Malawi Monthly Economic Report and an Overview of the Malawi Economic Monitor July 2024 by the World Bank

July 2024

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Executive Summary and Outlook

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Inflation

The headline inflation rate increased by 0.6 percentage points to 33.3% in June 2024 from 32.7% in May 2024. The increase was due to a rise in the food inflation rate to 41.5% in June 2024 from 40.7% in May 2024. Similarly, the non-food inflation rate increased to 22.2% in June 2024 from 22.1% in May 2024. In June 2023, headline inflation was 27.3%, driven by food inflation of 37.2% and non-food inflation of 16.0%.

The 2024 inflation projections for Malawi from various published sources range between 30.7% and 33.5%. The Monetary Policy Committee (MPC) has projected the annual average inflation at 33.5% in 2024. The Economist Intelligence Unit (EIU) expects average inflation in 2024 to be 33.2%. Additionally, Oxford Economics projects an annual average inflation of 30.7% in 2024.

Exchange Rates and Foreign Currency Reserves

Based on closing middle rates, the Malawi Kwacha traded at MK1,749.95/USD as of 31 July 2024, a marginal depreciation of 0.03% from MK1,749.51/USD as of 30 June 2024. During the same period in the previous year, the Kwacha had depreciated against the USD by 0.27% from June to July 2023.

As of 30 June 2024, the country's total foreign exchange reserves decreased by 3.1% to USD591.51 million from USD610.18 million in May 2024. The import cover declined by 2.9% to 2.37 months in June 2024 from 2.44 months in May 2024.

Government Securities

The government awarded MK252.78 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in July 2024, an increase of 12.2% from MK225.23 billion awarded in June 2024. During the review period, the average TB and TN yields were maintained at 20.67% and 31.95%, respectively.

Stock Market

The stock market was bullish as the Malawi All Share Index (MASI) increased to 128,996.65 points in July 2024 from 121,101.77 points in June 2024, representing a 6.52% increase. The MASI year-to-date return was 16.26% in July 2024. It was 81.34% in July 2023.

In July 2024, NBS was the most significant share price gainer as its share price increased by 68.19% to MK152.26 per share from MK90.53 per share in June 2024. There were also share price gains for FDH Bank, OMU, FMBCH and TNM by 41.87%, 8.19%, 5.83% and 1.56%, respectively.

In July 2024, AIRTEL was the most significant share price loser, as its share price decreased by 10.02% to MK44.99 per share from MK50.00 per share in June 2024.

Fiscal and Monetary Policy

As disclosed in the local debt issuance calendar, the government seeks to raise MK397.4 billion through TN auctions and MK170.6 billion through TB auctions, for a total of MK568.0 billion in the third quarter of 2024.

According to the EIU, Malawi's fiscal strategy under its Extended Credit Facility (ECF) involves stringent austerity measures and modest revenue increases. The fiscal deficit is projected to widen to 10.2% of GDP in 2024, up from an estimated 10.1% in 2023.

Following the third Monetary Policy Committee (MPC) meeting of 2024 held on 24th and 25th July 2024, the MPC resolved to maintain the Policy Rate at 26.0%.

Commodity Market

According to Auction Holdings Limited (AHL) Tobacco Sales data, as of 31 July 2024, the cumulative national value of tobacco sold stood at USD394.95 million (approximately MK691 billion), up 40.4% from USD281.35 million (approximately MK492 billion) sold during the same period in the previous year.

The retail maize price increased by 23.0% to MK753/kg in the last week of June 2024 from MK612/kg in the last week of May 2024. Year-on-year, it has increased by 47.6%, as it was MK510/kg in June 2023.

Economic Growth

The 2024 real gross domestic product (GDP) growth rate projections for Malawi from various published sources range between 1.3% and 3.3% (median 2.3%). Most sources attribute the rebound to the IMF ECF program, which 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 2.3% (from 1.9% 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 2.0% (from 1.6% in 2023). Wide fiscal and current-account deficits, unsustainable debt dynamics, and price instability have all contributed to weak growth. While macroeconomic reforms have increased the medium-term potential growth rate, a prolonged dry spell is already affecting agricultural output and will likely constrain growth in 2024.

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 2.2% (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 1.3% 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 African Development Bank (AfDB) has reduced the 2024 Malawi real GDP to 3.3% from the earlier projection of 3.5%. The AfDB outlines significant economic challenges, including international reserves shortages, macroeconomic instability, and drought. The AfDB also highlights that dependence on rain-fed agriculture, given the increasing vulnerability to climate change, is also a major risk. The agricultural, mining, retail, and tourism sectors will drive the growth of the economy.

An Overview of the Malawi Economic Monitor July 2024

According to the World Bank's 19th edition of the Malawi Economic Monitor, Malawi's economic recovery is significantly undermined by a severe El Niño-induced drought, persistent macroeconomic imbalances and an incomplete reform agenda. The growth forecast for 2024 is downgraded to just 2.0%, failing to match the 2.6% population growth, leading to a decline in per capita GDP. Inflation remains high, driven by food prices and a large fiscal deficit exceeding 12% of GDP, while foreign exchange shortages and an unsustainable debt burden exacerbate economic instability.

The report emphasizes the urgent need for effective macroeconomic stabilization, enhanced food security through increased grain imports, and the implementation of structural reforms to build resilience and promote sustainable growth. Although recent advancements in social protection, including innovative programs and digital infrastructure, have improved responsiveness to shocks, institutional fragmentation and insufficient domestic funding impede progress.

In 2023, Malawi's economic growth failed to keep up with population growth, resulting in a decline in per capita GDP. Growth slightly improved from 0.9% in 2022 to 1.5% in 2023, primarily due to the resumed electricity production at the Kapichira hydroelectric plant. However, persistent issues such as macroeconomic imbalances, weak productive inputs, and the impact of Tropical Cyclone Freddy constrained a broad-based recovery. The drought conditions induced by El Niño have further hampered growth prospects for 2024, affecting agricultural output and limiting the availability of inputs in other sectors.

According to the World Bank, Malawi has experienced modest economic growth averaging 4% annually over the past 30 years, but this has not translated into significant poverty reduction. As of 2019, 71.9% of the population lives below the international poverty line, and economic gains are concentrated among the wealthiest 20%. The poverty rate has remained stubbornly high at about 51%, with growth having a minimal effect on poverty reduction compared to similar countries. The country's rapid population growth has exacerbated poverty, adding 2 million people below the poverty line between 2010 and 2019, and worsening the poverty gap. Urban poverty and inequality have increased, challenging the benefits of urbanization.

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.

Next, the International Fund for Agricultural Development (IFAD) and the Government of Malawi, on 2 July 2024, launched a USD53 million agricultural programme that seeks to commercialize agriculture production and enhance the resilience of small-scale farming systems for improved income, food, and nutrition security.

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.

Trade: FDH Bank has signed a USD15 million (about MK26 billion) agreement with the African Export-Import Bank (Afreximbank) to support local businesses in securing export markets and increasing trade. Under the Africa Trade Exchange financing, the facility aims to bolster intra-Africa trade and grow exports to the Caribbean markets for small and medium enterprises.

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: Bakhresa Malawi Limited's USD100 million (approximately MK175.1 billion) plant is projected to be completed in October 2024. The cooking oil refinery plant faced challenges in foreign exchange, but Bakhresa said the project is currently at an advanced stage. The executive director of Bakhresa said they strongly believe that cooking oil production will start in October 2024 as a strategic investment to support the economy of Malawi. The company is committed to diversifying its operations in Malawi with more investments aligned with the country's strategic plan for Malawi 2063.

Mining: Lotus Resources Limited has signed a Mine Development Agreement (MDA) with the Government of Malawi for its Kayelekera uranium mine, a major milestone in its redevelopment. This Agreement ensures that the mine will operate under a stable fiscal regime and provides the necessary confidence to investors. The MDA guarantees a Stability Period of 10 years during which the Project will not be subject to any detrimental changes to the fiscal regime

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.

Furthermore, Malawi faces inflation risk. The average inflation rate for 2023 was 28.7%. As of June 2024, the six-month average is 33.1%.

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 produced products and services.

Economic overview

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

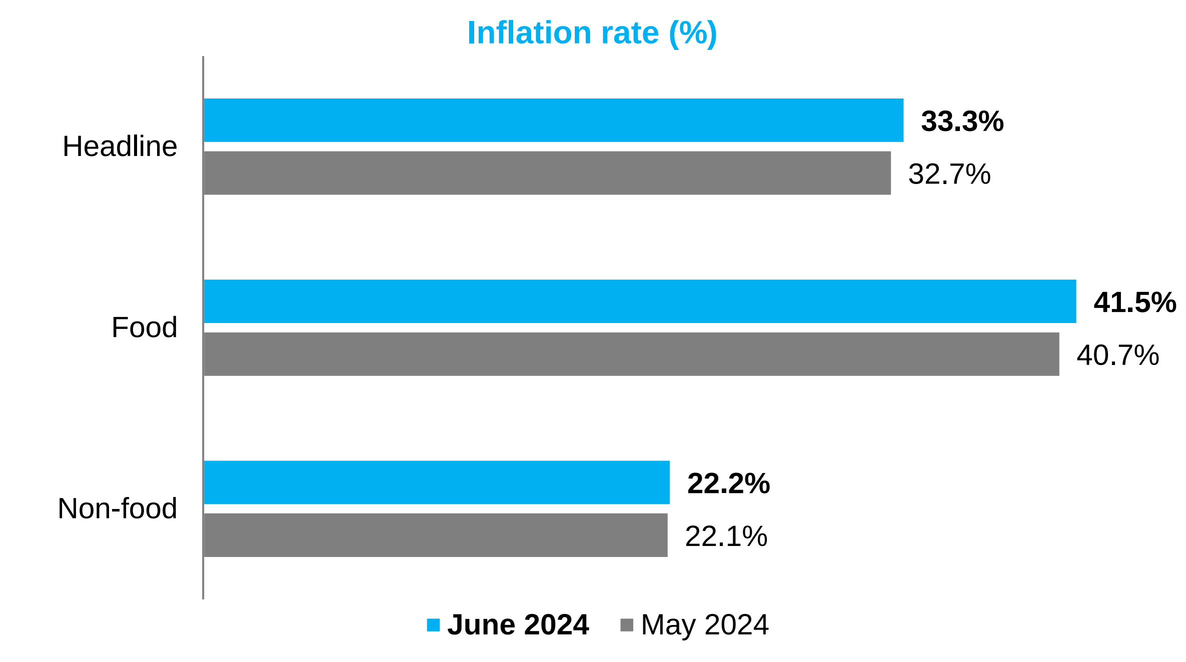
The headline inflation rate for June 2024 increased to 33.3% from 32.7% in May 2024 due to an increase in the food inflation rate.

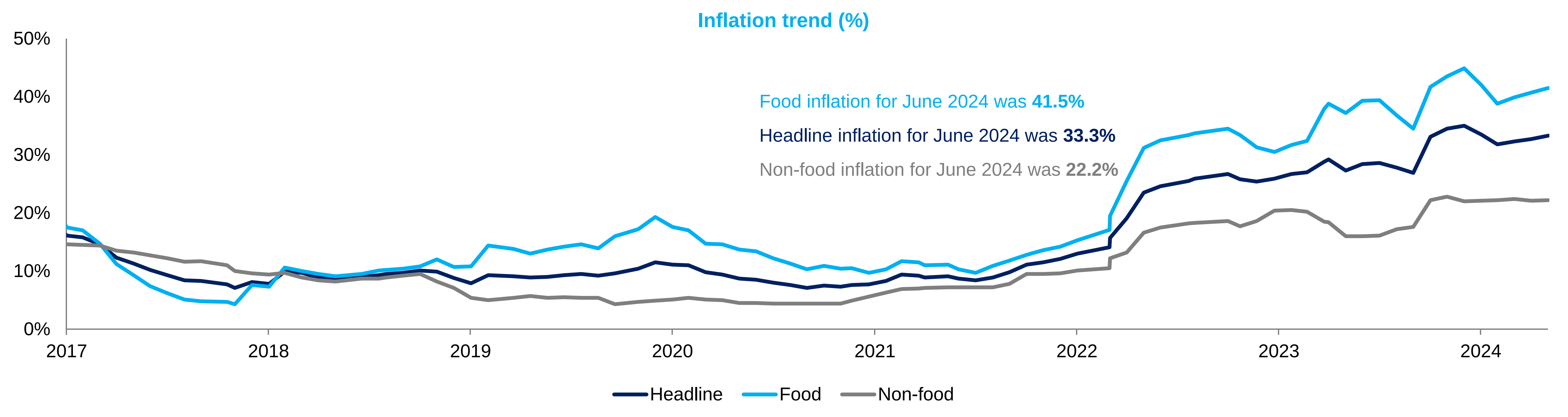
The 2024 inflation projections for Malawi from various published sources range between 30.7% and 33.5%.

