

MALAWI

Political and economic news

AfDB rolls out K186bn plan

The African Development Bank (AfDB) has targeted about 17 development projects that will see the bank spending K186bn (\$251m) in the country in the next five years. This is according to the AfDB Malawi Country Strategy Paper for 2018 to 2022. Malawi is among the top receivers of development finance in sub-Saharan Africa according to the Development Assistance Committee of Organisation for Economic Co-operation and Development, Malawi receives an average of K730bn (\$1bn) annually. The bank says it has identified three projects in agriculture, three in energy, two in water, two in transport and one multi-purpose project. However the bank indicated that the country's project completion report shows mixed results in terms of achievements on outcomes and outputs. Despite this mixed picture, the performance of the portfolio was rated overall as satisfactory with a score of 3.3 at the end of 2017. At the end of 2017, green-flagged projects reached 75pc. Improved performance was maintained by mid-2018 as green-flagged projects reached 85pc; according to the report. *(Source: Nation)*

IMF projects 2019 inflation at 8.9pc, outlines risks

The International Monetary Fund (IMF) has projected 2019 annual inflation rate at 8.9pc whose success largely dwells on fiscal management. IMF resident representative Jack Ree said the good inflation footprint in 2018 indicates this target is achievable but he said it will take a lot of political will to withstand the pressures for overspending. He observed that if authorities can make this happen, then the impact on medium term inflation expectations will improve. He said whether the Reserve Bank (RBM) can maintain low and stable inflation will very much depend on what happens to the fiscal management especially in the run up to the election in May 2019. He pointed out that Malawi's track record of macroeconomic management was not particularly great during election times – to the extent that the past five elections were followed by four big waves of inflation episodes. Malawi's headline inflation for 2018 was recorded at 9.2pc, which is better than the RBM projected target of 9.3pc and in line with a forecast of attaining single digit inflation by the central bank. *(Source: Nation)*

Banks' NPLs close 2018 at 6.1pc

The country's level of non-performing loans hit a record low when they fell to 6.1pc in December 2018, RBM governor; Dalitso Kabambe has said. He disclosed that the NPLs came down from 19.9pc at the beginning of 2018 against a regulatory target of 5pc. Kabambe said all banks, except one, are within the minimum regulatory requirements; but did not disclose the errant bank. NPL statistics from the RBM shows that NPLs decreased 24.6pc (K10.3bn) to K31.4bn (\$42m) in December 2018, from K41.7bn in October 2018. NPLs declined by 55.4pc y/y from K70.4bn in 2017. He noted that lending appetite had slowed down in 2018 as banks concentrated on cleaning up their loan books. A sectoral review of NPLs revealed that the bad loans are highly concentrated in the wholesale and retail trade, manufacturing and agriculture sectors; accounting for 72.7pc (K22.8bn) of total industry NPLs. The wholesale and retail trade sector was the worst performer with 13.5pc of the credit extended to the sector being non-performing at the end of 2018. After adjusting for write-offs, the industry loan book grew by a miserly 0.3pc between October 2018 and December 2018, indicative of continuing conservatism by banks to lend. *(Source: Daily Times)*

Company news

First Capital of Zim shelves Makasa unbundling

First Capital Bank (of Zimbabwe), formerly Barclays Bank Zimbabwe, has resolved to put on hold unbundling of non-core banking assets set for listing on the Zimbabwe Stock

Exchange (ZSE). In a withdrawal of a cautionary statement issued by the board with effect from 14 September 2018 and last renewed on 31 December 2018, the board advises shareholders and members of the public that the proposed unbundling of the company's non-core banking properties into a separate entity to be listed on ZSE has been placed on hold. The primary assets include its 50pc shareholding in property holding company called Makasa Sun (private) Limited – which owns a top hotel in Victoria Falls. FMBCapital Holdings Plc acquired a significant stake in Barclays Zimbabwe in a transaction that was concluded in Q4 of 2017. No reasons were given for the change of mind but we think the economic turmoil in Zimbabwe and the uncertainty about which currency is in use might pose valuation issues. *(Source: equityaxis.net and Cedar Capital Research)*

Trading statements update

Increase in earning

- 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 market traded 5m shares worth K88.1m (\$119K) in 48 trades during the week. The index went up 1.6% on the previous week due to a rise in TNM and the introduction of ICON Properties Plc which was listed on 21 January – going up 37% from the IPO price of K8.75 to K12.00 in its early trading.

Trading Summary for the week

Trading Summary for 21 to 25 January 2019							
Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		275,200	3,577,600.00	8	10,916,759,165
FMBCH	100.00	100.00		0	0.00	0	245,825,000,000
ICON**	8.75	12.00	37.1% ↑	4,071,360	48,856,340.00	9	80,160,000,000
ILLOVO	200.00	200.00		5,000	1,000,000.00	1	142,688,878,200
MPICO	13.00	13.00		139,966	1,819,558.00	4	29,874,616,980
NBM	312.71	312.70		25,600	8,012,220.00	6	146,009,554,473
NBS	10.00	10.00		111,242	1,112,420.00	2	29,105,733,560
NICO	42.00	42.00		4,684	196,728.00	2	43,807,726,032
NITL	75.00	75.00		23,300	1,747,500.00	3	10,125,000,000
OMU	2,513.25	2,513.25		0	0.00	0	14,647,228,540
PCL	1,140.00	1,140.00		0	0.00	0	137,091,634,800
STANDARD	670.00	670.00		146	97,820.00	1	157,227,668,540
SUNBIRD	145.00	145.00		93,100	13,499,500.00	3	37,929,474,100
TNM	28.45	28.48	0.1% ↑	287,856	8,199,109.00	9	285,952,016,000
				5,037,454	88,118,795.00	48	1,371,361,290,389
INDEX (week)	28,848.15	29,322.93	1.6% ↑				
INDEX (month)	28,983.64	29,322.93	1.2% ↑				
INDEX (year)	28,983.64	29,322.93	1.2% ↑				

** New listing

(Source: MSE)

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