



Monthly Economic Report and a Brief on the International Monetary Fund's World Economic Outlook

August 2022



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Inflation

Headline inflation increased to 24.6% in July 2022, from 23.5% in June 2022 due to increases in both food and non-food inflation. Food inflation increased to 32.5% from 31.2%, and non-food inflation increased to 17.5% from 16.6% during the period under review.

A combination of supply-related shocks to food and energy prices caused by the war in Ukraine, revised domestic fuel pump price, the devaluation of the Malawi Kwacha and persistent fiscal slippages have intensified the inflationary pressure in the country. As a result, the Monetary Policy Committee (MPC) revised the projected annual inflation for 2022 upwards to 23.2% from 12.3%. This is above the projection made by the Economist Intelligence Unit (EIU) of 17.2% in 2022.

Monetary Policy

During the third MPC meeting of 2022 held on 27 July 2022, the MPC maintained the policy rate at 14.0%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the policy rate. This decision was made to allow the recent policy rate increase to transmit through the economy. In addition, the MPC's review of the drivers for inflation indicates that the sources of inflation are beyond the control of monetary policy such that traditional policy instruments would not effectively deal with the pressures.

Millennium Challenge Corporation Second Compact

The board of directors of the Millennium Challenge Corporation (MCC) approved a USD350 million (about MK350 billion) package for Malawi's second compact. The second compact follows the successful completion of a USD351 million energy compact which commenced in September 2013 and was completed in September 2018.

Exchange Rates

The Malawi Kwacha traded at MK1,035.42/USD as of 31 August 2022, from MK1,035.03/USD as of 31 July 2022. Year-to-date, the Malawi Kwacha has depreciated against the USD by 26% as of 31 August 2022 (the Kwacha had depreciated by 6% during the same period in 2021).

As of 31 July 2022, the country's gross official forex reserves decreased by 10% to USD372.99 million, from a gross official foreign exchange reserve position of USD415.73 million as of 30 June 2022. The private sector forex reserves decreased to USD396.02 million as of 31 July 2022, from USD401.60 million as of 30 June 2022. Overall, the total foreign exchange reserves held in July 2022 were USD769.01 million, a decrease of 5% from USD817.33 million held in June 2022.

Stock Market

The Malawi All Share Index (MASI) increased by 3% to 54,454.45 points in August 2022, from 52,889.87 points in July 2022. This was due to share price gains in ILLOVO, NBM, NITL, TNM, AIRTEL and Standard Bank which offset the share price losses in ICON, NBS and MPICO. The largest share price gainer during the period was ILLOVO at 25.00% (to MK500.00 from MK400.00) while the largest share price loss was for ICON by 0.17% (to MK11.98 from MK12.00).

Government Securities

The government awarded a total of MK197 billion in August 2022, an increase of 284% from a total of MK51 billion in July 2022 through Treasury Bills (TBs) and Treasury Notes (TNs) auctions. The TBs and TNs auctions had rejection rates of 12% and 10% respectively, during the period under review. The average TB yield increased to 14.94% in August 2022, from 14.25% in July 2022. The average TN yield increased to 24.55% from 23.81% during the period under review.

Economic Growth

The MPC revised Malawi's real GDP forecast for 2022 downwards to 1.7% in June 2022, from the 4.1% projected in November 2021. The revision was made after incorporating several negative shocks that occurred during the first half of 2022 such as the delayed onset of rains, tropical storms Ana and Gombe, intermittent electricity power supply, low foreign exchange supply and the impact of the Russia-Ukraine war. The revised projection is within the range of the projections made by the EIU (2.0%), World Bank (2.1%) and IMF (2.7%).

COVID-19 Status and Developments

The total cumulative confirmed COVID-19 cases increased to 87,860 as of 31 August 2022, from 87,410 as of 30 July 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,675 as of 31 August 2022, from 2,665 deaths as of 30 July 2022. These changes were accompanied by the daily positivity rate decreasing to 1.2% as of 31 August 2022, from 9.1% as of 30 July 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate marginally increased to 96.3% as of 31 August 2022, from 95.9% as of 30 July 2022.

Risks

Some of the risks to the global economic outlook are similar to the risks to the outlook of the Sub-Saharan Africa region and these include risk of rising commodity and energy prices; the potential negative effects from the ongoing war in Ukraine; vulnerability of countries running fiscal deficits; vulnerability to climate-related shocks; and the risk of new waves of infection and more transmissible variants of the COVID-19 virus, with higher risk in countries with low vaccination uptake rates. The Malawian economy faces similar risks in the outlook.

The risk of rising commodity and energy prices has in part been reflected in the Malawian economy through the recent increases in the average price of maize per kilogram and the recent increase in domestic fuel pump prices, for instance. According to the International Food Policy Research Institute (IFPRI), maize prices averaged MK310/Kg in July 2022, an increase of 22% from an average of MK255/Kg in June 2022. The Electricity Supply Corporation of Malawi (ESCOM) also submitted a request to the Malawi Energy Regulatory Authority (MERA) for an increase of the electricity tariff to MK207.72/kWh by 2026, an increase of 99% from MK104.46/kWh in 2022, putting upward pressure on domestic energy prices.

There is also the risk of insufficient power supply. The country has been facing significant challenges in its efforts to supply power to the national grid with recurrent and prolonged power outages. This has in part been caused by the cessation of power generation at the Kapichira Power Station due to damage from tropical storm Ana. The damage took 130 megawatts off the national grid. Prior to these events, the country's national capacity was already below projected national demand.

Furthermore, the economy is exposed to the risk of running a larger-than-anticipated fiscal deficit. This is on account of increases in global commodity and energy prices, as well as a 25% devaluation of the Malawi Kwacha that was implemented by the Reserve Bank of Malawi (RBM) in May 2022. The government is also expected to re-implement the Affordable Inputs Programme (AIP), a farm input subsidy programme, in the current year. The AIP was allocated MK110 billion in the 2022/23 national budget, prior to the devaluation and prior to the exacerbation of global commodity supply disruptions that have resulted in higher farm input prices.

In terms of vulnerability to climate 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 which have significant impact on the economy based on its reliance on agriculture.

Malawi's vaccination uptake rate lags relative to global trends and this leaves the country vulnerable to new waves of COVID-19 infections as well as at risk of new and more transmissible variants of the virus. As of 31 August 2022, about 12% of the Malawian population had been fully vaccinated against the COVID-19 virus while Zambia, for instance had vaccinated about 31% of its population as of 31 August 2022. Malawi and Zambia have relatively comparable population sizes at about 19 million and 18 million respectively. With COVID-19 infection rates increasing in China and the possibility of more global waves, Malawi is relatively vulnerable.



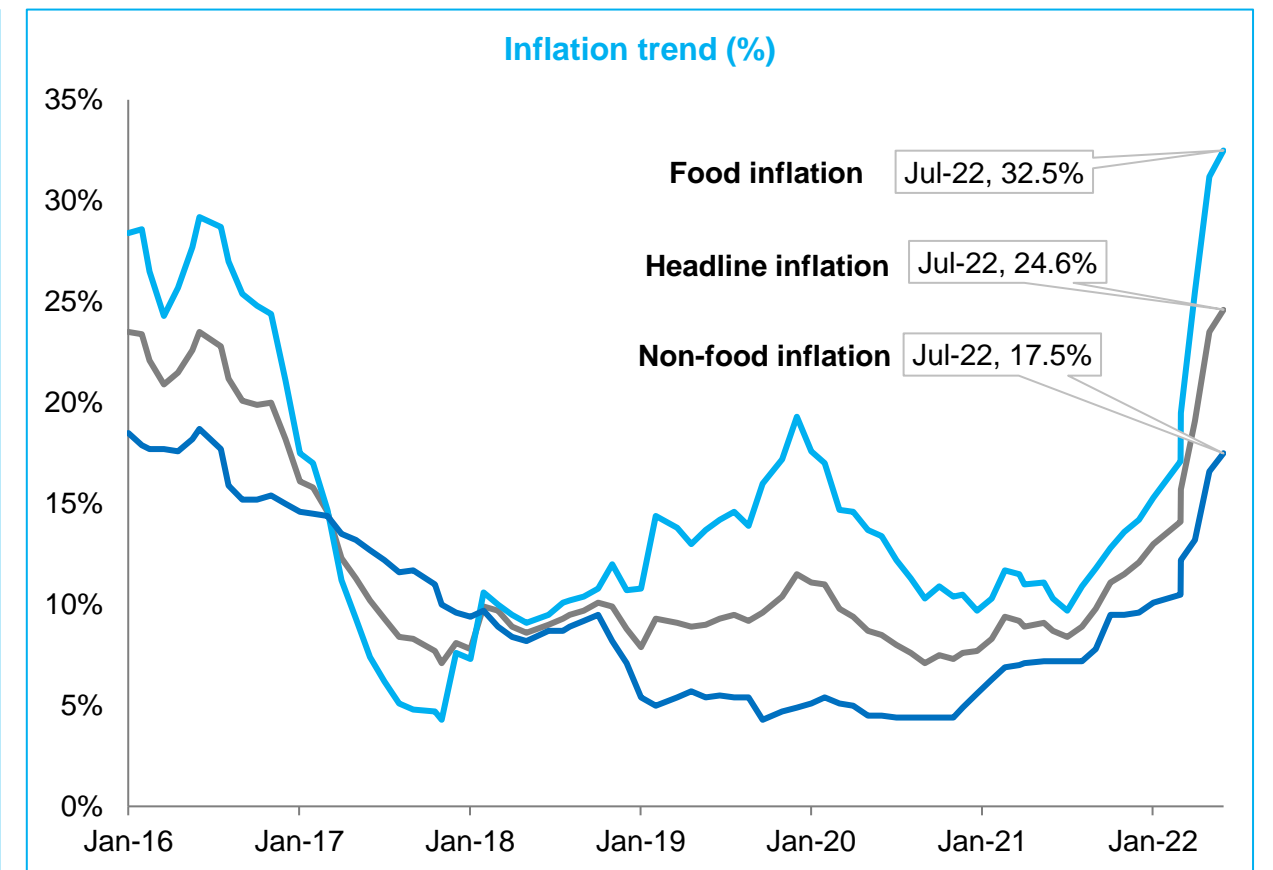
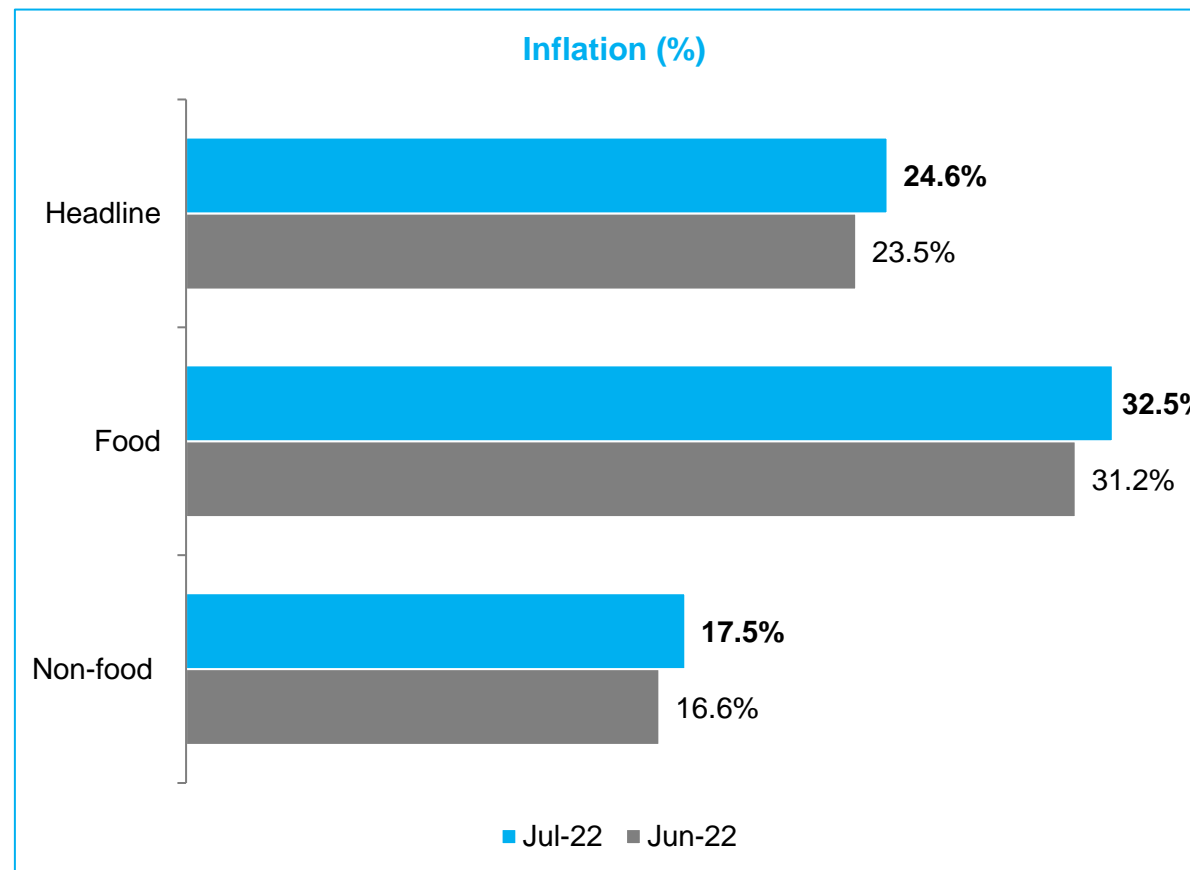
Economic overview

Inflation (Source: NSO, RBM, EIU)

Headline inflation increased to 24.6% in July 2022, from 23.5% in June 2022. It averaged 17.4% in the first seven months of 2022, which is almost double the average for the first seven months 2021 at 8.8%. The devaluation of the Kwacha has exerted inflationary pressure on the economy.

