



Monthly Economic Report and a brief on the Developments, Outlook and Risks for Low- income Countries

June 2022



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Inflation

Headline inflation increased to 19.1% in May 2022, from 15.7% in April 2022 due to increases in both food and non-food inflation. Food inflation increased to 25.5% from 19.5%, and non-food inflation increased to 13.2% from 12.2% during the period under review. Global commodity supply disruptions have led to an increase in commodity prices globally. In the domestic economy, these have been reflected through increases in commodities prices such as cooking oil. Besides the increase in the food component, there were increases in non-food components such as alcoholic drinks and tobacco; clothing and footwear; and transportation components of the Consumer Price Index.

The Economist Intelligence Unit (EIU) expects the devaluation of the Kwacha implemented on 27 May 2022 to worsen inflationary pressure in the short-term. As a result, the EIU revised its forecast annual average inflation for 2022 upwards to 17.2% from a prior forecast of 11.0%. Over the forecast period, the EIU expects that annual average inflation may ease to 11.2% in 2023 and further decline to 8.0% by 2026. Factors that are anticipated to cause this decline include an agreement being reached between the government and the International Monetary Fund (IMF) on the implementation of an IMF programme, as well as global food and fuel prices reductions.

The Monetary Policy Committee (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, 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 World Bank's Malawi Economic Monitor, continued price increases of 15% would likely result in the poverty rate rising by about 3 percentage points. This is because rising prices erode the purchasing power of households and lowers the consumptions of goods such as food.

Fiscal Policy

According to the World Bank's Malawi Economic Monitor, the country's fiscal deficit increased by 1.6 percentage points of GDP to 8.7% over the 2021/22 fiscal year, the highest it has been in the last ten years. This was on account of weak performance in tax collection which contributed to revenue collection missing revised targets for the fiscal year.

Although the EIU expects Malawi to maintain a fiscal deficit between 2022 and 2026, the pursuit of an IMF programme is anticipated to enhance a fiscal consolidation path. Forecast recovery in the agriculture and tourism sectors is expected to propel the expansion of the tax base and improve revenue collection from 2022/23.

On the expenditure side, the EIU expects expenditure to decline as a proportion of GDP on account of government expenditure controls. This decline is forecast to continue until 2024 and expenditure as a proportion of GDP is expected to rebuild in 2025.

Monetary Policy

The Monetary Policy Committee (MPC) at its second meeting of 2022, revised the Policy rate upwards to 14.0%, from 12.0%. According to the EIU, inflation is likely to remain above the Reserve Bank of Malawi's (RBM's) target range throughout the forecast period. Furthermore, should inflation maintain an upward trajectory, further Policy rate adjustments may be expected.

Exchange Rates

The Kwacha traded at MK1,033.36/USD as of June 2022, from MK1,029.90/USD as of 31 May 2022. Year-to-date, the Malawi Kwacha has depreciated against the USD by 26.11% as of 30 June 2022 (the Kwacha had depreciated by 4.52% during the same period in 2021).

As of 31 May 2022, the country's gross official forex reserves increased by 6.87% to USD388.22 million, from a gross official forex reserve position of USD363.27 million as of 30 April 2022. The private sector forex reserves increased by 10.55% to USD401.13 million as of 31 May 2022, from USD362.84 million as of 30 April 2022. The total forex reserve position in May 2022 was USD789.35 million, an increase of 8.71% from USD726.11 million in April 2022.

According to the EIU, the weakness of the Kwacha is reflected in the large current-account deficit as well as the increase in inflation. The Kwacha experienced a gradual depreciation in 2022 before the devaluation of the currency in May 2022. As a result of the devaluation, the exchange rate is expected to drop and to be followed by slower depreciation that is dependent on donor and multilateral financial inflows being unlocked by the International Monetary Fund (IMF).

Stock Market

The Malawi All Share Index (MASI) decreased by 1.40% to 49,596.14 points in June 2022, from 50,300.44 points in May 2022. This was due to share price losses for FMBCH, OMU and FDH bank which offset marginal share price gains for AIRTEL, NBM, SUNBIRD, NITL, ILLOVO and Standard bank. The MASI year-to-date return was 9.32% as of 30 June 2022, it was 8.49% during the same period in the previous year. In terms of market price movement, FMBCH had the largest share price loss during the period to MK127.98 per share as of the close of June 2022, from MK143.00 per share as of the close of May 2022, representing a decrease of 10.50%. During the period under review, AIRTEL had the largest share price gain to MK48.67 per share, from MK48.50 per share, representing a marginal increase of 0.35% during the period under review.

Government Securities

The government awarded a total of MK183 billion in June 2022, an increase of 50% from a total of MK122 billion in May 2022 through Treasury Bills (TBs) and Treasury Notes (TNs) auctions. The TBs and TNs auctions had rejection rates of 9% and 12% respectively, during the period under review. The average TB yield increased to 14.12% in June 2022, from 13.93% in May 2022. The average TN yield increased to 22.84% from 22.01% during the period under review.

Economic Growth

For 2022, the EIU revised Malawi's growth forecast downward to 2.0% from 2.8%. The revision reflects slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a rise in local interest rates in the face of increasing inflation. The IMF and the World Bank anticipate the real GDP to grow by 2.7% and 2.1% in 2022, respectively. The revised forecast is below the same period forecast growth by the government of Malawi. According to the EIU, the economy is anticipated to face challenges in the period between 2022 and 2026. These challenges include weather-related shocks that affect agriculture, limited concessional financing and a poor business environment.

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 3.0% and 4.3%, respectively. Growth in 2023 is expected to be on account of an increase in the contribution of the mining sector to GDP and anticipated commencement of the 300-megawatt Kamwamba power plant project. For the period between 2023 and 2026 the EIU and the IMF expect economic growth to pick up gradually, increasing to annual averages of 3.8% and 5.4% respectively.

COVID-19 Status and Developments

The total cumulative confirmed COVID-19 cases increased to 86,506 as of 30 June 2022, from 85,985 as of 31 May 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,645 deaths as of 30 June 2022, from 2,640 deaths as of 31 May 2022. These changes were accompanied by the daily positivity rate increasing to 8.2% as of 30 June 2022, from 4.0% as of 31 May 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate marginally decreased to 96.1% as of 30 June 2022, from 96.4% as of 31 May 2022.

Risks

For the most part, some of the global risks and the risks to the Sub-Saharan Africa region are reflected in the domestic economy. Some of the global risks include the risk of rising commodity and fuel prices and the potential exacerbation due to the Russia-Ukraine war, the risk of new COVID-19 waves of infection and potential of the emergence of new COVID-19 virus variants. Some of the regional risks that are reflected in the domestic economy include the risk that a continuation of the war in Ukraine could place additional upward pressure on food and energy prices in the region, the region's vulnerability to running fiscal deficits for country's that offer subsidies, low vaccination rates in the region and vulnerability to climate-related shocks.

In terms of the domestic economy and the risk of new waves and new variants of COVID-19 infections, the country's relatively low vaccination uptake rates makes it vulnerable. With South Africa experiencing a fifth wave, a milder one relative to the previous ones due to higher vaccine uptake, Malawi is susceptible to imported cases that may trigger another wave of infections.

Also, the prolonged war in Ukraine has caused global as well as regional commodity supply chain disruptions for commodities such as fuel. These have been partly reflected in the domestic economy through a recent upward revision of prevailing fuel pump prices for petrol, diesel and paraffin. The prices of petrol, diesel and paraffin were revised by 44.92%, 30.61% and 29.29% to MK1,999.90/litre, MK1,920.00/litre and Mk1,236.00/litre, respectively. This revision poses the risk of inflationary pressure in the domestic economy.

In terms of vulnerability to climate-related shocks, Malawi experienced tropical cyclones Ana and Gombe that caused damage to agricultural productivity as well as the energy production in the country. The country is also vulnerable to other shocks that include drought, storms and floods that have particular impact on the economy based on its reliance on agriculture.

Furthermore, there is the risk of fiscal overruns. This is on account of Malawi's net-importer status and the global increases in commodity prices as well as an increase in farm inputs such as fertilizer. The government of Malawi is looking to re-implement the Affordable Inputs Programme (AIP), which is farm input subsidy programme, in the current year. The AIP was allocated about MK110 billion in the 2022/23 national budget. The allocation was made amidst rising global fertilizer prices and prior to the 25% currency devaluation. Recent developments may require additional expenditure to maintain the implementation of the programme at the same level.

Compounding these risks is the potential for insufficient power supply. Despite the national capacity being below projected demand, the risk has been worsened due to the damage caused the tropical cyclones to the energy production sector domestically.



Economic overview

Inflation (Source: NSO, RBM, EIU)

