the Bank have therefore expanded during the years more especially with the growth of the financial sector. This necessitated the building of a new and spacious branch office in Blantyre which was officially opened in November, 1998.

The Reserve Bank of Malawi acts as an agent of the Malawi Government in the issuance of Treasury bills with maturities of 91, 182, and 273 days. Reserve Bank of Malawi bills are also auctioned to the general public.

Exchange Rates:

The management of the exchange rate in Malawi can be traced from the year the country got its independence. At that time, the country's currency was fixed at par to the British pound sterling. From that period onwards, the determination of the country's exchange rate has evolved over time, having been pegged to the weighted average of the pound sterling and the US dollar; to the IMF's Special Drawing Rights (SDR); to the weighted basket of seven currencies; and, recently the currency has been allowed to move according to the forces of demand and supply.

On February 7, 1994 the foreign exchange market was completely liberalized and the kwacha was allowed to float freely. Several factors led to this change, including: fundamental disequilibrium as revealed by balance of payments pressures emanating from the 1992/93 drought; the withdrawal of non-humanitarian development assistance by the international community on account of "good governance" issues; and by the fact that several member countries of the then Preferential Trade Area (PTA) now COMESA had already adopted various types of market-determined exchange rates.

MONTHLY AVERAGE EXCHANGE RATES 2008

	Malawi Kwacha per US Dollar			Malawi Kwacha per Euro			Malawi Kwacha per Pound			Malawi Kwacha per Rand			Malawi Kwacha per Yen			Malawi Kwacha per zimbabwean dollar		
	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle
Jan..	139.658	141.061	140.3921	205.252	207.315	206.283	275.019	277.783	276.401	19.9686	20.1693	20.0689	1.2945	1.3075	1.301	0.0047	0.0047	0.0047
Feb..	139.772	141.177	140.4748	206.041	208.112	207.077	274.509	277.267	275.888	18.2825	18.4661	18.3743	1.3034	1.3164	1.3099	0.0047	0.0047	0.0047
Mar..	139.777	141.182	140.4798	217.009	219.19	218.1	280.164	282.98	281.588	17.5215	17.6974	17.6094	1.3853	1.3992	1.3923	0.0047	0.0047	0.0047
April	139.796	141.201	140.4981	220.314	222.526	221.42	276.969	279.753	278.361	17.9403	18.1206	18.0304	1.364	1.3777	1.3708	0.0047	0.0047	0.0047
May	139.792	141.197	140.4946	217.671	219.955	218.813	274.911	277.674	276.292	18.3508	18.5352	18.443	1.3415	1.3593	1.3504	0.0047	0.0047	0.0047
June	139.803	141.208	140.5058	217.444	219.685	218.564	274.84	277.602	276.221	17.629	17.8057	17.7174	1.3089	1.322	1.3154	0.0047	0.0047	0.0047
July	139.816	141.221	140.5183	220.502	222.718	221.858	278.149	280.944	279.547	18.2952	18.4336	18.3644	1.3095	1.3227	1.3161	0.0047	0.0047	0.0047

