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Malawi Monthly Economic Report and an Overview of the 2024 African Economic Outlook by the AfDB

May 2024

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Executive Summary and Outlook

Inflation

The headline inflation rate increased by 0.5 percentage points to 32.3% in April 2024 from 31.8% in March 2024. The increase was due to a rise in the food inflation rate to 39.9% in April 2024 from 38.8% in March 2024. There was also an increase in the non-food inflation rate to 22.4% in April 2024 from 22.2% in March 2024. In April 2023, headline inflation was 28.8%, driven by food inflation of 37.9% and non-food inflation of 18.5%.

The 2024 inflation projections for Malawi from various published sources range between 27.3% and 33.9%. The African Development Bank (AfDB) projects an annual average inflation rate of 27.3% in 2024. The Monetary Policy Committee (MPC) has projected the annual average inflation at 30.0% in 2024. The Economist Intelligence Unit (EIU) expects average inflation in 2024 to be 33.9%. Additionally, Oxford Economics projects an annual average inflation of 30.1% in 2024, and the International Monetary Fund (IMF) forecasts an annual average inflation of 27.9% in 2024.

Exchange Rates and Foreign Currency Reserves

Based on closing middle rates, the Malawi Kwacha traded at MK1,750.76/USD as of 31 May 2024, a marginal depreciation of 0.29% from MK1,745.70/USD as of 30 April 2024. During the same period in the previous year, the Kwacha had marginally appreciated against the USD by 0.04%.

As of 30 April 2024, the country's total foreign exchange reserves increased by 9.1% to USD603.07 million from USD552.94 million in March 2024. The import cover increased by 9.0% to 2.41 months in April 2024 from 2.21 months in March 2024.

Government Securities

The government awarded a total of MK145.9 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in May 2024, a decrease of 12.0% from MK165.7 billion awarded in April 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 115,418.29 points in May 2024 from 114,228.31 points in April 2024, representing a 1.04% increase. The MASI year-to-date return was 4.03% in May 2024. It was 65.77% in May 2023.

In May 2024, TNM was the most significant share price gainer, as its share price increased by 23.97% to MK15.00 per share from MK12.10 per share in April 2024.

In May 2024, NBS was the most significant share price loser, as its share price decreased by 10.86% to MK90.79 per share from MK101.85 per share in April 2024.

Fiscal and Monetary Policy

As disclosed in the local debt issuance calendar, the government seeks to raise MK415.4 billion through TN auctions and MK166.1 billion through TB auctions, for a total of MK581.4 billion in the second quarter of 2024.

According to the African Development Bank (AfDB), fiscal consolidation measures are expected to narrow the fiscal deficit to 8.7% in 2024 and 7.6% in 2025. As the economy recovers, the current account deficit is projected to widen in both 2024 and 2025, when it could reach 9.5%.

Following the second MPC meeting of 2024 held on 2nd and 3rd May 2024, the MPC resolved to maintain the Policy rate at 26.0%.

Commodity Market

According to Auction Holdings Limited (AHL) Tobacco Sales data, the cumulative national value of tobacco sold stood at USD182.00 million (approximately MK319 billion), up 43.2% from USD127.10 million (approximately MK223 billion) sold during the same period in the previous year.

The monthly average OPEC reference basket price decreased to USD83.59/barrel in May 2024 from USD89.12/barrel in April 2024.

Economic Growth

The 2024 real gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 1.5% and 3.3%. Most sources attribute the rebound to the IMF Extended Credit Facility (ECF) program as it is expected to 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 MPC projects growth for 2024 at 3.2% (from 1.5% in 2023), anchored by strong growth in construction and manufacturing. However, the MPC observed that the projection is subject to downward adjustment due to the impact of El Nino weather conditions on agricultural production and the underperformance of the export sector.

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 be 2.0% in 2024, down from the previous projection of 3.3%. This decrease reflects the impact of El Nino on agricultural production and spillovers to the rest of the economy.

Oxford Economics projects real GDP growth for 2024 at 3.1% (from 1.9% in 2023) due to more robust private and government consumption, which is expected to accelerate the growth rate compared to last year. However, El Nino-induced drought conditions, which will lower the agricultural sector's output, are expected to undermine growth.

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.

The AfDB projects economic growth at 3.3% in 2024 (from 1.5% in 2023). Growth will be driven by the mining, retail, and tourism sectors and is said to be lower than expected due to the negative impact of drought on agriculture.

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An Overview of the 2024 African Economic Outlook

The African economic outlook published by the African Development Bank (AfDB) in May 2024 looks at the reform of global financial architecture driving Africa's economic transformation. It reports on the macroeconomic performance and outlook of the African region, with a focus on debt restructuring and policy recommendations to accelerate structural transformation in a changing global environment.

The AfDB reports that the slowdown in average real GDP growth in Africa from 4.1% in 2022 to 3.1% in 2023 is due to various factors, including high food and energy prices, weak global demand, climate change impacts, and political instability in some African countries. Despite these challenges, 15 countries achieved growth rates of at least 5% in 2023. Additionally, a rebound is projected, with real GDP growth expected to rise to 3.7% in 2024 and 4.3% in 2025. This rebound will be led by East Africa, Southern Africa, and West Africa. Furthermore, 40 countries are expected to post higher growth in 2024 compared to 2023, with 17 economies projected to grow by more than 5% in 2024. Africa is expected to remain the second fastest growing region after Asia, with GDP growth exceeding the global average.

According to the AfDB, Investing in natural capital accounting, youth entrepreneurship, and national infrastructure programs is essential for sustainable development. Governments must prioritize infrastructure development, focusing on sectors with high social returns, such as energy and transport. Proactive governance of macroeconomic policies and the business environment is vital to attracting global capital and financial instruments. Additionally, building capacity in project preparation and implementation is crucial for unlocking private finance and infrastructure development.

In the AfDB's view, multilateral financial institutions have played a crucial role in supporting development, especially during times of global economic challenges. However, they have often failed to meet Africa's financing needs for structural transformation. The current global financial architecture is not delivering enough resources on time to meet national and global development goals in Africa, resulting in high borrowing costs and limited access to development finance.

For Malawi, economic growth is projected at 3.3% in 2024 and 3.8% 2025, lower than previous projections in January 2024 due to the negative impact of drought on agriculture. In the AfDB's view, growth will be driven by the mining, retail, and tourism sectors. Inflation is projected to remain elevated due to a poor agricultural season. Fiscal consolidation measures are expected to narrow the fiscal deficit to 8.7% in 2024 and 7.6% in 2025. As the economy recovers, the current account deficit is projected to widen in both 2024 and 2025, when it could reach 9.5%.

Opportunities in Malawi

Agriculture: A Ministry of Agriculture and National Planning Commission study shows that the agricultural sector is key to economic growth and outlines five investment opportunities. The investment opportunities are a small-scale irrigation venture worth about MK113 billion, livestock farming worth about MK86 billion, aquaculture venture worth about MK21 billion, a horticulture mega farm worth about MK86 billion, and agriculture extension services worth about MK16 billion. The study urges the government to get involved in easing the entry of entrepreneurs.

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 the tourism sector include the development of hotels and key conference venues in key urban centres. 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 amplify 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 earth in Songwe, niobium in Kanyika, graphite in Malingunde, heavy mineral sands in Makanjira, and rare earth 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.

Manufacturing:

On 3 June 2024, the Magwero Industrial Park project was launched in Lilongwe and it is anticipated to generate MK1.1 trillion in annual revenue from manufactured products and generate 15,000 direct jobs. The factories are expected to be operational in the next 12 months. According to an Afreximbank press release, the project will be a public-private partnership between the government of Malawi represented by the Export Development Fund and ARISE Integrated Industrial Platforms (IIP). The African Export-Import Bank (Afreximbank), the leading financial partner of ARISE IIP, will provide USD300 million to finance the project.

Risks

The Malawian economy has continued to face several significant risks, including, but 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 28.7%. As of April 2024, the four-month average is 33.2%. With the November 2023 hike in electricity tariffs for non-domestic users and the increase in pump fuel prices, domestic prices may continue to 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, worsening 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

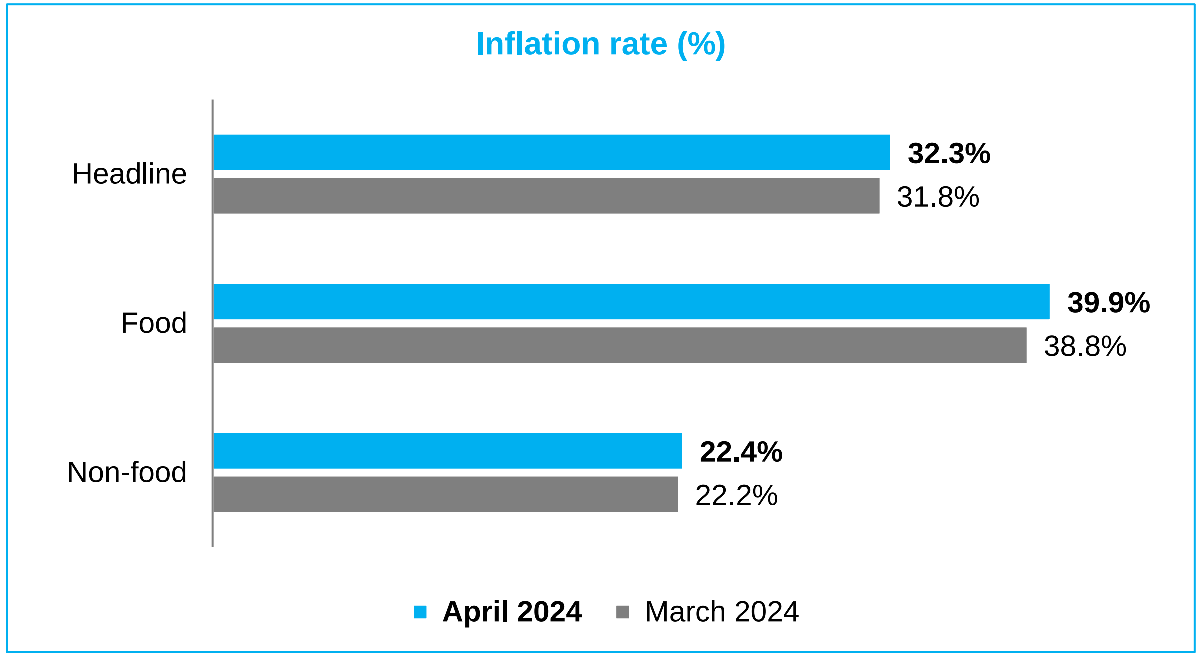
Inflation (Source: NSO, RBM, EIU, IMF, Oxford Economics)

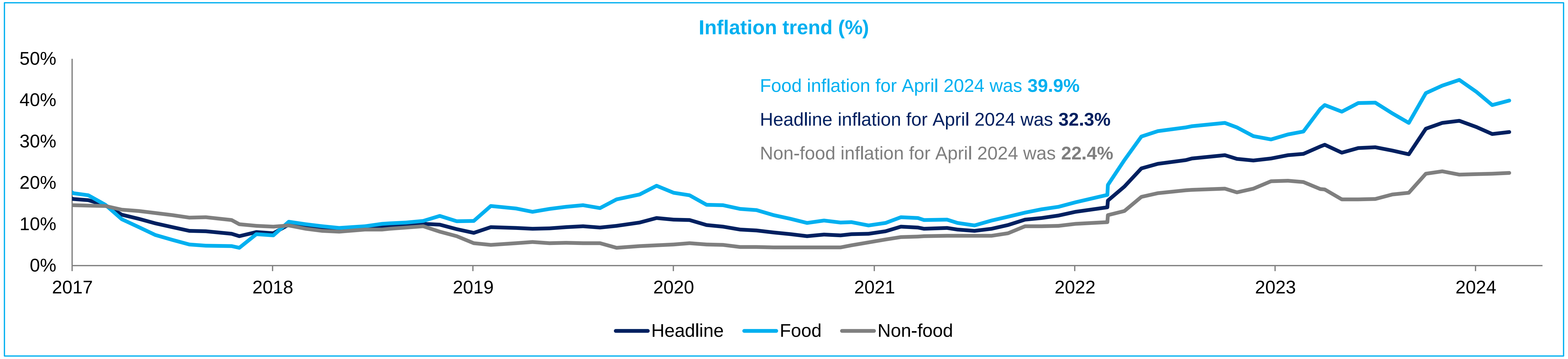
The headline inflation rate for April 2024 increased to 32.3% from 31.8% in March 2024 due to an increase in both the food and non-food inflation rates.

