ANNUAL ECONOMIC REPORT 2021

NICO Asset Managers

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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
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

In 2021, the Malawi Kwacha depreciated against the United States Dollar by 5.91% closing at 816.40 MWK/US$ compared to K770.84/US$ registered in 2020. The downward trend was mainly attributed to a decline in foreign exchange supply which in turn put pressure on the country's foreign exchange reserves. This increased the burden on the Central Bank of Malawi to support the foreign exchange market with liquidity to help either in smoothening the rate of depreciation. Changes in the government policy including the removal of currency swap mechanisms which previously held the Kwacha steady in times of lower reserves also attributed to depreciation. Repayment of currency swap loans and increased demand from the commercial sector (following recovery from COVID-19 supply chain disruptions) reportedly caused foreign exchange shortages.

The Reserve Bank of Malawi (RBM) closed the year 2021 with the monetary policy rate at 12.00%. Throughout the year, the Committee decided to maintain the Policy Rate at 12.00%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. The decision was made after considering the need to continue supporting economic recovery from the impacts of the COVID-19 pandemic, whilst monitoring and managing risks to inflation (Source: RBM).

The Headline Inflation Rate (year-on-year) for 2021 increased to 9.30% compared to 8.60% in 2020. The national month-to-month inflation rate for December 2021 is 11.50% compared to 7.60% in 2020.This was mainly attributed to an increase in both food and non-food inflation. The rates closed at 13.60% and 9.50% respectively (Source: NSO).

Various institutions have maintained their projections for the Malawian economy and based on these projections the economy grew by an estimated average of 2.45% in 2021 and will grow by 3.75% in 2022.The World Bank has revised downwards its 2021 projection to 2.40% from 2.80% while other institutions have maintained their projections. The Government of Malawi also revised downward its growth forecast to 2.50% from 3.80%, while the IMF and World Bank stand at 2.20% and 2.80% respectively. In contrast the EIU previously revised upwards the forecast from 2.30% to 2.70% on account of the better-than-expected agricultural harvest resulting from above normal rainfall.

Key Economic Risks – Malawi

1. 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.
2. High government debt levels - Create a future obligation for the government to repay the debt plus interest.
3. Persistently weak export base - Affects the Kwacha's stability against the major currencies due to a widening trade deficit.
4. High population growth rates - May reduce the country's ability to allocate resources to more productive activities.
5. Insufficient power supply - Will lead to lower productivity and dampen economic growth.

ECONOMIC HIGHLIGHTS FOR 2021 — Malawi

The headline inflation rate (year-on-year) for 2021 is 9.30% compared to 8.60% in 2020. This was mainly attributed to an increase in both food and non-food inflation (Source: NSO).

During the year 2021, the all-type Treasury bill yield increased to 12.18% from 10.64% recorded in 2020 (Source: RBM).

Liquidity levels for the year 2021 decreased to a daily average of K15.10 billion from K16.35 billion recorded in 2020. Access to the Lombard facility (discount window borrowing) during 2021 averaged K57.79 billion per day at an average rate of 12.20% while that of 2020 averaged K24.46 billion per day at an average rate of 13.56% (Source: RBM).

During the year, the Malawi Kwacha appreciated against the South African Rand and the Euro but depreciated against the US Dollar and the British Pound. The Kwacha closed the year at K816.40/US$ from K770.84/US$ (Source: RBM).

As of 31 December, total forex reserves stood at US$854.69 million (3.42 months of import cover) a significant decrease from US$952.23 million (4.56 months of import cover) registered at the end of December 2020 (Source: RBM).

The stock market registered a positive return on the index as reflected in the upward movement of the Malawi All Share Index (MASI) from 32,392.84 points registered on 4 January 2021 to 45,367.68 points registered on 31 December 2021, giving a return on index of 40.05% compared to 7.08% registered in 2020 (Source: MSE).

In Malawi, ongoing drought conditions and record low rainfall totals are prevalent across most areas, particularly the Central and Northern regions. This differs significantly from the average to above-average rainfall assumption in the October 2021 Food Security Outlook and previous global, regional, and national weather forecasts for the 2021/22 rainfall season. Preliminary total rainfall is the lowest on record in several areas and substantially below similar periods in 2015, the most recent widespread below-average rainfall season. FEWSNET's revised forecast indicates poor rainfall is expected to continue, likely resulting in a below-average 2022 harvest. (Source: FEWSNET)

As of the end of December, retail prices of maize in the Malawian markets were lower than in selected regional markets in Eastern Africa and on SAFEX (the main grain futures market in South Africa). Prices in Lunzu were higher than on SAFEX and Zambia's national average of December 2021. Prices in Chimbiya and Mzuzu remain lower than anywhere in the region. At the end of December, prices in the South averaged K168.0/kg (4.0% higher than November prices), in the Center prices averaged K146.0/kg (8.0% higher than November prices), while in the North prices averaged at K123.0/kg (10.0% higher than November prices).

ECONOMIC OVERVIEW

Inflation (Source: NSO)

The headline inflation rate for 2021 increased to 9.30% from 8.60% recorded in 2020. This was due to an increase in both food and non-food inflation as can be seen in the table below:

	2020	2021	% Change
Headline inflation	8.60%	9.30%	0.70%
Food	13.05%	11.14%	-1.91%
Non-food	4.70%	7.38%	2.68%

Government Securities (Source: RBM)

During the year 2021, the all-type Treasury bill yield increased to 12.18% from 10.64% recorded in 2020.

Tenor	2020	2021	Change
91 days	8.23%	9.81%	1.58%
182 days	11.02%	12.79%	1.77%
364days	12.64%	13.94%	1.30%
All Type	10.64%	12.18%	1.54%

Total Treasury bill applications for 2021 stood at K183.03 billion and K272.83 billion was allotted representing a 3.60% rejection rate.

In 2021, the government conducted Treasury notes auctions for 2-year, 3-year, 5-year, 7-year and 10-year tenors. Total applications for 2021 increased to K759.00 billion from K700.98 billion in 2020 while total allotments increased to K713.75 billion from K583.88 billion in 2020, resulting in a 5.96% rejection rate compared to 15.93% recorded in 2020.

Below is a summary of the Treasury Notes for the year 2021:

2021 to December			
TENORS (Years)	Applied (K'bn)	Allotted (K'bn)	Average Yield
2	178.36	166.59	16.58%
3	191.96	185.74	18.86%
5	212.68	209.41	20.17%
7	79.82	72.17	20.65%
10	96.1814	79.84	22.57%

Foreign Currency Market (Source: RBM)

During the year of 2021, the Malawi Kwacha appreciated against the South African Rand and the Euro but depreciated against the US Dollar and the British Pound . See table below:

CURRENCY	2020	2021	% Change
MK/US Dollar	770.84	816.40	-5.91%
MK/GBP	1,050.57	1,102.14	-4.91%
MK/ZAR	52.83	51.35	2.79%
MK/EUR	947.90	924.25	2.50%

The official forex reserves for December 2021 decreased to US$429.17 million (1.72 months' worth of import cover) from US$574.26 million (2.75 months of import cover) in December 2020. Private sector reserves increased to US$425.52 million (1.70 months of import cover) in December 2021 from US$377.97 million (1.81 months of import cover) in December 2020.

As of 31 December, total forex reserves stood at US$854.69 million (3.42 months of import cover) a significant decrease from US$952.23 million (4.56 months of import cover) registered at the end of December 2020.

	Dec-20 (US$ million)	Dec-21 (US$ million)	% Change
Official Reserves	574.26	429.17	-25.27%
Private Sector	377.97	425.52	12.58%
Total	952.23	854.69	-10.24%
Import Cover (Months)			
Gross Official	2.75	1.72	-37.45%
Private Sector	1.81	1.7	-6.08%
Total	4.56	3.42	-25.00%

(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 for the year 2021 decreased to a daily average of K15.10 billion from K16.35 billion recorded in 2020. Access to the Lombard facility (discount window borrowing) during 2021 averaged K57.79 billion per day at an average rate of 12.20% while that of 2020 averaged K24.46 billion per day at an average rate of 13.56%.

During the year 2021, overnight borrowing between banks increased to a daily average of K12.47 billion from K9.72 billion recorded in 2020. This was at an average rate of 11.86% (2020: 13.27%).

The reference rate for the month of December 2021 was 12.20% compared to 12.10% recorded in December 2020).

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 32,392.84 points registered on 4 January 2021 to 45,367.68 points registered on 31 December 2021, giving a return on index of 40.05% (33.92% in US$ terms) compared to 7.08% (2.21% in US$ terms) registered in 2020.

The price gains were registered by twelve counters, Illovo (+272.76%), FMBCH (+262.98%), PCL (+45.10%), Airtel (+42.96%), Standard Bank (+33.79%), NBM (+24.63%), TNM (+14.20%), FDH Bank (+9.41%), NBS Bank (+6.02%), NICO (+5.77%), ICON (+5.05%) and NITL (+0.03%) were enough to offset share price losses by BHL (-14.91%), SUNBIRD (-14.28%), OMU (-4.55%) and MPICO (-1.43%) resulting into an upward movement of the Malawi All Share Index.

The Domestic and Foreign Share indices inched upwards by 33.53% and 209.64% to close at 3,7061.72 and 4,223.15 points respectively. Market capitalization increased both in Kwacha and United States Dollar terms from MK1.76 trillion (US$2.28 billion) on 04 January 2021 to MK2.46 trillion (US$3.01 billion) on 31 December 2021.

In the year 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. In the corresponding period 2020, the market transacted a total of 1.65 billion shares at a total consideration of K41.09 billion (US$54.52 million) in 3,114 trades.

The average dividend yield on the MASI increased in December 2021 to 3.25% from 2.71% in Decmeber 2020.

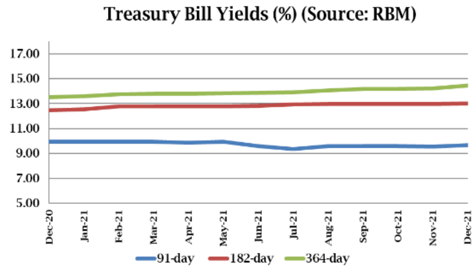
Counter	Dec-21	Dec-20	% Change
	MK/Share	MK/Share	%
AIRTEL	40.00	27.98	42.96%
BHL	11.01	12.94	-14.91%
FMBCH	80.00	22.04	262.98%
FDHB	15.81	14.45	9.41%
ICON	12.89	12.27	5.05%
ILLOVO	300.00	80.48	272.76%
MPICO	20.70	21.00	-1.43%
NBM	810.12	650.00	24.63%
NBS	22.90	21.60	6.02%
NICO	55.00	52.00	5.77%
NITL	94.98	94.95	0.03%
OMU	2,099.99	2,199.98	-4.55%
PCL	1,900.00	1,309.47	45.10%
STANDARD	1400.00	1046.39	33.79%
SUNBIRD	90.01	105.00	-14.28%
TNM	22.92	20.07	14.20%
MASI	45,367.68	32,392.84	40.05%
DSI	37,061.70	27,755.46	33.53%
FSI	4,223.15	1,363.88	209.64%

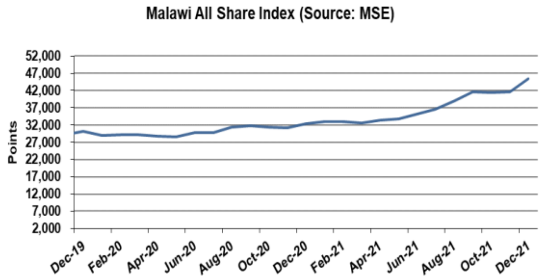
Below is a presentation of the published 2021 and 2020 half year financials for the respective companies.

