



# Malawi Annual Economic Report

2022



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### Inflation

As of November 2022, headline inflation for 2022 averaged 20.5%, an increase from an annual average of 9.3% in 2021. Inflation has been high in 2022 as a result of increases in maize prices from previously experienced weather-related and supply shocks. Inflation was also high as a result of increases in energy and fuel costs from the impacts of the COVID-19 pandemic and the Russia-Ukraine war. The currency devaluation that was sanctioned by the Reserve Bank of Malawi (RBM) in May 2022 has also contributed to the high inflation rate.

The Economic Intelligence Unit (EIU) forecasted 2022 headline inflation to average at 22.0% while the International Monetary Fund (IMF) projected that it will average at 20.8%. The IMF further projected that the average headline inflation will be at 22.7% in 2023. The further increase in the inflation rate in 2023 is expected because of the continued impact of the current global and domestic price pressures.

Headline inflation declined to 25.8% in November 2022 from 26.7% in October 2022. The October 2022 inflation rate was at the highest it has been in the past 7 years. Month-on-month, this represents a marginal decrease of 0.90%. This decline in the inflation rate was as a result of decreases in both food and non-food inflation rates. Food inflation rate was at 33.4% and the non-food inflation was at 17.7% in November 2022.

### Fiscal Policy

The 2022/23 budget was set under the theme “Accelerating Implementation Towards Wealth Creation, Job Creation, and Food Security”. The budget was tabled on 18 February 2022 and was to be implemented from 1 April 2022 to 31 March 2023. The budget was to set the tone for further recovery of the economy from the slowdown in economic growth caused by the COVID-19 pandemic. The national budget was centered on fiscal consolidation, public debt management, fiscal discipline, export diversification and import substitution. Foreign currency shortages and the country’s low forex reserves position were acknowledged as key pressure points in the budget implementation. A revision of the 2022/23 budget was done after a mid-year review in November 2022. The government is attempting to restructure debt, as well as to strengthen debt reduction and debt management.

The 2022/23 revised budget projected total revenue and grants to MK2.01 trillion, a 58% increase from a budgeted total of MK1.27 trillion in the 2021/22 budget. Total expenditure was projected at MK2.85 trillion in the 2022/23 budget. This represents a 43% increase from MK1.99 trillion in the 2021/22 budget. Both recurrent and development expenditure was projected to be higher in the 2022/23 budget than in the 2021/22 budget. The fiscal deficit for the 2022/23 revised budget was at MK0.84 trillion. This represents a 17% increase from a MK0.72 trillion fiscal deficit for the 2021/22 fiscal year. The deficit in both years was to be financed by both domestic and foreign borrowing.

Public debt was reported at MK7.3 trillion as of 30 September 2022. Out of the MK7.3 trillion debt, MK4.0 trillion was external debt while MK3.3 trillion was domestic debt. Public debt is increasing because of growing fiscal deficits that are a result of the country’s limited tax base covering increasing recurrent expenditure.

### Monetary Policy

The Monetary Policy Committee (MPC) raised the policy rate to 14.00% from a previous 12.00% during its second meeting in May 2022. During the fourth MPC meeting of 2022 held on 25 and 26 October 2022, the MPC revised the policy rate upwards to 18.00% from 14.00% that was set in May 2022; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits was maintained at 3.75%; and the Lombard rate was maintained at 20 basis points above the policy rate. According to the RBM, the decision to revise the Policy rate was made in order to curb rising inflation, anchor inflation expectations, and to prevent any second-round effects of the supply-side pressure to inflation. The government expressed commitment to ensure that economic parameters such as inflation rate and economic growth are stabilized using the available monetary policy instruments through the RBM. Throughout 2021, the policy rate was maintained at 12.00% and the LRR on both domestic and foreign reserves was maintained at 3.75%. The Lombard rate was also maintained at 20 basis points above the policy rate. In 2023, the EIU expects the MPC to continue with monetary policy tightening.

### Stock Market

Year-on-year, the Malawi All Share Index (MASI) increased to 62,036.05 points as at 31 December 2022 from 45,367.68 points as at 31 December 2021. The year-to-date return slightly dropped in 2022 to 36.7% from 40.1% realized in 2021. The increase in the MASI in 2022 was on account of share price gains in NBM, ILLOVO, NBS, Standard Bank, AIRTEL, FMBCH, NITL, PCL, FDH Bank, NICO, and SUNBIRD. The share price gains offset share price losses for OMU, TNM, ICON, BHL, and MPICO. In terms of market price movements, NBM shares had the highest price gain in the period, to MK1,542.05 per share as at 31 December 2022 from MK810.12 per share as at 31 December 2021. This represents a 90%, year-on-year share price increase. During the period under review, OMU shares had the highest price loss to MK985.00 per share as at 31 December 2022 from MK2,099.99 per share as at 31 December 2021. This represents a 53% year-on-year share price decrease.

### Exchange Rates

In May 2022, the Reserve Bank of Malawi (RBM) devalued the Malawi kwacha by 25% against the United States Dollar (USD), and other currencies in order to curb inflation and to control for the declining foreign exchange reserves. Based on middle rates, the Malawi Kwacha depreciated against the USD by 26% to MK1,034.67/USD as at 31 December 2022 from MK819.44/USD as at 31 December 2021. Year-on-year, the Malawi Kwacha also depreciated against the British Pound by 6%, and the South African Rand by 9%. During the same period, the Kwacha appreciated against the Euro by 0.7%.

As at November 2022, the gross official forex reserves were USD338.87 million, a decrease of 21% from USD429.17 million in December 2021. The private sector reserves were USD400.77 million as at November 2022, a 6% decrease from USD425.5 million as at 31 December 2021.

### Government Securities

The government awarded a total of MK1.83 trillion through Treasury Bills (TBs) and Treasury Notes (TNs) in 2022. This represents a 60% increase from MK1.14 trillion awarded through the TBs and TNs in 2021. The increase in government borrowing has been on account of increasing fiscal deficits which are being financed through both domestic and foreign borrowing. The closing average TB yield increased to 16.67% in 2022 from 12.41% in 2021. Similarly, the closing average TN yield increased to 25.70% in 2022 from 19.89% in 2021.

### Tobacco Sales

The 2022 tobacco market opened on 31 March 2022. The season ran for 20 weeks, and it closed on 12 August 2022. According to the Tobacco Commission of Malawi, a total of USD182.1 million was generated from the sell of tobacco during the 2022 season. This represents an 8% decline in sales revenue from USD197.1 million raised in 2021. The 2022 tobacco marketing season closed with a cumulative volume of 85.1 million kgs of tobacco sold, a 31.2% decrease from 123.7 million kgs sold in the 2021 season. In terms of prices offered to farmers, the Tobacco Commission reported that the 2022 was the best season so far. The seasonal average price was USD2.14 per kg compared to the 2021 seasonal average price of USD1.59 per kg, this represents a 34.59% increase.

### The International Monetary Fund 2022 Malawi Disbursement under the Rapid Credit Facility

The IMF approved a disbursement of USD88.3 million (about MK91 billion) to Malawi under the Rapid Credit Facility's (RCF's) Food Shock Window in order to address the country's urgent balance of payment needs. The IMF also approved a 12-month Staff Monitored Program (SMP) to pave the way for an IMF-supported Upper Credit Tranche (UCT) program. The IMF program will be supported by fiscal debt restructuring and management, new taxation policies, and improved cash and commitment controls. In addition to this, the RBM is to tighten further money growth, build forex reserves, and to support private sector growth by keeping real interest rates low. The RBM will also monitor the financial sector to ensure stability. The RBM also intends to rebuild its forex buffers through increasing flexibility in the exchange rate through small pilot foreign exchange auctions and development of a forex interbank market. Finally, to support the program the country is to also tackle governance challenges such as corruption and to build the foundation for inclusive growth and resilience to climate shocks.

### Electricity

In 2022, the country was plagued by persistent power outages due to low power supply following damaging of the Kapichira electrical power plant. The plant was damaged by flash floods during the tropical cyclone Ana in January 2022. The cyclone damaged Kapichira's dam and fuseplug, putting the power plant out of operation. The plant generated 130 megawatts (MW) of electricity, which represents almost 23% of the country's total installed power capacity, and a third of the county's domestic electricity generation. Restoration efforts using a USD60 million (about MK62 billion) emergency power restoration grant from the World bank began in September 2022 and was expected to end in December 2022. However, as a result of some delays, restoration of the plant is expected to end in February 2023. Upon completion, the restoration of the Kapichira Hydroelectricity power plant is expected to supply 130 megawatts to the national grid.

In addition to this, a further decline in power supply was a result of the government terminating a power supply contract with Aggrekko in April 2022. Termination of the contract was due to the high cost of services from Aggrekko. Between 2017 and 2022, Aggrekko provided 78 MW to the national grid using 84 generators.

### Fertilizer Prices

In 2022, fertilizer prices were at an all time high in Malawi, averaging between MK65,000 and MK75,000 per 50Kg. This is over a 100% increase from an average price of MK32,140 per 50Kg bag in 2021. According to a policy brief by the Malawi Agricultural Policy Advancement and Transformation Agenda (MwAPATA) institute, the primary drivers of the fertilizer price increase are changes in the global markets, high transport costs, and high exchange rates. Additionally, there are local drivers of fertilizer price increases such as poor weather, low productivity, and lack of government intervention. High fertilizer prices imply that even with good rainfall, agricultural yields in the 2022/23 farming season may be lower as most small-scale farmers may not use fertilizer. Lower agricultural yields may ultimately result in higher maize prices.

### Economic Growth

As a result of factors such as unfavourable rainfall patterns which affected agricultural yields, intermittent electricity power supply and the Russian-Ukrainian conflict which has led to the increase of global commodity prices, economic growth measured by growth in the real Gross Domestic Product (GDP), is expected to decline between 2021 and 2022. The IMF projected the GDP to grow by 0.8% in 2022 from 2.2% in 2021 while the EIU projected the GDP to grow by 1.8% in 2022 from 5.8% in 2021. The Malawi government projected GDP growth to grow by 1.7% in 2022 from 4.2% in 2021.

The IMF and the EIU project the GDP to grow by 2.2% and 3.0% in 2023, respectively. The Malawi government projects that in 2023, GDP will grow by 2.6%. Projected higher economic growth in 2023 is expected to result from an economic recovery as the economy adjusts to the global and domestic shocks it experienced in 2022 though challenges still prevail.

### Risks

Exchange rate risk compounded by global inflationary pressure stemming from increasing prices of imports and decreasing export prices on the international market. The current increase in domestic food prices together with increasing price of fuel and energy is expected to risk increasing inflation and further depreciation of the domestic currency. This is expected to also exert pressure on the fiscal deficit that is already high.

Secondly, an expected electricity tariff hike in 2023 by the Electricity Supply Commission of Malawi (ESCOM), Electricity Generation Company (EGENCO), and the Malawi Energy Regulatory Authority (MERA). This is projected to have a bearing on the inflation rate since utilities such as electricity and water plus housing collectively make up 21.4%, the second highest proportion of contribution in the computation of the inflation rate by the National Statistical Office (NSO).

Thirdly, the country risks lower agricultural yields in the 2022-23 agricultural season due to increasing prices of fertilizer on the global market and challenges faced in the implementation of the Affordable Inputs Programme (AIP). Weather-related shocks remain a major risk in Malawi's economy which is dependent on rain-fed agriculture. As climate change models point to risks associated with increased frequency of droughts and water shortages in southern Africa, the risk poses short and long-term consequences on the domestic economy.

Lastly, the risk of power supply insufficiency. While renovation efforts at the Kapichira Hydroelectricity power plant are underway following extensive damage by a cyclone earlier this year, the country continues to face a deficit of electricity supply, coupled with intermittent power availability and extended periods of power outages.

## Economic Overview



## Economic overview

### Inflation (Source: NSO, IFPRI, RBM, IMF, EIU, MERA)

*Annual average headline inflation increased to 20.5% in 2022 from 9.3% in 2021 on account of an increase in both food and non-food inflation.*

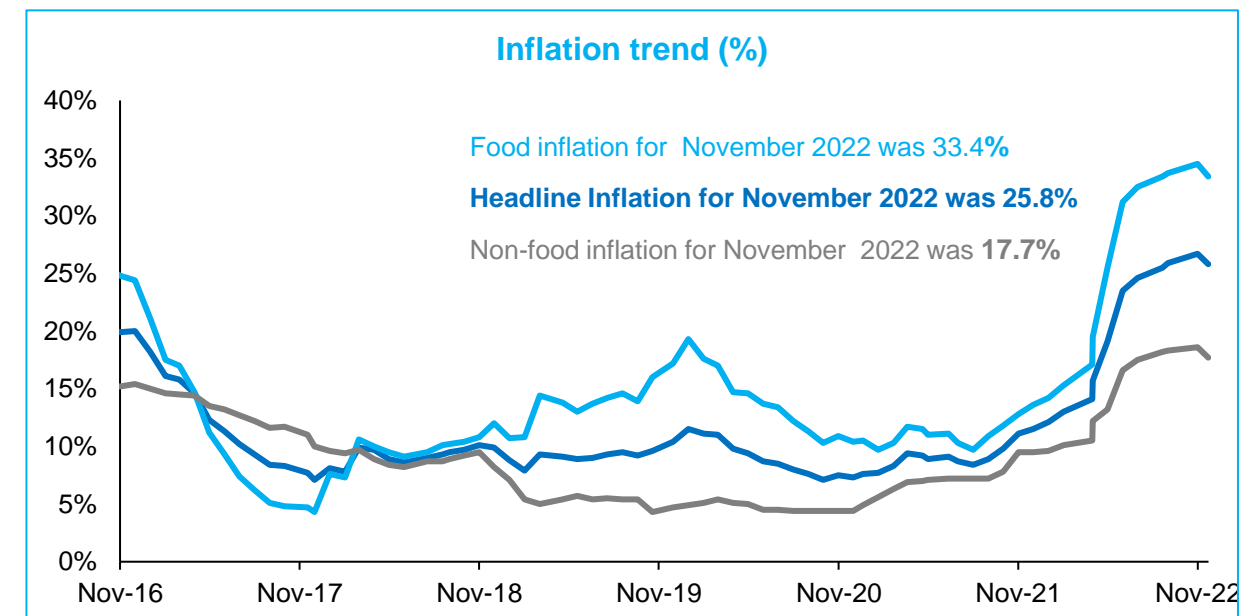
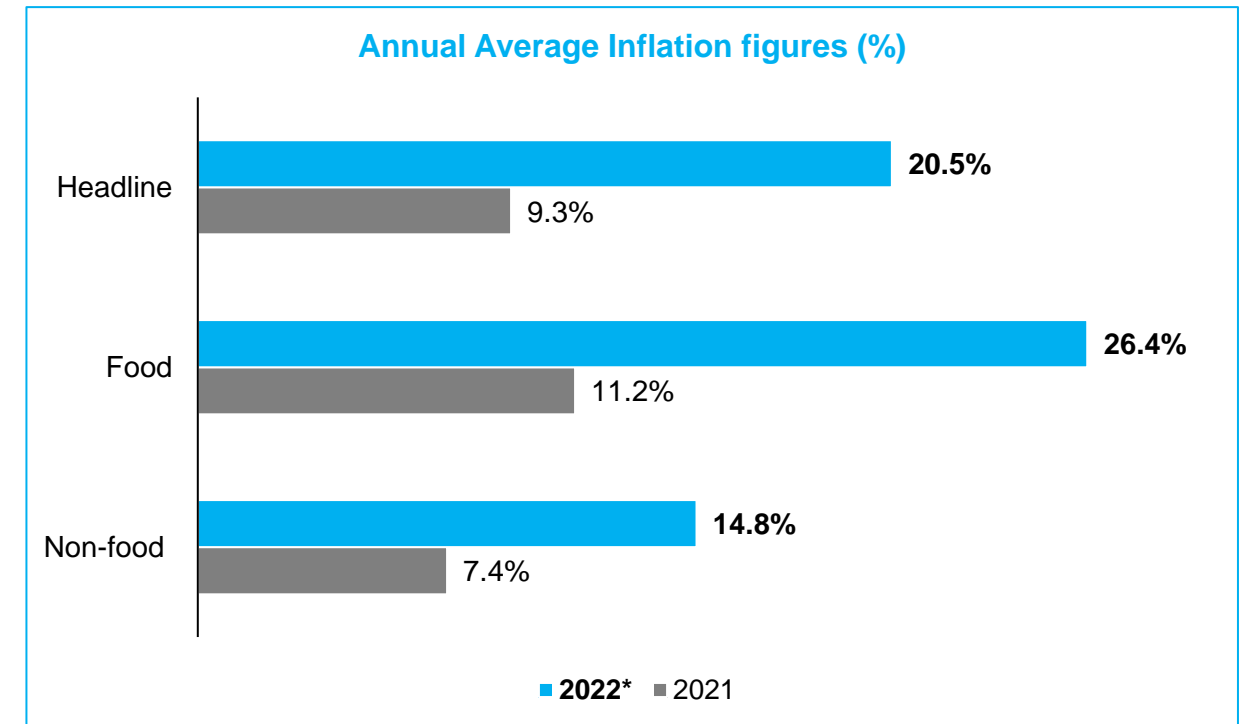
*Month-on-month, headline inflation decreased to 25.8% in November 2022 from 26.7% in October 2022. The decrease was on account of decreases in both food and non-food inflation.*

