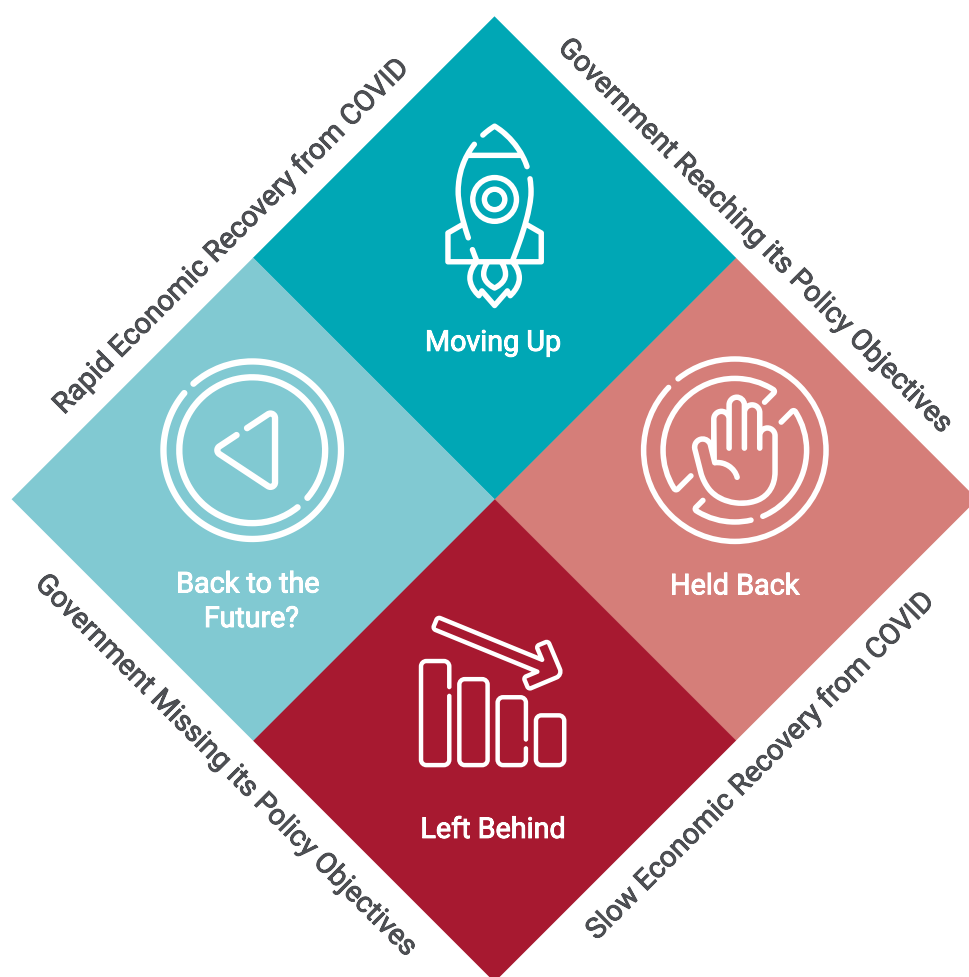


Malawi in 2025

Emerging from Crisis?



A scenario planning exercise performed by Limestone Analytics, with support from Malawi National Planning Commission and Copenhagen Consensus Center - December 2020.

This report is prepared by Limestone Analytics independently and does not reflect the views and policies of the National Planning Commission or the Copenhagen Consensus Center.



Additional Drivers Shape the Future

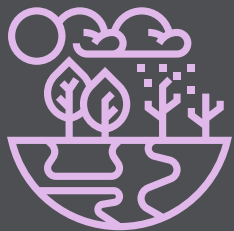
The scenarios are built upon two core drivers (economic recovery from COVID-19 and the ability of the Government to implement its stated policies). However, other key uncertainties that surfaced in the survey are also critical to Malawi's future path. These four drivers are included in each scenario analysis.



Public Trust / Civic Engagement

In the aftermath of the 2019 election, Malawian citizens made their voices heard. Frequent protests, both national and local, endured over several months; by early 2020 the unrest had not disappeared. One local activist said in January 2020, "This is the year of mass protests."

That dynamic changed with the pandemic's onset in March of 2020, and the subsequent restrictions on gatherings and other activities. In addition, a fresh election was held in June 2020. The scenario survey, begun in September, reflected an extraordinary level of optimism and positive feelings toward the new Government. In addition, many respondents remarked on the fact that through the upheavals in 2019 Malawians had become engaged in civic matters, and would hold the Government to account going forward. One survey respondent opined, "Malawians are very woke right now."



Climate Change / Environmental protection

According to the International Monetary Fund, Africa's dependency on rain-fed agriculture and its limited capacity to adapt to shocks make it the continent most vulnerable to climate change. And while climate events may be dramatic but short-lived, the damage they can cause can be long-lasting. Malawi had not fully launched reconstruction and economic rehabilitation activities in response to the 2019 effects of Cyclone Idai when the pandemic upended life in early 2020. These compound crises were factors in the doubling of the numbers of food-insecure in Malawi in late 2020.

Survey respondents were concerned about a number of climate-related factors: continued deforestation; pollution; general degradation; changing weather and rainfall patterns; and continued use of household charcoal. The respondents also made the link between environmental damage and economic growth, as well as food security. And responses made clear that the Government needed to play a role, both with policy as well as enforcement, to better protect the environment in Malawi.



