



# Monthly Economic Report and a special brief on the IMF's Special Drawing Rights

August 2021

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### Inflation

Headline inflation eased to 8.7% in July 2021 from 9.1% in June 2021 due to a decline in food inflation. Food inflation declined to 10.3% from 11.1% in the previous month whilst non-food inflation was flat at 7.2%.

The Monetary Policy Committee (MPC), during the meeting held between 29 and 30 July 2021, raised its inflation projection for 2021 to 8.8% from 8.4% on account of elevated non-food inflation trends underpinned by continued weakening of the Malawi Kwacha to United States Dollar exchange rate and higher import prices. The MPC noted that rising inflation could be offset by low food prices, owing to an improved maize harvest during the 2020/21 agricultural season.

The EIU anticipated elevated non-food inflation and projects inflation to be 9.3% in 2021 and peak at 10.0% in 2022 then gradually ease to 8.5% by 2025. Lower global fuel prices will be the main driver of lower inflation from 2023 onwards.

### Monetary Policy

The MPC, at its third meeting of 2021 (held between 29 and 30 July 2021) maintained the Policy rate at 12%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate to support economic recovery.

The EIU expects the MPC to maintain the policy rate at 12% throughout 2021 then adopt a tightening monetary policy stance from 2022-25 to curb rising inflation.

### Fiscal Policy

Total revenue and grants for the 2021/22 fiscal year are estimated to be MK1.27 trillion representing 12.4% of GDP and comprising MK1.15 trillion in revenue and MK170 billion in grants. The corresponding total expenditure is projected to be MK2 trillion, representing 19.5% of GDP. This results in a deficit of MK724 billion which amounts to 7.1% of GDP. The deficit was budgeted to be funded by domestic and foreign borrowing of MK583 billion and MK135 billion, respectively. Subsequent to the budget statement, the government has made additional financial allocations and increased civil servant salaries by 12% in July 2021.

While the Government expects a deficit of 7.1% for the 2021/22 fiscal year, the EIU projects a deficit of 10.7% of GDP in the same period on account of expected fiscal slippages. According to the EIU, the Government's projection of 7.1% of GDP is optimistic and the Government will struggle to limit its expenditure during the period.

### Exchange Rates

Based on middle rates, the Malawi Kwacha marginally depreciated against the USD by 0.36% in August 2021. As at 31 August 2021, the Kwacha was trading at MK820.40/USD from MK817.43/USD as at 31 July 2021. Year-to-date, the Malawi Kwacha has depreciated against the USD by 5.61%, higher than the year-to-date depreciation of 2.14% in the same period in 2020.

The country's gross official forex reserves increased by 49.56% to USD604.50 million in August 2021 from USD404.18 million in July 2021 which improved gross official forex reserves' import cover to 2.42 months for August 2021. The total foreign exchange reserves position was USD993.97 million in August 2021 which represented a 22.72% increase from USD809.97 million in July 2021. Total foreign exchange reserves import cover was 3.98 months in July 2021.

The RBM says the Malawi Kwacha is under pressure as demand for foreign exchange continues to surpass supply and continued shortage of foreign exchange supply is a downside risk to the currency. Similarly, the EIU states that continued low levels of foreign exchange reserves are putting pressure on the Malawi Kwacha just as Malawi's import spending is increasing.

The Malawi Kwacha has however received support from the RBM and IMF. On 27 August 2021, the RBM re-introduced the mandatory sale of export proceeds to alleviate the shortage of foreign exchange supply. The mandate requires all exporters to liquidate at least 30% of export proceeds held in their Foreign Currency Denominated Accounts (FCDAs) within 2 days from the date of receipt of the proceeds. This sell must be conducted with Authorized Dealer Banks (ADB) of the exporters' choice

The International Monetary Fund (IMF) increased its allocation of Special Drawing Rights (SDR) to Malawi by SDR133 million or USD189 million on 23 August 2021. This allocation will grow Malawi's foreign exchange reserve position, ease pressure on the currency, and reduce reliance on expensive debt financing as IMF SDRs have an interest rate of under 1%.

### Stock Market

The Malawi All Share Index (MASI) increased by 6.71% to 38,945.62 points in August 2021 from 36,496.03 points in July 2021. This was due to share price gains in AIRTEL, ILLOVO, MPICO, NBM, PCL, Standard Bank and TNM which offset share price losses in FDH Bank, ICON, and NBS. The MASI year-to-date return was 20.23% in August 2021, it was 3.56% during the same period in the previous year. In terms of market price movement, ILLOVO had the largest share price gain during the period to MK175.29 per share in August 2021 from MK126.51 per share in July 2021, representing a 38.56% increase. While FDH Bank had the largest share price loss during the same period to MK13.60 per share from MK15.97 per share, representing a 14.84% decrease.

### Government Securities

The government awarded MK87 billion in August 2021 from MK35 billion in the previous month through Treasury Bill (TB) and Treasury Note (TN) auctions. The TBs had a lower rejection rate of 10% compared to the TNs that had a 28% rejection rate. The net liquidity for the month was MK97 billion as maturities from government securities for August 2021 were MK185 billion. The average Treasury Bill and Treasury Note yields for August 2021 were 12.22% and 20.02%, respectively.

### Economic Growth

The RBM expects real GDP growth to be 3.8% in 2021 as Malawi recovers from the Covid-19 pandemic induced slump in 2020. Economic recovery will be bolstered by a strong harvest in the 2020/21 agriculture season.

The RBM's real GDP growth forecast is significantly higher than the average 2.5% forecast by The World Bank, IMF and EIU. The latter expect the economy to recover at a slower rate due to a protracted Covid-19 pandemic

### COVID-19 Status and developments

The third wave of the Covid-19 pandemic persisted throughout Malawi in August 2021 and the country was implementing Covid-19 preventative and containment measures. The country fully vaccinated an additional 272,350 individuals in August 2021 from 138,134 individuals in July 2021, bringing the number of fully vaccinated individuals to 410,484.

The total number of confirmed Covid-19 cases increased to 60,494 in August 2021 from 52,347 in July 2021. Similarly, the total COVID-19 related deaths increased to 2,177 in August 2021 from 1,635 in July 2021. These changes were accompanied by a decrease in the positivity rate to 7.6% as at 31 August 2021 from 20.8% as at 31 July 2021, while the Case Fatality Rate (CFR) increased to 3.6% from 3.1% during the period under review. The recovery rate increased to 79.0% from 72.6% during the same period.

### Risks

The salient downside risks for the country are depreciation of the Malawi Kwacha, fiscal slippage, higher inflation, unfavorable weather and inadequate power supply. Further, a protracted COVID-19 pandemic will exacerbate these risks.

As the global economy recovers from the pandemic, increased production levels are likely to lead to an increase in global oil prices. Holding other factors constant, this could increase the non-food inflation as both oil and fertilizer imports become more expensive. The good harvest in the 2020 agricultural season, however, should ease the headline inflation through the food-inflation while unfavorable weather could compound inflation pressure in 2022.

The increasing global prices for both oil and fertilizer, which are likely to result in an increase in the demand of the Malawi Kwacha, may lead to further depreciation of the local currency. This is because oil and fertilizer are the largest two imports by value for Malawi. The SDR allocation from IMF should however mitigate the pressure on the local currency in the short-term.

The protracted COVID-19 pandemic is likely to increase the fiscal deficit through the government's allocation of resources to mitigate the effects of the pandemic. This could compound other risks that the private sector faces in the country such as inadequate power and poor infrastructure. However, projects to increase electricity generation and expand key infrastructure should mitigate this risk in the long-term.



## Economic overview

### Inflation (Source: NSO)

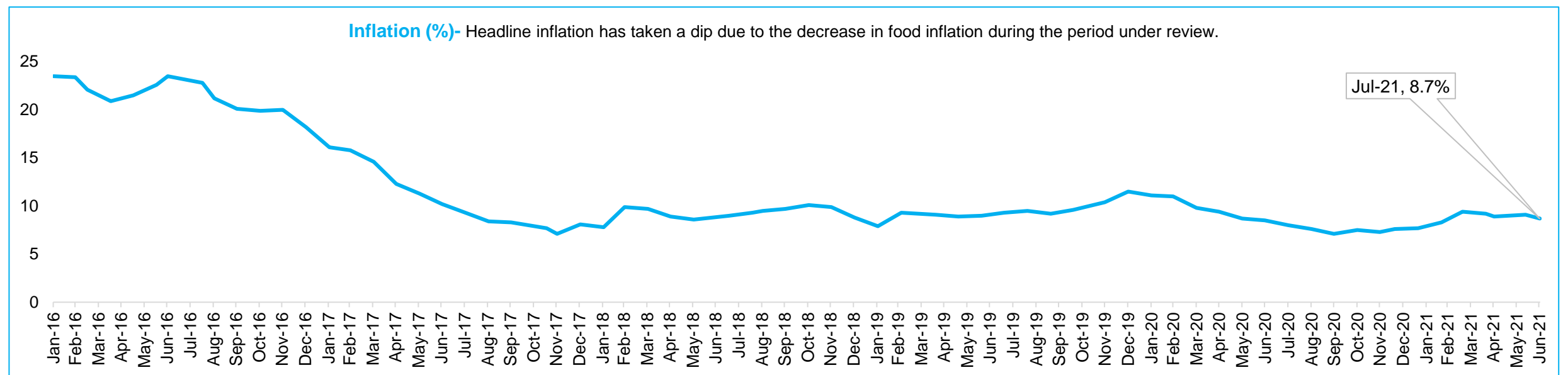
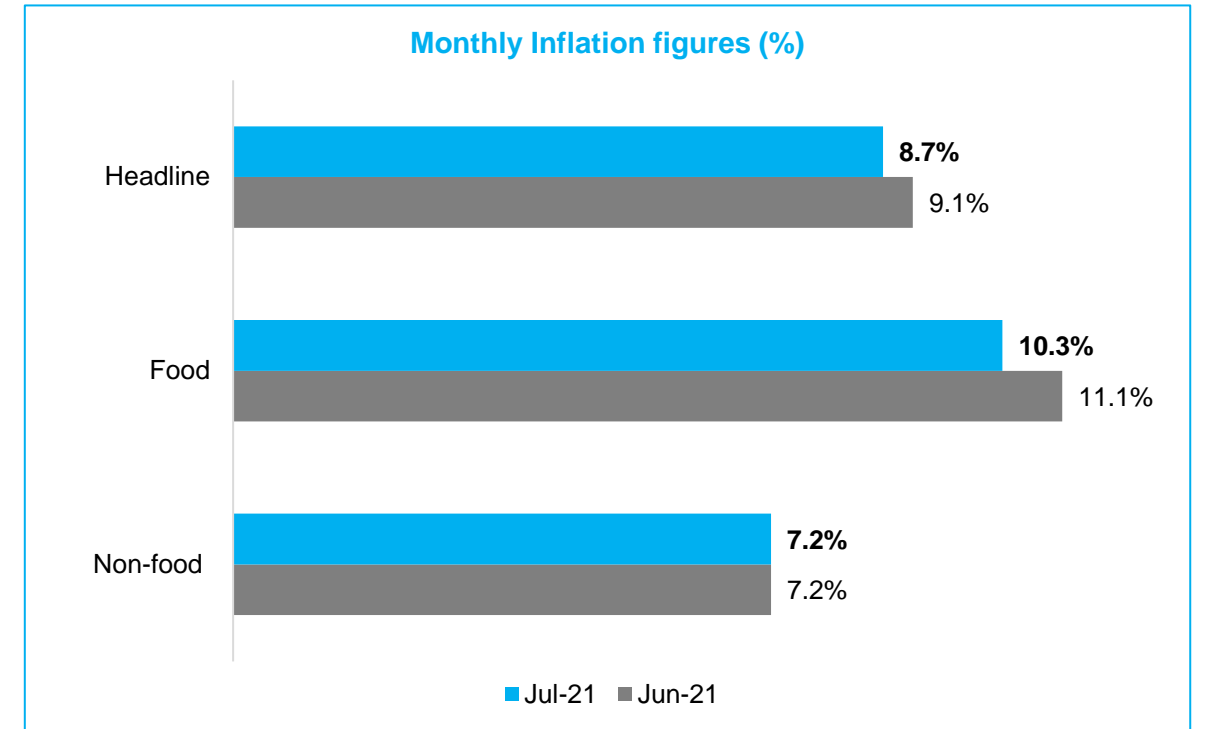
*Headline inflation eased to 8.7% in July 2021 from 9.1% in June 2021 on account of a decrease in food inflation.*

Headline inflation eased to 8.7% in July 2021 from 9.1% in June 2021. In July 2020, headline inflation was 8.0%. The m-o-m decrease in headline inflation was on account of a decrease in food inflation which averaged 10.3% (June 2021: 11.1%) while non-food inflation maintained its position at 7.2% (June 2021: 7.2%) in the month of July 2021.

The MPC recently revised its annual inflation forecast to 8.8% from 8.4% at the meeting held on 29 and 30 July 2021. The MPC increased its non-food inflation forecast and commented that pressure on headline inflation could persist in the near term.