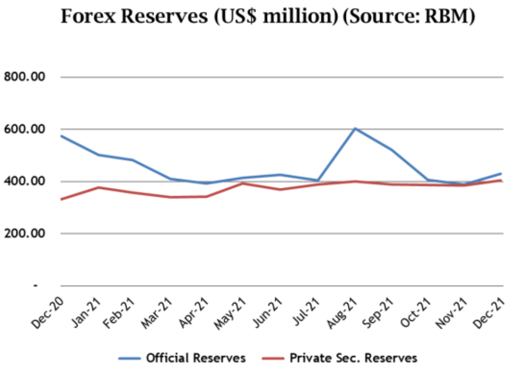
Published Financials for 2021 and 2020						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period	**Aug-21**	**Aug-20**	**% Change**	**Aug-21**	**Aug-20**	**% Change**
ILLOVO	20.47	2.74	647.08%	10.00	2.00	400.00%
Period	**Sep-21**	**Sep-20**	**% Change**	**Sep-21**	**Sep-20**	**% Change**
BHL	(299.42)	181.62	-264.86%	0.00	0.00	N/A
Period	**Jun-21**	**Jun-20**	**% Change**	**Jun-21**	**Jun-20**	**% Change**
AIRTEL	11.35	11.42	-0.60%	N/A	N/A	N/A
ICON	3.10	2.10	47.62%	0.12	0.11	9.09%
NBS BANK	4.40	2.84	54.93%	0.60	0.45	33.33%
STANDARD	11.58	12.63	-8.35%	28.55	10.65	168.08%
NBM	12.80	9.10	40.66%	10.71	5.35	100.19%
NITL	1.23	0.36	238.19%	0.60	0.50	20.00%
TNM	4.51	3.78	19.34%	0.18	0.25	-28.00%
NICO	7.00	7.64	-8.38%	0.75	0.67	11.94%
PCL	12.87	11.68	10.18%	6.00	6.00	0.00%
MPICO	4.27	3.64	17.31%	0.12	0.00	100.00%
	Net Profit/(Loss) (US$' million)			Total Dividend (Per Share) (US$)		
FMBCH	13.10	14.30	-8.39%	0.08	0.00	100.00%

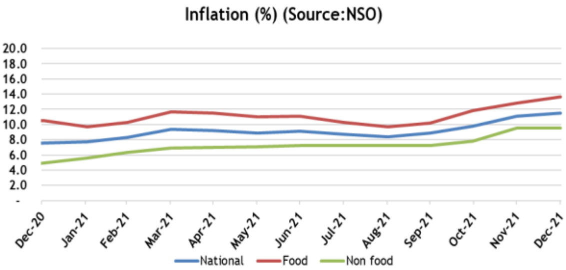
TRADING STATEMENT	
NITL	Expects its full year ending 31st December 2021 profit after tax to be approximately 200% higher than the previous corresponding period
PCL	Expects its full year ending 31st December 2021 profit after tax to be approximately 50% higher than the previous corresponding period
NBM	Expects its full year ending 31st December 2021 profit after tax to be approximately 30% higher than the previous corresponding period
AIRTEL	Expects its full year ending 31st December 2021 profit after tax to be approximately 35% higher than the previous corresponding period
TNM	Expects its full year ending 31st December 2021 profit after tax to be approximately 20% higher than the previous corresponding period
SUNBIRD	Expects its full year ending 31st December 2021 profit after tax to be approximately 150% higher than the previous corresponding period
FMBCH	Expects its full year ending 31st December 2021 profit after tax to be approximately 40% higher than the previous corresponding period
MPICO	Expects its full year ending 31st December 2021 profit after tax to be approximately 40% higher than the previous corresponding period

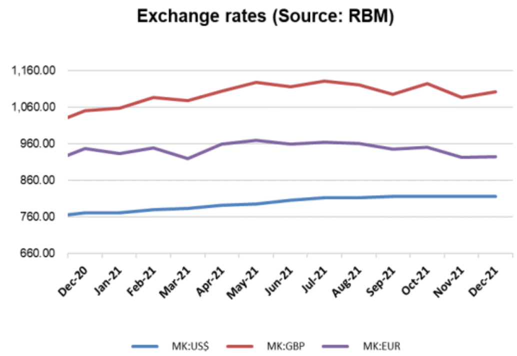
Trend Graphs

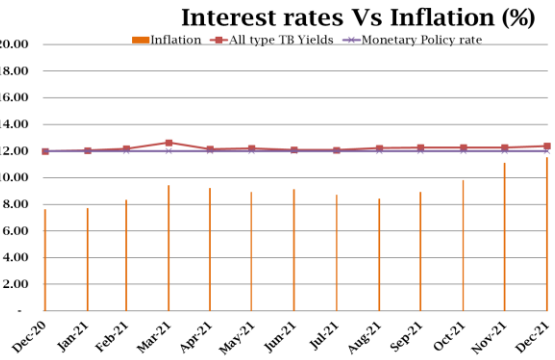












OTHER MARKET DEVELOPMENTS

2021 Tobacco Season End (Source: AHL)

The 2021 tobacco marketing season officially closed after 21 weeks of sales. By the end of the season, tobacco volume sales decreased by 8.70% to 113.8 million kilograms in 2021 from 113.8 million kilograms recorded in 2020. Cumulatively, tobacco fetched an all-type average price of US$1.59 per kilogram in 2021. This was 3.92% higher than US$1.53 per kilogram fetched in 2020. Total realization from the 2021 tobacco sales amounted to US$197.7 million, a 12.95% drop from US$174.50 million realized in 2020.

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

In Malawi, ongoing drought conditions and record low rainfall totals are prevalent across most areas, particularly in the Central and Northern regions. This differs significantly from the average to above-average rainfall assumption in the October 2021 Food Security Outlook and previous global, regional, and national weather forecasts for the 2021/22 rainfall season. Preliminary total rainfall is the lowest on record in several areas and substantially below similar periods in 2015, the most recent widespread below-average rainfall season. FEWSNET's revised forecasts indicates poor rainfall is expected to continue, likely resulting in a below-average 2022 harvest.

As a result of the loss of some agricultural labor opportunities and slight increases in food prices, some very poor households across the country will be Stressed or in Crisis outcomes. At the country level, though, food security outcomes will not shift significantly during the projection period and will remain Minimal across most of the country. The poor season signals that food security is likely to deteriorate in mid and late-2022, outside of the current projection period, the time at which the impacts of the current below-average season will more notably affect poor households' food and income sources.

In Lower Shire livelihood zone districts of Nsanje and Chikwawa, Crisis outcomes currently exist, driven by poor production in the preceding season and the fact that very poor households lack sufficient income to purchase their basic food needs. However, humanitarian food assistance is planned for January to March 2022 and is likely to support improvement to Stressed outcomes.

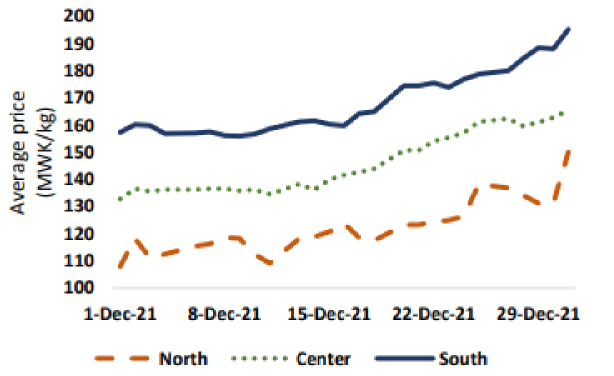
There are records of rainfall deficits across nearly all of Malawi. Both the standard precipitation index (SPI) and rainfall totals reflect ongoing drought conditions in critical agricultural areas. In central and northern regions, preliminary total rainfall is the lowest on record, at around 122.0 mm and 105.0 mm on average, respectively. In the northern part, total rainfall to date is approximately 60.0% below the long-term mean (LTM) and 40.0% below the 2015-16 totals by the end of December 2021, when below-average rainfall had a significant impact on food security. Similarly, in the central region, total rainfall is approximately 55.0% below the LTM and 46.0% below 2015-16 totals.

Signals of upward pressure on maize prices at the end of December 2021 may indicate traders' concerns with current rainfall performance and increased informal exports. Informal cross-border exports of maize increased significantly from 8,597.0 MT in October 2021 to 10,487.0 MT in November 2021, a 22.0% month-to-month increase and 16 times the five-year average. The increase in informal exports to East Africa may be linked to food shortages, declining food availability, and increasing food prices in the region, particularly in Kenya, Somalia, and Ethiopia, where consecutive drought conditions and poor harvests persist. In November 2021, data revealed that most informal exports originated from central region districts of Dowa, Kasungu, and some parts of Lilongwe, as anecdotal reports indicate that Chitipa has exhausted supplies earlier than anticipated.

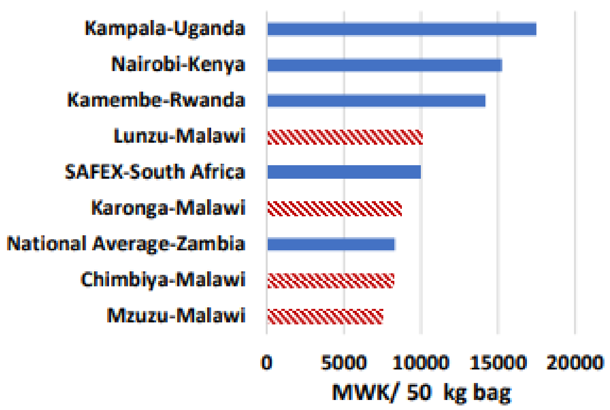
During December 2021, maize retail prices averaged K152.0/kg. This is 4.0% higher than November 2021 but 24.0% lower than December 2020. Picking up from November 2021, retail prices sharply increased even more during the month than December 2020. This is of course expected as lean season is about to peak. Maize stock gets depleted, putting pressure on prices to go up. Additionally, acting on expectations following an announcement of the lifting of a maize export ban to allow exportation of maize, traders might have raised maize retail prices. Within the month, maize retail prices varied widely starting from as a low as K90.0/kg in Jenda and Chitipa and as high as K230.0/kg in Bangula.

Maize continues to sell at highest retail prices in the Southern part of Malawi. In addition to geographical price variations, reports from traders indicate that most of the maize that is being sold in the South is currently being sourced from the Center in the districts such as Dedza, Ntcheu, Lilongwe and Mchinji. Hence, traders in the South are adding a transport markup to the prices from the center.

Figure 2. Daily average maize retail prices by region during December 2021



As of the end of December 2021, retail prices of maize in the Malawian markets were lower than in selected regional markets in Eastern Africa and on SAFEX (the main grain futures market in South Africa). Prices in Lunzu were higher than on SAFEX and Zambia's national average of December 2021. Prices in Chimbiya and Mzuzu remain lower than anywhere in the region. In December, prices in the South averaged K168.0/kg (4.0% higher than the prior month), in the Center averaged K146.0/kg (8.0% higher than the prior month), while in the North prices averaged at K123.0/kg (10.0% than the prior month).



Price for Kenya is as of November 2021

ADMARC purchases were reported in 7 out of the 26 markets monitored by IFPRI. Some traders from the South are still reporting that some ADMARC depots are being used for the sale of Affordable Inputs Program (AIP) fertilizer. ADMARC sales were reported in 11 out of the 26 markets monitored by IFPRI. ADMARC is selling maize at K205.0/kg, 35.0% higher than the average retail price in December 2021.

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

2021 AID Inflows towards COVID-19 (Source: IMF, US, Canaga, EU, EIB, Germany, Irish)

During 2021 Malawi has seen an increase in aid flows in the form of emergency assistance such as two debt relief disbursements under the Catastrophe Containment and Relief Trust (CCRT) equivalent to US$20.54 million (5 April 2021: US$11.06 million, 6 October 2021: US$9.48 million). These tranches follow two prior tranches approved in 2020 equivalent to US$20.00 million (13 April 2020: US$9.85 million, 2 October 2020: US$10.15 million). The grants areexpected to help free up scarce financial resources for vital emergency health, social, and economic support to mitigate the impact of the COVID-19 pandemic.

Furthermore Malawi continued to benefit from a rise in grants from international donors given the continuing reduced trading activity due to the COVID-19 pandemic resulting to a widened trade deficit and spill-over effects. In January 2021, the European Union (EU) Delegation to Malawi, European Investment Bank (EIB), German and Irish embassies secured an additional €3.0 million to finance Malawi's battle against the COVID-19 pandemic. Two-thirds of the funds were to be used for mitigating the socio-economic impact of the pandemic. The funds would also be used for supporting the government's program on social cash transfers, temporarily targeting vulnerable households in urban areas and the school feeding program. Water sanitation and hygiene initiatives would also benefit from the tranche. Finally, the funds were aimed to provide immediate health response.

In February 2021 the Canadian Government through the Malawi Sustainable Development Goals Acceleration Fund (SDG-AF) allocated K3.0 billion to support national COVID-19 response programs. The funds were allocated to initiatives that ensure that girls and women are not left out of the COVID-19 response strategies. A disbursement of K101 billion was also expected to be provided by the United Kingdom, Norway, Canada, Flanders, Ireland, Romania, and the UN to implement three multisectoral programs. These programs were expected to involve government ministries and UN agencies focusing on girl's education, building resilient livelihoods for the poor and the vulnerable as well as increasing access to basic care.