Potential of Young Malawians

Demographics are not always destiny, but Malawi has a huge youth population that will likely play a determining role in the country's future path. A key issue is whether there will be enough jobs for this demographic, which the OECD estimated in 2019 to be more than 46% of the population under the age of fifteen. Critically, a very high percentage of youth work in the informal sector.

The pandemic's effects on the economy were widespread and severe, with a proportionately larger impact on the poorest strata of society. UNICEF sees the pandemic as potentially reversing progress made across the globe on the fight against child labor; in Malawi, anecdotal evidence showed that, with schools closed as a safety measure, some children ended up with other tasks inside the home. Though the full effect of the interruption to education is yet to be known, respondents to the scenarios survey in general reported optimism about the potential of the country's young people. They saw young Malawians as innovative and potential leaders, a positive force for the future.



Role of Technology

In 2016, the World Economic Forum heralded the advent of the Fourth Industrial Revolution, saying, "We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before." In our survey in 2020, Malawians also recognized that technology is not only changing the way things are done, but will also play a critical role in the next 5 years. Technology use is increasing, with remote work necessitated by the pandemic, and also across multiple sectors and various demographic groups.

Many survey respondents thought that technology would boost economic growth and jobs, that it could improve private sector productivity, and that in general Malawians would be more connected to each other and to the rest of the world. A few saw technology as a negative force, with uneven access across the country, and potentially replacing jobs and supplanting traditional culture.



Held Back

Progress toward policy goals is achieved but it is mitigated by a slow economic recovery from the COVID crisis.

By 2025, the Government has been able to achieve a number of its policy goals; many, however, have been compromised by the lingering effects of the COVID crisis on the economy. The slow pace of Malawi's COVID recovery was driven by slow and uneven global distribution of the vaccines that were approved in late 2020 and early 2021. Though in 2025 the pandemic itself is long over, it reversed the strong growth trajectory of Malawi's economy that was evident in 2019. The made progress on some infrastructure pledges, specifically building roads and health care facilities. However, some of Malawi's most entrenched problems continue, or have re-emerged, and the Government's policy reforms were not enough to protect the economy nor vulnerable households. By some, COVID's effect on the economy is viewed as a failure of the Government to fulfill its promises. Although the administration's continued and visible efforts toward reform – especially in fighting corruption – were seen as positive, the government now faces the 2025 election without having fulfilled all of its 2020 promises and with the public's trust shaken.

Economic Growth

In spite of good policies, the economic recovery is painfully slow

In 2025, the direct health concerns of COVID-19 are gone, but the pandemic caused structural damage to Malawi's economy and its lingering effects continue to restrain progress. Malawian businesses, heavily impacted throughout 2020, struggled to access or maintain capital to sustain themselves, and personal bankruptcies, layoffs and contraction continued into 2022. As a result, in 2025 unemployment persists at higher levels than in 2019. The Government has focused some investments on priority sectors as well as regional integration, but global sluggishness has dampened Malawi's economic recovery and kept production low.

Globally, investors have remained cautious and consumers less able to purchase. Many multinationals attempted to reshape their supply chains to rely on sources closer to home, throwing supplier economies into chaos and a "race to the bottom". Donors came under pressure to focus on their own economic woes, especially in Europe and the US, and levels of development assistance fell. International tourists stayed home or ventured out only regionally.

Direct quotation from survey: "COVID-19 has been a huge menace on the lives of Malawians. Thousands of Malawians have lost their jobs due to effects of COVID-19. ... Government aims at fulfilling its campaign promises to create a million jobs for Malawians but we are yet to see this honoured. They need to put in great plans to manage this because their estimation may be challenged now by the effects of COVID-19."

Public Trust

Continued public trust has been key to relative domestic stability in the face of tough times.

Although the administration's policies have not been as transformational as Malawians had initially hoped, the Government actively worked to implement some of the policies and programs promised during the 2019 campaign, in spite of the headwinds caused by the pandemic. The Government enacted some social safety net programs that assisted rural farmers through the crisis, investing in some limited infrastructure projects, and supporting young entrepreneurs. The overall impact, though, has been limited.

Corruption was at the top of mind for Malawian citizens in 2020, and five years later public officials have avoided major corruption scandals. While many may have wished for more sweeping anti-corruption actions, many civic-minded Malawians have been keeping close watch on government reform efforts. Though some remain frustrated that progress has not been faster, and a few see the long COVID recovery as the Government's own failure, extensive civic unrest has been avoided.

Direct quotation from survey: "At the moment [2020] Malawi is in a good space politically, given that government has a lot of goodwill and support from the public. It is every Malawian's hope that things will improve in Malawi from all angles such as economy, governance, business, socio-economic, including politics."

Agriculture Sector

Effects of policy are limited in the post-pandemic world

The agriculture sector in 2025 continues to be a priority sector, as it was prior to the pandemic. Smallholders were buoyed by social investment programs such as the Affordable Inputs Program and other limited support provided by the Government. There is still a high reliance on tobacco, though since 2020 the Government has made deliberate efforts toward crop diversification. Borders are open again, and the limited improvements in Malawi's infrastructure have been complemented by similar investments in Mozambique and Tanzania, making long-haul cargo transportation cheaper.

The Government's social support programs have been able to improve the situation for some rural farmers, but they were not sufficient to significantly decrease rural poverty levels as the lingering economic effects of the COVID pandemic recovery continued to play out. Therefore, many who are dependent on subsistence farming are still vulnerable to climate/environmental shocks, food insecurity, and poverty, which remain not far below pre-pandemic levels.

