

# Monthly Economic Report

July 2020



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## LIST OF ACRONYMS

AfDB	African Development Bank	NBM:	National Bank of Malawi Plc
BHL:	Blantyre Hotels Plc	NICO:	NICO Holdings Plc
COVID-19	Coronavirus disease	NITL:	National Investment Trust Plc
DSI:	Domestic Share Index	NSO:	National Statistical Office
EIU:	Economic Intelligence Unit	OPEC:	Organization of the Petroleum Exporting Countries
EUR:	Euro	PCL:	Press Corporation Plc
FISP:	Farm Input Subsidy Program	RBM:	Reserve Bank of Malawi
FMBCH:	FMB Capital Holdings Plc	SSA:	Sub Saharan Africa
FSI:	Foreign Share Index	Sunbird:	Sunbird Tourism Plc
G20	Group of 20	TB:	Treasury Bills
GBP:	British Pound	TC:	Tobacco Commission
GDP:	Gross Domestic Product	TNM:	Telekom Networks Malawi Plc
IMF:	International Monetary Fund	TN	Treasury Note
MASI:	Malawi All Share Index	WEO:	World Economic Outlook
MB/D	Millions of Barrels per Day	UK:	United Kingdom
MK/K:	Malawi Kwacha	USA:	United States of America
M-O-M:	month-on-month	USD:	United States Dollar
MPC:	Monetary Policy Committee	Y-O-Y:	Year-on-year
MSE:	Malawi Stock Exchange	YTD:	Year-to-date
MVAC:	Malawi Vulnerability Assessment Committee	ZAR:	South African Rand

## Executive Summary

## EXECUTIVE SUMMARY

### Inflation

Headline inflation for June 2020 decreased to 8.5% from 8.7% in May 2020 as food inflation eased to 13.4% from 13.7% during the period. A favourable agriculture season has led to an increase in the supply of maize, which is a large component of the basket of goods for the Consumer Price Index (CPI). Non-food inflation remained at 4.5% in June 2020. According to the Monetary Policy Committee, the average inflation rate for 2020 will be 9.8%. They expect inflation to pick up in the second half of the year as oil prices recover and the wide current account deficits lead to a depreciation of the currency. The EIU projected a higher inflation rate average for 2020 at 10.5%. Subdued demand for products and the maize surplus should mitigate the inflation, but it is still expected to increase.

### Exchange Rates

Despite having adequate foreign reserves as of 31 May 2020, the country's exchange rate is most likely to continue depreciating because of the significant current account deficits. The depreciation is most likely to be exacerbated by the reduction in revenues realized from sales of tobacco this year compared to 2019. The EIU projects the exchange rate to average K770.1 per USD in 2020, while in 2021 and 2024, it expects the exchange rate to average K793.5 and K898.1 per USD, respectively.

### Fiscal Policy

The fiscal deficit is expected to worsen in the second half of the year as the World Bank expects the major impacts of the COVID-19 pandemic to be felt in the fourth quarter of 2020. Increased expenditure in health and reduced tax revenues will lead to a wider fiscal deficit during this period. The proposed increase in the tax-free bracket to K100,000 will further decrease the tax revenues, should it be put into effect. The government therefore needs to be prudent in expenditure, in order to minimize this deficit.

### Monetary Policy

The Monetary Policy Committee (MPC), at its third meeting for 2020 held on 30 and 31 July 2020 resolved to maintain the policy rate at 13.5% and the Lombard rate at 0.2 percentage points above the policy rate. The committee also maintained the Liquidity Reserve Requirement ratio on both local and foreign currency deposits at 3.5%. The adopted policy stance is considered appropriate to contain the impending inflationary pressures whilst at the same time providing space for supporting recovery of the economy, in the wake of the COVID-19.

### Tobacco Market

According to AHL Malawi and Tobacco Commission, there is a 18.99% decrease in the cumulative total revenue realised from Tobacco. The cumulative revenue at the end of July 2020 was USD145 million from USD179 million in July 2019.

### Economic Growth

Several institutions have revised downwards their projections for the real economic growth for Malawi. The Malawi Government projects the country to experience a 1.9% real economic growth. According to a statement released by the MPC, the lower projections were caused by the impact of the political uncertainty during the first half of 2020 and the continuing COVID-19 pandemic. The World Bank projected a 2.0 % growth from an earlier projection of 4.8%. The Economic Intelligence Unit (EIU) projects a growth of negative 3.9% while the African Development Bank (ADB) projects a positive growth of 1.3%. In a worst-case scenario where a lock down is imposed, these projections are most likely to be revised downwards. Economic growth for the year will be largely dependent on how well the pandemic is handled.

## Economic overview



Headline inflation falls to 8.5% in June 2020 from 8.7% in May 2020 due to declines in food prices

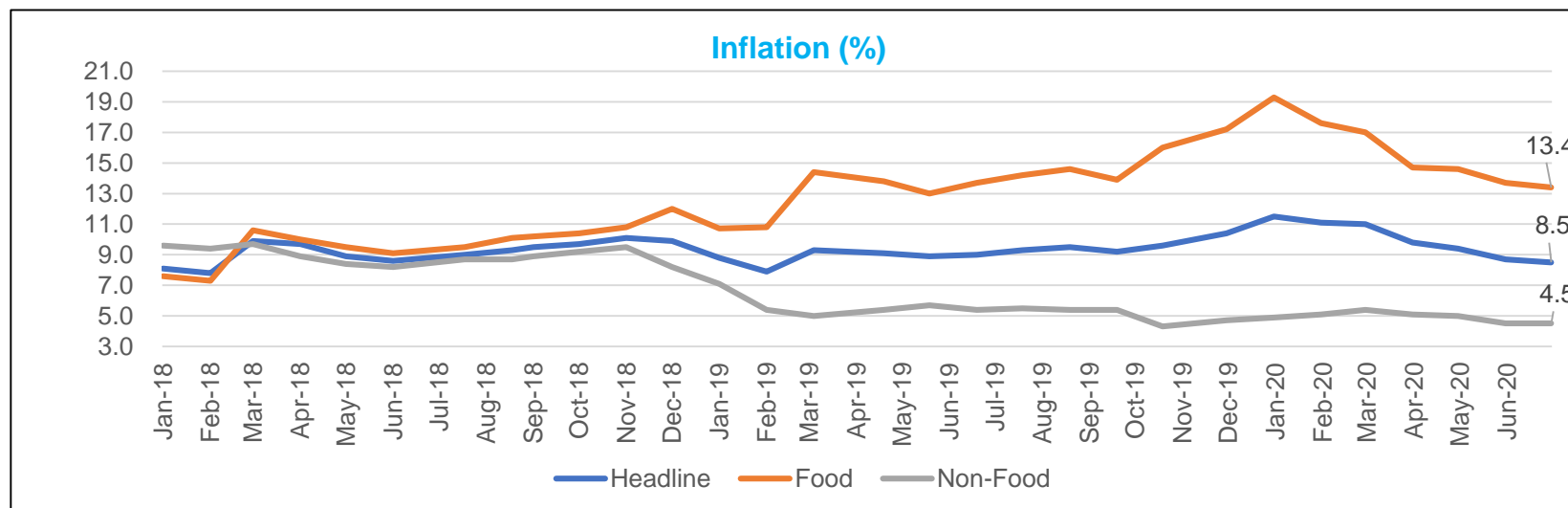
## ECONOMIC OVERVIEW

### INFLATION (Source: NSO)

There was a decrease in the headline inflation rate to 8.5% in June 2020 from 8.7% in May 2020. This was caused by the decrease in the food inflation rate in June 2020 as the non-food inflation rate remained at 4.5% during the same period. Food inflation decreased to 13.4% from 13.7%, which may be attributed to the increased maize supply. The table below summarizes the inflation rates during the period while the graph illustrates the trend from January 2018 to June 2020.

	May-2020	June-2020	% Change
Headline	8.7	8.5	↓ -2.35%
Food	13.7	13.4	↓ -2.24%
Non-food	4.5	4.5	0.00%

Headline inflation has been decreasing since the 11.5% recorded in December 2020. It dropped to 8.5% in June 2020.



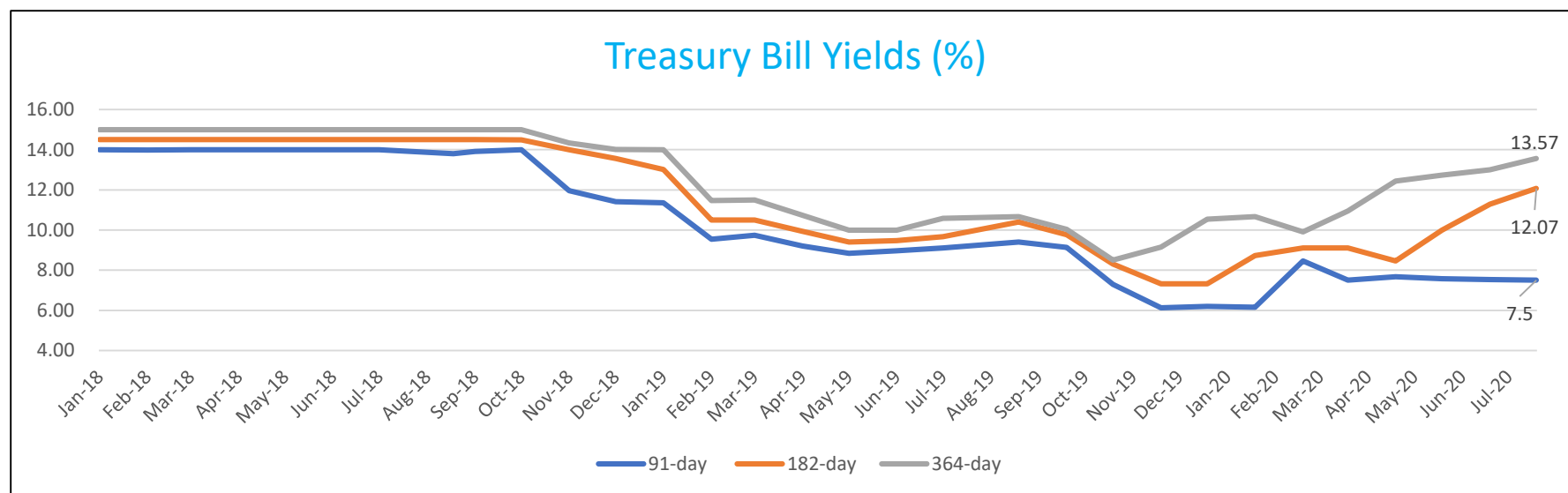


*The average All Type Treasury bill yield increased to 11.05% in July 2020 from 10.61% in the previous month*

## ECONOMIC OVERVIEW

### GOVERNMENT SECURITIES (Source: RBM)

The average All Type Treasury bill yield increased to 11.05% in July 2020 from 10.61% in the previous month. There was also a positive y-o-y change of 12.91%. The decreases in the 91 days treasury bill (TB) yield during the period was offset by increases in the 182 days and 364 days treasury yields, thus increasing the all type treasury bill yield. The figure below traces the Treasury bill yields for the different tenures from Jan 2018 to June 2020.



The treasury bill yields are summarized in the table below.

Tenor	June-2020	July-2020	July-2019	% Change (m-o-m)	% Change (y-o-y)
91-day	7.54%	7.50%	9.10%	↓ -0.53%	↓ -17.58%
182-day	11.29%	12.07%	9.67%	↑ 6.91%	↑ 24.82%
364-day	13.00%	13.57%	10.58%	↑ 4.38%	↑ 28.26%
All Type yield	10.61%	11.05%	9.78%	↑ 4.12%	↑ 12.91%





*There was a 72.13% increase in treasury bills (TB) allotments in July 2020. The 182 days paper had the highest subscription rate of 62.07% over the period.*

## ECONOMIC OVERVIEW (Continued)

### GOVERNMENT SECURITIES (Continued)

There was a 73.96% increase in treasury bills (TB) applications in July 2020. Applications increased to K71.90 billion from K18.72 billion in June 2020. Similarly, the allotments during the period increased to K52.53 billion from K14.64 billion. This represents a 72.13% increase. The rejection rate for July 2020 was higher than the previous month's: It increased to 26.95% from 21.76%. More allotments are expected in the following months as the government requires more funds to mitigate the negative effects of the pandemic.

	June-2020	July-2020	% Change
Applications (K'billions)	18.72	71.90	↑ 73.96%
Allotments (K'billions)	14.64	52.53	↑ 72.13%
Rejection rate (%)	21.76	26.95	↑ 19.26%

The subscription rate for the 182 days paper increased to 62.07% in July 2020 from 20.32% in the previous month. There were decreases in subscriptions for both the 91 days and 364 days papers during the period under review. The 91 days paper decreased to 1.34% from 1.77% while the 364 days paper decreased to 36.59% from 77.92%. The subscription rates for the treasury bills are summarized below.

Tenor	June-2020	July-2020	% Change
91-day	1.77%	1.34%	↓ -32.09%
182-day	20.32%	62.07%	↑ 67.26%
364-day	77.92%	36.59%	↓ -112.95%
Total	100.00%	100.00%	-



*A total of K28.26 billion was raised in the Treasury Note (TN) auctions in July 2020, from K158.84 billion raised in the previous month.*

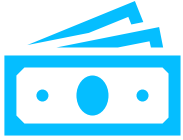
## ECONOMIC OVERVIEW (Continued)

### GOVERNMENT SECURITIES (Continued)

A total of K28.26 billion was raised in the Treasury Note (TN) auctions in July 2020 from a total of K158.84 billion raised in June 2020. The Government increased allotments to the TBs, which are relatively cheaper than the TNs. The K28.26 billion was raised in a 5-Year TN which was held during the week ending 24 July 2020. In June 2020, the 7-Year TN raised the most at K59.89 billion while the 5-Year Tn raised the least at K17.26 billion. The 2-Year TN and 3-Year TN raised K38.22 billion and 43.47 billion, respectively.

The average yield for the 5-Year TN decreased to 19.82% in the July 2020 from 19.97% in the previous month. The monthly average yields in June 2020 for the 2-Year TN, 3-Year TN, 5-Year TN and the 7-Year TN were 15.45%, 16.89%, 19.97% and 20.46%, respectively.

