

# Monthly Economic Report

| June 2021





# Table of Contents

	Page
1. List of Acronyms	3
2. Executive Summary	4-6
3. Economic Overview	7
1. Inflation	8
2. Government Securities	9-11
3. Foreign Currency Market	12
4. Foreign Reserve Position	13
5. Interbank Markets and Interest Rates	14
6. Stock Market	15-17
7. Corporate Announcements by MSE Listed Companies	18-20
8. Debt Market	21
9. 2021/22 Budget	22-23
4. Other Market Developments	24
1. Tobacco Sales	25
5. Regional And Global Market Developments	26
1. Global Oil Developments	27
2. Interest Rate Movements	28
3. COVID-19 Update	29
6. Outlook for Malawi	30-31
7. Appendix	32-37
8. Contact Information	38

## 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:	Great 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 8.9% in May 2021 from 9.2% in April 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 11.0% (Apr 2021: 11.5%) and 7.1% (Apr 2021: 7.0%) in May 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 9.3%. The EIU's projection is based on the expectation that inflation will reflect currency depreciation and higher regional food prices in the months of March-April. 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.

### Exchange Rates

Based on middle rates reported by the Reserve Bank of Malawi, the Malawi Kwacha depreciated against the USD by 1.47% in June 2021. As at 30 June 2021, the Kwacha was trading at K811.95/USD from K800.17/USD as at 31 May 2021. M-o-m, the Kwacha also marginally depreciated against the GBP by 0.11% (to K1,192.94/GBP from K1,191.58). The Kwacha appreciated against the EUR by 1.01% (to K1,032.04/EUR from K1,042.52/EUR) and against the ZAR by 1.39% (to K61.42/ZAR from K62.28/ZAR) during the period under review. By the end of the month, the country's gross official forex reserves had decreased by 4.12% to USD424.99 million from a gross official forex reserve position of USD443.25 million as at 31 May 2021. The gross official forex reserves' import cover decreased to 1.70 months in June 2021 from 1.77 months in May 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 namely fuel. The total foreign exchange reserves position was USD813.77 million in June 2021 which represented a 0.11% decrease from a total foreign exchange reserve position of USD812.89 million. This translates to an import cover of 3.26 months in June 2021 from 3.25 months in May 2021.

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.

### 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 revision, the overall balance of the fiscal budget is estimated to be K5.5 billion higher than the initial reported deficit of K718 billion which was 7.0% of rebased GDP. The revised deficit is set to be at K724 billion which represents 7.1% of rebased GDP. This proportion is lower than the previous 8.8% deficit during the 2020/21 fiscal year. As from the initial 2021/22 budget statement on 28 May 2021, it was stated that the deficit would be financed through domestic borrowing of K583 billion and foreign borrowing of K135 billion. Despite stating that additional funds had been allocated to other sectors during the Finance Minister's response, there was no mention of the sources of revenue for the additional expenditures.

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 was revised upward to K1.996 trillion from a projected K1.99 trillion which makes up 19.5% of GDP. Due to a lack of associated increases in sources of revenue to finance the upward revisions in expenditure, the total deficit for the 2021/22 fiscal budget has increased by K5.5 billion.

While the Government projects the budget deficit to contract to 7% of GDP in 2021/22, the EIU expects a partial recovery in revenue and slow progress on fiscal consolidation. This led to the forecast that the fiscal deficit/GDP ratio will fall to 10.7% in 2021/22 from 12.7% in 2020/21. Furthermore, external debt is expected to increase steadily, from an estimated US\$2.8 billion in 2020 to US\$3.4 billion at the end of 2022 which are K2.3 trillion and K2.7 trillion respectively, using the RBM's reported middle rate as at 30 June 2021.

According the World Bank Malawi Economic Monitor, Malawi needs sustainable fiscal policy in order to reduce debt service costs. For instance, domestic revenues should be used to finance recurrent expenditures instead of domestic borrowing. This requires prioritizing expenditure, in a sustainable medium-term fiscal framework, as Malawi has critical spending needs across a range of sectors.

The report also states that the Government should ensure to closely scrutinize domestically –financed development expenditure through cost-benefit analysis in order to ensure that the returns from projects are justified by high borrowing costs. This will increase fiscal space for public investment and enable lower interest rates to support private investment.

The report further states that the weak oversight of State-Owned Enterprises (SOEs) and Public-Private Partnerships (PPPs) increases their fiscal risk while reducing their effectiveness and service delivery. The Government should therefore strengthen efforts to enhance compliance with timely SOE financial reporting and audits to improve information flow and risk management. The Government should also promote the competitive selection of SOE management and hold them accountable for results.

### Government Securities

Treasury bill (TB) applications increased by 57.52% to K16.13 billion in June 2021 from K10.24 billion in May 2021. TB allotments have increased by 55.26% to K15.20 billion in June 2021 from K9.79 billion in May 2021. Treasury note (TN) applications and allotments have increased by 711.66% to K132.30 billion in June 2021 (May 2021: K16.30 billion), and by 785% K128.59 billion in June 2021 (May 2021: K14.53 billion), respectively.

The average All Type Treasury Bill yield decreased to 12.10% in June 2021 from 12.20% in May 2021.

The average All Type Treasury Note yield decreased to 19.63% from 19.66% during the period under review.

### Stock Market

The MASI increased by 4.36% to 35,144.56 points in June 2021 from 33,676.89 points in May 2021. This was due to share price gains in FMBCH, ILLOVO and NBS which offset share price losses in AIRTEL and FDHB. The MASI year-to-date return was 8.49% in June 2021, it was negative 1.55% during the same period in the previous year. FMBCH had the largest share price gain during the period under review, to K59.82 per share in June 2021 from K35.52 per share in May 2021, representing a 68.41% increase. FDHB had the largest share price loss during this period to K16.00 per share from K16.41 per share, representing a 2.50% 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. The EIU further states that on the supply side, the economy will remain dominated by the services and agricultural sectors, which will provide major productivity gains. 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 (USD175 million using the middle rate as at 30 June 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 by 1,790 to 36,128 in June 2021 from 34,338 in May 2021. Total number of COVID-19 related deaths increased to 1,196 in June 2021 from 1,155 in May 2021. The positivity rate increased to 18.3% as at 30 June 2021 from 1.5% as at 31 May 2021, while the Case Fatality Rate (CFR) marginally decreased to 3.31% in June 2021 from 3.36% in May 2021.

Furthermore, the recovery rate decreased to 91.8% in June 2021 from 95% in May 2021. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March 2021, 385,242 Malawians have been vaccinated with the first dose as at 30 June 2021, which is roughly 2% of Malawi's entire population. On 4 June 2021, the Government of Malawi, through the Ministry of Health, begun administering the second doses of the Covid-19 vaccine. As at 30 June 2021, 43,165 vaccinations of the second doses had been administered by the Ministry of Health. This brought the total number of administered vaccinations to 428,407 doses.

During a press conference held on 7 July 2021, the Minister of Health stated that Malawi is experiencing the third wave of the Covid-19 pandemic and that alert levels as well as thresholds for each level have been proposed. The alert levels have been categorized in 5 levels to reflect increases in cases, admissions and deaths. The Minister further stated that the country is currently at the third level and this calls for reinforcement of rules and regulations.

The rules and regulations that have been developed cover the workplace, hospitality and recreation business, travel and transport with, to and from the country, public gatherings and educational institutions.

### 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. There is also the risk that the slow rate of vaccinations will prolong economic recovery in 2021. 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.

According to OPEC, global oil demand is anticipated to reach 99.0mb/d in the second half of 2021. This is on the back of improvements in Covid-19 containment efforts and seasonal summer demand. This poses risk to domestic fuel prices as increases in demand for oil may increase global prices and affect the prices of fuel in Malawi due to increases in importing costs.

Lastly, the risk of inadequate access to power remains a problem for the country as the total demand for electricity 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

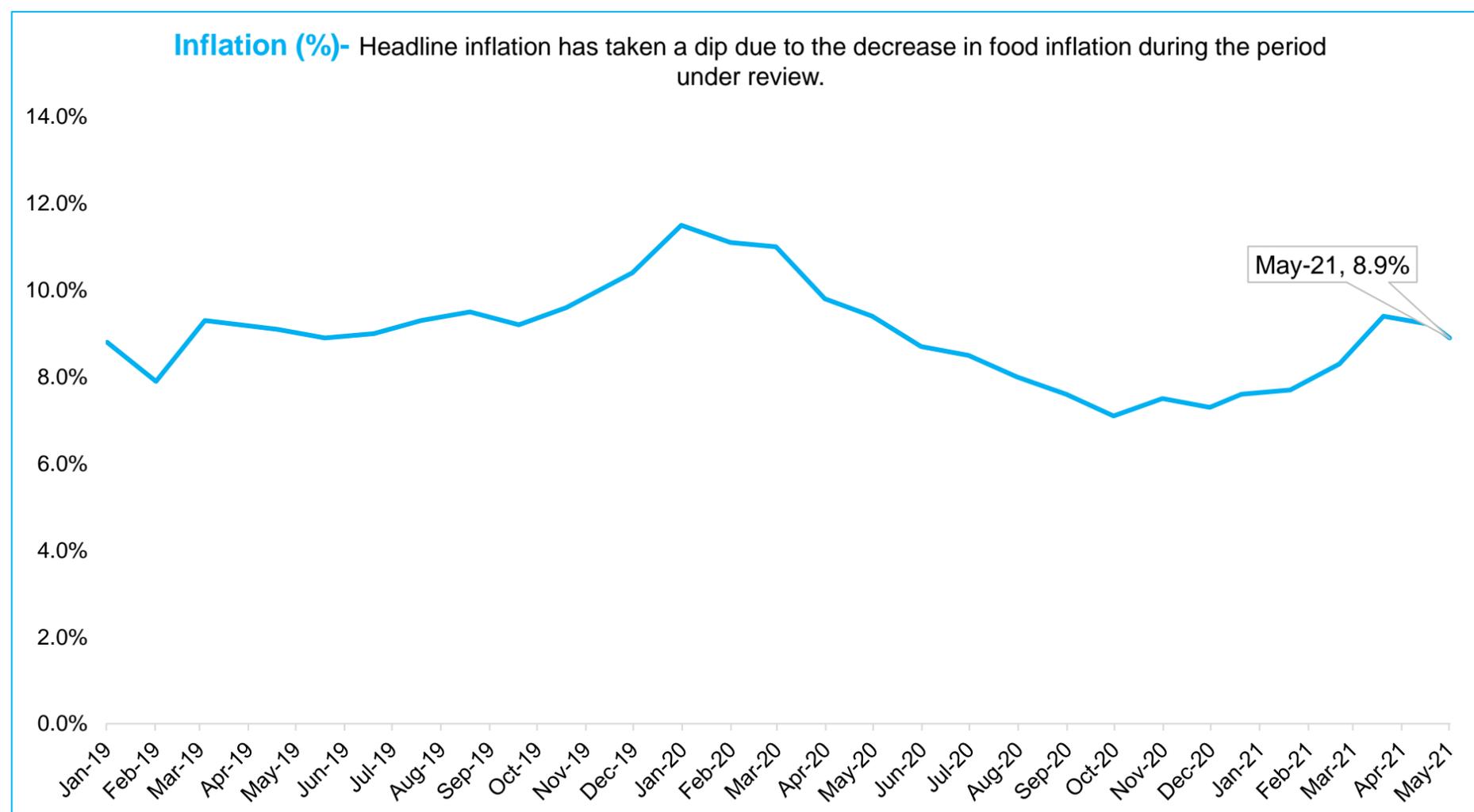
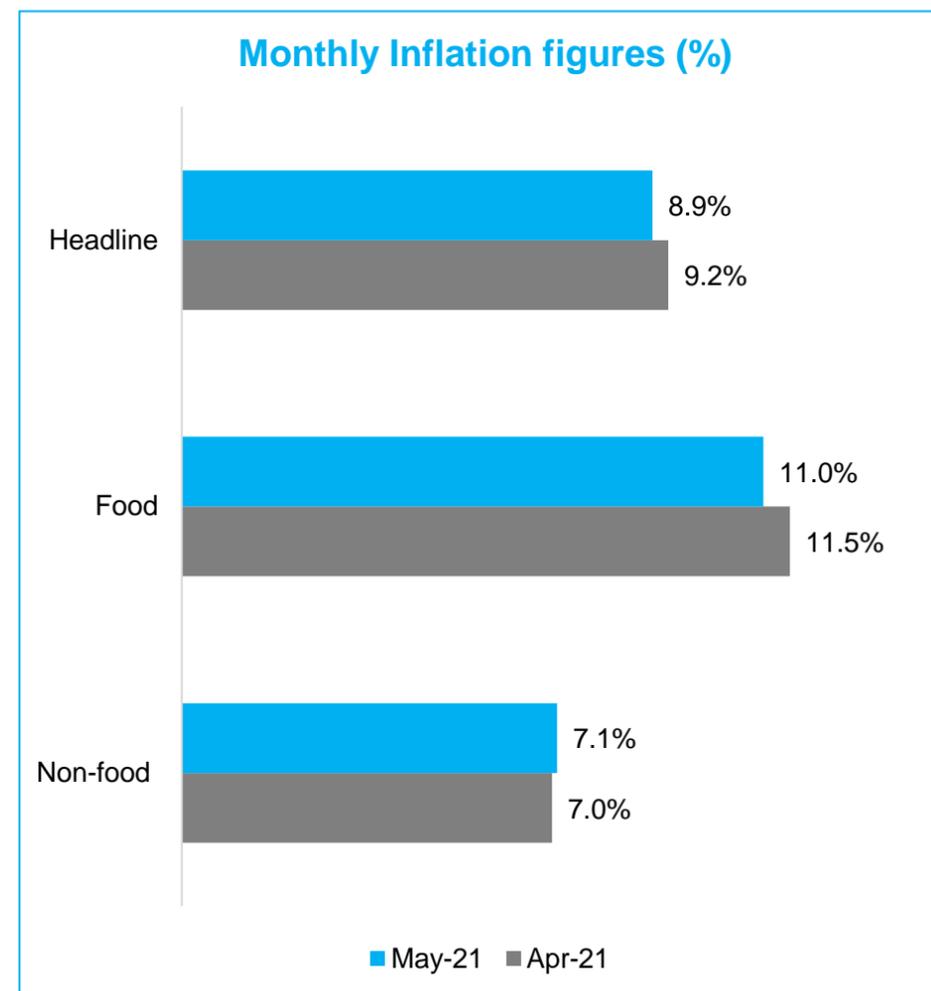
*The headline inflation rate averaged 8.9% in May 2021 from 9.2% in April 2021. Inflation has taken a downward trajectory on account of the decrease in food inflation which makes up the largest proportion of headline inflation. The annual headline inflation rate for 2021 is projected to average 8.4% according to the Monetary Policy Committee April 2021 statement.*

### Inflation (Source: NSO)

The Headline inflation rate averaged 8.9% in May 2021 from 9.2% in April 2021. In May 2020, the headline inflation rate averaged 8.7%. The m-o-m decrease in inflation was largely on account of a decrease in food inflation which averaged 11.0% (Apr 2021: 11.5%) in the month of May 2021. This offset the marginal increase in non-food inflation which averaged 7.1% (Apr 2021: 7.0%) in the month of May.

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. With the World Bank Malawi Economic Monitor for June 2021 reporting that the maize production for 2021 is expected to increase to 4.5 million tons, a 17% increase over 2020's harvest.

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 55.26% to K15.20 billion in June 2021 from K9.79 billion in May 2021. Treasury Note (TN) allotments have increased by 785% to K128.59 billion in June 2021 from K14.53 billion in May 2021.



The average All Type Treasury Bill yield decreased to 12.10% in June 2021 from 12.20% in May 2021. The downward movement was on account of a decrease in the average yield for the 91-days TB, which offset increases in the average yield of the 182-days TB and the 364-days TB.

## Economic overview (continued)

### Government securities (Source: RBM)

#### Treasury Bills (TBs)

Treasury bill (TB) applications increased by 57.52% to K16.13 billion in June 2021 from K10.24 billion in May 2021. Year-on-year, total applications have decreased by 14.25% as they were K18.72 billion in June 2020.

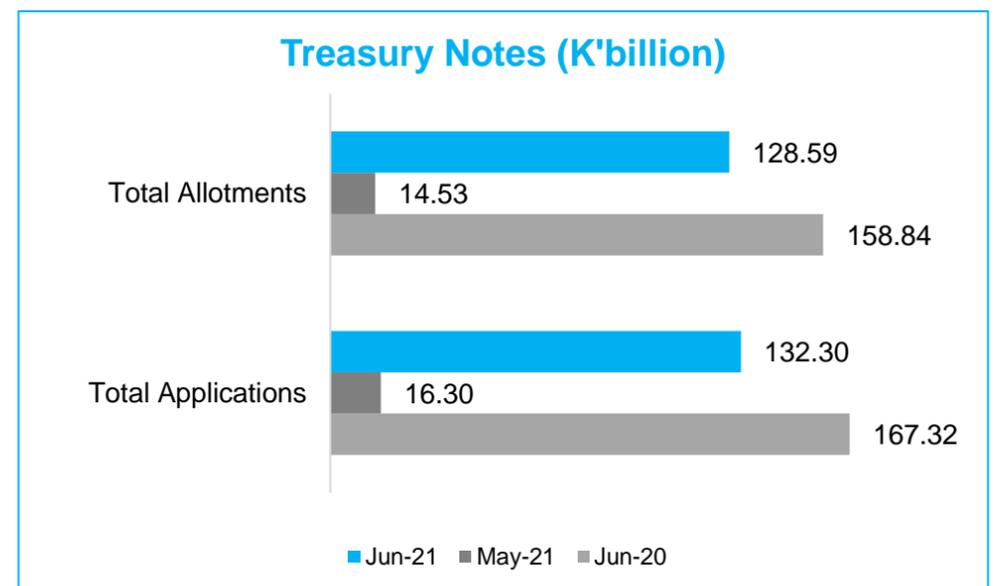
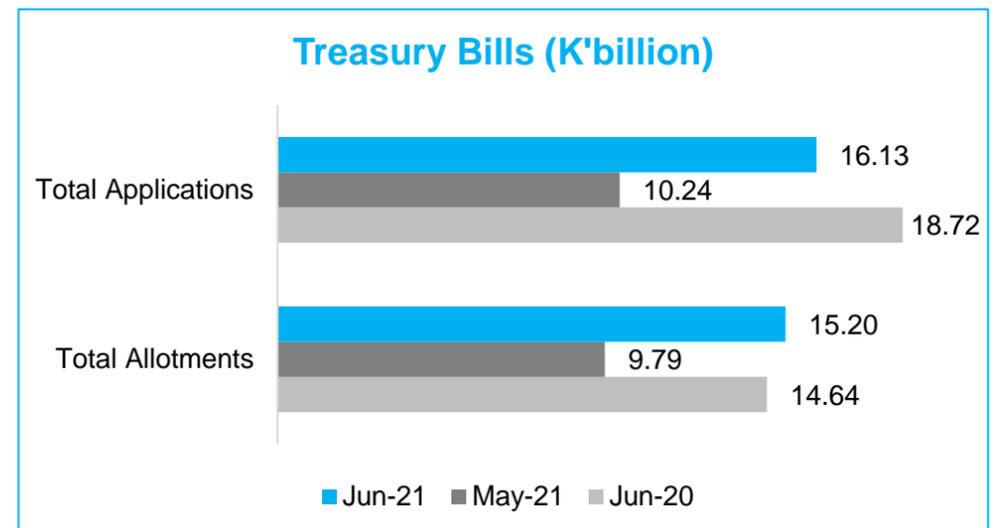
Similarly, allotments have increased by 55.26% to K15.20 billion in June 2021 from K9.79 billion in May 2021. Y-o-y allotments have increased by 3.83% as they were K14.64 billion in June 2020.

The TBs had a rejection rate of 5.73% during the period under review.

