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General Notes

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HIGHLIGHTS

1.1 Foreign Exchange Reserves

Total foreign exchange reserves of the banking system rose albeit marginally to US\$387.6 million in August 2011 from US\$383.9 million in July 2011. This was equivalent to 3.0 months of import cover, virtually unchanged from the previous month.

1.2 Exchange rates

The Malawi kwacha weakened against all currencies of the country's major trading partners in August 2011. The outturn mainly reflected the depreciation of the local currency against the dollar in early August 2011. On the international exchange rate market, the United States dollar appreciated against most of the major currencies in the same month.

1.3 Money Supply

Broad money supply (M2) grew by K12.1 billion (5.2 percent) to K245.8 billion in August 2011 from K233.7 billion recorded in July 2011. Both net domestic assets and net foreign assets explained this outcome, increasing by K10.3 billion (4.7 percent) and K1.7 billion (13.4 percent), respectively. The annual M2 growth accelerated to 36.2 percent in August 2011 compared to 35.2 percent in July 2011.

1.4 Interest Rates

Developments in the money market displayed a declining trend in both the all type Treasury bills rate and the average interbank rate. Meanwhile, the Bank rate, the commercial banks' lending and savings rates maintained their preceding month's levels of 13.0 percent, 17.75 percent and 3.75 percent, respectively.

1.5 Inflation

Overall year-on-year inflation accelerated to 7.6 percent in August 2011 from 7.4 percent in the preceding month and was higher than an inflation rate of 7.2 percent recorded in a comparable month in the preceding year.

2.0 EXTERNAL SECTOR

2.1 Gross Foreign Assets

Total foreign exchange reserves of the banking system rose marginally to US\$387.6 million in August 2011 from US\$383.9 million in July 2011 owing to an improvement in commercial bank's foreign assets. Gross official reserves, however, declined during the month. Despite the slight increase in commercial bank's foreign assets, the import cover for the month remained virtually unchanged at 3.0 months in August 2011. Gross official reserves stood at US\$253.9 million in August 2011 from US\$258.6 million recorded in July 2011. This development was explained by a comparable monthly decline in foreign exchange purchases from the market. In contrast, commercial banks' foreign assets improved to US\$133.7 million during the review month from US\$125.3 million in July 2011 following substantial receipts of financing from parent companies to facilitate tobacco purchases.

2.2 Foreign Exchange Market

Net foreign exchange transactions conducted through the Reserve Bank of Malawi resulted in a deficit of US\$5.3 million in August 2011 from a surplus of US\$41.0 million registered in July 2011.

In August 2011, the supply of foreign exchange declined to US\$45.4 million from US\$89.9 million registered in the preceding month. This development was attributed to a substantial decrease in foreign exchange purchases from the market to US\$40.1 million in August 2011.

Demand for foreign exchange, however, rose albeit marginally to US\$50.5 million in August 2011 from US\$49.0 million registered in July 2011 and was explained by a marginal increase in sales of foreign exchange to the market during the review month.

2.3 Exchange Rate Developments

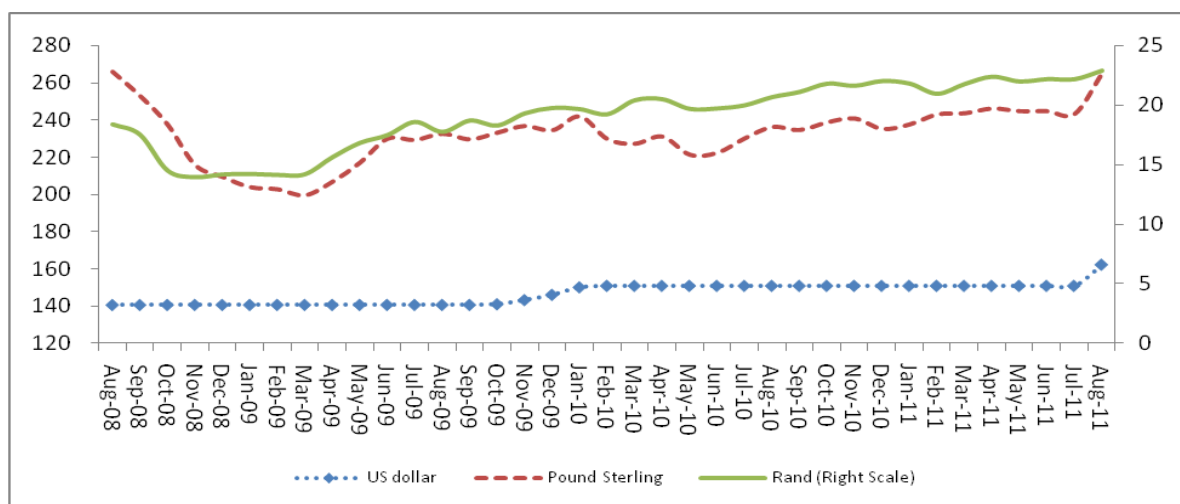
The Malawi kwacha depreciated against all currencies of the country's major trading partners as at end August 2011. This outturn was mainly on account of the 10.0 percent depreciation of the local currency against the dollar on 8th August 2011. The kwacha lost

9.1 percent and traded at K165.4 per dollar as at end of the review month from K150.8 per dollar registered at the close of the previous month. Against the British pound, the local unit depreciated by 9.9 percent and moved to K271.4 per pound as at end-month from K246.9 per pound in July 2011. With regard to the euro, the kwacha weakened by 11.0 percent and traded at K240.0 per euro as of end August 2011 from K216.2 per euro in the preceding month. When viewed against the Japanese yen, the kwacha lost 10.9 percent and traded at K2.2 per yen as at the end of the review month from K1.9 per yen in the previous month.

On the regional front, the kwacha weakened by 4.7 percent against the South African rand and stood at K23.5 per rand as at end August 2011. The local currency also lost 5.4 percent against the Zambian kwacha and traded at K0.03 per Zambian kwacha.

