



Monthly Economic Report and a brief on the IMF's Regional Economic Outlook: Sub-Saharan Africa

May 2022



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Inflation

Headline inflation increased to 15.7% in April 2022, from 14.1% in March 2022 due to increases in both food and non-food inflation. Food inflation increased to 19.5% from 17.1%, and non-food inflation increased to 12.2% from 10.5% during the period under review. Besides the increase in the food component, there were increases in non-food components such as transportation; housing, water and electricity; and the clothing and footwear components of the Consumer Price Index.

The MPC at its second meeting of 2022, revised the projected annual inflation for 2022 upwards to 12.3% from 10.4% to reflect the anticipated effects of rising international commodity prices, effects of the recent increase in domestic fuel pump prices, exchange rate pressures, as well as persistent fiscal slippages. Furthermore, a lower-than-earlier estimated agricultural food production implies sustained domestic inflationary pressure. According to the Economist Intelligence Unit (EIU), the inflation projection for 2022 is anticipated to elevate, reaching between 18%-20%. The increase is projected on account of the Reserve bank of Malawi's (RBM's) decision to devalue the domestic currency by 25%, effective from 27 May 2022.

Fiscal Policy

The World Bank has committed USD304 million (MK313 billion) towards government projects and programmes in various sectors. The resources provided are expected to be channeled to projects such as the social support and resilient livelihood programme, the African Centre for Excellence, the restoration of the Kapichira hydro-electric power plant and the second phase in the implementation of the Shire valley Transformation Project. Details on the period over which the resources will be provided were not explicitly stated.

Furthermore, the government has secured USD77.6 million (MK80 billion) from the United Nations to go towards the operationalization of the COVID-19 Socio-Economic Recovery Plan (SERP) in 2022. The SERP was launched in December 2021 and was estimated to cost MK580.83 billion. As such the resources from the United Nations represent 13% of the estimated expenses for the implementation of the programme.

Monetary Policy

The Monetary Policy Committee (MPC) at its second meeting of 2022, revised the Policy rate upwards to 14.0%, from 12.0% implemented at the first meeting of 2022. The upward revision has been implemented to contain the impact of anticipated inflationary pressure emanating from supply-demand imbalances, supply-chain disruptions, rising global energy and food prices as well as effects of the Russia-Ukraine war. This revision materializes the EIU's expectation of an upward revision of the Policy rate by the MPC.

Exchange Rates

Based on middle rates, the Malawi Kwacha depreciated against the United States Dollar. The Kwacha traded at MK1,029.90/USD as of 31 May 2022, from MK823.67/USD as of 30 April 2022. Year-to-date, the Malawi Kwacha has depreciated against the USD by 25.68% as of 31 May 2022 (the Kwacha had depreciated by 3.01% during the same period in 2021).

As of 30 April 2022, the country's gross official forex reserves decreased by 2.99% to USD363.27 million, from a gross official foreign exchange reserve position of USD374.48 million as of 31 March 2022. The private sector forex reserves decreased by 7.32% to USD362.84 million as of 30 April 2022, from USD391.49 million as of 31 March 2022. The total forex reserve position April 2022 were USD 726.11 million, a decrease of 5.20% from USD765.97 million in March 2022.

The RBM implemented a currency devaluation of 25% effective from 27 May 2022. This is in response to recent domestic foreign exchange liquidity challenges. Going forward, the RBM will allow the exchange rate to adjust to a market clearing position with the view of endorsing a managed float regime. Furthermore, the government will continue to work on initiatives that are aimed at widening the export base through diversification of the exports to the mining sector and the establishment of structured commodity markets to increase receipts through formal channels, among other measures.

According to the EIU, the currency devaluation implemented by the RBM exceeded the EIU's expectations, as such, the EIU will revise the country's currency forecast to account for a weaker currency in the future. The EIU also expects the currency to continue depreciating as the country's dependency on tobacco makes foreign-exchange scarcity a long-term phenomenon for the country.

Stock Market

The Malawi All Share Index (MASI) increased by 7.71% to 50,300.44 points in May 2022, from 46,934.16 points in April 2022. This was due to share price gains for FMBCH, AIRTEL, Standard Bank, NBM, PCL, NITL and ILLOVO which offset share price losses for NICO, TNM, SUNBIRD and FDH Bank. The MASI year-to-date return was 10.87% as of 31 May 2022, it was 3.96% during the same period in the previous year. In terms of market price movement, FMBCH had the largest share price gain during the period to MK143.00 per share as of the close of May 2022, from MK111.00 per share as of the close of April 2022, representing an increase of 28.83%. During the period under review, NICO had the largest share price loss to MK46.75 per share from MK55.00 per share, representing a decrease of 15.00% during the period under review.

Government Securities

The government awarded a total of MK122 billion in May 2022, an increase of 103% from a total of MK60 billion in April 2022 through Treasury Bills (TBs) and Treasury Notes (TNs) auctions. The TBs and TNs auctions had rejection rates of 2% and 19% respectively, during the period under review. The average TB yield increased to 13.93% in May 2022, from 12.52% in April 2022. The average TN yield increased to 22.01% from 20.57% from 20.50% during the period under review.

Economic Growth

For 2022, the IMF revised the real GDP forecast for Malawi to 2.7% from 3.5% to reflect the anticipated global impact of the effects of Russia's invasion of Ukraine and the sanctions that have been put in place with the aim of pressuring Russia to end the war. The revised forecast is below the same period forecast growth by the government of Malawi. Similarly, the EIU's and World Bank's real GDP forecasts for Malawi for 2022 are below the government's forecast at 2.8% and 2.1%, respectively. The latter expect the lower real GDP forecast based on the negative impact of weather-related shocks on Malawi's agriculture sector, macro-fiscal imbalances and the impact of the Russia-Ukraine war.

The government of Malawi forecasts the real GDP growth rate to increase to 4.1% in 2022 from 3.9% recorded in 2021. The forecast is based on expectations that economic activity will increase, and that climate and weather-induced events will not persist in the forecast period. Economic activity is expected to increase as mining and quarrying, manufacturing, transportation, construction, and wholesale and retail sectors rebound in the period.

For 2023, the government of Malawi projects the real GDP growth to slow down to 4.0%. The forecast growth rates by the EIU and IMF are 2.8% and 4.3%, respectively. Growth in 2023 is expected to be on account of improvements in the performance of the mining sector due to strengthened backward and forward linkages that are essential for import substitution and internal growth, recovery in tourism and the commercialization of agriculture. For the period between 2023 and 2026 the EIU and the IMF expect economic growth to pick up gradually, increasing to annual averages of 3.7% and 5.4% respectively.

COVID-19 Status and Developments

The total cumulative confirmed COVID-19 cases increased to 85,985 as of 31 May 2022, from 85,781 as of 29 April 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,640 deaths as of 31 May 2022, from 2,634 deaths as of 29 April 2022. These changes were accompanied by the daily positivity rate increasing to 4.0% as of 31 May 2022, from 2.3% as of 29 April 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate increased to 96.4% as of May 2022, from 95.7% as of 29 April 2022.

Risks

The salient downside risks for the country are cessation of financing from regional development banks, effects from the devaluation of the Malawi Kwacha, higher inflation, lower than anticipated agricultural productivity, low COVID-19 vaccine uptake triggering new waves of infections of COVID-19, and inadequate power supply.

A sudden cessation of available financing from regional development banks poses a risk to the outlook. The materialization of this risk could result in real exchange rate adjustments, compression of imports, dampening of economic growth and negatively affect financial stability, as well as lower the living standards of the vulnerable population.

Following the Reserve Bank of Malawi's decision to devalue the Malawi Kwacha by 25%, domestic consumers and producers will have to spend more in order to satisfy the same level of domestic demand. On one hand, the increase in the costs for producers may result in cost-push inflation, causing an erosion of domestic consumers' purchasing power. On the other hand, consumers may import less foreign goods and services, resulting a substitution for similar domestically produced goods and services. The risk herein lies with the country's net-importer status, and the subsequent effects on production, agricultural productivity and economic activity as it becomes relatively more expensive to import goods and services.

There is the risk that the agricultural productivity in the current agricultural season may be lower than anticipated. This could be as a result of implementation challenges of the Affordable Inputs Programme (AIP) and the negative effects of tropical storms. Additionally, the effects of tropical storms may reverse prospective gains that AIP implementation may have spurred in the season. In addition, the country's agricultural productivity remains vulnerable to weather and climatic shocks and is negatively exposed due to the economy's dependence on rain-fed agriculture.

With the low COVID-19 vaccine uptake rate, relative to global trends, there is the risk of new COVID-19 waves of infection within the country. The effects of these new waves of infection and a protracted COVID-19 pandemic would negatively affect the domestic outlook.

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, RBM)

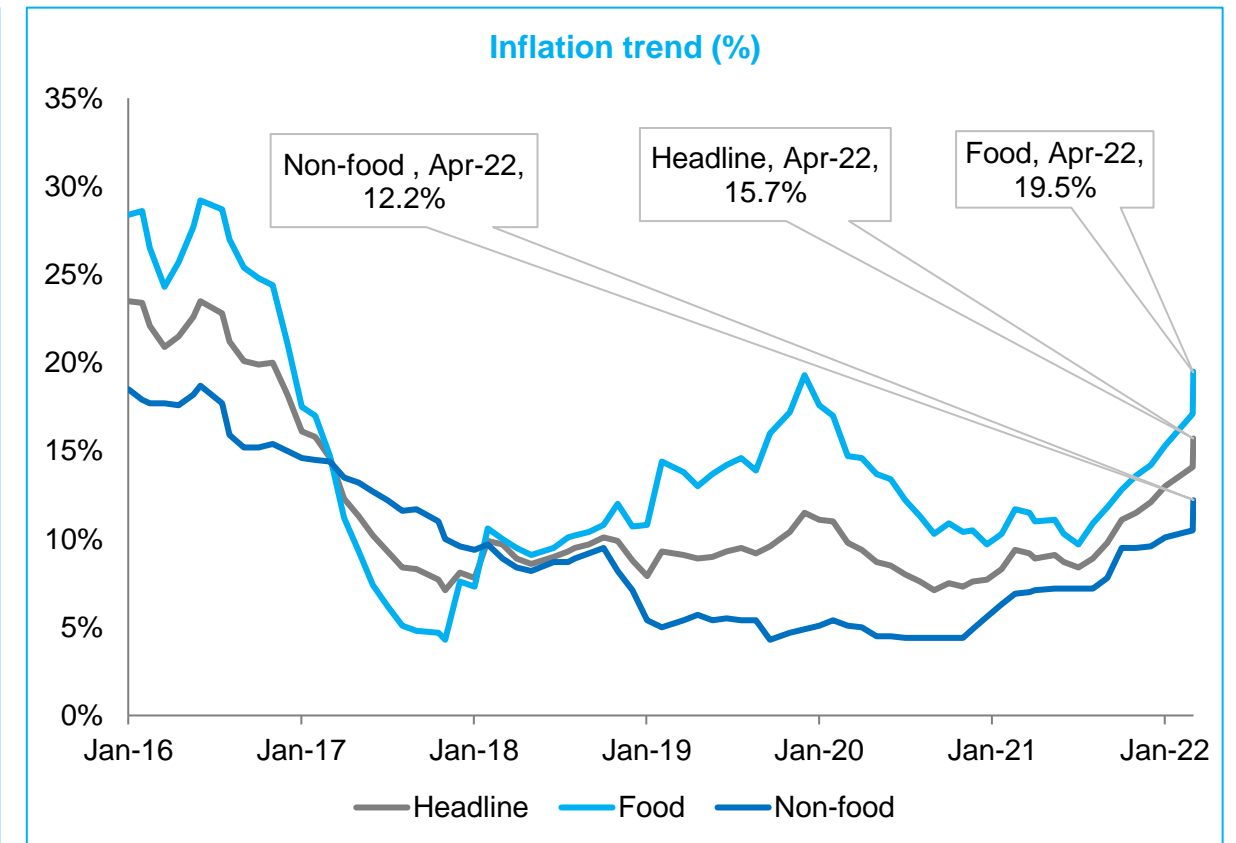
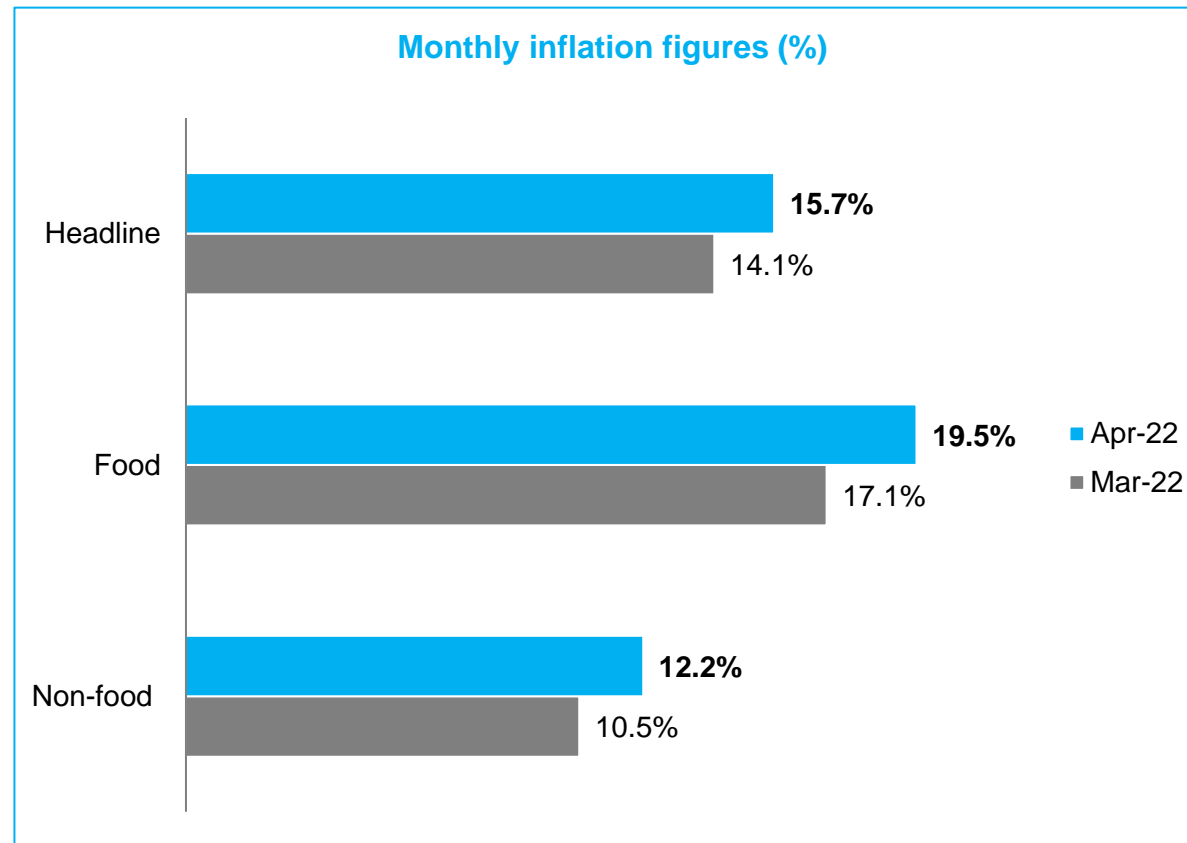
Headline inflation increased to 15.7% in April 2022 from 14.1% in March 2022. This was on account of increases in the food component as well as non-food components such as transportation; housing, water and electricity; and the clothing and footwear components of the Consumer Price Index during the period under review.

