



Monthly Economic Report

January 2023



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Inflation

Headline inflation decreased slightly in December 2022 to 25.4% from 25.8% in November 2022 due to a decrease in food inflation. The annual average inflation rate for 2022 was 21.0%.

The Reserve Bank of Malawi (RBM) projects an average inflation rate of 18.2% for 2023, while the Economic Intelligence Unit (EIU) and Oxford Economics project rates of 17.4% and 19.2% respectively. The projections were made on the basis that the country will likely adjust to the shocks it experienced in 2022 and thus, inflation will decline. According to the RBM, imported inflation is expected to ease in 2023 as a result of an impending global recession due to financial and monetary tightening that has been, and continues to be pursued by countries all over the world. This will result in a decline in the domestic inflation.

However, a slight decline in inflation is expected in 2023 due to high fertilizer prices, expected increases in utility tariffs, and continued foreign exchange shortages. The IMF predicts a rise in the annual inflation rate to 22.7% in 2023 due to ongoing global and domestic price pressures. The projections are falling within a range of 17.4% and 22.7%. Therefore, this means that the projected average inflation rate for 2023 is 19.4%.

Monetary Policy

During the first Monetary Policy Committee (MPC) meeting of 2023 held on 1 and 2 February 2023, the Monetary Policy Committee maintained the policy rate at 18.00%, the Liquidity Reserve Requirement (LRR) on both domestic and foreign deposits was maintained at 3.75%; the Lombard rate was maintained at 20 basis points above the policy rate. The decision to maintain the policy rate was made to allow for more time for the impact of the October 2022 Policy rate adjustment to transmit through the economy. A further adjustment will be necessitated by trends in the inflation rate as the year progresses.

Fiscal Policy

The government carried out pre-budget consultation meetings in January 2023 for the 2023-24 national budget with members of the general public. The government pledged to deliver an inclusive budget for the upcoming fiscal year. The government highlighted its intention to allocate some of the funds towards retiring of public debt that is currently estimated to be at MK7.3 trillion. Different stakeholders called on the government to take into account issues of foreign exchange scarcity, and power supply shortages during the formulation of the budget. Other stakeholders called for the widening of the tax base to increase domestic revenue. The International Monetary Fund (IMF) called on the government to ensure that the upcoming budget spends prudently to restore debt sustainability.

Stock Market

The year-to-date return on the Malawi All Share Index (MASI) was 10.34% in January 2023 compared to negative 1.91% in January 2022. Month-on-month, the stock market was bullish with the MASI increasing to 68,451.77 points as at 31 January 2023 from 62,036.05 points as at 31 December 2022. The increase in the MASI was as a result of share price gains in FDH Bank, FMBCH, NITL, SUNBIRD, NBS, ILLOVO, NICO, Standard Bank, and AIRTEL. In addition to this, there was a marginal share price gain for NBM. The share price gains offset a share price loss by OMU and marginal share price losses by ICON, MPICO, BHL, and PCL. FDH Bank was the largest share price gainer as its share price increased by 66.95% to MK29.00 per share in January 2023, from MK17.37 per share in December 2022. OMU was the largest share price loser as its share price decreased by 17.79% to MK809.73 per share in January 2023 from MK985.00 per share in December 2022.

Government Securities

The government awarded a total of MK186 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in January 2023. This represents a 15% increase from MK161 billion awarded in December 2022. A total of MK102 billion was awarded in the TBs auctions in January 2023 compared to MK74 billion in December 2022. A total of MK84 billion was awarded in the TNs auctions in January 2023 compared to MK87 billion awarded in December 2022. The TBs had a 0.93% rejection rate while the TNs had a 24.55% rejection rate in January 2023. The average TB yield maintained its position at 16.67% between December 2022 and January 2023 while the average TN yield increased to 25.79% in January 2023 from 25.70% in December 2022.

Exchange Rates

The Malawi Kwacha traded at MK1,031.87/USD as of 31 January 2023, from MK1,034.67/USD as of 31 December 2022. Year-to-date, the Malawi Kwacha has appreciated against the USD by 0.3% (the Kwacha had depreciated against the USD by 0.4% during the same period in the previous year).

In January 2023, the RBM held its first foreign exchange auction with the aim of discovering a market clearing price for the Malawi Kwacha against the US Dollar and other major currencies. Only three of the eight Authorized Dealer Banks (ADB) participated in the auction, and because of this, the RBM stated that the results may not reflect the entire banking system thus the auction was postponed. The RBM intends to continue engaging all banks for the next auction to promote transparency in the determination of the exchange rate.

Economic Growth

According to the IMF, the real gross domestic product (GDP) growth rate is expected to increase from 0.8% in 2022 to 2.4% in 2023. The upturn is expected following global adjustment to, and recovery from shocks and risks that were experienced in 2022. There was low economic growth in 2022 because of the continued effects of COVID-19, weather-related shocks that plagued the country and affected agricultural production plus spillover effects from the Russia-Ukrainian war. In addition to this, inadequate power supply which had a bearing on both individuals and businesses contributed to the low GDP growth in 2022.

The RBM has projected that real GDP growth is likely to grow from 1.2% recorded in 2022 to 2.7% in 2023. The growth is expected to come on condition of a recovery in the agricultural sector and an improved policy environment. Oxford Economics and the EIU project that real GDP will grow by 1.6% and 1.7%, respectively in 2023. The projections are falling within a range of 1.6% and 3.0%. Therefore, this means that the projected average GDP growth rate for 2023 is 2.3%.

In addition to this, in the January 2023 Global Economic Prospects (GEP) report, the World Bank projected that Malawi's real GDP will grow by 3.0% in 2023. 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 although challenges still prevail. According to the World Bank, the global economy has been projected to grow by 1.7% in 2023. The report highlighted that global income growth measured by GDP per capita will be slower in 2023 than it was during the decade before COVID-19 hit. This is because of the anticipated impacts of monetary policy tightening done in most countries to curb inflation, worsening financial conditions, and the continued impact of the Russia-Ukrainian war.

Risks

The Malawian economy is currently facing several significant risks that limit the country's potential for growth and worsen poverty. Firstly, the economy's heavy dependence on rain-fed agriculture, makes it vulnerable to weather-related shocks. To add on to this, the country risks lower agricultural yields in the current agricultural season due to high fertilizer prices and challenges that have been faced in the implementation of this season's Affordable Input-Subsidy Programme (AIP).

Secondly, expected water and electricity tariff hikes in 2023 might have a bearing on the inflation rate since utilities such as electricity and water plus housing collectively make up 23.7% of the Consumer Price Index (CPI) basket, the second highest proportion of contribution in the computation of the inflation rate by the National Statistical Office (NSO). High inflation rates reduce the purchasing power of the Malawi Kwacha, making it difficult for businesses and households to plan for the future and invest.

In addition to this, further exchange rate risk compounded by global inflationary pressure stemming from increasing prices of imports and decreasing export prices on the international market risks further depreciation of the domestic currency. This is expected to also exert pressure on the country's fiscal deficit. Moreover, Malawi has struggled to attract foreign investment, which is critical for economic growth and job creation. Without sufficient foreign investment, the country will continue to face limitations in its capacity to develop infrastructure, create jobs, and support economic growth.

Lastly, power supply insufficiency. While renovation efforts at the Kapichira Hydro-electricity power plant are underway following extensive damage by a cyclone in January 2022, the country continues to face a deficit of electricity supply, coupled with intermittent power availability and extended periods of power outages. The power shortages have increased the cost of production for businesses in the country, making it difficult for them to compete in the global market.



