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National Statistical Office

Malawi Foreign Private Capital and Investors' Perceptions Survey 2011

Final Report

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Final Report

National Statistical Office
Reserve Bank of Malawi
Malawi Investment and Trade Centre
Ministry of Finance
Ministry of Economic Planning & Development
Ministry of Industry & Trade

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ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
BOP	Balance of Payments
BOPC	Balance of Payments Committee
BPM5	Balance of Payments Manual, 5th Edition
BPM6	Balance of Payments Manual, 6th Edition
CIS	Credit Information System
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate Social Responsibility
DI	Direct Investment
DIE	Direct Investment Entity
DRC	Democratic Republic of Congo
FAL	Foreign Assets and Liabilities
FDEI	Foreign Direct Equity Investment
FDI	Foreign Direct Investment
FE	Fellow Enterprise
FPC	Foreign Private Capital
FPEI	Foreign Portfolio Equity Investment
FPI	Foreign Portfolio Investment
GDP	Gross Domestic Product
GEFC	Global Economic and Financial Crisis
GEP	Global Economic Prospects
HIV	Human Immunodeficiency Virus
IIP	International Investment Position
IMF	International Monetary Fund
IPs	Investor Perceptions
ISIC	International Standards of Industrial Classification
MEFMI	Macro Economic and Financial Management Institute of Eastern and Southern Africa
MEPD	Ministry of Economic Planning and Development
MIPA	Malawi Investment Promotion Agency

MOIT	Ministry of Industry and Trade
MITC	Malawi Investment and Trade Centre
MOF	Ministry of Finance
NSO	National Statistical Office
OECD	Organization for Economic Cooperation and Development
OI	Other Investment
PCB	Private Credit Bureau
PSED	Private Sector External Debt
RBM	Reserve Bank of Malawi
ROE	Return on Investment
SADC	Southern Africa Development Community
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
US$	United States Dollar
WIR	World Investment Report

FOREWORD

The 2011 Foreign Private Capital (FPC) and Investor Perceptions (IPs) survey report presents major findings of enterprises that have foreign assets and/or liabilities. It also gives perceptions of both foreign and domestic investors on various factors that impact on investment. This is the fifth survey of its kind to be done in Malawi since 2001 and collected data for 2009 and 2010. The information collected covered the magnitude, nature, composition and direction of foreign private capital flows and stocks, which are a good source of data used for compilation of the Balance of Payments (BOP) and International Investment Position (IIP) statements used for decision making and formulation of macroeconomic management and investment policies. Within the global context the report provides an investment outlook of opportunities and challenges such as the Eurozone crisis.

The survey findings revealed that the outstanding stock of total foreign private liabilities in 2010 increased by 24.1 percent from US$1,114.3 million recorded as at end 2009. The growth in stocks was mainly on account of net inflows of other foreign investment from unrelated firms totaling US$136.0 million and Foreign Direct Investment (FDI) amounting to US$97.0 million. While other foreign investment was predominated by payables on other accounts, FDI was predominated by reinvested earnings. The highest share of FDI inflows came from Kuwait (36.2 percent of total FDI inflows), followed by Singapore (14.1 percent), South Africa (9.9 percent), Mauritius (9.8 percent) and Portugal (8.6 percent). The results indicate that the wholesale and retail trade sector was the highest recipient of FDI inflows in 2010 (US$72.0 million) most of which was debt financed. The information and communication sector also registered large investment inflows, with the stock of FDI increasing by 63.0 percent largely due to reinvested earnings.

National Statistical Office (NSO), on behalf of the stakeholder institutions, is highly indebted to the Balance of Payments Technical Committee (BOPC) comprising the NSO, Ministry of Finance (MOF), Ministry of Economic Planning and Development

(MEPD), the Reserve Bank of Malawi (RBM) and the Malawi Investment and Trade Centre (MITC) for their hard work and dedication.

I would like to acknowledge the provision of financial resources by the government of Malawi and the RBM; technical support and advice provided by Macro Economic and Financial Management Institute of Eastern and Southern Africa (MEFMI), and staff from Central Banks within the MEFMI region. My appreciation also goes to all the team members that worked tirelessly on the report for their dedication and professionalism.

The 2011 FPC and IPs survey would not have been possible without the contribution of investors who not only provided the requested data but also made suggestions that were thought-provoking, which will assist in improving some areas of the data reporting instruments. Their contributions are highly appreciated.

Charles Machinjili
Commissioner of Statistics
National Statistical Office

EXECUTIVE SUMMARY

The 2011 Foreign Private Capital and Investors' Perception Survey Report is the fifth of a series that started in 2001. The survey was conducted between May and July 2011 and collected investment positions as at 31st December 2009 and 2010 as well as transactions in 2010 both for the financial and income accounts of the Balance of Payments (BOP). The survey also assessed investors' perceptions on social, economic and political investment climate in Malawi. The results from the survey will among other interests be used for quantifying Malawi's stock and composition of foreign financial assets and liabilities for the period under review, making up the economy's balance sheet for the external sector, also called international investment position (IIP). The survey was jointly implemented by National Statistical Office (NSO), Reserve Bank of Malawi (RBM), Ministry of Economic Planning and Development (MEPD), Ministry of Finance (MOF) and Malawi Investment and Trade Centre (MITC).

The survey has revealed that Malawi's stocks of foreign private liabilities rose by 24 percent from US$1,114.3 million in 2009 to US$1,383.0 million in 2010. The majority of the stocks emanated from Foreign Direct Investment (FDI), contributing about 92 and 83 percent of total stocks registered in 2009 and 2010, respectively, indicating that FDI is the most important source of private investment in Malawi.

It is evident from the survey results that in 2010 non-residents purchased more shares than they actually sold to residents as total equity liability transactions realized a net inflow of US$133.8 million. Nearly all (99%) of the inflows emanated from Foreign Direct Equity Investment (FDEI) and totaled US$132.8 million.

Most of the profits were realized in the manufacturing sector followed by wholesale and retail trade, and financial and insurance services sectors. Further into profitability, foreign shareholders declared more dividends (US$30.7 million) than they actually paid out (US$19.0 million) in 2010. During this same period, private shareholders reinvested almost US$97.0 million representing about 73 percent of the total profits realized (US$132.7 million).

In terms of external debt, the public sector had more outstanding debt with foreign creditors at the end of 2010 than the private sector. The total private sector external debt stock from both affiliated and non-affiliated creditors was pegged at US$729.1 million as at end 2010, representing about 83 percent of total outstanding public sector external debt.

It is clear from the survey results that the private enterprises preferred external debt financing to equity financing in 2009 but changed the pattern in 2010 as evidenced by the financial leverage or debt-to-equity ratios of 57.8 percent and 35.1 percent in 2009 and 2010, respectively. Switzerland, South Africa and Kuwait were the three major sources of private sector external debt stocks in 2010 and accounted for about 37 percent, 19 percent and 10 percent of the total stocks, respectively.

Total FDI stocks rose by at least 10 percent from US$1,028.5 million in 2009 to US$1,149.8 million in 2010, with reinvested earnings and short term affiliated debt flows being the drivers of growth in the positions. In 2009, around half (50.2%) of the FDI emanated from borrowing and about a third (33.2%) was reinvested earnings while in 2010 FDI due to borrowing and reinvested earnings accounted for about 43 percent and 42 percent, respectively. The majority of FDI stocks were in the agriculture sector and accounted for almost 45 and 33 percent of total FDI in 2009 and 2010, respectively.

The results further revealed that over 90 percent of the employees in the private sector enterprises were domestically sourced and totalled 50,469 and 55,836 in 2009 and 2010, respectively. Highest contributors to the total workforce were employees engaged in the agriculture sector followed by manufacturing, and wholesale and retail trade sectors. While private shareholders increased the number of domestic employees by almost 11 percent between 2009 and 2010, the average annual compensation of employees per domestic employee declined by about 6 percent from US$2,623 in 2009 to US$2,477 in 2010 while their foreign counterparts had their average annual compensations for a foreign employee improved by about 13 percent from US$38,244 in 2009 to US$43,011 in 2010, showing a huge disparity between the two groups.

Private sector enterprises must be commended for their role in promoting Corporate Social Responsibility (CSR) in a bid to improve socio economic services in Malawi. CSR by the private shareholders rose by 26 percent from US$10.5 million in 2009 to US$14.3 million in 2010. Large shares of the resources in 2010 were channelled to local infrastructure (23%), environmental preservation (23%), health services (20%), education (15%) and safety and security services (11%).

The majority of investors cited domestic political stability (41%), domestic economic situation (37%) and domestic market size (31%) as the leading influential factors to investment in Malawi. The investors were however encouraged to disinvest in Malawi due to unavailability of foreign exchange (90%), informal trade (90%) and exchange controls (80%), among other factors.

Regional (62%) coupled with domestic (58%) political environment were key governance issues to investment in Malawi. However, corruption levels (85%) and bureaucracy/regulatory framework/state intervention (78%) did tantamount to infringement of political and governance issues, hence these negatively affected business climate in the country. Also, operations of government agencies like Reserve Bank of Malawi (23%), Malawi Revenue Authority (20%), Ministry of Finance (10%) and the legal system (10%) earned negative ratings in investors' perceptions.

Investors were also dissatisfied with the cost of infrastructure services in electricity supply (60%), road transport (55%), water supply (42%) and telecommunication (40%) among others. In terms of efficiency of infrastructure, railway transport (90%), electricity supply (85%) and water supply (60%) impacted badly on investment climate in Malawi.

Productivity (49%), availability of staff (46%) and cost of labour were highly rated as positive labour factors encouraging investors in Malawi. Respondents, nevertheless, highlighted need for improvement in staff turnover (14%), productivity (13%) and availability of staff (13%) to attract investment. While HIV/AIDS (55%) and Malaria (50%) were regarded as environmental and health factors that could thwart investment in the country, availability of health care services (40%) and sanitation issues (30%) attracted investors.

Private investors were also affected by the global economic and financial crisis according to the survey findings. At least one in about four investors either experienced reduced domestic demand for goods and services (27%) or reduced income (25%) while one in about every five (22%) had less access to trade credit and just over one in about seven (15%) were affected by reduced international demand for goods and services. Only 6 percent of the investors felt business would be very favourable in 2011 and 2012, and the perception more than doubled to 13 percent in terms of business outlook in 2013 and onwards.

The likely direction of investment according to the survey, three to four years from the year in which the survey was undertaken, indicate that about 75 percent of the investors are keen at expanding their business turnover while 65 percent would invest in technology, 58 percent on either exports or staff training and 56 percent will be engaged in diversification of products and services. Finally, without vibrant and reliable information sources, business cannot flourish. Information sources weighed as being very useful to the investors pertained to internet use (66%) since this is a fast, cost effective and an easy means of accessing and transferring information. While national media and information products by government agencies proved quite useful as business information sources, international media was rated by about one in every five investors as not being useful for detailed domestic business information analysis.

Major policy implications are, but are not limited to: to improve levels of both international and domestic investment; to implement a robust national investment policy for safeguarding domestic and foreign investment; to improve legal and institutional framework for encouraging more investment from neighbouring countries and the region as a whole; to focus attention on key sectors that have potential for large-scale exports for attracting foreign investors; to introduce policies for attracting investment in the growth sectors and for promoting foreign investments; to support institutions responsible for investment promotion and facilitation; to encourage financial institutions to provide capital in form of loans for initialization and sustenance of small and medium enterprises; to eliminate informal trade; to invest in infrastructure and services, and ensure availability of medication, health facilities and sensitization on HIV/AIDS.

CHAPTER ONE: INTRODUCTION

This chapter presents the background to the survey and provides an analysis of recent global macroeconomic developments, trends in international private capital flows and macroeconomic conditions in Malawi during the period under review.

1.1 Background

Foreign Private Capital (FPC) Flows in most Sub-Sahara African countries including Malawi is largely in form of Foreign Direct Investment (FDI), Foreign Portfolio Investment (PI) and Other Investment (OI). While other forms of foreign private capital are unstable and associated with macroeconomic challenges, FDI is an important conduit for growth and development for an economy. Through FDI host economies would benefit from the industrial capacity building through a number of key channels such as employment, value added, export generation and technology acquisition.[1]

The 2011 Foreign Private Capital and Investors' Perceptions Survey is the fifth in a series of annual surveys which are conducted jointly by the National Statistical Office and the other members of the Balance of Payments Committee (BOPC) since 2001. These surveys are a rich source of information for the compilation of statements on Malawi's Balance of Payments (BOP) and International Investment Position (IIP). The survey was conducted between May and July 2011 and collected information on stocks at 31st December 2009 and 31st December 2010, and transactions during 2010. It also assessed investors' perceptions (IPs) on several political, social and economic factors, among others, and how these affected their operations at the time of the survey.

The 2011 FPC and IPs survey aimed at the following core objectives:

- Generating information on private capital flows and stocks for the compilation of BOP and IIP statistics.

[1] World Investment Report 2011

- Maintaining a reliable framework for collecting, processing and analyzing private capital flows and stocks data.

- Assessing investors' perceptions on the investment climate in Malawi.

- Assessing the effectiveness of strategies on investment promotion.

- Establishing a position regarding investors' assessment of the investment climate.

- Providing another platform, among several others, for government and the private sector to maintain dialogue.

- Generation of statistical information for informed macroeconomic and investment policies.

1.2 The Global Macroeconomic and Capital Flows Developments

This section presents an overview of the recent global economy and trends in international private capital flows during 2010-2011 and outlook for 2012 and 2013.

1.2.1 Global Macroeconomic Developments for 2009–2013

The global economy, according to Table 1.1, experienced a downturn in 2009 as evidenced by negative real Gross Domestic Product (GDP) of a magnitude 2.3 percent before rebounding to 4.1 percent and stabilizing at 2.7 percent in 2010 and 2011, respectively. The June 2011 World Bank projections pegged the real global GDP for both 2012 and 2013 at 3.6 percent, however current figures depict relatively lower growth of 2.5 and 3.1 percent in 2012 and 2013, respectively.

Table 1.1: The global macroeconomic performance and outlook (% change)

Real GDP growth	2009	2010	2011e	2012f	2013f
World	**-2.3**	**4.1**	**2.7**	**2.5**	**3.1**
High income	**-3.7**	**3.0**	**1.6**	**1.4**	**2.0**
Developing countries	**2.0**	**7.3**	**6.0**	**5.4**	**6.0**
East Asia and Pacific	7.5	9.7	8.2	7.8	7.8
Europe and Central Asia	-6.5	5.2	5.3	3.2	4.0
Latin America and Caribbean	-2.0	6.0	4.2	3.6	4.2
Middle East and North Africa	4.0	3.6	1.7	2.3	3.2
South Asia	6.1	9.1	6.6	5.8	7.1
Sub-Saharan Africa	2.0	4.8	4.9	5.3	5.6
South Africa	*-1.8*	*2.8*	*3.2*	*3.1*	*3.7*
Nigeria	*7.0*	*7.9*	*7.0*	*7.1*	*7.4*
Angola	*2.4*	*2.3*	*7.0*	*8.1*	*8.5*

Source: World Bank 2012

1.2.2 Macroeconomic Developments in Sub-Saharan Africa

Sub-Saharan African countries recovered from the Global Economic and Financial Crisis (GEFC) and expanded by 4.9 percent and 4.8 percent in 2011 and 2010, respectively compared to 2.0 percent in 2009. Domestic demand was the main source of growth, with external demand supported by higher commodity prices also providing a strong impetus, notwithstanding the perturbations to the global economy emanating from the rising inflation on account of rising oil and food prices.

1.2.3 Outlook of Macroeconomic Developments

High-income country growth is expected to shrink to 1.4 percent in 2012 and 2.0 percent in 2013, unlike the June 2011 forecasts of 2.7 and 2.6 percent respectively. Developing countries' growth has been revised downwards to 5.4 and 6.0 percent against 6.2 and 6.3 percent according to the June 2011 projections by the IMF. Growth in world trade was pegged at 6.6 percent in 2011 and projections show that this growth will decline to 4.7 percent in 2012, before stabilizing to 6.8 percent in 2013. It is inevitable, according to the Global Economic Prospects Report (2012) that achievement of these growths will not be realized considering that the downturn in Europe and weaker growth in developing countries raises the risk that the two developments reinforce one another, resulting in an even weaker outcome. At the same time, the slow growth in Europe complicates efforts to restore market confidence in the sustainability of the region’s finances, and could exacerbate tensions.

Sub-Saharan region is projected to be more vulnerable in 2012/2013 in the event that continuity in the deterioration of economic conditions in high income countries and materialization of second global/Eurozone crisis are evident. In this situation developing countries will be operating in a much weaker global economy with limited capital, less vibrant trade opportunities and weaker financial support for both private and public activity.

1.2.4 Global Capital Flows 2009–2013

Foreign Direct Investment (FDI) flows to Sub-Saharan Africa picked up in 2011 according to World Bank estimates. FDI flows to Sub-Saharan Africa increased by 25 percent in 2011 following two years of decline which were more concentrated among the region’s three largest economies namely Angola, Nigeria, and South Africa while the rest of the region experienced gains. Supported by high commodity prices and regulatory improvements, the extractive sector has attracted much of the increase in the value of FDI flows to Sub-Saharan Africa. For many countries in the region, FDI in the oil, base metals, and minerals sectors underpins much of the strong GDP growth in recent years as evidenced by developments in Angola, Democratic Republic of Congo (DRC) and Niger. On the other hand, the UNCTAD’s World Investment Report (2008) shows that FDI generated from mainly private equity in the non-oil producing sector also picked up in recent years reflecting opportunities opened up by strong growth in the region, improved regulation, a growing middle class with higher discretionary income and the fast pace of urbanization which makes it easier to reach consumers, and one of the highest rates of return globally. The financial turmoil as a result of the intensification of the fiscal crisis in Europe has extended to both developing and high income countries and its impact on private capital flows is very significant according to the GEP Report (2012) and earlier versions.

The 2012 capital flows in the developing countries including Sub-Saharan Africa is projected to decline by almost half compared with 2011 as Europe continues experiencing recession. Prospects from expanding South-South partnerships may reduce the projected slowdown in FDI.

1.3 Domestic Economic Developments and Private Capital Flows

1.3.1 Domestic Economic Developments

Malawi's economy is dominated by agriculture which accounts for about 34 percent of Gross Domestic Product (GDP) and over 80 percent of export earnings. The high dependence on agriculture makes the country extremely vulnerable to weather changes and terms of trade shocks. This is aggravated by the country's reliance on a few export commodities which include tobacco, tea and sugar. Other key contributors to the country's GDP are the wholesale and retail trade, construction and financial and insurance services.

After a prolonged period of slow economic growth of below 5.0 percent during 2002 to 2005, Malawi started to register high economic growth averaging 7.6 percent during the period 2006 to 2010 (Figure 1.1). This growth was mostly anchored by agriculture which saw tremendous growth owing to the implementation of the input subsidy program and improved macroeconomic policies which restored macroeconomic stability.

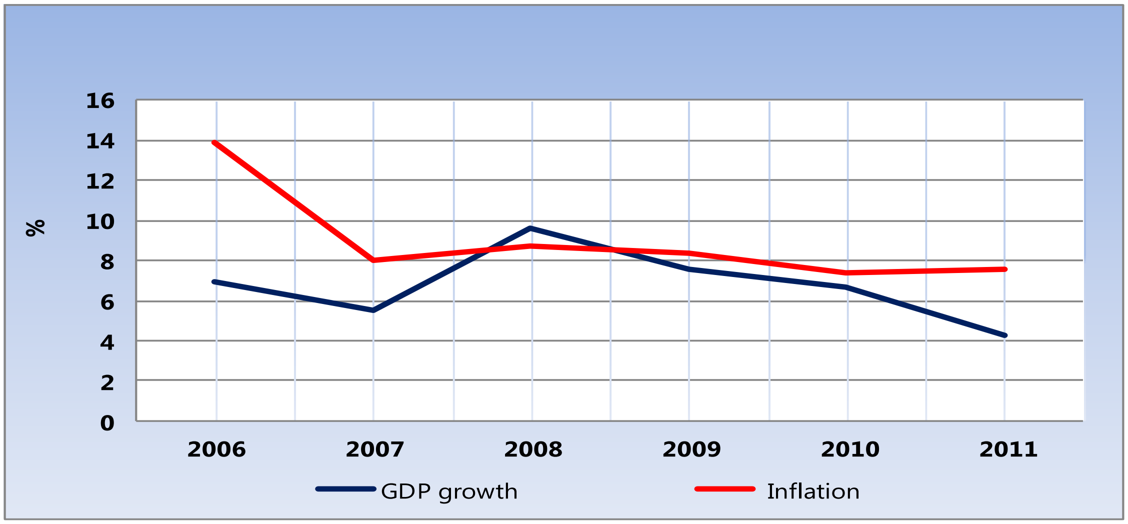

Figure 1.1: Malawi GDP growth and inflation, 2006–2011
Source: NSO and Reserve Bank of Malawi

Despite the world economic downturn, the economy remained resilient. However, in 2011, economic growth was subdued compared to 2010. Consequently, the growth rate slowed down to 4.3 percent in 2011 from 6.7 percent in 2010. In 2011, the country achieved a lower economic growth rate due to a number of challenges. These included scarcity of foreign exchange, fuel shortages and intermittent power supply which, among other issues, led to limited importation of industrial raw materials, machinery and spare parts; distribution problems and interruptions in production lines. Foreign exchange levels dwindled due to poor performance of tobacco sales on the auction floors and drastic reduction in donor inflows. This resulted into reduced import cover. GDP per capita has been gradually increasing from US$257.4 in 2007 to US$386.0 in 2010 since output growth surpassed the population growth during the period.

The country's official reserves rose from US$130.6 million in 2006 to US$241.9 million in 2010 averaging US$233.1 million during the period (Table 1.2). Despite the remarkable improvement, the year 2010 was typified by high demand for foreign exchange from importers that far exceeded the supply. This was the result of rapid economic growth that characterized the period between 2006 and 2010 which was skewed to import dependent industries. The official reserves position further deteriorated to US$190.2

million in 2011 as the country's exports continued to be outpaced by imports in addition to a drop in development assistance from the country's development partners.

