

## 2018/19 FISCAL YEAR BUDGET IN SUMMARY

Economic performance in 2018 for Malawi experienced two major downside risks – the Fall Army Worms (FAW) and dry spells. These two manifested their adversarial impacts on reduced growth in the agriculture sector. With the strong spillover effects from this sector to other sectors, the impact of these two on the overall economy was unprecedented. Nonetheless, the economy is expected to grow by 4.0 percent in 2018 and by 6.0 percent in 2019.

Inflation dropped into the single digit zone in 2017 and closed the year at 7.1 percent and Government expects inflation rate to remain in single digits into the medium to long term.

As was the case in the 2017/18 budget, the overarching objective of the 2018/19 budget is to achieve a fiscal position that is consistent with sustaining macroeconomic stability. However, while the 2018/19 fiscal budget aim at entrenching macroeconomic stability, it also aim at fostering higher more inclusive and resilient economic growth.

### 2018-19 Budget in Summary

#### Revenue

Revenue in the 2018/19 budget is expected to total K1.26 trillion, comprising K1.05 trillion domestic resources and K0.21 trillion grants. Owing to measures to improve domestic resource mobilization such as automation of tax administration and widening of the tax base, it is expected that performance of taxes will improve in the 2018/19 fiscal year. Taxes are thus expected to grow by 8 percent to K940 billion. Non-tax revenues are also expected to improve to K112 billion owing to improved remittance of dividends as well as

departmental receipts. Disbursements of grants is expected to improve owing to improved fiscal management. Grants are thus programmed at K209 billion.

**Table 1: 2018-19 Budget Estimates**

FRAMEWORK DESCRIPTION	2018/19 Budget	2018-19 Budget (% of GDP)
<b>Revenue (1)</b>	<b>1,261,331</b>	<b>22.8</b>
<b>Domestic Revenue</b>	<b>1,052,250</b>	<b>19.0</b>
Tax revenue	940,040	17.0
Non-tax revenue	112,210	2.0
<b>Grants</b>	<b>209,081</b>	<b>3.8</b>
Program grants	60,000	1.1
Dedicated grants	62,720	1.1
Project grants	86,361	1.6
<b>Total expenditure (2)</b>	<b>1,504,191</b>	<b>27.2</b>
<b>Recurrent expenditure</b>	<b>1,104,509</b>	<b>20.0</b>
Wages and salaries	392,939	7.1
Interest on debt (3)	182,904	3.3
Goods, services and transfers	305,297	5.5
Subsidies and Transfers	219,369	4.0
<b>Development expenditure</b>	<b>391,682</b>	<b>7.1</b>
Domestically funded (Part II)	158,350	2.9
Foreign financed (Part I)	233,332	4.2
Net Lending	8,000	0.1
<b>Overall balance(4) (1 minus 2)</b>	<b>-242,860</b>	<b>-4.4</b>
<b>Primary Balance (4 plus 3 )</b>	<b>-59,956</b>	<b>-1.1</b>
<b>Total financing</b>	<b>242,860</b>	<b>4.4</b>
Foreign (net)	66,777	1.2
Borrowing	107,262	1.9
Amortisation	-40,485	-0.7
<b>Domestic Borrowing (Net)</b>	<b>176,084</b>	<b>3.2</b>

#### Expenditure

Total Expenditure is expected to amount to K1.50 trillion. This comprise K1.10 trillion under recurrent expenditure and K0.39 trillion for development expenditure.