The overall Real Effective Exchange Rate (REER) depreciated by 8.1 percent from an index of 76.3 in July 2011 to 70.1 in August 2011. This was mainly on account of a depreciation of the Nominal Effective Exchange Rate (NEER) which depreciated by 5.9 percent in August 2011 and moved to 42.2 from an index of 44.9 in July 2011. On a bilateral basis, the Malawi kwacha real exchange rate (RER) depreciated against all currencies of its major trading partners during the month under review. This was explained mainly by the 10.0 percent depreciation of the Malawi kwacha nominal exchange rate against the United States dollar with effect from 8th August 2011.

Chart 1: Malawi Kwacha Exchange Rate



Source: Reserve Bank of Malawi

3.0 BANKING AND FINANCE

3.1 Monetary Developments

Broad money supply (M2) grew by K12.1 billion (5.2 percent) to K245.8 billion in August 2011 from K233.7 billion registered in July 2011. This development was explained by respective increases of K10.3 billion (4.7 percent) and K1.7 billion (13.4 percent) in net domestic assets and net foreign assets. The annual M2 growth accelerated by 1.0 percentage points to 36.2 percent in August 2011 from 35.2 percent in July 2011.

Reflecting increased economic activity as well as the pass-through of the devaluation, the expansion in M2 was spread across all its demand components. In particular, transactional demand attained momentum as narrow money rose by K7.1 billion (6.2 percent) to K121.5 billion in August 2011 from K114.4 billion in July 2011. Deposits withdrawable on demand went up by K4.3 billion to K79.0 billion whilst notes and coins in circulation also rose by K2.7 billion to K42.5 billion in August 2011.

Quasi money balances expanded by K5.0 billion (4.2 percent) to K124.3 billion from the preceding month's position of K119.3 billion. Expansionary effects emanated from both foreign currency denominated and term (time and savings) deposits. Foreign currency denominated deposits rose by K2.8 billion (11.9 percent) and was explained largely by receipts earmarked for tobacco purchases. Further, the RBM devalued the Malawi Kwacha by 10.0 percent effective 8th August 2011 and subsequently the FCDA balances gained in kwacha terms. Term deposits also rose by K2.2 billion (2.3 percent) to K97.8 billion in August 2011 from K95.6 billion in July 2011.

3.2 Net Domestic Credit

The banking system's net domestic credit stood at K273.4 billion in August 2011 from K265.2 billion in July 2011, representing a monthly increase of K8.2 billion (3.1 percent). The bulk of the credit was extended to central government and to some extent the state owned enterprises. Meanwhile, the private sector repaid part of their outstanding obligations.

Commercial banks' net credit to government also rose by K1.1 billion (1.1 percent) to K20.1 billion. The growth was explained by an uptake of K1.2 billion Treasury bills that was exacerbated by K750.8 million advances contracted in August 2011. Meanwhile, government's deposits at the commercial banks went up by K932.6 million in August 2011.

Net credit to statutory bodies increased by K384.0 million (2.9 percent) to K13.9 billion from K13.5 billion in July 2011 as some parastatals accessed credit from the banks during the month.

Credit to the private sector declined by K181.3 million (0.1 percent) to K128.9 billion in August 2011 from K129.1 billion in July 2011. The commercial and industrial sector repaid in part K1.4 billion of their outstanding credit. The outturn was however somewhat offset by credit extended in respect of: individuals and households (K426.8 million); foreign exchange (K282.9 million); mortgages (K154.7 million); and the agriculture sector (K152.9 million).

Table 1: Money Supply and its Sources

<i>(in billion Malawi Kwacha)</i>										
	2010		2011							
	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug
Money Supply (M2)	196.4	203.9	200.8	198.5	203.6	212.9	226.5	232.2	233.7	245.8
Narrow money (M1)	99.4	102.1	97.1	93.2	98.0	108.4	113.8	116.6	114.4	121.5
Quasi-money	96.9	101.8	103.7	105.3	105.6	104.5	112.7	115.6	119.3	124.3
Net Foreign Assets ^{1\}	2.1	20.4	12.8	5.6	-0.07	-1.8	3.5	3.7	13.0	14.7
Net Domestic Assets	194.3	183.5	187.9	192.9	203.6	214.7	223.0	228.5	220.7	231.0
Net Domestic Credit	235.9	216.9	227.4	237.3	245.9	252.5	260.1	247.8	265.2	273.4
Government (Net)	112.4	90.6	100.4	108.6	113.9	116.9	117.0	105.2	122.7	130.6
Private Sector	118.4	121.6	122.3	124.1	127.4	130.9	131.0	130.6	129.1	128.9
Other Pub. Sector (net)	5.1	4.7	4.6	4.7	4.7	4.7	12.1	11.9	13.5	13.9
Other Items (Net)	-41.6	-33.4	-39.4	-44.4	-42.3	-37.8	-37.1	-19.3	-44.5	-42.3
<i>Memorandum items</i>										
Annual M2 growth	14.3	17.8	21.5	22.5	21.3	25.4	26.5	32.4	35.2	36.2
Monthly M2 growth	1.4	3.8	-1.5	-1.1	2.6	4.6	6.4	2.5	0.7	5.2
Reserve Money	59.6	57.4	56.0	59.3	51.9	57.6	67.4	60.7	71.0	78.8
Money Multiplier	3.3	3.6	3.6	3.3	3.9	3.7	3.4	3.8	3.3	3.1

Source: Reserve Bank of Malawi

1\ Excludes encumbered reserves at RBM

4.0 MONEY AND SECURITIES MARKET

4.1 Open Market Operations

Contractionary market operations in August 2011 aimed at removing excess reserves from

the market through open market operations. Net repo operations only managed to withdraw K2.1 billion while net government operations injected K4.7 billion through recurrent expenditures. Overall, about K3.0 billion was injected into the money markets during the month of August 2011.

