



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

July 2023



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Inflation

The headline inflation rate decreased to 27.3% in June 2023 from 29.2% in May 2023 due to a decline in food inflation to 37.2% from 38.8%, as well as a decline in non-food inflation to 16.0% from 18.4%. According to the Reserve Bank of Malawi (RBM), headline inflation is now projected to average 29.5% in 2023 compared to an average of 20.9% in 2022.

The Economist Intelligence Unit (EIU) expects inflation to average 30.6% in 2023 and 22.9% in 2024, compared to 20.9% in 2022. In addition, Oxford Economics expects inflation to average 27.8% in 2023 and 14.7% in 2024 while the International Monetary Fund (IMF) expects inflation to average 24.8% in 2023 and 18.3% in 2024. Finally, the World Bank expects inflation to average 25.7% in 2023 and 20.8% in 2024.

Exchange Rates and Foreign Currency Reserves

The RBM held a foreign exchange auction on 27 July 2023, in which USD400,000 (approximately MK400 million) was raised. The RBM disclosed that the highest bid rate accepted was MK1,100.00/USD while the lowest bid rate accepted was MK1,090.00/USD. The weighted average rate accepted was MK1,095.32/USD. This entails the maximum selling price per USD and was made effective on 1 August 2023.

The Malawi Kwacha traded at MK1,061.67/USD as of 31 July 2023, a marginal depreciation of 0.27% from MK1,058.82/USD as of 30 June 2023. Year-to-date, the Kwacha has depreciated against the USD by 2.61% 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 26.31%.

As of 30 June 2023, the country's gross official foreign exchange reserves increased by 65% to USD321.53 million from USD194.82 million in May 2023. The import cover for gross official foreign exchange reserves increased by 65% to 1.29 months in June 2023 from 0.78 months in May 2023.

Government Securities

The government awarded a total of MK110.8 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in July 2023, a 47% decrease from MK210.3 billion awarded in June 2023. The government awarded a total of MK56.7 billion through TBs in July 2023, an 18% decrease from MK69.1 billion that was awarded in June 2023. A total of MK54.1 billion was awarded through TNs in July 2023, a 62% decrease from MK141.1 billion awarded in June 2023. The TBs had a nil rejection rate, while the TNs had a 0.5% rejection rate in July 2023. The average TB and TN yields maintained at 17.83% and 27.90% respectively in July 2023.

Stock Market

The stock market was bullish over the period as the Malawi All Share Index (MASI) increased to 112,497.02 points in July 2023 from 108,656.97 points in June 2023, representing a 3.53% increase. The year-to-date return on the MASI was 81.34%. It was 16.58% during the same period in the previous year. The increase in the MASI resulted from share price gains for FMBCH, PCL, NITL, SUNBIRD, FDH Bank and STANDARD. There were also marginal share price gains for NBM, NBS, TNM and AIRTEL. The share price gains offset marginal share price losses by ICON, NICO and MPICO. In July 2023, FMBCH was the largest share price gainer as its share price increased by 22.26% to MK300.01 per share from MK245.39 per share. In contrast, ICON was the largest share price loser as its share price marginally decreased by 0.11% to MK18.97 per share from MK18.99 per share in June 2023.

Fiscal and Monetary Policy

Malawi has engaged key foreign creditors in efforts to restructure its debt. The Minister of Finance and Economic Affairs stated that debt-scheduling talks with the Export-Import (Exim) Bank of China picked up. He further stated that currently, the Exim Bank of China has offered Malawi a three-year moratorium and a three-year extension on the repayment period. Malawi has proposed an elongated extension of repayment from three years to fifteen years. The Exim Bank of China is the third largest holder of Malawi's foreign debt, with approximately USD218 million (approximately MK218 billion)

Regarding monetary policy, the Monetary Policy Committee (MPC) raised the Policy rate by 2.0 percentage points to 24.0% from 22.0% and the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 2.0 percentage points to 7.75% from 5.75%. The MPC decided to maintain the LRR ratio on foreign currency deposits at 3.75% and the Lombard rate at 20 basis points above the policy rate. The MPC noted it is prudent for monetary policy to remain tightened until a sustained declining trend in inflation is achieved.

Commodity Market

On 31 July 2023, cumulative national value of tobacco sold stood at USD281.35 million (approximately MK281 billion) up 16.9% from USD240.75 million (approximately MK240 billion) of value sold up to 30 June 2023. The monthly average OPEC reference basket price increased by 7.81% to a monthly average of USD81.06/barrel in July 2023, from a monthly average of USD75.19/barrel in June 2023.

Economic Growth

The gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 0.7% and 2.0%, bringing the projected average GDP growth rate for 2023 to 1.4%. 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. A rebound to 2.0% is expected in 2024.

The World Bank GDP growth projection for 2023 is 1.4% and is expected to increase to 2.4% in 2024. According to Oxford Economics, economic growth is forecasted at 1.7% for 2023 compared to 1.3% estimate of 2022. Real GDP growth expectations for this year are based on adverse weather conditions and high fertilizer prices undermining the agricultural sector as well as the detrimental impact of high inflation on consumer spending. As such, real GDP growth is expected to rebound to 3.4% in 2024 due to stronger private consumption and exports.

The MPC observed that limited supply of foreign exchange, the impact of adverse weather conditions, as well as the lingering effects of the Russia-Ukraine war, has weakened the initial prospects of a stronger real GDP growth to 1.9% from 2.7% in 2023.

The African Development Bank (AfDB) expects Malawi's real GDP growth to be 2.0% in 2023 and 3.5% in 2024. The IMF projects real GDP growth of 1.7% for Malawi in 2023 and 3.3% in 2024. 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.

Opportunities in Malawi

Agriculture: The agriculture sector employs a significant proportion of the country's workforce and represents about 80% of the country's exports. According to the World Bank, the sector contributed 21.8% to the country's GDP in 2022. A few examples of opportunities in the agricultural sector include; large scale commercial fishing, cannabis production & processing, large scale production of sugarcane in the areas under the Green Belt Initiative (GBI) and processing factories for value addition to make puree, spices, paste and juices.

Manufacturing: A majority of Malawi's industrial activity comes from manufacturing. Manufacturing in Malawi involves various aspects such as agricultural processing, textiles, clothing and footwear production. There are several opportunities for investors to partake in production of high value finished products. Specific opportunities lie in; fertilizer production, pharmaceuticals manufacturing, textile and garment manufacturing as well as light goods manufacturing (steel products, electrical fittings, plastics).

Tourism: In recent years, Malawi has become a popular destination for meetings, conferences and events locally and internationally. The sector offers various opportunities in investment such as; hotels and conference facilities in major towns and cities, cable car and associate facilities on Mount Mulanje, entertainment centers and casinos.

Energy: Malawi is one of the least electrified countries in the World; approximately, 19% of the population has access to regular electricity. Opportunities exist in; solar power with solar radiation in Malawi being amongst the highest in the world. In addition, manufacturing and supplying clean and efficient cookstoves using biomass energy is viable. Malawi also has significant potential for renewable energy in the form of hydropower as well.

Information and Communication Technology (ICT): The ICT sector in Malawi is growing rapidly, and there is potential for significant investment. The country has a young and tech-savvy population, and the government is committed to developing the ICT sector. The Malawi government has made ICT a priority and has implemented several programs to support the sector such as the National ICT Policy, which sets out the government's vision for the ICT sector.

Financial services: The financial services sector is overseen and regulated by the Reserve Bank of Malawi. The sector consists of banking, capital markets, the pension, insurance and micro-finance institutions. There are 8 commercial banks operating in Malawi. However, due to low financial inclusion, opportunities are available in the sector. Opportunities in the sector include; microfinance services, specialized agriculture insurance services and general insurance services to meet demand for insurance for small and medium businesses and assets.

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, inflation and reliance on aid. 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. In addition, Malawi is among the 53 countries expected to experience El Niño-induced dry weather in the upcoming crop-growing season. The conditions will likely have a severe impact on cereal production in Sub-Saharan Africa. A scenario in which the country experiences below-average rainfall in the growing season could lead to crop failure and insufficient grazing, affecting agricultural yield.

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 six 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.

Lastly, a potential concern involves the depreciation of the domestic currency, particularly if the risk of decreased exports and the resultant decline in export earnings materializes. This situation could expose the domestic currency to depreciation risk, exacerbating the cost of importing goods and services. Simultaneously, it could erode the value derived from the export of domestically crafted products and services, thereby contributing to a widening gap between imports and exports, potentially leading to current account deficits. This interplay may consequently exert pressure on inflation levels, subsequently influencing the country's fiscal deficit



Economic overview

Inflation (Source: NSO, RBM)

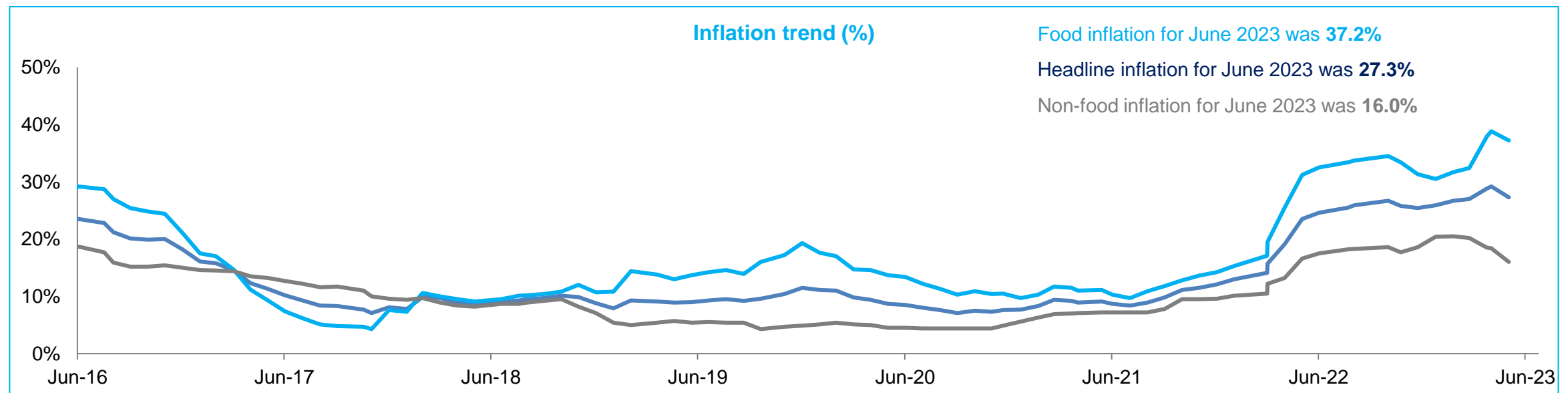
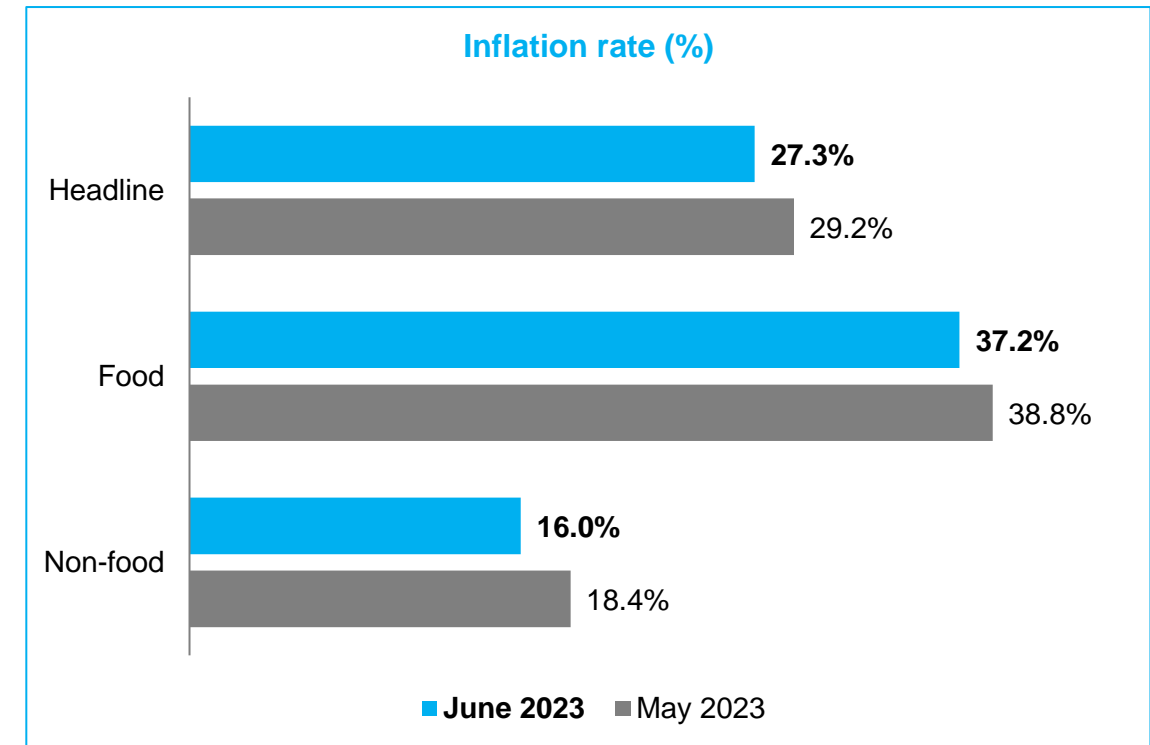
The headline inflation rate for June 2023 decreased by 1.9 percentage points to 27.3% from 29.2% in May 2023. The decrease was due to a decline in food inflation to 37.2%, as well as a decline in non-food inflation to 16.0% during the period under review.

