



# *Monthly Economic Review*

**A brief commentary on the Malawi Economy**

**April 2017**

**NBM Capital Markets Limited**

1st Floor, NBM Towers  
Corner Henderson & Hannover Streets  
P.O. Box 945  
Blantyre  
**MALAWI**

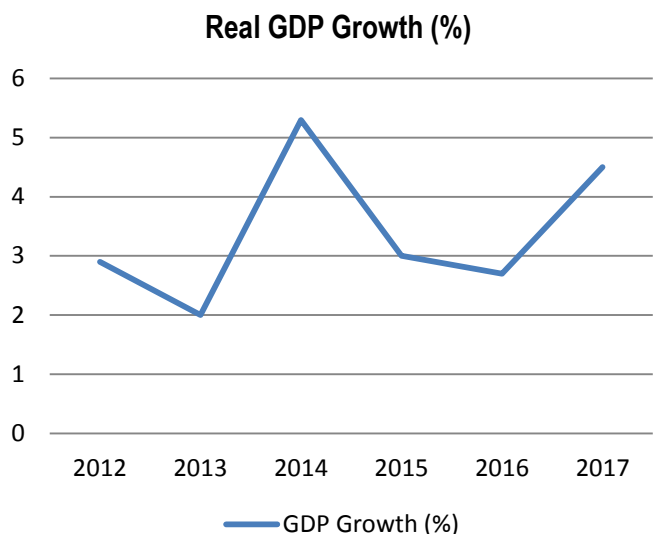
Tel: 01 831 177 / 179

Email:

[nbmcapitalmarkets@natbankmw.com](mailto:nbmcapitalmarkets@natbankmw.com)

## ECONOMIC GROWTH

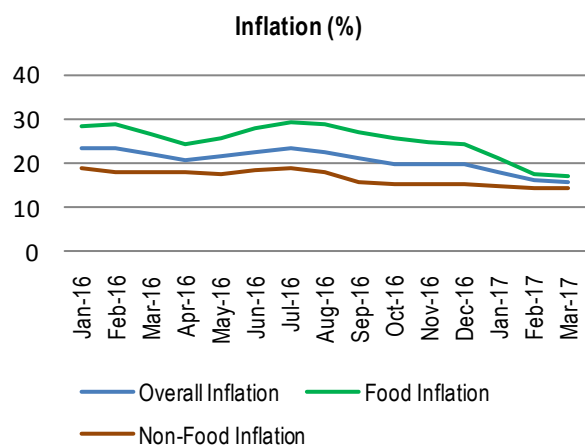
The new Reserve Bank of Malawi governor, Dalitso Kabambe has said he is optimistic on the International Monetary Fund (IMF)'s target that this year alone, the economy may grow in the range of 4-5%. Earlier forecasts by the RBM are also in line as they had stated that the economy should rebound from 2.7% growth in 2016 and register a real growth of between 4 and 5% in 2017. This rebound will be driven by favourable weather conditions, and stable macroeconomic environment.



Source: RBM, NBM Capital

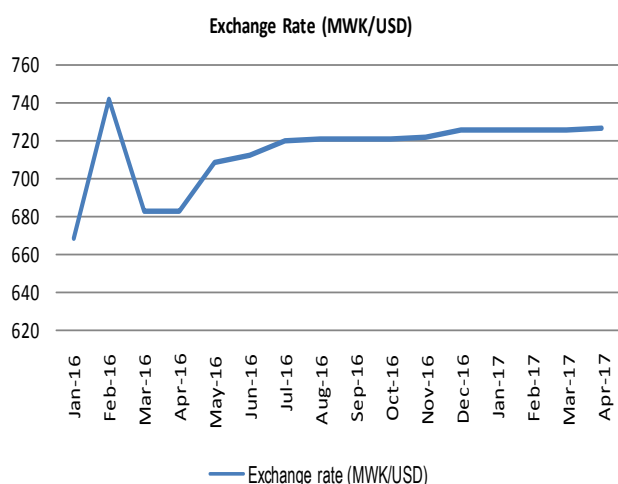
## INFLATION

For the month of March, inflation fell further from February's headline inflation figure of 16.1% to 15.8%. The drop was fuelled by a 50 basis point decline in the food inflation figure to 17.00% and a 10 basis point fall in the non-food inflation to 14.5%. The RBM recently also adjusted downwards the inflation projection for June 2017 to 14.2% from an initial 16.1% target. The Economic Intelligence Unit (EIU) further postulates that the country could attain single digit inflation by 2018.



