



# Monthly Economic Report and a brief on the 2022/23 National Budget

February 2022



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### Inflation

Headline inflation increased to 12.1% in January 2022 from 11.5% in December 2021 due to increases in food and non-food inflation. Food inflation increased to 14.2% from 13.6%, and non-food inflation increased to 9.6% from 9.5% during the period under review.

The Monetary Policy Committee (MPC) at its first meeting of 2022, held on 2 and 3 February 2022, projected the annual inflation for 2022 at 10.4%. The projection made by the MPC reflects changes in domestic and imported inflation. Similarly, the Economist Intelligence Unit (EIU) anticipates elevated inflation, and projects inflation to increase to 10.5% in 2022 from 9.3% in 2021. 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. The EIU expects domestic inflation to be contained through the implementation of monetary policy tightening.

### Fiscal Policy

The 2022/23 budget statement, tabled on 18 February 2022, aims to focus on aiding the economy to recover from the global economic slowdown that was induced by the COVID-19 pandemic, to implement fiscal consolidation, public debt management, fiscal discipline, export diversification and import substitution that seeks to promote local manufacturing in place of importation.

The total revenue and grants projected for the 2022/23 fiscal year are projected at MK1.96 trillion, an increase of 58% from a total of MK1.24 trillion in the 2021/22 fiscal year. In terms of the proportion of gross domestic product (GDP), the total revenue and grants projected for the 2022/23 fiscal year represent 17.2% of GDP, an increase of 5.1 percentage points from a proportion of 12.1% of GDP represented by total revenue and grants for the 2021/22 fiscal year.

The total expenditure for the 2022/23 fiscal year is projected at MK2.84 trillion, an increase of 38% from a total expenditure value of MK2.06 trillion in the 2021/22 fiscal year. Similarly, the total expenditure projected for the 2022/23 fiscal year represents 24.9% of GDP, an increase of 4.8 percentage points from a proportion of 20.1% represented by the total expenditure in the 2021/22 fiscal year. The increase in projected expenditure is on account of increases in the projected recurrent and development expenditure for the 2022/23 fiscal year.

The overall fiscal deficit for the 2022/23 fiscal year is projected at MK884 billion, an increase of 7% from a revised fiscal deficit of MK825 billion for the 2021/22 fiscal year. The fiscal deficit for the 2022/23 fiscal year represents 7.7% of GDP, a decrease from a proportion of 8% of GDP represented by the 2021/22 fiscal deficit. The 2022/23 fiscal deficit is projected to be financed through domestic and foreign borrowing projected at MK654 billion and MK230 billion, respectively.

### Monetary Policy

The Monetary Policy Committee (MPC), during the first MPC meeting held in February 2022, maintained the Policy rate at 12% for the first quarter of 2022. This decision was made on the basis that it allowed for continued economic recovery while various inflationary pressures were present. 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 remained relatively stable against the USD as it traded at MK822.10/USD as at 28 February 2022, from MK819.44/USD as at 31 January 2022. Year-to-date, the Malawi Kwacha has marginally depreciated against the USD by 0.32% as at 28 February 2022, while the Kwacha had depreciated by 1.32% during the same period in 2021.

For February 2022, the gross official forex reserves were USD385.40 million, a decrease of 3.65% from USD399.98 million in January 2022. The private sector reserves were USD407.22 million in February 2022, a decrease of 4.12% from USD424.49 million in January 2022. The total forex reserve position was USD792.62 million in February 2022, a decrease of 3.86% from USD824.47 million in January 2022.

### Stock Market

The Malawi All Share Index (MASI) increased by 2.18% to 45,472.09 points in February 2022 from 44,501.63 points in January 2022. This was due to share price gains for FDH Bank, NBM, AIRTEL, NITL and Standard Bank which offset share price losses for TNM, ILLOVO, NBS and FMBCH. The MASI year-to-date return was 0.23% as at 28 February 2022, it was 1.90% during the same period in the previous year. In terms of market price movement, FDH Bank had the largest share price gain during the period to MK15.18 per share as at the close of February 2022 from MK13.50 per share as at the close of January 2022, representing a 12.44% increase. During the period under review, TNM had the largest share price loss to MK17.99 per share from MK20.00 per share, representing a 10.05% decrease during the period under review.

### Government Securities

The government awarded a total of MK161 billion in February 2022 from MK87 billion in January 2022 through Treasury Bills (TBs) and Treasury Notes (TNs) auctions. The TBs auctions had nil rejections while the TNs auctions had a 0.06% rejection rate. The average TB yield marginally decreased to 12.49% from 12.57% while the average TN yield marginally increased to 20.35% from 20.09% during the period under review.

### Economic Growth

For 2022, the government of Malawi through the 2022/23 budget statement, projects the real GDP growth rate to increase to 4.1% from 3.9% recorded in 2021. The projection is based on the expectation that economic activity will increase as mining and quarrying, manufacturing, transportation, construction, and wholesale and retail sectors rebound in the period. It is also based on the expectation that climate and weather-induced events such as the recently experienced Tropical Storm Ana will not persist in the forecast period. For 2023, the government of Malawi projects the real GDP growth to slow down to 4.0%.

The forecast by the government of Malawi 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 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. This is slightly below the projected annual average by the IMF for the same period at 4.2%.

### COVID-19 Status and Developments

The total cumulative confirmed COVID-19 cases increased to 85,339 as at February 2022 from 84,475 as at 31 January 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,615 as at 28 February 2022, from 2,561 as at 31 January 2022. These changes were accompanied by a decrease in the daily positivity rate to 1.3% as at February 2022 from 7.5% as at 31 January 2022, while the daily case fatality rate marginally increased to 3.1% as at 28 February 2022 from 3.0% as at 31 January 2022. The daily recovery rate increased to 88.6% as at 28 February 2022 from 82.1% as at 31 January 2022.

### Risks

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

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. In addition, the damage caused by tropical storm Ana could result in reduced agricultural output in the current agricultural season, leading to food supply shortages and increases in food prices. Furthermore, global supply chain disruptions resulting from the Russia-Ukraine conflict poses inflationary risk on global commodity prices through a reduction in supply and consequent increase in demand.

There is the risk that the agricultural productivity in the current agricultural season may be lower than anticipated as a result of implementation challenges of the Affordable Inputs Programme (AIP). The challenges to AIP implementation included the backing out of fertiliser suppliers and calls by the World Bank for the government of Malawi for a downward revision of the budgetary allocation made to the programme. Additionally, the effects of tropical storm Ana that may reverse prospective gains that AIP implementation may have spurred in the season. Furthermore, the country's agricultural productivity remains vulnerable to weather and climatic shocks as Malawi's economy is dependent on rain-fed agriculture. Famine Early Warning Systems Network (FEWSNET) indicated that the country is forecast to experience rainfall deficits in the current agricultural season.

The emergence of new, more transmissible COVID-19 variants, the global and domestic increase in COVID-19 cases enhances the risk of a protracted COVID-19 pandemic and its effects pose risk to the outlook. 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 tropical storm Ana caused damage to some national electricity generation stations enhancing the gap between electricity demand and supply.



## Economic overview

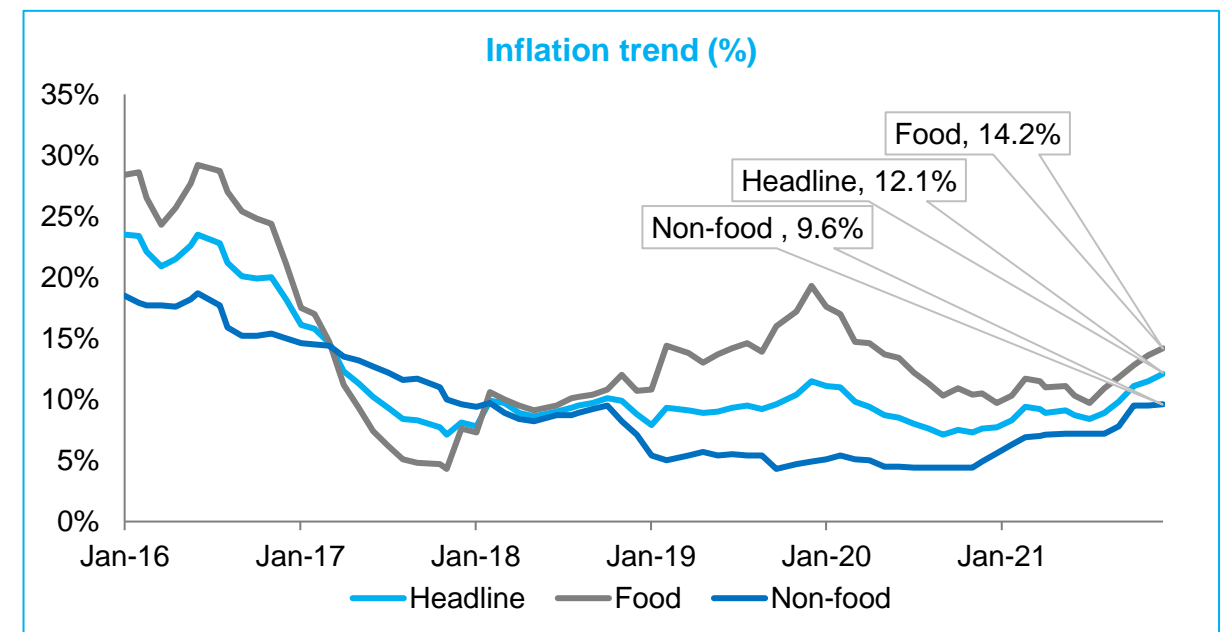
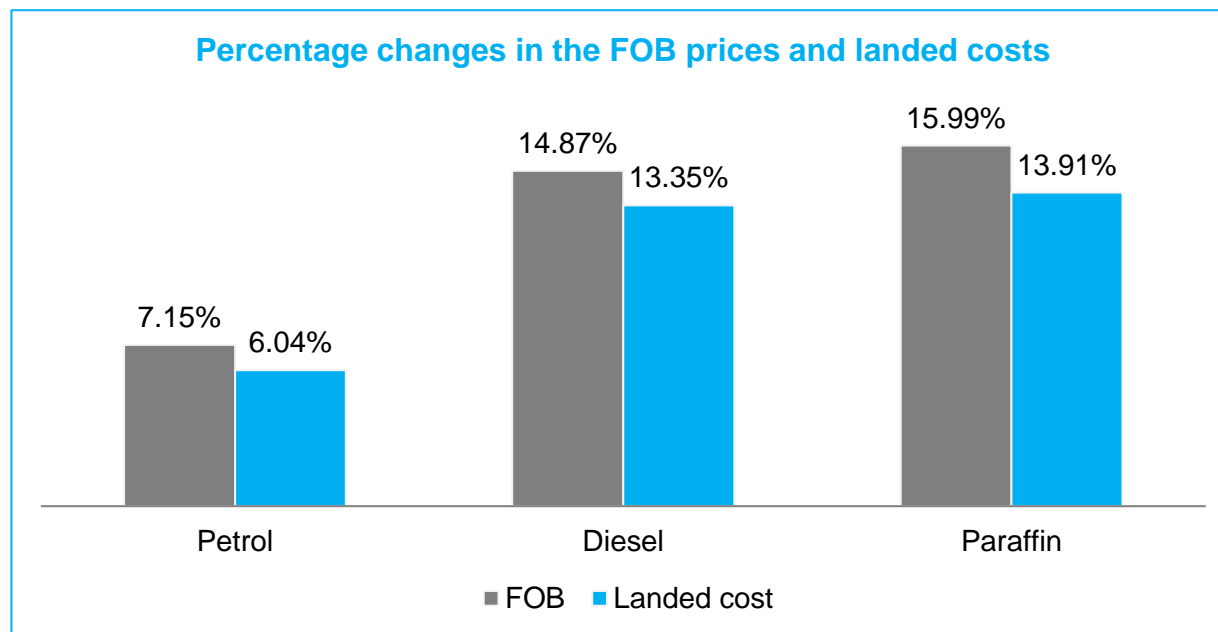
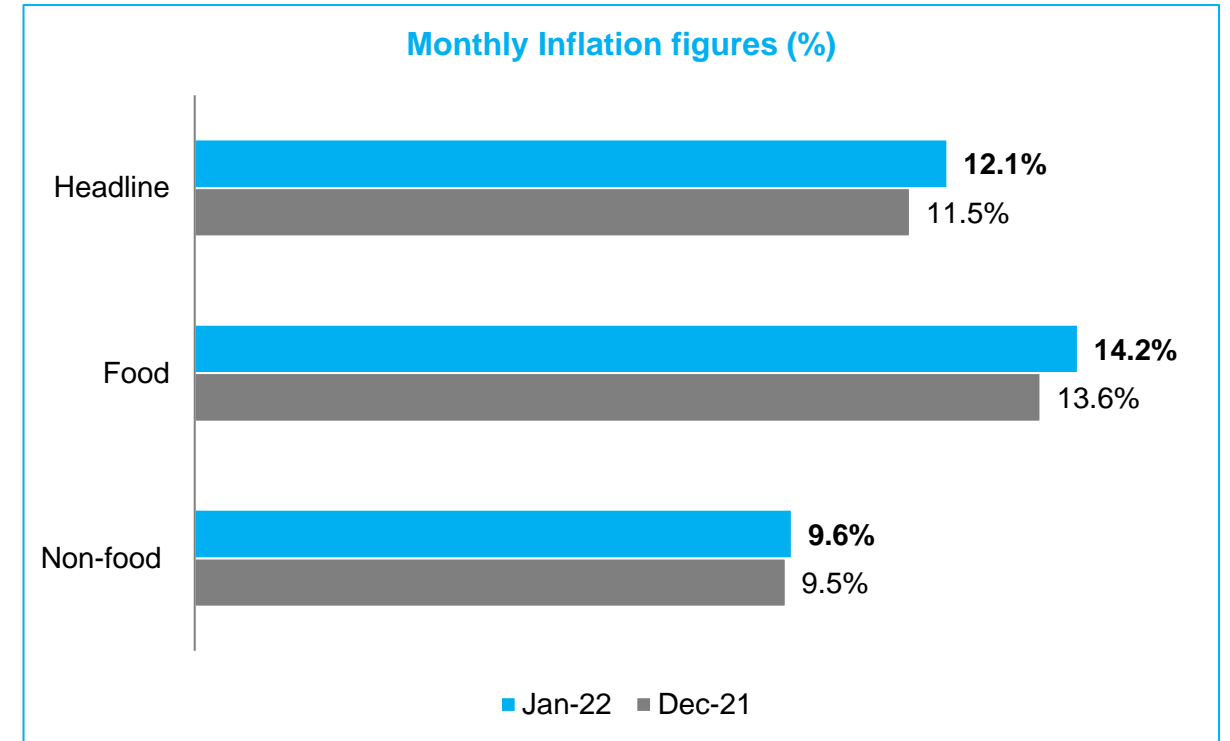
### Inflation (Source: NSO, MERA, RBM)

