Bridgepath Capital
Invest to Achieve

Monthly Economic Report

February 2021

CONTENTS

LIST OF ACRONYMS

BHL:	Blantyre Hotels Plc
COVID-19:	Coronavirus Disease 2019
DSI:	Domestic Share Index
EIU:	Economic Intelligence Unit
EUR:	Euro
FMBCH:	FMB Capital Holdings Plc
FSI:	Foreign Share Index
GBP:	British Pound
GDP:	Gross Domestic Product
GoM:	Government of Malawi
IMF:	International Monetary Fund
MASI:	Malawi All Share Index
MB/D	Millions of Barrels per Day
MK/K:	Malawi Kwacha
M-O-M:	Month-on-month
MPC:	Monetary Policy Committee
MSE:	Malawi Stock Exchange
NBM:	National Bank of Malawi Plc
NICO:	NICO Holdings Plc
NITL:	National Investment Trust Plc
NSO:	National Statistical Office
OPEC:	Organization of the Petroleum Exporting Countries
PCL:	Press Corporation Plc
RBM:	Reserve Bank of Malawi
SSA:	Sub Saharan Africa
Sunbird:	Sunbird Tourism Plc
TB:	Treasury Bill
TC:	Tobacco Commission
TNM:	Telekom Networks Malawi Plc
TN:	Treasury Note
TT:	Telegraphic Transfer
WEO:	World Economic Outlook
UK:	United Kingdom
USA:	United States of America
USD:	United States Dollar
Y-O-Y:	Year-on-year
YTD:	Year-to-date
ZAR:	South African Rand

Executive Summary

EXECUTIVE SUMMARY

Inflation

Headline inflation for January 2021 averaged to 7.70% from 7.60% in December 2020. The increase in inflation during the period was on account of the increase in non-food inflation. The national food inflation rate for January 2021 was 9.7% whilst the non-food inflation rate was 5.6%. The respective rates were 10.50% and 4.9% in January 2021. The decrease in food inflation is unusual as the country is at the peak of the lean season. The average retail price for maize in February 2021 averaged to MK185/kg from MK205/kg in January 2021. This may be a reflection of farmers' anticipation for a bumper harvest during the 2021 season, thus they are engaged in selling to offload old maize on the market. According to a report by the RBM, as the country approaches the agricultural harvest season, food price pressures are expected to remain subdued due to increased supply of maize and other cereals.

Non-food inflation has increased on account of the upward fuel adjustments made in December 2020.

The RBM projects an easing of the average headline inflation to 7.8% in 2021 from 8.6% in 2020, while government anticipates that annual average headline inflation for 2021 will ease to 7.4%. The RBM anticipates that the further depreciation of Malawi Kwacha to United States Dollar exchange rate will prompt non-food inflation to increase as fuel prices will be on the rise.

According to the IMF country report for October 2020, inflation for 2021 is projected to average 9.5% given a sufficient harvest in 2021 and higher international oil prices. The EIU projects that inflation for 2021 will average 9.3% according to their December 2020 country report. This projection is based on the expectation that inflation will reflect rising global fuel prices and a recovery in private consumption. In addition to this, they anticipate that the accommodative monetary policy stance taken by the Monetary Policy Committee (MPC) in 2020 to maintain the policy rate at 12% in the first half of 2021 may cause inflation to increase.

Government is also set to subsidise the price of maize during the 2021 season, according to a national address made on 24 January 2021 by President Chakwera. This may induce a decline in the food inflation which will have a positive impact on inflation but may also incur financial losses for government that may have to be compensated through increased government borrowing. Fuel prices have exhibited a sharp rise which may have negative effects on the inflation outlook given the recent increase in the non-food inflation rate that was exhibited in January 2021 due to the last fuel price increase in December 2020.

Stock Market

The MASI has marginally increased by 0.06% closing the month of February 2021 with 33,009.75 points from 32,988.58 points in January 2021. The year-to-date return on the MASI has increased by 1.90% in February 2021; it was negative 3.60% during the same period in the previous year. There were share price gains for FDH bank, NBM, Standard Bank and FMBCH. There were share price losses in eight counters.

FDH Bank had the largest share price gain in February 2021 at 14.88% to K16.60 per share from K14.45 per share in January 2021. PCL had the largest share price loss during this period at 8.36% to K1,199.96 per share in February 2021 from K1,309.47 per share in January 2021. The total value of shares traded increased by 600% in February 2021 to K438.93 million from K62.75 million in January 2021.

EXECUTIVE SUMMARY

Exchange Rates

Based on middle rates, in February 2021 the Malawi Kwacha depreciated against the USD to K787.03 per USD from K776.49 per USD in January 2021. The Kwacha also depreciated against the GBP, the EUR and the ZAR. As at 28 February 2021, the country's gross official forex reserves held were USD483.38 million, which is a 3.90% decrease from the gross official forex reserves of USD502.98 million held as at 31 January 2021. Gross official forex reserves' import cover decreased by 4.15% to 2.31 months from 2.41 months during the previous month. According to the RBM, the continued shortage of supply of foreign exchange on the market may trigger a further depreciation of the exchange rate in the near term, thereby raising non-food inflation through high costs of imported goods including fuel. Total foreign exchange reserves held in February 2021 were USD823.88 million and this is an import cover of 3.94 months. This however is 4.34% lower than the closing position of January 2021 of USD861.27 million and an import cover of 4.12 months.

The decline in reserves could be due to reduced economic activity brought on by the pandemic. Export proceeds in 2020 decreased due to lower tobacco export proceeds. The combined effect of lower export proceeds and reduced economic activity due to the pandemic will put further pressure on the current account deficit. There has also been an increase in demand for medical supplies which has increased imports over the period.

As the reserves dwindle, the currency is likely to depreciate further. According to the EIU, the wide current-account deficit will exert downward pressure on the Kwacha throughout 2021. This deficit may be offset through the increasing foreign investment inflows and earnings from the agricultural sector in 2021.

According to the RBM report, Malawi continues to face challenges in containing exchange rate pressures amid the COVID-19 pandemic restrictions, as imports outlays are growing faster than exports proceeds. Economic recovery will depend on how fast the pandemic dissipates.

Government Securities

Treasury bill (TB) applications decreased by 15.92% to K75.19 billion in February 2021 from K89.43 billion in January 2021. Treasury note (TN) applications have decreased by 65.18% M-O-M to K49.19 billion in February 2021 from K141.95 billion in January 2021. The average All Type Treasury bill yield increased to 12.17% in February 2021 from 12.06% in January 2021.

Monetary Policy

The Monetary Policy Committee (MPC) decided to maintain the Policy rate at 12.0% following their first meeting held between 25 and 26 January 2021. The Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits remains at 3.75% and the Lombard rate at 20 basis points above the Policy rate. The MPC came to this decision in order to allow the effects of the policy rate reduction in November 2020 to sink into the economy. The committee also noted that the headline inflation outlook remains favourable and will continue to decline over the period.

Based on the EIU report the MPC is expected to maintain the policy rate at 12% throughout 2021 to continue to support economic recovery. The RBM will then adopt a tightening stance from 2022-25 as inflation may build up as global oil prices and consumer spending increase.

EXECUTIVE SUMMARY (Continued)

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Fiscal Policy

Based on the government midyear budget review, the overall budget deficit during the first half of the year was K351.0 billion which is marginally higher than the planned first half deficit of K348.3 billion due to more than expected disbursements of project loans. The deficit was financed by net domestic borrowing of K304.0 billion and a net foreign borrowing of K47.0 billion. During the first six months of the fiscal year, Government expenditures were over and above the target of K974.6 billion by 2.5%. Among other factors, this is also on account of the unforeseen expenditures towards Covid-19 pandemic management and re-administration of the Malawi School Certificate of Education Examinations. The performance of the budget in the first half as well as projected outturn for the second half necessitated an upward revision of the expected net domestic borrowing requirement from K530.4 billion in the approved 2020/2021 fiscal budget to K564.4 billion, or 6.1% of GDP in the revised budget. The total deficit for the 2020/2021 fiscal year is expected to be K0.81 trillion. This will be mainly financed through domestic borrowing of K0.56 trillion. The Malawi government budget for the fiscal year 2020/21 was set at K2.1 trillion in October 2020.

According to the EIU December report, the fiscal deficit is expected to widen to 9.4% of GDP in 2020/21. Based on their assessment, the 2020/21 government budget allocation focused spending on education, healthcare, energy and financing the Agricultural Inputs Program (AIP), which aims to provide subsidised agricultural inputs. The substantive allocation to the AIP coupled with welfare measures to mitigate the impact of the outbreak; cash transfers to the vulnerable groups; and the waiver of additional tax on essential imports, will make cuts in government spending difficult. The decline in earnings from personal income tax, other consumer taxes and customs due to the pandemic will also cause the deficit to widen further. Public debt is projected to reach 78% of GDP in 2021, based on forecasts by the World Bank. If spending is reduced, the fiscal deficit will contract gradually to 8.1% of GDP in 2024/25 according to the EIU report.

According to a national address made on 24 January 2021 by President Chakwera towards the fight against the COVID-19 pandemic, the government has increased funding towards various clusters in the national COVID-19 response plan, to mitigate the economic effects following the onset of the second COVID-19 wave in the country. It has additionally vowed to engage ADMARC in subsidising the price of maize during the 2021 season so as to ensure food security for those who have lost income generating opportunities during the pandemic.

Increasing public debt projections and increased government spending show that the country will continue to seek external support. The fiscal deficit will also rely on domestic borrowing and the crowding out effect is likely to limit the private sector's recovery and thus compromise the total tax revenue collected. However, if the Government successfully implements its reforms, which aim to improve efficiency, then a smaller fiscal deficit will be actualized.

Economic Growth

GDP for 2021 is forecasted to range between 2.2% to 3.3% based on EIU, IMF and World Bank estimates for the country. According to the World Bank, Real GDP growth for Malawi is estimated to grow by 3.3% in 2021. The RBM expects Real GDP growth in 2021 to average to 3.5%. The IMF country report for October 2020 projects that economic growth will average to 2.2% in 2021. It further projects gradual economic recovery during the period 2022-25, with growth averaging to 6.4%. While the EIU projects that the economy will gradually recover and grow by 2.3% in 2021 after which it will grow at 4.6% per year in 2022-25.

Growth in real GDP is expected to be supported by a strong harvest, improved regional trade and domestic activity, according to the EIU. Investments will gradually increase as the business climate improves. The economy is expected to continue to rely on the agricultural and services sector for its growth. Potential land reforms may change the agricultural sector from being predominantly subsistence based to export driven. Strong agricultural growth may subsequently raise household incomes and private consumption in the long term. Based on the midyear 2020/21 budget review, growth in 2021 will also be significantly bolstered by the expected increase in agriculture output due to the impact of AIP.

According to the MPC, economic growth was set to rebound in 2021 but has been weakened due to the onset of a second COVID-19 wave. Economic growth for 2021 will depend on how fast the second wave of the pandemic is controlled. Thus, domestic economic growth could remain subdued in 2021.

Risks

Malawi's major risks for 2021 are the spillover effects caused by a second wave of the COVID-19 pandemic which may impact the prospects of economic recovery in the year.

According to the EIU December 2020 country risk report, income levels are extremely low and public debt remains high. Slow economic activity and reduced trade has deterred incomes and lessened remittances. High government spending on COVID-19 mitigation will continue to increase government borrowing. The report also stated that, government is dependent on volatile aid inflows from foreign donors to cover its financing needs. Broad-based growth through economic diversification may not be a priority for the government, as it may focus on policies geared towards mitigating the impact of the pandemic which is at the expense of growing debt levels.

Malawi's exports earnings will continue to be concentrated in a narrow basket of agricultural goods. Tobacco which accounts for about 56% of total exports, will continue to be highly vulnerable to price and demand shocks as well as the declining demand for tobacco. Adverse weather conditions may result in low harvests and trade revenues which may influence macroeconomic stability, leading to higher inflation, greater currency volatility and weaker economic growth.

Risks of rising levels of non-performing loans during the pandemic could also impact banks negatively. A large proportion of banks' credit is also extended to the agricultural sector leaving it subject to agriculture and trade underperformance, which could affect banks' portfolios. Mining will also continue to face constraints related to external competition, fluctuations in global demand and limited power supply.

Inadequate access to power remains a problem for the country which results in decreased productivity and output. The large current account deficit may also persist to exert pressure in the medium term, with high levels of public debt and a wide fiscal deficit adding to the economic challenges.

COVID-19 Status and developments

According to Malawi Ministry of Health, the total cumulative confirmed cases rose to 31,945 as at 28 February 2021 from 23,963 cases as at 31 January 2021. Total deaths have increased to 1,044 as at 28 February 2021 from 702 deaths as at 31 January 2021. The positivity rate, which measures the percentage of positive tests to the total tests conducted, stood at 16.4%. The Case Fatality Rate (CFR) stood at 3.27% at the close of the month. According to a press release by UNICEF Malawi, on 5 March, Malawi received 360,000 doses of the COVID-19 vaccine shipped via the COVAX Facility, a partnership between CEPI, Gavi, UNICEF and WHO. The Oxford-AstraZeneca vaccine from Serum Institute of India from Mumbai, India, is set to target 20% of the population.

Distribution of the vaccine will prioritise frontline health workers, the elderly and those with underlying conditions according to the National Address On The War On COVID-19 made on 31 January 2021 by President Chakwera.

Economic overview

Economic overview

The average headline inflation for January 2021 averaged to 7.7%. The increase is on account of an increase in non-food inflation which was caused by the upward revisions in the fuel prices in December 2020. The average headline inflation rate for 2021 is expected to decline to 7.8% according to the Monetary Policy Committee January 2021 report.

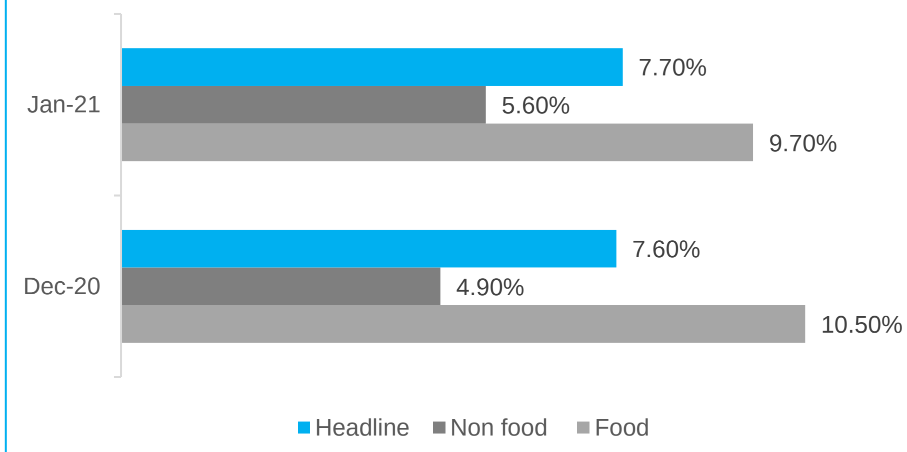
Inflation (Source: NSO)

The average headline inflation increased to 7.7% in January 2021 from 7.6% in December 2020. The average headline inflation was 11.1% in January 2020. Food and non-food inflation averaged to 9.7% and 5.6%, respectively. They were 10.5% and 4.9% in December 2020, respectively. The increase in the headline inflation rate is on account of the aftermath caused by the upward revision in fuel prices that happened in December 2020. The decline in food inflation is unexpected given the lean season for maize. The decline in food inflation was however able to offset the increase in non-food inflation rate. The three categories with the highest year-on-year inflation for January 2021 are Transportation, Miscellaneous and Alcoholic drinks and Tobacco at 9.3%, 7.1% and 6.4%, respectively.

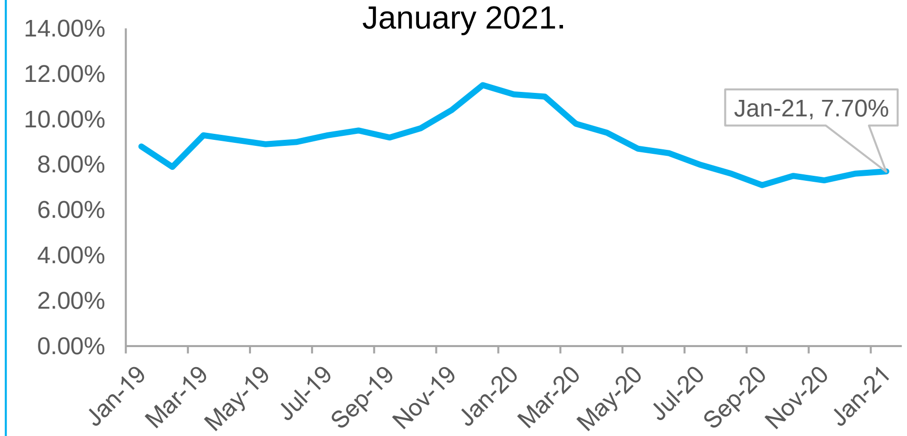
Headline inflation is anticipated to continue to decline and is projected to average to 7.8% in 2021 according to the RBM. The average headline inflation rate was 8.56% in 2020. The Monetary Policy Committee (MPC) noted that the inflation outlook in the medium-term has remained relatively the same from their previous estimations and therefore expect inflation to continue to decline over the year. Based on the midyear 2020/21 budget review, annual average headline inflation for 2021 is projected at 7.4%.

The downside on the inflation outlook are the rising costs of fuel prices caused by increasing international oil prices and the weakening of Malawi's foreign exchange position. This may have prompted higher inflation estimates for 2021 by the EIU and IMF. According to the IMF country report for October 2020, inflation for 2021 is projected to average at 9.5% given an average harvest in 2021 and higher international oil prices. Similar estimates from the EIU project that inflation for 2021 will average to 9.3%.

Monthly Inflation figures



Inflation (%)- Headline inflation peaked at 11.5% in December 2019. Headline inflation has since been decreasing averaging at 7.7% in January 2021.



Economic overview (Continued)

Treasury Bill (TB) decreased by 15.92% to K75.19 billion in February 2021 from K89.43 billion in January 2021. Treasury Note applications have decreased by 65.18% M-O-M to K49.19 billion in February 2021 from K141.95 billion in January 2021.

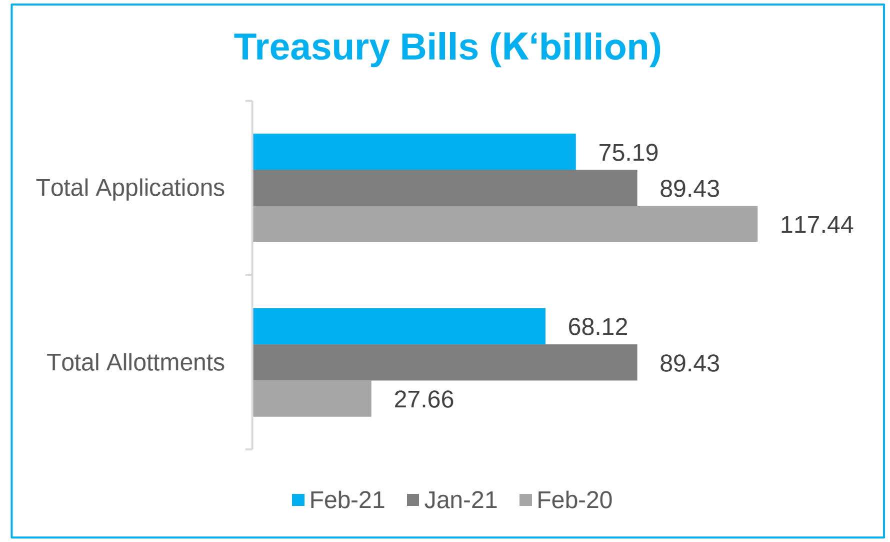
Government securities (Continued)

Treasury Bills (TBs)

Treasury bill applications decreased by 15.92% to K75.19 billion in February 2021 from K89.43 billion in January 2021. Year-on-year, total applications decreased by 29.24% as they were K117.44 billion in February 2020.

There was a M-O-M decrease of 23.83% in allotments to K68.12 billion in February 2021 from K89.43 billion in January 2021. Y-O-Y allotments have increased by 86.56% as they were K27.66 billion in February 2020.

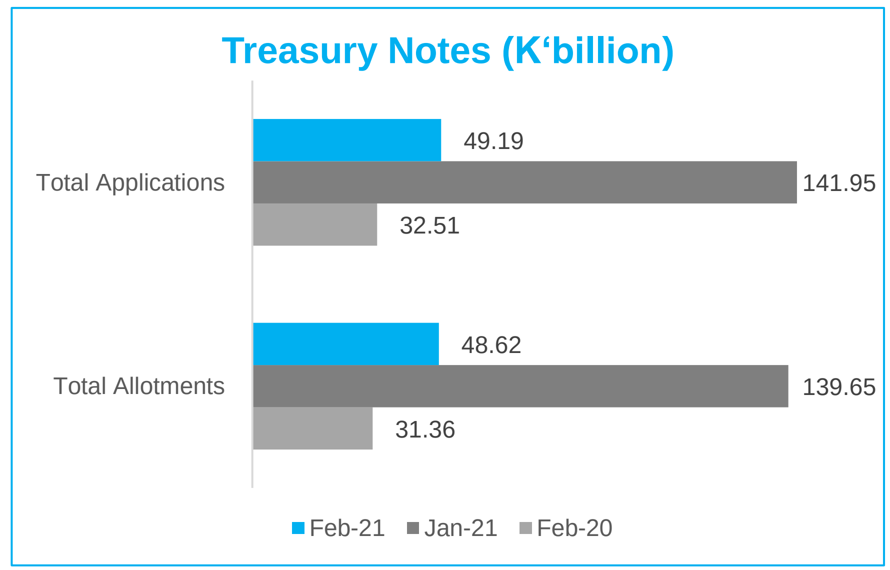
The TBs had a rejection rate of 9.41% in February 2021.



Treasury Notes (TNs)

Treasury note applications decreased by 65.18% M-O-M to K49.19 billion in February 2021 from K141.95 billion in January 2021. Y-O-Y applications have increased by 55.04% as they were K32.51 billion during the same period in the previous year. The government raised K48.62 billion in the TN auctions February 2021 which is 65.35% lower than the K139.65 billion that was raised in January 2021.

