

Monthly Economic Report

| July 2021



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List of Acronyms and Abbreviations

ADMARC:	Agricultural Development and Marketing Corporation	OMO:	Open Market Operations
AIP:	Affordable Inputs Program	PCL:	Press Corporation Plc
APES:	Agricultural Production Estimates	PPP:	Public-Private Partnership
BHL:	Blantyre Hotels Plc	RCF:	Rapid Credit Facility
COVID-19:	Coronavirus disease	RBM:	Reserve Bank of Malawi
DSI:	Domestic Share Index	SDR:	Special Drawing Rights
ECF:	Extended Credit Facility	SOE:	State-Owned Enterprise
EIU:	Economic Intelligence Unit	SSA:	Sub Saharan Africa
EUR:	Euro	Sunbird:	Sunbird Tourism Plc
FMBCH:	FMB Capital Holdings Plc	TB:	Treasury Bill
FSI:	Foreign Share Index	TBA:	To Be Announced
GBP:	Great British Pound	TC:	Tobacco Commission
GDP:	Gross Domestic Product	TNM:	Telekom Networks Malawi Plc
IFPRI:	International Food Policy Research Institute	TN:	Treasury Note
IMF:	International Monetary Fund	TT:	Telegraphic Transfer
LRR:	Liquidity Reserve Requirement	WEO:	World Economic Outlook
MASI:	Malawi All Share Index	UK:	United Kingdom
Mb/d:	Million barrels per day	USA:	United States of America
MGDS:	Malawi Growth and Development Strategy	USD:	United States Dollar
MK:	Malawi Kwacha	Y-O-Y:	Year-on-year
M-O-M:	Month-on-month	YTD:	Year-to-date
MPC:	Monetary Policy Committee	ZAR:	South African Rand
MSE:	Malawi Stock Exchange		
NBM:	National Bank of Malawi Plc		
NICO:	NICO Holdings Plc		
NITL:	National Investment Trust Plc		
NSO:	National Statistical Office		
OPEC:	Organization of the Petroleum Exporting Countries		

Executive Summary

Inflation

Recent inflation trends suggest an elevated inflation path in the period ahead and this is evidenced by the increase in the headline inflation rate which averaged 9.1% in June 2021 from 8.9% in May 2021. The increase was on account of both food and non-food inflation rising, which averaged 11.1% (May 2021: 11.0%) and 7.2% (May 2021: 7.1%) in June 2021, respectively.

The inflation trends cited above necessitated an upward revision of the projected annual inflation rate for 2021 during the third Monetary Policy Committee (MPC) meetings held between the 29 and 30 July 2021. The projected annual headline inflation for 2021 was revised upward to an average of 8.8% from 8.4% projected during the previous MPC meetings. In addition to the inflation trends, the revision was necessitated by the continued weakening of the Malawi Kwacha to United States Dollar exchange rate resulting in the upward adjustment of the non-food inflation forecast. However, the MPC 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.

The projected annual inflation for 2021 according to the EIU was maintained at 9.3%. This projection was made on account of the effects of currency depreciation and the anticipated accommodative stance that the MPC took to maintain the policy rate at 12%.

Exchange Rates

Based on middle rates reported by the Reserve Bank of Malawi (RBM), the Malawi Kwacha marginally depreciated against the USD by 0.67% in July 2021. As at 31 July 2021, the Kwacha was trading at K817.43/USD from K811.95/USD as at 30 June 2021. M-o-m, the Kwacha also marginally depreciated against the GBP by 0.97% (to K1,203.74/GBP from K1,192.94/GBP). The Kwacha depreciated against the EUR by 1.60% (to K1,048.56/EUR from K1,032.04/EUR) during the period under review. The Kwacha appreciated against the ZAR by 1.02% (to K60.79/ZAR from K61.42/ZAR) during the period under review.

By the end of July 2021, the country's gross official forex reserves decreased by 4.90% to USD404.18 million from a position of USD424.99 million as June 2021. The gross official forex reserves' import cover was at 1.62 months for July 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, mainly fuel. The total foreign exchange reserves position was USD809.97 million in July 2021 which represented a 0.47% decrease from a total foreign exchange reserve position of USD813.77 million in June 2021. This represented an import cover of 3.24 months in July 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 and 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 pressure from the widening current-account deficit is expected to exert downward pressure on the Kwacha but could be moderated by increasing foreign investment inflows and export earnings from the agricultural sector.

Monetary Policy

The MPC at its third meetings of 2021 (held between 29 and 30 July 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

The total revenue and grants for the 2021/22 fiscal year is estimated to be K1.27 trillion representing 12.4% of GDP and comprises of K1.15 trillion in revenue and K170 billion in grants. The corresponding total expenditure for the same period is projected to be K1.996 trillion, representing 19.5% of GDP. This results in a deficit of K724 billion which amounts to 7.1% of GDP. The deficit will be funded by domestic and foreign borrowing of K583 billion and K135 billion, respectively.

Subsequent to the budget statement, there have been two material developments. The first is that additional financial allocations were made to sectors including the National Assembly and the Office of the Vice President. The second is a 12% increase in civil servant salaries from July 2021. There have been no explicit statements of sources of revenue for these developments. These developments will likely widen the budget deficit resulting in an increase in Government borrowing and the level of public debt.

In contrast to the Government's expected deficit of 7% for the 2021/22 fiscal year, the EIU projects a deficit of 10.7% of GDP in the same period on account of expected fiscal slippages. The EIU expects the budget deficit to decline to 7.1% of GDP by 2025 as the current deficit is unsustainable.

On debt sustainability, the World Bank states that Malawi should implement a sustainable medium-term fiscal framework that scrutinizes development expenditure. This could be done through cost-benefit analysis that ensures that the returns from projects are justified by high borrowing costs. In addition, reduced effectiveness and service delivery of State-Owned Enterprises (SOEs) could be reined by Government's efforts to enhance compliance with timely SOE financial reporting and audits.

Government Securities

Treasury Bill (TB) applications decreased by 4.05% to K15.43 billion in July 2021 from K16.08 billion in June 2021. This subsequently affected TB allotments as they decreased by 4.28% to K14.55 billion in July 2021 from K15.20 billion in June 2021. Treasury Note (TN) applications and allotments decreased by 83.65% to K21.63 billion in July 2021 (Jun 2021: K132.30 billion), and by 84.21% to K20.30 billion in July 2021 (Jun 2021: K128.59 billion), respectively.

The average All-Type Treasury Bill yield decreased to 12.06% in July 2021 from 12.10% in June 2021 while the average All-Type Treasury Note yield increased to 19.83% from 19.66% during the same period.

Stock Market

The Malawi All Share Index (MASI) increased by 3.85% to 36,496.03 points in July 2021 from 35,144.56 points in June 2021. This was due to share price gains in AIRTEL, FMBCH, ILLOVO, NBM, PCL, Standard Bank and TNM which offset share price losses in FDH Bank, NBS, NITL and OMU. The MASI year-to-date return was 12.67% in July 2021, it was negative 1.32% during the same period in the previous year. In terms of market price movement, ILLOVO had the largest share price gain during the period to K126.51 per share in July 2021 from K104.72 per share in June 2021, representing a 20.81% increase. While NITL had the largest share price loss during the same period to K80.70 per share from K94.94 per share, representing a 15.00% decrease.

Economic Growth

While the RBM maintained its expectation for real GDP growth for 2021 at 3.8%, the World Bank, IMF and EIU project lower real GDP growth rates ranging between 2.2% and 2.8% for the same period.

The growth in real GDP is expected to be supported by a strong harvest, improved regional trade and domestic activity, as stated by 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. The potential land reforms may change the agricultural sector from being predominantly subsistence based to export driven and therefore be an additional factor to improved domestic activity. The land reforms are aiming to consolidate small farms into larger holdings under the Malawi Growth and Development Strategy (MGDS), which will help to increase economies of scale and aid the expansion of other cash crops such as soybeans, tea and sugar.

Furthermore, growth in 2021 will also be significantly bolstered by implementation of the Affordable Inputs Programme (AIP), which is expected to increase agriculture output due to the improvement in access to inputs by farming households across the country. The AIP will cost K142 billion (USD174 million using the middle rate as at 31 July 2021), and it also aims to reduce poverty and ensure food security at household and national levels. In a recent development, the number of beneficiaries for the AIP has been reduced to 2.7 million from 3.7 million as a result of increases in prices of inputs.

COVID-19 Status and developments

As at 31 July 2021, Malawi continued to experience a third wave of the Covid-19 pandemic. Consequently, the Covid-19 preventative and containment measures prescribed by the Health Minister in the July address had not been lifted.

The total number of confirmed cases increased to 52,347 in July 2021 from 36,126 in June 2021. The increase was accompanied by a rise in the total number of COVID-19 related deaths to 1,635 in July 2021 from 1,196 in June 2021. The positivity rate increased to 20.8% from 18.3%, while the Case Fatality Rate (CFR) maintained its position at 3.1% during the same period under review. During the period under review, the recovery rate decreased to 72.6% from 91.8%.

Following Malawi's first consignment of COVID-19 AstraZeneca vaccine on 5 March 2021, a total number of 591,863 vaccine doses have been administered as at 31 July 2021. Of these vaccinations, 453,729 individuals had been vaccinated with the first dose and this represents 2.3% of Malawi's entire population.

In an effort to progress with containing the Covid-19 pandemic, the government of Malawi begun administering second doses of the AstraZeneca vaccine on 4 June 2021. As at 31 July 2021, 138,134 vaccinations of the second doses had been administered and thus, fully vaccinated against Covid-19. This represents 0.7% of the population and is below the target of fully vaccinating 65%-70% of the population in order to achieve herd immunity.

On 7 August 2021, the country received 302,400 additional doses of the Johnson & Johnson Covid-19 vaccine that only require one shot to achieve full immunisation. The country is expected to receive an additional 120,000 doses of Oxford-AstraZeneca and 300,000 doses of Pfizer in August. The country also expects additional doses in September amounting to 360,000 vaccine doses under the Covid Vaccine Access facility. This brings the total number of additional vaccines to 1,082,400.

Risks

The EIU cites the protracted Covid-19 pandemic as a risk that is materializing in 2021 and coupled with the slow rate of vaccinations, it will prolong economic recovery in the year. The EIU also cite the risk that the Coronavirus and weakening emerging-market sentiment could lead to a collapse in the Kwacha. 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.

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. The 2021/22 budget statement states that public debt is projected to be 27.2% of the country's domestic revenue. There also is the risk that public debt could increase as the Government has agreed to increase civil servants' salaries by 12% and as the Government seeks additional financing for the AIP following a decrease in the number of beneficiaries to 2.7 million from 3.7 million.

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 result in decreased productivity and output, and constrain economic growth and diversification to non-agricultural products.

Economic overview



Economic overview

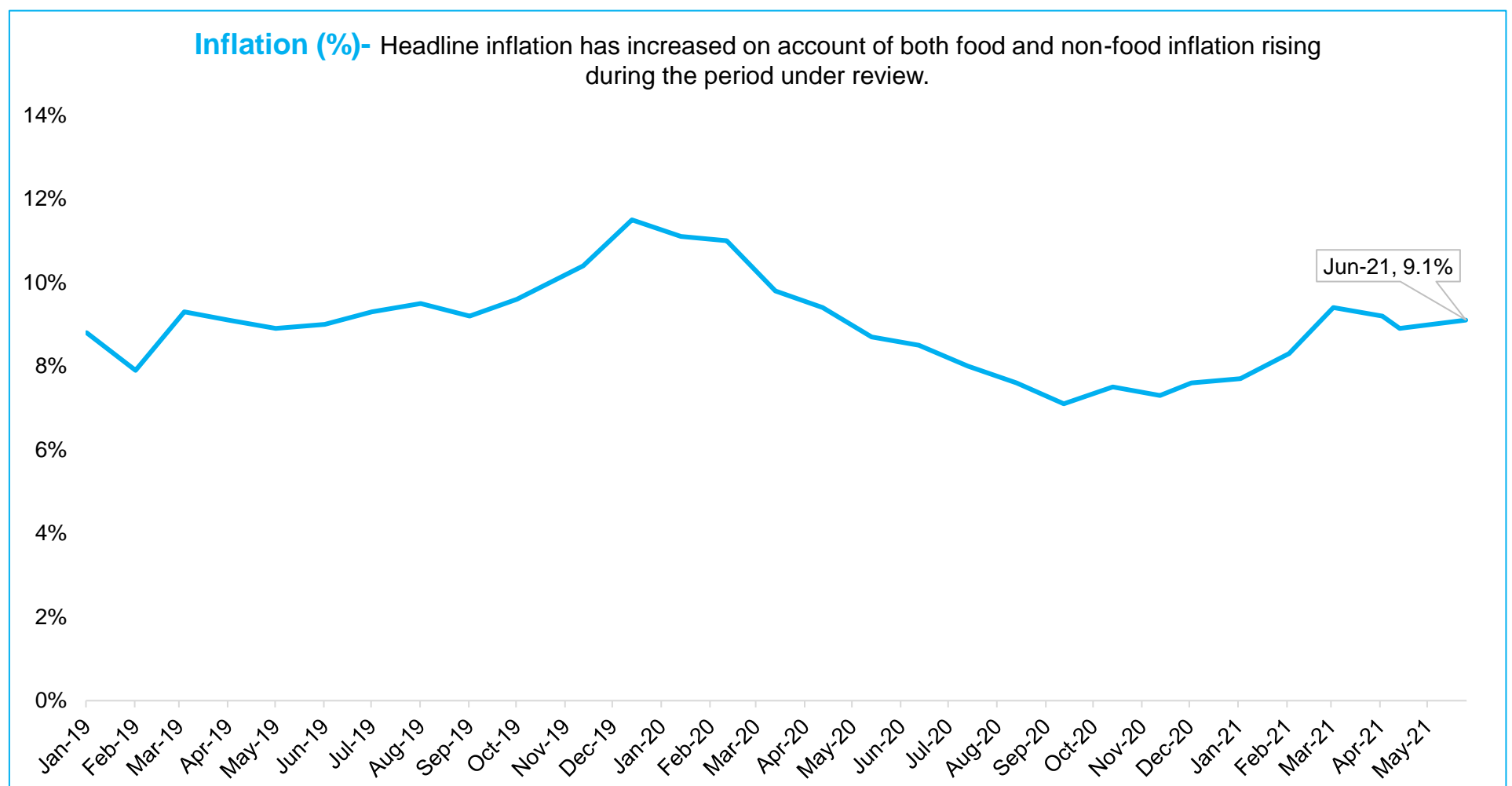
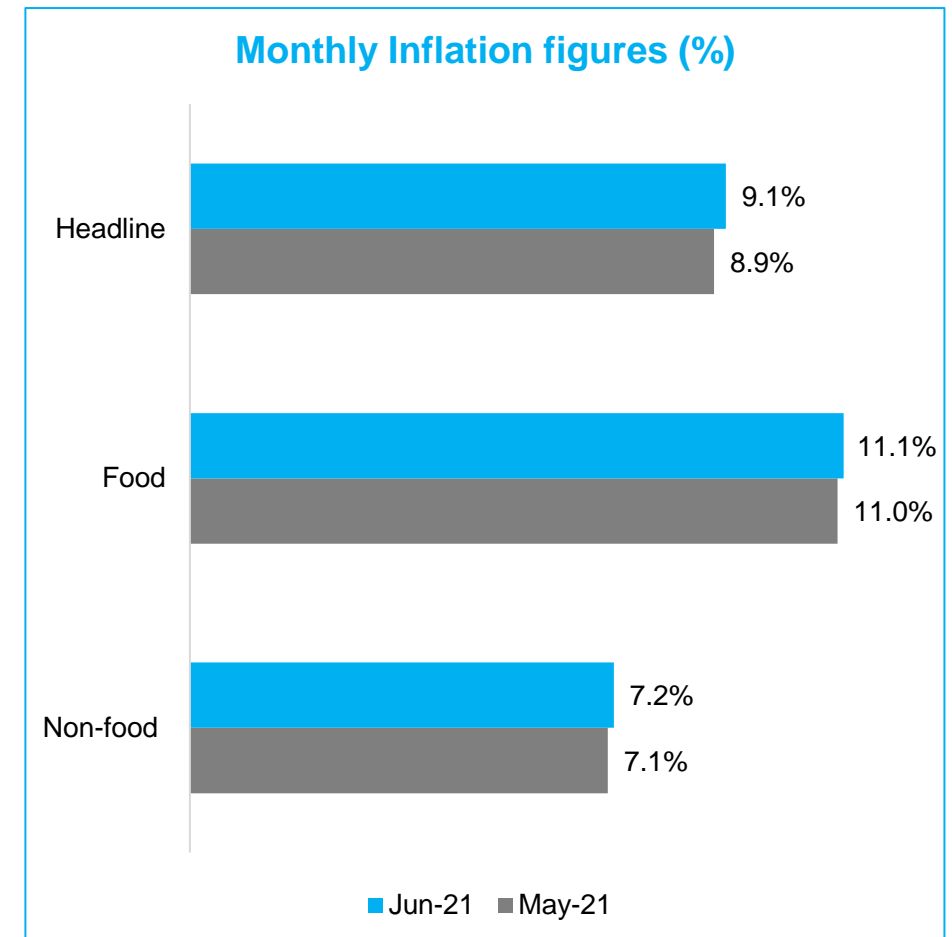
Inflation (Source: NSO)

The headline inflation rate averaged 9.1% in June 2021 from 8.9% in May 2021. In June 2020, the headline inflation rate averaged 8.5%. The m-o-m increase in headline inflation was on account of increases in food inflation which averaged 11.1% (May 2021: 11.0%) and non-food inflation which averaged 7.2% (May 2021: 7.1%) in the month of June 2021.

According to the third MPC meetings held on 29 and 30 July 2021, pressures to headline inflation could persist in the near term as the MPC stated that non-food inflation forecast had been increased. The World Bank Malawi Economic Monitor for June 2021 reported that the maize production for 2021 is expected to increase to 4.5 million tons, a 17% increase over 2020's harvest.

The MPC revised its projections for the inflation path in the period ahead and consequently forecasts headline inflation to average 8.8% for 2021 in its third meetings, from 8.4% in its second meetings. The forecast is attributed to an increase in non-food inflation forecast, partly reflecting the impact of imported inflation and the pass-through of the Kwacha depreciation in the second quarter of 2021.

The headline inflation rate averaged 9.1% in June 2021 from 8.9% in May 2021. Inflation has taken an upward trajectory on account of the increases in both food and non-food inflation. The annual headline inflation rate for 2021 was revised to a projected average of 8.8% from 8.4% according to the Monetary Policy Committee July 2021 statement.





Treasury Bill (TB) allotments decreased by 4.28% to K14.55 billion in July 2021 from K15.20 billion in June 2021. Treasury Note (TN) allotments decreased by 84.21% to K20.30 billion in July 2021 from K128.59 billion in June 2021.



The average All-Type Treasury Bill yield marginally decreased to 12.06% in July 2021 from 12.10% in June 2021. The average All-Type Treasury Note yield marginally increased to 19.83% in July 2021 from 19.66% June 2021.

Economic overview (continued)

Government securities (Source: RBM)

Treasury Bills (TBs)

Treasury Bill (TB) applications decreased by 4.05% to K15.43 billion in July 2021 from K16.08 billion in June 2021. Year-on-year, total applications decreased by 78.54% as they were K71.90 billion in July 2020.

