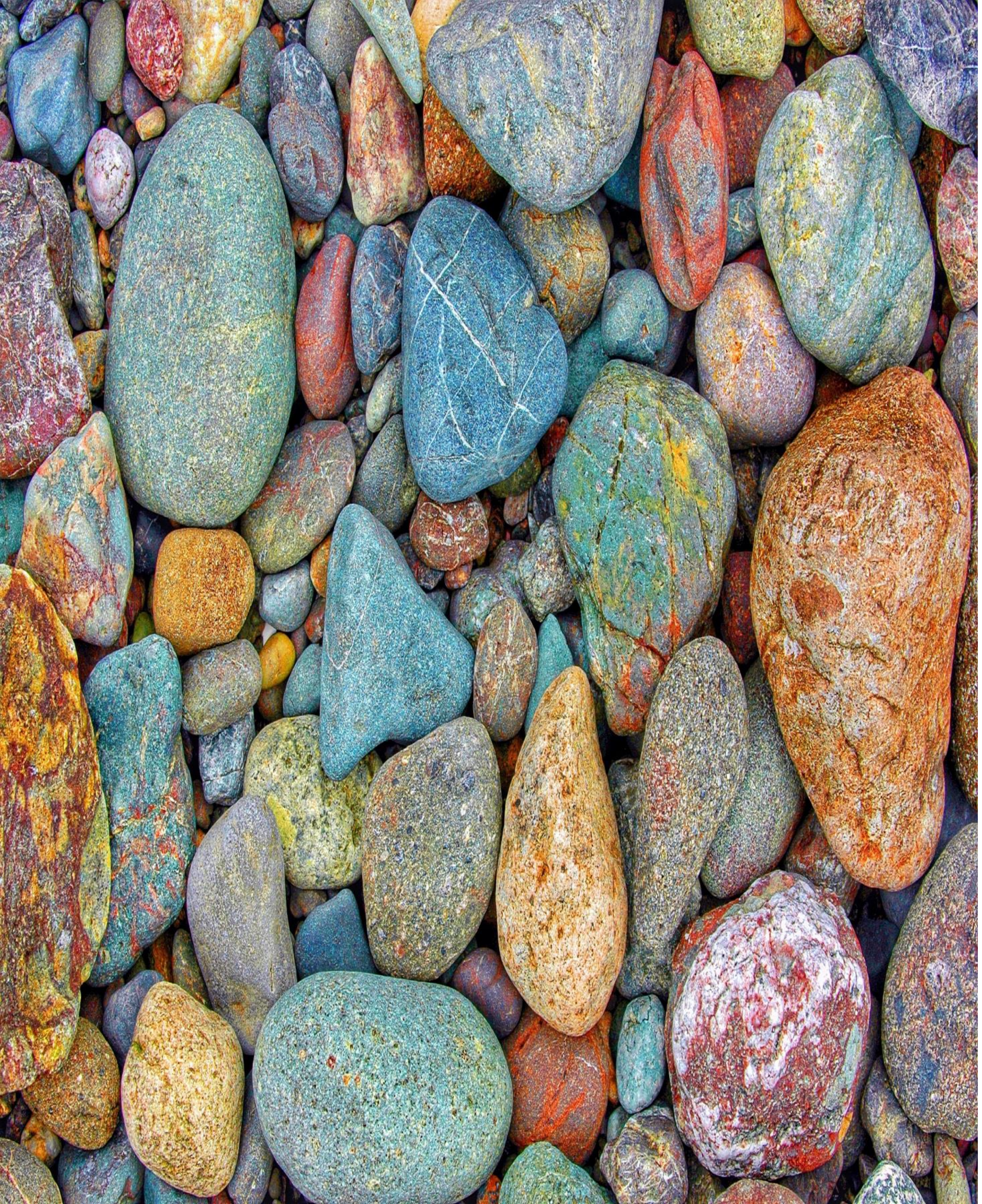
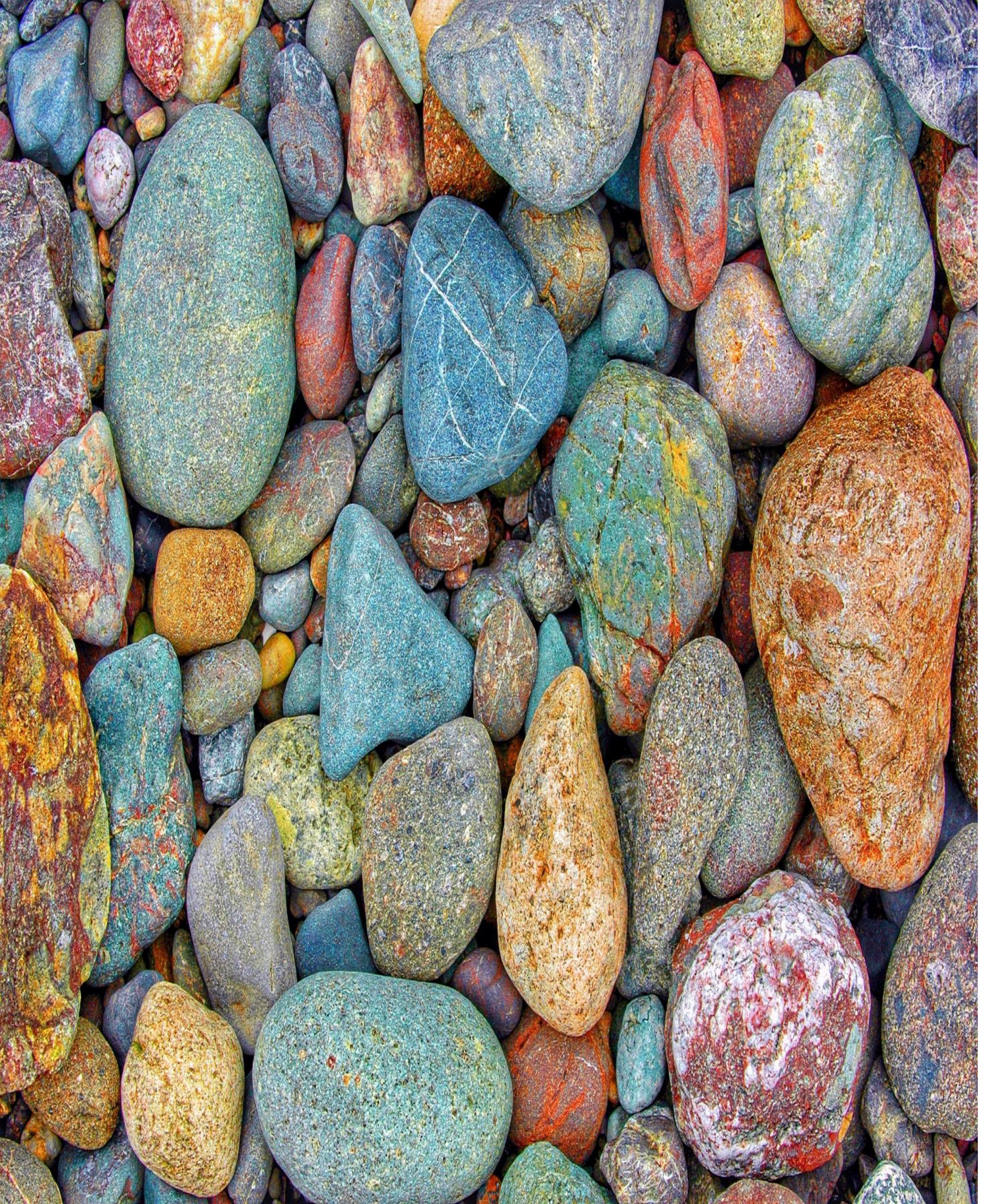


Bridgepath Capital
Invest to Achieve

Malawi Monthly Economic Report and a summary of the World Bank Malawi Country Economic Memorandum

January 2024



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Inflation

Projections from various published sources show that average inflation for 2024 will range between 19.2% to 27.9%. The International Monetary Fund (IMF) expects inflation to average 27.9% in 2024 from 30.3% in 2023, whilst the Economist Intelligence Unit (EIU) expects inflation to average 25.1% in 2024 from 28.3% in 2023. Oxford Economics expects inflation to average 30.0% in 2024 from 28.6% in 2023. Finally, the World Bank projects inflation to average 19.2% in 2024 from 29.2% in 2023. 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

Based on closing middle rates, the Malawi Kwacha traded at MK1,697.80/USD as of 31 January 2024, a marginal appreciation of 0.01% from MK1,697.98/USD as of 31 December 2023. During the same period in the previous year, the Kwacha had marginally appreciated against the USD by 0.3%.

As of 30 November 2023, the country's gross official foreign exchange reserves increased by 0.1% to USD169.50 million from USD169.30 million in October 2023. The import cover for gross official foreign exchange reserves was 0.70 months in November 2023, representing no change from October 2023.

Government Securities

The total amount raised from Treasury Bills (TBs) and Treasury Notes (TNs) auctions increased by 108% to MK241.0 billion in January 2024 from MK115.9 billion in December 2023. During the review period, the average TB and TN yields were maintained at 18.90% and 29.95%, respectively.

Stock Market

The stock market was bullish as the Malawi All Share Index (MASI) increased to 115,670.54 points in January 2024 from 110,951.21 points in December 2023, representing a 4.25% increase. The MASI year-to-date return was 4.25% in January 2024. It was 10.34% in January 2023.

In January 2024, NICO was the most significant share price gainer as its share price increased by 36.28% to MK204.97 per share from MK150.40 in December 2023. There were also share price gains for FMBCH, ILLOVO, and SUNBIRD. Additionally, there were marginal share price gains for NITL, BHL, NBS, NBM, Old Mutual Limited, and Standard Bank.

In contrast, TNM was the most significant share price loser as its share price decreased by 14.44% to MK16.00 per share from MK18.70 per share in December 2023. There were also share price losses for AIRTEL, FDH Bank, and ICON and marginal share price losses for MPICO and PCL.

Fiscal and Monetary Policy

In January 2024, through the Ministry of Finance, the government carried out pre-budget consultation meetings for the 2024-25 national budget with members of the public and other stakeholders. The Minister of Finance and Economic Affairs emphasized that the 2024-25 fiscal budget will focus on recovery and cushioning the economy from the effects of policy changes the government has implemented. The minister added that there are indications that direct budget support will continue even in the fiscal year 2024-25.

Following the first Monetary Policy Committee (MPC) meeting of 2024 held on 31 January and 1 February 2024, the MPC resolved to increase the Policy rate by 2.0 percentage points to 26.0%, from 24% set in 2023. Meanwhile, the MPC decided to maintain the Lombard rate at 20 basis points above the Policy rate. The Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits and the LRR ratio on foreign currency deposits have also been maintained at 7.75% and 3.75%, respectively.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price increased by 13% to MK859/kg in December 2023 from MK762/kg in November 2023.

The monthly average OPEC Reference Basket (ORB) price increased by 1.3% to a monthly average of USD80.04/barrel in January 2024, from USD79.00/barrel in December 2023.

Economic Growth

The 2024 gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 2.8% and 3.8%, with most sources attributing the rebound to the International Monetary Fund (IMF) Extended Credit Facility (ECF) program as it will unlock foreign exchange inflows into the country. Additionally, the rebound in 2024 is expected due to more robust private consumption and exports and the implementation of macroeconomic reforms.

The MPC projects growth for 2024 at 3.2% due to increased public investment and recovery in mining and quarrying, manufacturing, information and communication, financial and insurance activities, and education sectors.

According to Oxford Economics, economic growth was projected at 1.9% for 2023. The strong tobacco marketing season in 2023 was expected to bolster real GDP growth by offsetting the negative effects of adverse weather conditions. Real GDP growth is expected to rebound to 3.8% in 2024 due to more robust private consumption and exports.

According to the EIU, real GDP growth is expected to rebound in 2024 to 3.0% (from 1.6% in 2023) due to the anticipated resumption of the ECF program.

The World Bank's GDP growth projection for 2024 is 2.8% (from 1.6% in 2023) on account of ongoing and announced reforms that the government is implementing. 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 IMF projects that real GDP growth will rise to 3.3% (from 1.6% in 2023) because of the program of macroeconomic adjustment and reforms to be implemented in the year.

