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# Malawi Monthly Economic Report and a summary of the International Monetary Fund November 2023 Malawi Country Report

November 2023

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## Inflation

The headline inflation rate decreased to 26.9% in October 2023 from 27.8% in September 2023 due to a decline in food inflation rate to 34.5% in October 2023 from 36.8% in September 2023. The decrease in food inflation offset the increase in non-food inflation to 17.6% in October 2023 from 17.2% in September 2023. According to the RBM, the outlook suggests that inflation may increase due to the pass-through of exchange rate re-alignment to domestic prices. However, the increase is projected to be slightly lower than earlier forecasted due to the Lean Season Food Response Plan announced by the Government.

Based on various forecasts, average inflation for 2023 will range between 27.8% and 30.3%, and for 2024 it will range between 19.2% to 27.9%. The International Monetary Fund (IMF) expects inflation to average 30.3% in 2023 and 27.9% in 2024, whilst the Economist Intelligence Unit (EIU) expects inflation to average 28.3% in 2023 and 25.1% in 2024. Oxford Economics expects inflation to average 27.8% in 2023 and 21.5% in 2024. Finally, the World Bank projects inflation to average 29.2% in 2023 and 19.2% in 2024. The factors driving 2024 inflation expectations include fiscal consolidation, tight monetary policy stance and better global and local economic prospects.

## Exchange Rates and Foreign Currency Reserves

On 9 November 2023, the exchange rate was adjusted to a selling rate of MK1,700/USD from the selling rate of MK1,180/USD, representing a 44% devaluation. The RBM disclosed that the adjustment was because of several factors, one of which was supply-demand imbalances in the market despite adjustments of the exchange rate through the auction system.

As of 30 September 2023, the country’s gross official foreign exchange reserves increased by 1.3% to USD242.68 million from USD239.56 million in August 2023. The import cover for gross official foreign exchange reserves rose to 0.97 months in September 2023 from 0.96 months in August 2023.

## Government Securities

The total amount raised from Treasury Bills (TBs) and Treasury Notes (TNs) auctions increased by 2.2% to MK186.0 billion in November 2023 from MK182.0 billion in October 2023. The 91, 182 and 364-day TB yields maintained at 14.70%, 18.00% and 24.00%, respectively. The 2, 3, 5, 7, and 10-year TNs yields held at 26.75%, 28.00%, 30.00%, 32.00%, and 33.00% respectively. Consequently, the average TB and TN yields were maintained at 18.90% and 29.95%, respectively, during the review period.

## Stock Market

The stock market was bearish as the Malawi All Share Index (MASI) decreased to 112,790.18 points in November 2023 from 113,969.91 points in October 2023, representing a 1.04% decrease. The MASI year-to-date return was 81.81% in November 2023. It was 83.72% in the previous month and 31.80% in November 2022.

In November 2023, Old Mutual Limited was the most significant share price gainer as its share price increased by 25.00% to MK1,500.00 per share from MK1,200.00 per share in October 2023. There were also share price gains for Standard Bank and ILLOVO. Additionally, there was a marginal share price gain for NBM.

In contrast, AIRTEL was the most significant share price loser as its share price decreased by 19.32% to MK80.51 per share from MK99.79 per share in October 2023. There were also share price losses for TNM, NICO, and NBS, as well as marginal share price losses for FDH Bank and ICON.

## Fiscal and Monetary Policy

The IMF Executive Board discussed the Second (and last) Review of the Staff-Monitored Program with Executive Board Involvement (PMB). It approved a 48-month arrangement under the Extended Credit Facility (ECF) for Malawi. Through the ECF, Malawi will get about USD175 million, with an immediate disbursement of about USD35 million.

According to the budget statement presented on 20 November 2023, at mid-year, total revenue and grants amounted to MK1.45 trillion against a mid-year projection of MK1.25 trillion. Total expenditure at mid-year was estimated at MK2.02 trillion against a mid-year projection of MK1.99 trillion. The overall deficit in the first half of the 2023-24 financial year budget amounted to MK567.79 billion. Following this, on 4 December 2023, the Parliament approved an upward revision of the 2023/24 budget to MK4.3 trillion from MK3.8 trillion.

## Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price increased by 5% to MK732/kg in October 2023 from MK695/kg in September 2023.

The monthly average OPEC Reference Basket (ORB) price decreased by 7.5% to a monthly average of USD84.92/barrel in November 2023, from USD91.78/barrel in October 2023.

## Economic Growth

The 2023 gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 1.6% and 2.0%. For 2024, GDP forecasts range between 2.8% and 3.8%.

The MPC observed that economic recovery has been disrupted by Cyclone Freddy, resulting in a growth estimate of 1.9% in 2023, down from an earlier projection of 2.7%. The anticipated resumption of the IMF ECF program is expected to unlock foreign exchange inflows, which will ultimately revamp economic activity. Therefore, the MPC projects growth for 2024 at 3.8%.

According to Oxford Economics, economic growth is projected at 1.9% for 2023. Real GDP growth is expected to rebound to 3.8% in 2024 due to stronger private consumption and exports.

According to the EIU, real GDP growth in 2023 will be undermined by weather shocks and monetary tightening, depressing real GDP growth to 1.6%. A rebound to 3.0% is expected in 2024 due to the anticipated resumption of the ECF program.

The World Bank’s GDP growth projection for 2023 is 1.6% and is expected to increase to 2.8% in 2024. Over the medium term, economic growth is forecast to grow moderately, supported by the announced macroeconomic reforms to address the country’s economic challenges.

The African Development Bank (AfDB) expects Malawi’s real GDP growth to be 2.0% in 2023 and 3.5% in 2024, whilst the IMF projects real GDP growth of 1.6% in 2023 and 3.3% in 2024. The IMF cited factors such as foreign exchange shortages and tight monetary policy for the slowdown in 2023.

## IMF November 2023 Malawi Country Report Overview

The November 2023 IMF Malawi Country report looks at a wide array of economic indicators in the Malawian economy and the policies that govern Malawi's economy, with a focus on fiscal and monetary policy, debt sustainability, currency management, and governance. The report also focuses on the Second Review of the Staff-Monitored Program with Executive Board Involvement (PMB) and the key policies under the ECF.

According to the IMF, Malawi's near-term growth remains constrained by a sharp macroeconomic adjustment envisaged under the program. Under the proposed program of macroeconomic adjustment and reforms, growth is projected to pick up in 2024 and reach 4.5% by 2027. The key to generating sustainable and inclusive growth would be transitioning from demand- to supply-driven private-sector-led growth. Given population growth at about 3%, however, Malawi's economy may grow only gradually in terms of per capita income.

The ECF-supported program will aim at restoring macroeconomic stability, building a foundation for inclusive and sustainable growth (including strengthening resilience to climate-related shocks), and addressing weaknesses in governance and institutions.

According to the IMF staff, performance under the second PMB review was satisfactory. In a pivot from mixed performance at the time of the first review, the authorities have undertaken important corrective actions, and there are signs of macroeconomic adjustment.

## Opportunities in Malawi

**Mining:** Malawi's mining sector has potential, with Sovereign Metals Limited, the developer of Kasiya Rutile Mine in Lilongwe, projecting the mine to generate about USD16 billion (approximately MK27.2 trillion) in revenue. The pre-feasibility results show that the mine has potential to become a large rutile producer at 222 kiloton per annum (kt/a) for an initial 25 years.

**Energy:** According to the World Bank, approximately 19% of the Malawian 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, clean and efficient cookstoves using biomass energy are viable. The potential for renewable energy also exists in the form of hydropower.

**Agriculture:** The second phase of the Agricultural Commercialization (Agcom II) project was launched on 16 November 2023. The World Bank funds the project, which is worth USD265 million (approximately MK447 billion). Agcom II provides a significant opportunity for players in the agricultural sector to find markets for their produce. A few other opportunities in the agricultural industry include; large scale commercial fishing, cannabis production and processing, large scale sugarcane production in the areas under the Green Belt Initiative (GBI) and processing factories for value addition to make puree, spices, paste and juices.

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

## Risks

The Malawian economy has continued to face several significant risks that include but are not limited to public debt status, weather-related shocks, inflation, reliance on aid and currency depreciation. These risk factors may limit the country's potential for growth and worsen poverty.

The Ministry of Finance and Economic Affairs noted that risks concerning the Malawian public debt status include refinancing risk, interest rate risk and exchange rate risk. Regarding foreign exchange risk, 41% of the debt stock was denominated in foreign currency at the end of March 2023. This proportion implies that a sizeable amount of Malawi's debt is susceptible to exchange rate movements. Exchange rate shocks, such as the recent November 2023 44% exchange rate re-alignment, can substantially contribute to higher debt service payments in local currency terms. As per the Mid-year 2023/24 budget statement, following the Kwacha re-alignment, total public debt stock increased from MK10.60 trillion to MK12.56 trillion. Further currency depreciation could lead to higher payments in the budget than projected.

According to the IMF, further delays in debt negotiations can reduce access to trade credit, forex swaps, and other short-term loans. This may in turn worsen foreign exchange shortages and result in difficulties in importing essential commodities (fuel, medicine and food) and servicing debt, which would in turn exacerbate dire macroeconomic conditions, poverty, and food insecurity.

Next, the agriculture sector plays a vital role in employment and export earnings but remains vulnerable to weather-related shocks. For instance, the recent impact of tropical Cyclone Freddy underscores this susceptibility. Additionally, Malawi is among the 53 countries expected to face challenges due to El Niño-induced dry spells in the upcoming crop-growing season. The scenario of below-average rainfall during the growing season could result in crop failures and insufficient grazing, impacting agricultural output. Furthermore, the recurrent occurrence of natural disasters, causing infrastructure damage, may disrupt supply chains, contribute to inflationary pressures, and lead to water and food shortages.

Furthermore, Malawi faces inflation risk. The average inflation rate for the first ten months of 2023 is 27.7%. With the recent hike in electricity tariffs for non-domestic users and the increase in pump fuel prices, domestic prices might rise due to increased production costs.

Lastly, a potential concern involves the further depreciation of the domestic currency, particularly if the risk of supply-demand imbalances in the market persists. 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 exert pressure on inflation levels, subsequently influencing the country's fiscal deficit.

# Economic overview

## Inflation (Source: NSO, RBM)

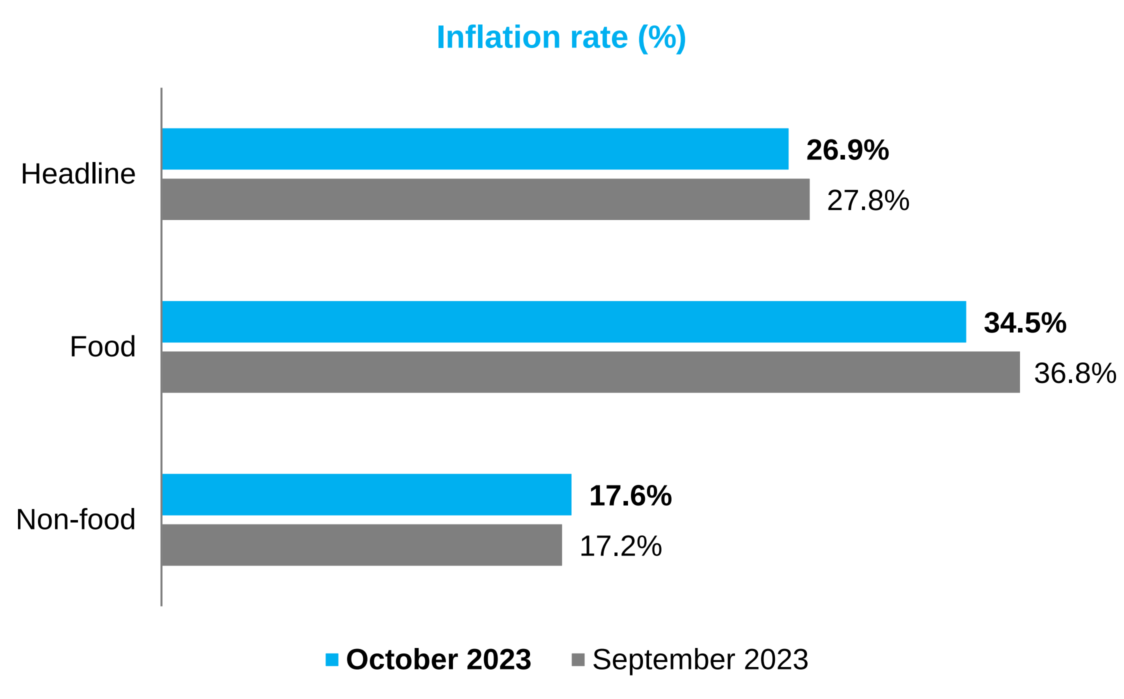
*The headline inflation rate for October 2023 decreased by 0.9 percentage points to 26.9% from 27.8% in September 2023. The decrease was due to a decline in food inflation to 34.5% from 36.8%.*

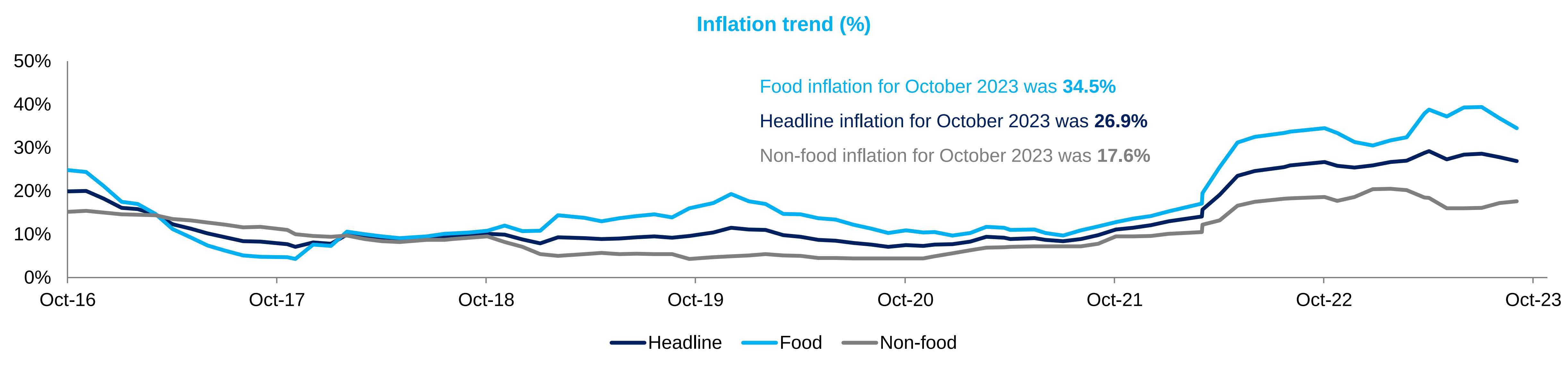
*Based on various forecasts, inflation for 2023 will range between 27.8% and 30.3%, and for 2024 it will range between 19.2% to 27.9%.*

The headline inflation rate decreased by 0.9 percentage points to 26.9% in October 2023 from 27.8% in September 2023. The decrease in headline inflation was due to a decline in food inflation rate to 34.5% in October 2023 from 36.8% in September 2023 which offset the increase of non-food inflation rate to 17.6% in October 2023 from 17.2% in September 2023. During this same period in 2022, headline inflation was 26.7%, driven by food inflation of 34.5% and non-food inflation of 18.6%.