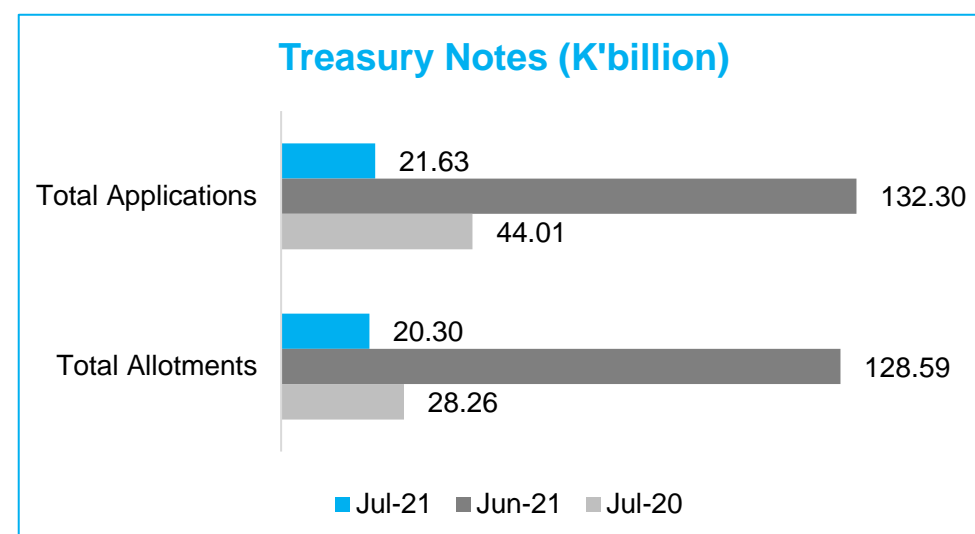
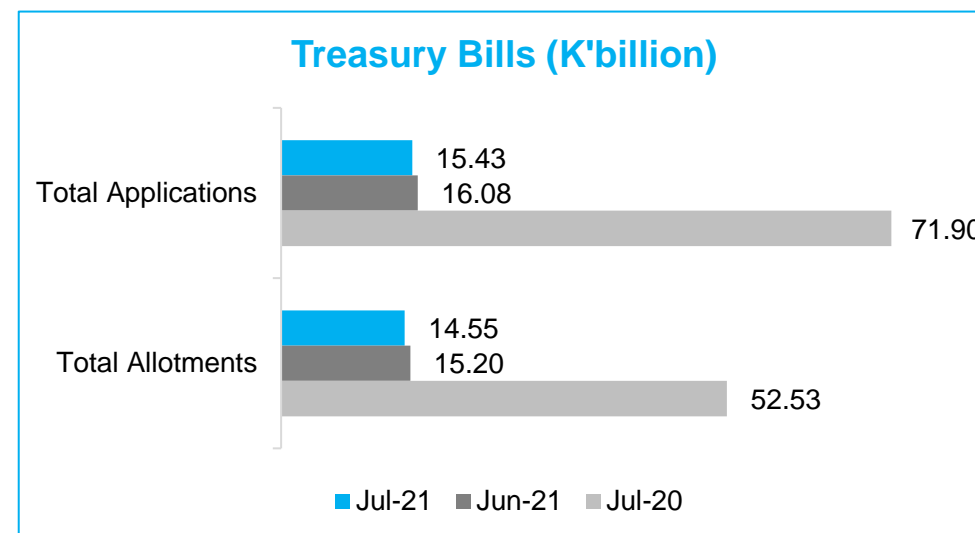
Similarly, allotments decreased by 4.28% to K14.55 billion in July 2021 from K15.20 billion in June 2021. Y-o-y allotments decreased by 72.30% as they were K52.53 billion in July 2020.

The TBs had a rejection rate of 5.69% during the period under review.

Treasury Notes (TNs)

Treasury Note (TN) applications decreased by 83.65% m-o-m to K21.63 billion in July 2021 from K132.30 billion in June 2021. Y-o-y applications decreased by 50.85% as they were K44.01 billion during the same period in the previous year.

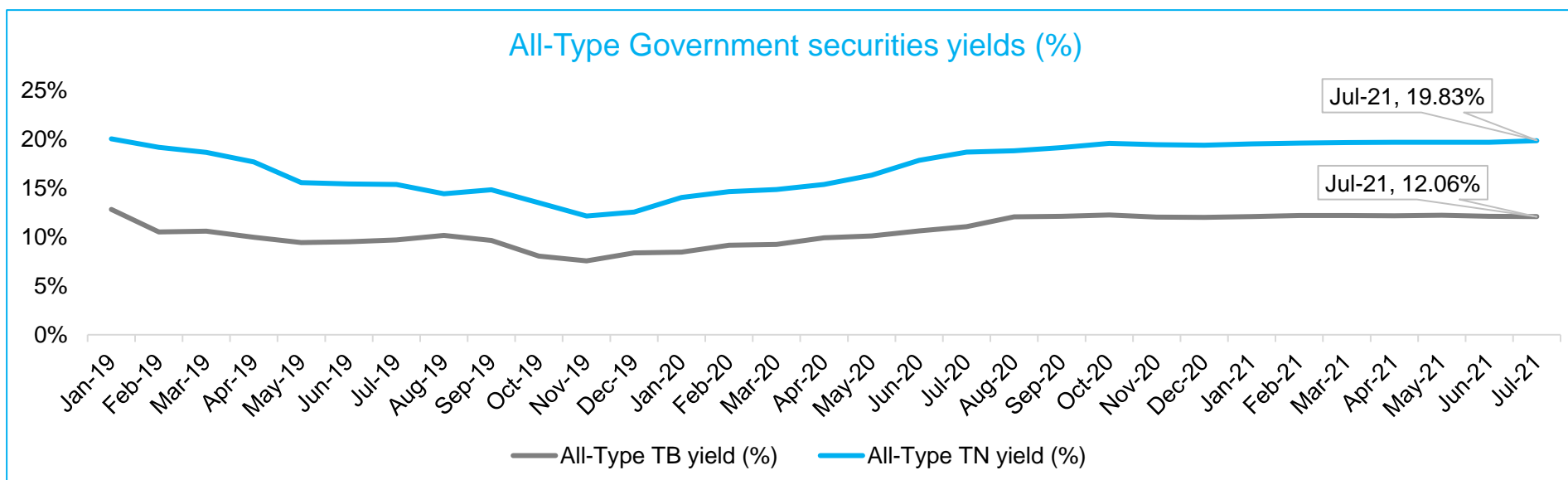
Treasury Note allotments were K20.30 billion in July 2021 which is 84.21% lower than the K128.59 billion raised in the TN auctions June 2021. Allotments have decreased y-o-y by 28.17% as they were K28.26 billion in July 2020. Overall, the TNs had a rejection rate of 6.15% in July 2021.



The average All-Type Treasury Bill yield marginally decreased to 12.06% in July 2021 from 12.10% in June 2021. The All-Type Treasury Bill yield was 11.05% in July 2020. The decrease in the All-Type Treasury Bill yield during the month under review was on account of a decrease in the average yield for the 91-days TB to 9.33% in July 2021 from 9.62% in June 2021 which offset increases in the average yield of the 182-days TB to 12.96% from 12.81% and 364-days TB to 13.90% from 13.87% during the period under review.

The average All-Type Treasury Note yield marginally increased to 19.83% in July 2021 from 19.66% June 2021. The All-Type Treasury Note yield was 18.66% in July 2020. The increase in the All-Type Treasury Note yield during the month under review was on account of increases in the average yields of the 2-year, 3-year, 7-year and 10-year TNs which offset a decrease in the average yield of the 5-year TN.

The figure below traces the yields for the All-Type Treasury Bill and the All-Type Treasury Note from January 2019 to July 2021:



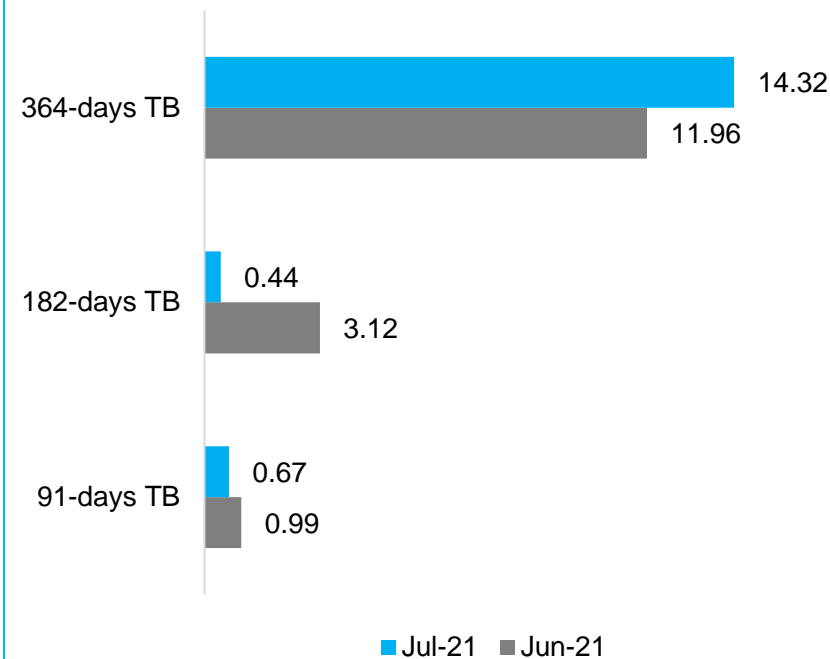


In July 2021, the 364-days TB and the 10-Yr TN had the highest subscription rates during the Treasury Bills and Treasury Notes applications made during the period. The subscription rates were 92.82% and 77.16%, respectively.

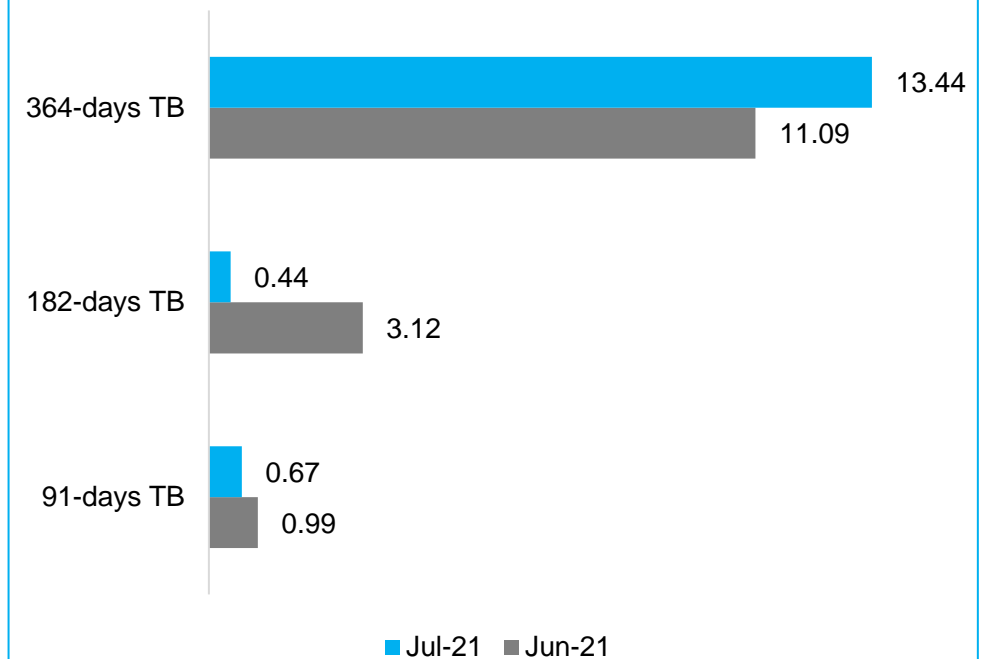
Economic overview (continued)

Government securities (Continued)

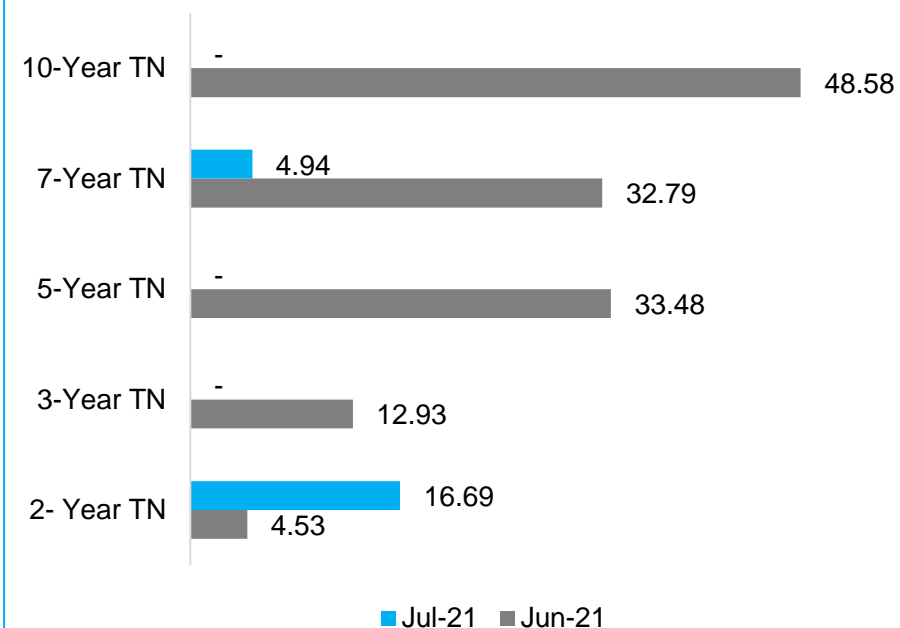
Treasury Bill Applications (K'billion) - the 364-days TB tenor had the highest subscription rate at 92.82% of total applications. It continues to reflect investors preference for longer tenors.



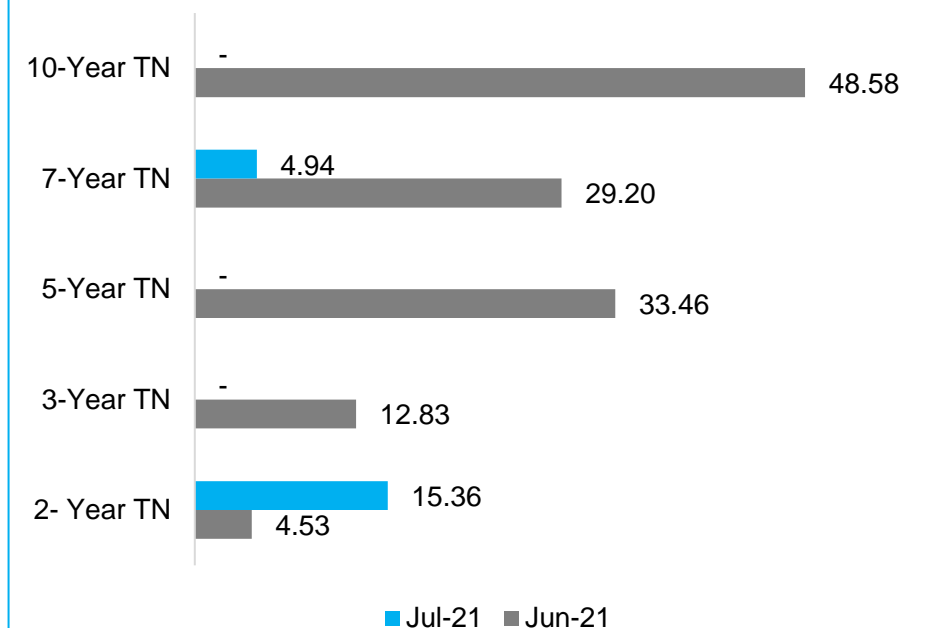
Treasury Bill Allotments (K'billion) - the 364-days TB had a rejection rate of 6.68% in July 2021. A total of K877.95 million worth of TB applications were not allotted during the period.

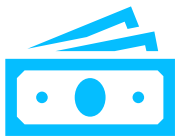


Treasury Note Applications (K'billion) - the 2-year TN had the highest subscription rate in July 2021 at 77.16% of the total TN applications made during the period.



Treasury Note Allotments (K'billion) - the TNs had a rejection rate of 6.15% as K1.33 billion of 2-Year TN applications were not allotted during the period.

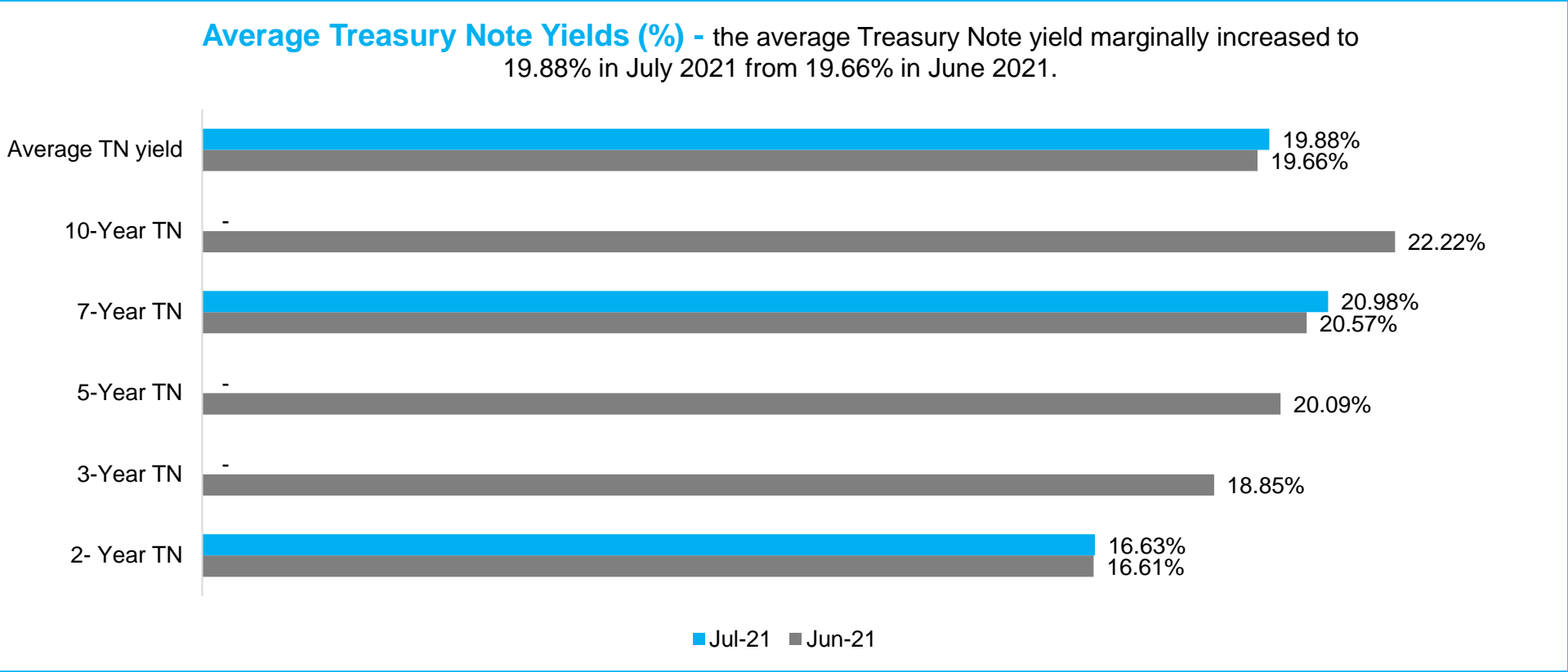




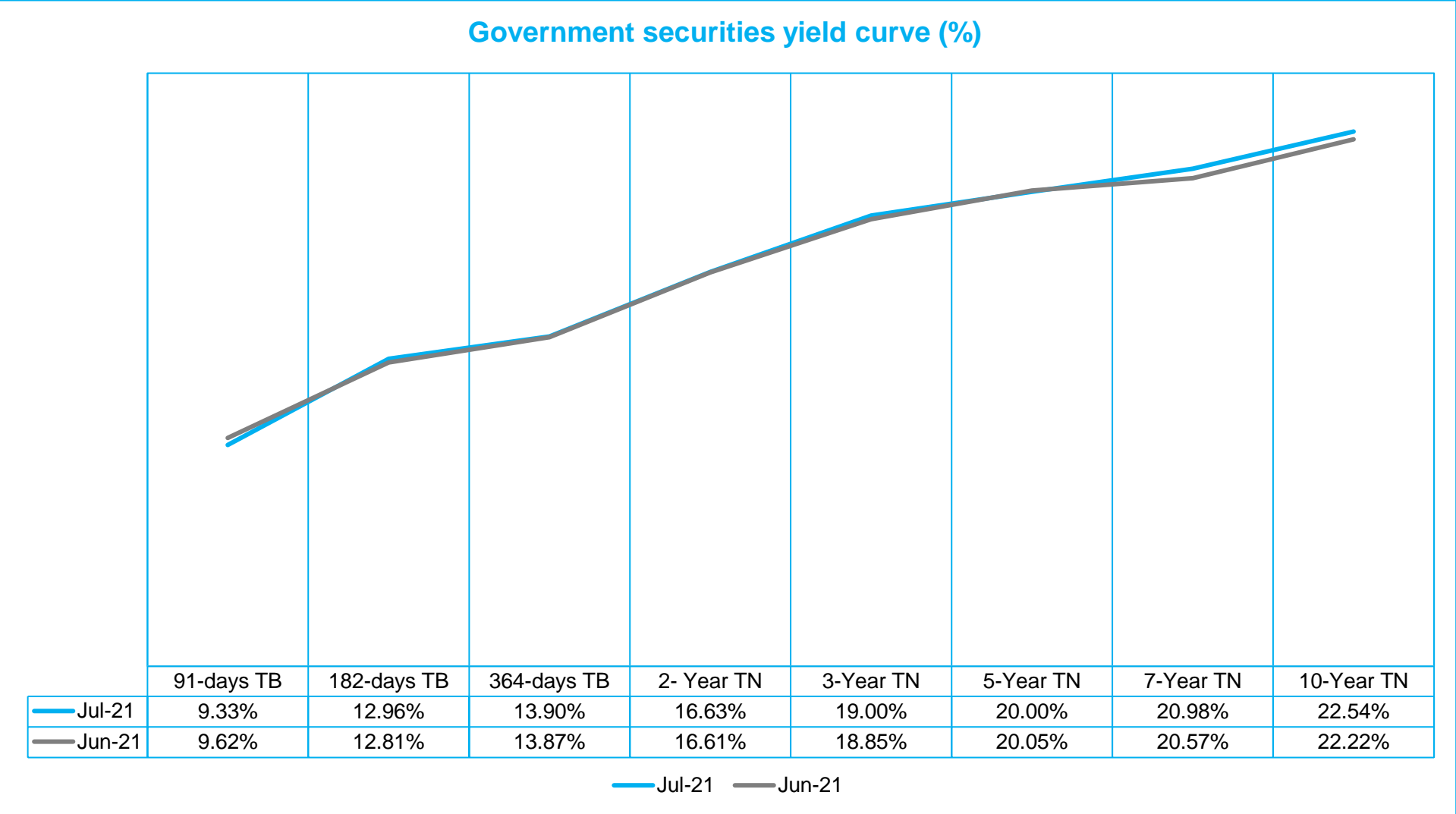
There were increases in the average yields for the 2-year TN (to 16.63% from 16.61%), 3-year TN (to 19.00% from 18.85%), 7-year TN (to 20.98% from 20.57%) and 10-year TN (to 22.54% from 22.22%). The average yield for the 5-year TN decreased (to 20.00% from 20.57%) during the period under review. The average yield for the 91-days TB decreased (to 9.33% from 9.62%) while the average yields for the 182-days TB and the 364-days increased to 12.96% and 13.90% respectively. during the period under review.

