ANNUAL ECONOMIC REPORT

2022

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Contents

LIST OF ACRONYMS

ADF: African Development Fund
AfDB: African Development Bank
ADMARC: Agricultural Development and Marketing Corporation
AfCTA: African Continental Free Trade Area
AIP: Affordable Inputs Program
BOE: Bank of England
BHL: Blantyre Hotels Plc
BWB: Blantyre Water Board
CCRT: Catastrophe Containment and Relief Trust
COP26: 26th Conference of Parties
CPI: Consumer Price Index
DCCMS: Department of Climate Change and Meteorological Services
DOC: Declaration of Parties
DSI: Domestic Share Index
EAC: East African Community
ECB: European Central Bank
ECF: Extended Credit Facility
EIU: Economist Intelligence Unit
ESCOM: Electricity Supply Corporation of Malawi
EU: European Union
EUR: Euro
FEWSNET: Famine Early Warning Systems Network
FISP: Farm Input Subsidy Program
FMBCH: FMB Capital Holdings Plc
FOB: Free On Board
FOMC: Federal Open Market Committee
FSI: Foreign Share Index
GBP: British Pound
GDP: Gross Domestic Product
GFS: Government Finance Statistics
IATF: Intra-African Trade Fair
IFPRI: International Food Policy Research Institute
IMF: International Monetary Fund
K: Malawi Kwacha
LIBOR: London Inter-Bank Offered Rate
MASI: Malawi All Share Index
MASL: Meters Above Sea Level
MB/D: Million barrels per day
MERA: Malawi Energy Regulatory Authority
MITC: Malawi Investment and Trade Center
MPC: Monetary Policy Committee
MSE: Malawi Stock Exchange
MT: Metric Tonnes
MRA: Malawi Revenue Authority
MW: Mega Watts
NBM: National Bank of Malawi Plc
NBS: NBS Bank Plc
NGOs: Non-Governmental Organisations
NGL: Natural Gas Liquids
NICO: NICO Holdings Plc
NITL: National Investment Trust Plc
NSO: National Statistical Office
OECD: Organization for Economic Co-operation and Development
OMO: Open Market Operations
OPEC: Organization of the Petroleum Exporting Countries
ORB: Opec Reference Basket
PCL: Press Corporation Plc
PPP: Private Public Partnerships
RBM: Reserve Bank of Malawi
RBZ: Reserve Bank of Zimbabwe
Rmb: Chinese Renminbi
SADC: Southern African Development Community
SAFEX: South African Futures Exchange
SARB: South Africa Reserve Bank
SDR: Special Drawing Rights
SFFRFM: Smallholder Farmers Fertilizer Revolving Fund
SPRUT: Sprott Physical Uranium Trust
SSA: Sub Sahara Africa
Sunbird: Sunbird Tourism Plc
TB: Treasury Bills
TC: Tobacco Commission
TNM: Telekom Networks Malawi Plc
WEO: World Economic Outlook
WHO: World Health Organization
WTO: World Trade Organization
TZS: Tanzania Shillings
UBOS: Ugandan Bureau of Statistics
UGX: Ugandan Shillings
UK: United Kingdom
US: United States
UNFCCC: United Nations Framework Convention on Climate Change
USA: United States of America
USAID: US Agency for International Development
US$: United States Dollar
ZAR: South African Rand
ZK: Zambian Kwacha

EXECUTIVE SUMMARY
Economic Outlook — Malawi

In 2022, using the RBM middle rates, the Malawi Kwacha depreciated against the US Dollar, the British Pound, the South African Rand, and the Euro by 25.73%, 15.56%, 21.42% and 21.80% respectively. The Kwacha closed the year at K1,026.43/US$1 at the end of December 2022 compared to K816.40/US$1 at the end of 2021.

During the year in review, the Reserve Bank of Malawi (RBM), as mandated under the RBM Act of 2018 to manage foreign exchange transactions in the country, devalued the Malawi Kwacha exchange rate against the United States Dollar by 25.0% on 27 May 2022. The decision was aimed at improving external sector competitiveness, aligning the exchange rate with market fundamentals as well as improving the circulation of foreign exchange in the market. This decision resulted in the devaluation of the Kwacha from K816.40/US$1 to K1026.43/US$1. The exchange rate averaged K941.97/US$1 in 2022.

During the year, the MPC maintained a conservative stance at the beginning of 2022 but shifted its stance at its May 2022 meeting by raising the policy rate by 200 basis points to reach 14.0%. In line with rate increases by central banks across the globe, the MPC decided to take a more aggressive approach to tame inflation at its October 2022 meeting, where the MPC decided to raise the policy rate further by 400 basis points to 18.0% (Source: RBM).

The year-on-year inflation rate for 2022 stands at 21.0%, compared to 9.3% realized in 2021. The year-on-year inflation rate for December 2022 stands at 25.4% a slight decline from the previous month at 25.8%. The inflation rate began to decline in November 2022 after reaching its peak in October at 26.7%. Food and Non-Food Inflation rates averaged at 26.8% and 15.1%, respectively (2021: 11.1% and 7.4% respectively). The drop in food inflation was due to an influx of maize on the market following the opening of ADMARC depots, which dampened food price pressures.

Based on various institutions' projections, the economy is expected to grow by an estimated average of 1.33% in 2022. The government's 2022 projection of GDP growth has been revised down to 1.70% from 4.10% which was projected earlier. The IMF and World Bank have revised their forecasts downward to 0.90% from 2.70% and 2.10% respectively. Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing and a poor business environment that erodes investor confidence. In the light of slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a large rise in local interest rates in the face of soaring inflation will slow growth in 2022.

Key Economic Risks – Malawi

1. Russia-Ukraine conflict spill-over effects – Supply chain disruptions and higher global interest rates leading to higher commodity prices and reduced fiscal space in the economy.
2. Persistently weak export base - Affects the Kwacha's stability against the major currencies due to a widening trade deficit.
3. Coronavirus pandemic - Affects the operations of all businesses and unplanned government heavy expenditure on medical supplies and enforcement of measures to mitigate its spread and effects.
4. High government debt levels - Create a future obligation for the government to repay the debt plus interest.
5. Climate change – Changes in weather patterns and extreme weather conditions, impacting infrastructure development, livelihoods, and agricultural production.
6. High population growth rates - May reduce the country's ability to allocate resources to more productive activities.

ECONOMIC OVERVIEW

Inflation (Source: NSO)

The headline inflation rate for 2022 increased to 21.00% from 9.30% recorded in 2021. This was due to an increase in both food and non-food inflation as can be seen in the table below:

	2021	2022	% Change
Headline inflation	9.30%	21.00%	11.70%
Food	11.14%	26.80%	15.66%
Non-food	7.38%	15.10%	7.72%

Government Securities (Source: RBM)

During the year 2022, the all-type Treasury bill yield increased to 14.15% from 12.18% recorded in 2021.

Tenor	2021	2022	Change
91 days	9.80%	10.58%	0.78%
182 days	12.79%	14.73%	1.94%
364days	13.94%	17.13%	3.19%
All Type	12.18%	14.15%	1.97%

Total Treasury bill applications for 2022 stood at K659.65 billion and K593.14 billion was allotted representing a 10.08% rejection rate.

In 2022, the government conducted Treasury notes auctions for 2-year, 3-year, 5-year, 7-year and 10-year tenors. Total applications for 2022 increased to K1,505.01 billion from K759.00 billion in 2021 while total allotments increased to K1,406.56 billion from K713.75 billion in 2021, resulting in a 6.54% rejection rate compared to 5.96% recorded in 2021.

Below is a summary of the Treasury Notes for the year 2022:

2022			
TENORS (Years)	Applied (K'bn)	Allotted (K'bn)	Average Yield
2	478.24	440.70	17.85%
3	454.87	436.56	19.65%
5	209.89	201.41	21.09%
7	328.71	294.59	22.48%
10	33.30	33.30	24.61%
Total	1,505.01	1,406.56	

Foreign Currency Market (Source: RBM)

During the year of 2022, the Malawi Kwacha depreciated against all major curenies. See table below:

CURRENCY	2021	2022	% Change
MK/US Dollar	816.40	1,026.43	-25.73%
MK/GBP	1,102.14	1,273.64	-15.56%
MK/ZAR	51.35	62.35	-21.42%
MK/EUR	924.25	1,125.74	-21.80%

Forex Reserves (Source: RBM)

The official forex reserves for December 2022 decreased to US$304.65 million (1.22 months' worth of import cover) from US$429.17 million (1.72 months of import cover) in December 2021. Private sector reserves decreased to US$399.20 million (1.60 months of import cover) in December 2022 from US$452.52 million (1.70 months of import cover) in December 2021.

As of 31 December 2022, total forex reserves stood at US$703.85 million (2.82 months of import cover) a decrease from US$854.69 million (3.42 months of import cover) registered at the end of December 2021.

	Dec-21 (US$ million)	Dec-22 (US$ million)	% Change
Official Reserves	429.17	304.65	-29.01%
Private Sector	425.52	399.20	-6.19%
Total	854.69	703.85	-17.65%
Import Cover (Months)			
Gross Official	1.72	1.22	-29.07%
Private Sector	1.70	1.60	-5.88%
Total	3.42	2.82	-17.54%

(The monthly import requirement increased in May 2021 from US$209.00 million to US$250.00 million to cover the rising).

Interbank Markets and Interest Rates (Source: RBM, BAM)

Liquidity levels (excess reserves after central bank operations) for the year 2022 increased to a daily average of K33.64 billion from K15.10 billion recorded in 2021. Access to the Lombard facility (discount window borrowing) during 2022 averaged K27.80 billion per day at an average rate of 14.18% while that of 2020 averaged K57.79 billion per day at an average rate of 12.20%.

During the year 2022, overnight borrowing between banks increased to a daily average of K15.44 billion from K12.47 billion recorded in 2021. This was at an average rate of 12.57% (2021: 11.86%).

The reference rate for the month of December 2022 remanied unchanged at 17.30%.

Stock Market (Source: MSE)

The stock market registered a positive return on the index as reflected in the upward movement of the Malawi All Share Index (MASI) from 45,367.68 points registered on 4 January 2022 to 62,036.05 points registered on 31 December 2022, giving a return on index of 36.74% (8.76% in US$ terms) compared to 40.05% (33.92% in US$ terms) registered in 2021.

The price gains were registered by eleven counters, NBM (+90.35%) Illovo (+80.00%), NBS Bank (+48.47%), Standard Bank (+42.87%), Airtel (+41.60%), FMBCH (+38.58%), NITL (+31.60%), PCL (+14.81%), FDH Bank (+9.87%), NICO (+9.09%), and Sunbird (+2.28%) were enough to offset share price losses by OMU (-53.10%), TNM (-38.92%), ICON (-7.29%), BHL (-0.36%), and MPICO (-0.29%) resulting into an upward movement of the Malawi All Share Index.

The Domestic and Foreign Share indices moved upwards by 37.08% and 32.94% to close at 50,804.03 and 5,614.30 points respectively. Market capitalization increased both in Kwacha and United States Dollar terms from MK2.46 trillion (US$3.02 billion) on 01 January 2022 to MK3.35 trillion (US$3.26 billion) on 31 December 2022.

In the year 2022, the market transacted a total of 1.40 billion shares at a total consideration of K57.72 billion (US$43.75 million) in 4,271 trades. In the corresponding period 2021, the market transacted a total of 1.30 billion shares at a total consideration of K37.69 billion (US$43.75 million) in 3,304 trades.

The average dividend yield on the MASI increased in December 2022 to 3.27% from 3.25% in December 2021.