Table 2: Liquidity Management¹

<i>(in billion of Malawi kwacha)</i>							
	Feb 2011	Mar 2011	April 2011	May 2011	June 2011	July 2011	Aug 2011
Net Government Operations ²	-0.78	3.88	-1.46	3.05	-7.73	10.50	4.71
Government deficit excluding grants	0.80	4.02	-0.65	-0.52	13.60	10.40	3.95
Revenue	15.67	15.28	15.28	22.12	32.67	16.83	24.03
MRA	11.63	11.97	11.01	17.76	23.70	13.30	20.25
Other, excluding grants	4.04	3.31	4.27	4.36	8.97	3.54	3.78
Expenditure	16.47	19.30	14.63	21.60	19.07	27.23	27.98
Net Government Domestic Borrowing	-1.57	-0.14	-0.81	3.57	5.87	0.10	0.76
TB issues	4.23	6.13	5.42	4.86	8.78	7.66	8.82
TB maturity	2.66	5.99	4.61	8.43	14.65	7.76	9.58
Net Forex Operations	-3.53	-4.08	0.77	-0.42	1.14	0.33	-0.26
Sales	5.49	4.61	1.81	3.05	5.35	4.29	6.29
Purchases	1.96	0.53	1.04	2.63	6.49	4.62	6.03
Net OMO	3.81	-8.34	5.24	3.25	-0.69	1.59	-1.41
Injections	3.81	4.58	12.60	5.63	6.49	3.23	1.85
Maturity of 3-YR RBM bond	-	-	-	-	5.33	-	-
Purchase of securities	1.95	-	-	-	-	-	-
Maturity of OMO T-bills	-	-	-	4.98	-	2.00	0.65
Discount window accommodation	-	1.34	6.78	0.65	1.16	1.23	-
Repo maturities	1.86	3.23	5.82	-	-	-	1.20
Withdrawals	-	12.91	7.36	2.38	7.18	1.64	3.26
Issue of 3-YR RBM bond	-	-	-	-	4.24	-	-
Sale of securities	-	4.05	-	1.48	1.49	-	-
Maturing Discount window accommodation	-	0.76	7.36	0.90	1.45	1.64	-
Repos	-	8.10	-	-	-	-	3.26
Net Operations	-0.50	-8.54	3.01	5.88	-7.28	12.42	3.04

Source: Reserve Bank of Malawi

¹ Under net government operations, supply of liquidity is positive whereas withdraw of liquidity is negative.

² A positive position implies injection while a negative position is withdraw of funds

4.2 Government Securities Market

In August 2011, the Government rolled over Treasury bills worth K8.0 billion against a rollover target of K10.2 billion of normal Treasury bills, representing a shortfall and subsequent net injection to the market of K2.2 billion. The total Treasury bill issuance was against a total subscription of K22.6 billion which was spread across the 91, 182 and 273 tenors in respective shares of 74.5 percent, 21.1 percent and 4.4 percent. All the funds

tendered on the longer tenors were allotted. Only 47.4 percent of the subscriptions on the 91 day tenor was allotted.

The Treasury bills stock stood at K134.1 billion in August 2011 compared to K137.8 billion in July 2011, reflecting a decrease of K3.7 billion. The decrease emanated from maturities of both normal and OMO Treasury bills worth K10.2 billion and K10.0 billion, respectively which more than offset respective issuances of K8.0 billion and K8.5 billion.

Table 3: Treasury Bills Primary Market

	2010			2011							
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug
Total subscription	17.4	8.5	5.5	9.7	8.6	1.3	10.0	14.0	12.5	13.5	22.1
Issues	14.4	16.0	2.7	14.4	37.4	13.6	29.7	9.1	9.0	15.6	16.5
Normal Treasury bills	4.2	5.4	2.7	5.9	4.4	6.3	5.6	4.9	9.0	7.6	8.0
OMO Stock	10.2	10.6	0.0	8.5	33.0	7.3	24.1	4.2	-	7.9	8.5
Maturities	15.3	10.6	16.4	11.6	37.5	15.8	12.0	15.0	14.6	15.4	20.2
Normal Treasury bills	5.6	5.2	5.5	6.4	4.2	6.0	5.4	13.4	14.6	7.8	9.6
OMO Stock	9.7	5.4	10.9	5.2	33.3	9.9	6.6	1.6	-	7.7	10.6
Net Issues(+)/maturities(-)	-0.9	5.4	-13.7	2.8	-0.1	-2.3	17.7	-5.9	-5.6	0.2	-3.7
Conversions (period total)	10.2	10.6	-	9.0	33.0	7.3	24.1	4.2	-	7.7	8.5
T-bill stock at face value	138.9	147.1	130.6	133.9	133.8	131.5	149.0	143.3	137.6	137.8	134.1

Source: Reserve Bank of Malawi

4.3 Inter-bank Money Market

Liquidity in the market continued to expand supported by expansionary fiscal operations. Daily average excess reserves doubled to K8.6 billion with trading on the interbank market declining to almost half the levels of the previous month (Table 4). Consequently, the average interbank market rate lost 814 basis points to close the review month at 2.85 percent.

Table 4: Banking System Liquidity

<i>(in billion of Malawi kwacha)</i>											
	2010			2011							
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug
Total Reserves	27.9	28.8	30.2	30.5	34.2	31.0	28.6	31.7	31.2	30.4	35.1
Required Reserves	25.1	26.4	27.3	24.0	24.2	24.2	24.2	25.6	26.3	25.8	26.5
Excess Reserves	2.8	2.4	2.9	6.5	9.9	6.9	4.0	6.1	4.8	4.6	8.6
Inter-bank Market Activity	3.0	2.8	3.1	1.8	2.3	3.8	2.3	2.4	2.9	3.0	1.4
Discount Window Borrowing	1.6	2.8	1.4	0.5	-	0.3	0.6	0.2	0.4	0.4	-
Average Inter-bank Market Rate	5.9	4.8	10.6	3.2	2.9	6.2	11.5	11.4	12.7	11.0	2.9

Source: Reserve Bank of Malawi

4.4 Interest Rates

In August 2011, the bank rate, the commercial banks' lending rate, and savings rate remained at their previous month's levels of 13.0 percent, 17.75 percent, and 3.75 percent, respectively. However, the all-type Treasury bills yield slumped by 22 basis points to 7.22 percent in August 2011 from 7.44 percent in July 2011.