World Bank Malawi Country Economic Memorandum Report Overview

The World Bank's Malawi Country Economic Memorandum (CEM) analyses some of the main constraints to Malawi's economic growth. The report examines the macroeconomic constraints, the agriculture sector, constraints to firm productivity growth, trade, and governance and its implementation.

According to the World Bank, as Malawi enters its seventh decade since independence, its development journey is at a critical juncture. The World Bank acknowledges that between 2020 and 2023, the country has faced crises that have negatively affected lives and livelihoods. Per capita gross domestic product (GDP) growth has been negative during this period, increasing poverty levels from an already high baseline. At the start of the 2023/24 lean season, more than one in five Malawians were estimated to be experiencing acute and severe food insecurity. Based on these challenges, the World Bank emphasizes that higher levels of sustained growth are urgently needed.

In the Malawi CEM, the World Bank has argued that Malawi faces four core challenges: declining exports, low savings and investment, a slow shift of workers out of subsistence agriculture, and high climate vulnerability. According to the World Bank, addressing these challenges is essential for the country.

The Malawi CEM has also highlighted a few opportunities and success stories that the country can build on to help improve exports and revenues. The World Bank argues that Malawi has high potential to increase exports in non-traditional agricultural exports such as soybeans, macadamia, and groundnuts, as well as in mining. Recent discoveries of energy transition minerals, including rare earths, niobium, rutile, and graphite, present opportunities for increased exports, and in turn foreign exchange generation, fiscal revenues, and growth — if these are managed responsibly.

According to the World Bank, unlocking economic growth and developing state capacity requires the alignment of political incentives with development goals. While Malawi has comparatively high levels of voice and accountability, political stability, and the rule of law, there is room for improvement in regulatory quality and implementation, control of corruption and rent-seeking, and the effectiveness of government to set an enabling environment for private sector-led growth.

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 the potential to become a large rutile producer at 222 kilotons per annum (kt/a) for an initial 25 years. In its Malawi fourth quarter country report, the EIU stated that the Kayelekera uranium mine is expected to begin operations in late 2024. Furthermore, according to the World Bank's Malawi CEM there are currently seven mining priority projects (rutile in Kasiya, rare earths in Songwe, nioubium in Kanyika, graphite in Malingunde, heavy mineral sands in Makanjira, and rare earths in Kangankunde) which indicate a likely increase in the sector's contribution to GDP.

Energy: According to the World Bank, approximately 19% of Malawians can access 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 worth USD265 million (approximately MK447 billion). Agcom II provides a significant opportunity for players in the agricultural sector to find markets for their produce. Additionally, Malawi has made significant progress in developing the value chains of groundnuts, macadamia, and soybeans. Successful value chains spark adjacent activity, such as the poultry and fish feed industry for which soybeans are a major input; honey and paprika which are being intercropped with macadamia, and the agro-input segment, where groundnuts and soybeans are enabling new companies to emerge in inputs such as seed and inoculant.

A few other opportunities in the agricultural industry include large-scale commercial fishing, cannabis production and processing, and large-scale sugarcane production.

Tourism: Recently, Malawi has become a popular destination for international meetings, conferences and events. The sector offers various opportunities for investment, such as hotels and conference facilities in major towns and cities, cable cars and associated facilities on Mulanje Mountain, entertainment centres 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 Malawian public debt status risks include refinancing, interest rate, and exchange rate risks. Exchange rate shocks, such as the 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, worsen dire macroeconomic conditions, poverty, and food insecurity.

Next, agriculture plays a vital role in employment and export earnings but remains vulnerable to weather-related shocks. For instance, the 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 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 2023 was 28.8%. With the recent hike in electricity tariffs for non-domestic users and the increase in pump fuel prices, domestic prices will 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 pressure inflation levels, subsequently influencing the country's fiscal deficit.

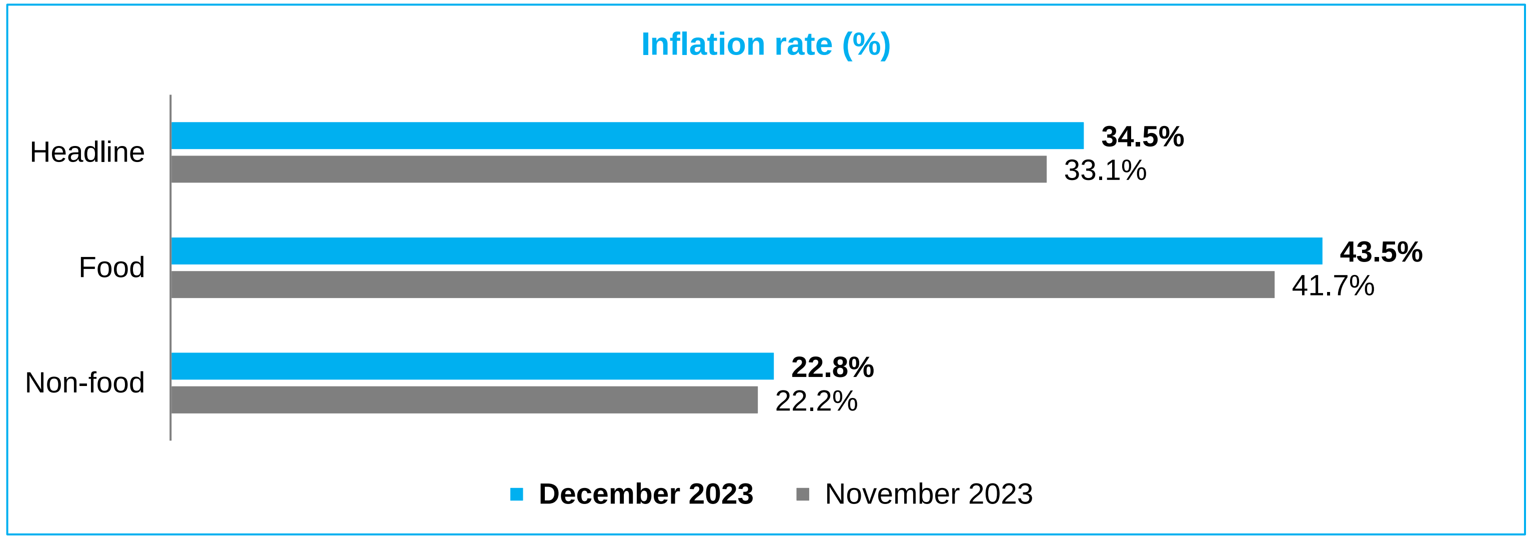
Economic overview

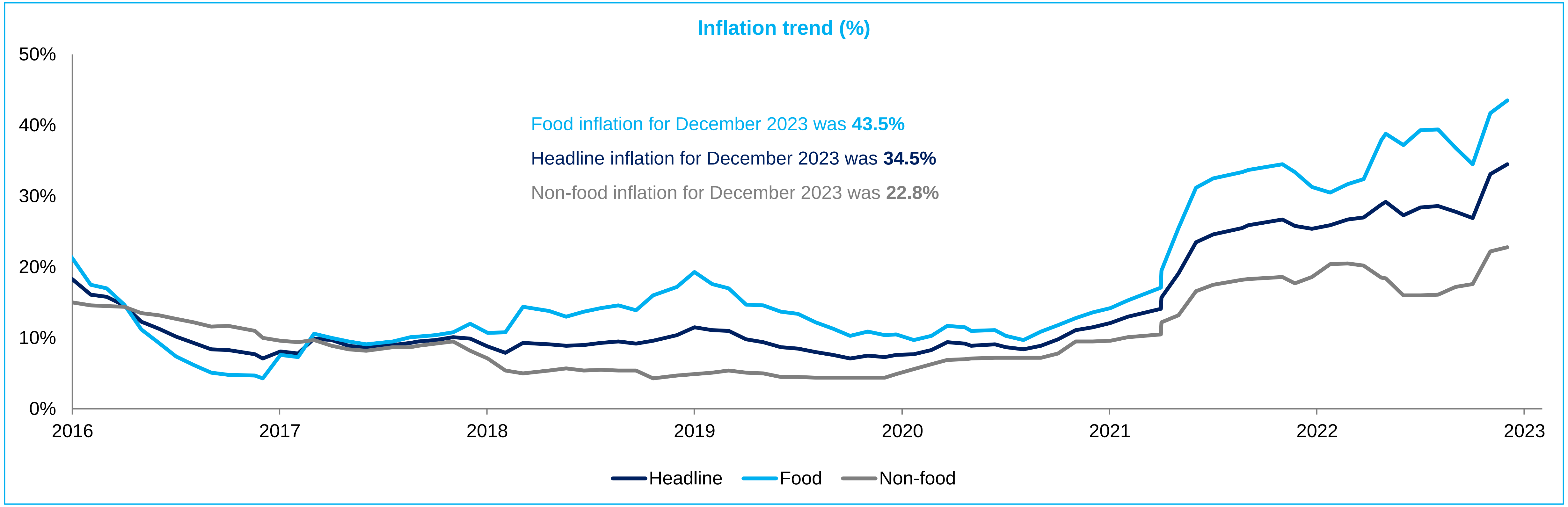
Inflation (Source: NSO, RBM)

Based on various forecasts, inflation for 2024 will range between 19.2% to 27.9%.

Projections from various published sources show that average inflation for 2024 will range between 19.2% to 27.9%.

The International Monetary Fund (IMF) expects inflation to average 27.9% in 2024 from 30.3% in 2023, whilst the Economist Intelligence Unit (EIU) expects inflation to average 25.1% in 2024 from 28.3% in 2023. Oxford Economics expects inflation to average 30.0% in 2024 from 28.6% in 2023. Finally, the World Bank projects inflation to average 19.2% in 2024 from 29.2% in 2023. The factors driving 2024 inflation expectations include fiscal consolidation, tight monetary policy stance and better global and local economic prospects.





Economic overview (continued)

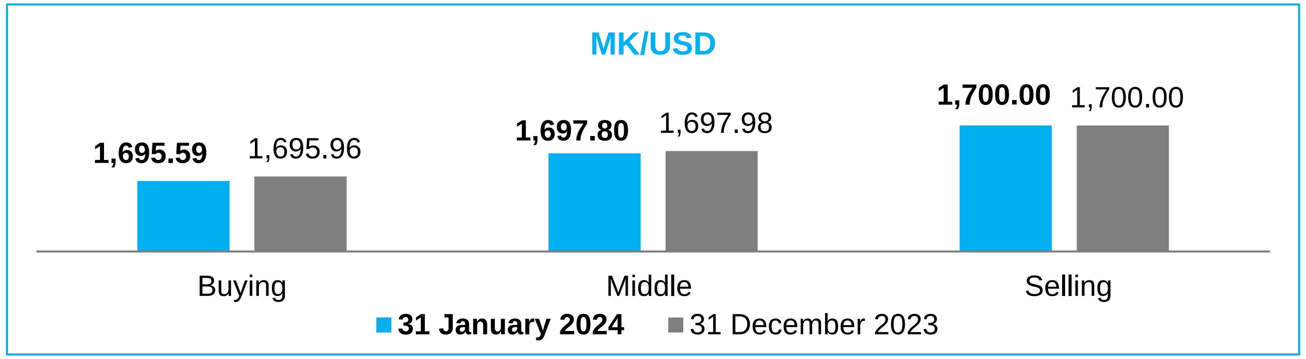
Foreign currency market and Foreign reserve position (Source: RBM)

In January, the RBM held two foreign exchange auctions. Based on the results of the auctions, the market selling price remains at MK1,700/USD.

Foreign Currency Market

Based on closing middle rates, the Malawi Kwacha traded at MK1,697.80/USD as of 31 January 2024, a marginal appreciation of 0.01% from MK1,697.98/USD as of 31 December 2023. During the same period in the previous year, the Kwacha had marginally appreciated against the USD by 0.3%.