According to the Reserve Bank of Malawi, headline inflation is now projected to average higher at 29.5% in 2023 compared to an average of 20.9% in 2022.

The headline inflation rate decreased by 1.9 percentage points to 27.3% in June 2023 from 29.2% in May 2023. The decrease was due to a decline in food inflation to 37.2% in June 2023 from 38.8% in May 2023. Similarly, there was a decrease in non-food inflation to 16.0% in June 2023 from 18.4% in May 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%.

According to the Reserve Bank of Malawi (RBM), food inflation has been driven by the impact of high costs of farm inputs, which has been sustained by the ongoing Russia-Ukraine war. The impact of unfavourable weather conditions experienced earlier this year has exacerbated the situation. Non-food inflation moderation has been supported by the impact of tightening the monetary policy stance, in addition to continued weakening of global demand which has helped to suppress imported non-food inflation pressures.

According to the RBM, headline inflation is now projected to average higher at 29.5% in 2023 compared to an average of 20.9% in 2022. Similarly, the Economist Intelligence Unit expects inflation to average 30.6% in 2023, up from an average of 20.9% in 2022. Oxford Economics expects inflation to average 27.8% in 2023 while the International Monetary Fund (IMF) expects inflation to average 24.8% in 2023. Finally, the World Bank expects inflation to average 25.7% in 2023.





Economic overview (Continued)

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

The RBM held a foreign exchange auction; the weighted average rate accepted was MK1,095.32/USD. This entails the maximum selling price per USD effective from 1 August 2023.

The gross official foreign exchange reserves increased by 65% to USD321.53 million as of 30 June 2023, from USD194.82 million as of 30 May 2023. This translates to an import cover of 1.29 months in June 2023, an increase of 65% from 0.78 months in May 2023.

Foreign currency market

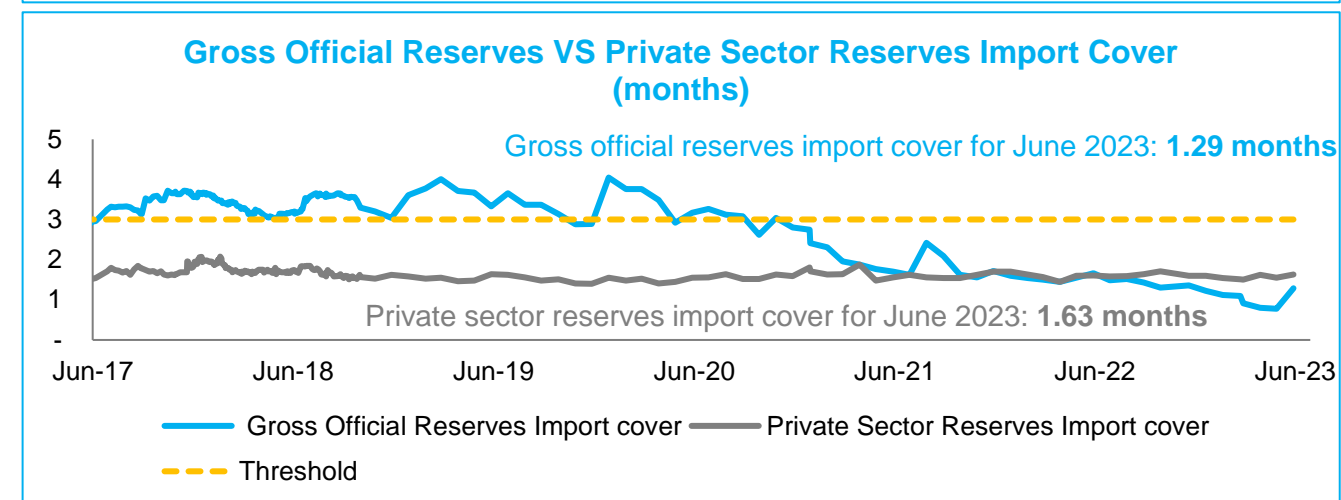
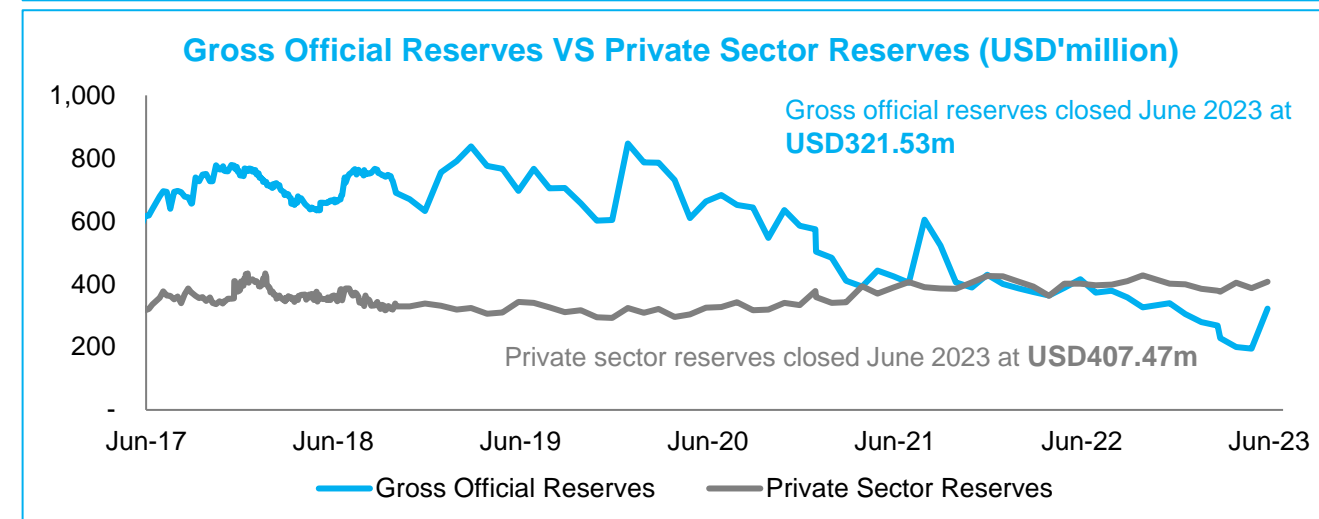
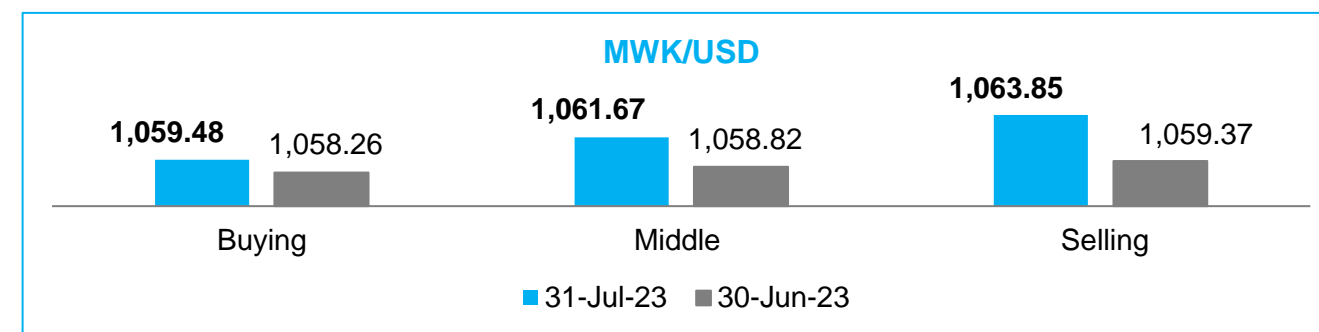
Month-on-month, the Kwacha marginally depreciated against the United States Dollar (USD) by 0.27% as it traded at MK1,061.67/USD as of 31 July 2023, from MK1,058.82/USD as of 30 June 2023. Year-to-date, the Kwacha has depreciated against the USD by 2.61% as it traded at MK1,034.67/USD as of 31 December 2022. During the same period in the previous year, the Kwacha had depreciated against the USD by 26.31%.

The RBM held a foreign exchange auction on 27 July 2023, in which USD400,000 (approximately MK400 million) was raised. The RBM disclosed that the highest bid rate accepted was MK1,100.00/USD, while the lowest bid rate accepted was MK1,090.00/USD. The weighted average rate accepted was MK1,095.32/USD. This rate entails the maximum selling price per USD and was made effective on 1 August 2023. The immediate effect was a depreciation of 2.92% between the official closing middle rate of 31 July and 1 August 2023 which was MK1,092.68/USD.

Foreign Exchange Reserves Position

As of 30 June 2023, the country's gross official foreign exchange reserves increased by 65% to USD321.53 million from USD194.82 million in May 2023. The import cover for gross official foreign exchange reserves increased by 65% to 1.29 months in June 2023 from 0.78 months in May 2023. The import cover for gross official foreign exchange reserves remained below the required threshold of 3 months.

	June 2023	May 2023	Month-on-month change (%)
Gross Official reserves (USD'million)	321.53	194.82	65%
Private Sector reserves (USD'million)	407.47	386.90	5%
Total Reserves (USD'millions)	729.00	581.72	25%
Gross Official import cover (months)	1.29	0.78	65%
Private sector import cover (months)	1.63	1.55	5%
Total import cover (months)	2.92	2.33	25%





Economic overview (Continued)

