Malawi Monthly Economic Report and an overview of the World Bank Malawi Economic Monitor

March 2024

Bridgepath Capital
Invest to Achieve

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Executive Summary and Outlook

Bridgepath Capital
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Inflation

The headline inflation rate decreased by 1.5 percentage points to 33.5% in February 2024 from 35.0% in January 2024. The decrease in headline inflation was due to a reduction in the food inflation rate to 42.0% in February 2024 from 44.9% in January 2024, which offset the increase in the non-food inflation rate to 22.1% in February 2024 from 22.0% in January 2024. In 2023, headline inflation was 26.7%, driven by food inflation of 31.7% and non-food inflation of 20.5%.

Maize prices declined in February 2024, and this contributed to the easing of food inflation in February 2024. According to the RBM, maize prices declined during February due to an increased number of Agricultural Development and Marketing Corporation (ADMARC) depots that sold maize in February 2024.

The Government of Malawi projects annual average inflation for 2024 at 27.1% as per the 2024/2025 national budget. The World Bank projects an annual average inflation of 22.1% for 2024 whilst the Economist Intelligence Unit (EIU) expects average inflation for 2024 to be 33.9%.

Exchange Rates and Foreign Currency Reserves

Based on closing middle rates, the Malawi Kwacha traded at MK1,750.38/USD as of 31 March 2024, a depreciation of 3.05% from MK1,698.50/USD as of 29 February 2024. During the same period in the previous year, the Kwacha was stable against the USD.

As of 29 February 2024, the country's gross official foreign exchange reserves decreased by 19.4% to USD143.60 million from USD178.06 million in January 2024. The import cover for gross official foreign exchange reserves decreased to 0.57 months in February 2024 from 0.71 months in January 2024.

Government Securities

The total amount raised from Treasury Bills (TBs) and Treasury Notes (TNs) auctions increased by 33.5% to MK409.5 billion in March 2024 from MK306.8 billion in February 2024. During the review period, the average TB and TN yields maintained at 20.67% and 31.95%, respectively.

Stock Market

The stock market was bullish as the Malawi All Share Index (MASI) increased to 114,236.98 points in March 2024 from 113,039.66 points in February 2024, representing a 1.06% increase. The MASI year-to-date return was 2.96% in March 2024. It was 29.44% in March 2023.

In March 2024, NBM was the most significant share price gainer as its share price increased by 14.19% to MK2,400.02 per share from MK2,101.80 in February 2024. There were also marginal share price gains for AIRTEL, TNM, BHL, NITL, Standard Bank, and ILLOVO.

In March 2024, FMBCH was the most significant share price loser as its share price decreased by 7.77% to MK380.00 per share from MK412.00 per share in February 2024. There were also marginal share price losses for MPICO, ICON, NICO, FDH Bank, NBS, and PCL.

Fiscal and Monetary Policy

On 26 March 2024, parliament approved the proposed MK5.98 trillion 2024/2025 national budget. The budget took effect on 1 April 2024.

During the first quarter of 2024, the government raised MK957.3 billion through the TB and TN auctions. This is MK390.4 billion more than the MK566.9 billion that the government sought to raise during the quarter, according to the January to March 2024 issuance calendar.

The EIU expects inflation to continue rising in 2024 due to continued deficit monetization (purchasing of government securities by RBM) which increases money supply. Additionally, currency weakness as RBM shifts to a flexible exchange rate and high global commodity prices are expected to keep inflation elevated.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price decreased by 13% to MK771/kg in February 2024 from MK887/kg in January 2024. Year-on-year, the retail maize price increased by 21.8%, to MK633/kg in February 2023.

The monthly average OPEC Reference Basket (ORB) price increased by 3.7% to USD84.22/barrel in March 2024 from USD81.23/barrel in February 2024.

Economic Growth

The 2024 gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 1.5% 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 attributed to more robust private consumption and exports and the implementation of macroeconomic reforms.

The RBM projects growth for 2024 at 3.2%, anchored by the expected improvement in the foreign exchange situation following the resumption of the IMF's ECF program. The commencement of mass production in Mega farms during the 2023/2024 farming season is also expected to boost economic growth.

The World Bank's GDP growth projection for 2024 is 2.8% (from 1.6% in 2023), primarily due to a modest easing of global commodity prices, a moderate improvement in agricultural production, and increased output bolstered by improved foreign exchange inflows. 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% in 2024 (from 1.6% in 2023) because of the program of macroeconomic adjustment and reforms to be implemented in the year.

According to Oxford Economics, real GDP growth is expected to rebound to 3.8% in 2024 (from 1.9% in 2023) due to more robust private consumption and exports.

According to the EIU, real GDP growth is expected to be 1.5% in 2024 following growth averaging 1.2% in 2022 and 2023. The EIU expects foreign currency shortages exacerbated by drought conditions to weigh on agricultural output, undermining growth.

World Bank Malawi Economic Monitor Overview

The World Bank Malawi Economic Monitor (MEM) analyses some of the main constraints to reducing poverty and promoting economic growth in Malawi. The report focuses on analyzing economic and structural development issues and prospects in Malawi by emphasizing the significance of prioritizing watershed management to bolster Malawi's economy.

According to the World Bank, Malawi has taken important steps towards macroeconomic stabilization in recent months. These steps include an adjustment of the exchange rate, the announcement of increased kwacha flexibility, the agreement on an Extended Credit Facility (ECF) with the IMF, a reform program supported by the World Bank Development Policy Operation (DPO), progress on debt relief, and steps towards monetary tightening.

The World Bank has highlighted several core challenges that Malawi is facing. These challenges are low foreign exchange liquidity despite recent devaluation, food insecurity and limited employment options, high imports despite foreign currency shortage, and inflationary pressures.

According to the World Bank's assessment, government spending has risen substantially over the past decade, pushing government financing requirements to unsustainable levels. Financing of the fiscal deficit has resulted in major debt vulnerabilities and a crowding out of private sector credit.

Over the medium term, growth is expected to average 4%, underpinned by ongoing and announced macroeconomic reforms designed to address external and fiscal imbalances.

The World Bank argues that watershed rehabilitation is expensive but will have widespread benefits and is critical for Malawi's sustainable future. Enhancing the sustainable management and utilization of watersheds offers opportunities to boost Malawi's economic performance.

Opportunities in Malawi

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 MK464 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 constitute a significant 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.

Other opportunities in the agricultural industry include large-scale commercial fishing, cannabis production and processing, and large-scale sugarcane production. On 28 March 2024, parliament passed the Cannabis Regulation Act (Amendment) Bill, which is expected to promote participation in the industry.

Tourism: Investment opportunities in tourism sector include the development of hotels and key conference venues in key urban centers. Additionally, in the State of the Nation address of 9 February 2024, the president of the Republic of Malawi announced that a visa waiver program exempting travellers from 79 countries and territories from paying visa fees had been gazetted. This will likely increase tourist inflows and it amplifies the above-stated opportunities.

Mining: In its 2024 Malawi first-quarter country report, the EIU stated that the Kayelekera uranium mine is expected to begin operations in late 2025. 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.

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, and exchange rate risks. Exchange rate shocks, such as the November 2023 44% exchange rate re-alignment, will substantially contribute to higher debt service payments in local currency terms. As per the 2024/25 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.

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. 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%. As of February 2024, it is 34.3%. With the November 2023 hike in electricity tariffs for non-domestic users and the increase in pump fuel prices, domestic prices may 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.

Economic overview

Inflation (Source: NSO, RBM, IFPRI, GoM, EIU, World Bank)

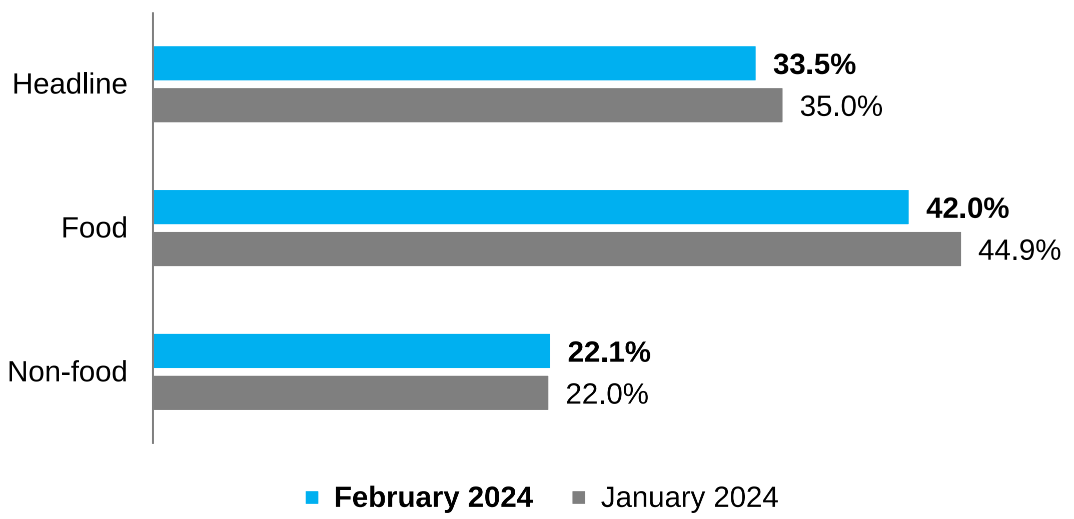
The headline inflation rate for February 2024 decreased to 33.5% from 35.0% in January 2024. The decrease was due to the decline in food inflation to 42.0% from 44.9%, offsetting the increase in non-food inflation to 22.1% from 22.0%.

The headline inflation rate decreased by 1.5 percentage points to 33.5% in February 2024 from 35.0% in January 2024. The decrease in headline inflation was due to a reduction in the food inflation rate to 42.0% in February 2024 from 44.9% in January 2024, which offset the increase in the non-food inflation rate to 22.1% in February 2024 from 22.0% in January 2024. During this same period in 2023, headline inflation was 26.7%, driven by food inflation of 31.7% and non-food inflation of 20.5%.