The United States Government also announced the release of an addition K2.9 million towards Malawi's COVID-19 pandemic response. The funds are expected to help strengthen the Ministry of Health's ongoing effort against the COVID-19 pandemic, along with the development of COVID-19 distribution facilities. The new package brings the United States overall COVID-19 assistance in Malawi to K20.5 billion. The US is committed to support Malawi through the US Agency for International Development (USAID). The organization is supporting local workers to receive, store and deliver COVID-19 vaccines to citizens, including those in remote areas. Furthermore, USAID is providing education on the facts about the vaccine and lifesaving oxygen facilities (Source: USAID).

REGIONAL MARKET DEVELOPMENTS

Sub-Saharan Africa (SSA)

The world remains in the grip of an ongoing pandemic and an accelerating pace of climate change, both of which underscore the need for increased global cooperation and dialogue. Solutions to these global problems must involve all countries and all regions, including Sub-Saharan Africa, with the world's least vaccinated population, most promising renewable energy potential, and critical ecosystems.

According to the October 2021 Regional Economic Outlook, the International Monetary Fund (IMF) projects that Sub-Saharan Africa is set to grow by 3.70% in 2021 and 3.80% in 2022. This rebound is most welcome and largely results from a sharp improvement in global trade and commodity prices. Favorable harvests have also helped lift agricultural production. But the recovery is expected to be slower than in advanced economies, leading to a widening rift in incomes. This divergence is expected to persist through the medium term—partly reflecting different access to vaccines, but also stark differences in the availability of policy support. The outlook remains extremely uncertain, and risks are tilted to the downside. In particular, the recovery depends on the path of the global pandemic and the regional vaccination effort and is also vulnerable to disruptions in global activity and financial markets.

According to the African Development Bank (AfDB) targeted support may be needed for sectors such as tourism, which has been hit hardest by the pandemic. The COVID-19 recovery plans introduced by countries in the region could be tweaked to pay specific attention to the unevenness of the recovery, with support increasingly directed to sectors for which conditions remain most challenging. For instance, support for tourism could include wage support for firms that retain workers. Other possible policies to preserve capital and investments in tourism include concessional loans, extended debt restructuring, and extended tax deferments. In addition, policies that use tax codes to foster domestic tourism (as have been used in Malaysia) should reduce capital destruction in the sector and support speedier recovery. These policies could also be used in other sectors.

Agriculture plays a key role in the region's economies, especially in Madagascar, Malawi, Mozambique, São Tomé & Príncipe, Zambia, and Zimbabwe. Given the impacts of cyclones and droughts, further investments to stabilize production and enhance value chains will be vital to recovery efforts across the region.

The quality and efficiency of government spending should be enhanced to increase value for money, as not all government projects are national priorities. To enhance transparency, governments in Sub-Saharan Africa should be open to conducting spending reviews of existing programs, either on their own or with the assistance of international organizations. More efficient spending is a way of mobilizing domestic revenue because it releases resources for use elsewhere without compromising on project delivery.

To tackle the issues of debt burdens in Sub-Saharan Africa, countries need to perform due diligence when entering into loan agreements. Project feasibility should be thoroughly assessed, and the best possible loan terms negotiated. Governments must ensure that funds are used efficiently and for the projects for which they were intended. More effective public financial management systems should be introduced, and misappropriation of funds and wasteful spending should not be tolerated.

Fast-tracking COVID-19 vaccination programs may help countries ease tourism restrictions and boost visitors, increasing tourism revenues. This is important for countries where in 2019 tourism accounted for more than 10.0% of export revenue: Mauritius (39.0%), Madagascar (23.0%), Namibia (10.0%), and Zambia (10.0%). According to the Bloomberg COVID-19 Vaccination Tracker, as of June 2021 Mauritius had the region's highest vaccination levels, having administered doses to about 16.00% of the population (Source: AfDB & IMF).

Zambia

Annual inflation for December 2021 decreased to 16.4% percent from 19.3% recorded in November 2021. The slowdown in annual inflation was attributed to favorable price movements in both food and non-food items. Annual food inflation for December 2021 was recorded at 19.9% compared to 25.4% recorded in November 2021, a decrease of 5.5%. This decrease was mainly attributed to price movements in food items such as cereals, fish, vegetables, coffee, and baking powder. The annual non-food inflation for December 2021 was recorded at 12.1% from 12.2% in November 2021. The decrease in inflation was mainly attributed to price movements of non-food items such as glassware, tableware, and household utensils.

The Monetary Policy Committee (MPC), at its November 2021 Meeting, decided to raise the Monetary Policy Rate by 50 basis points to 9.0% from 8.5%. This is to help steer inflation to single digits in 2022 and to within the 6-8% target range by mid-2023 as stated in the 2022 Budget Address. The Committee also considered the need to continue supporting economic growth and maintaining financial stability. Although inflation is projected to decelerate sharply between 2021 and 2023, it is expected to remain on the upper bound of the 6-8% target range. The upside risks to the inflation outlook include the possible increase in fuel pump prices and electricity tariffs necessary to restore fiscal sustainability, as well as the predicted fourth wave of COVID-19, which could disrupt supply chains and trigger price increases. Further, effective implementation of fiscal reforms will significantly complement the achievement of a low and stable inflation objective (Bank of Zambia).

The International Monetary Fund and Zambia reached a staff level agreement on a US$1.40 billion, three-year Extended Credit Facility, which could bring the heavily indebted country one step closer to a comprehensive debt overhaul. Zambia's IMF program will include removing unsustainable subsidies on energy and agriculture. The IMF Zambia mission chief Allison Holland said more details would be given once the program was approved by the Management and Executive Board, adding that reducing the fiscal deficit and removing inefficient subsidies, which Zambia has on power, fuel and farming were key goals of the program. A greater proportion of spending on health and education was also key. According to the Ministry of Finance, Zambia currently has unpaid petroleum bills worth US$480.00 million as Zambia was spending US$67.00 million per month on fuel subsidies. The Minister of Finance expressed that Zambia was committed to bringing debt to sustainable levels, but that the removal of subsidies would mean price increases, something which could prove politically contentious

Total export earnings were US$2.8 billion in the third quarter of 2021, 24.5% higher than a year ago. Copper exports grew by 23.6% to US$2.1 billion owing to stronger realized prices which offset a 19.0% fall in export volumes. Average realized copper prices rose by 52.4% to US$9,681.8/T compared to US$6,352.5/T in the third quarter of 2020. Higher demand for copper, particularly from China, explained this outturn. The value of merchandise imports was 57.9% higher, at US$2.1 billion in the third quarter of 2021, than a year ago. Imports from the top five source countries accounted for 77.3% of total imports with South Africa being the largest contributor at 28.6%. An uptick in domestic activity, appreciation of the Zambian Kwacha and the continued easing of supply constraints in trading partner countries, especially strong export performance by China and South Africa, accounted for the increase in imports.

Zimbabwe

The year-on-year inflation rate for the month of December 2021 stood at 60.74%. The month-on-month inflation rate in December 2021 was 5.76%, unchanged from the November 2021 rate. The month-on-month Food and Non-Alcoholic Beverages inflation rate stood at 6.22% in December 2021, shedding 0.29% on the November 2021 rate of 6.51%. The month-on-month non-food inflation rate stood at 5.41%, gaining 0.20% on the November 2021 rate of 5.21%. The December 2021 inflation marginally exceeded the MPC target of 60.00%, however inflation improved significantly between 2020 and 2021, declining from 348.59% at end December 2020 to 60.74% at end December 2021.

The Monetary Policy Committee (MPC) of the Reserve Bank of Zimbabwe met on 3 December 2021 and deliberated on macroeconomic and financial developments in the economy as well as the progress made in the implementation of the monetary policy measures announced in the last MPC meeting held on 28 October 2021. The Committee noted with satisfaction that the previous monetary policy decisions had helped to stabilize the exchange rate and domestic prices. In particular, the recent monetary policy measures had reversed the upward trend on month-on month inflation. The MPC noted that the country was on course to attaining a positive economic growth trajectory of 7.80% in 2021 and 5.50% in 2022. The growth trajectory was also firmed up by the International Monetary Fund (IMF) during the recently concluded Article IV Mission for Zimbabwe, which revised upwards the country's real GDP growth rate for 2021, from the initial 5.10% to 6.00%. Downside risks to growth include climate shocks, fiscal slippages and a fourth wave of the COVID-19 pandemic. In light of the obtaining macroeconomic stability, the Committee resolved to maintain the existing monetary policy stance as follows: i. Maintaining the Bank policy rate at 60.00% and the Medium-Term Bank Accommodation (MBA) Facility interest rate at 40%; ii. Maintaining statutory reserve requirements for demand/call deposits at 10.00% and at 2.50% for savings and times deposits; iii. Maintaining the minimum deposit rates for ZW$ savings and time deposits at 10.00% and 20.00%, respectively with a view to sustaining the appeal of the Zimbabwean Dollar as an investment currency; and iv. Maintaining reserve money growth targets at 10.00% for the fourth quarter of 2021 and the first and second quarters of 2022.

Decisive actions are needed to lock in economic stabilization gains and accelerate reforms. The near-term macroeconomic imperative is to continue with the close coordination among fiscal, exchange rate, and monetary policies. In this context, key priorities relate to allowing greater official exchange rate flexibility and tackling Forex (FX) market distortions, accompanied by an appropriate monetary stance; creating fiscal space for critical spending while containing fiscal deficits; implementing growth-enhancing structural and governance reforms; and continuing to enhance data transparency. To this end, the authorities' strategy and policies as embodied in their 2021-25 National Development Strategy 1 are appropriate and need to be fully operationalized and implemented.

Tanzania

Annual headline Inflation Rate for the month of December 2021 has slightly increased to 4.2% from 4.1% that was recorded in November 2021. The overall index went up from 100.73 recorded in December 2020 to 104.92 in December 2021. Food and non-alcoholic beverages inflation rate for December 2021 has slightly increased to 4.9% from 4.4% that was recorded in November 2021. On the other hand, non-food inflation rate for December 2021 has decreased to 3.9% from 4.0% that was recorded in November 2021. For six months in a row, domestic pump prices of petroleum products maintained an upward trend, in line with prices of oil in the world market. In November 2021, petrol, diesel and kerosene prices registered an annual increase of 27.4%, 27.6% and 24.3%, respectively, when compared to the same period in 2020. The monetary policy stance remained accommodative in 2021, driven by the need to continue boosting credit flows to the private sector to support recovery of the economy from the adverse effects of COVID-19.

The money market sustained adequate liquidity levels in November 2021, supported by accommodative monetary policy condition. Consequently, money market interest rates and yields on government securities remained low and stable. The foreign exchange market continued to benefit from increase in supply of foreign exchange, mainly from exports of minerals, cash crops and tourism receipts.

The level of external debt recorded an annual increase of US$4.12 billion in November 2021 when compared with the same month in 2020. Debt service payments amounted to US$171.4 million, of which US$114.2 million was principal repayments and the balance was interest payments. Central government continued to dominate the profile of external debt by borrower category, accounting for 73.4% of total external borrowing.

The external sector remained resilient to the effects of COVID-19 pandemic, with the tourism sector gradually recovering. During the year ending November 2021, the current account deficit widened to US$1.78 billion from a deficit of US$1.14 billion in the corresponding period in 2020, driven by higher imports of goods. The overall balance of payments was a surplus of US$1.91 billion from a deficit of US$906.40 million, owing to foreign financial inflows. Foreign exchange reserves were adequate, amounting to US$ 6.6 billion at the end of November 2021, from US$4.68 billion in November 2020, sufficient to cover about 6.8 months of projected imports of goods and services. The reserves were consistent with the country and regional benchmarks of at least 4 months, and 4.5 and 6 months for EAC and SADC, respectively.

The Bank of Tanzania (BoT) has forecast an economic growth rate of 5.00% in 2021 and for the growth rate to rise and exceed 8.00% over the next five years as the country recovers from the effects of COVID-19. The estimate was based on the increase in use of resources and improved efficiency in production activities. Tanzania was among few countries that escaped recession in 2020 due to the impact of COVID-19. The forecast has been enhanced by the improved vaccination campaign and other efforts to improve the economy by the government, private sector, and development partners. The BoT expects the economy to grow at 5.20% in 2022. President Samia Suluhu said the government had taken several measures including talking with international financial institutions to seek debt forgiveness or prolong the loan repayment period so that they can pay slowly in order to allow for adequate funds to foster growth and investment.

Uganda

The headline inflation rate for Uganda for the 12 months to December 2021 increased to 2.9%, up from 2.6% in November 2021. This was mainly driven by food and non-alcoholic beverages' (5.3%); transport (4.2 %); alcoholic beverages, tobacco and narcotics (1.2 %); housing, water, electricity, gas and other fuels (0.5%). The annual average headline inflation for the calendar year 2021 was recorded at 2.2% compared to 2.8% recorded during the calendar year ended 2020.