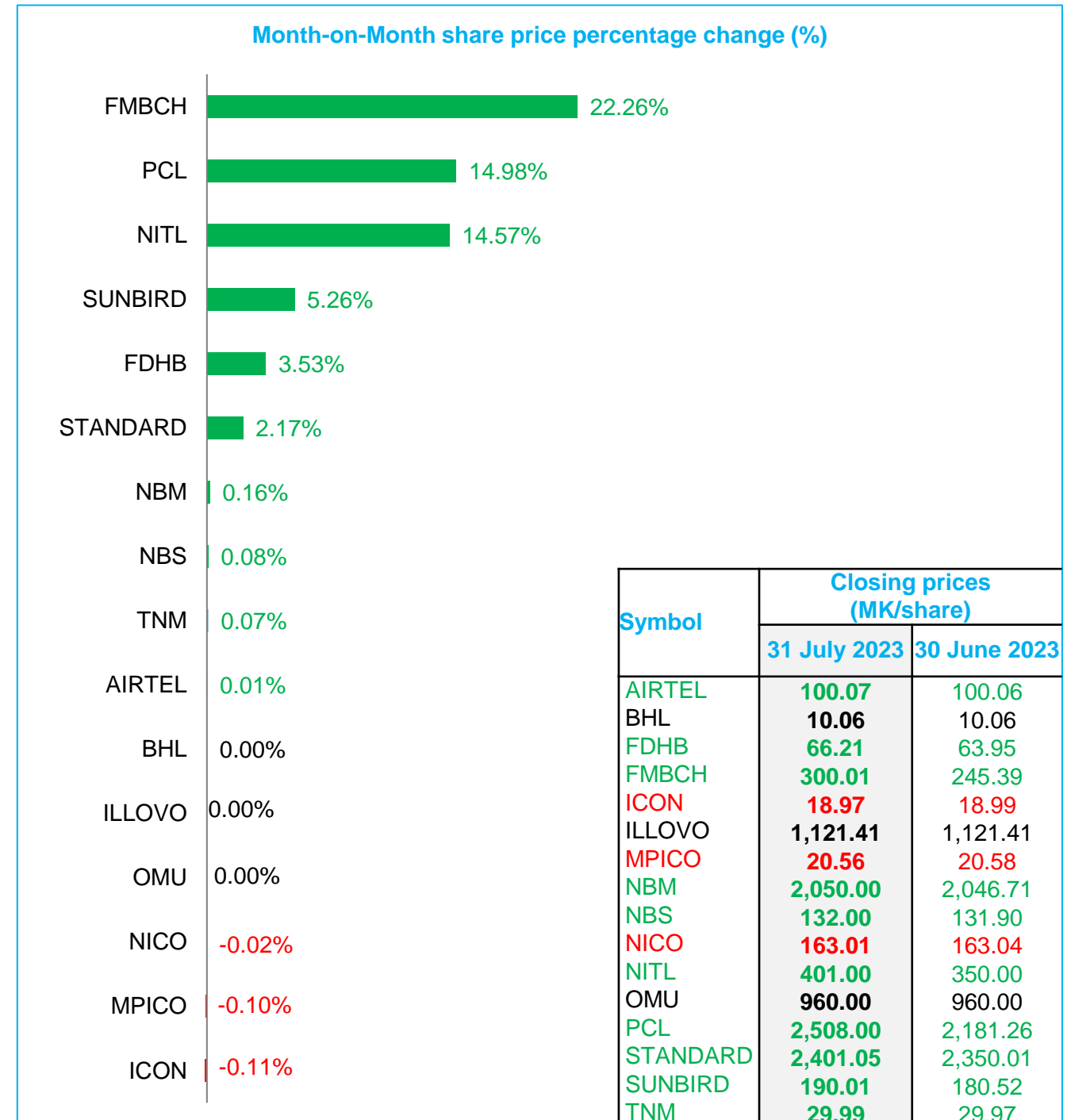
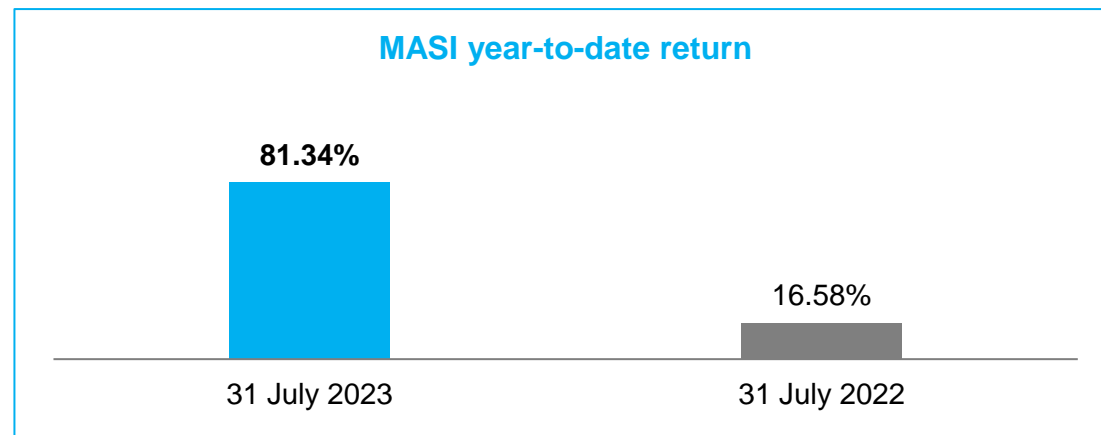
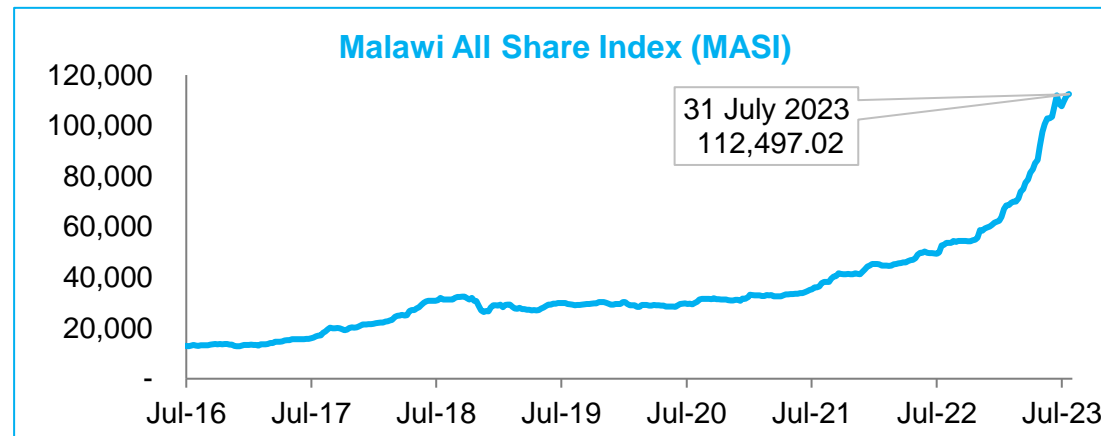
Stock market (Source: MSE)

The MASI year-to-date return was 81.34% in July 2023. It was 75.15% in the previous month and 16.58% in July 2022.

The stock market was bullish over the period as the Malawi All Share Index (MASI) increased to 112,497.02 points in July 2023 from 108,656.97 points in June 2023, representing a 3.53% increase. The year-to-date return on the MASI was 81.34%. It was 75.15% in the previous month and 16.58% in July 2022.

In July 2023, FMBCH was the largest share price gainer as its share price increased by 22.26% to MK300.01 per share from MK245.39 per share in June 2023. Other counters with share price gains were PCL, NITL, SUNBIRD, FDH Bank and STANDARD. There were also marginal share price gains for NBM, NBS, TNM and AIRTEL.

In July 2023, ICON was the largest share price loser as its share price marginally decreased by 0.11% to MK18.97 per share from MK18.99 per share in June 2023. There were also marginal share price losses for NICO and MPICO.





Economic overview (Continued)

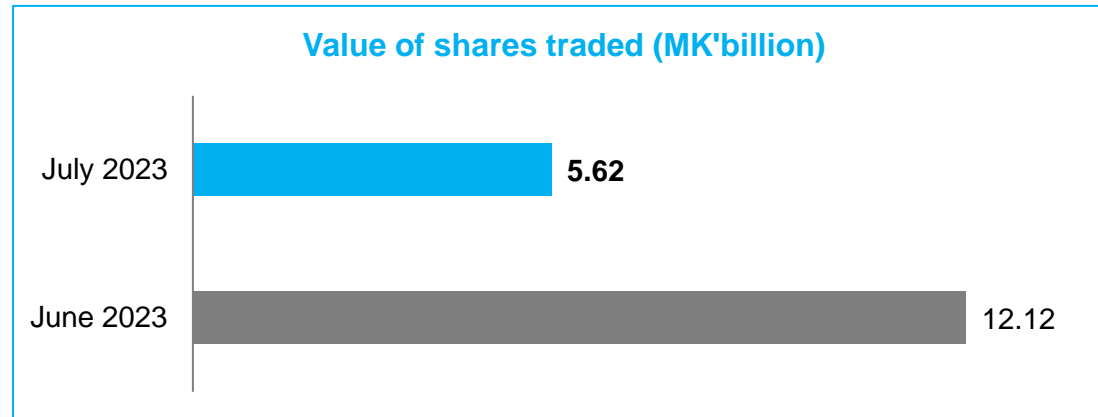
Stock market (Source: MSE)

At the NBM Annual General Meeting, a final dividend of MK15 billion (MK32.12 per share) was declared. The total dividend payout will be MK33 billion (MK70.67 per share) in respect of 2022 profits.

MSE Traded Volumes

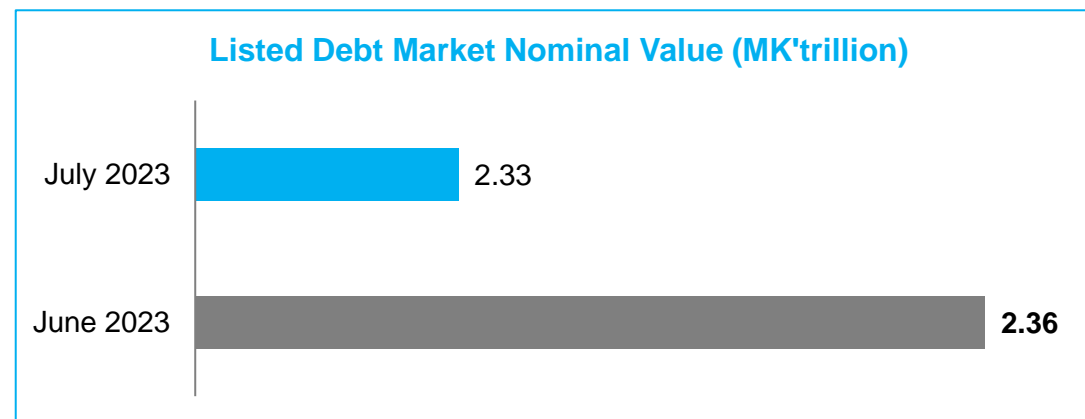
A total of MK5.62 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in July 2023. This represented a 53.6% decrease from MK12.12 billion worth of shares traded in June 2023. ILLOVO had the highest value of shares traded in July 2023 at MK1.33 billion.

The total number of trades decreased to 947 in July 2023, from 1,409 in June 2023.



Listed Debt market

The total number of instruments listed on the debt market decreased to 57 in July 2023 from 58 in June 2023. There were no trades on the debt market in July 2023. The nominal value of all listed debt securities decreased to MK2.33 trillion in July 2023 from MK2.36 trillion in June 2023.



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	(1.76)	9.69	-118%
BHL	(0.29)	(0.75)	-61%
SUNBIRD	3.10	0.75	313%
NITL	6.99	4.67	50%
OMU (ZAR'bn)	7.80	7.46	5%
MPICO	8.14	6.42	27%
ICON	16.70	8.72	92%
NBS	18.91	7.69	146%
FDHB	22.93	11.97	92%
ILLOVO*	26.63	20.47	30%
PCL	36.34	45.13	-19%
AIRTEL	36.93	32.34	14%
NICO	37.57	17.10	120%
STANDARD	39.20	24.77	58%
NBM	45.94	34.21	34%
FMBCH (USD'mn)	61.20	40.45	51%

* : 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
AIRTEL	Final	Declared	2.50	21-Jul-23	4-Aug-23
FDH Bank	interim	Declared	1.31	18-Aug-23	24-Aug-23
PCL	Final	Declared	29.00	18-Aug-23	25-Aug-23
NBS	Final	Declared	0.90	18-Aug-23	1-Sep-23
NITL	Final	Declared	2.35	TBA	TBA
Sunbird	Final	Declared	1.50	TBA	TBA
ICON	Final	Proposed	0.13	TBA	TBA

Annual General Meetings

Counter	Date	Venue	Time
BHL	21-Aug-23	Ryalls Hotel	15.30



Economic overview (Continued)

Government securities (Source: RBM)

The government awarded a total of MK110.8 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in July 2023, a 47% decrease from MK210.3 billion awarded in June 2023.

Treasury Bills (TBs)

In July 2023, the government sought to borrow MK55.8 billion through Treasury Bills (TBs) auctions. This represents a 16% decrease from MK66.6 billion sought in June 2023. Participants applied to place an amount MK56.7 billion through TBs auctions in July 2023. This represents a 35% decrease from MK86.7 billion that was applied for in June 2023. The government awarded a total of MK56.7 billion in July 2023, an 18% decrease from MK69.1 billion that was awarded in June 2023. The TBs auction had a nil rejection rate in July 2023 compared to 20.2% in June 2023.