Tenor	Yield		Allotted Amount (K'Bn)	
	June-2020	July-2020	June-2020	July-2020
2-Year	15.45%		38.22	
3-Year	16.89%		43.47	
5-Year	19.97%	19.82%	17.26	28.26
7-Year	20.46%		59.89	
Total			158.84	28.26

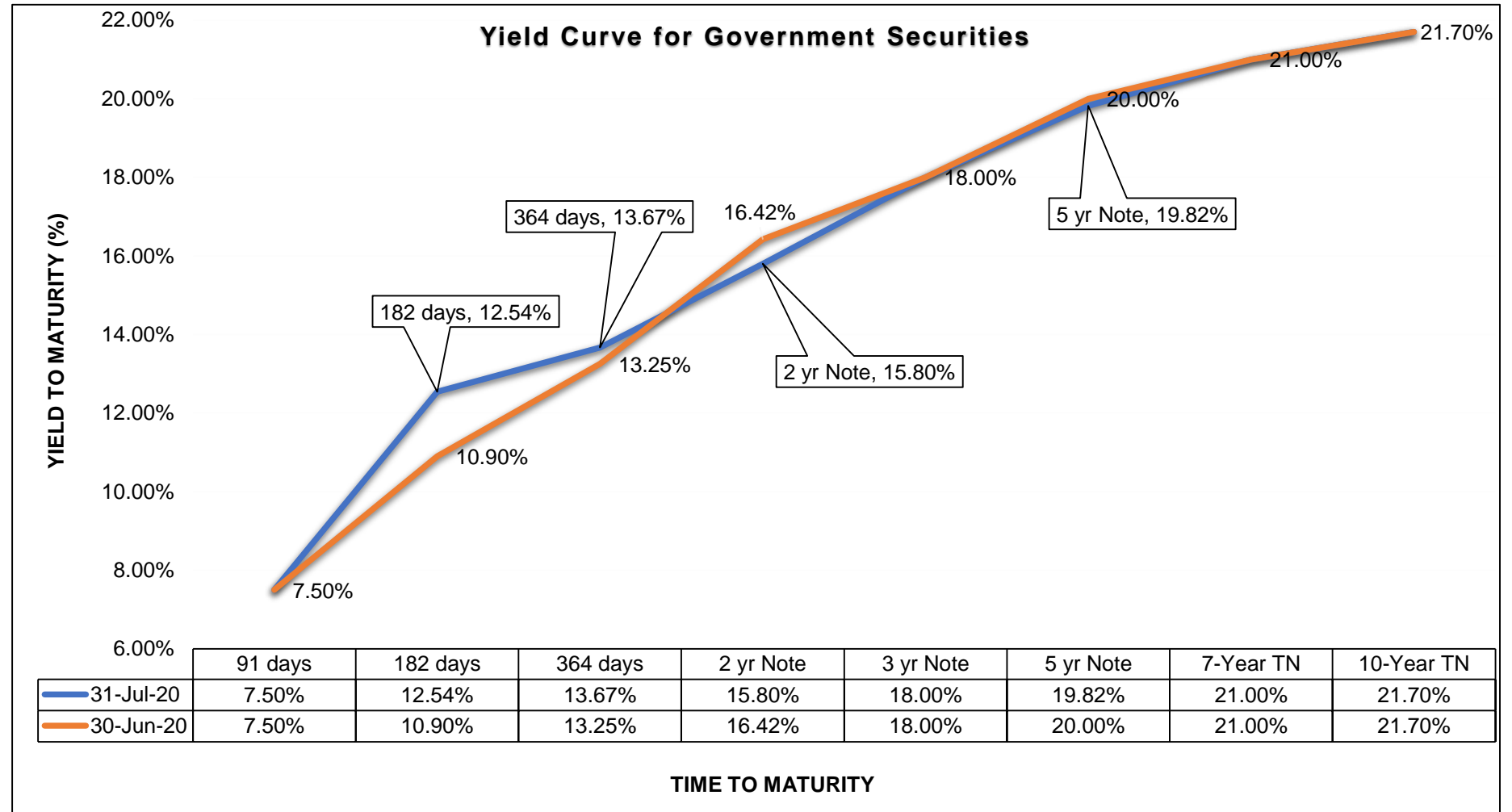


*Increases in Treasury Bill yields while the Treasury Note yields marginally decreased on 2-Year and 3-Year Treasury Notes.*

## ECONOMIC OVERVIEW (Continued)

### GOVERNMENT SECURITIES (Continued)

The changes in the yields for the Government Securities are shown in the yield curve below.





*The Kwacha depreciated against all major currencies in the month under review. It closed at K744.74 per USD in July 2020 from K743.05 per USD in June 2020.*

## ECONOMIC OVERVIEW (Continued)

### FOREIGN CURRENCY MARKET (Source: RBM)

There was a marginal depreciation for the Malawi Kwacha against the United States Dollar in July 2020 as it slipped to K744.74 per USD from K743.05 per USD. The Kwacha also depreciated against the Sterling Pound, Euro and South African Rand. The table below summarizes the currency movement for the period.

	June-2020	July-2020	% Change
<b>MK:USD</b>	743.05	744.74	↓ -0.23%
<b>MK:GBP</b>	924.12	994.33	↓ -7.06%
<b>MK:ZAR</b>	44.02	46.19	↓ -4.69%
<b>MK:EUR</b>	845.25	903.26	↓ -6.42%

### FOREIGN RESERVE POSITION (Source: RBM)

The country's forex reserves increased to USD662.98 million on 31 May 2020, from USD610.13 million on 30 April 2020. This increased the country's import cover from 2.92 months to 3.17 months. As following graph shows, the country's reserves peak in June, which means that they are likely to start dwindling in the short term. They are likely to decrease until November, where they normally pick up. However, increased current transfers from donors due to the coronavirus pandemic could mitigate the drop in the country's reserves. The country's forex reserve position will therefore depend on the magnitude of the two factors.

The private sector reserves also increased to USD324.96 million in May 2020 from USD303.27 million in April 2020, which increased the sector's import cover to 1.55 months from 1.45 months.

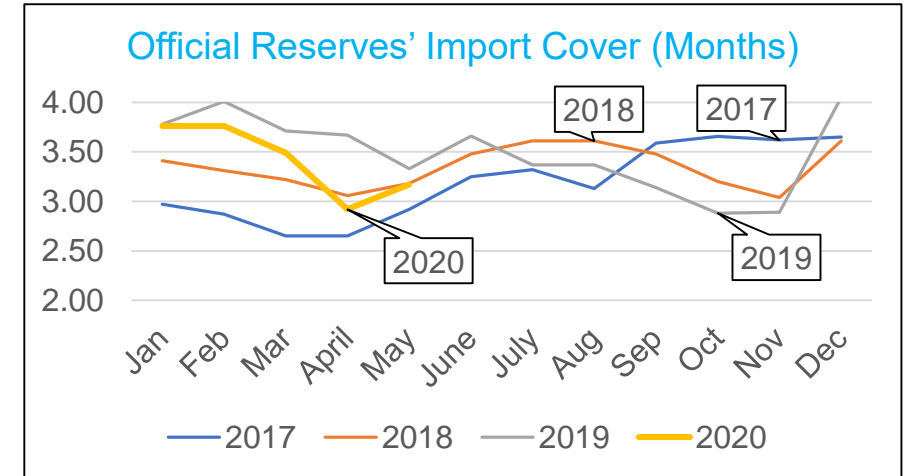
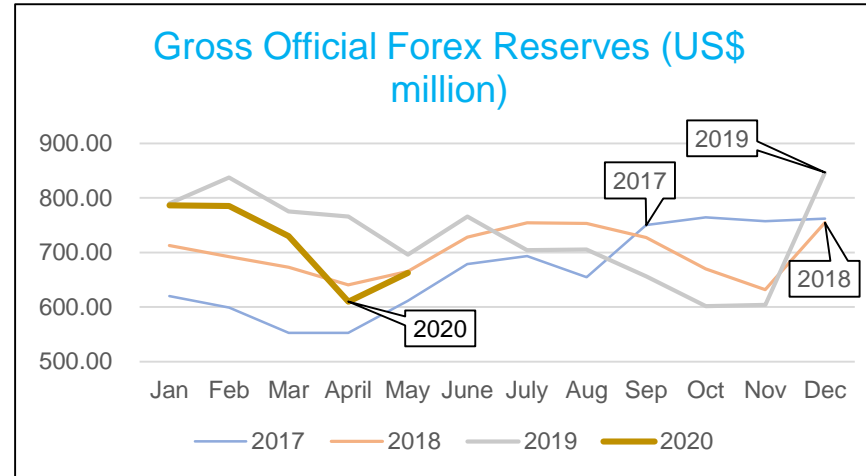


Gross official reserves increased to USD662.98 million in May 2020 from USD610.13 million on in April 2020. Similarly, the Private sector reserves increased to USD324.96 million to USD303.27 million during the same period.

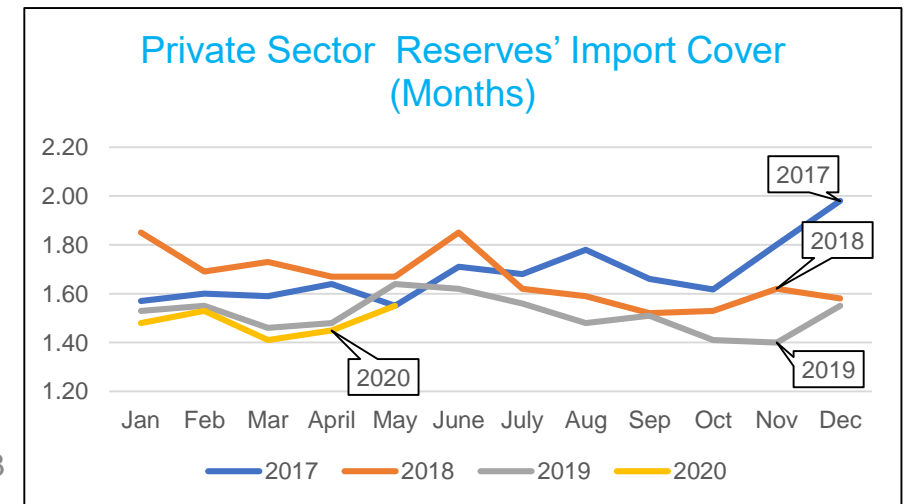
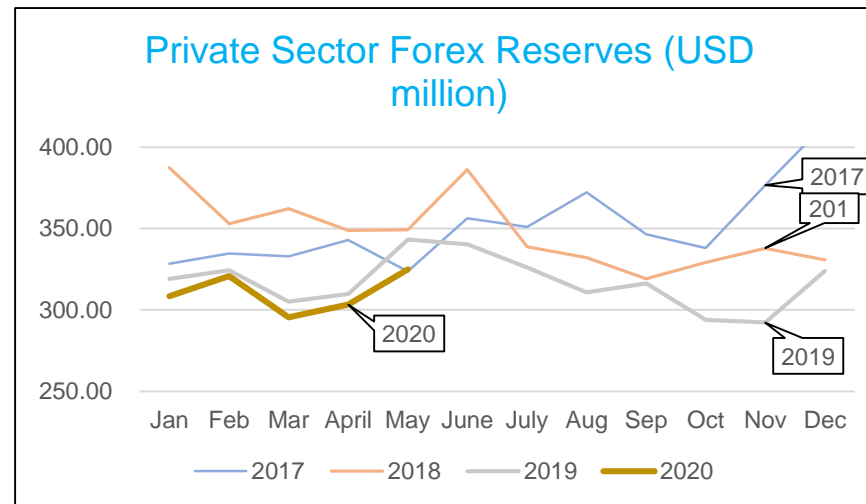
## ECONOMIC OVERVIEW (Continued)

### FOREIGN RESERVE POSITION TREND GRAPHS (Source: RBM)

The gross official foreign exchange reserves and import cover are shown below.



The private sector foreign exchange reserves and import cover are shown below.





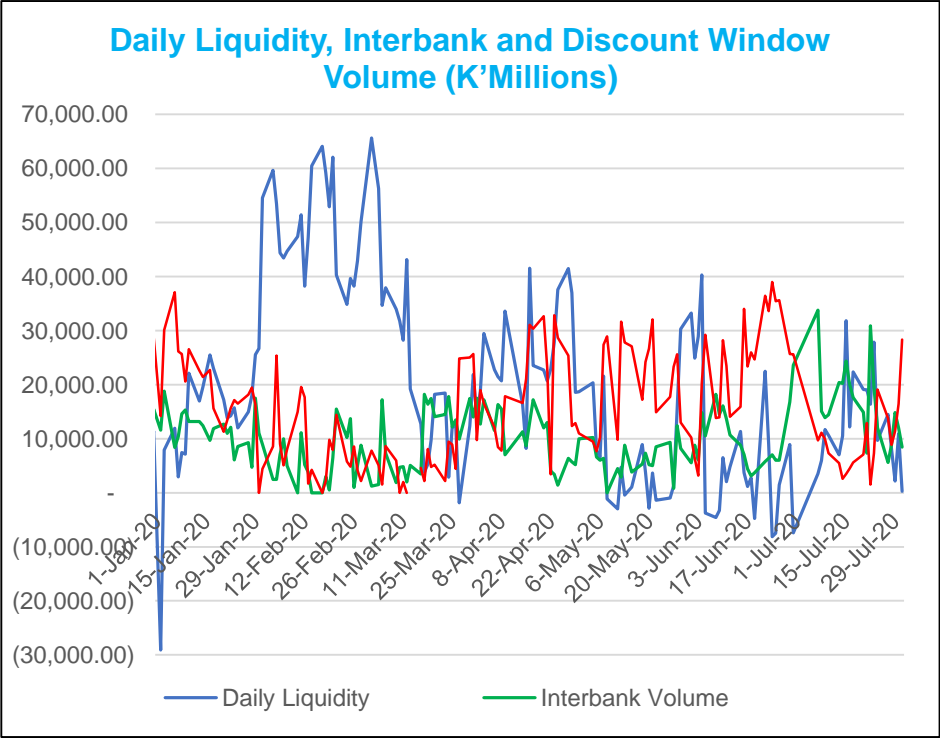
Overnight Interbank rate increased to 13.58% in July 2020 from 13.49% in June 2020.

## ECONOMIC OVERVIEW (Continued)

### INTERBANK MARKETS AND INTEREST RATES (Source: RBM)

The daily average liquidity increased by 33.22% to K11.47 billion in July 2020 from a daily average of K7.66 billion recorded in June 2020. There was also an increase in the Overnight Interbank rate from 13.49% in June 2020 to 13.58% in July 2020. The interbank volume also increased by 41.13% to a daily average of K16.80 billion during the month under review from a daily average of K9.89 billion in June 2020. The volume accessed on the Lombard facility (Discount window borrowing) significantly decreased to a daily average of K10.88 billion in July 2020 from a daily average of K23.56 billion accessed in June 2020. However, the daily average rate at which the funds were accessed remained at 13.70%. The table below summarizes the monthly changes in the Interbank market and access to the Discount Window (Lombard facility).

