Alliance Capital Limited

in association with VUNANI LIMITED

Q1 2020

QUARTERLY ECONOMIC REPORT

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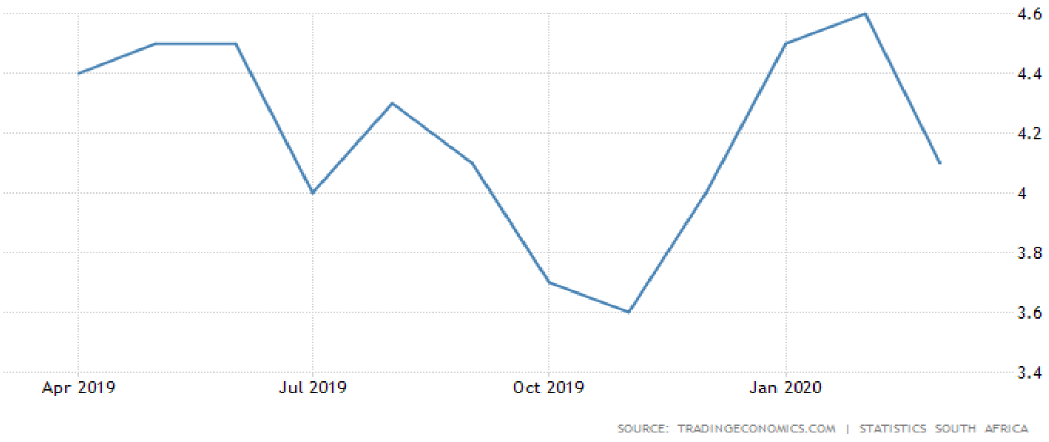
GLOBAL ECONOMY

The coronavirus outbreak has brought considerable economic disruption across the world. Containment efforts have involved quarantines and widespread restrictions on labour movement and travel, resulting in unplanned decrease in production of goods and services. These measures imply a sizeable output decrease whilst the effects of the outbreak persist. As a result, in only three months, according to the International Monetary Fund(IMF), the 2020 outlook has shifted from expected growth of more than 3 percent globally to a sharp contraction of negative 3 percent—much worse than the output loss seen during the 2008–09 global financial crisis. The ultimate impact of the crisis on the global economy, as well as the timing of a recovery, is highly uncertain.

This crisis also poses very serious threat to the stability of the global financial system. Following the COVID-19 outbreak, financial conditions have tightened at unprecedented speed. Market volatility has spiked and interest rates have surged on expectations of widespread defaults. Risky asset prices have plummeted and interest rates have soared, especially in risky credit markets. Emerging and frontier markets have experienced the sharpest capital outflow on record. The FTSE, Dow Jones Industries Average and the Nikkei have all seen sharp falls since the outbreak began. In the second week of March the Dow hit its highest one-day decline by 1300 percentage points since 1987.

However, policymakers are doing all they can to minimize collateral damage from the crisis. The monetary and fiscal policy response has, in many ways, been larger and more rapid than in the midst of the global financial crisis. In addition to interest rate cuts, central bank balance sheets are expanding at a rapid pace as they flood the financial system with liquidity to mitigate the risk of sharp adverse credit multipliers.

South Africa Inflation Rate



Zambia Interest Rate

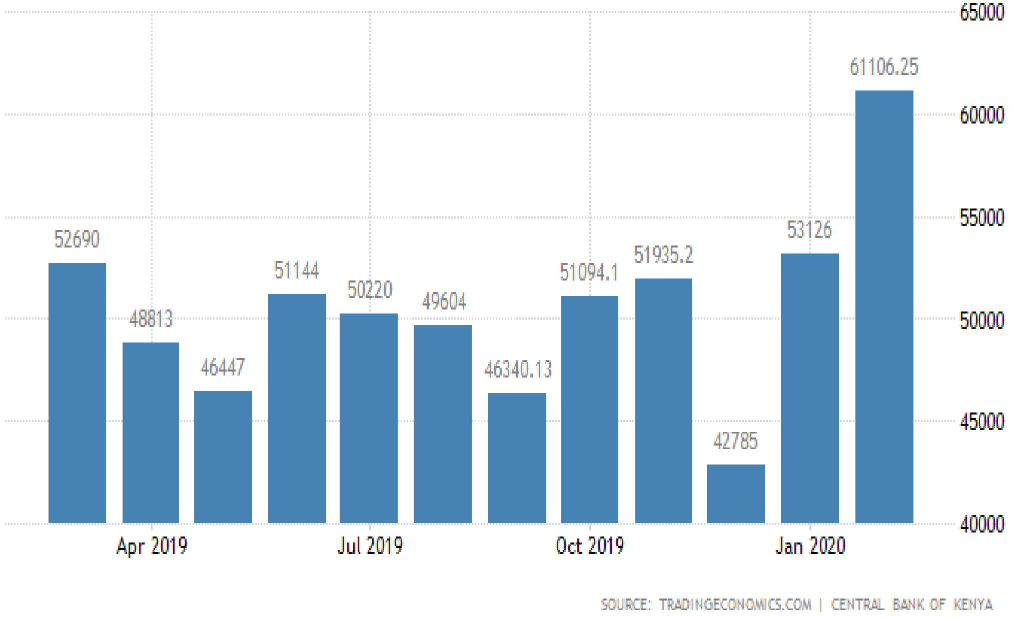
South Africa

- The South African rand hovered around an all-time low of 18 against the USD dollar, after the country lost its last investment grade credit rating. On March 27th,Moody's downgraded the country's sovereign debt to junk, citing persistently weak growth, fast-rising debt and the impact of an unreliable electricity supply. The rand is expected to fall further as investors dump riskier assets and turn to the greenback as the spread of coronavirus threatens the economy.
- The South African Reserve Bank unanimously decided to axe its key repo rate by 100 bps to 5.25percent during its March 2020 meeting, surprising markets who expected a smaller 50 bps cut, amid growing uncertainty over the impact of the coronavirus crisis on the already fragile economy. It was the 2nd straight rate cut so far this year, bringing borrowing costs to the lowest since December of 2013

Zambia

- The Central Bank of Zambia held its benchmark interest rate steady at 11.5percent during its February 2020 meeting, citing inflationary pressures and weak growth. Policymakers noted that headline inflation peaked to 12.5percent in January, following the upward adjustment in electricity tariffs and fuel pump prices coupled with rising maize prices.
- The annual inflation rate in Zambia climbed to 13.9 percent in February of 2020 from 12.5 percent in the previous month. The inflation rate has been above 10percent, a level not seen since October 2016, in the last 6 months as prices advanced further for food (15.9 percent vs 15.4 percent in January), mainly on account of rising prices of maize grain and meats. In addition, non-food inflation also quickened (11.6 percent vs 9.4 percent), mainly attributed to rental fees, cement, purchase of vehicles and transport services. On a monthly basis, consumer prices inched up 1.9 percent, after increasing 1.8 percent in the previous month.

