

# Monthly Economic Report

| March 2021

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## LIST OF ACRONYMS

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

## Executive Summary

## Executive Summary

### Inflation

The headline inflation rate for February 2021 averaged 8.3% from 7.7% in January 2021. The increase in inflation during the period was on account of the increase in both food and non-food inflation. The national food inflation rate for February 2021 was 10.3% (Jan 2021: 9.7%) whilst the non-food inflation rate was 6.3% (Jan 2021: 5.6%). The increase in the overall headline inflation rate is on account of the increase in pulses over the period and the recent increase in fuel pump prices.

The RBM projects an easing of the average headline inflation rate 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 World Economic Outlook update for April 2021, inflation for 2021 is projected to average 9.5%. The EIU on the other hand projects that inflation for 2021 will average 9.1% according to their March 2021 country report. The EIU's projection is based on the expectation that inflation will reflect rising global fuel prices and a recovery in private consumption. In addition to this, the EIU anticipates 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.

### Monetary Policy

The second Monetary Policy Committee (MPC) meeting is scheduled in April 2021. In the previous MPC meeting, the committee 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 with inflation expected 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.

### Exchange Rates

Based on middle rates, as at 31 March 2021 the Malawi Kwacha marginally depreciated against the USD to K790.30 per USD from K787.03 per USD as at 26 February 2021. The Kwacha also marginally depreciated against the ZAR. The Kwacha however marginally appreciated against the GBP and the EUR. As at 31 March 2021, the country's gross official forex reserves were USD410.16 million from a gross official forex reserve position of USD483.38 million as at 28 February 2021. This represents a M-O-M decline of 15.15%. Gross official forex reserves' import cover decreased to 1.96 months in March 2021 from 2.31 months in February 2021. 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 March 2021 were USD752.74 million, which represents an import cover of 3.60 months. This marks an 8.63% decrease from the closing position in February 2021 of USD823.88 million, which is an import cover of 3.94 months.

According to the EIU, oil prices are forecasted to increase and may result in an increase in Malawi's import spending, particularly between 2021-22. The current account is anticipated to have a deficit averaging 19.6% of GDP per year (previously projected at 17.5%). This may put pressure on the currency and could hasten depreciation in the forecast period. As the foreign exchange reserves dwindle, the currency is likely to depreciate further. The wide current account deficit is expected to exert downward pressure on the Kwacha throughout 2021. However, the pace of depreciation will be moderated by increasing foreign investment inflows and export earnings from the agricultural sector. The 2021 tobacco season is scheduled to open on 20 April 2021 based on a press release from the Tobacco Commission.

### Government Securities

Treasury bill (TB) allotments have decreased by 51.37% to K33.13 billion in March 2021 from K68.12 billion in February 2021. Treasury note (TN) applications have increased by 22.50% to K59.56 billion in March 2021 from K48.62 billion in February 2021. The average All Type Treasury bill yield marginally increased to 12.18% in March 2021 from 12.17% in February 2021.



### Stock Market

The MASI has decreased by 1.35% to 32,562.96 points from 33,009.75 points February 2021. The MASI year-to-date return was 0.53%, it was negative 3.56% during the same period in the previous year. There were share price gains for NBS bank, Standard bank, NBM and FMBCH. There were share price losses in nine counters.

NBS bank had the largest share price gain in March 2021 to K23.00 per share from K20.45 per share in February 2021, representing a 12.47% increase. TNM had the largest share price loss during this period to K16.39 per share in March 2021 from K19.38 per share in February 2021, representing a 15.43% decrease. The total value of shares traded increased by 56.88% in March 2021 to K688.60 million from K438.93 million February 2021.

### 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 on the back of higher project loan disbursements. 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 expenditure was over and above the target of K974.6 billion by 2.5%. Among other factors, this is also on account of the unforeseen expenditure 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.

### Fiscal Policy (Continued)

According to the EIU March 2021 report, the fiscal deficit is expected to widen to 9.3% 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). The AIP 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

External debt is expected to increase, from an estimated US\$2.8bn in 2020 to US\$3.4bn at end-2022. The external debt/GDP ratio will also rise in 2021, to 34.8%, from an estimated 34.4% in 2020. A wide budget deficit to support economic recovery and provide for increased healthcare expenditure will also lead to an increase in new bilateral loans. Debt owed to the IMF will also rise, from an estimated US\$525m at end-2020 to US\$546m at end-2021, reflecting both the ECF (2018- 2021) and the emergency debt secured under the RCF in October 2020. If current spending is reduced, the fiscal deficit will contract gradually to 8% of GDP in 2024/25 according to the EIU report. With local interest rates high, the government will seek to finance the deficits externally, through multilateral concessional lending.

### 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. The land reforms are aiming to consolidate small farms into larger holdings under the Malawi Growth and Development Strategy, which will help to increase economies of scale and aid the expansion of other cash crops such as soybeans, tea and sugar.

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 the 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 main risk for 2021 is the spillover effect from the second wave of the COVID-19 pandemic which may suppress economic recovery in the year.

According to the EIU December 2020 country risk report, some of Malawi's main risks in 2021 are the extremely low-income levels and that public debt remains high. Slow economic activity and reduced trade has deterred incomes and lessened remittances. High government expenditure related to COVID-19 mitigation measures may continue to elevate government's 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.

Another risk is that Malawi's export 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 subject to demand shocks. 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.

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

Furthermore, the risk of 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 33,551 in March 2021 from 31,945 in February 2021. Total deaths have increased to 1,117 in March 2021 from 1,044 in February 2021. As at 31 March 2021 the positivity rate decreased to 6% from 16.4% in February 2021, while the Case Fatality Rate (CFR) marginally increased to 3.33% from 3.27% in February 2021. The recovery rate stood at 90.2%. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March, 134,289 Malawians had been vaccinated as at 31 March 2021.

The EIU expects continued local outbreaks and repeated imposition of strict social measures to remain an issue for the country over much of 2021-2022. Beyond COVAX, China and Russia are developing state-backed vaccines, which could help Malawi (although the fact that Malawi is not regarded as a strategic ally is likely to delay access).



## Economic overview



## Economic overview

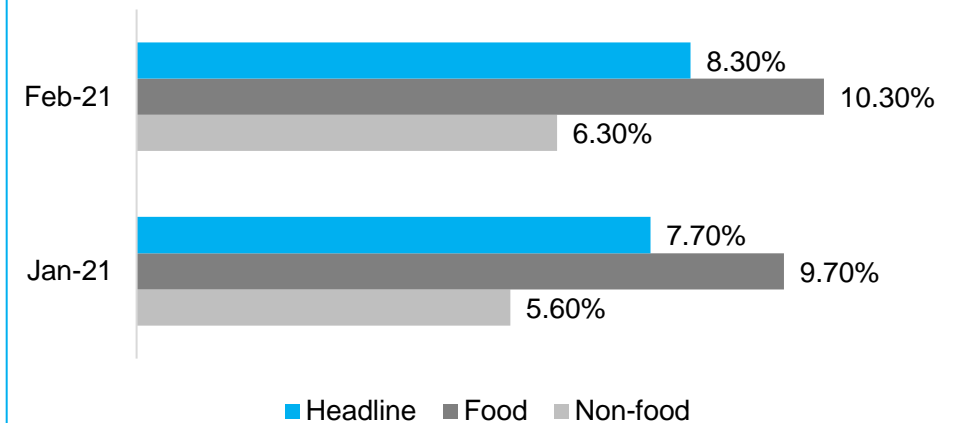
### Inflation (Source: NSO)

*The average headline inflation rate increased to 8.30% in February 2021 from 7.7% in January 2021. The increase is on account of an increase in food prices and the recent upward revision in fuel pump prices. The average annual headline inflation rate for 2021 is expected to decline to 7.8% according to the Monetary Policy Committee January 2021 report.*

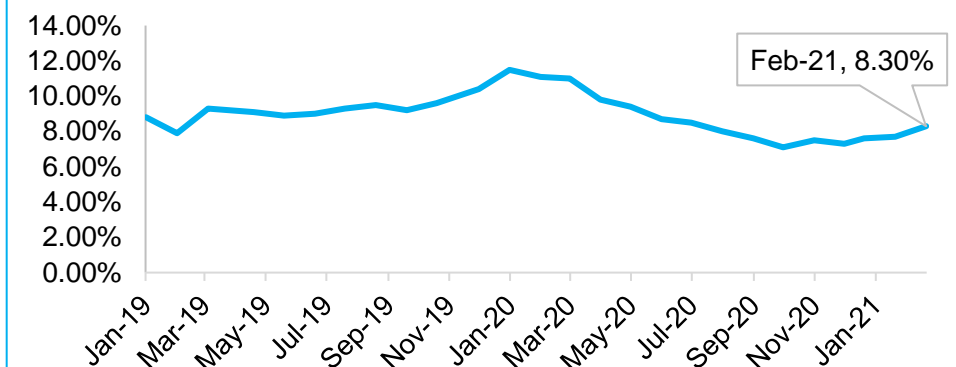
The average headline inflation rate increased to 8.30% in February 2021 from 7.7% in January 2021. The average headline inflation rate was 11% in February 2020. The increase in inflation was on account of an increase in both food and nonfood inflation which averaged 10.30% (Jan 2021: 9.7%) and 6.30% (Jan 2021: 5.6%) in the month of February 2021, respectively. According to the February 2021 Market intelligence report by the RBM, the main drivers of the increase are the increase in prices of various pulses and the recent increase in fuel pump prices. The average fuel pump price of petrol, diesel and paraffin rose by 10.67% to MK838.93 in March 2021 from an average of MK758.07 in February 2021.

Annual headline inflation is projected to continue to decline and is projected to average 7.8% in 2021. The average annual 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 mid year 2020/21 budget review, annual average headline inflation for 2021 is projected at 7.4%

#### Monthly Inflation figures (%)



**Inflation (%)**- Headline inflation has been slowly picking up been decreasing however the increase in fuel prices has caused it to slightly pick up.





*Treasury bill (TB) allotments have also decreased by 51.37% to K33.13 billion in March 2021 from K68.12 billion in February 2021. Treasury Note (TN) allotments however have increased by 22.50% to K59.56 billion in March 2021 from K48.62 billion in February 2021.*

## Economic overview (Continued)

### Government securities (Continued)

#### Treasury Bills (TBs)

Treasury bill applications decreased by 55.95% to K33.13 billion in March 2021 from K75.19 billion in February 2021. Year-on-year, total applications decreased by 55.41% as they were K74.29 billion in March 2020.

Likewise, allotments have also decreased by 51.37% to K33.13 billion in March 2021 from K68.12 billion in February 2021. Y-O-Y allotments have decreased by 12.63% as they were K37.92 billion in March 2020.

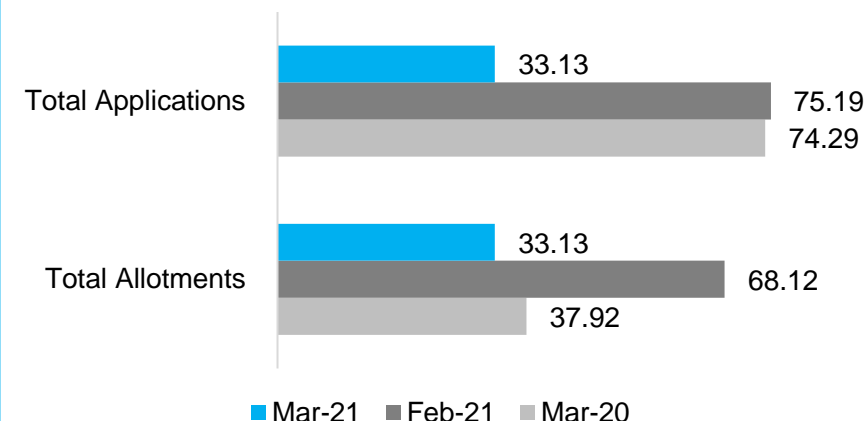
The TBs had a nil rejection rate during the month of March 2021.

#### Treasury Notes (TNs)

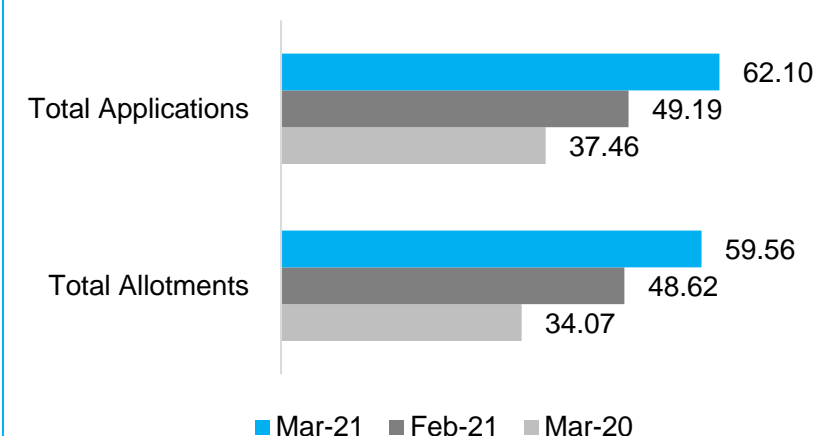
Treasury note applications increased by 26.25% M-O-M to K62.10 billion in March 2021 from K49.19 billion in February 2021. Y-O-Y applications have increased by 65.78% as they were K37.46 billion during the same period in the previous year. The government allotted K59.56 billion in March 2021 which is 22.50% higher than the K48.62 billion raised in the TN auctions February 2021.

Allotments have also increased Y-O-Y by 74.82% as they were K34.07 billion in March 2020. The TNs had a rejection rate of 4.09% in March 2021.

#### Treasury Bills (K'billion)



#### Treasury Notes (K'billion)



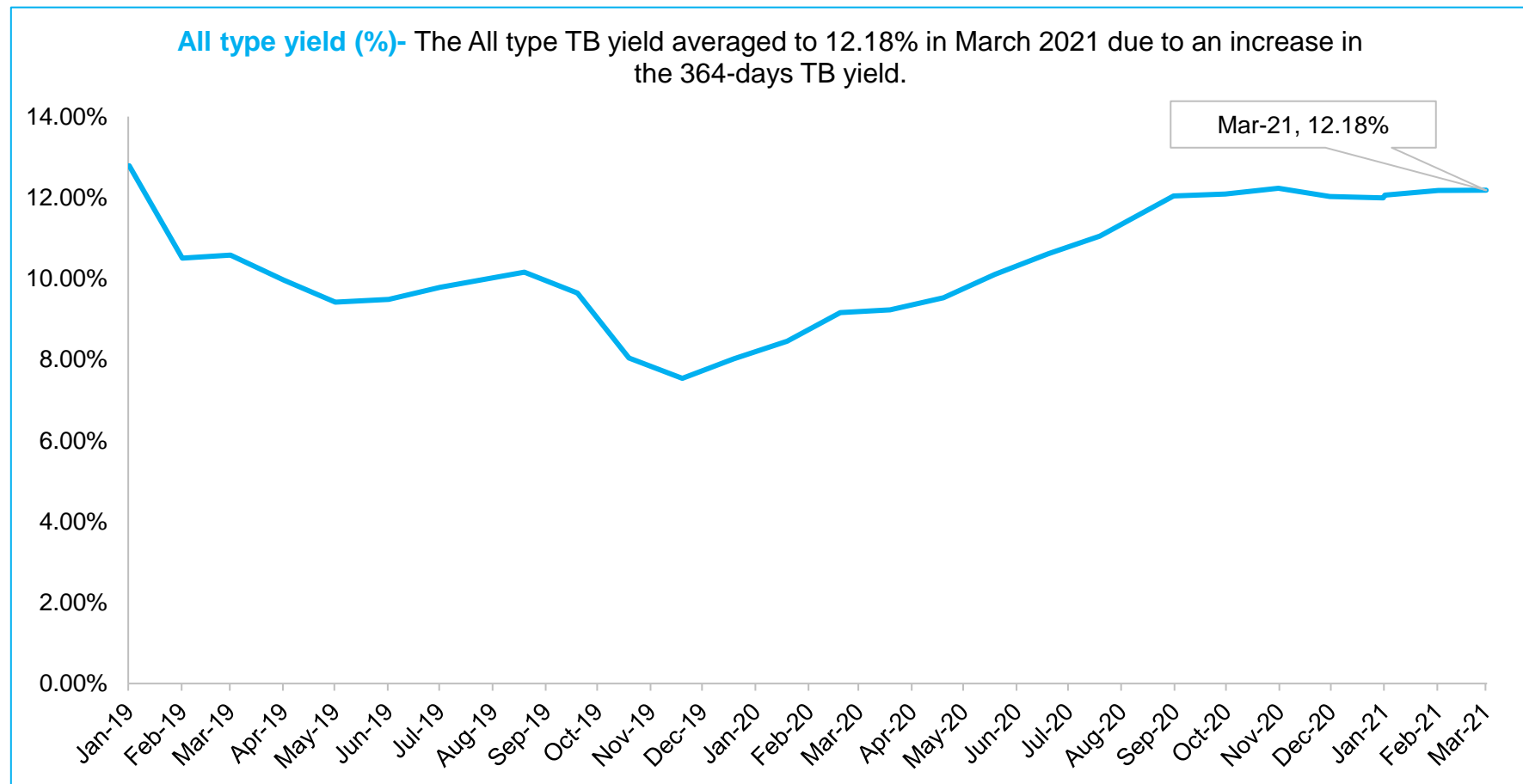


## Economic overview (Continued)

### Government securities (Source: RBM)

The average All Type Treasury bill yield marginally increased to 12.18% in March 2021 from 12.17% in February 2021. The All-Type Treasury Bill (TB) yield was 9.23% in March 2020. The increase in the All-Type yield was caused by increases in the average yields for the 364 days TB yield to 13.80% in March 2021 from 13.77% in February 2021. The 91-days and 182-days TB paper has maintained its position at 12.80% during the period under review. The figure below traces the Treasury bill yields for the different tenures from January 2019 to March 2021.