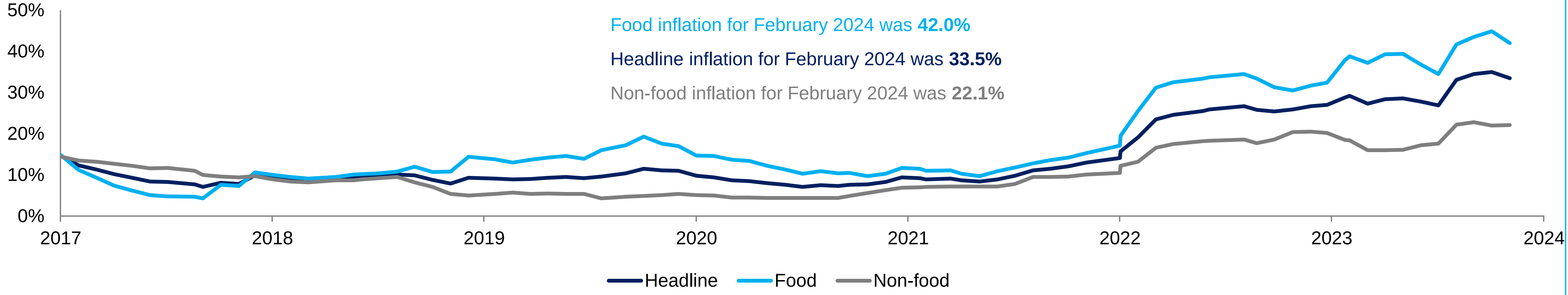
As per the February 2024 IFPRI Malawi monthly maize market report, maize prices declined to MK771/Kg from MK887/Kg in January 2024. The decline in maize prices contributed to the easing of food inflation in February 2024. Food inflation accounts for 53.7% of headline inflation, as such, the decline in food inflation contributed to the overall decline of the headline inflation. According to the RBM, maize prices declined during February due to an increased number of Agricultural Development and Marketing Corporation (ADMARC) depots that sold maize in February 2024.

The Government of Malawi projects annual average inflation for 2024 at 27.1% as per the 2024/2025 national budget. The World Bank projects an annual average inflation of 22.1% for 2024. According to the World Bank, inflationary pressures are expected to persist due to the currency re-alignment effects as well as higher food prices caused by low agricultural production due to El Nino. The World Bank expects inflation to slow down towards the end of 2024 as the macroeconomic reforms become more established. The EIU expects average inflation for 2024 to be 33.9% due to continued deficit monetization (purchasing of government securities by RBM) which increases money supply, high global commodity prices, and currency weakness as the RBM shifts to a flexible exchange rate.

Inflation rate (%)



Inflation trend (%)



Economic overview (continued)

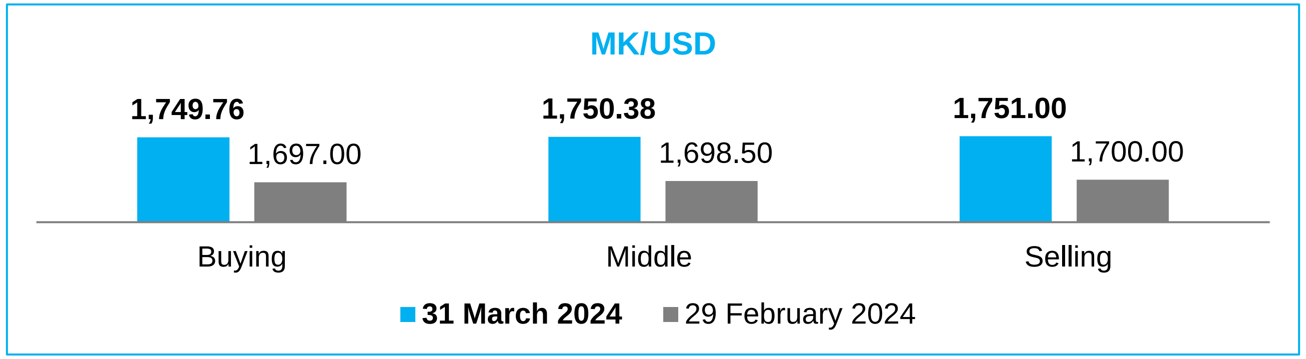
Foreign currency market and Foreign reserve position (Source: RBM)

Based on closing middle rates, the Malawi Kwacha traded at MK1,750.38/USD as of 31 March 2024, a depreciation of 3.05% from MK1,698.50/USD as of 29 February 2024.

Foreign Currency Market

Based on closing middle rates, the Malawi Kwacha traded at MK1,750.38/USD as of 31 March 2024, a depreciation of 3.05% from MK1,698.50/USD as of 29 February 2024. During the same period in the previous year, the Kwacha had marginally depreciated against the USD by 0.01%.

The RBM held a foreign exchange auction on 18 March 2024, in which four Authorized Dealer Banks (ADBs) participated. The RBM disclosed that based on the auction results, the market selling price of the US dollar should be MK1,751/USD, effective 21 March 2024.



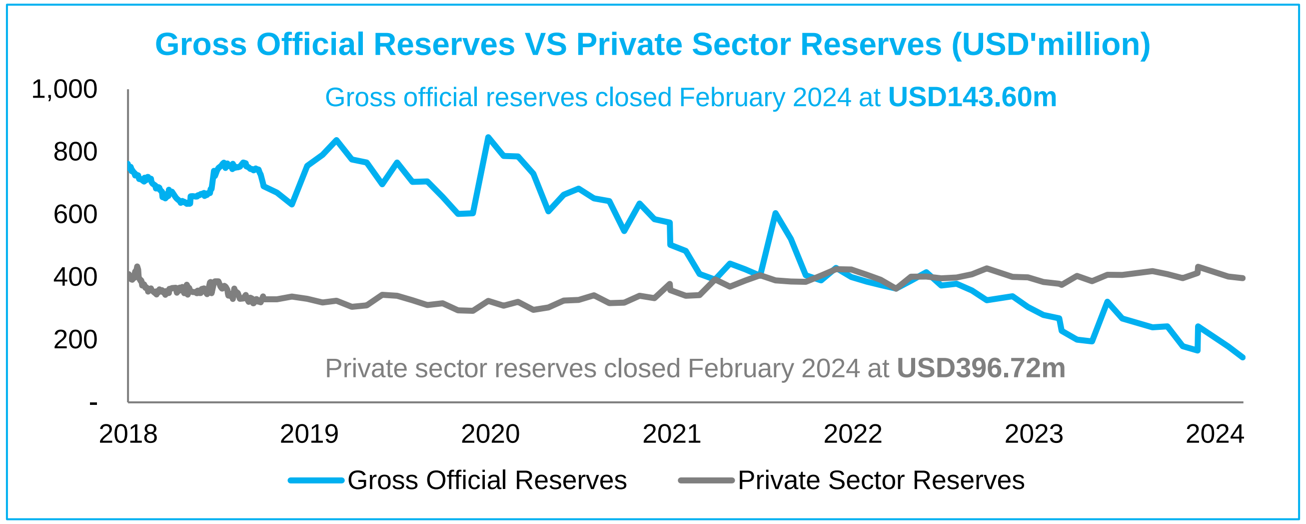
Foreign Exchange Reserves Position

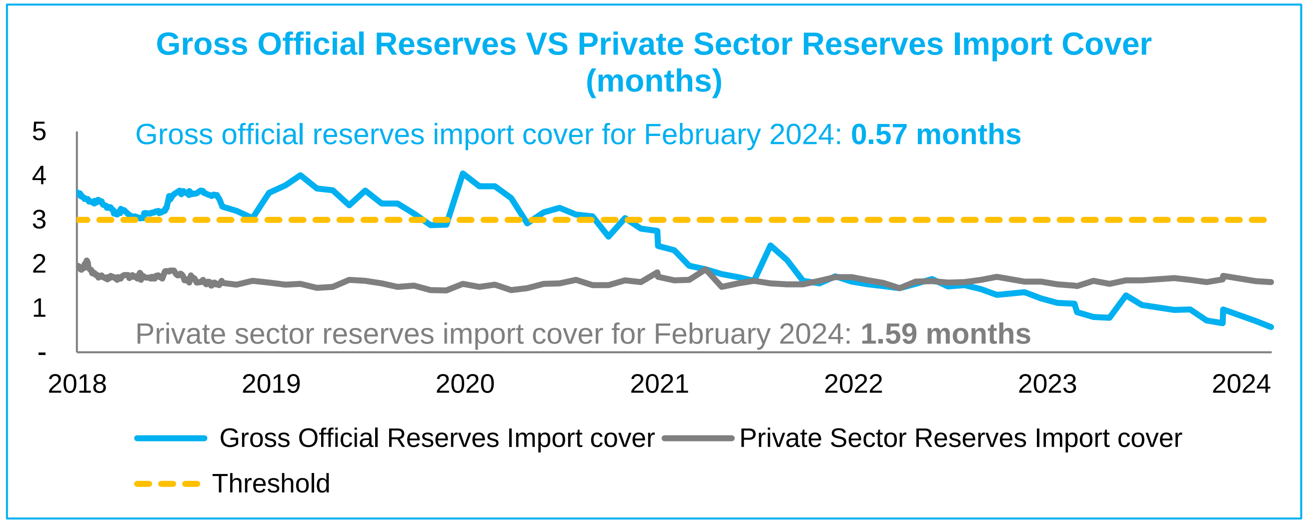
As of 29 February 2024, the country's gross official foreign exchange reserves decreased by 19.4% to USD143.60 million from USD178.06 million in January 2024. The import cover for gross official foreign exchange reserves decreased by 19.7% to 0.57 months in February 2024 from 0.71 months in January 2024. The import cover for gross official foreign exchange reserves remained below the required threshold of 3 months.

	February 2024	January 2023	Month-on-month change (%)
Gross Official (USD'million)	143.60	178.06	-19.4%
Private Sector (USD'million)	396.72	401.88	-1.3%
Total Reserves (USD'millions)	540.32	579.94	-6.8%
Gross Official import cover (months)	0.57	0.71	-19.7%
Private sector import cover (months)	1.59	1.61	-1.2%
Total import cover (months)	2.16	2.32	-6.9%

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)

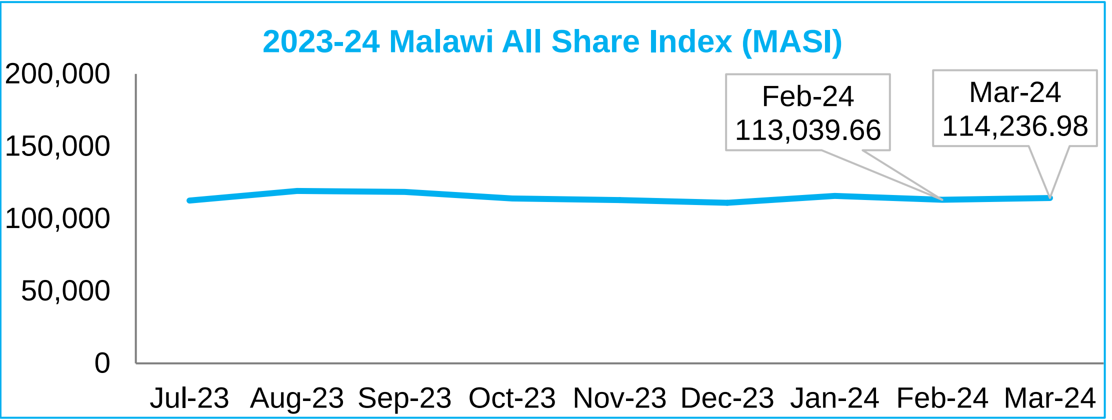
The MASI year-to-date return was 2.96% in March 2024. It was 29.44% in March 2023.

