Monthly Economic Review

A brief commentary on the Malawi Economy

February 2017

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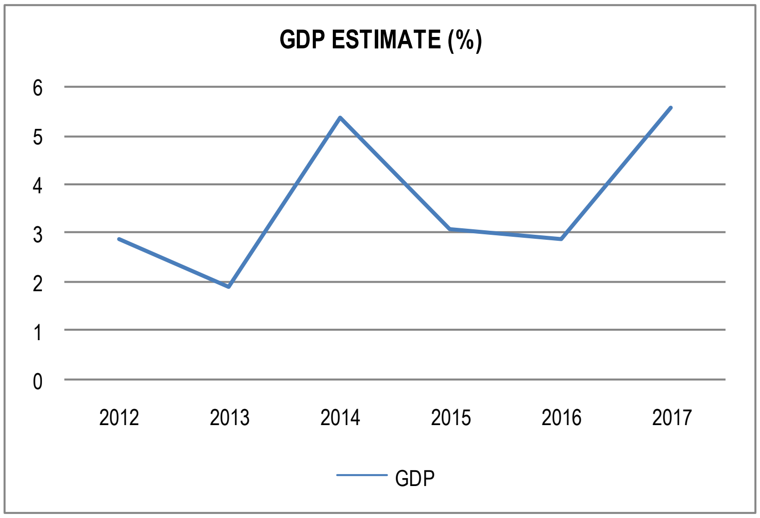
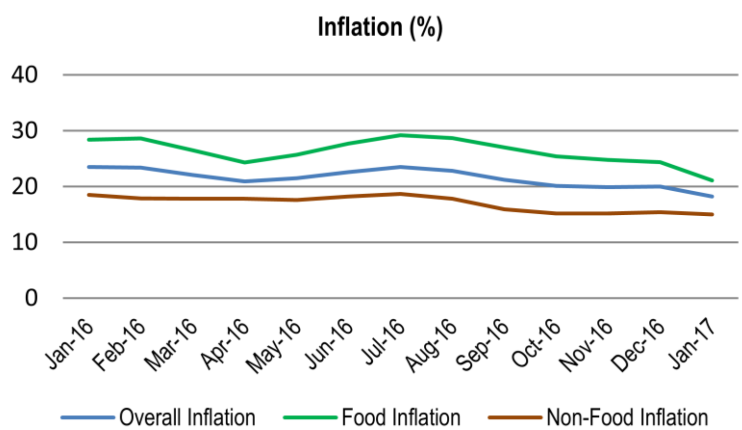


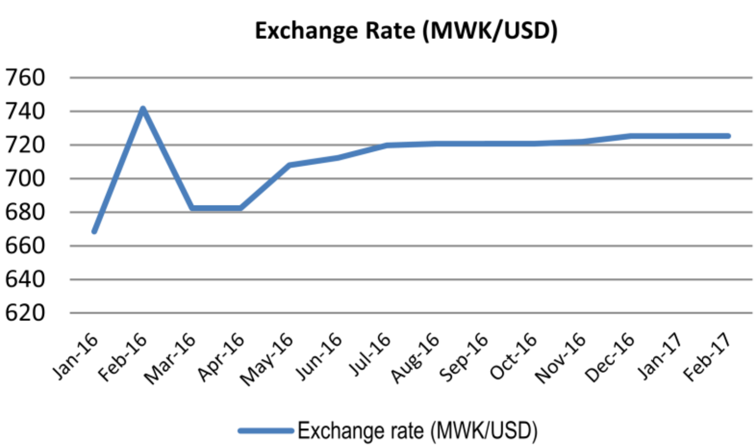
Gross Domestic Product

According to the RBM, the economy is expected to grow by 5.6% in 2017, backed mainly by growth in the financial and insurance services and wholesale and retail sector where growth rates of 6.9% and 6.7% are expected. The agricultural sector is also expected to recover and record a 5.9% growth rate. Other key growth areas are expected to be the information and communication, transport and storage services and accommodation and food services sectors. (Source*: RBM*)



Inflation

Headline inflation for January eased by 1.80 percentage points from 20.0% in December, 2016 to 18.2% in January 2017. Overall food inflation declined to 21.1% from 24.4% in December 2016 while non-food inflation marginally declined to 15.0% from 15.4%. The urban and rural rates stand at 13.6% and 21.2% respectively. Government's long term target is for inflation to stabilize at around 12%. (Source*: NSO*)



Exchange Rate Movements

The Kwacha remained stable against the USD during the period under review. The local currency registered no movement in the month of February and stagnated at MWK 725.43/USD. This stability is expected to be supported by the opening of tobacco marketing season set for April 2017. (Source*: NBM*)

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Telekom Networks Malawi Limited

Telekom Networks Malawi Limited expects profit after tax for the year ending 31st December 2016 to grow by at least 20% on the previous corresponding period (MWK 5.4bn).

Illovo Sugar (Malawi) Limited

Illovo Sugar (Malawi) Limited expects its FY 2016 profits to increase by at least 60% (FY 2015: MK5.5bn).

