



RECENT ECONOMIC DEVELOPMENTS

**PCUSA Malawi Mission Network
Conference**

July 2021

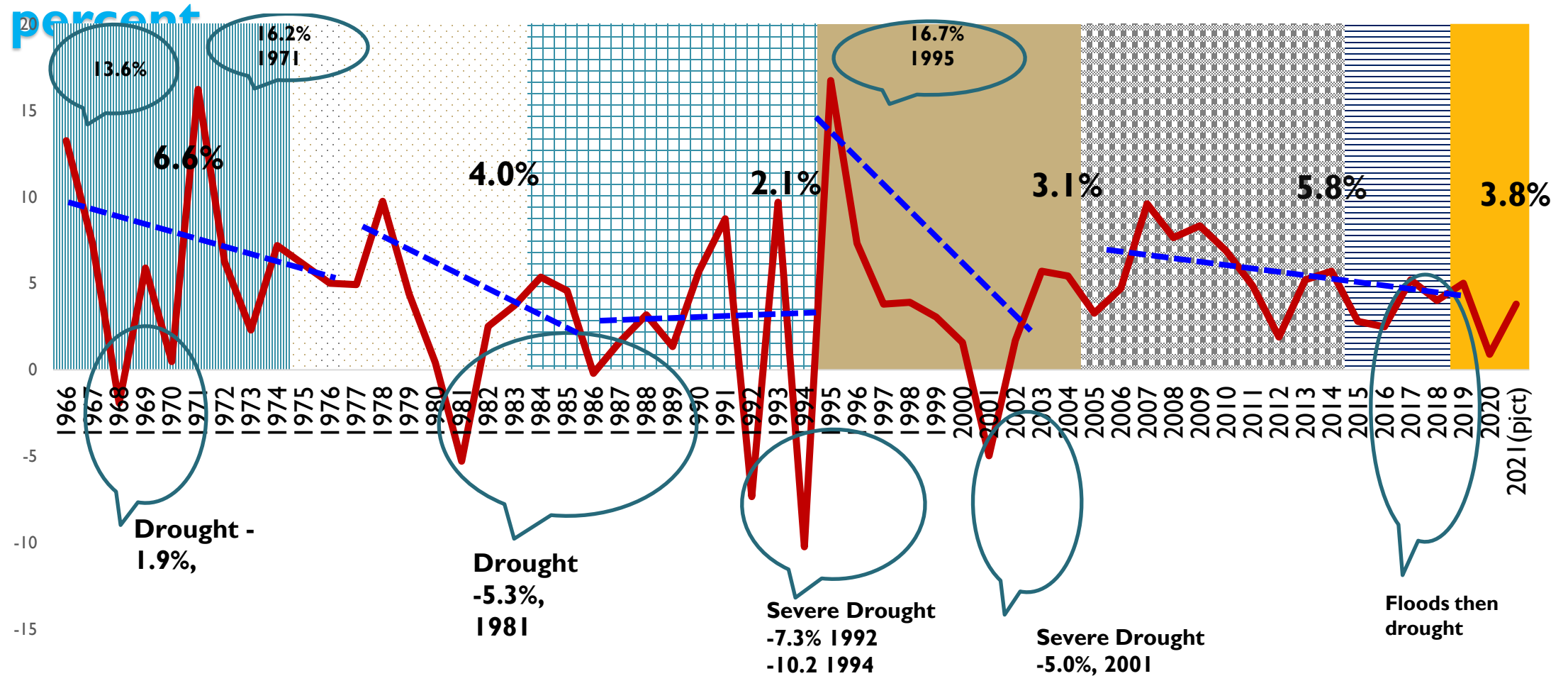
Presentation Outline

- ❖ Domestic Economic Developments
 - Gross Domestic Product
 - Inflation Developments
 - Monetary Developments
 - Exchange Rate Developments
 - Foreign Exchange Reserves
 - External Sector Developments
 - Public Debt Developments
- ❖ Status of the IMF Program
- ❖ Conclusion



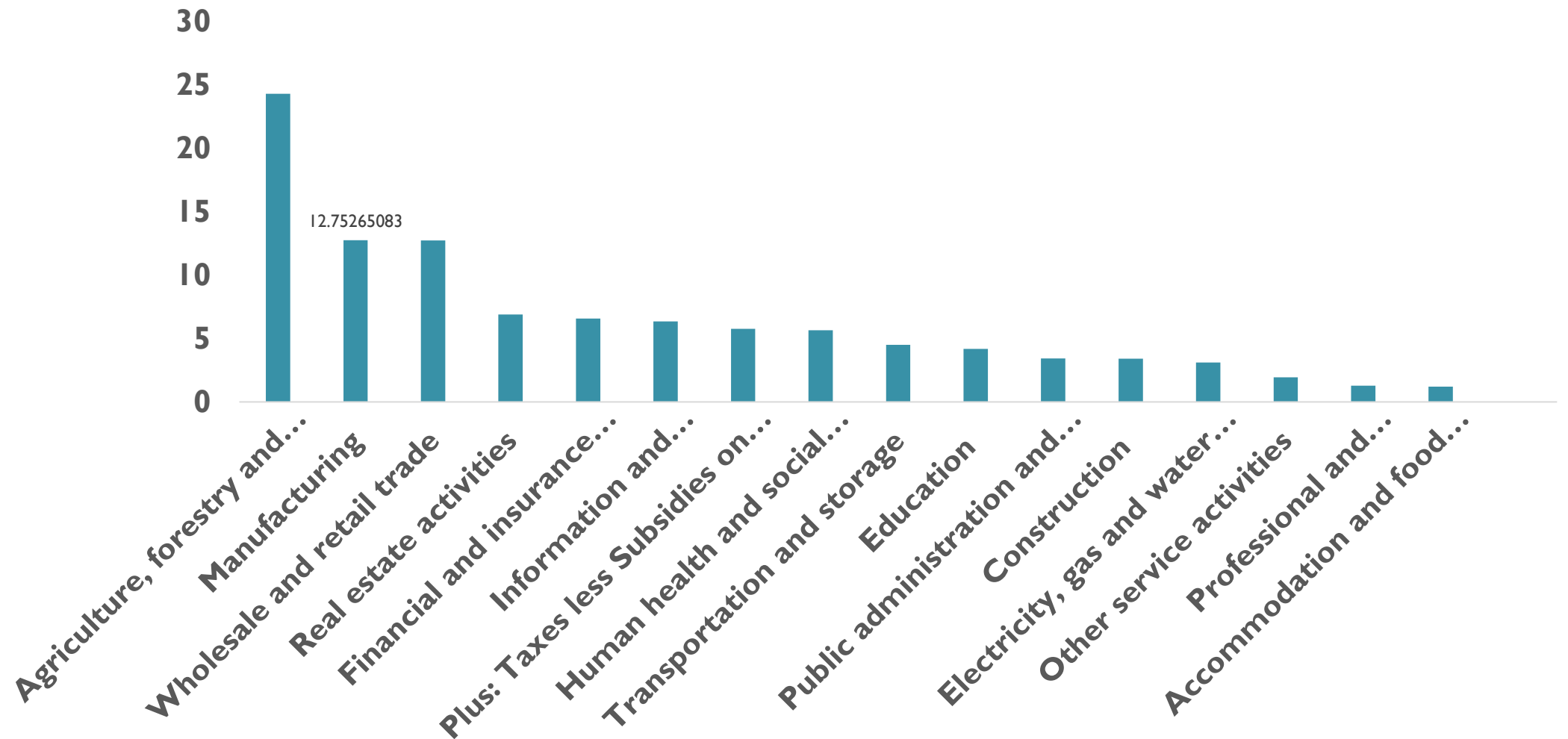
DOMESTIC ECONOMIC DEVELOPMENTS

Real GDP Growth highly volatile with 7 years of Recessions and 3 years of peaks—in 2021 GDP growth is projected at 3.8