*The average All-Type Treasury bill yield marginally increased to 12.18% in March 2021 to 12.17% in February 2021. The upward movement is a result of a marginal increase in the 364-days TB to 13.8%. The 91-days and 182 Treasury Bills (TBs) have maintained the previous month's position of 9.95% and 12.80% respectively.*

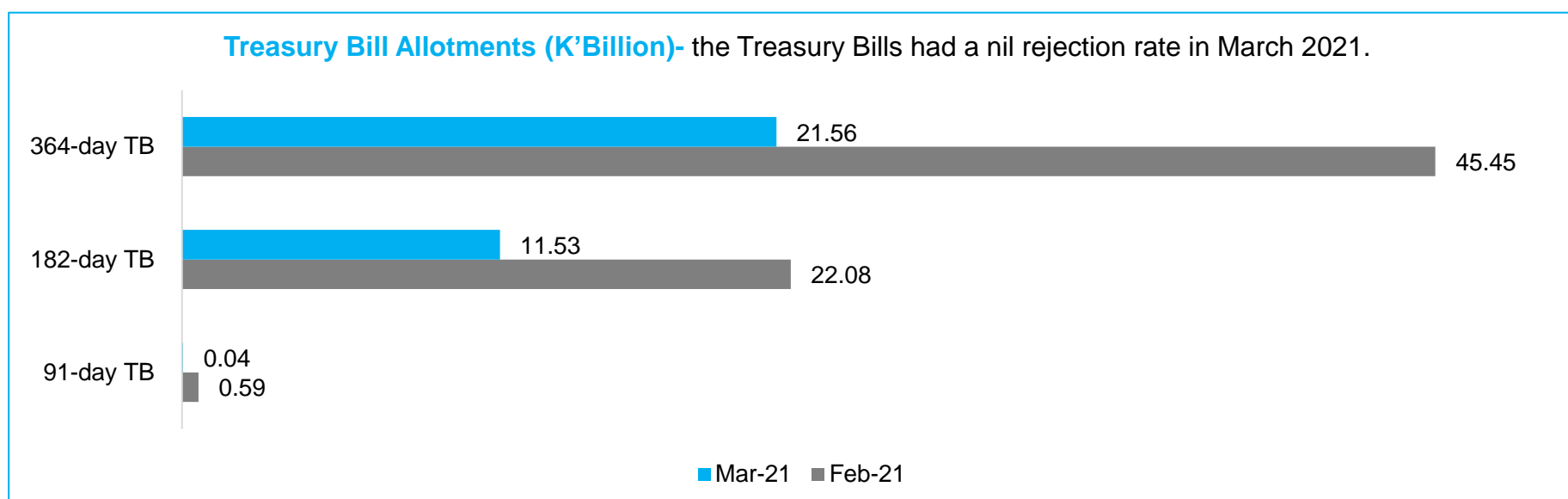
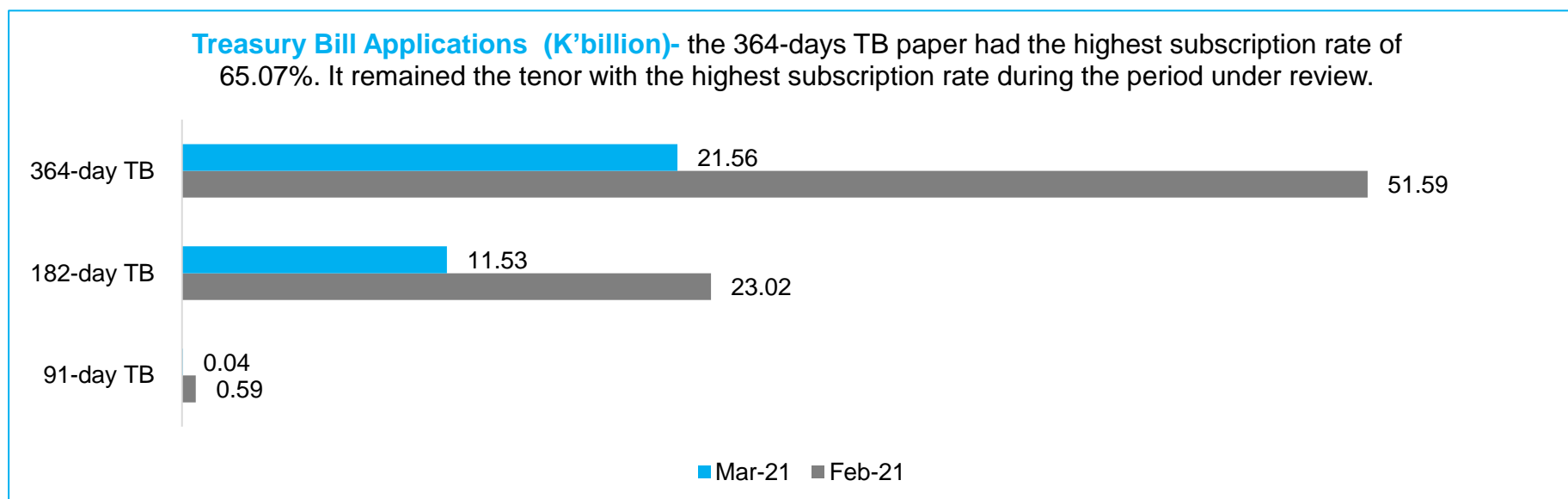




## Economic overview (Continued)

### Government securities (Continued)

The 364 days Treasury Bill (TB) paper had the highest subscription rate in March 2021 at 65.07%. The 364 days TB remains the most subscribed tenor suggesting investors continued preference for long-term tenors.





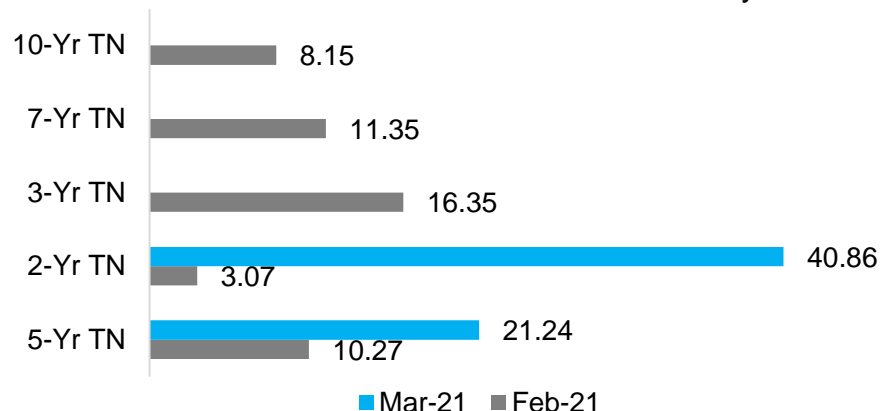


## Economic overview (Continued)

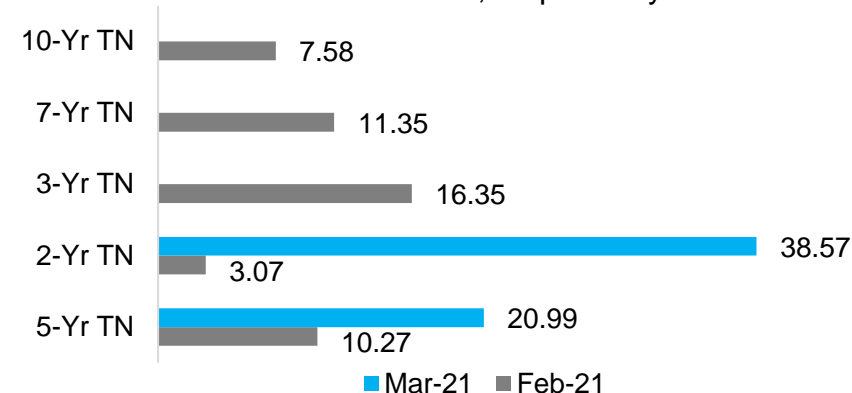
### Government securities (Continued)

*The 2-Yr Treasury Note (TN) had the highest subscription rate at 65.80% in March 2021 from 6.24% in February 2021. The average TN yield decreased to 18.24% in March 2021 from 19.63% in February 2021.*

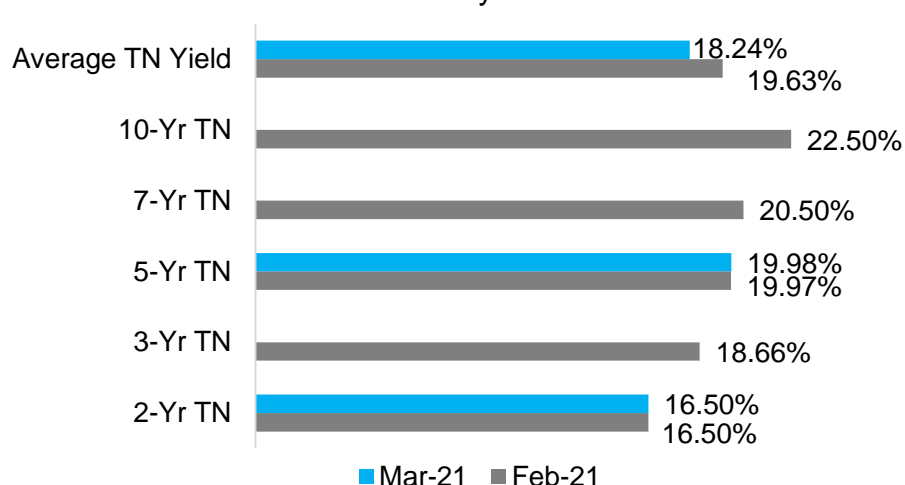
**Treasury Note Applications (K'billion)-** the 2-Yr TN had the highest applications in March 2021 at K40.86 billion from K3.07 billion in February 2021.



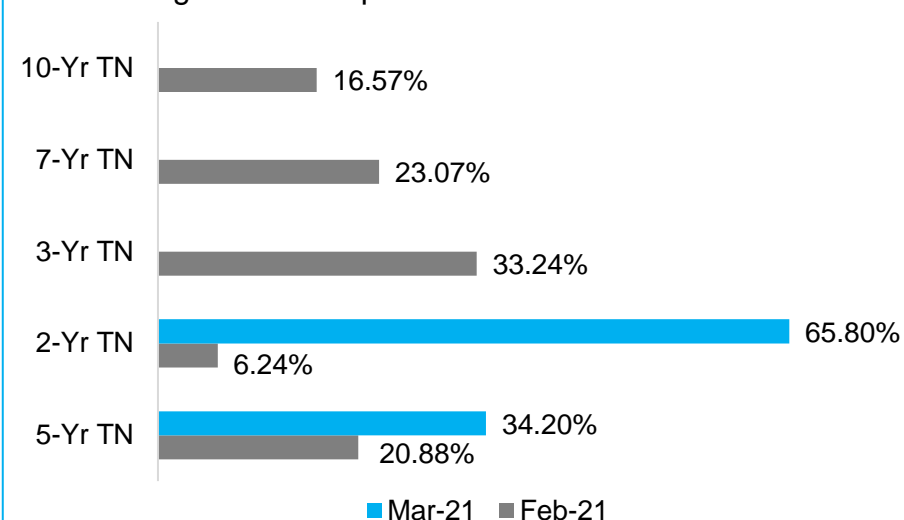
**Treasury Note Allotments (K'billion)-** the TNs had a rejection rate of 4.09% as allotments for the 2-Yr and 5-Yr TN where K38.57 billion and K20.99 billion, respectively.

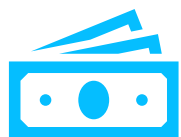


**Average TN Yields (%)**- The average TN yield decreased to 18.24% in March 2021 from 19.63% in February 2021.



**TN Subscription rates**- the 2-Yr TN had the highest subscription rate of 65.80% in March 2021.



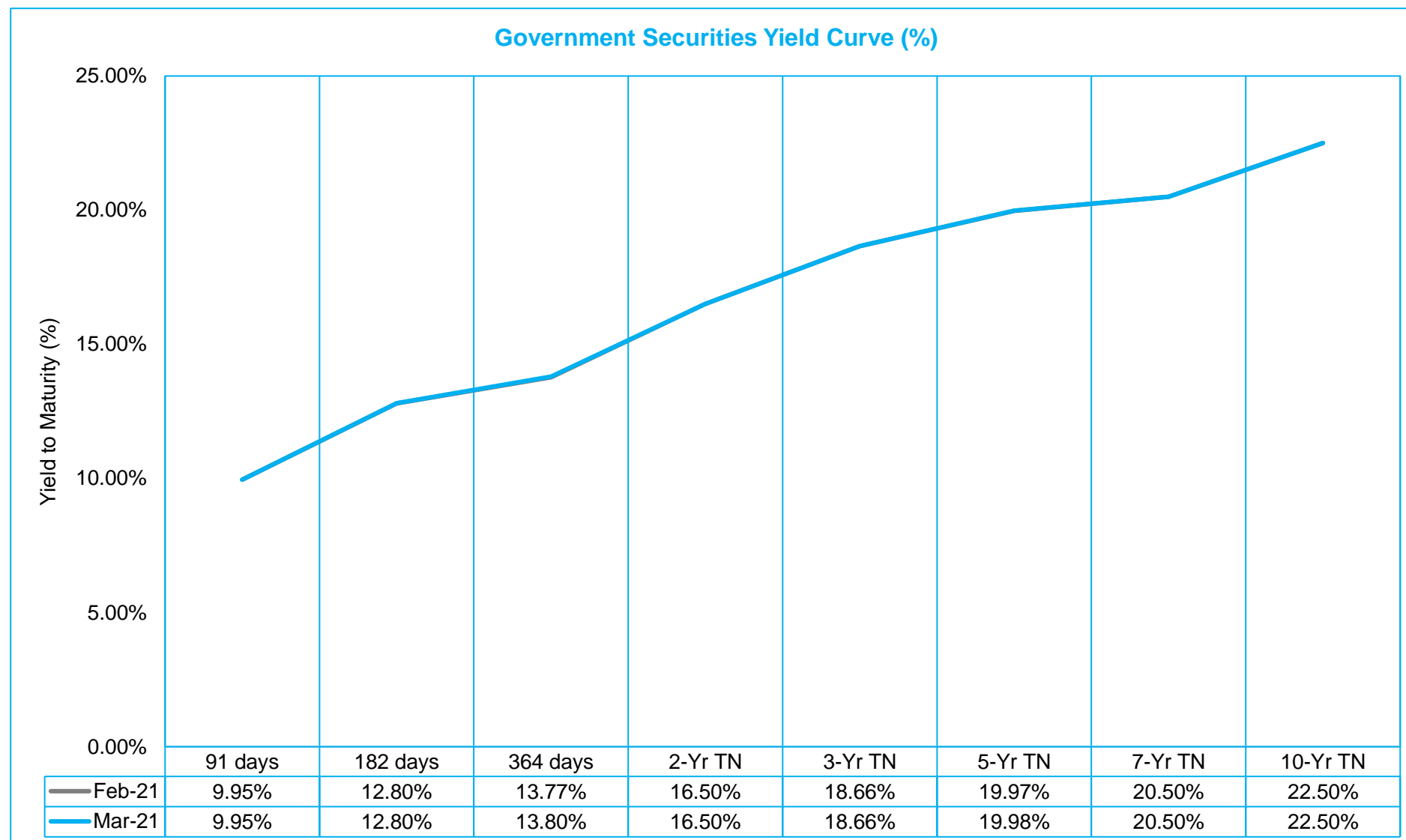


*The average yield curve slightly edged upwards in the month of March 2021 against February 2021. There were marginal increases in yields for the 364 days TB and the 5-Year TN.*

## Economic overview (Continued)

### Government Securities (Continued)

The Government Securities yield curve is shown in the graph below.





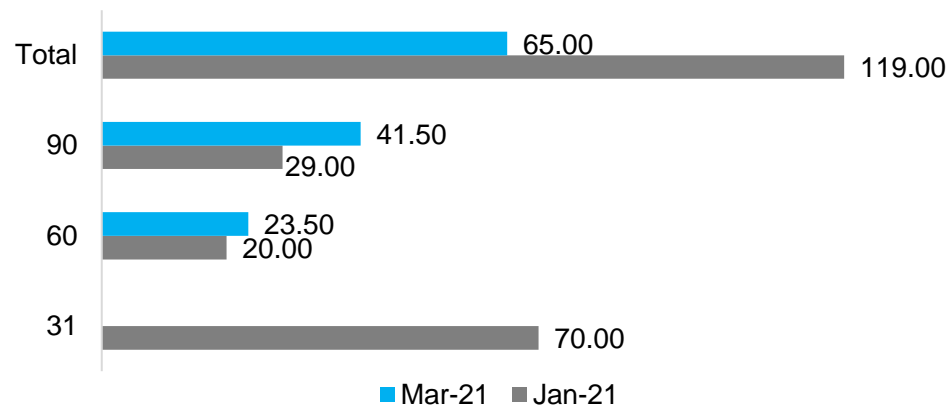
## Economic overview (Continued)

### Open Market Operations (Source: RBM)

During the OMO Reverse Repo auction held on 19 March 2021, K40.5 billion was injected into the market.