*Headline inflation increased to 12.1% in January 2022 from 11.5% in December 2021. This was on account of increases in both food and non-food inflation during the period under review.*

Month-on-month, headline inflation increased to 12.1% in January 2022 from 11.5% in December 2021. In January 2021, headline inflation was 7.7%. The month-on-month increase in headline inflation was on account of increases in both food and non-food inflation during the period under review. Food inflation increased to 14.2% in January 2022 from 13.6% in December 2021. Non-food inflation increased to 9.6% in January 2022 from 9.5% in December 2021.

The Malawi Energy Regulatory Authority (MERA), based on its mandate to determine the prices of energy sales, announced that the landed costs of petroleum products, as affected by Free on Board (FOB) prices and the exchange rate of the Malawi Kwacha against the United States Dollar (USD) may be higher. This is on account of increases in the FOB prices for petrol, diesel and paraffin by 7.15%, 14.87% and 15.99%, respectively. This may result in an increase of the landed costs of petrol, diesel and paraffin by 6.04%, 13.35% and 13.91%, respectively. Furthermore, the Price Stabilisation Fund (PSF) balances averaged MK0.9 billion against a recommended minimum of MK5 billion. These developments could result in an upward revision of the domestic fuel pump prices in the short to medium term.

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 meeting 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 MK77 billion through TBs auctions in February 2022, an increase of 136% from MK33 billion awarded in January 2022.

The government awarded MK84 billion through TNs auctions in February 2022, an increase of 53% from MK55 billion awarded in January 2022.

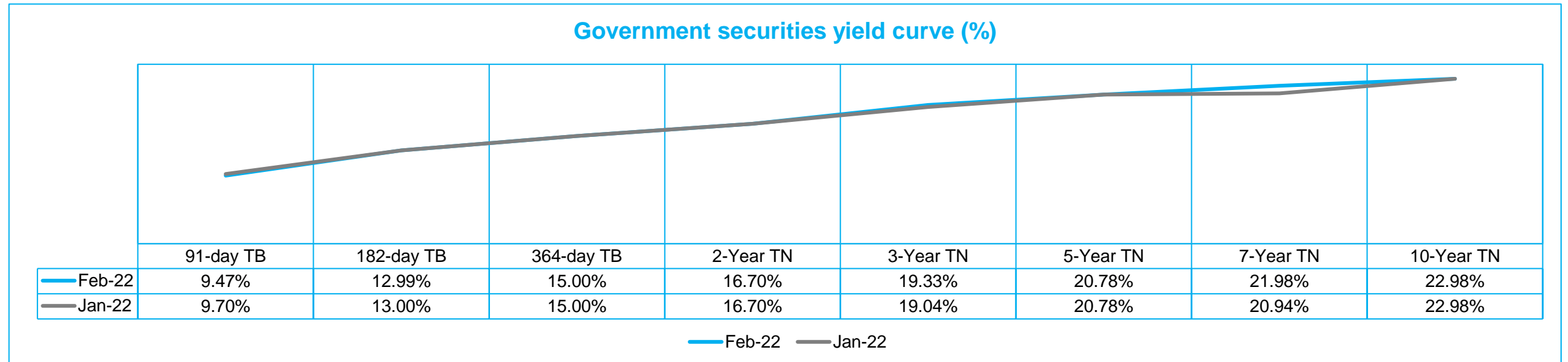
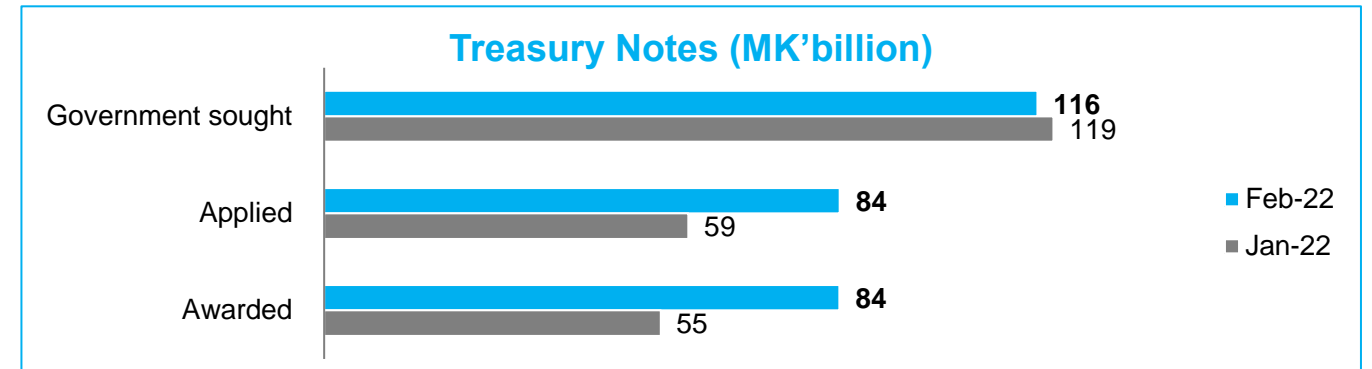
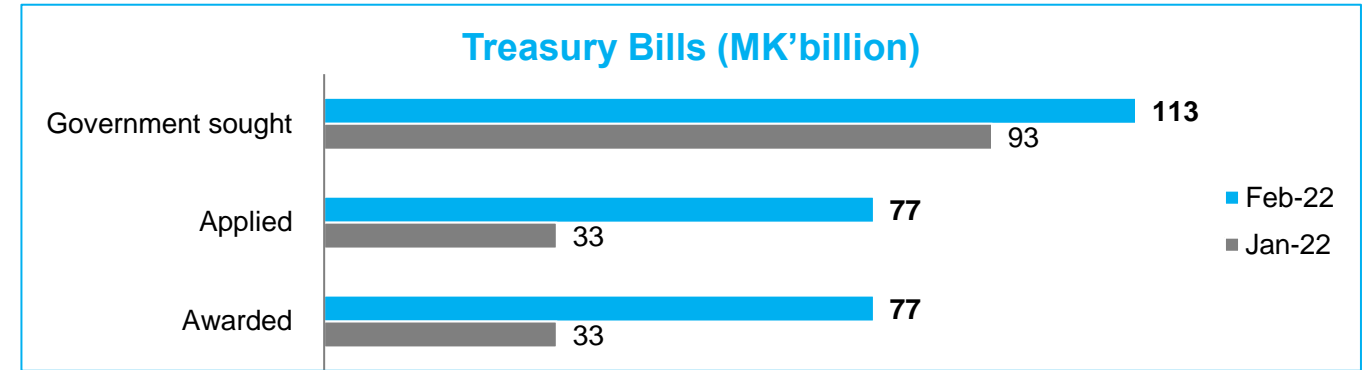
#### Treasury Bills (TBs)

In February 2022, the government sought to borrow MK113 billion through Treasury Bills (TBs) auctions, an increase of 22% from MK93 billion sought in January 2022. Participants applied to place MK77 billion through the TBs auctions in February 2022, an increase of 136% from MK33 billion applied for in January 2022. The applications had a nil rejection rate during the period under review, as such the government awarded MK77 billion through TBs auctions in February 2022, an increase of 136% from MK33 billion awarded in January 2022.

#### Treasury Notes (TNs)

In February 2022, the government sought to borrow MK116 billion through Treasury Notes (TNs) auctions, a decrease of 2% from MK119 billion sought in January 2022. Participants applied to place MK84 billion through the TNs auctions, an increase of 42% from MK59 billion applications in January 2022. From the applications, the government awarded MK84 billion in February 2022, an increase of 53% from MK55 billion awarded in January 2022. The applications had a 0.06% rejection rate during the period under review.

The average Treasury Bill yield marginally decreased to 12.49% in February 2022 from 12.57% in January 2022 while the average Treasury Note yield marginally increased to 20.35% from 20.09% during the period under review.





## 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 0.32%.

The gross official forex reserves in February 2022 were USD385.40 million, a decrease of 3.65% from USD399.98 million as at the close of January 2022. This translates to an import cover of 1.54 months as at the close of February 2022, a decrease of 3.75% from 1.60 months as at 31 January 2022.