Treasury Notes (TNs)

The government sought to borrow MK203.2 billion through Treasury Notes (TNs) auctions in July 2023. This represents a 51% increase from MK134.4 billion that was sought in June 2023. Total participant applications stood at MK54.4 billion in July 2023. This represents a 63% decrease from MK148.2 billion which was applied for in June 2023. A total of MK54.1 billion was awarded in the TNs auctions in July 2023. This entailed a 62% decrease from MK141.1 billion, awarded in June 2023. The TNs auction had a 0.5% rejection rate in July 2023 compared to 4.8% rejection rate in June 2023.

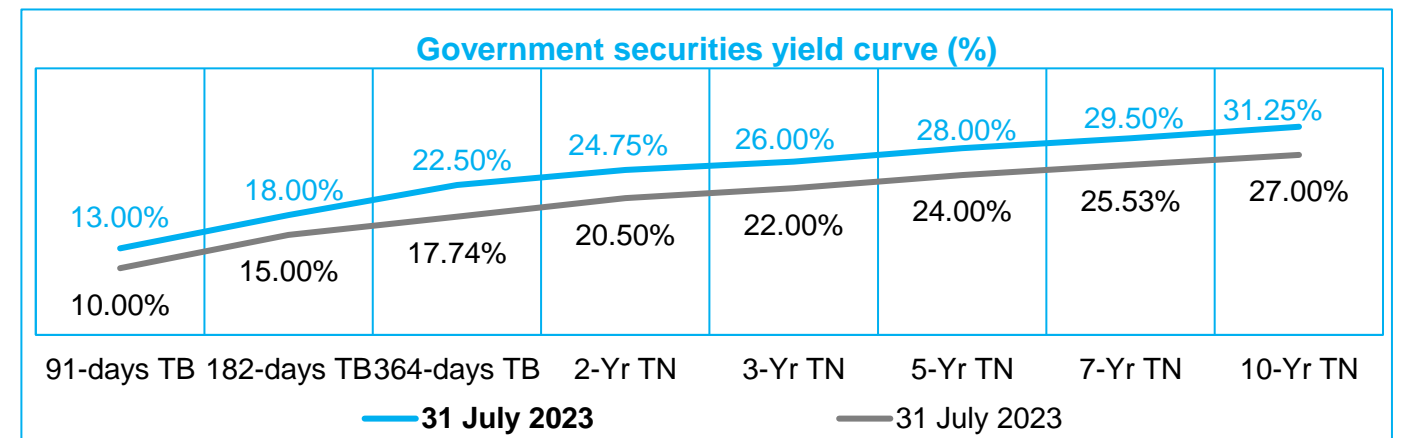
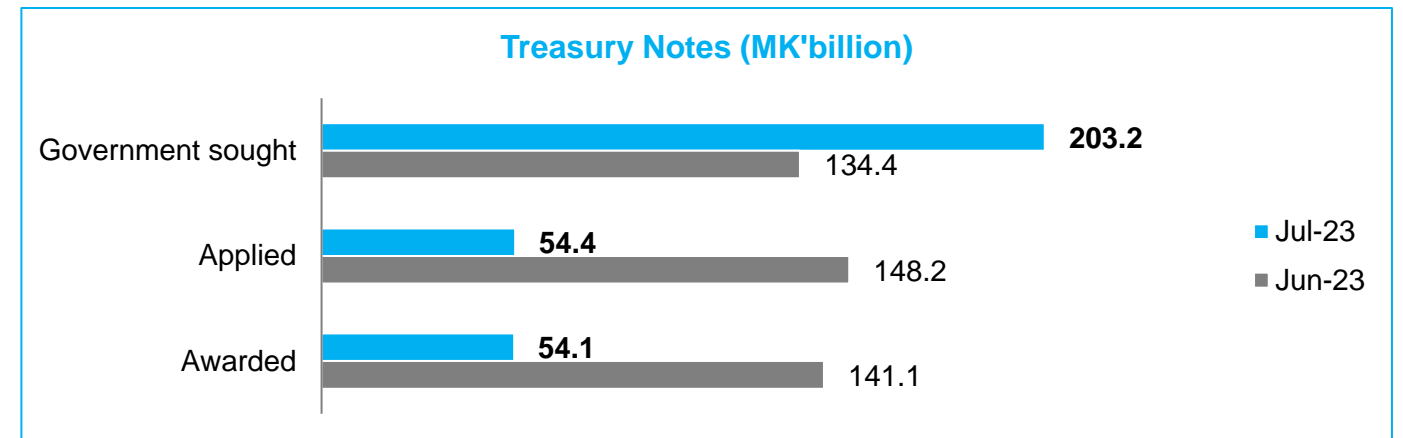
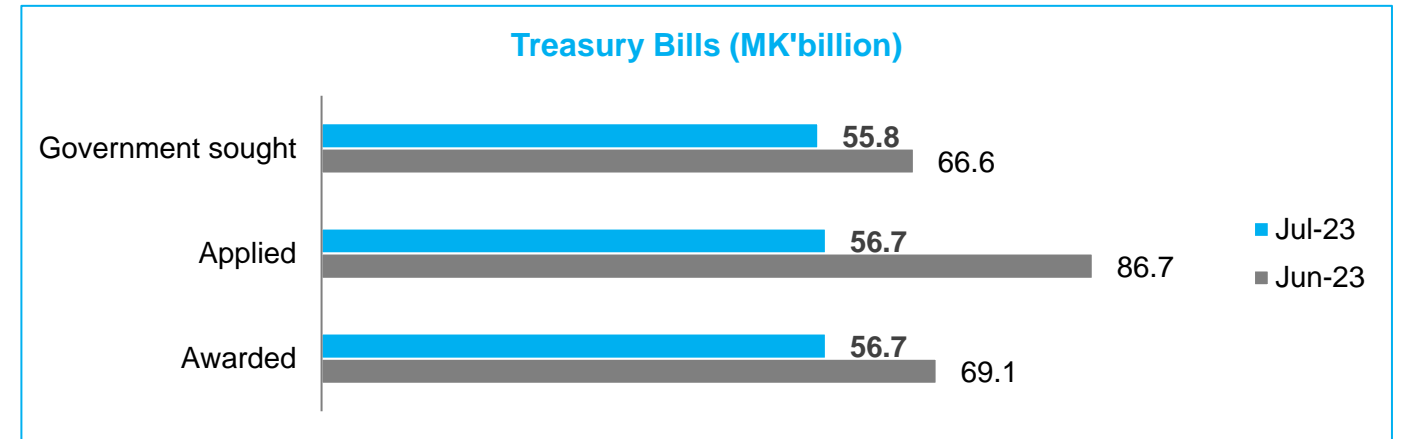
Government Securities Yield Curve

From June 2023 to July 2023, the 91, 182 and 364-days TBs maintained their yields at 13.00%, 18.00% and 22.50% respectively. As such, the average TB yield maintained at 17.83% in July 2023. The average TB yield was 14.25% in July 2022.

From June 2023 to July 2023, the 2, 3, 5, 7 and 10-year TNs maintained their yields at 24.75%, 26.00%, 28.00%, 29.50% and 31.25% respectively. As a result, the average TN yield maintained at 27.90% during the period under review. The average TN yield was 23.81% in 2022.

Open Market Operations Repos

Throughout the month of July, the RBM did not hold auctions for Open Market Operations Repos of any tenor.





The Monetary Policy Committee has raised the Policy rate by 2.0 percentage points to 24.0% from 22.0% and the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 2.0 percentage points to 7.75% from 5.75%.

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

Malawi has engaged key foreign creditors in efforts to restructure its debt. The Minister of Finance and Economic Affairs stated that debt-scheduling talks with the Export-Import (Exim) Bank of China have picked up. He further stated that currently, the Exim Bank of China has offered Malawi a three-year moratorium and a three-year extension on the repayment period. Malawi has proposed an elongated extension of repayment from three years to fifteen years. The Exim Bank of China is the third largest holder of Malawi’s foreign debt, with approximately USD218 million (approximately MK218 billion).

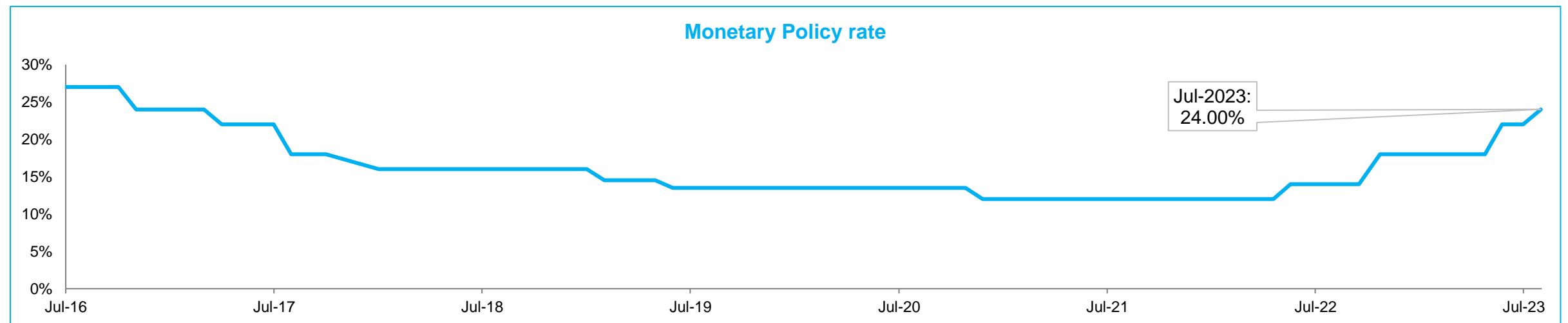
The Executive Board of the International Monetary Fund (IMF) discussed the first review of the 12-month Staff-Monitored Program with Executive Board involvement (PMB) for Malawi. The review was approved by the management of the IMF on 13 July 2023. Considering a series of shocks, program performance was mixed. The authorities are taking corrective actions to establish a track record of policy implementation, possibly paving the way to an Extended Credit Facility (ECF) arrangement. The Executive Board agreed with staff that Malawi is on track to achieve the objectives of the PMB.

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

Monetary Policy (Source: RBM)

Following the third Monetary Policy Committee (MPC) meeting held on 26 and 27 July 2023, the MPC raised the Policy rate by 2.0 percentage points to 24.0% from 22.0% and the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 2.0 percentage points to 7.75% from 5.75%. The MPC decided to maintain the LRR ratio on foreign currency deposits at 3.75% and the Lombard rate at 20 basis points above the policy rate. The MPC resolved that taking further action was necessary to continue dampening the rising inflationary pressures and re-anchor inflation expectations.

In its June 2023 market intelligence report, the RBM stated that it is too early to conclude that the lower inflation rate in June 2023 is the beginning of a downward trajectory for inflation. The RBM observed the deceleration to be a possible basal effect arising from the high prices of June 2022 following the reaction to the May 2022 exchange rate realignment. They noted it is therefore prudent for monetary policy to remain tightened until a sustained declining trend in inflation is achieved.





Commodity Market Developments

Tobacco and oil market developments (Source: AHL, OPEC, Reuters)

The monthly average OPEC Reference Basket (ORB) price increased by 7.81% to a monthly average of USD81.06/barrel in July 2023, from USD75.19/barrel in June 2023.

