Bridgepath Capital
Invest to Achieve

Malawi Monthly Economic Report and an Overview of the World Bank's Global Economic Prospects

June 2023

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Executive Summary and Outlook

Inflation

The headline inflation rate increased to 29.2% in May 2023 from 28.8% in April 2023 due to a rise in food inflation to 38.8% from 37.9%, offsetting a decrease in non-food inflation to 18.4% from 18.5%. According to the Reserve Bank of Malawi (RBM), non-food inflation moderation was on the back by easing pressures in housing and utility, transportation, as well as clothing and footwear. The average inflation rate for the first five months of 2023 is 27.5%, 12.7 percentage points higher than 2022 average of 14.8% for the same period. The six-month average inflation to June 2022 was 16.3%.

The Economist Intelligence Unit (EIU) expects inflation to average 30.6% in 2023, up from an average of 21.0% in 2022, owing to high domestic fuel and food prices. Oxford Economics expects inflation to average 24.8% in 2023 while the International Monetary Fund (IMF) expects inflation to average 24.7% in 2023.

Exchange Rates and Foreign Currency Reserves

The Reserve Bank of Malawi held a foreign exchange auction on 19 June 2023, in which USD350,000 (approximately, MK350 million) was raised. The RBM disclosed that the highest rate offered was MK1,139.87/USD. The highest rate accepted was MK1,075.00/USD while the lowest rate accepted was MK1,038.00/USD. The weighted average rate accepted was MK1,063.86/USD. The RBM stated that these auctions will determine the market clearing price of the Malawi Kwacha against the United States Dollar and other major currencies.

The Malawi Kwacha traded at MK1,058.82/USD as of 30 June 2023, a depreciation of 2.4% from MK1,034.46/USD as of 31 May 2023. Year-to-date, the Kwacha has depreciated against the USD by 2.3% as it traded at 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 26.1% and closed at MK1,033.36.

As of 31 May 2023, the country's gross official foreign exchange reserves decreased by 2.6% to USD194.82 million from USD200.08 million in April 2023. Foreign exchange reserves held by the private sector decreased by 4.2% to USD386.90 million as of 31 May 2023, from USD403.93 million as of 30 April 2023. In total, foreign exchange reserves held in the country in May 2023 were USD581.72 million, a decrease of 3.7% from USD604.01 million in April 2023.

Stock Market

The year-to-date return on the Malawi All Share Index (MASI) increased by 9.38 percentage points to 75.15% in June 2023 from 65.77% in May 2023. The MASI year-to-date return was 9.32% in June 2022. The stock market was bullish month-on-month, with the MASI increasing by 5.67% to 108,656.97 points as of 30 June 2023 from 102,837.75 points as of 31 May 2023. The increase in the MASI resulted from share price gains for NBS, FMBCH, NITL, TNM, NBM and STANDARD. In addition, there were marginal share price gains for BHL, SUNBIRD and AIRTEL. The share price gains offset a share price loss for OMU and marginal share price losses by PCL, ILLOVO, FDH Bank and NICO. ICON was the largest share price gainer as its share price increased by 68.65% to MK18.99 per share from MK11.26 per share in May 2023. OMU was the largest share price loser as its share price decreased by 14.86% to MK960.00 per share from MK1,127.51 per share in May 2023.

Government Securities

The government awarded a total of MK210.26 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in June 2023, a 114.26% increase from MK98.04 billion awarded in May 2023. The government awarded a total of MK69.1 billion in TBs auctions in June 2023, a 387% increase from MK14.2 billion that was awarded in May 2023. A total of MK141.1 billion was awarded in the TNs auctions in June 2023. This entailed a 276% increase from MK83.8 billion which was awarded in May 2023. The TBs had a 20.2% rejection rate, while the TNs had a 4.8% rejection rate in June 2023. The first six months average TB yield was 17.03% in 2023, an increase from 12.94% in 2022. The first six months average TN yield was 26.32% in 2023, an increase from 20.83% in 2022.The 10-year TN increased its yield to 31.25% in June 2023 from 27.00% in June 2022.

Fiscal and Monetary Policy

Malawi is engaged in efforts with Afreximbank to consider a debt restructuring plan that would allow Malawi to secure the International Monetary Fund (IMF) Extended Credit Facility (ECF). The EIU anticipates that the successful attainment of the IMF's Staff Monitored Programme (SMP) and a subsequent Extended Credit Facility (ECF) would improve public financial management in the 2023-27 period.

Regarding monetary policy, the RBM has indicated that a tight monetary policy stance it has adopted may be implemented for a prolonged period to ensure commodity price stability. The average monetary policy rate to date in 2023 is 19%. It was 12.67% during the same period in 2022.

Economic Growth

The gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 0.7% and 2.4%, bringing the projected average GDP growth rate for 2023 to 1.55%. According to the EIU, real GDP growth in 2023 will be undermined by weather shocks, huge funding gaps and a severe monetary tightening shock, depressing real GDP growth to 0.7% from an estimated 1.1% in 2022.

The World Bank GDP growth projection for 2023 is 1.4% and is expected to increase to 2.4% in 2024. The African Development Bank (AfDB) expects Malawi's real GDP growth to be at 2.0% in 2023 and 3.5% in 2024.

According to Oxford Economics, economic growth is forecasted at 2.1% for 2023 compared to 1.3% in 2022. An agricultural sector hampered by adverse weather conditions in the form of recurring cyclones and high fertilizer prices, compounded by strained consumer spending due to high inflation, will likely inhibit economic growth this year. However, industry and services sectors with fewer power outages than previously expected should spur economic activity. Real GDP growth is predicted to rebound to 3.4% in 2024 as private consumption and exports of goods and services improve.

The IMF projects real GDP growth of 2.4% for Malawi in 2023. Fiscal consolidation, monetary policy tightening, and reforms that will bring the economy back to a sustainable path are expected to support economic recovery in the medium term.

Executive Summary and Outlook (Continued)

Risks

The Malawian economy has continued to face several significant risks that include but are not limited to dependence on rain-fed agriculture, foreign exchange rate risk, currency depreciation risk, reliance on aid and power supply insufficiency. These risk factors may limit the country's potential for growth and worsen poverty.

Firstly, the economy's heavy dependence on rain-fed agriculture as a crucial source of employment and export earnings makes it susceptible to weather-related shocks such as the recent tropical Cyclone Freddy that hit the country hard. A scenario in which the country experiences below-average rainfall in the November–March rainy season could lead to crop failure and insufficient grazing, affecting future agricultural yield. Malawi is categorized as a region of high concern with a projected 3.8 million people in a state of acute food insecurity in Malawi.

In addition to this, the country faces additional foreign exchange rate risk compounded by global inflationary pressure resulting from increased prices of imports and decreased prices of Malawian exports. Furthermore, Malawi has struggled to attract foreign investment, which is critical for economic growth and job creation. Without sufficient foreign investment, the country is expected to continue to face limitations in its capacity to develop infrastructure, create jobs, and support economic growth.

Furthermore, Malawi faces inflation risk, which has the potential to diminish the purchasing power of individuals, increase the cost of living and create instability within the economy. The average inflation rate for the first five months of 2023 is 27.5%, and the revision of Electricity Supply Corporation of Malawi (ESCOM) tariffs and Water board prices could contribute to an increase in overall prices. This is because both aspects hold significant weights in the calculation of the Consumer Price Index (CPI). In the case of water tariffs, Lilongwe Water Board announced a 30% and 35% hike for residential and commercial clients respectively. The hike was made effective on 26 June 2023.

Malawi is also significantly dependent on external aid, making the economy vulnerable to changes in aid flows and donor priorities. For instance, in the aftermath of tropical Cyclone Freddy, the Minister of Finance indicated that the government might be unable to fully fund the effort to rebuild the damaged infrastructure in various sectors and would be looking to its development partners for support in these projects. As such, with this dependence, a reduction in aid could lead to reduced public investment, social services, and economic growth.

Additionally, there is the risk of depreciation of the domestic currency. If the risk of reduction in exports and associated export earnings were to materialize, the domestic currency might be exposed to currency depreciation risk. This would further make the importation of goods and services relatively more expensive while reducing the value earned from exporting domestically produced goods and services. This may have a knock-on effect on inflation and, subsequently, on the country's fiscal deficit.

Malawi's development prospects are greatly hindered by the lack of reliable transport infrastructure and services. Its infrastructure gap is significant, ranking 129 out of 140 countries in the 2019 Global Competitiveness Index. Imports to Malawi primarily come through the four ports in Beira, Mozambique; Durban, South Africa; Dar es Salaam, Tanzania; and Nacala, Mozambique. Most cargo, even bulk freight, is transported by road despite the long distances to the seaports. Rail connections are underutilized largely due to infrastructure constraints at Nacala and network restrictions or gaps with Beira. The dependence on a poor road transport network, fragments the local market, and causes high fuel costs significantly reducing the overall competitiveness of Malawi's exports and increases the price of key imports.

Moreover, the significant levels of informality pose a substantial risk to the economy. A considerable portion of economic activity in Malawi operates within the informal sector, thereby constraining government revenue generation and undermining the efficacy of tax regulations. The prevalence of informality also exacerbates the challenges faced by businesses in obtaining financial support, impeding investment opportunities and stifling overall growth.

Malawi has a very low national electrification rate estimated at 12.4%, the lowest in the Southern Africa Development Community (SADC) region. Rural and urban electrification rates are estimated at 3.9% and 48.7%, respectively. Power generation is also subject to adverse climatic events such as Tropical Cyclone Ana, which damaged the hydropower plant at Kapichira Power Station in 2022. The effects of climate change may also lead to less rainfall in some years and therefore less water available for power generation. In addition, insufficient transmission and distribution facilities result in frequent power outages rendering economic and social development difficult.

Lastly, Malawi has a relatively underdeveloped financial sector, with limited access to credit and other financial services for many individuals and businesses. This can make it difficult for companies to expand and invest in new projects, limiting economic growth.

Economic overview

Inflation (Source: NSO, RBM)

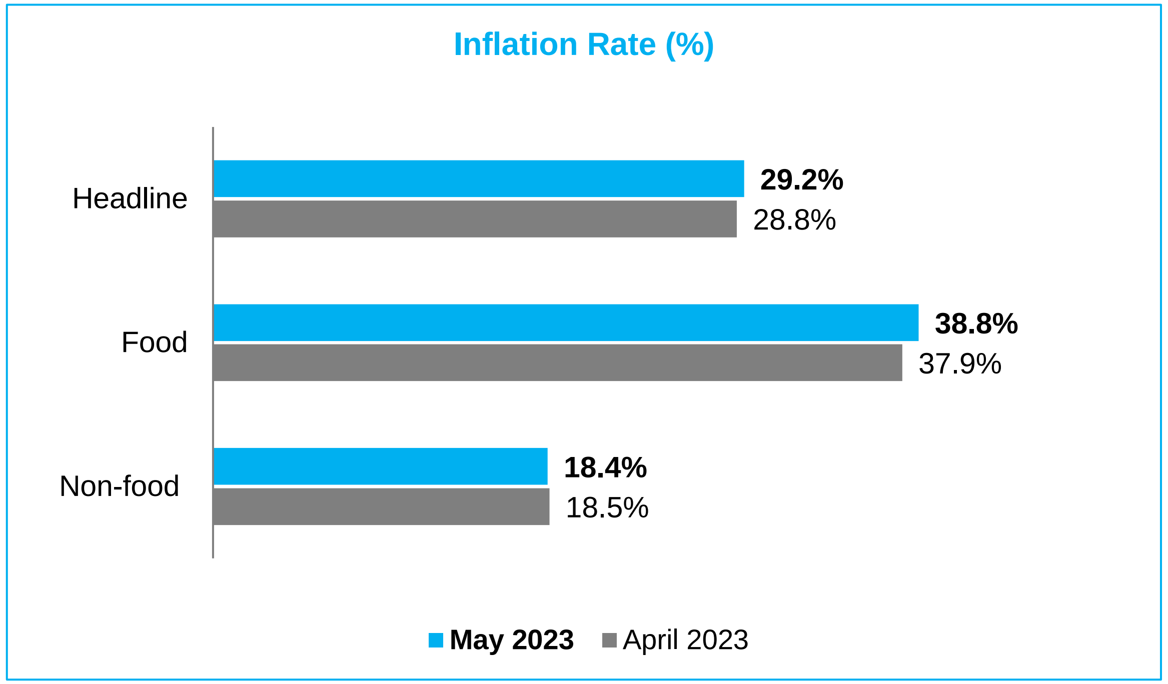
The headline inflation rate for May 2023 increased by 0.4 percentage points to 29.2% from 28.8% in April 2023. The increase was due to a rise in food inflation to 38.8%, which offset a decrease in non-food inflation to 18.4% during the period under review.