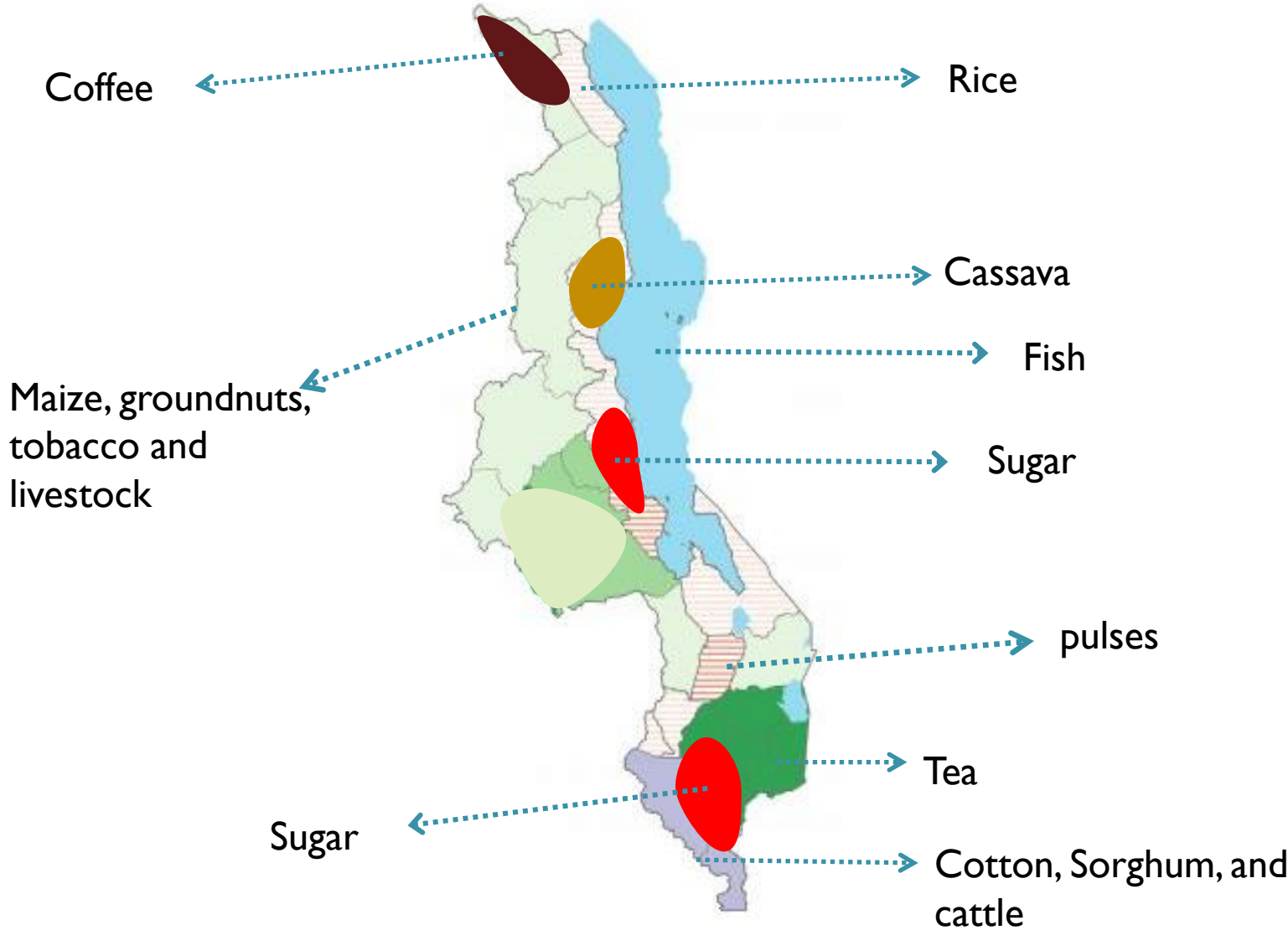


- All recessions explained by weather and peaks by rebounds
- Less volatility since 2004 and the period is associated with good market based macroeconomic stability and sustainable debt thresholds
- Throughout 55 yrs of independence, output has generally been trending downward-dragged down by weather, as intensity and frequency is weighing heavily on the economy

Contribution to GDP by Sector-Agric. dominates



Intensify area specific agricultural value chains



Invest and promote Tourism intensively ...

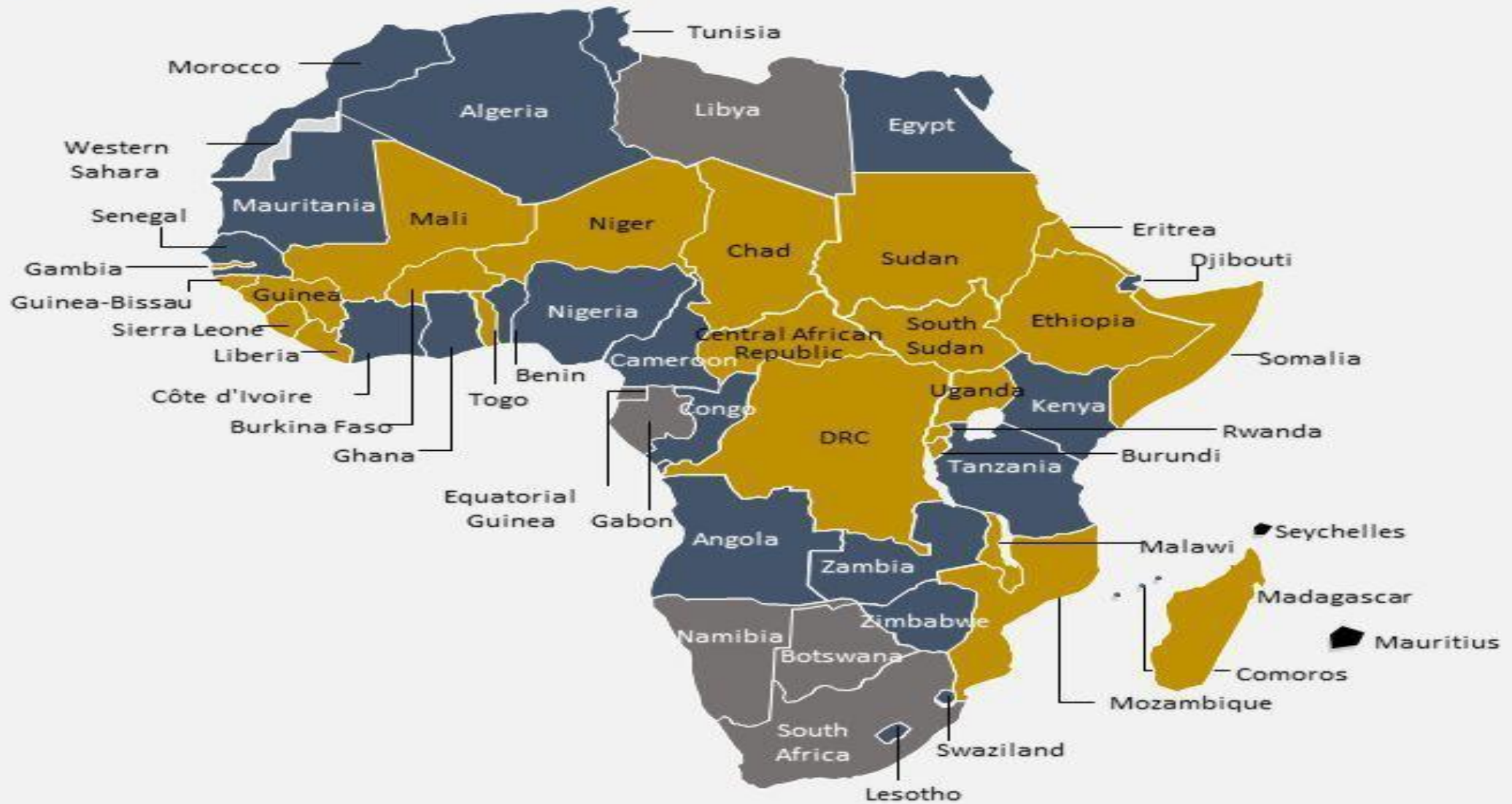


Malawi has a huge array of mining potential countrywide but remain untapped ...





