



# Monthly Economic Report

| May 2021



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## List of Acronyms and Abbreviations

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

## Executive Summary

### Inflation

The Headline inflation rate averaged 9.2% in April 2021 from 9.4% in March 2021. The decrease in the inflation rate during the period was on account of a decrease in food inflation which offset an increase in non-food inflation. These averaged 11.5% (Mar 2021: 11.7%) and 7.0% (Mar 2021: 6.9%) in April 2021, respectively.

Following the second Monetary Policy Committee (MPC) meeting of 2021, the MPC noted that recent inflation trends suggest an elevated inflation path in the period ahead thus annual headline inflation for 2021 has been revised upward to average 8.4% from 7.6% projected during the previous MPC meeting. The revision was necessitated by the continued weakening of the Malawi Kwacha to United States Dollar exchange rate as well as the upward adjustment of fuel prices on 9 March 2021 and in electricity tariffs on 31 March 2021. However, the monetary authorities noted that this forecast could be offset by low food prices, owing to an improved maize harvest during the 2020/21 agricultural season, which may ease inflationary pressures in the short term, particularly during 2021Q2.

The EIU projected that inflation for 2021 will average 9.1%. 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 MPC in 2020 to maintain the policy rate at 12% in the first half of 2021 may cause inflation to increase.

### Monetary Policy

The MPC at its second meeting of 2021 (held between 28-29 April 2021) decided to maintain the Policy rate at 12%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. In arriving at its decision, the MPC considered the need to support and sustain economic recovery, whilst at the same time managing the upside risks to the inflation outlook.

The RBM will then adopt a tightening monetary policy stance from 2022-25 as inflation may build up on the back of rising global oil prices and consumer spending.

### Fiscal Policy

Based on the 2021/22 budget statement, the overall balance is estimated to be a deficit of K718 billion which is 7.0% of rebased GDP. This proportion is lower than the previous 8.8% deficit during the 2020/21 fiscal year. The deficit will be financed through domestic borrowing of K583 billion and foreign borrowing of K135 billion. The total revenue and grants for the 2021/22 fiscal year are estimated to be K1.27 trillion which represents 12.4% of GDP. Domestic revenue is projected to make up K1.10 trillion and other revenue to make up K57 billion. Grants are projected to contribute a total of K170 billion of the total revenue and representing 1.7% of GDP. Total expenditure for the 2021/22 fiscal year is projected at K1.99 trillion which makes up 19.4% of GDP.

According to the EIU, 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\$3.3bn at the end of 2022 which are K2.3 trillion and K2.6 trillion respectively, using the middle rate as at 31 May 2021.

On other fiscal policy developments, at the second national address on government policies held on 2 May 2021, President Chakwera informed the nation on the Malawi government's plans to present a Bill that will establish a Mining Regulatory Authority during the June 2021 sitting of Parliament. This is an attempt to move away from the country's undiversified agricultural export base which accounts for over a quarter of the country's GDP. The Authority's mandate will be to regulate the development, management, and utilization of the country's mineral resources in line with sustainable development principles and practices.

Government has already established the National Mining company which will function as a state-owned enterprise to promote the development of the mining sector. Furthermore, it has also approved the operationalization of the Central Bank's function as a structured market for minerals. In the 2021/2022 financial year, government will fund the development of infrastructure and the deployment of experts critical to the management of the mining sector. They have proposed a laboratory complex at Area 4 Lilongwe, which is estimated to cost K820 million.

Lastly, fiscal policy will also be aided through the World Bank's Country Partnership Framework (FY21-25) which aims to support the country's goal of creating more jobs, strengthening human capital and increasing economic growth and accountability.

### Exchange Rates

Based on middle rates, the Malawi Kwacha marginally depreciated against the USD by 0.31% in May 2021. As at 31 May 2021, the Kwacha was trading at K800.17/USD from K797.66/USD as at 30 April 2021. M-o-m, the Kwacha also depreciated against its other three major trading partners, the GBP, the EUR and the ZAR. By the end of the month, the country's gross official forex reserves had increased by 5.71% to USD414.41 million from a gross official forex reserve position of USD392.01 million as at 30 April 2021. Despite the increase in reserves, the gross official forex reserves' import cover decreased to 1.66 months in May 2021 from 1.88 months in April 2021 on account of an increase in the monthly import requirement to US\$250million from US\$209 million. 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 namely fuel. The total foreign exchange reserves position was USD784.05 million in May 2021 which represented a 0.07% decrease from a total foreign exchange reserve position of USD784.62 million. This translates to an import cover of 3.14 months.

According to the EIU, oil prices are forecasted to increase which may in turn 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 could be moderated by increasing foreign investment inflows and export earnings from the agricultural sector.

### Government Securities

Treasury bill (TB) applications increased by 83.12% to K10.24 billion in May 2021 from K5.59 billion in April 2021. TB allotments have increased 75.21% to K9.79 billion in May 2021 from K5.59 billion in April 2021. Treasury note (TN) applications and allotments have decreased by 46.35% to K16.30 billion in May 2021 (April 2021: K30.38 billion), and by 49.09% to K14.53 billion in May 2021 (April 2021: K28.54 billion), respectively.

The average All type treasury bill yield increased to 12.20% in May 2021 from 12.15% in April 2021.

The average All type treasury note yield maintained its position at 19.66% during the period under review.

### Stock Market

The MASI marginally increased by 0.89% to 33,676.89 points in May 2021 from 33,380.63 points in April 2021. This is due to share price gains in Airtel, FMBCH, NBM, NICO and STANDARD which offset share price losses in FDHB, ICON, MPICO, NBS and TNM. The MASI year-to-date return was 3.96% in May 2021, it was negative 5.79% during the same period in the previous year. FMBCH had the largest share price gain during the period under review, to K35.52 per share in May 2021 from K31.77 per share in April 2021, representing an 11.80% increase. MPICO had the largest share price loss during this period to K16.00 per share from K20.88 per share, representing a 23.37% decrease.

### Economic Growth

Real GDP growth for 2021 is forecasted to range between 2.2% to 3.8% based on EIU, IMF, World Bank and Reserve Bank of Malawi (RBM) estimates for the country. According to the World Bank, Real GDP growth for Malawi is estimated to grow by 2.8% in 2021. The RBM expects Real GDP growth in 2021 to average 3.8% while the IMF projects that economic growth at 2.2% in 2021. Lastly, the EIU projects that real GDP growth 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. This shows the economy's continued reliance 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 2021/22 budget statement, growth in 2021 will also be significantly bolstered by the expected increase in agriculture output due to the impact of the Affordable Inputs Programme (AIP). According to the statement, the AIP will cost K142 billion (USD177 million using the middle rate as at 31 May 2021), and it aims to reduce poverty and ensure food security at household and national levels.

More recent highlights from the second MPC meeting of 2021, suggest that the ongoing vaccination campaign, coupled with the above average agricultural production during the 2020/21 season and the recovery of the global economy, will provide optimism for an economic turnaround in 2021. As such, domestic real economic growth is projected to strengthen to 3.8% in 2021, from an estimated growth rate of 0.9% in 2020.

### COVID-19 Status and developments

According to the Ministry of Health in Malawi, the total number of confirmed COVID -19 cases increased to 34,338 in May 2021 from 34,078 in April 2021. Total number of COVID-19 related deaths increased to 1,155 in May 2021 from 1,148 in April 2021. The positivity rate decreased to 1.5% as at 31 May 2021 from 3.2% as at 30 April 2021, while the Case Fatality Rate (CFR) marginally decreased to 3.36% in May 2021 from 3.37% in April 2021. Finally, the recovery rate stood at 95% in May 2021. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March 2021, 355,118 Malawians have been vaccinated as at 31 May 2021.

### Risks

According to the EIU, some of Malawi's main risks in 2021 include the spillover effect from extended COVID-19 pandemic which may suppress economic recovery in the year. High government expenditure related to COVID-19 mitigation measures may continue to elevate government's borrowing.

Another risk is that Malawi's export earnings will continue to be concentrated in a narrow basket of agricultural goods. Since the country relies on rainfed agriculture, adverse weather conditions would significantly lower the export revenue. In addition, the declining global demand for Tobacco is likely to further decrease the country's export revenue as Tobacco accounts for over half of total export revenue. Further, inadequate electricity supply is likely to continue constraining economic growth and diversification as it impacts the country's productivity and output. This limits the country's ability to diversify to non-agricultural products.

There is also the risk 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 exposed to agriculture and trade underperformance, which could affect banks' portfolios. Another sector facing challenges in the period is mining and is expected to continue facing constraints related to external competition, fluctuations in global demand, and limited power supply. Government intends to increase its investments in the mining sector to ease these constraints.

Furthermore, 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. According to the 2021/22 budget statement, public debt is projected to be 27.2% of the country's domestic revenue.

Lastly, the risk of inadequate access to power remains a problem for the country as the total demand for is projected at 800 mega watts with an associated deficit of 377.1 mega watts. The deficit and recurring outages results in decreased productivity and output.

## Economic overview



## Economic overview

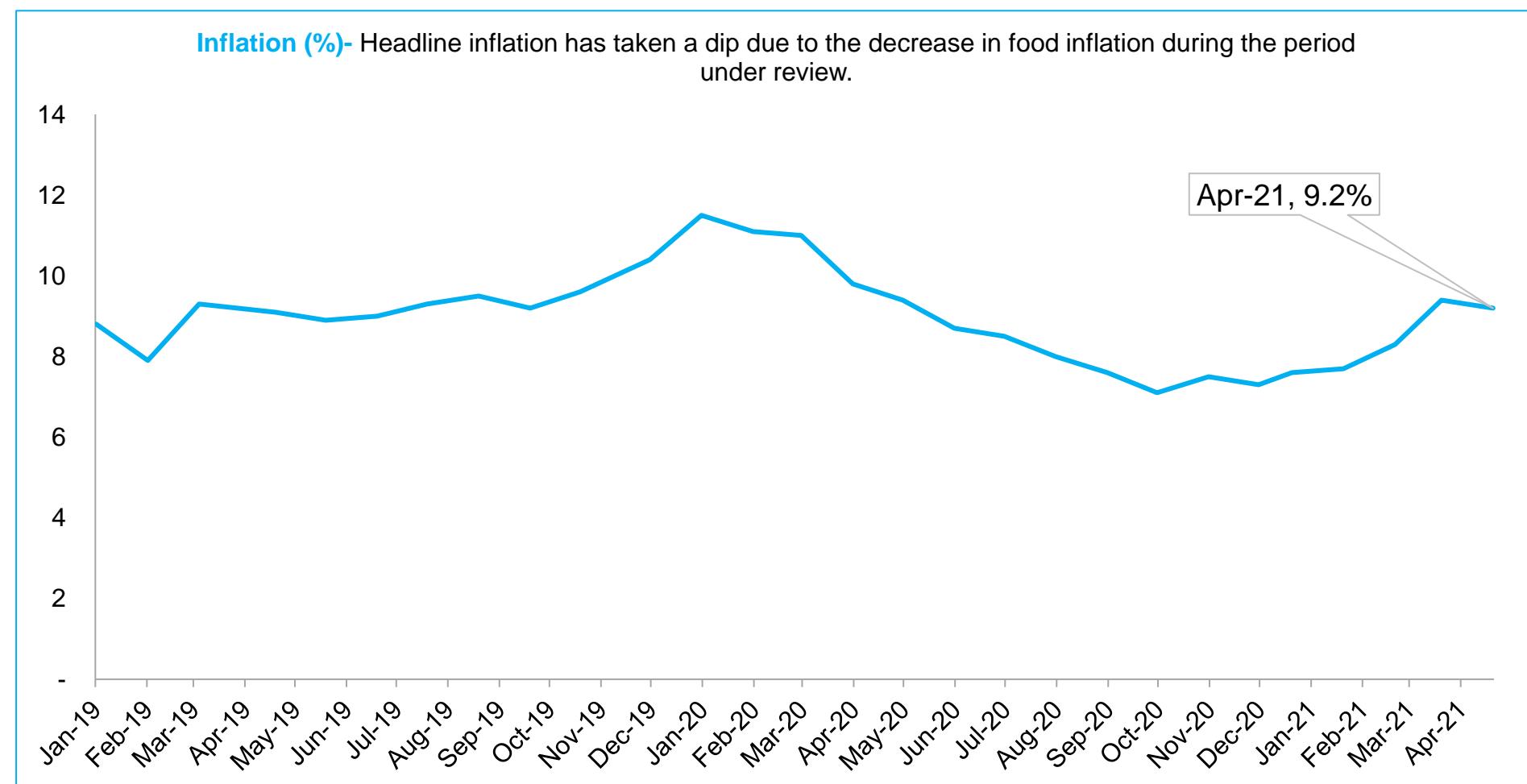
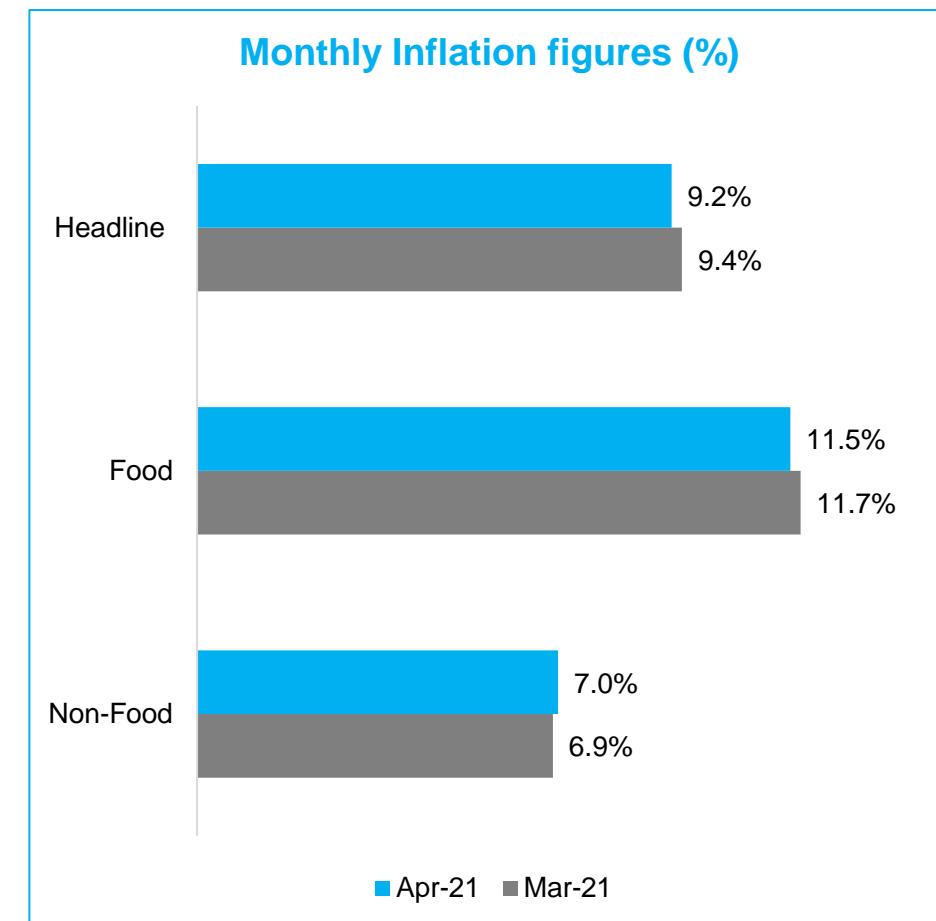
The headline inflation rate averaged 9.2% in April 2021 from 9.4% in March 2021. Inflation has taken a downward trajectory on account of the decrease in food inflation which makes up the largest proportion of headline inflation. The annual headline inflation rate for 2021 is projected to average 8.4% according to the Monetary Policy Committee April 2021 statement.

### Inflation (Source: NSO)

The Headline inflation rate averaged 9.2% in April 2021 from 9.4% in March 2021. In April 2020, the headline inflation rate averaged 9.4%. The decrease in inflation was largely on account of a decrease in food inflation which averaged 11.5% (Mar 2021: 11.7%) in the month of April 2021. This offset the marginal increase in non-food inflation which averaged 7.0% (Mar 2021: 6.90%) in the month of April.

According to the second Monetary Policy Committee (MPC) meeting held on 28 and 29 April 2021, pressures to non-food inflation could persist in the near term as the impact of the recent adjustments to fuel prices and electricity tariffs are yet to be fully transmitted to inflation. This could however be offset by low food prices, owing to an improved maize harvest during the 2020/21 agricultural season, which may ease inflationary pressures in the short term, particularly during 2021Q2.

The RBM projects an elevated inflation path in the period ahead and consequently forecasts headline inflation to average 8.4% in 2021. The forecast takes into account the impact of the lagged effects of the upward adjustments of fuel prices implemented on 9 March 2021 and an increase in electricity tariffs effected on 31 March 2021.





Treasury bill (TB) allotments have increased by 75.21% to K9.79 billion in May 2021 from K5.59 billion in April 2021.

Treasury Note (TN) allotments have decreased by 49.09% to K14.53 billion in May 2021 from K28.54 billion in April 2021.

## Economic overview (continued)

### Government securities (Source: RBM)

#### Treasury Bills (TBs)

Treasury bill applications increased by 83.12% to K10.24 billion in May 2021 from K5.59 billion in April 2021. Year-on-year, total applications have decreased by 47.64% as they were K19.55 billion in May 2020.