Kenya Exports (KES m)



Tanzania Govt. Debt (USD m)

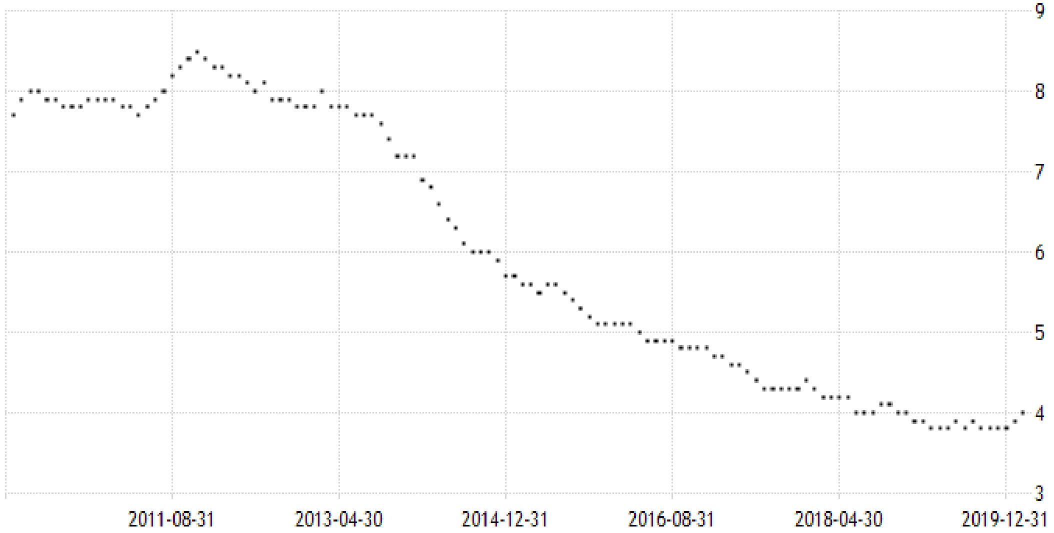
Kenya

- The Central Bank of Kenya unexpectedly cut its benchmark interest rate by 25 bps to 8.25percent during its January meeting, after slashing it by 50 bps in November 2019, citing a backdrop of well-anchored inflation and inflation expectations. The Central Bank further lowered its benchmark interest rate by 100 bps to 7.25percent during its March 2020 meeting, surprising markets that expected a smaller 25 bps cut. This marked the third consecutive cut and moved the rate to a near nine-year low.
- The annual inflation rate dropped to 6.06 percent in March of 2020 from 6.37 percent in the previous month. In January 2020 inflation stood at 5.78 percent. The country rebased the year it uses to calculate inflation to February 2019 from February 2009, in order to better reflect changing consumer trends. On a monthly basis, consumer prices went up 0.18 percent, down sharply from 1.80 percent in the prior month, amid lower prices of some food items such as tomatoes (-6.06 percent) and spinach (-4.87 percent).

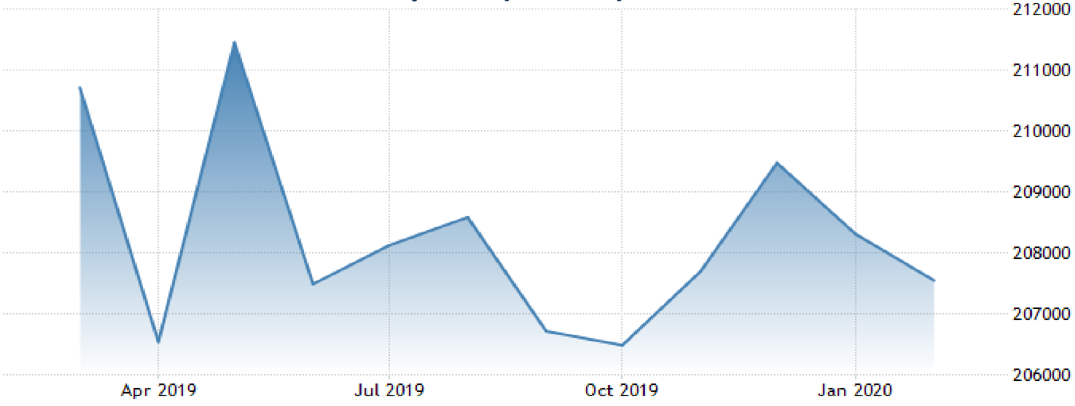
Tanzania

- The annual inflation rate in Tanzania dropped to 3.4 percent in March of 2020 from 3.7 percent in the previous month, reaching its lowest level since last September. Prices slowed mostly for food & non-alcoholic beverages (5.3 percent vs 5.9 percent in February); restaurants & hotels (0.7 percent vs 2.1 percent) and furnishings (1.7 percent vs 2.2 percent. In January 2020,inflation printed 3.4 percent.
- Lending rates sustained a general downward trend, partly attributed to accommodative monetary policy and measures implemented to improve the business environment. On average, lending rate declined to 16.96 percent from 17.28 percent in February 2020. Overall time deposit rate averaged 7.18 percent from 7.92 percent in February 2020, whereas one-year deposit rate was 8.86 percent, up from 8.48 percent.

UK Unemployment Rate



USA Exports (USD m)



SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU

United Kingdom

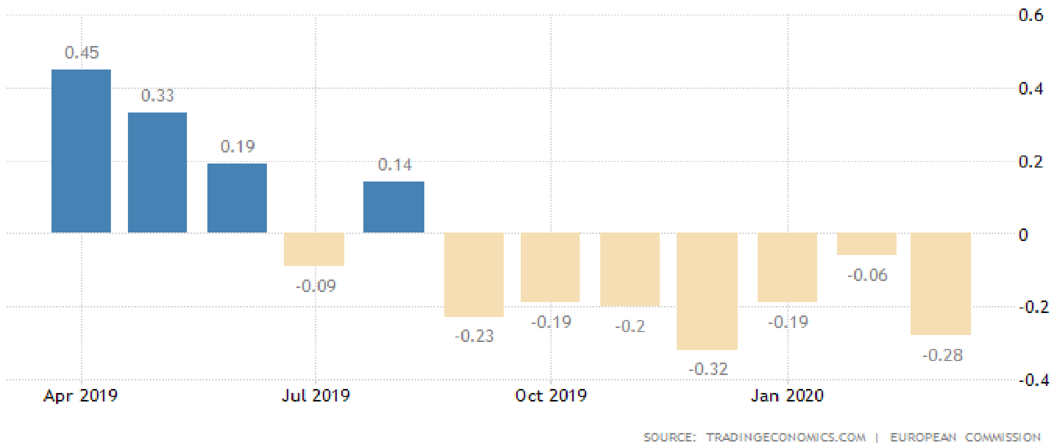
- At its first meeting for 2020 ending on 29 January 2020, the Monetary Policy Committee(MPC) of the Bank of England voted by a majority of 7–2 to maintain Bank Rate at 0.75percent. The Monetary Policy Committee at a special meeting on 19 March voted to cut Bank rate to 0.1percent and increase its holdings of UK government and corporate bonds by £200 billion.
- Imports to the United Kingdom rose 3.0 percent from a month earlier to GBP 58.85 billion in February 2020, the highest level in four months, on the back of a 6.0 percent advance in goods purchases. On the other hand Exports tumbled 5.8 percent from a month earlier to GBP 56.06 billion in February 2020, the lowest level since last June, due to a 10.8 percent plunge in goods shipments and a 0.1 percent decline in service exports.