The Economist Intelligence Unit (EIU) expects to revise the inflation projection upward, reaching between 18%-20%, for 2022.

Month-on-month, headline inflation increased to 15.7% in April 2022 from 14.1% in March 2022. In April 2021, headline inflation was 9.2%. 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 19.5% in April 2022 from 17.1% in March 2022. Non-food inflation increased to 12.2% in April 2022 from 10.5% in March 2022. Besides the increase in the food component, there were increases in non-food components such as transportation; housing, water and electricity; and the clothing and footwear components of the Consumer Price Index.

At the second MPC meeting of 2022 held on 29 April 2022, the annual inflation projections for 2022 were revised upwards to 12.3% from 10.4% projected in the first MPC meeting of 2022. The upward adjustment is a reflection of anticipated inflationary pressure from imported and domestic sources that is expected to persist in the economy.

According to the Economist Intelligence Unit (EIU), the inflation projection for 2022 is anticipated to elevate, reaching between 18%-20%. The increase is projected on account of the Reserve bank of Malawi's (RBM's) decision to devalue the domestic currency by 25%, effective from 27 May 2022.





Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK122 billion through Treasury Bills and Treasury Notes auctions in May 2022, an increase of 103% from a total of MK60 billion awarded in April 2022.

Treasury Bills (TBs)

In May 2022, the government sought to borrow MK78 billion through Treasury Bills (TBs) auctions, an increase of 65% from MK47 billion sought in April 2022. Participants applied to place MK62 billion through the TBs auctions in May 2022, an increase of 167% from MK23 billion applied for in April 2022. The applications had a rejection rate of 2% during the period under review, as the government awarded MK61 billion through TBs auctions in May 2022, an increase of 162% from MK23 billion awarded in April 2022.

Treasury Notes (TNs)

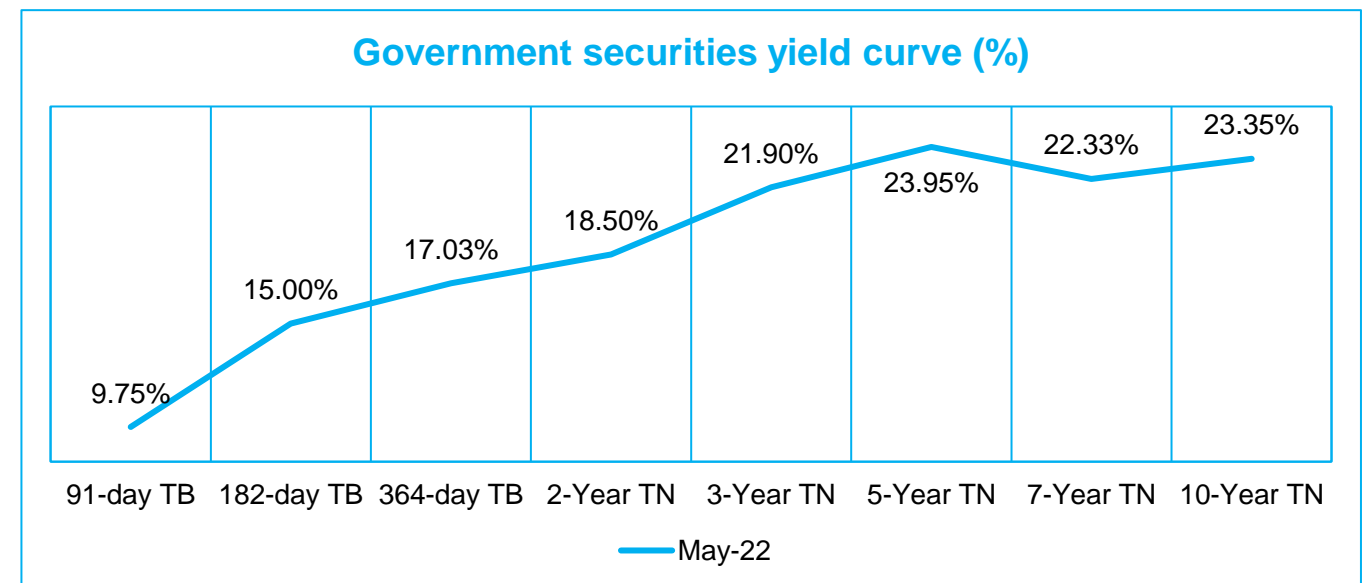
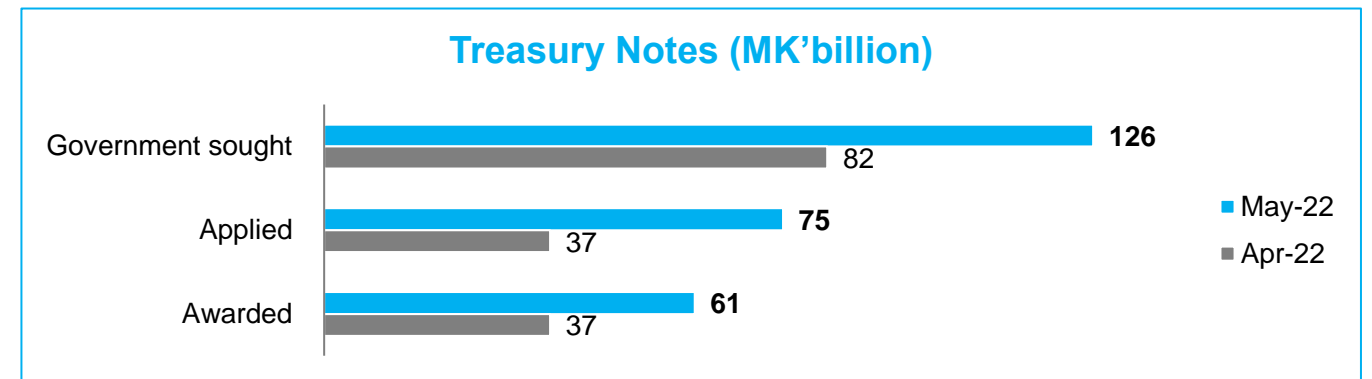
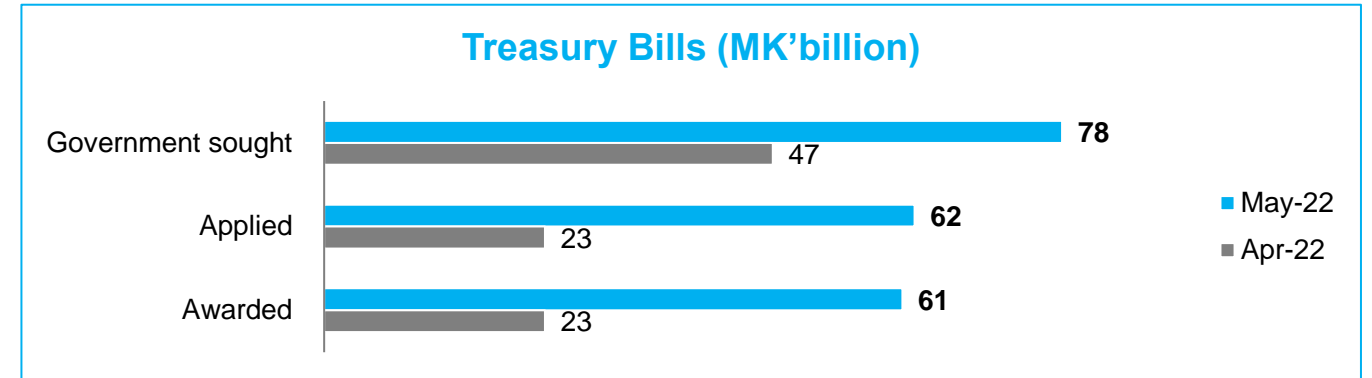
In May 2022, the government sought to borrow MK126 billion through Treasury Notes (TNs) auctions, an increase of 53% from MK82 billion sought in April 2022. Participants applied to place MK75 billion through the TNs auctions, an increase of 103% from MK37 billion worth of applications during the same period. From the applications, the government awarded MK61 billion, an increase of 64% from MK37 billion awarded during the same period. The applications had a rejection rate of 19% during the period under review.

Government Securities Yield Curve

As of 31 May 2022, the yield for the 91-days TB marginally increased to 9.75% from 9.57% as of April 2022. The 182-days and 364-days TBs increased to 15.00% (April 2022: 13.00%) and 17.03% (April 2022: 15.00%) respectively, during the period under review.

As of 31 May 2022, the yield for the 2-year and 3-year TNs increased to 18.50% (April 2022: 17.00%) and 21.90% (April 2022: 19.50%) respectively during the period under review. Similarly, the yield for the 5-year TN increased to 23.95% in May 2022, from 21.00% in April 2022. There was a marginal increase in the yield for the 7-year TN to 22.33% from 22.00% during the period under review. For the 10-year TN, the yield maintained its position at 23.35% during the period under review.

The average TB yield increased to 13.93% in May 2022 from 12.52% in April 2022. Similarly, the average TN yield increased to 22.01% in May 2022 from 20.57% in April 2022.





Economic overview (Continued)

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

Year-to-date, the Malawi Kwacha has depreciated against the United States Dollar by 25.68%.

The Reserve Bank of Malawi (RBM) implemented a currency devaluation of 25%, effective from 27 May 2022. This is in response to foreign exchange liquidity challenges in the country.

Going forward, the RBM will allow the exchange rate to adjust to a market clearing position with the view of endorsing a managed float regime, while the government will continue to work on initiatives that are aimed at widening the export base.

Foreign currency market

Month-on-month, the Kwacha depreciated against the USD. The Kwacha traded at MK1,029.90/USD as of 31 May 2022, from MK823.67/USD as of 30 April 2022. Year-to-date, the Kwacha has depreciated against the USD by 25.68% as it traded at MK819.44/USD as of 31 December 2021. During the same period in the previous year, the Kwacha had depreciated against the USD by 3.01%.