As of November 2022, headline inflation for 2022 averaged 20.5%. This is an increase from an annual average headline inflation of 9.3% in 2021. The increase in the headline inflation is on account of increases in the average food and non-food inflation rates. As of November 2022, the average food inflation was at 26.4% from 11.2% in 2021. Food inflation was high in 2022 because of the sustained high costs of food due to weather-related shocks and supply-side inconsistencies for agricultural inputs that led to lower yields and higher prices. Similarly, the average non-food inflation as of November 2022 was at 14.8% from 7.4% in 2021. The increase in non-food inflation has been attributed to increasing energy prices, lingering effects of the COVID-19 pandemic and the impacts of the Russian-Ukrainian war which have all resulted in increasing global commodity prices.

In May 2022, the NSO revised the country's Consumer Price Index (CPI) basket used in computing inflation. The revision set food to contribute 53.7% to the CPI from the previous 45.2%. The new weights were based on expenditure patterns relating to consumption for all households in the country derived from the most recent Integrated Household Survey (IHS 5). The revision implies that people are now spending more on food than other items. According to the International Food Policy Research Institute (IFPRI), the average maize price for 2022 was MK296.92/Kg, 91% higher compared to MK155.42/Kg in 2021. According to MERA, the average price of petrol has increased by 52% to MK1,746.00/litre as at 31 December 2022 from MK1,150.00 as at 31 December 2021. Similarly, the price of diesel has increased by 71% to MK1,920/litre as at 31 December 2022 from MK1,120.00/litre as at 31 December 2022.

The current average headline inflation rate for 2022 is slightly lower than projected by the IMF, MPC and the EIU. The MPC projected that the 2022 annual average rate will be at 21.5% while the IMF projected that the annual average will be at 20.8%, The EIU projected that the annual average rate for 2022 will be at 22.0%. According to the RBM, the lower-than-expected headline inflation rate can be attributed to the impact of the MPC's adjustment of the policy rate in October 2022.

Month-on-month, headline inflation decreased to 25.8% in November from 26.7% in October 2022. The decline was a result of decreases in both the food and non-food inflation to 33.4% (October 2022: 34.5%) and 17.7% (October 2022: 18.6%), respectively, in November 2022. Inflation for October 2022 was the highest recorded rate in the past 7 years.



\* : 2022 averages for the first 11 months as inflation for December 2022 was not published by the NSO at the time this report was prepared.



## Economic overview (Continued)

### Government securities (Source: RBM)

The government awarded a total of MK1.83 trillion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in 2022, an increase of 78% from MK1.14 trillion awarded through TBs and TNs auctions in 2021.

The TBs applications had a rejection rate of 10.17% in 2022, an increase from a rejection rate of 4.7% in 2021. Similarly, the TNs applications had a rejection rate of 9.5% in 2022, an increase from a rejection rate of 4.01% in 2021.

The closing average TB yield increased to 16.67% in 2022 from 12.41% in 2021. Likewise, the closing average TN yield increased to 25.70% in 2022 from 19.89% in 2021.

#### Treasury Bills (TBs)

In 2022, total applications for TBs amounted to MK662 billion. This represents a 61% increase from MK410 billion that was applied for in 2021. In the year 2022, the government awarded a total of MK595 billion through the TBs auctions. This represents an increase of 51% from MK392 billion that was awarded in 2021. The increase in government borrowing in 2022 has been on account of increasing fiscal deficits which are being financed through both domestic and foreign borrowing. The TBs applications had a 10.17% rejection rate in 2022 which is higher compared to the 4.7% rejection rate in 2021.

Quarter-on-quarter, applications totaling MK197.34 billion were made in the last quarter of 2022, a 40% increase from MK140.87 billion applied for in the third quarter of 2022. Likewise, the government awarded a total of MK150.65 billion through TBs in the last quarter of 2022, this represents a 19% increase from MK126.78 billion that was awarded in the third quarter of 2022.

#### Treasury Notes (TNs)

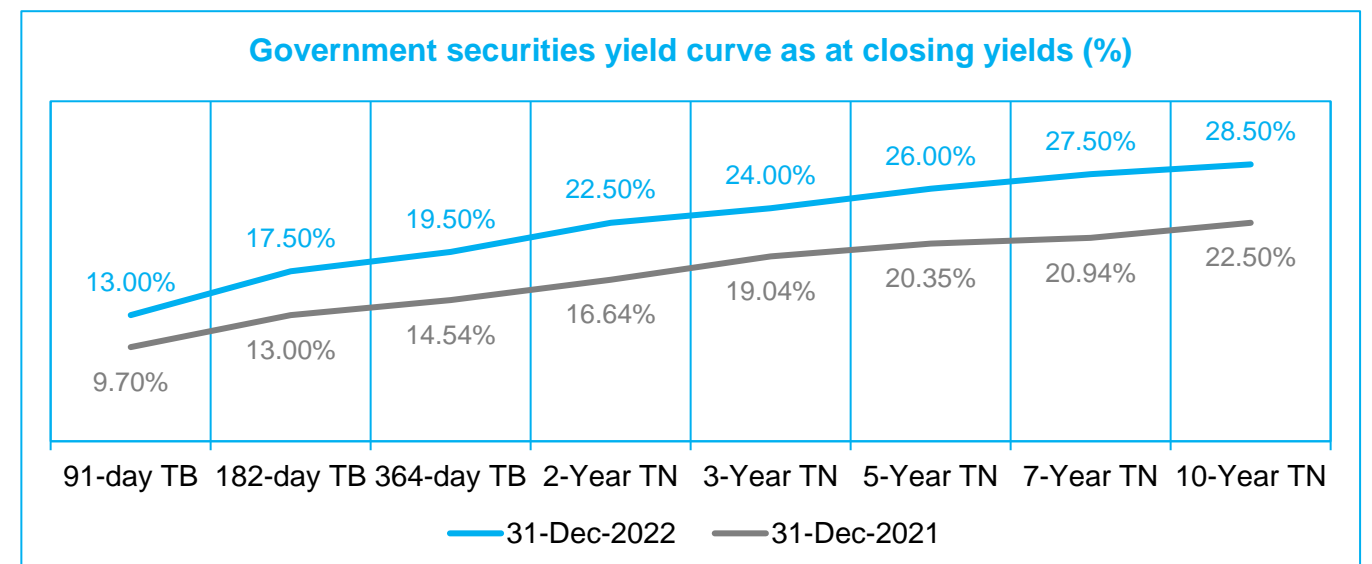
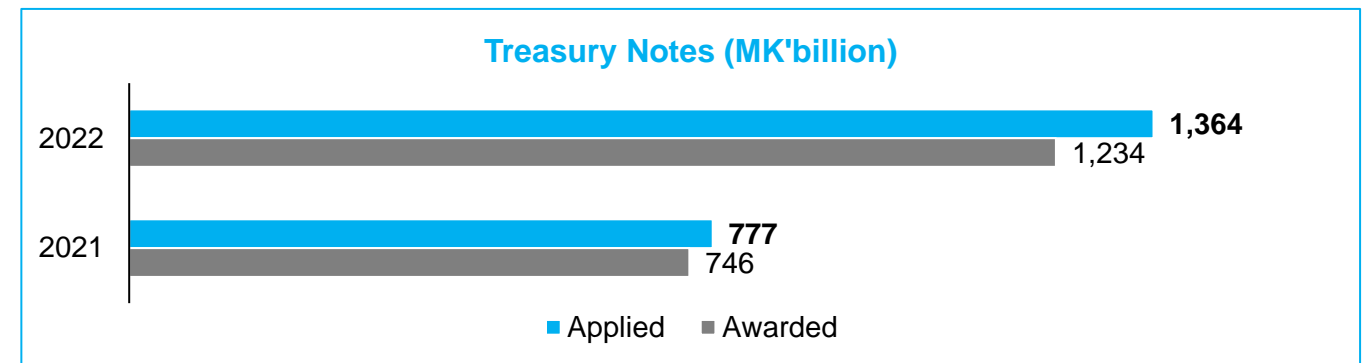
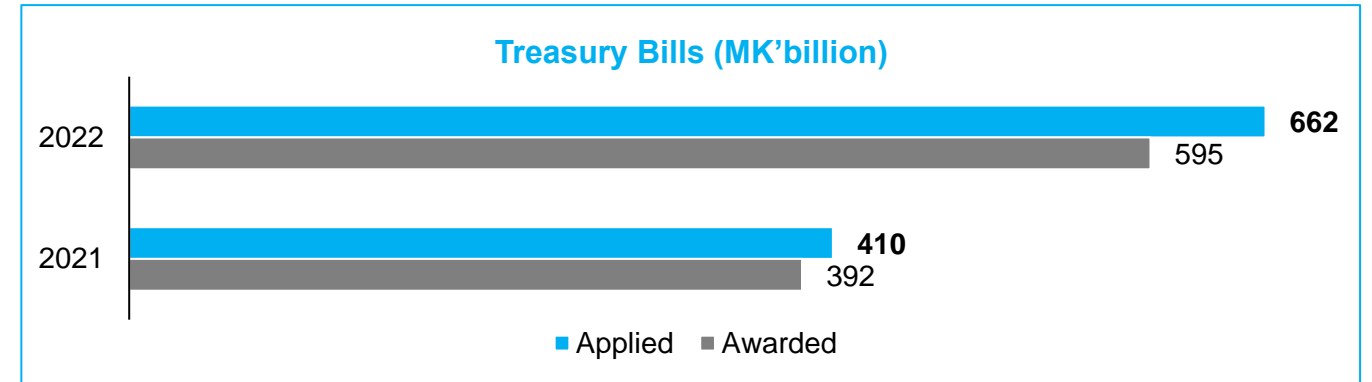
In 2022, total applications for TNs amounted to MK1.36 trillion, an increase of 76% from a total of MK777 billion applications in 2021. During the period under review, the government awarded a total of MK1.23 trillion through the TNs auction. This represents a 65% increase from MK746 billion that was awarded in 2021. The government increased domestic borrowing between 2021 and 2022 to finance increasing fiscal deficits. The TN applications had a rejection rate of 9.5% in 2022, an increase from a rejection rate of 4.01% in 2021.

In the last quarter of 2022, a total of MK418 billion was applied for in TNs auctions. This represents an increase of 34% from MK311 billion applied for in the third quarter of 2022. Similarly, the government awarded a total of MK356 billion in the last quarter of 2022. This represents a 24% increase from MK286 billion awarded in the third quarter.

#### Government Securities Yields

The closing average TB yield increased to 16.67% in 2022 from 12.41% in 2021. Similarly, the closing average TN yield increased to 25.70% from 19.89% during the period under review.

The closing average TB yield increased to 16.67% in the fourth quarter of 2022 from a closing average of 14.63% in the third quarter. Similarly, The closing average TN yield increased to 25.70% In the last quarter of 2022 from a closing average of 24.70% in the third quarter.







