



# *Monthly economic Review*

**A brief commentary for the Malawi Economy**

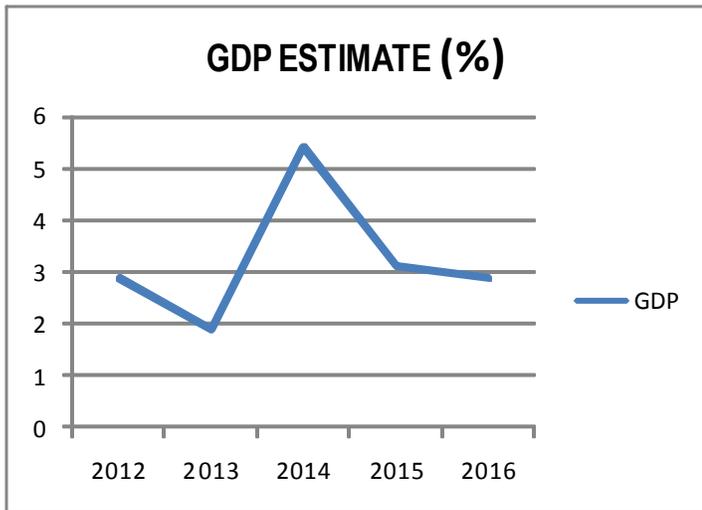
**November 2016**

**NBM Capital Markets Limited**

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

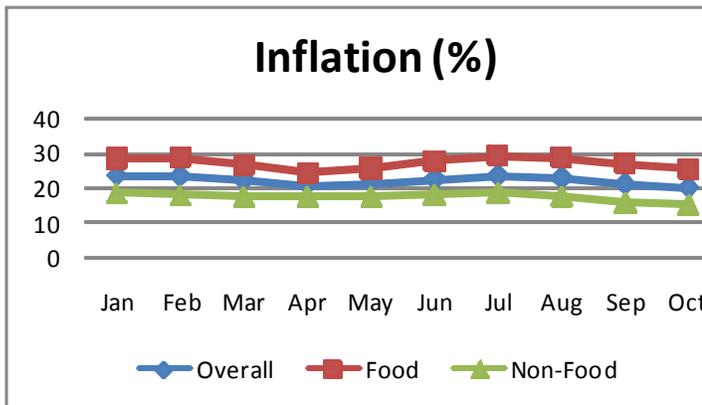
Tel: 01 831 177 / 179

Email: [nbmcapital@natbankmw.com](mailto:nbmcapital@natbankmw.com)



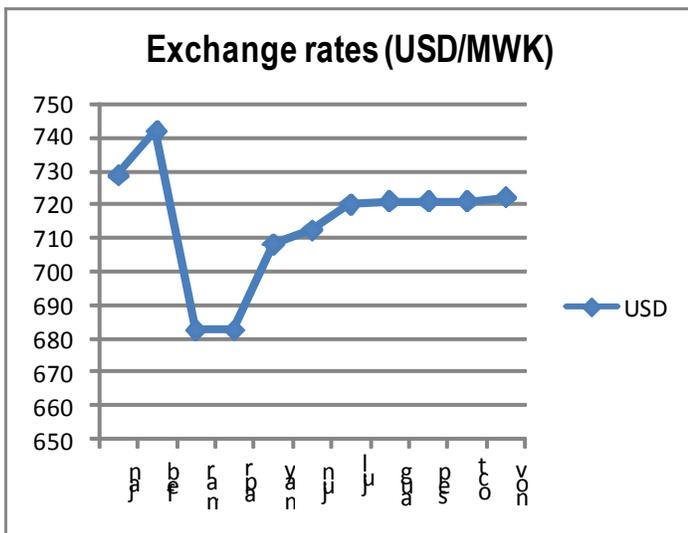
### Gross Domestic Product

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 third 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> October 2016, it was pegged at 20.1% from 21.2% in September 2016. Food inflation dropped from 28.7% to 27% while non food inflation dropped by 17.8% to 15.9%.



### Exchange rate

During the third quarter, the Kwacha depreciated by 1% attributable to below expected tobacco revenue as the industry continue to suffer from low prices and high rejection rates. For three months to October 2016, the local currency was constant. A constant exchange rate has made it much easier for Malawi to tackle inflation, which has plagued its economy for months.

## **REACTION OF THE US ECONOMY TO TRUMP ELECTION**

After the election of Donald Trump, it appears that various measures of the US economy — from consumer confidence to bond markets to inflation expectations — have zoomed in extreme directions.

On the one hand you have the stock market, which has set new all-time highs seemingly every day since the election. In fact, the Dow Jones Industrial Average has hit a new record closing high 13 out of 21 trading days since Trump's win.