Economic overview (continued)

Government securities (Continued)



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

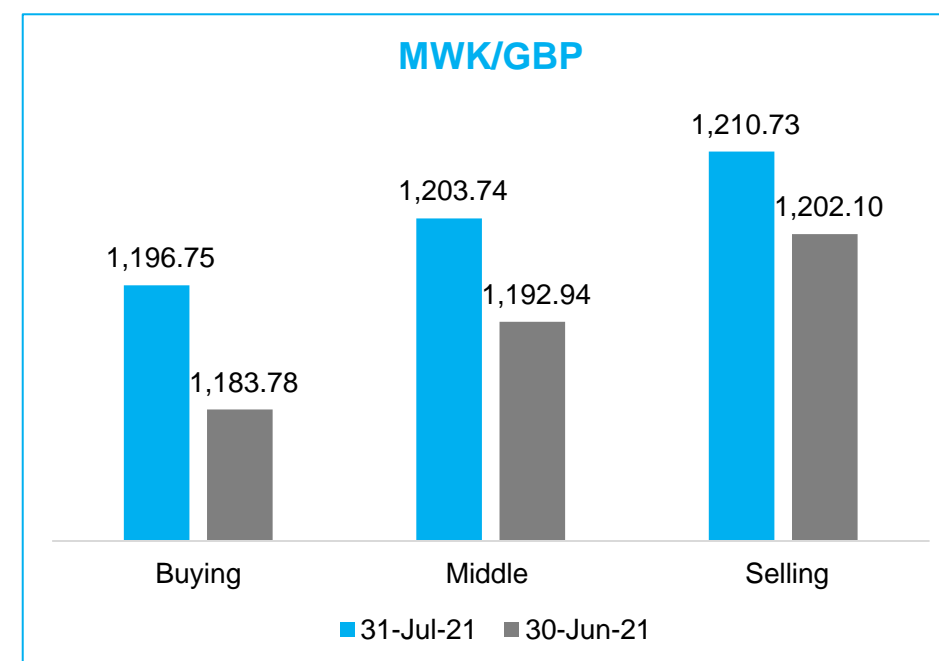
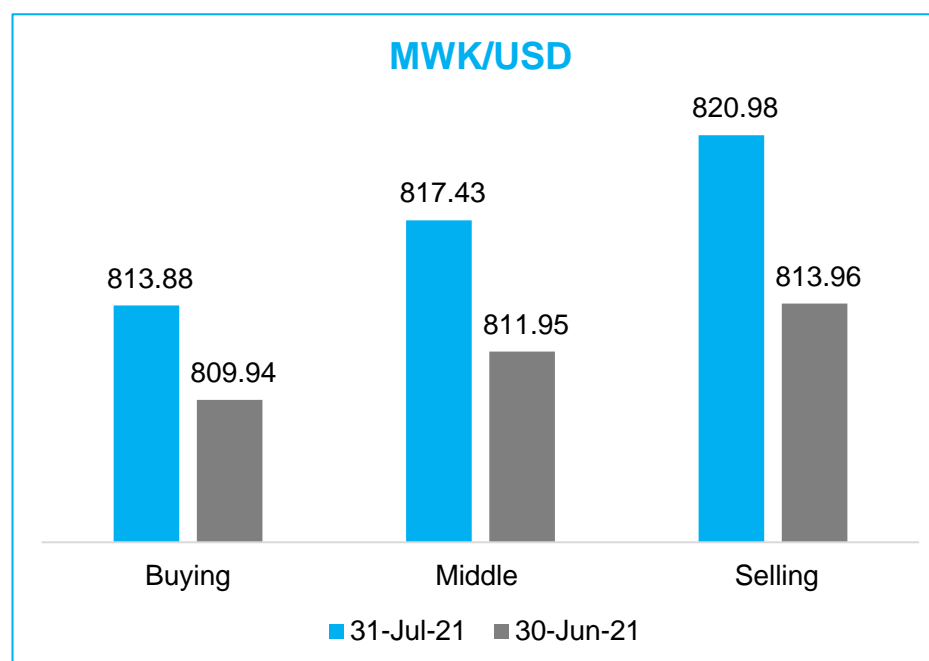




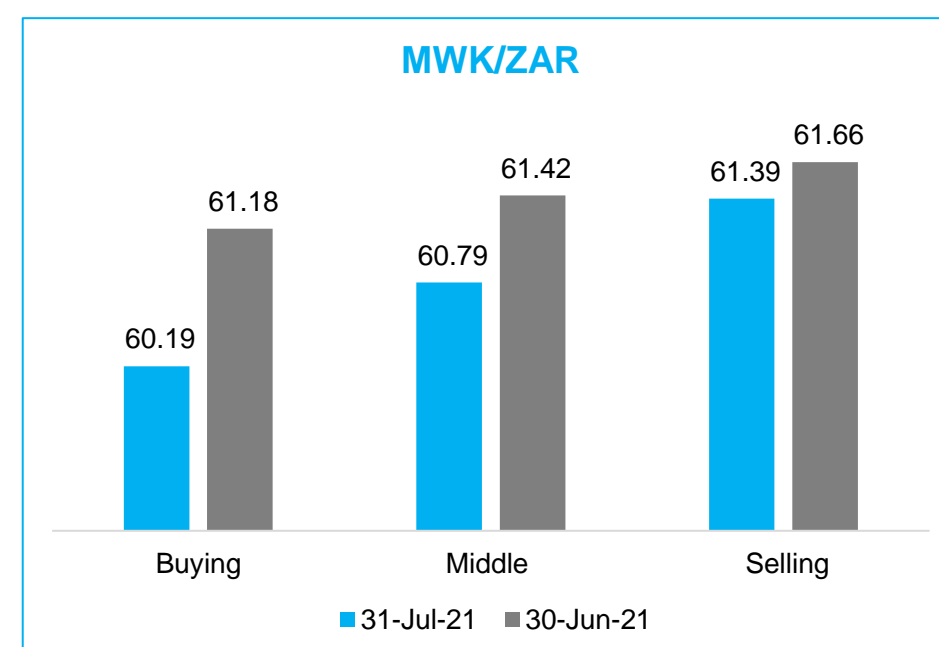
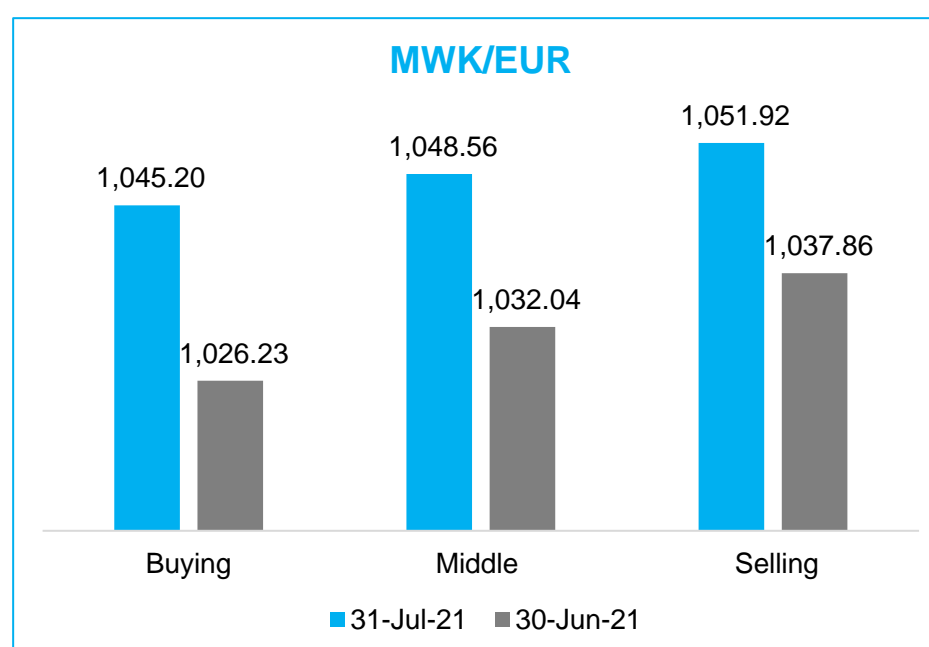
Economic overview (continued)

Based on middle rates, as at 31 July 2021 the Malawi Kwacha had depreciated against the USD by 0.67%, to K817.43/USD from K811.95/USD as at 30 June 2021. Year-to-date, the Malawi Kwacha has depreciated against the United States Dollar by 5.23%.

Foreign currency market (Source: RBM)



The Malawi Kwacha has been weakening over the course of the year 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 still 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 31 July 2021, the Kwacha had depreciated against the USD to K817.43/USD from K811.95/USD as at 30 June 2021. This represents a marginal depreciation of 0.67% m-o-m. Y-o-y, the Kwacha has depreciated by 9.76% as it was K744.74/USD during the same period in the previous year. Year-to-date, the Malawi Kwacha has depreciated against the United States Dollar by 5.23%. The Kwacha marginally depreciated against the GBP by 0.91% to K1,203.74/GBP as at 31 July 2021 from K1,192.94/GBP as at 30 June 2021. Y-o-y the Kwacha has depreciated against the GBP by 21.06% as it stood at K994.33/GBP during the same period in the previous year.



Furthermore, the Kwacha has depreciated against the EUR by 1.60% to K1,048.56/EUR as at 31 July 2021 from K1,032.04/EUR as at 30 June 2021. Y-o-y, the Kwacha has depreciated by 16.09% as it was K903.26/EUR during the same period in the previous year. The Kwacha appreciated against the ZAR by 1.02% to K60.79/ZAR as at 31 July 2021 from K61.42/ZAR as at 30 June 2021. Y-o-y, the Kwacha appreciated by 31.61% against the ZAR as it was K46.19 during the same period in the previous year.

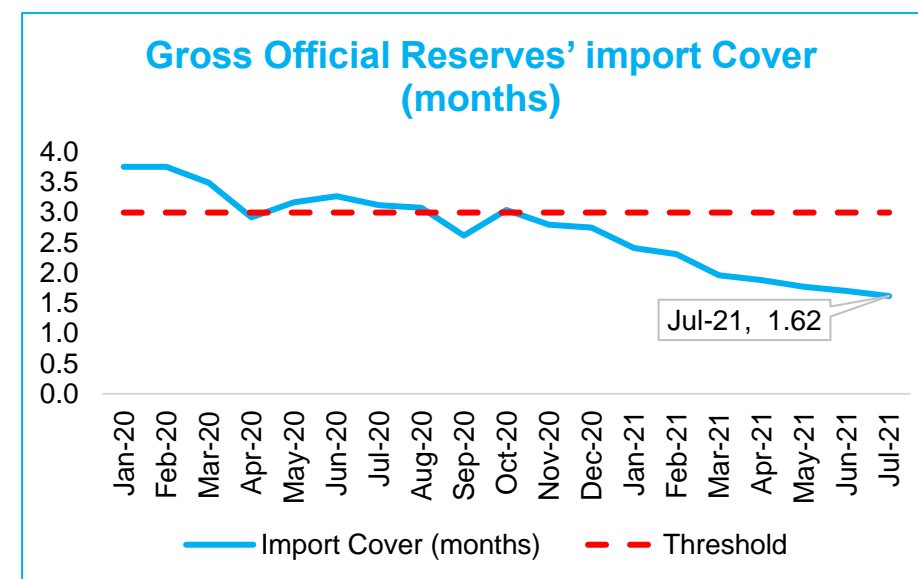
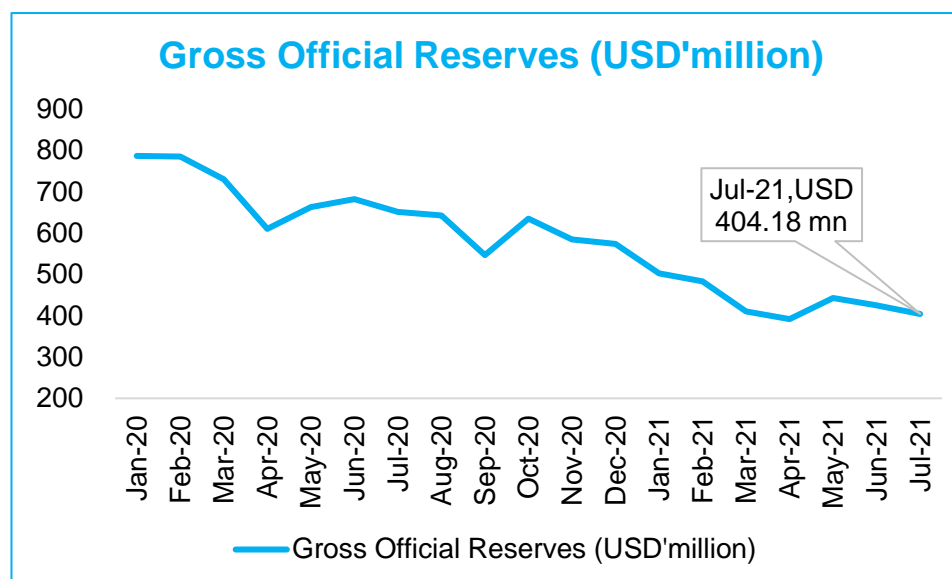
NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates.



Economic overview (continued)

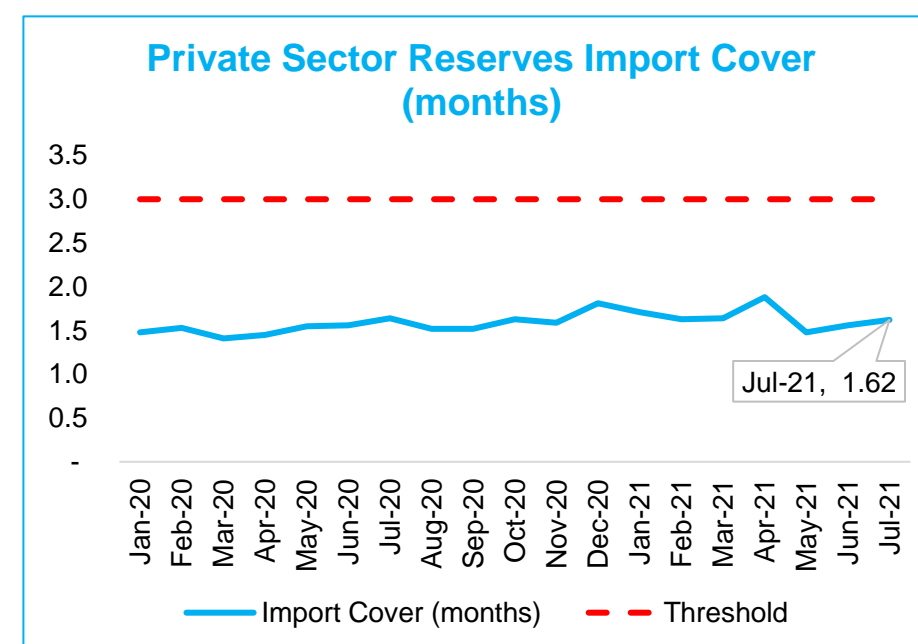
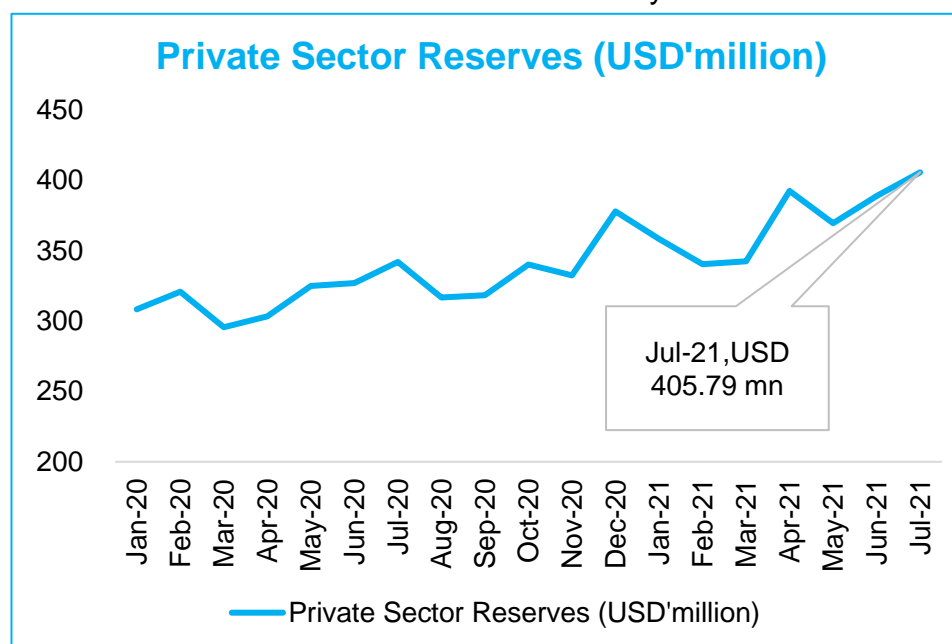
Gross official forex reserves stood at USD404.18 million at the end of July 2021 from USD424.99 million at the end of June 2021. This represents a 4.90% decrease-o-m. The gross official forex reserves' import cover was at 1.62 months for the month of July 2021.

Foreign reserve position trend graphs (Source: RBM)

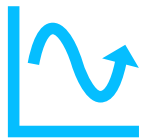


As at 31 July 2021, the country's gross official forex reserves decreased by 4.90% to USD 404.18 million from a gross official forex reserve position of USD424.99 million as at 30 June 2021. Y-o-y the gross official forex reserves decreased by 37.95% as the gross official forex reserves held as at 31 July 2020 were USD651.41 million. The country's import cover decreased to 1.62 months in July 2021 from 1.70 months in June 2021. Import cover for gross official forex reserves continue to remained below the required threshold of 3 months.

The private sector forex reserves increased by 4.38% to USD405.79 million as at 31 July 2021 from USD388.78 million as at 30 June 2021. Y-o-y the private sector forex reserves increased by 18.65% as the private sector forex reserves held as at 31 July 2020 were USD342.01 million. Despite that, the import cover for private sector reserves continue to remain below the required threshold of 3 months as it was at 1.62 months as at 31 July 2021.



Overall, total foreign exchange reserves held in July 2021 were USD809.97 million which is a 0.47% decrease from the total foreign exchange reserves position of USD813.77 million in June 2021. The total foreign exchange reserves had an import cover of 3.24 months in July 2021.