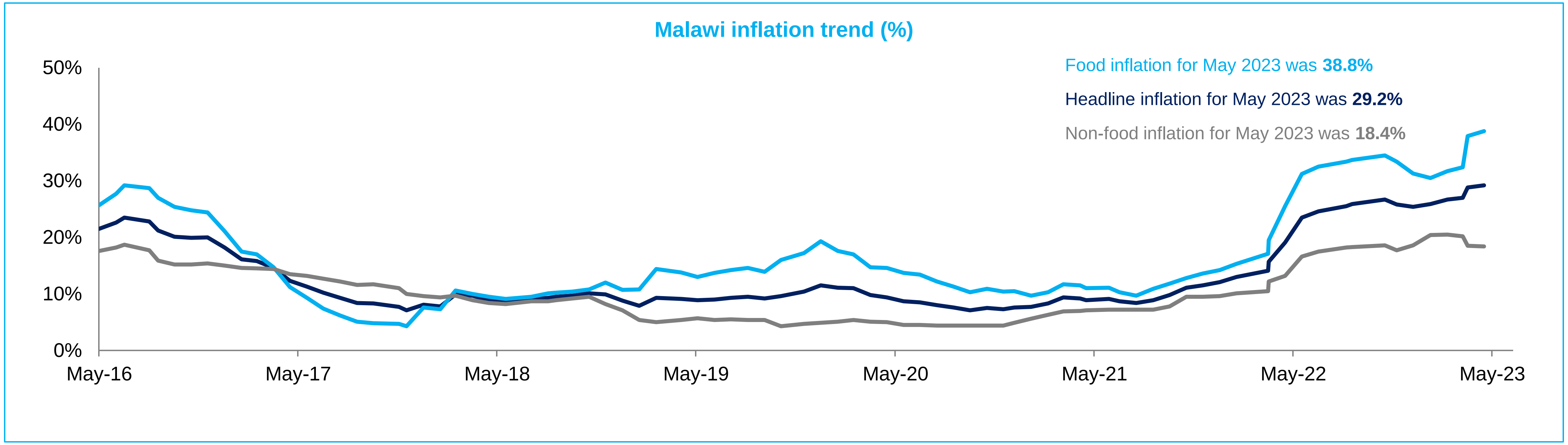
Year-to-date, inflation has averaged 27.5% for the first five months of 2023, up from an average of 14.8%. for the first five months of 2022.

The headline inflation rate increased by 0.4 percentage points to 29.2% in May 2023 from 28.8% in April 2023. The increase was due to a rise in food inflation to 38.8% in May 2023 from 37.9% in April 2023. This offset a decrease in non-food inflation to 18.4% in May 2023 from 18.5% in April 2023. During this same period in 2022, headline inflation was 23.5%, driven by food inflation of 31.2% and non-food inflation of 16.6%. Year-to-date, inflation has averaged 27.5% for the first five months of 2023, up from an average of 14.8% for the first five months of 2022. The six-month average inflation to June 2022 was 16.3%.

According to the Reserve Bank of Malawi, food inflation was driven by unfavourable food price developments, while non-food inflation moderation was supported by easing pressures in housing and utility, transportation, as well as clothing and footwear.

The Economist Intelligence Unit expects inflation to average 30.6% in 2023, up from an average of 21.0% in 2022, owing to high domestic fuel and food prices. Malawi's foreign-currency shortages are making imports of food and fuel costly and could prompt currency devaluation, which will drive up inflationary pressures.





Economic overview (Continued)

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

The RBM held a foreign exchange auction; the highest rate offered was MK1,139.87/USD. The weighted average rate accepted was MK1,063.86/USD. This resulted in a depreciation of 2.8% between the official closing middle rate of 21 June and 20 June 2023.

The gross official foreign exchange reserves decreased by 2.63% to USD194.82 million as of 31 May 2023, from USD200.08 million as of 30 April 2023. This translates to an import cover of 0.78 months in May 2023, a decrease of 2.50% from 0.8 months in April 2023.

Foreign currency market

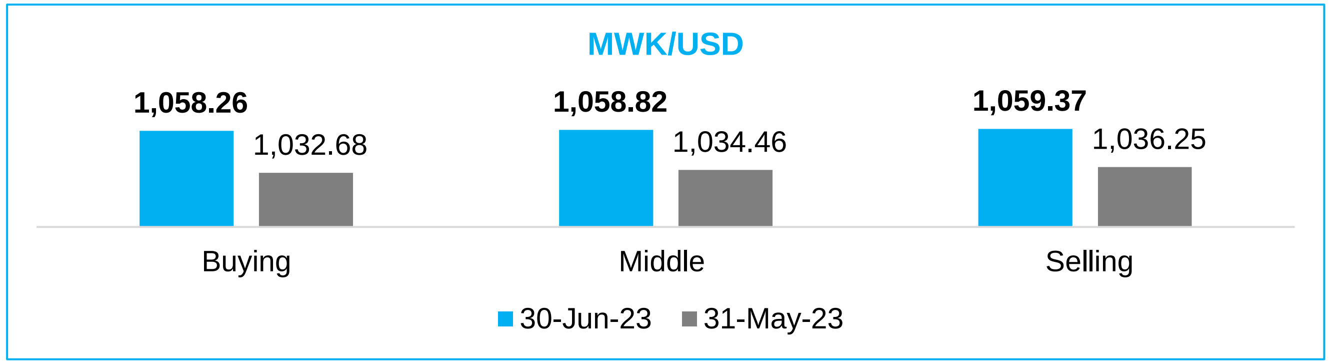
Month-on-month, the Kwacha depreciated against the United States Dollar (USD) by 2.35% as it traded at MK1,058.82/USD as of 30 June 2023, from MK1,034.46/USD as of 31 May 2023. Year-to-date, the Kwacha has depreciated against the USD by 2.33% as it traded at MK1,034.67/USD as of 31 December 2022. During the same period in the previous year, the Kwacha had depreciated against the USD by 26.11%.

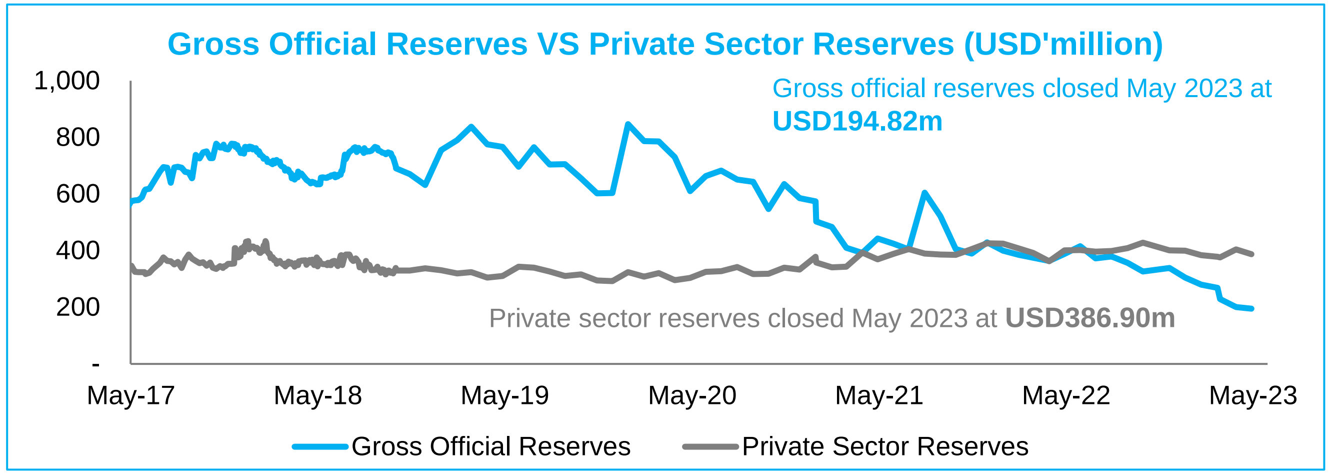
The RBM held a foreign exchange auction on 19 June 2023, in which USD350,000 (approximately MK350 million) was raised. The RBM disclosed that the highest rate offered was MK1,139.87/USD. The highest rate accepted was MK1,075.00/USD, while the lowest rate accepted was MK1,038.00/USD. The weighted average rate accepted was MK1,063.86/USD. The immediate effect was a depreciation of 2.8% between the official closing middle rate of 21 June and 20 June 2023.

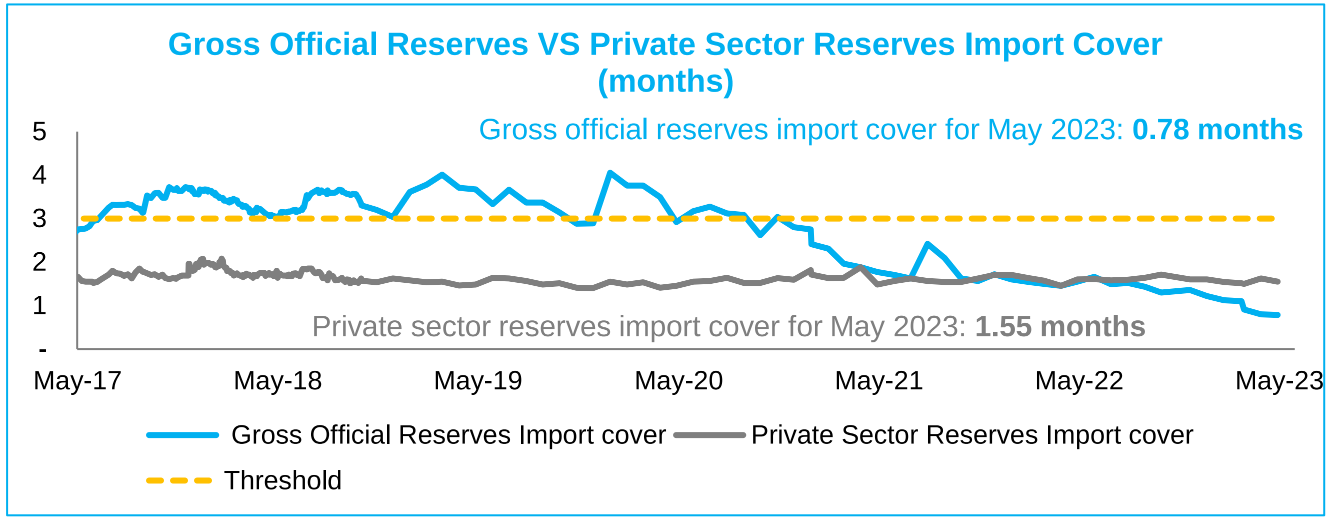
Foreign Exchange Reserves Position

As of 31 May 2023, the country's gross official foreign exchange reserves decreased by 2.63% to USD194.82 million from a gross official foreign exchange reserve of USD200.08 million in April 2023. The import cover for gross official foreign exchange reserves decreased by 2.50% to 0.78 months for May 2023 from 0.80 months in April 2023. The import cover for gross official foreign exchange reserves remained below the required threshold of 3 months.

	April 2023	May 2023	Month-on-month change (%)
Gross Official reserves (USD'million)	200.08	194.82	-3%
Private Sector reserves (USD'million)	403.93	386.90	-4%
Total Reserves (USD'millions)	**604.01**	**581.72**	**-4%**
Gross Official import cover (months)	0.80	0.78	-3%
Private sector import cover (months)	1.62	1.55	-4%
Total import cover (months)	**2.42**	**2.33**	**-4%**







USD – United States Dollar

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

Economic overview (Continued)

Stock market (Source: MSE)

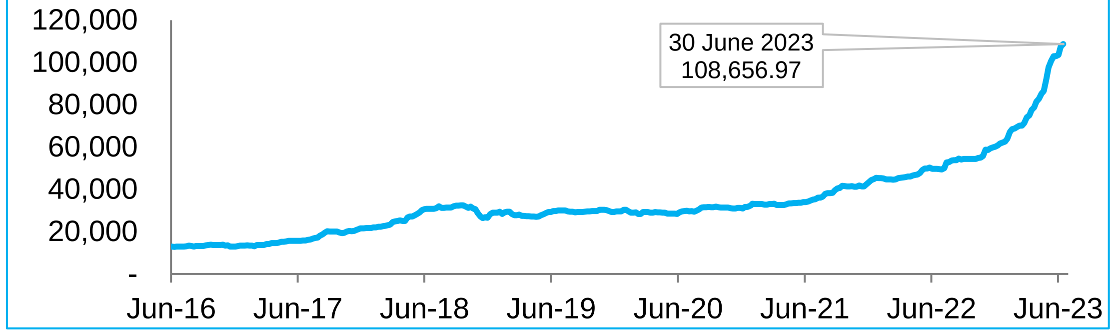
The MASI year-to-date return was 75.15% in June 2023, and it was 9.32% during the same period in the previous year.

