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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
BLC:	Bond Landed Costs
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
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

Based on various institutions' projections, the economy is expected to grow by an estimated average of 1.55% in 2023. For 2024, the economy is expected to grow by 3.0%, a rebound from 2023. The growth estimates are on account of growth in Agriculture, Mining and Quarrying, Manufacturing, Accommodation and Food services, Wholesale and Retail Trade, as well as Information and Communication sectors.

Downside risks to Malawi's medium-term growth outlook include erratic weather patterns, such as the expected El Niño event in late 2023 and early 2024, a high inflationary environment, high borrowing costs and delays to debt restructuring.

Malawi's wide current-account deficit, high public debt and a large positive inflation differential with trading partners will continue to undermine the value of the Kwacha. However, the gradual shift towards a market-led exchange rate has begun through the biweekly exchange rate auctions held by the RBM with Authorized Dealer Banks (ADBs). However, the Kwacha is expected to remain overvalued in 2024 owing to foreign-currency shortages, as a result of declining foreign currency reserves and limited letters of credit from international banks, which have been crucial in providing short-term liquidity support.

In November, the Executive Board of the IMF discussed the Second Review of the Staff-Monitored Program with Executive Board Involvement (PMB) and approved a 48-month arrangement under the Extended Credit Facility (ECF) for Malawi with access of 95.0% of the quota, equivalent to SDR131.86 million (about US$175.0 million).

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 and demand and supply imbalances of foreign exchange due to the widening trade deficit.
3. Climate change – Changes in weather patterns and extreme weather conditions, impacting infrastructure development, livelihoods, and agricultural production.
4. High government debt levels - Create a future obligation for the government to repay the debt plus interest.
5. High inflation rates – high costs of living are expected to reduce the standard of living, and measures used to curb inflation will result in higher borrowing costs, impacting production and growth.
6. High population growth rates - May reduce the country's ability to allocate resources to more productive activities.
7. 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.

ECONOMIC OVERVIEW

Inflation (Source: NSO)

The headline inflation rate for 2023 increased to 28.80% from 21.00% recorded in 2022. This was due to an increase in both food and non-food inflation as can be seen in the table below:

	2022	2023	% Change
Headline inflation	21.00%	28.80%	7.80%
Food	26.80%	37.10%	10.30%
Non-food	15.10%	18.80%	7.72%

Government Securities (Source: RBM)

During the year 2023, the all-type Treasury bill yield increased to 17.87% from 14.15% recorded in 2022.

Tenor	2022	2023	Change
91 days	10.58%	13.71%	3.13%
182 days	14.73%	17.80%	3.07%
364days	17.13%	22.11%	4.98%
All Type	14.15%	17.87%	3.73%

Total Treasury bill applications for 2022 stood at K796.39 billion and K731.01 billion was allotted representing a 8.21% rejection rate.

In 2023, the government conducted Treasury notes auctions for 2-year, 3-year, 5-year, 7-year and 10-year tenors. Total applications for 2023 decreased to K1.08 trillion from K1.51 trillion in 2022 while total allotments decreased to K1.0 trillion from K1.41 trillion in 2022, resulting in a 7.51% rejection rate compared to 6.54% recorded in 2022.

Below is a summary of the Treasury Notes for the year 2023:

2023			
Tenor (years)	Applied (K'bn)	Allotted (K'bn)	Average Yield
2	301.56	287.73	25.40%
3	301.89	262.22	26.67%
5	244.78	233.70	28.71%
7	117.88	102.21	30.24%
10	116.87	115.48	31.82%
TOTAL	**1,082.98**	**1001.34**	

Foreign Currency Market (Source: RBM)

During the year of 2023, the Malawi Kwacha depreciated against all major curenies. See table below:

CURRENCY	2022	2023	% Change
MK/US Dollar	1,026.43	1,683.37	-64.00%
MK/GBP	1,273.64	2,212.41	-73.71%
MK/ZAR	62.35	93.54	-50.01%
MK/EUR	1,125.74	1,918.18	-70.39%

Forex Reserves (Source: RBM)

The stock of total economy foreign exchange reserves as at 30 November 2023 was estimated at US$582.7 million (2.3 months of imports) compared to US$739.64 million (2.9 months of imports) at the end of the corresponding period in 2022. The decline in total foreign exchange reserves was explained by decreases in both the gross official reserves and private sector foreign exchange reserves.

Gross official reserves for November 2023 registered at US$169.5 million (0.7 months of imports) from US$338.87 million (1.36 months of imports) recorded in the corresponding period in 2022.

Meanwhile, private sector foreign exchange reserves rose to US$413.2 million (1.7 months of imports) from US$400.77 million (1.6 months of imports).

	Nov-22 (US$ million)	Nov 23 (US$ million)	% Change
Official Reserves	338.87	169.50	-49.98%
Private Sector	400.77	413.20	3.10%
Total	739.64	582.70	-21.22%
Import Cover (Months)			
Gross Official	1.36	0.7	-48.53%
Private Sector	1.60	1.70	6.25%
Total	2.96	2.40	-18.92%

(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 2023 increased to a daily average of K55.23 billion from K33.64 billion recorded in 2022. Access to the Lombard facility (discount window borrowing) during 2023 averaged K85.76 billion per day at an average rate of 21.71% while that of 2022 averaged K27.80 billion per day at an average rate of 14.18%.

During the year 2023, overnight borrowing between banks increased to a daily average of K25.61 billion from K15.44 billion recorded in 2022. This was at an average rate of 19.47% (2022: 12.57%).

The reference rate for December 2023 closed at 23.60%, compared to 17.30% in December 2022.

Stock Market (Source: MSE)

The market registered a positive return on the index as reflected in the upward movement of the Malawi All Share Index (MASI) from 62,036.05 points registered on 3 January 2023 to 110,951.21 points registered on 29 December 2023, giving a return on index of 78.85%, (9.05% in US$ terms) compared to 36.74%, (8.76% in US$ terms) registered in 2022. The price gains registered by fifteen counters, FDHB (+302.99%), NBS (+237.94%), NITL (+228.02%), FMBCH (+184.14%), NICO (+150.67%), ILLOVO (+133.34%), SUNBIRD (+107.55%), STANDARD (+97.48%), OMU (+52.28%), ICON (+49.37%), NBM (_36.26%), TNM (+33.57%), BHL (+18.51%), PCL (+14.93%), AIRTEL (+5.93%) were enough to offset a share price loss by MPICO (-27.33%) resulting into an upward movement of the Malawi All Share Index. The Domestic and Foreign Share indices inched upwards by 69.99% and 181.28% to close at 86,359.68 and 15,792.06 points respectively.

Market capitalization increased in Kwacha and marginally in US Dollar terms as a result of the 44.0% devaluation of the Malawi Kwacha in November 2023 from K3.35 trillion (US$3.26 billion) on 03 January 2023 to K5.99 trillion (US$3.56 billion) on 31 December 2023.

In the year 2023, the market transacted a total of 612,184,956 shares at a total consideration of MK77,207,908,713.89 (US$66,848,878.62) in 10,736 trades. In the corresponding period 2022, the market transacted a total of 1,402,901,021 shares at a total consideration of MK51,719,845,760.25 (US$54,088,354.47) in 4,271 trades. This reflects a – 56.36% decrease in share volume traded but a 49.28% (23.59% in US$ terms) increase in share value traded.

Counter	Dec-23	Dec-22	% Change
	MK/Share	MK/Share	%
AIRTEL	60.00	56.64	5.93%
BHL	13.00	10.97	18.51%
FMBCH	315.00	110.86	184.14%
FDHB	70.00	17.37	302.99%
ICON	17.85	11.95	49.37%
ILLOVO	1260.03	540.00	133.34%
MPICO	15.00	20.64	-27.33%
NBM	2,102.25	1,542.05	36.33%
NBS	114.90	34.00	237.94%
NICO	150.40	60.00	150.67%
NITL	409.99	124.99	228.02%
OMU	1,500.00	985.00	52.28%
PCL	2,506.99	2,181.37	14.93%
STANDARD	3,950.00	2,000.16	97.48%
SUNBIRD	191.07	92.06	107.55%
TNM	18.70	14.00	33.57%
MASI	110,951.21	62,036.05	78.85%
DSI	86,359.68	50,804.03	69.99%
FSI	15,792.06	5,614.30	181.28%

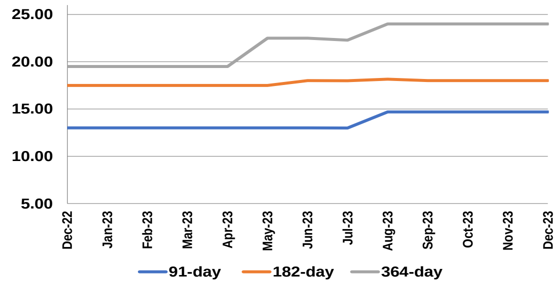
Below is a presentation of the published 2022 and 2023 half year financials for the respective companies.

