

MALAWI

Political and economic news

Mpatamanga power plant to add 350MW to the grid

Construction of the proposed \$1bn (K740bn) 350MW Mpatamanga Hydropower plant will be key in meeting future demand according to Minister of natural resources, energy and mining Bintony Kutsaira. He made these remarks at the launch of a strategic sponsor for the project whose construction is slated to start in two months' time. The project is designed to have two dams, one for 309MW daily peaking plant and a regulating dam downstream for additional 41MW of base load generating capacity. Electricity Generation Company of Malawi CEO William Liabunya committed to deliver the project on time. The World Bank has committed to fully support the project as a priority identified under the Malawi government's integrated resource plan. Madalo Minofu; IFC resident representative confirmed the participation of IFC and IDA in the form of providing financing and guarantees to support the implementation. The project financing is in form of a PPP arrangement in which private investors will partner with government to deliver the project. Acting CEO of PPP Commission, Audrey Mwala confirmed that the commission had a good response from investors in its initial marketing phase of the project. *(Source: Nation)*

IMF commends Malawi banks

IMF has praised the country's nine commercial banks for complying with the IFRS9 issued by International Accounting Standards Board. Besides, the IMF country report indicates that the banks are adequately capitalised in line with Basel II requirements. It further points out that the banks are liquid, sound and profitable and in a stable condition. A memorandum of economic and financial policies (Mefp) contained in the report on Malawi shows that Malawi government is committed to strengthening banking resilience and financial sector oversight. Mefp is part of the letter of intent signed jointly by minister of finance and RBM governor addressed to the IMF. The letter confirms that all banks are fully compliant with IFRS9 and makes a commitment on behalf of government to ensure banks have adequate provisioning in line with the IFRS and their NPLs remain within regulatory requirements. Over the past two years NPLs or bad loans have declined from 15.7pc at the end of 2017 to 4.8pc in June 2019 largely due to write-offs and loan recoveries coupled with overall growth in bank lending. *(Source: Nation)*

World Bank downgrades growth forecast on demos

The World Bank has slightly downgraded Malawi's GDP growth outlook by 10bps to 4.4pc. Initially the bank had predicted in its June Malawi economic monitor report that the local economy would grow by 4.5pc. But in its recent December 2019 report, the bank has revised the growth prospects for 2019 to 4.4pc, noting that it is a rise from the 3.5pc recorded in 2018. The report observes that agricultural activity rebounded in 2019 due to favourable weather conditions, which offset the negative effects of tropical cyclone Idai in parts of the southern region of the country. It notes that crop production was strong, particularly maize which increased by 25.7pc. This supported overall economic growth despite a decline in tobacco production. However, the report notes that ongoing political impasse, with wide scale demonstrations that have continued since May 2019, has constrained business activity and increased uncertainty, weighing on investments. *(Source: Daily Times)*

Food inflation pushes CPI into double digits

Malawi's y-o-y headline inflation inched up 80bps to reach 10.4pc in November as food prices continued to bite coupled with an upward fuel price adjustment. Figures from National statistical office show that food inflation rose to 17.2pc from 16pc in October while non-food inflation went up 40bps m-o-m to 4.7pc. Over the past 11 months, non-food inflation has been generally stable within 4pc and 5pc range while food inflation has averaged 13pc. The price of maize, Malawi's staple food, has been on the rise in the past

months due to the onset of the lean period. Maize has a major weight in the food inflation basket. *(Source: Nation and Cedar Capital Research)*

Company news

PCL FY19 earnings expected to be 35pc lower

Press Corporation Plc (PCL) has issued earnings update in which they advise that FY19 earnings are expected to be at least 35pc lower compared to the previous year. The statement further clarifies that 2018 earnings included a once-off gain of K6.2bn on share subscription of a stake in Open Connect Limited (OCL). OCL is a fibre-optic management company that was formed by splitting the former fixed-telephone company; MTL. In its half year report as at 30 June 2019, PCL reported a 51pc drop in earnings citing a similar reason. Put into perspective, PCL FY18 earnings were K36.7bn which would put the FY19 number around K23.8bn. If one was to disregard the OCL gain and hold all the other things equal, PCL's earnings should be down by about 17pc. The fact that earnings are expected to be down by a further 18pc signifies a drop in performance in some of its businesses. *(Source: Company filings and Cedar Capital Research)*