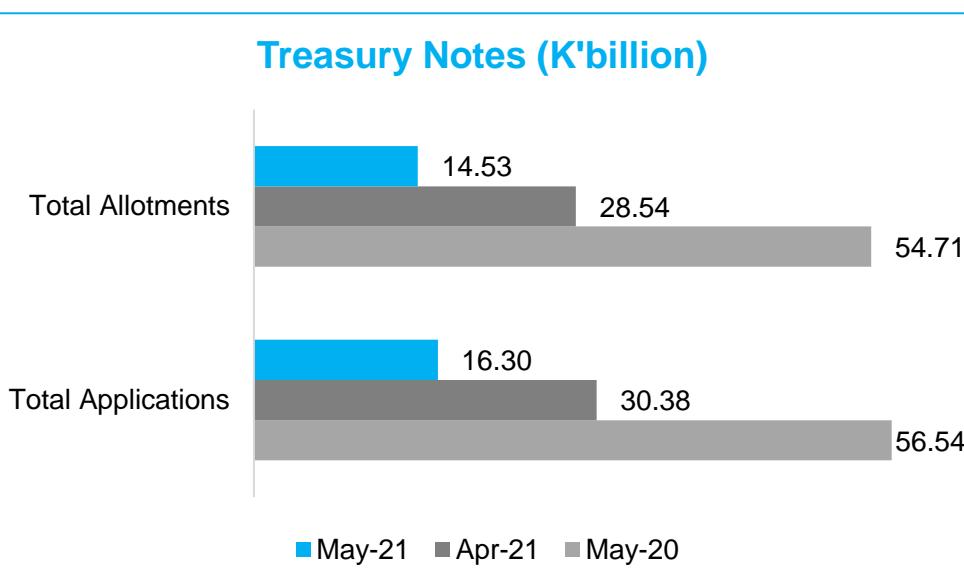
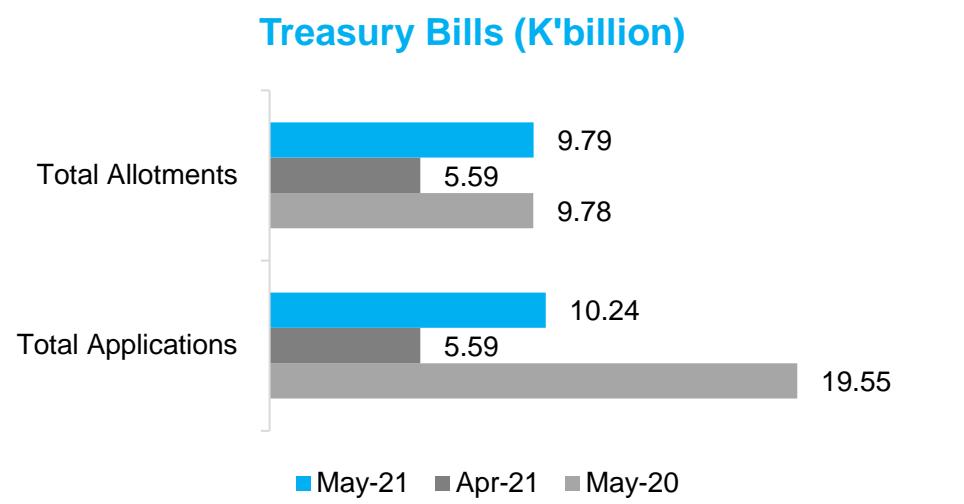
Similarly, allotments have increased by 75.21% to K9.79 billion in May 2021 from K5.59 billion in April 2021. Y-o-y allotments have decreased by 0.16% as they were K9.78 billion in May 2020.

The TBs had a rejection rate of 4.35% during the period under review.

#### Treasury Notes (TNs)

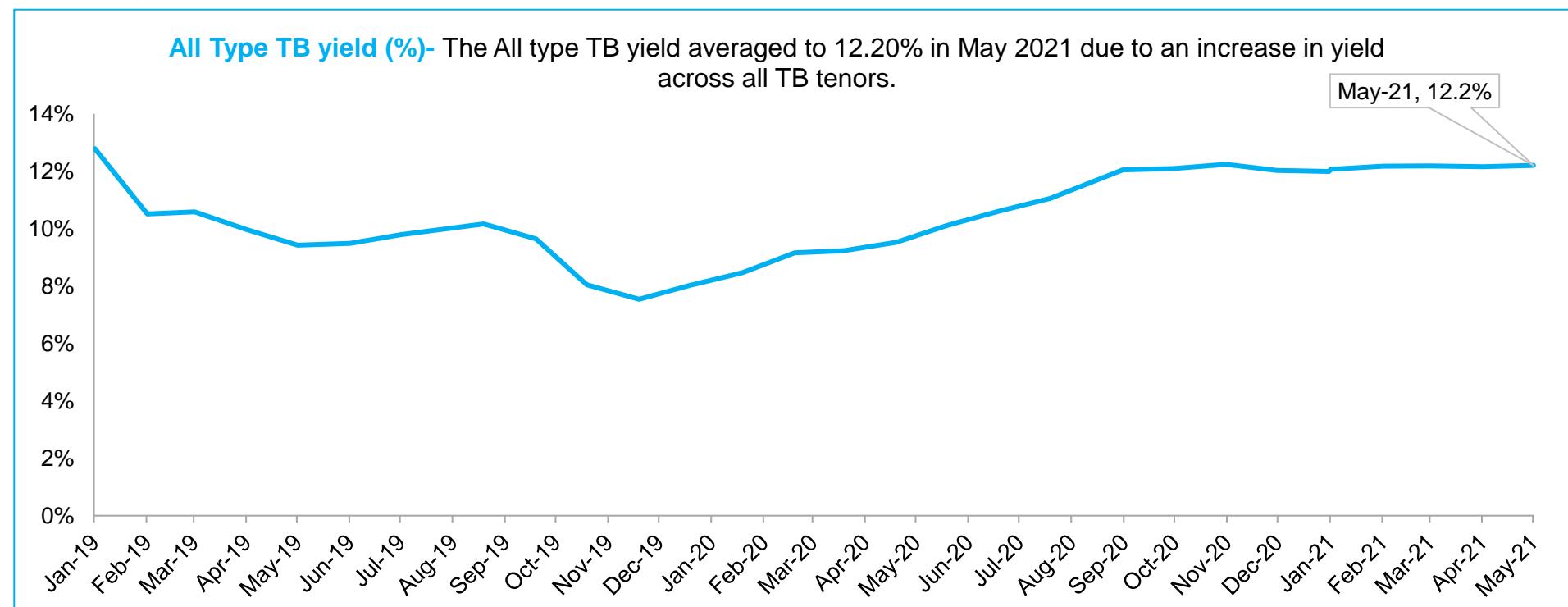
Treasury Note (TN) applications decreased by 46.35% m-o-m to K16.30 billion in May 2021 from K30.38 billion in April 2021. Y-o-y applications have decreased by 71.17% as they were K56.54 billion during the same period in the previous year. Treasury Note allotments were K14.53 billion in May 2021 which is 49.09% lower than the K28.54 billion raised in the TN auctions April 2021.

Allotments have also decreased y-o-y by 73.44% as they were K54.71 billion in May 2020. Overall, the TNs had a rejection rate of 10.86% in May 2021.



The average All Type Treasury bill yield increased to 12.20% in May 2021 from 12.15% in April 2021. The All-Type Treasury bill yield was 10.10% in May 2020. The increase in the All-Type TB yield during the month under review is owing to an increase in the average yields for both the 91-days TB, the 182-days TB and the 362-days TB, which were 9.96%, 12.80% and 13.83% in May 2021, respectively. The respective rates were 9.88%, 12.77% and 13.80% in April 2021. The figure below traces the Treasury bill yields for the different tenures from January 2019 to May 2021.

The average All Type Treasury note yield maintained its position at 19.66% during the period under review.



The average All Type Treasury Bill yield increased to 12.20% in May 2021 from 12.15% in April 2021. The upward movement was on account of an increase in the average yields for the 91-days TB, the 182-days TB, and the 364-days TB which were 9.96%, 12.80% and 13.83% in May 2021, respectively.

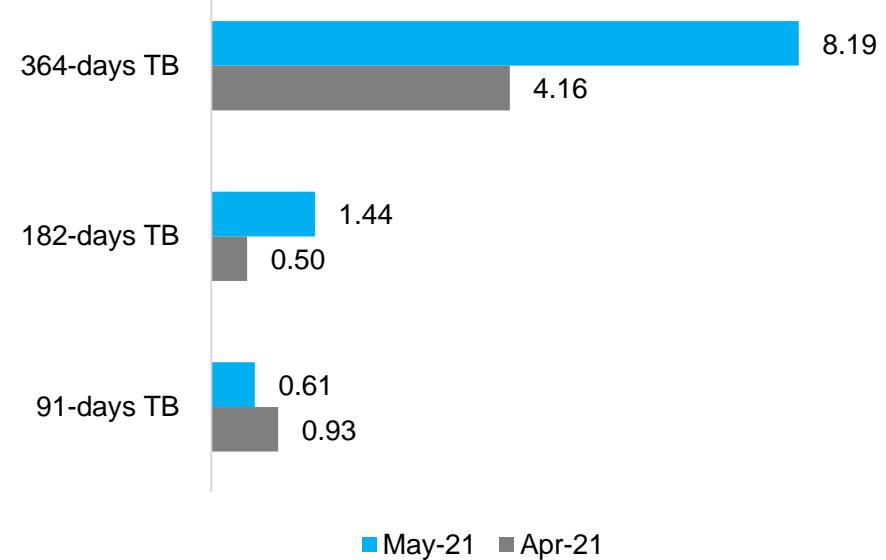


In May 2021, the 364-days TB and the 2-Yr TN had the highest subscription rates during the TB and TN applications made during the period. The subscription rates were 79.97% and 81.23%, respectively.

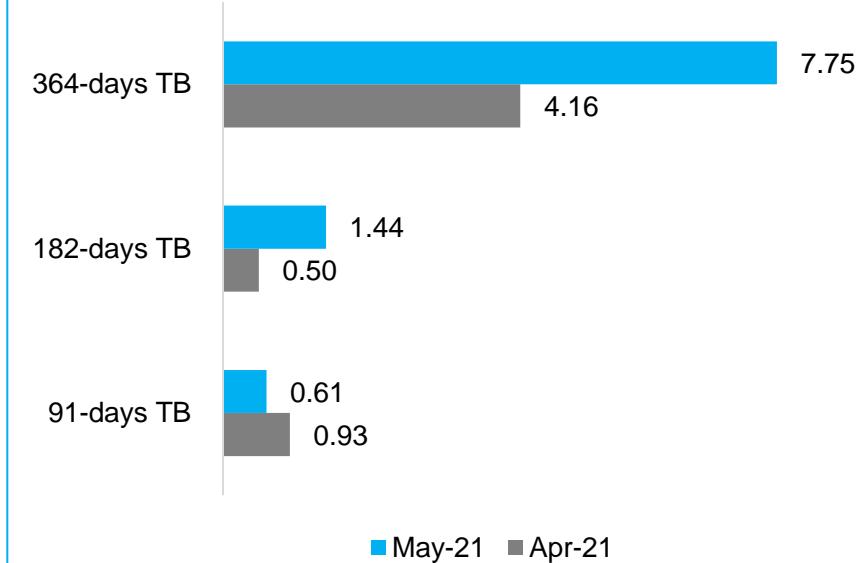
## Economic overview (continued)

### Government securities (Continued)

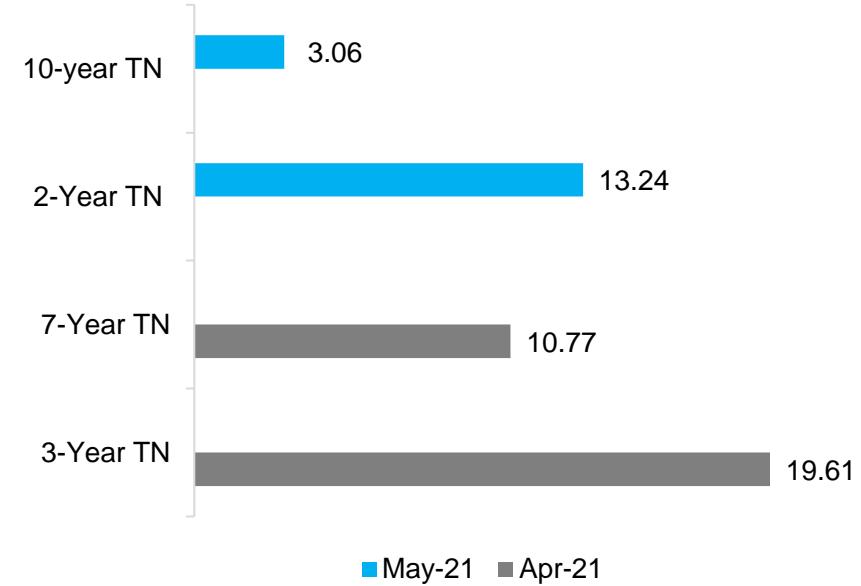
**Treasury Bill Applications (K'billion)-** the 364-days TB tenor had the highest subscription rate at 79.97% of total applications. It continues to reflect investors preference for longer tenors.



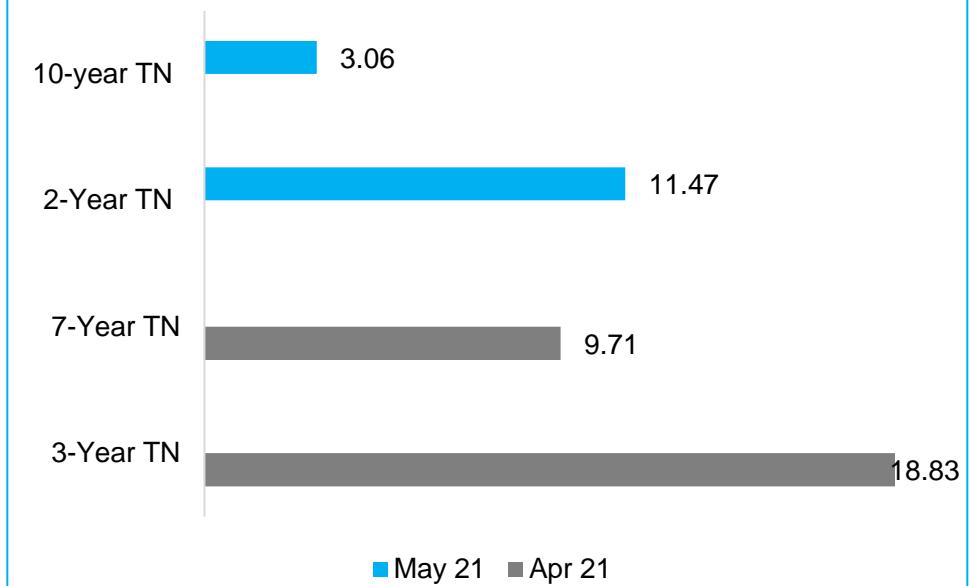
**Treasury Bill Allotments (K'Billion)-** the 182-days TB had a rejection rate of 0.35% in May 2021 as K1.89 million worth of applications were not allotted during the period.

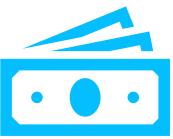


**Treasury Note Applications (K'billion)-** the 2-Yr TN had the highest subscription rate in May 2021 at 81.23% of the total TN applications made during the period.



**Treasury Note Allotments (K'billion)-** the TNs had a rejection rate of 10.86% as K1.77 billion of 2-Year TN applications were not allotted during the period.

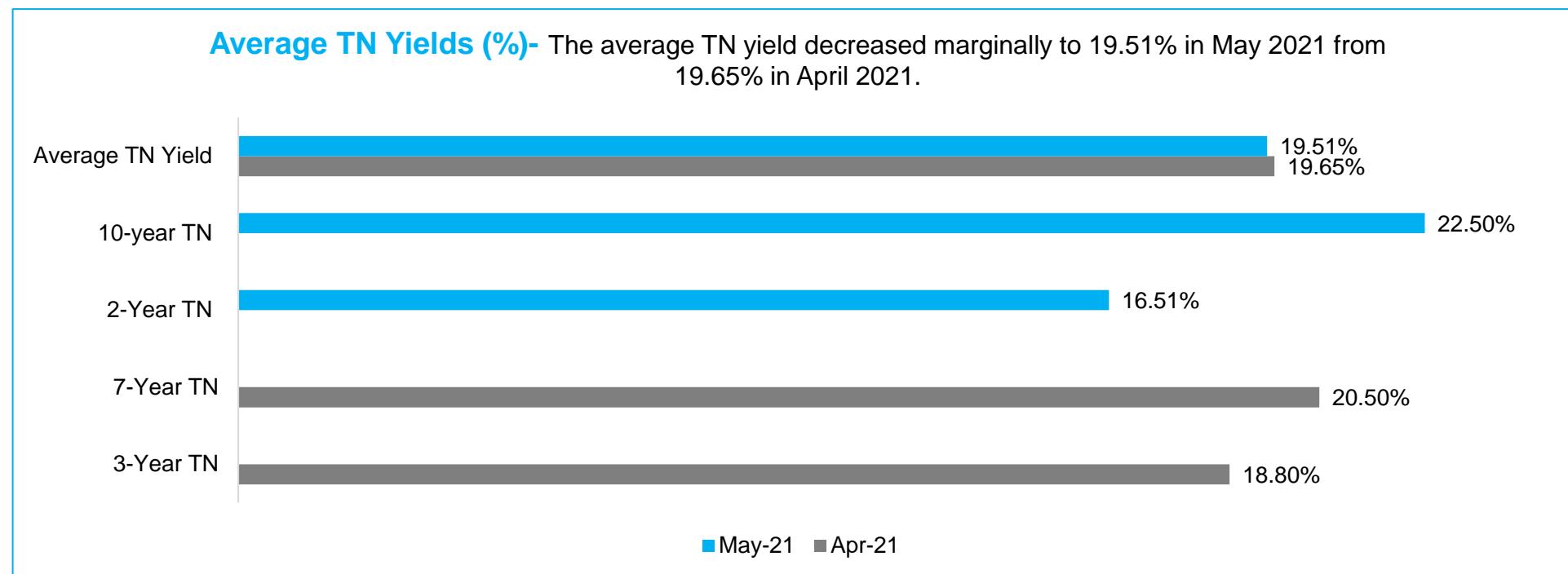




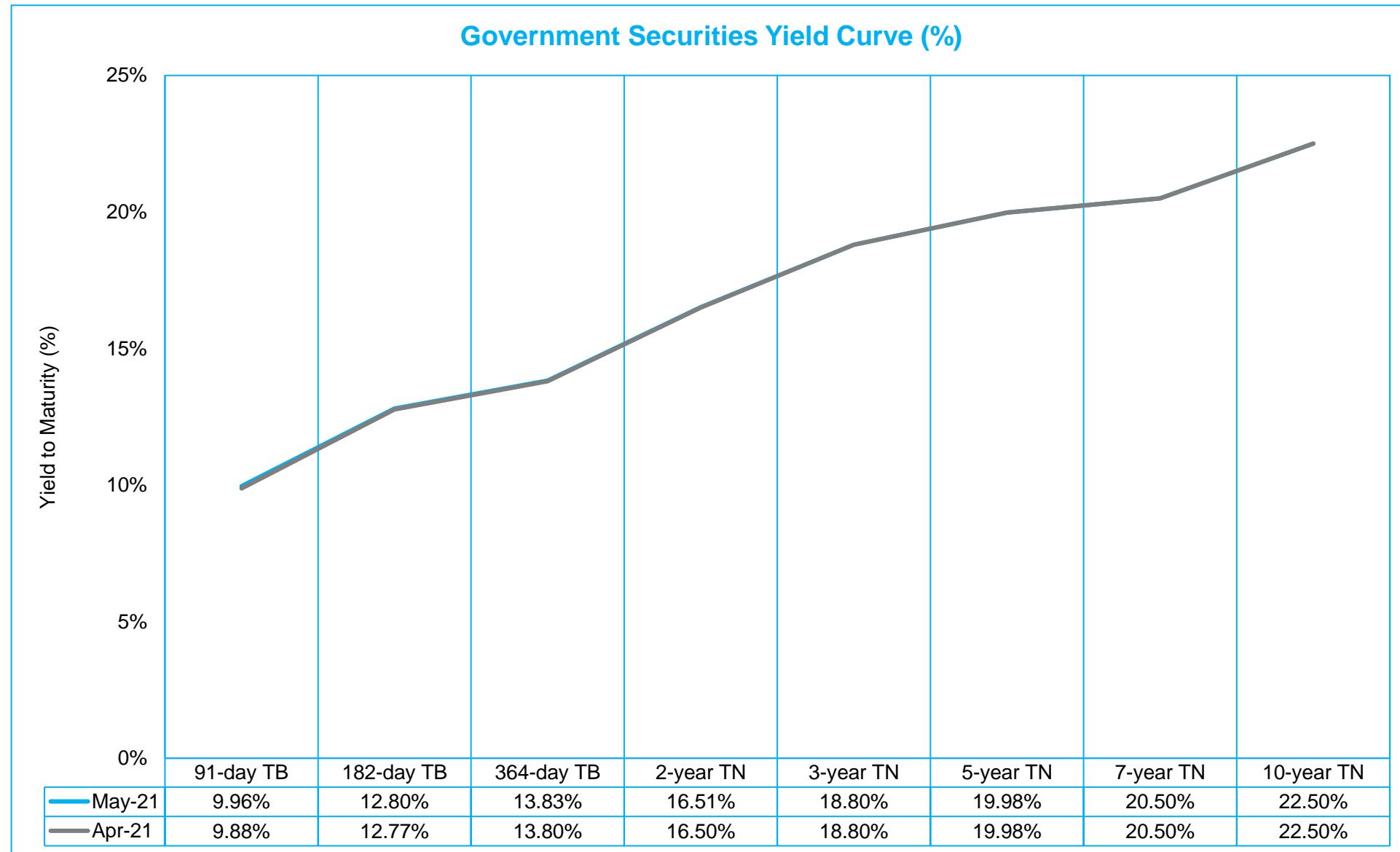
## Economic overview (continued)

There were marginal increases in yields for the 91-days TB, 182-day TB, 364-days TB as well as the 2-Year TN. The average yields for the 3-Yr TN, 5-yr TN, 7-Yr TN and 10-Yr TN for May 2021 equaled the average yields for April 2021.