The Monetary Policy Committee of the Bank of Uganda (BOU) at its December 2021 meeting concluded that because of excess capacity, the economy continues to require considerable monetary policy support. The MPC decided to keep the Central Bank Rate (CBR) at 6.5%, consistent with achieving its target of sustainable inflation rate of 5.0% in the medium term. The ±2% band on the CBR and the margins on the rediscount rate remained unchanged at 3.0% and 4.0% on the CBR respectively. Consequently, the rediscount rate and bank rate have been maintained at 9.5% and 10.5% respectively. The BOU will continue interventions with sectors that remain under lockdown and maintain the COVID-19 Liquidity Assistance Program (LAP) to ensure financial stability until the economic situation normalizes.

Economic activity is gradually normalizing after the second wave of COVID-19. Although the resurgence of COVID-19 variants has clouded the near-term growth outlook, the economic growth momentum is expected to improve, expanded by the growth of global demand in 2021, higher private sector expenditure and continued support. The outlook is optimistic as Uganda's economy is expected to fully open in 2022, however the emergence of new variants and uncertainty over the containment measures dampen the outlook. Key risks to the outlook are tilted to the downside. Weaker global growth due to supply chain disruptions and the emergence of new variants. Contact intensive sectors like education and hospitality that faced the brunt of the pandemic continue to face challenges.

Import growth is expected to outpace export growth due to the recovery in import-intensive household consumption and private investment. As a result, the contribution of net exports to GDP growth will be negative for an extended period. Furthermore, although the fiscal thrust remains positive in the 2021/2022 financial year, its contribution to GDP growth is expected to be lower than the 2020/2021 financial year, owing to limited fiscal space to support further increases in government expenditure.

According to the 18th Ugandan Economic Update (UEU) compiled by the World Bank, Uganda's growth is expected to be between 3.50% and 4.00% in 2022 and about 5.50% in 2023; both projections are about 1.00% lower than the June UEU 2021 forecast. The economic recovery in 2021 tapered off in early Fiscal Year 2022 mainly due to the more severe second COVID-19 wave in mid-2021 and the related lockdown measures.

The UEU report states that although growth rebounded since the start of the COVID-19 crisis; driven by a pick-up in private consumption; investment; and a recovery in exports, the country is still likely to face a stop-start recovery until there is wider coverage of the COVID-19 vaccine. To ensure an inclusive economic recovery, faster deployment and widespread coverage of the vaccine is critical. It is encouraging to note that in January 2022, schools will be opened; and support to micro, small and medium enterprises has been prioritized to stimulate job creation. Staying the course will require sustained prudent and transparent fiscal and debt management. The update notes that there has been a rise in poverty and household vulnerabilities, widening of inequalities, and a significant threat looms to human capital development, especially in the education sector where schools have been fully or partially closed for a large part of the last two years. Even with higher growth prospects, per capita GDP will remain well below the target of the Third National Development Plan, meaning Uganda will now take longer to become a lower-middle-income country. Significant uncertainty remains on the evolution of COVID-19; weather shocks are a perennial threat; while lower revenues, spending pressures and adjustments to the government's debt profile could jeopardize Uganda's hard-earned macroeconomic stability.

South Africa

Annual consumer price inflation increased to 5.50% in November 2021 from 5.00% in October 2021. The consumer price index increased by 0.50% month-on-month in November 2021. The main contributors to the 5.00% annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services. South Africa's struggling state-owned power utility Eskom has applied for a 20.5% electricity tariff increase for the financial year that starts on April 1, 2022. Energy regulator NERSA rarely grants Eskom the full amount it applies for, but the size of the latest request means electricity users in Africa's most industrialized economy could face much larger power bills next year impacting the inflation outlook. Eskom cited an expected rise in spending on power supplied by independent producers, a carbon tax and coal procurement costs among reasons why it should be granted the sharply higher tariff, a summary of its application showed.

The South African Reserve Bank (SARB) has forecast the economy will grow by 5.20% in 2021, lower than its previous forecast of 5.30% due to the larger negative effect on output than was previously estimated from the July unrest and other factors. The revised estimate for third quarter economic growth is -2.50%, compared to the previous -1.20%. For the fourth quarter, GDP is forecast at 2.60%, compared to the previous 1.60%. Despite these quarterly revisions, the annual growth rate in GDP for 2021 reflects a healthy bounce back from the economic effects of the pandemic. In the next two years, economic growth is expected to align with a low rate of potential growth. GDP is expected to grow by 1.70% in 2022 and by 1.80% in 2023. The July unrest, the pandemic and ongoing energy supply constraints are likely to have lasting effects on investor confidence and job creation, impeding recovery in labor-intensive sectors hardest hit by the lockdowns. High export prices are expected to fade, perhaps faster than previously expected. Very weak job creation will moderate household consumption. Investment will remain constrained by the high risk of further load shedding and ongoing uncertainty. The faster vaccine rollout presents some upside risk to the growth outlook. Overall, after revisions, the risks to the medium-term domestic growth outlook are assessed to be to the downside.

South Africa's GDP decreased by 1.5% in the third quarter of 2021. During this period, the trade, catering and accommodation industry decreased by 5.5%, contributing -0.7 of a percentage point to GDP growth. Statistics South Africa (STATSSA) attributed the decline to decreased economic activities that were reported for wholesale, retail and motor trade, and catering and accommodation services. Statistician-General Risenga Maluleke stated that between July and September 2021, the manufacturing industry decreased by 4.2% in the third quarter, contributing -0.5 of a percentage point to GDP growth. Eight of the ten manufacturing divisions reported negative growth rates in the third quarter. The motor vehicles, parts and accessories and other transport equipment division made the largest contribution to the decrease in the third quarter. The food and beverages division and basic iron and steel, non-ferrous metal products, metal products and machinery division also made noteworthy contributions to the contraction. The agriculture, forestry and fishing industry decreased by 13.6% and contributed -0.4 of a percentage point to GDP growth. The Statistician-General said the decrease was mainly due to decreased production of field crops and animal products. Expenditure on real GDP during this period decreased by 1.6%. Household final consumption expenditure (HFCE) decreased by 24.0% in the third quarter of 2021, contributing -1.6 percentage points to total growth. During this period, net exports contributed positively to growth in expenditure.

Exports of goods and services decreased by 5.9%, largely influenced by decreased trade in vehicles and other transport equipment; chemical products; machinery and equipment; pearls, precious and semi-precious stones, precious metals; and textiles and textile articles. Imports of goods and services decreased by 2.8%, driven largely by decreases in mineral products; base metals and articles of base metals; and prepared foodstuffs, beverages, and tobacco

Although fiscal risk has eased, financing conditions remain volatile and the yield curve for rand-denominated bonds remains steep. Ten-year bond yields have shown greater sensitivity to global and domestic factors and sit at about 9.50% at present. For much of the year, generally favorable global financial and economic conditions and strong commodity export prices strengthened the currency above its long-run equilibrium level. In recent months, increased uncertainty about global inflation and policy settings, with a moderation in the terms of trade, have however contributed to a weaker rand exchange rate. With ongoing global supply shortages and strong demand, a wide range of prices continue to accelerate, including raw materials, intermediate inputs and food. Some of these price increases have passed through to consumer prices in major economies.

While the economy continues to expand over the forecast period, core inflation remains subdued by low services price inflation, modest unit labor costs and exchange rates. The risks to the short-term inflation outlook are assessed to the upside. Global producer price and food price inflation continued to surprise higher in recent months and could do so again. Oil prices have increased sharply, with current prices well above our forecasted levels for this year. Electricity prices are higher throughout the forecast and with other administered prices continue to present short and medium-term risks. Given the moderate medium and long-term inflation projections set out above, a weaker currency, higher domestic import tariffs, and escalating wage demands present additional upside risks to the inflation forecast.

* Refer to Appendix 2 for more details on historical inflation and currencies for selected countries.

GLOBAL DEVELOPMENTS

Economic Growth

According to World Bank's January 2022 Global Economic Prospects, the global recovery is set to decelerate markedly amid continued COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks. In contrast to that in advanced economies, output in emerging market and developing economies (EMDEs) are expected to remain substantially below the pre-pandemic trend over the forecast horizon. The global outlook is clouded by various downside risks, including renewed COVID-19 outbreaks due to Omicron or new virus variants, the possibility of de-anchored inflation expectations, and financial stress in a context of record-high debt levels. If some countries eventually require debt restructuring, this will be more difficult to achieve than in the past. Climate change may increase commodity price volatility, creating challenges for the almost two-thirds of EMDEs that rely heavily on commodity exports and highlighting the need for asset diversification. Social tensions may heighten as a result of the increase in between-country and within-country inequality caused by the pandemic. Given limited policy space in EMDEs to support activity if needed, these downside risks increase the possibility of a hard landing. These challenges underscore the importance of strengthened global cooperation to foster rapid and equitable vaccine distribution, proactive measures to enhance debt sustainability in the poorest countries, redoubled efforts to tackle climate change and within-country inequality, and an emphasis on growth-enhancing policy interventions to promote green, resilient, and inclusive development and on reforms that broaden economic activity to decouple from global commodity markets.

After rebounding to an estimated 5.5% in 2021, global growth is expected to decelerate markedly to 4.1% in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. The near-term outlook for global growth is somewhat weaker, and for global inflation notably higher, than previously envisioned, owing to pandemic resurgence, higher food and energy prices, and more pernicious supply disruptions. Global growth is projected to soften further to 3.2% in 2023, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound. Although output and investment in advanced economies are projected to return to pre-pandemic trends next year, in emerging market and developing economies (EMDEs)— particularly in small states and fragile and conflict -afflicted countries—they will remain markedly below, owing to lower vaccination rates, tighter fiscal and monetary policies, and more persistent scarring from the pandemic.

Growth in most EMDE regions in 2022-23 is projected to revert to the average rates during the decade prior to the pandemic, with the exception of East Asia and Pacific. This pace of growth will not be enough to recoup output setbacks during the pandemic, however. By 2023, annual output is expected to remain below the pre-pandemic trend in all EMDE regions, in contrast to advanced economies, where the gap is projected to close. The pace of recovery will be uneven across and within regions, with downside risks dominating the outlook. On a per capita basis, the recovery may leave behind those in economies that experienced the deepest contractions in 2020, such as tourism-reliant island economies. Half or more of economies in East Asia and Pacific, Latin America and the Caribbean, and the Middle East and North Africa, and two-fifths of economies in Sub-Saharan Africa, will still be below their 2019 per capita GDP levels by 2023 (Source: World Bank).

According to the International Monetary Fund's (IMF) forecast, the global growth projection for 2021 has been revised down marginally to 5.90% from 6.00% and is unchanged for 2022 at 4.90%. This modest headline revision, however, masks large downgrades for some countries. The outlook for the low-income developing country group has darkened considerably due to worsening pandemic dynamics. The downgrade also reflects more difficult near-term prospects for the advanced economy group, in part due to supply disruptions. Partially offsetting these changes, projections for some commodity exporters have been upgraded on the back of rising commodity prices. Pandemic-related disruptions to contact-intensive sectors have caused the labor market recovery to significantly lag the output recovery in most countries. The dangerous divergence in economic prospects across countries remains a major concern (Source: IMF).

Global Oil

Non-OPEC liquids supply growth in 2021 remained unchanged at around 0.7 million barrels per day (mb/d) year-on-year (y-o-y) to average 63.7 mb/d. The upward revisions in the US, and Canada were offset by downward adjustments to Brazil, and Norway. The 2021 oil supply forecast primarily sees growth in Canada, Russia, China, US, Norway, Guyana, and Qatar, while output is projected to decline in the UK, Colombia, Indonesia, and Brazil. Similarly, the non-OPEC supply growth forecast for 2022 is also kept unchanged at around 3.0 mb/d, to average 66.7 mb/d. The main drivers of liquids supply growth are expected to be the US and Russia, followed by Brazil, Canada, Kazakhstan, Norway, and Guyana. OPEC NGLs are forecast to grow by 0.1 mb/d both in 2021 and 2022 to average 5.1 mb/d and 5.3 mb/d, respectively.