Non-food inflation is on an elevated path as a result of imported inflation and the pass-through of the Kwacha depreciation year to date. The EIU anticipates non-food inflation to pick up in the short to medium term.

Food-inflation on the other hand, is stable with a positive outlook on account of an expectation of lower maize prices due to maize availability. The World Bank Malawi Economic Monitor for June 2021 reported a prospective increase in maize availability for the year as maize production for 2021 is expected to increase to 4.5 million tons, a 17% increase over 2020's harvest.





## Economic overview (Continued)

### Government securities (Source: RBM)

The Government awarded MK37.21 billion through TB auctions, an increase of 155% from MK14.55 billion awarded in July 2021. It also awarded MK50.69 billion through TN auctions, an increase of 150% from MK20.30 awarded in July 2021.

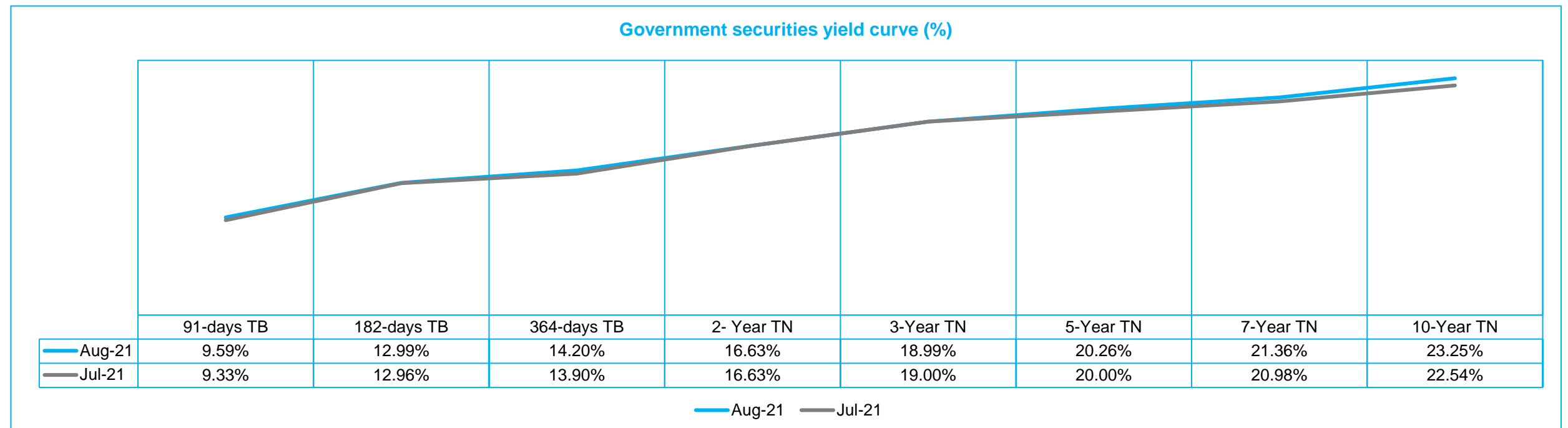
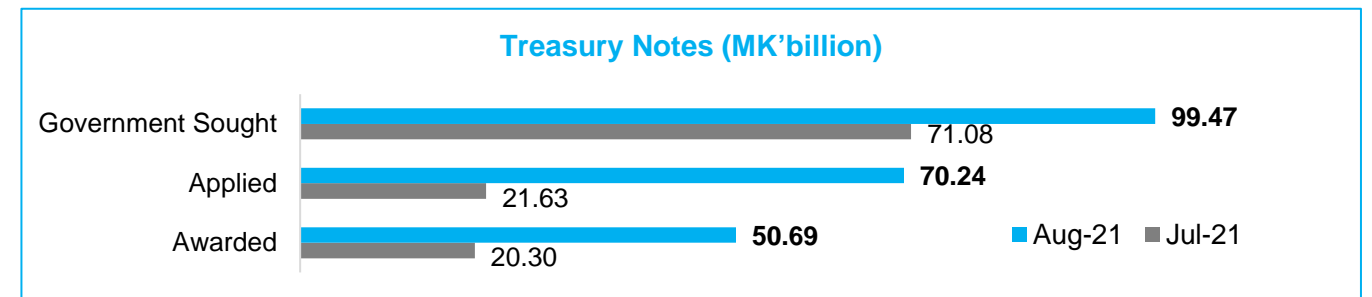
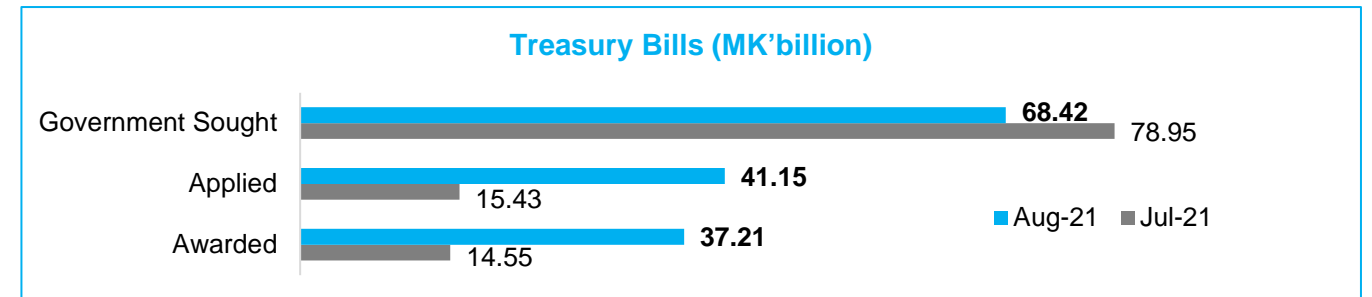
#### Treasury Bills (TBs)

In August 2021, the Government sought to borrow MK68.42 billion through Treasury Bill (TB) auctions, a decrease of 13.34% from MK78.95 billion sought in July 2021. Participants applied to place MK41.15 billion through the TB auctions in August 2021, an increase of 166% from MK15.43 billion applications in July 2021. From the applications, the Government awarded MK37.21 billion through the TB auctions, an increase of 155% from MK14.55 billion awarded in July 2021. The applications had a 9.57% rejection rate during the period under review.

#### Treasury Notes (TNs)

In August 2021, the Government sought to borrow MK99.47 billion through Treasury Note (TN) auctions, an increase of 39.94% from MK71.08 billion sought in July 2021. Participants applied to place MK70.24 billion through the TN auctions, an increase of 225% from the MK21.63 billion applications in July 2021. From the applications, Government awarded MK50.69 billion through the TN auctions, an increase of 150% from MK20.30 awarded in July 2021. The applications had a 27.83% rejection rate during the period under review.

The average Treasury Bill yield increased to 12.22% from 12.06%, and the average Treasury Note yield increased to 20.02% from 19.83% during the period under review.





## Economic overview (Continued)

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

Year-to-date, the Malawi Kwacha has depreciated against the United States Dollar by 5.61%.

The gross official reserves were USD604.50 million as at 31 August 2021, an increase of 49.56% from USD404.18 million as at 31 July 2021. The import cover for the gross official reserves increased to 2.42 months from 1.62 months during the same period.

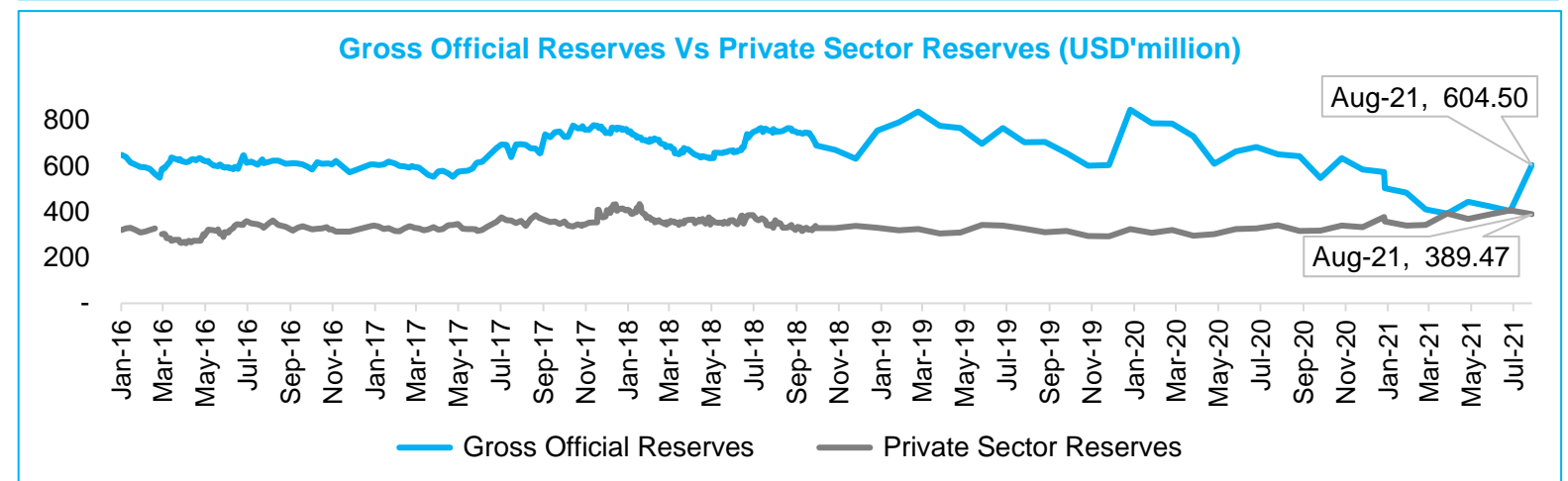
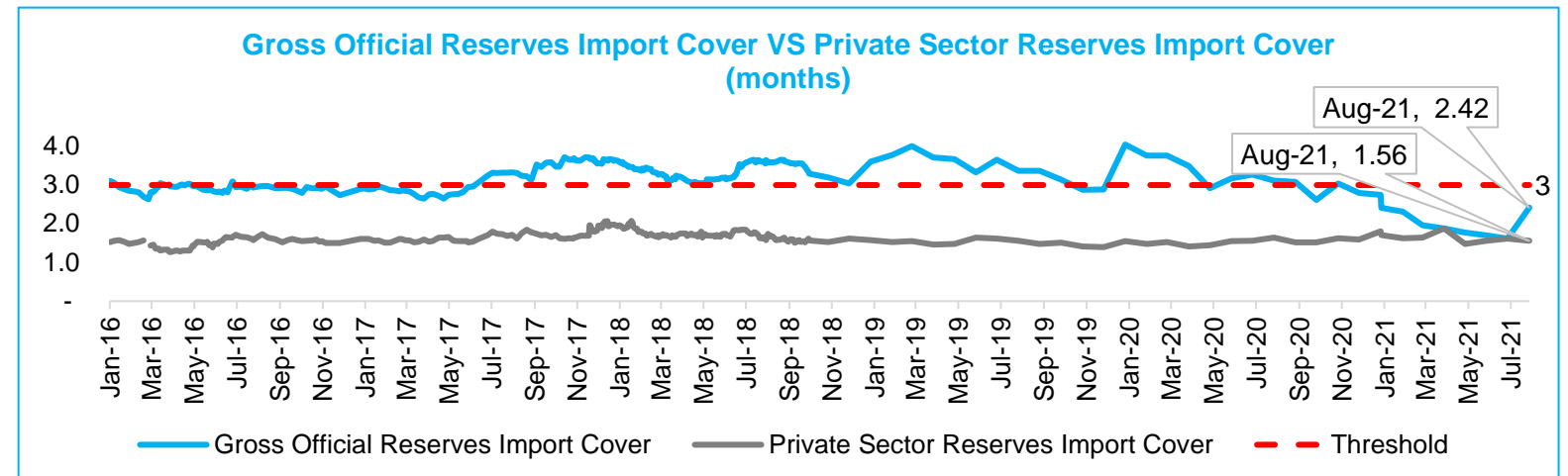
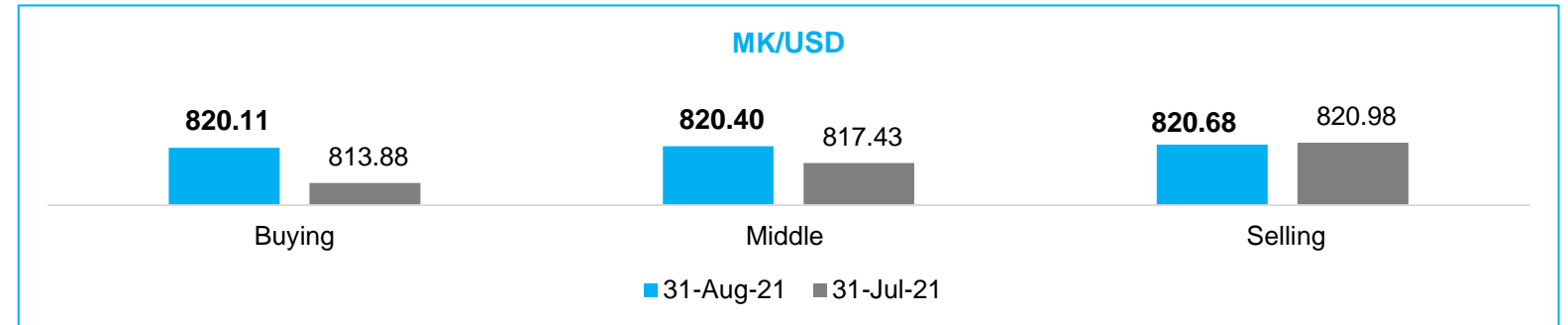
#### Foreign currency market

The Malawi Kwacha has been weakening over the course of the year as the current-account deficit continues to exert pressure on the currency. This is on the back of COVID-19 spillover effects and rising prices of imports including fertilizer and fuel. As at 31 August 2021, the Kwacha had marginally depreciated 0.31% against the USD to MK820.40/USD from MK817.43/USD as at 31 July 2021. Year-to-date, the Kwacha has depreciated against the United States Dollar by 5.61%, which is higher than the year-to-date depreciation of 2.14% during the same period in 2020.