The 2024 inflation projections for Malawi from various published sources range between 27.3% and 33.9%.

The headline inflation rate increased by 0.5 percentage points to 32.3% in April 2024 from 31.8% in March 2024. The increase was due to a rise in the food inflation rate to 39.9% in April 2024 from 38.8% in March 2024. There was also an increase in the non-food inflation rate to 22.4% in April 2024 from 22.2% in March 2024. In April 2023, headline inflation was 28.8%, driven by food inflation of 37.9% and non-food inflation of 18.5%.

The AfDB projects an annual average inflation rate of 27.3% in 2024. According to the AfDB, inflation is projected to remain elevated in 2024 due to a poor agricultural season. The Monetary Policy Committee (MPC) noted that significant risks to the inflation outlook include high money supply growth, underperformance of the export sector, and higher global oil prices. As such, the MPC projected the annual average inflation to be 30.0% in 2024. The EIU expects annual average inflation for 2024 to be 33.9% due to continued deficit monetization (purchasing government securities by RBM), which increases money supply, high global commodity prices, and currency weakness as the RBM shifts to a flexible exchange rate. Additionally, Oxford Economics projects an annual average inflation of 30.1% owing to higher food inflation caused by lower yields and pressure on non-food inflation due to a weaker exchange rate. The IMF forecasts an annual average inflation of 27.9% due to anticipated high food inflation and a weaker exchange rate.





Economic overview (continued)

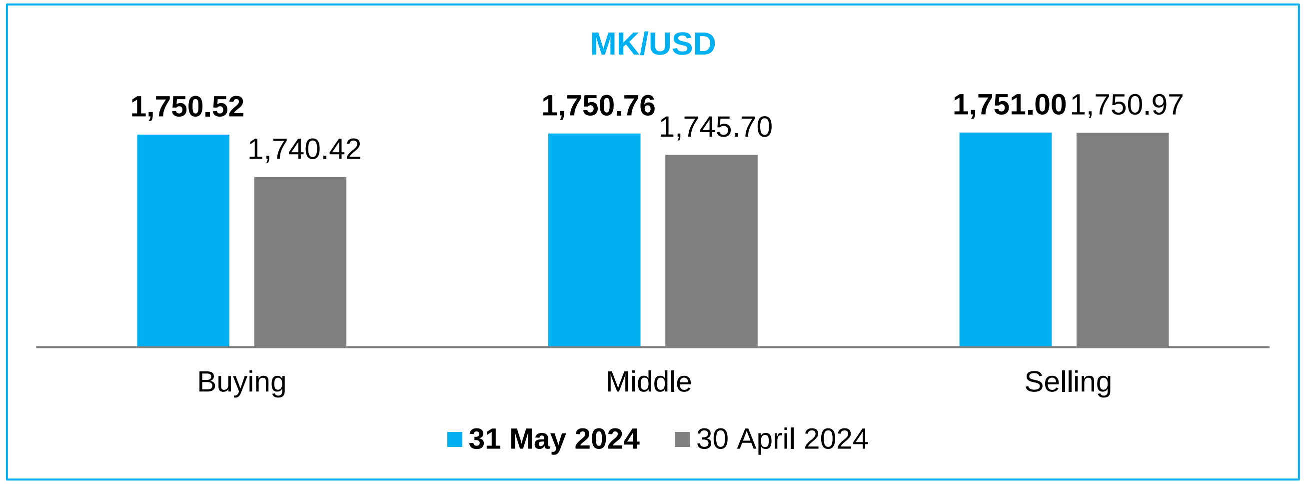
Foreign currency market and Foreign reserve position (Source: RBM)

Based on closing middle rates, the Malawi Kwacha traded at MK1,750.76/USD as of 31 May 2024, a marginal depreciation of 0.29% from MK1,745.70/USD as of 30 April 2024.

Foreign Currency Market

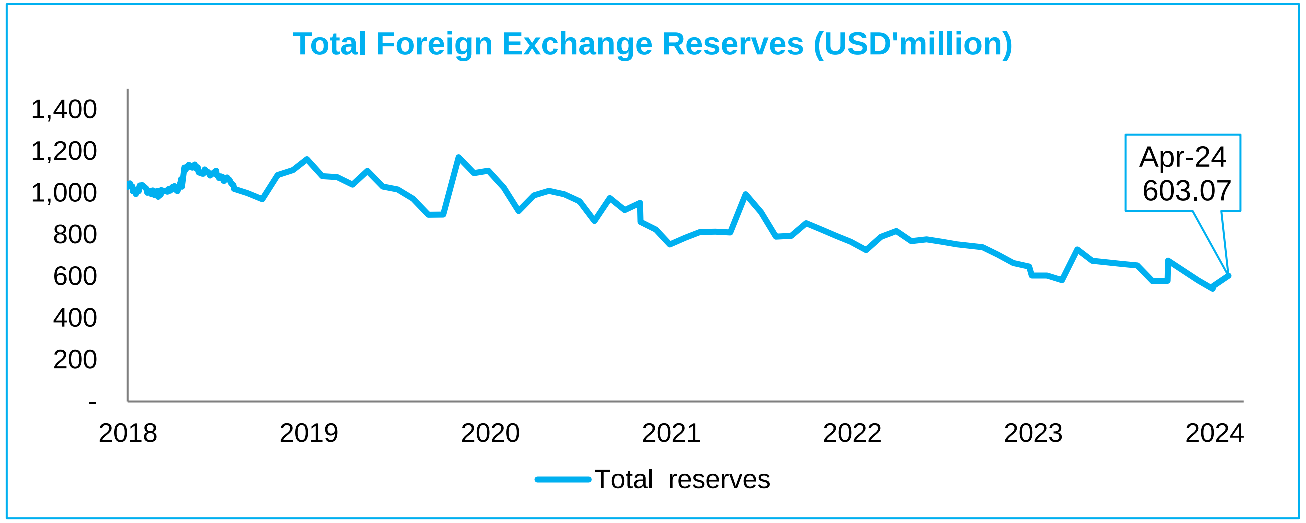
Based on closing middle rates, the Malawi Kwacha traded at MK1,750.76/USD as of 31 May 2024, a marginal depreciation of 0.29% from MK1,745.70/USD as of 30 April 2024. During the same period in the previous year, the Kwacha had marginally appreciated against the USD by 0.04%.

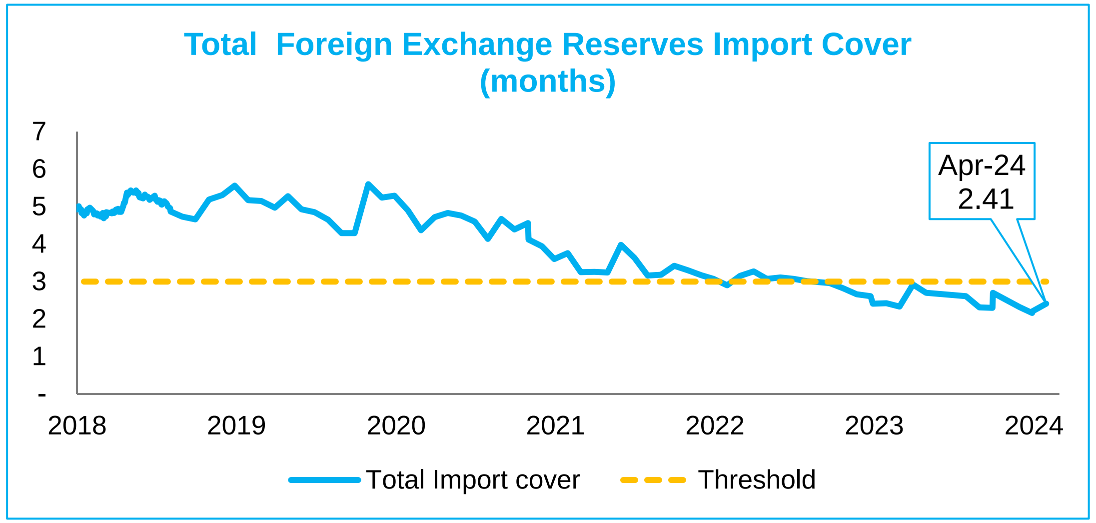
The RBM held a foreign exchange auction on 15 May 2024. The total amount offered and accepted was USD200,000. The RBM disclosed that based on the auction results, the market selling price of the US dollar remains at MK1,751/USD.



Foreign Exchange Reserves Position

As of 30 April 2024, the country's total foreign exchange reserves increased by 9.1% to USD603.07 million from USD552.94 million in March 2024. The import cover increased by 9.0% to 2.41 months in April 2024 from 2.21 months in March 2024.





	April 2024	March 2024	Month-on-month change
Total Reserves (USD'millions)	603.07	552.94	9.1%
Total import cover (months)	2.41	2.21	9.0%

USD – United States Dollar

NB: The reported closing rates are actual trade-weighted market average Telegraphic Transfer rates.

Economic overview (continued)

Stock Market (Source: MSE)

The MASI year-to-date return was 4.03% in May 2024. It was 65.77% in May 2023.

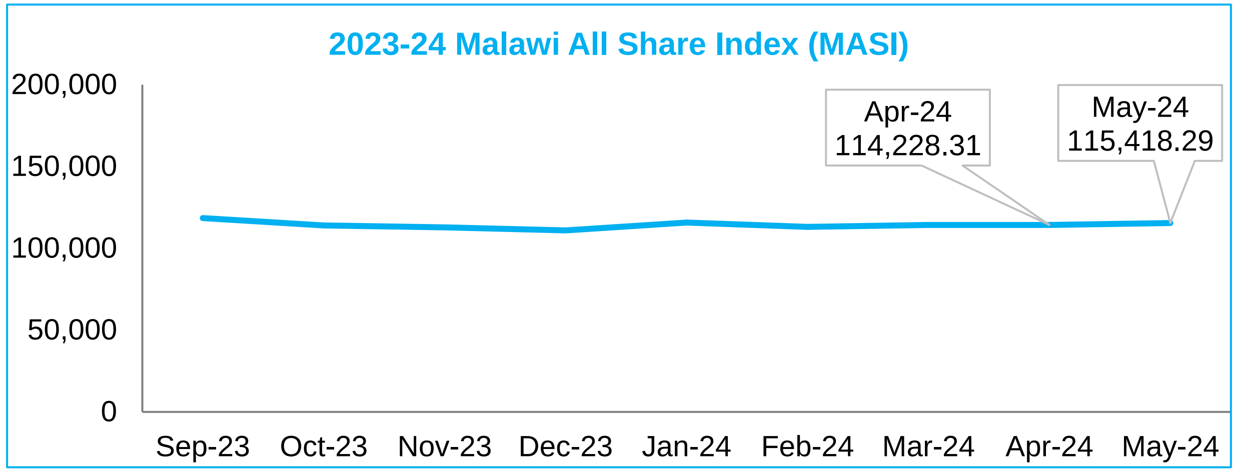
There were share price gains for TNM, FDH Bank and MPICO.