AFRICAN COUNTRIES BY INCOME CLASS IN 2020

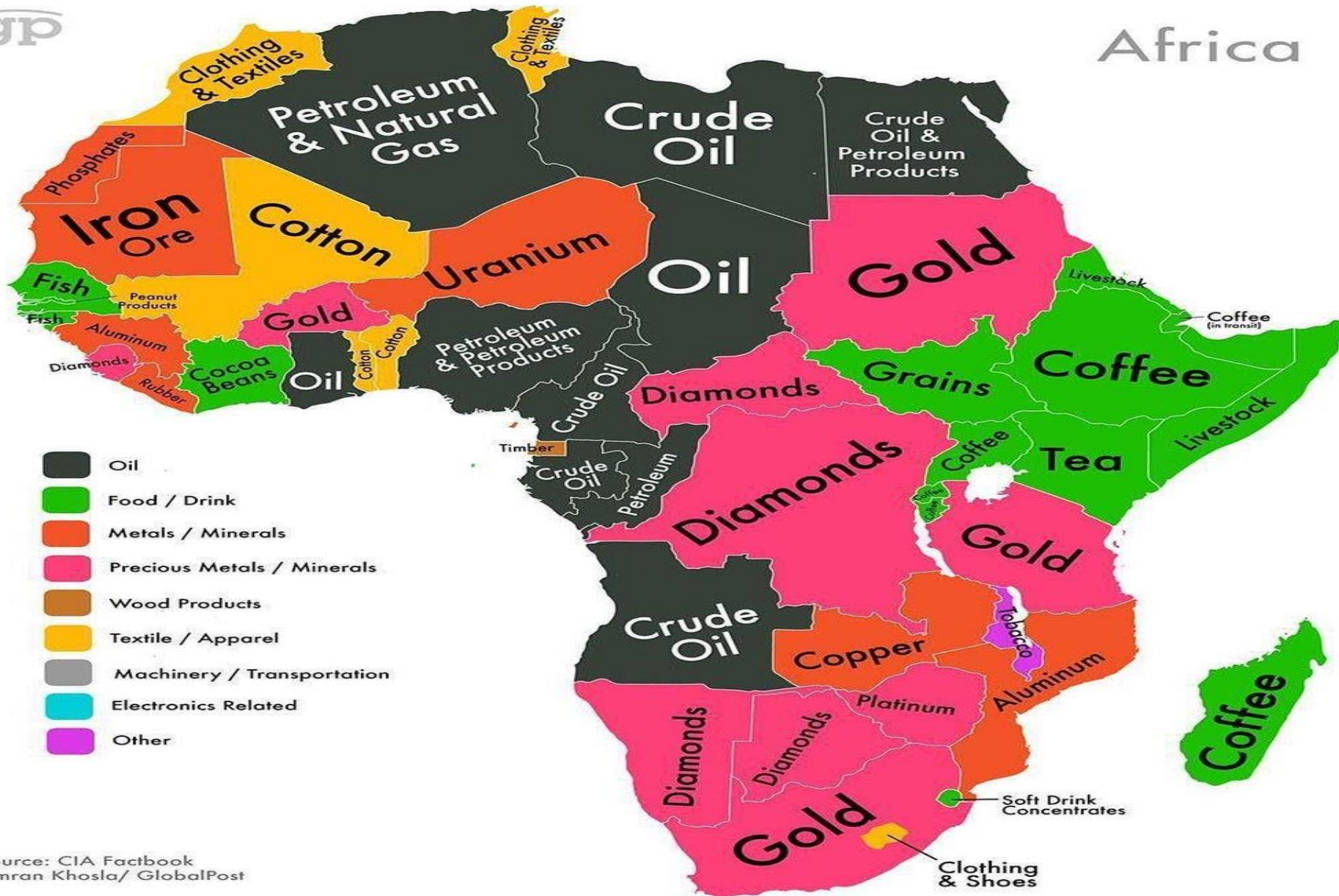


Income Class Category	Gross National Income (GNI) per capita	No. of Countries
Low Income	\$1,035 or less	23