The Reserve Bank of Malawi (RBM) implemented a currency devaluation of 25% effective from 27 May 2022. This is in response to domestic foreign exchange liquidity challenges which have been brought about by supply-demand imbalances. Prior to the devaluation, the RBM had aimed to curb the challenges through short-term measures including continuous intervention in foreign exchange markets and temporary re-introduction mandatory sale of 30% of export proceeds to the RBM. These short-term measures had not produced the sought after effects in the domestic economy.

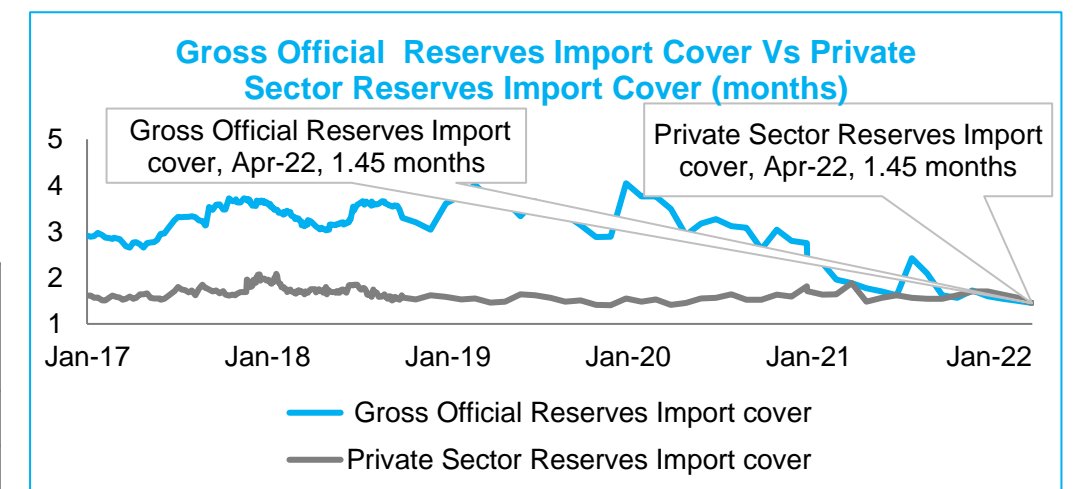
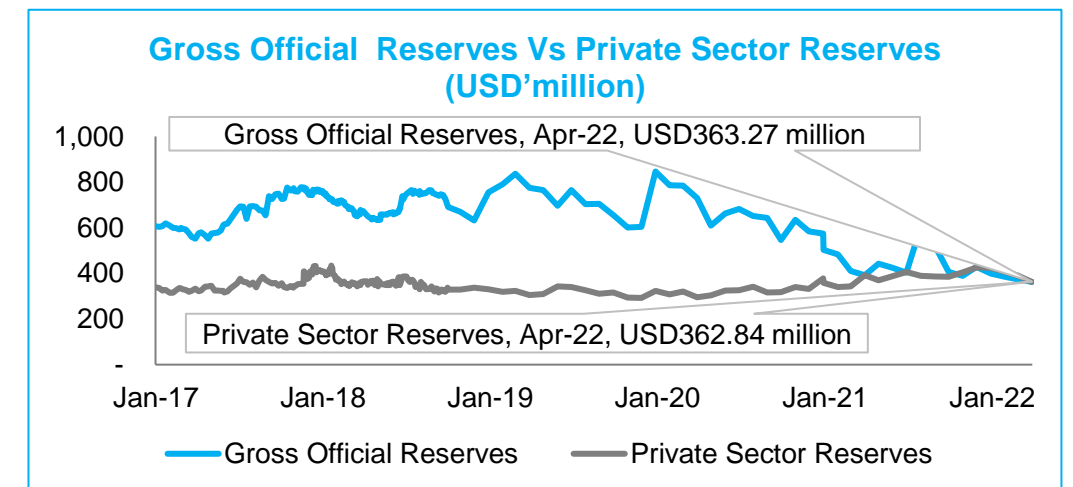
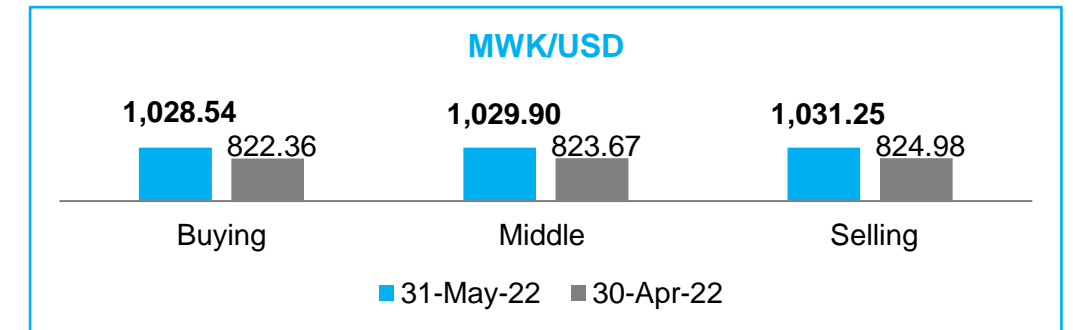
Going forward, on one hand, the RBM will allow the exchange rate to adjust to a market clearing position with the view of endorsing a flexible exchange rate “managed float” regime that allows the exchange rate developments to reflect market fundamentals. On the other hand, the government will continue to work on initiatives that are aimed at widening the export base through diversification of the exports to the mining sector, establishment of structured commodity markets to increase receipts through formal channels, and the implementation of policies that aim at improving the value of exports.

Foreign reserve position

As of 30 April 2022, the country’s gross official forex reserves decreased by 2.99% to USD363.27 million, from a gross official foreign exchange reserve position of USD374.48 million as of 31 March 2022. The private sector forex reserves decreased by 7.32% to USD362.84 million as of 30 April 2022, from USD391.49 million as of 31 March 2022. Overall, the total foreign exchange reserves held in April 2022 were USD 726.11 million , a decrease of 5.20% from USD765.97 million in March 2022.

Import cover for gross official reserves for April 2022 was 1.45 months, a decrease of 3.33% from 1.50 months in March 2022. For private sector reserves, import cover was 1.45 months, a decrease of 7.64% from 1.57 months in March 2022. The import cover for gross official reserves remained below the required threshold of 3 months as of 30 April 2022. The total foreign exchange reserves import cover decreased to 2.90 months in April 2022 from 3.07 months in March 2022.

	Gross Official (USD'million)	Private Sector (USD'million)	Gross Official import cover (months)	Private sector import cover (months)
Apr-22	363.27	362.84	1.45	1.45
Mar-22	374.48	391.49	1.50	1.57



USD – United States Dollar

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



Economic overview (Continued)

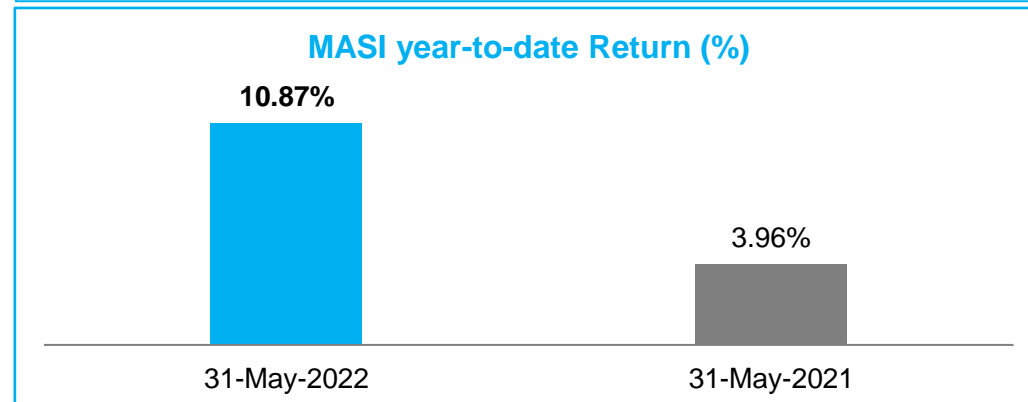
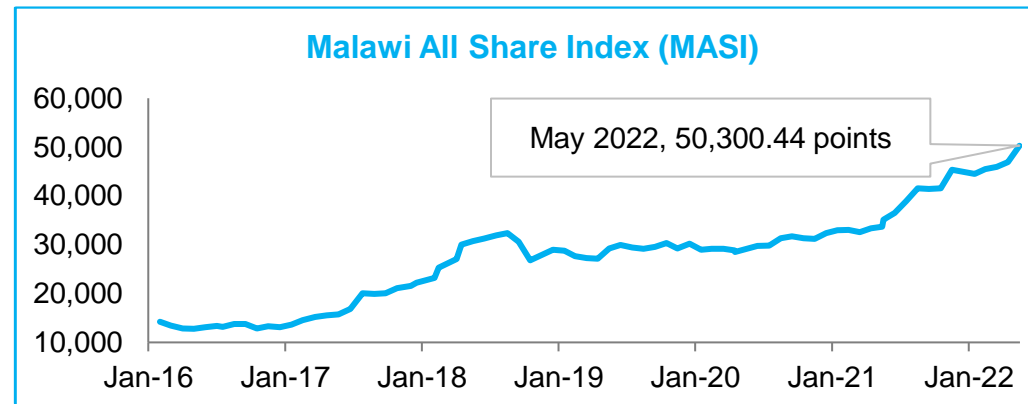
Stock market (Source: MSE)

The stock market was bullish during the period under review with the MASI closing the month of May 2022 at 50,300.44 points from 46,934.16 points in April 2022. Month-on-month, this represents an increase of 7.71%.

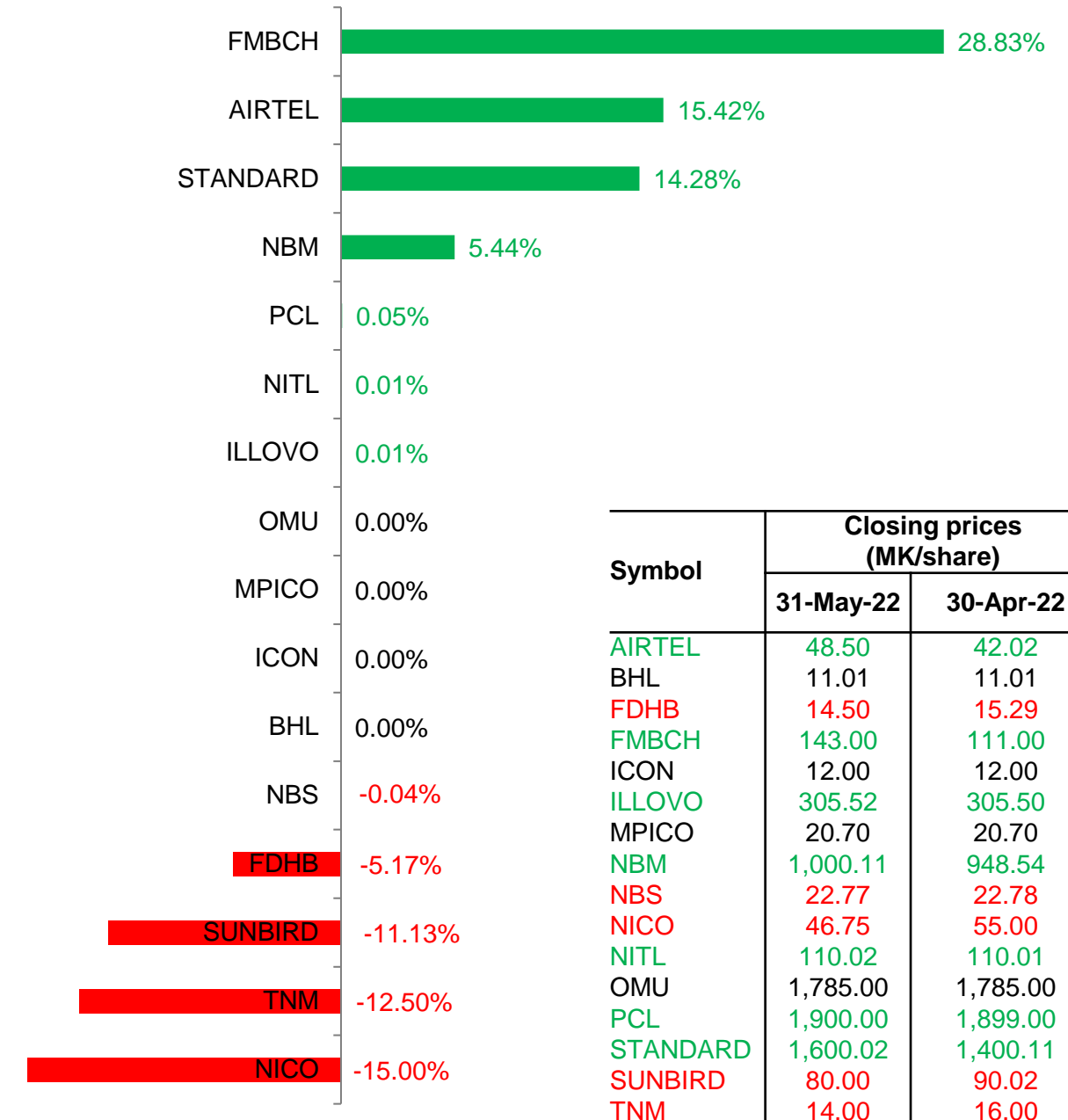
The MASI year-to-date return was 10.87% in May 2022, and it was 3.96% during the same period in the previous year.

