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INVESTMENT OPPORTUNITIES AND FINANCING INSTRUMENTS FOR BUILDING A BETTER ECONOMY

**THEME: ECONOMIC PRIORITIES FOR A VULNERABLE ECONOMY
2024 ECAMA ANNUAL ECONOMIC CONFERENCE
13-15 NOVEMBER 2024
SUNBIRD NKOPOLA, MANGOCHI**

Malawi's Development Agenda



Three Pillars

Agriculture productivity
and commercialization



Industrialization –
manufacturing sector



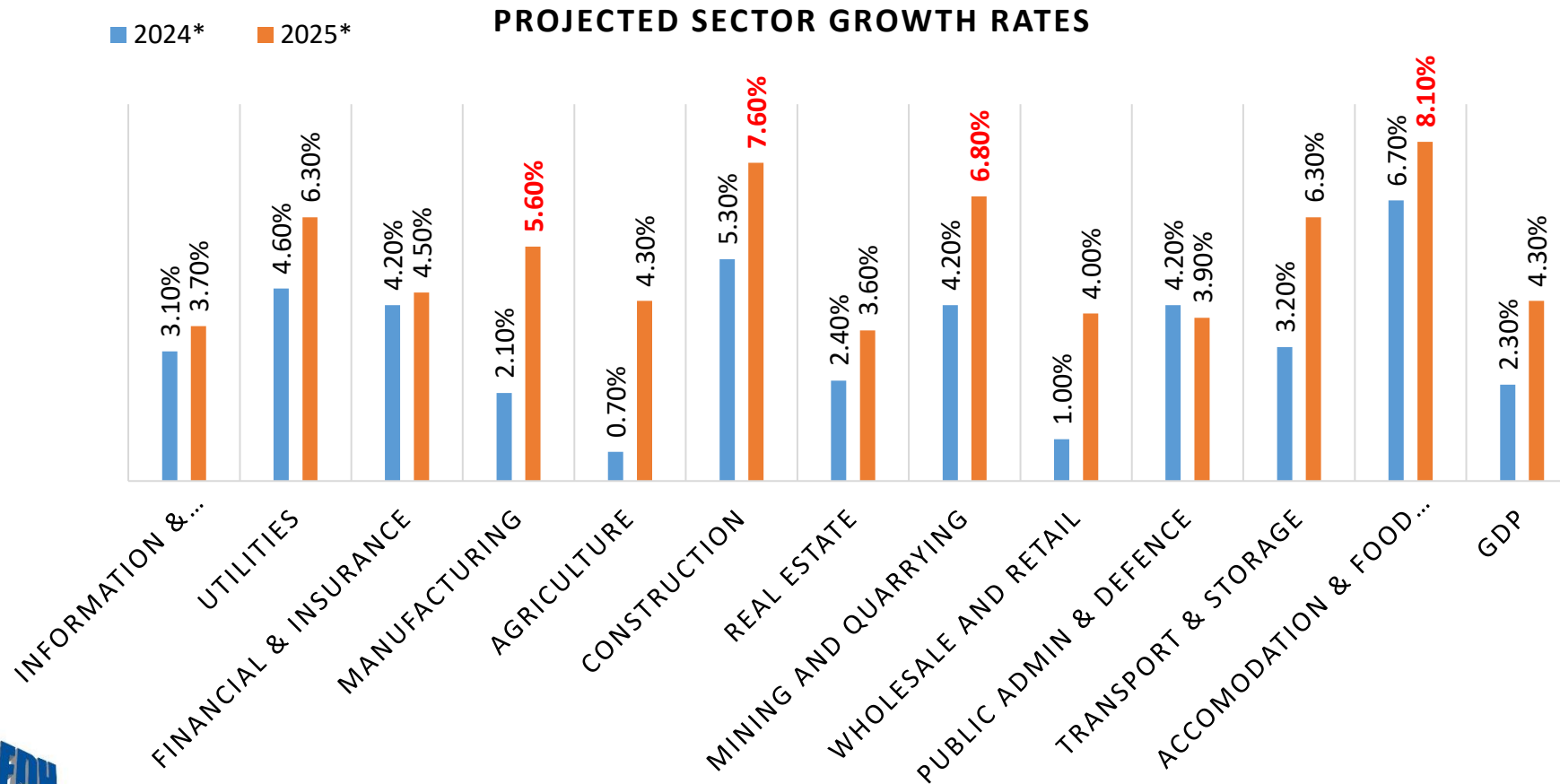
Urbanisation –
infrastructure development