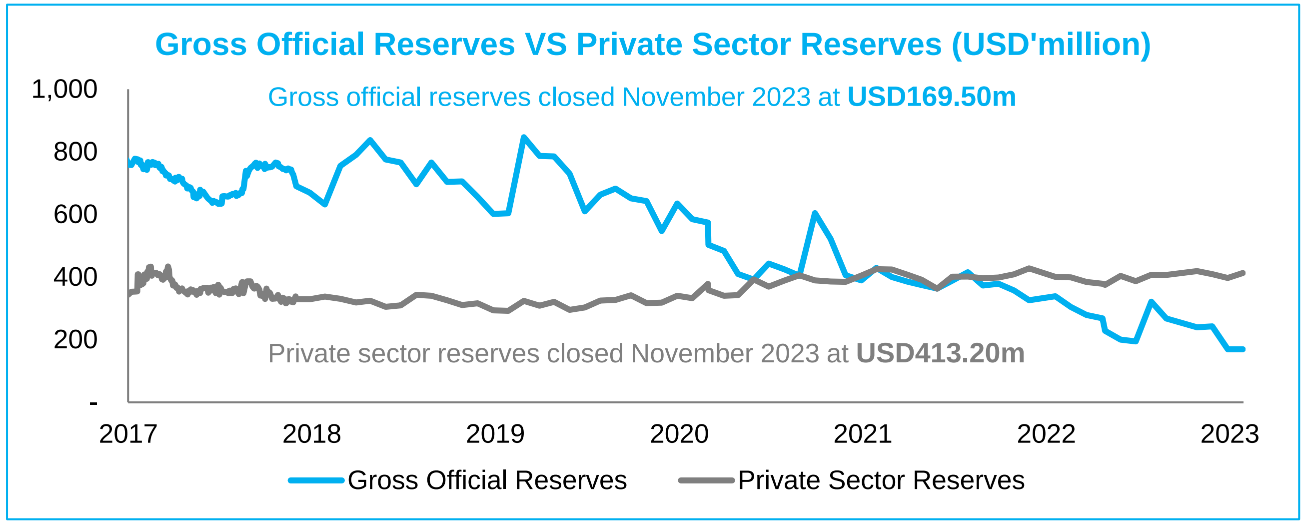
In January, the RBM held two foreign exchange auctions. The auctions were held on 10 January 2024 and 25 January 2024. The RBM raised a total amount of USD400,000 from the two auctions. In both auctions, the highest bid rate accepted was MK1,700/USD, and the lowest was MK1,700/USD. The weighted average rate accepted was MK1,700/USD. Based on the auction results, the market selling price remains at MK1,700/USD.

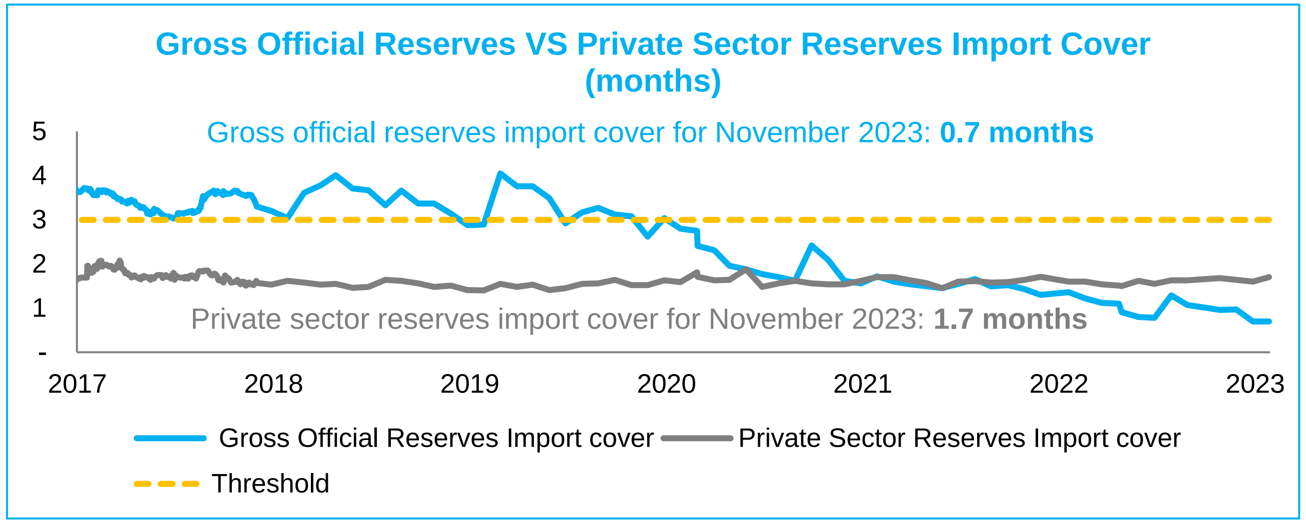


Foreign Exchange Reserves Position

As of 30 November 2023, the country's gross official foreign exchange reserves were USD169.50 million, which is an import cover of 0.70 months. The import cover for gross official foreign exchange reserves remained below the required threshold of 3 months.

	Nov-2023	Oct-2023	Month-on-month change (%)
Gross Official (USD'million)	169.50	169.30	0.1%
Private Sector (USD'million)	413.20	396.90	4.1%
Total Reserves (USD'millions)	**582.70**	**566.20**	**2.9%**
Gross Official import cover (months)	0.70	0.70	0.0%
Private sector import cover (months)	1.70	1.60	6.3%
Total import cover (months)	**2.40**	**2.30**	**4.3%**





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 4.25% in January 2024. It was 10.34% in January 2023.

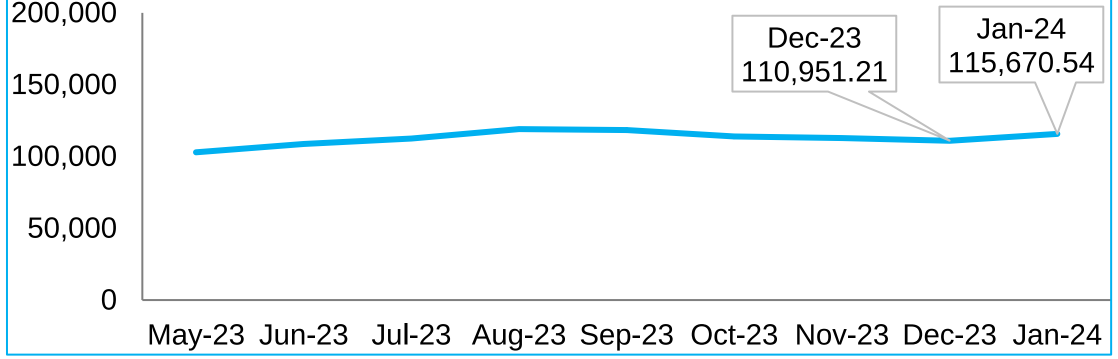
Share price gains for NICO, FMBCH, ILLOVO, and SUNBIRD primarily drove the increase in the MASI. The share price gains offset price losses for TNM, AIRTEL, FDH Bank and ICON.

The stock market was bullish as the Malawi All Share Index (MASI) increased to 115,670.54 points in January 2024 from 110,951.21 points in December 2023, representing a 4.25% increase. The MASI year-to-date return was 4.25% in January 2024. It was 10.34% in January 2023.

In January 2024, NICO was the most significant share price gainer as its share price increased by 36.28% to MK204.97 per share from MK150.40 in December 2023. There were also share price gains for FMBCH, ILLOVO, and SUNBIRD. Additionally, there were marginal share price gains for NITL, BHL, NBS, NBM, Old Mutual Limited, and Standard Bank.

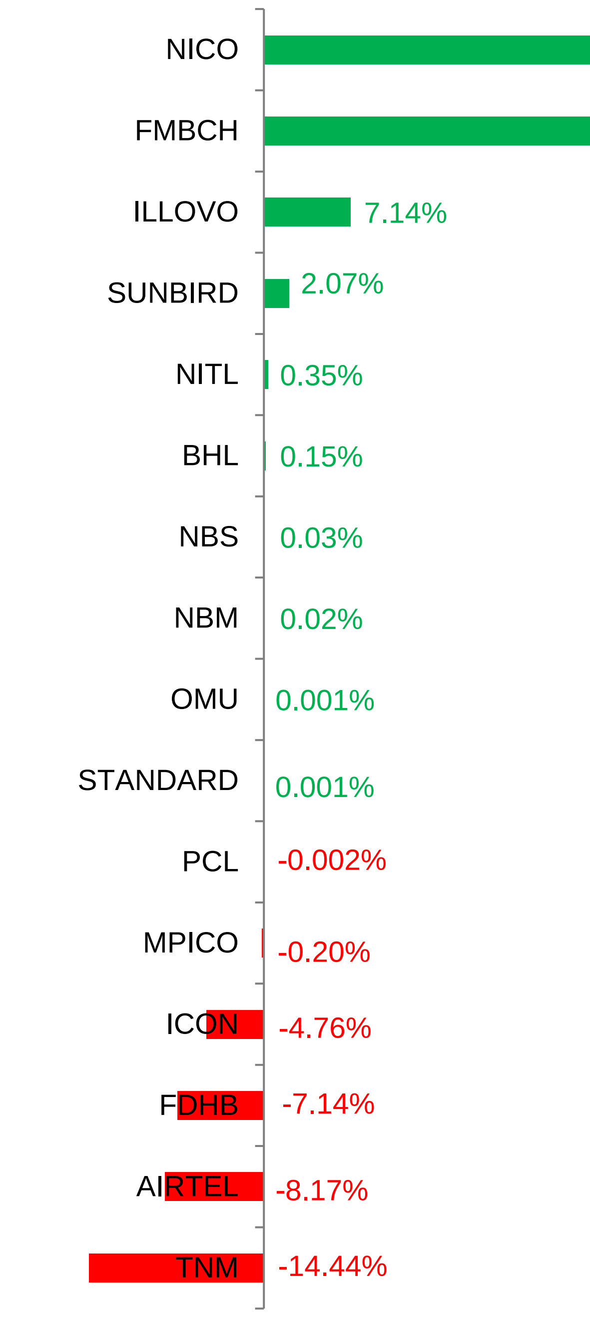
In January 2024, TNM was the most significant share price loser as its share price decreased by 14.44% to MK16.00 per share from MK18.70 per share in December 2023. There were also share price losses for AIRTEL, FDH Bank, and ICON. In addition, there were also marginal share price losses for MPICO and PCL.

2023-24 Malawi All Share Index (MASI)



MASI year-to-date return

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



Symbol	Closing prices (MK/share)	
	31 January 2024	31 December 2023
AIRTEL	55.10	60.00
BHL	13.02	13.00
FDHB	65.00	70.00
FMBCH	422.63	315.00
ICON	17.00	17.85
ILLOVO	1,350.00	1,260.03
MPICO	14.97	15.00
NBM	2,101.72	2,101.25
NBS	114.94	114.90
NICO	204.97	150.40
NITL	411.42	409.99
OMU	1,500.02	1,500.00
PCL	2,506.95	2,506.99
STANDARD	3,950.05	3,950.00
SUNBIRD	195.02	191.07
TNM	16.00	18.70

Economic overview (continued)

Stock Market (Source: MSE)

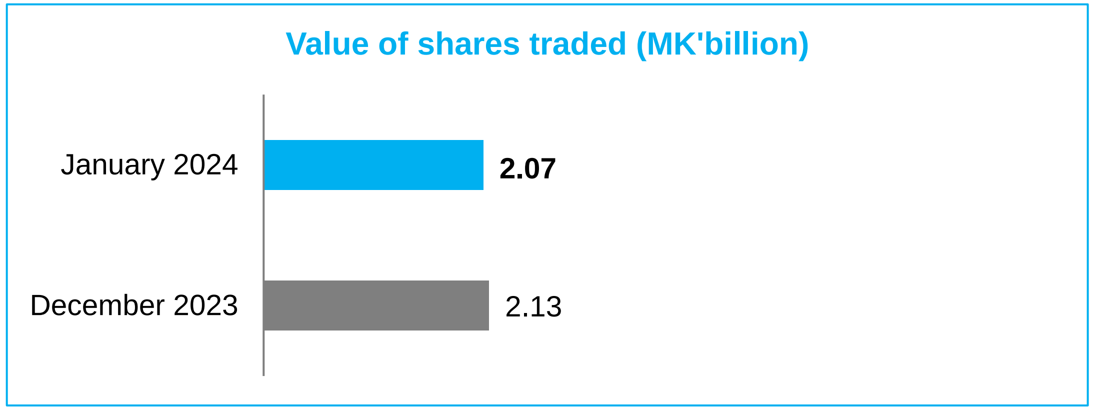
NICO had the highest value of shares traded in January 2024 at MK479 million.