The stock market was bullish over the period as the Malawi All Share Index (MASI) increased to 108,656.97 points in June 2023 from 102,837.75 points in May 2023, representing a 5.66% increase. The year-to-date return on the MASI is 75.15%. It was 9.32% during the same period in the previous year.

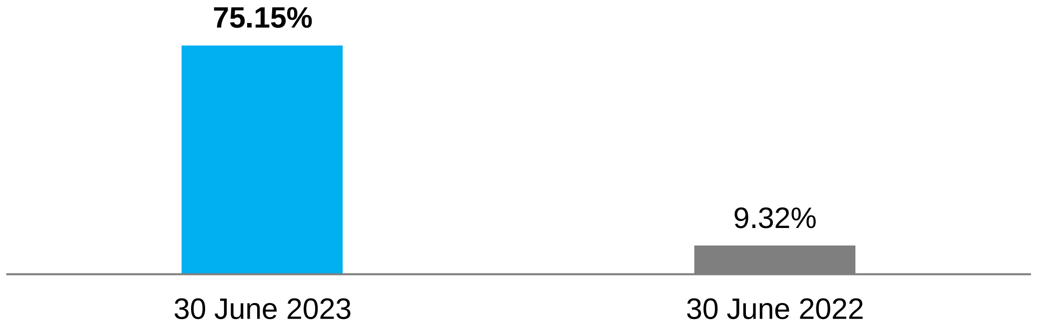
In June 2023, ICON was the largest share price gainer as its share price increased by 68.65% to MK18.99 per share from MK11.26 per share in May 2023. Other counters with share price gains were NBS, FMBCH, NITL, TNM, NBM and STANDARD. There were also marginal share price gains for BHL, SUNBIRD and AIRTEL.

In June 2023, OMU was the largest share price loser as its share price decreased by 14.86% to MK960.00 per share from MK1,127.51 per share in May 2023. There were also marginal share price losses for PCL, ILLOVO, FDH Bank and NICO.

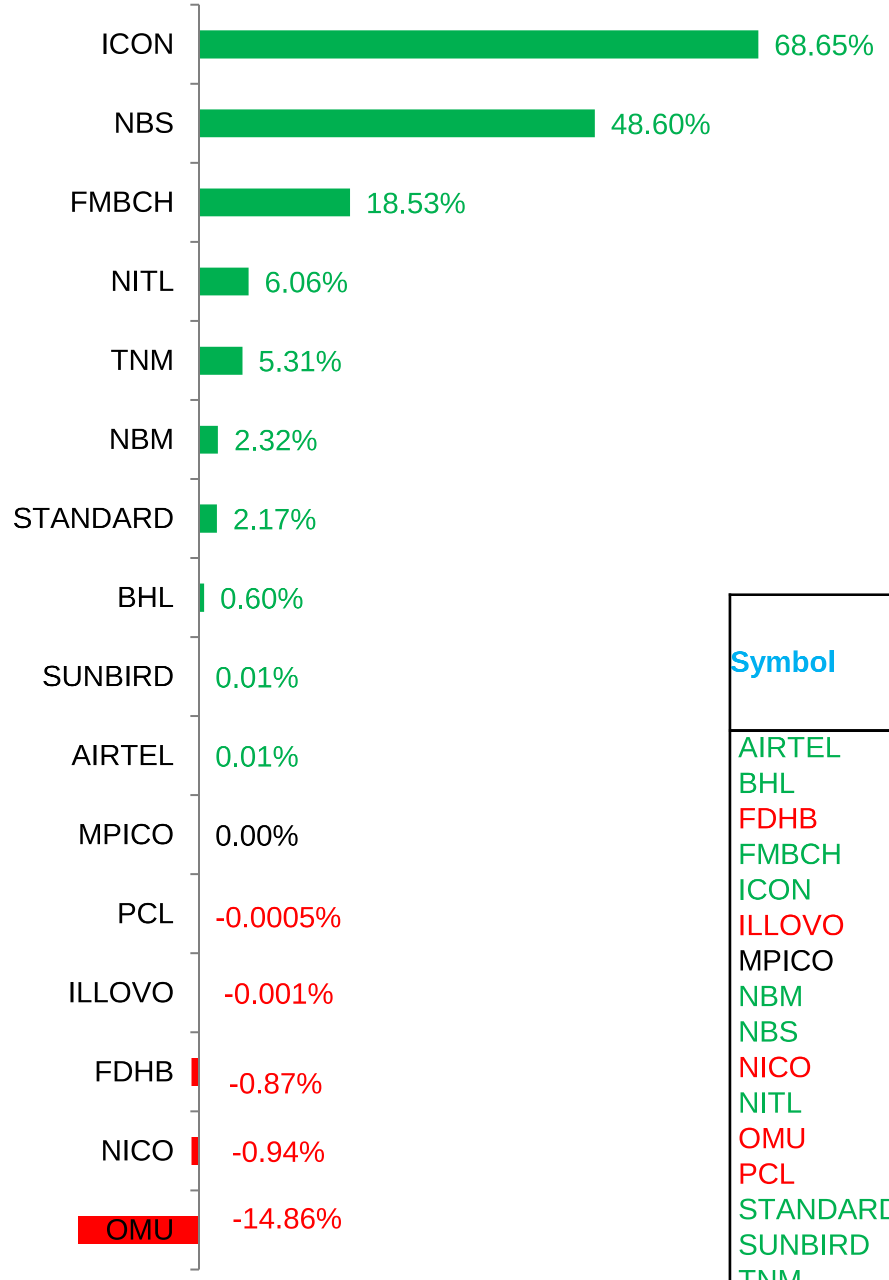
Malawi All Share Index (MASI)



MASI year-to-date return



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



Symbol	Closing prices (MK/share)	
	30 June 2023	31 May 2023
AIRTEL	**100.06**	100.05
BHL	**10.06**	10.00
FDHB	**63.95**	64.51
FMBCH	**245.39**	207.02
ICON	**18.99**	11.26
ILLOVO	**1,121.41**	1,121.42
MPICO	**20.58**	20.58
NBM	**2,046.71**	2,000.29
NBS	**131.90**	88.76
NICO	**163.04**	164.58
NITL	**350.00**	330.00
OMU	**960.00**	1,127.51
PCL	**2,181.26**	2,181.27
STANDARD	**2,350.01**	2,300.01
SUNBIRD	**180.52**	180.50
TNM	**29.97**	28.46

Economic overview (Continued)

Stock market (Source: MSE)

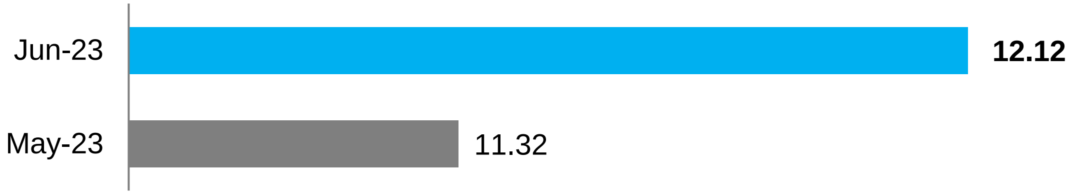
According to its summary audited financial statements, PCL reported a net profit of MK36.34 billion for the year ended 31 December 2022, a decrease of 19% from a net profit of MK45.13 billion in the previous year.

MSE Traded Volumes

A total of MK12.12 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in June 2023. This represented a 7.1% increase from MK11.32 billion worth of shares traded in May 2023. NBM had the highest value of shares traded in June 2023 at MK5.6 billion. In June 2022, the total value of shares traded was MK1.09 billion and TNM had the highest value of shares traded at MK785.63 million.

The total number of trades increased to 1,409 in June 2023, from 1,330 in May 2023. The total number of trades was 287 in June 2022.

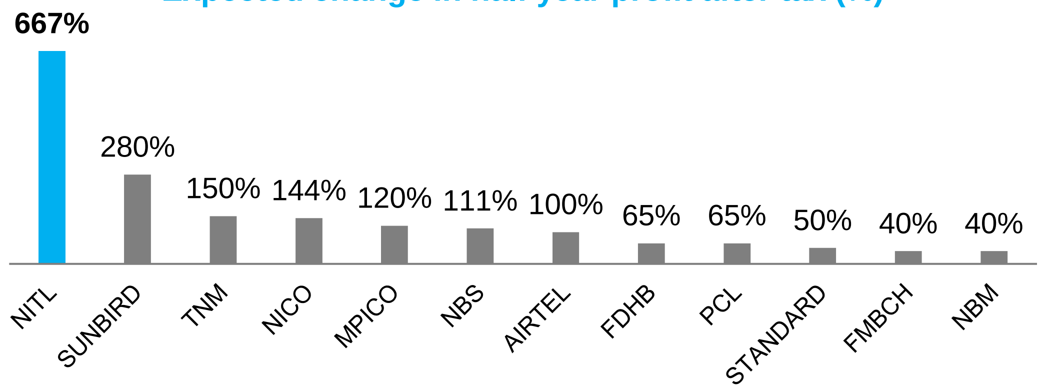
Value of shares traded (MK'billion)



Trading Statements

In accordance with MSE requirements, the following companies released trading statements regarding expected change in profit after tax for the half year ending 30 June 2023 as compared to the previous half year period. For BHL, the expected change was an improvement in the loss after tax by more than 50% from the previous period.

Expected change in half year profit after tax (%)



TBA: to be announced

Corporate Announcements

Published financial results

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	Profit/(loss) for the year ended 31 December 2022	Profit/(loss) for the year ended 31 December 2021	Percentage Change (%)
TNM	(1.80)	9.69	-118.6%
BHL	(0.29)	(0.75)	-61.4%
SUNBIRD	3.10	0.75	313.3%
NITL	7.00	4.70	48.9%
OMU (ZAR'bn)	7.80	7.46	4.6%
MPICO	8.10	5.40	50.0%
ICON	16.70	8.70	92.0%
NBS	18.90	7.70	145.5%
FDHB	22.90	11.70	95.7%
ILLOVO*	26.60	20.50	29.8%
PCL	36.34	45.13	-19.5%
AIRTEL	36.93	32.33	14.2%
NICO	39.00	20.50	90.2%
STANDARD	39.20	24.80	58.1%
NBM	52.70	39.40	33.8%
FMBCH (USD'mn)	61.20	40.40	51.5%

** : Financial year end for Illovo is 31 August*

Dividends

Counter	Dividend type	Proposed/Declared	Dividend per share (MK)	Last day to register	Date of payment
ILLOVO	Interim	Declared	10.80	23-Jun-23	30-Jun-23
Standard	Final	Proposed	51.14	7-Jul-23	21-Jul-23
MPICO	Final	Proposed	0.22	14-Jul-23	28-Jul-23
NBM	Final	Proposed	32.11	21-Jul-23	28-Jul-23
PCL	Final	Proposed	29.00	18-Aug-23	25-Aug-23
NITL	Final	Proposed	2.35	TBA	TBA
Sunbird	Final	Proposed	1.50	TBA	TBA
NBS	Final	Proposed	0.90	TBA	TBA
NICO	Final	Proposed	1.00	TBA	TBA
ICON	Final	Proposed	0.13	TBA	TBA
AIRTEL	Final	Proposed	TBA	TBA	TBA

Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK210.26 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in June 2023, a 114% increase from MK98.04 billion awarded in May 2023.

The first six months average TB yield was 17.03% in 2023, an increase from 12.94% in 2022. The first six months average TN yield was 26.32% in 2023, an increase from 20.83% in 2022.

Throughout the month of June 2023, a total of MK21.08 billion was withdrawn from the market as a result of the RBM's Open Market Operations.

Treasury Bills (TBs)

In June 2023, the government sought to borrow MK66.6 billion through Treasury Bills (TBs) auctions. This represents a 56% increase from MK42.7 billion sought in May 2023. Participants applied to place an amount MK86.7 billion through TBs auctions in June 2023. This represents a 280% increase from MK22.8 billion that was applied for in May 2023. The government awarded a total of MK69.1 billion in June 2023, a 387% increase from MK14.2 billion that was awarded in May 2023. The TBs auction had a 20.2% rejection rate in May 2023 compared to 37.8% in May 2023.