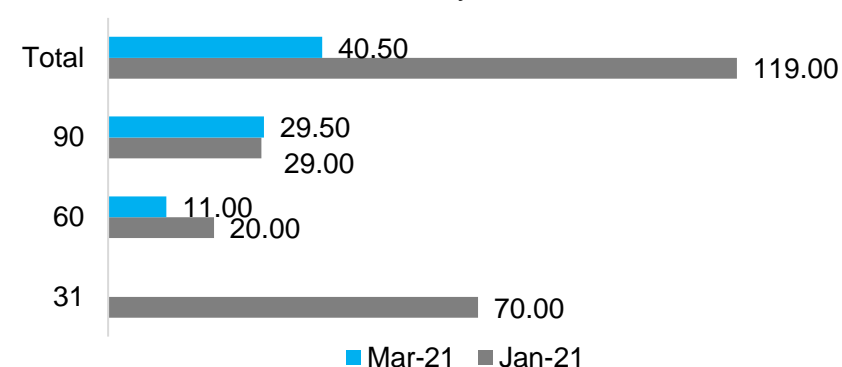
#### OMO Reverse Repo Applications (K'billions)-

there were applications of K65 billion during the OMO Reverse repo held on 19 March 2021.

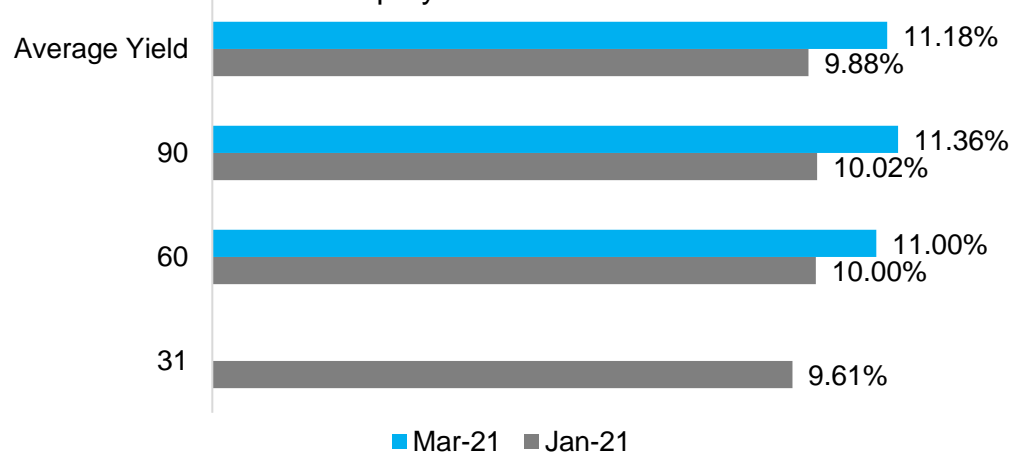


#### OMO Reverse Repo Allotments

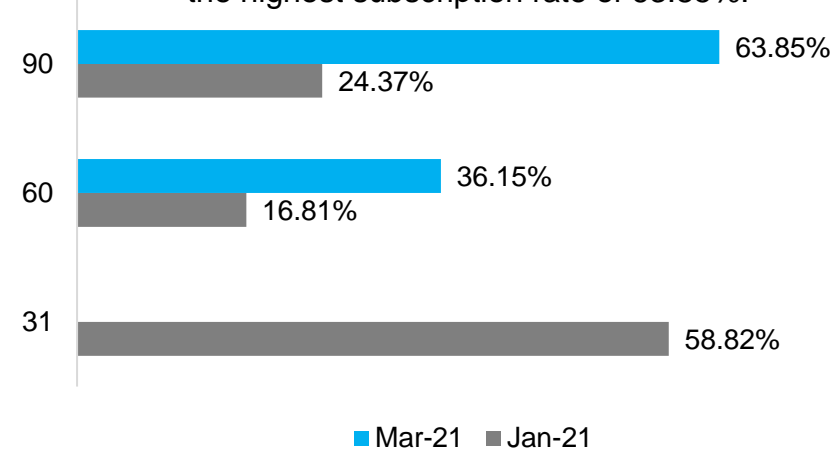
(K'billions)- allotments have decreased to K40.50 billion, they were allotments of K119 billion in January 2021.



#### Average Yield (%) - The average OMO Reverse Repo yield was 11.18%.



#### Subscription rate (%) - The 90-days tenor had the highest subscription rate of 63.85%.

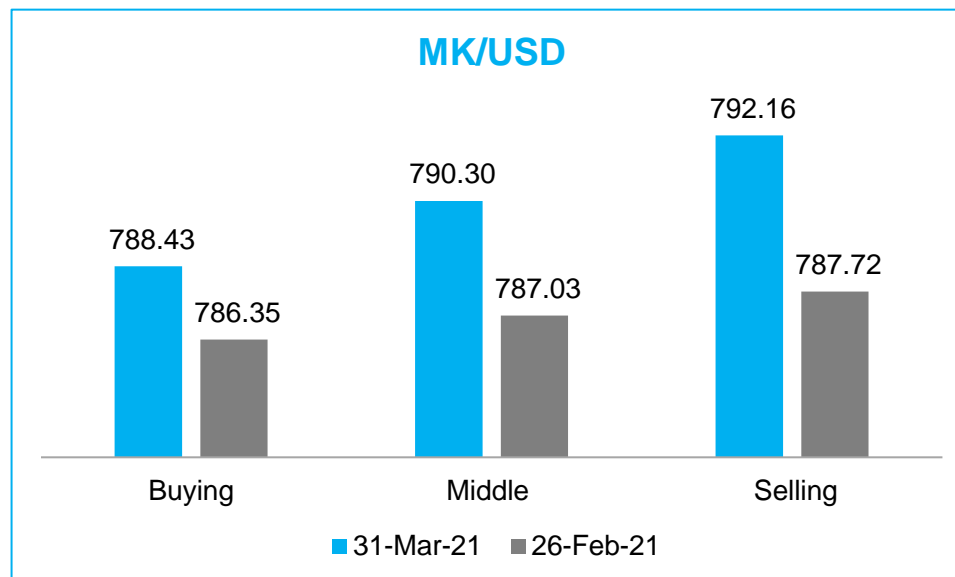




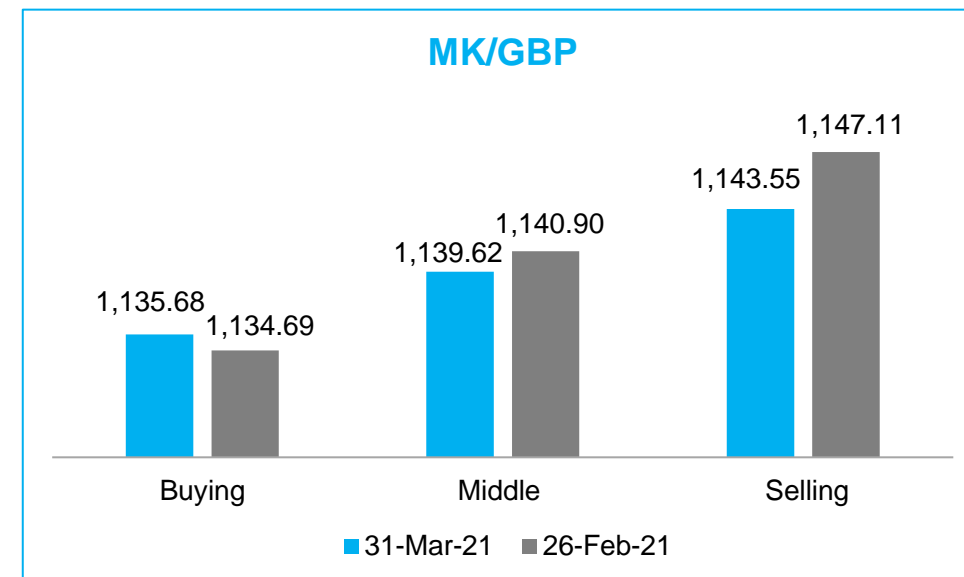
## Economic overview (Continued)

### Foreign currency market (Source: RBM)

Based on middle rates, as at 31 March 2021 the Malawi Kwacha marginally depreciated against the USD to K790.30 per USD from K787.03 per USD as at 26 February 2021. The Kwacha however marginally appreciated against the GBP to K1,139.62 per GBP as at 31 March 2021 from K1,140.90 per GBP as at 26 February 2021.



The Malawi Kwacha marginally depreciated against the USD as at 31 March 2021 to K790.30 per USD from K787.03 per USD as at 26 February 2021. This represents a 0.41% increase M-O-M. Y-O-Y the kwacha has depreciated by 6.65% as it was K741.02 during the same period in the previous year. The buying and selling rate marginally depreciated M-O-M by 0.26% and 0.56%, respectively.



The Kwacha marginally appreciated against the GBP to K1,139.62 per GBP as at 31 March 2021 from K1,140.90 per GBP as at 26 February 2021. The Kwacha has therefore marginally appreciated by 0.11% M-O-M. Y-O-Y the Kwacha has depreciated by 24.39% as it stood at K916.16 per GBP during the same period in the previous year. The buying rate marginally depreciated by 0.09% M-O-M while the selling rate marginally appreciated by 0.31% M-O-M.

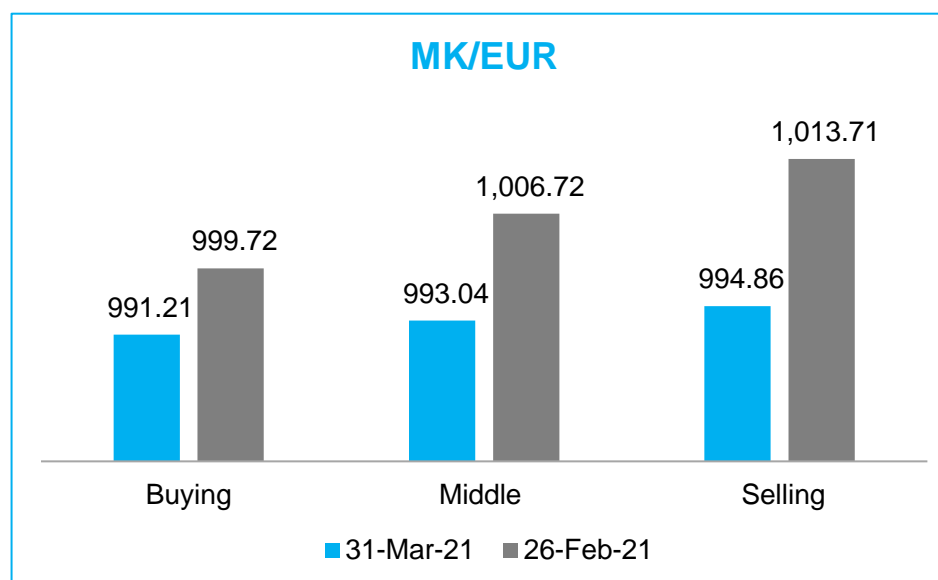
*NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates. The exchange rate movements are based on middle rates.*



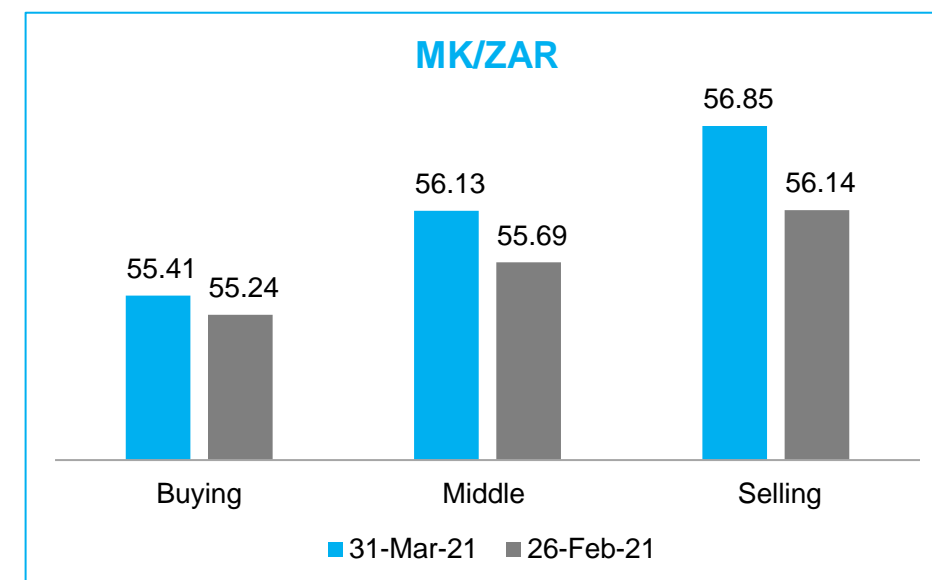
## Economic overview (Continued)

### Foreign currency market (Source: RBM)

Based on middle rates, Malawi Kwacha marginally appreciated against the EUR to K993.04 per EUR as at 31 March 2021 from K1,006.72 per EUR as at 26 February 2021. The Malawi Kwacha however marginally depreciated against the ZAR by to K56.13 per ZAR as at 31 March 2021 from K55.69 per ZAR as at 26 February 2021.



The Kwacha marginally appreciated against the EUR by 1.36% to close at K993.04 per EUR as at 31 March 2021 from K1,006.72 per EUR as at 26 February 2021. Y-O-Y the Kwacha has depreciated by 21.11% as it was K819.92 per EUR during the same period in the previous year. The buying and selling rate marginally appreciated M-O-M by 0.85% and 1.86%, respectively.



The Kwacha marginally depreciated against the ZAR by 0.79% to K56.13 per ZAR as at 31 March 2021 from K55.69 per ZAR as at 26 February 2021. Y-O-Y the kwacha has depreciated against the ZAR by 34.88% as it was K41.62 during the same period in the previous year. The buying and selling rate both depreciated M-O-M by 0.30% and 1.28%, respectively.

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

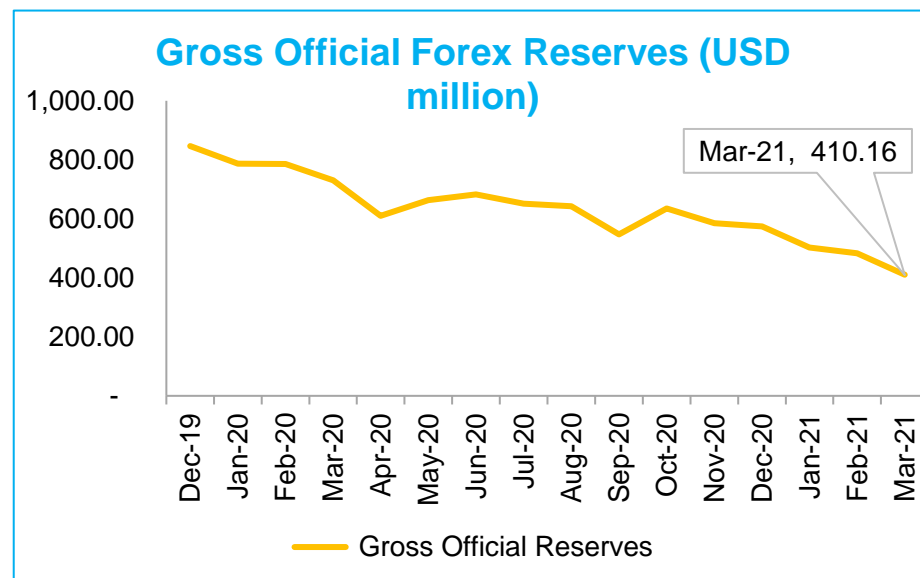




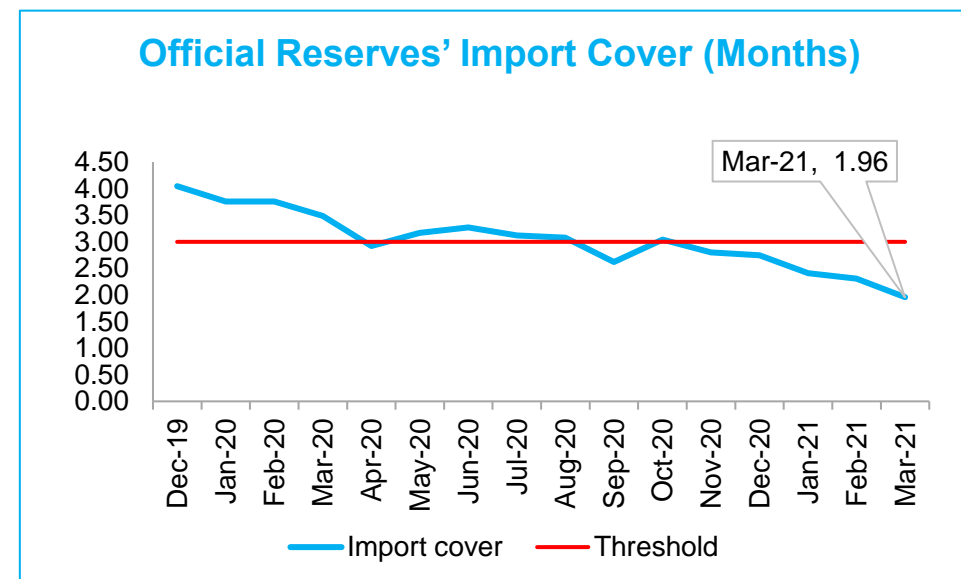
## Economic overview (Continued)

### Foreign reserve position trend graphs (Source: RBM)

Gross official forex reserves stood at USD410.16 million which is a 15.15% M-O-M decrease from the closing gross official forex reserve position of USD483.38 million as at 28 February 2021. Gross official forex reserves' import cover has therefore decreased to 1.96 months from 2.31 months in February 2021. The Malawi Kwacha is under pressure, as demand for foreign exchange continues to surpass its supply.