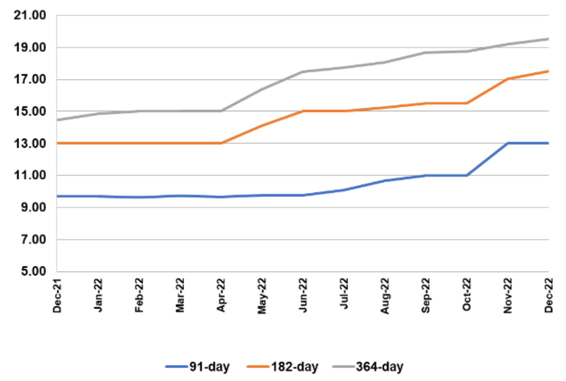
Counter	Dec-22	Dec-21	% Change
	MK/Share	MK/Share	%
AIRTEL	56.64	40.00	41.60%
BHL	10.97	11.00	-0.27%
FMBCH	110.86	80.00	38.58%
FDHB	17.37	15.81	9.87%
ICON	11.95	12.89	-7.29%
ILLOVO	540.00	300.00	80.00%
MPICO	20.64	20.70	-0.29%
NBM	1,542.05	810.12	90.35%
NBS	34.00	22.90	48.47%
NICO	60.00	55.00	9.09%
NITL	124.99	94.99	31.58%
OMU	985.00	2,099.99	-53.10%
PCL	2,181.37	1,900.00	14.81%
STANDARD	2,000.16	1,400.00	42.87%
SUNBIRD	92.06	90.01	2.28%
TNM	14.00	22.92	-38.92%
MASI	62,036.05	45,367.68	36.74%
DSI	50,804.03	37,061.70	37.08%
FSI	5,614.30	4,223.15	32.94%

Below is a presentation of the published 2022 and 2021 half year financials for the respective companies.

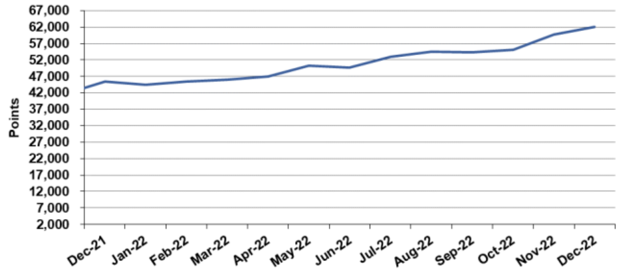
Published Half Year Financials for 2022 and 2021						
	Net Profit/(Loss) (MK'Billion)			**Total Dividend (Per Share) (Kwacha)**		
Period (End-Year)	**Aug-22**	**Aug-21**	**% Change**	**Aug-22**	**Aug-21**	**% Change**
ILLOVO	20.47	2.74	647.08%	18.00	2.00	800.00%
Period	**Jun-22**	**Jun-21**	**% Change**	**Jun-22**	**Jun-21**	**% Change**
STANDARD	15.84	11.58	36.79%	21.31	28.55	-25.36%
NBM	34.21	22.45	52.38%	49.26	27.84	76.94%
NICO	11.82	7.03	68.24%	1.00	0.75	33.33%
NITL	1.46	1.23	18.85%	0.80	0.60	33.33%
FDH BANK	8.71	4.55	91.36%	0.74	0.33	124.24%
TNM	(1.34)	4.51	-129.71%	0.00	0.18	-100.00%
NBS BANK	5.09	4.40	15.68%	0.85	0.60	41.67%
SUNBIRD	0.40	(0.48)	184.07%	0.00	0.00	0.00%
PCL	15.98	12.87	24.16%	7.00	6.00	0.00%
ICON	4.50	3.10	45.16%	0.12	0.12	0.00%
MPICO	3.16	2.84	11.27%	0.00	0.12	-100.00%
Airtel	8.90	11.35	-21.55%	0.00	0.00	0.00%
BHL	(0.48)	(0.60)	-19.18%	0.00	0.00	0.00%
	Net Profit/(Loss) (ZAR' billion)			**Total Dividend (Per Share) (ZAR)**		
OMU	5.22	2.98	75.00%	0.25	0.25	0.00%
	Net Profit/(Loss) (US$' million)			**Total Dividend (Per Share) (US$)**		
FMBCH	25.20	13.10	92.37%	0.15	0.08	100.00%
FDH	Expects its year ending 31 December 2022 profit after tax to be at least 50% higher than the previous corresponding period					
BHL	Expects its year ending 31 December 2022 loss after tax to be at least 20% lower than the previous corresponding period					
NBS BANK	Expects its half year ending 31 December 2022 profit after tax to be approximately 110% higher than the previous corresponding period					
SUNBIRD	Expects its year ending 31 December 2021 performance to be approximately 240% higher than the previous corresponding period					
NITL	Expects its year ending 31 December 2022 profit after tax to be at least 35% higher than the previous corresponding period					
ICON	Expects its year ending 31 December 2022 profit after tax to be at least 70% higher than the previous corresponding period					
NBM	Expects its year ending 31 December 2022 profit after tax to be at least 30% higher than the previous corresponding period					
FMBCH	Expects its year ending 31 December 2022 profit after tax to be at least 30% higher than the previous corresponding period					

Trend Graphs

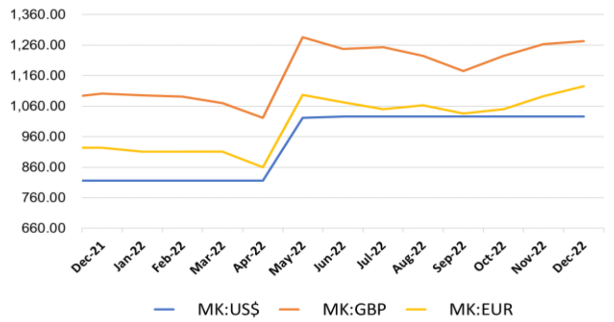
Treasury Bill Yields (%) (Source: RBM)



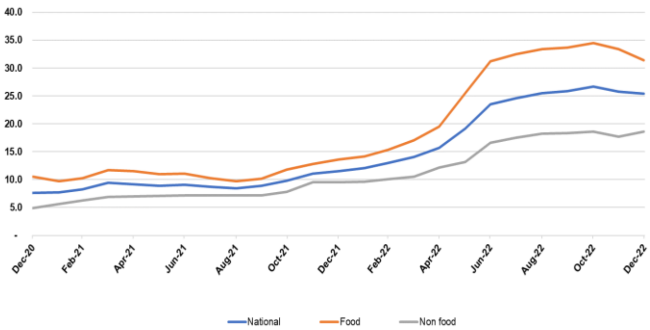
Malawi All Share Index (Source: MSE)



Exchange rates (Source: RBM)

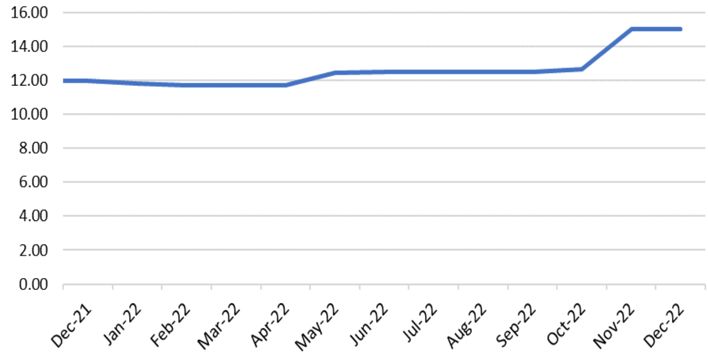


Inflation (%) (Source:NSO)



Forex Reserves (US$ million) (Source: RBM)

Average Interbank Rates (%) (Source: RBM)



OTHER MARKET DEVELOPMENTS

2022 Tobacco Season End (Source: AHL)

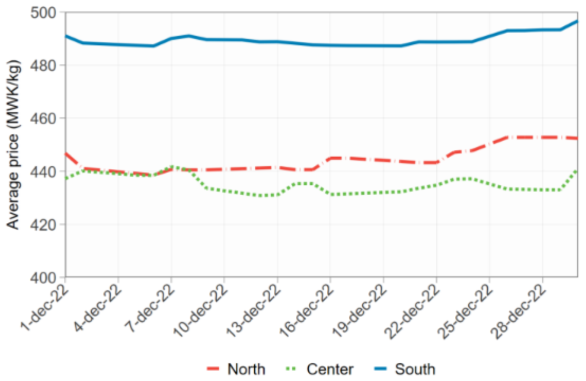
The 2022 tobacco marketing season officially closed after 20 weeks of sales. By the end of the season, tobacco volume sales decreased by 31.29% to 85.00 million kilograms in 2022 from 123.70 million kilograms recorded in 2021. Cumulatively, tobacco fetched an all-type average price of US$2.14 per kilogram in 2022. This was 34.59% higher than US$1.59 per kilogram fetched in 2021. Total realization from the 2022 tobacco sales amounted to US$182.00 million, a 7.94% drop from US$197.7 million realized in 2021.

Maize Market and Food Security Update (Source: IFPRI, FEWSNET)

On average, maize was selling at a retail price of K471/kg in the last week of December 2022, 2% less than the previous month. The decline is due to ADMARC depots which have started selling maize in most of the markets at lower prices. In the same period, the average price of maize was lowest in Mchinji market (K406/kg) and was highest in Mwanza market (K529/kg). Mangochi market recorded the highest decline (12%) in retail maize price between end November and end December 2022. On the other hand, Mzimba market recorded the highest increase in retail maize price of 12%.

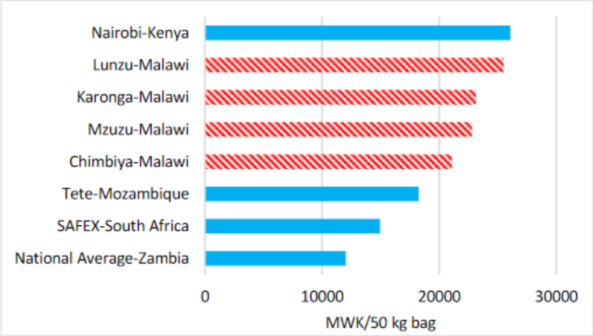
The average retail price of maize remains highest in the southern region as most maize retailers incur additional transaction costs of purchasing maize from the central region. In the month of December 2022, the average retail price of maize was K445/kg in the North, K435/kg in the Center and K490/kg in the South.

Figure 2. Average daily maize retail prices by region



At regional level, retail price of maize was highest in Nairobi, Kenya and lowest in Zambia at the end of December 2022. However, the retail prices of maize in some Malawian markets were higher than in Zambia, Mozambique, and South Africa.

Figure 4. Regional comparison (December 2022)



Note: Prices in Zambia and Mozambique are as of end November

ADMARC sales were reported in 17 out of the 26 markets monitored by IFPRI (2 in the Center, 4 in the North and 11 in the South).

Food Security Update (Source: FEWSNET)

The government and humanitarian partners are scaling up the humanitarian food assistance program to reach additional districts, and deliveries are expected to scale up further in January 2023 and continue through March 2023. Based on the delivery plans, deliveries will gradually expand to cover most of southern Malawi; deliveries began in four districts and Blantyre city in November 2022, with nine more districts and Zomba city reached in December. Given large ration sizes, food assistance is expected to increasingly improve food security outcomes in many districts, likely leading to Stressed (IPC Phase 2!) outcomes in much of the south through March. However, Crisis (IPC Phase 3) outcomes are still expected to persist in some southern and central districts where assistance deliveries have yet to begin, and households experienced large crop and labor income losses earlier this year.

