

Malawi Monthly Economic Report and an Overview of the First Quarter Debt Bulletin by the Ministry of Finance and Economic Affairs

August 2024



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Inflation

The headline inflation rate increased by 0.4 percentage points to 33.7% in July 2024 from 33.3% in June 2024. The increase was due to a rise in the food inflation rate to 41.9% in July 2024 from 41.5% in June 2024. Similarly, the non-food inflation rate increased to 22.4% in July 2024 from 22.2% in June 2024. In July 2023, headline inflation was 28.4%, driven by food inflation of 39.3% and non-food inflation of 16.0%.

The 2024 inflation projections for Malawi from various published sources range between 30.7% and 34.3%. 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 34.3%. 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 MK1,750.31/USD as of 31 August 2024, a marginal depreciation of 0.02% from MK1,749.95/USD as of 31 July 2024. During the same period in the previous year, the Kwacha had depreciated against the USD by 3.12% from July to August 2023.

As of 31 July 2024, the country's total foreign exchange reserves decreased by 3.3% to USD572.02 million from USD591.51 million in June 2024. The import cover declined by 3.4% to 2.29 months in July 2024 from 2.37 months in June 2024.

Government Securities

The government awarded MK339.53 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in August 2024, an increase of 34.3% from MK252.78 billion awarded in July 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 141,275.06 points in August 2024 from 128,996.65 points in July 2024, representing a 9.52% increase. The MASI year-to-date return was 27.33% in August 2024. It was 91.95% in August 2023.

In August 2024, NBM was the most significant share price gainer as its share price increased by 27.77% to MK3,450.01 per share from MK2,700.08 per share in July 2024. There were also share price gains for FDH Bank, OMU, TNM and STANDARD by 24.18%, 14.98%, 10.36% and 10.23%, respectively.

In August 2024, ICON was the most significant share price loser, as its share price decreased by 5.49% to MK14.99 per share from MK15.86 per share in July 2024. There was also a share price loss for NBS by 1.67%.

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, at the end of the 2024 tobacco season, the cumulative national value of tobacco sold was USD396.78 million (approximately MK694 billion), up 39.8% from USD283.76 million (approximately MK497 billion) of value sold at the end of the season in the previous year.

The retail maize price increased by 4.5% to MK792/kg in the last week of July 2024 from MK758/kg in June 2024. Year-on-year, it has increased by 22.0%, as it was at MK650/kg in July 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 2.1%). 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 projection 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 are expected to drive growth in 2024.

An Overview Report of the First Quarter Bulletin for FY2024/25

The Government of Malawi currently issues Debt Reports annually and semi-annually. In the future, it plans to release quarterly bulletins to offer more frequent updates to the public. These quarterly bulletins will detail essential aspects of the debt portfolio, including the total debt amount, debt servicing, and cost and risk indicators. More in-depth analyses of the debt portfolio will be reserved for the Annual and Mid-Year Debt Reports.

The First Quarter Debt Bulletin for FY2024/25 covers the period from the end of March 2024 to June 2024. It provides details on loans and debt securities held by the Budgetary Central Government and the Central Bank. Unless specified otherwise, domestic debt is reported at face value, while external debt is reported as disbursed outstanding debt. Debt classification as either external or domestic is based on residency.

According to the Ministry of Finance and Economic Affairs (MoFEA), as of the end of June 2024, the total public debt stood at MK15.17 trillion, which represents 81.0% of the projected GDP for FY2024/25, or approximately USD8.75 billion. The domestic debt amounted to MK8.01 trillion (USD4.62 billion), while the external debt was USD4.13 billion (MK7.16 trillion). Compared to the end of March 2024, the total public debt has risen by MK458.27 billion, an increase of 3.1%. At the end of June 2024, domestic debt constituted 52.8% of the total public debt, while external debt made up 47.2%.

As of the end of June 2024, the external debt stock was USD4.13 billion (MK7.16 trillion). This total comprises USD1.05 billion owed by the Reserve Bank of Malawi (RBM) and USD3.08 billion owed by the Government of Malawi. Since the end of March 2024, the external debt stock has increased by USD23.39 million, or 0.6%. As of the end of June 2024, the total domestic public debt reached MK8.01 trillion, reflecting a 5.5% increase from the MK7.59 trillion recorded at the end of March 2024.

Opportunities in Malawi

Trade: The Ministry of Trade and Industry has amended the Control of Goods Act to support Malawi's industrialization and import substitution drive. This amendment includes the addition of various products to the lists of regulated import and export goods including maize, soybeans and pigeon peas. In addition to that, the Malawi Revenue Authority will not clear the goods unless they are furnished with a valid license from traders. This regulatory change creates a significant opportunity for local farmers and producers. With stricter controls on imports, there is an increased demand for locally produced goods.

Malawi and other countries in Southern Africa have been called to maximise the use of the Indian Ocean port of Nacala in Mozambique for enhanced integration and trade. Consequently, the Malawi Government has secured a 99-year lease agreement to develop a terminal at Nacala Port. The port is used for Malawi's imports, including fuel, fertilizer and pharmaceuticals, as well as exports of agricultural commodities such as tobacco, sugar and pigeon peas. According to Mozambique Ports and Railways officials, the port can handle 10 million tonnes of cargo per year, of which it only handles about 40% currently. The port is handling 30% of cargo to Malawi, and following the upgrade of the port last year, the port is at its best capacity to handle more volumes of cargo. Between January and July 2024, about 14.5 million litres of fuel for Malawi was ferried through the Nacala Port.

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.

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.

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.

Mining: The Government of Malawi signed Mining Development Agreements with Lotus Resources Limited and Lancaster Exploration Limited. The Ministry of Mining spokesperson said several priorities must be addressed before production can commence such as finalizing off-take agreements with potential buyers for uranium from the mine. Mining is expected to start in February 2025, gradually increasing from July 2025 and reaching full production capacity from September 2025.

The Chamber of Mines says the lack of value addition and continued smuggling of gemstones for illicit uses undermine the country's revenue from its mineral products. Data from the Chamber of Mines, also quoted by the Malawi Government Annual Economic Report 2024, shows that the country produced 793 tonnes of gemstones and earned MK539.3 million in the 2023/24 fiscal year. The Chamber of Mines said the informal nature of small-scale businesses in gemstone mining discourages access to finance and technology, making it difficult for proper regulation and investment in value addition. An investment in value addition could generate significant income, provide employment, and create business opportunities for jewellery production and selling.

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 United States Government has said Malawi may not meet the commitments necessary to receive a second tranche of the IMF ECF in the coming months. Therefore, the country needs urgent leadership and action at all levels of the government to ensure it stays on course with the ECF and implements the reforms it has committed to stabilize the economy.

Furthermore, Malawi faces inflation risk. The average inflation rate for 2023 was 28.7%. As of July 2024, the seven-month average is 33.2%.



Economic overview

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

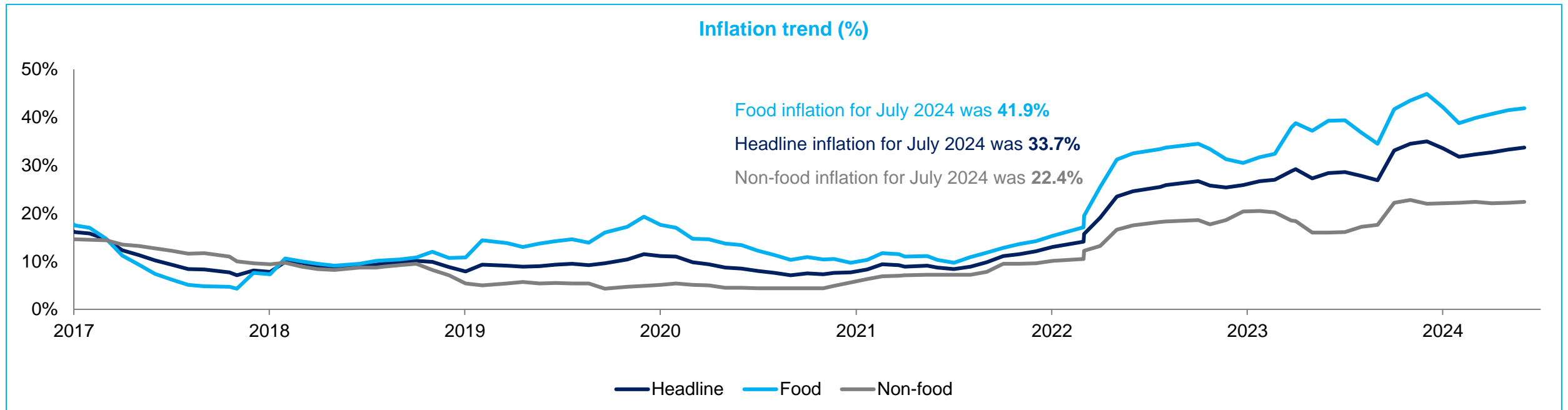
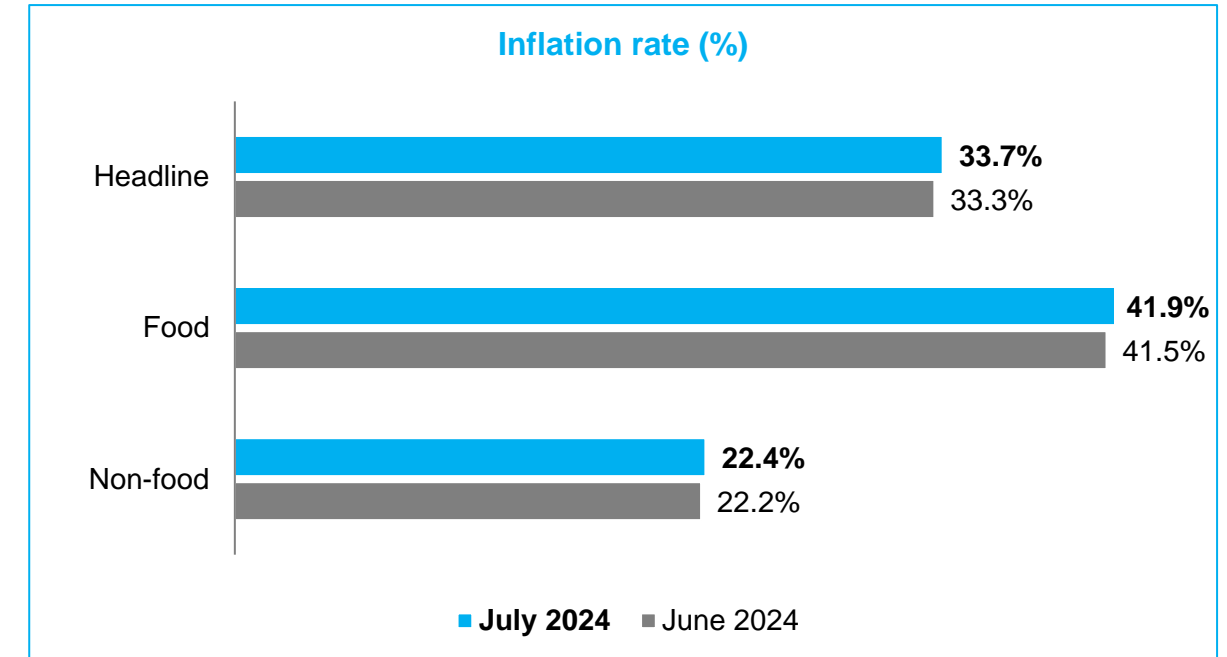
The headline inflation rate for July 2024 increased to 33.7% from 33.3% in June 2024 due to a rise in both the food and non-food inflation rates.