As at 31 March 2021, the country's gross official forex reserves were USD410.16 million from a gross official forex reserve position of USD483.38 million as at 28 February 2021. This represents a M-O-M decline of 15.15%. Y-O-Y gross official forex reserves have decreased by 43.83% as gross official forex reserves held as at 31 March 2020 were USD730.17 million. According to the RBM the Malawi kwacha is among the currencies in the SSA region which remains under pressure, as demand for foreign exchange continues to surpass its supply.



According to the RBM's assumption of a monthly import requirement of USD209.0 million, the country's import cover decreased 1.96 months in March 2021 from 2.31 months in February 2021. Import cover for gross official reserves continues to remain well below the required threshold of 3 months.

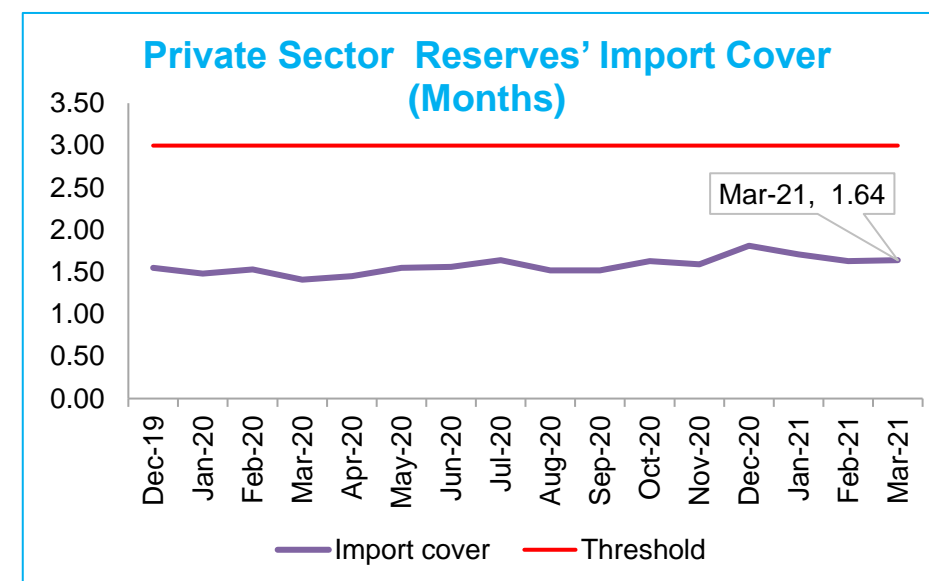
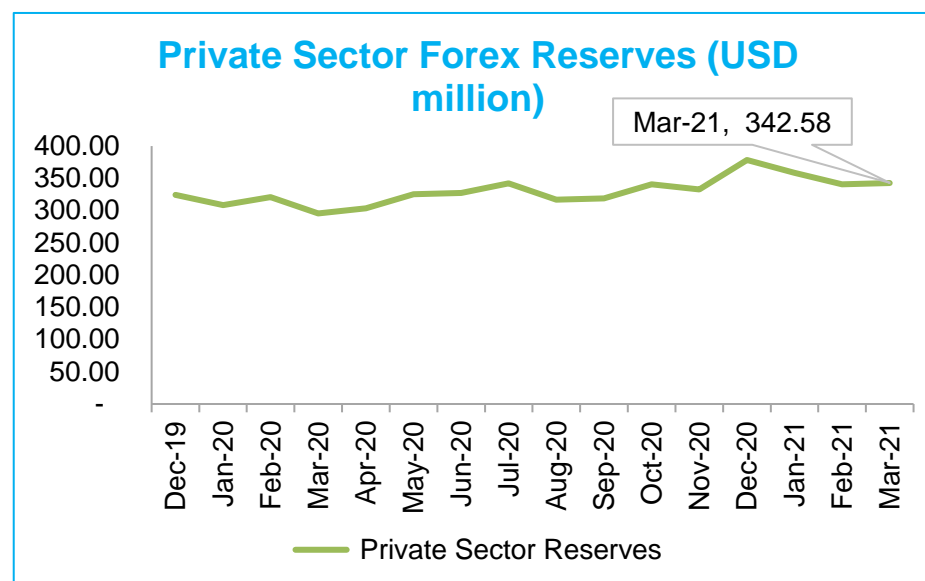


## Economic overview (Continued)

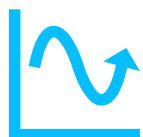
### Foreign reserve position trend graphs (Source: RBM)

The private sector reserves marginally increased by 0.61% to USD342.58 million as at 31 March 2021 from USD340.50 million as at 28 February 2021. Y-O-Y the private forex reserves have increased by 15.91% as total private sector forex reserves held as at 31 March 2020 were USD295.55 million. The private sector import cover has marginally increased to 1.64 months from 1.63 months during the period under review. Import cover for private sector reserves also remains well below the required threshold of 3 months.

*The private sector reserves marginally increased by 0.61% to USD342.58 million in March 2021 from USD340.50 million in February 2021. Overall, the total reserves in March 2021 were USD752.74 million and this is an import cover of 3.6 months. Y-O-Y total reserves have declined by 26.61% as they were USD1,025.72 million as at 31 March 2020.*



Overall, the total reserves in March 2021 were USD752.74 million, which represents an import cover of 3.60 months. This marks a 8.63% decrease from the closing position in February 2021 of USD823.88 million, marking an import cover of 3.94 months. Total reserves held at the close of March 2020 were USD1,025.72 million which is an import cover of 4.90 months. This represents a Y-O-Y decline of 26.61%.

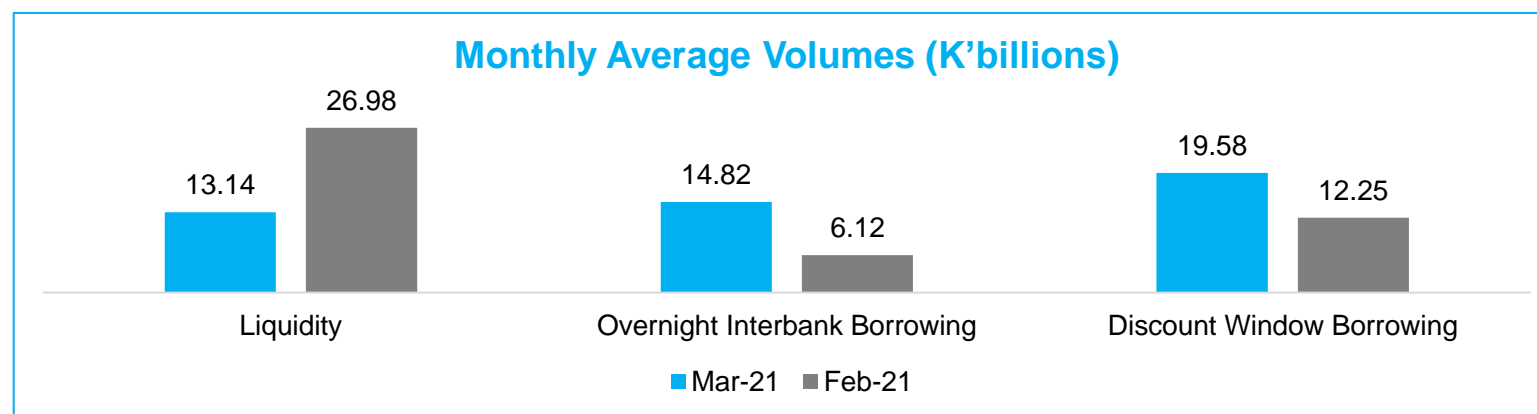


*The overnight Interbank rate increased to 11.37% in March 2021 from 10.67% in February 2021. The Lombard rate (discount window borrowing) continues to maintain its position at 12.2% in the month of March 2021.*

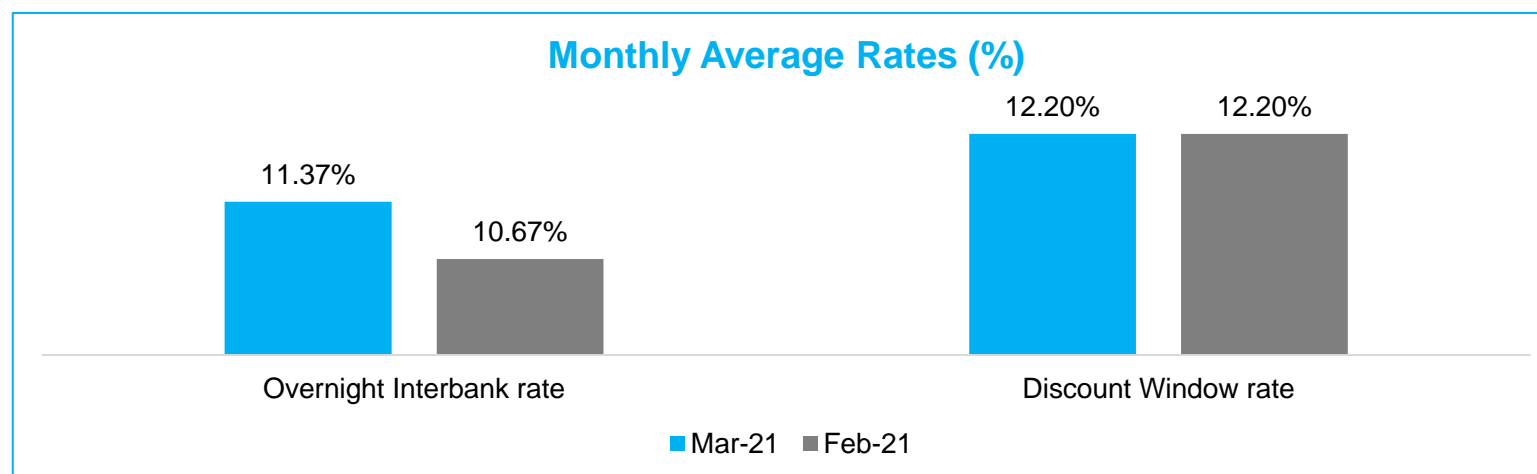
## Economic overview (Continued)

### Interbank markets and interest rates (Source: RBM)

There was a 51.27% decrease in the daily average liquidity to K13.14 billion in March 2021 from K26.98 billion in February 2021. The overnight interbank borrowing volume however increased during the period to a daily average of K14.82 billion in March 2021 from K6.12 billion in February 2021. The daily average volume for the Lombard facility (discount window borrowing) also increased to K19.58 billion in March 2021 from K12.25 billion in February 2021. The figure below summarises the monthly average changes.



The Lombard rate was maintained at 12.20% as the RBM policy rate remains at 12.00%. The Overnight Interbank rate increased to 11.37% in March 2021 from 10.67% February 2021. The changes are shown in the figure below.



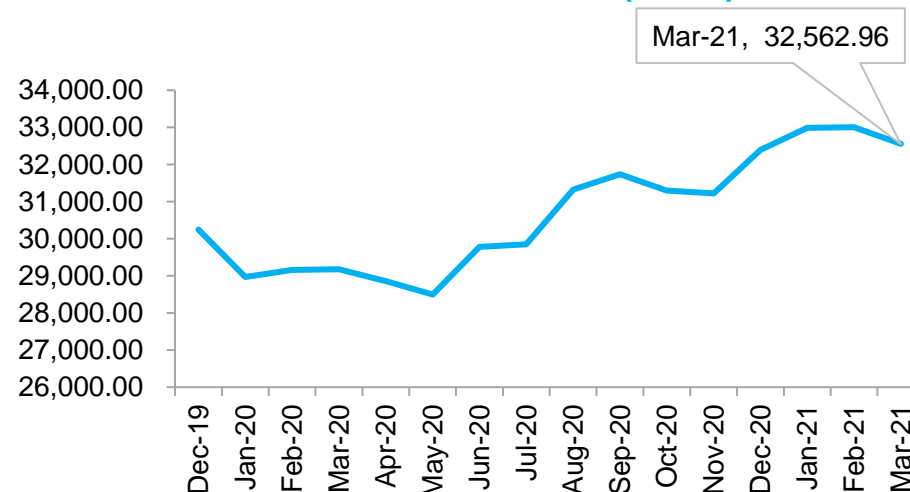


## Economic overview (Continued)

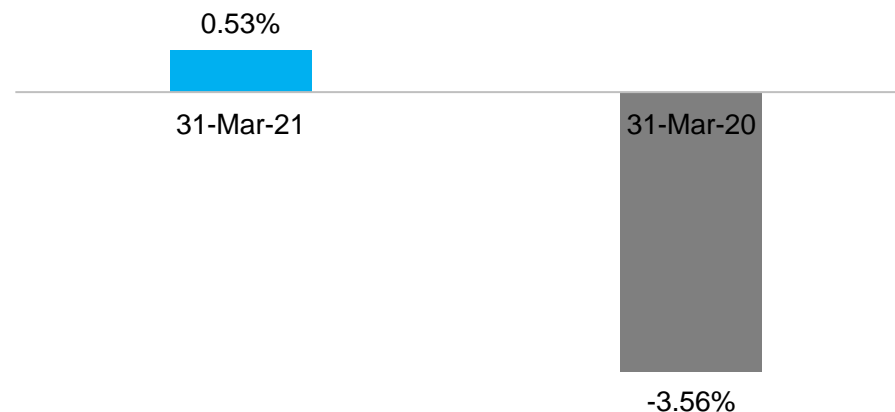
### Stock market (Source: MSE)

The stock market was bearish in March 2021 as the Malawi All Share Index (MASI) closed the month at 32,562.96 points. This marks a decrease of 1.35% from the closing index of 33,009.75 points in February 2021.

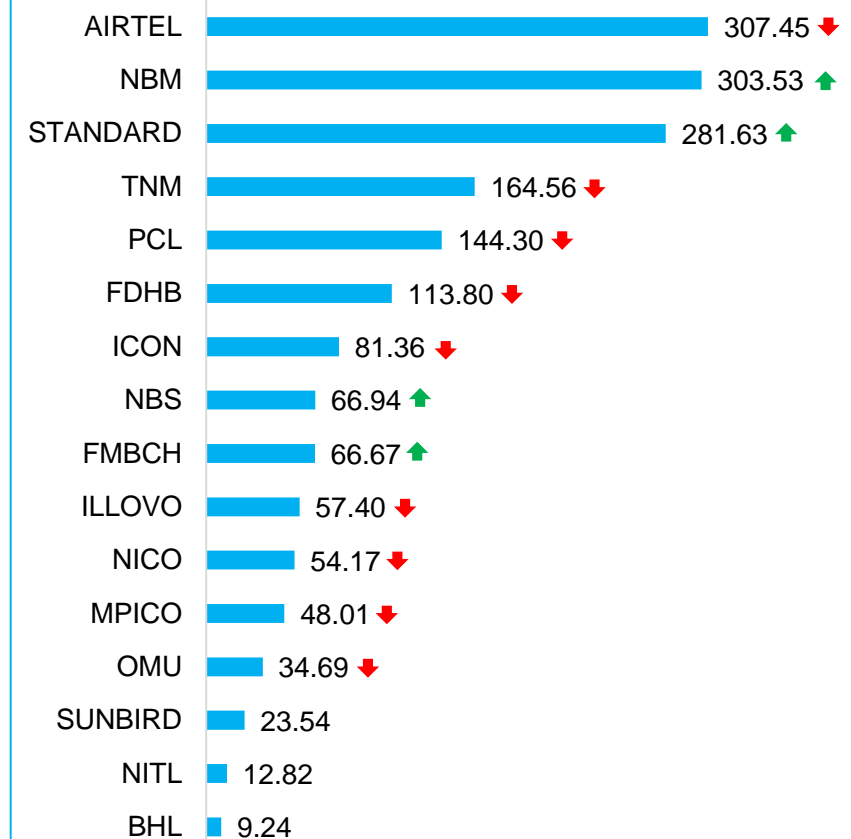
#### Malawi All Share Index (MASI)



#### MSE Y-T-D Return



#### Market Capitalization (K'-billion) - Airtel leads the MSE counters with a market capitalization of K307.45 billion. The total market capitalization is K1.77 trillion.



The stock market was bearish in March 2021 as the Malawi All Share Index (MASI) decreased by 1.35% to 32,562.96 points from 33,009.75 points February 2021. The MASI year-to-date return was 0.53%, it was negative 3.56% during the same period in the previous year. There were four counters that had share price gains while nine counters had share price losses.