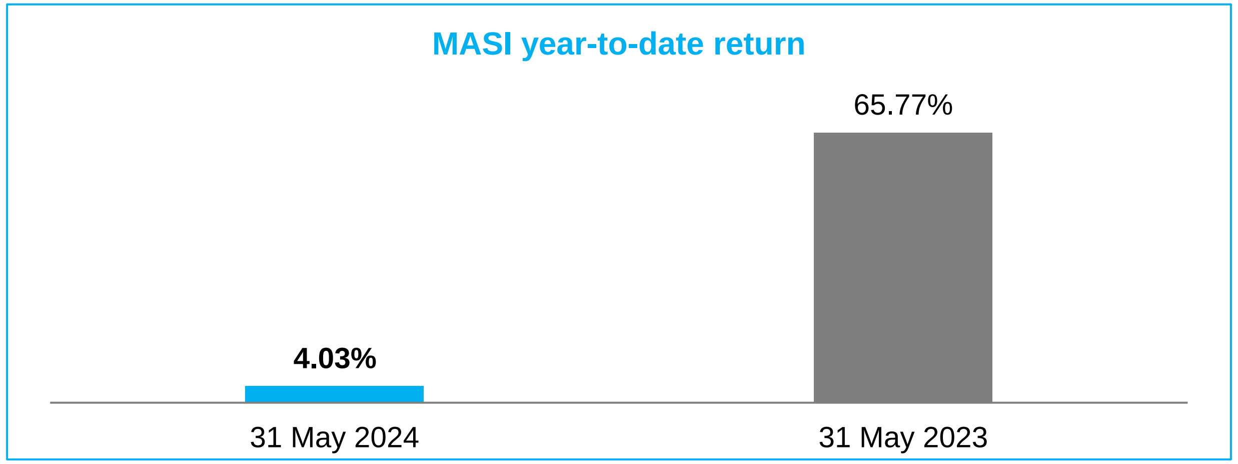
There was a share price loss for NBS.

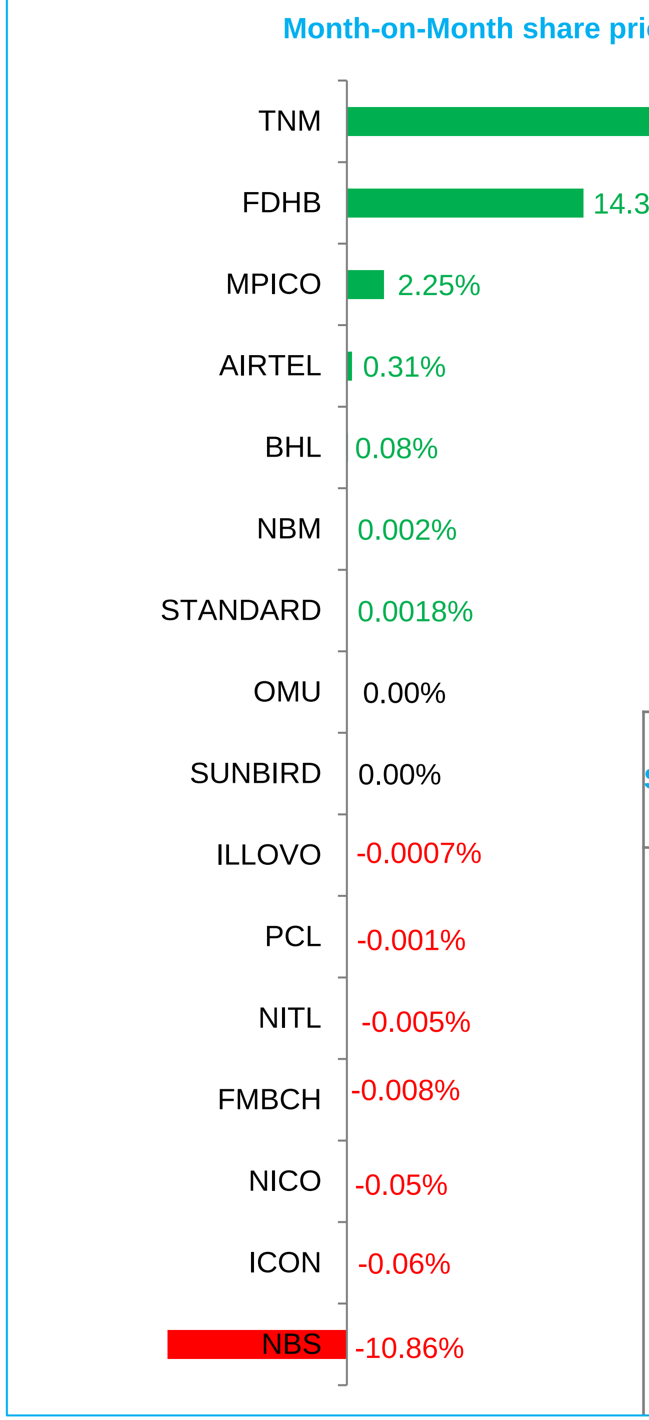
The stock market was bullish as the Malawi All Share Index (MASI) increased to 115,418.29 points in May 2024 from 114,228.31 points in April 2024, representing a 1.04% increase. The MASI year-to-date return was 4.03% in May 2024. It was 65.77% in May 2023.

In May 2024, TNM was the most significant share price gainer as its share price increased by 23.97% to MK15.00 per share from MK12.10 per share in April 2024. There were also share price gains for FDH Bank and MPICO by 14.35% and 2.25% respectively. There were marginal share price gains for AIRTEL, BHL, NBM, and STANDARD.

In May 2024, NBS was the most significant share price loser, as its share price decreased by 10.86% to MK90.79 per share from MK101.85 per share in April 2024. There were marginal share price losses for ICON, NICO, FMBCH, NITL, PCL, and ILLOVO.







Symbol	Closing prices (MK/share)	
	31 May 2024	30 April 2024
AIRTEL	51.21	51.05
BHL	13.05	13.04
FDHB	74.52	65.17
FMBCH	379.97	380.00
ICON	16.79	16.80
ILLOVO	1,355.14	1,355.15
MPICO	15.00	14.67
NBM	2,400.19	2,400.14
NBS	90.79	101.85
NICO	199.40	199.50
NITL	411.47	411.49
OMU	1,500.03	1,500.03
PCL	2,506.98	2,507.00
STANDARD	3,950.33	3,950.26
SUNBIRD	224.00	224.00
TNM	15.00	12.10

Economic overview (continued)

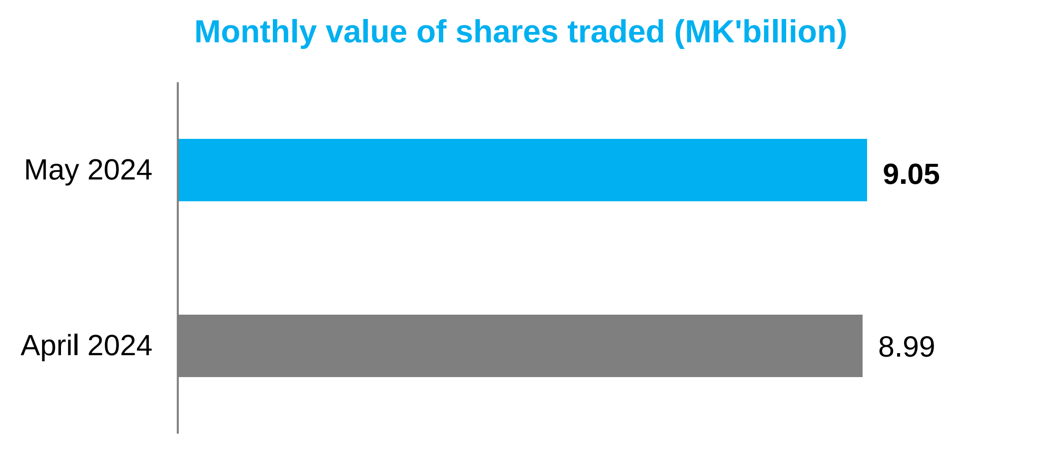
Stock Market (Source: MSE)

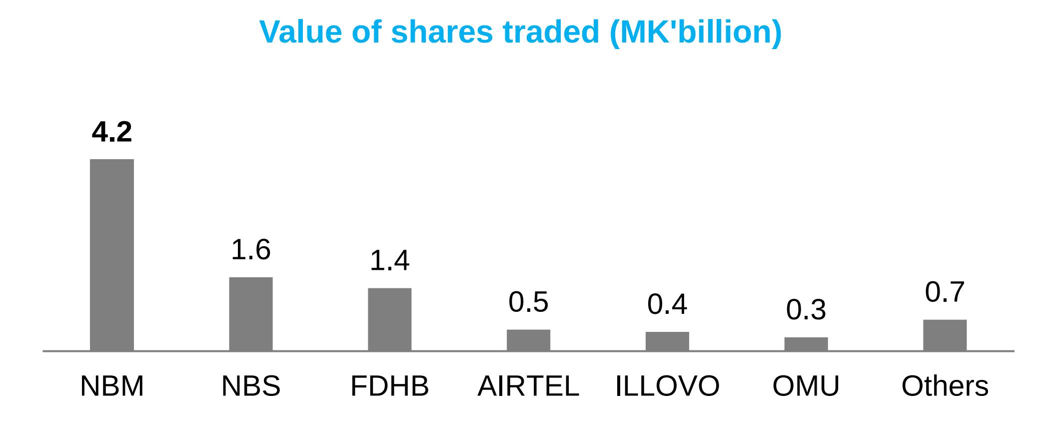
NBM had the highest value of shares traded in May 2024 at MK4.2 billion.

MSE Traded Values

A total of MK9.05 billion worth of shares was traded on the Malawi Stock Exchange (MSE) in May 2024. This represented an increase of 0.7% from MK8.99 billion shares traded in April 2024. NBM had the highest value of shares traded in May 2024 at MK4.18 billion.

The total number of trades decreased to 1,046 in May 2024 from 1,055 in April 2024.





Corporate Announcements

Published half-year financial results

	Profit after tax (MK'billions)		
Counter	Half year 2024	Half year 2023	Change (%)
ILLOVO*	22.4	33.7	-34%

**: Financial half-year end for Illovo is the last day of February*

Dividend announcements

Counter	Dividend type	Proposed/ Declared	Dividend per share (MK)	Last day to register	Payment date
FDH	Final	Declared	1.02	14 June 2024	20 June 2024
STANDARD	Final	Proposed	54.97	05 July 2024	26 July 2024
MPICO	Final	Proposed	0.38	12 July 2024	26 July 2024
NBM	Final	Proposed	49.32	19 July 2024	02 August 2024
NITL	Final	Proposed	5.00	TBA**	TBA
NBS	Final	Proposed	0.64	TBA	TBA
ICON	Final	Proposed	0.14	TBA	TBA
SUNBIRD	Final	Proposed	5.70	TBA	TBA
PCL	Final	Proposed	37.00	TBA	TBA
NICO	Final	Proposed	2.00	TBA	TBA
FMBCH	Final	Proposed	0.43 Cents	TBA	TBA

***: TBA stands for to be announced*

Annual General Meetings

Counter	Venue	Date	Time
STANDARD	Sunbird Mount Soche Hotel	20 June 2024	09:00hrs
NBM	Sunbird Mount Soche Hotel	27 June 2024	14:00hrs
MPICO	Amaryllis Hotel	28 June 2024	11:00hrs
FMBCH	First Capital Bank Training Centre	28 June 2024	16:00hrs

Economic overview (continued)

Government securities (Source: RBM)

The government awarded a total of MK145.9 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in May 2024, a decrease of 12.0% from MK165.7 billion awarded in April 2024.