Month-on-month, headline inflation increased to 24.6% in July 2022, from 23.5% in June 2022. In July 2021, headline inflation was 8.7%. The month-on-month increase in headline inflation was on account of increases in both food and non-food inflation during the period under review. Food inflation increased to 32.5% in July 2022, from 31.2% in June 2022. According to the International Food Policy Research Institute (IFPRI), maize prices averaged MK310/Kg in July 2022, an increase of 22% from an average of MK255/Kg in June 2022. Non-food inflation increased to 17.5% in July 2022, from 16.6% in June 2022. Headline inflation averaged 17.4% during the first seven months of 2022, which is almost double the similar period in 2021 where it averaged 8.8%. Global commodity supply disruptions as well as the devaluation of the Kwacha have exerted inflationary pressure on the economy.

The annual average headline inflation forecast for 2022 was revised upwards to 23.2% from an earlier forecast of 12.3%. The revision was on account of persistent supply-related shocks to food and energy prices arising from the war in Ukraine, the impact of the upward adjustment of domestic fuel pump prices, increase in the price of domestically produced agricultural food items during the lean period, exchange rate pressures, and persistent fiscal slippages.





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%.

The gross official forex reserves decreased by 10% to USD372.99 million as of 31 July 2022, from USD415.73 million as of 30 June 2022.

Foreign currency market

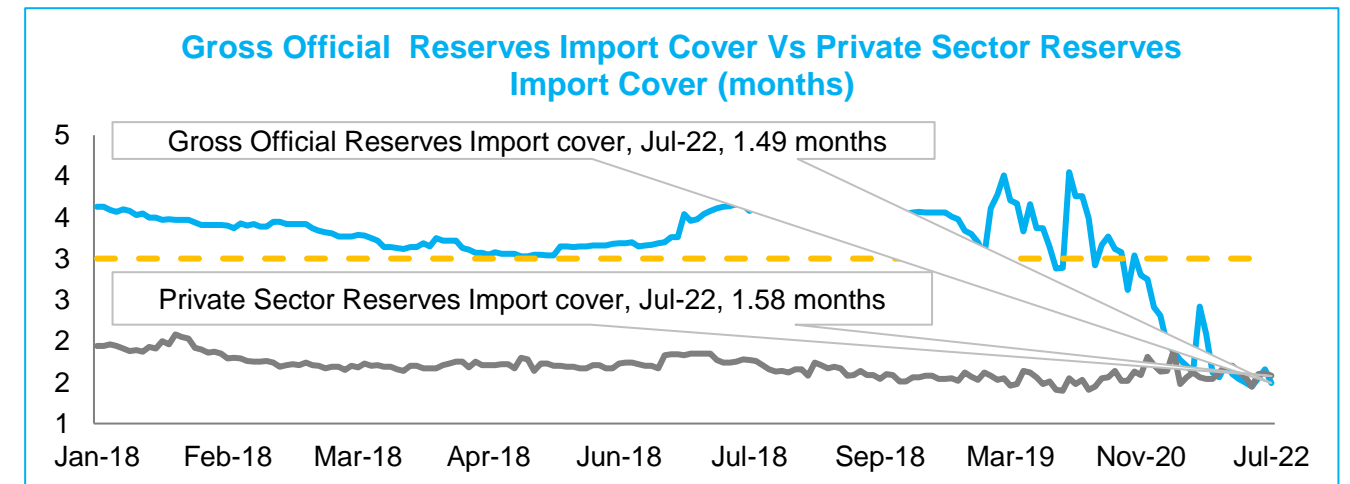
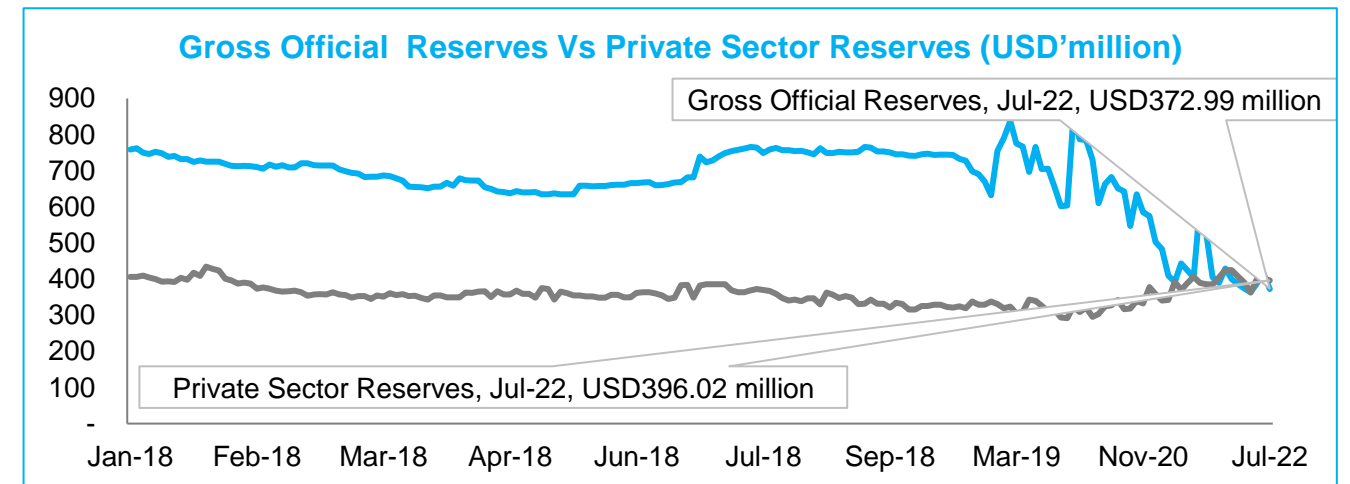
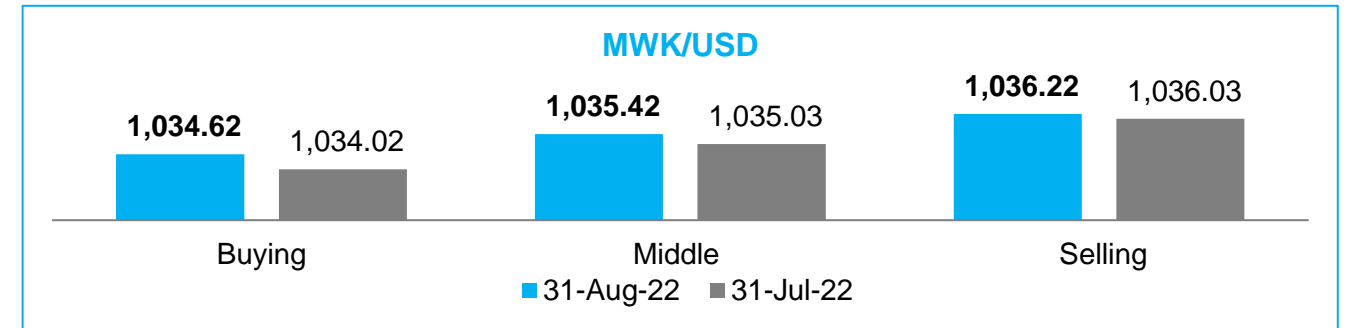
Month-on-month, the Kwacha maintained its position against the United States Dollar (USD) as it traded at MK1,035.42/USD as of 31 August 2022, from MK1,035.03/USD as of 31 July 2022. Year-to-date, the Kwacha has depreciated against the USD by 26% as it traded at MK819.44/USD as of 31 December 2021. During the same period in the previous year, the Kwacha had depreciated against the USD by 6%.

Foreign reserve position

As of 31 July 2022, the country's gross official forex reserves decreased by 10% to USD372.99 million, from a gross official foreign exchange reserve position of USD415.73 million as of 30 June 2022. The private sector forex reserves decreased by 1% to USD396.02 million as of 31 July 2022, from USD401.60 million as of 30 June 2022. Overall, the total foreign exchange reserves held in July 2022 were USD769.01 million, a decrease of 6% from USD817.33 million in June 2022.

Import cover for gross official reserves for July 2022 was 1.49 months, a decrease of 10% from 1.66 months in June 2022. For private sector reserves, import cover was 1.58 months in July 2022, a decrease of 2% from 1.61 months in June 2022. The import cover for gross official reserves remained below the required threshold of 3 months as of 31 July 2022. The total foreign exchange reserves import cover decreased to 3.07 months in July 2022 from 3.27 months in June 2022.

	Gross Official (USD'million)	Private Sector (USD'million)	Gross Official import cover (months)	Private sector import cover (months)
July-22	372.99	396.02	1.49	1.58
June-22	415.73	401.60	1.66	1.61





Economic overview (Continued)

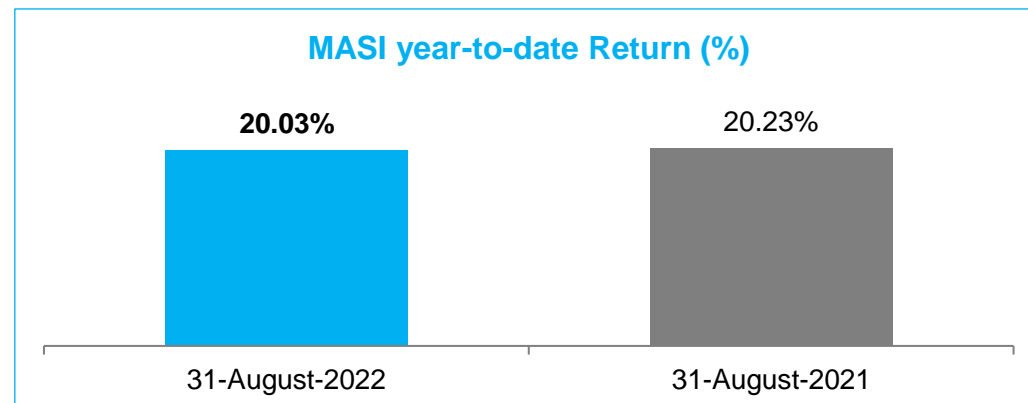
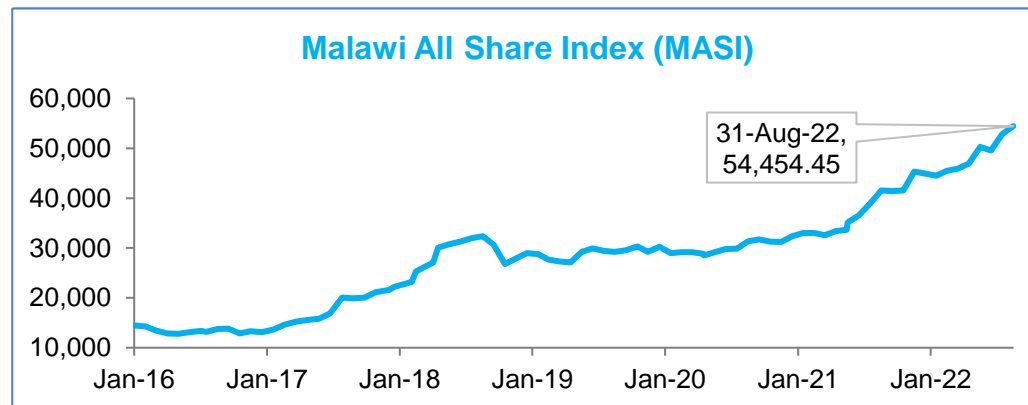
Stock market (Source: MSE)

The stock market was bullish during the period under review with the MASI closing the month of August 2022 at 54,454.45 points, from 52,889.87 points in July 2022. Month-on-month, this represents an increase of 3%. This was on account of share price gains offsetting share price losses during the period under review.