#### Treasury Notes (TNs)

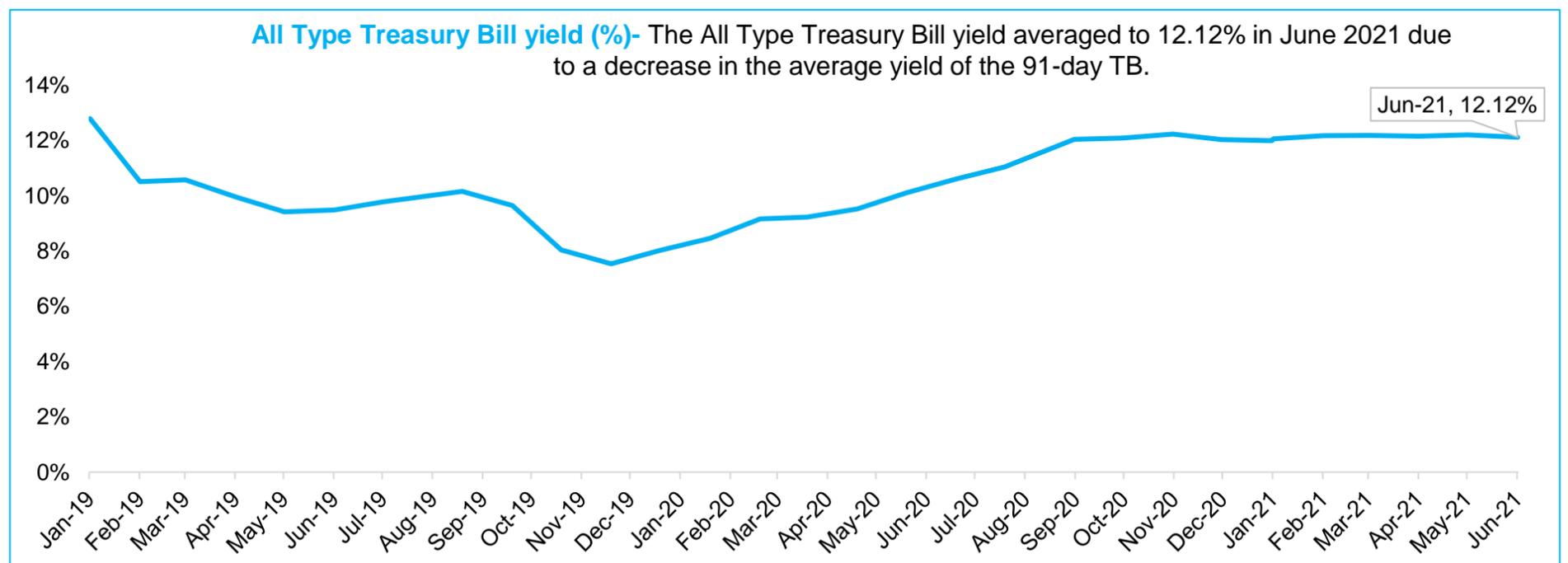
Treasury Note (TN) applications increased by 711.66% m-o-m to K132.30 billion in June 2021 from K16.30 billion in May 2021. Y-o-y applications have decreased by 20.92% as they were K167.32 billion during the same period in the previous year. Treasury Note allotments were K128.59 billion in June 2021 which is 785% higher than the K14.53 billion raised in the TN auctions May 2021.

Allotments have decreased y-o-y by 19.04% as they were K158.84 billion in June 2020. Overall, the TNs had a rejection rate of 2.8% in June 2021.



The average All Type Treasury Bill yield decreased to 12.10% in June 2021 from 12.20% in May 2021. The All-Type Treasury Bill yield was 10.61% in June 2020. The decrease in the All Type Treasury Bill yield during the month under review is owing to a decrease in the average yield for the 91-days TB to 9.62% in June 2021 from 9.96% in May 2021. This offset the increases in the average yield of the 182-days TB to 12.81% from 12.80% and 364-days TB to 13.87% from 13.83% during the period under review. The figure below traces the Treasury bill yields for the different tenures from January 2019 to June 2021.

The average All Type Treasury Note yield decreased to 19.63% from 19.66% during the period under review.

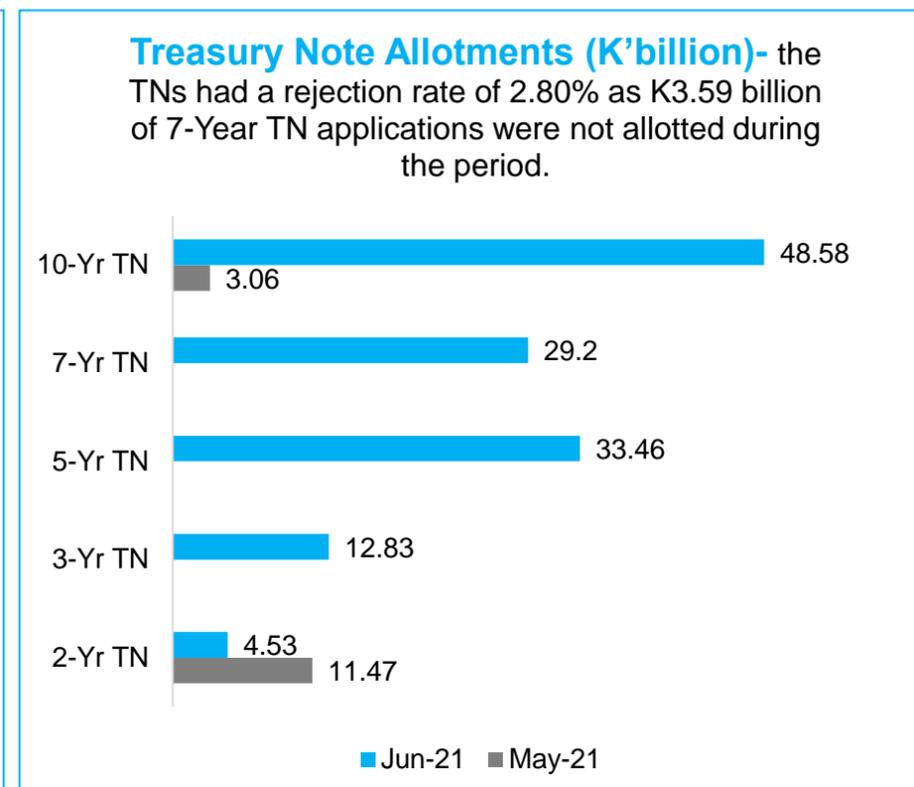
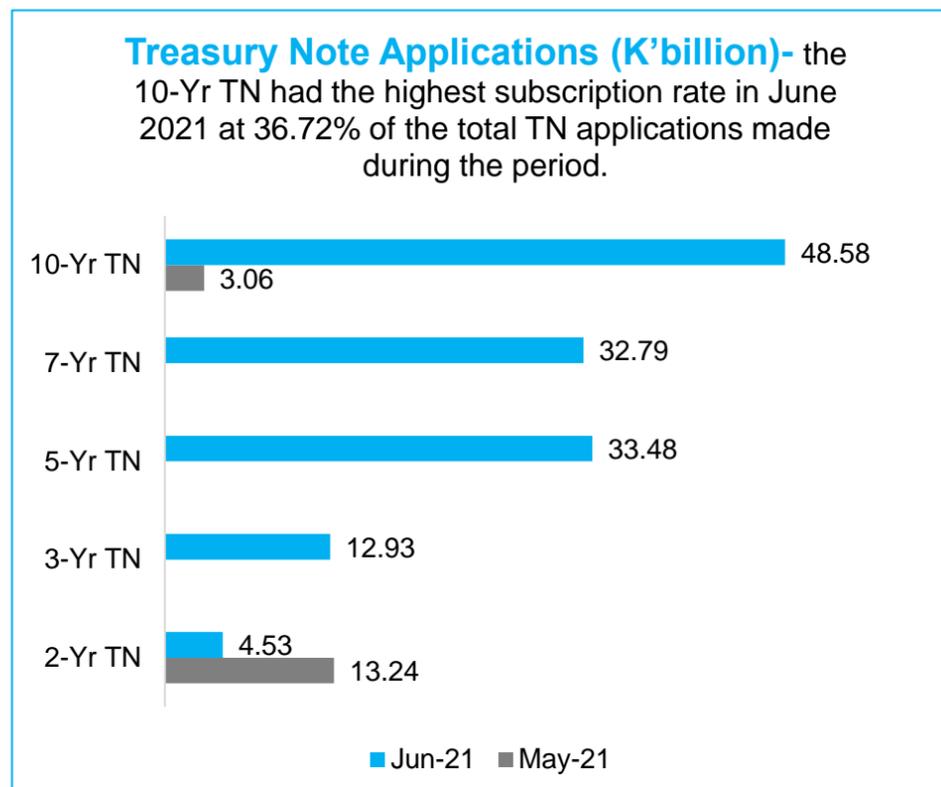
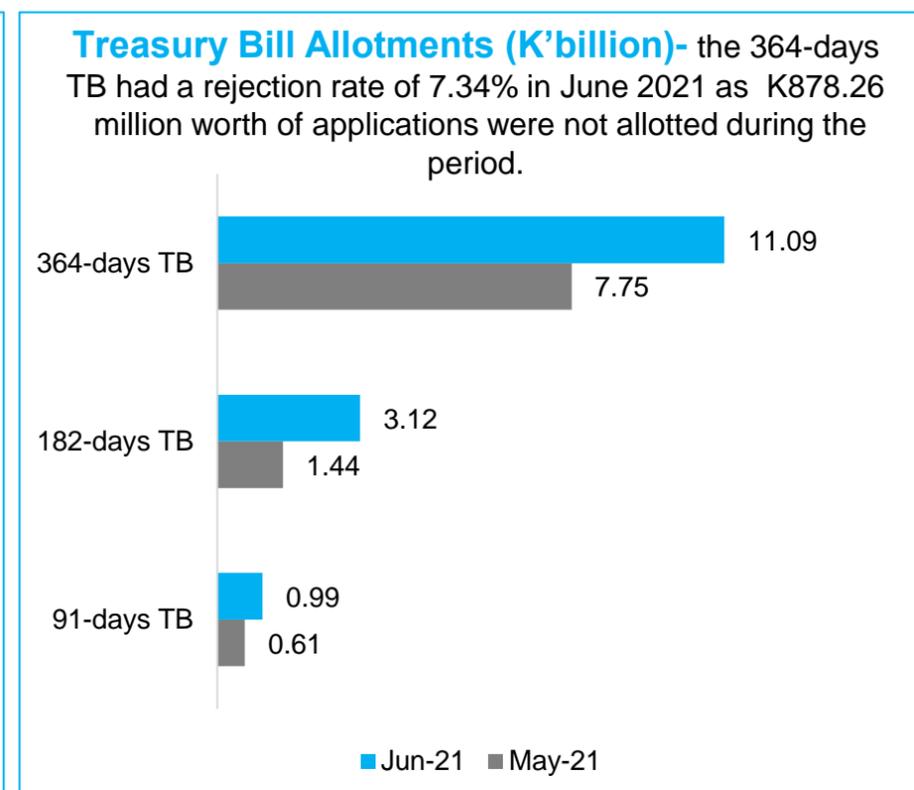
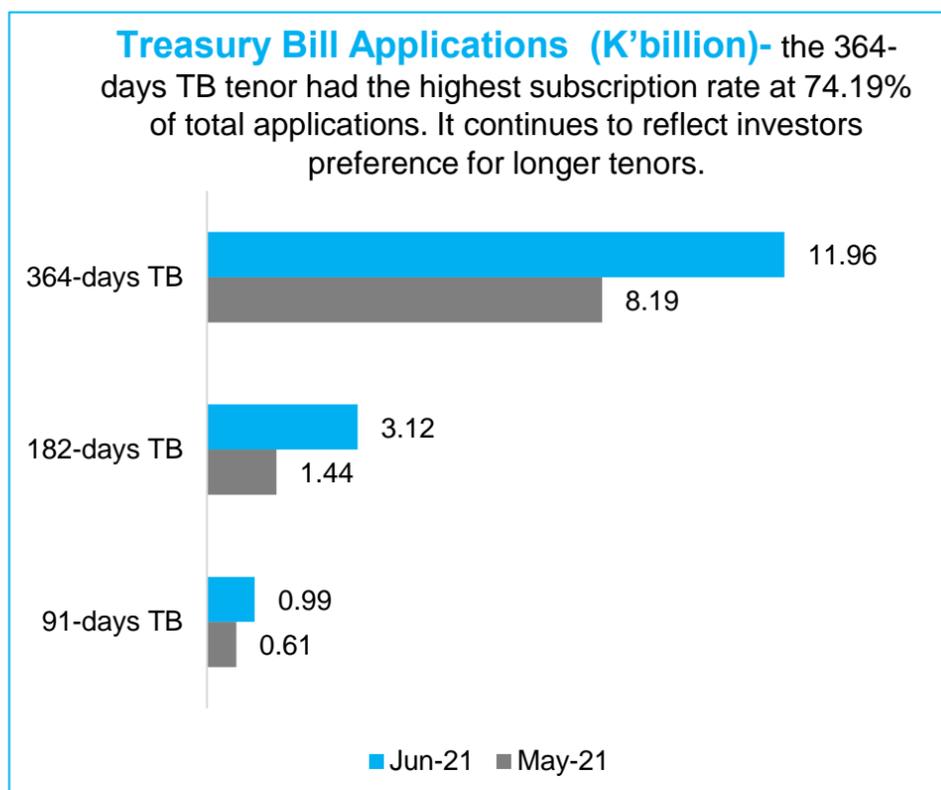




## Economic overview (continued)

*In June 2021, the 364-days TB and the 10-Yr TN had the highest subscription rates during the Treasury bills and Treasury notes applications made during the period. The subscription rates were 74.19% and 36.72%, respectively.*

### Government securities (Continued)

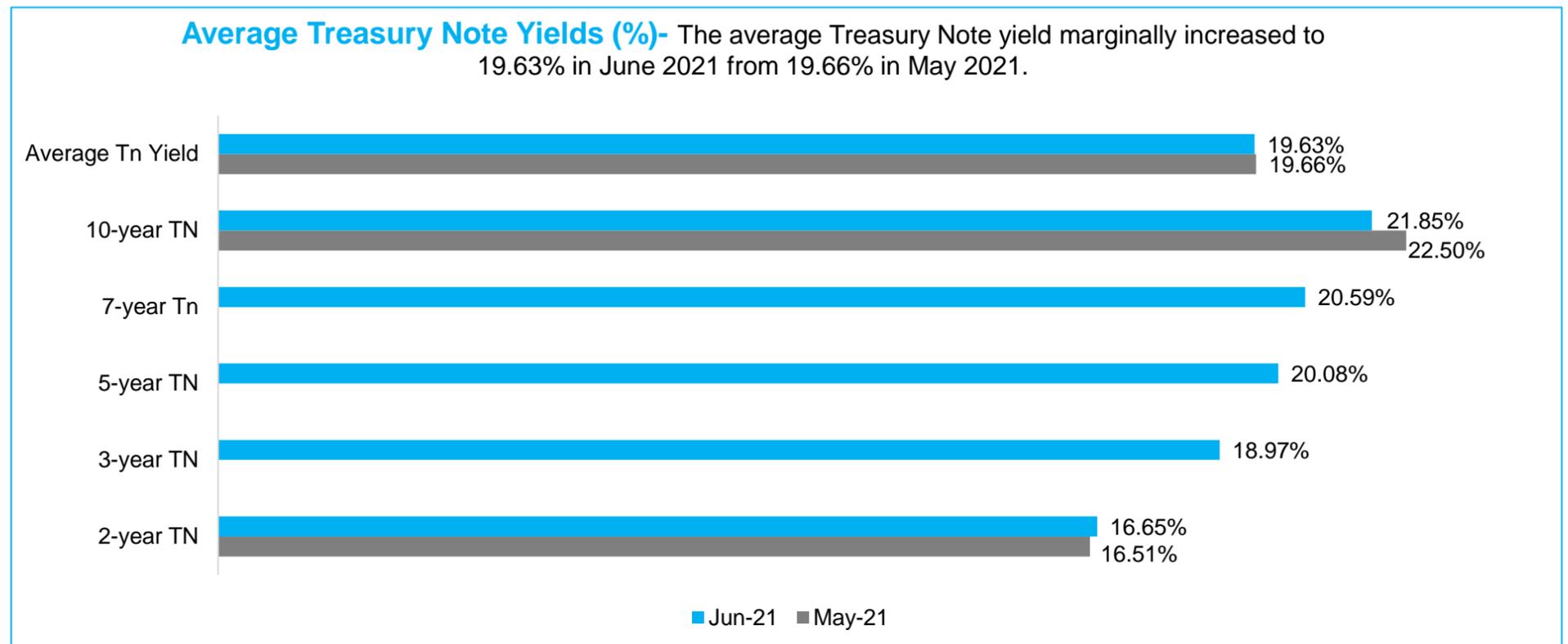




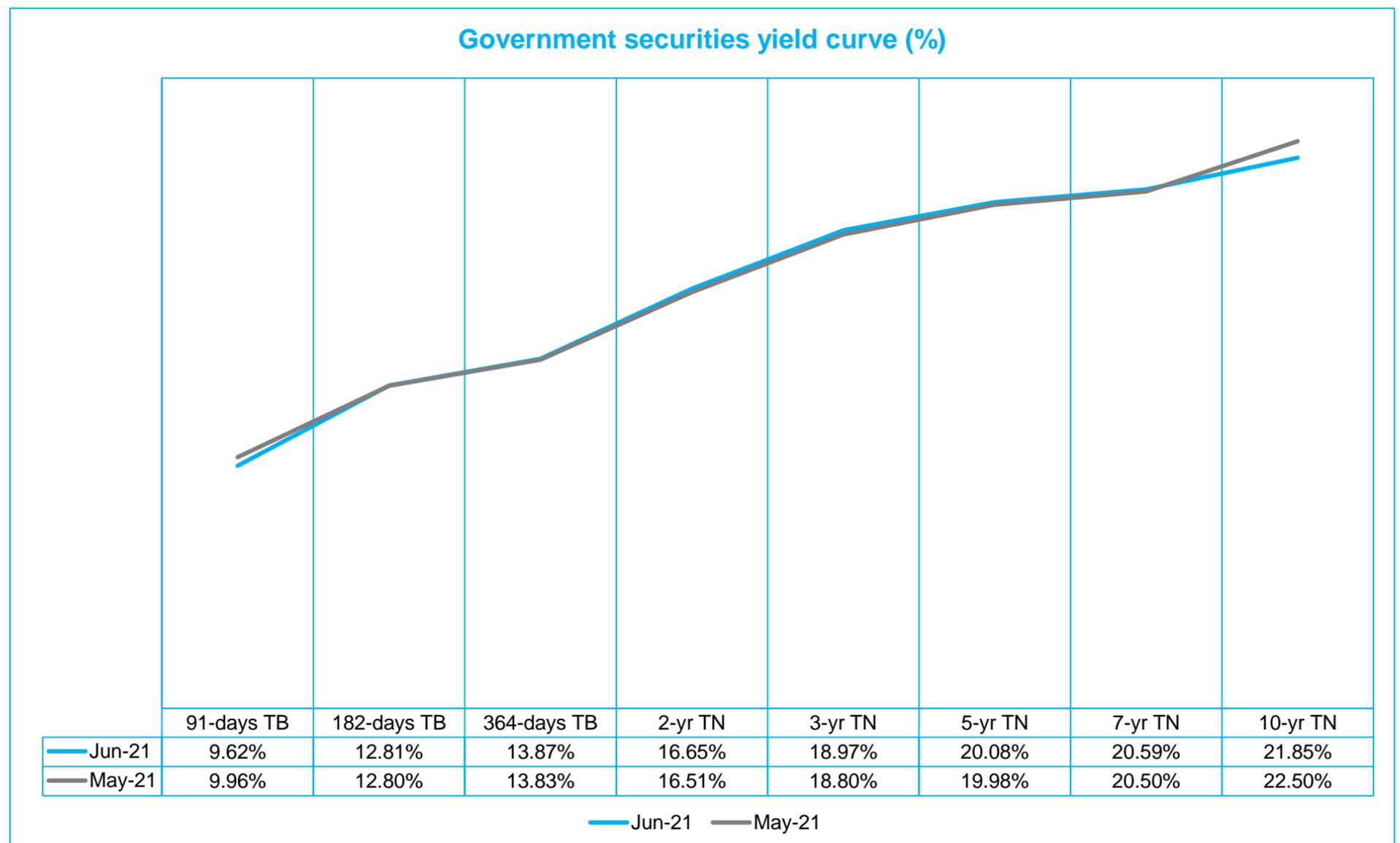
## Economic overview (continued)

There were increases in the yields for the 2-year TN, 3-year TN, 5-year TN, 7-year TN and 10-year TN. The average yield for the 91-days TB decreased while the average yields for the 182-days TB and the 364-days increased during the period under review.