Published Financials for 2023 and 2022						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period (Full-Year)	**Aug-23**	**Aug-22**	**% Change**	**Aug-23**	**Aug-22**	**% Change**
ILLOVO	56.76	26.63	113.14%	29.20	21.00	39.05%
Period (Half-Year)	**Jun-23**	**Jun-22**	**% Change**	**Jun-23**	**Jun-22**	**% Change**
AIRTEL	18.99	8.90	113.36%	0.00	0.00	0.00%
BHL	(0.49)	-0.48	1.92%	0.00	0.00	0.00%
ICON	6.40	4.50	42.22%	0.13	0.12	8.33%
MPICO	5.08	3.16	60.76%	0.00	0.00	0.00%
STANDARD	26.90	15.84	69.88%	0.00	21.31	-100.00%
NBM	35.48	22.12	60.40%	23.50	17.14	37.11%
NICO	32.40	12.70	155.12%	2.00	1.00	100.00%
NITL	16.49	1.46	1027.14%	1.50	0.80	87.50%
FDH BANK	15.01	8.71	72.44%	1.31	0.74	77.03%
TNM	0.78	(1.34)	158.21%	0.00	0.00	N/A
NBS BANK	12.16	5.09	138.90%	1.20	0.85	41.18%
SUNBIRD	1.60	0.40	300.00%	2.00	0.50	300.00%
PCL	34.29	15.98	114.58%	9.00	7.00	28.57%
	Net Profit/(Loss) (US$' million)			Total Dividend (Per Share) (US$)		
FMBCH	42.03	25.24	66.50%	0.21	0.15	100.00%

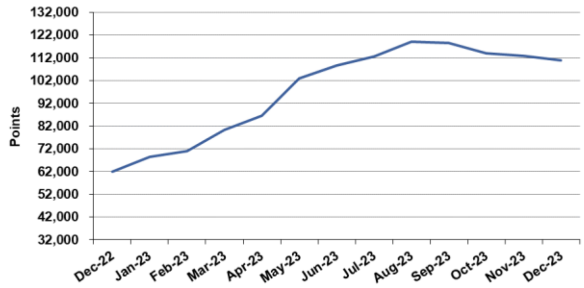
TRADING STATEMENT	
NBM	National Bank of Malawi plc advises that its PAT for the year ending 31 December 2023 is expected to be within the range of K64.4 billion and K71.2 billion.
NICO	NICO Holdings Plc advises that its consolidated PAT for the year ending 31 December 2023 is expected to be in the range of K61.0 billion and K66.0 billion.
NBS BANK	NBS Bank Plc advises that its PAT for the year ending 31 December 2023 is expected to be in the range of K61.0 billion and K66.0 billion.
FDH BANK	NBS Bank Plc advises that its PAT for the year ending 31 December 2023 is expected to be in the range of K29.1billion and K30.0 billion.
STANDARD	Standard Bank Plc advises that its PAT for the year ending 31 December 2023 is expected to be in the range of K46.5 billion and K52.3 billion.
PCL	Press Corporation Plc advises that its PAT for the year ending 31 December 2023 is expected to be between 73.0% and 92.0% higher that the corresponding period.
SUNBIRD	Sunbird Tourism Plc advises that its PAT for the year ending 31 December 2023 is expected to be in the range of K5.2 billion and K5.6 billion.
AIRTEL	Airtel Plc advises that its PAT for the year ending 31 December 2023 is expected to be in the range of K1.76 billion and negative K2.0 billion.
TNM	TNM Plc advises that its Loss After Tax for the year ending 31 December 2023 is expected to be in the range of K4.7 billion and K5.0 billion.
NITL	NITL Plc advises that its PAT for the year ending 31 December 2023 is expected to be between K19.5 and K20.5 billion.

Trend Graphs

Treasury Bill Yields (%) (Source: RBM)

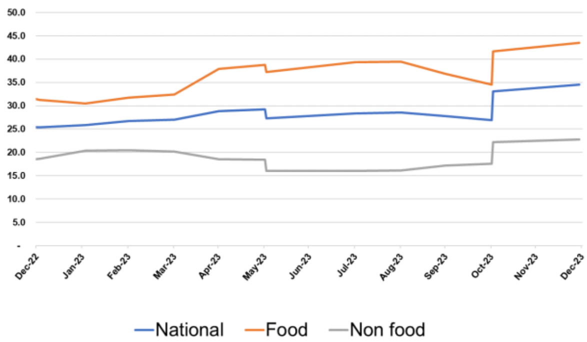


Malawi All Share Index (Source: MSE)

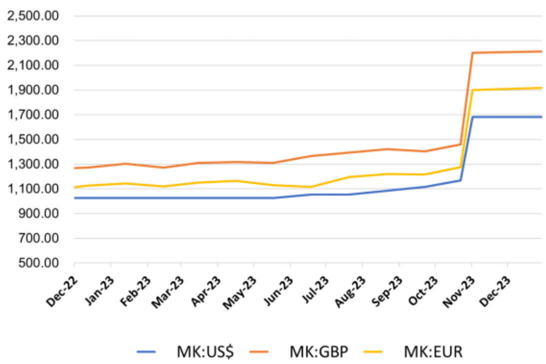


Forex Reserves (US$ million) (Source: RBM)

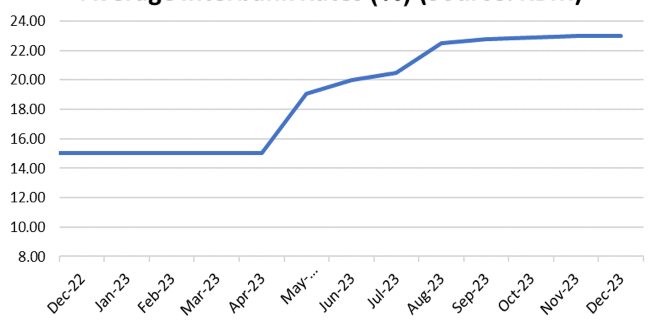
Inflation (%) (Source:NSO)



Exchange rates (Source: RBM)



Average Interbank Rates (%) (Source: RBM)



OTHER MARKET DEVELOPMENTS

2023 Tobacco Season End (Source: AHL, Tobacco Commission)

The 2023 tobacco marketing season officially closed after 17 weeks of sales. By the end of the season, tobacco volume sales increased by 29.17% to 120.5 million kgs in 2023 from 85.00 million kgs recorded in 2022. Cumulatively, tobacco fetched an all-type average price of US$2.35/kg in 2023. This was 9.80% higher than US$2.14/kg fetched in 2022. Total realization from the 2023 tobacco sales amounted to US$283.80 million, a 55.90% increase from US$182.04 million realized in 2022.

First Round estimates for the tobacco farming season are expected to be released in March, however, preliminary data is showing a more than two-fold increase from 2023 season based on the licenses issued by the Tobacco Commission (TC). The TC announced that there is an increase in seedbed area planned hectares for 2023 tobacco production.

Food Price Update (Source: IFPRI, FEWSNET)

Prices for maize, the main staple, and other alternative foods such as rice and beans remain very high compared to the previous year and the five-year average. Between October and November 2023, month-on-month maize prices in FEWS NET–monitored markets remained stable in eight markets and registered increases ranging from 5.0% to 10.0% in four of the monitored markets. However, prices were trending at a range of 30.0% to 80.0% above last year and 170.0% to 250.0% above the five-year average.

Maize price stability has been driven by the start of humanitarian assistance, mainly in-kind transfers in southern Malawi districts, as well as the release of more maize stock onto the market by farmers selling some of their maize to raise cash for current farming activities, especially fertilizer and seed purchases. Maize prices ranged from K650.0/kg to K800.0/kg by the end of November 2023.

Bean prices ranged from K1,300.0/kg to K2,500.0/kg, which is an average of 25.0% above the previous year's prices and 80.0% above the five-year average.

Rice prices ranged from K1,500.0/kg to K2,200.0/kg, which is 30.0% above the previous year's prices and 115.0% above the five-year average.

Food prices are expected to continue increasing because of the 44.0% currency devaluation effected in November, as well as seasonal increases as Malawi enters the peak lean period from December 2023 to March 2024.

Food Security Update (Source: FEWSNET)

In several Southern districts that were severely affected by Tropical Cyclone Freddy, humanitarian assistance is supporting the improvement of food security situations from Crisis (IPC Phase 3) to Stressed! (IPC Phase 2!). The humanitarian assistance is provided in cash or in-kind transfers targeting over 25.0% of the affected population with over 50.0% of households' monthly caloric needs.

The government and its partners are distributing a 50.0kg bag of maize per month or a K50,000.0 cash transfer to targeted households for a period ranging from two to six months. According to the November report from the Department of Disaster Management Affairs (DODMA), humanitarian assistance programs are underway in the southern districts of Mwanza, Mulanje, Blantyre Rural, Blantyre City, Mangochi, Neno, Machinga, Phalombe, Thyolo, and Zomba, in addition to Nkhotakota and Ntcheu in central Malawi. The humanitarian assistance programs will run through the end of the lean season in March 2024, when households typically start to access own-produced food.

However, El Niño conditions are likely to result in below-average harvests in rainfall-deficit areas, especially in parts of central Malawi and southern Malawi. As a result, households in these areas are not likely to benefit from seasonal improvements in food security typical of the harvest period in April/May and are likely to revert back to Crisis (IPC Phase 3) after March 2024.

Central and northern Malawi are generally likely to have a more stable food security situation, supported by nearly average production and peak season labor availability. Localized areas along the lakeshore, including Salima in central Malawi and Karonga in northern Malawi, will continue facing Stressed (IPC

Phase 2) and Crisis (IPC Phase 3) outcomes, respectively, rapid depletion of stock, below-average income and high food prices.

Malnutrition levels will likely remain high, especially in southern districts where households faced acute food insecurity from the start of the harvest period. Besides, according to reports from the nutrition cluster, severe acute malnutrition (SAM) admissions increased by 25.0% in October 2023 compared to October 2022, while moderate acute malnutrition (MAM) rates increased by 30.0% in 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 10.0%. 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.

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

Devaluation of the Malawi Kwacha (Source: IFPRI, FEWSNET)

Effective 10 November 2023, the RBM devalued the Kwacha by 44.0%, announcing a shift in the exchange rate regime from a heavily managed one to a market-led exchange rate. This move was necessitated by the declining foreign currency reserves on account of chronic current account deficits. The devaluation has had several implications on domestic prices, seeing the price of essentials such as fuel, fertilizer, and pharmaceuticals increase. Despite this, the Malawian Kwacha will likely remain overvalued through 2024, owing to foreign-currency shortages and the widening inflation differential. However, the spread between the formal exchange rate (K1,700.00:US$1 effective 10-November) and the informal market exchange rate (K1900:US$1 at end September) has declined. The Kwacha has now joined the Zambian Kwacha and the Argentinian Peso amongst the worst performers in 2023.