Economic overview

Inflation (Source: NSO, RBM, EIU, Oxford Economics)

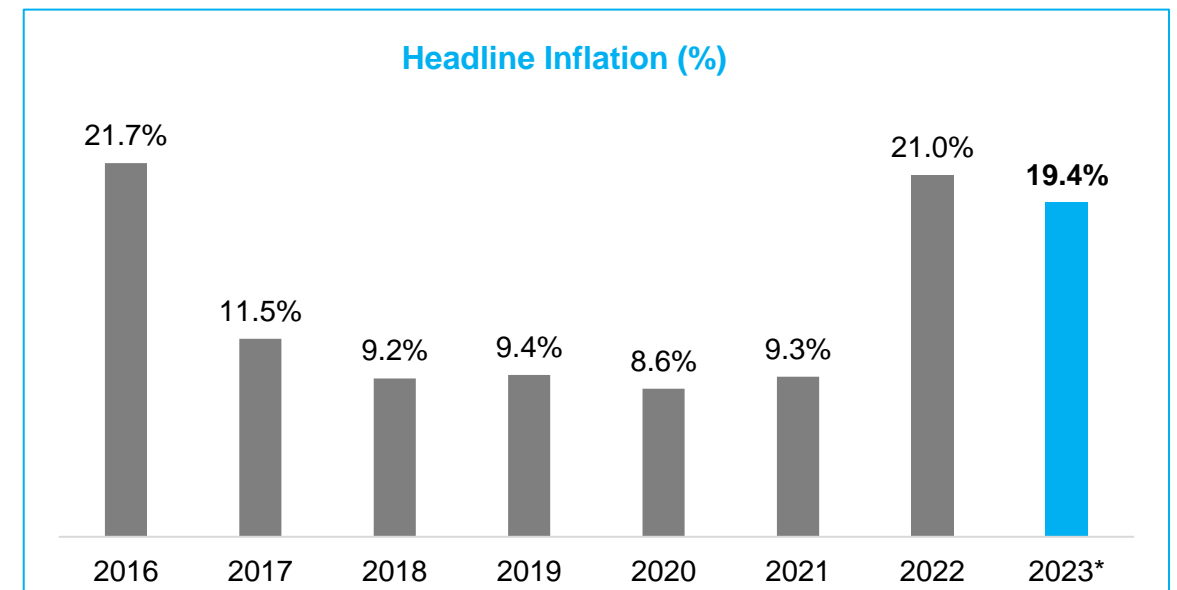
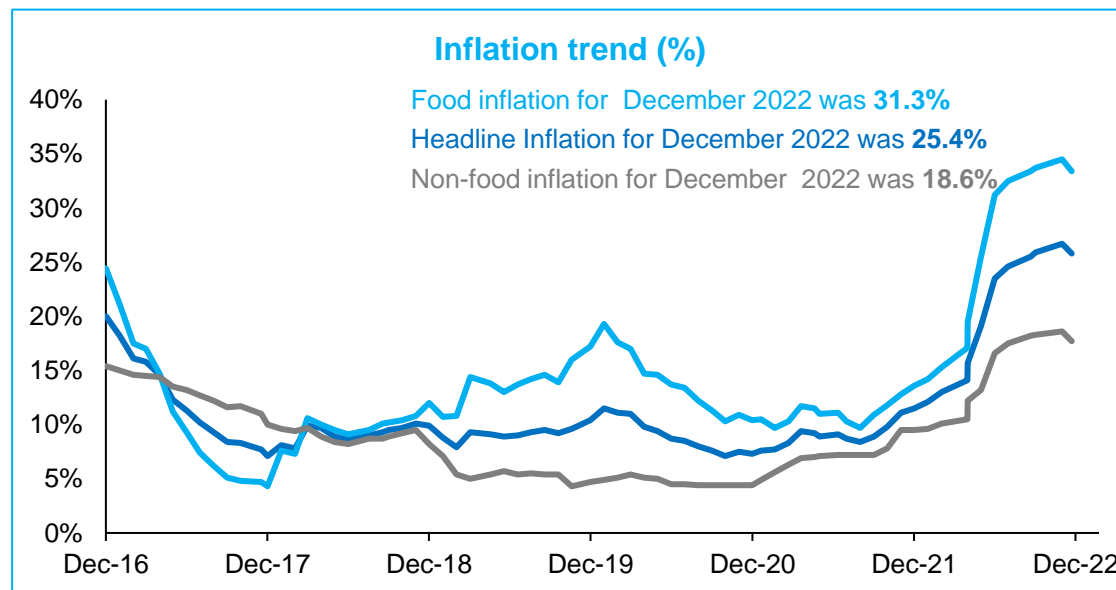
The RBM projects that the average annual inflation rate for 2023 will decline to 18.2% from 21.0% reported in 2022.

The headline inflation marginally decreased by 0.4% to 25.4% in December 2022 from 25.8% in November 2022. The decline resulted from a decrease in food inflation that offset an increase in non-food inflation. Food inflation declined to 31.3% from 33.4% while non-food inflation increased to 18.6% from 17.7%.

The Reserve Bank of Malawi (RBM) projects that average annual inflation rate for 2023 will be at 18.2% from 21.0% in 2022. The Economic Intelligence Unit (EIU) projected that inflation will be at 17.4% in 2023 while Oxford Economics projected that inflation will be at 19.2% in 2023. The projections were made on the basis that the country will likely adjust to the shocks it experienced in 2022 and thus, inflation will decline. According to the RBM, imported inflation is expected to ease in 2023 as a result of an impending global recession due to financial and monetary tightening that has been, and continues to be pursued by countries all over the world. This will result in a decline in the domestic inflation.

However, the decline in the inflation rate is projected to be slight in 2023 due to a culmination of factors such as high fertilizer prices and expected increase in utility tariffs which is expected to keep price pressures high. Electricity tariffs are expected to go up following a request by Electricity Supply Commission Of Malawi (ESCOM) and Electricity Generation Company (EGENCO) to the Malawi Energy Regulatory Authority (MERA) and water tariffs might also be revised upwards following of a request from Water Boards to the Ministry of Water and Sanitation. If these tariff hikes are to be implemented, then the inflation rate maybe expected to increase since utilities such as housing, water, and electricity contribute 23.7% to the Consumer Price Index (CPI) basket that is used to compute inflation.

Continued foreign exchange shortages and the challenges that are being faced in the implementation of this season's Affordable Input-Subsidy Program (AIP) have led to high fertilizer prices and people not having access to fertilizer. This might decrease maize yields and ultimately increase the price of maize which might contribute to high inflation. The International Monetary Fund (IMF) predicts that the annual inflation rate in 2023 will rise to 22.7%. This projection is based on the expectation of ongoing effects from current global and domestic price pressures. Therefore, the projected average inflation rate for 2023 is 19.4%.





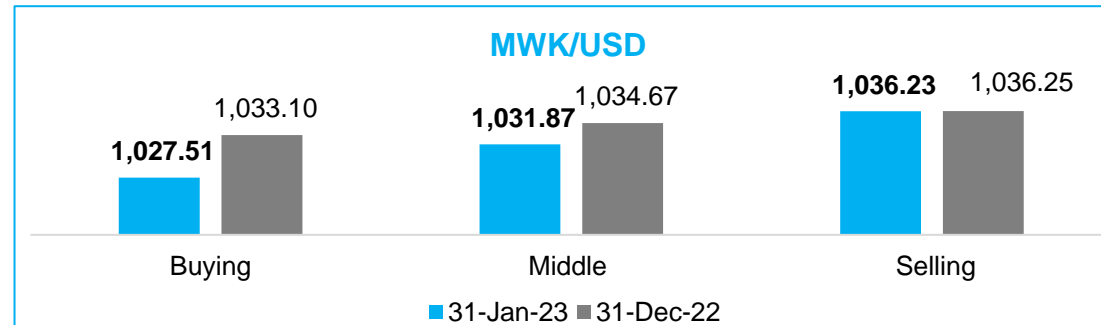
Economic overview (Continued)

Foreign currency market, Foreign Exchange Reserves Position, and Malawi's First Foreign Exchange Auction (Source: RBM)

The Reserve Bank of Malawi attempted to have its first foreign exchange auction to determine the value of the Malawi Kwacha against the US Dollar, but only 3 of the 8 Authorized Dealer Banks participated. Thus, the results may not have reflected the entire banking system, so the auction was postponed..

Foreign currency market

Month-on-month, the Kwacha marginally appreciated against the United States Dollar (USD) as it traded at MK1,031.87/USD as of 31 January 2023, from MK1,034.67/USD as of 31 December 2022. During the same period in the previous year, the Kwacha had depreciated against the USD by 0.4%.