Treasury Notes (TNs)

The government sought to borrow MK134.4 billion through Treasury Notes (TNs) auctions in June 2023. This represents a 10% decrease from MK148.7 billion that was sought in May 2023. Total participant applications stood at MK148.2 billion in June 2023. This represents a 53% increase from MK97.2 billion which was applied for in May 2023. A total of MK141.1 billion was awarded in the TNs auctions in June 2023. This entailed a 276% increase from MK83.8 billion, awarded in May 2023. The TNs auction had a 4.8% rejection rate in June 2023 compared to 13.7% rejection rate in May 2023.

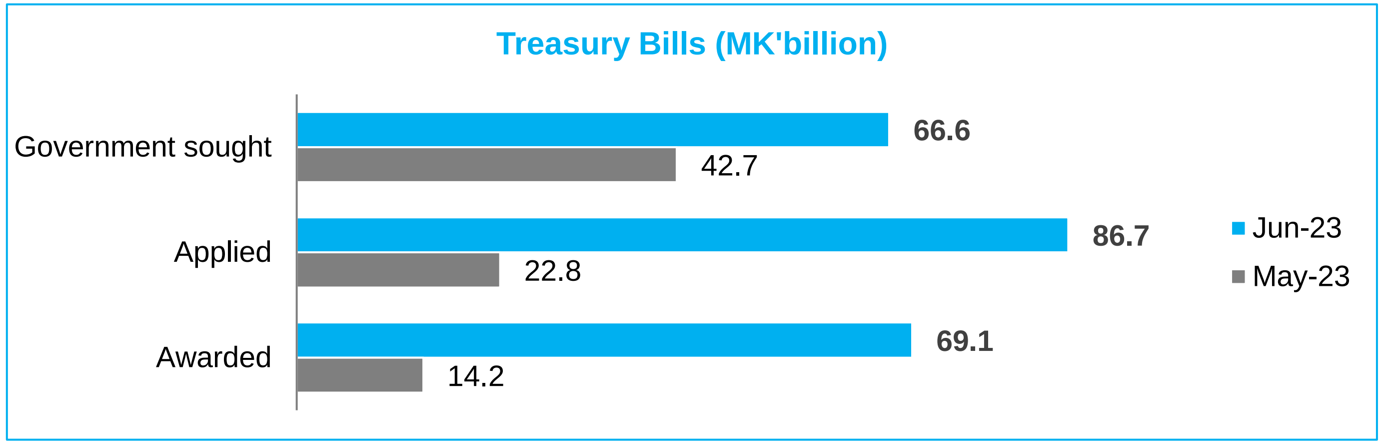
Government Securities Yield Curve

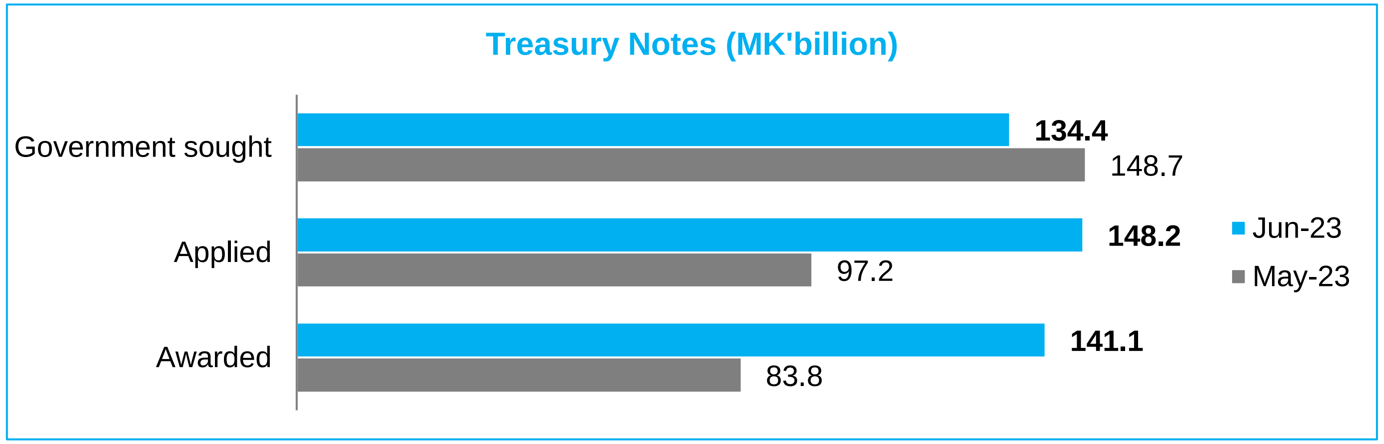
From May 2023 to June 2023, the 364-day TB yield increased to 22.50% from 22.49 %, the 182-day TB yield increased to 18.00% from 17.50% and the 91-day TB yield maintained its position at 13.00%. The average TB yield marginally increased to 17.83% in June 2023 from 17.66% in May 2023. The first six months average TB yield was 17.03% in 2023, an increase from 12.94% in 2022.

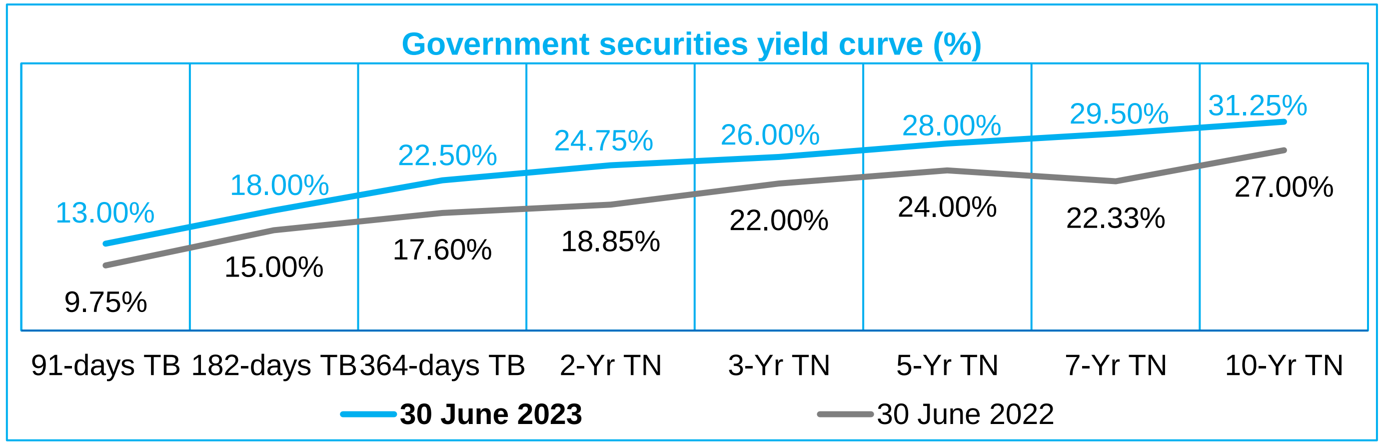
From May 2023 to June 2023, the 10-year TN yield increased to 31.25% from 31.19%, the 7-year TN yield maintained its position at 29.50%, the 5-year TN yield maintained its position at 28.00%, the 3-year TN yield maintained its position at 26.00% and the 2-year TN yield maintained its position at 24.75%. The average TN yield marginally increased to 27.90% from 27.89% during the period under review. . The first six months average TN yield was 26.32% in 2023, an increase from 20.83% in 2022.

Open Market Operations Repos

Throughout the month the RBM held auctions for Open Market Operations Repos ranging from 6 to 90 days. As a result, a total of MK21.08 billion was withdrawn from the market during the month. The OMO Repo yields ranged from 21.00% to 21.50%.







Other Market Developments

Cumulative national value of tobacco sold stood at USD240.75 million (approximately MK240 billion) up 74% from USD138.43 million (approximately MK138 billion) of value sold during the same period in the previous year.

The Economist Intelligence Unit (EIU) anticipates the policy rate to increase by 400 basis points to 26% amid rising inflation which may average 30.6% in 2023.

Fiscal Policy (Source: RBM, EIU, Various Published Media)

Malawi is engaged in efforts with Afreximbank to consider a debt restructuring plan that would allow Malawi to secure the International Monetary Fund (IMF) Extended Credit Facility (ECF). Currently, Malawi owes Afreximbank and the Trade and Development Bank (TDB) a total of USD850 million (approximately MK850 billion), which the IMF would want to be squared before committing to the ECF.

The EIU anticipates that the successful attainment of the IMF's Staff Monitored Programme (SMP) and a subsequent Extended Credit Facility (ECF) would improve public financial management in the 2023-27 period. This expectation is on account of enhanced efficiency of government spending and attraction of grant flows.

The EIU also forecasts the country's fiscal deficit to be 10.2% of GDP in 2023/24. This is projected to drop to 4.3% in 2026/27 as spending is rationalized and donor confidence improves.

Based on the government's local debt issuance calendar, it seeks to borrow MK102.46 billion through Treasury Bills and MK525.62 billion though Treasury Notes in the third quarter of 2023.

Monetary Policy (Source: RBM, EIU)

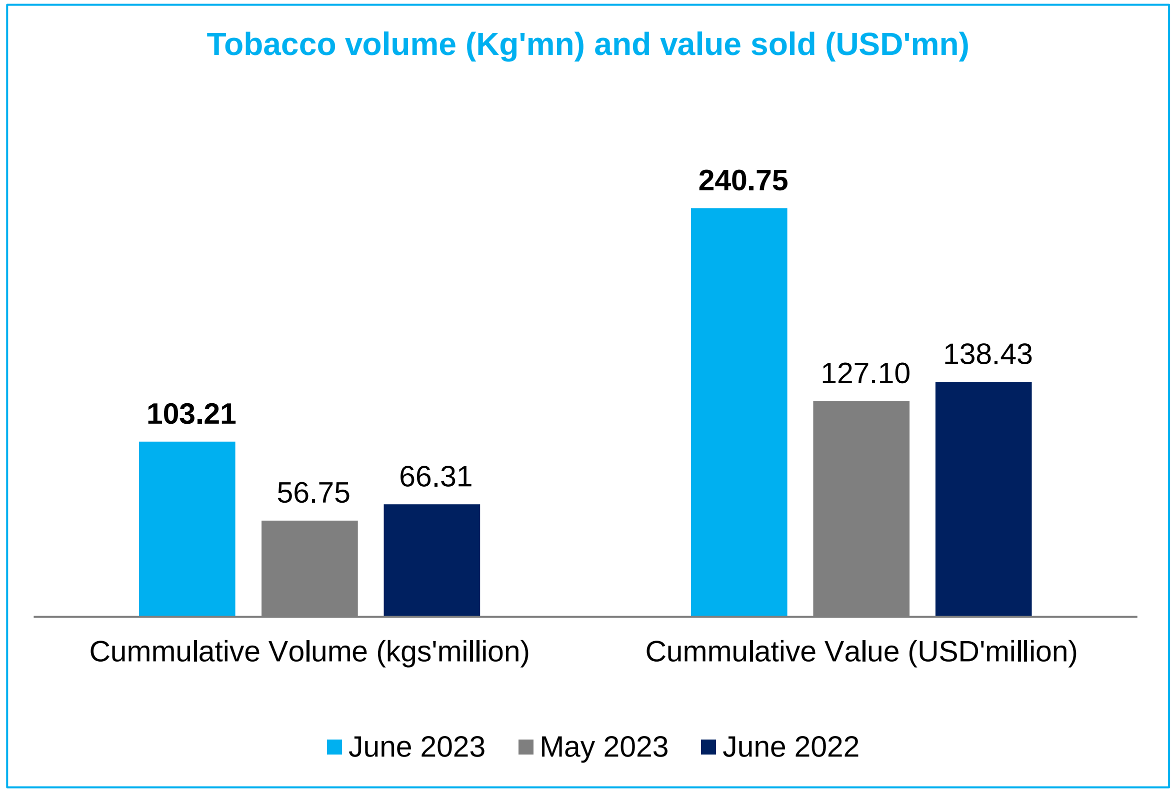
According to the Reserve Bank of Malawi (RBM), until there is strong optimism for improved inflation performance, it is important for monetary policy to remain tightened to preserve any gains from the previous anti-inflation policy measures.