	Daily Averages					
	Volume (K'Billions)			Rates (%)		
	June 2020	July 2020	m-o-m % Change	June 2020	July 2020	m-o-m % Change
Interbank	9.89	16.80	41.13%	13.49	13.58	0.66%
Discount Window Borrowing	23.56	10.88	-116.54%	13.70	13.70	0.00%
Liquidity	7.66	11.47	33.22%	n/a	n/a	n/a



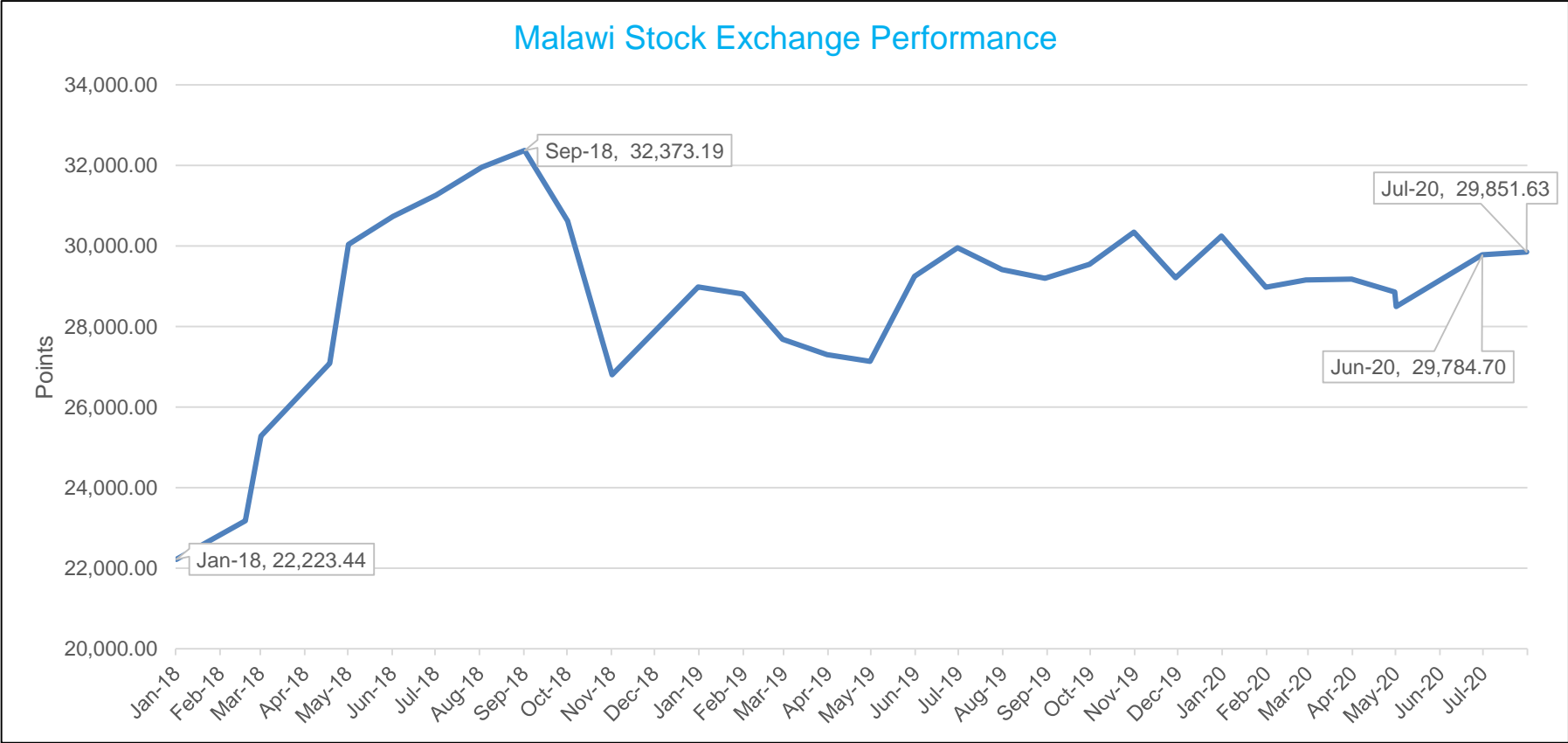


*The MASI increased by 0.22% to 29,851.63 points in July 2020 from June 2020.*

ECONOMIC OVERVIEW (Continued)

STOCK MARKET (Source: MSE)

The Malawi All Share Index (MASI) marginally increased in July 2020. It increased to 29,851.63 points from 29,784.70 in June 2020. This is because of the increase in the Domestic Share Index (DSI), from 25,117.92 to 25,360.04, despite a decrease in the Foreign Share Index (FSI). The FSI decreased by 12.66% to 1,535.30 from 1,757.76 during this period. The graph below traces the MASI from January 2018 to July 2020.





ICON had the largest share price gain in July 2020 compared to June 2019 at 10.24%. MPICO had the largest loss during this period at 18.95%.

## ECONOMIC OVERVIEW (Continued)

### STOCK MARKET (Source: MSE)

ICON, which had a 10.24% share price gain, was the largest gainer from the previous month. Airtel gained by 9.09% and STANDARD by 4.82%. On the other hand, MPICO had the largest share price loss during this period of 18.95%. FMBCH experienced a loss of 17.61% while TNM has a 4.13% share price loss. The following table summarizes the share price changes during the period.

MSE Code	Dividend yield%	P/E ratio	P/BV	Share Price		% Change
				30-Jun-20	31-Jul-20	
Airtel	1.25	15.21	13.97	20.00	22.00	↑ 9.09%
BHL	0.20	23.28	1.67	12.94	12.94	→ 0.00%
FMBCH	0.00	(17.03)	1.09	29.99	25.50	↓ -17.61%
ICON	0.21	11.70	1.15	11.40	12.70	↑ 10.24%
ILLOVO	0.50	6.69	0.95	94.50	94.50	→ 0.00%
MPICO	0.25	8.72	1.24	24.98	21.00	↓ -18.95%
NBM	17.91	15.01	2.55	550.00	550.00	→ 0.00%
NBS	0.35	12.73	3.70	19.50	19.49	↓ -0.05%
NICO	1.45	6.25	1.57	48.42	47.99	↓ -0.90%
NITL	0.75	7.21	1.11	94.99	94.99	→ 0.00%
OML	54.03	22.75	2.86	2,199.99	2,199.99	→ 0.00%
PCL	26.00	19.83	1.03	1,399.76	1,345.00	↓ -4.07%
STANDARD	30.26	12.27	2.23	790.00	830.00	↑ 4.82%
SUNBIRD	1.00	12.10	1.34	120.00	120.00	→ 0.00%
TNM	0.75	15.96	5.24	24.94	23.95	↓ -4.13%
MASI	1.17	14.11	2.07	29,784.70	29,851.63	↑ 0.22%
DSI	N/A	N/A	N/A	25,117.92	25,360.04	↑ 0.95%
FSI	N/A	N/A	N/A	1,757.76	1,535.30	↓ -14.49%





The MASI closed July 2020 with a negative year-to-date return of 1.32%: It was positive 1.87% in July 2019.

## ECONOMIC OVERVIEW (Continued)

### STOCK MARKET (Continued)

	June-20	July-20	July-19	Y-O-Y % Change	Return YTD	Previous Year's Return YTD
MASI	29,784.70	29,851.63	29,413.02	↑ 1.47%	-1.32%	1.87%
DSI	25,117.92	25,360.04	22,387.89	↑ 11.72%	7.46%	5.50%
FSI	1,757.76	1,535.30	4,520.31	↓ -194.43%	-61.85%	-14.15%

63 million shares were traded on the MSE in July 2020 and this is 1.59% less than in the previous month. The number of trades in the month under review decreased by 53.33% from 299 to 195 trades. Similarly, the total value of the trades in July 2020 decreased by 9.50% to K1.26 billion from K1.38 billion. The table below shows the summary of the trades.

	June-2020	July-2020	m-o-m % Change	year-to-date (2019)	year-to-date (2020)	y-o-y % Change
Volume	64 million	63 million	↓ -1.59%	654 million	313 million	↓ -108.95%
Trade Count	299	195	↓ -53.33%	1,835	1,705	↓ -7.62%
Value	K1,383 million	K1,263 million	↓ -9.50%	K31,498 million	K9,844 million	↓ -219.97%



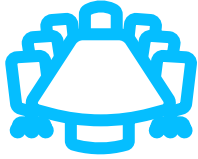
*Airtel expects the highest increase in Profit after Tax at 100%. Sunbird expects the highest decrease at 150%.*

## ECONOMIC OVERVIEW (Continued)

### HALF YEAR TRADING STATEMENTS (Source: MSE)

The half year trading statements are summarized below:

No.	Counter	% PAT Change		Trading statement compared to previous corresponding period
1	AIRTEL	↑	300%	Expected profit after tax (PAT) for the half year ending 30 June 2020 is 300% higher.
2	FMBCH	↑	90%	Expected profit after tax for the half year ending 30 June 2020 is 90% higher than in previous corresponding period.
3	MPICO	↓	-25%	Expected profit after tax for the half year ending 30 June 2020 is 25% lower.
4	NITL	↓	-75%	Expected profit after tax for the half year ending 30 June 2020 is 75% lower.
5	PCL	↓	-20%	Expected profit after tax for the half year ending 30 June 2020 is 20% lower.
6	STANDARD	↑	50%	Expected profit after tax for the half year ending 30 June 2020 is 50% higher.
7	SUNBIRD	↓	-150%	Expected profit after tax for the half year ending 30 June 2020 is 150% lower due to the impact of COVID-19 outbreak which has depressed business.
8	TNM	↓	-20%	Expected profit after tax for the half year ending 30 June 2020 is 20% lower.



*RBM maintains policy rate at 13.5% and predicts real economic growth of 1.9% in 2020.*

## OTHER MARKET DEVELOPMENTS

### STATEMENT OF THE MONETARY POLICY COMMITTEE (Source: RBM)

The Monetary Policy Committee (MPC), at its third meeting for 2020 held on 30 and 31 July 2020 resolved to maintain the policy rate at 13.5% and the Lombard rate at 0.2 percentage points above the policy rate. The committee also maintained the Liquidity Reserve Requirement ratio on both local and foreign currency deposits at 3.5%. The adopted policy stance is considered appropriate to contain the impending inflationary pressures whilst at the same time providing space for supporting recovery of the economy, in the wake of the COVID-19.

According to the RBM, the coronavirus has significantly affected the country's growth prospects for 2020, with the RBM expecting growth to fall to 1.9% from their earlier 5.5% projection. Political uncertainty also contributed to the poor performance in 2020.

The central bank expects inflation to increase in the second half of the year which will increase the 2020 average to 9.8%, which is higher than the medium-term goal of 5±2%. Several factors are expected to lead to increased inflationary pressure in the second half of the year. These are increasing global oil prices and local food prices (mostly maize), short term pressure on the exchange rate and increased public sector spending. By maintaining the policy rate, the central bank expects to contain inflation while supporting economic activity.

Imports into the country have increased, with COVID-19 materials contributing significantly, while the decrease in global demand has led to a slow down in exports. This has led to the current account balance deteriorating. As such, the country's foreign exchange supply is declining. However, the RBM plans to continue managing volatility of the exchange rate on the market.

Policy Rate (%)	
30 January 2019	14.50
3 May 2019	13.50
31 July 2020	13.50



*There was an 18.99% decrease in cumulative Total Tobacco Revenue in July 2020 as USD145 million was raised. A total of USD179 million was raised at this point last year.*

## OTHER MARKET DEVELOPMENTS (Continued)

### TOBACCO MARKET (Source: AHL Malawi and Tobacco Commission)

Tobacco sales in July 2020 decreased by 31.43% when compared to the previous month, according to AHL Tobacco Sales Ltd's season to date report. Total sales were 24 million kgs in July 2020 and 35 million kgs in June 2020. There was also a 18.99% decrease in the cumulative value raised in July 2020 as sales in July 2019 were 44 million kgs. The average price increased by 2.65% in July 2020 to USD1.55 from USD1.51 from June 2020. There was a 2.01% increase in the cumulative average price in the same period.

The total revenue from tobacco in July decreased by 30.07% to USD37 million from USD52 million. Cumulatively, a total of USD145 million has been made from a sales of 95 million kgs at an average price of USD1.52 per kg. in the previous year, USD179million was made from selling 120 million kgs at an average price of USD1.49 per kg.

	June 2020	July 2020	July 2019	Cumulative 2020	Cumulative 2019	M-o-m % Change	Cumulative % Change
Sales (million kgs)	35	24	44	95	120	-31.43%	-20.83%
Average Price (USD/kg)	1.51	1.55	1.55	1.52	1.49	2.65%	2.01%
Total Value (USD'million)	52	37	68	145	179	-28.85%	-18.99%



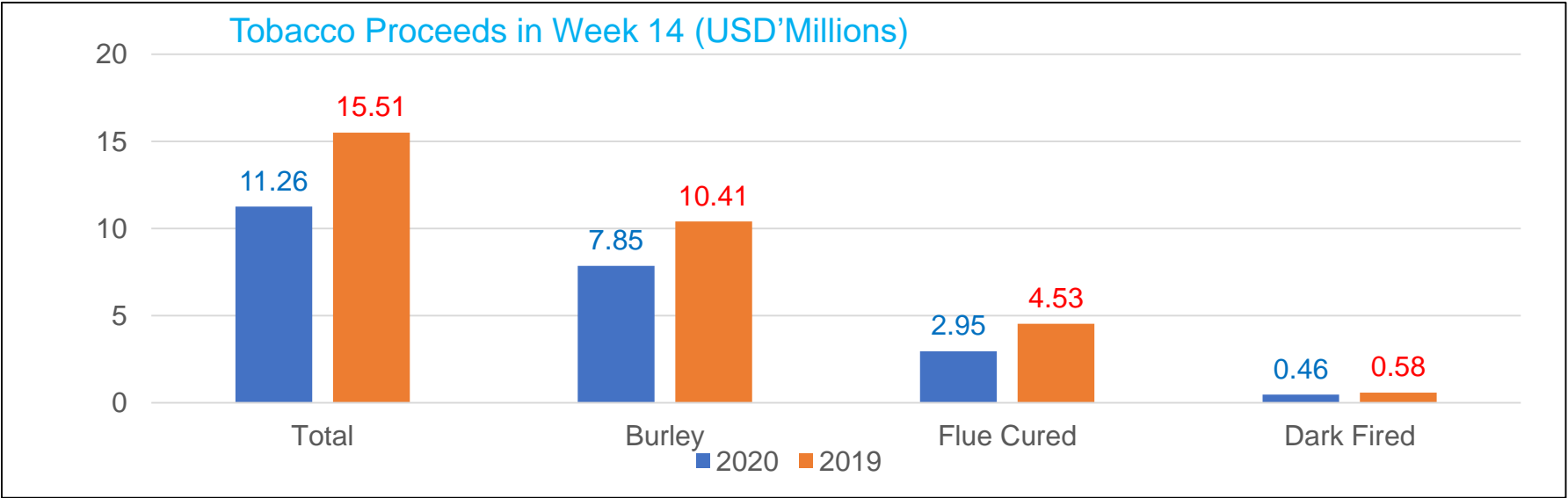
# OTHER MARKET DEVELOPMENTS (Continued)

## TOBACCO MARKET (Source: AHL Malawi and Tobacco Commission)

A total of USD11.26 million was raised in Week 14 of 2020 from USD15.51 million in 2019's Week 14.

Week 14 Volume and Price Summary 2020 vs 2019				
Type	Volume (millions of kgs)		Avg. price (\$) per kg	
	2020	2019	2020	2019
Burley	5.7	7.8	1.38	1.33
Flue Cured	1.3	1.9	2.33	2.41
Dark Fired	0.3	0.4	1.45	1.43
Total	7.3	10.1	1.55	1.53

In the 14<sup>th</sup> week of sales, a total of 7.3 million kgs was sold in 2020, which is lower than the 10.1 million kgs that was sold in 2019. However, the average price in 2020 is higher at USD1.55 from USD1.53 in 2019. The realised value of sales in week 14 was USD11.26 million in 2020 and USD15.51 million in 2019.





*Real GDP growth for Malawi in 2020 revised down to 2.0% from 4.8% by, the World Bank.*

## REGIONAL AND GLOBAL MARKET DEVELOPMENTS (Continued)

### MALAWI ECONOMIC MONITOR – FROM CRISIS RESPONSE TO A STRONG RECOVERY (Source: The World Bank)

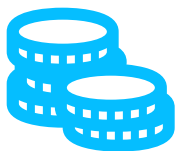
Before the onset of the COVID-19 pandemic, Malawi was about to experience three consecutive increases in annual economic growth. The country's real growth in 2018 and 2019 was 3.5% and 4.4%, respectively. This growth was mostly attributed to improvements in the agriculture sector after it was negatively affected by Cyclone Idai. With the pandemic, the country's outlook has worsened, although the extent of the impact is not certain. Real GDP growth for 2020 has been revised down to 2.0% from an earlier projection of 4.8%.