The 2024 inflation projections for Malawi from various published sources range between 30.7% and 34.3%.

The headline inflation rate increased by 0.4 percentage points to 33.7% in July 2024 from 33.3% in June 2024. The increase was due to a rise in the food inflation rate to 41.9% in July 2024 from 41.5% in June 2024. Similarly, the non-food inflation rate increased to 22.4% in July 2024 from 22.2% in June 2024. In July 2023, headline inflation was 28.4%, driven by food inflation of 39.3% and non-food inflation of 16.0%.

According to the July 2024 IFPRI Malawi monthly maize market report, maize prices increased to MK792/Kg from MK758/Kg in June 2024. The rise in maize prices contributed to increased food inflation in July 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 34.3% 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 MK1,750.31/USD as of 31 August 2024, a marginal depreciation of 0.02% from MK1,749.95/USD as of 31 July 2024. During the same period in the previous year, the Kwacha had depreciated against the USD by 3.12% from July to August 2023.

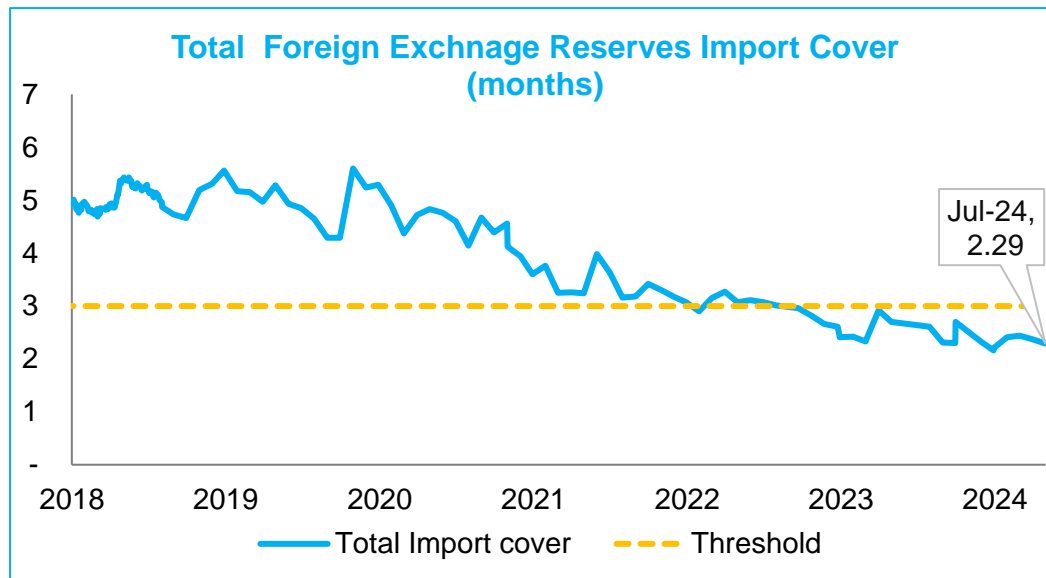
Foreign Currency Market

The RBM held foreign exchange auctions on 7 August 2024 and 22 August 2024. The total amount offered and accepted on 7 August was USD200,000. The total amount offered and accepted on 22 August 2024 was USD350,000. The RBM disclosed that based on the auction results, the market selling price of the US dollar remains at MK1,751/USD.

As of 31 July 2024, the country's total foreign exchange reserves decreased by 3.3% to USD572.02 million from USD591.51 million in June 2024. The import cover declined by 3.4% to 2.29 months in July 2024 from 2.37 months in June 2024. During the same period in the previous year, the total foreign exchange reserves were USD674.54 million.

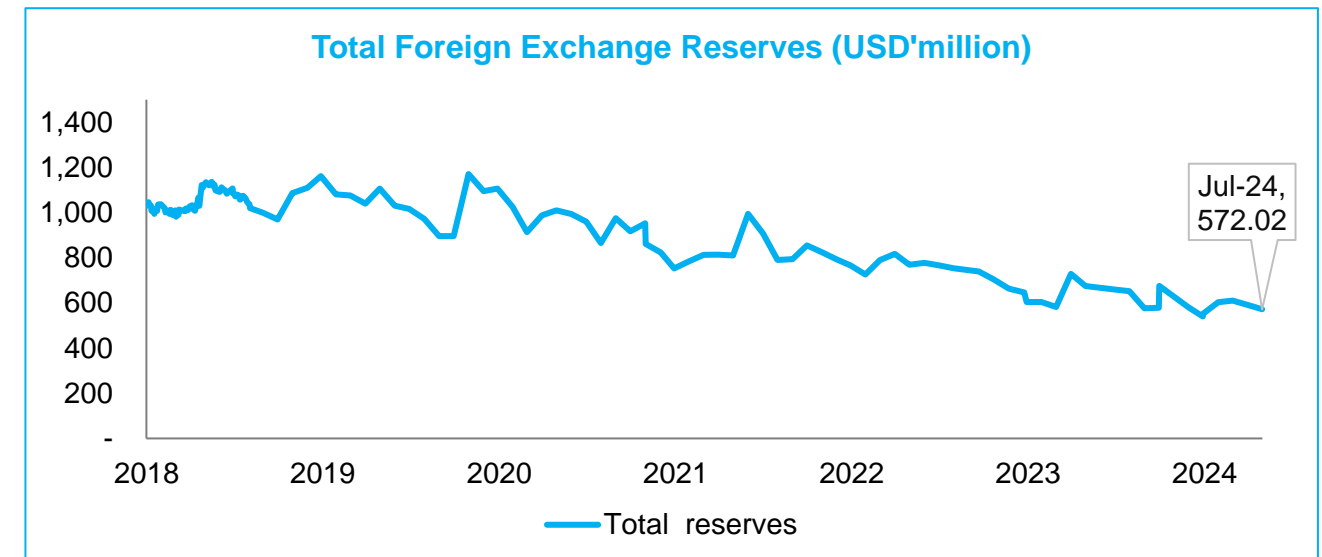
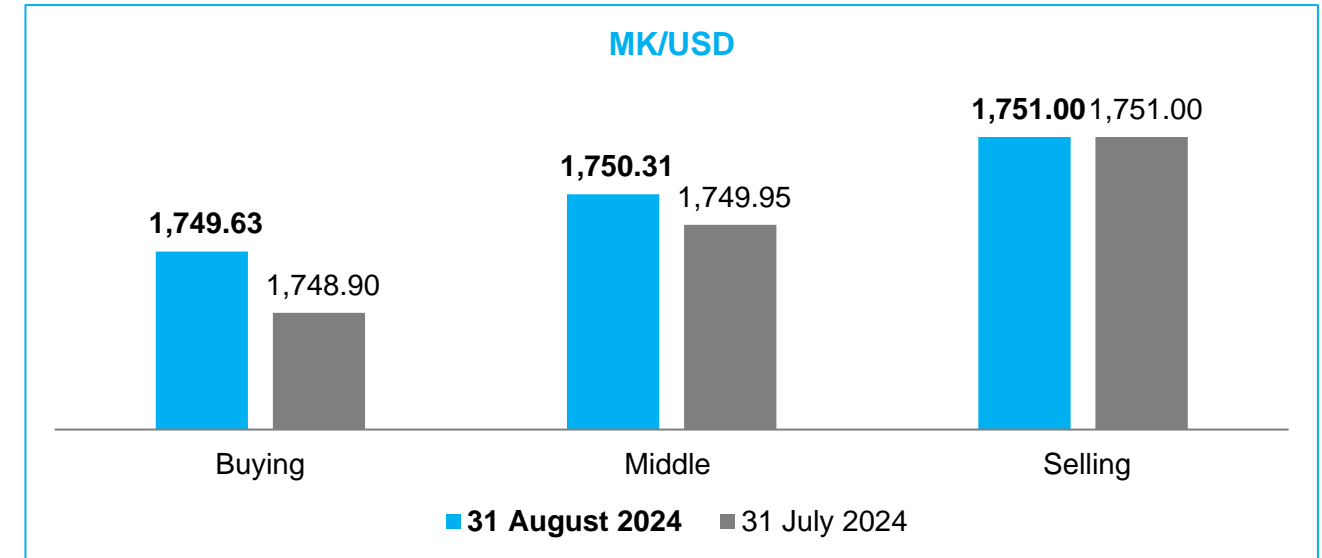
Foreign Exchange Reserves Position

As of 31 July 2024, the country's total foreign exchange reserves decreased by 3.3% to USD572.02 million from USD591.51 million in June 2024. The import cover declined by 3.4% to 2.29 months in July 2024 from 2.37 months in June 2024. During the same period in the previous year, the total foreign exchange reserves were USD674.54 million.



USD – United States Dollar

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



	July 2024	June 2024	Month-on-month change (%)
Total Reserves (USD'millions)	572.02	591.51	-3.3%
Total import cover (months)	2.29	2.37	-3.4%



Economic overview (continued)

Stock Market (Source: MSE)

The MASI year-to-date return was 27.33% in August 2024. It was 91.95% in August 2023.