### Government securities (Continued)



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

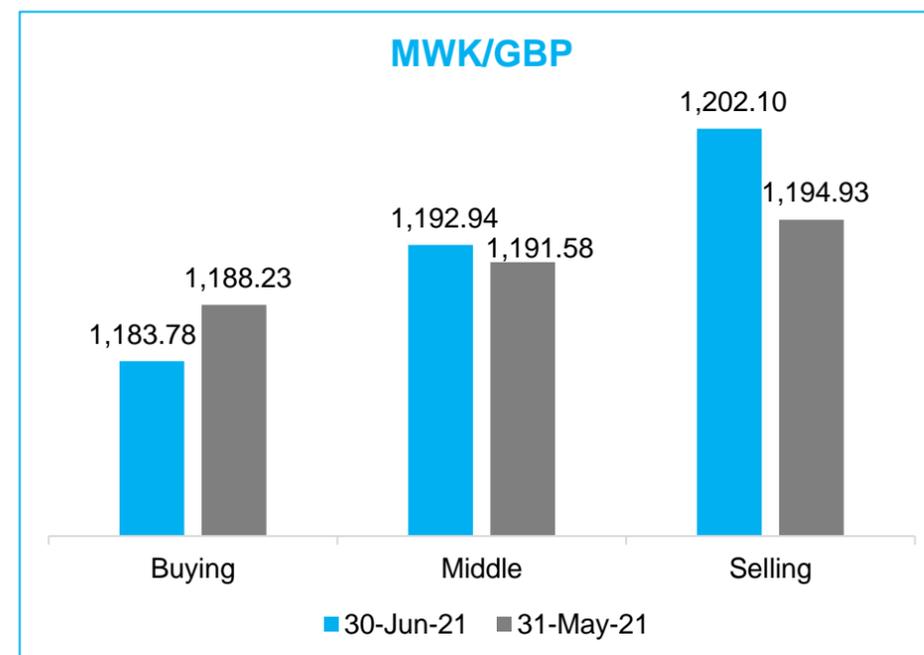
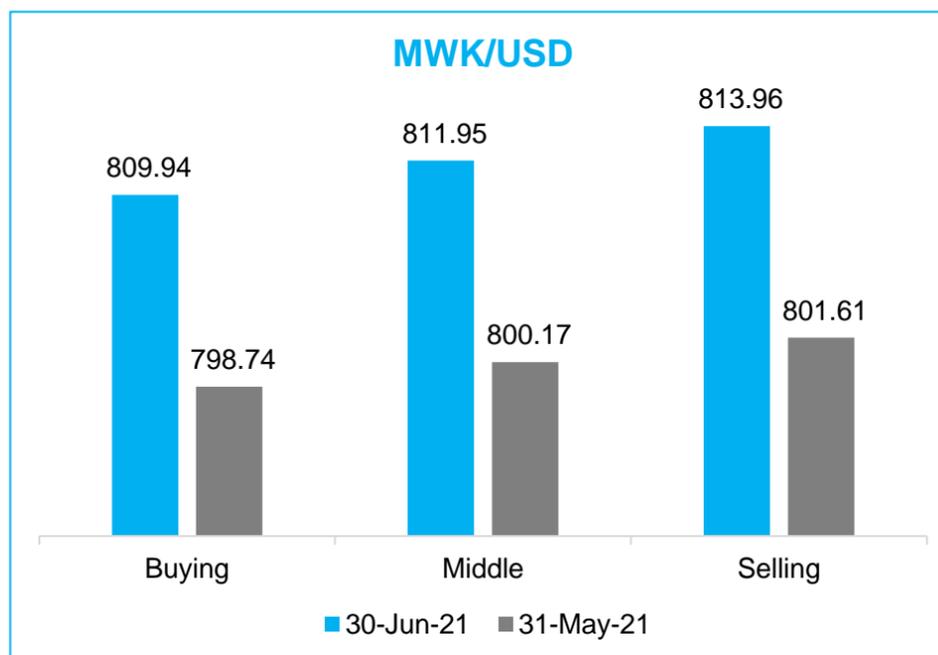




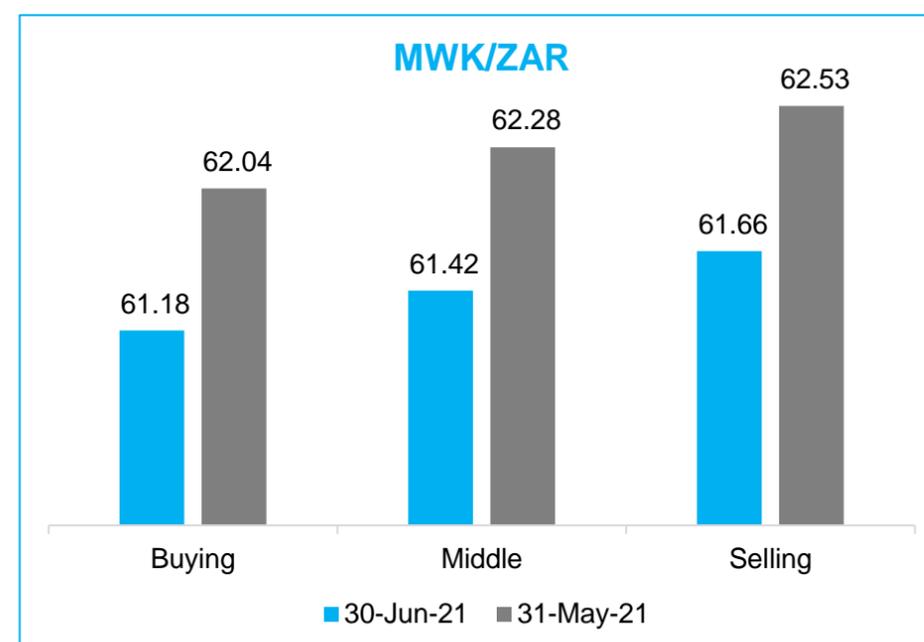
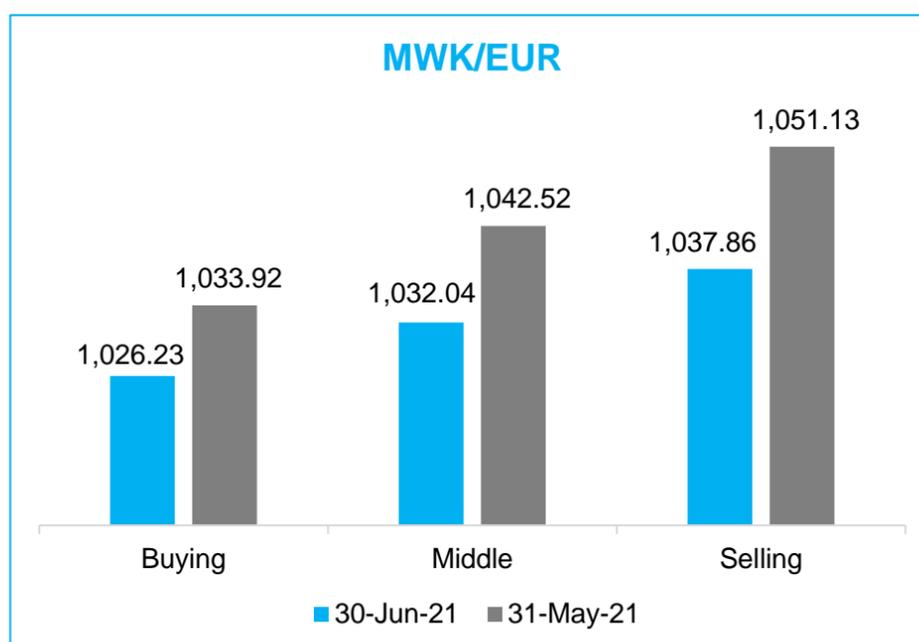
## Economic overview (continued)

Based on middle rates, as at 30 June 2021 the Malawi Kwacha had depreciated against the USD by 1.47%, to K811.95/USD from K800.17/USD as at 31 May 2021.

### Foreign currency market (Source: RBM)



The Malawi Kwacha has been weakening over the first 6 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. As at 30 June 2021, the Kwacha had depreciated against the USD to K811.95/USD from K800.17/USD as at 31 May 2021. This represents a depreciation of 1.47% m-o-m. Y-o-y, the kwacha has depreciated by 9.02% as it was K744.74/USD during the same period in the previous year. The Kwacha marginally depreciated against the GBP by 0.11% to K1,192.94/GBP as at 30 June 2021 from K1,191.58/GBP as at 31 May 2021. Y-o-y the Kwacha has depreciated against the GBP by 19.97% as it stood at K994.33/GBP during the same period in the previous year.



Furthermore, the Kwacha has appreciated against the EUR by 1.01% and appreciated against the ZAR by 1.39%. By the end of June 2021, the respective rates had appreciated to K1,032.04/EUR from K1,042.52/EUR as at 31 May 2021 and to K61.42/ZAR from K62.28/ZAR as at 31 May 2021. Y-o-y, the Kwacha has depreciated by 14.26% against the EUR as it was K903.26/EUR during the same period in the previous year and by 32.97% against the ZAR as it was K46.19/ZAR during the same period in the previous year.

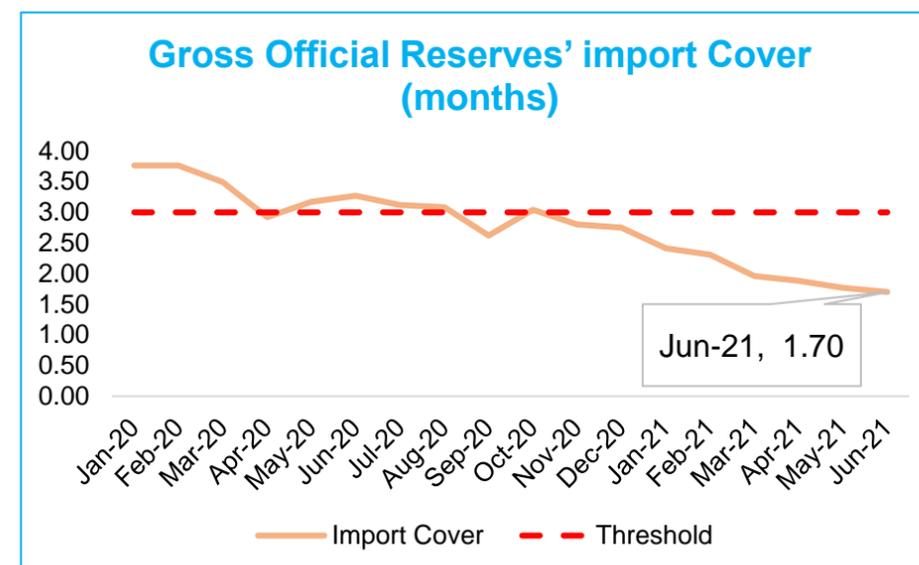
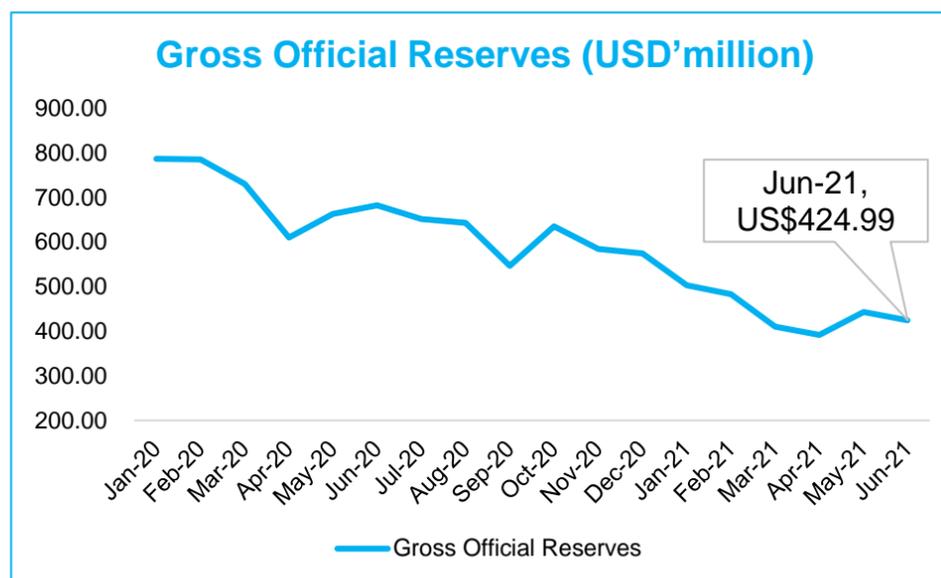
*NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates.*



## Economic overview (continued)

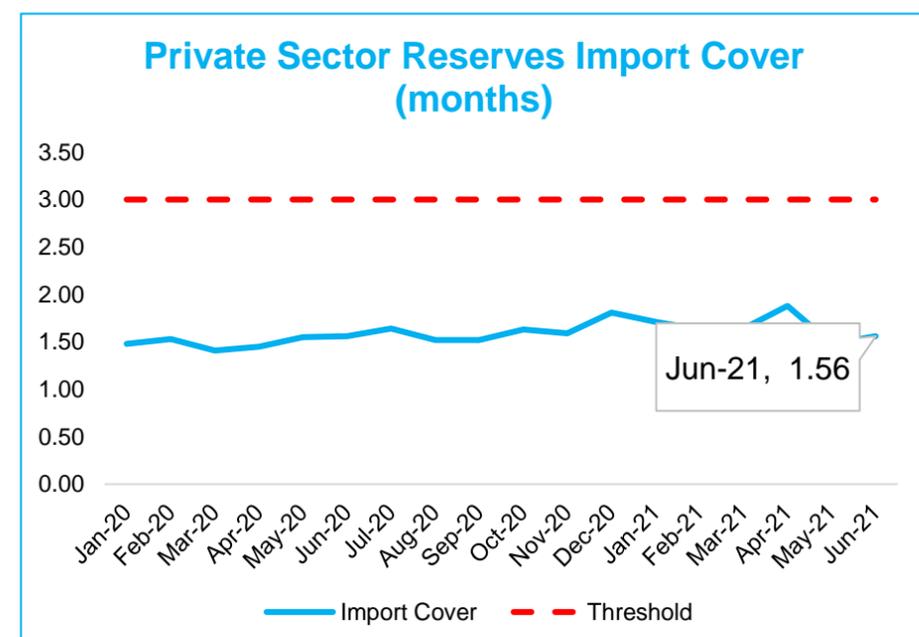
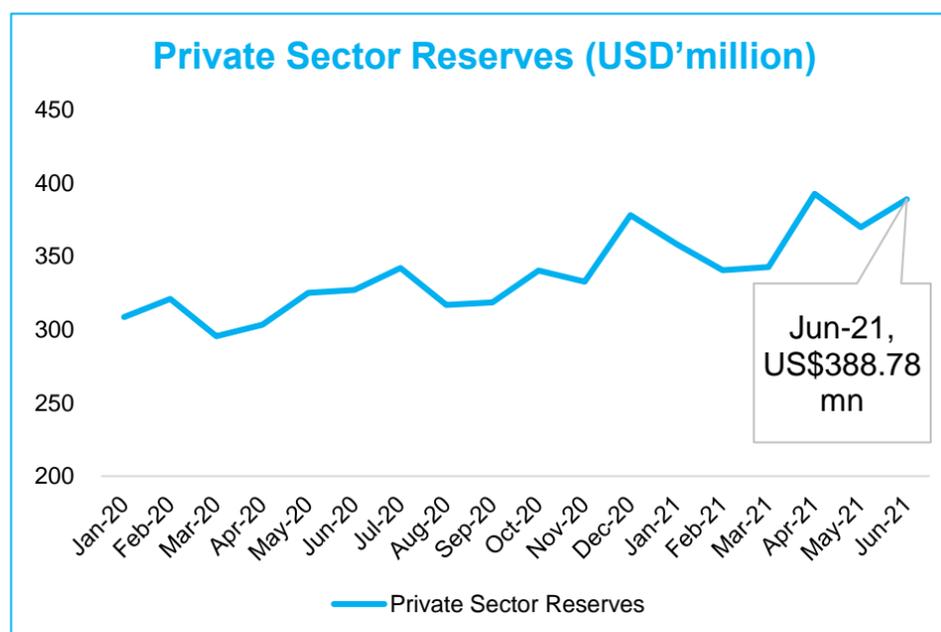
Gross official forex reserves stood at USD424.99 million at the end of June 2021 which marks a 4.12% decrease from the closing position of May 2021 which was USD443.25 million. The gross official forex reserves' import cover has decreased to 1.70 months from 1.77 months in May 2021.

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



As at 30 June 2021, the country's gross official forex reserves had decreased by 4.12% to USD424.99 million from a gross official forex reserve position of USD443.25 million as at 31 May 2021. Y-o-y gross official forex reserves have decreased by 37.74% as gross official forex reserves held as at 30 June 2020 were USD682.66 million. The country's import cover decreased to 1.70 months in June 2021 from 1.77 months in May 2021. Import cover for gross official reserves continues to remain below the required threshold of 3 months.

The private sector forex reserves increased by 5.41% to USD388.78 million as at 30 June 2021 from USD369.64 million as at 31 May 2021. Y-o-y the private sector forex reserves have increased by 18.89% as the total private sector forex reserves held as at 30 June 2020 were USD327.01 million. Despite that, the import cover for private sector reserves still remains well below the required threshold of 3 months as it increased to 1.56 months as at 30 June 2021 from 1.48 months in May 2021.



Overall, total foreign exchange reserves held in June 2021 were USD813.77 million which is a 0.11% increase from the total foreign exchange reserves position of USD812.89 million in May 2021. The total foreign exchange reserves had an import cover of 3.26 months in June 2021 which is an increase from an import cover of 3.25 months in May 2021. Y-o-y total reserves have declined by 19.40%.

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.