United States of America

- The US unemployment rate jumped to 4.4 percent in March 2020, the highest since August 2017 and well above market expectations of 3.8 percent, as the Covid-19 crisis threw millions out of work. The number of unemployed increased by 1.35 million to 7.14 million, while the number of employed declined by 2.99 million to 155.77 million.
- Imports to the United States fell to 2 year low of USD 6.3 billion from the previous month to USD 247.5 billion in February 2020, its lowest since October 2017, due to decreases in purchases of capital goods, in particular computers, telecommunication equipment and computer accessories; industrial supplies & materials, led by fuel oil and organic chemicals; and consumer goods.

Dollar/Yuan Exchange Rate

Euro Area Business Confidence Indicator



China

- China's retail trade declined by 15.8 percent year-on-year in March 2020, following a 20.5 percent slump in January-February and compared to market expectations of a 10 percent fall, as consumers remained cautious amid the coronavirus crisis.
- The Chinese economy shrank 6.8 percent year-on-year in the first quarter of 2020, after a 6 percent growth in the last three months of 2019 and compared with market forecasts of a 6.5 percent decline. It is the first GDP contraction since records began in 1992, reflecting the severe damage caused by the COVID-19 outbreak after the authorities enforced a near two-month-long shutdown of all non-essential business activity.
- Foreign direct investment into China tumbled 10.8 percent year-on-year to CNY 216.19 billion, or USD 31.2 billion, in the first quarter of 2020 due to the Covid-19 outbreak. Still, investment in the high-tech service industry rose by 15.5 percent, accounting for 29.9 percent of the service industry

Euro-Zone

- The inflation rate in the Euro Area was confirmed at 0.7 percent year-on-year in March 2020, the lowest since last October, as prices were hit by the Covid-19 outbreak and an oil price war between Saudi Arabia and Russia. In February 2020, inflation rate was confirmed at 1.2 percent year-on-year below January's nine-month low of 1.4 percent.
- The consumer confidence indicator in the Euro Area was confirmed at -11.6 in March 2020 from -6.6 in the previous month. The 5.0 point decline was the largest on record, led by an exceptionally strong fall in expectations concerning the general economic situation.
- The ECB launched a new €750 billion asset purchase programme after holding an emergency call in mid March, to counter the serious risks posed by the outbreak and escalating diffusion of the Covid-19. The bank will be buying government debt and private securities until the end of the year

Global Stock Markets At A Glance

Johannesburg Stock Exchange(JSE)

- The JSE recorded 50.486 million shares traded at a market value of ZAR2.943 billion in the quarter. The Johannesburg All Share Index lost 11589.2 points after opening at 56079.535 points and closing at 44,490.3 points in the first quarter of 2020.
- JSE re-listed Sibenye-Stillwater Limited in February, 2020. The listing of Sibanye-Stillwater Limited makes this the first listing on the JSE in 2020 and brings the number of companies listed on the JSE to 353 with the JSE overall market capitalization of R17.5 trillion.

American Stock Markets

- The New York Stock Exchange undertook 8 listings which raised a cumulative $2.44 billion
- All the major indices in the USA significantly dropped as Coronavirus spread further. The S&P 500 opened the quarter at 3256 points and steadily dropped to close the quarter at 2585 points. The Dow Jones Industrial Average dropped by 6913 points in the quarter to 21917 points after opening at 28830 points.

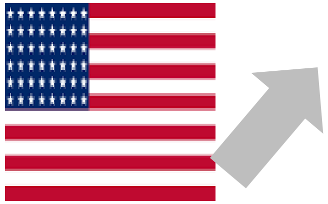
Tokyo Stock Exchange

- In the last week of February, the Nikkei 225 posted the worst fall in over 4 years, dropping by 9.6 percent. As of 31st March, 2020, Nikkei 225 had dropped to 18, 917 points from 23,205 points recorded on 6 January 2020.

London Stock Exchange(LSE)

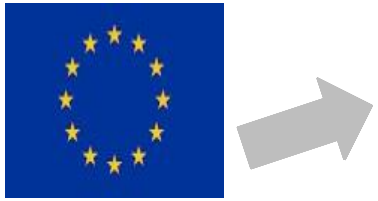
- The London Stock exchange's main market recorded 80.29 million trades with £381.8 billion worth of shares exchanging hands in the quarter. The FTSE 100 has made a total return of -23.8percent as it went down from 7622 points recorded on 2 January 2020 to close the first quarter at 5672 points .
- On 12 March 2020, the FTSE 100 dropped 639 points or 10.9percent to 5,237, suffering its worst session since October 1987 and finishing at the lowest closing level since November 2011, as the coronavirus crisis escalated and stimulus measures from the ECB and the White House disappointed.

Foreign Currencies At A Glance



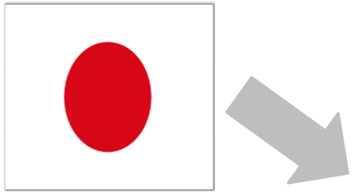
$ USD

Buoyed by demand as a safe haven currency in the face of Coronavirus



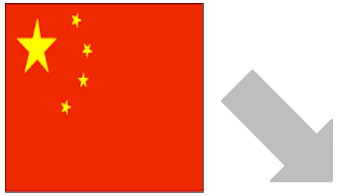
€ Euro

Lifted by Stimulus and demand



¥ Yen

Slid to 10 month low on loss of confidence in the economy and the likelihood of a recession



¥ RMB

Volatile with a depreciating bias. Fell beyond the CNY7/$ mark amidst coronavirus fears

£ GBP

Sterling Slumps amidst recession fears and a cut in UK's Sovereign Debt Rating

Source: Bloomberg, Reuters, ACL

Global Commodity Market At A Glance

Commodity	Jan 2020	Feb 2020	March 2020
Energy($/bbl)			
Crude Oil,Brent	63.6	55	33
Crude Oil,Dubai	63.8	54.5	33.8
Crude Oil,WTI	57.5	50.5	29.9
Agriculture($/kg)			
Cocoa	2.6	2.72	2.34
Coffee Arabica	3.13	2.99	3.26
Coffee Robusta	2.51	2.35	2.19
Tea,Mombasa	2.29	2.11	2
Tea,Kolkata	1.97	1.6	1.33
Metals & Minerals($/MT)			
Alluminium	1,773	1,688	1,611
Copper	6,031	5,688	5,183
Iron Ore	95.8	87.7	89
Precious Metals($/Troy Oz)			
Gold	1,561	1,597	1,592
Platinum	987	961	759
Silver	18	17.9	14.9

Source: WorldBank

CORONAVIRUS & THE MALAWIAN ECONOMY

The Coronavirus has exerted significant economic pressure on the global economy and Malawi is not spared. So far only 13 cases with two deaths have been recorded as at the time of writing this report. The effects of covid-19 on Malawi are in two dimensions: The first ones come from external factors which are direct trade links between Malawi and other affected partner countries such as South Africa, China, USA, Britain and the greater part of Europe and the United States. As these economies experience economic downturn, external demand should decline and therefore Malawi should experience a decrease in its exports and the disruption in supply chains will adversely affect the Malawian economy by decreasing the availability of imported goods necessary for production. Furthermore, the sharp tightening of global financial conditions will reduce Foreign Direct Investment and Official Development Assistance and the decline in remittances from Malawians in the Diaspora will weigh on Malawi considerably.

