



Economic review (Q2 of 2019)

Investment Banking

24th July 2019

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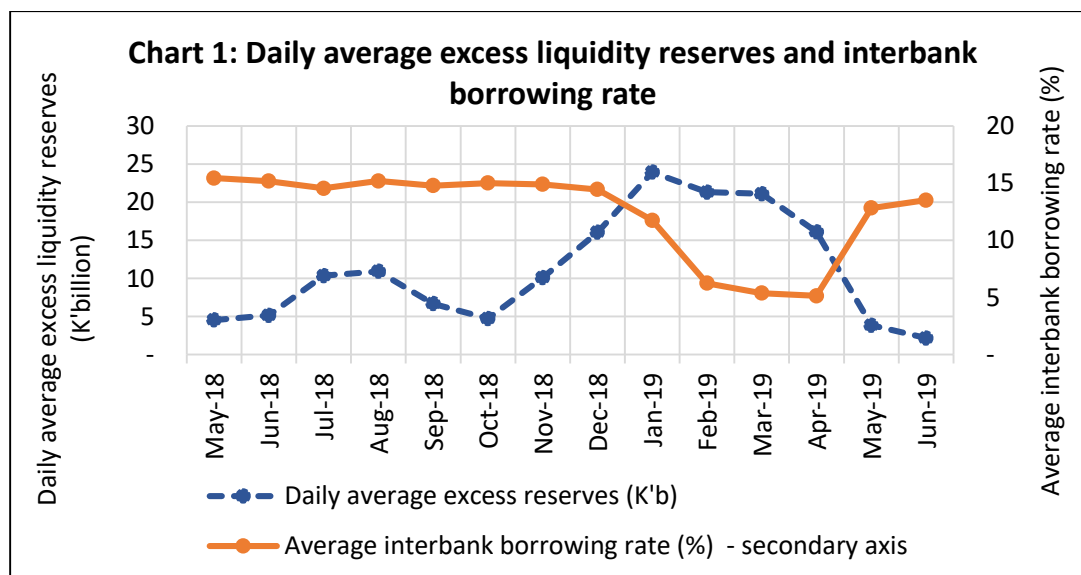
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1. Introduction

- 1.1 The economic environment that prevailed in the second quarter (Q2) of 2019 was not fundamentally different from what transpired in the previous quarter. Interest rates continued to decline as the Reserve Bank of Malawi (RBM) cut the Policy rate for the second time in 2019 from 14.5% to 13.5% in May 2019. The policy rate was previously dropped in January 2019 from 16% to 14.5%.
- 1.2 Other key economic variables also remained favourable during Q2. For example, the inflation rate declined to 9.0% in June 2019 from 9.3% in March 2019 due to a decrease in food inflation rate following the maize harvest; the Kwacha depreciated by 2.78% against the US dollar largely on account of increased political risk during the elections period.
- 1.3 The quarter was, however, characterised by low liquidity levels which led to an increase in the interbank borrowing rate as shown in Chart 1 in the ensuing section.

2. Interbank market

- 2.1 Excess liquidity reserves for banks decreased from an average of K22.13b per day in the first quarter (Q1) of 2019 to an average of K7.37b per day in the second quarter (Q2) of 2019. Despite registering a steady decrease, the prevailing liquidity levels were slightly higher compared to the average of K7.04b per day recorded in a corresponding period in 2018.
- 2.2 On account of lower liquidity levels, the interbank borrowing rate increased from the average of 7.79% in Q1 of 2019 to an average of 10.49% in Q2 of 2019. In 2018, the interbank borrowing rate averaged 14.89% in Q2, and 14.65% in Q1.
- 2.3 Chart 1 provides a summary of excess liquidity reserves and overnight interbank rate movements over the past year.



(Source: Reserve Bank of Malawi)

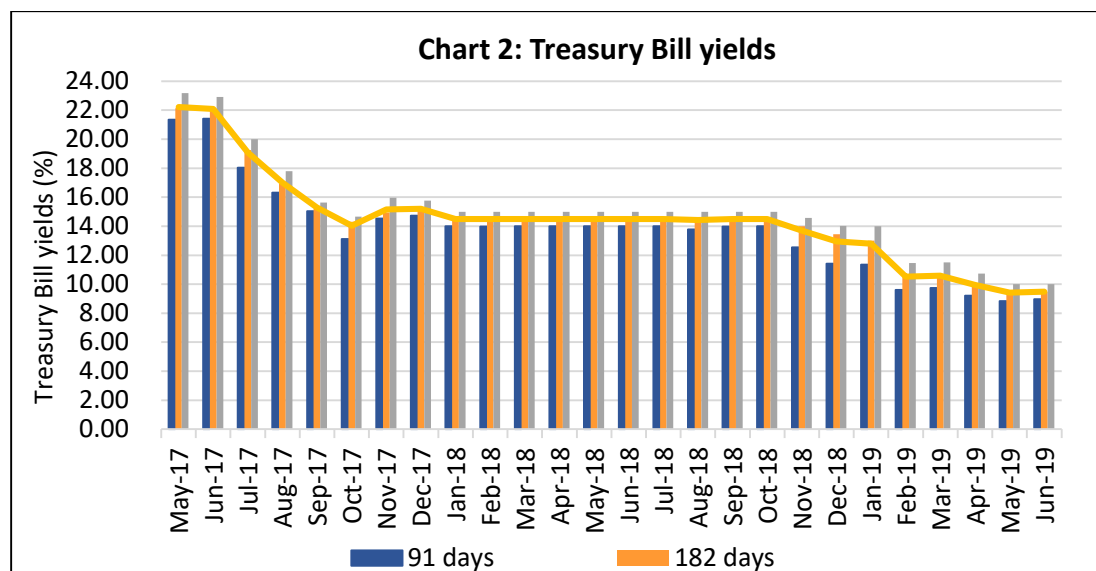
- 2.4 The volume traded among banks on the interbank market marginally increased from an average of K8.51b per day in Q1 of 2019 to an average of K8.68b per day in Q2 of 2019. In 2018, interbank

market volume averaged K8.14b per day in Q2 and K8.40b per day in Q1, slightly lower levels than those observed in 2019.

