Monthly Economic Report and a special brief on the World Bank’s Global Economic Prospects report

January 2022

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Bridgepath Capital
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Inflation

Headline inflation increased to 11.5% in December 2021 from 11.1% in November 2021 due to an increase in food inflation. Food inflation increased to 13.6% from 12.8% in the previous month whilst non-food inflation remained flat at 9.5%.

The Monetary Policy Committee (MPC) at its first meeting of 2022, held on 2 and 3 February 2022, revised the annual inflation projection for 2022 to 10.4% from 8.9%. The changes made by the MPC reflect changes in the domestic and imported inflation expectations. Similarly, the Economist Intelligence Unit (EIU) anticipates elevated inflation, and projects inflation to increase to 10.5% in 2022 from 9.2% in 2021. The forecast inflation for 2022 is an upward revision from the earlier forecast 10.0% by the EIU for 2022. The increase is projected to be driven by rising global fuel prices and a recovery in demand-side pressures that are linked to an accelerating economic growth. From 2023, as fuel prices moderate, inflation is projected to take a downward trajectory. Inflation is also forecast to be contained through the implementation of monetary policy tightening.

Fiscal Policy

The government of Malawi accessed a USD150 million (MK123 billion) loan from the World Bank. The loan is intended for the implementation of improvements in the Electricity Supply Commission of Malawi's (ESCOM's) distribution network and to connect more people to the national grid. This will be implemented from March 2022 through ESCOM's Malawi Electricity Access Project (MEAP). Of the USD150 million, an allocation of USD105 million (MK86 billion) will be made to ESCOM and the remaining USD45 million (MK37 billion) will be allocated to the government of Malawi.

The Malawi government aims to implement policies that enhance fiscal consolidation and projects that the fiscal deficit will narrow to 7% of GDP in the 2021/22 period on the back of a series of tax incentives that support economic recovery. This is higher than the forecast for the EIU for the same period at 10.4% of GDP. According to the EIU, risks to the government's forecast include higher expenditure for the Affordable Inputs Programme (AIP) and tax exemptions that will constrain revenue growth in 2021/22. Therefore, the EIU expects partial recovery in revenue and slow pace of fiscal consolidation.

Monetary Policy

The Monetary Policy Committee (MPC) maintained the Policy rate at 12% in 2021, in-line with the EIU. This decision was carried over into 2022 by the MPC during the first MPC meeting held in February 2022. This decision was made on the basis that it was an appropriate decision that allowed for continued economic recovery. The MPC also indicated that although inflationary pressures were mounting, the sources were transitory and likely to dissipate after the lean period. Additionally, the MPC maintained 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. This was implemented to minimize policy trade-off, manage inflationary pressure and facilitate economic recovery.

The EIU expects an accommodative monetary policy stance until mid-2022 on account of the forecasted inflation rate for 2022 remaining higher than the Reserve Bank of Malawi's (RBM's) target of 5%, as well as the steady depreciation of the Kwacha.

Exchange Rates

Based on middle rates, the Malawi Kwacha marginally depreciated against the USD by 0.41% in January 2022. As at 31 January 2022, the Kwacha traded at MK822.81/USD from MK819.44/USD as at 31 December 2021. Year-to-date, the Malawi Kwacha has depreciated against the USD by 0.41%, while the Kwacha had a marginally appreciated by 0.04% during the same period in 2021.

For January 2022, the gross official forex reserves were USD399.98 million. A decrease of 6.8% from USD429.17 million for December 2021. The private sector reserves were USD424.49 million, a decrease of 0.2% from USD425.52 million during the period under review. The total forex reserve position was USD824.47 million, a decrease of 3.5% from USD854.69 million during the period under review.

Stock Market

The Malawi All Share Index (MASI) decreased by 1.91% to 44,501.63 points in January 2022 from 45,367.68 points in December 2021. This was due to share price losses in OMU, FDH Bank, TNM, ICON, NBS, FMBCH and ILLOVO which offset share price gains in AIRTEL, Sunbird, NITL and Standard Bank. The MASI year-to-date return was negative 1.91% as at 31 January 2022, it was 1.84% during the same period in the previous year. In terms of market price movement, OMU had the largest share price loss during the period to MK1,785.00 per share in January 2022 from MK2,099.99 per share in December 2021, representing a 15.00% decrease. During the period under review, AIRTEL had the largest share price gain to MK40.10 per share from MK40.00 per share, representing a 0.25% increase.

Government Securities

The government awarded MK87 billion in January 2022 from MK200 billion awarded in December 2021 through Treasury Bills (TBs) and Treasury Notes (TNs) auctions. The TBs auctions had nil rejections while the TNs auctions had a 7.63% rejection rate. The average TB and average TN yields for January 2022 were 12.57% and 20.09%, respectively.

Economic Growth

For 2021, the government of Malawi through the Ministry of Economic Planning, Development and Public Sector Reform revised the real GDP growth estimate downward to 2.5% from 3.8% projected in the 2021/22 budget. The revision was based on the anticipated effects of the prolonged COVID-19 pandemic as the economy experienced multiple waves of infections and associated restriction adjustments through the course of the year. The 2021 real GDP growth estimate is higher than the 0.9% recorded for 2020. The improved growth rate relative to 2020 is based on anticipated gains as the country recovers from the COVID-19 pandemic induced downturn in 2020.

The Malawi government's revised real GDP growth estimate for 2021 is in line with the estimates by the International Monetary Fund (IMF) and the EIU at 2.2% and 2.7%, respectively. The latter expect the economy to recover at this rate due to the absence of domestic economic restrictions or a nationwide lockdown as a result of the COVID-19 pandemic, which is considered contrary to global trends.

For 2022, the RBM projects a real GDP growth rate of 4.1%. This forecast for 2022 is higher than the same period forecasts by the IMF and the EIU at 3.5% and 3.1%, respectively. The latter expect the real GDP growth forecast based on fiscal expansion from the COVID-19 response plan, public investments in infrastructure and trade. In nominal GDP terms, the EIU estimate domestic GDP for 2022 to increase to USD9.44 billion (MK7.90 trillion) in 2022 from USD8.50 billion (MK6.83 trillion) in 2021. This is on account of increases in agricultural output and a more favorable global backdrop.

Thereafter, the EIU expects economic growth to pick up gradually, increasing to an annual average of 3.9% between 2023 and 2026, supported by private consumption and investment spending.

COVID-19 Status and Developments

Malawi experienced a fourth wave of COVID-19 infections between mid-October 2021 and mid-December 2021. The fourth wave was driven by the Omicron (B1.1.1529) variant and led to the government of Malawi revising the COVID-19 restriction measures to Level 2.

The total cumulative confirmed COVID-19 cases increased to 84,475 as at 31 January 2022 from 75,075 as at 31 December 2021. Similarly, the cumulative COVID-19 related deaths increased to 2,561 from 2,364 during the period under review. These changes were accompanied by a decrease in the daily positivity rate to 7.5% from 40.9% as at 31 December 2021, while the daily case fatality rate marginally declined to 3.03% from 3.15% during the period under review. The daily recovery rate increased to 82.07% from 80.11% during the period under review.

Risks

The salient downside risks for the country are a cessation of financing from regional development banks, depreciation of the Malawi Kwacha, higher inflation, unfavorable weather, a protracted COVID-19 pandemic and inadequate power supply.

According to the IMF, a sudden cessation of available financing from regional development banks poses risk to the outlook. The materialization of this risk could result in real exchange rate adjustments, compression of imports, affect economic growth and financial stability, as well as have negative effects on the vulnerable population.

Global inflationary pressure adds to domestic exchange rate risk and the risk of higher import prices. Although Malawi experienced lower domestic food prices due to a strong harvest, exchange rate depreciation and inflationary trends on imported commodities would put upward pressure on the country's already elevated fiscal deficit. Furthermore, the damage caused by cyclone Ana could result in reduced domestic agricultural output in the current agricultural season, leading to food supply shortages and increases in food prices.

There is risk to the successful implementation of the Affordable Inputs Programme (AIP) and agricultural productivity. The implementation of the programme continues to face challenges including the backing out of fertiliser suppliers, calls by the World Bank for the government of Malawi to revise the budgetary allocation made to the programme and the effects of cyclone Ana that may reverse its prospective gains.

In addition, the country's recovery and growth remains vulnerable to weather and climatic shocks as Malawi's economy is dependent on rain-fed agriculture. Famine Early Warning Systems Network (FEWSNET) indicates that the country is forecast to experience rainfall deficits.

The emergence of a new, more transmissible COVID-19 variant, the global and domestic increase in COVID-19 cases enhances the risk of a protracted COVID-19 pandemic and its effects. This is heightened by the slow domestic pace of COVID-19 vaccine uptake, relative to global trends.

Compounding these risks, is the risk of power supply insufficiency. The current electricity production capacity remains below the level of national demand. Furthermore, the cyclone Ana caused damage to some national electricity generation stations enhancing the gap between electricity demand and supply.

Economic overview

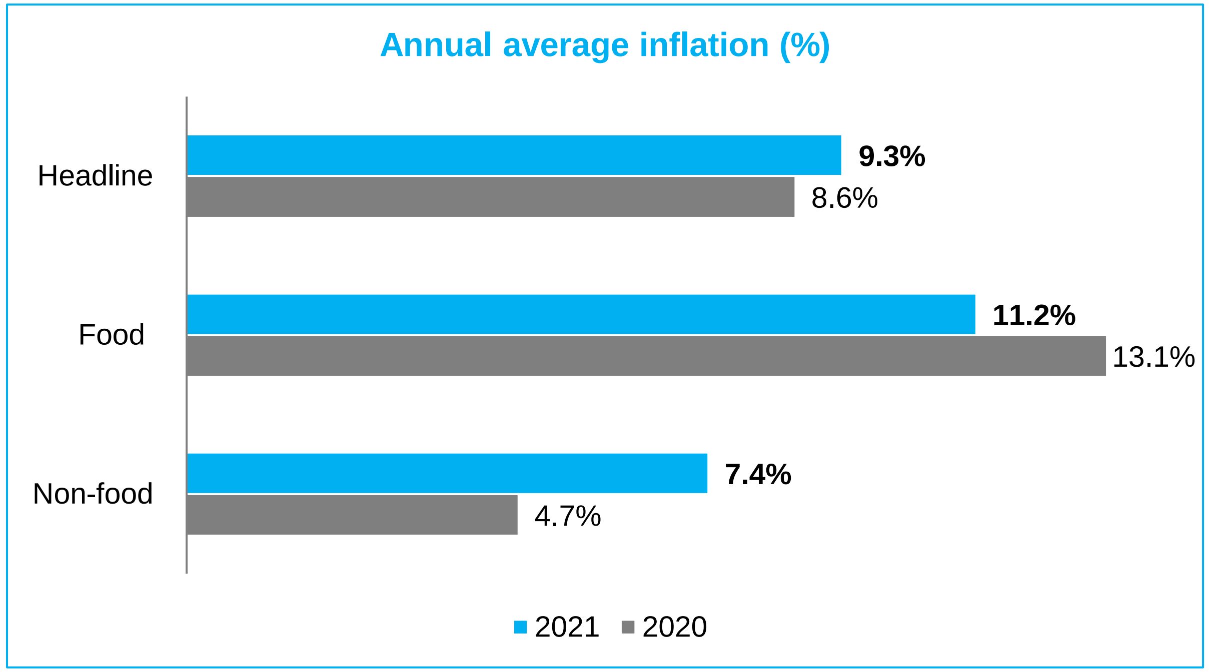
Inflation (Source: NSO)

