

# Living Wage Update Report: Rural Malawi, Southern Region June 2023

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	<p>Cost of decent standard of living for a family</p> <p><b>MWK 236,359</b> (USD 231)</p>		<p>Living Wage per month</p> <p><b>MWK 164,872</b> (USD 161)</p>
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## Living Wage Update Report: Rural Malawi, Southern Region, June 2023

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### **Abstract:**

This report provides updated estimates of family living expenses and living wages for the rural Malawi, with focus on tea growing area of Southern Malawi. The update for June 2023 takes into account inflation and changes in payroll deductions since the last living wage report published in October 2019 (Chiwaula, Anker & Anker, 2019).

**Keywords:** Living costs, living wages, Anker Methodology, Malawi

**JEL classifications:** J30, J50, J80.

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## 1. BACKGROUND

This report updates the living wage and living expenses to June 2023 for rural Malawi with focus on tea growing area of Southern Malawi. The update takes into account the amount of inflation since the last update report, in October 2019 (Chiwaula, Anker & Anker, 2019). This is done by updating the October 2019 family living income expenses to June 2023 by inflation. Without accounting for inflation, the living income estimated in 2019 would not be sufficient for workers and their families to have a basic but decent standard of living in June 2023, because the purchasing power of income would have decreased compared to what it was in 2019. To estimate the net living wage for 2023, we divided the living expenses updated to 2023 by the number of full-time equivalent workers in the household, 1.59, reported in the original study (Anker & Anker, 2014). The gross living wage (aka living wage) is then estimated for June 2023 from the net living wage by taking into account income taxes that workers would need to pay on the updated 2023 living wage. This is done using the tax income laws in effect as of June 2023.<sup>1</sup>

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM JANUARY 2014

The original living wage country report estimated the net living wage as MWK 35,222 per month in January 2014. This was the required take-home pay for workers for decency in January 2014. The original gross living wage was the same because income tax was ignored. The living expenses for a basic but decent standard of living for the local family size of five (two adults and three children) in the original country report was estimated at MWK 56,004 per month (Anker & Anker, 2014). These expenses were divided by 1.59 full-time worker equivalents per family, to obtain the net living wage.

## 3. LIVING WAGE ESTIMATE IN UPDATE REPORT, OCTOBER 2019

The gross living wage, which also takes into account income taxes, was estimated at MWK 101,361 per month in October 2019. The living expenses for a basic but decent standard of living for a reference family was estimated as MWK 135,461 per month (Chiwaula, Anker & Anker, 2019).

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<sup>1</sup> It is worth noting that the June 2023 family living expenses are adjusted based on the October 2019 update report (Chiwaula, Anker & Anker, 2019) and not on the original study from January 2014 (Anker & Anker, 2014), as is the usual practice. This is because the National Statistical Office (NSO) of Malawi replaced the Consumer Price Index (CPI) 2018=100 with a new index with reference period 2022=100 (<http://www.nsomalawi.mw/>). The NSO only published these new series with a base 2022=100 starting in January 2022. To prevent underestimations, for this report we used IMF's computed price index that is consistent with annual inflation for every month since October 2019, and calculated the family living expenses for June 2023 using the new CPI series.