The nominal value of all listed debt securities was MK3.63 trillion in January 2024, representing a decrease of 2.4% from MK3.72 trillion recorded in December 2023.

MSE Traded Values

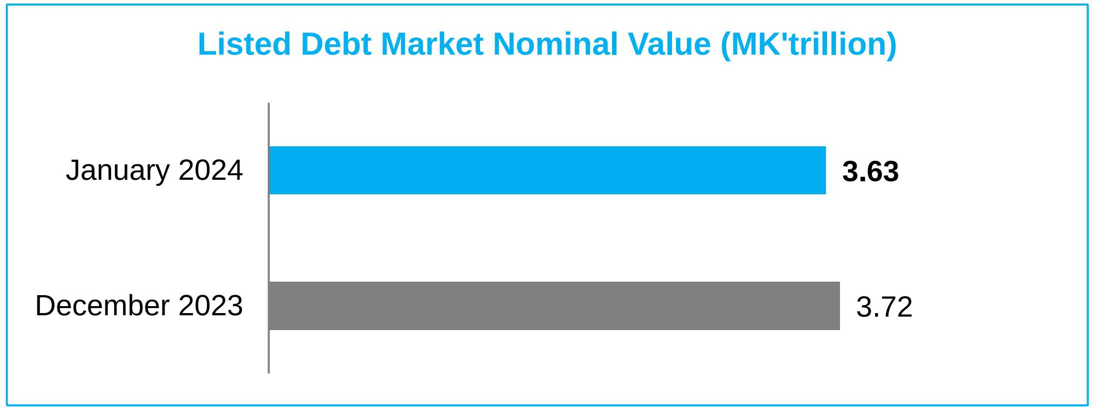
MK2.07 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in January 2024. This represented a 2.5% decrease from MK2.13 billion shares traded in December 2023. NICO had the highest value of shares traded in January 2024 at MK479 million.

The total number of trades increased to 870 in December 2024 from 615 in December 2023.



Listed Debt Market

The total number of instruments listed on the debt market was 79 in January 2024, representing a decrease of 1.3% from 80 in December 2023. There were no trades on the debt market in January 2024. The nominal value of all listed debt securities was MK3.63 trillion in January 2024, representing a decrease of 2.4% from MK3.72 trillion in December 2023.



Corporate Announcements

Published full year financial results

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

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

Published Financial Year Trading Statements

Counter	31 December 2022	31 December 2023	Trading statement profit/loss expectation
FDHB	22.9	34.0 - 35.5	48%-55%
BHL	(0.14)	(1.40) – (1.43)	(934%-954%)
SUNBIRD	3.1	5.2 – 5.6	70-84%
TNM	(1.8)	(4.7) – (5.0)	(161%-177%)
NBS	18.9	28.4 – 31.0	50-64%
FMBCH (USD'million)	40.1	49.7 – 51.3	24-28%
PCL	20.0	62.8 – 69.8	73-92%
AIRTEL	36.9	(2.0) – 1.8	(95%-105%)
NITL	6.99	19.5 – 20.5	179%-193%
NICO	38.0	61 - 66	61%-74%
Standard Bank	38.8	46.5 – 52.3	20%-35%
NBM	45.9	64.4 – 71.2	40%-55%

Amounts in billions of Kwacha unless specified otherwise

Annual/Extra-Ordinary General Meeting

MSE CODE	Date	Time	Venue
ILLOVO	29th February 2024	14:00hrs	Ryalls Hotel
BHL**	22nd February 2024	15:30hrs	Ryalls Hotel

***: Extra-ordinary meeting*

Government securities (Source: RBM)

The government awarded a total of MK241 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in January 2024, a 108% increase from MK115.9 billion awarded in December 2023.

From December 2023 to January 2024, the average TB and TN yields were maintained at 18.90% and 29.95%, respectively.

Treasury Bills (TBs)

In January 2024, the government sought to borrow MK48.2 billion through TB auctions. This represents a 91.8% increase from the MK25.1 billion sought in December 2023. Participants applied to place an amount of MK85.8 billion through TB auctions in January 2024. This represents a 94.9% increase from MK44.0 billion that was applied for in December 2023. The government awarded MK85.8 billion in January 2024, an 182.1% increase from MK30.4 billion in December 2023. The TBs auction had a nil rejection rate in January 2024 compared to a 30.91% rejection rate in December 2023.

Treasury Notes (TNs)

The government sought to borrow MK112.6 billion through TN auctions in January 2024. This represents a 39.8% increase from the MK80.6 billion sought in December 2023. Total participant applications stood at MK155.2 billion in January 2024. This represents an 81.6% increase from MK85.5 billion, which was applied for in December 2023. MK155.2 billion was awarded in the TNs auctions in January 2024. This entailed an 81.6% increase from MK85.5 billion, awarded in December 2023. The TNs auction had a nil rejection rate in January 2024, just as it did in December 2023.

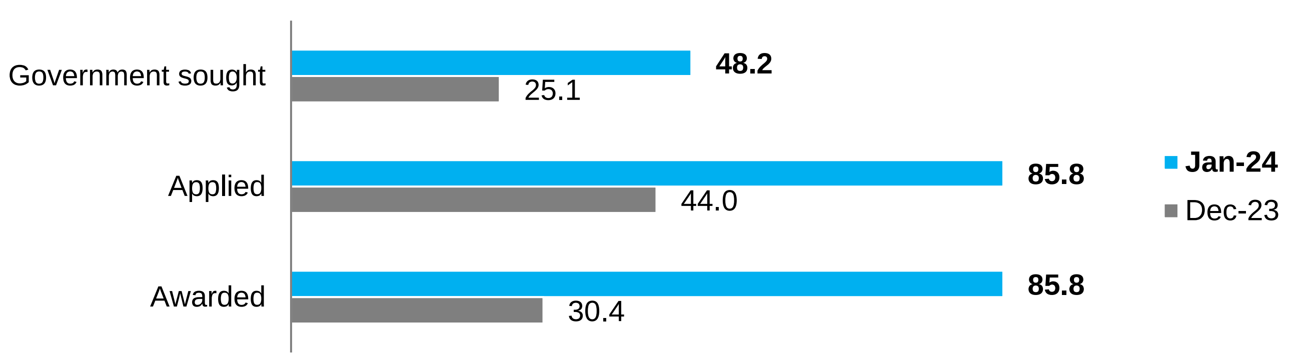
The government sought to raise MK160.9 billion in TBs and TNs auctions in January 2024. This represents a 52.2% increase from MK105.7 billion sought in December 2023. MK241.0 billion was awarded, up 108.0% from MK115.9 billion in December 2023.

Government Securities Yield Curve

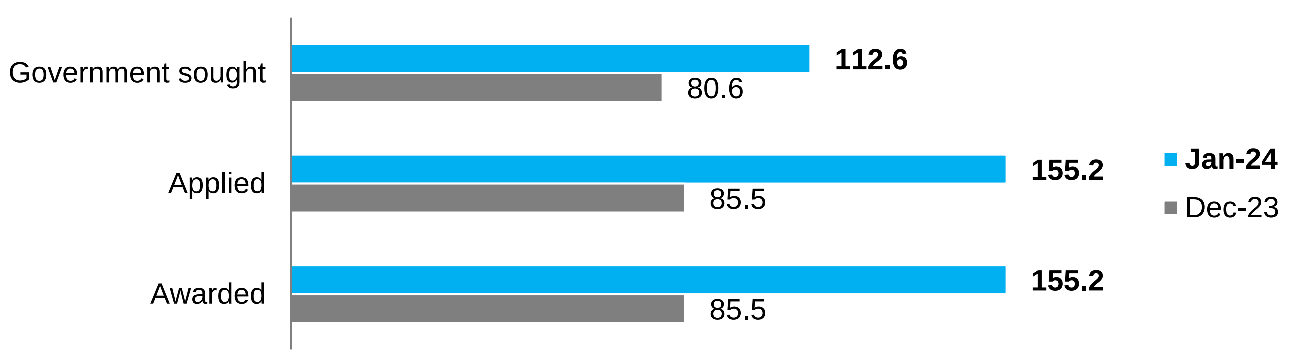
From December 2023 to January 2024, the 91, 182 and 364-day TB yields maintained 14.70%, 18.00% and 24.00%, respectively. As such, the average TB yield were maintained at 18.90% in January 2024. The average TB yield was 16.67% in January 2023.

From December 2023 to January 2024, 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 January 2024. The average TN yield was 25.79% in January 2023.

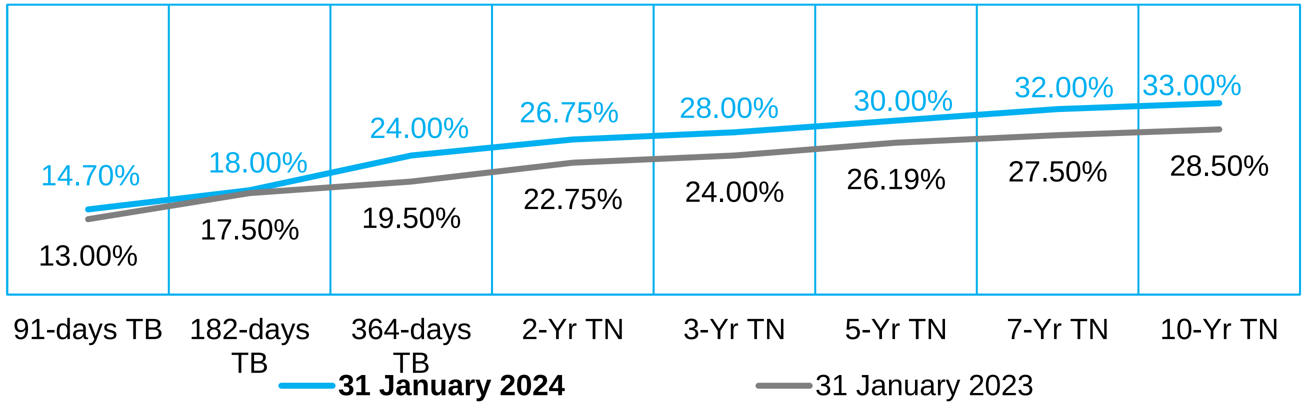
Treasury Bills (MK'billion)



Treasury Notes (MK'billion)



Government securities yield curve



The Monetary Policy Committee has raised the Policy rate by 2.0 percentage points to 26.0% from 24.0%.

Fiscal Policy (Source: RBM, IMF, Various published media)

In January 2024, the government, through the Ministry of Finance, carried out pre-budget consultation meetings for the 2024-25 national budget with members of the public and other stakeholders. The Minister of Finance and Economic Affairs emphasized that the 2024-25 fiscal budget will focus on recovery and cushioning the economy from the effects of policy changes the government has implemented. The minister added that there are indications that direct budget support will continue even in the fiscal year 2024-25.

Regarding the Extended Credit Facility, semi-annual reviews will assess progress on the agreed economic and financial policies. The first of these reviews is expected to take place in late July. The funds approved under the ECF arrangement will be disbursed after the successful completion of each review. Each review is expected to catalyze additional grant financing and capital inflows further.

The IMF team recently visited Blantyre and Lilongwe to take stock of recent economic developments and progress toward program implementation and will remain engaged throughout the program period.

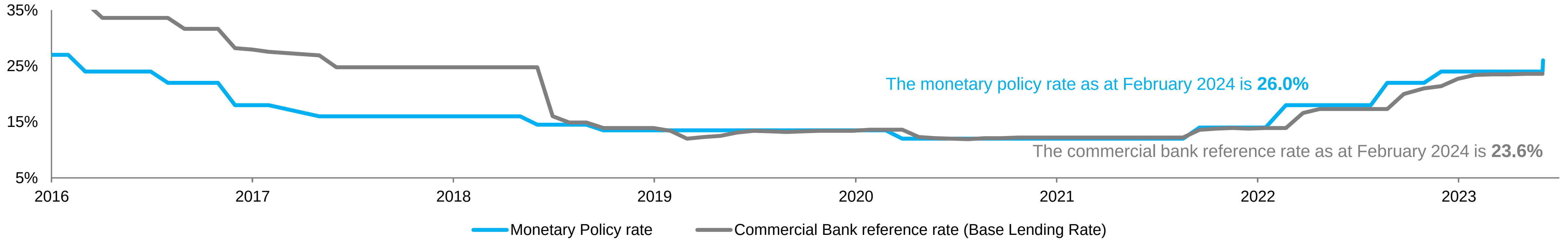
As disclosed in the local debt issuance calendar, the government seeks to raise MK409.7 billion through TN auctions and MK157.2 billion through TB auctions in the first quarter of 2024.