Table 5: Interest Rate Structure

<i>(In percent per annum)</i>											
	2010			2011							
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug
Bank Rate	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Base Rate	17.75	17.75	17.75	17.75	17.75	17.75	17.75	17.75	17.75	17.75	17.75
Savings	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Interbank rate											
Minimum	3.20	3.50	4.50	2.00	2.00	2.50	6.00	10.00	10.00	7.00	2.5
Maximum	7.00	8.75	12.00	13.00	3.50	9.00	12.50	12.00	12.90	13.00	12.40
Treasury bills Yields ^{1\ 2}											
91 Days	7.91	7.30	6.91	6.86	5.93	5.92	6.80	7.48	7.48	7.44	7.22
182 Days	7.01	6.93	6.20	6.38	5.83	6.33	6.01	7.27	7.30	7.51	7.10
273 Days	7.83	7.20	7.15	6.99	5.95	5.50	5.72	7.20	7.20	7.32	7.17
	8.90	7.78	7.39	7.22	6.00	-	8.68	7.98	7.94	7.48	7.39
Government Bonds ³											
Mortgage (min)	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00

Source: Reserve Bank of Malawi

1\ End of period average

2\ Weighted average yield

3\ The quoted bond rate reflects the highest Government of Malawi Local Registered Stock (LRS) rate

5.0 OTHER FINANCIAL INSTITUTIONS

5.1 Other Financial Corporations

Total resources of the Other Financial Institutions (OFIs) expanded by K1.1 billion to K53.3 billion in August 2011 from K52.2 billion in July 2011. The development mainly reflected accumulation of K3.8 billion private sector deposits. Capital accounts liabilities also grew by K181.0 million to close the month at K6.3 billion.

The increases notwithstanding, OFIs liabilities to domestic banks declined by K1.4 billion to K3.2 billion. Official sector deposits also shrunk by K1.0 billion to K3.1 billion mainly owing to drawdowns made by statutory bodies during the month under review.

Following expanded resource availability, activities of OFIs grew in August 2011. Principally, investment in the foreign sector surged by K1.0 billion to K1.2 billion.

Investments in miscellaneous assets also rose by K717.0 million to K5.4 billion. Furthermore, claims on statutory bodies and domestic banks registered respective increases of K505.4 million and K126.6 million to K2.5 billion and K5.0 billion. Meanwhile, the private sector particularly individual and household sector repaid K865.8 million of outstanding loans to OFIs whilst K499.7 million Treasury bills matured in August 2011.

5.2 Capital Markets

There was no new stock listed on the local bourse during the review period. As a result, the number of counters on the Malawi Stock Exchange remained at fifteen (15). Trading in Packaging Industries Malawi Ltd (PIM) counter remained suspended during the period pending delisting of the entity from the Stock Exchange.

During the review period, a total of 50.6 million shares valued at K231.9 million were transacted compared to 10.3 million shares valued at K100.1 million transacted in the preceding period. The Malawi All Share Index (MASI) closed off lower at 4,905.96 points in August 2011 from 4,922.90 points in July 2011 following a decrease in the Domestic Share Index (DSI) from 3,887.14 points in July 2011 to 3,869.64 points in August 2011. Price declines were recorded for National Bank of Malawi (NBM) and NICO shares from K53.00 to K50.00 and K13.00 to K12.50 respectively. TNM share prices however increased from K1.40 to K1.50 during the review period. However, the Foreign Share Index (FSI) leapt to 521.60 in August 2011 from 477.61 points in July 2011 on account of a price increase in Old Mutual Limited from K380.00 in July 2011 to K415.00 in August 2011.

6.0 CENTRAL GOVERNMENT BUDGETARY OPERATIONS

6.1 Revenues

During the month of August 2011, government revenues amounted to K23.2 billion, an improvement from K17.2 billion recorded during the preceding month. The increase was registered in domestic revenues whereas foreign grants recorded a decline. Domestic revenues rose by K7.1 billion to K22.6 billion. The outcome emanated from the Malawi Revenue Authority's collections and departmental receipts which expanded by K7.0 billion and K123.0 million to K20.3 billion and K2.2 billion, respectively. Meanwhile, foreign grants declined by K1.1 billion to K605.5 million in August 2011 from K1.7 billion

registered in the preceding month.

6.2 Expenditures

Total government expenditures rose by K9.6 billion to K30.9 billion in August 2011. All major categories of expenditure recorded increases during the month of August 2011. Recurrent expenditures surged by K9.0 billion to K20.8 billion, development expenditures rose by K966.6 million to K6.6 billion and statutory expenditures recorded a rise of K767.4 million to K1.4 billion. Meanwhile, interest payments decreased by K1.1 billion to K2.2 billion mainly due to a drop of K1.2 billion in interest on Treasury bills whereas interest on foreign debt expanded by K95.0 million to K109.5 million.

Table 6: Central Government Budgetary Operations

	2010			2011							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Total Revenues	24.0	16.1	48.2	17.7	15.2	17.6	14.7	24.1	32.0	17.2	23.2
Domestic Revenues	17.2	15.5	31.6	15.8	13.2	13.2	13.3	20.2	29.7	15.6	22.6
MRA Collections	15.6	12.3	22.6	14.0	11.6	12.0	11.0	17.8	23.7	13.3	20.3
Departmental Receipts	0.8	0.6	6.5	0.6	0.8	0.8	0.6	1.7	5.6	2.1	2.2
Other Receipts	0.8	2.6	2.5	1.0	0.8	1.0	1.7	0.7	0.5	0.1	0.1
Grants	6.8	0.6	16.7	2.1	2.0	3.8	1.4	3.9	2.2	1.7	0.6
Expenditures	21.0	26.7	25.6	26.6	20.9	22.2	16.5	23.2	21.6	21.3	30.9
Other Expenditure	19.8	25.9	24.0	23.4	17.7	20.6	15.4	21.8	20.2	18.0	28.7
Interest Payments	1.2	0.9	1.6	3.2	3.2	1.6	1.1	1.4	1.4	3.3	2.2
Domestic	1.1	0.8	1.6	3.1	3.1	1.5	1.0	1.4	1.3	3.3	2.1
Foreign	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.1
Deficit/Surplus	3.0	10.6	22.6	-8.9	-5.7	-4.6	-1.7	0.9	10.4	-4.1	-7.7
Financing (net)	-5.3	10.7	-22.5	7.2	6.1	5.1	1.2	0.2	-14.2	17.1	2.4
Foreign	0.0	0.0	-0.3	-0.3	-0.1	-0.1	0.2	-0.1	-0.1	-0.3	0.0
Domestic	-5.3	10.7	-22.2	7.5	6.2	5.1	1.4	0.3	-14.0	17.4	2.4
Banking System	-4.4	12.8	-21.9	8.9	8.2	5.3	3.0	0.1	-11.8	17.4	8.0
Ways & Means advances	0.0	1.5	-1.5	0.0	2.7	9.5	12.2	2.1	-2.1	0.2	9.0
Non-Bank	-0.8	-2.3	-0.4	-1.4	-2.0	-0.2	-1.2	0.1	-2.3	-0.1	-5.5
Errors and Omissions	-2.6	0.2	-0.08	-1.7	-0.4	0.3	-0.5	1.0	-3.8	13.0	-5.3

