COUNTRY ECONOMIC BRIEF

I. QUALITATIVE EVALUATION

A. Summary

1. Performance: Reasonably good.
2. Poverty: GDP $50 per capita (1966).
3. Creditworthiness: No scope for borrowing on conventional terms.
4. Bank/IDA eligibility: Eligible for IDA credits only.

B. General Evaluation

1. Malawi is an agricultural country with quite good prospects for a limited development of manufacturing and transit trade. Since Independence in 1964, it has made substantial economic progress, with GDP growing at an average rate of 12.6 percent. Population is thought to be growing at a rate of 3 percent p.a., and pressure on cultivable land is heavy, with a density of nearly 200 per square mile.

2. Malawi's main potential for growth lies in agriculture, where the volume of commercial output has risen by about 6 percent annually over the past decade with a marked acceleration in recent years. The sizable public sector development program for 1968-70, with a probable annual average level of expenditure of £11 million, places heavy emphasis on increasing agricultural production and improving communications. The Government's ability to execute the major part of this program is dependent upon the administrative capacity of the civil service, which still makes considerable use of skilled expatriates, particularly in agriculture.

3. Overall savings are still comparatively low. Prior to Independence, the Government's deficit on recurrent account was met by the former Central African Federation and since then by the United Kingdom. Malawi has made considerable progress in reducing this deficit, largely through increasing revenues, and it should be eliminated by the mid-1970's.

4. The Malawi Government has been able to mobilize a certain amount of local resources for development purposes, mainly by borrowing from the banking system and the Post Office Savings Bank. However, after a marked drawing down of foreign assets in 1966-67, the Malawi authorities were obliged to contain their local borrowings and also to improve their marketing arrangements for export crops. Moreover, the devaluation of the Malawi pound is likely to increase the surplus position of the public enterprises, particularly the Farmers Marketing Board, and Malawi's performance in public finance should show a substantial improvement in 1968.

5. At its meeting on December 8, 1967, the Economic Committee concluded that Malawi's general performance justified continued IDA assistance, subject to a satisfactory assurances from the Government that it would follow prudent financial policies. (Such assurances were subsequently received from the Malawi authorities.) The Committee also concluded that external financing up to 85 percent of the cost of eligible projects in Malawi was justified on economic grounds.

Africa Department
April 1, 1968

Malawi

Economic Committee

March 1968

MALAWI

Conclusions of Economic Committee:

November 9, 1967 meeting: The Committee concluded that Malawi's general economic performance, including resource allocation, justified continued IDA assistance subject to satisfactory assurances from the Government that it would follow prudent financial policies. (Mr. Friedman later agreed that the action already taken by the Government, together with the letter from the Government, contained the necessary assurances.)

The Committee also concluded that external financing up to 85 percent of eligible projects in Malawi was justified on economic grounds.

The Committee agreed with the Africa Department that the timing and duration of economic missions in Malawi in 1968 and 1969 should, to the extent practicable, be so scheduled as to permit assistance in the preparation of the 1970-74 development program.

II. BASIC DATA

	1950	1955	1960	1965	1966
AREA (1000 sq. km.)					119.3
EXCHANGE RATE (Pounds per US$)	0.36	0.36	0.36	0.36	0.36
POPULATION					
Total (millions)	2.8	3.1	3.5	3.9	4.0
Density (inhabitants per sq. km.)	..	..	29	33	34
Urban population (% of total pop.)	..	..	..	..	..
Literacy rate (% of adult pop.)	6/a	..	..	..	..
GROSS NATIONAL PRODUCT (at current f.c.)					
Total (mil. US$)	..	96	138	178	203
Per capita (US$)	..	31	40	45	50
TOTAL RESOURCES (mil. current pounds)	..	38.0	53.0	75.6	87.8
By source:					
gross domestic product (%)	..	91.6	90.2	87.2	85.1
net imports of goods & services (%)	..	8.4	9.8	12.8	14.9
By use:					
consumption (total) (%)	..	85.5	83.6	85.6	82.8
gross domestic investment (%)	..	14.5	16.4	14.4	17.2
GROSS NATIONAL SAVING (as % of GNP at market prices)	..	8.4	8.5	2.6	1.8
TAX REVENUE (as % of National Income) /b	..	7.9	7.9/c	9.5	10.9
GROSS DOMESTIC PRODUCT at current f.c. (%)					
Agriculture	..	63.4	54.7	52.5	49.1
Mining	..	--	--	--	--
Manufacturing	..	4.4	5.1	4.0	4.6
Construction	..	3.7	3.9	4.5	5.3
Transport & communication	..	4.2	4.9	4.6	6.1
Public administration & defense	..	3.9	3.9	5.0	4.8
Other branches	..	20.4	27.3	29.4	30.1
EXTERNAL PUBLIC DEBT					
Total debt outstanding (US$ mil.)	..	..	..	41.9	95.7/d
of which: undisbursed	..	..	..	..	22.2
Total annual debt service (US$ mil.)	..	..	..	..	5.5
Debt service ratio (%)	..	..	..	..	9.6

/a 1945.
/b Central Government tax revenue as % of GNP.
/c 1959.
/d As of June 30, 1967.