After trade is tourism. The hospitality and tourism industry in Malawi has been hardly hit by the pandemic. Players in the industry are seeing the effects as businesses have halted and occupancy levels have decreased to unprecedented levels. Tour operators and accommodation bookings from Europe and America have been cancelled due to travel restrictions. Currently, tourism contributes about 8percent of Malawi’s GDP and recent tourism statistics showed that from 2017 up to last year, 835 000 international tourists visited Malawi with 68percent visiting for business, conference and meetings, the rest for visiting friends and relatives.

The other effects come from domestic factors which occur as a result of the further spread of the virus in Malawi leading to a further disruption of economic activities. This will cause a decrease in domestic demand and tax revenue amidst an increase in public expenditure especially in the health sector. All this will affect the national budget for the 2019/20 fiscal year leading to fiscal overruns with grave consequences on domestic credit and growth.

On the upside, with the threat of a global recession, massive lockdowns and the Russia-Saudi Arabia price war, the demand for oil has considerably gone down plunging oil prices by 50 percent on the global market. Already this effect has trickled down to Malawi where prices have been adjusted downwards.

When all is said and done, what remains is the way forward for the government of Malawi to deal with the pandemic. The government should launch a massive social protection program to cushion people who will lose their jobs and businesses more so when a lockdown is declared.

DOMESTIC ECONOMY

Domestic Economic At A Glance

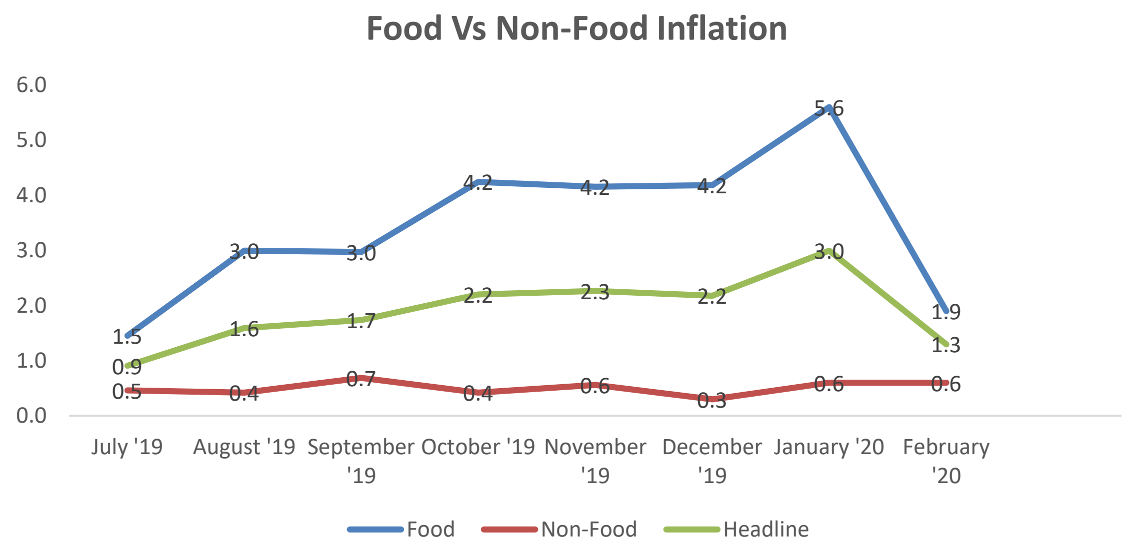
- *On 10 January 2020 the president, Peter Mutharika, launched the Agricultural Commercialization Project (AGCOM) to enable the country to transform from a subsistence to an export-driven economy. The project aims to commercialize farming in Malawi and provide finance to small and medium-sized farm owners. The project duration is six years and it is being financed by a loan from the World Bank amounting to MK70 billion. The project will be carried out by different ministries, including the Ministry of Agriculture, Irrigation and Water Development; Ministry of Industry, Trade and Tourism; and Ministry of Land, Housing and Urban Development.*

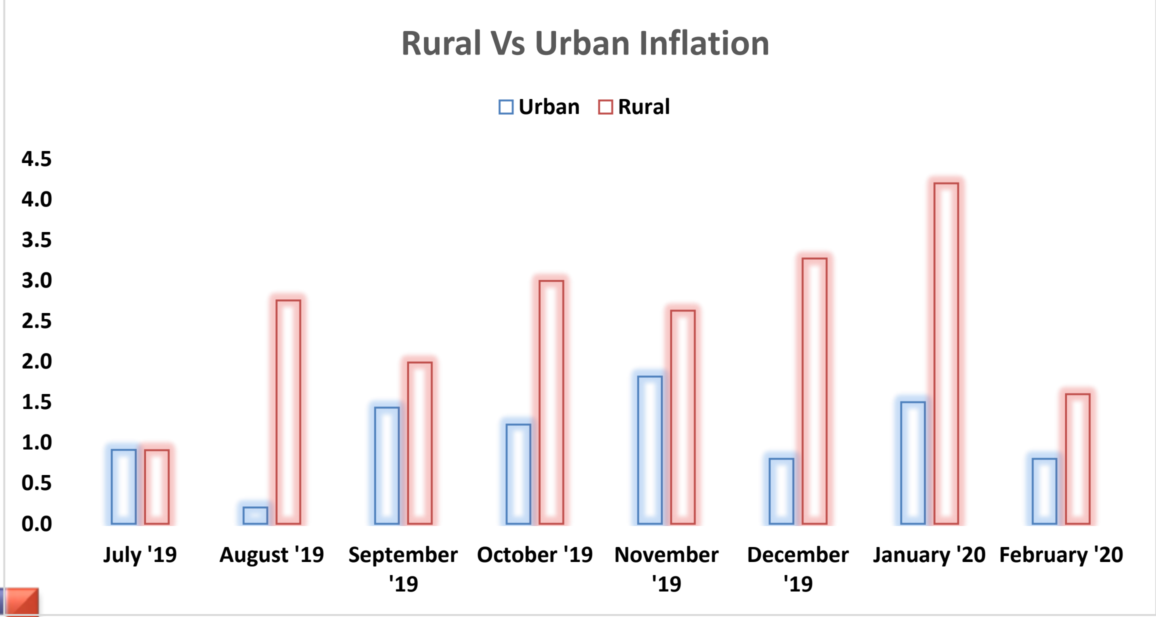
- *On March 2, 2020, Paladin Energy Limited announced that the Minister of Natural Resources, Energy and Mining and the Minister for Finance, Economic Planning and Development in Malawi have now provided the outstanding Ministry Consent (Contractual) required for the completion of the sale of its 85percent interest in Paladin (Africa) Ltd to Lotus Resources Limited (65percent) and Lily Resources Pty Ltd (20percent).The completion of the sale is now subject to one final condition precedent being Reserve Bank of Malawi approval, which is expected to follow this Ministry consent and be received on or before 13 March 2020.*

- *An International Monetary Fund (IMF) team led by Pritha Mitra, Mission Chief for Malawi, held a mission during March 10-23, 2020, to conduct the 2020 Article IV Consultation and hold discussions on the fourth review of the three-year arrangement for Malawi under the Extended Credit Facility (ECF) arrangement. The IMF team noted that despite the effects of COVID-19 on the economy, over the medium-term, growth may rise further to 6-7 percent, backed by infrastructure that is more resilient to shocks from climate change, improved access to finance, crop diversification, and an improved business climate.*