#### Foreign currency market

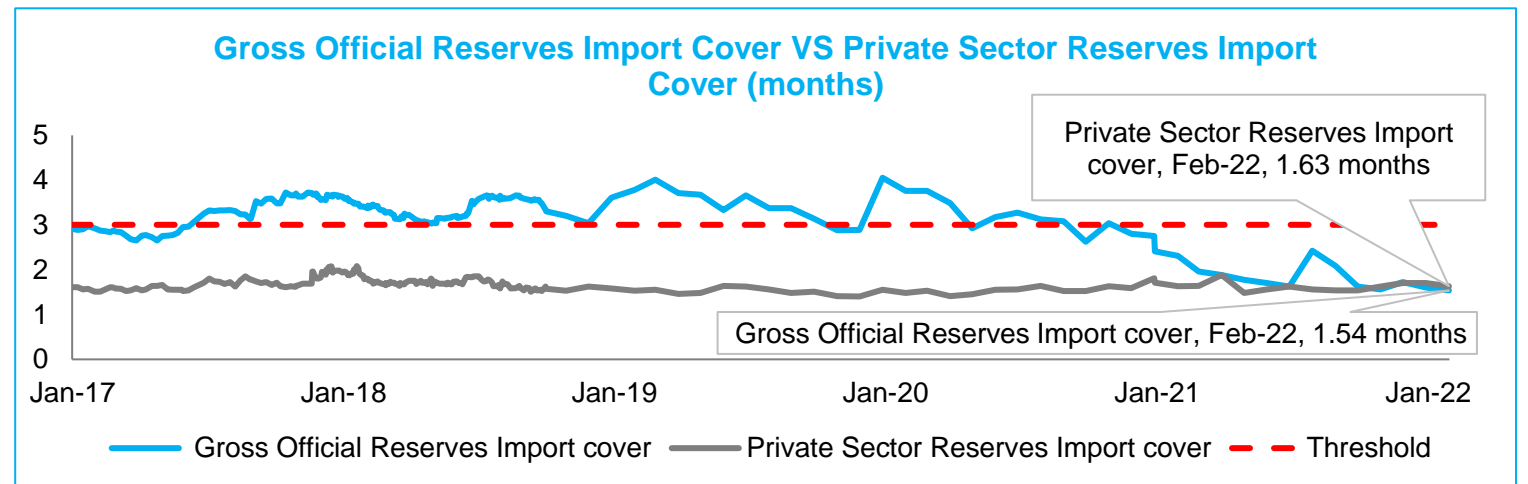
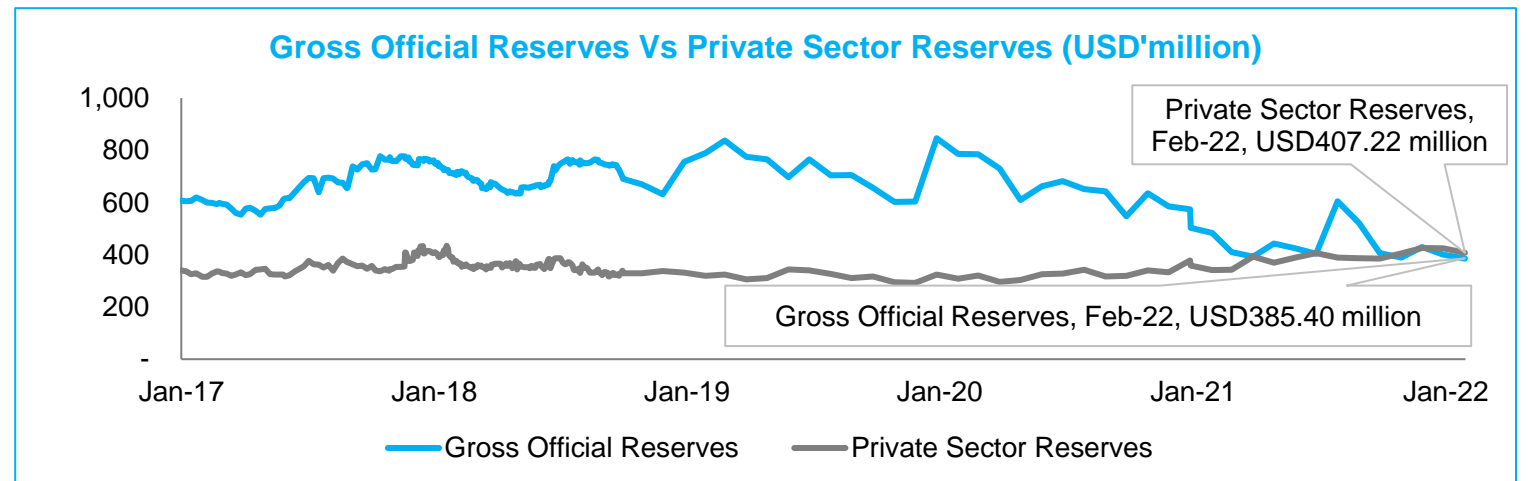
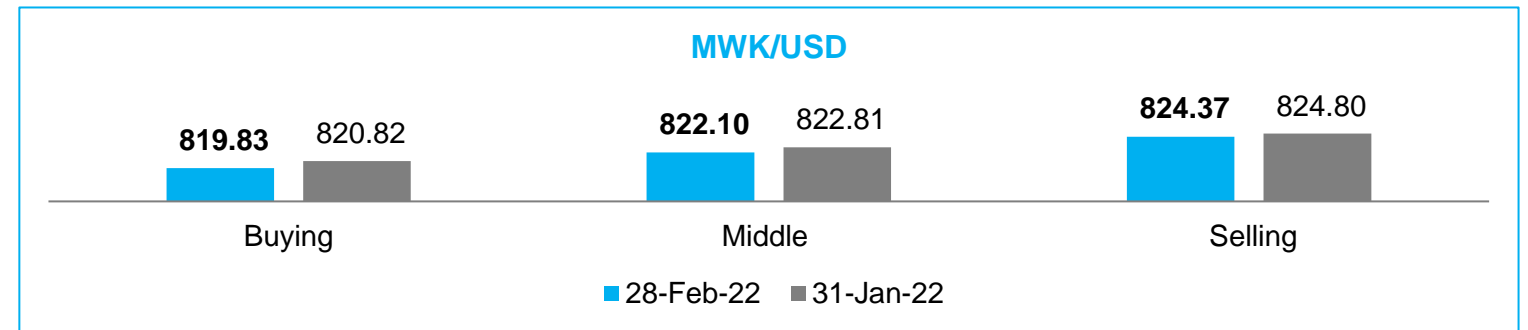
Month-on-month, the Kwacha remained relatively stable as it traded at MK822.10/USD as at 28 February 2022, from MK822.81/USD as at 31 January 2022. Year-to-date, the Kwacha has marginally depreciated against the USD by 0.32% as it traded at MK819.44/USD as at 31 December 2021. During the same period in the previous year, the Kwacha had depreciated against the USD by 1.32%.

#### Foreign reserve position

As at 28 February 2022, the country's gross official forex reserves decreased by 3.65% to USD385.40 million from a gross official foreign reserve position of USD399.98 million as at 31 January 2022. The private sector forex reserves decreased by 4.12% to USD407.22 million as at February 2022 from USD424.49 million as at 31 January 2022. Overall, the total foreign exchange reserves held in February 2022 were USD792.62 million, a decrease of 3.86% from USD824.47 million in January 2022.

Import cover for gross official reserves for February 2022 was 1.54 months, a decrease of 3.75% from 1.60 months in January 2022. For private sector reserves, import cover decreased to 1.63 month, a decrease of 4.12% from 1.70 months in January 2022. The import cover for gross official reserves remained below the required threshold of 3 months as at 28 February 2022. The total foreign exchange reserves import cover decreased to 3.17 months in February 2022 from 3.30 months in January 2022.

	Gross Official (USD'million)	Private Sector (USD'million)	Gross Official import cover (months)	Private sector import cover (months)
<b>Feb-22</b>	<b>385.40</b>	<b>407.22</b>	<b>1.54</b>	<b>1.63</b>
Jan-22	399.98	424.49	1.60	1.70





## Economic overview (Continued)

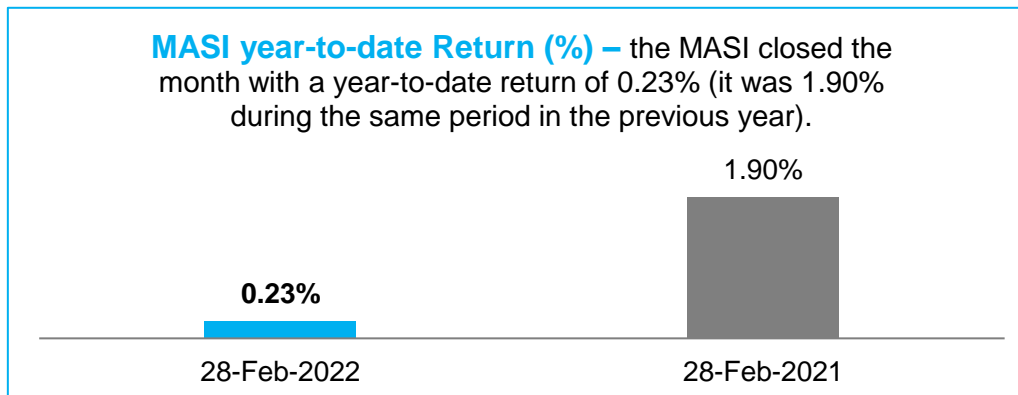
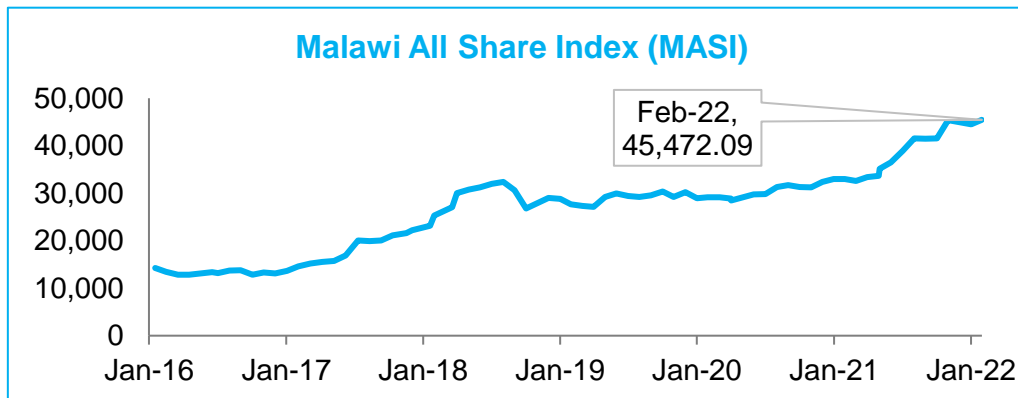
### Stock market (Source: MSE)

The stock market was bullish during the period under review with the MASI closing the month of February 2022 at 45,472.09 points from 44,501.63 points in January 2022. Month-on-month, this represents an increase of 2.18%.