Interim strategy

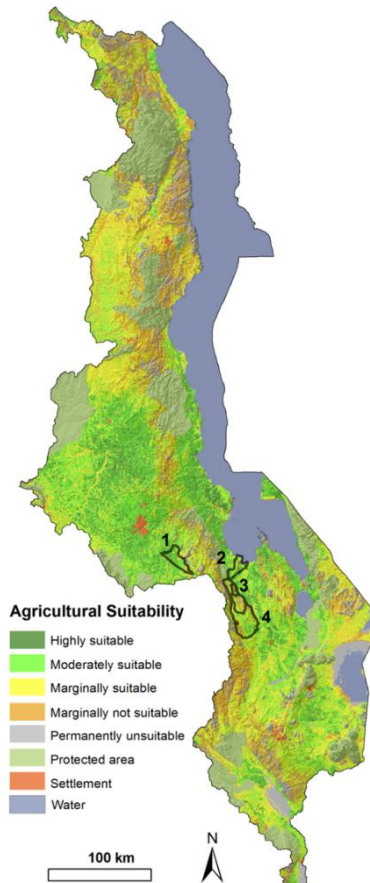
- ◆ Agriculture
- ◆ Tourism
- ◆ Mining

Projected Sector growth rates



The sectoral projections are generally in line with the country's development agenda

Agriculture Sector



The sector is projected to grow by 4.3% in 2025 on the back of full utilization of the Mega Farm project and expected good weather

Key facts

- ▶ Contributes 22.4% to GDP (7 yr average)
- ▶ Comprises 80% of our exports of which 70% are exported in their primary form
- ▶ **Main export commodities:** Tobacco (43%), Tea (8%), Cotton (0.6%) and Sugar (6.1%)
- ▶ Employs 62% of our population
- ▶ 90% of Agriculture activity is rain-fed

Opportunity

- ▶ Fertile soils – 64.2% Agricultural land, 42% Arable land
- ▶ Irrigation – Primarily rain-fed agriculture
- ▶ Mechanization – Currently Manual Labor dependent
- ▶ Infrastructure - Poor Infrastructure for distribution of crops e.g. only 26% of the roads in Malawi are paved

Tourism Sector

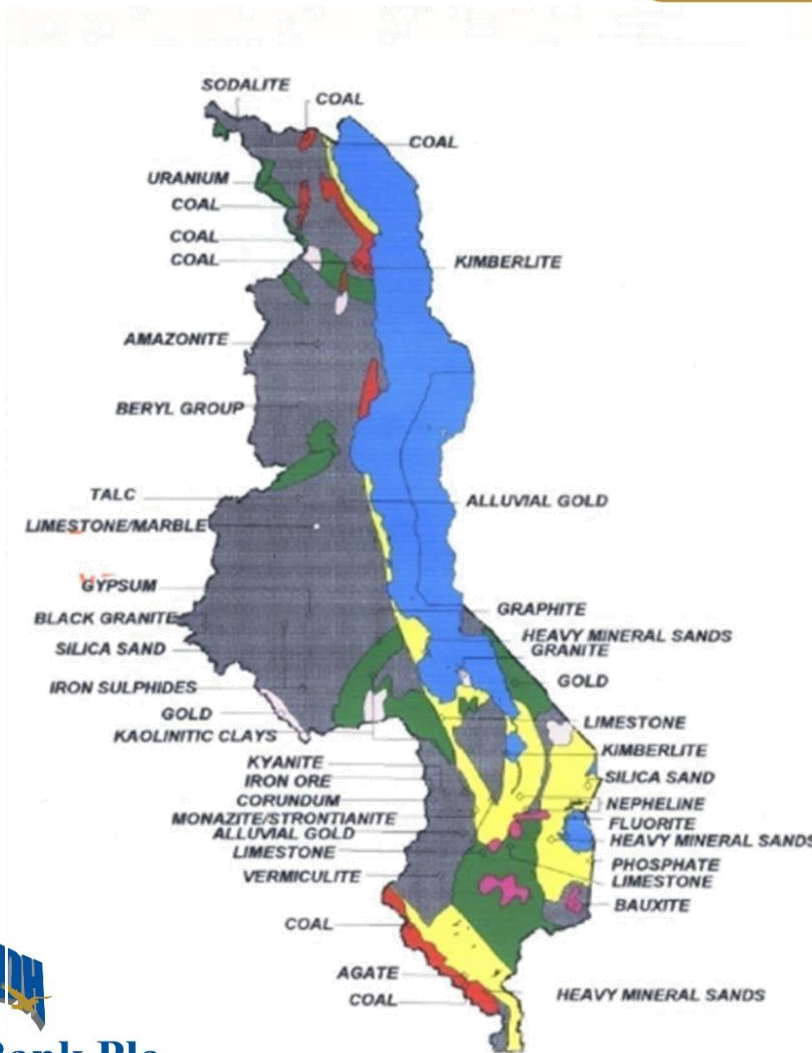


- ▶ Contributes 1.3% to GDP (7 year average).
- ▶ The country has natural attractions which can support the growth of the industry.
- ▶ Key challenge is the supporting infrastructure e.g. transportation networks to main tourist attractions, stable supply of utilities, Resorts with variety of offerings.