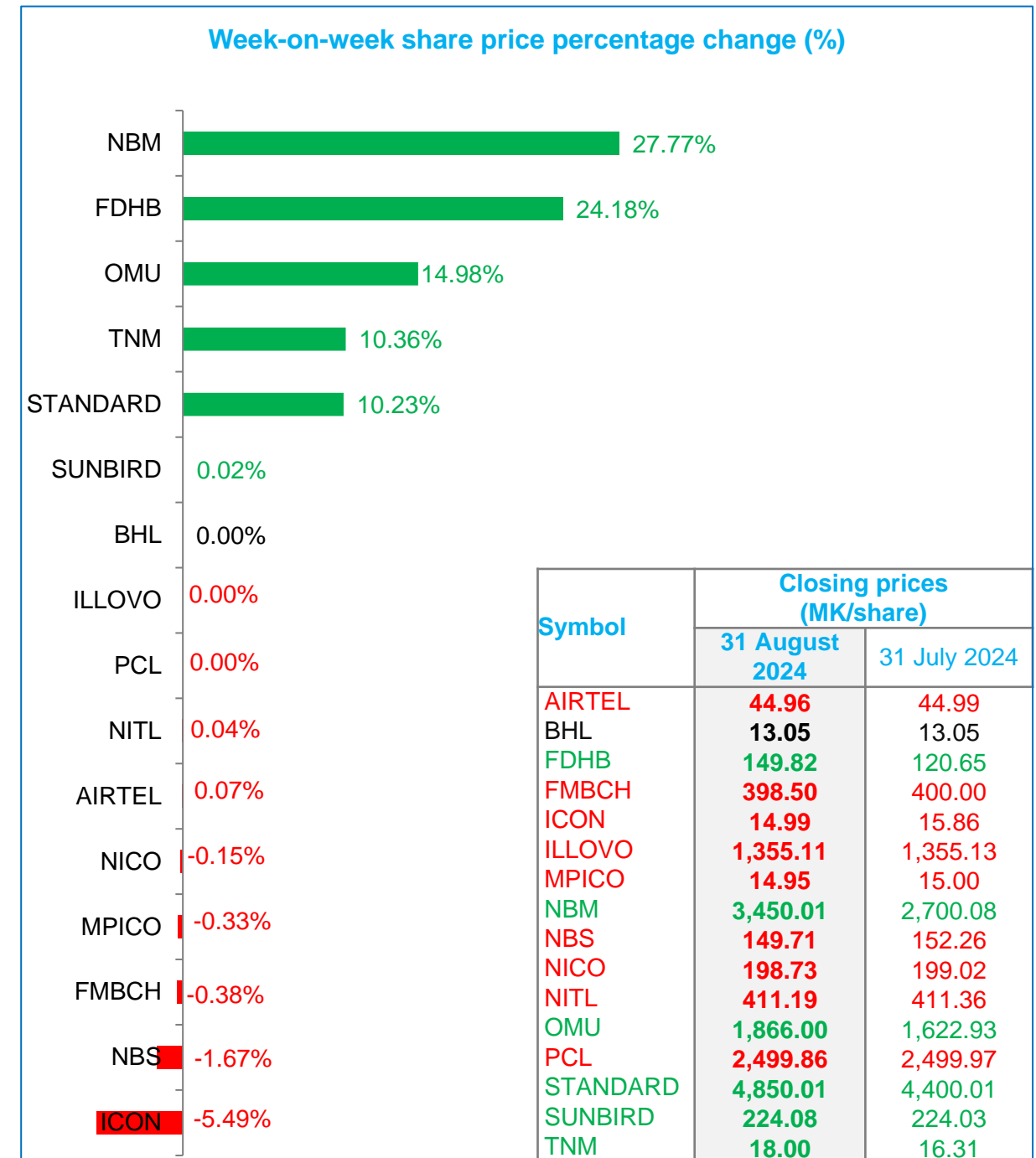
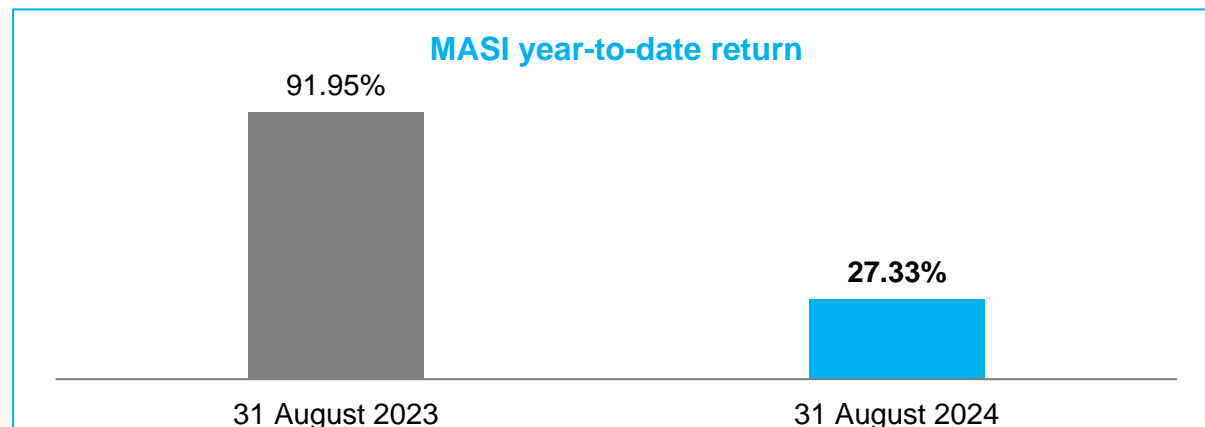
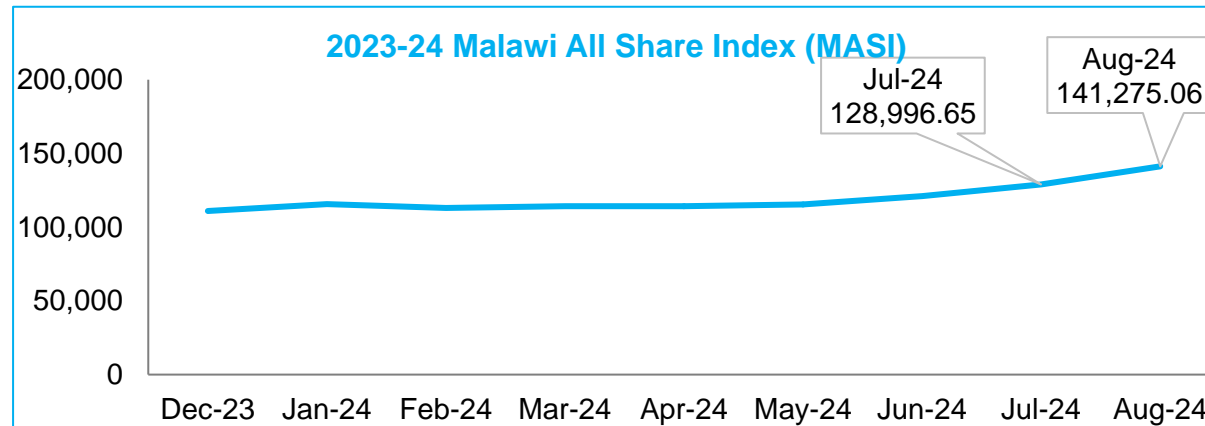
There were share price gains for NBM, FDH Bank, OMU, TNM and STANDARD.

There were share price losses for ICON and NBS.

The stock market was bullish as the Malawi All Share Index (MASI) increased to 141,275.06 points in August 2024 from 128,996.65 points in July 2024, representing a 9.52% increase. The MASI year-to-date return was 27.33% in August 2024. It was 91.95% in August 2023.

In August 2024, NBM was the most significant share price gainer as its share price increased by 27.77% to MK3,450.01 per share from MK2,700.08 per share in July 2024. There were also share price gains for FDH Bank, OMU, TNM and STANDARD by 24.18%, 14.98%, 10.36% and 10.23%, respectively. There was a marginal share price gain for SUNBIRD.

In August 2024, ICON was the most significant share price loser, as its share price decreased by 5.49% to MK14.99 per share from MK15.86 per share in July 2024. There was also a share price loss for NBS by 1.67%. There were marginal share price losses for FMBCH, MPICO, NICO, AIRTEL, NITL, PCL and ILLOVO.





Economic overview (continued)

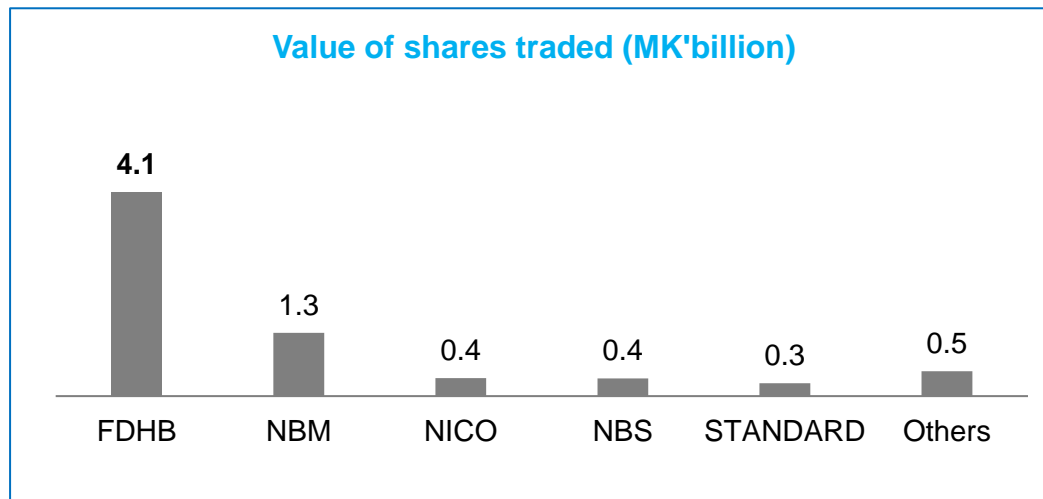
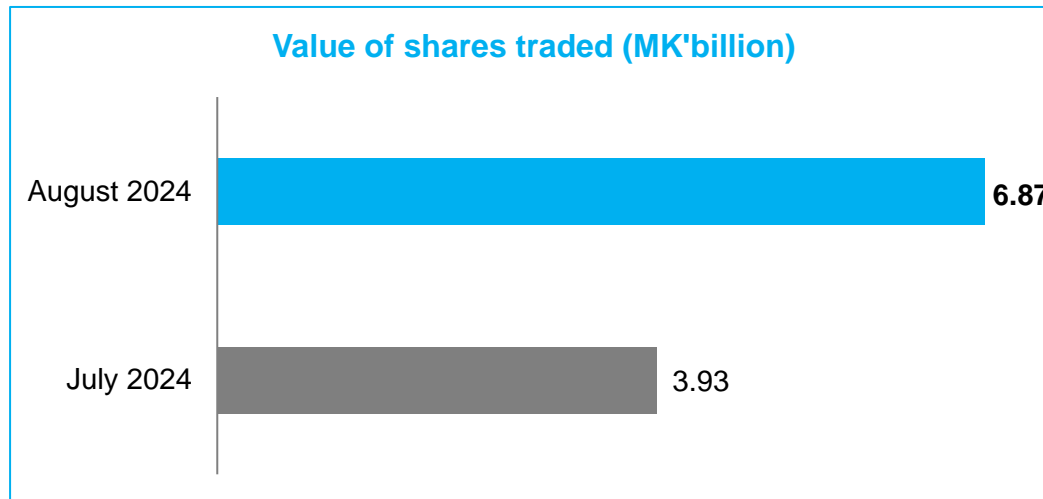
Stock Market (Source: MSE)

FDH Bank had the highest value of shares traded in August 2024 at MK4.1 billion.