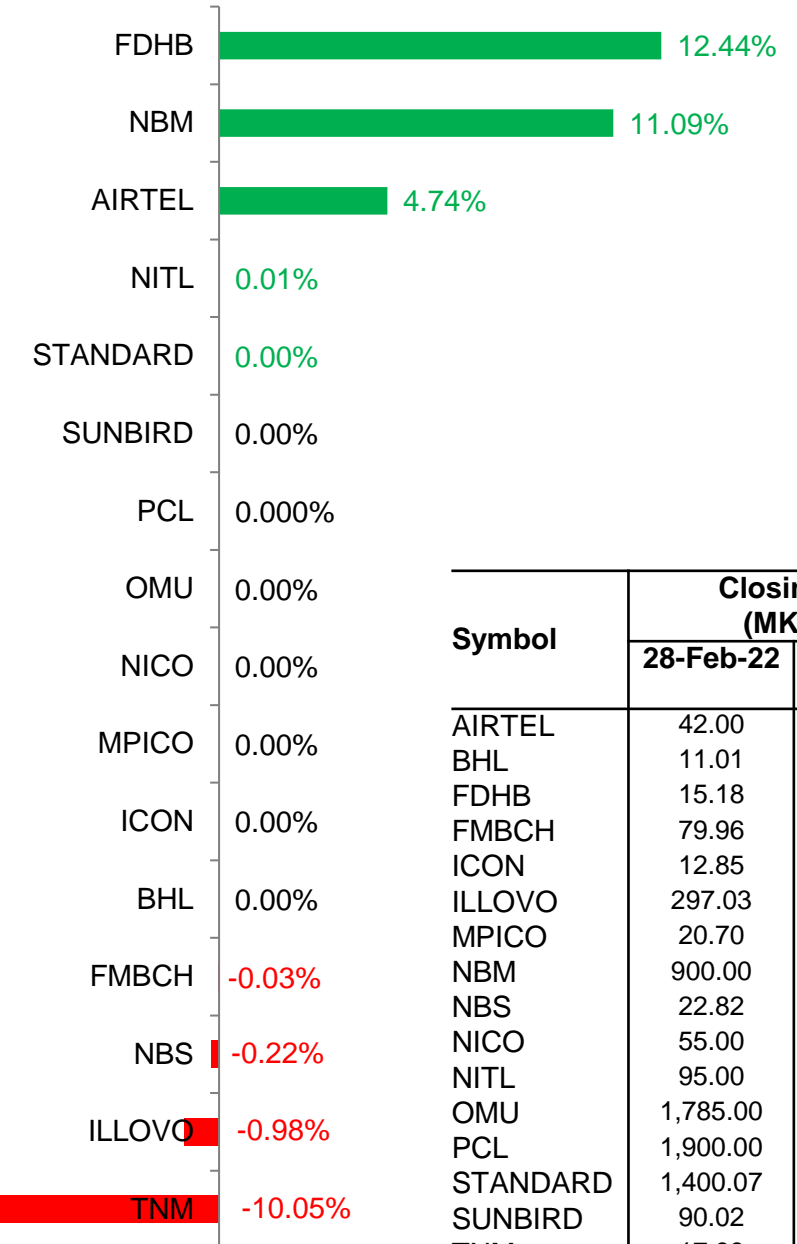
The MASI year-to-date return was 0.23% in February 2022, and it was 1.90% during the same period in the previous year.

The stock market was bullish over the period with the Malawi All Share Index (MASI) increasing by 2.18% to 45,472.09 points in February 2022, from 44,501.63 points in January 2022. Year-to-date, the return on the MASI is 0.23%, it was 1.90% during the same period in the previous year.

The largest gainer was FDH Bank whose share price increased by 12.44% to MK15.18 per share in February 2022, from MK13.50 per share as at the close of January 2022. There were share price gains for NBM and AIRTEL, as well as marginal share price gains for NITL and Standard Bank during the period. Seven counters closed the month at the same prices as the previous month. These counters were: Sunbird, PCL, OMU, NICO, MPICO, ICON and BHL. The largest loser in February 2022 was TNM whose share price decreased by 10.05% to MK17.99, from MK20.00 per share as at the close of January 2022. There were also marginal share price losses for ILLOVO, NBS and FMBCH during the period under review.



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



Symbol	Closing prices (MK/share)	
	28-Feb-22	31-Jan-22
AIRTEL	42.00	40.10
BHL	11.01	11.01
FDHB	15.18	13.50
FMBCH	79.96	79.98
ICON	12.85	12.85
ILLOVO	297.03	299.97
MPICO	20.70	20.70
NBM	900.00	810.12
NBS	22.82	22.87
NICO	55.00	55.00
NITL	95.00	94.99
OMU	1,785.00	1,785.00
PCL	1,900.00	1,900.00
STANDARD	1,400.07	1,400.03
SUNBIRD	90.02	90.02
TNM	17.99	20.00





## Economic overview (Continued)

### Stock market (Source: Malawi Stock Exchange)

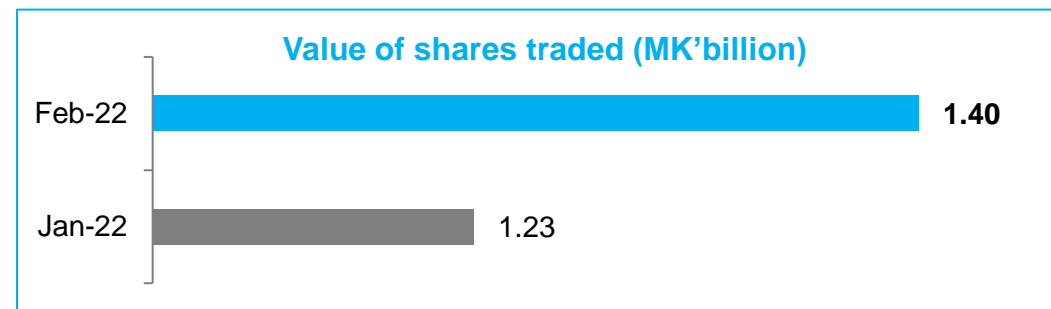
The total value of shares traded increased by 14% in February 2022 to MK1.40 billion from MK1.23 billion traded in January 2022.

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

ILLOVO expects its profit for the period ended 28 February 2022 to be MK8.87 billion, an increase of 45% from a profit of MK6.12 billion for the same period in the previous year.

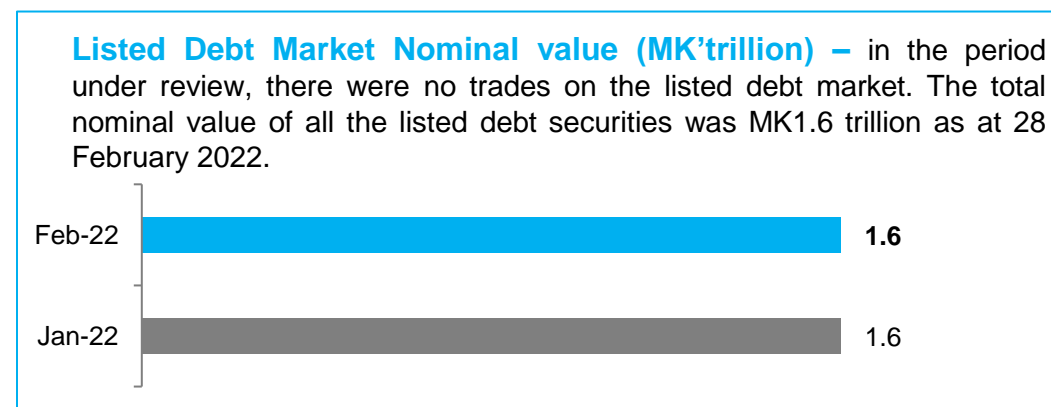
#### MSE Traded Volumes

There was MK1.40 billion worth of shares traded in February 2022, an increase of 14% from MK1.23 billion worth of shares traded in January 2022. NBM and ILLOVO had the highest value of shares traded at MK506 million and MK233 million respectively, during the period under review. The total number of trades in the month under review decreased to 267 trades from 275 trades in January 2022. The figure below traces the total value of shares traded on the MSE in February 2022.



#### Listed Debt market

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



USD: United States Dollar

AFS: Audited Financial Statements

PAT: Profit After Tax (12 months/Full year)

## 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	Expected PAT 2021	AFS PAT 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%

### 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	Expected profit/(loss) for the half year ending 28 February 2022	Actual profit/(loss) for the half year ended 28 February 2021	Trading statement profit/(loss) expectation
Illovo	8.87	6.12	45%

### 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
NBM	Second interim	Declared	15.00	11 March 2022	31 March 2022



## Other Market Developments

### Fiscal Policy (Source: Malawi Government)

*The 2022/23 national budget is projected to have a deficit of MK884 billion as total expenditure and total revenue and grants are projected at MK2.84 trillion and MK1.96 trillion, respectively.*

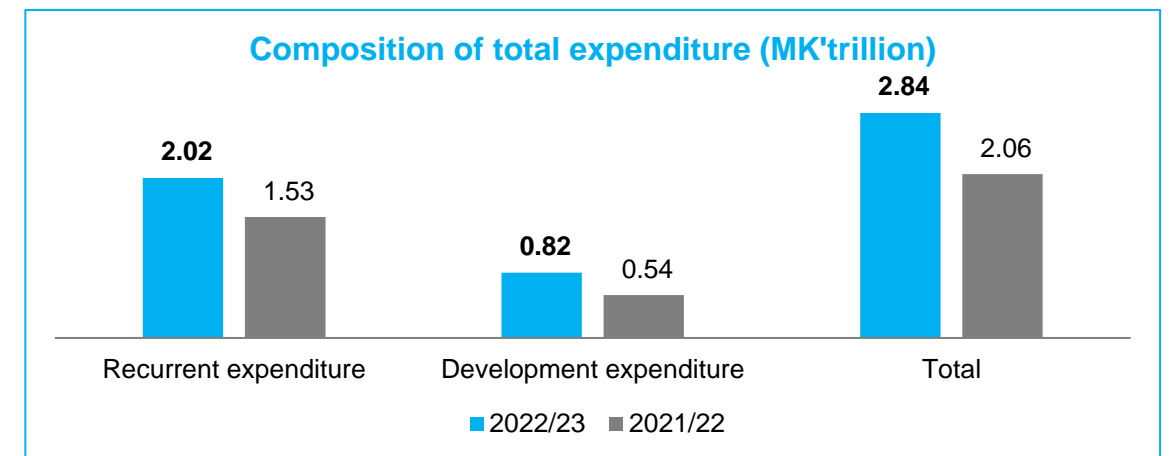
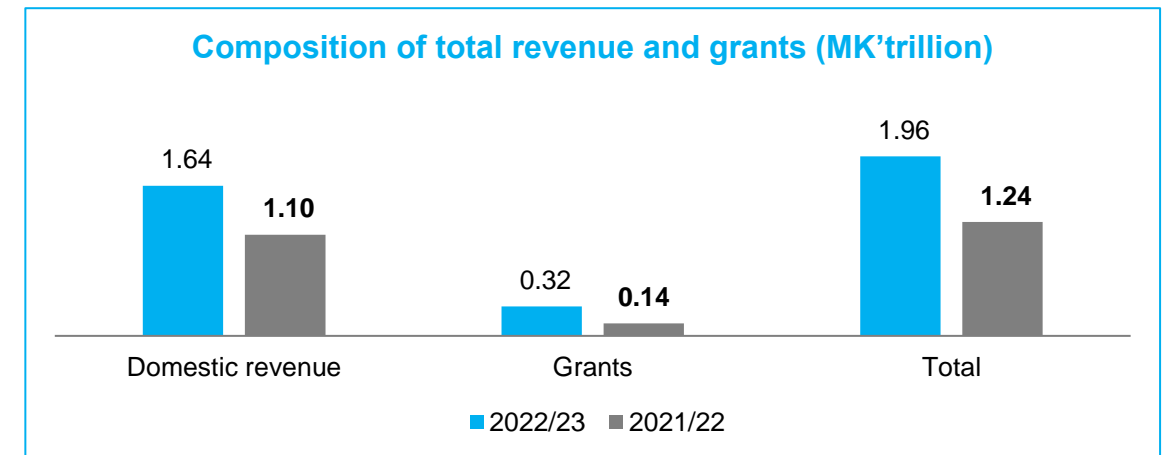
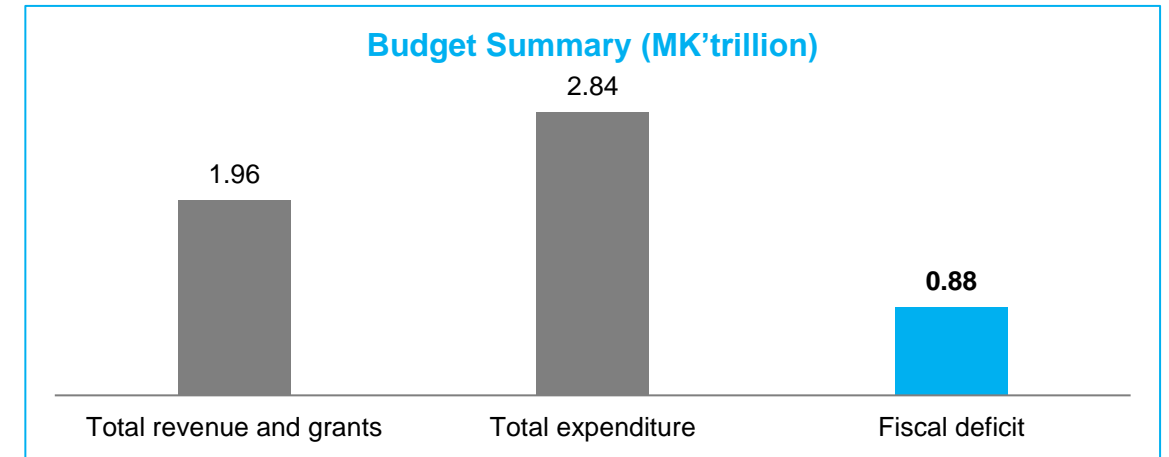
#### 2022/23 National Budget

The primary focus of the 2022/23 national budget is to aid the economy in recovering from the global slowdown that was caused by the COVID-19 pandemic, fiscal consolidation, public debt management, fiscal discipline, export diversification and import substitution in order to promote local manufacturing.