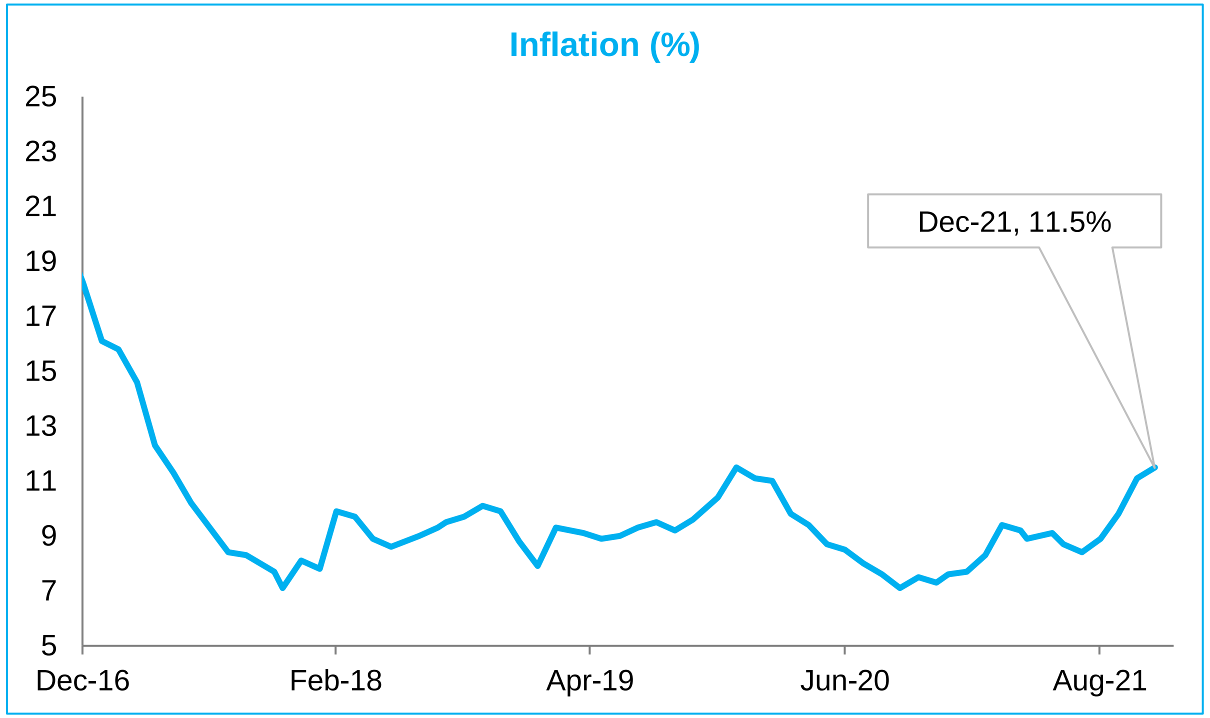
Headline inflation increased to 11.5% in December 2021 from 11.1% in November 2021 on account of an increase in food inflation.

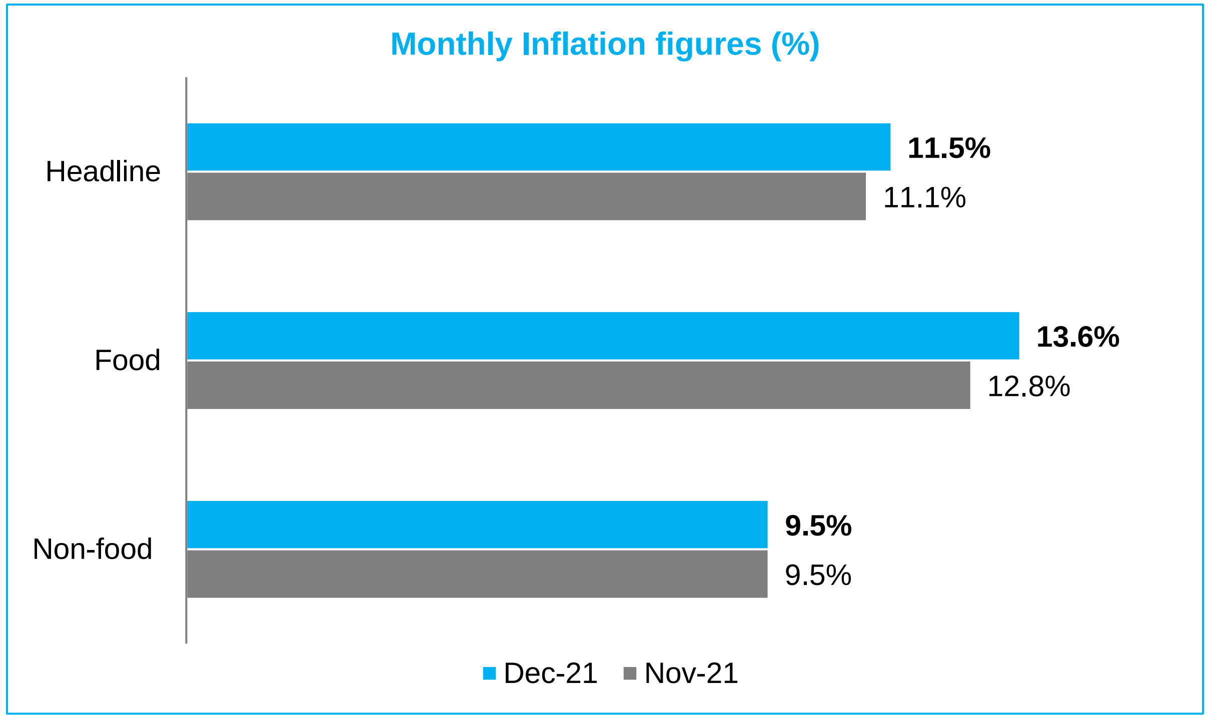
Headline inflation averaged 9.3% for 2021, an increase of 62 basis points from an average of 8.6% in 2021. The increase was on account of an increase in non-food inflation which increased to 7.4% in 2021, from an average of 4.7% in 2020. The increase in non-food inflation offset a decrease in food inflation to an average of 11.2% in 2021, from 13.1% in 2020.

Month-on-month, headline inflation increased to 11.5% in December 2021 from 11.1% in November 2021. In December 2020, headline inflation was 7.6%. The month-on-month increase in headline inflation was on account of an increase in food inflation which averaged 13.6% (November 2021: 12.8%) while non-food inflation maintained its position at 9.5% (November 2021: 9.5%) in the month of December 2021.

At the first MPC meeting of 2022 held on 3 February 2022, the annual inflation projections for 2022 were revised upwards to 10.4% from 9.1% projected in the fourth MPC of 2021. The upward adjustments are a reflection of seasonal increases in prices of domestically produced food items and imported inflation.







Economic overview (Continued)

Government securities (Source: RBM)

The government awarded MK32.52 billion through TBs auctions in January 2022, an increase of 32% from MK24.66 billion awarded in December 2021.

The government awarded MK13.72 billion through TNs auctions in January 2022, a decrease of 92% from MK175.48 billion awarded in December 2021.

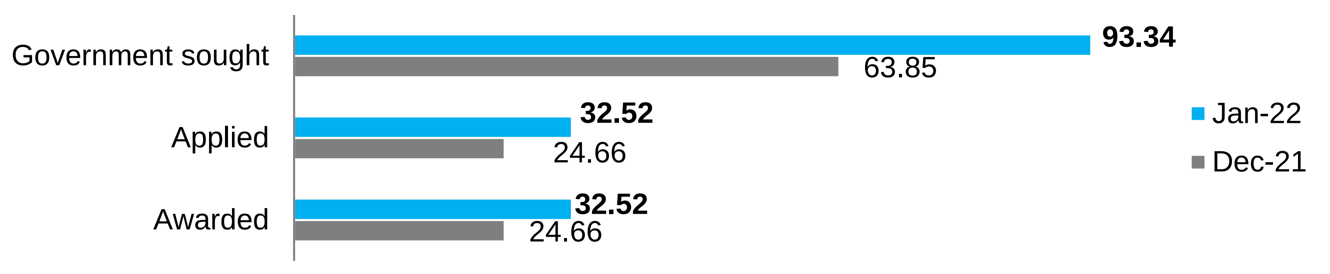
Treasury Bills (TBs)

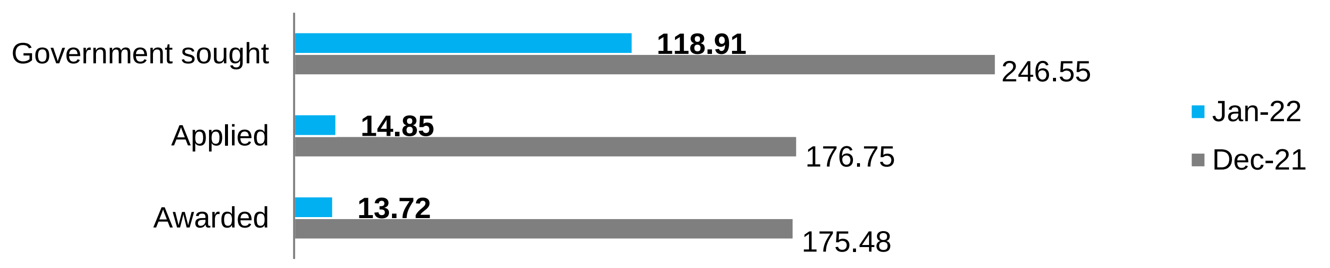
In January 2022, the government sought to borrow MK93.34 billion through Treasury Bills (TBs) auctions, an increase of 46% from MK63.85 billion sought in December 2021. Participants applied to place MK32.52 billion through the TBs auctions in January 2022, an increase of 32% from MK24.66 billion applied for in December 2021. From the applications, the government awarded MK32.52 billion, an increase of 32% from MK24.66 billion awarded in December 2021. The applications had a nil rejection rate during the period under review.