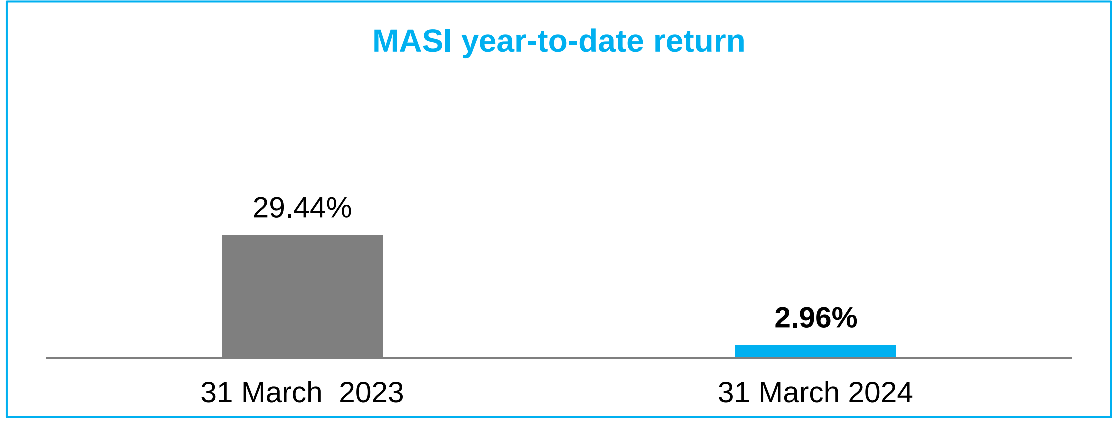
The increase in the MASI was primarily driven by the share price gain for NBM and the marginal share price gains for AIRTEL, TNM, BHL, NITL, STANDARD, and ILLOVO. The share price gains offset the share price loss for FMBCH and the marginal share price losses for MPICO, ICON, NICO, FDH Bank, NBS, and PCL.

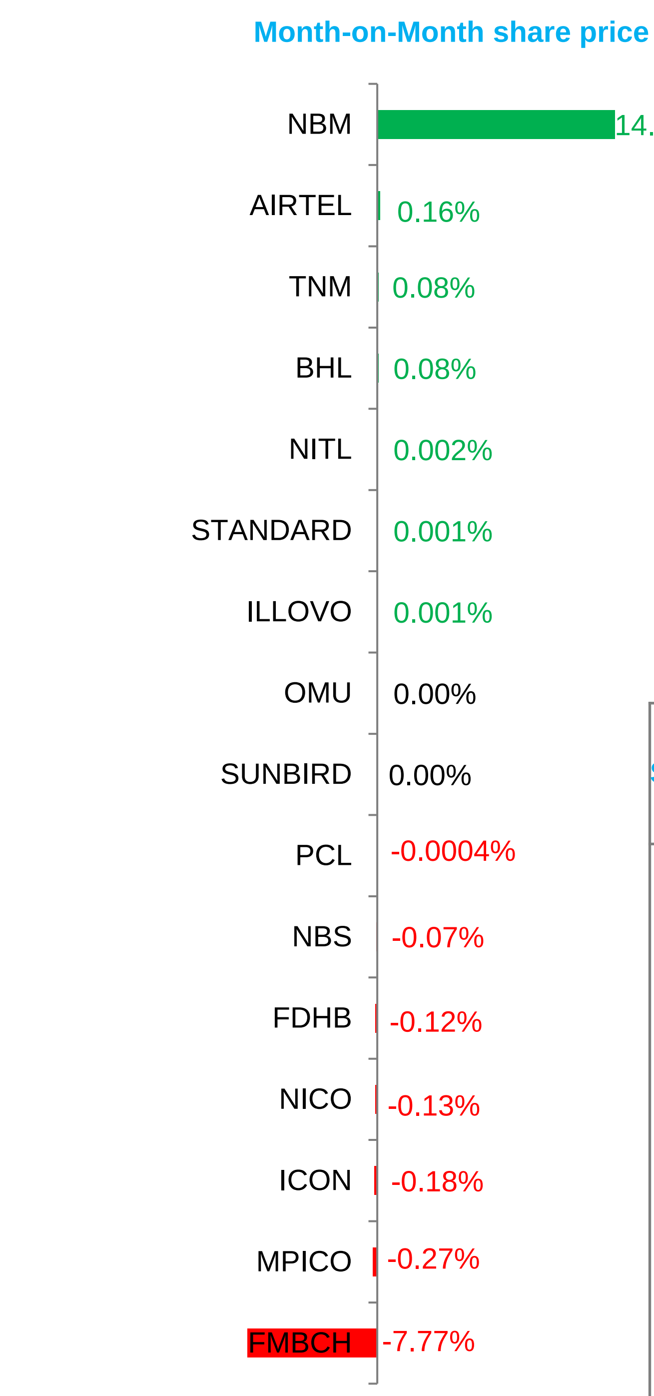
The stock market was bullish as the Malawi All Share Index (MASI) increased to 114,236.98 points in March 2024 from 113,039.66 points in February 2024, representing a 1.06% increase. The MASI year-to-date return was 2.96% in March 2024. It was 29.44% in March 2023.

In March 2024, NBM was the most significant share price gainer as its share price increased by 14.19% to MK2,400.02 per share from MK2,101.80 per share in February 2024. There were also marginal share price gains for AIRTEL, TNM, BHL, NITL, Standard Bank, and ILLOVO.

In March 2024, FMBCH was the most significant share price loser as its share price decreased by 7.77% to MK380.00 per share from MK412.00 per share in February 2024. There were also marginal share price losses for MPICO, ICON, NICO, FDH Bank, NBS, and PCL.







Symbol	Closing prices (MK/share)	
	31 March 2024	29 February 2024
AIRTEL	**50.08**	50.00
BHL	**13.04**	13.03
FDHB	**65.07**	65.15
FMBCH	**380.00**	412.00
ICON	**16.85**	16.88
ILLOVO	**1,350.12**	1,350.11
MPICO	**14.68**	14.72
NBM	**2,400.02**	2,101.80
NBS	**109.90**	109.98
NICO	**199.67**	199.92
NITL	**411.49**	411.48
OMU	**1,500.02**	1,500.02
PCL	**2,506.99**	2,507.00
STANDARD	**3,950.22**	3,950.17
SUNBIRD	**195.02**	195.02
TNM	**12.01**	12.00

Economic overview (continued)

Stock Market (Source: MSE)

NBM had the highest value of shares traded in March 2024 at MK680.9 million.

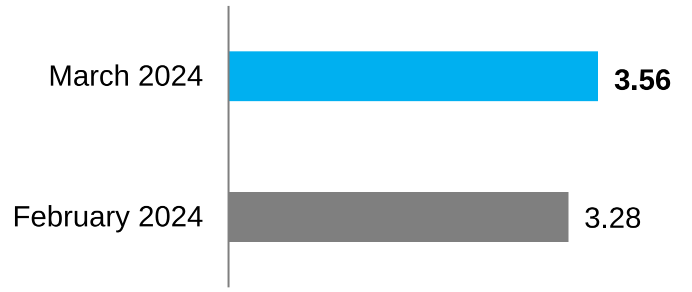
The nominal value of all listed debt securities was MK3.56 trillion in March 2024, representing a decrease of 1.4% from MK3.61 trillion recorded in February 2024.

MSE Traded Values

A total of MK3.56 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in March 2024. This represented an increase of 8.8% from MK3.28 billion shares traded in February 2024. NBM had the highest value of shares traded in March 2024 at MK680.9 million.

The total number of trades decreased to 753 in March 2024 from 893 in February 2024.

Value of shares traded (MK'billion)



Listed Debt Market

The total number of instruments listed on the debt market was 77 in March 2024, representing a decrease of 1.3% from 78 in February 2024. There were no trades on the debt market in March 2024. The nominal value of all listed debt securities was MK3.56 trillion in March 2024, representing a decrease of 1.4% from MK3.61 trillion in February 2024.

Listed Debt Market Nominal Value (MK'trillion)

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%
NBM	72.0	45.9	57%
STANDARD	52.5	39.2	34%
NBS	29.4	18.9	55%
NITL	21.5	7.0	207%
FDH Bank	35.6	22.9	55%
OMU (ZAR'bn)	7.6	5.7	35%

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

Dividend announcements

Counter	Dividend type	Proposed/Declared	Dividend per share (MK)	Last day to register	Payment date
STANDARD	2nd Interim	Declared	31.96	28 Mar 2024	12 Apr 2024
NBS	3rd Interim	Declared	1.50	19 Apr 2024	26 Apr 2024
STANDARD	Final	Proposed	54.97	TBA**	TBA
NBM	Final	Proposed	49.32	TBA	TBA
NITL	Final	Proposed	5.00	TBA	TBA
NBS	Final	Proposed	0.64	TBA	TBA
FDH	Final	Proposed	1.02	TBA	TBA
OMU	Final	Declared	49 cents	19 Apr 2024	22 Apr 2024

***: TBA stands for to be announced*

Economic overview (continued)

Government securities (Source: RBM)

The government awarded a total of MK409.5 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in March 2024, an increase of 33.5% from MK306.8 billion awarded in February 2024.

From February 2024 to March 2024, the average TB and TN yields maintained at 20.67% and 31.95%, respectively.

Treasury Bills (TBs)

In March 2024, the government sought to borrow MK56.3 billion through TB auctions. This represents a 7.0% increase from the MK52.6 billion sought in February 2024. Participants applied to place an amount of MK182.5 billion through TB auctions in March 2024. This represents a 7.0% decrease from MK196.3 billion applied in February 2024. The government awarded MK182.4 billion in March 2024, a 4.5% decrease from MK191.0 billion in February 2024. The TBs auction had a 0.02% rejection rate in March 2024 compared to a 2.67% rejection rate in February 2024.