Source: Reserve Bank of Malawi

7.0 PRODUCTION AND PRICES

7.1 Tobacco

As at end August 2011, cumulative tobacco sales summed up to 145.5 million kilograms, sold at an average price of US\$1.22 per kilogram compared to 184.8 million kilograms sold at an average price of US\$1.99 per kilogram in a corresponding period in 2010. Cumulative

earnings from tobacco sales therefore declined by 51.6 percent to US\$177.7 million as at end August 2011 from US\$367.2 million in a comparable period of the preceding season. In August 2011 alone, total tobacco sales totalled to 40.1 million kilograms valued at US\$54.5 million compared to 22.4 million kilograms sold for US\$43.1 million in August 2010.

7.2 Tea

Tea production between January and August 2011 added up to 35.5 million kilograms, representing a decline of 8.3 percent from a total of 38.7 million kilograms produced in a similar period in 2010. Cumulative tea sales during the year to August 2011 amounted to 10.7 million kilograms sold for US\$17.1 million at an average price of US\$1.59 per kilogram, compared to US\$19.6 million realised from 12.5 million kilograms at an average price of US\$1.57 per kilogram in 2010. The lower volume in tea sales was a result of lower production due to unfavourable weather conditions.

Monthly tea sales stood at 0.4 million kilograms in August 2011 compared to 0.6 million kilograms sold in August 2010. Average prices stood at US\$1.62 per kilogram in the month under review relatively higher than US\$1.54 per kilogram fetched in August 2010.

7.3 Domestic Price Developments

Overall year-on-year inflation accelerated to 7.6 percent in August 2011 from 7.4 percent in the preceding month and was higher than an inflation rate of 7.2 percent recorded in a comparable month in the preceding year. Urban inflation accelerated by 0.3 percentage points to 9.6 percent during the month under review, whilst rural inflation picked up by a 0.1 percentage point to 6.4 percent.

Food inflation remained unchanged at 2.6 percent in August 2011 from what was recorded in the preceding month. The stability in food inflation was explained largely by a favourable agricultural outturn with maize production estimated at 3.9 million tonnes against a national requirement of 2.5 million tonnes. Non-food inflation accelerated to 12.4 percent in August 2011 from 12.2 percent in the preceding month. This outturn mainly emanated from accelerations of 0.5 percentage points in miscellaneous category and 0.1 percentage points in beverages and tobacco, housing and household operations categories.

The consumer price index (CPI) on a month-on-month basis decelerated by 2.2 percent in August 2011, following disinflations of 1.0 percent and 3.5 percent in July 2011 and June 2011, respectively. The drop in the CPI was explained by the extensive availability of maize across the country, which in turn mitigated the effects of price pressures emerging from processed foods.

Table 7: Selected Economic Indicators
(in billion Malawi kwacha unless otherwise stated)

	2006	2007	2008	2009	2010	2010 Aug	2011 Aug
Real Sector							
Population (million)	12.8	13.2	13.1	13.5	13.8	13.8	14.4
GDP at current market prices	423.9	510.5	601.3	710.2	813.8	813.8	930.4
Real GDP growth (percent)	4.7	9.6	8.3	8.9	6.7	6.7	6.9
GDP per capita (K'000)	33.2	39.3	45.9	52.6	59.0	59.0	64.6
GDP per capita (US\$)	238.3	280.1	326.9	360.3	391.2	392.1	398.5
Consumer Price Index (CPI) 2000=100	226.1	244.1	265.4	292.2	309.0	286.4	308.2
Average annual inflation rate (percent)	13.9	8.0	8.7	8.4	7.4	7.2	7.6
Fiscal Sector							
Government Budget							
Total Revenue	128.4	160.8	160.8	169.7	291.2	18.4	23.2
Domestic Revenues	74.3	94.4	126.7	140.5	200.3	17.6	22.6
Grants	54.1	66.4	34.2	29.2	91.0	0.8	0.6
Total Expenditure	131.3	168.6	204.1	222.8	264.8	26.9	30.9
Recurrent	95.7	110.4	190.7	206.3	203.5	26.2	20.8
Development	35.6	58.2	13.4	16.4	61.3	3.8	6.6
Deficit/GDP ratio (after grants)	-1.1	-1.6	-7.8	-8.2	4.0	-1.0	-0.8
Monetary Sector							
Net Foreign Assets	23.2	27.7	19.7	-4.5	20.4	5.5	14.7
Net Domestic Credit	58.9	72.1	158.0	212.9	216.7	219.1	273.4
Government	20.5	21.1	83.9	111.6	90.6	102.3	130.6
Statutory bodies	1.2	3.7	6.0	6.2	4.7	6.4	13.9
Private (gross)	35.8	47.3	68.1	95.0	121.6	110.4	128.9
Money Supply (M2)	76.6	104.9	139.6	173.8	203.9	180.5	245.8
M2 Growth Rate (annual percent)	16.5	36.9	33.1	24.4	17.8	9.7	36.2
Reserve Money	21.5	27.7	36.0	50.1	57.4	58.6	78.8
Banks Deposits	3.5	2.9	5.8	16.9	17.9	19.7	29.4
External Sector							
Balance of Payments							
Current Account	-92.1	-65.4	-86.0	-110.2	-106.1	..	..
Exports (fob)	73.8	111.4	117.0	128.8	172.0	..	..
Imports (fob)	143.5	153.5	183.0	199.5	236.8	..	..
Trade balance	-69.7	-42.2	-66.0	-70.7	-65.0	..	..
Services (net)	-33.0	-34.1	-39.5	-46.2	-9.0	..	..
Private transfers (net)	10.6	10.9	18.5	6.9	13.0	..	..
Capital account balance	38.8	64.6	134.2	109.3	142.0	..	..
Gross foreign exchange reserves	26.4	22.7	40.5	35.5	56.0	40.9	64.1
Official	18.2	16.1	33.2	24.1	42.2	27.5	42.0
Commercial banks	8.2	6.6	7.3	11.4	13.9	13.4	22.1
Import cover (Official reserves in months)	2.1	1.8	2.2	1.9	2.2	1.4	2.0
Current account balance/GDP (percent)	-23.2	-14.1	-15.5	-16.9	..	..	..
Debt/GDP (percent)	8.2	8.2	17.4	15.1	15.7	15.4	15.2
Debt Service/Exports (percent)	8.1	8.1	1.5	1.5	2.0	..	..
MK/US Dollar (eop)	138.672	138.672	140.600	140.606	150.801	150.800	165.395
MK/US Dollar (pd avg)	136.019	140.000	140.526	140.604	150.487	150.801	162.099