Direct quotation from survey: "[Greatest worry is] the future of our economy. I am not sure if the economy will sustain itself in the next five years if the current situation remains the same."



The year 2025 is looking relatively bright, as the national government's progress on policy goals was underpinned by the momentum of economic recovery from the pandemic. Global vaccine distribution ramped up in mid-2021 through WHO's COVAX facility. Global markets recovered relatively quickly after travel and social distancing restrictions were revoked, and pent-up consumer demand was unleashed. However, even with a strong policy performance in Malawi, some evidence of economic damage from the COVID crisis remains. Malawian firms struggled to rebuild their workforce as markets rebounded near the end of 2021, but the scale of job loss and lack of access to capital hindered faster growth. Poverty indicators improved somewhat but remained stubbornly elevated. Throughout the period 2020-2025, good harvests also buoyed the economy. Public optimism remained relatively high as the Government made uneven but steady progress on its campaign promises. At the end of the Government's first term, with attention to chronic challenges still needed, Malawi could be poised to enter a new phase.

Moving Up

Multiple policy goals are achieved amid a global economic recovery from the COVID crisis.

Economic Growth

The Government's fight against corruption spurred investor confidence, initiating a positive cycle of increasing returns.

Between 2021 and 2025, the Government continued its high-profile campaign against corruption, instituting numerous measures to increase transparency, respond to citizen demands, incorporate the perspectives of youth and reduce the powers of the executive. These efforts made progress in countering Malawi's image of a country that economic development had left behind. Instead, both domestic and international investors interpreted a lower incidence of corruption as a reduction of risk in the Malawi market, spurring activity in sectors that increased diversification of the economy.

As global recovery from COVID began to accelerate in late 2021, the Government also focused its efforts on longer-term investments in infrastructure, mega farms and agro-processing; industrial zones; and other efforts including a particular focus on tourism clusters. Coupled with short-term social protection investments in 2020 and 2021, the cumulative set of policy decisions meant that while the country emerged from the pandemic with significant setbacks, overall there was less damage than might have been possible. At the end of their first term, the Government is on a positive trajectory; if the anti-corruption movement continues to deepen, the slow pace of growth caused by COVID-19 may continue to accelerate.

Direct quotation from survey: "Economies all over the world are rolling back to life and Malawi too has what it takes to spin this Covid-19 thing on its head by rejuvenating its economy."

Entrepreneurship

Early efforts at building Malawi's entrepreneurship ecosystem show promise

The One Million Jobs initiative, a signature campaign promise from the Government, enjoyed early success in Lilongwe, Mzuzu and Blantyre as the economy began its serious recovery in 2021. Young people in these areas were already tech savvy and were more easily able to capitalize on social media diffusion for messaging and customer engagement for their start-ups. Beyond the urban centers, rural youth engaged in agriculture and agribusiness participated in the program, but the jobs initiative made slower progress in areas where internet access and technology use can be limited. Efforts toward building entrepreneurship also focused on education. The Government encouraged vocational, secondary and tertiary institutions to offer educational opportunities that were more closely tied to market needs, and also relevant to those students who wanted to start their own ventures. Curriculum was introduced that covered basic business management skills such as budgeting and accounting, as well as more complex financial courses. Soft skills training rounded out some of the educational offerings. STEM and STI in initiatives in elementary and secondary education also received support.

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Social Cohesion / Citizen Engagement

Citizens act on their interests

In 2025, Malawians have been keeping an active watch on the Government, building on the lessons of 2019, citizens continue to speak out when the Government does not meet expectations. There is a sense that domestic politics have matured, and internal issues can now be handled without chaos or violence. While increased transparency and better access to information has generally been a positive force in terms of public engagement, low literacy levels can impact the level and rate at which information is absorbed, and there have been some instances of false narratives circulating within rural areas.

In 2025, the sense of optimism that surrounded the 2020 election and its aftermath has endured. The Government's promotion of a "new mindset" seems to have taken hold and there is a palpable increase in Malawians' belief that the country is on the path toward a positive future. Government policies and community action are slowly improving the situation in rural areas; both the Government and civil society organizations facilitate an open dialogue on peace and co-existence. Although exposure to technology and social media is bringing new ideas to Malawi, the country retains the core of its traditional values.

Direct quotation from survey: "As many people are rising up to demand what is right from leaders in various sectors, the society is likely to become a better place for all Malawians irrespective of gender, economic status and religious affiliation."



Back to the Future?

Policy goals are only partially achieved but there is a rapid economic recovery from the COVID crisis, primarily on the global level.

Climate Change / the Environment

Environmental degradation continues to be a drag on the economy

Uneven enforcement of existing environmental protection laws has meant that the country's forests have continued to disappear. Although the global economy has, in large part, recovered from the COVID pandemic, in Malawi the lingering economic damage has meant a return to exploitation of forest resources for household charcoal production. Neither communities nor the forestry department have supported reforestation efforts; the Government's attention has been consumed with other issues. Continued deforestation has made Malawi even more vulnerable to severe weather events such as cyclones.

Degradation of the environment has also played a role in the sluggish tourism economy which has not yet recovered to pre-pandemic levels. Although global travel restrictions ended in late 2021, tourists have not returned to Malawi in the same numbers as before the pandemic. Pollution is also on the rise, and Malawi's profile as an ecotourism destination has been damaged. The Government has not been able to invest in new infrastructure as planned, nor support the formation of tourism clusters.