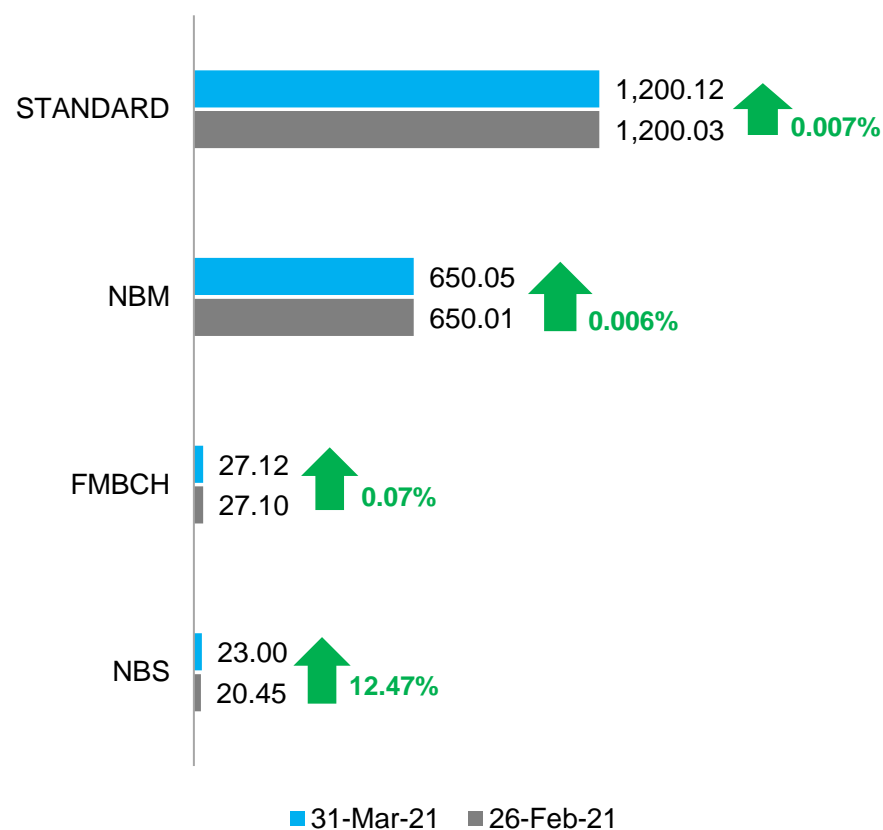
## Economic overview (Continued)

### Stock market (Source: MSE)

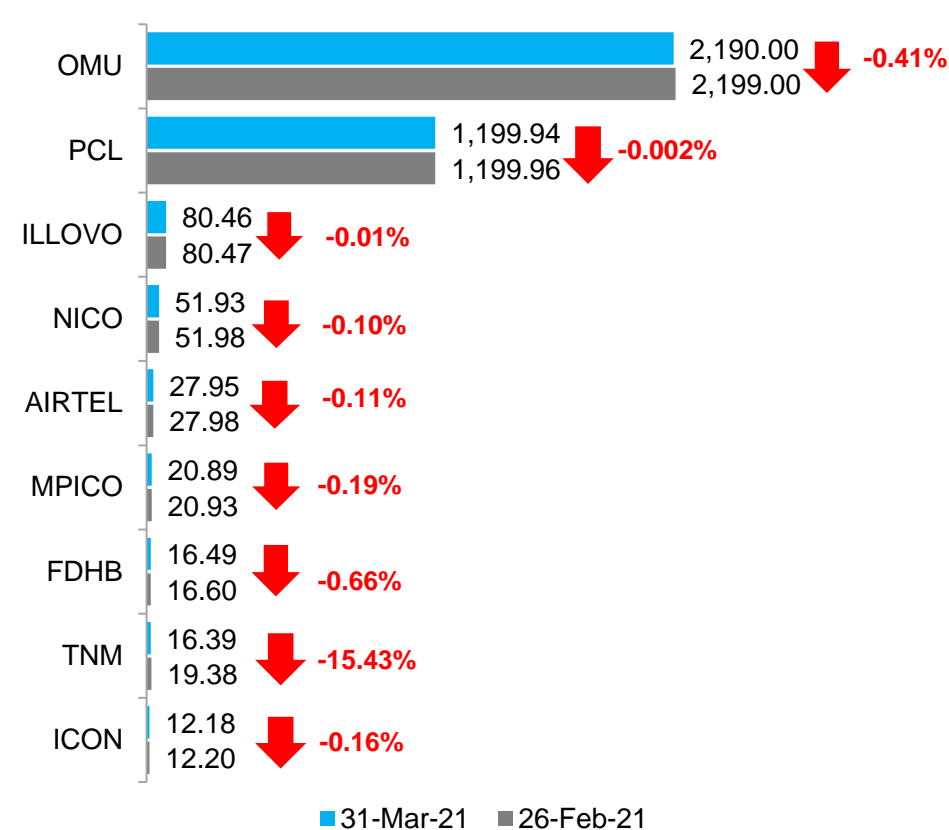
The largest gainer in March 2021 was NBS bank which closed the month at K23.00 per share from K20.45 per share in February 2021. This marks a M-O-M increase of 12.47%. There were marginal share price gains for Standard bank, NBM and FMBCH. A total of three counters closed the month at the same price as the previous month, these counters were: NITL, BHL and Sunbird. There were share price losses for nine counters on the MSE. The largest loser was TNM whose share price decreased by 15.43% to K16.39 per share as at the close of March 2021 from K19.38 per share as at the close of February 2021. The figures below summarise the share price changes during the period.

*M-O-M, NBS bank had the largest share price gain in March 2021 to K23.00 per share from K20.45 per share in February 2021, representing a 12.47% increase. TNM had the largest share price loss during this period to K16.39 per share in March 2021 from K19.38 per share in February 2021, representing a 15.43% decrease.*

#### Share Price Gainers



#### Share Price Losers



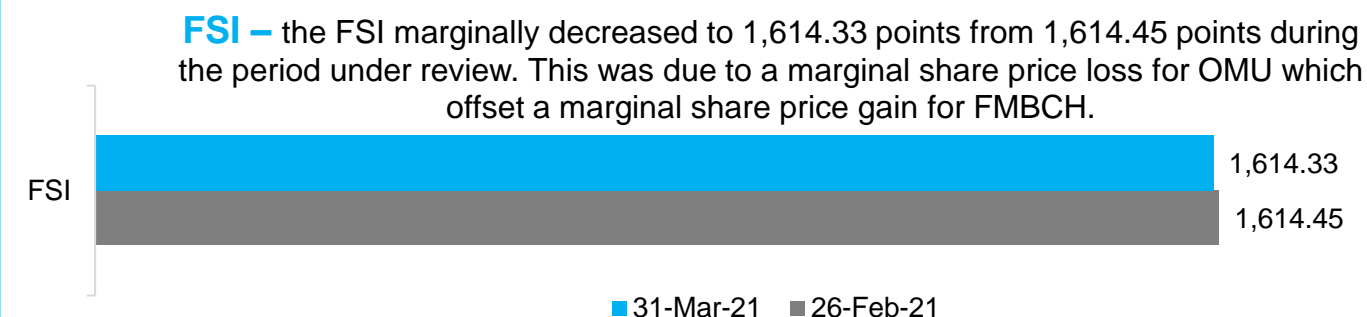
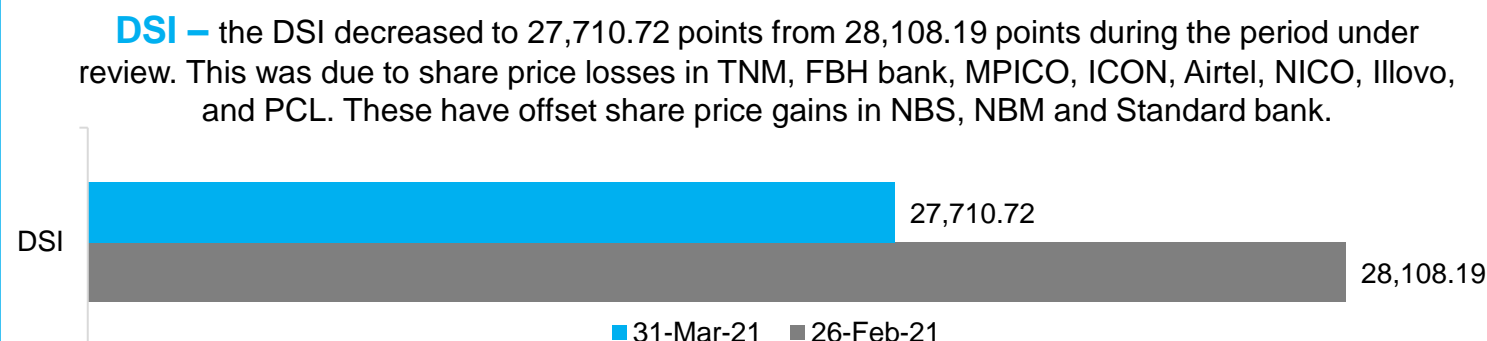
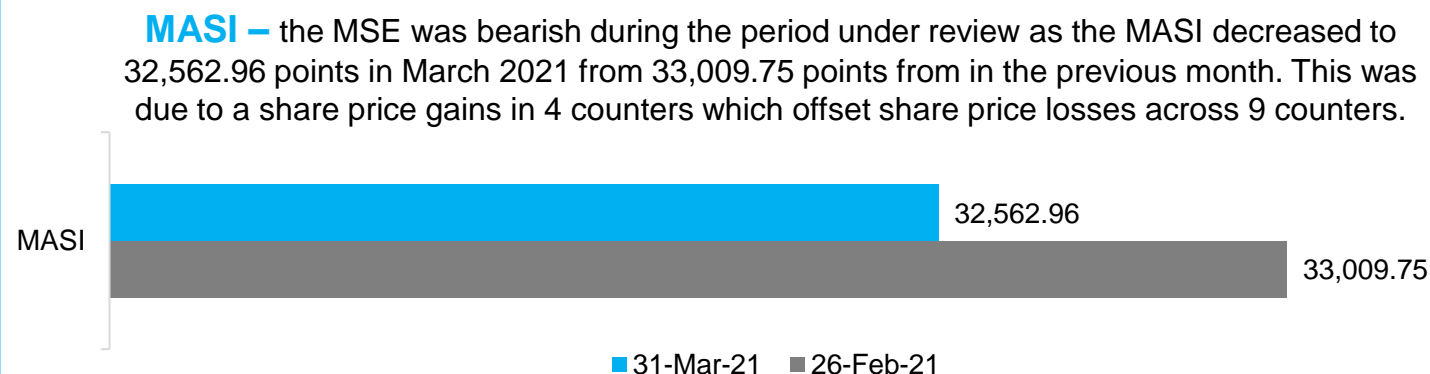




## Economic overview (Continued)

### Stock market (Continued)

The MASI decreased to 32,562.96 points in March 2021 from 33,009.75 points in February 2021. 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 have also decreased due to share price losses in TNM, FBH bank, OMU, MPICO, ICON, Airtel, NICO, Illovo, and PCL. These have offset share price gains for NBS bank, FMBCH, NBM and Standard bank.





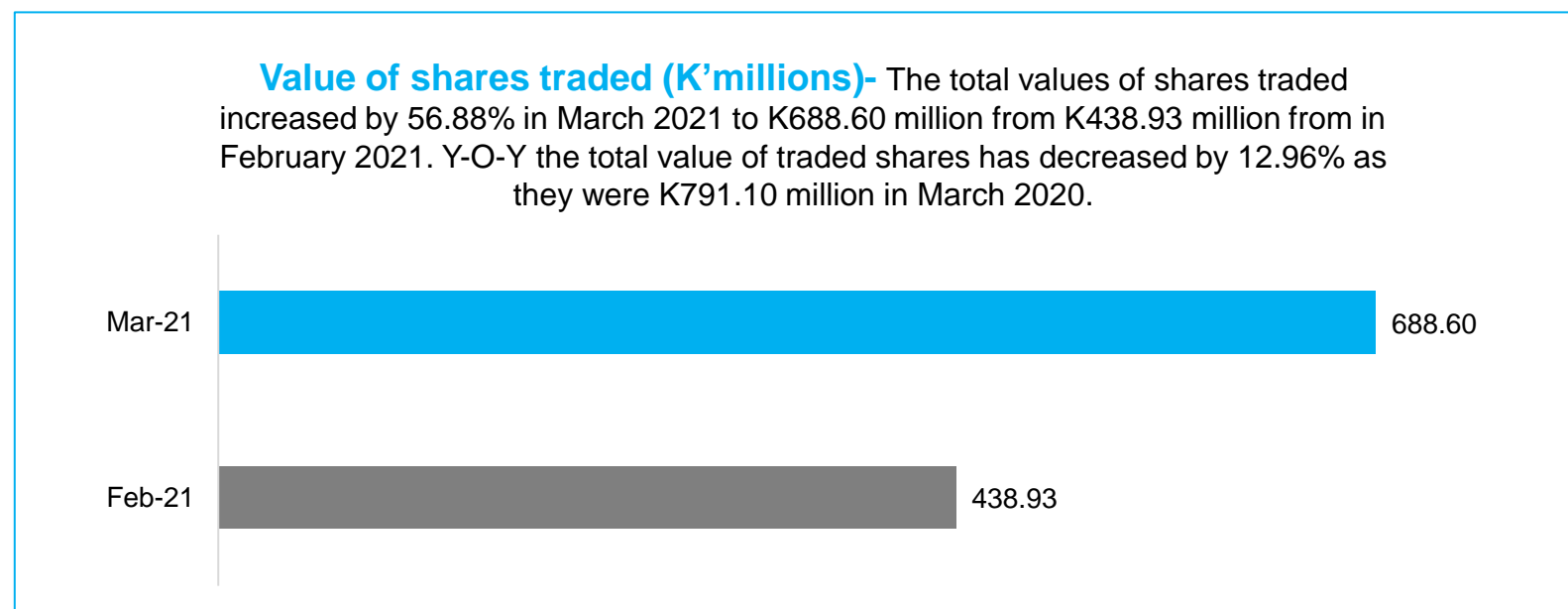
*There were 17.88 million shares traded in March 2021 through 262 trades. The total values of shares traded increased by 56.88% in March 2021 to K688.60 million from K438.93 million February 2021.*

## Economic overview (Continued)

### Stock market (Continued)

#### MSE Traded Volumes

There were 17.88 million shares traded in March 2021 compared to 12.05 million shares traded in February 2021. The total number of trades in the month under review increased to 262 trades from 178 trades February 2021. The figure below traces the total value of shares traded on the MSE in March 2021.



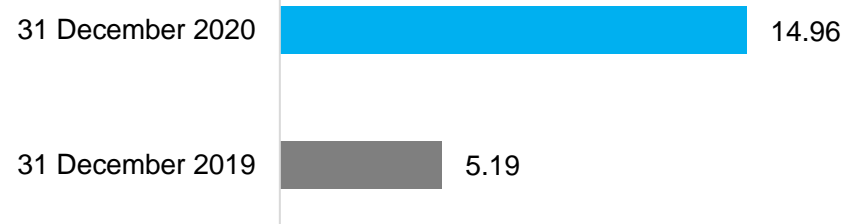


## Economic overview (Continued)

### Latest corporate announcements (Source: MSE)

According to their audited summary consolidated financial statements for the year ended 31 December 2020, FDH Bank's profit after tax has increased by 187.98% to K14.96 billion from K5.19 billion in 2019.

1. **FDH Bank Profit After Tax for the year ended 31 December 2020 (K'billions)-** according to their audited summary consolidated and separate financial statements for the year ended 31 December 2020, FDH Bank's profit after tax has increased by 187.98% to K14.96 billion from K5.19 billion in 2019. This is higher than the 88% increase in PAT from their trading statement that was published earlier.



2. **Airtel Plc Profit After Tax for the year ended 31 December 2020 (K'billions)-** according to their audited summary consolidated and separate financial statements for the year ended 31 December 2020, Airtel Plc's profit after tax has increased by 38.87% to K22.09 billion from K15.91 billion in 2019. This is almost equivalent to their expectation of a 40% increase in PAT from their trading statement that was published earlier.



3. **NITL Profit After Tax (K'billions) -** according to their audited summary financial statements for the year ended 31 December 2020, NITL closed the year with a profit after tax of K1.48 billion from a profit of K1.78 billion in 2019. This is in line with their expectations of a 17% decline in PAT from their trading statement that was published earlier.



4. **NBS Profit After Tax (K'billions) -** according to their audited summary financial statements for the year ended 31 December 2020, NBS closed the year with a profit after tax of K7.05 billion from a profit of K4.46 billion in 2019. This is higher than their expectation of a 25% increase in PAT from their trading statement that was published earlier.





## Economic overview (Continued)

### Latest corporate announcements (Source: MSE)

According to their audited summary financial statements for the year ended 31 December 2020, Sunbird Plc closed the year with a loss after tax of K1.18 billion from a profit of K2.59 billion in 2019.

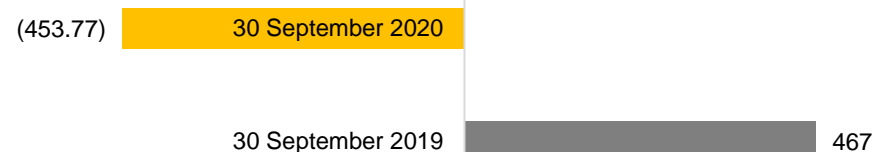
5. **Sunbird Profit After Tax (K'billions)** - according to their audited summary financial statements for the year ended 31 December 2020, Sunbird Plc closed the year with a loss after tax of K1.18 billion from a profit of K2.59 billion in 2019. This is almost in line with their expectations of a 150% decline in PAT from their trading statement that was published earlier.