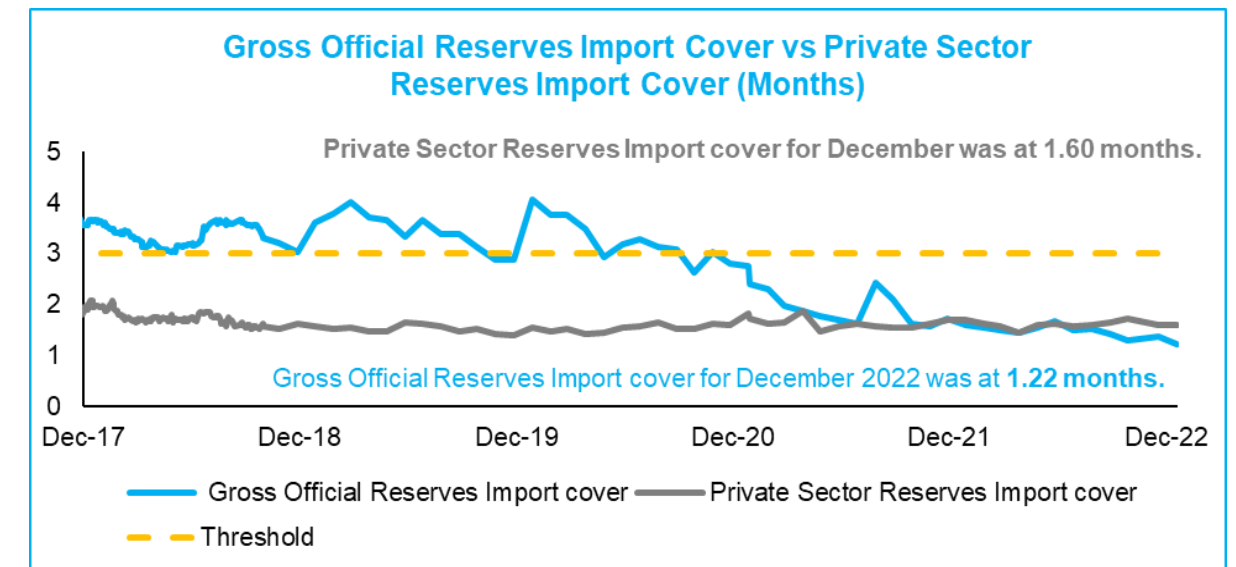
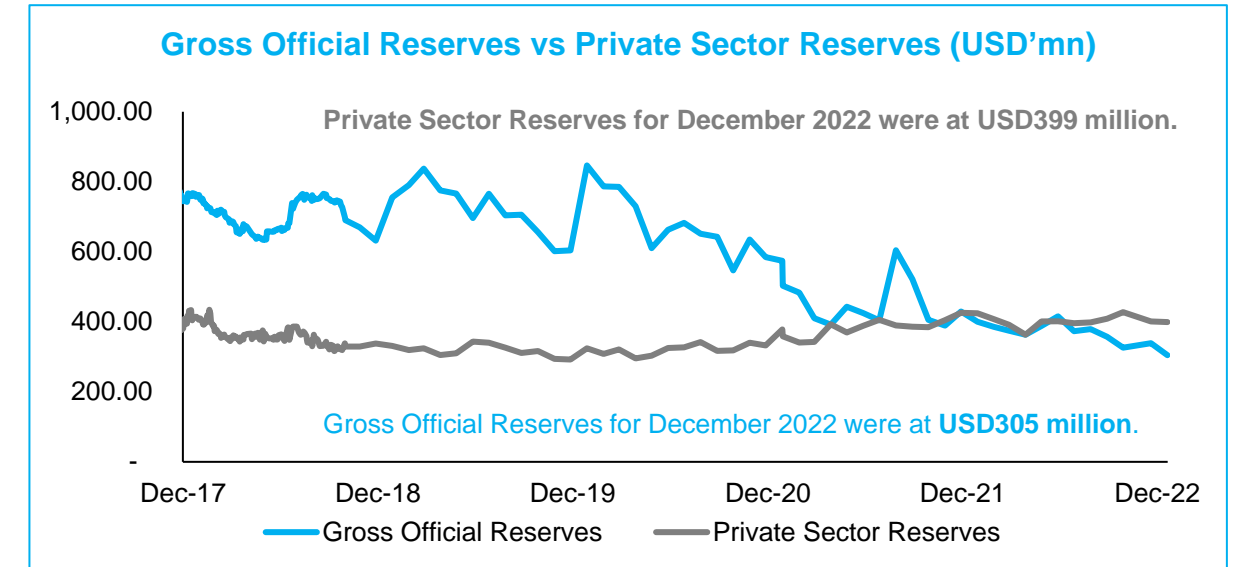
Malawi's First Foreign Exchange Auction

In January 2023, the government through the RBM attempted to have its first foreign exchange auction. The foreign exchange auctions were introduced in a bid to discover, determine and maintain a market clearing price for the Malawi Kwacha (MK) against the US Dollar (USD) and other major currencies.

In the auctions, Authorized Dealer Banks (ADB) were to submit bids to sell foreign currency to the RBM at prices (exchange rates) freely set by each participating ADB. The bids were to be for a minimum of USD50,000 (about MK51 million), and in multiples of USD10,000 (MK10.3 million) thereafter. Through this process, the RBM was set to discover a prevailing market clearing exchange rate for the Malawi Kwacha against major currencies and thereby promote transparency in the determination of the exchange rate.

The first auction took place on 13 January 2023. Only three of the eight ADBs in the country participated in the auction. According to the RBM, the results obtained may not have reflected the entire banking system, thus the auction was postponed. The RBM expressed its intention to continue engaging all banks in preparation for the next auction.

Foreign Exchange Reserves Position





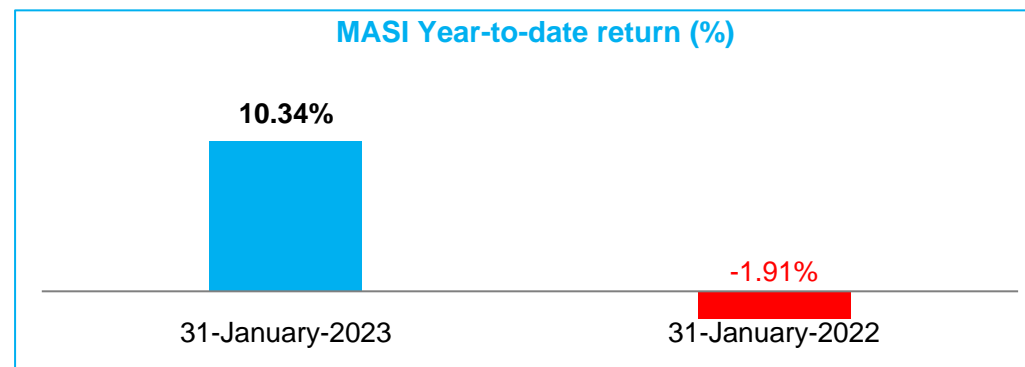
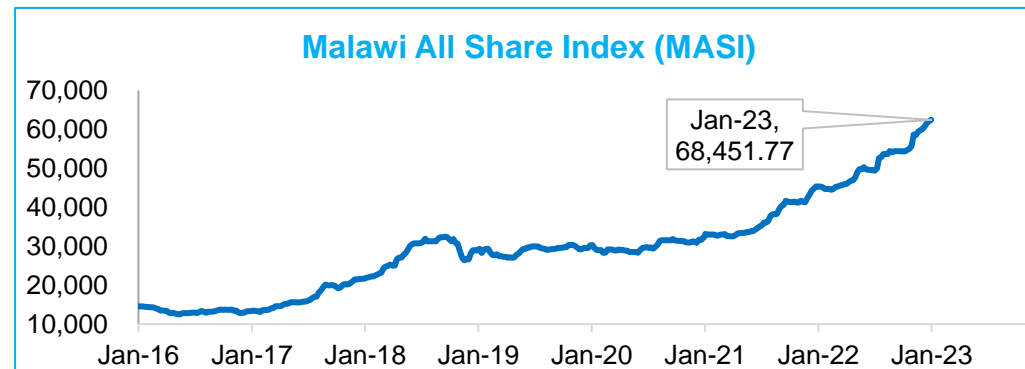
Economic overview (Continued)