According to the RBM, the outlook suggests that inflation may increase due to pass-through of exchange rate re-alignment to domestic prices. However, the increase is projected to be slightly lower than earlier forecasted due to the Lean Season Food Response Plan announced by the Government.

Further to this, the RBM projects inflation to average 28.2% in 2023, a downward revision from an earlier forecast of 29.5%. The EIU expects inflation to average 28.3% in 2023 owing to the devaluation of the Kwacha and deficit monetization. Oxford Economics expects inflation to average 27.8% in 2023 due to rising food inflation and exchange rate developments. The IMF has revised its inflation projections upwards, and it now expects inflation to average 30.3% in 2023 due to high food inflation and exchange rate passthrough. Finally, the World Bank expects inflation to average 29.2% in 2023 due to rising domestic food prices, pressure from anticipated lower agricultural yield as well as money supply growth.



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

*On 9 November 2023, the exchange rate was adjusted to a selling rate of MK1,700/USD from the selling rate of MK1,180/USD representing a 44% devaluation.*

### Foreign Currency Market

In a communication to all Authorized Dealer Banks (ADBs), the RBM disclosed that the exchange rate has been adjusted to a selling rate of MK1,700.00/USD from the selling rate of MK1,180.29/USD, effective 9 November 2023. This represents a 44% devaluation. The RBM stated that the adjustment comes because of several factors, such as supply-demand imbalances in the market despite adjustments of the exchange rate through the auction system. The RBM also mentioned that spot checks on some market players indicate that the market can clear import bills at this new rate and that the mismatch in exchange rates in cash and Telegraphic Transfer (TT) markets triggered arbitrage opportunities, hence the adjustment.

The RBM held a foreign exchange auction on 28 November 2023, in which USD250,000 (approximately MK425 million) was raised. The RBM disclosed that the highest bid rate accepted was MK1,700/USD, while the lowest bid accepted was MK1,700/USD. The weighted average rate accepted was MK1,700/USD. Based on the auction results, the market selling price remains MK1,700/USD since the currency re-alignment.

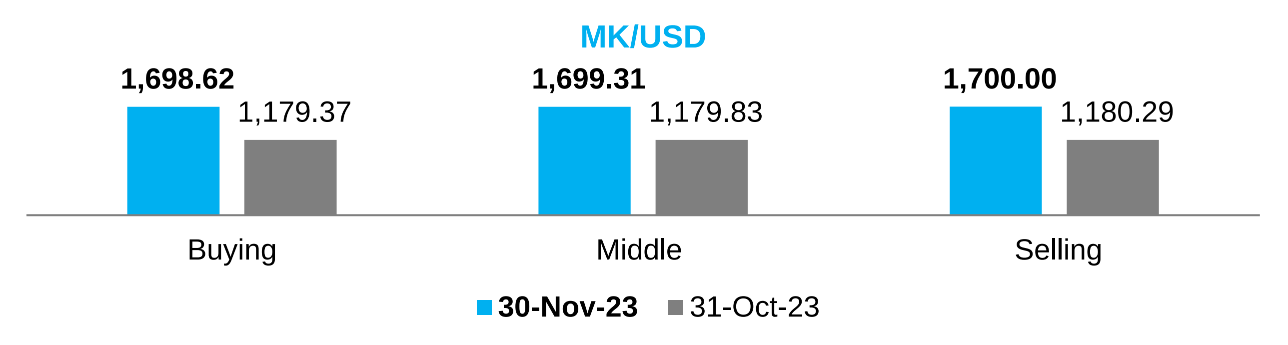
### Foreign Exchange Reserves Position

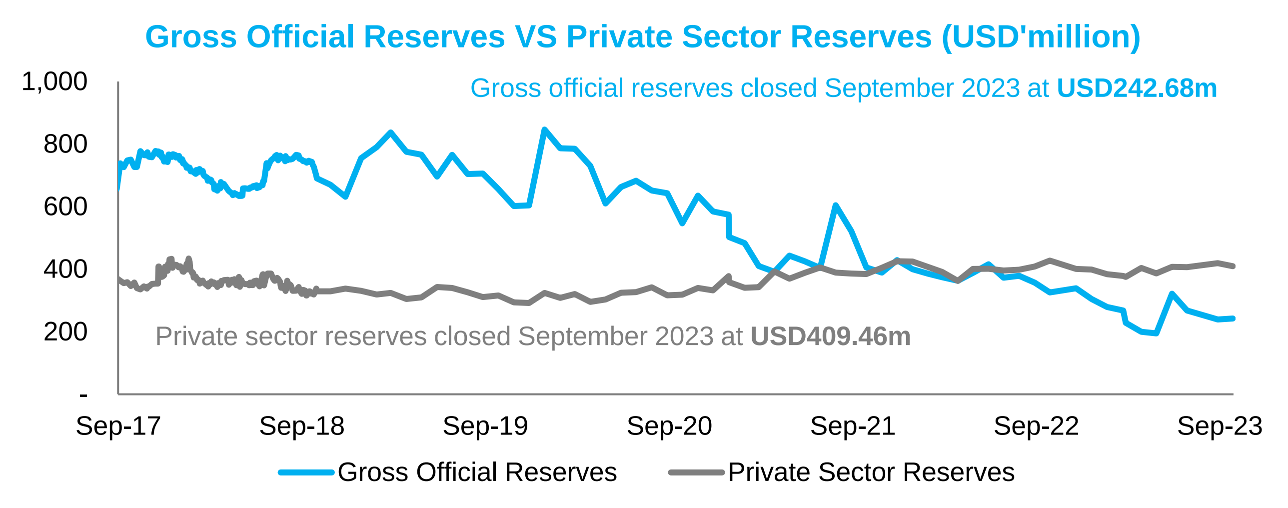
As of 30 September 2023, the country's gross official foreign exchange reserves increased by 1.3% to USD242.68 million from USD239.56 million in August 2023. The import cover for gross official foreign exchange reserves increased by 1.0% to 0.97 months in September 2023 from 0.96 months in August 2023. The import cover for gross official foreign exchange reserves remained below the required threshold of 3 months.

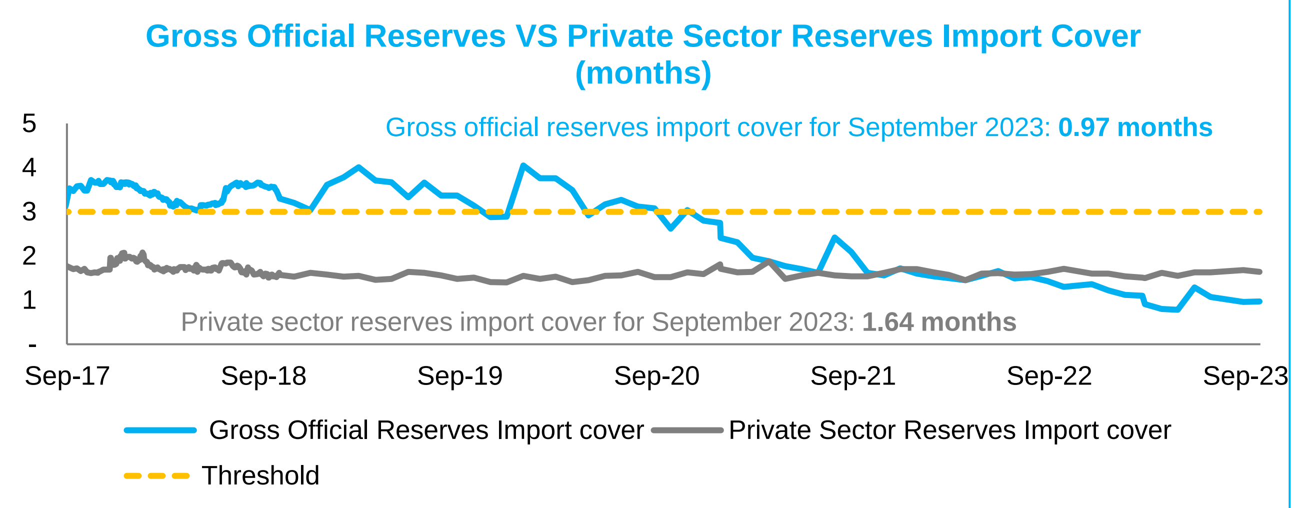
| | Sep-23 | Aug-23 | Month-on-month change (%) |
|---|---|---|---|
| Gross Official (USD'million) | 242.68 | 239.56 | 1.3% |
| Private Sector (USD'million) | 409.46 | 419.35 | -2.4% |
| **Total Reserves (USD'millions)** | 652.14 | 658.91 | -1.0% |
| Gross Official import cover (months) | 0.97 | 0.96 | 1.0% |
| Private sector import cover (months) | 1.64 | 1.68 | -2.4% |
| **Total import cover (months)** | 2.61 | 2.64 | -1.1% |

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)

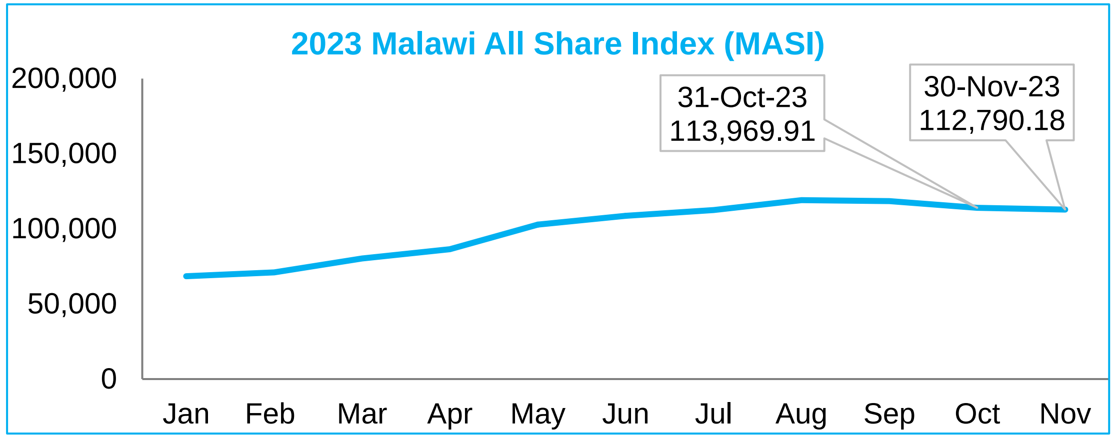
*The MASI year-to-date return was 81.81% in November 2023. It was 83.72% in the previous month and 31.80% in November 2022.*

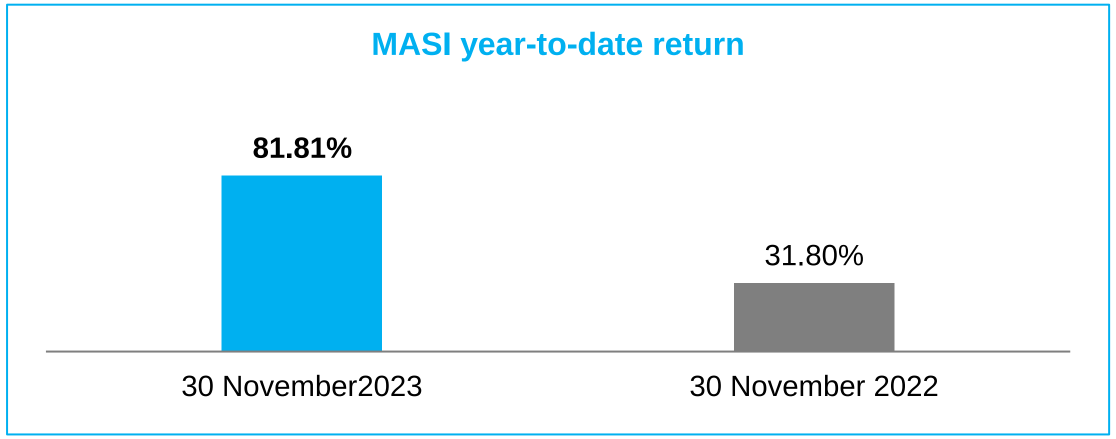
*The decrease in the MASI was largely driven by share price losses for AIRTEL, TNM, NICO, and NBS. The share price losses offset share price gains for Old Mutual Limited, Standard Bank, and ILLOVO.*