- 2.5 Further, in line with lower liquidity levels, access to the Lombard facility increased from an average of K3.68b per day in Q1 of 2019 to an average of K16.85b per day in Q2 of 2019. In 2018, access to the Lombard facility averaged K7.43b per day in Q2 and K5.90b per day in Q1.
- 2.6 The Lombard rate decreased from an average of 15.73% in Q1 of 2019 to an average of 14.27% in Q2 of 2019, after the MPC cut the Lombard rate from 14.9% to 13.9% on 3rd May 2019. The Lombard rate was at 18.00% in the corresponding period in 2018.
- 2.7 While RBM withdrew from the market a total of K47.64b (at the average rate of 11.46%) in Q1 of 2019, there were no open market operations (OMOs) conducted by RBM in Q2 of 2019. In 2018, OMOs amounted to K5.73b in Q2 and K9.20b in Q1, at the average rates of 15.01% and 15.00%, respectively.

3. Government securities

- 3.1 Government raised a total of K95.31b in Q2 of 2019 from auctions for Treasury Bills (TBs) compared to a total of K179.22b that was raised in Q1 of 2019. Applications for TBs in Q2 of 2019 amounted to K271.10b, representing a rejection rate of 64.84%, which is higher than the rejection rate of 38.10% recorded in Q1 of 2019. In Q2 of 2018, Government raised a total of K138.72b in TB auctions with a rejection rate of only 4.27%.
- 3.2 Chart 2 below shows that TB yields continued to decline in the period under review following a second Policy rate cut this year on 3rd May 2019.
- 3.3 Specifically, the 91-day, 182-day and 364-day TB yields decreased to an average of 9.01%, 9.61% and 10.25%, respectively, in Q2 of 2019, from an average of 10.24%, 11.34% and 12.32%, respectively, in Q1 of 2019. Consequently, the all-type average TB yield decreased to 9.62% in Q2 of 2019 from 11.30% in Q1 of 2019. In Q2 and Q1 in the previous year, the 91-day, 182-day and 364-day average TB yields were higher at 14.00%, 14.50% and 15.00%, respectively, resulting in an average (all-type) yield 14.50% in both quarters.



Source: Reserve Bank of Malawi

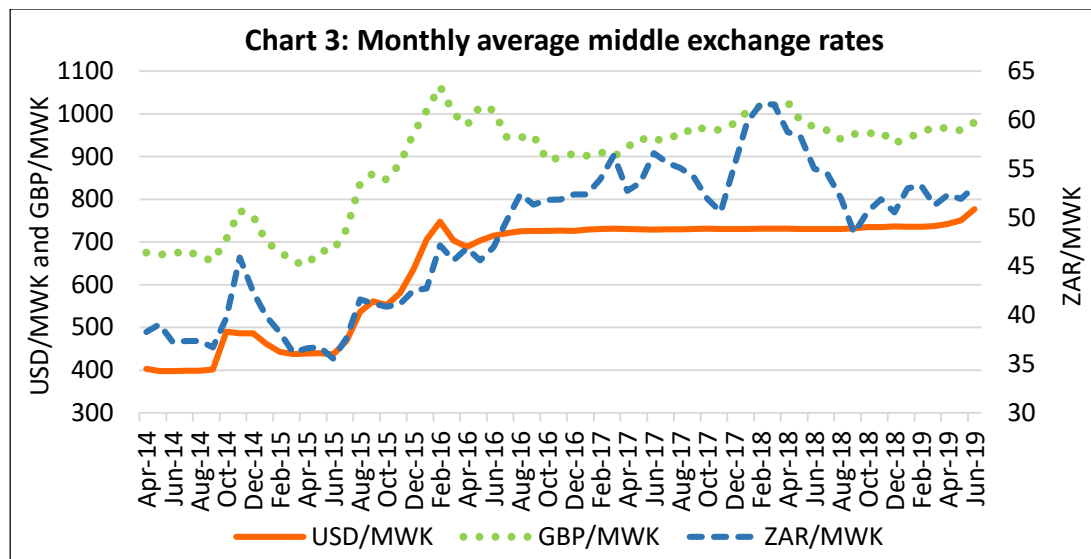
- 3.4 During the period under review (Q2 of 2019), auctions for Treasury Notes (TN), particularly 2-year, 3-year, 5-year and 7-year TNs were conducted from which the Government of Malawi (GoM) raised a total of K44.86b at the average yield of 12.20% for the 2-year TN, 13.72% of the 3-year TN, 16.19% for the 5-year TN, and 19.00% for the 7-year TN. In Q1 of 2019, GoM raised a total of K82.09b from auctions for 2-year, 3-year, 5-year and 7-year TNs at the average yield of 17.32%, 14.77%, 16.27% and 24.00%, respectively.
- 3.5 Looking ahead, the declining trend in yields of Government securities is expected to continue in the medium to long term as monetary authorities aim for low interest rates in a bid to stimulate private sector credit which could spur economic growth.