Stock market (Source: MSE)

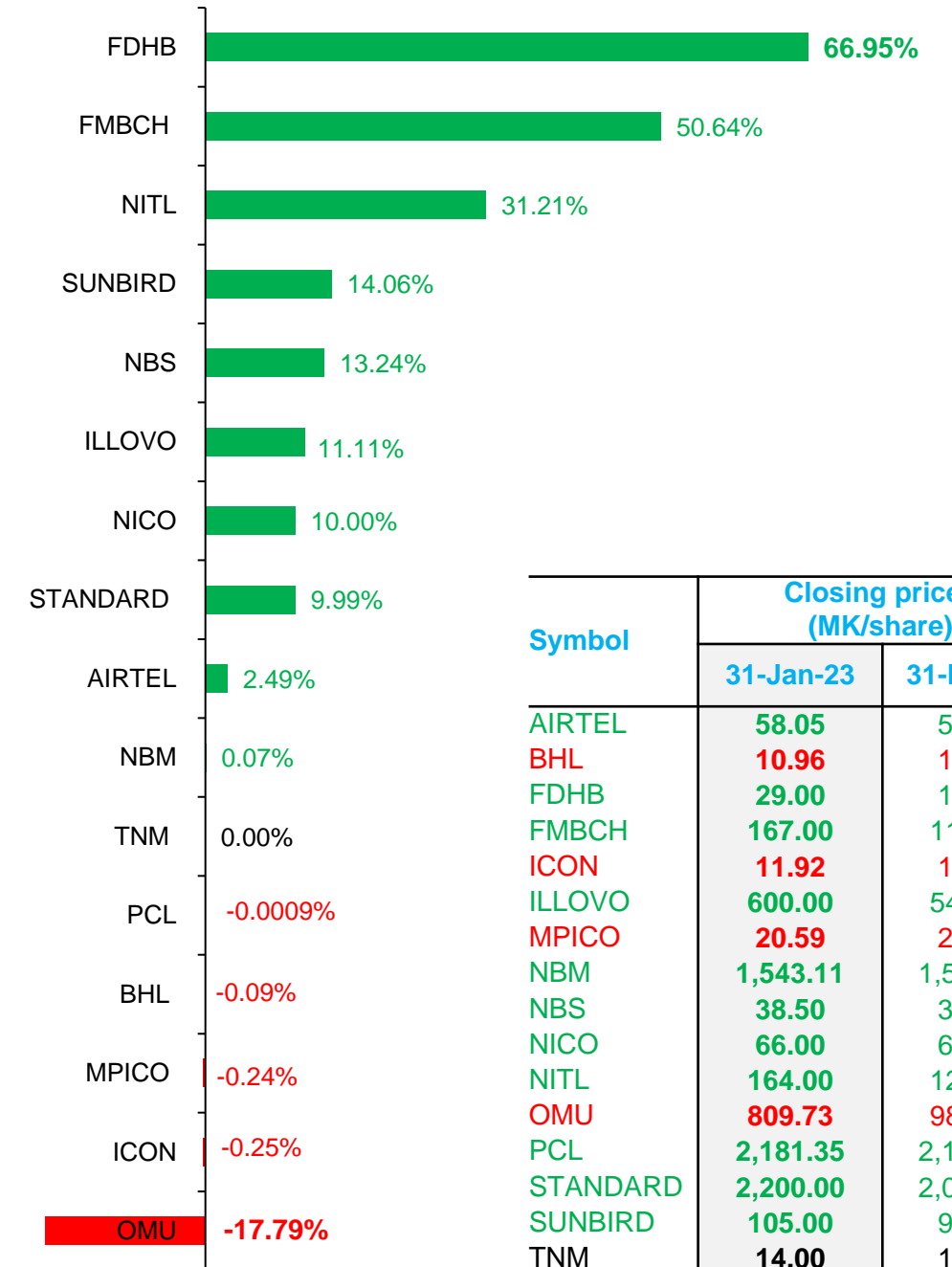
The stock market was bullish over the period as the Malawi All Share Index (MASI) increased to 68,451.77 points in January 2023, from 62,036.05 points in December 2022, representing a 10.34% increase. The year-to-date return on the MASI is 10.34%, it was negative 1.91% during the same period in the previous year.

In January 2023, FDH Bank was the largest share price gainer as its share price increased by 66.95% to MK29.00 per share, from MK17.37 per share in December 2022. This was followed by FMBCH and NITL whose share prices increased by 50.64% and 31.21%, respectively. There were also share price gains for SUNBIRD (14.06%), NBS (13.24%), ILLOVO (11.11%), NICO (10.00%), Standard Bank (9.99%), and AIRTEL (2.49%). There was a marginal share price gain for NBM (0.07%). In terms of share price losses, OMU was the largest share price loser as its share price decreased by 17.79% to MK809.73 per share in January 2023 from MK985.00 per share in December 2022. In addition to this, there were marginal share price losses for ICON (-0.25%), MPICO (-0.24%), BHL (-0.09%), and PCL (-0.0009%) during the period under review.

The MASI year-to-date return was 10.34% in January 2023, and it was negative 1.91% during the same period in the previous year.



Month-on-Month share price percentage change (%)



| Symbol | Closing prices (MK/share) | |
|----------|---------------------------|-----------|
| | 31-Jan-23 | 31-Dec-22 |
| AIRTEL | 58.05 | 56.64 |
| BHL | 10.96 | 10.97 |
| FDHB | 29.00 | 17.37 |
| FMBCH | 167.00 | 110.86 |
| ICON | 11.92 | 11.95 |
| ILLOVO | 600.00 | 540.00 |
| MPICO | 20.59 | 20.64 |
| NBM | 1,543.11 | 1,542.05 |
| NBS | 38.50 | 34.00 |
| NICO | 66.00 | 60.00 |
| NITL | 164.00 | 124.99 |
| OMU | 809.73 | 985.00 |
| PCL | 2,181.35 | 2,181.37 |
| STANDARD | 2,200.00 | 2,000.16 |
| SUNBIRD | 105.00 | 92.06 |
| TNM | 14.00 | 14.00 |



Economic overview (Continued)

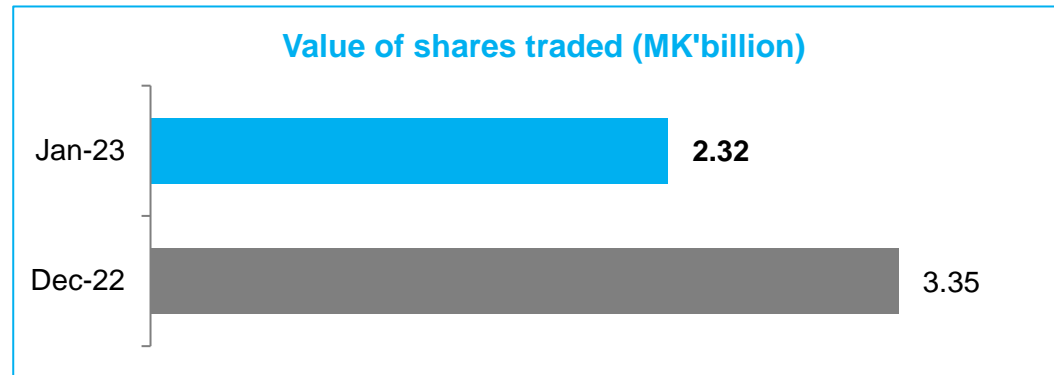
Stock market (Source: MSE)

The total value of shares traded on the stock market decreased by 31%, to MK2.32 billion in January 2023 from MK3.35 billion in December 2022.