Monetary Policy (Source: RBM, NBM)

Following the first Monetary Policy Committee (MPC) meeting of 2024 held on 31 January and 1 February 2024, the MPC resolved to increase the Policy rate by 2.0 percentage points to 26.0%, from 24% set in 2023. Meanwhile, the MPC decided to maintain the Lombard rate at 20 basis points above the Policy rate. The Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits and the LRR ratio on foreign currency deposits have also been maintained at 7.75% and 3.75%, respectively. The MPC arrived at this decision after observing that inflationary pressures have intensified, such that inflation is projected to persist before it starts to decline. The MPC resolved to increase the policy rate to contain inflationary pressures and restore price stability.

The MPC noted that the inflation pressures had increased during the fourth quarter of 2023. Notably, the average headline inflation for the fourth quarter of 2023 was recorded at 31.5%, from 28.2% during the preceding quarter. The acceleration in inflation reflects the pass-through effects of the recent 44.0% exchange rate re-alignment and the subsequent adjustment in energy prices. The MPC noted that inflationary pressures are expected to intensify due to the lagged effects of exchange rate re-alignment, higher maize prices owing to the anticipated lower maize production, and worsening inflation expectations. These factors have shifted the inflation path upwards, and therefore, the MPC resolved that a monetary policy response was required.

Monetary Policy rate Vs bank reference rate (%)



The commercial bank reference rate for February 2024 remains unchanged from the January 2024 reference rate of 23.6%.

Commodity Market Developments

Maize, Oil, and other commodities market developments

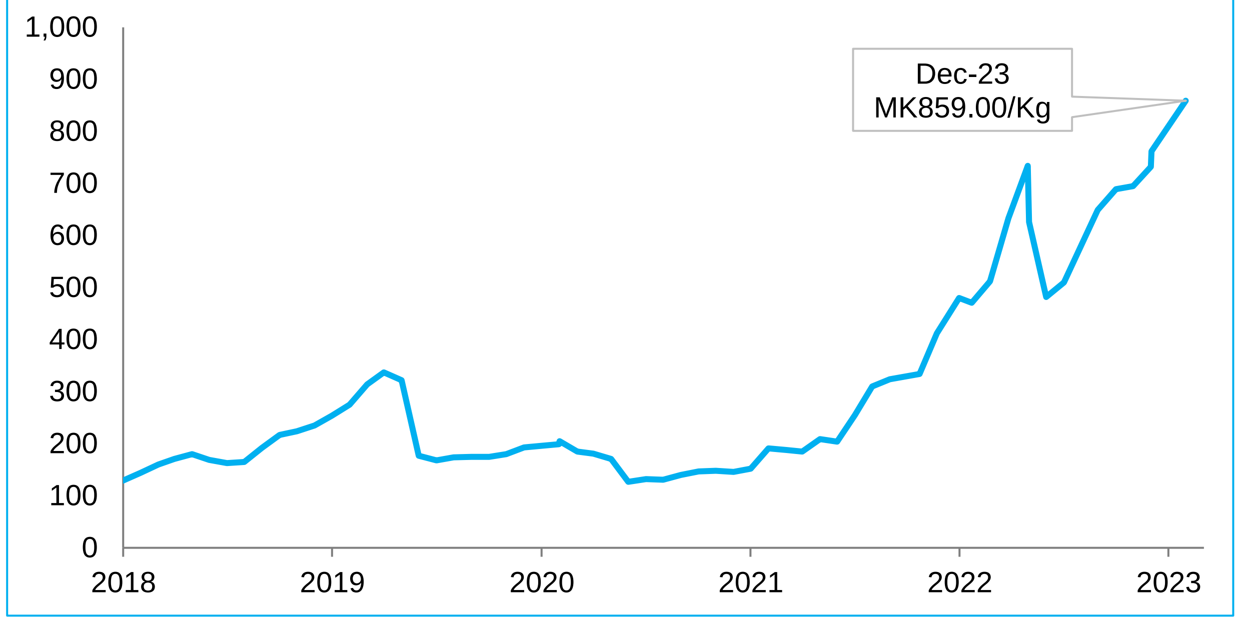
The retail maize price increased to MK859/kg in the last week of December 2023 from MK762/kg in November 2023.

The monthly average OPEC Reference Basket (ORB) price increased by 1.3% to USD80.04/barrel in January 2024 from USD79.00/barrel in December 2023.

Local Maize Price Developments (Source: IFPRI)

Data from the International Food Policy Research Institute (IFPRI) December 2023 monthly maize market report showed that retail maize prices increased by 13% in December 2023 compared to a 4% increase in November 2023. The retail maize price increased from MK762/kg in the last week of November 2023 to MK859/kg in the last week of December 2023. The report further shows that maize prices were highest in the Southern region, followed by the Central region, whilst the Northern region had the lowest prices.

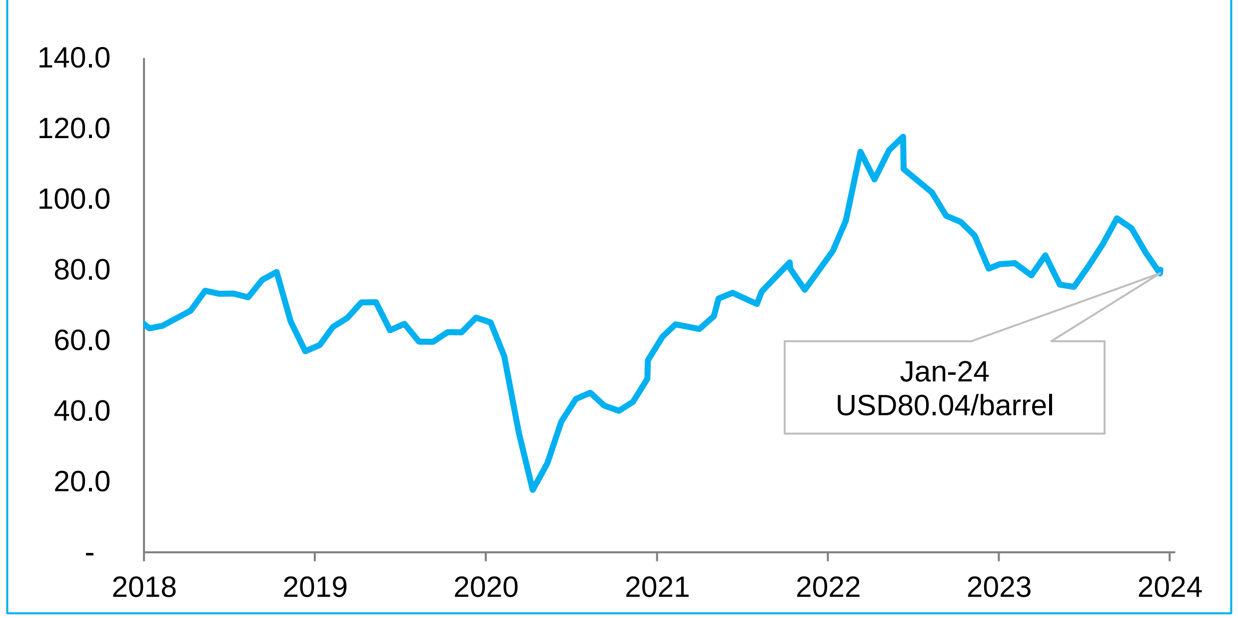
Annual comparisons indicate that the retail maize price has increased by 82%, as it was at MK471/kg in December 2022.



Global Oil Price Developments (Source: OPEC, Reuters)

The monthly average OPEC reference basket price increased to USD80.04/barrel in January 2024 from a monthly average of USD79.00/barrel in December 2023. This represents an increase of 1.3% month-on-month. Year-on-year, this means a 1.9% decrease from an average price of USD81.62/barrel as of January 2023.

In its January 2024 monthly report, OPEC maintained its 2024 world oil demand growth forecast at 2.2 mb/d. The oil demand of the Organization for Economic Co-operation and Development (OECD) is expected to grow by 0.3 mb/d, while the non-OECD's oil demand growth is expected to be about 2.0 mb/d. Total world oil demand is anticipated to reach 104.4 mb/d in 2024, bolstered by strong air travel demand and healthy road mobility, including on-road diesel and trucking, and healthy industrial, construction and agricultural activities in non-OECD countries.



Other Commodity Price Developments (Source: World Bank)

According to World Bank commodity prices data, global tea prices decreased to USD2.66/Kg in January 2024 from USD2.71/Kg in December 2023. World sugar prices remained unchanged at USD0.48/Kg in January 2024 from December 2023. For fertilizers, Urea prices decreased to USD335.4/mt in January 2024 from USD354.0/mt in December 2023, Diammonium Phosphate (DAP) prices increased to USD596.3/mt in January 2024 from USD563.8/mt in December 2023, and Potassium Chloride prices decreased to USD296.3/mt in January 2024 from USD311.9/mt in December 2023.

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A summary of the World Bank Malawi Country Economic Memorandum: A Narrow Path to Prosperity - December 2023

World Bank December 2023 Malawi Country Economic Memorandum

Introduction

The World Bank's Malawi Country Economic Memorandum (CEM) analyses some of the main constraints to Malawi's economic growth. The report looks at the macroeconomic constraints, the agriculture sector, constraints to firm productivity growth, trade, and governance and its implementation.

Overview

According to the World Bank, as Malawi enters its seventh decade since independence, its development journey is at a critical juncture. The World Bank acknowledges that between 2020 and 2023, the country has faced crises that have negatively affected lives and livelihoods. Per capita gross domestic product (GDP) growth has been negative during this period, increasing poverty levels from an already high baseline. At the start of the 2023/24 lean season, more than one in five Malawians were estimated to be experiencing acute and severe food insecurity. A series of shocks worsened fiscal and external imbalances, leading to the necessity of external debt restructuring, fiscal consolidation and sustained shortages of essential commodities, including pharmaceuticals, food, fertilizer, and fuel. The scarcity of foreign exchange in the official market has undermined businesses, fostered illicit trade and smuggling, suppressed imports, and led to the withdrawal of trade finance. While economic reforms are starting to take shape, it is yet to be seen if they will lead to a more rapid development trajectory.

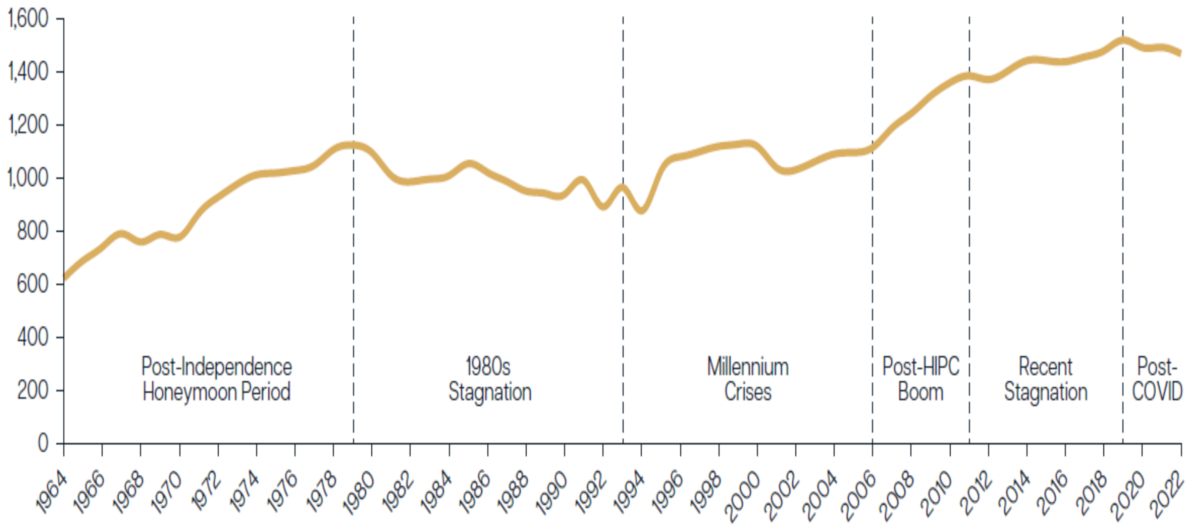
Based on these challenges, the World Bank emphasises that higher levels of sustained growth are urgently needed. The World Bank notes that there have been periods in Malawi's post-independence history when annual per capita GDP growth exceeded 4%, most notably in the 15 years following independence (1964–1979) and during the boom following debt relief in the context of the Heavily Indebted Poor Countries (HIPC) initiative (2006–2011). Unfortunately, these periods were interrupted by subdued growth, resulting in modest overall economic gains and largely stagnant poverty rates.