Debt Sustainability (Source: IMF and EIU).

Following the devaluation of the Kwacha on 10 November 2023, the Malawi Energy Regulatory Authority (MERA) announced an increase in fuel and electricity prices The price for petrol increased to K2,530.0 per liter (l) from K1,746.0/l, while the diesel price has been increased to K2,734.0/l from K1,920.0/l.

Debt Sustainability (Source: IMF and EIU).

According to the latest IMF Debt Sustainability Analysis report released in November 2023, Malawi's external and overall public debt is assessed as "in distress", unchanged from the previous Debt Sustainability Analysis (DSA) in July 2023. The DSA presented an analysis of Malawi's debt outlook prior to the implementation of the authorities' planned debt restructuring.

The IMF Staff expects that Malawi's debt to Saudi Arabia, Kuwait, UAE and the two Paris Club creditors will be treated on comparable terms with its largest bilateral creditors. The debt restructuring strategy is designed to achieve debt sustainability and to close the financing gaps. The proposed debt treatment would result in a reduction in Malawi's external debt by about US$592 million. This would be achieved via significant maturity extension and reprofiling of scheduled payments to provide important near-term liquidity relief and to bring Malawi's external debt servicing costs in the medium term to a sustainable level. Malawi is now in arrears (totaling US$418 million as of end-September 2023) on commercial debt.

The IMF Executive Board Approves ECF for Malawi (Source: IMF and EIU).

In November, the Executive Board of the IMF discussed the Second Review of the Staff-Monitored Program with Executive Board Involvement (PMB) and approved a 48-month arrangement under the Extended Credit Facility (ECF) for Malawi with access of 95.0% of the quota, equivalent to SDR131.86 million (about US$175.0 million). The ECF arrangement aims to support the authorities' commitment to restore macroeconomic stability, build a foundation for inclusive and sustainable growth, including to strengthen resilience to climate-related shocks, and address weaknesses in governance and institutions. The arrangement is also expected to catalyze grant financing and capital inflows including foreign direct investment and trade credit.

The World Bank Board of Executive Directors approves Budgetary Support for Malawi (Source: Reuters).

For the first time since 2017, the World Bank is providing Malawi with budget support that will help the country enhance fiscal sustainability and transparency, stimulate private sector-led growth, and increase resilience to shocks. The World Bank expressed that the Government of Malawi has demonstrated commitment to address macroeconomic imbalances, unsustainable debt, and longstanding structural and business environment constraints inhibiting private sector-led growth. It is also taking robust steps to restore macroeconomic stability through addressing long-standing fiscal, monetary and external sector imbalances, as reflected in the new ECF with the IMF.

The World Bank Board of Executive Directors approved the "Malawi First Growth and Resilience Development Policy Operation with Catastrophe Deferred Drawdown Option (Cat-DDO)", a US$137.0 million package which consists of an immediate release of US$80.0 million to support reforms and recovery and a US$57.0 million CAT-DDO that can be triggered in the event of a crisis.

Malawi Strengthens Economic Relations with Israel (Source: Reuters).

The Malawi government has rolled out its labor export program by sending workers to Israeli farms to cover the labor gap caused by the Israel-Hamas war. Israeli farm workers are comprised of Asian farmers who have fled the country due to the war, this combined with 350,000 Israeli’s who have been deployed in the army following the onset of the war. As a result, the Israeli government has resulted in recruiting farm workers from the African labor market. So far, Kenya and Malawi are participating in the program. The labor export program is aimed at finding jobs for young people and generating foreign exchange. These developments follow US$60.0 million aid package pledged by Israel to Malawi.

Cyclone Freddy (Source: World Bank & DODMA).

Malawi experienced cyclone Freddy in March 2023, which negatively affected livelihoods, and the infrastructure, pushing more people into poverty. In total, 16 Traditional Authorities were directly impacted. An estimated 2,267,458 people were affected including 659,278 people who were displaced, 679 killed and over 530 people declared missing by mid-March 2023. The cyclone caused a total disaster cost effect of US$506.7 million. The agricultural production losses from the occurrence accounts for approximately US$36.4 million equivalent to a 0.5% loss in GDP for 2023. To cushion the post effects, the Malawi government through DODMA and development partners commenced social cash transfers and food relief to those affected.

Kapichira Power Plant (Source: EGENCO).

Despite the challenges posed by Cyclone Freddy, the Electricity Generation Company (Egenco) successfully resumed operations at the Kapichira Hydro Power Station in April 2023. This revitalized 129.6-megawatt facility, brought back into service after a 14-month hiatus, reinstated more than 20% of the nation's power supply. The renewed functionality of the Kapichira Hydro Power Station not only addresses the immediate power needs of Malawi but also offers significant potential for mitigating the occurrence of load shedding, contributing to enhanced economic development. The revival of this crucial facility fostered increased business productivity and reduced the cost of production.

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

The year 2023 has been a difficult year for activity in Sub-Saharan African economies, according to the IMF's 2023 October Regional Economic Outlook report. The inflationary shock following Russia's war in Ukraine has prompted higher interest rates worldwide, which has meant slowing international demand, elevated spreads, and ongoing exchange rate pressures. As a result, growth in 2023 is expected to fall for the second year in a row to 3.3% from 4.0% in 2022.

The region is expected to rebound in 2023, with growth increasing to 4.0%, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries. Macroeconomic imbalances are also improving, inflation is falling for most of the region, and public finances are gradually being put on a more sustainable footing. But the rebound is not guaranteed. A slowdown in reform efforts, a rise in political instability within the region, or external downside risks could undermine growth.

Moreover, four clouds are on the horizon which require determined policy action in the face of difficult tradeoffs; firstly, inflation which is still too high is in double digits in 14 countries and it remains above target in most countries with explicit targets. Secondly, the region continues to face significant exchange rate pressures. Thirdly, debt vulnerabilities are elevated as borrowing rates are still high, and rolling over debt is a challenge. Finally, while the recovery is underway, economic divergences within the region are widening, in particular, per capita incomes in resource intensive economies remain subdued.

Against this background the policy priorities are, addressing inflation, managing exchange rate pressures, managing debt obligations while creating space for development spending and lastly, improving living standards and potential growth, particularly in resource intensive countries.

Zambia

Zambia's annual inflation rate for 2023 closed at 13.1% compared to 11.06% in the previous year. In terms of the exchange rate, the Zambian Kwacha (ZK) closed at ZK25.736/US$ in 2023 compared to ZK18.17/US$ in December 2022. The IMF has projected that Zambia's economy will grow by 4.7% in 2024 from 4.3% in 2023.

Zimbabwe

In 2023, the headline inflation for Zimbabwe averaged 29.4% compared to 41.9% in 2022. The local currency (Interbank Rate) closed at ZWL6422.98/US$ in December 2023 compared to (Auction Rate) ZWL671.44/US$ recorded in December 2022. The differential is a result of further liberalization of the foreign exchange market through the introduction of the willing-buyer willing-seller (WBWS) interbank market for foreign exchange which has gone a long way to assist in price discovery of the equilibrium exchange rate and to augment the foreign exchange auction system. The liberalization of the foreign exchange market has resulted in the decline of the parallel market exchange rate premium, thus enhancing the scope for convergence of the official and the parallel market exchange rate. The IMF has projected that economic growth will average 4.1% in 2023 and 3.6% in 2024.

Note: Zimbabwe Statistics Office (ZIMSTAT) has adopted the geometric aggregation method in computing the weighted Consumer Price Index beginning September 2023. The migration to geometric aggregation has resulted in a decline of weighted inflation rates.

Tanzania

Annual headline inflation rate for 2023 was 3.8% compared to 4.3% recorded in 2022. During the month of December 2023, the Tanzanian Shilling closed at TSh2,518.5/US$ compared to TSh2,320.38/US$ recorded in December 2022. In 2023, economic growth is projected at 5.2% and

6.1% in 2023. This is according to the IMF's October Regional Economic Report.

Uganda

The headline inflation rate for Uganda for 2023 closed at 4.6% compared to 7.2% in 2022. The Ugandan Shilling in December 2023 closed at UGX 3,787.21/US$ compared to UGX3,713.63/US$ recorded in 2022. The IMF, in its' October Regional Economic Outlook report, has projected that economy of Uganda will grow by 4.6% in 2023 and 5.7% in 2024.

South Africa

South Africa's headline inflation rate averaged at 5.9% in 2023 compared to 6.85% in 2022. In terms of the exchange rate, the South African Rand (ZAR) closed at ZAR18.30/US$ in 2023 compared ZAR17.03/US$ in 2022. The IMF's Regional Economic Outlook for Sub-Saharan Africa has projected that economic growth outlook for South Africa to 0.9% in 2024, stronger than the 0.5% growth rate recorded 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.

For 2024 global growth is expected to improve to 2.4% in 2024, albeit way below pre-pandemic levels of growth, the third consecutive year of deceleration reflecting the lagged and ongoing effects of tight monetary policies to rein in decades-high inflation, restrictive credit conditions, and anemic global trade and investment.

Near-term prospects are diverging, with subdued growth in major economies alongside improving conditions in emerging market and developing economies (EMDEs) with solid fundamentals. Meanwhile, the outlook for EMDEs with pronounced vulnerabilities remains precarious amid elevated debt and financing costs. Downside risks to the outlook predominate.

The recent conflict in the Middle East, coming on top of the Russian Federation's invasion of Ukraine, has heightened geopolitical risks. Conflict escalation could lead to surging energy prices, with broader implications for global activity and inflation.

Other risks include financial stress related to elevated real interest rates, persistent inflation, weaker-than-expected growth in China, further trade fragmentation, and climate change-related disasters.