Direct quotation from survey: "The environment will be degrading if the Government do not set as a priority to work on that. The economy will be affected so badly because this is a very important area of the economy as a whole."

Social Cohesion / Youth

Malawians are still waiting for their chance

Like youth everywhere, young Malawians want to know their aspirations are attainable. The Government was not able to fully fund the One Million Jobs initiative, and as a result young people had fewer opportunities and resources to invest in their own businesses once economic activity began to pick up again. Overall, in spite of the COVID crisis ending, the prospects did not change much for the country's youth. While in 2025 jobs are on the rise, the numbers are not enough to meet the numbers of qualified seekers.

In general, public skepticism about the Government grew as Malawians waited for promised policies to be enacted. The post-pandemic economic recovery was not enough to overcome the public's sense that the country's opportunities for change and for moving ahead were slipping away. Cuts to social spending arising from the need for fiscal austerity to re-pay COVID emergency loans were met with resistance from the public, who did not hesitate to take to the streets again.

Direct quotation from survey: "If in the next 5 years Malawi does not create sufficient jobs for these youth, the society will experience a backlash from frustrations of an educated populace that has nothing to look forward to."

Economic Growth

Slow policy implementation allows old issues to re-emerge

The Government's inability to reach its policy goals means that Malawi missed multiple opportunities to re-charge the economy as the COVID crisis faded. Without increased infrastructure investments, the power supply continued to be unreliable. Little progress was made on land ownership issues, and rural food security continued to be a problem. Access to technology remained primarily in the cities. Investors continued to view Malawi's business environment as less than optimal; as a result, investments that might have made progress on diversifying the economy (such as in tourism and agriculture) did not materialize. The slow pace of improvement on infrastructure also discouraged further investment.

While some progress was made on jobs, many of the entrepreneurs that were able to take advantage of the Government's limited outreach program were relatively well-educated and familiar with technology. Low- and semi-skilled workers continued to struggle to find employment that would keep them above the poverty line.

Direct quotation from survey: "There are several political parties that are fighting for their share in government affairs. If they disintegrate, chances are development plans that are there which they are all supporting may eventually be frustrated."



The COVID crisis of 2020 was a turning point in Malawi. The job losses and business contractions were severe; border closures and social distancing measures upended commerce and trade. Because the pandemic and its direct economic effects dragged on throughout 2021, the Government's slow pace of policy implementation was not enough to mitigate the worst of the downturn's effects. As the country's economic struggles deepened, the public soured on the Government and their perceived backtracking on campaign promises. Malawians feared a return to the past and cynicism over lack of progress frayed the social fabric. Poverty indicators worsened, and tobacco exports fell as the pandemic engendered increased attention to individual health. Although COVID had largely receded by early 2022, the global economy continued to sputter unevenly; value chains remained disrupted and investors continued to be cautious. By 2025, Malawi languishes on the margins. Malawians' fear of the country being left behind appears to be coming true.

Left Behind

Few policy goals are achieved and there is a slow economic recovery from the COVID crisis.

Economic Growth

Things are in a downward spiral

Evidence of the pandemic is still strong in 2025. As the COVID crisis dragged on through 2021, the Government was forced to continue a high level of cash transfer programs and other kinds of social support for the poor, funded through increased borrowing. The high level of public debt meant an unbalanced budget and pressure from the IMF and donors to rein in spending. Lower than normal tax revenue, from both continuing business contraction as well as the increase in the tax band also squeezed the Government's coffers, and infrastructure improvements ground to a halt.

In the private sector, the effects of the pandemic are still stark in 2025. Some Malawian firms did not survive the economic shocks of COVID-19, and closed permanently. The MSME sector was particularly hard hit by the crisis. In 2019 there were almost 1.6 million MSMEs in Malawi, with the largest proportion in the wholesale and retail sectors. Many worked in markets or in their homes; a majority of these enterprises were informal. As economic activity began its slow recovery from COVID, most of these entrepreneurs were forced to start again from zero.

Direct quotation from survey: "The unbalanced budget coupled with Government's appetite to borrow, runs the government debt stock pile above 100% of GDP bankrupting our economy. At the rate we are going, it is unsustainable."

Social Cohesion / Public Trust

As hope for change fades, social unrest returns

In 2025, it is evident that corruption has been exceptionally hard to root out. Though the Government made some progress, cases still appear in the press, and some Malawians report it at the local level. Whether it is from continued corruption on the part of a small number of individuals, or because of the prolonged economic slump caused by COVID, in 2025 Malawians feel that things are changing too slowly, or not at all. The groundswell of optimism that followed the 2020 election began to fade in 2021.

The elections of 2019 and 2020 still reverberate in Malawi. People learned the power of public protests, and began to believe that government should respond to the demands of citizens. With information readily available online, in 2025 Malawians continue to push for progress in spite of economic challenges. Public protests demand action on jobs, transparency and relief for rural areas.

Direct quotation from survey: "Nothing will be different, politicians will continue to make underhanded deals and reward those loyal to them. These people will continue [to] swindle government and plunder resources."