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
ILLOVO	2019	Final	K0.50	13-Mar-20

Market activity and colour

Trading activity report for week ending 20 December 2019

During the period under review the market registered trading activity in 10 of the 14 counters listed on the market - except ILLOVO, FMBCH, OMU and SUNBIRD. A total of 9.1m shares worth K137.5m (\$183.3K) changed hands in 62 trades. By comparison, the previous fortnight traded 18.5m shares worth K694.7m (\$926.3K) in 76 transactions.

Trading Summary for the Week
16 to 20 December 2019

Symbol	Open	Close	Volume	Value	Trades Count	Market Capitalization
BHL	12.94	12.95	700	9,065.00	1	10,874,771,630
FMBCH	75.00	75.00	0	0.00	0	184,368,750,000
ICON	10.50	10.50	1,025,612	10,766,926.00	10	70,140,000,000
ILLOVO	153.00	153.00	0	0.00	0	109,156,991,823
MPICO	19.50	19.51	124,000	2,419,000.00	3	44,834,905,945
NBM	460.03	460.05	1,445	664,767.98	4	214,811,946,067
NBS	12.52	12.54	7,735,616	96,905,060.00	29	36,498,589,884
NICO	48.50	48.50	6,095	295,607.50	1	50,587,493,156
NITL	80.00	80.00	126,130	10,090,400.00	7	10,800,000,000
OMU	2,499.99	2,499.99	0	0.00	0	31,883,604,965
PCL	1,400.00	1,400.00	10,000	14,000,000.00	1	168,358,148,000
STANDARD	730.00	730.00	1,146	836,580.00	1	171,307,758,260
SUNBIRD	118.00	118.00	0	0.00	0	30,866,744,440
TNM	26.00	26.00	59,128	1,537,328.00	5	261,051,700,000
Totals			9,089,872	137,524,734.48	62	1,395,541,404,170

INDEX (week)	29,534.73	29,536.87	0.0% ↑
INDEX (month)	29,215.33	29,536.87	1.1% ↑
INDEX (year to date)	28,983.64	29,536.87	1.9% ↑

(Source: MSE)

Weekly Market Report



Equity research | News & Analysis

Trading Summary for the period 2 to 13 December 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.94	-0.1% ↓	410	5,305.40	1	10,866,374,123
FMBCH	75.00	75.00		0	0.00	0	184,368,750,000
ICON	10.50	10.50		104,044	1,091,462.00	3	70,140,000,000
ILLOVO	153.00	153.00		0	0.00	0	109,156,991,823
MPICO	19.50	19.50		2,713,286	52,909,077.50	9	44,811,925,470
NBM	460.03	460.03		4,768	2,193,423.00	6	214,802,607,432
NBS	12.50	12.52	0.2% ↑	9,173,730	114,697,793.00	29	36,440,378,417
NICO	48.50	48.50		60,000	2,910,000.00	1	50,587,493,156
NITL	75.00	80.00	6.7% ↑	2,805,000	224,400,000.00	3	10,800,000,000
OMU	2,499.99	2,499.99		100,000	170,000,000.00	1	31,803,162,787
PCL	1,400.00	1,400.00		705	987,000.00	2	168,358,148,000
STANDARD	670.00	730.00	9.0% ↑	1,126	817,540.00	3	171,307,758,260
SUNBIRD	118.00	118.00		343,500	40,533,000.00	5	30,866,744,440
TNM	26.00	26.00		3,239,020	84,214,520.00	13	261,051,700,000
Totals				18,545,589	694,759,120.90	76	1,395,362,033,908
INDEX (week)	29,215.33	29,534.73	1.1% ↑				
INDEX (month)	29,215.33	29,534.73	1.1% ↑				
INDEX (year to date)	28,983.64	29,534.73	1.9% ↑				

(Source: MSE)

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