

## MALAWI

### Political and economic news

#### *Malawi fit for next Aswap funding - WB*

The World Bank agriculture sector wide approach- support project II (Aswap-SP II) team leader Vales Muamvameza has assured Malawi that it is fit for another Aswap funding following successful implementation of the programme. Muamvameza, who is part of a WB team on a two-week tour of the project, said the bank is satisfied with the project and does not rule out the possibility of more funding. Aswap seeks to improve the productivity and market access of selected commodities for smallholder farmers in selected districts of Malawi. He said the bank may extend the project for another two years. Aswap-SP II, which started in November 2017 and is expected to run up to December this year, is being implemented by various ministries led by the ministry of agriculture, irrigation and water development. WB pumped in \$55m (K40.7bn) of which government has used \$17m. The project which targets 300,000 households in 12 districts is a follow-up to Aswap-SP I which ran between 2008 and 2016. *(Source: Nation)*

#### *MRA outperforms 1H revenue targets*

Increased collection of VAT helped government mobilise nearly K23bn more than the mid-year target of K470.8bn for the 2018/19 period. Minister of finance and economic planning Goodall Gondwe said Malawi Revenue Authority (MRA) raised K493.6bn (\$48.9m) due to over-performance of VAT and PAYE tax lines. MRA collected PAYE of K128.7bn against a target of K121.9bn while domestic VAT at K84.1bn surpassed its target by K9bn. He said this positive outturn was undermined by poor performance of non-tax revenue and grants which were reduced by K11.8bn or 36.7pc. He said most government enterprises failed to meet their projections except Malawi Communications Regulatory Authority. He said the shortfall came about mainly because of under-performance in revenue generation from passports, drivers' licences and other services offered by government departments. *(Source: Nation)*

#### *Firm to add 21MW to national power grid*

Electricity Supply Corporation of Malawi (Escom) signed a power purchase agreement (PPA) with Phanes Energy Limited that could add 21MW to the national power grid by July 2019. The pact would see the Dubai-based firm putting up solar powered electricity generation plant in Nkhotakota district. The generated power would feed into the national grid through power infrastructure built under the \$350.7m (K257bn) energy compact through the Millennium Challenge Corporation of the US. The infrastructure has helped to modernise electricity transmission and distribution infrastructure in the country. Escom CEO, Alexion Chiwaya said the move is a significant step on the path to getting sustainable power mix and dealing away with power outages. Phanes Group Head of project development Alessandro Ortu, said the firm targets July 2019 to start production and supply power into the national grid. *(Source: Daily Times)*

#### *MPC eases interest rates as RBM directs banks*

The Monetary Policy Committee (MPC) in its January meeting effected policy decisions that have reduced the policy rate, cut the liquidity reserve rate (LRR) for both foreign and local deposits and significantly reduced the Lombard rate margin from 200bps to 40bps above the policy rate. The guideline interest rate; known as the policy rate, has been slashed by 150bps from 16pc to 14.5pc. This is the guiding rate which the Reserve Bank of Malawi (RBM) uses as a base for lending to banks – when banks access the Lombard facility. The Lombard rate itself, previously set at 200bps above the policy rate, has been reduced to only 40bps above the same. Put into perspective, when banks seek accommodation from the RBM window, the rate at which they will access the facility will now be 14.9pc compared to 18pc –which was prevalent before the current MPC interventions. Additionally, the Liquidity Reserve Requirement (LRR) – a percentage of customer deposits that banks are required to maintain in cash and/or RBM balances – has

been reduced from 7.5pc to 5pc for all local currency deposits, whereas on foreign currency deposits, it has been halved from 7.5pc to 3.75pc. The trio of Policy rate, Lombard rate and LRR has an effect on the cost of money to banks as the first two impact the bank when they access a credit facility while LRR is a pool of a bank's funds which does not earn any revenue. Based on these, banks decide how much they can charge for the money when lending.

In a move to ensure these adjustments trickle down to borrowers, the Reserve Bank of Malawi has directed banks to adopt the Lombard rate as their base lending rate and load a premium depending on the perceived risk of particular borrowers. All banks have since adopted 14.9pc as their base lending rate and have set and advertised a maximum lending rate. The maximum lending rate set by the banks is ranging from 25pc to 26.5pc.

In arriving at these decisions, the MPC has explained that monetary policy decisions are based on a forward-looking framework. The MPC notes that risks to inflation have reduced in 2019 as shocks to inflation - such as electricity tariff hikes, fuel price increases and food inflation due to dry spells - have so far dissipated. The committee projected stable foreign exchange rate in 2019 continuing on the trend from mid-2016 noting foreign currency reserves stood at 3.61 months of imports in December 2018; which otherwise is a peak of lean period for foreign currency. *(Source: MPC statement and Cedar Capital Research)*

## Company news

### Trading statements update

#### Increase in earnings

- NBS bank expects its FY18 earnings to be at least 130% better than its loss of K1.1bn reported in FY17. This puts its expected earnings at a minimum of K1.4bn and forward PE of 20.5x.
- TNM earnings to be at least 25% higher than FY17 – earnings to be around K16.3bn with a forward PE of 17.4x.