Despite the undermined growth that Malawi has experienced, the World Bank has observed that the country has made significant strides in many areas of human development. For instance, since 1990, life expectancy has increased by more than 20 years, driven in part by substantial progress in reducing infant and child mortality and successful efforts against communicable diseases. According to the Human Capital Index, Malawi is ranked between Iraq and Botswana, both upper middle-income countries.

In the World Bank's view, the government has recently made several difficult but necessary reforms to stabilize and bolster the macroeconomic foundations for growth. This includes significant movement towards aligning official and parallel exchange rates and increasing the flexibility of the kwacha. Additionally, progress has been made in debt restructuring. Fiscal consolidation measures have been announced, including reforms to improve the efficiency and sustainability of the Affordable Inputs Programme. Collectively, these steps acknowledge the need for difficult but essential decisions to stabilize the macroeconomy and help create foundations for inclusive, sustained growth. Malawi's economic history supports them. According to the World Bank, previous growth episodes were characterized by temporary macroeconomic stability, fiscal solvency, and a relatively favourable business environment. However, the question remains: will this be another crisis or a turning point in Malawi's economic journey?

Figure 1.1 Despite periods of acceleration, Malawi's economic growth has not been transformational

GDP per capita in 2017 constant US$ purchasing power parity



Source: World Bank World Development Indicators (1990–2021), staff calculations based on World Bank Macro-Poverty Outlook (10/2023), and staff calculations based on Maddison Project Database 2020 (1964–1989).

In the World Bank's view, the government has recently made several difficult but important reforms to stabilize and bolster the macroeconomic foundations for growth. This includes significant movement towards aligning official and parallel exchange rates and increasing the flexibility of the kwacha.

According to the World Bank, over the past 30 years, Malawi's per capita gross domestic product (GDP) has increased by over 50%, a growth trajectory comparable to other countries in the region. However, Malawi's growth has not significantly raised living standards and closed the gap with its neighbours.

Four core challenges

In the Malawi CEM, the World Bank has argued that Malawi faces four core challenges and that addressing these challenges is very important for the country to move forward.

A. Declining exports

According to the World Bank, Malawi's export performance has weakened in recent decades from a low base, in contrast to most other peers. Driven by strong commodity exports, Malawian exports (as a share of GDP) during the 1990s were ahead of regional averages and those of structural and aspirational peers. This trend has reversed, with Malawi now exporting less than 40% of the output typical for an African country. The low level of exports paired with high import demand has significant macroeconomic consequences, perpetuating foreign exchange shortages and causing microeconomic impacts as firms miss out on the productivity gains associated with exporting.

B. Low savings and investment

The World Bank notes that Malawi exhibits one of the lowest savings rates in the world, driven by high levels of government consumption and limited household and commercial savings. Malawian savings amounted to 11.0% of GDP in 2019. At the time, only seven out of 161 countries with available data reported lower figures, and this rate is expected to have declined further since then. The investment rate stood at just 12.3% in 2019, barely half of the regional norm of 22.2%. This made Malawi the country with the seventh-lowest investment rate globally. Aspirational peers invested more than 2.5 times as much of their output as Malawi, supporting considerably more robust growth.

C. A slow shift of workers out of subsistence agriculture

According to the World Bank's assessment, the slow movement of workers out of agriculture and into industry and services has contributed to Malawi's subdued growth. The process of structural transformation, marked by workers seeking and securing opportunities beyond agriculture, can spur the commercialization and professionalization of the economy and underpin productivity growth in the medium term. Furthermore, it can make scarce resources such as land and water available to the most productive farmers. So far, these shifts have proceeded slowly in Malawi, though the change since the 1990s has been comparable to that of the region. The share of workers in agriculture has decreased by 14 percentage points, compared with 12 percentage points in Sub-Saharan Africa, albeit from a lower baseline.

D. High climate vulnerability

Furthermore, the World Bank notes that Malawi is also one of the countries most prone to climate change. How it addresses these risks will increasingly define its economic trajectory. According to the World Bank's Country Climate and Development Report (CCDR, World Bank 2022a), climate change is anticipated to impose high economic costs, with a disproportionate impact on already vulnerable households. These impacts on GDP are estimated to range from 3% to 9% by 2030.

Chapter 1: From stagnant to thriving: Overcoming macroeconomic constraints to Malawi's growth

According to the World Bank, over the past 30 years, Malawi's per capita gross domestic product (GDP) has increased by over 50%, a growth trajectory comparable to other countries in the region. However, Malawi's growth has not significantly raised living standards and closed the gap to its neighbours. Some peer countries have triple their per capita GDP over this time. The World Bank has attributed Malawi's slow growth to the four core challenges discussed above.

Further to the core challenges, the World Bank has argued that weak fiscal planning and implementation have made budgets an ineffective foundation for resource allocation. Additionally, unsustainable debt, driven by fiscal deficits, external balance shortfalls, and governance challenges, undermines economic growth.

The World Bank has emphasized the need for focusing macroeconomic policy on long-term sustainable growth, achieving debt sustainability and improving debt management, implementing robust fiscal reforms, increasing the efficiency of public investment, and strengthening external resilience. In addition, Malawi needs a surge in private investment to capitalize on its growing and highly competent workforce.

Chapter 2: Commercializing agriculture and improving the prospects for rural employment

According to the World Bank, two-thirds of all Malawian adults work in agriculture, and the sector contributes significantly to GDP. However, high poverty rates show that there have been few opportunities to increase rural incomes. 94% of all poor households in Malawi are in rural communities, and the rural poverty headcount ratio at the national poverty line (57%) is almost three times that found in urban areas (19%).

In the World Bank's view, Malawi's agriculture sector has primarily been shaped by policies emphasizing food self-sufficiency rather than commercial farming. Consequently, the sector has untapped potential for increased growth and job creation.

The World Bank Business Pulse Survey showed that the COVID-19 pandemic and the series of shocks since 2020 have devastated the private sector in Malawi. According to the survey, 85% of firms lost sales, the fifth-highest incidence among 48 countries in the survey.

Chapter 2 (continued)

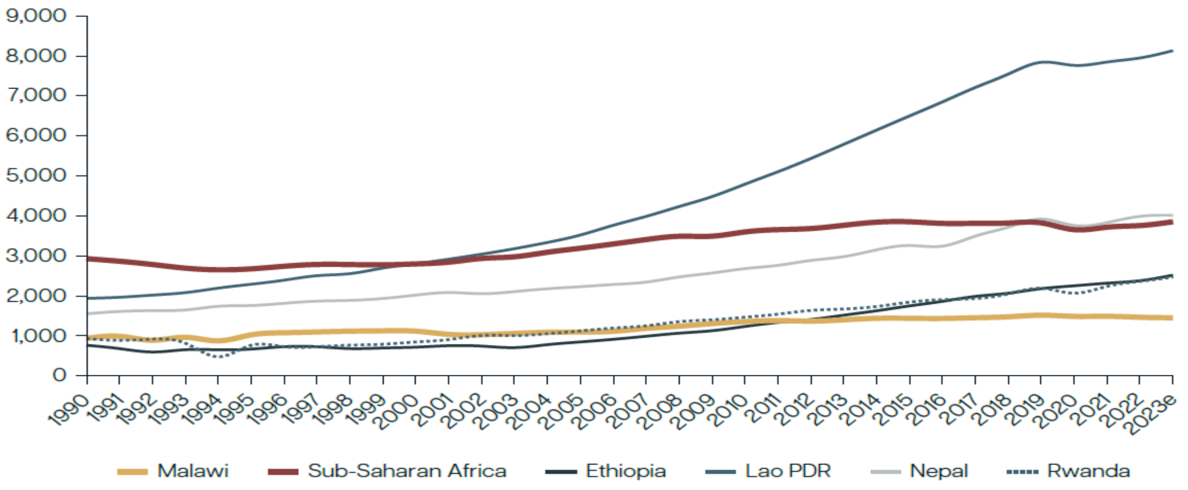
Although Malawi's economy remains among the world's most dependent on agriculture, the current structure of household agricultural production does not facilitate sustained poverty reduction for most farming households. Due to small landholdings, even if all farming households could achieve the agricultural productivity levels of the top 10 per cent of most productive households, the poverty rate would not significantly reduce.

Farming contributes only 30% to the total income of the typical farming household, with these households only deriving about USD20 (in nominal terms) in value per capita annually from their endeavours. Other significant sources of income include casual, short-term ganyu employment, more formal, longer-term wage employment, and commercial enterprises.

In the World Bank's view, Malawi's agriculture sector has primarily been shaped by policies emphasizing food self-sufficiency rather than commercial farming. Consequently, the sector has untapped potential for increased growth and job creation. However, commercial farmers have faced unpredictable government interventions in input and output markets, land tenure uncertainty, and an unattractive external trade regime. Addressing these policy barriers and improving institutional capacity to implement planned reforms are crucial for achieving agricultural growth and rural economic transformation.

Figure O.1 Malawi's economic trajectory lags that of top growth performers

Real GDP per capita in 2017 constant US$ purchasing power parity



Source: World Bank WDI (1990 – 2021) and staff calculations based on World Bank Macro-Poverty Outlook (2023).

Chapter 3: Unlocking core constraints to private sector productivity growth

The World Bank notes that market distortions and a lack of private sector competitiveness result in the absence of a dynamic cycle where more efficient new firms replace unproductive firms. Low overall productivity levels and significant gaps between the most and least efficient firms suggest that many must use their resources efficiently to compete and grow. Significant bottlenecks, including in accessing finance, information, and international markets, are compounded by problems of electricity access, corruption, and political instability.

The World Bank Business Pulse Survey showed that the COVID-19 pandemic and the series of shocks since 2020 have devastated the private sector in Malawi. According to the survey, 85% of firms lost sales, the fifth-highest incidence among 48 countries in the survey. However, the World Bank suggests that the subsequent shocks since 2020 have been particularly damaging, as sales have continued to decline through 2022. Two-thirds of businesses surveyed in late 2022 believe that increased non-labour input costs negatively affected their profits, while more than three-quarters of firms saw foreign exchange unavailability as a threat to profitability.

The World Bank argues that firms cannot weather shocks and grow with limited access to finance. This is reported as the leading constraint firms face, with high interest rates and repayment risks cited as the primary concerns. Due to a low-risk appetite, financial institutions provide limited credit to the private sector and charge high rates to borrowers, more than 30%. Instead, government credit has soared, resulting in highly profitable and well-capitalized banks.

Significant reforms are needed for Malawi's private sector to drive growth. Management training and support services are essential, including strengthening digital access. To improve access to finance, there is an urgent need for the public sector to reduce borrowing demands. Banks will need to reduce operating costs, as well as improve identification systems and develop a credible credit referencing system. Finally, it is critical to improve government capacity to strengthen competition enforcement and advocacy.

According to the World Bank, unlocking economic growth and developing state capacity requires the alignment of political incentives with development goals.