#### Foreign reserve position

As at 31 August 2021, the country's gross official forex reserves increased by 49.56% to USD604.50 million from a gross official forex reserve position of USD404.18 million as at 31 July 2021. The increase in gross official reserves was underpinned by the IMF's general SDR allocation of SDR133 million (USD189 million) to the country. The private sector forex reserves decreased by 4.02% to USD389.47 million as at 31 August 2021 from USD405.79 million as at 31 July 2021. Overall, total foreign exchange reserves held in August 2021 were USD993.97 million, which is a 22.72% increase from the total foreign exchange reserves position of USD809.97 million held in July 2021.

Import cover for gross official reserves for August 2021 was 2.42 months, an increase of 49.38% from an import cover of 1.62 months in July 2021. For private sector reserves, import cover for August 2021 was 1.56 months, a 3.70% decrease from 1.62 months in July 2021. Despite the gross official reserves increasing, both the import cover for gross official and private sector reserves continued to remain below the required threshold of 3 months as at 31 August 2021. The total foreign exchange reserves had an import cover of 3.98 months in July 2021.







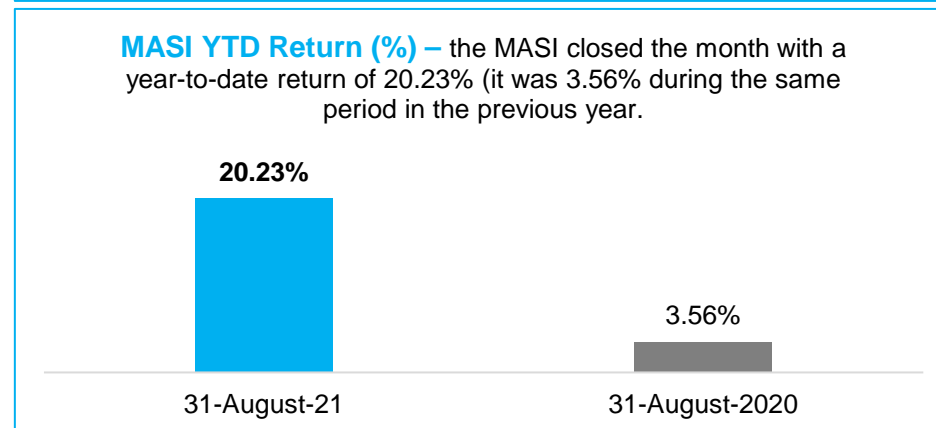
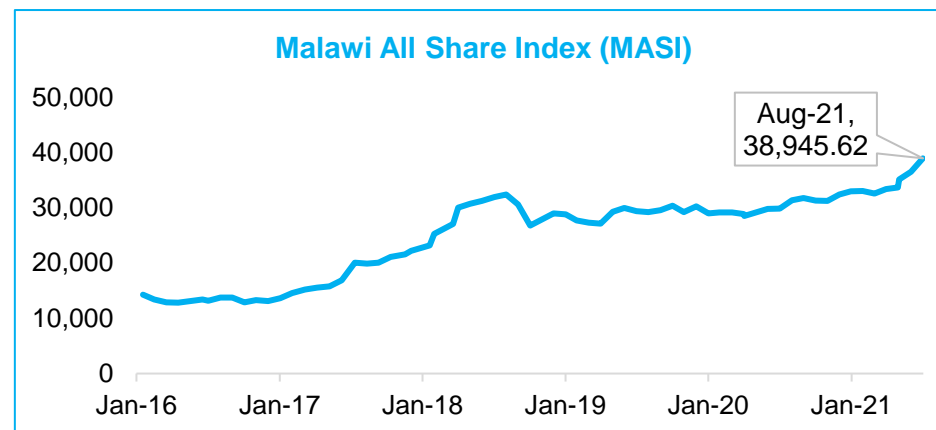
## Economic overview (Continued)

### Stock market (Source: MSE)

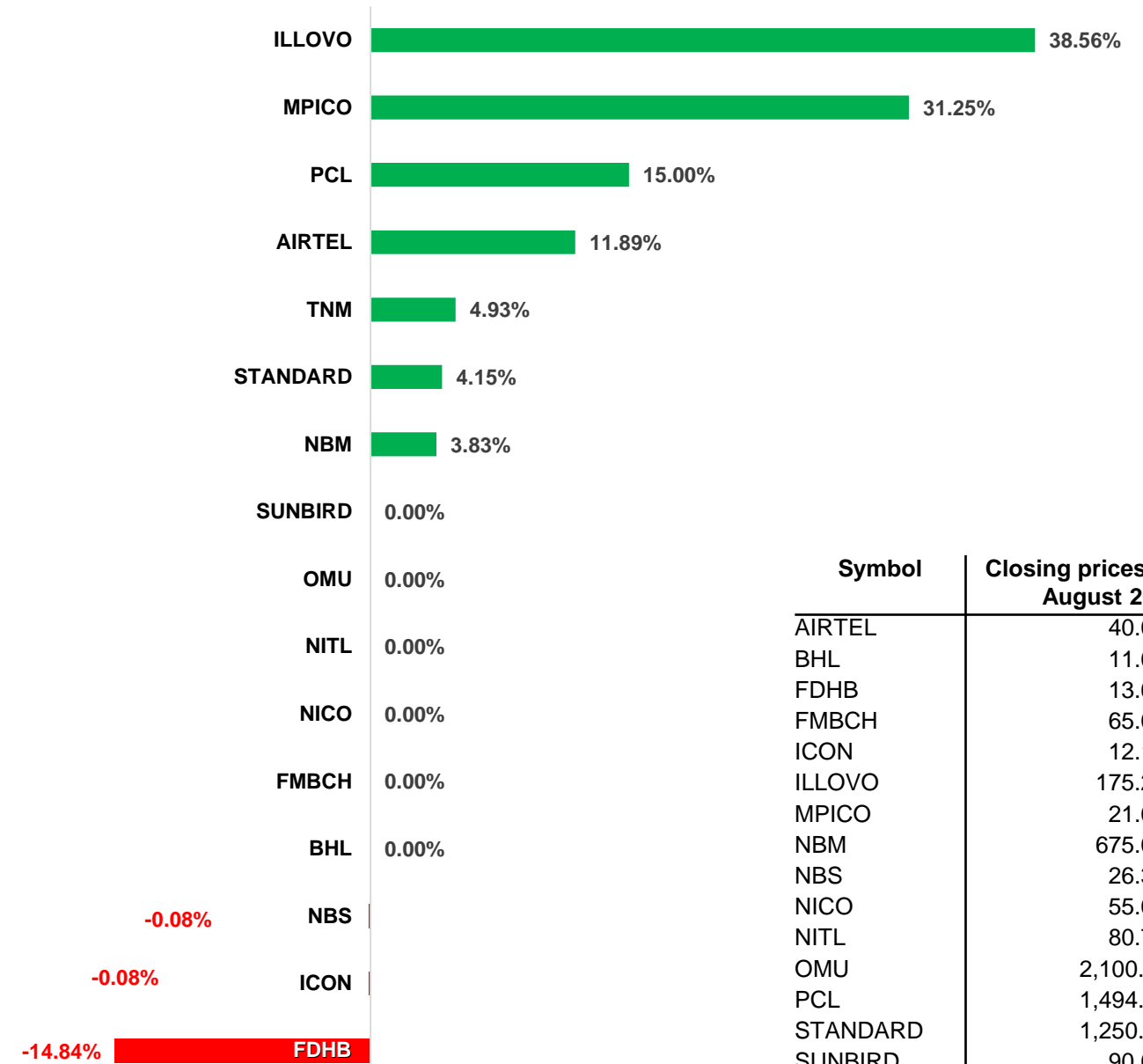
The stock market continues to show growth compared to the previous year, with the MASI closing the month of August 2021 at 38,945.62 points. The MASI year-to-date return was 20.23% in August 2021, it was negative 3.56% during the same period in the previous year.

The stock market was bullish over the period with the Malawi All Share Index (MASI) reaching 38,945.62 points in August 2021 from a low position of 31,328.10 points in August 2020 representing a y-o-y increase of 24.32%. The MASI has increased by 6.71% m-o-m, as it was 36,496.03 points in July 2021.

The largest gainer in August 2021 was ILLOVO which closed the month at MK175.29 per share from MK126.51 per share in July 2021. This marks a m-o-m increase of 38.56%. There were also share price gains for PCL, Standard Bank, NBM, Airtel, MPICO and TNM. A total of six counters closed the month at the same price as the previous month. These counters were: BHL, FMBCH, NICO, NITL, OMU and SUNBIRD. The largest loser was FDH Bank whose share price decreased by 14.84% to MK13.60 per share as at the close of August 2021 from MK15.97 per share as at the close of July 2021. The figures below summarise the share price changes during the period.



### M-o-m Share price Gains/Losses (%)



Symbol	Closing prices as at 31 August 2021
AIRTEL	40.00
BHL	11.00
FDHB	13.60
FMBCH	65.00
ICON	12.12
ILLOVO	175.29
MPICO	21.00
NBM	675.00
NBS	26.33
NICO	55.00
NITL	80.70
OMU	2,100.00
PCL	1,494.99
STANDARD	1,250.00
SUNBIRD	90.00
TNM	16.80





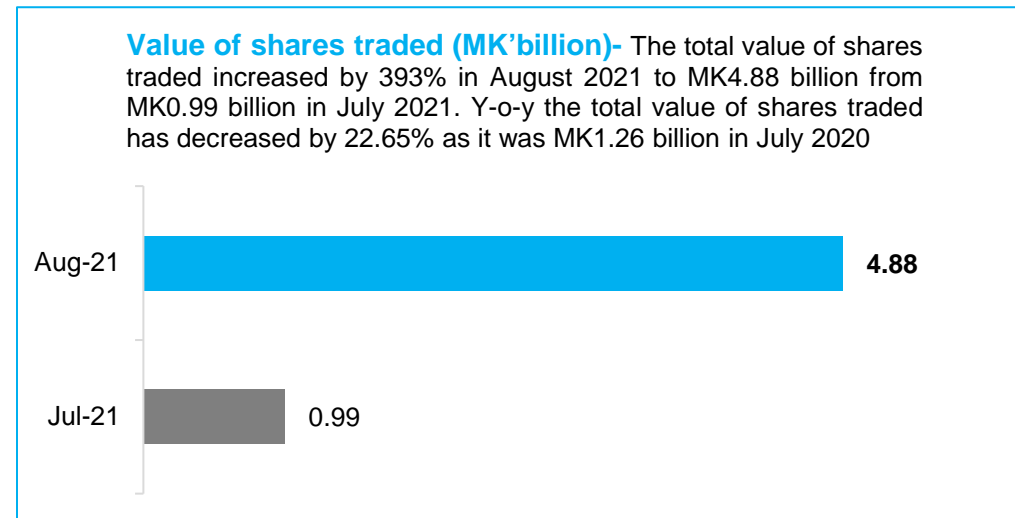
## Economic overview (Continued)

### Stock market (Source: MSE)

Standard Bank of Malawi plc closed the half-year ended 30 June 2021 with a profit after tax of K11.59 billion, a decrease of 8% from profit after tax of K12.63 billion for the same period in 2020. NBS Bank closed the half-year ended 30 June 2021 with a profit after tax of K4.40 billion, an increase of 55% from profit after tax of K2.84 billion for the same period in 2020.

#### MSE Traded Volumes

There were MK4.88 billion worth of shares traded in August 2021 compared to the MK0.99 billion worth of shares traded in July 2021. NBM and AIRTEL had the highest value of shares traded at MK3.09 billion and MK671.7 million respectively, during the period under review. The total number of trades in the month under review decreased to 295 trades from 298 trades July 2021. The figure below traces the total value of shares traded on the MSE in June 2021.



