

## MALAWI

### Political and economic news

#### *Inflation slows down to 8.8pc*

Malawi's headline inflation as measured by the Consumer Price Index (CPI) went down in January 2019 to 8.8pc from 9.9pc registered in December 2018. Figures released by the National Statistical Office show that despite a significant 1.1pc drop m/m, the January 2019 CPI is 700bps higher y/y. The softening of inflation is attributed to decreases in both food and non-food inflation, with food inflation dropping 1.3pc from 12.0pc in December to 10.7pc while non-food inflation fell 1.1pc from 8.2pc in December to 7.1pc. The non-food inflation drop was partly influenced by downward adjustments of fuel prices for two months in a row. Monetary authorities predict that average inflation for 1Q19 will be around 9.3pc and 9pc in 2Q19. The UK's Economic Intelligence Unit has predicted Malawi's annual inflation for 2019 to average 8.9pc. *(Source: Daily Times)*

#### *RBM moves to tighten forex transactions*

Weeks after disclosing that foreign exchange externalisation is rampant, Reserve Bank of Malawi (RBM) has introduced a new system for reporting data on cross-border financial transactions by commercial banks and other institutions licensed to deal in forex. In a statement, RBM governor Dalitso Kabambe said the new system, dubbed cross-border foreign exchange reporting system (Cfers), is expected to be operational at the beginning of March this year to enhance security of cross border forex movement. The development comes days after the RBM revealed that the country lost \$394.6m (K240bn) of foreign exchange due to illicit externalisation, a development that is negatively affecting the country's economy. The RBM signed a memorandum of understanding with government security agencies to jointly deal with the situation. Cfers will interface with systems of banks, Malawi Revenue Authority and other financial institutions to enhance transparency in the authorisation of foreign currency to financial dealers. Cfers will replace the foreign exchange statistical data system, which has been in use in recent years for exporters. *(Source: Nation)*

#### *Insurance penetration up to 2.01pc in 2018*

Malawi's insurance penetration inched up by 610bps from 1.4pc to 2.10pc in 2018, the RBM has said. RBM governor said the penetration was 10bps higher than the 2pc target set for 2018. He said membership of pension subscribers has also increased from 250K to 393K against a set target of 350K. He disclosed that the targets were achieved through intensified campaigns and general awareness programmes among employees and employers conducted by the bank. The bank has also made substantial progress in redirecting pension funds towards infrastructure projects by raising it to 13.2pc against a target of 10pc. Malawi's insurance penetration lags behind other countries such as RSA, where penetration is 16.9pc, Namibia at 6.7pc and the UK at 10.5pc. *(Source: Daily Times)*

#### *Credit to private sector up 13.2pc*

Credit to the private sector is growing with latest figures from the RBM showing that it expanded by 13.2pc between November and December 2018. Due to slightly high inflation, economic uncertainties and tighter lending conditions, growth in real private sector credit had been negative between mid-2012 and August 2018. According to the RBM monthly economic review for December 2018, credit to the agricultural sector expanded by K3bn, which according to the RBM reflects economic agents' uptake of loans to finance the 2018/19 agricultural production. On the other hand, in terms of proportion of the outstanding stock of private sector credit, wholesale and retail trade sectors at 24.3pc, represented the largest share of the total private sector credit. Agriculture, manufacturing and community social and personal services were at 20.8pc, 18.7pc and 10.5pc of the total outstanding credit stock, respectively. RBM governor is on record as having set a

target for the central bank to facilitate the growth of the portion of private sector credit against total domestic credit from an average of 9.6pc to 16pc by 2021.

*(Source: Nation)*

## 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 15.4x at current levels.

#### 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

## Corporate action

### Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
NBM	2018	2 <sup>nd</sup> interim	MWK 3.21	8-Mar-19

*(Source: Company filings)*

## Market activity and colour

Heavyweight TNM slipped 11.9pc to K25.00 dragging down the index with it which lost 2.3pc w/w and 4.3pc year to date despite the 8.3pc recovery of NICO to K41.99 and some slight increases in three other stocks. The market capitalisation dropped from K1.326trn (\$1.8bn) down to K1.295trn representing a K30.6bn loss.

The market traded 1.8m shares worth K338m (\$456.8K) in 68 trades. By comparison, the previous week recorded trades in 4.5m shares worth K4.1bn (\$5.6m) in 70 trades. PCL remained the top trading counter in value with 89pc of total traded value.

## Trading Summary for the week

Trading Summary for  
18 to 22 February 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitaliz
BHL	13.00	12.98	-0.2% ↓	30,000	389,400.00	1	10,899,964,151
FMBCH	85.00	85.01	0.0% ↑	110,456	9,389,580.00	8	208,975,832,500
ICON	11.95	11.95		311,100	3,468,254.00	6	79,826,000,000
ILLOVO	200.00	200.00		514	102,800.00	1	142,688,878,200
MPICO	13.02	13.03	0.1% ↑	618,405	8,062,892.30	9	29,943,558,404
NBM	315.01	315.01		15,799	4,976,911.00	6	147,088,166,787
NBS	9.99	10.00	0.1% ↑	188,900	1,888,649.00	6	29,105,733,560
NICO	38.76	41.99	8.3% ↑	500	20,995.00	1	43,797,295,621
NITL	75.00	75.00		0	0.00	0	10,125,000,000
OMU	2,513.23	2,513.23		0	0.00	0	14,647,111,980
PCL	1,100.00	1,100.00		274,227	301,649,700.00	4	132,281,402,000
STANDARD	670.00	670.00		0	0.00	0	157,227,668,540
SUNBIRD	145.00	145.00		66	9,570.00	1	37,929,474,100
TNM	28.39	25.00	-11.9% ↓	312,585	8,086,669.00	25	251,011,250,000
<b>Totals</b>				<b>1,862,552</b>	<b>338,045,420.30</b>	<b>68</b>	<b>1,295,547,335,843</b>

<b>INDEX (week)</b>	<b>28,387.13</b>	<b>27,726.75</b>	<b>-2.3% ↓</b>
<b>INDEX (month)</b>	<b>28,808.89</b>	<b>27,726.75</b>	<b>-3.8% ↓</b>
<b>INDEX (year)</b>	<b>28,983.64</b>	<b>27,726.75</b>	<b>-4.3% ↓</b>

(Source: MSE)

## Trading Summary for the previous 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)

Cedar Capital Limited  
4<sup>th</sup> Floor, Livingstone Towers  
Sir Glyn Jones Road  
P O Box 3340  
Blantyre, Malawi  
+265 1 831 995  
Feedback: [nzimar@cedarcapital.mw](mailto:nzimar@cedarcapital.mw)

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