After a delay, the main rainy season (October 2022-March 2023) became fully established in December 2022. However, rainfall distribution is still erratic across time and space, and most of Malawi has received cumulatively below-average rainfall since

October. Based on FEWS NET's analysis of historical crop production data, the shortened growing season for long-cycle crops is expected to reduce total crop yields by up to 10%. However, based on short-term rainfall forecasts, normal to above-normal rainfall in late December across most of Malawi is expected to drive recovery in cumulative seasonal rainfall totals. Overall, local, and global forecast models are pointing to a normal to above-normal rainfall season, with localized below-normal rainfall over southern and central Malawi.

Although the onset of the rains has seasonally increased farming activity and, therefore, agricultural labor demand, the erratic start of season and other factors are hindering this key source of income. Typically, very poor and poor households earn about 20% to 40% of their annual total income from labor. Due to high food prices and consecutive years of below-average crop production, however, labor demand and wage rates are below normal, as middle, and better-off households have fewer resources to hire labor, especially in central and southern Malawi. As a result, households have insufficient cash incomes from agricultural labor to purchase their food and basic non-food needs.

* *Refer to Appendix 11 for more details on Food Insecurity Phase Descriptions*

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

According to IMF's October 2022 Regional Economic Outlook, Sub-Saharan Africa's recovery has been sharply interrupted. In 2021, activity in Sub-Saharan Africa finally bounced back, bringing GDP growth in 2021 up to 4.7%. Unfortunately, growth is expected to slow in 2022 by more than 1.0% to 3.6%, as a worldwide slowdown and a dramatic pickup in global inflation spill into a region already wearied by an ongoing series of shocks. Rising food and energy prices are striking at the region's most vulnerable, and macroeconomic imbalances are approaching levels not seen in decades. Against this backdrop, and with limited options, many countries find themselves pushed closer to the edge.

The near-term outlook is extremely uncertain. Concretely, the region's prospects are tied firmly to developments in the global economy, while locally, the sociopolitical and security situation for many countries remains particularly difficult. In this regard, policymakers face the most challenging environment in years. They will need to deal with immediate socioeconomic crises as they emerge (fighting fires), while also reducing vulnerabilities to future shocks as best they can (building resilience). Ultimately, however, the region's safety and prosperity will require high-quality growth, so policies must also set the stage for a sustainable recovery (moving away from the edge).

Zambia

Zambia's annual inflation for 2022 closed at 11.06% compared to 22.16% recorded in 2021. The Zambian Kwacha closed at ZK18.07/US$ in December 2022 compared to ZK16.67/US$ recorded in December 2021. According to the IMF October 2022 Regional Economic Outlook, economic growth in 2022 is projected to average 2.9% and 4.00% in 2023.

Zimbabwe

In 2022, the headline inflation for Zimbabwe averaged 184.08% compared to 98.5% in 2021. The local currency closed at ZWL$671.44/US$ in December 2022 compared to ZWL$108.67/US$ recorded in December 2021. The IMF has projected that economic growth will average 3.0% in 2022 and 2.8% in 2023.

Tanzania

Annual headline inflation rate for 2022 was 4.3% compared to 3.7% recorded in 2021. During the month of December 2022, the Tanzanian Shilling closed at TSh2,320.38/US$ compared to TSh2,297.81US$ recorded in December 2021. In 2022, economic growth is projected at 4.5% and 5.2% in 2023. This is according to the IMF's October Regional Economic Report.

Uganda

The headline inflation rate for Uganda for 2022 was recorded at 8.1% from 2.2% in 2021. The Ugandan Shilling in December 2022 closed at UGX3,713.63/US$ compared to UGX3,544.3/US$ recorded in 2021. The IMF, in its' October Regional Economic Outlook report, has projected that economy of Uganda will grow by 4.4% in 2022 and 5.9% in 2023.

South Africa

The annual consumer price inflation for South Africa was 6.85% 2022 compared to 4.50% in 2021. The South African Rand closed at ZAR18.31/US$ in 2022 compared to ZAR15.89/US$ in 2021. The IMF has projected that economic growth will average 2.1% in 2022 and 1.1% in 2023.

GLOBAL DEVELOPMENTS

Economic Growth

Global growth is expected to decelerate sharply to 1.7% in 2023, the third weakest pace of growth in nearly three decades, overshadowed only by the global recessions caused by the pandemic and the global financial crisis. This is 1.3 percentage points below previous forecasts, reflecting synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from Russia's invasion of Ukraine.

The United States, the Euro area, and China are all undergoing a period of pronounced weakness, and the resulting spillovers are exacerbating other headwinds faced by emerging market and developing economies (EMDEs). The combination of slow growth, tightening financial conditions, and heavy indebtedness is likely to weaken investment and trigger corporate defaults. Further negative shocks like higher inflation, even tighter monetary policy, financial stress, deeper weakness in major economies, and rising geopolitical tensions could push the global economy into recession.

In the near term, urgent global efforts are needed to mitigate the risks of global recession and debt distress in EMDEs. Given limited policy space, it is critical that national policy makers ensure that any fiscal support is focused on vulnerable groups, that inflation expectations remain well anchored, and that financial systems continue to be resilient. Policies are also needed to support a major increase in EMDE investment, which can help reverse the slowdown in long-term growth exacerbated by the overlapping shocks of the pandemic, the invasion of Ukraine, and the rapid tightening of global monetary policy. This will require new financing from the international community and from the repurposing of existing spending, such as inefficient agricultural and fuel subsidies.

Asset prices have been in broad, synchronous decline, investment growth has weakened substantially, and housing markets in many countries are worsening rapidly. Shockwaves continue to emanate from the Russian Federation's invasion of Ukraine, especially in energy and other commodity markets. Against this backdrop, confidence has fallen precipitously.

Global inflation has been pushed higher by demand pressures, including those from the lagged effects of earlier policy support, and supply shocks, including disruptions to both global supply chains and the availability of key commodities. In some countries, inflation has also been spurred by large currency depreciations relative to the U.S. Dollar, as well as tight labor market conditions. Inflation remains high worldwide and well above central bank targets in almost all inflation targeting economies. Although inflation is likely to gradually moderate over the course of the year, there are signs that underlying inflation pressures could be becoming more persistent. In response, central banks around the world have been tightening policy faster than previously expected. Monetary policy tightening in advanced economies, a strong US Dollar, geopolitical tensions, and high inflation have dampened risk appetite and led to widespread capital outflows and slowing bond issuance across EMDEs.

The fiscal space has narrowed considerably, and concerns over debt sustainability in many countries have risen as global financial conditions have made it more difficult to service debt loads that have accumulated rapidly in recent years, particularly during the pandemic. Nonetheless, many governments have announced new support measures to shield households and firms from the effects of sharply rising prices, slowing the pace of fiscal consolidation as pandemic-related stimulus is withdrawn.

Most commodity prices have eased, to varying degrees, largely due to the slowdown in global growth and concerns about the possibility of a global recession. By historical standards, however, they remain elevated, prolonging challenges associated with energy and food insecurity.

Global Oil

The world oil demand forecast for 2022 is unchanged at 2.5 mb/d. Oil demand forecast is adjusted downward in the third quarter of 2023, amid data showing a demand decline in the OECD and China, but non-OECD countries outside of China are revised higher. Similarly, world oil demand growth for 2023 is also unchanged at 2.2 mb/d, with the OECD growing by 0.3 mb/d and non-OECD at 1.9 mb/d. This forecast remains surrounded by uncertainties including global economic developments, shifts in COVID-19 containment policies, and geopolitical tensions.

Non-OPEC liquids supply is estimated to expand by 1.9 mb/d in 2022, unchanged from November's assessment. Upward adjustments to liquids production in Russia and OECD Americas were largely offset by downward revisions to OECD Europe and OECD Asia Pacific. The main drivers of liquids supply growth for 2022 are the US, Russia, Canada, Guyana, China and Brazil, while production is expected to see the largest declines in Norway and Thailand. For 2023, non-OPEC liquids production growth remains unchanged from November's assessment at 1.5 mb/d. The main drivers of liquids supply growth are expected to be the US, Norway, Brazil, Canada, Kazakhstan and Guyana, while declines are forecast in Russia and Mexico. Nonetheless, large uncertainties remain over the impact of geopolitical developments, as well as expectations for US shale output in 2023.

In December 2022, the ORB value dropped by US$10.05/b, or 11.2%, to stand at US$79.68/b, as all ORB component values declined alongside their perspective crude oil benchmarks, accompanied by a decline in official selling prices for volumes exported to Asia. On a yearly average, the ORB was up US$30.19, or 43.2%, from an average of US$69.89/b in 2021 to an average of US$100.08/b in 2022.

Currency Movements

Off the back of softer inflation data in the US, the Euro was able to continue making a recovery against the US Dollar in December 2022, climbing above parity. Although concerns remain about possible energy shortages over the winter, so far, they haven't escalated, and gas supplies remain well stocked. This has been assisted by a milder-than-usual start to the winter in Europe, however a cold snap could see energy supplies drained and economic pressures mount on the Eurozone. On 15 December 2022, the ECB announced a 50 basis point hike, compared to the anticipated 75 basis point hike on account of easing US inflation data. With the Eurozone's inflation still far above target, as inflation is expected to continue a downward path, less aggressive rate hikes are expected to continue into 2023. A pivot in Fed policy would likely be the biggest opportunity for sustained Euro gains against the Dollar, however, the ongoing energy crisis and the broader geopolitical narrative will likely continue to create headwinds for the shared currency in 2023. The Euro could range between 0.8475–0.8770 against the British Pound, and 1.0000-1.0600 against the US Dollar.

Softer inflation data in the US allowed the British Pound to jump against the US Dollar. Markets responded positively to the new Chancellor of the Exchequer, Jeremy Hunt's Autumn statement, where he unveiled a £55.0 billion worth of tax rises and spending cuts in an effort to fill the UK's 'fiscal black hole'. Inflation continues to pose a threat to consumer spending power in the UK. In an effort to tame rising prices, at its meeting ending on 14 December 2022, the MPC increased the Bank Rate by 50 basis points, to 3.5%. After a correction from months of US Dollar demand, further indications of a change in stance from the Fed policymakers could lead to some further gains for the Pound against the US Dollar. However substantial gains against the Euro remain unlikely as both economies are facing uncertainty over winter energy supplies and the increased cost of borrowing to combat rampant inflation. The British Pound could range between 1.1800-1.2400 against the US Dollar and between 1.14-1.18 against the Euro.

The strength of US Dollar has been in decline, with the DXY index experiencing after hitting a 20-year high in September. CPI data released in December showed US inflation pressures easing, building expectations of a slower pace of interest rate hikes which triggered losses for the US Dollar. At its November meeting the Fed again delivered mixed messaging. The speculation for a downshift in Fed rate increases was confirmed when Chair Powell solidified expectations for a slower pace of hikes to the federal funds rate target. Inflation and labor data will continue to be key in shaping expectations for the pace of US interest rate hikes and future demand for the US Dollar. In its December 2022 meeting, The Federal Open Market Committee (FOMC) raised the target range for the federal funds rate by 50 basis points, bringing it to 4.25 to 4.50%. In its meeting statement, the FOMC said it anticipates that ongoing increases in the target range will be appropriate to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2.0% over time. The DXY ranged between 103.0- 104.0 in the month of December 2022.

Global trade

Weakening global demand is weighing on global trade. Most commodity prices have eased, to varying degrees, although they are expected to remain well above their average of the past five years. High inflation is expected to persist for longer than previously expected. Monetary tightening and risk aversion have led to widespread currency depreciations and steep capital outflows from EMDEs.