Opportunity

- ▶ Fresh water lake
- ▶ Game reserves
- ▶ Mountains
- ▶ Islands
- ▶ Rich heritage

Mining Sector



The sector is projected to grow by 6.8% in 2025 as a result of:

- ▶ positive growth of the energy sector
- ▶ government's commitment to finalize ongoing construction projects during the 2024/25 fiscal year – increase demand for quarry etc.
- ▶ formalization of the Artisanal and Small-scale Miners (ASMs) Act - boost production of gemstones and other minerals.
- ▶ The sector contributes only 0.7% to GDP (Avg for 7 years)
- ▶ The key challenge for the sector is availability and cost of funding, energy supply, transport infrastructure and technical expertise.

Opportunity

- ▶ Availability of Mineral deposits, including but not limited to bauxite, heavy mineral sands, monazite, coal, vermiculite, uranium, gemstones, limestone, graphite, rare-earth-elements, iron ore, niobium tantalum, precious and semi-precious stones, dimension stones, gypsum, and rock aggregates.
- ▶ Available workforce – high and young population

Manufacturing Sector

- ▶ Expected to growth at 5.6% in 2025 based on expectations of an improved foreign exchange situation, consistent power supply, fuel availability, and enhanced agricultural production.
- ▶ Contributes 1.8% to GDP (7 yr avg).
- ▶ Key manufacturing sectors include: Tobacco products, rubber and plastics, food products, beverages, and chemicals and chemical products
- ▶ The majority of the manufacturing companies in Malawi are SMEs that produce a variety of goods, including textiles, food products, and consumer goods.
- ▶ Few larger companies operating in the sector, particularly in the tobacco and sugar industries
- ▶ **Challenges:** forex scarcity, fuel supply, limited infrastructure, inconsistent energy supply, high interest rates and limited access to finance, and lack of skilled labor.

Opportunity

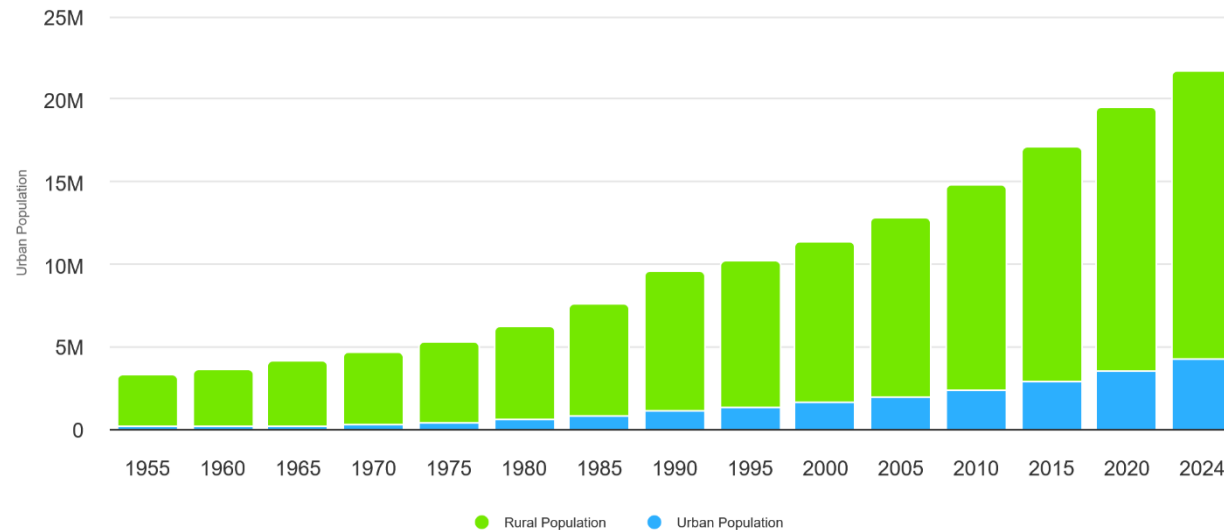
- ▶ Agro-processing - Locally available agricultural raw materials
- ▶ Available workforce that can be trained – high and young population

Urbanisation

Largest Cities in Malawi

#	CITY NAME	POPULATION
1	Lilongwe	1,115,815
2	Blantyre	902,588
3	Mzuzu	249,564

Malawi Urban vs Rural Population



- ▶ Rural population growing faster than Urban Population
- ▶ Need to create new urban settlements, towns and cities

Tools to attaining urbanization:

- ▶ Infrastructure development – including roads
- ▶ Increase supply and availability of utilities
- ▶ Investment in education

Urbanisation: Enabling Sectors

Construction Sector:

Expected to grow by 7.6% in 2025 supported by Government's commitment to finalize ongoing projects with support from the donor community.

Some ongoing projects:

- Learning complexes in public universities
- Stadium in Blantyre (Soche and Zingwangwa) and other districts
- Indoor sports complex – Currently at 80% completion
- District Councils offices.