Against this backdrop, policy makers face enormous challenges and difficult trade-offs. International cooperation needs to be strengthened to provide debt relief, especially for the poorest countries; tackle climate change and foster the energy transition; facilitate trade flows; and alleviate food insecurity. EMDE central banks need to ensure that inflation expectations remain well anchored and that financial systems are resilient. Elevated public debt and borrowing costs limit fiscal space and pose significant challenges to EMDEs, particularly those with weak credit ratings seeking to improve fiscal sustainability while meeting investment needs. Commodity exporters face the additional challenge of coping with commodity price fluctuations, underscoring the need for strong policy frameworks. To boost longer-term growth, structural reforms are needed to accelerate investment, improve productivity growth, and close gender gaps in labor markets.

Global Oil

The non-OPEC liquids production in 2024 is expected to grow by 1.3 mb/d, slightly revised down from the previous month's assessment. The main drivers for liquids supply growth in 2024 are expected to be the US, Canada, Guyana, Brazil, Norway and Kazakhstan. The non-OPEC liquids supply growth in 2025 is expected to stand at 1.3 mb/d, mainly driven by the US, Brazil, Canada, Norway, Kazakhstan and Guyana. OPEC natural gas liquids (NGLs) and non-conventional liquids are forecast to grow by around 64 tb/d to average 5.5 mb/d, followed by growth of 110 tb/d in 2025 to average 5.6 mb/d. OPEC-12 crude oil production in December 2023 increased by 73 tb/d, m-o-m, to average 26.70 mb/d, according to available secondary sources.

The global oil demand growth forecast for 2024 remains unchanged at 2.2 mb/d, with the OECD growing by around 0.3 mb/d and the non-OECD by about 2.0 mb/d. The global oil demand growth in 2025 is expected to see a robust growth of 1.8 mb/d, y-o-y. The OECD is expected to grow by 0.1 mb/d, y-o-y, while demand in the non-OECD is forecast to increase by 1.7 mb/d.

The OPEC Reference Basket (ORB) values fell in December by US$5.92/b, or 7.0%, to stand at US$79.00/b. All ORB component values declined. On a yearly average, the ORB value fell US$17.13, or 17.1%, from US$100.08/b in 2022 to average US$82.95/b in 2023.

Currency Movements

In 2023, the US Dollar Index (DXY) was significantly influenced by the Federal Reserve's monetary policy, maintaining steady interest rates across three policy meetings. Despite this steadiness, Fed Chairman Jerome Powell's remarks hinted at potential rate cuts in 2024, particularly focusing on inflation reversals. This shift in tone led to a changing market consensus on Wall Street, evidenced by a divergence from the Fed's end-of-2024 interest rate projection of 4.6%, with the market expecting more aggressive easing.

Additionally, the Dollar's strength in 2023 was intricately tied to global economic fluctuations, with the slowing economies of key trading partners and shifting trade dynamics contributing to a heightened demand for the Dollar as a safe-haven currency, despite underlying uncertainties in global markets. These factors collectively contributed to the DXY's volatility and set the stage for the currency market trends in 2024.

The strong US Dollar is again keeping GBP/USD pinned down, but compared to the beginning of 2023, the UK's finances are seen in safer hands. This means that the GBP/USD is trading in the low 1.20s rather than the low 1.10s. As above, the case for a cyclical fall in the Dollar as the decline in short-dated US yields accelerates through 2024. Even though the BoE has re-introduced forward guidance on its restrictive 5.25% bank rate for an extended period, a lower policy rate is also likely in the second half of 2024. The forecast is that the BoE's key inflation metrics will be heading in the right direction through 2024, allowing the BoE to deliver 100bp of easing starting in August. This probably means that GBP/USD will struggle to sustain any gains over 1.30.

A higher EUR/USD forecast for 2024 hangs wholly on the view that the US will slow down, inflation will ease, and the Fed will be able to make monetary policy less restrictive. Currently the forecast is that 150bp of Fed easing will start in May/June. This is premised on tighter financial conditions finally weighing enough on aggregate demand to see US growth converge on the stagnant trajectories, especially in Europe. The year end 2024 EUR/USD forecast of 1.15 is slightly above the current consensus of around 1.11. In terms of timing the trajectory, our current bias is that EUR/USD strength will become more apparent from the second quarter onwards. The Dollar traditionally performs well at the start of the year and with the Eurozone in recession, the first quarter may be too early to see a decisive turn higher in EUR/USD.

The headwinds to a EUR/USD rally largely stem from weak Eurozone growth and the risk that the ECB chooses to cut rates alongside the Fed. This would limit the expected narrowing in yield differentials at the short end of the yield curve. The Eurozone is forecasted to have three quarters of negative growth (3Q23 to 1Q24 inclusive) and full-year 2024 eurozone growth at just 0.2%. 75bp of European Central Bank (ECB) easing is expected in 2024 starting in the third quarter, but clearly the risk is that the ECB eases earlier and the Fed later such that the starting pistol for the EUR/USD rally is never fired. Equally, a failure of European governments to agree on fiscal reform by year-end 2023 could see the re-introduction of the Stability and Growth Pact in early 2024, an unwelcome arrival in a recession.

Away from the Fed easing story there is also the risk of US fiscal deterioration and de-Dollarization. There is also the small matter of the US election. Most commentators warn of a Trump 2.0 administration being 'louder'. Depending on how the opinion polls progress, it is presumed any swing in favor of a second term for Donald Trump to be Dollar positive , given the experience of the loose fiscal and protectionist policy agenda during his presidency (Source: ING Think).

Global Trade

Global trade has faced negative growth since mid-2022, primarily driven by a substantial decline in goods trade, which continued contracting in the first three quarters of 2023. Conversely, trade in services demonstrated more resilience, experiencing positive growth during the same period. The Global Trade Update projected a potential drop in global trade in 2023 to less than US$31.0 trillion, signifying a contraction of about US$1.5 trillion compared to the 2022 record high. Specifically, trade in goods was expected to contract by nearly US$2.0 trillion in 2023, equivalent to a 7.5% decrease, while services trade was anticipated to gain about US$500.0 billion.

Throughout 2023, global trade encountered challenges such as diminished demand in developed nations, underperformance in East Asian economies, and a decrease in commodity prices, contributing to a significant contraction in goods trade. Despite this, trade in services showed growth for much of the year, attributed to its delayed recovery from the COVID-19 downturn. However, the rebound of the services sector slowed considerably in the second half of 2023. Developing countries, particularly those involved in South-South trade, experienced a pronounced trade downturn, linked not only to the East Asia downturn but also to reduced trade between Asian economies.

Looking ahead to 2024, the global trade outlook remains uncertain and generally pessimistic. While certain economic indicators suggest potential improvements, persistent geopolitical tensions, such as the Russia-Ukraine war and the Israel–Hamas conflict, along with high levels of debt and widespread economic fragility, are expected to exert negative influences on global trade patterns. Influencing factors include positive economic growth with significant disparities among countries, high interest rates hindering industrial output, commodity price volatility due to regional conflicts and geopolitical tensions, lengthening supply chains in response to shifts in trade policy, an increase in subsidies and trade restrictive measures, low demand for container shipping, and an increasing demand for raw materials.

The forecasts for 2024 from different organizations vary, adding to the uncertainty. According to the World Trade Organization (WTO), there is an expectation of a 3.3% growth rate in global trade volume, down from the 4.0% recorded in 2023. The World Bank offers a more conservative estimate, anticipating a slower growth rate of only 1.0% for 2024, notably below the 3.0% average observed in the decade preceding the COVID-19 pandemic. The International Monetary Fund (IMF) falls in between, projecting a 2.4% growth rate in global trade volume for 2024, slightly down from the 2.6% recorded in the previous year. These divergent forecasts underscore the uncertainty surrounding the trajectory of global trade in 2024, with expectations largely indicating a sluggish recovery compared to pre-pandemic levels. Some organizations project slight growth, while others warn of potential stagnation or even contraction.

Interest Rate Movements (Source: The Federal Reserve, BOE & ECB).

The US Treasury yield (10-year) decreased to close at 3.860% in December 2023 from 3.880% recorded in December 2022.

	Dec-23	Dec-22	% Change
US Fed Rate	5.500%	4.500%	1.00%
US Treasury yield (10 years)	3.860%	3.880%	-0.02%
BOE Rate	5.250%	3.500%	1.75%
ECB Rate	4.750%	2.750%	2.000%

OUTLOOK FOR 2024 AND BEYOND – MALAWI

Exchange Rates

The Kwacha closed the year at K1,683.37/US$1 at the end of December 2023 and averaged at K1,164.58, compared to a year end rate of K1,026.43/US$1 and K956.42/US$1 in corresponding period in 2022.

Malawi’s wide current-account deficit, high public debt and, large positive inflation differential with trading partners will continue to undermine the value of the Kwacha. However, the gradual shift towards a market-led exchange rate has begun through the biweekly exchange rate auctions held by the RBM with ADBs. However, the Kwacha is expected to remain overvalued in 2024, owing to foreign-currency shortages, as a result of declining foreign currency reserves and limited letters of credit from international banks, which have been crucial in providing short-term liquidity support.

During the year in review, the Reserve Bank of Malawi (RBM) introduced foreign exchange auctions which resulted in the depreciation of the Malawi Kwacha. In an attempt to align the Kwacha to the market value, the RBM devalued the Kwacha by 44.0%. This is the second major devaluation since May 2022, where the currency was devalued by 25.0%. As a result, the spread between the formal exchange rate (TT sell: K1,700/US$1 at end-December) and the informal market exchange rate (K2,080/US$1) continues to shrink, as a result of the foreign currency auctions taking place in order to gradually bring the Malawi Kwacha to a market led exchange rate. The EIU expects illiquidity to compel the RBM to shift towards flexibility to allow the Kwacha to reach its fair value.