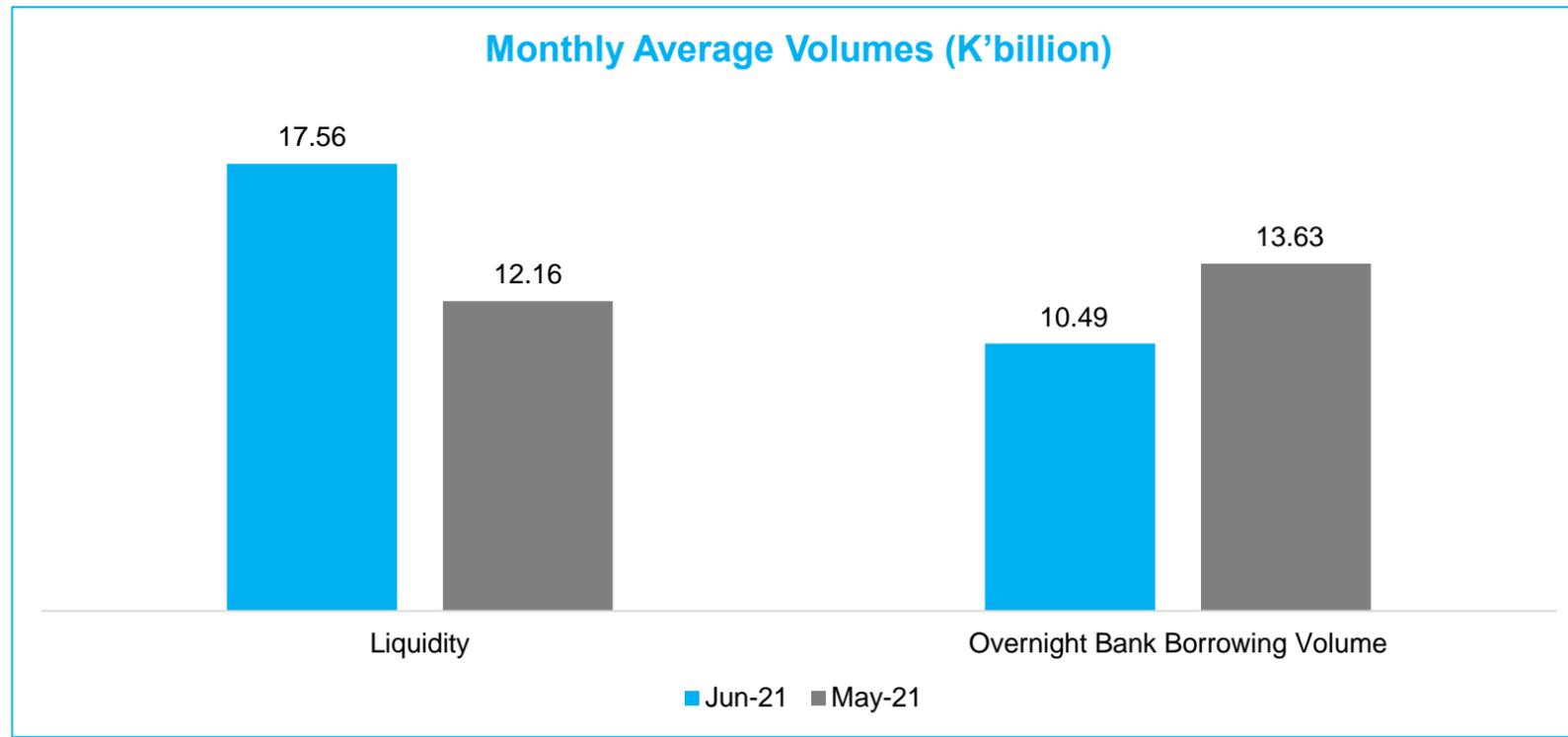


## Economic overview (continued)

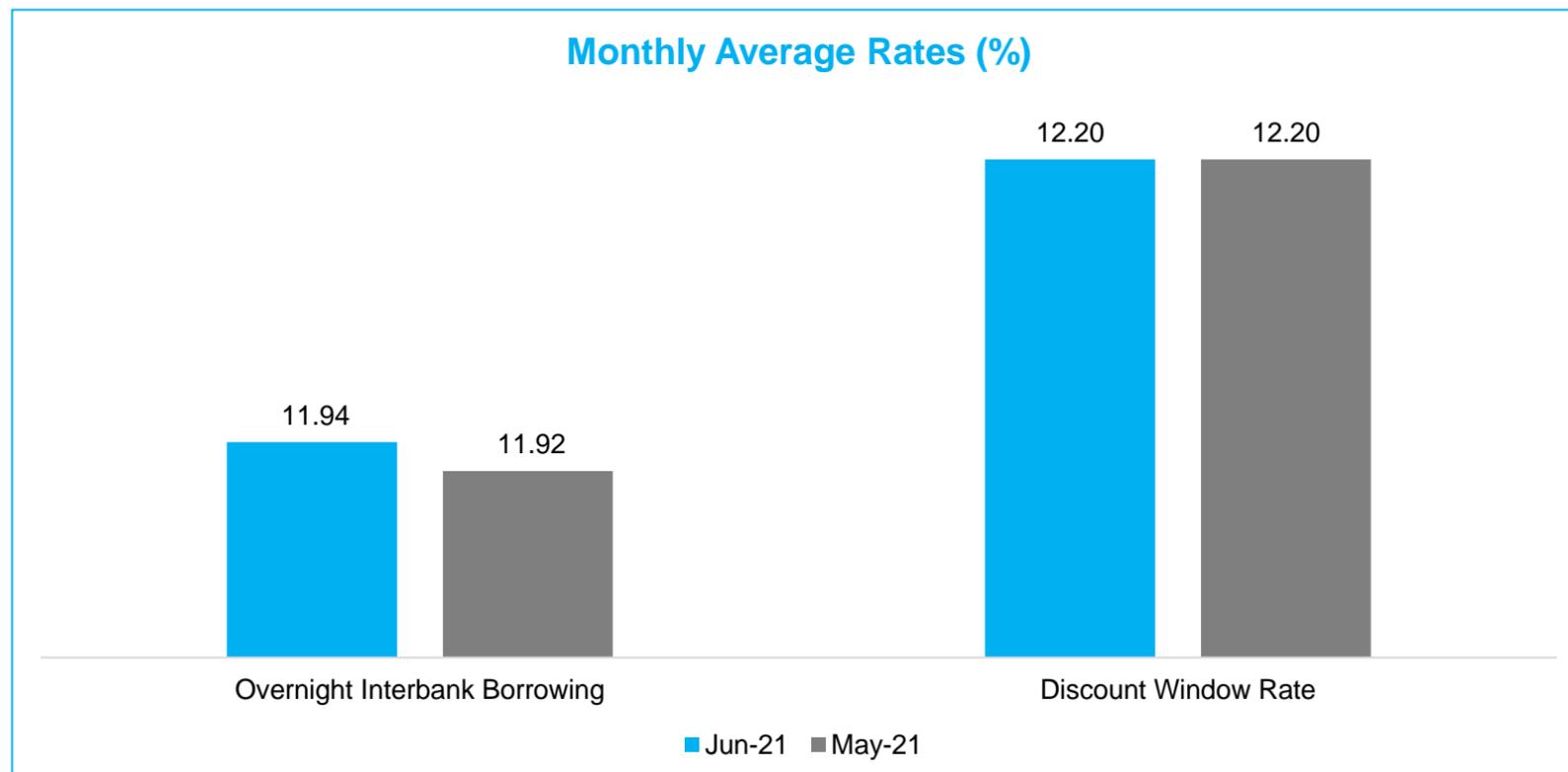
There was a 44.45% increase in the daily average liquidity to K17.56 billion in June 2021 from K12.16 billion in May 2021. The overnight interbank rate increased to 11.94% in June 2021 from 11.92% in May 2021.

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

There was a 44.45% increase in the daily average liquidity to K17.56 billion in June 2021 from K12.16 billion in May 2021. The overnight interbank borrowing volume decreased during the period to a daily average of K10.49 billion in June 2021 from an average of K13.63 billion in May 2021. The daily average volume for the discount window borrowing (Lombard facility) also decreased to K40.43 billion in June 2021 from K41.48 billion in May 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 11.94% in June 2021 from 11.92% in May 2021. The changes are shown in the figure below.



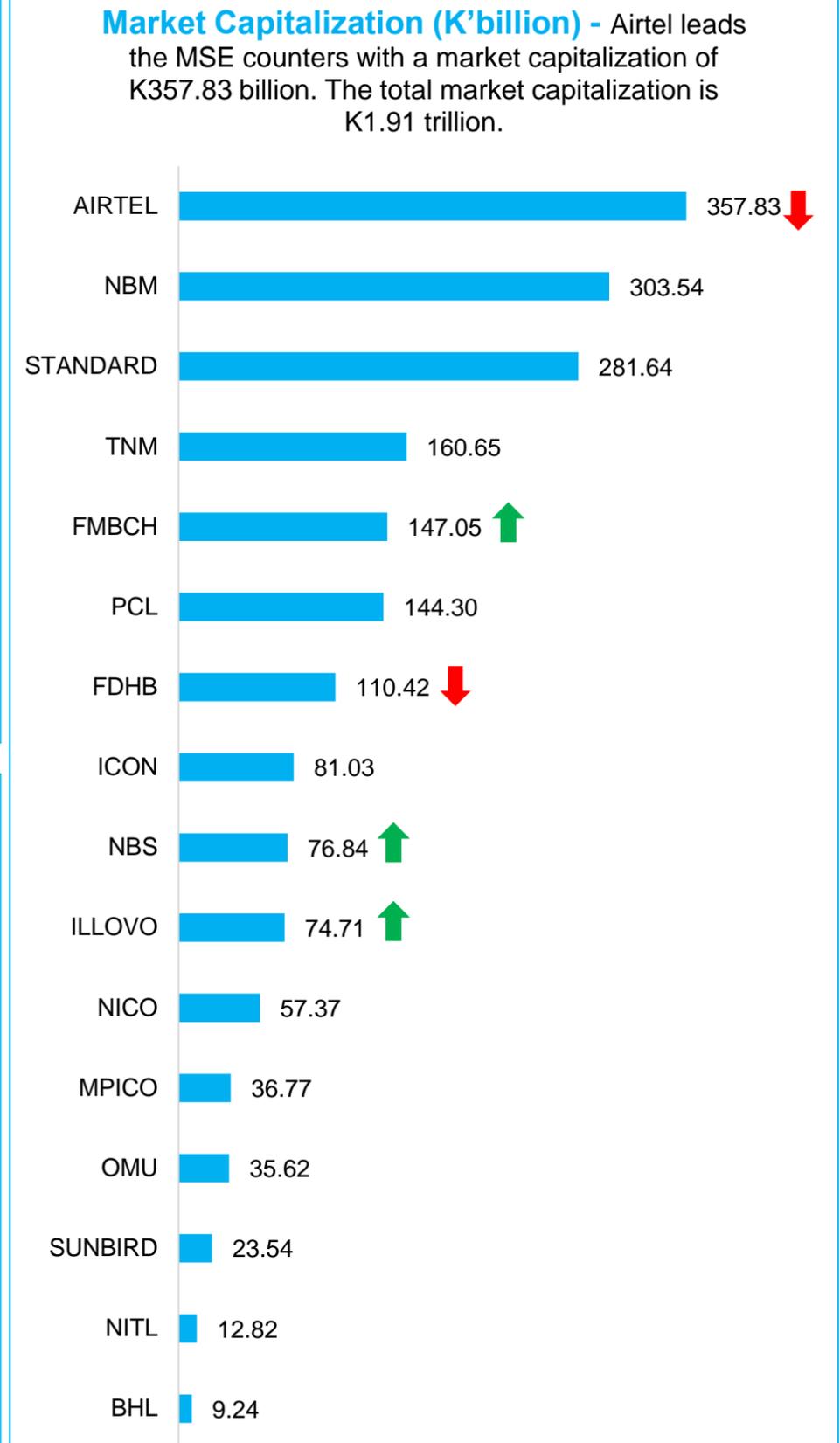
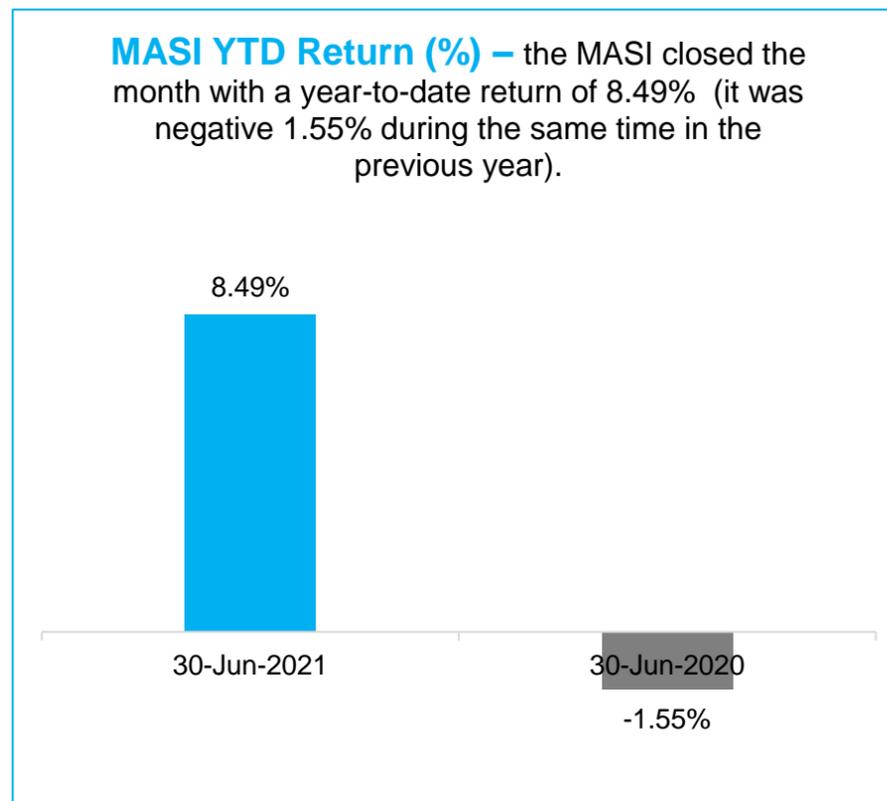
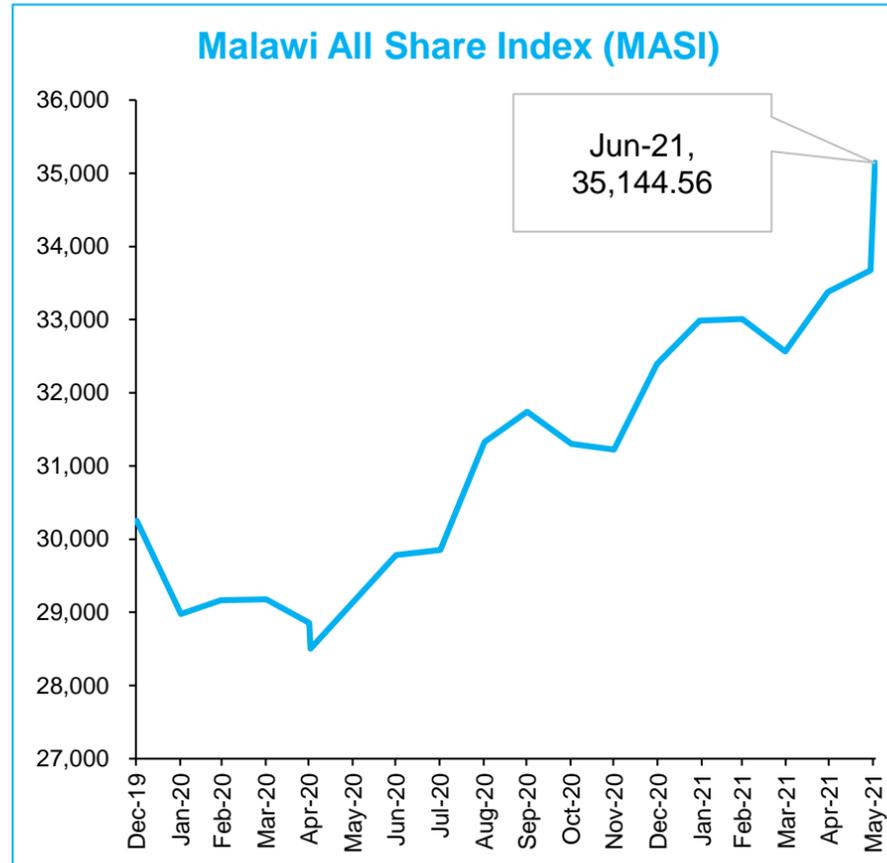


## Economic overview (continued)

The stock market continues to show growth compared to the previous year, with the MASI closing the month of June 2021 at 35,144.56 points. The MASI year-to-date return was 8.49% in June 2021, it was negative 1.55% during the same period in the previous year.

### Stock market

The stock market was bullish over the period with the Malawi All Share Index reaching 35,144.56 points in June 2021 from a low position of 29,784.70 points in June 2020 representing a y-o-y increase of 18.00%. The MASI has increased by 4.36% m-o-m, as it was 33,676.89 points in May 2021.



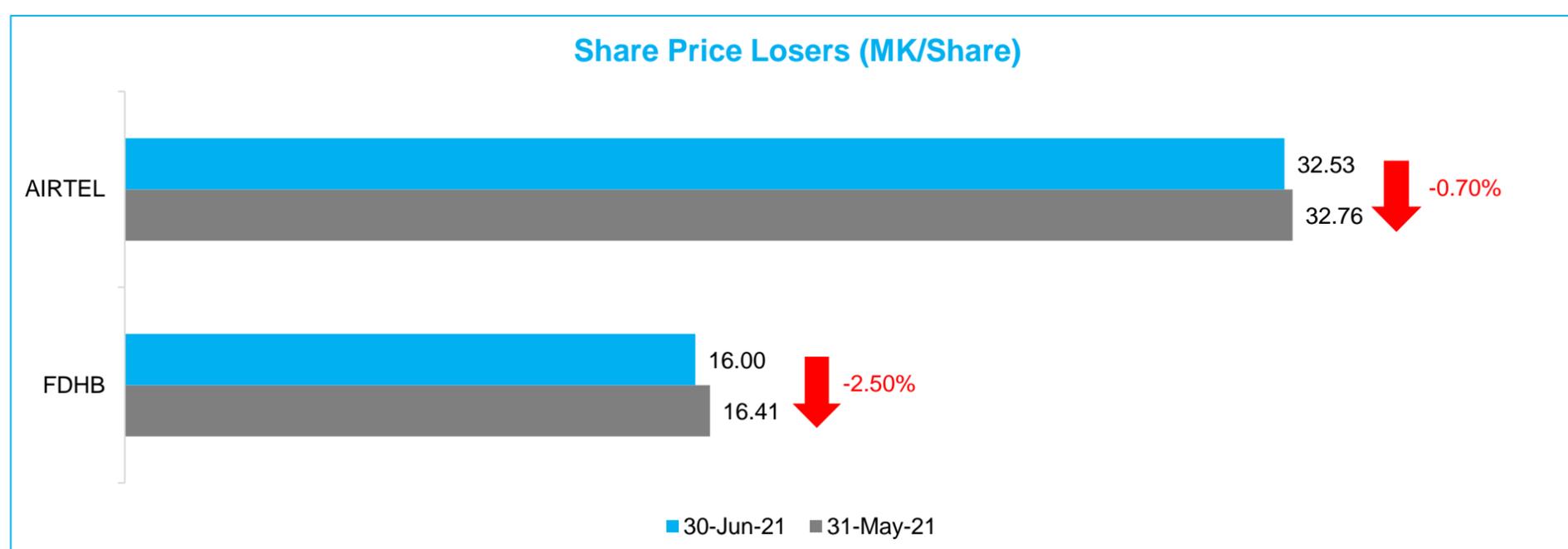
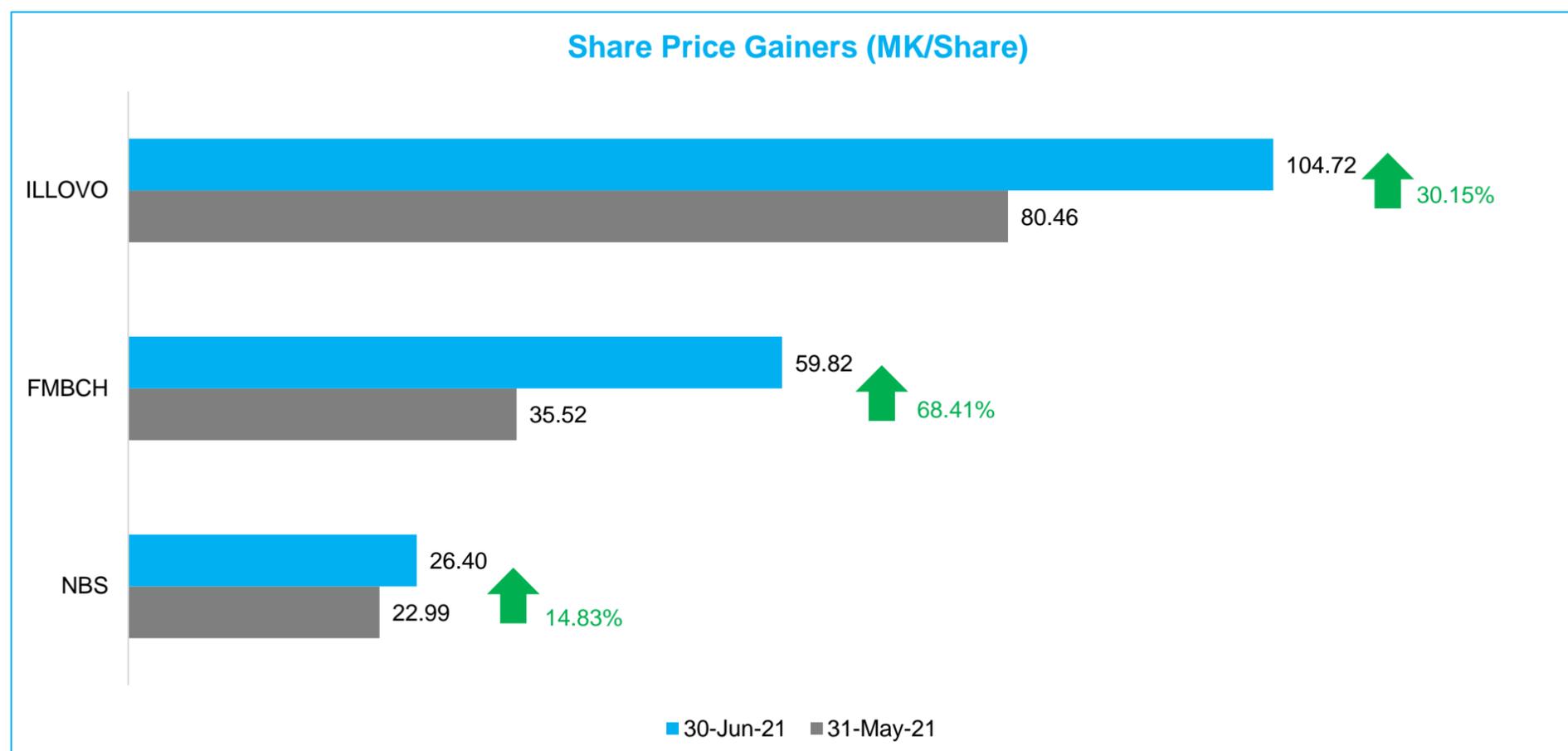


## Economic overview (continued)

M-o-m, FMBCH had the largest share price gain in June 2021 to K59.82 per share from K35.52 per share in May 2021, representing an 68.41% increase. FDHB had the largest share price loss during this period to K16.00 per share in June 2021 from K16.41 per share in May 2021, representing a 2.50% decrease.