II. BASIC DATA (cont.)

	1950	1955	1960	1965	1966
BALANCE OF PAYMENTS (US$ mil.)					
Merchandise exports (f.o.b.)	..	..	28.6	39.2	47.0
Merchandise imports (f.o.b.)	..	..	38.6/a	57.1	75.3
Net merchandise (f.o.b.)	..	..	-10.0/a	-17.9	-28.3
Service receipts (excl. invest. income)	..	..	..	11.2	12.0
Service payments (excl. invest. income)	..	..	..	15.1	18.8
Net services	..	..	..	-3.9	-6.8
Net investment income receipts	..	..	-2.2	-3.9	-3.9
Surplus on Current A/C (excl. transfers)	..	..	..	-25.7	-39.0
CONCENTRATION OF MERCHANDISE EXPORTS (%)					
Tea and tobacco	..	..	79	69/b	66
FOREIGN TRAVEL RECEIPTS (as % of total exports of goods and services)	..	..	..	2	3
EXTERNAL TRADE INDEXES (1959 = 100)					
Export price index	..	..	..	..	..
Import price index	..	..	..	..	..
Terms of trade	..	..	..	..	..
INTERNATIONAL RESERVES					
Total gross reserves (US$ mil.)	..	..	..	27.7	20.4
of which: commercial bank holdings	..	..	..	0.3	..
Months' imports of goods and services	..	..	..	6.7	3.1
IMF POSITION (US$ mil.)					
Quota				11.25	11.25
Drawings outstanding				--	--

/a Imports c.i.f.
/b 1964.

Prepared by Economics Department
and Area Department

Malawi
March 1968

III. ANNUAL AVERAGE RATES OF CHANGE (%)

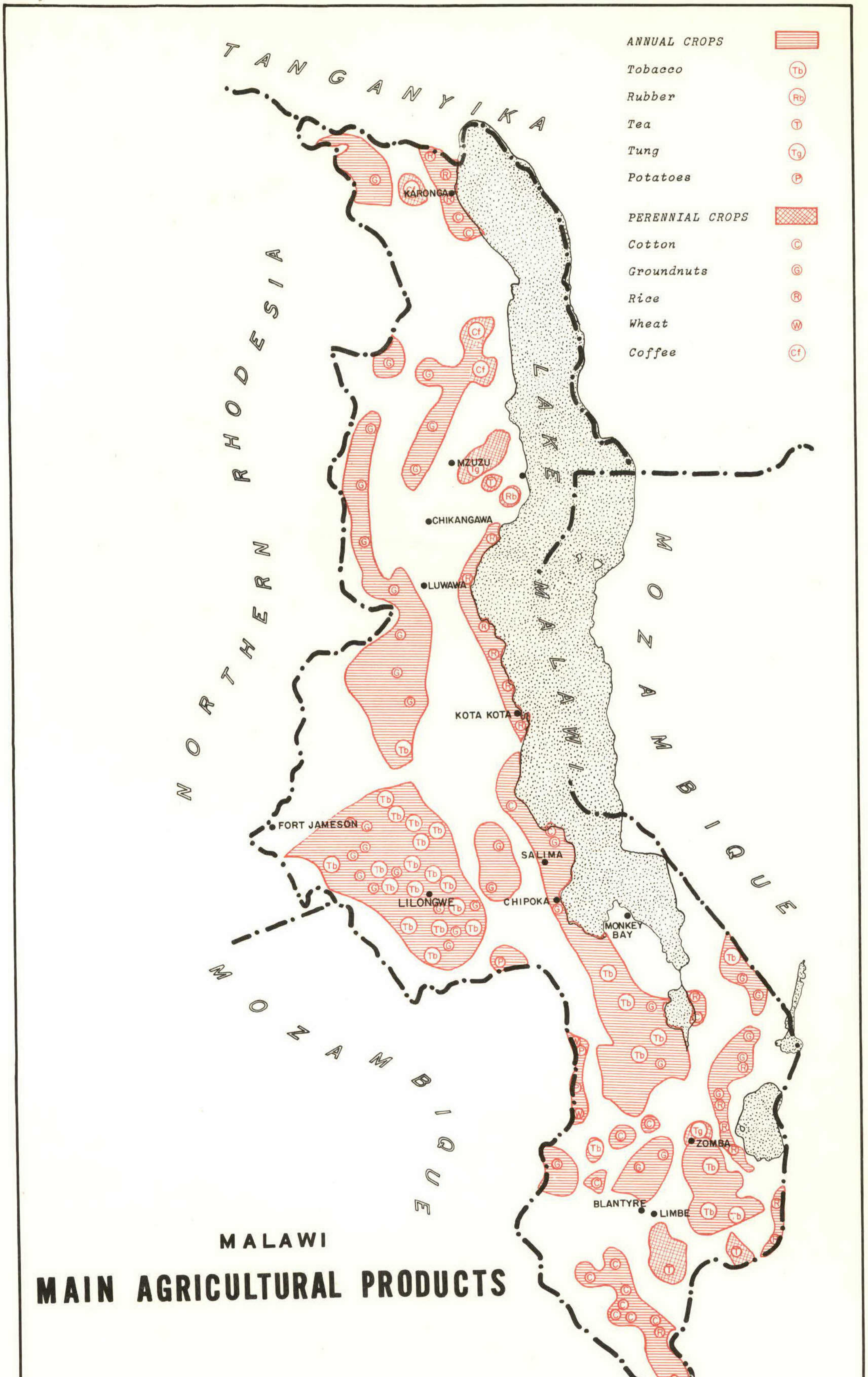
	1951-59	1960-65	1964	1965	1966
POPULATION (total) /a	2.4	2.4	2.5	2.5	2.4
GROSS DOMESTIC PRODUCT (real)					
Total	4.8/b	4.0	0.6	12.1	11.2
Per Capita /a	..	1.6	-1.9	9.4	8.6
TOTAL MEANS OF PAYMENT	..	..	..	19.7/c	11.2/d
Money	..	2.3/e	10.5	19.6/c	11.0/d
Quasi-money	..	..	..	22.3/c	17.7/d
BANK CREDIT OUTSTANDING					
To central government (net)	..	..	..	90.0/c	44.1/d
To private sector	..	..	..	28.9/c	30.5/d
PRICES					
Cost of living index /f	..	..	1.4	-4.4	3.2
Wholesale price index	..	..	..	..	..
GDP implicit deflator	..	..	0.2	..	..
EXPORTS AND IMPORTS (based on current US$)					
Exports of goods and services /g	2.2/b	..	..	17.8	17.3
Imports of goods and services /h	7.6/b	..	..	31.7	30.2