MSE Traded Volumes

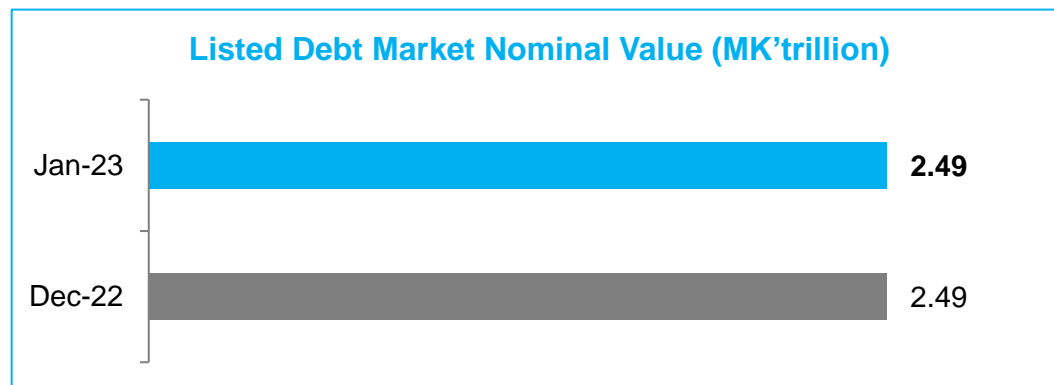
A total of MK2.32 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in January 2023. This was a 31% decrease from MK3.35 billion worth of shares traded in December 2022. OMU had the highest value of shares traded in January 2023 at MK853 million during the period under review.

The total number of trades increased to 439 in January 2023 from 348 trades in December 2022. The figure below shows the total value of shares traded on the MSE in January 2023 compared to December 2022.



Listed Debt Market

The total number of instruments listed on the debt market was constant at 62 between December 2022 and January 2023. There were no trades and no new listings on the debt market in January 2023. The nominal value of all listed debt securities remained at MK2.49 trillion between December 2022 and January 2023.



Corporate Announcements

Trading Statements

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% |
| MPICO | 5.65 | 4.71 | 20% |

Published financial results

Amounts in billions of Malawi Kwacha unless specified otherwise.

| Counter | 31 August 2022 | 31 August 2021 | Actual Change in Profit/(Loss) |
|---------|----------------|----------------|--------------------------------|
| ILLOVO | 26.6 | 20.47 | 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 |



Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK186 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in January 2023. This represents a 15% increase from MK161 billion awarded in December 2022.

Treasury Bills (TBs)

The government sought to borrow MK61 billion through Treasury Bills (TBs) auctions in January 2023. This represents a 43% decrease from MK107 billion sought in December 2022. Participants applied to place a total of MK103 billion through TBs auctions in January 2023. This represents a 23% increase from MK84 billion that was applied for in December 2022. The government awarded a total MK102 billion in January 2023, a 39% increase from MK74 billion that was awarded in December 2022. The TBs had a 0.93% rejection rate in January 2023 compared to 12.19% in December 2022.

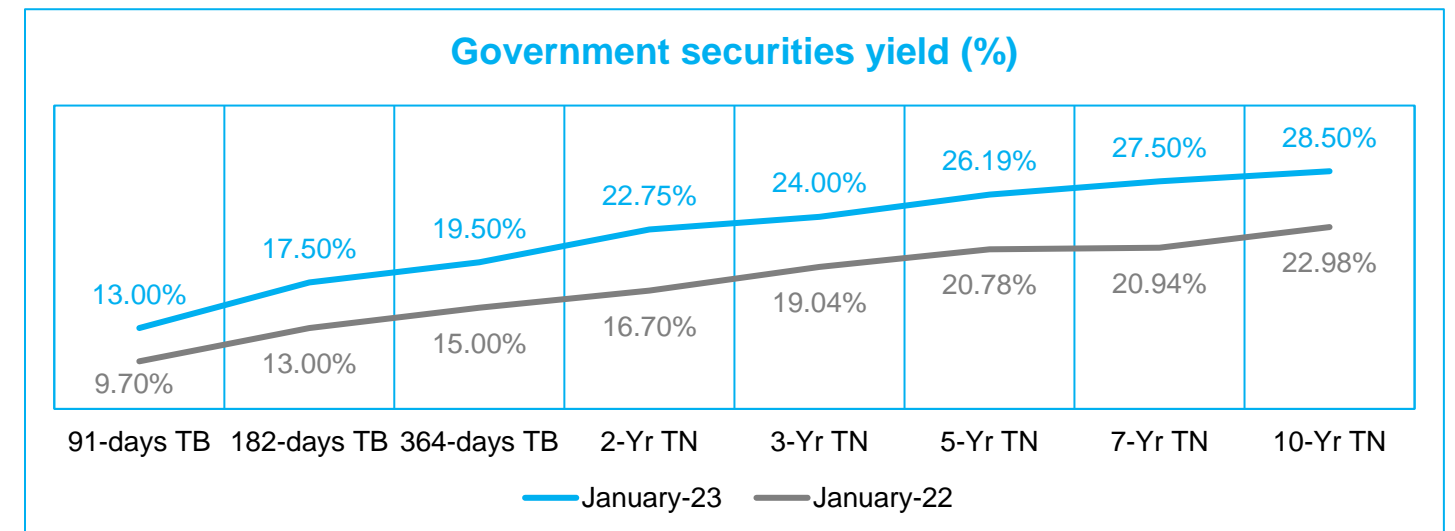
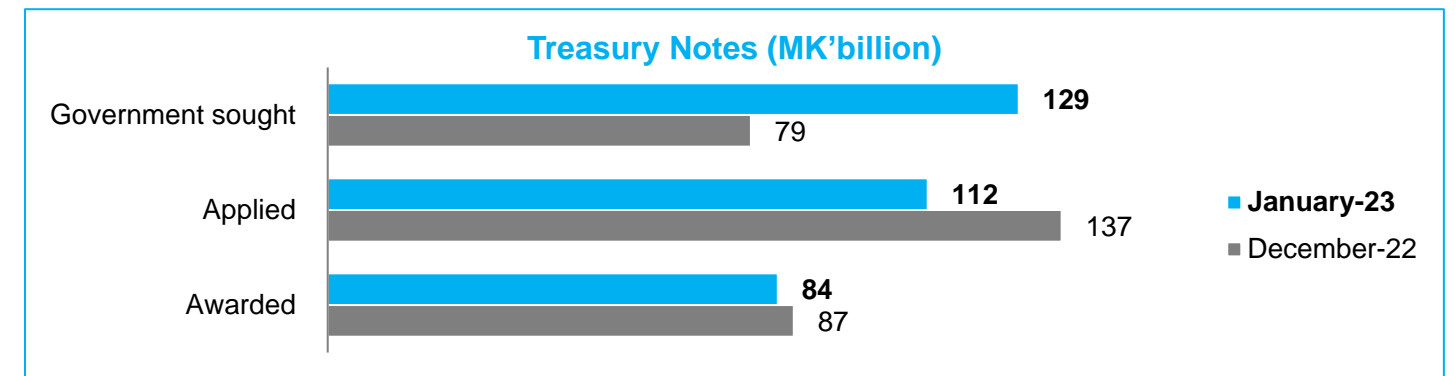
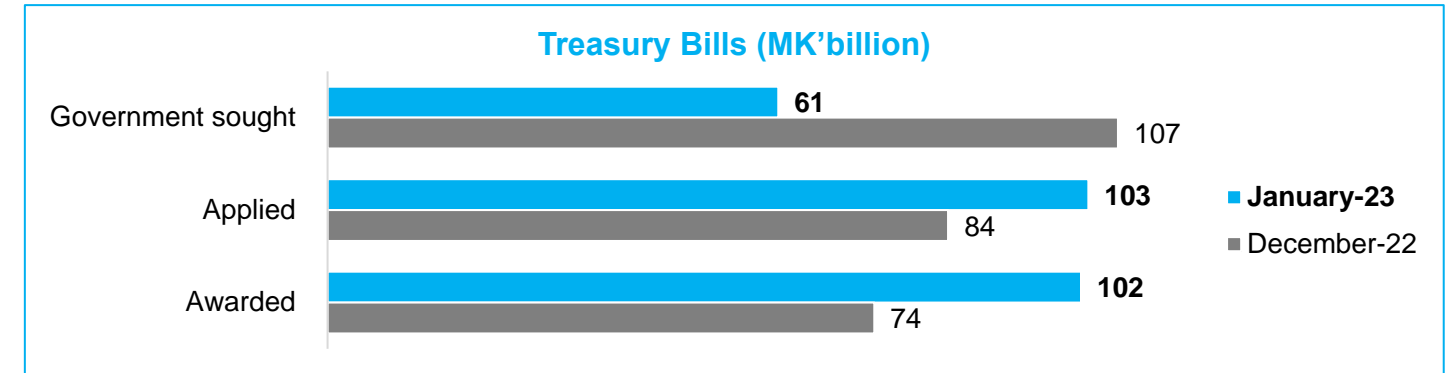
Treasury Notes (TNs)

In January 2023, the government sought to borrow MK134 billion through Treasury Notes (TNs) auctions. This represents a 71% increase from MK79 billion that was sought in December 2022. Participants applied to place a total of MK112 billion through TNs auctions in January 2023. This represents an 18% decrease from MK137 billion that was applied for in December 2022. A total of MK84 billion was awarded in the TNs auctions in January 2023. This was a 3% decrease from MK87 billion that was awarded in December 2022. The TNs had a 24.55% rejection rate in January 2023 compared to 36.33% in December 2022.