## Economic overview (Continued)

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

*Year-on-year, the Malawi Kwacha has depreciated against the United States Dollar by 26%.*

*Year-on-year, the Malawi Kwacha has also depreciated against the British Pound by 6%, and the South African Rand by 9%. The Kwacha appreciated against the Euro by 0.7%.*

*The gross official forex reserves in November 2022 were USD339 million, a decrease of 21% from USD429 million in December 2021. This translates to an import cover of 1.36 months, a decrease of 21% from 1.72 months in December 2021.*

#### Foreign currency market

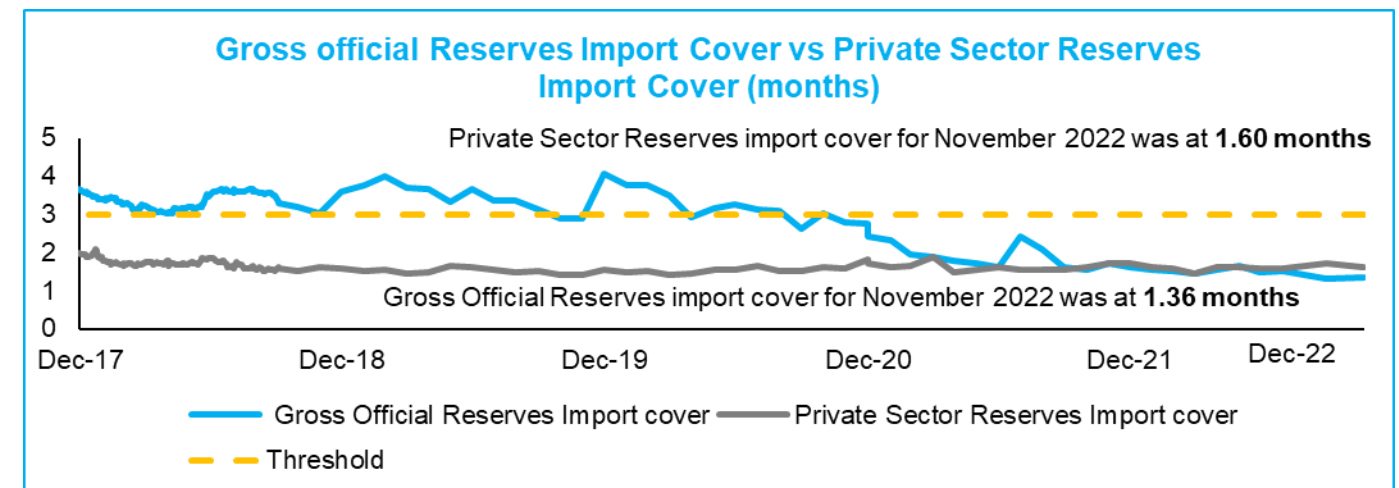
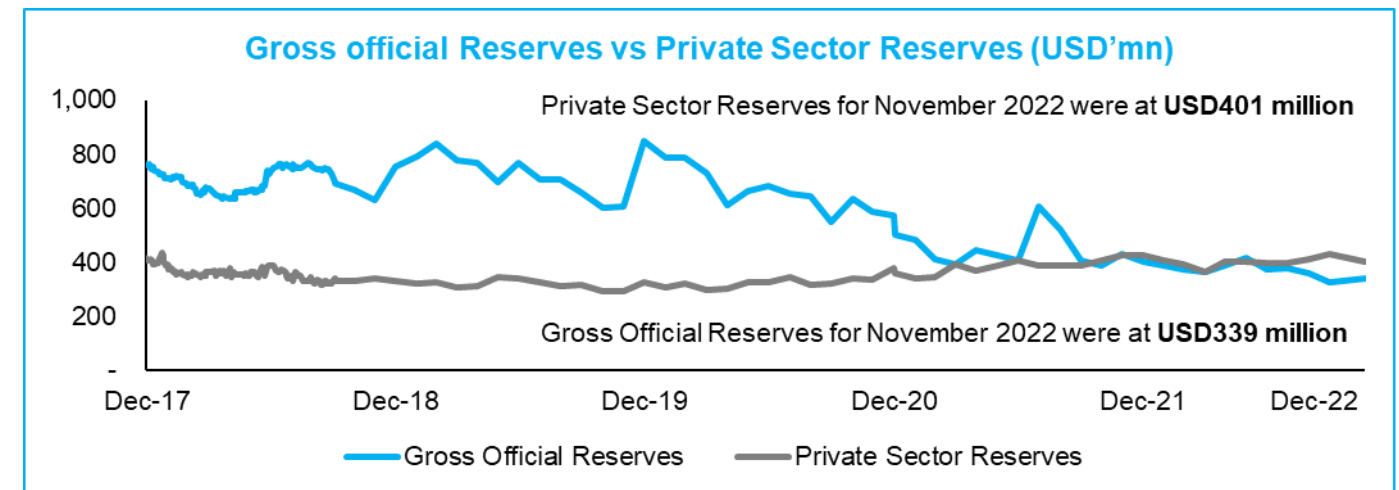
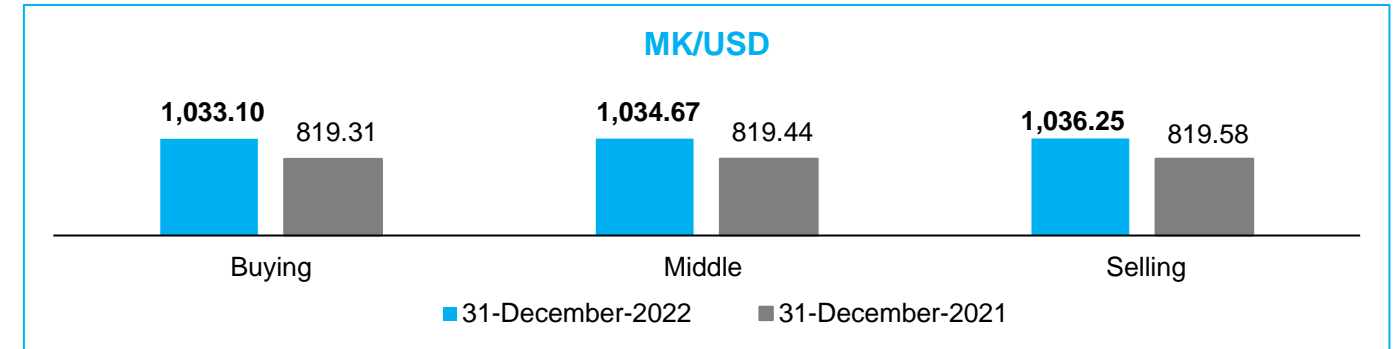
In May 2022, the RBM devalued the Malawi kwacha by 25% against the United States Dollar (USD) and other currencies in order to curb inflation and to control for the declining foreign exchange reserves in 2022. These challenges were a result of currency supply-demand inconsistencies. The currency devaluation was the largest currency devaluation in the country since a 33% devaluation in 2012. The devaluation followed prior failed attempts at trying to control the forex challenges through measures such as continuous intervention in the forex market and an introduction of a mandatory sale of 30% export earnings to the RBM. After the devaluation, the RBM continued to allow the exchange rate to adjust to market clearing position in what is called a “managed float” foreign exchange regime that allows exchange rate movements to reflect the market.

As at 31 December 2022, the Kwacha had depreciated against the USD by 26% to MK1,034.67/USD from MK819.44/USD at 31 December 2021. Year-on-year, the Kwacha also depreciated against the British Pound by 6%, and the South African Rand by 9%. However, the Kwacha appreciated against the Euro by 0.7%. The annual average USD exchange rate was MK963.47/USD in 2022 compared to MK807.27/USD in 2021.

#### Foreign reserve position

As at 30 November 2022, the country’s gross official forex reserves decreased by 21% to USD338.87 million from USD429.17 million as at 31 December 2021. The private sector foreign reserves decreased by 5.8% to USD400.77 million as at 30 November 2022 from USD425.52 million as at 31 December 2021. Total forex reserves held as of 30 November 2022 were at USD739.64 million, this was a 13% decrease from USD854.69 million held as at 31 December 2021.

The import cover for the gross official foreign exchange reserves in November 2022 was at 1.36 months while the import cover for private sector foreign exchange reserves was at 1.60 months. This represents a 21% and a 6% decrease from 1.72 months and 1.70 months, for gross official and private sector forex reserves, respectively, during the period under review. The total forex reserves import cover in November 2022 was 2.96 months from an import cover of 3.42 months in December 2021. The import cover was below the required threshold of 3 months for November 2022.





## Economic overview (Continued)

### Stock market (Source: MSE)

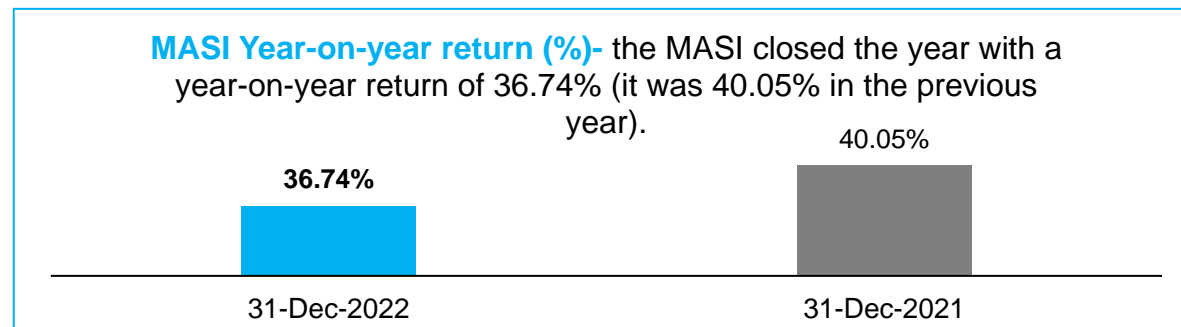
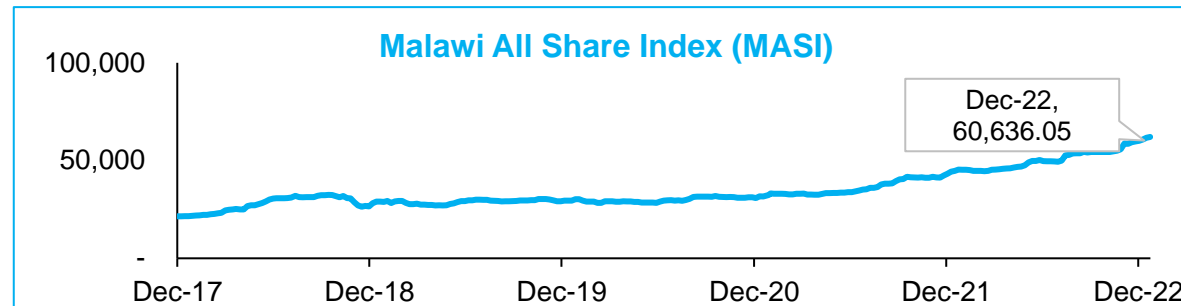
The stock market was bullish during the period under review as the MASI closed 31 December 2022 at 62,036.05 points from 45,367.68 points as at 31 December 2021.

The MASI year-on-year return was 36.74% as at 31 December 2022, a decrease from 40.05% as at 31 December 2021.

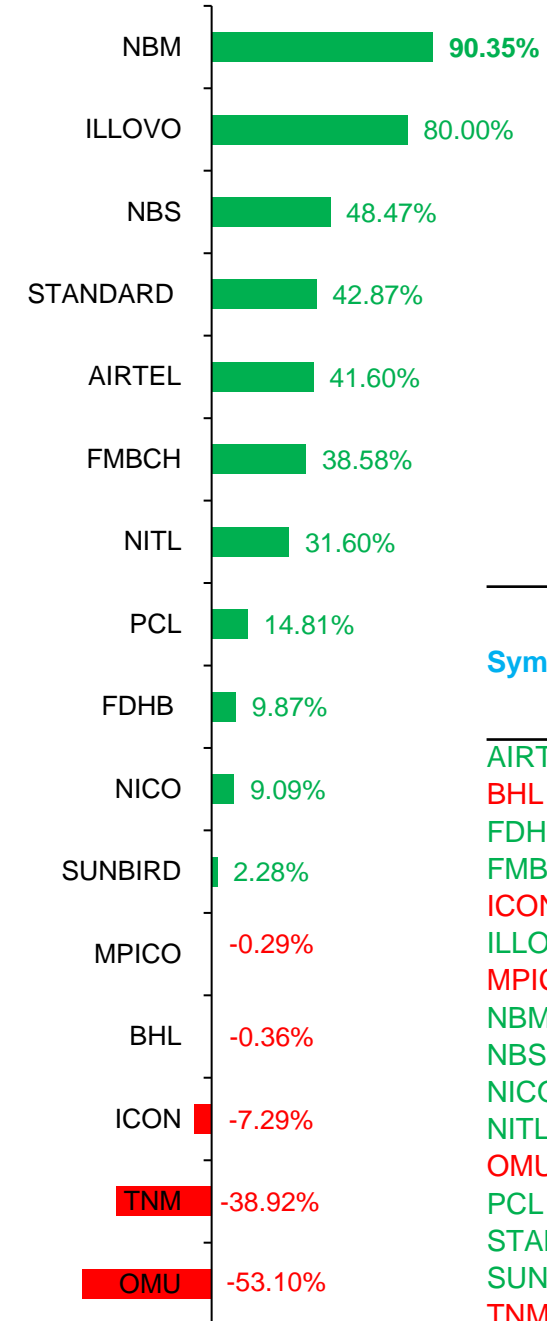
The stock market was bullish over the year with the MASI increasing by 36.74% to 62,036.05 points as at 31 December 2022 from 45,367.68 points as at 31 December 2021. However, this is a decline from a MASI year-on-year return of 40.05% as at 31 December 2021. Quarter on quarter, the MASI increased to 62,036.05 points in the last quarter from 54,389.92 at the end of the third quarter. This represents a 14% quarter-on-quarter increase.

There were share price gains in NBM, ILLOVO, NBS, Standard Bank, AIRTEL, FMBCH, NITL, PCL, FDH Bank, NICO, and SUNBIRD. In terms of market price movements, NBM shares had the highest price gain in the period, to MK1,542.05 per share as at 31 December 2022 from MK810.12 per share as at 31 December 2021. This represents a 90%, year-on-year share price increase. The share price gains offset share price losses for OMU, TNM, ICON, BHL, and MPICO. During the period under review, OMU shares had the highest price loss, to MK985.00 per share as at 31 December 2022 from MK2,099.99 per share as at 31 December 2021. This represents a 53% year-on-year share price decrease.

In terms of share prices, NBS had the highest quarter-on-quarter share price increase of 50% to MK34.00 per share from MK22.66 per share. This was followed by NBM, whose share price increased by 33%, to MK1,542.05 in the last quarter of 2022 from MK1,160.04 in the third quarter. OMU had the highest quarter-on-quarter share price loss of 38%, to MK985.00 per share in the last quarter from MK1,600.00 per share in the third quarter.



### Year-on-year share price percentage change (%)



Symbol	Closing prices (MK/share)	
	31 December 2022	31 December 2021
AIRTEL	56.64	40.00
BHL	10.97	11.01
FDHB	17.37	15.81
FMBCH	110.86	80.00
ICON	11.95	12.89
ILLOVO	540.00	300.00
MPICO	20.64	20.70
NBM	1,542.05	810.12
NBS	34.00	22.90
NICO	60.00	55.00
NITL	124.99	94.98
OMU	985.00	2,099.99
PCL	2,181.37	1,900.00
STANDARD	2,000.16	1,400.00
SUNBIRD	92.06	90.01
TNM	14.00	22.92



## Economic overview (Continued)

### Stock market (Source: MSE)

The total value of shares traded increased by 37% to MK51.72 billion in 2022 from MK37.69 billion in 2021.

The total nominal value of the listed debt securities increased to MK2.67 trillion in 2022 from MK1.64 trillion in 2021. This represents a 63% increase.

ILLOVO Sugar Malawi's profit after tax for the year ended 31 August 2022 was MK26.6 billion, a 29.9% increase from MK20.47 billion in the previous year.

#### MSE Traded Volumes

A total of MK51.72 billion worth of shares were traded in 2022, a 37% increase from MK37.69 billion worth of shares traded in 2021. NBM and ILLOVO had the highest value of shares traded at MK8.77 billion and MK8.18 billion respectively, during the period under review. The total volume of shares traded for 2022 was 1.40 billion. This represents an 8% increase from 1.30 billion of shares traded in 2021. In 2022, the total number of trades increased to 4,271 trades from 3,304 trades in the previous year.

#### Listed Debt market

There was only a single trade registered in the listed debt market for 2022 which took place in April 2022. The traded security was a Treasury Note (TN) security (Trading symbol T25NT). A total of 1,000 certificates for the TN security with a face value of MK1,000,000 were transacted at a dirty price of MK84.39. There were 67 debt securities on the listed debt market in 2022. This represents a 21% increase from 54 debt securities on the listed debt market in 2021. The total nominal value of all listed debt securities increased by 63% to MK2.67 trillion in 2022 from MK1.64 trillion in 2021.

#### Corporate Announcements

#### Financial year Trading Statements

The following companies wish to advise the public that their profit/loss after tax for the financial year is expected to be higher or lower than the previous corresponding period by the specified amount.