Total revenue and grants for the 2022/23 fiscal year are projected at MK1.96 trillion, an increase of 58% from a total of MK1.24 trillion in the 2021/22 national budget. Similarly, the 2022/23 projected total revenue and grants represent 17.2% of gross domestic product (GDP), an increase of 5.1 percentage points from a proportion of 12.1% of GDP represented by the total revenue and grants for the 2021/22 fiscal year. This is on account of projected increases in domestic revenue and grants in the 2022/23 fiscal year relative to the 2021/22 fiscal year. For the 2022/23 fiscal year, domestic revenue is projected at MK1.64 trillion, an increase of 49% from MK1.10 trillion in the 2021/22 fiscal year. Similarly, for the 2022/23 fiscal year, grants are projected at MK320.3 billion, an increase of 130% from MK139.0 billion for the 2021/22 fiscal year. The total value of grants reported for the 2021/22 fiscal year was an underperformance of 18% from a targeted value of MK170.3 billion.

The total expenditure for the 2022/23 fiscal year is projected at MK2.84 trillion, an increase of 38% from a total expenditure value of MK 2.06 trillion in the 2021/22 fiscal year. Similarly, the total expenditure projected for the 2022/23 fiscal year represents 24.9% of GDP, an increase of 4.8 percentage points from a proportion of 20.1% represented by the total expenditure in the 2021/21 fiscal year. The increase in projected expenditure is on account of increases in the projected recurrent and development expenditure for the 2022/23 fiscal year. Recurrent expenditure is projected at MK2.02 trillion, an increase of 32% from MK1.53 trillion in the 2021/22 fiscal year. Development expenditure is projected at MK820.67 billion for the 2022/23 fiscal year, an increase of 52% from MK539.80 billion for the 2021/22 fiscal year.

The overall fiscal deficit for the 2022/23 fiscal year is projected at MK884 billion, an increase of 7% from a revised fiscal deficit of MK825 billion in the 2021/22 fiscal year. The 2021/22 fiscal deficit was revised from a target of MK724 billion on account of higher than planned salary increments and increased critical expenditure needs during the period. The fiscal deficit for the 2022/23 fiscal year represents 7.7% of GDP, a decrease from a proportion of 8% of GDP represented by the 2021/22 fiscal deficit. The 2022/23 fiscal deficit is projected to be financed through domestic and foreign borrowing of MK654 billion and MK230 billion, respectively. On one hand, domestic borrowing projected for the 2022/23 fiscal year has decreased by 5% from MK690 billion for the 2021/22 fiscal year. On the other hand, foreign borrowing projected for the 2022/23 fiscal year has increased by 70% from MK135 billion for the 2021/22 fiscal year.





## Other Market Developments (Continued)

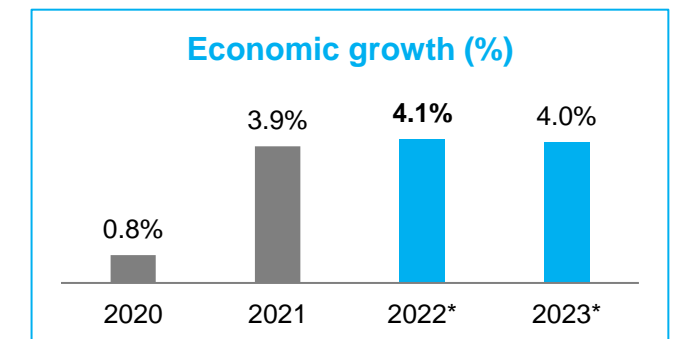
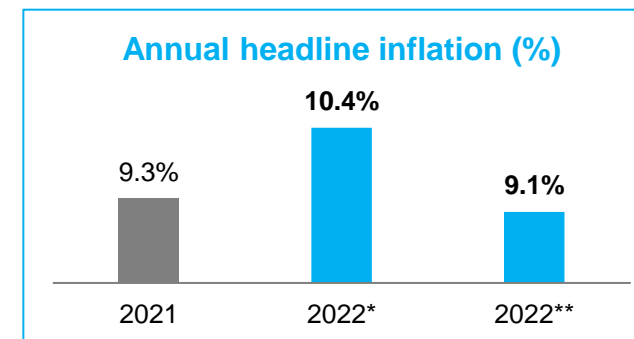
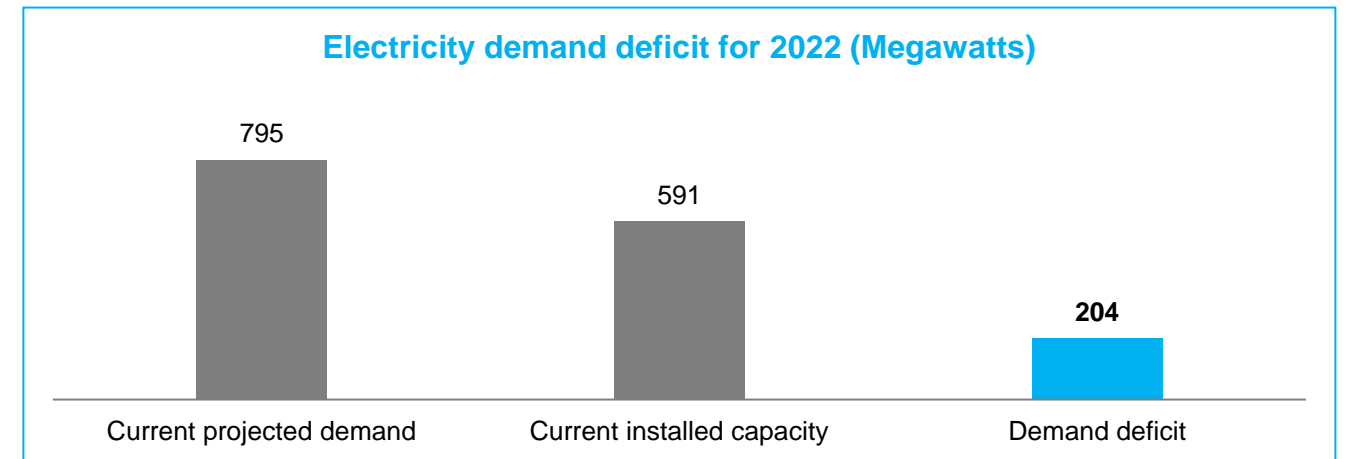
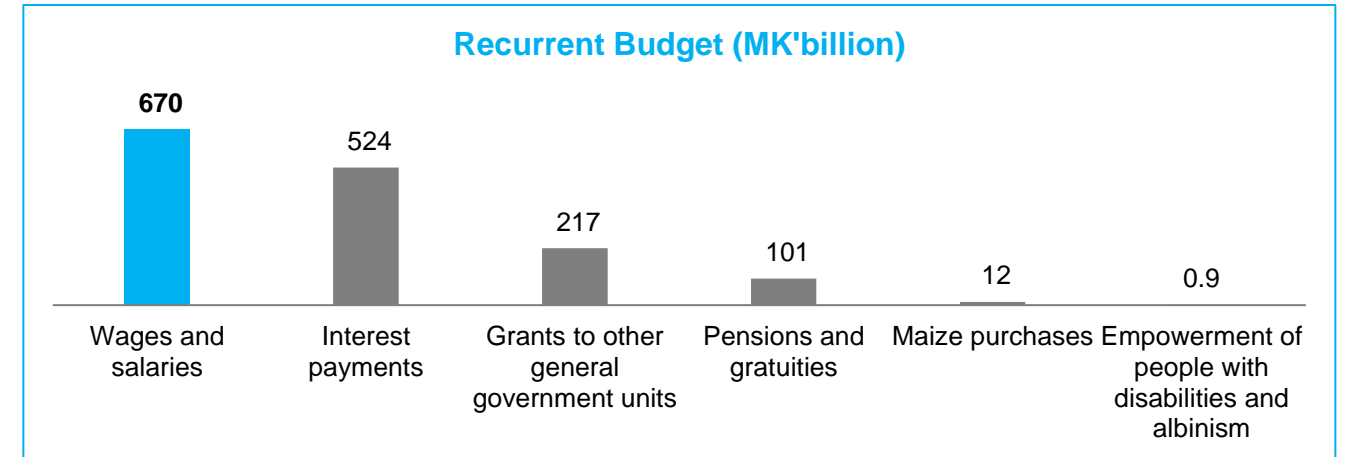
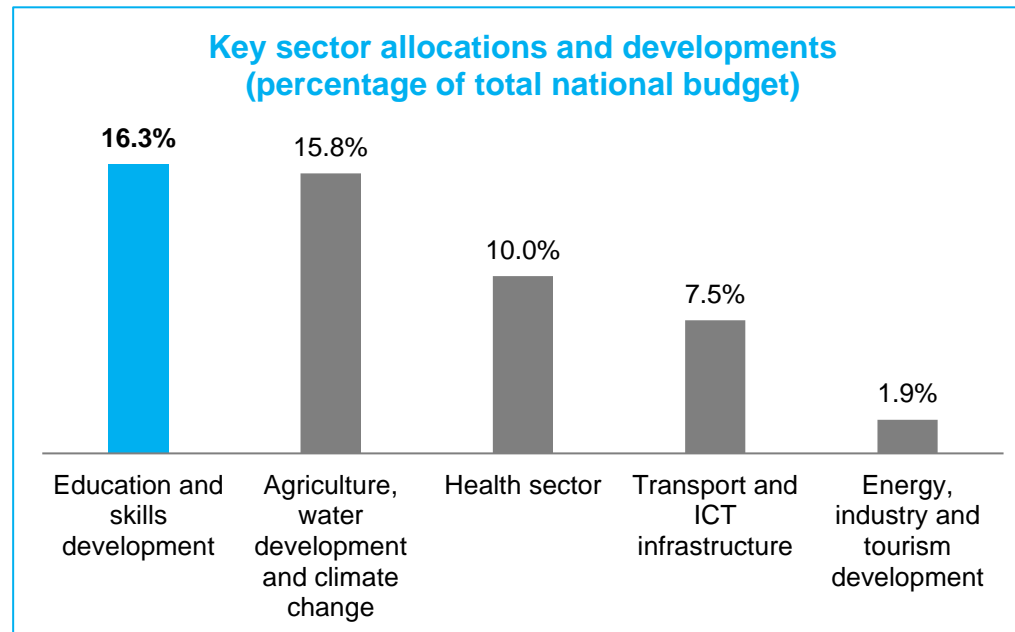
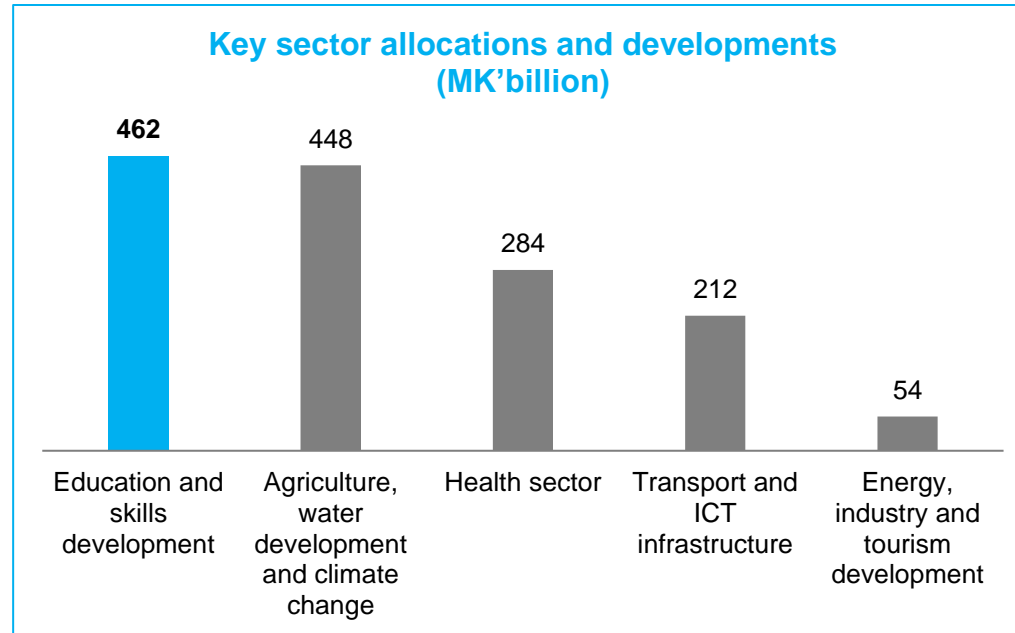
Fiscal Policy (Source: Malawi Government) (Continued)