### Stock market (Continued)

The largest gainer in June 2021 was FMBCH which closed the month at K59.82 per share from K35.52 per share in May 2021. This marks a m-o-m increase of 68.41%. There were also share price gains for ILLOVO and NBS. A total of eleven counters closed the month at the same price as the previous month. These counters were: BHL, ICON, MPICO, NBM, NITL, NICO, OMU, PCL, STANDARD, SUNBIRD and TNM. There was a share price loss for FDHB at 2.50% and a marginal share price loss for AIRTEL at 0.70%. The largest loser was FDHB whose share price decreased by 2.50% to K16.00 per share as at the close of June 2021 from K16.41 per share as at the close of May 2021. The figures below summarise the share price changes during the period.

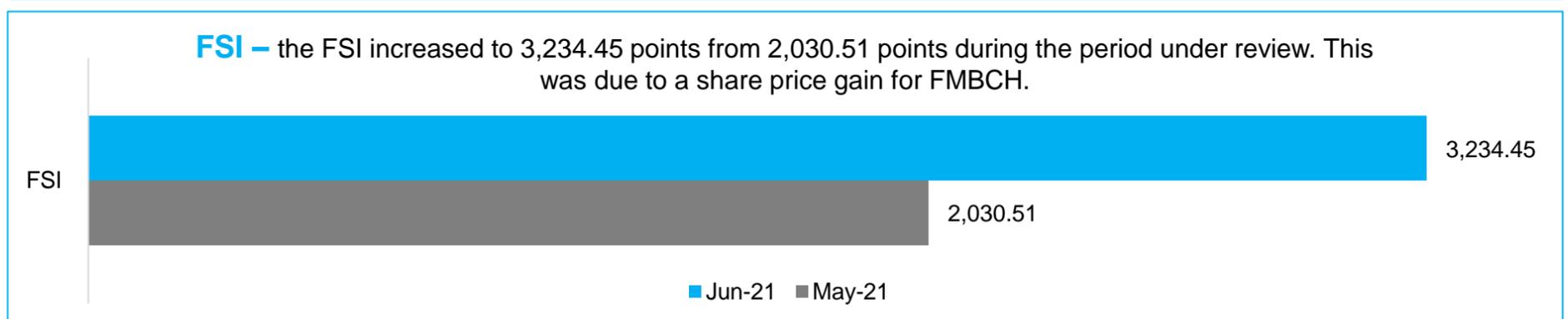
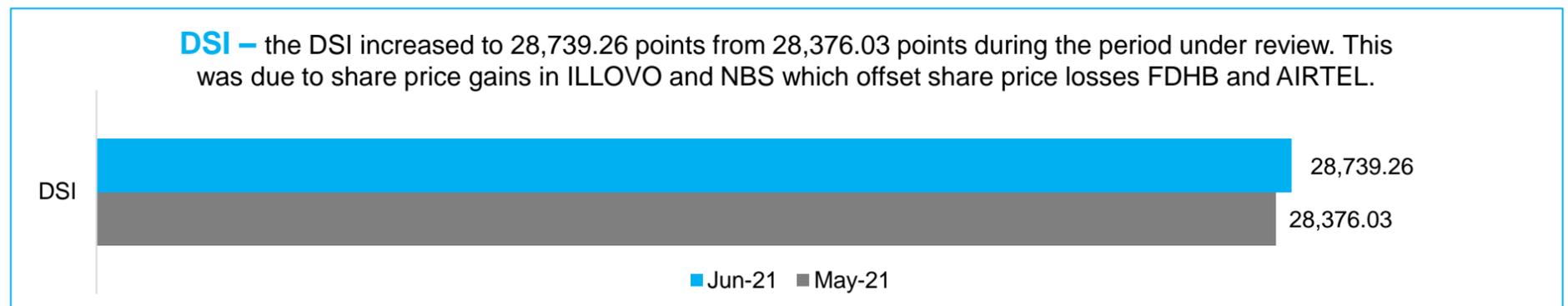
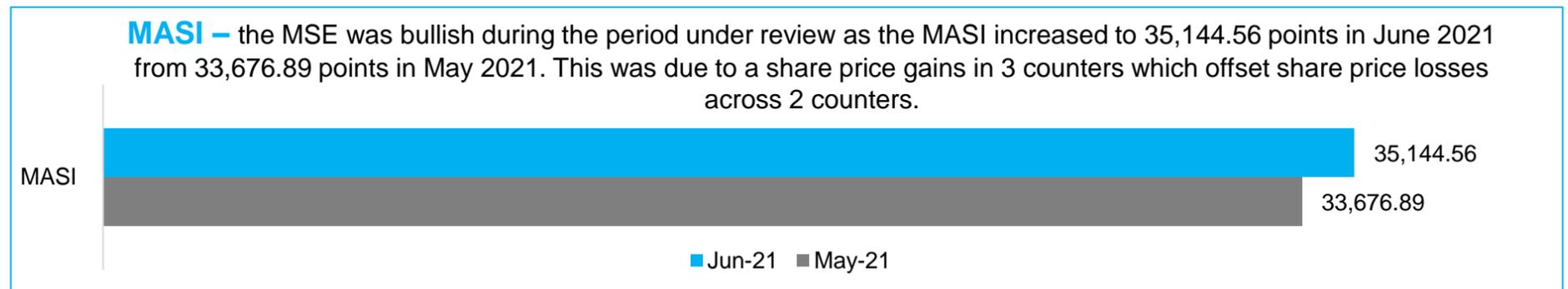




## Economic overview (continued)

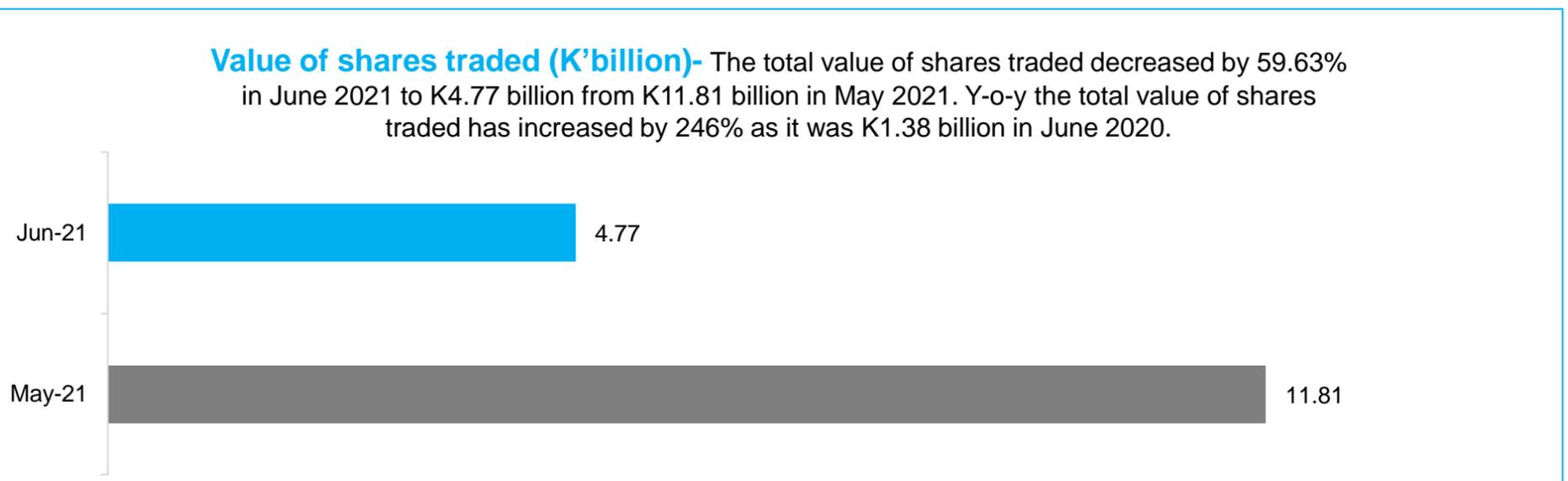
M-o-m, the MASI increased by 4.36% to June 2021 from May 2021. This was due to share price gains in FMBCH, ILLOVO and NBS which offset share price losses in AIRTEL and FDHB. Y-o-y the MASI has grown by 18.00% as it was 29,784.70 points in June 2020.

### Stock market (Continued)



### MSE Traded Volumes

There were K4.77 billion worth of shares traded in June 2021 compared to the K11.81 billion worth of shares traded in May 2021. TNM and PCL had the highest value of shares traded at K1.83 billion and K1.80 billion for the period under review. The total number of trades in the month under review increased to 326 trades from 294 trades May 2021. The figure below traces the total value of shares traded on the MSE in June 2021.



There were 162.60 million shares traded in June 2021 through 326 trades. The total value of shares traded decreased by 59.63% in June 2021 to K4.77 billion from K11.81 million May 2021.

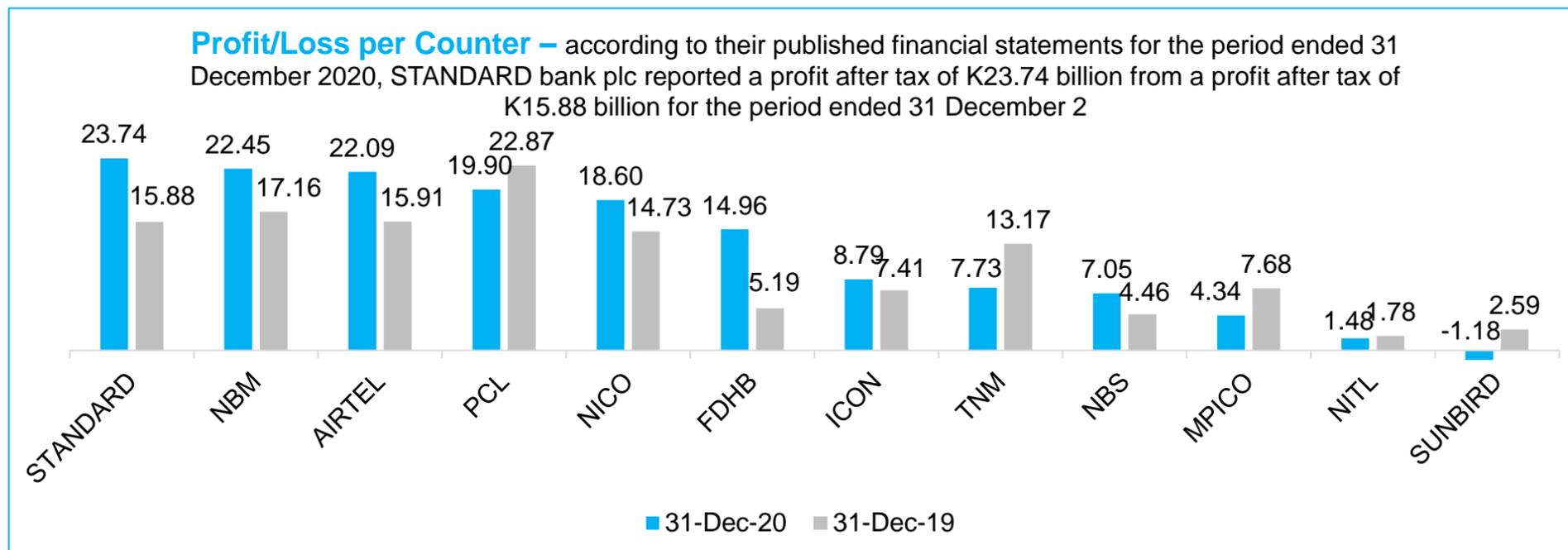


## Economic overview (continued)

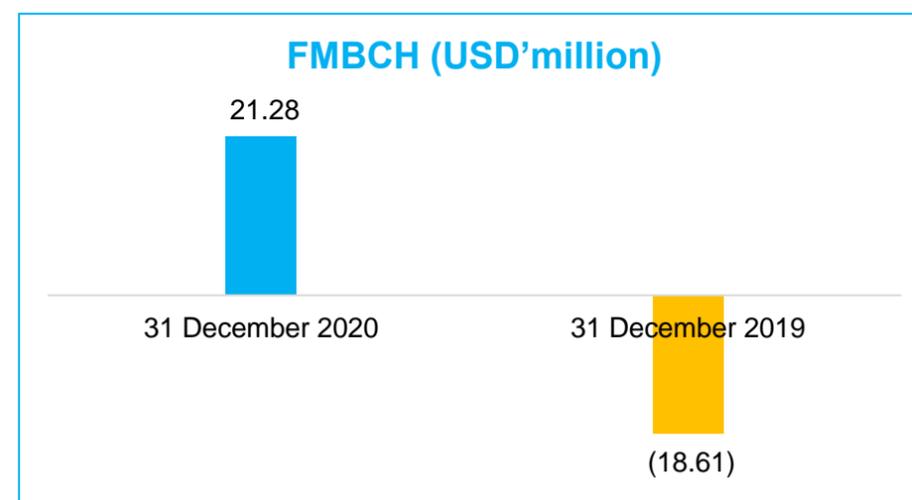
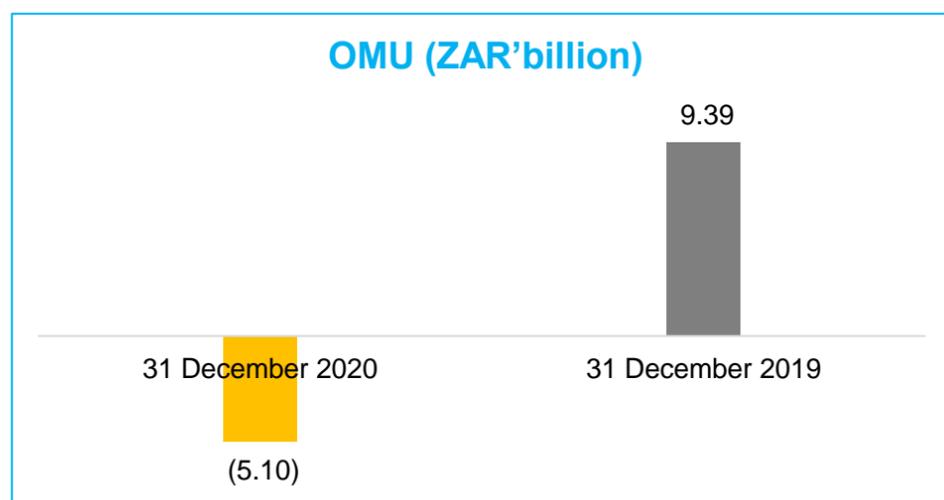
According to their published financial statements for the period ended 31 December 2020, Standard Bank plc reported a profit after tax of K23.74 billion from a profit after tax of K15.88 billion for the period ended 31 December 2019.

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

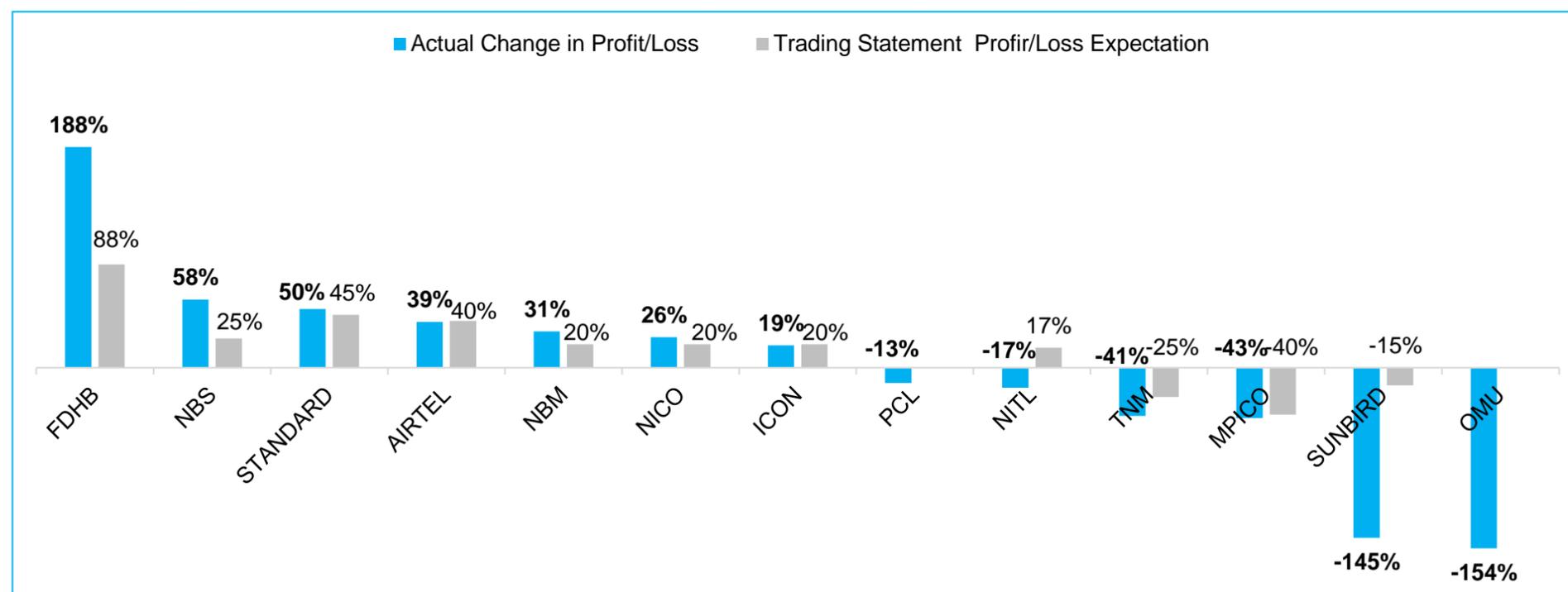
Amounts in billions of Malawi Kwacha.



### 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 summarised interim consolidated and separate financial statements for the six months ended 31 March 2021, Blantyre Hotel plc closed the period with a loss after tax of K390.65 million from a profit of K70.01 million for the period ended 31 March 2020.

### 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	30 June 2021	30 June 2020	Trading statement profit/loss expectation
FDHB	4.31	3.22	34%
NBM	10.92	9.1	20%
NBS	3.98	2.84	40%
ICON	2.53	2.11	20%
SUNBIRD (million)	(467.65)	(1,336.15)	(65%)
NITL (million)	872.53	363.55	140%

#### 2. Published half-year financial statements

Counter	28 February 2021	28 February 2020	Actual Change in Profit/Loss for the Half-year ended	Trading statement profit/loss expectation
ILLOVO (billion)	6.12	2.05	199%	200%

Counter	31 March 2021	31 March 2020	Actual Change in Profit/Loss for the Half-year ended	Trading statement profit/loss expectation
BHL (million)	(390.65)	70.01	(658%)	(500%)



The Board of Directors of Standard Bank Malawi plc, at a meeting held on 24 June 2021 declared a final dividend of K5 billion representing K21.31 per share.