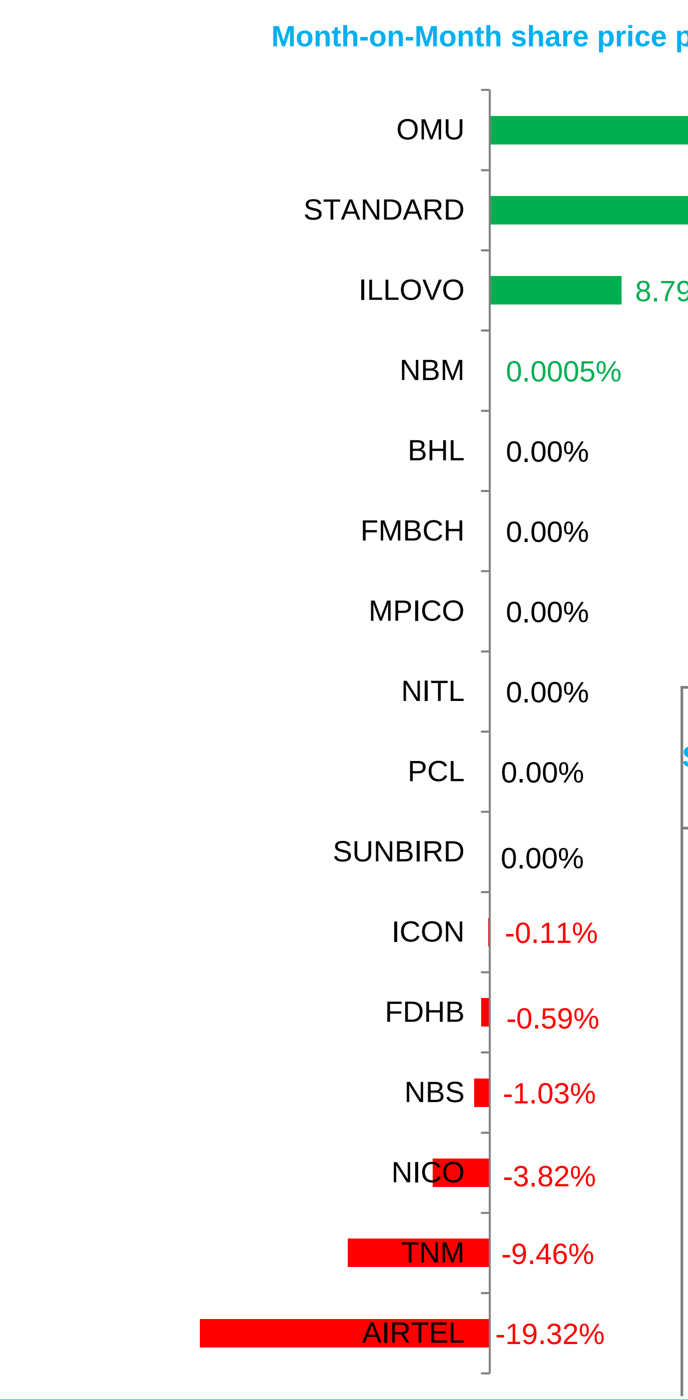
The stock market was bearish over the period as the Malawi All Share Index (MASI) decreased to 112,790.18 points in November 2023 from 113,969.91 points in October 2023, representing a 1.04% decrease. The MASI year-to-date return was 81.81% in November 2023. It was 83.72% in the previous month and 31.80% in November 2022.

In November 2023, Old Mutual Limited was the largest share price gainer as its share price increased by 25.00% to MK1,500.00 per share from MK1,200.00 per share in October 2023. There were also share price gains for Standard Bank and ILLOVO. Additionally, there was a marginal share price gain for NBM.

In November 2023, AIRTEL was the largest share price loser as its share price decreased by 19.32% to MK80.51 per share from MK99.79 per share in October 2023. There were also share price losses for TNM, NICO, and NBS. In addition, there were also marginal share price losses for FDH Bank and ICON.




| Symbol | Closing prices (MK/share) | |
|---|---|---|
| | 30 November 2023 | 31 October 2023 |
| AIRTEL | **80.51** | 99.79 |
| BHL | **10.06** | 10.06 |
| FDHB | **67.94** | 68.34 |
| FMBCH | **300.00** | 300.00 |
| ICON | **17.93** | 17.95 |
| ILLOVO | **1,220.01** | 1,121.43 |
| MPICO | **15.00** | 15.00 |
| NBM | **2,101.18** | 2,101.17 |
| NBS | **106.79** | 107.90 |
| NICO | **150.00** | 155.95 |
| NITL | **410.00** | 410.00 |
| OMU | **1,500.00** | 1,200.00 |
| PCL | **2,507.00** | 2,507.00 |
| STANDARD | **3,500.00** | 3,000.04 |
| SUNBIRD | **191.06** | 191.06 |
| TNM | **26.90** | 29.71 |

# Economic overview (continued)

## Stock Market (Source: MSE)

*NBM had the highest value of shares traded in November 2023 at MK5.86 billion.*

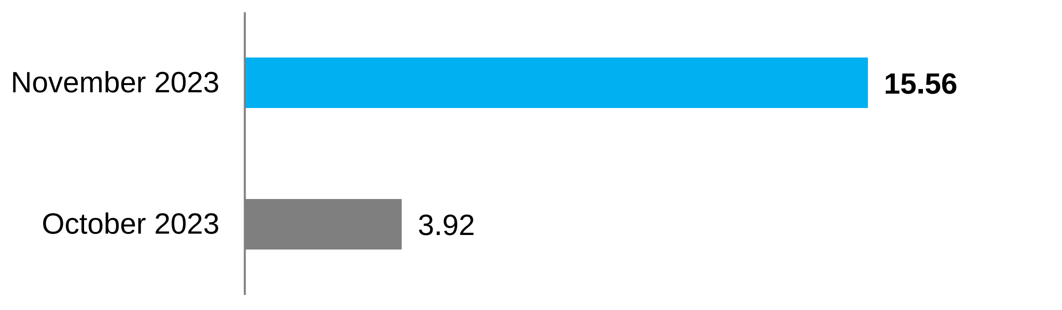
*The nominal value of all listed debt securities decreased to MK3.87 trillion in November 2023 from MK3.94 trillion in October 2023.*

*Illovo disclosed a profit after tax of MK56.8 billion for the year ending 31 August 2023, up 113% from MK26.6 billion in the previous year.*

### MSE Traded Values

A total of MK15.56 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in November 2023. This represented a 297.0% increase from MK3.92 billion worth of shares traded in October 2023. NBM had the highest value of shares traded in November 2023 at MK5.86 billion.

The total number of trades increased to 952 in November 2023, from 894 in October 2023.




### Listed Debt Market

The total number of instruments listed on the debt market decreased to 82 in November 2023 from 84 in October 2023. There were no trades on the debt market in November 2023. The nominal value of all listed debt securities decreased to MK3.87 trillion in November 2023 from MK3.94 trillion in October 2023.


### Corporate Announcements

#### Published full year financial results

| Counter | Profit after tax (MK'billions) Full year 2023 | Full year 2022 | Change (%) |
|---|---|---|---|
| ILLOVO* | 56.8 | 26.6 | 113% |

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

#### Dividends

| Counter | Dividend type | Proposed/Declared | Dividend per share (MK) | Last day to register | Payment date |
|---|---|---|---|---|---|
| SUNBIRD | Interim | Declared | 2.00 | 8-Dec-23 | 15-Dec-23 |
| NBS | 2nd Interim | Declared | 1.20 | 8-Dec-23 | 29-Dec-23 |
| FDH Bank | 2nd Interim | Declared | 0.95 | 15- Dec-23 | 21-Dec-23 |
| NICO | 2nd Interim | Declared | 2.00 | 22-Dec-23 | 28-Dec-23 |
| ILLOVO | 2nd Interim | Declared | 12.60 | TBA** | TBA |
| ILLOVO | Final | Proposed | 5.80 | TBA | TBA |

***: TBA stands for To Be Announced*

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## Government securities (Source: RBM)

*The government awarded a total of MK186 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in November 2023, a 2.2% increase from MK182.0 billion awarded in October 2023.*

*From October 2023 to November 2023 the average TB and TN yields maintained at 18.90% and 29.95% respectively.*

### Treasury Bills (TBs)

In November 2023, the government sought to borrow MK41.5 billion through TBs auctions. This represents a 20.3% increase from MK34.5 billion sought in October 2023. Participants applied to place an amount of MK6.2 billion through TBs auctions in November 2023. This represents a 76.1% decrease from MK25.8 billion that was applied for in October 2023. The government awarded a total of MK6.2 billion in November 2023, a 76.0% decrease from MK25.7 billion that was awarded in October 2023. The TBs auction had a nil rejection rate in November 2023 compared to a 0.27% rejection rate in October 2023.

### Treasury Notes (TNs)

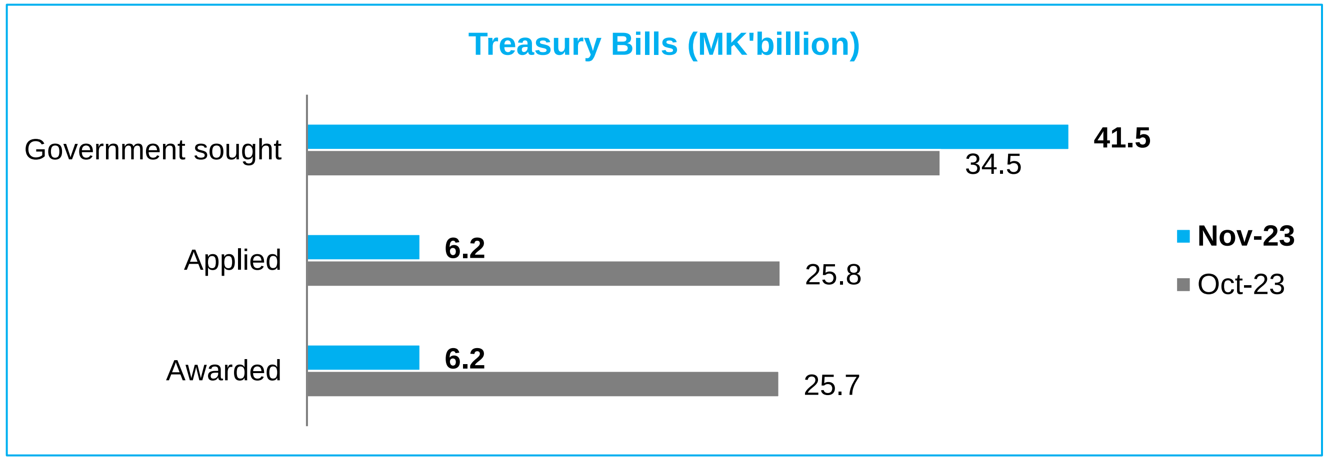
The government sought to borrow MK85.8 billion through TNs auctions in November 2023. This represents an 8.2% decrease from MK93.4 billion that was sought in October 2023. Total participant applications stood at MK196.6 billion in November 2023. This represents a 25.8% increase from MK156.3 billion which was applied for in October 2023. A total of MK179.9 billion was awarded in the TNs auctions in November 2023. This entailed a 15.1% increase from MK156.3 billion, awarded in October 2023. The TNs auction had an 8.51% rejection rate in October 2023 compared to a nil rejection rate in October 2023.

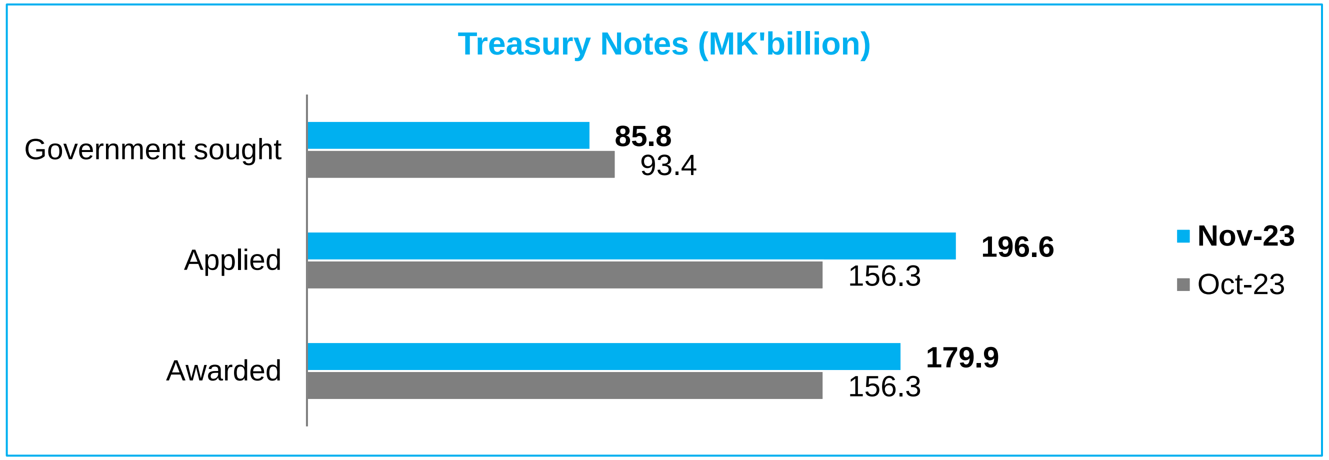
All in all, the government sought to raise MK127.3 billion in TBs and TNs auctions in November 2023. This represents a 0.5% decrease from MK127.9 billion sought in October 2023. A total of MK186.0 billion was awarded, up 2.2% from MK182.0 billion awarded in October 2023.