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Transport Sector:

Expected to grow by 6.3% in 2025 on account of :

- expected increased transport demand from elections campaign period
- improved road infrastructure upon completion of various government transport infrastructure projects
- improvements in performance of railway transport with the rehabilitation and the anticipated resumption of Nkaya to Lilongwe train operations.

Utilities Sector:

- Expected to grow by 6.3% in 2025.
- Government is commitment to increase national electricity generation capacity to 1,000 MW by 2025.
- Also implementing various water and sanitation projects

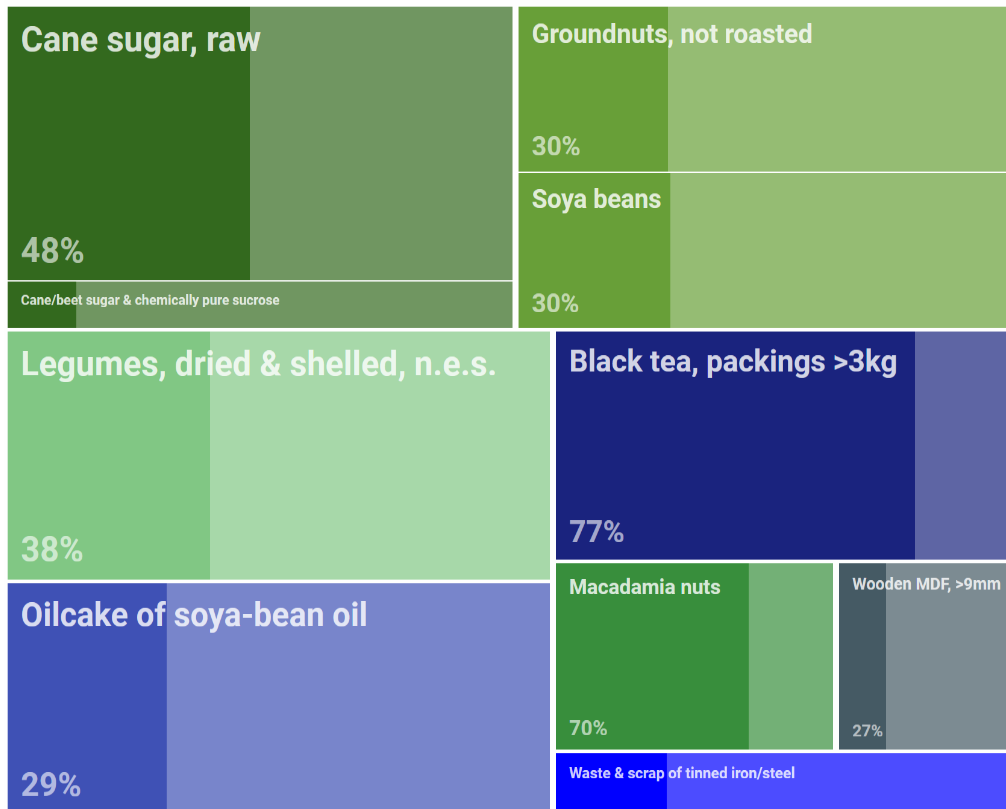
Some ongoing projects:

- Bwengu Solar Power Station and a 50-megawatt solar power plant
- Commissioning of the Nkhunzi Bay Scheme by Southern Region Water Board