Of the key sector allocations, education and skills development has the largest allocation at MK462 billion, representing 16.35 of the 2022/23 total budget.

From the recurrent budget, wages and salaries have the largest allocation at MK670 billion, representing 33.2% of the recurrent expenses and 5.9% of the country's GDP.

The country's current projected electricity demand is at 795 megawatts (MW) while the installed capacity is at 591 MW. This represents a current electricity demand deficit of 204 MW.

### 2022/23 National Budget (Continued)



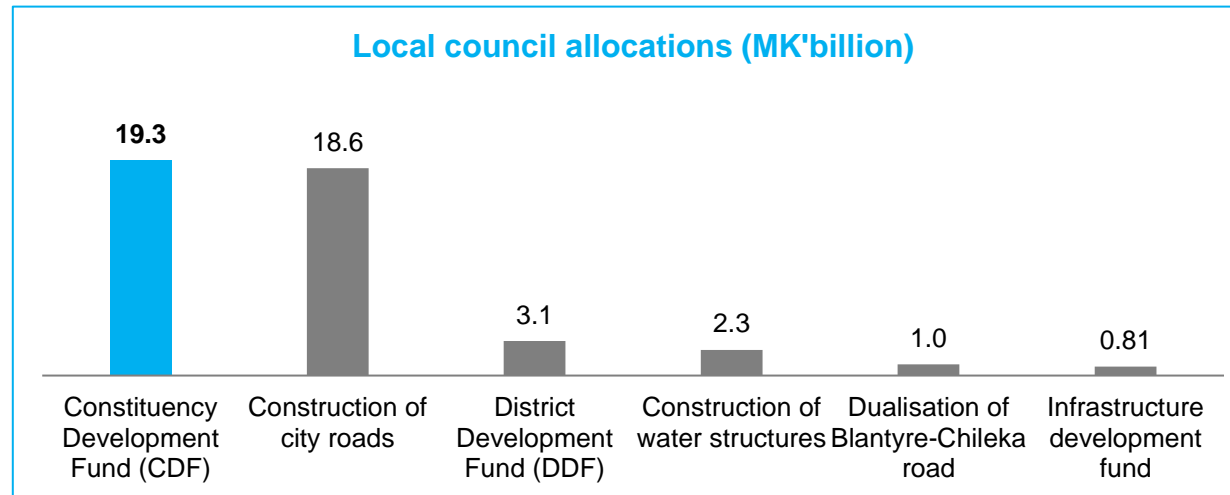


## Other Market Developments (Continued)

### Fiscal and Monetary Policy (Source: Malawi Government) (Continued)

Local councils have been allocated a total of MK45.13 billion with the largest allocation made to the Constituency Development Fund (CDF) at MK19.3 billion.

#### 2022/23 National Budget (Continued)



#### Government Reform Programmes and Policy Measures

With the aim of enhancing the management of financial resources and improving public service delivery, the government of Malawi will implement measures that include expenditure controls, public debt management, fiscal discipline, foreign exchange reserves and a new Integrated Financial Management Information System (IFMIS).

The expenditure control measures put in place include a review of the benefits and entitlements for senior government officials; review of the government motor vehicles policy with an aim of reducing expenditure in terms of number, types and sizes of vehicles; the installation of pre-paid utility meters in all government institutions; the procurement of security and fertilizer directly from manufacturers; recruitment of competent graduate in accounting; and fast tracking the digitalization drive to reduce paperwork and fraud.

For public debt management, the government will review the domestic debt profiles with a view of restructuring debt towards maturity, to address the current debt sustainability concerns. The government will also avoid policies that create debt, and it will reduce granting of extra budgetary financing at the Treasury. In addition, the government will give preference to grants over concessional borrowing and only under exceptional circumstances contract non-concessional loans for high value investments.

On fiscal discipline, the current level of the fiscal deficit exceeds the internationally acceptable level of 3% of GDP. As such the government will implement fiscal consolidation measures that are aimed at enhancing revenue collection and managing expenditures. This will be achieved through the implementation of the Domestic Revenue Mobilisation Strategy (DRMS).

Rising external payment requirements have resulted in low foreign exchange reserve levels as global commodity prices increased driven by a recovery in demand as economies rebound from a COVID-19 induced downturn. This will be achieved through the continued implementation of the mandatory sale of 30% of export proceeds to Authorised Dealer Banks. Furthermore, exporters are required to repatriate exports proceeds within 120 days effective from 31 July 2021, a revision from 180 days. The implementation of donor funded projects as a means of enhancing foreign exchange availability in the country.

Other public finance management reforms that the government will pursue include the alignment of the 2022/23 national budget to the Malawi Vision 2063; the implementation of a new IFMIS for banking, accounting and reporting, effective from 1 July 2021 with the aim of reducing loss of government resources through fraud and other pilferages; and a review of the Public Finance Management Act (2003).

#### Monetary Policy

During the first MPC meeting of 2022 held on 2 and 3 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 than 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.



## Russia – Ukraine Conflict

The Russia-Ukraine conflict and its potential impacts on Africa (Source: EIU, BBC, TradingEconomics, Brookings)

*A prolonged conflict between Russia and Ukraine may result in elevated inflation on a global scale and lower economic growth rates.*

*Prior to the conflict, the central bank of Ukraine had forecast a growth rate of 3.4% for 2022. With the conflict, the actual growth rate for the period is expected to be lower than projected.*

Despite being on a different continent, Russia's invasion of Ukraine on 24 February 2022 has potentially wide-ranging effects on the African economy. With Ukraine and Russia being significant food producers on a global scale, the conflict is expected to affect the global economy. For instance, Ukraine and Russia are the largest and second largest producers of sunflower oil respectively, accounting for 60% of global production. On one hand, some African countries may stand to benefit from the shift in global markets away from Russia as a result of the crisis. On the other hand, the short-term potential impacts on economic livelihoods through inflation and lower growth are expected to be negatively affected.

For exporters of natural resources such as natural gas, there are potential benefits as conflict could result in Europe reducing its dependence on Russian energy. The natural gas exporting countries that could benefit include Tanzania, Senegal, Nigeria and Algeria. Besides natural gas, countries that export other natural resources, such as South Africa which comes second after Russia as the world's second largest exporter of palladium, could experience a growing demand as a result of the sanctions imposed on Russia and from supply chain disruptions as the conflict persists.

There are also potential negative effects from the Russia-Ukraine conflict on Africa and these include the vulnerability of households to fuel, fertiliser and food impacts. The rising price of oil on global markets that has been influenced by the conflict, will have direct impacts on the cost of transport in African countries. With energy cost rising, the costs of fertiliser production will also increase. This is expected to negatively impact the productivity of the African agricultural sector. The increase in fertiliser prices on the global markets also has the potential to reverse the gains that fertiliser subsidy programs have made in the previous years. Subsequently, the rise in fertiliser prices may lead to elevated food prices across the continent.

Prior to the invasion, the Ukraine's central bank had projected a real GDP growth rate of 3.4% for 2022. Due to the sizes and economic linkages of these countries as well as global economic interdependence, prolonged conflict in the region may result in lower growth rates for Ukraine and the global economy.

Looking at Malawi's exports for 2020, the largest value of exports from Malawi were to Belgium at USD162.68 million (MK133 billion), representing 21% of the total export value for the period. Malawi also exported a total value of USD7.15 million (MK5.9 billion) to Ukraine and USD14.11 million (MK11.6 billion) to Russia. As proportions of the total exports for the period, exports to Ukraine represented 0.92% of the total value and exports to Russia represented 1.8% of the total value of exports.



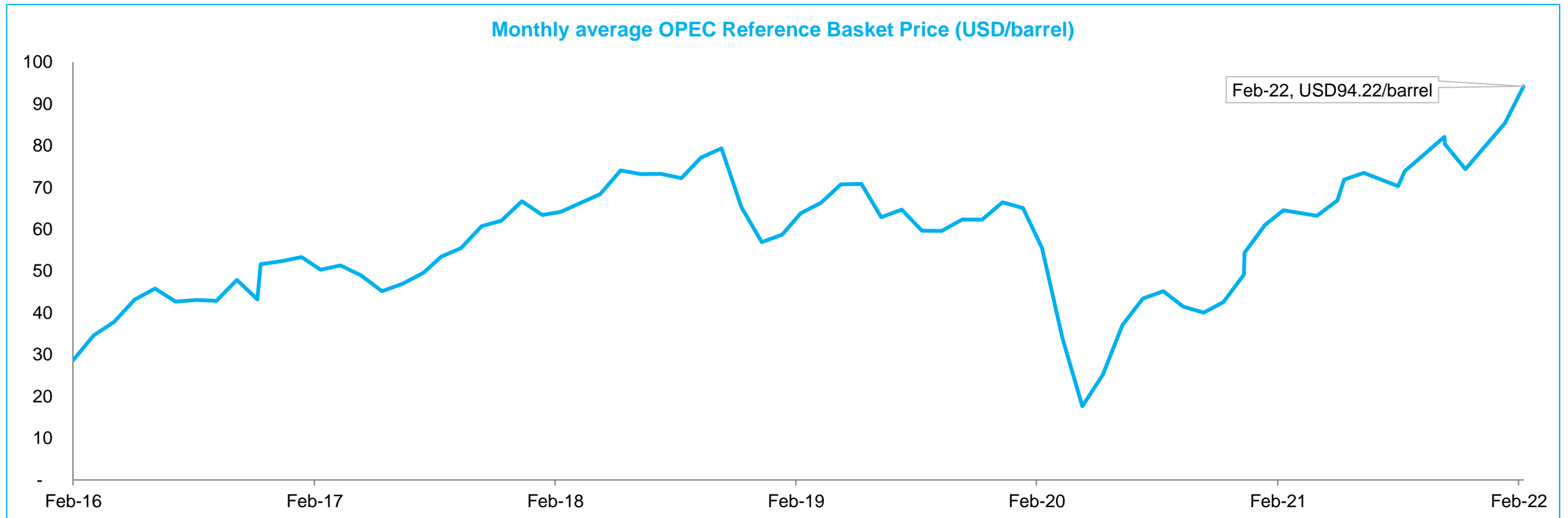
## Regional And Global Market Developments

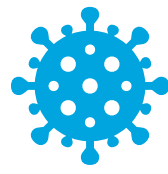
### Global oil developments (Source: OPEC, World Bank)

*The monthly average OPEC Reference Basket (ORB) price increased by 10.33% to USD94.22/barrel in February 2022 from USD85.40/barrel in January 2022.*

Month-on-month, the monthly average OPEC Reference Basket (ORB) price increased by 10.33% to USD94.22/barrel in February 2022 from USD85.40/barrel in January 2022. Similarly, the monthly average ORB price has increased by 54% year-on-year as it was USD61.05/barrel in January 2021.