Climate Change / the Environment

Environmental damage and shifts in the climate grow more dire

In 2025, adding to the country's woes, rainfall patterns continue to shift and this change has wide-reaching effects. Since 2020, the cycle of recurring floods and droughts in Malawi intensified, exacerbated by infrequent but powerful storms which only seem to increase in intensity. The situation has been made worse by an acceleration of deforestation in many places, which the Government has been unable to stop. Unpredictable rainfall has further stressed the country's hydroelectric system, making it an even more unreliable power source in certain months, and putting additional pressure on forests. Some conservation efforts were viewed by rural citizens as overly punitive and as a result they were not enthusiastic about participating. Challenges also continue in rural areas with the size of land holdings and the challenge of food security at the household level. Input subsidies have had some positive effect on rural poverty, but the shifting rainfall patterns are making farming more difficult.

Direct quotation from survey: "At the rate we are going, we are heading for an environmental catastrophe."



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The Government has struggled to achieve policy goals since the 2020 election. Lack of unity within the Administration compounded the challenges of eradicating corruption in government; the public's trust eroded. Malawians have not been afraid to call out the slow pace of change, and some street demonstrations returned in 2022. The COVID crisis eased in late 2021, and domestic economic activity began to revive when global vaccine distribution started earlier that year. However, the economic recovery alone was not enough to change the persistent unemployment among youth nor improve the status of rural households. The pandemic did severe damage to Malawi's economy, and for many firms that downsized or closed, the damage was permanent. Young people continued to have difficulty finding employment; the One Million Jobs initiative was not fully funded and thus had only minimal impact. As regional neighbors pull ahead in terms of investment, export diversification and job growth, in 2025 Malawi seems mired in the same challenges that were evident before the 2019 election.

Back to the Future?

Policy goals are only partially achieved but there is a rapid economic recovery from the COVID crisis, primarily on the global level.

Climate Change / the Environment

Environmental degradation continues to be a drag on the economy

Uneven enforcement of existing environmental protection laws has meant that the country's forests have continued to disappear. Although the global economy has, in large part, recovered from the COVID pandemic, in Malawi the lingering economic damage has meant a return to exploitation of forest resources for household charcoal production. Neither communities nor the forestry department have supported reforestation efforts; the Government's attention has been consumed with other issues. Continued deforestation has made Malawi even more vulnerable to severe weather events such as cyclones.

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Malawians are still waiting for their chance

Like youth everywhere, young Malawians want to know their aspirations are attainable. The Government was not able to fully fund the One Million Jobs initiative, and as a result young people had fewer opportunities and resources to invest in their own businesses once economic activity began to pick up again. Overall, in spite of the COVID crisis ending, the prospects did not change much for the country's youth. While in 2025 jobs are on the rise, the numbers are not enough to meet the numbers of qualified seekers.

In general, public skepticism about the Government grew as Malawians waited for promised policies to be enacted. The post-pandemic economic recovery was not enough to overcome the public's sense that the country's opportunities for change and for moving ahead were slipping away. Cuts to social spending arising from the need for fiscal austerity to re-pay COVID emergency loans were met with resistance from the public, who did not hesitate to take to the streets again.

Direct quotation from survey: "If in the next 5 years Malawi does not create sufficient jobs for these youth, the society will experience a backlash from frustrations of an educated populace that has nothing to look forward to."

Economic Growth

Slow policy implementation allows old issues to re-emerge

The Government's inability to reach its policy goals means that Malawi missed multiple opportunities to re-charge the economy as the COVID crisis faded. Without increased infrastructure investments, the power supply continued to be unreliable. Little progress was made on land ownership issues, and rural food security continued to be a problem. Access to technology remained primarily in the cities. Investors continued to view Malawi's business environment as less than optimal; as a result, investments that might have made progress on diversifying the economy (such as in tourism and agriculture) did not materialize. The slow pace of improvement on infrastructure also discouraged further investment.

While some progress was made on jobs, many of the entrepreneurs that were able to take advantage of the Government's limited outreach program were relatively well-educated and familiar with technology. Low- and semi-skilled workers continued to struggle to find employment that would keep them above the poverty line.

Direct quotation from survey: "There are several political parties that are fighting for their share in government affairs. If they disintegrate, chances are development plans that are there which they are all supporting may eventually be frustrated."



The COVID crisis of 2020 was a turning point in Malawi. The job losses and business contractions were severe; border closures and social distancing measures upended commerce and trade. Because the pandemic and its direct economic effects dragged on throughout 2021, the Government's slow pace of policy implementation was not enough to mitigate the worst of the downturn's effects. As the country's economic struggles deepened, the public soured on the Government and their perceived backtracking on campaign promises. Malawians feared a return to the past and cynicism over lack of progress frayed the social fabric. Poverty indicators worsened, and tobacco exports fell as the pandemic engendered increased attention to individual health. Although COVID had largely receded by early 2022, the global economy continued to sputter unevenly; value chains remained disrupted and investors continued to be cautious. By 2025, Malawi languishes on the margins. Malawians' fear of the country being left behind appears to be coming true.

Left Behind

Few policy goals are achieved and there is a slow economic recovery from the COVID crisis.

Economic Growth

Things are in a downward spiral

Evidence of the pandemic is still strong in 2025. As the COVID crisis dragged on through 2021, the Government was forced to continue a high level of cash transfer programs and other kinds of social support for the poor, funded through increased borrowing. The high level of public debt meant an unbalanced budget and pressure from the IMF and donors to rein in spending. Lower than normal tax revenue, from both continuing business contraction as well as the increase in the tax band also squeezed the Government's coffers, and infrastructure improvements ground to a halt.