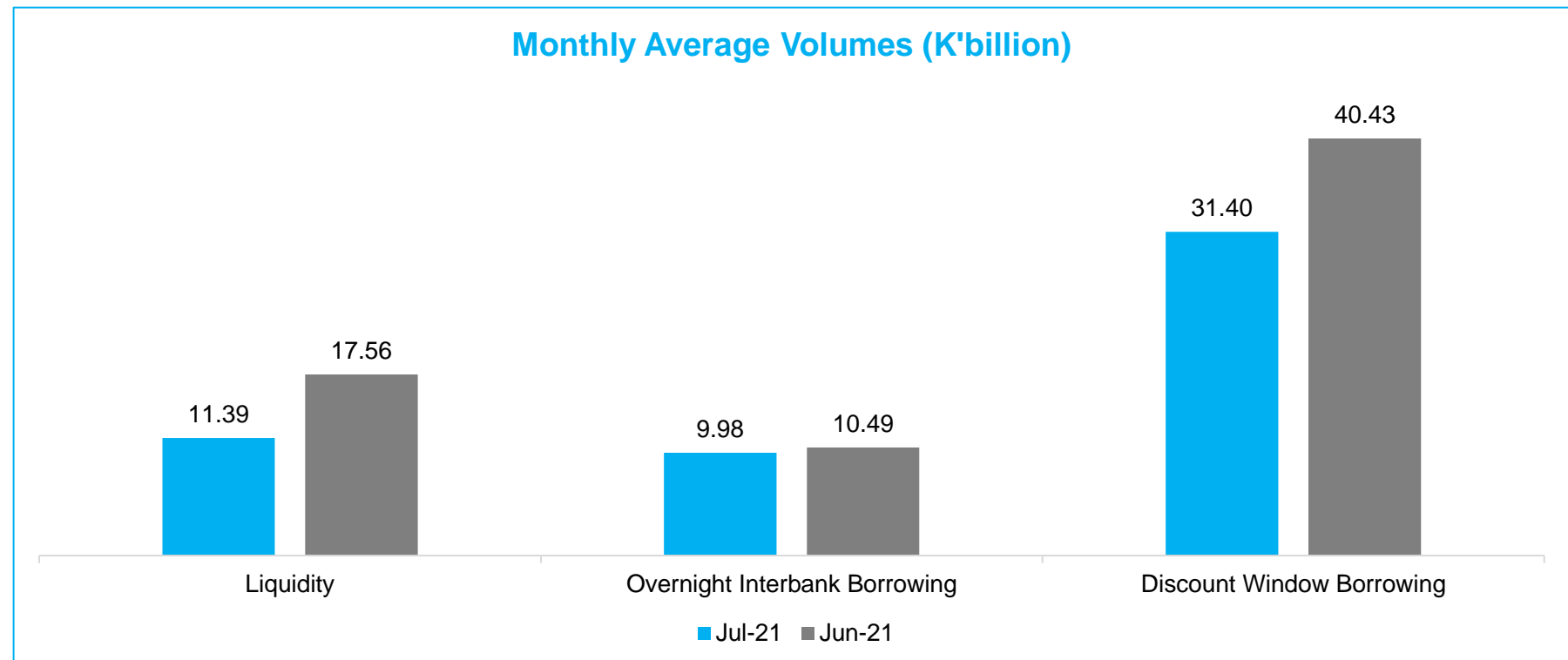


Economic overview (continued)

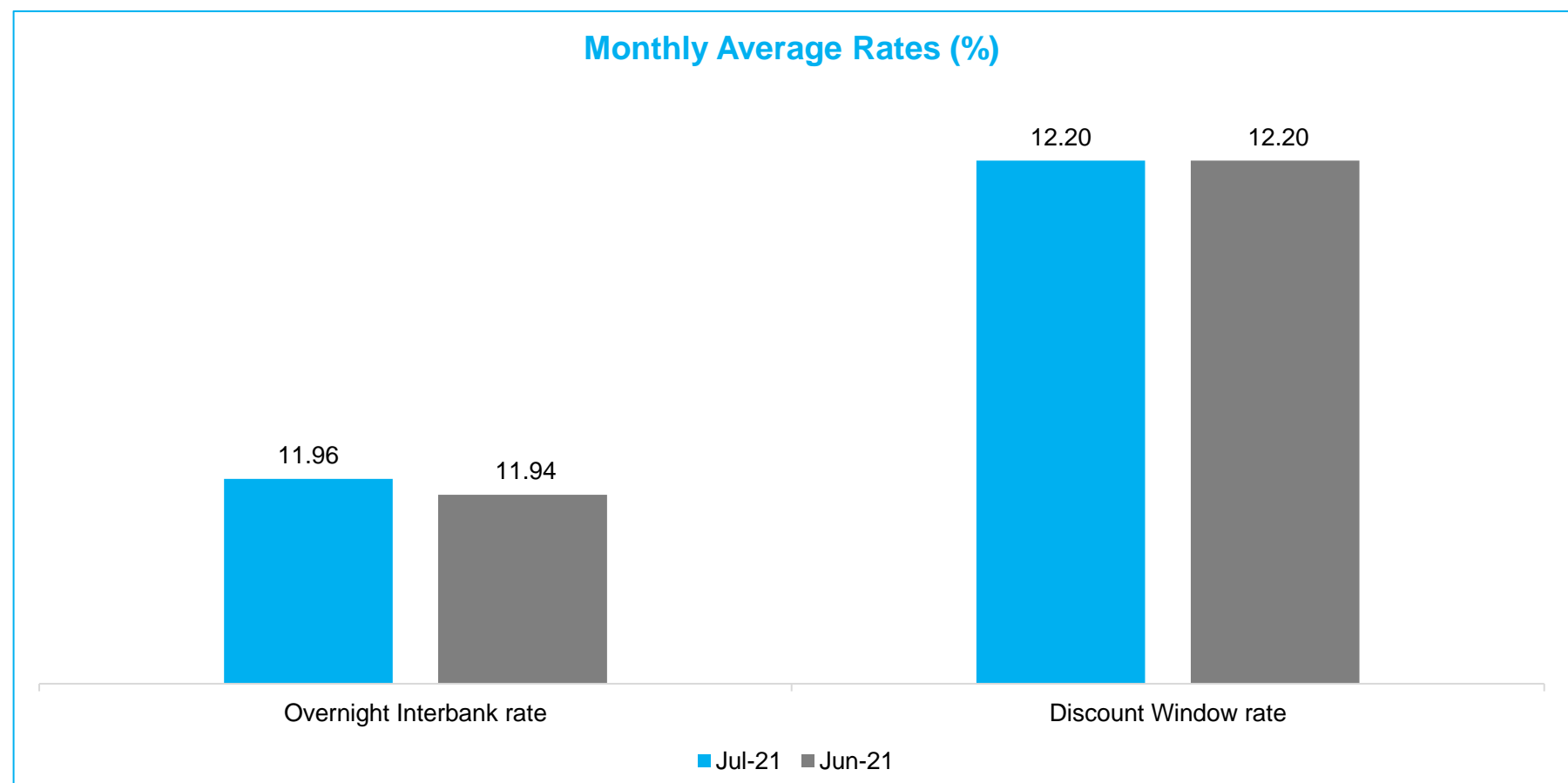
There was a 35.10% decrease in the daily average liquidity to K11.39 billion in July 2021 from K17.56 billion in June 2021. The Overnight Interbank rate increased to 11.96% in July 2021 from 11.94% in June 2021.

Interbank markets and interest rates (Source: RBM)

There was a 35.10% decrease in the daily average liquidity to K11.39 billion in July 2021 from K17.56 billion in June 2021. The overnight interbank borrowing volume decreased during the period to a daily average of K9.98 billion in July 2021 from an average of K10.49 billion in June 2021. The daily average volume for the discount window borrowing (Lombard facility) also decreased to K31.40 billion in July 2021 from K40.43 billion in June 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 third MPC meetings of 2021. The Overnight Interbank rate increased to 11.96% in July 2021 from 11.94% in June 2021. The changes are shown in the figure below.



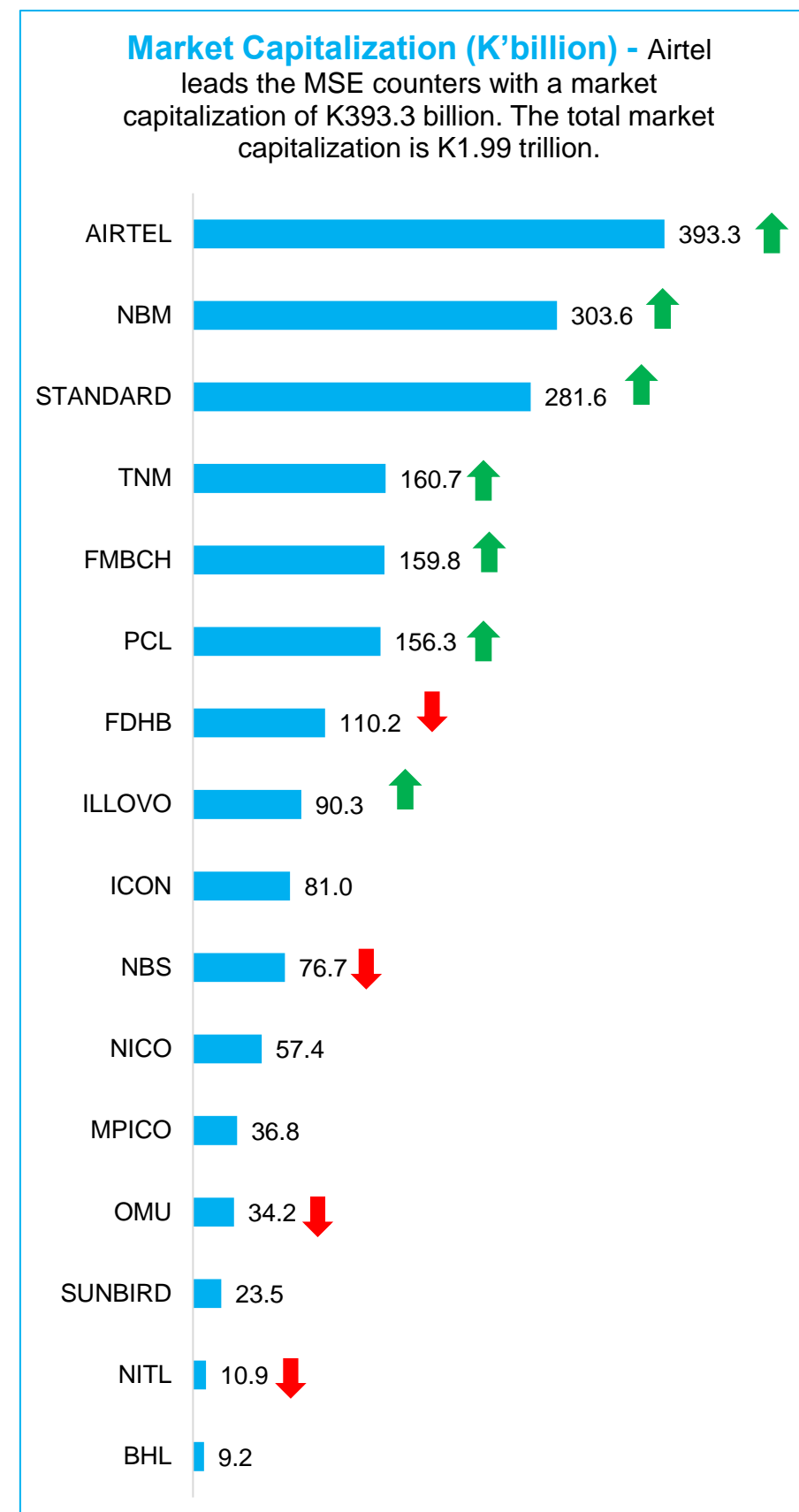
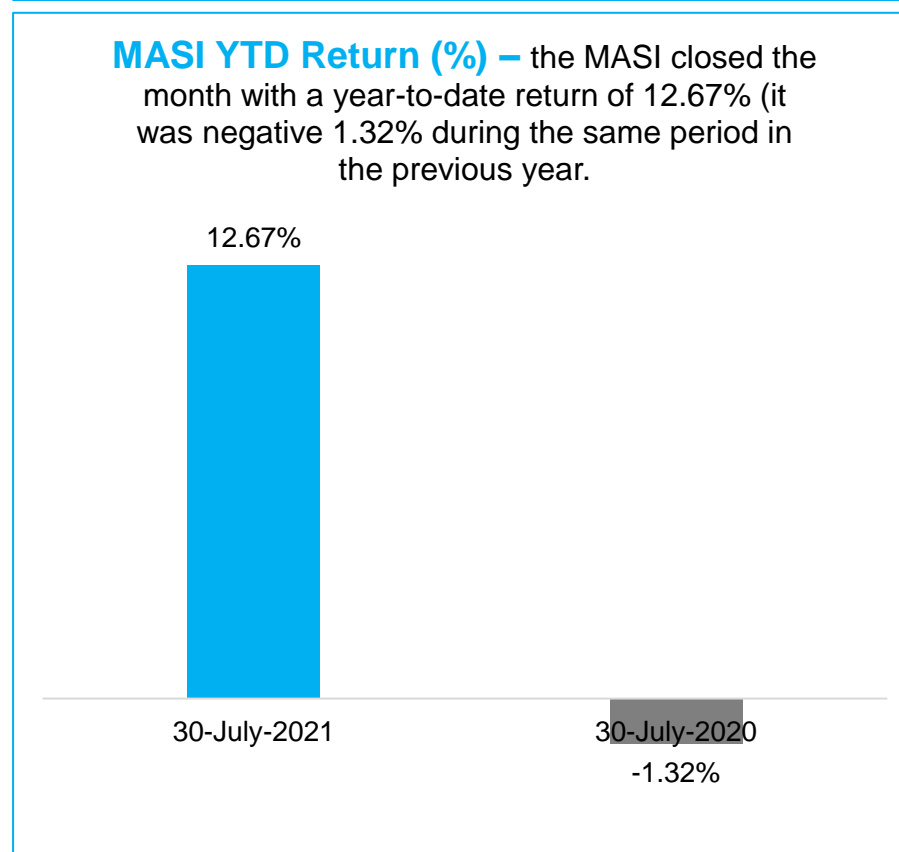
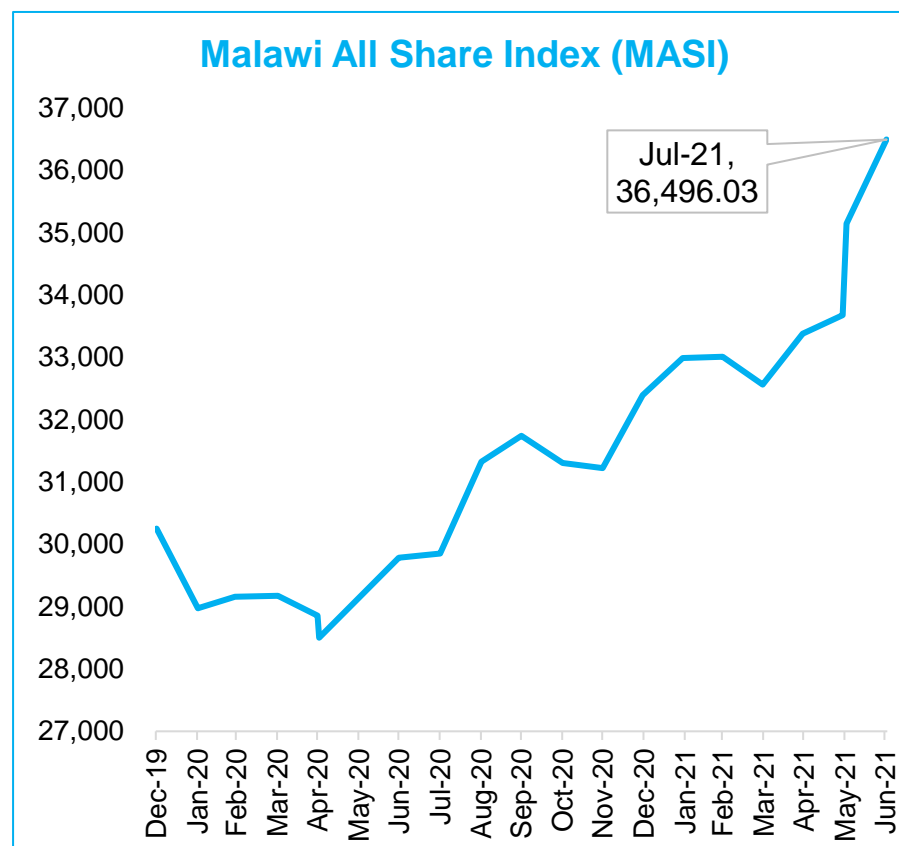


The stock market continues to show growth compared to the previous year, with the MASI closing the month of July 2021 at 36,496.03 points. The MASI year-to-date return was 12.67% in July 2021, it was negative 1.32% during the same period in the previous year.

Economic overview (continued)

Stock market

The stock market was bullish over the period with the Malawi All Share Index (MASI) reaching 36,496.03 points in July 2021 from a low position of 29,851.63 points in July 2020 representing a y-o-y increase of 22.26%. The MASI has increased by 3.85% m-o-m, as it was 35,144.56 points in June 2021.





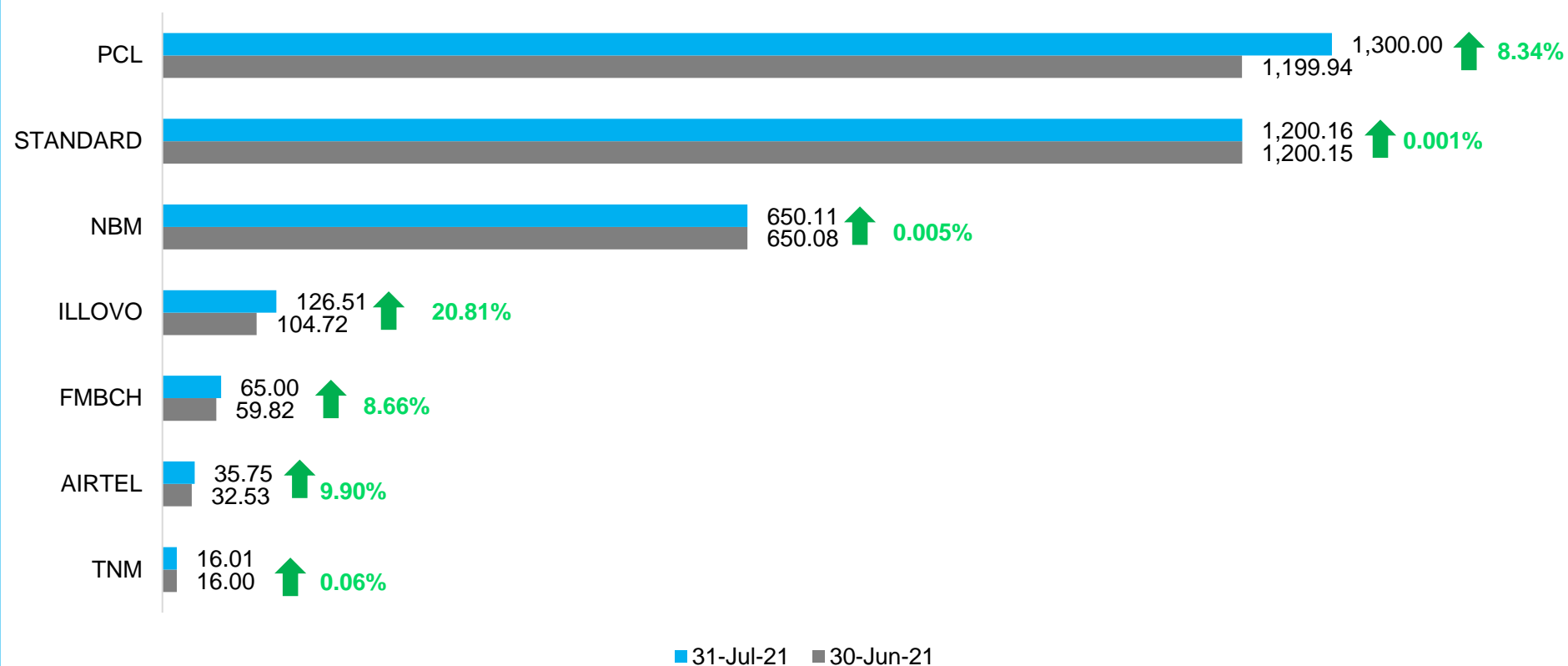
Economic overview (continued)

Stock market (Continued)

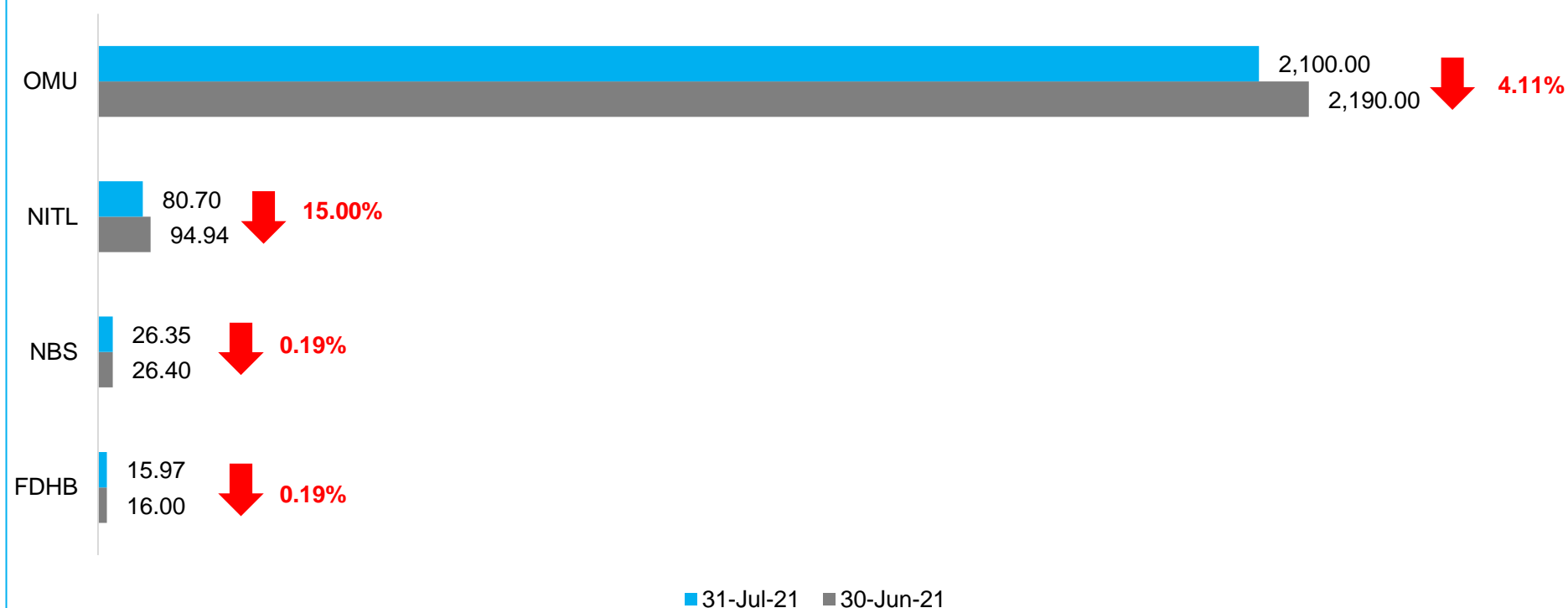
The largest gainer in July 2021 was ILLOVO which closed the month at K126.51 per share from K104.72 per share in June 2021. This marks a m-o-m increase of 20.81%. There were also share price gains for PCL, Standard Bank, NBM, FMBCH, Airtel and TNM. A total of five counters closed the month at the same price as the previous month. These counters were: BHL, ICON, MPICO, NICO, and SUNBIRD. The largest loser was NITL whose share price decreased by 15.00% to K80.70 per share as at the close of July 2021 from K94.94 per share as at the close of June 2021. The figures below summarise the share price changes during the period.