Global trade growth decelerated in the second half of 2022, in tandem with deteriorating activity in major economies. Weakening trade mirrored the slowdown in global industrial production, as demand shifted toward its pre-pandemic composition and away from goods. Despite this moderation, goods trade surpassed pre-pandemic levels last year; meanwhile, services trade continued to recover, supported by the gradual shift in demand toward services.

Tourism flows rebounded as many countries eased travel restrictions but remained well below pre-pandemic levels and uneven across regions.

Although global supply chain pressures are still above pre-pandemic levels, they have eased since mid-2022, as reflected in lower transportation costs and normalization of inventories. Weakening demand for goods is expected to reduce these pressures further in 2023. After softening to 4.0% in 2022, global trade growth is expected to decelerate further to 1.6% in 2023, largely reflecting weakening global demand.

Weaker-than-expected global demand and renewed supply chain bottlenecks pose downside risks to the global trade outlook. In addition, an intensification in trade protectionism, fragmentation of trade networks, and security concerns about supply chains could increase trade costs and slow trade growth pressures, leading to slower economic growth and reduced living standards over time.

It should be noted that there is a high degree of uncertainty associated with the forecast due to shifting monetary policy in advanced economies and the unpredictable nature of the Russia-Ukraine war. If current assumptions hold, trade growth in 2022 could end up between 2.0% and 4.9%. If the downside risks materialize, trade growth in 2023 could then be as low as -2.8% (Source: World Bank and WTO).

Interest Rate Movements

US Libor rates increased significantly during 2022 compared to 2021. The 3 months US Libor decreased to close at 4.767% in December 2022 from 0.224% in December 2021, while the US Libor for 6 months increased to 5.139% in December 2022 from 0.354% in December 2021. The US Treasury yield (10-year) increased to close at 3.880% in December 2022 from 1.502% recorded in December 2021.

	Dec-22	Dec-21	% Change
US Fed Rate	4.500%	0.250%	4.25%
US Libor (3 months)	4.767%	0.224%	4.54%
US Libor (6 months)	5.139%	0.354%	4.79%
US Treasury yield (10 years)	3.880%	1.502%	2.38%
BOE Rate	3.500%	0.100%	3.40%
ECB Rate	2.750%	0.000%	2.750%

(Source: US Federal Reserve, Wall Street Journal, BOE, ECB)

OUTLOOK FOR 2022 AND BEYOND – MALAWI

Exchange Rates

In 2022, using the RBM middle rates, the Malawi Kwacha depreciated against the US Dollar, the British Pound, the South African Rand, and the Euro by 25.73%, 15.56%, 21.42% and 21.80% respectively. The Kwacha closed the year at K1,026.43/US$1 at the end of December 2022 compared to K816.40/US$1 at the end of 2021.

During the year in review, the Reserve Bank of Malawi (RBM), as mandated under the RBM Act of 2018 to manage foreign exchange transactions in the country, devalued the Malawi Kwacha exchange rate against the United States Dollar by 25.0% on 27 May 2022. The decision was aimed at improving external sector competitiveness, aligning the exchange rate with market fundamentals as well as improving the circulation of foreign exchange in the market. This decision resulted in the devaluation of the Kwacha from K816.40/US$1 to K1026.43/US$1. The exchange rate averaged K941.97/US$1 in 2022.

Malawi currently runs a managed currency regime, and a shift towards a market-led exchange rate is expected by 2024, assuming an IMF program by late 2023, which is expected to include criteria on exchange-rate management. The RBM has taken a few steps to the shift to a market-led exchange rate through the introduction of exchange rate auctions. The success of the exchange rate options will be determined through good representation of the banking sector.

According to the EIU, The Malawi Kwacha is expected to remain overvalued in 2023-24 as exports underperform, although a large devaluation is unlikely given the sizeable 25.0% devaluation effected in May. Therefore, the EIU expects an exchange rate of K1,048.5:US$1 at end-2023, from an estimated K1,030.7:US$1 at end-2022. The currency will, however, remain overvalued going by the real effective exchange rate (REER), with the transition to a market-led exchange rate in 2024 likely to induce volatility. Furthermore, the lack of monetary stability and high inflation in Malawi relative to its trading partners will cause the Kwacha to continue to depreciate against the US Dollar from 2024. The nominal exchange rate of K1,064.4:US$1 is expected by end-2024, with further depreciation expected, to K1,214.9:US$1 by end-2027.

Owing to a chronic current-account deficit, the Kwacha regularly comes under pressure which has been exacerbated by high global commodity prices. As a result, foreign exchange has continuously been in short supply leading to shortages of key commodities like oil in the country. Lower than expected agricultural production because of the tropical cyclones that hit Malawi at the beginning of the year, resulted in export bans of one of the countries key commodities maize to address food security issues. The over reliance on tobacco, a crop that underperformed during the 2022 selling season further exacerbated the foreign exchange supply imbalances. Malawi’s lack of diversification in its export base and reliance on rain fed agriculture has led to fluctuations in foreign exchange receipts.

In the short term, to cushion Malawi’s urgent balance of payment needs, the IMF Executive Board approved a disbursement of US$88.37 billion through the Rapid Credit Facility (RCF) through the Food Shock Window. The IMF disbursed the funding on the basis that Malawi is facing a challenging economic and humanitarian situation, with foreign exchange shortages and an exchange rate misalignment leading to a sharp decline in imports including fuel, fertilizer, medicine, and food.

POSSIBLE IMPACT: *Lower foreign exchange inflows coupled with a large appetite for imports are likely to maintain downward pressure on the value of the Kwacha as foreign reserves continue to decline, resulting in further depreciation of the Kwacha. This will also induce inflationary pressures stemming from increased price of imports in domestic currency terms.*

Inflation

The year-on-year inflation rate for 2022 stands at 21.0%, compared to 9.3% realized in 2021. The year-on-year inflation rate for December 2022 stands at 25.4% a slight decline from the previous month at 25.8%. The inflation rate began to decline in

November 2022 after reaching its peak in October at 26.7%. Food and Non-Food Inflation rates averaged at 26.8% and 15.1%, respectively (2021: 11.1% and 7.4% respectively). The drop in food inflation was due to an influx of maize on the market following the opening of ADMARC depots, which dampened food price pressures. The decline is mainly because ADMARC depots started selling maize in most of the markets at lower prices, one reason being lower prices for high moisture content maize, which is difficult to store. Further, the moderation in non-food prices was reflective of slow-downs in non-food inflation triggers, including services, beverages, and stable fuel prices, which has reduced transportation costs.

In 2023 inflationary pressures are expected to begin to subside as global commodity prices start to retreat. A supportive monetary tightening stance coupled with improved foreign currency availability will tone down exchange rate pass-through effects. The EIU forecasts a year-on-year inflation rate of 13.0% at end-2023, down from an estimated rate of 25.4% at end-2022. The IMF has forecast an average of 16.5% for 2023. The EIU expects a further decline in inflation in 2024-27, supported by tight monetary policy in the short term and increased fiscal discipline, which is expected to pin down wage inflation.

POSSIBLE IMPACT: *Rising prices reduce the purchasing power of households and lower the consumption of important items, especially food. Poor households will suffer disproportionately from food inflation, given the large share of food in their consumption basket.*

External Sector

According to the RBM November 2022 Economic Review, Preliminary figures from the National Statistical Office (NSO) show that the merchandise trade balance for November 2022 worsened to a deficit of minus US$2.9 million (K3.3 billion) from a surplus of US$20.1 million (K20.6 billion) in October 2022. The November 2022 position represented an improvement over a deficit of minus US$193.7 million (K159.9 billion) recorded in the corresponding period of 2021. The outturn in the review month followed a 35.3% growth in imports, largely outweighed by a 6.9% rise in exports. Exports increased to US$113.5 million (K117.3 billion) from US$106.2 million (K109.8 billion) recorded in the previous month and compared to US$86.5 million (K71.1 billion) recorded in November 2021. The upturn in exports was on account of sales of tea & coffee and sugar to US$8.3 million and US$0.1 million, respectively. Similarly, imports grew to US$116.4 million (K120.7 billion) in the review month from US$86.1 million (K89.2 billion) registered in October 2022 and US$280.2 million (K201.0 billion) recorded in November 2021. A surge in imports of fertilizer, fuel and vehicles to US$43.9 million, US$22.1 million and US$9.4 million accounted for the outcome. Malawi's import bill is dominated by food and fuel imports, whose prices have risen markedly in 2022 owing to the Russia-Ukraine war. In 2023-24 imports will remain elevated at an average of 31.2% of GDP. The bounce-back in the agricultural sector will help to contain the import bill in the 2025-27 forecast period as local food supplies improve, causing the current account to narrow to levels well below those prior to the COVID-19 pandemic. A deficit will continue to be recorded on the services account, but a gradual recovery in tourism from the global economic downturn expected in 2023 will support services exports from 2024 and substantially rein in the services deficit.

However, the medium-term outlook is for some improvement in terms of trade, causing the current-account deficit to narrow considerably, potentially reaching 9.3% of GDP by 2027, from an estimated 24.6% of GDP in 2022. Malawi's exports are largely driven by tobacco and tourism receipts. In 2023 total exports are likely to be hampered by a global economic downturn and domestic production constraints. The possible commercialization of agriculture to support tobacco and other key agricultural commodities exports from 2024. Uranium mining, which has been held back in previous years by limited investment, is likely to come online in late 2024, raising total exports. Exports are expected to average 13.8% of GDP in 2023-27, compared with 12.9% of GDP in 2018-22.

The AfCFTA is expected to provide the opportunity for Africa to create the world's largest free trade area with the potential to unite more than 1.20 billion people in a US$2.50 trillion economic bloc and usher in a new era of development. It has the potential to generate a range of benefits through supporting trade creation, structural transformation, productive employment, and poverty reduction. However, to utilize this agreement Malawi will have to make its goods more competitive on the market and widen its export base by investing in the enablers of international trade. This is envisaged in Malawi's long term development goals as well as short term policies through the National Export strategy II (NES II) and through the agricultural sector through agricultural commercialization and production. However, issues emanating from poor planning and lack of financing may cripple the implementation process. The export market in Malawi is currently not well developed, citing issues of lack of infrastructure, market intelligence, quality control, lack of information and financing. As a result, Malawi's exports tend to be less competitive than its regional counterparts.

POSSIBLE IMPACT: *A widening current account deficit will continue to exert further downward pressure on the Kwacha versus currencies of Malawi's trading partners. Malawi will need to improve its competitiveness and diversify its export base to improve its trade position*

Monetary Policy

During the year, the Monetary Policy Committee (MPC) was faced with the difficult decision of providing a conducive environment for growth following the contraction in economic growth in 2021 following the COVID-19 pandemic and slowing down the rising inflation which emanated for rising prices of food and spillover effects from the Russia-Ukraine war. The MPC maintained a conservative stance at the beginning of 2022 but shifted its stance at its May 2022 meeting by raising the policy rate by 200 basis points to reach 14.0%. In line with rate increases by central banks across the globe, the MPC decided to take a more aggressive approach to tame inflation at its October 2022 meeting, where the MPC decided to raise the policy rate further by 400 basis points to 18.0%. Meanwhile, the Committee decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign currency denominated deposits at 3.75%. This decision was deemed necessary to restore price stability, which is essential for reviving and sustaining high economic growth.

According to the EIU, inflation is expected to remain well above the RBM's medium-term target of 5.0% throughout the forecast period of 2022-2027, and the policy rate is expected to peak at 20.0%, in 2023, before starting to ease back in 2024, reaching 14.0% by 2026, even though inflation will remain above target. This underlines a weak commitment to price stability as the authorities pursue growth as in 2019-21, when rate cuts were implemented while inflation was above target.