Global Brent crude oil prices increased during the period under review. By 24 February 2022, Brent crude oil prices had exceeded USD100/barrel due to the intensification of the geopolitical tension between Russia and Ukraine. Energy prices are the main channel through which the conflict has immediate global impacts, with the risk being higher in Europe as Russia is Europe's main supplier of oil and gas. These supply chain disruptions may have effects on the global commodities markets if the conflict intensifies or is prolonged.





# COVID-19 Update

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

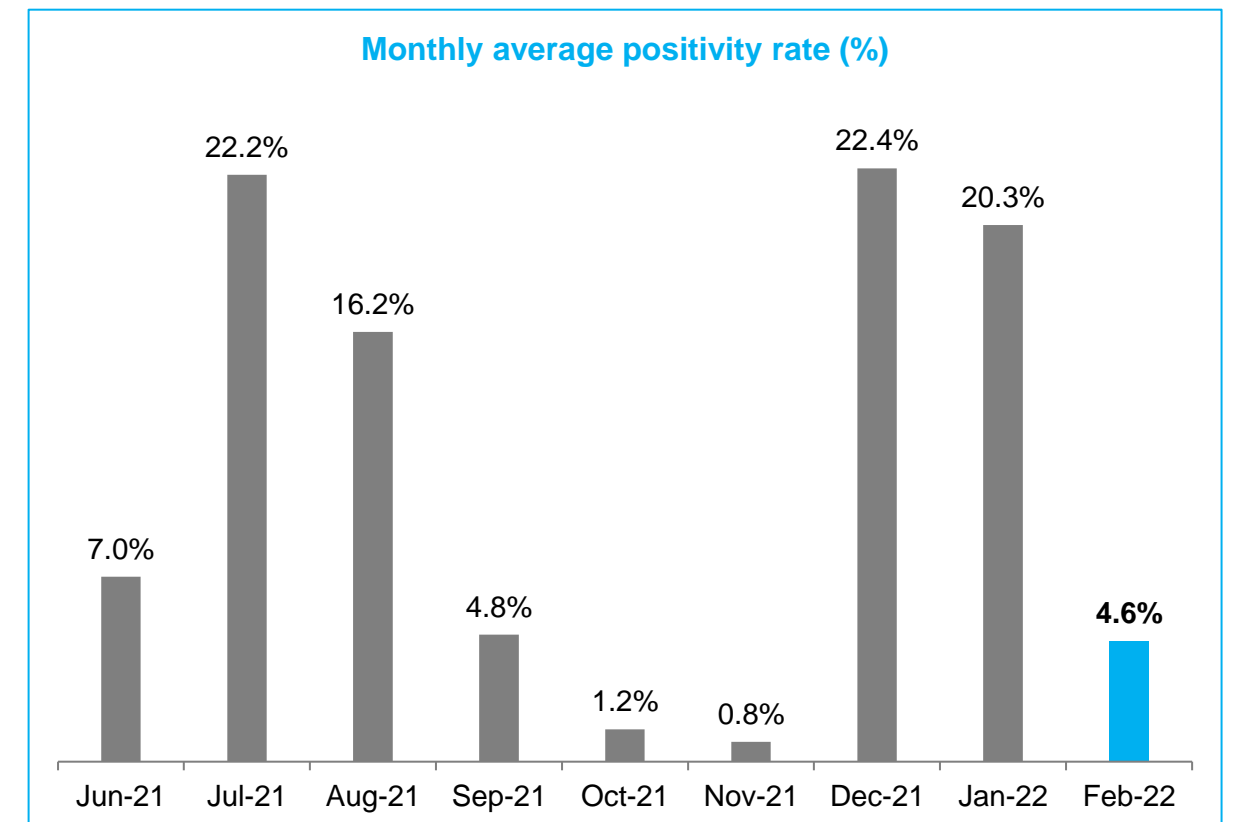
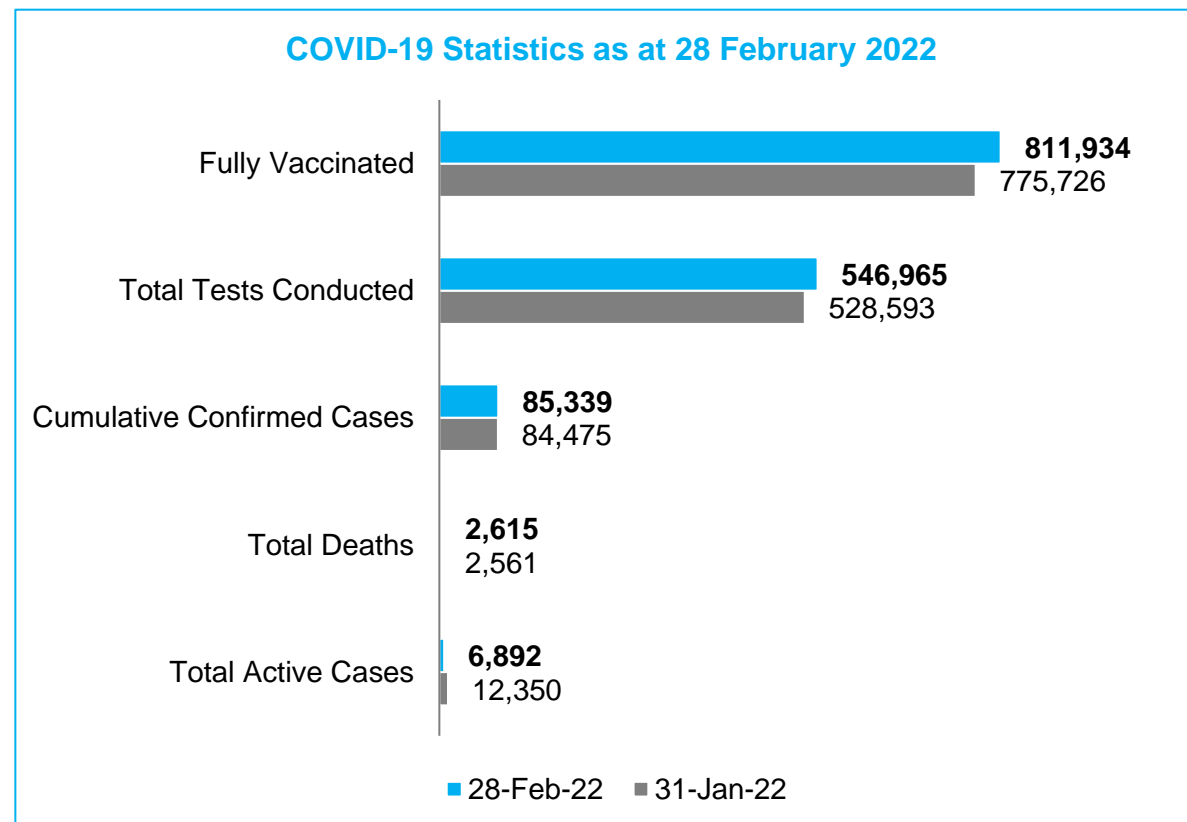
As at 28 February 2022, 4% of the Malawian population had been fully vaccinated against COVID-19 infection.

As at 28 February 2022, 811,934 individuals had been fully vaccinated against the COVID-19 virus, an increase of 5% from 775,726 individuals fully vaccinated as at 31 January 2022.

As at the end of February 2022, 811,934 individuals had been fully vaccinated against the COVID-19 virus in Malawi. This is an increase of 5% from 775,726 individuals fully vaccinated as at the end of January 2022. The number of fully vaccinated individuals represents 4% 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 85,339 as at 28 February 2022 from 84,475 as at 31 January. Similarly, the cumulative COVID-19 related deaths increased to 2,615 in February 2022 from 2,561 in January 2022. These changes were accompanied by a decrease in the daily positivity rate to 1.3% as at 28 February 2022 from 7.5% as at 31 January 2022. The daily case fatality rate marginally increased to 3.1% as at 28 February 2022 from 3.0% as at 31 January 2022. The daily recovery rate increased to 88.6% as at 28 February 2022 from 82.1% as at 31 January 2022. Looking at monthly averages, the monthly average positivity rates decreased to 4.6% in February 2022 from a peak of 22.4% in December 2021. The monthly average case fatality rate was 3.0% in February 2022 from a three-month peak of 3.7% from September 2021 to November 2021. The monthly average recovery rate decreased in February 2022 from a peak of 94.5% in November 2021.

The country received 277,080 doses of the AstraZeneca vaccine under the COVAX facility from the Japanese government. These doses come at a time when the country has not registered administering AstraZeneca doses since 2 January 2022. The vaccines received under the COVAX facility are expected to be available in all vaccination sites nationally and all those that are yet to get their second dose of the AstraZeneca vaccine are encouraged. Currently, the country has three types of COVID-19 vaccines namely Johnson and Johnson, Pfizer and the AstraZeneca vaccines.