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	31 December 2022	31 December 2021	Trading statement profit/loss expectation
FDHB	17.51	11.67	50%
BHL	(0.60)	(0.75)	20%
SUNBIRD	2.55	0.75	240%
TNM	0.97	9.69	90%
NBS	16.15	7.69	110%
FMBCH (USD'million)	28.39	21.84	30%
ICON	14.64	8.61	70%
NBM	45.41	34.93	30%
NITL	6.31	4.67	35%
NICO	15.58	9.74	60%

#### Value of Shares Traded (MK'billion)



#### Listed Debt Market Nominal Value (MK'trillion)



#### Published Financial year Trading Statements

ILLOVO's profit after tax for the financial year ended 31 August 2022 increased by 29.9% against a trading statement profit/loss expectation of 30%.

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	31 August 2022	31 August 2021	Actual change in profit/loss for the year	Trading statement profit/loss expectation
Illovo Sugar Malawi	26.6	20.47	29.9%	30%

#### Dividends

Counter	Dividend type	Proposed/declared	Dividend per share (MK)	Last day to register	Date of payment
ILLOVO	Final	Proposed	5.44	TBA	TBA
FDH	Second interim	Declared	0.87	23 December 2022	30 December 2022
STANDARD	Second interim	Declared	12.78	20 January 2023	30 January 2023

## Other Market Developments



## Other Market Developments

### Fiscal Policy (Source: Ministry of Finance)

*The fiscal deficit for the 2022/23 fiscal year was projected at MK840 billion, a 17% increase from MK720 billion in the 2021/22 budget. This was on account of increases in both total revenues and grants as well as total expenditure for the period.*

#### 2022/23 National Budget Overview

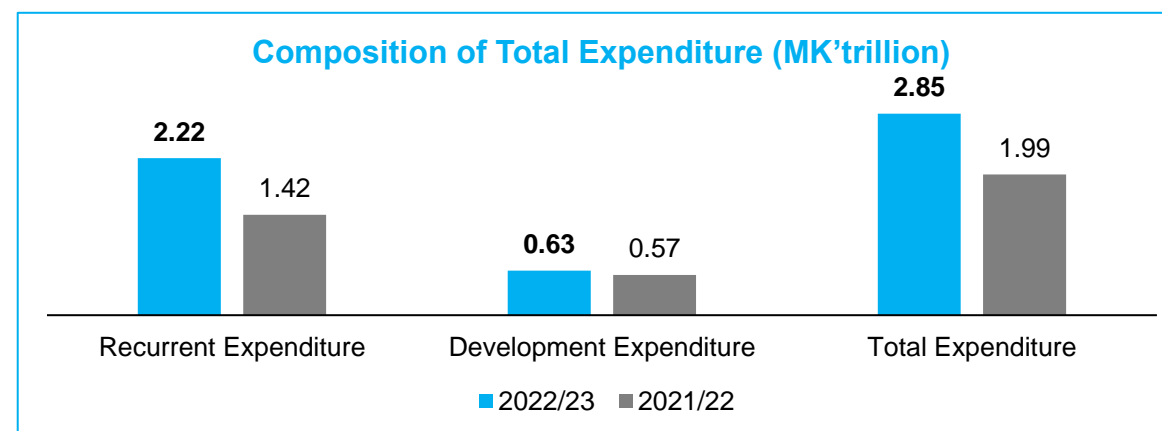
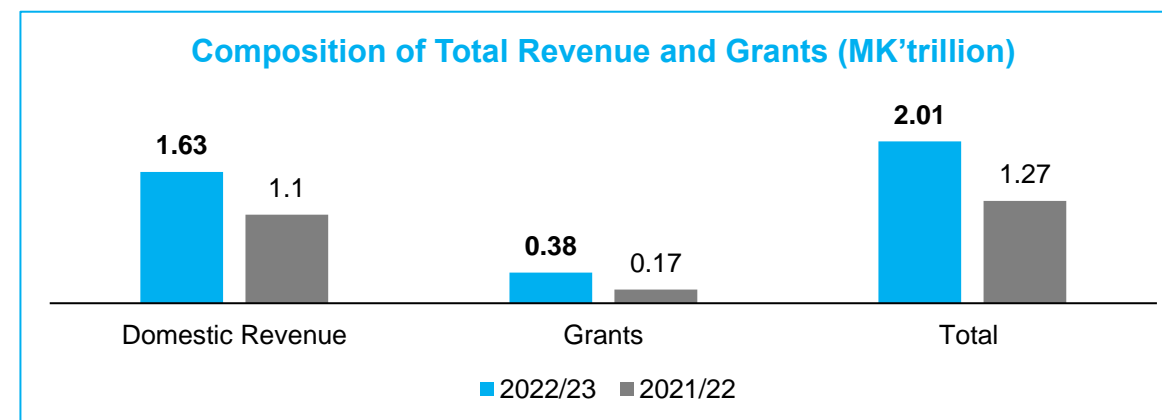
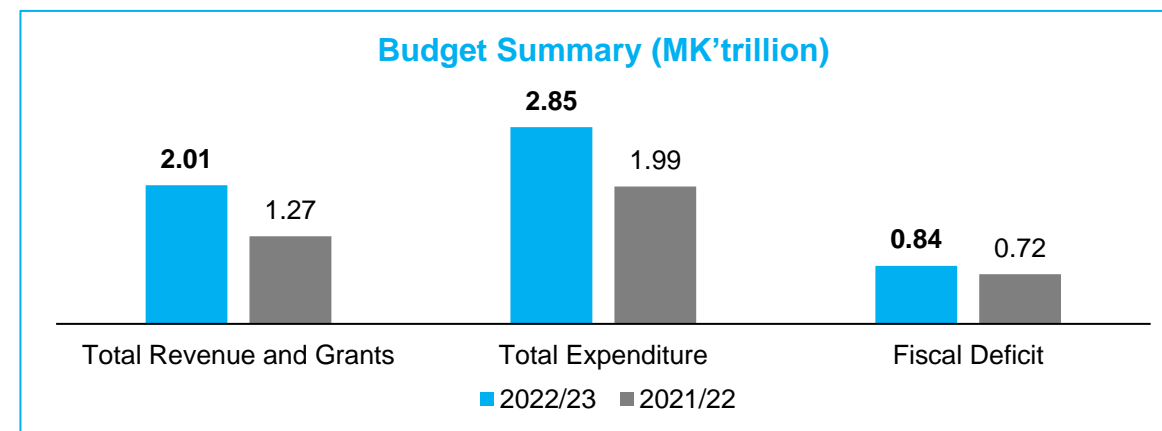
The 2022/23 National budget was developed under the theme “Accelerating Implementation Towards Wealth Creation, Job Creation, and Food Security”. The budget which is to run from 1 April 2022 to 31 March 2023, was to set the tone for the further recovery of the economy from the slowdown in economic growth caused by the COVID-19 pandemic. The national budget was centered on fiscal consolidation, public debt management, fiscal discipline, export diversification, and import substitution. At the time it was tabled, foreign currency shortages and the country’s low forex reserve position were acknowledged as key pressure points in the budget implementation. A mid-year budget review took place in November 2022, and adjustments to total expenditure and new total revenue projections were approved.

The 2022/23 revised budget projected total revenue and grants to MK2.01 trillion, a 58% increase from a budgeted total of MK1.27 trillion in the 2021/22 budget. The increase was on account of expected increases in both domestic revenue and grants in the 2022/23 financial year. Domestic revenue was projected at MK1.63 trillion while revenue from grants were projected to be at MK0.38 trillion. This represents a 48% and 124% increase, respectively from MK1.10 trillion and MK0.17 trillion in the 2021/22 budget.

Total expenditure was projected at MK2.85 trillion in the 2022/23 revised budget. This represents a 43% increase from MK1.99 trillion in the 2021/22 budget. Both recurrent and development expenditure was projected to be higher in the 2022/23 revised budget than in the 2021/22 budget. Budgeted recurrent expenditure increased by 56%, to MK2.22 trillion in 2022/23 from MK1.42 trillion in 2021/22. Budgeted development expenditure increased by 11%, to MK0.63 trillion in 2022/23 from MK0.57 trillion in 2021/22.

Projected total expenditure is higher than projected total revenue and grants in both fiscal years. This implies that both budgets were to be implemented on a deficit. The fiscal deficit for the 2022/23 revised budget was at MK0.84 trillion. This represents a 17% increase from a MK0.72 trillion fiscal deficit for the 2021/22 fiscal year. The deficit in both years was to be financed by both domestic and foreign borrowing. Planned domestic and foreign borrowing were higher in 2022/23 compared to 2021/22.

The differences in the amounts allocated in the budgets for the 2022/23 and 2021/22 fiscal year can be attributed to differences in the duration of the fiscal years aside from factors such as inflation and changes in government priorities. The 2021/22 fiscal year was 9 months long while the 2022/23 fiscal year is 12 months long.





## Other Market Developments (Continued)

### Fiscal policy (Source: Ministry of Finance) (Continued)

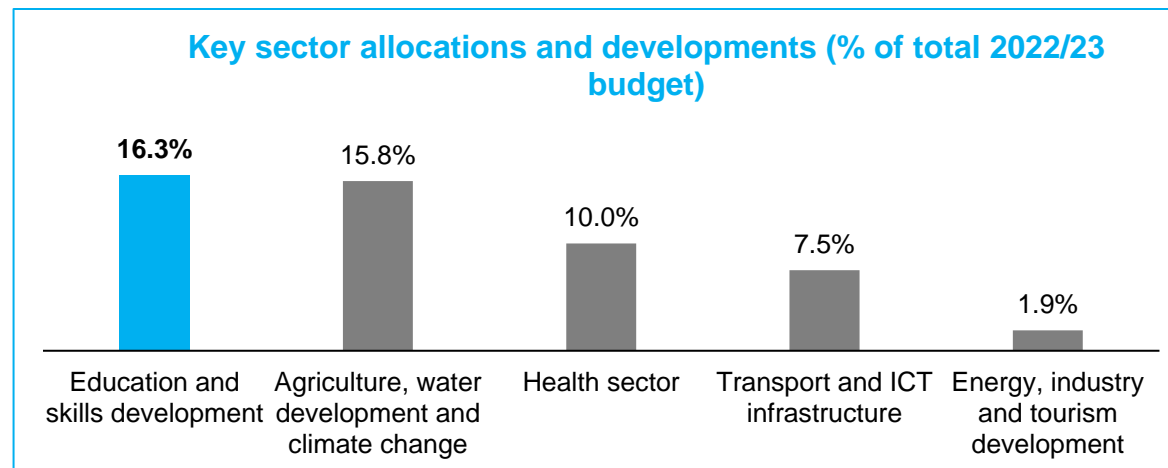
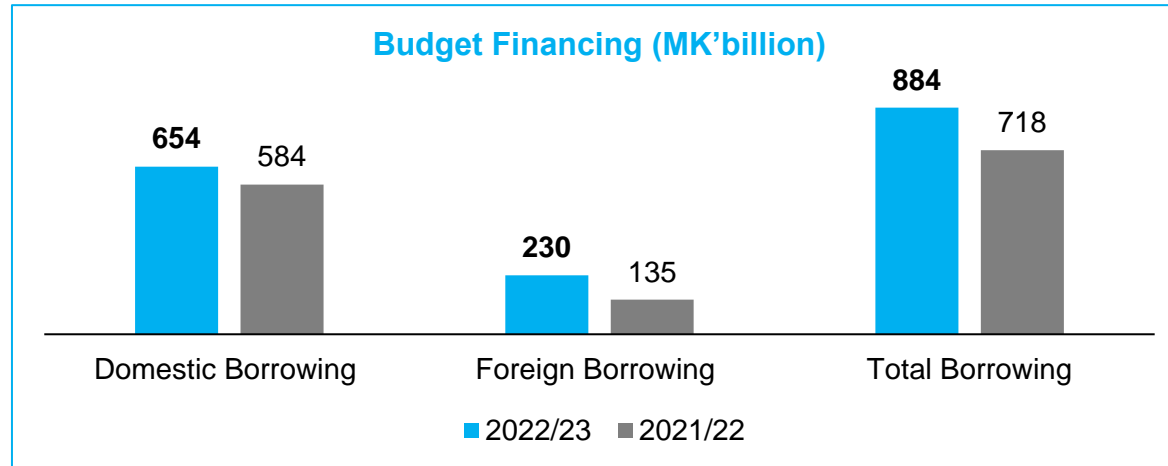
The 2022/23 budget projected a total borrowing of MK884 billion, a 23% increase from MK718 billion total borrowing in the 2021/22 budget.

Public debt was reported at MK7.3 trillion as of 30 September 2022. Out of the MK7.3 trillion debt, MK4.0 trillion is external debt while MK3.3 trillion is domestic debt.

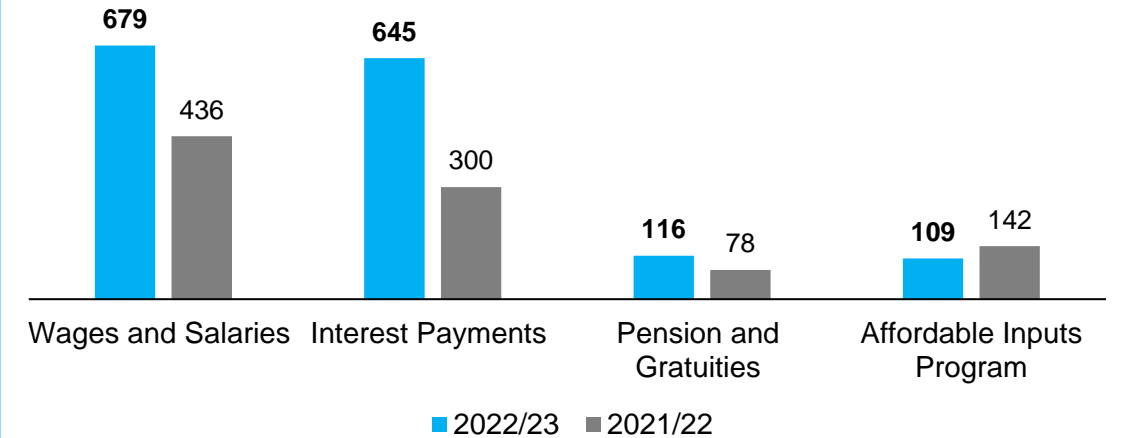
### 2022/23 National Budget Overview (Continued)

The fiscal deficit for the 2022/23 budget is to be financed through both domestic and foreign borrowing. The government projects that a total of MK884 billion will be borrowed to finance the 2022/23 budget. This represents a 23% increase from MK718 billion that was projected as total borrowing to finance the 2021/22 budget. The increase was on account of increases in domestic borrowing to MK654 billion in 2022/23 from MK584 billion in 2021/22 and foreign borrowing, to MK230 billion in the 2022/23 budget from MK135 billion in the 2021/22 budget.

In terms of sector allocations, the education sector got the highest share of the 2022/23 budget at 16.3%. The Agriculture and the health sectors got the second and third largest shares at 15.8% and 10.0% , respectively.

