



# *Monthly economic Review*

**A brief commentary for the Malawi Economy**

**September 2016**

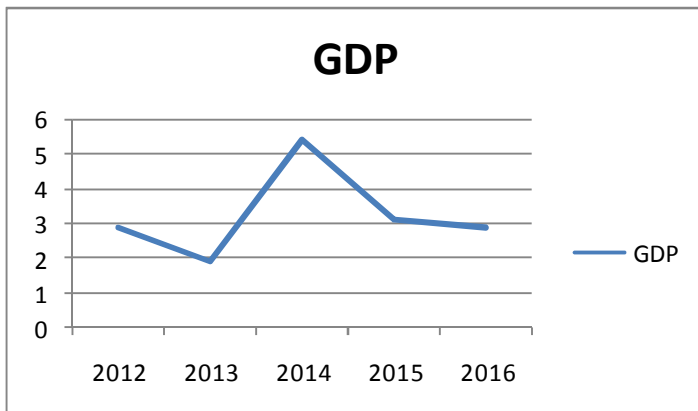
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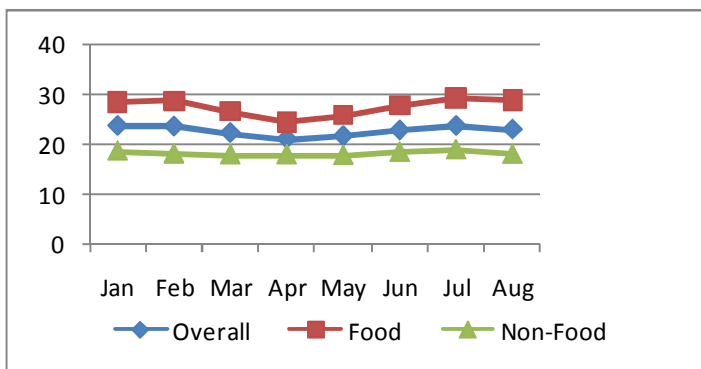
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## GDP ESTIMATE



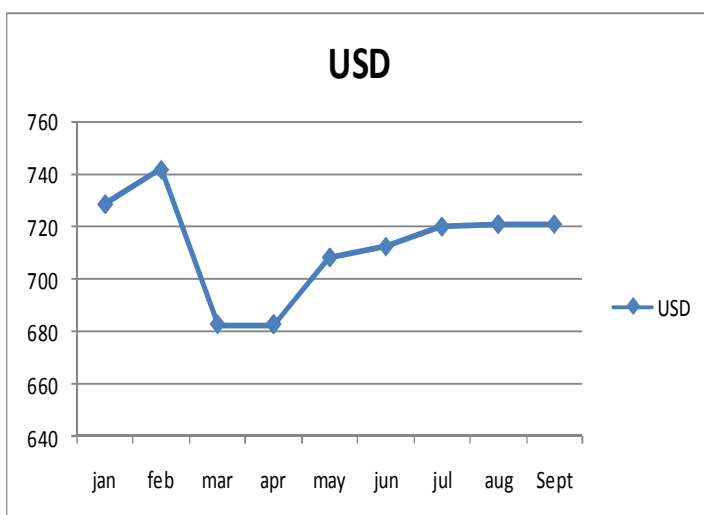
The adverse effect of the El Niño weather continues to weigh down on the economy as reflected by sharp falls in agricultural production. There have been other supply side bottle necks which include intermittent power and water supply which coupled with high interest rates have forced the government to revise downwards the forecasted GDP growth for 2016 from 5.1% to 2.9%.

## INFLATION



Inflation remained high during the quarter although it started to stabilize from the month of August following the increased supply of grains in the market. As at 30<sup>th</sup> August 2016, it was pegged at 22.8% from 23.5% in July 2016. Food inflation dropped from 23.5% to 17.8% while non food inflation dropped by 18.7% to 17.8%.

## FOREIGN EXCHANGE DEVELOPMENTS



The kwacha depreciated by more than 35.6 percent from July 2015 to early March 2016 but started to stabilize from the onset of March, 2016. It depreciated by another 6% during the second quarter. During the quarter under review, the Kwacha further depreciated by 1% attributable to below expected tobacco revenue as the industry continue to suffer from low prices and high rejection rates

## **GLOBAL ECONOMIC GROWTH TO SLOW DOWN TO 3.1%**

Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States.

These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices.

But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slow down. In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti integration policy platforms gaining more traction. Several emerging market and developing economies still face daunting policy challenges in adjusting to weaker commodity prices.

These worrisome prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.

**TRADING STATEMENT**

Blantyre Hotels Limited (BHL) has released the trading statement for the year ending 30th September, 2016. The company is advising investors that the profit after tax for the period is likely to be 20% higher than the previous period.

**DIVIDEND PAYMENT**

Standard Bank (SBM) paid its interim dividend during the month under review. The Bank paid its shareholders an interim dividend of MK4.26 on 15th September, 2016.

.NITL paid interim dividend of 30 tambala per share on 23rd September, 2016. Paid on the same date, TNM paid an interim dividend of 10 tambala per share . NBM interim dividend of MK6.44 per share was paid on 30th September, 2016.

**MPICO RIGHTS ISSUE**

MPICO has announced the company's intention to raise capital through a rights issue. The property company intends to raise MK9.0 billion using a renounceable rights issue of up to 1,586 million new ordinary shares. Only qualifying shareholders recorded in the register of MPICO at the close of business on 14th October, 2016 will be entitled to participate.

**INTERIM RESULTS**

Sunbird (SUN) has released its half year results for the period ended 30th June, 2016. Profit after tax for the company grew by 47% to MK595 million from MK403 million. The Board has declared an interim dividend of 19 tambala (2015: 13 tambala interim dividend).