Both external and internal factors are affecting this outlook. The supply chains have been disrupted and this has led to reduced imports of key production inputs (mostly from South Africa and China). The decrease in demand from the key trade partners is also weighing on exports. On the tobacco market, there was an 11.9% reduction in sales values as volumes decreased by 14.7%. The decrease in volume offset the 3.2% increase in average prices. In addition, social distancing behavior is constraining domestic demand with the hospitality industry significantly affected.

The impact of the pandemic is being mitigated by the 11.5% increase in maize production. The maize supply means that there is good security in the short term for 87% of the population working in agriculture. Lower international energy prices should also limit the increase in import prices. As such, inflation should be contained at around 10.1% in 2020.

Urban poverty could increase by 1.6% to 4.9% and this represents between 280,000 and 880,000 people. The rural economy is not likely to be significantly affected because of the string harvest in the agriculture-based economy.

In the mid-yea budget review, the country planned to have a fiscal deficit of 4.9% of GDP from the 2.7% of GDP in the initial budget. Unrealized revenue targets and increased recurrent expenditures were the major cause in the deficit. The impact of the pandemic is expected to be felt in the fourth quarter and beyond. Increased expenditure on health and economic policy responses and a reduction in tax revenue will ultimately lead to a greater deficit. These high fiscal deficits are likely to lead to higher domestic debt burden, with higher interest rates. The World bank recommends that Government should use concessional and grant support instead of domestic borrowing which would crowd out the private sector.



*Malawi's budget deficit narrowed to K55.3 billion in May 2020 from K62.9 billion in April 2020.*

## OTHER MARKET DEVELOPMENTS (Continued)

### MONTHLY ECONOMIC REVIEW FOR MAY 2020 (Source: RBM)

#### Government Revenues

The Government's revenues in May 2020 decreased to K78.6 billion from K112.8 billion in the previous month. This 30.3% decrease was due drops in both domestic and foreign revenues. For domestic revenues, reduced economic activity in the country due to COVID-19 led to drops in tax and non-tax revenue collections. There were 12.0% and 39.3% decreases in tax and non-tax revenue, respectively. Tax revenue decreased to K73.0 billion while non-tax revenue decreased to K3.1 billion. Foreign receipts decreased by 89.7% in May 2020 to K2.6 billion. The change was due to the coronavirus related support that the country received from its development partners in the previous month.

#### Government Expenditures

There was a 23.8% decrease in expenditures in May 2020 to K133.9 billion from K175.7 billion in April 2020. Both recurrent and development expenditures decreased by 19.5% and 44.8% respectively. The decrease in recurrent expenditure was due to declines in spending on generic goods and services, wages and salaries paid in the month and interest expenses. Development expenditure decreased because of reduced utilization of project funds in May 2020.

Overall, the deficit narrowed to K55.3 billion in May 2020 from K62.9 billion in April 2020: This represents a deficit of 0.8% of GDP from 0.9% of GDP. In May 2019, the deficit was K31.1 billion, which is 0.5% of GDP. The table summarizes the Central Government budgetary operation from April 2019 to May 2020.

#### Central Government Budgetary Operations (MK' billion)

Category	2019		2020				
	Nov	Dec	Jan	Feb	Mar	April	May
<b>Total Revenue</b>	83.9	135	110	89.4	120	113	78.6
<b>Total Expenditure</b>	110	169	125	151	155	176	134
<b>Deficit/Surplus</b>	-26	-33.9	-14.8	-61.9	-34.9	-62.9	-55.3



*AfDB predicts real GDP in Africa to contract by 1.7% in 2020, but Malawi's to grow by 1.3%.*

## REGIONAL AND GLOBAL MARKET DEVELOPMENTS

### AFRICAN ECONOMIC OUTLOOK 2020 (Source: AfDB)

According to the African Development Bank (AfDB), real GDP in Africa will contract by 1.7% in 2020 and this is 5.6 percentage points lower than the projection made in January 2020. If the virus continues to substantially impact the continent in the second half of the year, then the contraction could increase to 3.4%. Cumulatively, GDP losses from the contraction in 2020-21 could be between USD173.1 billion and USD236.7 billion. The pandemic will affect economies in proportion to a number of factors like how poor their health system is, its reliance on tourism and the level of debt the country has. In Malawi, AfDB projects real GDP growth to slow down to 1.3%.

The disruption in the supply of food and energy has led to an increase in inflation. However, the decreased aggregate demand in some economies caused by lockdowns has led to easing of inflation. Overall, inflation is expected to remain stable until there is increased demand (increased demand expected after the pandemic).

In order to stimulate the economies, expansionary fiscal policies are expected. But this will widen the already large fiscal deficits on the continent. The deficits are projected to increase to 8% of GDP in 2020. The policies are necessary as they will increase resources allocated to both fighting the pandemic and its effects. As such, the health expenditure and direct transfers will increase. With at least 28.2 million more Africans projected to be pushed into extreme poverty, the transfers are needed to increase social welfare.





There was a 47.20% increase to USD37.05 per barrel for the OPEC Reference Basket in July 2020 from June 2020.

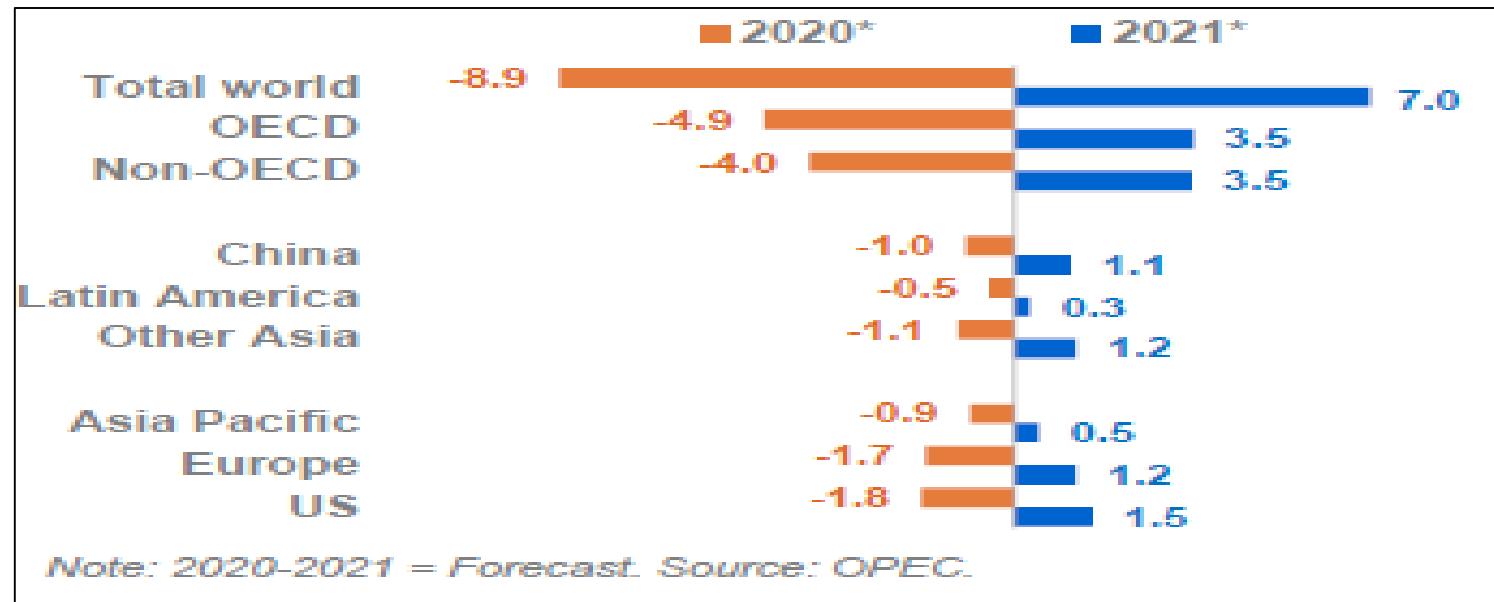
## REGIONAL AND GLOBAL MARKET DEVELOPMENTS (Continued)

### GLOBAL OIL DEVELOPMENTS (Source: OPEC)

Prices for crude oil continued to recover in June 2020 as the value of the OPEC Reference Basket (ORB) increased to USD37.05 per barrel in June 2020, from USD25.17 per barrel in May 2020. The 47.20% m-o-m increase was caused by the decrease in global oil surplus, with the market expected to tighten further in the second half of the year. As such, the oil price should continue to increase.

The Global oil demand has been projected to decline by 8.9 md/b in 2020 after an upwards revision of 0.1 million barrels per day (mb/d). The demand for OPEC crude in 2020 has been projected at 23.8 mb/d from 29.40 mb/d. On the supply side, non-OPEC liquid production growth in 2020 is expected to decline by 3.26 mb/d when compared to the previous year.

### World oil demand growth forecasts in mb/d





*The central banks for USA, UK and Europe maintained their Bank Rates as US Libor rates decreased in July 2020, compared to June 2020.*

## REGIONAL AND GLOBAL MARKET DEVELOPMENTS (Continued)

### INTEREST RATE MOVEMENTS

The US Fed rate was maintained at 0.25% in July 2020. The Bank of England Rate and the European Central Bank Rate were also maintained at 0.10% and 0.00% respectively. There were decreases in the 3 months and 6 months US Libor. The 3 months US Libor decreased to 0.25% from 0.30%. The 6 months US Libor decreased to 0.31% from 0.37%. Similarly, the US treasury yield (10 years) decreased to 0.53% from 0.69%. The rates should continue to decrease in the short run.

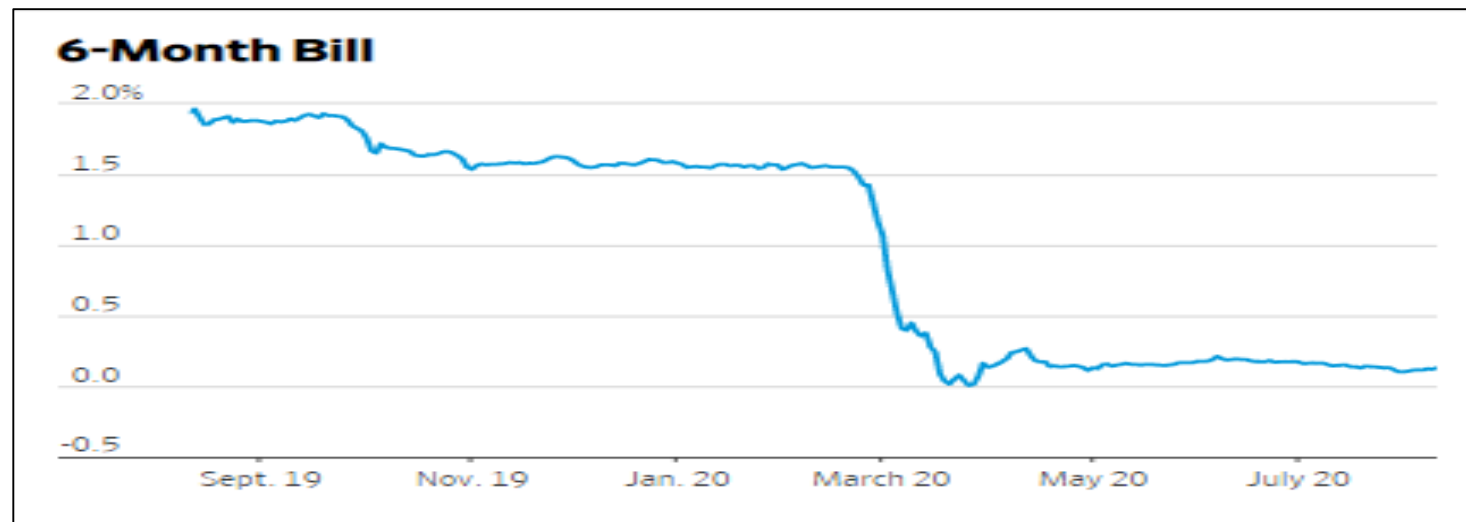
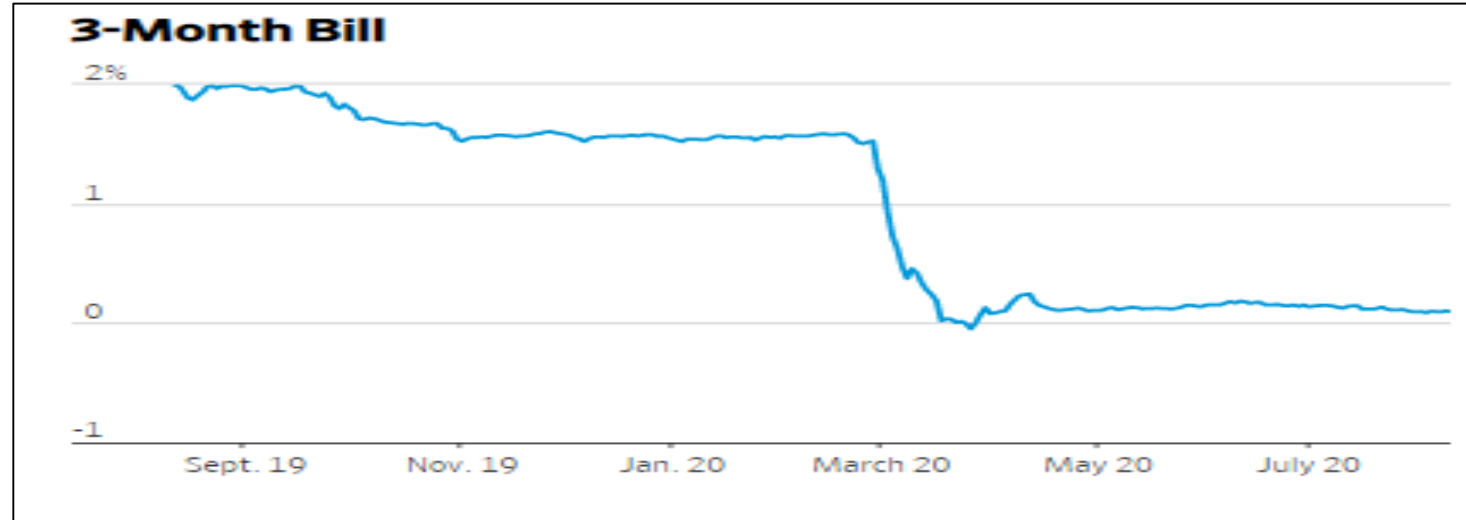
	June 2020 (%)	July 2020 (%)	% Change
US Libor (3 months)	0.30	0.25	↓ -16.67%
US Libor (6 months)	0.37	0.31	↓ -16.22%
US treasury bond yield (10 years)	0.69	0.53	↓ -23.19%
US Fed rate	0.25	0.25	→ 0.00
Bank of England Rate	0.10	0.10	→ 0.00
European Central Bank Rate	0.00	0.00	→ 0.00



## REGIONAL AND GLOBAL MARKET DEVELOPMENTS (Continued)

*Significant drops in the 3-month and 6-month US Libor in March 2020*

The tables below show the 3-Month and 6-Month US Libor:



## OUTLOOK FOR MALAWI

### Inflation

The headline inflation is expected to increase in the second half of 2020 partly due to the recovering global oil prices which will increase non-food inflation. In addition, since the harvest season is over, the second half of the year is characterized by lean period where prices of food especially maize is most likely to increase. The expected increase in the maize prices is most likely to result in a rise in food inflation and in turn a rise in the headline inflation. The RBM expects inflation for 2020 to average 9.8%, which is lower than the projections by the EIU of 10.5%.