World oil demand is kept unchanged compared to October's assessment, showing a growth of 5.7 mb/d in 2021. However, oil demand was adjusted higher in the first half of 2021, amid better-than-anticipated transportation fuel consumption in Organization for Economic Co-operation and Development (OECD), offset by a downwardly revised estimate for the third quarter of 2021 due to increased COVID-19 cases and softer industrial production in China, as well as easing transportation fuel recovery in India. The fourth quarter of 2021, oil demand was adjusted slightly lower, mainly to account for COVID-19 containment measures in Europe and the potential impact of the new Omicron COVID-19 variant. The forecast for 2022 is also kept unchanged at 4.2 mb/d. Indeed, some of the recovery previously expected in the fourth quarter of 2021 is now shifted to the first quarter of 2022, followed by a steadier recovery throughout the second half of 2022. The impact of the new Omicron variant is expected to be mild and short-lived, as the world becomes better equipped to manage COVID-19 and its related challenges. This is in addition to a steady economic outlook in both the advanced and emerging economies.

Crude oil spot prices declined in November 2021, amid concerns regarding the emergence of the new Omicron COVID-19 variant and easing of the energy crunch which had resulted in higher oil demand from the gas-toil switching. The OPEC Reference Basket (ORB) value dropped by US$1.74, or 2.10%, in November 2021 to average US$80.37/b, amid lower prices of almost all medium and heavy sour grades in Asia, Europe, and the Americas. The year-to-date (y-t-d) ORB value reached US$69.45/b, which is US$28.71, or 70.40%, higher compared with the same period in 2020 of US$40.75/b. In November 2021, OPEC crude oil production increased by 0.29 mb/d month-on-month (m-o-m), to average 27.72 mb/d, according to available secondary sources (Source: OPEC).

Currency Movements

The era of ultra-loose monetary policy is coming to an end. In 2022 central banks across most advanced economies will begin to wind down some of their stimulus measures, and currency movements will be driven by the pace of monetary tightening, which is set to diverge across regions. A hawkish turn at the Federal Reserve (Fed, the U.S. central bank) will support the value of the U.S. Dollar in 2022. In November 2021, the Fed announced that it will begin to taper its quantitative easing (QE) program, and EIU expects it to start raising interest rates in mid-2022—much sooner than in other major economies.

Monetary policy normalization in the Euro zone will be much slower than in the U.S. The European Central Bank (ECB) will begin a substantial tapering of its QE program only after March 2022, and this will be much slower than in the U.S., thereby maintaining depreciatory pressure on the Euro in 2022. Rising inflation expectations will also weigh on the single currency in the short term; consumer price growth is reaching record-high levels amid soaring energy costs and will remain elevated in the coming quarters of 2022. The EIU forecast that the Euro will trade at about US$1.10:€1 at end-2022.

The British Pound was under pressure in the fourth quarter of 2021, amid greater global uncertainty, severe supply-chain disruptions in the UK and more hawkish positioning by the Fed. The Bank of England (BoE) has come under growing pressure to tighten monetary policy to keep inflationary expectations in check. The EIU expects the BoE to raise interest rates in early 2022, which will cause the British Pound to appreciate against the US Dollar.

In 2021 some emerging markets suffered from exchange-rate volatility, owing to macroeconomic and fiscal fragility, particularly in Latin America. However, emerging-market currencies have generally stabilized, owing to reduced global risk aversion, large-scale monetary stimulus across advanced economies and the recovery in commodity prices. Risks will increase in 2022, when monetary policy in advanced economies, particularly the U.S., becomes less accommodative, which could prompt a reversal of international capital flows. Furthermore, the slow rollout of coronavirus vaccines across emerging markets will leave them exposed to continued macro-financial risks (Source: EIU).

Global trade

EIU forecasts that growth in global trade will moderate to 5.80% in 2022, after expanding by an estimated 9.00% in 2021. The deceleration in trade performance will partly reflect challenges resulting from COVID-19-induced shocks to supply chains, which will endure into 2022, as well as an expected softening in demand as economic normalization allows consumption to shift away from goods and towards services. The emergence of the Omicron variant of COVID-19 risks weighing on trade flows. Despite strong trade demand for at-home consumer goods, quarantines and other social distancing policies risk exacerbating existing congestion in air, sea, and land networks. Even absent the new viral strain, EIU had expected transport costs to remain elevated in 2022, given trade infrastructure deficiencies in Western markets. The EIU does not assume that global oceanic freight rates will moderate to a meaningful extend until mid-2022.

Asia will continue leading the global goods trade recovery in 2022, with China providing much of this support. China's zero-COVID approach poses risks to this outlook, however, given the country's propensity towards sudden shutdowns of ports and regional transport networks following small outbreaks. The likelihood of future COVID-19 incidence will preserve a risk of disruption to supply chains tied to China. In addition, the maintenance of both zero-COVID policies and the impact of pandemic resurgence in other parts of Asia—such as Malaysia and Vietnam, two major regional exporters—fuel the risk of shutdowns of factories, ports, and transport networks.

In 2022 the EIU expects that trade activity in western Europe and North America will benefit from strong economic stimulus, with successful vaccination campaigns helping to minimize production disruption while allowing consumption to recover. However, container shortages and port congestion will weigh on corporate margins and investor sentiment, and Omicron raises the risk of new lockdowns. Latin American trade volumes will benefit from surging commodity prices, which will equally boost production in the Middle East and Africa, despite risks posed by slower economic recoveries (Source: EIU).

Interest Rate Movements

US Libor rates slightly changed between December 2020 and December 2021. The 3 months US Libor slightly decreased to close at 0.224% in December 2021 from 0.238% in December 2020. Meanwhile, the US Libor for 6 months increased to 0.354% December 2021 from 0.260% in December 2020. The US Treasury yield (10-year) also increased to close at 1.502% in December 2021 from 0.926% recorded in December 2020.

In response to the Omicron COVID-19 variant, investors piled into government bonds and quickly recalibrated their expectations for interest rate increases. Investors drove yields on U.S. government bonds to multi-month lows, with worries about tighter monetary policy and the Omicron variant weighing on expectations for economic growth. Yields indicate the central bank won’t raise short-term rates above 2.00%, suggesting to some investors either economic weakness or market complacency (Source: WSJ).

	Dec-21	Dec-20	% Change
US Fed Rate	0.250%	0.250%	0.00%
US Libor (3 months)	0.224%	0.238%	-0.01%
US Libor (6 months)	0.354%	0.260%	0.09%
US Treasury yield (10 years)	1.502%	0.926%	0.58%
BOE Rate	0.100%	0.100%	0.00%
ECB Rate	0.000%	0.000%	0.000%

OUTLOOK FOR 2021 AND BEYOND – MALAWI

Exchange Rates

In 2021, the Malawi Kwacha depreciated against the United States Dollar by 5.91% closing at K816.40/US$ compared to K770.84/US$ registered in 2020. The downward trend was mainly attributed to a decline in foreign exchange supply which in turn put pressure on the country's foreign exchange reserves. This increased the burden on the Central Bank of Malawi to support the foreign exchange market with liquidity to help either in smoothening the rate of depreciation. Changes in the government policy including the removal of currency swap mechanisms which previously held the Kwacha steady in times of lower reserves also attributed to this. Repayment of currency swap loans and increased demand from the commercial sector (following recovery from COVID-19 supply chain disruptions) reportedly caused foreign exchange shortages.

Additionally, the pressure on the Kwacha was worsened by the reduced trading activity in the view of the COVID-19 pandemic which resulted in lower than expected export earnings amidst the growing demand for COVID-19 related imports and seasonal agriculture materials. The country also imported high volumes of fertilizer and seeds under the Affordable Input Program causing a trend of growing import bills. The negative balance of payment caused by such developments led the Reserve Bank of Malawi to intervene in the foreign exchange market.

The depreciation of the Malawi Kwacha has slowed in recent months despite heightened concerns about foreign exchange availability. Increasing spreads between official exchange rates and foreign exchange bureau cash rates, combined with private sector challenges to access foreign exchange, reflect additional room for balancing foreign exchange supply with demand. The allocation of US$188.7 million in Special Drawing Rights (SDRs) from the International Monetary Fund (IMF) provided a short-lived boost to the Reserve Bank of Malawi's (RBM's) foreign exchange reserves, which have fallen to low levels.

In line with the Economist Intelligence Unit's expectations, the Kwacha continued to slide steadily against the US Dollar in 2021, reflecting a wide current-account deficit. The EIU forecasted that the Kwacha will depreciate to K815.8/US$ by the end of 2021. A large current-account deficit which would exert downward pressure on the Kwacha throughout the forecast period. According to the Unit, the average value of the Kwacha is expected to depreciate at an average of 3% a year in 2022-26 (Source: EIU).

POSSIBLE IMPACT: *The Kwacha is expected to continue on the path of depreciation due to seasonal trends. Moreover, high demand for foreign exchange as the import bill rises, coupled with a weak export base, continue to exert downward pressure on the Kwacha, resulting in further depreciation in the medium term.*

Inflation

The headline inflation rate (year-on-year) for 2021 increased to 9.30% compared to 8.60% in 2020 (The national month-to-month inflation rate for December 2021 is 11.50% compared to 7.60% in 2020). This was mainly attributed to an increase in both food and non-food inflation. The rates closed at 13.60% and 9.50% respectively (Source: NSO).

The International Monetary Fund (IMF) has challenged central banks to be ready to adjust the course in the wake of intensifying inflationary pressures and Omicron coronavirus variant generating news uncertainties. IMF director of monetary policy and capital markets department Tobias Adrian and chief economist Gita Gopinath in their joint published blog said that sharp fall in oil prices following the discovery of Omicron and the rapid imposition of travel restrictions by countries is a sign of volatility ahead. A variant that significantly reduces vaccine efficacy could lead to further supply chain disruptions and contractions in labor supply pushing up inflationary pressures, while lower demand could have opposing effects (Source: IMF).

Headline inflation has increased to double digits in the fourth quarter of 2021 and recent price increases have heightened concerns about the cost of living. Maize prices have been gradually increasing since May 2021. The Price Stabilization Fund mechanism delayed the impact of increased global oil prices, leading to an abrupt 28% upward price adjustment on fuel in October 2021. This added to pressures on non-food inflation.

The RBM Governor Wilson Banda stated that the inflation outlook reflected the impact of the recent increase in domestic fuel pump prices, a higher-than-anticipated rise in maize prices in the fourth quarter of 2021 and persistent disruptions to global supply chains. Supported with active open market operations, the adopted monetary policy stance is expected to enhance production of import substitutes and general economic recovery without necessarily jeopardizing the medium-term inflation target (Source: RBM).

POSSIBLE IMPACT: *Inflation rate may increase due to seasonal trends and a rally in global commodity prices which will affect both food and non-food inflation in the near term.*

International Relations

During the year 2021, Malawi has seen an increase in aid flows in the form of contributions towards development programs and the 2063 vision. Below are some of the highlights:

- **Norway Injects K1.2 Billion into School Feeding**

The World Food Programme (WFP) welcomed Norway's contribution of about K1.2 billion (US$1.5 million) to support the provision of school meals for 50,000 primary school leaners in Malawi. According to the WFP, the funding forms part of a larger contribution of about K7.00 billion (US$5.5 million) to locally produced school meals programmes in three countries namely Ethiopia, Malawi, and Niger. Furthermore, through the home-grown school feeding model, food commodities for school meals will be supplied by 1,000 smallholder farmers, particularly women who will also benefit from capacity development in production post-harvest handling and marketing. The contribution is expected to sustain and improve access to education by providing nutritious and diversified school meals thereby improving enrolment, attendance, and retention in school.

- **The United States Government Provided MK1.9 Billion to the United Nations Children's Fund**

The United States Government provided K1.9 billion to the United Nations Children's Fund (UNICEF) for provision of nutrition support to less privileged children in nine drought and flood-prone districts in Malawi. The package would strengthen the work of identifying and treating children suffering from malnutrition, a condition worsened by disasters and public health emergencies. The assistance was expected to enable UNICEF to deliver ready to use therapeutic food to more than 35,000 children suffering from severe acute malnutrition in Malawi between now and June 2022.

- **Malawi gets UN SDGs Accelerating Funds**

Malawi was among four countries selected to benefit from a K30.8 billion United Nations (UN) Joint SDG Fund aimed at accelerating the Sustainable Development Goals (SDGs). The funds were expected to help Malawi reduce poverty, hunger, and inequality by creating jobs and supporting small businesses in the country's severely undercapitalized agricultural sector. The UN country team, in partnership with governments, engaged senior finance experts to create in-depth approaches and solutions to SDG acceleration. According to the UN Deputy Secretary General, the fund provides catalytic grants to unlock private capital towards blended financing of SDG investments (Source: United Nations).