Tobacco Market Developments (Source: AHL)

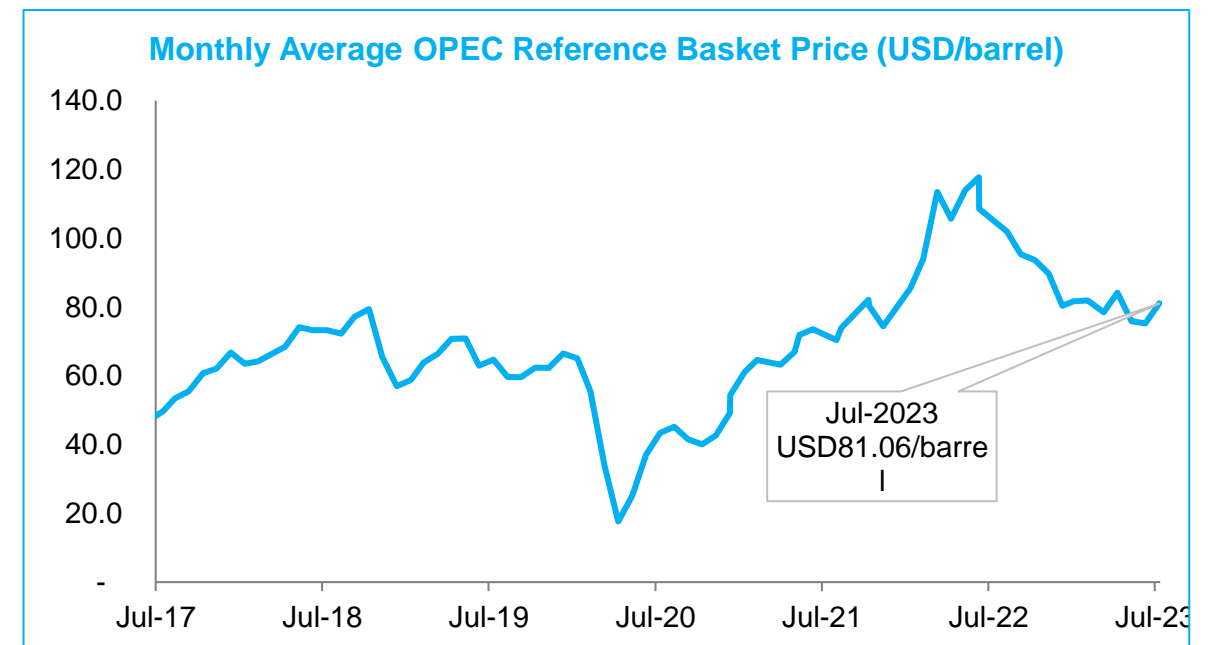
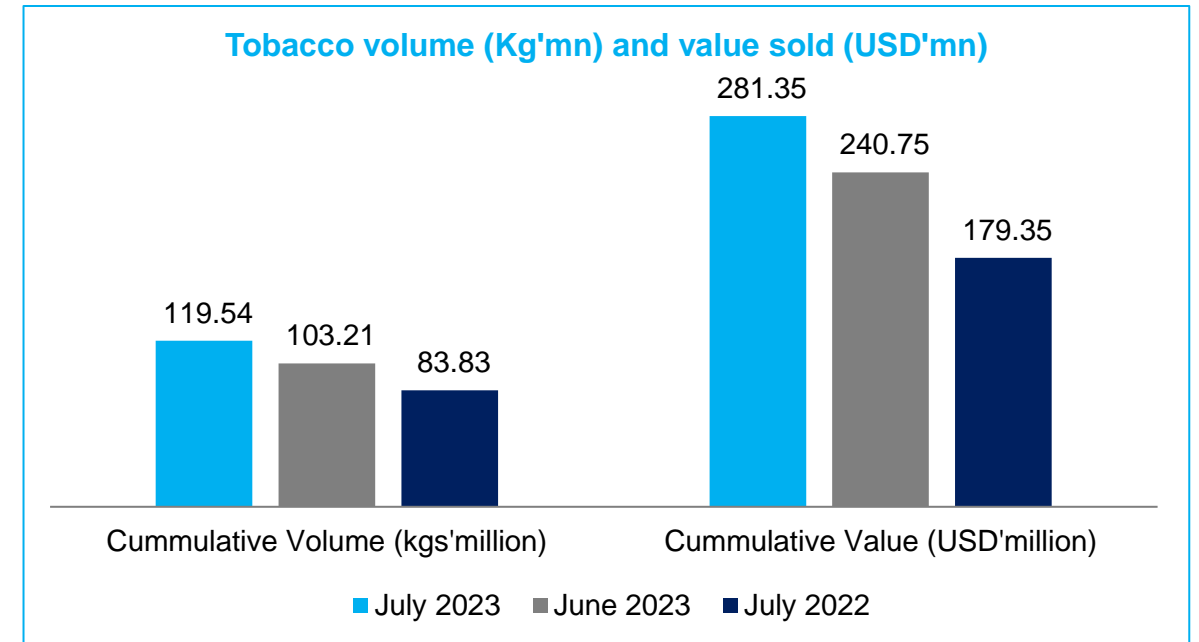
Figures from Auction Holdings Limited (AHL) tobacco sales show that cumulative national volume sold stood at 119.54 million Kgs so far in the 2023 selling season, up to 31 July 2023. This entails an increase of 15.8% from 103.21 million kgs sold up to 30 June 2023. The tobacco was sold at an average price of USD2.49/Kg in July 2023, up 1.5% from USD2.45/Kg in June 2023. On 31 July 2023, cumulative national value of tobacco sold stood at USD281.35 million (approximately MK281 billion) up 16.9% from USD240.75 million (approximately MK240 billion) of value sold up to 30 June 2023. During the same period last year, cumulative national value of tobacco sold stood at USD179.35 million (approximately MK179 billion) while the cumulative national volume sold stood at 83.83 million Kgs.

Global oil price developments (Source: OPEC, Reuters)

The monthly average OPEC reference basket price increased to a monthly average of USD81.06/barrel in July 2023, from a monthly average of USD75.19/barrel in June 2023. This represents an increase of 7.81% month-on-month. Year-on-year, this represents a 25.32% decrease from an average price of USD108.55/barrel as of July 2022.

On 3 July 2023, Saudi Arabia announced that it was extending its voluntary 1 mb/d production cut from July 2023 into August 2023. Simultaneously, Russia announced it would be cutting an additional 500 thousand barrels per day (kb/d) from crude exports in August 2023 and Algeria announced a 20 kb/d cut for the same month. Goldman Sachs expects Saudi Arabia to extend voluntary output cuts into September 2023 further tightening global supply.

In its July 2023 monthly report, OPEC foresees world oil demand to rise by 2.4 mb/d, slightly adjusted up from last month's estimate of 2.3 mb/d, mainly due to upward revision to China's oil demand in Q2 of 2023. Total oil demand in 2023 is projected to average 102.00 mb/d. In Q2 2023, demand is revised up on the back of strong year-over-year (y-o-y) oil demand growth in both April and May in China. This was further supported by some improvements in oil requirements in the US and Latin America. In 2024, solid global economic growth amid continued improvements in China is expected to boost consumption of oil. World oil demand is anticipated to rise by 2.2 mb/d y-o-y, with total world oil demand projected to average 104.25 mb/d.





Commodity Market Developments

Other market developments (Source: World Bank)

The price of Urea based on spot market prices in Eastern Europe increased by 16% to USD334.6/mt in July 2023 from USD287.5/mt in June 2023. The annual average price for Urea in 2022 was USD700.2/mt.

Maize

In July 2023, the United States (US) based maize prices decreased by 9% to USD242.4/metric tons (mt) from USD266.9/mt. The average price for 2022 was USD318.8/mt. Planting intentions surveys from the United States indicate sizable increases in maize and wheat acreage, which may exert downward pressure on 2023 prices.

Sugar

Sugar prices based on the daily prices of the International Sugar Agreement (ISA) decreased by 4% to a monthly average price of USD0.52/Kg in July 2023 from USD0.54/Kg in June 2023. The average sugar price was USD0.41/Kg in 2022. According to the World Bank, global economic recovery from the pandemic has likely influenced the price gains in world sugar.

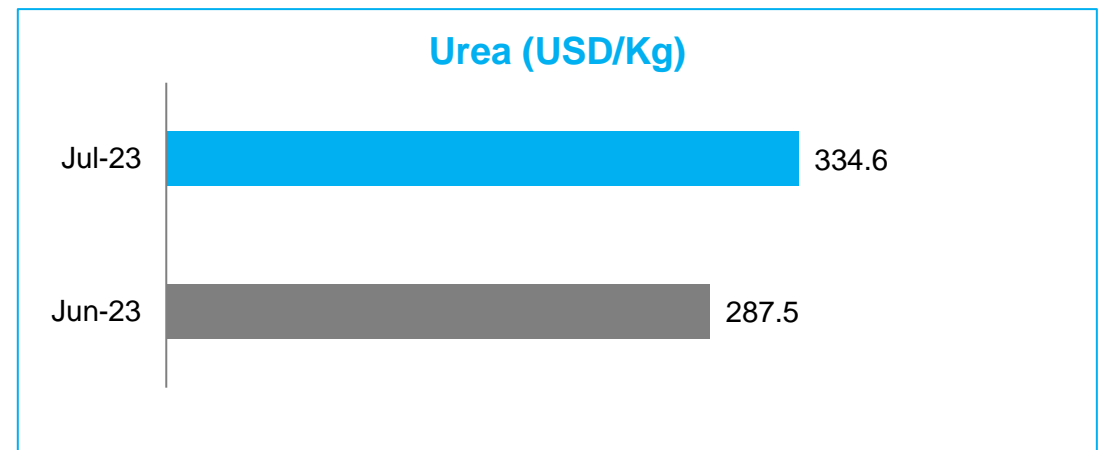
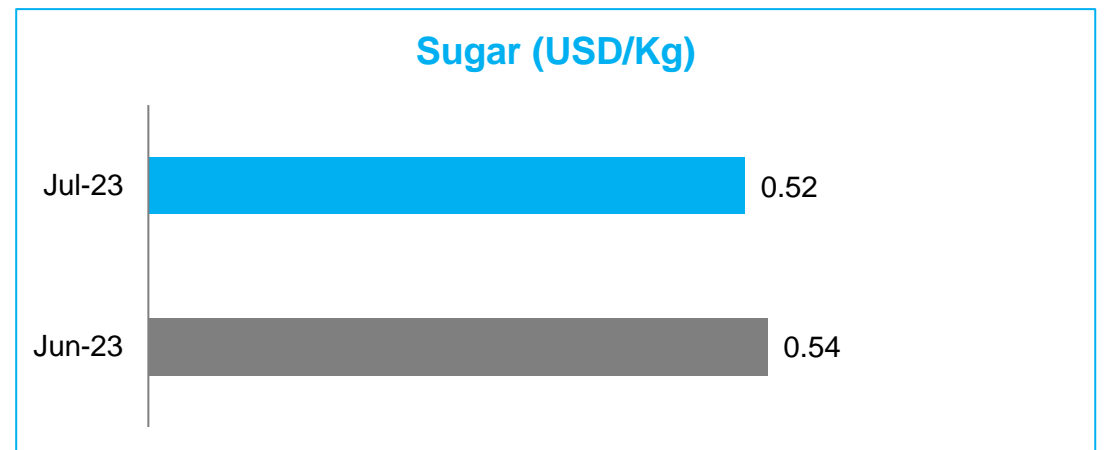
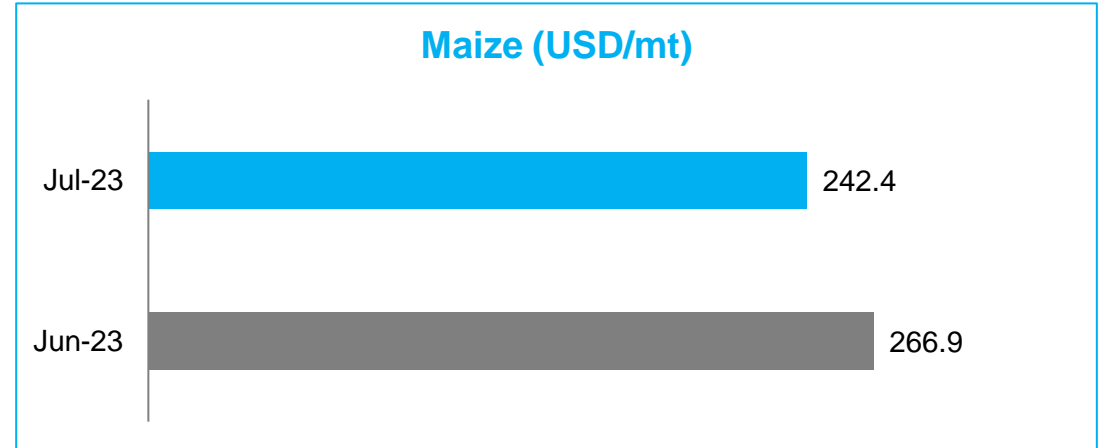
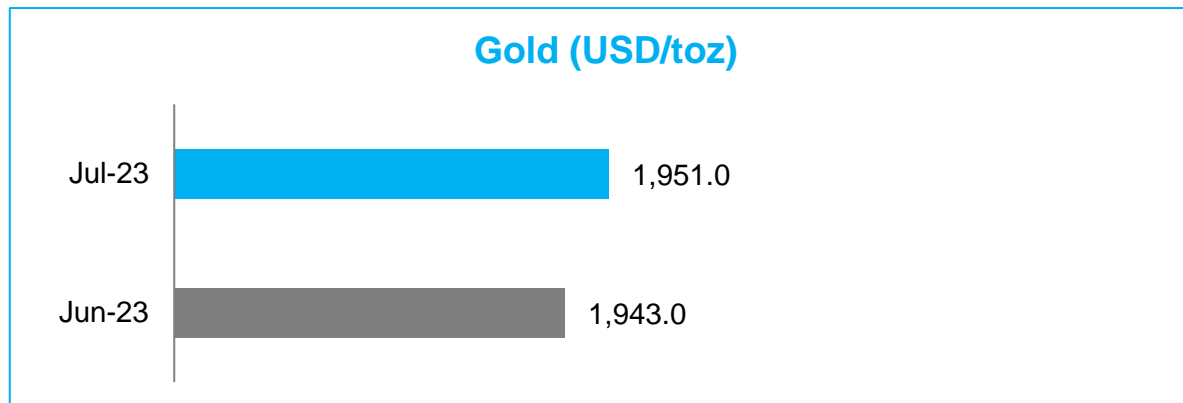
Fertilizer

The price of Urea based on spot market prices in Eastern Europe increased by 16% to USD334.6/mt in July 2023 from USD287.5/mt in June 2023. The annual average price for Urea in 2022 was USD700.2/mt.