Chapter 4: Increased trade can help stabilize the economy and drive industrialization

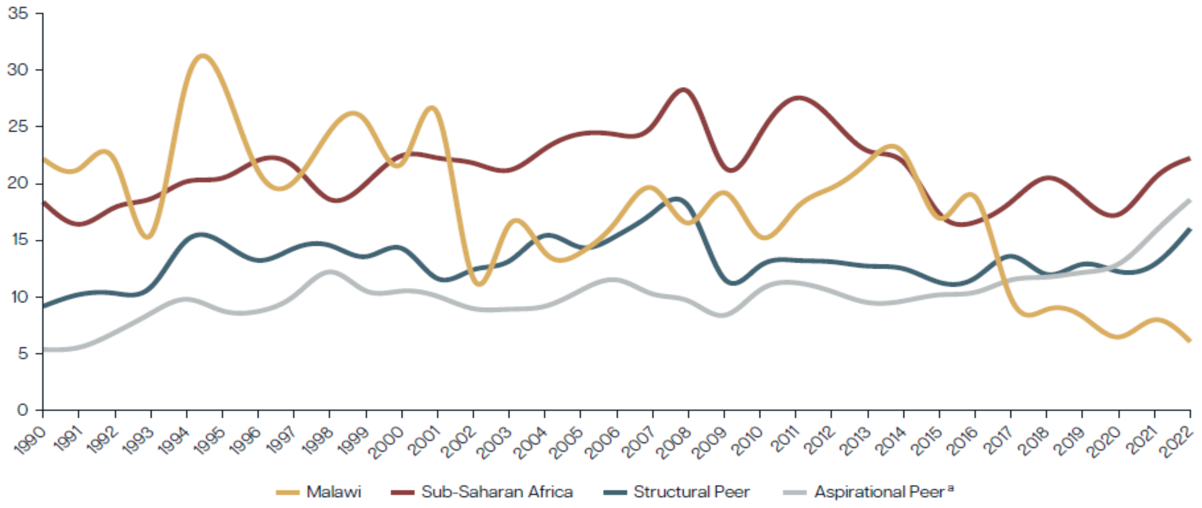
In the Malawi CEM, the World Bank states that Malawi's chronic trade imbalance has worsened significantly in recent years, resulting in a consistent foreign exchange shortfall. Low levels of investment and high trade costs due to policy barriers, inefficient logistics and poor infrastructure, compounded by the structural challenges of being a small, landlocked country, reduce overall economic resilience and negatively impact Malawi's economy.

Malawi's export performance has been worsening, mainly due to its heavy reliance on one declining crop — tobacco. The double burden of being overly dependent on a single commodity and the volatility of its other exports exposes the country to fluctuations in global commodity prices and demand dynamics and results in inadequate and unstable foreign exchange earnings.

According to the World Bank, Malawi has a high potential to increase exports in non-traditional agricultural exports such as soybeans, macadamia, and groundnuts, as well as in mining. In the World Bank's view, Malawi's mining sector, while currently insignificant, can play a transformational role in driving export growth and addressing foreign exchange constraints.

Figure O.2 **In contrast to higher achievers, Malawi's exports are in decline**

Merchandise exports as a share of GDP, percent



Source: World Bank staff calculations based on World Bank WDI based on World Trade Organization, World Bank WDI based on World Bank National Accounts, and World Bank MPO.

a. Excluding Lao PDR.

Recent discoveries of energy transition minerals such as rare earths, niobium, rutile, and graphite, stimulated by global demand provide opportunities for growth in exports and revenues. There are currently seven mining priority projects (rutile in Kasiya, rare earths in Songwe, nioubium in Kanyika, graphite in Malingunde, heavy mineral sands in Makanjira, and rare earths in Kangankunde) which indicate a likely increase in the sector's contribution to GDP.

Additionally, Malawi has made significant progress in developing the value chains of groundnuts, macadamia, and soybeans. All three value chains have upstream and downstream value addition emerging. Malawi now has an installed industrial soybean processing capacity of 700,000 tons, with seven major processors producing various products including soy chunks, soy lecithin, corn-soy blend, chicken feed, fish feed, and cooking oil. The groundnut segment is becoming a vertically integrated value chain, with downstream linkages such as the production of seeds and other inputs, and upstream linkages such as shelling and testing to unlock major export destinations. Macadamia are currently husked and exported in shell, but a major investment in local cracking capacity is underway. Successful value chains spark adjacent activity, such as the poultry and fish feed industry for which soybeans are a major input; honey and paprika which are being intercropped with macadamia, and the agro-input segment, where groundnuts and soybeans are enabling new companies to emerge in inputs such as seed and inoculant.

Given Malawi's dependence on its neighbours both as export markets and to reach ports, reducing trade and transport costs will be essential for Malawi to leverage trade for growth. Central to this will be advancing trade facilitation and customs reforms, especially removing non-tariff barriers along critical corridors. Integration through the African Continental Free Trade Area could benefit Malawi significantly, particularly in the processed food, agriculture, and trade sectors.

Chapter 5: Can this time be different? Building on past successes to kickstart growth

According to the World Bank, unlocking economic growth and developing state capacity requires the alignment of political incentives with development goals. While Malawi has comparatively high levels of voice and accountability, political stability, and the rule of law, there is room for improvement in regulatory quality and implementation, control of corruption and rent-seeking, and the effectiveness of government to set an enabling environment for private sector-led growth.

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The World Bank emphasizes that the state has a central role in creating the conditions for inclusive growth and job creation.

Chapter 5 (continued)

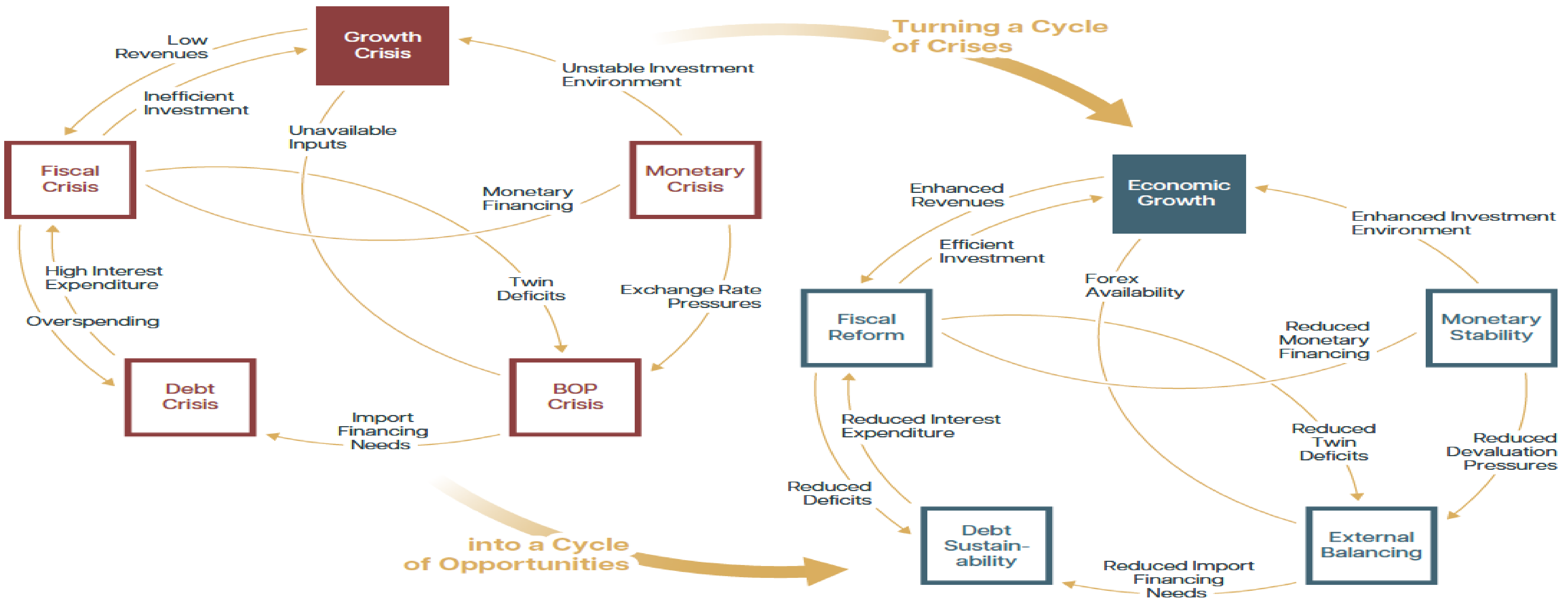
The World Bank emphasizes that the state has a central role in creating the conditions for inclusive growth and job creation. However, in recent decades, decentralized short-horizon rent-seeking and an imperative to maintain deals-based support have perpetuated high levels of corruption and governance outcomes that are unconducive for growth. Furthermore, similarity obstructs government effectiveness by emphasizing the appearance of good practice rather than the fundamental structures of how government decisions are made and carried out.

Sector	Policy issue	Short-Term Actions (the next 3–6 months)	Medium-Term Implementation (before the end of 2025)
Creating the macroeconomic fundamentals (Chapter 1)	Ending the current BOP crises and strengthening foundations to prevent future crises	Create a sustainable and well-supported exchange rate regime, by institutionalizing a market-based and -clearing foreign exchange pricing mechanism.	Maintain a market-determined exchange rate and strategically use official reserves, external public debt, and financial openness to manage external balances.
	Proceeding with robust fiscal reforms	Demonstrate that Malawi can operate within its budget in FY 2023/24 by implementing fiscal consolidation measures, increasing domestic revenue, and improving forecasts of pre-determined expenditure.	Enhance legislative accountability to budget estimates and fully implement IFMIS across Government.
Agricultural Commercialization and Rural Labor Markets (Chapter 2)	Fostering agricultural markets and appropriate market institutions	Consistently implement COGA, promote public-private partnerships for commercialization, and increase transparency for government interventions in the market.	Minimize discretionary interventions in agricultural markets and ensure predictability for domestic and foreign investors.
	Reforming agricultural expenditures to foster efficiency and equity in the rural agricultural market	Proceed with AIP 2.0 reform process to reduce the fiscal burden, maximize fertilizer use efficiency through better targeting by using a finalized beneficiary registry, and improve the timeliness of input procurement and distribution.	Repurpose agricultural expenditures by reducing subsidies and investing in growth-enhancing areas, including climate adaptation.
Enabling the Private Sector to Drive Productivity Growth (Chapter 3)	Improving access to finance, especially for smaller firms	Address the crowding out of the private sector from commercial borrowing, including by setting clear and credible targets for the reduction of Government domestic borrowing.	Reduce the operational costs of commercial and development banks through de-risking, cost-sharing of technology investments, automated service provision, efficient credit referencing, and timely resolution of court cases.
Enabling the Private Sector to Drive Productivity Growth (Chapter 3) cont.	Strengthening the ability of the CFTC to enforce the competition regulatory and legal framework to enhance the welfare of consumers and foster competitive enterprises.	Expedite the enactment of the Competition and Fair-Trading Bill and corresponding regulations.	Invest in the capacity of CFTC and associated judiciary institutions, support the outreach and enforcement systems associated with the amended Competition and Fair-Trading Act, and embed competition principles in broader public policies.
Catalysing Exports and Foreign Investment (Chapter 4)	Incentivizing exports by reducing non-tariff barriers	The Ministry of Trade and Industry reviews existing NTBs and develops strategy for phasing these out, especially in sectors where Malawi has a comparative advantage (agriculture, agro-processing, mining, tourism)	The government together with the legislature ensures through enhanced internal review and external consultations that all future trade policy measures are developed jointly with industry and focus on maximizing export growth, attracting investment, and incentivizing exports to use official channels.
	Enhancing the attractive-ness of Malawi to export-oriented and import-substituting FDI in sectors where the country has a potential comparative advantage	The government together with the legislature ensures that any legislation under discussion such as the Crops Bill, and export licensing procedures, create a conducive and predictable policy environment that supports domestic and foreign investment and are aligned with the implementation of the COGA.	The Ministry of Lands, Housing and Urban Development together with the legislature and the Ministry of Trade and Industry aligns foreign ownership and lease structures of land to international standards and streamlines the process for obtaining licenses and permits.

Scale up results-based financing within government systems, with a focus on harmonization of financing across government and development partners within common platforms.

Sector	Policy issue	Short-Term Actions (the next 3–6 months)	Medium-Term Implementation (before the end of 2025)
Implementing Malawi's Growth Agenda through Improved Governance (Chapter 5)	Promoting and enabling effective leadership	Publicize and reward strong public sector performance and the leaders behind it	Focus the implementation of public service legislation currently undergoing revision on incentivizing improved performance among senior public servants and executives.
	Creating appropriate financial incentives to strengthen leadership and program implementation	Scale up results-based financing within government systems, with a focus on harmonization of financing across government and development partners within common platforms.	Create concerted action among public, private, and international stakeholders around results-based financing architectures in line with clear sectoral targets and with high-level political backing.

Figure 1.14 Malawi's macroeconomic policy challenges are all interconnected.



Source: World Bank staff.