Treasury Notes (TNs)

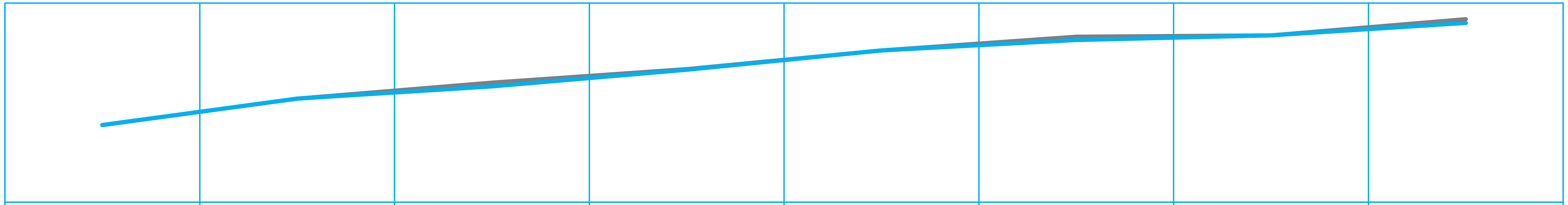
In January 2022, the government sought to borrow MK118.91 billion through Treasury Notes (TNs) auctions, a decrease of 52% from MK246.55 billion sought in December 2021. Participants applied to place MK14.85 billion through the TNs auctions, a decrease of 92% from MK176.75 billion applications in December 2021. From the applications, the government awarded MK13.72 billion, a decrease of 92% from MK175.48 billion awarded in December 2021. The applications had a 7.63% rejection rate during the period under review.

Both the average Treasury Bill and average Treasury Note yields increased to 12.57% (Dec-2021: 12.41%) and 20.09% (Dec-2021: 19.89%) respectively, during the period under review.





Government securities yield curve (%)



	91-days TB	182-days TB	364-days TB	2- Year TN	3-Year TN	5-Year TN	7-Year TN	10-Year TN
Dec-21	9.70%	13.00%	15.00%	16.70%	19.04%	20.78%	20.94%	22.98%
Jan-22	9.70%	13.00%	14.54%	16.64%	19.04%	20.35%	20.94%	22.50%

Dec-21 Jan-22

Economic overview (Continued)

Foreign currency market and Foreign reserve position (Source: RBM)

Year-to-date, the Malawi Kwacha has marginally depreciated against the United States Dollar by 0.41%.

The gross official forex reserves in January 2022 were USD399.98 million, a decrease of 6.8% from USD429.17 million as at December 2021.

This translates to an import cover of 1.60 months as at 31 January 2022, a decrease of 7.0% from 1.72 months as at 31 December 2021.

Foreign currency market

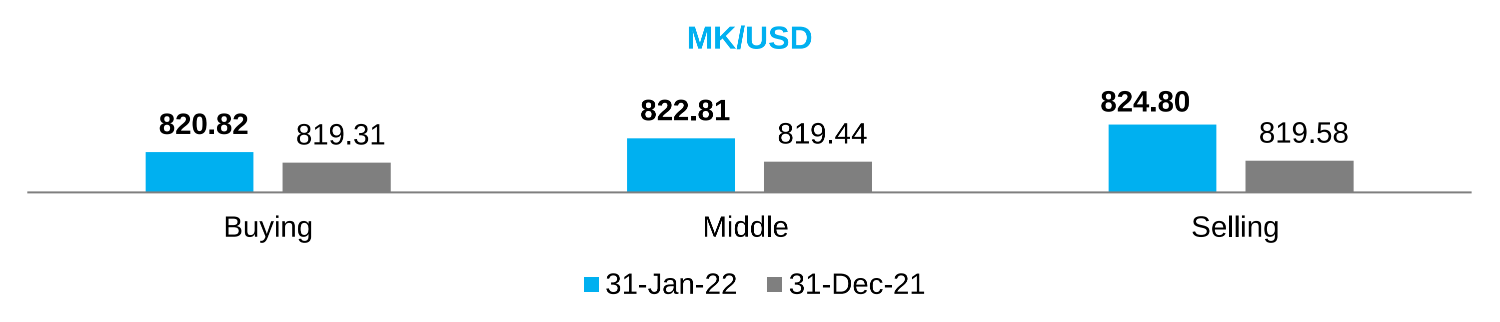
As at 31 January 2022, the Kwacha had marginally depreciated against the USD by 0.41%, to MK822.81/USD from MK819.44/USD from 31 December 2021. During the same period in the previous year, the Kwacha had marginally appreciated against the USD by 0.04%.

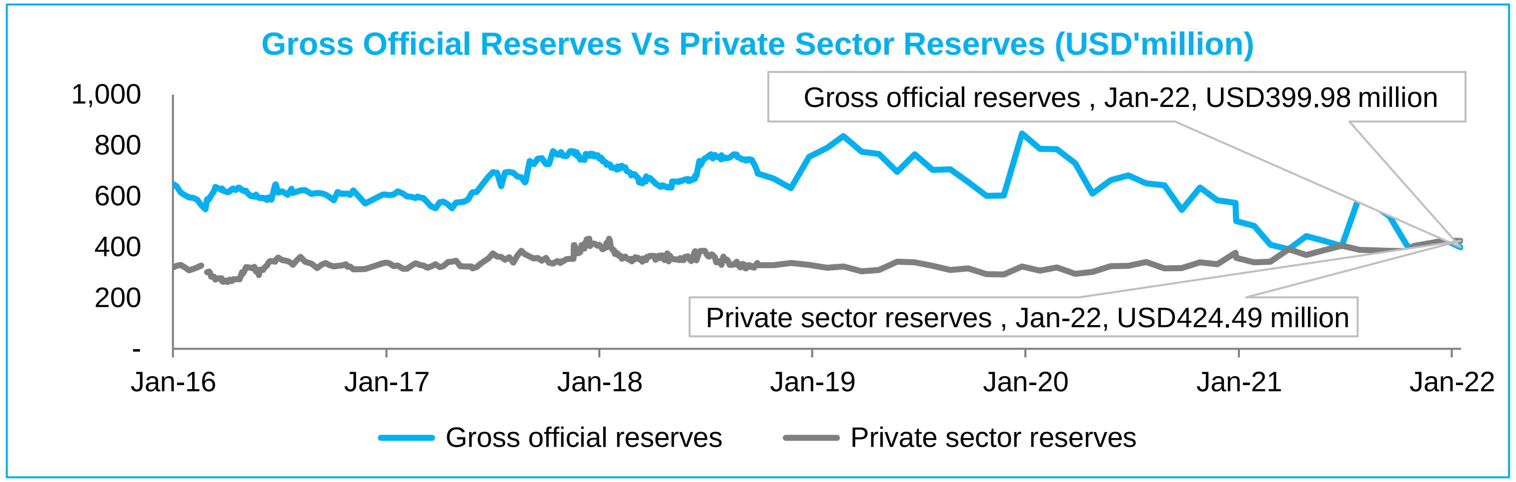
Foreign reserve position

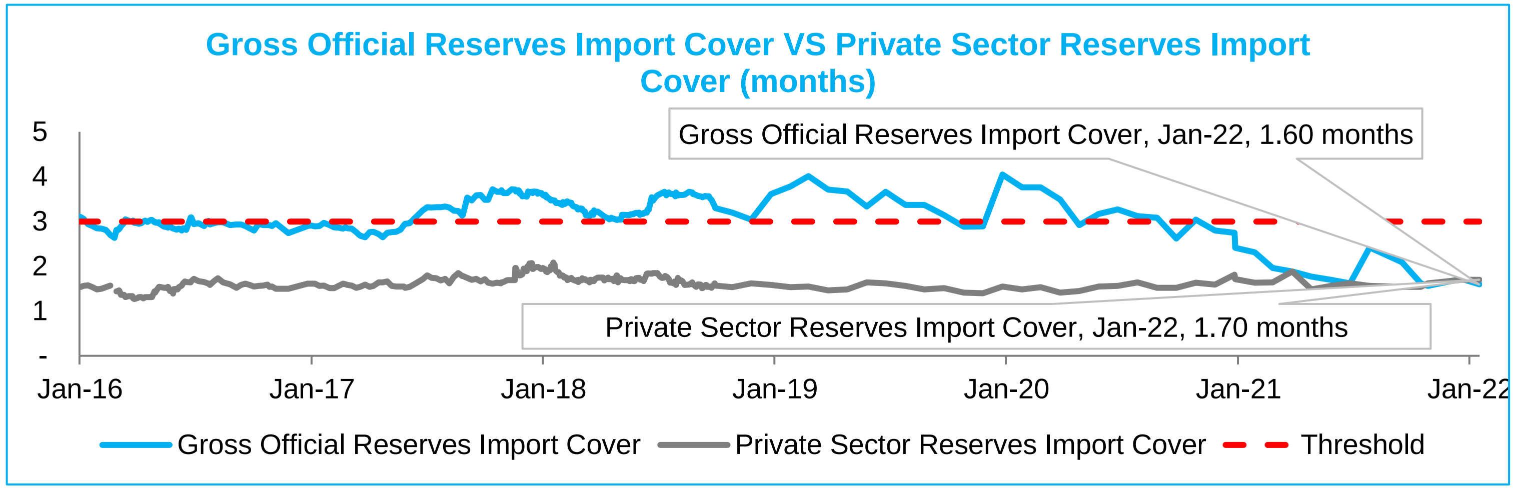
As at 31 January 2022, the country's gross official forex reserves decreased by 6.8% to USD399.98 million from a gross official forex reserve position of USD429.17 million as at 31 December 2021. The private sector forex reserves decreased by 0.2% to USD424.49 million as at 31 January 2022 from USD425.52 million as at 31 December 2021. Overall, total foreign exchange reserves held in January 2022 were USD824.47 million, a decrease of 3.5% from the total foreign exchange reserves position of USD854.69 million in December 2021.

Import cover for gross official reserves for January 2022 was 1.60 months, a decrease of 7.0% from 1.72 months for December 2021. For private sector reserves, import cover maintained its position at 1.70 months during the period under review. The import cover for gross official reserves remained below the required threshold of 3 months as at 31 January 2022. The total foreign exchange reserves import cover decreased to 3.30 months in January 2022 from 3.42 months in December 2021.

	Gross Official (USD'million)	Private Sector (USD'million)	Gross Official import cover (months)	Private sector import cover (months)
Jan-22	**399.98**	**424.49**	**1.60**	**1.70**
Dec-22	429.17	425.52	1.70	1.70







USD – United States Dollar

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

Economic overview (Continued)

Stock market (Source: MSE)

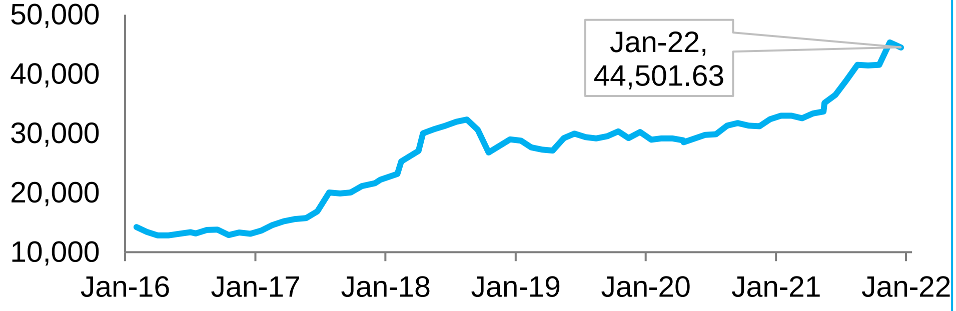
The stock market was bearish during the period under review with the MASI closing the month of January 2022 at 44,501.63 points from 45,367.88 points in December 2021.