Treasury Notes (TNs)

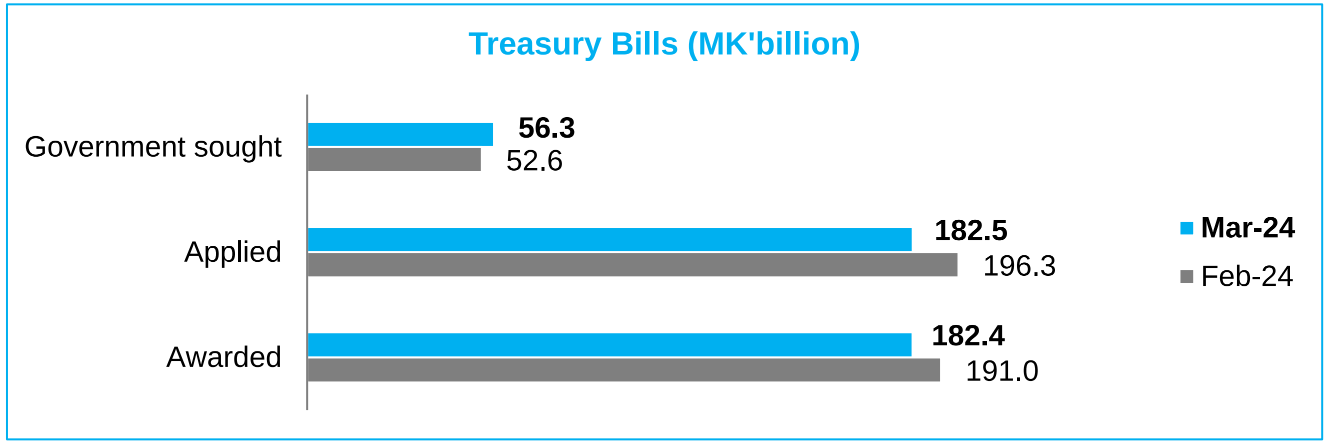
The government sought to borrow MK162.0 billion through TN auctions in March 2024. This represents a 19.9% increase from the MK135.1 billion sought in February 2024. Total participant applications stood at MK227.04 billion in March 2024. This represents a 95.6% increase from MK116.1 billion, which was applied for in February 2024. MK227.02 billion was awarded in the TNs auctions in March 2024. This entailed a 96.2% increase from MK115.7 billion, awarded in February 2024. The TNs auction had a 0.01% rejection rate in March 2024 compared to a 0.31% rejection rate in February 2024.

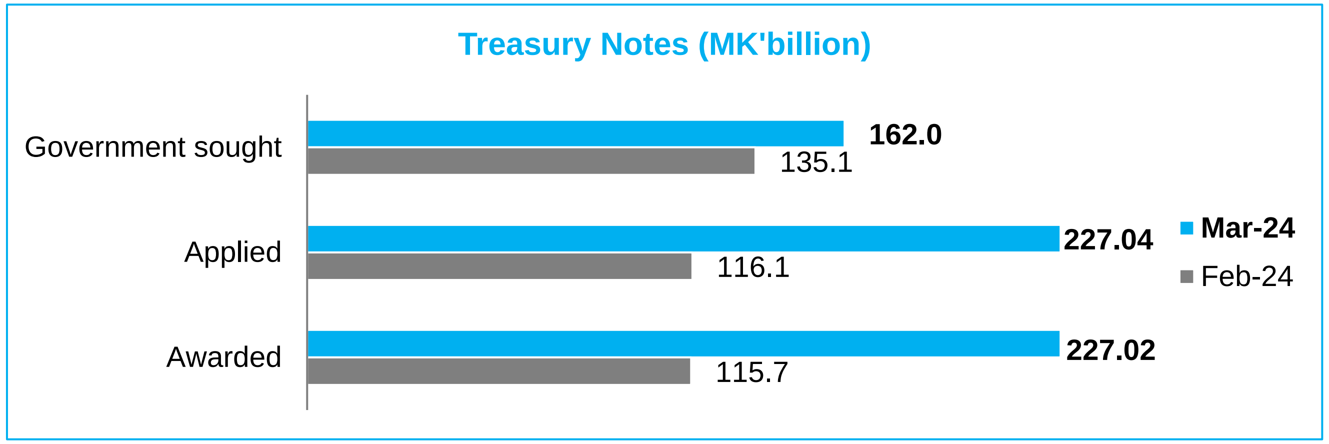
The government sought to raise MK218.3 billion in TBs and TNs auctions in March 2024. This represents a 16.3% increase from the MK187.7 billion sought in February 2024. MK409.5 billion was awarded, up 33.5% from MK306.8 billion in March 2024.

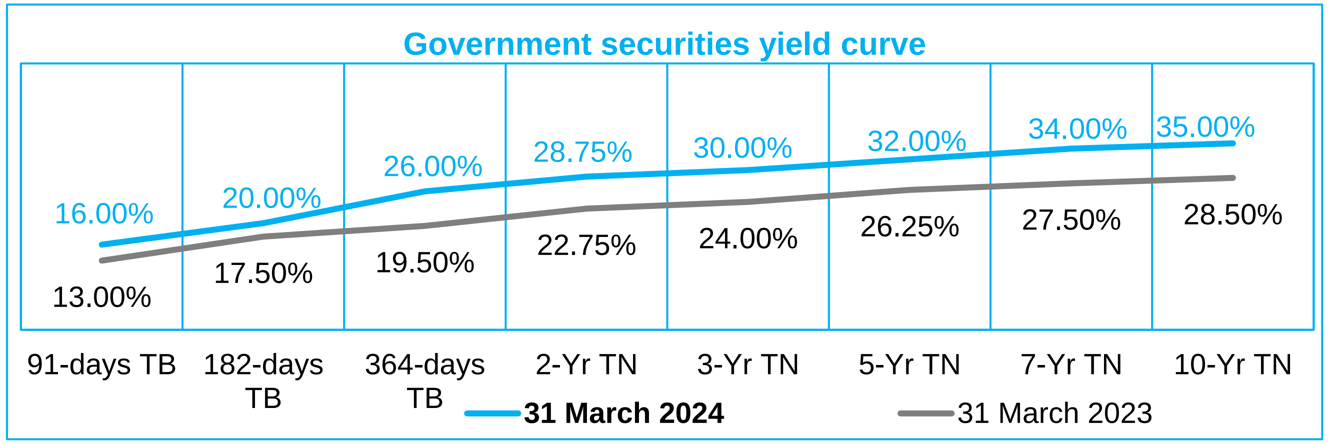
Government Securities Yield Curve

From February 2024 to March 2024, the 91, 182 and 364-day TB yields maintained at 16.00%, 20.00% and 26.00%, respectively. As such, the average TB yield maintained at 20.67% in March 2024. The average TB yield was 16.67% in March 2023.

From February 2024 to March 2024, the 2, 3, 5, 7, and 10-year TNs yields maintained at 28.75%, 30.00%, 32.00%, 34.00%, and 35.00%, respectively. As a result, the average TN yield maintained at 31.95% in March 2023. The average TN yield was 25.80% in March 2023.







Fiscal and Monetary Policy Developments

On 26 March 2024, the proposed MK5.98 trillion 2024/2025 national budget was approved by parliament.

The government raised a total of MK957.3 billion through the TB and TN auctions in the first quarter of 2024.

Following the first MPC meeting of 2024, the MPC resolved to increase the Policy rate by 2.0 percentage points to 26.0%, from 24% set in July 2023.

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

On 26 March 2024, parliament approved the proposed MK5.98 trillion 2024/2025 national budget. The budget took effect on 1 April 2024.

During the first quarter of 2024, the government raised MK459.3 billion through TB auctions and MK498 billion through TN auctions. Cumulatively, the government raised a total of MK957.3 billion through the TB and TN auctions. This is MK390.4 billion more than the MK566.9 billion that the government sought to raise during the quarter, according to the January – March 2024 issuance calendar.

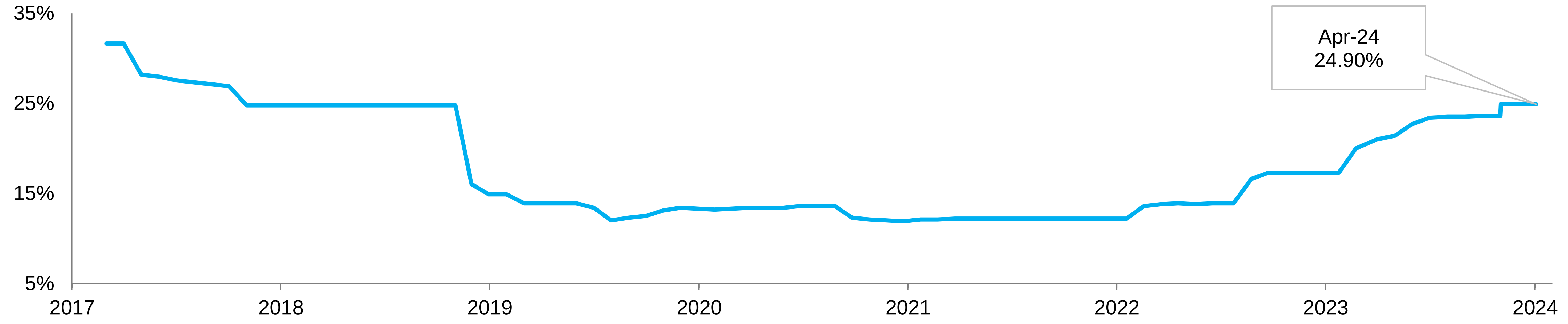
According to the EIU, the public expenditure/GDP ratio is expected to fall from 2024 to 2028 because of lower debt repayments to commercial and bilateral creditors alongside gradual improvements to spending efficiency. According to the EIU, the authorities will gradually trim the public-sector wage bill (the IMF is targeting cutting this to below 5% of GDP by 2028, from above 6% of GDP in 2023) and reduce the scope of the Affordable Input Programme by improving targeted funding towards the poorest citizens. However, the EIU expects slow progress with removing subsidies (particularly before the 2025 elections) owing to Malawi's significant development needs.

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 July 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 EIU expects inflation to continue rising in 2024 due to continued deficit monetization (purchasing of government securities by RBM) which increases money supply. Additionally, currency weakness as RBM shifts to a flexible exchange rate and high global commodity prices are also expected to keep inflation elevated.

Commercial bank reference rate (%)



The commercial bank reference rate for April 2024 remains unchanged from the March 2024 reference rate of 24.9%.

Commodity Market Developments

Maize, Oil, and other commodities market developments

The retail maize price decreased by 13% to MK771/kg in the last week of February 2024 from MK887/kg in January 2024. Year-on-year, it has increased by 21.8%, as it was at MK633/kg in February 2023.