### Exchange Rates

Dwindling proceeds from the tobacco market this year, covid spill on effects, lower forex reserves and current account deficits could impact the foreign currency market with negative implications on currency depreciation in the short term. The EIU projects the exchange rate to average K770.1 per USD in 2020, while in 2021 and 2024, it expects the exchange rate to average K793.5 and K898.1 per USD, respectively.

### Fiscal Policy

The fiscal deficit is likely to worsen in 2020 as the Government increases expenditure on health in order to mitigate the coronavirus pandemic's effects. The task will prove to be difficult as tax revenues should decrease in the fourth quarter, according to the World Bank. The proposed increase in the tax-free bracket to K100,000 will decrease income tax revenue for the government. On the other hand, this will increase the disposable income for the households and demand for products in the country will also increase.

### Monetary Policy

The Policy Rate is likely to be maintained at 13.5% for the rest of 2020 as the MPC aims to achieve economic stability. Decreasing the Policy Rate may lead to higher inflation, which is against their medium-term goal of  $5\pm 2\%$ . In a worst-case scenario where the impact of the COVID-19 pandemic is not curbed, the central bank may likely reduce the policy rate which will reduce borrowing costs.

### Tobacco Market

According to the AfDB, Malawi will have lower foreign exchange earnings from the Tobacco market in 2020 compared to 2019. The negative cumulative change in sales volume (20.83% decrease) offset the slightly higher average prices in July 2020 compared to July 2019.

### Economic Growth

The country is projected to have real growth of 1.9% according to the Government. This is close to the revised projection by the World Bank of 2.0%. However, the EIU expects a 3.9% contraction in 2020. Economic growth in 2020 is highly dependent on how the country manages the coronavirus pandemic.

## Appendix

## Appendix 1: EIU Data and Forecasts

### Economic Growth

%	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>
GDP	4.1	-3.9	2.8	4.0	5.1	5.7
Private consumption	4.0	-1.0	1.5	3.0	4.5	5.0
Government consumption	7.0	6.0	4.0	3.0	4.0	3.0
Gross fixed investment	11.5	-1.0	5.0	5.0	8.0	8.0
Exports of goods & services	3.7	-10.1	3.8	5.0	5.2	6.5
Imports of goods & services	5.0	-5.0	3.0	4.0	5.0	5.8
Domestic demand	5.3	-0.2	2.3	3.3	4.9	5.2
Agriculture	3.3	0.5	1.0	3.1	4.0	4.5
Industry	4.1	-4.4	4.0	5.4	5.2	5.8
Services	4.5	-6.0	3.5	4.1	4.5	4.9

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

### Key Indicators

	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>
Real GDP growth (%)	4.1	-3.9	2.8	4.0	5.1	5.7
Consumer price inflation (av; %)	9.4	10.5	9.6	10.5	10.9	10.2
Government balance (% of GDP)	-6.2	-7.3	-8.0	-7.5	-6.8	-6.2
Current-account balance (% of GDP)	-16.7	-10.5	-11.0	-11.8	-12.4	-12.7
Money market rate (av; %)	15.5	13.5	14.5	15.5	15.8	16.5
Exchange rate MK:US\$ (av)	745.5 <sup>c</sup>	770.1	793.5	820.5	852.0	898.1

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

### International Assumptions

	2019	2020	2021	2022	2023	2024
<b>Economic growth (%)</b>						
US GDP	2.3	-4.0	2.4	2.2	2.0	1.8
OECD GDP	1.6	-5.5	2.8	2.1	1.9	1.8
World GDP	2.2	-4.2	3.7	2.9	2.8	2.7
World trade	0.9	-24.8	20.9	4.0	3.8	3.8
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	1.8	0.6	1.5	1.7	2.0	1.9
OECD CPI	1.9	0.9	1.5	2.0	2.1	2.1
Manufactures (measured in US\$)	-1.4	-2.0	3.5	3.9	3.5	3.1
Oil (Brent; US\$/b)	64.0	38.1	44.0	58.5	65.0	62.5
Non-oil commodities (measured in US\$)	-6.3	-3.2	3.9	2.2	3.2	2.1
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	2.2	1.2	0.8	0.5	0.9	1.4
US\$:€ (av)	1.12	1.10	1.12	1.17	1.21	1.24
¥:US\$	109.03	108.96	107.76	104.18	102.40	98.45

## Appendix 1: EIU Data and Forecasts

### Annual data and forecast

	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>c</sup>	2021 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ m)	6,373	5,433	6,303	7,065	8,030	8,273	9,219
Nominal GDP (MK m)	3,184,094	3,900,950	4,603,121	5,173,908	5,986,343	6,370,793	7,315,000
Real GDP growth (%)	2.8	2.5	4.0	3.5	4.1	-3.9	2.8
<b>Expenditure on GDP (% real change)</b>							
Private consumption	4.9	18.6	8.3	2.4 <sup>b</sup>	4.0	-1.0	1.5
Government consumption	13.6	-0.2	6.0	6.1 <sup>b</sup>	7.0	6.0	4.0
Gross fixed investment	15.4	-2.1	33.3	3.1 <sup>b</sup>	11.5	-1.0	5.0
Exports of goods & services	16.4	40.1	3.7	-0.1 <sup>b</sup>	3.7	-10.1	3.8
Imports of goods & services	19.9	54.6	-1.5	8.7 <sup>b</sup>	5.0	-5.0	3.0
<b>Origin of GDP (% real change)</b>							
Agriculture	-2.0	-2.3	5.0	2.5 <sup>b</sup>	3.3	0.5	1.0
Industry	3.5	2.4	2.2	2.2 <sup>b</sup>	4.1	-4.4	4.0
Services	5.5	5.2	4.0	4.3 <sup>b</sup>	4.5	-6.0	3.5
<b>Population and income</b>							
Population (m)	16.8	17.2	17.7 <sup>b</sup>	18.1 <sup>b</sup>	18.6	19.1	19.6
GDP per head (US\$ at PPP)	1,018	1,026	1,059 <sup>b</sup>	1,094 <sup>b</sup>	1,042	1,057	1,084
<b>Fiscal indicators (% of GDP)</b>							
Public-sector balance	-6.4	-6.0	-3.6	-7.2 <sup>b</sup>	-6.2	-7.3	-8.0
Net public debt	40.3 <sup>b</sup>	54.6 <sup>b</sup>	56.6 <sup>b</sup>	59.6 <sup>b</sup>	64.5	67.0	67.1

	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>c</sup>	2021 <sup>c</sup>
<b>Prices and financial indicators</b>							
Exchange rate MK:US\$ (end-period)	672.68	728.62	732.03	733.69	741.68 <sup>a</sup>	818.80	758.71
Exchange rate MK:€ (end-period)	732.35	768.04	877.92	840.08	833.20 <sup>a</sup>	900.68	868.72
Consumer prices (end-period, %)	24.9	20.0	7.1	9.9	11.6	10.5	9.9
Stock of money M1 (% change)	16.8	24.6	19.8 <sup>b</sup>	18.6 <sup>b</sup>	13.8	9.6	22.2
Stock of money M2 (% change)	26.4	15.2	19.7	11.3	8.1	8.7	20.0
Lending interest rate (av; %)	44.4	44.1	38.6	32.3	24.0	23.8	24.8
<b>Current account (US\$ m)</b>							
Trade balance	-789	-1,090	-1,577	-1,668	-1,591	-1,275	-1,290
Goods: exports fob	1,431	1,066	910	951	1,158	887	1,037
Goods: imports fob	-2,220	-2,156	-2,487	-2,618	-2,749	-2,162	-2,327
Services balance	-213	-135	-151	-158	-165	-180	-201
Primary income balance	-327	-96	-153	-165	-218	-172	-187
Secondary income balance	398	268	467	564	635	756	659
Current-account balance	-930	-1,053	-1,414	-1,427	-1,339	-871	-1,019
<b>External debt (US\$ m)</b>							
Debt stock	1,721	1,877	2,134	2,270	2,479	2,685	2,814
Debt service paid	69	75	71	73	96	62	145
Principal repayments	54	57	54	56	74	51	122
Interest	16	18	17	17	22	11	23
<b>International reserves (US\$ m)</b>							
Total international reserves	702	631	793 <sup>b</sup>	782 <sup>b</sup>	847	709	839

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Sources: IMF, International Financial Statistics; Ministry of Finance, Budget statements; World Bank, Global Development Finance; Reserve Bank of Malawi, Economic reviews.



## Appendix 2: Overview of the World Economic Outlook Projections

Percent change, unless noted otherwise

	Year over Year						Q4 over Q4 2/		
	2018	2019	Projections		Difference from April 2020 WEO Projections 1/		Projections		
			2020	2021	2020	2021	2019	2020	2021
<b>World Output</b>	3.6	2.9	-4.9	5.4	-1.9	-0.4	2.8	-3.5	4.6
<b>Advanced Economies</b>	2.2	1.7	-8.0	4.8	-1.9	0.3	1.5	-7.2	5.1
United States	2.9	2.3	-8.0	4.5	-2.1	-0.2	2.3	-8.2	5.4
Euro Area	1.9	1.3	-10.2	6.0	-2.7	1.3	1.0	-8.6	5.8
Germany	1.5	0.6	-7.8	5.4	-0.8	0.2	0.4	-6.7	5.5
France	1.8	1.5	-12.5	7.3	-5.3	2.8	0.9	-8.9	4.2
Italy	0.8	0.3	-12.8	6.3	-3.7	1.5	0.1	-10.9	5.5
Spain	2.4	2.0	-12.8	6.3	-4.8	2.0	1.8	-11.4	6.3
Japan	0.3	0.7	-5.8	2.4	-0.6	-0.6	-0.7	-1.8	0.0
United Kingdom	1.3	1.4	-10.2	6.3	-3.7	2.3	1.1	-9.0	6.9
Canada	2.0	1.7	-8.4	4.9	-2.2	0.7	1.5	-7.5	4.6
Other Advanced Economies 3/	2.7	1.7	-4.8	4.2	-0.2	-0.3	1.9	-5.1	5.5
<b>Emerging Market and Developing Economies</b>	4.5	3.7	-3.0	5.9	-2.0	-0.7	3.9	-0.5	4.2
Emerging and Developing Asia	6.3	5.5	-0.8	7.4	-1.8	-1.1	5.0	2.4	3.9
China	6.7	6.1	1.0	8.2	-0.2	-1.0	6.0	4.4	4.3
India 4/	6.1	4.2	-4.5	6.0	-6.4	-1.4	3.1	0.2	1.2
ASEAN-5 5/	5.3	4.9	-2.0	6.2	-1.4	-1.6	4.6	-1.4	6.1
Emerging and Developing Europe	3.2	2.1	-5.8	4.3	-0.6	0.1	3.4	-7.0	6.6
Russia	2.5	1.3	-6.6	4.1	-1.1	0.6	2.2	-7.5	5.6
Latin America and the Caribbean	1.1	0.1	-9.4	3.7	-4.2	0.3	-0.2	-9.0	4.1
Brazil	1.3	1.1	-9.1	3.6	-3.8	0.7	1.6	-9.3	4.5
Mexico	2.2	-0.3	-10.5	3.3	-3.9	0.3	-0.8	-10.1	4.8
Middle East and Central Asia	1.8	1.0	-4.7	3.3	-1.9	-0.7	...	...	...
Saudi Arabia	2.4	0.3	-6.8	3.1	-4.5	0.2	-0.3	-4.4	4.1
Sub-Saharan Africa	3.2	3.1	-3.2	3.4	-1.6	-0.7	...	...	...
Nigeria	1.9	2.2	-5.4	2.6	-2.0	0.2	...	...	...
South Africa	0.8	0.2	-8.0	3.5	-2.2	-0.5	-0.6	-2.1	-2.8
<b>Memorandum</b>									
Low-Income Developing Countries	5.1	5.2	-1.0	5.2	-1.4	-0.4	...	...	...
World Growth Based on Market Exchange Rates	3.1	2.4	-6.1	5.3	-1.9	-0.1	2.3	-4.9	4.8
<b>World Trade Volume (goods and services) 6/</b>	3.8	0.9	-11.9	8.0	-0.9	-0.4	...	...	...
Advanced Economies	3.4	1.5	-13.4	7.2	-1.3	-0.2	...	...	...
Emerging Market and Developing Economies	4.5	0.1	-9.4	9.4	-0.5	-0.7	...	...	...
<b>Commodity Prices (U.S. dollars)</b>									
Oil 7/	29.4	-10.2	-41.1	3.8	0.9	-2.5	-6.1	-42.6	12.2
Nonfuel (average based on world commodity import weights)	1.3	0.8	0.2	0.8	1.3	1.4	4.9	-0.8	1.3
<b>Consumer Prices</b>									
Advanced Economies 8/	2.0	1.4	0.3	1.1	-0.2	-0.4	1.4	-0.1	1.5
Emerging Market and Developing Economies 9/	4.8	5.1	4.4	4.5	-0.2	0.0	5.0	3.1	4.0
<b>London Interbank Offered Rate (percent)</b>									
On U.S. Dollar Deposits (six month)	2.5	2.3	0.9	0.6	0.2	0.0	...	...	...
On Euro Deposits (three month)	-0.3	-0.4	-0.4	-0.4	0.0	0.0	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	-0.1	0.1	0.0	...	...	...

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during April 21-May 19, 2020. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = *World Economic Outlook*.

1. Difference based on rounded figures for the current and April 2020 WEO forecasts. Countries whose forecasts have been updated relative to April 2020 WEO forecasts account for 90 percent of world GDP measured at purchasing-power-parity weights.
2. For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.
3. Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
4. For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.
5. Indonesia, Malaysia, Philippines, Thailand, Vietnam.
6. Simple average of growth rates for export and import volumes (goods and services).
7. Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US Dollars a barrel was \$61.39 in 2019; the assumed price, based on futures markets (as of May 19, 2020), is \$36.18 in 2020 and \$37.54 in 2021.
8. The inflation rate for the euro area is 0.2% in 2020 and 0.9% in 2021, for Japan is -0.1% in 2020 and 0.3% in 2021, and for the United States is 0.5% in 2020 and 1.5% in 2021.
9. Excludes Venezuela.