4. Foreign exchange market

- 4.1 During the quarter under review, the Kwacha depreciated by 2.78% and 1.30% against the USD and GBP, respectively, largely due to perceived increased political risk during the elections period which increased speculative demand of foreign currency, and a slow start of the tobacco season which affected forex supply. The USD/MWK middle exchange rate averaged 756.97 in Q2 of 2019, increasing from the average of 736.48 in Q1 of 2019. However, the Kwacha marginally appreciated by 0.06% on average against ZAR during the period. On a year-on-year basis, the Kwacha depreciated by 3.57% against the USD and appreciated by 2.46% and 8.49% against GBP and ZAR, respectively.
- 4.2 Table 1 and Chart 3 below provide an overview of how the Kwacha has fared against the three major trading currencies in the last five years.

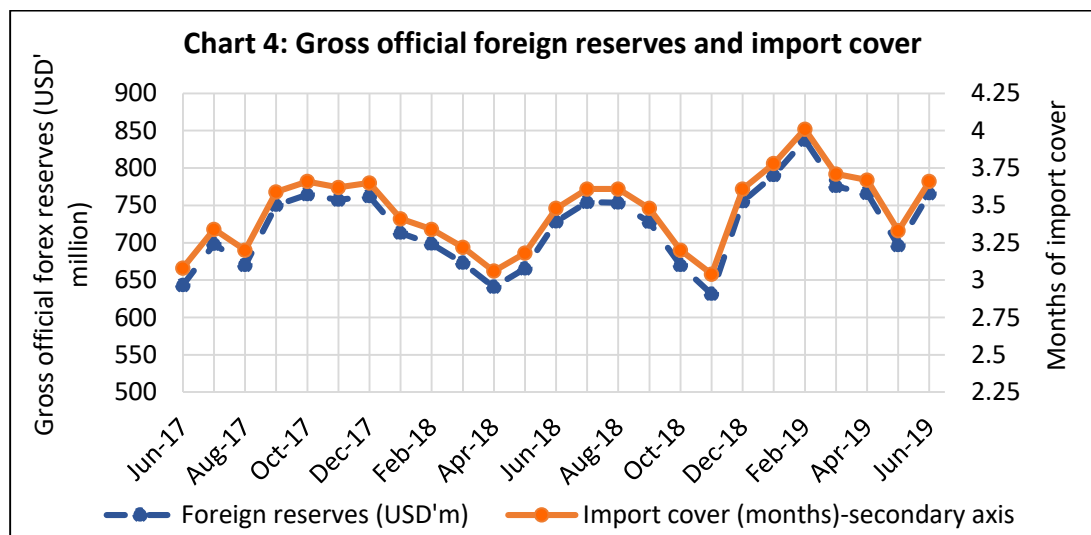
Table 1: Average middle exchange rates					
Currency	Q2 2019	Q1 2019	Q2 2018	Q/Q Change	YOY Change
USD	756.97	736.48	730.88	▼ 2.78%	▼ 3.57%
GBP	969.07	956.64	993.55	▼ 1.30%	▲ -2.46%
ZAR	52.48	52.52	57.35	▲ -0.06%	▲ -8.49%

(Source: Reserve Bank of Malawi). **(Note: Upward arrow represents appreciation and downward arrow represents depreciation of the Kwacha).**



(Source: Reserve Bank of Malawi)

- 4.3 With regard to forex reserves, gross official foreign reserves decreased to USD765.82m (3.66 months of import cover) on 30th June 2019 from USD775.45m (3.71 months of import cover) on 31st March 2019. In the previous year, gross official reserves were lower at USD728.10m (3.48 months of import cover) on 30th June 2018.

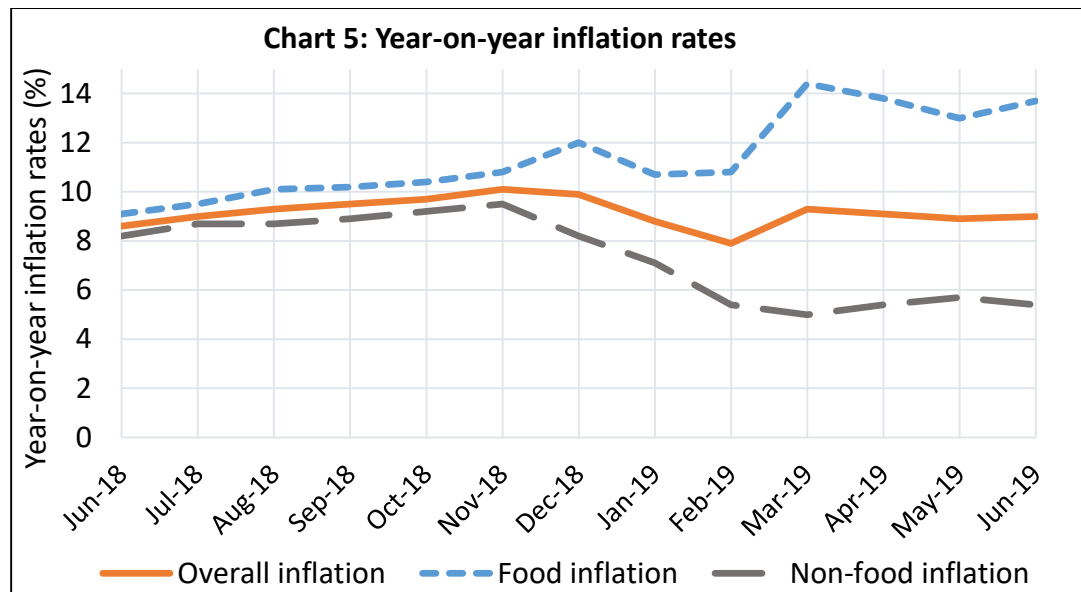


(Source: Reserve Bank of Malawi)