Table 1.2: Selected macroeconomic indicators, 2006–2011

Indicator	2006	2007	2008	2009	2010	2011
Real GDP Growth	4.7	9.5	8.6	9.8	6.7	4.3
Inflation Rate (Annual average)	13.9	8.0	8.7	8.4	7.4	7.6
Fiscal Balance (% of GDP)	-0.9	-2.1	-6.0	-5.1	1.6	-3.4
Official Reserves (US$ Millions)	130.6	212.9	315.8	127.4	241.9	190.2
Import cover	2.1	1.8	2.2	1.9	2.2	1.5
Current Account (% of GDP)	-23.2	-14.1	-15.8	-11.9	-20.4	-16.5
Kwacha/US dollar Exchange Rate (End period)	139.3	140.3	140.6	146.0	150.8	163.8
Bank (Discount) Rate (%)	24.2	18.5	15.0	15.0	14.2	13.0
Money Supply (Growth) (%)	16.5	36.9	33.1	24.4	17.8	35.7
FDI Inflows (US$ Million)	35.6	124.3	195.4	49.1	97.0	..

The Malawi kwacha dipped against the US dollar by 10.6 percent to K150.8 per US dollar as of December 2010 from K139.3 per US dollar recorded at the close of 2006 .The weakening of the kwacha was explained by the huge demand for foreign exchange that outstripped the economy's capacity to supply the same. The kwacha by and large depreciated against all currencies of its trading partners between 2006 and 2010 with the exception of the Zimbabwe dollar. A 10.6 percent depreciation in 5 years reflected government's policy of controlling inflation using the nominal exchange rate as an anchor. The kwacha however further fell by 8.8 percent in 2011 due to continued foreign exchange shortages.

The policy of subduing price pressures through the nominal exchange rate anchor yielded positive results between 2006 and 2010 as inflation decelerated from 13.9 percent in 2006 to 7.4 percent in 2010 and averaged 8.0 percent during the period. This was also supported by the fertilizer subsidy program which increased the productivity in the agricultural sector and kept food prices relatively depressed during this period. Headline inflation picked up by 0.2 percentage points to 7.6 percent in 2011 due to the devaluation of the kwacha in August 2011 that affected transport costs and pushed up domestic fuel prices. The Bank discount rate dropped from 24.2 percent in 2006 to an average of 14.2 percent 2010.

This discount rate has been falling over the period following developments in inflation which also has been decreasing between 2006 and 2010. This facilitated an increase in private sector credit and in turn resulted in high GDP growth rates. The declining trend in the discount rate continued into 2011 although pressures were beginning to build for an upward discount rate adjustment due to pick up in inflation as well as an overvalued exchange rate.

Money supply growth averaged 25.7 percent between 2006 and 2010 largely on account of increased government expenditures that in turn led to increased government borrowing from the reserve Bank and other sectors of the economy. This is reflected in the rise in the fiscal balance from minus 0.9 percent of GDP in 2006 to 5.1 percent of GDP in 2009. Nevertheless, the fiscal position registered a surplus of 1.6 percent of GDP in 2010 which resulted in a deceleration in money supply growth from 24.4 percent in 2009 to 17.8 percent in 2010. Notwithstanding this, owing to a considerable drop in budgetary support from the country's development partners, the fiscal balance turned from the surplus position of 1.6 percent of GDP in 2010 to a deficit of 3.4 percent of GDP in 2011. Correspondingly, money supply growth expanded from 17.8 percent in 2010 to 35.7 percent in 2011.

1.3.2 FDI and Other Macroeconomic Indicators 2003–2010

The stock of FDI rose from US$475.6 million in 2003 to US$1.1 billion in 2010. FDI flows during the first four years (2003-2006) averaged US$45.7 million per annum compared to US$116.5 million per annum in the latter 4 years (2007-2010). The higher FDI flows in the latter 4 years was attributed to higher GDP growth rates which averaged 8.4 percent compared to an average GDP growth of 4.8 per in the first four years. Trends in FDI flows and GDP growth rates are presented in Figure 1.2.

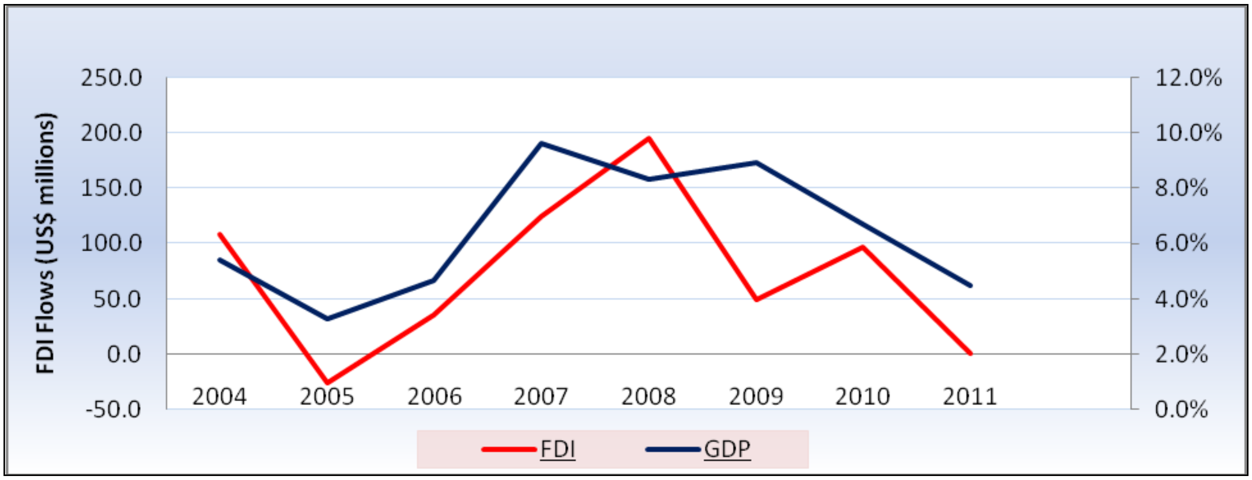

Figure 1.2: FDI flows and GDP growth 2004–11

The recent four years were also characterized by a relatively lower interest rate environment where the Bank discount rate averaged 15.7 percent compared to 30.0 percent in the first four years (Figure 1.3). Further to this, the inflation rate between 2007 and 2010 averaged 8.1 percent against 12.6 percent between 2003 and 2007. From the data, FDI flows in Malawi appear to be positively influenced by high GDP growth, low inflation rates and low interest rates. Looking ahead we should expect a drop in FDI flows in 2011 with GDP growth projected to drop in 2011.

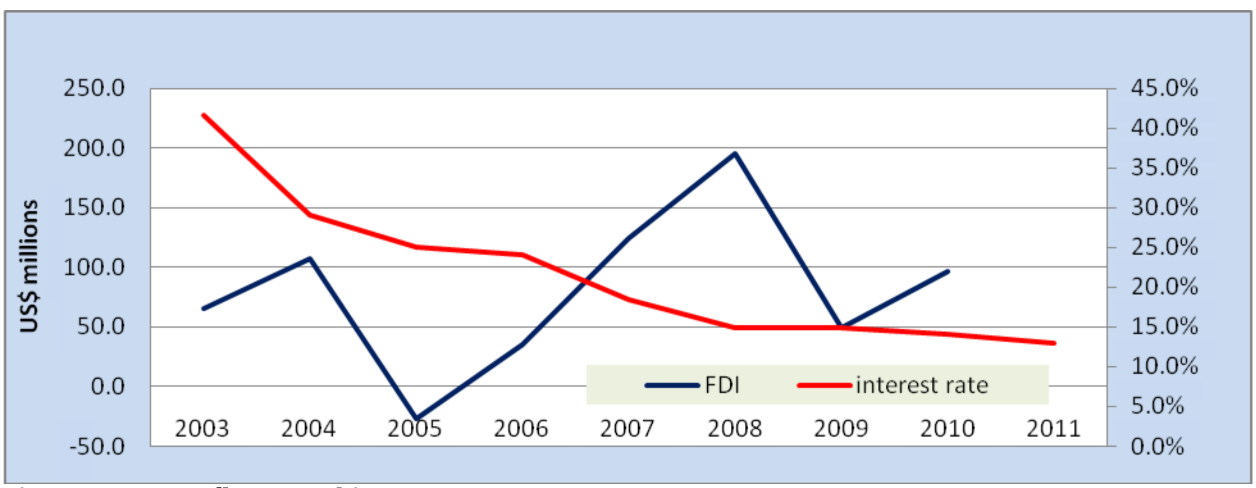

Figure 1.3: FDI flows and interest rates

1.4. Doing Business in Malawi

On the local front Malawi slipped from position 141 to 145 in 2012 out of 183 economies in terms of doing business according to the World Bank's "Doing Business 2012 Report". This report comes at a time when Malawi has managed two reforms in getting credit and resolving insolvency. The Doing Business Report assesses regulations affecting domestic firms in 183 economies and ranks the economies in 10 areas of business regulation, such as starting a business, resolving insolvency, and trading across borders among others. Despite this drawback in terms of doing business, the report notes that Malawi has improved its Credit Information System (CIS) by passing a new law allowing the creation of a Private Credit Bureau (PCB). Malawi also made resolving insolvency easier by adopting new rules providing clear procedural requirements and time frames for winding up a company. Globally, Singapore led on the overall ease of doing business, followed by Hong Kong SAR, China; New Zealand; the United States; and Denmark. For the fourth year in a row, according to the same report, Mauritius continues to be the easiest place in Sub-Saharan Africa for an entrepreneur to do business. Rankings for countries in the Southern Africa Development Community (SADC) put Mauritius (23) in the lead followed by South Africa (35), Botswana (54), Namibia (78), Zambia (84), Seychelles (103), Swaziland (124), Tanzania (127), Mozambique (139), Lesotho (143), Malawi (145), Zimbabwe (171), Angola (172) and Democratic Republic of Congo (178).

1.5 Organization of the Report

The rest of the report develops as follows: Chapter two covers the methodology used in implementing the survey. Chapter three discusses the quantitative findings on foreign assets and liabilities, and also presents linkage of foreign private capital to the domestic economy and poverty reduction in terms of employment, compensation of employees and corporate social responsibility (CSR). Chapter four summarizes qualitative results of investors' perceptions while Chapter 5 is a conclusion which also catalogues policy recommendations that originate from the quantitative and qualitative results of the survey.

CHAPTER TWO: METHODOLOGY AND RESPONSE

This chapter gives an overview of the methodology used in implementing the survey. The topics discussed are as follows: institutional setup, training, sensitization and awareness, compilation of enterprise register, scope and coverage of the survey, questionnaire design and survey implementation, data collection and response rate.

2.1 Institutional Set Up

The survey was jointly implemented by the NSO and the other members of the Balance of Payments Technical Committee (BOPC) namely; NSO (lead institution), the RBM, MITC, formerly Malawi Investment Promotion Agency (MIPA), MEPD and MOF. All these institutions, excluding MOF, contributed staff for writing this report.

2.2 Training

The main goal of the training was to assist supervisors and research assistants understand the survey questionnaire, enumerators' manual and impart them with skills and techniques required for the field work. The training covered critical survey concepts related to balance of payments, international investment position and private sector external debt, among several interests. At the training workshop, the questionnaire was also discussed and reviewed by the participating institutions in order to incorporate the views of respondents in earlier engagements. In addition, the training covered data editing and checking techniques that research assistants were encouraged to use upon receiving a completed questionnaire from the respondents.

2.3 Sensitization and Awareness

The sensitization and awareness campaign was conducted soon after the refresher workshop of the field team through a press release to sensitize the public, particularly the private sector, on the impending survey, its usefulness to the nation's policy and decision making processes and the importance of their cooperation.

2.4 Compilation of Enterprise Register

The NSO maintains a comprehensive and reliable enterprise register which was used as a basis for drawing the list of companies. The register was also updated to take account of companies that were new, closed, liquidated, merged or changed business names, business lines and locations. This updating exercise is usually done prior to survey implementation. Nevertheless, there is a need to ensure that the register is updated on a continuous basis.

2.5 Scope and Coverage of the Survey

Malawi has few enterprises known to have foreign assets and/or liabilities. Therefore, the survey targeted all of them. A total of 131 questionnaires were physically delivered to various listed enterprises as follows; Southern Region (100), Central Region (27) and Northern Region (4). Classification of the sectors covered was on the basis of the UN International Standards for Industrial Classifications (ISIC Rev.4) of all economic activities.

2.6 Questionnaire Design

The questionnaire consisted of four parts, namely; general information about the enterprise, information on Malawi's foreign liabilities, Malawi's foreign assets and investors' perceptions. The layout of tables was changed slightly to make it more user-friendly. Other slight changes made were on account of equity components at book value like paid-up share capital, share premium, reserves (capital, statutory, revaluation and other), accumulated retained earnings/loss and other equity (equity debt swaps, shareholders' deposits). Investment relationship (Direct Investor [DI], Direct Investment Entity [DIE] and Fellow Enterprise [FE]) was another inclusion that was made to create a foundation for interests recommended in the IMF's Balance of Payments Manual, 6th Edition (BPM6).

2.7 Survey Implementation and Data Collection

The survey was a fifth cycle, collecting data for 2009 and 2010. Field activities involved locating enterprises, face-to-face discussion of the questionnaire with respondents and delivery, retrieving completed questionnaires and conducting follow-ups. All collaborating institutions took part in the data collection exercise. Four field teams participated in questionnaire administration for a period of 21 days. Each field team consisted of a supervisor and two research assistants. Supervisors and research assistants physically administered the survey questionnaires to the respondents identified or believed to have FAL.

Questionnaires were delivered by first making prior appointments with either Chief Executives of Financial Executives of the enterprises. This category of staff was believed to be better equipped to understand the requirements and furnish the information requested. Face-to-face interviews were conducted to brief the Executives about the objectives of the survey and how to complete the form. Sometimes self-enumeration method was used where the respondent was conversant with the survey form and the terms used.

Follow up visits were conducted to take account of late returns, non-response, incomplete and/or unclear statistics entered and further clarification on other parts of the questionnaire. The data captured in the survey were reported in Malawi Kwacha. However, in this report, they are denominated in US dollars to ease both domestic and international comparison. In line with international practices, stock figures were valued using end period exchange rates of K145.22 and K150.80 to the dollar for 2009 and 2010, respectively, while flow figures for 2010 were converted using an annual average exchange rate of K150.49 to the US dollar.

2.8 Estimation for Non-response

2.8.1 Estimating equity and profitability components for 2009 and 2010

In estimating equity components for 2009, values of each equity component for 2007 and 2009 provided by responding enterprises were aggregated by sector. Ratios at sector level were calculated using the aggregates to determine growth of each equity component between the two years. These ratios were applied on corresponding equity components in 2007 of an enterprise in a particular sector to estimate for 2009. Table 2.1 presents a summary of the ratios used in the estimation of stocks of equity components that included accumulated retained earnings, capital reserves and paid-up share capital. This estimation technique was applied for both liabilities and assets.

Table 2.1: Ratios for estimating stocks of equity components of 2009 from 2007

Sector	Accumulated retained earnings	Capital reserves	Paid-up share capital
Agriculture	1.3	0.8	7.0
Manufacturing	2.3	1.2	1.3
Construction	1.3	1.1	1.0
Wholesale and retail trade	2.1	0.6	1.1
Transportation and storage	2.3	1.6	1.0
Accommodation	1.8	0.9	1.2
Information and communication	1.8	1.0	0.1
Financial and insurance services	0.8	2.1	1.0
Professional services	1.8	0.9	1.2
Real estate	1.8	0.9	1.2
TOTAL	**1.8**	**0.9**	**1.2**

It is worth noting that weird sectoral ratios were replaced by overall average ratios. This was applicable for sectors such as accommodation, professional services and real estate. Table 2.1 does not include ratios for estimation of profitability components like dividends, net profit/ loss and retained earnings which could have been for 2009 largely because these were captured for 2008 in the 2009 FPC survey and for 2010 in the 2011 FPC survey. In other words, movements during 2009 were not captured in any of the two consecutive surveys.

The process of estimating equity and profitability components for 2010 involved aggregating values of each of the equity and profitability components for 2008 and 2010 provided by responding enterprises by sector. Ratios at sector level were calculated using the aggregates to determine growth of each of the equity and profitability components between the two years. These ratios were applied on corresponding equity and profitability components in 2008 of an enterprise in a particular sector to estimate for 2010. Table 2.2 exhibits a summary of the ratios used in the estimation of stocks of equity components and profitability components that included accumulated retained earnings, capital reserves, paid-up share capital, dividends declared, dividends paid, net profit/ loss and reinvested earnings. Again, strange sectoral ratios were replaced by overall average ratios, and this was applicable for sectors such as accommodation, professional services and real estate. This estimation technique was applied for both liabilities and assets.

Table 2.2: Ratios for estimating stocks of equity and profitability components of 2010

Sector	Accumulated retained earnings	Capital reserves	Paid-up share capital	Dividends declared	Dividends paid	Net profit/ loss	Reinvested earnings
Agriculture	1.5	0.4	1.6	1.8	0.3	0.6	0.9
Manufacturing	1.8	0.8	1.1	1.7	0.1	0.5	0.7
Construction	1.3	1.1	1.0	1.8	0.4	1.1	0.6
Wholesale and retail trade	2.0	0.6	1.2	5.5	1.5	1.4	1.3
Transportation and storage	5.2	3.1	1.0	1.8	0.4	0.1	(1.4)
Accommodation	1.7	0.7	1.1	1.8	0.4	0.8	0.6
Information and communication	2.3	1.0	0.8	1.8	0.4	0.8	0.6
Financial and insurance services	1.9	1.2	1.1	0.0	0.4	0.8	0.3
Professional services	1.7	0.7	1.1	1.8	0.4	0.8	0.6
Real estate	1.7	0.7	1.1	1.8	0.4	5.1	(5.0)
TOTAL	**1.7**	**0.7**	**1.1**	**1.8**	**0.4**	**0.8**	**0.6**

2.8.2 Estimating non-equity components for 2009 and 2010

Estimates for non-equity components for 2009 and 2010 were made based on aggregated values of non-equity components for 2007 and 2008 as well as 2009 and 2010 provided by responding enterprises at sector level. Sectoral ratios were calculated using the aggregates to determine growth of each of the non-equity components between the two years. These ratios were applied on corresponding non-equity components in 2008 of an enterprise in a particular sector to estimate for 2010. Table 2.3 summarizes the ratios used in the estimation of stocks and flows of non-equity components that included opening balance, disbursements, principal paid, closing balance and interest paid. Similarly, overall average ratios replaced outlying sectoral ratios. This was true for sectors such as like construction, accommodation and education. This estimation technique was applied for both liabilities and assets.

Table 2.3: Ratios for estimating non-equity components for 2009 and 2010

Sector	Opening balance	Disbursements	Principal paid	Closing balance	Interest paid
Agriculture	2.3	2.4	1.2	2.5	1.2
Manufacturing	0.8	3.8	7.8	0.7	7.4
Construction	0.6	0.7	0.4	1.1	4.7
Wholesale and retail trade	0.4	0.4	0.1	1.4	0.1
Transportation and storage	0.8	3.4	1.3	0.9	1.3
Accommodation	0.6	0.7	0.4	1.1	4.7
Information and communication	1.2	3.9	2.6	0.8	2.6
Financial and insurance services	0.6	0.4	0.4	1.4	1.2
Professional services	1.3	0.7	0.4	0.5	0.4
Education	0.6	0.7	0.4	1.1	4.7
TOTAL	**0.6**	**0.7**	**0.4**	**1.1**	**4.7**

2.8.3 Other Estimations made

Data on purchases and sales of shares on account of foreign direct investment and foreign portfolio investment were not incorporated into the system because of some technical challenges. Consequently, net transactions and other changes were also estimated. The percentage of depreciation of the Malawi Kwacha against the US Dollar during the period under review was applied on the difference in stocks to account for other changes which are predominantly exchange rate changes, with the balance representing net transactions. The former was in the region of 5.0 percent between 2009 and 2010.

Notwithstanding that data for about 36.0 percent of the enterprises to which the questionnaire was administered have been estimated, the results and conclusions made in this report are still worthwhile.

CHAPTER THREE: FINDINGS ON FOREIGN ASSETS AND LIABILITIES

This chapter discusses the quantitative survey findings on Malawi's Foreign Assets and Liabilities (FAL) stocks as at end 2009 and 2010 and flows during 2010. It also presents an analysis of corporate social responsibility for 2010. Presentation of the results on FAL follows the one recommended for compilation of balance of payments statistics in the IMF's Balance of Payments Manual, 5th Edition (BPM5). The FAL of the private sector encompass stocks and flows on Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and Other Investment.

3.1 Stocks and Flows of Foreign Liabilities

The survey findings revealed that the outstanding stock of total foreign private liabilities in 2010 increased by 24.1 percent from US$1,114.3 million recorded as at end 2009 (Table 3.1). The maturity of Malawi's balance of payments is mostly long-term with stocks of long-term foreign liabilities accounting for 72.9 percent at end 2009 which declined to 63.9 percent at end 2010. Despite the decline, the long-term nature of total liabilities suggests foreign investment stability and foreign investor's confidence in the economy. The growth in stocks was mainly on account of net inflows of other foreign investment totaling US$136.0 million and FDI amounting to US$97.0 million, which were predominated by payables on other accounts and reinvested earnings, respectively.

Table 3.1: Composition of stocks and flows of foreign liabilities (US$ Million)

	2009	2010			
Type	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income (Dividends & Interest)**
Foreign Direct Investment	1,028.5	97.0	24.3	1,149.8	36.6
Foreign Portfolio Investment	5.7	1.2	0.1	6.9	1.0
Other Foreign Investment	80.1	136.0	10.1	226.3	1.8
TOTAL	**1,114.3**	**234.2**	**34.6**	**1,383.0**	**39.4**

Foreign portfolio investment continued to register very small amounts of liability stocks and flows during the period under review, with a contribution in stocks of less than one percent of the total stock of foreign liabilities in 2010.

In 2010, FDI liability stocks accounted for the largest share of the total stock of liabilities at 83.1 percent followed by other foreign investment at 16.4 percent (Figure 3.1), an indication that FDI plays an important role as a source of private investment in Malawi.