POSSIBLE IMPACT: *Rising interest rates may result in a slowdown of inflation due to a decrease in consumption spending. However, this will be at a cost of rising costs of borrowing which will hamper investments in the real economy and hinder economic growth.*

Fiscal Policy

Central government budgetary operations closed with a deficit of 0.90% of GDP in November 2022, a deterioration from a deficit of 0.10% of GDP recorded in the preceding month and a deficit of 0.8% of GDP recorded in the corresponding month in 2021.

Total revenues and expenditures amounted to K144.4 billion and K248.8 billion, respectively. Revenue mobilization in the month decreased by 25.8% (K50.3 billion) to K144.4 billion from K194.7 billion collected in October 2022. The month's collections were 28.9% (K32.4 billion) higher than the revenue collections in the corresponding month in 2021. The month-on-month development followed a decrease in domestic revenues despite the rise in grants. Domestic revenues decreased by 29.8% (K51.6 billion) to K121.6 billion on account of a 25.5% (K39.31 billion) decrease in tax revenues and a K12.3 billion drop in non-tax revenues. On the other hand, grants increased by 6.2% (K1.3 billion) to K22.8 billion in the month under review.

Government expenditures increased by 19.3% (K40.3 billion) to K248.8 billion in November 2022. The outturn was explained by a K30.1 billion increase in recurrent expenditure and a K10.1 billion rise in development expenditure. Recurrent expenditure increased by 16.2% to K216.3 billion mainly from a 42.1% (K11.2 billion) rise in IFMIS expenditures and a 30.9% (K19.7 billion) upturn in interest payments on public debt. Development expenditure increased by 45.3% to K32.5 billion in the month under review.

The theme of the 2022/2023 Budget Statement is titled "Accelerating Implementation towards Wealth Creation, Job Creation and Food Security." The aim of the budget is to respond and align to the countries development goals as outlined in the Malawi 2063 vision, and the First Ten -Year Implementation Plan (MIP-1). The assumptions under the FY2022/2023 budget were that the real GDP growth of 4.1% in will be realized in 2022 and 4.0% in 2023; ii. Average inflation rate of 9.1% during the fiscal year; iii. A policy rate of 12.0%; and iv. Tax refunds of 3.0% of the total tax collection. However, the downside risks to economic fundamentals during the year came into fruition, with the projected growth according to the Ministry of Finance at 1.7%, inflation more than doubling and the monetary policy reaching 18.0%.

Total revenues and grants for the 2022/2023 fiscal year are estimated at K1.956 trillion representing 17.2% of GDP. Domestic revenues are estimated at K1.636 trillion, of which tax revenues are estimated at K1.528 trillion while other revenues have been estimated at K107.8 billion. Grants are estimated at K320.3 billion, representing 2.8 percent of GDP. These grants comprise K278.4 billion from international organizations and K41.9 billion from foreign governments in form of dedicated and project grants.

Total Expenditure for the 2022/2023 fiscal year is projected at K2.840 trillion, representing 24.9% of GDP. The 2022/2023 overall fiscal balance is estimated at a deficit of K884.0 billion, which is 7.7% of GDP. Expenditure on wages and salaries are estimated at K670.28 billion, representing 33.2% of the recurrent expenses and 5.9% of the country's GDP. Interest on public debt has been estimated at K523.75 billion, representing 4.6% of GDP, which is an increase from K299.73 billion for 2021/2022 financial year. According to the Quarter 1 and Quarter 2 Budget Monitoring report, expenditures had exceeded their half year projections.

Malawi is aiming to restore debt sustainability in the short-term in order to be eligible for the three-year IMF Extended Credit Facility (ECF). Debt restructuring and fiscal consolidation will therefore be the top policy priorities for Malawi in 2022/23-2026/27 (April-March), guided by an IMF staff monitored program and subsequently an ECF in late 2023. Scaling-back of non-essential expenditure that is a perennial fiscal drain will be prioritized. This includes the Affordable Input Program (AIP), which costs about 1.5% of GDP annually, and the restructuring of ADMARC and ESCOM. Both of these state enterprises regularly require huge government bailouts; in 2017/18 the rescue package equated to 2.3% of GDP, causing the budget deficit that year to widen to 5.1% of GDP, from 3.2% of GDP the previous year.

Overall, Malawi aims to reduce the budget deficit by 3.5 percentage points through expenditure cuts on subsidies and minimizing wasteful spending in the medium term. Malawi depends on aid for its budgetary support, given its narrow revenue base. Grants comprise an estimated 15.8% of total revenue in 2022/23. There will be an attempt to diversify the source of funds through greater domestic collection. Tax reforms envisaged under the government's Domestic Revenue Mobilization Strategy (DRMS) include upward revision of government rates and fees to make them cost reflective, reforming excise tax, and the introduction of presumptive tax for small business, among other measures, which we expect to improve revenue from 2024.

POSSIBLE IMPACT: *The Government faces significant risks to its target of reducing the fiscal deficit, including greater than expected expenditures to rehabilitate infrastructure damage and social spending on families affected by cyclone Ana. The fiscal deficit is likely to increase in the short to medium term, putting further upward pressure on interest rates due to increased borrowing to finance the budget.*

Economic Growth

Real GDP Growth Projections				
	2019	2020	2021	2022
EIU	4.10%	-1.00%	2.70%	1.80%
IMF	4.00%	0.60%	2.20%	0.90%
WORLD BANK	4.40%	1.00%	2.80%	0.90%
GOVERNMENT	5.10%	0.90%	3.90%	1.70%
Average Real GDP	**4.40%**	**0.38%**	**2.90%**	**1.33%**

Based on various institutions' projections, the economy is expected to grow by an estimated average of 1.33% in 2022. The government's 2022 projection of GDP growth has been revised down to 1.70% from 4.10% which was projected earlier. The IMF and World Bank have revised their forecasts downward to 0.90% from 2.70% and 2.10% respectively. The EIU has applied a second downward revision to the growth forecast to 1.8% in its fourth quarter estimates. Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing and a poor business environment that erodes investor confidence. In the light of slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a large rise in local interest rates in the face of soaring inflation will slow growth in 2022.

Further, the continued electricity supply disruption caused by Tropical Storm Ana early in the year is heavily weighing down on economic activities in the country. Domestic economic activity in 2022 is also being affected by the acute foreign exchange shortages, reflecting the structural imbalances between supply and demand of foreign exchange. These factors will mainly affect growth in the Manufacturing; Transportation; and Wholesale and Retail trade. However, in 2023, RBM projects growth to increase to 2.6%, albeit lower than an earlier projection of 4.0% for the year.

The distribution of Private sector credit has often been criticized not to be geared towards growth sectors. The Community, Social and Personal Services sector continued to hold the largest share of outstanding private sector credit at 34.3%, followed by the Wholesale and Retail Trade sector at 20.6%; Agriculture, Forestry, Fishing and Hunting sector at 15.2%; and Manufacturing sector at 12.5%. Manufacturing and Agriculture, the key pillars in the development and growth agenda receive the lowest percentage of private sector credit, despite access to finance being major barriers to the development and growth of the sectors.

From 2024 the mining sector's contribution to GDP will increase steadily supported by quarrying of aggregates and uranium mining expected to come on stream. High operating costs, limited electricity supply and fluctuations in global demand remain key constraints. The decline in global uranium prices following the Fukushima disaster in Japan in 2011 has been largely reversed over the past year. Talks were held in May between Lotus Resources, an Australian-listed miner, on restarting operations at Kayelekera, which was Malawi's only uranium mine before production was halted in 2013. Output from that mine is likely to begin to be realized in 2024, supporting robust growth in that year.

Agriculture is expected to record remarkable gains in 2024 as fertilizer prices normalize and foreign-currency shortages lessen. Immense pressure from weather shocks remains a major threat to Malawi's agriculture; nonetheless, growth is expected to reach 3.0% in 2024, from an estimated 1.8% in 2022. Commercialization of agriculture, together with expenditure rationalization and the prioritization of capital expenditure under IMF guidance may result in real GDP averaging 4.0% in 2025-27 forecast window, from an estimated average of 2.1% in 2022-24. In late 2025 the 300-MW Kamwamba power plant project is expected to be commissioned, improving the power situation, and contributing about 3.0% to economic growth in 2025.

POSSIBLE IMPACT: *Malawi’s weak business environment, fiscal indiscipline and rising current account deficit will continue to stunt economic growth in the short to medium term. However, successful implementation of the MW2063 agenda enhances the future economic growth prospects of the country in the long term.*

ECONOMIC RISKS

ECONOMIC RISK	IMPACT ON ECONOMY	MITIGATING MEASURES
Russia – Ukraine Conflict	1. Disruptions to supply chains. 2. Rising global commodity prices. 3. Imported inflation. 4. Reduced fiscal space. 5. Rising geopolitical risk.	1. Diversifying supply chains 2. Increasing strategic reserves of volatile commodities 3. Robust monetary policy framework 4. Stringent fiscal consolidation framework 5. Risk monitoring
Coronavirus Pandemic	1. Unbudgeted government expenditure putting pressure on fiscal discipline. 2. Increases in commodity and service prices e.g. transportation. 3. Loss of human capital as result of death and illness. 4. Disruptions in supply chains. 6. Rising income inequality. 7. Rising unemployment especially in tourism sector. 8. Strain on public health system.	1. Sensitising people on the dangers of the virus and practice social distancing and wearing masks. 2. Increased uptake and availability of vaccinations.
Increase in government debt	1. Creates a future obligation for government which may keep the budget deficit large. 2. Risk of default 3. Crowds out the private sector, reducing the expansion of the private sector as funds are not available.	1. Reduce government expenditure by tightening fiscal policy. 2. Increase government revenue base to finance debt. 3. Ensure tax compliance
Global tobacco lobby (anti-smoking)	1. Decline in demand for Malawi tobacco and services from supporting industries resulting in lower commodity prices. 2. Reduction in export earnings (tobacco accounts for 60% of Malawi's export earnings). 3. Reduced employment opportunities in the tobacco and supporting industry. 4. Lower income for farmers- small holder and commercial.	1. Diversify into other sectors such as mining and cotton etc. 2. Engage in aggressive tourism marketing and investment.
Insufficient power supply	1. Commercial productivity remains small scale as large-scale enterprises are difficult to implement with limited power supply. 2. Low industrial productivity in the manufacturing sector resulting in low economic productivity and dampening economic growth. 3. Deferment of development by investors due to lack of infrastructure 4. Higher costs to producers due to expenditure on alternative power or induced by production	1. Encourage use of energy saver bulbs. 2. Rehabilitate and develop new power plants. 3. Public-Private Partnerships to enhance energy production through alternative power sources. 4. The entrance of Independent Power Producers (IPPs) may help boost power generation.

	disruptions.	
High population growth rates	1. Reduced per capita income. 2. Over-crowding on public resources. Resources which could have been allocated to more productive activities are used to take care of the growing population. 3. Strain on climate.	1. Civic education to raise awareness of family planning methods.
Uncertainty in the external environment Uncertainty in the external environment	1. Dampening export demand for major export commodities i.e. tobacco, tea, cotton and sugar. 2. Declining investor interest in Malawi resulting in fewer investments, hence less foreign currency coming into the country. 3. Declining remittances from abroad, hence contributing to lower forex levels. 4. Reduced access to foreign capital, hence financing not available or difficulties in accessing letters of credit. 5. Impaired growth and Balance of Payments (BOP) due to declining exports and low foreign investments. 6. Decline in tourism levels leading to lower forex revenues.	1. Diversification of export base of products. 2. Diversify away from agricultural production, focus more on value added goods, manufacturing, and service sector products where the country has a comparative advantage.