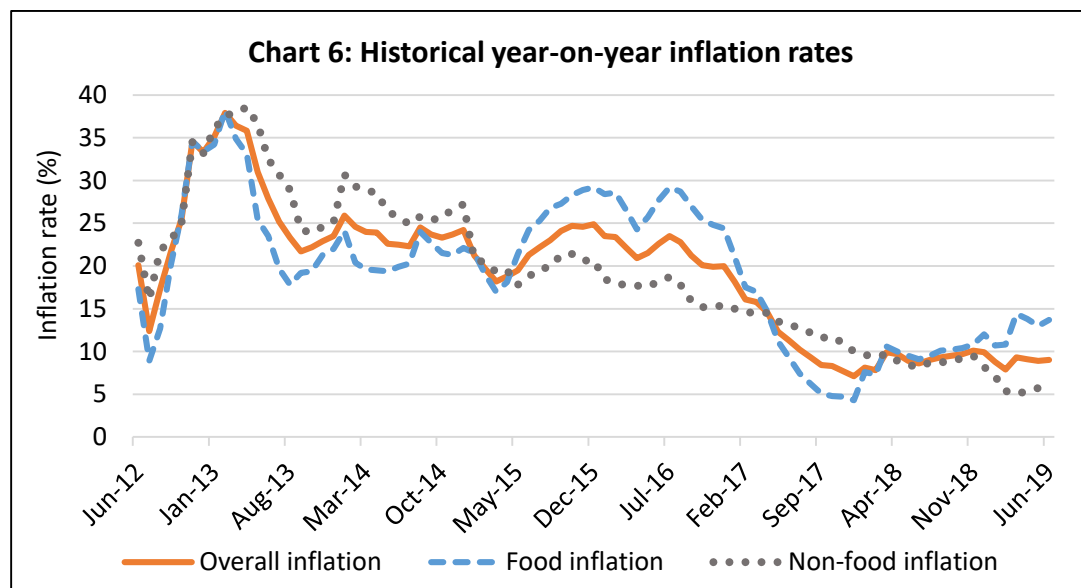
- 4.4 In the ensuing months, the forex reserves position is expected to increase due to increased forex inflows from tobacco sales. The forex reserves position is expected to prevent excessive depreciation of the Kwacha in the medium term. In the long term, however, depreciation risks still remain trade imbalances due the country's weak and less diversified export base and exogenous shocks such as rising international oil prices. The Economist Intelligence Unit (EIU) forecast a further depreciation of the Kwacha after the May 2019 elections, on account of fiscal consolidation pressures, while the RBM expect the exchange rate to stabilise later in the year.

5. Inflation

- 5.1 The year-on-year headline inflation rate decreased to 9.0% in June 2019 from 9.3% in March 2019, on account of a decrease in year-on-year food inflation rate to 13.7% from 14.4% which outweighed an increase in non-food inflation rate to 5.4% from 5.0%. Food inflation eased in the Q2 of 2019 following improvements in food supply. However, the year-on-year headline inflation and food inflation rates for June 2018 were lower at 8.6% and 9.1%, respectively, while non-food inflation rate was higher at 8.2%.
- 5.2 Chart 5 depicts the trend of inflation rate in the past year and Chart 6 depicts a longer historical trend covering the period between June 2012 and June 2019.



(Source: National Statistical Office)

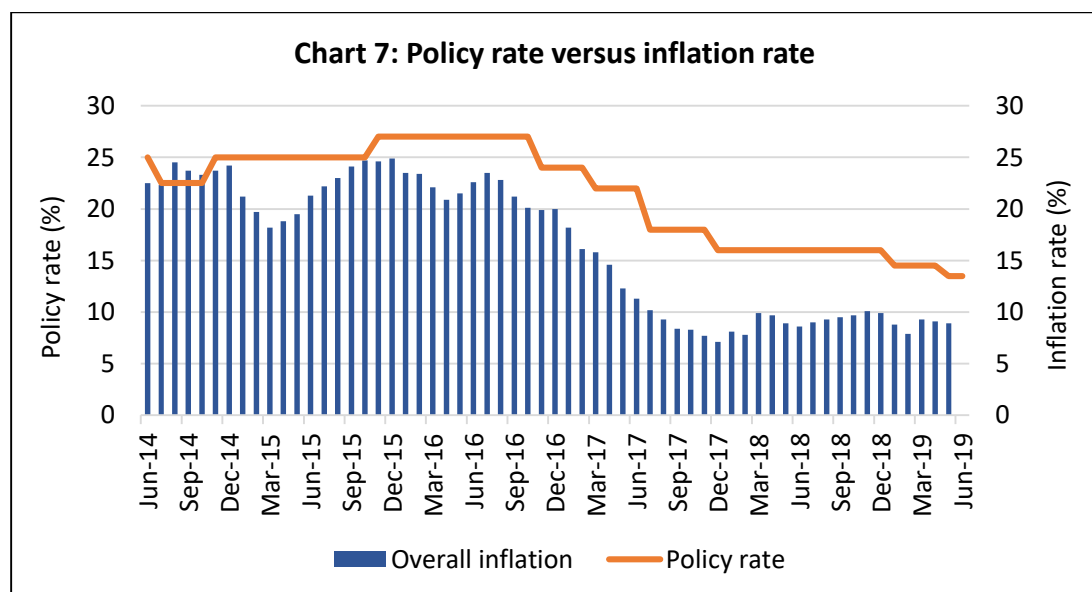


(Source: National Statistical Office)