MONTHLY AVERAGE EXCHANGE RATES 2007

	Malawi Kwacha per US Dollar			Malawi Kwacha per Euro			Malawi Kwacha per Pound			Malawi Kwacha per Rand			Malawi Kwacha per Yen			Malawi Kwacha per zimbabwean dollar		
	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle
Jan..	138.746	140.14	139.4431	180.425	182.238	181.332	271.766	274.497	273.131	19.3322	19.5265	19.4293	1.1528	1.1644	1.1586	0.5549	0.5605	0.5576
Feb..	138.6	140.044	139.322	181.233	183.098	182.233	271.541	274.27	272.905	19.3394	19.5487	19.4441	1.1498	1.1611	1.1555	0.5544	0.5602	0.5573
Mar..	138.836	140.233	139.5345	183.803	185.65	184.727	270.305	273.023	271.664	18.8926	19.0777	18.9852	1.183	1.1949	1.1889	0.5552	0.5608	0.558
April	139.375	140.776	139.8355	188.282	190.174	189.228	277.079	279.864	278.471	19.5932	19.7901	19.6917	1.1725	1.1843	1.1784	0.5575	0.5631	0.5603
May	139.777	141.136	140.4224	188.941	190.84	189.89	277.277	280.064	278.67	19.922	20.1222	20.0221	1.1574	1.1691	1.1633	0.559	0.5646	0.5618
June	139.769	141.175	140.4718	187.656	189.542	188.599	277.651	280.442	279.047	19.5262	19.7036	19.6149	1.1404	1.1516	1.146	0.5591	0.5647	0.5619
July	140.013	141.421	140.7172	192.103	194.066	193.084	284.889	287.609	286.249	20.0958	20.2978	20.1968	1.1516	1.163	1.1573	0.56	0.5657	0.5629
Aug	139.735	141.14	140.4373	190.4	196.271	193.336	281.116	283.941	282.529	19.3506	19.5451	19.4478	1.1965	1.2086	1.2026	0.5589	0.5646	0.5618
Sep	139.108	140.506	139.8071	193.104	195.045	194.074	280.677	283.498	282.087	19.3506	19.5451	19.4478	1.2085	1.2206	1.2145	0.1426	0.144	0.1433
Oct	139.099	140.497	139.7975	197.874	199.862	198.868	284.44	287.155	285.798	19.5512	19.7476	19.6494	1.2026	1.2147	1.2087	0.0046	0.0047	0.0047
Nov	139.107	140.505	139.8061	204.075	206.126	205.101	288.186	291.082	289.634	20.7569	20.9655	20.8612	1.252	1.2646	1.2583	0.0046	0.0047	0.0047
Dec	139.428	140.836	140.1727	203.159	205.201	204.18	281.957	284.791	283.374	20.4155	20.6206	20.518	1.2422	1.2546	1.2484	0.0046	0.0047	0.0047

Interest Rates:

Regarding interest rates, until the late 1970's Malawi experienced a high degree of financial repression, with administered interest rates, credit ceilings, segmented capital markets and excessive intermediation costs. As part of structural adjustment programs supported by the World Bank and the IMF, Malawi has been implementing structural reforms in the financial system for close to two decades now. The main objective of these reforms has been more efficient mobilization of resources and optimal resource allocation. One of the most important aspects of financial reforms was interest rate liberalization.

Prior to July 1987, the basic structure of interest rates was directly administered by the Reserve Bank (RBM) of Malawi. As a result, interest rates were infrequently adjusted during the period before July 1987. Less attention was paid to underlying macroeconomic conditions, especially inflation (See Table 1) as well as the demand and supply of funds. The main preoccupation was to keep interest rates low in order to reduce government expenditures and to promote private investment. During the regime of administered interest rates, deposit rates were set by Reserve Bank of Malawi while lending rates were set by commercial banks, but subject to a ceiling rate. In March 1980, however, interest rates which were in favor of the agricultural sector were introduced for the first time. The sector was given a preferential rate of 1 to 2 percentage points below the prime rate.

The deregulation or liberalization of interest rates started in earnest in July 1987 when lending rates were freed. The policy of low interest rates was considered an important avenue for promoting investment by keeping interest costs low.

In line with this thinking and in order to support the adjustment program, it was decided to gradually deregulate interest rates. This was done as follows:-

- (a) In July 1987, commercial banks were given the freedom to set their own lending interest rates.
- (b) In April 1988, deposit rates were deregulated.
- (c) In August, 1988 preferential interest rates to the agricultural sector were abolished.
- (d) By May 1990 all rates became fully liberalized.

According to the Reserve Bank of Malawi, the commercial banks' interest rates are determined by an average of Standard Bank (still sometimes referred to as Stanbic Bank) and National Bank of Malawi rates. As of 2008, the lending rates ranged from a minimum of 19.63% to a maximum of 27%. Deposits rates were as follows: savings rate

2.75%; 7 day call deposit rate 2.63%; 30 day call deposit rate 3.63%; 2 months deposit rate 3.75%; and 3 months deposit rate 3%.