In July 2023, the price of Diammonium Phosphate (DAP) based on spot market prices in the US marginally increased to USD458.8/mt from USD454.6/mt. The annual average price for DAP in 2022 was USD772.2/mt.

Gold

The price of gold is based on the afternoon London Gold Fixing price. In July 2023, gold price increased by 0.4% to USD1,951.0 per troy ounces (toz) from USD1,943.0/toz. In 2022, the average gold price was USD1,801/toz. In 2024, gold prices are projected to decrease by 8% as the global economy begins to recover gradually and inflationary pressures recede.



An Overview of the World Bank's Malawi Economic Monitor



Economic Developments

According to the World Bank, Malawi's economy continues to struggle following a devastating cyclone, rising inflation and protracted macro-fiscal crisis.

Introduction

Malawi's economy continues to struggle following a devastating cyclone, rising inflation and a protracted macro-fiscal crisis. In 2022, weak growth was driven by long-standing macroeconomic imbalances, resulting in a balance of payments crisis. Foreign exchange shortages hindered the importation of essential goods and production inputs, while external shocks worsened the situation. The devastating Cyclone Freddy in early 2023 caused significant material loss and damage, especially in the agriculture sector. Ongoing external balance challenges further impacted the economy.

Global context

Global growth remains steady, despite continued shocks, as inflation moderates. However, low-income countries are facing new policy challenges. Global real economic growth in 2022 is now estimated at 3.1% in the most recent World Bank Global Economic Prospects (June 2023). Following this estimate, 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%.

Global inflation has recently started declining, after peaking in 2022, mainly driven by a fall in fuel and energy prices. Nonetheless, it remains far above historical averages and central bank targets in most countries. In response, central banks around the world are expected to continue to tighten monetary policy while battling the risk of significantly dampening economic growth and risking financial instability and output losses.

Global trade openness has declined amidst increased economic nationalism, following disruptions due to the COVID-19 pandemic and rising trade tensions. This comes on top of a longstanding decline in trade openness, which has steadily fallen since 2008, when global trade as a share of GDP was at 61%.

Regional Context: Southern Africa

Debt burdens have increased with more than half of low-income countries (LICs) at high risk of debt distress or in debt distress, including Malawi, holding back growth in these countries. This was followed by several LICs defaulting debt. Zambia was the first country to default on its debt in the aftermath of the COVID-19 pandemic. It has finally achieved a breakthrough in its debt restructuring negotiations by making deals with lenders, led by China agreeing to restructure USD6.3 billion in loans.

Growth in the region is primarily driven by Mozambique and Tanzania, as South Africa's economy continues to falter. The fiscal and external imbalances in South Africa have been largely supported by high global commodity prices and its very flexible exchange rate. However, the mining and manufacturing sector suffered resulting in real economic growth rate of 2% in 2022. Despite being heavily impacted by Cyclone Freddy, Mozambique's economy grew by a rate of 4.1% due to strong demand for its key exports. On the other hand, Tanzania's economic stability is under much scrutiny due to the decline in the Bank of Tanzania's official reserves and increased import bills from higher food and fuel prices. This occurred regardless of the broad-based post-pandemic recovery which yielded a 4.6% growth in 2022, causing reason for concern.

Malawi

Malawi's economic growth has fallen following the impacts of Cyclone Freddy and an ongoing debt and balance of payments crisis. The weak growth performance in 2022 caused by foreign exchange shortages, followed by Cyclone Freddy and macroeconomic imbalances, resulted in a difficult start to 2023 for Malawi's economy. Cyclone Freddy was the most destructive in a series of increasingly frequent extreme weather events affecting Malawi. The storm is estimated to have affected more than 2.5 million Malawians, leaving over 1,400 dead and up to USD505 million (approximately MK505 billion) in material loss and damage. The economic impacts from Cyclone Freddy led to a downward revision of economic growth expectations to 1.4% in 2023, thus calling for climate change adaptation investments to be made.

The impacts of Cyclone Freddy have dampened the performance of the agriculture sector with high fertilizer prices causing a shift away from maize to other crops. The Ministry of Agriculture's new minimum farmgate prices for this season may make it difficult for Malawian producers and products to be internationally competitive. The industrial sector has been particularly impacted by foreign exchange, fuel, and electricity shortages but restoration of the Kapichira hydroelectric power station is a first step towards the alleviation of energy supply challenges.



Fiscal deficits are likely to persist due to high expenditure pressures.

Economic Developments

Balance of Payment Crisis

As Malawi enters a second year of an acute balance of payment crisis, double-digit current account imbalances between 2013 and 2021 continue to worsen the accumulation of substantial external liabilities as imports continue to be constrained by the shortage of foreign exchange. Not surprisingly, official exports are being constrained by a weakness in some of Malawi's core export commodities and an adverse policy environment.

Malawi's terms of trade have improved after declining for more than two years through June 2022. However, recent trade and industrial policy predominantly attempts to contend with the symptoms of these imbalances, rather than addressing their underlying causes. Meanwhile, supply-side constraints and money supply growth are pushing inflation upwards.

Malawi's Fiscal Position

Despite strong performance on revenues, higher spending means a worse fiscal position for FY2022/23 is expected. Tax collections declined slightly while government exceeded its spending target owing to frontloading of project resources, as well as increased disbursements for cholera and cyclone response. Still more, higher tax collection is expected to drive the improvement in revenue as Government advances the implementation of Public Finance Management (PFM) reforms to support expenditure management and the fiscal consolidation process.

Government debt is still in distress and unsustainable, but ongoing external debt restructuring negotiations, if successful, will help ease the burden. These negotiations need to be supported by fiscal consolidation and prudent monetary policy for them to be fully effective.

The Malawi kwacha experienced a sharp depreciation in May 2022, as foreign exchange shortages remained severe. Corrective measures, such as the new "Foreign Exchange Act" being proposed by Government aim to address some of these issues but may also have unintended consequences on investment. Furthermore, the RBM has increased the policy rate, though monetary policy has had limited impact on containing inflation.

Medium Term Economic Outlook

Malawi's economy is projected to slightly improve in 2023 as a result of expected recovery of the agricultural sector and resumption of electricity generation at the Kapichira Falls power station. However, there are lingering effects from the past two cyclones, Cyclone Anna and Cyclone Freddy, and the ongoing economic imbalances that might potentially hinder a full pre-COVID-19 economic growth level. In addition, the current account deficit position is expected to weaken foreign reserves, leading to continued foreign currency shortages. This, coupled with elevated inflationary pressures will most likely constrain economic and inflation targets in the near term.

Fiscal deficits are likely to persist due to high expenditure pressures. Debt vulnerabilities will probably remain high although successful debt restructuring negotiations may mitigate them. Other challenges may arise from recurring weather shocks and the absence of sustained economic growth, posing several downside risks. However, successful implementation of reforms and investment in growth-enhancing projects should lead to exceeding current expectations with focus being on addressing underlying causes.

Policy options

- 1. Restoring macroeconomic stability:** Stepped up reforms are needed to rebuild foreign reserves, instill budget discipline, improve public financial management and achieve debt sustainability.
- 2. Increasing production and exports:** Reforms that enhance production capacity and private investment will be needed to boost firm's ability to export, strengthen agricultural diversification and commercialization initiatives, and bring in foreign investment.
- 3. Building resilience and protecting the poor:** With growing frequency and severity of climate related shocks, efforts to support the most vulnerable should be stepped up. This includes implementation of the Disaster Risk Management (DRM) Act, expending the roll-out, coordination, and scaling up of key social protection programs as well as improving disease surveillance and response in the case of a new disease outbreak, such as cholera.



Enhancing access to energy is critical to achieving the economic development and the aims of Malawi 2063

Powering up: How Malawi can increase electricity access

Introduction

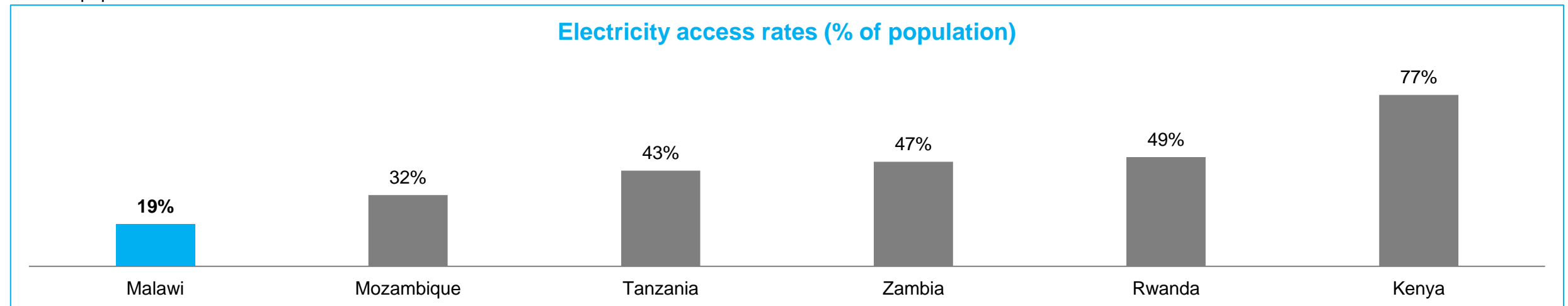
Enhancing access to energy is critical to achieving the economic development and the aims of Malawi 2063. It is a critical component of economic development, and its impact on a nation’s GDP can be substantial. For instance, energy access can significantly improve living conditions by providing access to modern technologies, lighting, and cooking. Despite these benefits, Sub-Saharan Africa (SSA) still faces significant electrification challenges with only a few countries in the region accelerating electrification efforts towards achieving universal electricity access.

Currently, Malawi has one of the lowest electricity access rates in the world. The electricity access rate for 2023 is estimated at 19% with severe disparities between urban (42%) and rural areas (5%). For context, Zambia’s electrification rate is 47% while Kenya’s is 77%.

In 2019, the Ministry of Energy (MoE) prepared a National Electrification Strategy (NES), as the Government of Malawi set a goal to achieve universal energy access by 2030. On-grid electricity has traditionally been driven by the expansion of the grid connections, funded by the Government and implemented by ESCOM. Regardless, the national electrification rate has remained stagnant since 2016, with the grid connection rate only increasing by 0.2% between 2016–2021. On the other hand, off-grid electrification, is growing rapidly and plays a significant role in Government’s electrification plans. About 400,000 solar home systems (SHS) have been sold in Malawi as of 2022 and two thirds of these are estimated to be actively serving off-grid households. This makes Malawi one of the top 20 countries in the world by the share of population with access to solar.