The headline inflation rate increased by 0.6 percentage points to 33.3% in June 2024 from 32.7% in May 2024. The increase was due to a rise in the food inflation rate to 41.5% in June 2024 from 40.7% in May 2024. Similarly, the non-food inflation rate increased to 22.2% in June 2024 from 22.1% in May 2024. In June 2023, headline inflation was 27.3%, driven by food inflation of 37.2% and non-food inflation of 16.0%.

According to the June 2024 IFPRI Malawi monthly maize market report, maize prices increased to MK753/Kg from MK612/Kg in May 2024. The rise in maize prices contributed to the increase in food inflation in June 2024. Food inflation accounts for 53.7% of headline inflation; as such, the rise in food inflation contributed to the overall increase.

The Monetary Policy Committee noted that the domestic economy has encountered persistent inflationary pressures triggered by the low crop harvest in the 2023/24 season in addition to the previously indicated risks, which 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 33.5% in 2024. The EIU expects annual average inflation for 2024 to be 33.2% 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 30.7% owing to higher food inflation caused by lower crop yields and pressure on non-food inflation due to 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 MK1,749.95/USD as of 31 July 2024, a marginal depreciation of 0.03% from MK1,749.51/USD as of 30 June 2024.

Foreign Currency Market

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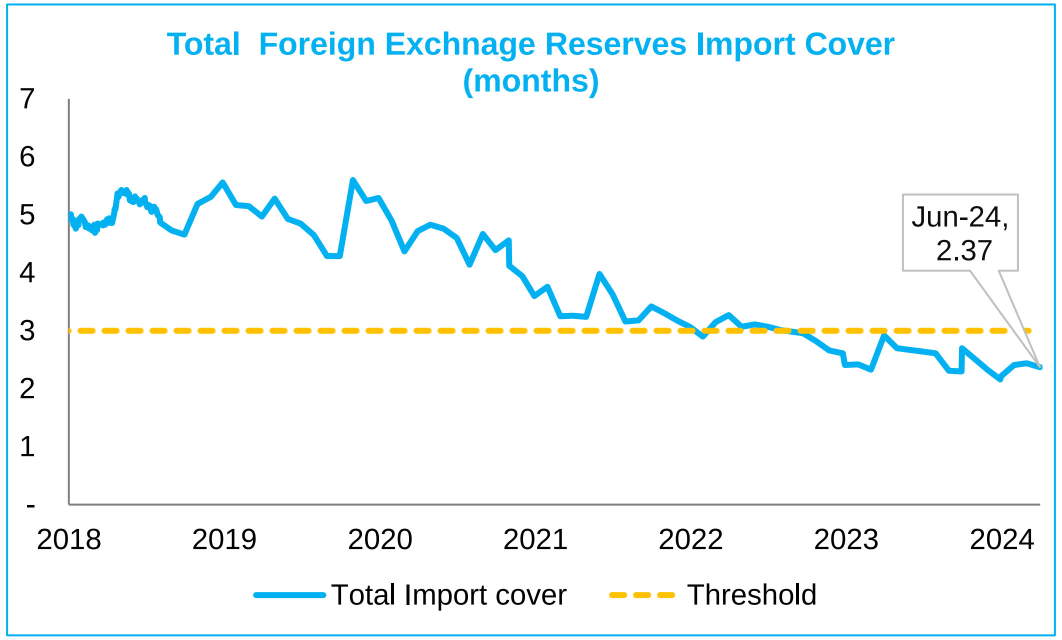
The RBM held foreign exchange auctions on 11 July 2024 and 24 July 2024. The total amount offered and accepted on both days was USD150,000. The RBM disclosed that based on the auction results, the market selling price of the US dollar remains at MK1,751/USD.

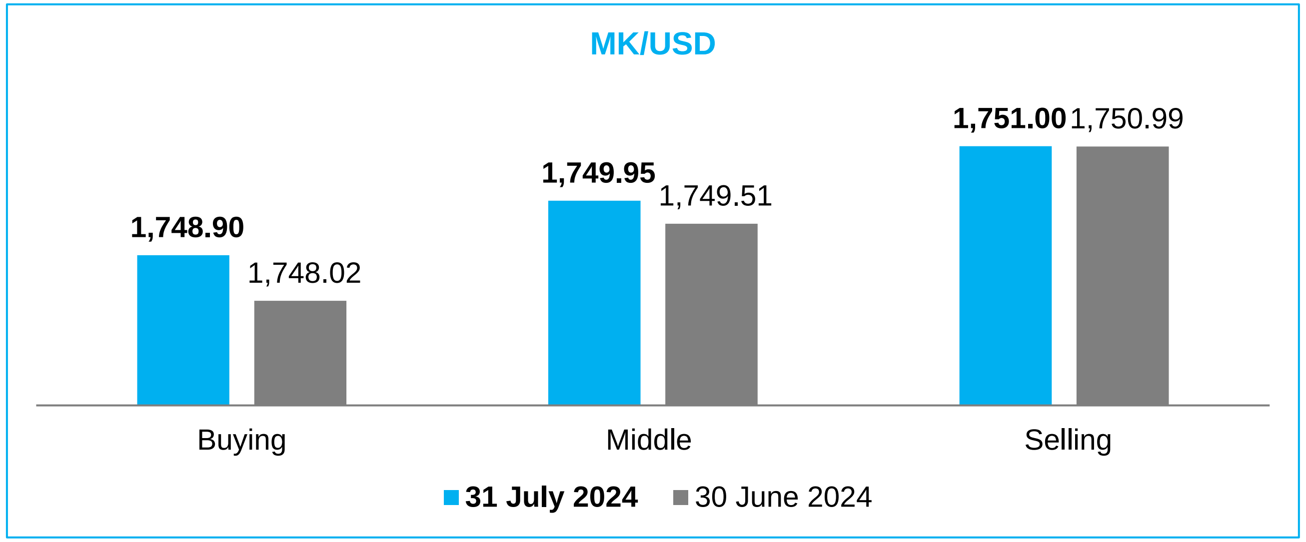
Foreign Exchange Reserves Position

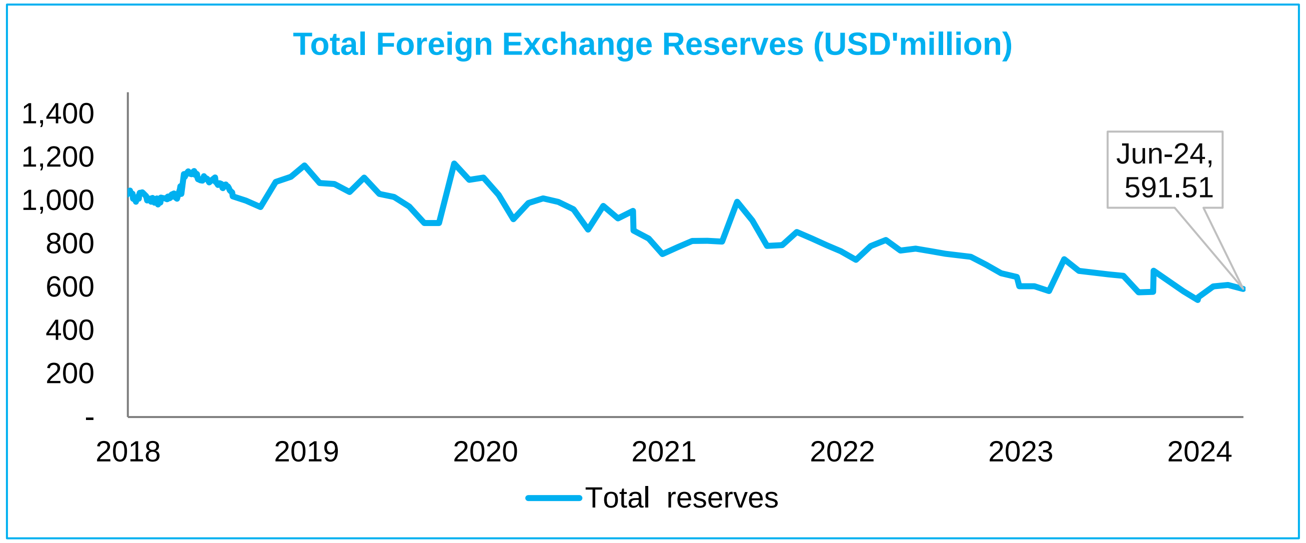
As of 30 June 2024, the country's total foreign exchange reserves decreased by 3.1% to USD591.51 million from USD610.18 million in May 2024. The import cover declined by 2.9% to 2.37 months in June 2024 from 2.44 months in May 2024. During the same period in the previous year, the total foreign exchange reserves were USD729.00 million.



USD – United States Dollar

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





	June 2024	May 2024	Month-on-month change (%)
Total Reserves (USD'millions)	591.51	610.18	-3.1%
Total import cover (months)	2.37	2.44	-2.9%

Economic overview (continued)

Stock Market (Source: MSE)

The MASI year-to-date return was 16.26% in July 2024. It was 81.34% in July 2023.

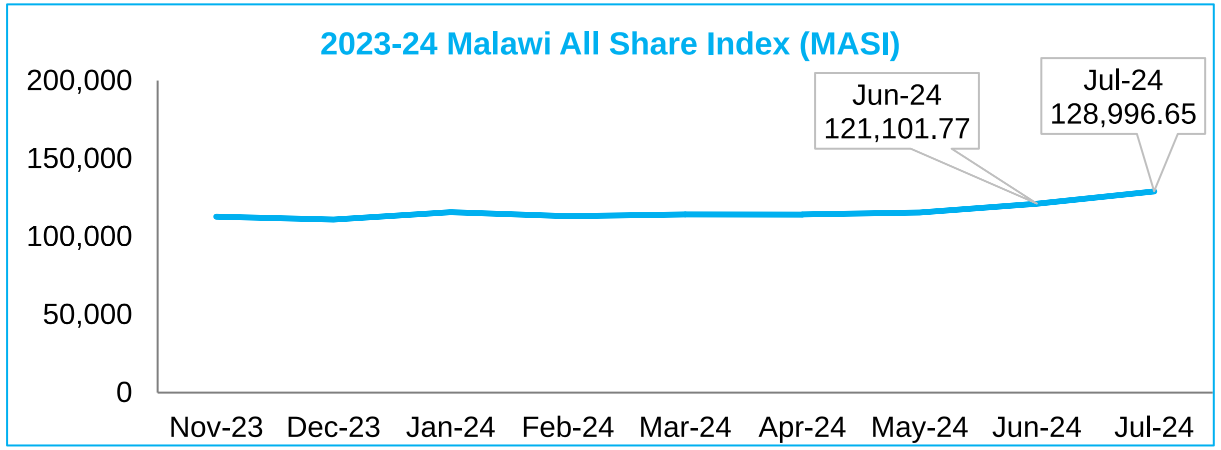
There were share price gains for NBS, FDH Bank, OMU, FMBCH and TNM.