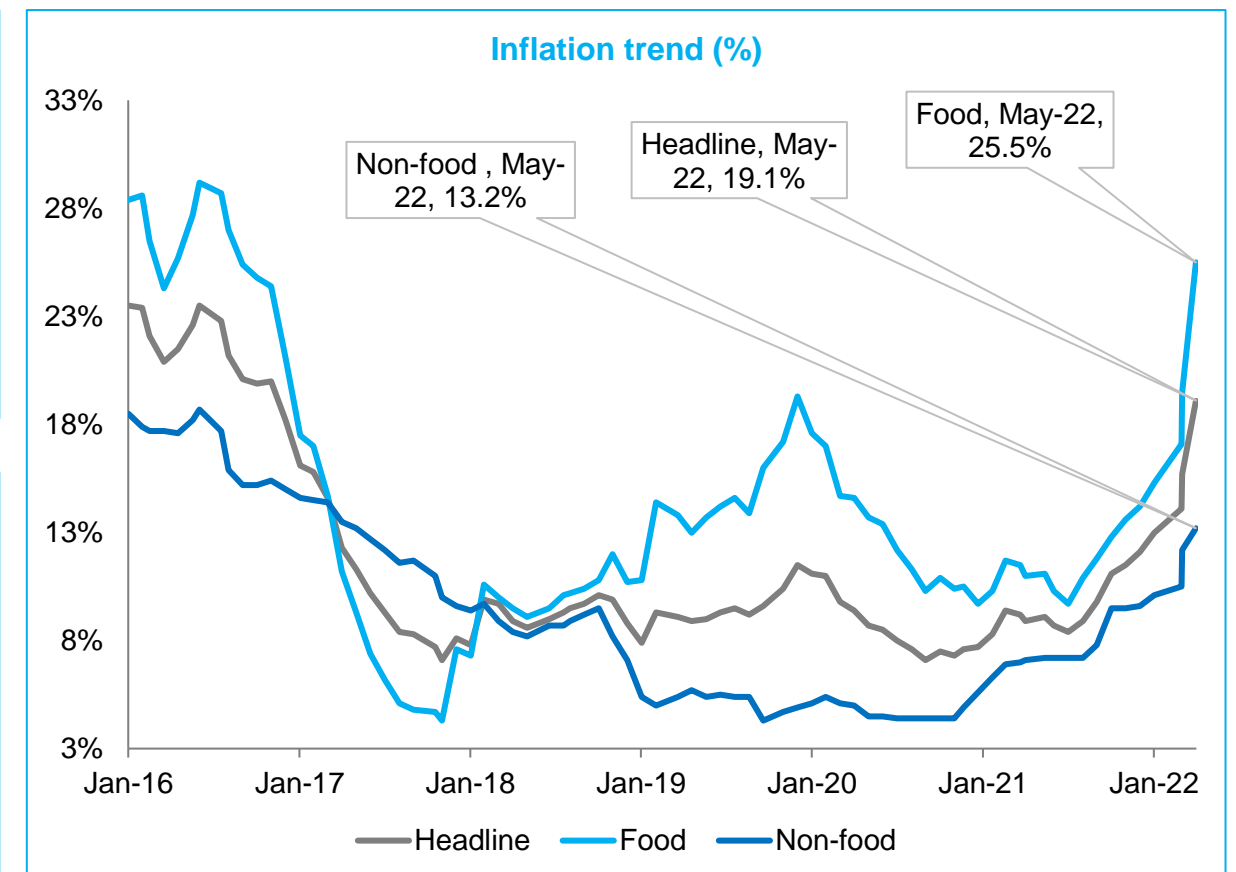
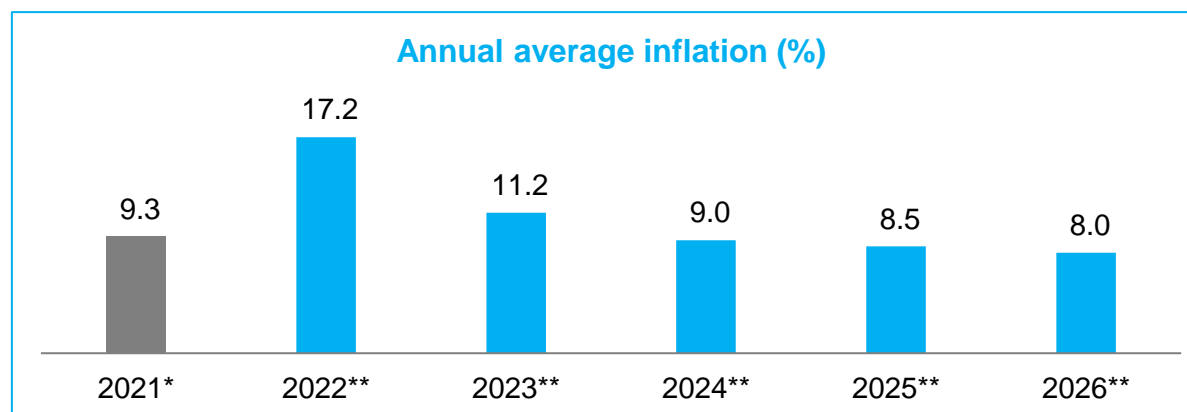
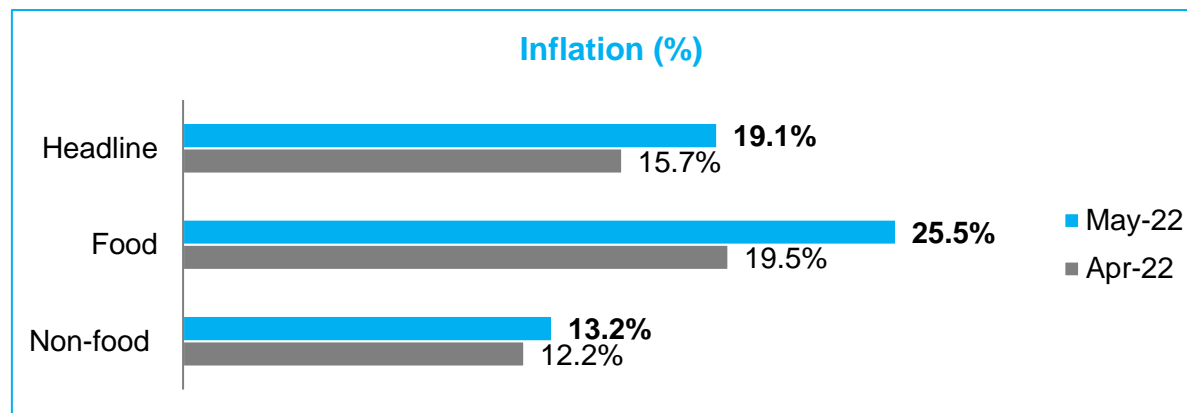
Headline inflation increased to 19.1% in May 2022 from 15.7% in April 2022. This was on account of increases in the food component as well as non-food components such as alcoholic drinks and tobacco; clothing and footwear; and transportation components of the Consumer Price Index during the period under review.

The Economist Intelligence Unit (EIU) revised the annual average inflation projection for 2022 upward to 17.2% from a prior projection of 11.0% for 2022.

Month-on-month, headline inflation increased to 19.1% in May 2022 from 15.7% in April 2022. In May 2021, headline inflation was 8.9%. 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 25.5% in May 2022 from 19.5% in April 2022. Non-food inflation increased to 13.2% in May 2022 from 12.2% in April 2022. Global commodity supply disruptions have led to an increase in commodity prices globally. In the domestic economy, these have been reflected through increases in the price of commodities such as cooking oil. There were increases in other components of the Consumer Price Index such as alcoholic drinks and tobacco; clothing and footwear; and transportation.

The annual inflation projection was revised to 12.3% during the second MPC meeting held on 29 April 2022. This was an upward revision from a prior annual inflation projection of 10.4% by the MPC. 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 devaluation of the Kwacha implemented on 27 May 2022 is expected to worsen inflationary pressure in the short-term. On this basis, the EIU revised its forecast for annual average inflation for 2022 upward to 17.2% from the previously forecast 11.0%. Over the forecast period, the EIU expects that an agreement reached between the government and the International Monetary Fund (IMF) on the implementation of an IMF programme, global food and fuel prices reductions from 2023 onwards, will result in an easing of annual average inflation to 11.2% in 2023 and decline to 8.0% by 2026.



Source: EIU

*: Estimates
**: Forecasts



Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK183 billion through Treasury Bills and Treasury Notes auctions in June 2022, an increase of 50% from a total of MK122 billion awarded in May 2022.

Treasury Bills (TBs)

In June 2022, the government sought to borrow MK83 billion through Treasury bills (TBs) auctions, an increase of 7% from MK78 billion sought in May 2022. Participants applied to place MK51 billion through the TBs auctions in June 2022, a decrease of 19% from MK62 billion applied for in May 2022. The applications had a rejection rate of 9% during the period under review, as the government awarded MK46 billion through the TBs auctions in June 2022, a decrease from MK61 billion awarded in May 2022.

Treasury Notes (TNs)

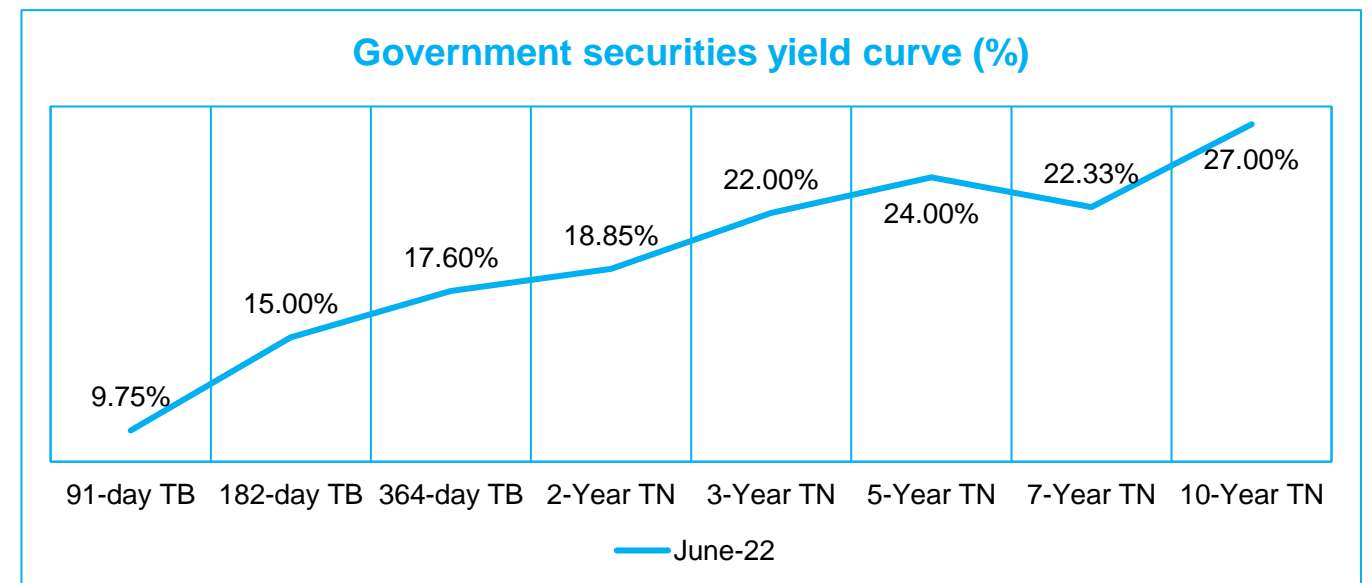
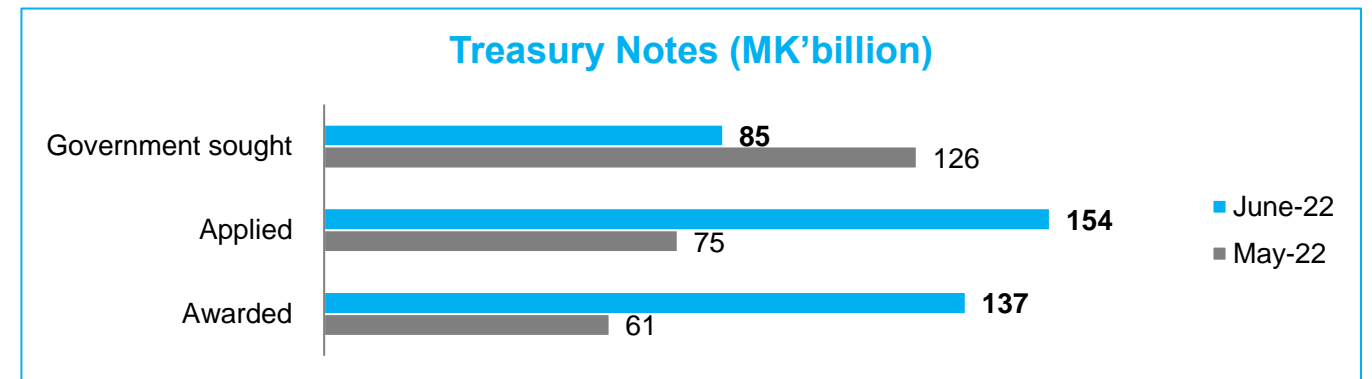
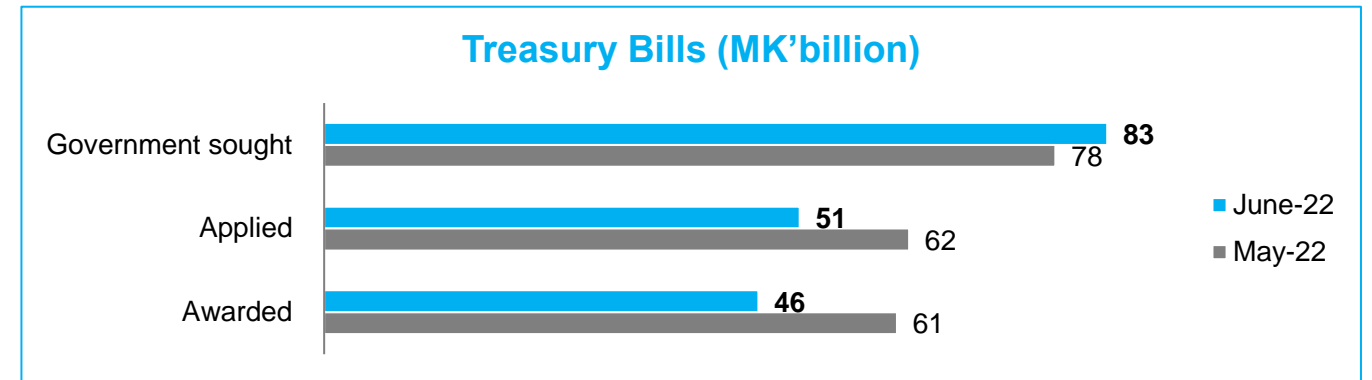
In June 2022, the government sought to borrow MK85 billion through Treasury Notes (TNs) auctions, a decrease of 33% from MK126 billion sought in May 2022. Participants applied to place MK154 billion through the TNs auctions, an increase of 105% from MK75 billion worth of applications during the same period. From the applications, the government awarded MK137 billion, an increase of 125% from MK61 billion awarded during the same period. The applications had a rejection rate of 12% during the period under review.