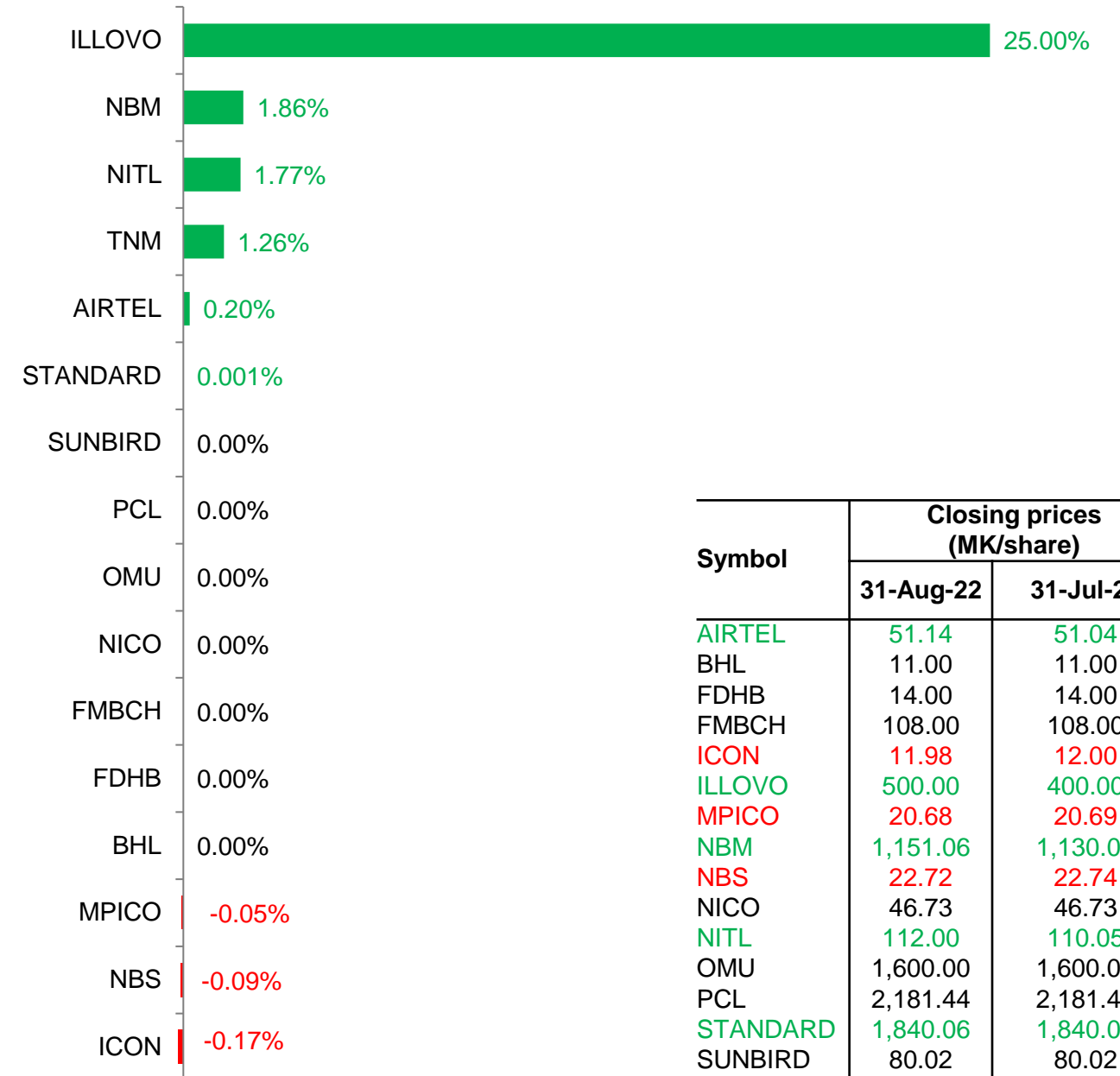
The MASI year-to-date return was 20.03% in August 2022, and it was 20.23% during the same period in the previous year.

The stock market was bullish over the period with the Malawi All Share Index (MASI) increasing by 3% to 54,454.45 points in August 2022, from 52,889.87 points in July 2022. Year-to-date, the return on the MASI is 20.03%, it was 20.23% during the same period in the previous year.

The largest gainer in August 2022 was ILLOVO whose share price increased by 25.00% to MK500.00 per share, from MK400.00 per share July 2022. There were also share price gains for NBM, NITL, TNM, AIRTEL and Standard Bank. Other counters closed at the same prices as the previous month, these were SUNBIRD, PCL, OMU, NICO, FMBCH, FDH Bank and BHL. The largest loser was ICON whose share price decreased by 0.17% to MK11.98 per share, from MK12.00 per share. There were also share price losses for NBS and MPICO during the period under review.



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



Symbol	Closing prices (MK/share)	
	31-Aug-22	31-Jul-22
AIRTEL	51.14	51.04
BHL	11.00	11.00
FDHB	14.00	14.00
FMBCH	108.00	108.00
ICON	11.98	12.00
ILLOVO	500.00	400.00
MPICO	20.68	20.69
NBM	1,151.06	1,130.00
NBS	22.72	22.74
NICO	46.73	46.73
NITL	112.00	110.05
OMU	1,600.00	1,600.00
PCL	2,181.44	2,181.44
STANDARD	1,840.06	1,840.04
SUNBIRD	80.02	80.02
TNM	12.06	11.91



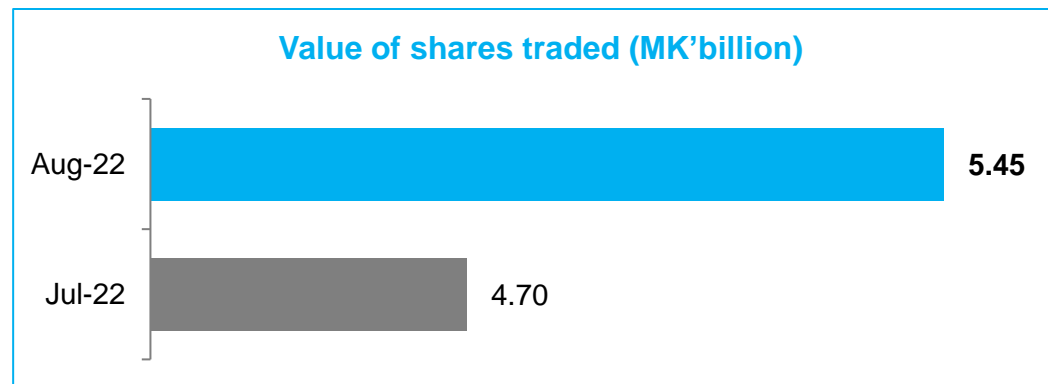
Economic overview (Continued)

Stock market (Source: MSE)

The total value of shares traded increased by 16% in August 2022 to MK5.45 billion, from MK4.70 billion in July 2022.

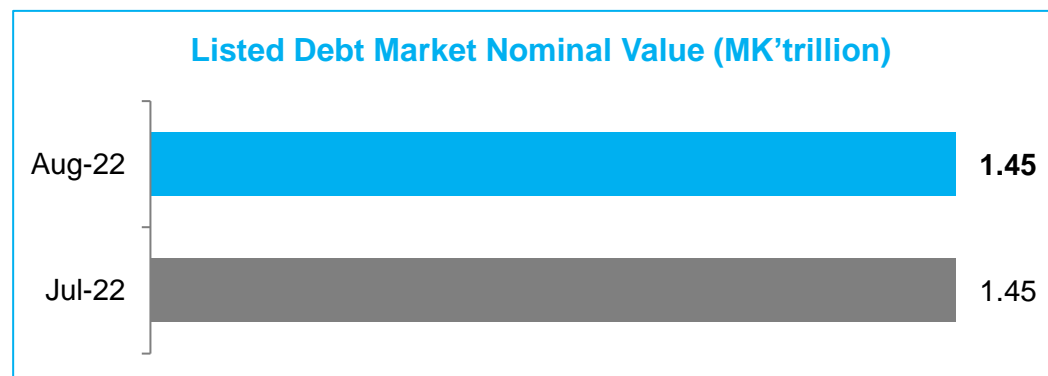
MSE Traded Volumes

There was MK5.45 billion worth of shares traded in August 2022, an increase of 16% from MK4.70 billion worth of shares traded in July 2022. ILLOVO had the highest value of shares traded at MK3.20 billion during the period under review. The total number of trades in the month under review increased to 396 trades, from 360 trades in July 2022. The figure below traces the total value of shares traded on the MSE in August 2022.



Listed Debt market

There were no trades or listings on the listed debt market in August 2022. The nominal value of all the listed debt securities was MK1.45 trillion as of 31 August 2022.



Corporate Announcements

Half-year financial results

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	30 June 2022	30 June 2021	Actual Change in Profit/(Loss)
FDHB	8.71	4.55	91%
FMBCH (USD'million)	25.24	13.09	93%
ILLOVO*	9.22	6.12	51%
NBM	22.12	12.75	73%
NBS	5.10	4.40	16%
STANDARD	15.84	11.58	37%
MPICO	3.16	2.84	11%

Dividends

Counter	Dividend type	Proposed/declared	Dividend per share (MK)	Last day to register	Date of payment
NBS	Interim	Declared	0.85	9 September 2022	23 September 2022
ICON	Final	Proposed	0.12	16 September 2022	29 September 2022
NBM	Interim	Declared	17.14	9 September 2022	30 September 2022
FMBCH	Interim	Declared	0.15 cents	23 September 2022	30 September 2022
OMU	Interim	Declared	0.25 cents	20 September 2022	18 October 2022
NICO	Final	Declared	0.60	16 September 2022	29 September 2022



Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK197 billion through Treasury Bills and Treasury Notes auctions in August 2022, an increase of 284% from a total of MK51 billion awarded in July 2022.

Treasury Bills (TBs)

In August 2022, the government sought to borrow MK41 billion through Treasury bills (TBs) auctions, a decrease of 46% from MK77 billion sought in July 2022. Participants applied to place MK34 billion through the TBs auctions in August 2022, a decrease of 12% from MK38 billion applied for in July 2022. The applications had a rejection rate of 12% during the period under review, as the government awarded MK30 billion through the TBs auctions in August 2022, a decrease from MK37 billion awarded in July 2022.