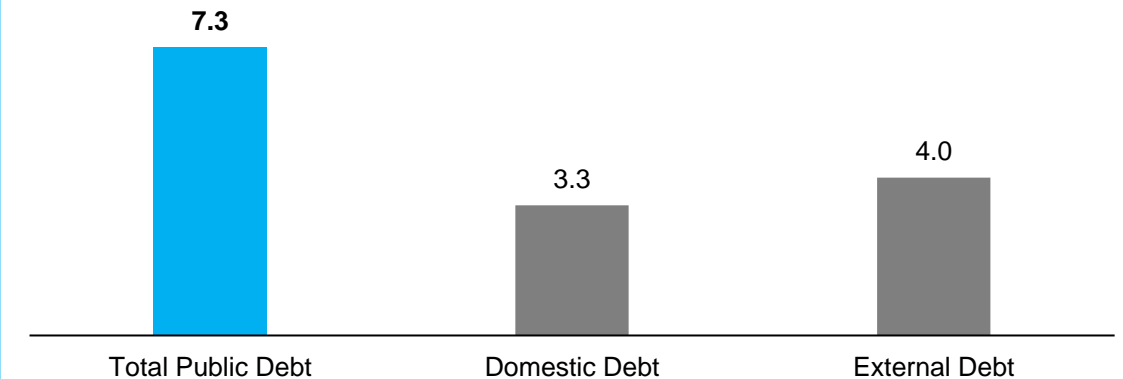


**Recurrent Expenditure Allocations (MK'billion)** - all recurrent expenditure allocations increased in the 2022/23 budget compared to 2021/22 except for expenditure allocated for the AIP which was reduced



### Malawi's Debt Profile as at 30 September 2022 (MK'trillion)

- rising debt has been caused by persistent budget deficits, suspension of budgetary support, clearing of previously incurred arrears and natural economic shocks





## Other Market Developments (Continued)

### Fiscal Policy and Monetary Policy (Source: Ministry of Finance, RBM)

*The government intends to carry out various reforms for fiscal consolidation, public debt management, fiscal discipline, export diversification, and import substitution.*

*The MPC made an upward adjustment of the policy rate twice during its second and fourth quarterly meetings in 2022. The policy rate was adjusted to 18.00% from 14.00% in October 2022 and the LRR ratio on both domestic and foreign deposits was maintained at 3.75% while the Lombard rate was maintained at 20 basis points above the policy rate.*

#### Government Reforms in the 2022/23 National Budget

In the course of implementing the 2022/23 budget, the government planned on carrying out various reforms in the management of public funds. The planned reforms were set to address issues of fiscal consolidation, public debt management, fiscal discipline, export diversification and import substitution. These reforms have been outlined below:

##### Public Debt Management

This will be done through the involvement of creditors to treat and to restructure debt, as well as to strengthen debt reduction and debt management. The government will obtain concessional loans to finance high return investments and pay back expensive and non-concessional loans.

##### State Owned Enterprises (SOEs) Performance

The government commissioned commercial SOEs to open accounts with the RBM. This is to enhance monitoring of revenue collected by the SOEs and to address challenges such as the failure of SOE's to remit funds to the government and to reduce the tendency of government borrowing its own resources.

##### Foreign Exchange Reserves

Following the 25% devaluation in May 2022, the government will continue to pursue a flexible exchange rate regime so that the exchange rate continues to be market-determined while controlling for excess exchange rate volatility. The government is encouraging increasing production of exports and using policies such as the requirement that 30% of forex earnings must be sold to the RBM. In addition to this, the government intends on engaging the IMF for another credit facility.

##### New Integrated Financial Management Information System (IFMIS)

The government will implement a new IFMIS project that will improve public fund management.

##### Additional Reforms

The government plans on curbing the inflation rate by tightening government expenditure and addressing supply constraints to boost production as well as exports.

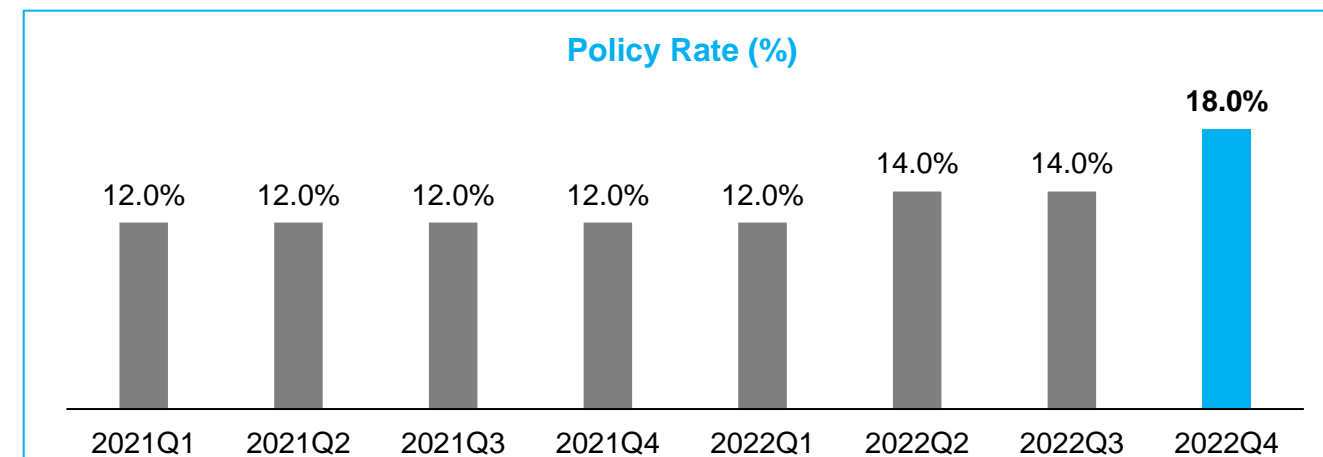
The government has also committed to ensuring that implemented budget cuts do not impact poor households or impede economic growth.

#### Monetary Policy (Source: RBM)

The Monetary Policy Committee (MPC) raised the policy rate by 200 basis to 14.0% from a previous 12.0% during its second meeting in April 2022. The adjustment was made in an attempt to contain the impact of price pressures caused by the impacts of the COVID-19 pandemic, supply-demand imbalances, supply-chain disruptions, as well as, rising global food and energy prices caused by the Russia-Ukrainian war. The Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits was maintained at 3.75%; and the Lombard rate was maintained at 20 basis points above the policy rate. The policy rate was maintained at 14.0% during the third meeting held in July 2022. The MPC decided to maintain the policy rate at 14.0% to allow for more time for the impact of the April 2022 policy rate upward adjustment to transmit through the economy. A further adjustment was to be necessitated by a persistence of inflationary pressures.

During the fourth MPC meeting of 2022 held on 25 and 26 October 2022, the MPC revised the policy rate to 18.0%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits was maintained at 3.75%; and the Lombard rate was maintained at 20 basis points above the policy rate. This decision was made in order to curb rising inflation, anchor inflation expectations, and to prevent any second-round effects of the supply-side pressure to inflation.

The EIU expects a persistence of monetary policy tightening in 2023 through upward adjustment of the policy rate up to 20% by end-2024. The government expressed commitment to ensure that economic parameters such as inflation rate and economic growth are stabilized using the available monetary policy instruments through the RBM.





## Other Market Developments (Continued)

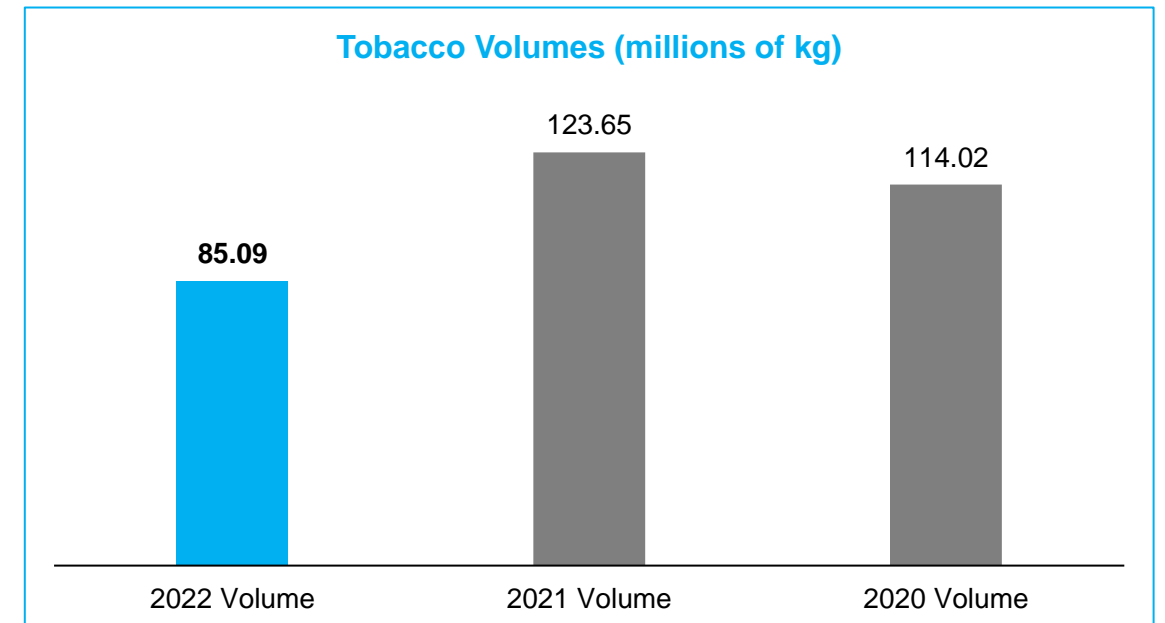
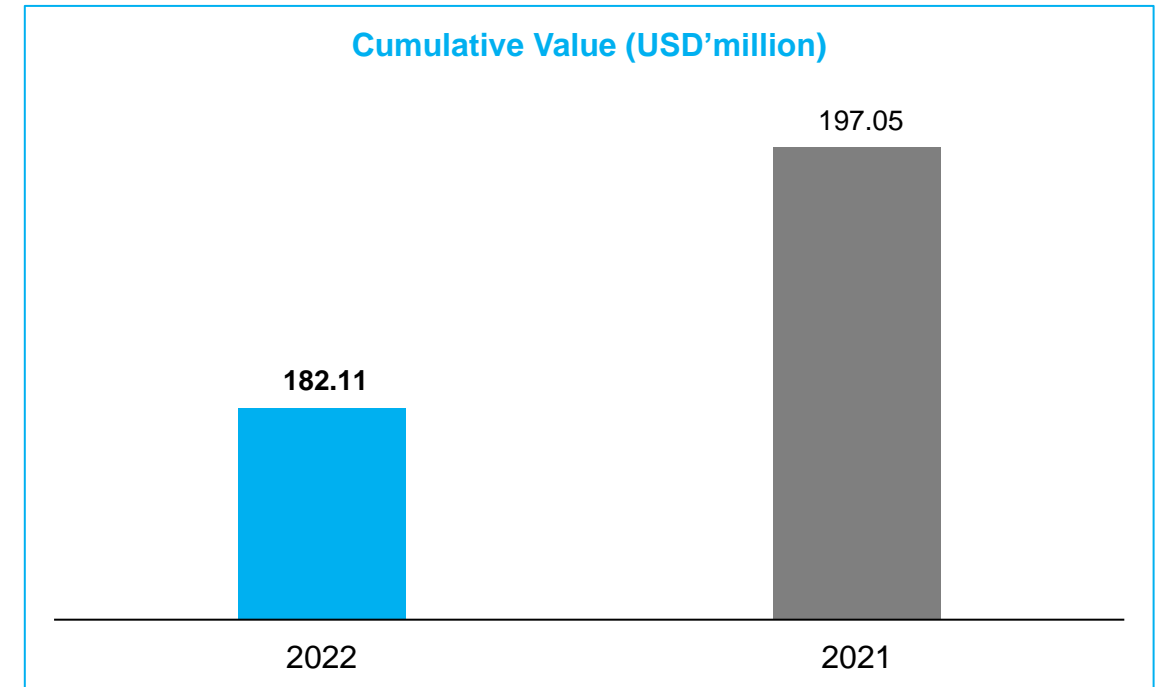
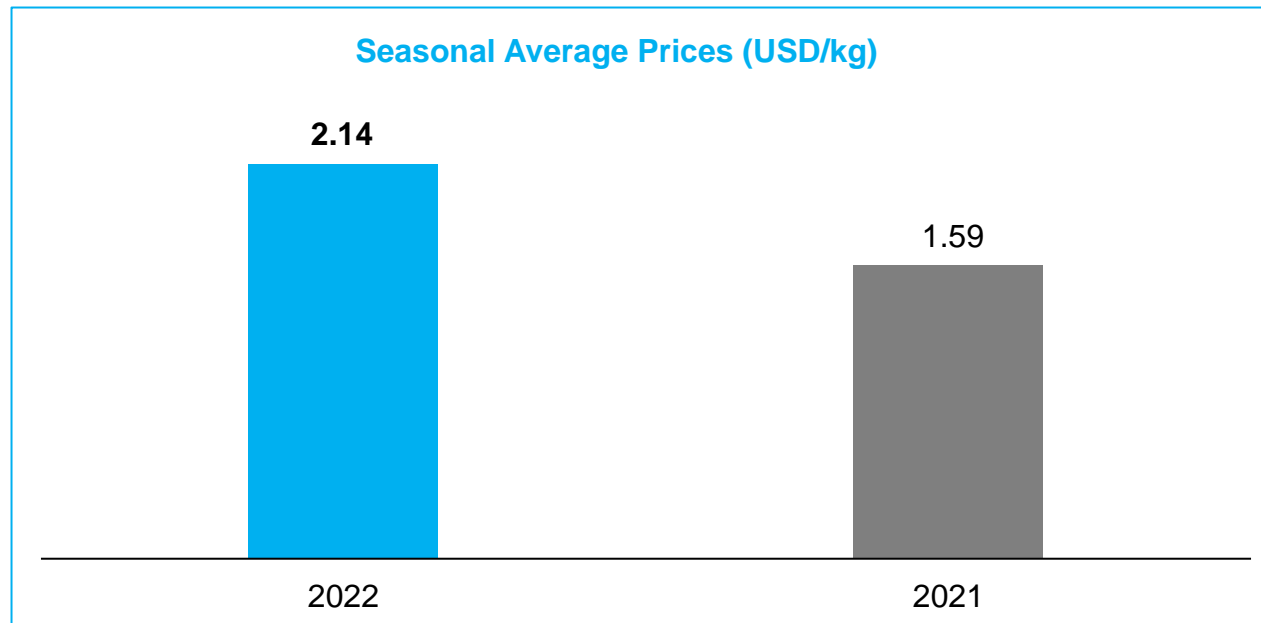
### Tobacco Sales (Source: Auction Holdings Limited and Tobacco Commission of Malawi)

*At a seasonal average price of USD2.14 per Kg, a total of USD182.1 million was generated from the sale of tobacco in 2022, an 8% decrease from USD197.1 million generated from the sale of tobacco in 2021. The seasonal average price of tobacco in 2021 was USD1.59 per Kg.*

*A total of 85.1 million Kgs was sold during the 2022 tobacco market season, a 31% decrease from 123.7 million Kgs sold in the 2021 season.*

A cumulative volume of 85.1 million kgs of tobacco was sold during the 2022 tobacco market season. This was a 31% decline from 123.7 million kgs that was sold in 2021. The decline in the volume sold was a result of lower tobacco yields harvested in the 2022 farming season that was due to delayed rainfall and a sporadic rainfall pattern experienced during the growing season. The cumulative volume was sold at a seasonal average price of USD2.14 per kg which represents a 35% increase from the 2021 seasonal average price of USD1.59 per kg. Despite tobacco being sold at the best prices ever offered in the country, the lower volume sold implied lower revenue in 2022 compared to 2021. The sale of tobacco in the 2022 season generated a total of USD182.1 million which was 8% lower than USD197.1 million total sales revenue generated in the 2021 season. The 2022 tobacco market opened on 31 March 2022 with over 900 bales on offer. The market was opened early than usual to enable tobacco growers to get their proceeds earlier considering the high costs of production that were incurred in the season. The season ran for 20 weeks, and it closed on 12 August 2022.