Government Securities Yield Curve

As of 30 June 2022, the yield for the 91-days and 182-days TBs maintained their positions at 9.75% and 15.00%, respectively. The 364-days TB yield increased to 17.60% (May 2022: 17.03%), during the period under review.

As of 30 June 2022, the yields for the 2-year, 3-year and 5-year TNs increased to 18.85% (May 2022: 18.50%), 22.00% (May 2022: 21.90%) and 24.00% (May 2022: 23.95%) respectively, during the period under review. The yield for the 7-year TN maintained its position at 22.33% during the period under review. There was an increase in the yield for the 10-year TN to 27.00% (May 2022: 23.35%) during the period under review.

The average TB yield increased to 14.12% in June 2022, from 13.93% in May 2022. Similarly, the average TN yield increased to 22.84% in June 2022, from 22.01% in May 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 26.11%.

The gross official forex reserves increased by 6.87% to USD388.22 million as of 31 May 2022, from USD363.27 million as of 30 April 2022.

Foreign currency market

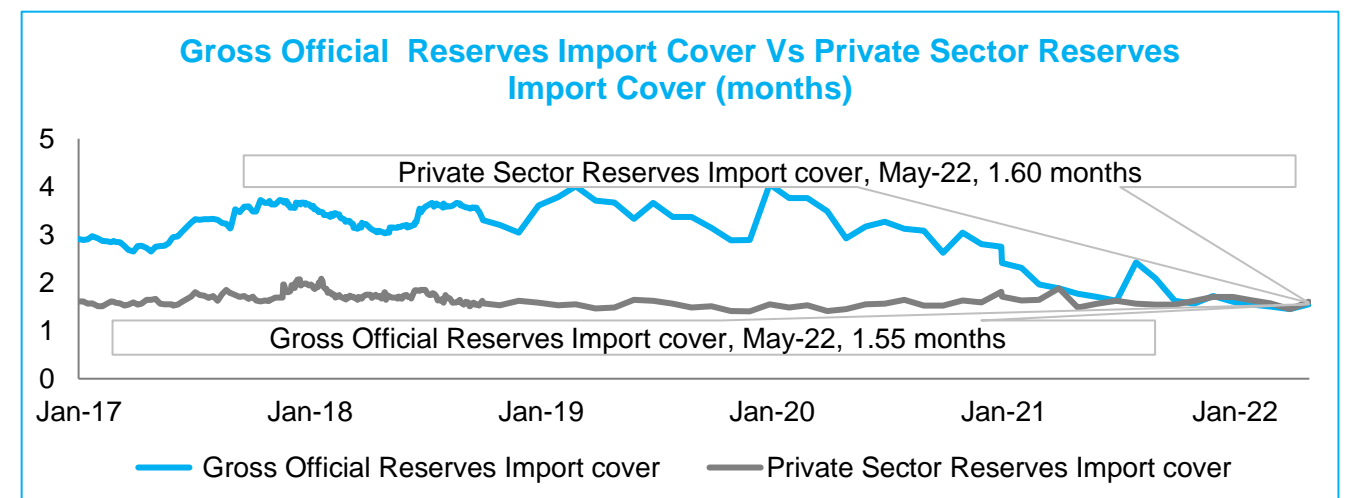
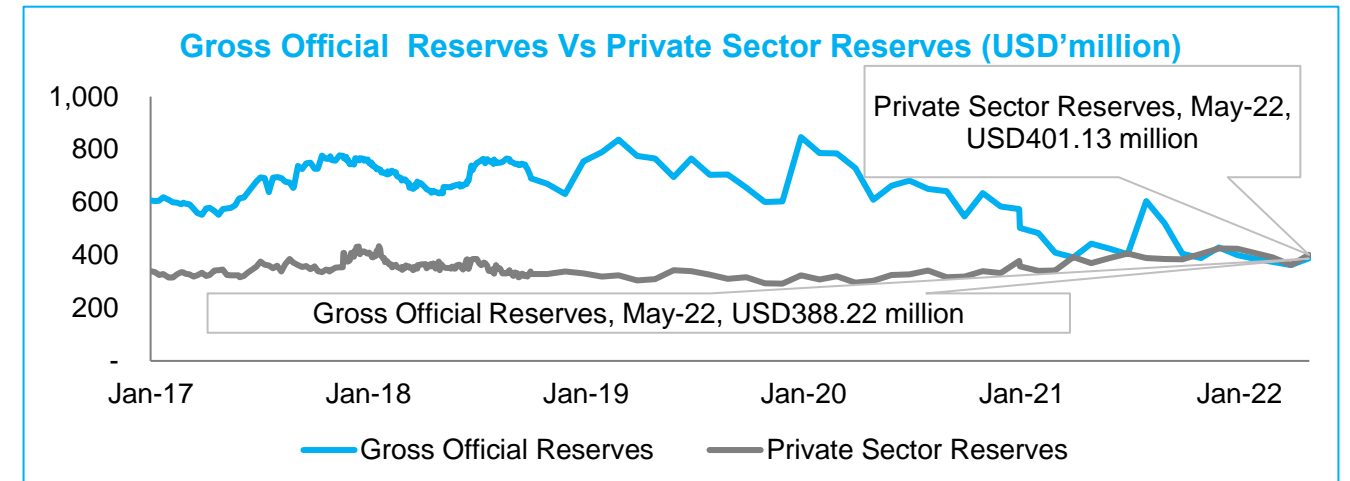
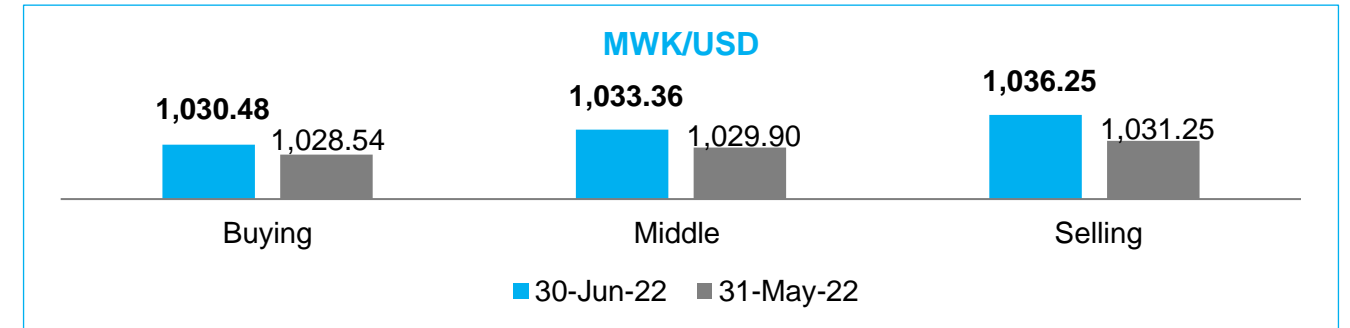
Month-on-month, the Kwacha marginally depreciated against the United States Dollar (USD) by 0.34%. The Kwacha traded at MK1,033.36/USD as of 30 June 2022, from MK1,029.90/USD as of 31 May 2022. Year-to-date, the Kwacha has depreciated against the USD by 26.11% as it traded at MK819.44/USD as of 31 December 2021. During the same period in the previous year, the Kwacha had depreciated against the USD by 4.52%.

Foreign reserve position

As of 31 May 2022, the country's gross official forex reserves increased by 6.87% to USD388.22 million, from a gross official foreign exchange reserve position of USD363.27 million as of 30 April 2022. The private sector forex reserves increased by 10.55% to USD401.13 million as of 31 May 2022, from USD362.84 million as of 30 April 2022. Overall, the total foreign exchange reserves held in May 2022 were USD789.35 million, an increase of 8.71% from USD726.11 million in April 2022.

Import cover for gross official reserves for May 2022 was 1.55 months, an increase of 6.90% from 1.45 months in April 2022. For private sector reserves, import cover was 1.60 months, an increase of 10.34% from 1.45 months in April 2022. The import cover for gross official reserves remained below the required threshold of 3 months as of 31 May 2022. The total foreign exchange reserves import cover increased to 3.15 months in May 2022 from 2.90 months in April 2022.

	Gross Official (USD'million)	Private Sector (USD'million)	Gross Official import cover (months)	Private sector import cover (months)
May-22	388.22	401.13	1.55	1.60
Apr-22	363.27	362.84	1.45	1.45





Economic overview (Continued)

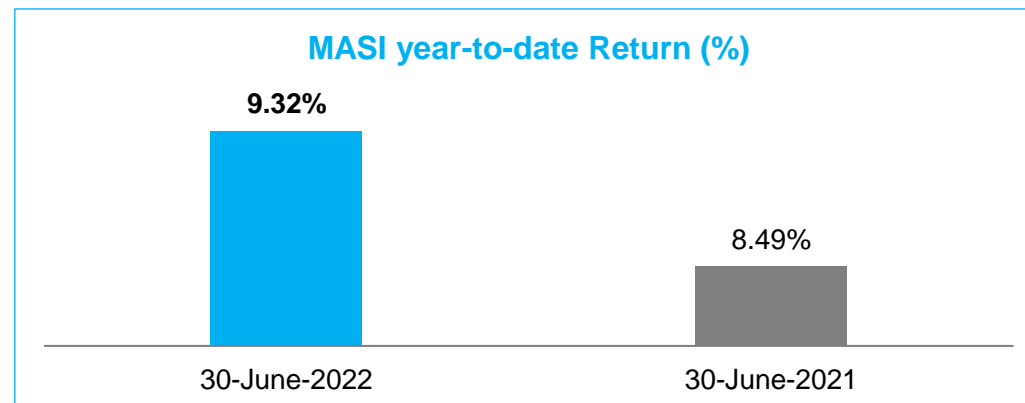
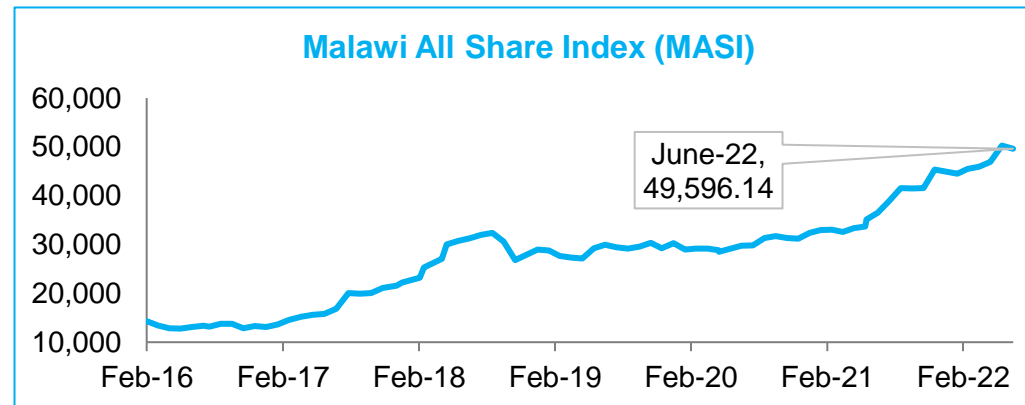
Stock market (Source: MSE)

The stock market was bearish during the period under review with the MASI closing the month of June 2022 at 49,596.14 points from 50,300.44 points in May 2022. This was account of share prices losses offsetting share price gains during the period under review. Month-on-month, this represents a decrease of 1.40%.