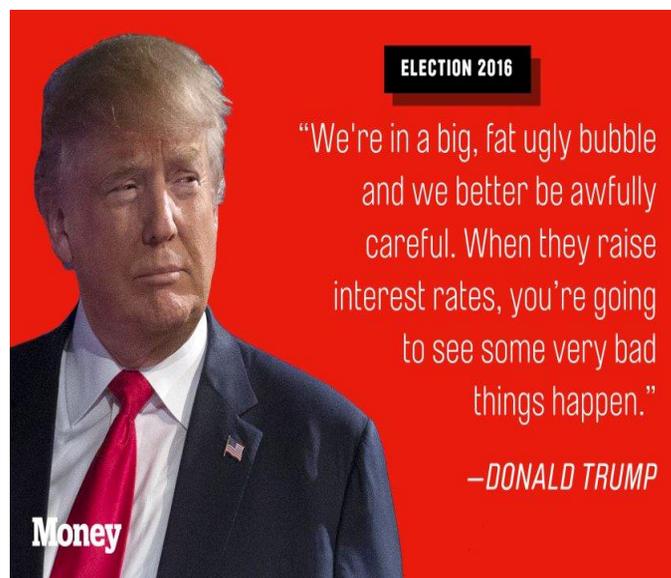
Investors seem to be looking at potential positives such as the fact that Trump may roll back regulations of businesses and lower the corporate tax rate by a much as 20 percentage points. Within stocks there have also been significant winners and losers. Financials have surged after lagging behind most other sectors all year, while tech went from one of the best-performing sectors to underperforming the S&P 500 index in a matter of weeks.

On the other hand, you have the bond market, which has sold off after the election. Yields for US Treasury bonds have set multi-year highs during the violent selling. These markets have focused on the probability of increased inflation and more Federal Reserve rate hikes, leading to the selling.

## **World Economic Overview**

Even the volatility of these two markets has tracks volatility in stocks, sits at roughly gone in totally different directions. The VIX index, which 12 on 9<sup>th</sup> December, maintaining its year-long stay below its long-term average. The MOVE index — which looks at the volatility of bonds — surged after the election, as the sell-off and shakiness in fixed income came to a head.

Before Joining politics, Donald Trump was a business man . During his business career, Trump has built, renovated or managed numerous office towers, hotels, casinos, and golf courses. He owned the Miss USA and Miss Universe pageants from 1996 to 2015, and has lent the use of his name to brand various products



## FINANCIAL PERFORMANCE

### FMB TRADING STATEMENT

First Merchant Bank Limited has advised that its forecast profit attributable to shareholders for the financial year ending 31 December 2016 is expected to be at least 40% higher than achieved for the financial year ended 31 December 2015. The information on which the trading statement was based has not been reviewed or reported on by the Company's external auditors. The summary consolidated and separate financial statements of the company for the financial year ending 31 December 2016 are expected to be published in the press in March 2017.

## LISTED COMPANIES DECLARE DIVIDENDS

### SUNBIRD DIVIDEND NOTICE

The Board of Directors of Sunbird Tourism Limited, at their 106th Board Meeting held on 27th September, 2016, resolved that an interim dividend of MK50 million (representing 19 tambala per share) for the half year ended 30th June, 2016 be paid.

Members, whose names will appear in the register as at close of business on Wednesday, 23 November, 2016 will be eligible for the dividend payable on 28 November, 2016.

### MPICO RIGHTS ISSUE

On 21 November 2016 MPICO successfully completed one of the largest Rights Issues on the Malawi Stock Exchange, raising MK9.0bn (ZAR178m). The offer was positively responded to by the market. Existing shareholders and the investing public took up 82% of the rights with the remaining 18% being allocated to the underwriters.

The Board of MPICO resolved to proceed with the rights offer in order to raise an amount of approximately MK9.0 billion in order to repay the Company's existing local currency debt.

### BHL SECOND INTERIM DIVIDEND NOTICE

The Board of Directors of the Company at the Meeting held on 13th October 2016 approved a payment of a second interim dividend of 30 tambala per share representing MK38.80 million for the year ending 30th September 2016. Members whose names will appear in the register as at close of business on 18th November 2016 will be eligible for this dividend payable on 22nd November 2016.

### **MONETARY POLICY COMMITTEE REVISES THE POLICY RATE**

The Monetary Policy Committee (MPC) of the Reserve Bank of Malawi (RBM) held its fourth meeting for 2016 during which it resolved to reduce the policy rate to 24 percent from 27 percent and maintain the Liquidity Reserve Requirement (LRR) ratio 7.5 percent.

As an explanation for the timing of the policy move, the Committee cited the slowdown of inflation as well as a stabilization of the exchange rate and a comfortable import cover that remains above 3 months. The commercial banks have followed suit and have reduced their lending rates in response to the policy move by the central bank.

### **MRA RECORDS A REVENUE SURPLUS OF 7.8 BILLION IN OCTOBER**

The Malawi Revenue Authority (MRA) released its revenue performance report for October, 2016. The Authority beat its targets in all tax categories except other taxes category which registered a performance of only 71% of the target. The Authority also announced that it has beaten its total revenue monthly target by 6.62 billion. Total revenue for October 2016 stood at MK71.8 billion against a target of MK52.6 billion and MK58.98 billion collected in September 2016.