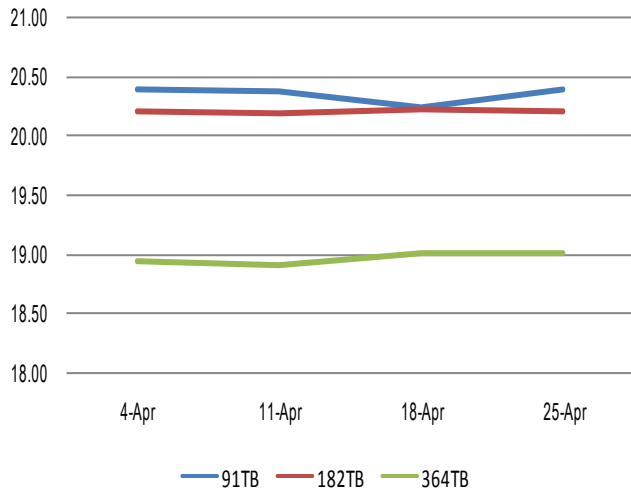
## FOREIGN EXCHANGE RATES

The tobacco marketing season opened on the 11<sup>th</sup> of April but the local unit remaining largely unchanged against the greenback over the course of the month despite lucrative sales of the golden leaf. The local unit was trading at MK725.65 against the USD whilst against the pound the local unit lost 2.44% to trade at MK 917.50 and it firmed up 3.88% to trade at MK53.96 to the Rand. (Source: NBM).



Source: RBM; NBM Capital

Treasury Bills Yields for April, 2017

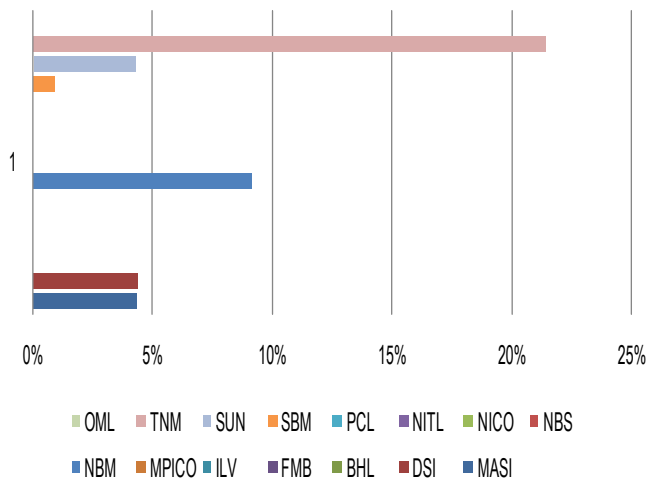


**MONEY MARKET DEVELOPMENTS**

The treasury bill yields were stable throughout the month of April with the 91 T-Bill yield averaging 20.36%, 20.21% for the 182 T-Bill and 18.97% for the 364 T-Bill. The decision by the Monetary Policy Committee (MPC) decision to lower the policy rate lending rate by 2% to 22% saw the April yields capping the rates at an average of 19.85%. The RBM continued to mop up excess liquidity in the system through repos whilst the overnight inter-bank lending rate dropped to around 21.7% from 23.3% at the end of February.

Source: RBM, NBM Capital

Percentage Price Change over the Month



**CAPITAL MARKET DEVELOPMENTS**

BHL was the only counter that failed to trade in the month under review whilst notable price changes of +21.43% and +9.17% were registered on TNM and NBM on volumes of 2.7mln and 4.9mln respectively. Other counters that registered price changes include Standard Bank and Sunbird. The MASI moved up by 4.30% to 15203.97 points whilst the DSI edged up by 4.36% to 11935.73 points. The FSI remained unchanged at 2308.87 points.

Source: RBM; NMB Capital

The total volume traded for the month was 10.2mln shares down from 15.1mln shares for March 2017 whilst the total value traded was MK788.1mln up from MK248.5mln. The average daily turnover was MK 37.5mln up from MK 11.8mln for the previous month.

### MPICO FY 2016 RESULTS UPDATE

MPICO released an improved set of final results as the bottom-line grew by a notable 156% to MK 2.0bln (FY 2015: MK 776.5mln). Total income for the period registered a 90% jump to MK 11.5bln from MK 6.1bln, post the successful MK 9.0bln rights issue that was concluded in H2 2016. Rental income moved up from MK2.9bln to MK 3.8bln, due to rental reviews carried out during the year. Other positives on the total income were the significant increase in fair value of investment properties from MK2.5bln to MK5.1bln and the 361% increase in the other income figure to MK 2.7bln (FY 2015: MK 578.9mln).

Total expenses remained high increasing from MK1.3bln to MK 1.8bln, whilst finance costs also grew by MK 2.5bln to MK 6.7bln. Total expenditure at MK 8.5bln (FY 2015: MK 5.4bln) indicated an improvement in the cost: income ratio of 73% down from 89%. Finance costs were the highest constituent of the total expenses at 78% which was maintained at the same level as the prior year. The PBT for the period was MK 3.1bln growing by 366% on the FY 2015 position. Attributable profit for the period was MK 2.0bln indicating an EPS of MK 0.85 (FY 2015: MK 0.81). No dividend was declared for the year.