MSE Traded Values

A total of MK6.87 billion worth of shares were traded on the Malawi Stock Exchange (MSE) in August 2024. This represented an increase of 74.9% from MK3.93 billion shares traded in July 2024. FDH Bank had the highest value of shares traded in August 2024 at MK4.12 billion.

The total number of trades increased to 1,507 in August 2024 from 1,299 in July 2024.



Corporate Announcements

Published Financial Full Year Trading Statements

Counter	31 August 2023 (MK'billions)	31 August 2024 (MK'billions)	Trading statement profit/loss expectation
ILLOVO	56.8	17 – 28	(50%-70%)

Dividend announcements

Counter	Dividend type	Proposed/ Declared	Dividend per share (MK)	Ex-dividend date	Last day to register	Payment Date
NBM	Interim	Declared	27.84	18 September 2024	20 September 2024	27 September 2024
FMBCH	Interim	Declared	0.21 US Cents	2 October 2024	4 October 2024	9 October 2024
NITL	Interim	Declared	2.50	16 October 2024	18 October 2024	25 October 2024



Economic overview (continued)

Government securities (Source: RBM)

The government awarded MK339.53 billion through Treasury Bills (TBs) and Treasury Notes (TNs) auctions in August 2024, an increase of 34.3% from MK252.78 billion awarded in July 2024.

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

Treasury Bills (TBs)

In August 2024, the government sought to borrow MK76.11 billion through TB auctions. This represents a 50.9% increase from the MK50.43 billion sought in July 2024. Participants applied to place an amount of MK110.27 billion through TB auctions in August 2024. This represents an 18.4% decrease from MK135.07 billion applied in July 2024. The government awarded MK110.27 billion in August 2024, an 18.4% decrease from MK135.07 billion in July 2024. The TB auctions had a nil rejection rate in August 2024, just as in July 2024.

Treasury Notes (TNs)

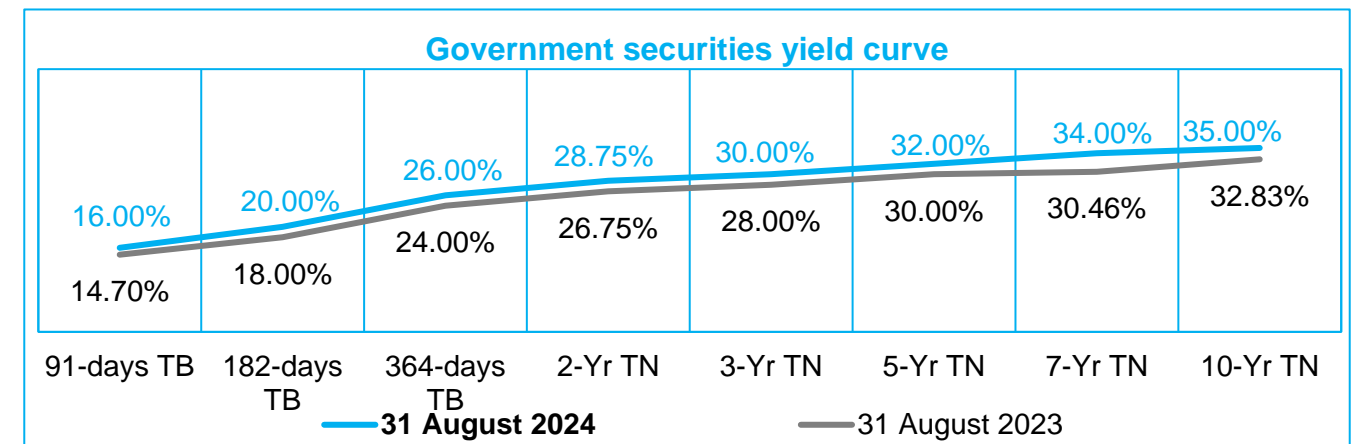
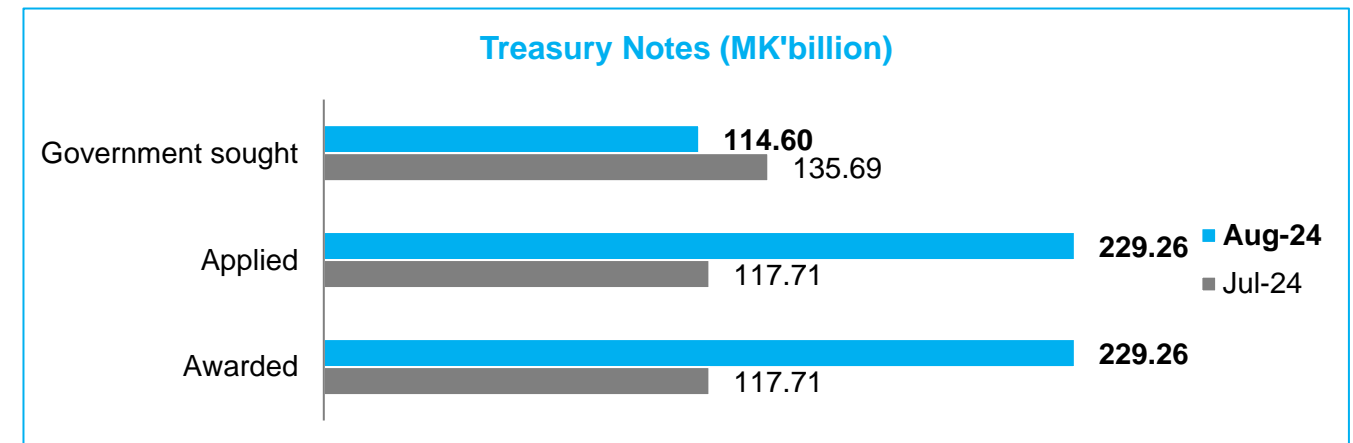
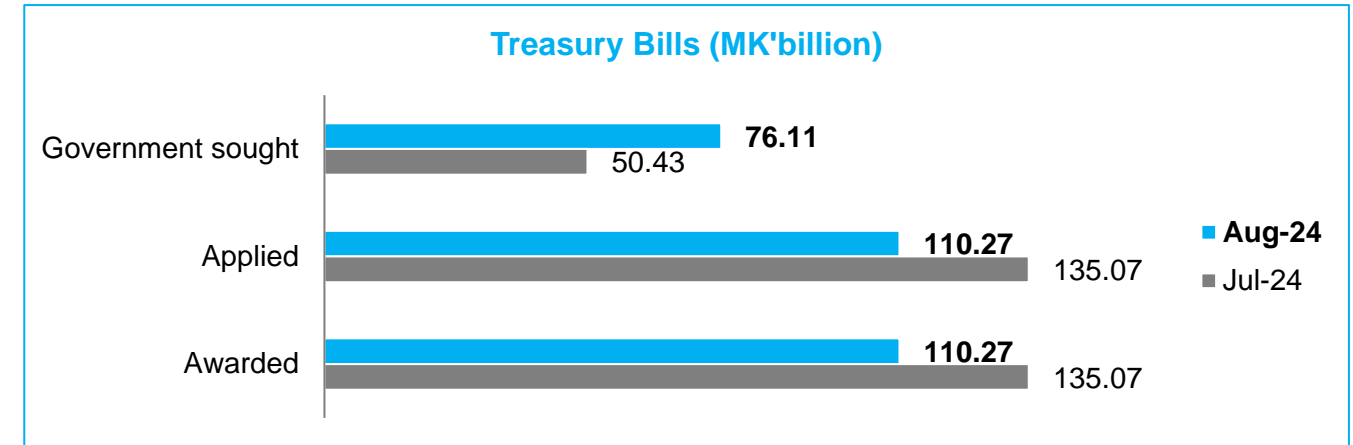
The government sought to borrow MK114.60 billion through TN auctions in August 2024. This represents a 15.5% decrease from the MK135.69 billion sought in July 2024. Total participant applications stood at MK229.26 billion in August 2024. This represents a 94.8% increase from MK117.71 billion, which was applied in July 2024. MK229.26 billion was awarded in the TN auctions in August 2024. This entailed a 94.8% increase from MK117.71 billion, awarded in July 2024. The TN auctions had a nil rejection rate in August 2024, just as in July 2024.

Overall, the government sought to raise MK190.71 billion in TBs and TNs auctions in August 2024. This represents a 2.5% increase from the MK186.12 billion sought in July 2024. MK339.53 billion was awarded, up 34.3% from MK252.78 billion in July 2024.

Government Securities Yield Curve

From July 2024 to August 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 August 2024. The average TB yield was 18.90% in August 2023.

From July 2024 to August 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 August 2024. The average TN yield was 29.61% in August 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%.

The commercial bank reference rate for September 2024 remains unchanged from the August 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 fertilizer 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 stabilize the economy and reduce inflation.

The United States Government has said Malawi may not meet the commitments necessary to receive a second tranche of the IMF ECF in the coming months. Therefore, the country needs urgent leadership and action at all levels of the government to ensure it stays on course with the ECF and implements the reforms it has committed to stabilize the economy.