The MASI year-to-date return was negative 1.91% in January 2022, and it was 1.84% during the same period in the previous year.

The stock market was bearish over the period with the Malawi All Share Index (MASI) decreasing by 1.91% to 44,501.63 points in January 2022 from 45,367.68 points in December 2021.

The largest loser was OMU whose share price decreased by 15.00% to MK1,785.00 per share in January 2022, from MK2,099.99 per share as at the close of December 2021. There were also share price losses for FDH Bank, TNM, ICON, NBS, FMBCH and ILLOVO during the period. Five counters closed the month at the same prices as the previous month. These counters were: PCL, NICO, NBM, MPICO and BHL. The largest gainer in January 2022 was AIRTEL whose share price increased by 0.25% to MK40.10 per share in January 2022, from MK40.00 per share in December 2021. There were also share price gains for Sunbird, NITL and Standard Bank during the period under review.

Malawi All Share Index (MASI)



MASI year-to-date Return (%) – the MASI closed the month with a year-to-date return of negative 1.91% (it was 1.84% during the same period in the previous year).

Month-on-month Share Price Gains/Losses (%)

Symbol	Closing prices (MK/share)	
	31-Jan-22	31 December 2021
AIRTEL	40.10	40.00
BHL	11.01	11.01
FDHB	13.50	15.81
FMBCH	79.98	80.00
ICON	12.85	12.89
ILLOVO	299.97	300.00
MPICO	20.70	20.70
NBM	810.12	810.12
NBS	22.87	22.90
NICO	55.00	55.00
NITL	94.99	94.98
OMU	1,785.00	2,099.99
PCL	1,900.00	1,900.00
STANDARD	1,400.03	1,400.00
SUNBIRD	90.02	90.01
TNM	20.00	22.92

Economic overview (Continued)

Stock market (Source: MSE)

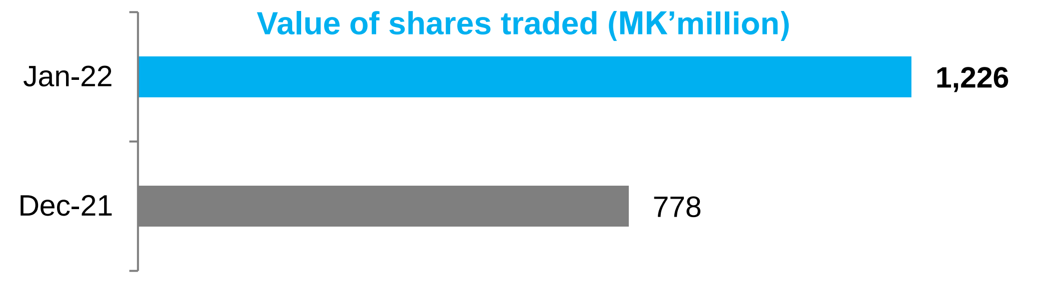
The total value of shares traded increased by 57.73% in January 2022 to MK1.23 billion from MK778 million in December 2021.

In January 2022, there were no trades registered in the listed debt market. The last trades were in April 2021.

NBS expects its profit after tax for the period ended 31 December 2021 to be MK8.46 billion, an increase of 20% from a profit after tax of MK7.05 billion for the period ended 31 December 2021.

MSE Traded Volumes

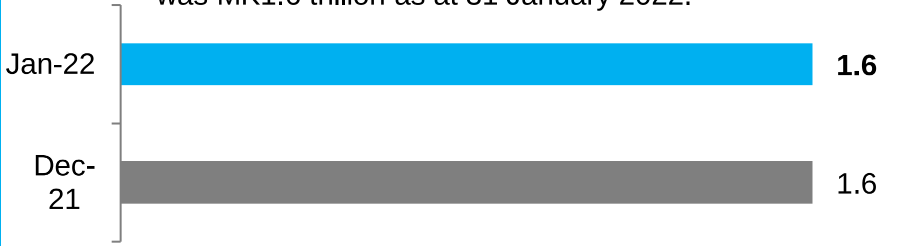
There was MK1.23 billion worth of shares traded in January 2022, an increase of 57.73% compared to MK778 million worth of shares traded in December 2021. AIRTEL and ILLOVO had the highest value of shares traded at MK507 million and MK393 million respectively, during the period under review. The total number of trades in the month under review decreased to 275 trades from 312 trades in December 2021. The figure below traces the total value of shares traded on the MSE in January 2022.



Listed Debt market

There were no trades registered in the listed debt market for the month of January 2022. The last trades were in April 2021, in which the listed 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 MK5 million each and were traded at a price of MK100.20 per par value, giving a total traded value of MK10 million.

Listed Debt Market Nominal Value (MK'trillion) - in the period under review, there were no trades on listed debt market. The total nominal value of all listed debt securities was MK1.6 trillion as at 31 January 2022.



Corporate Announcements

Financial year Trading Statements

The following companies wish to advise the public that their profit/loss after tax for the financial 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	31 December 2021	31 December 2020	Trading statement profit/loss expectation
Press Corporation Plc	29.8	19.9	50%
FMBCH Plc (USD'million)	29.8	21.3	40%
Sunbird Tourism Plc	0.59	(1.18)	150%
Airtel Malawi Plc	29.82	22.09	35%
MPICO plc	6.08	4.34	40%
BHL plc	(0.87)	(0.45)	(93%)
TNM plc	9.28	7.73	20%
NBM plc	29.19	22.45	30%
NITL plc	4.44	1.48	200%
NBS plc	8.46	7.05	20%

Dividends

Counter	Dividend type	Proposed/declared	Dividend per share (MK)	Last day to register	Date of payment
Illovo	Final	Proposed	4.00	11 March 2022	31 March 2022

Annual general meetings

Company	Venue	Date	Time
Illovo	Ryalls Hotel	22 February 2022	14:00 hrs

USD – United States Dollar

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

Other Market Developments

Fiscal and Monetary Policy (Source: Malawi Government, EIU)

The Malawi government accessed USD150 million (MK123 billion) from the World Bank for improving electricity distribution network enhancement and customer connection to the national grid.

Fiscal policy

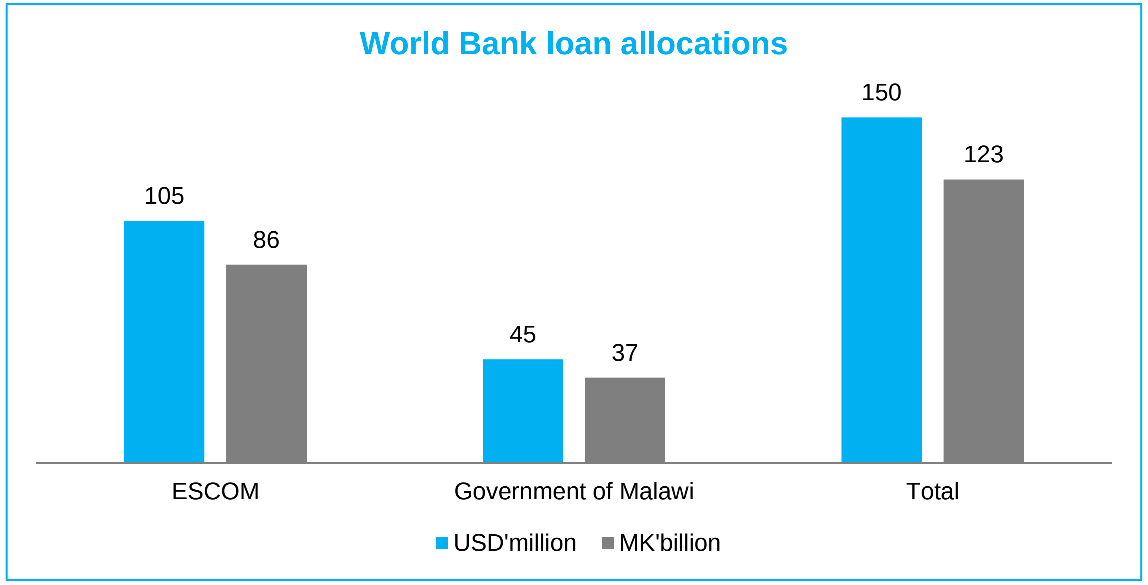
The Government of Malawi accessed a USD150 million (MK123 billion) loan from the World Bank. The loan is intended for the implementation of improvements in the Electricity Supply Commission of Malawi's (ESCOM's) distribution network and to connect more people to the national power supply grid. This will be implemented from March 2022 through ESCOM's Malawi Electricity Access Project (MEAP). The investment is aimed to boost the country's electricity coverage to 30% from 11% in-line with the country's long-term development plan, the Malawi 2063. Of the USD150 million, an allocation of USD105 million (MK86 billion) will be made to ESCOM and the remaining USD45 million (MK37 billion) will be allocated to the government of Malawi.

The Malawi government aims to implement policies that enhance fiscal consolidation and projects that the fiscal deficit will narrow to 7% of GDP in the 2021/22 period on the back of a series of tax incentives that support economic recovery. This is higher than the forecast for the EIU for the same period at 10.4% of GDP. According to the EIU, risks to the government's forecast include higher expenditure for the Affordable Inputs Programme (AIP) and tax exemptions which will constrain revenue growth in 2021/22. Therefore, the EIU expects partial recovery in revenue and slow pace of fiscal consolidation. Furthermore. the EIU expects the government to follow a policy of gentle consolidation from 2022-2026, while seeking to rebalance expenditure in favour of capital investment.

Monetary Policy

For 2021 the Monetary Policy Committee (MPC) maintained the Policy rate at 12%, in-line with the EIU's expectation for the period. During the first MPC meeting of 2022 held on 2 and 3 February 2022 February 2022, the MPC decided to maintain the Policy rate at 12%; 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. This is based on inflationary pressures that are emanating from transitory sources and the need for policy support to entrench domestic economic recovery.

The EIU expects an accommodative monetary policy stance until mid-2022 on account of the forecasted inflation rate for 2022 remaining higher that the Reserve Bank of Malawi's (RBM's) target of 5%, as well as the steady depreciation of the Kwacha. Furthermore, the EIU expects the MPC to increase the Policy Rate at the end of 2022 and expects other small rate increases over the 2023-26 period on the back of inflationary pressure.