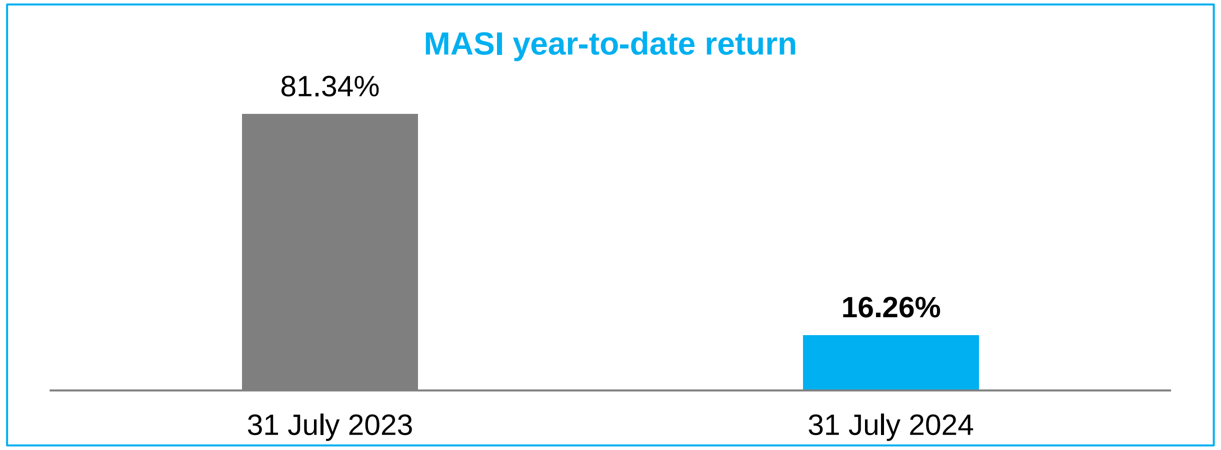
There was a share price loss for AIRTEL.

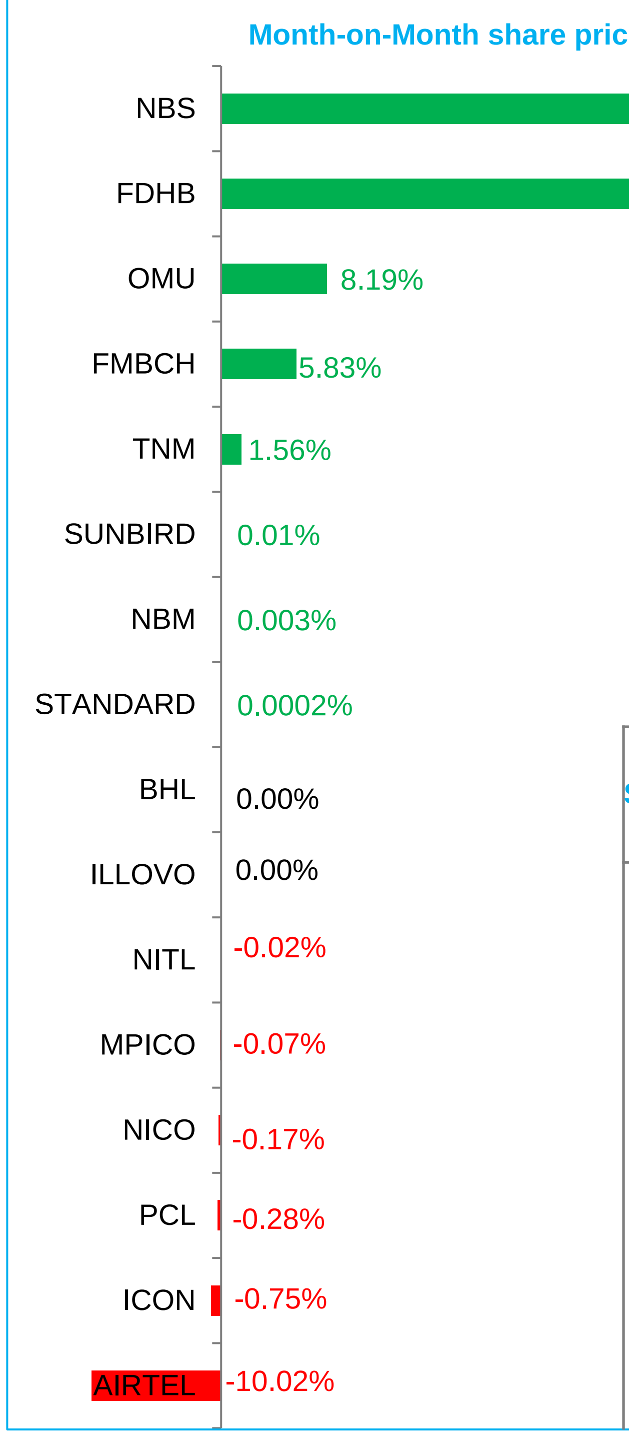
The stock market was bullish as the Malawi All Share Index (MASI) increased to 128,996.65 points in July 2024 from 121,101.77 points in June 2024, representing a 6.52% increase. The MASI year-to-date return was 16.26% in July 2024. It was 81.34% in July 2023.

In July 2024, NBS was the most significant share price gainer as its share price increased by 68.19% to MK152.26 per share from MK90.53 per share in June 2024. There were also share price gains for FDH Bank, OMU, FMBCH and TNM by 41.87%, 8.19%, 5.83% and 1.56%, respectively. There were marginal share price gains for SUNBIRD, NBM and STANDARD.

In July 2024, AIRTEL was the most significant share price loser, as its share price decreased by 10.02% to MK44.99 per share from MK50.00 per share in June 2024. There were marginal share price losses for ICON, PCL, NICO, MPICO and NITL.







Symbol	Closing prices (MK/share)	
	31 July 2024	30 June 2024
AIRTEL	**44.99**	50.00
BHL	**13.05**	13.05
FDHB	**120.65**	85.04
FMBCH	**400.00**	377.96
ICON	**15.86**	15.98
ILLOVO	**1,355.13**	1,355.13
MPICO	**15.00**	15.01
NBM	**2,700.08**	2,700.01
NBS	**152.26**	90.53
NICO	**199.02**	199.35
NITL	**411.36**	411.43
OMU	**1,622.93**	1,500.03
PCL	**2,499.97**	2,506.97
STANDARD	**4,400.01**	4,400.00
SUNBIRD	**224.03**	224.01
TNM	**16.31**	16.06

Economic overview (continued)

Stock Market (Source: MSE)

NBS had the highest value of shares traded in July 2024 at MK1.6 billion.

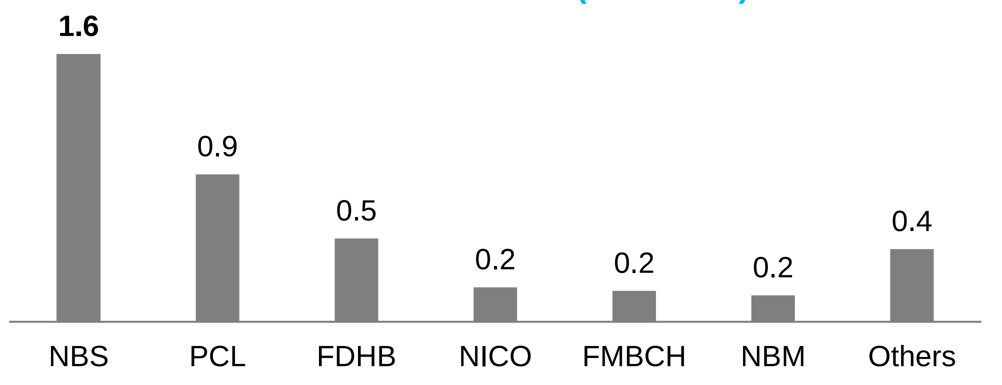
MSE Traded Values

A total of MK3.93 billion worth of shares were traded on the Malawi Stock Exchange (MSE) in July 2024. This represented a decrease of 18.4% from MK4.82 billion shares traded in June 2024. NBS had the highest value of shares traded in July 2024 at MK1.59 billion.

The total number of trades increased to 1,299 in July 2024 from 916 in June 2024.

Value of shares traded (MK'billion)

Value of shares traded (MK'billion)



Corporate Announcements

Published Financial Half-Year Trading Statements

Counter	30 June 2023 (MK'billions)	30 June 2024 (MK'billions)	Trading statement profit/loss expectation
SUNBIRD	1.6	4.6 – 4.9	190%-210%
NBS	12.2	30.4 – 32.5	149%-166%
NITL	16.49	3.5 – 4.5	(79%-73%)
TNM	0.78	1.8 – 2.0	136%-156%
STANDARD	26.9	39.0 – 43.1	45%-60%
BHL	(0.49)	(0.38 – 0.42)	15%-22%
NICO	30.8	44.0 – 47.5	43%-54%
ICON	6.40	9.0 – 10.0	40%-56%
PCL	34.3	42.0 – 43.8	23%-28%
FDHB	15.0	25.5 - 28.5	70%-90%
ILLOVO*	33.70	22.40	(34.00%)

**: Actual financial half-year results for Illovo. The half-year end is the last day of February*

Dividend announcements

Counter	Dividend type	Proposed/ Declared	Dividend per share (MK)	Ex-dividend date	Last day to register	Payment date
SUNBIRD	Final	Declared	5.70	24 July 2024	26 July 2024	9 August 2024
ICON	Final	Declared	0.14	7 August 2024	9 August 2024	23 August 2024
PCL	Final	Declared	37.00	14 August 2024	16 August 2024	30 August 2024
NITL	Final	Declared	5.00	TBA**	TBA	TBA
NBS	Final	Declared	0.64	TBA	TBA	TBA
NICO	Final	Declared	2.00	TBA	TBA	TBA

***: TBA stands for to be announced*

Annual General Meetings

Counter	Venue	Date	Time
BHL	Ryalls Hotel	8 August 2024	15:00hrs

Economic overview (continued)

Government securities (Source: RBM)

The government awarded MK252.78 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in July 2024, an increase of 12.2% from MK225.23 billion awarded in June 2024.

From June 2024 to July 2024, the average TB and TN yields were maintained at 20.67% and 31.95%, respectively.

Treasury Bills (TBs)

In July 2024, the government sought to borrow MK50.43 billion through TB auctions. This represents a 20.0% decrease from the MK63.03 billion sought in June 2024. Participants applied to place an amount of MK135.07 billion through TB auctions in July 2024. This represents a 30.5% increase from MK103.52 billion applied in June 2024. The government awarded MK135.07 billion in July 2024, a 30.5% increase from MK103.52 billion in June 2024. The TB auctions had a nil rejection rate in July 2024, just as in June 2024.

Treasury Notes (TNs)

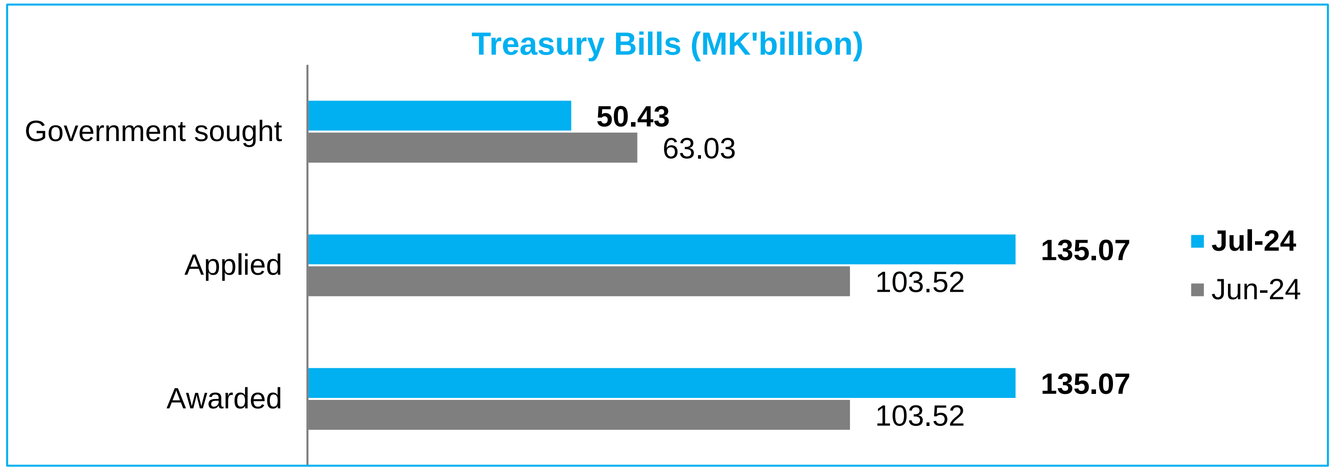
The government sought to borrow MK135.69 billion through TN auctions in July 2024. This represents a 15.9% decrease from the MK161.25 billion sought in June 2024. Total participant applications stood at MK117.71 billion in July 2024. This represents a 3.3% decrease from MK121.71 billion, which was applied in June 2024. MK117.71 billion was awarded in the TNs auctions in July 2024. This entailed a 3.3% decrease from MK121.71 billion, awarded in June 2024. The TN auctions had a nil rejection rate in July 2024, just as in June 2024.