NBS Bank Limited

The bank is expecting its loss to increase by at least 20% (FY 2015: MK 0.2bn)

Sunbird Tourism Limited

Profit after tax for FY 2016 is is expected to exceed the previous corresponding period by more than 25% (MWK: 1.0bn)

MPICO

MPICO expects the Group's profit for the year ended 31 December, 2016 to increase by over 100% above the previous corresponding period

NITL

NITL profits are expected to decline by at least 200% for the 12 months ending 31 December 2016. FY 2015 profits amounted to MK0.6bn.

National Bank Releases Trading Statement for FY2016

National Bank of Malawi (NBM) released a trading update in respect of the year ended 31st December, 2016. The company is advising shareholders that profit for the year ended 31st December, 2016 is expected to be at least 25 percent higher than the previous financial year. The bank went further to confirm that the publishing of the trading update had been duly sanctioned by the MSE under unique circumstances and only for the benefit of shareholders of the company. The company posted a profit of MK13.4 billion in FY 2015 and MK8.158 billion during 1H2016; a 0.3 percent increase from MK8.138 million made in the previous corresponding period.

Blantyre Hotels Publishes Notice for AGM

Blantyre Hotels Limited (BHL) published a notice of the Annual General Assembly to be held at Ryalls Hotel, Blantyre on 9th March, 2017. Agenda items for the meeting include the approval of the Chairman's report for the year ended 30th September, 2016. The Company is expected to declare a final dividend of MK25.8 million, representing 20t per share. If approved, the total dividend for the year will be MK192.2 million or MK1.00 per share (FY2015: MK103.4 million or tambala per share). The final dividend will be payable on 24th March, 2017 and 17th March will be the last day to register.

MRA Underperforms against the January Revenue Target

The Malawi Revenue Authority (MRA) failed to beat its monthly target as it collected MK71.9 billion tax revenue for January, 2017 against a projection of MK72.09 billion. The authority managed to beat the target in the goods and services tax category but fell short on taxes on income and profits.

Pay As You Earn (PAYE) revenue was 36 percent below target as MK14.5 billion was collected against a projection of MK17.1 billion. This was attributed to delays in remittance by government agencies following delays in salary processing. Corporate tax collection also fell below target as only MK17.2 billion was collected against a MK21.2 billion target. The authority attributed this to economic slowdown due to reduced power and high inflation

Despite the setback in the month of January, 2017, tax revenue collection remains above target for the 2016/17 fiscal year. Cumulative tax collected as at end of January, 2017 was MK449 billion, 9.2 percent above the MK411.2 billion target.

Maize Production to go up in 2016/17

The Ministry of Agriculture, Irrigation and Water Development released the Agricultural Production Estimates Survey. The results show that national maize production is projected at 3.2 million metric tons, 35.9 percent higher than the 2015/16 final round estimate 2.4 million metric tons.

Production of tobacco, the country's main cash crop is expected to decrease by 36.6 percent while cotton production is expected to go up 7.6 percent.

The second round of the survey will be conducted from February to March and the third and final round will be undertaken during the harvest period in April to May.

Minister of Finance Presents Mid-Year Budget Review in Parliament

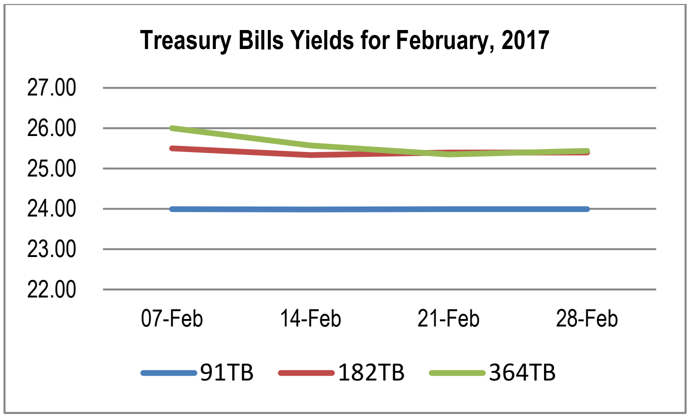
The Minister of Finance, presented mid-year budget review in parliament convened in February. Total expenditure for the 2016/17 fiscal budget has been revised downwards from MK1,149.2 billion to MK1,129.4 billion. The Minister attributed the budget cut to decrease in disbursements of foreign financed projects. Increase in MRA tax revenue collection and higher dividend from the Reserve Bank of Malawi has resulted in the revising upwards of domestic revenue from MK783.3 billion to MK840.5 billion. Grants from donors, however, have been revised downwards from MK197.4 billion to MK158.7 billion due low disbursements from donors. Given the revisions, the fiscal deficit has been adjusted downwards from MK171.2 billion (4 percent of budget) to MK130.3 billion (3 percent of GDP). The majority of the deficit will be financed by foreign borrowing as only MK42.3 billion will be financed by domestic borrowing compared to MK76.6 billion in foreign borrowing.