/a Subject to revision awaiting the final results of the 1966 census.
/b 1955-1959.
/c As of June 30, 1966.
/d As of June 30, 1967.
/e 1962-1964.
/f Low income group.
/g Goods only.
/h Goods and net services.

IV. SELECTED RELATIONSHIPS - PERCENT OF GROSS DOMESTIC PRODUCT
(based on values at current market prices)

	1950-59	1960-65	1955	1960	1966
EXPORTS AND IMPORTS					
Exports of goods and services /a	18.5/b	20.2	18.7	18.4	25.0
Imports of goods and services /c	30.9/b	32.6	27.8	29.3	42.5
INVESTMENT AND SAVING					
Gross domestic investment	15.1/b	15.4	15.8	18.2	20.2
private fixed investment	5.6/b	4.6	5.7	5.6	17.5/d
public fixed investment	8.6/b	9.4	7.5	9.0	..
increase in stocks	0.9/b	1.4	2.6	3.6	2.7
Deficit on current account	10.3/b	11.7	7.1	9.6	18.4
net imports of goods and services	12.4/b	12.4	9.1	10.9	17.5
net factor payments to abroad	-2.1/b	-0.7	-2.0	-1.3	0.9
Gross national saving	4.8/b	3.7	8.7	8.6	1.8
CENTRAL GOVERNMENT OPERATIONS					
Current receipts	..	..	..	15.0	14.9
Current expenditure	..	..	..	20.9	20.2
Saving	..	..	..	-5.9	-5.3
Capital receipts	..	..	..	0.3	0.4
Capital expenditure	..	..	..	11.0	11.9
of which: central government capital formation	..	..	..	4.6	8.6
Overall Budget Surplus	..	..	..	-16.6	-16.8
External loans and net grants and transfers received	..	..	..	15.5	12.1
of which: on current account	..	..	..	10.2	6.4
Domestic borrowing (net)	..	..	..	0.1	4.5
Cash balance: increase(-) decrease(+)	..	..	..	1.0	0.2

/a Prior to 1966 goods only.
/b 1954-1959.
/c Prior to 1966 goods and net services.
/d Total fixed investment.



MALAWI

MAIN AGRICULTURAL PRODUCTS

AUGUST 1964 IBRD-1389

MALAWI

V. EXTERNAL FINANCIAL ASSISTANCE

(In US$ million)

	Past Annual Average (1964-1966)	Recent Year (1967 - Estimate)
Gross flows of public capital and private transfer receipts 1/	35.20	32.20

1/ Private transfer receipts principally cover grants to religious missions.

International Finance Division
Economics Department
April 17, 1968

VI IBRD AND IDA OPERATIONS
(In millions of $)

A) Past operations to March 31, 1968	Amount committed /1	Amount disbursed
IBRD	-	-
IDA	28.0	0.3
Total	28.0	0.3

/1 Net of cancellations

	Rate of interest (p.a.)	Weighted average Grace period (years)	Weighted average Repayment period (years)
B) Terms of IBRD/IDA operations (January 1, 1961 - March 31, 1968)	.75%	9.9	48.8

C) Record of IDA commitments to March 31, 1968

		Project	Date	Amount
Credit	S-2	Project preparation	10/ 4/66	0.5
"	102	Education	5/ 4/67	6.3
"	112	Highways	2/ 5/68	11.5
"	113	Agricultural Development	2/ 5/68	6.0
"	114	Agricultural Development	2/ 5/68	3.7

D) Record of Bank commitments to March 31, 1968

Nil

Statistical Services Division
Economics Department
April 17, 1968