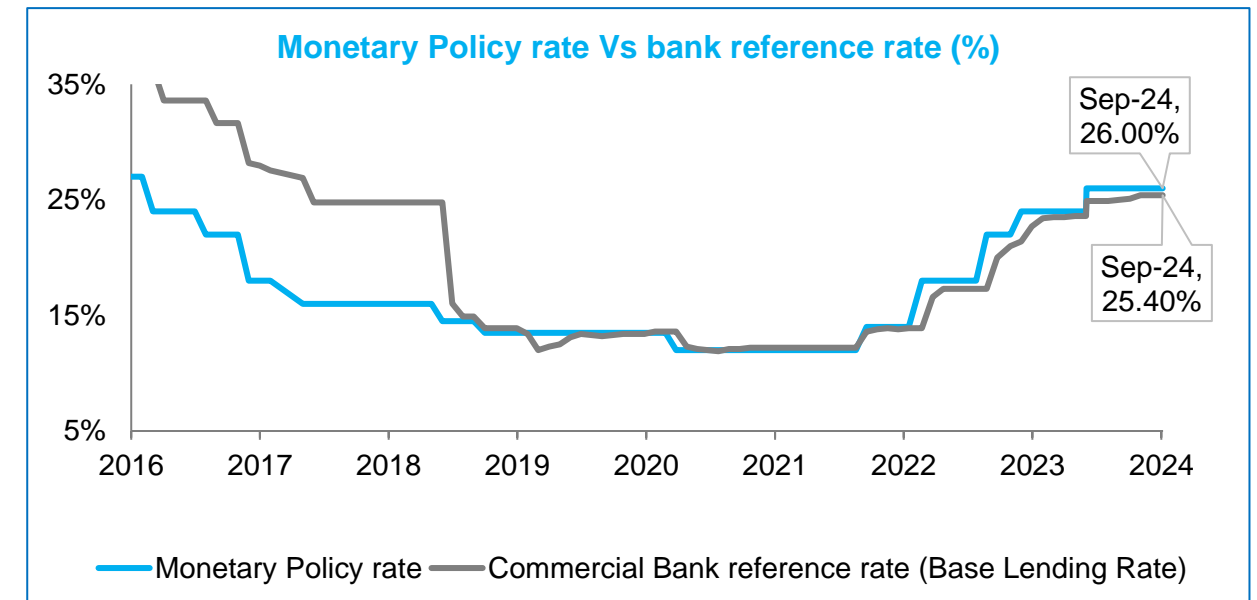
As disclosed in the local debt issuance calendar, the government seeks to raise MK397.4 billion through TN auctions and MK170.6 billion through TB auctions, for a total of MK568.0 billion in the third quarter of 2024.

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 September 2024, effective 4 September 2024, remains unchanged from the August 2024 reference rate of 25.4%.





Commodity Market Developments

Maize, Oil, and other commodities market developments

The retail maize price increased by 4.5% to MK792/kg in the last week of July 2024 from MK758/kg in the last week of June 2024. Year-on-year, it has increased by 22.0%, as it was at MK650/kg in July 2023.

At the end of the 2024 tobacco season, the cumulative national value of tobacco sold was USD396.78 million (approximately MK694 billion), up 39.8% from USD283.76 million (approximately MK497 billion) at the end of the season in the previous year.

At the end of the 2024 tobacco season, the average price 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) July 2024 monthly maize market report showed that maize prices increased by 4.5% to MK792/kg in the last week of July 2024 from MK758/kg in the last week of June 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 22.0%, as it was MK650/kg in July 2023.

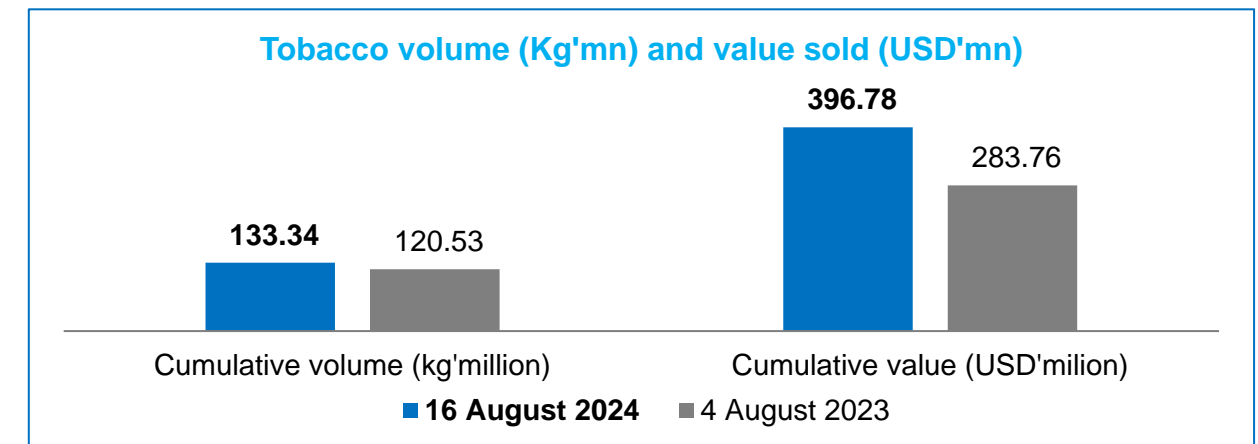
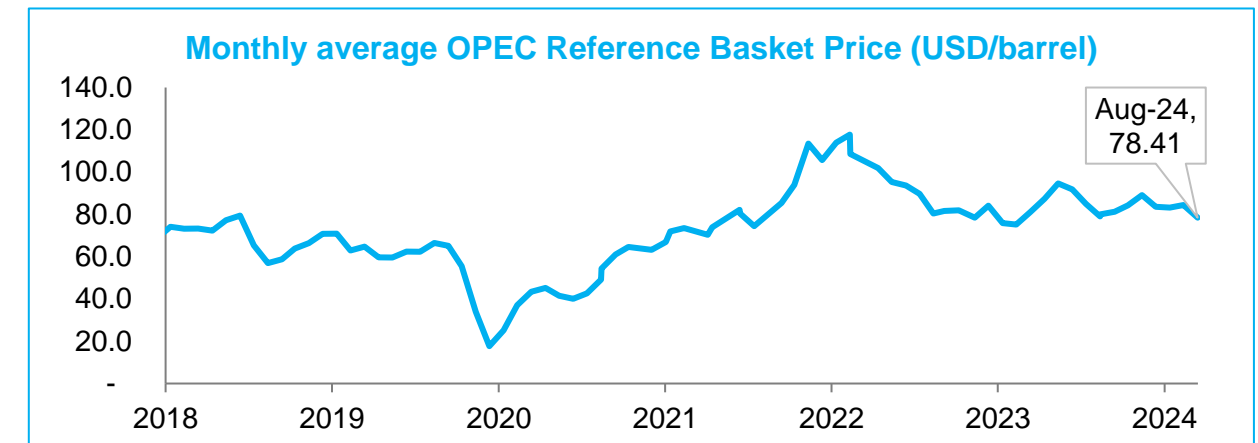
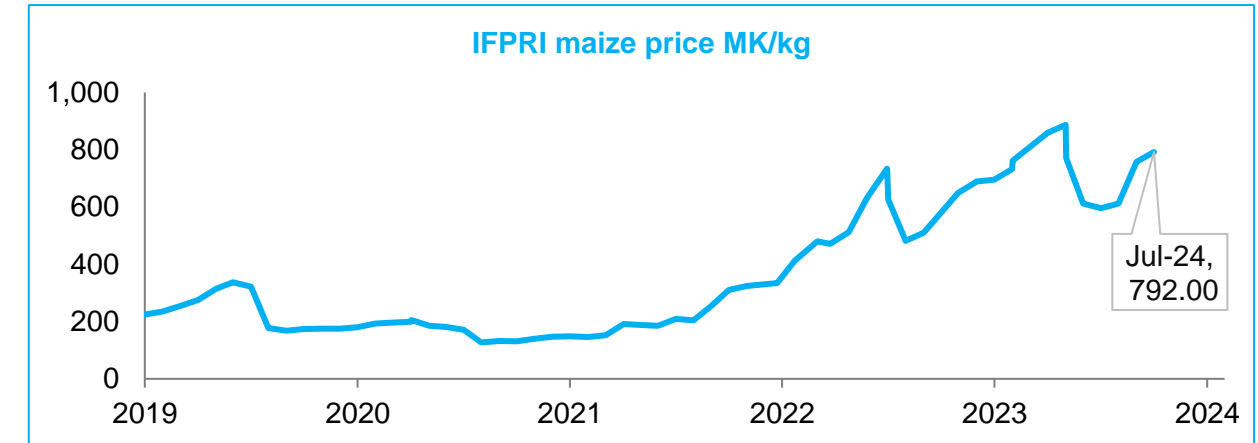
Global Oil Price Developments (Source: OPEC)

The monthly average OPEC reference basket price decreased to USD78.41/barrel in August 2024 from USD84.43/barrel in July 2024. This represents a decrease of 7.1% month-on-month. Year-on-year, there was a 10.2% decrease from an average price of USD87.33/barrel as of August 2023.

In its August 2024 monthly report, OPEC revised its 2024 world oil demand growth forecast to 2.1 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 1.9 mb/d. Total world oil demand is anticipated to reach 104.3 mb/d in 2024, bolstered by strong air travel demand and road mobility, including trucking, and healthy industrial, construction and agricultural activities in non-OECD countries.

Tobacco Auction Developments (Source: AHL)

According to Auction Holdings Limited (AHL) Tobacco Sales data, as of 16 August 2024 – the last day of the season - 133.34 million kgs of tobacco were sold at an average price of USD2.98/Kg in the 2024 selling season. At the end of the season in the previous year, 120.53 million kgs were sold at an average price of USD2.35/Kg. The cumulative national value of tobacco sold ended at USD396.78 million (approximately MK694 billion), up 39.8% from USD283.76 million (approximately MK497 billion) sold at the end of the season in the previous year.



An Overview of the First Quarter Bulletin for FY2024/25 by the Ministry of Finance and Economic Affairs





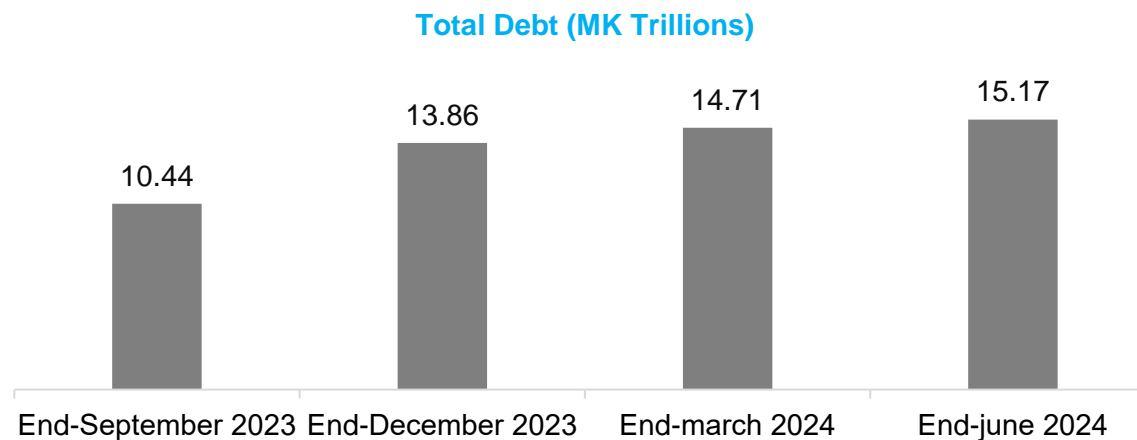
An Overview of the First Quarter Debt Bulletin for FY2024/25 by the Ministry of Finance and Economic Affairs

According to the Ministry of Finance and Economic Affairs (MoFEA), as of the end of June 2024, the total public debt stood at MK15.17 trillion, which represents 81.0% of the projected GDP for FY2024/25, or approximately USD8.75 billion. The domestic debt amounted to MK8.01 trillion (USD4.62 billion), while the external debt was USD4.13 billion (MK7.16 trillion).