## Economic overview (continued)

### Corporate Announcements (continued)

#### 3. Dividends:

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

Company	Declared/Proposed	Type	Dividend (MK)	Last Day To Register	Payable
STANDARD	Declared	Final	21.31	09 July 2021	23 July 2021
FMBCH	Declared	Final	0.62	16 July 2021	23 July 2021
NBM	Declared	Final	17.14	09 July 2021	30 July 2021
TNM	Declared	Final	0.10	16 July 2021	30 July 2021
NBS	Declared	Final	0.70	16 July 2021	30 July 2021
MPICO	Declared	Final	0.28	30 July 2021	06 August 2021
NICO	Proposed	Final	0.50	30 July 2021	18 August 2021
PCL	Proposed	Final	25.00	20 August 2021	27 August 2021
AIRTEL	Declared	Final	2.10	30 July 2021	31 August 2021
NITL	Proposed	Final	0.80	TBA	TBA
ICON	Proposed	Final	0.12	TBA	TBA

TBA: To be announced

#### 4. Annual general meeting

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

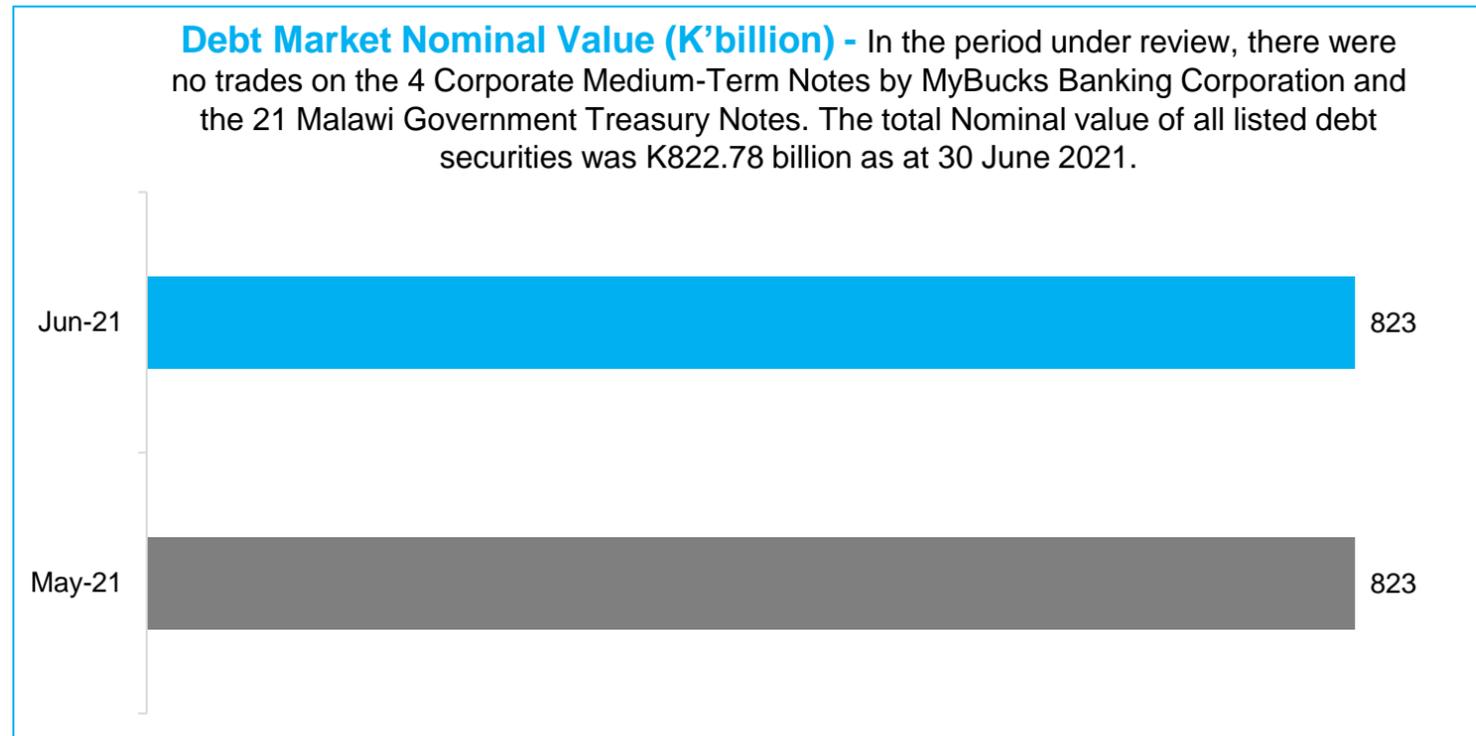
Company	Venue	Date	Time
NICO	Virtual AGM	16 July 2021	14:00 hours



## Economic overview (continued)

*The debt market did not register any trades in June 2021. The total nominal value of all listed debt securities was K822.78 billion as at 30 June 2021 .*

### Debt market



There were no trades registered in the debt market for the month of June 2021. The last trades were in April 2021, in which 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 K100.20 per par value, giving a total traded value of K10 million.



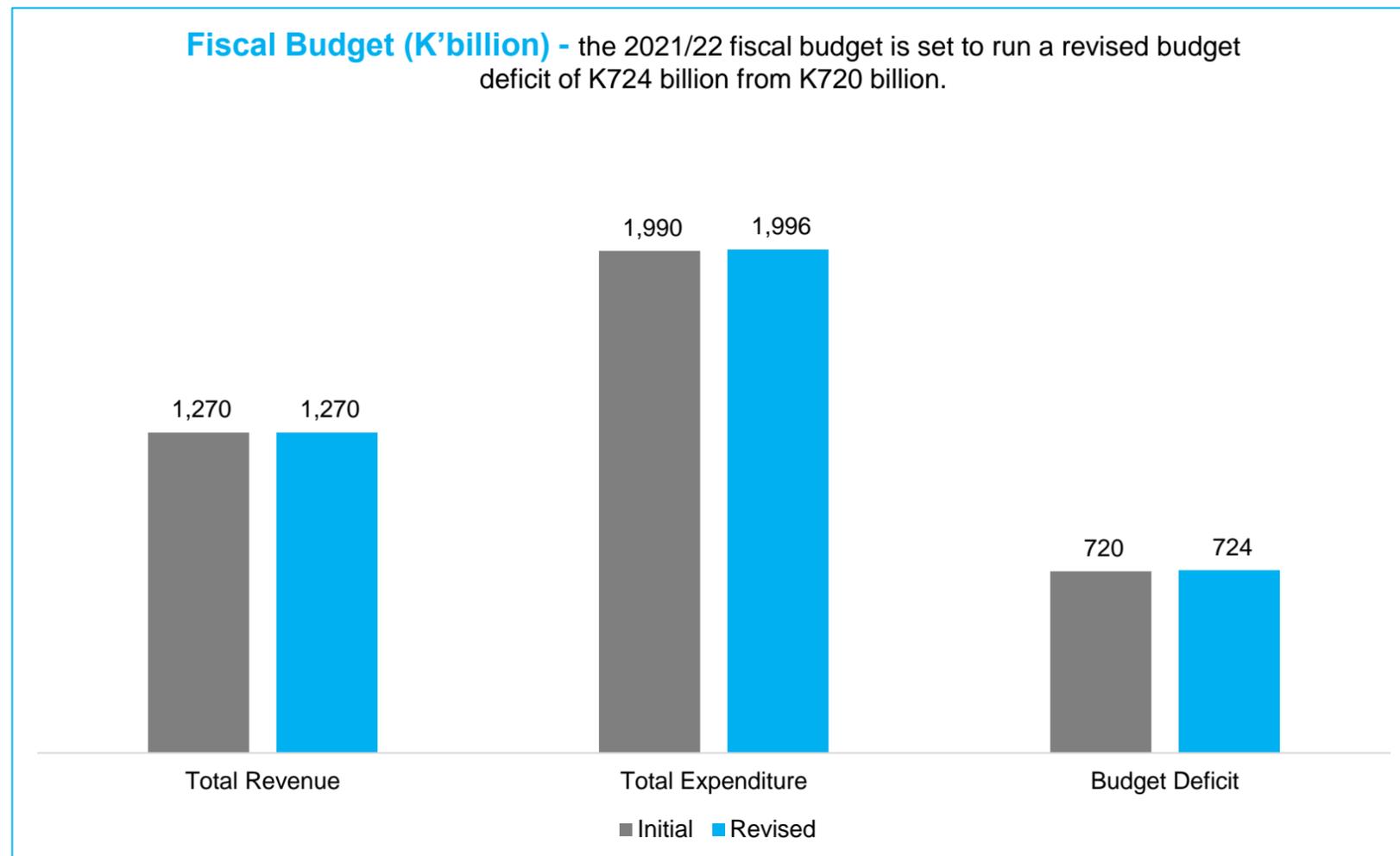
## 2021/22 Budget

*Total expenditure and total revenue for the 2021/22 fiscal year are K1.996 trillion and K1.27 trillion, respectively.*

### Fiscal budget

Based on the 2021/22 budget statement response, the overall balance of the fiscal budget is estimated to be K5.5 billion higher than the initial reported deficit of K718 billion which was 7.0% of rebased GDP. The revised deficit is set to be at K724 billion which represents 7.1% of rebased GDP. This proportion is lower than the previous 8.8% deficit during the 2020/21 fiscal year. As from the initial 2021/22 budget statement on 28 May 2021, it was stated that the deficit would be financed through domestic borrowing of K583 billion and foreign borrowing of K135 billion. Despite stating that additional funds had been allocated to other sectors during the Finance Minister's response on 15 June 2021, there was no mention of the sources of funding for the additional expenditures.

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 has been adjusted upwards and is projected at K1.996 trillion which makes up 19.5% of GDP.



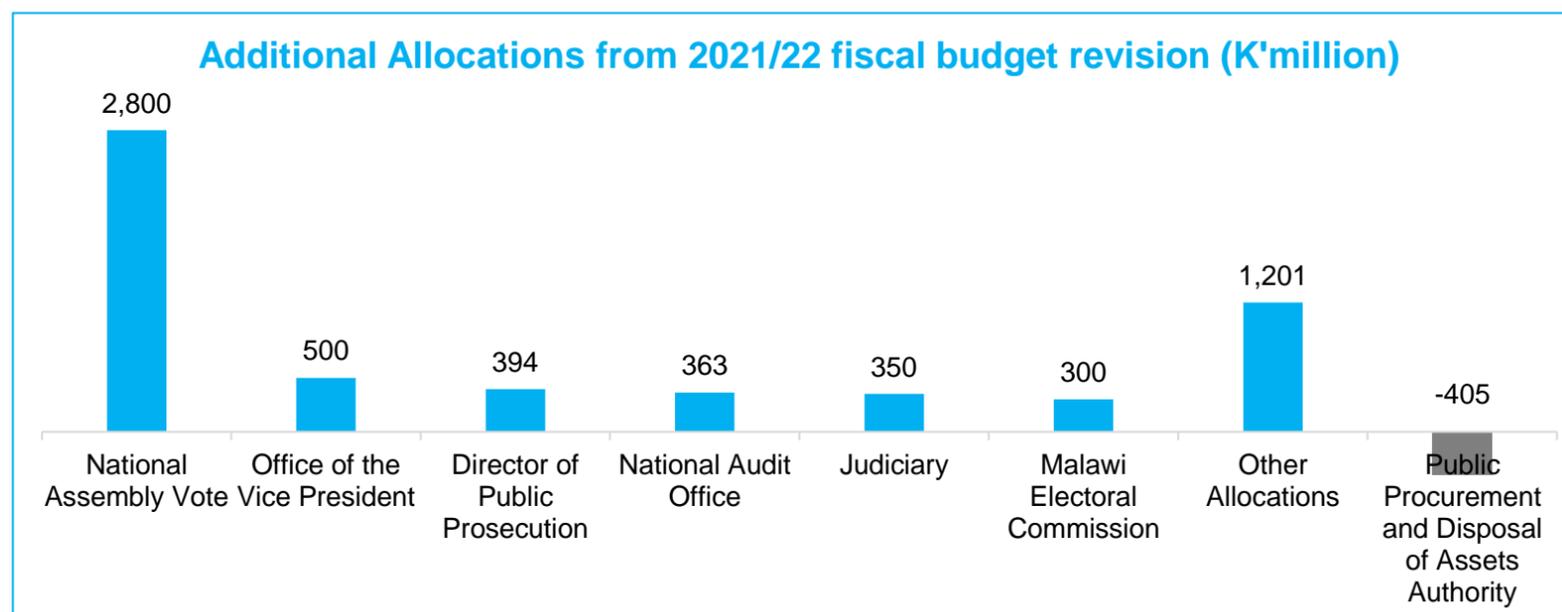
*Note: Revised Total revenue is as announced in the initial budget statement on the 28 May 2021.*



## 2021/22 Budget (Continued)

*The National Assembly Vote for its operations and oversight functions received the largest additional funds in the revision of the 2021/22 fiscal budget of K2.8 billion.*

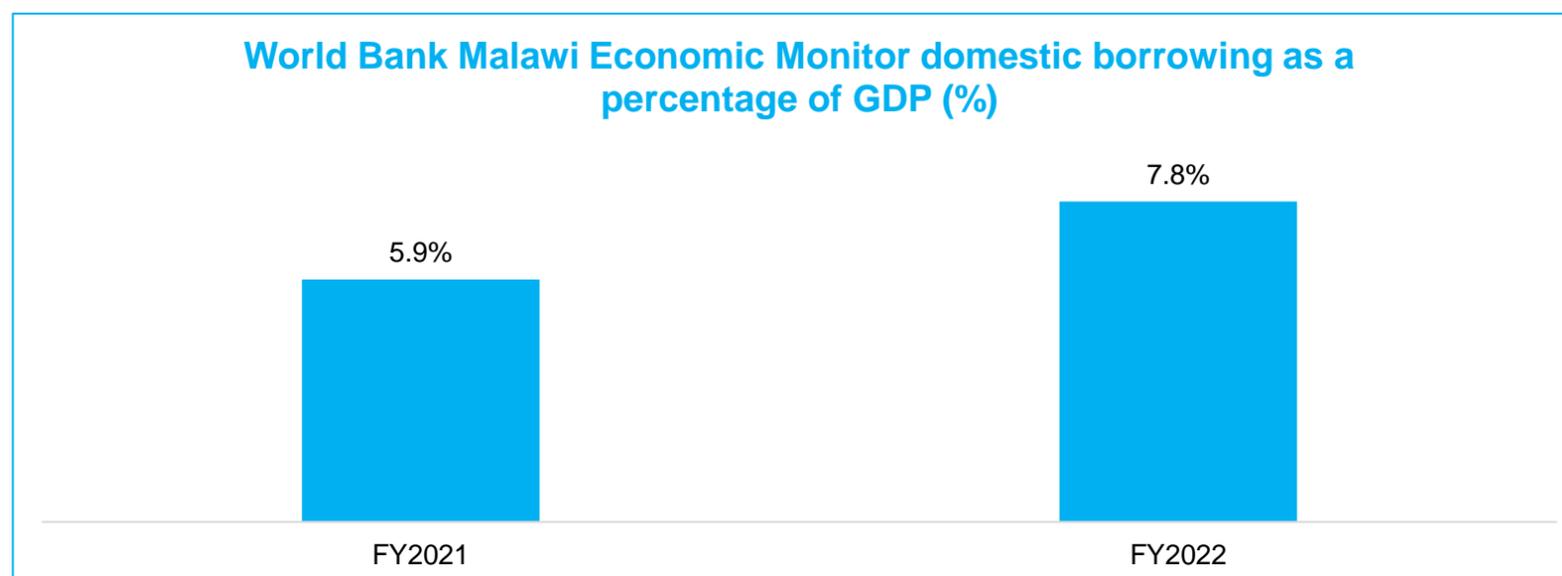
In the Budget Statement response, the additional fund allocations that have been made include allocations to the National Assembly Vote for its operations and oversight functions, the Office of the Vice President for the procurement of motor vehicles, the Director of Public Prosecution for prosecution of cases, National Audit Office, the Judiciary, the Malawi Electoral Commission and allocations to other sectors. There has also been a downward revision of the allocation made to the Public procurement and Disposal of Assets Authority by K405 million. The largest additional funds are presented in the figure below.



*According to the World Bank Malawi Economic Monitor for June 2021, domestic borrowing as a percentage of GDP is set to be 5.9% and 7.8% for 2021 and 2022, respectively.*

According to the World Bank Malawi Economic Monitor for June 2021, the Government continues to finance fiscal deficits through domestic borrowing. The report states domestic borrowing of 5.9% of GDP for 2021 and it is set to increase to 7.8% of GDP in 2022. It further posits that domestic borrowing could exceed 30% of GDP by the end of 2021. The external debt-to-GDP ratio may also increase from its current level at 21% as a result of the financing needs for Covid-19 response. There is also an off-budget domestic borrowing of 13% of GDP that is planned for the medium term.

According to the World Bank Malawi Economic Monitor, Malawi needs sustainable fiscal policy in order to reduce debt service costs. For instance, domestic revenues should be used to finance recurrent expenditures instead of domestic borrowing. This requires prioritizing expenditure, in a sustainable medium-term fiscal framework, as Malawi has critical spending needs across a range of sectors.



## Other Market Developments



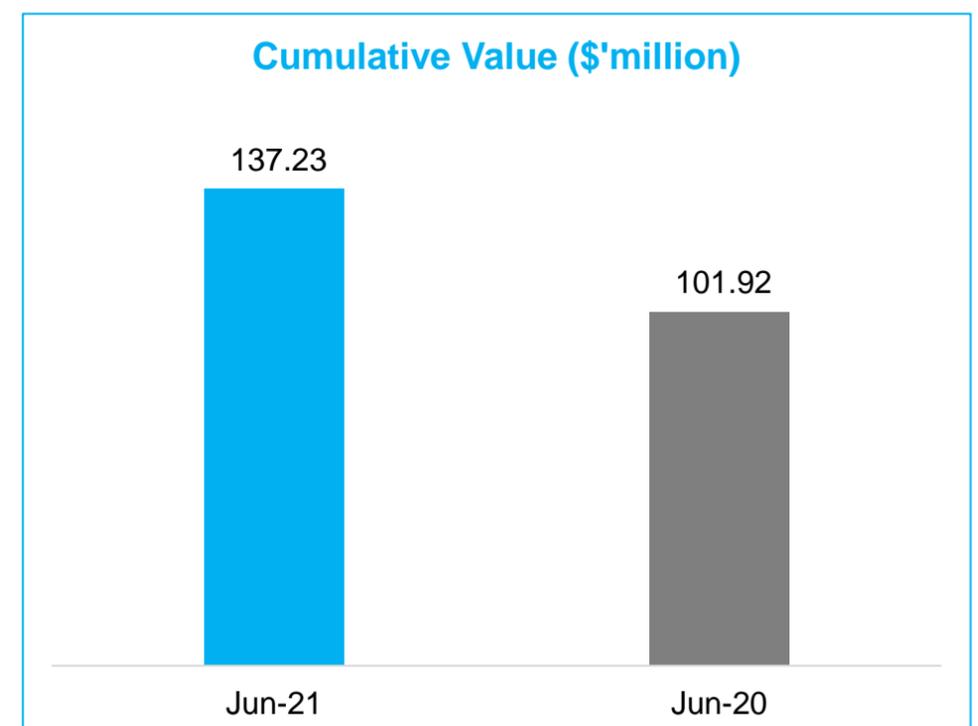
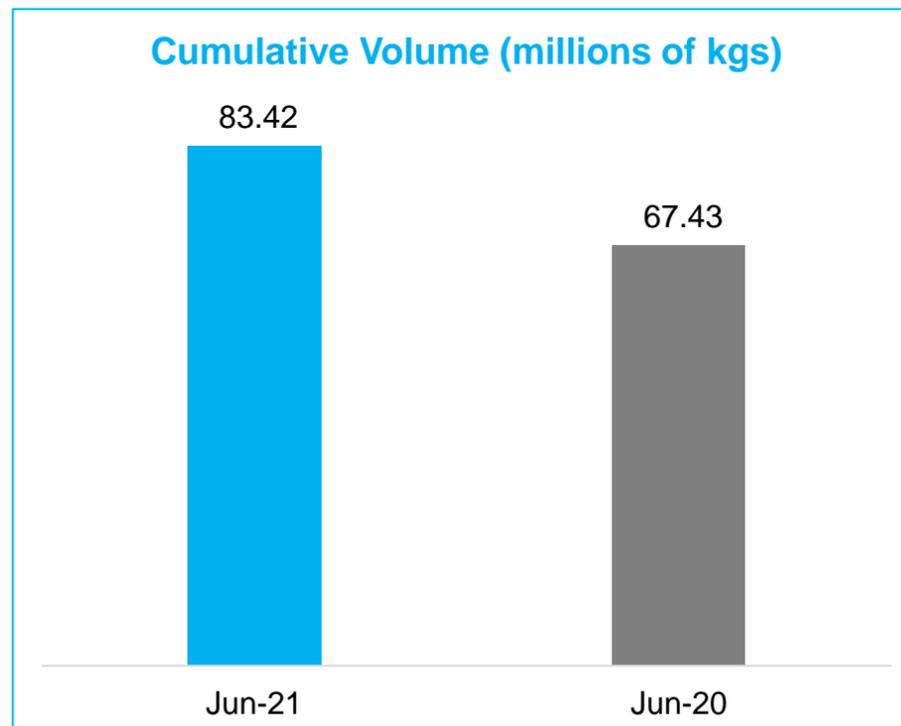
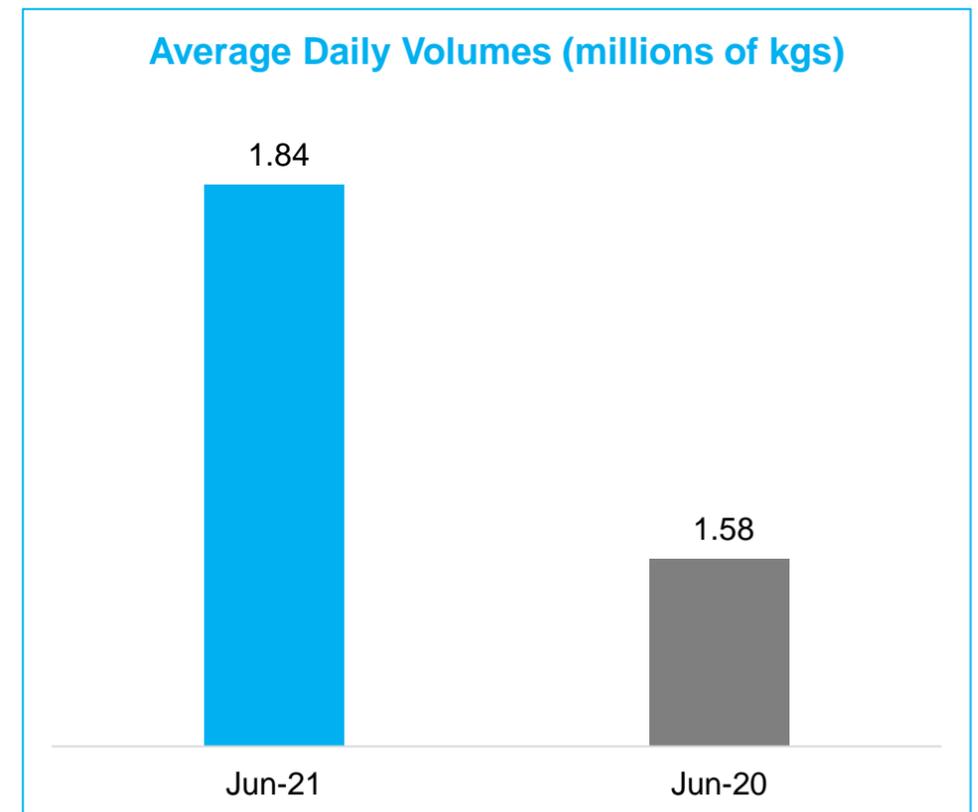
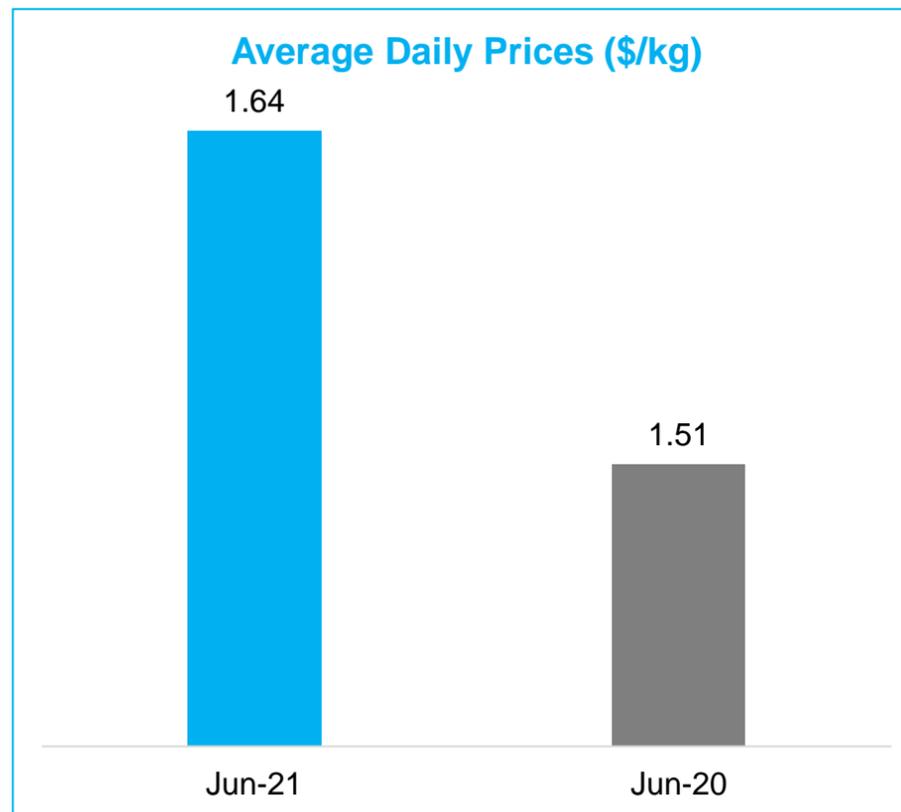
## Other Market Developments