## Appendix

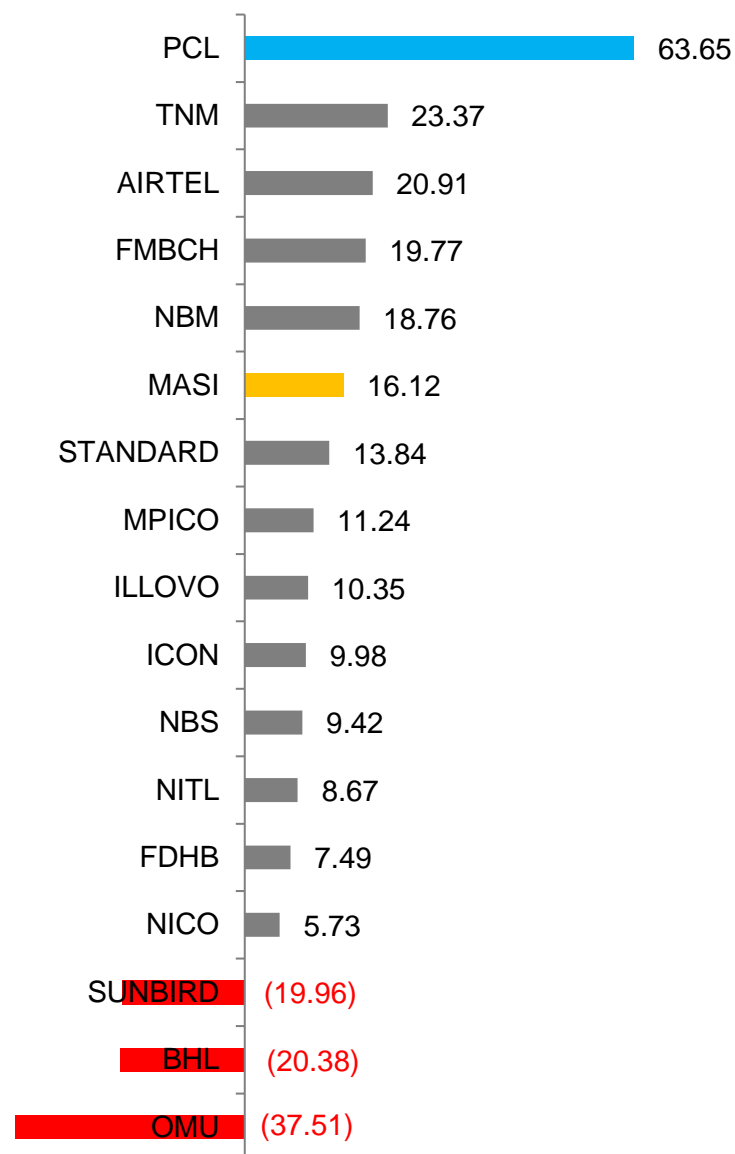


## Appendix 1: Historical Economic Indicators

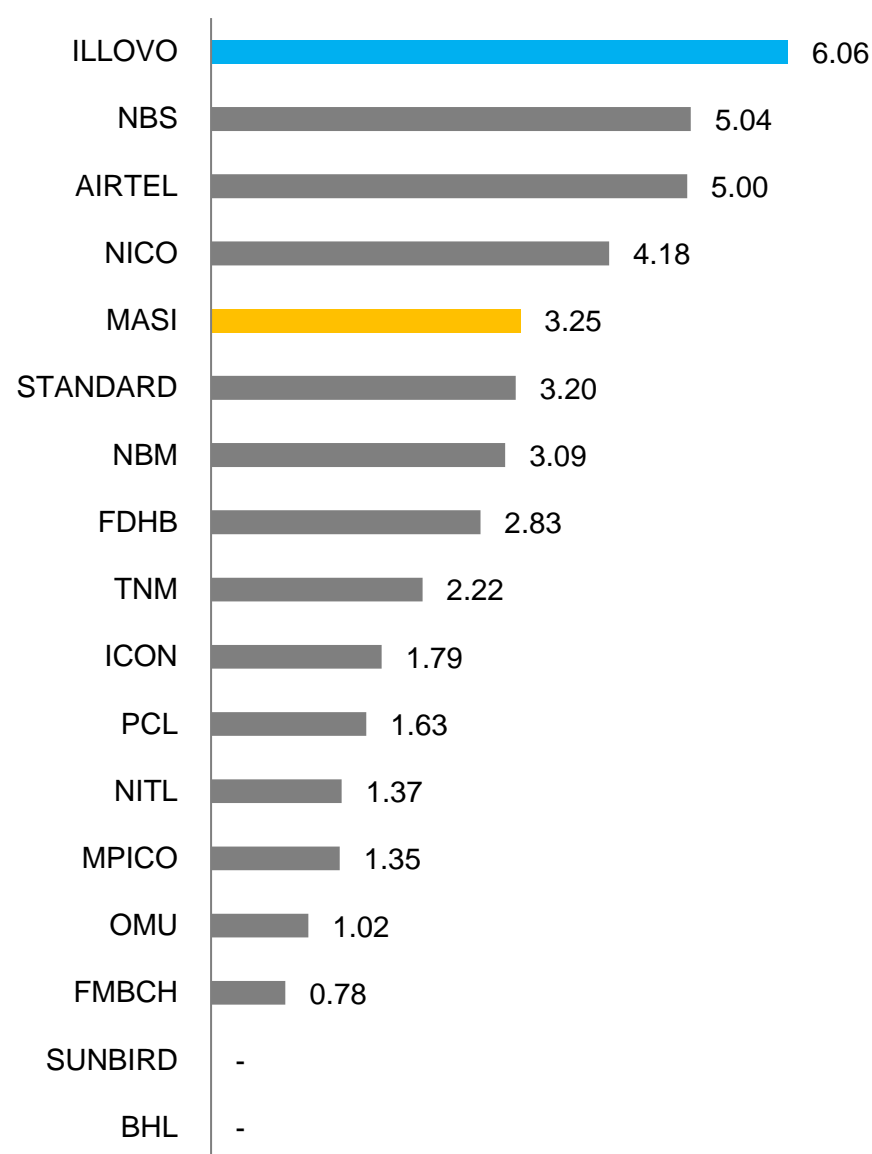
	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
<b>Exchange rates</b>																	
MK/USD	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	819.44	822.81	<b>822.10</b>
MK/GBP	1,015.11	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	<b>1,283.92</b>
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	<b>1,170.30</b>
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	<b>64.84</b>
<b>Foreign Exchange Reserves</b>																	
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	<b>385.40</b>
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	<b>407.22</b>
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	<b>792.62</b>
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	<b>1.54</b>
<b>Inflation</b>																	
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%	12.1%	-
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%	14.2%	-
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%	9.6%	-
<b>Interest Rates</b>																	
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%	<b>12.00%</b>
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%	<b>11.70%</b>
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%	<b>12.20%</b>
<b>Government Securities' Yields</b>																	
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%	<b>9.47%</b>
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%	<b>12.99%</b>
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%	<b>15.00%</b>
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%	<b>16.70%</b>
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%	<b>19.33%</b>
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%	<b>20.78%</b>
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%	<b>21.98%</b>
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%	<b>22.98%</b>
<b>Stock Market Indices</b>																	
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	<b>45,472.09</b>
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	<b>37,186.63</b>
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	<b>4,182.23</b>

## Appendix 2: Selected stock market statistics as at 28 February 2022

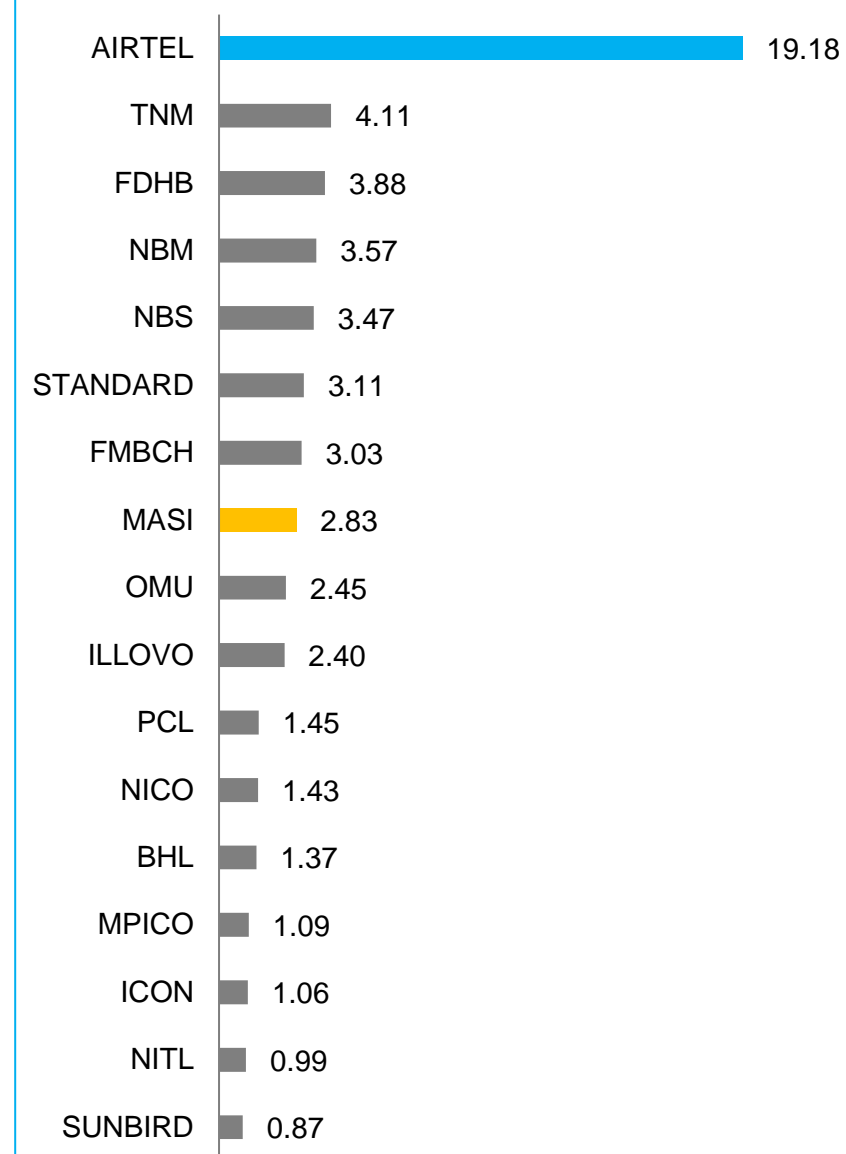
**P/E Ratio** – the weighted average price to earnings ratio on the MSE was 16.12 in February 2022. PCL had the highest at 63.65 while OMU had the lowest at negative 37.51.



**Dividend yield (%)** – the weighted average dividend yield on the MSE was 3.25% in February 2022. The counter with the highest dividend yield was ILLOVO at 6.06%.



**P/BV Ratio** – the weighted average price to book value on the MSE was 2.83 in February 2022. The counter with the highest ratio was AIRTEL at 19.18 while SUNBIRD had the lowest ratio at 0.87.



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**
<b>Economic growth (%)</b>						
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
<b>Inflation indicators (% unless otherwise indicated)</b>						
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
<b>Financial variables</b>						
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

	2020	2021	2022	2023	2024	2025	2026
<b>National accounts and prices (percent change, unless otherwise indicated)</b>							
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
<b>Central government (percent of GDP on a fiscal year)</b>							
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
<b>Money and credit (percentage change)</b>							
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
<b>External sector (USD million, unless otherwise indicated)</b>							
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
<b>Debt stock and service (percent of GDP, unless otherwise indicated)</b>							
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

AIP:	Affordable Inputs Program	ICON:	ICON properties plc	OMU:	Old Mutual Limited Plc
BBC:	British Broadcasting Corporation	IFMIS:	Integrated Financial Management Information System	OPEC:	Organization of the Petroleum Exporting Countries
BHL:	Blantyre Hotels Plc	IMF:	International Monetary Fund	ORB:	OPEC Reference Basket
CDF:	Community Development Fund	LRR:	Liquidity Reserve Requirement	PCL:	Press Corporation Limited Plc
COVID-19:	Coronavirus disease	MASI:	Malawi All Share Index	PSF:	Price Stabilisation Fund
DDF:	District Development Fund	MERA:	Malawi Energy Regulatory Authority	RBM:	Reserve Bank of Malawi
DRMS:	Domestic Revenue Mobilisation Strategy	MK:	Malawi Kwacha	SSA:	Sub Saharan Africa
DSI:	Domestic Share Index	MPC:	Monetary Policy Committee	STANDARD:	Standard Bank plc
EIU:	Economist Intelligence Unit	MPICO:	MPICO properties plc	SUNBIRD:	Sunbird Tourism Plc
EUR:	Euro	MSE:	Malawi Stock Exchange	TB:	Treasury Bill
FEWSNET:	Famine Early Warning Systems Network	MW:	Mega Watts	TN:	Treasury Note
FDHB:	FDH Bank Plc	NBM:	National Bank of Malawi Plc	TNM:	Telekom Networks Malawi Plc
FMBCH:	FMB Capital Holdings Plc	NBS:	NBS Bank Plc	TT:	Telegraphic Transfer
FOB:	Free On Board	NICO:	NICO Holdings Plc	USD:	United States Dollar
FSI:	Foreign Share Index	NITL:	National Investment Trust Limited Plc	ZAR:	South African Rand
GBP:	Great British Pound	NSO:	National Statistical Office		
GDP:	Gross Domestic Product				

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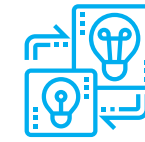
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