M-o-m, ILLOVO had the largest share price gain in July 2021 to K126.51 per share from K104.72 per share in June 2021, representing a 20.81% increase. NITL had the largest share price loss during this period to K80.70 per share in July 2021 from K94.94 per share in June 2021, representing a 15.00% decrease.

Share Price Gainers (MK/Share)



Share Price Losers (MK/Share)

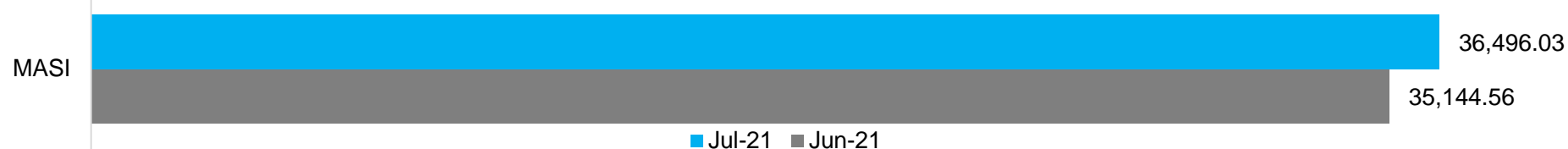




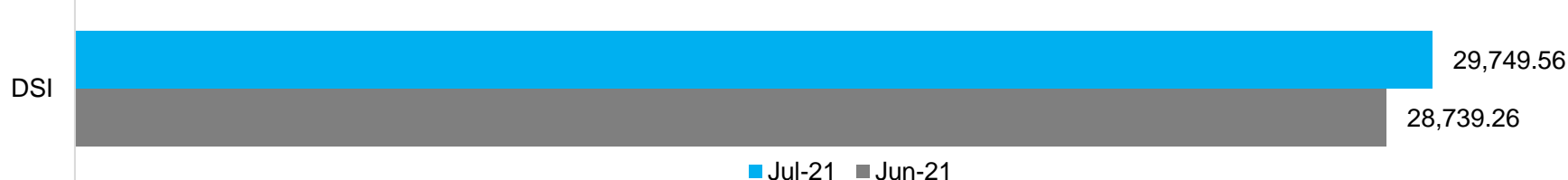
Economic overview (continued)

Stock market (Continued)

MASI – the MSE was bullish during the period under review as the MASI increased to 36,496.03 points in July 2021 from 35,144.56 points in June 2021. This was due to a share price gains in 7 counters which offset share price losses in 4 counters.



DSI – the DSI increased to 29,749.56 points from 28,739.26 points during the period under review. This was due to share price gains in PCL, Standard Bank, NBM, ILLOVO, AIRTEL and TNM which offset share price losses NITL, NBS and FDH Bank.



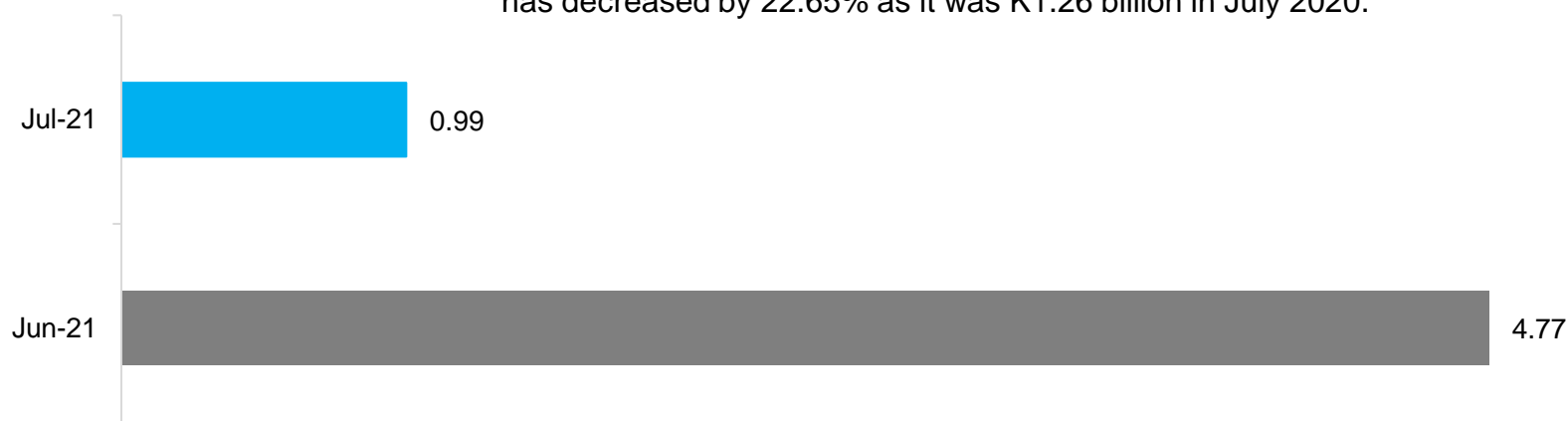
FSI – the FSI increased to 3,479.97 points from 3,234.45 points during the period under review. This was due to a share price gain for FMBCH which offsets a share price loss for OMU.



MSE Traded Volumes

There were K0.99 billion worth of shares traded in July 2021 compared to the K4.77 billion worth of shares traded in June 2021. PCL and TNM had the highest value of shares traded at K316.43 million and K260.66 million respectively, during the period under review. The total number of trades in the month under review decreased to 298 trades from 326 trades June 2021. The figure below traces the total value of shares traded on the MSE in June 2021.

Value of shares traded (K'billions)- The total value of shares traded decreased by 79.14% in July 2021 to K0.99 billion from K4.77 billion in June 2021. Y-o-y the total value of shares traded has decreased by 22.65% as it was K1.26 billion in July 2020.



M-o-m, the MASI increased by 3.85% to July 2021 from June 2021. This was due to share price gains in PCL, Standard Bank, NBM, ILLOVO, FMBCH, AIRTEL and TNM which offset share price losses in OMU, NITL, NBS and FDH Bank. Y-o-y the MASI has grown by 22.26% as it was 29,851.63 points in July 2020.

There were 21.99 million shares traded in July 2021 through 298 trades. The total value of shares traded decreased by 79.14% in July 2021 to K0.99 billion from K4.77 billion in June 2021.



National Bank of Malawi plc closed the half-year ended 30 June 2021 with a profit after tax of K12.8 billion, an increase of 41% from a profit after tax of K9.1 billion for the half-year ended 30 June in 2020.

Economic overview (continued)

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
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%)
Counter	30 June 2021	30 June 2020	Actual Change in Profit/Loss for the Half-year ended	Trading statement profit/loss expectation
FDH Bank (K'billion)	4.55	3.22	41%	34%
National Bank (K'billion)	12.8	9.1	41%	20%



The Board of National Bank PLC approved an interim dividend of K10.71/share 8 August 2021.

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
NICO	Declared	Final	0.50	30 July 2021	18 August 2021
FDH	Declared	Interim	0.33	13 August 2021	27 August 2021
PCL	Declared	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	20 August 2021	28 August 2021
ICON	Proposed	Final	0.12	27 August 2021	10 September 2021
NBM	Declared	Interim	10.71	3 September 2021	24 September 2021

4. Annual general meetings

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

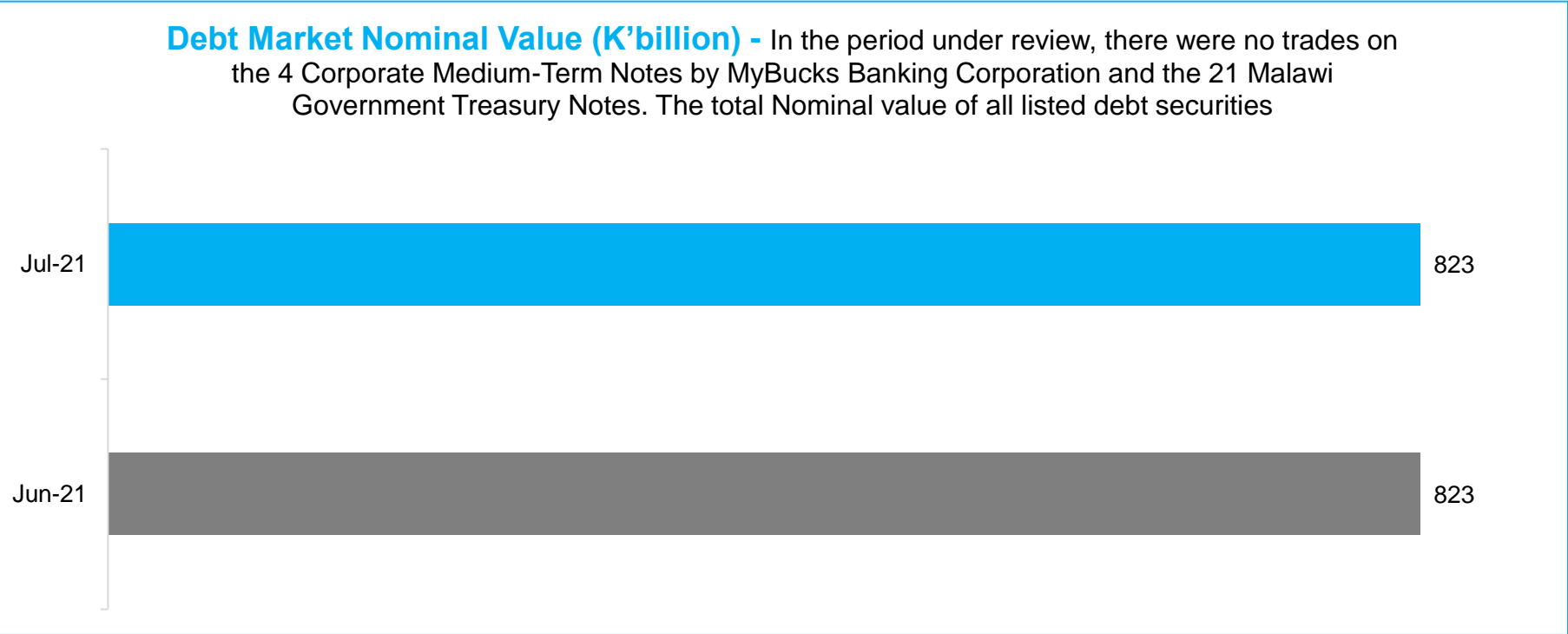
Company	Venue	Date	Time
ICON	Virtual AGM	10 August 2021	15:30 hours
NITL	Virtual AGM	13 August 2021	10:00 hours



Economic overview (continued)

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

Debt market



There were no trades registered in the debt market for the month of July 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.



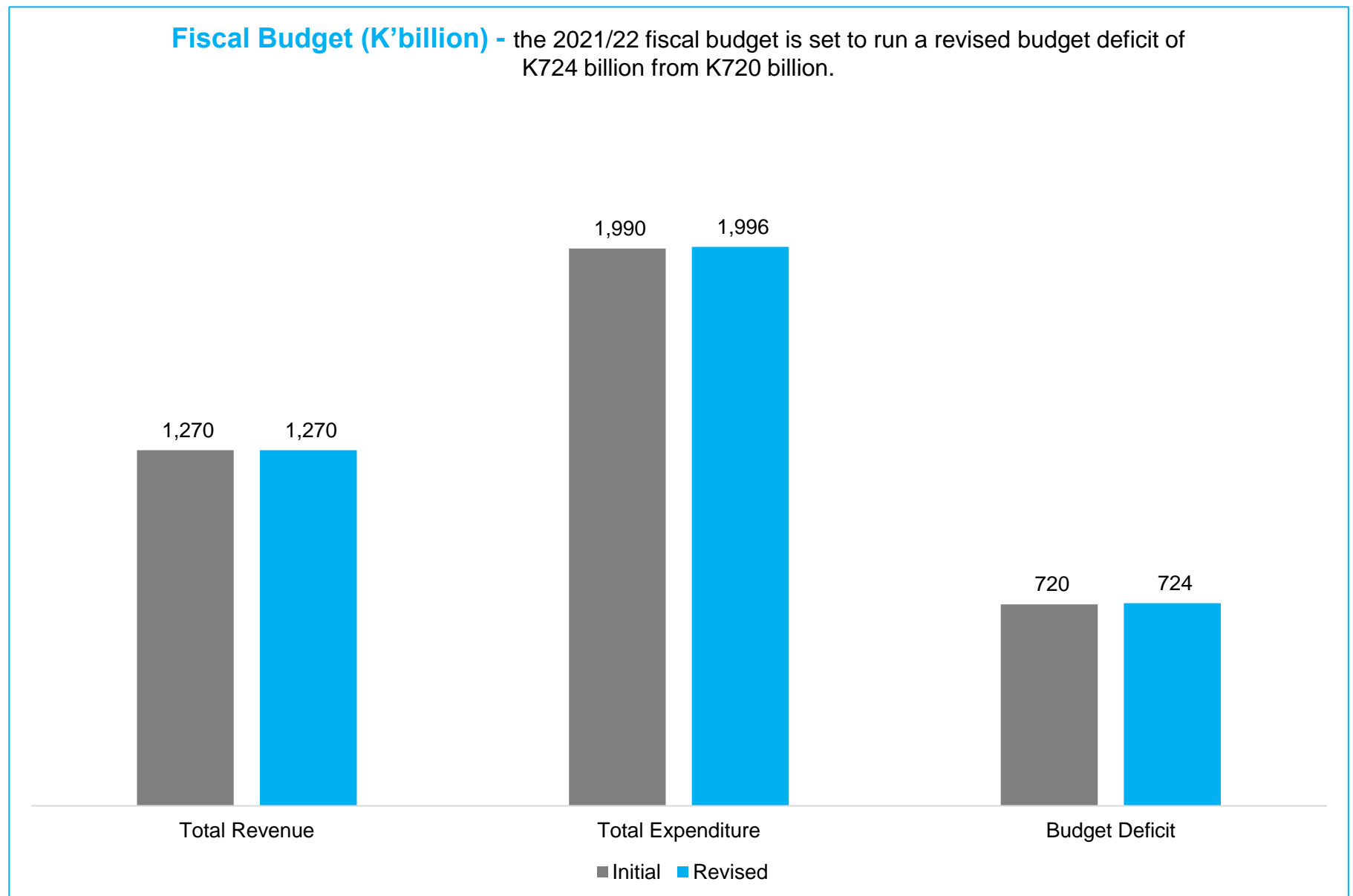
2021/22 Budget

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

Fiscal budget

The total revenue and grants for the 2021/22 fiscal year is estimated to be K1.27 trillion representing 12.4% of GDP and comprises of K1.15 trillion in revenue and K170 billion in grants. The corresponding total expenditure for the same period is projected to be K1.996 trillion, representing 19.5% of GDP. This results in a deficit of K724 billion which amounts to 7.1% of GDP. The deficit will be funded by domestic and foreign borrowing of K583 billion and K135 billion, respectively.

Subsequent to the budget statement, there have been two material developments. The first is that additional financial allocations were made to sectors including the National Assembly and the Office of the Vice President. The second is a 12% increase in civil servant salaries from July 2021. There have been no explicit statements of sources of revenue for these developments. These developments will likely widen the budget deficit resulting in an increase in Government borrowing and the level of public debt.



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

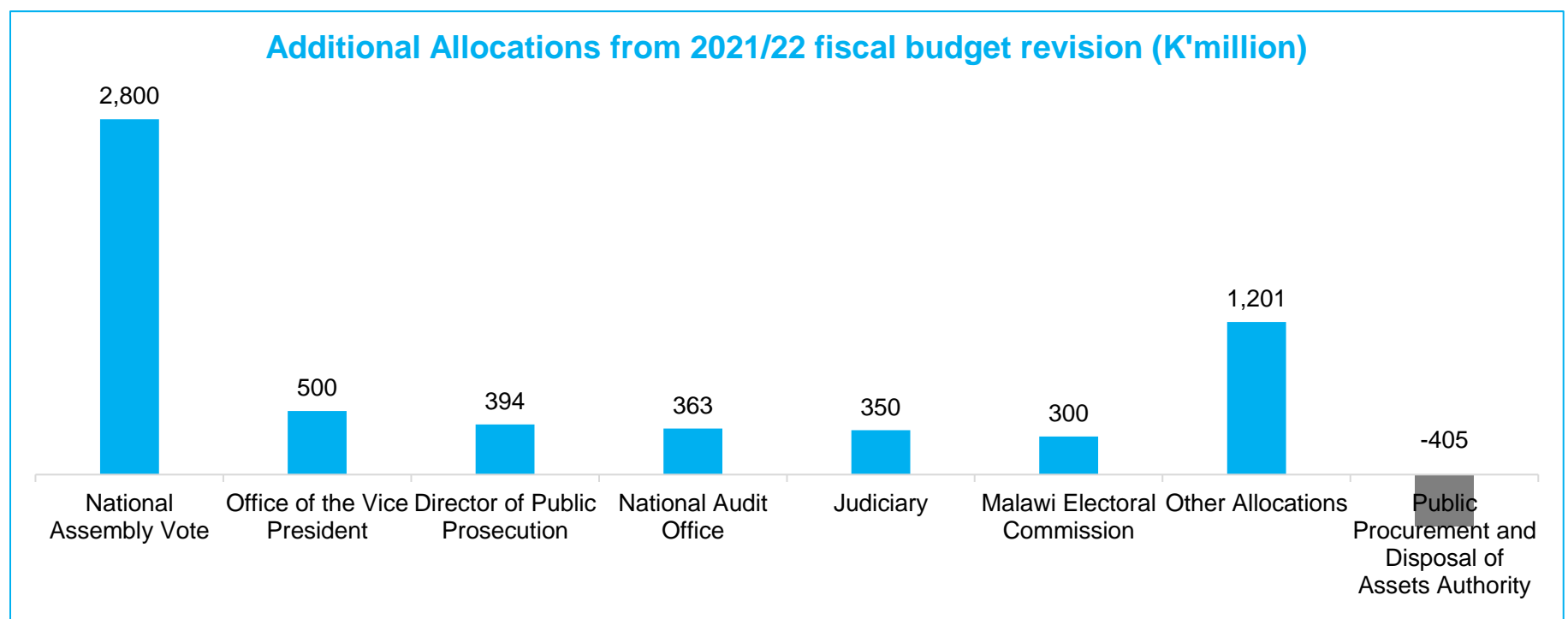


2021/22 Budget (Continued)

The Government agreed to increase civil servants' salaries by 12% and seeks additional financing for the AIP following a decrease in the number of beneficiaries to 2.7 million from 3.7 million.

The Government is also seeking additional financing for the AIP. This follows the recent development in which the Government reduced the number of beneficiaries for the programme to 2.7 million from 3.7 million. Despite mention of additional funds being sought, there has been no explicit mention of the source.

In the budget statement response, the additional fund allocations that had 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 had 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, the Government continues to finance fiscal deficits through domestic borrowing. The report states domestic borrowing of 5.9% of GDP for 2021 and a budgeted 7.8% in FY2021 and FY2022. 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.

The World Bank Malawi Economic Monitor states that 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 World Bank Malawi Economic Monitor for June 2021 states that domestic borrowing as a percentage of GDP is set to be 5.9% and a budgeted 7.8% in FY2021 and FY2022, respectively.

