

## MALAWI

### Political and economic news

#### *Financial inclusion seen rising to 70%*

Government is targeting over 70% of Malawians accessing financial services by 2021 from the current 34 percent according to the Financial Sector Development Strategy II issued by the ministry of finance, economic planning and development. With the strategy, government believes that inclusive finance will be essential for meeting its objectives of development strategies as this is a key instrument for increasing agricultural productivity, starting or expanding micro and small enterprises, creating employment, increasing household income and smooth consumption. Over the years, access to financial products and services has been an issue with a Finscope Malawi 2008 survey indicating that 80 percent of the adult population was not able to borrow from any source to finance their activities, but this figure went down to 71 percent by the year 2014. The recent strategy aims to create enabling policies, strategies, legal and regulatory systems, and infrastructure that are conducive to achieving objectives of financial inclusion as well as support linkages between commercial banks, microfinance providers and mobile network operators that will enable rapid settlement of payments and money transfers. In a related development, results of the latest Financial Literacy and Capability Survey have shown that household access to formal financial services has increased from 17 percent in 2013 to 29 percent in 2018 ; representing over 70 percent growth over the five year period. The study was commissioned by the Reserve Bank of Malawi under the Financial Sector Assistance Project. The study was aimed at determining the current status in terms of financial capability levels of the population and whether consumer protection and financial literacy have resulted in desired changes in financial behaviour and attitudes of consumers towards the formal financial services in the target group. (Source: *The Nation and the Business Times*)

#### *Malawi diaspora policy to promote investment*

Government is upbeat that the recently crafted Malawi Diaspora Engagement Policy would spur investment inflows from Malawians living abroad. The policy seeks to encourage Malawians in diaspora to fully take part in national development. According to acting director of political affairs at the Ministry of Foreign Affairs; Francis Mponda, the policy advocates review of regulations to favour diaspora remittances, investments, philanthropic activities and contribution towards national development. He said apart from main streaming and empowering Malawians in the diaspora, the policy was crafted to woo investment inflows from Malawians living in other countries into Malawi. The policy is being spearheaded by the ministry of Foreign Affairs and International Cooperation in collaboration with the Reserve Bank of Malawi and other government ministries including Finance, Economic Planning and Development and Trade, Industry and Tourism. (Source: *The Business Times*)

#### *EIU forecasts 4.6% growth in five years*

The Economist Intelligence Unit (EIU) has projected that Malawi's economy will grow by an average of 4.6 percent in the next five years. This is contrary to government's expectation of an average of 7% growth in the medium term, which according to IMF and minister of finance economic planning and development could trigger economic growth. In its 2Q18 country report for Malawi, EIU forecast economic growth at 3.6% in 2018 and to be followed by 5%, 4.9%, 4.5% and 4.8% respectively in each year from 2019 to 2022. The economic outfit cites improved maize production and plans to expand other cash crops by government, rising aid inflows and increased public capital investment as key drivers to growth. On the other hand, tobacco production is expected to register little or no growth and power problems in form of outages and load shedding are expected to remain prevalent throughout the forecast period. Malawi's maize production is largely dependent on rain-fed agriculture while donor fatigue has been on the increase lately as foreign

governments prioritise domestic problems. It is therefore interesting to rely on these two factors to project growth for a span of five years. (Source: *The Nation and Cedar Capital Research*)

*National budget reduced by MWK 50bn*

Minister of Finance, Economic Planning and Development, Goodall Gondwe proposed to reduce budgeted expenditure and net lending for 2018/19 fiscal year to MWK 1.453trn (USD 1.976bn) –down from an initially proposed amount MWK 1.540trn. Gondwe said the reduction is a response to concerns that a large budgetary deficit could result in a heavy domestic debt burden which is already significant at the moment. The budgetary deficit will be improved from an initial 4.5% of GDP, including grants to 3.8% of GDP as a result of the reduction in expenditure. (Source: *The Daily Times*)

## Company news

*NBS expects to post a mid-year profit, projects 140% increase*

NBS Bank Plc has issued a trading update statement in line with stock exchange requirement in which it advises that the bank expects to register a profit in 1H18 compared to a loss in the previous comparable period. The statement further indicates that the profit for the period to 30 June 2018 is expected to be 140% higher than the loss recorded in 1H17. Barring any surprises, the bank is expecting to move from a loss of MWK 1.1bn in 1H17 to a profit of not less than MWK 450m in 1H18. In our commentary for FY17 results, we rated the stock as a SELL on account of recurring NPL's and some creative accounting for the same. We still find the stock overpriced at current levels even with the positive news on earnings and maintain our SELL recommendation. (Source: *Company filings and Cedar Capital Research*)

## Corporate action

### Dividends

| COMPANY       | YEAR | TYPE  | AMOUNT    | LAST CUM DATE |
|---------------|------|-------|-----------|---------------|
| Standard Bank | 2017 | Final | MWK 4.26  | TBA           |
| BHL           | 2017 | Final | MWK 0.15  | TBA           |
| SUNBIRD       | 2017 | Final | MWK 0.63  | TBA           |
| TNM           | 2017 | Final | MWK 0.25  | TBA           |
| NBM           | 2017 | Final | MWK 8.33  | TBA           |
| PCL           | 2017 | Final | MWK 20.00 | TBA           |
| NICO          | 2017 | Final | MWK 1.00  | TBA           |

Source: Company filings

## Market activity and colour

The market did not register a single trade during the week due to introduction of a central depository (CSD) for all shares. The MSE required that all trades be conducted in the CSD but very few investors and their holdings have been captured in CSD resulting in no matched trades. This is likely to slow down activity for a while until critical levels of investors and their holdings are live in CSD.

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