- **The United Kingdom Set Aside 10 billion Euros for Overseas Development Assistance to African countries such as Malawi**

The United Kingdom set aside 10 billion Euros for Overseas Development Assistance to African countries such as Malawi. The development package is expected to promote service delivery in the education sector of African countries. The UK member of parliament, leading Britain's effort to boost girl's education globally, stated that this is to ensure that girls in African countries such as Malawi have 12 years of quality education. In Malawi, the UK was expected to prioritize teaching-training to help students easily transition from primary to secondary schools

- **The World Bank approved US$100 million for Malawi to support job creation in line with 2063 development objectives**

The World Bank approved US$100 million in financing from the International Development Association for Malawi to support job creation in line with 2063 development objectives. The World Bank Group (WBG) Board of Executive Directors also discussed the new Country Partnership Framework (CPF) for Malawi, which supports the creation of more jobs, the strengthening of human capital, and supporting foundations for economic growth and accountability. The new CPF will guide the World Bank Group's work over the next five years in support of Malawi's national priorities as set out in Malawi Vision 2063.

External Sector

Malawi's terms of trade are expected to deteriorate in 2021. Crude oil prices have increased in 2021, supported by robust oil market fundamentals amid a slow restart of US oil production, further recovery of oil demand and a drop in inventories, along with easing COVID-19-related mobility restrictions in several Asian countries. Moreover, worries about natural gas and coal shortages in Europe and Asia boosted sentiment for higher oil demand.

Trade is rebounding, but Malawi's trade balance remains pronouncedly negative. After contracting in 2020, exports are expanding due to increases in tobacco, soya, and other cash crops. However, imports are also increasing due to rising commodity prices and increasing demand. The trade deficit is largely financed through foreign aid and is supported by remittances, which have fully recovered from the pandemic and exceed 2019 levels

According to the EIU, the current-account deficit has historically been large, averaging 16.50% of GDP in the past decade, and will remain large in the medium term. This mainly reflects a wide merchandise trade deficit, owing to Malawi's dependence on fuel and capital goods imports. Although export earnings are forecast to increase in 2022-26, amid a gradual recovery in external demand, import spending will also pick up. Increased export volumes of agricultural products, mainly soybeans, tobacco and tea, and higher global tea prices, will keep export earnings on an upward trajectory. A more diversified export basket will also shield earnings from global price volatility. The trade deficit will narrow as a proportion of GDP throughout 2022-26, as export growth outpaces import spending growth and as economic growth quickens while work starts on capital projects, particularly in the energy sector.

The services account deficit will remain wide in 2021 and is forecast to moderate only from the end of 2022 as services receipts from tourism recover. Malawi is ranked as a high-risk country for COVID-19 by the World Health Organization (WHO) and the US Centre for Disease Control (CDC) and is expected to continue to be until end-2022.

The services account deficit is expected to remain wide in 2022 and is forecast to moderate only from end 2022 as services receipts from tourism recover. It will narrow gradually over 2023-26 but remain in deficit throughout. The deficit on the primary income balance, which reflects profit repatriation by the mining sector, is expected to widen gradually throughout 2022-26 as government introduces mining sector reforms and as coal mining picks up in the latter half of the forecast period. The secondary income surplus will narrow throughout 2022-26 as aid inflows (which surged in 2020-21 owing to pandemic-related support) steadily decline (Source: EIU).

In November 2021, the Minister of Trade on behalf of the government attended the 2021 Intra African Trade Fair (IATF) in Durban, South Africa. At the fair the government signed several trade deals including a US$1.00 billion (about K840 billion) deal with Elsewedy Electric of Egypt. According to the Minister, this is expected to bring flagship investments into Malawi in sectors such as energy, manufacturing and tourism that will help boost the country's economy. Elsewedy Electric through creating sustainable projects in energy and infrastructure hopes to enable businesses, communities, and regions to thrive; helping the country to revolutionize energy and other industries. The Minister of Trade further pointed that Malawi had also secured other trade deals within the African Continental Free Trade Area (AfCFTA, particularly with Angola, Botswana, South Africa, South Sudan and Cote d'Ivoire as some of the countries. Although, more details regarding the trade deals have been shared to the public, the IATF proved to have a positive impact on the outlook for Malawi's external sector. In line with this, the Arab Bank for Economic Development in Africa (BADEA) and the Reserve Bank of Malawi signed a trade finance agreement worth US$30.00 million to facilitate trade deals with the various countries (Source: Ministry of Trade).

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 export base in order to improve its trade position.*

Monetary Policy

The Reserve Bank of Malawi (RBM) closed the year 2021 with the monetary policy rate at 12.00%. During the year, the Monetary Policy Committee (MPC) met four times. Throughout the year, the Committee decided to maintain the Policy rate at 12.00%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. The decision was made after considering the need to continue supporting economic recovery from the impacts of the COVID-19 pandemic, whilst monitoring and managing risks to inflation.

The reference rate for the month of December 2021 was 12.20% while that of December 2020 was at 12.10%. The increase was due to the accommodative stance of the monetary policy rate.

Given that inflation remains above the RBM's target (5.00% ±2 percentage points) and that the exchange rate has been depreciating steadily, there is little scope for further easing, even if domestic demand remains weak. The RBM is then expected to adopt a tightening stance from 2022-26 as inflationary pressures build on the back of improved consumer sentiment (Source: EIU & RBM).

POSSIBLE IMPACT: *An accommodative monetary stance will help support an economic recovery from the impact of the COVID-19 pandemic but at a risk of higher inflation.*

Fiscal Policy

The 2021/22 eight-month budget, which expires on 31 March 2022 is worth K1.90 trillion. So far K1.40 trillion has been spent, representing 74.00% of the national budget. The governments total debt stock is US$3.60 billion comprising of external debt representing 31.00% of GDP, and K2.60 trillion representing 28.00% of GDP of domestic debt. The domestic debt stock has crossed the International Monetary Fund (IMF) recommended 20.00% domestic public debt as percentage of GDP. IMF currently categorizes Malawi as a debt distressed economy, and stresses that the country's debt levels are so high that it may be difficult to repay the loans, if the status quo remains. The IMF also indicated that any funding from the institution would require a significant reduction in the debt levels to ensure sustainability. In the 2021/22 budget, public debt interest payments are projected at K299.70 billion or 2.90% of GDP. Of this amount, K14.5 billion is payable to non-residents while K285.30 billion is payable to domestic creditors. The projected public debt interest is 27.20% of the country's projected domestic revenues.

In the report, the Treasury acknowledged that revenue shortfalls emanating from low economic activity, significant increases in critical COVID-19-related health and social spending worsened the domestic primary deficit in 2020/21 financial year. Capitol Hill closed the fiscal year 2020/21 with a historical fiscal deficit of K811.70 billion, representing 8.80% of GDP. Going forward, government has moved to safeguard debt sustainability and is formulating measures to reduce debt over the medium term, including implementing a comprehensive domestic revenue mobilization strategy, expenditure management, targeted borrowing under the infrastructure development bond program towards productive projects that generate sufficient growth and complementarities to pay off the debt in future. Government is also working on modalities of a Debt Retirement Fund (DRF).

The budgeted fiscal deficit of an annualized 9.10% of GDP is the highest in years. The optimistic assumption of increased revenues contrasts with numerous tax measures for the 2021/22 fiscal year, many of which will reduce the tax intake. Revenue collection underperformed in the first quarter of 2021. Expenditure is budgeted to increase sharply to 25.10% of GDP, driven by a jump in development expenditure. While expenditure was within the target for the first quarter, it is expected to increase during the remainder of the fiscal year. The expansionary fiscal stance is straining an already dire public debt situation. The Government predominantly finances its deficits with high-cost domestic debt.

According to the Treasury spokesperson Williams Banda, the government is prioritizing concessional loans that are cheaper and have low interest rates. Furthermore, the government is also banking on the domestic revenue mobilization strategy which aims to mobilize more resources to help minimize borrowing by Treasury both from local and external sources.

Moreover, on 6 December 2021 the Ministry of Finance listed on the Malawi Stock Exchange 26 bonds with a nominal value of K787.00 billion hoping for a positive response from the investing public. The issuing of the bonds is meant to offer liquidity from investments. Along-side the 26 bonds, 23 Treasury notes were also listed on the MSE, giving a total nominal value of K916.58 billion. A recent report released by the MSE however showed that the government securities have not registered any trade yet. There has been little or no trading on the government securities as investors hold on to their securities and thus do not usually trade.

The Minister of Finance launched the Domestic Revenue Mobilization Strategy expected to guide the implementation of tax and non-tax policy as well as tax administration for the next five years. The strategy which runs from 2021 to 2026 aims to increase the ratio of the country's domestic revenue to gross domestic product (GDP) from the current 14.00% to 19.00% in the next five years. This means that the strategy, which also aims to reduce tax compliance cost and create a predictable system, is targeting to grow domestic revenue by an average 5.00% in the next five years, thereby improving Malawi's fiscal space (Source: MoF).

POSSIBLE IMPACT: *The bonds will create much needed liquidity for the government to carry out its operations, however the government's debt stock will continue to rise and the risk of private sector crowding out will continue to rise.*

Economic Growth

Various institutions have maintained their projections for the Malawian economy and based on these projections the economy grew by an estimated average of 2.45% in 2021 and will grow by 4.10% in 2022. See table below:

Real GDP Growth Projections				
	2019	2020	2021	2022
EIU	4.10%	-1.00%	2.70%	3.10%
IMF	4.00%	0.60%	2.20%	3.00%
WORLD BANK	4.40%	1.00%	2.40%	5.30%
GOVERNMENT	5.10%	0.90%	2.50%	5.00%
Average Real GDP	**4.40%**	**0.38%**	**2.45%**	**4.10%**

The World Bank has revised downwards its 2021 projection to 2.40% from 2.80% and according to the Malawi COVID-19 Socio-Economic Recovery Plan (SERP) 2021-2023 released by the Ministry of Economic Planning, Development and Social Reforms (MoEPD & SR), the Government of Malawi revised downwards its growth forecast for 2021 from 3.80% to 2.50%. The downward revisions were made to reflect the ongoing impacts of the COVID-19 pandemic. While the IMF and World Bank maintained their forecasts at 2.20% and 2.80% respectively. In contrast the EIU revised upwards its forecast from 2.30% to 2.70% on account of the better-than-expected agricultural harvest resulting from above normal rainfall.

In its December 2021 Malawi Economic Monitor (MEM), the World Bank states that after several months of low COVID-19 case numbers, Malawi is facing a fourth wave. While an increasing share of the global population is protected by vaccines, only about 6.50% of the population is vaccinated in Malawi, increasing the country's vulnerability to the virus. The Government response to the third wave was less stringent than in previous waves and businesses began adapting to COVID-19 restrictions. Thus, overall, it had less of an economic impact than in earlier waves. However, with cases accelerating rapidly in mid-December 2021, Malawi is beginning a fourth wave of infections induced by the Omicron variant, and the Government has modestly tightened restrictions. According to the World Bank, economic growth is projected to pick up from 0.80% in 2020 to 2.40% in 2021, primarily driven by one-time increases in the agricultural sector. With a population growth rate around 3.00%, however, this level of economic growth equates to a contraction in per capita output.

Favorable weather, as well as increased fertilizer use due to the Affordable Inputs Program (AIP), led to record harvests. While agriculture accounts for the bulk of overall growth, growth in services and industry sectors has improved but remains tepid. With less stringent social distancing policies, demand is improving from low levels. However, the private sector still faces multiple concerns which weigh on performance and investment. These include limited availability of foreign exchange, compulsory liquidation of foreign exchange, inflation on imported items (particularly fuel), perceptions of heavy taxation, limited credit, and cumbersome regulation.

Malawi's economic growth for 2022 is projected to pick up to 3.00%, leaving per capita incomes stagnant. Even this modest growth rate is at risk from shocks emanating from macroeconomic imbalances. Public debt is high and will continue to grow at an increasing rate without decisive Government action, while imbalances in the foreign exchange market may lead to further constraints on the private sector.

Significant and increasing commercial borrowing to bolster the exchange rate amplifies the risks from a sudden stop on external financing, which would have adverse implications on growth and macroeconomic stability. Meanwhile, the agriculture sector remains vulnerable to weather-related shocks. Furthermore, external risks could undermine an economic recovery in Malawi, due to high volatility in energy prices, the fourth wave of COVID-19 infections and potential for additional waves, including risks from new variants, and the risk of transport disruptions.