## Corporate Announcements

### 1. Half-year Trading Statements

The following companies wish to advise the public that their profit/loss after tax for the half-year is expected to be higher or lower than the previous corresponding period by the specified amount.

Amounts in billions of Malawi Kwacha unless specified otherwise.

Counter	30 Jun 2021	30 Jun 2020	Trading statement profit/loss expectation
ICON	2.53	2.11	20%
SUNBIRD (MK'million)	(467.65)	(1,336.15)	-65%
NITL (MK'million)	1,232.43	363.55	239%

### 2. Published half-year financial statements

Counter	28 February 2021	28 February 2020	Actual Change in Profit/Loss	Trading statement profit/loss expectation
Illovo (MK'billions)	6.12	2.05	199%	200%

Counter	31 March 2021	31 March 2020	Actual Change in Profit/Loss	Trading statement profit/loss expectation
BHL (MK'million)	(390.65)	70.01	-658%	-500%

Counter	30 June 2021	30 June 2020	Actual Change in Profit/Loss	Trading statement profit/loss expectation
FDH Bank (MK'billions)	4.55	3.22	41%	34%
National Bank (MK'billions)	12.8	9.1	41%	20%
Standard Bank (MK'billions)	11.59	12.63	-8%	N/A
NBS Bank (MK'billions)	4.40	2.84	55%	40%
Press Corporation plc (MK'billions)	12.87	11.68	10%	N/A
Airtel Malawi plc (MK'billions)	11.35	11.42	-0.61%	N/A
TNM PLC (MK'billions)	4.51	3.78	19%	N/A
NICO (MK'billions)	7.03	7.64	8%	N/A
Old Mutual (ZAR'billions)	3.16	4.22	-25%	N/A



## Economic overview (Continued)

Stock market and debt market (Source: MSE)

The listed debt market did not register any trades in August 2021. The total nominal value of all listed debt securities was MK822.78 billion as at 31 August 2021.

### Corporate Announcements (continued)

#### 3. Dividends:

Below is a summary of the dividends that have been declared and proposed by listed companies:

Company	Declared/Proposed	Type	Dividend (MK)	Last Day To Register	Payable
ICON	Proposed	Final	0.12	27 August 2021	10 September 2021
NBM	Declared	Interim	10.71	3 September 2021	24 September 2021
STANDARD	Declared	Interim	28.55	10 September 2021	23 September 2021
NBS	Declared	Interim	0.60	10 September 2021	24 September 2021

### Listed Debt market

There were no trades registered in the debt market for the month of August 2021. The last trades were in April 2021, in which the debt market registered two trades for one of the Medium-term Notes (Trading symbol NFB03) by MyBucks Banking Corporation. The corporate bonds had a nominal value of K5 million each and were traded at a price of MK100.20 per par value, giving a total traded value of MK10 million.

**Listed Debt Market Nominal Value (MK'billion)** - In the period under review, there were no trades on the 4 Corporate Medium-Term Notes by MyBucks Banking Corporation and the 21 Malawi Government Treasury Notes. The total Nominal value of all listed debt se





## Other Market Developments

### Tobacco Sales (Source: AHL and TAMA Farmers Trust)

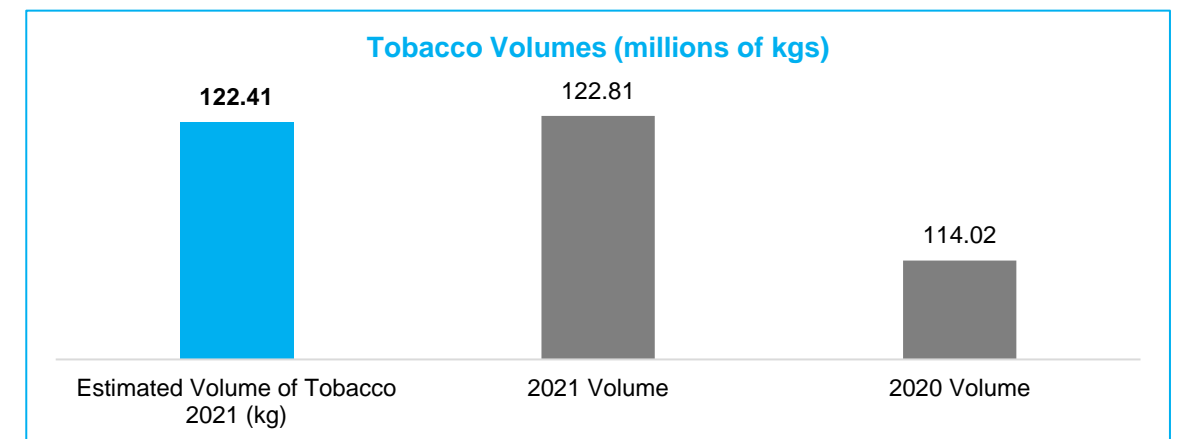
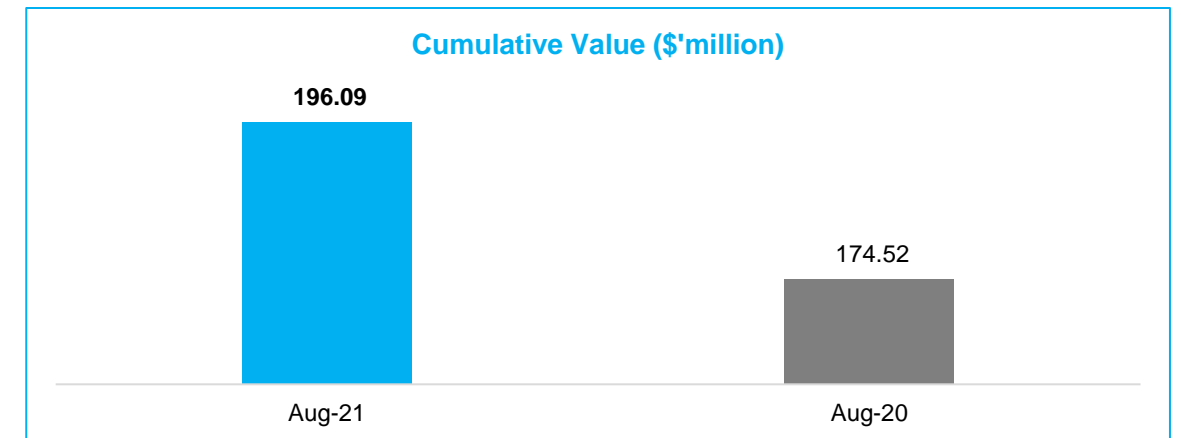
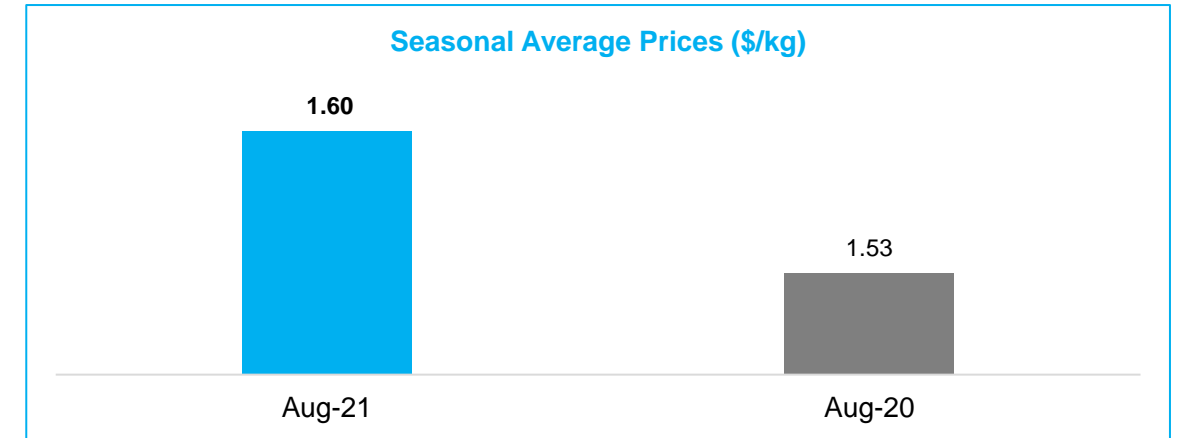
*The total volume of tobacco sold as at 31 August 2021 was 122.81 million kgs, sold at a seasonal average price of USD1.60 per kg. This marks a cumulative value of USD196.09 million sold. The 2021 cumulative value is 12.36% higher than a cumulative value of USD174.52 million sold as at the close of the 2020 tobacco market season.*

*The volume of tobacco sold as at 31 August 2021 was within the regional production projections from the Tobacco Commission with a 0.33% variance above the projection.*

The 2021 tobacco market season closed on 18 August 2021 and as at 31 August 2021, a cumulative volume of 122.81 million kgs had been sold at a seasonal average price of USD1.60 per kg. This marked a cumulative value of USD196.09 million, based on AHL tobacco sales figures. Y-o-y, the value is an increase of 12.36% from the cumulative value of USD174.52 million sold as at the close of the 2020 tobacco selling season. Receipts for tobacco remain Malawi's largest source of foreign exchange which exposes the country to shocks caused by poor weather conditions and declining global demand for tobacco.

In 2020, only 114 million kgs of tobacco were sold following the poor tobacco harvest. The subsequent regional production projections from the Tobacco Commission estimated that a total volume of 122 million kgs of tobacco would be sold during the 2021 tobacco market season. The volume of tobacco sold as at 31 August 2021 was within the regional production projections from the Tobacco Commission with a 0.33% variance above the projection. The projections of the volume sold during the 2021 tobacco market season were 7% higher than the volume sold during the 2020 tobacco market season.

The growing need for a diversified export base is still apparent for the country as global reduction in demand for tobacco affects tobacco sales for the country. Following a nationwide policy address on 2 May 2021 by President Chakwera, government during its June 2021 sitting of Parliament, will present a bill to establish a Mining Regulatory Authority. This is an attempt to move away from the country's undiversified agricultural sector and reduce its vulnerability to external shocks.





## Other Market Developments (Continued)

### Monetary Policy report and Malawi maize market report (Source: RBM and IFFPRI)

*The monthly average retail maize price increased to MK140/kg in August 2021 from MK131/kg in July 2021, an increase of 6.87%.*

#### Monetary Policy Report July 2021 (Source: RBM)

The central government reported a budget deficit of MK57 billion for its operations during the FY2020/21Q4. The deficit was 69% narrower than the deficit for FY2020/21Q3 and 60% narrower than the deficit for FY2019/20Q4, which were MK189 billion and MK141 billion, respectively. The improvement was on account of lower expenditure incurred at MK466.93 billion (FY2020/21Q3: MK555.34 billion) and higher revenue collected at MK410.05 billion (FY2020/21Q3: MK366.1 billion) during FY2020/21Q4.

#### Malawi monthly maize market report (Source: IFPRI)

The monthly average retail maize price increased by 6.87% to MK140/kg in August 2021 from MK131/kg in July 2021. This means that on average, a standard 50kg bag of maize was selling for MK7,000.00 in August 2021 from an average price of MK6,550.00 in July 2021.

ADMARC is buying maize at the minimum farmgate price of MK150/kg and up to MK160/kg in some ADMARC depots which is lower than the average price in selected regional markets in eastern Africa and on the main grain futures market in South Africa (SAFEX).

#### Fertilizer prices (Source: Mwapata Institute)

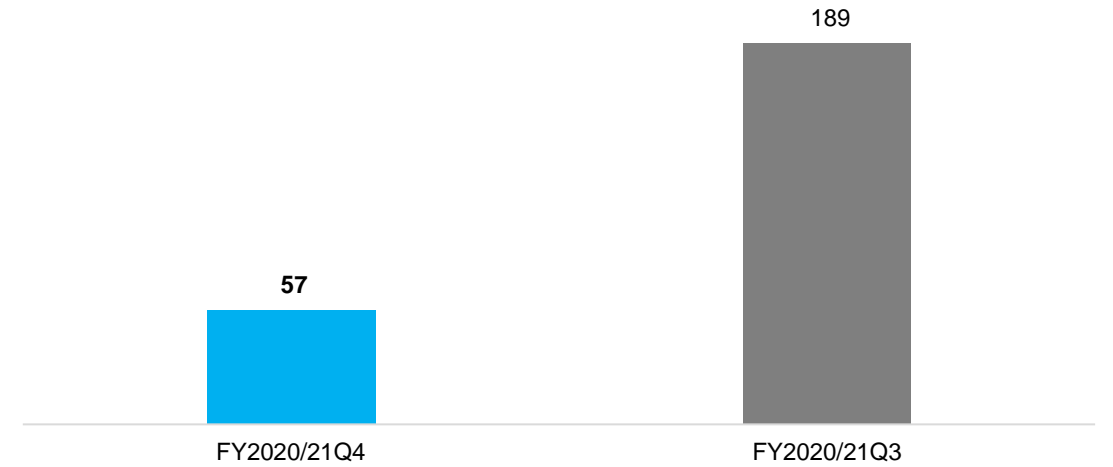
In August 2021, prices for NPK and Urea were 60-70% higher compared to the previous year due to rising global fertilizer prices as 90% of the domestic price increase is attributable to increases in world fertilizer prices, transport and exchange rate costs. This is compounded by an increase in global food as it incentivizes greater food production and consequently higher fertilizer demand.