### Government securities (Continued)



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

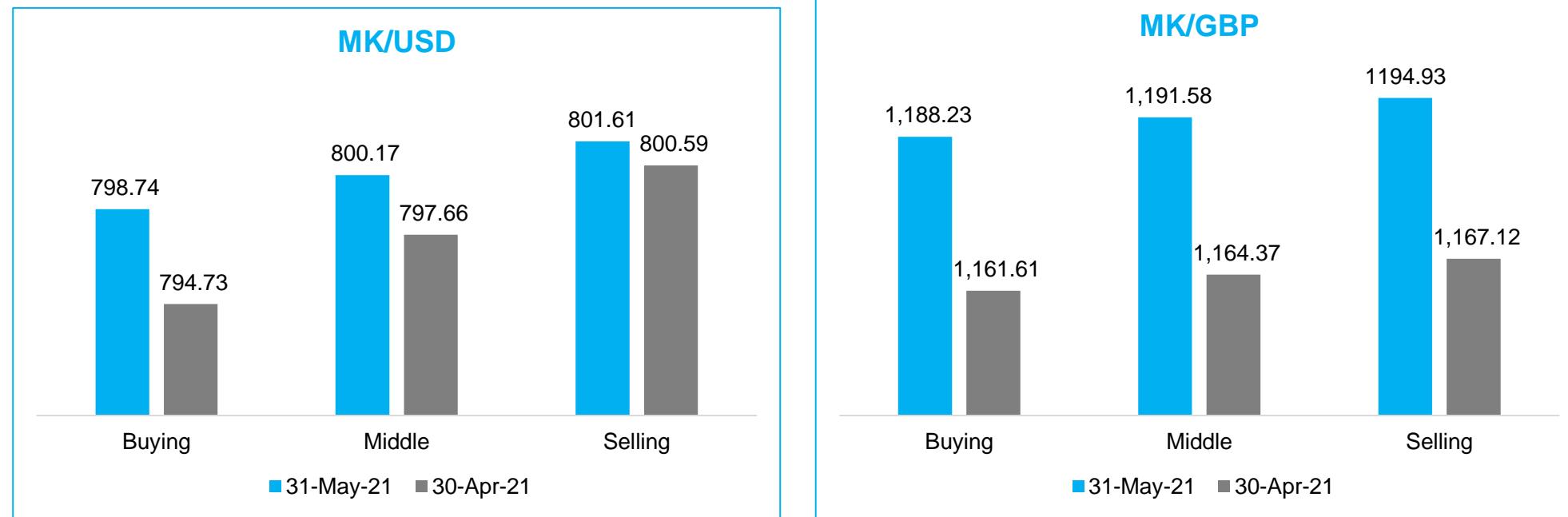




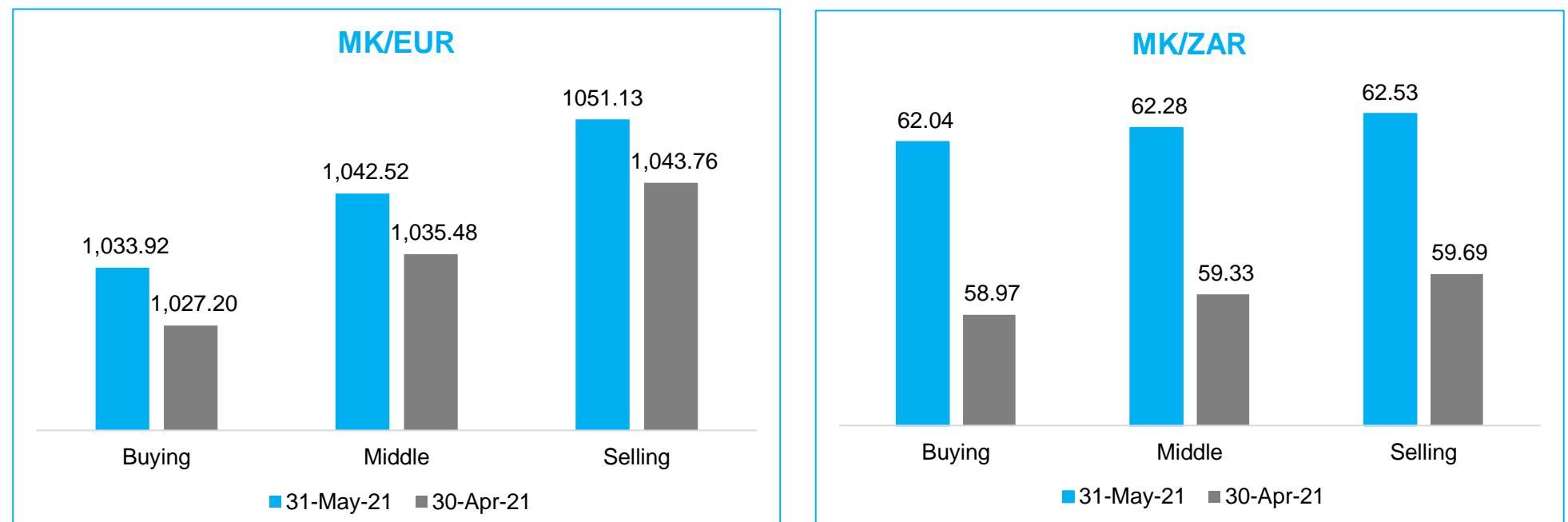
## Economic overview (continued)

Based on middle rates, as at 31 May 2021 the Malawi Kwacha had depreciated against the USD by 0.31% to K800.17/USD from K797.66/USD as at 30 April 2021. Similarly, the Kwacha also depreciated against its other major trading partners over the period. The demand for foreign currency in the market continues to outweigh supply.

### Foreign currency market (Source: RBM)



The Malawi Kwacha has been weakening over the first 5 months of 2021 as the current account deficit continues to exert pressure on the currency. This is on the back of COVID-19 spillover effects and poor tobacco export proceeds in 2020 whose ripple effects are being felt in the current period as the demand for foreign currency on the market continues to outweigh the supply of foreign currency on the market. As at 31 May 2021, the Kwacha had marginally depreciated against the USD to K800.17/USD from K797.66/USD as at 30 April 2021. This represents a depreciation of 0.31% m-o-m. Y-o-y, the kwacha has depreciated by 7.93% as it was K741.38/USD during the same period in the previous year. The Kwacha also depreciated against the GBP by 2.17% to K1,191.58/GBP as at 31 May 2021 from K1,164.37/GBP as at 30 April 2021. Y-o-y the Kwacha has depreciated against the GBP by 29.46% as it stood at K920.44/GBP during the same period in the previous year.



Furthermore, the Kwacha has marginally depreciated against the EUR by 0.68% and depreciated against the ZAR by 4.97%. By the end of May 2021, the respective rates had depreciated to K1,042.52/EUR from K1,035.48/EUR as at 30 April 2021 and to K62.28/ZAR from K59.33/ZAR as at 31 April 2021. Y-o-y, the Kwacha has depreciated by 25.10% against the EUR as it was K833.38/EUR during the same period in the previous year and by 44.37% against the ZAR as it was K43.14/ZAR during the same period in the previous year.

Overall, we can anticipate that the supply of foreign currency on the market will improve in the near term as the 2021 tobacco season is underway which will likely improve availability of foreign currency on the market and ease pressure on the country's wide current account deficit.

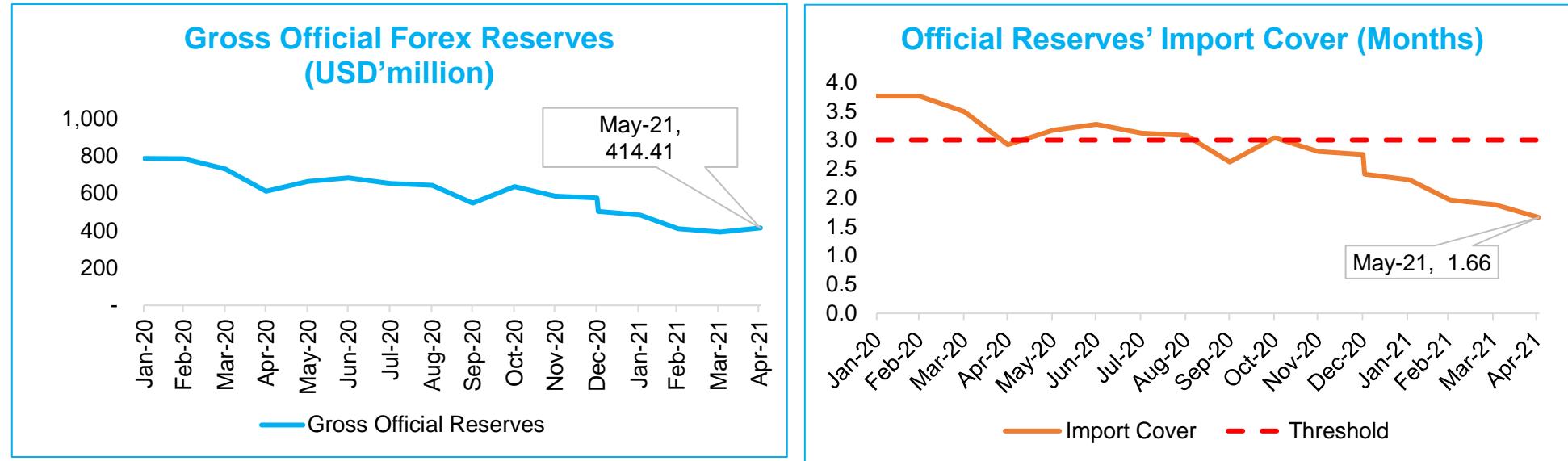
*NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates.*



## Economic overview (continued)

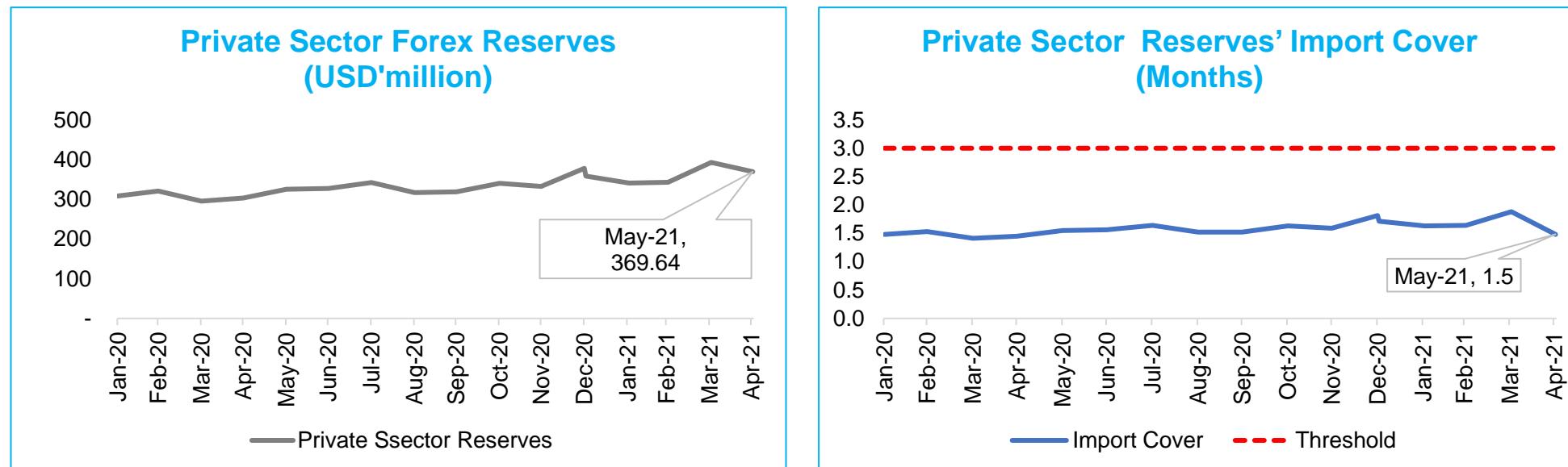
Gross official forex reserves stood at USD414.41 million at the end of May 2021 which marks a 5.71% increase from the closing position of April 2021 which was USD392.01 million. As a result of an increase in the monthly import requirement to US\$250million from US\$209 million, gross official forex reserves' import cover has decreased to 1.66 months from 1.88 months in April 2021.

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



As at 31 May 2021, the country's gross official forex reserves had increased by 5.71% to USD414.41 million from a gross official forex reserve position of USD392.01 million as at 30 April 2021. Y-o-y gross official forex reserves have decreased by 37.49% as gross official forex reserves held as at 31 May 2020 were USD662.98 million. According to the RBM's revised assumption of a monthly import requirement to USD250.0 million as of May 2021 from USD209 million in April 2021, the country's import cover decreased to 1.66 months in May 2021 from 1.88 months in April 2021. Import cover for gross official reserves continues to remain well below the required threshold of 3 months.

The private sector forex reserves decreased by 5.85% to USD369.64 million as at 31 May 2021 from USD392.61 million as at 30 April 2021. Y-o-y the private sector forex reserves have increased by 13.45% as the total private sector forex reserves held as at 31 May 2020 were USD324.96 million. Despite that, the import cover for private sector reserves still remains well below the required threshold of 3 months as it decreased to 1.48 months as at 31 May 2021 from 1.88 months in April 2021.



Overall, total foreign exchange reserves held in May 2021 were USD784.05 million which is a 0.07% decrease from the total foreign exchange reserves position of USD784.62 million in April 2021. The total foreign exchange reserves had an import cover of 3.14 months in May 2021 which is a decrease from an import cover of 3.76 months in April 2021. Y-o-y total reserves have declined by 33.47%.

According to the MPC, import outlays declined by US\$60.0 million to US\$693.1 million in 2021Q1 while exports dropped by US\$2.7 million to US\$201.6 million in the same period. Thus, the trade deficit improved to US\$491.5 million in 2021Q1 from US\$548.8 million in 2020Q4. Prospects for the near-term suggest that the trade balance could improve, mainly due to an increase in exports following the opening of the agricultural marketing season and a seasonal decline in imports of agricultural inputs.