### **MERA REVISES FUEL PRICES**

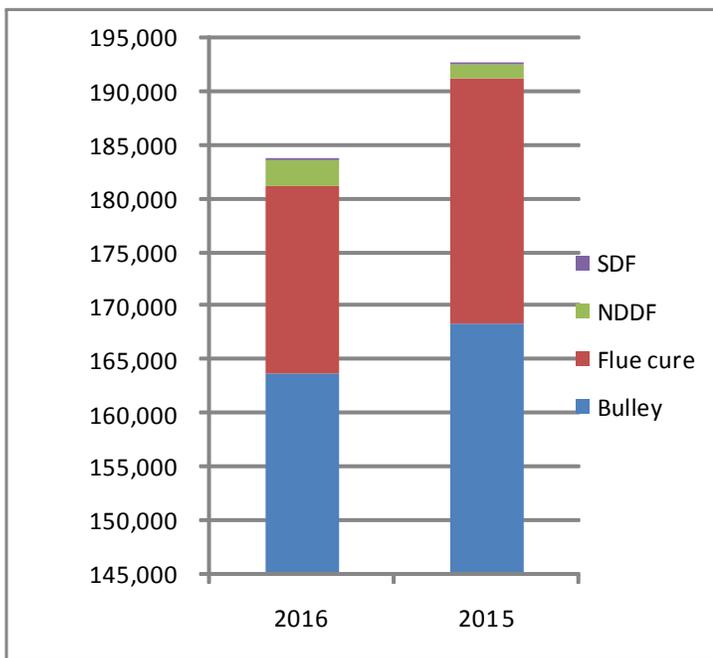
The Malawi Energy Regulatory Authority (MERA) has revised upwards the pump prices of petrol, diesel and paraffin effective 4<sup>th</sup> November, 2016. The pump prices of petrol has been revised by 5 percent to MK 824.70 from MK 788.30, whilst diesel and paraffin increased by 6 percent. Diesel price has been revised to MK815.80 from MK766.90 and paraffin price has been revised to MK648.70 from MK609.80.

<b>Fuel Prices</b>			
	<b>Petrol</b>	<b>Diesel</b>	<b>Paraffin</b>
<b>Jun-16</b>	788.30	766.90	609.80
<b>Nov-16</b>	824.70	815.80	648.70

### **WORLD BANK FUNDS A RECOVERY PROJECT**

The World Bank has initiated a \$104 million Malawi Drought Recovery and Resilience Project (MDRRP) to support the Malawi government to meet the needs of communities affected by drought. The World Bank's IDA continues to support Malawi recover and build resilience against future weather related shocks. Similar projects include Malawi Floods Emergency Recovery Project (MFERP), and the Strengthening Safety Nets Systems Project (SSNSP) - Malawi So-

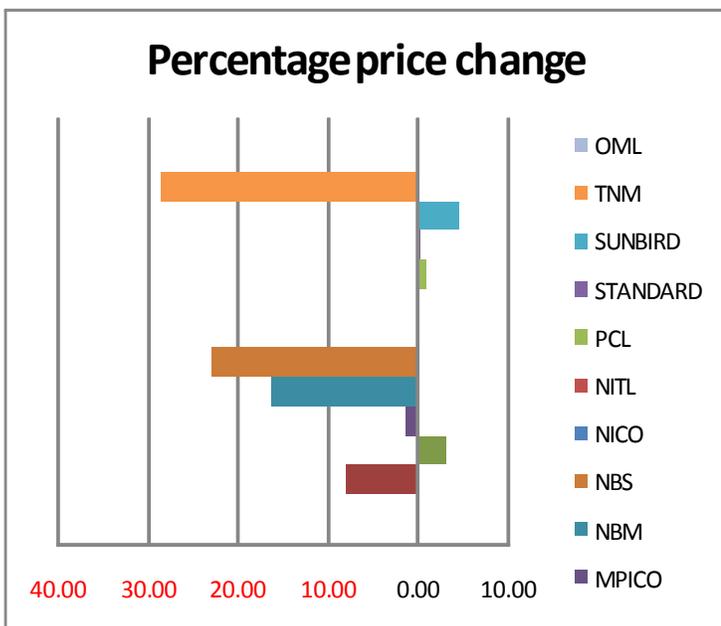
Tobacco Trading Statistics



As at 2nd December 2016, US\$ 264 million wealth 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



A total of 38.3 million shares were traded at a consideration of K1,385 million in 81 trades. The local bourse was bearish as it registered a negative return of 6.58%.

Price gains during the month were recorded on five counters - PCL, ILLOVO, SUNBIRD and STANDARD. The price losers during the month were FMB, TNM, MPICO, NBS and NBM. (Source: MSE).

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## **OUR VISION**

To be the most preferred Investment / Fund Manager in Malawi.

## **OUR MISSION**

To ensure that our services translate into financial prosperity and satisfaction for all stakeholders.

## **ABOUT US**

NBM Capital is a wholly-owned investment management subsidiary of National Bank of It is duly licensed as an Investment / Fund Manager and Financial Advisor under the Financial Services Act, 2010. It is regulated by the Reserve Bank of Malawi. The company currently manages over MK58 billion of investment assets