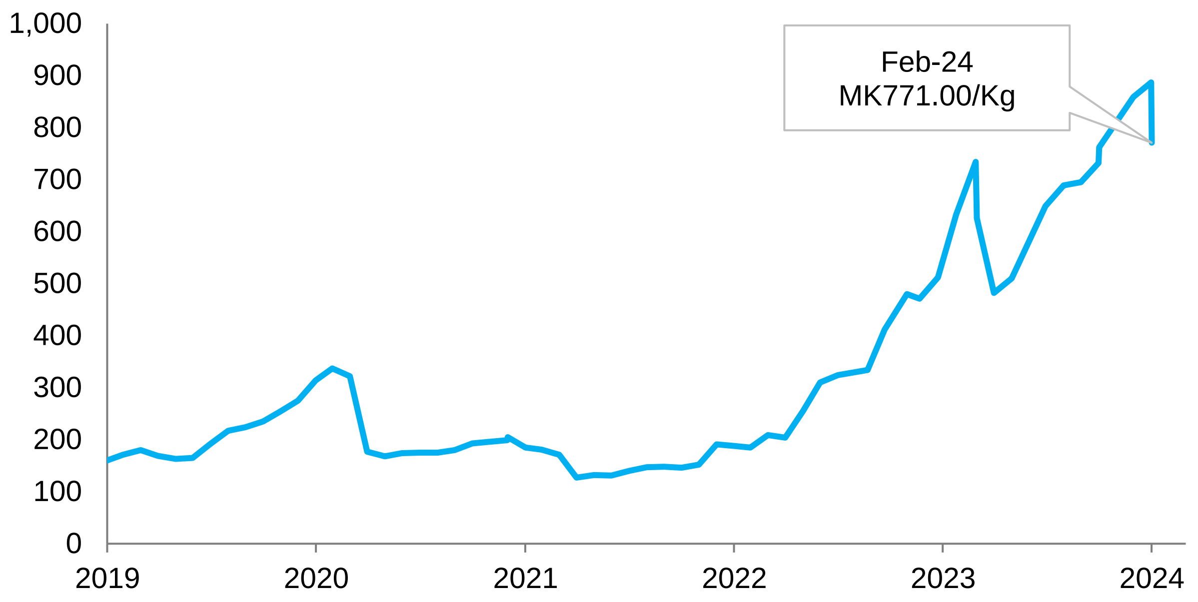
The monthly average OPEC Reference Basket (ORB) price increased by 3.7% to USD84.22/barrel in March 2024 from USD81.23/barrel in February 2024.

Local Maize Price Developments (Source: IFPRI)

Data from the International Food Policy Research Institute (IFPRI) February 2024 monthly maize market report showed that retail maize prices decreased by 13.1% in February 2024 compared to a 3.3% increase in January 2024. The retail maize price decreased from MK887/kg in the last week of January 2024 to MK771/kg in the last week of February 2024. 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 21.8%, to MK633/kg in February 2023.

IFPRI maize price MK/kg

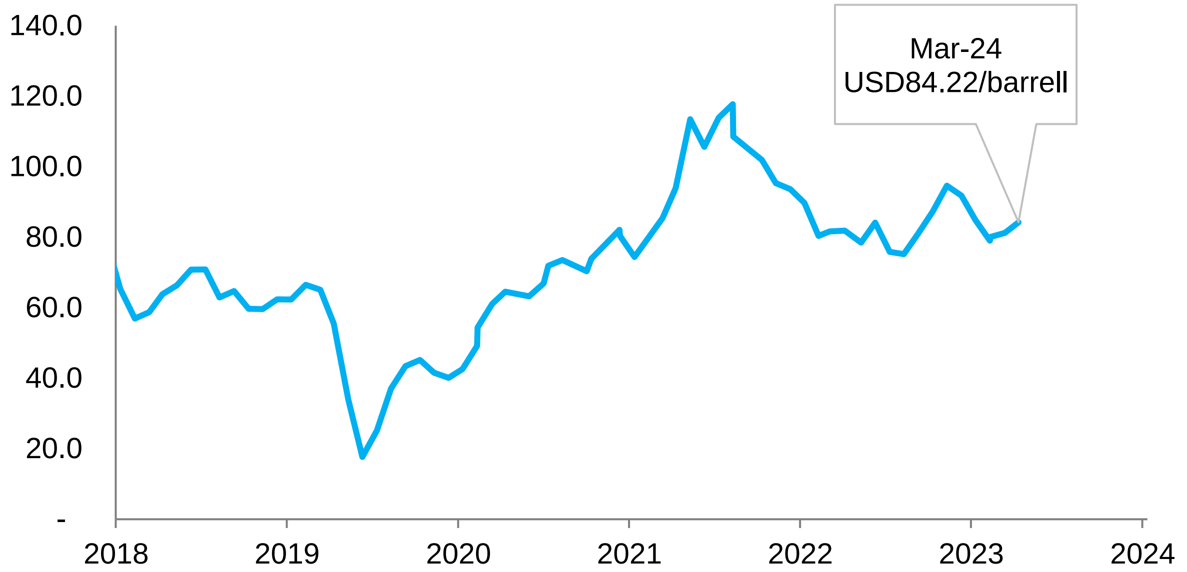


Global Oil Price Developments (Source: OPEC, Reuters)

The monthly average OPEC reference basket price increased to USD84.22/barrel in March 2024 from USD81.23/barrel in February 2024. This represents an increase of 3.7% month-on-month. Year-on-year, this means a 7.4% increase from an average price of USD78.45/barrel as of March 2023.

In its March 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 0.2 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 104.5 mb/d in 2024, bolstered by strong air travel demand, increased road mobility, including on-road diesel and trucking, and healthy industrial, construction and agricultural activities in non-OECD countries. Additionally, capacity additions and petrochemical margins in non-OECD countries – mainly in China and the Middle East – are expected to contribute to oil demand growth.

Monthly average OPEC Reference Basket Price (USD/barrel)



Other Commodity Price Developments (Source: World Bank)

According to World Bank commodity prices data, global tea prices decreased to USD2.69/Kg in March 2024 from USD2.71/Kg in February 2024. World sugar prices decreased to USD0.48/Kg in March 2024 from USD0.50/Kg in February 2024. For fertilizers, Urea prices decreased to USD330.0/mt in March 2024 from USD351.3/mt in February 2024, Diammonium Phosphate (DAP) prices increased to USD617.5/mt in March 2024 from USD583.8/mt in February 2024, and Potassium Chloride prices increased to USD300.5/mt in March 2024 from USD289.4/mt in March 2024.

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An Overview of the World Bank Malawi Economic Monitor

World Bank Malawi Economic Monitor Overview

According to the World Bank, emerging markets and developing economies have not returned to their pre-pandemic growth path.

The SSA growth rate is estimated to have decelerated to 2.9% in 2023.

The World Bank has commended Malawi for taking important steps towards macroeconomic stabilization in recent months. These steps include an adjustment of the exchange rate, the announcement of increased flexibility of the kwacha, the agreement on an ECF program with the IMF, a reform program supported by the World Bank, progress on debt relief, and steps towards monetary tightening.

Introduction

The World Bank Malawi Economic Monitor (MEM) published in February 2024 analyses some of the main constraints to reducing poverty and promoting economic growth in Malawi. The report focuses on analyzing economic and structural development issues and prospects in Malawi by emphasizing the significance of prioritizing watershed management to bolster Malawi's economy.

Global growth

Global growth remains below its pre-pandemic levels, with emerging markets and developing economies (EMDEs) lagging the robust levels of growth of the previous decade. During the 2010s, global growth averaged 3.7% while EMDEs expanded at an average rate of 5.1 %.

According to the World Bank, global Gross Domestic Product (GDP) growth in 2023 is estimated to have decelerated to 2.6%. This growth slowdown partially reflects the impact of monetary tightening to address inflation, which remains above target in most countries. Average growth estimated at 4.0% for EMDEs in 2023 hides increasing divergence between those countries with solid economic fundamentals and those without. The long-term consequences of the pandemic and the impacts of conflicts continue to weigh on growth. Additionally, increased global fragmentation, the effects of fiscal tightening amidst high debt levels, and increasing climate change impacts have resulted in growth levels trailing those observed in the previous decade.

Sub-Saharan Africa growth

The growth rate in Sub-Saharan Africa (SSA) is estimated to have decelerated to 2.9% in 2023, 0.3 percentage points lower than previous projections. In three of the region's largest economies, Nigeria, South Africa, and Angola, growth slowed to an average of 1.8%.

Many African countries reduced headline consumer inflation in 2023, following significant increases in global food and energy prices in 2022. However, the high cost of living persists, exacerbating economic hardship for the poor and increasing food insecurity across the region.

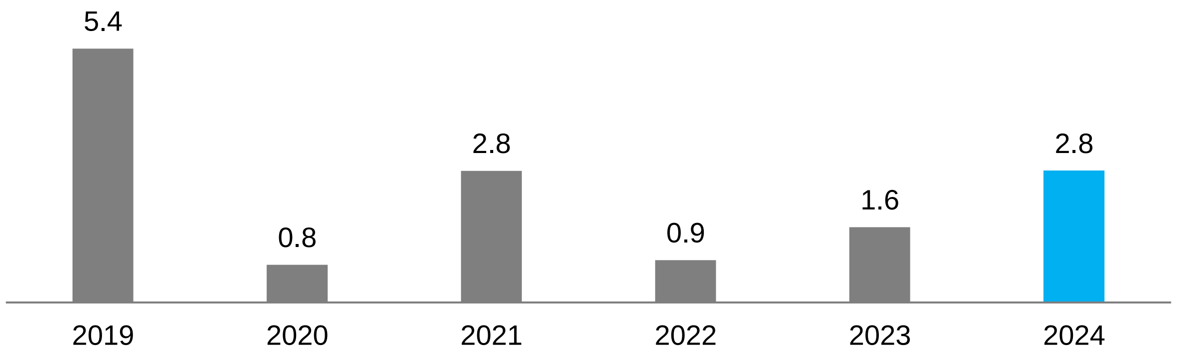
The World Bank notes that Malawi's neighbors and key trading partners in Southern Africa faced significant economic challenges. Economic adjustment and public debt challenges in Zambia, coupled with South Africa's persistent structural growth weaknesses led to a decline in per capita GDP for both countries in 2023 compared to 2022. Despite these declines, per capita growth in both countries was higher than in Malawi. Countries in Malawi's region are significant mineral exporters and have been impacted by low metals prices. Although global food prices have declined from their peaks in 2022, heightened food insecurity amid elevated food prices remains a major concern across Southern Africa.

Malawi's economic development

According to the World Bank, Malawi has taken important steps towards macroeconomic stabilization in recent months. These steps include an adjustment of the exchange rate, the announcement of increased flexibility of the kwacha, the agreement on an Extended Credit Facility (ECF) with the IMF, a reform program supported by World Bank Development Policy Operation (DPO), progress on debt relief, and steps towards monetary tightening. These important macroeconomic reforms came too late to significantly contribute to growth for 2023, though their implementation is expected to support accelerated growth in 2024 and beyond.

The resumption of energy production at the Kapichira hydroelectric power plant has improved access to electricity and supported economic activity, particularly in the industry and services sectors. However, production inputs across sectors were often unavailable throughout 2023 due to foreign exchange shortages, dampening growth. Following Cyclone Freddy, agricultural output in 2023 was only marginally larger than in 2022. Rapid inflation and foreign exchange shortages throughout the year contributed to a weak business environment, further undermining economic growth. Malawi's economy is estimated to have grown by only 1.6% in 2023.

Malawi real GDP growth (%)



World Bank Malawi Economic Monitor Overview (continued)

According to the World Bank, foreign currency liquidity levels have remained stagnant following the November 2023 exchange rate reforms because of uncertainty about the new exchange rate regime and the re-emergence of spreads against parallel markets

The World Bank has reported that one in five people are expected to experience crisis-level food insecurity during the lean season

The public debt stock is estimated to have increased from 75.7% of GDP in 2022 to 81.3% in 2023.