Other Market Developments



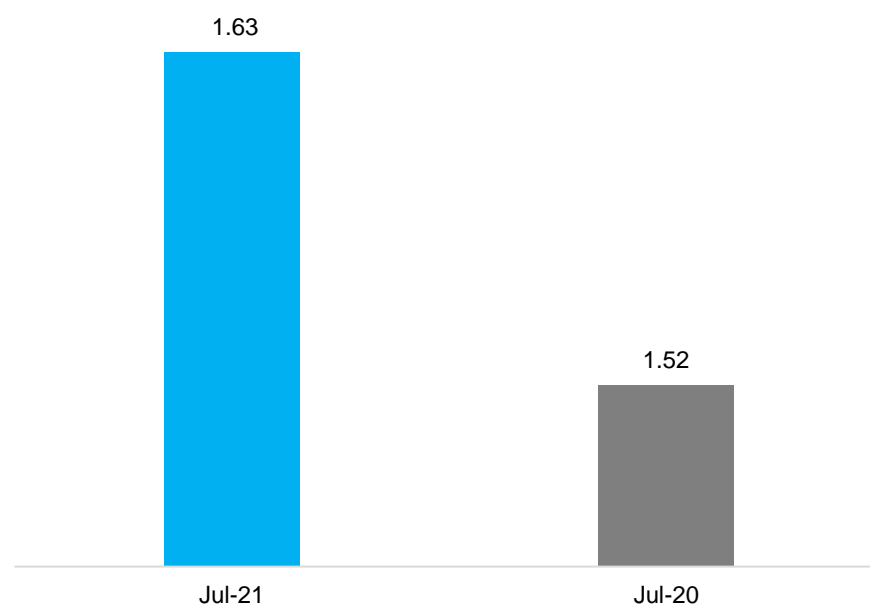
Other Market Developments

Tobacco Sales (Source: AHL)

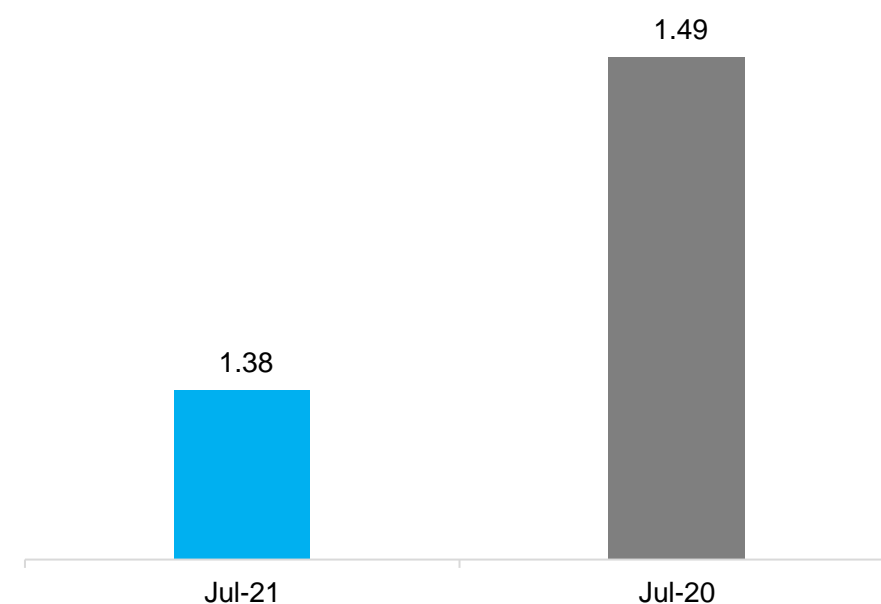
As at 31 July 2021, a cumulative volume of 113 million kgs had been sold at a seasonal average price of USD1.63 per kg which marked a cumulative value of USD183.73 million, based on AHL tobacco sales figures. This represents a 20.63% y-o-y increase in the cumulative value of tobacco. The cumulative value in July 2020 was USD152.31 million raised from a cumulative volume of 99.97 million kgs. The 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.

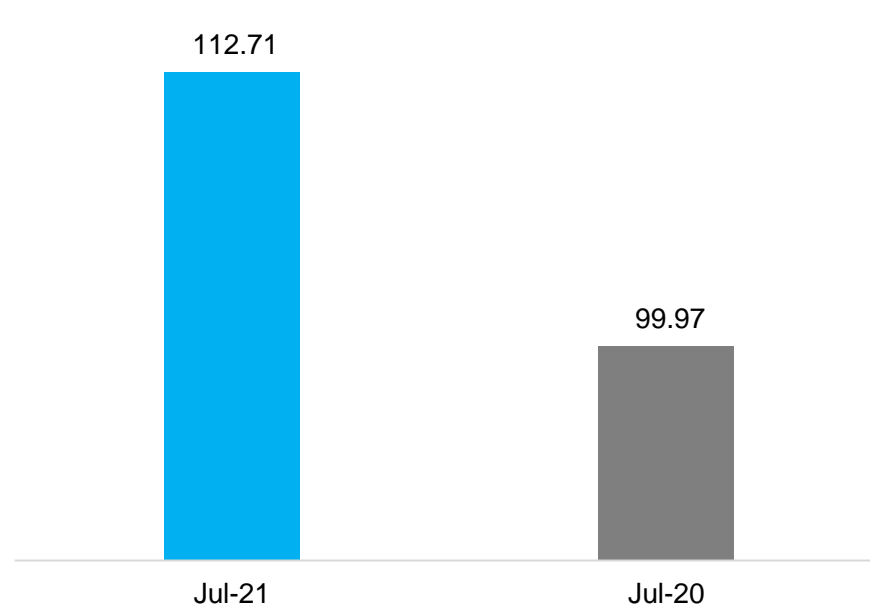
Seasonal Average Prices (\$/kg)



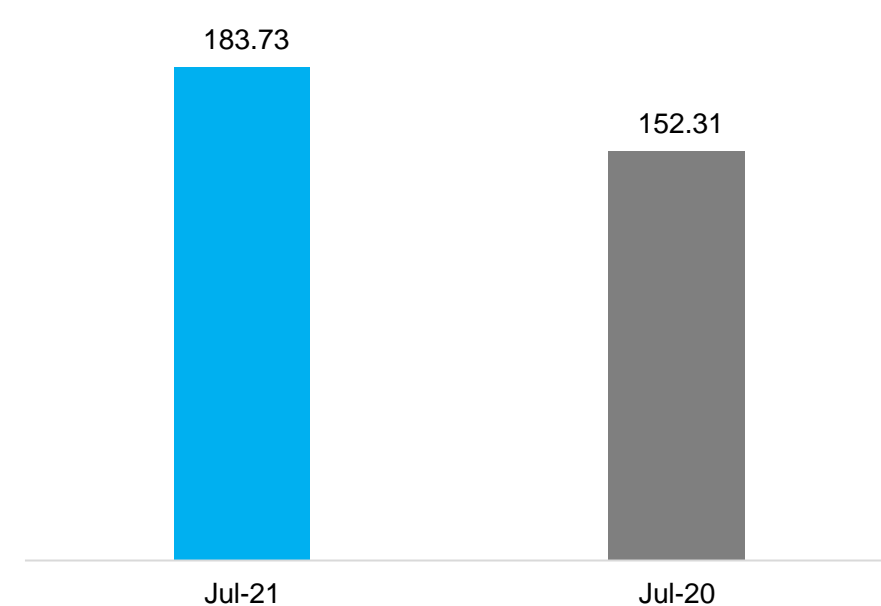
Average Daily Volumes (millions of kgs)



Cumulative Volume (millions of kgs)



Cumulative Value (\$'million)



The total volume of tobacco sold in July 2021 was 112.71 million kgs, sold at a seasonal average price of USD1.63 per kg. This marks a cumulative value of USD183.73 million sold as at 31 July 2021 from USD152.31 million sold as at 31 July 2020.



Other Market Developments (continued)

The average retail price for maize in July 2021 was K131/kg which is a 0.76% decline from the average retail price in June 2021 which was K132/kg. Therefore, a standard 50kg bag of maize was selling for an average of K6,550.00 in July 2021.

Malawi monthly maize market report (Source: IFPRI)

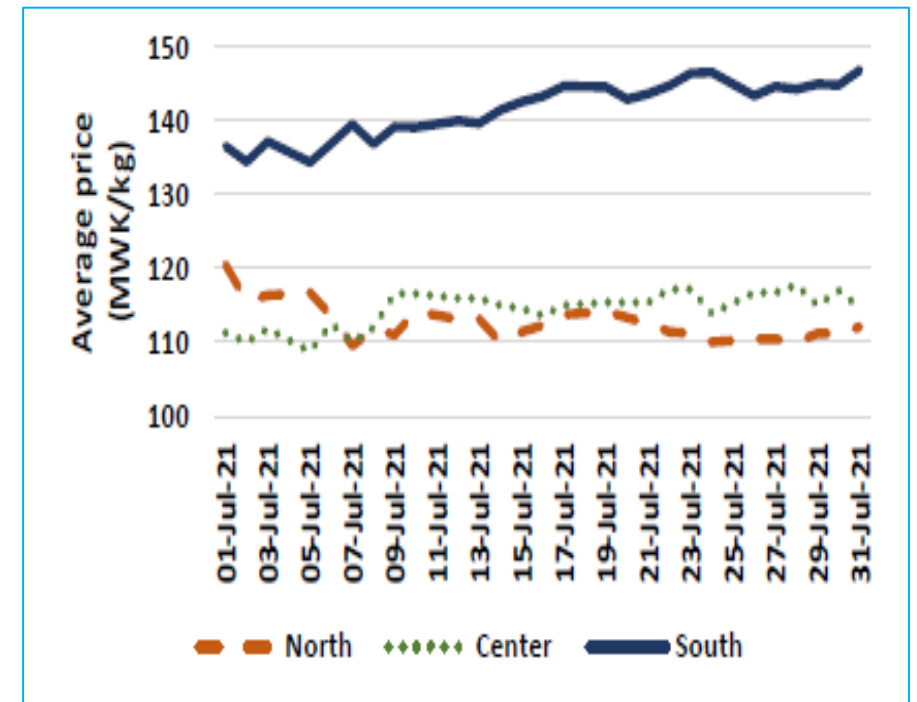
The monthly average retail maize price decreased to K131/kg in July 2021 from K132/kg in June 2021, representing a 0.76% decrease in the average maize retail price. This means that on average, a standard 50kg bag of maize was selling for K6,550.00 in July 2021 from an average price of K6,600.00 in June 2021.

During the month of July, smallholder farmers continued to receive on average K95/kg for their maize at the farm gate. The average is 36.67% below the minimum farm gate price of K150/kg. Only 8% of farmers who sold maize in July reported receiving at least the minimum farm gate price.

According to IFPRI, ADMARC opened its markets on 28 July 2021 and is expected to buy over 900,000 metric tons of maize in the tranches, starting with 300,000 metric tons. Since then, ADMARC purchases have been reported in 13 out of the 26 markets monitored by IFPRI.

In July 2021, retail maize prices in the main Malawian markets were lower than in selected regional markets in eastern Africa and on the main grain futures market in South Africa (SAFEX).

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



Regional And Global Market Developments



Regional And Global Market Developments

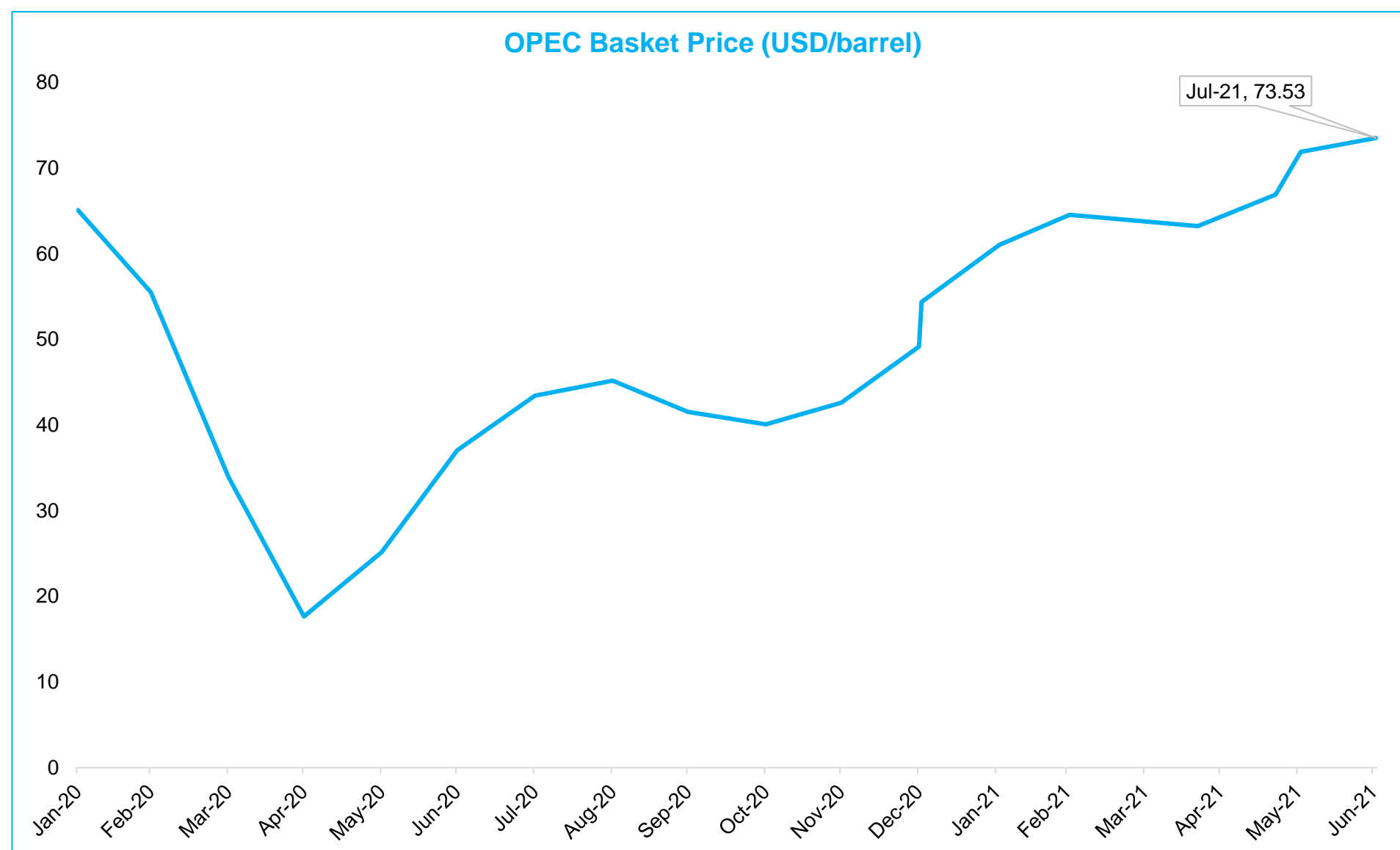
The OPEC Reference Basket (ORB) increased to USD73.53/b in July 2021 from USD71.89/b in June 2021.

Global oil developments (Source: OPEC)

The OPEC Reference Basket (ORB) increased to USD73.53/b in July 2021 from USD71.89/b in June 2021. The ORB has also increased by 69.35% y-o-y as it was USD43.42/b in July 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.

An agreement reached by major oil producers in July aims to increase oil production from August 2021. The agreement is reached with the goal of increasing the global supply of oil and easing pressure on global oil prices. The agreement is set to increase oil output each month by 400,000 barrels a day beginning in August. This is set to add 2% to the global oil supply by the end of the year.





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 1.23% in July 2021 from 1.47% in June 2021.

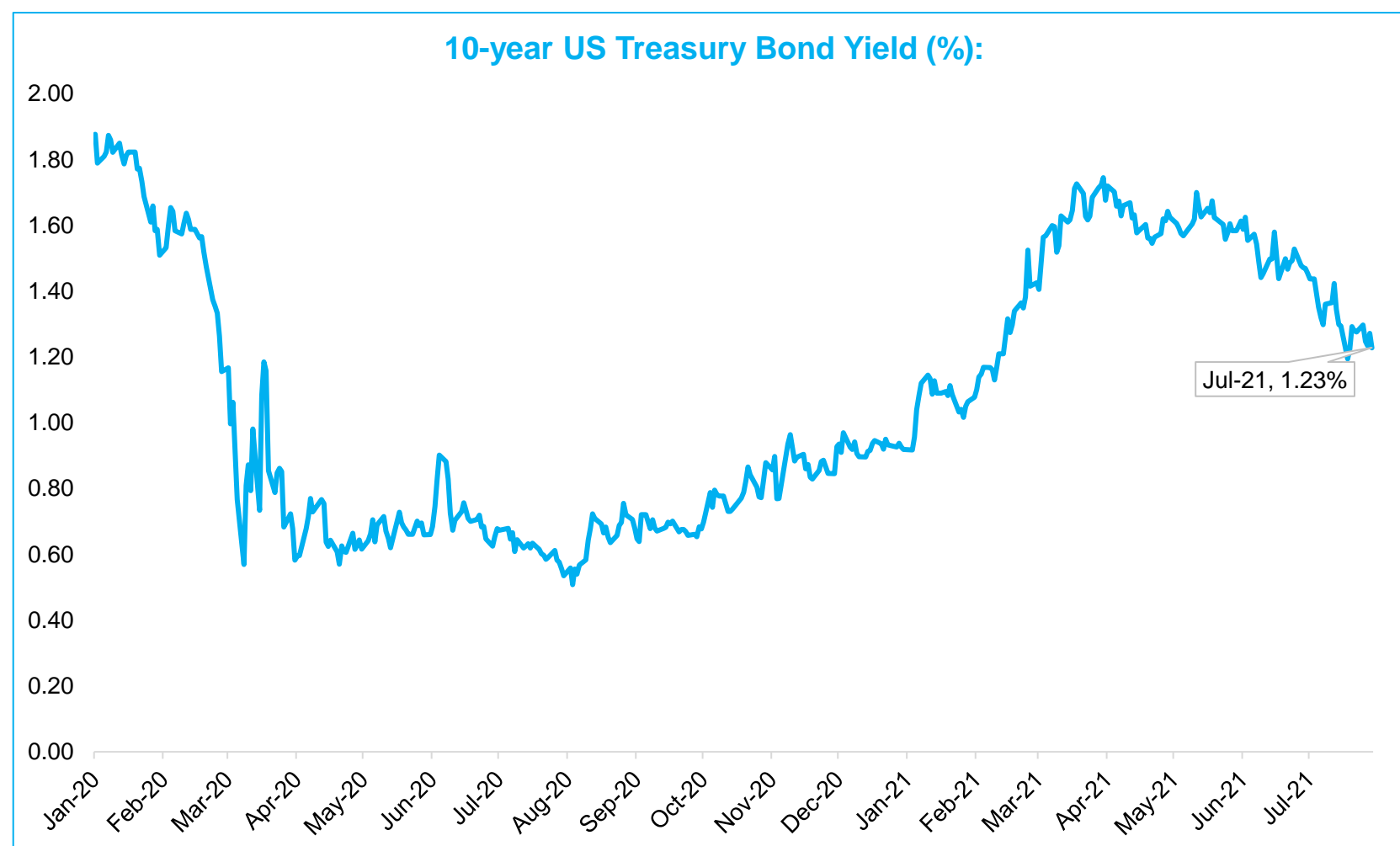
Interest rate movements (Source: WSJ and ICE Benchmark Administration)

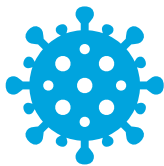
The US Fed rate was maintained at 0.25% in July 2021. Similarly, the Bank of England Rate and the European Central Bank Rate were also maintained at 0.10% and 0.00% respectively. The 3-month US LIBOR rate decreased to 0.12% in July 2021 from 0.15% in June 2021. The 6-month US LIBOR rate decreased its position to 0.16% in July from 0.17% in June 2021. Lastly, the US 10-Year treasury bond yield decreased to 1.23% from 1.47% during this period.

Interest Rates

	July 2021 (%)	June 2021 (%)
US LIBOR (3 months)	0.12%	0.15%
US LIBOR (6 months)	0.16%	0.17%
US treasury bond yield (10 years)	1.23%	1.47%
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 52,347 in July 2021 from 36,126 in June 2021. Total deaths caused by COVID-19 increased to 1,635 in July 2021 from 1,196 in June 2021. As at 31 July 2021, 453,729 individuals had been vaccinated with the first dose. As at 31 July 2021, 138,134 individuals had been vaccinated with the second dose.