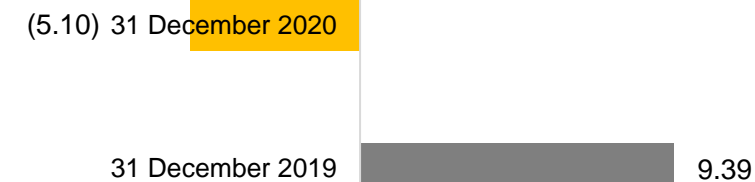
6. **NBM Profit After Tax (K'billions)** - according to their audited summary financial statements for the year ended 31 December 2020, NBM closed the year with a profit after tax of K22.45 billion from a profit of K17.16 billion in 2019. This is slightly higher than their expectation of a 20% increase in PAT from their trading statement that was published earlier.



7. **BHL Loss After Tax for the year ended 30 September 2020 (K'millions)** - according to their audited summary consolidated financial statements for the year ended 30 September 2020, BHL closed the year with a loss after tax of K453.77 million from a profit of K467 million in 2019. This is in line with their expectations of a 200% decline in PAT from their trading statement that was published earlier.



8. **OMU loss After Tax (ZAR'billions)** - according to their group annual results for the year ended 31 December 2020, OMU has closed the year with a loss after tax of ZAR5.10 billion from a profit of ZAR9.39 billion in 2019.





According to their 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 in 2019.

## Economic overview (Continued)

### Latest corporate announcements (Source: MSE)

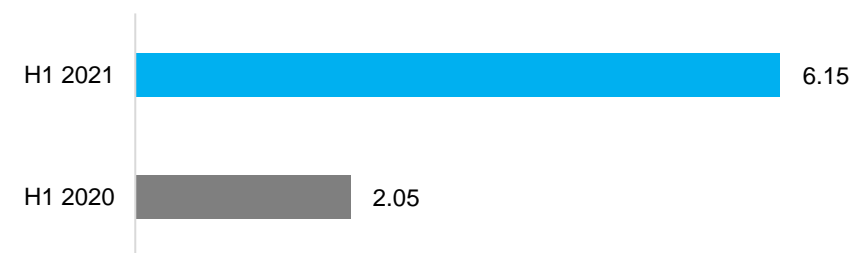
9.

**MPICO Profit After Tax (K'billions)** – according to their 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 in 2019.



10.

**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 around 200%. Half year PAT was K2.05 billion in 2020, it is expected to be K6.15 billion in 2021.



11.

**Standard Bank Profit After Tax for the year ended 31 December 2020 (K'billions)**– according to their audited summary consolidated and separate financial statements for the year ended 31 December 2020, Standard Bank Plc's profit after tax has increased by 49.52% to K23.74 billion from K15.88 billion in 2019. This is slightly higher than the 45% increase in PAT from their trading statement that was published earlier.



**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.





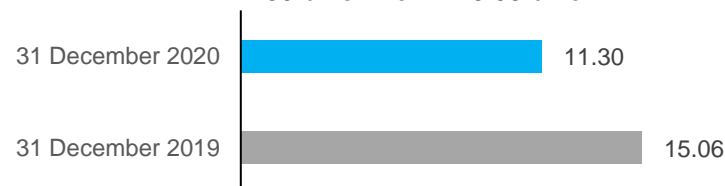


*Airtel and FMCH expect profit after tax for the period ending 31 December 2020 to be higher than the previous corresponding period by at least 40% and 200%, respectively. TNM however expects profit after tax for the period ending 31 December 2020 to be lower than the corresponding period by 25%, respectively.*

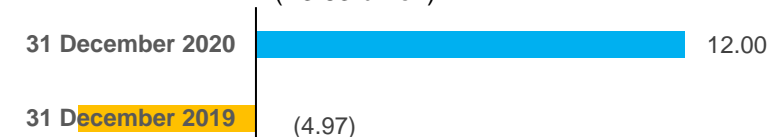
## Economic overview (Continued)

### Previous Corporate Announcements (Source: MSE)

1. **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.



2. **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).



3. 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 PCL



*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.*

## Economic overview (Continued)

### Previous Corporate Announcements (continued)

#### 5. **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.

#### 6. **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 24% 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.



OMU has  
proposed a final  
dividend of  
K18.25 payable  
on 24 May 2021.

## Economic overview (Continued)

### Previous Corporate Announcements (continued)

#### 7. Dividends:

Company	Declared/Proposed	Type	Dividend (MK)	Last Day To Register	Payable
OMU	Proposed	Final	18.25	16 April 2021	24 May 2021
STANDARD	Declared	Second Interim	12.78	TBA	TBA
STANDARD	Proposed	Final	21.31	TBA	TBA
NITL	Proposed	Final	0.80	TBA	TBA
NBS	Proposed	Final	0.70	TBA	TBA
NBM	Proposed	Final	17.14	TBA	TBA
Airtel	Proposed	Final	2.10	TBA	TBA

#### 8. Annual general meeting

Company	Venue	Date	Time
BHL	Virtual AGM	19 April 2021	15:30 hours



*There were no traded debt securities on the market. The 26 listed securities on the MSE had a total nominal value of K825.13 billion in March 2021.*

## Economic overview (Continued)

### Debt market

**Nominal Value (K'billions)** – In the period under review, there were 5 Corporate Medium-Term Notes by MyBucks Banking Corporation and 21 Malawi Government Treasury Notes. There were no trades registered on the 26 listed debt securities.



## Other Market Developments



*The average retail price for maize in March 2021 was MWK181 /kg which is a 2.16% decline from the average retail price in February 2021 which was MWK 185/kg.*

## Other Market Developments (Continued)

### Malawi monthly maize market report (Source: IFPRI)

The monthly average retail maize price for March 2021 marginally decreased by 2.16% to MWK 181/kg from an average of MWK 185/kg in February 2021.

As the main harvest season is now underway, the Ministry of Agriculture and Food Security announced the minimum farmgate price for maize to be MWK150/kg on 1 April.

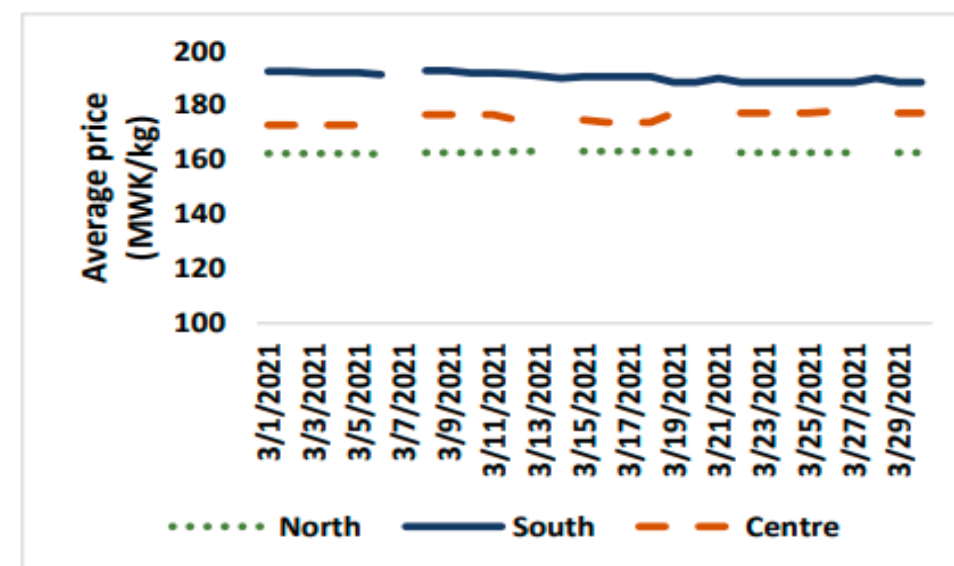
Maize is being sold to consumers by ADMARC at MWK160/kg, which is substantially lower than the retail price in most markets.

As 2020/21 harvesting season has started, both 'old' (which is maize that was harvested in the 2019/20 season) and 'new' (which is the recent harvest) maize stocks are present on the market.

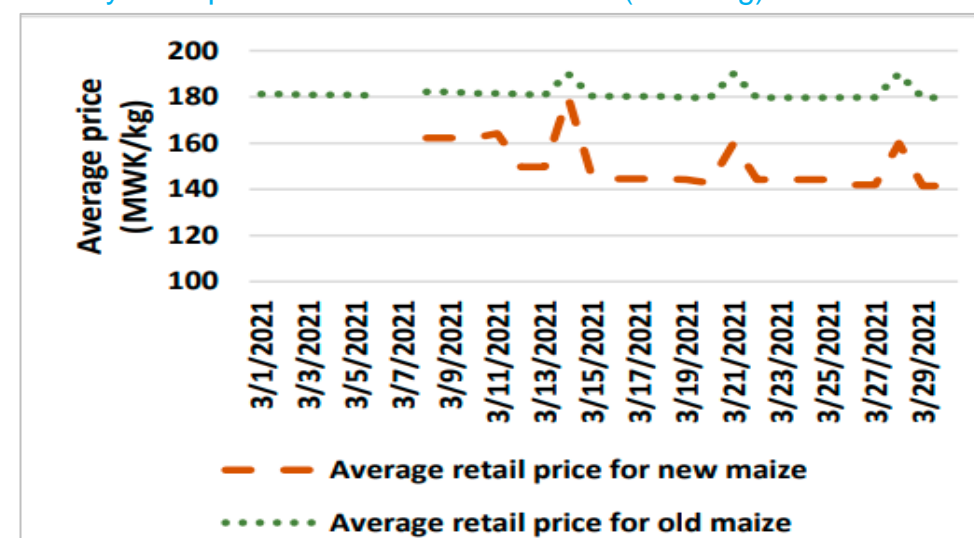
According to the IFPRI report, prices for 'new' maize are usually lower than for 'old' maize because of its higher moisture content but generally follow the same pattern as old maize price. On average, retail prices of 'new' maize were MWK 35/kg lower than for 'old' maize during the month of March and MWK89/kg lower than for 'new' maize during March 2020.

As of the end of March 2021, retail maize prices in Malawian markets were lower than in selected regional markets in eastern Africa.

Daily average maize retail prices during March 2021 (MWK/kg)



Daily retail prices for old and new maize (MWK/kg)





*The current overall average electricity tariff has been increased by 10.62% to an average of K104.46/kWh in March 2021 from an average of K94.43/kWh in February 2020.*

## Other Market Developments (Continued)

### Energy prices (Source: MERA)

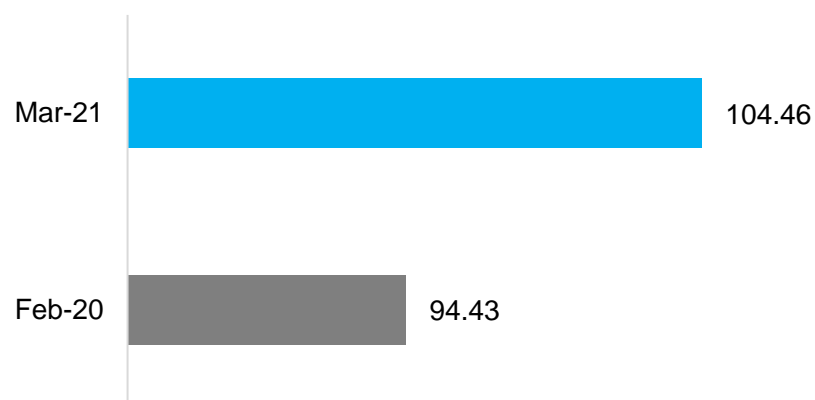
#### Fuel Prices

Fuel prices for Petrol, Diesel and paraffin were revised upwards on 8 March 2021 by 7.74%, 8.66% and 17.35% to MK899.20 per litre, MK898.00 per litre and MK719.60 per litre, respectively. The MERA board 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. In addition, since their last IBLC review in February 2021, the Kwacha had depreciated, and the IBLC of petrol, diesel and paraffin had increased by 9.60%, 9.70% and 8.93%, respectively in March 2021. This led the board to conclude that fuel prices be revised upwards as the Price Stabilisation Fund could no longer cushion consumers.

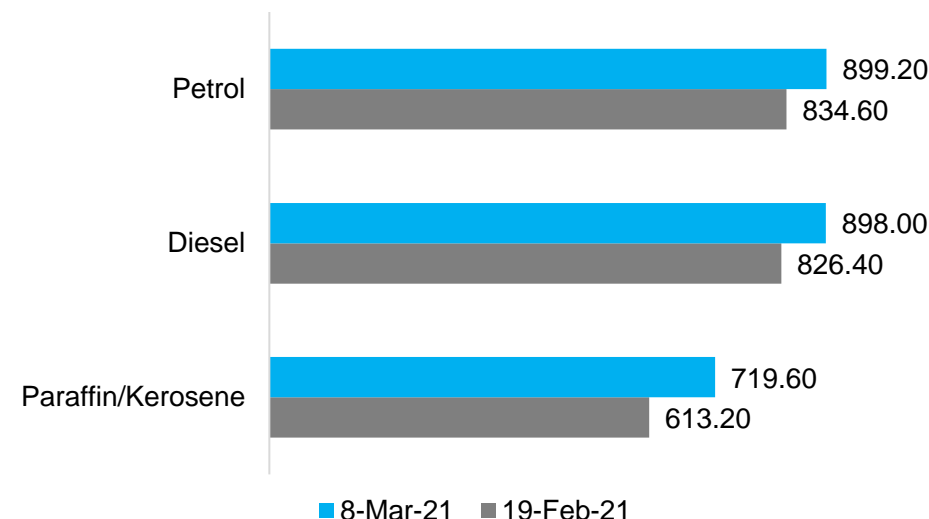
#### Electricity Prices

The current overall average electricity tariff has been increased by 10.62% to an average of K104.46/kWh in March 2021 from an average of K94.43/kWh in February 2020, effective 30 March 2021. Following the last revision in February 2020, MERA board found that based on Automatic Tariff Adjustment Formula (ATAF) principles, electricity tariffs be increased by 5.72% as the ATAF outcome and 4.9% as revenue recouping by ESCOM, resulting in a total tariff increase of 10.62%

**Electricity (K/kwh)-** The current overall average electricity tariff has been increased by 10.62% to an average of K104.46/kWh in March 2021 from an average of K94.43/kWh in February 2020.



**Fuel (MK/litre)-** 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.





## Regional And Global Market Developments



*The OPEC Reference Basket (ORB) increased to USD64.56/b in March 2021 from USD61.05/b in February 2021. Oil prices have extended gains after there was severe winter weather which caused a supply disruption in the USA.*

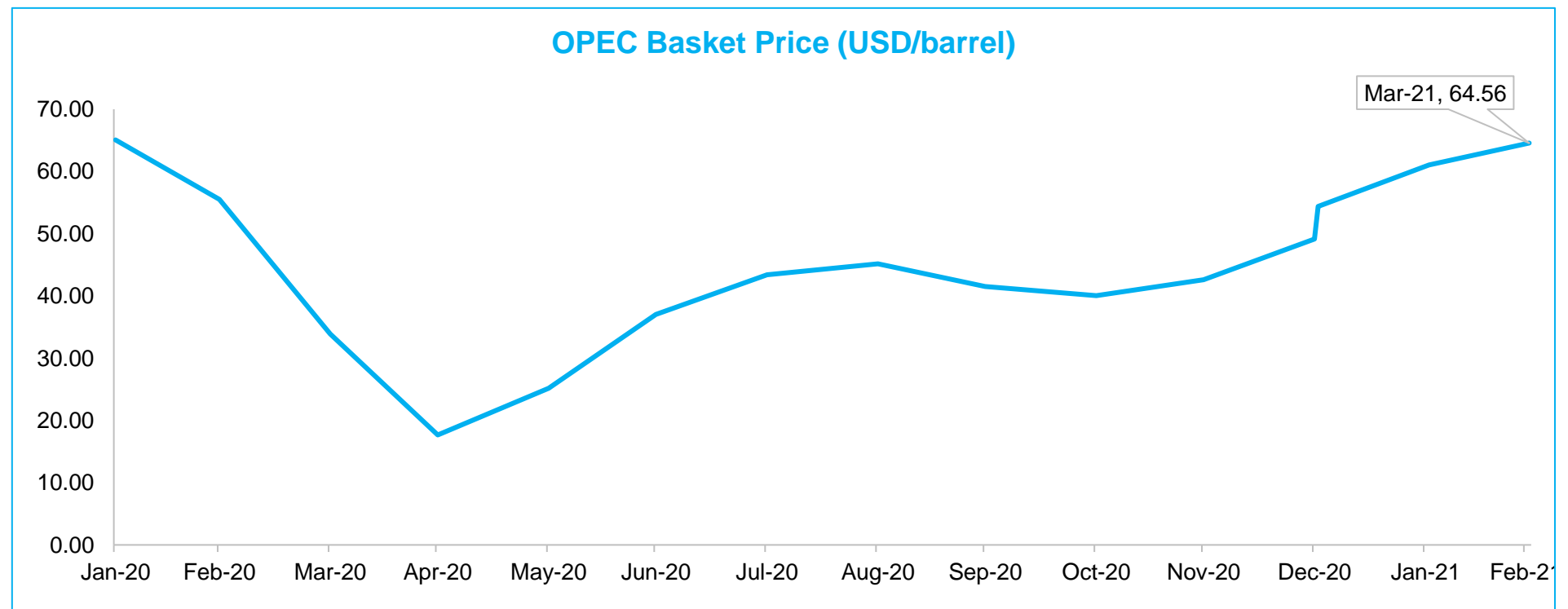
## Regional And Global Market Developments

### Global oil developments (Source: OPEC)

The OPEC Reference Basket (ORB) has increased to USD64.56/b in March 2021 from USD61.05/b in February 2021. The ORB was USD33.92/b in March 2020. Oil prices have been supported by ongoing improvements in oil market fundamentals and a futures market that remained bullish as there is anticipation for recovery in demand amidst restrained global oil supplies. Oil prices have extended gains after there was severe winter weather which caused a supply disruption in the USA.