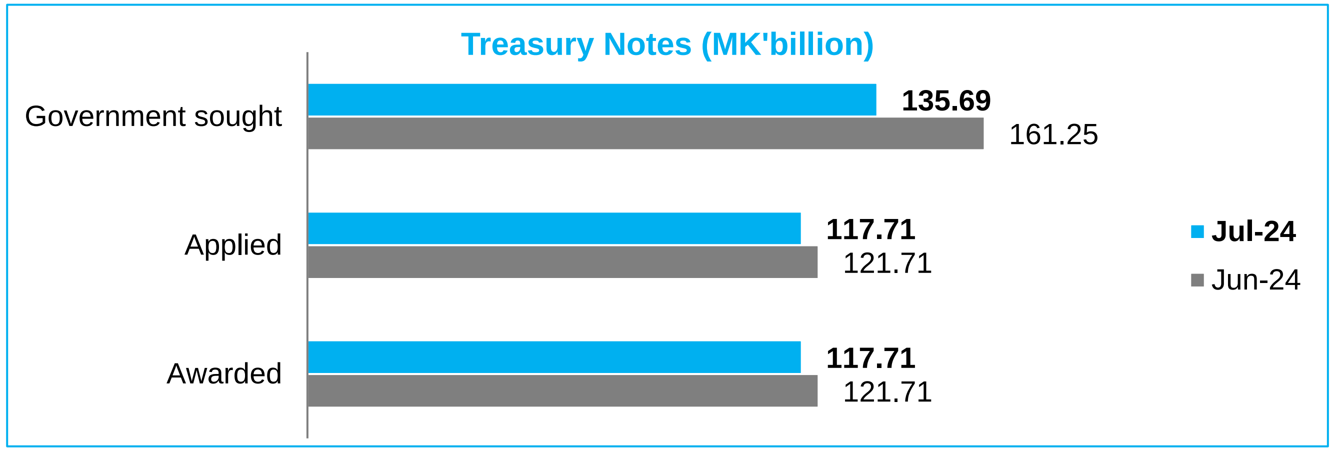
Overall, the government sought to raise MK186.12 billion in TBs and TNs auctions in July 2024. This represents a 17.0% decrease from the MK224.28 billion sought in June 2024. MK252.78 billion was awarded, up 12.2% from MK225.23 billion in June 2024.

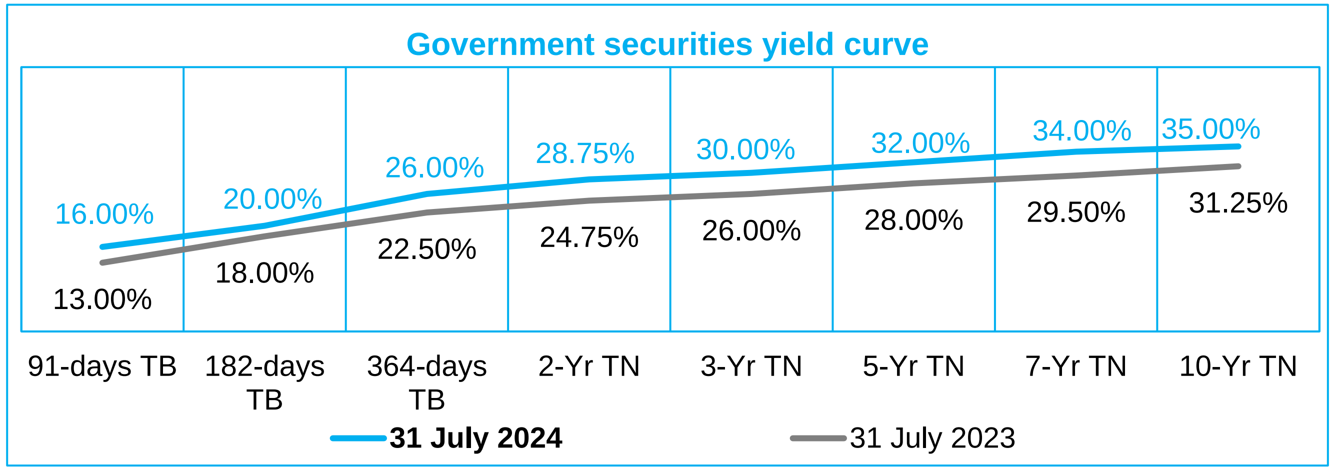
Government Securities Yield Curve

From June 2024 to July 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 July 2024. The average TB yield was 17.83% in July 2023.

From June 2024 to July 2024, the yields of 2, 3, 5, 7, and 10-year TNs were 28.75%, 30.00%, 32.00%, 34.00%, and 35.00%, respectively. As a result, the average TN yield maintained at 31.95% in July 2024. The average TN yield was 27.90% in July 2023.







Fiscal and Monetary Policy Developments

Following the third Monetary Policy Committee (MPC) meeting of 2024 held on 24th and 25th July 2024, the MPC resolved to maintain the Policy Rate at 26.0%.

The commercial bank reference rate for August 2024 remains unchanged from the July 2024 reference rate of 25.4%.

Fiscal Policy (Source: RBM, EIU)

According to the EIU, Malawi's fiscal strategy under its Extended Credit Facility (ECF) involves stringent austerity measures and modest revenue increases. The fiscal deficit is projected to widen to 10.2% of GDP in 2024, up from an estimated 10.1% in 2023. However, it is expected to narrow to 6.8% by 2028 as revenue rises. High domestic debt, with 28% due within one year and an average maturity of 2.5 years, will keep debt servicing costs elevated until interest rates decrease.

Spending remains high due to increased living costs, food insecurity, and the need to repair infrastructure damaged by Cyclone Freddy and flooding. Public-sector wages have surpassed the 6% of GDP target initially set for the 2024 budget, and meaningful reductions to the wage bill are anticipated only after the 2025 elections when inflation moderates. The government also aims to improve the efficiency of social spending, particularly on fertiliser subsidies, but achieving significant cuts is challenged by ongoing drought and food insecurity.

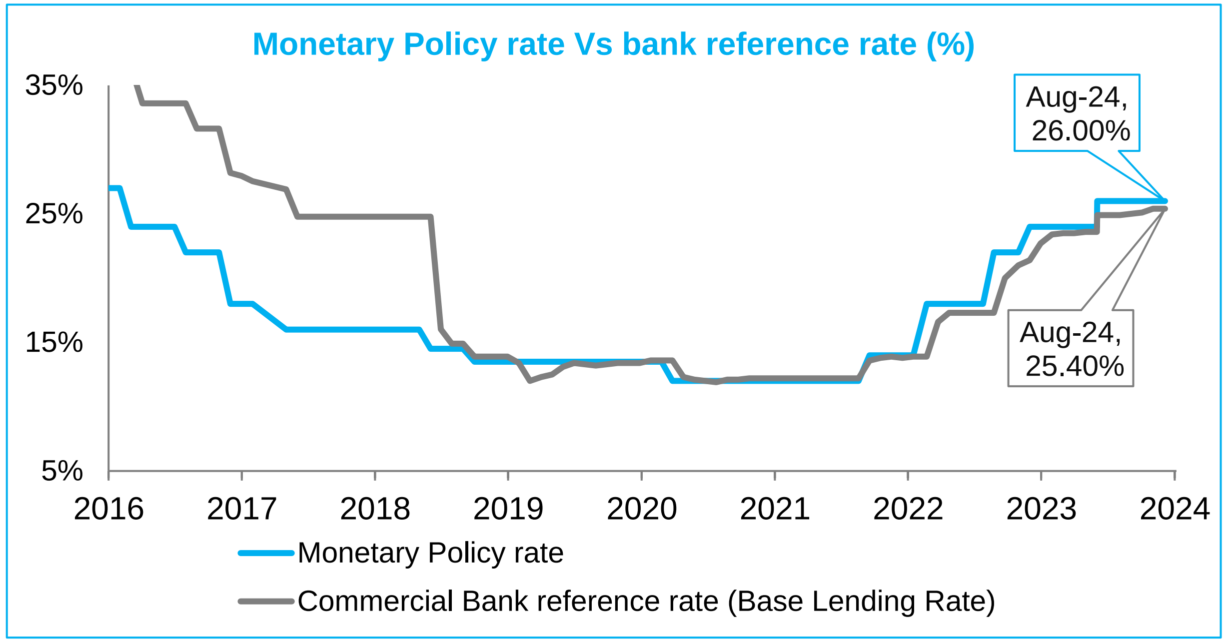
Revenue is expected to rise gradually, supported by increasing grants and resumed World Bank aid following a three-year freeze due to a corruption scandal. Despite efforts to enhance domestic revenue collection, progress is hindered by persistent loopholes and weak enforcement. Public debt is projected to decrease from 74.4% of GDP at the end of the 2023/24 fiscal year to 67.6% by the end of 2028/29. As foreign aid and donor support increase, the reliance on domestic borrowing and money printing is expected to diminish, helping to stabilize the economy and reduce inflation.

As disclosed in the local debt issuance calendar, the government seeks to raise MK397.4 billion through TN auctions and MK170.6 billion through TB auctions, for a total of MK568.0 billion in the third quarter of 2024.

Monetary Policy (Source: RBM, NBM)

Following the third Monetary Policy Committee (MPC) meeting of 2024 held on 24th and 25th July 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) ratios at 3.75% for foreign currency deposits and 8.75% for domestic currency deposits.

The MPC arrived at this decision after considering that the current monetary policy stance has stabilized non-food inflation and sufficiently contained the spillover effects of food inflation to non-food inflation. The Committee further noted that maintaining the current policy stance will help contain inflationary pressures and ensure that inflation declines towards the medium-term objective of 5%.



The commercial bank reference rate for August 2024, effective 5 August 2024, remains unchanged from the July 2024 reference rate of 25.4%.

Commodity Market Developments

Maize, Oil, and other commodities market developments

The retail maize price increased by 23.0% to MK753/kg in the last week of June 2024 from MK612/kg in May 2024. Year-on-year, it has increased by 47.6%, as it was at MK510/kg in June 2023.

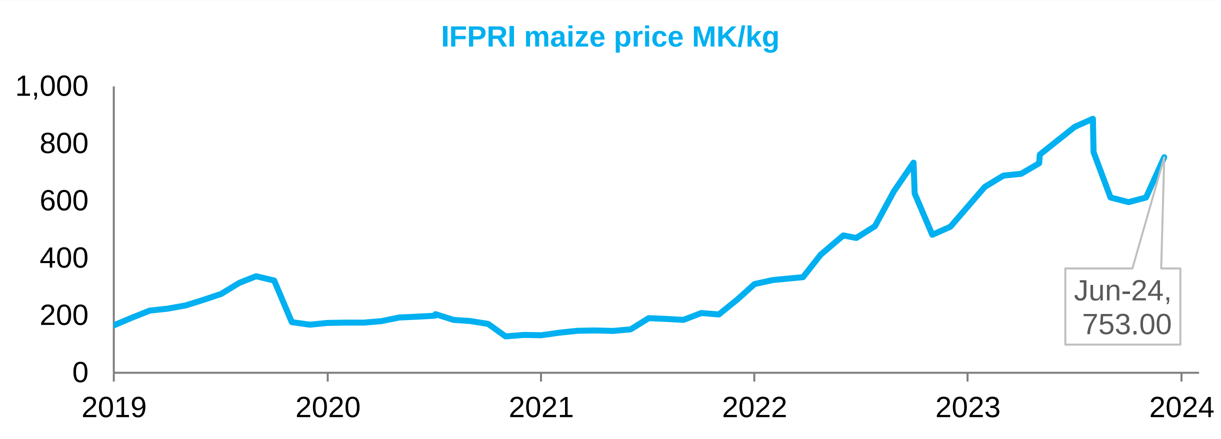
As of 31 July 2024, the cumulative national value of tobacco sold stood at USD394.95 million (approximately MK691 billion), up 40.4% from USD281.35 million (approximately MK492 billion) of value sold during the same period in the previous year.

As of 31 July 2024, the average price in the 2024 tobacco selling season was USD2.98/Kg, an increase of 26.8% from USD2.35/Kg during the same period in the previous year.

Local Maize Price Developments (Source: IFPRI)

Data from the International Food Policy Research Institute (IFPRI) June 2024 monthly maize market report showed that new maize prices increased by 23.0% to MK753/kg in the last week of June 2024 from MK612/kg in the last week of May 2024. The report further shows that maize prices were highest in the Southern region, followed by the Central region, whilst the Northern region had the lowest prices.