Source: Reserve Bank of Malawi

Table 8: National Composite Price Index (2000=100)

Period	All items	Food Costs	Bev & Tobacco	Cloth & Footwear	Housing	Household ops	Transportation	Miscellaneous
Overall Weight	100.0	58.1	5.9	8.5	12.1	4.1	5.1	6.2
2003	154.3	143.7	165.8	166.8	180.0	174.6	172.1	148.3
2004	172.0	154.4	196.5	179.5	211.7	218.3	202.8	169.2
2005	198.5	180.9	240.6	192.8	236.9	268.9	230.1	182.6
2006	226.1	209.1	273.5	208.8	266.9	313.5	261.6	197.5
2007	244.1	224.7	302.6	221.2	291.4	336.2	289.2	211.1
2008	265.4	240.3	331.0	237.7	319.1	383.5	338.9	232.3
2009	287.7	258.0	369.0	259.1	328.3	452.8	380.1	263.1
2010	309.0	271.2	417.2	279.5	350.2	512.1	428.4	287.7
2008								
Jan	267.6	253.4	317.4	232.0	310.6	358.5	311.2	221.2
Feb	276.4	266.4	321.6	232.7	313.4	366.1	316.7	224.1
Mar	275.5	263.6	322.7	233.8	314.8	368.0	319.4	225.2
Apr	269.5	252.6	322.9	234.7	315.3	369.3	319.9	227.8
May	263.0	240.7	322.8	235.8	315.7	374.5	321.5	228.0
Jun	254.9	225.5	323.5	236.1	315.9	375.4	331.2	228.6
Jul	253.0	220.3	325.5	236.8	318.6	377.6	339.3	230.8
Aug	247.8	210.3	330.1	237.1	319.4	380.3	341.1	231.4
Sept	261.6	227.9	340.6	241.0	321.9	402.7	361.2	237.3
Oct	263.7	229.9	344.3	241.6	323.1	405.8	364.5	241.3
Nov	271.8	241.3	349.0	243.1	328.57	408.7	367.6	243.1
Dec	297.7	251.7	352.0	247.7	331.9	414.5	373.6	248.3
2009								
Jan	294.5	274.5	354.1	250.9	335.2	417.7	380.4	253.5
Feb	303.1	289.5	361.5	253.8	328.2	423.8	370.0	259.0
Mar	301.7	286.6	361.9	254.6	328.3	425.6	371.0	259.4
Apr	294.4	273.6	362.8	254.9	328.8	425.8	371.6	260.2
May	285.9	258.6	363.5	256.3	329.2	426.7	371.6	260.2
June	276.4	241.4	366.8	256.8	330.3	427.2	372.7	261.0
July	273.3	235.6	368.6	258.5	321.0	453.9	373.6	261.4
Aug	267.1	224.6	368.7	258.6	321.4	454.7	374.1	261.6
Sept	281.2	242.5	372.3	263.3	326.6	489.7	387.6	265.9
Oct	282.9	244.6	372.3	264.6	326.8	490.3	392.0	268.1
Nov	291.3	256.6	375.6	267.7	329.0	495.9	396.4	272.0
Dec	300.9	268.3	399.8	268.8	334.8	502.2	400.4	274.7
2010								
Feb	328.0	309.2	402.9	274.6	344.2	505.4	420.5	280.2
Mar	326.9	306.0	403.9	275.8	345.9	507.4	424.6	281.9
Apr	318.2	290.9	404.9	275.9	346.1	507.4	424.6	282.2
May	308.3	273.5	407.1	275.6	345.7	507.4	425.2	282.8
June	297.3	254.2	407.8	276.0	346.0	507.7	426.4	283.6
July	293.3	246.5	419.8	275.4	344.2	508.0	426.7	283.8
Aug	286.4	234.5	420.1	275.5	344.4	508.1	426.9	284.3
Sept	300.9	252.4	433.8	285.1	350.2	521.1	438.1	295.5
Oct	301.9	253.2	433.8	285.4	354.3	521.1	438.1	295.8
Nov	310.0	264.9	433.9	286.4	363.4	521.8	438.2	297.0
Dec	319.8	276.1	436.9	294.6	375.3	525.1	442.7	305.7
2011								
Jan	338.5	301.6	443.2	301.1	381.6	529.7	476.2	310.0
Feb	351.0	320.4	445.3	303.4	384.3	532.2	488.7	313.8
Mar	350.3	317.4	447.0	306.0	386.5	536.6	491.8	316.1
April	340.7	300.4	447.9	306.2	386.4	537.2	492.7	319.3
May	329.9	280.8	447.7	306.5	383.8	553.8	492.8	322.3
June	318.2	259.9	450.1	307.0	383.3	555.0	494.3	324.8
July	315.1	252.4	459.5	307.8	383.1	560.7	496.2	329.3
Aug	308.2	240.1	460.5	308.1	383.6	561.3	496.7	331.1