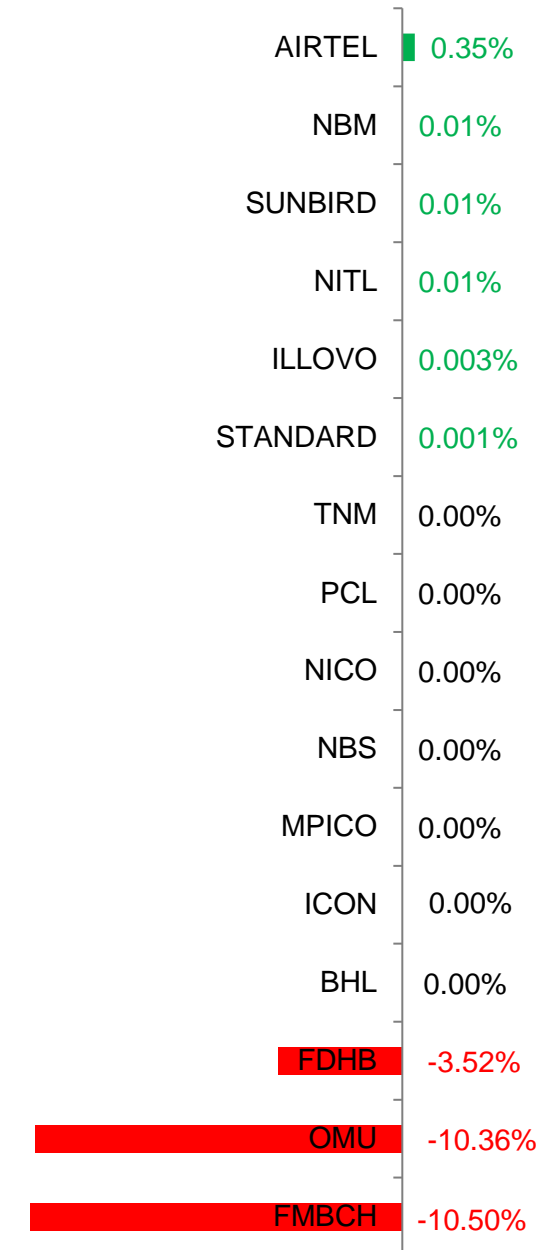
The MASI year-to-date return was 9.32% in June 2022, and it was 8.49% during the same period in the previous year.

The stock market was bearish over the period with the Malawi All Share Index (MASI) decreasing by 1.40% to 49,596.14 points in June 2022, from 50,300.44 points in May 2022. Year-to-date, the return on the MASI is 9.32%, it was 8.49% during the same period in the previous year.

The largest loser in June 2022 was FMBCH whose share price decreased by 10.50% to MK127.98 per share, from MK143.00 per share in May 2022. There were share price losses for OMU and FDH bank during the period under review. Seven counters closed the month at the same prices as the previous month. These counters were: BHL, ICON, MPICO, NBS, NICO, PCL and TNM. The largest gainer was AIRTEL whose share price increased by 0.35% to MK48.67 per share in June 2022, from MK48.50 per share in May 2022. There were also marginal share price gains for NBM, SUNBIRD, NITL, ILLOVO and Standard bank during the period.



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



Symbol	Closing prices (MK/share)	
	30-June-22	31-May-22
AIRTEL	48.67	48.50
BHL	11.01	11.01
FDHB	13.99	14.50
FMBCH	127.98	143.00
ICON	12.00	12.00
ILLOVO	305.53	305.52
MPICO	20.70	20.70
NBM	1,000.25	1,000.11
NBS	22.77	22.77
NICO	46.75	46.75
NITL	110.03	110.02
OMU	1,600.00	1,785.00
PCL	1,900.00	1,900.00
STANDARD	1,600.03	1,600.02
SUNBIRD	80.01	80.00
TNM	14.00	14.00



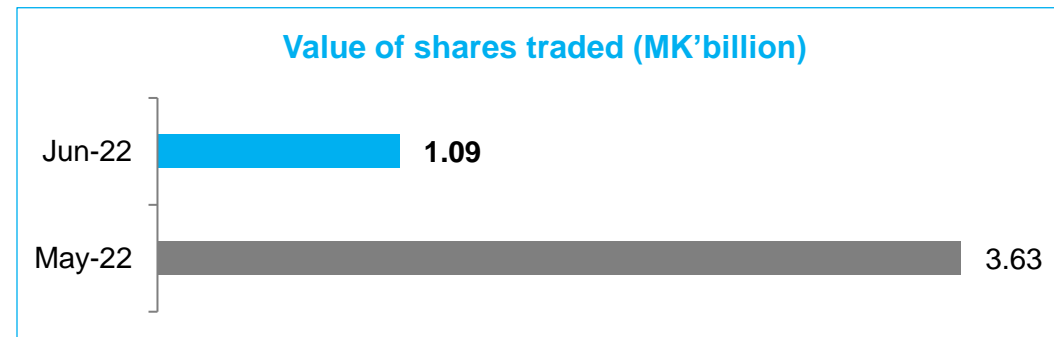
Economic overview (Continued)

Stock market (Source: MSE)

The total value of shares traded decreased by 70% in June 2022 to MK1.09 billion, from MK3.63 billion traded in May 2022.

MSE Traded Volumes

There was MK1.09 billion worth of shares traded in June 2022, a decrease of 70% from MK3.63 billion worth of shares traded in May 2022. TNM and FMBCH had the highest value of shares traded at MK785 million and MK155 million respectively, during the period under review. The total number of trades in the month under review decreased to 287 trades in June 2022 from 330 trades in May 2022. The figure below traces the total value of shares traded on the MSE in June 2022.



Listed Debt market

There were no trades on the listed debt market in June 2022. The nominal value of all the listed debt securities was MK1.55 trillion as of 30 June 2022.

Corporate Announcements

Annual General Meetings

Company	Venue	Date	Time
PCL	Virtual/NBM plc Leadership Centre	25 July 2022	14:00 hrs
BHL	Virtual	28 July 2022	15:30 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%
BHL plc* (MK'million)	(251.56)	251.63	-200%
PCL plc	45.13	19.97	126%
NICO plc	18.30	18.60	-2%

Dividends

Counter	Dividend type	Proposed/declared	Dividend per share (MK)	Last day to register	Date of payment
MPICO	Final	Declared	0.19	8 July 2022	28 July 2022
STANDARD	Final	Declared	8.52	8 July 2022	22 July 2022
FMBCH	Final	Declared	0.10 Cents	15 July 2022	22 July 2022
FDHB	Final	Declared	0.29	8 July 2022	22 July 2022
AIRTEL	Final	Declared	2.95	8 July 2022	25 July 2022
TNM	Final	Proposed	0.10	15 July 2022	29 July 2022
PCL	Final	Proposed	28.00	19 August 2022	26 August 2022
NITL	Final	Proposed	2.25	TBA	TBA
NBS	Final	Declared	0.75	TBA	TBA
ICON	Final	Proposed	0.12	TBA	TBA
NICO	Final	Proposed	0.60	TBA	TBA