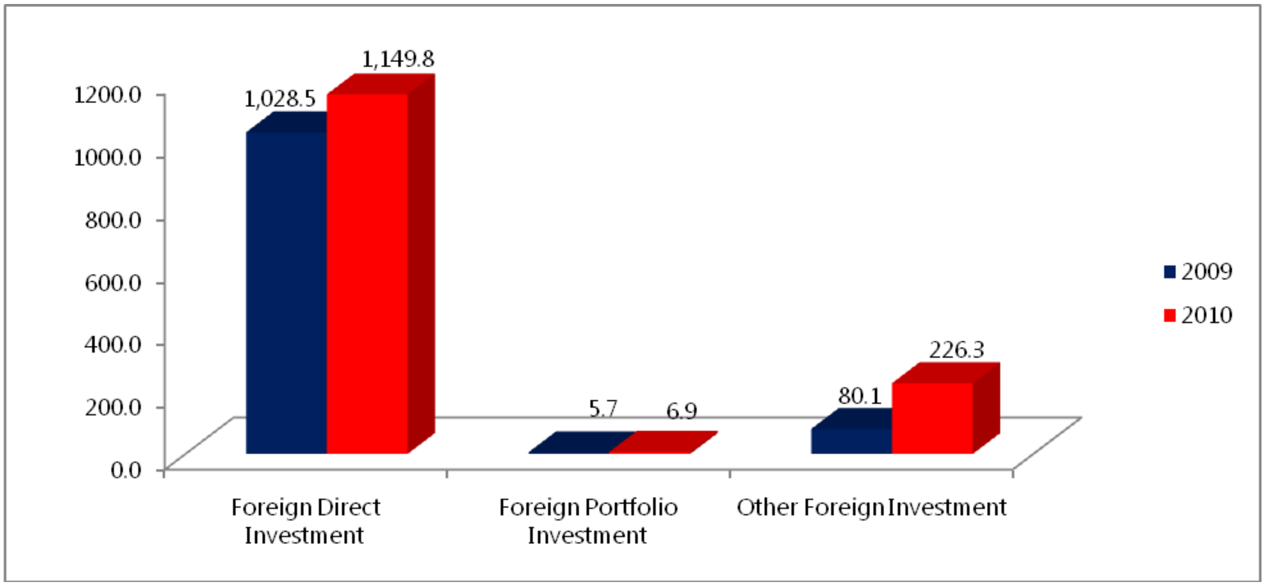

Figure 3.1: Composition of stocks of foreign liabilities (US$ Million)

In terms of income, a total amount of US$39.4 million was paid out in form of dividends and interest, with FDI related income dominating from an almost balanced contribution between income on equity (dividends) and income on borrowing between affiliated enterprises (interest). Overall, about 84.7 percent of all income paid was on account of long-term liabilities.

3.1.1 Equity Liabilities

3.1.1.1 Stocks and Flows of Equity Liabilities

The stock of total equity liabilities, which comprises Foreign Direct Equity Investment (FDEI) and Foreign Portfolio Equity Investment (FPEI), forming part of shareholders' funds for enterprises that may also have domestic shareholders, recorded a considerable growth of 27.4 percent in 2010 from US$513.1 million registered in 2009 (Table 3.2). Most of the stock in 2010 was accounted for by the FDI component of reinvested earnings which totaled US$485.3 million at end 2010. Total equity transactions amounted to a net inflow of US$133.8 million during 2010 indicating that non-residents purchased more shares from residents than they sold to residents.

Table 3.2: Stocks and flows of equity liabilities (US$ Million)

	2009	2010		
Type	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Foreign Direct Equity Investment	512.0	132.8	7.0	651.7
Foreign Portfolio Equity Investment	1.1	1.0	0.1	2.2
TOTAL	**513.1**	**133.8**	**7.0**	**653.9**

3.1.1.2 Dividends and Retained Earnings

The results show that more dividends were declared for foreign shareholders at US$30.7 million than were actually paid (US$19.0 million). Nevertheless, more than five times the dividends actually paid were reinvested for expansion (US$96.9 million), reflecting that foreign investors had confidence in the economy (Table 3.3).

Table 3.3: Dividends and reinvested earnings recorded during 2010

Sector	Dividends declared	Dividends paid	Reinvested Earnings
Agriculture	12.4	4.6	16.1
Manufacturing	6.5	2.8	28.9
Construction	0.8	0.9	10.7
Wholesale and retail	6.1	7.4	13.3
Information and communication	-	0.2	15.9
Financial and insurance	3.4	1.1	13.3
Other	1.5	1.9	(1.2)
TOTAL	**30.7**	**19.0**	**96.9**

Although the agriculture sector declared the highest amount of dividends (40.3 percent of total) followed by manufacturing (21.3 percent), it paid out the second highest dividends to foreign shareholders (24.0 percent of total) after wholesale and retail trade (39.1 percent). However, manufacturing registered the highest amount of reinvested earnings (US$28.9 million) followed by agriculture (US$16.1 million), information and communication (US$15.9 million), wholesale and retail (US$13.3 million), and financial and insurance (US$13.3 million).

3.1.1.3 Profitability and Return on Equity (ROE)

The overall profitability of enterprises surveyed stood at US$132.7 million during 2010 (Table 3.4), with almost all the main sectors showing high profitability levels suggesting a recovery from the impact of the global financial and economic crisis. The results showed that the average return on equity stood at 22.4 percent, reflecting that, an investor in Malawi would be required to operate for a minimum of 5 years to recoup the initial investment, holding all other factors constant. The most profitable sector was construction with return on equity estimated at 63.1 percent, probably explaining the large increase in FDI in this sector during 2010. This was followed by agriculture (25.9 percent), wholesale and retail (24.7 percent), and information and communication (19.6 percent).

Table 3.4: Return on equity by sector, 2010

Sector	Profit (US$ Million)	Stock of equity (US$ Million)	Return on equity (%)
Agriculture	18.4	71.1	25.9
Manufacturing	32.5	221.0	14.7
Construction	18.6	29.5	63.1
Wholesale and retail	20.9	84.7	24.7
Information and communication	19.3	65.7	29.3
Financial and insurance	21.5	109.9	19.6
Other	1.5	11.2	13.4
TOTAL	**132.7**	**593.1**	**22.4**

3.1.2 Private Sector External Debt (PSED)

3.1.2.1 Private Sector External Debt Stocks and Flows

The stock of PSED liabilities from both affiliated and non-affiliated creditors increased substantially by 21.3 percent in 2010, up from US$601.2 million recorded as at end 2009

(Table 3.5). The total private external debt stock registered as at end 2010 accounted for about 83.1 percent of outstanding public external debt that amounted to US$877.1 million as at end 2010. The results further revealed that borrowing from affiliates predominated PSED stocks in both years with a maturity structure that was almost balanced between long-and short-term as at end 2009 but which went more in favour of short- than long-term as at end 2010. It is observed that the growth in total PSED between the two years emanated from net disbursements of US$100.5 million with most of it being short-term borrowing from non-affiliates.

Table 3.5: Private Sector External Debt (PSED) stocks and flows (US$ Million)

	2009	2010		
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Borrowing from affiliates	**516.5**	**(35.8)**	**17.3**	**498.1**
Long-term	*255.7*	*(106.5)*	*14.6*	*163.8*
Short-term	*260.8*	*70.8*	*2.7*	*334.3*
Borrowing from unaffiliates	**84.6**	**136.2**	**10.2**	**231.1**
Long-term	*40.9*	*11.9*	*12.7*	*65.5*
Short-term	*43.7*	*124.3*	*(2.5)*	*165.6*
TOTAL	**601.2**	**100.5**	**27.5**	**729.1**

3.1.2.2 Leverage (Debt to Equity Ratio)

The overall level of financial leverage, measured by gearing ratio, also called debt-to-equity ratio, for 2009 was as high as 57.8 percent, reflecting that the enterprises surveyed preferred external debt financing to equity financing. However, in 2010, the enterprises switched to equity financing with a leverage of 35.3 percent (Table 3.6), indicative of growth in equity stocks that was not outpaced by growth in external debt stocks. The sectoral distribution of leverage revealed that agriculture and information and communication sectors required significantly high debt financing with ratios of 135.3 percent and 60.2 percent, respectively, although the leverage for the latter declined from 2009 towards an almost balanced distribution between external debt financing and equity financing in 2010. This is reflective of huge investment in machinery and equipment in the agriculture sector together with expansion projects in telecommunications within the information and insurance sectors as a result of high competition. In contrast, financial and insurance, manufacturing and wholesale and retail trade sectors showed a higher prominence of equity financing both in 2009 and 2010 compared with debt financing.

Table 3.6: Aggregate sector level leverage as at end 2009 and 2010

Sector	Leverage 2009 (%)	Leverage 2010 (%)
Agriculture	279.2	135.3
Manufacturing	13.9	10.7
Wholesale and retail	26.4	24.5
Information and communication	175.7	60.2
Financial and insurance	0.8	3.6
Other	30.0	41.3
TOTAL	**57.8**	**35.1**

3.1.2.3 Private Sector External Debt Stocks and Flows by Sector

The sectoral distribution of PSED revealed that the growth in total stocks of liabilities between 2009 and 2010 was due to net debt disbursements. These went to wholesale and retail (US$145.5 million), information and communication (US$24.0 million) and manufacturing (US$17.5 million) sectors which collectively accounted for 86.2 percent of total net transactions. However, agriculture registered net outflows of US$125.6 million during 2010 indicating that there were more repayments made on account of the PSED to foreign creditors than new disbursements received by domestic debtors in the sector (Table 3.7).

Table 3.7: Private Sector External Debt stocks and flows by sector (US$ Million)

	2009	2010		
Sector	Stock	Net Transactions	Other changes	Stock
Agriculture	398.3	(125.6)	26.8	299.4
Manufacturing	67.4	17.5	6.1	91.0
Construction	5.2	12.6	(3.6)	14.2
Wholesale and retail	42.8	145.5	13.6	201.9
Transportation	6.3	15.5	(12.5)	9.3
Information and communication	65.0	24.0	(5.5)	83.5
Financial and insurance	12.7	11.9	2.4	27.1
Other	3.4	(0.9)	0.2	2.7
TOTAL	**601.2**	**100.5**	**27.5**	**729.1**

3.1.2.4 Private Sector External Debt Stocks and Flows by Country

A further analysis of PSED showed that the major source countries of the outstanding stocks in 2010 were Switzerland, with a contribution of 37.1 percent followed by South Africa (19.1 percent), Kuwait (9.9 percent), Singapore (7.8 percent) and United Kingdom (6.1 percent) as depicted in Table 3.8. With regard to regional economic grouping, the survey results showed that private sector external debt stocks with SADC countries accounted for 24.4 percent of the total whereas COMESA countries only and OECD countries only recorded 2.8 percent and 2.6 percent, respectively, of the total stock of PSED in 2010. While huge net repayments on PSED were made during 2010 to Switzerland and United Kingdom, together totaling US$127.4 million, net disbursements were extended by South Africa, Singapore, United Arab Emirates and Kuwait, collectively amounting to US$195.4 million. Interest on PSED paid to Switzerland and United Kingdom alone accounted for 72.9 percent of the total amount of interest paid out during 2010.

Table 3.8: Private Sector External Debt stocks and flows by country (US$ Million)

	2009	**2010**		
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Switzerland	334.8	(93.9)	29.2	270.2
South Africa	64.0	69.6	6.0	139.6
Kuwait	44.7	32.1	(4.9)	71.9
Singapore	-	56.7	(0.1)	56.6
United Kingdom	72.2	(33.5)	5.8	44.5
China (mainland only)	9.2	2.5	12.4	24.0
United Arab Emirates	12.3	37.0	(26.2)	23.0
Mozambique	5.2	13.5	(0.1)	18.7
Mauritius	7.1	9.9	(2.8)	14.3
Germany	3.3	7.1	1.0	11.3
Others	48.3	(0.6)	7.3	55.1
TOTAL	**601.2**	**100.5**	**27.5**	**729.1**

3.1.3 Foreign Direct Investment (FDI)

3.1.3.1 Foreign Direct Investment Stocks and Flows

Foreign direct investment represents investments in a non-resident company in which it has control or a significant degree of influence on the management of that enterprise (IMF 2009). In this study, control or significant degree of influence was measured by shareholding by non-residents that constituted 10.0 percent or more of a resident enterprise's ordinary shares or voting rights. FDI generally includes equity, reinvested earning and debt between affiliated enterprises. Table 3.9 shows the major components of FDI in Malawi with borrowing from affiliates disaggregated into maturity structure.

The results show that the total stock of FDI in Malawi in 2010 was US$1.1 billion, representing a rise of 11.8 percent from US$1.0 billion recorded at end 2009 (Table 3.9). This growth was predominantly arising from flows of reinvested earnings and short-term affiliated debt, although the economy experienced a modest fall in the stocks of equity capital (2.4 percent) and a large decrease in long-term borrowing from affiliates (35.9 percent) between 2009 and 2010. It is worth noting that there was a substantial shift in debt-financed FDI from long-term financing to short-term financing.

Table 3.9: FDI stocks and flows by type and maturity (US$ Millions)

	2009	**2010**			
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income (Dividends & Interest)**
Equity capital	170.5	(3.8)	(0.2)	166.4	19.0
Reinvested earnings	341.5	136.6	7.2	485.3	-
Borrowing from affiliates	516.5	(35.8)	17.3	498.1	17.6
Long-term	*255.7*	*(106.5)*	*14.6*	*163.8*	*12.2*
Short-term	*260.8*	*70.8*	*2.7*	*334.3*	*5.4*
TOTAL	**1,028.5**	**97.0**	**24.3**	**1,149.8**	**36.6**

Figure 3.2 reveals that most of the FDI in Malawi emanates from borrowing (50.2 percent in 2009 and 43.3 percent in 2010) and reinvested earnings (33.2 percent in 2009 and 42.2 percent in 2010), with equity capital making up only 16.6 percent in 2009 and

14.5 percent in 2010 of total FDI. In 2010, short-term borrowing constituted about double the size of long-term borrowing.

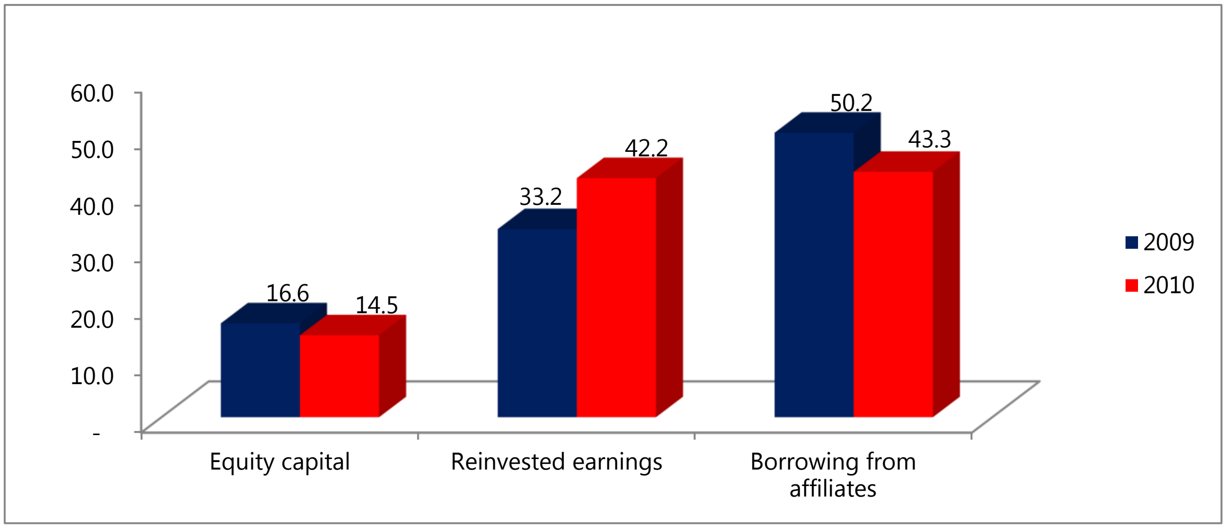

Figure 3.2: FDI stocks by type (Percent)

3.1.3.2 Foreign Direct Investment Stocks and Flows by Sector

This section presents FDI data by economic sector. Figure 3.3 shows stocks by sector. The results show that the sector with the largest stock of FDI in 2010 was agriculture which accounted for 32.6 percent of the total FDI stock.

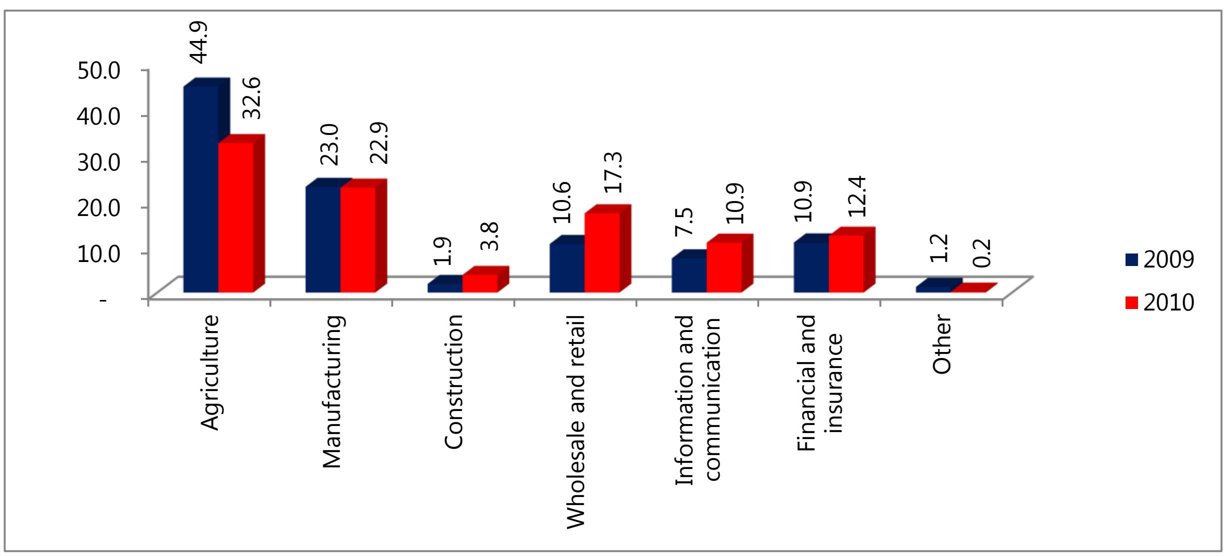

Figure 3.3: FDI stocks by sector (Percent)

Most of the FDI was debt-financed (Table 3.10). The same sector also registered the largest amount of foreign equity capital at end 2010 (US$46.7 million). Manufacturing recorded the second largest amount of FDI stocks at end 2010 (22.9 percent) followed by wholesale and retail (17.3 percent), financial and insurance (12.4 percent) and information and communication (10.9 percent) sectors. Unlike in agriculture, most FDI in the manufacturing sector was financed by reinvested earnings to the tune of US$187.0 million. The Construction sector also registered major growth, with the stock of FDI more than doubling at end 2010.

Table 3.10: FDI stocks by sector and type (US$ Millions), 2010

Sector	Equity Capital	Reinvested Earnings	Affiliated Debt	Total
Agriculture	46.7	30.2	297.6	374.4
Manufacturing	45.2	187.0	30.8	262.9
Construction	6.5	33.1	4.6	44.2
Wholesale and retail	22.0	68.3	108.2	198.5
Information and communication	0.7	99.3	25.0	124.9
Financial and insurance	38.8	80.8	22.8	142.4
Other	6.6	(13.3)	9.1	2.4
TOTAL	**166.4**	**485.3**	**498.1**	**1,149.8**

Figure 3.4 show the distribution of FDI flows by type of FDI during 2010. The results indicate that the wholesale and retail sector was the highest recipient of FDI inflows in 2010 (US$72.0 million) most of which was debt financed. The information and communication sector also witnessed large investments, with the stock of FDI increasing by 63.0 percent largely due to reinvested earnings. The growth in FDI stocks in the manufacturing sector between 2009 and 2010 was on account of increases inflows of FDI in all the three categories.

However, the agriculture sector registered a large net outflow of FDI in 2010 amounting to US$126.5 million, with stocks of FDI in the sector decreasing by 18.9 percent at end 2010. This was due to a reduction in both debt and equity capital investment.

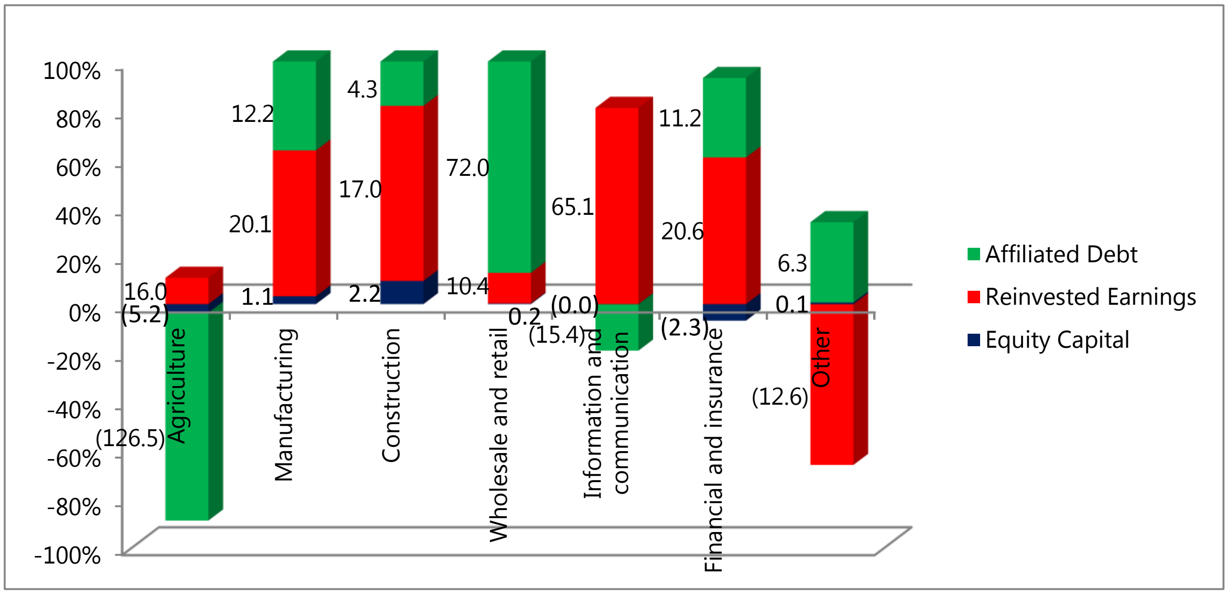

Figure 3.4: FDI flows by sector and type (US$ Millions), 2010

3.1.3.3 Foreign Direct Investment Stocks and Flows by Country

In this section, FDI data are presented by country of origin. Figure 3.5 exhibits the distribution of FDI stocks by source country, with the underlying data disaggregated by FDI type in Table 3.11.