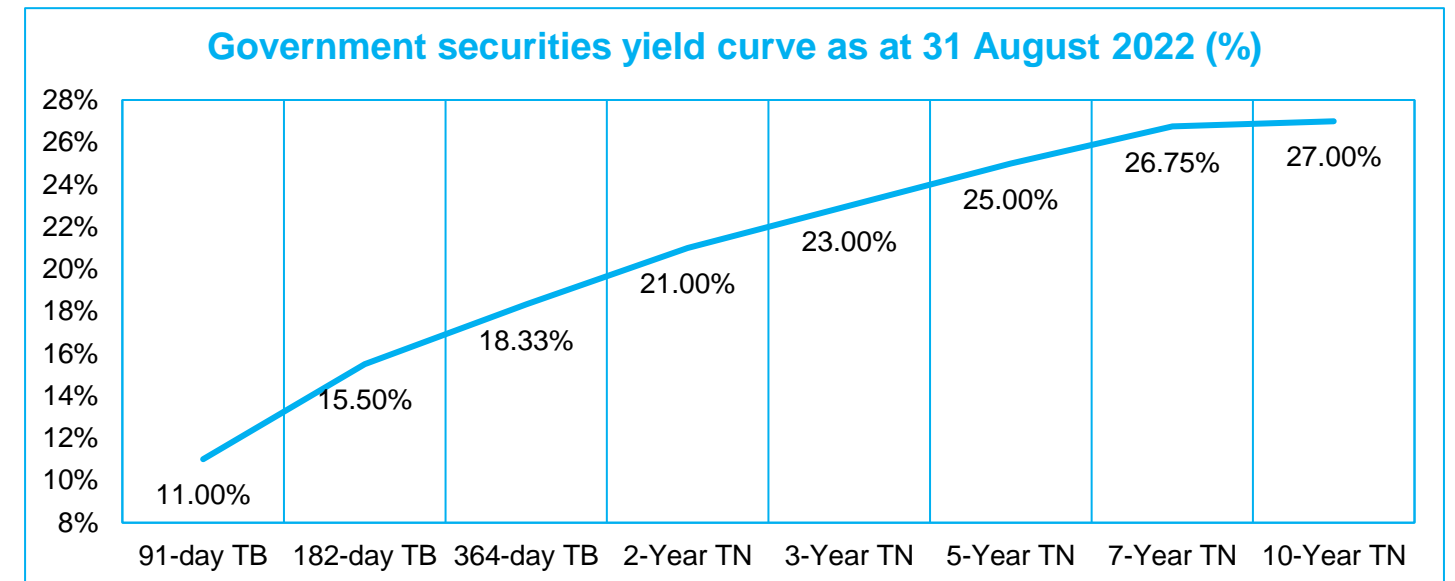
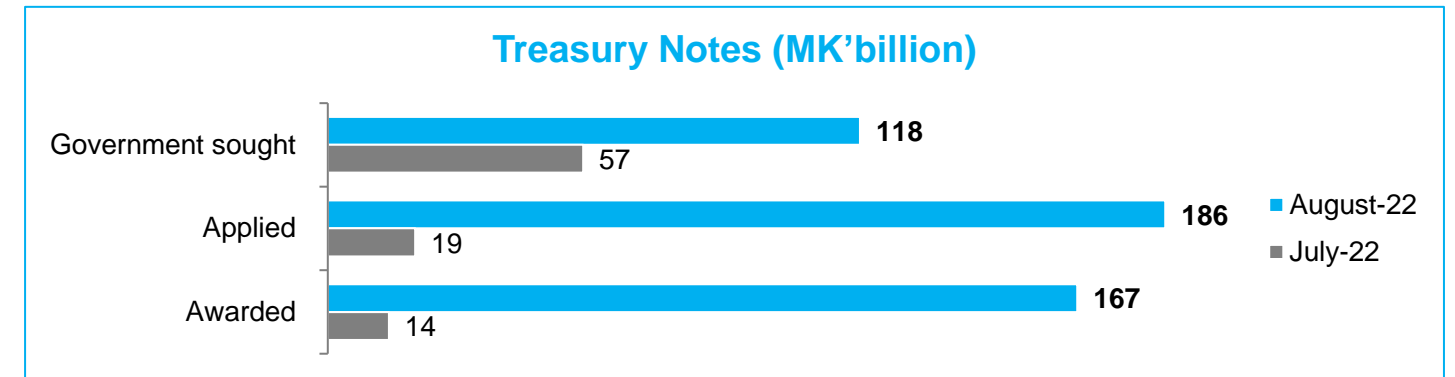
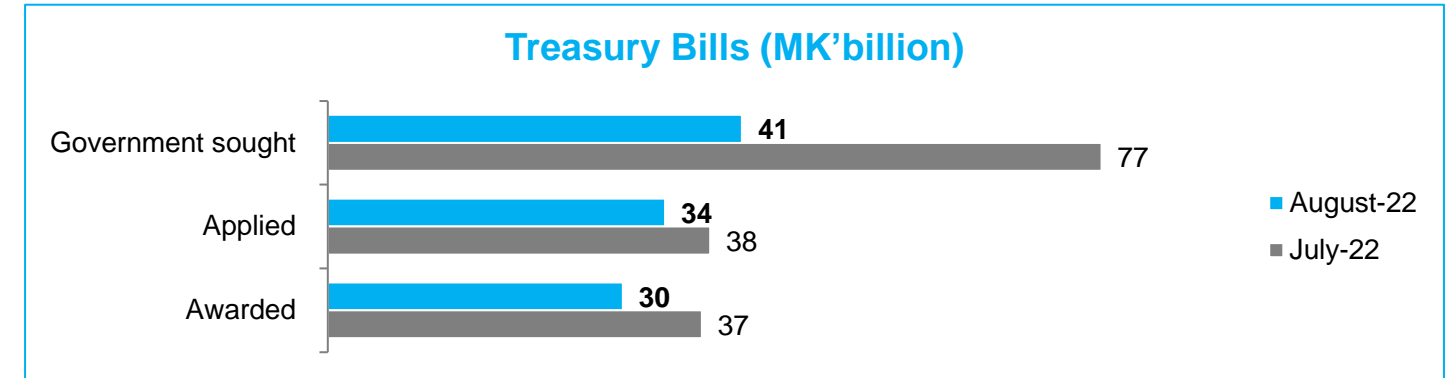
Treasury Notes (TNs)

In August 2022, the government sought to borrow MK118 billion through Treasury Notes (TNs) auctions, an increase of 108% from MK57 billion sought in July 2022. Participants applied to place MK186 billion through the TNs auctions, an increase of 858% from MK19 billion worth of applications during the same period. From the applications, the government awarded MK167 billion, an increase of 1126% from MK14 billion awarded during the same period. The applications had a rejection rate of 10% during the period under review.

Government Securities Yield Curve

The average TB yield increased to 14.94% in August 2022 from 14.25% in July 2022 on account of increases in the effective yields of all the securities. The 91-days TB yield increased to 11.00% in August 2022 (July 2022: 10.00%), the 182-days TB yield increased to 15.15% in August 2022 (July 2022: 15.00%) and the 364-days yield increased to 18.33% in August 2022 (July 2022: 17.74%).

As of 31 August 2022, the average TN yield increased to 24.55%, from 23.81% on 31 July 2022 on account of increases in all but the 10-year TN security. The 10-year TN yield maintained its position at 27.00% during the period under review while the 2-year TN yield increased to 21.00% (July 2022: 20.50%), the 3-year TN yield increased to 23.00% (July 2022: 22.00%), the 5-year TN yield increased to 25.00% (July 2022: 24.00%) and 7-year TN yield increased to 26.75% (July 2022: 25.53%).





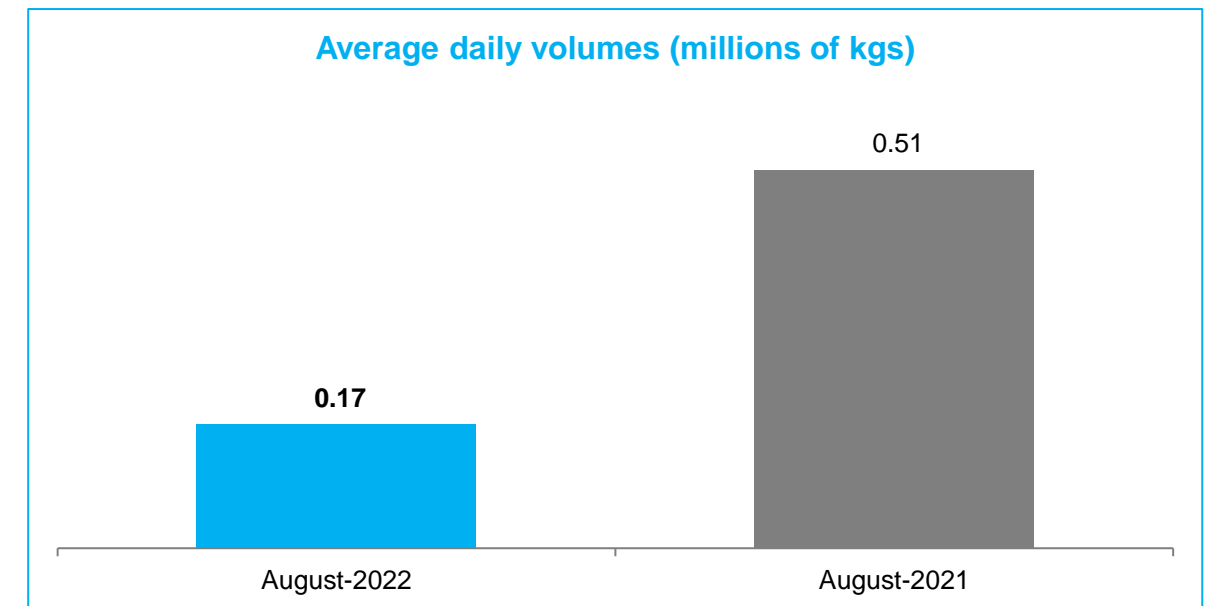
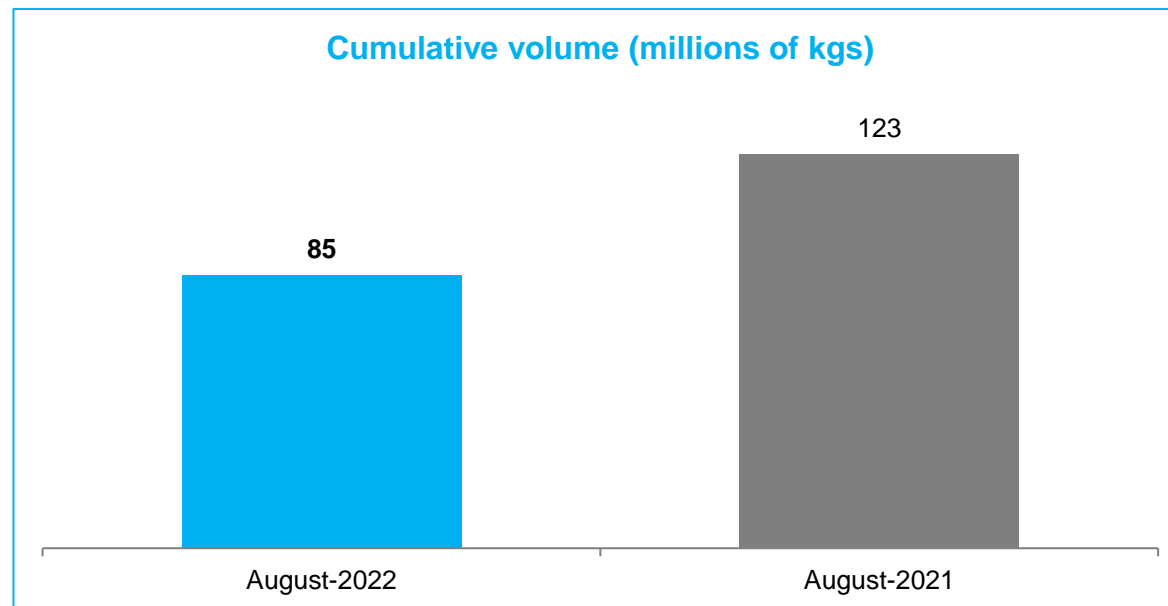
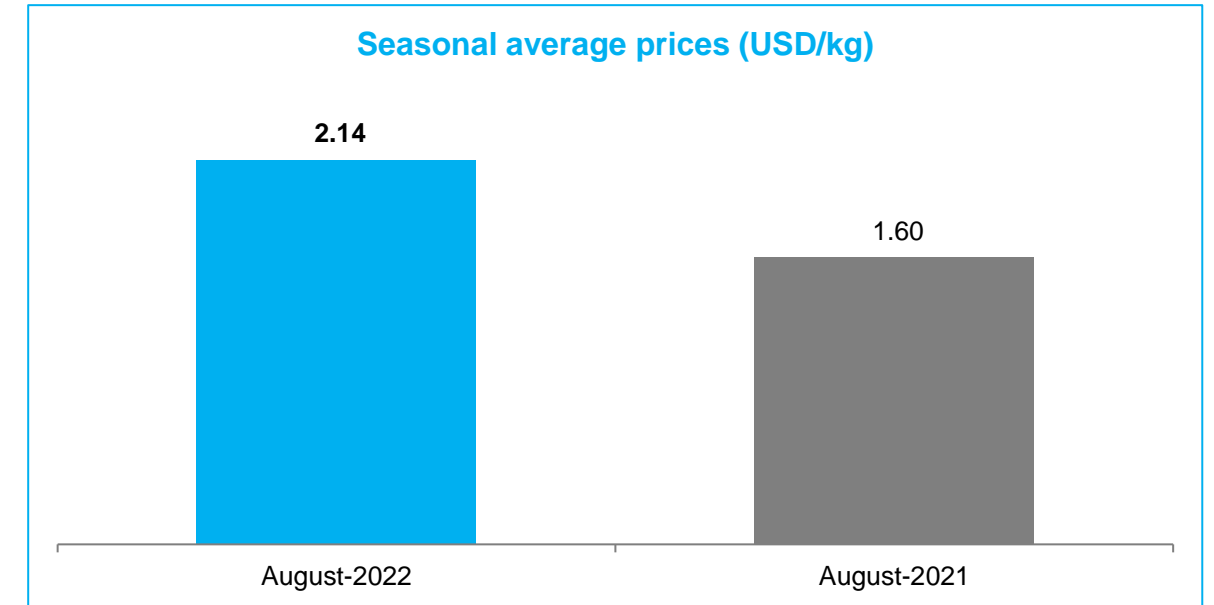
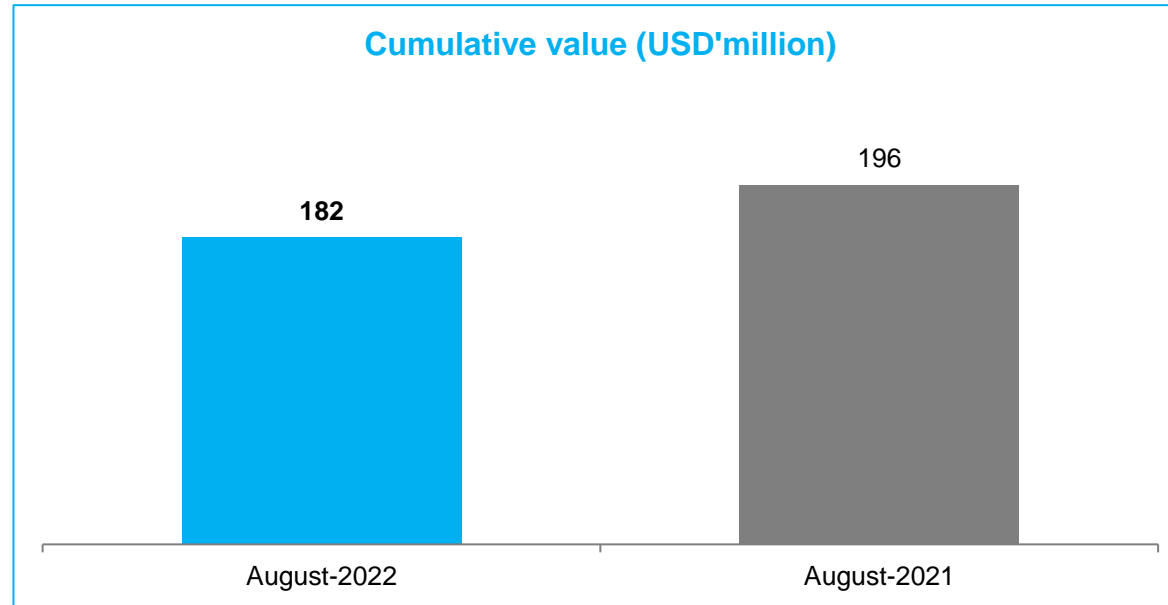
Other Market Developments