- 5.3 Looking forward, inflation is expected to remain relatively low in 2019 mainly backed by continued improvements in the macroeconomic environment and expected improvement in agricultural output. The Ministry of Agriculture, Irrigation and Water Development estimated a better harvest this year compared to the previous year as a result of a better rainfall pattern in the 2018/2019 season compared to the previous season, despite the floods experienced in the southern part of the country during the season. The Ministry's second round of the 2018/2019 agricultural production estimate survey that was conducted from February to March 2019 indicated that crop production for the 2018/2019 season would increase significantly over the 2017/2018 season and five year average on all commodities except cotton and wheat. Maize production, Malawi's staple food, was expected to increase by 24.36%. However, risks to this inflation outlook could emanate from a possible rise in food prices, fiscal consolidation pressures after the elections, a possible rise in domestic utility prices and oil prices on the international market and further depreciation of the Kwacha.
- 5.4 In a Monetary Policy Report for May 2019, RBM lowered their projection for average headline inflation rate for 2019 to 8.0% from their earlier projection of 8.5% made in January 2019. The RBM is still targeting an average annual inflation rate of 5% by 2021.

6. Monetary policy

- 6.1 The Monetary Policy Committee (MPC) held a second meeting of 2019 on 2nd and 3rd May 2019, during which the Policy rate was revised downwards from 14.5% to 13.5%. The Committee, however, maintained the Lombard rate at 0.4 percentage points above the Policy rate, the Liquidity Reserve Requirement (LRR) on local currency deposits at 5% and the LRR on foreign currency deposits at 3.75%. A positive macroeconomic outlook for 2019 backed the policy decision.
- 6.2 Chart 7 below depicts the historical trend of the Policy rate relative to inflation rate. The chart shows that the Policy rate has been on a declining trend since November 2016.



(Source: RBM, NSO)

6.3 In response to the 100 basis points cut in the Policy rate, all commercial banks reduced maximum lending rates by the same magnitude. Maximum lending rates now range from 24.40% to 25.75%, compared to the range of 25.40% to 26.75% before the revision. However, most banks kept their deposit rates unchanged.

6.4 Looking ahead, we expect a cautious monetary policy in the short term as exchange rate depression pressures and inflationary pressure persist in the current unstable political environment. In the medium to long term, however, we expect further interest rate cuts when the political environment stabilises and if shocks to inflation and the exchange rate will be contained. The RBM is targeting a Policy rate of 11% by 2021.

Table 2: Bank lending rates							
Bank	Revised max. rates - May 2019	Previous max. rates	Change in max. rates	Current max. premium	Previous max. premium	Revised base rate	Previous base rate
CDHIB	24.40%	25.40%	-1.00%	10.50%	10.50%	13.90%	14.90%
Ecobank	25.75%	26.75%	-1.00%	11.85%	11.85%	13.90%	14.90%
FDH	25.00%	26.00%	-1.00%	11.10%	11.10%	13.90%	14.90%
First Capital	25.00%	26.00%	-1.00%	11.10%	11.10%	13.90%	14.90%
NBM	24.90%	25.90%	-1.00%	11.00%	11.00%	13.90%	14.90%
NBS	23.90%	24.90%	-1.00%	10.00%	10.00%	13.90%	14.90%
Nedbank	25.50%	26.50%	-1.00%	11.60%	11.60%	13.90%	14.90%
MyBucks	25.50%	26.50%	-1.00%	11.60%	11.60%	13.90%	14.90%
Standard	24.90%	25.90%	-1.00%	11.00%	11.00%	13.90%	14.90%
Average	24.98%	25.98%	-1.00%	11.08%	11.08%	13.90%	14.90%

7. Economic growth

7.1 Despite an unstable political environment during and after the May 2018 elections, which is expected to affect business activity, economic growth outlook for 2019 generally remains positive. The RBM and the National Accounts and Balance of Payments Committee project Malawi's GDP growth rate for 2019 to be 5.0% compared to the World Bank's estimate of 4.3%¹. This is an improvement from the estimated growth rate of 4.0% in 2018.

7.2 The positive growth for 2019 is expected to be supported by good performance of the agriculture sector, improved power supply, favourable macroeconomic environment as well as the easing of monetary policy, among other factors. In addition to the agriculture sector, good performance is also expected from the following economic activities: wholesale and retail trade; transportation and storage; information and communication; and professional, scientific and technical services.

¹ Source: World Bank Global Economic Prospects, January 2019

Table 3a: GDP growth rate and projections for Malawi				
	2017	2018	2019	2020
Reserve Bank of Malawi (RBM)	5.20%	4.00%	5.00%	5.10%
Government of Malawi	5.20%	4.00%	5.00%	5.10%
World Bank	4.00%	3.70%	4.30%	5.30%
International Monetary Fund (IMF)	4.00%	3.20%	4.00%	5.00%
Economist Intelligence Unit (EIU)	4.00%	3.50%	4.10%	4.40%
Fitch Solutions	5.10%	3.70%	4.80%	4.60%
NKC Africa Economics	4.00%	3.72%	4.48%	5.12%
Average	4.50%	3.69%	4.53%	4.95%

7.3 The above growth projections for Malawi for 2019 are above the average projections for the Sub-Saharan Africa region. The World Bank and IMF forecast that the Sub-Saharan Africa region will grow by 3.4% and 3.5%, respectively, in 2019, up from 2.7% and 3.0%, respectively, in 2018. Economic activity in the region is expected to accelerate despite subdued commodity prices and somewhat civil strife in some cases. In non-resource-intensive economies, growth will be supported by strong agricultural production and continued infrastructure investment, while oil exporters are expected to benefit from higher oil production. However, weaker metals prices and subdued external demand imply a sluggish recovery in metals exporters.