In the private sector, the effects of the pandemic are still stark in 2025. Some Malawian firms did not survive the economic shocks of COVID-19, and closed permanently. The MSME sector was particularly hard hit by the crisis. In 2019 there were almost 1.6 million MSMEs in Malawi, with the largest proportion in the wholesale and retail sectors. Many worked in markets or in their homes; a majority of these enterprises were informal. As economic activity began its slow recovery from COVID, most of these entrepreneurs were forced to start again from zero.

Direct quotation from survey: "The unbalanced budget coupled with Government's appetite to borrow, runs the government debt stock pile above 100% of GDP, bankrupting our economy. At the rate we are going, it is unsustainable."

Social Cohesion / Public Trust

As hope for change fades, social unrest returns

In 2025, it is evident that corruption has been exceptionally hard to root out. Though the Government made some progress, cases still appear in the press, and some Malawians report it at the local level. Whether it is from continued corruption on the part of a small number of individuals, or because of the prolonged economic slump caused by COVID, in 2025 Malawians feel that things are changing too slowly, or not at all. The groundswell of optimism that followed the 2020 election began to fade in 2021.

The elections of 2019 and 2020 still reverberate in Malawi. People learned the power of public protests, and began to believe that government should respond to the demands of citizens. With information readily available online, in 2025 Malawians continue to push for progress in spite of economic challenges. Public protests demand action on jobs, transparency and relief for rural areas.

Direct quotation from survey: "Nothing will be different, politicians will continue to make underhanded deals and reward those loyal to them. These people will continue [to] swindle government and plunder resources."

Climate Change / the Environment

Environmental damage and shifts in the climate grow more dire

In 2025, adding to the country's woes, rainfall patterns continue to shift and this change has wide-reaching effects. Since 2020, the cycle of recurring floods and droughts in Malawi intensified, exacerbated by infrequent but powerful storms which only seem to increase in intensity. The situation has been made worse by an acceleration of deforestation in many places, which the Government has been unable to stop. Unpredictable rainfall has further stressed the country's hydroelectric system, making it an even more unreliable power source in certain months, and putting additional pressure on forests. Some conservation efforts were viewed by rural citizens as overly punitive and as a result they were not enthusiastic about participating. Challenges also continue in rural areas with the size of land holdings and the challenge of food security at the household level. Input subsidies have had some positive effect on rural poverty, but the shifting rainfall patterns are making farming more difficult.

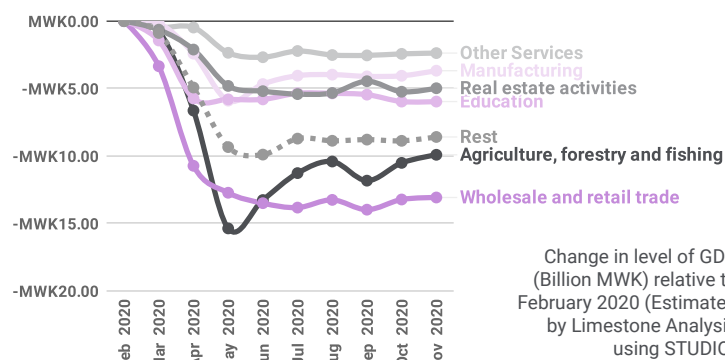
Direct quotation from survey: "At the rate we are going, we are heading for an environmental catastrophe."



STUDIO: Malawi

What Happened in 2020?

The historical impacts are estimated using Malawi's pre-pandemic input-output tables and assumptions about what happened to supply, demand, exports and wages in 2020. These assumptions are informed by the evidence from comparable countries.



What will Happen in 2021?

The team has applied the following assumptions to estimate a projection of economic outcomes (GDP and employment income by sector) for each scenario. To learn more about STUDIO please visit <https://limestone-analytics.com/publications/>



Moving Up

In response to the Government of Malawi's efforts to crack down on corruption, both domestic and international investors increased investment in the manufacturing, construction, utilities, transportation and storage, extractives and ICT sectors. The government itself was also successful in delivering targeted investments to support long-term projects such as the mega-farms, agro-processing facilities and industrial zones. Early successes of the public sector reforms and the One Million Jobs initiative led to a rise in productivity across the economy, further stimulating overall demand. The rapid global recovery from COVID-19 allowed Malawi to ride this wave of progress to a stronger place than it started before the pandemic.



Back to the Future

The Government of Malawi's inability to make meaningful progress in its reform agenda and infrastructure pledges by the beginning of 2021 resulted in investor wariness, stagnating private investment in sectors identified as high-priority for industrial diversification efforts. On the bright side, the effects of the COVID-19 pandemic began to wear off early in 2021, and by the end of the first quarter of 2021 aggregate demand had largely returned to pre-COVID levels in most sectors. The prominent exception to this trend was the hospitality and tourism sector, which continued to suffer from suppressed international tourism.



Held Back

As a result of the progress made on the Government's infrastructure pledges and efforts to crack down on corruption, Malawi benefited from some productivity gains beginning early in 2021. However, the country was unable to reap the full benefits of these gains due to the sluggish global recovery from COVID-19. Although government investment and progress towards regional integration stimulated demand in priority sectors, the lingering effects of COVID-19 continued to suppress aggregate demand through to the end of 2021, particularly in the hospitality and tourism sectors. Exports also continued to struggle through to the end of 2021, particularly tobacco.