*: for the fifteen months ended 31 December 2022



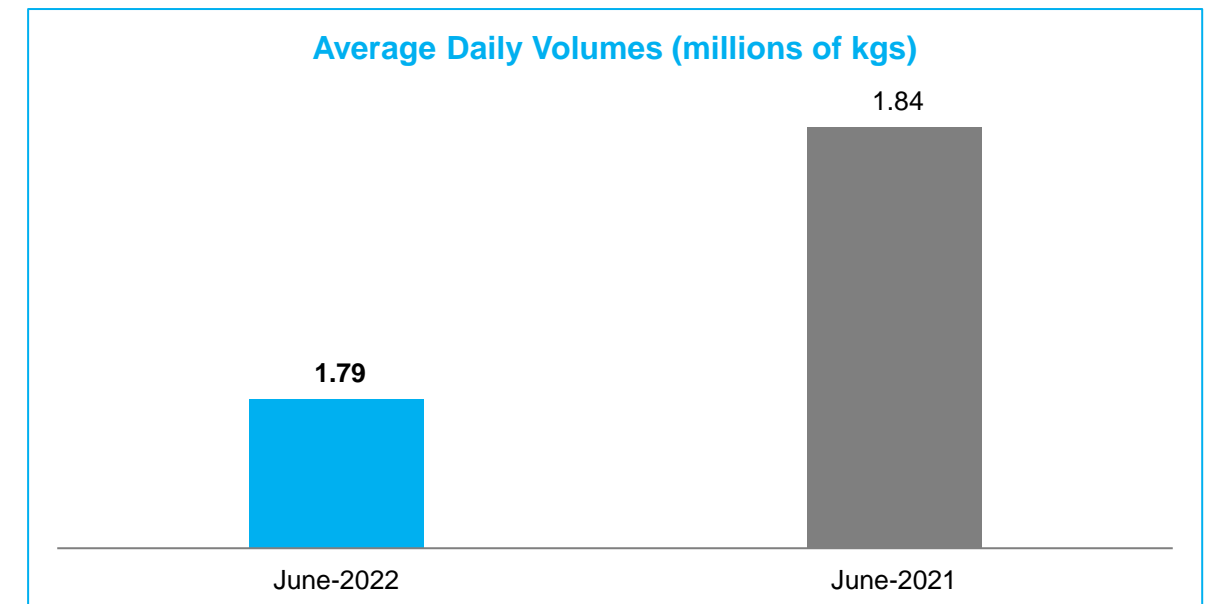
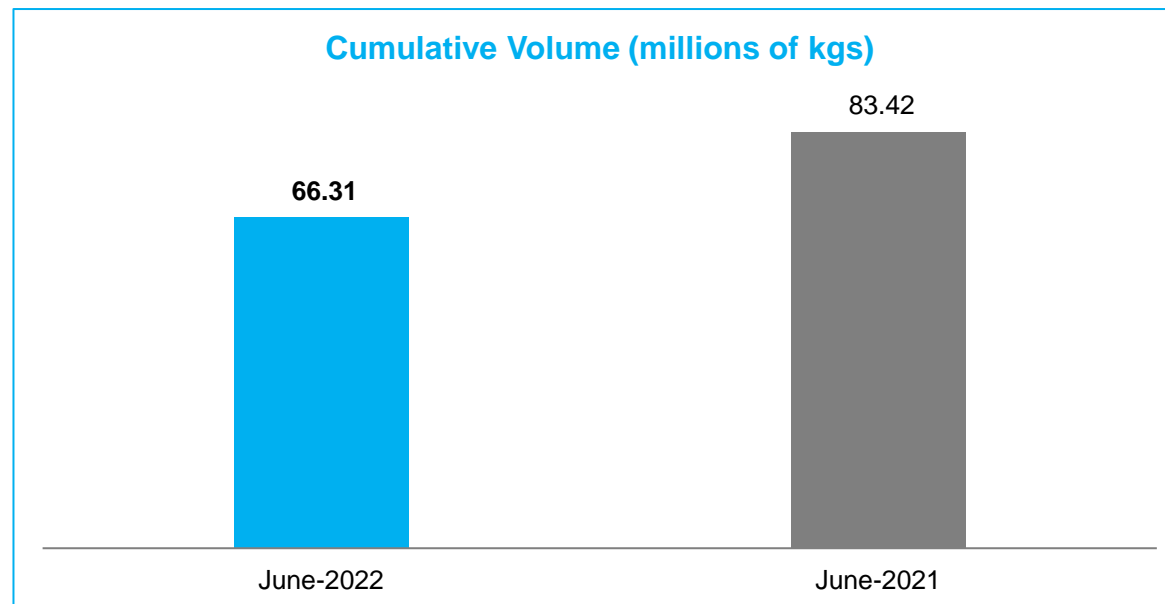
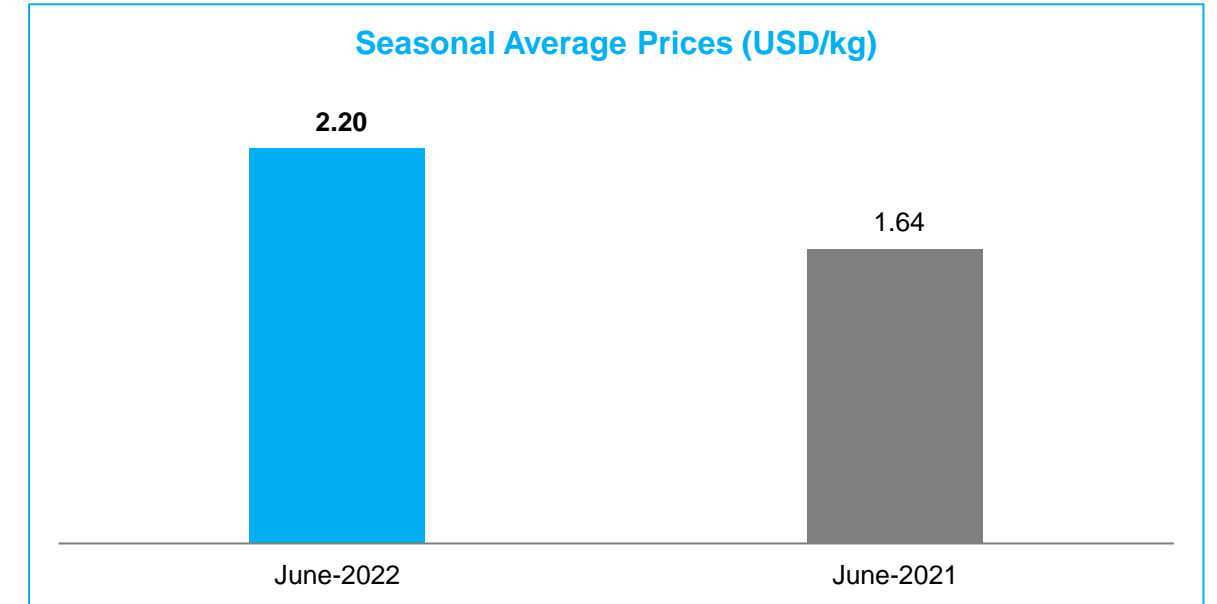
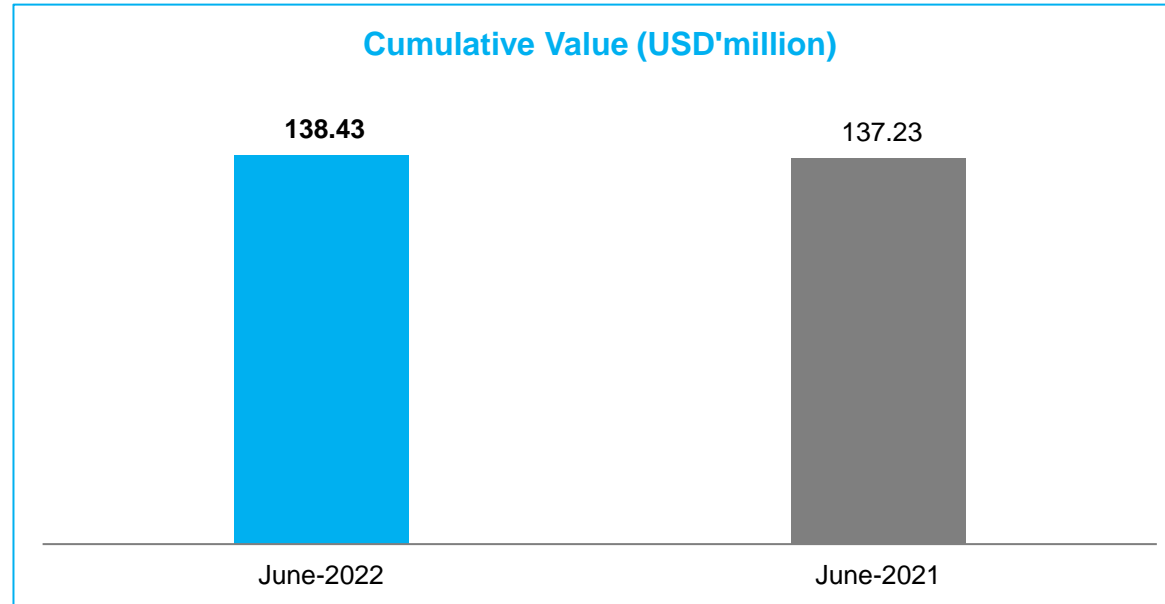
Other Market Developments

Tobacco sales (Source: Auction Holdings Limited)

As of 30 June 2022, the cumulative value of sold tobacco was USD138.43 million (MK143 billion), an increase of 0.87% from a cumulative value of USD137.23 million (MK111 billion) as of 30 June 2021.

As of June 2022, the seasonal average price was USD2.20/kg (MK2,272/kg), an increase of 34% from a seasonal average price of USD1.64/kg (MK1,331/kg) as of June 2021.

As of 30 June 2022, a cumulative total of 66.31 million kgs was sold, a decrease of 21% from a cumulative total of 83.42 million kgs sold as of 30 June 2021. The volume had been sold at a season average price of USD2.20/kg (MK2,272/kg), an increase of 34% from a seasonal average price of USD1.64/kg (MK1,331/kg) during the same period. This marked a cumulative value of USD138.43 million (MK143 billion), an increase of 0.87% from a cumulative value of USD137.23 million (MK111 billion) during the period under review.





Other Market Developments

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

The World Bank proposes the restoration of macroeconomic stability, enhancing competitiveness and the protection of the poor and vulnerable populations as the solutions to address current challenges and improve the current economic situation.

Fiscal Policy

According to the EIU, Malawi is anticipated to maintain a fiscal deficit between 2022 and 2026. Despite this, the pursuit for IMF financing is expected to enhance a fiscal consolidation path. From 2022/23, a recovery in agriculture and tourism is expected to build, allowing the tax base to expand and improving revenue collection. The agreement of an IMF programme is expected to come with budgetary support.

In terms of government expenditure, the EIU expects that an IMF programme would require that the government controls expenditure over the remainder of the forecast period. As such, the EIU expects expenditure to decline as a proportion of GDP in the early years of an IMF programme and to rebuild in 2025. Based on this, the EIU anticipate expenditure as a proportion of GDP to decline to 28.3% of GDP in 2025/26 and that the public debt/GDP ratio to decline to 70% of GDP in the same period.

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.

According to the EIU, inflation is likely to remain above the Reserve Bank of Malawi's (RBM's) target range throughout the forecast period. Furthermore, with the devaluation of the Kwacha, the policy rate is expected to rise further to 15.0% in 2023 before easing to 14.0% by 2026.

The World Bank's Malawi Economic Monitor

Malawi's economic growth rate is estimated to have remained below the population growth rate in 2021. The country's economic growth rate is expected to decline to 2.1% in 2022, from an estimated 2.8% in 2021, on account of persistent fiscal and external imbalances, exacerbated by adverse weather events.

The war in Ukraine has also added to a challenging global economic climate. Prices of agricultural inputs such as fertilizer, as well as fuel had been on the increase and these inflationary pressures have been worsened by the war. This adds pressure on the country's external balances and have resulted in a deterioration of the country's terms of trade.

Continued price increases of 15% would likely result in the poverty rate rising by about 3 percentage points. This is because rising prices erode the purchasing power of households and lowers the consumption of goods such as food. It also consequently contributes to the rising incidence of food insecurity, which is expected to increase seasonally in the coming lean season.

The country's fiscal deficit increased by 1.6 percentage points of GDP to 8.7% over the 2021/22 fiscal year, the highest it has been in the last ten years. This is on account of weak performance in tax collection which contributed to revenue collection missing revised targets for the fiscal year. Furthermore, spending overruns in the compensation of government employees, social benefits and interest payments, as well as higher than targeted spending on fertilizer spending under the Affordable Inputs Programme (AIP).

To address the growing number of challenges and improve the current economic situation, the World Bank proposes interventions to tackle macro-economic imbalances in the near term and enhance medium-term growth through increased exports and private sector competitiveness, while protecting the poor and most vulnerable.

- i. To restore macroeconomic stability, a coordinated package of reforms covering fiscal consolidation, flexible exchange rate management, restoring debt sustainability and improved governance is needed.
- ii. In terms of enhancing export competitiveness and market-oriented growth, economic diversification and export growth will be essential to increase overall growth. It requires implementing the National Export Strategy, strengthening institutional framework for private sector development, and focusing on agricultural commercialization and productivity growth.
- iii. In order to protect the poor and the strengthen resilience, social protection programs must be reinforced to prevent deterioration in consumption and welfare.



The economic recovery in low-income countries is anticipated to remain subdued for 2022 at 4.1%.

Special Topic: Developments, Outlook and Risks for Low-income Countries

Recent Developments and Outlook for Low-Income Countries

The economic recovery in low-income countries (LICs) is anticipated to remain subdued for 2022 at 4.1%. The forecast for 2022 has been impacted by an increase in food prices due to Russia’s invasion of Ukraine. The subsequent increase in the cost of living across LICs offsets the benefits of high industrial metals and energy prices that commodity exporting countries may accrue. The disruption of global food supplies from the war also caused shortages and the deterioration of food security in many LICs. If the food prices were to remain elevated, poverty in LICs could worsen and economic recoveries may dampen, especially in LICs that are already experiencing high incidence of extreme poverty and acute food insecurity.