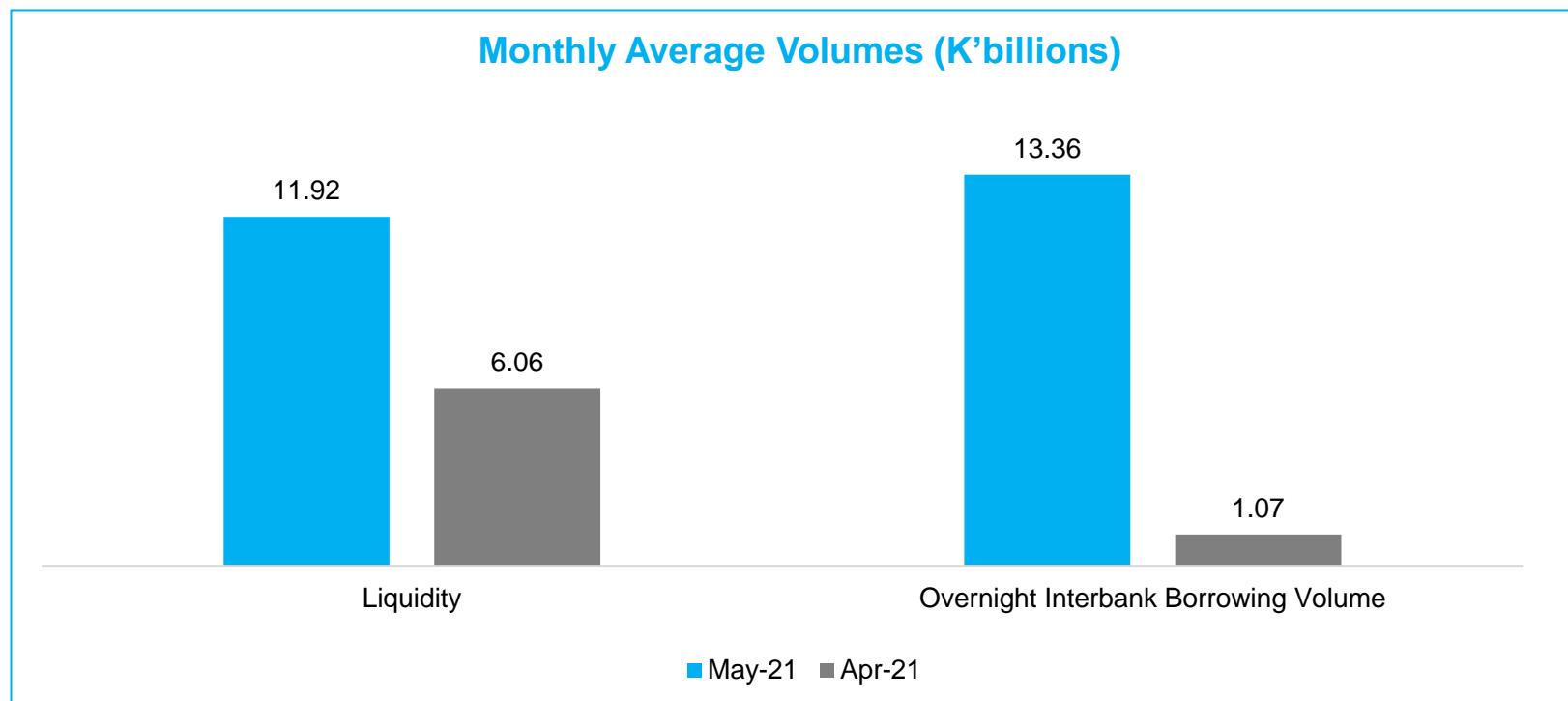


## Economic overview (continued)

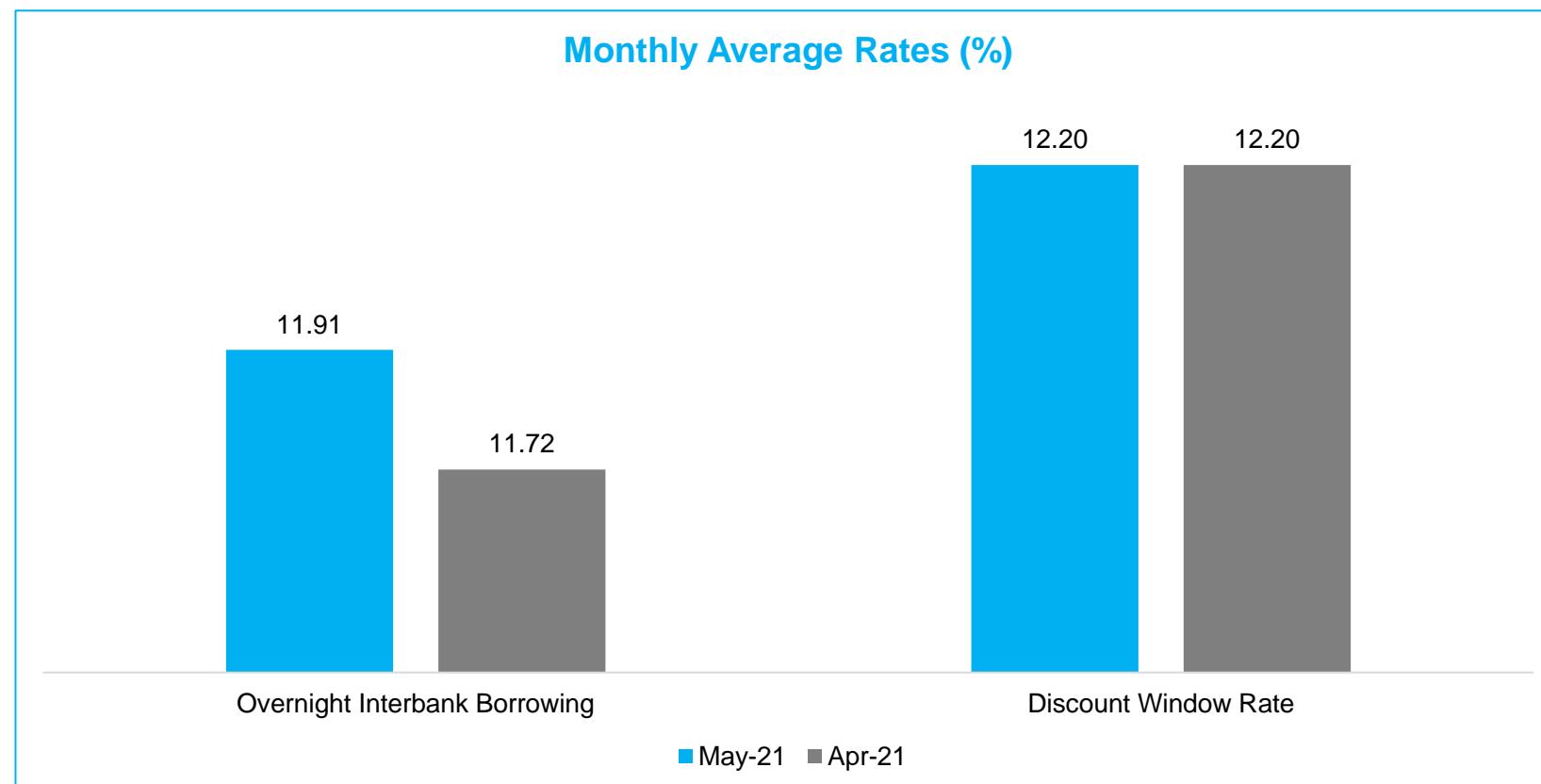
The overnight Interbank rate increased to 11.91% in May 2021 from 11.72% in April 2021. There was a 96.70% increase in the daily average liquidity to K11.92 billion in May 2021 from K6.06 billion in April 2021.

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

There was a 96.70% increase in the daily average liquidity to K11.92 billion in May 2021 from K6.06 billion in April 2021. The overnight interbank borrowing volume increased during the period to a daily average of K13.36 billion in May 2021 from an average of K1.07 billion in April 2021. The daily average volume for the Discount window borrowing (Lombard facility) also increased to K41.48 billion in May 2021 from K31.66 billion in April 2021. The figure below summarises the monthly average changes.



The Discount Window rate (Lombard rate) was maintained at 12.20% as the RBM policy rate remains at 12.00% following the second MPC meeting of 2021. The Overnight Interbank rate increased to 11.91% in May 2021 from 11.72% in April 2021. The changes are shown in the figure below.



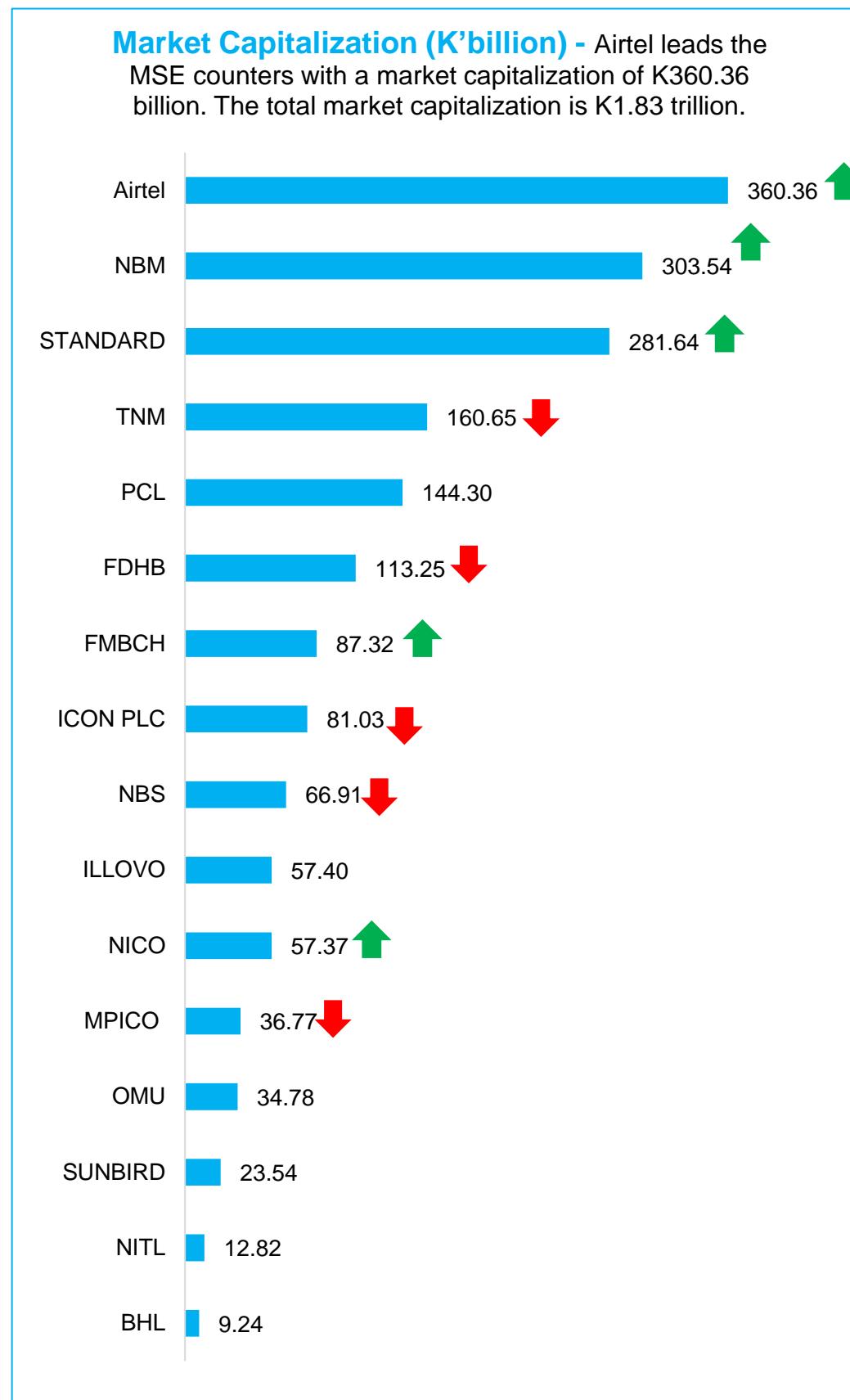
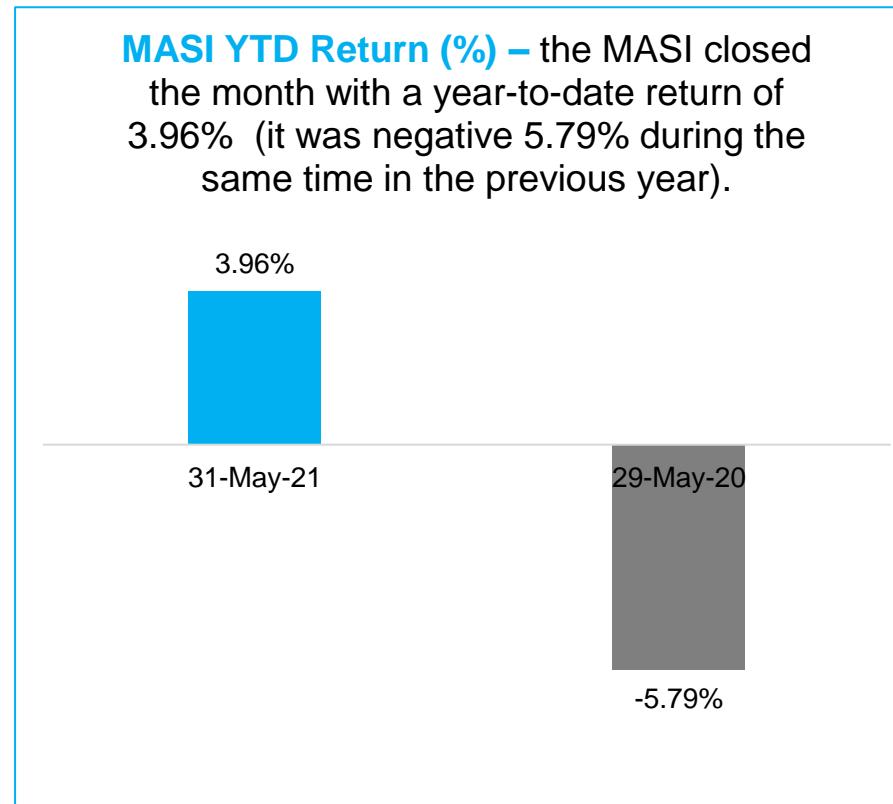
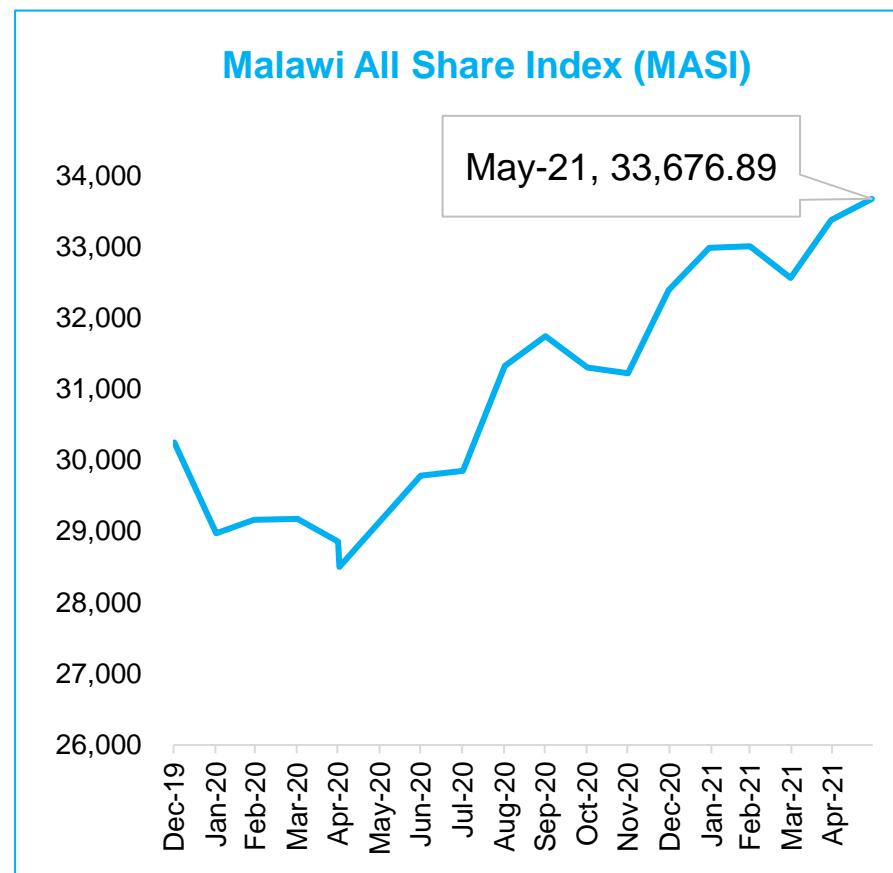


## Economic overview (continued)

The stock market continues to show growth compared to the previous year, with the MASI closing the month of May 2021 at 33,676.89 points. The MASI year-to-date return was 3.96% in May 2021, it was negative 5.79% during the same period in the previous year.

### Stock market

The stock market has shown growth over the period with the Malawi All Share Index reaching 33,676.89 points in May 2021 from a low position of 28,501.97 points in May 2020 representing a y-o-y increase of 18.16%.



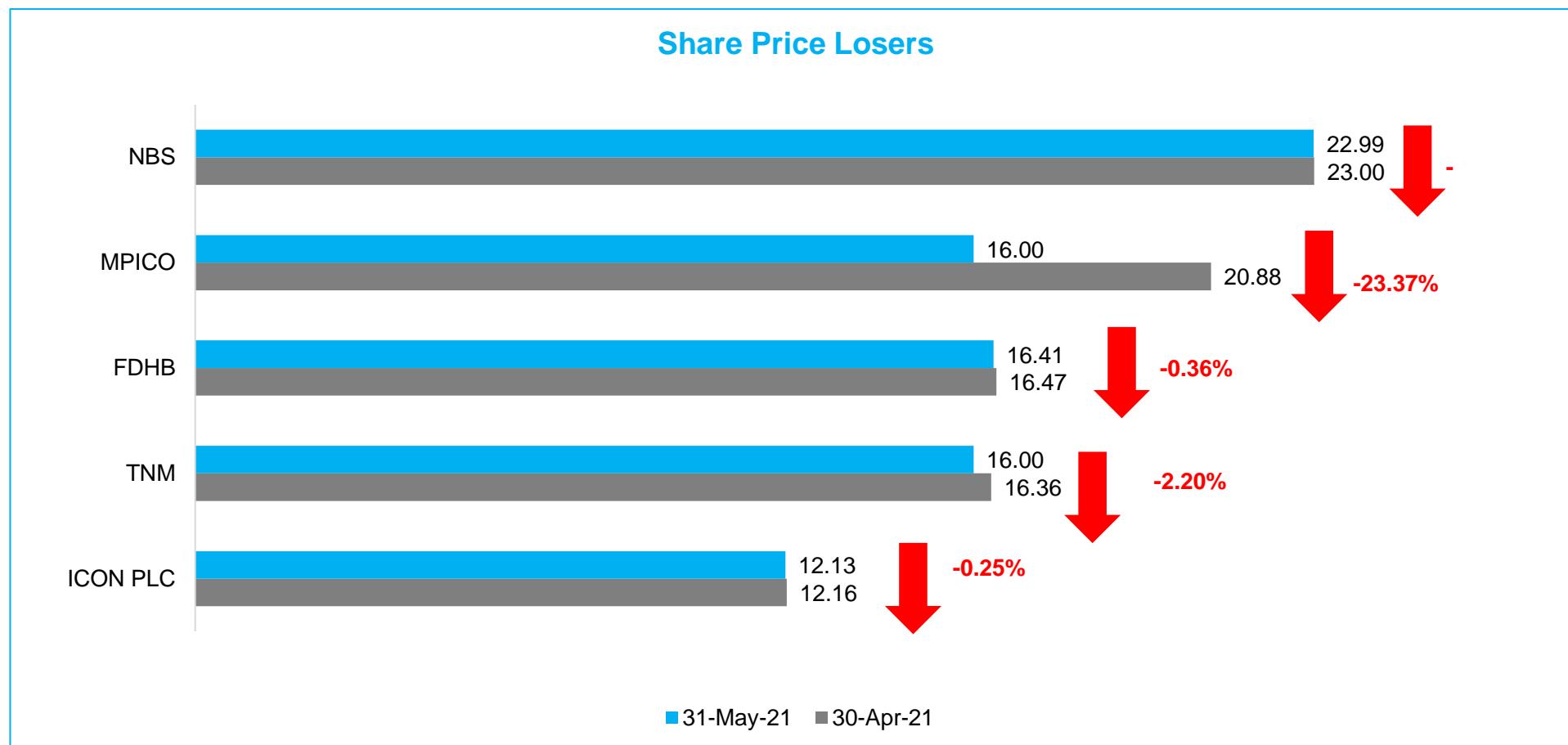
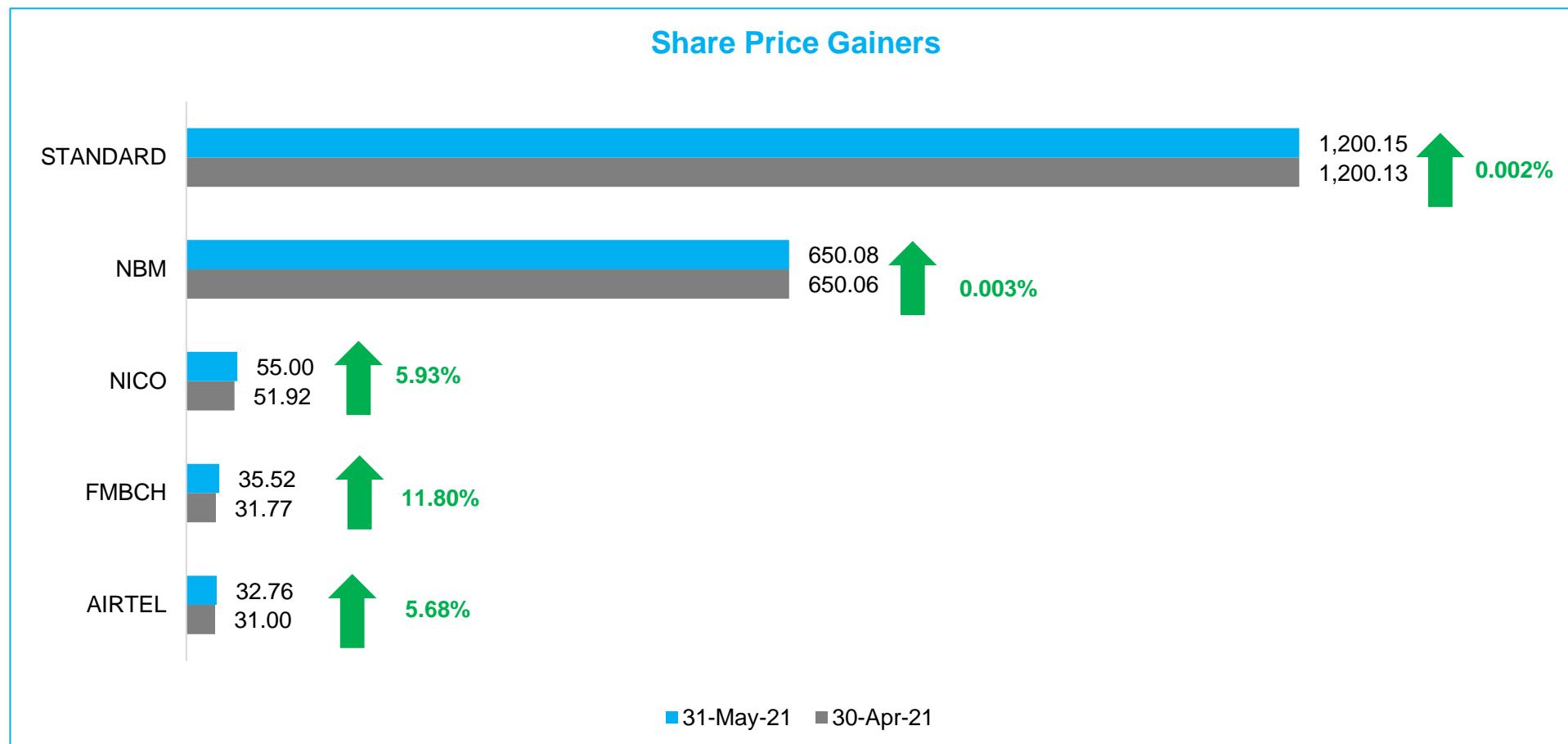