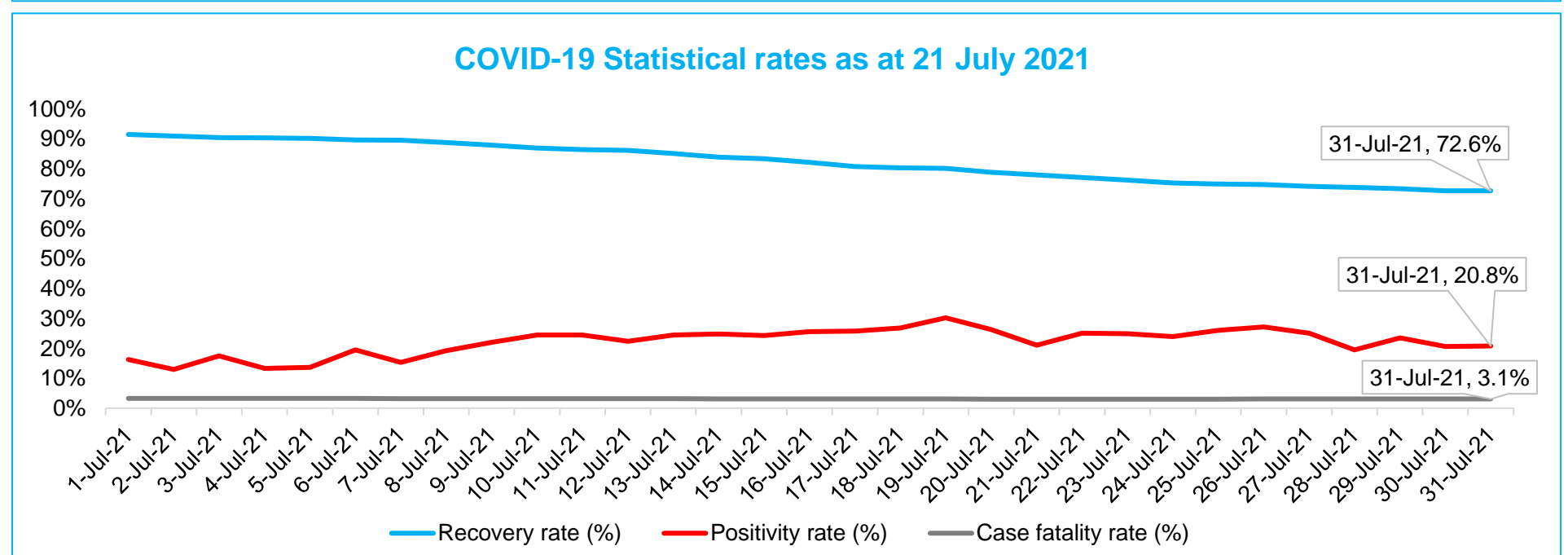
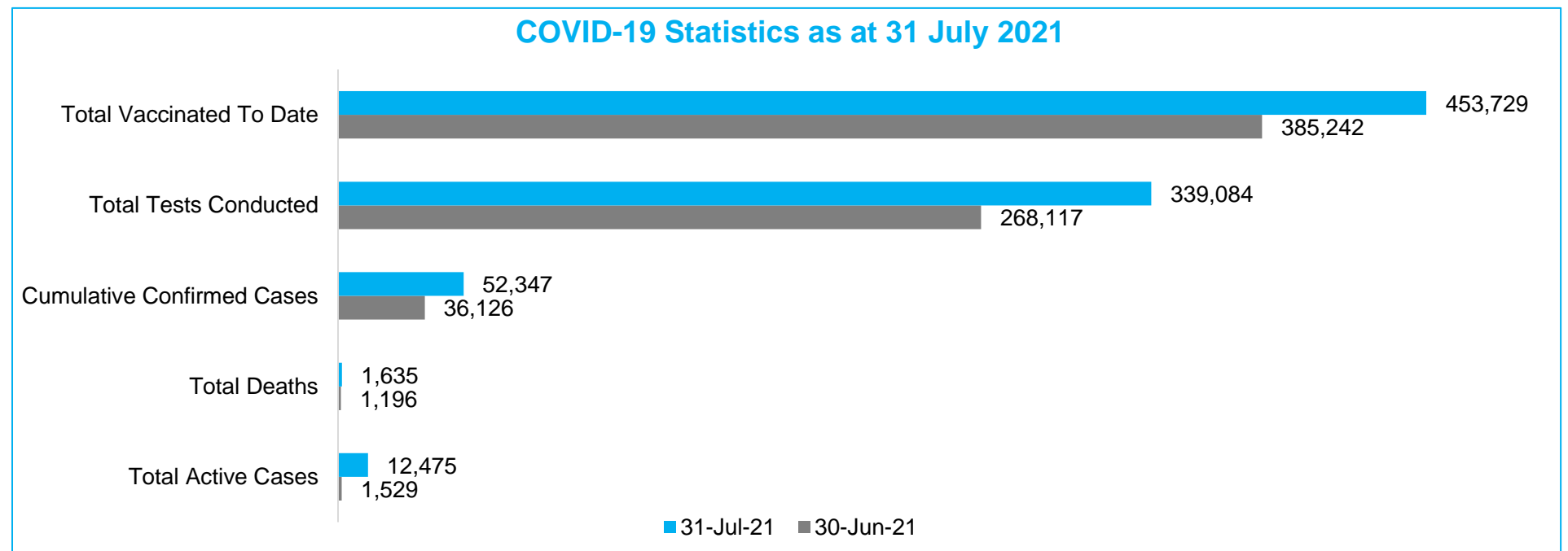
Latest COVID-19 statistics and vaccine developments (Source: Malawi Ministry of Health)

As at 31 July 2021, Malawi continued to experience a third wave of the Covid-19 pandemic. Consequently, the Covid-19 preventative and containment measures prescribed by the Health Minister in the July address had not been lifted.

The total number of confirmed cases increased to 52,347 in July 2021 from 36,126 in June 2021. Similarly, the total COVID-19 related deaths increased to 1,635 in July 2021 from 1,196 in June 2021. These changes were accompanied by an increase in the positivity rate to 20.8% as at 31 July 2021 from 18.3% in June 2021, while the Case Fatality Rate (CFR) maintained its position at 3.1% during the period under review. The recovery rate decreased to 72.6% from 91.8% during the same period.

In an effort to progress with containing the Covid-19 pandemic, the government of Malawi begun administering second doses of the AstraZeneca vaccine on 4 June 2021. As at 31 July 2021, 138,134 vaccinations of the second doses had been administered and thus, fully vaccinated against Covid-19. This represents 0.7% of the population and is below the target of fully vaccinating 65%-70% of the population in order to achieve herd immunity.

On 7 August 2021, the country received 302,400 additional doses of the Johnson & Johnson Covid-19 vaccine that only require one shot to achieve full immunisation. The country is expected to receive an additional 120,000 doses of Oxford-AstraZeneca and 300,000 doses of Pfizer in August. The country also expects additional doses in September amounting to 360,000 vaccine doses under the Covid Vaccine Access facility. This brings the total number of additional vaccines to 1,082,400.



Outlook

Inflation

According to the Reserve Bank of Malawi (RBM), World Bank, EIU and the IMF, inflation for 2021 is projected to range between 8.8% and 9.5% . This brings the average forecasted inflation for 2021 as reported by RBM, World Bank, IMF and EIU is 9.1%.

For the period 2021-2022, the EIU expects inflation to maintain an upward trajectory and to peak at 10.0% in 2022 driven by rising global fuel prices and recovery of private consumption. Inflation is expected to gradually ease to 8.5% in 2025 as fuel prices drop. The World bank projects similar trends for inflation as it is expected to average 7.6% and 7.0% in 2022 and 2023, respectively. These forecasted reductions in annual average inflation after 2022 could be underpinned by increases in agricultural production and productivity as Malawi moves towards commercial agriculture and the advancement of Covid-19 containment measures as an increasing number of people are vaccinated domestically and globally.

Exchange Rates

According to the RBM, the Malawi Kwacha is among the currencies in the SSA region which remain under pressure, as demand for foreign exchange continues to surpass its supply. This is evidenced by the Kwacha's continued depreciation against the United States dollar in 2021 reflecting the widening current-account deficit. The EIU forecasts the current-account deficit to gradually increase from negative USD1.6 billion (K1.33 trillion using the middle rate for MWK/USD for July 2021) in 2021, to negative USD2.3 billion (K1.88 trillion using the middle rate for MWK/USD for July 2021) in 2025. The wide and increasing current-account deficit can be expected to put downward pressure on the Kwacha during the period.

Additionally, the EIU states that the low levels of foreign reserves will continue to put pressure in external accounts as the reserves are below the threshold of 3 months worth of import cover. The reserves are below the SSA average and international recommended minimum of 5 months and 3 to 3.5 months worth of import cover, respectively. 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. As a result, the current-account is anticipated to have a deficit averaging 18.9% of GDP for 2021. This may put pressure on the currency, and therefore could hasten depreciation in the forecast period. The current-account deficit is forecasted to narrow to 16.9% in 2025, as oil prices decline. Although the outlook for depreciation is negative, this may be offset by increased export volumes of agricultural products, mainly tea and soybeans, which will increase export earnings.

According to the RBM, the outlook for the domestic economy will also 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 RBM expects the agricultural harvest to improve the foreign exchange position, the 2020/21 first round Agricultural Production Estimates (APES) reported that the growth rate of the agricultural, forestry and fishing sector for 2021 had been revised to 5.5% from 8.8%.

On 2 August 2021, the IMF approved a general allocation of Special Drawing Rights (SDRs) equivalent to USD650 million (K531 billion using middle rates as at 31 July 2021). The allocation is set to benefit all members of the IMF, address the long-term global need for reserves and foster the resilience and stability of the global economy. This development will be particularly beneficial to the most vulnerable countries struggling to cope with the impact of the Covid-19 crisis. The allocation is set to become active on 23 August 2021 and will be credited to IMF member countries in proportion to their existing quotas. As a member country of the IMF, Malawi's foreign exchange reserve position may grow from the allocation and ease pressure on the currency consequently slowing the pace depreciation.

Monetary Policy

The EIU expectation that the MPC would maintain the policy rate at 12% throughout 2021 with the aim of continuing to support economic recovery is materializing as the MPC maintained this position at the third meetings in July. 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.

Fiscal Policy

According to the EIU, the Government's projection that the fiscal deficit will narrow to 7% of GDP in 2021/22 is optimistic and the Government will struggle to limit its expenditure during the period. This struggle to limit expenditure will be underpinned by higher allocation to the AIP and to the health sector. The wide budget deficit implemented 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 Extended Credit Facility (ECF) (2018 - 2021) and the emergency debt secured under the Rapid Credit Facility (RCF) in October 2020. The EIU expects the budget deficit to decline to 7.1% of GDP by 2025 as the current deficit is unsustainable.

The EIU further expects the Government to review its various policy instruments to increase revenue collection as 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 31 July 2021.

If current spending is reduced, the fiscal deficit will contract gradually to 7.1% of GDP in 2024/25, according to the EIU. With higher local interest rates, the Government will seek to finance the deficits externally, through multilateral concessional borrowing.

Economic Growth

Real GDP for 2021 is forecasted to range between 2.2% to 3.8% based on EIU, IMF, World Bank and RBM 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 updater for July 2021 maintains the projection of economic growth to average 2.2% for 2021. The IMF World Economic outlook further expects the real GDP to grow by 6.5% for 2022 and 2023, followed by a slight dip to 6.3% in 2024. Estimates from the EIU differ as they do not anticipate that the real GDP growth will subdue in 2024. Instead, the EIU projects that the economy will gradually recover and grow by 2.3% in 2021 after which it will grow at 4.0%, 4.5%, 4.9% and 5.2% for the years 2022, 2023, 2024 and 2025, respectively.

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. The growth is also expected to be supported by investments which will gradually increase as the business climate improves and potential land reforms that 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 (MGDS), 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 are noted, Malawi's economy will continue to rely on agricultural harvest and trade revenue. The IMF states that the reliance on agricultural harvest is subject to shocks from unprecedented weather conditions and a narrow export base.

Appendix

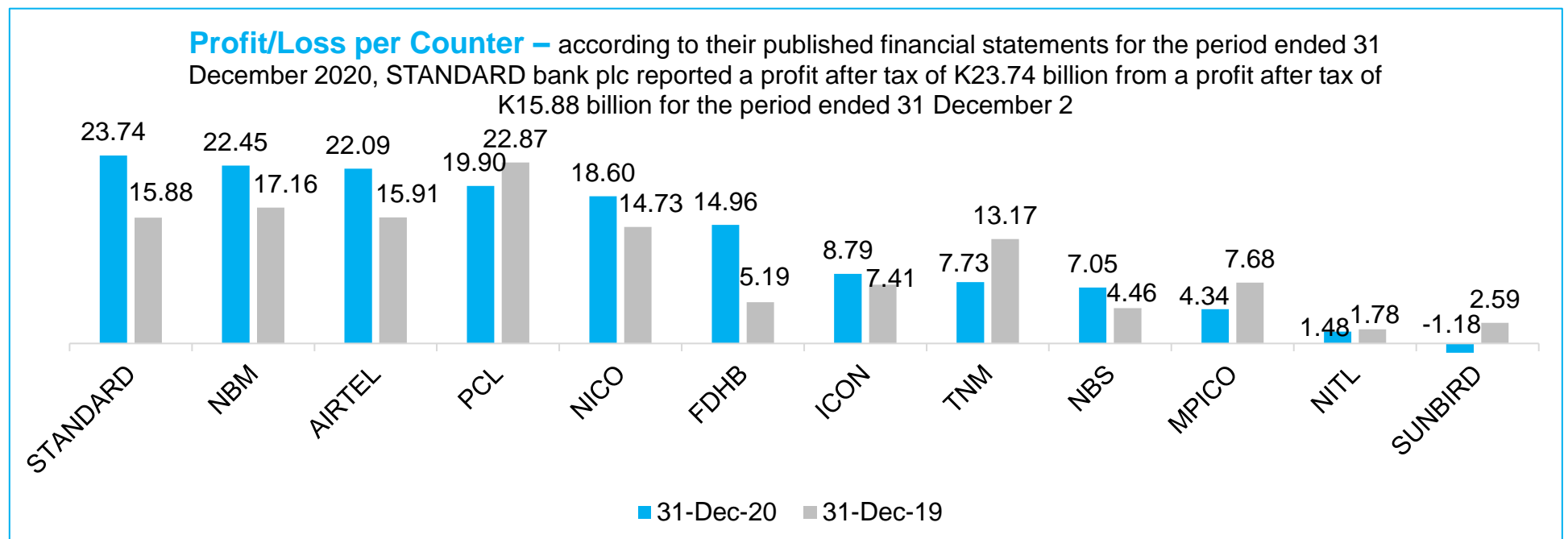


Appendix 1

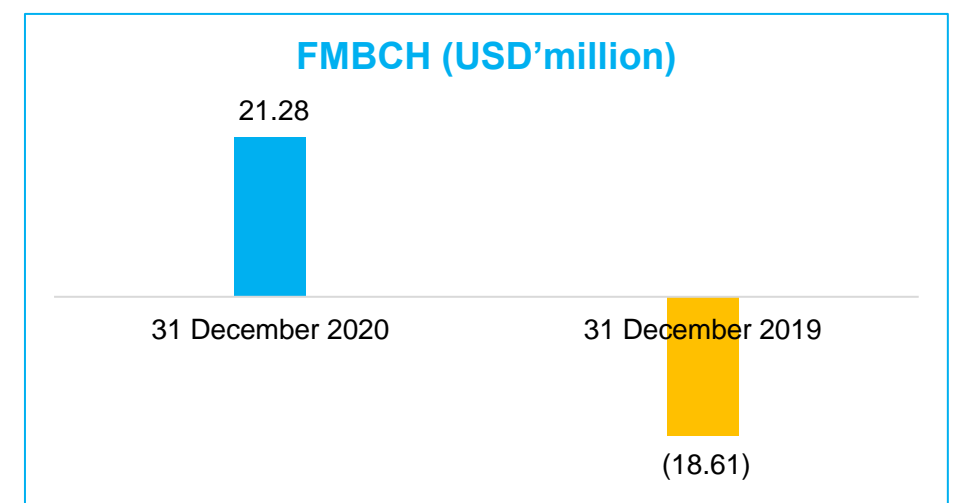
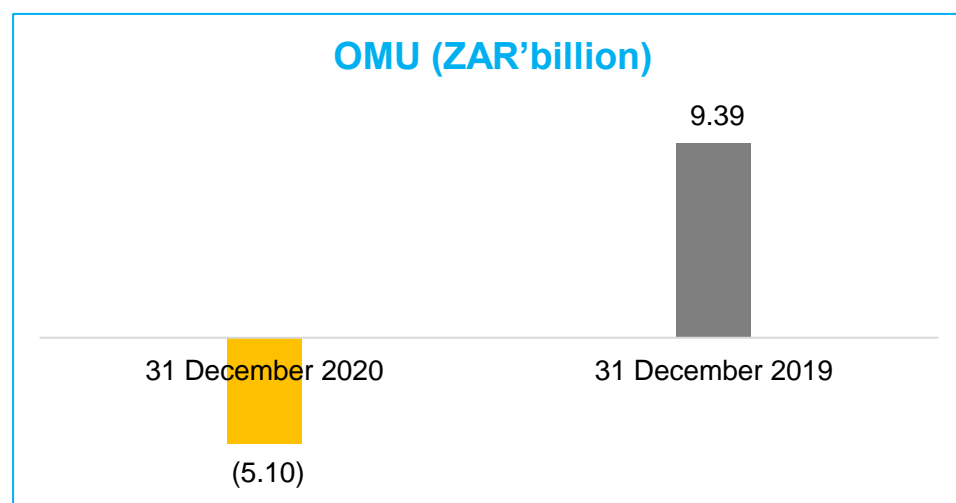
Standard Bank plc closed the period ended 31 December 2020 with a profit after tax of K23.74 billion, an increase of 49% from a profit after tax of K15.88 billion for the period ended 31 December 2019.

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

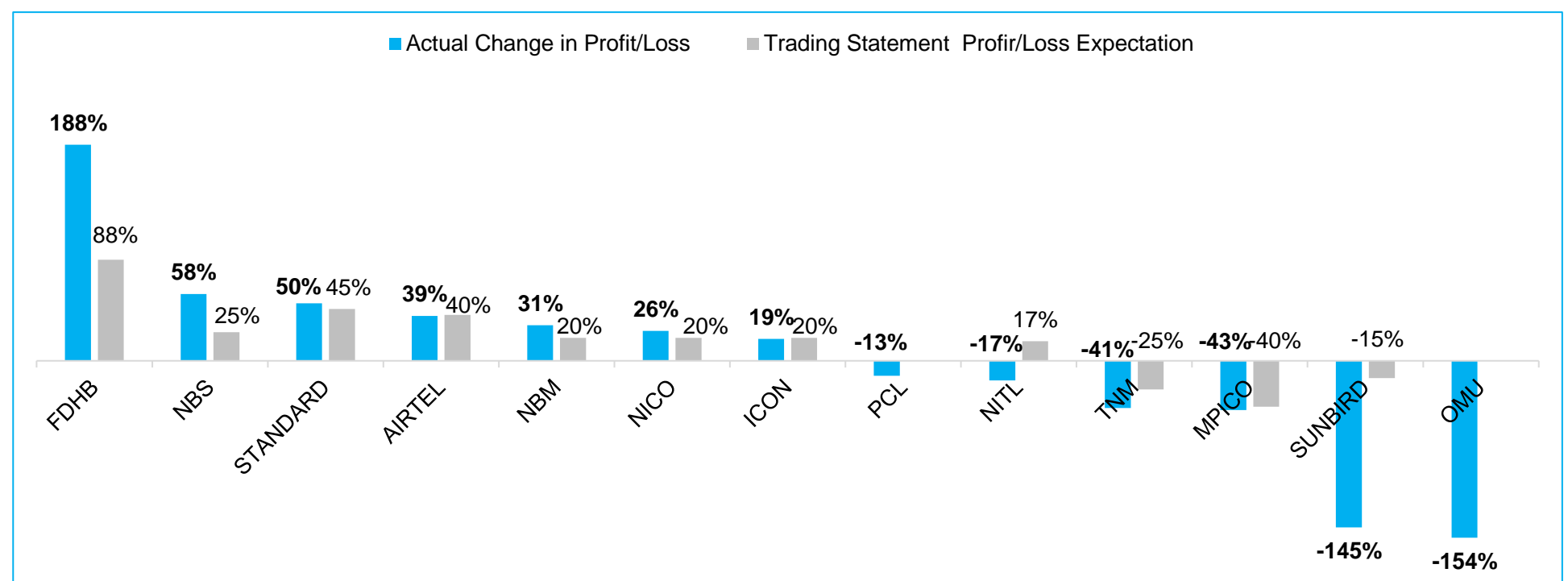
Amounts in billions of Malawi Kwacha.