In addition, the increase in the local fertilizer price is attributable to changes in the margin between domestic landed and retail prices. While the domestic price margins are nominally high, the change in domestic price margins does not suggest any change in the competitiveness in the fertilizer sector. As such, there is little that can be done in the near term to substantially mitigate the effects of underlying factors driving the fertilizer price increases by focusing on domestic margins.

Short-term for the AIP, eliminating the effects of the fertilizer price increase is not possible as most of it is incurred before the fertilizer reaches Malawi's borders. As such the options to sustain the AIP are to reduce beneficiaries, reduce value of subsidy, or increase funding for implementation.

Long-term solutions are; infrastructure investment to lower transportation costs and improving the yield response and efficiency of fertilizer use. Additionally, incentivizing domestic fertilizer production would help reduce the margin between global and domestic fertilizer prices.

**Budget Deficit (MK'billion)** - the central government's budgetary operations closed the FY2020/21Q4 with a budget deficit of MK 57 billion.



#### Drivers of Urea price change in Malawi (Source: Mwapata Institute)

Price components	2020	2021	Percent Change	Share of retail price change attributable to component
a World (US) price (\$/mt)	214	442	106%	51%
b Transport to Malawi (\$/mt)	264	358	36%	21%
c FOB Malawi (\$/mt) = (a+b)	478	800	67%	-
d Exchange rate (MWK/\$)	731	802	10%	10%
e Interaction effects between c & d	N/A	N/A	N/A	7%
f FOB Malawi (MWK/50kg)=(c*d)/20	17,471	32,140	84%	-
g Domestic margin (MWK/50kg)	4,571	6,258	37%	10%
h Retail price (MWK/50kg)	22,042	38,318	74%	100%





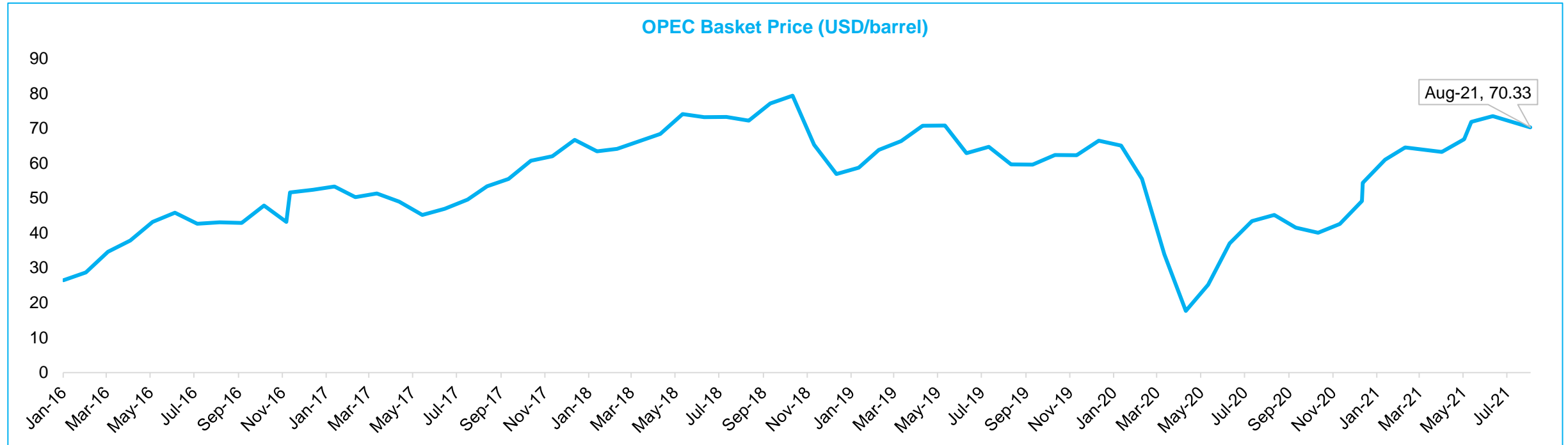
## Regional And Global Market Developments

### Global oil developments (Source: OPEC)

*The OPEC Reference Basket (ORB) decreased to USD70.33/b in August 2021 from USD73.53/b in July 2021.*

M-o-m, the OPEC Reference Basket (ORB) decreased to USD70.33/b in August 2021 from USD73.53/b in July 2021. In contrast, the ORB has increased by 55.63% y-o-y as it was USD45.19/b in August 2020. Oil prices in the current period are expected to be on the decline as a result of increases in oil output by global oil producers. Global oil producers reached an agreement to add 2% to the global oil supply by the end of the year with the aim of easing pressure on global oil prices. In 2022, oil prices are expected to moderate to an annual average of USD67.00/b underpinned by the results of said agreement.

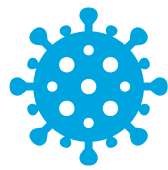
In 2021, world oil demand growth is expected to increase by 6.0 mb/d y-o-y. Oil demand in the second half of 2021 is projected to be positively impacted by a stronger economic rebound which will be supported by stimulus programmes and a further easing of COVID-19 lockdown measures, amid an acceleration in the vaccination rollout. Global oil demand is thus expected to average 96.5 mb/d in 2021.



### Interest rate movements (Source: WSJ)

The 3-month US LIBOR rate maintained its position at 0.12% in August 2021. The 6-month US LIBOR rate decreased its position to 0.15% in August from 0.16% in July 2021.

	August 2021 (%)	July 2021 (%)
US LIBOR (3 months)	0.12%	0.12%
US LIBOR (6 months)	0.15%	0.16%



# COVID-19 Update

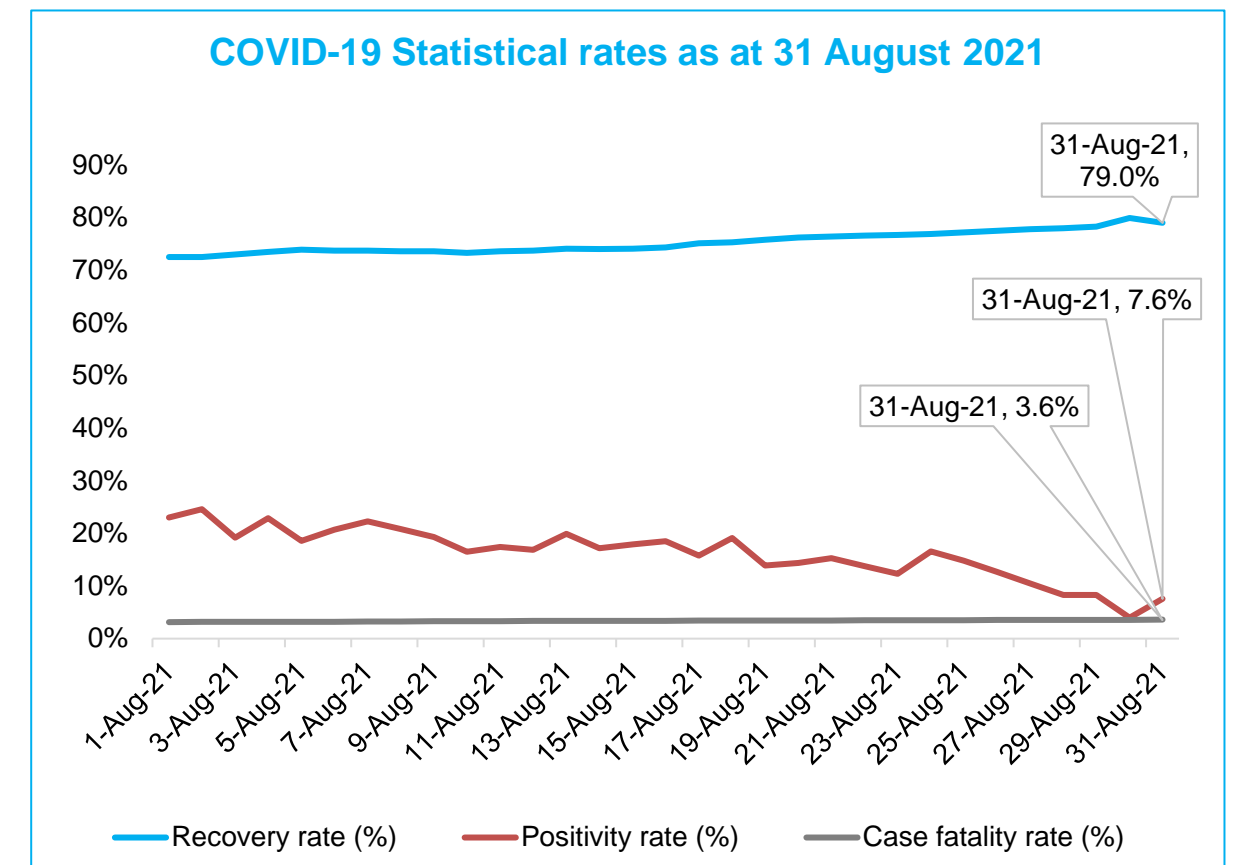
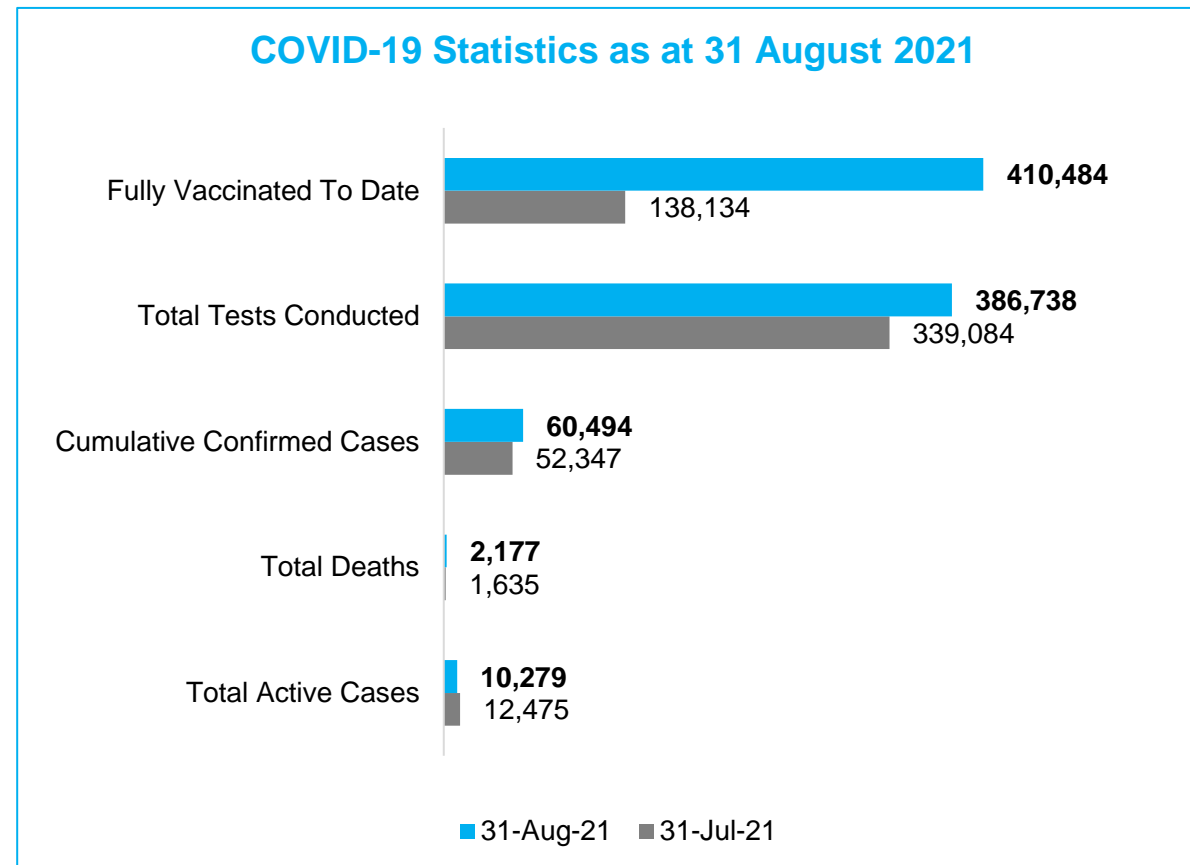
## Latest COVID-19 statistics and vaccine developments (Source: Malawi Ministry of Health)

As at end August 2021, 410,484 individuals had been fully vaccinated against the Covid-19 virus, an increase of 197% from 138,134 individuals fully vaccinated as at end July 2021. This represents 2% of the Malawian population fully vaccinated as at the end of August 2021.

As at 31 August 2021, the third wave of the Covid-19 pandemic persisted throughout the country. Consequently, the Covid-19 preventative and containment measures had not been lifted.