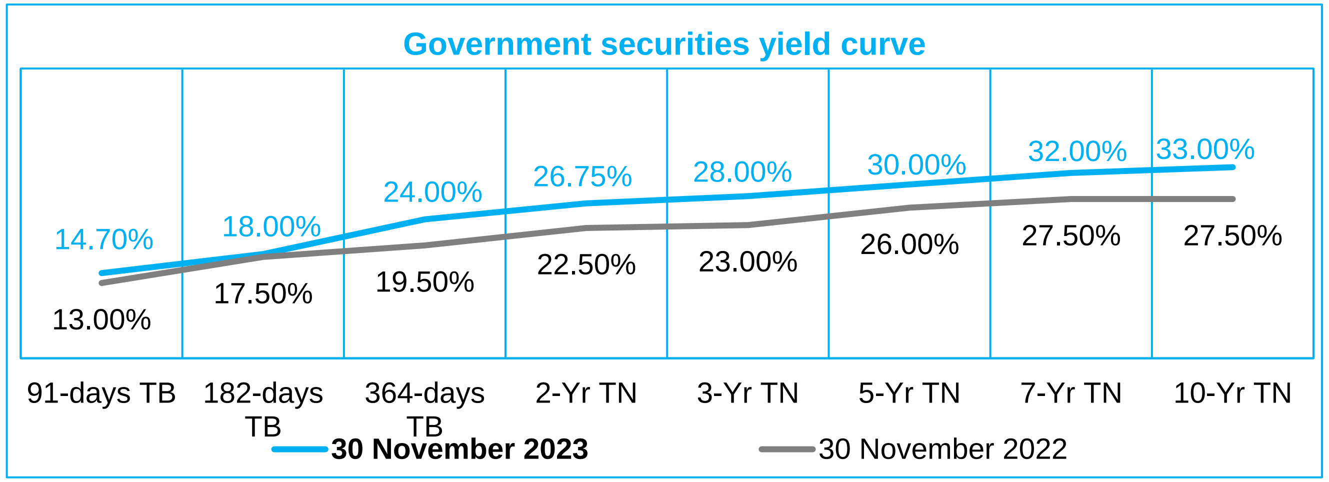
### Government Securities Yield Curve

From October 2023 to November 2023, the 91, 182 and 364-days TBs yields maintained at 14.70%, 18.00% and 24.00% respectively. As such, the average TB yield maintained at 18.90% in November 2023. The average TB yield was 16.67% in November 2022.

From October 2023 to November 2023, the 2, 3, 5, 7, and 10-year TNs yields maintained at 26.75%, 28.00%, 30.00%, 32.00%, and 33.00% respectively. As a result, the average TN yield maintained at 29.95% in October 2023. The average TN yield was 25.30% in November 2022.



# Fiscal and Monetary Policy Developments

*The Executive Board of the International Monetary Fund (IMF) approved a 48-month Extended Credit Facility (ECF) for Malawi worth about USD175 million, with an immediate disbursement of about USD35 million.*

*According to the budget statement presented on 20 November 2023, at mid-year, total revenue and grants amounted to MK1.45 trillion against a mid-year projection of MK1.25 trillion. Total expenditure at mid-year was estimated at MK2.02 trillion against a mid-year projection of MK1.99 trillion. The overall deficit in the first half of the 2023-24 financial year budget amounted to MK567.79 billion.*

## Fiscal Policy (Source: RBM, EIU, IMF, Mid-year budget statement, Various published media)

The Executive Board of the IMF discussed the Second (and last) Review of the Staff-Monitored Program with Executive Board Involvement (PMB) and approved a 48-month arrangement under the ECF for Malawi. Through the ECF, Malawi will get about USD175 million, with an immediate disbursement of about USD35 million. In its Malawi fourth quarter Country report, the EIU has expressed optimism that the ECF will unlock disbursements from the IMF and will also facilitate other multilateral and bilateral inflows. However, the EIU has noted that public expenditure demands will remain high due to food insecurity and high living costs. Nevertheless, it is expected that public expenditure/GDP ratio will fall due to austerity measures required under the ECF program.

According to the budget statement presented to Parliament by the Minister of Finance on Monday, 20 November 2023, at mid-year, total revenue and grants amounted to MK1.45 trillion against a mid-year projection of MK1.25 trillion. Of the MK1.45 trillion, domestic revenues were estimated at MK1.18 trillion, of which MK1.03 trillion was tax revenue and MK151.8 billion was other revenues. Total grants disbursed in the first half amounted to MK273.40 billion against a mid-year projection of MK155.30 billion. Total expenditure at mid-year was estimated at MK2.02 trillion against a mid-year projection of MK1.99 trillion, comprising recurrent expenditure at MK1.45 trillion and development expenditure at MK567.24 billion. The overall deficit in the first half of the 2023/24 financial year was MK569.79 billion against a projected deficit of MK737.82 billion.

Following the budget presentation, the Parliament approved an upward revision of the 2023/24 budget to MK4.3 trillion from MK3.8 trillion on 4 December 2023.

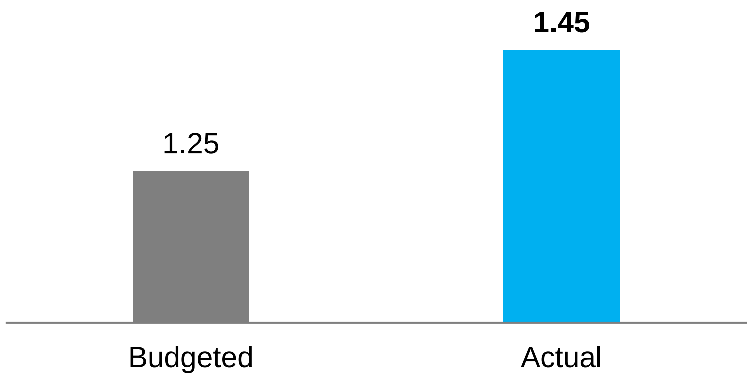
As disclosed in the local debt issuance calendar, the government seeks to raise MK259.7 billion though TNs auctions and MK101.2 billion through TBs auctions in the last quarter of 2023.

## Monetary Policy (Source: RBM, NBM)

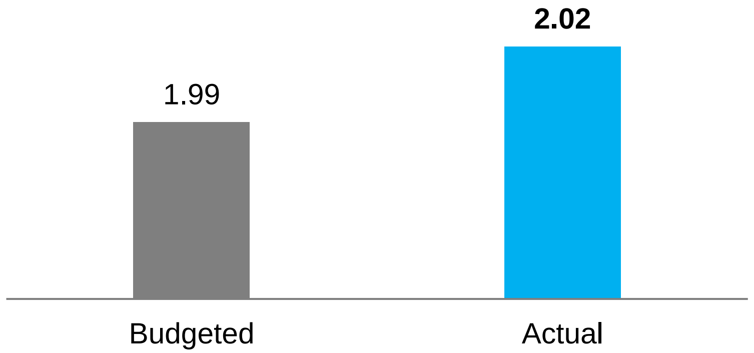
According to the fourth 2023 monetary policy report, the Monetary Policy Committee (MPC) noted several risks to the inflation outlook. Factors such as the exchange rate re-alignment, increase in pump fuel prices, and El Nino weather forecast for the 2023/24 agricultural season were cited as potential causes of an upward trend in inflation. However, the Committee noted that economic growth was subdued and decided against further increase to the Policy rate to support economic activity. Therefore, the MPC decided to maintain the Policy rate at 24% at its previous meeting.

The commercial bank reference rate has been increased to 23.6%, from 23.5% in November 2023, effective 5 December 2023.

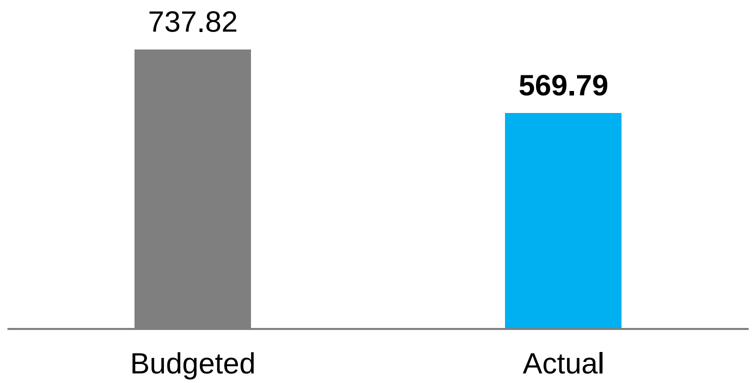
**Mid-year budgeted revenues vs Actual revenues (MK'trillions)**




**Mid-year budgeted expenditure vs Actual expenditure (MK'trillions)**




**Mid-year budgeted deficit vs Actual deficit (MK'billion)**



# Commodity Market Developments

## Maize, Oil, and other commodities market developments

*The retail maize price increased to MK732/kg in the last week of October 2023 from MK695/kg in the last week of September 2023.*

*The monthly average OPEC Reference Basket (ORB) price decreased by 7.5% to USD84.92/barrel in November 2023, from USD91.78/barrel in October 2023.*

*As of 10 November 2023, the pump prices of petrol and diesel were adjusted upwards by 44.9% and 42.4% respectively.*

*On 10 November 2023, average electricity tariffs were adjusted upwards to MK173.70/kWh from MK123.26/kWh, representing a 40.92% increase. However, the tariff hike has been reversed for domestic users only to MK92/kWh as set in September 2023.*

### Local Maize Price Developments (Source: IFPRI)

Data from the International Food Policy Research Institute (IFPRI) October 2023 monthly maize market report showed that retail maize prices increased by 5% in October 2023 compared to a 1% increase in September 2023. The retail maize price increased from MK695/kg in the last week of September 2023 to MK732/kg in the last week of October 2023. The report further shows that maize prices were highest in the Southern region, whilst the Central region recorded relatively stable prices. The Northern region had the lowest prices and experienced declining prices due to Maize inflows from Zambia and Tanzania.

Annual comparisons indicate that the retail maize price has increased by 78% as it was at MK412/kg in October 2022.

### Global Oil Price Developments (Source: OPEC, Reuters)

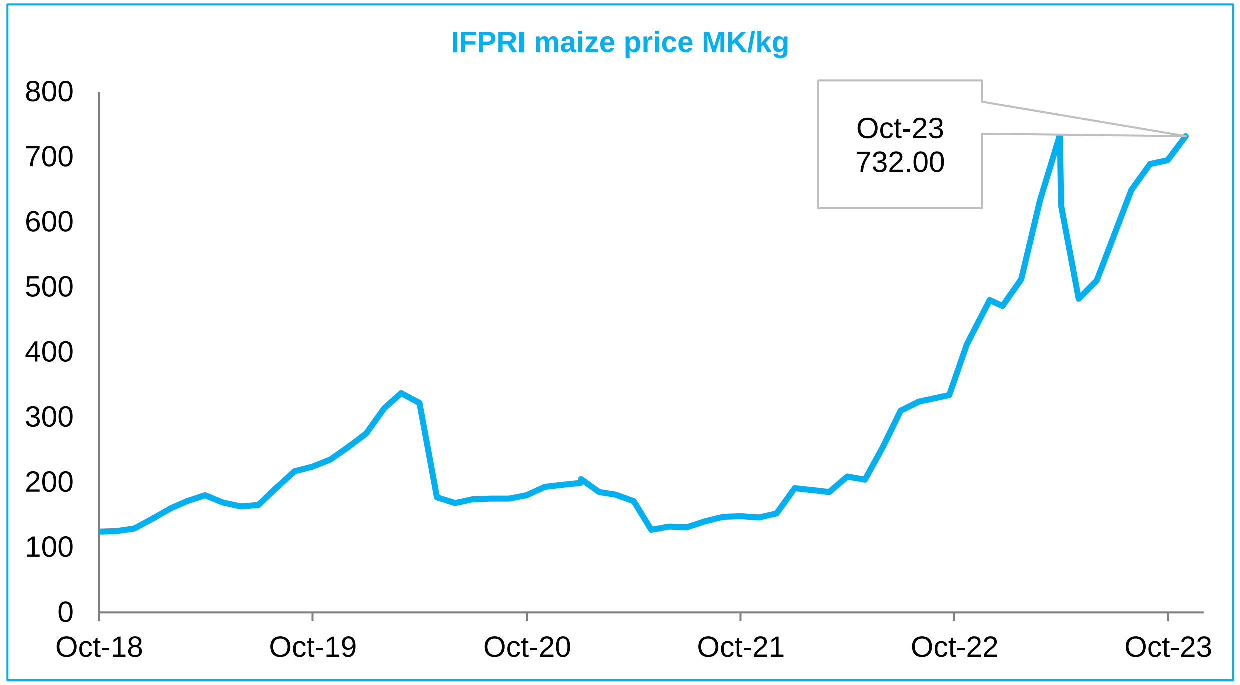
The monthly average OPEC reference basket price decreased to USD84.92/barrel in November 2023, from a monthly average of USD91.78/barrel in October 2023. This represents a decrease of 7.5% month-on-month. Year-on-year, this represents a 5.4% decrease from an average price of USD89.73/barrel as of November 2022.