Table 3b: GDP growth projections for Sub-Saharan Africa				
	2017	2018e	2019f	2020f
World Bank	2.60%	2.70%	3.40%	3.60%
International Monetary Fund (IMF)	2.90%	3.00%	3.50%	3.70%
Economist Intelligence Unit (EIU)	3.10%	3.20%	3.60%	3.70%
Fitch Solutions	3.00%	2.60%	3.50%	4.00%
Average	2.90%	2.88%	3.50%	3.75%

7.4 Growth in the two largest economies in the region, South Africa and Nigeria, according to IMF, is expected to accelerate to 1.2% in 2019 from 0.8% in 2018 for South Africa and to 2.1% in 2019 from 1.9% in 2018 for Nigeria. Malawi's neighboring countries, Zambia, Tanzania, Mozambique and Zimbabwe, are expected by IMF to grow in 2019 by 3.1%, 4.0%, 4.0% and -5.2%, respectively, from 3.5%, 6.6%, 3.3% and 3.4%, respectively, in 2018.

Table 3c: IMF GDP growth projections for selected countries in Sub-Saharan Africa				
	2017	2018e	2019f	2020f
Sub-Saharan Africa	2.90%	3.00%	3.50%	3.70%
Malawi	4.00%	3.20%	4.00%	5.00%
South Africa	1.40%	0.80%	1.20%	1.50%
Nigeria	0.80%	1.90%	2.10%	2.50%
Zambia	3.40%	3.50%	3.10%	2.90%
Tanzania	6.80%	6.60%	4.00%	4.20%
Mozambique	3.70%	3.30%	4.00%	4.00%
Zimbabwe	4.70%	3.40%	-5.20%	3.30%

(Source: World Economic Outlook – April 2019)

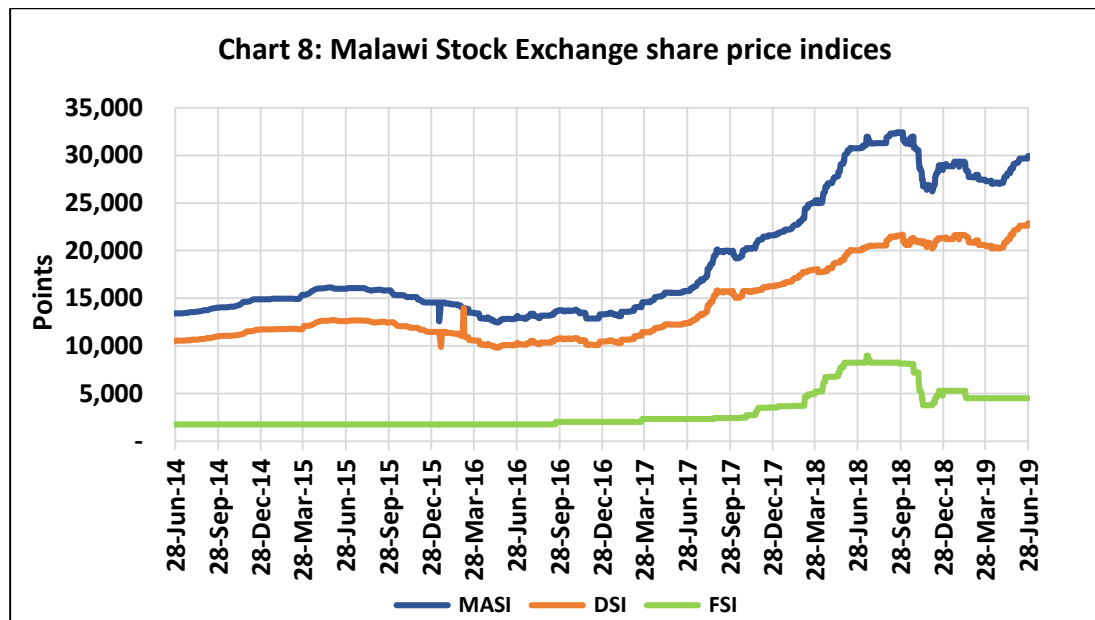
- 7.5 The relative strong growth expectations for Malawi puts the country in a good position for sustained economic recovery.

8. Stock market performance

- 8.1 The Malawi Stock Exchange (MSE) registered improved performance in Q2 of 2019, relative to Q1 of 2019. Specifically, the Malawi All Share Index (MASI) gained by 9.71% between the end of Q2 of 2019 and the end of Q1 of 2019, compared to a loss of 5.80% it registered in the previous quarter. The year-to-date (YTD) return on the MASI stood at 3.36% as at the end of Q2 of 2019, up from negative 5.8% as at the end of Q1 of 2019. However, on a year-on-year basis, the MASI lost by 2.54%.
- 8.2 Chart 8 shows a graphical analysis of the MASI, DSI and FSI, over the five year period between June 2014 and June 2019.
- 8.3 Eight counters, namely MPICO, NBM, PCL, TNM, NICO, STANDARD, ILLOVO and NITL registered capital gains in Q2 of 2019, two counters (FMBCH and SUNBIRD) registered no share price movement while the rest registered losses, as shown in Table 4 below.
- 8.4 There was no trade on debt securities listed on the market during the review quarter.