The World Bank has stated that revised trade data in 2023 shows that imports have remained stable in USD terms despite foreign exchange shortages

Core challenges

The World Bank has highlighted several core challenges that Malawi is facing. These challenges are discussed below.

- **Low foreign exchange liquidity despite recent devaluation**

While the 2012 exchange rate liberalization led to an immediate uptick in foreign exchange trading among authorized dealers, liquidity levels have remained stagnant following the November 2023 exchange rate reforms. Uncertainty about the new exchange rate regime and the re-emergence of spreads against parallel markets after the devaluation likely reduces the incentive for market actors to formalize foreign exchange transactions.

- **Food insecurity and limited employment options**

According to the World Bank, many Malawians feel the squeeze from the scarcity of available jobs and pressures on real wages. In 2023, approximately 71.7% of the population was estimated to be living below the international poverty line. The rapid price increase has also contributed to the rise in food insecurity and poverty in Malawi. One in five people are expected to experience crisis-level food insecurity during the lean season, with profound implications for human development outcomes, including mental health. The food security situation is particularly tense in the country's southeastern region.

- **Imports remain steady despite foreign currency shortage**

Imports have remained steady despite low foreign exchange liquidity in the formal market. Significant revisions in trade data in 2023 show that imports have remained stable in USD terms during foreign exchange shortages, which started in mid-2022.

- **Inflationary pressures**

In December 2023, headline inflation surged to 34.5%, up from 26.9% in October 2023, before the devaluation. This marked a reversal of the declining inflation trend observed between August and October 2023. The increase in inflation has been mainly driven by a rise in food inflation, climbing from 34.5% in October to 43.5% in December 2023, as well as the delayed re-alignment of the kwacha.

Malawi's fiscal position

According to the World Bank's assessment, government spending has risen substantially over the past decade, pushing government financing requirements to unsustainable levels. Financing of the fiscal deficit has resulted in significant debt vulnerabilities and a crowding out of private sector credit. Ongoing government efforts to consolidate public finances are expected to play a role in curbing borrowing. In the 2023/24 financial year (FY), reforms in revenue collection, supported by budget support, are expected to reduce the fiscal deficit to 7.4% of GDP from 10.4%. This is a notable shift towards fiscal consolidation and the first reduction in six years, though this excludes the statutory RBM recapitalization following the November 2023 devaluation. This performance will be supported by a marginal decline in expenditure by 0.7% of GDP and an increase of 2.4% of GDP in revenue.

Public and publicly guaranteed debt remains distressed and unsustainable, requiring timely and substantial debt restructuring. The public debt stock is estimated to have increased from 75.7% of GDP in 2022 to 81.3% in 2023. The government is encountering difficulties securing financing from the domestic market, with subscriptions falling below requirements in most security auctions. The November 2023 joint World Bank-IMF Debt Sustainability Analysis reported that external and overall public debt remains distressed and unsustainable under current policies. The recent surge in public debt has been primarily driven by escalating fiscal deficits and the kwacha depreciation.

The government is pursuing external debt restructuring, having received financing assurances from China and India in late 2023, which have provided momentum that debt relief can be achieved. Agreement with these official creditors, along with progress in negotiations with Malawi's commercial lenders, will be key for achieving debt sustainability over the medium term.

Medium-term economic outlook

According to the World Bank, economic growth is projected to increase, driven by an improved macroeconomic environment and sustained structural reforms. Growth is estimated to reach around 2.8% in 2024, primarily due to a modest easing of global commodity prices, a moderate improvement in agricultural production, and increased output bolstered by improved foreign exchange inflows. Over the medium term, growth is expected to average 4%, underpinned by ongoing and announced macroeconomic reforms designed to address external and fiscal imbalances.

Under the ECF-supported program, the government has committed to consolidate public finances by 1.3% per year over the next four years, excluding the recapitalization of the RBM. The gradual stabilization of the current account deficit, expected to be around 9% of GDP, is anticipated with the support of an improved policy environment.

World Bank Malawi Economic Monitor Overview (continued)

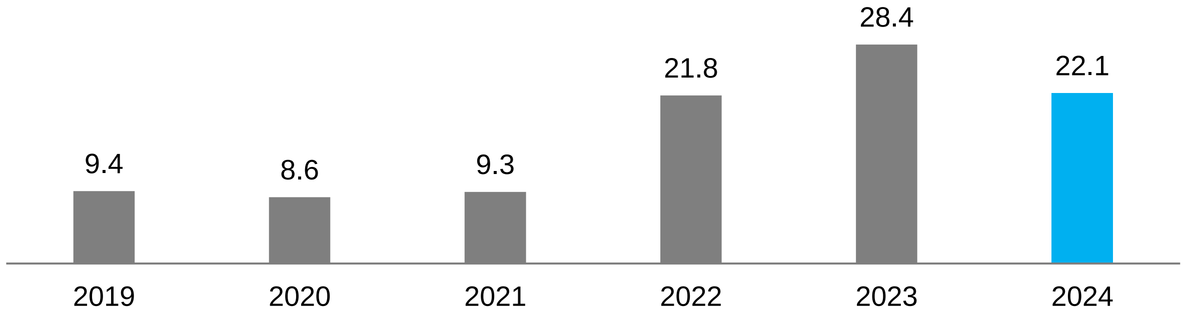
According to the World Bank, economic growth is estimated to reach around 3% in 2024, driven by an improved macroeconomic environment and sustained structural reforms.

Under the ECF-supported program, the government has committed to consolidate public financ es by 1.3% per year over the next four years, excluding the recapitalization of the RBM.

This MEM special topic examines the opportunities to redirect funds currently allocated for agricultural and forestry inputs toward a more explicit emphasis on watersheds.

In the World Bank's view, inflationary pressures will persist in the short term but are expected to ease toward the end of 2024 as announced reforms are implemented. This projection is based on the anticipated reduction of short-term effects from the exchange rate adjustment and the implementation of supportive macroeconomic and structural policy reforms. Going forward, prudent monetary and fiscal policies are essential to mitigate the impacts of these transitory factors and lower inflation sustainably.

Malawi annual average inflation (%)



Policy Priorities

The World Bank outlines urgent actions and sustained reforms required to consolidate the stabilization of the economy, enhance growth and protect the most vulnerable by recommending the following priority policy areas:

1. **Bolstering macroeconomic stability:** The World Bank has recommended the government to sustain the ongoing macro-fiscal reforms, with a focus on implementing plans to rebuild foreign reserves, enforce fiscal discipline, enhance public financial management, attain debt sustainability, and increase the flexibility of the exchange rate.

2. **Creating the foundations for export-led growth:** The World Bank also recommends to stimulate agricultural growth by advancing reforms of the Affordable Input Program and increased investment in commercialization initiatives. It is critical to encourage exports by reducing non-tariff barriers and supporting the development of an efficient and transparent mining sector.

3. **Building resilience and protecting the poor:** With the heightened risk of extreme weather events and food insecurity, the World Bank also recommends that it is essential to implement expanded social cash transfer and climate-smart public works projects and strengthen the functioning of agricultural markets. Implementing the Disaster Risk Management Bill will enhance preparedness for future disasters and contribute to overall resilience.

Healthy Watershed: a shift from environmental deterioration into opportunities for economic growth

Introduction

This MEM special topic examines the opportunities to redirect funds currently allocated for agricultural and forestry inputs toward a more explicit emphasis on watersheds. A watershed is a catchment area where all surface water drains to a common outlet. Henceforth, watersheds play a crucial role in sustaining the ecosystem, biodiversity, wildlife, agriculture, and human population by serving as the natural resource base for all forms of life. Currently, the country's watersheds are severely degraded. Improving watershed management and utilization can enhance the country's economic performance, build resilience to climate risks, and support more reliable and sustainable livelihoods for many households.

The World Bank argues that watershed rehabilitation is expensive but will have widespread benefits and is critical for Malawi's sustainable future. Enhancing the sustainable management and utilization of watersheds offers opportunities to boost Malawi's economic performance. Healthy watersheds contribute to building resilience to climate risks by providing cover against floods and holding water to mitigate droughts. Moreover, these improvements can contribute significantly to establishing more dependable and sustainable livelihoods, particularly benefiting economically vulnerable households. Any action to halt degradation and support the rehabilitation of Malawi's watersheds will generate benefits for the entire population hence it should be considered a priority for the country.

Rapid population growth and climate change are the underlying drivers towards the complexity of Malawi's watersheds. Most of the population resides in rural areas characterized by poverty and a heavy reliance on natural resources for sustenance. Consequently, rapid population growth exerts substantial pressure on natural ecosystems, and human activities are increasingly detrimental to the health of Malawi's watersheds. Furthermore, severe land degradation in the country's most important watersheds significantly impacts water security, agricultural productivity, and hydropower generation. The Shire River basin remains the most prominent hotspot for land degradation.

Addressing land degradation presents economic opportunities with substantial financial returns. Aligned with the Malawi 2063 vision, investing in watershed restoration activities has the potential to substantially reduce soil erosion rates, improve crop productivity, and enhance water storage.

World Bank Malawi Economic Monitor Overview (continued)

The World Bank reports that the country has experienced economic losses solely attributable to flooding, costing the government 5% of its GDP. Similarly, Cyclone Freddy caused substantial losses and damages, exceeding USD500 million, which is approximately 3.8% of GDP.

A practical watershed investment will require a blend of public and private sector investment. The key challenge lies in establishing suitable financing frameworks to attract and support both sectors.

The World Bank argues that Malawi already has policies and strategies for protecting land, forest, and water resources but the challenges lie in shifting the focus and priorities to ensure that these existing plans are translated into practice.

According to the World Bank, the country has experienced significant economic losses solely attributable to flooding, costing the government 5% of its GDP (GoM 2023). Cyclone Freddy, in 2023, caused substantial losses and damages, exceeding USD500 million, which is approximately 3.8% of GDP. These changes in climate patterns, specifically the cyclone, resulted in 2.5 million people being displaced, therefore serving as a warning of impending shocks. However, analysis in the World Bank's 2022 "Malawi Climate and Development Report" indicates that acting to reduce soil erosion and improve land management can lead to significant economic gains under a variety of climate scenarios.

Key factors hindering healthy watershed management

According to the World Bank, the country's policy environment is relatively strong, with numerous policies and strategies relevant to managing watersheds. However, there are key challenges that Malawi faces in its endeavour to achieve inclusive and sustainable economic growth through watershed management. These challenges include:

- The government's vision for watershed management is ambitious and incorporates sensible technical approaches. Revitalizing precious natural resources requires putting existing policies into practice. Malawi's policy framework for watersheds is relatively strong, yet government implementation remains poor. Cross-sectoral coordination and collaboration is weak, monitoring is limited, and compliance is low.

