



**MINISTRY OF FINANCE AND ECONOMIC
AFFAIRS**

**MID-YEAR PUBLIC DEBT REPORT
2023/2024**

DEBT AND AID MANAGEMENT DIVISION

2023

November

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1. Introduction

This Mid-Year Public Debt Report for FY2023/24 provides an update on the key aspects of the public debt portfolio as at end-September 2023. Comprehensive reports are provided at the end of the FY.¹

This report covers loans and debt securities under Budgetary Central Government (BCG) and Central Bank. It also covers publicly guaranteed debt of State-Owned Enterprises (SOEs). Unless otherwise stipulated, domestic debt is reported at Face Value and external debt is Disbursed Outstanding Debt. The reporting period is end-March 2023 to end-September 2023 and stocks are reported as at end-September 2023.

2. Macroeconomic Developments

Global macroeconomic conditions are broadly similar to the end-March 2023 position. Global inflation, whilst still elevated, is showing signs of easing. Global growth is low with little sign of recovery in the near term.

Domestic inflation in September was 27.8 percent, up from 27.0 percent in March. Non-food inflation fell from 20.2 percent to 17.2 percent and food-inflation rose from 32.4 percent to 36.8 percent in the same period. The Malawian Kwacha was sitting at 1180 against the US Dollar at end-September compared to 1026 at end-March 2023.²

The primary deficit was lower-than-expected in the first half of FY2022/23 due to higher-than-expected grants from international organisations. However, it remains high and has been financed by high-cost domestic debt, putting further pressure on finances. These developments imply that public debt will rise over the short to medium run unless fiscal consolidation measures are undertaken.

4. Debt Sustainability

A joint World Bank and International Monetary Fund (IMF) Debt Sustainability Analysis (DSA) conducted in the context of the First Review

¹ Available at <http://www.finance.gov.mw/index.php/our-documents/annual-debt-reports>

² Realignment of the kwacha was effected on 8th November 2023 and, as such, the impact of the realignment will be reflected in the subsequent publication.

Under the Staff-Monitored Program with Executive Board Involvement in July 2023 assessed Malawi's external and overall public debt as in distress. The assessment is due to protracted breaches on several of the public and external debt burden indicators as shown in Table 1 and is unchanged since a similar exercise conducted under the Request for Disbursement under the Rapid Credit Facility and Request for the Staff-Monitored Program with Executive Board Involvement in November 2022.

Table 1: Public and External Debt Burden Indicators

Indicator	Thresh old	2023	2024	2025	2026	2027
PV of total debt (% of GDP)	35%	69%	68%	69%	68%	68%
PV of external debt (% of GDP)	30%	19%	22%	21%	19%	18%
PV of external Debt (% of exports)	140%	187%	162%	146%	132%	119%
External debt service (% of exports)	10%	60%	25%	20%	18%	13%
External debt service (% of revenue)	14%	45%	24%	19%	17%	12%

Source: MoFEA compilation based on IMF/World Bank DSA data, July 2023

3. Total Public Debt Stock

As at end-September 2023, the Total Public Debt (TPD) stock was MK10.60 trillion which is 69 percent of projected FY2023/24 GDP. This represents a 12.58 percent increase on the end-March 2023 figure of MK9.41 trillion. As at end-September 2023, the TPD stock comprised MK4.66 trillion in external debt and MK5.94 trillion in domestic debt.

Table 2: Evolution of Public Debt (millions)

	2005	2006 (HIPC)	2020/21	2021/22	2022/23	September 2023/24
Total Public Debt (MK)	426,592	130,846	5,622,950	6,835,595	9,411,295	10,595,086
External (USD)	2,969	452	3,250	3,598	3,944	3,947
Domestic (MK)	73,337	68,957	3,004,457	3,897,819	5,362,526	5,936,264
Nominal GDP (MK)	326,957	430,522	9,395,877	10,897,321	12,507,189	15,349,564 ³
Exchange Rate MWK-USD⁴	119	137	805	816	1026	1180
Percent of GDP						
Total (%)	130	30	60	63	75	69
External (%)	108	14	28	27	32	30
Domestic (%)	22	16	32	36	43	39

Source: MoFEA staff calculations.