Appendices

Appendix 1: Historical Monthly Economic Indicators

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	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Exchange rates (middle rates)													
MK/USD	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	1,683.37	**1,697.80**
MK/GBP	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	2,212.41	**2,221.35**
MK/EUR	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	1,918.18	**1,888.43**
MK/ZAR	60.72	57.83	59.76	57.89	53.58	57.92	61.70	60.02	60.67	63.95	92.72	93.54	**92.94**
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	242.68	169.30	169.50	N/A	**N/A**
Private Sector Reserves (USD'mn)	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	409.46	396.90	413.20	N/A	**N/A**
Total reserves (USD'mn)	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	652.14	566.20	582.70	N/A	**N/A**
Gross Official Reserves Import cover (months)	1.12	1.12	0.91	0.80	0.78	1.29	1.07	0.96	0.97	0.7	0.7	N/A	**N/A**
Inflation													
Headline	25.9%	26.7%	27.0%	28.8%	29.2%	27.3%	28.4%	28.6%	27.8%	26.9%	33.1%	34.5%	**N/A**
Food	30.5%	31.7%	32.4%	37.9%	38.8%	37.2%	39.3%	39.4%	36.8%	34.5%	41.7%	43.5%	**N/A**
Non-food	20.4%	20.5%	20.2%	18.5%	18.4%	16.0%	16.0%	16.1%	17.2%	17.6%	22.2%	22.8%	**N/A**
Interest Rates													
Monetary Policy rate	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	**24.00%**
Average Interbank rate	15.00%	15.00%	15.00%	15.19%	19.26%	20.38%	20.51%	22.76%	22.79%	22.91%	23.00%	23.00%	**23.00%**
Lombard rate	18.20%	18.20%	18.20%	22.20%	22.20%	22.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	**24.20%**
Commercial Bank reference rate	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	22.70%	22.70%	23.40%	23.50%	23.50%	23.60%	**23.60%**
Government Securities Yields													
91-days Treasury Bill	13.00%	13.00%	13.00%	12.98%	13.00%	13.00%	13.00%	14.70%	14.70%	14.70%	14.70%	14.70%	**14.70%**
182-days Treasury Bill	17.50%	17.50%	17.50%	17.50%	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	**18.00%**
364-days Treasury Bill	19.50%	19.50%	19.50%	19.50%	22.49%	22.50%	22.50%	24.00%	24.00%	24.00%	24.00%	24.00%	**24.00%**
2-year Treasury Note	22.75%	22.75%	22.75%	22.75%	24.75%	24.75%	24.75%	26.75%	26.75%	26.75%	26.75%	26.75%	**26.75%**
3-year Treasury Note	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	28.00%	28.00%	28.00%	28.00%	28.00%	**28.00%**
5-year Treasury Note	26.19%	26.19%	26.25%	26.25%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	**30.00%**
7-year Treasury Note	27.50%	27.50%	27.50%	27.50%	29.50%	29.50%	29.50%	30.46%	32.00%	32.00%	32.00%	32.00%	**32.00%**
10-year Treasury Note	28.50%	28.50%	28.50%	28.50%	31.19%	31.25%	31.25%	32.83%	33.00%	33.00%	33.00%	33.00%	**33.00%**
Stock Market Indices													
MASI	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	110,951.21	**115,670.54**
DSI	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	86,359.68	**86,383.46**
FSI	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	15,792.06	**21,124.59**

Appendix 2: Selected stock market statistics as of 31 January 2024

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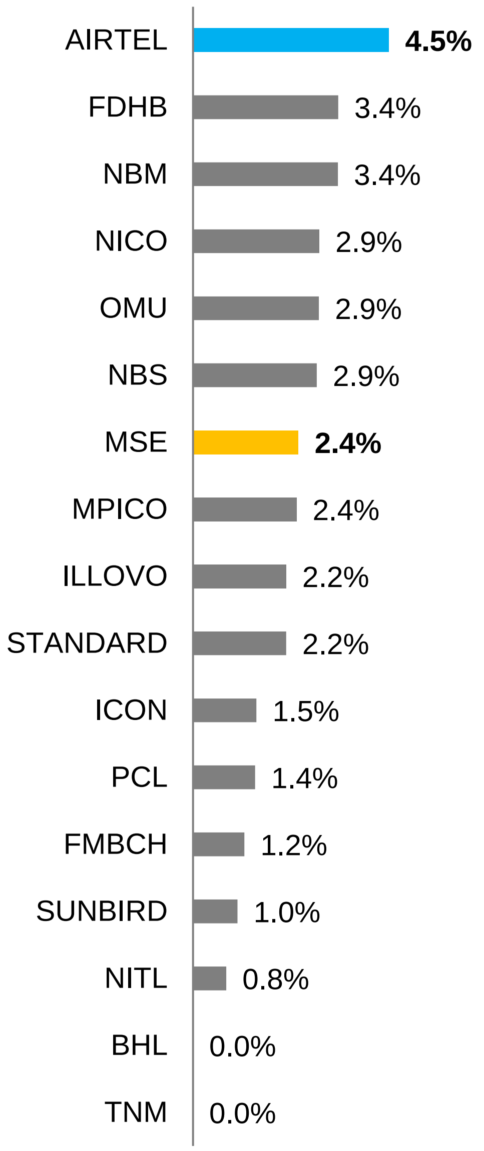
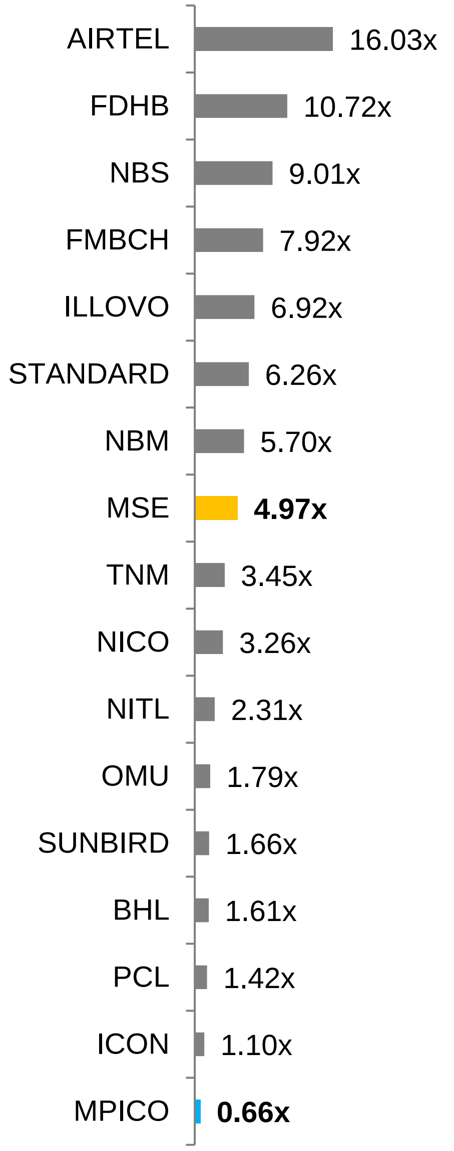
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.4% in January 2024. The counter with the highest dividend yield was AIRTEL at 4.5%.

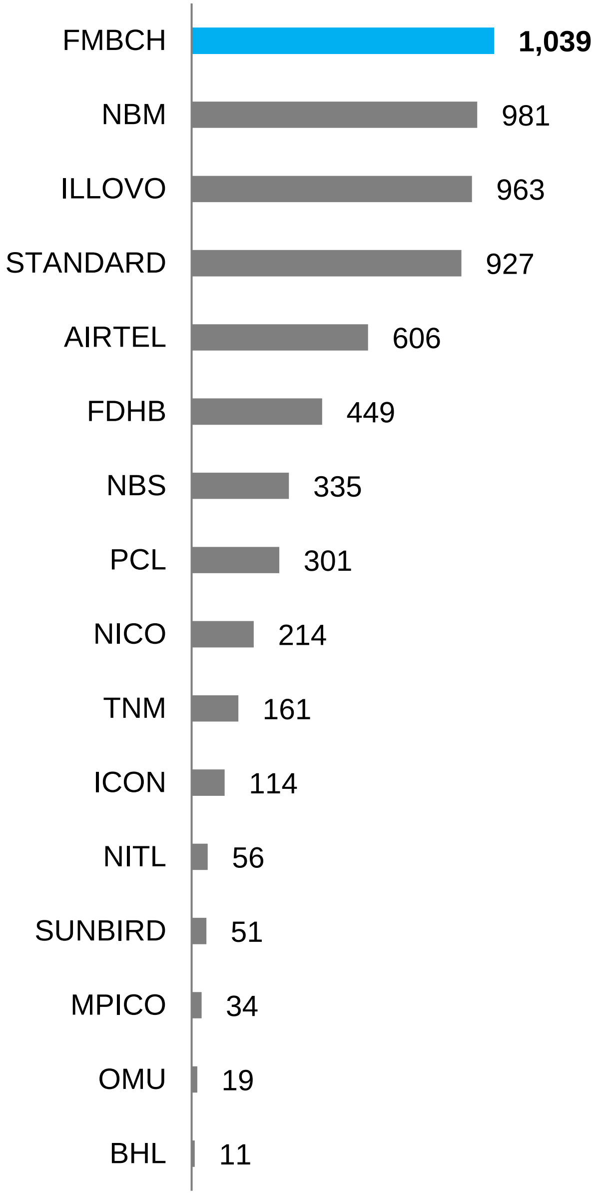


P/E Ratio - the weighted average price to earnings ratio on the MSE was 19.26x in January 2024. The counter with the lowest positive ratio was MPICO at 6.01x.

P/BV Ratio - the weighted average price to book value ratio on the MSE was 4.97x in January 2024. The counter with the lowest ratio was MPICO at 0.66x.



Market Capitalization (MK'billion) – FMBCH had the highest market capitalization at MK1.04 trillion in January 2024.



Appendix 3: IMF and World Bank Projections

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	28.6	30.0	15.9	8.4
Exports of goods ($ bn)	1.1	1.2	1.5	1.7	1.8	2.0
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	-1.3	-1.3	-1.4
Current account balance (% of GDP)	-12.4	-12.4	-10.3	-10.6	-9.5	-9.2
Exchange rate per USD (year average)	804.2	941.4	1,149.1	1,704.1	1,779.6	1,871.7
External debt total ($ bn)	3.2	3.3	4.5	5.5	6.2	6.7
Government balance (% of GDP)	-8.6	-9.3	-8.7	-6.8	-5.8	-5.1
Government debt (% of GDP)	61.5	75.2	78.3	69.7	67.6	68.5
Population (millions)	19.9	20.4	20.9	21.5	22.0	22.6
Nominal GDP ($ bn)	12.4	12.5	13.5	12.2	14.1	15.1
GDP per capita ($ current prices)	623.7	614.3	642.9	570.1	641.2	670.2

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 January
Produce (USD/mt)	2020	2021	2022	2023	2024
Soybeans	407.0	583.0	675.0	598.0	547.0
Maize	165.5	259.5	318.8	252.7	198.6
Sugar & Tea (USD/Kg)					
Sugar - EU	0.4	0.4	0.3	0.4	0.4
Sugar - U.S.	0.6	0.7	0.8	0.9	0.9
Sugar - World	0.3	0.4	0.4	0.5	0.5
Tea - average	2.7	2.7	3.1	2.7	2.7
Fertilizers (USD/mt)					
DAP	312.4	601.0	772.2	550.0	596.3
Phosphate rock	76.1	123.2	266.2	321.7	152.5
Potassium chloride	241.1	542.8	863.4	383.2	296.3
TSP	265.0	538.2	716.1	480.2	450.6
Urea, E. Europe	229.1	483.2	700.0	358.0	335.4
Precious Metals (USD/toz)					
Gold	1,770.0	1,800.0	1,801.0	1,943.0	2,034.0
Platinum	883.0	1,091.0	962.0	966.0	926.0
Silver	20.5	25.2	21.8	23.4	22.9

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
CEM: Country Economic Memorandum
CPI: Consumer Price Index
DAP: Diammonium Phosphate
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
HIPC: Heavily Indebted Poor Countries
IFPRI: International Food Policy Research Institute
IMF: International Monetary Fund
Kg: Kilogram
kt/a: Kilotonne per annum
LIA: Lending into Arrears
LRR: Liquidity Reserve Requirement
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
OECD: Organization for Economic Co-operation and Development
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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