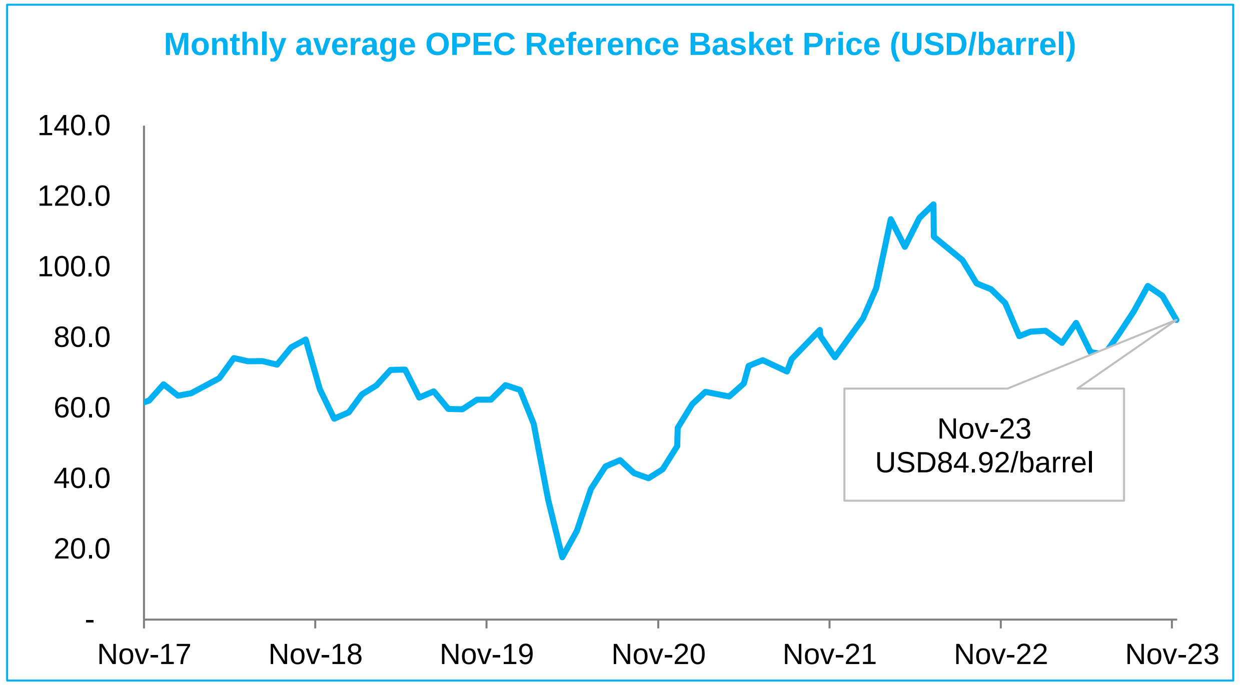
In its November 2023 monthly report, OPEC revised its forecast of 2023 world oil demand growth to 2.5 mb/d from 2.4 mb/d in the previous month's assessment. The world oil demand is still expected to average 102.1 mb/d in 2023. In 2024, solid global economic growth amid continued improvements in China 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 104.3 mb/d.

### Other Commodity Price Developments (Source: MERA)

In a press release dated 9 November 2023, the Malawi Energy Regulatory Authority (MERA) announced that pump prices of petrol, diesel and paraffin have been adjusted upwards effective 10 November 2023. The upward adjustment moved the pump price of petrol to MK2,530/litre from MK1,746/litre, representing a 44.9% increase. The pump price of diesel moved to MK2,734/litre from MK1,920/litre, representing a 42.40% increase. Finally, the pump price of paraffin moved to MK1,910/litre from MK1,261/litre, representing a 51.47% increase.

MERA also announced that the average electricity tariffs have been adjusted upwards to MK173.70/kWh from MK123.26/kWh, effective 10 November 2023. This represents a 40.92% tariff increase. However, in a press release on 1 December 2023, MERA announced that the tariff hike has been reversed to MK92/kWh as set in September 2023 for domestic consumers only.



# A summary of the IMF Malawi Country Report - November 2023

# IMF November 2023 Malawi Country report

*According to the IMF, Malawi's near-term growth remains constrained by a sharp macroeconomic adjustment envisaged under the program. Under the proposed program of macroeconomic adjustment and reforms, growth is projected to pick up next year and reach 4.5% by 2027.*

## Introduction

The November 2023 IMF Malawi Country report looks at a wide array of economic indicators in the Malawian economy and the policies that govern Malawi's economy, with a focus on fiscal and monetary policy, debt sustainability, currency management, and governance. The report also focuses on the Second Review of the Staff-Monitored Program with Executive Board Involvement (PMB) and the key policies under the Extended Credit Facility (ECF).

## Context and recent developments

According to the IMF, Malawi is recovering from a series of shocks such as the COVID-19 pandemic, the food and fertilizer prices shock following the war in Ukraine, a cholera outbreak, and three cyclones. Real GDP is projected to increase by 1.6% in 2023, with shortages of foreign exchange still weighing on economic activity.

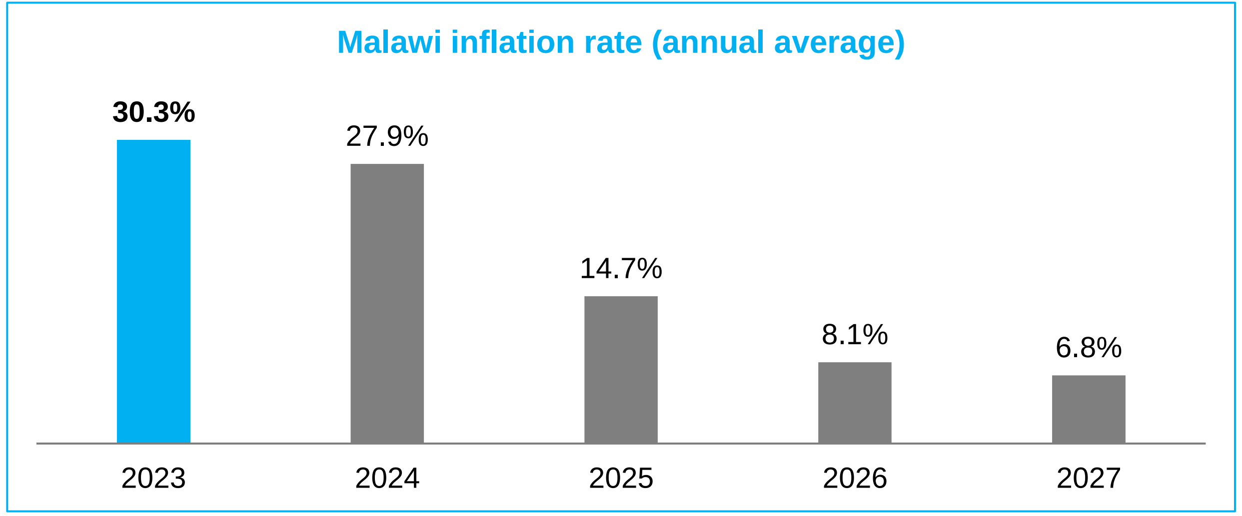
The IMF projects that inflation is expected to reach 40% at the end of 2023 and to average 30.3% in 2023, before starting to decline next year. The government stepped up efforts to meet fiscal targets under the Staff Monitored Program with Executive Board Involvement (PMB) by adjusting expenditure to offset a shortfall in revenue and containing government borrowing to slow money growth.

The Reserve Bank of Malawi (RBM) tightened monetary policy to contain inflationary pressures and resumed foreign exchange auctions. Rebuilding international reserves of the RBM has been slow as access to trade credit has remained limited.

The IMF noted that the authorities are seeking comparable treatment from all official bilateral creditors. The authorities continue to pursue good faith negotiations with commercial creditors to restructure their external debt and are in arrears on commercial debt while these discussions continue.

## Outlook and risks

According to the IMF, Malawi's near-term growth remains constrained by a sharp macroeconomic adjustment envisaged under the program. Under the proposed program of macroeconomic adjustment and reforms, growth is projected to pick up next year and reach 4.5% by 2027. The key to generating sustainable and inclusive growth would be to make a smooth transition from demand- to supply-driven private-sector led growth.




Given population growth at about 3%, however, Malawi's economy may grow only gradually in terms of per capita income.

Inflation is projected to decline gradually and reach single digits in 2026. The relatively slow disinflation is pinned down by the pace of feasible fiscal adjustment for Malawi's economy. Fiscal adjustment is designed to bring down domestic bank borrowing from 30-40% to 10% of broad money over three years, supporting the deceleration of money growth, and thereby alleviating pressure on the exchange rate and containing the passthrough.

As per the IMF's assessment, despite a large reduction in the current account deficit to 3.2% of GDP in 2022 from 14% of GDP in 2021, reserve accumulation was limited. This has been attributed in part to external debt service. The IMF projects that gross official reserves will close at USD394 million (1.8 months of import cover) in 2023 and USD714 million (2.9 months of import cover) in 2024.

Furthermore, the IMF projects Malawi's total exports at USD1.2 billion in 2023 and USD1.4 billion in 2024. On the other hand, total imports are projected at USD2.5 billion in both 2023 and 2024. This translates to a trade balance of negative USD1.2 billion in 2023 and USD1.1 billion in 2024. According to the IMF, petroleum products, fertilizers and project related goods comprise most of Malawi's imports while tobacco constitutes a significant portion of exports.

*The ECF-supported program will aim at restoring macroeconomic stability, building a foundation for inclusive and sustainable growth (including strengthening resilience to climate-related shocks), and addressing weaknesses in governance and institutions.*

## Outlook and risks (continued)

In the IMF's view, the risks of deferring policy adjustments or a prolonged debt restructuring process remain high. Weaker-than-expected policy implementation would result in wider financing gaps, greater monetary financing of fiscal deficits, and further and prolonged pressure on inflation and the exchange rate. This would therefore undermine efforts to restore macroeconomic stability. Other risks to the outlook include further weather-related shocks or another surge in food, fuel, or fertilizer prices. Upside risks include a faster-than-anticipated macroeconomic impact of policy actions, successful export diversification (including faster-than-expected development of mining projects) and formalization of informal activity, and budget overperformance.

## Policies supporting the program

The ECF-supported program will aim at restoring macroeconomic stability, building a foundation for inclusive and sustainable growth (including strengthening resilience to climate-related shocks), and addressing weaknesses in governance and institutions. Fiscal policy will aim at achieving a debt stabilizing primary balance in the medium-term through a package of expenditure adjustment and revenue mobilization measures.

**A. Creating a Sustainable Fiscal Position**
According to the IMF, the authorities are committed to fiscal discipline, containing domestic borrowing, and improving public financial management (PFM). Fiscal policy will be anchored on reaching a debt-stabilizing primary balance as soon as possible, but no later than the end of the program period.

For the 2023/24 financial year (FY2023/24), fiscal consolidation efforts are focused on: (i) stepping up implementation of the Domestic Revenue Mobilization Strategy (DRMS), which aims to increase revenue by 5 percentage points of GDP in five years; (ii) rationalizing and prioritizing expenditures; (iii) introducing and implementing sound commitment control measures; and (iv) implementing well-targeted measures to support low-income households.

Additionally, there will be several measures aimed at improving revenue mobilization. These include operationalizing a specific tax on secondhand cars, revoking value-added tax (VAT) relief on motor vehicles for current and former politicians, senior public officials, judges, and other similarly privileged individuals and groups, ensuring that every supply of a motor vehicle is subjected to a standard VAT rate, and comprehensively eliminating other VAT exemptions on business inputs and building materials.

On top of this, the government introduced advance income tax in 2022, and it plans to make several tax reforms to improve revenue collection such as introducing electronic tax stamps on alcohol, energy drinks, cigarettes, and carbonated soft drinks, introducing the electronic stamp duty system, and introducing a standard rate VAT on several products such as exercise books with hard covers.

In terms of expenditure prioritization, the government has committed to rationalize the Affordable Input Program (AIP), rationalize the wage bill, and to enhance oversight of State-Owned enterprises.

**B. Achieving Price Stability and Safeguarding Financial Sector Stability**
The RBM has committed to proactively tighten monetary policy as needed to contain inflationary pressures. Monetary policy will remain anchored on containing money growth. It will also aim to tame inflation by ensuring positive real interest rates.

**C. Rebuilding International Reserves and Normalizing the Market for Foreign Exchange**
The IMF stated that the RBM has committed to allow greater flexibility in the exchange rate to reduce foreign exchange shortages, facilitate easier accumulation of international reserves, and improve trading conditions in the interbank market. The RBM will increase its purchases of foreign exchange and refrain from interventions, such as unplanned foreign exchange sales to the market, until the level of international reserves reaches at least 4 months of import cover.