Allotments have also increased Y-O-Y by 51.31% as they were K31.36 billion in February 2020. There was a rejection rate of 1.16% for the TNs in February 2021 which is a slight reduction from the rejection rate for January 2021 of 1.62%.



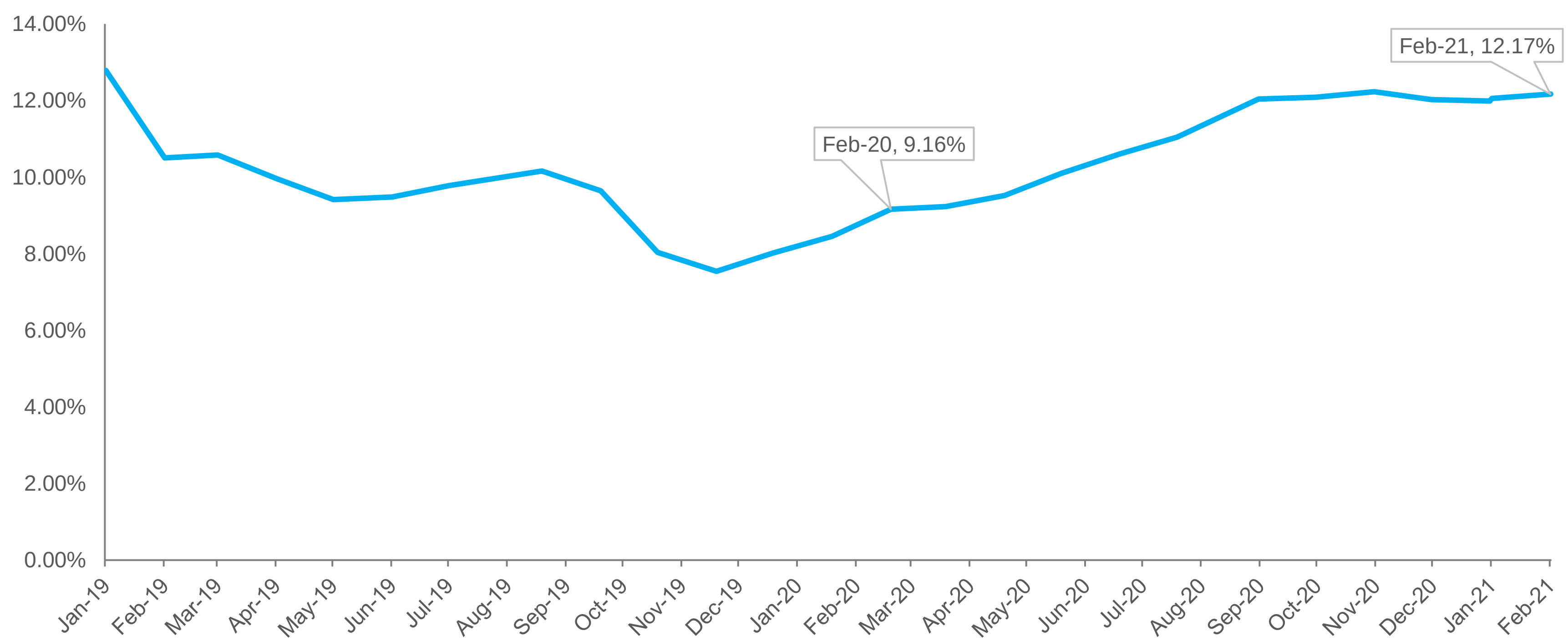
Economic overview (Continued)

The average All-Type Treasury bill yield increased to 12.17% in February 2021 from 12.06% in January 2021. The upward movement is a result of increases in the average yield for both the 182 days and the 364 days Treasury Bills.

Government securities (Source: RBM)

The average All Type Treasury bill yield increased to 12.17% in February 2021 from 12.06% in January 2021. The All-Type Treasury Bill (TB) yield was 9.16% in February 2020. The increase in the All-Type yield was caused by increases in the average yields for both the 182 days and the 364 days TB yield to 12.80% and 13.77%, respectively. The respective rates were 12.59% and 13.64% in January 2021. The average yield for the 91 days TB remained at 9.95%. The figure below traces the Treasury bill yields for the different tenures from January 2019 to February 2021.

All type yield (%)- The All type TB yield averaged to 12.17% in February 2021 due to an increase in the 364-days TB yield and the 182-days TB yield.

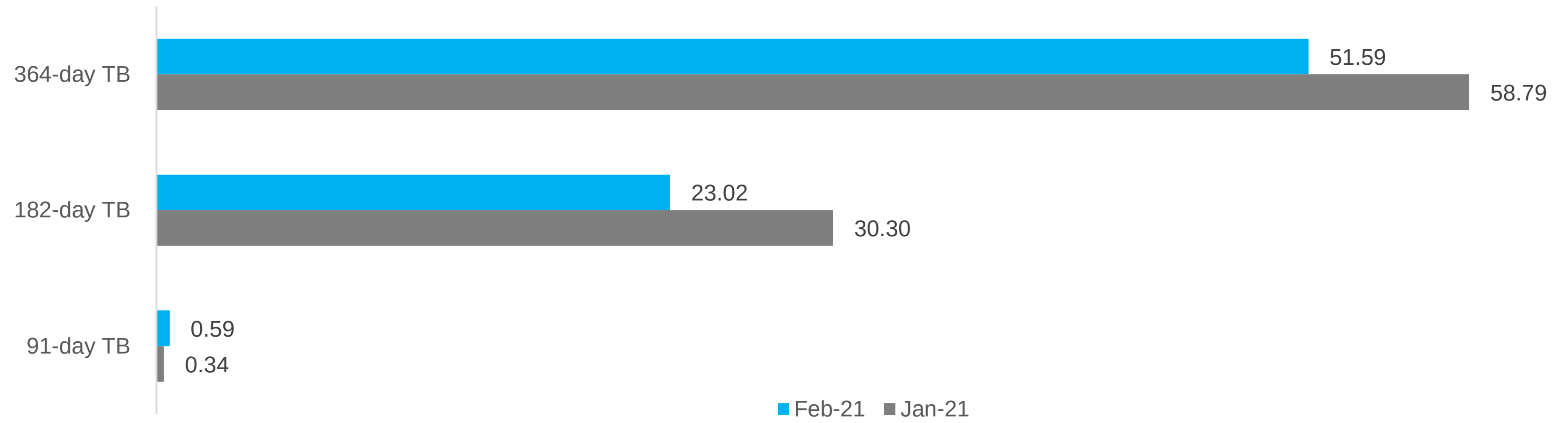


Economic overview (Continued)

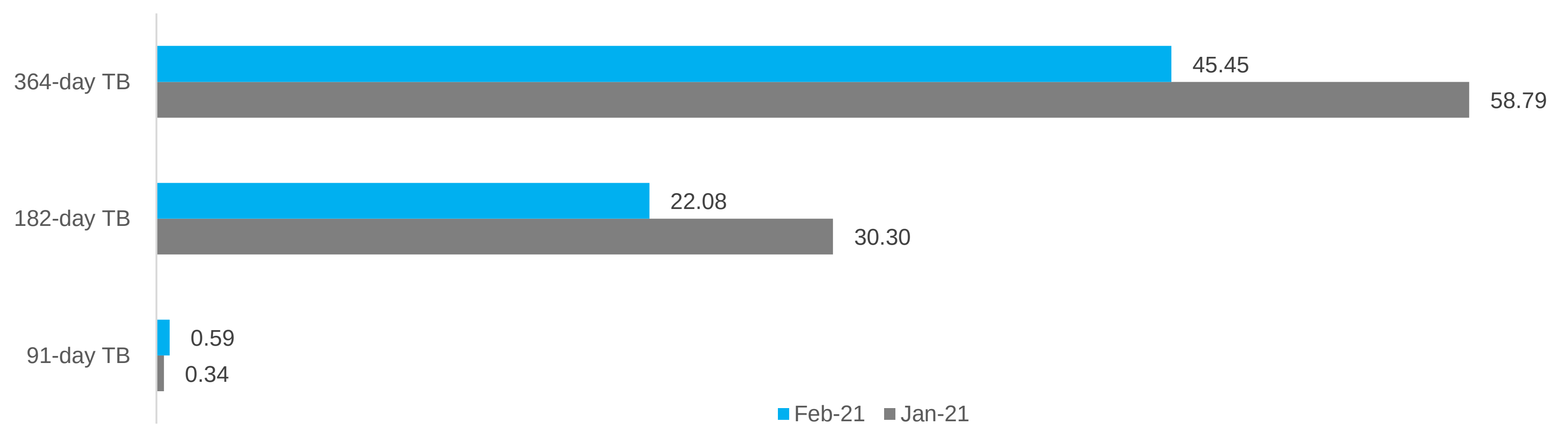
The 364 days Treasury Bill (TB) paper had the highest subscription rate in February 2021 at 68.60% from 65.73% in January 2021. This may be due to investors preference for higher yields on the market.

Government securities (Continued)

Treasury Bill Applications (K'billion)- the 364-days TB paper had the highest subscription rate of 68.60% in February 2021.



Treasury Bill Allotments (K'Billion)- The 182-days and the 364-days TB had a rejection rate of 4.08% and 11.90%, respectively.

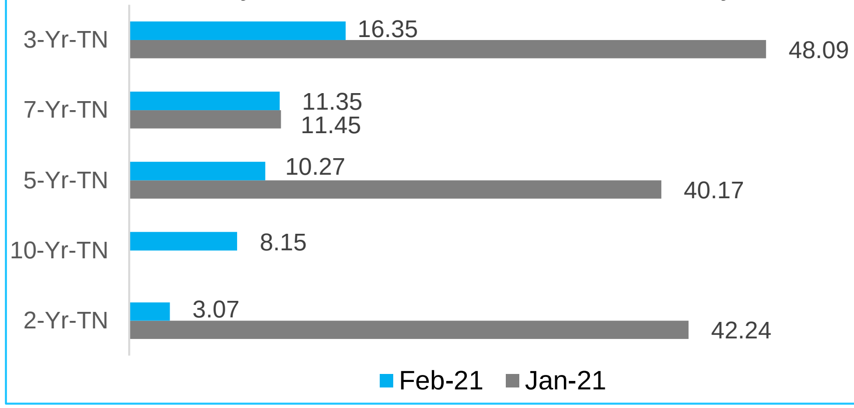


Economic overview (Continued)

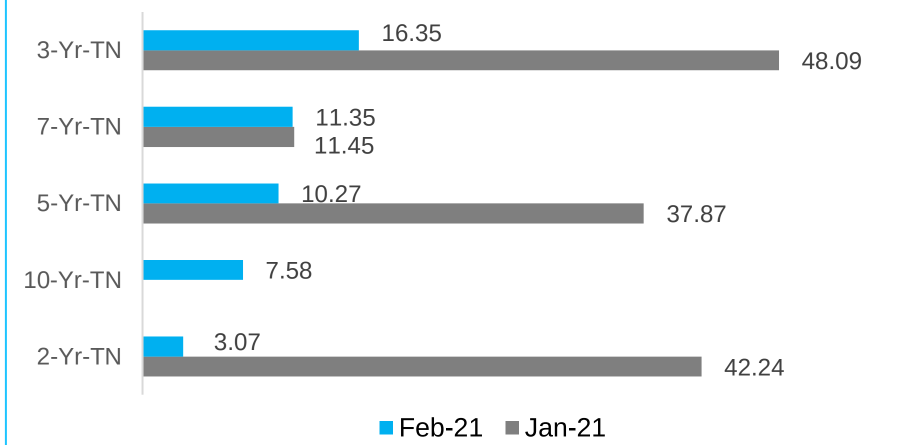
The 3-Yr Treasury Note (TN) had the highest subscription rate at 33.24% in February 2021 from 33.88% in January 2021. The average TN yield increased to 19.63% in February 2021 from 19.50% in January 2021.

Government securities (Continued)

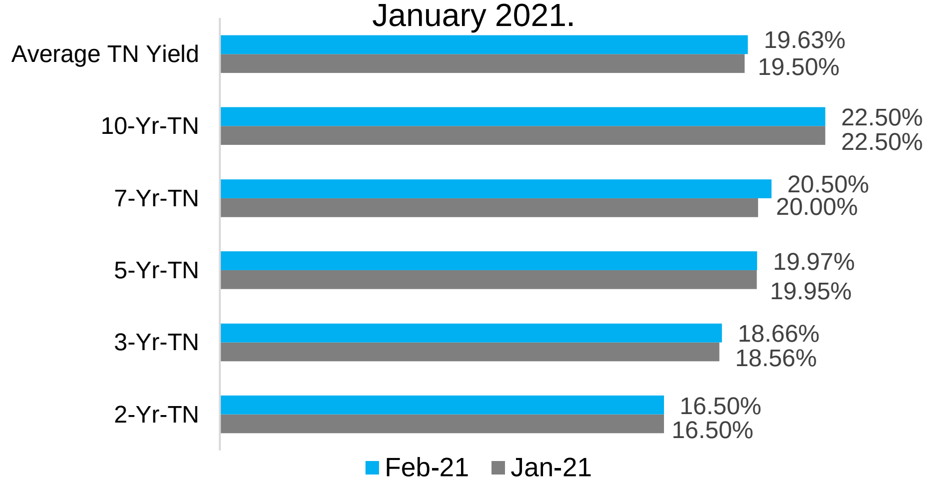
Treasury Note Applications (K'billion)- although 3-Yr TN has remained the tenor with the highest subscription rate, applications for the 3-Yr TN fell by 66% to K16.35 billion in February 2021.



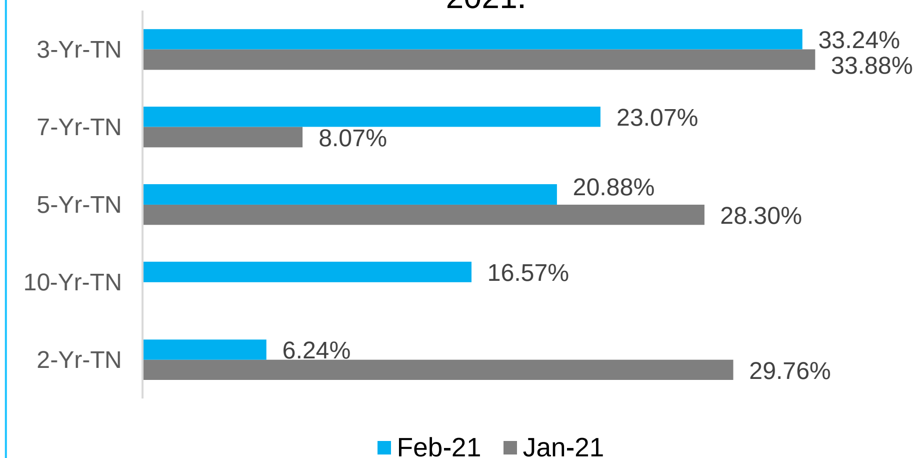
Treasury Note Allotments (K'billion)- there was a rejection rate of 6.99% for the 10-Yr TN.



Average TN Yields (%)- The average TN yield marginally increased to 19.63% from 19.50% in January 2021.



TN Subscription rates- the 3-Yr TN had the highest subscription rate of 33.24% in February 2021.

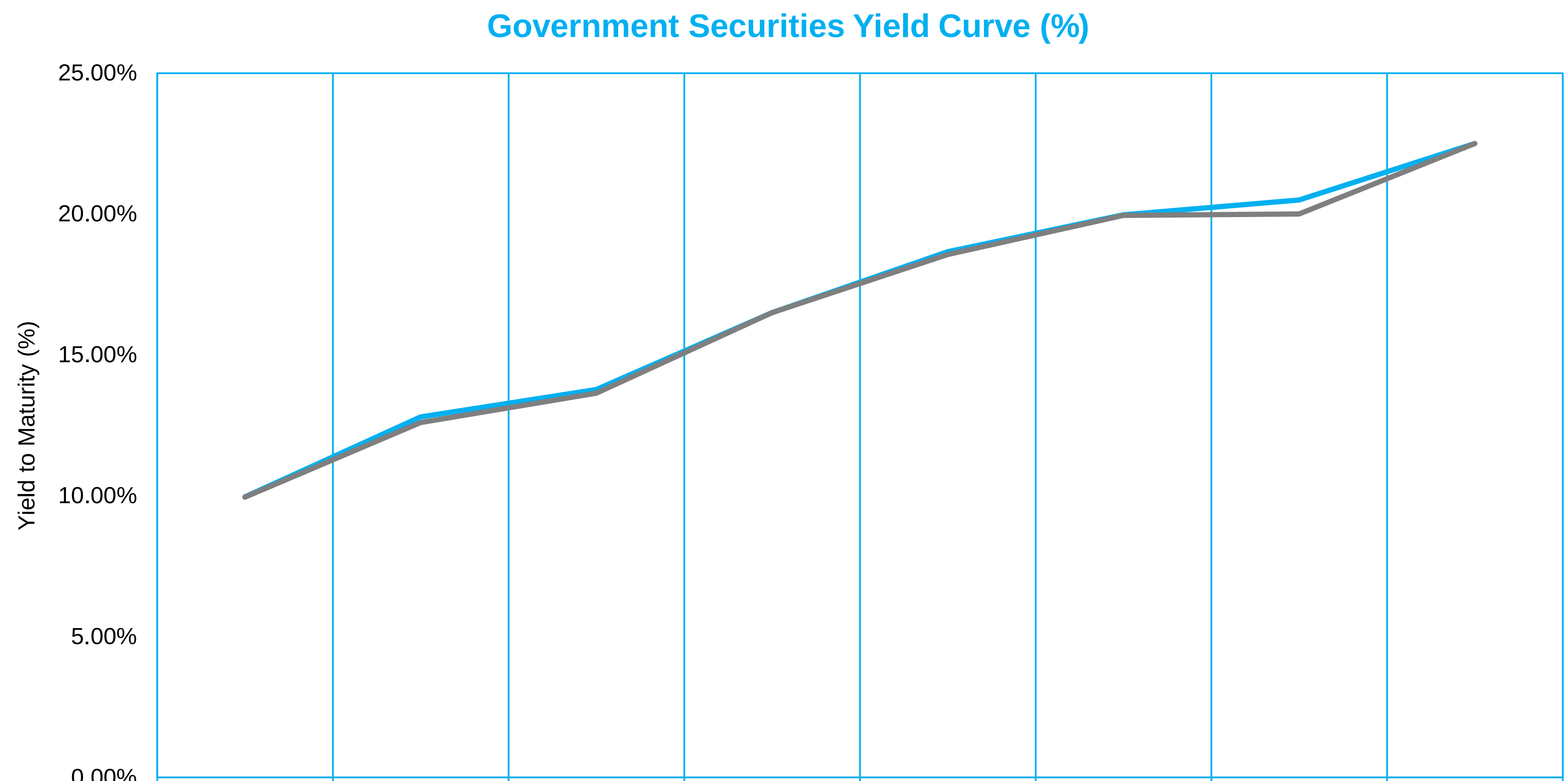


Economic overview (Continued)

The average yield curve edged upwards in the month of February 2021 against January 2021. There were increases in yields for the 182 days TB, 364 days TB , 3-Year TN, 5-Year TN , and the 7-Year TN.

Government Securities (Continued)

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

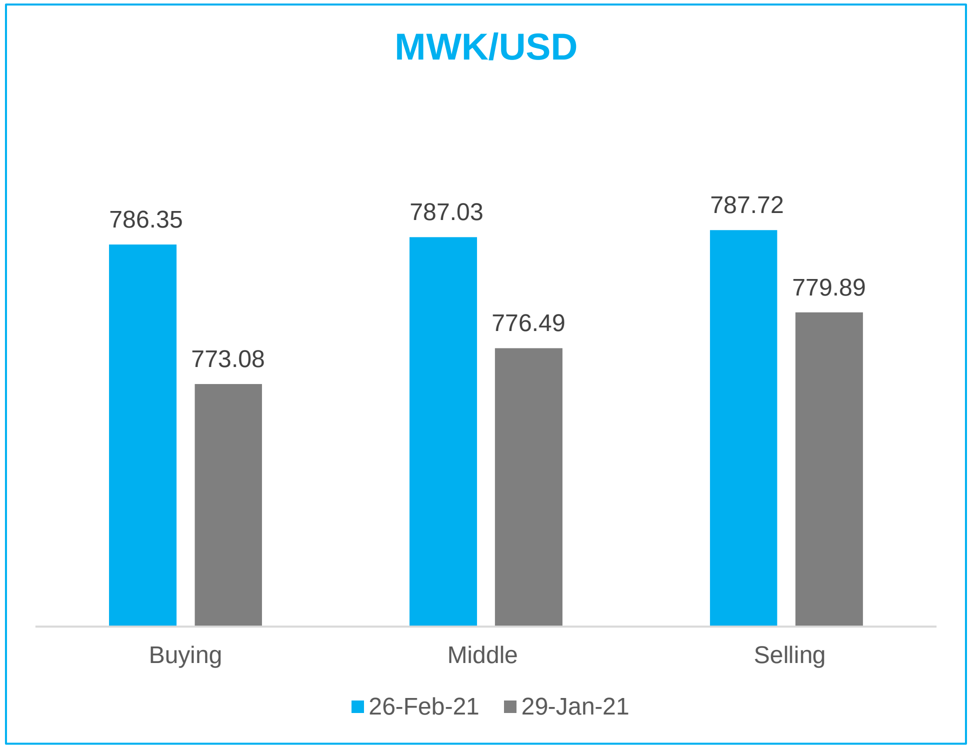


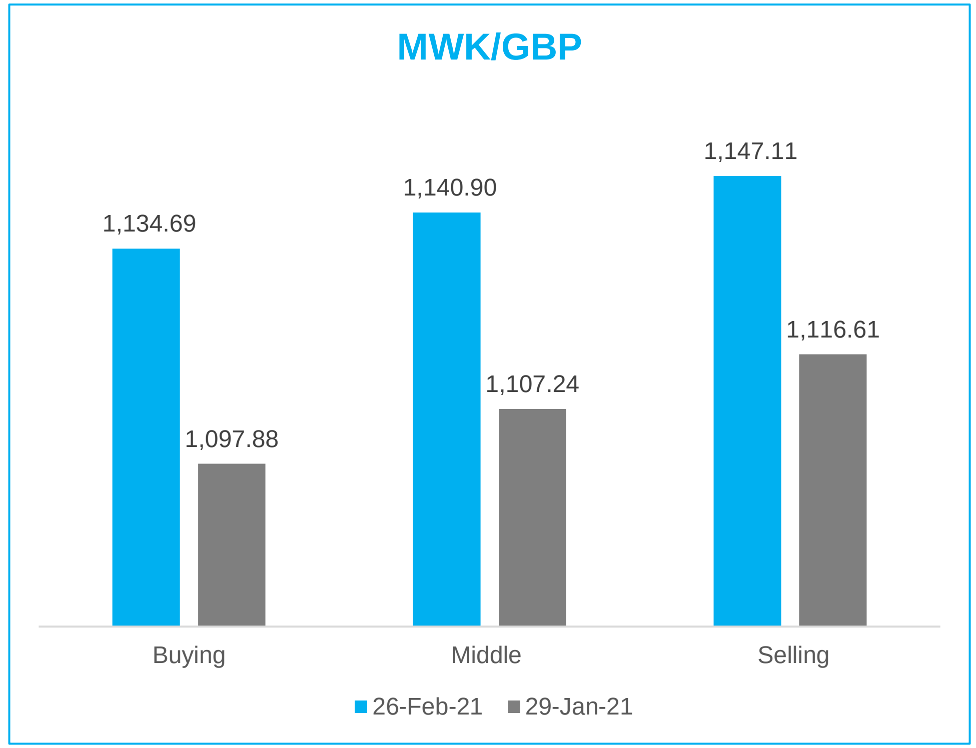
	91 days	182 days	364 days	2-Yr TN	3-Yr TN	5-Yr TN	7-Yr TN	10-Yr TN
Feb-21	9.95%	12.80%	13.77%	16.50%	18.66%	19.97%	20.50%	22.50%
Jan-21	9.95%	12.59%	13.64%	16.50%	18.56%	19.95%	20.00%	22.50%

Economic overview (Continued)

Based on middle rates, in February 2021 the Malawi Kwacha depreciated against the USD (to K787.03 per USD from K776.49 per USD in January 2021) and the GBP (to K1,1140.90 per GBP as at 26 February 2021 from K1,107.24 per GBP in January 2021). The Kwacha's position against it's major trading partners continues to weaken as the COVID-19 effects continue to exert pressure on the currency and imports continue to exceed exports.