POSSIBLE IMPACT: *The COVID-19 pandemic will continue to hamper growth and adversely affect the livelihoods of Malawians as sectors of the economy struggle to recover as a result of human capital disruptions, global supply chain disruptions and travel bans continue to ensue.*

ECONOMIC RISKS

ECONOMIC RISK	IMPACT ON ECONOMY	MITIGATING MEASURES
Coronavirus Pandemic	1. Unbudgeted government expenditure putting fiscal pressure on the government's budget. 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.
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. Tighten fiscal policy by reducing government expenditure. 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	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.
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 on the need to have less children. 2. Civic education on 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.
Agriculture	7. Adverse weather shocks exacerbated by climate change 8. Pest infestation, damaging crops 9. Animal diseases infiltrating Malawi's livestock	3. Improved seed quality, diversification, and availability of safe pesticides. 4. Ensure sustainable farming practices. 5. Increased Climate change awareness on a Global scale.

APPENDIX

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

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
MK : US$	770.84	771.20	780.13	784.10	792.08	796.89	805.59	812.51	812.51	815.50	815.50	816.40	816.40
MK : GBP	1,050.57	1,057.32	1,087.27	1,077.67	1,104.32	1,128.49	1,115.50	1,132.48	1,120.69	1,096.27	1,124.41	1,087.28	1,102.14
MK : ZAR	52.83	50.69	52.08	52.58	55.33	57.80	56.46	55.58	55.70	53.89	53.83	50.38	51.35
MK : EUR	947.90	933.54	948.17	919.20	959.37	970.08	958.90	964.77	961.04	945.81	951.60	923.59	924.25
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	574.26	502.98	483.38	410.16	392.01	414.40	424.99	404.18	604.50	521.87	405.66	389.26	429.17
Private Sector Reserves (US$'mn)	377.97	358.29	340.50	342.58	392.61	369.64	388.78	405.79	389.47	386.05	384.75	404.81	425.52
Total Reserves (US$'mn)	952.23	861.27	823.88	752.74	784.62	784.05	813.77	809.97	993.97	907.92	790.41	794.41	854.69
Total Import Cover (months)	4.56	4.12	3.94	3.60	3.76	3.14	3.26	3.24	3.98	3.63	3.16	3.18	3.42
Inflation (NSO)													
Headline Inflation	7.60	7.70	8.30	9.40	9.40	8.90	9.10	8.70	8.40	8.90	9.80	11.10	11.50
Food	10.50	9.70	10.30	11.70	11.70	11.00	11.10	10.30	9.70	10.20	11.80	12.80	13.60
Non Food	4.90	5.60	6.30	6.90	6.90	7.10	7.20	7.20	7.20	7.20	7.80	9.50	9.50
Interbank Rates (Source: RBM)													
Monetary Policy Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank Rate	11.41%	11.34%	10.65%	11.38%	11.72%	11.92%	11.94%	11.97%	11.96%	11.98%	11.98%	11.98%	11.98%
Average Base Lending Rates	12.10%	12.00%	11.90%	12.10%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.95%	6.63%	9.95%	9.95%	9.88%	9.96%	9.59%	9.37%	9.60%	9.34%	9.60%	9.60%	9.69%
182 day Treasury Bill yield	12.73%	12.49%	12.57%	12.80%	12.77%	12.80%	12.81%	12.95%	12.98%	12.98%	12.80%	12.80%	13.00%
364 day Treasury Bill yield	13.40%	13.53%	13.60%	13.77%	13.79%	13.85%	13.81%	13.90%	14.07%	14.20%	14.20%	14.22%	14.47%
(Source: MSE)													
MASI	32,392.84	32,988.58	33,009.75	32,562.96	33,380.63	22,676.89	35,144.56	36,496.03	38,945.62	41,550.15	41,458.37	41,565.98	45,367.68
DSI	27,755.46	28,090.02	28,108.19	27,710.72	28,257.89	28,376.03	28,739.26	29,749.56	31,929.22	34,266.54	34,188.36	34,284.11	34,284.11
FSI	1,363.88	1,613.58	1,614.45	1,614.33	1,844.72	2.030.51	3,234.45	3,479.97	3,479.97	3,454.70	3,450.25	3,450.24	3,450.24
MERA)													
Petrol	834.60	834.60	834.60	834.60	834.60	834.60	834.60	834.60	834.60	1,150.00	1,150.00	1,150.00	1,150.00
Diesel	826.40	826.40	826.40	826.40	826.40	826.40	826.40	826.40	826.40	1,120.00	1,120.00	1,120.00	1,120.00
Paraffin	613.20	613.20	613.20	613.20	613.20	613.20	613.20	613.20	613.20	833.20	833.20	833.20	833.20

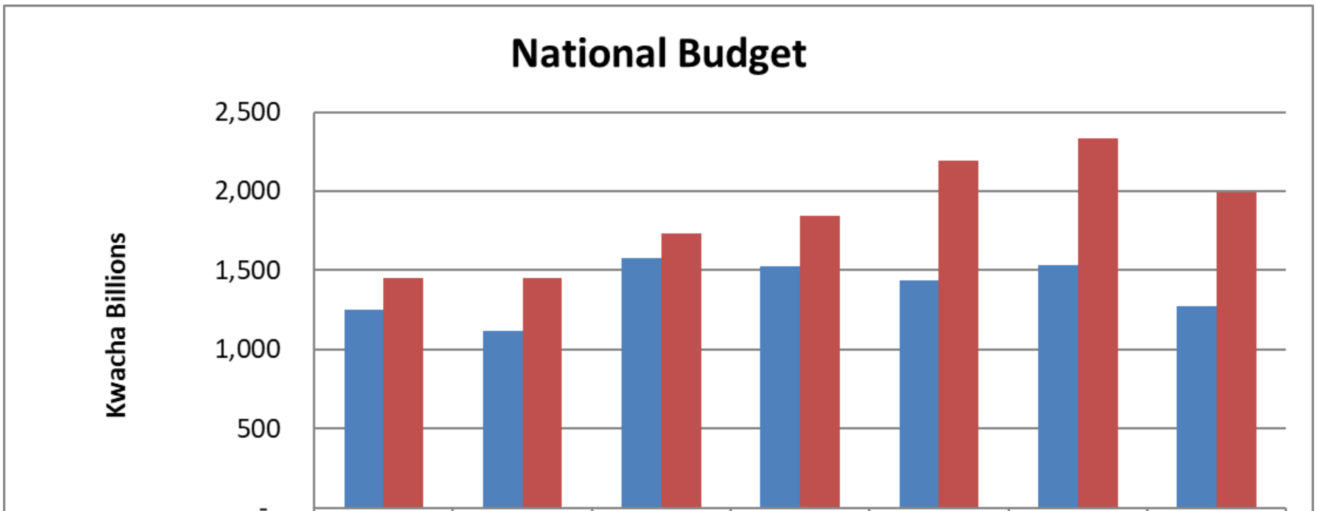
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia, and Mozambique

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
TANZANIA													
Exchange rate													
US$	2,298.45	2,298.46	2,298.53	2,298.52	2,318.48	2,298.59	2,298.93	2,299.23	2,299.49	2,297.27	2,296.90	2,294.20	2,297.81
GBP	3,127.74	3,137.52	3,254.96	3,159.90	3,197.30	3,254.70	3,179.43	3,209.15	3,164.56	3,092.82	3,098.00	3,061.03	3,104.45
ZAR	157.25	150.82	156.32	153.84	160.83	166.21	160.10	157.74	157.15	152.13	152.37	141.25	144.63
EUR	2,820.90	2,783.21	2,807.20	2,698.01	2,811.64	2,791.87	2,732.97	2,730.57	2,713.40	2,674.71	2,668.37	2,294.96	2,606.29
Inflation %	3.20	3.50	3.30	3.20	3.30	3.30	3.60	3.80	3.80	4.00	4.00	4.10	4.20
UGANDA													
Exchange rate													
US$	3,679.35	3,689.52	3,665.78	3,662.30	3,543.28	3,543.28	3,554.07	3,555.04	3,535.04	3,539.09	3,555.52	3,569.09	3549.3
GBP	5,003.86	4,147.39	5,169.62	5,043.80	4,975.68	4,975.68	4,934.84	4,931.39	4,848.50	4,790.97	4,906.97	4,759.42	4786.65
EUR	4,529.05	4,460.79	4,443.91	4,308.08	4,286.50	4.286.50	4,246.59	4,194.74	4,154.96	4,131.55	4,152.67	4,039.72	4028.26
Inflation %	3.60	3.70	3.80	4.10	2.10	2.10	2.00	2.10	1.90	2.20	1.90	2.60	2.90
Central Bank Rate %	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50
ZAMBIA													
Exchange rate													
US$	21.17	21.41	21.80	22.09	22.45	22.45	22.64	19.21	15.94	16.78	17.26	17.83	16.69
GBP	28.92	29.41	30.39	30.40	30.91	31.91	31.31	26.79	21.93	22.60	23.74	23.78	29.12
ZAR	1.44	1.42	1.46	1.50	1.55	1.64	1.59	1.32	1.09	1.11	1.13	1.12	1.04
Inflation %	19.20	21.50	22.20	22.80	22.70	23.20	24.60	24.60	24.40	24.10	20.07	19.30	16.40
Central Bank Rate %	8.00	8.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	9.00	9.00
Mozambique													
US$	74.94	75.15	73.57	55.61	59.18	62.99	63.47	63.63	63.83	63.83	63.83	63.83	63.83
ZAR	4.85	5.10	4.94	3.90	4.22	4.57	4.44	4.36	4.29	4.41	4.05	4.06	4.20
EUR	91.10	90.62	87.69	67.10	72.10	76.29	75.26	75.51	74.72	74.30	71.95	72.12	72.28
Inflation%	3.14	4.09	5.10	5.76	5.19	5.49	5.52	5.48	5.61	6.04	6.42	6.80	5.70

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

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

K'Billion	2018/2019 (Approved)	2018/2019 (Revised)	2019/2020 (Proposed)	2019/2020 (Revised)	2020/2021 (Proposed)	2020/2021 (Revised)	2021/2022 (Proposed)
Total Revenues	**1,249**	**1,121**	**1,575**	**1,527**	**1,435**	**1,523**	**1,271**
Domestic revenues	1,052	1,006	1,425	1,352	1,179	1,186	1,101
Grants	197	115	150	175	256	338	170
Budgetary support							
Earmarked grants							
Total Expenditure	**1,455**	**1,452**	**1,737**	**1,842**	**2,190**	**2,335**	**1,990**
Reccurent expenditure	1,120	1,160	1,299	1,371	1,679	1,719	1,419
Wages & Salaries	394	399	443	466	524	542	436
Interest on debt	183	224	244	244	376	376	300
Investment Expenditure	335	292	438	471	511	616	571
Deficit/Surplus	**(206)**	**(331)**	**(162)**	**(315)**	**(755)**	**(811)**	**(718)**
Deficit as a % of Revenue	**-16%**	**-30%**	**-10%**	**-21%**	**-53%**	**-53%**	**-57%**



	2018/2019 (Approved)	2018/2019 (Revised)	2019/2020 (Proposed)	2019/2020 (Revised)	2020/2021 (Proposed)	2020/2021 (Revised)	2021/2022 (Proposed)
Total Revenues	1,249	1,121	1,575	1,527	1,435	1,532	1,271
Total Expenditures	1,455	1,452	1,737	1,842	2,190	2,335	1,990

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

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

Category	2020			2021									
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct
Total Revenues	**127.3**	**93.7**	**149.7**	**103.9**	**100.0**	**130.8**	**149.5**	**89.7**	**158.0**	**112.5**	**130.1**	**125.8**	**130.8**
Domestic Revenues	101.0	83.6	95.4	97.9	79.2	114.4	137.6	87.4	138.6	107.6	109.9	114.9	121.6
Tax Revenue	96.7	78.4	92.3	95.0	74.4	93.4	104.3	82.3	129.7	103.1	106.1	109.1	116.5
Non Tax revenue	4.3	5.2	3.0	2.9	4.8	21.0	33.3	5.1	8.9	4.6	3.7	5.8	5.1
Departmental receipts	2.4	4.4	2.5	2.1	3.1	2.9	1.8	4.2	3.9	3.5	2.6	3.8	4.5
Other Receipts	2.0	0.8	0.6	0.8	1.6	18.1	31.5	0.8	5.0	1.0	1.1	2.0	0.7
Grants	26.2	10.1	54.4	6.0	20.8	16.3	11.9	2.4	19.4	4.9	20.3	10.9	9.1
Total Expenditures	**132,5**	**179.4**	**231.9**	**192.9**	**143.7**	**218.8**	**130.4**	**150.1**	**186.4**	**159.3**	**139.7**	**192.5**	**210.2**
Recurrent Expenditure	115.9	164.0	213.1	180.8	125.4	200.7	117.5	141.8	158.1	138.3	121.2	163.1	194.6
Interest Payments	25.8	10.1	52.4	29.9	16.3	48.0	28.2	52.6	34.8	19.6	25.1	25.7	27.5
Domestic	23.5	9.8	51.1	29.7	14.5	45.0	26.5	51.6	33.4	19.5	22.9	22.0	26.7
Foreign	2.2	0.4	1.3	0.2	1.7	3.0	1.7	1.0	1.5	0.1	2.2	3.7	0.8
Development	16.6	15.4	18.7	12.0	18.3	18.1	12.9	8.3	28.3	21.0	18.5	29.5	15.6
Deficit/Surplus	**-5.2**	**-85.7**	**-82.2**	**-89.0**	**-43.7**	**-88.1**	**19.1**	**-60.4**	**-28.4**	**-46.8**	**-9.6**	**-66.7**	**-79.5**
Financing (net)	-37.2	71.6	95.7	49.5	34,7	144.7	-38.3	22.4	44.0	50.9	18.0	66.9	88.1
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	-37,2	71.6	95.7	49.5	34.5	144.7	-38.3	22.4	44.0	50.9	18.0	66.9	88.1
Banking System	-70.3	50.7	95.3	51.7	15.6	126.5	-32.7	8.1	0.7	63.4	10.6	58.7	199.9
Non-Bank Sector	33.1	20.9	0.4	-2.2	18.9	18.2	-5.6	14.3	43.3	-12.5	7.4	11.2	-111.8
Errors and Omissions	-42.2	-14.1	13.5	-39.5	-9.2	56.7	-19.2	31.9	15.5	4.1	8.5	3.2	8.7