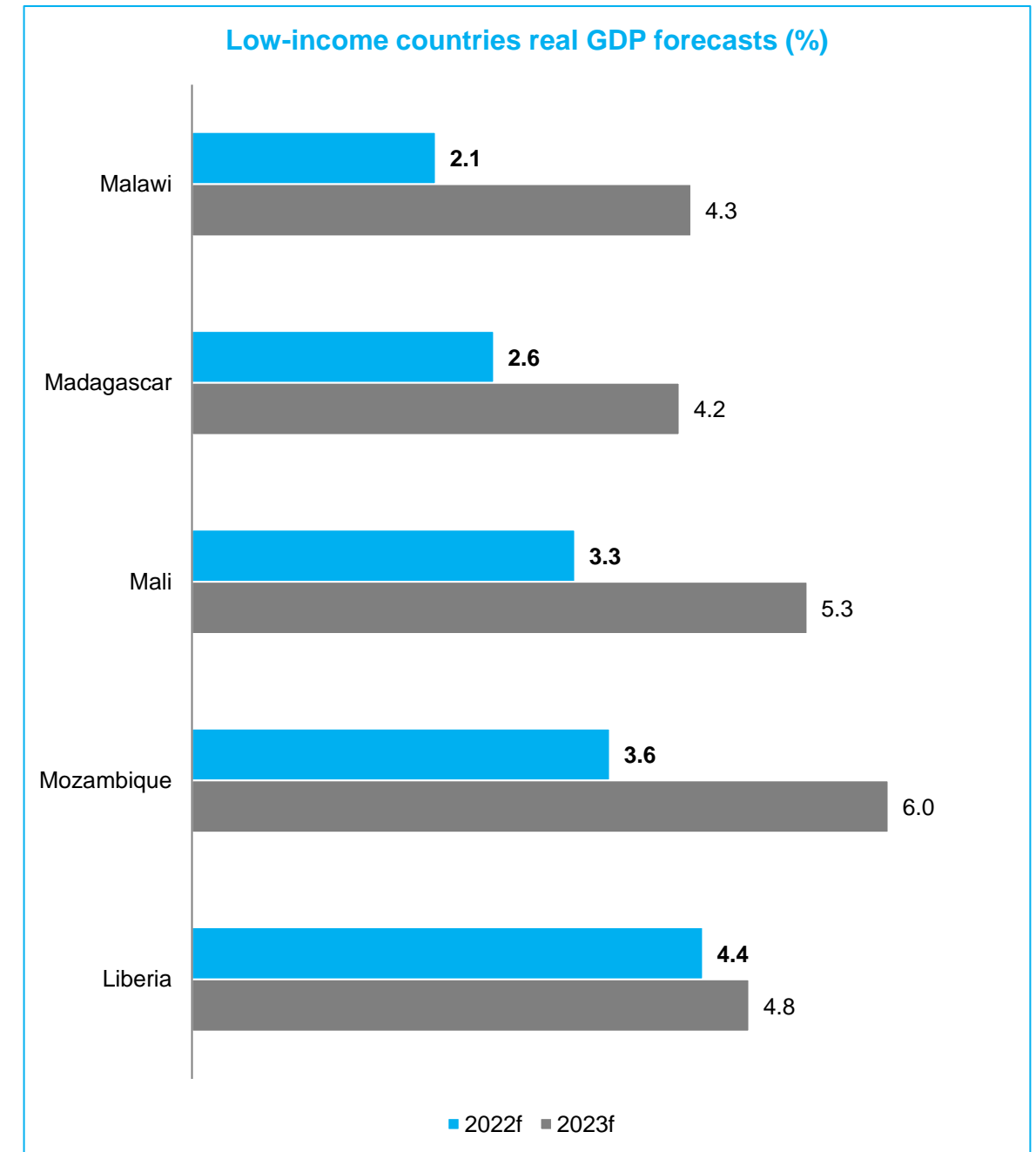
In terms of the outlook, aggregate growth for LICs is projected at 4.1% in 2022, a downwards revision from 4.9% forecast in January 2022. Although most LICs have very small direct trade and financial exposures to Russia and Ukraine, the effects from the war are expected to weigh significantly on the economic activity of LICs in 2022. For LICs that are reliant on wheat imports from Russia and Ukraine, they are expected to experience persistently elevated food inflation as war disrupts global trade and exacerbates food shortages. The growth outlook for LICs is expected to be negatively affected by a global economic slowdown. For 2023, LICs are projected to have an aggregate growth of 5.3%.

Agricultural production in some LICs is anticipated to remain subdued. This is on account of some of the countries facing drought conditions with delayed and below average rainfall and others have experienced planting delays because of poor rainfall. Furthermore, the war in Ukraine has disrupted global fertilizer supply as Russia is the world’s largest fertilizer exporter.

Risks

The risks to the outlook of SSA are to the downside with a lot of uncertainty arising from Russia’s invasion of Ukraine. In addition, disruptions to global supplies of staple crops would lead to sustained upward pressure on food prices in SSA, as well as increased spending on imports.

Higher prices for farming inputs, such as fertilisers, would prolong food price pressures in the region. Russia’s invasion of Ukraine has already amplified existing supply constraints in global fertilizer markets. Higher costs of farming inputs could reduce productivity in the region’s agriculture and deepen food shortages. These higher input prices may also worsen fiscal pressures for countries in which government spending on subsidized inputs accounts for a large proportion of public spending on agriculture.





The risks to the outlook include higher prices for farm inputs, a reduction in food supplies, a deceleration of the global economy, sustained aversion and capital outflows as well as pandemic-related risks in the region.

Special Topic: Developments, Outlook and Risks for Low-income Countries (Continued)

Risks (Continued)

The forecast reduction in food supplies exacerbates the risk that extreme weather events could cause food prices to soar even further. The farming activities in the region are currently stressed as a result of climate change-induced shifts in rainfall patterns.

Furthermore, a faster-than-anticipated deceleration of the global economy and increased volatility of commodity prices could negatively impact commodity exporters in the region. Exporters of industrial metals, crude oil and ores may suffer from a substantial deceleration of activity in China. A contraction of growth in the Euro area could also hurt exporters of agricultural products such as coffee, tea, tobacco, cotton and textiles including Ethiopia, Madagascar and Malawi.

As financial conditions in emerging markets and developing economies (EMDEs), a sustained period of aversion and capital outflows could raise the costs of borrowing within the region and trigger currency depreciations. These developments could further elevate the debt sustainability risks and fuel inflation in many economies.

Finally, pandemic-related risks remain high in the region. Recurring outbreaks of new and more dangerous variants of COVID-19 could lead to lasting and severe disruptions to the economic activity in the countries where vaccination rates remain low. South Africa has already experienced a fifth wave of COVID-19 infections, though above average vaccination rates aided in keeping the effects milder relative to previous outbreaks.



Regional And Global Market Developments

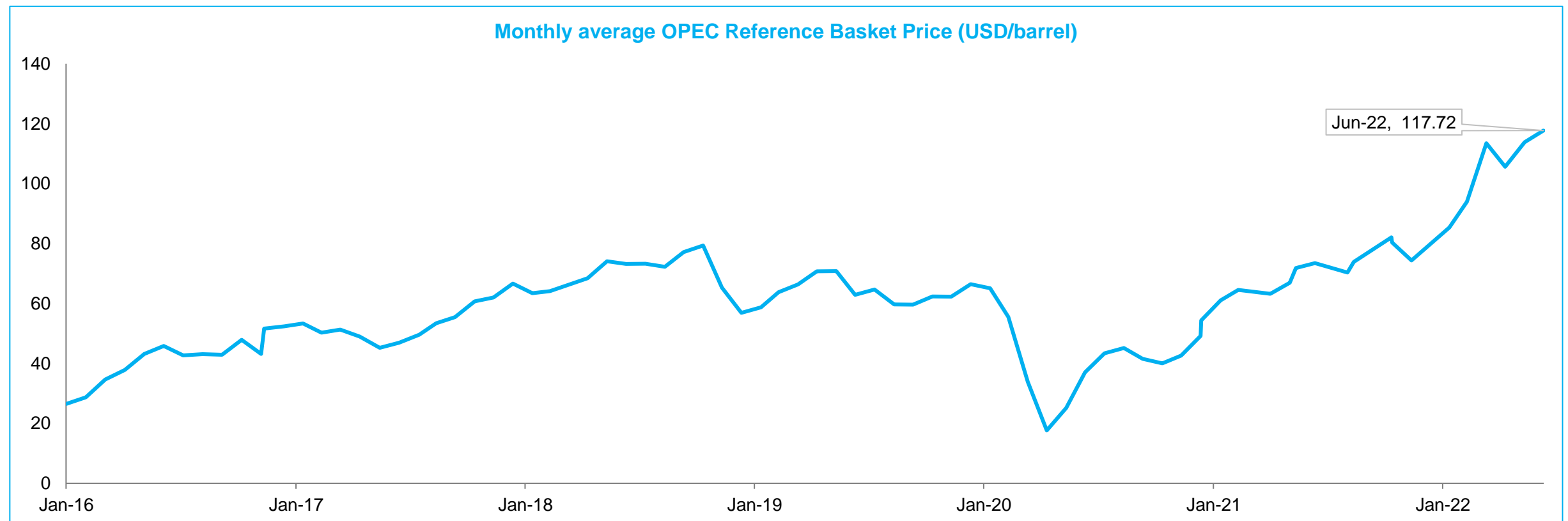
Global oil price developments (Source: OPEC, IMF)

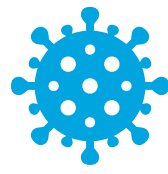
The monthly average OPEC Reference Basket (ORB) price increased by 3% to a monthly average of USD117.72/barrel in June 2022, from USD113.87/barrel in May 2022.

Month-on-month, the monthly average OPEC Reference Basket (ORB) price increased by 3% to a monthly average of USD117.72/barrel in June 2022, from a monthly average of USD113.87/barrel in May 2022. Year-on-year, the monthly average ORB price has increased by 64% as it was USD71.89/barrel in June 2021.

According to OPEC, for 2022, world oil demand growth remains broadly unchanged at 3.4 mb/d. Within the quarters, the second quarter of 2022 is revised down, reflecting the lockdown in some part of China leading to lower-than-expected demand, while the second half of 2022 is revised up on expectations of higher demand during the summer holiday and driving season. Oil demand growth in 2022 is forecast at 1.8 mb/d in the Organization for Economic Co-operation and Development (OECD) and 1.6 mb/d in the non-OECD.

The forecast for non-OPEC supply growth in 2022 is revised down by 0.25 mb/d to 2.1 mb/d. Russia's liquids production for 2022 is revised down by 0.25 mb/d. The US liquids supply growth forecast for 2022 remains marginally unchanged at 1.3 mb/d. The main drivers of liquids supply growth in 2022 are expected to be the US, Brazil, Canada, Kazakhstan, Guyana and China, while declines are expected mainly in Russia, Indonesia and Thailand.