Foreign currency market (Source: RBM)





The Malawi Kwacha depreciated against the USD as at 26 February 2021 to K787.03 per USD from K776.49 per USD as at 29 January 2021. This represents a 1.36% increase M-O-M. Y-O-Y the kwacha has depreciated by 6.85% as it was K736.58 during the same period in the previous year. The buying rate and selling rate have increased M-O-M by 1.72% and 1.00%, respectively. According to the RBM Malawi continues to face challenges in containing exchange rate pressures amid the COVID-19 pandemic restrictions, as imports outlays are growing faster than exports proceeds.

The Kwacha depreciated against the GBP to K1,1140.90 per GBP as at 26 February 2021 from K1,107.24 per GBP as at 29 January 2021. The Kwacha has depreciated by 3.04% M-O-M. Y-O-Y the Kwacha has depreciated by 20.79% as it stood at K944.52 per GBP during the same period in the previous year. The buying rate and selling rate have increased M-O-M by 3.35% and 2.73%, respectively.

NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates. The exchange rate movements are based on middle rates.

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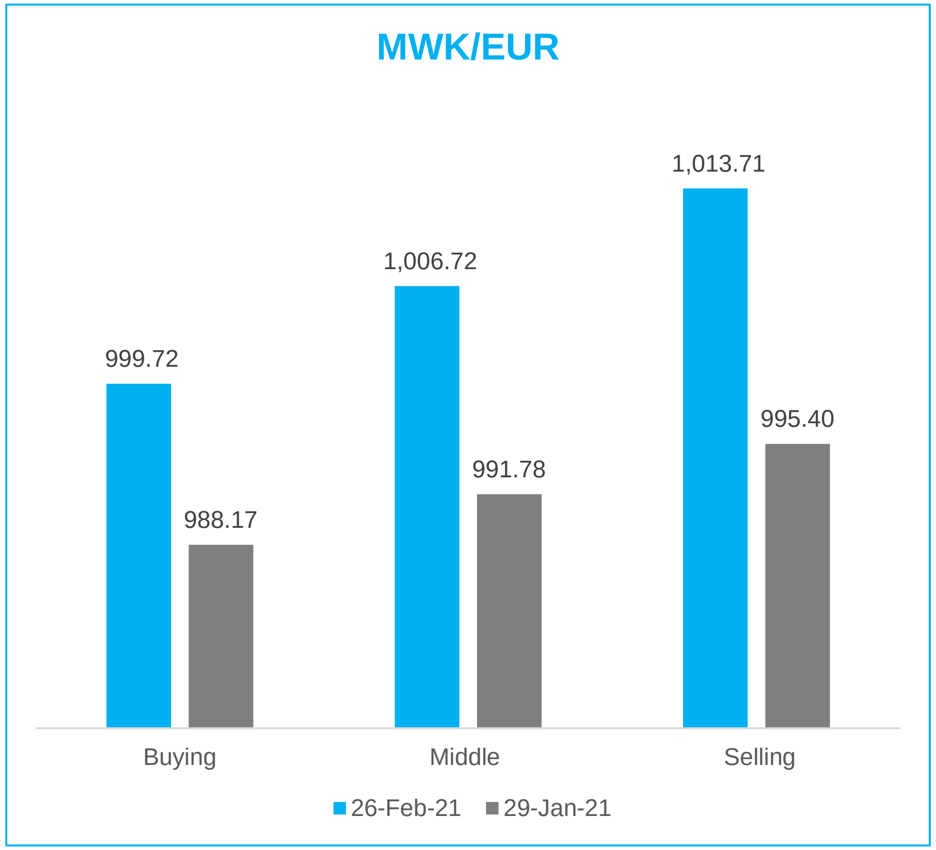
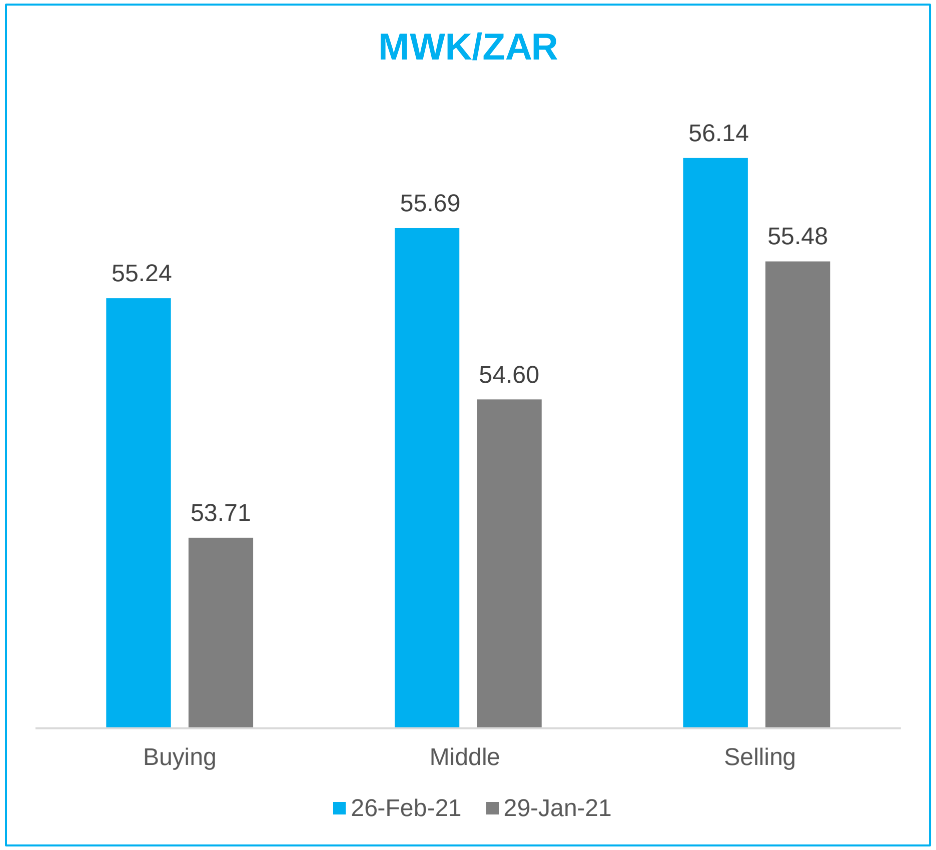
Economic overview (Continued)

Based on middle rates, in February 2021, the Kwacha also depreciated against the EUR (to K1,006.72 per EUR from K991.78 per EUR in January 2021) and the ZAR (to K55.69 per ZAR from K54.60 per ZAR in January 2021).

Foreign currency market (Source: RBM)





The Kwacha depreciated by 1.51% against the EUR to close at K1,006.72 per EUR as at 26 February 2021 from K991.78 as at 29 January 2021. Y-O-Y the Kwacha has depreciated by 23.70% as it was K813.85 per EUR during the same period in the previous year. The buying rate and selling rate have increased M-O-M by 1.17% and 1.84%, respectively.

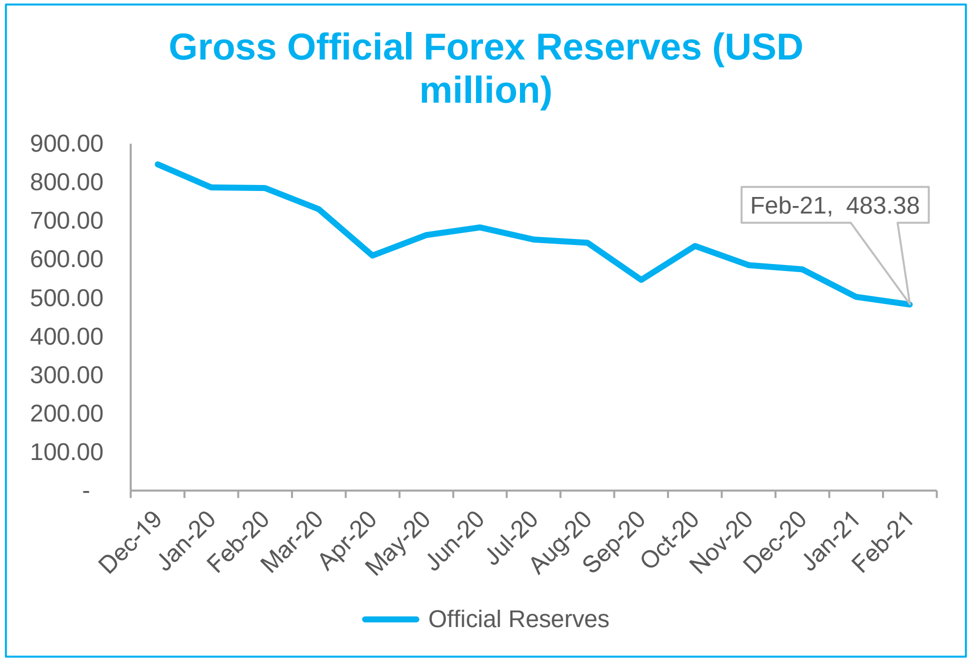
The Kwacha depreciated by 2.00% against the ZAR to K55.69 per ZAR as at 26 February 2021 from K54.60 as at 29 January 2021. Y-O-Y the kwacha has depreciated against the ZAR by 18.20% as it was K47.12 during the same period in the previous year. The buying rate and selling rate have increased M-O-M by 2.84% and 1.19%, respectively.

NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates. The exchange rate movements are based on middle rates.

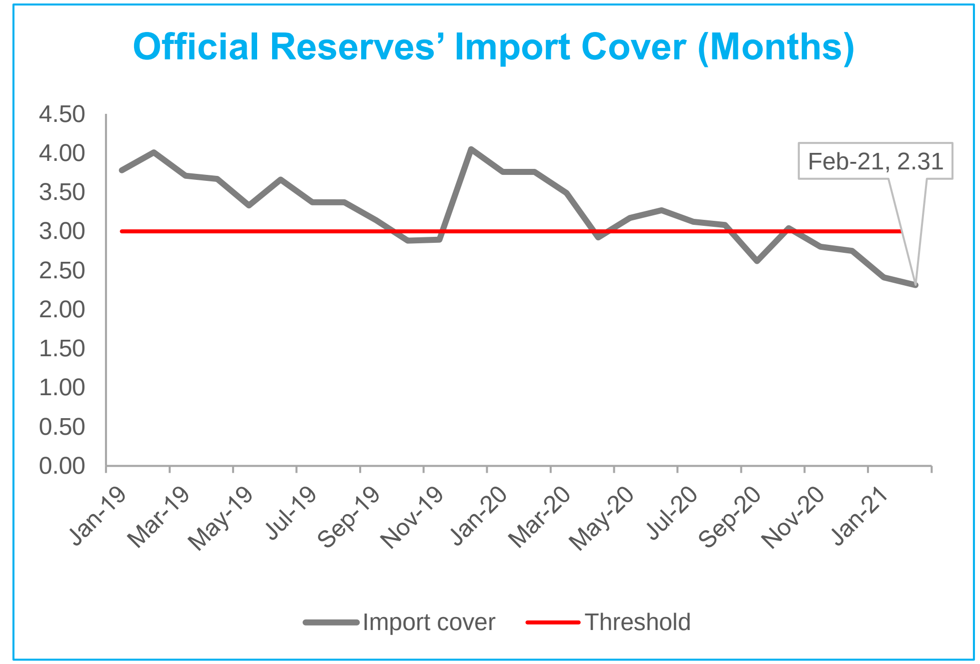
Economic overview (Continued)

Gross official forex reserves were at USD483.38 million as at 28 February 2021 which is a 3.90% decrease from the USD502.98 million as at 31 January 2021. Gross official forex reserves' import cover decreased by 4.15% to 2.31 months from 2.41 months during the previous month. The continued shortage of supply of foreign exchange on the market may trigger a further depreciation of the exchange rate in the near term, thereby raising non-food inflation through high costs of imported goods including fuel.

Foreign reserve position trend graphs (Source: RBM)



As at 28 February 2021, the country's gross official forex reserves held were USD483.38 million, which is a 3.90% decrease from the gross official forex reserves of USD502.98 million held as at 31 January 2021. Y-O-Y gross official forex reserves have decreased by 38.45% as gross official forex reserves held as at 29 February 2020 were USD785.31 million. According to the January 2021 Market Intelligence report from the RBM, on one hand, the continued shortage of supply of foreign exchange on the market may trigger a further depreciation of the Kwacha in the near term, thereby raising non-food inflation through high costs of imported goods including fuel. On the other hand, the tobacco market season may reopen soon. If this year's harvest proves to be more bountiful than the previous year, export proceeds may improve the country's foreign reserves position. Furthermore, the roll-out of COVID-19 pandemic vaccines in Malawi could help to contain infections, thereby allowing the economy to take the recovery path as some restrictions are expected to be eased.



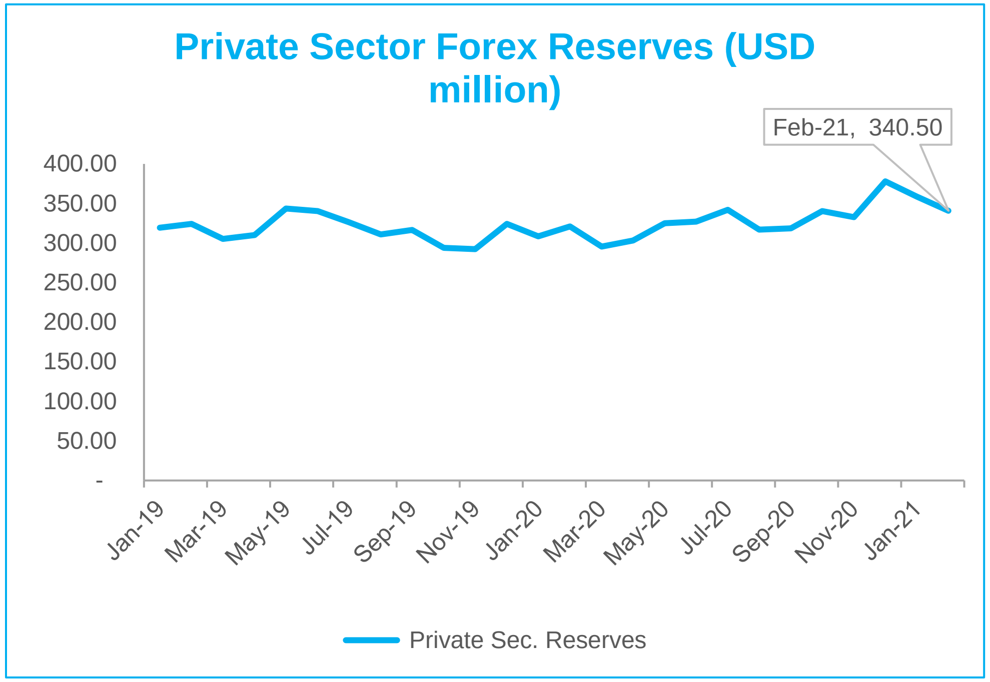
According to the RBM's assumption of a monthly import requirement of USD209.0 million, the country's import cover decreased by 4.15% to 2.31 months from 2.41 months in January 2021. Import cover for gross official reserves continues to remain below the required threshold of 3 months.

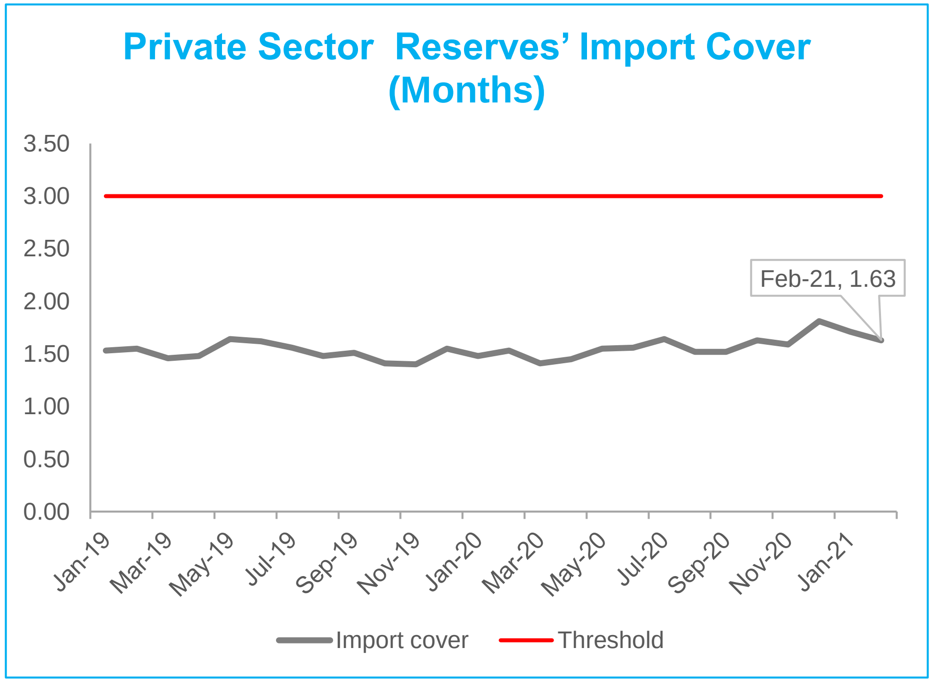
Economic overview (Continued)

The private sector reserves decreased by 4.97% to USD340.50 million as at 28 February 2021 from USD358.29 million as at 31 January 2021. Overall, the total reserves in February 2021 were USD823.88 million and this is an import cover of 3.94 months. Y-O-Y total reserves have declined by 25.52% as there was USD1,106.11 million held as at 29 February 2020.

Foreign reserve position trend graphs (Source: RBM)

The private sector reserves decreased by 4.97% to USD340.50 million as at 28 February 2021 from USD358.29 million as at 31 January 2021. Y-O-Y the private forex reserves have increased by 6.14% as total private sector forex reserves held as at 29 February 2020 were USD320.80 million. The private sector import cover has decreased to 1.63 months from 1.71 months during the period under review. Import cover for private sector reserves is well below the required threshold of 3 months.





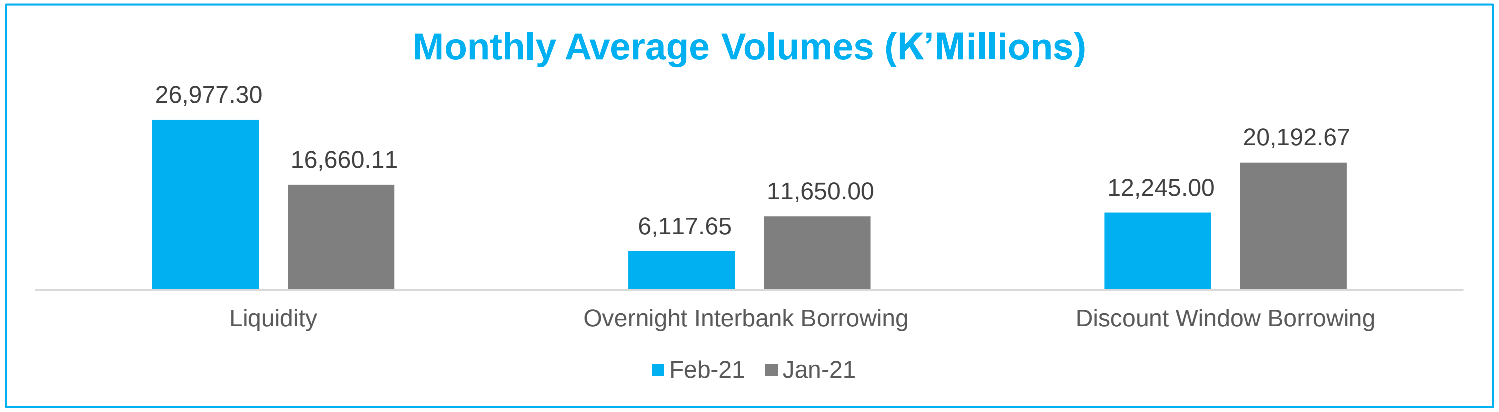
Overall, the total reserves held as at 28 February 2021 were USD823.88 million and this is an import cover of 3.94 months. This marks a 4.34% decrease from the closing position in January 2021 of USD861.27 million and an import cover of 4.12 months. Total reserves held in February 2020 were USD1,106.11 million which is an import cover of 5.29 months. This represents a Y-O-Y decline of 25.52%.