Exports

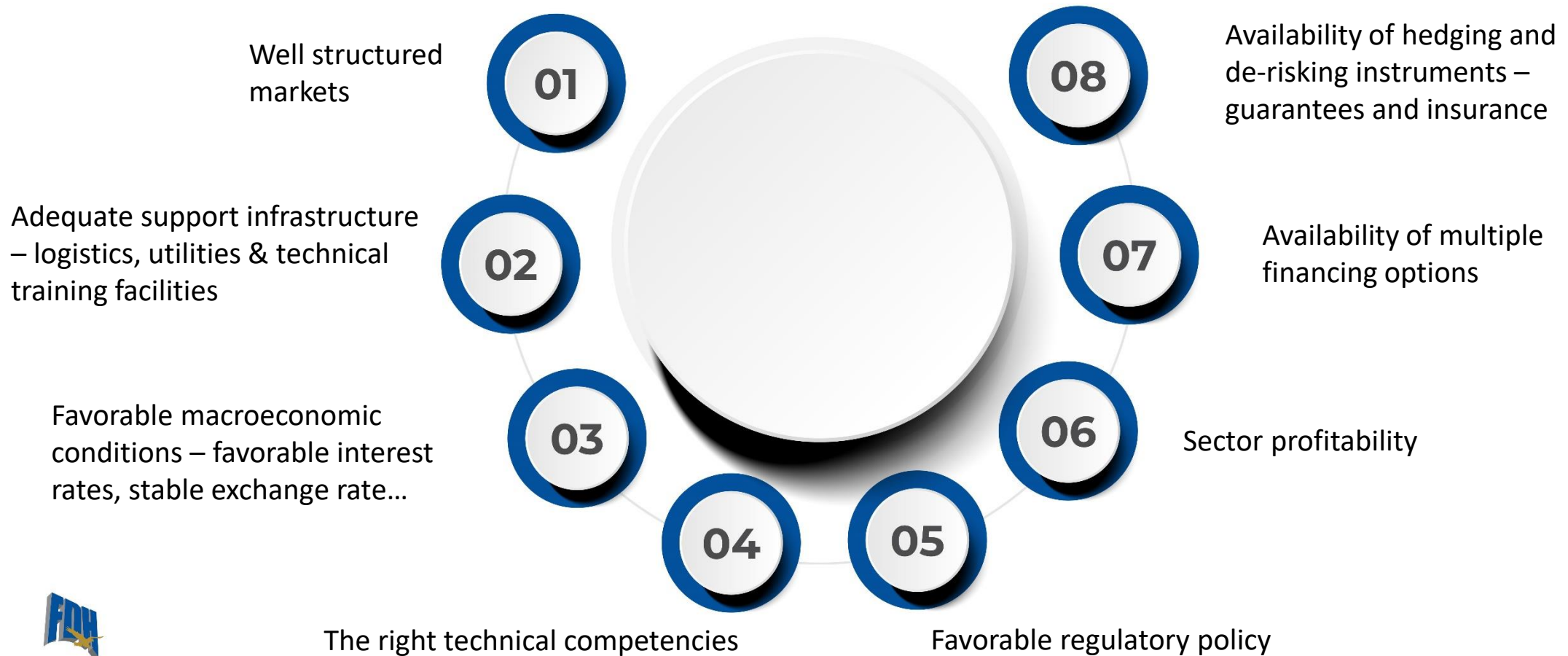
Malawi's Export Potential: Top 10



Source: Malawi Investment and Trade Centre

- ▶ Malawi has relied heavily on Tobacco which contributes about 43% of export earnings.
- ▶ Global demand for Malawi's key cash crop, tobacco, is declining, further eroding the country's ability to generate foreign currency.
- ▶ The country has potential to grow other export lines and to value add.
- ▶ Malawi has high export potential into: Mozambique, Tanzania, Rwanda, India, Kenya, United Kingdom, Zimbabwe, South Africa and United States of America (Source: MITC)

What will facilitate the investments in the sectors?



Financing Instruments

EQUITY

- ◆ **Ordinary shares –**
Initial Public Offer or
Private Placement
- ◆ **Preference shares**

DEBT

- ◆ **Commercial Paper**
- ◆ **Bonds –**
private/public
- ◆ **Loans**

OTHER

- ◆ **Asset Finance &**
Leasing instruments
- ◆ **PPPs**
- ◆ **Structured Financial**
products –
securitization and
receivables financing
- ◆ **Grants**

Financing Sources: Types of financiers

1

Commercial Banks

2

Development Banks and
Development Finance Institutions
(DFI's)

3

High Networth individuals

4

Fund managers – Pension Funds,
Trust Funds, Insurance companies
and Corporate Investors