The OPEC Monthly Oil Market Report (MOMR) for April 2021 is yet to be released. According to the MOMR for March 2021, world oil demand is expected to stand at 96.3 mb/d. Oil requirements in 1H21 have been adjusted lower, mainly due to extended measures to control COVID-19 in many key parts of Europe. In contrast, oil demand in 2H21 is adjusted higher, reflecting expectations for a stronger economic recovery with the positive impact of vaccination rollouts.

In addition, Non-OPEC liquids supply for 2021 is forecast to grow by almost 1 mb/d to average to 63.8 mb/d. The main contributors to supply growth are expected to be Canada, the US, Norway, Brazil and Russia.





*The central banks for USA, UK and Europe continue to maintain their bank rates during the period under review. The US 10-Year treasury bond yield increased to 1.75% in March 2021 from 1.42% in February 2021.*

## Regional And Global Market Developments

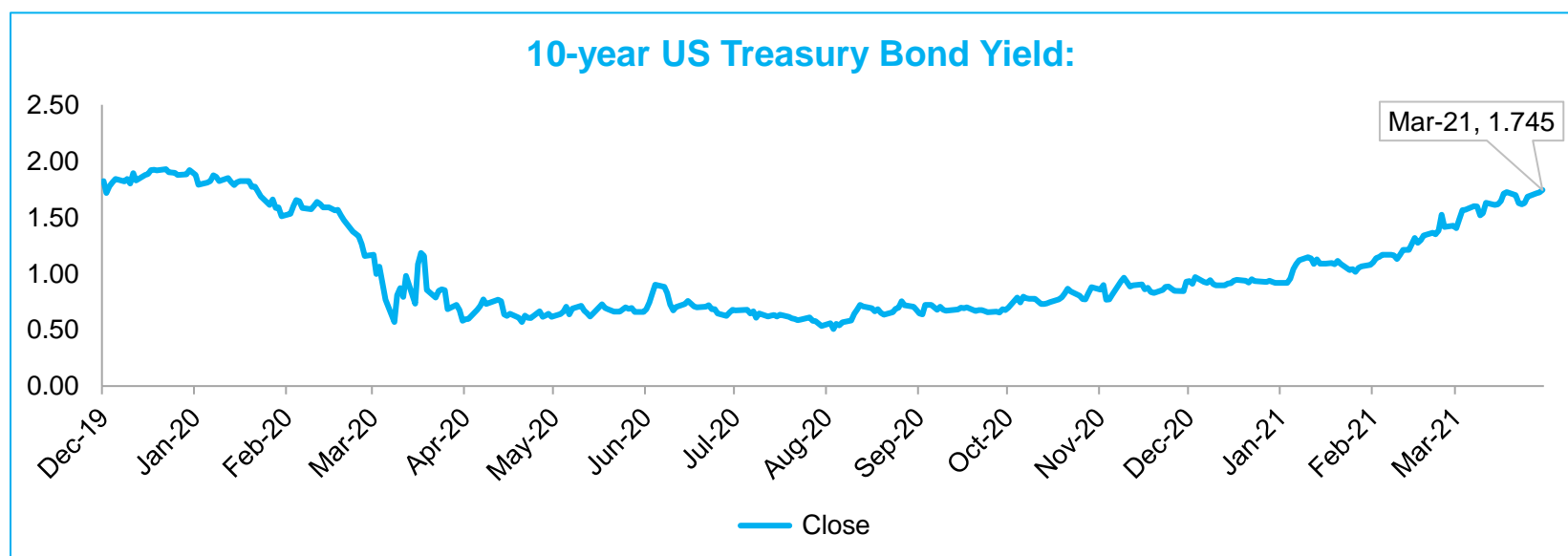
### Interest rate movements (Source: WSJ and Reuters)

The US Fed rate was maintained at 0.25% in March 2021. Similarly, the Bank of England Rate and the European Central Bank Rate were also maintained at 0.10% and 0.00% respectively. However, both the 3 months US LIBOR and 6 months US LIBOR increased to 0.194% and 0.205%, respectively. The respective rates in the previous month were 0.188% and 0.203%. Finally, the US 10-Year treasury bill yield increased to 1.75% from 1.42% during this period.

**Table 2: Interest Rates**

	March 2021 (%)	February 2021 (%)	% Change
US LIBOR (3 months)	0.19%	0.19%	↑ 3.12%
US LIBOR (6 months)	0.21%	0.20%	↑ 1.11%
US treasury bond yield (10 years)	1.75%	1.42%	↑ 23.32%
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:





*The global economy is projected to grow 6% in 2021 and 4.4% in 2022.*

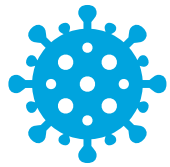
*Economic growth in Sub-Saharan Africa is projected to grow by 3.4% in 2021 and 4% in 2022.*

*Oil prices are projected to grow 30% in 2021.*

## Regional And Global Market Developments

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

- After an estimated contraction of 3.3% in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. This is reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year.
- Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Many of these countries entered the crisis in unexpected fiscal situation and with less capacity to mount major health care policy responses or support livelihoods.
- Consistent with the projected global recovery, oil prices are projected to grow 30% in 2021 from their low base in 2020, in part reflecting the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) supply curbs.
- Rapidly rising food prices have already lifted headline inflation rates in some regions, including Sub-Saharan Africa and Asia. Temporarily high headline inflation could raise inflation expectations in these economies and affect inflation durably.
- Following the largest contraction ever for the Sub-Saharan region (–1.9% in 2020), growth is expected to rebound to 3.4% in 2021, significantly lower than the trend anticipated before the pandemic. Tourism-reliant economies will likely be the most affected.

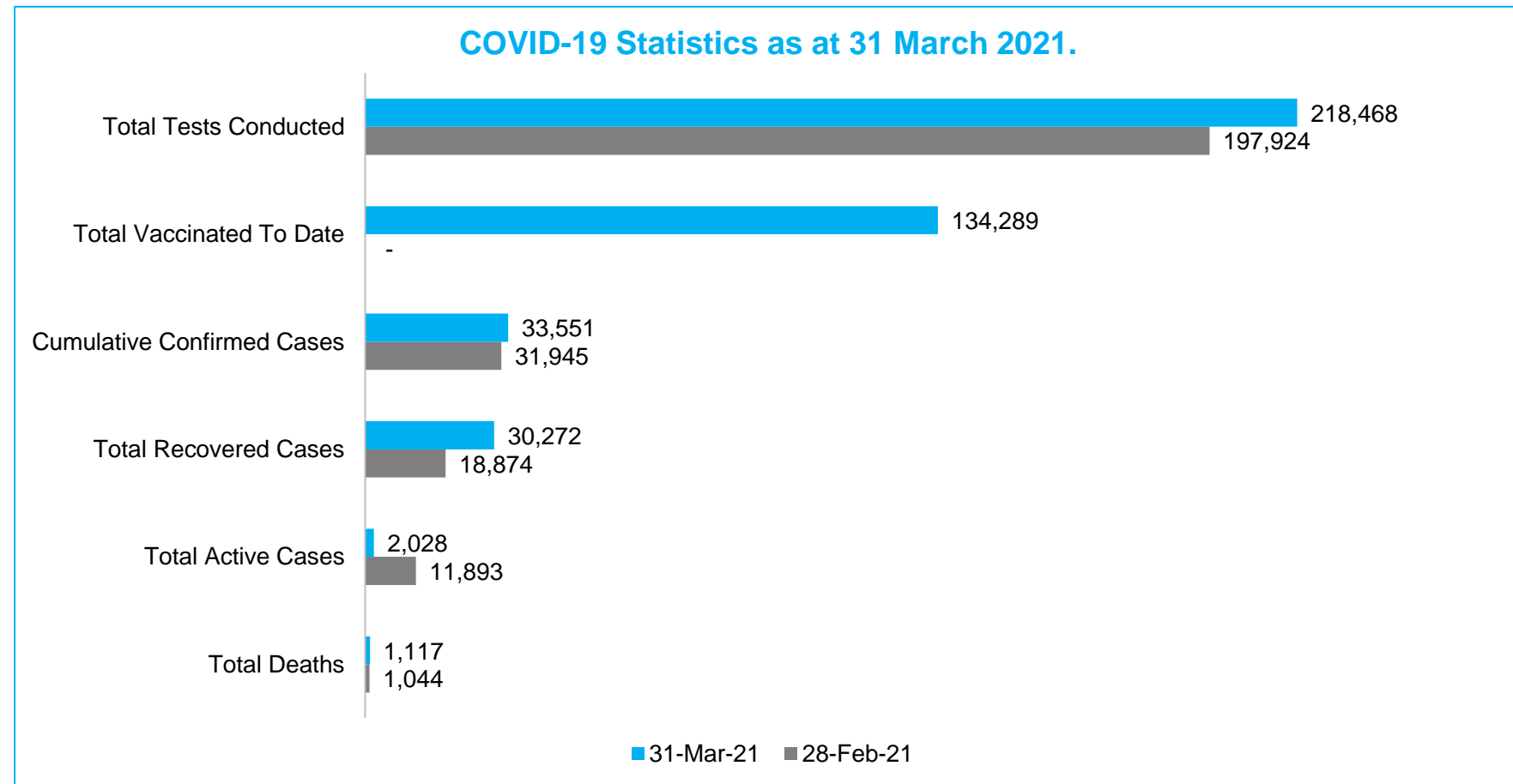


## COVID-19 Update

*Total confirmed cases rose to 33,551 in March 2021 from 31,945 in February 2021. Total deaths have increased to 1,117 in March 2021 from 1,044 in February 2021.*

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

Total confirmed cases rose to 33,551 in March 2021 from 31,945 in February 2021. Total deaths have increased to 1,117 in March 2021 from 1,044 in February 2021. As at 31 March 2021 the positivity rate decreased to 6% from 16.4% in February 2021, while the Case Fatality Rate (CFR) marginally increased to 3.33% from 3.27% in February 2021. The recovery rate stood at 90.2%. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March, 134,289 Malawians had been vaccinated as at 31 March 2021.



## Outlook

### Inflation

According to the IMF World Economic Outlook April 2021 update, 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 9.1%. Inflation is further projected to grow in 2021-23, peaking at 10% in 2022. 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 second meeting of the Monetary policy committee (MPC) is scheduled for 30 April 2020. Following its first meeting of 2021, the MPC decided to maintain the policy rate at 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.

According to the February 2021 Market Intelligence report, the RBM anticipates that the outlook for domestic headline inflation will be determined by the net effects of a good maize and other cereal crop harvest, and spillover effects from exchange rate depreciation and rising fuel prices. This is on the basis of prospects for a good maize harvest in the 2020/21 maize crop season as the RBM expects non-food inflation to be subdued over the period. This however could be offset with the rolling out of coronavirus vaccines across the globe, which may put pressures on international oil prices and build up economic activity. Thereby leading to higher inflation forecast.

### Exchange Rates

According to the RBM the Malawi kwacha is among the currencies in the SSA region which remains under pressure, as demand for foreign exchange continues to surpass its supply.

As the reserves dwindle, the currency is likely to depreciate further. According to the EIU, the current wide current-account deficit will exert downward pressure on the Kwacha throughout 2021. However, the pace of depreciation will be moderated by increasing foreign investment inflows and earnings from the agricultural sector.

The report further explains that oil prices are forecasted to increase and may result in an increase in Malawi's import spending, particularly between 2021-22. This is because Malawi is dependent on fuel and capital imports. The current account is therefore anticipated to have a deficit averaging 19.6% of GDP per year which was (previously projected at 17.5% of GDP). This may put pressure on the currency, and therefore could hasten depreciation in the forecast period. The negative outlook for depreciation however may be offset by increased export volumes of agricultural products, mainly tea and soybeans, which will increase export earnings. The current-account deficit is forecasted to narrow slightly to 18.8% in 2025, as oil prices decline. The current account deficit in the present period is expected to be financed primarily by project-related grants and concessional borrowing.

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.



### Monetary Policy

The MPC maintained 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. With inflation stable and economic activity remaining subdued, the RBM is likely to retain its accommodative stance and hold the benchmark policy rate at 12% at its next monetary policy meeting.

### Fiscal Policy

According to the EIU March 2021 country report, the fiscal deficit is expected to widen in 2020/21, to 9.3% 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\$3.4bn at end-2022.

The external debt/GDP ratio will also rise in 2021, to 34.8%, from an estimated 34.4% in 2020. A wide budget deficit to support economic recovery and provide for increased healthcare expenditure will also lead to an increase in new bilateral loans. Debt owed to the IMF will also rise, from an estimated US\$525m at end-2020 to US\$546m at end-2021, reflecting both the ECF (2018- 2021) and the emergency debt secured under the RCF in October 2020.

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.

If current spending is reduced, the fiscal deficit will contract gradually to 8% of GDP in 2024/25, according to the EIU report. With local interest rates high, the government will seek to finance the deficits externally, through multilateral concessional borrowing.

### 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. 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. The land reforms are aiming to consolidate small farms into larger holdings under the Malawi Growth and Development Strategy, which will help to increase economies of scale and aid the expansion of other cash crops such as soybeans, tea and sugar.

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 forecast notes 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.

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.

The December 2020 Financial stability report by the RBM estimates real GDP growth for 2021 at 3.5%, a decline from an estimate of 4.7% made in an earlier projection September 2020. The downward revision reflects larger-than anticipated disruptions to economic activity caused by Covid-19 pandemic.

## Appendix

## Appendix 1: Selected Market statistics

### Inflation (%)

Month	National	Food	Non food
Feb-21	8.30%	10.30%	6.30%

### Treasury Bill Yields (%)

	Mar-21	Feb-21	Mar-20
91-day	9.95%	9.95%	7.50%
182-day	12.80%	12.80%	9.11%
364-day	13.80%	13.77%	10.95%
All type yield	12.18%	12.17%	9.23%

### TN average yield (%)

Tenor	Mar-21	Feb-21	Mar-20
2-Yr-TN	16.50%	16.50%	-
3-Yr-TN	18.66%	-	-
5-Yr-TN	19.97%	19.98%	-
7-Yr-TN	20.50%	-	19.08%
10-Yr-TN	22.50%	-	--

### Closing foreign Exchange rates (middle rates)

	MK:US\$	MK:GBP	MK:EUR	MK:ZAR
31-Mar-21	790.30	1,139.62	993.04	56.13
26-Feb-21	787.03	1,140.90	1,006.72	55.69

### Closing Foreign Exchange Reserves Position 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
Mar-21	410.16	1.96	342.58	1.64	752.74	3.60

### Daily Average Rates (%)

	Mar-21	Feb-21
Overnight Interbank rate	11.37%	10.67%
Discount Window rate	12.20%	12.20%

### Daily Average Volumes (K'Billions)

	Mar-21	Feb-21	M-O-M% Change
Liquidity	13.14	26.98	-51.27%
Overnight Interbank Borrowing	14.82	6.12	142.22%
Discount Window Borrowing	19.58	12.25	59.89%

## Appendix 2: Stock market

### MASI closing positions

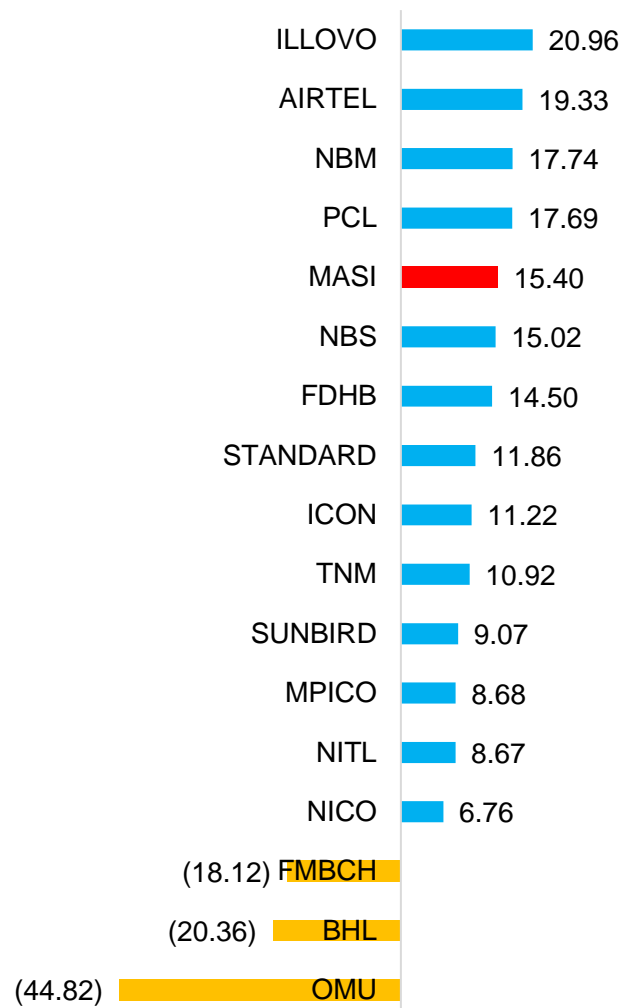
	31-Mar-21	26-Feb-20	31-Mar-20	M-O-M % Change	Y-O-Y % Change	Y-T-D Return (2021)	Y-T-D Return (2020)
MASI	32,562.96	33,009.75	29,176.23	-1.35%	11.61%	0.53%	-3.56%
DSI	27,710.72	28,108.19	24,138.22	-1.41%	14.80%	-0.16%	2.28%
FSI	1,614.33	1,614.45	2,290.78	-0.01%	-29.53%	18.36%	-43.08%