As at end August 2021, 410,484 individuals had been fully vaccinated against the Covid-19 virus in Malawi. This is an increase of 197% from 138,134 fully vaccinated individuals as at end July 2021. Despite the increase in the number of fully vaccinated individuals, they represent 2% of the Malawian population. Of the fully vaccinated, 210,692 were vaccinated with the AstraZeneca vaccine and 199,792 were vaccinated with the single dose Johnson & Johnson vaccine. There were 472,948 individuals that had been vaccinated with the first dose of the AstraZeneca vaccine during the period under review. The total number of confirmed Covid-19 cases increased to 60,494 in August 2021 from 52,347 in July 2021. Similarly, the total COVID-19 related deaths increased to 2,177 in August 2021 from 1,635 in July 2021. These changes were accompanied by a decrease in the positivity rate to 7.6% as at 31 August 2021 from 20.8% as at 31 July 2021, while the Case Fatality Rate (CFR) increased to 3.6% from 3.1% during the period under review. The recovery rate increased to 79.0% from 72.6% during the same period.

During the month of August 2021, the country received a total of 586,400 doses of Covid-19 vaccines. These include 284,400 doses of the Oxford AstraZeneca vaccine and 302,400 doses of the Johnson & Johnson vaccine. The effort is expected to be supplemented by additional doses amounting to 732,000 doses of the vaccines in September 2021, comprised of 360,000 doses of the Oxford-AstraZeneca vaccine and 372,000 doses of the Pfizer vaccine.





## Special Topic

### The International Monetary Fund and Special Drawing Rights (Source: IMF)

*The 2021 general SDR allocation of SDR456.5 billion (US\$650 billion implemented on 23 August 2021) has been implemented with the purpose of supplementing existing reserve assets, boosting buffers and bolstering international economic resilience.*

#### What are the International Monetary Fund's Special Drawing Rights?

The International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF created Special Drawing Rights (SDRs) in 1969. SDRs are interest-bearing international reserve assets with the purpose of supplementing other reserve assets of its member countries, and it serves as a unit of account for the IMF and some other international organizations. These reserve assets are currencies or other assets that can be readily transferable and used to facilitate international transactions and payments.

An SDR allocation is not a loan from the IMF. When the IMF allocates SDRs, participants in the SDR Department receive unconditional liquidity represented by an interest-bearing reserve asset (SDR holding) and a corresponding long-term liability to the SDR Department (SDR allocation). Allocating SDRs does not require contributions from donor countries' budgets as SDRs are not foreign aid and do not add to any country's public debt burden.

The SDRs are based on a basket of international currencies comprising the US Dollar, Japanese Yen, Euro, Pound Sterling and Chinese Renminbi. Despite this basis, it is neither a currency nor a claim on the IMF, but rather, it is potentially a claim on freely usable currencies of the IMF member countries. The value of SDR is based on fixed currency amounts of the currencies included in the SDR basket and their market exchange rates.

In terms of access, SDRs are only accessible by and allocated to IMF member that choose to participate in the SDR Department. Currently all 190 IMF member countries are participants. For use, SDRs can be held and utilized by all IMF member countries and certain designated official entities called "prescribed holders" but not by private entities or individuals.

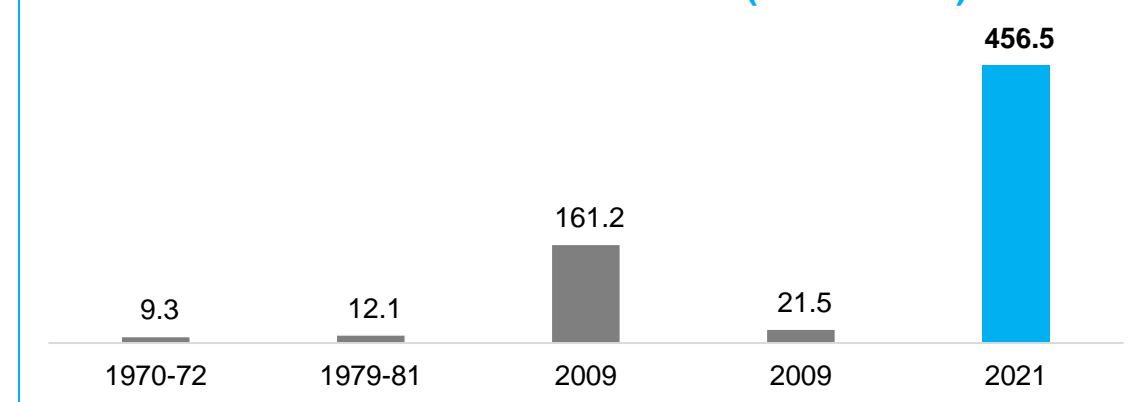
#### What is a general SDR allocation?

The IMF has the authority to create unconditional liquidity through "general allocations" of SDR to participants its SDR Department. A general allocation is a way of supplementing member countries' foreign exchange reserves, allowing members to reduce their reliance on more expensive domestic or external debt for building reserves.

In order to authorize a general allocation, it should meet a long-term global need to supplement existing reserve assets in a manner that will promote the attainment of the IMF's purposes and avoid undesirable economic conditions.

Historically, there have been five SDR allocations made. The first allocation was made in 1970-72 and comprised SDR9.3 billion made in yearly installments for the period. The immediate previous allocation was a one-time special allocation of SDR21.5 billion which took effect on September 2009 to correct for the fact that members that had joined the IMF after 1981 had never received an allocation. The 2021 general SDR allocation is the fifth allocation. In total, 4 general allocations and a one-time special allocation of SDR have been made.

#### Historical allocations of SDRs (SDR'billion)



#### Purpose and benefits of the 2021 general allocation

The 2021 general SDR allocation of SDR456.5 billion (US\$650 billion implemented on 23 August 2021) has been implemented with the purpose of supplementing existing reserve assets, boosting buffers and bolstering international economic resilience. It benefits all IMF member states, and helps emerging market and low-income countries struggling to cope with the Covid-19 crisis.

#### How it is distributed

General allocations of SDRs are distributed across the IMF membership in proportion to IMF quota shares. Emerging markets and developing economies get a proportion of 42.2% (USD275 billion), of which 3.2% (USD21 billion) is for low-income countries. Malawi has been allocated SDR133 million (USD189 million), 0.03% of the total value of the general allocation, in accordance with its quota. This brings Malawi's cumulative SDR allocation to SDR199.40 million. Globally, the highest allocation has been made to the USA with SDR79.55 billion while the highest allocation in Africa has been made to South Africa with SDR2.92 billion.

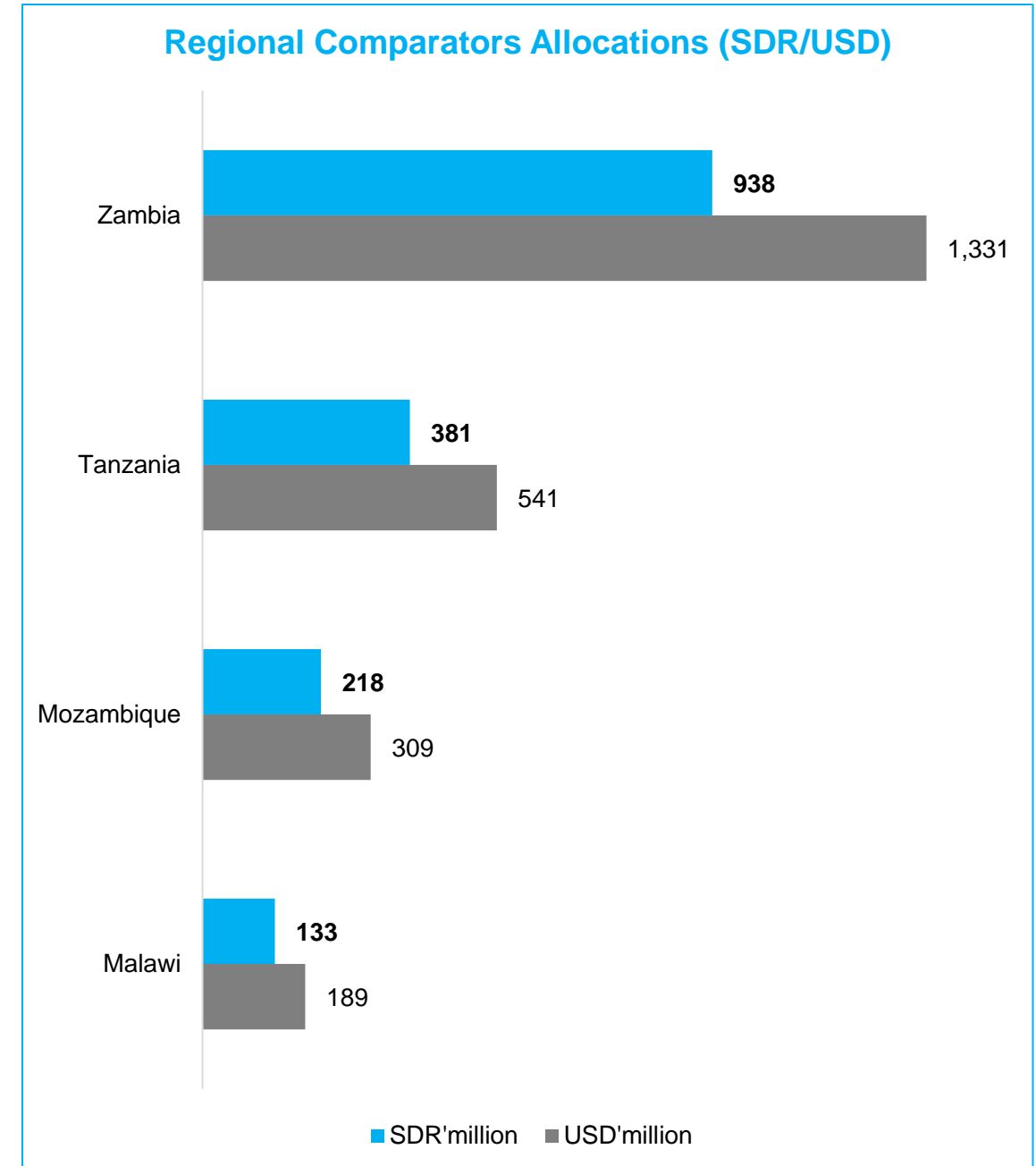
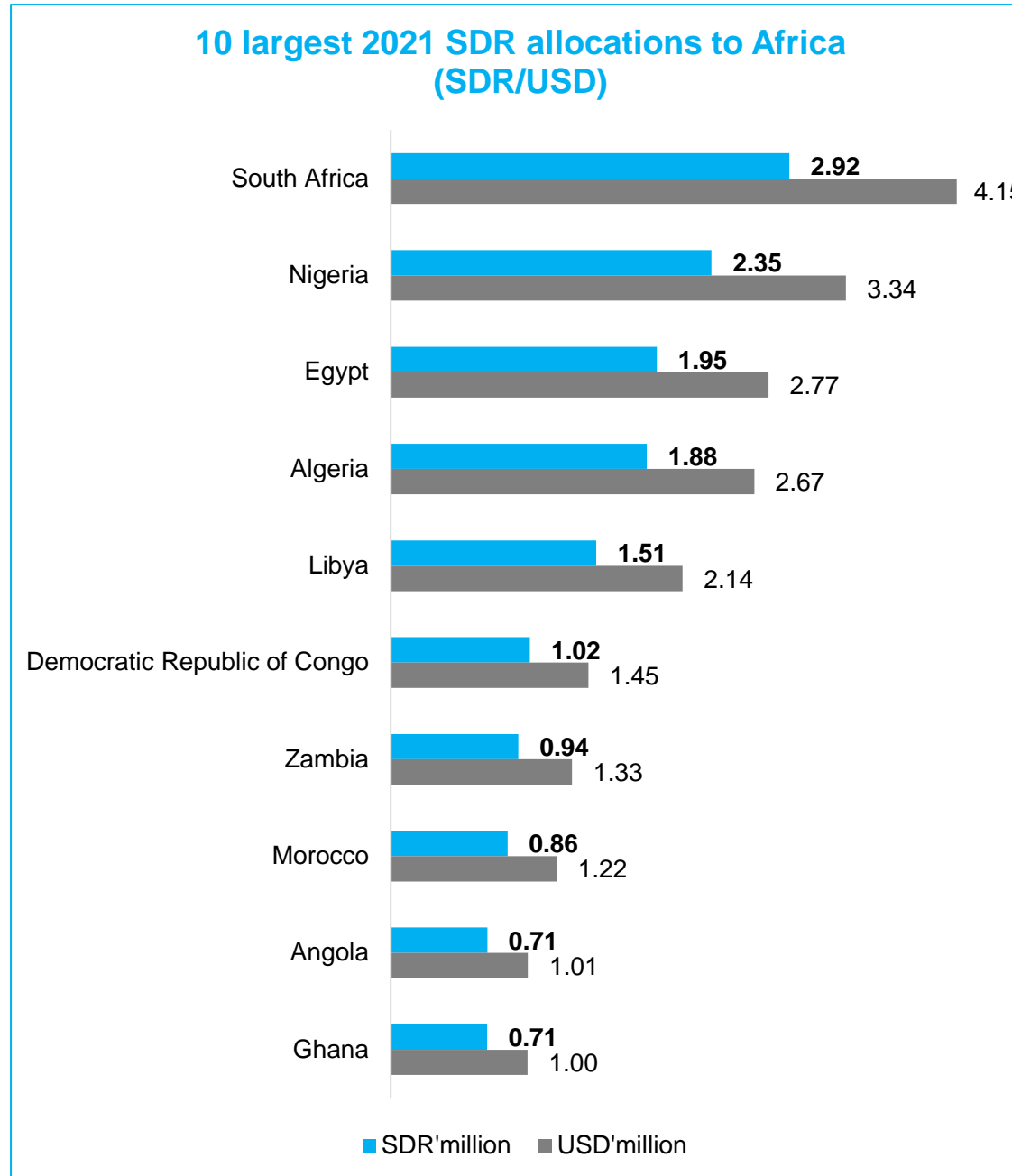
#### Costs of SDR

An SDR allocation is 'cost free' as it involves two elements: an increase in the SDR Department participants' allocation of SDRs (liabilities) and a matching increase in its holdings of SDRs (assets). The SDR Department pays interest on SDR holdings to each member and levies charges on SDR allocations of each member at the same rate (the SDR interest rate: 0.05%). Thus, an SDR allocation is 'cost-free' for all members because charges and interest net out to zero if the countries do not use their SDR allocations.