COVID-19 Update

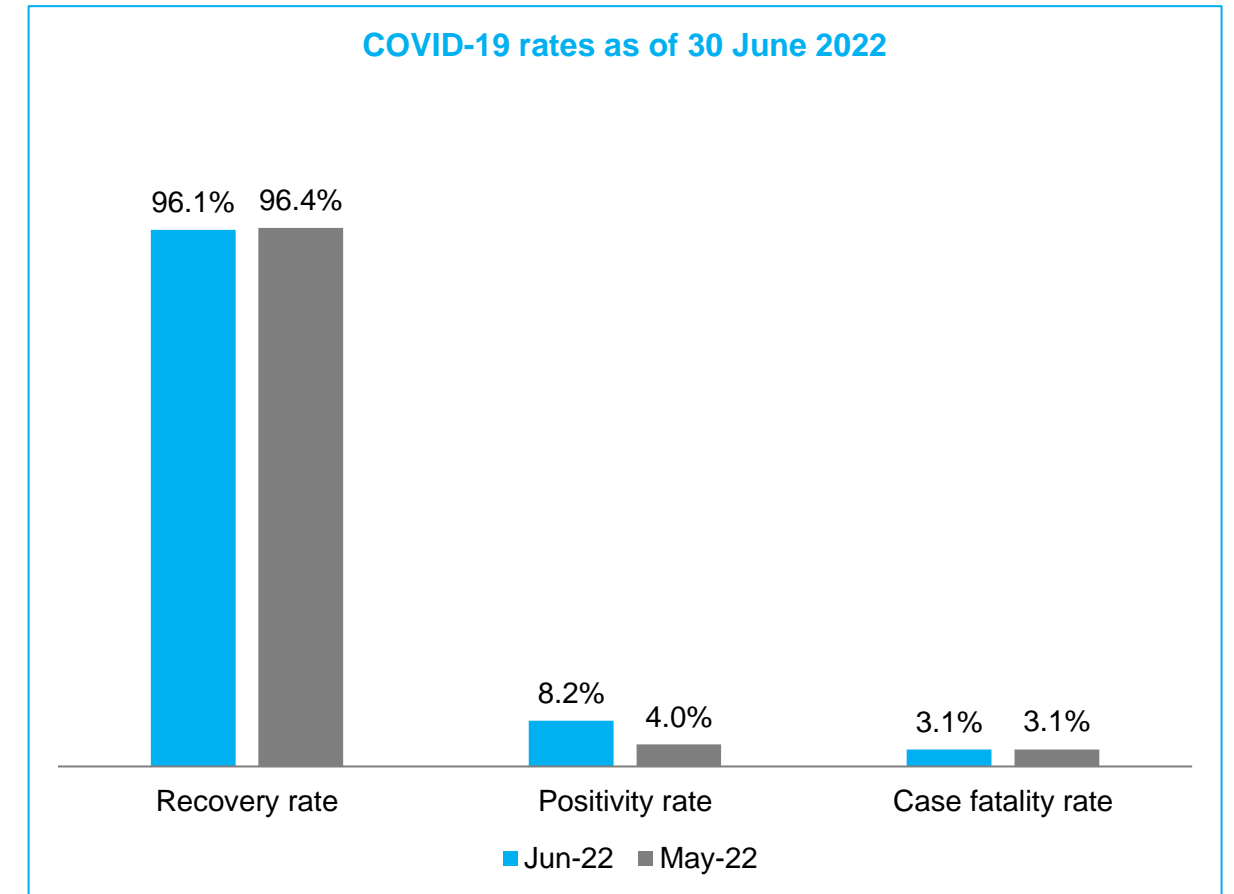
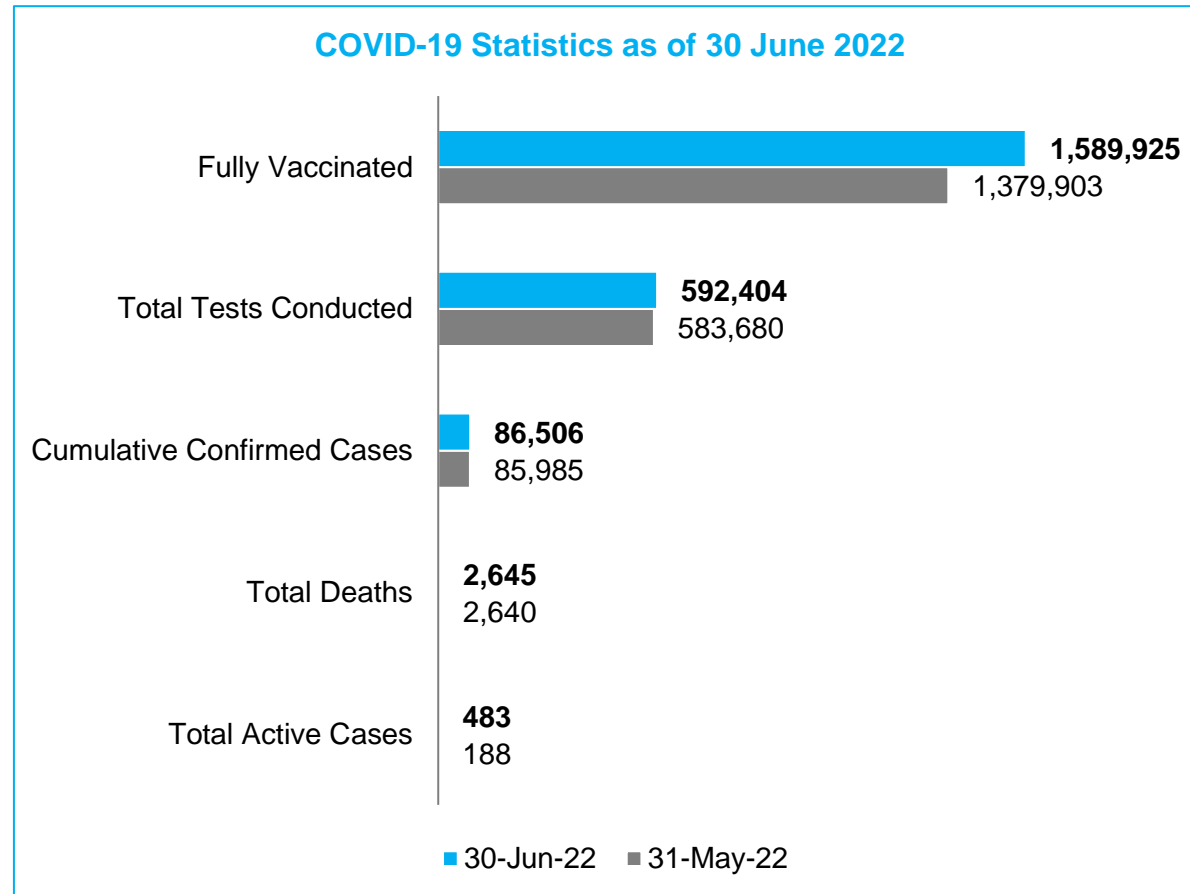
Latest COVID-19 statistics and vaccination developments (Source: Malawi Ministry of Health)

As of 30 June 2022, 8% of the Malawian population had been fully vaccinated against COVID-19 infection.

As of 30 June 2022, 1.59 million individuals had been fully vaccinated against the COVID-19 virus, an increase of 15% from 1.38 million individuals fully vaccinated as of 31 May 2022.

As of 30 June 2022, 1.59 million individuals had been fully vaccinated against the COVID-19 virus in Malawi. This is an increase of 15% from 1.38 million individuals fully vaccinated in May 2022. The number of fully vaccinated individuals represents 8% of the Malawian population. As of 30 June 2022, 30,876 COVID-19 booster vaccinations had been administered, an increase of over 500% from 5,099 COVID-19 booster vaccinations administered as of 3 May 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 86,506 as of June 2022, from 85,985 as of 31 May 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,645 as of 30 June 2022, from 2,640 deaths as of 31 May 2022. These changes were accompanied by the daily positivity rate increasing to 8.2% as of 30 June 2022, from 4.0% as of 31 May 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate marginally decreased to 96.1% as of 30 June 2022, from 96.4% as of 31 May 2022.



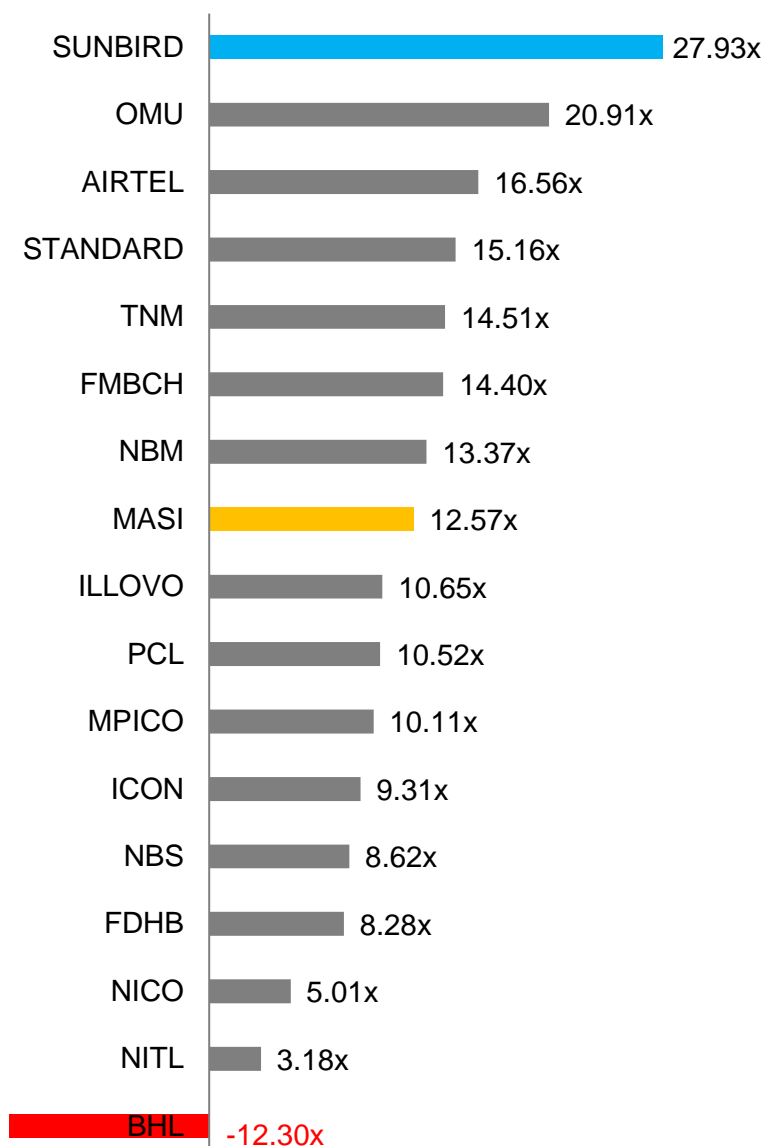
Appendix

Appendix 1: Historical Economic Indicators

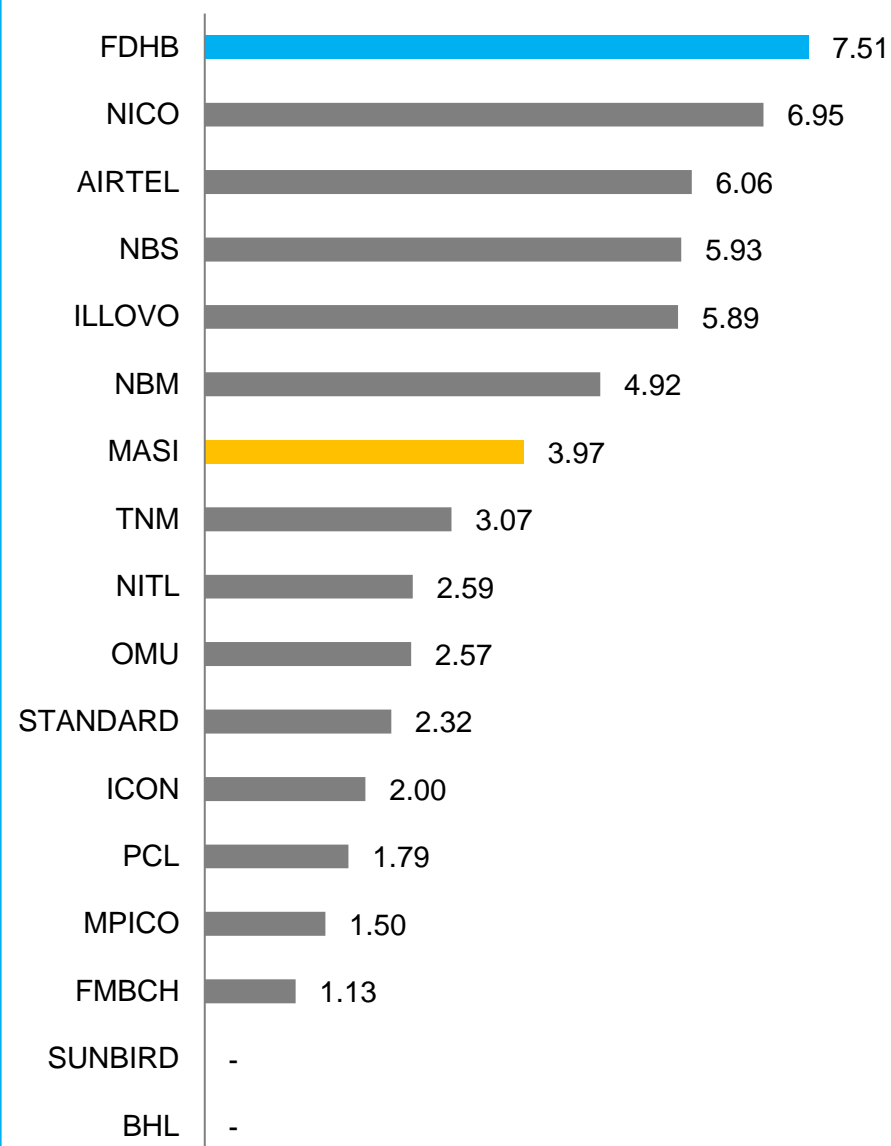
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	
Exchange rates																			
MK/USD	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	819.44	822.81	822.10	823.60	823.67	1,029.90	1,033.36	
MK/GBP	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	1,289.26	
MK/EUR	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	1,108.47	
MK/ZAR	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	65.02	
Foreign Exchange Reserves																			
Gross Official Reserves (USD'mn)	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	388.22	-	
Private Sector Reserves (USD'mn)	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	401.13	-	
Total reserves (USD'mn)	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	789.35	-	
Gross Official Reserves Import cover (months)	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	1.55	-	
Inflation																			
Headline	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%	19.1%	-	
Food	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%	25.5%	-	
Non-food	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%	13.2%	-	
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%	14.00%	14.00%	
Average Interbank rate	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%	12.48%	
Average base lending rate	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%	14.20%	
Government Securities' Yields																			
91-days Treasury Bill	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%	9.75%	
182-days Treasury Bill	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%	15.00%	
364-days Treasury Bill	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%	17.60%	
2-year Treasury Note	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%	18.85%	
3-year Treasury Note	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%	22.00%	
5-year Treasury Note	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%	24.00%	
7-year Treasury Note	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%	22.33%	
10-year Treasury Note	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%	27.00%	
Stock Market Indices																			
MASI	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	49,596.14	
DSI	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	39,011.21	
FSI	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	6,538.52	