## Appendix 3: General Government Fiscal Balance and Gross Debt, 2018–21 (Overall Balance and Gross Debt)

### Percent pf GDP

	Overall Fiscal Balance						Gross Debt					
	2018	2019	Current Projections		Difference from April WEO Projections		2018	2019	Current Projections		Difference from April WEO Projections	
			2020	2021	2020	2021			2020	2021	2020	2021
<b>World</b>	-3.1	-3.9	-13.9	-8.2	-4.0	-2.0	81.2	82.8	101.5	103.2	5.1	6.6
<b>Group of Twenty (G20)</b>	-3.7	-4.5	-15.4	-9.1	-4.6	-2.2	88.6	90.4	111.2	113.3	5.7	7.5
<b>Advanced Economies</b>	-2.7	-3.3	-16.6	-8.3	-6.0	-2.8	104.0	105.2	131.2	132.3	8.8	10.4
<b>Advanced G20</b>	-3.3	-4.0	-18.0	-9.1	-6.5	-3.0	111.6	113.2	141.4	142.9	9.6	11.5
United States <sup>1,3</sup>	-5.8	-6.3	-23.8	-12.4	-8.4	-3.7	106.9	108.7	141.4	146.1	10.4	14.2
Euro Area	-0.5	-0.6	-11.7	-5.3	-4.2	-1.7	85.8	84.1	105.1	103.0	7.7	7.4
Germany	1.9	1.5	-10.7	-3.1	-5.2	-1.9	61.9	59.8	77.2	75.0	8.6	9.3
France	-2.3	-3.0	-13.6	-7.1	-4.5	-0.8	98.1	98.1	125.7	123.8	10.2	7.4
Italy	-2.2	-1.6	-12.7	-7.0	-4.4	-3.5	134.8	134.8	166.1	161.9	10.6	11.4
Spain <sup>2</sup>	-2.5	-2.8	-13.9	-8.3	-4.4	-1.6	97.6	95.5	123.8	124.1	10.4	9.5
Japan	-2.5	-3.3	-14.7	-6.1	-7.6	-4.1	236.6	238.0	268.0	265.4	16.0	17.8
United Kingdom	-2.2	-2.1	-12.7	-6.7	-4.4	-1.3	85.7	85.4	101.6	100.5	5.9	4.7
Canada <sup>3</sup>	-0.4	-0.3	-12.6	-5.8	-0.8	-1.9	89.7	88.6	109.3	108.8	-0.3	0.3
Australia	-1.2	-3.9	-8.6	-8.4	1.1	-1.0	41.5	45.0	56.8	64.3	-2.5	0.3
Korea	2.6	0.4	-3.6	-2.4	-1.7	-0.8	40.0	41.9	49.5	53.4	3.2	4.3
<b>Emerging Market Economies</b>	-3.8	-4.9	-10.6	-8.5	-1.5	-1.0	48.9	52.4	63.1	66.7	1.1	2.1
Excluding MENAP Oil Producers	-4.0	-5.0	-10.6	-8.5	-1.6	-1.1	50.4	53.9	64.4	68.1	0.9	2.0
<b>Emerging G20</b>	-4.3	-5.4	-11.3	-9.1	-1.6	-1.0	49.4	53.0	64.1	68.3	0.8	1.8
Asia	-4.5	-6.0	-11.4	-9.8	-1.5	-1.3	49.3	53.5	64.9	70.3	0.8	2.3
China	-4.7	-6.3	-12.1	-10.7	-0.9	-1.1	47.0	52.0	64.1	70.7	-0.8	0.6
India	-6.3	-7.9	-12.1	-9.4	-4.6	-2.1	69.6	72.2	84.0	85.7	9.6	11.9
Indonesia	-1.8	-2.2	-6.3	-5.0	-1.3	-1.0	30.1	30.5	37.7	40.3	0.8	2.8
Europe	0.4	-0.6	-6.9	-4.8	-0.7	-0.6	29.3	29.0	36.4	37.1	0.0	0.8
Russia	2.9	1.9	-5.5	-3.9	-0.6	-0.9	13.5	13.9	18.5	18.8	0.6	1.7
Turkey	-3.7	-5.3	-8.4	-7.5	-0.9	-0.8	30.4	33.0	40.4	42.2	1.1	1.5
Latin America	-5.2	-4.0	-10.3	-4.8	-3.6	-0.9	66.6	70.6	81.5	79.7	3.6	3.6
Brazil <sup>4</sup>	-7.2	-6.0	-16.0	-5.9	-6.6	0.2	87.1	89.5	102.3	100.6	4.1	2.4
Mexico	-2.2	-2.3	-6.0	-4.0	-1.8	-1.8	53.6	53.7	65.9	66.3	4.6	7.3
MENAP	-2.9	-3.9	-9.8	-7.8	0.0	-0.1	40.1	44.7	55.2	56.4	4.0	3.6
Saudi Arabia	-5.9	-4.5	-11.4	-5.6	1.2	3.4	19.0	22.8	35.2	36.8	1.1	-1.9
South Africa	-4.1	-6.3	-14.8	-11.0	-1.5	1.6	56.7	62.2	79.9	84.6	2.5	-1.0
<b>Low-Income Developing Countries</b>	-3.8	-4.1	-6.1	-5.1	-0.4	-0.2	42.9	43.1	48.2	49.0	0.8	1.3
Nigeria	-4.3	-5.0	-7.3	-5.7	-0.9	0.2	27.7	29.1	36.5	36.8	1.2	-0.1
<b>Oil Producers</b>	-0.6	-1.0	-8.4	-5.5	-0.8	-1.0	42.7	45.1	56.1	56.6	1.5	2.2
<b>Memorandum</b>												
World Output (percent)	3.6	2.9	-4.9	5.4	-1.9	-0.3						

Source: IMF staff estimates and projections.

Note: All country averages are weighted by nominal GDP converted to US Dollars (adjusted by purchasing power parity only for world output) at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. In many countries, 2020 data are still preliminary. For country-specific details, see "Data and Conventions" and Tables A, B, C, and D in the April 2020 Fiscal Monitor Methodological and Statistical Appendix. MENAP = Middle East, North Africa, and Pakistan; WEO = World Economic Outlook.

1. For cross-country comparability, expenditure and fiscal balances of the United States are adjusted to exclude the imputed interest on unfunded pension liabilities and the imputed compensation of employees, which are counted as expenditures under the 2008 System of National Accounts (2008 SNA) adopted by the United States but not in countries that have not yet adopted the 2008 SNA. Data for the United States in this table may thus differ from data published by the US Bureau of Economic Analysis.
2. Including financial sector support.
3. For cross-economy comparability, gross debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, Hong Kong SAR, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined-benefit pension plans.
4. Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held by the central bank.

## Appendix 4: OPEC Projections

### Economic growth rate per cent

	World	OECD	US	Euro-zone	Japan	China	India
2020	-3.7	-6.1	-5.2	-8.0	-5.1	1.3	-2.5
2021	4.7	4.0	4.1	4.3	3.2	6.9	6.8

### Supply and demand mb/d

2020		20/19	2021		21/20
World demand	90.7	-8.9	World demand	97.7	7.0
Non-OPEC liquids production	61.8	-3.3	Non-OPEC liquids production	62.7	0.9
OPEC NGLs	5.2	-0.1	OPEC NGLs	5.2	0.1
Difference	23.8	-5.6	Difference	29.8	6.0

## Appendix 4: OPEC Projections (Continued)

### World oil demand in 2020 and 2021

Table 4 - 1: World oil demand in 2020\*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
<b>World oil demand</b>								
Americas	25.62	24.44	19.27	24.39	25.06	23.30	-2.31	-9.04
of which US	20.81	19.86	15.51	20.04	20.49	18.99	-1.82	-8.76
Europe	14.33	13.30	10.19	13.25	13.61	12.59	-1.74	-12.13
Asia Pacific	7.93	7.73	6.43	6.64	7.46	7.06	-0.87	-10.92
<b>Total OECD</b>	<b>47.88</b>	<b>45.47</b>	<b>35.89</b>	<b>44.29</b>	<b>46.13</b>	<b>42.96</b>	<b>-4.92</b>	<b>-10.28</b>
Other Asia	13.87	13.05	11.90	12.40	13.67	12.76	-1.11	-8.01
of which India	4.84	4.74	3.70	3.94	4.83	4.31	-0.54	-11.10
Latin America	6.59	6.20	5.81	6.24	6.15	6.10	-0.49	-7.47
Middle East	8.20	7.83	7.01	7.93	7.62	7.60	-0.60	-7.36
Africa	4.45	4.38	4.17	4.07	4.20	4.20	-0.24	-5.49
<b>Total DCs</b>	<b>33.11</b>	<b>31.46</b>	<b>28.88</b>	<b>30.65</b>	<b>31.64</b>	<b>30.66</b>	<b>-2.45</b>	<b>-7.40</b>
FSU	4.84	4.50	4.08	4.45	4.61	4.41	-0.43	-8.94
Other Europe	0.76	0.71	0.55	0.47	0.56	0.57	-0.19	-25.18
China	13.07	10.27	12.55	12.37	13.28	12.12	-0.95	-7.29
<b>Total "Other regions"</b>	<b>18.68</b>	<b>15.48</b>	<b>17.17</b>	<b>17.29</b>	<b>18.46</b>	<b>17.10</b>	<b>-1.58</b>	<b>-8.45</b>
<b>Total world</b>	<b>99.67</b>	<b>92.41</b>	<b>81.95</b>	<b>92.22</b>	<b>96.22</b>	<b>90.72</b>	<b>-8.95</b>	<b>-8.98</b>
Previous estimate	99.67	92.39	81.30	92.28	96.30	90.59	-9.07	-9.10
Revision	0.00	0.02	0.65	-0.06	-0.08	0.13	0.13	0.13

Note: \* 2019 = Estimate and 2020 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.

## Appendix 4: OPEC Projections (Continued)

**Table 4 - 2: World oil demand in 2021\*, mb/d**

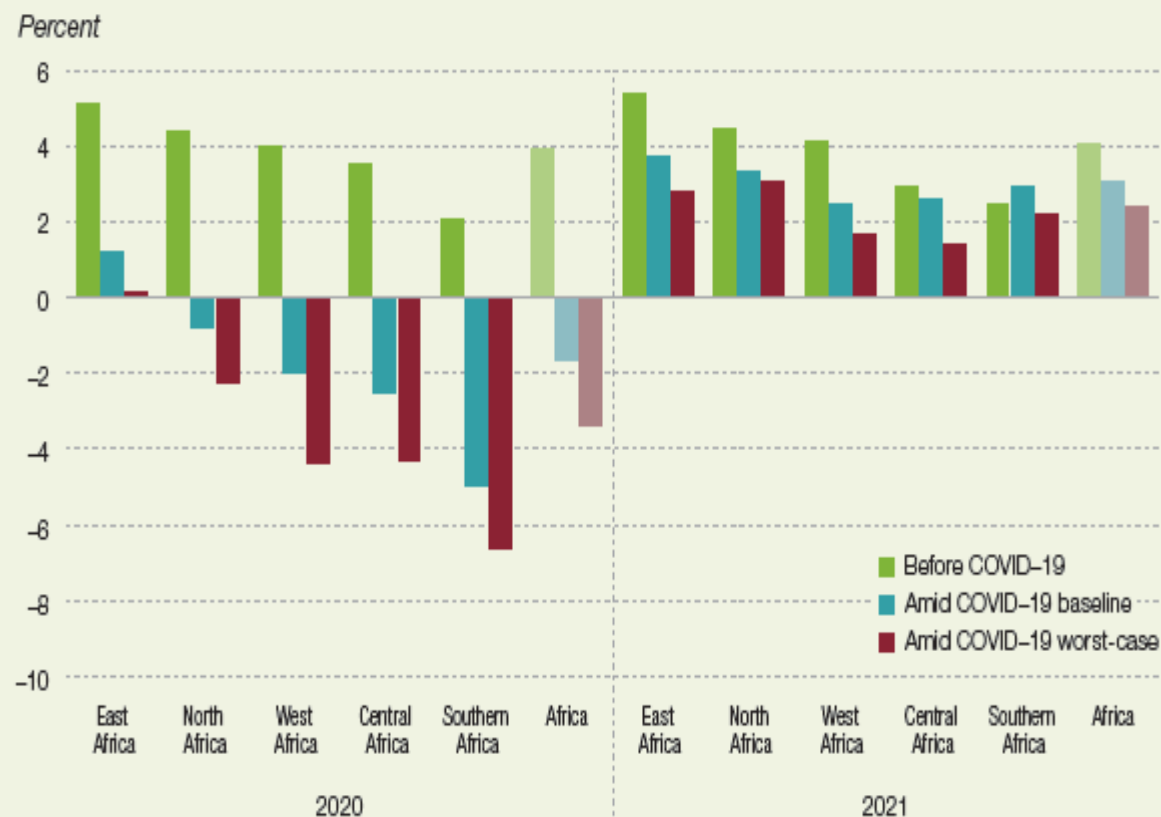
	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
<b>World oil demand</b>								
Americas	23.30	24.84	24.65	25.46	25.57	25.14	1.84	7.89
of which US	18.99	20.48	19.92	20.74	20.86	20.50	1.52	8.00
Europe	12.59	13.72	13.54	14.03	13.91	13.80	1.21	9.59
Asia Pacific	7.06	7.90	7.34	7.19	7.69	7.53	0.47	6.59
<b>Total OECD</b>	<b>42.96</b>	<b>46.47</b>	<b>45.53</b>	<b>46.67</b>	<b>47.17</b>	<b>46.47</b>	<b>3.51</b>	<b>8.18</b>
Other Asia	12.76	13.68	14.05	13.67	14.45	13.96	1.21	9.47
of which India	4.31	5.27	4.68	4.75	5.48	5.05	0.74	17.20
Latin America	6.10	6.31	6.47	6.44	6.38	6.40	0.30	4.92
Middle East	7.60	8.01	7.74	8.24	7.87	7.97	0.37	4.86
Africa	4.20	4.47	4.35	4.27	4.39	4.37	0.17	3.93
<b>Total DCs</b>	<b>30.66</b>	<b>32.47</b>	<b>32.61</b>	<b>32.63</b>	<b>33.09</b>	<b>32.70</b>	<b>2.04</b>	<b>6.66</b>
FSU	4.41	4.64	4.54	4.62	4.74	4.64	0.23	5.13
Other Europe	0.57	0.79	0.68	0.59	0.68	0.68	0.11	19.58
China	12.12	11.88	13.57	13.40	14.03	13.22	1.10	9.09
<b>Total "Other regions"</b>	<b>17.10</b>	<b>17.31</b>	<b>18.79</b>	<b>18.61</b>	<b>19.45</b>	<b>18.54</b>	<b>1.44</b>	<b>8.42</b>
<b>Total world</b>	<b>90.72</b>	<b>96.25</b>	<b>96.93</b>	<b>97.92</b>	<b>99.71</b>	<b>97.72</b>	<b>7.00</b>	<b>7.71</b>

Note: \* 2020-2021 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.