Further devaluations are expected to increase business costs by making imports of raw materials and capital goods more expensive, in addition to making businesses' external obligations unbearable to settlers. The prospects of further devaluations continue, however, another large devaluation is unlikely due to the social impacts devaluations tend to have on. As such the Kwacha is expected to depreciate gradually to reach its fair value.

Improvements in the foreign-currency situation are only expected from 2024 when inflows resulting from the IMF program take effect.

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 2023 stands at 28.8%, compared to 21.0% realized in 2022. The annual headline inflation rate is 0.6 percentage points higher than the RBM’s forecast of 28.2% made during the fourth monetary policy committee round. The year-on-year inflation rate for December 2023 stands at 34.5%, compared to 25.4% in the corresponding period in 2022.

The outlook suggests an increasing inflationary path on account of rising prices, most notably as a result of the 44.0% devaluation effected on 10 November 2023. Inflation figures for December were below industry expectations reflecting the impact of food relief maize being distributed, reducing food prices.

Upside risks to inflation will continue throughout 2024, largely arising from the depreciating currency, a rise in private sector wages, the impact of El Niño weather patterns on food prices, increases in utility tariffs and fiscal slippages. The Monetary Policy Committee will continue to monitor inflation, and where necessary will increase the policy rate to contain 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

The merchandise trade balance worsened in November 2023 and was recorded at minus US$147.4 million (K230.0 billion), from a deficit of US$131.9 million (K156.0 billion) reported in October 2023 and compared to a shortfall of US$176.4 million (K183.1 billion) registered in November 2022. The wider trade deficit was a combined result of a drop in exports and growth in imports.

Total commodity exports declined by 7.0% to US$123.9 million (K192.8 billion) in November 2023 from US$133.2 million (K156.9 billion) in the preceding month and compared to US$113.8 million (K117.6 billion) reported in the corresponding month of 2022. The outturn in exports was explained by decreases in the sales of tobacco, sugar, and pulses, which fell to US$62.1 million (K96.7 billion), US$2.0 million (K3.1 billion) and US$1.6 million (K2.5 billion), from US$65.3 million (K76.9 billion), US$7.4 million (K8.7 billion) and US$5.1 million (K6.1 billion), respectively. However, sales of tea slightly rose to US$3.4 million (K5.3 billion) in the review month, from US$3.1 million (K3.7 billion) in the previous month.

On the other hand, imports of goods grew by 2.3% to US$271.4 million (K422.8 billion) from US$265.1 million (K312.9 billion) recorded in October 2023, and compared to US$290.2 million (K300.7 billion) registered in the similar month of 2022. The growth in imports was on account of increases in purchases of fertilizer and pharmaceuticals, which rose to US$40.1 million (K62.4 billion) and US$14.4 million (K22.4 billion) from US$23.9 million (K28.2 billion) and US$5.7 million (K6.8 billion), respectively. On the contrary, fuels and vehicles decreased to US$48.5 million (K75.5 billion) and US$16.3 million (K25.4 billion), from US$56.9 million (K67.2 billion) and US$16.7 million (K19.7 billion), respectively.

A structural deficit will continue to be recorded on Malawi's current account. The deficit is expected to narrow throughout the forecast period, reflecting import compression and enhanced external competitiveness as the RBM pivots towards exchange-rate flexibility. Currency adjustment is expected to shrink the deficit from an estimated 8.7% of GDP in 2023 to 7.3% of GDP in 2024 and 6.3% of GDP in 2025, with an annual average deficit of 5.3% of GDP forecast in 2026-28.

In addition, the Kayelekera uranium mine is expected begin operations in late 2024, after a definitive feasibility study was completed in 2022 and showed evidence of uranium deposits. The start of operations is expected to support export revenue from 2025.

The deficit on the primary income account will remain large but will narrow slightly in the second half of the forecast period as debt restructuring is expected to ease the debt-repayment schedule. The large current-account deficit that will continue to be recorded over the forecast period will be largely funded by grant aid inflows and concessional loans. Foreign-exchange reserves will mount steadily but will remain precariously low.

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

The Monetary Policy Committee (MPC), at its fourth meeting of 2023, resolved to maintain the Policy rate at 24.0% and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign deposits at 7.75% and 3.75%, respectively. In arriving at this decision, the MPC considered the recent moderation in inflationary pressures. The Committee was also mindful of the weak domestic growth. However, the Committee noted upside risks to the inflation outlook that included exchange rate movements, increases in crude oil prices and adverse weather conditions.

Inflationary headwinds will continue to linger, arising from fiscal slippages (which triggers money-supply growth and drives inflation) and local currency weakness because of the exchange-rate liberalization. These factors will compel the RBM to keep monetary policy tight in 2023-25 but initiate cuts to the policy rate in 2026-27 as inflation falls towards the target and to support growth. The EIU expects the policy rate to fall to 18.0% by end-2027, maintaining a positive real interest rate.

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

Demands on the public purse are expected to remain high, against the backdrop of high living costs and food insecurity. Spending on social transfers and the reconstruction of infrastructure damaged by Cyclone Freddy will likely lead to policy slippages on the ECF. Furthermore, the protracted negative net foreign asset position of the Reserve Bank of Malawi (RBM, the central bank) is a potential source of increased capital transfer from the government to recapitalize the central bank, as required by law.

Nevertheless, the public expenditure/GDP ratio is expected to fall between 2024-2028, owing to fiscal austerity measures required under the ECF, including the removal of subsidies and improvements in spending efficiency. Malawi's narrow revenue base means that it looks to aid for budgetary support. The ECF now in place will likely unlock disbursements from the IMF and will also facilitate other multilateral and bilateral inflows.

The government will attempt to improve the efficiency of domestic revenue collection and widen the tax base to complement external grants. Advance income tax on imports was raised from 3% to 10% in fiscal year 2023/24 (April-March). Other taxes have been increased, and the tax regime for small businesses has been simplified, although persistent loopholes and weak enforcement will limit growth in government revenue. The fiscal deficit is projected to narrow to 9.5% of GDP in 2023/24.

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				
	2021	2022	2023	2024
EIU	2.70%	0.70%	1.60%	3.00%
IMF	2.20%	0.90%	1.70%	3.30%
WORLD BANK	2.80%	0.90%	1.40%	2.80%
GOVERNMENT	3.90%	1.19%	1.50%	3.20%
Average Real GDP	**2.90%**	**0.92%**	**1.55%**	**3.08%**

Based on various institutions' projections, the economy is expected to grow by an estimated average of 1.55% in 2023. For 2024, the economy is expected to grow by 3.0%, a rebound from 2023. The growth estimates are on account of growth in Agriculture, Mining and Quarrying, Manufacturing, Accommodation and Food services, Wholesale and Retail Trade, as well as Information and Communication sectors. The first-round crop production estimates produced by the Ministry of Agriculture which will most likely be released at the end of the first quarter are expected to give a better picture of the country's growth trajectory for 2024.

Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing, a poor business environment, acute foreign exchange shortages and high inflation. Lastly, slowing global growth, global shocks to commodity prices posed by geopolitical tensions and high local and global interest rates.

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	1. Diversifying supply chains 2. Increasing strategic reserves of volatile commodities 3. Robust monetary policy framework 4. Stringent fiscal consolidation framework
Cilmate Change/ Natural Disasters	1. Disruptions to the agricultural sector 2. Damage to key infrastructure 3. Unbudgeted government expenditure 4. Loss of human capital	1. Improved city planning 2. More resilient building structures 3. Sound road infrastructures 4. Early warning systems 5. More robust disaster management strategies 6. Diversification of export base to mitigate impact from damage to crops.
High Inflation	1. High cost of Living 2. Reduction in real wages 3. High Borrowing costs 4. Declining standard of living	1. Monetary Policy tightening 2. Social safety nets for poor households
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. 5. Rising income inequality. 6. Rising unemployment especially in tourism sector.	1. Sensitising people on the dangers of the virus and practice social distancing and wearing masks. 2. Increased uptake of vaccinations.
Increase in government debt	1. Creates a future obligation for government which may keep the budget deficit large. 2. 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	1. Encourage use of energy saver bulbs. 2. Rehabilitate and develop new power plants.

	manufacturing sector resulting in low economic productivity and dampening economic growth. 3. Deferment of development by investors due to lack of infrastructure	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.
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.	1. Civic education to raise awareness of family planning methods.
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. 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-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Exchange Rates													
MK : US$	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,053.44	1,053.44	1,084.60	1,115.78	1,168.78	1,683.37	1,683.37
MK : GBP	1,273.64	1,304.51	1,272.69	1,309.43	1,318.15	1,309.91	1,367.48	1,395.58	1,420.55	1,405.20	1,461.71	2,201.32	2,212.41
MK : ZAR	62.35	60.71	57.32	59.20	57.56	53.50	57.82	61.76	59.73	60.80	63.63	92.66	93.54
MK : EUR	1,125.74	1,146.04	1,118.76	1,151.64	1,163.80	1,130.49	1,117.92	1,195.92	1,219.47	1,216.14	1,275.35	1,901.53	1,918.18
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	304.65	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	242.68	169.30	169.50	
Private Sector Reserves (US$'mn)	399.20	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	409.46	396.90	413.20	
Total Reserves (US$'mn)	703.85	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	652.14	566.20	582.70	
Total Import Cover (months)	2.82	2.66	2.63	2.41	2.42	2.33	2.92	2.70	2.64	2.61	2.30	2.30	
Inflation (NSO)													
Headline Inflation	25.40	25.90	26.70	27.00	28.80	29.20	27.30	28.40	28.60	26.90	27.80	33.10	34.50
Food	31.40	33.40	31.70	32.40	37.90	38.80	37.20	39.30	39.40	34.50	36.80	41.70	43.50
Non Food	18.60	17.70	20.50	20.20	18.50	18.40	16.00	16.00	16.10	17.60	17.20	22.20	22.80
Interbank Rates (Source: RBM)													
Monetary Policy Rate	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.20%	24.20%
Average Interbank Rate	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%	19.98%	20.46%	22.52%	22.77%	22.90%	23.00%	23.00%
Average Base Lending Rates	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	21.40%	22.70%	23.40%	23.50%	23.50%	23.60%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.99%	14.70%	14.70%	14.70%	14.70%	14.70%
182 day Treasury Bill yield	17.50%	17.50%	17.50%			17.50%	18.00%	17.99%	18.16%	18.00%	18.00%	18.00%	18.00%
364 day Treasury Bill yield	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.49%	22.28%	24.00%	24.00%	24.00%	24.00%	24.00%
Stock Market Indices (Point) (Source: MSE)													
MASI	62,036.05	68,451.77	71,069.31	80,298.12	86,462.61	102,837.75	108,656.97	112,497.02	119,077.99	118,426.19	113,969.91	112,790.00	110,951.21
DSI	50,804.03	54,351.80	56,674.50	64,886.76	70,512.35	83,365.40	87,071.03	88,368.95	90,336.93	89,173.86	89,656.70	88,577.93	86,359.68
FSI	5,614.30	8,374.09	8,382.28	8,381.79	8,202.52	10,396.15	12,276.59	14.982.62	19,947.76	20,692.42	15,011.81	15,048.88	15,792.06
Fuel Prices per Litre (Source: MERA)													
Petrol	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	2,530.00	2,530.00
Diesel	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	2,734.00	2,734.00
Paraffin	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,910.00	1,910.00