APPENDIX

Appendix 1: Selected economic indicators for Malawi (RBM, MSE, MERA, NSO)

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
MK : US$	816.40	816.40	816.40	816.40	816.64	1,021.66	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43
MK : GBP	1,102.14	1,095.94	1,090.96	1,071.04	1,021.70	1,286.47	1,232.13	1,253.69	1,224.48	1,175.11	1,224.69	1,264.02	1,273.64
MK : ZAR	51.35	52.49	53.31	56.27	51.45	65.82	61.31	62.49	60.78	58.84	58.04	62.30	62.35
MK : EUR	924.25	911.51	911.59	911.18	860.17	1,096.85	1,042.24	1,050.97	1,063.78	1,036.93	1,050.67	1,093.60	1,125.74
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	429.17	399.98	385.40	374.48	363.27	388.22	415.73	372.99	378.89	357.18	326.06	338.87	429.17
Private Sector Reserves (US$'mn)	425.52	424.49	407.22	391.49	362.84	401.13	401.60	396.02	398.43	408.84	427.67	400.77	425.52
Total Reserves (US$'mn)	854.69	824.47	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02	753.73	739.64	854.69
Total Import Cover (months)	3.42	3.30	3..17	3.07	2.90	3.15	3.27	3.07	3.11	3.07	2.47	2.96	3.42
Inflation (NSO)													
Headline Inflation	11.50	12.10	13.00	14.10	15.70	19.10	23.50	24.60	25.50	25.90	26.70	25.80	25.40
Food	13.60	14.20	15.30	17.10	19.50	25.50	31.20	32.50	33.40	33.70	34.50	33.40	31.30
Non Food	9.50	9.60	10.10	10.50	12.20	13.20	16.60	17.50	18.20	18.30	18.60	17.70	18.60
Interbank Rates (Source: RBM)													
Monetary Policy Rate	12.00%	12.00%	12.00%	12.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	18.00%	18.00%	18.00%
Average Interbank Rate	11.98%	11.79%	11.70%	11.70%	12.96%	12.42%	12.48%	12.50%	12.50%	12.50%	12.63%	17.30%	17.30%
Average Base Lending Rates	12.20%	12.20%	12.20%	12.20%	13.50%	13.50%	13.80%	13.90%	13.80%	13.90%	16.60%	15.00%	15.00%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.69%	9.70%	9.70%	9.71%	9.65%	9.75%	9.75%	10.07%	10.67%	11.00%	11.00%	12.99%	13.00%
182 day Treasury Bill yield	13.00%	13.00%	13.00%	13.00%	13.00%	14.10%	15.00%	15.00%	15.24%	15.49%	15.48%	16.92%	17.50%
364 day Treasury Bill yield	14.47%	14.84%	15.00%	15.00%	15.00%	16.38%	17.04%	17.74%	18.06%	18.68%	18.75%	19.15%	19.50%
Stock Market Indices (Point) (Source: MSE)													
MASI	45,367.68	44,501.63	45,472.09	45,921.23	46,934.16	50,300.44	49,596.14	52,889.87	54,454.45	54,389.92	55,046.26	59,795.69	62,036.05
DSI	34,284.11	36,322.34	37,186.63	37,584.34	37,283.40	39,037.30	39,011.21	42,717.13	44,109.31	44,360.30	44,360.30	48,811.22	50,804.03
FSI	3,450.24	4,183.22	4,182.23	4,184.71	5,720.11	7,305.55	6,538.52	5,548.61	5,548.61	5,154.73	5,154.73	5,613.43	5,614.30
Fuel Prices per Litre (Source: MERA)													
Petrol	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,999.00	1,999.00	1,946.00	1,946.00	1,946.00	1,946.00	1,946.00
Diesel	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,121.12	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00
Paraffin	833.20	833.20	833.20	833.20	833.20	833.20	900.38	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00

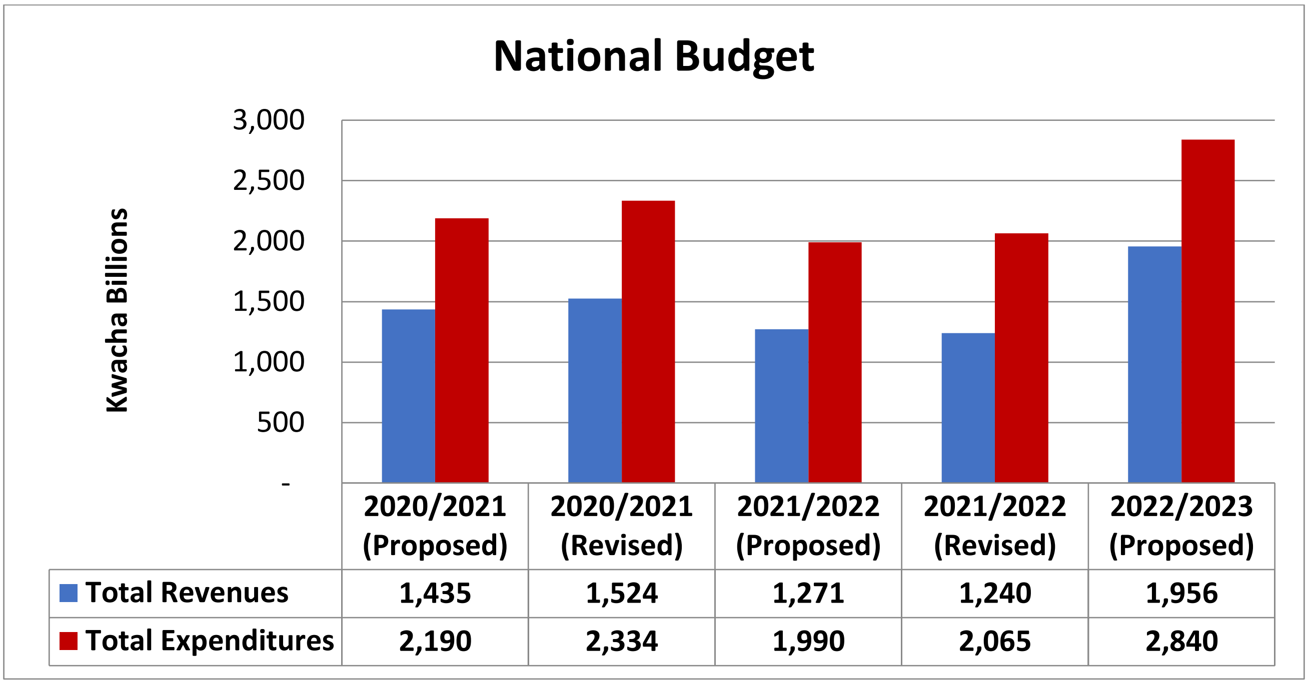
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia, and Mozambique

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
TANZANIA													
Exchange rate													
US$	2,297.81	2,298.11	2,298.53	2,298.51	2,298.85	2,300.70	2,304.20	2,304.47	2,305.11	2,307.94	2,308.26	2,308.52	2,308.89
GBP	3,104.45	3,074.52	3,254.96	3,023.93	2,865.98	2,907.40	2,817.34	2,796.93	2,700.67	2,524.66	2,524.66	2,770.58	2,777.37
ZAR	144.63	147.00	159.43	158.91	144.49	144.49	142.88	137.93	137.21	128.45	128.45	136.03	135.18
EUR	2,606.29	2,558.94	2,807.20	2,807.20	2,414.72	2,475.10	2,434.15	2,340.19	2,313.18	2,244.24	2,244.24	2,393.25	2,457.13
Inflation %	4.20	4.00	4.20	3.60	3.80	4.00	4.40	4.50	4.60	4.80	4.90	4.90	4.80
UGANDA													
Exchange rate													
US$	3549.3	3509.96	3538.96	3590.48	3561.43	3739.96	3759.35	3868.26	3810.74	3856.3	3805.22	3,738.33	3,713.63
GBP	4786.65	4700.00	4697.94	4716.25	4452.90	4583.28	4586.81	4653.83	4493.80	4143.44	4406.74	4,482.26	4,474.18
EUR	4028.26	3913.44	3931.74	3984.99	3744.93	3940.94	3953.47	3915.24	3816.46	3713.34	3804.46	3,872.16	3,954.27
Inflation %	2.90	2.70	3.20	3.70	4.90	6.30	6.80	7.90	9.00	10.00	10.70	10.60	10.20
Central Bank Rate %	6.50	6.50	6.50	6.50	6.50	6.50	7.50	8.50	9.00	9.00	10.00	10.00	10.00
ZAMBIA													
Exchange rate													
US$	16.69	18.05	17.76	18.07	17.03	17.28	16.96	16.37	15.88	15.77	16.17	17.06	18.07
GBP	29.12	24.22	23.81	23.71	21.37	21.71	20.58	19.76	18.50	17.45	18.62	20.47	21.75
ZAR	1.04	1.16	1.15	1.24	1.08	1.10	1.03	0.99	0.93	0.88	0.88	1.01	1.07
Inflation %	16.40	15.10	14.20	13.10	11.50	10.20	9.70	9.90	9.80	9.90	9.70	9.80	9.90
Central Bank Rate %	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Mozambique													
US$	63.83	63.83	63.83	63.83	63.83	63.83	63.87	63.87	63.87	63.87	63.87	N/A	63.83
ZAR	4.20	4.22	4.33	4.00	4.05	4.00	3.88	3.94	3.59	3.54	3.75	N/A	4.10
EUR	72.28	72.56	70.18	67.39	68.38	67.27	65.36	65.79	62.32	62.96	66.21	N/A	71.20
Inflation%	6.70	7.80	6.84	6.70	7.90	9.31	10.81	11.77	12.10	12.01	11.83	11.25	10.91

(Source: Bank of Zambia, Bank of Tanzania, Bank of Mozambique, Bank of Uganda)

Appendix 3: Budget Framework (Source: Ministry of Finance)

K'Billion	2019/2020 (Revised)	2020/2021 (Proposed)	2020/2021 (Revised)	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)
Total Revenues	**1,527**	**1,435**	**1,524**	**1,271**	**1,240**	**1,956**
Domestic revenues	1,352	1,179	1,186	1,101	1,101	1,636
Grants	175	256	338	170	139	320
Budgetary support						
Earmarked grants						
Total Expenditure	**1,842**	**2,190**	**2,335**	**1,990**	**2,065**	**2,840**
Reccurent expenditure	1,371	1,679	1,719	1,419	1,525	2,019
Wages & Salaries	466	524	542	436	439	670
Interest on debt	244	376	376	300	300	524
Investment Expenditure	471	511	616	571	540	821
Deficit/Surplus	**(315)**	**(755)**	**(811)**	**(719)**	**(825)**	**(883)**
Deficit as a % of Revenue	**-21%**	**-53%**	**-53%**	**-57%**	**-67%**	**-45%**



Appendix 4: Central Government Budgetary Operations in billions of Kwacha (Source: RBM)

Table 3: Central Government Budgetary Operations (MK' billion)