Source: National Statistical Office

Table 9: Selected Foreign Exchange Rates¹
(in Malawi kwacha per foreign currency)

	British pound		US dollar		Euro		Japanese yen		SA rand		ZMK	
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
2003	158.659	159.921	96.946	97.919	109.864	110.963	0.840	0.845	13.030	13.095	0.021	0.021
2004	198.561	200.556	108.355	109.438	134.970	136.347	1.004	1.006	16.883	17.052	0.023	0.020
2005	214.150	216.301	117.833	118.937	146.415	147.878	1.070	1.084	18.521	18.687	0.027	0.027
2006	249.587	251.887	135.337	136.685	170.111	171.825	1.167	1.181	20.124	20.316	0.041	0.038
2007	278.907	281.686	139.299	140.701	190.921	193.176	1.184	1.196	19.774	19.973	0.035	0.037
2008	259.237	261.841	139.821	141.226	205.617	207.696	1.356	1.371	17.167	17.335	0.038	0.038
2009	219.917	222.050	140.464	141.875	195.728	197.696	1.504	1.520	16.960	17.130	0.028	0.029
2010	231.521	233.847	149.739	151.235	198.802	200.792	1.709	1.727	20.480	20.686	0.031	0.033
2008												
Jan	277.638	280.429	139.748	141.153	206.632	208.709	1.303	1.316	19.097	19.289	0.037	0.037
Feb	278.437	281.235	139.778	141.182	212.728	214.866	1.327	1.340	18.496	18.682	0.037	0.038
Mar	278.955	281.759	139.778	141.183	220.793	223.012	1.410	1.425	17.329	17.243	0.038	0.038
Apr	275.722	278.493	139.818	141.224	217.893	220.083	1.348	1.362	18.415	18.600	0.040	0.041
May	276.020	278.794	139.799	141.204	216.801	218.979	1.323	1.337	18.467	18.652	0.041	0.041
Jun	278.847	281.649	139.808	141.213	220.449	222.664	1.318	1.331	17.675	17.852	0.044	0.044
Jul	276.898	279.681	139.819	141.225	217.783	219.972	1.293	1.306	18.917	19.107	0.040	0.040
Aug	255.62	258.187	139.881	141.287	205.681	207.748	1.277	1.290	18.125	18.307	0.040	0.041
Sept	252.251	254.786	139.891	141.297	201.401	203.425	1.330	1.344	16.982	17.153	0.040	0.039
Oct	229.069	231.371	139.898	141.304	180.804	182.621	1.424	1.438	13.922	14.062	0.030	0.030
Nov	215.512	217.678	139.897	141.303	180.412	182.225	1.465	1.480	14.096	14.237	0.031	0.031
Dec	201.591	203.617	139.897	141.303	197.450	199.435	1.549	1.564	14.942	15.092	0.030	0.029
2009												
Jan	199.764	201.772	139.901	141.307	181.395	183.218	1.561	1.577	13.940	14.080	0.027	0.028
Feb	200.266	202.278	139.903	141.305	178.427	180.221	1.419	1.433	14.168	14.310	0.025	0.025
Mar	198.761	200.758	139.903	141.309	184.197	186.048	1.436	1.451	14.399	14.544	0.026	0.026
Apr	206.945	209.024	139.903	141.309	186.407	188.280	1.443	1.458	16.463	16.628	0.025	0.025
May	222.276	224.509	139.902	141.308	194.743	196.700	1.443	1.457	17.272	17.445	0.027	0.027
June	231.507	233.384	139.900	141.306	196.882	198.860	1.458	1.473	17.904	18.084	0.027	0.027
July	231.313	233.638	139.901	141.307	197.625	199.611	1.468	1.483	17.991	18.172	0.028	0.028
Aug	227.678	229.967	139.903	141.309	200.285	202.298	1.501	1.516	18.055	18.237	0.030	0.030
Sep	223.244	225.487	139.903	141.309	203.993	206.043	1.551	1.567	18.893	19.083	0.030	0.030
Oct	232.094	234.426	140.230	141.639	208.002	210.093	1.532	1.547	18.190	18.373	0.030	0.031
Nov	235.692	238.061	142.464	143.895	213.866	216.016	1.635	1.651	19.213	19.406	0.030	0.031
Dec	233.325	235.700	145.265	146.725	208.296	210.389	1.573	1.588	19.668	19.866	0.031	0.032
2010												
Feb	228.641	230.940	150.047	151.555	202.923	204.963	1.687	1.704	19.141	19.334	0.032	0.032
Mar	226.121	228.393	150.047	151.555	201.393	203.417	1.617	1.633	20.322	20.526	0.032	0.032
Apr	229.962	232.273	150.047	151.555	198.3619	200.356	1.595	1.611	20.407	20.612	0.032	0.032
May	216.922	219.102	150.046	151.554	183.957	185.806	1.647	1.664	19.740	19.938	0.030	0.030
June	226.360	228.635	150.046	151.555	183.192	185.033	1.694	1.711	19.575	19.772	0.029	0.029
July	234.088	236.441	150.047	150.800	196.261	198.234	1.730	1.747	20.426	20.632	0.031	0.031
Aug	232.152	234.485	150.046	151.554	190.244	192.156	1.771	1.789	20.439	20.644	0.031	0.031
Sep	237.014	239.396	150.047	151.555	204.514	206.569	1.794	1.812	21.518	21.734	0.031	0.031
Oct	239.265	241.669	150.047	151.555	209.015	211.116	1.852	1.870	21.410	21.625	0.032	0.033
Nov	233.668	236.016	150.047	151.555	196.936	198.916	1.781	1.799	21.097	21.309	0.031	0.031
Dec	231.477	233.804	150.047	151.555	199.412	201.414	1.840	1.860	22.605	22.832	0.031	0.032
2011												
Jan	237.509	239.896	150.047	151.555	203.884	205.908	1.829	1.847	20.899	21.109	0.031	0.031
Feb	241.650	244.078	150.046	151.554	206.329	208.402	1.837	1.855	21.421	21.637	0.032	0.032
Mar	241.155	243.578	150.046	151.554	211.971	214.101	1.810	1.828	21.991	22.212	0.032	0.032
April	249.558	252.066	150.047	151.555	222.399	224.635	1.840	1.814	22.743	22.972	0.032	0.032
May	247.196	249.681	150.043	151.551	214.292	216.446	1.854	1.872	21.645	21.863	0.032	0.032
June	241.003	243.425	150.045	151.553	216.590	218.767	1.858	1.876	22.067	22.289	0.031	0.031
July	245.685	248.154	150.046	151.554	215.076	217.237	1.932	1.951	22.284	22.508	0.031	0.032
Aug	268.683	274.111	163.741	167.049	237.605	242.405	2.131	2.174	23.216	23.685	0.033	0.034