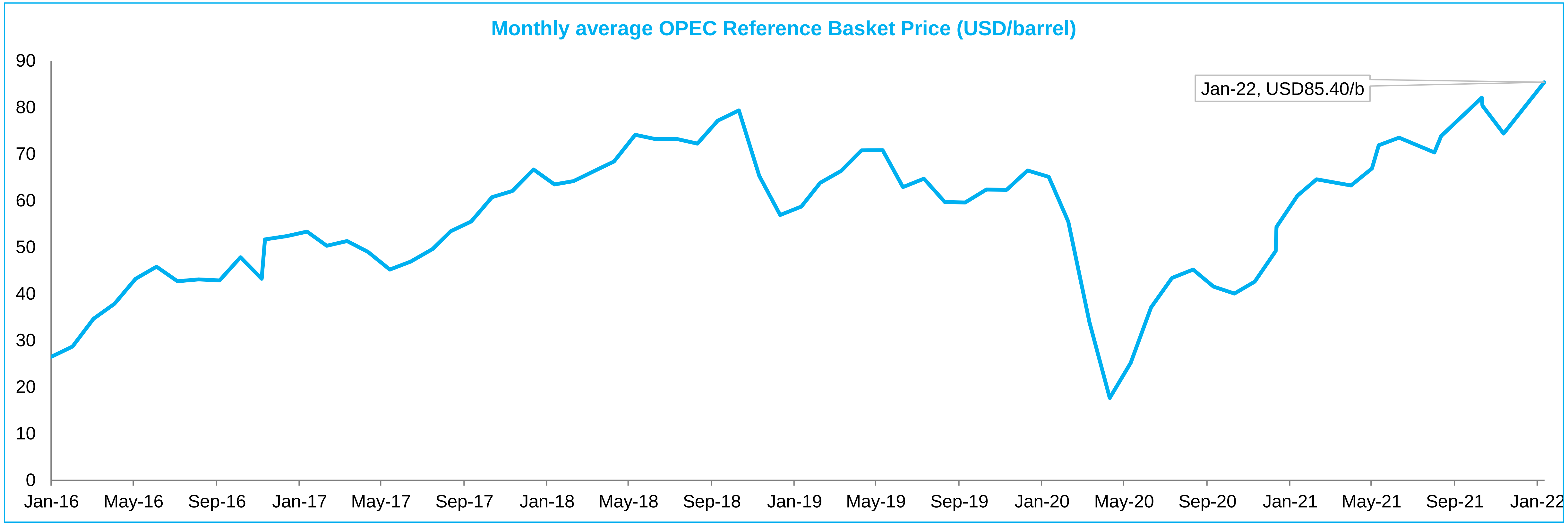
Regional And Global Market Developments

Global oil developments (Source: OPEC, World Bank)

The monthly average OPEC Reference Basket (ORB) price increased by 14.82% to USD85.40/b in January 2022 from USD74.38/b in December 2021.

Month-on-month, the monthly average OPEC Reference Basket (ORB) price increased by 14.82% to USD85.40/b in January 2022 from USD74.38/b in December 2021. Similarly, the monthly average ORB price has increased by 57% year-on-year as it was USD54.38/b in January 2021.

Oil prices rose to an average of USD69/b in 2021, an increase of 67% over 2020. This was USD7/b higher than previously expected by the World Bank and on the back of oil demand recovery on account of higher natural gas prices which encouraged the use of oil as a substitute. Despite the planned increase in oil production by member countries of OPEC+, global oil production rebounded more slowly than expected as supply outages, production constraints and a muted response to U.S.A shale oil production persisted in 2021. Oil prices are expected to average USD74/b in 2022 and are forecasted to decline to an average of USD65/b in 2023 as global oil production recovers. The World Bank expects the increase in the COVID-19 infection cases as a result of the Omicron variant to have a modest and temporary effect on oil demand on account of less restrictive pandemic-control measures.



COVID-19 Update

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

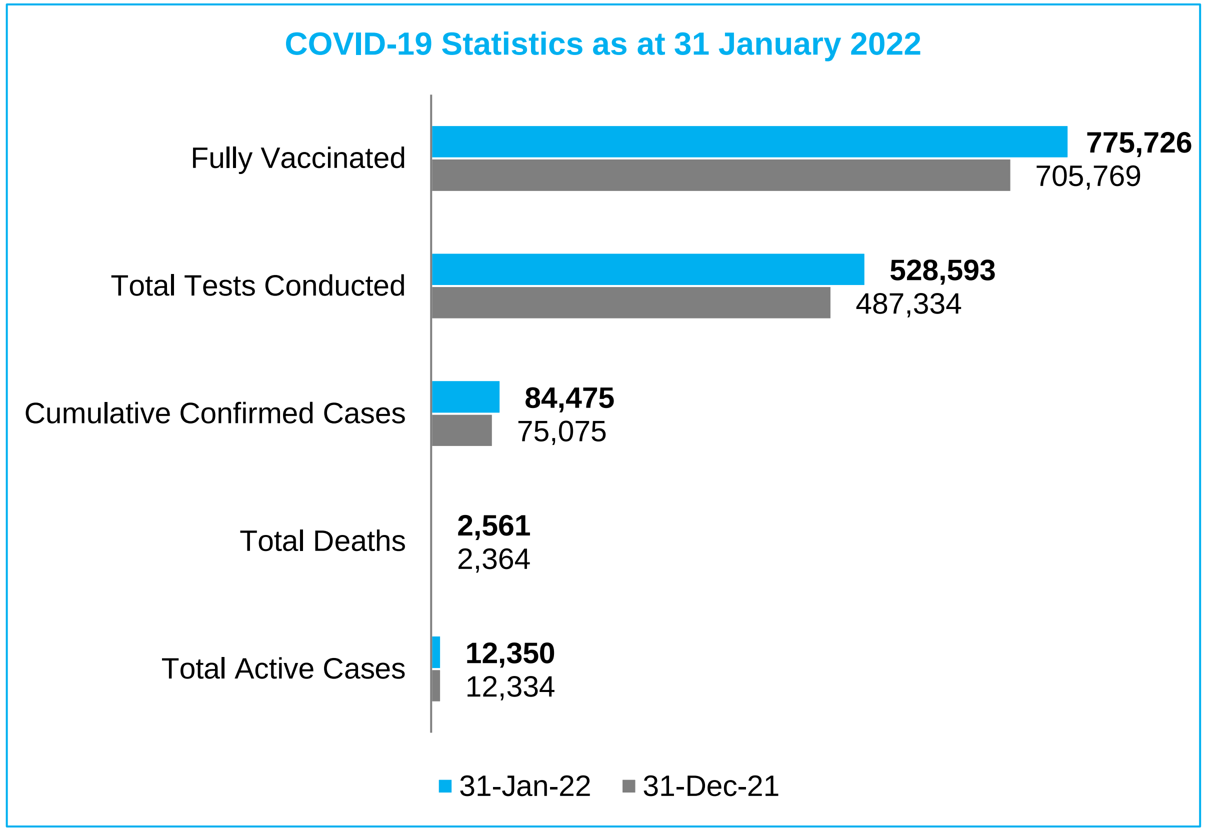
As at 31 January 2022, 775,726 individuals had been fully vaccinated against the COVID-19 virus, an increase of 9.91% from 705,769 individuals fully vaccinated as at end December 2021.

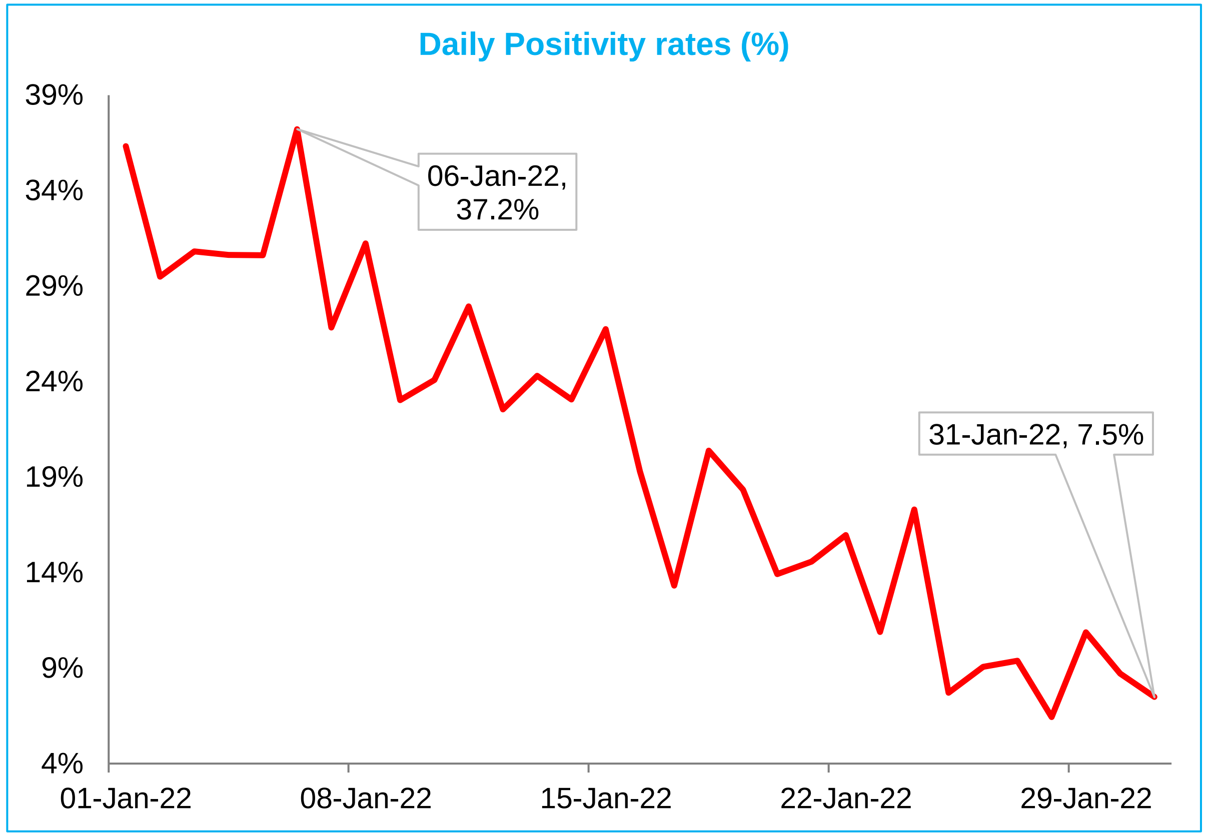
As at 31 January 2022, 3.9% of the Malawian population had been fully vaccinated against COVID-19 infection.

Malawi experienced a fourth wave of COVID-19 infections between mid-October 2021 and mid-December 2021. The number of cases accelerated in the period and eventually peaked at 1,265 daily new cases recorded on 24 December 2021, up from 17 daily new cases recorded on 1 October 2021. The fourth wave of COVID-19 infections was driven by the Omicron (B1.1.1529) variant. At the onset of the fourth wave of COVID-19 infections, the Malawi government revised its COVID-19 measures to Level 2 which among other measures, restricts indoor gatherings to 100 individuals.

As at end January 2022, 775,726 individuals had been fully vaccinated against the COVID-19 virus in Malawi. This is an increase of 9.91% from 705,769 individuals fully vaccinated as at end December 2021. The number of fully vaccinated individuals represents 3.9% of the Malawian population. The Ministry is targeting to vaccinate 60% of the Malawian population by December 2022. This is aimed at reaching herd immunity which would result in the protection of the entire population.

The total cumulative confirmed COVID-19 cases increased to 84,475 as at 31 January 2022 from 75,075 as at 31 December 2021. Similarly, the cumulative COVID-19 related deaths increased to 2,561 in January 2022 from 2,364 in December 2021. These changes were accompanied by a decrease in the daily positivity rate to 7.5% as at 31 January 2022 from 40.9% as at 31 December 2021. The daily case fatality rate marginally decreased to 3.03% from 3.15% during the period under review. The daily recovery rate increased to 82.07% from 80.11% during the same period.