The stock market was bullish over the period with the Malawi All Share Index (MASI) increasing by 7.71% to 50,300.44 points in May 2022, from 46,934.16 points in April 2022. Year-to-date, the return on the MASI is 10.87%, it was 3.3.96% during the same period in the previous year.

The largest gainer was FMBCH whose share price increased by 28.83% to MK143.00 per share in May 2022, from MK111.00 per share in April 2022. There were also share price gains for AIRTEL, Standard Bank and NBM, as well as marginal share price gains for PCL, NITL and ILLOVO during the period. Four counters closed the month at the same prices as the previous month. These counters were: OMU, MPICO, ICON and BHL. The largest loser in May 2022 was NICO whose share price decreased by 15.00% to MK46.75 per share, from MK55.00 per share in April 2022. There were share price losses for TNM, SUNBIRD and FDH Bank as well as a marginal share price loss for NBS during the period under review.



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



Symbol	Closing prices (MK/share)	
	31-May-22	30-Apr-22
AIRTEL	48.50	42.02
BHL	11.01	11.01
FDHB	14.50	15.29
FMBCH	143.00	111.00
ICON	12.00	12.00
ILLOVO	305.52	305.50
MPICO	20.70	20.70
NBM	1,000.11	948.54
NBS	22.77	22.78
NICO	46.75	55.00
NITL	110.02	110.01
OMU	1,785.00	1,785.00
PCL	1,900.00	1,899.00
STANDARD	1,600.02	1,400.11
SUNBIRD	80.00	90.02
TNM	14.00	16.00



Economic overview (Continued)

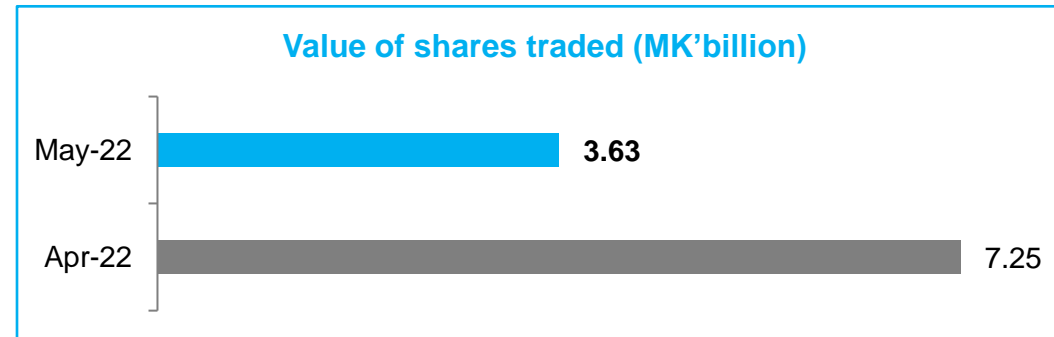
Stock market (Source: MSE)

The total value of shares traded decreased by 50% in May 2022 to MK3.63 billion, from MK7.25 billion traded in April 2022.

According to their summary financials for the period ended 31 December 2021, ICON Properties plc closed the period with a profit after tax of MK8.72 billion, a decrease of 1% from MK8.79 billion in previous year.

MSE Traded Volumes

There was MK3.63 billion worth of shares traded in May 2022, a decrease of 50% from MK7.25 billion worth of shares traded in April 2022. NBM and AIRTEL had the highest value of shares traded at MK2.48 billion and MK375 million respectively, during the period under review. The total number of trades in the month under review increased to 330 trades from 312 in April 2022. The figure below traces the total value of shares traded on the MSE in May 2022.



Listed Debt market

There were no trades on the listed debt market in May 2022. The nominal value of all the listed debt securities was MK1.55 trillion as of 31 May 2022.

Corporate Announcements

Annual General Meetings

Company	Venue	Date	Time
Sunbird	Sunbird Mount Soche Hotel (Blantyre)	17 June 2022	15:30 hrs
FMBCH	FCB Training Centre (First House, Blantyre)	20 June 2022	15:30 hrs
MPICO	Sunbird Mount Soche Hotel (Blantyre)	21 June 2022	08:30 hrs
Standard Bank	Sunbird Mount Soche Hotel (Blantyre)	23 June 2022	09:00 hrs
FDH Bank	Protea Ryalls Hotel (Blantyre)	27 June 2022	09:00 hrs
NBS	Protea Ryalls Hotel (Blantyre)	28 June 2022	14:30 hrs

ZAR: South African Rand
TBA: To be announced

Latest Summary of Listed Published Accounts

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	31 December 2021	31 December 2020	Actual Change in Profit/Loss
ICON Properties plc	8.72	8.79	-1%
MPICO	6.42	4.34	48%
FMBCH (USD'million)	40.45	21.28	90%
Airtel Malawi plc	32.33	22.09	46%
Standard Bank	24.77	23.74	4%
Old Mutual (ZAR'billion)	7.21	5.09	42%
Sunbird Tourism Plc	0.75	(1.18)	164%
NITL Plc	4.67	1.48	216%
National Bank of Malawi plc	34.21	22.45	52%
FDH Bank plc	11.66	13.99	-17%
NBS Bank plc	7.69	7.05	9%
TNM plc	9.69	7.73	25%

Dividends

Counter	Dividend type	Proposed/declared	Dividend per share (MK)	Last day to register	Date of payment
NBM	Final	Proposed	23.55	3 June 2022	24 June 2022
ILLOVO	Interim	Declared	5.56	17 June 2022	30 June 2022
MPICO	Final	Proposed	0.19	8 July 2022	28 July 2022
STANDARD	Final	Proposed	8.52	8 July 2022	22 July 2022
NITL	Final	Proposed	2.25	TBA	TBA
NBS	Final	Proposed	0.75	TBA	TBA
FDHB	Final	Proposed	0.29	TBA	TBA
TNM	Final	Proposed	0.10	TBA	TBA
AIRTEL	Final	Proposed	2.95	TBA	TBA
ICON	Final	Proposed	0.12	TBA	TBA
FMBCH	Final	Proposed	0.10 Cents	TBA	TBA



Other Market Developments

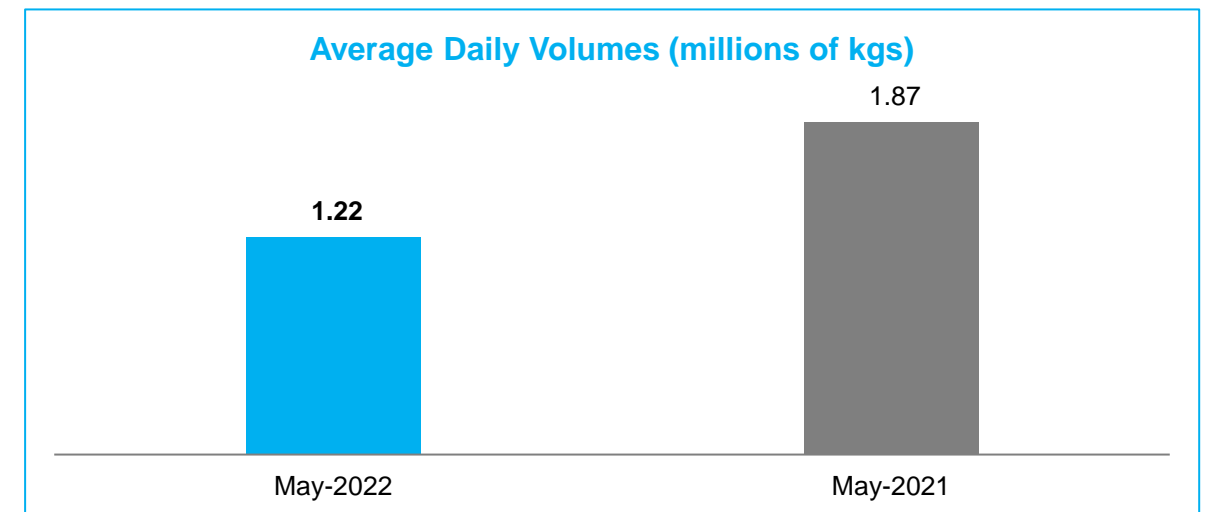
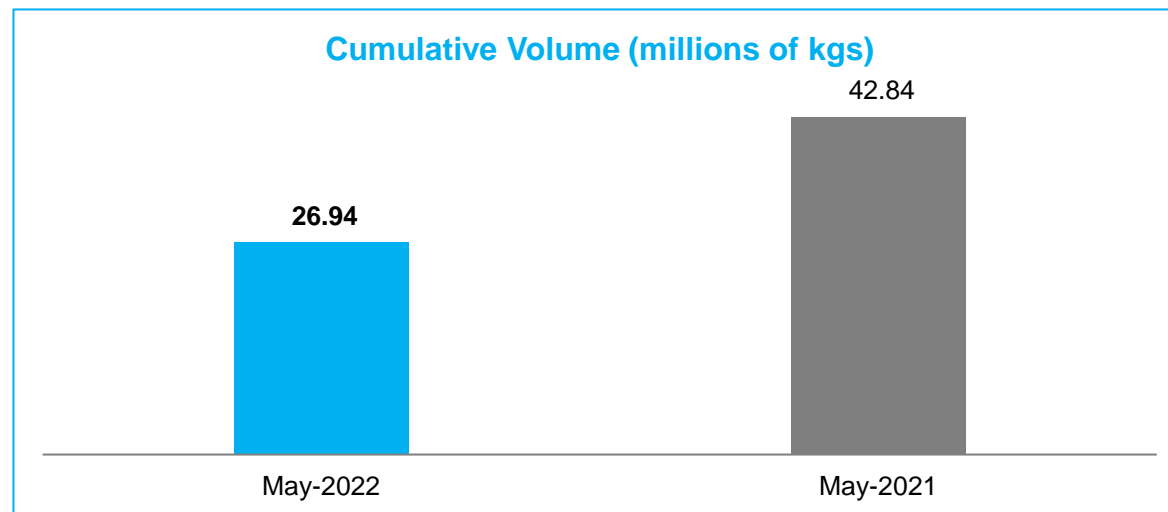
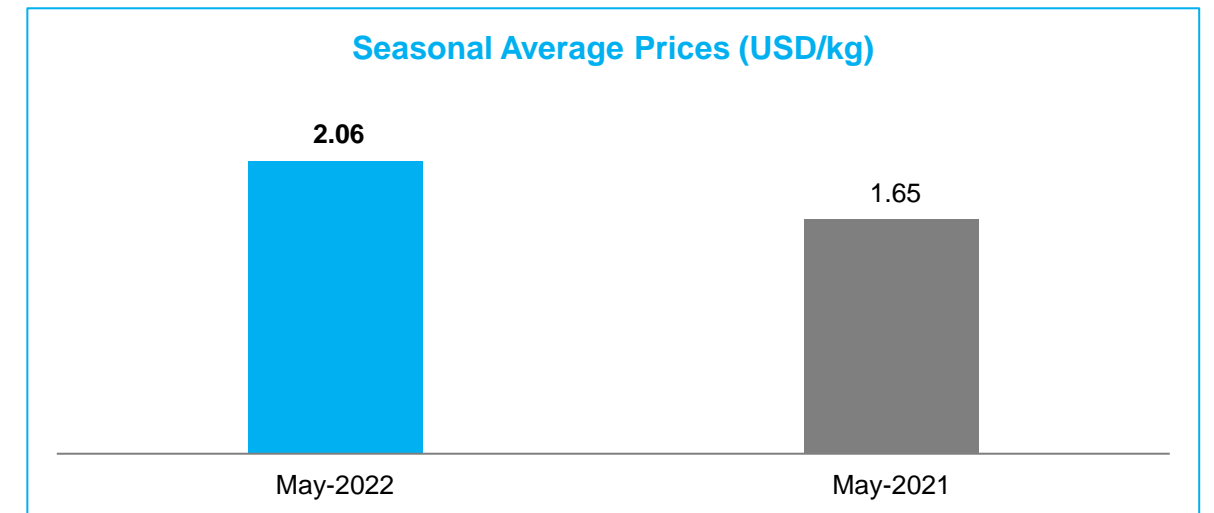
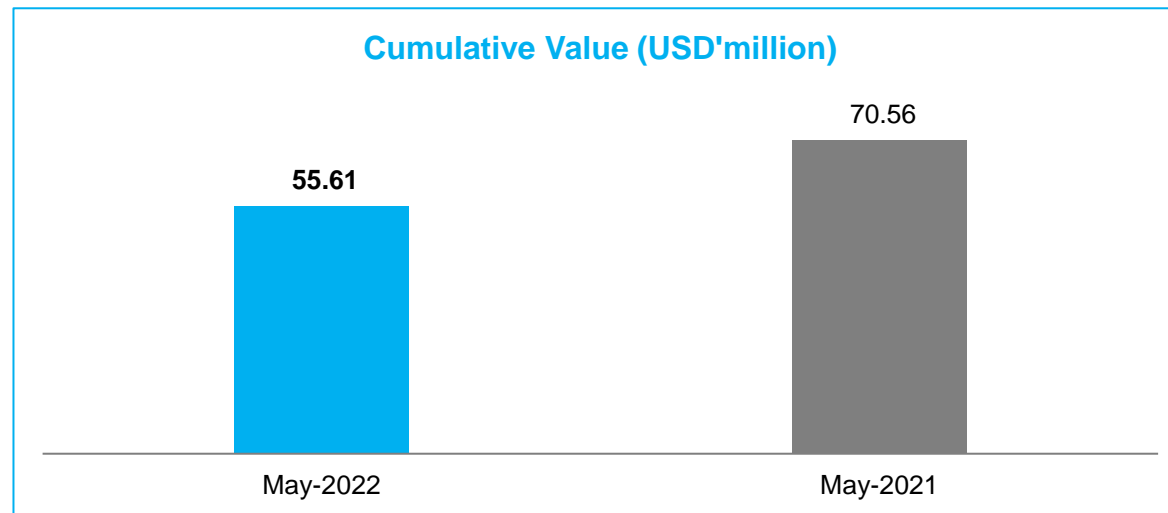
Tobacco sales (Source: Auction Holdings Limited)