The overnight Interbank rate decreased to 10.67% in February 2021 from 11.34% in January 2021. The Lombard rate (discount window borrowing) maintained at 12.2% in the month of February 2021.

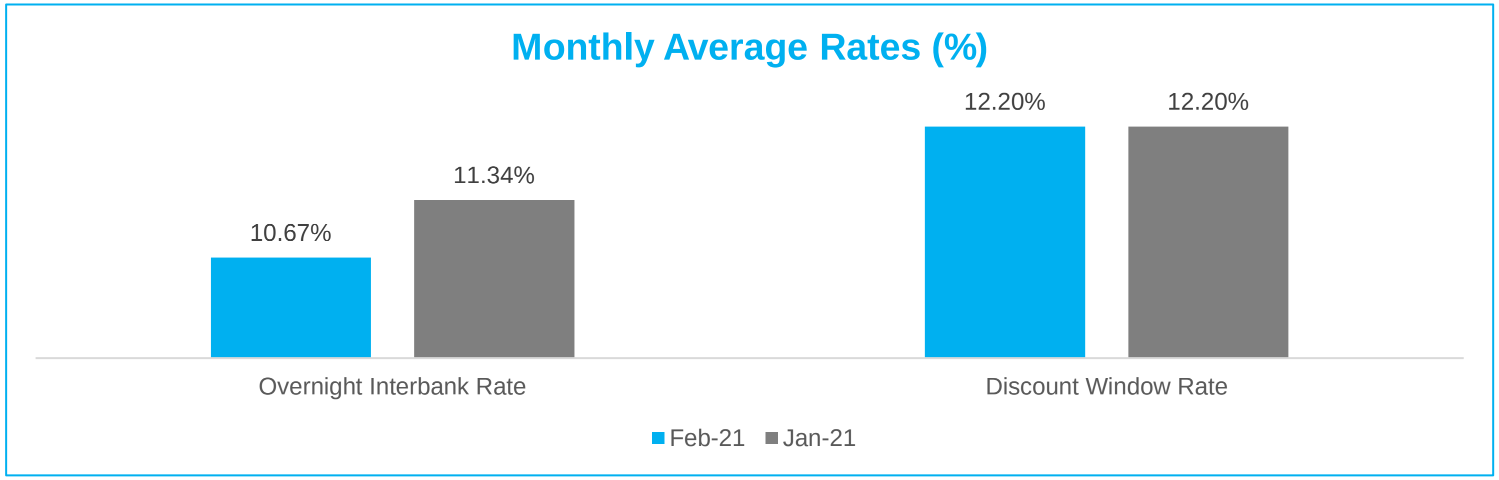
Economic overview (Continued)

Interbank markets and interest rates (Source: RBM)

There was a 61.93% increase in the daily average liquidity to K26.98 billion in February 2021 from K16.66 billion in January 2021. The Overnight Interbank Borrowing volume however decreased during the period to a daily average of K6.12 billion in February 2021 from K11.65 billion in January 2021. The daily average volume for the Lombard facility (Discount Window borrowing) also decreased to K12.25 billion in February 2021 from K20.19 billion in January 2021. The figure below summarises the monthly average changes.



The Lombard rate was maintained at 12.20% as the RBM policy rate remains at 12.0%. The Overnight Interbank rate decreased to 10.67% from 11.34% in January 2021. The changes are shown in the figure below.

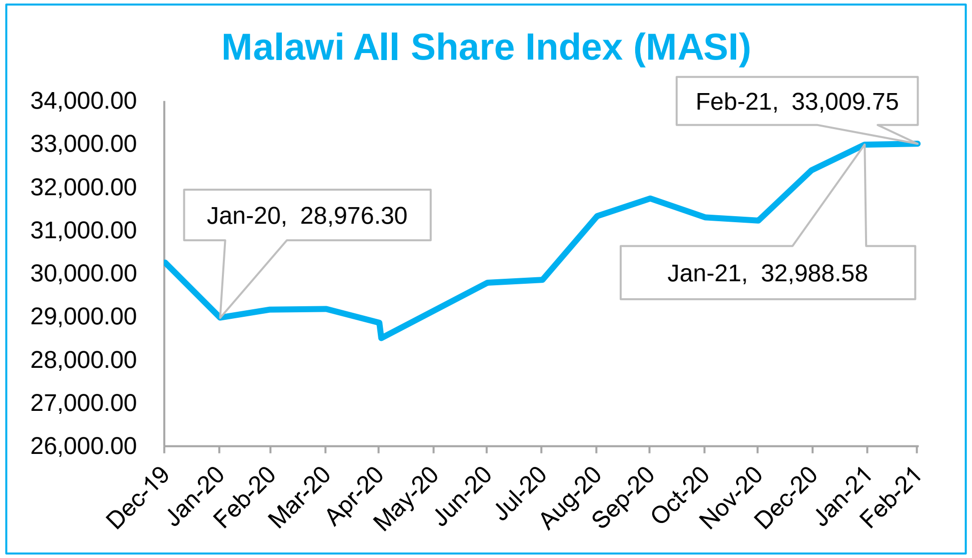


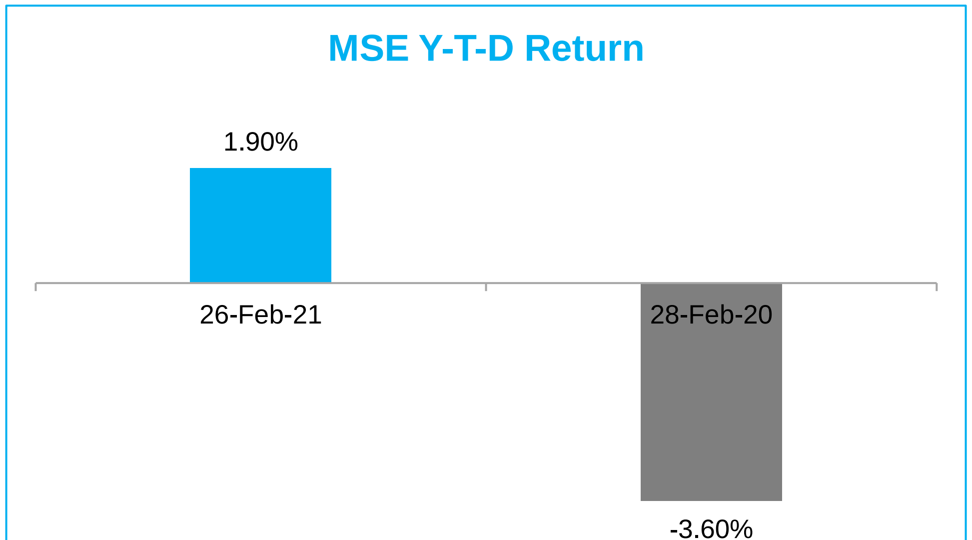
Economic overview (Continued)

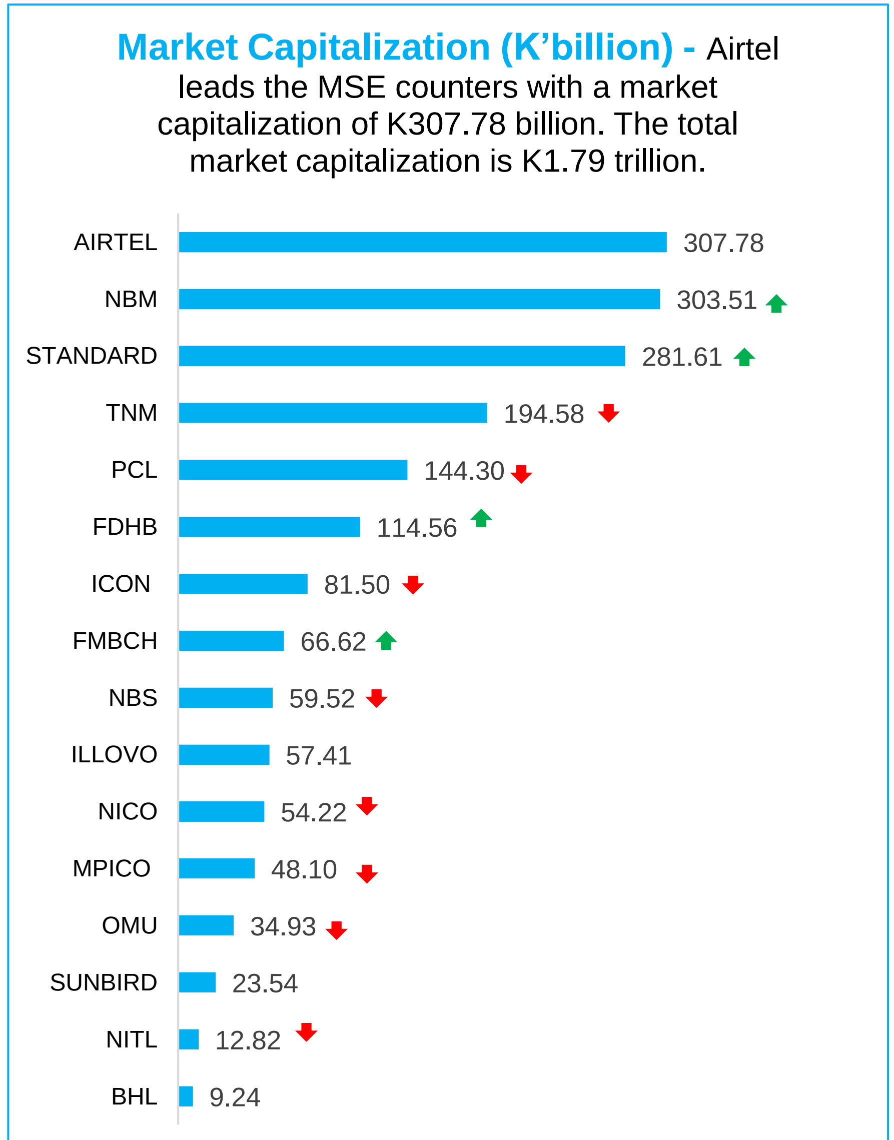
The stock market was bullish in February 2021 as the Malawi All Share Index (MASI) marginally increased by 0.06% to 33,009.75 points from 32,988.58 points in January 2021. The MASI year-to-date return was 1.90%, it was negative 3.60% during the same period in the previous year. There were four counters that had share price gains while eight counters had share price losses.

Stock market (Source: MSE)

The stock market was bullish in February 2021 as the Malawi All Share Index (MASI) closed the month at 33,009.75 points. This marks a marginal increase of 0.06% from the closing index of 32,988.58 points in January 2021.





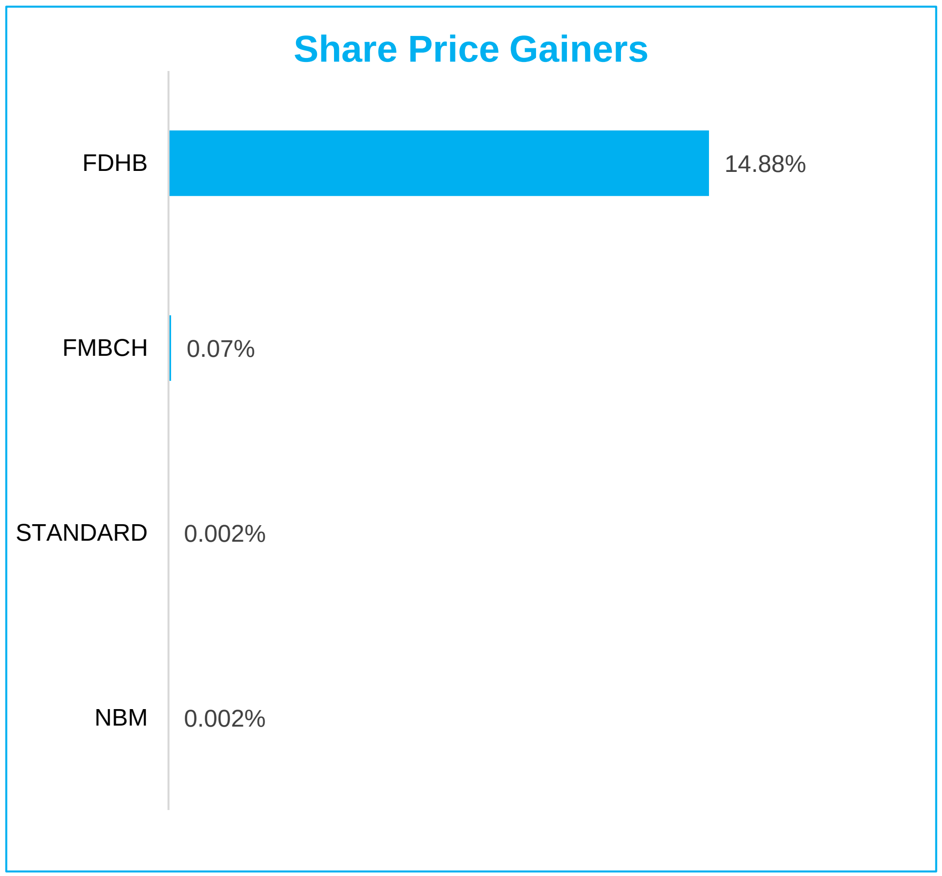


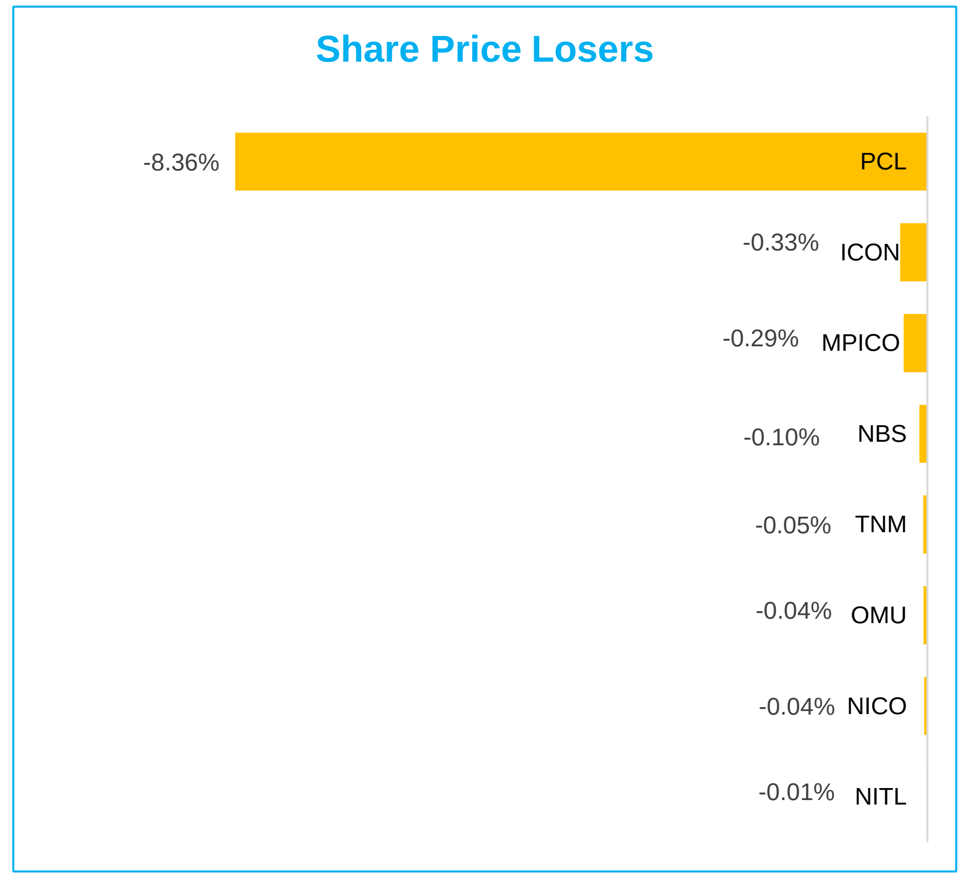
Economic overview (Continued)

FDH Bank had the largest share price gain in February 2021 at 14.88% to K16.60 per share from K14.45 per share in January 2021. PCL had the largest share price loss during this period at 8.36% to K1,199.96 per share in February 2021 from K1,309.47 per share in January 2021.

Stock market (Source: MSE)

The largest gainer in February 2021 was FDH Bank which closed the month at K16.60 per share from K14.45 per share in January 2021. This marks a M-O-M increase of 14.88%. There were also share price gains for FMBCH (to K27.10 from K27.08), Standard bank (to K1,200.03 from K1,200.00) and NBM (to K650.01 from K650.00). A total of four counters closed the month at the same price as the previous month, these counters were: Airtel, BHL, Illovo and Sunbird. There were share price losses for eight counters on the MSE. The largest loser was PCL whose share price decreased by 8.36% to K1,199.96 per share as at the close of February 2021 from K1,309.47 per share as at the close of January 2021. The figures below summarise the share price changes during the period.



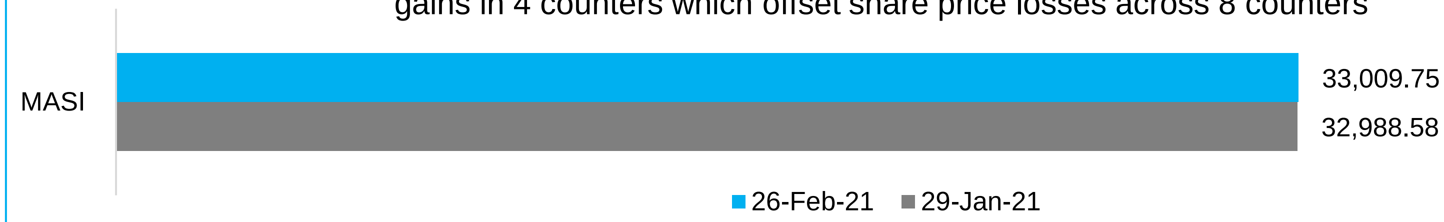


Economic overview (Continued)

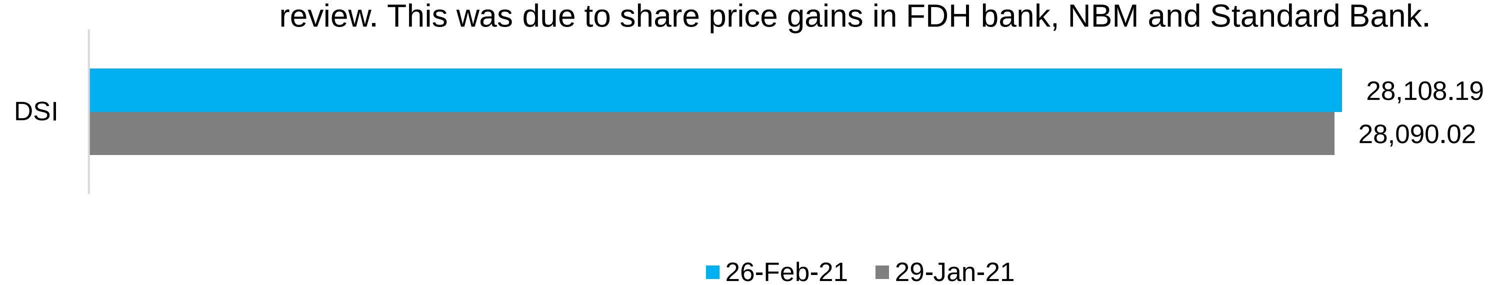
The MASI has marginally increased by 0.06% as it closed the month of February 2021 at 33,009.75 points from 32,988.58 points in January 2021. The year-to-date return on the MASI has increased by 1.90% in February 2021 it was negative 3.60% during the same period in February 2020.Y-O-Y the MASI has grown by 13.19% as it was 29,162.28 points in February 2020. The DSI and the FSI increased in February 2021 due to share price gains for FDH bank, NBM, Standard Bank and FMBCH.

Stock market (Continued)

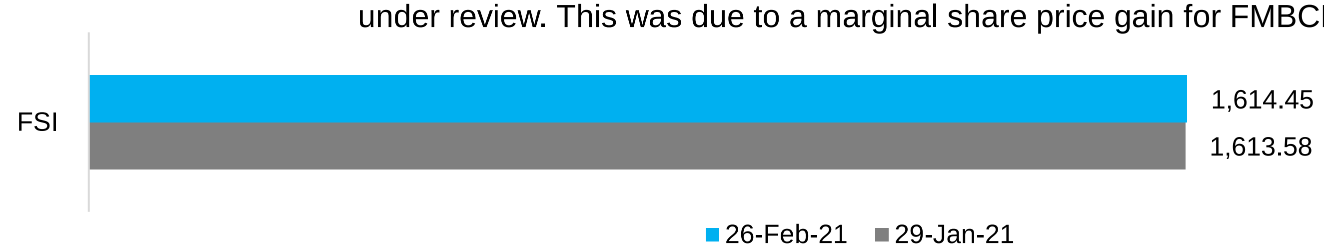
MASI – the MSE was bullish during the period under review as the MASI marginally increased to 33,009.75 points from 32,988.58 points in the previous month. This was due to a share price gains in 4 counters which offset share price losses across 8 counters



DSI – the DSI increased to 28,108.19 points from 28,090.02 points during the period under review. This was due to share price gains in FDH bank, NBM and Standard Bank.



FSI – the FSI marginally increased to 1,614.45 points from 1,613.58 points during the period under review. This was due to a marginal share price gain for FMBCH.



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Economic overview (Continued)

There were 12.05 million shares traded in February 2021 through 178 trades. The total values of shares traded increased by 600% in February 2021 to K438.93 million from K62.75 million in January 2021.

Stock market (Continued)

MSE Traded Volumes

There were 12.05 million shares traded in February 2021 compared to 2.28 million shares traded in January 2021. The total number of trades in the month under review decreased to 178 trades from 221 in January 2021. The figure below traces the total value of shares traded on the MSE in February 2021.