Category	2021			2022										
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov
Total Revenues	**130.8**	**117.3**	**130.3**	**144.1**	**159.9**	**167.4**	**140.7**	**128.7**	**149.4**	**157.8**	**182.6**	**168.8**	**194.7**	**144.4**
Domestic Revenues	121.6	103.0	119.8	129.5	112.4	157.1	130.9	119.4	131.6	134.3	158.0	148.6	173.3	121.6
Tax Revenue	116.5	99.3	104.1	116.3	100.4	105.9	123.6	107.8	112.5	130.4	150.5	122.4	153.9	114.6
Non -Tax revenue	5.1	3.7	5.1	13.1	12.0	51.3	7.3	11.6	19.1	3.9	7.5	26.1	19.4	7.0
Departmental receipts	4.5	2.7	10.5	12.3	3.0	14.6	5.6	7.4	7.9	3.3	6.8	5.6	3.1	4.6
Other Receipts	0.7	1.0	-5.4	0.8	9.0	36.7	1.7	4.2	11.8	0.6	0.6	20.5	16.3	2.4
Grants	9.1	14.3	10.5	14.6	47.5	10.2	9.8	9.3	17.8	23.5	24.6	20.2	21.4	22.8
Total Expenditures	**210.2**	**189.4**	**227.0**	**142.0**	**276.2**	**208.6**	**267.8**	**220.4**	**223.4**	**211.1**	**227.4**	**236.5**	**208.5**	**248.8**
Recurrent Expenditure	194.6	145.3	206.6	123.7	210.8	170.1	227.3	193.6	197.3	172.5	207.6	210.9	186.1	216.3
Interest Payments	27.5	42.9	51.1	25.3	26.7	26.8	37.8	58.8	56.7	25.4	43.4	50.9	63.8	83.5
Domestic	26.7	42.0	49.8	24.0	25.6	25.6	35.3	57.4	52.2	24.9	39.5	48.4	60.6	82.2
Foreign	0.8	0.9	1.3	1.3	1.0	1.3	2.4	1.4	4.5	0.5	3.9	2.5	3.2	1.3
Development	15.6	44.2	20.4	18.4	65.3	38.5	40.5	26.8	26.2	38.6	19.8	25.6	22.4	32.5
Deficit/Surplus	**-79.5**	**-72.1**	**-96.7**	**2.1**	**-116.2**	**-41.2**	**-127.0**	**-91.2**	**-74.0**	**-53.4**	**-44.9**	**-67.7**	**-13.8**	**-104.4**
Financing (net)	88.3	56.3	96.7	-2.1	116.2	41.2	127.0	-9.7	127.6	52.8	100.6	145.9	126.8	
Foreign	0.0	0.0	0.0	0.0	-2.1	-2.2	-3.3	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic	88.3	56.3	96.7	-2.1	118.3	43.4	130.3	-9.7	127.6	52.8	100.6	145.9	126.8	
Banking System	181.7	49.8	89.4	-2.3	106.7	68.4	79.6	-25.1	84.7	45.3	-11.5	76.1	116.3	
Non-Bank Sector	-100.4	6.5	19.3	19.5	15.8	49.8	30.4	15.4	42.9	7.5	112.1	69.8	10.5	
Errors and Omissions	8.8	-15.8	0.0	0.0	0.0	0.0	0.0	-81.5	53.6	-0.6	55.7	78.2	113.0	

Source: Reserve Bank of Malawi

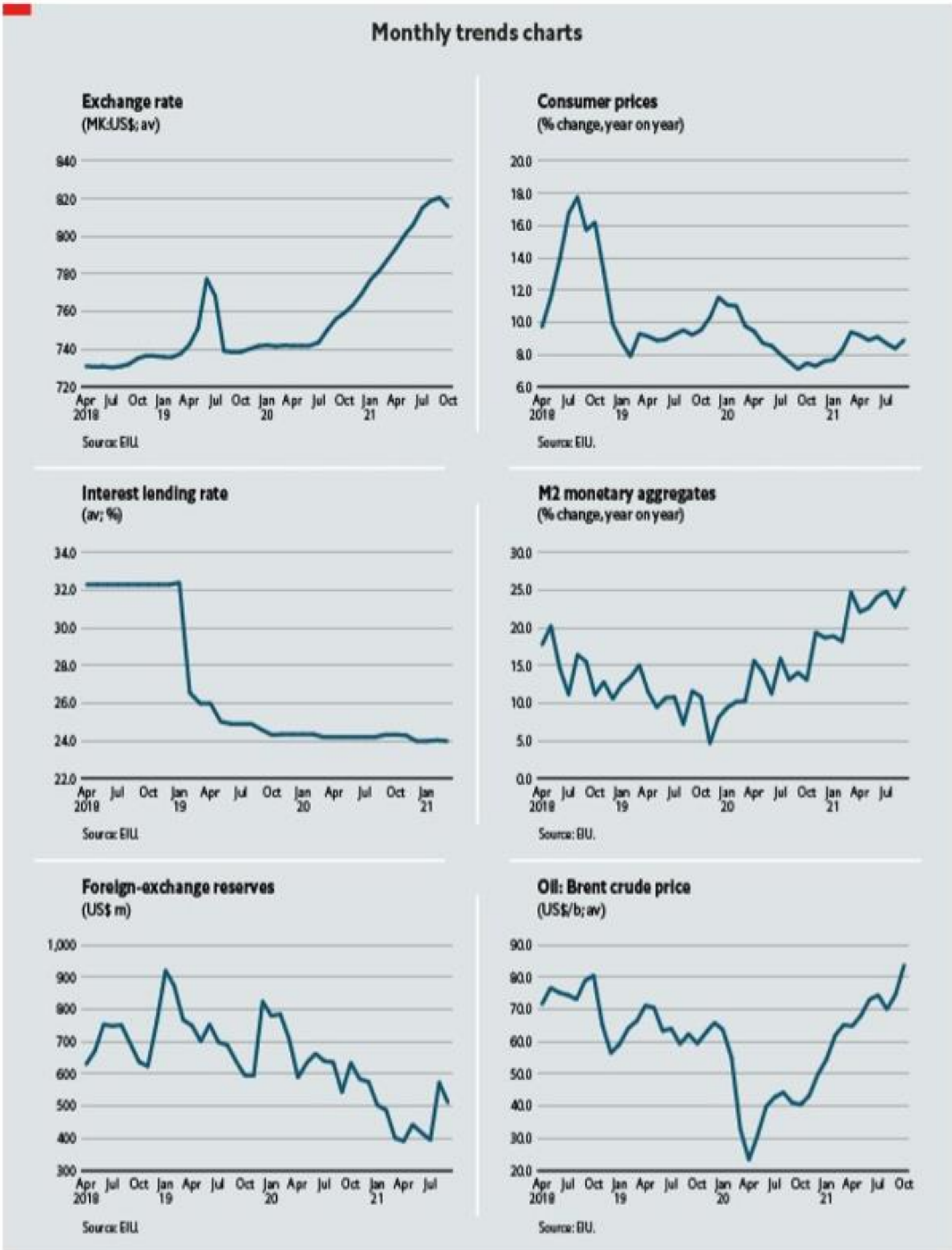
Appendix 5: Malawi selected Economic indicators (Source: RBM)

Table 9: Selected Economic Indicators (in MK' billion, unless otherwise stated)

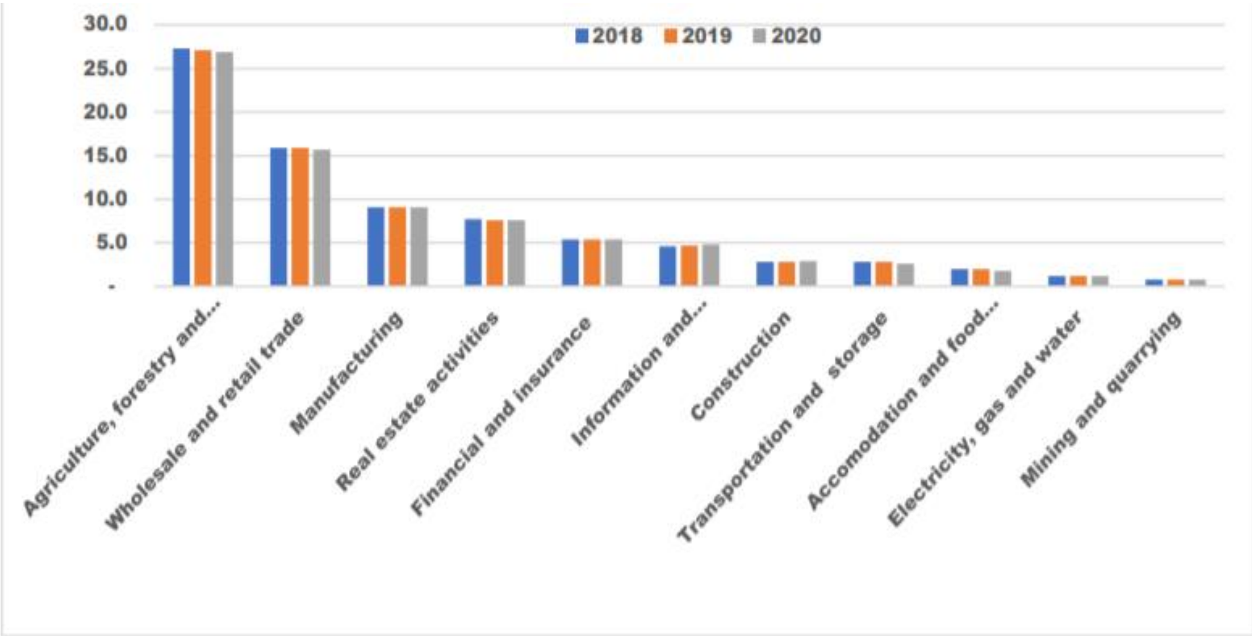
	2014	2015	2016	2017	2018	2019	2020	2021	2021 Nov	2022 Nov
Real Sector[3]										
Population (million)	15.8	16.3	16.8	17.4	17.9	18.5	19.1	19.5	19.5	19.9
GDP at current market prices	2,534.5	3,212.7	3,812.6	6,531.2	7,234.9	8,239.6	8,821.3	9,943.9	9,943.9	12,004.8
Real GDP growth (percent)	6.2	3.3	2.7	5.1	4.4	5.7	0.8	4.2	4.2	1.7
GDP per capita (K'000)	160.4	197.1	226.9	266.8	403.5	445.2	461.85	509.95	509.95	603.26
GDP per capita (US$)	378.0	394.5	318.1	365.4	550.9	597.1	616.18	632.77	632.77	665.78
Consumer Price Index (CPI)[4]	157.6	192.0	233.7	260.7	104.7	114.5	124.4	136.0	143.0	122.3
Year-on-year inflation rate (percent)	23.8	21.9	21.7	11.5	9.2	9.4	8.6	9.3	11.1	25.8
Fiscal Sector										
Total Revenue	535.9	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0	1,141.5	112.2	144.4
Domestic Revenues	483.0	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	103.0	121.6
Grants	52.9	47.1	67.0	87.9	90.5	145.0	206.1	151.8	9.0	22.8
Total expenditure	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1655.5	189.1	248.8
Recurrent	534.4	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	144.9	216.3
Development	58.7	95.5	131.8	163.0	196.9	204.3	247.4	670.8	44.2	32.5
Deficit/GDP ratio (after grants)	-2.6	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-0.8	-0.9
Monetary Sector										
Net Foreign Assets	241.6	339.5	355.8	455.7	250.5	331.9	-182.9	-405.9	-479.5	-718.0
Net Domestic Credit	458.2	604.4	755.0	937.8	1,300.7	1,433.1	1,849.7	2691.0	2645.5	3418.3
Government	153.4	209.0	337.5	519.9	744.1	700.5	976.9	1608.8	1442.1	2044.2
Statutory bodies	4.3	5.1	9.2	8.1	34.1	48.2	50.6	205.3	217.4	283.8
Private (gross)	300.5	390.3	408.3	409.8	493.2	595.0	692.8	821.9	807.7	1021.8
Money Supply (M2)	629.8	778.8	897.3	1,074.4	1,198.3	1,320.4	1,541.4	2004.4	1895.0	2627.9
M2 Growth Rate (annual percent)	20.7	23.7	15.2	19.7	11.5	10.2	16.7	30.0	28.9	38.7
Reserve Money	212.3	206.0	240.6	278.9	289.8	303.4	342.1	449.4	412.6	600.3
Banks Deposits	92.4	66.0	56.2	78.2	59.6	26.0	57.3	89.3	62.4	151.9
External Sector										
Overall Balance	76.3	45.1	-45.0	1.9	-2.8	54.5.4	-191.7	202.5	..	..
Current Account	-482.1	-550.1	-727.6	-1,088.9	-814.5	-945.0	-1058.0	1,282.8	..	..
Exports (fob)	600.9	531.6	737.5	611.2	814.5	975.4	838.3	788.0	71.1	117.3
Imports (cif)	1171.4	1,134.6	1,577.6	1,864.1	2,141.6	2,421.2	2,285.7	2,330.2	230.9	120.7
Trade balance	-570.4	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,542.2	-159.9	-3.3
Capital account balance	194.1	114.0	525.1	761.8	629.1	693.8	613.0	730,.2	..	..
Gross foreign exchange reserves	389.6	549.2	586.7	739.4	660.1	700.7	626.1	593.6	648.3	765.2
Official	276.6	445.3	438.6	549.9	548.2	605.5	437.2	346.5	314.8	350.6
Commercial banks	113.0	103.9	148.1	189.5	111.9	95.2	188.9	247.1	333.4	414.6
Import cover (Official reserves in months)	3.0	3.2	2.8	3.6	3.6	2.9	4.0	1.7	1.3	1.4
Current account balance/GDP (percent)	-19.7	-17.1	-19.1	-23.5	-17.3	-15.1	-12.1	-12.97	..	..
Debt/GDP (percent)	49.7	52.8	66.7	61.3	62.7	45.0	53.8	60.1	..	..
Debt Service/Exports (percent)	3.4	3.8	4.1	6.0	6.2	6.8	12.9	..	..	..
MK/US Dollar (eop)	435.229	664.365	725.01	730.46	733.69	738.87	773.11	819.44	822.88	1034.42
MK/US Dollar (pd avg)	369.181	499.607	713.85	726.65	732.33	742.23	749.53	805.90	823.04	1035.03