As of 31 May 2022, the cumulative value of sold tobacco was USD55.61 million (MK57.27 billion), a decrease of 21% from a cumulative value of USD70.56 million (MK56.28 billion) as of 31 May 2021.

As of May 2022, the seasonal average price was USD2.06/kg (MK2,122/kg), an increase of 25% from a seasonal average price of USD1.65/kg (MK1,316/kg) as of May 2021.

As of 31 May 2022, a cumulative total of 26.94 million kgs was sold, a decrease of 37% from a cumulative total of 42.84 million kgs sold as of 31 April 2021. The volume had been sold at a season average price of USD2.06/kg (MK2,122/kg), an increase of 25% from a seasonal average price of USD1.65/kg (MK1,316/kg) during the same period. This marked a cumulative value of USD55.61 million (MK57.27 billion), a decrease of 21% from a cumulative value of USD70.56 million (MK56.28 billion) during the period under review.

The Tobacco Commission (TC) expressed its uncertainty on the performance of this year's tobacco selling season relative to the immediate previous season. The immediate previous tobacco selling season realized USD197 million (MK161 billion). The challenge to attaining a similar level this year lies in a shortage of supply, relative to demand for tobacco which has been estimated at 61 million kgs. The shortage in supply may be a result of the late onset of rains in the current agricultural season and the early opening of the tobacco trading floors relative to previous years. Despite this, the TC acknowledged that the earnings could be fair as the prices being offered in the current tobacco season are relatively higher than the those offered in the previous year.





Other Market Developments

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

The World Bank has committed USD304 million (MK313 billion) to go towards government projects and programmes in various sectors.

World Bank Developments

The World Bank has committed USD304 million (MK313 billion) to go towards government projects and programmes in various sectors. The Ministry of Finance indicated that the large proportion of the resources are in the form of grants. Details on the period over which the resources will be provided were not explicitly stated.

The resources provided by the World Bank are expected to be channeled to projects such as the social support and resilient livelihood programme, the African Centre for Excellence, the restoration of the Kapichira hydro-electric power station and phase 2 of the Shire Valley Transformation Project.

Furthermore, the World Bank has indicated that it will continue to support Agricultural Commercialisation (AgCom) targeting smallholder and medium scale farmers in the country. More than 40,000 households currently benefit from the AgCom project, and the project has approved 229 productive alliances.

The Socio-Economic Recovery Programme (SERP)

The government has secured USD77.6 million (MK80 billion) from the United Nations (UN) towards the operationalisation of Malawi's COVID-19 Socio-Economic Recovery Plan (SERP) that was launched in December 2021. The funds are expected to support interventions that seek to build resilience and sustainability in health, education, social protection, labour market and building an enabling macroeconomic policy environment in 2022.

With the budgeted expenditure for the SERP estimated at MK580.83 billion, the resources provided by the UN represent 13% of the expenses. The implementation of the SERP is expected to revive the economy over the 2021-23 period.

The International Monetary Fund (IMF)

The International Monetary Fund (IMF) mission team arrived in the country on 25 May 2022 for negotiations with the government as the government is seeking approval for a new Extended Credit Facility (ECF). The IMF team set out to meet representatives of the Reserve Bank of Malawi, commercial banks, private sector, heads of selected State-Owned Enterprises as well as civil servant representatives. The meetings are aimed at helping the IMF understand the context of the state of the business operating environment. The Ministry of Finance indicated in line with the prospective new ECF, the government will undertake economic reforms.

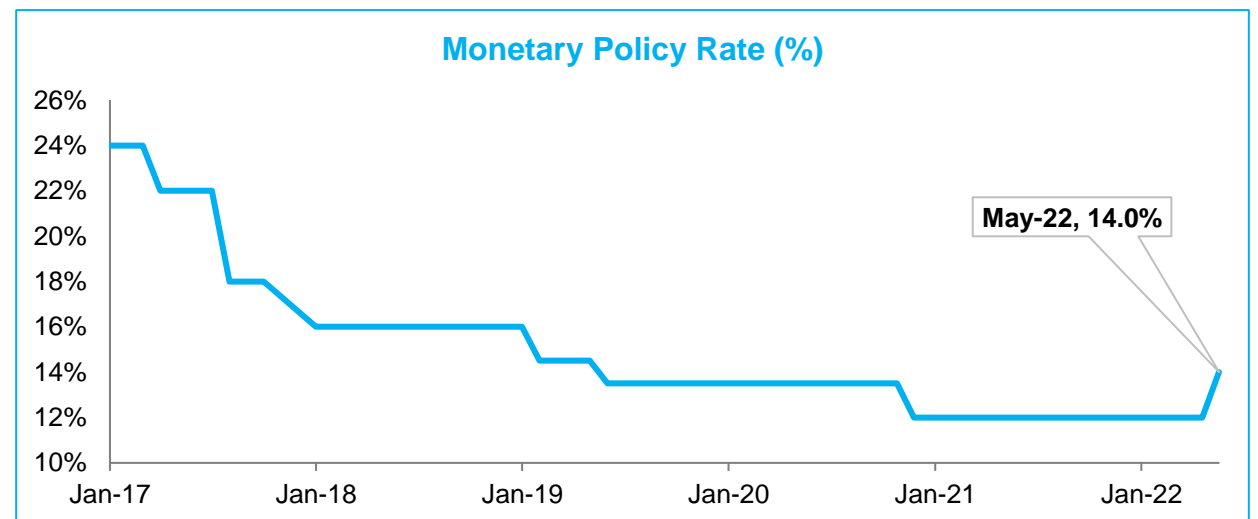
Expenditure Control Measures

The government seeks to implement the following expenditure control measures in the 2022/23 fiscal year:

- i. Review benefits and entitlements for senior government officials
- ii. Review the government motor vehicles policy with the aim of reducing expenditure
- iii. Continue with the installation of pre-paid utility meters in all government institutions
- iv. Procure security equipment and fertilizer directly from manufacturers
- v. Recruit competent graduates in accounting to fix challenges faced in processing of payments
- vi. Fast track the digitization drive to reduce paperwork and fraud

Monetary Policy

During the second MPC meeting of 2022 held on 29 April 2022, the MPC revised the Policy rate upwards to 14.0% from 12.0%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits was maintained at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. This decision was based on the continuing inflationary pressure that follows the persistence of the pandemic-induced supply-demand imbalances, supply-chain disruptions and rising global energy and food prices. These developments have been compounded by the Russia-Ukraine war. As such the Policy rate has been revised upwards to contain the impact of these inflationary expectations.





Special Topic: The IMF's Regional Economic Outlook: Sub-Saharan Africa

In 2022, Sub-Saharan Africa (SSA) is projected to have an economic growth rate of 3.8%, a decrease from a growth rate of 4.5% estimated for 2021. This is underpinned by commodity price increases that have stalled economic recovery in the region.

Economic Recovery

In the third quarter of 2021, Sub-Saharan Africa's (SSA's) GDP grew at a higher rate than expected although it moderated in the fourth quarter of 2021. As a result, the forecast for SSA growth for 2021 was revised to 4.5% from 3.7%.

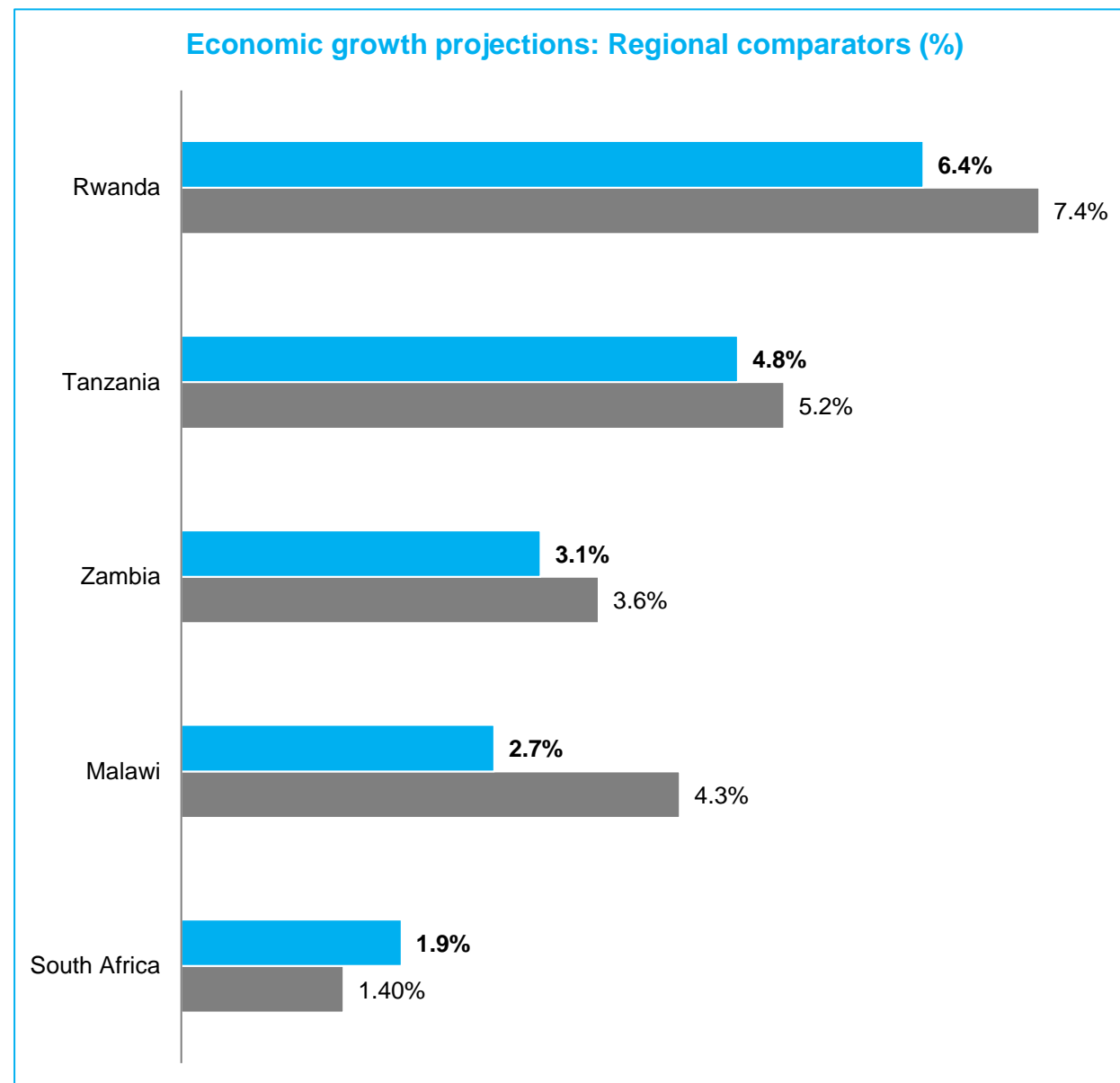
Following the commodity price shocks from the Russian invasion of Ukraine, economic recovery in the SSA has stalled, resulting in a decline of the aggregate growth for 2022 to 3.8%. On one hand, despite the aggregate growth for the SSA declining, the 2022 forecast growth for oil exporting countries in the region has been revised upwards. On the other hand, the growth prospects for oil importers have deteriorated.