5

Private Equity Firms

6

Microfinance institutions

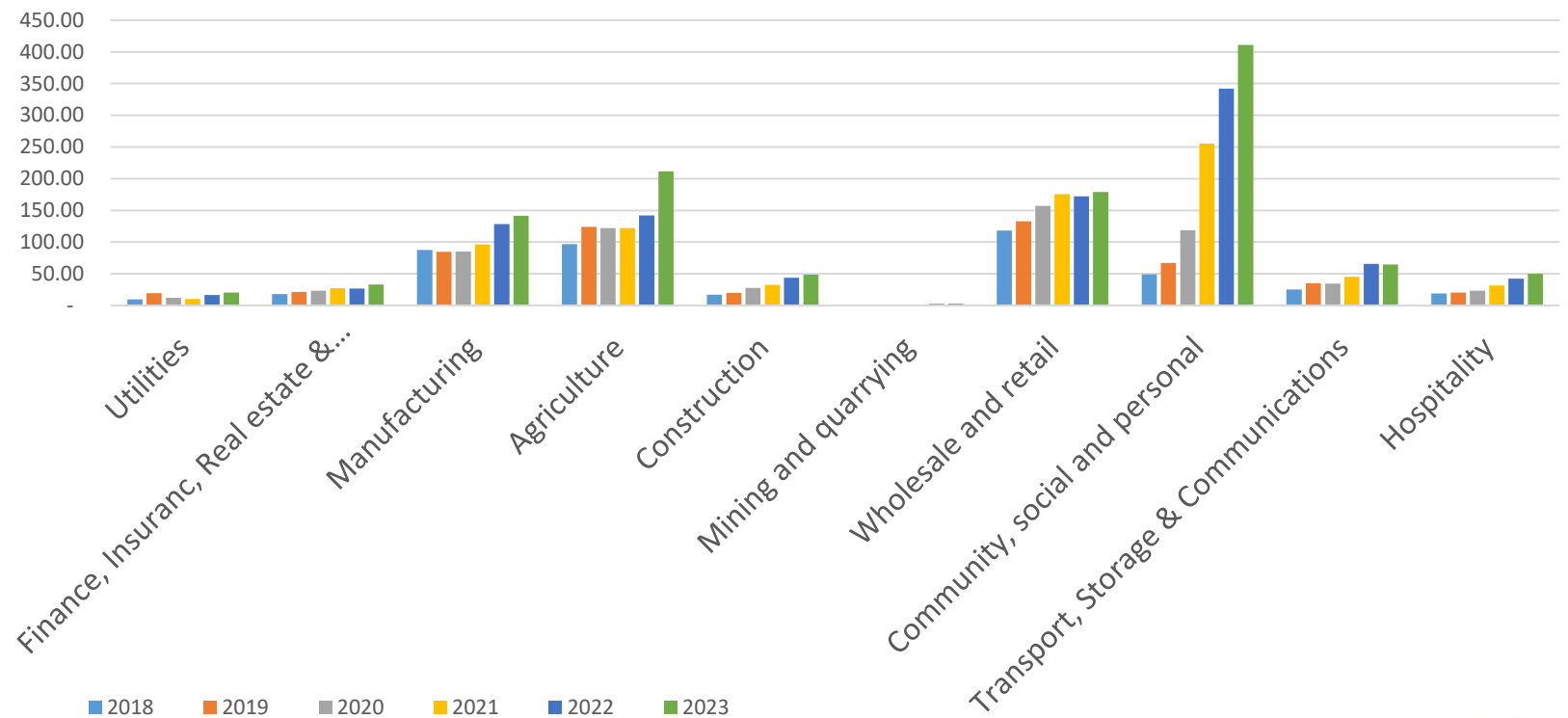
Where are the available funds being invested?