Greater flexibility in the exchange rate will be supported by reforms to the RBM's foreign exchange operations. For instance, the RBM has committed to increase the frequency of its purchases of foreign exchange via auction to at least a fortnightly basis and to remove any implicit or explicit constraints on access, allotments, or prices submitted. The RBM will also allow intermediaries to trade in the foreign exchange market at freely negotiated rates between themselves and their clients.

**D. Restoring Debt Sustainability and External Viability**
The IMF noted that the authorities have engaged with commercial creditors in good faith, by engaging in an early dialogue with creditors, sharing relevant information with all creditors on a timely basis and providing creditors with an early opportunity to give input on the design of restructuring strategies. The authorities are committed to continue working

*IMF staff proposed access of 131.86 million Special Drawing Rights1 (SDR131.86 million) or 95% of Malawi's quota over four years. This proposal was approved by the IMF Board.*

## Program delivery methods (continued)

with all creditors to achieve a debt treatment consistent with program parameters, and that commercial debt will be repaid or restructured only on terms that are consistent with the parameters of the ECF-supported arrangement.

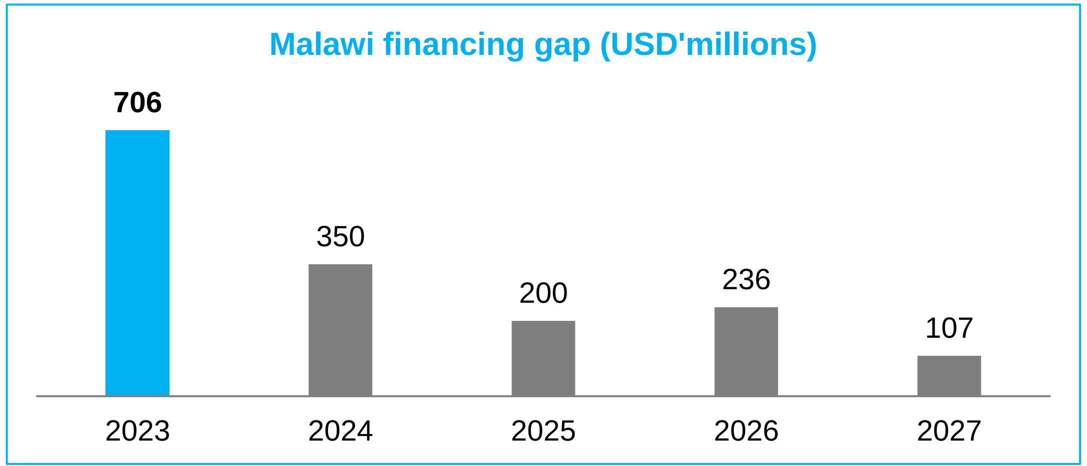
**E. Addressing Weaknesses in Governance**

In the IMF's view, continuing to develop and refine timely, accurate, and reliable fiscal data, and making it readily available to the public, will be an important step toward addressing Malawi's governance challenges.

Further to this, the RBM has committed to amend the RBM Act in consultation with IMF staff. The RMB is also committed to merge the Export Development Fund (EDF) with the Malawi Agricultural and Industrial Investment Corporation Plc (MAIIC) which is a development financial institution with similar mandates but with the joint ownership of the Government of Malawi, the private sector, and investors.

**F. Sustainable Growth and Climate Resilience**

The IMF has stressed on the need for Malawi to achieve sustainable and resilient growth. To this end, the authorities will continue to engage development partners on the Country Climate and Development Report (CCDR). The authorities have also committed to finalize the Disaster Risk Management regulations and related policies.




1: Special Drawing Rights (SDRs) are a form of international monetary reserve created by the IMF. SDRs are not a currency, but rather a potential claim on freely usable currencies held by IMF member countries.

## Program delivery methods

IMF staff proposed access of 131.86 million Special Drawing Rights[1] (SDR131.86 million) or 95% of Malawi's quota over four years. This proposal was approved by the IMF Board. The level of access was deemed appropriate given Malawi's strong and upfront policy adjustment to address its macroeconomic imbalances, restore debt sustainability, and rebuild fiscal and external buffers. This access level for the given duration would be within the normal annual and cumulative access limits. It would be equivalent to 11% of total external financing gap, which would help catalyze donor financing and facilitate burden sharing.

Access under the program is evenly distributed except for the first and the last reviews to ensure even distribution across the fiscal years from FY2023/24 through FY2027/28 as this access includes 30% of each disbursement allocated to direct budget support given Malawi's urgent fiscal needs.

The IMF notes that Malawi owes arrears of USD418 million on commercial external debt as of end-September 2023. The government has engaged in an early dialogue with its creditors and shared relevant information with all its creditors on a timely basis. The government also provided its private sector creditors with opportunities to give input on the design of restructuring strategies. IMF staff judge that the authorities have made good faith efforts in their debt restructuring discussions and meet the requirements of the Fund's Lending Into Arrears (LIA) policy.

**Malawi: Debt Decomposition 2022–25**

| USD millions unless otherwise | Actual | | Projected | |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| **Total Debt** | **8,699** | **7,577** | **7,619** | **8,003** |
| **External Debt** | **4,006** | **3,660** | **3,575** | **3,616** |
| Multilateral creditors | 2,558 | 2,846 | 2,956 | 3,141 |
| IMF | 437 | 443 | 430 | 420 |
| World Bank | 1,317 | 1,480 | 1,592 | 1,727 |
| AfDB | 431 | 431 | 435 | 439 |
| Other Multilaterals | 372 | 492 | 499 | 555 |
| Bilateral Creditors | 418 | 382 | 350 | 315 |
| Paris Club | 4 | 1 | 1 | 1 |
| Non-Paris Club | 414 | 381 | 349 | 315 |
| Commercial creditors | 1,030 | 431 | 269 | 160 |
| **Domestic Debt** | **4,693** | **3,917** | **4,044** | **4,387** |
| Memorandum Items: | | | | |
| Collateralized debt | 503 | 325 | 194 | 100 |

*According to the IMF staff, performance under the second PMB review was satisfactory. In a pivot from mixed performance at the time of the first review, the authorities have undertaken important corrective actions, and there are signs that macroeconomic adjustment is now taking place.*

## Program delivery methods (continued)

Furthermore, Malawian authorities are seeking comparable treatment from all official bilateral creditors. According to the IMF, the Malawian authorities are committed to continue working with all official bilateral and commercial creditors to achieve a debt treatment consistent with program parameters, and staff expects that Malawi's debt to official bilateral creditors will be treated on comparable terms.

IMF support is considered essential for the successful implementation of the member's adjustment program and the IMF noted that Malawian authorities are pursuing appropriate policies and are making a good faith effort to reach a collaborative agreement with their commercial creditors which is expected to restore debt sustainability. Staff will continue to assess progress in restructuring as part of the regular financing assurances reviews at each program review.

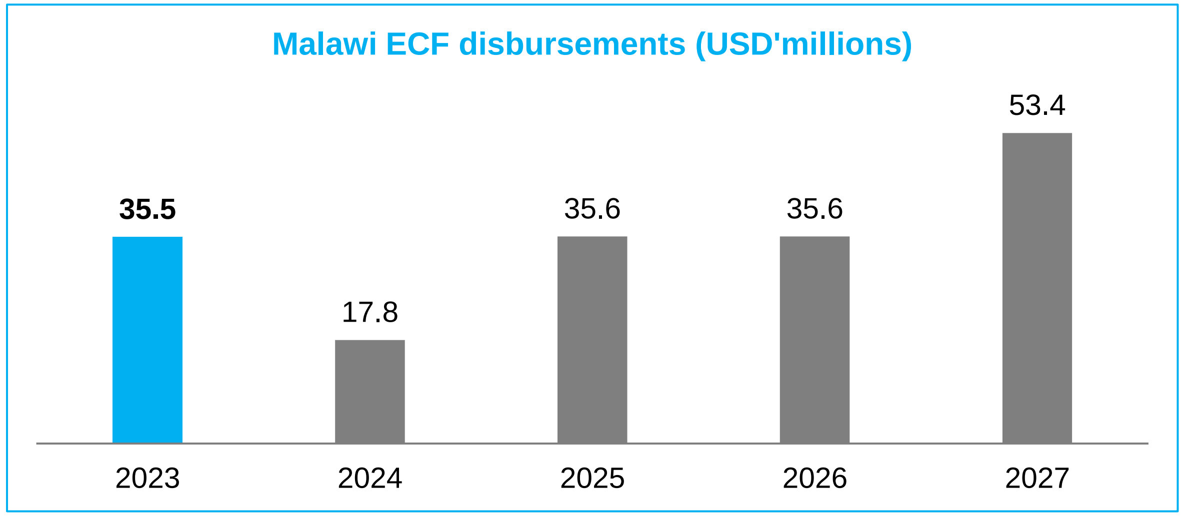
In terms of risks to the ECF, the IMF notes that delays in the restructuring of Malawi's external debt would put macroeconomic stabilization at risk. The risks of moving forward with the ECF arrangement without an agreement in principle between the Malawian authorities and their commercial creditors on over USD877 million (55% of total financing gap) of debt relief in line with program parameters are significant.

Relying on domestic financing to fill any part of the unidentified financing gap is a risk as the ability of domestic agents (bank and nonbank) to absorb additional government securities is limited. Delays in strengthening the PFM and cash management control and in mobilizing domestic revenue could derail fiscal adjustment and add to the deep-rooted governance vulnerabilities. The RBM's program to scale up net foreign exchange purchases and reduce swap arrangements could face delays, jeopardizing the reserve accumulation path and posing risks to Malawi's capacity to repay the Fund.

Additionally, loss of market confidence could result in drawdown on deposits in the banking sector resulting in a liquidity crunch and rollover risks in the short-term securities market. Spending pressures related to the general election in 2025, especially to extend government guarantees or contract external debt, are an added risk.

## Staff appraisal

According to the IMF staff, performance under the second PMB review was satisfactory. In a pivot from mixed performance at the time of the first review, the authorities have undertaken important corrective actions, and there are signs that macroeconomic adjustment is now taking place. Having achieved satisfactory performance for the Second Review under the PMB, and with tangible progress on securing a debt treatment operation, an Extended Credit Financing (ECF) arrangement will support the ongoing macroeconomic adjustment, catalyze grant financing, and provide a framework for structural reforms.




Despite the satisfactory performance, the IMF has stated that domestic debt service is now eroding much-needed fiscal space, compromising already-limited delivery of public goods and services and ultimately, the attainment of Malawi 2063, putting pressure on money growth, the exchange rate, and inflation. With very limited scope for additional external financing (grants, concessional loans, external debt relief), strong efforts would be needed to avoid slippages and be ready to address potential financing pressures.

In the IMF's view, rebuilding buffers is critically important to bring back trade credit and to reduce Malawi's vulnerability to external shocks. The RBM's commitment to rebuild its international reserves requires implementation of its strategy to wind down unsustainable policies, including excessive use of foreign exchange swaps and sales of foreign exchange to support strategic imports in the absence of trade credit. Quickly rebuilding RBM's international reserve assets will be critical to restoring the normal functioning of trade credit and the steady supply of essential commodities in the country with little foreign exchange intervention by the RBM.

Fundamentally shifting the sources of Malawi's growth is also critical. Shifting Malawi's growth from a consumption-driven to a production-driven one and from a government-led to a private-sector-led one are the core principles of Malawi 2063 and are vital to make Malawi's growth inclusive, sustainable, and resilient to climate-related shocks.