### NEW CEO APPOINTED FOR NBS BANK

The Board of Directors of NBS Bank announced the appointment of Mr Kwanele Ngwenya as Chief Executive Officer effective 1st April, 2017. Mr. Ngwenya has succeeded Ms. Bernadette Mandoloma who retired from the Bank after serving as Chief Executive Officer since 2012. Prior to joining NBS Bank, Mr Ngwenya was Chief Executive Officer for Opportunity Bank Malawi (OBM). He also served as CEO for Steward Bank of Zimbabwe and adds to his curriculum vitae various positions within New Finance Bank (NFB) in Botswana and Nedbank in South Africa.

### POSTPONEMENT OF NITL DIVIDEND

National Investment Trust Limited (NITL) issued a press release notifying the investing public of a change in the date of payment of the final dividend for 2016. The company had earlier communicated 19th May, 2017 as the payment date of the dividend. The rescheduled payment date will be communicated later but as a result of the change, the shareholder register will not be closed from 12-19 May as previously communicated.

### 2017 Malawi Tobacco Marketing Season Opens

The tobacco marketing season opened on the 11<sup>th</sup> of April 2017 at Kanengo Auction Floors in Lilongwe. Chinkhoma Auction floors also opened within the first week but Limbe and Kabwafu Floors only started trading in the third week. The Mzuzu auction floors were yet to open as at the end of April. A total of 8.46mln kilograms had been sold by the end of April at a value of US\$14.35mln (2016: US\$10.02mln). It was better prices rather than volumes that have driven tobacco revenues early weeks of the 2017 season. With the leaf fetching an average price of US\$170 per kilogram, 42% higher than the prices after three weeks leading to a 43% increase in revenue year-over-year. During the same period, volume traded increased only 1% year-over-year from 8.37mln kilograms to 8.46mln.

### New Reserve Bank of Malawi Governor appointed

Dalitso Kabambe was appointed by the Government of Malawi as the new Reserve Bank of Malawi governor on the 21<sup>st</sup> of April, 2017. He replaced Charles Chuka, whose contract had expired. Prior to his appointment, Mr Kabambe was the Principal Secretary in the Ministry of Foreign Affairs and also held various positions in the Ministry of Finance including the role of Director of Economic Planning.

## Republic of South Africa

South Africa's economic outlook took a turn for the worse after Fitch became, on 7 April, the second credit ratings agency to downgrade the country's sovereign rating from investment grade to junk. Fitch's decision became a follow up to a similar move by S&P Global on 3 April. Both downgrades being the direct result of a cabinet reshuffle carried out by President Jacob Zuma on 31 March, in which he sacked his respected Finance Minister Pravin Gordhan and four other ministers, and replaced them with loyalists. The move by President Zuma is seen heralding a potential retreat from fiscal prudence, a rise in wasteful spending—including a controversial plan to expand the country's nuclear power program—and increased opportunities for patronage. The initial shockwaves of the reshuffle and the consequent credit rating downgrades led to the rand continuing to weaken from the closing March position of 13.41 ZAR per USD, to a low of 13.92 ZAR per USD on 10 April although it picked up to end April at 13.35 ZAR per USD. (focus-economics.com).

## World Bank approves \$200 million to improve Zambia's rural roads

On the 8th of May, the World Bank approved a US\$200 mln credit facility for Zambia to improve rural roads in six of the southern African nation's 10 provinces. Zambia has a road network of 67,671 km (42,000 miles) and rural roads are in poor condition, making it difficult for small scale farmers to access markets for their produce. Further, according to the World Bank almost 7.5 mln rural residents in Zambia, are reportedly unconnected to the road network.

After the lowest growth in two decades was registered in the economy in 2016, government officials are hopeful of securing about US\$1.6bln in fresh loans. In exchange for the loans, the government will almost certainly commit to fiscal consolidation, structural reform and the

reduction of energy subsidies in order to rein in the fiscal deficit.

## Mozambique economy expected to improve

Mozambique's economy is expected to improve in the outlook period boosted by the coming on stream of new gas production. A highly uncertain business climate is however expected to dampen growth prospects. Forecasts are for a growth of 4.2% in 2017, down 0.1 percentage points from last month's forecast, and 5.5% in 2018. (focus-economics.com)

## United Kingdom growth expected to dip

The growth rate for UK's economy is expected to dip going forward, on the back of uncertainty concerning Brexit of the European Union deterring investment and consumers feeling the pinch due to stagnating of living standards. However, the Bank of England's (BoE) ultra-loose monetary policy stance is however expected to soften the slowdown. A 1.7% growth rate is expected for 2017 while for 2018, growth is projected to fall to 1.3%. (focus-economics.com).

## United States economy registers low growth for Q1 2017

The GDP for the United States is reported to have grown by a marginal 0.7% in the first quarter. There have been indications that from the beginning of the year, the U.S. economy had been experiencing a bumpy ride including a downswing in inventories, some seasonal and some one-off factors, such as lower household spending leading to little reason to think that the U.S. economy is slowing down. However moving into Q2, private consumption is expected to show more resilience, building on upbeat sentiment and an outstandingly robust labour market. (focus-economics.com)





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