Tobacco sales (Source: Auction Holdings Limited)

As of 31 August 2022, the cumulative value of sold tobacco was USD182 million (MK188 billion), a decrease of 7% from a cumulative value of USD196 million (MK159 billion) as of 31 August 2021.

As of August 2022, the seasonal average price was USD2.14/KG (MK2,215/KG), an increase of 31% from a seasonal average price of USD1.60/KG (MK1,312/KG) as of August 2021.

The tobacco sales data is summarized in the charts below:





Other Market Developments

Monetary Policy and Millenium Challenge Corporation Second Compact (Source: RBM)

During the third MPC meeting of 2022 held on 27 July 2022, the MPC maintained the policy rate at 14.0% in order to allow the recent increase to transmit through the economy.

The board of directors of the Millennium Challenge Corporation (MCC) approved a USD350 million (about MK350 billion) package for Malawi's second compact.

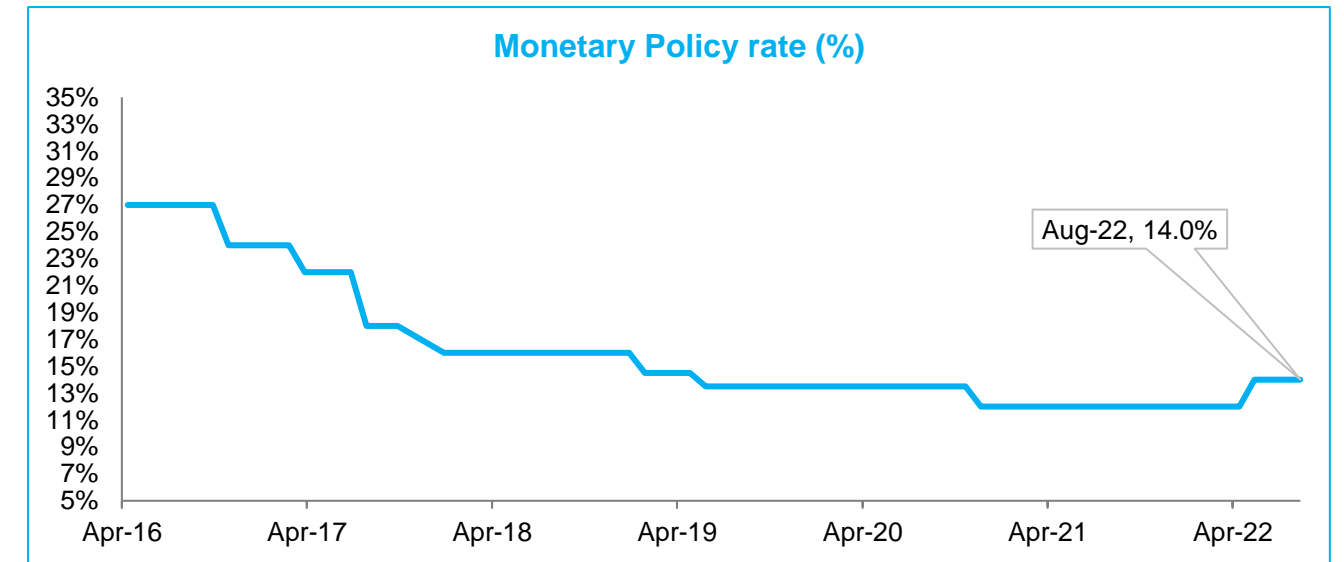
Monetary Policy

During the third MPC meeting of 2022 held on 27 July 2022, the MPC maintained the policy rate at 14.0%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the policy rate. This decision was made to allow the recent policy rate increase to transmit through the economy. In addition, the MPC's review of the drivers for inflation indicates that the sources of inflation are beyond the control of monetary policy such that traditional policy instruments would not effectively deal with the pressures. However, the MPC will monitor inflation developments and be prepared to adjust the policy rate upwards should inflationary pressures persist.

Millennium Challenge Corporation Second Compact

On 12 August 2022, the board of directors of the Millennium Challenge Corporation (MCC) approved a USD350 million (about MK350 billion) package for Malawi's second compact. The second compact follows the successful completion of a USD351 million energy compact. The first compact commenced in September 2013 and was completed in September 2018. Following the signing of the second compact, a period of about 12 months is expected to elapse before work commences as contractors will be procured during that period, and detailed designs of the various projects will be sought.

The proposed compact seeks to assist the government of Malawi in addressing the constraints to economic growth which include the high price of road freight transport service, barriers to linking farms to markets, difficulties with access to land for investment due to mismanagement of the estate sector and ambiguity on property and land rights.





While global performance in the first quarter of 2022 was slightly better than 2021 performance, the world real gross domestic product (GDP) is estimated to have shrunk in the second quarter of 2022. The decrease is partly attributable to economic downturns in China and Russia, and the materialization of downside risks that included higher inflation as well as further negative cross-border effects from the war in Ukraine. As such, the world output forecast for 2022 is expected to grow by 3.2%, a decrease from 6.1% in 2021.

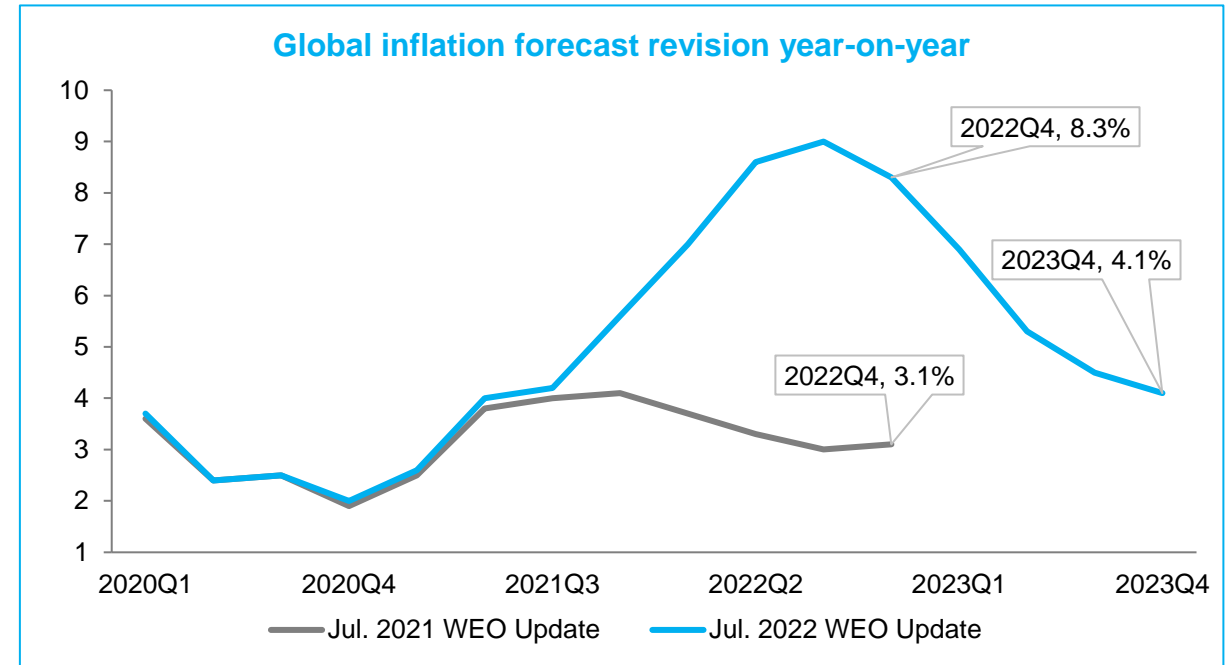
The forces shaping the outlook

While global performance in the first quarter of 2022 was slightly better than 2021 performance, the world real gross domestic product (GDP) is estimated to have shrunk in the second quarter of 2022. This decrease is partly attributable to economic downturns in China and Russia during the period. Furthermore, the downside risks which had been anticipated in the April 2022 World Economic Outlook had begun materializing. These downside risks included higher inflation, a sharper-than-anticipated slowdown in China, and further negative cross-border effects from the war in Ukraine. As such, the world output forecast for 2022 is expected to grow by 3.2%, a decrease from 6.1% in 2021.