Bridgepath Capital
Invest to Achieve

# Appendices

# Appendix 1: Historical Monthly Economic Indicators

Bridgepath Capital
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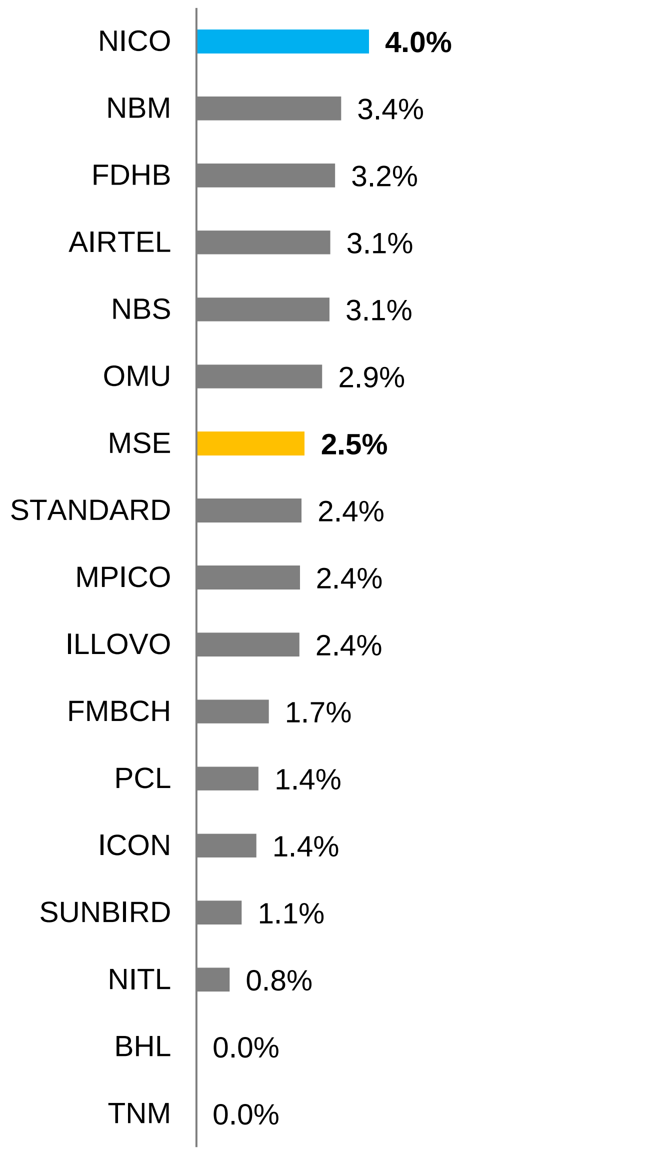
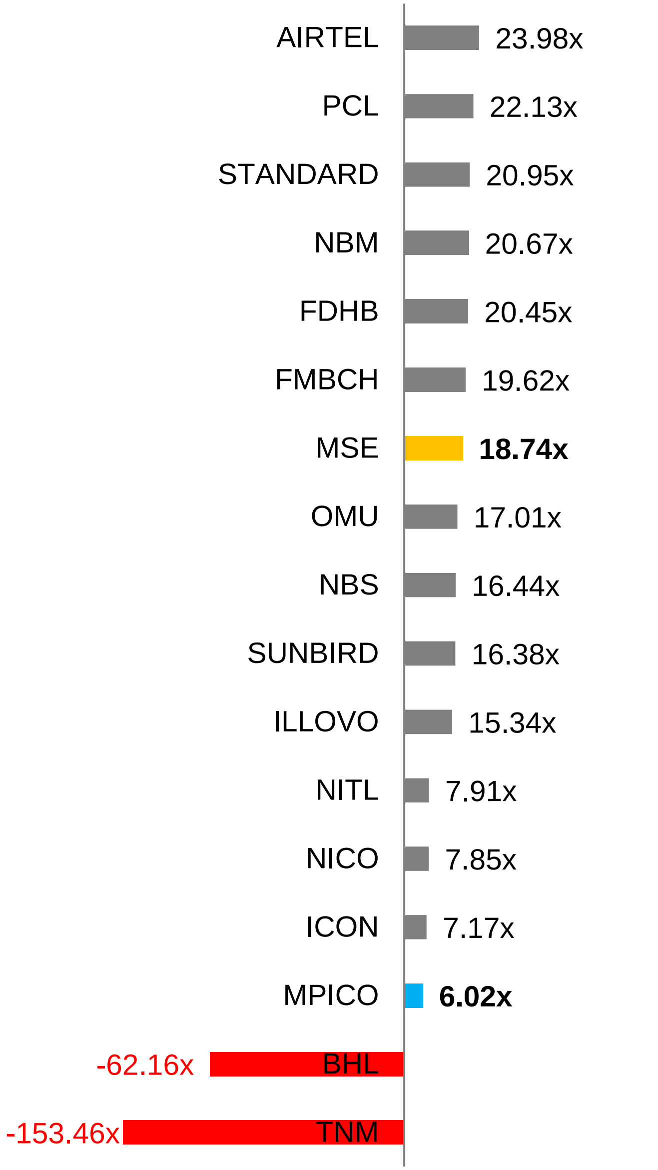
| | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exchange rates (middle rates)** | | | | | | | | | | | | | |
| MK/USD | 1,034.42 | 1,031.87 | 1,031.87 | 1,033.68 | 1,033.80 | 1,034.86 | 1,034.46 | 1,058.82 | 1.061.67 | 1,094.74 | 1,126.50 | 1,179.83 | **1,699.31** |
| MK/GBP | 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 | 1,429.20 | 1,412.17 | 1,473.63 | **2,219.25** |
| MK/EUR | 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 | 1,226.61 | 1,225.22 | 1,285.81 | **1,907.62** |
| MK/ZAR | 62.11 | 60.72 | 60.72 | 57.83 | 59.76 | 57.89 | 53.58 | 57.92 | 61.70 | 60.02 | 60.67 | 63.95 | **92.72** |
| **Foreign Exchange Reserves** | | | | | | | | | | | | | |
| Gross Official Reserves (USD'mn) | 338.87 | 304.65 | 279.22 | 280.66 | 228.49 | 200.08 | 194.82 | 321.53 | 267.91 | 239.56 | 242.68 | N/A | **N/A** |
| Private Sector Reserves (USD'mn) | 400.77 | 399.20 | 384.37 | 378.54 | 375.36 | 403.93 | 386.90 | 407.47 | 406.63 | 419.35 | 409.46 | N/A | **N/A** |
| Total reserves (USD'mn) | 739.64 | 703.85 | 663.59 | 659.20 | 603.85 | 604.01 | 581.72 | 729.00 | 674.54 | 658.91 | 652.14 | N/A | **N/A** |
| Gross Official Reserves Import cover (months) | 1.36 | 1.22 | 1.12 | 1.12 | 0.91 | 0.80 | 0.78 | 1.29 | 1.07 | 0.96 | 0.97 | N/A | **N/A** |
| **Inflation** | | | | | | | | | | | | | |
| Headline | 25.8% | 25.4% | 25.9% | 26.7% | 27.0% | 28.8% | 29.2% | 27.3% | 28.4% | 28.6% | 27.8% | 26.9% | **N/A** |
| Food | 33.4% | 31.3% | 30.5% | 31.7% | 32.4% | 37.9% | 38.8% | 37.2% | 39.3% | 39.4% | 36.8% | 34.5% | **N/A** |
| Non-food | 17.7% | 18.6% | 20.4% | 20.5% | 20.2% | 18.5% | 18.4% | 16.0% | 16.0% | 16.1% | 17.2% | 17.6% | **N/A** |
| **Interest Rates** | | | | | | | | | | | | | |
| Monetary Policy rate | 18.00% | 18.00% | 18.00% | 18.00% | 18.00% | 22.00% | 22.00% | 22.00% | 24.00% | 24.00% | 24.00% | 24.00% | **24.00%** |
| Average Interbank rate | 15.00% | 15.00% | 15.00% | 15.00% | 15.00% | 15.19% | 19.26% | 20.38% | 20.51% | 22.76% | 22.79% | 22.91% | **23.00%** |
| Lombard rate | 18.20% | 18.20% | 18.20% | 18.20% | 18.20% | 22.20% | 22.20% | 22.20% | 24.20% | 24.20% | 24.20% | 24.20% | **24.20%** |
| Commercial Bank reference rate | 16.60% | 17.30% | 17.30% | 17.30% | 17.30% | 17.30% | 20.00% | 21.00% | 22.70% | 22.70% | 23.40% | 23.50% | **23.50%** |
| **Government Securities Yields** | | | | | | | | | | | | | |
| 91-days Treasury Bill | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 12.98% | 13.00% | 13.00% | 13.00% | 14.70% | 14.70% | 14.70% | **14.70%** |
| 182-days Treasury Bill | 17.50% | 17.50% | 17.50% | 17.50% | 17.50% | 17.50% | 17.50% | 18.00% | 18.00% | 18.00% | 18.00% | 18.00% | **18.00%** |
| 364-days Treasury Bill | 19.50% | 19.50% | 19.50% | 19.50% | 19.50% | 19.50% | 22.49% | 22.50% | 22.50% | 24.00% | 24.00% | 24.00% | **24.00%** |
| 2-year Treasury Note | 22.50% | 22.50% | 22.75% | 22.75% | 22.75% | 22.75% | 24.75% | 24.75% | 24.75% | 26.75% | 26.75% | 26.75% | **26.75%** |
| 3-year Treasury Note | 23.00% | 24.00% | 24.00% | 24.00% | 24.00% | 24.00% | 26.00% | 26.00% | 26.00% | 28.00% | 28.00% | 28.00% | **28.00%** |
| 5-year Treasury Note | 26.00% | 26.00% | 26.19% | 26.19% | 26.25% | 26.25% | 28.00% | 28.00% | 28.00% | 30.00% | 30.00% | 30.00% | **30.00%** |
| 7-year Treasury Note | 27.50% | 27.50% | 27.50% | 27.50% | 27.50% | 27.50% | 29.50% | 29.50% | 29.50% | 30.46% | 32.00% | 32.00% | **32.00%** |
| 10-year Treasury Note | 27.50% | 28.50% | 28.50% | 28.50% | 28.50% | 28.50% | 31.19% | 31.25% | 31.25% | 32.83% | 33.00% | 33.00% | **33.00%** |
| **Stock Market Indices** | | | | | | | | | | | | | |
| MASI | 55,795.69 | 62,036.05 | 68,451.77 | 71,069.31 | 80,298.12 | 86,462.61 | 102,837.75 | 108,656.97 | 112,492.50 | 119,077.99 | 118,426.19 | 113,969.91 | **112,790.18** |
| DSI | 48,811.22 | 50,804.03 | 54,351.80 | 56,674.50 | 64,886.76 | 70,512.35 | 83,365.40 | 87,071.03 | 88,364.93 | 90,336.93 | 89,173.86 | 89,656.70 | **88,577.93** |
| FSI | 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 | 19,947.76 | 20,692.42 | 15,011.81 | **15,048.88** |

# Appendix 2: Selected stock market statistics as of 30 November 2023

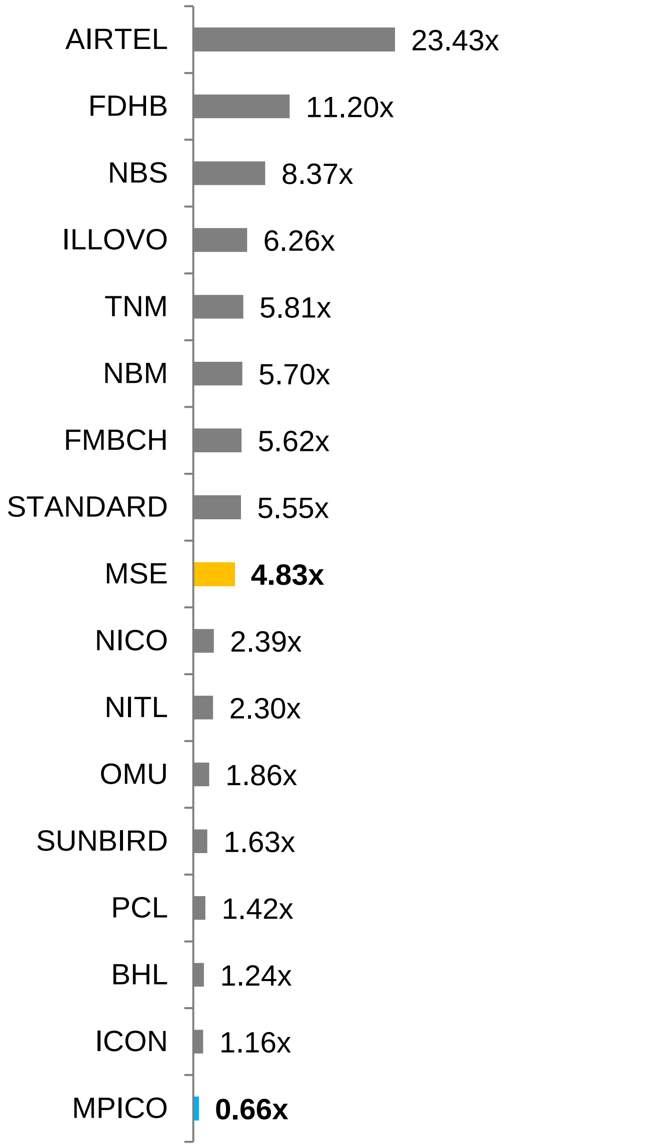
**Dividend Yield (%) -** the weighted average dividend yield on the MSE was 2.5% in November 2023. The counter with the highest dividend yield was NICO at 4.0%.



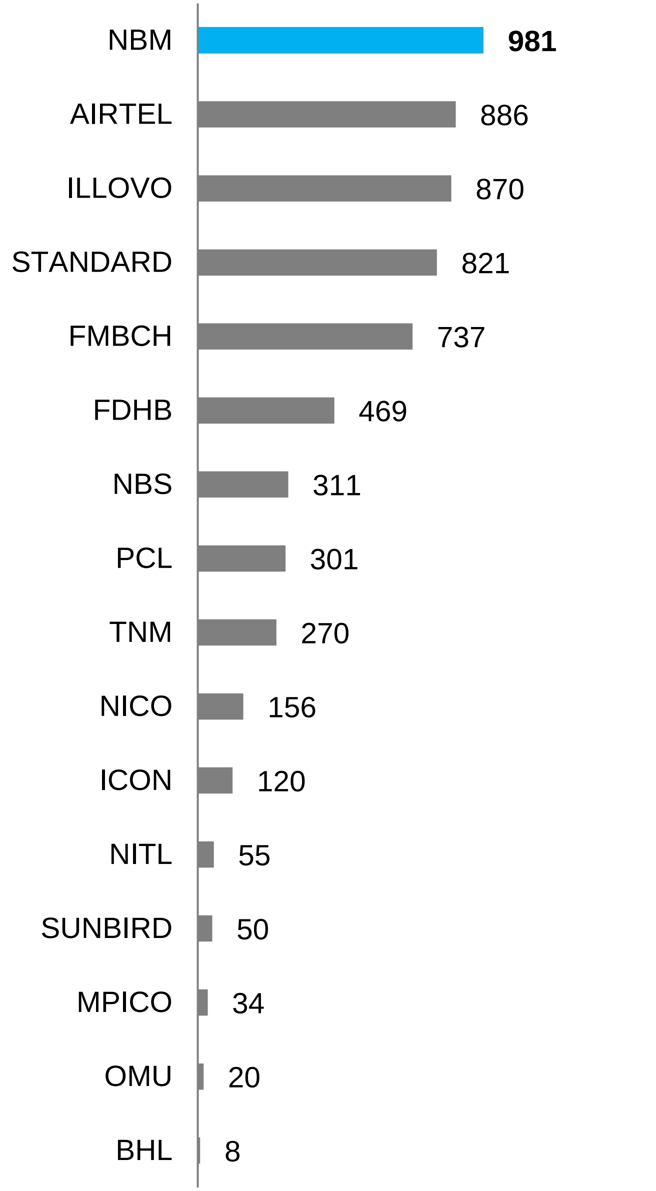

**P/E Ratio -** the weighted average price to earnings ratio on the MSE was 18.74x in November 2023. The counter with the lowest positive ratio was MPICO at 6.02x.