Key exports for African economies

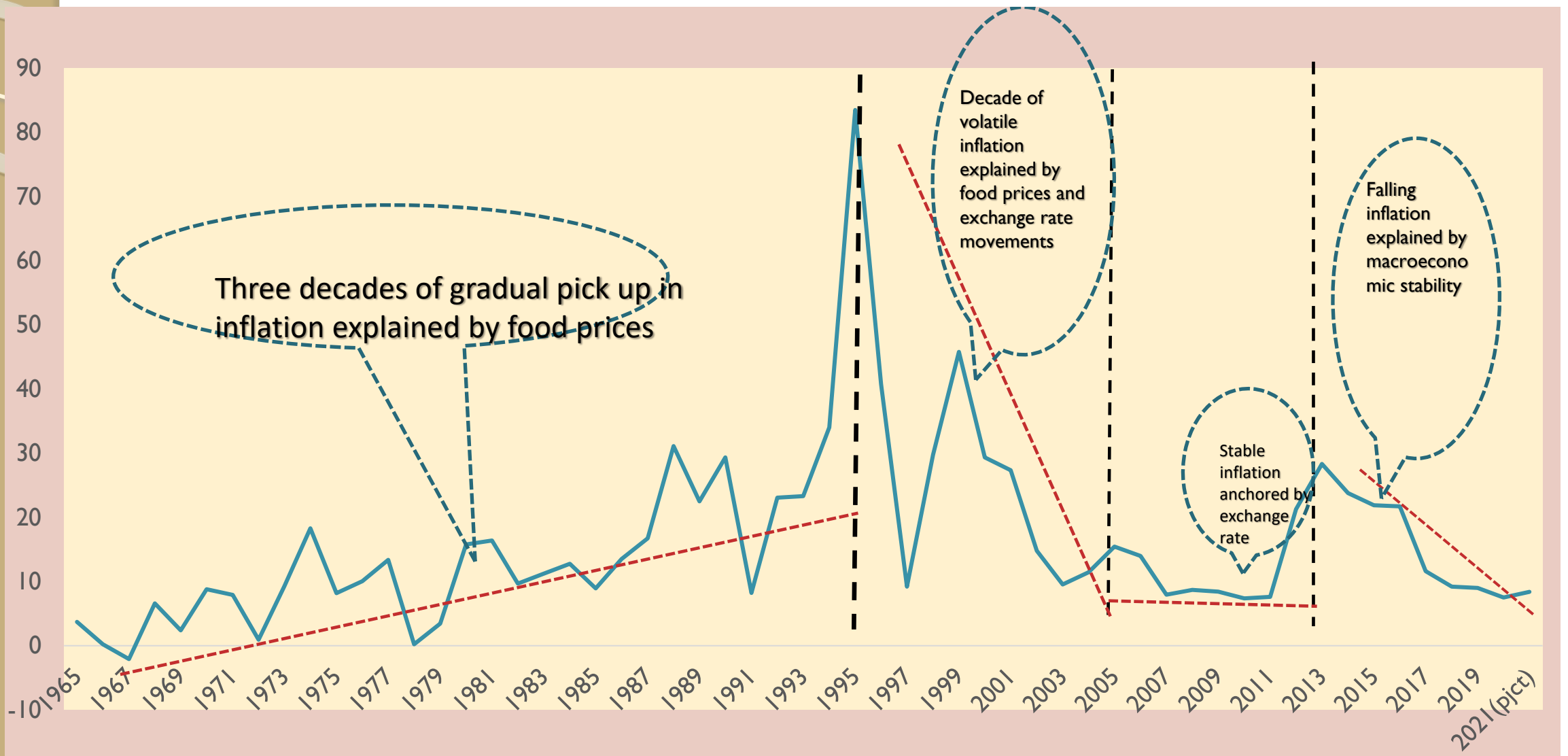


Africa

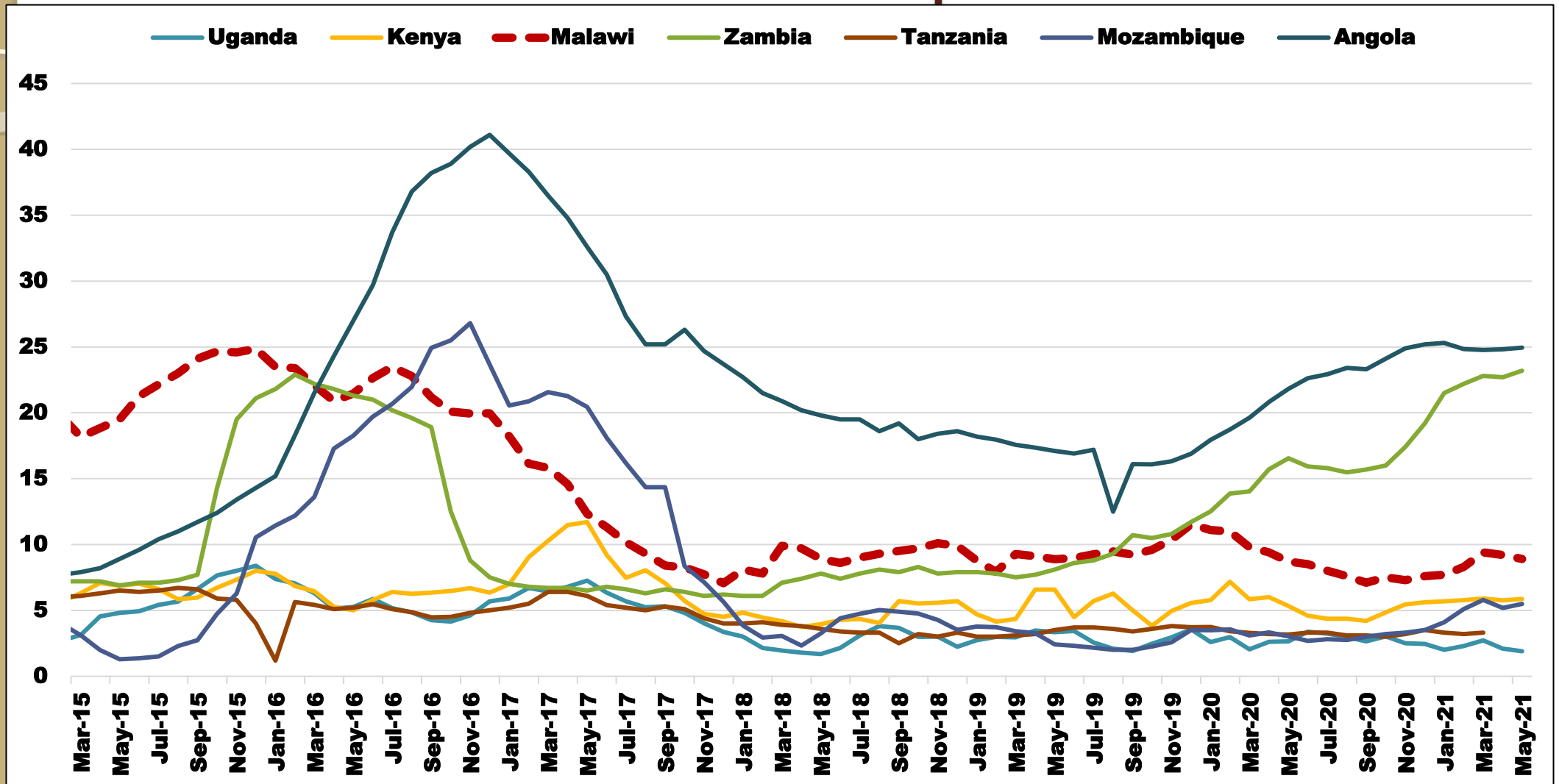


Source: CIA Factbook
Simran Khosla/ GlobalPost

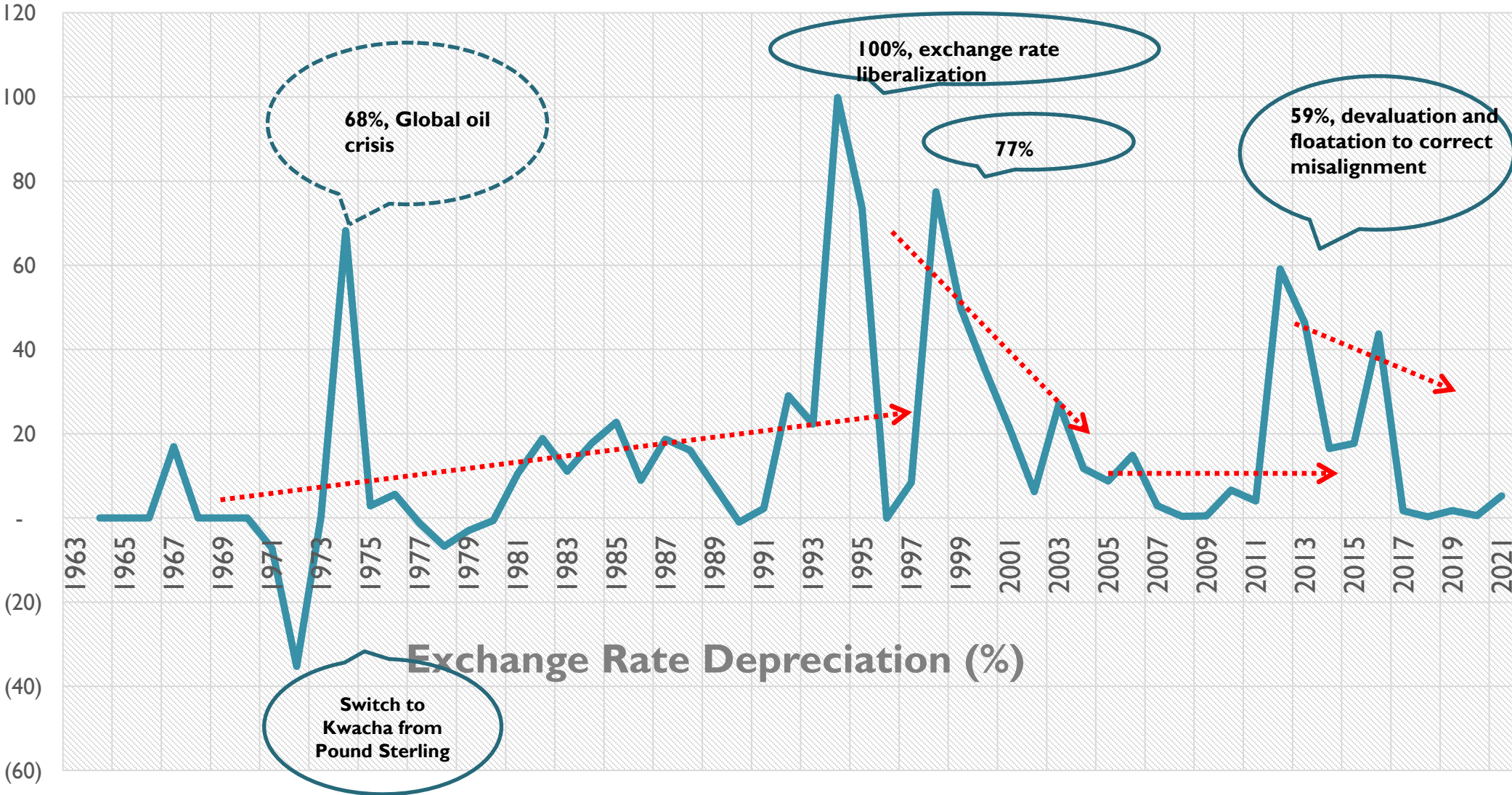
Inflation Trends



Malawi's Inflation converging to Regional Counterparts

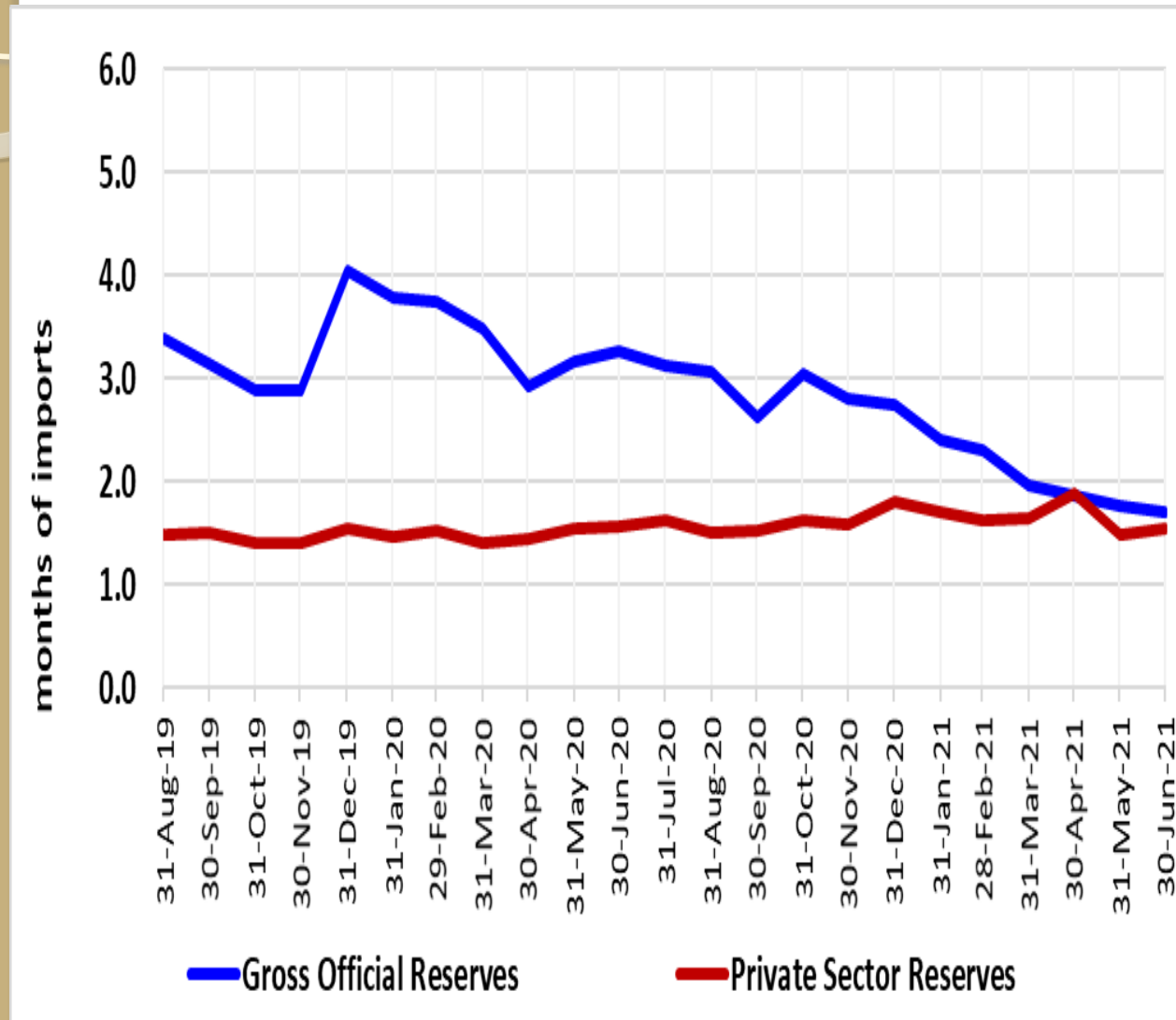


Trends in Exchange Rate-Mounting pressure in 2021



Exchange Rate Developments