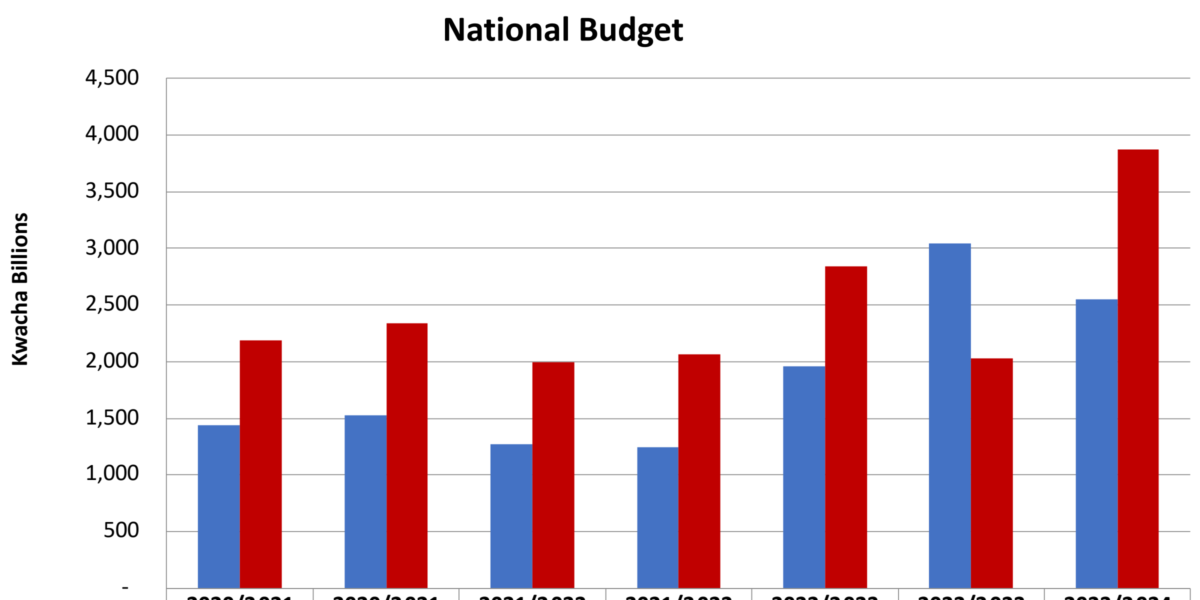
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia, and Mozambique

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
TANZANIA													
Exchange rate													
US$	2,308.89	2,309.33	2,309.88	2,311.44	2,313.46	2,319.21	2,327.52	2,383.14	2,443.82	2,481.76	2,480.94	2,514.30	2,510.00
GBP	2,777.37	2,861.61	2,769.08	2,860.64	2,880.03	2,883.94	2,939.54	3,068.66	3,102.31	3,103.24	3,012.85	3,164.22	3,197.49
ZAR	135.18	133.33	125.52	128.30	126.63	126.63	124.42	135.48	131.87	129.36	132.29	132.82	137.15
EUR	2,457.13	2,428.02	2,516.36	2,522.48	2,547.82	2,490.02	2,543.98	2,625.87	2,666.70	2,615.53	2,631.78	2,729.07	2,774.93
Inflation %	4.80	4.90	4.80	4.70	4.30	4.00	3.60	3.30	3.30	3.30	3.20	3.20	3.00
UGANDA													
Exchange rate													
US$	3,713.63	3,683.33	3,780.08	3,721.83	3,735.54	3,768.00	3,662.13	3,608.38	3,719.04	3,756.21	3,774.04	3,814.18	3,780.35
GBP	4,474.18	4,544.86	4,484.06	4,680.50	4,660.09	4,669.68	4,624.90	4,649.61	4,728.02	4,593.84	4,583.57	4,822.43	4,815.80
EUR	3,954.27	3,990.52	3,940.67	4,118.02	4,113.58	4,028.62	3,980.37	3,973.19	4,059.70	3,975.57	3,998.97	4,159.24	4,179.38
Inflation %	10.20	10.40	9.20	9.00	8.00	6.20	4.90	3.90	3.50	2.70	2.40	2.60	2.60
Central Bank Rate %	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.50	9.50
ZAMBIA													
Exchange rate													
US$	18.07	19.03	19.85	21.31	17.73	19.52	17.59	18.84	20.20	21.01	22.07	23.73	25.74
GBP	21.75	23.43	24.02	26.39	22.08	24.15	22.31	24.20	25.57	25.77	26.85	29.97	32.79
ZAR	1.07	1.09	1.08	1.20	0.97	0.99	0.93	1.06	1.08	1.12	1.18	1.26	1.41
Inflation %	9.90	9.40	9.60	9.90	10.20	9.90	9.80	10.30	10.80	12.00	12.60	12.90	13.10
Central Bank Rate %	9.00	9.25	9.25	9.25	9.50	9.50	9.50	9.50	9.50	10.00	10.00	10.00	11.00
MOZAMBIQUE													
US$	63.83	63.89	63.88	63.88	63.88	63.88	63.88	63.89	63.89	63.89	63.89	63.89	63.90
ZAR	4.10	3.51	3.46	3.47	3.53	3.48	3.41	3.52	3.41	3.35	3.41	3.42	3.44
EUR	71.20	67.77	68.19	70.15	70.46	69.80	69.24	70.63	69.47	67.59	67.89	69.91	69.95
Inflation%	10.91	9.78	10.30	10.82	9.61	8.23	6.81	5.67	4.93	4.63	4.75	5.36	5.30

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

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

K'Billion	2020/2021 (Revised)	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)	2022/2023 (Revised)	2023/2024 (Proposed)
Total Revenues	**1,524**	**1,271**	**1,240**	**1,956**	**2,030**	**2,552**
Domestic revenues	1,186	1,101	1,101	1,636	1,628	2,240
Grants	338	170	139	320		312
Budgetary support						
Earmarked grants						
Total Expenditure	**2,335**	**1,990**	**2,065**	**2,840**	**3,040**	**3,876**
Reccurent expenditure	1,719	1,419	1,525	2,019		2,980
Wages & Salaries	542	436	439	670		
Interest on debt	376	300	300	524		
Investment Expenditure	616	571	540	821		896
Deficit/Surplus	**(811)**	**(719)**	**(825)**	**(883)**	**(1,010)**	**(1,325)**
Deficit as a % of Revenue	**-53%**	**-57%**	**-67%**	**-45%**	**-50%**	**-52%**



	2020/2021 (Proposed)	2020/2021 (Revised)	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)	2022/2023 (Revised)	2023/2024 (Proposed)
Total Revenues	1,435	1,524	1,271	1,240	1,956	3,040	2,552
Total Expenditures	2,190	2,334	1,990	2,065	2,840	2,030	3,876

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

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

Category	2022		2023										
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov
Total Revenues	**144.4**	**199.0**	**226.0**	**165.9**	**227.2**	**185.8**	**184.9**	**203.9**	**246.7**	**217.7**	**211.1**	**259.2**	**430.0**
Domestic Revenues	121.6	174.2	196.7	132.7	124.5	156.9	152.6	173.2	209.6	174.8	171.7	224.1	302.1
Tax Revenue	114.6	122.6	162.7	118.6	119.6	154.1	145.7	154.3	203.3	160.9	159.4	211.9	164.2
Non -Tax revenue	7.0	51.6	34.0	14.1	4.9	2.8	6.9	18.9	6.3	13.9	12.4	12.1	137.9
Departmental receipts	4.6	3.5	7.1	5.0	4.6	2.4	5.8	7.1	5.5	5.6	4.1	7.4	9.7
Other Receipts	2.4	48.1	26.9	9.1	0.3	0.4	1.1	11.7	0.9	0.4	8.3	4.7	128.2
Grants	22.8	24.8	29.3	33.2	102.6	28.9	32.4	30.7	37.1	43.0	39.4	35.2	127.9
Total Expenditures	**248.8**	**271.9**	**226.2**	**228.7**	**232.1**	**281.0**	**285.7**	**255.4**	**226.0**	**314.9**	**255.1**	**305.7**	**387.4**
Recurrent Expenditure	216.3	232.6	188.6	190.6	198.3	210.6	258.6	209.1	189.6	252.3	219.4	251.7	306.5
Interest Payments	83.5	55.3	41.5	46.8	66.4	45.9	70.4	75.7	50.2	74.4	68.9	56.2	104.3
Domestic	82.2	52.2	40.7	43.7	62.9	44.0	69.1	73.1	49.4	64.4	67.0	54.3	98.6
Foreign	1.3	3.1	0.79	3.1	3.5	1.9	1.2	2.6	0.8	10.1	1.8	1.9	5.8
Development	32.5	39.4	37.6	38.1	33.8	70.4	27.1	46.2	36.4	62.6	35.7	53.9	80.8
Deficit (-) /Surplus	**-104.4**	**-72.9**	**-0.20**	**-62.8**	**-4.9**	**-95.2**	**-100.8**	**-51.5**	**20.7**	**-97.1**	**-44.0**	**-46.4**	**42.6**
Financing (net)	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	-51.4	70.1	100.0	74.8	113.6	92.7
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	-51.4	70.1	100.0	74.8	113.6	92.7
Banking System	-4.5	112.9	14.1	144.1	89.6	53.9	90.7	-76.4	86.6	80.3	29.9	84.0	48.3
Non-Bank Sector	-57.9	86.1	35.7	46.2	44.4	-24.9	13.4	25.0	-16.5	19.7	44.9	29.6	44.3
Errors and Omissions	166.9	126.0	49.6	127.6	129.0	-66.1	3.3	-0.1	90.7	2.9	30.8	67.2	135.3