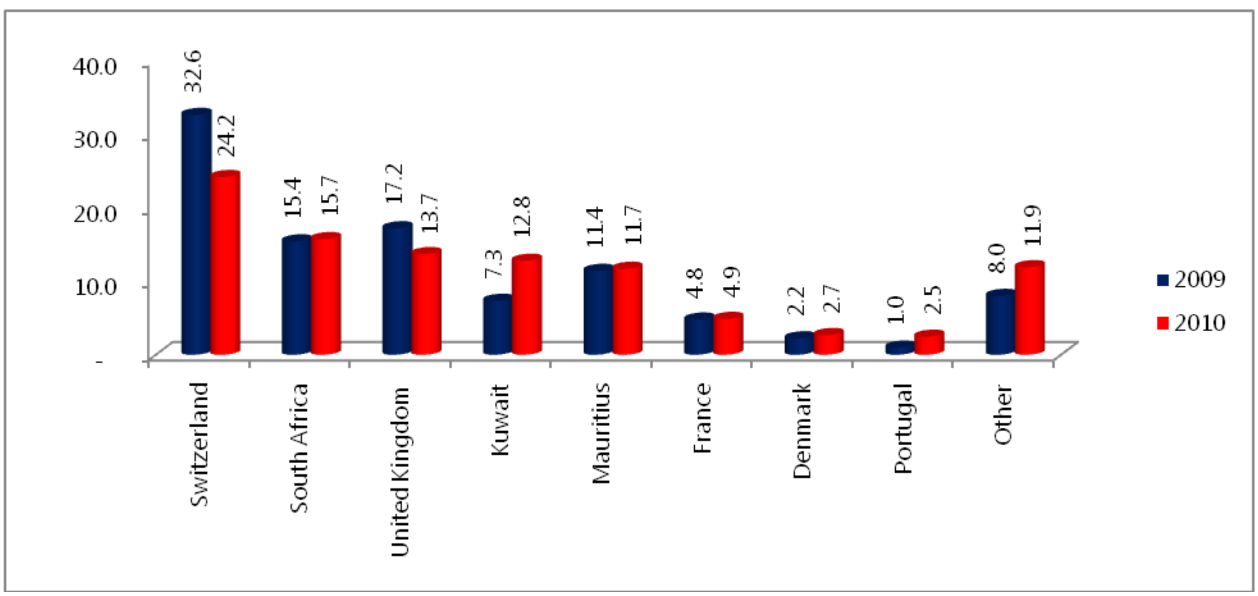

Figure 3.5: FDI stocks by country (Percent)

The survey results revealed that most of the FDI stocks originated from Switzerland (32.6 percent of total FDI stocks in 2009 and 24.2 percent in 2010), consisting almost entirely of debt. The next largest source country as at end 2010 was South Africa (15.7 percent), followed by United Kingdom (13.7 percent), Kuwait (12.8 percent) and Mauritius (11.7 percent) (Figure 3.5). For each of these countries, most of the FDI consisted of reinvested earnings, although the United Kingdom also registered a large component of equity capital which accounted for 28.9 percent of foreign direct equity capital invested in Malawi.

Table 3.11 shows the distribution of FDI flows in 2010 broken down by country and type of FDI. It is observed that the highest share of FDI inflows came from Kuwait (36.2 percent of total FDI inflows), followed by Singapore (14.1 percent), South Africa (9.9 percent), Mauritius (9.8 percent) and Portugal (8.6 percent). While inflows from Kuwait stemmed mainly from reinvested earnings, those from Singapore exclusively represented affiliated debt. However, a significant portion of FDI outflows were destined for Switzerland, accounting for 83.3 percent of total FDI outflows, with the remainder accounted for by United Kingdom. Notably, the decreases in FDI stocks from Switzerland and United Kingdom were mainly triggered by large debt reductions on account of net repayments for external affiliated debt.

Table 3.11: FDI flows by country and type (US$ Millions), 2010

Country	Equity Capital	Reinvested Earnings	Affiliated Debt	Total
Switzerland	0.3	4.2	(91.8)	(87.3)
Kuwait	0.0	64.5	8.5	73.0
Singapore	-	-	28.4	28.4
South Africa	(0.2)	1.5	18.7	20.0
Mauritius	(0.5)	10.4	9.8	19.7
United Kingdom	(4.9)	14.3	(27.0)	(17.6)
Portugal	1.6	15.7	-	17.3
Tanzania	1.7	5.8	2.5	10.0
US	(2.7)	10.9	(0.0)	8.2
Others	0.85	9.35	15.11	25.3
TOTAL	**(3.8)**	**136.6**	**(35.8)**	**97.0**

3.1.3.4 Composition of Related Party PSED Stocks and Flows

Stocks and flows of related party PSED involved bonds and notes, currency and deposits, loans, trade credits and other accounts payable. Out of the total stock of related party PSED recorded at end 2010, trade credits accounted for 47.1 percent followed by loans (35.5 percent) and other accounts payable (16.3 percent) compared with 62.6 percent, 32.3 percent and 2.7 percent, respectively, as registered at end 2009 (Table 3.12). Bonds and notes were very small and almost negligible in both years. Whereas trade credits and currency and deposits recorded net outflows of related party PSED, loans and other accounts payable registered net inflows but at a pace which could not change the stock behaviour to a reduction of US$498.1 million at end 2010 from US$516.5 million quantified for end 2009.

Table 3.12: Composition and maturity structure of related party PSED (US$ Million)

	2009	2010		
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Bonds and notes	**3.5**	**1.3**	**(0.1)**	**4.7**
Long term	*1.4*	*0.9*	*(0.0)*	*2.2*
Short Term	*2.1*	*0.4*	*(0.1)*	*2.4*
Currency and deposits	**8.9**	**(7.9)**	**(0.3)**	**0.8**
Short Term	*8.9*	*(7.9)*	*(0.3)*	*0.8*
Other accounts payable	**13.8**	**68.2**	**(0.6)**	**81.4**
Long term	*2.7*	*(1.9)*	*(0.1)*	*0.7*
Short Term	*11.2*	*70.0*	*(0.5)*	*80.7*
Loans	**167.0**	**11.0**	**(1.4)**	**176.7**
Long term	*14.2*	*(3.0)*	*(1.4)*	*9.8*
Short Term	*152.8*	*14.0*	*0.1*	*166.9*
Trade credits	**323.2**	**(108.3)**	**19.6**	**234.6**
Long term	*237.5*	*(102.5)*	*16.1*	*151.1*
Short Term	*85.8*	*(5.8)*	*3.5*	*83.5*
TOTAL	**516.5**	**(35.8)**	**17.3**	**498.1**

The sectoral analysis of related party PSED indicates that agriculture was the highest recipient with stocks at end 2009 and 2010 accounting for 76.7 percent and 59.7 percent, respectively, of total related party PSED stocks. However, the stock in agriculture dampened by 24.9 percent at end 2010 from US$396.1 million at end 2009 (Table 3.13), largely driven by net repayments amounting to US$126.5 million. The wholesale and retail sector witnessed a surge in stocks between the two years under review from US$29.9 million at end 2009 to US$108.2 million at end 2010, predominantly attributable to net disbursements of US$72.0 million during 2010. Whereas manufacturing and financial and insurance sectors recorded net disbursements of US$12.2 million and US$11.2 million, respectively, during 2010, which led to increases in debt stocks, the information and communication sector registered net loan repayments of US$15.4 million which triggered a substantial reduction in debt stocks of about 44.7 percent as at end 2010.

Table 3.13: Related party PSED stocks and flows by sector (US$ Million)

	2009	2010		
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Agriculture	396.1	(126.5)	27.9	297.6
Manufacturing	27.0	12.2	(8.5)	30.8
Construction	-	4.3	0.3	4.6
Wholesale and retail	29.9	72.0	6.3	108.2
Transportation	6.2	6.3	(3.6)	9.0
Information and communication	45.2	(15.4)	(4.8)	25.0
Financial and insurance	12.0	11.2	(0.4)	22.8
Other	0.1	(0.0)	0.0	0.1
TOTAL	**516.5**	**(35.8)**	**17.3**	**498.1**

3.1.4 Foreign Portfolio Investment (FPI)

3.1.4.1 Foreign Portfolio Investment Stocks and Flows

This section discusses foreign portfolio investment, which is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets (IMF 2009). This generally involves tradable equity in an enterprise in which less than 10.0 percent of a resident enterprise's ordinary shares or voting rights are held by non-residents. FPI also includes tradable debt securities like bonds and notes and money market instruments involving unaffiliated enterprises or individuals.

In this study, FPI comprised equity and debt securities with the latter presented in terms of maturity structure. The results indicate that the stock of FPI increased by 22.8 percent, from US$5.7 million as at end 2009 to US$6.9 million as at end 2010. Details are exhibited in Table 3.14. Debt securities accounted for the largest share of total FPI stocks at end 2009 and 2010 (80.0 percent and 68.6 percent, respectively), with long-term debt securities constituting about 94.5 percent of the total at end 2009, but which declined substantially to 34.6 percent at end 2010. Net inflows amounted to US$1.2 million, mostly accounted for by net purchases of shares by non-residents and net disbursements of short-term debt (together totalling US$3.7 million), although net repayments of US$2.5 million were made on account of long-term debt.

Table 3.14: Debt and equity securities by maturity (US$ Million)

	2009	2010			
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income (Dividends & Interest)**
Equity securities	1.1	1.0	0.1	2.2	0.1
Debt securities	4.5	0.2	0.1	4.8	0.9
Long-term	*4.3*	*(2.5)*	*(0.1)*	*1.7*	*0.8*
Short-term	*0.2*	*2.7*	*0.2*	*3.1*	*0.1*
TOTAL	**5.7**	**1.2**	**0.1**	**6.9**	**1.0**

3.1.4.2 Foreign Portfolio Investment Stocks and Flows by Sector

At sector level, the stock of FPI in 2010 was dominated by wholesale and retail trade (45.0 percent of total) followed by financial and insurance (25.6 percent) manufacturing (23.8 percent), although the FPI stock was dominated by manufacturing and financial and insurance sectors only, together accounting for 92.6 percent of total (Table 3.15).

Table 3.15: FPI stocks and flows by sector (US$ Million)

	2009	2010		
Sector	**Stock**	**Net Transactions**	**Other Changes**	**Stock**
Agriculture	0.1	0.0	0.0	0.1
Manufacturing	4.3	(2.7)	0.1	1.7
Wholesale and retail	0.4	2.8	0.0	3.1
Information and communication	0.0	0.2	0.0	0.3
Financial and insurance	1.0	0.8	0.0	1.8
Other	0.0	0.1	0.0	0.1
TOTAL	**5.7**	**1.2**	**0.1**	**6.9**

3.1.4.3 Foreign Portfolio Investment Stocks and Flows by Country

Whereas Germany, Switzerland and Ghana were the three major sources of the stock of FPI as at end 2010, representing 43.2 percent, 25.6 percent and 14.7 percent, respectively, the stock of FPI at end 2009 was dominated by only Switzerland and South Africa, together contributing 77.5 percent of the total. Details are shown in Figure 3.6.

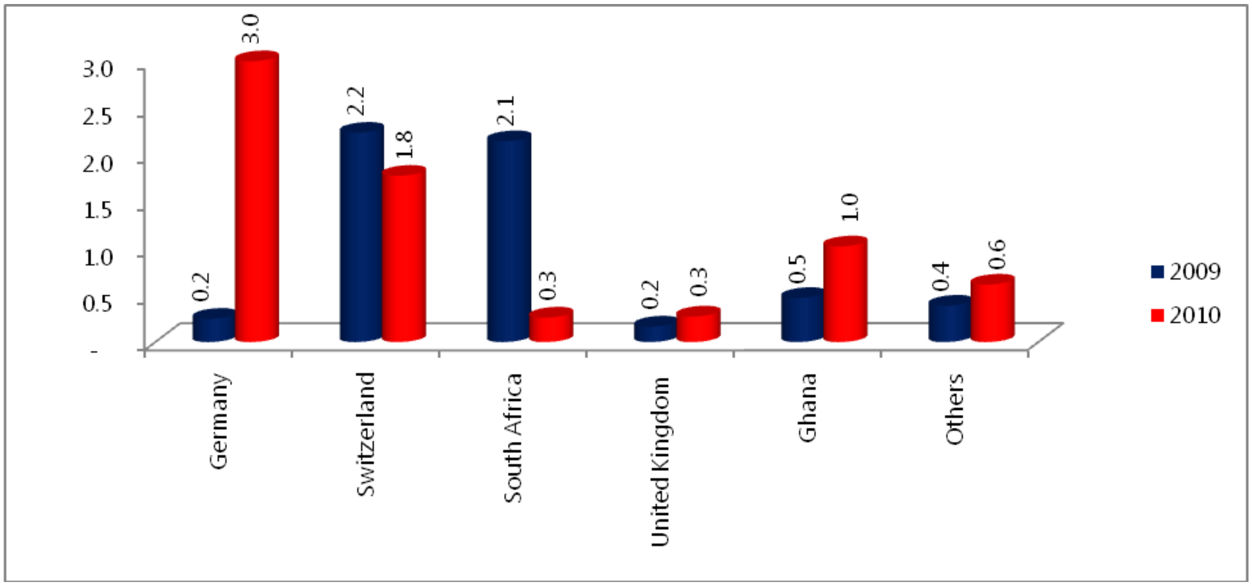

Figure 3.6: FPI stocks by country (US$ Million)

Based on regional economic grouping, the survey findings showed that OECD countries constituted 43.3 percent of the FPI stock at end 2010, with SADC and COMESA countries representing 6.0 percent and 5.2 percent of the total, respectively, and the remainder accounted for by the rest of the world.

3.1.5 Other Investment (OI)

3.1.5.1 Other Investment Stocks and Flows

Other investment involves all other investment on positions and transactions than that included in direct investment, portfolio investment and financial derivatives (IMF 2009). These generally include currency and deposits, trade credits and advances, and other foreign borrowings from unaffiliated enterprises. In BPM6, this category also includes non-tradable equity of less than 10.0 percent held by non-residents and equity in international organizations.

In this survey, the stock of other Investment included three instruments namely loans, trade credits and other accounts payable. The survey results reveal that the stock of other investment almost tripled from US$80.1 million at end 2009 to US$226.3 million at end 2010 (Table 3.16). Trade credits were most prominent in both years, accounting for about 72.0 percent and 46.4 percent of the total stock at end 2009 and end 2010, respectively. While loans were the second highest component of other investment in 2009 (26.8 percent), other accounts payable became the second highest in 2010 (30.3 percent).

Table 3.16: Other investment stocks and flows by type and maturity (US$ Million)

	2009	2010			
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Loans	**21.5**	**26.6**	**4.6**	**52.7**	**1.3**
Long-term	*21.1*	*26.7*	*4.4*	*52.1*	*1.3*
Short-term	*0.4*	*(0.1)*	*0.3*	*0.6*	*0.0*
Trade credits	**57.7**	**41.7**	**5.7**	**105.0**	**0.5**
Long-term	*15.5*	*(12.3)*	*8.4*	*11.7*	*-*
Short-term	*42.1*	*54.0*	*(2.8)*	*93.4*	*0.5*
Other accounts payable	**1.0**	**67.8**	**(0.2)**	**68.6**	**-**
Short-term	*1.0*	*67.8*	*(0.2)*	*68.6*	*-*
TOTAL	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**

Stock levels due to loans more than doubled to US$52.7 million in 2010 from a low of US$21.5 million in 2009. Nearly 99.0 percent of the loans were long-term in nature and totaled US$52.1 million in 2010. Trade credits nearly doubled from US$57.7 million at end 2009 to US$105.0 million at end 2010, and about 88.9 percent of the trade credits had a short-term maturity. Other accounts payable rose from US$1.0 million at end 2009 to US$68.6 million at end 2010 and were short-term in nature for both years under review.

Table 3.16 also shows that transactions in 2010 totaled US$136.0 million and nearly half (49.8%) of the transactions were in form of short-term other accounts payable while 30.7 percent were trade credits and 19.5 percent were loans. Transactions in loans showed net disbursements which were mostly long-term unlike those in trade credits showing net disbursements whereby the majority were short-term in nature (US$54.0 million), although considerable net repayments amounting to US$12.3 million were made on account of long-term trade credits. In terms of income, interest payable by local private firms to the rest of the world in 2010 totaled only US$1.8 million, with 69.6 percent of the interest paid being on account of long-term loans.

3.1.5.2 Other Investment Stocks and Flows by Sector

The sectoral distribution of other investment stocks and flows is summarized in Table 3.17. Other investment in wholesale and retail trade (40.1 percent), manufacturing (25.9 percent) and information and communication (25.9 percent) sectors significantly contributed to the stock level recorded as at end 2010. Other investment stock levels for the agriculture sector remained almost constant over the comparative periods of 2009 and 2010 but almost doubled in the construction sector and trebled in the information and communication sector. Other investment stocks in the wholesale and retail trade sector rose seven times as high at end 2010 (US$90.7 million) as at end 2009 (US$12.7 million) while those in the finance and insurance sector grew by almost six times during the period under review.

Table 3.17: Other investment stocks and flows by sector (US$ million)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	2.2	0.8	(1.2)	1.8	-
Manufacturing	36.1	7.9	14.5	58.6	1.3
Construction	5.2	8.3	(3.9)	9.6	0.0
Wholesale & retail trade	12.7	70.7	7.3	90.7	(0.0)
Information & communication	19.8	39.4	(0.7)	58.5	0.3
Financial & insurance	0.7	0.7	2.8	4.3	0.2
Others	3.4	8.2	(8.7)	2.9	-
TOTAL	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**

Net transactions in other investment totaled US$136.0 million, over half (52.0 percent) of which were made in the wholesale and retail trade sector while nearly a third (29.0 percent) were transacted in the information and communication sector. Regarding income, out of the total income paid by local private firms to foreign creditors (US$1.8 million), 71.7 percent were made by enterprises in the manufacturing sector, followed by information and communication (16.7 percent) and financial and insurance (10.2 percent) sectors.

3.1.5.3 Other Investment Stocks and Flows by Country

Just over a third (34.7 percent) of the overall other investment stocks in 2010 originated from South Africa while 12.5 percent were from Singapore (Table 3.18). Other investment stocks from South Africa nearly quadrupled from US$21.7 million in 2009 to US$78.6 million in 2010 while those from Singapore and Kuwait grew to US$28.3 million and US$23.5 million in 2010, respectively. Mainland China and United Arab Emirates each contributed 10.2 percent of the total stock of other investment in 2010.

Table 3.18: Other investment stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
South Africa	21.7	52.9	3.9	78.6	0.7
Singapore	-	28.4	(0.1)	28.3	-
Kuwait	-	23.6	(0.0)	23.5	-
China (mainland only)	9.2	1.5	12.4	23.0	-
United Arab Emirates	12.1	37.2	(26.2)	23.0	-
Others	37.1	(7.5)	20.2	49.9	1.1
TOTAL	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**

Nearly two-fifths (38.9 percent) of the overall net transactions in other investment represented net disbursements from South Africa while 27.3 percent and 20.8 percent were net disbursements from United Arab Emirates and Singapore, respectively. Kuwait transacted in other investment to the tune of US$23.6 million in net disbursements to Malawi, representing 17.1 percent of the total. However, Malawi registered net repayments to foreign creditors amounting to US$7.5 million, indicating that Malawi paid out more to the rest of the world in debt service than it received in disbursements during the year under review.

3.2 Time Series for Foreign Liabilities, 2001–10

The validation and consistency checks of values that had been keyed into the system of the 2009 FPC survey resulted into relatively substantial revisions in the aggregates contained in the 2009 Malawi Foreign Private Capital and Investors' Perceptions Report. Readers and users are reminded that Malawi did not implement a survey that captured stocks for 2005 and 2006, and flows for 2005, 2006, 2007 and 2009.

Stocks of 2005 and 2006 were estimated by first calculating an average growth in stocks between 2004 and 2007, obtained through the cube root of the overall growth during the period. This growth was applied on 2004 stocks to estimate for 2005 and 2006. The time series data on foreign private liability stocks for the period 2001–10 is presented in Appendix P. Stocks for 2001–04 were obtained from the 2005 FPC survey database.

Flows for 2005, 2006, 2007 and 2009 were estimated by first calculating the percentage of depreciation of Malawi Kwacha against the US Dollar during the period under review. This ratio was applied on the difference in stocks for two consecutive periods to account for other changes which are predominantly exchange rate changes, with the balance representing net transactions. The time series data on foreign private liability flows (net transactions) for the period 2002–10 is presented in Appendix Q. Net transactions for 2002–04 were obtained from the 2005 FPC survey database.

3.3 Stocks and Flows of Foreign Assets

3.3.1 Stocks of Foreign Assets

Stocks of foreign private assets increased by 66.5 percent between 2009 and 2010. These were dominated by FDI and other investment which accounted for 76.2 percent and 23.8 percent, respectively, in 2009 and 85.2 percent and 14.7 percent, respectively, in 2010 (Table 3.19). It is further observed that FDI stocks and other investment stocks increased by 86.0 percent and 3.1 percent, respectively, during the period under review.

FDI stocks were largely in form of affiliated debt which represented 78.1 percent in 2009 and 88.0 percent in 2010, with most of it having short-term maturity (81.7 percent in 2009 and 87.3 percent in 2010). On the other hand, other investment stocks were dominated by trade credits which contributed 92.0 percent and 93.8 percent in 2009 and 2010, respectively, with a large proportion accounted for by those with short-term maturity (88.5 percent in 2009 and 66.2 percent in 2010). FPI stocks were small and negligible.

Table 3.19: Foreign private investment asset stocks and flows (US$ Million)

Type/Maturity	2009	Net Transactions	Other changes	2010
Foreign Direct Investment	**48.1**	**42.3**	**(0.9)**	**89.6**
Equity Capital	10.9	(0.0)	0.0	10.9
Reinvested earnings	(0.4)	0.3	0.0	(0.1)
Affiliated debt	37.6	42.0	(0.9)	78.8
Long-term	*6.9*	*3.3*	*(0.2)*	*10.0*
Short-term	*30.7*	*38.7*	*(0.7)*	*68.7*
Foreign Portfolio Investment	**0.0**	**(0.1)**	**0.2**	**0.1**
Equity securities	0.0	(0.1)	0.2	0.1
Other Investment	**15.0**	**0.7**	**(0.2)**	**15.5**
Loans	0.0	0.0	0.0	0.1
Short-term	*0.0*	*0.0*	*0.0*	*0.1*
Trade credits	13.8	0.9	(0.2)	14.5
Long-term	*1.6*	*3.4*	*(0.0)*	*4.9*
Short-term	*12.2*	*(2.4)*	*(0.2)*	*9.6*
Other accounts receivable	1.2	(0.3)	(0.0)	0.9
Long-term	*1.1*	*(0.3)*	*(0.0)*	*0.8*
Short-term	*0.0*	*(0.0)*	*(0.0)*	*0.0*
TOTAL	**63.1**	**42.9**	**(0.9)**	**105.1**

While destination countries with highest FDI stocks in 2010 were Botswana (22.9 percent), United Kingdom (21.9 percent), Zimbabwe (17.1 percent) and South Africa (16.2 percent), other investment stocks were highly prevalent in United Kingdom (31.2 percent), South Africa (25.3 percent), Netherlands (9.9 percent) and USA (7.4 percent).