The RBM has indicated that a tight monetary policy stance it has adopted may be implemented for a prolonged period to ensure commodity price stability. In its May 2023 market intelligence report, the RBM stated that the prevailing high food price is concerning as it may delay the disinflation process. In addition, the decision by OPEC+ countries to cut oil production is a setback that could delay the return of inflation to the central bank's targets.

The next Monetary Policy Committee meeting is scheduled for 26 and 27 July 2023 and resulting decisions will be announced on 27 July 2023. The EIU anticipates the policy rate to increase by 400 basis points to 26% at end 2023 from the current 22% amid rising inflation. The hike of the policy rate will likely cause an increase in the commercial bank reference rate from the current 21%.

Tobacco Market Developments (Source: AHL)

Figures from Auction Holdings Limited (AHL) tobacco sales show that cumulative national volume sold stood at 103.21 million Kgs so far in the 2023 selling season, up to 30 June 2023. This entails an increase of 82% from 56.75 million kgs sold up to 31 May 2023. The tobacco was sold at an average price of USD2.45Kg in the month, up 7% from USD2.29Kg in May 2023. At 30 June 2023, cumulative national value of tobacco sold stood at USD240.75 million (approximately MK240 billion) up 89% from USD127.10 million (approximately MK127 billion) of value sold up to 31 May 2023. During the same period last year, cumulative national value of tobacco sold stood at USD138.43 (approximately MK138 billion) while the cumulative national volume sold stood at 66.31 million Kgs.



Regional And Global Market Developments

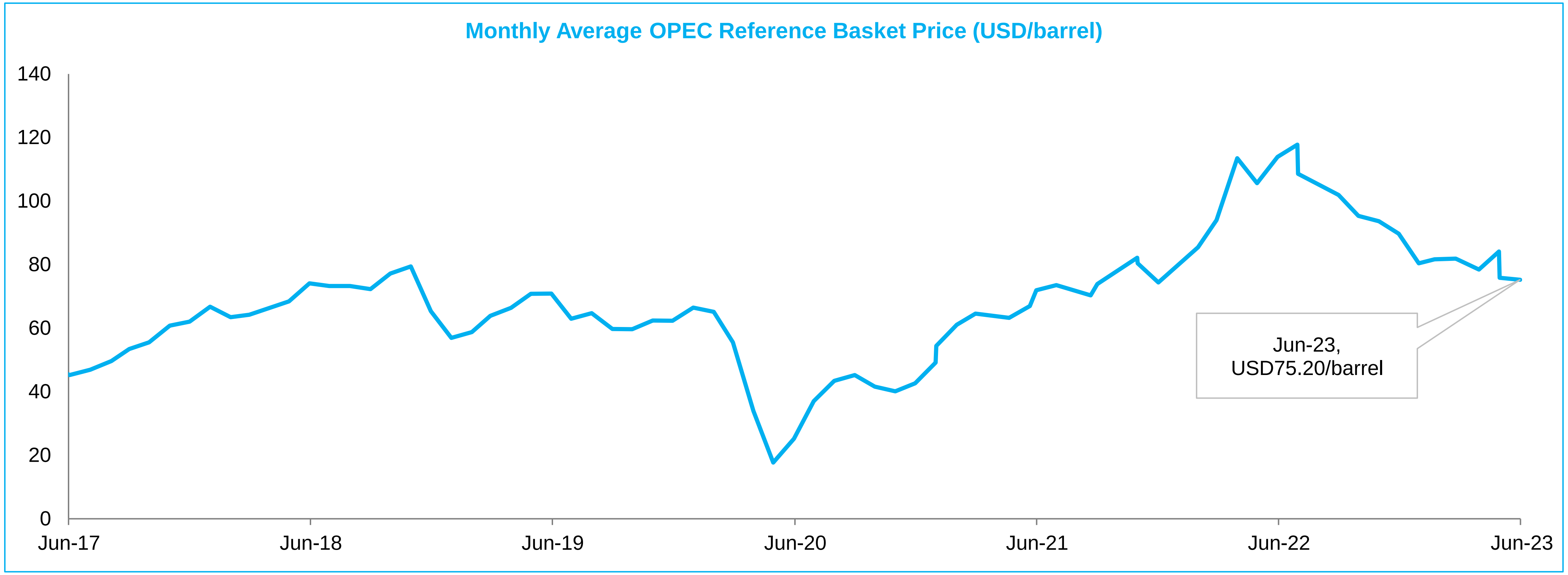
Global oil price developments (Source: OPEC, Reuters)

The monthly average OPEC Reference Basket (ORB) price marginally decreased by 0.8% to a monthly average of USD75.20/barrel in June 2023, from USD75.82/barrel in May 2023.

The monthly average OPEC reference basket price marginally decreased to a monthly average of USD75.20/barrel in June 2023, from a monthly average of USD75.82/barrel in May 2023. This represents a decrease of 0.8% month-on-month. Year-on-year, this represents a 36.12% decrease from an average price of USD117.72/barrel as of June 2022.

The global demand for commodities such as crude oil is expected to dampen in the second half of 2023 on account of various central banks taking on a contractionary monetary policy stance with the aim of curbing upward inflationary pressures. These central banks include the Bank of England (BoE) which increased interest rates by 50 basis points to 5.0%, from 4.5% in June 2023. The increase by the BoE was higher than the market-anticipated hike of 25 basis points, hence it is expected to have a larger impact in suppressing demand for commodities. These effects may be augmented by the decision of the central banks of Norway and Switzerland, which also increased their interest rates, and the anticipated increase in the Fed rate based on the United States Federal Reserve Chair hinting at two more rate hikes of 25 basis points each by the end of the year.

As of 13 June 2023, OPEC maintained it's forecast for world oil demand growth at 2.3 million barrels per day (mb/d), with the Organisation for Economic Co-operation and Development (OECD) projected to grow by 0.01 mb/d and non-OECD growth at 2.3 mb/d. Total world oil demand is anticipated to reach 101.9 mb/d in 2023. However, this forecast is subject to many uncertainties, including global economic developments and ongoing geopolitical tensions.



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An Overview of the World Bank’s Global Economic Prospects

After growing 3.1% last year, real GDP growth is set to slow substantially in 2023, to 2.1%, amid continued monetary policy tightening to rein in high inflation, before a mini recovery in 2024, to 2.4%.

Introduction

The global economy remains in a precarious state amid the effects of the overlapping negative shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of monetary policy to contain high inflation. Global growth is projected to slow significantly in the second half of 2023, with weakness continuing in 2024. Inflation pressures persist, and tight monetary policy is expected to weigh substantially on activity. Recent banking sector stress in advanced economies will also likely dampen activity through more restrictive credit conditions. Rising borrowing costs in advanced economies could lead to financial dislocations in the more vulnerable emerging market and developing economies (EMDEs).

In low-income countries, in particular, fiscal positions are increasingly fragile. Comprehensive policy action is needed at the global and national levels to foster macroeconomic and financial stability. Among many EMDEs, and especially in low-income countries, bolstering fiscal sustainability will require generating higher revenues, making spending more efficient, and improving debt management practices. Continued international cooperation is also necessary to tackle climate change, support populations affected by crises and hunger, and provide debt relief where needed.

Global Outlook

After growing 3.1% in 2022, real GDP growth is set to slow substantially in 2023, to 2.1%, amid continued monetary policy tightening to rein in high inflation, before a mini recovery in 2024, to 2.4%. Tight global financial conditions and subdued external demand are expected to weigh on growth across EMDEs. Projections for many countries have been revised down over the forecast horizon, with upgrades primarily at the beginning of 2023 offset by downgrades thereafter. Inflation has been persistent but is projected to decline gradually as demand weakens and commodity prices moderate, provided longer-term inflation expectations remain anchored. Median headline global inflation stood at 7.2% year-on-year in April 2023, down from a peak of 9.4% in July 2022.

Global growth could be weaker than anticipated in the event of more widespread banking sector stress or if more persistent inflation pressures prompt tighter-than-expected monetary policy. Weak growth prospects and heightened risks in the near term compound a long-term slowdown in potential growth, which has been exacerbated by the overlapping shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of global financial conditions

Risks facing the global landscape

1. Balance sheets in many banks and non-bank financial institutions have been weakened by the rise in interest rates, which has reduced the value of long-term assets acquired when interest rates were low and were expected to remain so for an extended period. High interest rates and slowing activity may lead to an increase in non-performing loans, further reducing asset quality.

2. Inflation forecasts have been revised up considerably in recent years, and additional inflationary pressures remain possible. Despite ongoing global monetary tightening and slowing growth, core inflation could continue to prove more persistent than expected as a result of surprisingly resilient labour markets and consumer spending. In addition, negative supply shocks could raise commodity prices. A significant disruption to oil supplies caused by geopolitical disturbances could have a persistent impact on global markets.

3. Weaker-than-expected long-term potential growth is expected to fall to a three-decade low of 2.2% over the remainder of the 2020s, which is 0.4 percentage points below the average of 2.6% from 2011-21. This trend has multiple causes, such as the ageing global labour force and the declining growth rates of investment and total factor productivity.

4. Climate change and mitigating its consequences is a critical global development challenge. Climate change is resulting in more frequent and severe natural disasters and is set to exacerbate extreme poverty and inequality by worsening health outcomes, reducing agricultural productivity, increasing food prices, and aggravating food and water insecurity in EMDEs.

The World Bank's Global Economic Prospects (continued)

Growth in the East Asia and Pacific (EAP) region is projected to strengthen to 5.5% in 2023, with a recovery in China offsetting moderating growth in several other economies.

East Asia and Pacific Outlook

Growth in the East Asia and Pacific (EAP) region is projected to strengthen to 5.5% in 2023, with a recovery in China offsetting moderating growth in several other economies. In 2024 and 2025, growth in EAP is expected to edge down to 4.6% and 4.5%, respectively, as growth in China slows alongside broadly stable growth in the rest of the region. Compared with January projections, growth in EAP is expected to be 1.2 percentage points higher in 2023 and 0.3 percentage point lower in 2024. The revisions primarily reflect the earlier-than-expected reopening of China.

In China, growth is projected to be 5.6% in 2023, as the reopening, together with accumulated excess savings, supports household spending, particularly on contact-intensive services. Growth is then projected to moderate to 4.6% in 2024 and 4.4% in 2025. In EAP, excluding China, growth is expected to moderate to a still-strong 4.8% this year as the tailwinds from reopening and pent-up demand fade. Positive spillovers from China's recovery are expected to be limited, given its concentration on domestic services activity. Furthermore, these positive spillovers are likely to be outweighed in some cases by domestic headwinds, particularly elevated inflation and the continued effects of domestic monetary policy tightening.

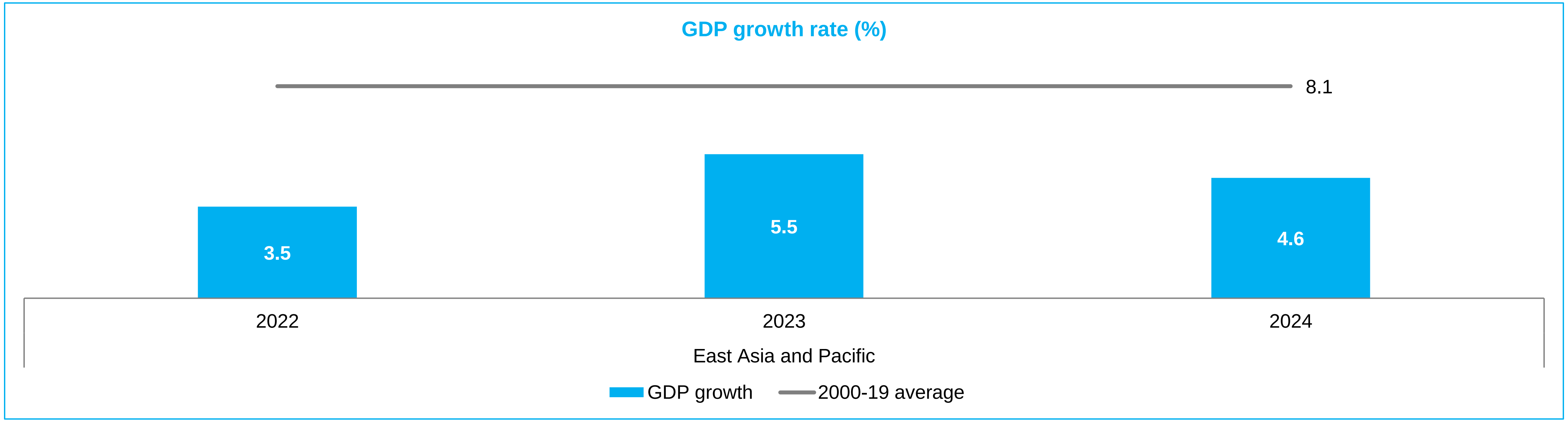
Risks facing the East Asia and Pacific region

1. Tighter global financial conditions could weigh on global growth and external demand and further dampen regional trade and activity. It could also reduce capital inflows and lead to currency depreciations, which could be particularly costly for countries with large external borrowing needs.