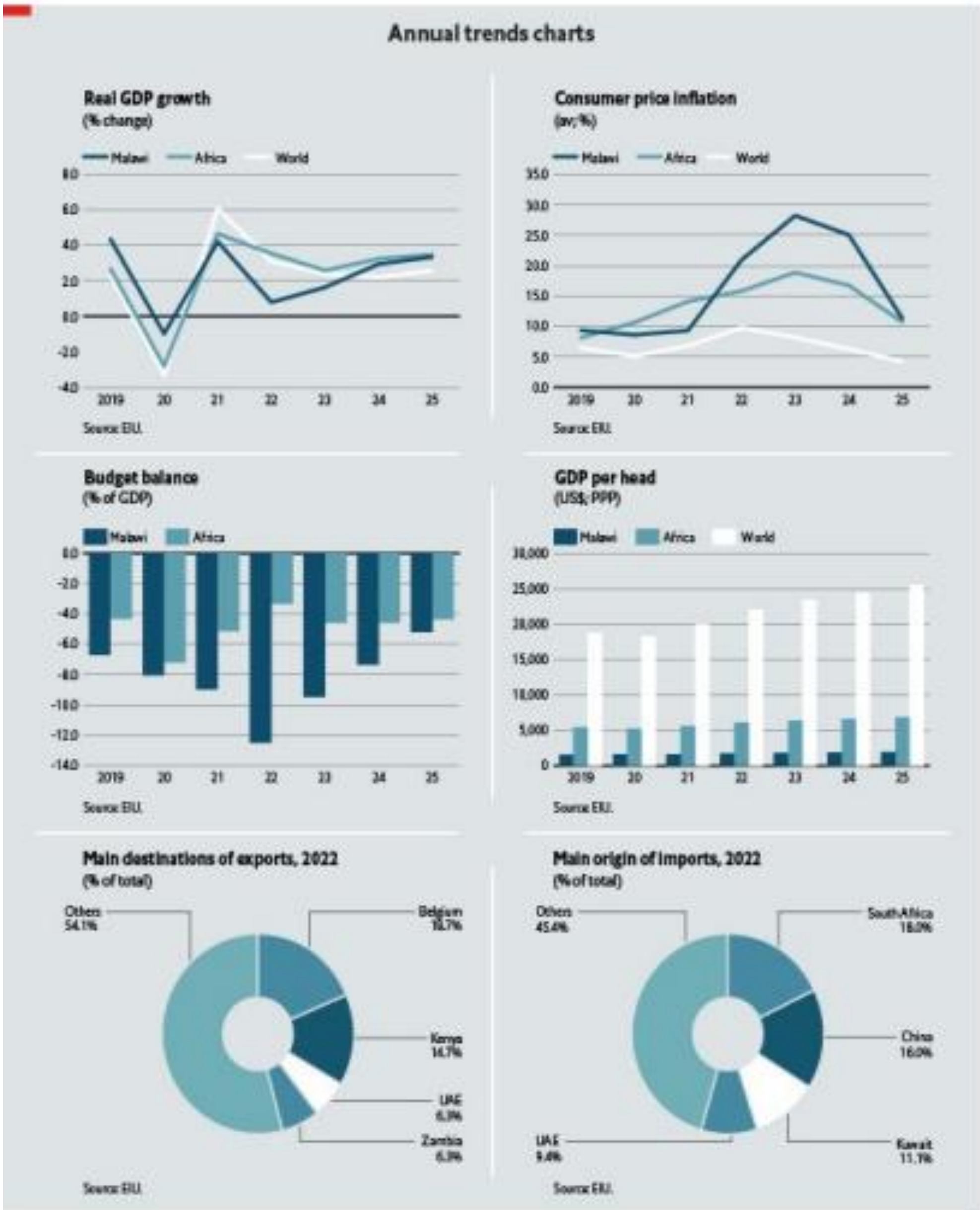
Appendix 5: Malawi selected Economic indicators (Source: RBM)

Table 8: Selected Economic Indicators (in MK' billion, unless otherwise stated)

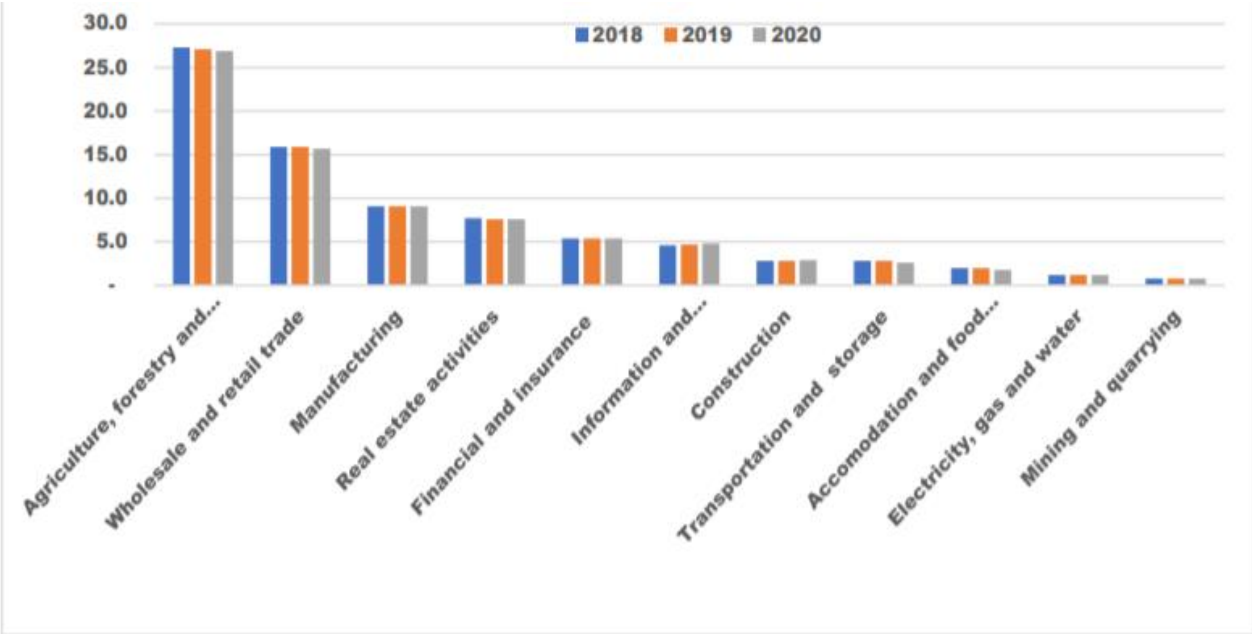
	2015	2016	2017	2018	2019	2020	2021	2022	2022 Nov	2023 Nov
Real Sector [1]										
Population (million)	16.3	16.8	17.4	17.9	18.5	19.1	18.9	19.4	19.5	19.9
GDP at current market prices	3212.7	3812.6	6531.2	7234.9	8239.6	8821.3	9975.5	11795.7	11795.7	14594.0
Real GDP growth (percent)	3.3	2.7	5.1	4.4	5.7	0.8	4.6	0.9	0.9	1.5
GDP per capita (K'000)	197.1	226.9	266.8	403.5	445.2	461.9	527.9	592.8	592.8	733.4
GDP per capita (US$)	394.5	318.1	365.4	550.9	597.1	616.2	655	572.7	572.7	471.1
Consumer Price Index (CPI)[2]	192	233.7	260.7	104.7	114.5	124.4	136	147.1	122.3	162.8
Year-on-year inflation rate (percent)	21.9	21.7	11.5	9.2	9.4	8.6	9.3	21	25.8	33.1
Fiscal Sector										
Total Revenue	661.3	810	946.6	1079.1	1208.5	1302	1141.5	1928.8	144.4	430.0
Domestic Revenues	614.2	742	858.7	988.6	1058.5	1096	989.7	1682.2	121.6	302.1
Grants	47.1	67	87.9	90.5	145	206.1	151.8	246.6	22.8	127.9
Total expenditure	762.7	964.3	1136.1	1316.7	1446.2	1804.4	1655.5	2739	248.8	387.4
Recurrent	667.2	832.5	973.1	1119.9	1241.9	1557	969.2	2,345,0	216.3	306.5
Development	95.5	131.8	163	196.9	204.3	247.4	670.8	393.9	32.5	80.8
Deficit/GDP ratio (after grants)	-3.2	-4	-4.1	-4.5	-2.9	-5.7	-5.3	-6.8	-0.9	0.3
Monetary Sector										
Net Foreign Assets	355.9	348.2	463.8	152.5	163.3	-345.6	-405.9	-635.6	-718.0	-1564.8
Net Domestic Credit	730.4	1007.8	1238.8	1397.5	1601.7	2012.5	2691	3562.2	3478.3	4610.5
Government	266.7	513.9	708.6	744.1	700.5	976.9	1608.8	2214.4	2104.3	2823.5
Statutory bodies	5.2	9.5	8.6	130.8	216.8	213.4	205.3	273.5	283.8	469.4
Private (gross)	422.5	455.3	488.4	493.2	595	692.8	821.9	1020	1021.8	1252.4
Money Supply (M2)	788.8	923.3	1077.3	1198.3	1320.5	1541.4	2004.4	2784.5	2627.9	3641.0
M2 Growth Rate (annual percent)	23.7	15.2	19.7	11.5	10.2	16.7	30	38.9	38.7	38.5
Reserve Money	207.1	250.2	279.6	289.8	303.4	342.1	449.4	573.4	600.3	918.0
Banks Deposits	66	60.3	78.2	59.6	26	57.3	89.3	100.6	151.9	390.8
External Sector										
Overall Balance	45.1	-47.3	107.5	0.6	63.7	-193.1	-125.9	-323.1	..	..
Current Account	-527.7	-722	-1152	-1255.6	-984.9	-1134.6	-1437.2	-333	..	..
Exports (fob)	531.6	737.5	611.2	814.5	975.4	838.3	808.7	908.2	117.6	192.8
Imports (cif)	1134.6	1577.6	1864.1	2141.6	2421.2	2285.7	2478.7	1444	300.7	422.8
Trade balance	-603	-840.1	-1252.9	-1327.1	-1445.9	-1447.5	-1669.9	-535.8	-183.1	-230.0
Capital account balance	114	605.8	694.7	632.6	533.7	553	598.4	731.3	..	..
Gross foreign exchange reserves	549.2	586.7	739.4	660.1	700.7	626.1	593.6	715.2	744.4	990.2
Official	445.3	438.6	549.9	548.2	605.5	437.2	346.5	302.1	318.9	288.0
Commercial banks	103.9	148.1	189.5	111.9	95.2	188.9	247.1	413	400.8	702.2
Import cover (Official reserves in months)	3.2	2.8	3.6	3.6	2.9	4	1.7	1.2	1.3	0.7
Current account balance/GDP (percent)	-16.4	-18.9	-17.6	-17.4	-12	-12.9	-15.5	-18.3	..	..
Debt/GDP (percent)	52.4	63.9	58.8	58.2	38.5	43.7	60.1	66.7	64.9	..
Debt Service/Exports (percent)	3.8	4.1	6	6.2	6.8	12.9	10.6	13	6.1	..
MK/US Dollar (eop)	664.4	725	730.5	733.7	738.9	773.1	819.4	1034.7	1034.4	1699.3
MK/US Dollar (pd avg)	499.6	713.9	726.7	732.3	742.2	749.5	805.9	949	1035.0	1556.8