Introduction

The Government of Malawi currently issues Debt Reports annually and semi-annually. In the future, it plans to release quarterly bulletins to offer more frequent updates to the public. These quarterly bulletins will detail essential aspects of the debt portfolio, including the total debt amount, debt servicing, and cost and risk indicators. More in-depth analyses of the debt portfolio will be reserved for the Annual and Mid-Year Debt Reports.

The Quarter 1 Debt Bulletin for FY2024/25 covers the period from the end of March 2024 to June 2024. It provides details on loans and debt securities held by the Budgetary Central Government and the Central Bank. Domestic debt is reported at face value unless specified otherwise, while external debt is reported as disbursed outstanding debt. Debt classification as either external or domestic is based on residency.

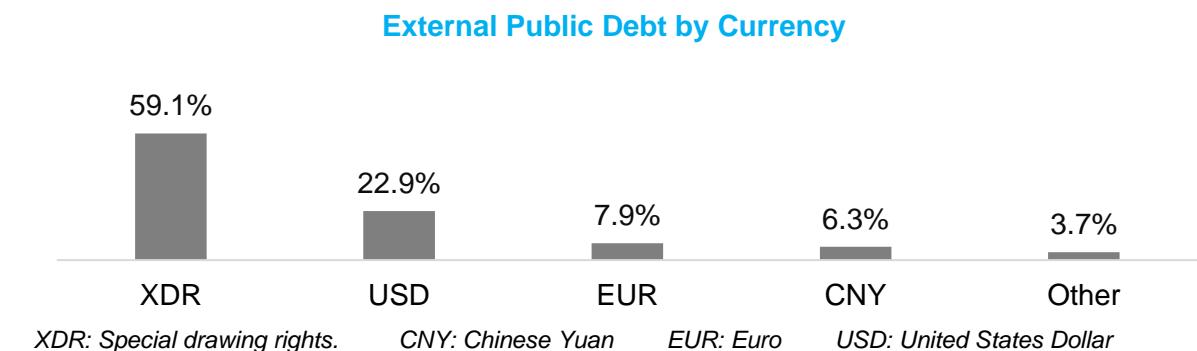
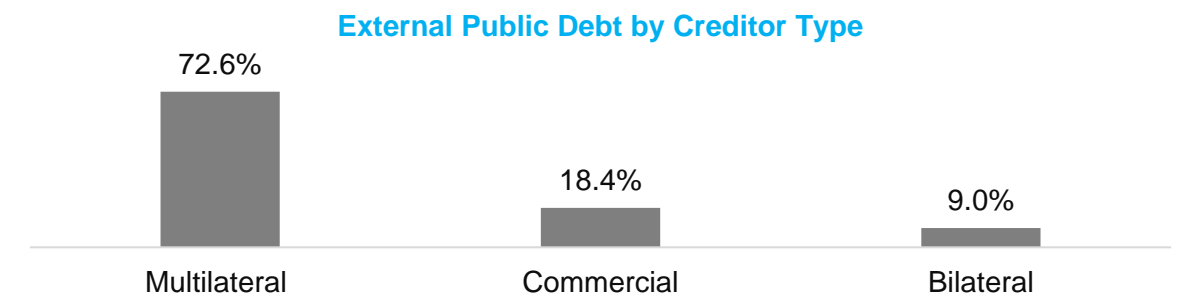
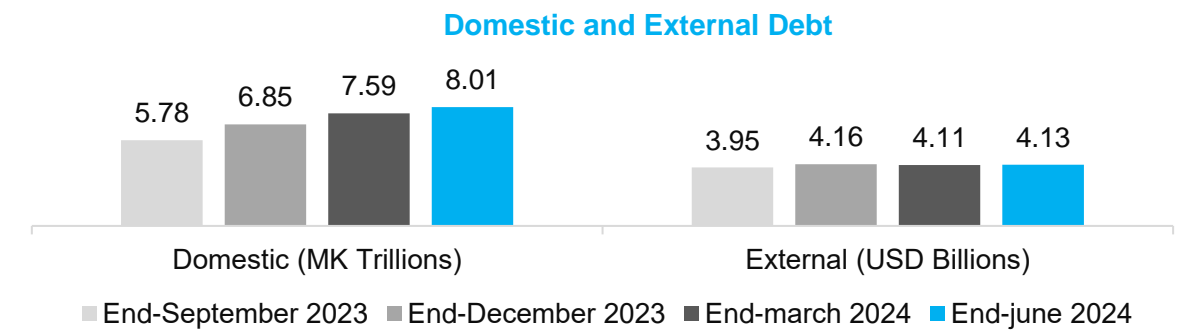


Total Public Debt Stock

According to the Ministry of Finance and Economic Affairs (MoFEA), as of the end of June 2024, the total public debt stood at MK15.17 trillion, which represents 81.0% of the projected GDP for FY2024/25, or approximately USD8.75 billion. The domestic debt amounted to MK8.01 trillion (USD4.62 billion), while the external debt was USD4.13 billion (MK7.16 trillion). Compared to the end of March 2024, the total public debt has risen by MK458.27 billion, an increase of 3.1%. At the end of June 2024, domestic debt constituted 52.8% of the total public debt, while external debt comprised 47.2%.

External Public Debt

As of the end of June 2024, the external debt stock was USD4.13 billion (MK7.16 trillion). This total comprises USD1.05 billion owed by the Reserve Bank of Malawi (RBM) and USD3.08 billion owed by the Government of Malawi. Since the end of March 2024, the external debt stock has increased by USD23.39 million, or 0.6%. The external debt is mainly denominated in Special Drawing Rights, with the majority owed to multilateral lenders. All of Malawi's external commercial debt consists of loans and is fixed-rate.





An Overview of the First Quarter Debt Bulletin for FY2024/25 by the Ministry of Finance and Economic Affairs (continued)

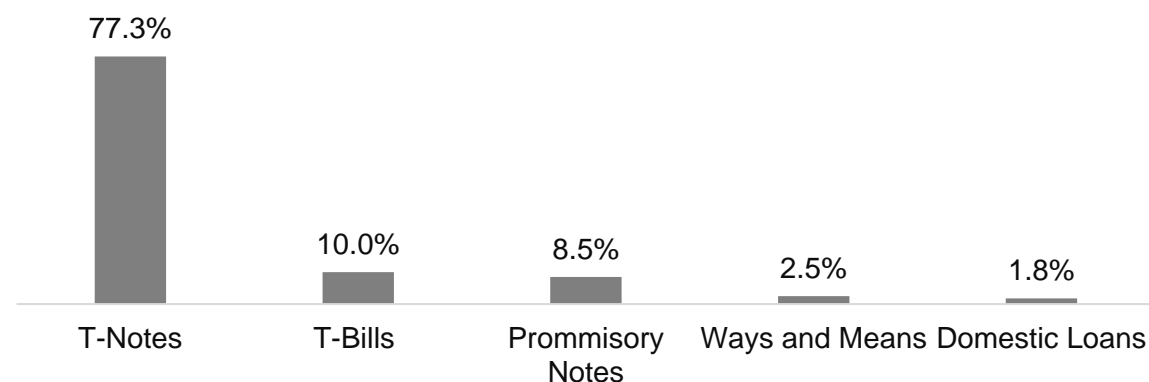
As of June 2024, the total domestic public debt reached MK8.01 trillion, reflecting a 5.5% increase from the MK7.59 trillion recorded at the end of March 2024.

Domestic debt service totaled MK720.81 billion, while external debt service was MK54.48 billion.

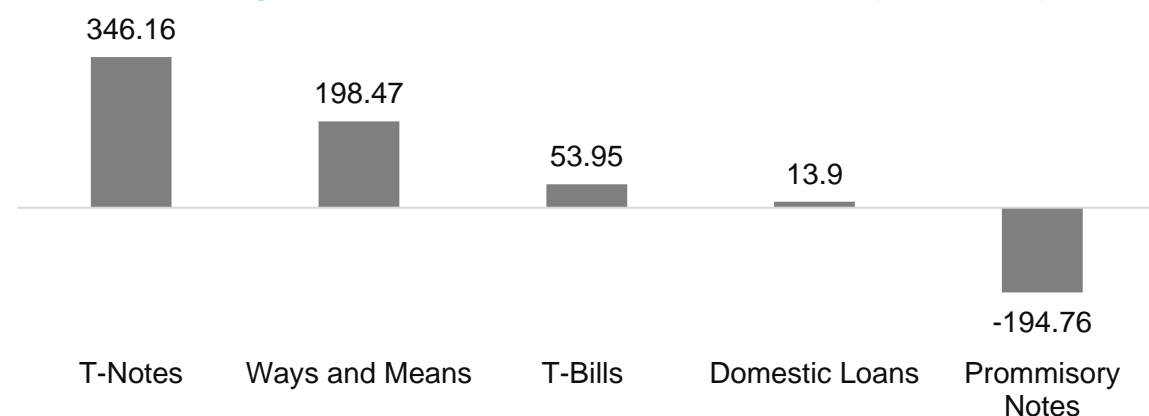
Domestic Public Debt

As of June 2024, the total domestic public debt reached MK8.01 trillion, reflecting a 5.5% increase from the MK7.59 trillion recorded at the end of March 2024. This total comprises MK6.19 trillion in Treasury Notes (77.3%), MK799.61 billion in Treasury Bills (10.0%), MK677.66 billion in Promissory Notes (8.5%), MK198.47 billion in Ways and Means advances from the RBM (2.5%), and MK146.66 billion in domestic loans (1.8%). All domestic debt is fixed-rate, except for the domestic loans, which are floating-rate.

Composition of Domestic Debt



Net Change in Domestic Debt Since End- March 2024 (MK Billions)



Source: MoFEA Calculations

Debt Servicing

In the first quarter, the total debt service amounted to MK775.29 billion. This figure includes MK419.33 billion for amortization (principal repayment) and MK355.96 billion for interest payments. Domestic debt service totaled MK720.81 billion, while external debt service was MK54.48 billion.

Debt Servicing (MK Billions)

	Domestic	External	Total
Principal	386.74	32.59	419.33
Interest	334.07	21.89	355.96
Total	720.81	54.48	775.29

Domestic Borrowing

In the first quarter, the Government had planned to borrow MK611.75 billion from the domestic debt market. Of this planned amount, MK415.37 billion (67.9%) was intended for Treasury Notes (T-Notes), and MK196.37 billion (32.1%) was intended for Treasury Bills (T-Bills). Actual issuances of domestic debt securities totaled MK538.73 billion, with MK329.01 billion allocated to T-Notes and MK209.72 billion to T-Bills.