The commodity price shock is also having highly asymmetric effects on government revenue and fiscal balances across the SSA region. For oil exporting countries, 2022 fiscal revenue has been revised up. Exporters of other commodities are also expected to receive more modest revenue gains. The impact of these gains is offset by higher expenditures on energy subsidies.

For tourism dependent economies challenges in economic recovery include setbacks from the emergence of the Omicron variant. While some of these countries have fared better because of remittance inflows or rapid vaccination rollout, others face persistent income losses.

For fragile economies, growth is expected to marginally increase to 4.8% in 2022 from 4.6% 2021. Despite the projected increase, the outlook has significant downside risks as many countries are expected to experience security challenges, coupled with regional and international sanctions. Furthermore, food security concerns have increased due to the rapid rise of food prices. Rising inflation and limited fiscal space are also expected to constrain policy options.

For 2023, SSA is anticipated to grow at 4.0%. This is regarded as a slow pace for the region to recoup the output losses from the pandemic. In addition, with output in advanced economies expected to reach their pre-pandemic trend in the near term, the gap between the region and advanced economies that was opened by the COVID-19 crisis is likely to persist.





Special Topic: The IMF’s Regional Economic Outlook: Sub-Saharan Africa (Continued)

SSA faces three policy priorities which are:

1. *To contain inflation without undermining growth;*
2. *Protecting vulnerable groups without adding to debt vulnerability; and*
3. *Managing exchange rate adjustments.*

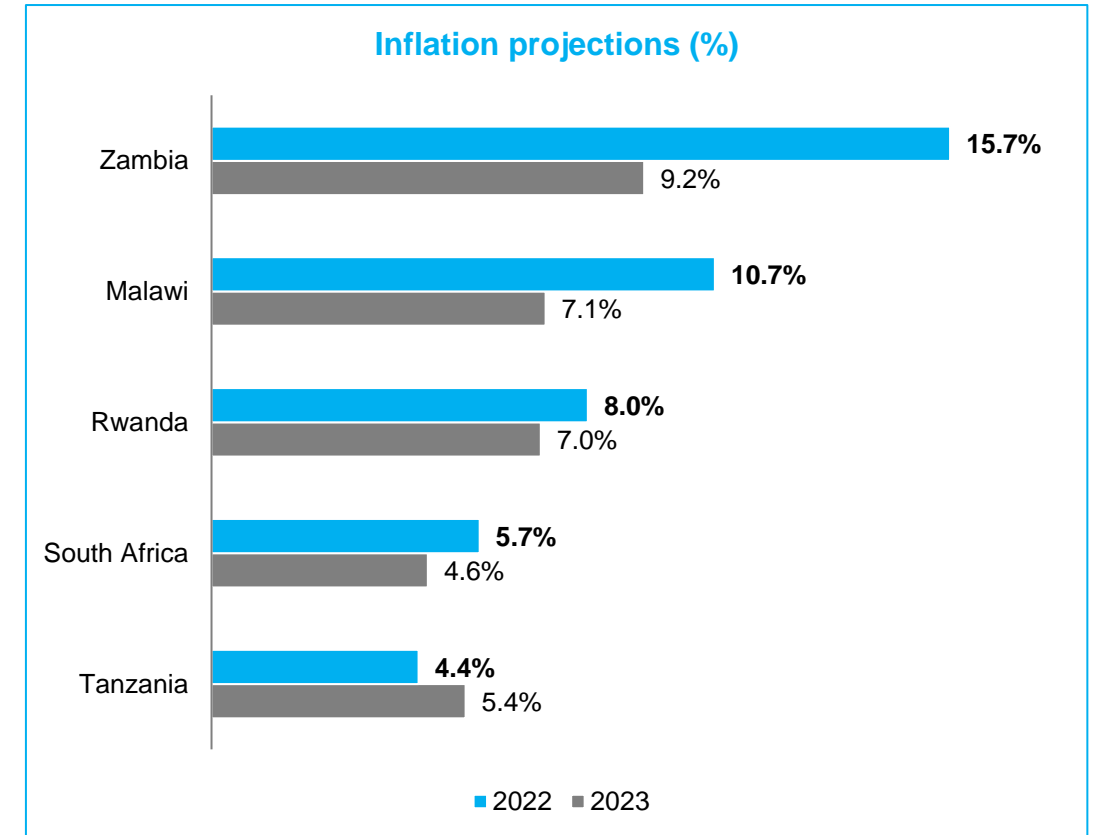
Risks

A continuation of the war in Ukraine and prolonged restrictions on exports from Russia could place additional upward pressure on food and energy prices. This would weigh heavily on the region’s commodity-importing countries, exacerbating food insecurity and placing a burden on the most vulnerable populations. An escalation of the tension between Russia and Western countries could also increase global risk aversion and raise borrowing costs, especially for countries with risky fiscal positions.

SSA is also vulnerable to an acceleration in the pace of monetary tightening in advanced economies. For instance, an unexpected 25-basis-points increase in the US 10-year rate could lower regionwide growth by about 25-basis-points, through higher borrowing costs and weaker external demand. The region is also vulnerable to a slowdown in China, which accounts for more than 20% of SSA’s exports.

Low vaccination rates also continue to expose SSA to the risk of new COVID-19 waves. In addition, the continued existence of a large population that is unvaccinated increases the risk of new variants, putting the region at risk.

SSA is also highly exposed to climate-related shocks that include droughts, storms and floods. These climate-related events are becoming more frequent and more severe and have a particular impact on the region’s growth prospects, given its reliance on agriculture and limited resources for post-disaster relief.





Regional And Global Market Developments

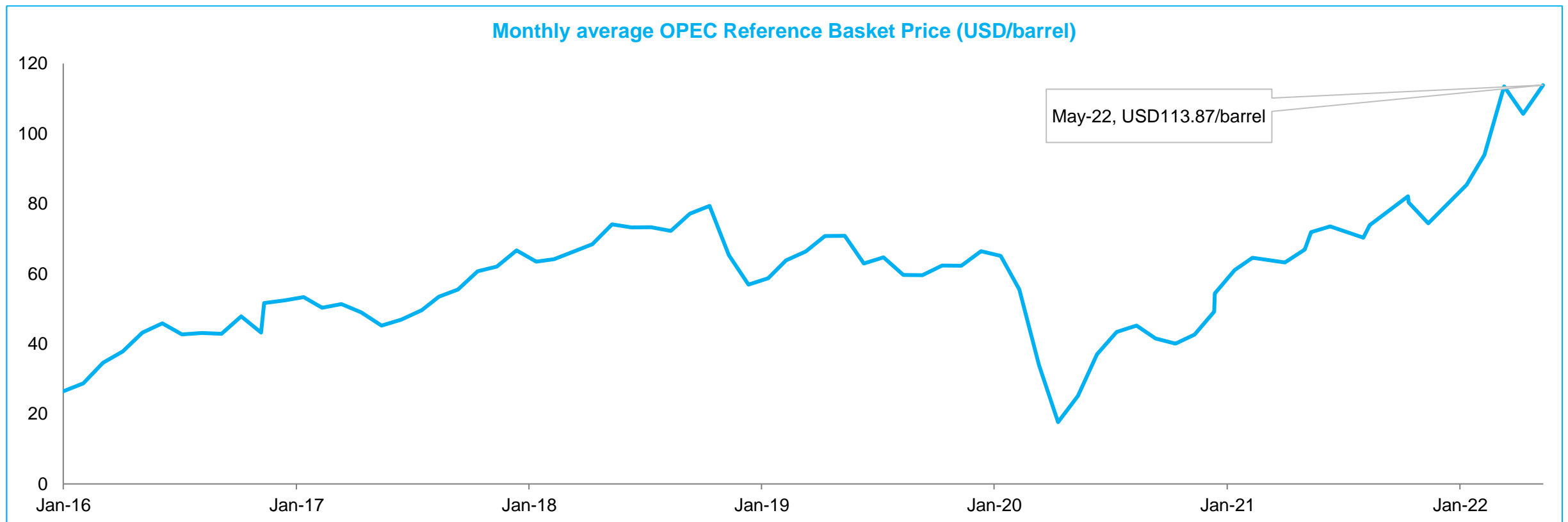
Global oil price developments (Source: OPEC, IMF)

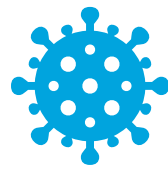
The monthly average OPEC Reference Basket (ORB) price increased by 8% to a monthly average of USD113.87/barrel in May 2022, from a monthly average of USD105.64/barrel in April 2022. This may have been partly triggered by China easing COVID-19 restrictions, increasing demand for the commodity.

Month-on-month, the monthly average OPEC Reference Basket (ORB) price increased by 8% to a monthly average of USD113.87/barrel in May 2022, from a monthly average of USD105.64/barrel in April 2022. Year-on-year, the monthly average ORB price has increased by 70% as it was USD66.91/barrel in May 2021. This may have been partly triggered by China easing COVID-19 restrictions, increasing demand for the commodity.

According to OPEC, world oil demand growth in 2022 is expected to increase by 3.4 million barrels per day year-on-year. This represents a downward revision of 0.3 million barrels per day from the previous projections. Oil demand growth in the second quarter of 2022 is projected to be slower at 2.8 million barrels per day, compared to 5.2 million barrels per day in the second quarter of 2021. The demand in 2022 is expected to be impacted by ongoing geopolitical developments in Eastern Europe as well as COVID-19 pandemic restrictions.

In terms of world oil supply, the forecast for 2022 is at 2.19 million barrels per day. The main drivers of liquids supply growth for the year are expected to be the United States of America, Canada, Brazil, Kazakhstan, Guyana and Norway. OPEC crude oil production in April increased by 153 trillion barrels per day month-on-month, to average 28.65 million barrels per day.