- *President Peter Mutharika on 28th February unveiled consultations for Vision 2063 which will see National Planning Commission (NPC) engaging Malawians for two months on what needs to be incorporated in the long-term development blueprint. Vision 2063, which succeeds Vision 2020, is expected to be launched in October 2020, all things being equal.*

INFLATION

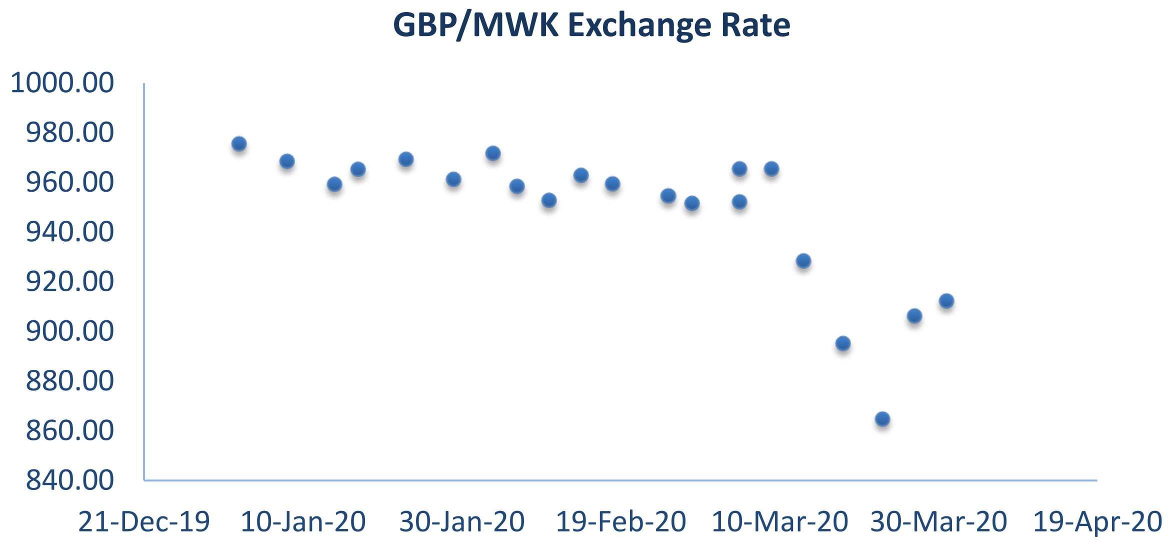


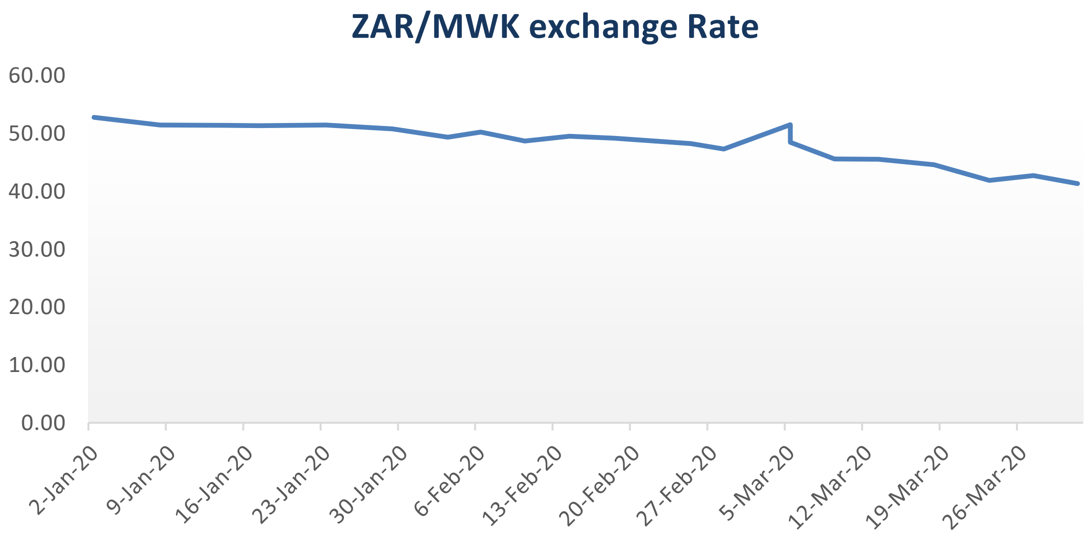


Inflation soared in the latter months of 2019 largely emanating from the food subcategory of the consumer price index with food inflation reaching 19.3 percent in December 2019, despite Malawi's relatively strong harvest. The rise in the food price level mostly reflected heightened import demand from neighboring countries where crop yields in 2019 declined sharply. Additionally, localized declines in yields experienced in some southern districts due to cyclone Idai led to tight supplies and resulted in prices that were well above the national average in these areas. Beginning January 2020 inflation begun to edge lower on account of decreasing maize prices on the local market. By March, retail maize prices had decreased by 35 percent. Headline inflation decreased from 11.1 percent recorded in January to 11 percent in February. Food inflation has evolved in sync with the prices on the local maize market, decelerating from 17.6 percent recorded in January 2020 to 17 percent in February 2020. Even on a month to month basis, food inflation has decelerated from 1.9 percent compared to 5.6 percent in January, 2020. Nonfood inflation has been gentle albeit with a strengthening bias as it has risen from 4.9 percent recorded in December 2019 to 5.1 percent and 5.4 percent in January 2020 and February 2020 respectively. In the nonfood category, subcategories of Health, furnishing and household, and clothing and footwear registered upticks as reflected in their consumer price indices.