Table 4: Share trading summary								
	28-Jun-19	29-Mar-19	31-Dec-18	29-Jun-18		Q/Q Δ	YTD Δ	YOY Δ
Market indices								
MASI	29,956.00	27,303.65	28,983.53	30,736.95	↑	9.71%	↑ 3.36%	↓ -2.54%
DSI	22,877.77	20,483.29	21,318.07	20,033.47	↑	11.69%	↑ 7.32%	↑ 14.20%
FSI	4,520.31	4,521.94	5,265.12	8,237.82	↓	-0.04%	↓ -14.15%	↓ -45.13%
Gainers (Q-O-Q)								
MPICO	19.50	13.07	13.20	19.49	↑	49.20%	↑ 47.73%	↑ 0.05%
NBM	370.00	315.01	332.02	300.00	↑	17.46%	↑ 11.44%	↑ 23.33%
PCL	1,400.00	1,200.00	1,140.00	772.00	↑	16.67%	↑ 22.81%	↑ 81.35%
TNM	28.99	25.05	28.00	24.00	↑	15.73%	↑ 3.54%	↑ 20.79%
NICO	48.50	41.97	43.00	46.00	↑	15.56%	↑ 12.79%	↑ 5.43%
STANDARD	630.00	569.00	670.00	670.00	↑	10.72%	↓ -5.97%	↓ -5.97%
ILLOVO	210.00	200.00	200.00	240.00	↑	5.00%	↑ 5.00%	↓ -12.50%
NITL	75.01	75.00	75.00	73.00	↑	0.01%	↑ 0.01%	↑ 2.75%
Flat (Q-O-Q)								
FMBCH	85.00	85.00	100.00	160.00	→	0.00%	↓ -15.00%	↓ -46.88%
SUNBIRD	138.00	138.00	145.00	145.00	→	0.00%	↓ -4.83%	↓ -4.83%
Losers (Q-O-Q)								
ICON	10.00	11.00	8.75		↓	-9.09%	↑ 14.29%	
NBS	9.00	9.90	10.00	8.66	↓	-9.09%	↓ -10.00%	↑ 3.93%
BHL	12.95	12.96	13.00	7.00	↓	-0.08%	↓ -0.38%	↑ 85.00%
OMU/OML	2,500.00	2,513.23	2,513.25	2,980.00	↓	-0.53%	↓ -0.53%	↓ -16.11%

(Source: MSE)



(Source: MSE)

9. Financial results for financial institutions and listed companies

- 9.1 A number of listed companies and financial institutions which include the 9 banks operating in Malawi, published their annual financial results for 2018.
- 9.2 While all banks except one posted profits in 2018, National Bank of Malawi Plc, Standard Bank Malawi Plc and Nedbank registered lower profits compared to 2017 as shown in Table 5.
- 9.3 Table 6 shows the financial results as at 31st December 2018 for the non-banking institutions with a comparative analysis as at 31st December 2017.

Table 5: Commercial banks' financial results for 2018				
	2018 PAT (K'b)		Movement	2017 PAT (K'b)
Listed banks				
First Capital Bank Plc	10.775	↑	7%	10.064
National Bank of Malawi Plc	15.965	↓	-17%	19.147
NBS Bank Plc	1.699	↑	256%	(1.092)
Standard Bank Malawi Plc	10.582	↓	-13%	12.162
Unlisted banks				
CDH Investment Bank Ltd	0.965	↑	293%	0.246
Ecobank Ltd	5.011	↑	30%	3.856
FDH Bank Ltd	5.965	↑	694%	(1.004)
Nedbank Malawi Ltd	(1.980)	↓	-2%	(1.941)
New Finance Bank Ltd	0.769	↑	140%	(1.918)

(Sources: MSE and The Nation and Daily Times newspapers)

(Note: New Finance Bank (NFB) is now called MyBucks Banking Corporation (MBC))

Table 6: 2018 financial results for non-bank institutions			
	2018 PAT (K'b)	Movement	2017 PAT (K'b)
Listed companies			
Blantyre Hotels Plc	0.352 ↓	-31%	0.507
FMB Capital Holdings Plc (US\$' million)	30.618 ↓	-12%	34.858
ICON Propoerties Plc	1.276		
ILLOVO Sugar Malawi Plc	16.449 ↑	113%	7.735
Mpico Plc	6.782 ↑	33%	5.093
National Investment Trust Plc	1.422 ↓	-39%	2.326
NICO Holdings Plc	12.774 ↑	15%	11.123
Old Mutual Malawi Ltd	21.030 ↑	74%	12.096
Press Corporation Plc	36.713 ↓	-7%	39.673
Sunbird Tourism Plc	2.562 ↑	5%	2.434
Telekom Networks Malawi Plc	16.666 ↑	27%	13.108
Unlisted financial institutions			
Asset managers			
Continental Asset Management Ltd	0.608 ↑	8%	0.562
NBM Capital Markets Ltd	0.411 ↓	-24%	0.540
NICO Asset Managers Ltd	0.798 ↑	43%	0.558
Insurance companies			
Britam Insurance Company Ltd	0.227 ↑	237%	(0.166)
Cooperative General Insurance Company Ltd	(0.042) ↑	87%	(0.314)
NICO General Insurance Company Ltd	1.403 ↓	-36%	2.190
NICO Life Insurance Company Ltd	9.420 ↑	0%	9.378
Old Mutual Life Assurance Company Ltd	9.467 ↑	57%	6.036
Smile Life Insurance Company Ltd	(0.006) ↓	-108%	0.075
United General Insurance Company Ltd	0.483 ↓	-25%	0.645
Pension services			
Continental Pension Services Ltd	(0.013)		
NBM Pensions Administration Ltd	0.078 ↓	-16%	0.067
Old Mutual Pension Services Company Ltd	0.373 ↑	259%	0.104
Other financial institutions			
Continental Capital Ltd	0.025 ↑	414%	0.005
Continental Holdings Ltd	1.002 ↑	145%	0.409
FDH Financial Holdings Ltd	7.820 ↑	8166%	0.095
First Discount House Ltd	1.125 ↓	-17%	1.352
Old Mutual Unit Trust Company Ltd	(0.013) ↓	-138%	0.035
Old Mutual Unit Trust Money Market Fund	1.803 ↓	-24%	2.365
Old Mutual Unit Trust Balanced Fund	0.956 ↑	28%	0.749