Key lessons learned from Malawi’s past power access programs

1. Increasing energy access requires political support and government ownership. The Government’s and ESCOM’s ownership and prioritization of the access agenda are key to its success.
2. Reforming governance of Malawi Rural Electrification Program (MAREP) and increasing transparency. The reputation of the Government’s main electrification program, MAREP, is mixed due to governance concerns.
3. Solving the energy access deficit requires a value chain approach. There needs to be sufficient energy generation and transmission infrastructure to support connections. Malawi has been struggling with severe supply shortages for many years, due to low water flow meaning that hydro power generation could often not meet demand.
4. Improving ESCOM’s operational efficiency is key to the success of the electrification program. ESCOM’s performance under Malawi Energy Access Program (MEAP) has been a cause for concern, with progress falling far short of expectations.
5. Leverage new technology and business models by attracting private sector capital and expertise. The use of solar home systems and the Pay-As-You-Go (PAYG) business model has rapidly grown, which has been the driving force behind electricity access gains in both urban and rural areas.





Crucial changes are needed to achieve 50% electricity access target outlined in Malawi 2063.

Powering up: How Malawi can increase electricity access

Electrification target by 2023

The Government of Malawi is targeting universal access by 2030 but under the business-as-usual scenario, the access rate will fall far behind the target, reaching about 30%, with ESCOM and off-grid each connecting about 15% of population. Regardless, the country is expected to continue to rely on ESCOM to connect additional customers to the grid but without reforms, ESCOM may struggle to install connections in line with population growth.

Crucial changes are needed to achieve the 50% electricity access target outlined in Malawi 2063. An electricity access rate of 50% by 2030 is achievable but requires a joint effort from the Government and private sector. ESCOM needs to triple its annual connection rate from the current average of 35,000 households to at least 100,000 households, prioritizing grid densification to achieve both speed and efficiency. On the other hand, the off-grid market needs to continue its growth with an annual connection target of close to 500,000 per annum since universal access by 2030 will require fast growth of the off-grid solar market in addition to grid expansion.

Recommendations: Pathway to universal access

- 1. Leadership:** Government can demonstrate leadership and set clear policy goals by establishing institutional arrangements and regularly updating the generation and transmission master plans to ensure adequate supply and transmission capacity. Government should also formally adopt the draft Guidelines for Implementation of the National Electrification Program, which outlines the connection and connection fee policy.
- 2. Reform:** Government needs to reform ESCOM to improve its operational efficiency and financial sustainability, through reforms to foster a culture of accountability and continuous improvement within ESCOM. ESCOM should focus on improving its procurement processes and work with Government to establish financial sustainability.
- 3. Partnership:** Government needs to work with the private sector to sustain the growth momentum in the off-grid solar market through supportive policies, such as VAT and duty exemptions. This will stimulate additional private sector investment and facilitate more local currency financing. Consultation with off-grid solar companies is encouraged to set market standards for mini-grid and SHS to ensure quality products and services.

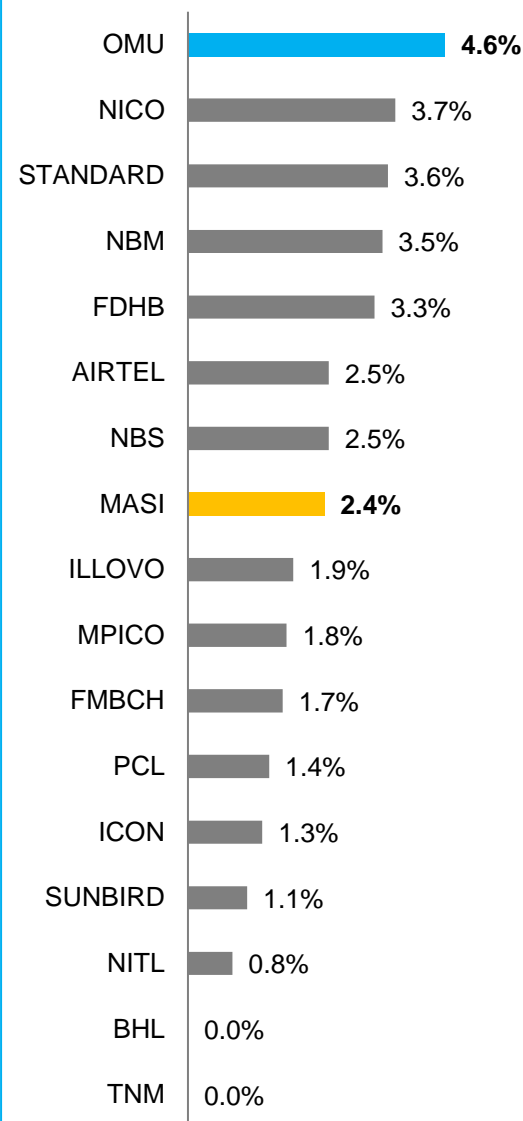
Appendices

Appendix 1: Historical Monthly Economic Indicators

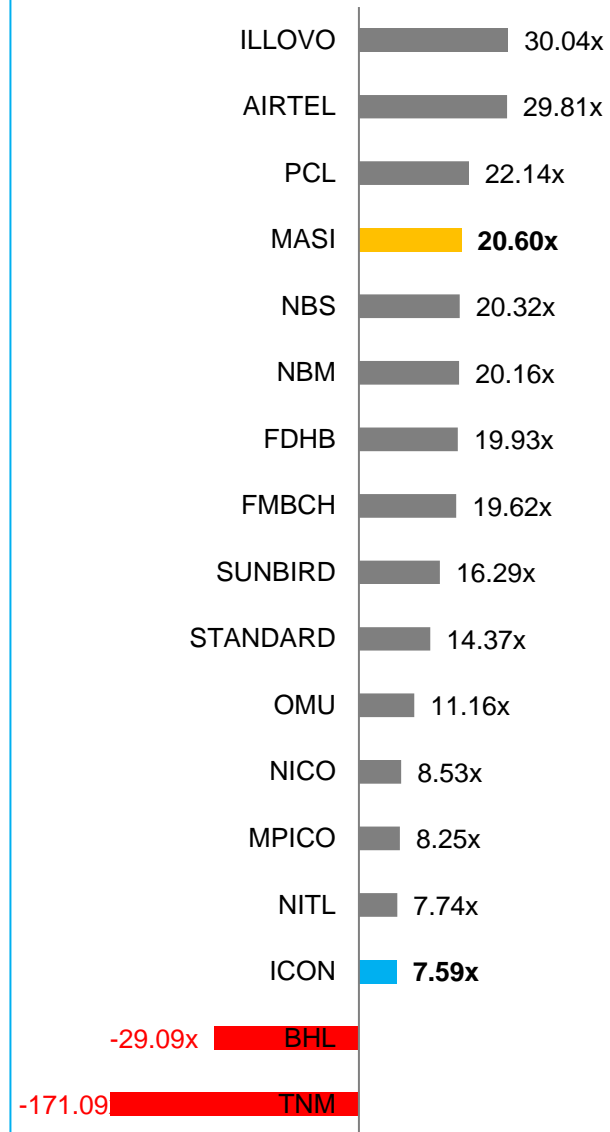
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Exchange rates (middle rates)																
MK/USD	823.67	1,029.90	1,033.36	1,035.03	1,035.42	1,033.79	1,032.88	1,034.42	1,031.87	1,031.87	1,033.68	1,033.80	1,034.86	1,034.46	1,058.82	1,061.67
MK/GBP	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	1,400.92
MK/EUR	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	1,203.76
MK/ZAR	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	61.70
Foreign Exchange Reserves																
Gross Official Reserves (USD'mn)	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	321.53	N/A
Private Sector Reserves (USD'mn)	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	407.47	N/A
Total reserves (USD'mn)	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	729.00	N/A
Gross Official Reserves Import cover (months)	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	1.29	N/A
Inflation																
Headline	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%	27.3%	N/A
Food	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%	37.2%	N/A
Non-food	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%	16.0%	N/A
Interest Rates																
Monetary Policy rate	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%	24.00%
Average Interbank rate	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%	21.50%
Lombard rate	12.20%	13.50%	13.80%	13.90%	14.20%	14.20%	18.20%	18.20%	18.20%	18.20%	18.20%	18.20%	22.20%	22.20%	22.20%	24.20%
Commercial Bank reference rate	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%	21.40%
Government Securities Yields																
91-days Treasury Bill	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%	13.00%
182-days Treasury Bill	13.00%	15.00%	15.00%	15.00%	15.50%	15.50%	15.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%	18.00%
364-days Treasury Bill	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%	22.50%
2-year Treasury Note	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%	24.75%
3-year Treasury Note	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%	26.00%
5-year Treasury Note	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%	28.00%
7-year Treasury Note	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%	29.50%
10-year Treasury Note	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%	31.25%
Stock Market Indices																
MASI	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	112,497.02
DSI	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	88,368.95
FSI	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	14,982.64

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

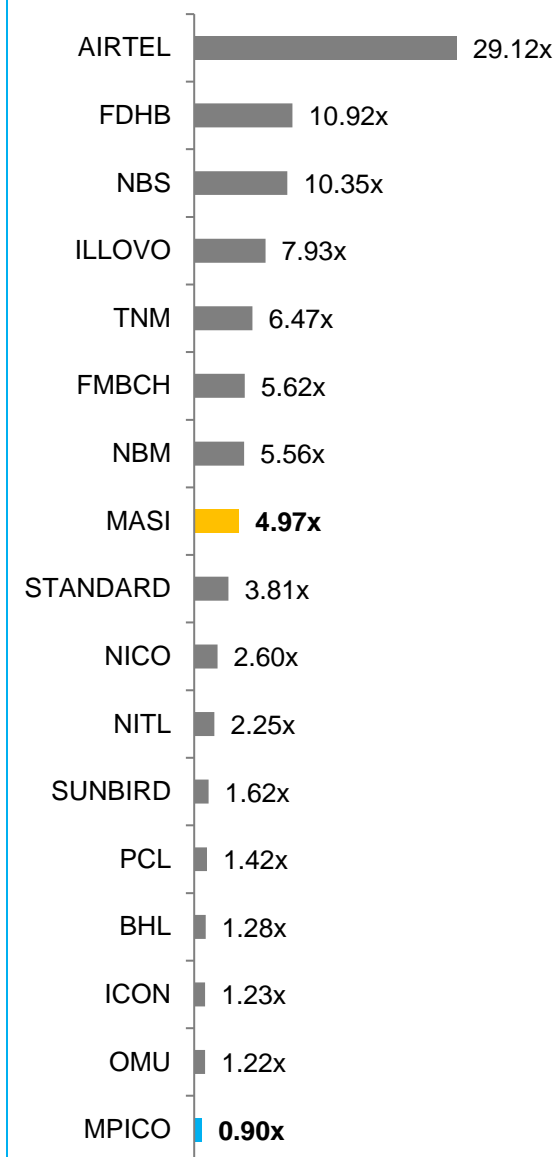
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.4% in July 2023. The counter with the highest dividend yield was OMU at 4.6%.