MARKET PERFOMANCE

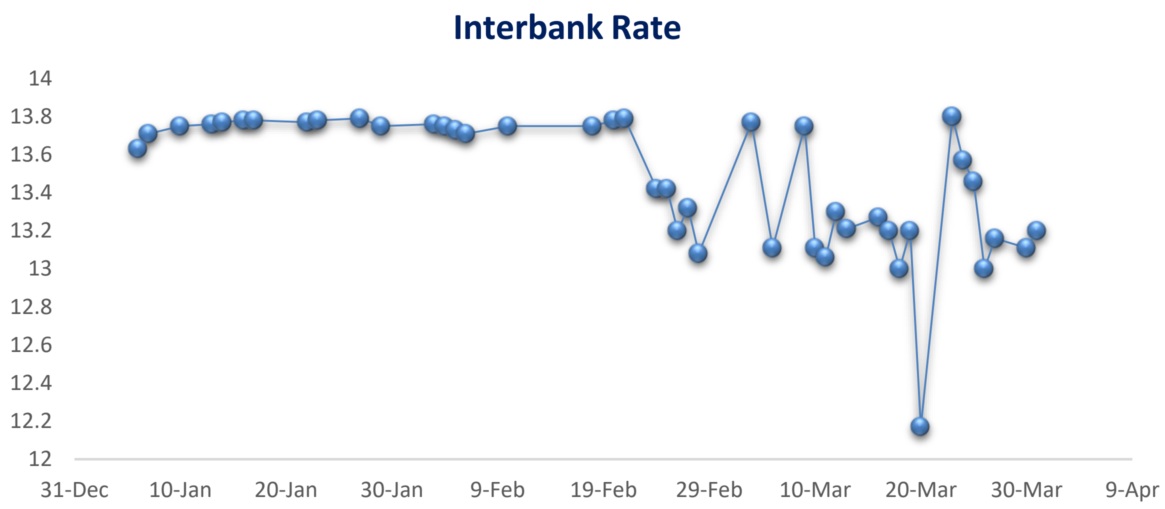
Foreign Exchange Market

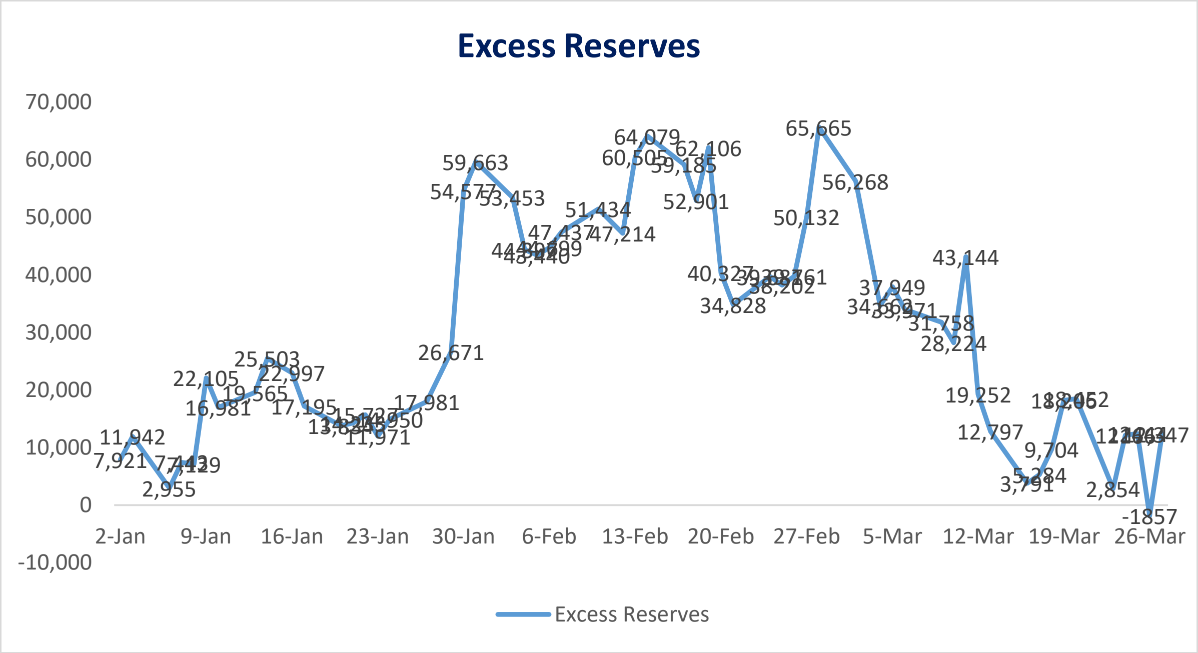




On the foreign exchange market, the Kwacha has generally been stable against the dollar at K737 despite the dollar being volatile on the global market. However, to other currencies especially the rand, pound and euro, the Kwacha has progressively appreciated on average since January 2020. The Kwacha has averaged K965.54, K957.55, K914.50 to the pound in January, February and March respectively. While to the rand, the Kwacha has averaged K51.41, K49.21, K44.54 in January, February and March respectively. The Kwacha breached the familiar K50 mark on 2 February 2020 and strengthened to a 4 year high of K45.63 against the rand by 9 March 2020. The Kwacha's good performance comes after the pound and rand slumped on the global market as market turmoil worsened in the face of the further spread of the coronavirus. On March 18, 2020, the pound fell to its lowest level against the dollar since 1985, as the spread of the coronavirus pandemic spook investors. The rand, among other emerging market currencies, has come under pressure as investors have embraced the perceived safety of the American dollar in the wake of the coronavirus pandemic.

Money Market & Interest Rates





Interest rates especially overnight money market rates have generally been range bound oscillating between 13.1 percent and 13.6 percent during the first 3 months of 2020. This is despite the banking system experiencing high levels of excess liquidity which have averaged K29 billion per day. Banks lent to each other on the overnight money market an average of K9.53 billion per day while those that struggled with liquidity and sought relief from the Reserve Bank of Malawi borrowed K12.49 billion daily on average through the Lombard facility in the quarter. The all type Treasury Bills yield has however shown a hardening bias, moving by 150bps from 8.1 percent in early January to 9.6 percent by end March. The reference rate printed 13.1 percent in January and 13.4 percent and 13.3 percent in February and March respectively.

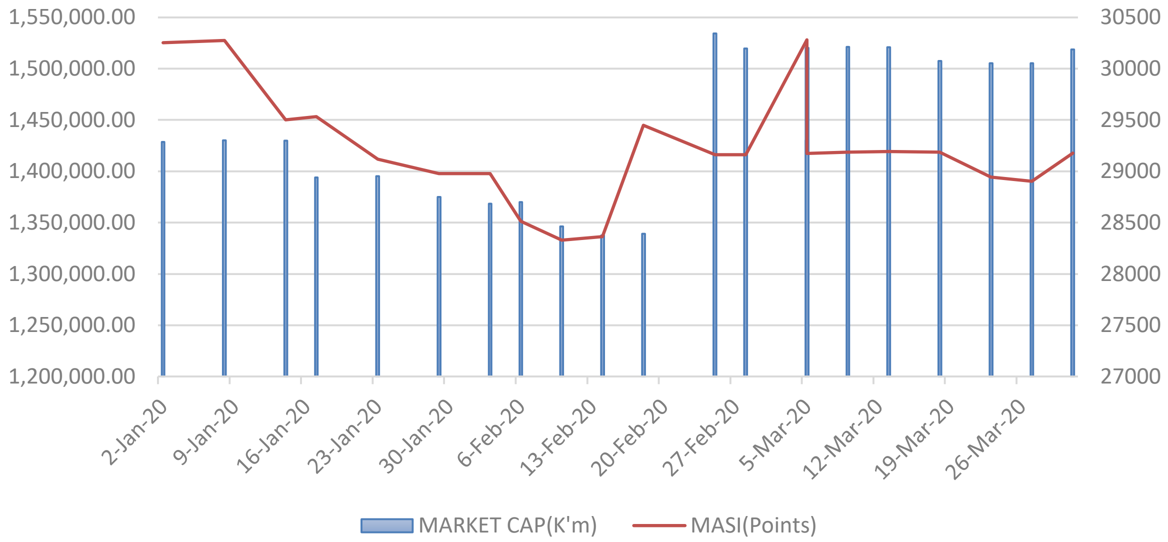
In the last monetary policy committee sitting held end January 2020, The Reserve Bank of Malawi (RBM) maintained policy rates at 13.5 percent for the policy rate,13.9 percent for the Lombard rate, 5 percent for the Liquidity Reserve Requirement (LRR) on the local currency deposits and 3.75 percent on the LRR on foreign currency deposits in the context of transitory higher food inflation and lower non-food inflation.