The use of SDRs is not 'cost free'. When a country uses SDR, it reduces its SDR holdings in comparison with its cumulative SDR allocation. As such countries that trade SDR will incur charges on their allocation that exceed the interest earned on their reduced SDR holdings.



South Africa has the largest SDR allocation among African countries at SDR2.92 billion (USD4.15 billion).





## Appendix

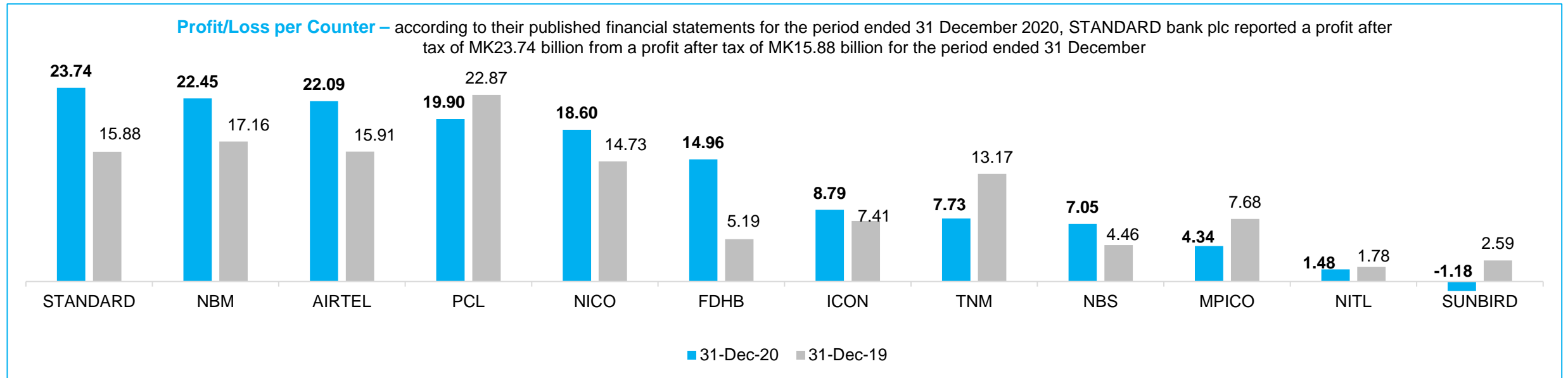


## Appendix 1

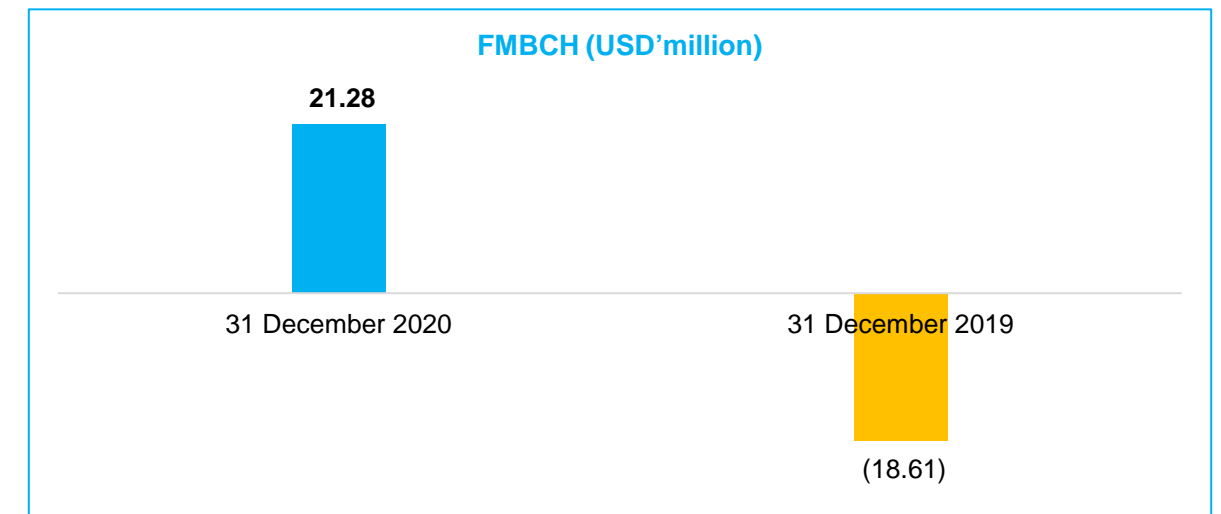
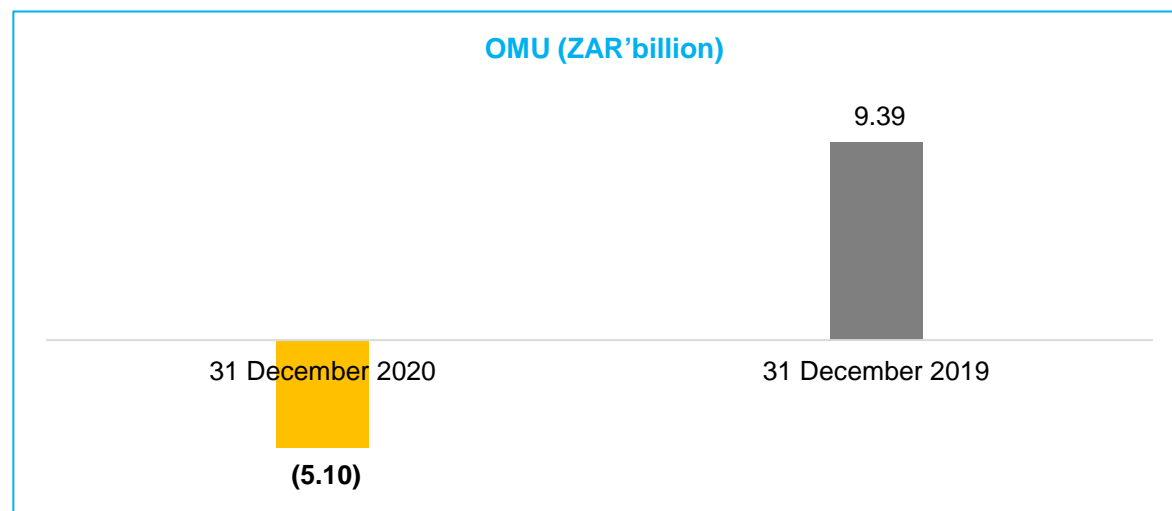
### Published Financial Statements for the year ending 31 December 2020- Domestic counters (Source: MSE)

Standard Bank plc closed the period ended 31 December 2020 with a profit after tax of MK23.74 billion, an increase of 49% from a profit after tax of MK15.88 billion for the period ended 31 December 2019.

Amounts in billions of Malawi Kwacha.



### Published Financial Statements for the year ending 31 December 2020- Foreign counters





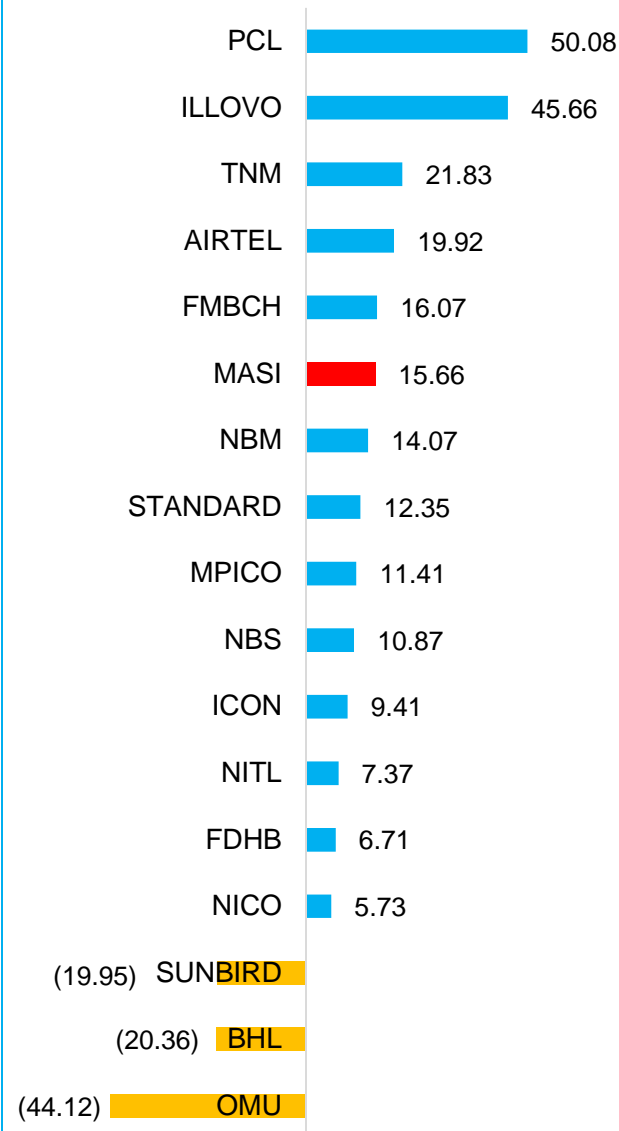
## Appendix 2: Historical Economic Indicators

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
<b>Exchange rates</b>													
MK/USD	754.71	756.93	759.47	765.92	776.82	776.49	787.03	790.30	797.66	800.17	811.95	817.43	820.40
MK/GBP	1,024.89	999.88	1,015.11	1,061.76	1,070.14	1,107.24	1,140.90	1,139.62	1,164.37	1,191.58	1,192.94	1,203.74	1,196.67
MK/EUR	935.56	928.35	925.23	958.34	987.95	991.78	1,006.72	993.04	1,035.48	1,042.52	1,042.52	1,048.56	1,044.60
MK/ZAR	47.53	47.33	49.18	53.09	56.43	54.60	55.69	56.13	59.33	62.28	62.28	60.79	60.90
<b>Foreign Exchange Reserves</b>													
Gross Official Reserves (USD'mn)	642.86	546.99	635.05	584.89	574.26	502.98	483.38	410.16	392.01	443.25	424.99	404.18	-
Private Sector Reserves (USD'mn)	316.74	318.47	340.22	332.51	377.97	358.29	340.50	342.58	392.61	369.64	388.78	405.79	-
Total reserves (USD'mn)	959.6	865.46	975.27	917.4	952.23	861.27	823.88	752.74	784.62	812.89	813.77	809.97	-
Gross Official Reserves Import cover (months)	3.08	2.62	3.04	2.80	2.75	2.41	2.31	1.96	1.88	1.77	1.70	1.62	-
<b>Inflation</b>													
Headline	7.60%	7.10%	7.50%	7.30%	7.60%	7.70%	8.30%	9.40%	9.2%	8.9%	9.1%	8.7%	-
Food	11.30%	10.30%	10.90%	10.40%	10.50%	9.70%	10.30%	11.70%	11.5%	11.0%	11.1%	10.3%	-
Non-food	4.40%	4.40%	4.40%	4.40%	4.90%	5.60%	6.30%	6.90%	7.0%	7.1%	7.2%	7.2%	-
<b>Interest Rates</b>													
Monetary Policy rate	13.50%	13.50%	13.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank rate	13.59%	13.61%	13.62%	12.51%	11.41%	11.34%	10.67%	11.37%	11.72%	11.92%	11.94%	11.96%	11.97%
Average base lending rate	13.40%	13.60%	13.60%	13.60%	12.30%	12.10%	12.00%	11.90%	12.10%	12.10%	12.20%	12.20%	12.20%
<b>Government Securities' Yields</b>													
91-days Treasury Bill	9.85%	9.94%	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%	9.88%	9.98%	9.62%	9.33%	9.59%
182-days Treasury Bill	12.55%	12.58%	12.87%	12.73%	12.49%	12.59%	12.80%	12.80%	12.77%	12.80%	12.81%	12.96%	12.99%
364-days Treasury Bill	13.73%	13.74%	13.88%	13.40%	13.53%	13.64%	13.77%	13.80%	13.80%	13.83%	13.87%	13.90%	14.20%
2-year Treasury Note	16.46%	16.46%	16.46%	16.46%	16.46%	16.50%	16.50%	16.50%	16.50%	16.51%	16.65%	16.63%	16.63%
3-year Treasury Note	16.89%	18.02%	18.47%	17.79%	18.30%	18.56%	18.66%	18.66%	18.80%	18.80%	18.97%	19.00%	18.99%
5-year Treasury Note	19.82%	19.82%	19.82%	19.82%	19.77%	19.95%	19.97%	19.98%	19.98%	19.98%	20.08%	20.25%	20.26%
7-year Treasury Note	20.75%	20.75%	20.75%	19.95%	20.00%	20.00%	20.50%	20.50%	20.50%	20.50%	20.59%	20.98%	21.36%
10-year Treasury Note	-	22.14%	22.14%	22.14%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%	21.85%	22.54%	23.25%
<b>Stock Market Indices</b>													
MASI	31,328.10	31,743.36	31,303.78	31,225.08	32,392.84	32,988.58	33,009.75	32,562.96	33,380.63	33,676.89	35,144.56	36,496.03	38,945.62
DSI	26,732.01	27,101.51	26,787.57	26,717.15	27,755.46	28,090.02	28,108.19	27,710.72	28,257.89	28,376.03	28,739.26	29,749.56	31,929.22
FSI	1,460.99	1,460.99	1,362.39	1,362.89	1,363.88	1,613.58	1,614.45	1,614.33	1,844.72	2,030.51	3,234.45	3,479.97	3,479.97

