

# Reserve Bank of Malawi to issue a K5bn bond

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On June 25, the Reserve Bank of Malawi (RBM) will issue a K5bn three-year bond as a monetary policy tool to contain the growing money supply.

Bank spokesperson Mirriam Wemba said the three-year coupon rate bond would attract annual interest of 10%.

The bond is a first for the bank and is intended to mop up excess liquidity in the market; initially it borrowed on domestic front using short-term instruments like the Treasury bill and the RBM Bill.

For the bond's secondary trading, the bank says it is going to list it on the Malawi Stock Exchange (MSE).

Parliament, which is currently discussing the 2008-09 national budget, forced the treasury to cancel a K5bn treasury note at the eleventh hour, claiming that the bank had issued the note without its (parliament's) knowledge.

"This is a totally different instrument..." said Wemba.

The RBM will accept a minimum bid of K100,000 and multiples of K10,000 thereafter; interest will be paid twice a year.

Finance Minister Goodall Gondwe has conceded rising fuel prices and increased money supply has brought inflationary pressures, and that plus the reluctance of the majority opposition members of parliament to pass the budget, paints a far from rosy picture.

In contrast, Standard Bank of Malawi says in its May publication *Market Watch* that save for the oil-rich Angola, Malawi's attainment of a 7% growth rate in the region last year shows that the Malawi's economy is on the right path.