3.3.2 Flows of Foreign Assets

The increase in foreign private assets between the period under review was predominantly on account of net transactions of about US$42.9 million (Table 3.19). A significant portion of this was in form of net outflows of FDI, which constituted 98.6 percent, with almost all of it arising from affiliated debt (99.4 percent) and of short-term maturity (92.1 percent). Net transactions in FPI and other investment were small and negligible.

3.4 Time Series for Foreign Assets, 2001–10

The methodology used for estimating liabilities for missing years was also applied for assets. The time series data on stocks and flows of foreign private assets for the period 2001–10 are presented in Appendices R and S, respectively. Stocks and flows for 2001–04 were obtained from the 2005 FPC survey database.

3.5 Contribution of Foreign Private Capital to Employment, Compensation of Employees and Corporate Social Responsibility

While estimations were done for non-responding enterprises on equity and non-equity components, the same was not done for all data that did not involve equity or non-equity. That is, data on employment, compensation of employees and expenditures on corporate social responsibility, which are discussed hereafter, were based on enterprises that had actually to this survey.

3.5.1 Employment

Among the initial reporting enterprises, total employment rose by 10.6 percent to 55,836 employees in 2010 from 50,469 employees in 2009. Domestic employees constituted 99.5 percent of the total in 2010 compared to 99.3 percent in 2009 representing an increase of 0.2 percentage points. Foreign employees stood at 0.5 percent of the total (296 employees) compared to 99.3 percent in 2009 (361 employees), representing a drop of 0.2 percentage points. In 2010 80.1 percent (237 people) of the foreigners were in administrative and managerial positions compared to 65.5 percent of the foreigners (233 people) in 2009.

At sectoral level, employment in the largest sector of agriculture, increased to 24,721 employees in 2010 from 20,985 employees in 2009 representing an increase of 17.8 percent (Figure 3.7). The rise in employment in the agricultural sector is reflective of extensive expansion undertaken by the sugar industry. The manufacturing sector's employment rose by 4.0 percent to 20,443 employees in 2010 from 19,655 employees in the previous year on account of a rise in disposable incomes in 2009 that spurred demand for the sector's output in the following year. Employment in the wholesale and retail sector grew by 9.7 percent to 4557 employees in 2010 from 4,155 employees in 2009 reflecting the expansion of the economy in 2009 which in turn resulted in increased demand.

Financial and insurance services employment stood at 1,924 employees in 2010, compared to 1,570 employees in 2009. The expansion is attributed to innovations undertaken by the sector as well as the enactment of a number financial sector bills by Parliament that stimulated activity in the sector. The information and communications sector's employment rose by 6.1 percent to 1,715 employees reflecting the promotional campaigns by mobile phone companies that resulted in a lot of rural people purchasing mobile phones.

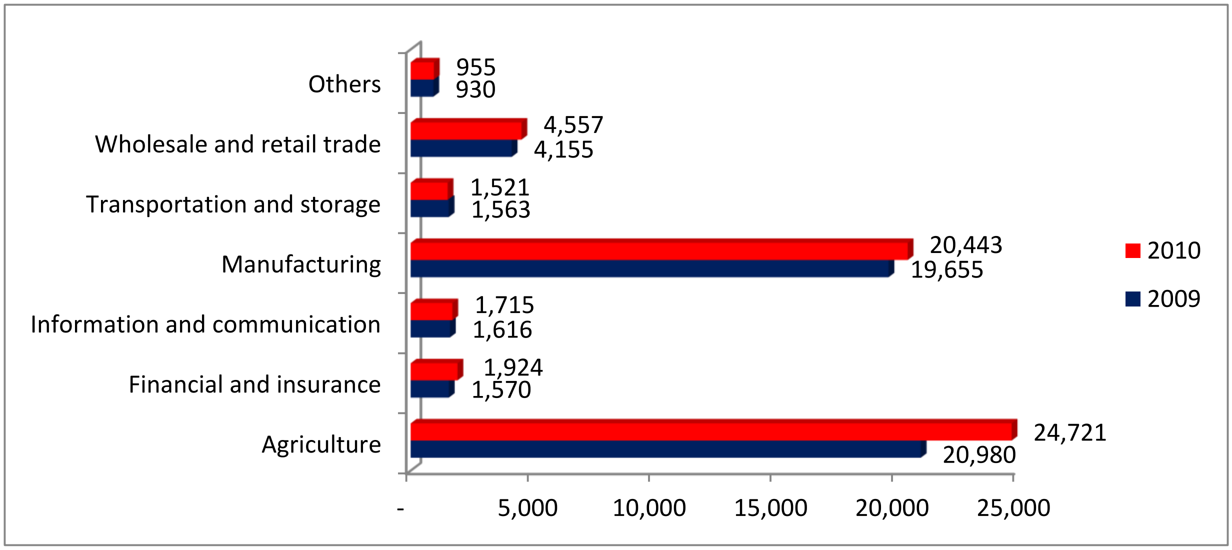

Figure 3.7: Distribution of employment by sector

3.5.2 Compensation of Employees

The total value of compensation of employees was recorded at US$145.2 million and US$149.5 million during 2009 and 2010, respectively, for enterprises that initially responded to the survey (Table 3.20). In 2009, domestic employees received the highest share of employees' compensation to the tune of US$131.8 million (90.7 percent) compared to foreign employees who received a sum of US$13.5 million (9.3 percent). The distribution of employees' compensation did not change in 2010 whereby domestic employees received US$137.6 million (92.0 percent) against US$12.0 million (8.0 percent) received by foreign employees.

Table 3.20: Compensation of employees (US$ Million)

	2009		2010	
	Amount	**Percent**	**Amount**	**Percent**
Foreign Employees	13.5	9.3	12.0	8.0
Domestic Employees	131.8	90.7	137.6	92.0
TOTAL	**145.2**	**100.0**	**149.5**	**100.0**

The manufacturing sector recorded the highest share of the wage bill at US$54.0 million in 2010 (an increase from US$49.3 million registered in 2009) as observed in Figure 3.8, followed by financial and insurance at US$31.2 million (a small decline from US$32.8

million reported in 2009), wholesale and retail trade at US$18.3 million (US$17.6 million for 2009), and information and communication at US$17.8 million (US$16.2 million for 2009).

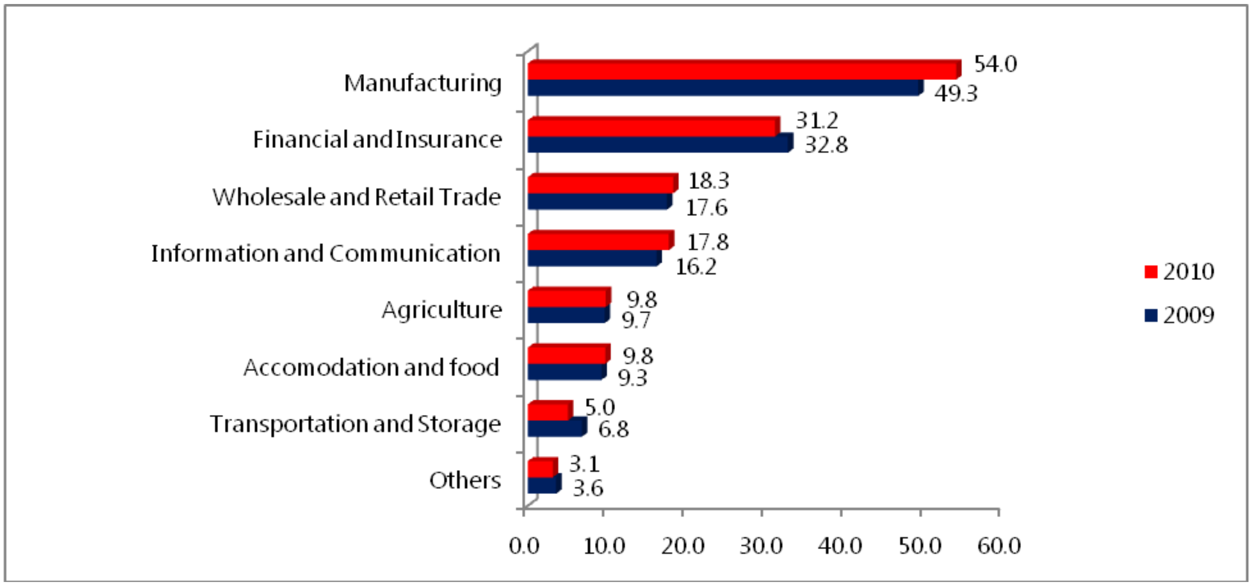

Figure 3.8: Compensation of employees by sector (US$ Million)

3.5.3 Corporate Social Responsibility

Corporate social responsibility (CSR) is a company's voluntary contributions towards socio-economic services. In 2010, CSR increased by 26 percent from US$10.5 million recorded for 2009 to US$14.3 million for enterprises that initially responded to the survey. Local infrastructure (23 percent) and environmental preservations (23 percent) are the main recipient sectors (Figure 3.9). These are followed by health (20 percent), education (15 percent) and safety and security (11 percent).

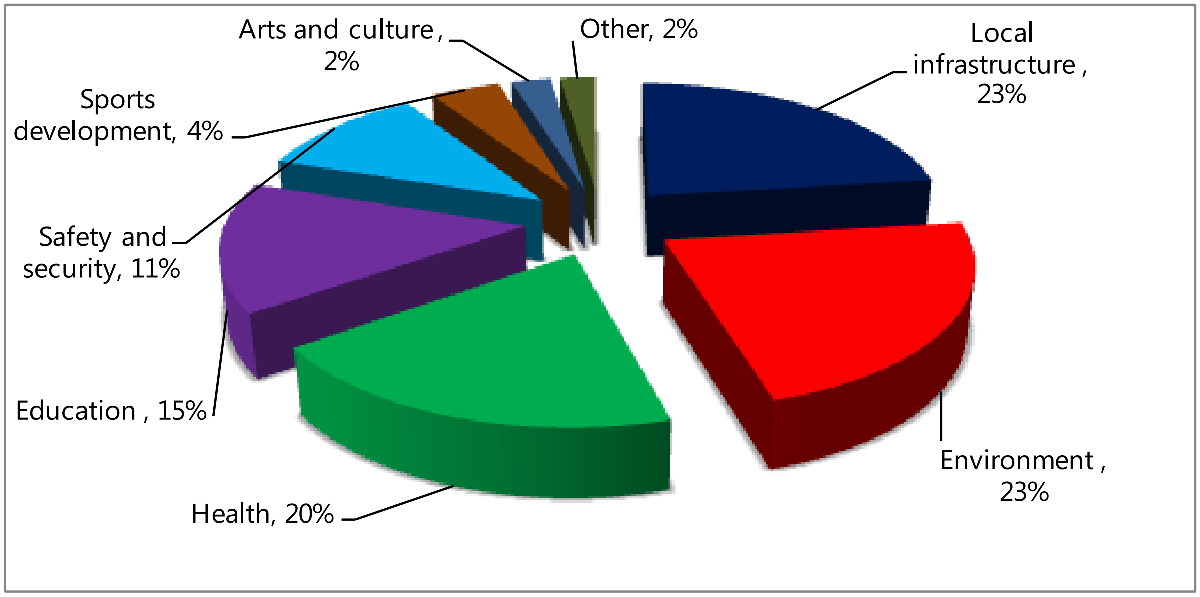

Figure 3.9: Corporate Social Responsibility contributions by sector, 2010

CHAPTER FOUR: THE INVESTORS' PERCEPTIONS

4.1 Background to Investors' Perceptions

The government of Malawi in pursuing its economic growth and development agenda has among other strategies employed the private sector development approach to boost its contribution to Gross Domestic Product (GDP) as well as improve livelihood through employment creation. Pro-private sector development policies entail, on one hand, strengthening the business environment, and on the other hand, attracting investment. It is in this view that Investors' Perceptions (IPs) survey is undertaken to provide direction and insight to policy makers and implementers on areas that require intervention in order to reinforce business operations.

This chapter therefore highlights IPs sourced from the 2011 FPC and IPs survey on factors affecting businesses and the general investment climate in Malawi. Below are the factors that were included for assessment in the survey, the rating structure used and the detailed findings.

4.2 Initial Investment Factors

The questionnaire suggested several factors that could have influenced the investors' decision to invest in the country as outlined in Figure 4.1, which indicates number of enterprises that responded to a particular factor. As far as the respondents were concerned, all factors appeared to have affected the initialization of the business activity though some factors had a significant impact on the investors' decisions. It has to be noted, however, that this information was predominantly provided by new enterprises as anticipated.

Similar to results of the last survey on FPC and IPs, most investors highlighted domestic political stability, economic situation and market size to have been the leading factors that influenced investment in the country. This implies that the domestic state of the economy was a major basis for most investors' commitment to invest their resources.

Regional economic situation, regional political stability and market size followed in directing investors' initial decision to invest in the country. The rest of the factors are presented in descending order and display the diminishing influence each of them had on investors' initial decision to invest.

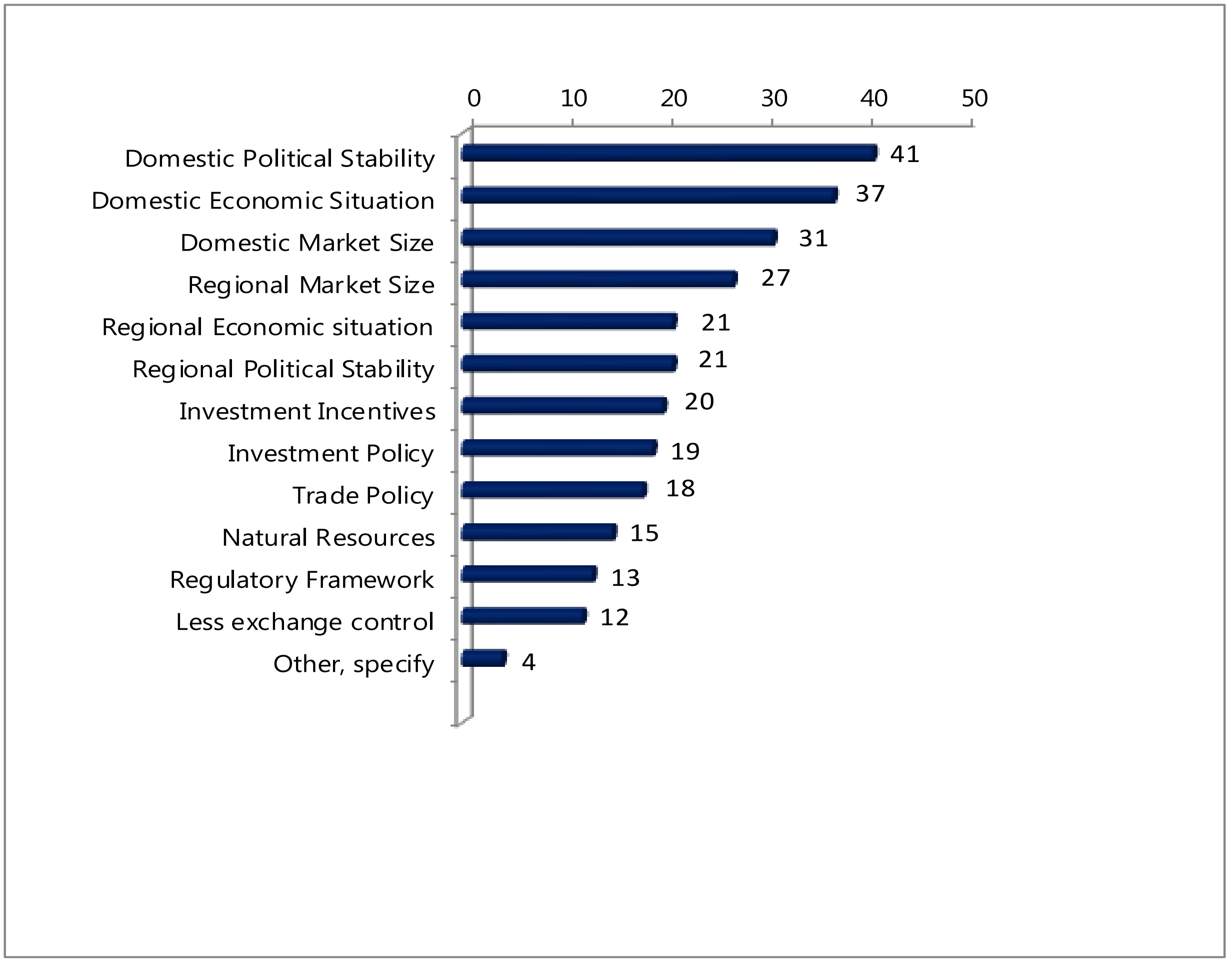

Figure 4.1: Effects of initial investment factors

4.3 Economic and Financial Factors

As shown in Figure 4.2, availability of foreign exchange had a thrilling negative effect on business operations followed by informal trade and exchange controls. The country is yet to be relieved of these predicaments as macroeconomic management instruments will be put in place. Informal trade which has become a common exercise in trade is also depicted to have had a negative effect on business operations since the practice suppresses the customer base. Other factors negatively affecting business processes were availability of international credit, competition, inflation, fluctuation of the exchange rate, corporate/other tax burden and fiscal policy.

On the other hand, domestic, regional and international market size showed to have positively affected business functions. This is a product of government efforts in building economic ties and trade relations with countries within and outside the region. Trade and investment policies and incentives, and availability of domestic credit also carried a slightly positive relationship with investments. These results, which are similar to those in the previous survey, offer a recommended basis for areas that require strengthening and developing in order to improve the business sector.

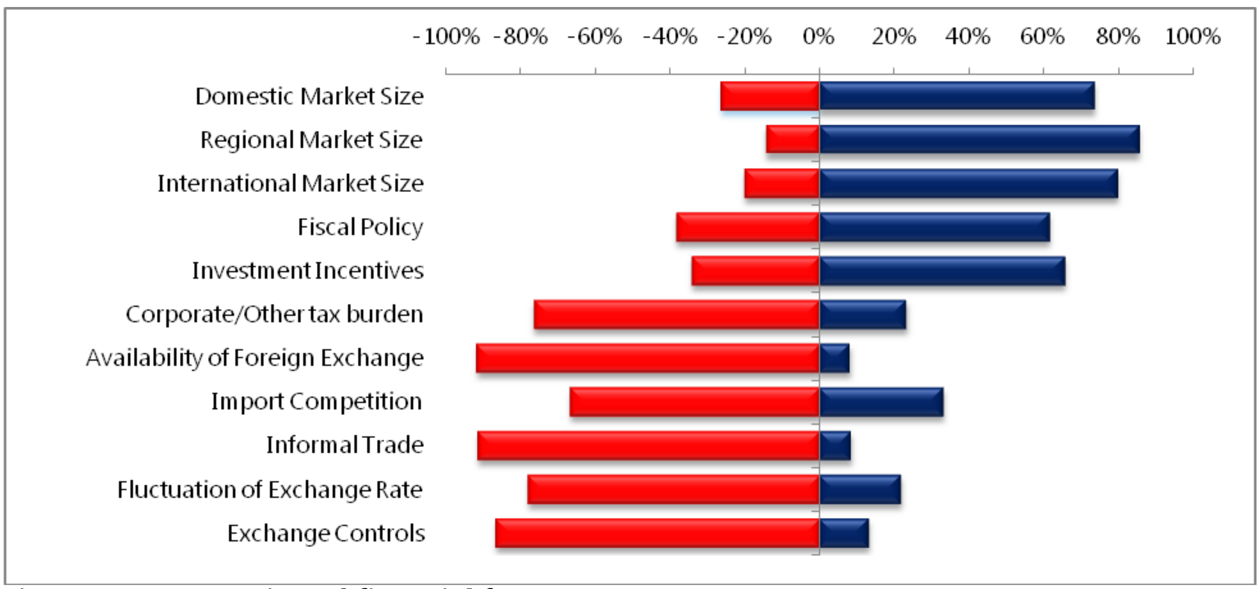

Figure 4.2: Economic and financial factors

4.4 Political and Governance Factors

Figure 4.3 gives highlights of the relationship between political and governance factors and business processes. Regional and domestic political environment were rated to have a relatively more positive relationship with investment, reflecting enhanced investors' confidence attributable to regional integration initiatives. The level of corruption had an extreme negative impact on businesses followed by bureaucracy/regulatory framework/state intervention and level of security/crime.

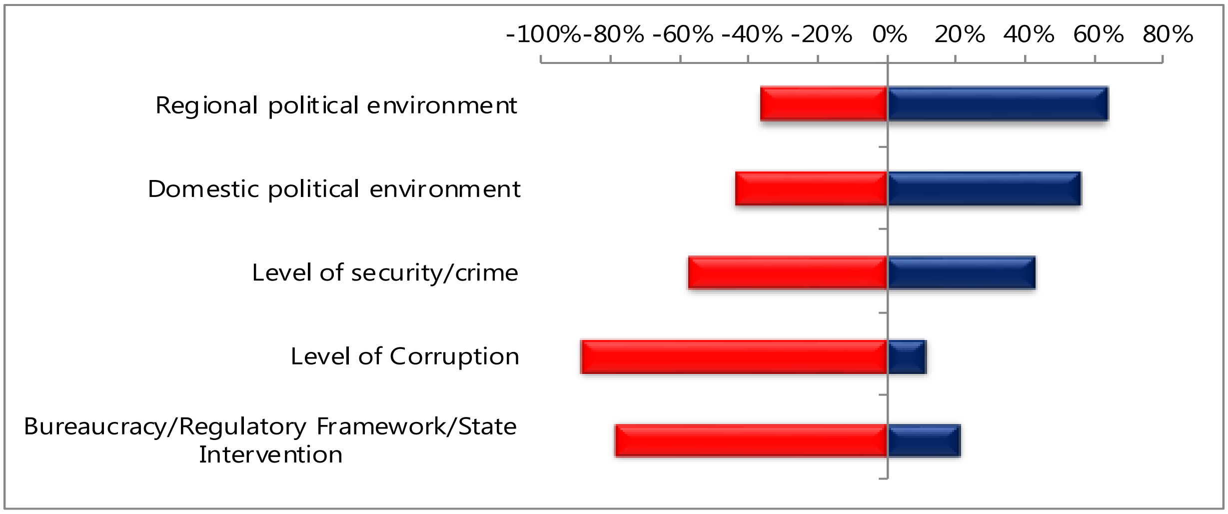

Figure 4.3: Political and governance factors

4.5 Operation of Government Ministries and Agencies

The survey observed that operation of Government Ministries and Agencies does influence investment activities. Overall, investors positively rated the operation of Government Ministries as manifested in the proportion of investors who indicated negative ratings that did not overshadow the proportion of those who indicated negative ratings for each of the Government Ministries and Agencies (Figure 4.4). However, within the negative ratings, high proportions of respondents indicated that the operations of the Malawi Revenue Authority (MRA), RBM, the legal system and MOF had negatively affected investors' business functions. This could partly be attributable to tight fiscal and monetary policies implemented during the period under review.