Launch of Nationwide Sensitization Campaign on Electronic Payments

According to the Central Bank, the country's key financial infrastructure was stable resulting in the smooth and successful processing of transactions in the various payment streams. Overall, the total daily average of both the volume and value of transactions increased during the review period.

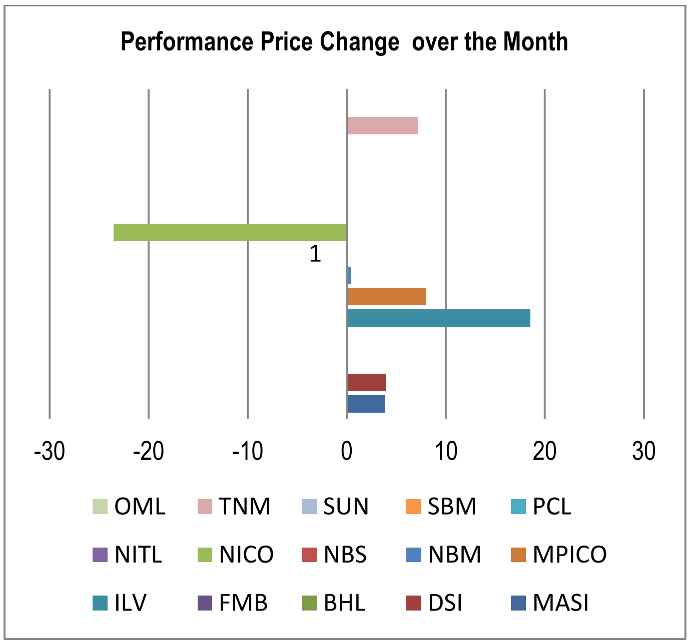
In January 2017, under the auspices of the NTEP, the RBM in conjunction with the Ministry of Civic Education, Culture and Community Development launched a nationwide campaign to sensitize the general public on electronic payments products. This initiative is one of the major activities in the roadmap aimed at accelerating uptake of electronic payments by the general public as well as sole traders. (*Source: RBM)*

Treasury bill Yields



During the period under review, the yield on the 91 days T-bill was firm 24 percent. Average yield on the 182 days T-bill and 365 days T-bill decreased by 0.10 percentage points from 25.50% to 25.40% and by 0.56 percentage points from 26.00% to 25.44% respectively.

Company Trading Statistics



The Malawi Stock Exchange (MSE) registered a positive return on index as reflected in the upward movement of the Malawi All Share Index (MASI) from 13127.73 points registered in January 2017 to 13635.67 in February 2017, representing a return of 3.87% (3.87% in US$ terms).

Price gains during the month were recorded on four counters – ILLOVO (18.5%), MPICO (8.04%), TNM (7.20%) and NBM (0.37%). Only one counter, NICO, registered a capital loss of 23.53% in February 2017 (Source: MSE).

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South Africa

South Africa's GDP is estimated to have slowed down by 0.3% at a seasonally adjusted annualized rate in the final quarter of 2016, which is typically one of the most economically active periods of the year. According to the report released by Stats SA on 7 March, the main drag on overall economic growth was a massive decrease in mining and slow activity in the manufacturing sector. Compared to the same quarter of the previous year, GDP increased 0.7% in Q4, mirroring Q3's expansion. South Africa's GDP grew by just 0.3% in 2016 as a whole, which is the country's worst economic performance in seven years.

Mozambique

Mozambique's economy got off to a rocky start in 2017 after the country defaulted on a USD 60 million coupon payment due to creditors in January, a decision which prompted S&P Global Ratings to downgrade the country's credit rating to its lowest level. With the government's credibility at rock bottom, the IMF has so far made no move to provide the cash, and is awaiting the outcome of an independent audit into the country's debt due to be released next month. This comes on the back of a disappointing economic performance last year, with newly released statistics showing that growth in 2016 as a whole was the slowest since 2000. Mozambique's economy should pick up speed in 2017, but the suspension of fundamental international aid and subdued foreign direct investment will dampen growth prospects. Focus-economists foresee growth of 4.4% in 2017, down 0.3 percentage points from January's forecast.

Tanzania

The economy is expected to have been one of the region's top performers last year. On the overall in 2016, economic activity is estimated to have expanded at a fast pace on the back of lowered global oil prices and large-scale infrastructure investment, despite sluggish growth in agriculture as a result of unfavorable weather conditions. However, one cause for concern is the government's sizeable fiscal deficit, which could become more pressing going forward due to a projected fall in aid inflows and volatile global financial markets. Tanzania's economic growth is set to remain solid going forward, underpinned by continuing strong infrastructure investment as part of the Second Five Year Development Plan and low oil import prices. The country's GDP is estimated to expand 7.2% in 2017 and 7.0% in 2018.

Zambia

The country's economic growth is expected to rise in 2017, supported by higher copper prices due to tighter supply and robust demand for the metal. Domestic manufacturing should also benefit from improving electricity supply. According to Focus-economics, the country's economy is estimated to grow by 4.0% in 2017 and by 4.8% in 2018.

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