Consumer prices have increased faster than previously anticipated in the earlier World Economic Outlook forecasts, with inflation forecast at 8.3% for the fourth quarter of 2022, from a previous forecast of 3.1%. Headline inflation has been on an upward trajectory on account of higher food and energy prices, supply constraints, and rebalancing of demand toward services. In response to these developments, central banks have been withdrawing monetary support and raising policy interest rates at a pace that is faster than was anticipated in earlier World Economic Outlook forecasts.

Furthermore, COVID-19 outbreaks and mobility restrictions in China led to disruption of economic activity widely and severely. China’s property sector’s unfavorable performance also led to a dragging down of sales and real estate investment. These developments in China have global consequences through worsening of the global supply chain disruptions and the decline in China’s domestic spending reduced the demand of goods and services from China’s trade partners.

Besides the war in Ukraine causing more than 9 million people to flee from Ukraine, there has been loss of lives and destruction of physical capital. Major advanced economies have placed additional sanctions on Russia since April 2022 which include embargoes on imports of coal and on Russian seaborne oil, blocking insuring and financing maritime transport of Russian oil to third countries and the Organisation of Petroleum Exporting Countries (OPEC) agreeing to bring forward increases in oil supply among others. The effects of the war have been more negative than expected with higher energy prices as well as weaker consumer confidence and slower momentum in manufacturing resulting from persistent supply chain disruptions and rising input costs.





Special Topic: The International Monetary Fund's World Economic Outlook July 2022 (continued)

The risks to the outlook include rising energy prices as a result of the war in Ukraine, high inflation, and the high costs to central banks for using monetary policy to contain inflation.

Downside risks dominate the outlook

The outlook is based on the following assumptions:

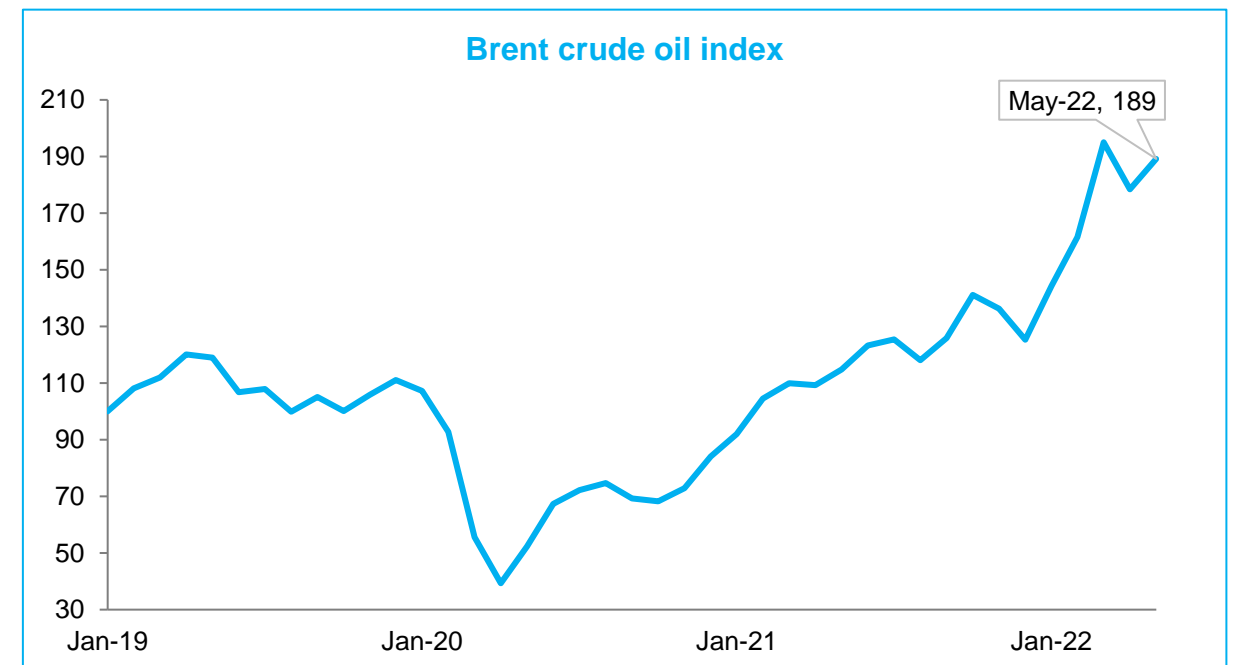
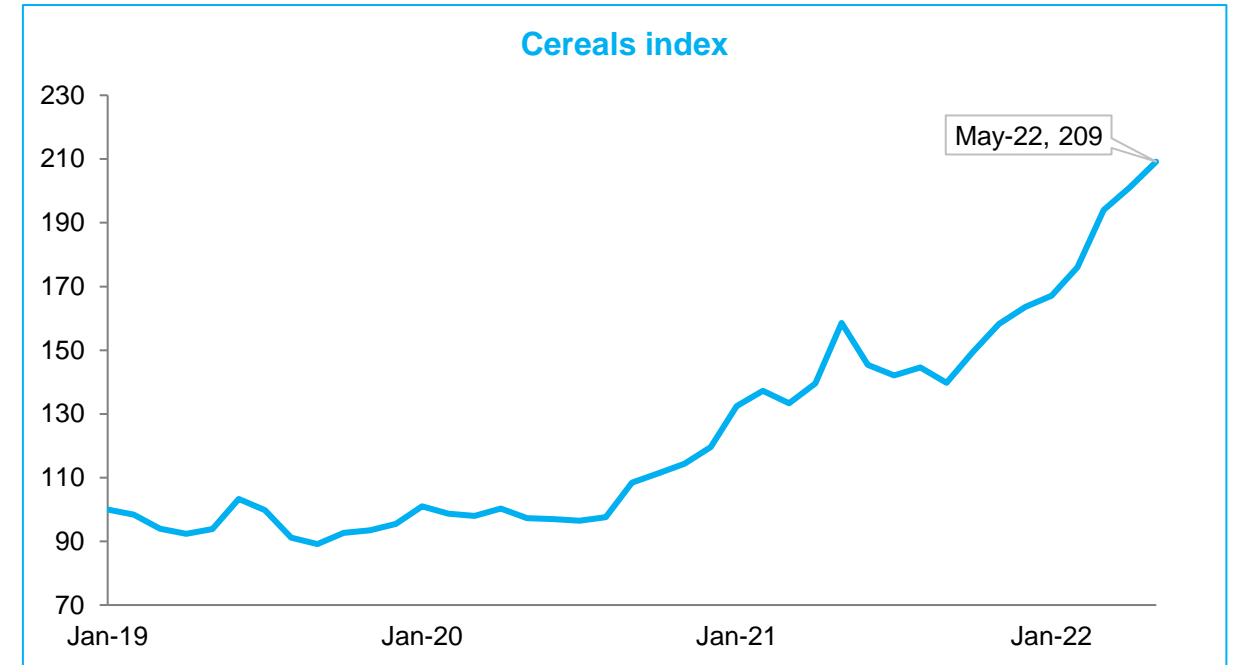
1. No further expected reductions in flows of natural gas from Russia to the rest of Europe
2. Long-term inflation expectations remain stable
3. No worsening of disorderly adjustments in global financial markets as a result of contractionary monetary policy tightening

Despite these assumptions making the basis of the outlook, there is significant risk that some or all of them may fail to hold true. This view is enhanced by the uncertainty and concerns regarding the possibility of an oncoming recession that have been on the increase in recent months. For instance, based on asset price data, the probability of a recession starting in Group Seven economies is estimated to be four times its usual level and data based on the United States indicates that a technical recession may have already begun.

One of the risks that tilt the outlook to the downside is the risk of the war in Ukraine raising energy prices further. There have been reductions in the amount of Russian pipeline gas supplied to Europe since April 2022 and the expectations reflect the possibility of further declines in the volumes to low levels by mid-2024. A complete cessation of exports of Russian gas to European economies would significantly increase global inflation through higher energy prices.

Although inflation is expected to return to near pre-pandemic levels by 2024, there is the risk that inflation may remain high. This is on account of the possibility of further supply-related shocks to food and energy prices and subsequent monetary policy tightening. A combination of these events would result in a recession accompanied by high and rising inflation, referred to as stagflation.

Furthermore, the decision by central banks to respond to increases in inflation by raising interest rates may be more costly than anticipated as the precise amount of policy tightening required to lower inflation without inducing a recession is difficult to ascertain. The previous instances of disinflation were affected by other factors that include the initial level of inflation as well as inflation expectations, wage and price rigidities, how much prices and wages respond to fall in demand, and the stance of fiscal policy. If the changes of these factors are not accurately anticipated by policymakers or by policy stance, the disinflation adjustments could be more disruptive than currently expected.





Special Topic: The International Monetary Fund's World Economic Outlook July 2022 (continued)

Additional risks include debt distress risk in emerging market and developing economies, as well as the risk of outbreak of more contagious virus variants that would trigger widespread lockdowns.

Downside risks dominate the outlook (continued)

An additional risk to the outlook is that tighter financial conditions could trigger debt distress in emerging market and developing economies as a result of advanced economy central banks raising interest rates to counter inflation. This increase in borrowing costs are expected to put pressure on international reserves and cause depreciation against the dollar, causing balance sheet valuation losses among economies with dollar-denominated net liabilities. With government financial positions in many countries already stretched, this implies less room for fiscal policy support as 60% of low-income countries are in or at risk of government debt distress. Increased exposure to other large bilateral creditors and the recent pandemic have brought new vulnerabilities, driving up public debt and eroding future potential growth in many countries.

There also is the risk that larger-scale outbreaks of more contagious virus variants that could trigger widespread lockdowns under the zero-COVID strategy. With renewed restrictions in China, a sustained slowdown in China would have strong global spillovers, whose nature will depend on the balance of supply and demand dynamics.



Regional And Global Market Developments

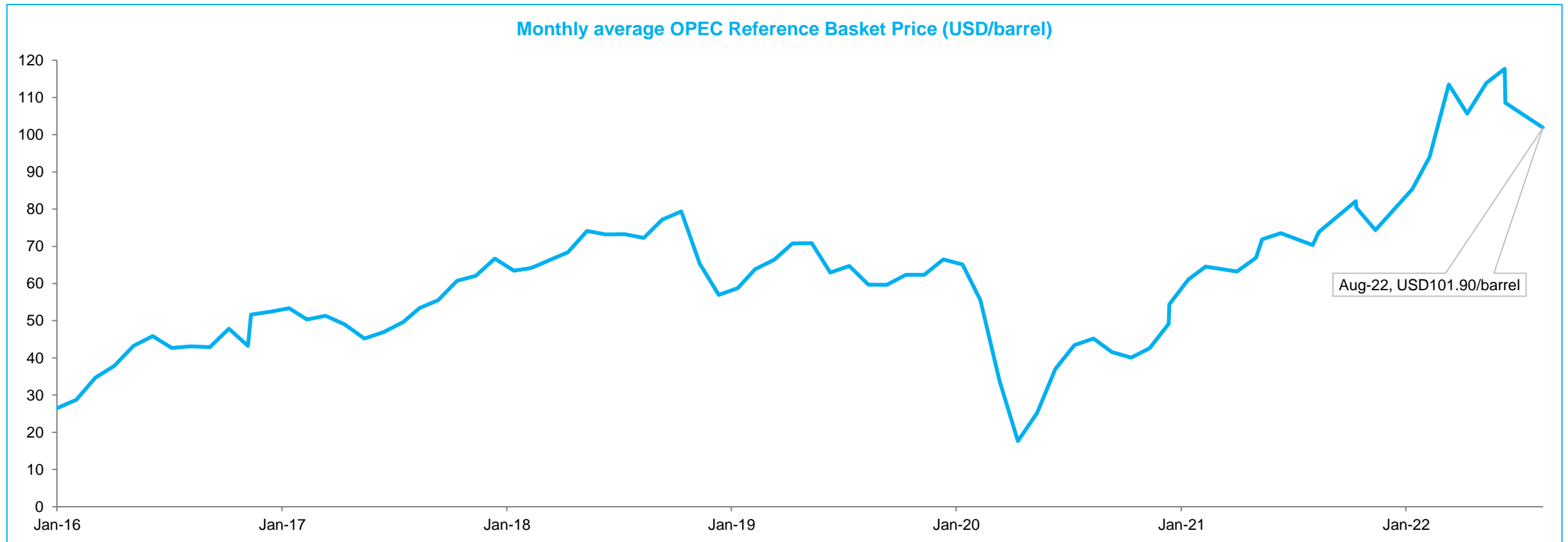
Global oil price developments (Source: OPEC)

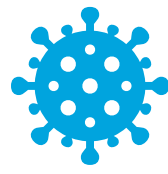
The monthly average OPEC Reference Basket (ORB) price decreased by 7% to a monthly average of USD101.90/barrel in August 2022, from USD108.55/barrel in July 2022. The decline is partly attributable to the slowdown in economic activity in China that has led to a reduction in demand for oil and the negative impact of the fears of a global recession.