#### Decrease in earnings

- NITL expects its FY18 to be 25% lower than FY17 – thus earnings are expected at K1.6bn mainly due to a reduction in share value gains.
- BHL expects its FY18 earnings to 30 September 2018 to be 30% lower than FY2017. This puts its earnings around K358m and forward PE of 30.4x

## Market activity and colour

The week was a “red invasion” with the index losing its gains for the year as bears took control. The index went down 3.5pc during the week and 2.1pc on the year-to-date. Major decliners were FMBCH, PCL and NICO. Newly listed ICON also shed 0.4pc to close at K11.95 on small volumes.

The market traded 4.5m shares worth K4.1bn (\$5.6m) in 70 trades – making it the top week since the start of the year in terms of value traded. This was anchored by trades in PCL of 3.7m shares comprising 99pc of total traded value. By comparison, the previous week recorded trades in 453K shares worth K315.9m (\$426.9K) in 36 trades.

## Trading Summary for the week

Trading Summary for  
11 to 15 February 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		100,324	1,303,712.00	5	10,916,759,165
FMBCH	100.00	85.00	-15.0% ↓	156,787	13,725,072.00	7	208,951,250,000
ICON	12.00	11.95	-0.4% ↓	12,000	143,400.00	1	79,826,000,000
ILLOVO	200.00	200.00		0	0.00	0	142,688,878,200
MPICO	13.02	13.02		117,719	1,532,701.78	8	29,920,577,929
NBM	315.01	315.01		39,220	12,354,431.44	12	147,088,166,787
NBS	10.00	9.99	-0.1% ↓	102,823	1,027,201.77	2	29,076,627,826
NICO	42.00	38.76	-7.7% ↓	7,762	308,429.88	3	40,428,272,881
NITL	75.00	75.00		10,000	750,000.00	1	10,125,000,000
OMU	2,513.23	2,513.23		39	98,015.97	1	14,647,111,980
PCL	1,140.00	1,100.00	-3.5% ↓	3,739,639	4,114,097,355.00	15	132,281,402,000
STANDARD	670.00	670.00		806	540,020.00	4	157,227,668,540
SUNBIRD	145.00	145.00		0	0.00	0	37,929,474,100
TNM	28.40	28.39	0.0% ↓	284,027	8,063,558.00	11	285,048,375,500
<b>Totals</b>				<b>4,571,146</b>	<b>4,153,943,897.84</b>	<b>70</b>	<b>1,326,155,564,909</b>

<b>INDEX (week)</b>	<b>29,329.86</b>	<b>28,387.13</b>	<b>-3.2% ↓</b>
<b>INDEX (month)</b>	<b>28,808.89</b>	<b>28,387.13</b>	<b>-1.5% ↓</b>
<b>INDEX (year)</b>	<b>28,983.64</b>	<b>28,387.13</b>	<b>-2.1% ↓</b>

(Source: MSE)

## Trading Summary for the previous week

Trading Summary for  
4 to 8 February 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		18,000	234,000.00	1	10,916,759,165
FMBCH	100.00	100.00		6,000	600,000.00	1	245,825,000,000
ICON	12.00	12.00		23,300	279,600.00	1	80,160,000,000
ILLOVO	200.00	200.00		0	0.00	0	142,688,878,200
MPICO	13.00	13.02	0.2% ↑	158,070	2,056,262.00	3	29,920,577,929
NBM	315.00	315.01	0.0% ↑	13,608	4,286,617.00	6	147,088,166,787
NBS	10.00	10.00		18,618	186,180.00	2	29,105,733,560
NICO	42.00	42.00		0	0.00	0	43,807,726,032
NITL	75.00	75.00		21,139	1,585,425.00	4	10,125,000,000
OMU	2,513.25	2,513.23	0.0% ↓	119,903	301,345,579.38	9	14,647,111,980
PCL	1,140.00	1,140.00		2,847	3,245,580.00	3	137,091,634,800
STANDARD	670.00	670.00		21	14,070.00	1	157,227,668,540
SUNBIRD	145.00	145.00		0	0.00	0	37,929,474,100
TNM	28.40	28.40		71,931	2,042,840.20	5	285,148,780,000
<b>Totals</b>				<b>453,437</b>	<b>315,876,153.58</b>	<b>36</b>	<b>1,371,682,511,093</b>

<b>INDEX (week)</b>	<b>29,328.77</b>	<b>29,329.86</b>	<b>0.0% ↑</b>
<b>INDEX (month)</b>	<b>28,808.89</b>	<b>29,329.86</b>	<b>1.8% ↑</b>
<b>INDEX (year)</b>	<b>28,983.64</b>	<b>29,329.86</b>	<b>1.2% ↑</b>

(Source: MSE)

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