The Table below displays the most up-to-date monetary survey available from the Reserve Bank of Malawi and is in millions MWK.

Monetary Survey	Period balances				Half year changes during periods			
	Dec-05	Jun-06	Dec-06	Jun-07	Dec-07	Jun-06	Dec-06	Jun-07
1. Net foreign assets	9,929.50	13,714.20	21,149.50	31,047.10	875.7	3,784.70	7,435.30	9,897.60
Monetary Authorities	6,947.90	8,623.40	15,542.90	24,137.10	2,887.80	1,675.50	6,919.50	8,594.20
Foreign assets	16,265.30	19,262.30	18,299.90	28,745.00	2,440.00	2,997.00	-962.4	10,445.10
Foreign liabilities	9,317.40	10,638.90	2,757.00	4,607.90	-447.8	1,321.50	-7,881.90	1,850.90
Commercial Banks	2,981.60	5,090.80	5,606.50	6,910.00	-2,012.10	2,109.20	515.7	1,303.50
Foreign assets	4,813.80	6,994.60	8,239.70	8,846.30	-1,523.00	2,180.80	1,245.10	606.6
Foreign liabilities	1,832.20	1,903.80	2,633.10	1,936.30	489.1	71.5	729.3	-696.8
2. Net domestic assets	42,278.50	44,614.20	40,167.30	41,854.20	707.4	2,335.70	-4,446.90	1,686.90
Domestic credit	39,419.40	42,452.80	45,526.60	43,157.40	-6,382.70	3,033.50	3,073.80	-2,369.20
Credit to Govt.(net)	23,398.50	22,121.70	18,111.80	12,964.10	-6,678.60	-1,276.80	-4,009.90	-5,147.70
T bills, loans, advances	35,243.40	31,955.80	26,328.00	24,549.90	-1,417.40	-287.6	-5,627.80	-1,778.10
Deposits	11,844.90	9,834.10	8,216.20	11,585.70	5,261.20	-2,010.80	-1,617.90	3,369.50
Credit to statutory bodies	-1,479.40	-794.8	-331.8	740.4	-707.6	684.5	463	1,072.20
Loans and advances	307.2	877	1,210.40	2,588.40	-45.3	569.8	333.4	1,378.00
Deposits	1,786.50	1,671.80	1,542.20	1,848.00	662.2	-114.7	-129.6	305.8
Credit to private sector	17,500.30	21,126.00	27,746.60	29,453.00	1,003.50	3,625.70	6,620.60	1,706.40
3. Other items (net)	2,859.10	2,161.40	2,300.70	2,339.40	7,090.10	-697.8	139.3	38.7
4. Money & quasi-money	52,208.00	58,328.40	61,316.90	72,901.40	1,583.10	6,120.40	2,988.50	11,584.50
Money	30,204.00	33,248.60	35,007.70	42,808.00	1,226.80	3,044.60	1,759.10	7,800.30
Currency outside banks	11,947.00	15,830.40	15,470.90	20,955.50	-1,103.00	3,883.40	-359.5	5,484.60
Demand deposits	18,257.00	17,418.20	19,536.80	21,852.50	2,329.80	-838.8	2,118.60	2,315.70
Quasi-money	22,004.00	25,079.80	26,309.20	30,093.40	356.3	3,075.80	1,229.40	3,784.20
Time & savings	15,529.50	16,273.00	16,400.00	19,381.90	2,127.80	743.5	127	2,981.90

dep								
Foreign currency dep	6,474.50	8,806.80	9,909.10	10,711.50	-1,771.50	2,332.30	1,102.30	802.4