Month-on-month, the monthly average OPEC Reference Basket (ORB) price decreased by 7% to an average of USD101.90/barrel in August 2022, from USD108.55/barrel in July 2022. Year-on-year, the monthly average ORB price has increased by 45% as it was USD70.33/barrel in August 2021. The decline is partly attributable to the slowdown in economic activity in China that has led to a reduction in demand for oil and the negative impact of the fears of a global recession.

For 2022, on one hand, world oil demand is expected to rise by 3.1 mb/d, a downward revision of 0.3 mb/d from the estimates made in July 2022, this is on account of regional revisions. Total oil demand is projected to average 100.03 mb/d. On the other hand, in terms of world oil supply, non-OPEC liquids supply growth for 2022 is forecast at 2.1 mb/d for an average of 65.8 mb/d for the year, which is broadly unchanged from the estimate made in July 2022.

In 2023, expectations for healthy global economic growth, combined with expected improvements in the containment of COVID-19 in China, are expected to boost consumption of oil. The 2023 forecast has remained the same as the estimate made in July 2022 at 2.7 mb/d. As a result, the 2023 world oil demand projected to reach 102.72 mb/d. For world oil supply in 2023, it is forecast to grow by 50tb/d to average 5.44 mb/d. For 2023, non-OPEC liquids production growth is expected to grow by 1.7 mb/d to an average of 67.5 mb/d. OPEC natural gas liquids and non-conventional liquids production in 2022 is forecast to grow by 0.1 mb/d to average 5.39 mb/d.





COVID-19 Update

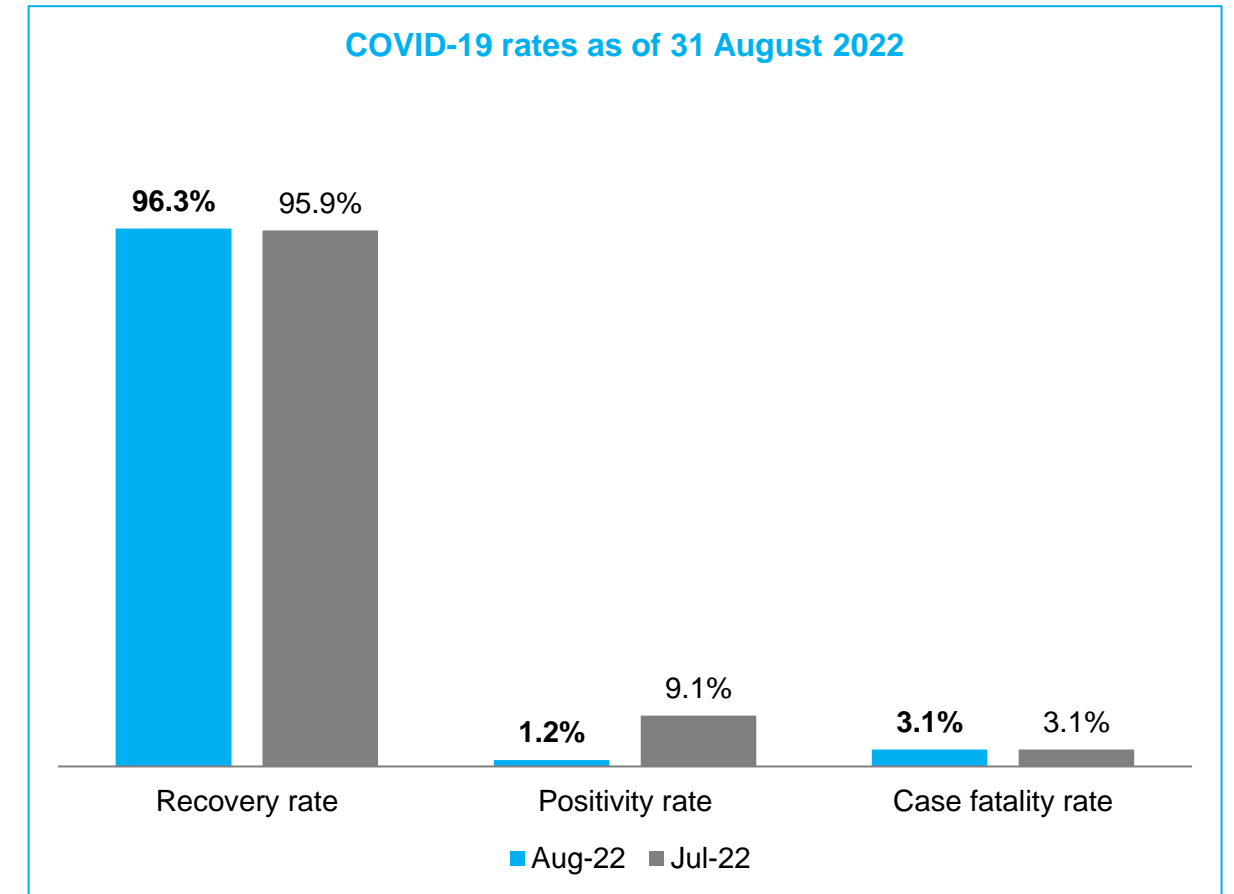
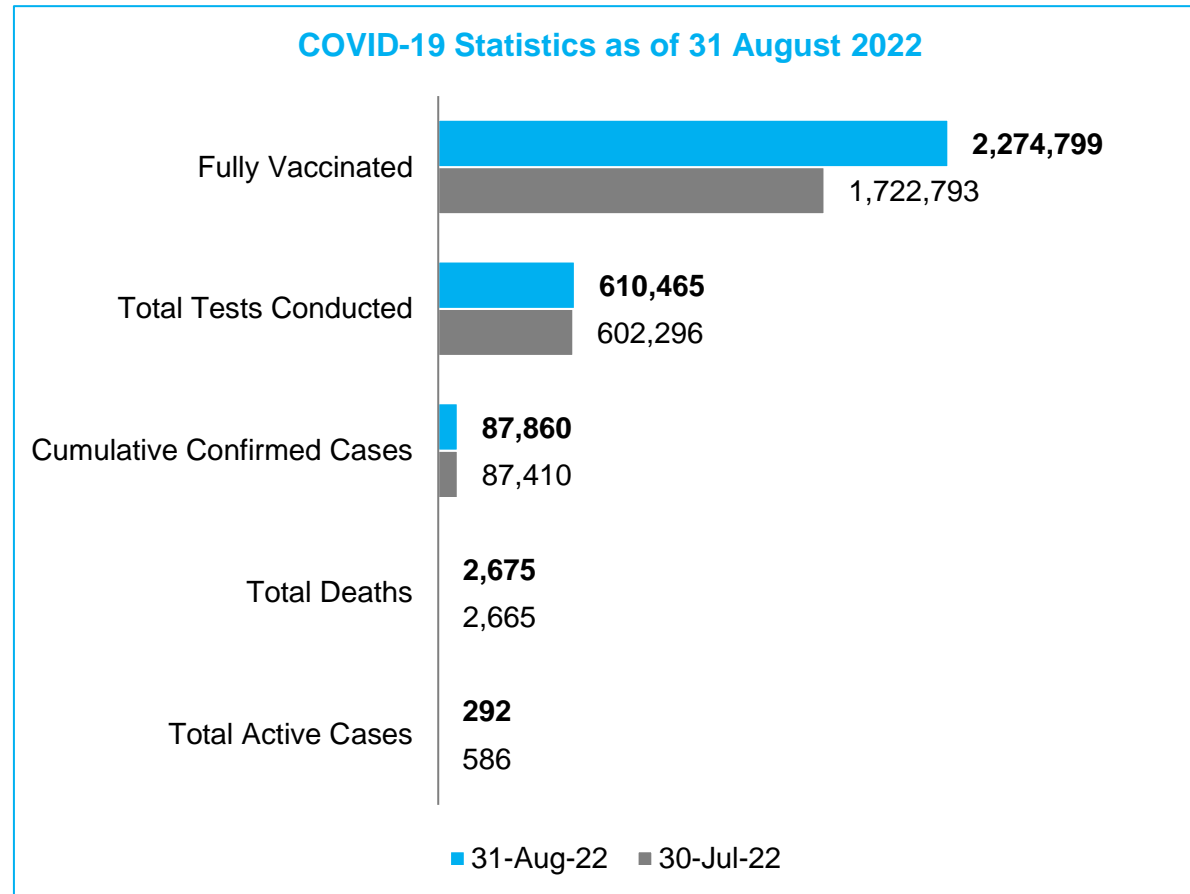
Latest COVID-19 statistics and vaccination developments (Source: Malawi Ministry of Health)

As of 31 August 2022, 12% of the Malawian population had been fully vaccinated against COVID-19 infection.

As of 31 August 2022, 2.3 million individuals had been fully vaccinated against the COVID-19 virus, an increase of 32% from 1.7 million individuals fully vaccinated as of 30 July 2022.

As of 31 August 2022, 2.3 million individuals had been fully vaccinated against the COVID-19 virus in Malawi. This is an increase of 32% from 1.7 million individuals fully vaccinated in July 2022. The number of fully vaccinated individuals represents 12% of the Malawian population. As of 31 July 2022, 98,962 COVID-19 booster vaccinations had been administered, an increase of 96% from 50,352 COVID-19 booster vaccinations administered in July 2022.

The total cumulative confirmed COVID-19 cases increased to 87,860 as of 31 August 2022, from 87,410 as of 30 July 2022. Similarly, the cumulative COVID-19 related deaths increased to 2,675 as of August 2022, from 2,665 as of 30 July 2022. These changes were accompanied by the daily positivity rate decreasing to 1.2% as of 31 August 2022, from 9.1% as of 30 July 2022. The daily case fatality rate maintained its position at 3.1% during the period under review. The daily recovery rate marginally decreased to 96.3% as of 31 August 2022, from 95.9% as of 30 July 2022.