Average Interest Rates

Money Market	January	February	March
Overnight	13.73	13.19	13.43
91 day T-Bill	6.15	8.45	7.5
182 day T-Bill	8.72	9.1	-
364 day T-Bill	10.67	9.91	10.83
All type T-Bill yield	8.45	8.81	9.17
Government Bonds			
3 year note	13.27	-	-
5 year note		15.55	-
7 year	17.36	-	19.08
Commercial Bank Rates			
Savings	6.25	6.25	6.25
7 Day Call	3.25	3.25	3.25
30 Day Call	3.375	3.375	3.375

Source: RBM,NBS,NBM

Capital Market



The performance of the market for equities in 2020 so far has mimicked that of most of 2019. For the first three months of 2020, the market has recorded a negative return on index of 3.5 percent with dampened volumes and value despite a great and resilient performance that most listed companies have put up as evidenced by their official financial statements. The market has so far transacted a total of 70,886,329 shares at a total market value of MK1,822,662,767.45 executed in 761 trades. The Malawi All Share Index (MASI) moved down from 30252.20 points registered on 1 January 2020 to 29176.23 points registered on 31 March 2020. The price gains registered on AIRTEL from K12.69 to K17.50, MPICO from K19.03 to K25 NITL from K80 to K95, NBS from K13.50 to K16 NBM, SUNBIRD from K118 to 120 were not enough to offset share price losses registered by FMBCH K75 to 40, ILLOVO from K153 to K94.50 TNM from k26 to K25.54, ICON from K10.5 to K10.49 and BHL from K12.95 to K12.94 resulting into a downward movement of the Malawi All Share Index. The Domestic Share index inched upwards by 2.28percent whilst the Foreign Share Index fell by 43.08percent. The market saw the listing of a new entity, Airtel Plc., increasing total market capitalization from K1,428,752.94 million in January 2020 to K1,518,611.82 million in March 2020. The listed debt market experienced no activity on both the primary and secondary markets. Performance of the equities market has been dampened largely because it is still a buyer's market i.e supply is still exceeding demand.

LISTED COMPANIES' 2019 FINANCIAL PERFOMANCE

NITL

Profit after tax increased by 25percent to K1.77 billion despite a drop in dividend income by 3.8percent to K259 million from K269 million in prior period. The higher profit emanates from revaluation gains on its equity investments amounting to K1.7 billion compared to K1.2 billion in the previous period.

An interim dividend of 50 tambala per share (2018: 50 tambala per share) was paid in October 2019. The Directors have recommended a final dividend of 25 tambala per share (2018: 50 tambala per share) payable on 19 June 2020 to shareholders appearing in the register at the close of business on 12 June 2020. The register of members will be closed from 12 June 2020 to 19 June 2020

NBM

National Bank of Malawi registered a group profit after tax of K17.16 billion from K15.97 billion reported in 2018 representing an increase of 7percent. Non-interest income grew by 10percent while Net interest and investment income grew by 12percent. Overall Net revenue grew by 11percent while Operating expenses increased by 6percent. The loan book grew by 13percent and customer deposits increased by 8percent year on year. Total Assets grew by 10percent to K459.15 billion from K417.3 in 2018.

A third and final dividend of K4.3 billion representing around K9.2 per share has been recommended and will be repayable after approval at the Annual General Meeting scheduled for June 2020.

STD BANK

The Group registered a profit after tax of MK15.9 billion which was 50percent above prior year due to a year on year increase of 12percent in net interest income, emanating from growth of the customer loan book despite a general decline in the level of interest rates during the year. Growth in customer loans and advances was 32percent year on year while financial investments grew by 18percent. Customer deposits grew by 6percent which contributed to the growth of interest earning assets.

An interim dividend of MK2.1 billion (2018: MK1.7 billion) was paid in September 2019 representing MK8.95 (2018: MK7.24) per ordinary share. The directors recommend a final dividend of MK5 billion (2018: MK4 billion) representing MK21.31 (2018:MK17.05) per ordinary share to be tabled at the forthcoming Annual General Meeting.

SUNBIRD

Sunbird recorded a profit after tax of MK2.595 billion in 2019 against MK2.562 billion in 2018. Group revenues totaled MK19.370 billion which was slightly above 2018 revenues of MK18.936billion. During the year, Nkopola and Livingstonia underwent massive refurbishments, the construction of Soche International Conference Centre was completed and the construction of Sunbird Waterfront Hotel, a 42 room hotel next to Sunbird Livingstonia commenced.

K131 million has been earmarked to be paid as final dividend, representing 50t per share, bringing the total dividend paid for 2019 to K262 million.

BLANTYRE HOTELS LTD

BHL registered a 33 growth in profit after tax closing the FY2019 with a profit after tax of K466 million. This is despite registering a drop in occupancy and a marginal increase in revenue, by 0.48percent from K404 billion to K406 billion. This performance is largely attributed to cost control measures and efficient strategies employed in the year. Overall, the closure of Chileka Airport and the political tension persisting in the country weighed on performance.

An interim dividend of K83.9 million, representing 10 tambala per share was paid in July 2019. The Directors will propose at the forthcoming Annual General Meeting to pay a final dividend of K83.9 million, representing 10 tambala per share, bringing the total dividend to K167.8 million, representing 20 tambala per share (2018: 16 tambala per share).

TNM

TNM registered a net profit after taxation of MK 15,063 million (2018: MK 16,666 million) reflecting a 10percent year on year decrease. A one-off functional review costs coupled with an increase in depreciation expense resulting from investments made in 4G and U900 technology over the past three years contributed to the downturn. Investments worth MK 18.1 billion (2018: MK 19.3 billion) were made in the course of 2019,mostly in network upgrades.

Total dividends of MK 7,530 million equivalent to MK 0.75 per share (2018: MK 0.75 per share) are proposed for the period ended 31 December 2019 with a third dividend of 25t per share declared to be pain in May 2020.

MPICO

Income increased by 7 to MK6.6 billion in 2019 from MK6.2 billion in 2018. The increase is mainly attributable to rent reviews. Total expenditure for the year decreased to MK4.0 billion in 2019 from MK4.3 billion in 2018 due to savings on finance costs, discounting costs on promissory notes and impairment on Plant and Equipment. Profit after tax increased to MK7.6 billion in 2019 from MK6.8 billion in 2018 representing a year on year increase of 12percent. Government rent arrears worsened to K5.8 billion from K2.3 billion in 2018 and continued to negatively impact the company's operations

The Directors recommend a final dividend of MK 344.7 million 2018 MK 310 2 million) in respect of 2019 profits making a total dividend of MK 574 5 million for the year (2018: MK 517 0 million). This represents 25 tambala per share (2018: 22.5 tambala per share). An interim dividend of MK229.8 million was paid in September 2019 2018 MK 206 8 million). The final dividend will be paid after the Annual General Meeting planned for June 2020.

NBS

The bank delivered a profit after tax of K4.46 billion which is 162percent above that achieved in 2018. Customer deposits and loan book grew by 21percent and 136percent in that order.

For the first time in over 5 years, the board has recommended a dividend of K1.019 billion representing 35 tambala per share for the year ended 31 December 2020.

PRESS CORPORATION

The Group registered a profit after tax of MK24.76 billion (2018: MK36.71 billion) representing a 33% decrease. The reduction comes in two dimensions; On one hand, in 2018 there was a one-off prior year gain of MK8.86 billion arising from restructuring initiatives of one of its subsidiaries in the telecommunications industry. On the other hand, there was a one-off cost of MK2.5 billion in 2019 relating to functional review exercises in some of its companies. The underlying profit excluding the one-offs puts the current year profit at just 3% below prior year results.