M-o-m, FMBCH had the largest share price gain in May 2021 to K35.55 per share from K31.77 per share in March 2021, representing an 11.80% increase. MPICO had the largest share price loss during this period to K16.00 per share in May 2021 from K20.88 per share in April 2021, representing a 23.37% decrease.

## Economic overview (continued)

### Stock market (Continued)

The largest gainer in May 2021 was FMBCH which closed the month at K35.52 per share from K31.77 per share in April 2021. This marks a m-o-m increase of 11.80%. There were also share price gains for Airtel, Standard bank, NBM and NICO. A total of six counters closed the month at the same price as the previous month. These counters were: BHL, Illovo, NITL, OMU, PCL and Sunbird. There were share price losses for MPICO and TNM at 23.37% and 2.20% respectively and marginal share price losses for 3 counters on the MSE. The largest loser was MPICO whose share price decreased by 23.37% to K16.00 per share as at the close of May 2021 from K20.88 per share as at the close of April 2021. The figures below summarise the share price changes during the period.



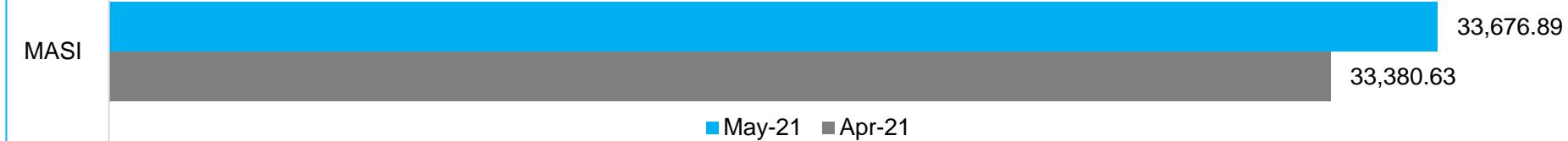


M-o-m, the MASI marginally increased by 0.89% to May 2021 from April 2021. This is due to share price gains in Standard bank, NBM, NICo, FMBCH and Airtel, which offset share price losses in NBS, MPICO, FDHB, TNM and ICON. Y-o-y the MASI has grown by 18.16% as it was 28,501.97 points in May 2020.

## Economic overview (continued)

### Stock market (Continued)

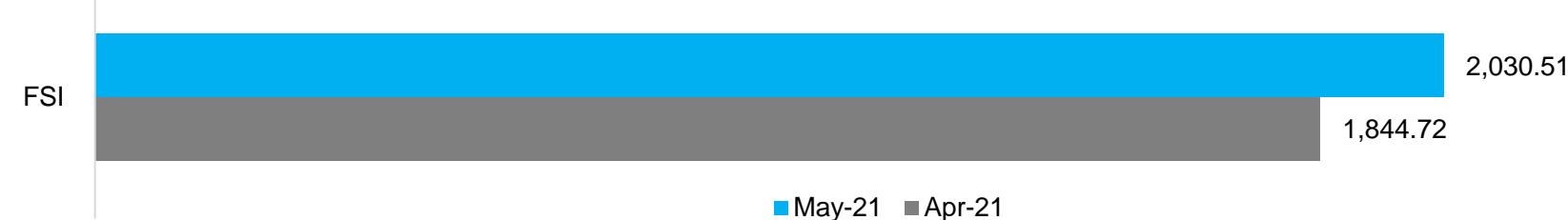
**MASI** – the MSE was bullish during the period under review as the MASI increased to 33,676.89 points in May 2021 from 33,380.63 points in April 2021. This was due to a share price gains in 5 counters which offset share price losses across 5 counters.



**DSI** – the DSI increased to 28,376.03 points from 28,257.89 points during the period under review. This was due to share price gains in Airtel, NBM, Standard bank and NICo which offset share price losses in MPICO, FDHB, TNM, ICON and NBS.



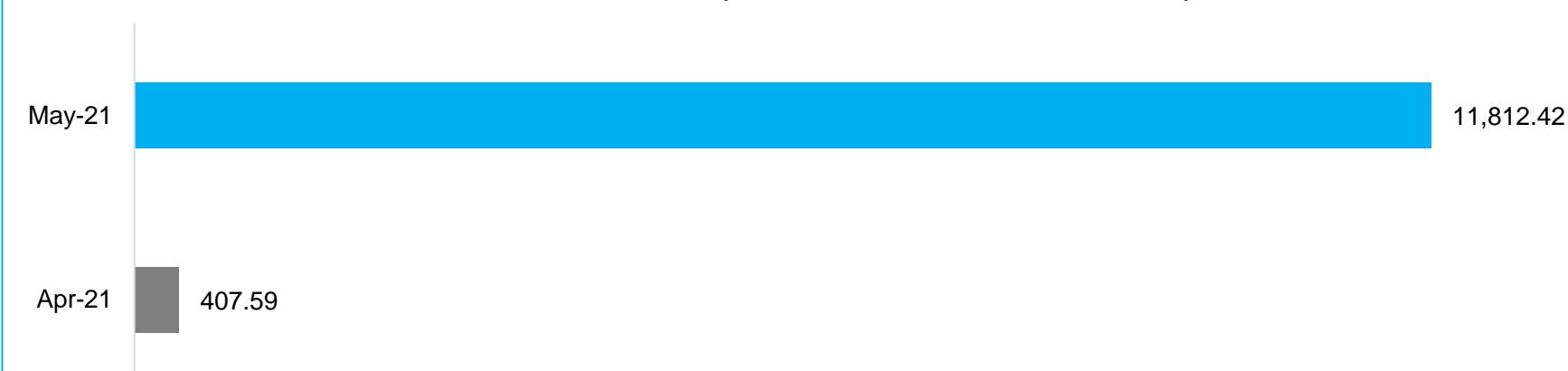
**FSI** – the FSI increased to 2,030.51 points from 1,844.72 points during the period under review. This was due to a share price gain for FMBCH.



### MSE Traded Volumes

There were 496.20 million shares traded in May 2021 through 294 trades. The total value of shares traded increased by 2798% in May 2021 to K11.81 billion from K407.59 million April 2021.

**Value of shares traded (K'million)-** The total value of shares traded increased by 2798% in May 2021 to K11.81 billion from K407.59 million April 2021. Y-o-y the total value of shares traded has increased by 295% as it was K2.99 billion in May 2020.



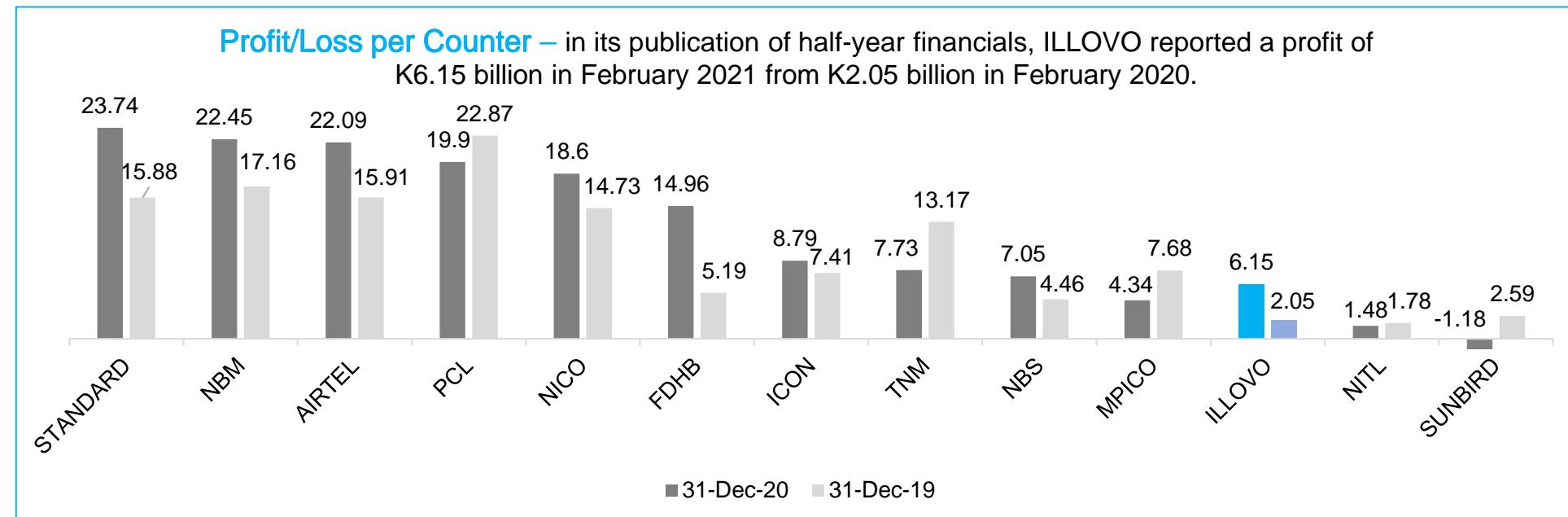


According to their financial statements for the half-year ended 28 February 2021, Illovo's half-year profit after tax increased to K6.12 billion from K2.05 billion on 28 February 2020. According to the half-year financial statements, ILLOVO reported an actual change in profit/loss of 199% from the trading statement profit/loss expectation of 200%.

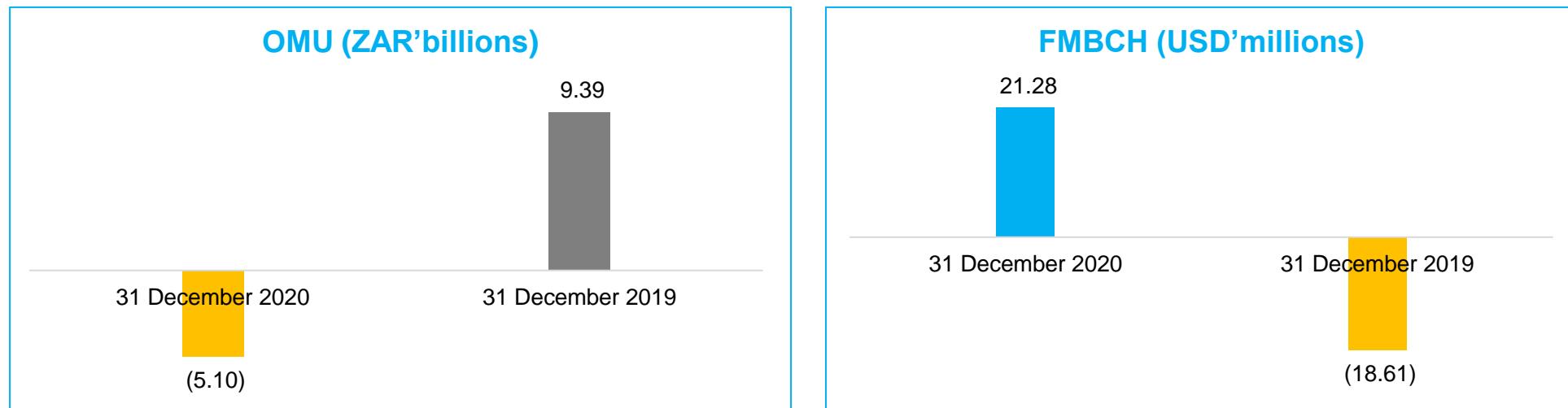
## Economic overview (continued)

### Latest Published Financial Statements for the year ending 31 December 2020- Domestic counters (Source: MSE)

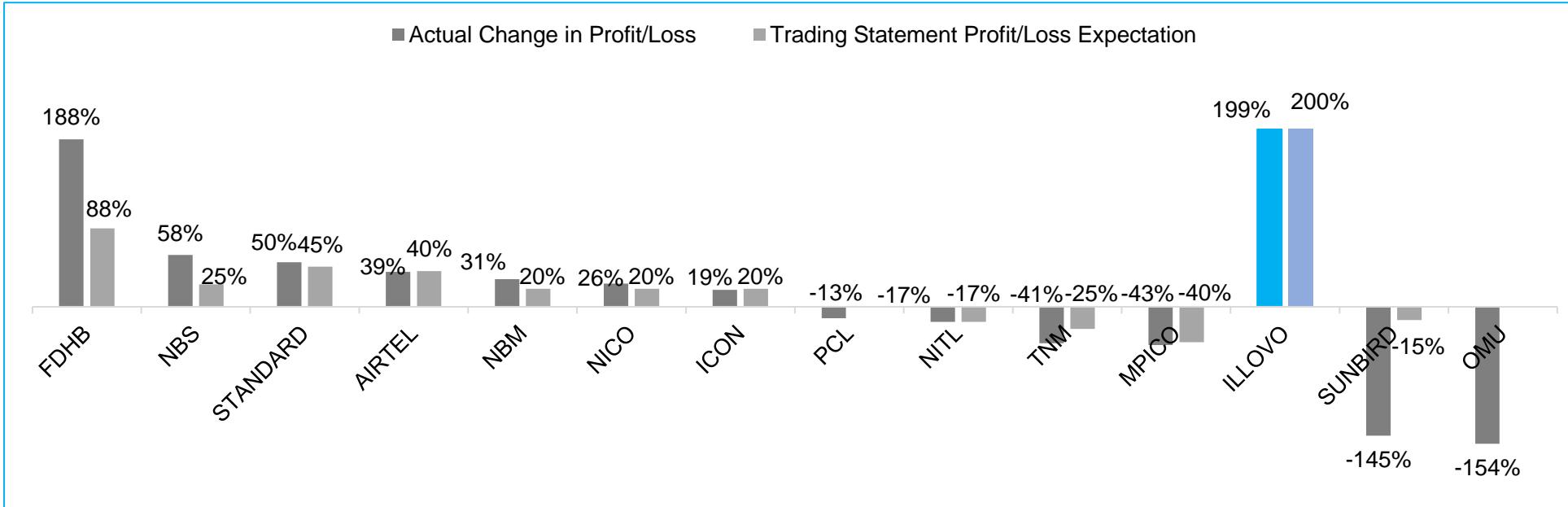
Amounts in billions of Malawi Kwacha.



### Published Financial Statements for the year ending 31 December 2020- Foreign counters



### Actual changes in the profit/loss 2020 vs Trading statement expectations





## Economic overview (continued)

According to their financial statements for the half-year ended 28 February 2021, Illovo's half-year profit after tax increased to K6.12 billion from K2.05 billion on 28 February 2020. BHL is yet to publish their half-year financial statements.

### Corporate Announcements (Source: MSE)

#### 1. Half year Trading Statements

The following companies wish to advise the public that their profit/loss after tax for the half year is expected to be higher or lower than the previous corresponding period by the specified amount.

*Amounts in billions of Malawi Kwacha unless specified otherwise.*

Counter	28 February 2021	28 February 2020	Actual Change in Profit/Loss for the Half-year ended	Trading statement profit/loss expectation
Illovo (K'bn)	6.15	2.05	199%	200%
Counter	31 March 2021	31 March 2020		Trading statement profit/loss expectation
BHL (K'mn)	(280.05)	70.01	N/A	-500%

#### 2. 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.

#### 3. 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.



The Board of Directors of Illovo Sugar (Malawi) plc, at a meeting held on 13 May 2021 declared an interim dividend of K2.9 billion representing K4 per share.