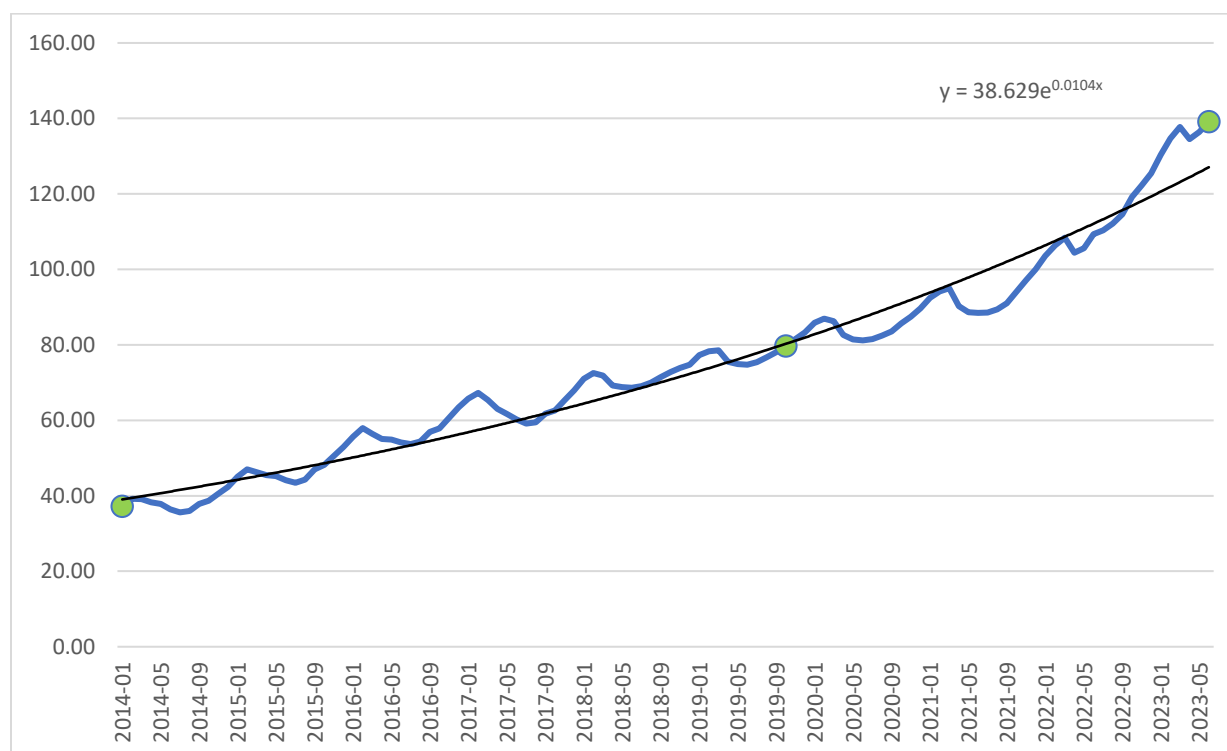
#### 4. INFLATION RATE USED FOR UPDATE

The National Statistical Office (NSO) is the government body of Malawi responsible for collecting, computing, and reporting the Consumer Price Index (CPI).<sup>2</sup> The CPI with an index reference period 2018=100 was updated to a new index reference period of 2022=100 in early 2022. This report uses the IMF-computed price index for Malawi, which is consistent with the annual inflation officially reported by NSO for every month since October 2019.

#### 5. RECENT LEVEL OF INFLATION

Inflation in Malawi has been high since the original study in January 2014. Between October 2019, when the last update report was published, and June 2023, the general level of prices increased 74.5% (see Figure 1). This is the inflation rate used in this report.

**Figure 1: National Consumer Price Index for Malawi, January 2014 to June 2023**



**Notes:** Green circles indicate the months of the original study and earlier updates. The black line is the fitted exponential trendline.

**Source:** Authors' calculations based on CPI data from IMF and Reserve Bank of Malawi.

<sup>2</sup> See [http://www.nsomalawi.mw/index.php?option=com\\_content&view=article&id=186&Itemid=37](http://www.nsomalawi.mw/index.php?option=com_content&view=article&id=186&Itemid=37) and <https://data.imf.org/?sk=4ffb52b2-3653-409a-b471-d47b46d904b5&sid=1485878802128>

## 6. MANDATORY DEDUCTIONS

In April 2023, new tax rates came into effect. Workers earning a living wage now fall into the revised income tax range from MWK 100,000 to MWK 450,000 per month which has a mandatory 25% income tax rate.<sup>3</sup>

## 7. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2023

The updated net living wage, or take-home pay, for June 2023 is MWK 148,654 (USD 145) per month. The gross living wage (aka living wage), which also takes into account income taxes is estimated at MWK 164,872 (USD 161). Table 1 provides details of the original and the updated living wages and family living expenses.

**Table 1: Living expenses and wages for rural Malawi, per month (in Malawi Kwachas and US Dollars)**

	January 2014 Original study		October 2019 Update Report		June 2023 Update Report	
	MWK	USD	MWK	USD	MWK	USD
<b>Family Living Expenses (1)</b>	56,004	130	135,461	185	236,359	231
<b>Net Living Wage (2)</b>	35,222	82	85,192	116	148,654	145
<b>Income tax (3)</b>	0	0	16,169	22	16,218	16
<b>Gross Living Wage (2+3)</b>	35,222	82	101,361	138	164,872	161
<b>Exchange Rate to USD</b>	430		734 <sup>a</sup>		1,025 <sup>b</sup>	
<b>Source of Exchange Rate</b>	Original Report		Exchange Rates.org.uk		Exchange Rates.org.uk	

Notes: USD values are indicative only because exchange rates are volatile. <sup>a</sup> Exchange rate is the average exchange rate for 2019. <sup>b</sup> Exchange rate is the average exchange rate for June 2023.

Source: Authors' calculations.

<sup>3</sup> See <https://taxsummaries.pwc.com/malawi/individual/taxes-on-personal-income>

## 8. REFERENCES

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