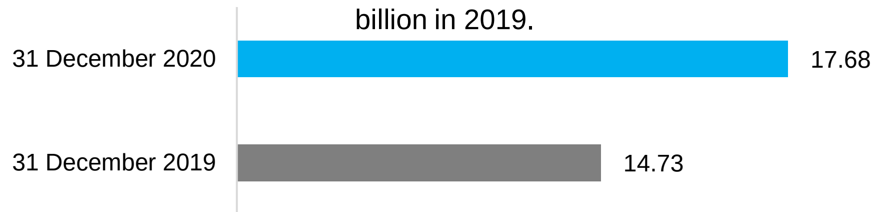
Value of shares traded (K'millions)- The total values of shares traded increased by 599.44% in February 2021 to K438.93 million from K62.75 million in January 2021. Y-O-Y the total value of traded shares has increased by 4.16% as they were K421.39 million in February 2020.

Economic overview (Continued)

According to their trading statement, MPICO Group expects a 40% decrease in profits for the period ending 31 December 2020 to at least K4.56 billion from K7.6 billion. This is due to a late adjustment relating to a historical issue on which an expert opinion was only delivered late February 2021.

Latest corporate announcements (Source: MSE)

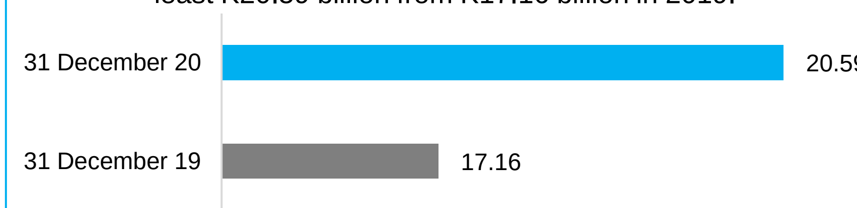
1. **NICO Holdings Profit After Tax (K'billions) -** according to their trading statement, NICO Holdings expects 20% increase in profits for the year ending 31 December 2020 to at least K17.68 billion from K14.73 billion in 2019.



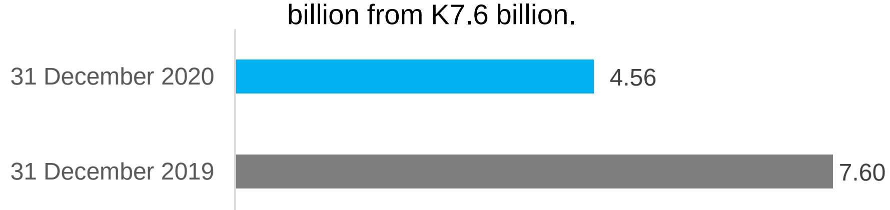
2. **NITL Profit After Tax (K'billions) -** according to their updated trading statement, NITL expects a 17% decrease in profits for the period ending 31 December 2020 to at most K1.48 billion from K1.78 billion.

3. **Illovo Profit After Tax for the half year (K'billions) –** Illovo plc expects PAT for the half year ending 28 February 2021 to be higher than the previous corresponding period by at least 60%. Half year PAT was K2.05 billion in 2020, it is expected to be K3.28 billion for 2021.

4. **NBM Profit After Tax (K'billions) -** according to their trading statement, NBM expects 20% increase in profits for the year ending 31 December 2020 to at least K20.59 billion from K17.16 billion in 2019.



5. **MPICO Profit After Tax for the half year (K'billions) –** according to trading statement, MPICO expects a 40% decrease in profits for the period ending 31 December 2020 to at least K4.56 billion from K7.6 billion.



6. **OMU Trading statement for the year ended 31 December 2020:** Shareholders are advised that the Group's key profit measures are expected to fall within the ranges outlined below:

Key Performance Indicators (ZAR million unless stated otherwise)	Estimated % change	Estimated 31 December 2020	30 December 2019
Results from Operations	(79%) to (89%)	1,884 - 987	8,972
Adjusted Headline Earnings	(70%) to (80%)	2,957 - 1,971	9,856
AHEPS (cents) 1	(69%) to (79%)	64.9 - 44.0	209.3

(1)AHEPS defined as Adjusted Headline Earnings divided by weighted number of shares(WANS) adjusted to reflect the Group's BBE shares, and shares held in policyholder and consolidated investment funds.

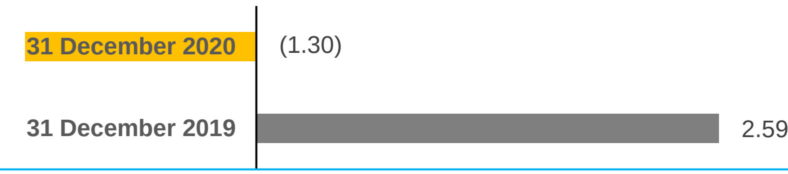
Economic overview (Continued)

Corporate announcements (Source: MSE)

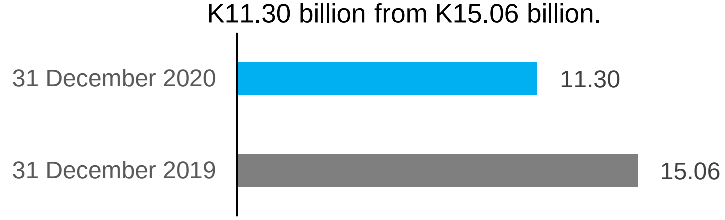
6 companies have released positive trading statements, these are: Airtel, NBS, Standard Bank, FMBCH, NBM and NICO. Whereas 6 companies have released negative trading statements expecting profits to fall more than 20%. These companies are: Sunbird, BHL, TNM, MPICO, OMU and NITL. Illovo plc expects PAT for the half year ending 28 February 2021 to be higher than the previous corresponding period by at least 60%. Half year PAT was K2.05 billion in 2020, it is expected to be K3.28 billion for 2021.

7. **Airtel Profit After Tax (K'billions) -** according to their trading statement, Airtel expects a 40% increase in profits for the period ending 31 December 2020 to at least K22.27 billion from K15.91 billion.

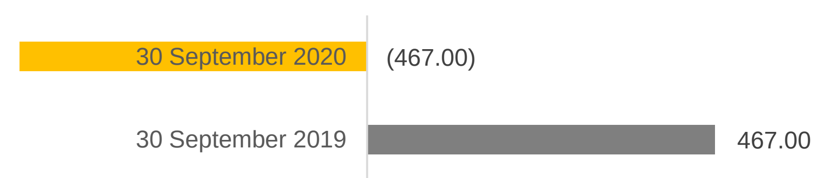
8. **Sunbird Profit After Tax (K'billions) -** according to their trading statement, Sunbird expects a 150% decrease in profits for the period ending 31 December 2020 to negative K1.3 billion from K2.59 billion. This was attributed to the effect of COVID-19.



9. **TNM Profit After Tax (K'billions) -** according to their trading statement, TNM expects a 25% decrease in profit after tax (PAT) for the period ending 31 December 2020. The PAT will decrease to at most K11.30 billion from K15.06 billion.



10. **BHL Profit After Tax (K'millions) -** according to their trading statement, BHL expects more than a 200% decrease in profits for the period ending 30 September 2020 to at least negative K466.7 million from K466.7 million.

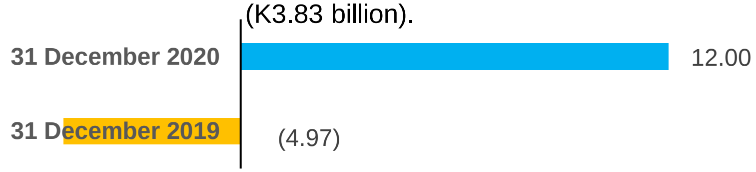


Economic overview (Continued)

Corporate announcements (Source: MSE)

According to their trading statement, FMBCH expects a 200% increase in profits for the period ending 31 December 2020 to at least USD12 million (K9.25 billion) from a loss of USD4.97 million (K3.83 billion).

11. **FMBCH Profit After Tax (USD'millions) -** according to their trading statement, FMBCH expects a 200% increase in profits for the period ending 31 December 2020 to at least USD12 million (K9.25 billion) from a loss of USD4.97 million (K3.83 billion).



12. **Standard Bank Profit After Tax (K'billions) -** according to their trading statement, Standard Bank expects a 45% increase in profits for the period ending 31 December 2020 to at least K23.03 billion from K15.88 billion.

13. **NBS Profit After Tax (K'billions) -** according to NBS's trading statement, NBS expects a 25% increase in profits for the period ending 31 December 2020 to at least K5.72 billion from K4.46 billion.

14. Counters that did not release End of Year Trading Statements are listed below. The assumption is that these counters expect their PAT to be within 20% of the profit made in the previous period:

1	FDHB
2	PCL
3	ICON

Economic overview (Continued)

Corporate announcements (Source: MSE)

National Bank of Malawi (NBM) plc wishes to advise its shareholders that NBM has now completed the acquisition of a 51% controlling stake in Akiba Commercial Bank plc (ACB) in Tanzania for a consideration of USD 7.31 million through a share subscription. Shareholders are, however, advised that negotiations are continuing for an additional stake in ACB.

15. **FDH Bank Plc cautionary statement**

FDH Bank Plc wishes to update its shareholders and the general public that members of its majority shareholder, FDH Financial Holdings Limited, are still engaged in shareholding negotiations. The negotiations may result in changes in the shareholding structure of FDH Financial Holdings Limited. Shareholders are therefore advised to exercise caution in dealing in their shares and consult professional advisors before dealing in their shares until such time as the result of the negotiations is known.

16. **National Bank of Malawi plc cautionary statement**

National Bank of Malawi (NBM) Plc wishes to advise its shareholders that NBM has now completed the acquisition of a 51% controlling stake in Akiba Commercial Bank plc (ACB) in Tanzania for a consideration of USD 7.31 million through a share subscription. The acquisition is in line with NBM plc's current strategic plan which has regional expansion as one of its key thrusts. This acquisition is expected to bring about growth in business for both NBM Plc and ACB as it upscales the business of ACB to the standards of NBM plc.

NBM is listed on the Malawi Stock Exchange with a market capitalization of K304 billion. The investment in ACB is approximately 2% of the NBMs current market capitalization. ACB is a Tanzanian bank offering a range of banking and financial services. It was established in 1997 with 300 Tanzanian entrepreneurs as its initial shareholders. It has strong SME roots and operates 18 branches across Tanzania.

Shareholders are, however, advised that negotiations are continuing for an additional stake in ACB. They are therefore advised to continue to exercise caution in dealing in their shares in the Company and consult professional advisors before dealing in their shares until such time as the result of the negotiations are known. NBM plc is further informing the general public that all efforts will be made to communicate further developments as and when required.

Economic overview (Continued)

Corporate announcements (Source: MSE)

FDH Bank Plc wishes to inform its shareholders that following a meeting held on 8 February 2021, the Board of Directors of FDH Bank Plc passed a resolution approving payment of an interim dividend of K3 billion (representing K0.43 per share) in respect of 2020 profits.

17. Dividends:

Below are dividend announcements:

Company	Declared/Proposed	Type	Dividend (MK)	Last Day To Register	Payable
FDHB	Declared	Interim	0.43	12 March 2021	26 March 2021
NBM	Declared	Second interim	5.35	12 March 2021	31 March 2021
Illovo	Proposed	Final	2.00	12 March 2021	31 March 2021

HEPS: Headline Earnings per share
EPS: Earnings per share

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Economic overview (Continued)

There were no traded debt securities on the market. The 27 listed debt securities on the MSE had a total nominal value of K828.13 billion in February 2021.

Debt market

Nominal Value (K'billions) – In the period under review, there were 5 Corporate Medium-Term Notes by MyBucks Banking Corporation and 23 Malawi Government Treasury Notes. There were no trades registered on the 28 listed debt securities. However, one Government Treasury Note with a nominal value of MK3 billion matured on 22 February 2021, leaving the total number of listed debt securities at 27 with a total value of MK828.13 billion.

Other Market Developments

Other Market Developments (Continued)

The average retail price for maize in February 2021 was MWK 185/kg. This is 9.76% lower than the average retail price for maize in January 2021 which was MWK 205/kg. A standard 50kg bag of maize was selling for MK9,250 per bag on average in February 2021 from MK10,250 per bag in January 2021.

Malawi monthly maize market report (Source: IFPRI)

The average retail price for maize in February 2021 was MWK 185/kg. This is 9.76% lower than the average retail price for maize in January 2021 which was MWK 205/kg. The average retail price for maize was MWK199/kg in February 2021. was The decline in prices is an unusual pattern given the onset of the lean season where maize prices are ideally expected to increase.

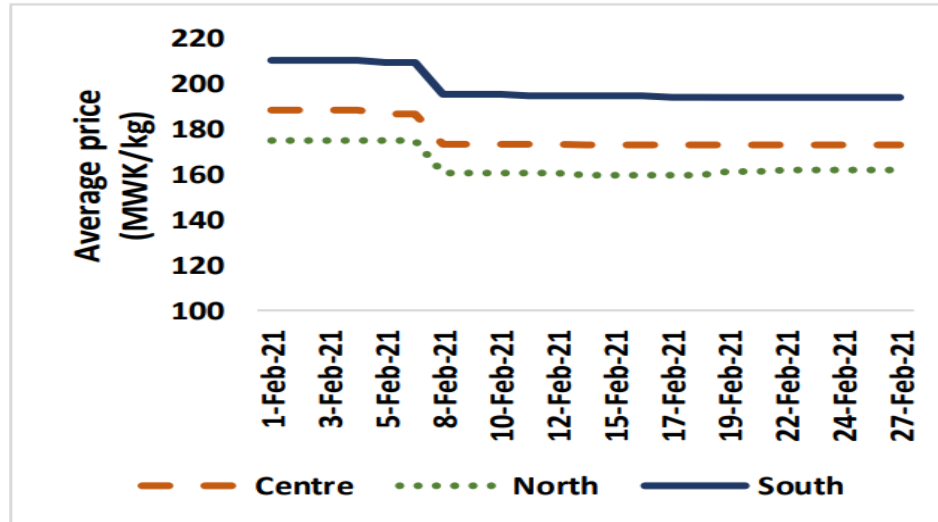
Based on the average price per kg, a standard bag of maize, which is 50kg, is on average selling at MK9,250 per bag. A standard bag of maize was selling for MK10,250 per bag on average in January 2021. The decline in the price of maize is expected given that Malawi is now at the peak of the lean season.

Overall, the nominal average price in February 2021 is significantly lower than in February of 2020. The nominal average price February 2021 was about MWK 40/kg lower than that of February 2019 during the first two weeks of the month, with prices almost equal at the end of the month in both years

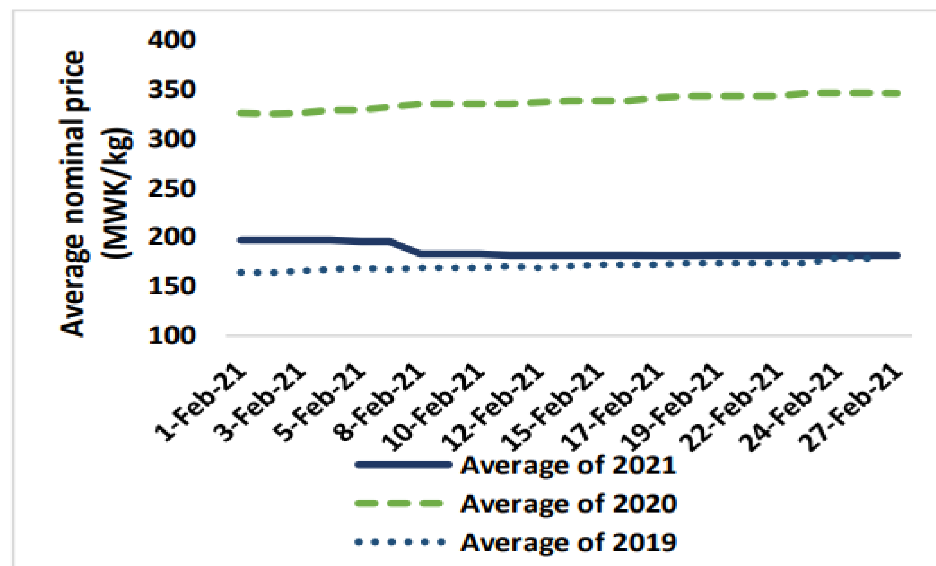
Maize is being sold to consumers by ADMARC at MWK 160/kg, which is substantially lower than the retail price in most markets.

As of the end of February 2021, retail maize prices in Malawian markets were lower than in most major regional markets in eastern and southern Africa. The highest retail price was recorded in Nairobi (Kenya), followed by Maputo (Mozambique) and Dar es Salaam (Tanzania). Prices in Lunzu, Mzuzu and Mitundu markets were higher than on SAFEX (the main grain futures market in South Africa). Prices in Karonga were higher than the national average price in Zambia reported at the end of January 2021.

Daily average maize rerail prices during February 2021



Price movements in February 2021, 2020 and 2019



Other Market Developments (Continued)

The price of Petrol Diesel and Paraffin have gone up by 7.74%, 8.66% and 17.35%, respectively. The price for Petrol, Diesel and Paraffin are currently at MK 899.20 per litre, MK898.00 per litre and MK719.60 per litre, respectively.

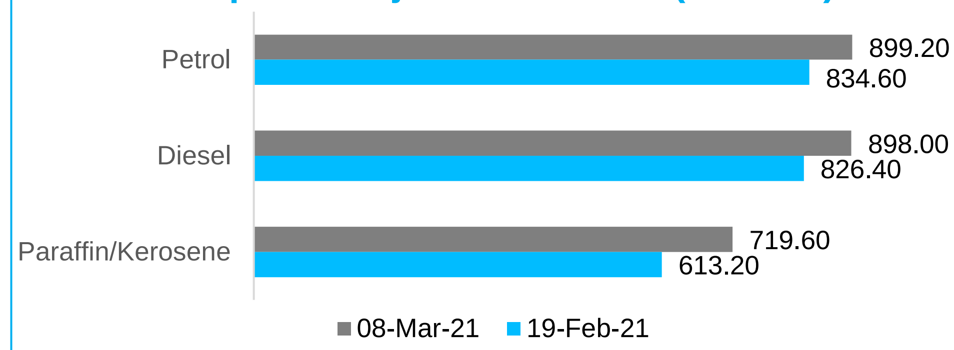
Fuel price revisions (Source: MERA)

After considering the negative economic impact that the COVID-19 pandemic has had on consumers' spending power and that higher fuel prices may exacerbate the situation, the MERA Board decided to maintain fuel prices on 19 February 2021 following their review of the Free On Board (FOB) prices and Malawi Kwacha to the United States Dollar exchange rate.

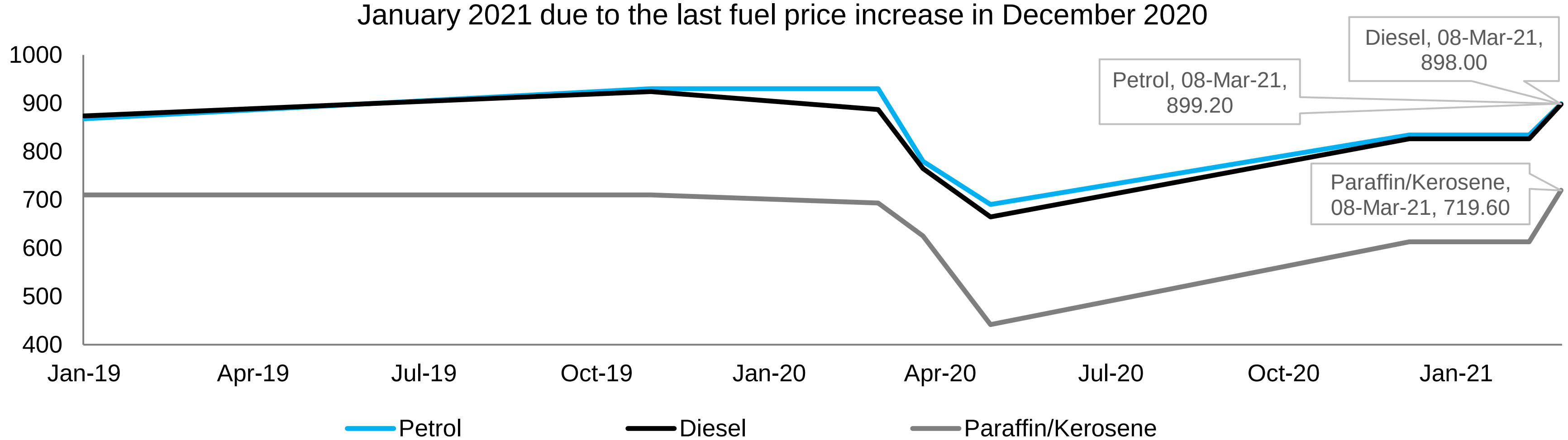
A subsequent review by the MERA board on 8 March 2021 noted that the average FOB prices of petrol, diesel and paraffin increased in the month of February 2021 by 13.31%, 13.59% and 12.55%, respectively when compared to the average prices which were applied when the In Bond Landed Costs (IBLC) were last revised. Since the last IBLC review in February 2021, the Kwacha had depreciated, trading at K787.85/USD from K778.84/USD, representing a loss in value of 1.16%. The MERA Board also noted that when compared the February 2021 IBLC, the March 2021 IBLC of petrol, diesel and paraffin increased by 9.60%, 9.70% and 8.93%, respectively. The Price Stabilisation Fund can no longer cushion consumers as resources have been depleted.

The board thus resolved that fuel prices be revised upwards (Figure below).

Fuel prices adjustments 2021 (MK/litre)



Fuel price movements 2019-2021(MK/litre)- Since May, Fuel prices have exhibited a sharp rise which may have negative effects on the inflation outlook given the recent increase in the non-food inflation rate that was already exhibited in January 2021 due to the last fuel price increase in December 2020



Other Market Developments (Continued)

According to the Government midyear budget review, the preliminary GDP growth rate for 2021 is forecasted at 3.5%. This is largely on account of the normal to above normal rains. Growth in 2021 will also be significantly bolstered by the expected increase in agriculture output due to the impact of Affordable Inputs Program (AIP).

Mid-year review budget statement 2020/21 (Source: Government of Malawi)

Highlights from the 2020/2021 Budget Statement Set in August 2020

Based on the 2020/2021 Budget Statement, government approved total expenditure and net lending of K2.190 trillion, while inflows of revenues and grants were approved at K1.435 trillion, giving a total financing requirement of K755.1 billion. Of this financing, K530.4 billion was planned as net domestic borrowing, while K224.8 billion was projected as net foreign financing. On 26 February 2021, the budget performance was reviewed and below we summarise some of the key areas.