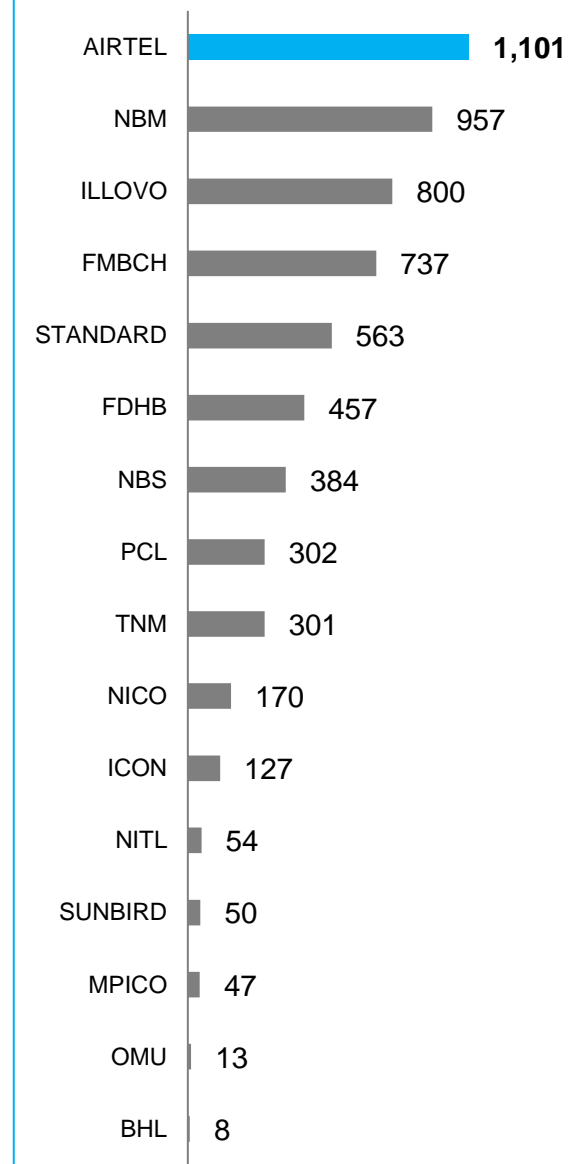
P/E Ratio - the weighted average price to earnings on the MSE was 20.60x in July 2023. The counter with the lowest positive ratio was ICON at 7.59x.



P/BV Ratio - the weighted average price to book value on the MSE was 4.97x in July 2023. The counter with the lowest ratio was MPICO at 0.90x.



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



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

Annual percentage unless indicated otherwise						
	2021	2022	2023	2024	2025	2026
Real GDP growth	2.8	0.9	1.7	3.4	4.0	3.9
CPI inflation	9.3	20.8	27.8	14.7	9.4	7.9
Exports of goods (\$ bn)	1.1	1.2	1.8	1.4	1.5	1.6
Exports of services (\$ bn)	0.5	0.5	0.5	0.5	0.6	0.6
Imports of goods (\$ bn)	3.0	3.1	3.3	3.5	3.7	4.0
Imports of services (\$ bn)	0.6	0.6	0.6	0.7	0.7	0.7
Exports of goods	30.2	10.6	47.6	-18.1	6.4	6.2
Imports of goods	14	5.2	5.9	5.9	5.9	5.9
Current account (\$ bn)	-1.5	-1.6	-1.1	-1.6	-1.7	-1.7
Current account balance (% of GDP)	-17.9	-17.3	-10.9	-14.8	-14.3	-14
Exchange rate per USD (year average)	804.2	941.4	1064.6	1166.2	1225.9	1289.4
External debt total (\$ bn)	3.2	4.4	6.1	7.4	8.3	9.0
Government balance (% of GDP)	-12.4	-14.1	-10.4	-8.9	-7.5	-6.4
Government debt (% of GDP)	88.5	98.1	88.2	87.8	86.6	85.3
Population (millions)	19.9	20.4	20.9	21.5	22	22.6
Nominal GDP (\$ bn)	8.6	8.9	10.3	10.8	11.6	12.4
GDP per capita (\$ current prices)	433.9	438.2	491.1	501.3	527.8	547.8

Appendix 4: IMF, AfDB and World Bank Projections

IMF projections

Annual percentage change (unless otherwise indicated)							
	2021	2022		2023		2024	2025
	Actua	PMB	PMB				
	I	Approval	Est.	Approval	Proj.	Proj	Proj
GDP at constant market prices	4.6	0.8	0.8	2.4	1.7	3.3	3.8
Nominal GDP (billions of kwacha)	10.0	11.4	11.8	14.0	14.8	17.7	20.5
Consumer Prices (annual average)	9.3	20.8	20.8	22.7	24.8	18.3	12.2
National Savings (% of GDP)	-5.2	-4.8	9.9	-3.6	4.7	2.5	0.7
Gross Investment (% of GDP)	8.9	9.9	13.1	10.1	12.7	11.5	9.3
Revenue (percent of GDP on a fiscal year basis)	14.6	15.4	14.3	15.5	17.4	17.7	19.8
Tax and non-tax revenue (Revenue) (% of GDP on fiscal year basis)	12.9	13.4	12.5	13.9	13.5	14.9	17.5
Grants (Revenue) (% of GDP on fiscal year basis)	1.7	1.9	1.8	1.6	3.9	2.7	2.3
Overall balance (including grants) (% of GDP on fiscal year basis)	-7.4	-9.7	-9.0	-9.0	-11.8	-10.5	-9.4
Foreign financing (% of GDP on fiscal year basis)	1.3	2.8	2.6	-0.6	3.3	0.6	0.0
Total domestic financing (% of GDP on fiscal year basis)	8.0	7.4	6.9	5.6	8.5	8.4	8.6
Financing gap/ residual gap (% of GDP on fiscal year basis)	0.0	0.0	0.0	4.1	0.0	1.5	0.8
Primary balance (% of GDP on fiscal year basis)	-3.6	-5.4	-5.0	-3.3	-6.8	-4.9	-1.6
Credit to the private sector (% change)	22.2	27.9	24.1	14.7	16.0	8.2	5.1
Exports (goods and services) (USD millions)	1.2	1.3	1.1	1.4	1.3	1.5	1.6
Imports (goods and services) (USD millions)	3.3	3.4	1.8	3.2	2.5	2.6	2.7
Gross official reserves (USD millions)	429.0	172.0	120.0	409.0	499.0	747.0	846.0
Gross official reserves (months of imports)	1.6	0.6	0.6	1.5	2.3	3.3	3.7
Current account (% of GDP)	-14.1	-14.8	-3.2	-13.6	-7.9	-9.0	-8.6
Overall balance (% of GDP)	0.0	-1.7	-0.1	-2.4	-2.6	0.1	-0.2
Financing gap (% of GDP)	0.0	2.8	0.0	4.9	5.8	2.6	1.6
Terms of trade (% change)	-19.0	-14.9	-14.3	-0.5	11.4	-1.8	1.8
External debt (public sector) (% of GDP)	31.5	38.9	34.4	37.1	37.1	35.3	33.5
NPV of public external debt (% of exports)	218.6	202.3	264.7	176.6	187.1	162.3	145.9
Domestic public debt (% of GDP)	30.0	37.7	40.8	37.5	43.2	44.9	47.4
Total public debt (% of GDP)	61.5	76.6	75.2	74.6	80.2	80.2	80.9

World Bank projections

Annual percentage change (unless otherwise indicated)					
	2020	2021	2022	2023	2024
GDP at constant market prices (% change)	0.8	2.8	0.9	1.4	2.4
Agriculture	3.4	5.2	-1.0	0.5	2.4
Industry	1.2	1.9	0.9	1.3	2.4
Services	-0.5	2.0	1.8	1.8	2.5
Consumer prices (annual average)	8.6	9.3	21.8	25.7	20.8
Revenue and grants (FY % of GDP)	14.6	14.3	14.1	15.9	16.0
Domestic revenue - tax and non-tax (FY % of GDP)	13.1	12.8	13.0	12.6	14.1
Grants (FY % of GDP)	1.5	1.5	1.1	3.2	2.0
Expenditure and net lending (FY % of GDP)	20.9	21.4	22.5	26.8	23.8
Overall balance - excluding grants (FY % of GDP)	-7.8	-8.6	-9.5	-10.9	-9.7
Overall balance - including grants (FY % of GDP)	-6.3	-7.1	-8.4	-7.7	-7.7
Foreign financing (FY % of GDP)	0.8	1.0	0.9	1.9	0.8
Domestic financing (FY % of GDP)	4.9	5.9	7.7	5.3	6.9
Money and quasi-money (% change)	16.7	30.0	38.5	25.0	20.2
Credit to the private sector (% change)	16.1	17.8	23.2	14.7	10.9
Exports - goods and services (USD mn)	1,202	1,266	1,216	1,417	1,487
Imports - goods and services (USD mn)	3,088	3,250	2,707	2,941	3,077
Gross official reserves (USD mn)	566	429	110	379	513
Months of import cover	2.1	1.6	0.4	1.5	1.9
Current account (percent of GDP)	-13.8	-14.3	-3.2	-11.3	-11.3
Exchange rate (MWK per US\$ average)	749.5	805.9	949.0	—	—
External debt (public sector, % of GDP)	32.9	31.5	34.7	37.6	36.0
Domestic public debt (percentage of GDP)	21.9	30.0	40.8	42.9	44.3
Total public debt (percentage of GDP)	54.8	61.5	75.5	80.5	80.3

Appendix 5: Commodity market prices

World Bank commodity prices

	Annual averages			Monthly averages		
	2020	2021	2022	May 2023	June 2023	July 2023
Produce (USD/mt)						
Soybeans	407.0	583.0	675.0	595.0	592.0	634.0
Maize	165.5	259.5	318.8	268.1	266.9	242.4
Sugar & Tea (USD/Kg)						
Sugar - EU	0.4	0.4	0.3	0.4	0.4	0.4
Sugar - U.S.	0.6	0.7	0.8	0.9	0.9	0.9
Sugar - World	0.3	0.4	0.4	0.6	0.5	0.5
Tea - average	2.7	2.7	3.1	2.7	2.7	2.5
Fertilizers (USD/mt)						
DAP	312.4	601.0	772.2	510.0	454.6	458.8
Phosphate rock	76.1	123.2	266.2	345.0	344.5	342.5
Potassium chloride	241.1	542.8	863.4	372.5	328.0	341.3
TSP	265.0	538.2	716.1	485.6	390.0	392.3
Urea, E. Europe	229.1	483.2	700.0	329.3	287.5	334.6
Precious Metals (USD/toz)						
Gold	1770.0	1800.0	1801.0	1992.0	1943.0	1951.0
Platinum	883.0	1091.0	962.0	1063.0	971.0	950.0
Silver	20.5	25.2	21.8	24.3	23.4	24.3

Appendix 5: List of Acronyms and Abbreviations

AfDB:	African Development Bank	MASI:	Malawi All Share Index	RBM:	Reserve Bank of Malawi
AHL:	Auction Holdings Limited	Mb/d:	Million barrels per day	SADC:	Southern Africa Development Community
BHL:	Blantyre Hotels Plc	MoE:	Ministry of Energy	SHS:	Solar home systems
CPI:	Consumer Price Index	MK:	Malawi Kwacha	SSA:	Sub-Saharan Africa
DRM:	Disaster Risk Management	M-O-M:	Month-on-month	SUNBIRD:	Sunbird Tourism Plc
DSI:	Domestic Share Index	MPC:	Monetary Policy Committee	TB:	Treasury Bill
ECF:	Extended Credit Facility	MSE:	Malawi Stock Exchange	TBA:	To be announced
EIU:	Economist Intelligence Unit	NBM:	National Bank of Malawi Plc	TN:	Treasury Note
ESCOM:	Electricity Supply Corporation of Malawi	NES:	National Electrification Strategy	TNM:	Telekom Networks Malawi Plc
EUR:	Euro	NICO:	NICO Holdings Plc	TT:	Telegraphic Transfer
EU:	European Union	NITL:	National Investment Trust Limited Plc	USD:	United States Dollar
Exim:	Export-Import	NSO:	National Statistical Office	Y-O-Y:	Year-on-year
FDHB:	FDH Bank Plc	OECD:	Organisation for Economic Co-operation and Development	YTD:	Year-to-date
FMBCH:	FMB Capital Holdings Plc	OMO:	Open Market Operations	ZAR:	South African Rand
FSI:	Foreign Share Index	OMU:	Old Mutual Limited Plc		
FY:	Financial year	OPEC:	Organization of the Petroleum Exporting Countries		
GBP:	Great British Pound	ORB:	OPEC Reference Basket		
GDP:	Gross Domestic Product	P/BV:	Price to book value		
IMF:	International Monetary Fund	PAYG:	Pay-As-You-Go		
IEA:	International Energy Agency	PFM:	Public Finance Management		
Kb/d:	Thousand barrels per day	PMB:	Staff-Monitored Program with Executive Board involvement		
LICs:	Low-income countries	PCL:	Press Corporation Limited Plc		
LRR:	Liquidity Reserve Requirement	P/E:	Price to earnings		
MEAP:	Malawi Energy Access Program	Q2:	Second quarter		
MAREP:	Malawi Rural Electrification Program				

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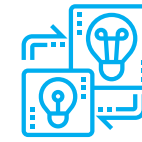
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