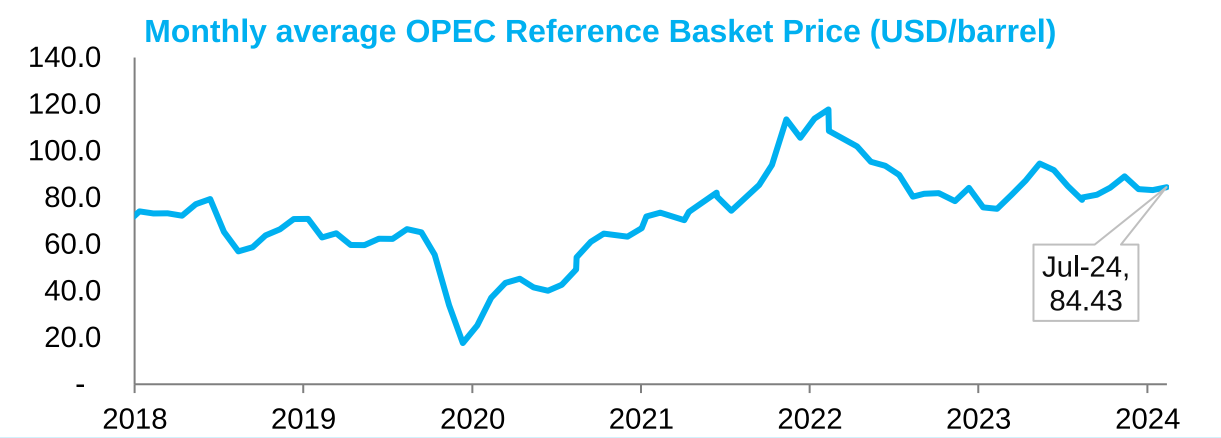
Annual comparisons indicate that the retail maize price has increased by 47.6%, as it was MK510/kg in June 2023.



Global Oil Price Developments (Source: OPEC)

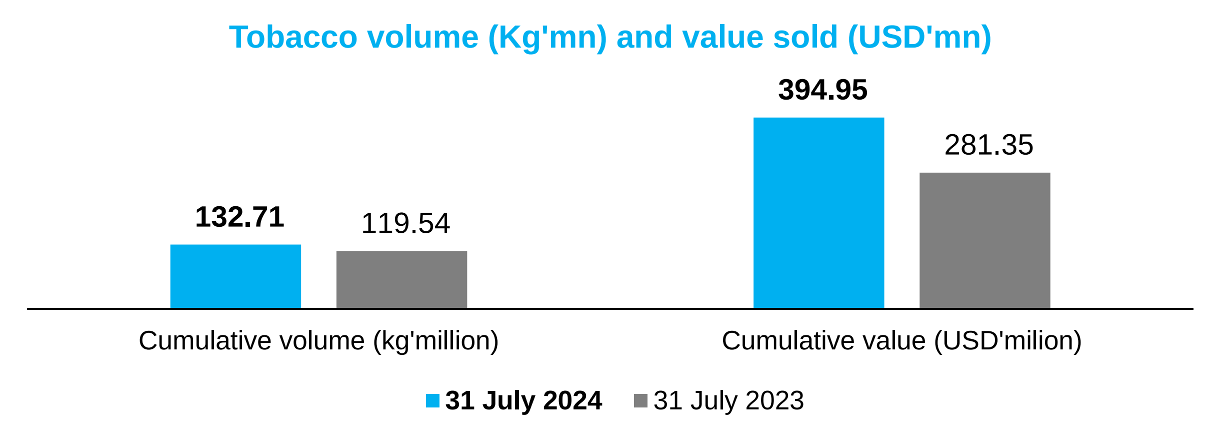
The monthly average OPEC reference basket price increased to USD84.43/barrel in July 2024 from USD83.22/barrel in June 2024. This represents an increase of 1.5% month-on-month. Year-on-year, there was a 4.2% increase from an average price of USD81.06 barrel as of July 2023.

In its July 2024 monthly report, OPEC maintained its 2024 world oil demand growth forecast at 2.2 mb/d. The oil demand of the Organization for Economic Co-operation and Development (OECD) is expected to grow by 0.2 mb/d, while the non-OECD's oil demand growth is expected to be about 2.1 mb/d. Total world oil demand is anticipated to reach 104.5 mb/d in 2024, bolstered by strong demand for air travel and healthy road mobility, including trucking. Support is also expected from industrial, construction and agricultural activities in non-OECD countries. Similarly, petrochemical capacity additions 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 July 2024, 132.71 million kgs of tobacco were sold at an average price of USD2.98/Kg in the 2024 selling season. During the same period in the previous year, 119.54 million kgs were sold at an average price of USD2.35/Kg. The cumulative national value of tobacco sold stood at USD394.95 million (approximately MK691 billion), up 40.4% from USD281.35 million (approximately MK492 billion) sold during the same period in the previous year.



An Overview of the Malawi Economic Monitor July 2024 by the World Bank

An Overview of the Malawi Economic Monitor July 2024 by the World Bank

Introduction

According to the World Bank’s 19th edition of the Malawi Economic Monitor, Malawi’s economic recovery is significantly undermined by a severe El Niño-induced drought, persistent macroeconomic imbalances and an incomplete reform agenda.

The growth forecast for 2024 is downgraded to just 2.0%, failing to match the 2.6% population growth, leading to a decline in per capita GDP.

According to the World Bank’s 19th edition of the Malawi Economic Monitor, Malawi’s economic recovery is significantly undermined by a severe El Niño-induced drought, persistent macroeconomic imbalances and an incomplete reform agenda. The growth forecast for 2024 is downgraded to just 2.0%, failing to match the 2.6% population growth, leading to a decline in per capita GDP. Inflation remains high, driven by food prices and a large fiscal deficit exceeding 12% of GDP, while foreign exchange shortages and an unsustainable debt burden exacerbate economic instability.

The report emphasizes the urgent need for effective macroeconomic stabilization, enhanced food security through increased grain imports, and the implementation of structural reforms to build resilience and promote sustainable growth. Although recent advancements in social protection, including innovative programs and digital infrastructure, have improved responsiveness to shocks, institutional fragmentation and insufficient domestic funding impede progress.

1. Economic Developments

1.1 Global and Regional Context

Global growth has remained surprisingly robust despite the challenges posed by persistent inflation and tight financial conditions. Central banks worldwide have aggressively raised interest rates to manage inflation, which has begun to decline. This monetary tightening has sparked concerns about potential economic slowdowns or recessions; however, many major economies have continued to grow, thanks in part to significant stimulus spending and pandemic-era savings that have bolstered consumption.

The timing of any future loosening of monetary policy remains uncertain amid tight labor markets and ongoing expansionary fiscal policies. Central banks remain vigilant against the risk of resurgent inflation as they navigate these complex conditions.

In Sub-Saharan Africa, economic growth in 2023 aligned with global trends, but rapid population growth has significantly undermined per capita income gains, resulting in the lowest regional growth rate of 0.8%. The region continues to grapple with high levels of inequality, with a 1% increase in per capita GDP only leading to a 1% decrease in poverty, compared to a 2.5% decrease in other regions.

In southern Africa, where inequality is especially pronounced, economic growth has had a minimal impact on poverty reduction.

Malawi, in particular, faces severe economic challenges, including the highest inflation rate, the largest fiscal deficit, and weak macroeconomic fundamentals among its neighbours. This situation contrasts sharply with other regional economies, such as Zambia, Mozambique, and Tanzania, which are experiencing more favourable economic conditions through fiscal adjustments, a booming mining sector, and relatively strong macroeconomic fundamentals.

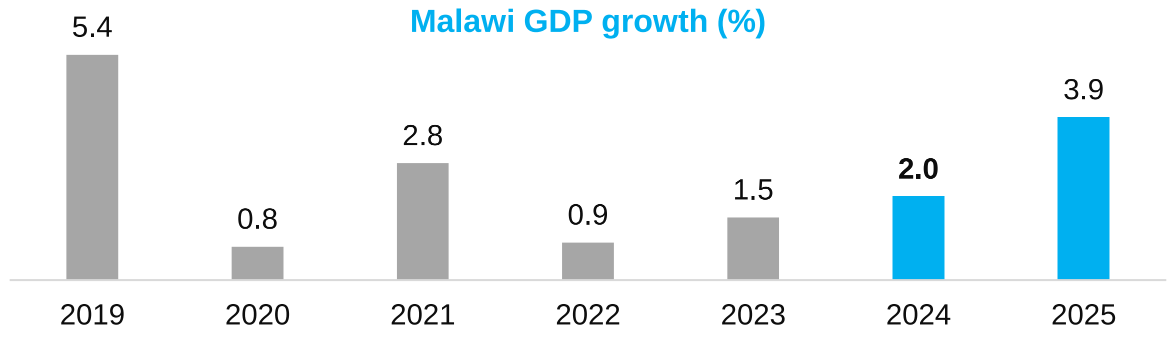
1.2 Recent Economic Developments

- **2023 Economic Performance**

In 2023, Malawi's economic growth failed to keep up with population growth, resulting in a decline in per capita GDP. Growth slightly improved from 0.9% in 2022 to 1.5% in 2023, primarily due to the resumed electricity production at the Kapichira hydroelectric plant. However, persistent issues such as macroeconomic imbalances, weak productive inputs, and the impact of Tropical Cyclone Freddy constrained a broad-based recovery. The drought conditions induced by El Niño have further hampered growth prospects for 2024, affecting agricultural output and limiting the availability of inputs in other sectors.

- **Agricultural Sector Struggles**

In the World Bank’s view, Malawi's agriculture sector is under severe strain due to prolonged drought conditions. The maize harvest, crucial for food security, saw a 16.6% reduction compared to the previous year, falling short of national requirements. Crops like millet, sorghum, groundnuts, and soybeans also experienced significant losses. Although some crops like rice and cassava fared better, the overall reduction in crop yields is likely to lead to heightened food insecurity. The government's decision to cut subsidies for agricultural inputs reflects the challenges in converting these inputs into increased yields under current conditions.



An Overview of the Malawi Economic Monitor July 2024 by the World Bank

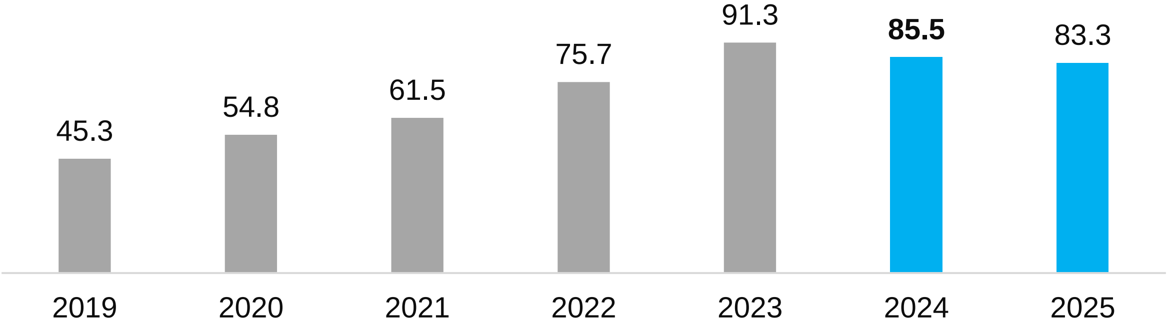
- **Macroeconomic and Fiscal Issues**

According to the World Bank, Malawi is grappling with substantial macroeconomic challenges, including persistent fiscal and current-account deficits, high debt levels, and inflationary pressures. The fiscal deficit for FY2023/24 surged to 12.4% of GDP, driven by overspending and lower revenue collection. The government's debt stock has reached 91.3% of GDP, exacerbated by the depreciation of the kwacha and increased borrowing. Despite efforts to implement macroeconomic reforms and seek external debt restructuring, Malawi faces a challenging fiscal environment with limited room for maneuvering.

- **External Sector and Foreign Exchange**

Malawi’s foreign exchange reserves remain low, and the country is significantly reliant on external grants and loans to manage the balance of payments. While tobacco exports have rebounded, the country continues to face volatility in export earnings and a reliance on fuel imports, which strain foreign exchange reserves. The real exchange rate has appreciated since the start of 2024, but foreign exchange liquidity remains constrained. The incomplete implementation of exchange-rate reforms announced in November 2023, and continued central bank financing of the fiscal deficit have undermined efforts to stabilize inflation and improve liquidity.

