

MALAWI

Political and economic news

RBM to revise monetary policy framework

The Reserve Bank of Malawi (RBM) plans to change the way it formulates the monetary policy to make it forward looking, more open and transparent. RBM has traditionally been conducting monetary policy using a monetary aggregate targeting framework founded on a quantity theory of money –where the effectiveness of monetary policy relies on the stability of money demand and velocity in circulation. However RBM governor Dalitso Kabambe noted that the effectiveness of this framework has been impaired as it is predominantly backward looking with limited scope for future economic analysis, and ignores the increasing role of expectations in macroeconomic developments. He announced plans to modernise the policy framework by moving towards more forward looking monetary policy regimes such as inflation targeting. He explained that in the new framework the policy rate is set as an anchor for short term interest rates, particularly inter-bank rate – to ensure that such short term interest rate is kept within a defined corridor around the policy rate. He said that the changes have been necessitated by the need to respond to evolving domestic and external macroeconomic dynamics and also align central bank operations with international practices. *(Source: The Daily Times)*

June CPI falls to 8.6 pc, fuel prices rise

Malawi's headline inflation softened 30 bps in June to rest at 8.6 pc as food prices remain subdued. In its inflation update, National Statistical Office (NSO) said non-food inflation shed 20 bps to 8.2 pc while food inflation was recorded at 9.1 pc, down from 9.5 pc in May. Traditionally food prices tend to weaken from April at the onset of the annual harvest season, mainly of the staple crop; maize. However a snap survey on produce markets in the southern region of the country has shown maize prices steadily going up to as much as K7,000 per 50kg bag compared to K5,000 in April. In a related development Malawi Energy Regulatory Authority (MERA) increased fuel prices effective 17 July due to increasing global fuel prices. Fuel prices have remained stable since November 2016 on account of low global fuel prices and more recently, the use of a price stabilisation fund (PSF) by MERA to cushion the increase. According to the new price structure, retail price of petrol is up 7.8 pc to K888.00/ltr (USD1.21); diesel has risen from K815.80 to K890.90 while paraffin has increased to K719.30 from K648.70. According to MERA the increase in fuel prices has been tempered by a 50% cushion drawn from the PSF. *(Source: The Daily Times and the Nation)*

Company news

PCL subsidiary struggles with low fish catch

The Food Company Limited (TFCL) – a subsidiary of Press Corporation plc (PCL) has described 2017 as a bad year as far as capture fisheries is concerned. TFCL which owns Maldeco Fisheries Limited, Maldeco Aquaculture Limited and the Fish Feed Division said during 2017, it recorded the lowest tonnage of fish in the past five years. The company is said to have harvested 1,023 MT compared to 1,812 MT of fish in 2016 realising total revenue of K930m compared to K1.4bn in the previous year. The fish scarcity is said to be brought about by effects of climate change and increase in the number of illegal commercial fishing operators within traditional fishing areas. The company plans to bring in additional 20 cages for growing fish and aims to increase fish production output to between 2,000 and 5,000 MT per annum in the medium to long term to satisfy local demand and tap on the regional export market. *(Source: Daily Times)*

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
Standard Bank	2017	Final	MWK 4.26	20-Jul-18
MPICO	2017	Final	MWK 0.10	TBA
SUNBIRD	2017	Final	MWK 0.63	27-Jul-18
PCL	2017	Final	MWK 20.00	TBA
NICO	2017	Final	MWK 1.00	27-Jul-18

(Source: Company filings)

Market activity and colour

The market traded just over 10m shares worth MWK 404m (USD 549.7K) in 6 trades during the week. In the previous week the market traded 2m shares worth MWK 52.5m in 29 trades. NICO traded 10m shares worth K400m at a special bargain price of K40 – 26% discount to the market price of K54.00. A special bargain trade or negotiated deal is when a significant volume of shares is trading at a price considered to be outside the scope of the market –as such it has no effect on market price.

There were two risers during the week on small volumes; FMBCH went up 9.4% to K175 and NICO rose 10.2% to K54. We think the rise in share prices of the two is artificial and may be short lived as the trading volumes were very small and not enough to reflect market sentiment.

The market continues to be affected by slow conversion of shares to CSD.

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