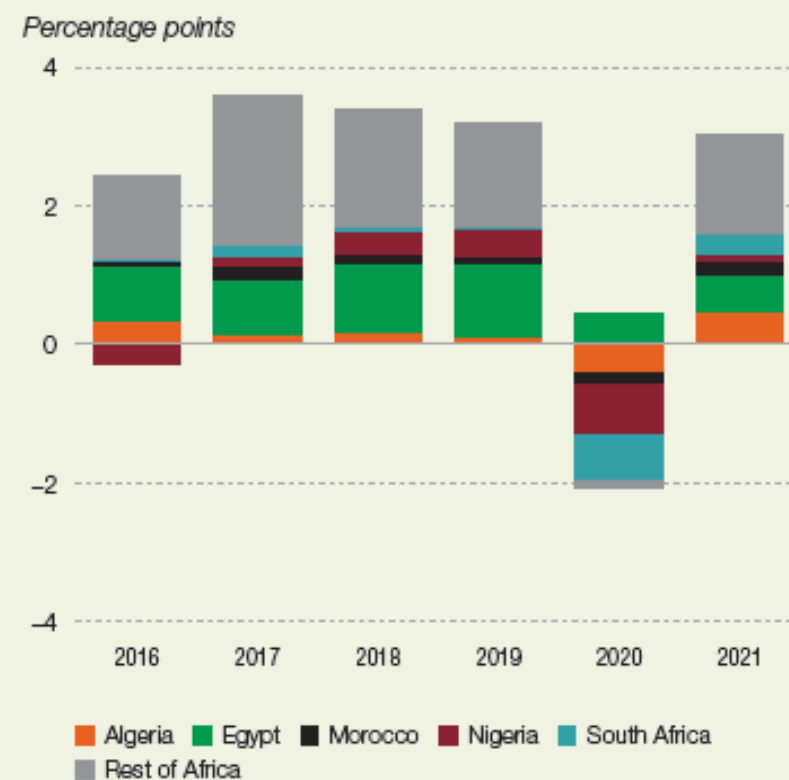
## Appendix 5: AfDB Projections

**FIGURE 1.5** Growth's decline and recovery vary across regions



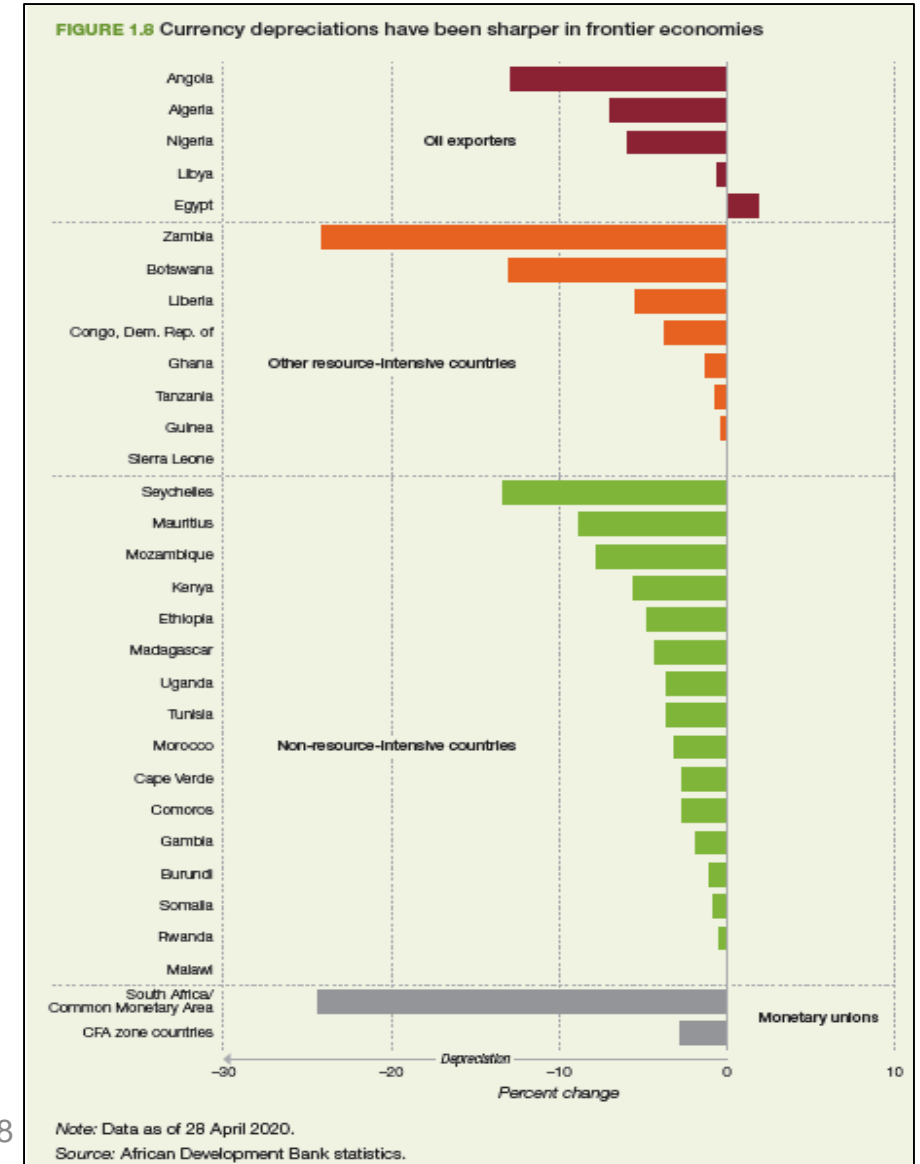
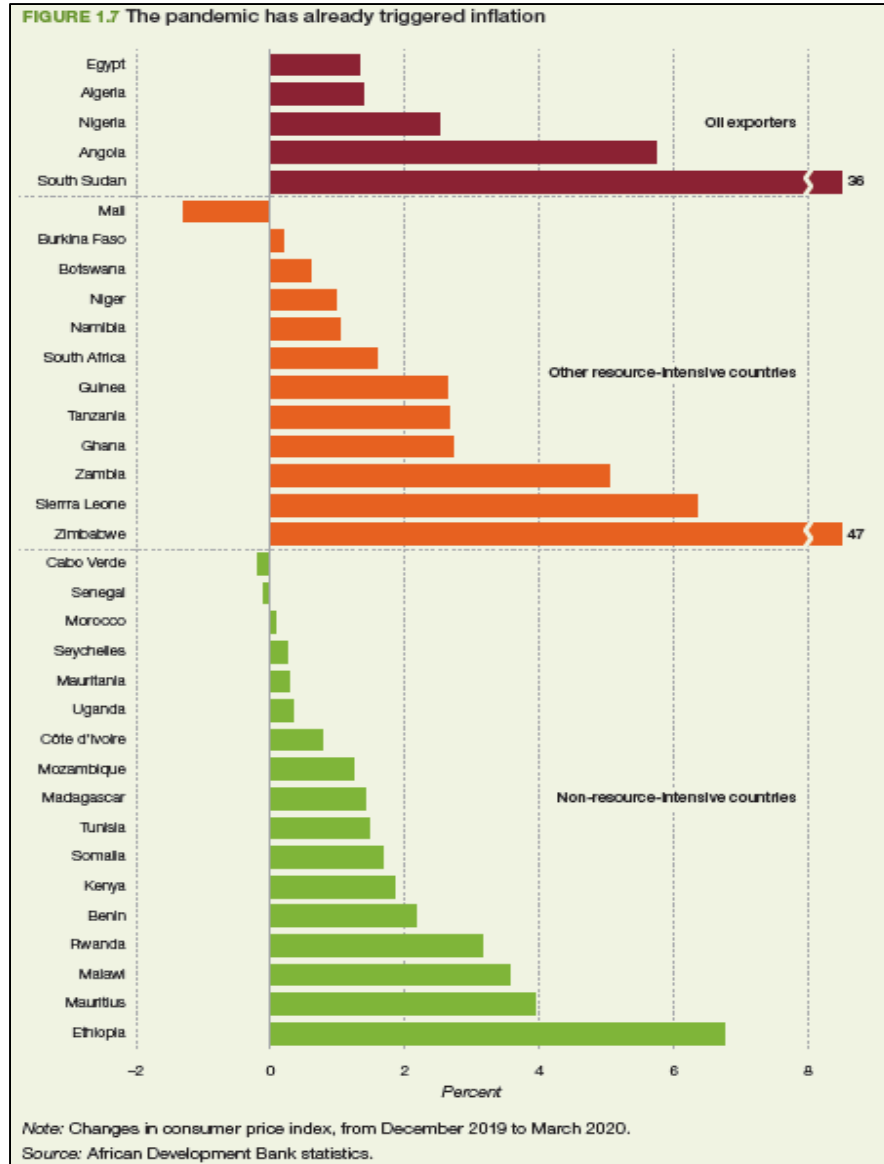
Source: African Development Bank statistics.

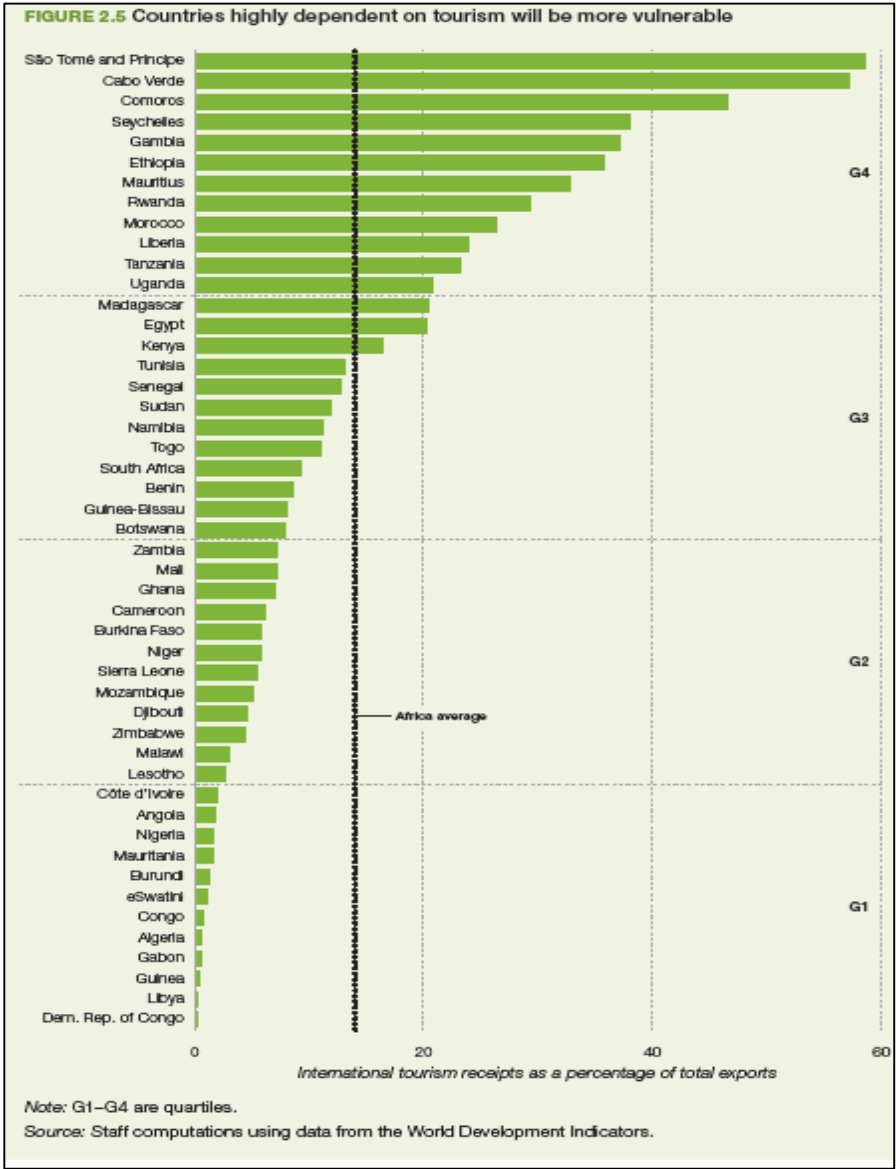
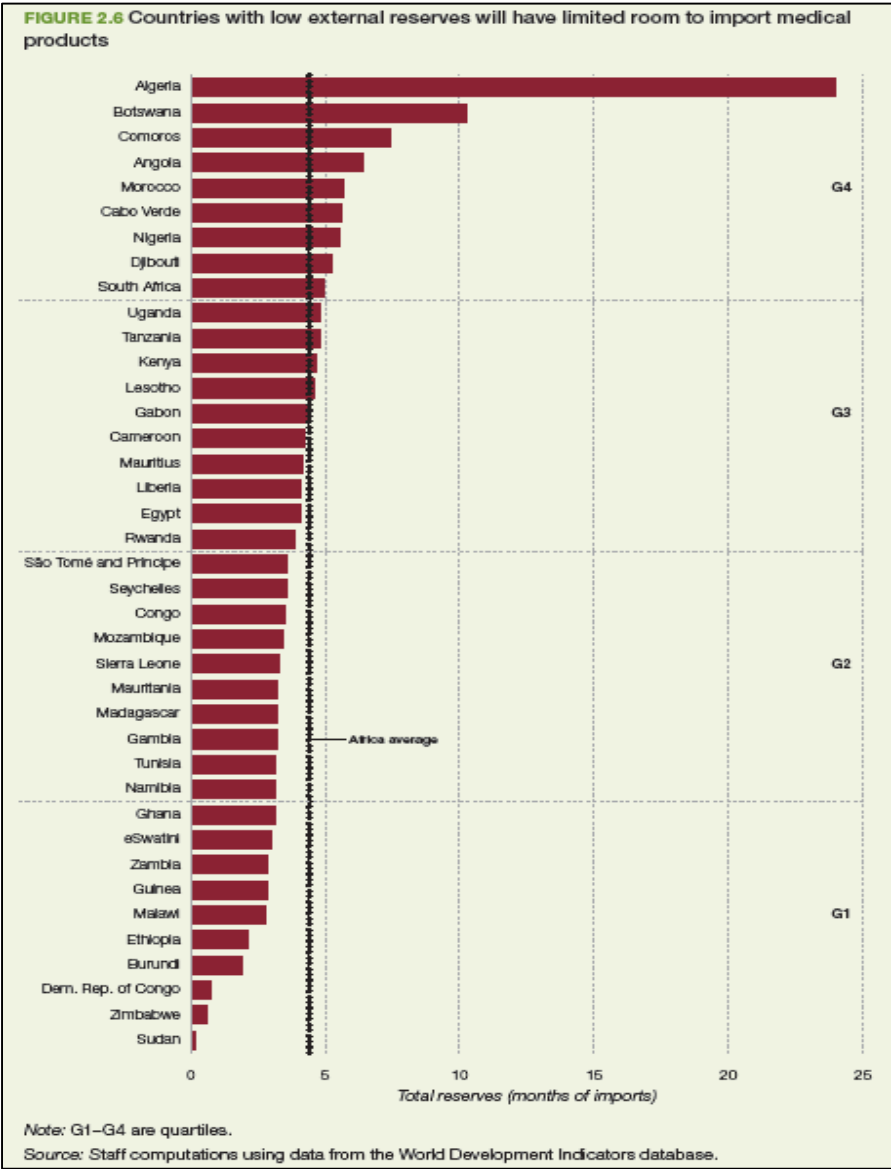
**FIGURE 1.6** Growth's contraction is primarily driven by the five largest economies



Source: African Development Bank statistics.