4. External Public Debt

As at end-September 2023, the external debt stock was USD3.95 billion. This represents an increase of 0.07 percent from the end-March figure of USD3.94 billion. External debt denominated in Kwacha has increased by 15.07 percent from MK4.05 trillion to MK4.66 trillion, driven by a 14.99 percent fall in the value of Kwacha relative to USD. The small overall change in external public debt masked an increase in debt owed to multilaterals, due to front-loading of project financing by the International Development Association (IDA), and a decrease in that owed to bilaterals such as Export Import Bank of China and Export Import Bank of India due to amortisation of loans.

The largest creditor to Malawi continues to be the World Bank through the IDA which is owed MK1,463.92 billion as at end-September 2023. It is followed by the African Development Fund at MK456.15 billion and the Africa Export Import Bank at MK454.34 billion. Figures for all creditors are presented in Table 2.

³ This figure is a projection for FY2023/24.

⁴ These exchange rates are used throughout the report.

Table 3: External Debt Stock, by Creditor and Creditor Category (USD millions)

Creditor	Mar-23	Sep-23	(%) Change
1. Bilateral	417.71	388.30	-7.04
Export-Import Bank of China (Main-Land)	223.01	201.32	-9.72
Export Import Bank of India	111.07	105.45	-5.06
Kuwait Fund for Arab Economic Develop.	48.04	48.33	0.61
Saudi Fund for Development	29.65	28.99	-2.23
Compania Espanola De Seguros de Credito	2.74	1.37	-50.00
Abu Dhabi Fund for Development (ADFD)	2.14	1.80	-15.61
Government of Belgium	1.06	1.03	-2.86
2. Multilateral	2,697.00	2,735.84	1.44
International Development Association	1,414.34	1,463.92	3.51
African Development Fund	449.16	459.15	2.22
International Monetary Fund	439.53	413.51	-5.92
European Investment Bank	118.43	115.55	-2.43
International Fund for Agric. Development	108.89	117.69	8.08
OPEC Fund for International Development	80.49	81.93	1.79
Arab Bank for Economic Development in Africa (BADEA)	69.99	68.94	-1.51
Nordic Development Fund	16.18	15.16	-6.33
3. Commercial	829.79	823.04	-0.81
Africa Export Import Bank	454.34	454.34	0.00
Trade and Development Bank	323.70	323.70	0.00
Baobab Securities	51.74	45.00	-13.04
Total Public External Debt Stock (1+2+3)	3,944.50	3,947.18	0.07

Source: MoFEA staff calculations.