## Economic overview (continued)

### Corporate Announcements (continued)

#### 4. Dividends:

Below is a summary of the dividends that have been declared and proposed by listed companies:

Company	Declared/Proposed	Type	Dividend per share (MK)	Last Day To Register	Payable
ILLOVO	Declared	Interim	4.00	25 June 2021	28 June 2021
STANDARD	Proposed	Final	21.31	09 July 2021	23 July 2021
NBM	Declared	Final	17.14	09 July 2021	30 July 2021
MPICO	Proposed	Final	0.28	30 July 2021	06 August 2021
PCL	Proposed	Final	25.00	20 August 2021	27 August 2021
NITL	Proposed	Final	0.80	TBA	TBA
NBS	Proposed	Final	0.70	TBA	TBA
AIRTEL	Proposed	Final	2.10	TBA	TBA
NICO	Proposed	Final	0.50	TBA	TBA
FMBCH	Proposed	Final	0.62	TBA	TBA
TNM	Proposed	Final	0.10	TBA	TBA
ICON	Proposed	Final	0.12	TBA	TBA

TBA: To be announced

#### 5. Annual general meeting

Below is a summary for the scheduled Annual General Meetings by listed companies:

Company	Venue	Date	Time
SUNBIRD	Virtual AGM	18 June 2021	15.30 hours
FMBCH	Virtual AGM	21 June 2021	15:30 hours
STANDARD	Bingu International Convention Centre	24 June 2021	09:00 hours
AIRTEL	Virtual AGM	24 June 2021	15:00 hours
NBS	Virtual AGM	29 June 2021	09:00 hours
MPICO	Virtual AGM	29 June 2021	10:00 hours



## Economic overview (continued)

The debt market did not register any trades in May 2021. The total nominal value of all listed debt securities was K822.78 billion as at 31 May 2021.

### Debt market

**Debt Market Nominal Value (K'billion)** - In the period under review, there were no trades on the 4 Corporate Medium-Term Notes by MyBucks Banking Corporation and the 21 Malawi Government Treasury Notes. The total Nominal value of all listed debt securities stood at K822.78 billion as at 31 May 2021.

May-21		822.78
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Apr-21		822.78
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There were no trades registered in the debt market for the month of May 2021. In April 2021, the debt market registered two trades for one of the Medium-term Notes (Trading symbol NFB03) by MyBucks Banking Corporation. The corporate bonds had a nominal value of K5 million each and were traded at a price of K100.2026 per par value, giving a total traded value of K10 million.



## 2021/22 Budget

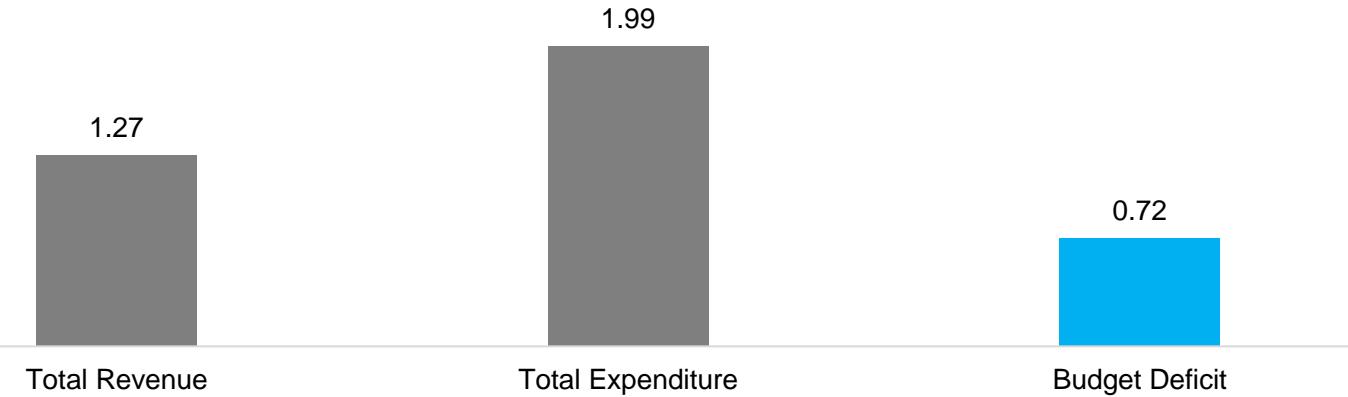
Total expenditure and total revenue for the 2021/22 fiscal year are K1.99 trillion and K1.27 trillion, respectively.

### Fiscal budget

Based on the 2021/22 budget statement, the overall balance of the fiscal budget is estimated to be a deficit of K718 billion which is 7.0% of rebased GDP. This proportion is lower than the previous 8.8% deficit during the 2020/21 fiscal year. The deficit will be financed through domestic borrowing of K583 billion and foreign borrowing of K135 billion.

The total revenue and grants for the 2021/22 fiscal year are estimated to be K1.27 trillion which represents 12.4% of GDP. Domestic revenue is projected to make up K1.10 trillion and other revenue to make up K57 billion. Grants are projected to contribute a total of K170 billion of the total revenue and representing 1.7% of GDP. Total expenditure for the 2021/22 fiscal year is projected at K1.99 trillion which makes up 19.4% of GDP.

**Fiscal budget (K'trillion)** – the 2021/22 fiscal is set to run a budget deficit of K.072 trillion.

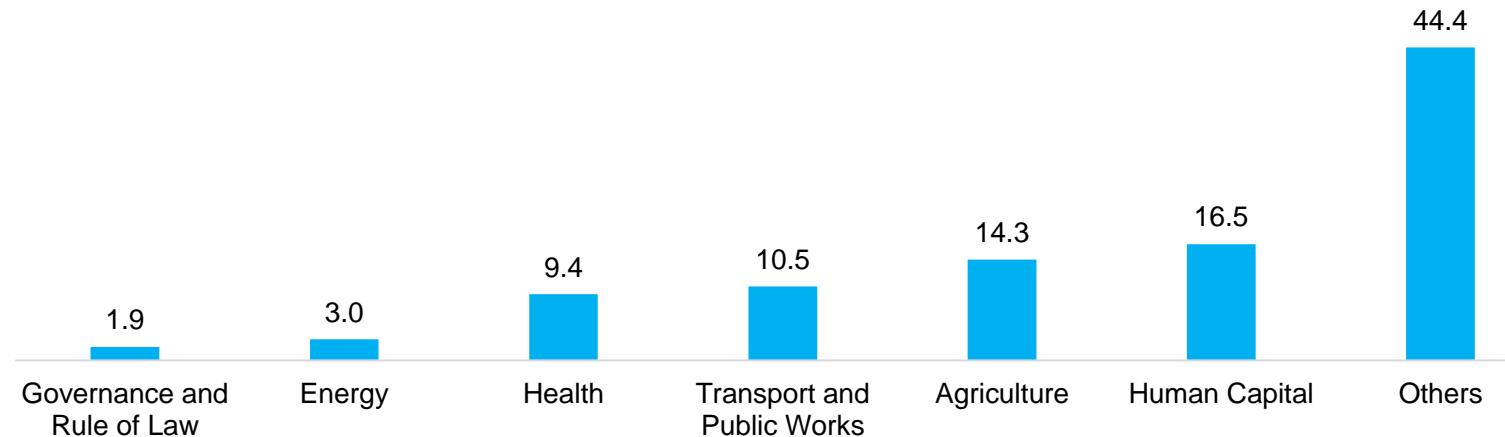


The human capital development sector, the Agricultural sector and the transport and public works sector have been allocated the largest proportions of the total budget.

The Budget Statement also outlined the allocations made to key sectors and development projects. The human capital development is allocated largest proportion of the 2021/22 budget at K327 billion which represents 16.5% of the total budget. The percentage of total budget allocated the subsequent largest proportions are presented in the figure below.

**Key sector allocations and development projects (% of total budget)** –

Human capital development, agriculture and the transport and public works sectors have been given the largest proportions of the total budget.



## Other Market Developments



## Other Market Developments

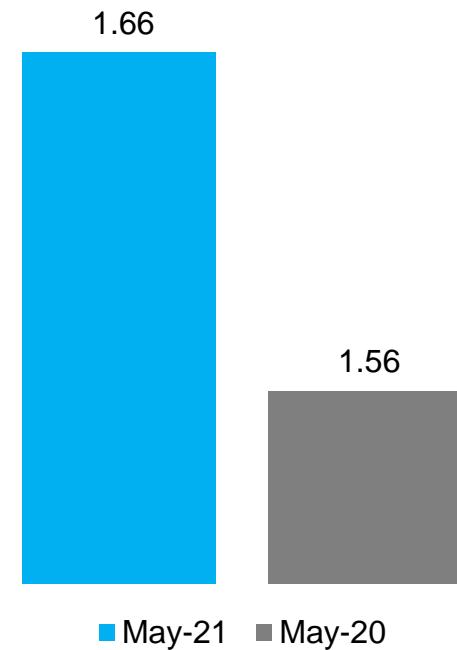
The total volume of tobacco sold in May 2021 was 42.84 million kgs, sold at a seasonal average price of USD1.66 per kg. This marks a cumulative value of USD70.563 million sold as at 31 May 2021.

### Tobacco Sales (Source: AHL)

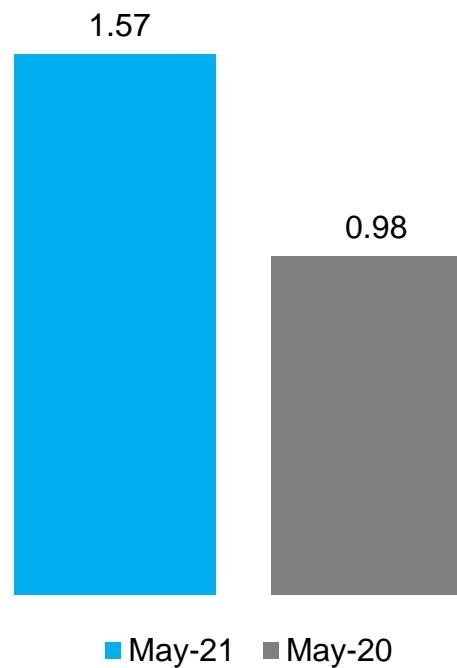
As at 31 May 2021, a cumulative total of 43 million kgs had been sold at a seasonal average price of USD1.66 per kg which marked a cumulative value of USD70.56 million, based on AHL tobacco sales figures. This represents a 42.29% y-o-y increase in the cumulative value of tobacco as the cumulative value in May 2020 was USD49.59 million accumulated from a cumulative total of 32.63 million kgs. Selling floors for the 2021 tobacco season commenced on 20 April 2021 and receipts for tobacco remain Malawi's largest source of foreign exchange which exposes the country to shocks caused by poor weather conditions and declining global demand for tobacco.

During the 2020 tobacco season, there was a 26% drop in foreign exchange earnings from tobacco receipts compared to 2019. A total of USD175 million was realized in 2020 from USD237 million in 2019. This was on account of reduced tobacco output during the period. Despite that the average price per kg increased by 7% in 2020 to USD1.53 from USD1.43 in 2019, tobacco volumes decreased by 27% to 114 million kgs in 2020 from 166 million kgs in 2019, resulting in lower export revenue during 2020.

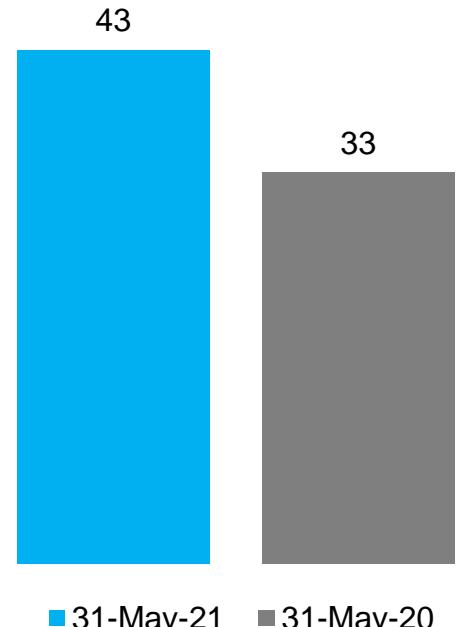
Average Daily Price (\$)/kg



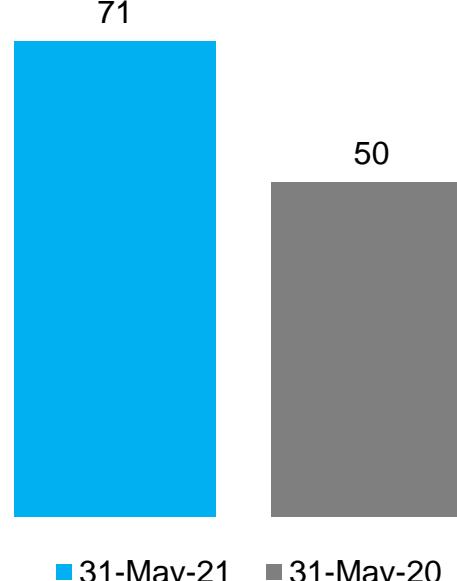
Average Daily Volume (millions of kgs)



Cumulative Volume (millions of kgs)



Cumulative Value ('\$'million)





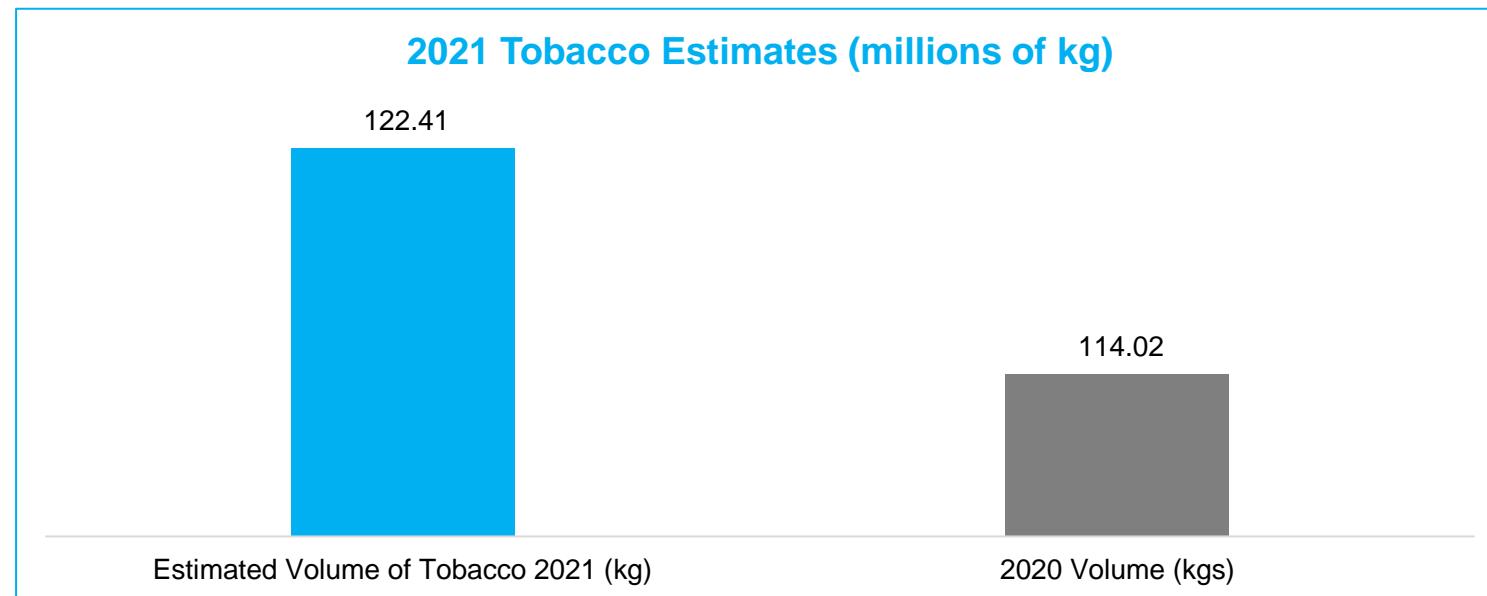
Tobacco volumes are projected to increase by 7.36% to 122 million kgs in 2021 from 114 million kgs in 2020.

## Other Market Developments (continued)

### Tobacco Projected Volumes (Source: TAMA Farmers Trust)

In 2020, only 114 million kgs of tobacco were sold following the poor tobacco harvest. Regional production projections from the Tobacco Commission estimate that a total of 122 million kgs of tobacco will be sold during the 2021 tobacco season which is only 7.36% higher than the previous year. This suggests the growing need for a diversified export base as tobacco sales no longer seem to be a reliable source for the country's foreign exchange earnings.

Following a nationwide policy address on 2 May 2021 by President Chakwera, government during its June 2021 sitting of Parliament, will present a bill to establish a Mining Regulatory Authority. This is an attempt to move away from the country's undiversified agricultural sector and reduce its vulnerability to external shocks.



The average retail price for maize in April 2021 was K171/kg which is a 5.52% decline from the average retail price in March 2021 which was K181/kg.

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

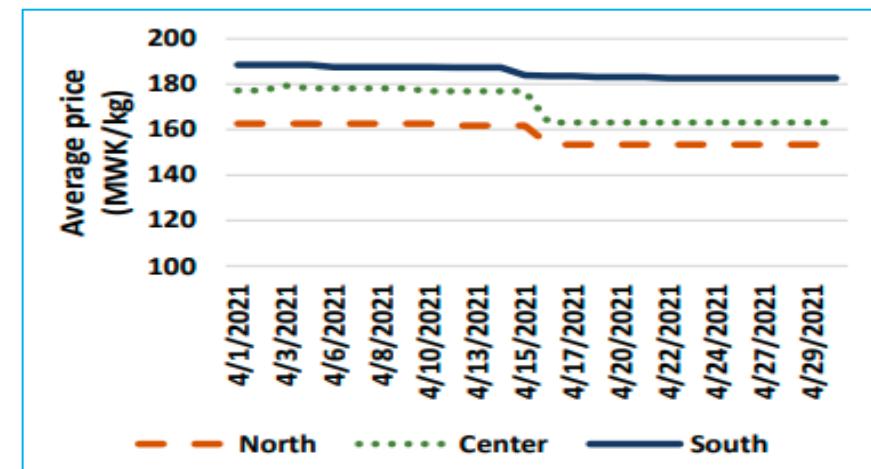
The monthly average retail maize price decreased to K171/kg in April 2021 from K181/kg in March 2021, representing a 5.52% decrease in the average maize retail price. This means that on average, a standard 50kg bag of maize was selling for K8,550.00 in April 2021 from an average price of K9,050.00 in March 2021.