Total public debt (% of GDP)



- **Inflation and Monetary Policy**

Inflation in Malawi has remained high, with food prices driving much of the increase. The central bank has raised the policy rate to 26% to combat inflation, but the real policy rate remains negative due to high money supply growth. Although monetary tightening has occurred, inflation remains a significant concern, compounded by supply constraints and fiscal pressures.

The government's fiscal deficits and high debt service costs further complicate the economic landscape, necessitating effective fiscal and monetary management to stabilize the economy.

- **Banking Sector Stability**

Despite the economic challenges, Malawi's banking sector remains relatively stable, with strong capital and liquidity positions. The sector has experienced increased credit to the private sector and maintains a solid return on assets. Return on equity increased from 39.3% to 47.0% the highest in southern Africa. However, the concentration of bank resources in government securities limits capital investment by the private sector, posing a potential challenge to broader economic development. Continued stability in the banking sector is crucial for supporting economic recovery and growth amid ongoing fiscal and macroeconomic difficulties.

1.3 Medium-term Economic Outlook

The approval of the ECF in November 2023 allowed for the resumption of budget support from major international financial institutions such as the World Bank and the African Development Bank. However, the progress on necessary macroeconomic adjustments is slow, and the country faces significant fiscal slippages, difficulties accumulating foreign reserves, and mounting debt challenges. The looming pressures of upcoming spending related to the 2025 presidential election further complicate the reform agenda.

Growth Projections and Agricultural Impact

In the World Bank’s view, the economy is projected to grow by 2.0% in 2024, marking an improvement compared to the previous two years but still lagging behind the population growth rate of 2.6%. This discrepancy will result in a contraction in per capita terms. The prolonged dry spells during the growing season and limited availability of agricultural inputs are expected to reduce agricultural output significantly. Consequently, liquidity issues in foreign exchange markets will likely continue to affect the importation of essential raw materials and productive inputs, further constraining economic activities in the industrial and services sectors.

Inflation and Fiscal Deficit

According to the World Bank, headline inflation is anticipated to remain high, averaging around 30% in 2024. While tighter monetary policy is expected to have some disinflationary effects, these may be offset by reduced agricultural output and persistent upward pressure on food prices.

The fiscal deficit for FY2023/24 surged to 12.4% of GDP, driven by overspending and lower revenue collection. The government's debt stock has reached 91.3% of GDP, exacerbated by the depreciation of the kwacha and increased borrowing.

In the World Bank’s view, the economy is projected to grow by 2.0% in 2024, marking an improvement compared to the previous two years but still lagging behind the population growth rate of 2.6%.

According to the World Bank, Malawi has experienced modest economic growth, averaging 4% annually over the past 30 years, but this has not translated into significant poverty reduction.

The poverty rate has remained stubbornly high at about 51%, with growth having a minimal effect on poverty reduction compared to similar countries. The country's rapid population growth has exacerbated poverty, adding 2 million people below the poverty line between 2010 and 2019 and worsening the poverty gap.

Additionally, increases in energy and utility prices, following pricing formulas, could exacerbate inflationary pressures. The fiscal deficit is projected to moderate to 7.0% of GDP, though this estimate is fraught with risks. Revenue is expected to reach 21.1% of GDP, assuming successful tax collection efforts and increased grants. However, any revenue shortfalls or overspending could widen the deficit, adding to the unsustainable public debt burden.

Downside and Upside Risks

Malawi's economic outlook is fraught with risks. The impact of El Niño-related droughts could worsen, while fiscal mismanagement and delays in debt restructuring could further destabilize the economy. Inadequate foreign-exchange liquidity could lead to shortages of critical imports, negatively impacting economic activity and social cohesion. On the positive side, an unusually successful winter cropping season could boost agricultural output and alleviate food insecurity. Other potential upside risks include a timely debt-restructuring agreement, rapid development of the mining sector, and increased on-budget grants.

Policy Priorities and Reform Agenda

The World Bank notes that the path to economic stability and growth for Malawi involves several critical policy priorities. The agreement on a four-year ECF-supported program marks a significant step but represents the beginning of a reform process rather than its completion. Policymakers need to focus on implementing structural reforms to attract investment in key sectors like agriculture, energy, mining, and tourism. Historical lessons from the early 1990s highlight the dangers of failing to address macroeconomic imbalances. During that period, unchecked fiscal deficits and excessive monetary financing led to hyperinflation and prolonged economic stagnation.

- **Restoring Macroeconomic Stability:** Key objectives for restoring macroeconomic stability include:
  1. **Fiscal Consolidation**: Achieving fiscal consolidation in line with ECF targets, progressing on external debt restructuring, and managing domestic borrowing.
  2. **Accumulating Reserves**: Enhancing exchange-rate flexibility to build foreign reserves and controlling inflation by limiting money supply growth and avoiding additional monetary financing of the fiscal deficit.

- **Bolstering Food Security and Building Resilience:** Given the anticipated food deficit, particularly in the lean season, importing maize will be essential to mitigate food insecurity. The government should also prepare for future disasters by implementing the Disaster Risk Management Act and enhancing resilience through additional policy reforms. Leveraging existing social protection systems to provide targeted support to vulnerable households is also crucial.

- **Increasing Production and Exports:** Promoting sustainable farming practices and investing in irrigation systems will be essential to address climate-induced natural disasters and extreme weather. Reforming price controls to reduce production and export distortions will also help. With limited resources, public investment should focus on the most productive projects, with careful analysis of expected costs and benefits to maximize economic returns.

2. Malawi's Social Protection System Adapts To Mounting Risks

Introduction

According to the World Bank, Malawi has experienced modest economic growth, averaging 4% annually over the past 30 years, but this has not translated into significant poverty reduction. As of 2019, 71.9% of the population lives below the international poverty line, and economic gains are concentrated among the wealthiest 20%. The poverty rate has remained stubbornly high at about 51%, with growth having a minimal effect on poverty reduction compared to similar countries. The country's rapid population growth has exacerbated poverty, adding 2 million people below the poverty line between 2010 and 2019 and worsening the poverty gap. Urban poverty and inequality have increased, challenging the benefits of urbanization.

Malawi is highly vulnerable to climate change and external shocks, with extreme weather events significantly impacting the economy. Between 2015 and 2017, such events caused economic losses equivalent to 5% of GDP, worsening living conditions and agricultural output. The impact of climate-related shocks on poverty is severe, with many falling into poverty due to adverse weather.

Social protection programs like the Social Cash Transfer Program (SCTP) have been crucial in mitigating these effects and improving food consumption, health, and resilience among beneficiaries. However, ongoing challenges necessitate strengthening these programs to better support vulnerable households amid worsening climate and economic conditions.

Despite significant progress in social support programs, Malawi's social protection sector still faces challenges related to institutional fragmentation and heavy donor dependence.

Social Protection in Malawi: An Expanding and Innovative System

The World Bank notes that Malawi's social protection system has undergone a significant transformation over the past two decades. Initially comprising fragmented, small-scale, donor-financed initiatives, it has evolved into a coherent network of programs with broad coverage. Central coordination and an expanding digital infrastructure now support these programs, which are implemented in partnership with central and local governments. This evolution has increased efficiency and greater coverage for households in the poorest quintile.

Dynamic and Shock-Sensitive Core Social Assistance Programs

Since 2020, Malawi's primary social protection initiatives have been part of the Social Support for Resilient Livelihoods Project (SSRLP), which is aligned with the National Social Protection Strategy. The SSRLP, a six-year initiative, aims to bolster resilience among poor and vulnerable households while strengthening national social protection systems. Implemented by the National Local Government Finance Committee (NLGFC) and the Ministry of Gender, Community Development and Social Welfare, the SSRLP benefits from financing from the World Bank, Germany, Malawi's Social Protection through the Multi-Donor Trust Fund, and the Government of Malawi.

The SSRLP encompasses three core social assistance programs, each significantly expanded in recent years:

1. **Social Cash Transfer Program (SCTP):** Locally known as Mtukula Pakhomo, this program offers unconditional monthly financial support to the poorest households. Funded by multiple international and local donors, the SCTP currently reaches around 300,000 households, roughly 6% of the country's households and nearly 1.3 million individuals. Evaluations have shown that SCTP has markedly improved the welfare of beneficiaries, contributing to better food security, higher livestock ownership, increased crop value, and enhanced educational outcomes for children.

2. **Climate Smart Enhanced Public Works Program (CS-EPWP):** Also known as Mbwezera Chilengedwe, this program provides income support while enhancing food security and building resilience against climate shocks. Targeting extremely poor households, CS-EPWP has expanded to cover approximately 520,000 households across all rural districts, focusing on climate adaptation projects such as soil and water conservation.

3. **Livelihood Support Program:** This component aims to boost household productive capacity through small grants for self-employment, microenterprise creation, and skills development. It also promotes financial literacy and inclusion through digital payments and mobile money.

Institutional Arrangements and Donor Dependence

In the World Bank's view, despite significant progress in social support programs, Malawi's social protection sector still faces challenges related to institutional fragmentation and heavy donor dependence. Different ministries manage various aspects of the social protection programs, creating coordination difficulties. The Ministry of Gender, Community Development and Social Welfare oversees the SCTP, while the NLGFC and Ministry of Local Government handle the CS-EPWP. The Ministry of Finance's Poverty Reduction and Social Protection Division oversees the National Social Protection Policy but struggles with ICT and training limitations. The National Social Support Steering Committee also faces capacity constraints.

Social protection funding remains low and heavily reliant on donors, with only 3.4% of the national budget allocated to safety nets. This heavy dependence on external funding poses a risk to the system's sustainability, particularly as global and national fiscal conditions fluctuate.

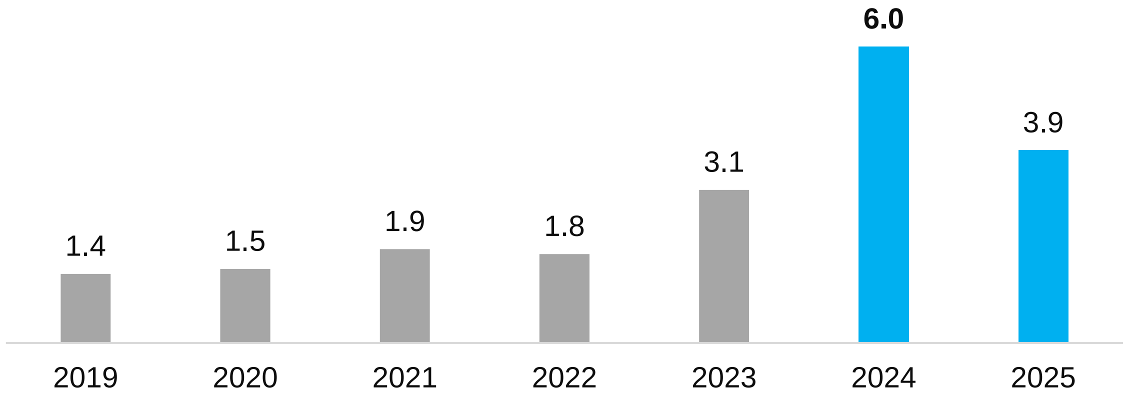
Innovative Shock-Responsive Financing

According to the World Bank, to address financial challenges, Malawi has adopted innovative financing mechanisms, including earmarked contingent funds and parametric risk insurance. These mechanisms are designed to provide timely support during multidimensional crises such as droughts. By linking disaster risk financing with social protection programs, the government can allocate funds for shock-responsive cash transfers in advance.