Global real GDP was estimated to have rebounded to 5.5% in 2021 from negative 3.4% in 2020. From 2022 to 2023, global real GDP is forecasted to maintain a downward trajectory.

Global Outlook

Global growth was estimated to have rebounded to 5.5% in 2021 and is expected to decline to 4.1% in 2022 on account of continued COVID-19 flare-ups, diminished fiscal support and persistent supply chain bottlenecks. The global growth rate is expected to decline further in 2023 as pent-up demand decreases and supportive macroeconomic policies continue to be rolled out. Although output and investment in advanced economies are projected to return to pre-pandemic levels in 2023, in emerging market and developing economies (EMDEs), they are expected to remain below due to lower vaccination rates, tighter fiscal and monetary policies, and more persistent negative effects from the pandemic.

Risks to the outlook include Omicron-driven economic disruptions, further supply bottlenecks, a de-anchoring of inflation expectations, financial stress, climate-related disasters, and a weakening of long-term growth drivers. These downside risks are heightened for EMDEs and highlight the need for strengthening global cooperation to enhance rapid and equitable vaccine distribution, calibrate health and economic policies, enhance debt sustainability in the poorest countries and tackle the mounting costs of climate change.

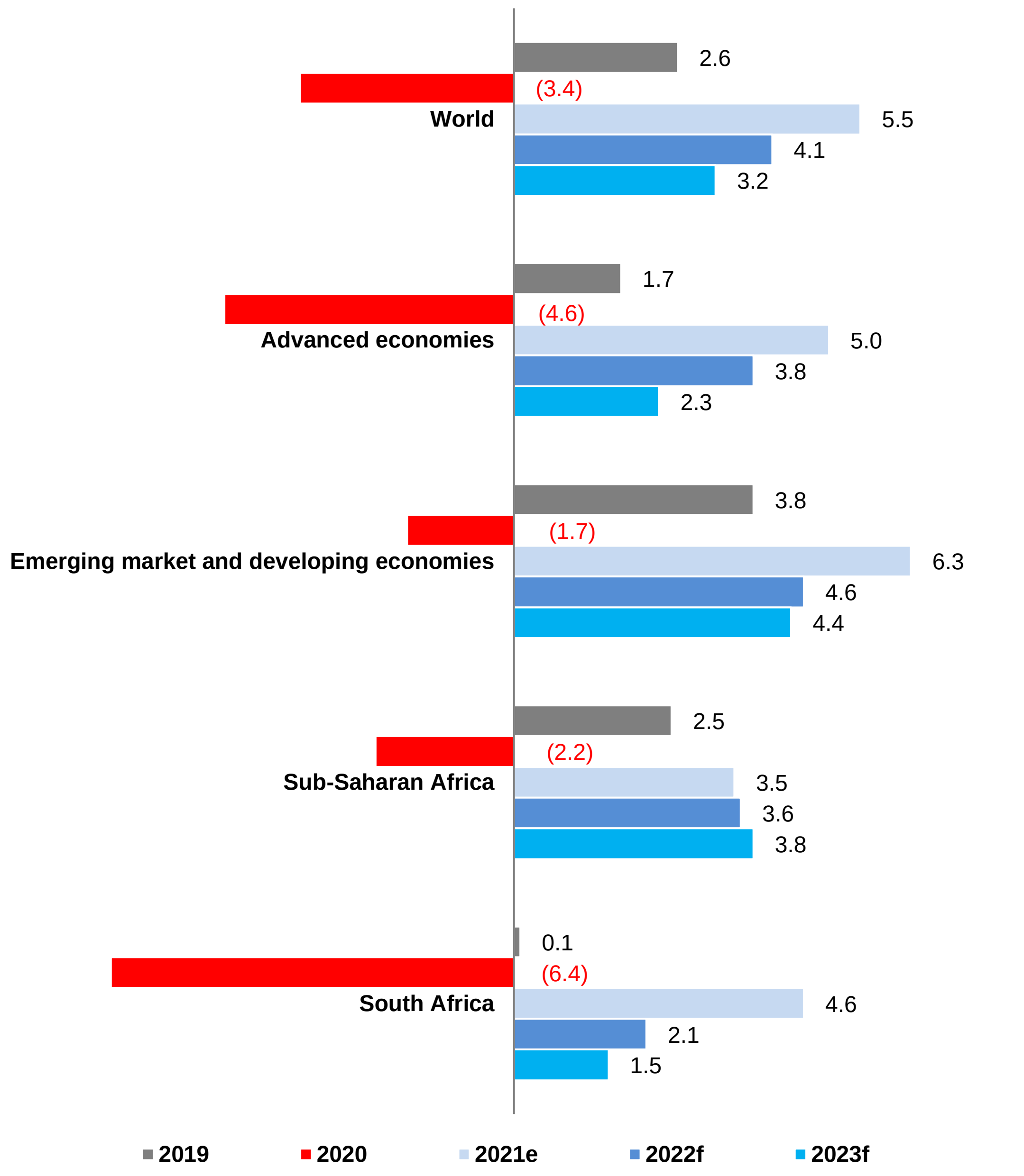
Regional Prospects

Real GDP growth in Sub-Saharan Africa (SSA) was estimated at 3.5% for 2021 on account of rebounds in commodity prices and a gradual easing of social restrictions. Despite this, recurrent COVID-19 waves and low vaccination uptake slowed the pace of economic recovery during the period. During the last two weeks of 2021, more than 70% of SSA countries reported an increase of at least 50%, in new COVID-19 cases. As at the close of December 2021, the number of fully vaccinated people in SSA stood at 6.2% compared to an average vaccination rate of 44% across EMDEs. Real GDP growth for SSA's largest economies - Angola, Nigeria and South Africa - was estimated to average 3.1% for 2021. The estimate is based on recovery in non-oil sectors such as manufacturing, mining, and service sectors.

For 2022 and 2023, growth is forecast at 3.6% and 3.8%, respectively. The projections are supported by elevated commodity prices as activity rebounds in the region's main trading partners such as China, the Euro area, and the USA. Among agricultural commodity exporting countries, growth is projected to be supported by increased agricultural production encouraged by high prices of agricultural commodities, investments to raise yields, intensification of land use, and an assumed continuation of favorable rainfall patterns. Despite this, the speed of recovery is projected to be constrained by elevated policy uncertainty, social unrest and conflict, and delays in investments in infrastructure and mining, as well as a slow implementation of structural reforms.

Risks to the outlook are tilted to the downside. The region's low COVID-19 vaccination uptake rates significantly elevates the threat of renewed infection outbreaks as well as the spread of more transmissible or vaccine-resistant variants of the COVID-19 virus. Furthermore, there is the risk that global recovery could moderate further than expected and lead to significant reversal of gains in commodity prices that was recorded in 2021. Persistence of pandemic-induced long-term effects, higher food prices and the level of violence in some SSA countries add to the risks of the outlook.

Real GDP (percentage change from previous year)



e: Estimate
f: forecasts

Special Topic (Continued)

The World Bank’s Global Economic Prospects report (Source: World Bank)

The real GDP growth estimate for SSA for 2022 and 2023 are 3.6% and 3.8%, respectively. These are on account of elevated commodity prices as a result of rebound in activity within the region’s main trading partners.

Commodity Price Cycles: Drivers and Policies

Commodity prices increased in 2021, reflecting a strong rebound of demand from the 2020 global recession. The increase in commodity prices was led by energy and metals driven by increases in aggregate global demand, easy financial conditions and fiscal expansions in advanced economies. These price increases were further supported by a recovery in manufacturing, improved prospects for significant increase in infrastructure investment in advanced economies and pandemic-related supply disruptions.

Looking forward, global macroeconomic developments and commodity supply factors are likely to cause recurring commodity price volatility. To reduce the associated macroeconomic fluctuations, EMDEs that are commodity exporters need to strengthen their policy frameworks and reduce their reliance on commodity-related revenues by diversifying exports and national asset portfolios.

Resolving High Debt after the Pandemic: Lessons from Past Episodes of Debt Relief

Global debt levels increased during the pandemic-induced recession of 2020 and have led to the initiation of debt restructurings in several countries, while others are in debt distress or at high risk of debt distress and may eventually need debt relief. To this end, the G20 announced the Debt Service Suspension Initiative (DSSI) which offered debt payment suspensions on official sector debts for the poorest countries. This was implemented to create fiscal space for increased social, health or economic spending in response to the debt crisis. The DSSI neither reduced the debt stocks nor required private sector participation. In November 2020, the G20 announced the “Common Framework”, the latest umbrella initiative that was implemented to resolve debt.

Historical umbrella initiatives included the Multilateral Debt Relief Initiative (MDRI) (2005), Heavily Indebted Poor Countries (HIPC) Initiative (1996), the Brady Plan (1989) and the Paris Club (1956).

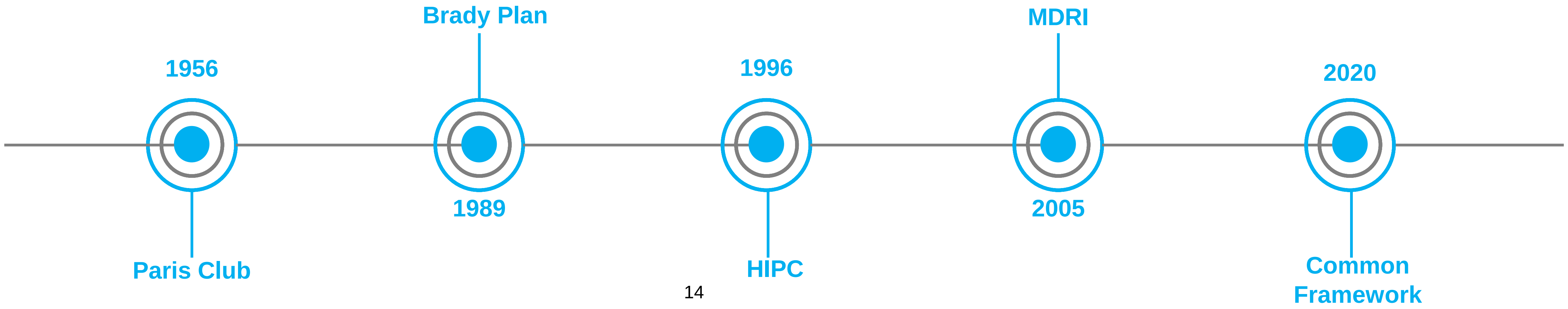
The Common Framework

The Common Framework offers a structure for guiding agreements on debt treatment for DSSI-eligible countries on a case-by-case basis. It includes Paris Club members as well as non-Paris Club G20 member countries including China. Although this is the case, the framework excludes debt to multilaterals such as the IMF and the World Bank.

The Common Framework focuses on providing debt service relief through maturity extensions and interest rate reductions. Subject to a Debt Sustainability Analysis by the IMF, the World Bank and the participating official creditors’ collective assessment, the framework may implement debt stock reductions.