### MSE Prices

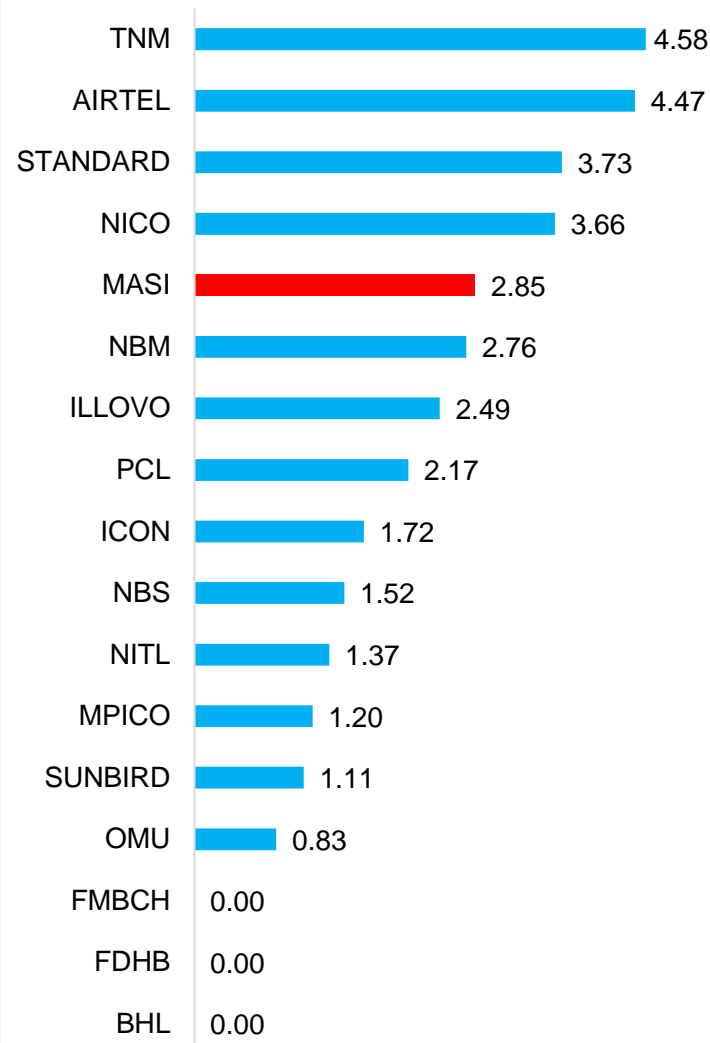
Counter	31-Mar-21	26-Feb-20	31-Mar-20	M-O-M % Change	Y-O-Y % Change
Airtel	27.95	27.98	17.50	-0.11%	59.71%
BHL	11.00	11.00	12.94	0.00%	-14.99%
FDHB	16.49	16.60	-	-0.66%	-
FMBCH	27.12	27.10	40.00	0.07%	-32.20%
ICON PLC	12.18	12.20	10.49	-0.16%	16.11%
ILLOVO	80.46	80.47	94.50	-0.01%	-14.86%
MPICO	20.89	20.93	25.00	-0.19%	-16.44%
NBM	650.05	650.01	540.01	0.01%	20.38%
NBS	23.00	20.45	16.00	12.47%	43.75%
NICO	51.93	51.98	48.49	-0.10%	7.09%
NITL	94.94	94.94	95.00	0.00%	-0.06%
OMU	2,190.00	2,199.00	2,499.99	-0.41%	-12.40%
PCL	1,199.94	1,199.96	1,400.00	0.00%	-14.29%
STANDARD	1,200.12	1,200.03	730.01	0.01%	64.40%
SUNBIRD	90.00	90.00	120.01	0.00%	-25.01%
TNM	16.39	19.38	25.54	-15.43%	-35.83%

## Appendix 3: Selected stock market statistics as at 31 March 2021

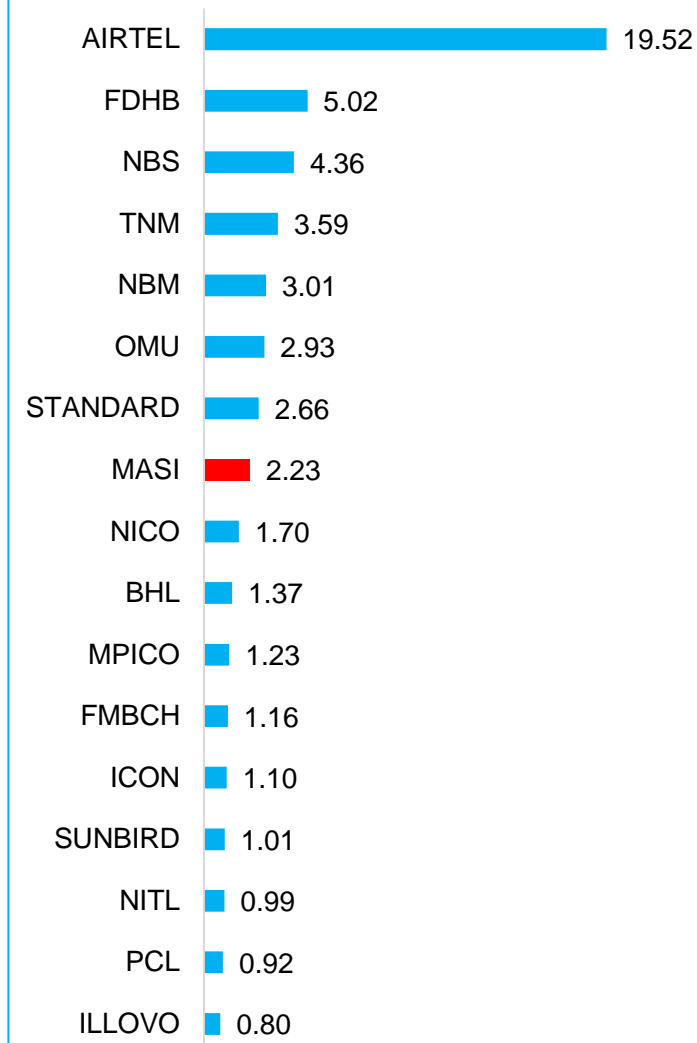
**P/E ratio** - the MSE has a weighted average Price to Earnings ratio of 15.40. OMU has the lowest at negative 44.82 while Illovo has the highest at 20.96.



**Dividend yield (%)** - the weighted average dividend yield on the MSE is 2.85%. The counter with the highest dividend yield is TNM at 4.58%.



**P/BV ratio** - the weighted average Price to Book Value ratio on the MSE is 2.23. Airtel has the highest ratio at 19.52 while Illovo has the lowest ratio at 0.80.



## Appendix 6:EIU Report

### Economic Growth

%	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>
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

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

### Key Indicators

	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>
Real GDP growth (%)	-1.0	2.3	4.0	4.5	4.9	5.2
Consumer price inflation (av; %)	8.6 <sup>c</sup>	9.1	10.0	9.5	9.0	8.5
Government balance (% of GDP)	-7.6	-9.3	-8.7	-8.5	-8.3	-8.0
Current-account balance (% of GDP)	-16.9	-19.6	-19.5	-19.7	-19.3	-18.8
Money market rate (av; %)	13.5	13.5	15.5	15.8	16.5	17.5
Exchange rate MK:US\$ (av)	749.5 <sup>c</sup>	775.0	783.5	789.7	798.9	806.5

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

### International Assumptions

	2020	2021	2022	2023	2024	2025
<b>Economic growth (%)</b>						
US GDP	-3.5	4.3	3.0	2.0	1.8	1.9
OECD GDP	-5.0	3.8	3.5	2.1	2.0	1.9
World GDP	-4.0	4.5	3.7	3.0	2.8	2.7
World trade	-9.6	6.7	6.5	5.2	4.6	3.8
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	1.2	1.6	1.8	2.2	1.9	2.0
OECD CPI	1.2	1.6	1.9	2.1	2.0	2.1
Manufactures (measured in US\$)	-1.3	6.3	1.7	2.2	1.8	1.5
Oil (Brent; US\$/b)	42.3	57.0	59.0	58.0	55.0	52.0
Non-oil commodities (measured in US\$)	2.9	16.9	0.1	-6.8	0.8	1.6
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	0.6	0.2	0.2	0.2	0.6	1.0
US\$:€ (av)	1.14	1.21	1.19	1.15	1.17	1.22
¥:US\$	106.77	104.02	103.91	106.35	108.75	107.88



## Appendix 6:EIU Report (continued)

### Annual data and forecast

	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>c</sup>	2022 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ m)	5,433	6,303	6,917	7,671	8,153	8,765	9,863
Nominal GDP (MK m)	3,900,950	4,603,121	5,065,765	5,718,844	6,110,877	6,793,248	7,728,128
Real GDP growth (%)	2.5	4.0	3.2	4.4	-1.0	2.3	4.0
<b>Expenditure on GDP (% real change)</b>							
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
<b>Origin of GDP (% real change)</b>							
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
<b>Population and income</b>							
Population (m)	17.2	17.7 <sup>b</sup>	18.1 <sup>b</sup>	18.6 <sup>b</sup>	19.1	19.6	20.2
GDP per head (US\$ at PPP)	1,027	1,060 <sup>b</sup>	1,090 <sup>b</sup>	1,070 <sup>b</sup>	1,086	1,118	1,159
<b>Fiscal indicators (% of GDP)</b>							
Public-sector balance	-6.0	-3.6	-7.3 <sup>b</sup>	-6.4 <sup>b</sup>	-7.6	-9.3	-8.7
Net public debt	54.6 <sup>b</sup>	56.4 <sup>b</sup>	60.8 <sup>b</sup>	67.6 <sup>b</sup>	69.8	73.7	72.5

	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>c</sup>	2022 <sup>c</sup>
<b>Prices and financial indicators</b>							
Exchange rate MK:US\$ (end-period)	728.62	732.03	733.69	738.87	769.62 <sup>a</sup>	764.13	799.57
Exchange rate MK:€ (end-period)	768.04	877.92	840.08	830.05	944.40 <sup>a</sup>	915.05	939.49
Consumer prices (end-period, %)	20.0	7.1	9.9	11.6	7.6 <sup>a</sup>	9.0	9.7
Stock of money M1 (% change)	24.6	19.8 <sup>b</sup>	15.1 <sup>b</sup>	13.8 <sup>b</sup>	10.3	16.7	20.6
Stock of money M2 (% change)	15.2	19.7	11.3	8.1 <sup>b</sup>	9.3	15.1	17.2
Lending interest rate (av; %)	44.1	38.6	32.3	25.7 <sup>b</sup>	23.0	22.0	23.0
<b>Current account (US\$ m)</b>							
Trade balance	-1,090	-1,577	-1,658	-1,857	-1,609	-1,854	-1,911
Goods: exports fob	1,066	910	945	983	889	919	973
Goods: imports fob	-2,156	-2,487	-2,604	-2,840	-2,498	-2,773	-2,884
Services balance	-135	-151	-154	-176	-260	-289	-297
Primary income balance	-95	-198	-263	-299	-254	-258	-279
Secondary income balance	315	388	457	495	748	682	565
Current-account balance	-1,006	-1,537	-1,618	-1,837	-1,375	-1,719	-1,922
<b>External debt (US\$ m)</b>							
Debt stock	1,874	2,115	2,282	2,503	2,808	3,048	3,326
Debt service paid	75	71	84	100	86	89	154
Principal repayments	57	54	71	80	67	69	126
Interest	18	17	13	20	19	20	27
<b>International reserves (US\$ m)</b>							
Total international reserves	631	793	782	847	656	729	743

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

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

## Appendix 7: Malawi monthly maize market report

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

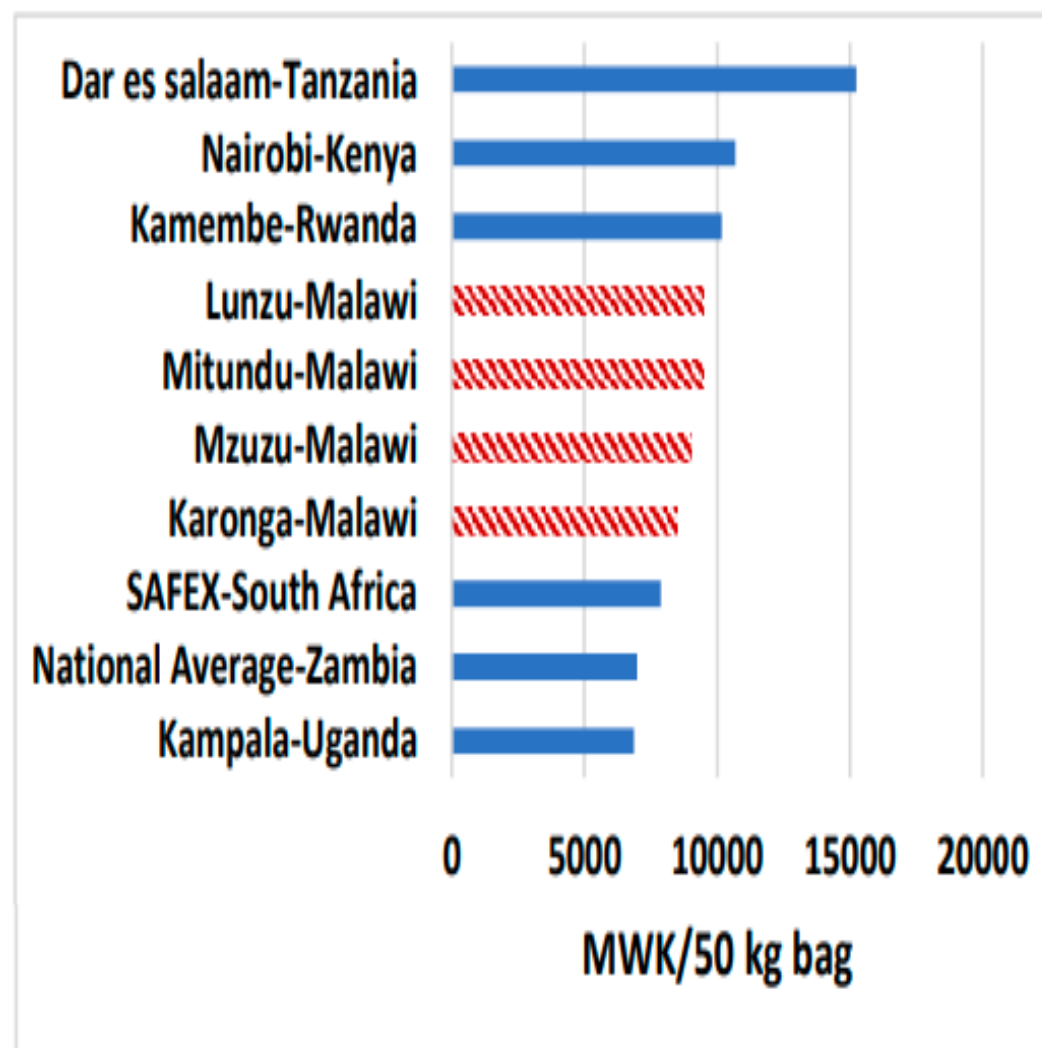


Table 1. Maize retail prices (MWK/kg) by market

Market	06-Mar-21	13-Mar-21	20-Mar-21	27-Mar-21	Change
Chitipa	153	153	147	147	↓ -4%
Karonga	170	170	170	170	→ 0%
Rumphi	153	153	153	153	→ 0%
Mzuzu	180	180	180	180	→ 0%
Mzimba	167	167	162	162	↓ -3%
Jenda	147	153	162	162	↑ 10%
Salima	200	200	200	200	→ 0%
Mchinji	164	159	159	160	↓ -2%
Nsungwi	180	180	180	180	→ 0%
Mitundu	173	173	190	190	↑ 10%
Chimbiya	150	167	163	165	↑ 10%
Balaka	180	173	173	173	↓ -4%
M'baluku	200	200	190	190	↓ -5%
Mangochi	200	193	180	180	↓ -10%
Liwonde	180	180	180	180	→ 0%
Chiringa	200	200	200	200	→ 0%
Mpondabwino	200	207	201	201	↑ 0%
Lunzu	190	190	190	190	→ 0%
Mbayani	200	200	180	180	↓ -10%
Mwanza	173	193	193	193	↑ 12%
Mulanje	190	190	190	190	→ 0%
Luchenza	190	190	193	193	↑ 2%
Chikwawa	200	200	220	220	↑ 10%
Ngabu	190	190	190	190	→ 0%
Bangula	195	199	199	199	↑ 2%
Nsanje	187	173	173	173	↓ -7%
<b>All markets</b>	<b>181</b>	<b>182</b>	<b>181</b>	<b>182</b>	<b>↑ 0.2%</b>

## Appendix 8: IMF Country Report

	2018	2019	2020	2021	2022	2023	2024	2025
<b>National accounts and prices</b> (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
<b>Central government</b> (percent of GDP on a fiscal year basis) <sup>1</sup>								
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
<b>External sector</b> (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
<b>Debt stock and service</b> (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.

## Disclaimer

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

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