**P/BV Ratio -** the weighted average price to book value ratio on the MSE was 4.83x in November 2023. The counter with the lowest ratio was MPICO at 0.66x.




**Market Capitalization (MK'billion) –** NBM had the highest market capitalization at MK981 billion in November 2023.



# Appendix 3: IMF and World Bank Projections

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## IMF projections

| Annual percentage change (unless otherwise indicated) | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| GDP at constant market prices | 0.8 | 1.6 | 3.3 | 3.8 | 4.3 |
| Nominal GDP (trillions of kwacha) | 11.8 | 15.4 | 19.9 | 23.5 | 26.3 |
| Consumer Prices (annual average) | 20.8 | 30.3 | 27.9 | 14.7 | 8.1 |
| National Savings (% of GDP) | 10.0 | 6.2 | 2.1 | 2.3 | 0.4 |
| Gross Investment (% of GDP) | 13.1 | 13.9 | 10.6 | 12.2 | 9.4 |
| Revenue (percent of GDP on a fiscal year basis) | 14.3 | 17.2 | 17.2 | 18.4 | 18.8 |
| Tax and non-tax revenue (Revenue) (% of GDP on fiscal year basis) | 12.5 | 13.3 | 14.0 | 15.8 | 16.1 |
| Grants (Revenue) (% of GDP on fiscal year basis) | 1.8 | 3.9 | 3.2 | 2.6 | 2.7 |
| Overall balance (including grants) (% of GDP on fiscal year basis) | -9 | -11.7 | -10.7 | -8.1 | -7.1 |
| Foreign financing (% of GDP on fiscal year basis) | 2.6 | 3.3 | 0.4 | -0.3 | 0.3 |
| Total domestic financing (% of GDP on fiscal year basis) | 6.9 | 8.4 | 8.0 | 5.0 | 3.5 |
| Credit to the private sector (% change) | 24.1 | 19.6 | 11.2 | 5.8 | 8.9 |
| Exports (goods and services) (USD millions) | 1.1 | 1.4 | 1.6 | 1.7 | 1.7 |
| Imports (goods and services) (USD millions) | 1.8 | 2.7 | 2.7 | 3.0 | 3.0 |
| Gross official reserves (USD millions) | 120 | 394 | 714 | 967 | 1,081 |
| Gross official reserves (months of imports) | 0.6 | 1.8 | 2.9 | 3.9 | 4.1 |
| Current account (% of GDP) | -3.2 | -7.6 | -8.5 | -9.9 | -9.0 |
| Overall balance (% of GDP) | -0.1 | -2.2 | 0.1 | 1.0 | -0.4 |
| External debt (public sector) (% of GDP) | 34.4 | 39.3 | 35.2 | 33.8 | 31.2 |
| NPV of public external debt (% of exports) | 264.7 | 178.8 | 154.8 | 142.8 | 131.3 |
| Domestic public debt (% of GDP) | 40.8 | 42.0 | 39.8 | 41.0 | 42.3 |
| Total public debt (% of GDP) | 75.2 | 81.3 | 75.0 | 74.8 | 73.5 |

## 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 | 1.6 | 2.8 |
| Agriculture | 3.4 | 5.2 | -1.0 | 0.6 | 2.4 |
| Industry | 1.2 | 1.9 | 0.9 | 1.6 | 2.7 |
| Services | -0.5 | 2.0 | 1.8 | 2.1 | 3.0 |
| Consumer prices (annual average) | 8.6 | 9.3 | 21.8 | 29.2 | 19.2 |
| Revenue and grants (% of GDP) | 14.6 | 14.3 | 14.1 | 15.9 | 16.0 |
| Domestic revenue - tax and non-tax (% of GDP) | 13.1 | 12.8 | 13.0 | 12.6 | 14.1 |
| Grants (% of GDP) | 1.5 | 1.5 | 1.1 | 3.2 | 2.0 |
| Expenditure and net lending (% of GDP) | 20.9 | 21.4 | 22.5 | 26.8 | 23.8 |
| Overall balance - excluding grants (% of GDP) | -7.8 | -8.6 | -9.5 | -10.9 | -9.7 |
| Overall balance - including grants) (% of GDP) | -6.3 | -7.1 | -8.4 | -7.7 | -7.7 |
| Foreign financing (% of GDP) | 0.8 | 1.0 | 0.9 | 1.9 | 0.8 |
| Domestic financing (% 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 (MK 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 4: EIU, AfDB and Oxford Economics Projections

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## EIU projections

| Economic growth (%) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| GDP | 0.8 | 1.6 | 3.0 | 3.4 | 3.8 | 4.1 |
| Private consumption | 0.5 | 1.7 | 2.5 | 2.6 | 2.7 | 3.3 |
| Government consumption | 2.0 | 1.8 | 2.8 | 2.7 | 2.6 | 2.5 |
| Gross fixed investment | 3.5 | 2.0 | 5.0 | 5.7 | 5.8 | 6.0 |
| Exports of goods & services | 3.3 | 4.4 | 4.8 | 5.1 | 5.5 | 5.8 |
| Imports of goods & services | 3.0 | 3.9 | 4.3 | 4.4 | 4.5 | 5.0 |
| Domestic demand | 1.7 | 1.7 | 2.8 | 3.0 | 3.1 | 3.6 |
| Agriculture | 0.1 | 1.0 | 1.3 | 1.5 | 2.2 | 2.6 |
| Industry | 1.5 | 1.4 | 2.2 | 2.6 | 3.0 | 3.2 |
| Services | 1.0 | 2.0 | 4.0 | 4.5 | 4.8 | 5.0 |
| **Key indicators** | | | | | | |
| Consumer price inflation (av; %) | 21.0 | 28.3 | 25.1 | 11.3 | 12.1 | 11.5 |
| Government balance (% of GDP) | -11.8 | -9.5 | -7.4 | -5.2 | -4.4 | -4.1 |
| Current-account balance (% of GDP) | -24.9 | -8.7 | -7.3 | -6.3 | -5.5 | -5.1 |
| Short-term interest rate (av; %) | 10.6 | 18.0 | 12.5 | 12.5 | 11.0 | 9.5 |
| Exchange rate MK:US$ (av) | 941.4 | 1,164.8 | 1,759.1 | 1,894.7 | 2,146.3 | 2,307.0 |

## Oxford Economics Projections

| Annual percentage unless indicated otherwise | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Real GDP growth | 4.6 | 0.8 | 1.9 | 3.8 | 4.0 | 4.0 |
| CPI inflation | 9.3 | 20.8 | 27.8 | 21.5 | 14.2 | 8.4 |
| Exports of goods ($ bn) | 1.1 | 1.2 | 1.5 | 1.4 | 1.5 | 1.6 |
| Imports of goods ($ bn) | 3.0 | 3.1 | 3.3 | 3.5 | 3.7 | 4.0 |
| Current account ($ bn) | -1.5 | -1.6 | -1.4 | -1.6 | -1.7 | -1.7 |
| Current account balance (% of GDP) | -12.4 | -12.4 | -9.7 | -10.3 | -9.5 | -9.3 |
| Exchange rate per USD (year average) | 804.2 | 941.4 | 1,077.6 | 1,255.5 | 1,317.5 | 1,385.7 |
| External debt total ($ bn) | 3.2 | 4.4 | 6.1 | 7.4 | 8.3 | 9.0 |
| Government balance (% of GDP) | -8.6 | -9.3 | -8.7 | -7.4 | -6.3 | -5.5 |
| Government debt (% of GDP) | 61.5 | 75.2 | 78.8 | 75.0 | 73.8 | 74.7 |
| Population (millions) | 19.9 | 20.4 | 20.9 | 21.5 | 22.0 | 22.6 |
| Nominal GDP ($ bn) | 12.4 | 12.5 | 14.3 | 15.4 | 17.5 | 18.8 |
| GDP per capita ($ current prices) | 623.7 | 614.3 | 681.6 | 718.8 | 793.1 | 830.3 |

## 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 | 21.0 | 22.8 | 15.4 |

## Appendix 5: World Bank commodity market prices

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### World Bank commodity prices

| | Annual averages | | | Monthly averages | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | June | July | August | September | October |
| | 2020 | 2021 | 2022 | 2023 | 2023 | 2023 | 2023 | 2023 |
| **Produce (USD/mt)** | | | | | | | | |
| Soybeans | 407.0 | 583.0 | 675.0 | 592.0 | 634.0 | 584.0 | 619.0 | 530.0 |
| Maize | 165.5 | 259.5 | 318.8 | 266.9 | 242.4 | 207.6 | 223.8 | 230.7 |
| **Sugar & Tea (USD/Kg)** | | | | | | | | |
| Sugar - EU | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 |
| Sugar - U.S. | 0.6 | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| Sugar - World | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Tea - average | 2.7 | 2.7 | 3.1 | 2.7 | 2.5 | 2.8 | 2.9 | 2.8 |
| **Fertilizers (USD/mt)** | | | | | | | | |
| DAP | 312.4 | 601.0 | 772.2 | 454.6 | 458.8 | 528.8 | 527.9 | 534.8 |
| Phosphate rock | 76.1 | 123.2 | 266.2 | 344.5 | 342.5 | 346.3 | 347.5 | 347.5 |
| Potassium chloride | 241.1 | 542.8 | 863.4 | 328.0 | 341.3 | 353.1 | 352.0 | 341.9 |
| TSP | 265.0 | 538.2 | 716.1 | 390.0 | 392.3 | 450.6 | 461.5 | 468.1 |
| Urea, E. Europe | 229.1 | 483.2 | 700.0 | 287.5 | 334.6 | 385.6 | 380.0 | 411.4 |
| **Precious Metals (USD/toz)** | | | | | | | | |
| Gold | 1,770.0 | 1,800.0 | 1,801.0 | 1,943.0 | 1,951.0 | 1,919.0 | 1,916.0 | 1,916.0 |
| Platinum | 883.0 | 1,091.0 | 962.0 | 971.0 | 950.0 | 925.0 | 921.0 | 892.0 |
| Silver | 20.5 | 25.2 | 21.8 | 23.4 | 24.3 | 23.4 | 23.1 | 22.4 |

## Appendix 6: List of Acronyms and Abbreviations

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| | |
|---|---|
| ADB: | Authorized Dealer Bank |
| AfDB: | African Development Bank |
| Agcom: | Agricultural Commercialization project |
| AIP: | Affordable Input Program |
| av: | Average |
| BHL: | Blantyre Hotels Plc |
| bn: | Billion |
| CCDR: | Country Climate and Development Report |
| CPI: | Consumer Price Index |
| DAP: | Diammonium Phosphate |
| DRMS: | Domestic Revenue Mobilization Strategy |
| DSI: | Domestic Share Index |
| ECF: | Extended Credit Facility |
| EDF: | Export Development Fund |
| EIU: | Economist Intelligence Unit |
| EUR: | Euro |
| EU: | European Union |
| FDHB: | FDH Bank Plc |
| FMBCH: | FMB Capital Holdings Plc |
| FSI: | Foreign Share Index |
| FY: | Financial Year |
| GBI: | Green Belt Initiative |
| GBP: | Great British Pound |
| GDP: | Gross Domestic Product |
| IFPRI: | International Food Policy Research Institute |
| IMF: | International Monetary Fund |
| Kg: | Kilogram |
| kt/a: | Kilotonne per annum |
| LIA: | Lending into Arrears |
| MASI: | Malawi All Share Index |
| MAIIC: | Malawi Agricultural and Industrial Investment Corporation |
| Mb/d: | Million barrels per day |
| MERA: | Malawi Energy Regulatory Authority |
| Mt: | Metric tons |
| MK: | Malawi Kwacha |
| mn: | Million |
| 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 |
| OMU: | Old Mutual Limited Plc |
| OPEC: | Organization of the Petroleum Exporting Countries |
| ORB: | OPEC Reference Basket |
| PAT: | Profit After Tax |
| P/BV: | Price to book value |
| PCL: | Press Corporation Limited Plc |
| P/E: | Price to earnings |
| PFM: | Public financial management |
| PMB: | Staff-Monitored Program with Executive Board Involvement |
| RBM: | Reserve Bank of Malawi |
| SDRs: | Special Drawing Rights |
| SUNBIRD: | Sunbird Tourism Plc |
| TB: | Treasury Bill |
| TBA: | To be announced |
| TN: | Treasury Note |
| TNM: | Telekom Networks Malawi Plc |
| Toz: | Troy ounces |
| TT: | Telegraphic Transfer |
| USD: | United States Dollar |
| VAT: | Value Added Tax |

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