(Sources: MSE and The Nation and Daily Times newspapers)

9.4 For the 2019 financial year to date, only two companies have published half year financial results as indicated in Table 7.

Table 7: Published 2019 half year financial results			
	H1 2019 PAT (K'm)	Movement	H1 2018 PAT (K'm)
Illovo Sugar (Malawi) Plc	8,123 ↑	17%	6,957
Blantyre Hotels Plc	196 ↑	18%	165

(Source: MSE)

- 9.5 In accordance with the listing rules of MSE requiring listed companies to publish a trading statement when there is reasonable degree of certainty that profits will differ by 20% from the previous corresponding period, the following listed companies published trading statements on expected half year profit movements as at 30th June 2019, as summarized in Table 8.

Table 8: Expected financial results for the half-year ended 30th June 2019				
	H1 2019 PAT (K'm)		Expected movement	H1 2018 PAT (K'm)
Listed companies				
STD	7,468.20	↑	35%	5,532.00
PCL	16,155.30	↓	-30%	23,079.00
NBS	1,197.24	↑	150%	478.90
NITL	714.43	↓	-50%	1,428.86

(Source: MSE)

10. Tobacco sales

- 10.1 Malawi could realize lower earnings from tobacco in 2019 relative to the 2018 season. Ten weeks into the season, as at 31st June 2019, the country had only sold 75.59 million kilograms (kg) of tobacco, compared to 98.60 million kg sold in a corresponding period in 2018, representing a 22.34% decline in volume. Typically the trading season may last up to 30 weeks.
- 10.2 The country's major foreign exchange earner is also facing a slump in prices this season. As at 31st June 2019, average price was at USD1.45 per kg, down by 14.20% when compared to the average price of USD1.69 per kg in a corresponding period in the previous season. Consequently, tobacco revenue had so far gone down by 34.08% to USD109.86 million, compared to USD166.65 million as at the end of week 10 of 2018 season.
- 10.3 Overproduction, coupled with worldwide anti-smoking campaign, has been the major cause of low tobacco prices in Malawi in recent years. This year, the country is expecting a tobacco output of 205.46 million kg against buyer's demand of 152 million kg.
- 10.4 Lower forex revenue realised from tobacco could depress the Kwacha and has potential to increase imported inflation given that Malawi is a net importing country.
- 10.5 Table 9 below is a summary of cumulative tobacco sales figures up to 28th June 2019 (week 10) relative to a corresponding period in the previous year.

Table 9: Cumulative tobacco sales figures up to 28th June 2019 (Week 10)

	Week 10, 2019	Week 10, 2018	Change
Volume (kg)	75.59 million	98.60 million	(23.34%)
Average price (USD/kg)	1.45	1.69	(14.20%)
Value (USD)	109.86 million	166.65 million	(34.08%)

(Source: Tobacco Control Commission (TCC))

11. Political environment

- 11.1 The country went to the polls on 21st May 2019 during which the sitting president Professor Arthur Peter Mutharika of the Democratic Progressing Party (DDP) was re-elected President of the Republic of Malawi. He was sworn in office on 28th May 2018 and inaugurated on 31st May 2019. However, two main opposition parties are challenging the credibility of the election results through the courts.
- 11.2 The DPP's manifesto for 2019-2024 stipulates that the DPP-led government will focus on programs that will spur growth and address the bottlenecks to growth and development. These include Energy; Promotion of light industry; Trade and Private Sector Development; Food and Nutrition Security; Education and Human Development; Wider Health Coverage; Water and Irrigation Development; Transport and ICT Infrastructure; and Human Security. Specific projects stated in the manifesto are in accord with the Malawi Growth and Development Strategy (MGDS III) and the government will support long term development planning led by the National Planning Commission.
- 11.3 The manifesto also states that the Government will expand domestic resource mobilization by improving tax administration and management and encouraging direct private sector investment in flagship projects. It will also develop effective capital markets, priority being on debt and equity markets, redirection of long-term funds from short-term projects, facilitation of establishment of new financial securities, mobilization of long-term savings and ensuring stable macroeconomic environment. Monetary Policy will ensure low cost of borrowing with an aim of increasing private sector credit. The government will also support the Malawi Agricultural and Industrial Investment Corporation (MAIIC) to deliver on its objectives.