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

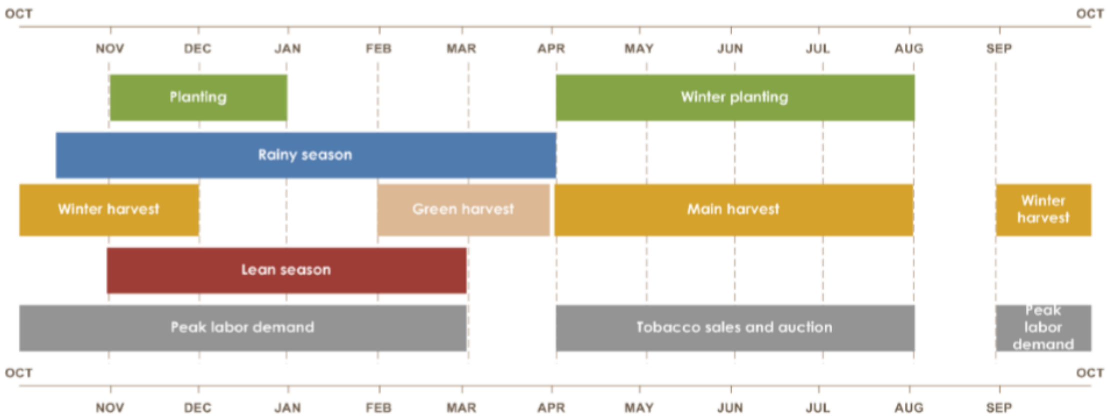
%	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
GDP	1.6	3.0	3.4	3.8	4.1	4.4
Private consumption	1.7	2.5	2.6	2.7	3.3	3.3
Government consumption	1.8	2.8	2.7	2.6	2.5	2.5
Gross fixed investment	2.0	5.0	5.7	5.8	6.0	6.0
Exports of goods & services	4.4	4.8	5.1	5.5	5.8	6.0
Imports of goods & services	3.9	4.3	4.4	4.5	5.0	5.0
Domestic demand	1.7	2.8	3.0	3.1	3.6	3.6
Agriculture	1.0	1.3	1.5	2.2	2.6	2.5
Industry	1.4	2.2	2.6	3.0	3.2	3.3
Services	2.0	4.0	4.5	4.8	5.0	5.5

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

Appendix 9: Global Projections (Source: WBG)

	2021	2022	2023e	2024f	2025f	2023e	2024f	2025f
World	**6.2**	**3.0**	**2.6**	**2.4**	**2.7**	**0.5**	**0.0**	**-0.3**
Advanced economies	**5.5**	**2.5**	**1.5**	**1.2**	**1.6**	**0.8**	**0.0**	**-0.6**
United States	5.8	1.9	2.5	1.6	1.7	1.4	0.8	-0.6
Euro area	5.9	3.4	0.4	0.7	1.6	0.0	-0.6	-0.7
Japan	2.6	1.0	1.8	0.9	0.8	1.0	0.2	0.2
Emerging market and developing economies	**7.0**	**3.7**	**4.0**	**3.9**	**4.0**	**0.0**	**0.0**	**0.0**
East Asia and Pacific	7.5	3.4	5.1	4.5	4.4	-0.4	-0.1	-0.1
China	8.4	3.0	5.2	4.5	4.3	-0.4	-0.1	-0.1
Indonesia	3.7	5.3	5.0	4.9	4.9	0.1	0.0	-0.1
Thailand	1.5	2.6	2.5	3.2	3.1	-1.4	-0.4	-0.3
Europe and Central Asia	7.1	1.2	2.7	2.4	2.7	1.3	-0.3	0.0
Russian Federation	5.6	-2.1	2.6	1.3	0.9	2.8	0.1	0.1
Türkiye	11.4	5.5	4.2	3.1	3.9	1.0	-1.2	-0.2
Poland	6.9	5.1	0.5	2.6	3.4	-0.2	0.0	0.2
Latin America and the Caribbean	7.2	3.9	2.2	2.3	2.5	0.7	0.3	-0.1
Brazil	5.0	2.9	3.1	1.5	2.2	1.9	0.1	-0.2
Mexico	5.8	3.9	3.6	2.6	2.1	1.1	0.7	0.1
Argentina	10.7	5.0	-2.5	2.7	3.2	-0.5	0.4	1.2
Middle East and North Africa	3.8	5.8	1.9	3.5	3.5	-0.3	0.2	0.5
Saudi Arabia	3.9	8.7	-0.5	4.1	4.2	-2.7	0.8	1.7
Iran, Islamic Rep. [2]	4.7	3.8	4.2	3.7	3.2	2.0	1.7	1.3
Egypt, Arab Rep. [2]	3.3	6.6	3.8	3.5	3.9	-0.2	-0.5	-0.8
South Asia	8.3	5.9	5.7	5.6	5.9	-0.2	0.5	-0.5
India [2]	9.1	7.2	6.3	6.4	6.5	0.0	0.0	0.0
Bangladesh [2]	6.9	7.1	6.0	5.6	5.8	0.8	-0.6	-0.6
Pakistan [2]	5.8	6.2	-0.2	1.7	2.4	-0.6	-0.3	-0.6
Sub-Saharan Africa	4.4	3.7	2.9	3.8	4.1	-0.3	-0.1	0.1
Nigeria	3.6	3.3	2.9	3.3	3.7	0.1	0.3	0.6
South Africa	4.7	1.9	0.7	1.3	1.5	0.4	-0.2	-0.1
Angola	1.2	3.0	0.5	2.8	3.1	-2.1	-0.5	0.0
Memorandum items:								
Real GDP [1]								
High-income countries	5.5	2.8	1.5	1.3	1.8	0.7	0.0	-0.5
Middle-income countries	7.2	3.4	4.3	4.0	4.0	0.1	0.0	-0.1
Low-income countries	4.2	4.8	3.5	5.5	5.6	-1.7	-0.5	-0.4
EMDEs excluding China	6.0	4.2	3.2	3.5	3.8	0.3	0.1	0.0
Commodity-exporting EMDEs	5.2	3.2	2.5	2.9	3.1	0.6	0.1	0.2
Commodity-importing EMDEs	7.9	3.9	4.8	4.4	4.4	-0.2	0.0	-0.1
Commodity-importing EMDEs excluding China	7.2	5.3	4.2	4.2	4.5	0.0	0.0	-0.3
EM7	7.8	3.3	4.9	4.1	4.1	0.2	0.0	-0.1
World (PPP weights) [3]	6.4	3.3	3.0	2.9	3.1	0.3	0.0	-0.3
World trade volume [4]	**11.1**	**5.6**	**0.2**	**2.3**	**3.1**	**-1.5**	**-0.5**	**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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- Company valuation
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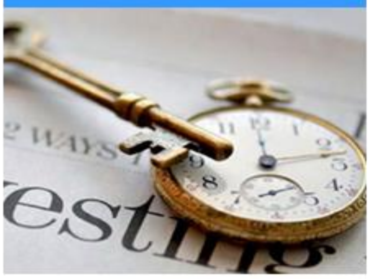

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