Source: Reserve Bank of Malawi

¹ Annual data reflects period average while monthly data is as at end period

Table 10: Malawi All Share Index (1999=100)

Period	INDICES			RETURN		SHARE TURNOVER		CAPITALISATION
	Domestic Share Index	Foreign Share Index	All share Index	Dividend Yield (percent)	Earnings per Share (in Kwacha)	Volume of shares traded	Value MK'000	Value of shares issued (in million Kwacha)
2003	229.6	188.5	457.3	11.4	..	181,801,331	821,021.9	584,060.4
2004	426.0	238.8	583.5	9.4	..	110,425,979	654,230.5	745,267.3
2005	687.0	358.2	906.9	6.6	..	61,675,167	914,815.5	1,120,358.5
2006	1,793.4	521.6	2,310.0	2.6	11.8	160,529,550	1,072,280.9	1,672,122.8
2007	3,823.5	521.6	4,849.8	2.6	10.6	355,947,750	5,154,583.8	1,769,225.7
2008	4,806.9	521.6	6,080.4	2.6	5.7	37,521,871	3,398,707.6	1,838,831.8
2009	4,087.2	314.2	5,155.0	4.2	5.8	188,605,361	433,653,252.2	1,172,148.1
2009								
Jan	4,531.8	521.6	5,735.8	2.6	5.7	9,195,797	22,040,427.6	1,824,606.7
Feb	4,061.9	521.6	5,147.3	2.7	5.7	141,622,425	453,286,608.7	1,800,312.3
Mar	3,954.0	251.4	4,981.0	5.0	5.7	38,994,578	231,983,951.0	970,838.6
April	3,954.0	251.4	4,981.0	5.0	5.8	12,762,321	184,896,892.0	970,838.6
May	3,931.6	207.4	4,947.9	5.8	5.8	20,068,636	147,661,986.5	836,709.0
June	3,934.9	207.4	4,952.1	5.8	5.8	76,136,327	237,385,933.5	835,732.4
July	3,934.9	226.2	4,954.3	5.4	5.8	11,035,059	144,404,391.0	893,757.4
Aug	3,934.9	226.2	4,954.3	5.4	5.8	12,422,083	120,567,761.9	894,931.8
Sept	3,925.2	226.2	4,942.1	5.4	5.8	4,578,167	103,517,698.0	894,424.4
Oct	4,032.1	251.4	5,078.9	5.0	5.8	13,716,079	185,794,825.3	977,661.0
Nov	4,079.0	263.9	5,139.0	4.8	5.8	55,792,081	458,953,351.6	1,018,439.0
Dec	4,087.2	314.2	5,155.0	4.2	5.8	188,605,361	433,653,252.2	1,172,148.1
2010								
Feb	4,027.3	314.2	5,155.1	4.2	5.8	18,981,461	264,821,558.8	1,172,154.5
Mar	3,929.5	314.2	4,957.4	4.3	5.8	41,879,101	255,344,340.8	1,163,884.9
Apr	3,861.1	314.2	4,871.7	4.3	5.8	25,957,403	190,381,908.25	1,160,300.3
May	3,836.4	314.2	4,840.8	4.3	5.9	5,655,749	87,239,295.00	1,159,006.7
June	3,844.5	314.2	4,851.0	4.3	5.9	38,548,182	368,160,675.30	1,159,433.4
July	3,899.6	314.2	4,920.0	4.3	5.9	26,014,091	191,120,202.8	1,162,320.5
Aug	3,903.3	321.8	4,925.5	4.2	5.9	12,605,998	85,383,846.5	1,185,509.3
Sept	3,909.1	321.8	4,932.7	4.2	5.9	24,718,949	133,588,921.8	1,185,808.3
Oct	3,881.0	333.6	4,898.8	4.1	5.9	9,785,782	68,720,918.0	1,218,823.9
Nov	3,894.0	351.9	4,917.2	3.9	5.9	10,413,718	75,015,019.3	1,276,987.7
Dec	3,922.6	351.9	4,953.1	3.9	5.9	20,250,834	99,583,102.8	1,278,529.2
2011								
Jan	3,943.1	351.9	4,978.8	3.9	5.9	44,839,097	22,164,609.9	1,279,905.7
Feb	3,962.0	354.4	5,002.7	3.9	6.0	28,127,978	183,580,036.2	1,288,562.8
Mar	3,846.8	398.4	4,863.4	3.5	6.0	681,462,692	1,440,811,132.7	1,416,638.9
April	3,855.9	411.0	4,876.3	3.6	6.2	41,712,843	195,853,350.9	1,455,426.5
May	3,880.1	427.3	4,919.7	3.4	6.1	31,515,097	116,089,612.8	1,506,996.2
June	3,878.7	477.6	4,912.3	3.0	5.6	643,803,253	1,150,483,316.4	2,395,156.2
July	3,887.4	477.6	4,922.9	3.1	5.6	10,336,302	100,062,111.6	2,395,600.1
Aug	3869.6	521.6	4906.0	2.8	5.6	50,648,182	231,875,901.6	2,596,539.5

Source: Malawi Stock Exchange