TA – MK6.1Tn

Securities - MK2.9Tn

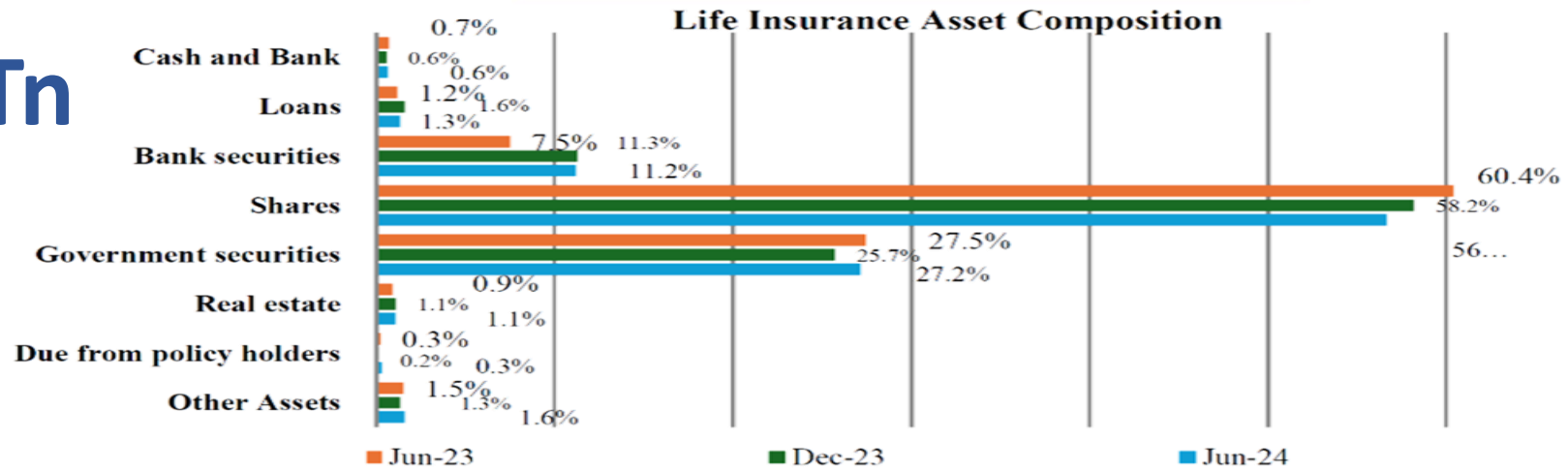
Loans - MK1.5Tn

Banking Sector Loans by Sector

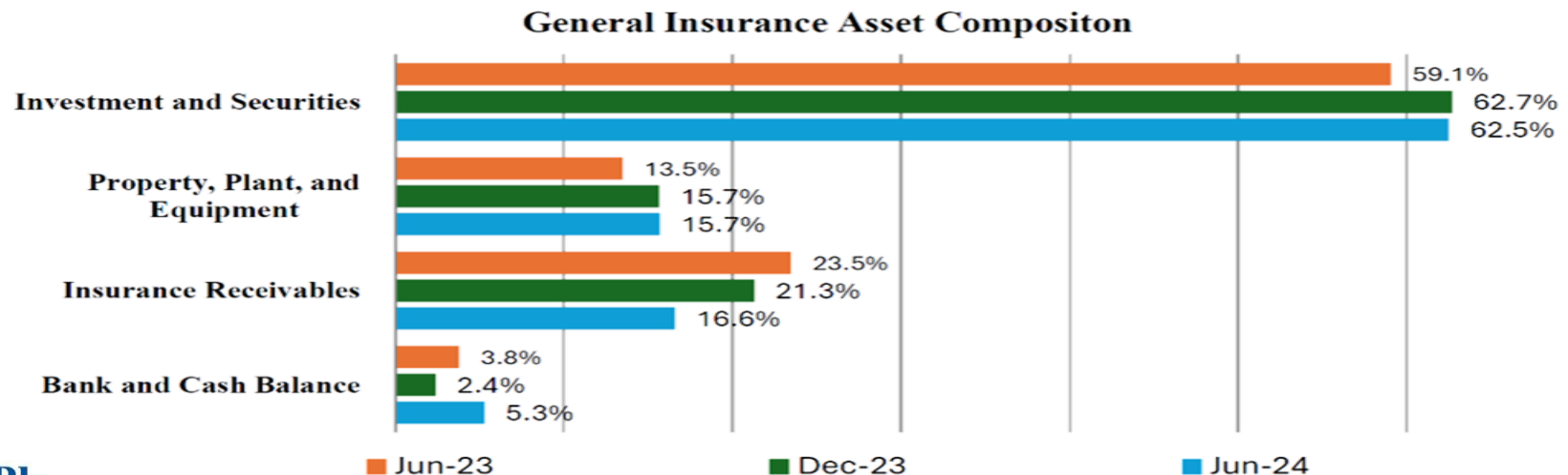


Where are the available funds being invested?

MK2.3Tn

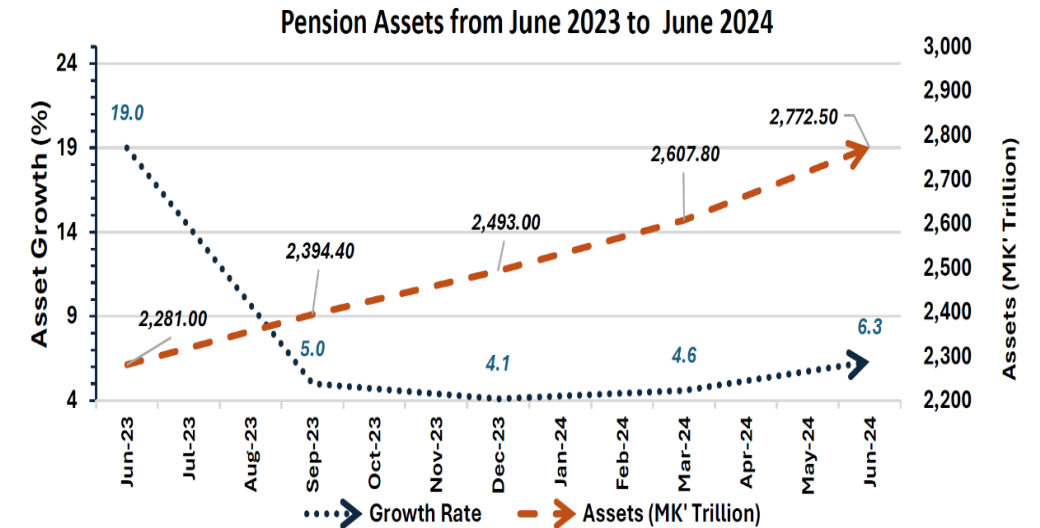
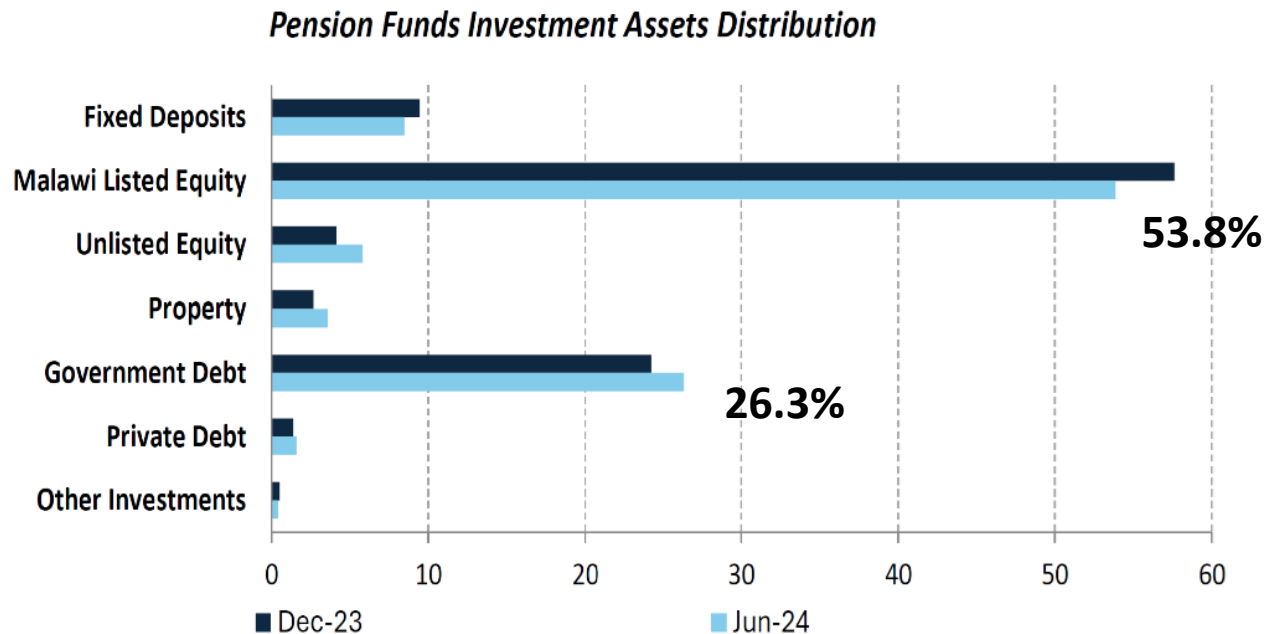