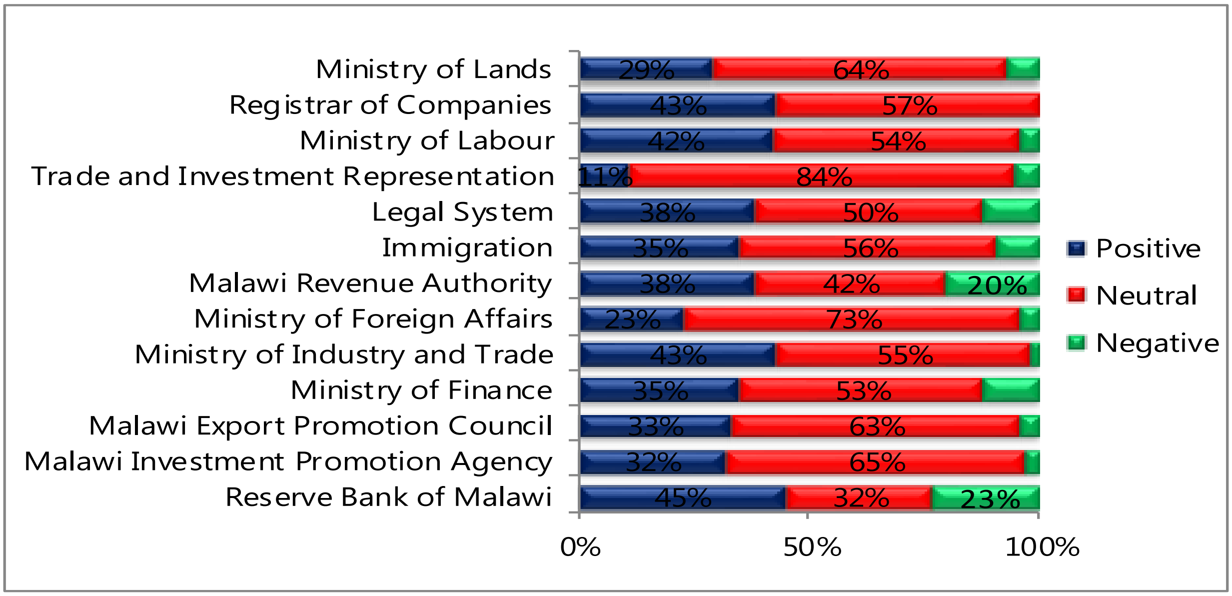

Figure 4.4: Operation of government agencies

4.6 Cost and Efficiency of Infrastructure and Services Factors

Results drawn from the survey revealed severe negative perception on the cost (Figure 4.5) and efficiency (Figure 4.6) in the delivery of electricity and water supply, and road transport.

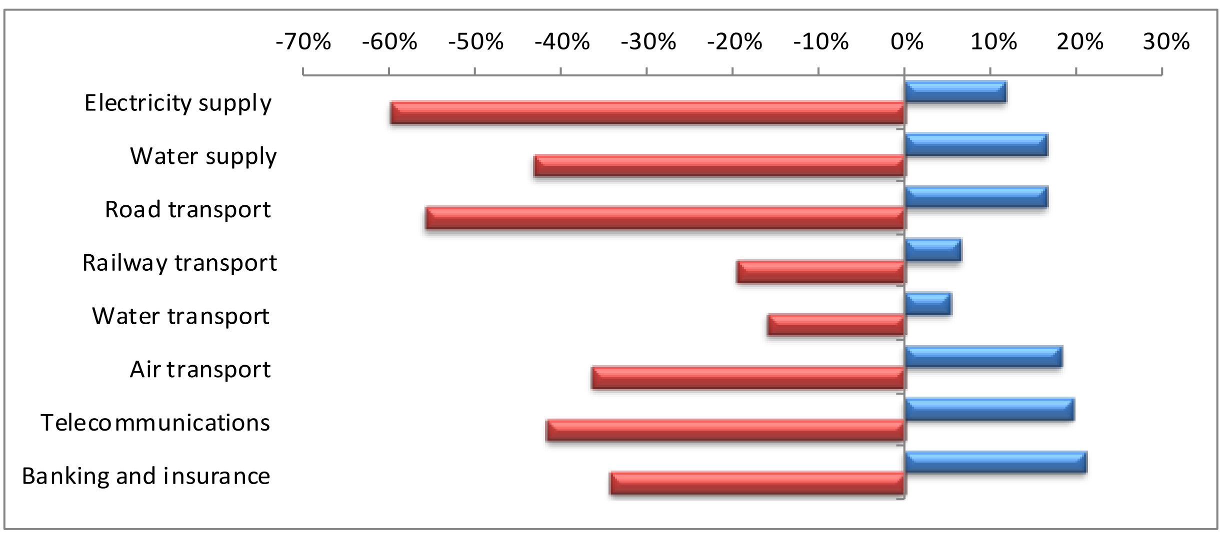

Figure 4.5: Cost of infrastructure and service challenges

Telecommunications, and banking and insurance services were reported as somewhat favorable although higher proportions of respondents expressed negative perceptions. A glance at the previous survey results shows that there is yet no relief experienced by business entities from infrastructural and service delivery challenges.

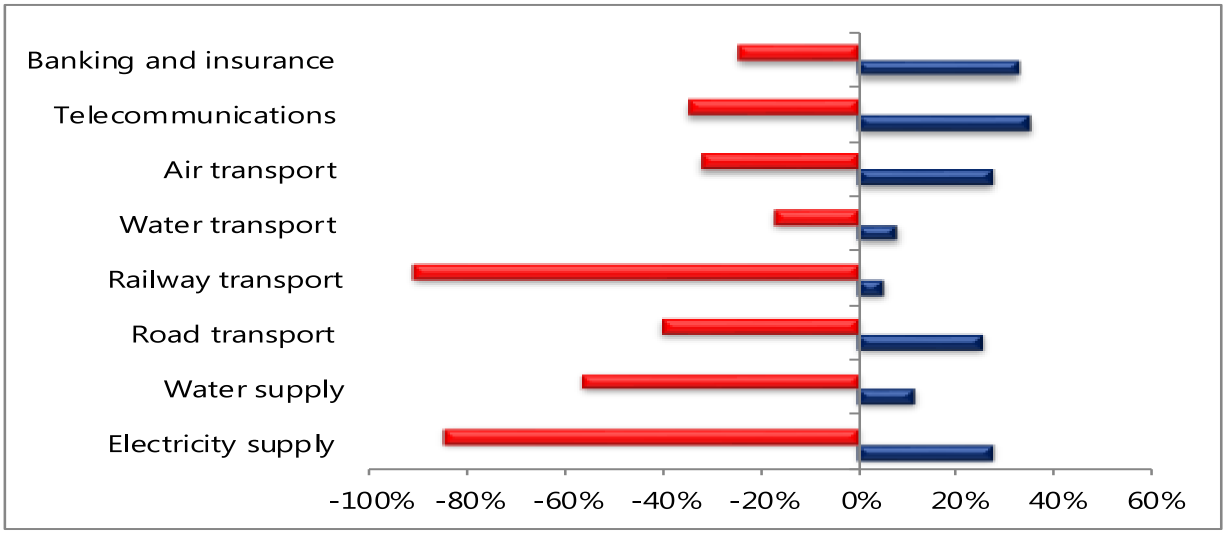

Figure 4.6: Efficiency of infrastructure and service challenges

4.7 Labour Factors

A positive relationship between labour factors and business operations is observed for most of the labour factors (Figure 4.7), which were grouped into labour legislation, minimum wage, availability of labour, productivity of labour, staff turnover and cost of labour. Availability and productivity of local skilled, semi-skilled and unskilled staff was ranked positive by most respondents. This may have been the case because of the easy access to cheap labour.

Although Figure 4.7 obviously showed staff turnover to have had a negative impact on investments, the findings reveal that it generally had a positive impact on investments as indicated by 25 percent of the respondents compared to only 14 percent that indicated a negative impact. This can be explained by the impact the country's economic situation had on investment during the period under review. Several business entities temporarily laid down their employees to minimize on operations costs.

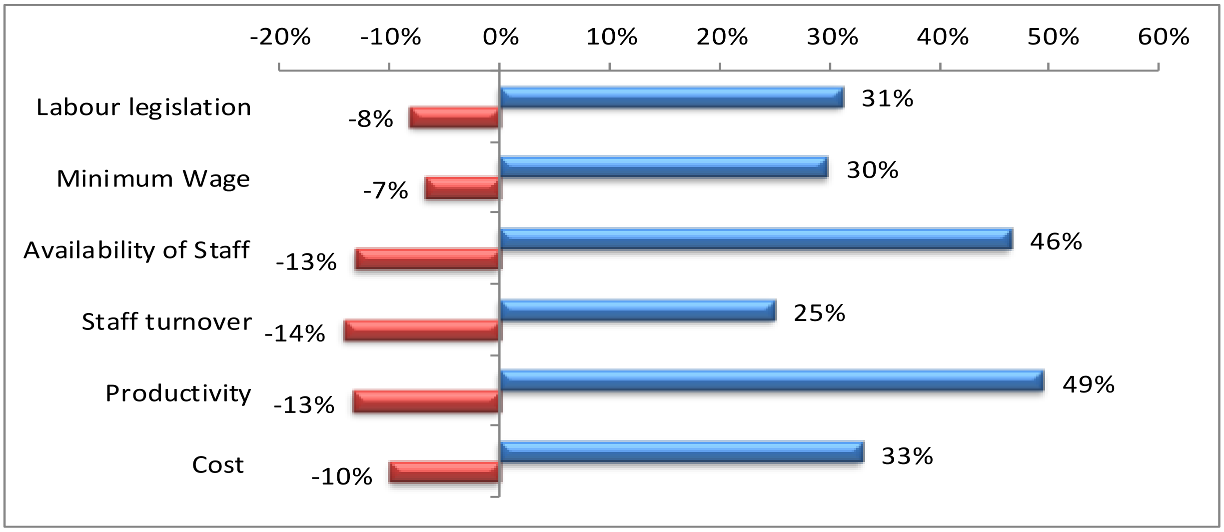

Figure 4.7: Labour factors

4.8 Environmental and Health Factors

Consistent with the previous results, HIV/AIDS and Malaria were cited by most business entities as negatively affecting their operations to a large extent (Figure 4.8). Environmental factors negatively affecting investments were droughts and floods. On a positive note, respondents indicated to have benefitted from the available health care services, sanitation and environmental legislation and controls.

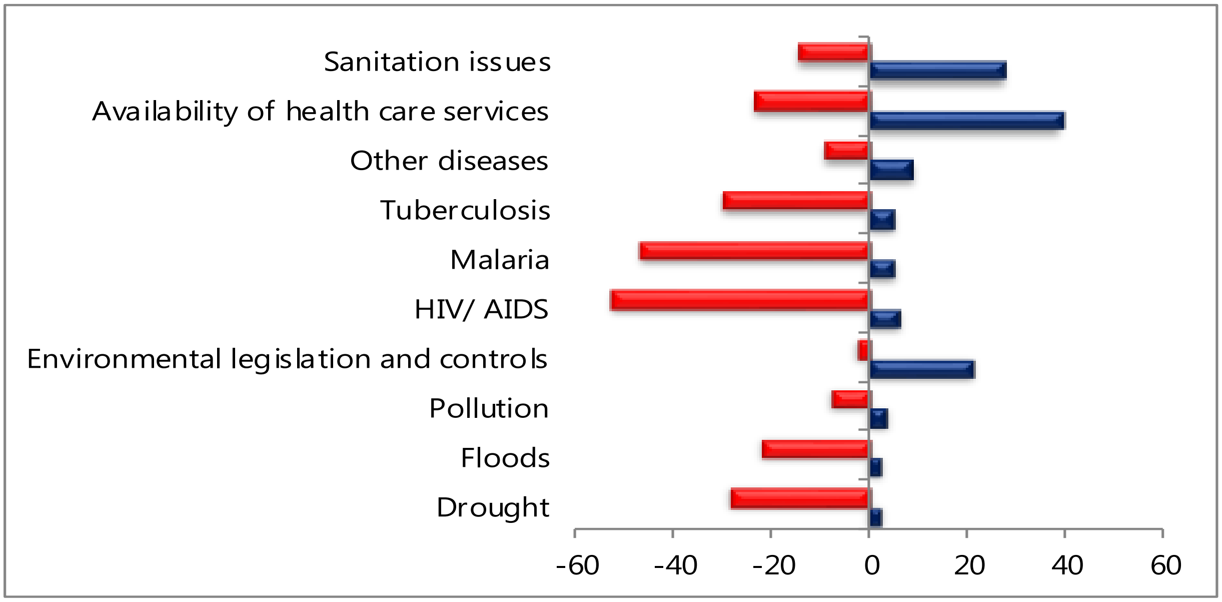

Figure 4.8: Environmental and health factors

4.9 Global Economic and Financial Crisis

Malawi is one of the many countries that have not fully escaped the effects of the global crisis as most of the country's products faced dwindling demand on the international market. In particular, the survey revealed that 87.5 percent of the respondents were affected. Apart from the reduced domestic demand which affected about 27 percent of the respondents, income generation proved to be the second most challenge for 25 percent of the respondents. This is unlike the results of the previous survey which indicated reduced income to have topped the list of the affected at 85 percent (Figure 4.9). Other effects on the investors' businesses were reduced access to trade credit (22 percent), international borrowing (9 percent) and domestic borrowing (2 percent).

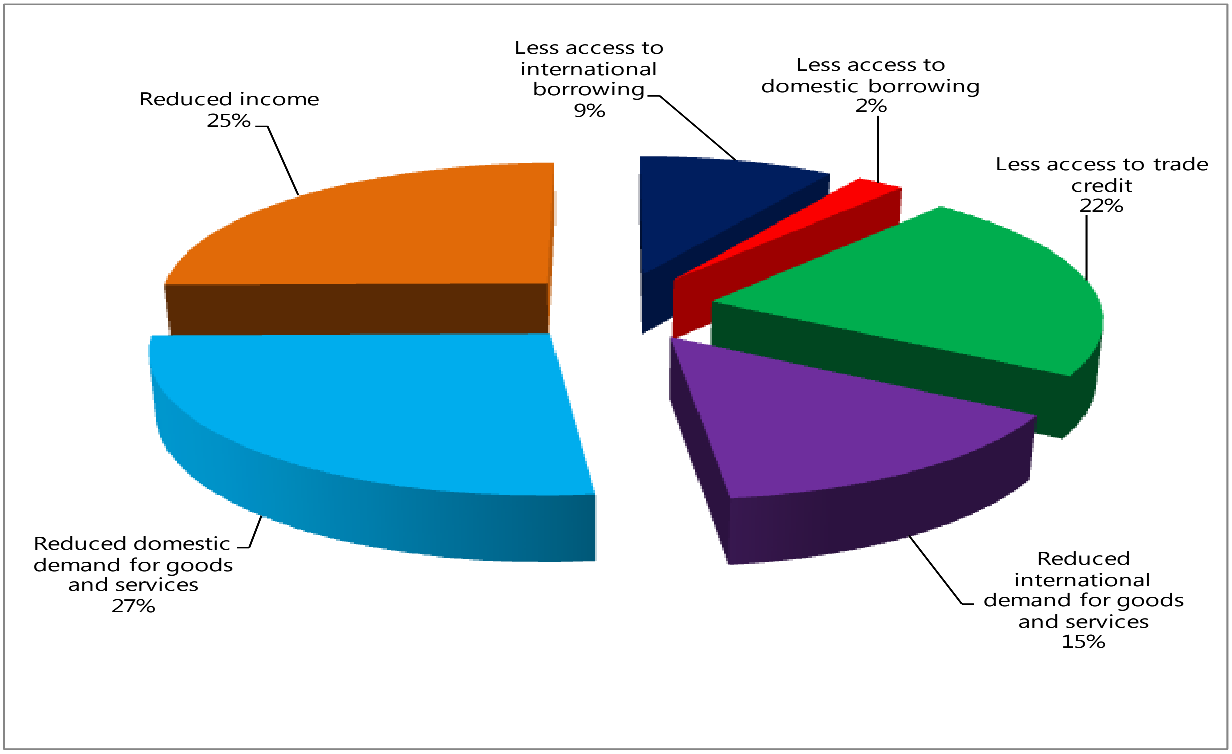

Figure 4.9: Effects of Global Economic and Financial Crisis

4.10 Business Outlook during 2011-2013 Onwards

With several economic challenges prevalent in the period under review which did not spare business entities, the survey sought to appreciate the respondents' views regarding the business outlook of the country.

From their responses, the majority perceived the business outlook for 2011-2012 to be slightly favourable (44 percent) with only 6 percent indicating very favourable business outlook (Figure 4.10). On the other hand, 26 percent denoted generally expressed an unfavourable business outlook for the period 2011-2012.

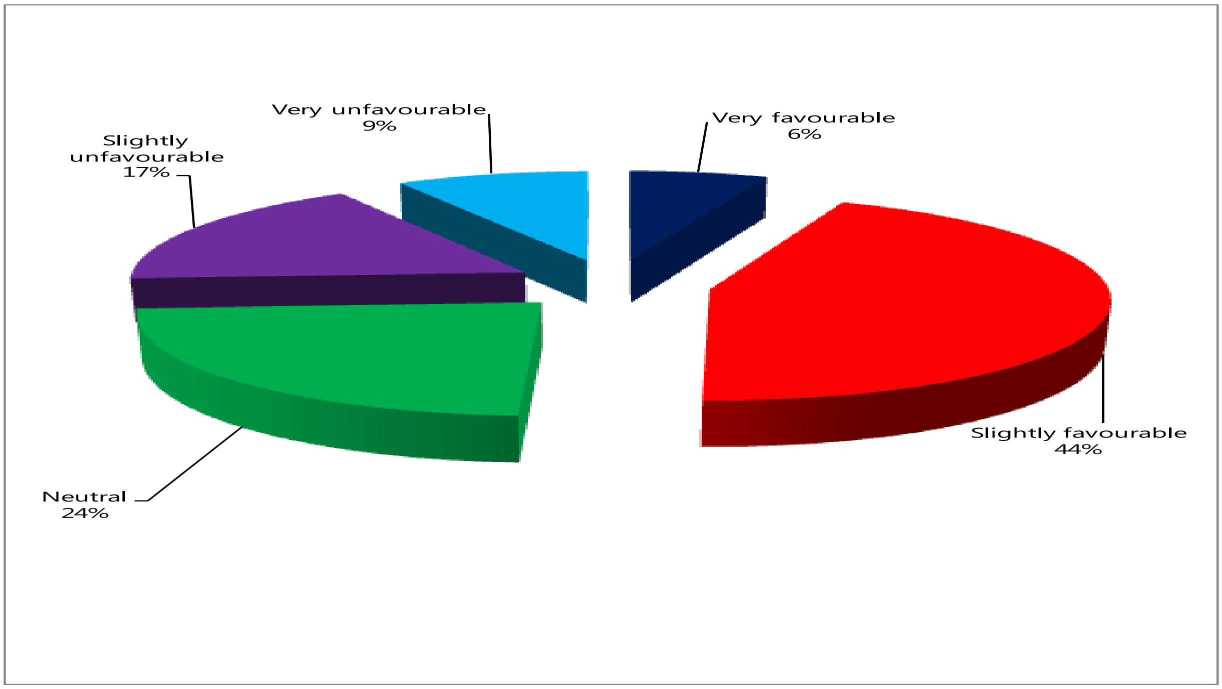

Figure 4.10: Business outlook during 2011 and 2012

For 2013 and beyond, respondents generally positively perceived the business outlook (57 percent) with a decreased general likelihood of unfavourability (21 percent) as shown in Figure 4.11. This showed an unlikely situation whereby investors were still optimistic of their businesses' performance in the prevailing environment of the economic turmoil.

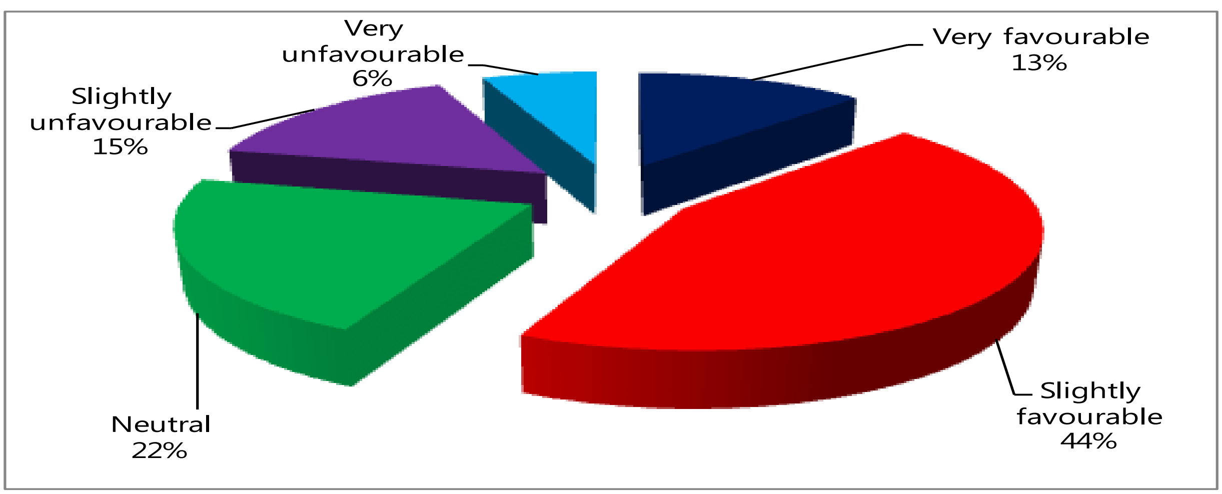

Figure 4.11: Business Outlook for 2013 onwards

4.11 Likely Direction of Investments

Likely direction of investments in 3 to 4 years' time showed the investors' deep interest in expanding their business turnover (75 percent of respondents) and technology development (65 percent) as exhibited in Figure 4.12. A good number of respondents (72 percent) indicated preference of maintenance of their plans to diversify into new countries to expansion. Respondents with a representation of 46 percent intended to maintain their imports rather than expand (32 percent) while 22 percent indicated a possible reduction in their imports. The latter was more predominant plan of reduction than any other cited aspect of business. This may have been driven by the foreign exchange shortages and rising import costs on the international market.