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

Treasury Bills (TBs)

In May 2024, the government sought to borrow MK57.6 billion through TB auctions. This represents a 26.7% increase from the MK45.4 billion sought in April 2024. Participants applied to place an amount of MK26.2 billion through TB auctions in May 2024. This represents a 67.3% decrease from MK80.0 billion applied in April 2024. The government awarded MK26.2 billion in May 2024, a 67.3% decrease from MK80.0 billion in April 2024. The TB auctions had a nil rejection rate in May 2024, just as in April 2024.

Treasury Notes (TNs)

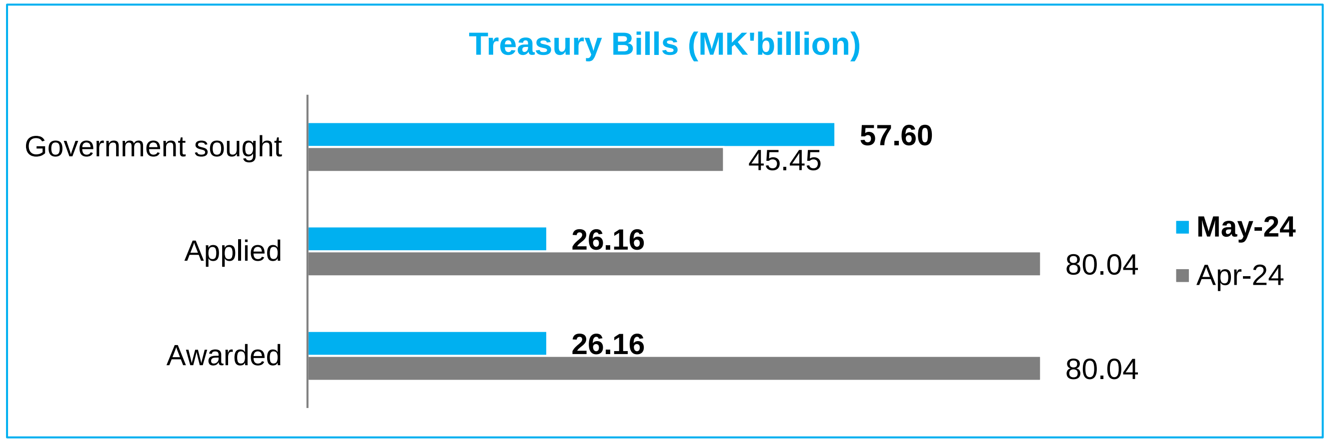
The government sought to borrow MK105.1 billion through TN auctions in May 2024. This represents a 29.5% decrease from the MK149.0 billion sought in April 2024. Total participant applications stood at MK119.74 billion in May 2024. This represents a 39.7% increase from MK85.70 billion, which was applied in April 2024. MK119.71 billion was awarded in the TNs auctions in May 2024. This entailed a 39.7% increase from MK85.68 billion, awarded in April 2024. The TN auctions had a 0.03% rejection rate in May 2024 compared to a 0.02% rejection rate in April 2024.

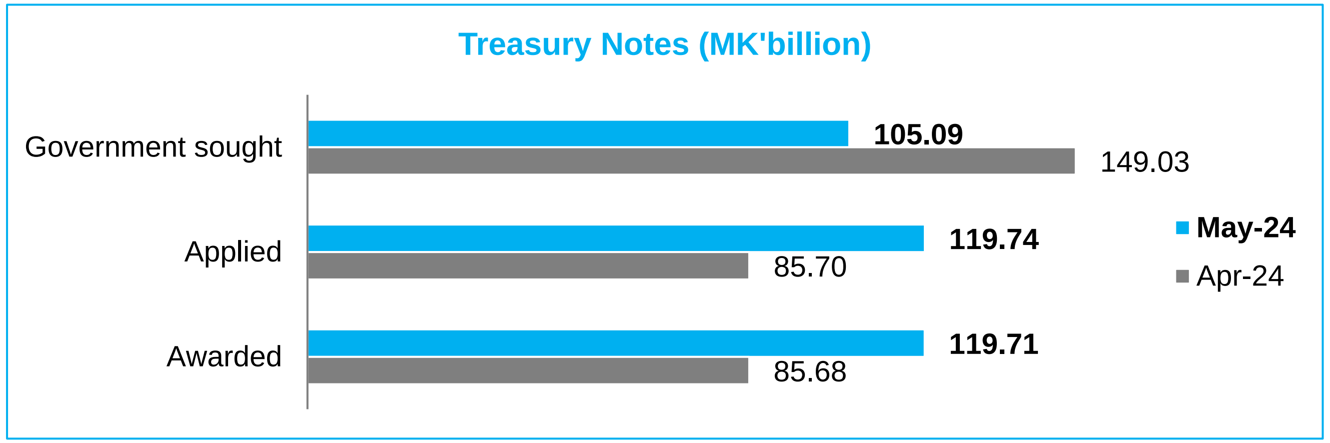
Overall, the government sought to raise MK162.7 billion in TBs and TNs auctions in May 2024. This represents a 16.3% decrease from the MK194.5 billion sought in April 2024. MK145.9 billion was awarded, down 12.0% from MK165.7 billion in April 2024.

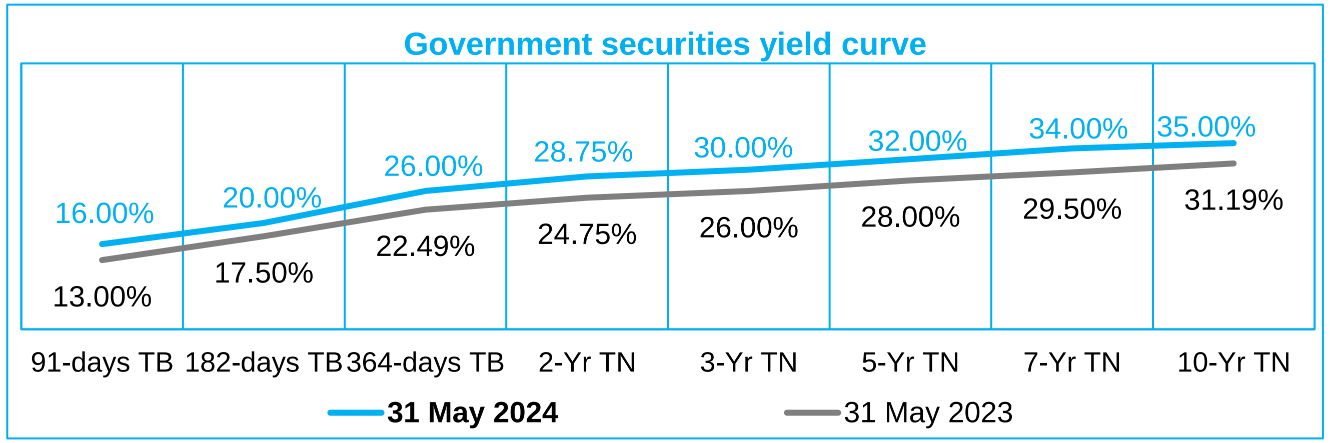
Government Securities Yield Curve

From April 2024 to May 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 May 2024. The average TB yield was 17.66% in May 2023.

From April 2024 to May 2024, the yields of 2, 3, 5, 7, and 10-year TNs 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 May 2024. The average TN yield was 27.89% in May 2023.







Fiscal and Monetary Policy Developments

According to the AfDB, fiscal consolidation measures are expected to narrow the fiscal deficit to 8.7% in 2024 and 7.6% in 2025.

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

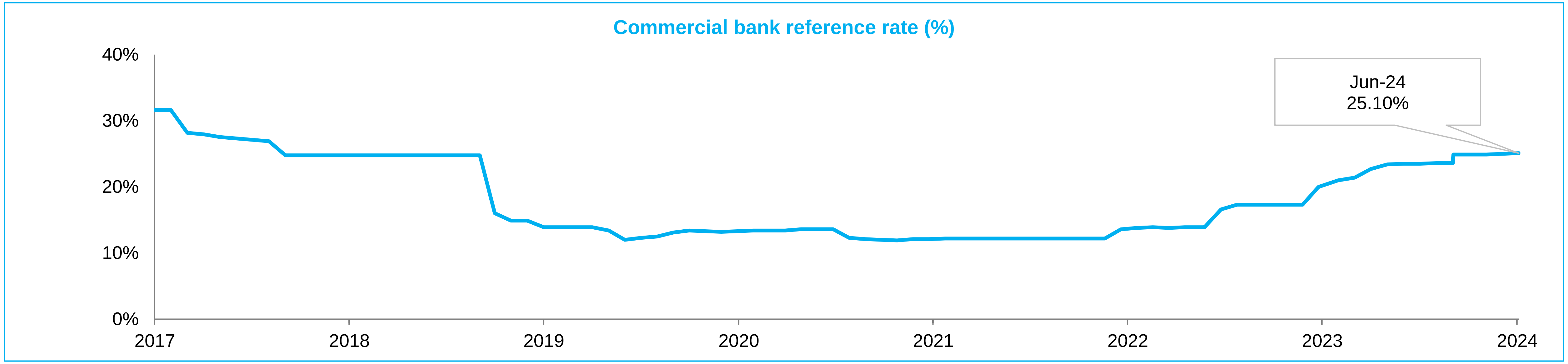
According to the AfDB, fiscal consolidation measures are expected to narrow the fiscal deficit to 8.7% in 2024 and 7.6% in 2025. As the economy recovers, the current account deficit is projected to widen in both 2024 and 2025, when it could reach 9.5%. According to the EIU, the public expenditure/GDP ratio is expected to fall from 2024 to 2028 because of lower debt repayments to commercial and bilateral creditors and 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, due to Malawi's significant development needs, the EIU expects slow progress with removing subsidies (particularly before the 2025 elections).

In terms of debt restructuring, the Secretary to the Treasury stated that the government will not be restructuring local debt and will only focus on restructuring external debt.

As disclosed in the local debt issuance calendar, the government seeks to raise MK415.4 billion through TN auctions and MK166.1 billion through TB auctions, for a total of MK581.4 billion in the second quarter of 2024.

Monetary Policy (Source: RBM, NBM)

Following the second Monetary Policy Committee (MPC) meeting of 2024 held on 2nd and 3rd May 2024, the MPC resolved to maintain the Policy rate at 26.0%. The MPC also decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio on foreign currency deposits at 3.75%. Meanwhile, the LRR ratio on domestic currency deposits has been increased by 100 basis points to 8.75% from 7.75%. The MPC arrived at this decision after considering the recent deceleration in inflation and its continued downward projected trend in the near term. However, the Committee noted that there are upside risks to the inflation outlook, including the projected lower crop harvest, high money supply growth and higher global oil prices.



The commercial bank reference rate for June 2024 is 25.1% from 25% in May 2024, effective 5 June 2024.