As the main harvest season is underway, the Ministry of Agriculture and food Security announced the minimum farmgate price for maize to be K150/kg on 1 April. Old maize is being sold to consumers by ADMARC at K160/kg. As expected, the retail maize prices remained highest in the South and lowest in the North.

According to the IFPRI report, as the 2020/21 harvesting season is underway, both 'old' (harvested in the 2019/20 season) and 'new' (recently harvested) maize stocks are for sale on the market. Prices for 'new' maize are usually lower than for 'old' maize because of its higher moisture content but follow the same pattern as old maize price throughout the month. On average, retail prices of 'new' maize were K41/kg lower than for 'old' maize during April, K11/kg lower than the previous month and were also lower than minimum farmgate price for maize (K150/kg).

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

### Daily average maize rerail prices during April 2021 (MWK/kg)



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



## Regional And Global Market Developments



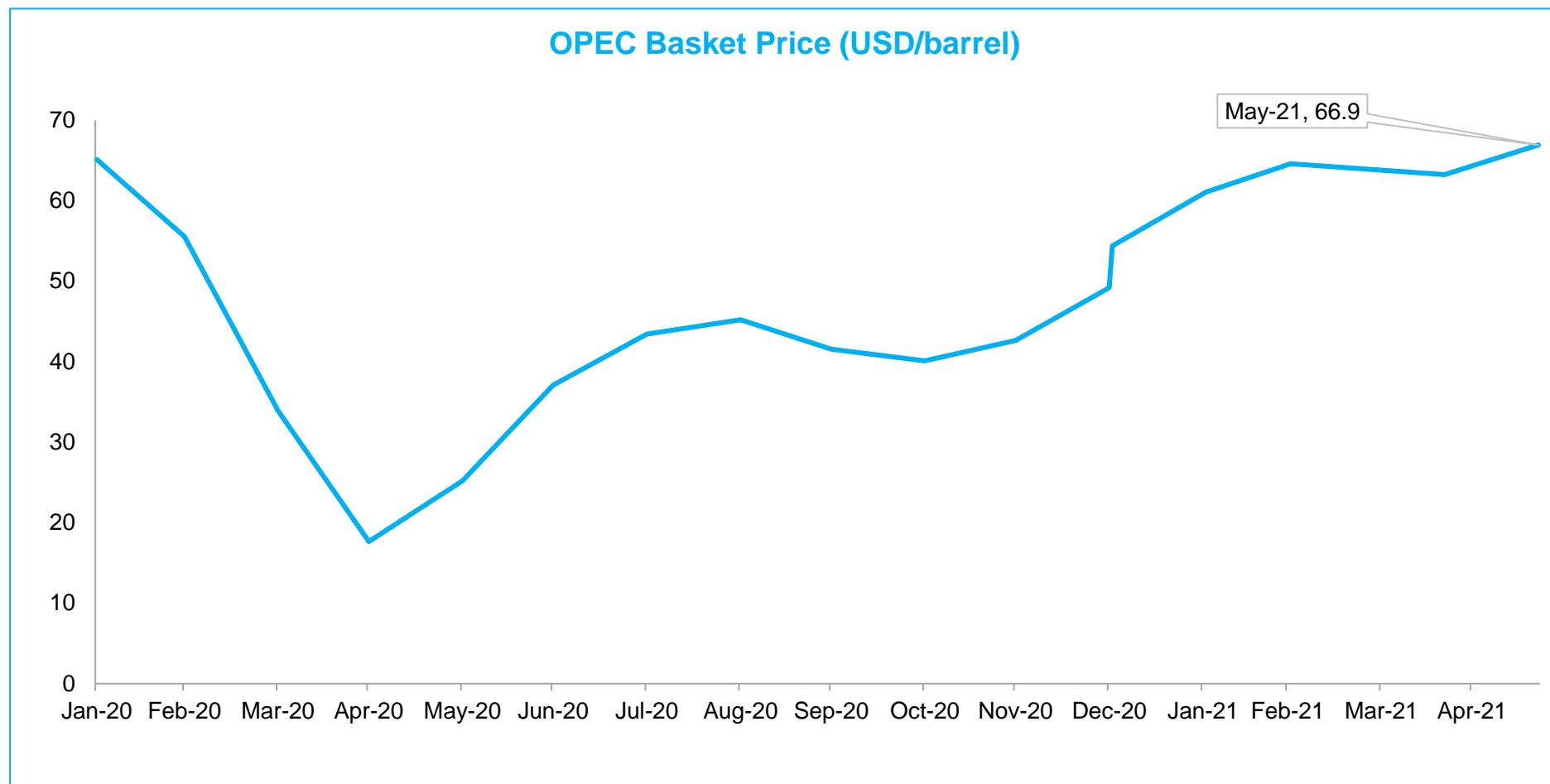
## Regional And Global Market Developments

The OPEC Reference Basket (ORB) increased to USD66.91/b in May 2021 from USD63.24/b in April 2021. Oil prices continue to be supported by ongoing improvements in oil market fundamentals.

### Global oil developments (Source: OPEC)

The OPEC Reference Basket (ORB) increased to USD66.91/b in May 2021 from USD63.24/b in April 2021. The ORB however has increased by 186% y-o-y as it was USD25.17/b in May 2020. Oil prices in the current period continue to be supported by ongoing improvements in oil market fundamentals such as the reduction in global crude oil inventories which have an inverse relationship with global demand for, and the price of oil.

In 2021, world oil demand growth is expected to increase by 6.0 mb/d y-o-y. Oil demand in the second half of 2021 is projected to be positively impacted by a stronger economic rebound which will be supported by stimulus programmes and a further easing of COVID-19 lockdown measures, amid an acceleration in the vaccination rollout. Global oil demand is thus expected to average 96.5 mb/d in 2021. Non-OPEC liquids supply for 2021 has been revised to grow by 0.7 mb/d to an average of 63.6 mb/d due to the US liquids production outage of 2.2mb/d seen in February. However, the US liquids supply forecast in 2021 is expected to decline by 0.1 mb/d y-o-y. The other main drivers for supply growth in 2021 are expected to be Canada, Norway, Brazil and China.





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 decreased to 1.58% in May 2021 from 1.62% in April 2021.

## Regional And Global Market Developments (continued)

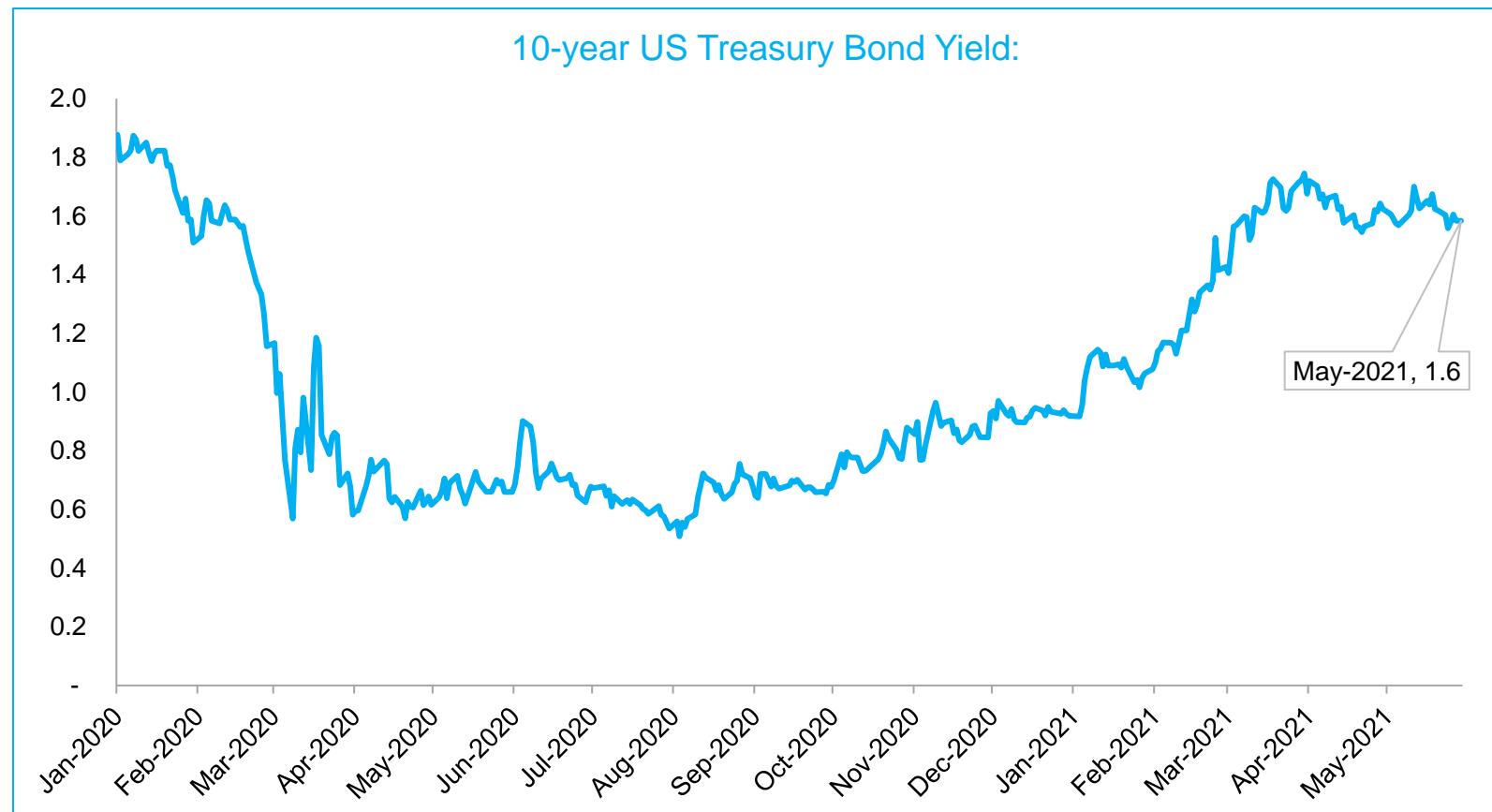
### Interest rate movements (Source: WSJ and ICE Benchmark Administration)

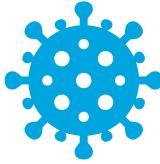
The US Fed rate was maintained at 0.25% in May 2021. Similarly, the Bank of England Rate and the European Central Bank Rate were also maintained at 0.10% and 0.00% respectively. The 3-month US LIBOR rate decreased to 0.13% in May 2021 from 0.18% in April 2021. The 6-month US LIBOR rate decreased its position to 0.16% in May from 0.21% in April. Lastly, the US 10-Year treasury bond yield decreased to 1.58% from 1.62% during this period.

#### Interest Rates

	May 2021 (%)	April 2021 (%)
US LIBOR (3 months)	0.13%	0.18%
US LIBOR (6 months)	0.16%	0.21%
US treasury bond yield (10 years)	1.58%	1.62%
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:



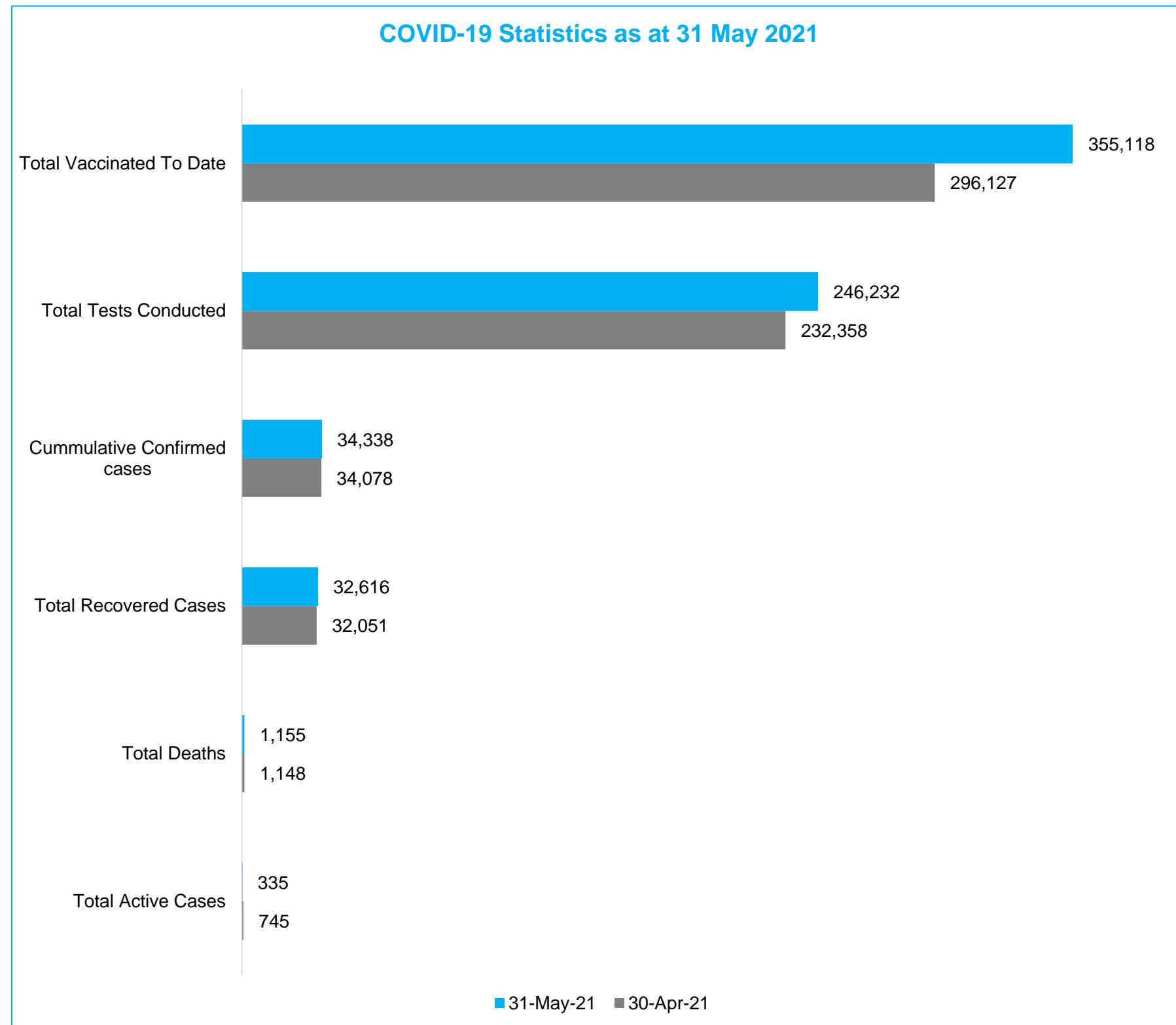


## COVID-19 Update

The total number of confirmed cases increased to 34,338 in May 2021 from 296,127 in April 2021. Total deaths caused by COVID-19 increased to 1,155 in May 2021 from 1,148 in April 2021. As of 31 May 2021, 355,118 Malawians had been vaccinated.

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

The total number of confirmed cases increased to 34,338 in May 2021 from 34,078 in April 2021. Similarly, the total COVID-19 related deaths increased to 1,155 in May 2021 from 1,148 in April 2021. As at 31 May 2021 the positivity rate decreased to 1.5% in May 2021 from 3.2% in April 2021, while the Case Fatality Rate (CFR) marginally decreased to 3.36% in May 2021 from 3.37% in April 2021. The recovery rate stood at 95% in May 2021. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March 2021, 355,118 Malawians have been vaccinated as at 31 May 2021, which is roughly 2% of Malawi's entire population. On 29 May 2021, the government of Malawi burned nearly 20,000 doses of the COVID-19 vaccine that had expired on 13 April 2021. The action taken by the Malawi government was in line with the recommendation made by the World Health Organisation (WHO) that all expired doses should be removed from circulation and safely disposed of. Furthermore, the government stated that the expired doses had to be disposed of publicly in to deter the citizenry from assuming that the government, through the Ministry of Health, was administering expired vaccines.



## Outlook

## Inflation

According to the World Bank, IMF and the EIU, inflation for Malawi is projected to average 8.8%, 9.5% and 9.1%, respectively in 2021. This is on account of an average harvest in 2021, rising global fuel prices and a recovery in private consumption. However, the RBM projects a lower annual average headline inflation for 2021 of 8.4%.

The EIU expects inflation to maintain an upward trajectory and peak at 10.0% in 2022 before easing to 8.5% in 2025 on account of decreasing fuel prices. At the same time, the World bank projects inflation to average 7.6% and 7.0% in 2022 and 2023, respectively.

## 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 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 EIU further explains that oil prices are expected 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, 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 agricultural harvest season. On one hand, the continued shortage of supply of foreign currency 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, if this year's agricultural harvest proves to be more bountiful than the previous year, export proceeds may improve the country's foreign exchange position. Although the 2020/21 first round Agricultural Production Estimates (APES), reported the growth rate of the agricultural, forestry and fishing sector for 2021 was revised downward to 5.5% from 8.8%. 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 EIU expects the MPC to maintain 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, 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\$3.3bn at end-2022 which are K2.3 trillion and K2.6 trillion respectively, using the middle rate as at 31 May 2021. Based on this, external debt/GDP ratio is projected to 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 likely to 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.

Increased 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 higher local interest rates, 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 2.8% based on EIU, IMF and World Bank estimates for the country. According to the World Bank, real GDP for Malawi is estimated to grow by 2.8% in 2021 while the IMF World Economic Outlook update for April 2021 projects economic growth to average 2.2% in 2021. Estimates from the EIU anticipate 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. 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.

According to the IMF, similar expectations noted that Malawi's economy will continue to rely on agricultural harvest and trade revenue which is subject to shocks due to unprecedeted 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.

Lastly, the latest MPC report from the RBM suggests that the ongoing vaccination campaign, coupled with the above average agricultural production during the 2020/21 season and the recovery of the global economy, provide optimism for economic turnaround in 2021. As such, domestic real economic growth is projected to strengthen to 3.8% in 2021, from an estimated growth rate of 0.9% in 2020.