COVID-19 Update

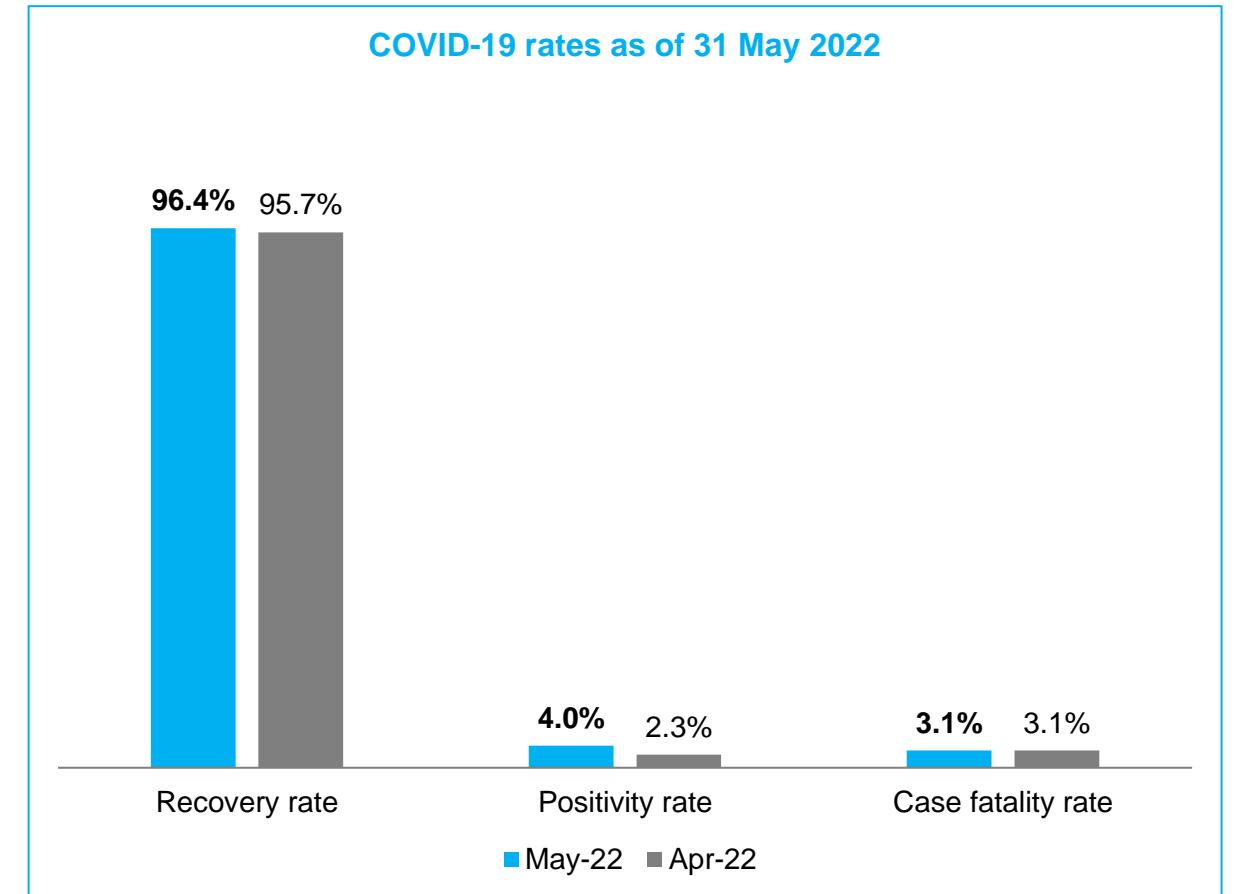
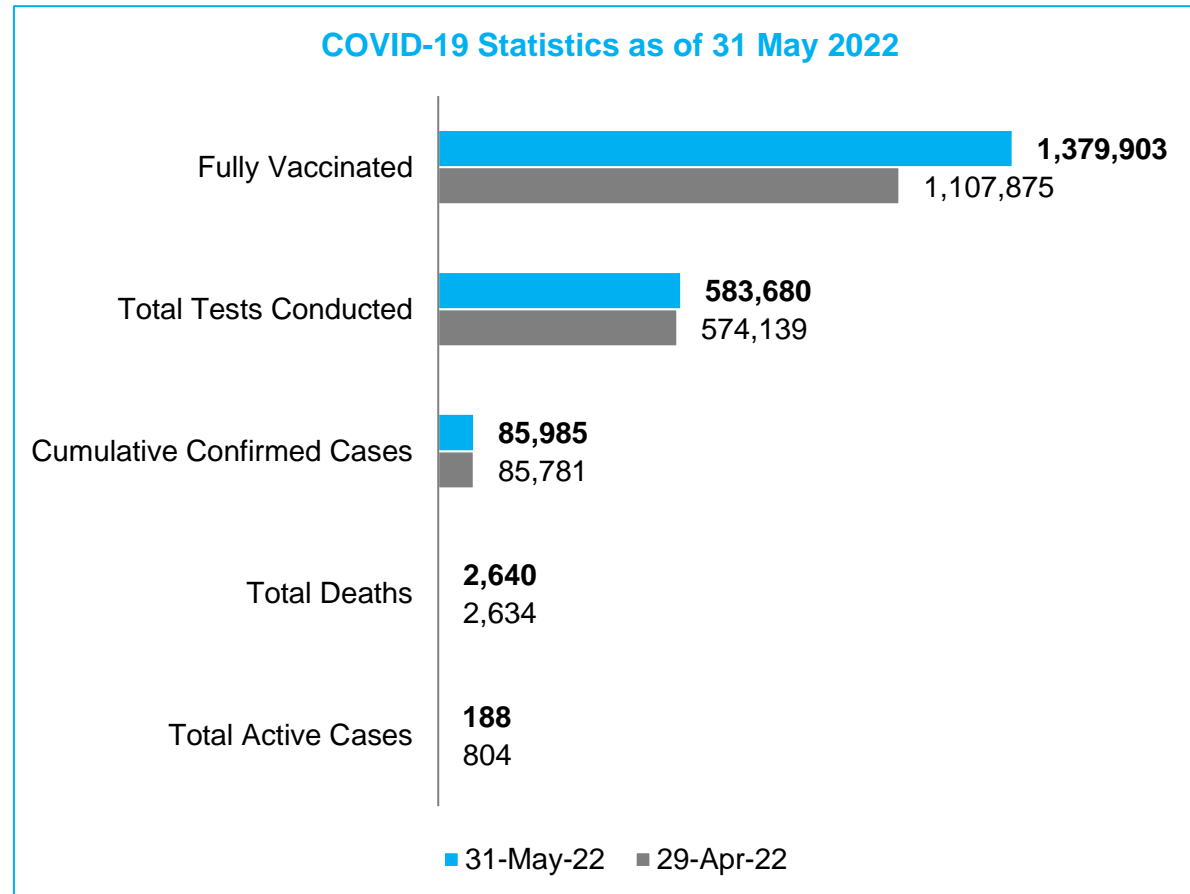
Latest COVID-19 statistics and vaccination developments (Source: Malawi Ministry of Health)

As of 31 May 2022, 7% of the Malawian population had been fully vaccinated against COVID-19 infection.

As of 31 May 2022, 1,379,903 individuals had been fully vaccinated against the COVID-19 virus, an increase of 25% from 1,107,875 individuals fully vaccinated as of 29 April 2022.

As of 31 May 2022, 1,379,903 individuals had been fully vaccinated against the COVID-19 virus in Malawi. This is an increase of 25% from 1,107,875 individuals fully vaccinated in April 2022. The number of fully vaccinated individuals represents 7% of the Malawian population. As of 31 May 2022, 5,099 COVID-19 booster vaccinations had been administered, an increase of 62% from 3,139 COVID-19 booster vaccinations administered as of 29 April 2022. 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 85,985 as of 31 May 2022, from 85,781 as of 29 April 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,640 deaths as of 31 May 2022 from 2,634 deaths as of 29 April 2022. These changes were accompanied by the daily positivity rate increasing to 4.0% as of 31 May 2022 from 2.3% as of 29 April 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate increased to 96.4% as of 31 May 2022 from 95.7% as of 29 April 2022.



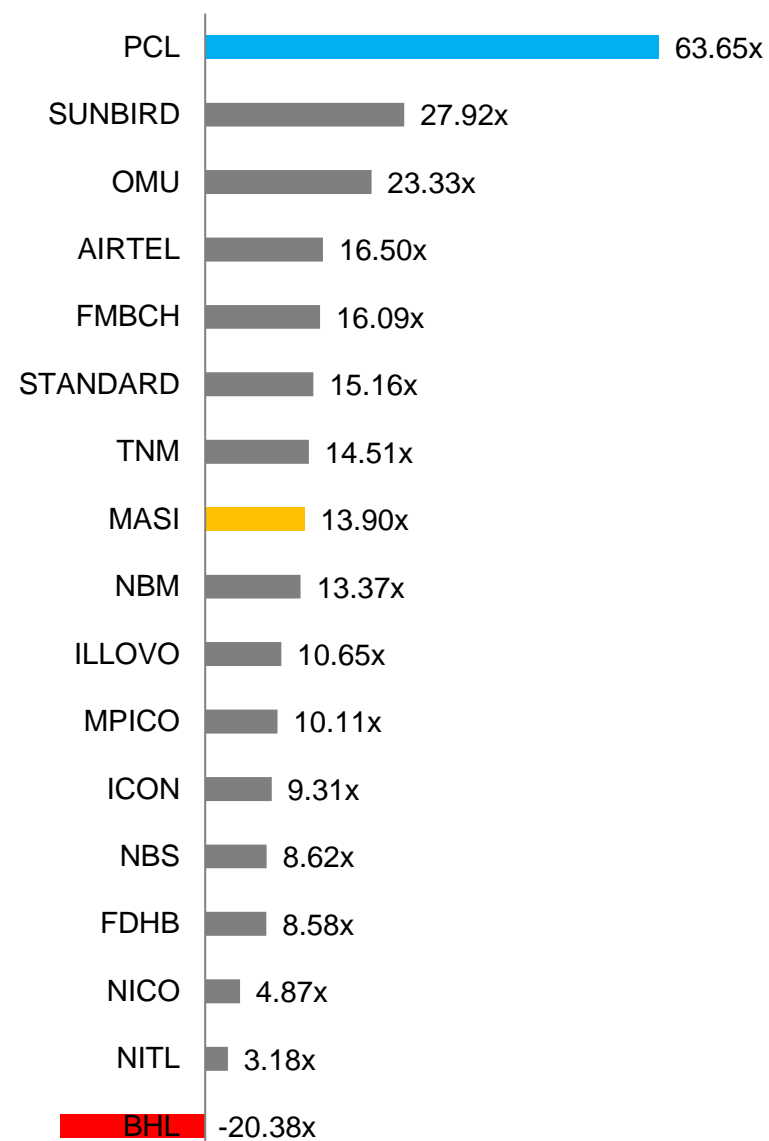
Appendix

Appendix 1: Historical Economic Indicators

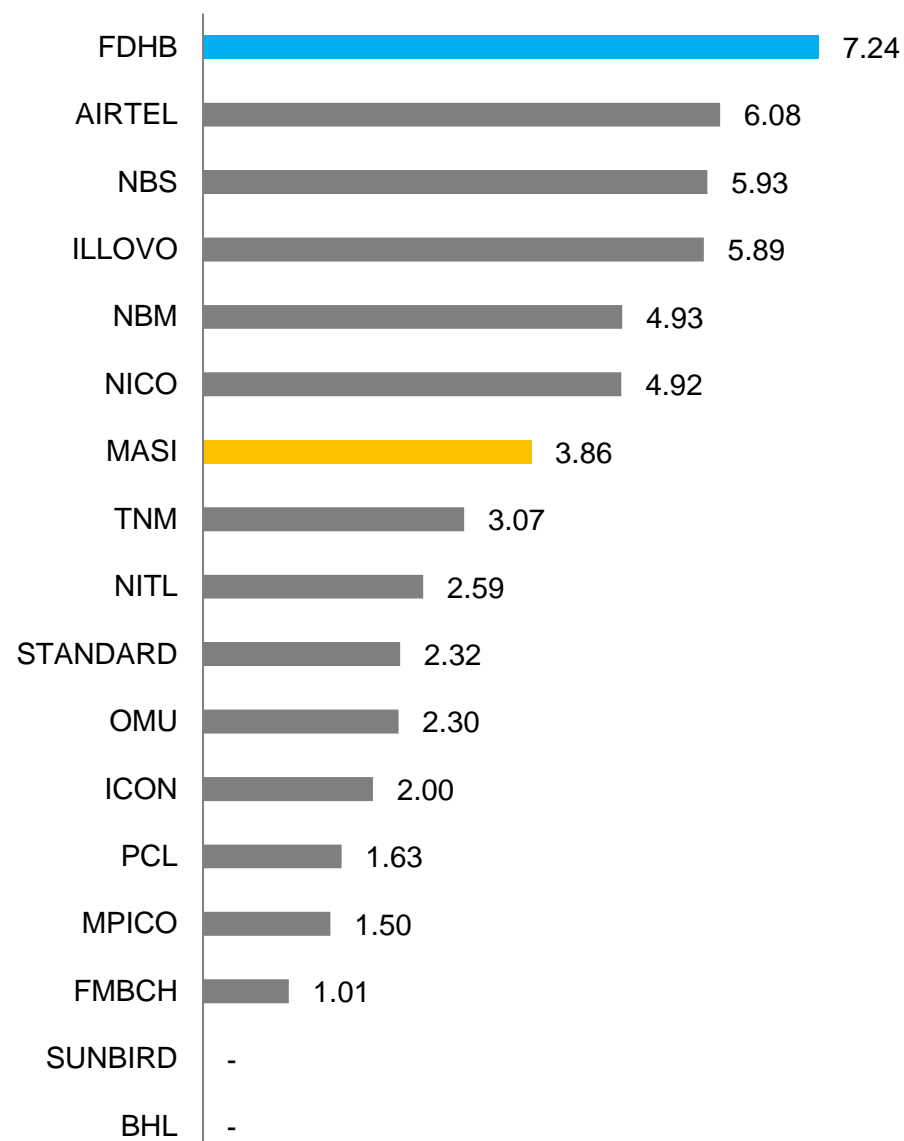
	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Exchange rates																		
MK/USD	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	819.44	822.81	822.10	823.60	823.67	1,029.90
MK/GBP	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	1,283.92	1,214.22	1,150.18	1,380.71
MK/EUR	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	1,170.30	1,031.32	966.40	1,180.96
MK/ZAR	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	64.84	66.90	59.34	72.04
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	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	385.40	374.48	363.27	-
Private Sector Reserves (USD'mn)	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	407.22	391.49	362.84	-
Total reserves (USD'mn)	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	792.62	765.97	726.11	-
Gross Official Reserves Import cover (months)	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	1.54	1.50	1.45	-
Inflation																		
Headline	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%	13.0%	14.1%	15.7%	-
Food	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%	15.3%	17.1%	19.5%	-
Non-food	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%	10.1%	10.5%	12.2%	-
Interest Rates																		
Monetary Policy rate	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%	12.00%	12.00%	14.00%
Average Interbank rate	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%	11.70%	11.70%	11.70%	11.84%
Average base lending rate	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%	12.20%	12.20%	12.20%	14.20%
Government Securities' Yields																		
91-days Treasury Bill	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%	9.47%	9.74%	9.57%	9.75%
182-days Treasury Bill	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%	12.99%	13.00%	13.00%	15.00%
364-days Treasury Bill	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%	15.00%	15.00%	15.00%	17.03%
2-year Treasury Note	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%	16.70%	17.00%	17.00%	18.50%
3-year Treasury Note	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%	19.33%	19.50%	19.50%	21.90%
5-year Treasury Note	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%	20.78%	21.00%	21.00%	23.95%
7-year Treasury Note	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%	21.98%	22.00%	22.00%	22.33%
10-year Treasury Note	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%	22.98%	22.98%	23.35%	23.35%
Stock Market Indices																		
MASI	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	45,472.09	45,921.23	46,934.16	50,300.44
DSI	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	37,186.63	37,584.34	37,283.40	39,037.30
FSI	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	4,182.23	4,184.71	5,720.11	7,305.55