Commodity Market Developments

Maize, Oil, and other commodities market developments

The retail maize price decreased by 21.3% to MK597/kg in the last week of April 2024 from MK759/kg in March 2024. Year-on-year, it has decreased by 4.6%, as it was at MK626/kg in April 2023.

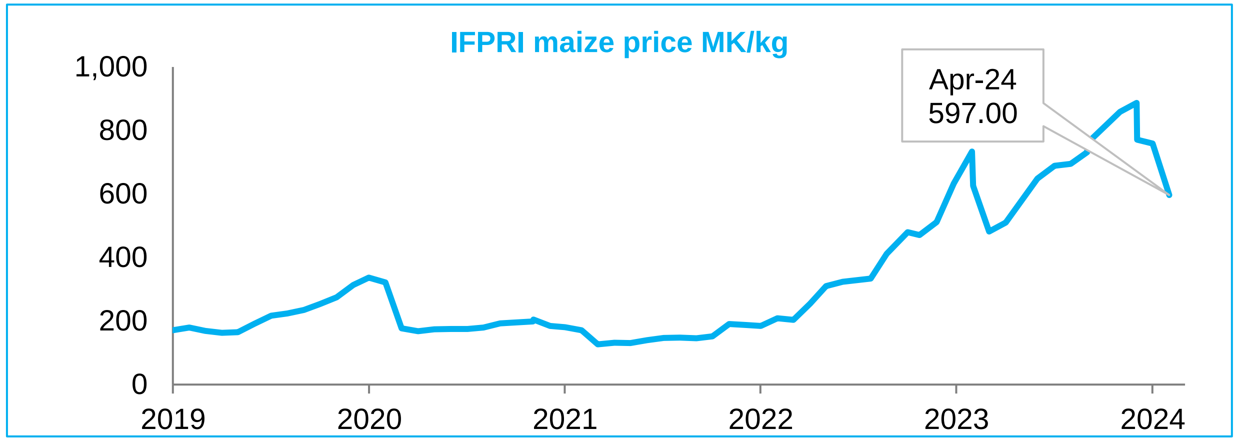
As of 31 May 2024, the cumulative national value of tobacco sold stood at USD182.00 million (approximately MK319 billion), up 43.2% from USD127.10 million (approximately MK223 billion) of value sold during the same period in the previous year.

As of 31 May 2024, the average price in the 2024 tobacco selling season was USD2.81/Kg, an increase of 26.0% from USD2.23/Kg during the same period in the previous year.

Local Maize Price Developments (Source: IFPRI)

Data from the International Food Policy Research Institute (IFPRI) April 2024 monthly maize market report showed that new maize prices decreased by 2% to MK597/kg in the last week of April 2024 from MK612/kg in the last week of March 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.

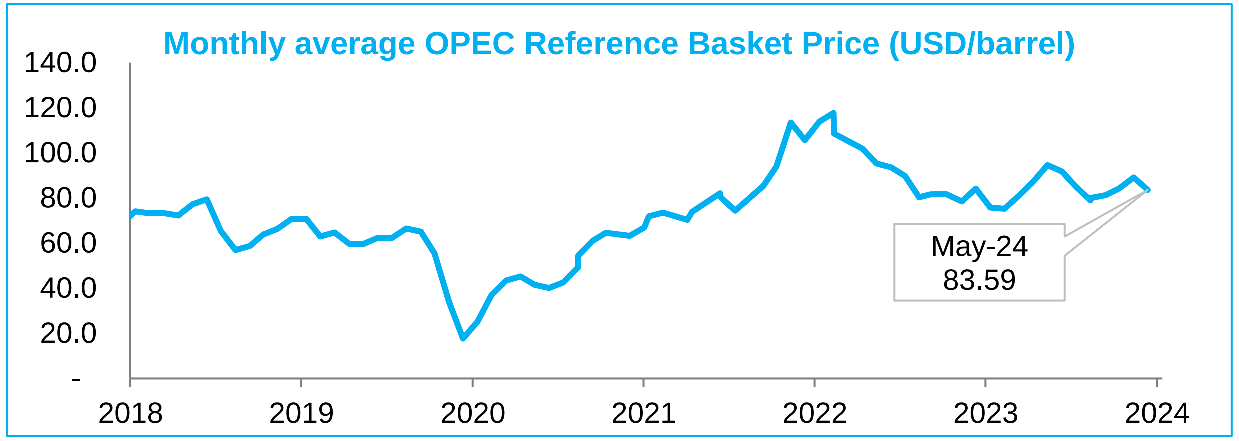
Annual comparisons indicate that the retail maize price has decreased by 4.6%, as it was MK626/kg in April 2023.



Global Oil Price Developments (Source: OPEC)

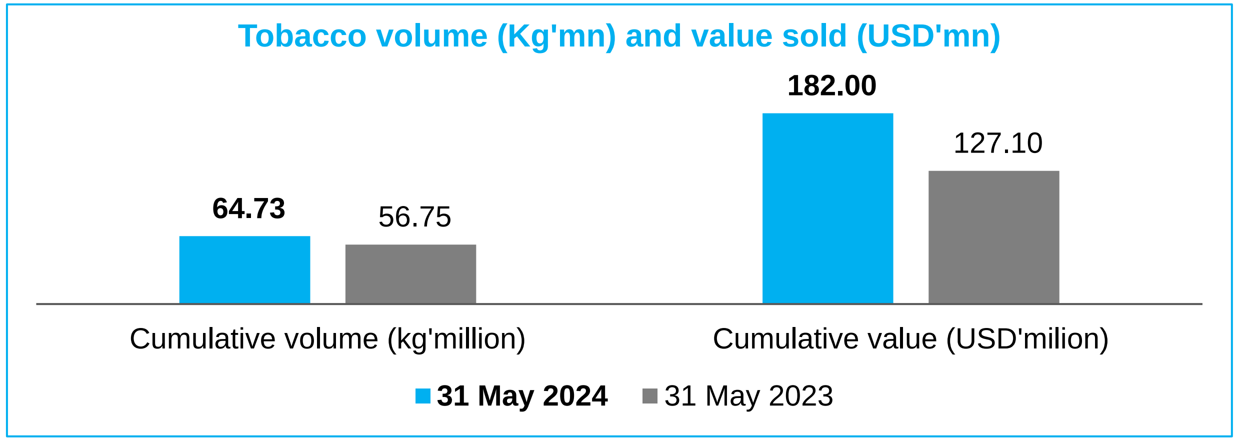
The monthly average OPEC reference basket price decreased to USD83.59/barrel in May 2024 from USD89.12/barrel in April 2024. This represents a decrease of 6.2% month-on-month. Year-on-year, there was a 10.2% increase from an average price of USD75.82/barrel as of May 2023.

In its May 2024 monthly report, OPEC maintained its 2024 world oil demand growth forecast at 2.2 mb/d. The oil demand of the Organization for Economic Co-operation and Development (OECD) is expected to grow by 0.3 mb/d, while the non-OECD's oil demand growth is expected to be about 2.0 mb/d. Total world oil demand is anticipated to reach 104.5 mb/d in 2024, supported by strong air travel demand and healthy road mobility, including trucking and industrial, construction and agricultural activities in non-OECD countries. Similarly, capacity additions and petrochemical margins in non-OECD countries – mainly in China and the Middle East – are expected to contribute to oil demand growth.



Tobacco Auction Developments (Source: AHL)

According to Auction Holdings Limited (AHL) Tobacco Sales data, as of 31 May 2024, 64.73 million Kgs of tobacco were sold at an average price of USD2.81/Kg in the 2024 selling season. During the same period in the previous year, 56.75 million kgs were sold at an average price of USD2.23/Kg. The cumulative national value of tobacco sold stood at USD182.00 million (approximately MK319 billion), up 43.2% from USD127.10 million (approximately MK223 billion) sold during the same period in the previous year.



An Overview of the 2024 African Economic Outlook by the AfDB

The AfDB notes that African economies remain resilient amid multiple shocks, with their average growth projected to stabilize at 4.0% in 2024–25, nearly a one percentage point higher than the 3.1% estimated in 2023.

Introduction

The African economic outlook published by the African Development Bank (AfDB) in May 2024 looks at the reform of global financial architecture driving Africa's economic transformation. It reports on the macroeconomic performance and outlook of the African region, with a focus on debt restructuring and policy recommendations to accelerate structural transformation in a changing global environment.

Chapter 1

Africa's Economic Performance and Outlook

The AfDB notes that African economies remain resilient amid multiple shocks, with their average growth projected to stabilize at 4.0% in 2024–25, nearly a one percentage point higher than the 3.1% estimated in 2023.

The AfDB reports that the slowdown in average real GDP growth in Africa from 4.1% in 2022 to 3.1% in 2023 is due to various factors, including high food and energy prices, weak global demand, climate change impacts, and political instability in some African countries. Despite these challenges, 15 countries achieved growth rates of at least 5% in 2023. Additionally, a rebound is projected, with real GDP growth expected to rise to 3.7% in 2024 and 4.3% in 2025. This rebound will be led by East Africa, Southern Africa, and West Africa. Furthermore, 40 countries are expected to post higher growth in 2024 compared to 2023, with 17 economies projected to grow by more than 5% in 2024. Africa is expected to remain the second fastest-growing region after Asia, with GDP growth exceeding the global average.

The Growth Outlook In 2024–25 Across Africa's Regions And Economic Groupings

- East Africa: Expected to become Africa's fastest-growing region, with real GDP growth increasing from 1.5% in 2023 to 4.9% in 2024 and 5.7% in 2025. However, there's a slight downward revision for 2024 due to conflicts in Sudan and South Sudan.
- Central Africa: Growth is expected to moderate from 4.3% in 2023 to 4.1% in 2024 before improving to 4.7% in 2025. Stronger growth is anticipated in Chad and the Democratic Republic of Congo due to favorable metal prices.
- West Africa: Growth is projected to rise from 3.6% in 2023 to 4.2% in 2024 and 4.4% in 2025. This is due to more robust growth in countries like Côte d'Ivoire, Ghana, Nigeria, and Senegal.
- North Africa: Growth is expected to decline from 4.1% in 2023 to 3.6% in 2024 and then rise to 4.2% in 2025. Except for Libya and Mauritania, growth has been revised downward for other countries in the region.
- Southern Africa: Growth is projected to increase slightly from 1.6% in 2023 to 2.2% in 2024 and 2.7% in 2025. The projected increase is mainly due to a 0.7 percentage point increase in South Africa's projected growth (now projected at 1.3%) which offset the downward revisions in Angola, Botswana, Lesotho, Zambia, and Zimbabwe.
- Non-resource-intensive economies: Expected to improve from 4.8% in 2023 to 5.3% in 2024 and 5.6% in 2025, driven by increased public investments.
- Tourism-dependent economies: Growth is forecasted to slow from 5.8% in 2023 to 4.7% in 2024 and further to 3.9% in 2025, mainly due to stabilization of tourism numbers.
- Oil-exporting countries: Growth is expected to decline from 3.7% in 2023 to 3.5% in 2024 before picking up to 4% in 2025, influenced by OPEC targets and conflicts affecting oil production.
- Other (non-oil) resource-intensive economies: Anticipated to improve strongly from 0.3% in 2023 to 2.7% in 2024 and 3.3% in 2025, driven by increased demand for metals and minerals linked to expansions in China's smart grids and construction.

According to the AfDB, average consumer price inflation in Africa rose to 17% in 2023 due to higher local food prices and currency depreciation against the US dollar. East Africa had the highest inflation, while Southern Africa experienced a slight decrease. African currencies depreciated against the US Dollar in 2023 due to sustained high global interest rates and geopolitical tensions. Nigeria's Naira saw significant depreciation, followed by the Angolan Kwanza and Zambian Kwacha.