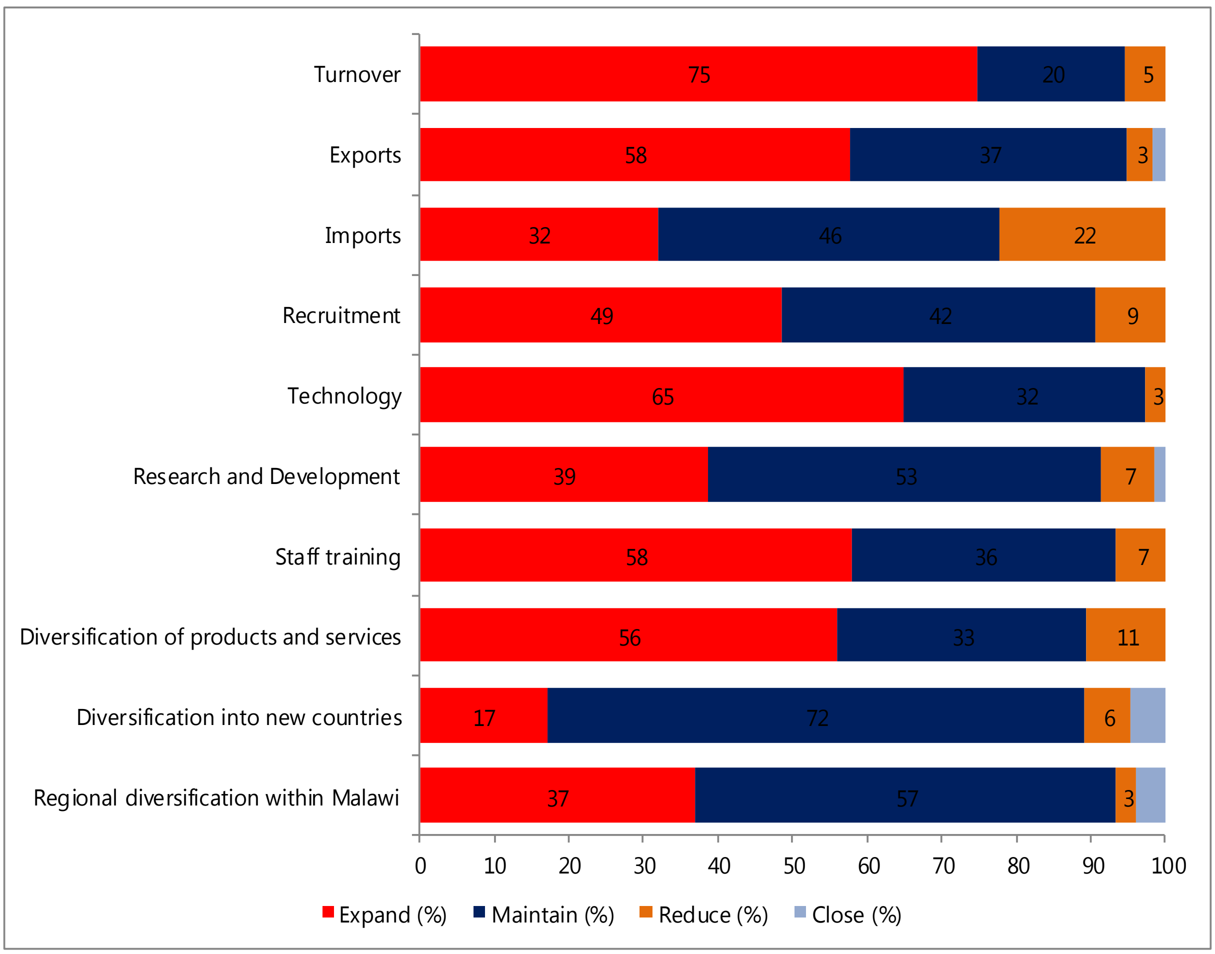

Figure 4.12: Future direction of investments

4.12 Information Sources

Among the various sources of information shown in Figure 4.13, most respondents (66 percent) indicated that internet services were very useful. This is not unusual because most business owners target fast, cost effective and easy means of accessing and transferring information. National media along with information products by government agencies and ministries were also referred to by most respondents as plausible information sources that were quite useful. International media was also reported useful but a large proportion of respondents were of the opinion that this source was not useful for detailed domestic information.

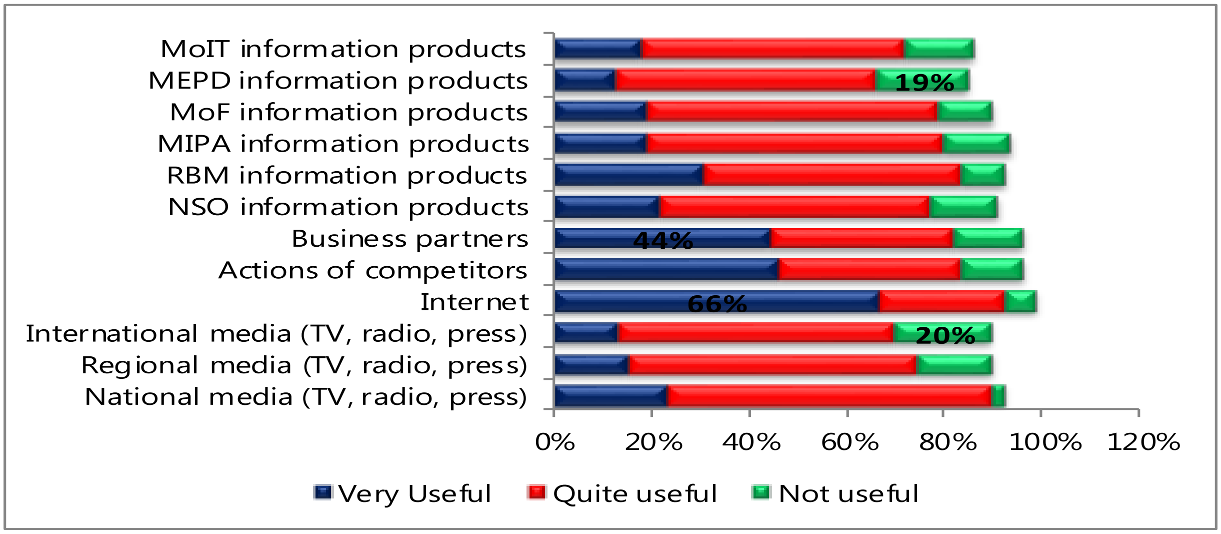

Figure 4.13: Information sources

CHAPTER FIVE: CONCLUSIONS AND RECOMENDATIONS

5.1 Summary and recommendations from the BOP

Malawi experienced an increase in total stock of FDI in 2010, largely as a result of a rise in flows of reinvested earnings and short-term affiliated debt. This suggests that there has been growing confidence among profitable businesses to operate in the country. The FDI emanates mostly from borrowing and reinvested earnings, with equity capital making up only a small proportion. In 2010, short-term borrowing constituted about double the size of long-term borrowing. In the same year, the country experienced a reduction in long term debt and equity capital. There is therefore need to improve levels of both international and domestic investment.

Malawi needs to implement a robust national investment policy that includes strategies aimed at safeguarding domestic and foreign investment, and improving legal and institutional framework that would encourage the investment. There is also need to focus attention on key sectors that have potential for large-scale exports, to make it possible for the country to attract foreign investors. In terms of FDI inflows, the service sectors like wholesale and retail saw a huge growth compared to inflows of FDI in the growth sector like manufacturing. This begs for policies that should attract investment in the growth sectors.

The FDI stocks and flows in 2010 emanated mostly from the traditional but far away countries such as the United Kingdom, France, Denmark, Switzerland and Kuwait. Europe as a whole contributed significant amounts of FDI to Malawi, followed by SADC, largely from Republic of South Africa. Not much came from Malawi's neighbouring countries such as Tanzania, Zambia and Mozambique. Government should endeavour to put in place policies that would encourage more investment from neighbouring countries and the region as a whole.

5.2 Summary and recommendations from the Investor's perceptions

5.2.1 Key observations

Investors' responses to business outlook in Malawi revealed that about 51 percent had high hopes for favourable business conditions in the years 2011 and 2012. This should explain why most of them had intentions of expanding or maintaining their business operations. This was also the case in the previous results. Nevertheless, respondents stated that their business operations were at the mercy of economic and financial factors, political and governance factors, environmental and health factors and the global and financial crisis.

Precisely, availability of foreign exchange, which has been incessantly scarce, was rated the most restraining factor to business progression. A negative relationship was mapped through exchange controls, fiscal and investment policy, inflation and business operations, among others. On the other hand, the results showed that market liberalisation (domestic, regional and international market size) had a positive effect on business functions. The results also showed that the global economic and financial crisis had its share in constraining investment largely through reduced demand for domestic goods and access to trade credit.

Among the political and governance factors used in the survey, most respondents indicated corruption, bureaucracy and crime to be broadly negatively affecting businesses while both the domestic and regional political environment had a fair impact on business operations. Under environmental and health factors, respondents singled out HIV/AIDS as being most critical to investment followed by malaria, tuberculosis and drought while health care services, sanitation issues and environmental factors had a considerable positive impact.

The contribution of labour to business operations was generally positive throughout all categories (labour availability and productivity, staff turnover and costs, minimum wage and legislation). With the increased local labour supply in the country, labour was cheap capital for investors. Fairly stated, investors had their heartfelt concerns on the cost and efficiency of utilities, services and transport infrastructure. None of these had a positive effect on businesses except for the insignificant efficiencies in the banking, postal and telecommunication services.

Operations of government agencies were moderately commended by respondents as some gave a general positive feedback on the institutions' input to their investments. Though this was the case, many appeared to have been minimally conversant with the institutions' functions and therefore could not fully appreciate the impact. Respondents also specified the media and information products to have been generally useful in managing their business. Furthermore, comparing respondents' commitment to corporate social responsibility, 2010 recorded an increase of 26 percent over and above 2009 levels. Most respondents supported local infrastructure, health, education and environment in both years.

5.2.2 Implications

The investors' experiences learnt from these results expose serious challenges that the business sector in Malawi is pressing through. If the challenges are left unattended to, such a pressing would just be a matter of time before the private sector crumbles into a dreadful liability to the country. Despite the evident commitment of investors to expand and maintain their investments in the country, it should also be embraced that neglected challenges are a silent assassin to business growth. Hence repercussions, presented hereafter, that are likely to follow from the current business environment have been drawn from the collected information in the hope that responsible institutions will intervene to ease the pressure on business entities.

a. Unfavourable business environment

Doing business is greatly affected by the economic and financial performance of a country. For some time, Malawi has been shouldering a heavy burden of economic underperformance (rising inflation, shortage of foreign exchange, exchange controls, etc.) and the effects are trickling down to business operations.

Not only would this situation slow down the performance of business entities but would also not attract investments into and within the country.

b. Increased unemployment rate

As it was noted earlier regarding the existing slightly positive relationship between business operations and staff turnover, this may have been a survival strategy for several companies within the much stressing economic environment. Due to acute foreign exchange shortages, companies were being faced with ever-decreasing capacity to import raw materials or products thereby squeezing their incomes. As a result, laying off or losing employees would have been a means of saving their returns. However, in the long run, the country would suffer from many people being job insecure which would translate into poverty persistence. In addition, business entities would underperform due to losing employees thereby contributing less to economic growth and development.

c. Inefficiencies arising from political and governance factors

The reasonably significant negative effect of corruption on investments may signify a high likelihood of investors' forced or deliberate involvement in illegal dealings which consequently rob them of their income. The corruption can be justified by the straining impact of bureaucracy or regulatory framework on business operations. Inefficiencies of companies and under-performance of support institutions should be avoidable.

5.2.3 Policy actions

A thriving private sector calls for a similarly thriving policy framework to guide and enforce policy actions that will serve the interest of the sector. To curb the prevailing challenges, government and relevant authorities ought to, among other measures:

i) Revise and introduce policies that are aimed at promoting investments

While economic policies are framed to serve the well-being of the economy, it has to be noted that some hinder business development through delaying and rendering expensive business processes. As a step to promoting investment, the government is already in the process of revising other policies to improve doing business in the country. This exercise should also have immediate attention to reviewing investment incentives. In addition, it is high time government intensified anti-corruption activities through anti-corruption policy enforcement or development. From the results, it appears that corruption remains a threat to business development.

ii) Adequately support institutions responsible for investment promotion and facilitation

As noted earlier, most respondents were neutral on the impact of government agencies on their businesses. This may have signified unsatisfactory performance by some of the agencies. However, some of the agencies underperformed due to inadequate funding. Thus financial and technical support from government and other support institutions would ensure that agencies are undertaking development-oriented activities that will ease and promote doing business in the country.

iii) Encourage financial institutions to provide capital in form of loans for initialization and sustenance of businesses

The results of this survey are not different from most of the findings on constraints to doing business in the country. In particular, potential small and medium enterprises are faced with inadequate financial capital to open and maintain their businesses. Worse still, most are unable to access loans from financial institutions. Thus government's intervention in assisting small businesses to access loans would help alleviate the constraints to starting business.

iv) Eliminate informal trade

Rated among the most unfavourable economic factors in the survey, informal trade calls for government's multiplied efforts to curb its effect on business growth.

v) Investment in infrastructure and services

Malawi as a nation has taken strides in economic development yet it remains behind in infrastructure and services development, as shown in the results, which are vital in advancing the attained economic development. It remains in the power of government and all relevant agencies to improve access and cost to transportation, banking services, electricity and water in order to meet the demands of investments. This implies that government should put in place measures that will ensure availability of foreign exchange that determines procurement of needed infrastructure and services.

vi) Ensure availability of medication, health facilities and sensitization on HIV/AIDS

According to the survey, health factors appear to have had a straining effect on investment. Thus if investments are to take a positive turn, adequate attention ought to be given to availability of quality and sufficient health care and medical facilities. Awareness on prevailing and upcoming diseases allows for individuals to take precautionary measures which lessen negative impacts on investment and economic development.

APPENDICES

Appendix A: Foreign private investment stocks and flows (US$ Million)

	2009	2010			
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Foreign Direct Investment	**1,028.5**	**97.0**	**24.3**	**1,149.8**	**36.6**
Equity capital	170.5	(3.8)	(0.2)	166.4	19.0
Reinvested earnings	341.5	136.6	7.2	485.3	-
Borrowing from affiliates	516.5	(35.8)	17.3	498.1	17.6
Long-term	*255.7*	*(106.5)*	*14.6*	*163.8*	*12.2*
Short-term	*260.8*	*70.8*	*2.7*	*334.3*	*5.4*
Foreign Portfolio Investment	**5.7**	**1.2**	**0.1**	**6.9**	**1.0**
Equity securities	1.1	1.0	0.1	2.2	0.1
Debt securities	4.5	0.2	0.1	4.8	0.9
Long-term	*4.3*	*(2.5)*	*(0.1)*	*1.7*	*0.8*
Short-term	*0.2*	*2.7*	*0.2*	*3.1*	*0.1*
Other Investment	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**
Loans	21.5	26.6	4.6	52.7	1.3
Long-term	*21.1*	*26.7*	*4.4*	*52.1*	*1.3*
Short-term	*0.4*	*(0.1)*	*0.3*	*0.6*	*0.0*
Trade credits	57.7	41.7	5.7	105.0	0.5
Long-term	*15.5*	*(12.3)*	*8.4*	*11.7*	-
Short-term	*42.1*	*54.0*	*(2.8)*	*93.4*	*0.5*
Other accounts payable	1.0	67.8	(0.2)	68.6	-
Short-term	*1.0*	*67.8*	*(0.2)*	*68.6*	-
TOTAL	**1,114.3**	**234.2**	**34.6**	**1,383.0**	**39.4**

Appendix B: PSED stocks and flows (US$ Million)

	2009	2010			
Type/Maturity	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Borrowing from affiliates	**516.5**	**(35.8)**	**17.3**	**498.1**	**17.6**
Long-term	*255.7*	*(106.5)*	*14.6*	*163.8*	*12.2*
Short-term	*260.8*	*70.8*	*2.7*	*334.3*	*5.4*
Borrowing from unaffiliates	**84.6**	**136.2**	**10.2**	**231.1**	**2.8**
Long-term	*40.9*	*11.9*	*12.7*	*65.5*	*2.1*
Short-term	*43.7*	*124.3*	*(2.5)*	*165.6*	*0.6*
Loans	**21.5**	**26.6**	**4.6**	**52.7**	**1.3**
Long-term	21.1	26.7	4.4	52.1	1.3
Short-term	0.4	(0.1)	0.3	0.6	0.0
Debt securities	**4.5**	**0.2**	**0.1**	**4.8**	**0.9**
Long-term	*4.3*	*(2.5)*	*(0.1)*	*1.7*	*0.8*
Short-term	*0.2*	*2.7*	*0.2*	*3.1*	*0.1*
Trade credits	**57.7**	**41.7**	**5.7**	**105.0**	**0.5**
Long-term	*15.5*	*(12.3)*	*8.4*	*11.7*	-
Short-term	*42.1*	*54.0*	*(2.8)*	*93.4*	*0.5*
Other accounts payable	**1.0**	**67.8**	**(0.2)**	**68.6**	**-**
Short-term	*1.0*	*67.8*	*(0.2)*	*68.6*	-
TOTAL	**601.2**	**100.5**	**27.5**	**729.1**	**20.4**

Appendix C: FDI stocks by sector (US$ Millions), 2009

Sector	**Equity Capital**	**Reinvested Earnings**	**Affiliated Debt**	**Total**
Agriculture	52.2	13.3	396.1	461.5
Manufacturing	44.0	165.8	27.0	236.9
Construction	4.1	15.2	-	19.4
Wholesale and retail	21.7	57.3	29.9	108.9
Transportation	2.3	(5.4)	6.2	3.1
Information and communication	0.7	30.7	45.2	76.6
Financial and insurance	41.2	59.0	12.0	112.3
Other	4.2	5.5	0.1	9.7
TOTAL	**170.5**	**341.5**	**516.5**	**1,028.5**

Appendix D: FDI stocks and flows by sector (US$ Millions)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	461.5	(115.6)	28.5	374.4	11.4
Manufacturing	236.9	33.4	(7.4)	262.9	12.7
Construction	19.4	23.5	1.3	44.2	0.9
Wholesale and retail	108.9	82.7	6.9	198.5	8.0
Information and communication	76.6	49.7	(1.4)	124.9	0.2
Financial and insurance	112.3	29.5	0.6	142.4	1.5
Other	12.8	(6.2)	(4.2)	2.5	1.9
TOTAL	**1,028.5**	**97.0**	**24.3**	**1,149.8**	**36.6**

Appendix E: Related party PSED stocks and flows by sector (US$ Million)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	396.1	(126.5)	27.9	297.6	6.8
Manufacturing	27.0	12.2	(8.5)	30.8	9.9
Construction	-	4.3	0.3	4.6	-
Wholesale and retail	29.9	72.0	6.3	108.2	0.5
Transportation	6.2	6.3	(3.6)	9.0	-
Information and communication	45.2	(15.4)	(4.8)	25.0	-
Financial and insurance	12.0	11.2	(0.4)	22.8	0.4
Other	0.1	(0.0)	0.0	0.1	-
TOTAL	**516.5**	**(35.8)**	**17.3**	**498.1**	**17.6**

Appendix F: Equity capital stocks and flows by sector (US$ Million)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	52.2	(5.2)	(0.3)	46.7	4.6
Manufacturing	44.0	1.1	0.1	45.2	2.8
Construction	4.1	2.2	0.1	6.5	0.9
Wholesale and retail	21.7	0.2	0.0	22.0	7.4
Transportation	2.3	0.3	0.0	2.6	1.3
Information and communication	0.7	(0.0)	(0.0)	0.7	0.2
Financial and insurance	41.2	(2.3)	(0.1)	38.8	1.1
Other	4.2	(0.1)	(0.0)	4.0	0.6
TOTAL	**170.5**	**(3.8)**	**(0.2)**	**166.4**	**19.0**

Appendix G: Reinvested earnings by sector (US$ Million)

	2009	2010		
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Agriculture	13.3	16.0	0.8	30.2
Manufacturing	165.8	20.1	1.1	187.0
Construction	15.2	17.0	0.9	33.1
Wholesale and retail	57.3	10.4	0.5	68.3
Transportation	(5.4)	(15.7)	(0.8)	(22.0)
Information and communication	30.7	65.1	3.4	99.3
Financial and insurance	59.0	20.6	1.1	80.8
Other	5.5	3.1	0.2	8.7
TOTAL	**341.5**	**136.6**	**7.2**	**485.3**