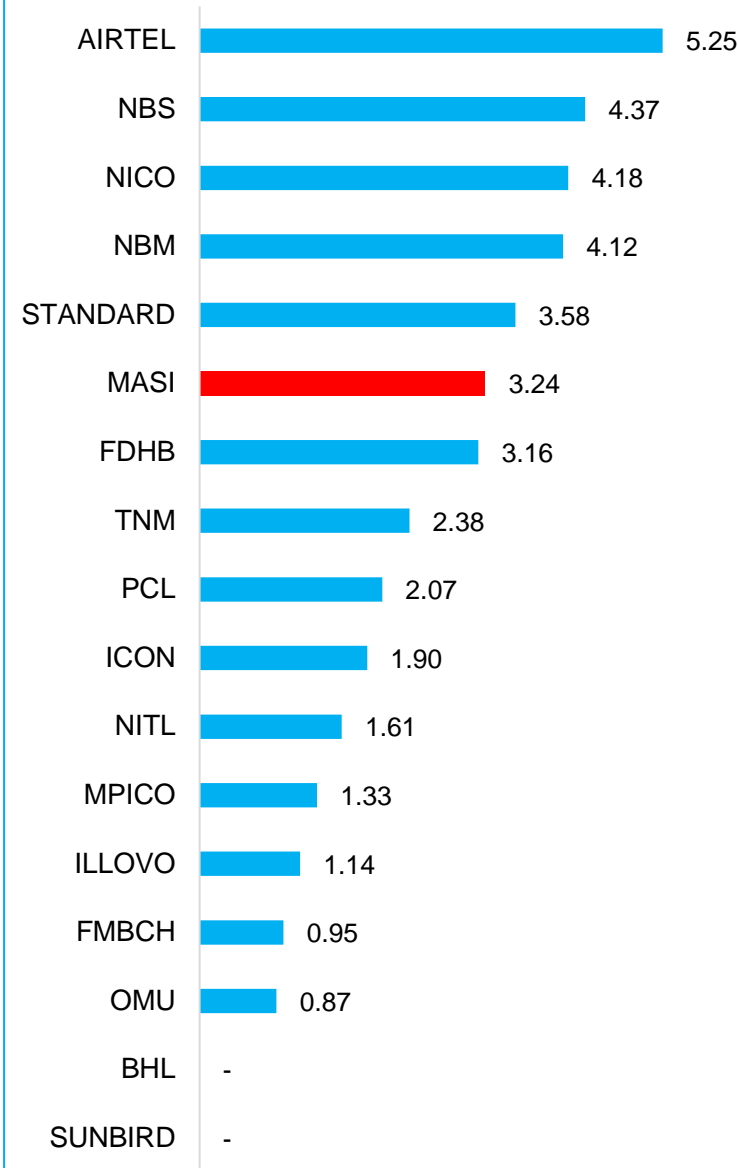


### Appendix 3: Selected stock market statistics as at 31 August 2021

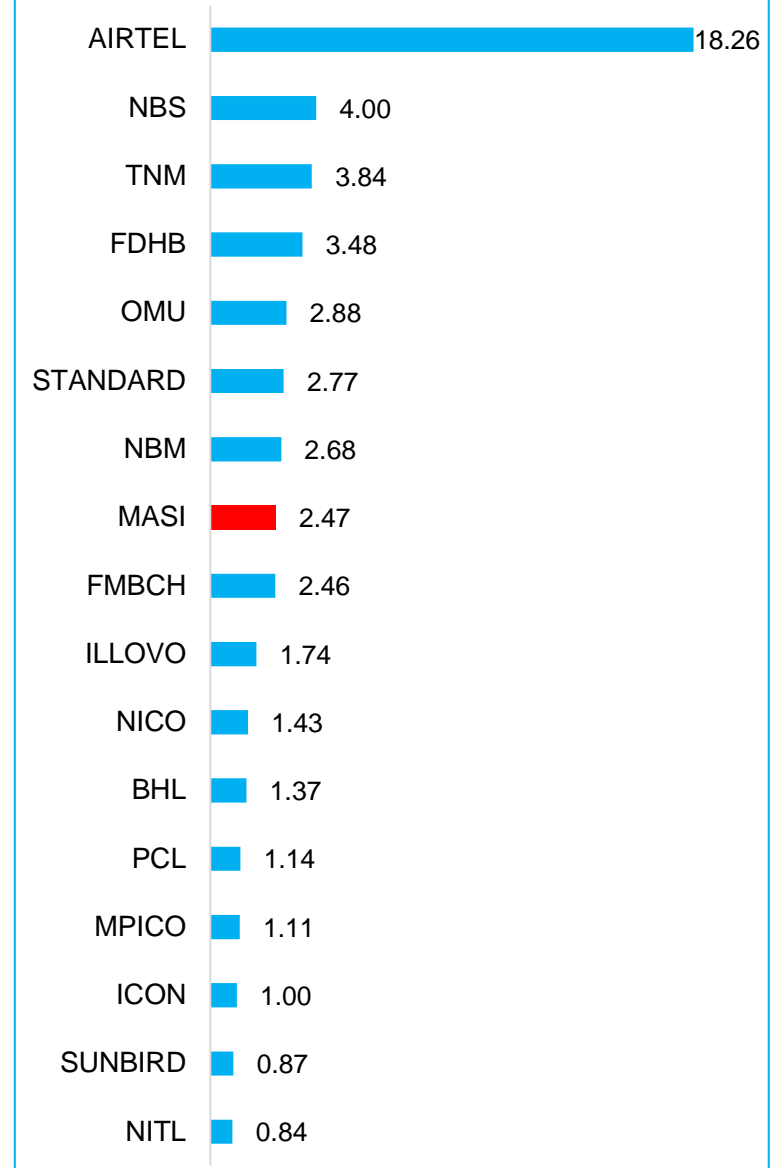
**P/E ratio** - the MSE had a weighted average Price to Earnings ratio of 15.66 in August 2021. OMU had the lowest at negative 44.12 while PCL had the highest at 50.08.



**Dividend yield (%)** - the weighted average dividend yield on the MSE was 3.24% in August 2021. The counter with the highest dividend yield is AIRTEL at 5.25%.



**P/BV ratio** - the weighted average Price to Book Value ratio on the MSE in June 2021 was 2.47. Airtel had the highest ratio at 18.26 while NITL had the lowest ratio at 0.84.







**Economic Growth**

%	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>
GDP	-1.0	2.3	4.0	4.5	4.9	5.2
Private consumption	-1.5	1.5	3.0	4.0	4.3	4.8
Government consumption	2.0	2.0	3.0	4.0	2.0	3.0
Gross fixed investment	-5.0	5.0	5.0	8.0	8.0	7.0
Exports of goods & services	-12.0	3.6	5.0	5.2	6.5	7.2
Imports of goods & services	-5.0	3.0	4.0	5.0	5.8	6.5
Domestic demand	-1.6	2.0	3.2	4.5	4.5	4.9
Agriculture	3.0	3.0	3.1	4.0	4.5	5.0
Industry	-1.6	2.1	5.4	5.2	5.8	5.6
Services	-3.0	2.0	4.1	4.5	4.9	5.2

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

**Key Indicators**

	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>
Real GDP growth (%)	-1.0	2.3	4.0	4.5	4.9	5.2
Consumer price inflation (av; %)	8.6 <sup>c</sup>	9.3	10.0	9.5	9.0	8.5
Government balance (% of GDP)	-7.7	-12.7	-10.7	-9.0	-7.6	-7.1
Current-account balance (% of GDP)	-16.9	-18.9	-18.4	-18.3	-17.6	-16.9
Money market rate (av; %)	13.5	13.5	15.5	15.8	16.5	17.5
Exchange rate MK:US\$ (av)	749.5 <sup>c</sup>	782.1	793.5	799.7	809.1	816.7

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

**International Assumptions**

	2020	2021	2022	2023	2024	2025
<b>Economic growth (%)</b>						
US GDP	-3.5	6.0	3.7	2.2	1.8	2.0
OECD GDP	-4.9	4.6	3.7	2.3	2.0	2.0
World GDP	-3.8	5.2	3.9	3.1	2.8	2.7
World trade	-8.1	7.6	5.6	4.6	4.1	4.2
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	1.2	2.6	2.1	2.2	1.9	2.0
OECD CPI	1.2	2.2	2.0	2.1	2.0	2.1
Manufactures (measured in US\$)	0.2	7.4	1.3	1.9	2.0	2.4
Oil (Brent; US\$/b)	42.3	66.0	71.0	65.5	61.0	55.5
Non-oil commodities (measured in US\$)	2.9	24.7	-1.6	0.4	-5.0	0.0
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	0.6	0.1	0.1	0.3	1.1	1.6
US\$:€ (av)	1.14	1.20	1.17	1.13	1.18	1.22
¥:US\$	106.77	105.63	105.11	107.10	108.75	107.88

## Appendix 5: List of Acronyms and Abbreviations

ADB:	Authorized Dealer Bank	MGDS:	Malawi Growth and Development Strategy	Sunbird:	Sunbird Tourism Plc
ADMARC:	Agricultural Development and Marketing Corporation	MK:	Malawi Kwacha	TB:	Treasury Bill
AIP:	Affordable Inputs Program	M-O-M:	Month-on-month	TBA:	To Be Announced
APES:	Agricultural Production Estimates	MPC:	Monetary Policy Committee	TC:	Tobacco Commission
BHL:	Blantyre Hotels Plc	MSE:	Malawi Stock Exchange	TNM:	Telekom Networks Malawi Plc
COVID-19:	Coronavirus disease	NBM:	National Bank of Malawi Plc	TN:	Treasury Note
DSI:	Domestic Share Index	NICO:	NICO Holdings Plc	TT:	Telegraphic Transfer
ECF:	Extended Credit Facility	NITL:	National Investment Trust Plc	WEO:	World Economic Outlook
EIU:	Economic Intelligence Unit	NSO:	National Statistical Office	UK:	United Kingdom
EUR:	Euro	OPEC:	Organization of the Petroleum Exporting Countries	USA:	United States of America
FCDA:	Foreign Currency Denominated Account	OMO:	Open Market Operations	USD:	United States Dollar
FMBCH:	FMB Capital Holdings Plc	PCL:	Press Corporation Plc	Y-O-Y:	Year-on-year
FSI:	Foreign Share Index	PPP:	Public-Private Partnership	YTD:	Year-to-date
GBP:	Great British Pound	RCF:	Rapid Credit Facility	ZAR:	South African Rand
GDP:	Gross Domestic Product	RBM:	Reserve Bank of Malawi		
IFPRI:	International Food Policy Research Institute	RMCI:	Real Monetary Conditions Index		
IMF:	International Monetary Fund	SDR:	Special Drawing Rights		
LRR:	Liquidity Reserve Requirement	SOE:	State-Owned Enterprise		
MASI:	Malawi All Share Index	SSA:	Sub Saharan Africa		
Mb/d:	Million barrels per day				

## **Disclaimer**

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