Assumptions of the Mid-year Budget review for 2020/21 fiscal year

The budget in the current fiscal year has been revised based on the following major assumptions:

i. A projected GDP growth rate of 0.9% in 2020 and 3.5% in 2021;
ii. An average inflation rate of 8.0% during the fiscal year;
iii. A Policy rate of 12.0%
iv. Seasonal patterns of some activities such as the Affordable Inputs Program (AIP), slow start of new projects during the first half of the year as well as the need to balance revenue inflows against expenditure outlays were also considered.

Economic developments in Malawi from the Mid-year Budget review

- Economic growth in 2021 and beyond is dependent on how fast the second wave of the pandemic dissipates
- As the economy continues to suffer from the adverse effects of the coronavirus pandemic, Malawi's international economic activities have been hampered by border closures in neighbouring countries as well as containment measures in major trading partners such as South Africa, Europe and China.
- The preliminary GDP growth rate for 2021 is forecasted at 3.5%. This is largely on account of the normal to above normal rains that this country has received so far, although localized dry spells are being experienced in some districts mostly in the southern and eastern regions of Malawi. Growth in 2021 will also be significantly bolstered by the expected increase in agriculture output due to the impact of AIP.
- The country's trade balance continues to worsen. As at end December 2020, trade deficit widened to US$566.7 million from US$352.8 million recorded during the same period in 2019. This is mainly on account of increased imports of items for Covid-19 management as well
- Annual average headline inflation for 2021 is projected at 7.4%, with a December 2021 inflation projection of around 7.0%.

Other Market Developments (Continued)

Government, through Ministry of Lands has commenced the construction of the promised 10,000 houses for security institutions. In the first half of the 2020/2021 fiscal year, K4.6 billion was released to Ministry of Lands to start construction of these houses.

Mid-year review budget statement 2020/21 (Continued)

General Policy Issues from the 2020/2021 Mid-year Budget Statement Review

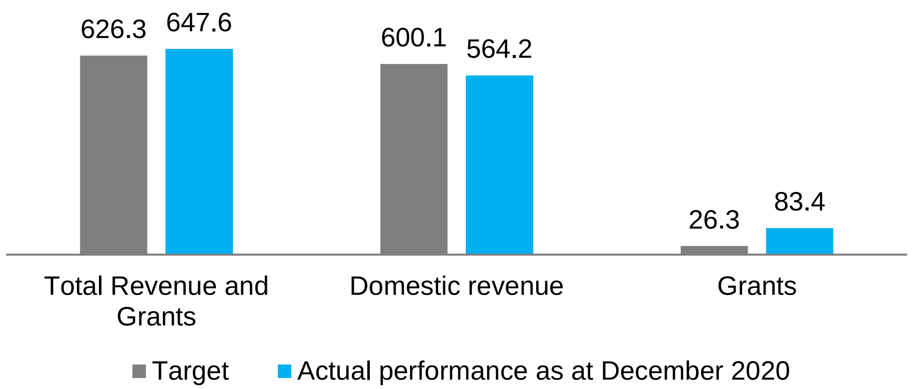
- **Rebranding Malawi Enterprise Development Fund (MEDF)-** The Malawi Enterprise Development Fund (MEDF) was rebranded into the National Economic Empower Fund (NEEF) Limited in September 2020. The total loan portfolio still stands at K40 billion and is expected to increase to K75 billion during the 2021/2022 financial year. The first phase involves disbursement of loans to groups of micro entrepreneurs. Disbursement of loans in 2021 has a target of not less than 20,000 Malawians and as at 19 February 2021, NEEF had disbursed just over K1.0 billion to about 590 loan groups across the country.
- **Financial Inclusion and Entrepreneurship Scaling Project-** Government will borrow from the World Bank, funds amounting to US$86.0 million, or K63.6 billion for the Financial Inclusion and Entrepreneurship Scaling Project. The project's activities are structured in such a way that they aim at enhancing supply of financing liquidity and scaling up entrepreneurship skills in Malawi. The project is now effective, and the World Bank has disbursed USD15.0 million. Government, through the Reserve Bank of Malawi, is working with local banks on modalities through which Small and Medium Enterprises (SMEs) access financing. Disbursement will commence mid-March 2021.
- **Formalising the Informal Sector-** Government has made a commitment to empower informal sector entrepreneurs through cooperatives and associations to upgrade their skills and enable them produce quality products for the local and export market. In this regard, in December 2020 Government under the Public Procurement and Disposal of Public Assets Act enacted regulations to empower SMEs to participate in public procurement of goods, works, and services.
- **Malawi Sovereign Credit Rating-** Government to obtain a credit rating for Malawi as one way to facilitate the country's access to international finance. Government will proceed to obtain a private point-in-time rating which will set the ground for a public sovereign credit rating.
- **Creation of a Debt Retirement Fund-** One of the major concerns in economic management of this country is the high and rising public debt stock. In order to start repaying this huge debt and reduce it to sustainable levels, Government is at an advanced stage in establishing the Debt Retirement Fund (DRF).
- **Long Term Development Bond-** Government has progressed with preparations to issue a 15-year development bond for some strategic and flagship projects. They have completed the selection of prioritized flagship projects that will be financed through the issuance of this long-term bond
- **Houses for Security Institutions-** Government, through Ministry of Lands has commenced the construction of the promised 10,000 houses for security institutions. In the first half of the 2020/2021 fiscal year, K4.6 billion was released to Ministry of Lands to start construction of these houses. Currently 231 houses are under construction in different sites across the country. Financing for this project is through a long-term development bond that was issued by Government and raised the initial required amount of K21.0 billion.
- **Free electricity and water connection-** Government is also working on a policy on free electricity and water connections. Implementation is expected to commence during the 2021/2022 fiscal year.
- **Payment of Government Arrears-** In order to support the business community during the Covid-19 pandemic period, Government has commenced payment of public sector arrears as one way of injecting the much-needed liquidity into the economy.

Other Market Developments (Continued)

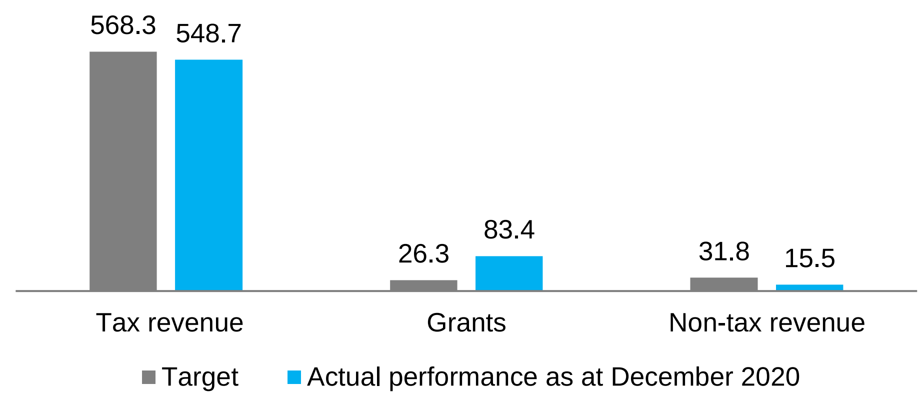
The overall budget deficit during the first half of the year was K351.0 billion which is marginally higher than the planned first half deficit of K348.3 billion due to more than expected disbursements of project loans. The deficit was financed by net domestic borrowing of K304.0 billion and a net foreign borrowing of K47.0 billion.

Mid-year review budget statement 2020/21 (Continued)

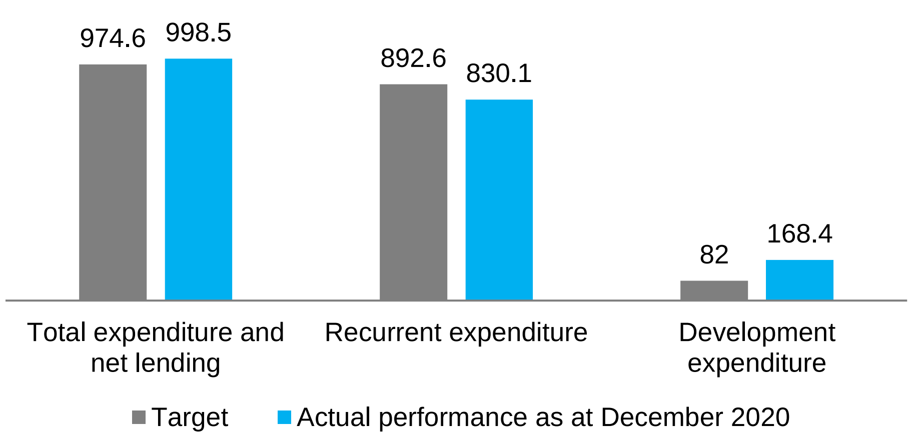
Performance of Revenue and Grants (K'billions) – actual revenue was K647.6 billion which was higher than the targeted revenue due to significantly higher grants towards Covid-19.



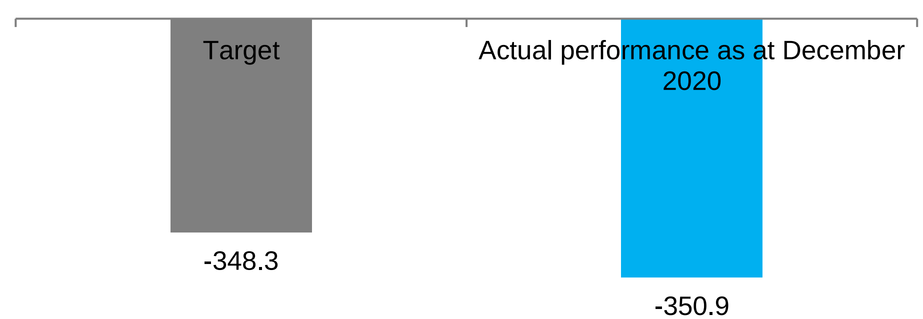
Performance of Domestic Revenue (K'billions) – actual tax revenue of K549 billion was lower than the target of K568 billion during the review period.



Performance of Expenditure (K'billions) – about 83% of actual expenditure was recurrent expenditure against the higher target of 92%.



Overall deficit (K'billions) – the actual budget deficit is higher at K350.9 billion against a target of K348.3 billion.



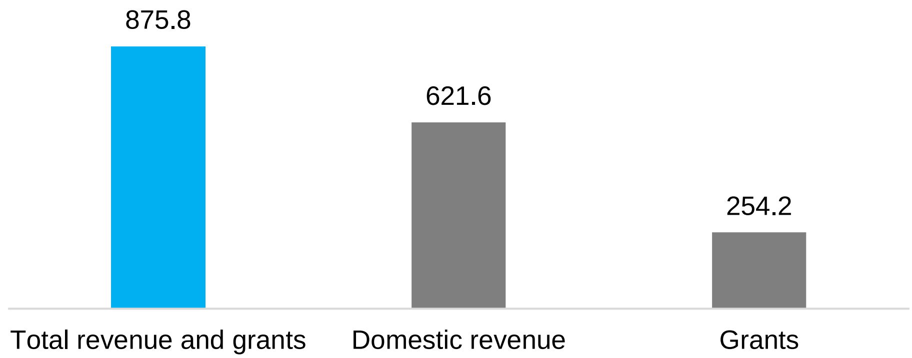
Other Market Developments (Continued)

Recurrent expenditure for second half of the 2020/21 fiscal year is projected at K888 billion, which is 66% of total expenditure and net lending.

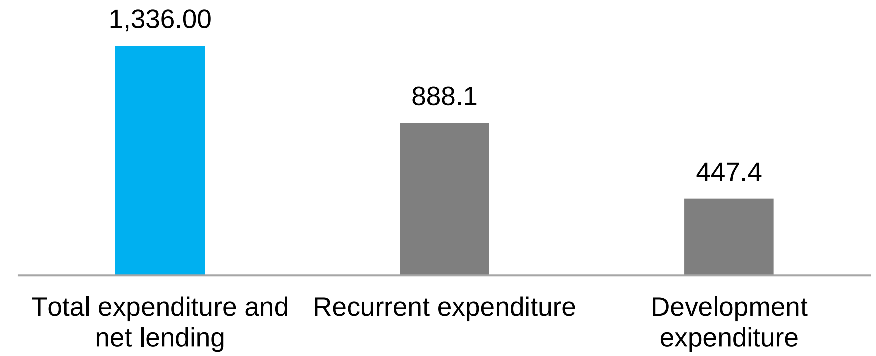
Mid-year review budget statement 2020/21 (Continued)

Projections for second half of the 2020/2021 fiscal year

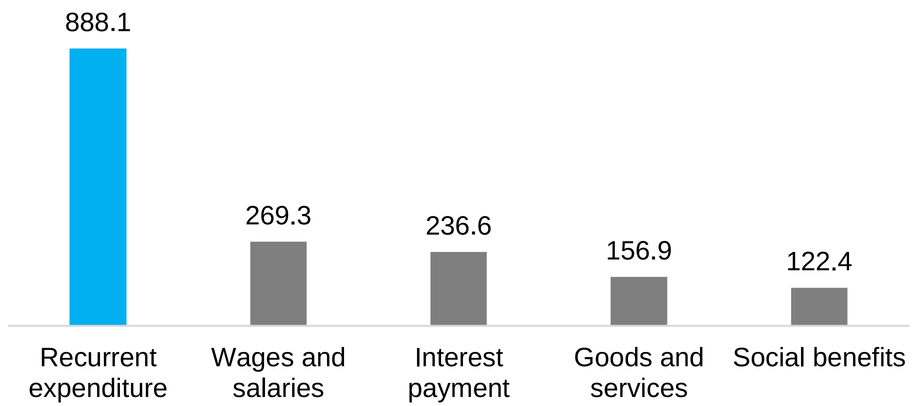
Performance of Revenue and Grants (K'billions) – Domestic revenue is projected at K875.8 billion, which is 71% of total revenue and grants.



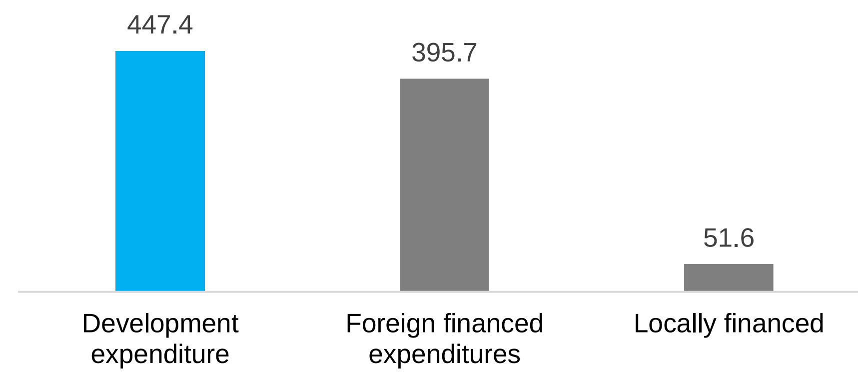
Performance of Expenditure (K'billions) – Recurrent expenditure is projected at K888 billion, which is 66% of total expenditure and net lending.



Performance of Recurrent Expenditure – the largest component of the recurrent expenditure is wages and salaries at K269 billion.



Performance of Development Expenditure (K'billions) – about 88% of the development expenditure will be financed using foreign resources.



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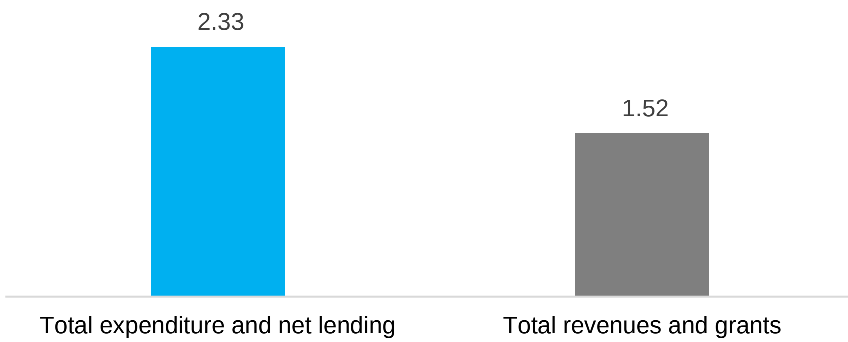
Other Market Developments (Continued)

The total deficit for the 2020/2021 fiscal year is expected to be K0.81 trillion from an earlier estimate of K0.76 trillion. This will be mainly financed through domestic borrowing at K0.56 trillion.

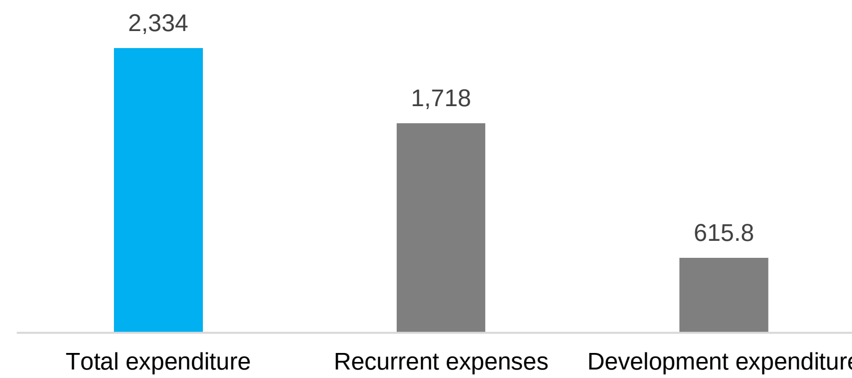
Mid-year review budget statement 2020/21 (Continued)

Projections for the fiscal year (2020/21)

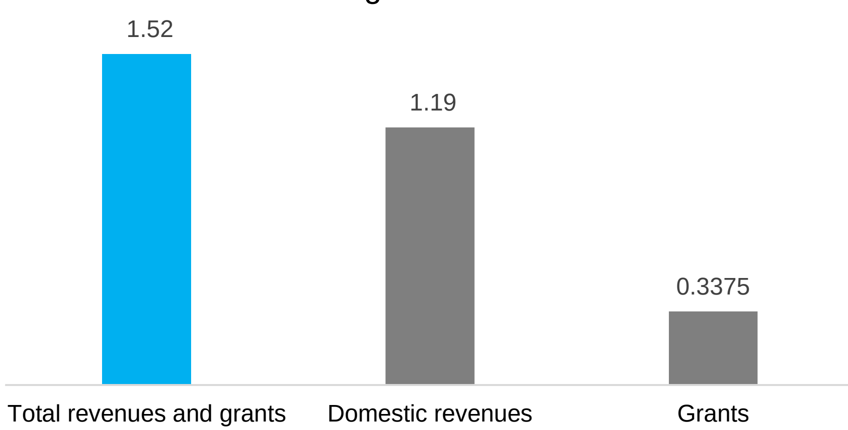
Performance of Revenue and Grants (K'trillions) – Total expenditure and net lending for the end of the financial year is expected to exceed total revenues and grants by K810.7 billion.



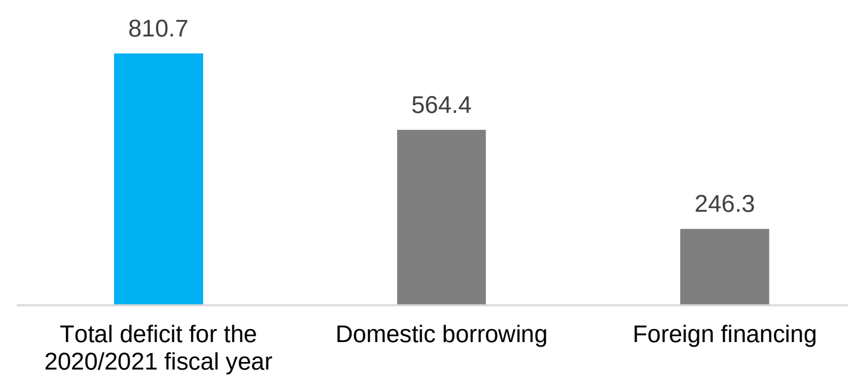
Performance of Expenditure (K'billions) – Recurrent expenditure is projected at K1.72 trillion, which is 74% of total expenditure and net lending.



Performance of Revenue (K'trillions)– domestic revenue will contribute 78% of total revenue and grants at K1.19 trillion.



Overall budget deficit (K'billions) – The total deficit for the 2020/2021 fiscal year is expected to be mainly financed through domestic borrowing at K564.4 billion.



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Regional and Global Market Developments

Regional And Global Market Developments

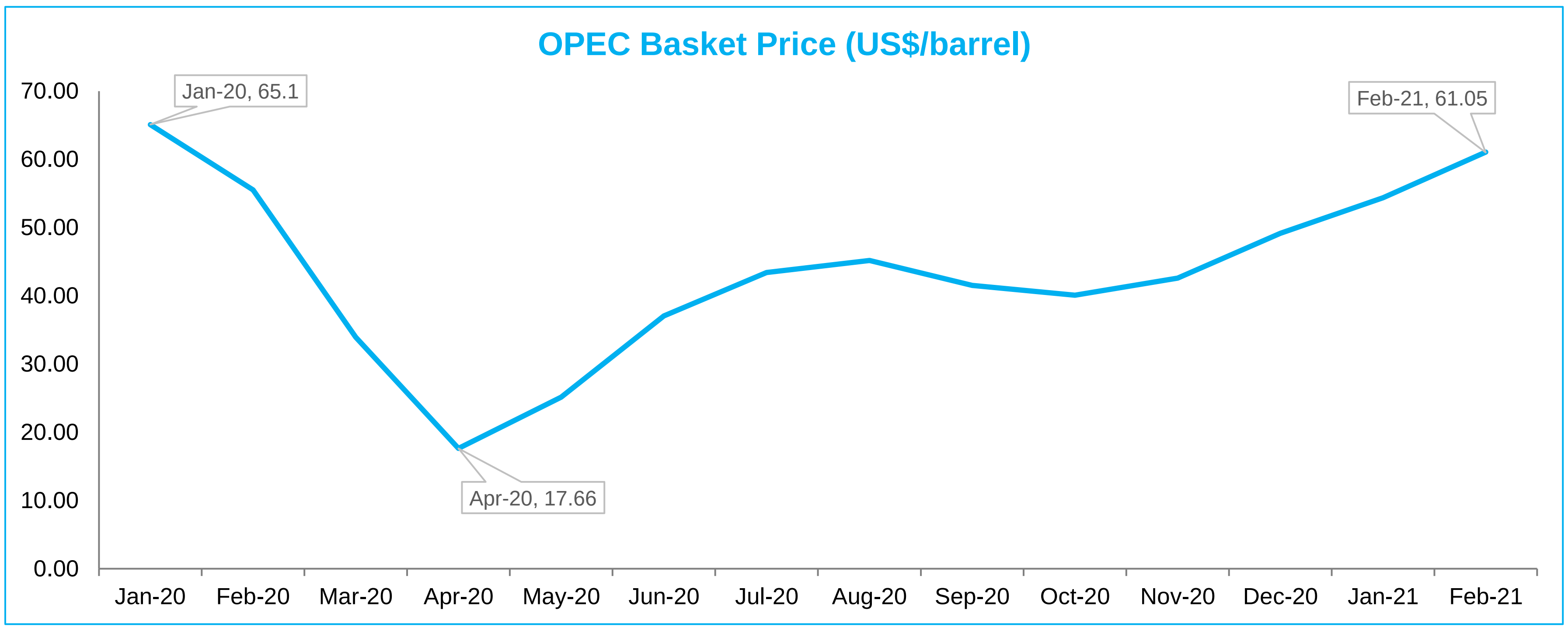
Based on the daily average OPEC Reference Basket (ORB) prices, the ORB for February 2021 increased to US61.05/b from US54.38/b in January 2021. This could be a result of the increasing global oil demand and activity following COVID-19 vaccine rollout in leading countries.