In the AfDB's view, the downside risks include persistent inflation, which may threaten African economies by reducing real wages and keeping interest rates high, particularly impacting private sector activity. Global trade tensions and geopolitical conflicts disrupt Africa's growth trajectory, potentially derailing economic recovery efforts. Higher commodity prices could fuel inflation, delaying poverty reduction and monetary policy easing. Regional conflicts and political instability impose human suffering and economic costs, with long-term consequences for stability. Climate shocks, especially in vulnerable regions like the Horn of Africa and the Sahel, pose significant risks to economic recovery.

In contrast, the tailwinds include positive fiscal consolidation and debt restructuring trends alongside global market improvements, which may lower sovereign interest rates and stimulate economic growth. Structural transformation and capital accumulation offer growth opportunities, fostering productivity and real wage increases. A return to lower policy rates globally could spur credit growth, boost consumer sentiment, and ease pressure on public debt servicing, benefiting Africa. The rebound in global economic activity from advanced economies and emerging markets presents direct benefits to Africa, given its significant ties to these regions.

An Overview of the 2024 African Economic Outlook (continued)

The African outlook shows that growth is expected to rise from 2024 to 2025 in all African regions.

According to the AfDB, tailored monetary policy adjustments are advocated in the short term to achieve faster disinflation and stabilize inflation expectations, particularly in the face of weakening domestic currencies.

Policy Recommendations.

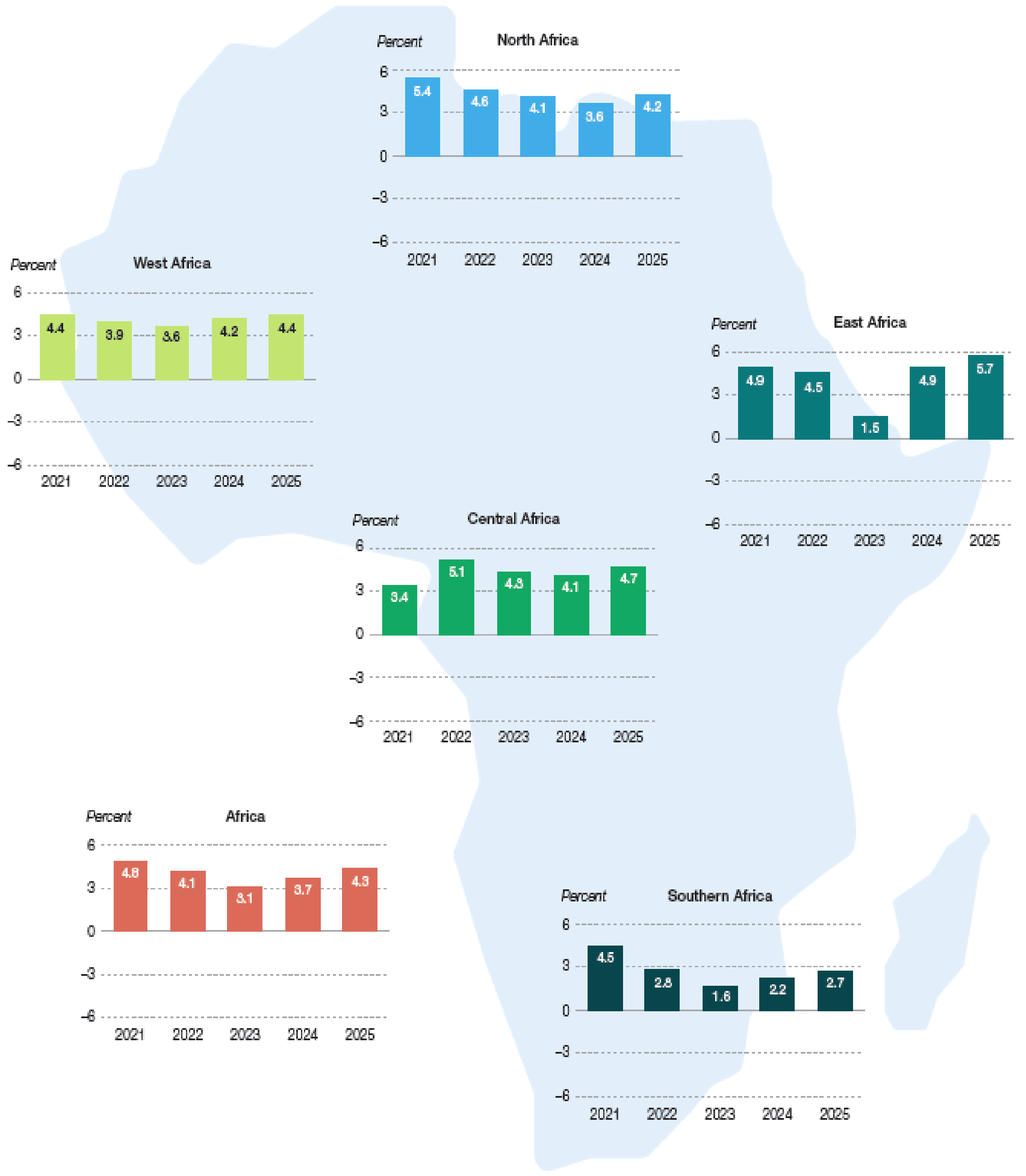
- According to the AfDB, in the short term, tailored monetary policy adjustments are advocated to achieve faster disinflation and stabilize inflation expectations, particularly in the face of weakening domestic currencies. Addressing exchange rate pressures emerges as a critical policy priority. In countries with floating exchange rates, allowing currencies to adjust is emphasized to mitigate adverse economic consequences. Conversely, for nations with pegged exchange rates, aligning monetary policy with that of the anchor country is deemed essential to maintain external stability and avert further losses in foreign exchange reserves due to interventions to preserve exchange rate parity.

- Moreover, promoting local production and diversifying import sources is highlighted as a strategic measure to address escalating food prices. It is underscored that supporting African smallholder farmers can catalyze an agricultural revolution, particularly in urban areas. To achieve this, countries must provide farmers with broad access to affordable finance, advanced food production technologies, and comprehensive extension. In addition, the AfDB suggests mechanization services to boost food production and stabilise prices in the short to medium term. Additionally, implementing governance reforms and enhancing debt management capacity are emphasized as pivotal in reducing the public debt burden. Efficient utilization of borrowed resources, especially in growth-oriented sectors and infrastructure, is stressed to unlock the economic potential of African economies.

- Looking ahead to the medium to long term, domestic resource mobilization is a top policy priority to accelerate structural transformation. This entails improving debt management, combatting illicit financial flows, and adopting a multidimensional approach to enhance resource collection and retention domestically. Furthermore, reforming the current global financial architecture is proposed to expedite debt restructuring. Suggestions include forming expanded creditor committees and establishing comparability of treatment formulas to minimize technical disputes.

- Creating an enabling environment is crucial for attracting and scaling up external financial flows as complementary sources of development financing to expedite Africa's economic transformation. While domestic resources will continue to play a significant role, external financial flows are considered essential supplementary funding sources to meet development needs. Lastly, accelerating structural reforms is identified as imperative to build resilient economies, particularly in light of the prolonged growth volatility and income decline experienced post-COVID-19 pandemic. Prioritizing structural reforms is necessary to bolster the continent's resilience to future shocks and ensure sustained growth.

FIGURE 1 Growth performance and outlook by region, 2021–25 (percent)



According to the AfDB, Africa needs to close a significant financing gap by 2030 to fast-track structural transformation, requiring prioritization of investment in education, energy, productivity, and infrastructure.

Chapter 2

Taking Stock of Africa's Economic Transformation Progress

AfDB reports on Africa's resilience amid various shocks but highlights the slow and uneven progress in structural transformation. While real aggregate GDP has grown, so has the continent's population, resulting in sluggish growth in real GDP per capita since the 1980s. Most African economies have seen little change in their structure, with traditional sectors like agriculture continuing to dominate growth and employment, albeit with low productivity levels.

Africa's transformation has occurred mainly through low-skill services sectors rather than industrialization due to low manufacturing activity. This has led to a limited impact on structural transformation, with only a small portion of services exports being high-skill. Many African countries are still in the early stages of structural transformation, with significant gaps between productivity levels in agriculture and other sectors.

The AfDB emphasizes the potential of services as an engine of productivity growth if well harnessed. It suggests leveraging the characteristics of services, such as smaller firm sizes and high productivity potential, to develop a services-led growth model. Institutions play a crucial role in this transformation, with countries investing in productive infrastructure and maintaining policy consistency, showing better economic performance.

According to the AfDB, Africa needs to close a significant financing gap by 2030 to fast-track structural transformation. This requires prioritizing investment in education, energy, productivity, and infrastructure. Mobilizing additional domestic resources, leveraging natural resource endowments, and enhancing tax collection can help bridge this gap. However, many countries may face challenges due to limited fiscal space and private sector participation. Thus, a gradual approach with increased private sector involvement is crucial for sustained progress in structural transformation.

Policy Recommendations

- According to the AfDB, African countries must establish and prioritize endogenous development plans tailored to their comparative advantages, avoiding policy reversals to maintain progress. The pace of structural transformation hinges on effective policies and consistent implementation, requiring political commitment and citizen engagement. Investing in human capital suited to local realities is crucial, with a focus on education and skills training aligned with development priorities.

- To finance structural transformation, countries must scale up domestic resource mobilization (DRM) and ensure prudent public finance management (PFM). Key strategies include mobilizing tax revenues, improving tax compliance, and formalizing the informal economy. Developing national and regional markets for goods, services, and finance and leveraging the African Continental Free Trade Area (AfCFTA) can reduce dependence on external markets and enhance economic resilience.

- Investing in natural capital accounting, youth entrepreneurship, and national infrastructure programs is essential for sustainable development. Governments must prioritize infrastructure development, focusing on sectors with high social returns such as energy and transport. Proactive governance of macroeconomic policies and the business environment is vital to attracting global capital and financial instruments. Additionally, building capacity in project preparation and implementation is crucial for unlocking private finance and infrastructure development.

Chapter 3

Financing Structural Transformation In Africa: Reforming The Global Financial Architecture

According to AfDB, multilateral financial institutions have played a crucial role in supporting development, especially during times of global economic challenges. However, they have often fallen short in meeting Africa's financing needs for structural transformation. The current global financial architecture is not delivering enough resources on time to meet national and global development goals in Africa, resulting in high borrowing costs and limited access to development finance.

The current finance architecture also presents challenges, with African countries facing higher financing costs than advanced economies due to perceived risks by international investors. Reforms in institutional governance are necessary to make global financial institutions more responsive and inclusive. Collaboration between public and private sectors is vital to scale up development financing, and innovative financing mechanisms are needed to leverage resources effectively.

Multilateral development banks (MDBs) are best placed to lead global efforts in mobilizing and allocating resources for sustainable development, but their governance structures and available resources sometimes limit their effectiveness. Strengthening global, regional, and national institutions is crucial to address complex development challenges in Africa and other developing regions.

Specific reforms, such as recycling Special Drawing Rights (SDRs) through MDBs and implementing MDB capital adequacy reforms, could significantly increase financing for Africa's structural transformation. Moreover, addressing issues like debt arrears and unfair credit ratings could unlock substantial capital for development in Africa. However, these reforms should be complemented by efforts to capitalize on domestic resources and combat illicit financial flows.

The AfDB suggests to improve global tax governance for transparency.