GOVERNMENT BOND RATES

MONTH	BOND RATE	MORTGA GE	RBM BILL YIELDS		TB YIELDS			INTERBANK RATE
			63 days	91 days	91days	182 days	271 days	RANGE
2007								
January	39.5	21	15.58	15.74	16.61	16.86	16.82	8.00-19.90
February	39.5	21	15.45	15.6	16.35	16.55	16.68	8.00-19.91
March	39.5	21	15.46	15.6	16.53	16.6	16.88	15.23-19.50
April	39.5	21	15.73	..	16.29	16.4	16.9	15.50-19.85
May	39.5	21	15	..	16.42	16.25	16.85	18.00-19.95
June	39.5	21	..	14.55	16.5	16.42	16.9	10.00-19.72
July	38	21	..	15.19	15.72	15.14	14.86	10.00-19.90
August	38	20	11.69	11.63	12.02	11.96	11.92	5.00-13.00
September	38	20	11.84	11.3	10.52	10.28	9.96	3.50-12.50
October	38	20	9.19	9.4	9.94	9.87	10	3.00-20.83
November	38	20	7.89	8.31	10.04	8.48	8.44	2.5-9.69
December	38	20	10.16	9.43	9.81	3.00-15.00
2008								
January	38	19	..	9.11	9.15	8.83	9.05	2.25-13.59
February	38	19	..	8.43	8.71	8.37	8.93	2.50-15.00
February	38	19	..	8.43	8.71	8.37	8.93	2.50-15.00
March	38	19	..	8.5	8.67	8.34	8.86	2.50-15.01

STOCK MARKET

Overview:

The Malawi Stock Exchange has been in existence since 1994, but equity trading had not started until November 1996 when it first listed the National Insurance Company Limited. Prior to this first listing, the major activities being undertaken were the provision of a facility for secondary market trading in Government Malawi's capital market securities, namely Treasury Bills and Local Registered Stocks. The Malawi Stock Exchange operates under the Capital Market Development Act of 1990 and the Companies Act of 1984.

Brokers:

Stockbrokers Malawi Limited (SML) is the major registered stockbroker in Malawi. Other brokerage firms are Continental Discount House, First Discount House and Trust Securities Limited. The MSE remains regulated by the Stock Exchange Commission.

Ownership and Listings:

SML runs a secondary market in government securities, and both local and foreign investors have equal access to the purchase of these securities. The following 15 companies are listed on the MSE: Blantyre Hotels Limited (BHL), First Merchant Bank (FMB), ILLOVO Malawi Limited, Malawi Properties Investment Company (MPICO), National Bank of Malawi (NBM), NBS Bank, NICO, National Investment Trust Limited (NITL), Press Corporation Limited (PCL), Packaging Industries of Malawi (PIM), Real Insurance Malawi, Standard Bank (Malawi), Old Mutual, Sunbird Tourism Limited, and Telecom Network Malawi Limited.

The MSE is still in a nascent stage, and hostile takeovers have not yet occurred. Apart from the restrictions under the privatization program, there are no specific measures taken by private firms to restrict foreign investment or participation. Foreign investors tend to be the dominant shareholders in large MSE-listed companies requiring significant technical and financial resources. The Competition and Fair Trading Act does not cover the day-to-day trading on the MSE, but will regulate mergers, acquisitions, and takeovers that are of national interest.

Regulation:

The Competition and Fair Trading Act -- passed by Parliament in 1998 but made operational in 2000 -- aims to regulate and monitor monopolies and the concentration of economic power, protect consumer welfare, and strengthen the efficient production and distribution of goods and services. In accordance with the Act, the Ministry of Trade

and Private Sector Development appointed competition commissioners, who in 2006 established a secretariat to oversee the Act's implementation. The secretariat approves only those acquisitions, mergers or takeovers that increase employment and net exports, and lower prices for consumers.