Left Behind

The effects of the COVID-19 pandemic stubbornly persisted throughout the first three quarters of 2021, and it was only in the fourth quarter that social distancing restrictions were fully eased and aggregate demand had nearly recovered to pre-COVID levels. However, as 2021 came to a close there was a continued drag on demand in the hospitality and tourism sector, and exports of tobacco had remained far below pre-COVID levels throughout the year. Moreover, the Government of Malawi was so fully preoccupied with COVID-19 damage control measures that it was unable to make any meaningful headway in its public sector reform and economic growth agenda.

In Numbers

Moving Up

Forecast for 2021

14.1%

GDP Growth

2,759

GDP (Bil. MWK) in 2021

767

Employment Income (Bil. MWK)

Top Performing Sectors in 2021 (67% of GDP)



GDP in Billion MWK



Public Trust / Civic Engagement

Malawians remain optimistic about the country's future; political engagement remains high



Climate Change / Environment

The Government's social policies have given the country the space to tackle natural resource conservation head-on



Potential of Youth

Powered by technology, young Malawians are finding new solutions to enduring problems



Role of Technology

Though access is still uneven, Malawi is using technology to move ahead

Back to the Future

Forecast for 2021

11.6%

GDP Growth

2,696

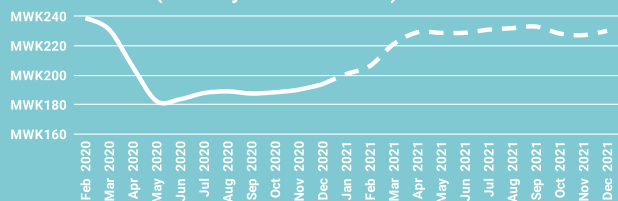
GDP (Bil. MWK) in 2021

750

Employment Income (Bil. MWK)

Rapid Recovery to the Past

GDP Estimate (monthly in Billion MWK)



Public Trust / Civic Engagement

Malawians are restless as the world seems to have moved on from COVID, while the country feels stuck



Climate Change / Environment

With the Government's attention elsewhere, progress on environmental issues is at a standstill



Potential of Youth

Young people are frustrated to see old issues returning; hope for their own futures is getting shaky



Role of Technology

The firms and individuals who can keep current with new technologies are able to stay competitive; others fall behind

In Numbers

Held Back

Forecast for 2021

5.1%

GDP Growth

2,541

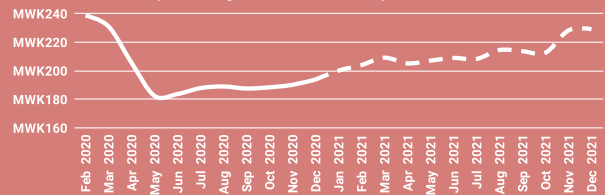
GDP (Bil. MWK) in 2021

705

Employment Income (Bil. MWK)

COVID-19 Stagnates the Potential

GDP Estimate (monthly in Billion MWK)



Public Trust / Civic Engagement

Though pleased with the limited policy progress, the public is still waiting for the change they voted for in 2020.



Climate Change / Environment

Prolonged economic downturn puts pressure on natural resources.



Potential of Youth

The youth of Malawi feel they are stuck in neutral, hoping for the economic momentum to return



Role of Technology

Even as technology is adopted more widely in the private sector and among youth, the economy continues to lag

Left Behind

Forecast for 2021

2.8%

GDP Growth

2,485

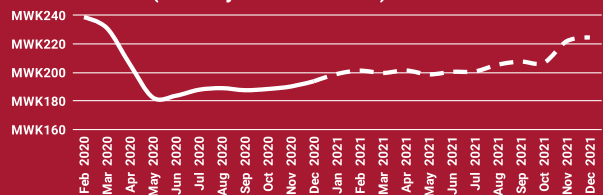
GDP (Bil. MWK) in 2021

696

Employment Income (Bil. MWK)

COVID-19 Sustains its Impacts

GDP Estimate (monthly in Billion MWK)



Public Trust / Civic Engagement

Frustration mounts; cities are near the boiling point again while rural areas languish



Climate Change / Environment

The environment takes a back seat to civil unrest; the situation of natural resources goes from bad to worse



Potential of Youth

Seeing diminishing options for professional and personal advancement, young people call for change