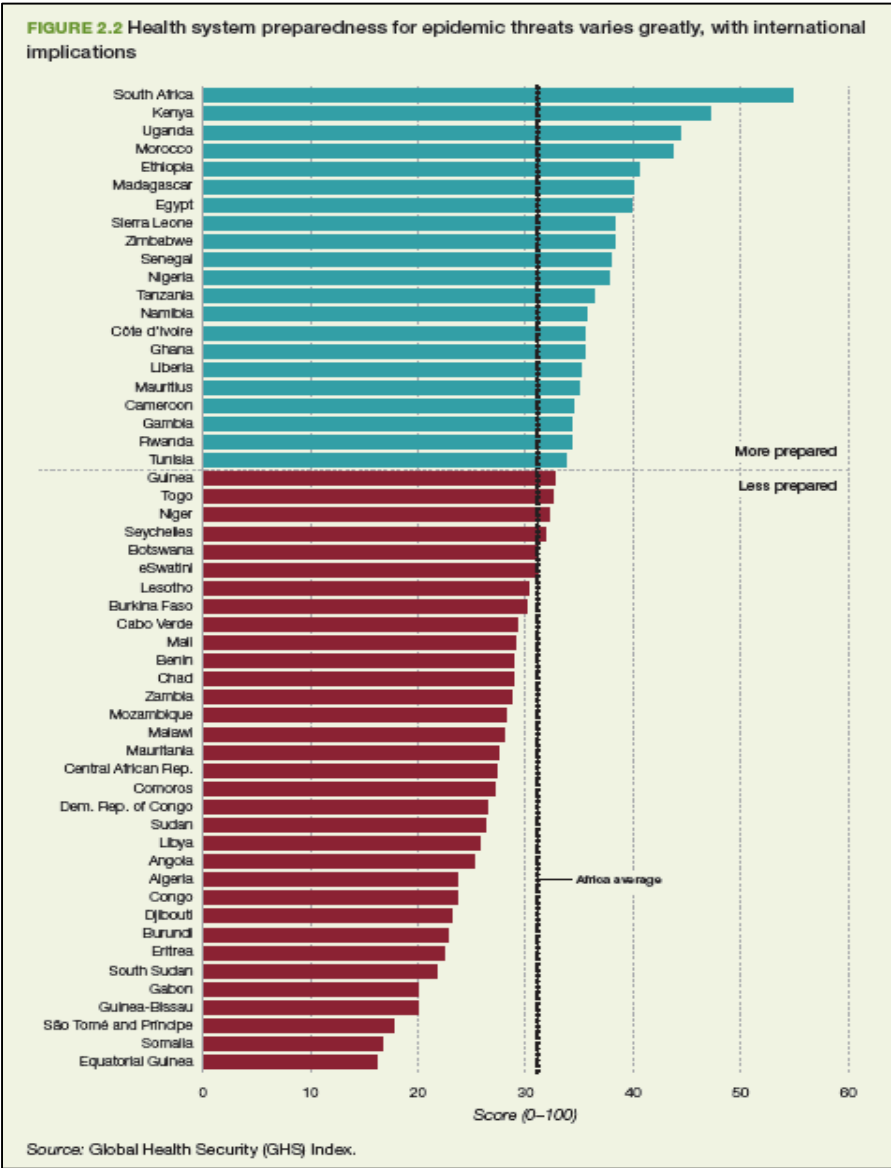
## Appendix 5: AfDB Projections (Continued)





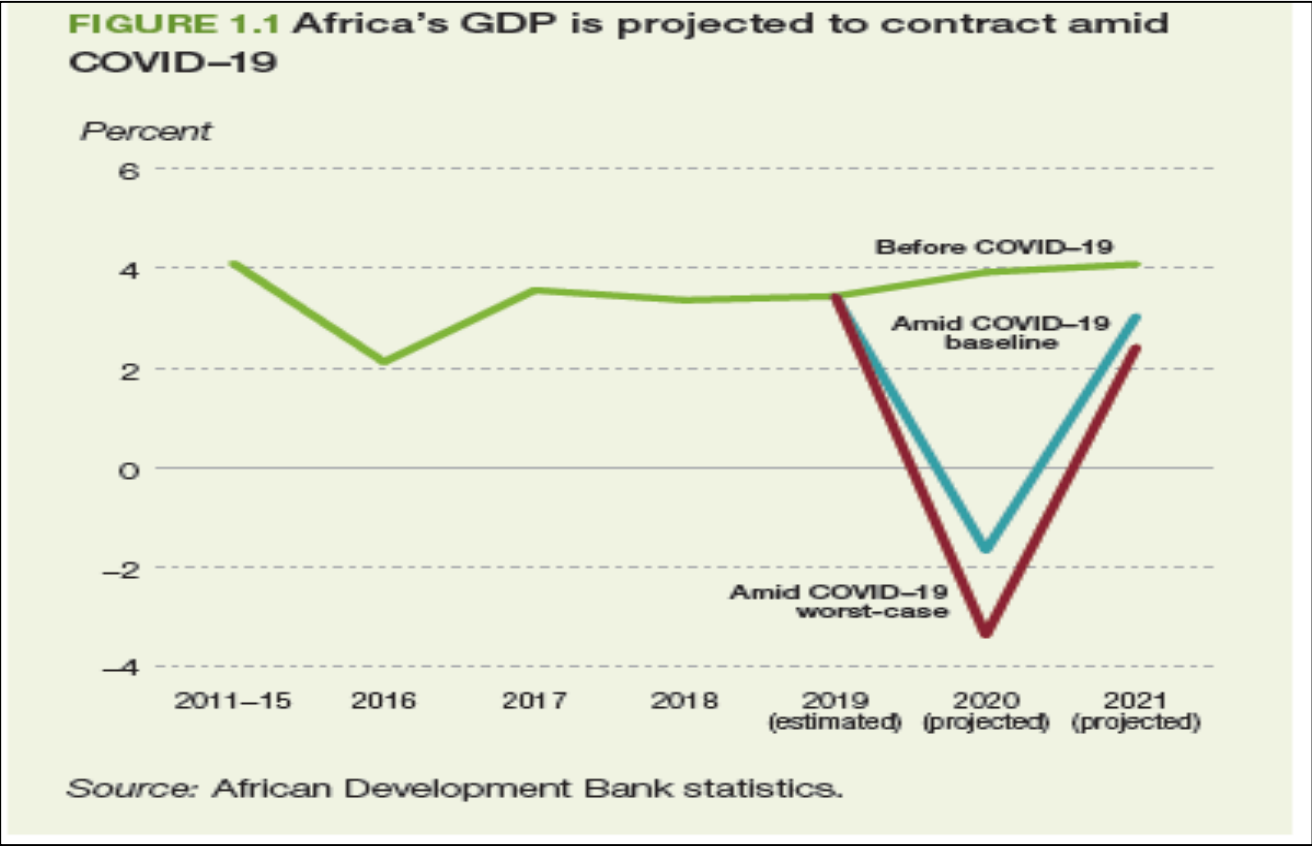


# Appendix 5: AfDB Projections (Continued)



## Africa's GDP

Africa's GDP is projected to contract due to the COVID-19 pandemic. The graph below shows the GDP from 2011 to 2021.



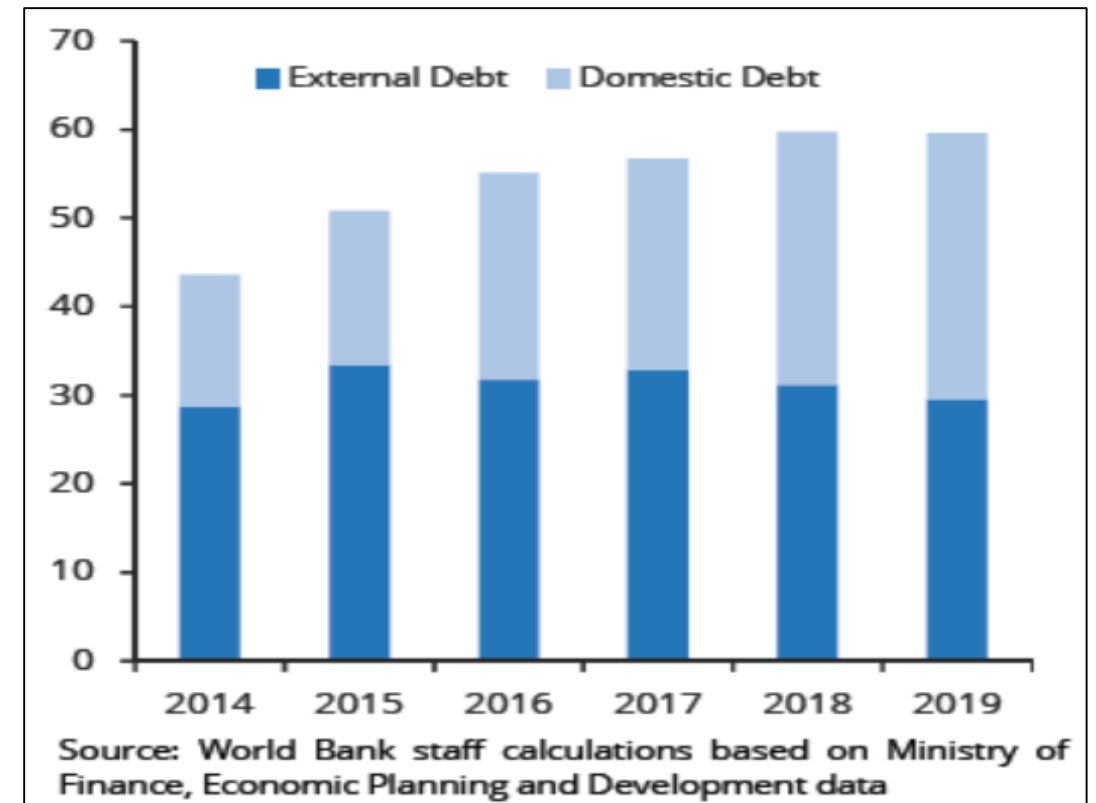


## Appendix 6: Malawi Economic Monitor – From Crisis Response To A Strong Recovery

**Table 2: Fiscal accounts**  
Percent of GDP

	2015/16	2016/17	2017/18	2018/19	2019/20 Likely outturn
<b>Revenue and grants</b>	<b>21.6</b>	<b>23.5</b>	<b>20.8</b>	<b>20.8</b>	<b>21.3</b>
<b>Revenue</b>	<b>17.8</b>	<b>20.0</b>	<b>19.3</b>	<b>18.8</b>	<b>18.3</b>
Tax Revenue	16.0	17.6	17.1	17.1	16.6
Nontax revenue	1.8	2.4	2.2	1.7	1.8
<b>Grants</b>	<b>3.7</b>	<b>3.5</b>	<b>1.4</b>	<b>2.0</b>	<b>2.9</b>
Budget support grants	0.5	0.3	-	0.6	-
Dedicated grants	1.8	1.5	0.5	0.7	1.1
Project grants	1.4	1.7	0.9	0.7	1.8
<b>Expenditure and net lending</b>	<b>27.6</b>	<b>28.2</b>	<b>28.5</b>	<b>27.4</b>	<b>31.8</b>
<b>Recurrent expenditure</b>	<b>23.5</b>	<b>21.7</b>	<b>23.8</b>	<b>22.2</b>	<b>23.2</b>
Wages and salaries	6.4	6.2	6.5	7.1	7.7
Interest payments	4.0	4.3	3.9	4.1	4.1
Foreign	0.3	0.3	0.3	0.3	0.3
Domestic	3.7	4.1	3.6	3.8	3.8
Goods and services	5.8	5.9	6.7	6.7	6.8
Maize purchases	0.8	0.7	0.7	0.2	0.2
Subsidies and transfers	4.9	3.8	5.0	4.1	4.5
Fertilizer subsidy	1.8	0.7	0.7	0.7	0.6
Arrears payments	2.5	1.4	1.6	0.1	0.1
<b>Development expenditure</b>	<b>4.0</b>	<b>6.4</b>	<b>4.7</b>	<b>5.0</b>	<b>8.4</b>
Domestically financed	0.7	0.7	1.6	1.9	2.9
Foreign financed	3.3	5.8	3.1	3.1	5.5
<b>Overall balance (incl. grants)</b>	<b>(6.1)</b>	<b>(4.8)</b>	<b>(7.8)</b>	<b>(6.5)</b>	<b>(10.5)</b>
<b>Financing</b>	<b>6.1</b>	<b>4.9</b>	<b>8.2</b>	<b>6.4</b>	<b>10.5</b>
<b>Net foreign financing</b>	<b>1.9</b>	<b>2.5</b>	<b>2.5</b>	<b>1.1</b>	<b>1.9</b>
Gross foreign borrowing	2.4	3.0	3.1	1.6	2.6
Budget support loans	-	-	1.3	-	-
Project loans	1.9	2.5	1.7	1.4	2.5
Other loans	0.5	0.5	0.1	0.2	0.1
Amortization	(0.5)	(0.6)	(0.6)	(0.6)	(0.8)
<b>Net Domestic borrowing</b>	<b>1.7</b>	<b>0.9</b>	<b>6.2</b>	<b>5.4</b>	<b>8.7</b>
Securitization of domestic arrears	2.5	1.3	(0.5)	(1.4)	-

**Domestic debt has been increasing, while external debt has declined**  
Public debt (Percent of GDP)



## Appendix 7: Monthly Economic Review for May 2020 - Central Government Budgetary Operations

Category	2019									2020				
	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May
<b>Total Revenues</b>	<b>88.5</b>	<b>100.0</b>	<b>132.7</b>	<b>97.3</b>	<b>86.4</b>	<b>110.1</b>	<b>98.8</b>	<b>83.9</b>	<b>135.2</b>	<b>110.4</b>	<b>89.4</b>	<b>119.6</b>	<b>112.8</b>	<b>78.6</b>
Domestic Revenues	81.2	86.4	85.1	94.6	81.4	100.9	90.5	77.2	116.8	104.6	73.5	109.4	88.0	76.0
Tax Revenue	77.1	81.8	78.5	88.9	77.8	93.3	87.2	71.2	110.4	101.7	68.8	90.1	82.9	73.0
Non Tax revenue	4.1	4.6	6.6	5.7	3.6	7.6	3.3	6.0	6.3	2.9	4.7	19.2	5.1	3.1
Departmental receipts	2.5	4.0	3.2	3.8	3.0	4.7	2.4	5.4	5.7	1.8	4.4	2.4	3.0	2.8
Other Receipts	1.6	0.6	3.4	2.0	0.6	2.9	0.9	0.6	0.7	1.1	0.3	16.9	2.1	0.3
Grants	7.4	13.5	47.6	2.6	5.0	9.2	8.3	6.6	18.4	5.8	15.9	10.3	24.8	2.6
<b>Total Expenditures</b>	<b>109.5</b>	<b>131.0</b>	<b>77.8</b>	<b>131.4</b>	<b>127.5</b>	<b>127.7</b>	<b>111.7</b>	<b>109.9</b>	<b>169.1</b>	<b>125.2</b>	<b>151.3</b>	<b>154.5</b>	<b>175.7</b>	<b>133.9</b>
Recurrent Expenditure	92.2	110.9	61.5	118.5	113.4	113.8	96.9	99.5	148.4	112.3	124.6	127.5	145.7	117.3
Interest Payments	7.2	35.7	15.7	12.1	13.5	39.0	25.3	22.9	5.7	22.3	9.2	39.1	29.3	24.5
Domestic	5.9	35.6	15.6	12.0	12.1	36.7	23.3	22.1	4.7	22.1	8.0	36.3	27.4	24.0
Foreign	1.3	0.1	75.7	0.0	1.4	2.3	2.0	0.9	1.0	0.2	1.2	2.8	1.9	0.5
Development	17.3	20.1	16.3	12.9	14.1	14.0	14.7	10.3	20.7	12.9	26.7	27.0	30.0	16.6
<b>Deficit/Surplus</b>	<b>-21.0</b>	<b>-31.1</b>	<b>54.9</b>	<b>-34.1</b>	<b>-41.1</b>	<b>-17.7</b>	<b>-12.9</b>	<b>-26.0</b>	<b>-33.9</b>	<b>-14.7</b>	<b>-61.9</b>	<b>-34.8</b>	<b>-62.9</b>	<b>-55.3</b>
Financing (net)	53.8	55.0	-22.2	2.2	29.11	47.2	-1.7	43.3	11.4	11.0	56.8	60.0	62.0	58.6
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	53.8	55.0	-22.2	-2.2	29.1	47.2	-1.7	43.3	11.4	11.0	56.8	60.0	62.0	58.6
Banking System	43.0	60.2	-17.4	-41.4	67.4	65.0	15.5	13.3	-107.8	41.6	53.7	13.1	62.2	76.9
Non-Bank Sector	10.8	-5.1	5.0	39.2	-38.3	-17.8	-17.2	30.0	119.3	-30.6	3.0	46.9	-0.2	-18.3
Errors and Omissions	32.9	23.9	32.7	-36.3	-12.0	29.5	-14.6	17.3	-22.5	-2.8	-2.9	25.1	-0.9	3.3

## Disclaimer

*Although every effort was made to ensure the information in this report is authentic, the report should only be used for indicative purposes. Bridgepath Capital Limited accepts no responsibility or liability resulting from usage of information from this report. Every recipient using this report should make independent efforts to ascertain the accuracy of the information.*

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