The majority of available funds are invested on the stock market and in government securities



Where are the available funds being invested?

MK2.8Tn



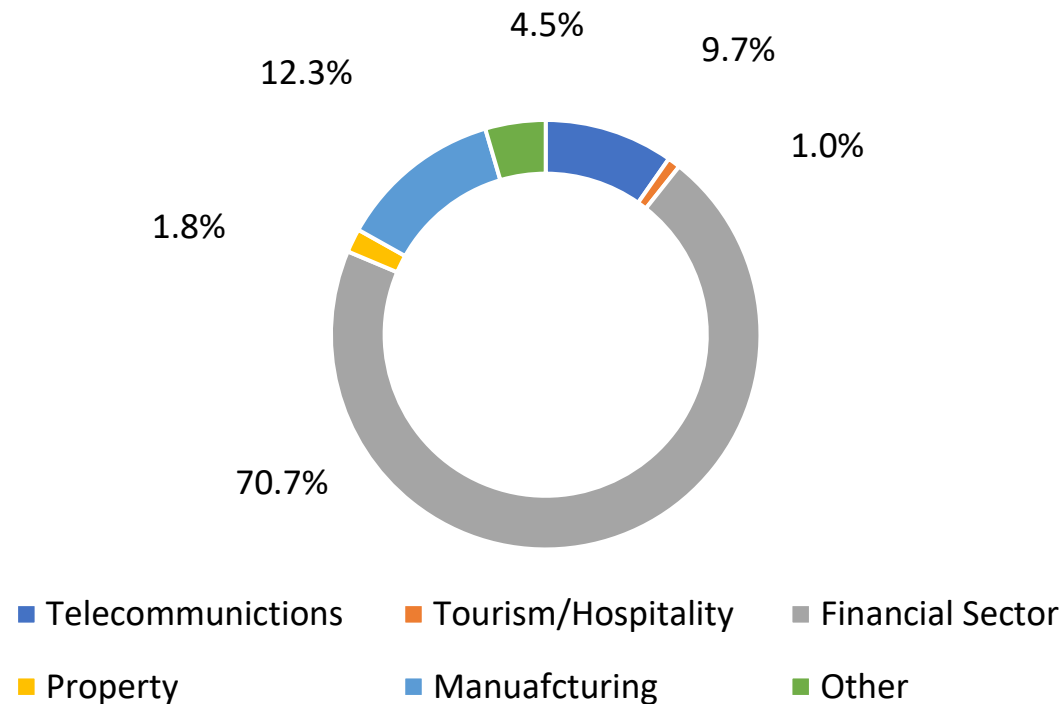
Source: Reserve Bank of Malawi

Where are the available funds being invested?

(Cont')

Stock Market Sectoral Representation by Market Capitalisation (In MK'bn)

MK7.8Tn



Financial institutions have taken advantage of the opportunity to access funds through the stock market

How to tap into these resources

1

Good capital structure –
i.e avoid excessive debt
levels

2

Suitable operating model –
end-to-end

3

Good financial performance
and prospects – Return on
Investment (ROI)

4

Good organizational structure –
right people in the right places

5

Enhance corporate governance
structures

6

Risk awareness and clear
mitigation strategies

Thank You!



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