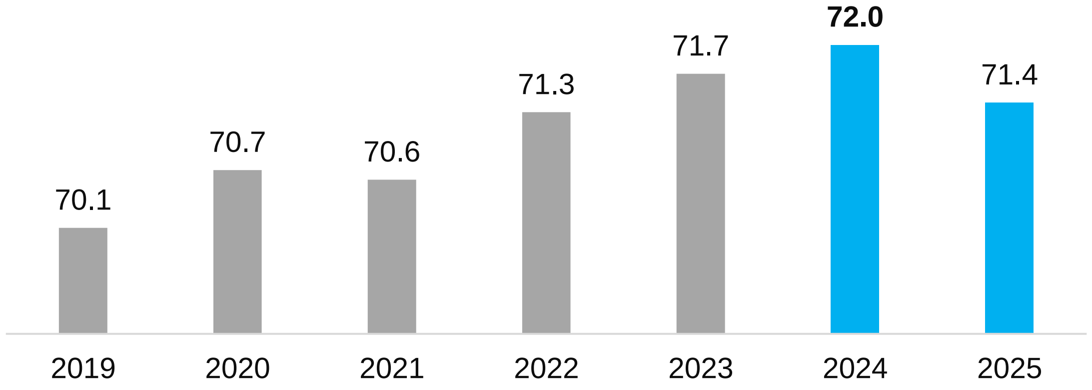
The UBR (Unified Beneficiary Registry) is a cornerstone of these efforts. Established in 2016, the UBR serves as a central database for household-level information, facilitating the targeting and registration of beneficiaries across various programs. It includes data on 3.9 million households, covering 77% of the population. The UBR's integration with the National Identification System enhances the accuracy of beneficiary identification and supports effective program delivery.

Following Cyclone Freddy in March 2023, nearly 195,000 households received emergency support to bolster resilience.

Grants (% of GDP)



Poverty rate (USD 1.90 in 2017 PPP terms)



Social Protection as an Adaptive Crisis Response Tool

Malawi’s social protection system has proven its capacity to respond to crises effectively. The COVID-19 Urban Cash Initiative (CUCI) was a notable example, providing cash transfers to urban poor households to mitigate the pandemic's impact. Evaluations showed that CUCI helped beneficiaries maintain food security and protect their livelihoods. In response to natural disasters, the government has scaled up support through existing programs like SCTP and CS-EPWP. For example, following Cyclone Freddy in March 2023, nearly 195,000 households received emergency support to bolster resilience. Similarly, the Urban Price Shock Emergency Response was launched in March 2024 to address the impacts of currency devaluation and inflation.

The Future of Adaptive Social Protection in Malawi

Malawi’s efforts to enhance its social protection system’s responsiveness to shocks have laid a strong foundation for future development. However, coverage and benefit levels remain limited, and inflation and currency depreciation constrain the system's impact on poverty and inequality. Looking ahead, consolidating programs with similar objectives could streamline the system and reduce administrative costs. The government needs to approve an updated National Social Support Policy and a new National Social Protection Strategy to provide a clear vision for shock-sensitive social protection. Strengthening the institutional framework, increasing domestic funding, and expanding digital payment systems are critical for improving the effectiveness and sustainability of social protection in Malawi. By building on existing successes and addressing current challenges, Malawi can continue to advance its social protection system and enhance resilience among its most vulnerable populations.

Appendices

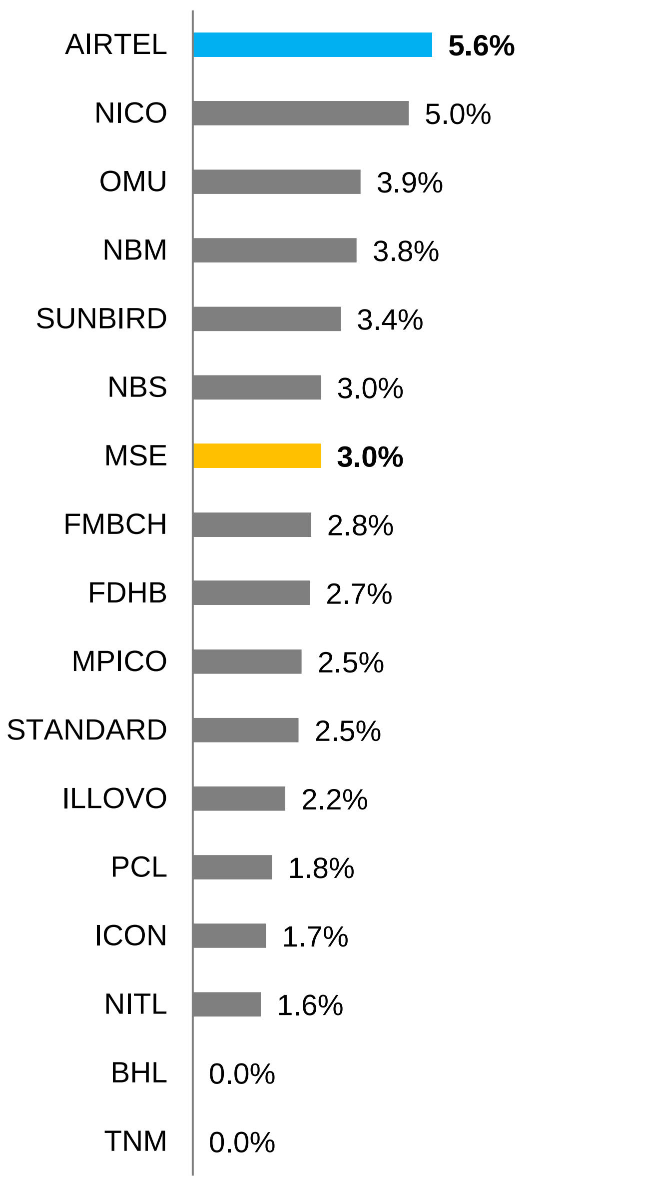
Appendix 1: Historical Monthly Economic Indicators

Bridgepath Capital
Invest to Achieve

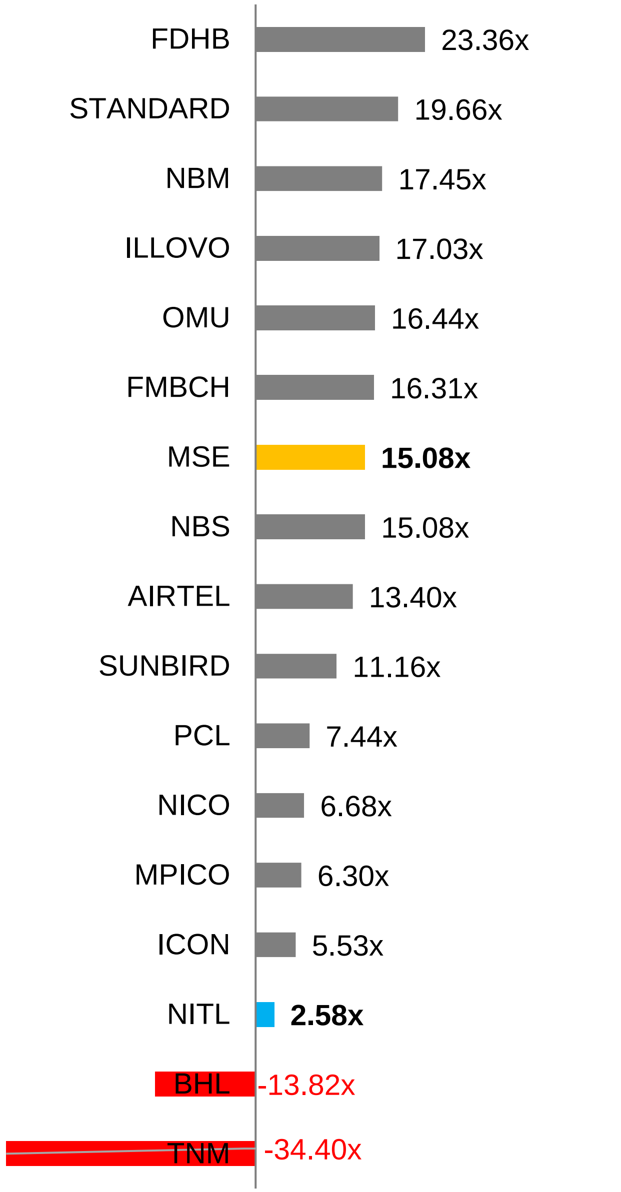
	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Exchange rates (middle rates)													
MK/USD	1.061.67	1,094.74	1,126.50	1,179.83	1,699.31	1,683.37	1,697.80	1,698.50	1,750.38	1,745.70	1,750.76	1,749.51	**1,749.95**
MK/GBP	1,400.92	1,429.20	1,412.17	1,473.63	2,219.25	2,212.41	2,221.35	2,217.83	2,268.77	2,256.81	2,285.22	2,274.74	**2,311.11**
MK/EUR	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	1,922.54	**1,947.33**
MK/ZAR	61.70	60.02	60.67	63.95	92.72	94.17	92.94	90.38	94.64	95.40	95.89	96.89	**97.91**
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	267.91	239.56	242.68	179.33	165.20	242.58	178.06	143.60	N/A	N/A	N/A	N/A	**N/A**
Private Sector Reserves (USD'mn)	406.63	419.35	409.46	396.88	413.20	433.01	401.88	396.72	N/A	N/A	N/A	N/A	**N/A**
Total reserves (USD'mn)	674.54	658.91	652.14	576.21	578.40	675.59	579.94	540.32	552.94	603.07	610.18	591.51	**N/A**
Gross Official Reserves Import cover (months)	1.07	0.96	0.97	0.72	0.66	0.97	0.71	0.57	N/A	N/A	N/A	N/A	**N/A**
Inflation													
Headline	28.4%	28.6%	27.8%	26.9%	33.1%	34.5%	35.0%	33.5%	31.8%	32.3%	32.7%	33.3%	**N/A**
Food	39.3%	39.4%	36.8%	34.5%	41.7%	43.5%	44.9%	42.0%	38.8%	39.9%	40.7%	41.5%	**N/A**
Non-food	16.0%	16.1%	17.2%	17.6%	22.2%	22.8%	22.0%	22.1%	22.2%	22.4%	22.1%	22.2%	**N/A**
Interest Rates													
Monetary Policy Rate	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	**26.00%**
Average Interbank Rate	20.51%	22.76%	22.79%	22.91%	23.00%	23.00%	23.00%	22.63%	22.48%	22.55%	23.41%	24.17%	**24.20%**
Lombard Rate	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	26.20%	26.20%	26.20%	26.20%	26.20%	**26.20%**
Commercial Bank Reference Rate	22.70%	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%	24.90%	24.90%	25.00%	25.10%	**25.40%**
Government Securities Yields													
91-days Treasury Bill	13.00%	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	16.00%	16.00%	16.00%	16.00%	16.00%	**16.00%**
182-days Treasury Bill	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	20.00%	20.00%	20.00%	20.00%	20.00%	**20.00%**
364-days Treasury Bill	22.50%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	**26.00%**
2-year Treasury Note	24.75%	26.75%	26.75%	26.75%	26.75%	26.75%	26.75%	28.75%	28.75%	28.75%	28.75%	28.75%	**28.75%**
3-year Treasury Note	26.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	**30.00%**
5-year Treasury Note	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	32.00%	32.00%	32.00%	32.00%	32.00%	**32.00%**
7-year Treasury Note	29.50%	30.46%	32.00%	32.00%	32.00%	32.00%	32.00%	34.00%	34.00%	34.00%	34.00%	34.00%	**34.00%**
10-year Treasury Note	31.25%	32.83%	33.00%	33.00%	33.00%	33.00%	33.00%	35.00%	35.00%	35.00%	35.00%	35.00%	**35.00%**
Stock Market Indices													
MASI	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	121,101.77	**128,996.65**
DSI	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	92,949.19	**99,107.18**
FSI	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	18,911.41	**20,018.57**

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

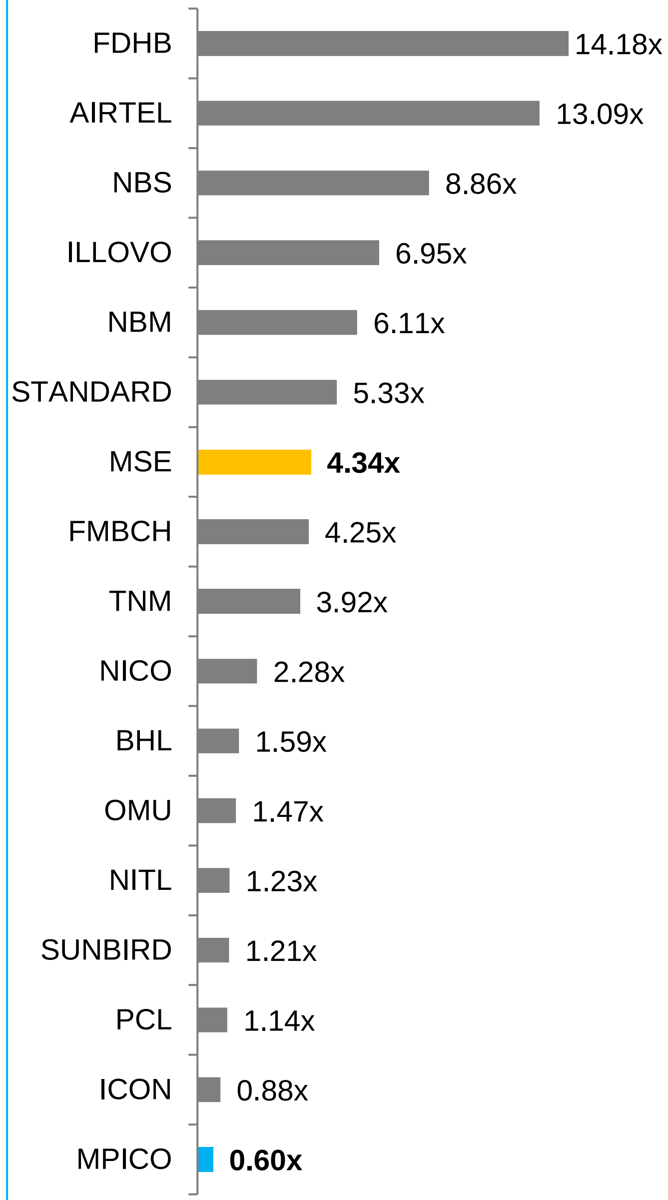
Dividend Yield (%) - the weighted average dividend yield on the MSE was 3.0% in July 2024. The counter with the highest dividend yield was AIRTEL at 5.6%.