One on hand, the challenges that were faced by the historical debt relief initiatives and still plague the Common Framework include the reluctance of creditors to grant substantial debt relief quickly, a lack of mechanisms to enforce private sector participation and uncertainty about the ability or willingness of borrowing countries to commit to credible multi-year action plans.

On the other hand, the Common Framework faces new challenges which include the increasingly complex nature of the creditor base which increases the difficulties of coordinating and negotiating among creditors. This is on account of the creditor base including a broader range of creditors with diverse motivations and, which reduces the influence of traditional lenders in sovereign debt restructuring. Furthermore, the debt structures of EMDEs and low-income countries (LICs) has changes substantially over the decades.



Appendix

Appendix 1: Historical Economic Indicators

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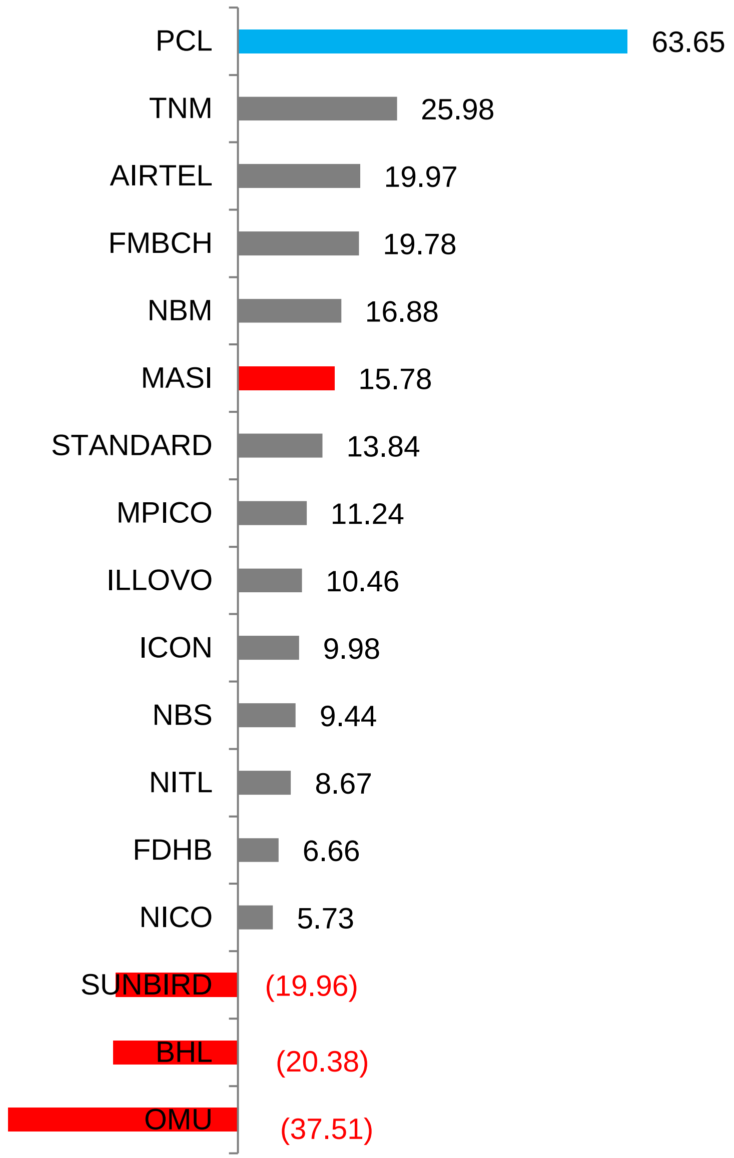
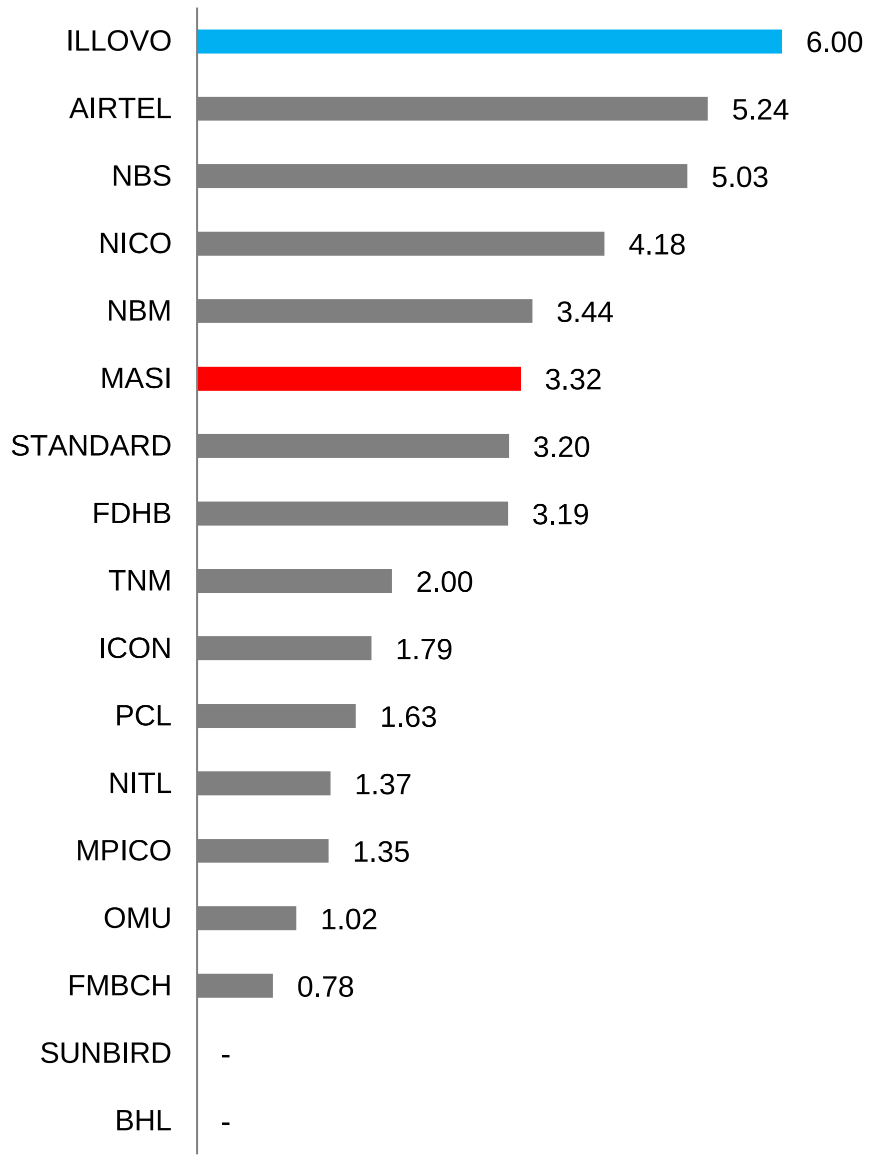
	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Exchange rates																
MK/USD	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	819.44	**822.81**
MK/GBP	1,015.11	1,061.76	1,070.14	1,107.24	1,140.90	1,139.62	1,164.37	1,191.58	1,192.94	1,203.74	1,196.67	1,168.72	1,201.21	1,194.23	1,208.01	**1,211.73**
MK/EUR	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	1,044.60	1,026.14	1,037.74	1,099.91	1,138.41	**1,072.50**
MK/ZAR	49.18	53.09	56.43	54.60	55.69	56.13	59.33	62.28	62.28	60.79	60.90	58.90	59.04	57.21	57.68	**61.82**
Foreign Exchange Reserves																
Gross Official Reserves (USD'mn)	635.05	584.89	574.26	502.98	483.38	410.16	392.01	443.25	424.99	404.18	604.50	521.87	405.66	389.26	429.17	**399.98**
Private Sector Reserves (USD'mn)	340.22	332.51	377.97	358.29	340.50	342.58	392.61	369.64	388.78	405.79	389.47	386.05	384.75	404.81	425.52	**424.49**
Total reserves (USD'mn)	975.27	917.4	952.23	861.27	823.88	752.74	784.62	812.89	813.77	809.97	993.97	907.92	790.41	794.07	854.69	**824.47**
Gross Official Reserves Import cover (months)	3.04	2.80	2.75	2.41	2.31	1.96	1.88	1.77	1.70	1.62	2.42	2.09	1.62	1.56	1.72	**1.60**
Inflation																
Headline	7.50%	7.30%	7.60%	7.70%	8.30%	9.40%	9.2%	8.9%	9.1%	8.7%	8.4%	8.9%	9.8%	11.1%	11.5%	-
Food	10.90%	10.40%	10.50%	9.70%	10.30%	11.70%	11.5%	11.0%	11.1%	10.3%	9.7%	10.9%	11.8%	12.8%	13.6%	-
Non-food	4.40%	4.40%	4.90%	5.60%	6.30%	6.90%	7.0%	7.1%	7.2%	7.2%	7.2%	7.2%	7.8%	9.5%	9.5%	-
Interest Rates																
Monetary Policy rate	13.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	**12.00%**
Average Interbank rate	13.62%	12.51%	11.41%	11.34%	10.67%	11.37%	11.72%	11.92 %	11.94%	11.96%	11.97%	11.98%	11.98%	11.98%	11.98%	**11.15%**
Average base lending rate	13.60%	13.60%	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	**12.20%**
Government Securities' Yields																
91-days Treasury Bill	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%	9.62%	9.33%	9.60%	9.59%	9.60%	9.58%	9.70%	**9.70%**
182-days Treasury Bill	12.87%	12.73%	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%	12.81%	12.96%	12.96%	12.98%	12.98%	12.98%	13.00%	**13.00%**
364-days Treasury Bill	13.88%	13.40%	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%	13.87%	13.90%	14.08%	14.20%	14.20%	14.30%	14.54%	**15.00%**
2-year Treasury Note	16.46%	16.46%	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%	16.65%	16.63%	16.63%	16.63%	16.64%	16.64%	16.64%	**16.70%**
3-year Treasury Note	18.47%	17.79%	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%	18.97%	19.00%	18.99%	18.99%	18.99%	19.00%	19.04%	**19.04%**
5-year Treasury Note	19.82%	19.82%	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%	20.08%	20.25%	20.09%	20.26%	20.44%	20.53%	20.35%	**20.78%**
7-year Treasury Note	20.75%	19.95%	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%	20.59%	20.98%	21.36%	21.36%	21.36%	20.94%	20.94%	**20.94%**
10-year Treasury Note	22.14%	22.14%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%	21.85%	22.54%	23.01%	23.25%	23.00%	22.50%	22.50%	**22.98%**
Stock Market Indices																
MASI	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	38,945.62	41,681.86	41,458.37	41,565.98	45,367.68	**44,501.63**
DSI	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	31,929.22	34,383.73	34,188.36	34,284.11	37,061.70	**36,322.34**
FSI	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	3,479.97	3,454.70	3,450.25	3,450.24	4,223.15	**4,183.22**