Cost and Risk Indicators

The values for key risk indicators for debt as at end-June 2024 are shown below.

Key Risk Indicators

	Domestic	External	Total
Share of Debt Maturing in the next 12 months (%)	38.5	2.7	27.0
Average Time to Maturity (Years)	2.4	13.0	13.3

Appendices

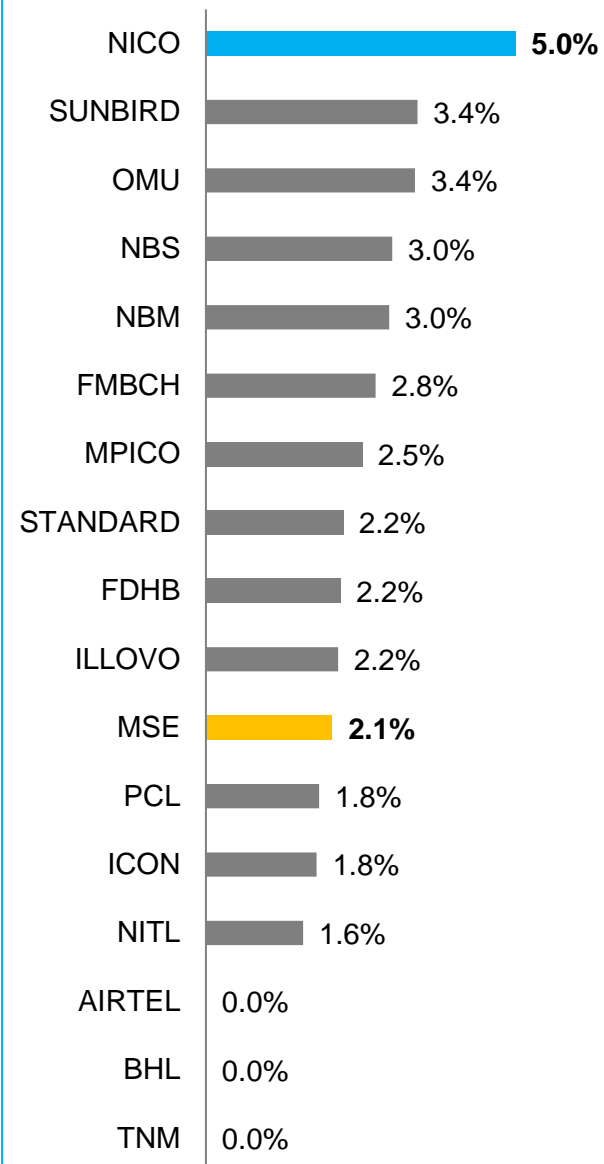


Appendix 1: Historical Monthly Economic Indicators

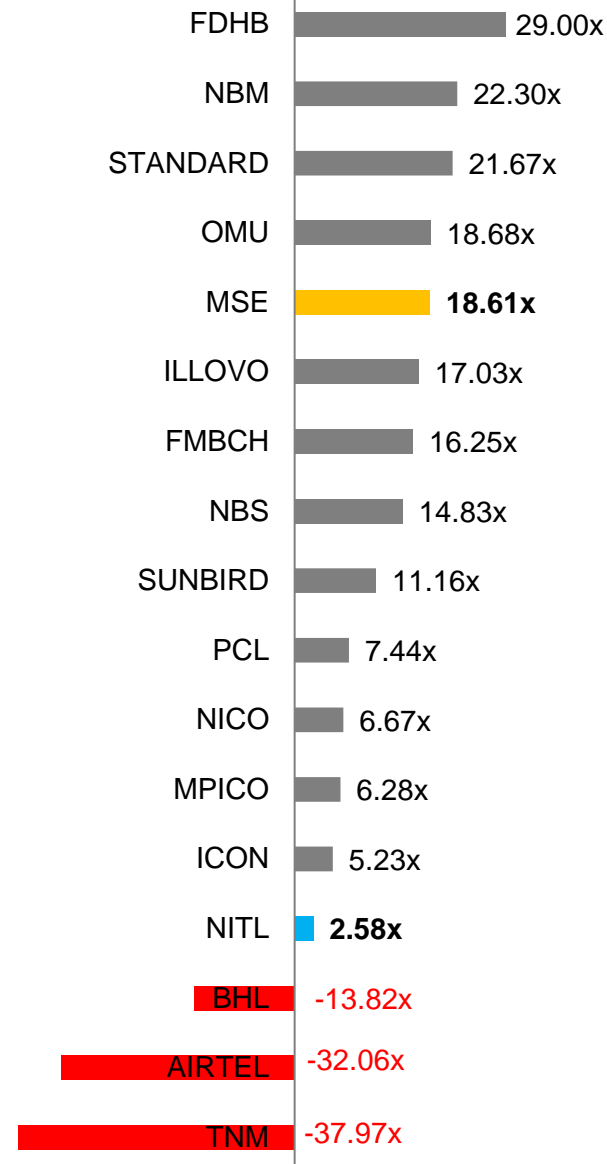
	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Exchange rates (middle rates)													
MK/USD	1,094.74	1,126.50	1,179.83	1,699.31	1,683.37	1,697.80	1,698.50	1,750.38	1,745.70	1,750.76	1,749.51	1,749.95	1,750.31
MK/GBP	1,429.20	1,412.17	1,473.63	2,219.25	2,212.41	2,221.35	2,217.83	2,268.77	2,256.81	2,285.22	2,274.74	2,311.11	2,368.68
MK/EUR	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	1,994.06
MK/ZAR	60.02	60.67	63.95	92.72	94.17	92.94	90.38	94.64	95.40	95.89	96.89	97.91	101.10
Foreign Exchange Reserves													
Gross Official Reserves (USD'mn)	239.56	242.68	179.33	165.20	242.58	178.06	143.60	N/A	N/A	N/A	N/A	N/A	N/A
Private Sector Reserves (USD'mn)	419.35	409.46	396.88	413.20	433.01	401.88	396.72	N/A	N/A	N/A	N/A	N/A	N/A
Total reserves (USD'mn)	658.91	652.14	576.21	578.40	675.59	579.94	540.32	552.94	603.07	610.18	591.51	572.02	N/A
Gross Official Reserves Import cover (months)	0.96	0.97	0.72	0.66	0.97	0.71	0.57	N/A	N/A	N/A	N/A	N/A	N/A
Inflation													
Headline	28.6%	27.8%	26.9%	33.1%	34.5%	35.0%	33.5%	31.8%	32.3%	32.7%	33.3%	33.7%	N/A
Food	39.4%	36.8%	34.5%	41.7%	43.5%	44.9%	42.0%	38.8%	39.9%	40.7%	41.5%	41.9%	N/A
Non-food	16.1%	17.2%	17.6%	22.2%	22.8%	22.0%	22.1%	22.2%	22.4%	22.1%	22.2%	22.4%	N/A
Interest Rates													
Monetary Policy Rate	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
Average Interbank Rate	22.76%	22.79%	22.91%	23.00%	23.00%	23.00%	22.63%	22.48%	22.55%	23.41%	24.17%	24.20%	24.21%
Lombard Rate	24.20%	24.20%	24.20%	24.20%	24.20%	24.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%
Commercial Bank Reference Rate	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%	24.90%	24.90%	25.00%	25.10%	25.40%	25.40%
Government Securities Yields													
91-days Treasury Bill	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	16.00%	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%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
364-days Treasury Bill	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
2-year Treasury Note	26.75%	26.75%	26.75%	26.75%	26.75%	26.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%
3-year Treasury Note	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
5-year Treasury Note	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%
7-year Treasury Note	30.46%	32.00%	32.00%	32.00%	32.00%	32.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%
10-year Treasury Note	32.83%	33.00%	33.00%	33.00%	33.00%	33.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Stock Market Indices													
MASI	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	141,275.06
DSI	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	110,067.28
FSI	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	19,974.30

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

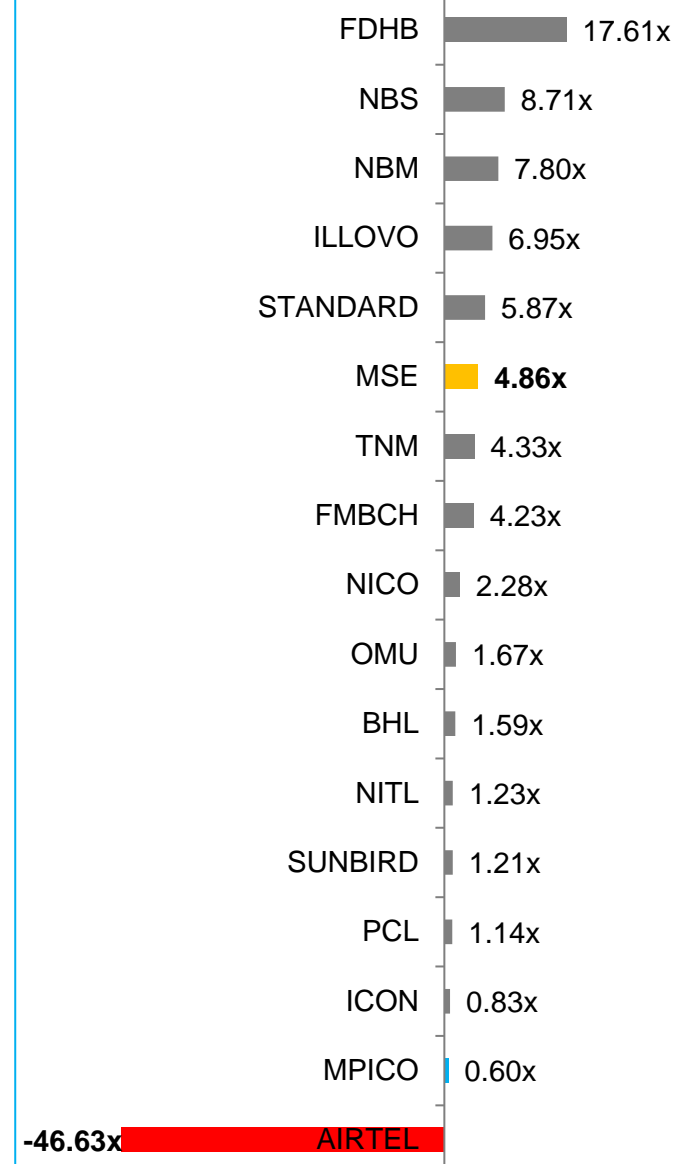
Dividend Yield (%) - the weighted average dividend yield on the MSE was 2.1% in August 2024. The counter with the highest dividend yield was NICO at 5.0%.