Chapter 3 (continued)

Policy Recommendations

- The AfDB suggests redirecting IMF Special Drawing Rights (SDRs) to Multilateral Development Banks (MDBs) for more resources. Replenish concessional windows in institutions like the African Development Bank (AfDB) and the World Bank. Improve global tax governance for transparency. Maximize MDB funding and enhance transparency in bilateral and private creditors.

- Simplify debt restructuring and update the Debt Sustainability Framework (DSF). Make debt sustainability methodologies publicly available. Streamline climate finance procedures and increase funding for loss and damage mitigation. Discourage excessive reliance on debt for climate finance.

- Separate access to IMF financing from quotas and include state-contingent clauses in loan agreements. Establish dedicated mechanisms for emergency financing in Africa to respond to crises quickly.

- Advocate for greater African representation in global financial institutions like the G20. Implement growth-enhancing policies to amplify Africa's influence. Ensure inclusive decision-making in global financial governance.

- Mandate environmental sustainability in national economic policies. Value natural capital and integrate it into national accounting systems. Leverage Africa's green wealth to enhance credit ratings and attract investments for sustainable development.

- Encourage private investment in climate and green initiatives through targeted incentives. Adopt portfolio-based approaches to private sector engagement. Explore innovative financing mechanisms like asset recycling for infrastructure and sustainable development projects.

Malawi Country Note

Recent macroeconomic and financial developments

According to the AfDB, real GDP growth is estimated at 1.5% in 2023, a moderate recovery from 0.9% in 2022. Cyclone Freddy reduced agricultural output and disabled a third of the country's power generation, slowing industrial activity. Falling real incomes due to elevated inflation, monetary tightening, and foreign currency shortages reduced both corporate and consumer demand. Inflation rose from 20.8% in 2022 to 28% in 2023 despite a tightening of monetary policy that raised the policy rate by 400 basis points to 26% by the end of 2023. The Malawi kwacha remains under pressure as indicated by an increasing parallel foreign exchange market premium. Official foreign exchange reserves of USD198.8 million in 2023 represent less than one month of import cover. The fiscal deficit widened from 9.6% of GDP in 2022 to 10.1% in 2023 reflecting a budget-exceeding wage bill and underperforming revenues. Public debt was 82.1% of GDP in 2023, an increase of 5.6% over the previous year. The current account deficit widened from 2.8% of GDP in 2022 to 7.3% in 2023 as the economic recovery led to rising import demand. Weak overall export performance has kept international reserves low.

At 6.6% of gross loans on 31 December 2022, nonperforming loans were above the internationally accepted level of 5%. Despite the financial sector's profitability in 2023, its increasing exposure to government poses a threat to stability.

Outlook and risks

Economic growth is projected at 3.3% in 2024 and 3.8% 2025, lower than previous projections in January 2024 due to the negative impact of drought on agriculture. In the AfDB's view, growth will be driven by the mining, retail, and tourism sectors. Inflation is projected to remain elevated due to a poor agricultural season. Fiscal consolidation measures are expected to narrow the fiscal deficit to 8.7% in 2024 and 7.6% in 2025. As the economy recovers, the current account deficit is projected to widen in both 2024 and 2025, when it could reach 9.5%. Malawi's economy faces significant risks, most notably a shortage of international reserves, macroeconomic instability, and drought. Dependence on rain-fed agriculture, given the increasing vulnerability to climate change, is also a major risk. Ongoing debt restructuring negotiations, if successful, could reduce debt to sustainable levels. Increased inflows of donor resources following the approval of the International Monetary Fund Extended Credit Facility in late 2023 are likely to reduce the foreign currency squeeze.

Reform of the global financial architecture

The AfDB notes that since 1990, Malawi's economy has been dominated by services, at 55% of value added, and agriculture, at 31%. Manufacturing contributed an average of about 10% of value added over the same period, while all the other sectors contributed only 5%. Agriculture's share of employment has fallen from its peak of 86% in 1990 to about 60% in 2021, while services' share has more than tripled, from 9% to about 30%. To radically transform the economy, manufacturing capacity, underpinned by agricultural-based diversification and beneficiation in the minerals sector, needs to expand. Increased inflows of global climate funds are needed to help Malawi adapt to climate change and mitigate its challenges. Meeting the financial needs of the country requires increasing both external and domestic resource mobilization, including debt and non-debt sources. Because of its debt distress, Malawi must emphasize non-debt or highly concessional financing, including the restructuring of existing debt under the G20 Common Framework to achieve debt sustainability. Additionally, Malawi needs to tap into global non-debt financing instruments such as carbon trading; enhance private sector financing, and access cheaper foreign financing through blended financing instruments.

Appendices

Appendix 1: Historical Monthly Economic Indicators

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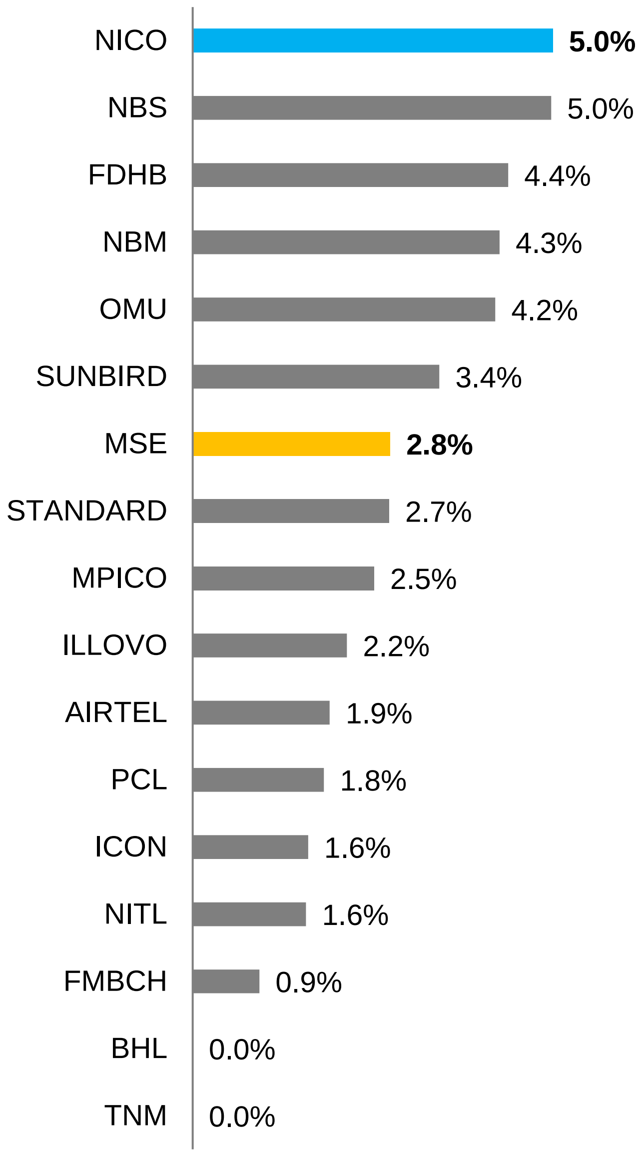
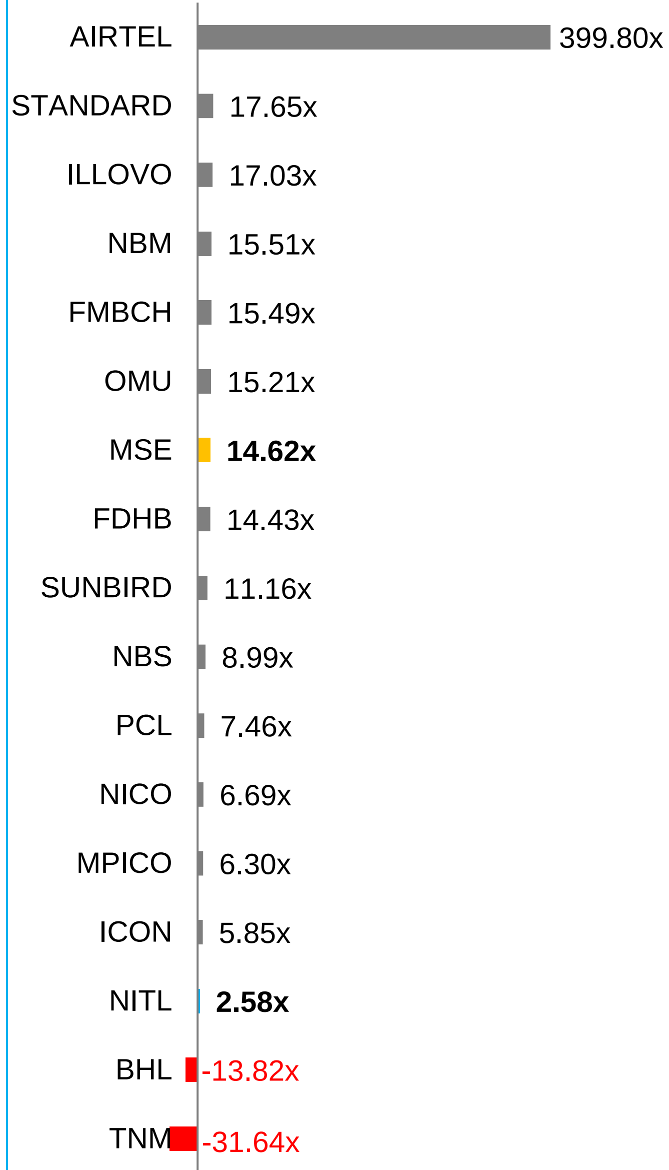
	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Exchange rates (middle rates)													
MK/USD	1,034.46	1,058.82	1.061.67	1,094.74	1,126.50	1,179.83	1,699.31	1,683.37	1,697.80	1,698.50	1,750.38	1,745.70	**1,750.76**
MK/GBP	1,317.23	1,377.77	1,400.92	1,429.20	1,412.17	1,473.63	2,219.25	2,212.41	2,221.35	2,217.83	2,268.77	2,256.81	**2,285.22**
MK/EUR	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	1,922.25	**1,951.14**
MK/ZAR	53.58	57.92	61.70	60.02	60.67	63.95	92.72	93.54	92.94	90.38	94.79	95.43	**95.14**
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	194.82	321.53	267.91	239.56	242.68	179.33	165.20	242.58	178.06	143.60	N/A	N/A	**N/A**
Private Sector Reserves (USD'mn)	386.90	407.47	406.63	419.35	409.46	396.88	413.20	433.01	401.88	396.72	N/A	N/A	**N/A**
Total reserves (USD'mn)	581.72	729.00	674.54	658.91	652.14	576.21	578.40	675.59	579.94	540.32	552.94	603.07	**N/A**
Gross Official Reserves Import cover (months)	0.78	1.29	1.07	0.96	0.97	0.72	0.66	0.97	0.71	0.57	N/A	N/A	**N/A**
Inflation													
Headline	29.2%	27.3%	28.4%	28.6%	27.8%	26.9%	33.1%	34.5%	35.0%	33.5%	31.8%	32.3%	**N/A**
Food	38.8%	37.2%	39.3%	39.4%	36.8%	34.5%	41.7%	43.5%	44.9%	42.0%	38.8%	39.9%	**N/A**
Non-food	18.4%	16.0%	16.0%	16.1%	17.2%	17.6%	22.2%	22.8%	22.0%	22.1%	22.2%	22.4%	**N/A**
Interest Rates													
Monetary Policy rate	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	**26.00%**
Average Interbank rate	19.26%	20.38%	20.51%	22.76%	22.79%	22.91%	23.00%	23.00%	23.00%	22.63%	22.48%	22.55%	**23.81%**
Lombard rate	22.20%	22.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	26.20%	26.20%	26.20%	**26.20%**
Commercial Bank reference rate	20.00%	21.00%	22.70%	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%	24.90%	24.90%	**25.00%**
Government Securities Yields													
91-days Treasury Bill	13.00%	13.00%	13.00%	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	16.00%	16.00%	16.00%	**16.00%**
182-days Treasury Bill	17.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	20.00%	20.00%	20.00%	**20.00%**
364-days Treasury Bill	22.49%	22.50%	22.50%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	**26.00%**
2-year Treasury Note	24.75%	24.75%	24.75%	26.75%	26.75%	26.75%	26.75%	26.75%	26.75%	28.75%	28.75%	28.75%	**28.75%**
3-year Treasury Note	26.00%	26.00%	26.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	**30.00%**
5-year Treasury Note	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	32.00%	32.00%	32.00%	**32.00%**
7-year Treasury Note	29.50%	29.50%	29.50%	30.46%	32.00%	32.00%	32.00%	32.00%	32.00%	34.00%	34.00%	34.00%	**34.00%**
10-year Treasury Note	31.19%	31.25%	31.25%	32.83%	33.00%	33.00%	33.00%	33.00%	33.00%	35.00%	35.00%	35.00%	**35.00%**
Stock Market Indices													
MASI	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	114,228.31	**115,418.29**
DSI	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	86,753.99	**87,814.00**
FSI	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	19,012.49	**19,011.00**