2. While the baseline forecast assumes that inflation will continue to gradually moderate across the region, there is a risk that it remains elevated. Higher input costs in the presence of robust demand, or smaller output gaps with tightening labor markets, could lead firms to increase prices further. Also, if global commodity prices do not decline as expected this would add to inflationary pressures across EAP.

3. China's property sector is subject to particular downside risks. While the authorities have provided liquidity support to property developers, there has been only modest progress in restructuring debts in a way that could restore the health of the sector.

4. Finally, natural disasters, including extreme weather events related to climate change, present downside risks to the outlook. Extreme weather events can cause economic harm by damaging infrastructure and disrupting activity, reducing domestic agricultural output and weakening government finances through lower revenues and higher outlays associated with reconstruction.



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Growth in Europe and Central Asia is projected to edge up slightly in 2023, to 1.4%.

Europe and Central Asia Outlook

Real GDP growth in Europe and Central Asia (ECA) is projected to edge up slightly in 2023, to 1.4%. However, the outlook remains particularly uncertain due to Russia's invasion of Ukraine and its repercussions. The baseline assumes that the invasion continues throughout the forecast period but with no escalation in its intensity. Excluding Russia and Ukraine, growth in ECA is projected to be 2.4% in 2023. Regional growth is projected to rebound to 2.7% a year in 2024-2025, driven by stronger external and domestic demand, in a context of fading adverse growth shocks. Divergences in growth rates within the region should fade as migrant and capital flows from Russia ease, and growth improves in the European Union (EU). After declining in 2023, the projected increase in oil prices in 2024- 2025 should benefit oil exporters.

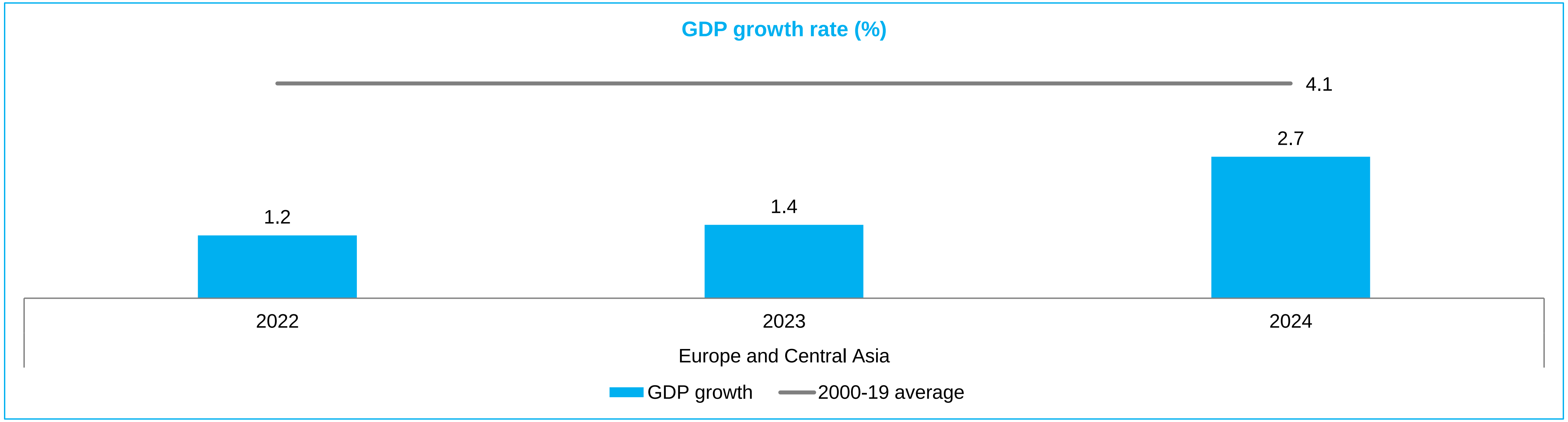
In Central Europe, growth is anticipated to experience a significant further decline to 1.1% this year, as a result of the slowdown in the Euro area and the tightening of domestic monetary policies. Growth is expected to gather pace in 2024-25, partly owing to increased use of funding from the EU Recovery and Resilience Facility (RRF).

Risks facing the Europe and Central Asia region

1. A steeper-than-expected slowdown in the Euro area could further dampen external demand countries in Central Europe and the Western Balkans would be hardest hit since the Euro area accounts for a relatively high proportion of their exports—about 52% on average for 2010-19.

2. More sustained inflation than expected would erode real disposable incomes and consumer confidence. A resurgence in food or energy prices would heighten concerns for the food or energy security of vulnerable households, particularly in countries where fiscal space is lacking.

3. Finally, natural disasters, illustrated recently by the earthquakes in Türkiye but also by several extreme weather events, could disrupt economic activity. Without further action to mitigate or adapt to climate change, economic damage from droughts and floods in Central Asia is projected to amount to the equivalent of 1.3% of GDP per year.



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In Saudi Arabia, oil production cuts are expected to result in stagnant industrial output and exports. Real GDP growth is forecast to decelerate from 8.7% in 2022 to 2.2% in 2023, with the oil sector experiencing a contraction this year.

Middle East and North Africa Outlook

Real GDP growth in the Middle East and North Africa (MNA) is expected to slow to 2.2% in 2023. Growth in the region is expected to rebound in 2024 to 3.3% as inflation and global headwinds subside and oil production rises. The growth outlook for oil exporters in 2024 has improved since January 2023, reflecting an assumed rebound in oil production, the expected effects of reform initiatives, and investment drives in Saudi Arabia and the United Arab Emirates.

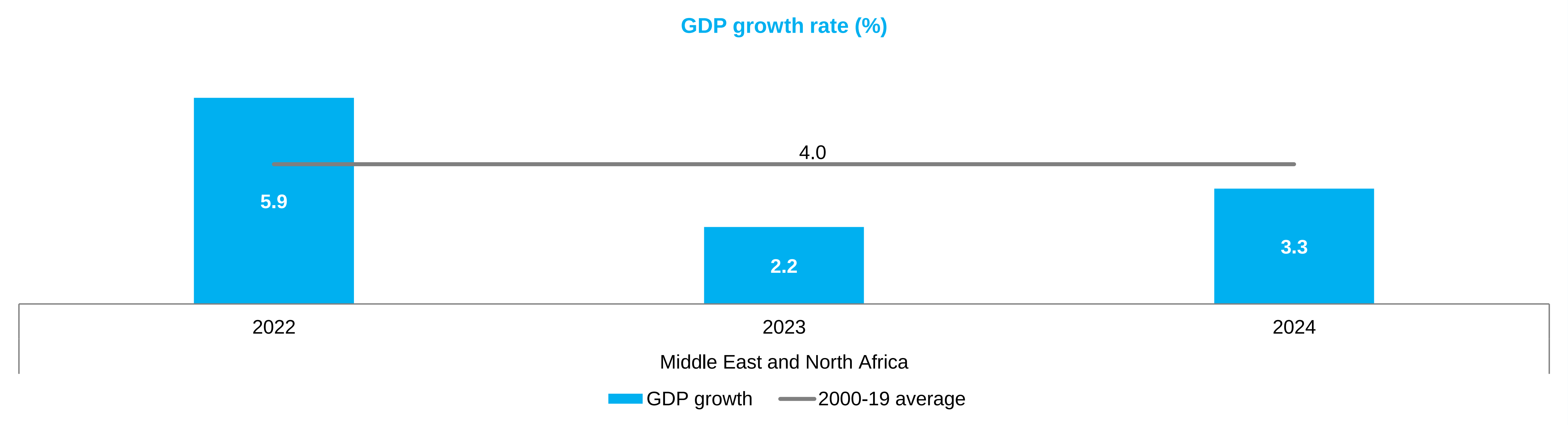
In Saudi Arabia, oil production cuts are expected to result in stagnant industrial output and exports. Growth is forecast to decelerate from 8.7% in 2022 to 2.2% in 2023, with the oil sector experiencing a contraction this year. Growth is projected to rebound to 3.3% in 2024, supported by a government investment drive and continued solid activity in the services sector. In the United Arab Emirates, constrained oil production and tightening financial conditions are envisaged to dampen growth to 2.8% in 2023 from 7.9% in 2022.

Risks facing the Middle East and North Africa region

1. Rising geopolitical tensions could raise oil prices and renew the substantial surplus to oil exporters. However, if the global economy were to slow more than expected or oil prices were to weaken for other reasons, this could put renewed economic and financial pressure on these economies.

2. The region continues to suffer from high levels of violence and armed conflict, with the potential for rising social tensions, which could undermine productivity and investment.

3. High prevalence of insufficient food consumption (especially in Syria and the Republic of Yemen) and the highest levels of youth unemployment, education, or training among EMDE regions. Any further increases in food and energy prices could increase the incidence of violence in the region. Rising food prices, even if temporary, can also cause long-term damage to education, health, and income.



Real GDP growth in Sub-Saharan Africa (SSA) is expected to slow from 3.7 % in 2022 to 3.2 % this year, with a moderate improvement to 3.9% next year.

Sub-Saharan Africa Outlook

Real GDP growth in Sub-Saharan Africa (SSA) is expected to slow from 3.7% in 2022 to 3.2% this year, with a moderate improvement to 3.9% next year. Over half of the 2023 downgrade is attributable to an abrupt slowdown in South Africa. However, downgrades are widespread across energy and metal producers and non-resource-rich countries. Excluding South Africa, growth in SSA is expected to slow from 4.2 % in 2022 to 3.9 % this year. While this represents a minor downgrade, this pace of expansion is still a full percentage point below the 2000-19 average of 4.9%.

Although the reopening of China is expected to boost exports of some countries this year, limited access to external borrowing is forecast to hold back recoveries as debt burdens and financing needs increase. More broadly, high costs of living across the region are projected to continue to restrain private consumption, while limited fiscal space and tight monetary policies are likely to weigh on investment growth. These elevated domestic vulnerabilities, together with tight global financial conditions and weak global growth, are expected to keep recoveries subdued over the forecast horizon.

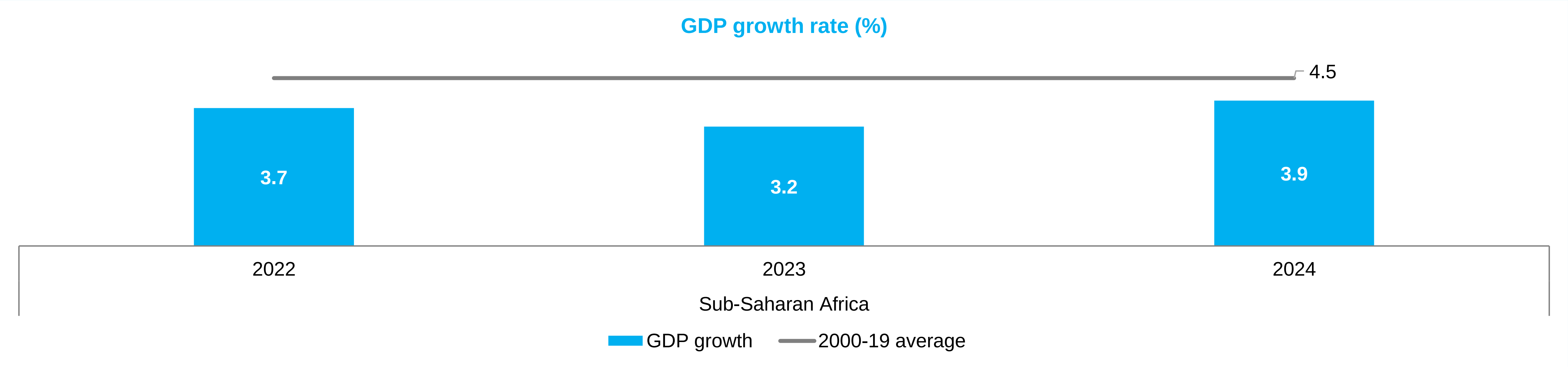
Risks facing the Sub-Saharan Africa region

1. Additional policy tightening in advanced economies could be accompanied by renewed banking stress. As a result, SSA financial conditions could tighten much more than projected in the baseline, triggering even greater deterioration in access to markets and elevating risks of financial distress and government debt defaults.