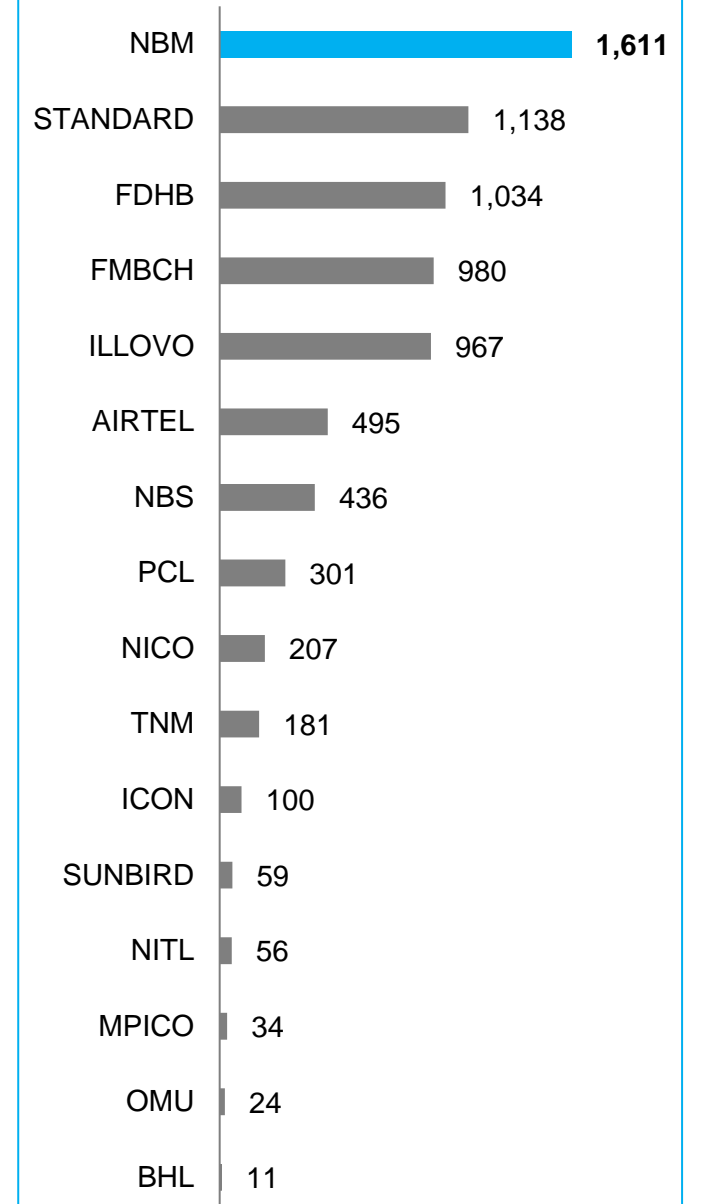
P/E Ratio - the weighted average price to earnings ratio on the MSE was 18.61x in August 2024. The counter with the lowest positive ratio was NITL at 2.58x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 4.86x in August 2024. The counter with the lowest positive ratio was MPICO at 0.60x.



Market Capitalization (MK'billion)
- NBM had the highest market capitalization at MK1.61 trillion in August 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)					
	2021	2022	2023	2024	2025
GDP at constant market prices (% change)	2.8	0.9	1.5	2.0	3.9
Agriculture	5.2	-1.0	0.6	-1.2	3.7
Industry	1.9	0.9	1.6	2.2	3.3
Services	2.0	1.8	1.9	3.2	4.2
Consumer prices (annual average)	9.3	20.9	28.7	30.0	20.8
Revenue and grants (% of GDP)	14.7	14.6	15.2	19.1	21.1
Domestic revenue - tax and non-tax (% of GDP)	12.8	12.8	12.1	13.1	15.7
Grants (% of GDP)	1.9	1.8	3.1	6.0	3.9
Expenditure and net lending (% of GDP)	21.5	23.3	25.7	31.5	27.8
Overall balance - excluding grants (% of GDP)	-8.7	-10.4	-13.6	-18.4	-12.1
Overall balance - including grants (% of GDP)	-6.8	-8.6	-10.5	-12.4	-6.7
Foreign financing (% of GDP)	1.0	2.6	1.9	0.5	0.7
Domestic financing (% of GDP)	5.9	7.7	5.1	7.0	6.0
Money and quasi-money (% change)	30.0	38.8	32.2	35.3	18.8
Credit to the private sector (% change)	17.8	23.2	17.6	10.2	5.8
Exports - goods and services (USD mn)	1,591.0	1,490.0	1,563.0	1,563.0	1,819.0
Imports - goods and services (USD mn)	3,770.0	3,707.0	3,945.0	3,949.0	4,152.0
Gross official reserves (USD mn)	910.0	575.0	749.0	1,112.0	1,604.0
Months of import cover	2.9	1.9	2.3	3.4	4.6
Current account (% of GDP)	-15.2	-17.3	-15.1	-20.0	-19.6
Exchange rate (MK per US\$ average)	805.9	949.0	1,161.0	—	—
External debt (public sector, % of GDP)	31.5	34.8	48.5	47.4	46.8
Domestic public debt (% of GDP)	30.0	40.8	42.8	38.1	36.5
Total public debt (% of GDP)	61.5	75.7	91.3	85.5	83.3

Appendix 4: EIU, AfDB and Oxford Economics Projections

EIU projections

Economic growth (%)	2023	2024	2025	2026	2027	2028
Real GDP	1.6	1.3	1.6	2.3	2.5	2.8
Private consumption	1.7	1.1	1.2	2.2	2.9	3.0
Government consumption	1.8	1.5	1.6	2.1	2.5	2.5
Gross fixed investment	2.0	1.9	2.6	3.2	4.4	4.5
Exports of goods & services	4.4	3.9	3.6	5.0	4.9	5.1
Imports of goods & services	3.9	3.3	3.0	4.5	4.9	5.0
Domestic demand	1.7	1.2	1.4	2.3	3.0	3.1
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						
Consumer price inflation (av; %)	28.8	34.3	28.3	23.9	17.4	13.9
Government balance (% of GDP)	-9.3	-9.6	-9.7	-9.0	-8.4	-8.0
Current-account balance (% of GDP)	-15.2	-14.0	-9.3	-8.4	-8.2	-8.0
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	1,727.7	1,817.3	1,995.2	2,206.4	2,416.4
Exchange rate MK: US\$ (end-period)	1,683.5	1,758.8	1,867.9	2,107.3	2,292.6	2,524.6

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	-1.9	-2.0	-2.1
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	28.7	27.3	14.3

Appendix 5: World Bank commodity market prices

World Bank commodity prices

	Annual averages				Monthly averages						
	2020	2021	2022	2023	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024
Produce (USD/mt)											
Soybeans	407.0	583.0	675.0	598.0	520.0	487.0	477.0	490.0	480.0	470.0	400.0
Maize	165.5	259.5	318.8	252.7	189.1	190.6	191.7	197.8	192.5	177.4	170.3
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	0.8	0.8	0.8	0.8
Sugar - World	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Tea - average	2.7	2.7	3.1	2.7	2.7	2.7	3.0	3.2	3.2	3.3	3.2
Fertilizers (USD/mt)											
DAP	312.4	601.0	772.2	550.0	583.8	617.5	545.0	522.0	543.0	539.4	546.0
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	289.4	300.5	305.0	307.0	310.0	300.6	294.0
TSP	265.0	538.2	716.1	480.2	454.4	449.0	442.5	434.9	473.8	505.8	507.2
Urea, E. Europe	229.1	483.2	700.0	358.0	351.3	330.0	320.0	284.8	336.3	342.5	342.5
Precious Metals (USD/toz)											
Gold	1,770.0	1,800.0	1,801.0	1,943.0	2,023.0	2,158.0	2,331.0	2,351.0	2,326.0	2,398.0	2,470.0
Platinum	883.0	1,091.0	962.0	966.0	894.0	909.0	940.0	1,015.0	985.0	979.0	945.0
Silver	20.5	25.2	21.8	23.4	22.7	24.5	27.5	29.4	29.6	29.8	28.5

Appendix 6: First Quarter Bulletin for FY2024/25

Historical Series for Debt and Composition of Debt

	End-September 2023	End-December 2023	End-March 2024	End-June 2024
Domestic (MK Trillions)	5.78	6.85	7.59	8.01
External (USD Billions)	3.95	4.16	4.11	4.13
External (MK Trillions)	4.66	7.01	7.12	7.16
Total (MK Trillions)	10.44	13.86	14.71	15.17
Domestic (% of Total)	55.4	49.4	51.6	52.8
External (% of Total)	44.6	50.6	48.4	47.2

Source: MoFEA Calculations

Appendix 7: List of Acronyms and Abbreviations

AfDB:	African Development Bank	MoFEA:	Ministry of Finance and Economic Affairs
AHL:	Auction Holdings Limited	MPC:	Monetary Policy Committee
av:	Average	MSE:	Malawi Stock Exchange
BHL:	Blantyre Hotels Plc	NBM:	National Bank of Malawi Plc
bn:	Billion	NICO:	NICO Holdings Plc
CNY:	Chinese Yuan	NITL:	National Investment Trust Limited Plc
CPI:	Consumer Price Index	NSO:	National Statistical Office
DAP:	Diammonium Phosphate	OECD:	Organization for Economic Co-operation and Development
ECF:	Extended Credit Facility	OMU:	Old Mutual Limited Plc
EIU:	Economist Intelligence Unit	OPEC:	Organization of the Petroleum Exporting Countries
EUR:	Euro	P/BV:	Price to book value
FDHB:	FDH Bank Plc	PCL:	Press Corporation Limited Plc
FMBCH:	FMB Capital Holdings Plc	P/E:	Price to earnings
GBP:	Great British Pound	RBM:	Reserve Bank of Malawi
GDP:	Gross Domestic Product	SUNBIRD:	Sunbird Tourism Plc
IFPRI:	International Food Policy Research Institute	TB:	Treasury Bill
IMF:	International Monetary Fund	TN:	Treasury Note
Kg:	Kilogram	TNM:	Telekom Networks Malawi Plc
LRR:	Liquidity Reserve Requirement	Toz:	Troy ounces
MASI:	Malawi All Share Index	USD:	United States Dollar
Mb/d:	Million barrels per day	XDR:	Special Drawing Rights
Mt:	Metric tons	ZAR:	South African Rand
MK:	Malawi Kwacha		
Mn:	Million		

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