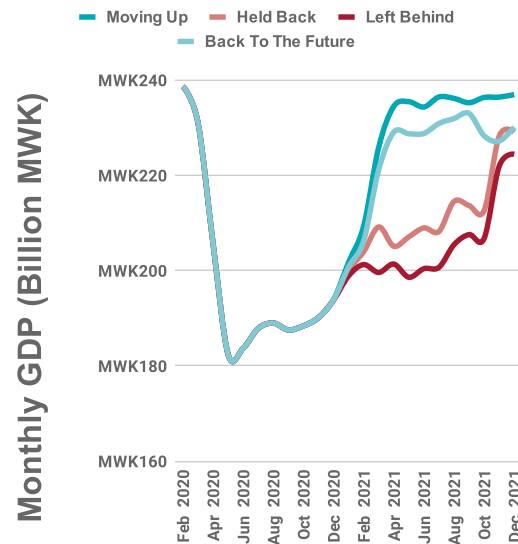
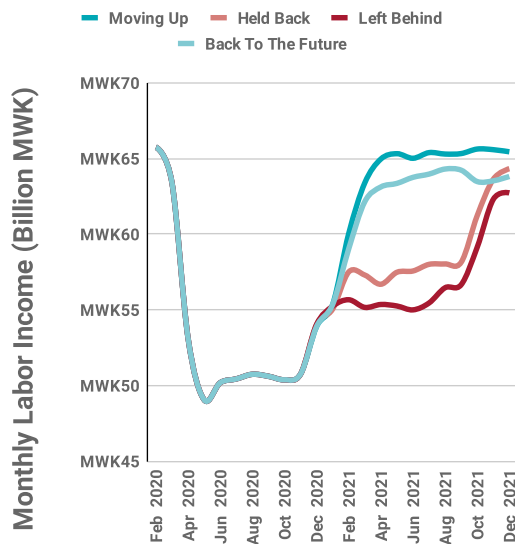
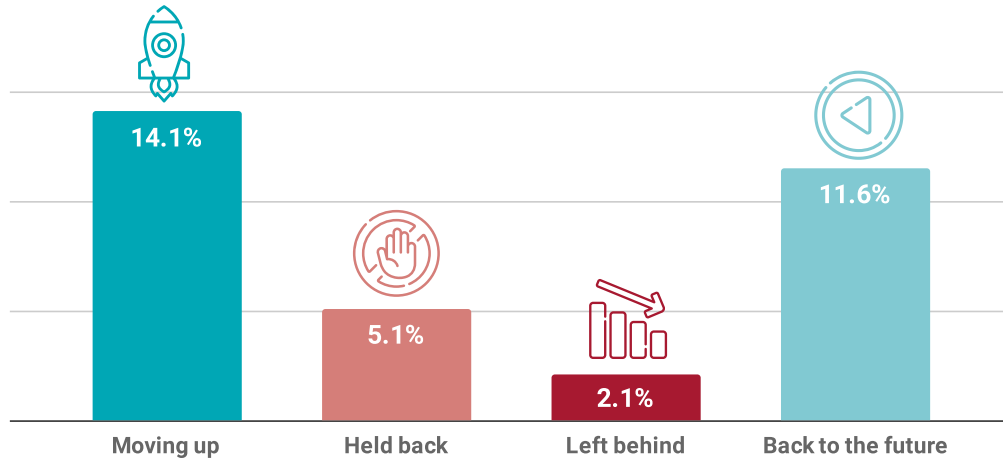


Role of Technology

With so many forces pulling Malawi's economy down, technology's positive influence remains on the margins

STUDIO: All Scenarios

GDP Growth



Key Limitation:

STUDIO forecasts are intentionally limited to one year. The underlying model cannot show the impact of structural changes in the economy that result from increased investor confidence and industrialization in the longer time horizon.

Due to limitations in access to data, STUDIO estimates use the levels of production and income in February of 2020 as the counterfactual scenario. Furthermore, the estimation process does not account for seasonality, which impacts the projections for sectors such as agriculture and education. The STUDIO model can construct a more accurate counterfactual should more data about the impacts of COVID in Malawi become available.

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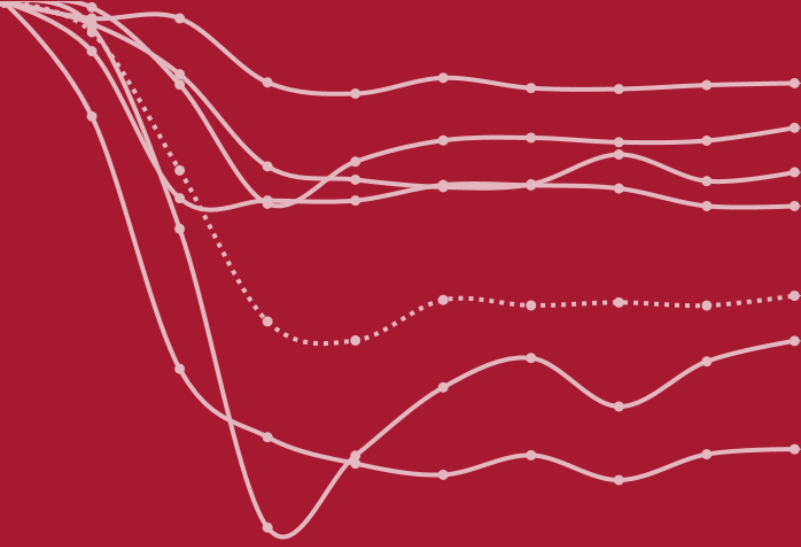
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Scenario Planning

Scenario planning seeks to answer the question, “What will the future be like?” Scenarios are not predictions; instead, by presenting detailed descriptions of a range of plausible future paths, scenarios give decision-makers a better view of what may lie over the horizon. These future stories include the critical issues, key risks and spillover effects that may shape the operating environment for both organizations and individuals. Drawn from and grounded in research, data and the opinions of local stakeholders, scenarios bring data to life.

As US researcher Brené Brown posits, “Maybe stories are just data with a soul.”

STUDIO

Limestone Analytics, together with economists from Queen’s University, developed the Short-Term Under-capacity Dynamic Input-Output (STUDIO) model to measure the economic impact of COVID-19.

The model is designed to estimate the impacts of COVID-19 on GDP and workforce, and provide projections under various pandemic mitigation and recovery policies.

For more about STUDIO, visit limestone-analytics.com

In this study, the authors were able to generate quantitative measures under each of the scenarios generated through an in-depth Scenario Planning exercise. This approach allowed the study to provide decision-makers with a stronger evidence base using a combination of state-of-the-art quantitative and qualitative methods.