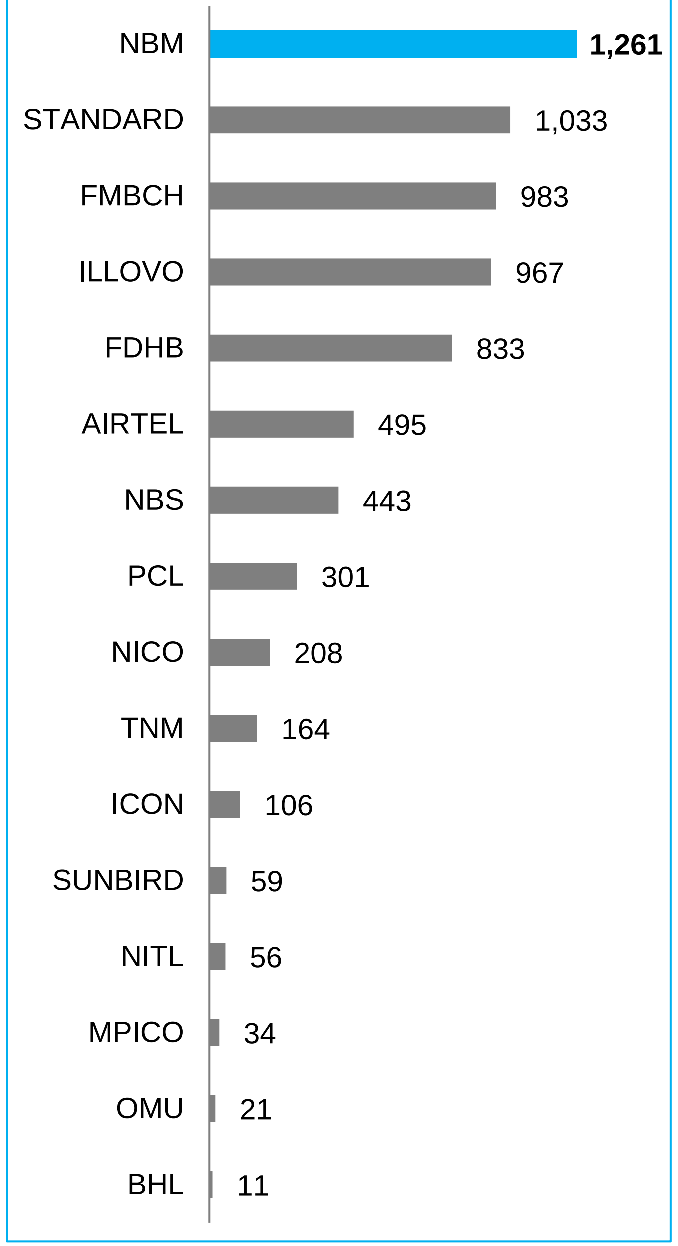
P/E Ratio - the weighted average price to earnings ratio on the MSE was 15.08x in July 2024. The counter with the lowest positive ratio was NITL at 2.58x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 4.34x in July 2024. The counter with the lowest ratio was MPICO at 0.60x.



Market Capitalization (MK'billion) – NBM had the highest market capitalization at MK1.26 trillion in July 2024.



Appendix 3: IMF and World Bank Projections

IMF projections

Annual percentage change (unless otherwise indicated)	2022	2023	2024	2025	2026
GDP at constant market prices	0.8	1.6	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	1.5	2.0
Agriculture	3.4	5.2	-1.0	0.6	-1.2
Industry	1.2	1.9	0.9	1.6	2.2
Services	-0.5	2.0	1.8	1.9	3.2
Consumer prices (annual average)	8.6	9.3	20.9	28.7	30.0
Revenue and grants (% of GDP)	14.6	14.7	14.6	15.2	19.1
Domestic revenue - tax and non-tax (% of GDP)	13.1	12.8	12.8	12.1	13.1
Grants (% of GDP)	1.5	1.9	1.8	3.1	6.0
Expenditure and net lending (% of GDP)	20.9	21.5	23.3	25.7	31.5
Overall balance - excluding grants (% of GDP)	-7.8	-8.7	-10.4	-13.6	-18.4
Overall balance - including grants) (% of GDP)	-6.3	-6.8	-8.6	-10.5	-12.4
Foreign financing (% of GDP)	0.8	1.0	2.6	1.9	0.5
Domestic financing (% of GDP)	4.9	5.9	7.7	5.1	7.0
Money and quasi-money (% change)	16.7	30.0	38.8	32.2	35.3
Credit to the private sector (% change)	16.1	17.8	23.2	17.6	10.2
Exports - goods and services (USD mn)	1,314.0	1,591.0	1.490.0	1,563.0	1,563.0
Imports - goods and services (USD mn)	3,376.0	3,770.0	3,707.0	3,945.0	3.949.0
Gross official reserves (USD mn)	799.0	910.0	575.0	749.0	1,112.0
Months of import cover	2.8	2.9	1.9	2.3	3.4
Current account (% of GDP)	-13.6	-15.2	-17.3	-15.1	-20.0
Exchange rate (MK per US$ average)	749.5	805.9	949.0	1,161.0	—
External debt (public sector, % of GDP)	32.9	31.5	34.8	48.5	47.4
Domestic public debt (% of GDP)	21.9	30.0	40.8	42.8	38.1
Total public debt (% of GDP)	54.8	61.5	75.7	91.3	85.5

Appendix 4: EIU, AfDB and Oxford Economics Projections

EIU projections

Economic growth (%)	2023	2024	2025	2026	2027	2028
GDP	1.6	1.3	2.2	3.1	2.9	3.2
Private consumption	1.7	1.1	2.1	2.7	3.1	3.3
Government consumption	1.8	1.5	2.0	2.6	2.5	2.5
Gross fixed investment	2.0	1.9	2.9	5.3	5.4	5.2
Exports of goods & services	4.4	3.9	4.4	5.0	4.9	5.1
Imports of goods & services	3.9	3.3	3.9	4.5	4.9	5.0
Domestic demand	1.7	1.2	2.2	3.0	3.3	3.4
Agriculture	1.0	-1.0	1.3	1.6	1.6	1.9
Industry	1.4	2.2	2.4	3.0	2.7	2.9
Services	2.0	2.2	2.6	3.9	3.5	3.8
Key indicators						
Real GDP growth (%)	1.6	1.3	2.2	3.1	2.9	3.2
Consumer price inflation (av; %)	28.8	33.2	26.3	24.1	16.8	13.3
Government balance (% of GDP)	-10.1	-10.2	-9.8	-8.3	-7.6	-6.8
Current-account balance (% of GDP)	-12.3	-15.3	-13.7	-12.3	-11.7	-11.3
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	1,776.4	2,007.1	2,202.1	2,361.2	2,543.0

Oxford Economics Projections

Annual percentage unless indicated otherwise	2022	2023	2024	2025	2026	2027
Real GDP growth	0.8	1.6	2.2	4.2	4.7	4.4
CPI inflation	20.8	28.6	30.7	14.4	8.6	7.8
Exports of goods ($ bn)	1.0	1.1	1.3	1.4	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	-1.8	-2.0	-2.1	-2.2
Current account balance (% of GDP)	-18.2	-13.9	-15.3	-13.8	-13.5	-13.3
Exchange rate per USD (year average)	941.4	1,149.1	1,728.4	1,780.8	1,871.7	1,969.1
External debt total ($ bn)	3.3	4.0	4.4	4.9	5.3	5.6
Government balance (% of GDP)	-9.4	-7.5	-6.6	-5.7	-5.2	-4.7
Government debt (% of GDP)	75.8	81.2	78.9	76.4	75.5	73.6
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	15.1	16.1
GDP per capita ($ current prices)	613.6	640.7	560.8	635.9	666.4	694.8

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	28.0	27.3	14.3

Appendix 5: World Bank commodity market prices

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World Bank commodity prices

	Annual averages				Monthly averages						
					January	February	March	April	May	June	July
	2020	2021	2022	2023	2024	2024	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	480.0	470.0
Maize	165.5	259.5	318.8	252.7	198.6	189.1	190.6	191.7	197.8	192.5	177.4
Sugar & Tea (USD/Kg)											
Sugar - EU	0.4	0.4	0.3	0.4	0.4	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	0.8	0.8
Sugar - World	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
Tea - average	2.7	2.7	3.1	2.7	2.7	2.7	2.7	3.0	3.2	3.2	3.3
Fertilizers (USD/mt)											
DAP	312.4	601.0	772.2	550.0	596.3	583.8	617.5	545.0	522.0	543.0	539.4
Phosphate rock	76.1	123.2	266.2	321.7	152.5	152.5	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	310.0	300.6
TSP	265.0	538.2	716.1	480.2	450.6	454.4	449.0	442.5	434.9	473.8	505.8
Urea, E. Europe	229.1	483.2	700.0	358.0	335.4	351.3	330.0	320.0	284.8	336.3	342.5
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	2,326.0	2,398.0
Platinum	883.0	1,091.0	962.0	966.0	926.0	894.0	909.0	940.0	1,015.0	985.0	979.0
Silver	20.5	25.2	21.8	23.4	22.9	22.7	24.5	27.5	29.4	29.6	29.8

Appendix 6: List of Acronyms and Abbreviations

AfDB:	African Development Bank
Afreximbank:	African Export-Import Bank
AHL:	Auction Holdings Limited
AIP:	Affordable Inputs Programme
av:	Average
BHL:	Blantyre Hotels Plc
bn:	Billion
CPI:	Consumer Price Index
CS-EPWP:	Climate Smart Enhanced Public Works Program
CUCI:	COVID-19 Urban Cash Initiative
DAP:	Diammonium Phosphate
ECF:	Extended Credit Facility
EIU:	Economist Intelligence Unit
EUR:	Euro
FDHB:	FDH Bank Plc
FMBCH:	FMB Capital Holdings Plc
GBP:	Great British Pound
GDP:	Gross Domestic Product
IFPRI:	International Food Policy Research Institute
IMF:	International Monetary Fund
Kg:	Kilogram
LRR:	Liquidity Reserve Requirement
MASI:	Malawi All Share Index
Mb/d:	Million barrels per day
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
NLGFC:	National Local Government Finance Committee
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
RBM:	Reserve Bank of Malawi
SCTP:	Social Cash Transfer Program
SSRLP:	Social Support for Resilient Livelihoods Project
SUNBIRD:	Sunbird Tourism Plc
TB:	Treasury Bill
TN:	Treasury Note
TNM:	Telekom Networks Malawi Plc
Toz:	Troy ounces
UBR:	Unified Beneficiary Registry
USD:	United States Dollar
ZAR:	South African Rand

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