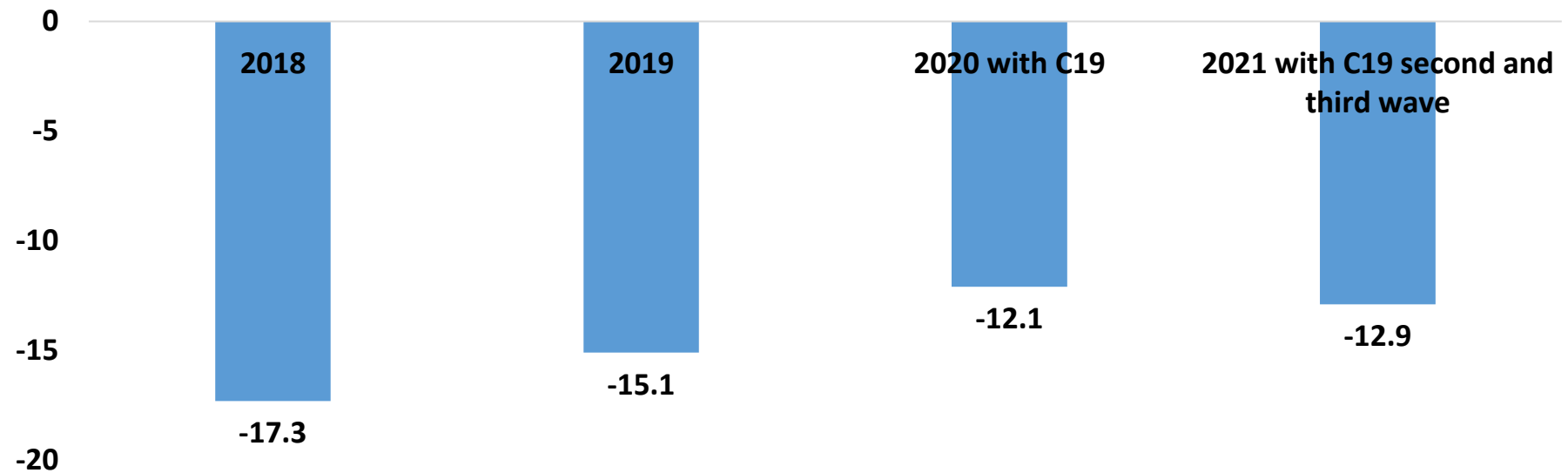
Gross Official Reserves



- ❖ The gross official reserves declined to US\$424.99 million (1.70 months of imports) at end-June 2021 from US\$846.55 million (4.05 months of imports) at end-December 2019
- ❖ The private sector reserves increased to US\$388.8 million (1.56 months of imports) at end-June 2021 from US\$324.07 million (1.55 months of imports) at end-December 2019