Stock Market Data

Vol. 114/2009

9th April 2009

WEEKLY MARKET UPDATES							
Counter	Sector	Opening Price (t)	Closing price (t)	Change (%)	P/E	Div Yield	Market Capitalisation (MKmn)
BHL	HOSPITALITY	615	615	-	72.50	0.00	787.87
FMB	BANKING	1050	1050	-	13.40	1.73	24,475.00
ILLOVO	SUGAR	11000	11000	-	15.24	4.05	78,478.88
MPICO	PROPERTY	350	350	-	3.37	3.34	4,021.58
NBM	BANKING	5900	5900	-	12.01	4.97	26,880.39
NBS	BANKING	1400	1400	-	8.87	3.21	6,906.66
NICO	INSURANCE	900	900	-	6.84	2.27	9,387.37
NITL	INVESTMENTS	2000	2000	-	5.05	2.84	2,700.00
PCL	INVESTMENTS	12000	12000	-	4.60	1.84	14,430.70
PIM	MANUFACTURING	625	625	-	5.19	3.89	420.31
REAL	INSURANCE	230	230	-	13.92	3.13	575.00
STANDARD	BANKING	7000	7000	-	10.75	2.62	14,000.00
SUNBIRD	HOSPITALITY	890	890	-	13.19	1.82	2,354.24
TNM	TELECOMS	200	200	-	13.13	3.23	20,080.90
OML	INSURANCE	20000	20000	-	7.66	5.27	1,590,304.68

DATE: 15 April 2009

<u>COUNTER</u>	<u>(t)</u>	<u>SELLER</u>	<u>SALES</u>	<u>P/E</u>	<u>D/Y%</u>	<u>VOL</u>
<u>LOCAL</u>						
BHL	-	615	-	72.50	-	0
FMB	-	1050	-	17.09	2.29	0
ILLOVO	-	11000	11000	13.97	4.47	700
MPICO	-	350	-	3.37	3.34	0
NBM	-	5900	5900	8.52	0.03	25,000
NBS	-	1400	1400cd	8.87	3.21	30,641
NICO	-	900	-	4.57	3.00	0
NITL	-	2000	-	4.81	2.10	0
PCL	-	12000	-	4.60	1.84	0
PIM	-	620	-	5.19	3.89	0
REAL	-	230	230	12.07	5.22	6,504
SBM	-	7000	-	10.75	2.62	0
SUNBIRD	-	890	-	7.32	4.55	0
TNM	-	200	200	13.13	3.23	129,570

FOREIGN

OML - 11000 20000 - 7.66 5.27 0

NOTE: Our P/E's are calculated on rolling 12 months earnings.

Shares Traded Domestic 191,915

Shares Traded Foreign 0

Shares Traded Foreign & Domestic 191,915

Malawi All Share Index(11 November 1996-100)
 Domestic Share Index(11 November 1996-100)
 Foreign Share Index(12 July 1999-100)

15-Apr-2009	14-Apr-2009	CHANGE
5665.04	5665.04	0.00
4503.72	4503.72	0.00
251.37	251.37	0.00

Stock Information for the Week Ending 31 August 2007					
Code	Full Name	Buy	Sell	LSP	Volume
BHL	Blantyre Hotels Limited	340	-	340	-
FMB	First Merchant Bank	-	700	700	1,794,200
ILLOVO	Illovo Sugar Malawi Limited	9,300	-	9,300	1,000
NBM	National Bank of Malawi	5,550	-	5,550	47,400
NBS	NBS Bank Limited	520	550	520	2,605,800
NICO	National Insurance Company	800	-	800	114,000
NITL	National Investment Trust Limited	1,750	-	1,750	422,700
OML	Old Mutual	-	41,500	41,500	1,500
PCL	Press Corporation Limited	21,000	-	21,000	25,000
PIM	Packaging Industries Malawi Limited	500	-	500	-
STANDARD	Standard Bank	5,250	-	5,250	29,800
SUNBIRD	Sunbird Tourism Limited	650	-	650	-

Historical Stock Performance

MALAWI STOCK EXCHANGE PERFORMANCE				
Year	MASI	% change in MASI	DSI	% change in DSI
2008	6091.15	25.6	4815.55	25.95
2007	4849.79	109.89	3823.49	113.2
2006	2310.67	154.8	1793.39	161.05
2005	906.85	55.42	687	61.26
2004	583.48	27.6	426.03	85.58
2003	457.27	45.91	229.57	-18.07
2002	313.4	-31.68	280.2	0
2001	458.7	-11.45	280.2	3.73
2000	518	53.71	270.12	7.66
1999	337	52.71	250.89	13.69
1998	220.68	60.41	220.68	60.41