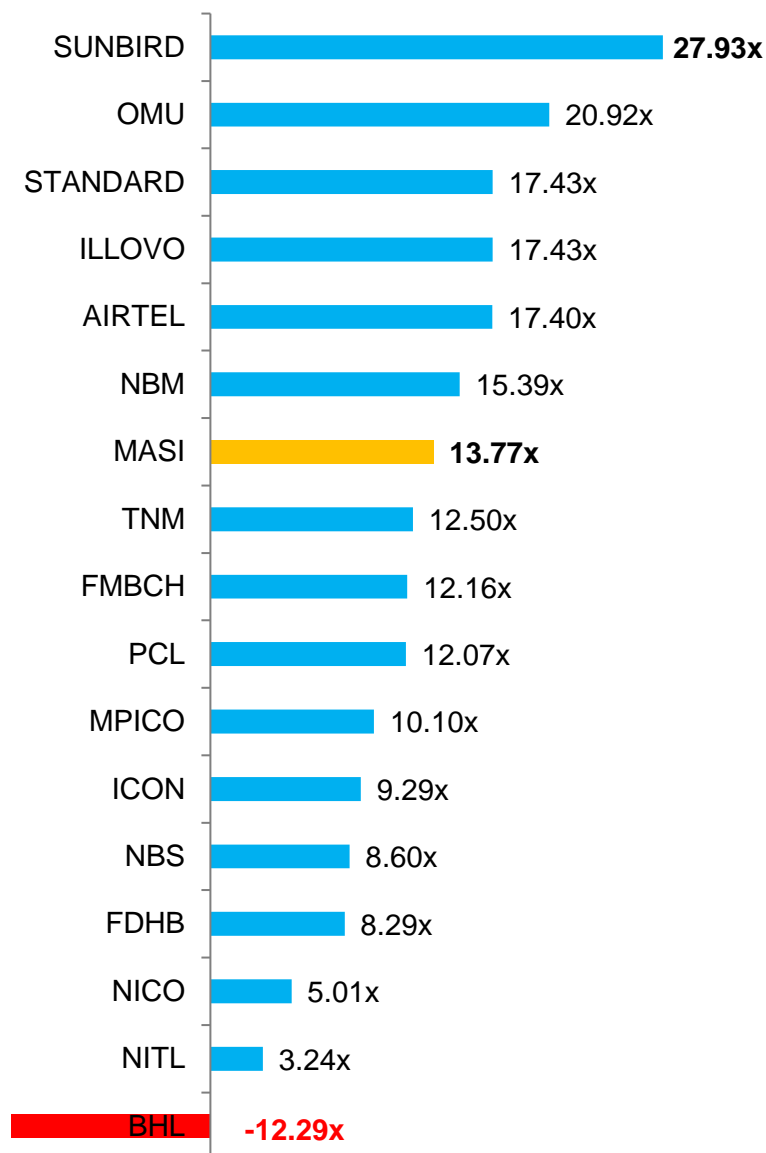
Appendix

Appendix 1: Historical Economic Indicators

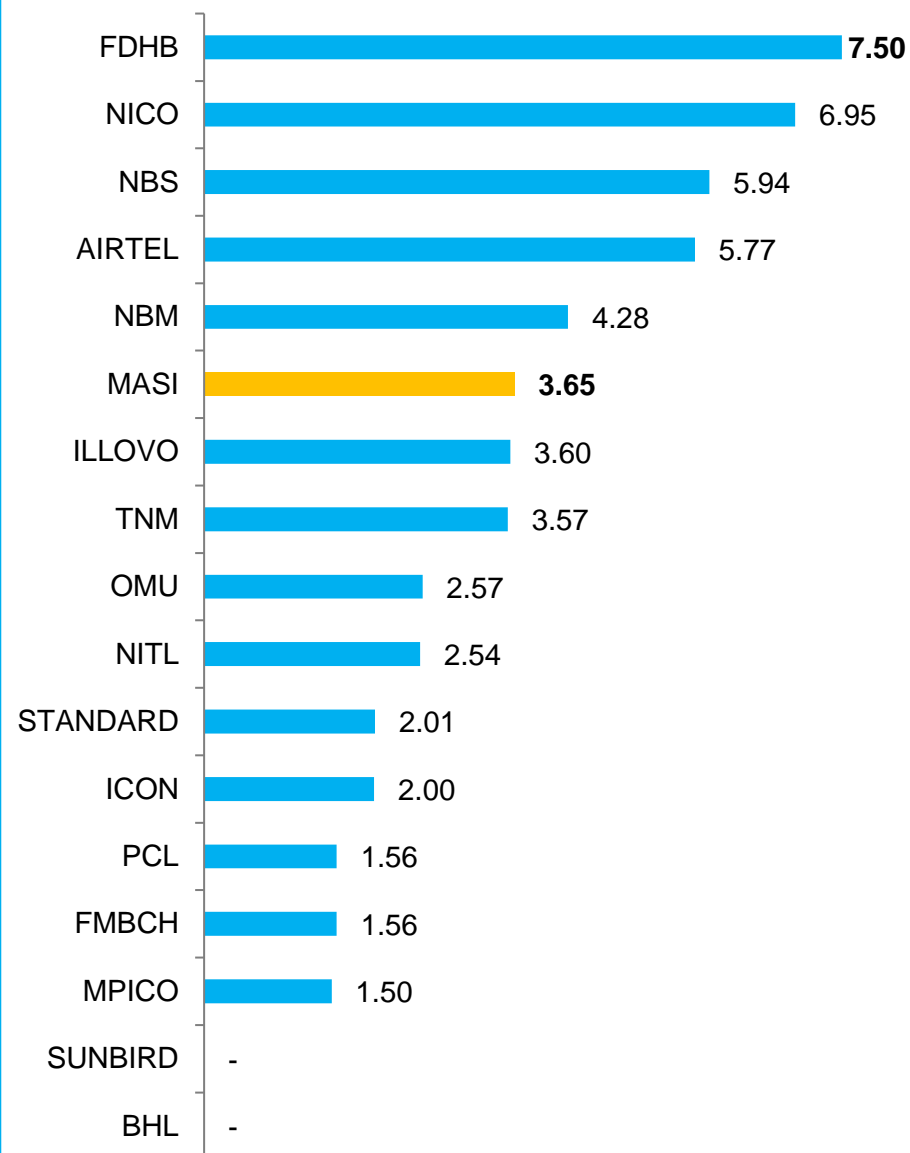
	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	July-22	August-22	
Exchange rates																				
MK/USD	787.03	790.30	797.66	800.17	811.95	817.43	820.40	822.17	821.34	822.88	819.44	822.81	822.10	823.60	823.67	1,029.90	1,033.36	1,035.03	1,035.42	
MK/GBP	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	1,296.86	1,240.77	
MK/EUR	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	1,085.01	1,066.19	
MK/ZAR	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	64.13	62.49	
Foreign Exchange Reserves																				
Gross Official Reserves (USD'mn)	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	415.73	372.99	N/A	
Private Sector Reserves (USD'mn)	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	401.60	396.02	N/A	
Total reserves (USD'mn)	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	817.33	769.01	N/A	
Gross Official Reserves Import cover (months)	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	1.66	1.49	N/A	
Inflation																				
Headline	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%	23.50%	24.6%	N/A	
Food	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%	31.20%	32.5%	N/A	
Non-food	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%	16.60%	17.5%	N/A	
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%	14.00%	14.00%	14.00%	14.00%	
Average Interbank rate	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%	12.50%	12.50%	
Average base lending rate	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%	14.20%	14.20%	
Government Securities' Yields																				
91-days Treasury Bill	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%	10.00%	11.00%	
182-days Treasury Bill	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%	15.00%	15.50%	
364-days Treasury Bill	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%	17.74%	18.33%	
2-year Treasury Note	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%	20.50%	21.00%	
3-year Treasury Note	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%	22.00%	23.00%	
5-year Treasury Note	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%	24.00%	25.00%	
7-year Treasury Note	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%	25.53%	26.75%	
10-year Treasury Note	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%	27.00%	27.00%	
Stock Market Indices																				
MASI	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	52,889.87	54,454.45	
DSI	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	42,717.13	44,109.31	
FSI	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	5,548.61	5,548.61	

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

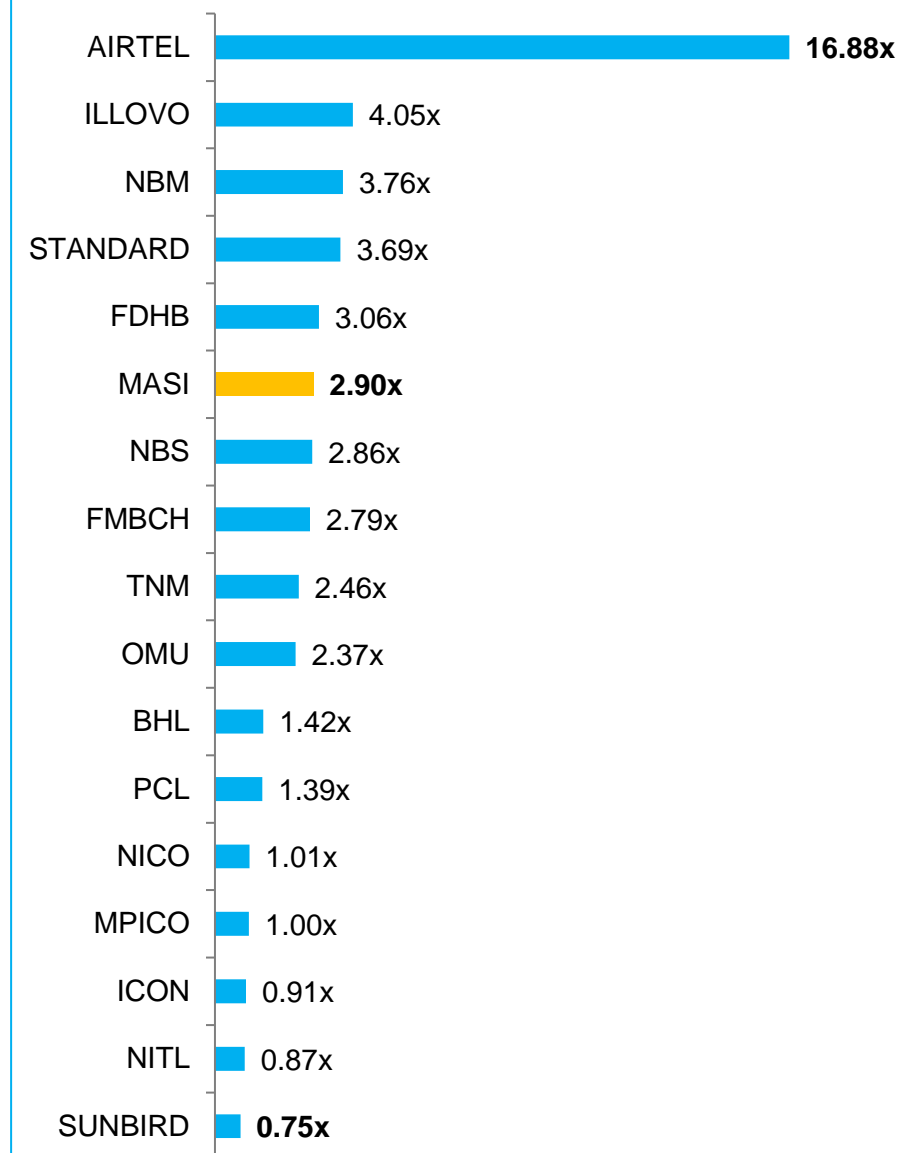
P/E Ratio – the weighted average price to earnings ratio on the MSE was 13.77x in August 2022. SUNBIRD had the highest at 27.93x while BHL had the lowest at negative 12.29x.



Dividend yield (%) – the weighted average dividend yield on the MSE was 3.65% in August 2022. The counter with the highest dividend yield was FDH Bank at 7.50%.



P/BV Ratio – the weighted average price to book value on the MSE was 2.90x in August 2022. The counter with the highest ratio was AIRTEL at 16.88x 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
SUNBIRD	0.24	(0.48)	150%
NICO	9.49	7.03	35%
ICON	3.68	3.07	20%
AIRTEL	8.51 – 9.08	11.35	-20% to -25%
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	RBM:	Reserve Bank of Malawi
BHL:	Blantyre Hotels plc	Mb/d:	million barrels per day	SUNBIRD:	Sunbird Tourism plc
COVID-19:	Coronavirus disease	MERA:	Malawi Energy Regulatory Authority	TB:	Treasury Bill
CPI:	Consumer Price Index	MK:	Malawi Kwacha	Tb/d:	thousand barrels per day
DSI:	Domestic Share Index	MPC:	Monetary Policy Committee	TN:	Treasury Note
EIU:	Economist Intelligence Unit	MPICO:	MPICO properties plc	STANDARD:	Standard Bank plc
ESCOM:	Electricity Supply Corporation of Malawi	MSE:	Malawi Stock Exchange	TNM:	Telekom Networks Malawi plc
EUR:	Euro	NBM:	National Bank of Malawi plc	TT:	Telegraphic Transfer
FDHB:	FDH Bank plc	NBS:	NBS Bank plc	UN:	United Nations
FMBCH:	FMB Capital Holdings plc	NICO:	NICO Holdings plc	USD:	United States Dollar
FSI:	Foreign Share Index	NITL:	National Investment Trust Limited plc	X:	Times
GBP:	Great British Pound	NSO:	National Statistical Office	ZAR:	South African Rand
GDP:	Gross Domestic Product	OMU:	Old Mutual Limited plc		
ICON:	ICON properties plc	OPEC:	Organization of the Petroleum Exporting Countries		
IFPRI:	International Food Policy Research Institute	ORB:	OPEC Reference Basket		
IMF:	International Monetary Fund	PAT:	Profit after tax		
LRR:	Liquidity Reserve Requirement	PCL:	Press Corporation Limited plc		

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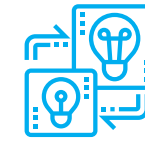
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