Government Securities Yield Curve

The average TB yield was maintained at 16.67% between December 2022 and January 2023. The yields for 91-days TB, the 182-days TB and the 364-day TBs remained at 13.00%, 17.50%, and 19.50%, respectively, during the period under review.

The average TN yield increased to 25.79% in January 2023 from 25.70% in December 2022. During the period under review, 2-year TN had a 22.75% yield while the 3-year TN had a 24.00% yield. The 5-year TN, 7-year TN and the 10-year TN had 26.19%, 27.50% and 28.50% yields, respectively.





Other Market Developments

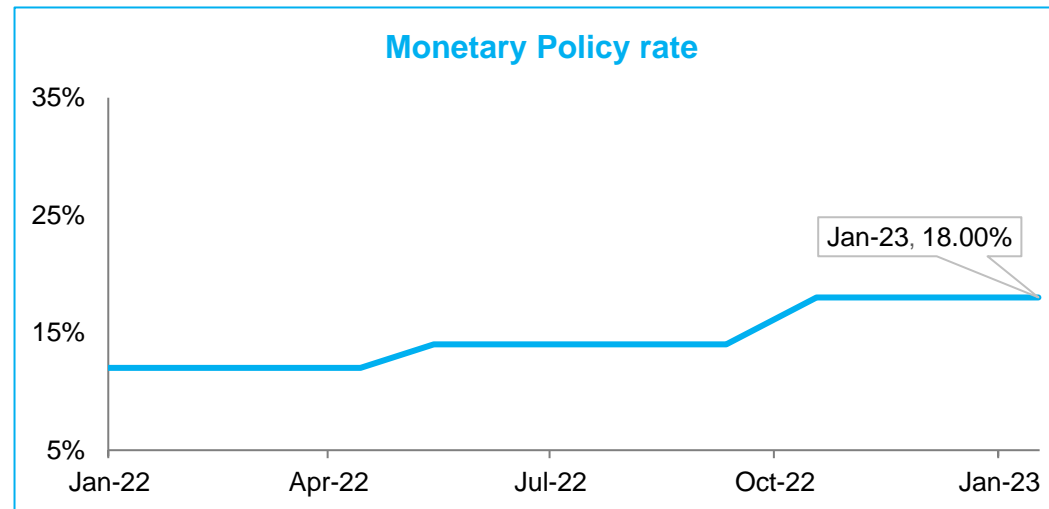
Monetary Policy, and Fiscal Policy (Source: RBM, Ministry of Finance)

The MPC has maintained the policy rate at 18.00% during the first MPC meeting of 2023 held on 1 and 2 February 2023. The LRR on both domestic and foreign reserves was maintained at 3.75%. The Lombard rate was kept at 20 basis points above the policy rate (18.20%).

Monetary Policy

During the first Monetary Policy Committee (MPC) meeting of 2023 held on 1 and 2 February 2023, the MPC decided to keep the policy rate at 18.00%. The decision to maintain the policy rate was made to allow for more time for the impact of the October 2022 policy rate adjustment to transmit through the economy. A further adjustment may be necessitated by trends in the inflation rate as the year progresses.

The EIU projected that the policy rate might be raised to 20.00% in 2023 as the RBM will continue trying to curb the inflation rate towards the medium-term target of 5.00%.



Fiscal Policy: 2023-24 Pre-Budget Consultation Meetings

In January 2023, the government through the Ministry of Finance carried out pre-budget consultation meetings for the 2023-24 national budget with members of the general public and other stakeholders. The government pledged to deliver an inclusive budget for the upcoming fiscal year. The Ministry of Finance emphasized on the need to make the budget to balance expenditure and revenue and not only focus on expenditure. The Ministry stated that funds will also be allocated to retire the country's public debt currently at MK7.3 trillion. The budget will be aligned to Malawi 2063.

With regard to preliminary budget processes, the government has set out the macroeconomic framework for the 2023-24 national budget that looks at the macroeconomic targets such as fiscal and monetary measures and the debt sustainability targets to be achieved by the end of the current fiscal year. This follows the agreement with the IMF on a Rapid Credit Facility (RCF) arrangement as technical discussions for an Extended Credit Facility (ECF) continue.

Economic experts highlighted the need to take into account issues of foreign exchange and power supply shortages. Stakeholders requested allocation of sufficient funds to education and advocated for expanding the tax base to boost revenue in the 2023-2024 budget. The IMF has called on the government to ensure that the upcoming budget spends prudently in order to restore debt sustainability.



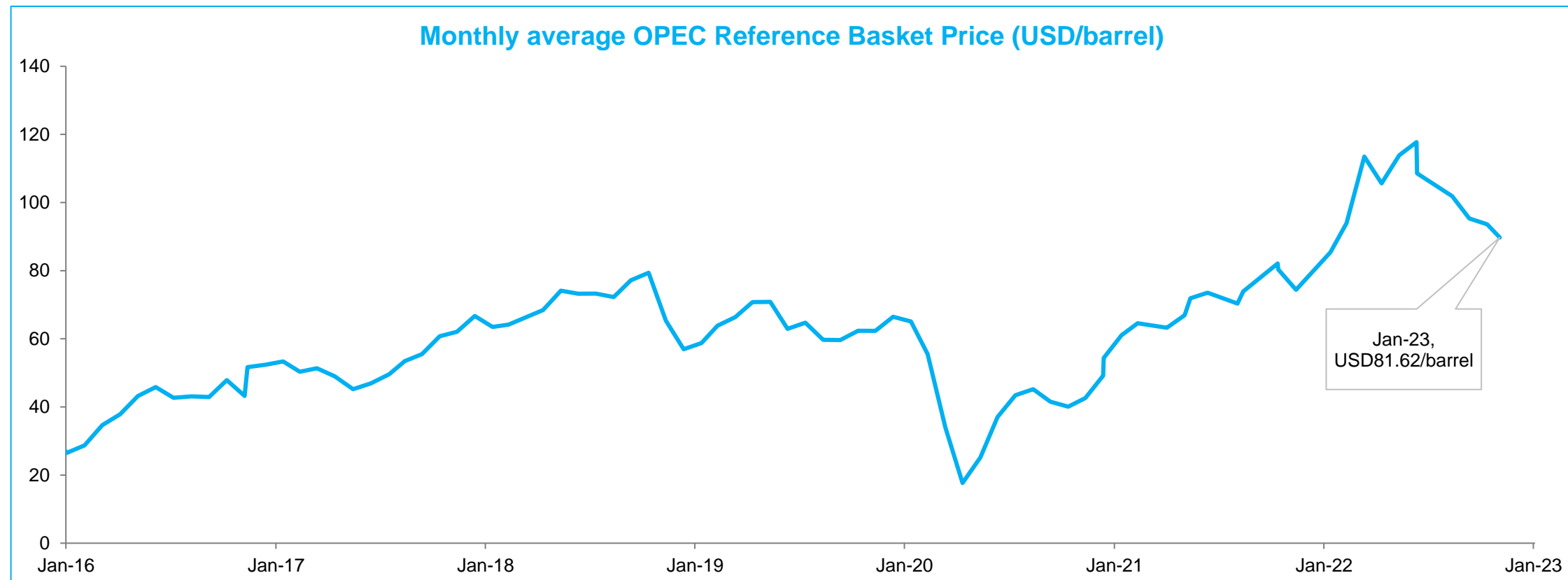
Regional And Global Market Developments

Global oil price developments (Source: OPEC, US-EIA)

The monthly average OPEC Reference Basket (ORB) price increased by 2% to a monthly average of USD81.62/barrel in January 2023, from USD80.36/barrel in December 2022.