Tobacco remains the country's main export crop and thus, the largest forex earner. However, this dependence on tobacco, makes the Malawian economy vulnerable to risks such as declining global demand for tobacco and various weather-related shocks including droughts and floods. Tobacco contributes between 12% and 15% of Malawi's GDP.





## **Regional and Global Market Developments**



# Global and Domestic Market Developments

## Global oil and domestic fuel developments (Source: OPEC, World Bank, MERA)

Year-on-year, the OPEC Reference Basket (ORB) price increased by 43% to an annual average of USD100.08/b in 2022 from an annual average of USD69.89/b in 2021. The increase in the global prices of oil and petroleum can be attributed to supply-demand inconsistencies that were as a result of a number of factors. These factors include Russia's invasion of Ukraine that led to the banning of Russian oil, a price cap on Russian oil, as well as a reduction in oil production by the OPEC countries. In 2022, global oil prices have been volatile, and this has made predictions for oil prices in 2023 difficult. It has been noted that oil prices in 2022 were more volatile than they were in recent years, both during and before the COVID-19 pandemic disturbed the oil markets.

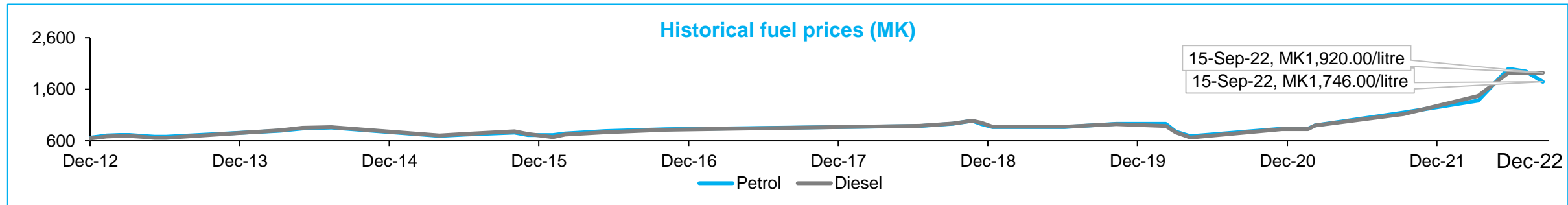
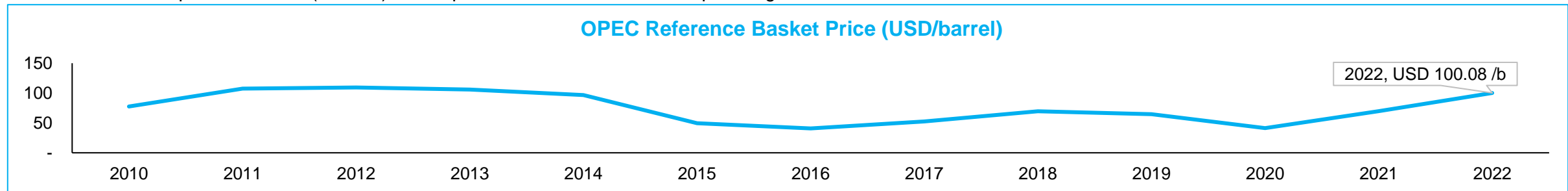
Throughout the year 2022, the Malawi Energy Regulatory Authority (MERA) made various revisions of domestic fuel pump prices following volatility of the global oil prices throughout the year. The first fuel price hike was implemented in April 2022. The price of petrol was adjusted by 20% to MK1,380.00/litre from MK1,150.00/litre that prevailed since October 2021. The price of diesel was revised up by 31.25% to MK1,470.00/litre from MK1,120.00/litre while the price of paraffin was adjusted by 14.74% to MK956.00/litre from MK833.20/litre that prevailed since October 2021. The second price adjustment was done in June 2022 and the price of petrol was adjusted by 44.92%, diesel was adjusted by 30.61% and paraffin was adjusted by 29.29%. This led to fuel prices reaching an all time high of MK1,999.90/litre for petrol, MK1,920.00/litre for diesel and MK1,236.00/litre for paraffin.

A third price adjustment was done for petrol and paraffin in August 2022. The price of petrol was reduced by 2.70% to MK1,946.00/litre and the price of paraffin was reduced by 2.02% to MK1,261.00/litre. Lastly, a final price adjustment was made in September 2022 where the price of petrol was adjusted downwards by 10.28% to MK1,746.00/litre and the price of paraffin was adjusted upwards by 7.93% to MK1,361.00/litre. This means that as of 31 December 2022, the price for petrol was at MK1,746.00/litre, the price for diesel was at MK1,920.00/litre and that of paraffin is at MK1,361.00/litre. Year-on-year, the average price of petrol has increased by 52% to MK1,746.00/litre as at 31 December 2022 from MK1,150.00 as at 31 December 2021. Similarly, the price of diesel has increased by 71% to MK1,920.00/litre as at 31 December 2022 from MK1,120.00/litre as at 31 December 2022.

As a result of foreign exchange shortages, Malawi faced a fuel importation crisis between October 2022 and November 2022. The National Oil Company of Malawi (NOCMA), the entity responsible for ensuring the availability of fuel, was unable to procure enough fuel to meet demand. This led to scarcity of fuel that resulted in long queues in filling stations and motorists scrambling for fuel. However, the situation stabilized in December 2022 after NOCMA secured a USD50 million (about MK51.6 billion) fuel financing revolving facility with the Arab Bank for Economic Development in Africa (BADEA) for the procurement of fuel to stock up strategic reserves.

*The OPEC Reference Basket (ORB) price increased by 43% to an annual average of USD100.08/b in 2022 from an annual average of USD69.89/b in 2021.*

*Throughout the year 2022, MERA made several revisions to the price of fuel in the country. The latest price revision was made in September 2022. The fuel pump prices of petrol and diesel were revised to MK1,920.00/litre and MK1,746.00/litre, respectively. Year-on-year, petrol and diesel prices increased by 52% and 71%, respectively.*





## The International Monetary Fund 2022 Malawi Disbursement under the Rapid Credit Facility and a Staff Monitored Program with Executive Board Involvement (Source: IMF)

*The IMF approved a disbursement of USD88.3 million (about MK91 billion) to Malawi under the Rapid Credit Facility's Food Shock Window in order to address the country's urgent balance of payment needs.*

### Press Release

In November 2022, the International Monetary Fund (IMF) approved a disbursement of USD88.3 million (about MK91 billion) to Malawi under the Rapid Credit Facility's (RCF's) Food Shock Window in order to address the country's urgent balance of payment needs related to the global food crisis. Food insecurity in Malawi has increased significantly due to multiple tropical storms, low agriculture yields, and rising prices for food and agricultural inputs such as seed and fertilizers. As a result, approximately 20% of the population is expected to be severely food insecure during the 2022/23 lean season (the period between planting and harvesting) which begins in October 2022 and will end in March 2023.

In addition to this, the IMF has approved a 12-month Staff-Monitored Program (SMP) for Malawi, which is intended to help the authorities establish a track record of policy implementation that could potentially pave the way for an IMF-supported Upper Credit Tranche (UCT) program. The SMP will be implemented with limited involvement from the IMF's Executive Board. The IMF noted that the program will assist the country in benefitting from the efforts of creditors and donors to provide new financing and debt relief to Malawi, as well as assist with the country's outstanding credit under emergency financing instruments. The SMP is aimed at stabilizing the economy, rebuilding external buffers, and supporting private sector-led growth in Malawi.

### Economic Context and Outlook

Malawi is facing significant economic challenges, including a high level of debt and acute food insecurity. The country's economy has been impacted by unsustainable debt, with external debt service representing around 56% of exports. The accumulation of public debt began after the "Cashgate" event in 2013, when on-budget support shifted to off-budget support, and the budget was funded through domestic borrowing and increasing external non-concessional borrowing. Malawi is currently experiencing high levels of food insecurity due to the impact of COVID-19, weather-related shocks, and rising food and input prices. These challenges have been exacerbated by external shocks such as tropical cyclones, rising commodity prices, and the war in Ukraine. Inflation reached 25.8% in November 2022 and gross reserves are extremely low.

The IMF expects an economic growth rate of 0.8% in 2022 but expects it to gradually improve to 2.4% in 2023 and 4.5% in the medium term. Inflationary pressures are expected to be contained through the tightening of monetary and fiscal policy and inflation is projected to decline to 20.4% by the end of 2023 and further moderate to 6.5% over the medium term. Gross reserves are expected to recover to 3.7 months of imports over the medium term.

### Policies to Support the Program

Below are some of the policies that will be implemented to support the programme.

#### 1. Fiscal Policy

According to the IMF, the 2022/2023 budget is to focus on both expenditure restraint and revenue improvement. This will be done through the introduction of new income tax brackets and the presumptive tax for small businesses, as well as the review of tax incentive regimes and the strengthening of the withholding tax regime. The budget is to also aim at increasing non-tax revenues through the review of fees and charges and the improvement of the Integrated Tax Administration System. Social spending on programs for the poor and vulnerable, is to be protected under the budget. The budget is to include measures to improve cash management and commitment controls in order to reduce the accumulation of arrears.

#### 2. Achieving Price Stability and Maintaining Financial Soundness

According to the IMF Malawi country report released in November 2022, the RBM, is planning to further tighten its monetary policy in order to achieve price stability should the need arise. To achieve this, the RBM will focus on containing reserve money growth and building foreign exchange reserves. As such the RBM will take measures such as aligning the monetary policy rate with inflation and raising required reserves if needed. The RBM already raised the monetary policy rate by 200 basis points in April 2022 and another 200 basis points in October 2022. In the medium term, the RBM aims to maintain the real interest rate below the growth rate in order to support private sector growth. The RBM will also monitor the financial sector to ensure stability, by closely monitoring the banking system's exposure to the government through securities and swap operations and reassessing loan and collateral quality.

#### 3. Rebuilding External Buffers

The RBM is planning on rebuilding its foreign exchange buffers through a new reserve accumulation strategy. The strategy will include winding down unsustainable policies, such as the use of currency swaps and trade credit, engaging in sustainable policies to improve price competitiveness and enhance reserve accumulation. The RBM has already started implementing appropriate measures and will allow greater flexibility in the exchange rate by facilitating price formation through small pilot foreign exchange auctions. In addition to this, the RBM will also receive technical assistance from the IMF to develop the foreign exchange interbank market.



## The International Monetary Fund 2022 Malawi Disbursement under the Rapid Credit Facility and a Staff Monitored Program with Executive Board Involvement (Continued)

*Several policies will be implemented to support the IMF program. These include fiscal policy, achieving price stability and maintenance of financial soundness, rebuilding external buffers, restoring debt sustainability, tackling governance issues and finally, building the foundation for inclusive growth and resilience to climate shocks.*

### Policies to Support the Program (continued)

#### 4. Restoring Debt Sustainability

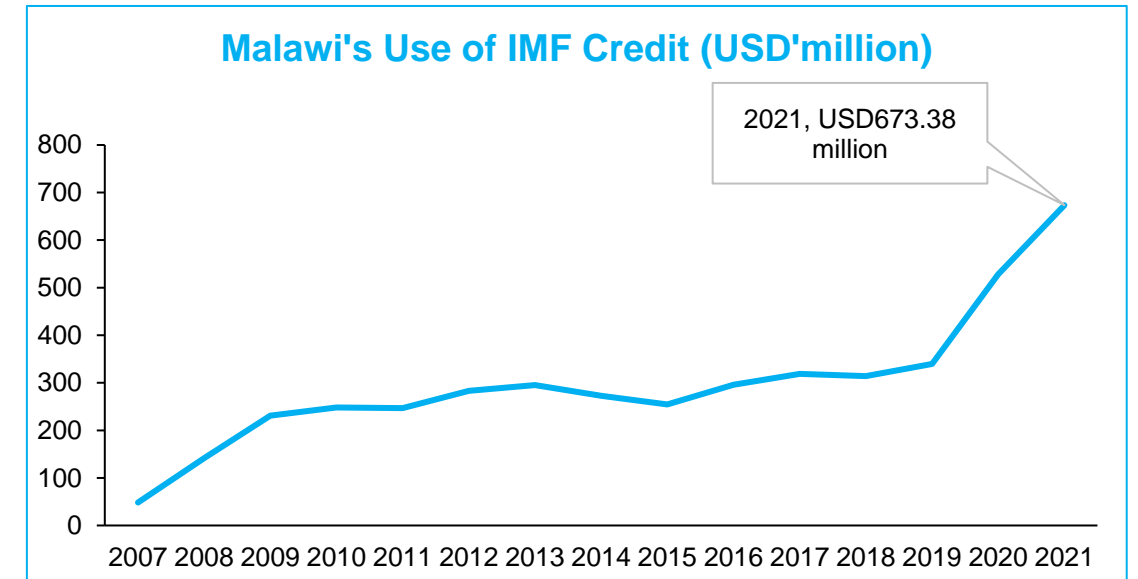
Malawi's debt has been assessed as unsustainable and at high risk of debt distress. The country has engaged in debt negotiations with both commercial and official creditors in an effort to reduce and restructure its debt. The goal is to bring debt service down significantly in the short term and below the threshold of 10% of exports by the end of the medium term. The country is also working to improve its debt management, monitoring, recording, and reporting with the help of the IMF and the World Bank.

#### 5. Tackling Governance Challenges

The program in Malawi is focusing on improving data recording, reporting, and monitoring at the Ministry of Finance, Economic Planning and Development and the RBM. This is important to ensure the efficient use of public resources, protect vulnerable groups, and control public spending. The program is also addressing governance weaknesses by completing a special audit of the RBM's foreign exchange reserves, implementing corrective measures to strengthen reserve management, and implementing an anti-corruption agenda. This agenda includes prosecuting those engaged in corruption, preventing people from engaging in corruption, protecting people against corruption, and preparing for the impact of corruption. The authorities have also recently uncovered that misappropriation occurred with COVID-19 public funds and funds at the Export Development Fund (EDF), a subsidiary of the RBM. Following these findings, they are implementing recommendations from the audits. They are also committed to conducting a governance diagnostic exercise under the Public Finance Management (PFM) with the help of IMF technical assistance.

#### 6. Building the Foundation for Inclusive Growth and Resilience to Climate shocks

The "Malawi Vision 2063" strategy aims to lift Malawi to upper-middle income status by 2063 by focusing on inclusive economic growth through poverty reduction, investing in human capital, and building resilience to climate shocks, particularly in the agricultural sector. To achieve strong and inclusive growth, Malawi needs to prioritize physical and human capital investment while maintaining a strong fiscal position. This will require policy measures such as improving educational attainment and investing in climate change resilience.