2. Global food and energy prices have retreated from last year's peaks, but further disruptions in global or local trade and production, amid already-tight global supplies of many commodities, could reignite consumer price inflation across the region. Recent declines in prices of agricultural commodities, alongside still-elevated prices of inputs such as fuel, chemicals, and fertilizer, could also weigh on food availability and affordability if farmers were prompted to reduce output or substitute staples with cash crops.

3. The region remains particularly vulnerable to extreme weather events, which can seriously disrupt activity in mining and agriculture, the latter being a source of livelihood and employment for many poor and vulnerable people in SSA.

4. Many SSA economies already coping with negative consequences of climate change are also affected by fragility stemming from persistent poverty, as well as festering violence and conflict. These countries lack the needed policy space to mitigate the consequences of, and adapt to climate change because of macroeconomic vulnerabilities, such as high debt or even debt distress, reliance on food and fuel imports, and elevated inflation.



The recommendations for avoiding the worst economic outcomes and putting the world back on track include mitigation of the financial contagion, reduction of domestic vulnerabilities, restoration of fiscal sustainability, reinvigorating long term growth and alleviating debt distress and strengthening the global financial safety net.

Recommendations

Global challenges must be tackled promptly if the world is to establish the economic footing necessary for even a semblance of success on global development goals. To curb climate change, stave off pandemics, and rebuild after conflict, developing countries need substantial resources. The necessary financing ramp-up to generate these resources depends both on faster growth and a more dynamic private sector. A roadmap for policymakers, not only for avoiding the worst outcomes but also on how to put the global economy back on track, is outlined below:

1. Mitigating financial contagion

Central banks, especially those in advanced economies, can curb the risk of disruptive spillovers to global financial markets by communicating their intentions as early and clearly as possible and calibrating their strategies so as to avoid abrupt changes in the policy outlook.

2. Reducing domestic vulnerabilities

EMDE monetary authorities may need to tighten their own policies in order to moderate capital outflows, currency depreciation, and resultant increases in inflation. Prudential standards and capital and liquidity buffers at EMDE banks and other financial institutions can be shored up to reduce the risk of financial contagion from banks in advanced economies. In addition, EMDEs need to rebuild currency reserve buffers to mitigate the impact of volatile capital flows.

3. Restoring fiscal sustainability

Among EMDEs, tax collection and administration must be improved to shore up revenues. Revenues in low-income countries have long been well below EMDE averages and heavily dependent on grants from donors. But since 2015, grant financing has been declining as a share of their GDP. These countries will need to prioritize domestic resource mobilization pending efficiency and better debt management.

4. Reinvigorating long-term growth

The slowdown in potential growth can be reversed with steps to accelerate productivity, enhance investment, strengthen health systems, improve student learning, and increase the participation of women and older workers in the labour force. Policies that promote trade and private capital mobilization, particularly for investments in digital technology and climate-related projects, will help a great deal.

5. Alleviating debt distress and strengthening the global financial safety net

This means ensuring that international financial institutions are adequately funded and focused on rapid support for EMDEs in distress. It also requires new mechanisms to speedily and sensibly restructure the public debt of countries in debt distress. In the wake of bank failures in advanced economies, a renewed focus on global financial regulatory reform is also necessary.

Appendix

Appendix 1: Historical Monthly Economic Indicators

	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	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Exchange rates (middle rates)																		
MK/USD	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	1,033.68	1,033.80	1,034.86	1,034.46	**1,058.82**
MK/GBP	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	1,280.21	1,315.33	1,325.22	1,317.23	**1,377.77**
MK/EUR	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	1,128.21	1,156.66	1,171.01	1,135.21	**1.183.15**
MK/ZAR	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	57.83	59.76	57.89	53.58	**57.92**
Foreign Exchange Reserves																		
Gross Official Reserves (USD'mn)	399.98	385.40	374.48	363.27	388.22	415.73	372.99	378.89	357.18	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	N/A
Private Sector Reserves (USD'mn)	424.49	407.22	391.49	362.84	401.13	401.60	396.02	398.43	408.84	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	N/A
Total reserves (USD'mn)	824.47	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	N/A
Gross Official Reserves Import cover (months)	1.60	1.54	1.50	1.45	1.55	1.66	1.49	1.52	1.43	1.30	1.36	1.22	1.12	1.12	0.91	0.80	0.78	N/A
Inflation																		
Headline	12.1%	13.0%	14.10%	15.70%	19.10%	23.50%	24.6%	25.5%	25.9%	26.7%	25.8%	25.4%	25.9%	26.7%	27.0%	28.8%	29.2%	N/A
Food	14.2%	15.3%	17.10%	19.50%	25.50%	31.20%	32.5%	33.4%	33.7%	34.5%	33.4%	31.3%	30.5%	31.7%	32.4%	37.9%	38.8%	N/A
Non-food	9.6%	10.1%	10.50%	12.20%	13.20%	16.60%	17.5%	18.2%	18.3%	18.6%	17.7%	18.6%	20.4%	20.5%	20.2%	18.5%	18.4%	N/A
Interest Rates																		
Monetary Policy rate	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%	18.00%	18.00%	22.00%	22.00%	**22.00%**
Average Interbank rate	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%	15.00%	15.00%	15.19%	19.26%	**20.38%**
Average base lending rate	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%	18.20%	18.20%	18.44%	22.20%	**22.20%**
Bank reference rate	12.20%	12.20%	12.20%	12.20%	13.50%	13.80%	13.90%	13.80%	13.90%	13.90%	16.60%	17.30%	17.30%	17.30%	17.30%	17.30%	20.00%	**21.00%**
Government Securities Yields																		
91-days Treasury Bill	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%	13.00%	13.00%	12.98%	13.00%	**13.00%**
182-days Treasury Bill	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%	17.50%	17.50%	17.50%	17.50%	**18.00%**
364-days Treasury Bill	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%	19.50%	19.50%	19.50%	22.49%	**22.50%**
2-year Treasury Note	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%	22.75%	22.75%	22.75%	24.75%	**24.75%**
3-year Treasury Note	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%	24.00%	24.00%	24.00%	26.00%	**26.00%**
5-year Treasury Note	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%	26.19%	26.25%	26.25%	28.00%	**28.00%**
7-year Treasury Note	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%	27.50%	27.50%	27.50%	29.50%	**29.50%**
10-year Treasury Note	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%	28.50%	28.50%	28.50%	31.19%	**31.25%**
Stock Market Indices																		
MASI	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	71,069.31	80,298.12	86,462.61	102,837.75	**108,656.97**
DSI	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	56,674.50	64,886.76	70,512.35	83,365.40	**87,071.03**
FSI	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	8,382.28	8,381.79	8,202.52	10,396.15	**12,297.19**

Appendix 2: Selected stock market statistics as of 30 June 2023

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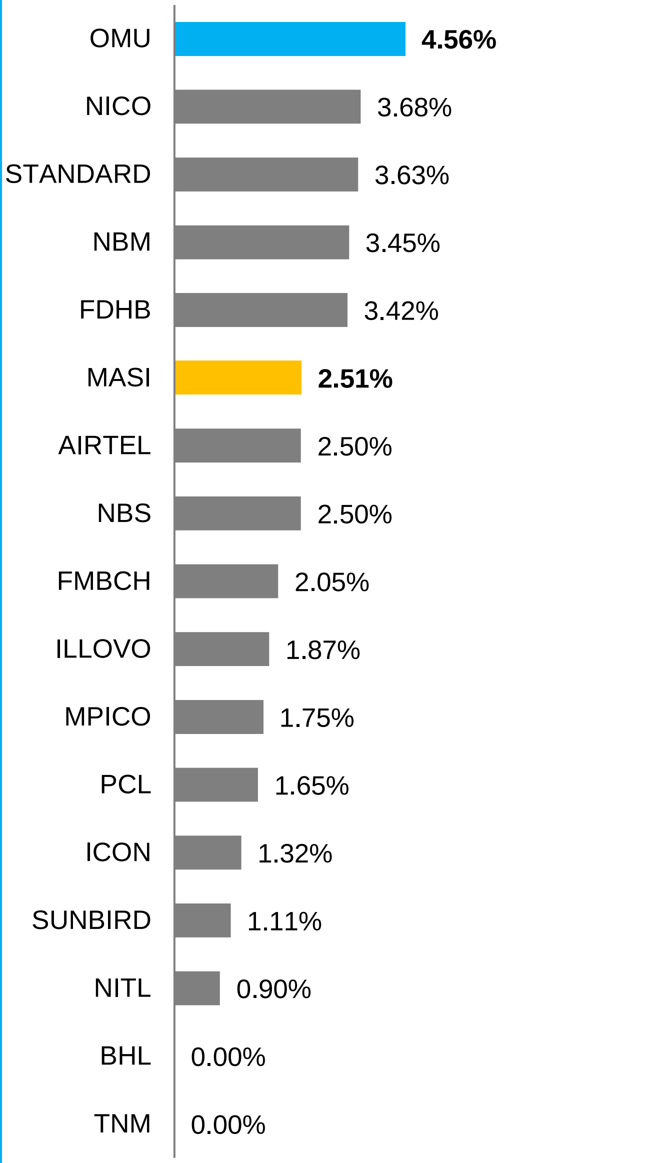
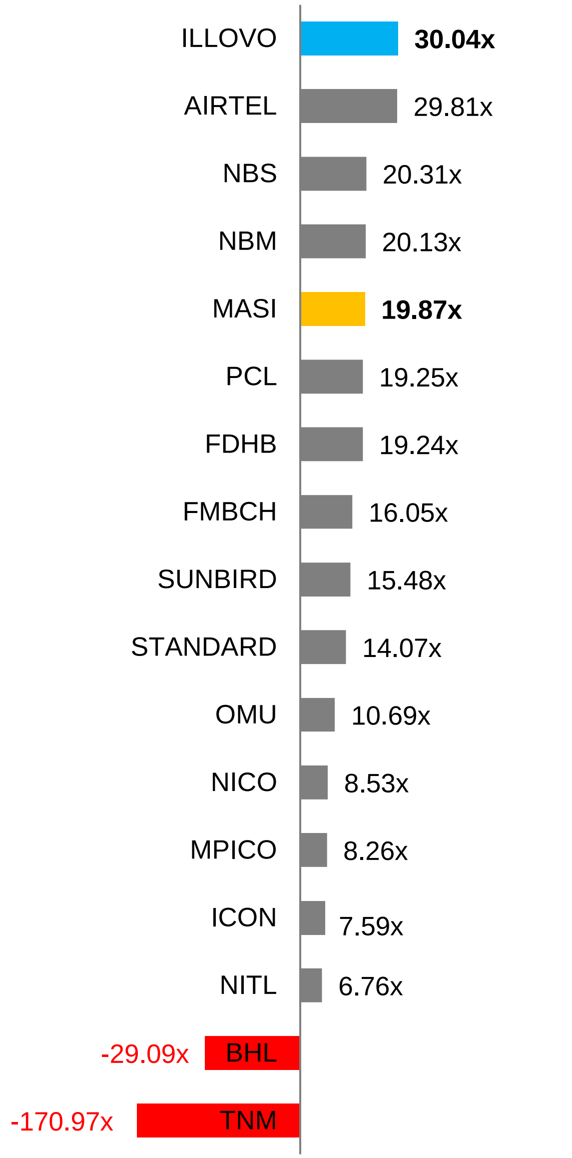
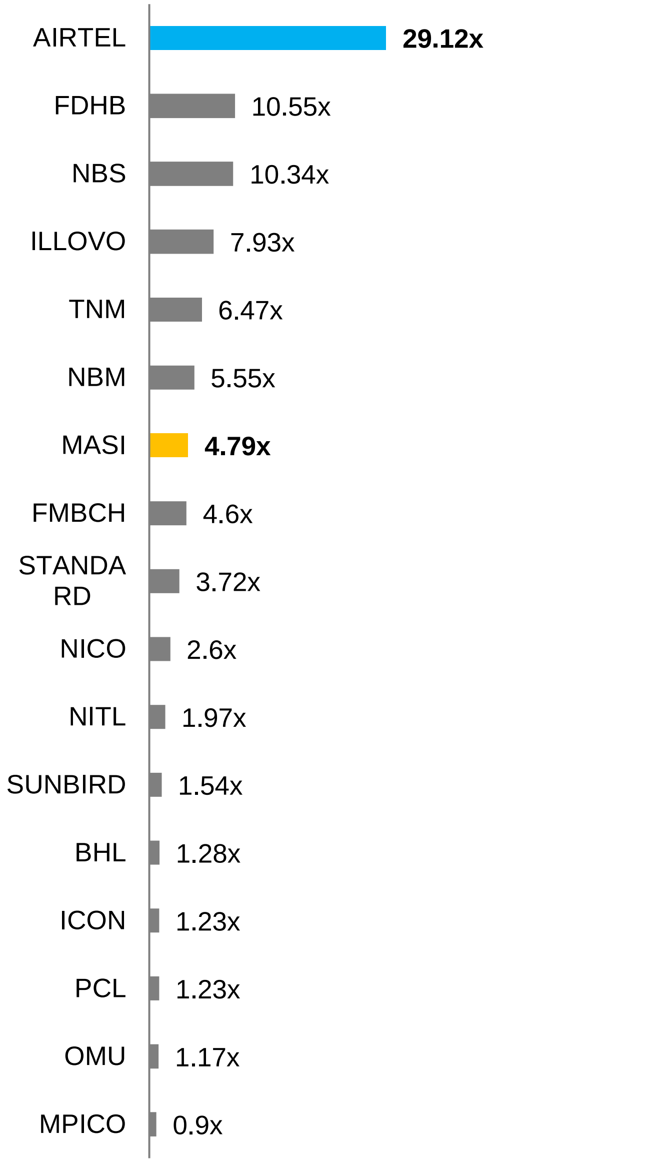
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.51% in June 2023. The counter with the highest dividend yield was OMU at 4.56%.