Appendix 2: Selected stock market statistics as of 31 May 2022

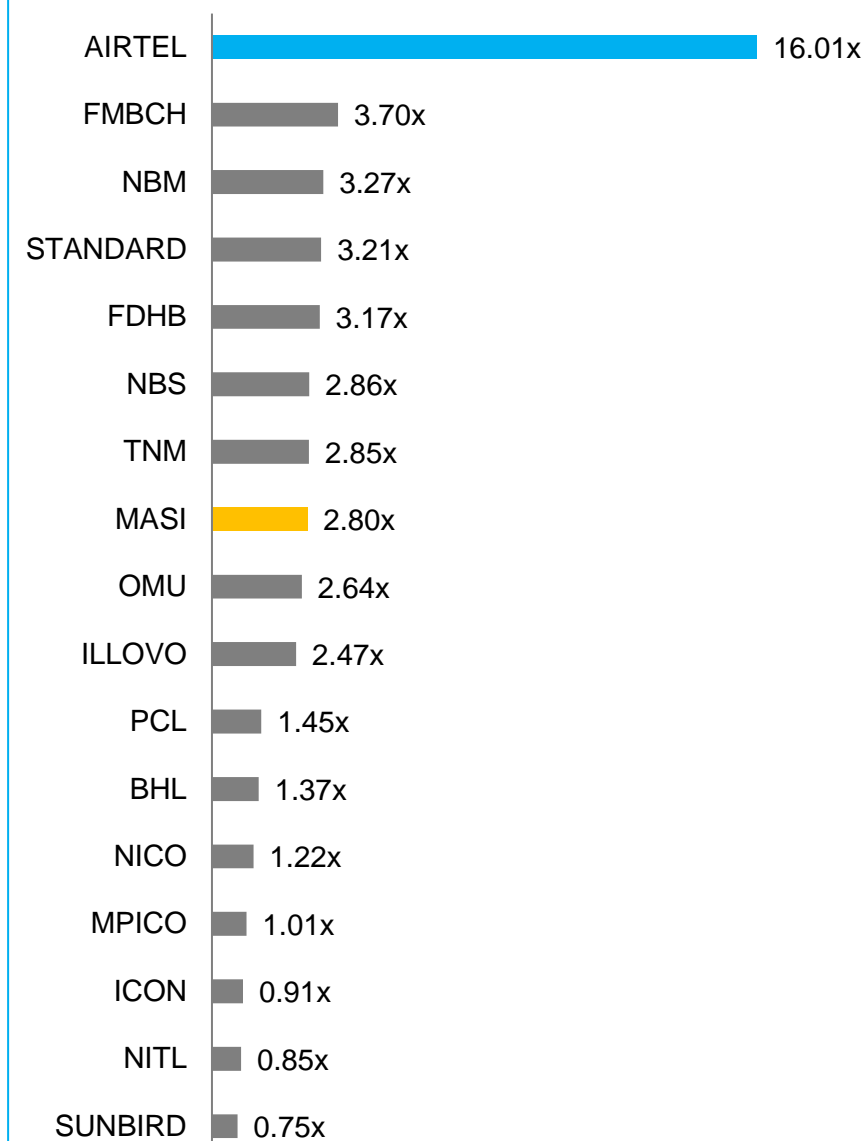
P/E Ratio – the weighted average price to earnings ratio on the MSE was 13.90x in May 2022. PCL had the highest at 63.65x while BHL had the lowest at negative 20.38x.



Dividend yield (%) – the weighted average dividend yield on the MSE was 3.86% in May 2022. The counter with the highest dividend yield was FDH Bank at 7.24%.



P/BV Ratio – the weighted average price to book value on the MSE was 2.80x in May 2022. The counter with the highest ratio was AIRTEL at 16.01x while SUNBIRD had the lowest ratio at 0.75x.



Appendix 3: MSE Corporate Announcements and IMF Projections

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%
BHL plc	(0.87)	(0.45)	(93%)

IMF Projections (source: World Economic Outlook, April 2022)

Subject Descriptor	Units	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP growth	Percent change	0.913	2.2	2.694	4.296	4.941	6.148	6.04	5.75
Nominal GDP (MK'billion)	National currency	8,815.34	9,736.44	10,959.28	12,176.38	13,432.32	14,927.69	16,519.19	18,233.27
GDP deflator	Index	121.51	131.31	143.93	153.32	161.17	168.74	176.10	183.80
Inflation (annual average)	Percent change	8.64	9.34	10.68	7.09	5.68	5.33	4.95	4.97
Government revenue	Percent of GDP	14.55	14.78	14.84	15.50	16.42	16.61	16.71	16.81
Government total expenditure	Percent of GDP	22.73	23.31	22.67	23.00	23.34	23.16	22.57	21.86
Government net lending/borrowing	Percent of GDP	-8.18	-8.54	-7.83	-7.50	-6.92	-6.56	-5.86	-5.05
Volume of imports of goods and services	Percent change	5.90	-12.47	-3.60	-3.99	-1.89	8.18	7.80	8.84
Volume of exports of goods and services	Percent change	-17.18	8.92	5.99	16.14	16.46	13.26	11.89	11.44
Current-account balance	Percent of GDP	-13.75	-14.51	-17.32	-15.35	-12.39	-10.59	-9.19	-8.34
Population (million)	Persons	20.87	21.47	22.09	22.73	23.38	24.06	24.75	25.46

Appendix 4: EIU Projections

Economic growth						
%	2021*	2022**	2023**	2024**	2025**	2026**
Real GDP	2.7	2.8	3.3	3.5	3.8	4.0
Private consumption	1.5	2.0	2.8	3.0	3.1	3.2
Government consumption	2.0	2.3	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	5.0	5.5	5.6	5.7	5.8
Exports of goods & services	4.1	4.2	4.4	4.8	5.1	5.5
Imports of goods & services	3.0	3.5	4.0	4.3	4.5	4.7
Domestic demand	2.0	2.4	3.1	3.3	3.5	3.5
Agriculture	2.4	2.5	2.6	3.0	3.5	3.9
Industry	2.2	2.4	2.6	2.7	3.0	3.3
Services	2.9	3.0	3.9	4.0	4.2	4.3

Key indicators						
	2021*	2022**	2023**	2024**	2025**	2026**
Real GDP growth (%)	2.7	2.8	3.3	3.5	3.8	4.0
Consumer price inflation (av; %)	9.0	11.0	9.8	9.0	8.5	8.0
Government balance (% of GDP)	-12.6	-10.9	-8.5	-7.1	-6.5	-6.2
Current-account balance (% of GDP)	-15.8	-16.0	-14.5	-11.9	-11.6	-11.0
Short-term interest rate (av; %)	9.9	10.3	10.8	16.5	17.5	18.5
Exchange rate MK:US\$ (av)	804.1	837.7	870	892.2	913	937.4

International assumptions						
	2021*	2022**	2023**	2024**	2025**	2026**
Economic growth (%)						
US GDP	5.7	3.4	2.1	1.8	1.9	1.7
OECD GDP	5.2	3.5	2.4	2	1.9	1.8
World GDP	5.6	3.9	3.1	2.8	2.7	2.6
World trade	9.9	5.5	4.4	3.9	3.6	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	4.7	5.2	1.9	2.2	2.2	2.2
OECD CPI	3.6	4.6	2.3	2.2	2.3	2.2
Manufactures (measured in US\$)	6.5	1.2	2.2	2.1	2.5	2.1
Oil (Brent; US\$/b)	70.4	90.0	71.3	66.0	59.3	53.5
Non-oil commodities (measured in US\$)	37.6	7.2	-8.1	-12.8	0	0.6
Financial variables						
US\$ 3-month commercial paper rate (av; %)	0.1	0.9	2	2.5	2.5	2.5
US\$:€ (av)	1.18	1.12	1.13	1.18	1.22	1.24
¥:US\$	109.77	117.41	118.48	118.4	118.05	117.4

*: Estimates
**: Forecasts

Annual percentage changes unless indicated otherwise

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	5.4	0.8	2.8	2.1	4.3	4.2
Private consumption	5.4	0.8	2.9	2.5	5.0	5.2
Government consumption	5.4	0.8	-2.9	7.1	0.5	-3.6
Gross fixed capital investment	5.4	0.8	6.1	0.8	2.5	6.2
Exports, goods and services	5.4	0.8	5.5	2.1	3.6	4.1
Imports, goods and services	5.4	0.8	4.3	3.6	4.00	5.2
Real GDP growth, at constant factor prices	6.0	0.8	2.8	2.1	4.3	4.2
Agriculture	5.9	3.4	5.2	-3.0	3.4	3.1
Industry	7.7	1.2	1.9	2.0	4.1	4.5
Services	5.5	-0.5	2.0	4.4	4.7	4.6
Inflation (Consumer price index)	9.4	8.6	9.3	12.6	11.5	9.8
Current account balance (% of GDP)	-13.8	-11.7	-13.0	-14.4	-13.6	-13.4
Net foreign direct investment (% of GDP)	0.3	0.6	0.3	0.8	0.6	0.6
Fiscal balance (% of GDP)	-4.4	-6.4	-7.1	-9.4	-8.2	-8.3
Debt (% of GDP)	45.3	52.8	53.6	61.5	60.3	58.9
Primary balance (% of GDP)	-1.5	-3.3	-3.3	-4.9	-2.9	-3.2

Appendix 6: List of Acronyms and Abbreviations

AgCom:	Agriculture Commercialisation	MASI:	Malawi All Share Index	SSA:	Sub-Saharan Africa
AIP:	Affordable Inputs Program	MK:	Malawi Kwacha	STANDARD:	Standard Bank plc
BHL:	Blantyre Hotels plc	MPC:	Monetary Policy Committee	SUNBIRD:	Sunbird Tourism plc
COVID-19:	Coronavirus disease	MPICO:	MPICO properties plc	TB:	Treasury Bill
CPI:	Consumer Price Index	MSE:	Malawi Stock Exchange	TC:	Tobacco Commission
DSI:	Domestic Share Index	mtCO2e:	Metric tons of carbon dioxide equivalent	TN:	Treasury Note
ECF:	Extended Credit Facility	NBM:	National Bank of Malawi plc	TNM:	Telekom Networks Malawi plc
EIU:	Economist Intelligence Unit	NBS:	NBS Bank plc	TT:	Telegraphic Transfer
EUR:	Euro	NICO:	NICO Holdings plc	UN:	United Nations
FDHB:	FDH Bank plc	NITL:	National Investment Trust Limited plc	USD:	United States Dollar
FMBCH:	FMB Capital Holdings plc	NSO:	National Statistical Office	X:	Times
FSI:	Foreign Share Index	OMU:	Old Mutual Limited plc	ZAR:	South African Rand
GBP:	Great British Pound	OPEC:	Organization of the Petroleum Exporting Countries		
GDP:	Gross Domestic Product	ORB:	OPEC Reference Basket		
GHG:	Greenhouse gas	PCL:	Press Corporation Limited plc		
ICON:	ICON properties plc	PPP:	Purchasing power parity		
IMF:	International Monetary Fund	RBM:	Reserve Bank of Malawi		
LRR:	Liquidity Reserve Requirement	SERP:	Socio-Economic Recovery Plan		

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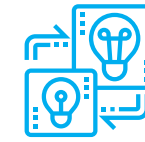
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