The monthly average OPEC reference basket price increased to USD81.62 per barrel in January 2023 from a monthly average of USD80.36 per barrel in December 2022. This represents a 2% month-on-month increase. Year-on-year, this represents a 4% decrease from an average price of USD85.24 per barrel as of January 2022. The increasing prices could have resulted from a combination of decreasing supply caused by supply disruptions from weather conditions and geopolitical tensions as well as increased demand for oil caused by a pick-up in global economic activity in the new year. Particularly, oil prices increased in January 2023 due to reopening of China's borders in mid- January 2023. China is considered the largest importer of crude oil in the world thus the reopening of its borders significantly increased the demand for oil and this translated into higher oil prices in the month.

According to the US Energy Information Administration (EIA), oil prices will increase in the first quarter of 2023 because of an impending European Union (EU) ban on seaborne imports of petroleum products from Russia effective from 5 February 2023. The US EIA reported that this ban will likely be more disruptive to the global oil market compared to the EU ban of Russian oil in December 2022. With regard to oil production, the EIA expects global oil production to increase slightly as increase in production by the US and OPEC countries will likely offset production declines in Russia.



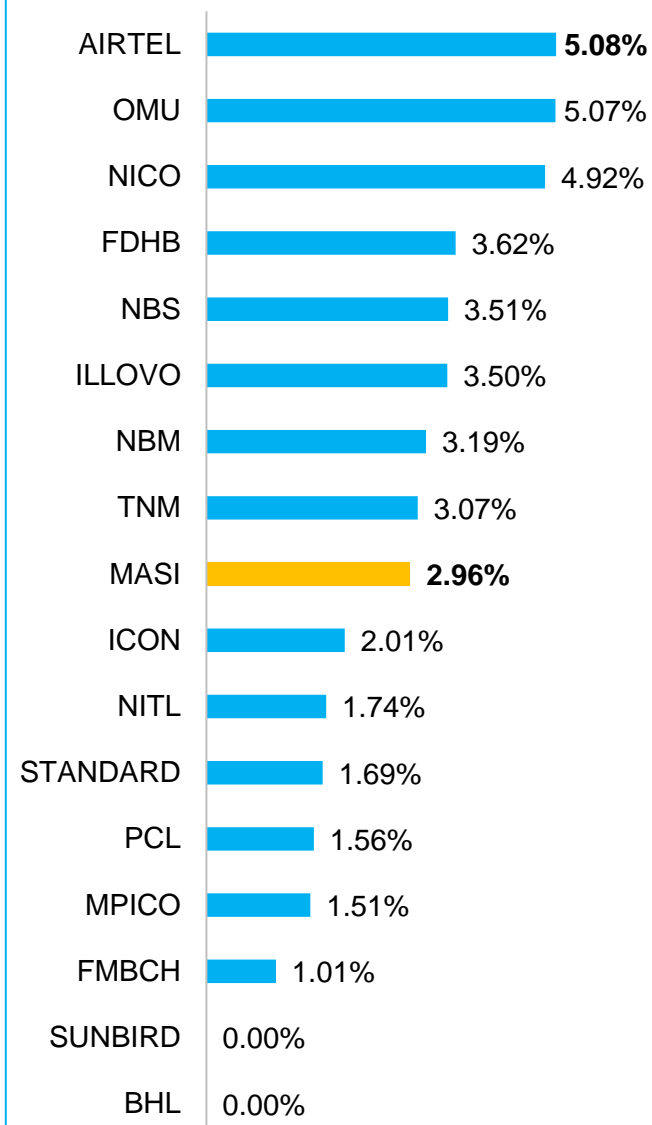
Appendix

Appendix 1: Historical Monthly Economic Indicators

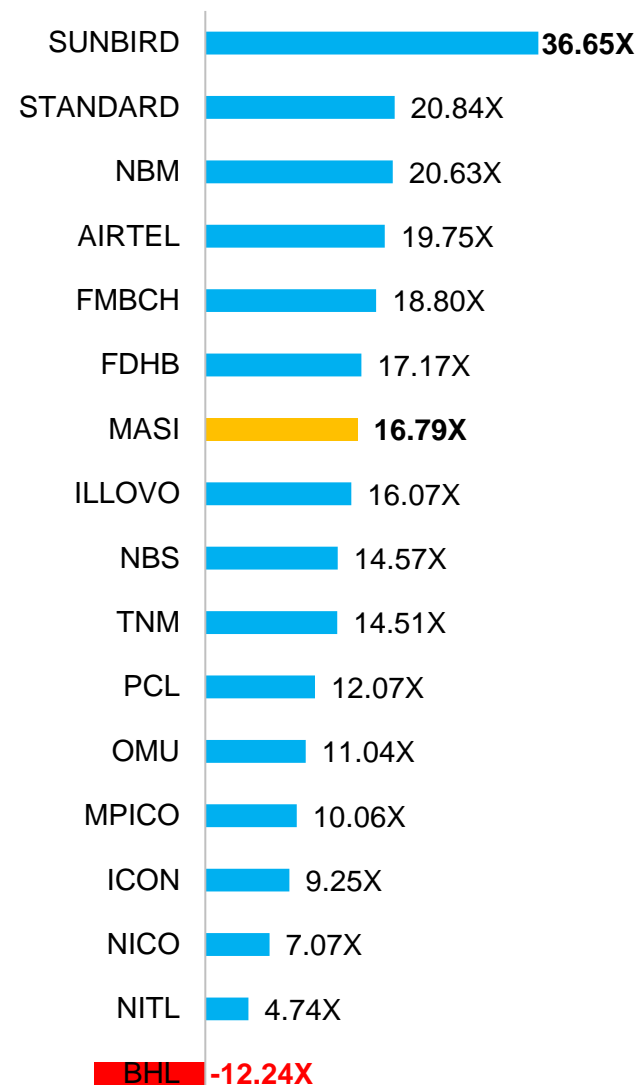
| | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------|
| Exchange rates (middle rates) | | | | | | | | | | | | | | | | | | |
| MK/USD | 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 | 1,031.87 | 1,031.87 |
| MK/GBP | 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 | 1,305.57 | 1,305.57 |
| MK/EUR | 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 | 1,152.30 | 1,152.30 |
| MK/ZAR | 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 | 60.72 | 60.72 |
| Foreign Exchange Reserves | | | | | | | | | | | | | | | | | | |
| Gross Official Reserves (USD'mn) | 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 | 304.65 | N/A |
| Private Sector Reserves (USD'mn) | 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 | 399.20 | N/A |
| Total reserves (USD'mn) | 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 | 703.85 | N/A |
| Gross Official Reserves Import cover (months) | 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 | 1.22 | N/A |
| Inflation | | | | | | | | | | | | | | | | | | |
| Headline | 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% | 25.4% | N/A |
| Food | 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% | 31.3% | N/A |
| Non-food | 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% | 18.6% | 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% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 18.00% | 18.00% | 18.00% | 18.00% |
| Average Interbank rate | 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% | 15.00% | 15.00% |
| Average base lending rate | 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% | 18.20% | 18.20% |
| Government Securities Yields | | | | | | | | | | | | | | | | | | |
| 91-days Treasury Bill | 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% | 13.00% | 13.00% |
| 182-days Treasury Bill | 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% | 17.50% | 17.50% |
| 364-days Treasury Bill | 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% | 19.50% | 19.50% |
| 2-year Treasury Note | 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% | 22.50% | 22.75% |
| 3-year Treasury Note | 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% | 24.00% | 24.00% |
| 5-year Treasury Note | 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% | 26.00% | 26.19% |
| 7-year Treasury Note | 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% | 27.50% | 27.50% |
| 10-year Treasury Note | 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% | 28.50% | 28.50% |
| Stock Market Indices | | | | | | | | | | | | | | | | | | |
| MASI | 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 | 62,036.05 | 68,451.77 |
| DSI | 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 | 50,804.03 | 54,351.80 |
| FSI | 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 | 5,614.30 | 8,374.09 |