Appendix H: Foreign Direct Investment stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Afghanistan	-	4.3	0.3	4.6	-
Bahamas	15.5	(1.0)	0.2	14.7	-
Belgium	0.4	(1.3)	1.2	0.2	0.0
Canada	0.1	-	(0.0)	0.1	-
Chad	3.6	1.7	(1.8)	3.5	0.4
China (mainland only)	-	1.0	(0.0)	1.0	0.1
Denmark	23.0	7.4	0.4	30.8	-
France	49.2	6.6	0.3	56.1	4.4
Germany	0.2	(0.0)	(0.0)	0.2	-
India	3.9	3.9	(3.2)	4.6	0.0
Isle of Man	3.0	3.3	0.2	6.5	-
Italy and Vatican City	1.0	0.1	0.0	1.2	-
Japan	11.2	1.3	0.1	12.6	-
Jersey Channel Islands	8.7	0.9	0.0	9.7	-
Kenya	13.0	1.0	(0.2)	13.8	1.9
Kuwait	75.4	73.0	(1.5)	147.0	-
Malaysia	0.0	0.0	(0.0)	0.0	-
Mauritius	117.3	19.7	(2.5)	134.5	5.2
Mozambique	(11.0)	(10.7)	(1.2)	(22.9)	-
Netherlands	3.7	2.0	0.1	5.8	-
Portugal	10.0	17.3	0.9	28.2	-
Rwanda	0.0	(0.0)	(0.0)	-	-
Seychelles	1.7	1.0	0.6	3.3	-
Sierra Leone	-	4.8	(0.0)	4.8	0.0
Singapore	-	28.4	(0.1)	28.3	-
South Africa	158.6	20.0	2.2	180.9	3.6
Switzerland	335.6	(87.3)	29.7	278.0	6.8
Taiwan	0.2	(0.0)	(0.0)	0.2	0.0
Tanzania	9.9	10.0	0.4	20.3	-
Togo	6.1	0.5	0.0	6.6	-
Tunisia	0.1	(0.0)	(0.0)	0.1	-
United Arab Emirates	0.2	(0.2)	(0.0)	-	-
United Kingdom	176.9	(17.6)	(1.9)	157.4	14.1
US	(6.4)	8.2	0.5	2.3	-
USA Virgin Island	2.8	(0.6)	(0.0)	2.2	-
Zambia	0.4	0.3	(0.4)	0.4	-
Zimbabwe	13.9	(1.0)	0.0	13.0	0.1
TOTAL	**1,028.5**	**97.0**	**24.3**	**1,149.8**	**36.6**

Appendix I: Equity capital stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Bahamas	5.0	0.9	0.0	5.9	-
Chad	0.9	(0.3)	(0.0)	0.6	-
Denmark	9.8	1.0	0.1	10.9	-
France	14.2	(0.6)	(0.0)	13.6	4.2
Germany	0.2	(0.0)	(0.0)	0.2	-
Isle of Man	1.4	0.0	0.0	1.4	-
Italy and Vatican City	0.0	(0.0)	(0.0)	0.0	-
Japan	0.9	(0.1)	(0.0)	0.8	-
Jersey Channel Islands	5.1	(0.2)	(0.0)	5.0	-
Kenya	5.7	(0.2)	(0.0)	5.5	1.9
Kuwait	0.0	0.0	0.0	0.0	-
Mauritius	12.6	(0.5)	(0.0)	12.1	4.8
Mozambique	1.0	(0.0)	(0.0)	1.0	-
Netherlands	1.6	(0.1)	(0.0)	1.5	-
Portugal	3.3	1.6	0.1	5.0	-
Seychelles	0.0	1.1	0.1	1.2	-
South Africa	27.7	(0.2)	(0.0)	27.5	1.2
Switzerland	1.3	0.3	0.0	1.6	-
Taiwan	0.1	(0.0)	(0.0)	0.1	-
Tanzania	3.2	1.7	0.1	4.9	-
Togo	5.8	(0.2)	(0.0)	5.6	-
United Kingdom	53.3	(4.9)	(0.3)	48.1	6.9
US	10.5	(2.7)	(0.1)	7.7	-
USA Virgin Island	0.3	(0.1)	(0.0)	0.2	-
Zambia	-	-	-	-	-
Zimbabwe	6.5	(0.5)	(0.0)	6.0	0.1
TOTAL	**170.5**	**(3.8)**	**(0.2)**	**166.4**	**19.0**

Appendix J: Reinvested earnings by country (US$ Million)

	2009	2010		
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**
Bahamas	3.0	2.0	0.1	5.1
Chad	2.7	(0.4)	(0.0)	2.3
Denmark	12.9	6.7	0.4	19.9
France	31.0	8.9	0.5	40.3
Germany	0.1	(0.0)	(0.0)	0.0
India	-	0.0	0.0	0.0
Isle of Man	1.2	3.5	0.2	4.9
Italy and Vatican City	1.0	0.1	0.0	1.1
Japan	7.7	3.0	0.2	10.8
Jersey Channel Islands	3.6	1.1	0.1	4.8
Kenya	3.7	1.2	0.1	5.0
Kuwait	30.7	64.5	3.4	98.6
Mauritius	97.6	10.4	0.5	108.5
Mozambique	(17.0)	(18.1)	(1.0)	(36.1)
Netherlands	2.0	2.1	0.1	4.2
Portugal	6.7	15.7	0.8	23.2
Seychelles	1.7	(0.3)	(0.0)	1.4
South Africa	90.8	1.5	0.1	92.4
Switzerland	8.3	4.2	0.2	12.7
Tanzania	6.7	5.8	0.3	12.9
Togo	0.3	0.7	0.0	1.0
United Kingdom	54.4	14.3	0.8	69.5
US	(16.9)	10.9	0.6	(5.5)
USA Virgin Island	2.5	(0.5)	(0.0)	2.0
Zimbabwe	6.9	(0.6)	(0.0)	6.3
TOTAL	**341.5**	**136.6**	**7.2**	**485.3**

Appendix K: Affiliated external debt stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Afghanistan	-	4.3	0.3	4.6	-
Bahamas	7.5	(3.9)	-	3.6	-
Belgium	0.4	(1.3)	1.2	0.2	0.0
Canada	0.1	-	(0.0)	0.1	-
Chad	-	2.4	(1.8)	0.6	0.4
China (mainland only)	-	1.0	(0.0)	1.0	0.1
Denmark	0.4	(0.4)	(0.0)	0.0	-
France	4.0	(1.7)	(0.1)	2.1	0.3
India	3.9	3.9	(3.2)	4.6	0.0
Isle of Man	0.4	(0.1)	(0.0)	0.2	-
Japan	2.6	(1.6)	(0.1)	1.0	-
Kenya	3.7	(0.1)	(0.3)	3.3	-
Kuwait	44.7	8.5	(4.9)	48.4	-
Malaysia	0.0	0.0	(0.0)	0.0	-
Mauritius	7.1	9.8	(3.1)	13.9	0.4
Mozambique	5.0	7.4	(0.3)	12.2	-
Rwanda	0.0	(0.0)	(0.0)	-	-
Seychelles	-	0.2	0.6	0.8	-
Sierra Leone	-	4.8	(0.0)	4.8	0.0
Singapore	-	28.4	(0.1)	28.3	-
South Africa	40.1	18.7	2.2	61.0	2.4
Switzerland	326.0	(91.8)	29.5	263.7	6.8
Taiwan	0.1	0.0	(0.0)	0.1	0.0
Tanzania	0.0	2.5	(0.0)	2.5	-
Tunisia	0.1	(0.0)	(0.0)	0.1	-
United Arab Emirates	0.2	(0.2)	(0.0)	-	-
United Kingdom	69.2	(27.0)	(2.4)	39.8	7.2
US	0.1	(0.0)	0.0	0.1	-
Zambia	0.4	0.3	(0.4)	0.4	-
Zimbabwe	0.4	0.1	0.1	0.7	-
TOTAL	**516.5**	**(35.8)**	**17.3**	**498.1**	**17.6**

Appendix L: Foreign Portfolio Investment stocks and flows by sector (US$ Million)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	0.1	0.0	(0.0)	0.1	-
Manufacturing	4.3	(2.7)	0.1	1.7	0.9
Wholesale and retail	0.4	2.8	(0.0)	3.1	0.0
Information and communication	0.0	0.2	0.0	0.3	0.0
Financial and insurance	1.0	0.8	0.0	1.8	0.0
Other	-	0.1	(0.0)	0.1	-
TOTAL	**5.7**	**1.2**	**0.1**	**6.9**	**1.0**

Appendix M: Foreign Portfolio Investment stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Bermuda	0.0	0.0	0.0	0.0	-
Botswana	0.0	(0.0)	(0.0)	0.0	0.0
Cyprus	0.1	(0.0)	(0.0)	0.0	0.0
Germany	0.2	2.8	(0.0)	3.0	0.0
Ghana	0.5	0.5	0.0	1.0	0.0
India	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0	-
Kenya	0.2	(0.2)	(0.0)	0.0	0.0
Mauritius	-	0.3	0.0	0.4	0.0
Mozambique	0.0	(0.2)	0.2	0.0	0.1
Nigeria	0.0	0.0	0.0	0.0	0.0
Portugal	0.0	(0.0)	(0.0)	-	-
South Africa	2.1	(1.8)	(0.1)	0.3	0.0
Switzerland	2.2	(0.4)	(0.1)	1.8	0.8
Tanzania	0.1	0.0	0.0	0.2	-
Uganda	-	0.0	0.0	0.0	0.0
United Kingdom	0.2	0.1	(0.0)	0.3	0.0
US	0.0	0.0	0.0	0.0	0.0
Zimbabwe	0.0	0.0	0.0	0.0	0.0
TOTAL	**5.7**	**1.2**	**0.1**	**6.9**	**1.0**

Appendix N: Other Investment stocks and flows by sector (US$ Million)

	2009	2010			
Sector	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Agriculture	2.2	0.8	(1.2)	1.8	-
Manufacturing	36.1	7.9	14.5	58.6	1.3
Construction	5.2	8.3	(3.9)	9.6	0.0
Wholesale and retail	12.7	70.7	7.3	90.7	(0.0)
Transportation	0.1	9.2	(8.9)	0.4	-
Information and communication	19.8	39.4	(0.7)	58.5	0.3
Financial and insurance	0.7	0.7	2.8	4.3	0.2
Other	3.3	(1.0)	0.2	2.5	-
TOTAL	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**

Appendix O: Other Investment stocks and flows by country (US$ Million)

	2009	2010			
Country	**Stock**	**Net Transactions**	**Other changes**	**Stock**	**Income**
Australia	-	(0.2)	0.2	0.0	-
Belgium	1.4	(0.9)	(0.5)	-	-
Brazil	-	0.0	(0.0)	0.0	-
China (mainland only)	9.2	1.5	12.4	23.0	-
France	1.0	(3.3)	2.7	0.3	-
Germany	3.1	4.3	1.0	8.3	0.4
Hong Kong	0.2	(0.6)	0.6	0.2	-
India	1.9	(3.2)	4.7	3.4	0.0
Isle of Man	0.1	0.0	0.3	0.4	-
Italy and Vatican City	-	0.0	0.0	0.0	-
Japan	2.6	(0.8)	0.7	2.5	-
Kenya	0.2	(0.1)	0.0	0.1	0.0
Korea	0.1	(3.4)	3.3	-	-
Kuwait	-	23.6	(0.0)	23.5	-
Malaysia	-	-	-	-	-
Mauritius	-	0.1	0.3	0.4	-
Mozambique	0.2	6.3	(0.0)	6.5	-
Netherlands	0.1	1.3	(0.0)	1.5	-
NORSAD	0.3	(0.1)	(0.0)	0.1	0.0
Portugal	0.2	(0.1)	(0.1)	0.0	-
Preferential Trade Area (PTA)	10.1	1.5	(0.3)	11.3	0.3
Singapore	-	28.4	(0.1)	28.3	-
South Africa	21.7	52.9	3.9	78.6	0.7
SPAIN	-	-	-	-	-
Swaziland	0.1	0.2	(0.0)	0.2	-
Switzerland	6.7	(1.6)	(0.2)	4.8	-
Tanzania	0.2	0.1	(0.1)	0.1	-
Turkey	0.0	-	(0.0)	0.0	-
United Arab Emirates	12.1	37.2	(26.2)	23.0	-
United Kingdom	3.0	(6.7)	8.2	4.5	-
US	5.2	(0.8)	(0.2)	4.3	0.4
Zambia	0.4	0.2	(0.1)	0.5	-
Zimbabwe	0.2	0.3	(0.3)	0.2	-
TOTAL	**80.1**	**136.0**	**10.1**	**226.3**	**1.8**

Appendix P: Foreign private investment liability stocks (US$ Million)

Type/Maturity	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Foreign Direct Investment	**460.5**	**442.7**	**475.6**	**645.0**	**614.4**	**655.1**	**780.3**	**977.4**	**1,028.5**	**1,149.8**
Equity capital	322.4	308.2	298.7	371.3	259.6	181.5	126.9	168.8	170.5	166.4
Reinvested earnings	41.4	52.2	65.7	82.7	104.1	131.1	165.0	271.2	341.5	485.3
Borrowing from affiliates	96.6	82.3	111.3	191.0	250.7	342.5	488.4	537.3	516.5	498.1
Long-term	*48.2*	*36.8*	*49.1*	*55.9*	*96.5*	*166.7*	*287.9*	*308.7*	*255.7*	*163.8*
Short-term	*48.5*	*45.5*	*62.2*	*135.2*	*154.1*	*175.8*	*200.5*	*228.7*	*260.8*	*334.3*
Foreign Portfolio Investment	**14.0**	**12.4**	**12.4**	**12.0**	**7.5**	**4.6**	**6.0**	**4.1**	**5.7**	**6.9**
Equity securities	14.0	12.4	12.4	12.0	7.5	4.6	2.9	1.4	1.1	2.2
Debt securities	-	-	-	-	-	-	3.1	2.7	4.5	4.8
Long-term	-	-	-	-			*3.1*	*2.7*	*4.3*	*1.7*
Short-term	-	-	-	-			-	-	*0.2*	*3.1*
Other Investment	**47.3**	**24.7**	**19.3**	**31.2**	**42.1**	**57.1**	**100.1**	**172.5**	**80.1**	**226.3**
Loans	11.0	3.6	3.5	4.1	6.4	10.0	15.9	50.6	21.5	52.7
Long-term	*7.8*	*3.3*	*3.3*	*3.6*	*5.9*	*9.5*	*15.3*	*49.9*	*21.1*	*52.1*
Short-term	*3.1*	*0.3*	*0.2*	*0.5*	*0.5*	*0.6*	*0.6*	*0.6*	*0.4*	*0.6*
Trade credits	36.3	21.1	15.8	27.1	35.7	47.1	84.2	121.9	57.7	105.0
Long-term	-	-	-	-			*22.2*	*28.5*	*15.5*	*11.7*
Short-term	*36.3*	*21.1*	*15.8*	*27.1*	*35.7*	*47.1*	*62.0*	*93.4*	*42.1*	*93.4*
Other accounts payable	-	-	-	-	-	-	-	-	1.0	68.6
Short-term									*1.0*	*68.6*
TOTAL LIABILITIES	**521.8**	**479.8**	**507.3**	**688.3**	**664.0**	**716.8**	**886.4**	**1,154.0**	**1,114.3**	**1,383.0**

Appendix Q: Foreign private investment liability flows (US$ Million)

Type/Maturity	2002	2003	2004	2005	2006	2007	2008	2009	2010
Foreign Direct Investment	**16.7**	**65.8**	**107.7**	**(26.5)**	**35.6**	**124.3**	**195.4**	**49.1**	**97.0**
Equity capital	10.5	0.7	4.4	(96.5)	(68.3)	(54.2)	41.3	1.6	(3.8)
Reinvested earnings	18.0	34.6	34.4	18.5	23.6	33.7	104.6	67.6	136.6
Borrowing from affiliates	(11.8)	30.5	68.9	51.5	80.3	144.9	49.5	(20.0)	(35.8)
Long-term	*(5.2)*	*13.1*	*5.5*	*35.1*	*61.3*	*120.3*	*21.4*	*(50.9)*	*(106.5)*
Short-term	*(6.5)*	*17.4*	*63.4*	*16.4*	*18.9*	*24.5*	*28.1*	*30.9*	*70.8*
Foreign Portfolio Investment	**(0.4)**	**0.1**	**(0.1)**	**(3.9)**	**(2.5)**	**(1.7)**	**(1.9)**	**(0.3)**	**1.2**
Equity securities	(0.4)	0.1	(0.1)	(3.9)	(2.5)	(1.7)	(1.5)	(0.3)	1.0
Debt securities	-	-	-	-	-	-	(0.4)	-	0.2
Long-term	-	-	-	-	-	-	*(0.4)*	-	*(2.5)*
Short-term	-	-	-	-	-	-	-	-	*2.7*
Other Investment	**(14.6)**	**(1.9)**	**11.0**	**9.4**	**13.1**	**20.7**	**72.5**	**(89.8)**	**136.0**
Loans	(5.6)	0.7	0.6	2.0	3.2	5.8	34.7	(28.0)	26.6
Long-term	*(3.2)*	*0.7*	*0.4*	*1.9*	*3.1*	*5.8*	*34.7*	*(27.8)*	*26.7*
Short-term	*(2.5)*	-	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*(0.2)*	*(0.1)*
Trade credits	(8.9)	(2.6)	10.4	7.4	9.9	14.8	37.8	(61.8)	41.7
Long-term	-	-	-	-	-	-	*6.3*	*(12.4)*	*(12.3)*
Short-term	*(8.9)*	*(2.6)*	*10.4*	*7.4*	*9.9*	*14.8*	*31.5*	*(49.4)*	*54.0*
Other accounts payable	-	-	-	-	-	-	-	-	67.8
Short-term	-	-	-	-	-	-	-	-	*67.8*
TOTAL LIABILITIES	**1.7**	**64.0**	**118.6**	**(21.0)**	**46.2**	**143.3**	**266.1**	**(40.9)**	**234.2**

Appendix R: Foreign private investment asset stocks (US$ Million)

Type/Maturity	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Foreign Direct Investment	**3.8**	**3.5**	**4.0**	**4.9**	**8.4**	**15.1**	**28.9**	**49.5**	**48.1**	**89.6**
Equity capital	1.0	1.1	1.6	2.1	2.8	3.9	5.4	7.8	10.9	10.9
Reinvested earnings	-	-	-	-	-	-	-	-	(0.4)	(0.1)
Lending to affiliates	2.8	2.4	2.3	2.8	5.5	11.2	23.5	41.7	37.6	78.8
Long-term	2.6	2.0	1.6	1.6	2.7	4.5	7.4	13.8	6.9	10.0
Short-term	0.2	0.4	0.7	1.2	2.9	6.8	16.0	27.9	30.7	68.7
Foreign Portfolio Investment	**0.0**	**0.1**	**0.2**	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**
Equity securities	0.0	0.1	0.2	0.1	-	-	-	-	-	0.1
Debt securities	-	-	-	-	-	-	-	-	-	-
Long-term	-	-	-	-	-	-	-	-	-	-
Short-term	-	-	-	-	-	-	-	-	-	-
Other Investment	**31.8**	**25.9**	**17.1**	**31.7**	**19.9**	**12.9**	**9.6**	**7.2**	**15.0**	**15.5**
Loans	0.6	0.6	0.4	0.5	-	-	0.1	0.1	0.0	0.1
Long-term	0.6	0.6	0.4	0.5	-	-	-	-	-	-
Short-term	-	-	-	-	-	-	0.1	0.1	0.0	0.1
Trade credits	31.1	25.3	16.8	31.2	19.9	12.9	9.5	7.1	13.8	14.5
Long-term	-	-	-	-	-	-	1.4	1.7	1.6	4.9
Short-term	31.1	25.3	16.8	31.2	19.9	12.9	8.1	5.5	12.2	9.6
Other accounts receivable	-	-	-	-	-	-	-	-	1.1	0.8
Short-term	-	-	-	-	-	-	-	-	1.1	0.8
TOTAL ASSETS	**35.6**	**29.5**	**21.3**	**36.7**	**28.2**	**28.1**	**38.5**	**56.7**	**63.1**	**105.1**

Appendix S: Foreign private investment asset flows (US$ Million)

Type/Maturity	2002	2003	2004	2005	2006	2007	2008	2009	2010
Foreign Direct Investment	**0.3**	**1.3**	**1.8**	**3.0**	**5.9**	**13.6**	**18.6**	**(1.3)**	**42.3**
Equity capital	-	0.4	1.2	0.7	0.9	1.5	2.0	3.0	(0.0)
Reinvested earnings	0.0	0.5	0.1	-	-	-	-	(0.4)	0.3
Lending to affiliates	0.3	0.4	0.5	2.4	5.0	12.2	16.6	(3.9)	42.0
Long-term	-	-	-	0.9	1.6	3.0	5.2	(6.7)	3.3
Short-term	0.3	0.4	0.5	1.4	3.4	9.2	11.4	2.7	38.7
Foreign Portfolio Investment	**0.1**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**
Equity securities	0.1	0.0	-	-	-	-	-	-	(0.1)
Debt securities	-	-	-	-	-	-	-	-	-
Long-term	-	-	-	-	-	-	-	-	-
Short-term	-	-	-	-	-	-	-	-	-
Other Investment	**(5.7)**	**(7.9)**	**14.4**	**(9.8)**	**(6.1)**	**(4.8)**	**(2.4)**	**6.4**	**0.7**
Loans	0.1	(0.2)	0.2	-	-	-	(0.0)	(0.1)	0.0
Long-term	0.1	(0.2)	0.2	-	-	-	-	-	-
Short-term	-	-	-	-	-	-	(0.0)	(0.1)	0.0
Trade credits	(5.8)	(7.8)	14.3	(9.8)	(6.1)	(4.8)	(2.4)	6.4	0.9
Long-term	-	-	-	-	-	-	0.3	(0.1)	3.4
Short-term	(5.8)	(7.8)	14.3	(9.8)	(6.1)	(4.8)	(2.6)	6.5	(2.4)
Other accounts receivable	-	-	-	-	-	-	-	-	(0.3)
Short-term	-	-	-	-	-	-	-	-	(0.3)
TOTAL ASSETS	**(5.3)**	**(6.6)**	**16.3**	**(6.7)**	**(0.2)**	**8.8**	**16.2**	**5.1**	**42.9**

Appendix T: Investors' perception factors and assigned rating

<table>
<tr><th>Factor</th><th colspan="5">Rating</th></tr>
<tr><td>Economic and Financial</td><td rowspan="7">Very Positive</td><td rowspan="7">Quite Positive</td><td rowspan="7">No Effect</td><td rowspan="7">Quite Negative</td><td rowspan="7">Very Negative</td></tr>
<tr><td>Political and Governance</td></tr>
<tr><td>Operations of Agencies</td></tr>
<tr><td>Labour</td></tr>
<tr><td>Infrastructure and Services</td></tr>
<tr><td>Environmental and Health</td></tr>
<tr><td>Global Financial Crisis</td></tr>
<tr><td>Business Outlook</td><td>Very Favourable</td><td>Slightly Favourable</td><td>Neutral</td><td>Slightly Unfavourable</td><td>Very Unfavourable</td></tr>
<tr><td>Information Sources</td><td>Very useful</td><td>Quite Useful</td><td>Not useful</td><td>Not Useful</td><td></td></tr>
<tr><td>Likely Direction</td><td>Expand</td><td>Maintain</td><td>Reduce</td><td>Close</td><td></td></tr>
<tr><td>Initial Investment Factors</td><td>Yes</td><td>No</td><td></td><td></td><td></td></tr>
</table>