## Appendix

## Appendix 1: Selected Economic Indicators

Selected Economic Indicators		
<b>Foreign Exchange Reserves (Source: RBM)</b>		31-May-2021
	<b>Reserves (US\$'mn)</b>	<b>Import Cover (Months)</b>
Private Sector Foreign Exchange Reserves	369.64	1.48
Gross Official Foreign Exchange Reserves	414.41	1.66
<i>NB: US\$250.0 million import requirement per month is used in the calculations</i>		
<b>Rates (Source: RBM)</b>		<b>Current Rate</b>
Reference Rate	12.20%	3-June-21
Policy Rate	12.00%	29-Apr-21
<b>Inflation</b>		
NSO Headline Inflation for April 2021		9.2%
EIU March 2021 report inflation forecast for 2021 (annual)		9.1%
Government of Malawi 2021/22 Budget Statement Inflation forecast		7.5%
IMF WEO April 2021 report inflation forecast for 2021 (annual)		9.5%
RBM MPC report April 2021 forecast for 2021 (annual)		8.4%
Average inflation forecast for 2021		8.7%
<b>Commodities</b>		<b>May-2021</b>
OPEC Reference Basket Price	US\$66.91/b	US\$25.17/b
AHL Tobacco Sales	US\$70.56 million	US\$45.48 million
AHL Tobacco Average Price	US\$1.66/kg	US\$1.53/kg
<b>Real GDP Growth Forecast for Malawi</b>		<b>2020</b>
African Development Bank (AfDB) African Economic Outlook 2021	1.7%	3.3%
EIU March 2021 Malawi Country Report	-1.0%	2.3%
Government of Malawi 2021/22 Budget Statement	0.9%	3.8%
IMF WEO April 2021 Report	0.6%	2.2%
RBM MPC report April 2021 forecast for 2021 (annual)	0.9%	3.8%
World Bank Country Partnership Framework	0.8%	3.0%
		<b>2021</b>
		<b>2022</b>

## Appendix 2: Historical Economic Indicators

	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>Exchange rates</b>													
MK/USD	741.38	743.05	744.74	754.71	756.93	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17
MK/GBP	920.44	924.12	994.33	1,024.89	999.88	1,015.11	1,061.76	1,070.14	1,107.24	1,140.90	1,139.62	1,164.37	1,191.58
MK/EUR	833.38	845.25	903.26	935.56	928.35	925.23	958.34	987.95	991.78	1,006.72	993.04	1,035.48	1,042.52
MK/ZAR	43.14	44.02	46.19	47.53	47.33	49.18	53.09	56.43	54.60	55.69	56.13	59.33	62.28
<b>Foreign Exchange Reserves</b>													
Gross Official Reserves (USD'mn)	662.98	682.66	651.41	642.86	546.99	635.05	584.89	574.26	502.98	483.38	410.16	392.01	414.41
Private Sector Reserves (USD'mn)	324.96	327.01	342.01	316.74	318.47	340.22	332.51	377.97	358.29	340.50	342.58	392.61	369.64
Total reserves (USD'mn)	987.94	1009.67	993.42	959.6	865.46	975.27	917.4	952.23	861.27	823.88	752.74	784.62	784.05
Gross Official Reserves Import cover (months)	3.17	3.27	3.12	3.08	2.62	3.04	2.80	2.75	2.41	2.31	1.96	1.88	1.66
<b>Inflation</b>													
Headline	8.70%	8.50%	8.00%	7.60%	7.10%	7.50%	7.30%	7.60%	7.70%	8.30%	9.40%	9.2	N/A
Food	13.70%	13.40%	12.20%	11.30%	10.30%	10.90%	10.40%	10.50%	9.70%	10.30%	11.70%	11.5	N/A
Non-food	4.50%	4.50%	4.40%	4.40%	4.40%	4.40%	4.40%	4.90%	5.60%	6.30%	6.90%	7.0	N/A
<b>Interest Rates</b>													
Monetary Policy rate	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank rate	13.48%	13.49%	13.58%	13.59%	13.61%	13.62%	12.51%	11.41%	11.34%	10.67%	11.37%	11.72%	13.36 %
Average base lending rate	13.30%	13.40%	13.40%	13.40%	13.60%	13.60%	13.60%	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%
<b>Government Securities' Yields</b>													
91-days Treasury Bill	7.58%	7.54%	7.50%	9.85%	9.94%	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%
182-days Treasury Bill	10.00%	11.29%	12.07%	12.55%	12.58%	12.87%	12.73%	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%
364-days Treasury Bill	12.73%	13.00%	13.57%	13.73%	13.74%	13.88%	13.40%	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%
2-year Treasury Note	11.20%	15.45%	15.45%	16.46%	16.46%	16.46%	16.46%	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%
3-year Treasury Note	13.27%	16.89%	16.89%	16.89%	18.02%	18.47%	17.79%	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%
5-year Treasury Note	15.55%	19.97%	19.82%	19.82%	19.82%	19.82%	19.82%	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%
7-year Treasury Note	19.08%	20.46%	20.46%	20.75%	20.75%	20.75%	19.95%	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%
10-year Treasury Note	-	-	-	-	22.14%	22.14%	22.14%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%
<b>Stock Market Indices</b>													
MASI	28,501.97	29,784.70	29,851.63	31,328.10	31,743.36	31,303.78	31,225.08	32,392.84	32,988.58	33,009.75	32,562.96	33,380.63	33,676.89
FSI	23,780.75	25,117.92	25,360.04	26,732.01	27,101.51	26,787.57	26,717.15	27,755.46	28,090.02	28,108.19	27,710.72	28,257.89	28,376.03
DSI	1,993.51	1,757.76	1,535.30	1,460.99	1,460.99	1,362.39	1,362.89	1,363.88	1,613.58	1,614.45	1,614.33	1,844.72	2,030.51

## Appendix 3: World Bank estimates

**Table 1: Macroeconomic Indicators**

	2016	2017	2018	2019	2020	2021	2022	2023
					Est.	Proj.	Proj.	Proj.
<b>National Accounts and Prices</b>								
GDP at constant market prices (% change)	2.5	4.0	3.5	4.4	0.8	2.8	3.0	4.5
Agriculture	-2.3	5.0	2.4	4.3	3.4	5.2	1.7	3.2
Industry	2.4	2.2	2.2	3.8	1.2	1.6	2.4	4.3
Services	4.7	4.0	4.3	4.5	-0.7	1.9	3.8	5.2
Consumer prices (annual average)	21.7	11.5	9.2	9.4	8.6	8.8	7.6	7.0
<b>Central Government (FY % of GDP)</b>								
Revenue and grants	21.6	23.5	20.8	21.0	20.8	21.0	21.0	21.7
Domestic revenue (tax and nontax)	17.8	20.0	19.3	19.0	18.9	17.1	17.6	18.3
Grants	3.7	3.5	1.4	2.0	1.9	3.8	3.4	3.4
Expenditure and net lending	27.6	28.2	28.5	27.6	30.2	33.7	30.3	30.5
Overall balance (excluding grants)	-9.8	-8.3	-9.2	-8.6	-11.3	-16.5	-12.7	-12.2
Overall balance (including grants)	-6.1	-4.8	-7.8	-6.6	-9.4	-12.7	-9.3	-8.8
Foreign financing	1.9	2.5	2.5	1.1	1.3	2.4	1.5	1.6
Domestic financing	1.7	0.9	6.2	5.4	7.3	10.3	7.8	7.2
Amortization (zero coupon bonds)	2.5	1.3	-0.5	-1.4	-	-	-	-
Privatization Proceeds	-	0.3	-	-	-	-	-	-
<b>Money and Credit</b>								
Money and quasi money (% change)	15.2	19.7	11.4	8.1	9.5	10.9	13.7	11.8
Credit to the private sector (% change)	4.6	0.4	11.5	21.3	15.0	11.7	14.0	13.4
<b>External Sector (US\$ millions)</b>								
Exports (goods and services)	1,180	1,053	1,112	1,238	1,202	1,225	1,188	1,185
Imports (goods and services)	2,405	2,781	2,927	3,031	3,088	3,323	3,314	3,349
Gross official reserves	605	757.4	750.1	815	574	-	-	-
(months of imports)	2.9	3.6	3.6	3.9	2.8	-	-	-
Current account (percent of GDP)	-18.9	-22.4	-20.5	-17.2	-18.3	-17.4	-18.1	-17.9
Exchange rate (MWK per US\$ average)	718	730.3	732.3	745.5	749.5	-	-	-
<b>Debt Stock</b>								
External debt (public sector, % of GDP)	31.3	32.4	31.2	29.7	30.0	32.4	31.9	31.4
Domestic public debt (percentage of GDP)	23	23.9	28.2	29.7	36.4	44.1	48.7	52.2
Total public debt (percentage of GDP)	54.3	56.4	59.4	59.4	66.4	76.5	80.6	83.6
<b>Poverty</b>								
Poverty rate (US\$ 1.9 in 2011 PPP terms)	69.2	68.7	68.3	67.8	68.3	68.3	68.2	67.6
Poverty rate (US\$ 3.2 in 2011 PPP terms)	89.0	88.8	88.6	88.3	88.6	88.6	88.5	88.2

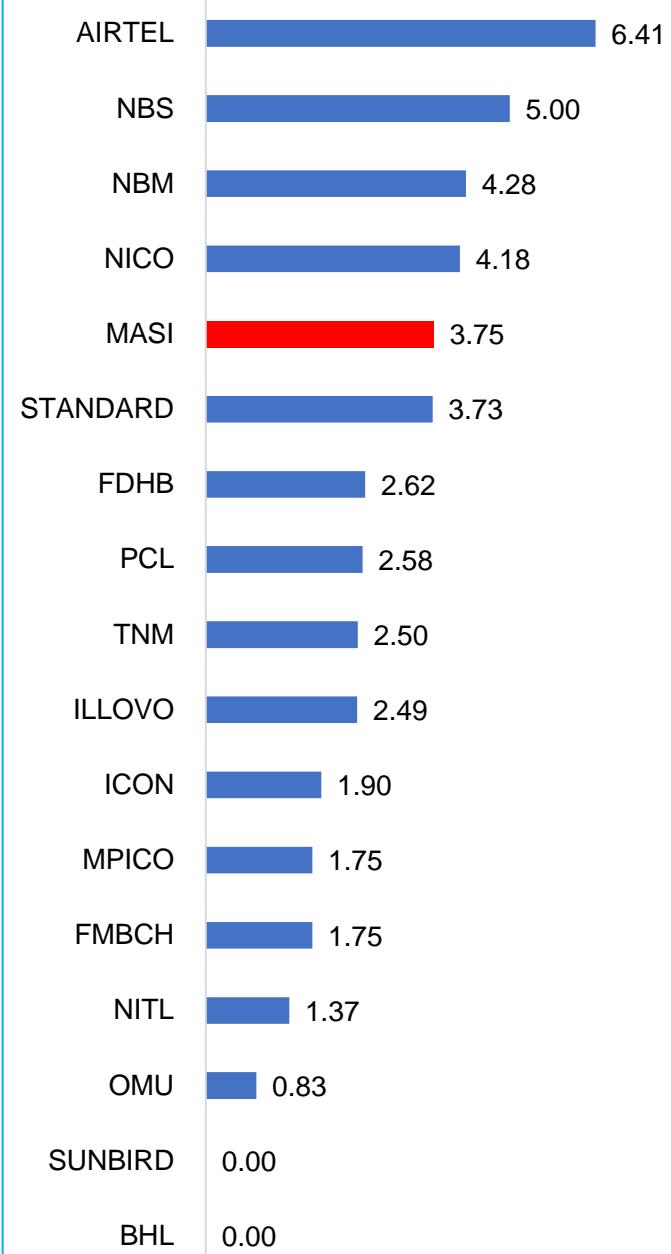
Source: World Bank staff calculations based on MFMod, MoFEPD, RBM and IMF data

## Appendix 4: Selected stock market statistics as at 31 May 2021

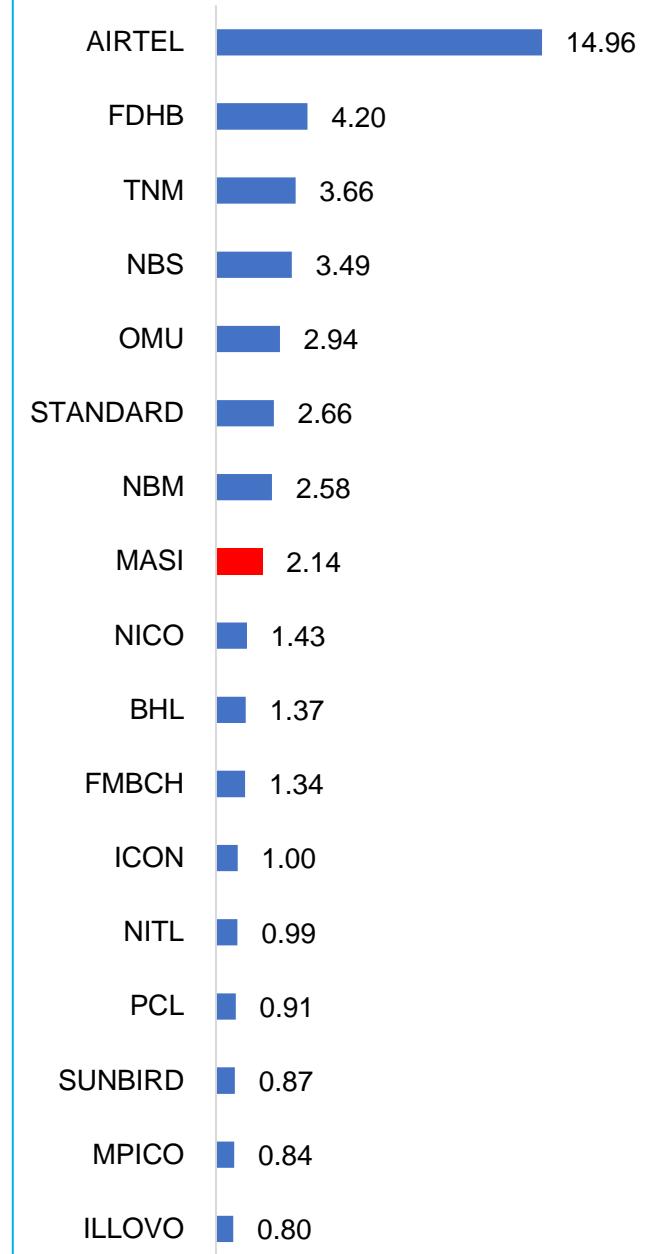
**P/E ratio** - the MSE had a weighted average Price to Earnings ratio of 13.54 in May 2021. OMU had the lowest at negative 44.93 while PCL had the highest at 40.19.



**Dividend yield (%)** - the weighted average dividend yield on the MSE was 3.75% in May 2021. The counter with the highest dividend yield is AIRTEL at 6.41%.



**P/BV ratio** - the weighted average Price to Book Value ratio on the MSE in May 2021 was 2.14. Airtel had the highest ratio at 14.96 while Illovo had the lowest ratio at 0.80.

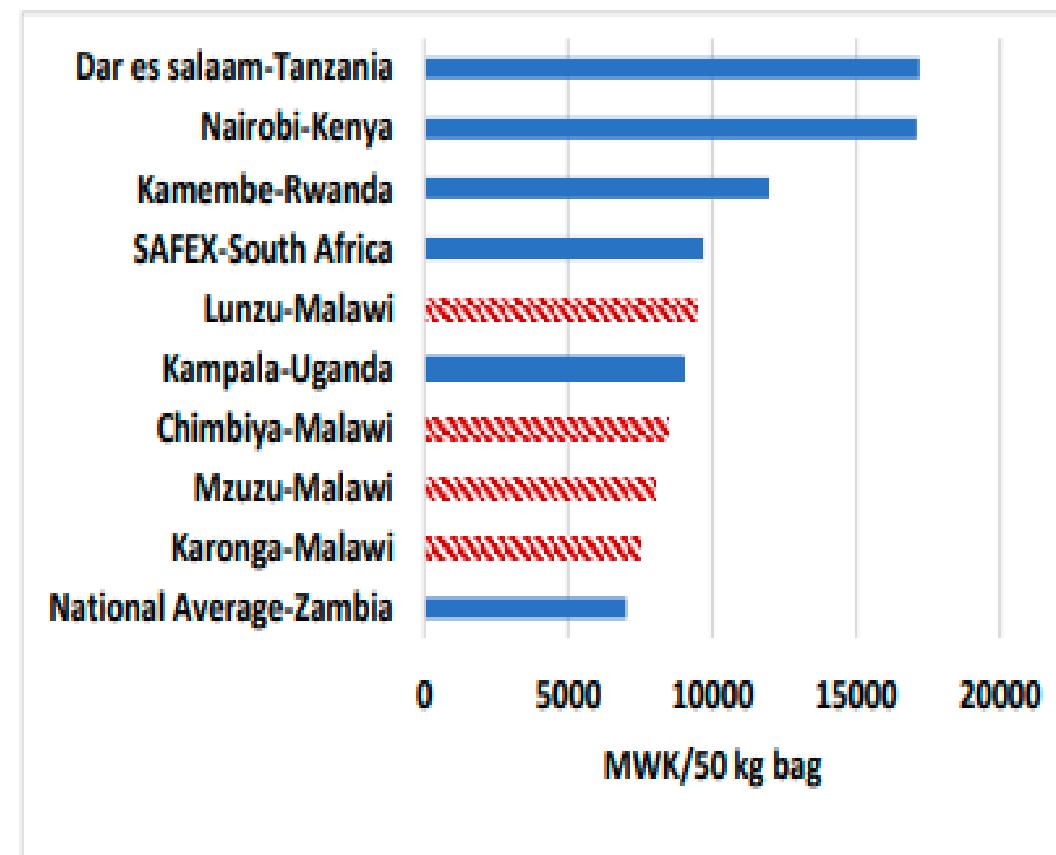


## APPENDIX 5: Malawi Monthly Maize Market Report

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

Market	03-Apr-21	10-Apr-21	17-Apr-21	24-Apr-21	Change
Chitipa	147	147	147	147	➡ 0%
Karonga	170	170	150	150	⬇ -12%
Rumphi	153	153	153	153	➡ 0%
Mzuzu	180	180	160	160	⬇ -11%
Mzimba	162	162	150	150	⬇ -7%
Jenda	162	162	162	162	➡ 0%
Salima	200	200	200	200	➡ 0%
Mchinji	160	160	150	150	⬇ -6%
Nsungwi	180	180	150	150	⬇ -17%
Mitundu	190	190	150	150	⬇ -21%
Chimbiya	170	160	170	170	➡ 0%
Balaka	173	173	160	160	⬇ -8%
M'baluku	190	190	190	190	➡ 0%
Mangochi	180	180	187	180	➡ 0%
Liwonde	180	180	160	160	⬇ -11%
Chiranga	200	200	200	200	➡ 0%
Mpondabwino	201	201	194	194	⬇ -3%
Lunzu	190	190	190	190	➡ 0%
Mbayani	180	180	180	180	➡ 0%
Mwanza	193	180	180	180	⬇ -7%
Mulanje	190	190	180	180	⬇ -5%
Luchenza	193	193	180	180	⬇ -7%
Chikwawa	220	220	220	200	⬇ -9%
Ngabu	190	190	190	190	➡ 0%
Bangula	192	192	192	192	➡ 0%
Nsanje	173	173	173	173	➡ 0%
All markets	180	179	172	171	⬇ -4.7%

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



## 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.

### 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

### 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.

### 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. <

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