Appendix 2: Selected stock market statistics as of 30 June 2022

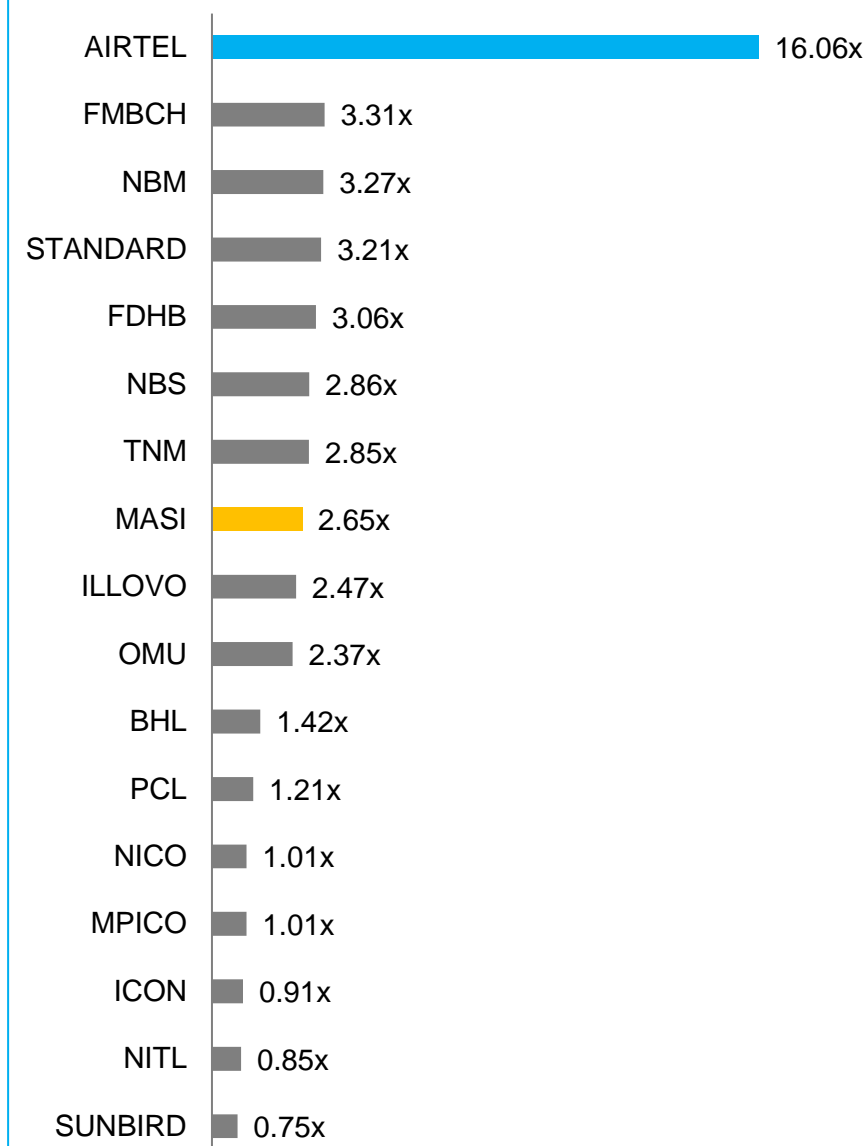
P/E Ratio – the weighted average price to earnings ratio on the MSE was 12.57x in June 2022. SUNBIRD had the highest at 27.93x while BHL had the lowest at negative 12.30x.



Dividend yield (%) – the weighted average dividend yield on the MSE was 3.97% in June 2022. The counter with the highest dividend yield was FDH Bank at 7.51%.



P/BV Ratio – the weighted average price to book value on the MSE was 2.65x in June 2022. The counter with the highest ratio was AIRTEL at 16.06x while SUNBIRD had the lowest ratio at 0.75x.



Appendix 3: MSE Corporate Announcements and IMF Projections

Corporate Announcements

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.

Company	Expected PAT 2022H1	PAT 2021H1	Trading statement profit/(loss) expectation
FDH Bank	5.46	4.55	20%
SUNBIRD	0.24	(0.48)	150%
NICO	9.49	7.03	35%
NBM	16.58	12.75	30%
STANDARD	14.48	11.58	25%
ICON	3.68	3.07	20%
AIRTEL	8.51 – 9.08	11.35	-20% to -25%
FMBCH (USD'million)	22.25	13.09	70%
NITL	1.50	1.23	22%
TNM (MK'million)	(5.86)	4.51	-130%

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

Subject Descriptor	Units	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP growth	Percent change	0.91	2.2	2.69	4.30	4.94	6.15	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
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**
GDP	5.8	2.0	3.0	3.5	3.8	4.0
Private consumption	2.0	1.2	2.5	3.0	3.1	3.2
Government consumption	2.0	2.0	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	4.0	5.5	5.6	5.7	5.8
Exports of goods & services	4.8	3.8	4.4	4.8	5.1	5.5
Imports of goods & services	3.0	3.0	4.0	4.3	4.5	4.7
Domestic demand	2.3	1.6	2.9	3.3	3.5	3.5
Agriculture	2.4	2.5	2.6	3.0	3.5	3.9
Industry	(84.6)	1.9	2.6	2.7	3.0	3.3
Services	4.8	1.8	3.3	4.0	4.2	4.3

Key indicators

	2021*	2022**	2023**	2024**	2025**	2026**
Real GDP growth (%)	5.8	2.0	3.0	3.5	3.8	4.0
Consumer price inflation (av; %)	9.3	17.2	11.2	9.0	8.5	8.0
Government balance (% of GDP)	-10.2	-10.1	-8.1	-7.1	-6.4	-6.0
Current-account balance (% of GDP)	-17.6	-25.3	-21.0	-15.1	-13.3	-12.1
Short-term interest rate (av; %)	9.9	12.0	13.0	12.5	12.5	11.0
Exchange rate MK:US\$ (av)	805.9	954.7	1,082.9	1,110.4	1,136.4	1,166.7

International assumptions

	2021*	2022**	2023**	2024**	2025**	2026**
Economic growth (%)						
US GDP	5.7	2.5	1.9	1.7	1.9	1.7
OECD GDP	5.2	2.7	1.9	2.0	1.9	1.8
World GDP	5.7	3.0	2.9	2.7	2.6	2.6
World trade	10.5	4.2	4.8	4.1	3.7	3.6
Inflation indicators (% unless otherwise indicated)						
US CPI	4.7	7.2	2.8	2.1	2.1	2.1
OECD CPI	3.6	7.1	3.3	2.3	2.3	2.2
Manufactures (measured in US\$)	5.8	1.3	2.8	2.6	2.4	1.9
Oil (Brent; US\$/b)	70.4	105.6	89.4	76.5	70.5	66.5
Non-oil commodities (measured in US\$)	37.9	23.6	-8.3	-6.1	-4.9	-3.1
Financial variables						
US\$ 3-month commercial paper rate (av; %)	0.1	1.7	3.5	3.1	3.0	3.0
US\$:€ (av)	1.18	1.1	1.14	1.2	1.23	1.25
¥:US\$	109.77	120.85	124.83	124.93	119.45	117.78

*: Estimates

**: Forecasts

	2020	2021e	2022f	2023f
National Accounts and Prices				
GDP at constant market prices (% change)	0.8	2.8	2.1	4.3
Agriculture	3.4	5.2	-3	3.4
Industry	1.2	1.9	2	4.1
Services	-0.5	2	4.4	4.7
Consumer prices (annual average)	8.6	9.3	12.6	11.5
Central Government (FY % of GDP)				
Revenue and grants	14.6	14.1	14.6	17
Domestic revenue (tax and non-tax)	13.1	12.7	13.4	14.2
Grants	1.5	1.5	1.2	2.8
Expenditure and net lending	20.9	21.2	23.3	24.7
Overall balance (excluding grants)	-7.8	-8.6	-9.9	-10.5
Overall balance (including grants)	-6.3	-7.1	-8.7	-7.7
Foreign financing	0.8	1	0.9	2
Domestic financing	4.9	5.9	5.9	5.7
Money and Credit				
Money and quasi-money (% change)	10.2	14.4	13.9	11.8
Credit to the private sector (% change)	30.1	14.2	12.6	10.1
External sector (US\$ million)				
Exports (goods and services)	1202	1270	1303	1491
Imports (goods and services)	3088	3299	3538	3808
Gross official reserves	566	394	402	415
(months of imports)	2.1	1.4	1.5	1.5
Current account (percent of GDP)	-11.7	-1.3	-14.4	-13.6
Exchange rate (MK per US\$ average)	780.81	826.97-	-	
Debt Stock				
External debt (public sector, % of GDP)	32.9	31.9	34.7	36.3
Domestic public debt (percentage of GDP)	21.9	27.1	29.6	32.6
Total public debt (percentage of GDP)	54.8	59	64.3	68.9

Appendix 6: List of Acronyms and Abbreviations

AIP:	Affordable Inputs Programme	MASI:	Malawi All Share Index	SSA:	Sub-Saharan Africa
BHL:	Blantyre Hotels plc	mb/d:	million barrels per day	STANDARD:	Standard Bank plc
COVID-19:	Coronavirus disease	MK:	Malawi Kwacha	SUNBIRD:	Sunbird Tourism plc
CPI:	Consumer Price Index	MPC:	Monetary Policy Committee	TB:	Treasury Bill
DSI:	Domestic Share Index	MPICO:	MPICO properties plc	TN:	Treasury Note
EMDEs:	Emerging markets and developing economies	MSE:	Malawi Stock Exchange	TNM:	Telekom Networks Malawi plc
EIU:	Economist Intelligence Unit	NBM:	National Bank of Malawi plc	TT:	Telegraphic Transfer
EUR:	Euro	NBS:	NBS Bank plc	UN:	United Nations
FDHB:	FDH Bank plc	NICO:	NICO Holdings plc	USD:	United States Dollar
FMBCH:	FMB Capital Holdings plc	NITL:	National Investment Trust Limited plc	X:	Times
FSI:	Foreign Share Index	NSO:	National Statistical Office	ZAR:	South African Rand
GBP:	Great British Pound	OECD:	Organization for Economic Co-operation and Development		
GDP:	Gross Domestic Product	OMU:	Old Mutual Limited plc		
ICON:	ICON properties plc	OPEC:	Organization of the Petroleum Exporting Countries		
IMF:	International Monetary Fund	ORB:	OPEC Reference Basket		
LIC:	Low-income country	PCL:	Press Corporation Limited plc		
LRR:	Liquidity Reserve Requirement	PPP:	Purchasing power parity		
		RBM:	Reserve Bank of Malawi		

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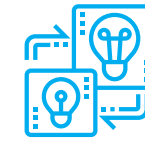
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