**IMF EXTENDS MALAWI CREDIT FACILITY TO JUNE 2017**

A team from the International Monetary Fund (IMF) visited Lilongwe September 14–28, 2016 to conduct discussions on the ninth review under the Extended Credit Facility (ECF) arrangement. The mission made good progress with the authorities on establishing new macroeconomic targets for end-December 2016 . In order to safeguard macroeconomic policy implementation in the face of rising risks from the humanitarian crisis. To allow time to demonstrate achievement of these targets, the program—which is currently due to expire at end-2016 would be extended through mid-2017.

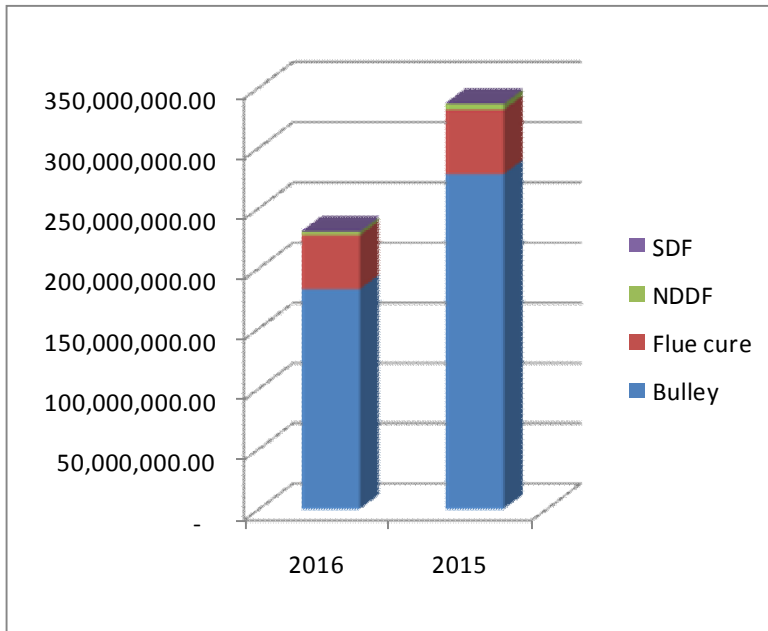
The targets include keeping expenditure and commitments within available funding to avoid the emergence of new payment arrears and increased recourse to domestic financing, which would undermine the fight against inflation. Maize subsidies, should they arise, should be carefully targeted to the most vulnerable segments of the population and managed in a cost-effective way that does not strain public finances further and worsen public debt. For the central bank, keeping short-term interest rates positive in real terms, to strengthen demand for the kwacha.

**MRA BEATS ITS AUGUST TARGETS**

The Malawi Revenue Authority (MRA) released its revenue performance report for August, 2016. The Authority beat its targets in all tax categories. The Authority also announced that it has beaten its total revenue monthly target by 11 percent despite total revenue falling 18 percent short of the amount collected in the previous month. Total revenue for August, 2016 stood at MK58.8 billion against a target of MK52.6 billion and MK62.2 billion collected in July, 2016.

**MERA MAINTAINS FUEL PRICES**

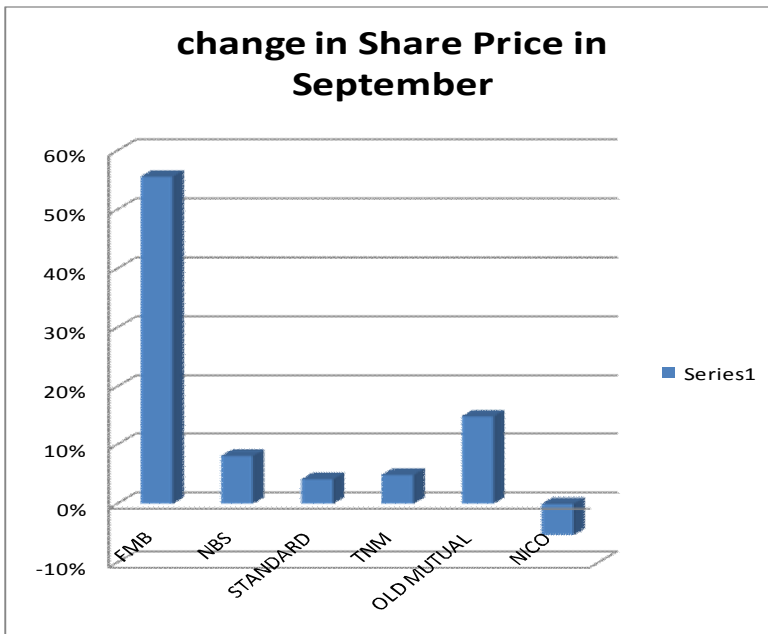
The Malawi Energy Regulatory Authority (MERA) has resolved to cushion the increase in the landed costs of Diesel and Paraffin through the Price Stabilization Fund and maintain price at MK766.90/litre and MK609.80/litre for Diesel and Paraffin respectively. Petrol, whose price movement did not trigger a price revision, was also maintained at the price of MK788.30/ litre.



As at 30th September 2016, US\$ 231 million worth of tobacco had been sold against a total of US\$ 337 million sold during a similar period in 2016.

The lower than expected tobacco revenues are attributable to high rejection rates which have led to less volumes being sold on one hand and lower average prices on the other hand.

**Company Trading Statistics– August 2015**



A total of 62.68 million shares were traded at a consideration of K828 million in 112 deals.

Price gains during the month were recorded on five counters - FMB , NBS, standard, TNM and OML. The only price loser during the month was NICO which closed the month at 1799 from an opening price of 1900 representing a negative 5%

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