Appendix 2: Selected stock market statistics as at 31 January 2022

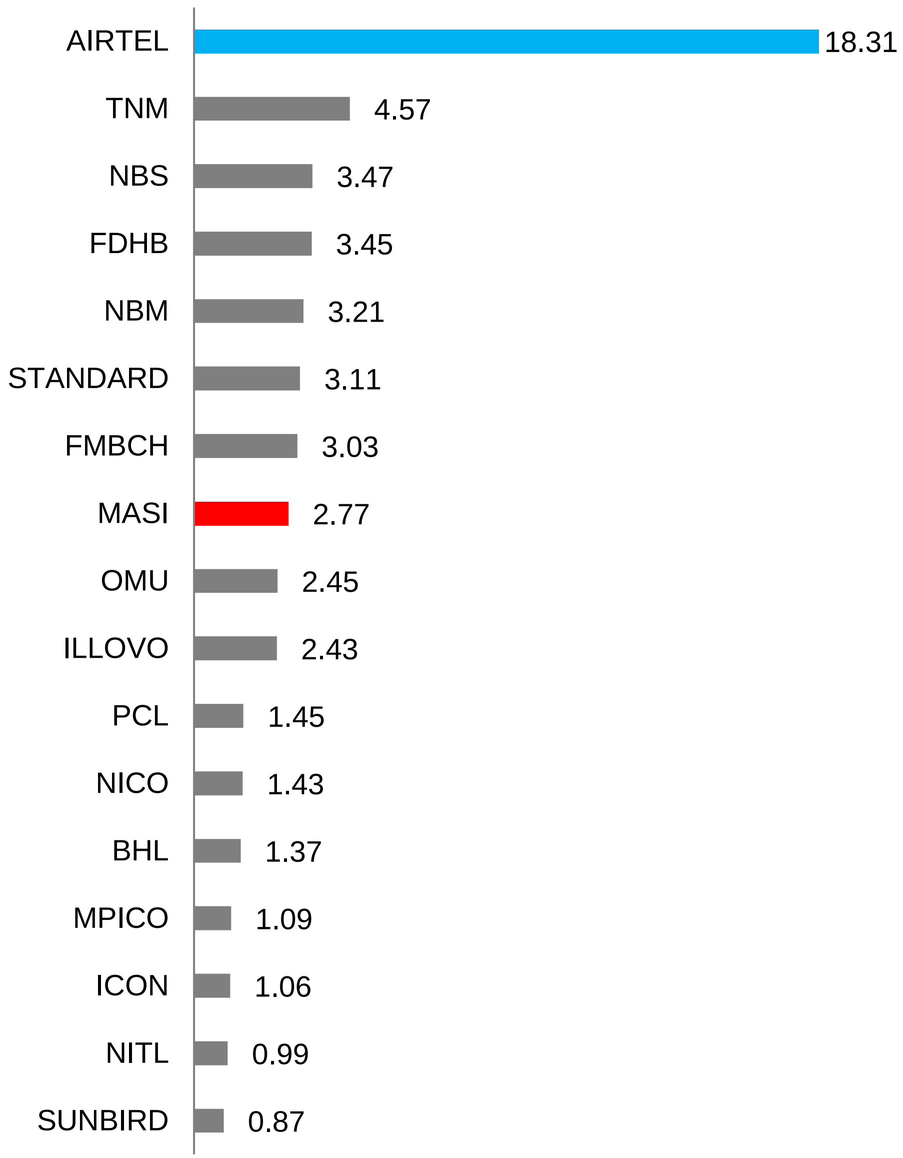
P/E ratio - the weighted average price to earnings ratio on the MSE was 15.78 in January 2022. OMU had the lowest at negative 37.51 while PCL had the highest at 63.65.



Dividend yield (%) - the weighted average dividend yield on the MSE was 3.32% in January 2022. The counter with the highest dividend yield was ILLOVO at 6.00%.



P/BV ratio - the weighted average price to book value ratio on the MSE was 2.77 in January 2022. AIRTEL had the highest ratio at 18.31 while SUNBIRD had the lowest ratio at 0.87.



Appendix 3: EIU Projections

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Economic growth						
%	2021*	2022**	2023**	2024**	2025**	2026**
GDP	2.7	3.1	3.6	3.7	4.0	4.2
Private consumption	1.5	2.0	2.8	3.0	3.1	3.3
Government consumption	2.0	2.3	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	5.0	5.5	5.9	6.1	6.3
Exports of goods & services	4.1	4.3	4.7	4.9	5.2	5.7
Imports of goods and services	3.0	3.3	4.0	4.3	4.5	4.9
Domestic demand	2.0	2.4	3.1	3.3	3.5	3.7
Agriculture	1.9	2.8	3.0	3.4	3.8	4.0
Industry	2.1	2.4	2.6	2.8	3.1	3.3
Services	2.7	3.0	3.9	4.1	4.3	4.6

Key Indicators						
	2021*	2022**	2023**	2024**	2025**	2026**
Real GDP growth (%)	2.7	3.1	3.6	3.7	4.0	4.2
Consumer price inflation (av; %)	9.0	10.5	9.5	9.0	8.5	8.0
Government balance (% of GDP)	-12.6	-10.4	-8.5	-7.1	-6.5	-6.0
Current-account balance (% of GDP)	-15.8	-14.8	-14.2	-13.1	-12.8	-11.1
Short-term interest rate (av; %)	9.9	10.3	10.8	16.5	17.5	18.5

International Assumptions						
	2021*	2022**	2023**	2024**	2025**	2026**
Economic growth (%)						
US GDP	5.5	3.8	2.2	1.9	2.0	1.8
OECD GDP	5.0	3.8	2.2	2.0	2.0	1.8
World GDP	5.4	4.0	3.0	2.8	2.7	2.6
World trade	9.0	5.9	4.8	4.1	4.0	3.9
Inflation indicators (% unless otherwise indicated)						
US CPI	4.6	3.8	2.2	2.2	2.2	2.2
OECD CPI	3.4	3.1	2.2	2.1	2.1	2.1
Manufactures (measured in US$)	6.8	1.0	2.1	1.9	2.2	2.3
Oil (Brent; US$/b)	71.7	78.5	66.0	61.0	55.5	53.5
Non-oil commodities (measured in US$)	36.7	2.0	-5.1	-10.8	0.0	0.7
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.1	0.2	1.1	2	2.2	2.4
US$;€ (av)	1.2	1.2	1.2	1.2	1.2	1.2
¥:US$	109.8	115.4	117.3	118.4	118.3	117.5

**: Estimates*
***: Forecasts*

Appendix 4: IMF Projections

	2020	2021	2022	2023	2024	2025	2026
National accounts and prices (percent change, unless otherwise indicated)							
Real GDP	0.9	2.2	3.5	4.5	4.0	4.0	4.1
Nominal GDP (MK'bn)	8,815	9,712	11,114	12,661	14,158	15,663	17,287
GDP deflator	8.5	7.8	10.6	9.0	7.5	6.4	6.0
CPI (annual average)	8.6	9.0	11.7	9.8	8.4	7.2	6.8
Central government (percent of GDP on a fiscal year)							
Revenue	14.9	14.8	14.3	14.3	14.4	14.4	14.3
Tax and nontax revenue	13.4	13.1	13.1	13.2	13.4	13.5	13.7
Expenditure and net lending	21.5	22.2	24.7	23.8	23.8	24.1	24.7
Overall balance (excl. grants)	-8.1	-9.1	-11.6	-10.6	-10.4	-10.6	-11.1
Overall balance (incl. grants)	-6.6	-7.4	-10.4	-9.5	-9.3	-9.7	-10.4
Financial gap/residual gap	0.8	-0.1	0.8	5.7	6.3	7.5	6.8
Domestic primary balance	-1.7	-2.5	-5.1	-3.0	-2.5	-2.2	-2.3
Money and credit (percentage change)							
Broad money	17.2	10.2	14.4	13.9	11.8	10.6	10.6
Credit to private sector	16.4	30.1	14.2	12.6	10.1	9.4	7.5
External sector (USD million, unless otherwise indicated)							
Exports (goods and services)	966	1,078	1,197	1,331	1,522	1,704	1,890
Imports (goods and services)	3,052	3,208	3,298	3,262	3,248	3,520	3,693
Gross official reserves	566	394	402	415	461	498	511
(months of imports)	2.1	1.4	1.5	1.5	1.6	1.6	1.6
Current account (% of GDP)	-13.6	-15.0	-14.3	-12.6	-10.8	-10.7	-10.4
Overall balance (% of GDP)	-3.2	-3.2	-4.2	-3.1	-2.3	-2.4	-3.5
Financing gap (% of GDP)	…	1.8	4.6	3.5	2.9	3.1	4.1
Debt stock and service (percent of GDP, unless otherwise indicated)							
External public debt	32.9	31.9	34.7	36.3	37.6	39.5	41.5
Total public debt	54.8	59.0	64.3	68.9	74.4	80.4	85.7
Ext. debt serv. (% of exports)	7.2	47.2	44.1	40.8	35.7	28.1	33.3

Appendix 5: List of Acronyms and Abbreviations

ADMARC:	Agricultural Development and Marketing Corporation
AIP:	Affordable Inputs Program
BHL:	Blantyre Hotels Plc
COVID-19:	Coronavirus disease
DSI:	Domestic Share Index
DSSI:	Debt Service Suspension Initiative
EIU:	Economist Intelligence Unit
EMDE:	Emerging Market and Developing Economies
ESCOM:	Electricity Supply Corporation of Malawi
EUR:	Euro
FEWSNET:	Famine Early Warning Systems Network
FDHB:	FDH Bank Plc
FMBCH:	FMB Capital Holdings Plc
FSI:	Foreign Share Index
GBP:	Great British Pound
GDP:	Gross Domestic Product
HIPC:	Heavily Indebted Poor Countries
IMF:	International Monetary Fund
LIC:	Low-Income Countries
LRR:	Liquidity Reserve Requirement
MEAP:	Malawi Electricity Access Project
MASI:	Malawi All Share Index
Mb/d:	Million barrels per day
MDRI:	Multilateral Debt Relief Initiative
MERA:	Malawi Energy Regulatory Authority
MK:	Malawi Kwacha
M-O-M:	Month-on-month
MPC:	Monetary Policy Committee
MSE:	Malawi Stock Exchange
MW:	Mega Watts
NBM:	National Bank of Malawi Plc
NICO:	NICO Holdings Plc
NITL:	National Investment Trust Limited Plc
NSO:	National Statistical Office
OMU:	Old Mutual Limited Plc
OPEC:	Organization of the Petroleum Exporting Countries
ORB;	OPEC Reference Basket
PCL:	Press Corporation Limited Plc
RBM:	Reserve Bank of Malawi
SSA:	Sub Saharan Africa
SUNBIRD:	Sunbird Tourism Plc
TB:	Treasury Bill
TN:	Treasury Note
TNM:	Telekom Networks Malawi Plc
TT:	Telegraphic Transfer
USD:	United States Dollar
Y-O-Y:	Year-on-year
YTD:	Year-to-date
ZAR:	South African Rand

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Contact Information

Bridgepath Capital Limited

1st Floor (108), Development House

Corner Henderson Street Road

P.O. Box 2920

Blantyre

Tel No: + 265 1 828 355

Email: info@bridgepathcapitalmw.com

Website: www.bridgepathcapitalmw.com