

MALAWI

Political and economic news

Firm plans to build 26MW solar plant

Dubai – based energy firm, Phanes Group has said it plans to build a 26MW solar plant in Nkhotakota. Phanes CEO, Martin Haupts said his firm has partnered a local firm, Natsons the initiative. He said Phanes is an international solar developer, investment and asset manager headquartered in Dubai, UAE. The project is expected to be rolled out in October this year according to the CEO and would feed into the national grid in order to improve power supply in the country. Currently Malawi is producing about 71MW from diesel generators located in various districts across the country to complement hydro-electric power which produces around 230 to 250MW. *(Source: The Daily Times)*

Money supply could push inflation up

Growing money supply in the economy has come under spotlight with local market analysts saying if left unchecked, it could push up inflation. Reserve Bank of Malawi (RBM) latest figures show broad money supply (M2) at an annual rate of 20.2% in May 2018 from 17.7% recorded in the previous month. Compared to the same period last year, M2 grew by 18%. On a monthly basis, M2 grew by K62.5bn to K1trn from K1trn recorded in the previous month compared to an increase of K33.8bn to K924.2bn in May 2017. RBM says growth of M2 was underpinned by both narrow money and quasi money which rose K46bn and K16.5bn to K535.9bn and K575bn, respectively. *(Source: The Nation)*

Company news

NBM half-year earnings down 10.3%

National Bank of Malawi plc (NBM) released its 1H18 results showing a 10.3% decrease in profitability on 1H17 to K8.5bn (USD 11.6m) due to dwindling net interest margins. Interest income recorded a 17.6% drop on the comparable period last year to K21.3bn; despite a 17.4% increase in the loan book to K 156.5bn and a 24.1% increase in total interest-earning assets to K324.7bn over the periods. Net interest margins for 1H18 were recorded at 6.2% compared to 9.2% for 1H17. We think margins were negatively impacted by falling interest rates as interest spreads got squeezed amid increased competition for deposits in the financial sector. Base lending rates for the bank fell from 30.5% by 1H17 to 23% in the current period. Elsewhere on the p & I report, the story was better with non-funded income rising 26.4% to K12.4bn and net npl's reducing 72.5% to K430m. These combined positively to become a saving grace for the bank's earnings. Operating expenses were within reasonable levels. We think the bank will continue to experience a strain on interest margins to FY18 and will largely have to depend on non-funded business. We have noted strides by the bank to leverage on technology and a push towards growth of a quality retail book, among other interventions. We think NBM has the ammunition to weather the storm and reposition itself for further growth, eventually. We maintain our recommendation on the stock as a **Long term BUY**.

NATIONAL BANK OF MALAWI PLC

1H18 NBM ("MWK MILLION")	30-JUN-18	30-JUN-17	% CHG
Interest income	21,371	25,945	-17.6%
Interest expense	-3,130	-3,227	3.0%
Net interest income	18,241	22,718	-19.7%
Non-interest income	12,460	9,856	26.4%
Total income	30,701	32,574	-5.7%
Total expenses	-17,447	-16,607	-5.0%



1H18 NBM ("MWK MILLION")	30-JUN-18	30-JUN-17	% CHG
Impairment provisions	-430	-1,564	72.5%
Net earnings	8,541	9,527	-10.3%

Source: Company filings

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
MPICO	2017	Final	MWK 0.10	TBA
PCL	2017	Final	MWK 20.00	TBA

(Source: Company filings)

Market activity and colour

The market traded 1.4m shares worth K217.m (USD 295K) in 13 trades during the week. This compares to 938k shares worth K37.1m in 27 trades in the previous week. There were no risers with only a token reduction in FMBCH by one tambala due to broker trading strategy.

Week's Trading Summary

Symbol	Open	Close	Volume	Value	Trades Count
BHL	7.00	5.38	0	0.00	0
FMBCH	160.00	160.01	29,935	4,789,300.35	2
ILLOVO	240.00	240.00	0	0.00	0
MPICO	19.50	19.70	0	0.00	0
NBM	310.00	300.00	0	0.00	0
NBS	8.66	8.70	5,384	46,625.44	2
NICO	54.00	47.73	2,820	152,280.00	1
NITL	75.00	73.00	33,008	2,475,600.00	2
OMU	2,513.25	1,580.22	0	0.00	0
PCL	772.00	772.00	235,000	181,420,000.00	12
STANDARD	670.00	670.00	0	0.00	0
SUNBIRD	145.00	145.00	0	0.00	0
TNM	25.00	21.70	1,142,831	28,570,775.00	13
				217,454,580.79	

(Source: MSE)

July Roundup

The month of July recorded trading activity for 13.7m shares with a total value of K590.2 (US\$803K) in 97 trades. This compares to 6.4m shares worth K212.4m in 88 trades in the previous month – a slight improvement but still a far cry from the monthly average traded value of K4.9bn (USD6.6m) recorded in the five months to May 2018. Trading activity slowed down since May 2018 due to an introduction of electronic trading and CSD systems in mid-June 2018 caused by slow conversion of share certificates to electronic form and teething problems associated with the rolling out of the new systems.

The index increased over the month from 30,736.95 to 31,263.14 on account of risers in five counters. NBM rose from K300 to K310; NICO from K46 to K54; NITL from K73 to K75; TNM from K24 to K25 and MPICO from 19.49 to K19.70. The rest of the counters remained flat as there were no fallers.

Weekly Market Report



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July's Trading Summary

Symbol	Open	Close	Volume	Value	Trades Count
BHL	7.00	5.38	0	0.00	0
FMBCH	160.00	160.01	91,533	14,845,012.00	14
ILLOVO	240.00	240.00	0	0.00	0
MPICO	19.49	19.70	97,148	1,894,386.00	3
NBM	300.00	300.00	23,802	7,373,620.00	5
NBS	8.66	8.70	345,288	2,990,193.68	5
NICO	46.00	47.73	10,059,568	403,136,172.00	7
NITL	73.00	73.00	119,758	8,981,850.00	4
OML	2,980.00	2,980.00	0	0.00	0
OMU	1,580.22	1,580.22	0	0.00	0
PCL	772.00	772.00	100,000	77,200,000.00	3
STANDARD	670.00	670.00	0	0.00	0
SUNBIRD	145.00	145.00	0	0.00	0
TNM	24.00	21.70	2,950,881	73,838,489.00	56
			13,787,978	590,259,722.68	97

Source: MSE

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