Appendix 2: Selected stock market statistics as of 31 January 2023

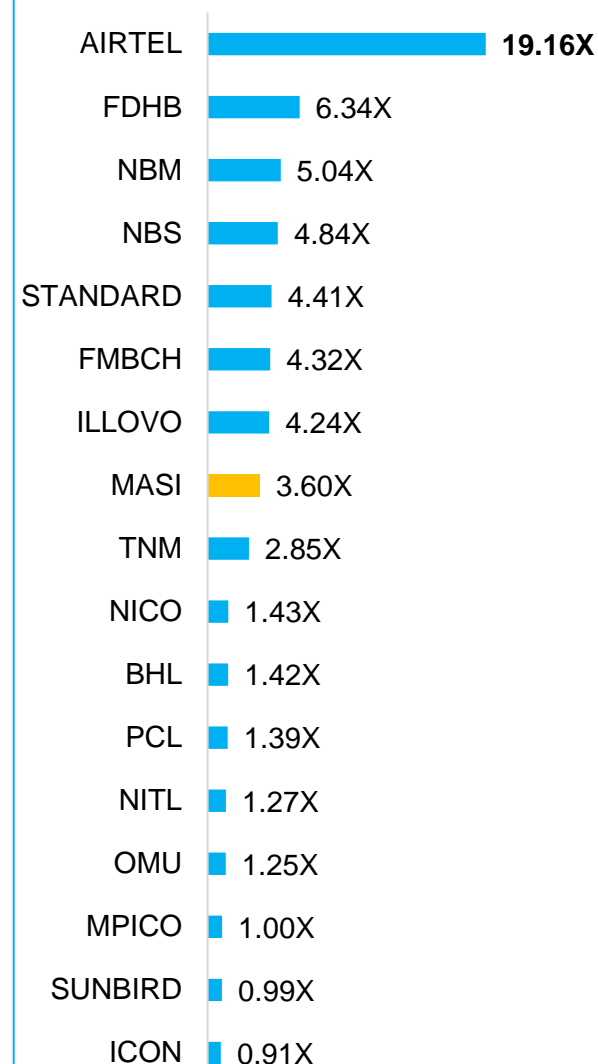
Dividend Yield (%)- the weighted average dividend yield on the MSE was 2.96% in January 2023. The counter with the highest dividend yield was AIRTEL at 5.08%.



P/E Ratio – the weighted average price to earnings on the MSE was 16.79X in January 2023. The counter with the highest ratio was SUNBIRD at 36.65X while BHL had the lowest at negative 12.24X.

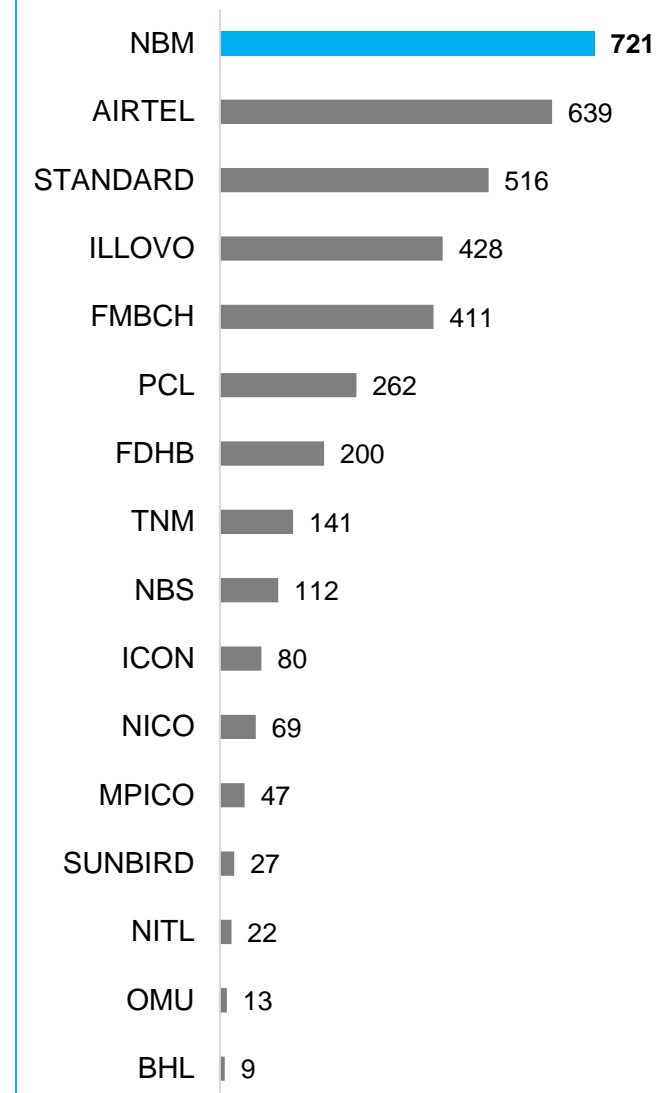


P/BV Ratio – the weighted average price to book value on the MSE was 3.60X in January 2023. The counter with the highest ratio was AIRTEL at 19.16X while ICON had the lowest at 0.91X.



Market Capitalization (MK' billion)

- NBM had the highest Market capitalization in January 2023 at MK721 billion while BHL had the lowest at MK9 billion.



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 | 749.5 | 804.2 | 940.7 | 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* |
|--|-------|--------|--------|--------|--------|--------|--------|
| National accounts and prices (percent change, unless otherwise indicated) | | | | | | | |
| 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 |
| Central government (percent of GDP on a fiscal year) | | | | | | | |
| 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 |
| Money and credit (percentage change) | | | | | | | |
| 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 |
| External sector (USD million, unless otherwise indicated) | | | | | | | |
| 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 |
| Debt stock and service (percent of GDP, unless otherwise indicated) | | | | | | | |
| 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 | NICO: | NICO Holdings Plc |
| ADB: | Authorized Dealer Banks | NITL: | National Investment Trust Limited Plc |
| AIP: | Affordable Inputs Program | NSO: | National Statistical Office |
| BHL: | Blantyre Hotels Plc | OMU: | Old Mutual Limited Plc |
| CPI: | Consumer Price Index | OPEC: | Organization of the Petroleum Exporting Countries |
| DSI: | Domestic Share Index | ORB: | OPEC Reference Basket |
| EIU: | Economist Intelligence Unit | P/BV: | Price to book value |
| EUR: | Euro | PCL: | Press Corporation Limited Plc |
| FDHB: | FDH Bank Plc | P/E: | Price to earnings |
| FMBCH: | FMB Capital Holdings Plc | RBM: | Reserve Bank of Malawi |
| FSI: | Foreign Share Index | SUNBIRD: | Sunbird Tourism Plc |
| GBP: | Great British Pound | TAMA: | Tobacco Association of Malawi |
| GDP: | Gross Domestic Product | TB: | Treasury Bill |
| IFPRI: | International Food Policy Research Institute | TN: | Treasury Note |
| MF: | International Monetary Fund | TNM: | Telekom Networks Malawi Plc |
| LRR: | Liquidity Reserve Requirement | TT: | Telegraphic Transfer |
| MASI: | Malawi All Share Index | USEIA: | US Energy Information Administration |
| Mb/d: | Million barrels per day | UCT: | Upper Credit Tranche |
| MERA: | Malawi Energy Regulatory Authority | UAE: | United Arab Emirates |
| MK: | Malawi Kwacha | USA: | United States of America |
| M-O-M: | Month-on-month | USD: | United States Dollar |
| MPC: | Monetary Policy Committee | Y-O-Y: | Year-on-year |
| MSE: | Malawi Stock Exchange | YTD: | Year-to-date |
| MW: | Mega Watts | ZAR: | South African Rand |
| NBM: | National Bank of Malawi Plc | | |

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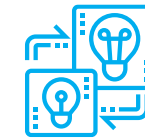
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