Source: National Statistical Office, Reserve Bank of Malawi and Ministry of Finance and Economic Affairs.

Appendix 6: Monthly Trends—Malawi (Source: EIU)



Appendix 7: Contribution to GDP by sector (Source: NSO, RBM)



Source: National Statistical Office, Reserve Bank, Ministry of Finance and Ministry of Economic Planning and Development

Appendix 8: Malawi Economic growth Projections (Source: EIU)

Economic growth

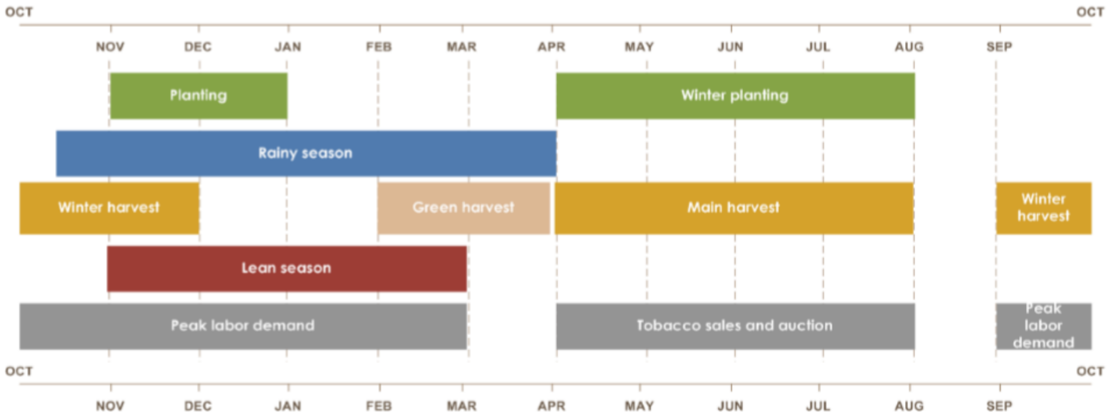
%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	2.7	3.1	3.6	3.7	4.0	4.2
Private consumption	1.5	2.0	2.8	3.0	3.1	3.3
Government consumption	2.0	2.3	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	5.0	5.5	5.9	6.1	6.3
Exports of goods & services	4.1	4.3	4.7	4.9	5.2	5.7
Imports of goods & services	3.0	3.3	4.0	4.3	4.5	4.9
Domestic demand	2.0	2.4	3.1	3.3	3.5	3.7
Agriculture	1.9	2.8	3.0	3.4	3.8	4.0
Industry	2.1	2.4	2.6	2.8	3.1	3.3
Services	2.7	3.0	3.9	4.1	4.3	4.6

[a] EIU estimates. [b] EIU forecasts.

Appendix 9: Global Projections (Source: IMF)

	Year over Year						Q4 over Q4 2/		
		Estimate	Projections		Difference from October 2020 WEO Projections 1/		Estimate	Projections	
	2019	2020	2021	2022	2021	2022	2020	2021	2022
World Output	**2.8**	**–3.5**	**5.5**	**4.2**	**0.3**	**0.0**	**–1.4**	**4.2**	**3.7**
Advanced Economies	**1.6**	**–4.9**	**4.3**	**3.1**	**0.4**	**0.2**	**–3.9**	**4.6**	**1.9**
United States	2.2	–3.4	5.1	2.5	2.0	–0.4	–2.1	4.0	2.0
Euro Area	1.3	–7.2	4.2	3.6	–1.0	0.5	–6.8	5.8	2.0
Germany	0.6	–5.4	3.5	3.1	–0.7	0.0	–5.3	5.2	1.7
France	1.5	–9.0	5.5	4.1	–0.5	1.2	–8.2	7.4	2.0
Italy	0.3	–9.2	3.0	3.6	–2.2	1.0	–8.3	4.2	2.3
Spain	2.0	–11.1	5.9	4.7	–1.3	0.2	–9.8	7.1	2.0
Japan	0.3	–5.1	3.1	2.4	0.8	0.7	–2.3	2.7	1.6
United Kingdom	1.4	–10.0	4.5	5.0	–1.4	1.8	–8.3	6.0	1.9
Canada	1.9	–5.5	3.6	4.1	–1.6	0.7	–4.0	3.7	2.7
Other Advanced Economies 3/	1.8	–2.5	3.6	3.1	0.0	0.0	–2.2	4.5	1.9
Emerging Market and Developing Economies	**3.6**	**–2.4**	**6.3**	**5.0**	**0.3**	**–0.1**	**0.9**	**3.7**	**5.4**
Emerging and Developing Asia	5.4	–1.1	8.3	5.9	0.3	–0.4	3.2	3.8	6.4
China	6.0	2.3	8.1	5.6	–0.1	–0.2	6.2	4.2	6.0
India 4/	4.2	–8.0	11.5	6.8	2.7	–1.2	0.6	1.7	7.8
ASEAN-5 5/	4.9	–3.7	5.2	6.0	–1.0	0.3	–3.2	5.2	6.1
Emerging and Developing Europe	2.2	–2.8	4.0	3.9	0.1	0.5	–2.7	4.8	3.0
Russia	1.3	–3.6	3.0	3.9	0.2	1.6	–4.6	5.3	2.6
Latin America and the Caribbean	0.2	–7.4	4.1	2.9	0.5	0.2	–4.8	2.3	2.8
Brazil	1.4	–4.5	3.6	2.6	0.8	0.3	–1.9	1.6	2.6
Mexico	–0.1	–8.5	4.3	2.5	0.8	0.2	–5.4	2.2	2.4
Middle East and Central Asia	1.4	–3.2	3.0	4.2	0.0	0.2	. . .	. . .	. . .
Saudi Arabia	0.3	–3.9	2.6	4.0	–0.5	0.6	–3.1	3.5	4.0
Sub-Saharan Africa	3.2	–2.6	3.2	3.9	0.1	–0.1	. . .	. . .	. . .
Nigeria	2.2	–3.2	1.5	2.5	–0.2	0.0	. . .	. . .	. . .
South Africa	0.2	–7.5	2.8	1.4	–0.2	–0.1	–6.2	2.8	0.6
Memorandum									
Low-Income Developing Countries	5.3	–0.8	5.1	5.5	0.2	0.0	. . .	. . .	. . .
World Growth Based on Market Exchange Rates	2.4	–3.8	5.1	3.8	0.3	0.0	–2.0	4.3	3.1
World Trade Volume (goods and services) 6/	**1.0**	**–9.6**	**8.1**	**6.3**	**–0.2**	**0.9**	. . .	. . .	. . .
Advanced Economies	1.4	–10.1	7.5	6.1	0.4	1.0	. . .	. . .	. . .
Emerging Market and Developing Economies	0.3	–8.9	9.2	6.7	–1.0	0.8	. . .	. . .	. . .
Commodity Prices (US dollars)									
Oil 7/	–10.2	–32.7	21.2	–2.4	9.2	–5.4	–27.6	13.5	–2.2
Nonfuel (average based on world commodity import weights)	0.8	6.7	12.8	–1.5	7.7	–2.0	15.4	2.0	–0.1
Consumer Prices									
Advanced Economies 8/	1.4	0.7	1.3	1.5	–0.3	–0.1	0.5	1.5	1.6
Emerging Market and Developing Economies 9/	5.1	5.0	4.2	4.2	–0.5	–0.1	3.2	3.8	3.7
London Interbank Offered Rate (percent)									
On US Dollar Deposits (six month)	2.3	0.7	0.3	0.4	–0.1	–0.1	. . .	. . .	. . .
On Euro Deposits (three month)	–0.4	–0.4	–0.5	–0.6	0.0	–0.1	. . .	. . .	. . .
On Japanese Yen Deposits (six month)	0.0	0.0	–0.1	–0.1	–0.1	–0.1	. . .	. . .	. . .

Appendix 10: Seasonal calendar for a typical year (Source: Fews NET)



Source: *FEWS NET*

Appendix 11: Food Insecurity Phase Descriptions (Source: Fews NET)

IPC Acute Food Insecurity Phase Descriptions (Area)

PHASE 1 Minimal	Households are able to meet essential food and non-food needs without engaging in atypical and unsustainable strategies to access food and income.
PHASE 2 Stressed	Households have minimally adequate food consumption but are unable to afford some essential non-food expenditures without engaging in stress-coping strategies.
PHASE 3 Crisis	Households either: - Have food consumption gaps that are reflected by high or above-usual acute malnutrition; OR - Are marginally able to meet minimum food needs but only by depleting essential livelihood assets or through crisis-coping strategies.
PHASE 4 Emergency	Households either: - Have large food consumption gaps which are reflected in very high acute malnutrition and excess mortality; OR - Are able to mitigate large food consumption gaps but only by employing emergency livelihood strategies and asset liquidation.
PHASE 5 Famine	Households have an extreme lack of food and/or other basic needs even after full employment of coping strategies. Starvation, death, destitution, and extremely critical acute malnutrition levels are evident. (For Famine Classification, area needs to have extreme critical levels of acute malnutrition and mortality.)
	At least 25 percent of households met at least 25 percent of their caloric requirements through humanitarian food assistance.
	At least 25 percent of households met at least 50 percent of their caloric requirements through humanitarian food assistance.
!	Phase classification would likely be at least one phase worse without current or programmed humanitarian food assistance.

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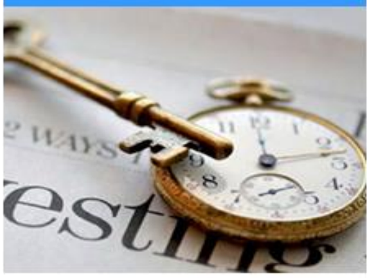

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