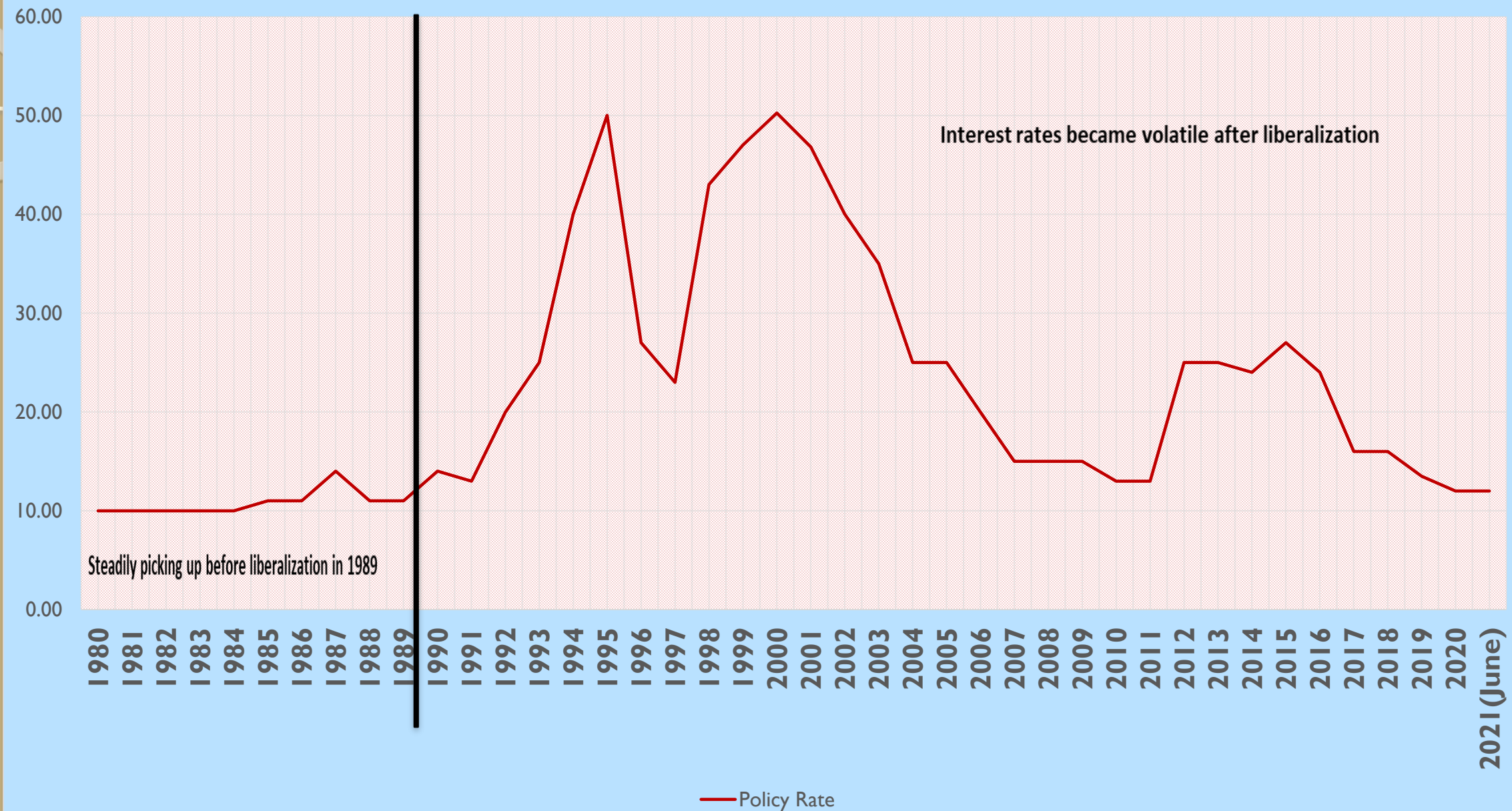
External Sector: Current Account Balance

Current Account Balance as a % of GDP

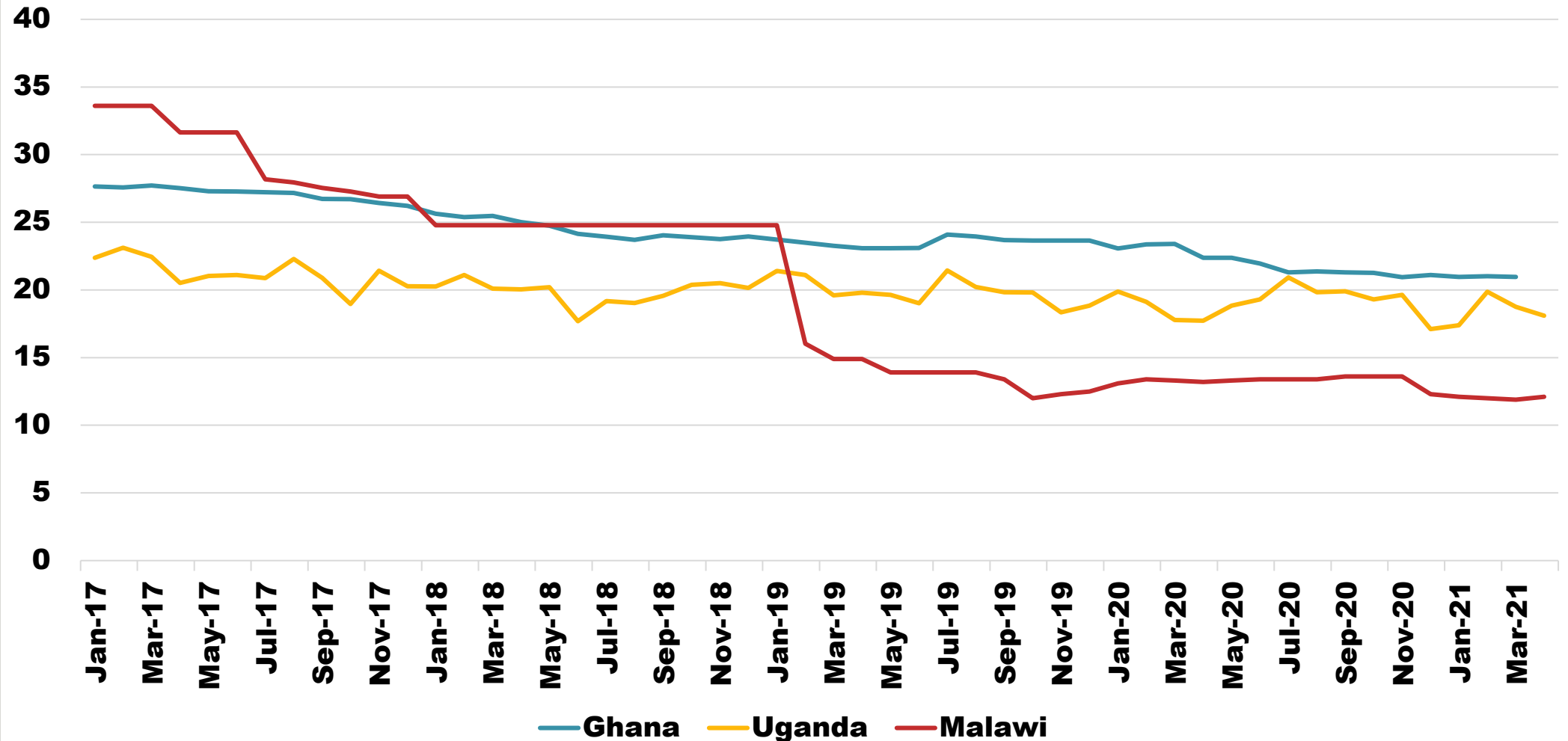


- ❖ In 2021, the current account deficit is estimated to worsen by 5.3 percent to minus US\$1.5 billion (12.9 percent of GDP).