*The total volume of tobacco sold in June 2021 was 83.42 million kgs, sold at a seasonal average price of USD1.64 per kg. This marks a cumulative value of USD137.23 million sold as at 30 June 2021 from USD101.92 million sold as at 30 June 2020.*

### Tobacco Sales (Source: AHL)

As at 30 June 2021, a cumulative total of 83.42 million kgs had been sold at a seasonal average price of USD1.64 per kg which marked a cumulative value of USD137.23 million, based on AHL tobacco sales figures. This represents a 34.64% y-o-y increase in the cumulative value of tobacco. The cumulative value in June 2020 was USD101.92 million raised from a cumulative total of 67.43 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.



## **Regional And Global Market Developments**



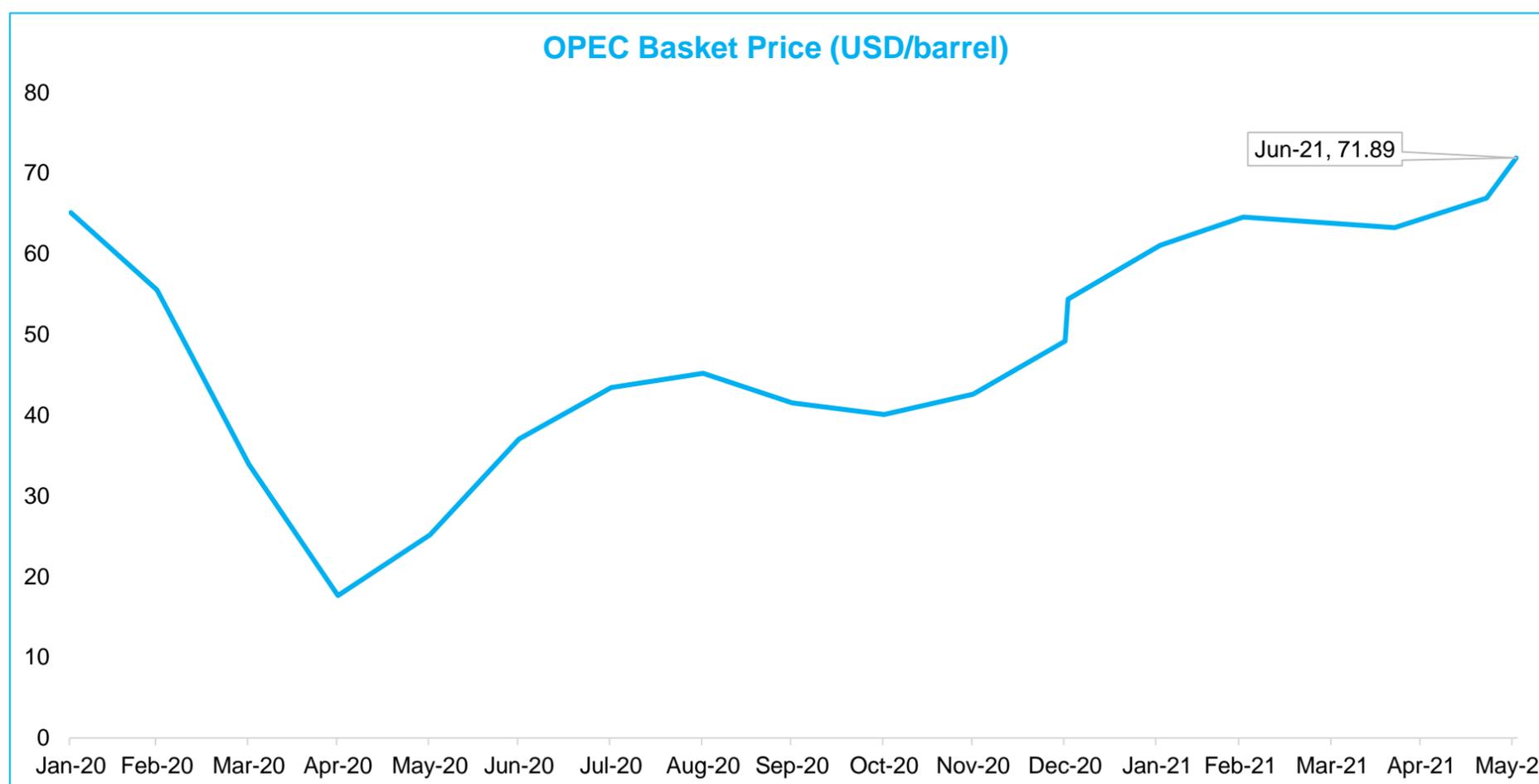
## Regional And Global Market Developments

*The OPEC Reference Basket (ORB) increased to USD71.89/b in June 2021 from USD66.91/b in May 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 USD71.89/b in June 2021 from USD66.91/b in May 2021. The ORB has also increased by 94.04% y-o-y as it was USD37.05/b in June 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.





## Regional And Global Market Developments (continued)

The US Fed Rate, Bank of England Rate and European Central Bank Rate maintained their positions during the period under review. The US 10-Year treasury bond yield decreased to 1.47% in June 2021 from 1.58% in May 2021.

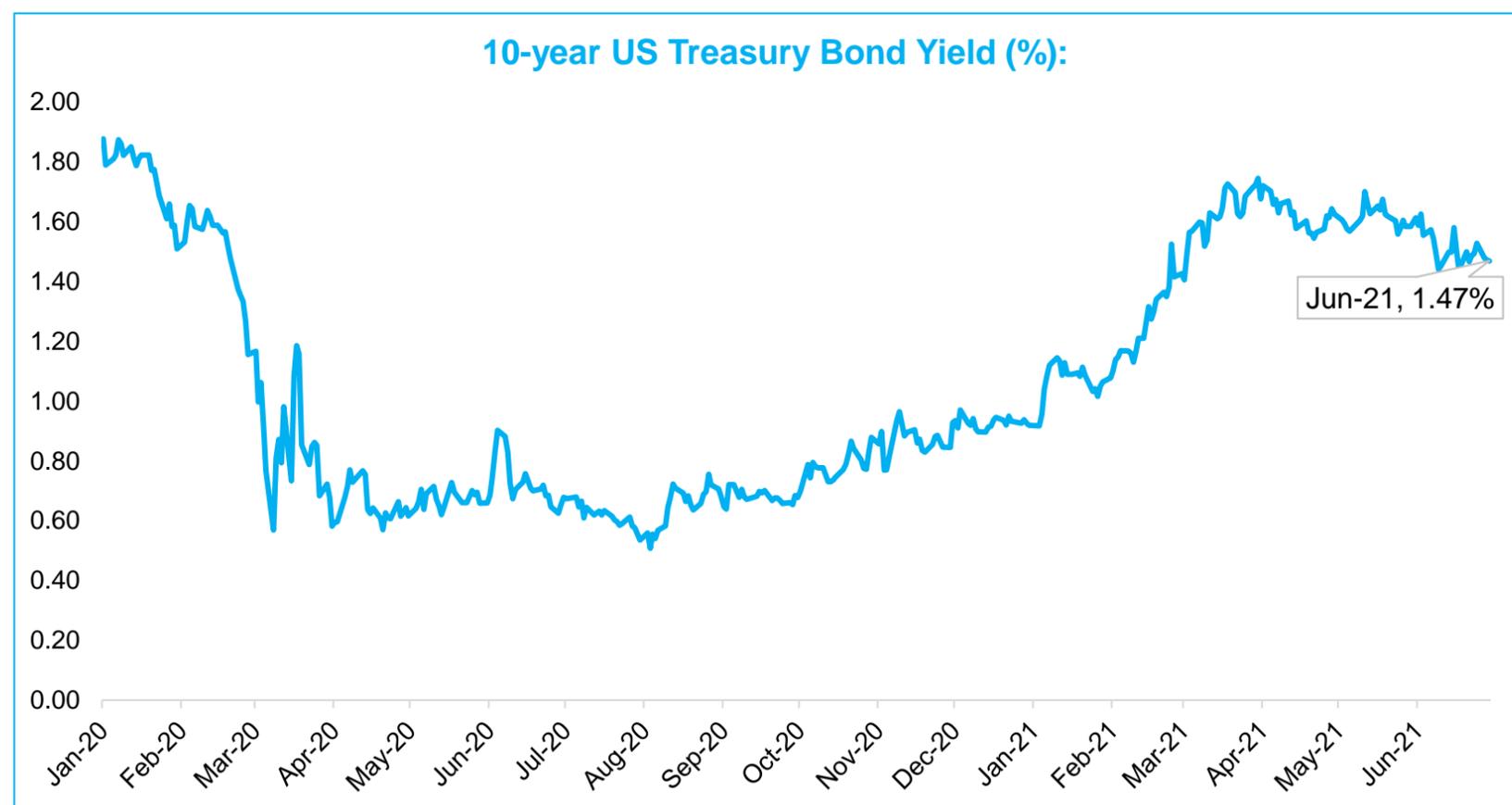
### Interest rate movements (Source: WSJ and ICE Benchmark Administration)

The US Fed rate was maintained at 0.25% in June 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 increased to 0.15% in June 2021 from 0.13% in May 2021. The 6-month US LIBOR rate increased its position to 0.17% in June from 0.16% in May. Lastly, the US 10-Year treasury bond yield decreased to 1.47% from 1.58% during this period.

#### Interest Rates

	June 2021 (%)	May 2021 (%)
US LIBOR (3 months)	0.15%	0.13%
US LIBOR (6 months)	0.17%	0.16%
US treasury bond yield (10 years)	1.47%	1.58%
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

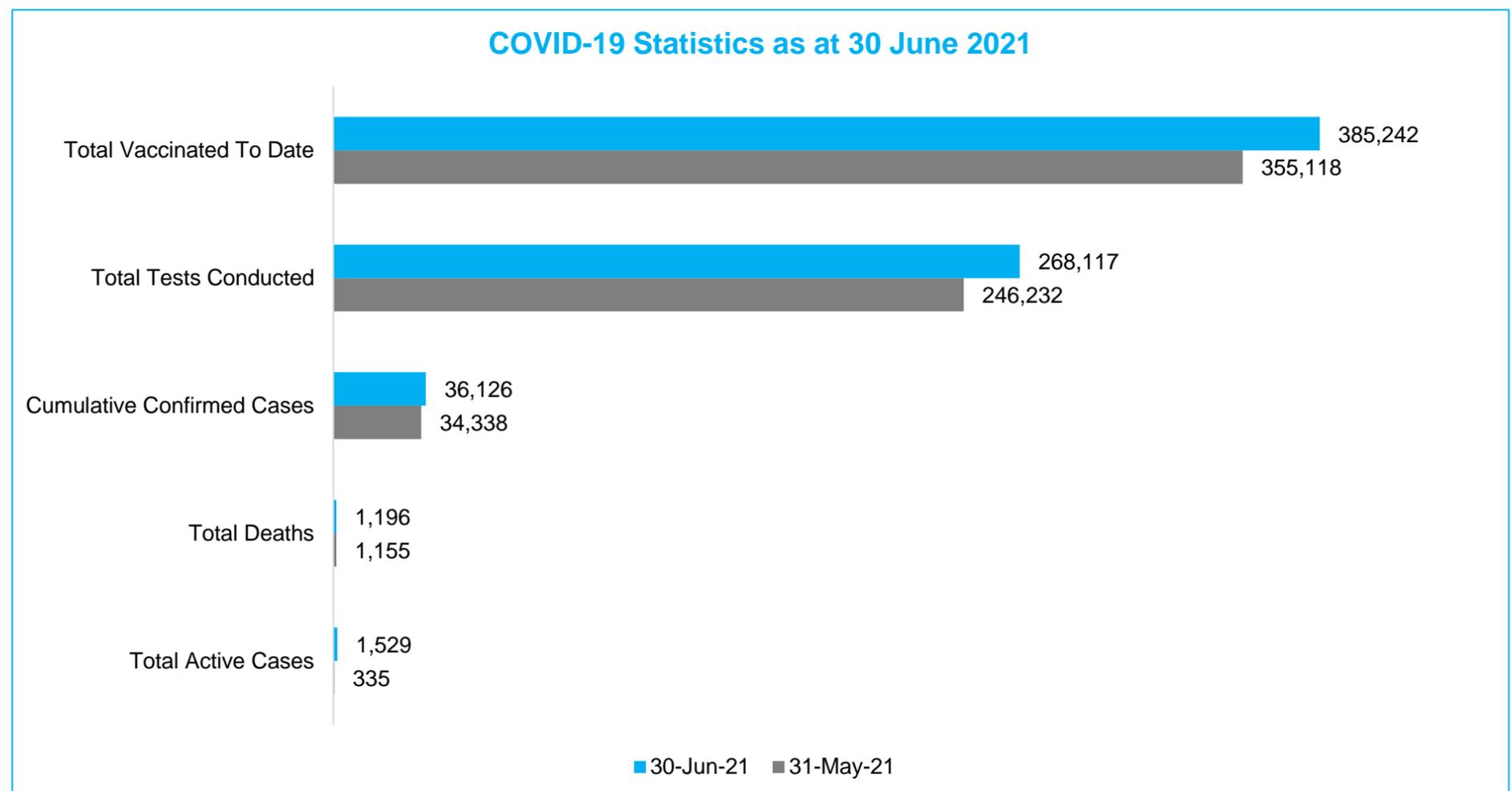
*The total number of confirmed cases increased to 36,126 in June 2021 from 34,338 in May 2021. Total deaths caused by COVID-19 increased to 1,196 in June 2021 from 1,155 in May 2021. As of 30 June 2021, 385,242 Malawians had been vaccinated with the first dose. As of 30 June 2021, 43,165 Malawians had been vaccinated with the second dose.*

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

The total number of confirmed cases increased to 36,126 in June 2021 from 34,338 in May 2021. Similarly, the total COVID-19 related deaths increased to 1,196 in June 2021 from 1,155 in May 2021. As at 30 June 2021 the positivity rate increased to 18.3% in June 2021 from 1.5% in May 2021, while the Case Fatality Rate (CFR) marginally decreased to 3.31% in June 2021 from 3.36% in May 2021. The recovery rate stood at 91.8% in June 2021. Following Malawi's first consignment of 360,000 doses of the COVID-19 AstraZeneca vaccine on 5 March 2021, 385,242 Malawians have been vaccinated with the first dose as at 30 June 2021, which is roughly 2% of Malawi's entire population. On 4 June 2021, the Government of Malawi through the Ministry of Health, begun administering the second doses of the Covid-19 vaccine. As at 30 June 2021, 43,165 vaccinations of the second doses had been administered by the Ministry of Health. This brought the total number of administered vaccine doses to 428,407 doses.

During a press conference held on 7 July 2021, the Minister of Health stated that Malawi is experiencing the third wave of the Covid-19 pandemic and that alert levels as well as thresholds for each level have been proposed. The alert levels have been categorized in 5 levels to reflect increases in cases, admissions and deaths. The Minister further stated that the country is currently at the third level and this calls for reinforcement of rules and regulations.

The rules and regulations that have been developed cover the workplace, hospitality and recreation business, travel and transport with, to and from the country, public gatherings and educational institutions. The overarching regulations include wearing masks, decongestion by 50%, regular disinfection, adherence to curfews, discouragement of physical meetings and limiting activity to essential activities.



## Outlook

## Inflation

According to the World Bank, IMF and the EIU, inflation for Malawi is projected to average 8.8%, 9.5% and 9.3%, respectively in 2021. The average forecasted inflation for 2021 as reported by World Bank, IMF and EIU is 9.2%. 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. This could be underpinned by increases in agricultural production and productivity as Malawi moves towards commercial agriculture, a key pillar in the vision Malawi 2063.

## Economic Growth

Real 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 4.7% per year in 2022-25. On the expenditure side, private consumption will be bolstered by an increase in household incomes due to robust agricultural growth.

Based on EIU expectations, the growth in real GDP in 2021 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 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.

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.

## Monetary Policy

The EIU expects the MPC to maintain the policy rate at 12% throughout 2021 with the aim of continuing to support economic recovery. The EIU further expects the RBM to adopt a tightening monetary policy stance from 2022-25 as inflation may build up as a result of global oil prices increase and improved consumer spending. Currently, 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 12.7% of GDP from 9.3% of GDP as a result of the upward revision of the total expenditure. Furthermore, external debt is expected to increase steadily, from an estimated US\$2.8 billion in 2020 to US\$3.4 billion at the end of 2022 which are K2.3 trillion and K2.7 trillion respectively, using the middle rate as at 30 June 2021. The fiscal deficit/GDP ratio is projected to fall to 10.7% in 2021/22, from 12.7% in 2020/21.

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 is likely to rise, from an estimated US\$525 million at the end of 2020 to US\$546 million at the end of 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 7.1% 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.

## 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.

The Kwacha has continued to steadily depreciate against the US dollar in 2021 which is a reflection of the wide current-account deficit. The EIU forecasts the current account deficit to gradually increase from negative 1,634 million (K1.33 trillion using the middle rate for MWK/USD for June 2021) in 2021, to negative 2,332 million (K1.88 trillion using the middle rate for MWK/USD for June 2021) in 2025. The wide and increasing current account deficit can be expected to put down pressure on the Kwacha during the period.