Global oil developments (Source: OPEC)

Based on the daily average OPEC Reference Basket (ORB) prices, the ORB for February 2021 increased to US61.05/b from US54.38/b in January 2021. The ORB was US55.53/b during the same time in the previous year. The increase in the ORB could be on account of increasing global oil demand as the COVID-19 vaccine rollout is ongoing in the economically developed region.

The OPEC Monthly Oil Market Report (MOMR). For March 2021 is yet to be released. According to the MOMR for February 2021 oil demand is anticipated to increase by 5.8 mb/d, (which is a downward revision of 0.1 mb/d from January 2021 MOMR's projection) to average 96.1 mb/d. This is due to the extended lockdowns and the re-introduction of partial lockdowns in the beginning of the year in a number of countries that resulted in downward revisions to 1H21 projections. However, positive developments on the economic front, supported by massive stimulus programmes, are expected to encourage demand in various sectors in 2H21. Developments in aviation and general travel will be important parameters for 2021 world oil demand. The oil demand forecast is expected to pick up in the 2H21. A rebound in oil demand, combined with the vigilant stance and considerable efforts of the countries participating in the Declaration of Cooperation (DoC), are essential to maintaining stability in the oil market.

Non-OPEC supply growth in 2021 is projected to average to 63.3 mb/d. Additional stimulus measures in the US and an accelerating recovery in Asian economies are expected to lift the 2021 forecast to 4.8%, compared to the previous MOMR's forecast of 4.4%.



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Regional And Global Market Developments

The central banks for USA, UK and Europe continue to maintain their bank rates. The US 10-Year treasury bond yield increased to1.42% in February 2021 from 1.06% in January 2021.

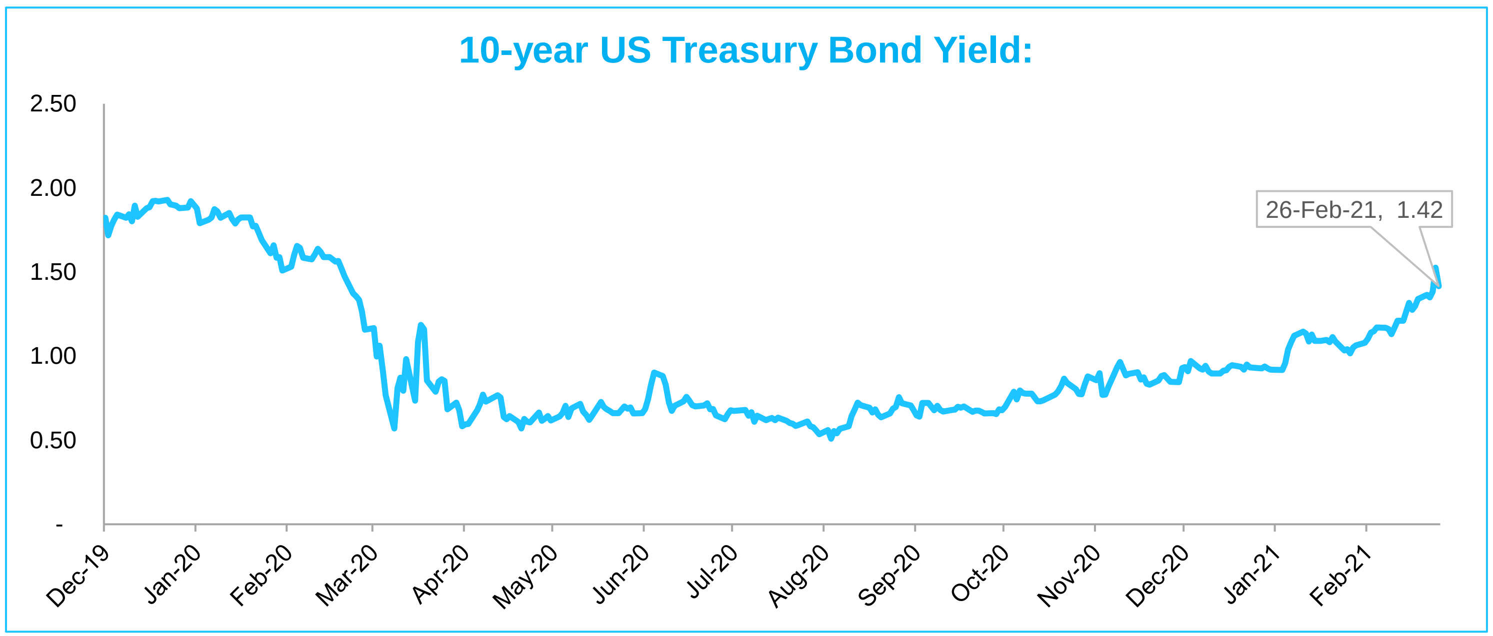
Interest rate movements (Source: WSJ and Reuters)

The US Fed rate was maintained at 0.25% in February 2021. Similarly, the Bank of England Rate and the European Central Bank Rate were also maintained at 0.10% and 0.00% respectively. The 3 months US LIBOR and 6 months US LIBOR decreased to 0.19% and 0.20%, respectively. The respective rates in the previous month were 0.20% and 0.22%. Finally, the US 10-Year treasury bill yield increased to 1.42% from 1.06% during this period.

Table 2: Interest Rates

	February 2021 (%)	January 2021 (%)	% Change
US LIBOR (3 months)	0.19%	0.20%	-5.81%
US LIBOR (6 months)	0.20%	0.22%	-7.73%
US treasury bond yield (10 years)	1.42%	1.06%	33.96%
US Fed rate	0.25%	0.25%	-
Bank of England Rate	0.10%	0.10%	-
European Central Bank Rate	0.00%	0.00%	-

The figure below, traces the 10-Year US treasury bond yield:



Regional And Global Market Developments

The global economy is projected to grow by 5.5% in 2021 and 4.2% in 2022. Economic growth in Sub-Saharan Africa is projected to grow by 3.2% in 2021 and 3.9% in 2022. Additional fiscal policy support will boost activity in some countries.

Highlights from the IMF World Economic Outlook January 2021 update (Source: IMF)

The global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The 2021 forecast is revised up by 0.3% from the previous forecast owing to expectations of increased economic activity after a successful vaccine rollout is administered later in the year, as well as additional policy support in a few of the large economies.

Recovery will vary across countries, depending on the health crisis and the extent of which the pandemic has disturbed economic activity.

Economic growth in Sub-Saharan Africa is projected to grow by 3.2% in 2021 and 3.9% in 2022.

Low-income developing countries will continue to experience high debt burdens as the pandemic persists. Despite the importance of debt relief, this will have adverse effects for some countries where sovereign debt might not be sustainable.

Global inflation is expected to remain favourable during 2021–22. In advanced economies it is projected to remain generally below central bank targets at 1.5%. Among emerging market and developing economies inflation is projected just over 4%, which is lower than the historical average of the group.

Oil prices are expected to rise in 2021 just over 20% from the average prices in 2020 as the global economy recovers but will remain well below their average for 2019. The average price of oil in US dollars a barrel was $41.29 in 2020; the assumed price is $50.03 in 2021 and $48.82 in 2022. Non-oil commodity prices are also expected to increase with metals projected to accelerate strongly in 2021.

Global trade volumes are forecasted to grow about 8% in 2021, before moderating to 6% in 2022. Despite an expected recovery in global economic activity, output gaps are not expected to close until after 2022. Thus, inflation is expected to remain low during 2021–22.

Continued monetary, fiscal, and financial sector policies will ensure effective support until the recovery from the COVID-19 pandemic is firmly underway.

Fiscal policy support will be the main boost for activity in some countries, but most countries will experience lower fiscal deficits in 2021. According to their Fiscal Monitor January 2021 update, in 2021, globally the average fiscal deficit is projected to decline to 5% of GDP from 5.7% in 2020. As economies recover, revenue collection is projected to improve and increased spending due to the COVID-19 pandemic is expected to subside. Based on the report, capital spending in 2021 is expected to recover partially in most countries after the temporary cuts in 2020 (Guinea, Haiti, Malawi, Nigeria, Tajikistan). However, deficits are expected to widen in a few countries as revenue-to-GDP ratios only partially recover, while spending and debt service costs are rising (Chad, Kenya, Myanmar).

Low-income developing countries are pressured by increasing debt burdens owing to the pandemic and the international community remains the key support for these countries. Grants, concessional loans, and debt relief will be essential to ensure that these countries evade poverty.

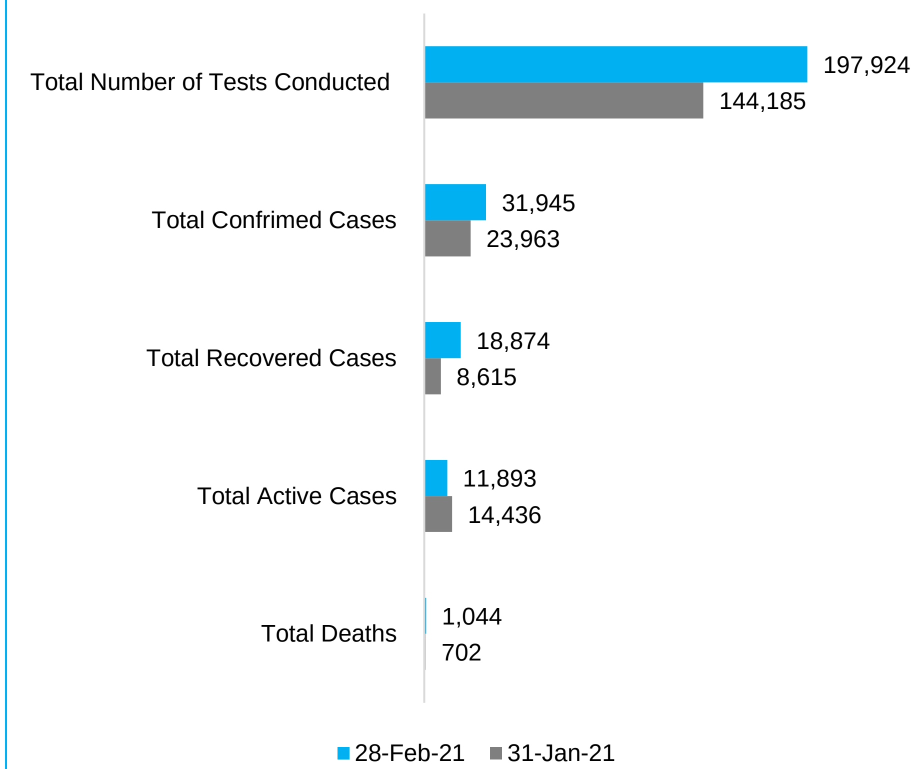
COVID-19 Update

Latest COVID-19 statistics and vaccine developments (Source: Malawi Ministry of Health)

Total confirmed cases rose to 31,945 as at 28 February 2021 from 23,963 cases as at 31 January 2021. Total deaths have increased to 1,044 as at 28 February 2021 from 702 deaths as at 31 January 2021.

Total confirmed cases rose to 31,945 as at 28 February 2021 from 23,963 cases as at 31 January 2021. Total deaths have increased to 1,044 as at 28 February 2021 from 702 deaths as at 31 January 2021. The positivity rate stood at 16.4% while the Case Fatality Rate (CFR) stood at 3.27% at the close of the month. According to a press release by UNICEF Malawi, on 5 March, Malawi received 360,000 doses of the COVID-19 vaccine shipped via the COVAX Facility, a partnership between CEPI, Gavi, UNICEF and WHO. The Oxford-AstraZeneca vaccine from Serum Institute of India from Mumbai, India, is set to target 20% of the population which is worth approximately US$40.0 million. Distribution of the vaccine will prioritise frontline health workers, the elderly and those with underlying conditions according to the National Address On The War On COVID-19 made on 31 January 2021 by President Chakwera.

COVID-19 Statistics as at 28 February 2021.



According to the midyear budget review, the total requirement for this vaccine for the entire population is USD120.2 million. Government has further secured financing worth USD1.5 million and USD2.0 million from Sustainable Development Goals Acceleration Fund and the United States Government, respectively, for logistical and technical support.

Government is in discussion with cooperating partners for more resources so that the country can secure doses for the entire population. The World Bank has already indicated that they are preparing a package of support not only for vaccines but for wholesale COVID-19 operation in Malawi.

Following a second Rapid Credit Facility (RCF) which disbursed US$102 million to Malawi in October 2020, of which US$30.0 million was a direct budget support to the Government, Government treasury has commenced discussions with the IMF that will lead to negotiations for a new program which is expected to align its objectives with that of Government and will anchor the 2021/2022 fiscal framework and budget.

Outlook for Malawi

Inflation

According to the IMF country report for October 2020, inflation for 2021 is projected to average at 9.5% given an average harvest in 2021 and higher international oil prices. Similar estimates from the EIU project that inflation for 2021 will average to 9.3%. Inflation is further projected to grow in 2021-23, peaking at 10.6% in 2023. This is also owing to rising global fuel prices and a recovery in private consumption. These projections also assume that there will be a reasonable harvest and higher international oil prices. Based on the mid year 2020/21 budget review, annual average headline inflation for 2021 is projected at 7.4%

The RBM on the other hand expects inflation to continue to decline in 2021. Headline inflation is anticipated to continue declining and is projected to average 7.8% in 2021 according to the MPC. The Committee noted that the inflation outlook in the medium-term has remained relatively the same from the previous meeting's outlook which projected that inflation would continue to decline in 2021, due to relatively lower food prices in the period and lower non-food inflation owing to stable energy prices. Following its first meeting of 2021, the MPC decided to maintain the policy rate to 12% to allow its effects to spread into the economy. The decision was based on the relatively favourable inflation outlook and to increase consumption and investment in the economy amidst the pandemic. Maintaining the policy rate at 12% could have an effect on inflation as it becomes less expensive to borrow on the market. The RBM however has vowed to continue to monitor its accommodative stance. Previous cuts in the policy rate however have not resulted in significant changes in investments and spending. The Kwacha's weakening exchange rate position could also increase inflation.

Government has also set to subsidise the price of maize during the 2021 season, according to a national address made on 24 January 2021 by President Chakwera. This may induce a decline in the food inflation which will have a positive impact on inflation but may also incur financial losses for government which could have to be compensated through increased government borrowing. Fuel prices have exhibited a sharp rise which may have negative effects on the inflation outlook given the tendency for fuel prices to cause an increase in the headline inflation rate.

Exchange Rates

From their last country report in October 2020, the IMF expects the Kwacha to continue to modestly depreciate. The unfavourable outlook is on account of Malawi's forex market which is characterised by large current account deficits owing to its undiversified export base (agriculture based) and its over reliance on imports.

According to the MPC, the trade deficit is estimated to have widened further in the fourth quarter of 2020 on account of an increase in imports than the growth in exports earnings. Imports will continue to increase as the country undergoes its second COVID-19 wave. The country will depend on proceeds from agricultural harvest to support its foreign exchange position.

Based on estimates from the EIU, the current-account deficit is projected to narrow by 17.8% in 2023, owing to a recovery in global oil prices and import demand. This deficit is expected to further narrow to 17.4% of GDP in 2025 if the country's export base grows. The IMF however, anticipates that large balance of payments needs related to the pandemic may persist in 2021, with the external financing gap for 2020-21 totaling 7.7% of GDP ($655 million). This reflects expectations of higher COVID-19 related imports, lower remittances, exports, and tourism given the overall reduction in global growth. Government spending on the health sector has continued to increase due to the second wave of the pandemic, further weakening the country's forex position. If the tobacco market produces yet another poor season in 2021, export revenues will not be able to offset the increase in imports due to COVID-19 and the strain will be felt in the country's current account which already has a poor balance of payments position.

According to the RBM's January 2021 market intelligence report the outlook for the domestic economy will be determined by the net effect of exchange rate pressures, roll-out of COVID-19 vaccinations and commencement of the 2020/21 harvest season. On one hand, the continued shortage of supply of foreign exchange on the market is expected to trigger a further depreciation of the exchange rate in the near term, thereby raising non-food inflation through high costs of imported goods including fuel. On the other hand, the tobacco market season may be reopening soon. If this year's harvest proves to be more bountiful than the previous year, export proceeds may improve the country's foreign exchange position Furthermore, the roll-out of COVID-19 pandemic vaccines in Malawi could help to contain infections, thereby allowing the economy to take the recovery path as some restrictions are expected to be eased.

Outlook for Malawi

Monetary Policy

The MPC has decided to maintain the Policy rate at 12.0% in January 2021. The Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits remains at 3.75% and the Lombard rate at 20 basis points above the Policy rate. The MPC came to this decision in order to allow the effects of the recent policy rate reduction to sink into the economy.

Based on the EIU report the MPC is expected to maintain and hold the rate at 12% throughout 2021 to continue to support economic recovery. The RBM will then adopt a tightening stance from 2022-25 as inflation may build up as global oil prices increase and improved consumer spending.

Fiscal Policy

According to the EIU, the fiscal deficit is expected to widen in 2020/21, to 9.4% of GDP as welfare measures to mitigate the impact of the outbreak will keep government spending elevated. Furthermore, external debt is expected to increase steadily, from an estimated US$2.8bn in 2020 to US$3.3bn by the end of 2022. Public debt is projected to reach 78% of GDP in 2021, based on forecasts by the World Bank. This shows that the country will continue to depend on donors for national investment and development.

Domestic borrowing may also result in increased interest rates and crowd out private investment. When the government issues domestic debt, it makes use of private savings that would otherwise be available to finance private investment. Since most of the fiscal deficit will be financed by domestic borrowing, the crowding out effect is likely to limit the private sector's recovery and thus compromise the total tax revenue collected by the government.

Increased expansionary fiscal policy may result in inflationary process and the pressure to find fiscal space may result in governments overlooking price stability policies in order to meet the growing pressure to finance COVID-19 shocks.

Economic Growth

GDP for 2021 is forecasted to range between 2.2% to 3.3% based on EIU, IMF and World Bank estimates for the country. According to the World Bank, real GDP growth for Malawi is estimated to grow by 3.3% in 2021. The IMF country report projects economic growth to average at 2.2% in 2021. It further projects a gradual economic recovery during the period 2022-25, with growth averaging at 6.4%, while the EIU projects that the economy will gradually recover and grow by 2.3% in 2021 after which it will grow at 4.6% per year in 2022-25. Economic recovery will be driven by the agricultural and services sector as well as increased investments as the business climate improves according to the EIU.

Based on EIU expectations, the growth in real GDP will be supported by a strong harvest and improved regional trade and domestic activity. Potential land reforms may change the agricultural sector from being predominantly subsistence based to export driven. Strong agricultural growth may also raise household incomes and private consumption in the long term.

Similarly, according to the IMF, Malawi's economy will continue to rely on agricultural harvest and trade revenues which are subject to shocks due to unprecedented weather conditions and a narrow export base. The IMF forecasts note that with declining global activity and a withering economic outlook, the effects of the pandemic are nowhere near their end. Government may have to continue to rely on stimulating economic activity to increase aggregate demand and economic growth in the economy at the expense of possible inflation. This might result in greater fiscal pressure at a time where government revenue is likely to be impacted by slow business environment in the country.

The pandemic continues to exert fiscal pressure on Malawi which has been felt by economies worldwide. The country was nowhere near prepared to mitigate the magnitude of the health system shock and economic downturn that is being caused by the onset of a second COVID-19 wave.

Outlook for Malawi

Economic Growth (Continued)

Government spending and increased liquidity in the economy will remain some of the key stimulants for increasing aggregate demand and consumption in the economy during the crisis.

According to the statement by the Monetary Policy Committee (MPC) following its first meeting of the year, economic growth was set to rebound in the second half of 2020 but has been weakened due to the onset of a second COVID-19 wave. Economic growth for 2021 will depend on how fast the second wave of the pandemic is controlled. Thus, domestic economic growth could remain subdued in 2021. Based on the midyear 2020/21 budget review, growth in 2021 will also be significantly bolstered by the expected increase in agriculture output due to the impact of AIP.

According to the RBM, recent data estimates the domestic real GDP growth for 2021 at 3.5%, a decline from 4.7% in the September 2020. The downward revision reflects larger-than anticipated disruptions to economic activity caused by Covid-19 pandemic. In particular, travel and other restrictions aimed at containing the virus significantly affected the economy. The Malawi economy is projected to rebound in 2021, on the assumption of better agriculture production as the business community enhances adaptation skills and experience in containing the pandemic. However, the projections are subject to high uncertainty and more likely to be revised downward. As result of the increased infections at the beginning of the 2021-year, domestic economic activity, which started to rebound in the second half of 2020, has moderated. Economic growth for 2021 will, therefore, depend on how fast the second wave of the pandemic dissipates.