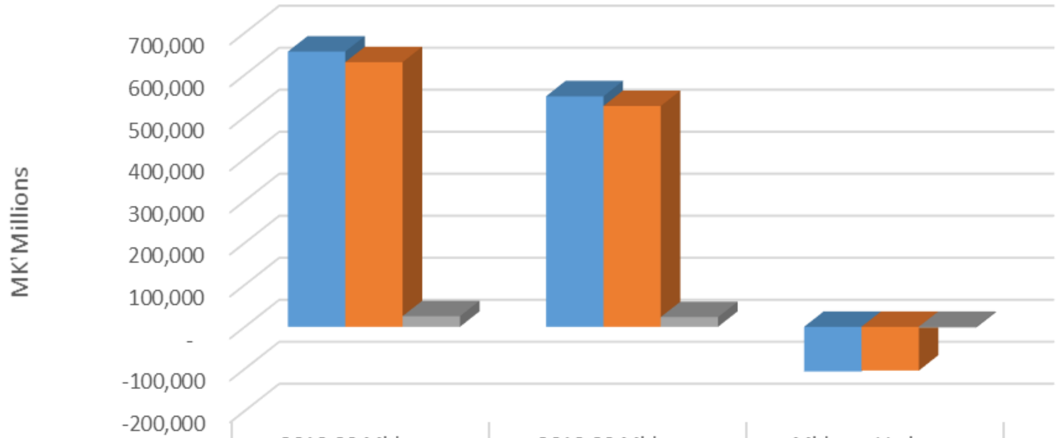
A final dividend amounting to MK2.403 billion (2018:MK2.403 billion) representing MK20.00 per share (2018: MK20.00 per share), to be paid on Friday, 28thAugust 2020 to members whose names appear on the register as at the close of business on 21stAugust 2020 has been recommended by Directors

Commodities Market (Average Prices)

Commodity		Lilongwe			Blantyre			Mzuzu		
		January	February	March	January	February	March	January	February	March
Fuel	Petrol	K930	K930	K930	K930	K930	K930	K930	K930	K930
	Diesel	K924	K924	K924	K924	K924	K924	K924	K924	K924
	Paraffin	K710.50	K710.50	K710.50	K710.50	K710.50	K710.50	K710.50	K710.50	K710.50
Electricity(Kwh)		K88.02	K88.02	K88.02	K88.02	K88.02	K88.02	K88.02	K88.02	K88.02
Water(M³)		K690	K690	K690	K675.7	K675.7	K675.7	K906.23	K906.23	K906.23
Beans		K850	K825	K750	K900	K936	K900	K1050	K1067	K950
White Maize (per Kg)		K322	K350	K259	K356	K376	K278	K392	K496	K367

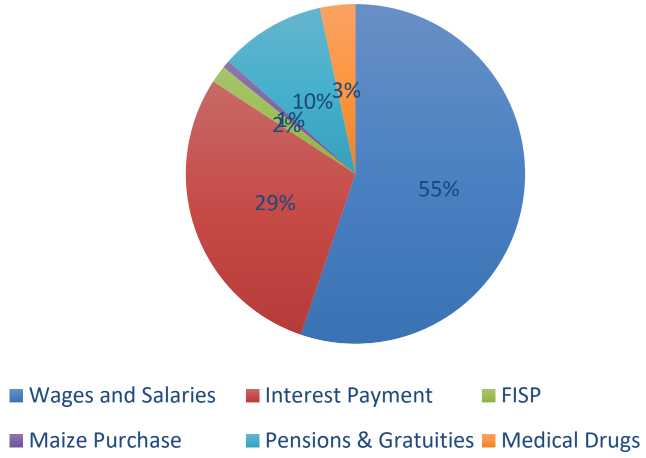
Source: MERA, CFSC, Water Boards


GOVERNMENT
FISCAL
PERFOMANCE



	2019-20 Midyear Projections	2019-20 Midyear Actuals	Midyear Variance
Domestic Revenue	655,156	548,628	-106,528
Tax Revenue	629,923	525,621	-104,302
Other Revenue	25,234	23,007	-2,227

Key expenditure categories



The Government's budgetary operations at the end of the first half of FY2019/20 resulted in a deficit of 2.1 percent of GDP which was financed by a net domestic borrowing of 1.8 percent of GDP and net foreign borrowing of 0.8 percent of GDP.

The Government receipts, comprising of revenue and grants were projected at K729.5 billion with K655.2 billion in domestic revenue and K74.3 billion in grants. However, as at December 2019, a total of K548.6 billion was collected in domestic revenue representing a performance of 83.7 percent. Most taxes fell below set targets with the shortfalls partly reflecting a subdued performance of the economy, which adversely affected revenue collection.

Grants registered lower than budgeted disbursements by about 31.6 percent. Of the total projected grants at K74.3 billion, only K50.9 billion was received by end December 2019. Cumulatively, the Government total revenue and grants collected stood at K599.5 billion against a target of K729.5 billion resulting in 82percent performance.

On the Expenditure side, K842.8 billion was budgeted for expenditure in the first half of FY2019/2020. In terms of composition, recurrent expenditure remained the largest share in total government expenditure accounting for 74 percent with development expenditure taking the remainder. However, of the budgeted K624.8 billion in recurrent expenditure, K648.6 billion was spent reflecting a 3.8 percent overrun emanating from salaries and pensions and debt interest payments. Development spending was lower than budgeted at K131.4 billion against K218. cumulatively, the Government expenditure during this period was K780 billion.

OUTLOOK

Looking forward, the speed with which the coronavirus pandemic has evolved over the last three months has hit global economic growth really hard. World economic activity is expected to decline by 1.9percent in 2020. According to The World Trade Organization, world trade is set to plummet by between 13 and 32percent in 2020 due to the pandemic. Almost, all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.

On the domestic front, economic growth is expected to be heavily weighed down by the effects of the coronavirus; Fiscal spending pressures are envisaged to mount further mainly emanating from the health sector and also as government tries to widen its social safety nets in response to the coronavirus pandemic. As the economy has slowed down, with some businesses coming to a complete halt, revenue collection targets against actual revenue collected will present very huge variances. Tourism, remittances from people in the Diaspora and Foreign Direct Investment and Official Development Assistance will all decrease markedly and this is likely to negatively impact the exchange rate. Exports are expected to drop in both value and volume as global commodity markets experience price shocks and as some of our major export markets are experiencing massive job losses, capital expenditure cuts and general re-profiling of spending. It is also expected that the economic and business downturn caused by COVID-19 will compel local banks to adjust their premiums for greater risk and SMEs will be hit hardest. The stock market will be affected as demand will be suppressed even further as economic agents will adjust their expenditure patterns. Coronavirus is also expected to affect performance of most listed companies and companies in the hospitality industry will be hit the hardest. This will also affect overall demand for shares. Inflation is expected to fall back to single digits in the coming months as both food and nonfood inflation will come down owing to the recent decrease in fuel prices and the onset of the harvesting season. The absence of aggregate demand pressures will pull inflation down further. With low inflation and a slow economy, it is expected that monetary policy will be relaxed further to support a crippled economy through heightened lending by commercial banks especially to the private sector.

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