

## MALAWI

### Political and economic news

#### *CPI eases to 7.1% y/y*

Malawi's December 2017 headline inflation eased by 60bps to rest at 7.1% y/y courtesy of improved availability of food – which consists of 58% of the CPI basket. Compared to December 2016, the current inflation rate is 12.9% lower. The country's CPI has been trending downwards since...due to availability of food, stability of oil prices internationally and stability of the local currency exchange rates against major currencies. It got to single digit level in August 2017 when it was recorded at 9.3% - a single digit mark was last achieved in December 2011 at 9.8%. Reserve Bank of Malawi (RBM) governor; Dalitso Kabambe is quoted as saying the country's central bank is committed to ensuring that inflation remains within the single digit bracket throughout 2018. (Source: *The Daily Times and Cedar Capital*)

#### *RBM sets MWK 440bn target for export earnings*

The RBM has set ambitious targets for its departments, among them, tasking the Export Development Fund (EDF) to generate USD 600m (MWK440 bn) in export earnings for the country this year. EDF, a financing institution for export business, was set up by RBM in 2012 but is now incorporated as a private company to develop an efficient and transparent export development strategy – including providing guarantee cover to export enterprises with viable concepts. This was unveiled as part of RBM's planned implementation of its strategic plan in 2018 which among others, include increasing diaspora remittances to USD 200m from USD38m last year, maintaining single digit inflation rate and import cover above three months, deepening of capital markets and increased usage of e-payments. (Source: *The Nation*)

#### *IMF cautions on MGDS III*

IMF has cautioned that Malawi will need more financing and private sector engagement so as to support flagship investments under the much awaited Malawi Growth and Development Strategy (MGDS) III. Flagship investments under the proposed programme include agriculture, water development, and climate change management, education and skills development, energy, industry and tourism development, among others. MGDS III is expected to spur growth and remove barriers to development for the next five years. It is also considered to be the final strategy that will take the country to realisation of its vision 2020 – according to the ministry of finance and economic planning. (Source: *The Daily Times*)

### Company news

#### *MTL shuts off its mobile phone business*

Press Corporation Limited (PCL) fixed-phone operator subsidiary; Malawi Telecommunications Limited (MTL) shut off its mobile phone business as it was not profitable. MTL was running its mobile phone business based on a commercially defunct technology of code division multiple access (CDMA) – a channel access method used by various radio communication technologies. MTL CEO Harry Gombachika said the technology was expensive to run and could not compete with the global system for mobile (GSM) which is in use by most mobile phone operators worldwide. MTL was the traditional government-owned fixed mobile phone operator which was privatised through a private placement. PCL is the majority shareholder with 52.7%, Malawi Government 20%, Old Mutual 16.1% and others. Insert Stories (Source: *The Nation and Cedar Capital*)

#### *Sugar import licence reversed to protect Illovo*

The ministry of industry, trade and tourism confirmed that the government has revoked the sugar import licence that was previously awarded to an investor who had expressed

### *MSE talks up a potential new listing*

interest in investing in the sugar industry. In reaction to earlier reports Illovo Sugar Malawi (Illovo) had indicated that it would be forced to lay off some of its staff if government proceeded with the award of the import licence. According to Illovo, allowing sugar imports would mean exporting jobs to the countries where the sugar would be imported from. However competition bodies have argued that a monopoly in the industry or domination by one firm may lead to consumer exploitation. (Source: *The Nation*)

Malawi Stock Exchange (MSE) has indicated that they are scrutinising submissions for a potential listing – probably by next month- in the corporate bond market. MSE CEO, John Kamanga while confirming that a potential issuer in the debt market is in the offing, was reluctant to divulge further details to avoid upstaging the company. The MSE in conjunction with the RBM is on a drive to entice companies to list on the stock exchange and is optimistic that the interventions being carried out with the help of the governor of the RBM will soon start bearing fruits. The stock market ended its nine-year listing drought when it brought to the list FMB Capital Holdings in September 2017. (Source: *The Daily Times*)

### Company current trading statements

- TNM – expects its F17 results to be at least 60% higher than 2016
- MPICO – expects its F17 results to be at least 100% higher than 2016
- NICO – expects its F17 to be at least 180% higher than 2016
- PCL – expects its F17 to be at least 90% higher than 2016
- SUNBIRD expects its F17 to be at least 70% higher than 2016
- NITL – expects its F17 results to be at least 100% higher than 2016
- NBS expects its 2017 results to be at least 70% higher than 2016 – *but will still report a loss*
- STANDARD expects is F17 to be at least 30% *lower* than 2016

Source: Company filings

### Market activity and colour

The market traded 1,9m shares of eight companies in 21 trades recording a market turnover of MWK 88m (USD 119K) during the four-day week as monday, 15 January was a public holiday. The only gainer was FMBCH which went up by MWK0.10 to MWK 70.10. There were no fallers. FMBCH has been on the rise after it acquired 42.68% of Barclays Zimbabwe (BBZ) from Barclays plc (Barc.L) with the expectation to acquire a further 10% in three years' time. The stock has risen at least 270% in less than 12 months driven mostly on news of this acquisition and political developments in Zimbabwe.

The market has demand for FMBCH, TNM and PCL. On the other hand, sellers are available in NICO, NBS, MPICO and ILLOVO.

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