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

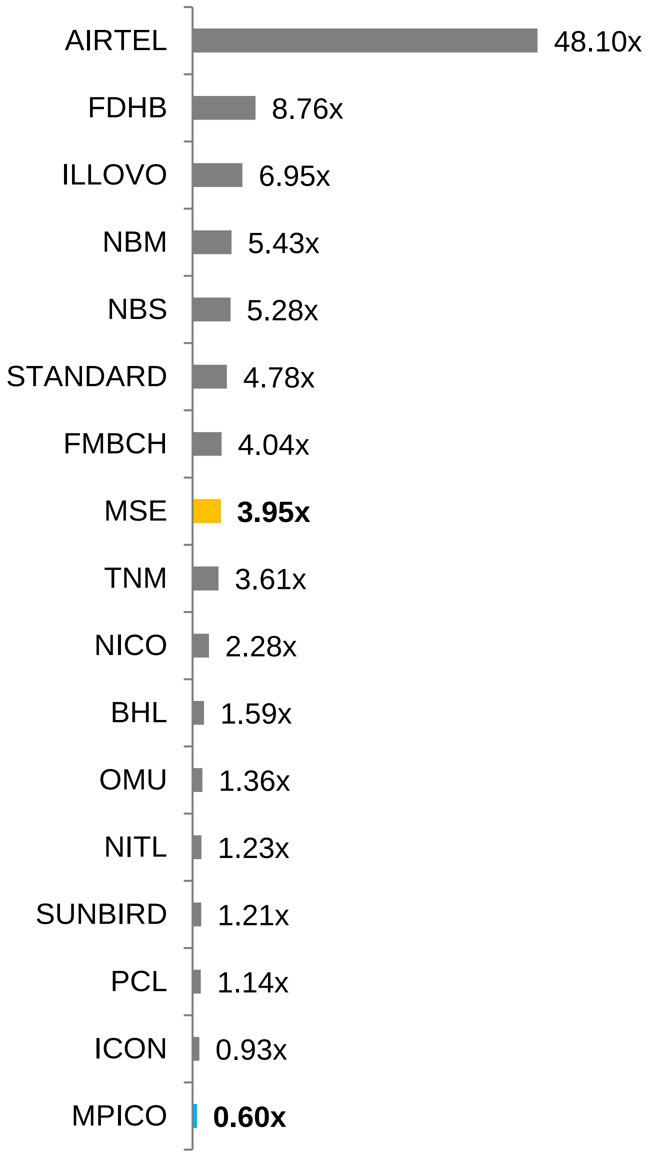
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.8% in May 2024. The counter with the highest dividend yield was NICO at 5.0%.



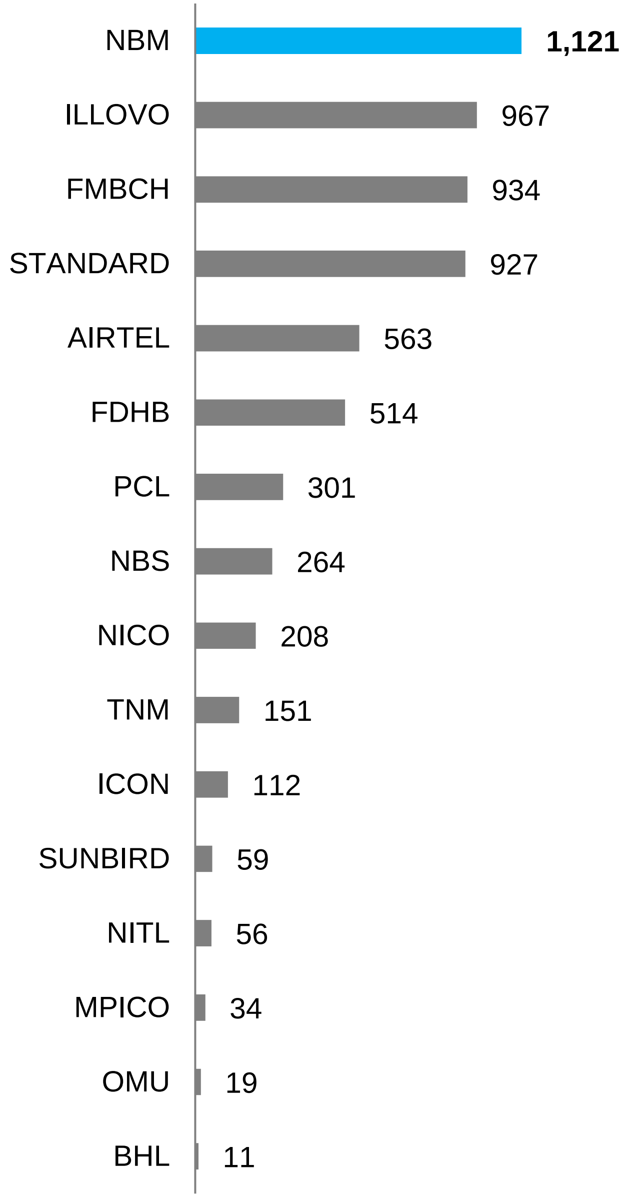
P/E Ratio - the weighted average price to earnings ratio on the MSE was 14.62x in May 2024. The counter with the lowest positive ratio was NITL at 2.58x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 3.95x in May 2024. The counter with the lowest ratio was MPICO at 0.60x.



Market Capitalization (MK'billion) – NBM had the highest market capitalization at MK1.12 trillion in May 2024.



Appendix 3: IMF and World Bank Projections

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IMF projections

Annual percentage change (unless otherwise indicated)					
	2022	2023	2024	2025	2026
GDP at constant market prices	0.8	1.6	2.0	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	-6.6	-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	31.8	31.9	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 (% 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	2022	2023	2024	2025	2026	2027
Real GDP growth	0.8	1.6	3.1	4.0	4.3	4.4
CPI inflation	20.8	28.6	30.1	15.4	8.6	7.8
Exports of goods ($ bn)	1.0	1.1	1.2	1.3	1.4	1.5
Imports of goods ($ bn)	3.0	3.2	3.4	3.6	3.8	4.0
Current account ($ bn)	-2.3	-1.9	-1.9	-2.0	-2.1	-2.2
Current account balance (% of GDP)	-18.2	-13.9	-16.0	-14.3	-13.8	-13.5
Exchange rate per USD (year average)	941.4	1,149.1	1,726.2	1,779.6	1,871.7	1,969.1
External debt total ($ bn)	3.3	4.7	6.1	7.1	7.7	8.1
Government balance (% of GDP)	-9.3	-8.7	-7.6	-5.8	-5.1	-4.4
Government debt (% of GDP)	75.2	78.6	71.0	68.8	69.5	69.3
Population (millions)	20.4	20.9	21.5	22.0	22.6	23.2
Nominal GDP ($ bn)	12.5	13.4	12.0	14.0	15.0	16.1
GDP per capita ($ current prices)	614.3	640.7	557.5	634.8	665.2	694.2

AfDB projections

Annual percentage change (unless otherwise indicated)	2022	2023	2024	2025
Real GDP growth	0.9	1.5	3.3	3.8
Consumer price index inflation	20.8	22.8	27.3	14.3

Appendix 5: World Bank commodity market prices

World Bank commodity prices

	Annual averages				Monthly averages				
					January	February	March	April	May
	2020	2021	2022	2023	2024	2024	2024	2024	2024
Produce (USD/mt)									
Soybeans	407.0	583.0	675.0	598.0	547.0	520.0	487.0	477.0	490.0
Maize	165.5	259.5	318.8	252.7	198.6	189.1	190.6	191.7	197.8
Sugar & Tea (USD/Kg)									
Sugar - EU	0.4	0.4	0.3	0.4	0.4	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	0.9	0.8
Sugar - World	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4
Tea - average	2.7	2.7	3.1	2.7	2.7	2.7	2.7	3.0	3.2
Fertilizers (USD/mt)									
DAP	312.4	601.0	772.2	550.0	596.3	583.8	617.5	545.0	522.0
Phosphate rock	76.1	123.2	266.2	321.7	152.5	152.5	152.5	152.5	152.5
Potassium chloride	241.1	542.8	863.4	383.2	296.3	289.4	300.5	305.0	307.0
TSP	265.0	538.2	716.1	480.2	450.6	454.4	449.0	442.5	434.9
Urea, E. Europe	229.1	483.2	700.0	358.0	335.4	351.3	330.0	320.0	284.8
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	2,331.0	2,351.0
Platinum	883.0	1,091.0	962.0	966.0	926.0	894.0	909.0	940.0	1,015.0
Silver	20.5	25.2	21.8	23.4	22.9	22.7	24.5	27.5	29.4

Appendix 6: List of Acronyms and Abbreviations

AfDB:	African Development Bank
AfCFTA:	African Continental Free Trade Area
Afreximbank:	African Export-Import Bank
AHL:	Auction Holdings Limited
av:	Average
BHL:	Blantyre Hotels Plc
bn:	Billion
CPI:	Consumer Price Index
DAP:	Diammonium Phosphate
DRM:	Domestic Resource Mobilization
DSF:	Debt Sustainability Framework
ECF:	Extended Credit Facility
EIU:	Economist Intelligence Unit
EUR:	Euro
EU:	European Union
FDHB:	FDH Bank Plc
FMBCH:	FMB Capital Holdings Plc
GBP:	Great British Pound
GDP:	Gross Domestic Product
IFPRI:	International Food Policy Research Institute
IIP:	Integrated Industrial Platforms
IMF:	International Monetary Fund
Kg:	Kilogram
LRR:	Liquidity Reserve Requirement
MASI:	Malawi All Share Index
Mb/d:	Million barrels per day
MDBs:	Multilateral Development Banks
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
P/BV:	Price to book value
PCL:	Press Corporation Limited Plc
P/E:	Price to earnings
PFM:	Public Finance Management
RBM:	Reserve Bank of Malawi
SDRs:	Special Drawing Rights
SUNBIRD:	Sunbird Tourism Plc
TB:	Treasury Bill
TN:	Treasury Note
TNM:	Telekom Networks Malawi Plc
Toz:	Troy ounces
USD:	United States Dollar
ZAR:	South African Rand

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