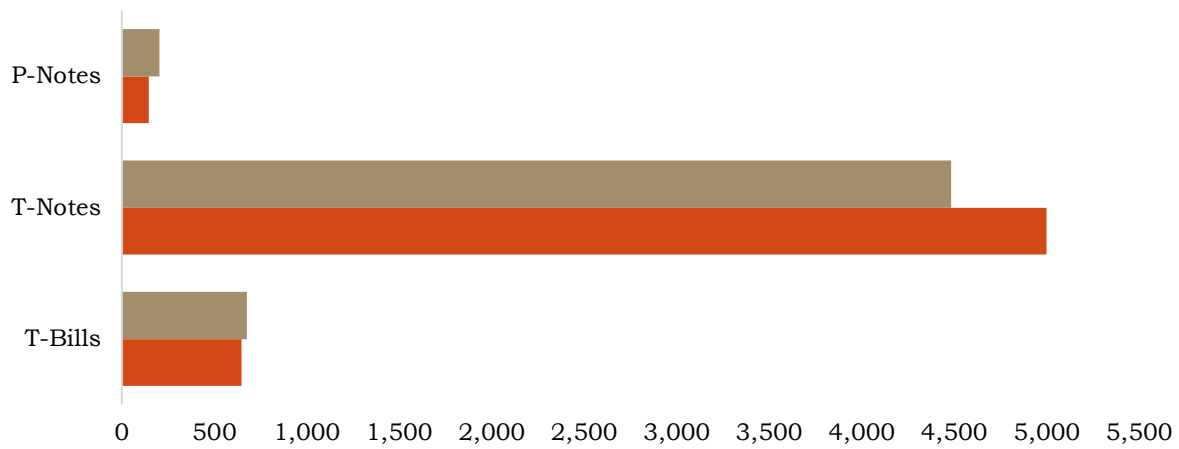
5. Domestic Public Debt

As at end-September 2023, total domestic public debt amounted to MK5.94 trillion, signifying a 10.70 percent increase from MK5.36 trillion recorded as at end-March 2023. Of the MK5.93 trillion domestic debt stock, MWK5.00 trillion were Treasury Notes (84.23 percent) and MK645.53 billion were Treasury Bills (10.87). The holdings of Promissory Notes were MK147.45 billion (2.48 percent) and Ways and Means advances from the Reserve Bank of Malawi holdings were at MK143.25 billion (2.41 percent). Since end-March 2023, the holdings of Treasury Notes increased by 11.50 percent and the holdings of Treasury Bills decreased by 4.56 percent.

Figure 1: Domestic Debt Stock by Instrument

(in MK Billion)

■ Mar-23 ■ Sep-23



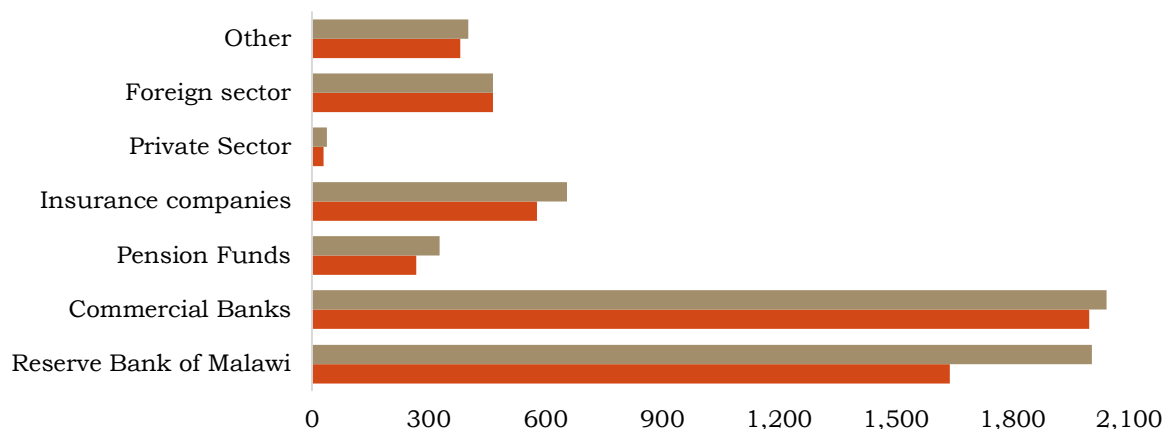
Source: MoFEA staff calculations.

As at end-September 2023, commercial banks were the biggest holders of domestic debt at MK2.04 trillion, up from MK2.00 trillion as at end-March 2023. They were followed by the Reserve Bank of Malawi at MK2.00 trillion, up from MK1.64 trillion. The insurance companies, foreign sector, pension funds, and private sector held MK654.82 billion, MK465.96 billion, MK328.75 billion, and MK38.17 billion, respectively, up from MK579.13 billion, MK465.60 billion, MK268.02 billion, and MK30.49 billion as at end-March 2023. Other holders of domestic debt collectively held MK401.54 billion compared to MK381.97 billion as at end-March 2023.

Figure 2: Domestic Debt Stock, by Holder

(in MK Billion)

■ Sep-23 ■ Mar-23



Source: MoFEA staff calculations.

6. Debt Servicing

Total Debt service in the reporting period amounted to MK1.01 trillion. Of this amount, total amortization (principal repayment) was MK644.29 billion and total interest was MK370.29 billion. Furthermore, domestic debt service was MK876.24 billion and external debt service was MK138.34 billion. For a full breakdown of debt servicing costs in the reporting period, see Table 4.

Table 4: Debt Servicing Costs from end-March to end-September 2023 (MK billions)

	Domestic	External	Total
Principal	524.04	120.25	644.29
Interest	352.20	18.09	370.29
Total	876.24	138.34	1014.58

Source: MoFEA staff calculations.

7. Debt Management Developments

No new loans have been signed since end-March 2023. This is in line with Government's policy of maximizing grants.

In the reporting period, Government entered a commodity exchange agreement with East Bridge Estate. To support the transaction, Government issued a guarantee on the 19th of May 2023. Given the costs and risks associated with the arrangement, Government recalled the guarantee on the 12th of July 2023.