According to the RBM, average GDP is projected to grow from 1.7% in 2022 to 2.6% in 2023.

## Economic Outlook

### Economic Growth

According to the RBM, average GDP is projected to grow from 1.7% in 2022 to 2.6% in 2023. The low growth prospects in 2022 were as a result of a culmination of factors such as unfavourable rainfall patterns which affected agricultural yields, intermittent electricity power supply and the Russian-Ukrainian conflict which has led to the increase of global commodity prices. However, an economic recovery is expected in 2023 as the economy may adjust to the shocks experienced in 2022 and this may result in higher growth. Similarly, the IMF projects the real GDP to grow from 0.8% in 2022 to 2.4% in 2023.

### Exchange Rates.

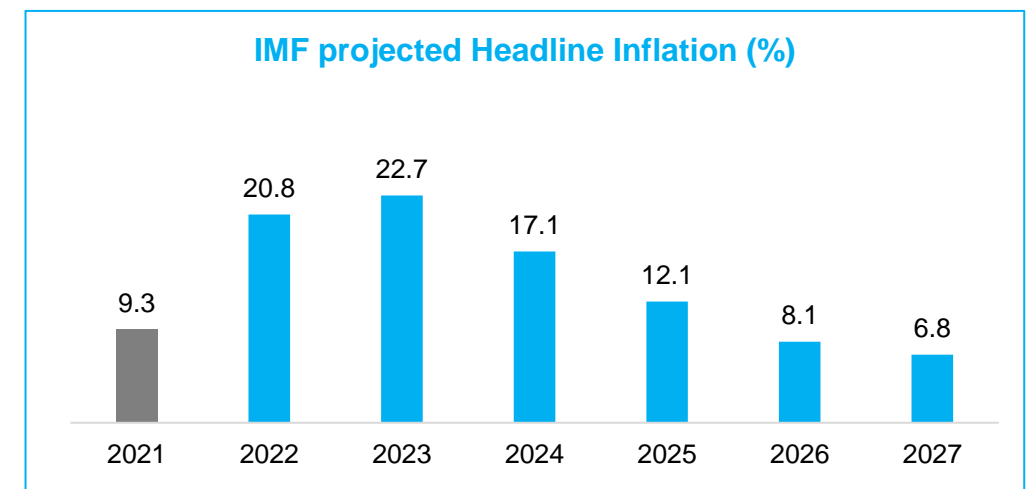
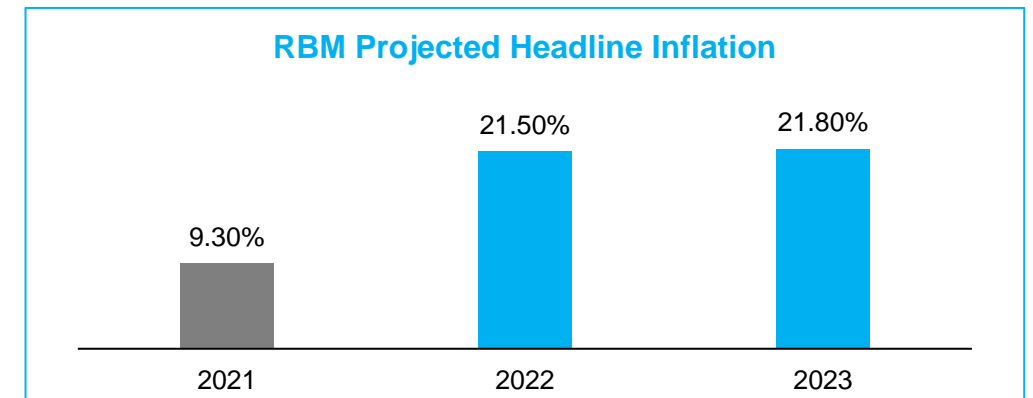
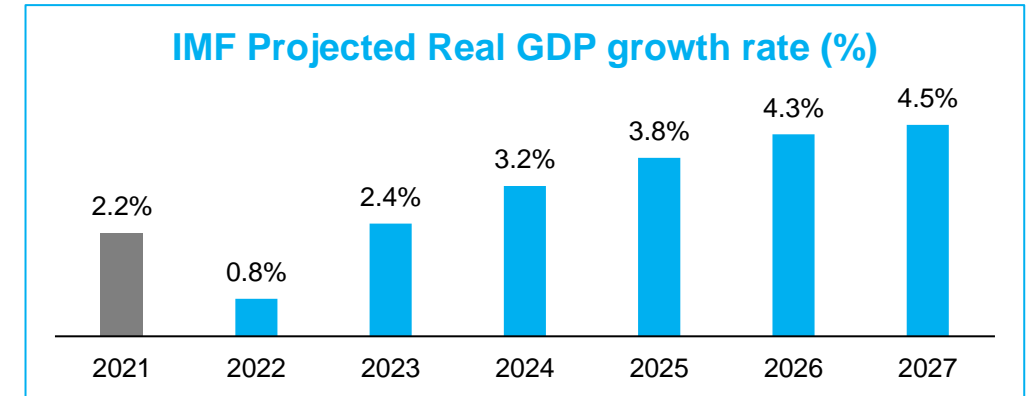
The EIU expects the Malawi Kwacha to depreciate as a result of a large current-account deficit in 2022. The EIU anticipates volatility of the value of the Kwacha in 2023. This may likely be as a result of a likely transition to a less interventionist exchange rate-regime by the RBM.

### Inflation Outlook

For 2023, the EIU anticipates inflationary pressure to ease and for inflation to average 17.6%. This is on account of projected easing global food and fuel pressures, despite an expected rise in electricity tariffs. The IMF's Malawi Country Report projected average inflation to increase to 22.7% in 2023. For the period 2024-2026, the EIU projects inflation to average 8.5% while the IMF projects the average inflation for the period 2024-2026 to be 10.9%. Over this period, inflation is anticipated to decline at a faster rate as a result of declining global and domestic price pressures.

### Malawi Sectoral Growth

The agriculture sector is expected to continue to anchor the economy despite challenges such as weather shocks and shortages of foreign currency impacting the supply chain. The mining sector is also expected to contribute to GDP growth in 2023 due to investments in quarrying and the potential restart of operations at a uranium mine.



## Appendix

## Appendix 1: Historical Monthly Economic Indicators

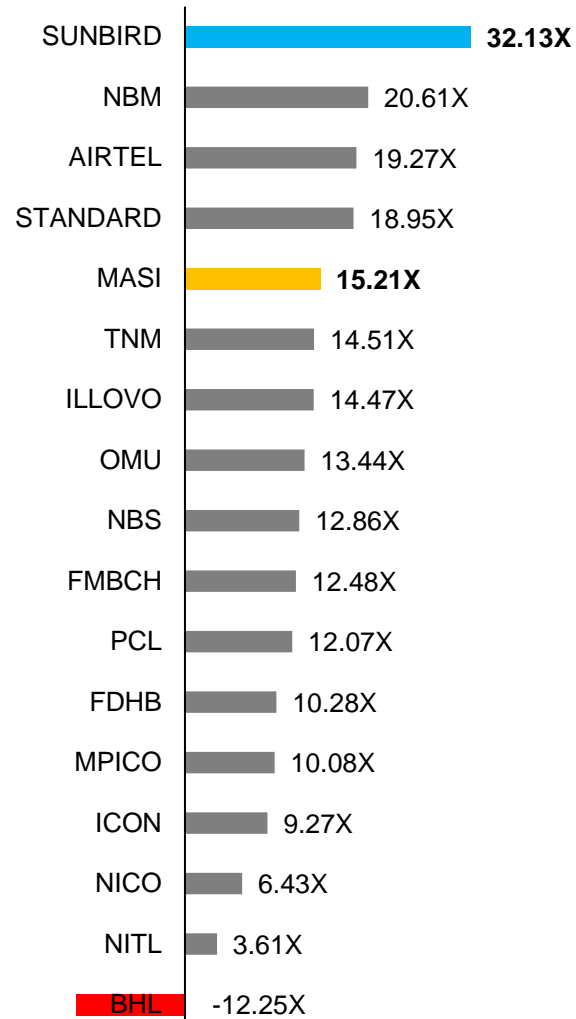
	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
<b>Exchange rates (middle rates)</b>																		
MK/USD	817.43	820.40	822.17	821.34	822.88	818.44	822.81	822.10	823.60	823.67	1,029.90	1,033.36	1,035.03	1,035.42	1,033.79	1,032.88	1,034.42	<b>1,034.67</b>
MK/GBP	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	1,180.36	1,234.05	1,276.81	<b>1,282.60</b>
MK/EUR	1,048.56	1,044.60	1,026.14	1,037.74	1,099.91	1,138.47	1,072.50	1,170.30	1,031.32	966.40	1,180.96	1,108.47	1,085.01	1,066.19	1,047.49	1,062.62	1,105.82	<b>1,130.92</b>
MK/ZAR	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	58.78	58.36	62.11	<b>62.69</b>
<b>Foreign Exchange Reserves</b>																		
Gross Official Reserves (USD'mn)	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	378.89	357.18	326.06	338.87	<b>N/A</b>
Private Sector Reserves (USD'mn)	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	398.43	408.84	427.67	400.77	<b>N/A</b>
Total reserves (USD'mn)	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	777.32	766.02	753.73	739.64	<b>N/A</b>
Gross Official Reserves Import cover (months)	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	1.52	1.43	1.30	1.36	<b>N/A</b>
<b>Inflation</b>																		
Headline	8.7%	8.4%	8.9%	9.8%	11.1%	11.5%	12.1%	13.0%	14.10%	15.70%	19.10%	23.50%	24.6%	25.5%	25.9%	26.7%	25.8%	<b>N/A</b>
Food	10.3%	9.7%	10.9%	11.8%	12.8%	13.6%	14.2%	15.3%	17.10%	19.50%	25.50%	31.20%	32.5%	33.4%	33.7%	34.5%	33.4%	<b>N/A</b>
Non-food	7.2%	7.2%	7.2%	7.8%	9.5%	9.5%	9.6%	10.1%	10.50%	12.20%	13.20%	16.60%	17.5%	18.2%	18.3%	18.6%	17.7%	<b>N/A</b>
<b>Interest Rates</b>																		
Monetary Policy rate	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%	14.00%	18.00%	18.00%	<b>18.00%</b>
Average Interbank rate	11.96%	11.98%	11.98%	11.98%	11.98%	11.98%	11.15%	11.70%	11.70%	11.70%	11.84%	12.48%	12.50%	12.50%	12.50%	15.00%	15.00%	<b>15.00%</b>
Average base lending rate	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	13.50%	13.80%	13.90%	14.20%	14.20%	18.20%	18.20%	<b>18.20%</b>
<b>Government Securities Yields</b>																		
91-days Treasury Bill	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%	11.00%	11.00%	13.00%	<b>13.00%</b>
182-days Treasury Bill	12.96%	12.96%	12.98%	12.98%	12.98%	13.00%	13.00%	12.99%	13.00%	13.00%	15.00%	15.005	15.00%	15.50%	15.50%	15.50%	17.50%	<b>17.50%</b>
364-days Treasury Bill	12.06%	14.08%	14.20%	14.20%	14.22%	14.47%	15.00%	15.00%	15.00%	15.00%	17.03%	17.60%	17.74%	18.33%	18.75%	18.75%	19.50%	<b>19.50%</b>
2-year Treasury Note	16.63%	16.63%	16.63%	16.64%	16.64%	16.66%	16.70%	16.70%	17.00%	17.00%	18.50%	18.85%	20.50%	21.00%	21.50%	21.50%	22.50%	<b>22.50%</b>
3-year Treasury Note	19.00%	18.99%	18.99%	18.99%	19.00%	19.05%	19.04%	19.33%	19.50%	19.50%	21.90%	22.00%	22.00%	23.00%	23.00%	23.00%	23.00%	<b>24.00%</b>
5-year Treasury Note	20.00%	20.09%	20.26%	20.44%	20.53%	20.54%	20.78%	20.78%	21.00%	21.00%	23.95%	24.00%	24.00%	25.00%	25.00%	25.00%	26.00%	<b>26.00%</b>
7-year Treasury Note	20.98%	21.36%	21.36%	21.36%	21.15%	20.94%	20.94%	21.98%	22.00%	22.00%	22.33%	22.33%	25.53%	26.75%	26.50%	26.50%	27.50%	<b>27.50%</b>
10-year Treasury Note	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%	27.50%	27.50%	27.50%	<b>28.50%</b>
<b>Stock Market Indices</b>																		
MASI	36,496.03	38,945.62	41,550.15	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	54,389.92	55,046.26	55,795.69	<b>62,036.05</b>
DSI	29,749.56	31,959.22	34,266.54	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	44,360.30	44,986.52	48,811.22	<b>50,804.03</b>
FSI	3,479.97	3,479.97	3,450.70	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	5,154.73	5,100.84	5,613.43	<b>5,614.30</b>