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



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



Appendix 2: Selected Economic Indicators

Selected Economic Indicators				
Foreign Exchange Reserves (Source: RBM)			31-July-2021	
	Reserves (US\$'mn)	Import Cover (Months)		
Private Sector Foreign Exchange Reserves	405.79	1.62		
Gross Official Foreign Exchange Reserves	404.18	1.62		
NB: US\$250.0 million import requirement per month is used in the calculations				
Rates (Source: RBM)		Current Rate	Effective Date	
Reference Rate		12.20%	6-Aug-21	
Policy Rate		12.00%	29-July-21	
Inflation				
NSO Headline Inflation for June 2021		9.1%		
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 July 2021 forecast for 2021 (annual)		8.8%		
Average inflation forecast for 2021		8.8%		
Commodities		July-2021	July-2020	
OPEC Reference Basket Price		US\$73.53/b	US\$43.42/b	
AHL Tobacco Sales		US\$183.73 million	US\$152.31 million	
AHL Tobacco Average Price		US\$1.57/kg	US\$1.55/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 July 2021 forecast for 2021 (annual)		0.9%	3.8%	N/A
World Bank Country Partnership Framework		0.8%	2.8%	3.0%

Appendix 3: Historical Economic Indicators

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Exchange rates													
MK/USD	744.74	754.71	756.93	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43
MK/GBP	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	1,203.74
MK/EUR	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	1,048.56
MK/ZAR	46.19	47.53	47.33	49.18	53.09	56.43	54.60	55.69	56.13	59.33	62.28	62.28	60.79
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	651.41	642.86	546.99	635.05	584.89	574.26	502.98	483.38	410.16	392.01	443.25	424.99	404.18
Private Sector Reserves (USD'mn)	342.01	316.74	318.47	340.22	332.51	377.97	358.29	340.50	342.58	392.61	369.64	388.78	405.79
Total reserves (USD'mn)	993.42	959.6	865.46	975.27	917.4	952.23	861.27	823.88	752.74	784.62	812.89	813.77	809.97
Gross Official Reserves Import cover (months)	3.12	3.08	2.62	3.04	2.80	2.75	2.41	2.31	1.96	1.88	1.77	1.70	1.62
Inflation													
Headline	8.00%	7.60%	7.10%	7.50%	7.30%	7.60%	7.70%	8.30%	9.40%	9.2%	8.9%	9.1%	-
Food	12.20%	11.30%	10.30%	10.90%	10.40%	10.50%	9.70%	10.30%	11.70%	11.5%	11.0%	11.1%	-
Non-food	4.40%	4.40%	4.40%	4.40%	4.40%	4.90%	5.60%	6.30%	6.90%	7.0%	7.1%	7.2%	-
Interest Rates													
Monetary Policy rate	13.50%	13.50%	13.50%	13.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank rate	13.58%	13.59%	13.61%	13.62%	12.51%	11.41%	11.34%	10.67%	11.37%	11.72%	11.92 %	11.94%	11.96%
Average base lending rate	13.40%	13.40%	13.60%	13.60%	13.60%	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%	12.20%	12.20%
Government Securities' Yields													
91-days Treasury Bill	7.50%	9.85%	9.94%	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%	9.62%	9.33%
182-days Treasury Bill	12.07%	12.55%	12.58%	12.87%	12.73%	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%	12.81%	12.96%
364-days Treasury Bill	13.57%	13.73%	13.74%	13.88%	13.40%	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%	13.87%	13.90%
2-year Treasury Note	15.45%	16.46%	16.46%	16.46%	16.46%	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%	16.65%	16.63%
3-year Treasury Note	16.89%	16.89%	18.02%	18.47%	17.79%	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%	18.97%	19.00%
5-year Treasury Note	19.82%	19.82%	19.82%	19.82%	19.82%	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%	20.08%	20.25%
7-year Treasury Note	20.46%	20.75%	20.75%	20.75%	19.95%	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%	20.59%	20.98%
10-year Treasury Note	-	-	22.14%	22.14%	22.14%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%	21.85%	22.54%
Stock Market Indices													
MASI	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	36,496.03
DSI	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	29,749.56
FSI	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	3,479.97

Appendix 4: World Bank estimates

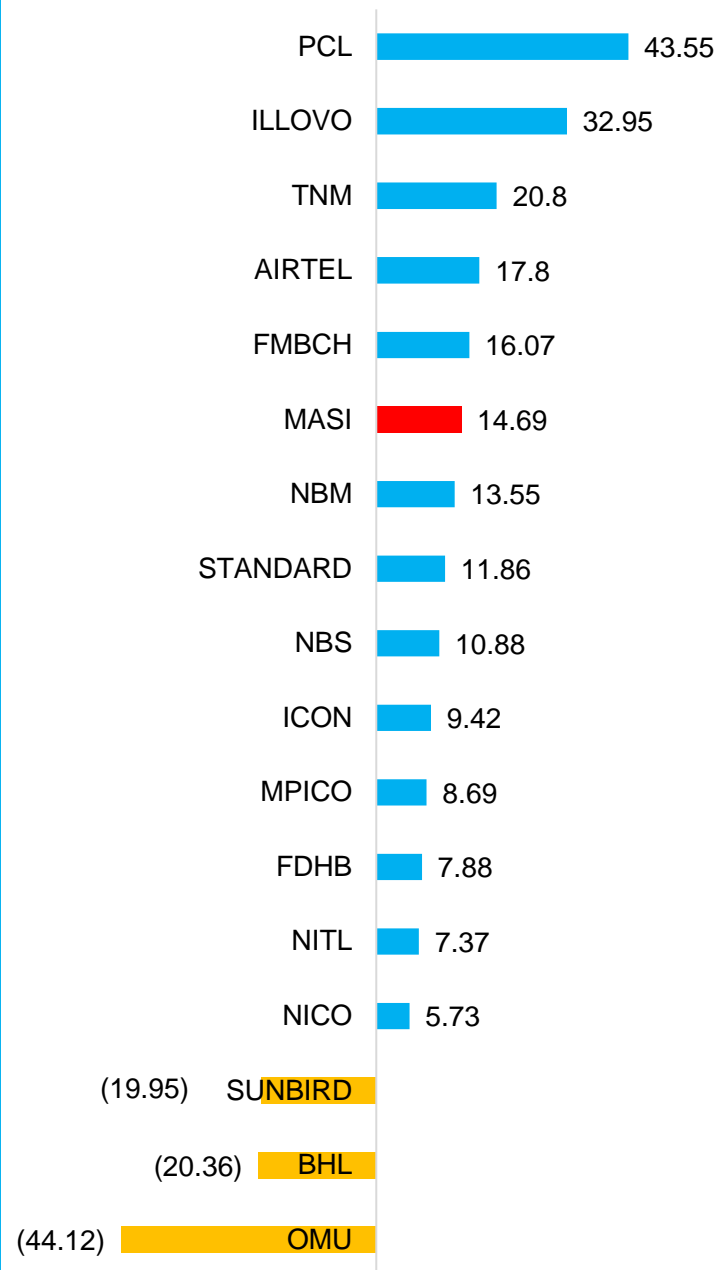
Macroeconomic Indicators

	2017	2018	2019	2020 Est.	2021 Proj.	2022 Proj.
National Accounts and Prices						
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
Central Government (FY % of GDP)						
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	—	—
Money and Credit						
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
External Sector (US\$ millions)						
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 (MWK per US\$ average)	730.3	732.3	745.5	749.5	-	-
Debt Stock						
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
Poverty						
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

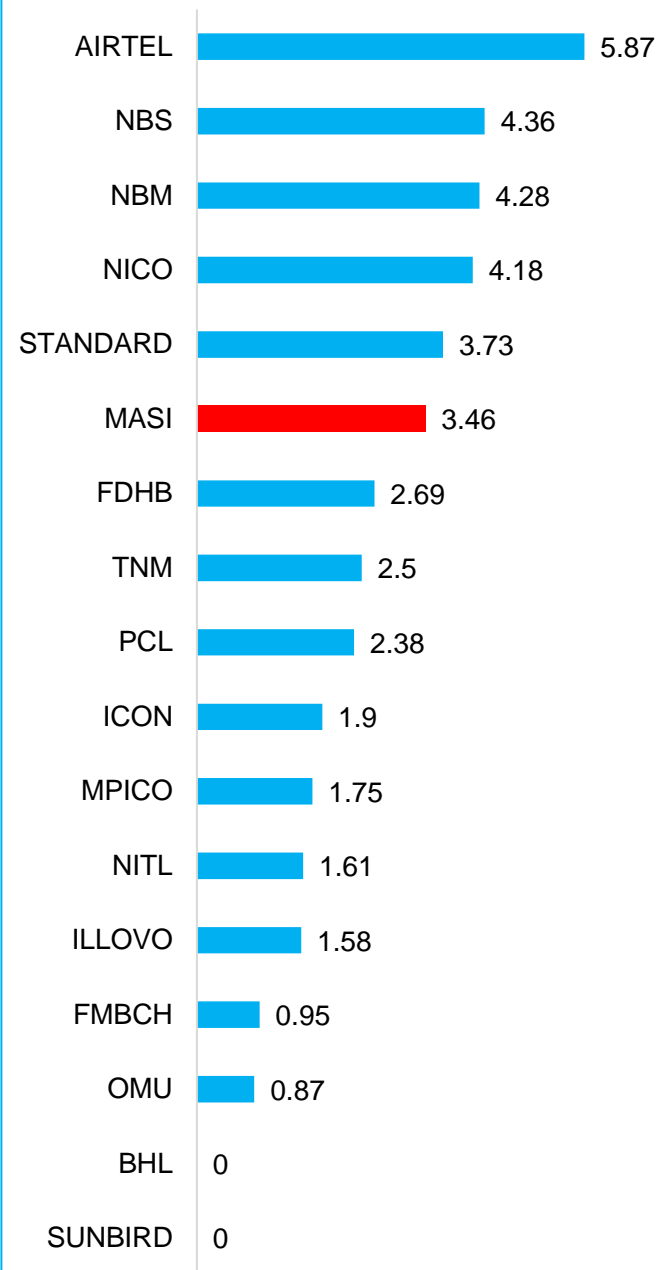
Source: World Bank staff calculations based on MFM0d, MoF, RBM, and IMF data

Appendix 5: Selected stock market statistics as at 31 July 2021

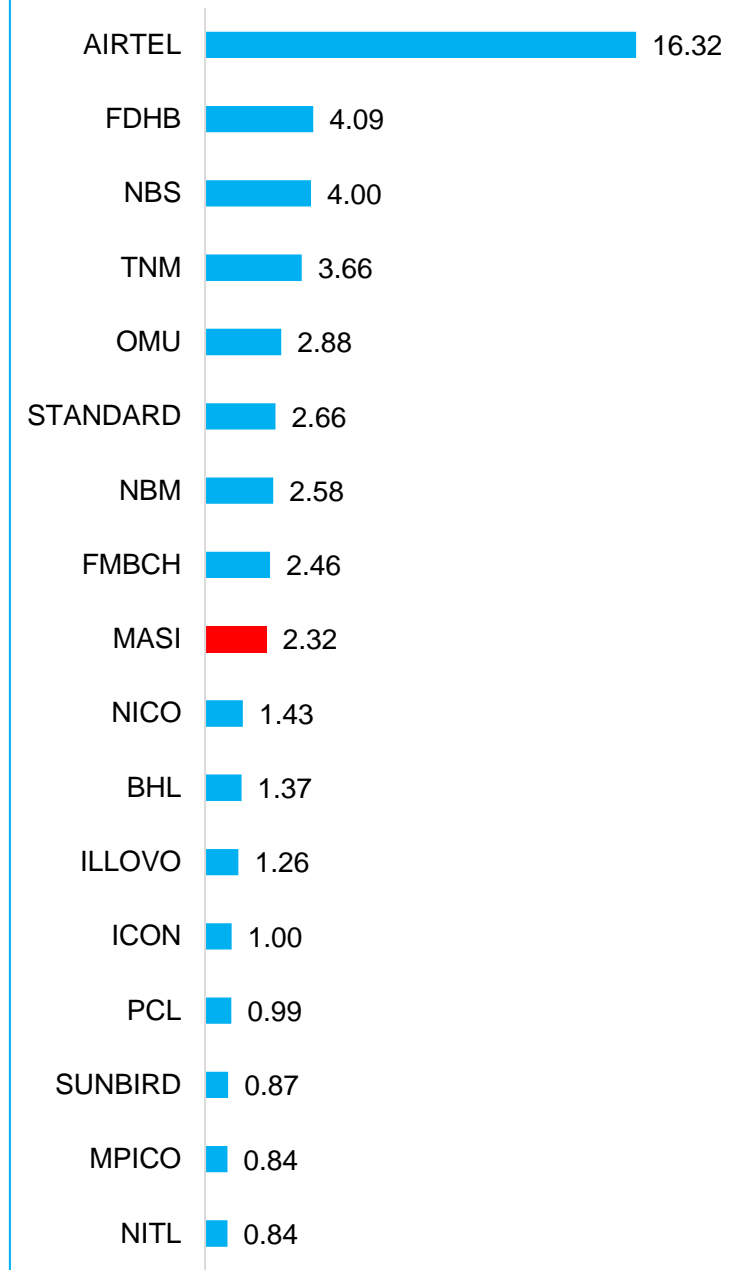
P/E ratio - the MSE had a weighted average Price to Earnings ratio of 14.69 in July 2021. OMU had the lowest at negative 44.12 while PCL had the highest at 43.55.



Dividend yield (%) - the weighted average dividend yield on the MSE was 3.46% in July 2021. The counter with the highest dividend yield is AIRTEL at 5.87%.



P/BV ratio - the weighted average Price to Book Value ratio on the MSE in June 2021 was 2.32. Airtel had the highest ratio at 16.32 while MPICO and NITL had the lowest ratio at 0.84.



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

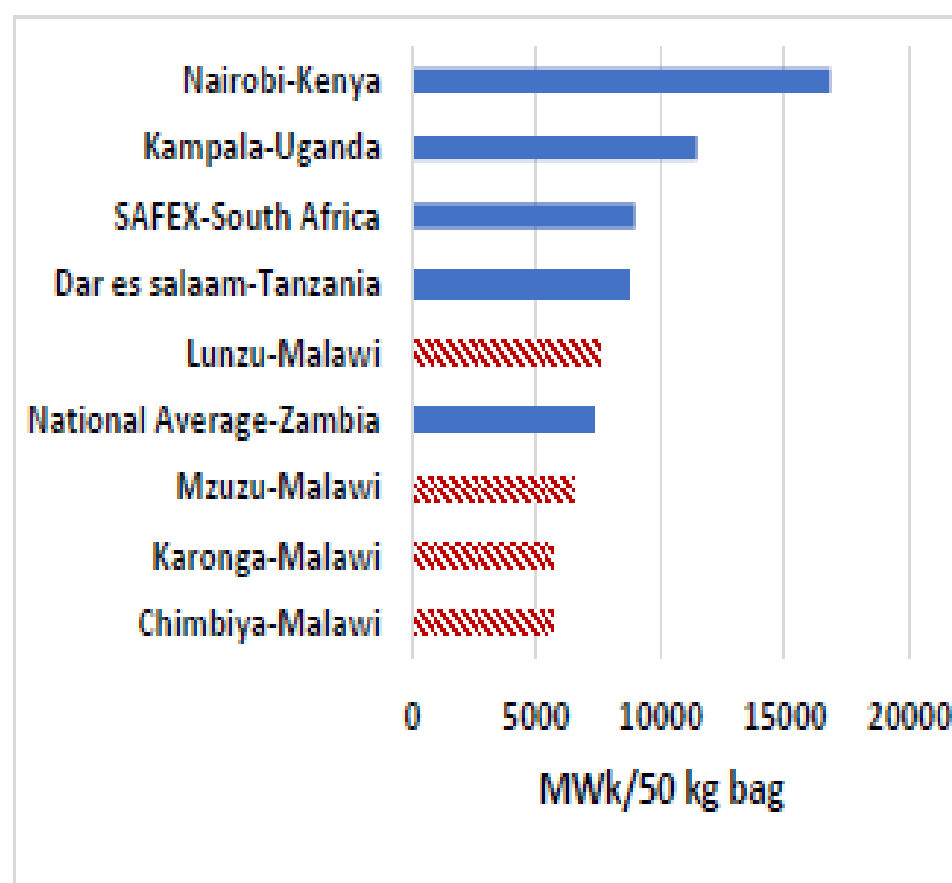
Counter	BHL	ICON	MPICO	NICO	SUNBIRD
31-Jul-21	11.00	12.13	16.00	55.00	90.00
30-Jun-21	11.00	12.13	16.00	55.00	90.00

APPENDIX 6: Malawi Monthly Maize Market Report

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

	03-Jul-21	10-Jul-21	17-Jul-21	24-Jul-21	31-Jul-21	Change
Chitipa	80	80	90	80	84	↑ 5%
Jenda	95	107	103	103	105	↑ 11%
Karonga	125	113	115	115	114	↓ -9%
Mzimba	100	105	105	100	105	↑ 5%
Mzuzu	150	150	138	130	130	↓ -13%
Rumphi	120	120	113	110	113	↓ -6%
Chimbiya	103	108	107	107	112	↑ 8%
Mchinji	110	120	112	120	114	↑ 3%
Mitundu	105	110	110	110	110	↑ 5%
Nsungwi	130	120	120	120	120	↓ -8%
Salima	120	120	127	113	120	→ 0%
Balaka	117	120	118	120	120	↑ 3%
Bangula	173	176	173	173	173	→ 0%
Chikwawa	200	200	200	200	200	→ 0%
Chiringa	130	140	150	150	150	↑ 15%
Uwonde	140	135	135	130	130	↓ -7%
Luchenza	153	155	153	153	160	↑ 4%
Lunzu	130	130	140	140	150	↑ 15%
Mangochi	150	125	150	150	153	↑ 2%
M'baluku	140	140	140	140	140	→ 0%
Mbayani	140	140	140	143	140	→ 0%
Mpondabwino	120	120	142	138	145	↑ 21%
Mulanje	160	155	150	155	160	→ 0%
Mwanza	160	140	140	158	163	↑ 2%
Ngabu	140	140	140	140	140	→ 0%
Nsanje	150	153	150	150	150	→ 0%
All markets	128	129	132	131	133	↑ 4%

Figure 2. Retail maize prices in selected markets in eastern and southern Africa (as of July 2021)



Appendix 7:EIU Report

Economic Growth

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

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts.

Key Indicators

	2020 ^a	2021 ^b	2022 ^b	2023 ^b	2024 ^b	2025 ^b
Real GDP growth (%)	-1.0	2.3	4.0	4.5	4.9	5.2
Consumer price inflation (av; %)	8.6 ^c	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 ^c	782.1	793.5	799.7	809.1	816.7

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Annual data and forecast

	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^c	2022 ^c
GDP							
Nominal GDP (US\$ m)	5,433	6,303	6,917	7,671	8,054	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
Expenditure on GDP (% real change)							
Private consumption	18.6	8.3	2.1	3.9	-1.5	1.5	3.0
Government consumption	-0.2	10.0	7.0	-3.6	2.0	2.0	3.0
Gross fixed investment	-2.1	29.7	-17.5	19.7	-5.0	5.0	5.0
Exports of goods & services	40.1	3.7	6.9	3.8	-12.0	3.6	5.0
Imports of goods & services	54.6	-1.5	6.4	3.6	-5.0	3.0	4.0
Origin of GDP (% real change)							
Agriculture	-2.3	5.0	0.8	4.3	3.0	3.0	3.1
Industry	2.4	2.2	2.2	3.8	-1.6	2.1	5.4
Services	5.2	4.0	4.8	4.5	-3.0	2.0	4.1
Population and income							
Population (m)	17.2	17.7 ^b	18.1 ^b	18.6 ^b	19.1	19.6	20.2
GDP per head (US\$ at PPP)	1,027	1,060 ^b	1,090 ^b	1,070 ^b	1,079	1,102	1,147
Fiscal indicators (% of GDP)							
Public-sector balance	-6.0	-3.6	-7.3 ^b	-6.4 ^b	-7.7	-12.7	-10.7
Net public debt	54.6 ^b	56.4 ^b	60.8 ^b	67.6 ^b	70.6	74.5	73.6

International Assumptions

	2020	2021	2022	2023	2024	2025
Economic growth (%)						
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
Inflation indicators (% unless otherwise indicated)						
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
Financial variables						
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 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^c	2022 ^c
Prices and financial indicators							
Exchange rate MK:US\$ (end-period)	728.62	732.03	733.69	738.87	773.11 ^a	773.85	809.73
Exchange rate MK:€ (end-period)	768.04	877.92	840.08	830.05	948.69 ^a	917.01	923.10
Consumer prices (end-period, %)	20.0	7.1	9.9	11.6	7.6 ^a	9.0	9.7
Stock of money M1 (% change)	24.6	19.8 ^b	15.1 ^b	13.8 ^b	8.3	18.0	20.4
Stock of money M2 (% change)	15.2	19.7	11.3	8.1 ^b	18.7	8.7	17.0
Lending interest rate (av; %)	44.1	38.6	32.3	25.7 ^b	23.0	22.0	23.0
Current account (US\$ m)							
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
External debt (US\$ m)							
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
International reserves (US\$ m)							
Total international reserves	631	793	782	847	598	729	743

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

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

Disclaimer

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