Appendix

Appendix 1: Selected Market statistics

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Inflation (%)

Month	National	Food	Non-food
Jan-21	7.70%	9.70%	5.60%

Treasury Bill Yields (%)

	Feb-21	Jan-21	Feb-20
91-day	9.95%	9.95%	8.46%
182-day	12.80%	12.59%	9.11%
364-day	13.80%	13.64%	9.91%
All type yield	12.17%	12.06%	9.16%

TN average yield

Tenor	28-Feb-21	29-Jan-21	29-Feb-20
2-Yr-TN	16.50%	16.50%	-
3-Yr-TN	18.66%	18.56%	-
5-Yr-TN	19.97%	19.95%	15.55%
7-Yr-TN	20.50%	20.00%	-
10-Yr-TN	22.50%	22.50%	-

Closing foreign Exchange rates (middle rates)

	MK:US$	MK:GBP	MK:ZAR	MK:EUR
Feb-21	787.03	1,140.90	55.69	1,006.72
Jan-21	776.49	1,107.24	991.78	54.60

Closing foreign Exchange rates 31 December 2020 and 29 January 2021 (middle rates)

	Official Reserves	Import cover Official Reserves	Private Sec. Reserves	Import cover Private Sec. Reserves	Total Reserves	import cover total reserves US$
Feb-21	483.38	2.31	340.50	1.63	823.88	3.94
Jan-21	502.98	2.41	358.29	1.71	861.27	4.12

Daily Average Rates (%)

	Feb-21	Jan-21
Interbank O/N	10.67%	11.34%
Discount Window Borrowing	12.20%	12.20%

Daily Average Volumes (K'Billions)

	Feb-21	Jan-21	M-O-M % Change
Liquidity	26,977.30	16,660.11	61.93%
Interbank O/N	6,117.65	11,650.00	-47.49%
Discount Window Borrowing	12,245.00	20,192.67	-39.36%

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Appendix 2: Stock market

MASI closing positions

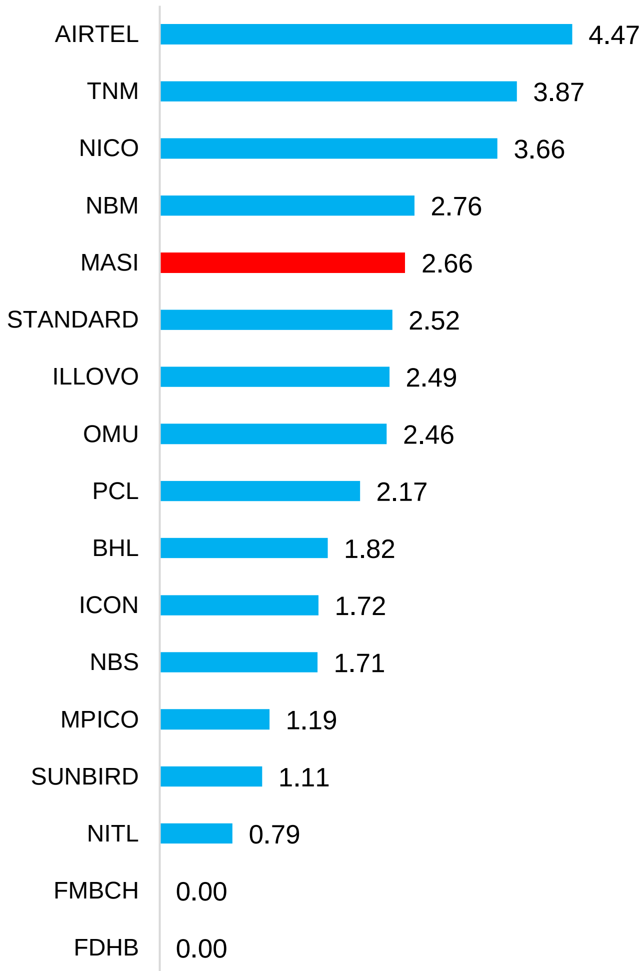
	26-Feb-21	29-Jan-21	28-Feb-20	M-O-M % Change	Y-O-Y % Change	Y-T-D Return (2021)	Y-T-D Return (2020)
MASI	33,009.75	32,988.58	29,162.28	0.06%	13.19%	1.90%	-3.60%
DSI	28,108.19	28,090.02	23,506.15	0.06%	19.58%	1.27%	-0.40%
FSI	1,614.45	1,613.58	3,046.35	0.05%	-47.00%	18.37%	-24.31%

MSE Prices

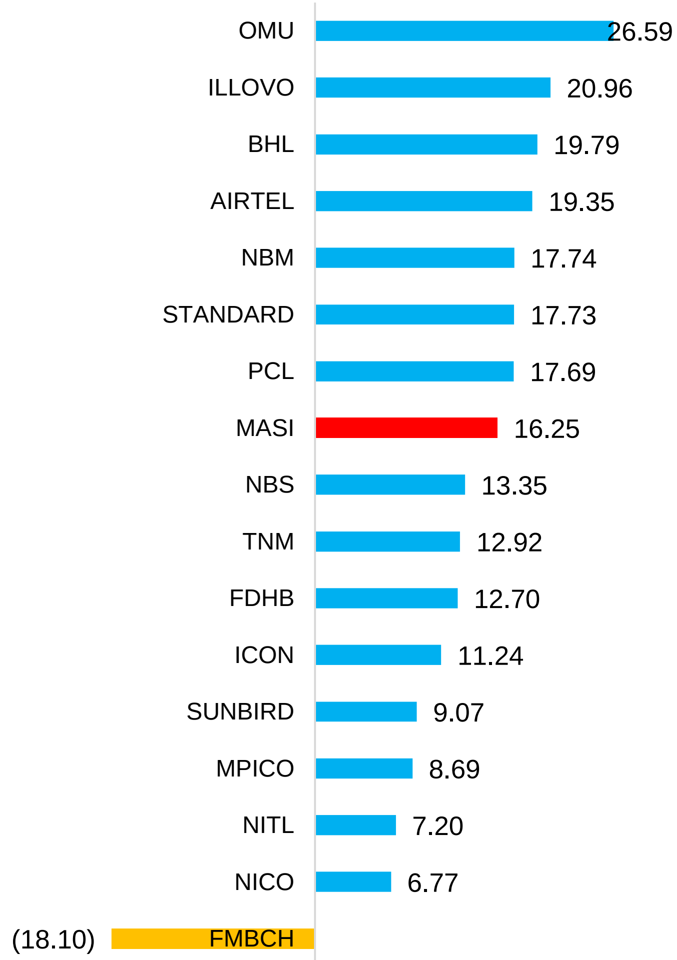
Counter	28-Feb-21	29-Jan-21	29-Feb-20	M-O-M % Change	Y-O-Y % Change
Airtel	27.98	27.98	17.62	0.00%	58.80%
BHL	11.00	11.00	12.94	0.00%	-14.99%
FDHB	16.60	14.45	-	14.88%	-
FMBCH	27.10	27.08	55.25	0.07%	-50.95%
ICON PLC	12.20	12.24	10.49	-0.33%	16.30%
ILLOVO	80.47	80.47	111.00	0.00%	-27.50%
MPICO	20.93	20.99	22.08	-0.29%	-5.21%
NBM	650.01	650.00	525.02	0.00%	23.81%
NBS	20.45	20.47	16.00	-0.10%	27.81%
NICO	51.98	52.00	48.50	-0.04%	7.18%
NITL	94.94	94.95	89.89	-0.01%	5.62%
OMU	2,199.00	2,199.98	2,499.99	-0.04%	-12.04%
PCL	1,199.96	1,309.47	1,400.00	-8.36%	-14.29%
STANDARD	1,200.03	1,200.00	730.00	0.00%	64.39%
SUNBIRD	90.00	90.00	120.00	0.00%	-25.00%
TNM	19.38	19.39	22.05	-0.05%	-12.11%

Appendix 3: Selected stock market statistics as at 26 February 2021

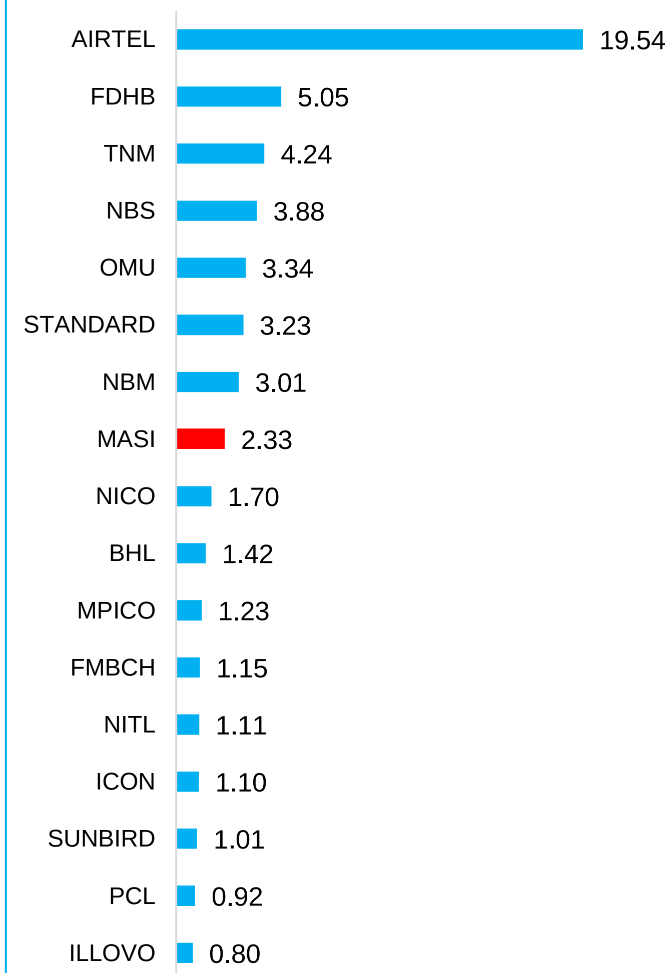
Dividend yield (%) - the weighted average dividend yield on the MSE is 2.66%. The counter with the highest dividend yield is Airtel at 4.47%.



P/E ratio - the MSE has a weighted average Price to Earnings ratio of 16.25. FMBCH has the lowest at negative 18.10 while OMU has the highest at 26.59



P/BV ratio - the weighted average Price to Book Value ratio on the MSE is 2.33. Airtel has the highest ratio at 19.54 while Illovo has the lowest ratio at 0.80.



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Appendix 6:EIU Report

Economic Growth

	2020	2021	2022	2023	2024	2025
Economic growth (%)						
US GDP	-3.8	3.2	2.5	2.3	1.9	2.0
OECD GDP	-5.8	3.7	2.8	2.1	1.9	1.9
World GDP	-4.7	4.2	3.4	3.0	2.8	2.7
World trade	-10.6	7.0	5.4	4.3	4.0	3.8
Inflation indicators (% unless otherwise indicated)						
US CPI	0.7	1.7	1.9	2.2	1.9	1.8
OECD CPI	1.0	1.6	1.9	2.1	2.0	2.0
Manufactures (measured in US$)	-2.0	3.9	3.1	4.0	2.4	2.5
Oil (Brent; US$/b)	41.7	45.0	53.0	57.5	55.0	50.0
Non-oil commodities (measured in US$)	1.2	7.9	3.0	-2.2	2.0	1.5
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.6	0.1	0.2	0.2	0.6	1.0
US$:€ (av)	1.14	1.17	1.15	1.19	1.21	1.23
¥:US$	106.69	104.12	103.02	103.45	104.73	105.58

International Assumptions

%	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
GDP	-1.0	2.3	4.0	4.5	4.9	5.2
Private consumption	-1.5	1.5	3.0	4.0	4.3	4.8
Government consumption	2.0	2.0	3.0	4.0	2.0	3.0
Gross fixed investment	-5.0	5.0	5.0	8.0	8.0	7.0
Exports of goods & services	-12.0	3.6	5.0	5.2	6.5	7.2
Imports of goods & services	-5.0	3.0	4.0	5.0	5.8	6.5
Domestic demand	-1.6	2.0	3.2	4.5	4.5	4.9
Agriculture	3.0	3.0	3.1	4.0	4.5	5.0
Industry	-1.6	2.1	5.4	5.2	5.8	5.6
Services	-3.0	2.0	4.1	4.5	4.9	5.2

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts.

Key Indicators

	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real GDP growth (%)	-1.0	2.3	4.0	4.5	4.9	5.2
Consumer price inflation (av; %)	8.5	9.3	10.0	10.6	10.2	9.2
Government balance (% of GDP)	-7.7	-9.4	-9.1	-8.6	-8.3	-8.1
Current-account balance (% of GDP)	-16.8	-17.3	-17.5	-17.8	-17.6	-17.4
Money market rate (av; %)	13.5	13.5	15.5	15.8	16.5	17.5
Exchange rate MK:US$ (av)	745.5	755.7	764.0	770.0	779.0	786.4

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts.

Appendix 6:EIU Report (continued)

Annual data and forecast

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]
GDP							
Nominal GDP (US$ m)	5,433	6,303	6,917	7,671	8,184	8,972	10,103
Nominal GDP (MK m)	3,900,950	4,603,121	5,065,765	5,718,844	6,101,082	6,780,244	7,719,010
Real GDP growth (%)	2.5	4.0	3.2	4.4	-1.0	2.3	4.0
Expenditure on GDP (% real change)							
Private consumption	18.6	8.3	2.1	3.9	-1.5	1.5	3.0
Government consumption	-0.2	10.0	7.0	-3.6	2.0	2.0	3.0
Gross fixed investment	-2.1	29.7	-17.5	19.7	-5.0	5.0	5.0
Exports of goods & services	40.1	3.7	6.9	3.8	-12.0	3.6	5.0
Imports of goods & services	54.6	-1.5	6.4	3.6	-5.0	3.0	4.0
Origin of GDP (% real change)							
Agriculture	-2.3	5.0	0.8	4.3	3.0	3.0	3.1
Industry	2.4	2.2	2.2	3.8	-1.6	2.1	5.4
Services	5.2	4.0	4.8	4.5	-3.0	2.0	4.1
Population and income							
Population (m)	17.2	17.7[b]	18.1[b]	18.6[b]	19.1	19.6	20.3
GDP per head (US$ at PPP)	1,027	1,060[b]	1,090[b]	1,070[b]	1,071	1,103	1,132
Fiscal indicators (% of GDP)							
Public-sector balance	-6.0	-3.6	-7.3[b]	-6.4[b]	-7.7	-9.4	-9.1
Net public debt	54.6[b]	56.4[b]	60.8[b]	67.6[b]	69.6	72.9	71.8
Prices and financial indicators							
Exchange rate MK:US$ (end-period)	728.62	732.03	733.69	738.87	761.40	745.12	779.67
Exchange rate MK:€ (end-period)	768.04	877.92	840.08	830.05	898.46	849.44	908.32
Consumer prices (end-period, %)	20.0	7.1	9.9	11.6	7.0	9.0	10.0
Stock of money M1 (% change)	24.6	19.8[b]	15.1[b]	13.8[b]	10.0	16.7	20.8
Stock of money M2 (% change)	15.2	19.7	11.3	8.1[b]	9.0	15.0	17.3
Lending interest rate (av; %)	44.1	38.6	32.3	24.0[b]	23.0	22.0	23.0

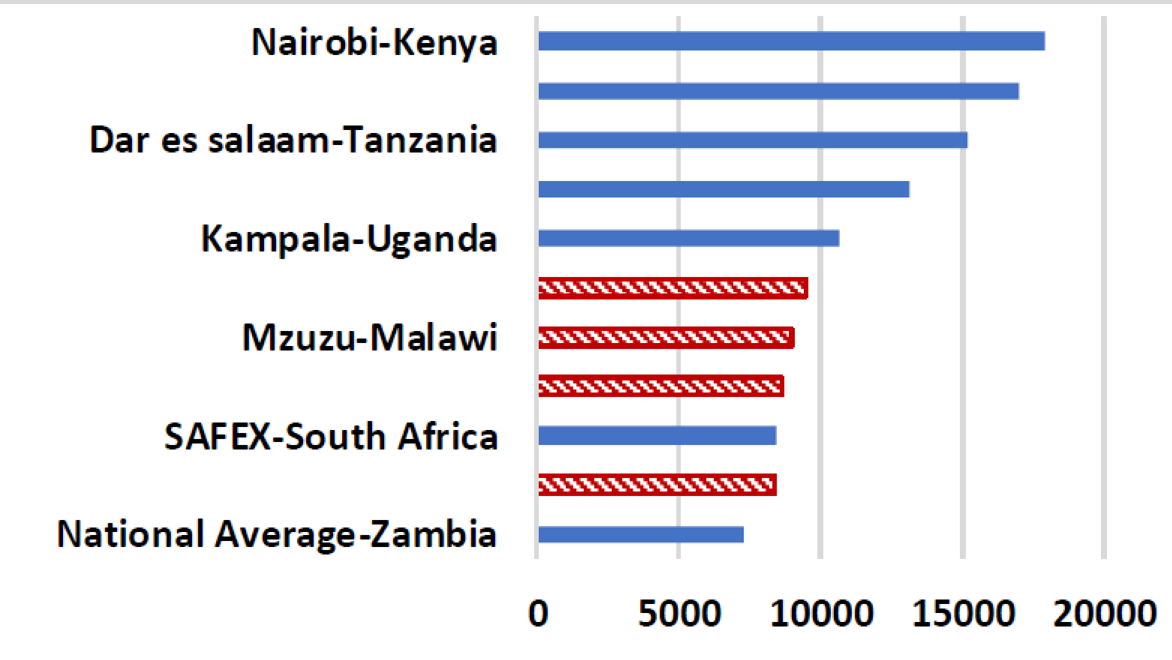
	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]
Current account (US$ m)							
Trade balance	-1,090	-1,577	-1,658	-1,857	-1,610	-1,662	-1,692
Goods: exports fob	1,066	910	945	983	888	910	966
Goods: imports fob	-2,156	-2,487	-2,604	-2,840	-2,498	-2,573	-2,658
Services balance	-135	-151	-154	-176	-260	-299	-340
Primary income balance	-95	-198	-263	-299	-254	-276	-299
Secondary income balance	315	388	457	495	745	684	565
Current-account balance	-1,006	-1,537	-1,618	-1,837	-1,379	-1,553	-1,766
External debt (US$ m)							
Debt stock	1,874	2,115	2,281	2,503	2,804	3,039	3,331
Debt service paid	75	71	84	102	86	89	153
Principal repayments	57	54	71	82	67	69	125
Interest	18	17	13	20	19	20	27
International reserves (US$ m)							
Total international reserves	631	793	782	847	656	684	700

[a] Actual. [b] Economist Intelligence Unit estimates. [c] 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 7:Malawi monthly maize market report

Figure 3. Retail maize prices in selected markets in eastern and southern Africa (as of end February 2021)



Price for Mozambique is as of January 2021

Table 1. Maize retail prices (MWK/kg) by market

Market	6-Feb-21	13-Feb-21	20-Feb-21	27-Feb-21	Change
Chitipa	197	180	180	153	-22%
Karonga	185	168	168	168	-9%
Rumphi	160	153	153	153	-4%
Mzuzu	180	180	180	180	0%
Mzimba	167	162	162	165	-1%
Jenda	153	142	148	148	-3%
Salima	220	200	200	200	-9%
Mchinji	180	164	164	164	-9%
Nsungwi	183	180	180	180	-2%
Mitundu	180	173	173	173	-4%
Chimbiya	170	150	150	150	-12%
Balaka	197	180	180	180	-8%
M'baluku	213	200	200	200	-6%
Mangochi	200	200	200	200	0%
Liwonde	200	180	180	180	-10%
Chiringa	200	200	200	200	0%
Mpondabwino	220	200	200	200	-9%
Lunzu	200	190	190	190	-5%
Mbayani	220	200	200	200	-9%
Mwanza	207	173	173	173	-16%
Mulanje	200	210	210	210	5%
Luchenza	200	197	197	193	-3%
Chikwawa	220	210	205	210	-5%
Ngabu	210	190	190	190	-10%
Bangula	234	196	193	190	-19%
Nsanje	220	197	197	197	-11%
All markets	**197**	**184**	**184**	**183**	**-7%**

Appendix 8: IMF Country Report

	2018	2019	2020	2021	2022	2023	2024	2025
National accounts and prices (percent change, unless otherwise indicated)								
GDP at constant market prices	3.2	4.5	0.6	2.2	6.5	6.5	6.3	6.3
Nominal GDP (billions of Kwacha)	5,060	5,711	6,252	6,933	7,884	8,816	9,790	10,856
Consumer prices (annual average)	9.2	9.4	9.1	9.5	7.7	5.5	5.0	5.0
Central government (percent of GDP on a fiscal year basis)1								
Revenue	21.0	21.1	21.2	20.0	21.3	22.9	24.1	25.5
Expenditure and net lending	28.9	28.2	30.6	33.0	32.6	31.9	32.1	31.2
Overall balance (including grants)	-7.9	-7.0	-9.4	-13.0	-11.4	-9.0	-8.0	-5.8
External sector (US$ millions, unless otherwise indicated)								
Exports (goods and services)	1,112	1,250	1,132	1,245	1,331	1,438	1,563	1,694
Imports (goods and services)	2,927	3,014	3,204	3,402	3,460	3,606	3,759	3,921
Gross official reserves	750	815	873	958	993	1,044	1,114	1,210
(months of imports)	3.0	3.1	3.1	3.3	3.3	3.3	3.4	3.5
Overall balance (percent of GDP)	-0.2	0.6	-4.5	-1.4	0.3	0.6	0.9	1.4
Debt stock and service (percent of GDP, unless otherwise indicated)								
External debt (public sector)	31.2	29.5	31.8	34.4	34.7	34.9	34.9	34.7
NPV of public external debt (percent of exports)	123.3	117.4	150.5	148.6	145.5	141.2	152.7	145.9
Domestic public debt	28.2	30.0	37.3	43.8	46.5	48.1	48.9	48.3
Total public debt	59.4	59.5	69.1	78.2	81.3	83.0	83.8	83.0
External debt service (percent of exports)	9.8	6.5	8.3	8.8	10.4	9.8	9.6	8.8
External debt service (percent of revenue excl. grants)	9.7	5.7	5.3	6.6	7.9	7.3	7.0	6.5

Sources: Malawian authorities; IMF staff estimates.

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Contact Information

Bridgepath Capital Limited

1st Floor (108), Development House

Henderson Street Road

P.O. Box 2920

Blantyre

Tel No: + 265 1 828 355

Email: info@bridgepathcapitalmw.com

Website: www.bridgepathcapitalmw.com