- Certain existing policies, like the Affordable Input Program (AIP), create incentives for farmers to engage in unsustainable land management practices. Government subsidies place too much emphasis on mono-cropping and the use of inorganic fertilizers approach, leading to short-term yield gains and contributing to long-term land degradation. An alternative approach would be redirecting these funds to support on-farm conservation practices.

- A practical watershed investment will require a blend of both public and private sector investment. The key challenge lies in establishing suitable financing frameworks to attract and support both sectors.

Recommendations

The World Bank notes that Malawi already has existing policies and strategies for protecting land, forest, and water resources to ensure sustained economic growth. However, the World Bank argues that the challenges lie in shifting the focus and priorities to ensure that these existing plans are translated into practice. Therefore, the World Bank has recommended the following:

1. Land
- Redirect existing agricultural practices to increase productivity by protecting and conserving land rather than degrading it.
- Broaden land tenure rights to incentivize sustainable land husbandry.
- Explore the potential to use results-based payments such as the successful Community Environment Conservation Funds (CECF).

2. Forests
- Align forestry and energy policies.
- Use limited public financing to leverage additional private-sector investment in forest management and restoration.
- Ensure prices charged by the Forest Management and Development Fund reflect current market prices.
- Scale up forest co-management approach to balance responsibility and authority between communities and government.
- Promote agroforestry and tree-based systems to reduce pressure on Malawi's natural forests.

3. Water
- Ensure that institutional mandates in the water sector are implemented and enforced to realize the benefits of existing policy reforms (such as the Malawi Water Resources Act, 2013).
- Strengthen systems and capacities for licensing, allocating, and monitoring water use.

Appendices

Appendix 1: Historical Monthly Economic Indicators

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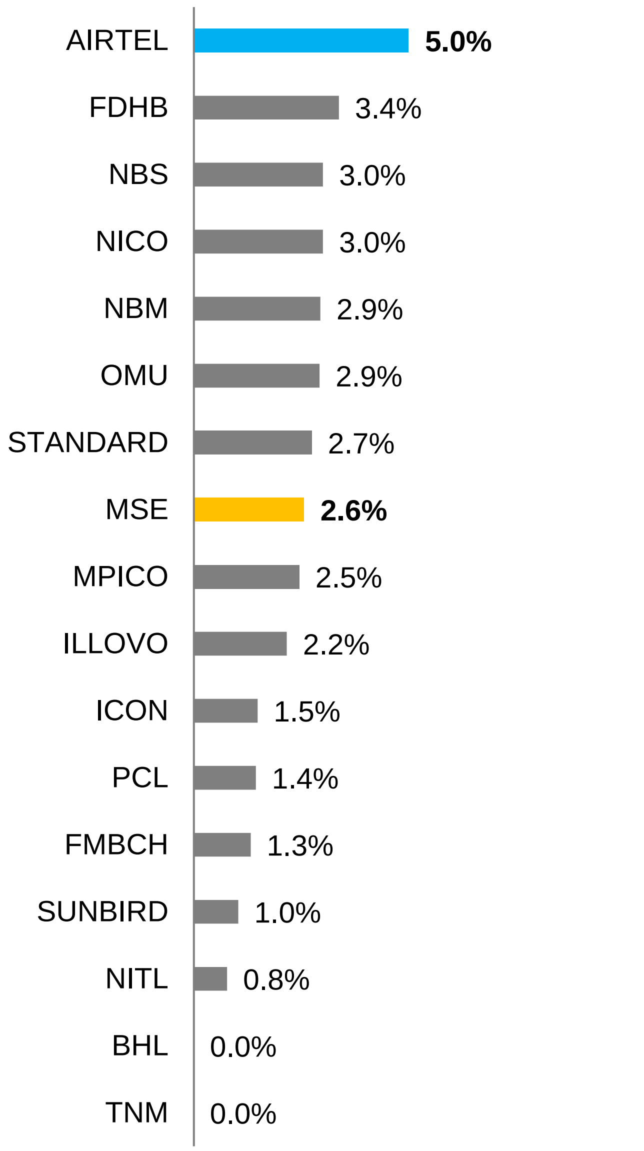
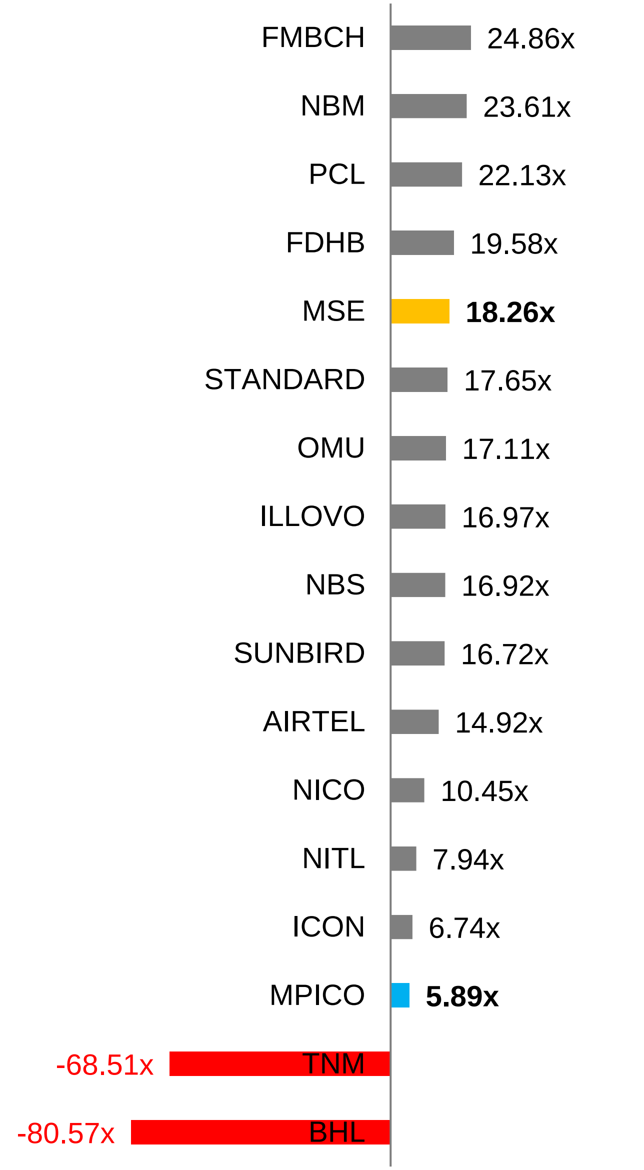
	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Exchange rates (middle rates)													
MK/USD	1,033.80	1,034.86	1,034.46	1,058.82	1.061.67	1,094.74	1,126.50	1,179.83	1,699.31	1,683.37	1,697.80	1,698.50	**1,750.38**
MK/GBP	1,315.33	1,325.22	1,317.23	1,377.77	1,400.92	1,429.20	1,412.17	1,473.63	2,219.25	2,212.41	2,221.35	2,217.83	**2,268.77**
MK/EUR	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	1,887.38	**1,949.34**
MK/ZAR	59.76	57.89	53.58	57.92	61.70	60.02	60.67	63.95	92.72	93.54	92.94	90.38	**94.79**
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	228.49	200.08	194.82	321.53	267.91	239.56	242.68	179.33	165.20	242.58	178.06	143.60	**N/A**
Private Sector Reserves (USD'mn)	375.36	403.93	386.90	407.47	406.63	419.35	409.46	396.88	413.20	433.01	401.88	396.72	**N/A**
Total reserves (USD'mn)	603.85	604.01	581.72	729.00	674.54	658.91	652.14	576.21	578.40	675.59	579.94	540.32	**N/A**
Gross Official Reserves Import cover (months)	0.91	0.80	0.78	1.29	1.07	0.96	0.97	0.72	0.66	0.97	0.71	0.57	**N/A**
Inflation													
Headline	27.0%	28.8%	29.2%	27.3%	28.4%	28.6%	27.8%	26.9%	33.1%	34.5%	35.0%	33.5%	**N/A**
Food	32.4%	37.9%	38.8%	37.2%	39.3%	39.4%	36.8%	34.5%	41.7%	43.5%	44.9%	42.0%	**N/A**
Non-food	20.2%	18.5%	18.4%	16.0%	16.0%	16.1%	17.2%	17.6%	22.2%	22.8%	22.0%	22.1%	**N/A**
Interest Rates													
Monetary Policy rate	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	**26.00%**
Average Interbank rate	15.00%	15.19%	19.26%	20.38%	20.51%	22.76%	22.79%	22.91%	23.00%	23.00%	23.00%	22.63%	**22.48%**
Lombard rate	18.20%	22.20%	22.20%	22.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	26.20%	**26.20%**
Commercial Bank reference rate	17.30%	17.30%	20.00%	21.00%	22.70%	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%	**24.90%**
Government Securities Yields													
91-days Treasury Bill	13.00%	12.98%	13.00%	13.00%	13.00%	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	16.00%	**16.00%**
182-days Treasury Bill	17.50%	17.50%	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	20.00%	**20.00%**
364-days Treasury Bill	19.50%	19.50%	22.49%	22.50%	22.50%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	**26.00%**
2-year Treasury Note	22.75%	22.75%	24.75%	24.75%	24.75%	26.75%	26.75%	26.75%	26.75%	26.75%	26.75%	28.75%	**28.75%**
3-year Treasury Note	24.00%	24.00%	26.00%	26.00%	26.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	30.00%	**30.00%**
5-year Treasury Note	26.25%	26.25%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	32.00%	**32.00%**
7-year Treasury Note	27.50%	27.50%	29.50%	29.50%	29.50%	30.46%	32.00%	32.00%	32.00%	32.00%	32.00%	34.00%	**34.00%**
10-year Treasury Note	28.50%	28.50%	31.19%	31.25%	31.25%	32.83%	33.00%	33.00%	33.00%	33.00%	33.00%	35.00%	**35.00%**
Stock Market Indices													
MASI	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	113,039.66	**114,236.98**
DSI	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	84,454.87	**86,761.71**
FSI	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	20,597.92	**19,012.48**