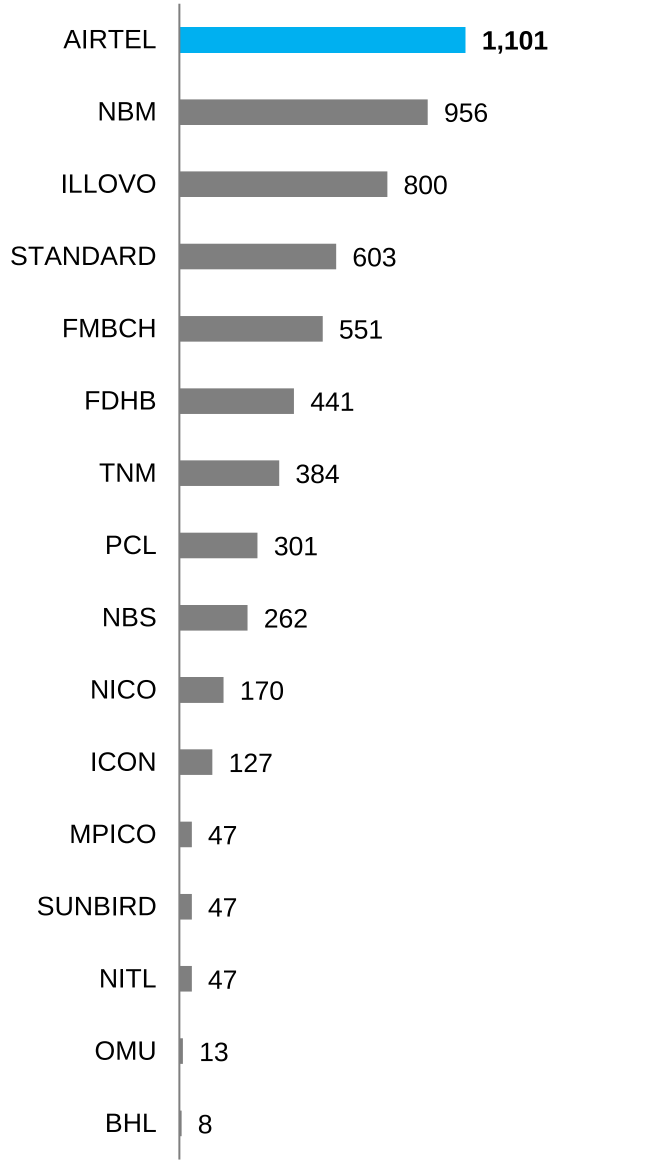
P/E Ratio - the weighted average price to earnings on the MSE was 19.87x in June 2023. The counter with the highest ratio was ILLOVO at 30.04x.



P/BV Ratio - the weighted average price to book value on the MSE was 4.79x in June 2023. The counter with the highest ratio was AIRTEL at 29.12x.



Market Capitalization (MK'billion) – AIRTEL had the highest market capitalization at MK1.10 trillion in June 2023.



Appendix 3: EIU and Oxford Economics Projections

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EIU projections

Economic growth (%)	2022*	2023**	2024**	2025**	2026**	2027**
GDP	1.1	0.7	2.0	2.5	3.2	3.5
Private consumption	0.8	1.0	1.5	2.0	2.4	3.1
Government consumption	2.0	1.8	2.8	2.7	2.6	2.4
Gross fixed investment	3.5	2.0	5.0	5.7	5.8	5.9
Exports of goods & services	3.3	4.3	4.8	5.0	5.8	5.9
Imports of goods & services	3.0	4.0	4.3	4.5	4.7	5.1
Domestic demand	1.2	1.2	2.1	2.5	2.9	3.4
Agriculture	1.1	1.0	1.3	1.5	2.2	2.6
Industry	1.7	0.2	1.6	2.3	2.6	3.0
Services	1.0	0.7	2.5	3.1	3.9	4.1

**: EIU forecasts*

Key indicators	2022*	2023**	2024**	2025**	2026**	2027**
Real GDP growth (%)	1.1	0.7	2.0	2.5	3.2	3.5
Consumer price inflation (av; %)	21.0	30.6	22.9	10.6	8.0	7.4
Government balance (% of GDP)	-10.2	-10.2	-8.3	-6.7	-5.2	-4.3
Current-account balance (% of GDP)	-24.9	-20.0	-14.9	-11.0	-8.8	-7.3
Short-term interest rate (av; %)	10.6	18.0	12.5	12.5	11.0	9.5
Exchange rate MK:US$ (av)	941.4	1,139.1	1,251.4	1,314.6	1,376.4	1,419.1

**: EIU forecasts*

Oxford Economics Projections

Malawi forecast overview (Annual percentage changes unless specified)	2020	2021	2022	2023	2024	2025
Real GDP growth	0.8	2.8	1.3	2.1	3.4	3.8
CPI inflation	8.6	9.3	20.8	24.8	13.7	9.4
Exports of goods ($bn)	0.8	1.1	1.2	1.3	1.4	1.5
Exports of services ($bn)	0.4	0.5	0.5	0.5	0.5	0.6
Imports of goods ($bn)	2.6	3.0	3.1	3.3	3.5	3.7
Imports of services ($bn)	0.6	0.6	0.6	0.6	0.7	0.7
Exports of goods	-23.0	30.2	10.6	10.2	9.7	6.4
Imports of goods	-6.5	14.0	5.2	5.9	5.9	5.9
Current account ($bn)	-1.5	-1.5	-1.6	-1.6	-1.6	-1.7
Current account balance (% of GDP)	-17.3	-17.9	-17.3	-15.9	-15.0	-14.7
Exchange rate per USD (year average)	749.5	804.2	941.4	1071.3	1166.2	1225.9
External debt total ($bn)	2.9	3.2	4.4	6.1	7.4	8.3
Government balance (% of GDP)	-11.4	-12.4	-14.1	-10.8	-9.0	-7.8
Government debt (% of GDP)	76.2	88.6	89.9	84.9	83.5	84.2
Population (million)	19.4	19.9	20.4	20.9	21.5	22.0
Nominal GDP ($bn)	8.5	8.6	9.0	9.9	10.6	11.3
GDP per capita ($ current prices)	436.5	432.9	438.6	471.0	494.1	512.0

Appendix 4: IMF, AfDB and World Bank Projections

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IMF projections

Annual percentage change (unless otherwise indicated)	2020	2021	2022	2023	2024
Real GDP	0.9	4.6	0.8	2.4	3.2
Consumer prices	8.6	9.3	20.8	24.7	18.3
Overall fiscal balance (% of GDP)	-8.2	-8.6	-10.4	-7.8	-8.0
Government debt (% of GDP)	54.8	61.6	70.1	72.2	69.4
Broad money (% of GDP)	17.5	20.1	23.6	24.7	24.9
External current account, including grants (% of GDP)	-13.8	-12.6	-3.6	-12.2	-13.3
External debt, official debt, debtor based (% of GDP)	31.8	30.9	29.9	33.2	34.4
Reserves (months of imports of goods and services)	0.9	0.4	1.1	1.3	2.8

AfDB projections

Annual percentage change (unless otherwise indicated)	2021	2022	2023	2024
Real GDP growth	2.2	0.8	2.0	3.5
Consumer price index inflation	9.3	15.0	22.8	15.4

World Bank projections

Annual percentage unless indicated otherwise	2020	2021	2022	2023	2024	2025
Real GDP growth, at constant market prices	0.8	2.8	0.9	1.4	2.4	3.0
Private Consumption	0.8	2.6	0.6	3.5	3.6	3.5
Government Consumption	0.8	-1.1	4.3	3.5	-0.5	5.7
Gross Fixed Capital Investment	0.8	-0.2	-6.5	-7.3	1.4	1.7
Exports, Goods and Services	0.8	2.9	3.6	4.6	5.8	5.9
Imports, Goods and Services	0.8	0.4	0.1	5.8	5.9	6.0
Inflation (Consumer Price Index)	8.6	9.2	21.8	19.7	16.8	14.3
Current Account Balance (% of GDP)	-13.8	-14.3	-3.2	-11.3	-11.3	-11.7
Net Foreign Direct Investment Inflow (% of GDP)	3.5	0.8	1.3	1.3	1.4	1.4
Fiscal Balance (% of GDP)	-6.4	-7.1	-10.4	-8.9	-8.8	-8.9
Revenues (% of GDP)	14.7	14.1	13.0	14.7	14.5	14.6
Debt (% of GDP)	53.4	60.5	76.5	74.6	75.3	76.1
Primary Balance (% of GDP)	-3.4	-3.3	-5.2	-2.3	-2.3	-2.3
International poverty rate ($2.15 in 2017 PPP)	70.7	70.6	71.3	71.7	71.8	71.7

Appendix 5: List of Acronyms and Abbreviations

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AfDB:	African Development Bank
AHL:	Auction Holdings Limited
BoE:	Bank of England
BHL:	Blantyre Hotels Plc
CPI:	Consumer Price Index
DSI:	Domestic Share Index
EAP:	East Asia and Pacific
ECA:	Europe and Central Asia
ECF:	Extended Credit Facility
EIU:	Economist Intelligence Unit
EMDEs:	Emerging market and developing economies
ESCOM:	Electricity Supply Corporation of Malawi
EUR:	Euro
EU:	European Union
FDHB:	FDH Bank Plc
FMBCH:	FMB Capital Holdings Plc
FSI:	Foreign Share Index
GBP:	Great British Pound
GDP:	Gross Domestic Product
IMF:	International Monetary Fund
LRR:	Liquidity Reserve Requirement
MASI:	Malawi All Share Index
Mb/d:	Million barrels per day
MNA:	Middle East and North Africa
MK:	Malawi Kwacha
M-O-M:	Month-on-month
MPC:	Monetary Policy Committee
MSE:	Malawi Stock Exchange
NBM:	National Bank of Malawi Plc
NICO:	NICO Holdings Plc
NITL:	National Investment Trust Limited Plc
NSO:	National Statistical Office
OECD:	Organisation for Economic Co-operation and Development
OMO:	Open Market Operations
OMU:	Old Mutual Limited Plc
OPEC:	Organization of the Petroleum Exporting Countries
ORB:	OPEC Reference Basket
P/BV:	Price to book value
PCL:	Press Corporation Limited Plc
P/E:	Price to earnings
PPP:	Purchasing Power Parity
RBM:	Reserve Bank of Malawi
RRF	Recovery and Resilience Facility
SADC:	Southern Africa Development Community
SSA:	Sub-Saharan Africa
SMP:	Staff Monitored Programme
SUNBIRD:	Sunbird Tourism Plc
TB:	Treasury Bill
TN:	Treasury Note
TNM:	Telekom Networks Malawi Plc
TDB:	Trade and Development Bank
TT:	Telegraphic Transfer
USD:	United States Dollar
Y-O-Y:	Year-on-year
YTD:	Year-to-date
ZAR:	South African Rand

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