## Appendix 2: Historical Annual Economic Indicators at Year-end

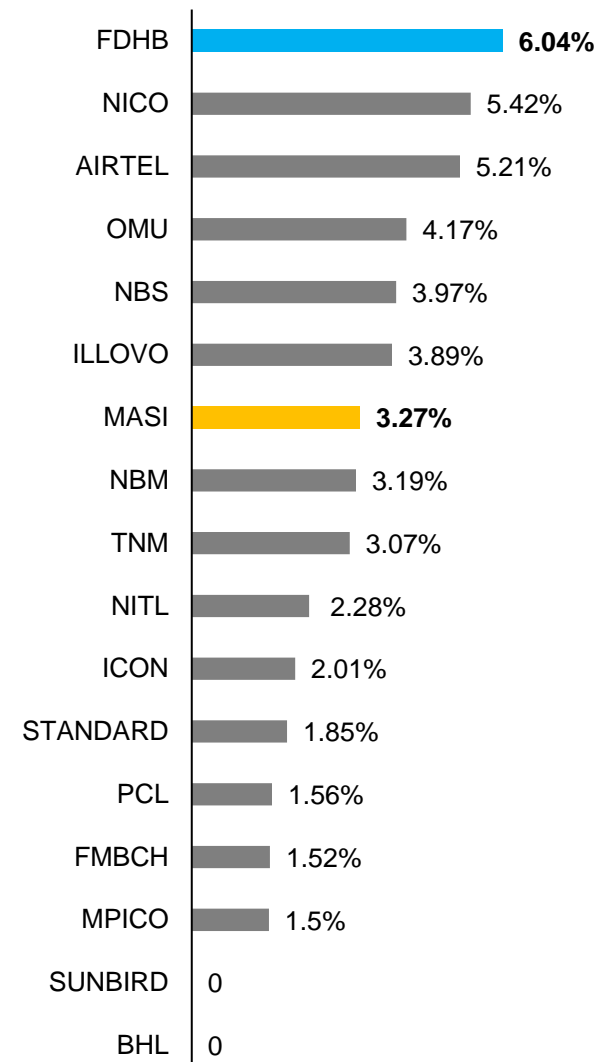
	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
<b>Exchange rates (middle rates)</b>					
MK/USD	733.69	738.87	776.82	818.44	<b>1,034.67</b>
MK/GBP	926.83	969.19	1,070.14	1,208.01	<b>1,282.60</b>
MK/EUR	826.75	825.65	987.95	1,138.47	<b>1,130.92</b>
MK/ZAR	50.96	52.43	56.43	57.68	<b>62.69</b>
<b>Foreign Exchange Reserves</b>					
Gross Official Reserves (USD'mn)	755.22	846.55	574.26	429.17	<b>N/A</b>
Private Sector Reserves (USD'mn)	330.84	324.07	377.97	425.52	<b>N/A</b>
Total reserves (USD'mn)	1,086.06	1,170.62	952.23	854.69	<b>N/A</b>
Gross Official Reserves Import cover (months)	3.61	4.05	2.75	1.72	<b>N/A</b>
<b>Inflation</b>					
Headline	9.9%	11.5%	7.60%	11.5%	<b>N/A</b>
Food	12.0%	19.3%	10.50%	13.6%	<b>N/A</b>
Non-food	8.2%	4.9%	4.90%	9.5%	<b>N/A</b>
<b>Interest Rates</b>					
Monetary Policy rate	16.00%	13.50%	12.00%	12.00%	<b>18.00%</b>
Average Interbank rate	13.10%	12.60%	11.41%	11.98%	<b>15.00%</b>
Average base lending rate	25.4%	12.50%	12.30%	12.20%	<b>18.20%</b>
<b>Government Securities Yields</b>					
91-days Treasury Bill	11.42%	6.15%	9.95%	9.70%	<b>13.00%</b>
182-days Treasury Bill	13.09%	7.46%	12.49%	13.00%	<b>17.50%</b>
364-days Treasury Bill	14.00%	10.50%	13.53%	14.47%	<b>19.50%</b>
2-year Treasury Note	15.32%	12.27%	16.46%	16.66%	<b>22.50%</b>
3-year Treasury Note	20.00%	10.70%	18.30%	19.05%	<b>24.00%</b>
5-year Treasury Note	20.50%	14.45%	19.77%	20.54%	<b>26.00%</b>
7-year Treasury Note	24.00%	13.73%	20.00%	20.94%	<b>27.50%</b>
10-year Treasury Note			22.50%	22.50%	<b>28.50%</b>
<b>Stock Market Indices</b>					
MASI	28,983.53	30,252.20	32,392.84	45,367.68	<b>62,036.05</b>
DSI	21,318.07	23,599.75	27,755.46	37,061.70	<b>50,804.03</b>
FSI	5,265.12	4,024.86	1,363.88	4,223.15	<b>5,614.30</b>



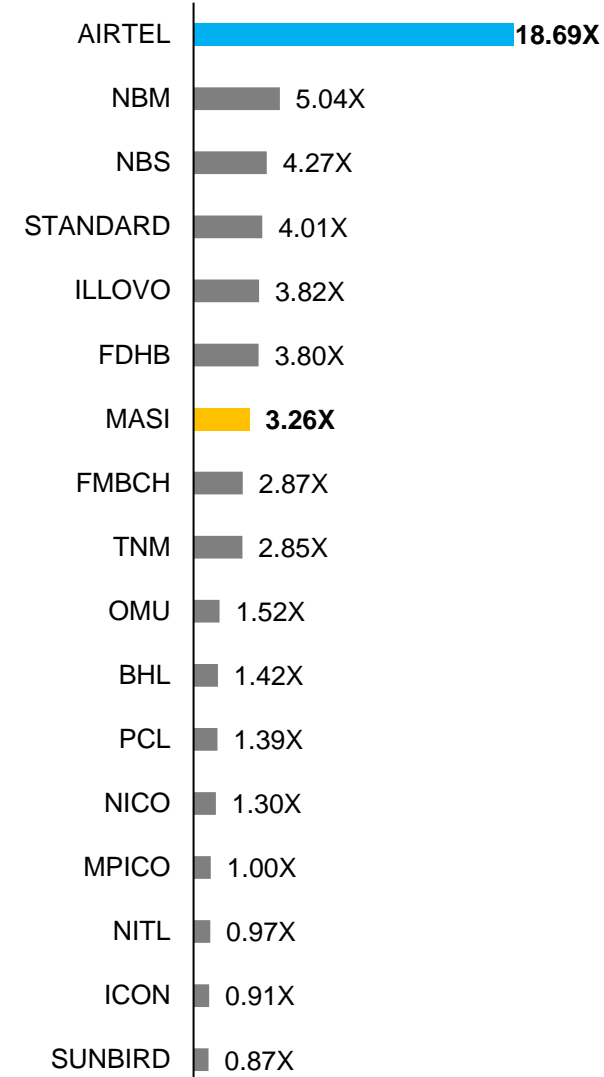
**P/E Ratio** - the weighted average price to earnings ratio on the MSE was 15.21x in December 2022. SUNBIRD had the highest at 32.13x while BHL had the lowest at negative 12.25x.



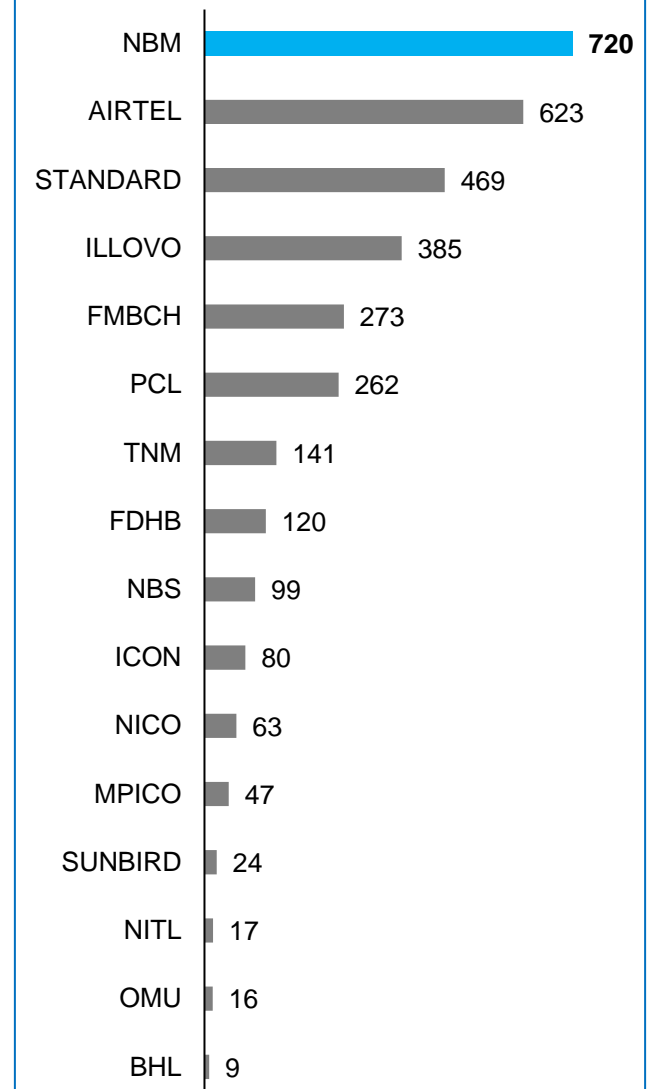
**Dividend Yield (%)**- the weighted average dividend yield on the MSE was 3.27% in December 2022. FDH Bank had the highest at 6.04%.



**P/BV Ratio**- the weighted average price to book value ratio on the MSE was 3.26x in December 2022. Airtel had the highest ratio at 18.69x while SUNBIRD had the lowest ratio at 0.87x.



**Market Capitalisation (MK' billion)** - NBM had the largest market capitalization in December at MK720 billion while BHL had the lowest at MK9 billion.



## Appendix 3: EIU and Oxford Economics Projections

### EIU projections

Economic growth			
	2022	2023*	2024*
Real GDP Growth	1.8	1.6	3.0
Private consumption (% of GDP)	1.2	2.5	3.0
Government consumption (% of GDP)	2.0	2.8	2.8
Gross fixed investment(% of GDP)	4.0	5.5	5.6
Exports of goods & services (USD'million)	974	952	1,177
Imports of goods & services (USD'million)	-3,178	-2,809	-2,813
Agriculture (% of GDP)	1.9	1.5	3.0
Industry (% of GDP)	1.9	2.0	2.7
Services (% of GDP)	1.8	1.6	3.0

\*: EIU forecasts

Key indicators					
	2020	2021	2022	2023*	2024*
Real GDP growth (%)	-1.0	5.8	1.8	1.6	3.0
Consumer price inflation (av; %)	8.6	9.2	21.4	17.4	12.3
Government balance (% of GDP)	-6.2	-6.7	-10.1	-7.4	-6.2
Current-account balance (% of GDP)	-19.5	-19.3	-24.6	-16.1	-12.5
Lending Interest rate (av; %)	24.2	23.9	26.0	26.0	24.0

\*: EIU forecasts

### Oxford Economics Projections

Malawi forecast overview							
		2019	2020	2021	2022	2023*	2024*
Nominal GDP	\$bn	8.0	8.5	8.6	9.0	8.9	9.9
Nominal GDP per capita	\$	424.9	436.5	432.9	438.9	427.2	459.7
Real GDP growth	% year	5.4	0.8	2.8	1.3	1.7	3.7
CPI inflation	%	9.4	8.6	9.3	22.1	19.2	13.2
Exchange rate (MK/USD)	Average	745.5	749.53	804.22	940.69	1,114.0	1,182.2
Exports	\$bn	1.1	0.8	1.1	1.2	1.3	1.4
Imports	\$bn	2.8	2.6	3.0	3.2	3.4	3.6
Current account	\$bn	-1.3	-1.5	-1.5	-1.6	-1.7	-1.7
Current account	% of GDP	-16.5	-17.3	-17.9	-18.3	-18.5	-16.9
Foreign direct investment	% of GDP	1.1	1.0	1.0	1.1	1.2	1.2
External debt	% of GDP	30.3	34.8	47.8	59	71.9	75.8
Reserves	\$bn	0.8	0.6	0.4	0.4	0.4	0.5
Import cover	Months	3.1	2.2	1.5	1.2	1.3	1.5
Government balance	% of GDP	-6.3	-11.4	-12.4	-11.6	-10.5	-8.4
Government debt	% of GDP	62.3	76.2	88.6	87.3	86.9	84.7
Brent Crude oil	US\$/bbl	64.4	41.8	70.7	102.6	92.3	87

	2021	2022	2023*	2024*	2025*	2026*	2027*
<b>National accounts and prices (percent change, unless otherwise indicated)</b>							
Real GDP	2.2	0.8	2.4	3.2	3.8	4.3	4.5
Nominal GDP (MK'bn)	9,599	11,354	14,018	16,684	19,278	21,641	24,048
GDP deflator	6.5	17.3	20.6	15.3	11.3	7.6	6.3
CPI (annual average)	9.3	20.8	22.7	17.1	12.1	8.1	6.8
<b>Central government (percent of GDP on a fiscal year)</b>							
Revenue	14.9	15.4	15.5	17.0	18.1	17.5	16.9
Tax and nontax revenue	13.1	13.4	13.9	14.9	15.7	15.9	16.1
Expenditure and net lending	22.3	24.3	24.6	25.8	25.6	24.2	23.1
Overall balance (excl. grants)	-9.2	-11.6	-10.6	-10.5	-9.2	-7.2	-5.8
Overall balance (incl. grants)	-7.5	-9.7	-9.0	-8.4	-6.8	-5.6	-5.0
Financial gap/residual gap	0.0	0.0	4.1	4.5	2.1	1.9	0.8
Domestic primary balance	-2.5	-4.1	-0.6	0.8	2.2	2.7	2.4
<b>Money and credit (percentage change)</b>							
Broad money	30.0	27.5	23.5	19.0	15.5	12.3	10.6
Credit to private sector	18.6	27.9	14.7	10.9	8.2	7.4	5.2
<b>External sector (USD million, unless otherwise indicated)</b>							
Exports (goods and services)	1,262	1,294	1,421	1,477	1,544	1,638	1,792
Imports (goods and services)	3,255	3,409	3,173	3,291	3,265	3,217	3,261
Gross official reserves	429	172	409	682	835	980	1,039
(months of imports)	1.6	0.6	1.5	2.5	3.1	3.6	3.7
Current account (% of GDP)	-14.6	-14.8	-13.6	-14.3	-13.1	-11.2	-9.6
Overall balance (% of GDP)	0.00	-1.7	-2.4	0.2	-0.1	0.0	0.5
Financing gap (% of GDP)	0.00	2.8	4.9	2.6	1.9	1.8	0.5
<b>Debt stock and service (percent of GDP, unless otherwise indicated)</b>							
External public debt	32.8	38.9	37.1	35.6	33.6	30.9	28.8
Total public debt	64.0	76.6	74.6	74.5	73.8	72.6	71.0
External debt service (% of exports)	14.4	55.6	26.7	22.7	20.2	20.6	12.2

## Appendix 5: List of Acronyms and Abbreviations

ADMARC:	Agricultural Development and Marketing Corporation	MK:	Malawi Kwacha	TAMA:	Tobacco Association of Malawi
AHL:	Auction Holdings Limited	M-O-M:	Month-on-month	TB:	Treasury Bill
AIP:	Affordable Inputs Program	MPC:	Monetary Policy Committee	TN:	Treasury Note
BADEA:	Arab Bank for Economic Development in Africa	MSE:	Malawi Stock Exchange	TNM:	Telekom Networks Malawi Plc
BHL:	Blantyre Hotels Plc	MW:	Mega Watts	TT:	Telegraphic Transfer
COVID-19:	Coronavirus disease	NBM:	National Bank of Malawi Plc	UCT:	Upper Credit Tranche
CPI:	Consumer Price Index	NICO:	NICO Holdings Plc	UAE:	United Arab Emirates
DSI:	Domestic Share Index	NITL:	National Investment Trust Limited Plc	USA:	United States of America
ECF:	Extended Credit Facility	NSO:	National Statistical Office	USD:	United States Dollar
EIU:	Economist Intelligence Unit	OMU:	Old Mutual Limited Plc	Y-O-Y:	Year-on-year
EUR:	Euro	OPEC:	Organization of the Petroleum Exporting Countries	YTD:	Year-to-date
FDHB:	FDH Bank Plc	ORB:	OPEC Reference Basket	ZAR:	South African Rand
FMBCH:	FMB Capital Holdings Plc	P/BV:	Price to book value		
FSI:	Foreign Share Index	PBM:	Programme Monitoring with Board Involvement		
GBP:	Great British Pound	PCL:	Press Corporation Limited Plc		
GDP:	Gross Domestic Product	P/E:	Price to earnings		
IFMIS:	Integrated Financial Management Information System	PFM:	Public Financial Management		
IFPRI:	International Food Policy Research Institute	RBM:	Reserve Bank of Malawi		
IHS:	Integrated Household Survey	RCF:	Rapid Credit Facility		
IMF:	International Monetary Fund	SADC:	Southern African Development Community		
LRR:	Liquidity Reserve Requirement	SDR:	Special Drawing Rights		
MASI:	Malawi All Share Index	SMP:	Staff Monitored Program		
Mb/d:	Million barrels per day	SOE:	State Owned Enterprise		
MEM:	Malawi Economic Monitor	SUNBIRD:	Sunbird Tourism Plc		
MERA:	Malawi Energy Regulatory Authority				

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