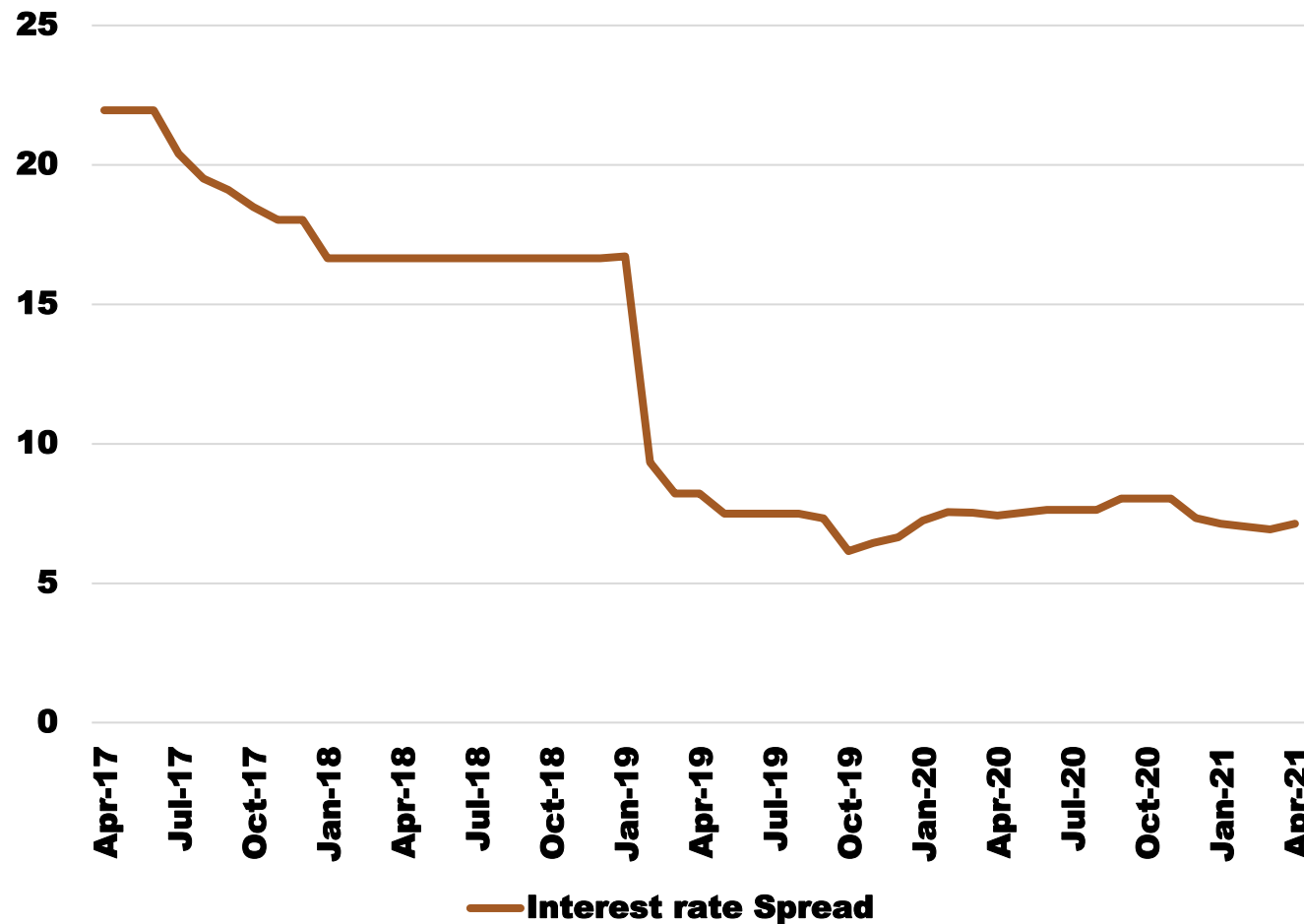
Trends in Interest Rates



Malawi's base lending rates lower than regional counterparts

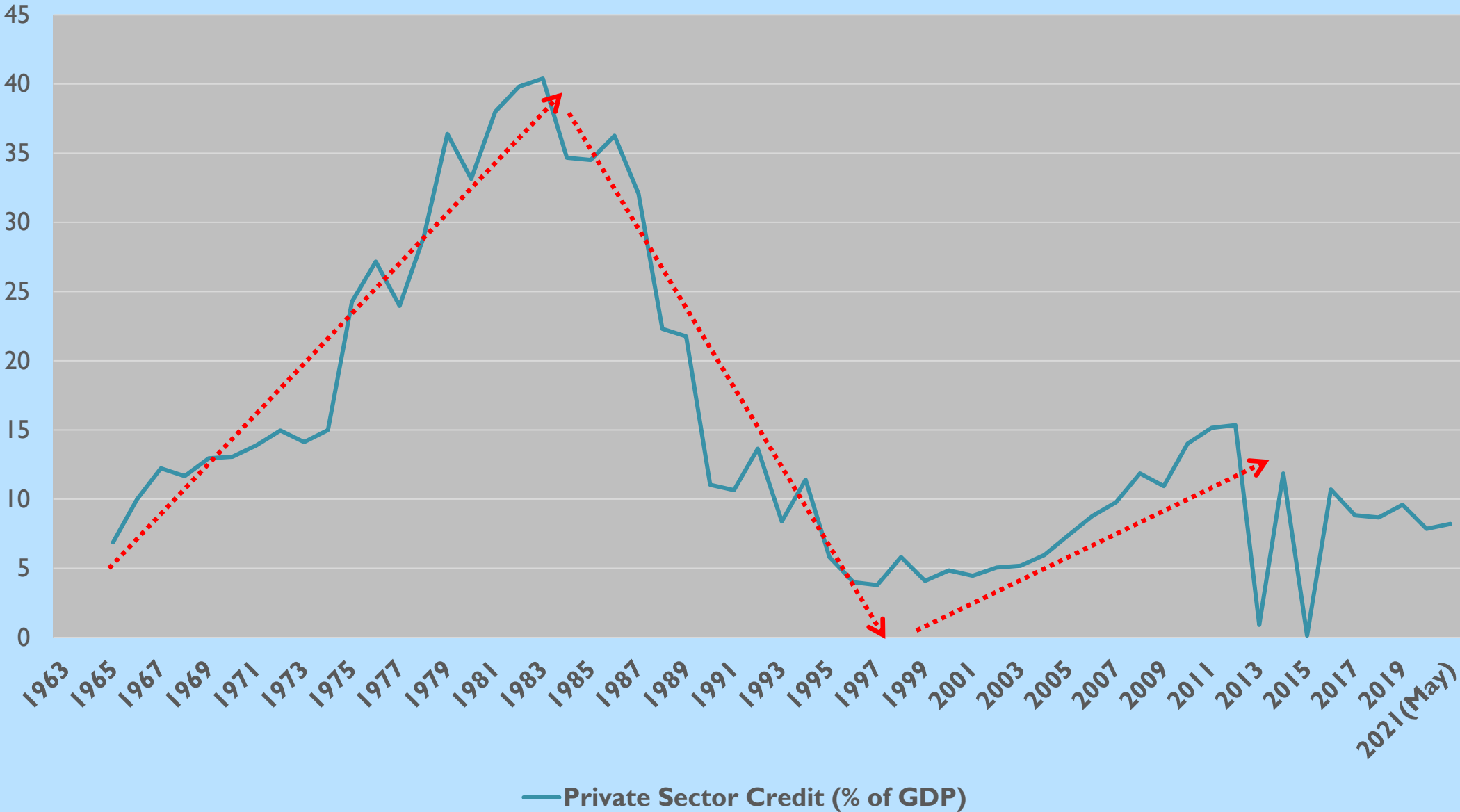


Interest Rate spread declined but remains relatively elevated



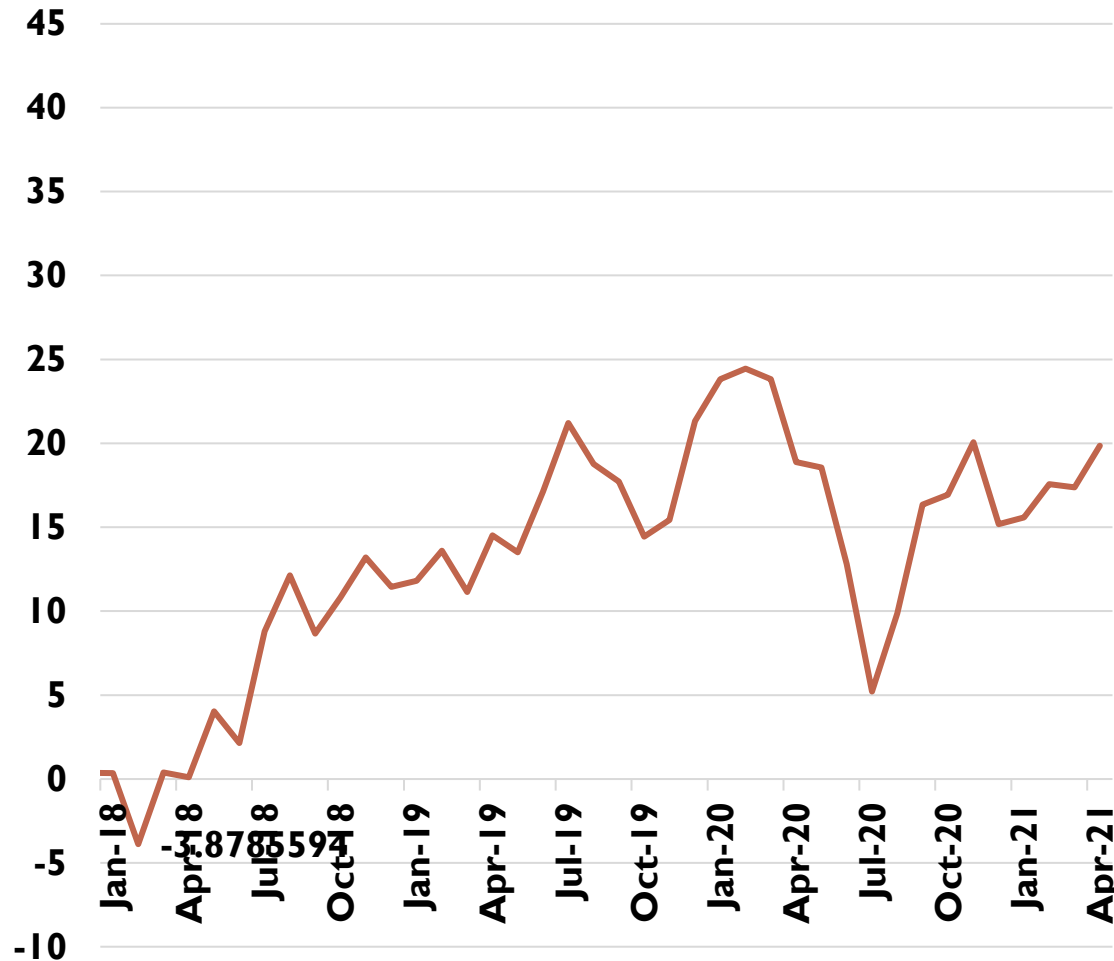
- Interest rate spread declined to 7.14 percentage points in April 2021 from 16.7 percentage points in December 2018

Private Sector Credit Trends



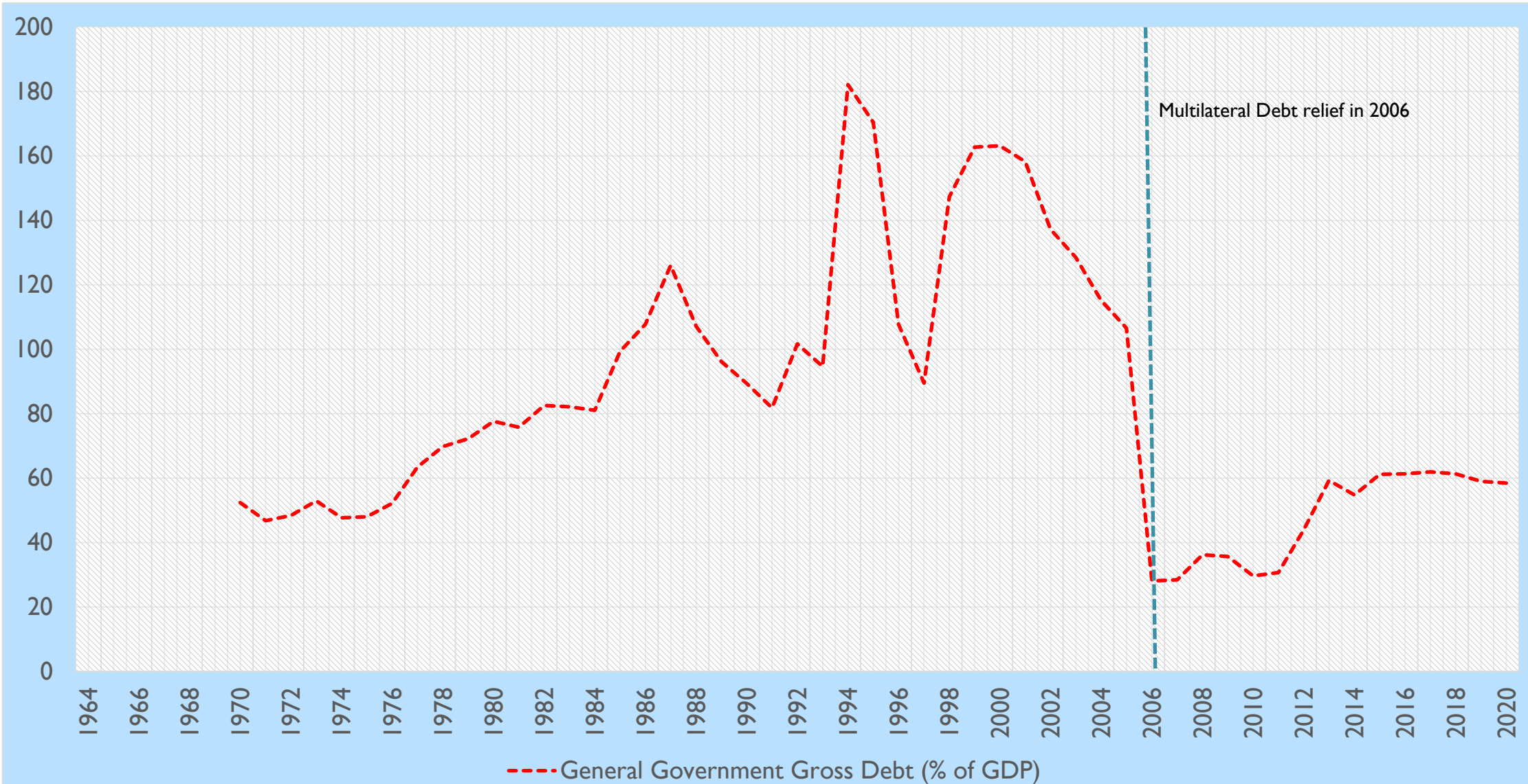
Monetary Developments – Pvt Sector Credit

Private Sector Credit Annual growth (%)



- ❖ Private sector annual growth rate remained relatively strong at 19.9% in April 2021 compared to 17.4% in April 2020 from -3.8% in February 2018

Trends in Public Debt



Trends in NPLs Ratio



Status of International Monetary Fund (IMF) Program

- ❖ Discussions for a successor Extended Credit Facility (ECF) program with the IMF Mission Team commenced recently
- ❖ Malawi is expected to have an IMF supported Extended Credit Facility (ECF) Program by December 2021

Conclusion

- ❖ Domestically, real GDP growth is projected to rise to 3.8% in 2021, but imbalances on the external sector remain
- ❖ Foreign exchange availability remains the key problem – this underscores the need for export led growth beyond tobacco, with middle income status as a long term goal
- ❖ Budget should be used as a tool for development: the shift in the budget towards development should be sustained
- ❖ Inflation is expected to remain in single digits in 2021



Thank You