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

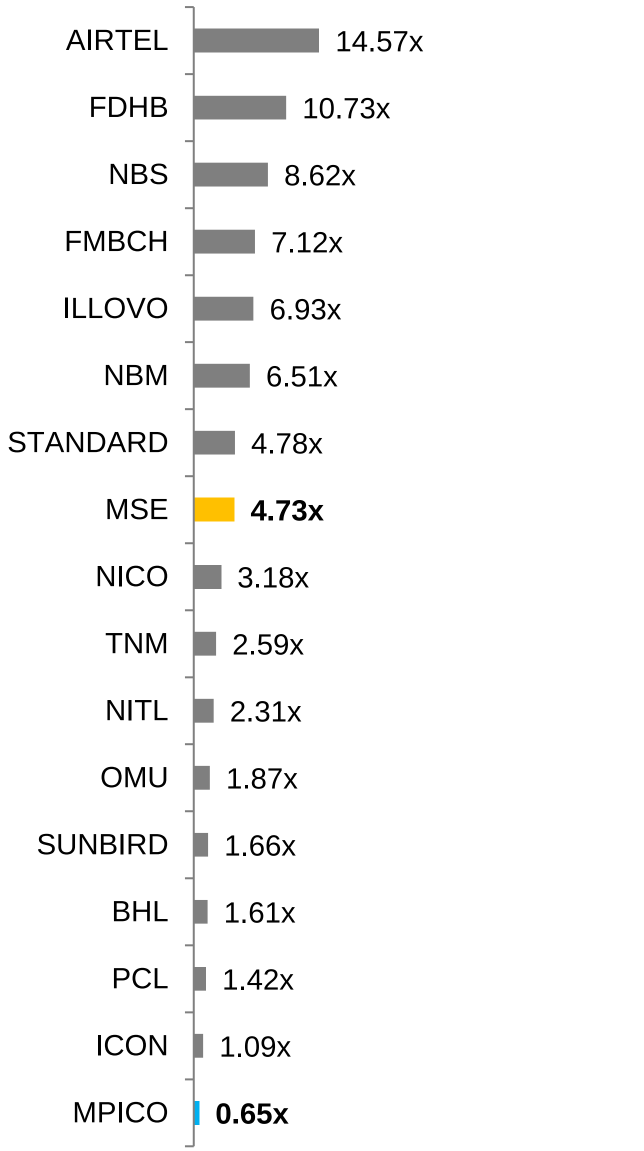
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.6% in March 2024. The counter with the highest dividend yield was AIRTEL at 5.0%.



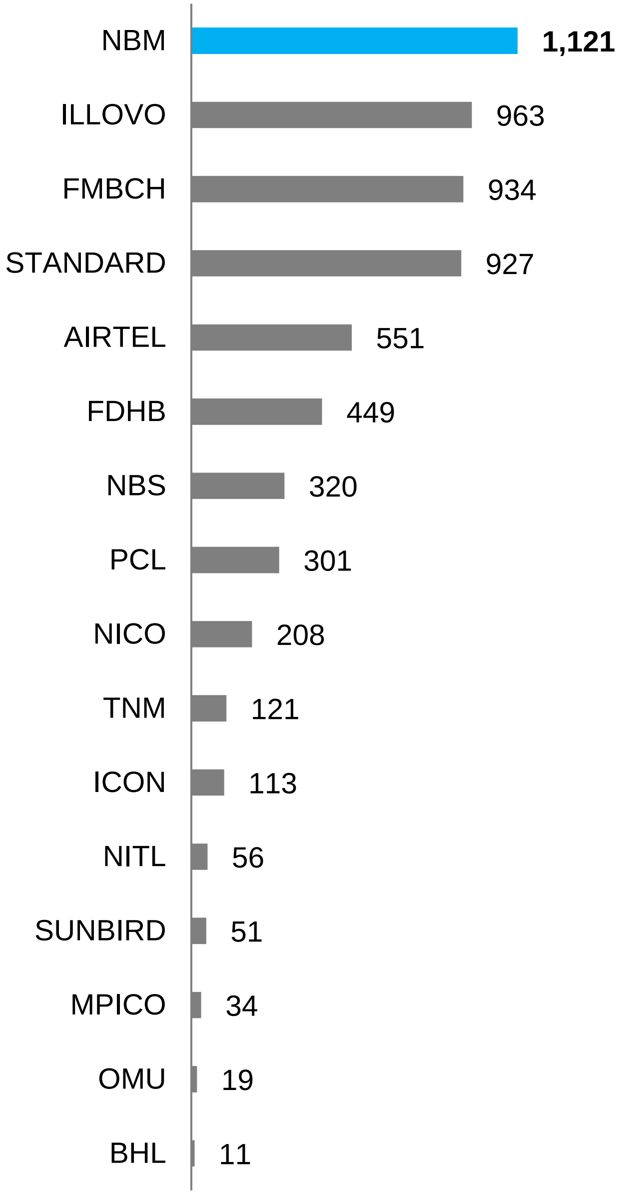
P/E Ratio - the weighted average price to earnings ratio on the MSE was 18.26x in March 2024. The counter with the lowest positive ratio was MPICO at 5.89x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 4.73x in March 2024. The counter with the lowest ratio was MPICO at 0.65x.



Market Capitalization (MK'billion) – NBM had the highest market capitalization at MK1.12 trillion in March 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	0.6	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	28.4	22.1
Revenue and grants (% of GDP)	14.6	14.3	14	15.2	17.6
Domestic revenue - tax and non-tax (% of GDP)	13.1	12.8	12.9	12.1	13.9
Grants (% of GDP)	1.5	1.5	1.1	3.1	3.7
Expenditure and net lending (% of GDP)	20.9	21.4	22.3	25.7	25.0
Overall balance - excluding grants (% of GDP)	-7.8	-8.6	-9.4	-13.5	-11.1
Overall balance - including grants) (% of GDP)	-6.3	-7.1	-8.3	-10.4	-7.4
Foreign financing (% of GDP)	0.8	1.0	2.7	1.9	1.1
Domestic financing (% of GDP)	4.9	5.9	7.7	5.1	6.3
Money and quasi-money (% change)	16.7	30.0	38.8	30.5	29.3
Credit to the private sector (% change)	16.1	17.8	23.2	19.6	11.2
Exports - goods and services (USD mn)	1,308.3	1,587.3	1.486.8	1,559.6	—
Imports - goods and services (USD mn)	3,373.3	3,767.9	3,706.0	3,944.2	—
Gross official reserves (USD mn)	565.0	79.0	120.0	201.0	714.0
Months of import cover	2.7	0.3	0.5	0.8	2.9
Current account (percent of GDP)	-13.6	-15.2	-16.9	-15.9	—
Exchange rate (MK per US$ average)	749.5	805.9	949	—	—
External debt (public sector, % of GDP)	32.9	31.5	34.8	39.3	35.2
Domestic public debt (% of GDP)	21.9	30.0	40.8	42.0	39.8
Total public debt (% of GDP)	54.8	61.5	75.7	81.3	75.0

Appendix 4: EIU, AfDB and Oxford Economics Projections

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EIU projections

Economic growth (%)	2023	2024	2025	2026	2027	2028
GDP	1.6	1.5	2.2	3.4	3.2	3.4
Private consumption	1.7	1.1	2.1	2.7	3.3	3.3
Government consumption	1.8	1.5	2.0	2.6	2.5	2.5
Gross fixed investment	2.0	2.2	2.9	5.3	5.4	5.2
Exports of goods & services	4.4	4.0	4.4	5.2	5.1	5.3
Imports of goods & services	3.9	3.3	3.9	4.5	5.0	5.0
Domestic demand	1.7	1.3	2.2	3.0	3.5	3.4
Agriculture	1.0	0.8	1.3	2.1	2.0	2.2
Industry	1.4	2.2	2.4	3.0	2.9	2.9
Services	2.0	1.7	2.6	4.1	3.8	4.1
Key indicators						
Real GDP growth (%)	1.6	1.5	2.2	3.4	3.2	3.4
Consumer price inflation (av; %)	28.8	33.9	26.4	24.1	16.8	13.3
Government balance (% of GDP)	-10.0	-8.7	-7.7	-5.8	-4.4	-3.6
Current-account balance (% of GDP)	-10.8	-13.4	-12.0	-10.2	-9.4	-8.9
Short-term interest rate (av; %)	13.7	16.0	15.0	14.0	12.0	10.0
Exchange rate MK:US$ (av)	1,149.1	1,750.7	1,970.7	2,162.2	2,318.4	2,496.9

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	February	March
Produce (USD/mt)	2020	2021	2022	2023	2024	2024	2024
Soybeans	407.0	583.0	675.0	598.0	547.0	520.0	487.0
Maize	165.5	259.5	318.8	252.7	198.6	189.1	190.6
Sugar & Tea (USD/Kg)							
Sugar - EU	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Sugar - U.S.	0.6	0.7	0.8	0.9	0.9	0.9	0.9
Sugar - World	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Tea - average	2.7	2.7	3.1	2.7	2.7	2.7	2.7
Fertilizers (USD/mt)							
DAP	312.4	601.0	772.2	550.0	596.3	583.8	617.5
Phosphate rock	76.1	123.2	266.2	321.7	152.5	152.5	152.5
Potassium chloride	241.1	542.8	863.4	383.2	296.3	289.4	300.5
TSP	265.0	538.2	716.1	480.2	450.6	454.4	449.0
Urea, E. Europe	229.1	483.2	700.0	358.0	335.4	351.3	330.0
Precious Metals (USD/toz)							
Gold	1,770.0	1,800.0	1,801.0	1,943.0	2,034.0	2,023.0	2,158.0
Platinum	883.0	1,091.0	962.0	966.0	926.0	894.0	909.0
Silver	20.5	25.2	21.8	23.4	22.9	22.7	24.5

Appendix 6: List of Acronyms and Abbreviations

ADB:	Authorized Dealer Banks
ADMARC:	Agricultural Development and Marketing Corporation
AfDB:	African Development Bank
Agcom:	Agricultural Commercialization project
AIP:	Affordable Input Program
av:	Average
BHL:	Blantyre Hotels Plc
bn:	Billion
CECF:	Community Environment Conservation Funds
CPI:	Consumer Price Index
DAP:	Diammonium Phosphate
DPO:	Development Policy Operation
DSI:	Domestic Share Index
ECF:	Extended Credit Facility
EDF:	Export Development Fund
EIU:	Economist Intelligence Unit
EMDE:	Emerging Markets and Developing Economies
EUR:	Euro
EU:	European Union
FDHB:	FDH Bank Plc
FMBCH:	FMB Capital Holdings Plc
FSI:	Foreign Share Index
FY:	Financial Year
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
LRR:	Liquidity Reserve Requirement
MASI:	Malawi All Share Index
Mb/d:	Million barrels per day
MEM:	Malawi Economic Monitor
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
RBM:	Reserve Bank of Malawi
SSA:	Sub-Saharan Africa
SUNBIRD:	Sunbird Tourism Plc
TB:	Treasury Bill
TN:	Treasury Note
TNM:	Telekom Networks Malawi Plc
Toz:	Troy ounces
TT:	Telegraphic Transfer
USD:	United States Dollar
VAT:	Value Added Tax
WHT:	Withholding Tax
ZAR:	South African Rand

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Bridgepath Capital Limited
P.O Box 2920
Blantyre

1st Floor
Development House
Corner Henderson Street
Blantyre

info@bridgepathcapitalmw.com
+265 1 828 355
www.bridgepathcapitalmw.com

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