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 18.9% of GDP for the year. 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 to 16.9% 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 a revised downward growth rate of 5.5% from 8.8% of the agricultural, forestry and fishing sector for 2021. 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.

## Appendix

## Appendix 1: Selected Economic Indicators

Selected Economic Indicators				
Foreign Exchange Reserves (Source: RBM)			30-June-2021	
	Reserves (US\$'mn)	Import Cover (Months)		
Private Sector Foreign Exchange Reserves	388.78	1.56		
Gross Official Foreign Exchange Reserves	424.99	1.70		
<i>NB: US\$250.0 million import requirement per month is used in the calculations</i>				
Rates (Source: RBM)		Current Rate	Effective Date	
Reference Rate		12.20%	7-July-21	
Policy Rate		12.00%	29-Apr-21	
Inflation				
NSO Headline Inflation for May 2021			8.9%	
EIU July 2021 report inflation forecast for 2021 (annual)			9.3%	
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%	
Commodities		June-2021	June-2020	
OPEC Reference Basket Price		US\$71.89/b	US\$37.05/b	
AHL Tobacco Sales		US\$137.23 million	US\$101.92 million	
AHL Tobacco Average Price		US\$1.64/kg	US\$1.51/kg	
Real GDP Growth Forecast for Malawi		2020	2021	2022
African Development Bank (AfDB) African Economic Outlook 2021		1.7%	3.3%	6.2%
EIU July 2021 Malawi Country Report		-1.0%	2.3%	4.0%
Government of Malawi 2021/22 Budget Statement		0.9%	3.8%	5.4%
IMF WEO April 2021 Report		0.6%	2.2%	6.5%
RBM MPC report April 2021 forecast for 2021 (annual)		0.9%	3.8%	N/A
World Bank Country Partnership Framework		0.8%	2.8%	3.0%

## Appendix 2: Historical Economic Indicators

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
<b>Exchange rates</b>													
MK/USD	743.05	744.74	754.71	756.93	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17	811.95
MK/GBP	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	1,192.94
MK/EUR	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	1,042.52
MK/ZAR	44.02	46.19	47.53	47.33	49.18	53.09	56.43	54.60	55.69	56.13	59.33	62.28	62.28
<b>Foreign Exchange Reserves</b>													
Gross Official Reserves (USD'mn)	682.66	651.41	642.86	546.99	635.05	584.89	574.26	502.98	483.38	410.16	392.01	443.25	424.99
Private Sector Reserves (USD'mn)	327.01	342.01	316.74	318.47	340.22	332.51	377.97	358.29	340.50	342.58	392.61	369.64	388.78
Total reserves (USD'mn)	1009.67	993.42	959.6	865.46	975.27	917.4	952.23	861.27	823.88	752.74	784.62	812.89	813.77
Gross Official Reserves Import cover (months)	3.27	3.12	3.08	2.62	3.04	2.80	2.75	2.41	2.31	1.96	1.88	1.77	1.70
<b>Inflation</b>													
Headline	8.50%	8.00%	7.60%	7.10%	7.50%	7.30%	7.60%	7.70%	8.30%	9.40%	9.2%	8.9%	-
Food	13.40%	12.20%	11.30%	10.30%	10.90%	10.40%	10.50%	9.70%	10.30%	11.70%	11.5%	11.0%	-
Non-food	4.50%	4.40%	4.40%	4.40%	4.40%	4.40%	4.90%	5.60%	6.30%	6.90%	7.0%	7.1%	-
<b>Interest Rates</b>													
Monetary Policy rate	13.50%	13.50%	13.50%	13.50%	13.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank rate	13.49%	13.58%	13.59%	13.61%	13.62%	12.51%	11.41%	11.34%	10.67%	11.37%	11.72%	11.92%	11.94%
Average base lending rate	13.40%	13.40%	13.40%	13.60%	13.60%	13.60%	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%	12.20%
<b>Government Securities' Yields</b>													
91-days Treasury Bill	7.54%	7.50%	9.85%	9.94%	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%	9.62%
182-days Treasury Bill	11.29%	12.07%	12.55%	12.58%	12.87%	12.73%	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%	12.81%
364-days Treasury Bill	13.00%	13.57%	13.73%	13.74%	13.88%	13.40%	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%	13.87%
2-year Treasury Note	15.45%	15.45%	16.46%	16.46%	16.46%	16.46%	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%	16.65%
3-year Treasury Note	16.89%	16.89%	16.89%	18.02%	18.47%	17.79%	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%	18.97%
5-year Treasury Note	19.97%	19.82%	19.82%	19.82%	19.82%	19.82%	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%	20.08%
7-year Treasury Note	20.46%	20.46%	20.75%	20.75%	20.75%	19.95%	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%	20.59%
10-year Treasury Note	-	-	-	22.14%	22.14%	22.14%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%	21.85%
<b>Stock Market Indices</b>													
MASI	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	35,144.56
FSI	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	28,739.26
DSI	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	3,234.45

## Appendix 3: World Bank estimates

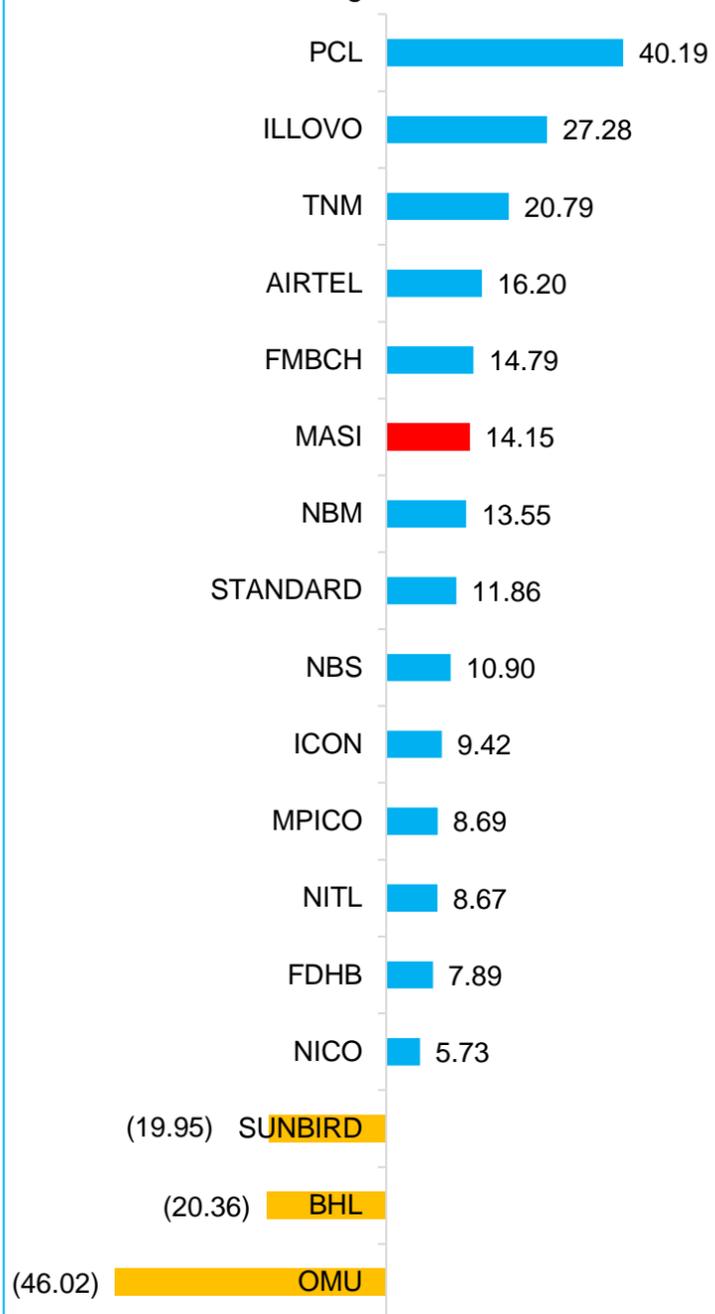
### Macroeconomic Indicators

	2017	2018	2019	2020 Est.	2021 Proj.	2022 Proj.
<b>National Accounts and Prices</b>						
GDP at constant market prices (% change)	4.0	4.4	5.4	0.8	2.8	3.0
Agriculture	5.0	0.3	5.9	3.4	5.2	1.7
Industry	2.2	7.2	7.7	1.2	1.6	2.4
Services	4.0	4.5	5.5	-0.7	1.9	3.8
Consumer prices (annual average)	11.5	9.2	9.4	8.6	8.8	7.6
<b>Central Government (FY % of GDP)</b>						
Revenue and grants	16.8	14.6	14.7	14.5	15.9	16.6
Domestic revenue (tax and other revenue)	14.3	13.6	13.2	13.1	12.3	14.4
Grants	2.5	1.0	1.4	1.5	3.6	2.2
Expenditure and net lending	19.1	19.0	19.1	20.9	24.6	26.0
Overall balance (excluding grants)	-4.8	-5.4	-5.9	-7.8	-12.3	-11.6
Overall balance (including grants)	-2.4	-4.4	-4.5	-6.3	-8.7	-9.4
Foreign financing	1.8	1.8	0.8	0.8	2.8	1.8
Domestic financing	0.6	3.0	3.8	4.9	5.9	7.6
Amortization (zero coupon bonds)	-1.2	-1.4	-1.0	-0.1	--	--
<b>Money and Credit</b>						
Money and quasi money (% change)	19.7	11.4	8.1	9.5	10.9	13.7
Credit to the private sector (% change)	0.4	11.5	21.3	15	11.7	14
<b>External Sector (US\$ millions)</b>						
Exports (goods and services)	841	1,112	1,314	1,118	1,327	1,339
Imports (goods and services)	2,565	2,924	3,262	3,050	3,015	3,008
Gross official reserves	757.4	750.1	815	574		
(months of imports)	3.6	3.6	3.9	2.8		
Current account (percent of GDP)	-16.7	-11.3	-11.5	-12.0	-11.3	-10.9
Exchange rate (MMK per US\$ average)	730.3	732.3	745.5	749.5	-	-
<b>Debt Stock</b>						
External debt (public sector, % of GDP)	22.9	21.8	20.7	20.9	22.5	22.2
Domestic public debt (percentage of GDP)	16.9	19.8	20.7	25.3	30.7	33.9
Total public debt (percentage of GDP)	39.8	41.6	41.3	46.2	53.3	56.1
<b>Poverty</b>						
Poverty rate (US\$ 1.9 in 2011 PPP terms)	68.6	68.1	67.4	68.1	68.1	67.9
Poverty rate (US\$ 3.2 in 2011 PPP terms)	88.7	88.5	88.1	88.5	88.5	88.5

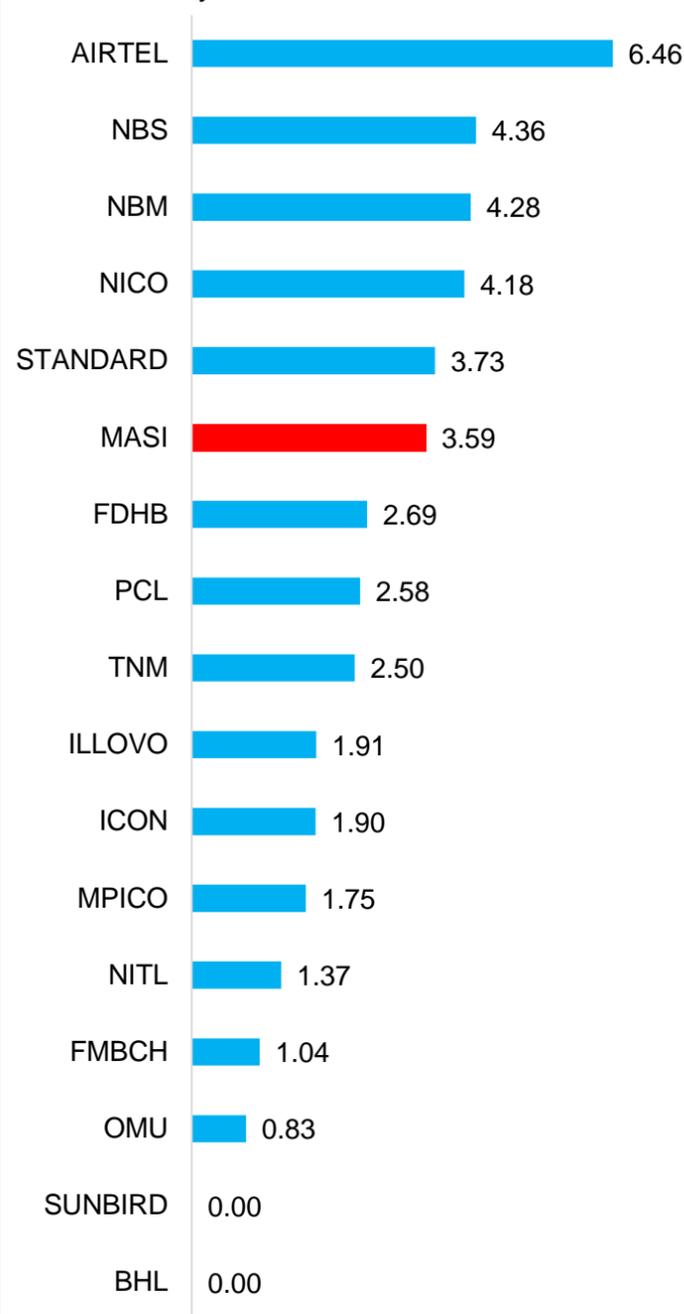
Source: World Bank staff calculations based on MFMod, MoF, RBM, and IMF data

## Appendix 4: Selected stock market statistics as at 30 June 2021

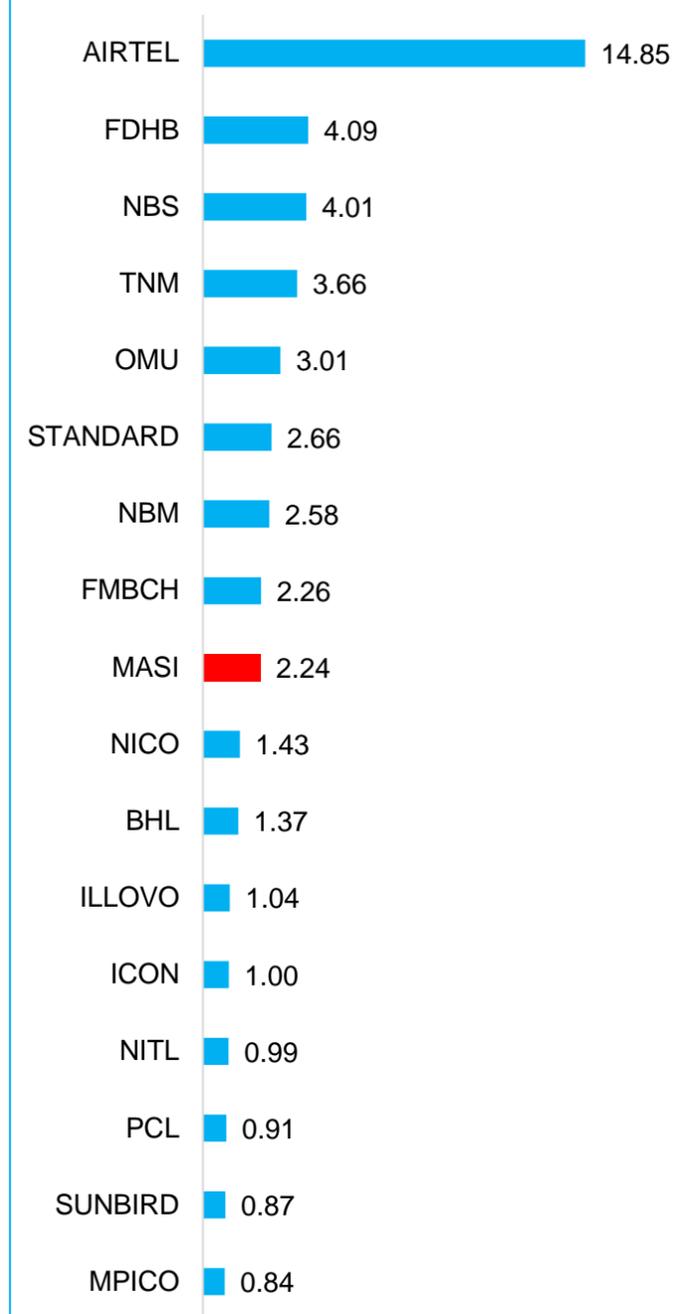
**P/E ratio** - the MSE had a weighted average Price to Earnings ratio of 14.15 in June 2021. OMU had the lowest at negative 46.02 while PCL had the highest at 40.19.



**Dividend yield (%)** - the weighted average dividend yield on the MSE was 3.59% in June 2021. The counter with the highest dividend yield is AIRTEL at 6.46%.



**P/BV ratio** - the weighted average Price to Book Value ratio on the MSE in June 2021 was 2.24. Airtel had the highest ratio at 14.85 while Illovo had the lowest ratio at 0.84.



### Counters that closed at the same price per share during the period under review

Counter	BHL	ICON	MPICO	NBM	NICO	NITL	OMU	PCL	STANDARD	SUNBIRD	TNM
<b>30-Jun-21</b>	11.00	12.13	16.00	650.08	55.00	94.94	2,190.00	1,199.94	1,200.15	90.00	16.00
<b>31-May-21</b>	11.00	12.13	16.00	650.08	55.00	94.94	2,190.00	1,199.94	1,200.15	90.00	16.00

## Appendix 5: 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>	9.3	10.0	9.5	9.0	8.5
Government balance (% of GDP)	-7.7	-12.7	-10.7	-9.0	-7.6	-7.1
Current-account balance (% of GDP)	-16.9	-18.9	-18.4	-18.3	-17.6	-16.9
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>	782.1	793.5	799.7	809.1	816.7

<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	8,054	8,644	9,680
Nominal GDP (MK m)	3,900,950	4,603,121	5,065,765	5,718,844	6,036,470	6,760,413	7,681,124
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>	1,079	1,102	1,147
<b>Fiscal indicators (% of GDP)</b>							
Public-sector balance	-6.0	-3.6	-7.3 <sup>b</sup>	-6.4 <sup>b</sup>	-7.7	-12.7	-10.7
Net public debt	54.6 <sup>b</sup>	56.4 <sup>b</sup>	60.8 <sup>b</sup>	67.6 <sup>b</sup>	70.6	74.5	73.6

### International Assumptions

	2020	2021	2022	2023	2024	2025
<b>Economic growth (%)</b>						
US GDP	-3.5	6.0	3.7	2.2	1.8	2.0
OECD GDP	-4.9	4.6	3.7	2.3	2.0	2.0
World GDP	-3.8	5.2	3.9	3.1	2.8	2.7
World trade	-8.1	7.6	5.6	4.6	4.1	4.2
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	1.2	2.6	2.1	2.2	1.9	2.0
OECD CPI	1.2	2.2	2.0	2.1	2.0	2.1
Manufactures (measured in US\$)	0.2	7.4	1.3	1.9	2.0	2.4
Oil (Brent; US\$/b)	42.3	66.0	71.0	65.5	61.0	55.5
Non-oil commodities (measured in US\$)	2.9	24.7	-1.6	0.4	-5.0	0.0
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	0.6	0.1	0.1	0.3	1.1	1.6
US\$:€ (av)	1.14	1.20	1.17	1.13	1.18	1.22
¥:US\$	106.77	105.63	105.11	107.10	108.75	107.88

	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	773.11 <sup>a</sup>	773.85	809.73
Exchange rate MK:€ (end-period)	768.04	877.92	840.08	830.05	948.69 <sup>a</sup>	917.01	923.10
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>	8.3	18.0	20.4
Stock of money M2 (% change)	15.2	19.7	11.3	8.1 <sup>b</sup>	18.7	8.7	17.0
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	-1,660	-1,883	-1,950
Goods: exports fob	1,066	910	945	983	838	890	933
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	-273
Primary income balance	-95	-198	-263	-299	-254	-258	-295
Secondary income balance	315	388	457	495	810	796	733
Current-account balance	-1,006	-1,537	-1,618	-1,837	-1,364	-1,634	-1,785
<b>External debt (US\$ m)</b>							
Debt stock	1,874	2,115	2,282	2,503	2,807	3,049	3,369
Debt service paid	75	71	84	100	86	89	153
Principal repayments	58	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	598	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.

## **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.*

## **Contact Information**

Bridgepath Capital Limited  
1<sup>st</sup> Floor (108), Development House  
Corner Henderson Street Road  
P.O. Box 2920  
Blantyre

Tel No: + 265 1 828 355

Email: [info@bridgepathcapitalmw.com](mailto:info@bridgepathcapitalmw.com)

Website: [www.bridgepathcapitalmw.com](http://www.bridgepathcapitalmw.com)