Source: Reserve Bank of Malawi

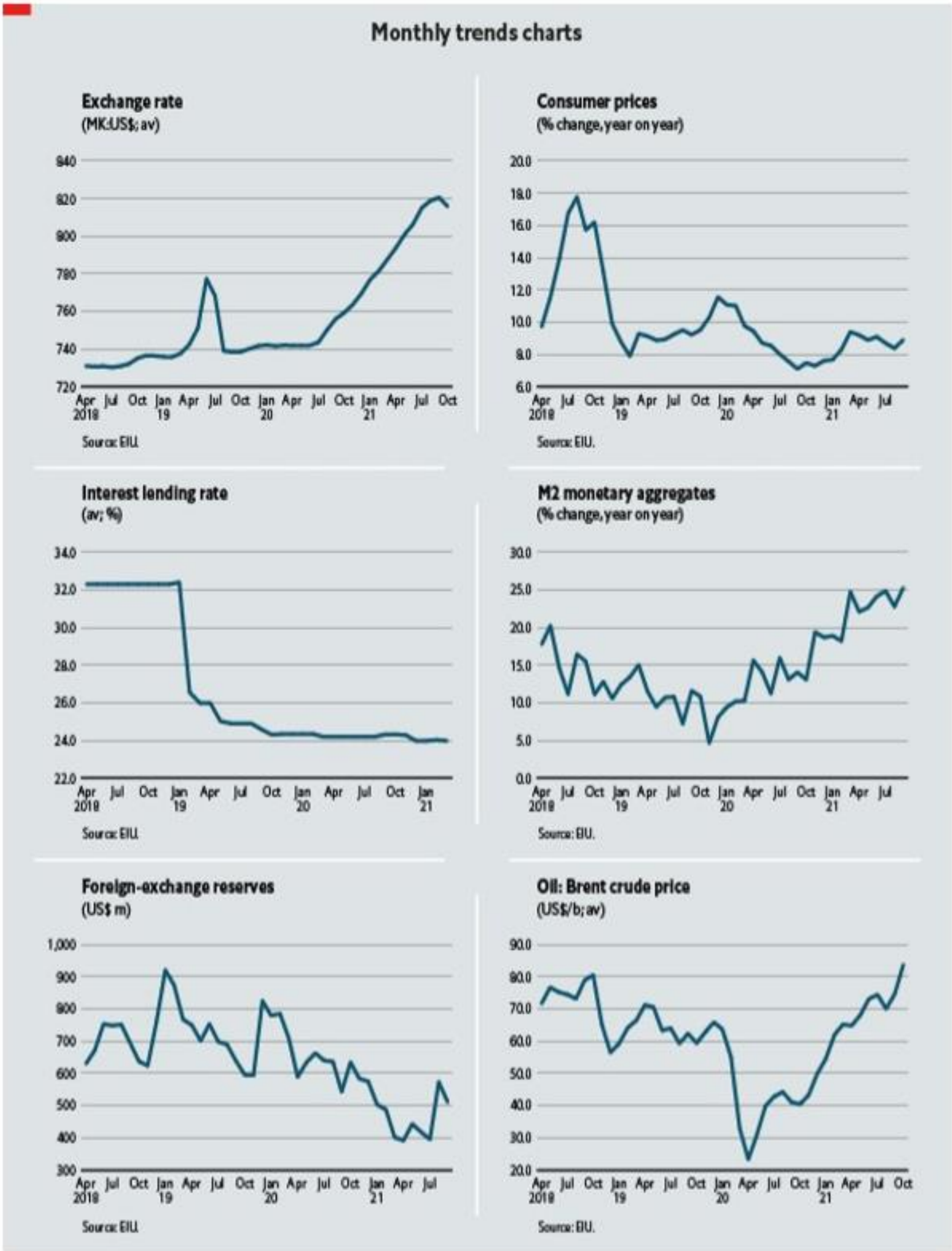
Appendix 5: Malawi selected Economic indicators (Source: RBM)

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

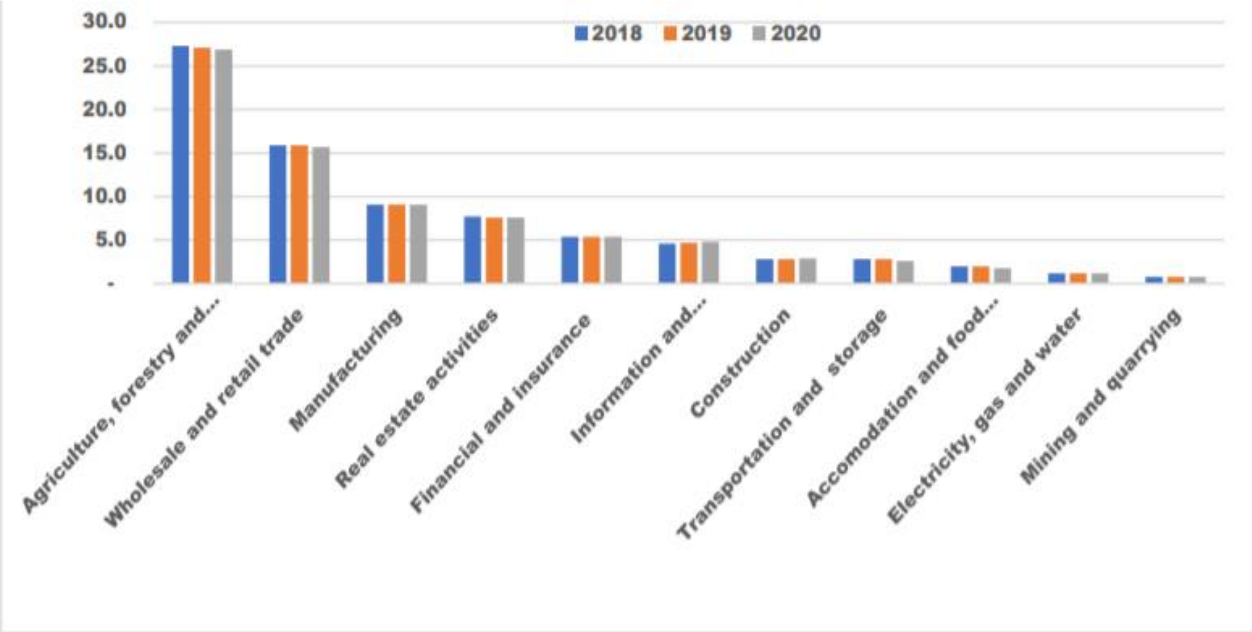
	2013	2014	2015	2016	2017	2018	2019	2020	2020 Oct	2021 Oct
Real Sector[4]										
Population (million)	15.3	15.8	16.3	16.8	17.4	17.9	18.5	19.1	19.1	19.5
GDP at current market prices	1,924.1	2,534.5	3,212.7	3,812.6	4,631.9	5,266.3	8,098.5	8,816.2	8,816.2	9,731.9
Real GDP growth (percent)	6.3	6.2	3.3	2.7	5.1	4.0	5.1	0.9	0.9	3.8
GDP per capita (K'000)	133.6	160.4	197.1	226.9	266.6	293.7	437.8	461.6	461.6	499.1
GDP per capita (US$)	361.9	378.0	394.5	318.1	365.1	401.0	592.2	615.8	615.8	601.4
Consumer Price Index (CPI)[5]	127.3	157.6	192.0	233.7	260.7	104.7	114.5	124.4	126.1	138.4
Year-on-year inflation rate (percent)	27.3	23.8	21.9	21.7	11.5	9.2	9.4	8.6	7.5	9.8
Fiscal Sector										
Total Revenue	476.4	535.9	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0	127.3	130.8
Domestic Revenues	373.0	483.0	614.2	742.0	858.7	988.6	1,058.5	1,096.0	101.0	121.6
Grants	103.4	52.9	47.1	67.0	87.9	90.5	145.0	206.1	26.2	9.1
Total expenditure	539.3	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	132.5	210.2
Recurrent	459.9	534.4	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	115.9	194.6
Development	79.4	58.7	95.5	131.8	163.0	196.9	204.3	247.4	16.6	15.6
Deficit/GDP ratio (after grants)	-3.4	-2.6	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-0.1	-0.8
Monetary Sector										
Net Foreign Assets	134.2	241.6	339.5	355.8	455.7	250.5	331.9	-182.9	-188.2	-319.4
Net Domestic Credit	452.4	458.2	604.4	755.0	937.8	1,300.7	1,433.1	1,849.7	1,741.6	2,441.2
Government	184.1	153.4	209.0	337.5	519.9	744.1	700.5	976.9	898.1	1,385.6
Statutory bodies	17.8	4.3	5.1	9.2	8.1	34.1	48.2	50.6	52.9	61.7
Private (gross)	250.4	300.5	390.3	408.3	409.8	493.2	595.0	692.8	674.2	817.8
Money Supply (M2)	522.0	629.8	778.8	897.3	1,074.4	1,198.3	1,320.4	1,541.4	1,421.8	1,882.5
M2 Growth Rate (annual percent)	35.1	20.7	23.7	15.2	19.7	11.5	10.2	16.7	13.1	32.4
Reserve Money	156.9	212.3	206.0	240.6	278.9	289.8	303.4	342.1	302.6	405.0
Banks Deposits	61.6	92.4	66.0	56.2	78.2	59.6	26.0	57.3	50.5	57.9
External Sector										
Overall Balance	68.6	76.3	45.1	-45.0	1.9	-2.8	54.5.4	-191.7	..	..
Current Account	-449.1	-482.1	-550.1	-727.6	-1,088.9	-814.5	-945.0	-1058.0	..	..
Exports (fob)	435.6	600.9	531.6	737.5	611.2	814.5	975.4	838.3	67.8	102.3
Imports (cif)	1035.5	1171.4	1,134.6	1,577.6	1,864.1	2,141.6	2,421.2	2,285.7	217.1	215.2
Trade balance	-599.9	-570.4	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-149.3	-113.0
Capital account balance	222.7	194.1	114.0	525.1	761.8	629.1	693.8	613.0	..	..
Gross foreign exchange reserves	279.8	389.6	549.2	586.7	739.4	660.1	700.6	731.3	839.8	644.9
Official	174.4	276.6	445.3	438.6	549.9	548.2	605.5	437.2	639.4	413.8
Commercial banks	105.4	113.0	103.9	148.1	189.5	111.9	95.2	188.9	200.4	231.1
Import cover (Official reserves in months)	2.1	3.1	3.2	2.9	3.6	3.6	3.9	2.7	3.1	1.7
Current account balance/GDP (percent)	-27.6	-19.7	-17.1	-19.1	-23.5	-17.3	-15.1	-12.1	..	..
Debt/GDP (percent)	58.9	48.6	49.5	54.0	59.8	62.9	61.2			
Debt Service/Exports (percent)	2.5	3.4	3.8	2.4	5.5	4.9	11.0	19.58	..	..
MK/US Dollar (eop)	435.229	435.229	664.365	725.01	730.46	733.69	738.87	773.11	759.47	821.34
MK/US Dollar (pd avg)	369.181	369.181	499.607	713.85	726.65	732.33	742.23	749.53	759.37	823.79

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

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

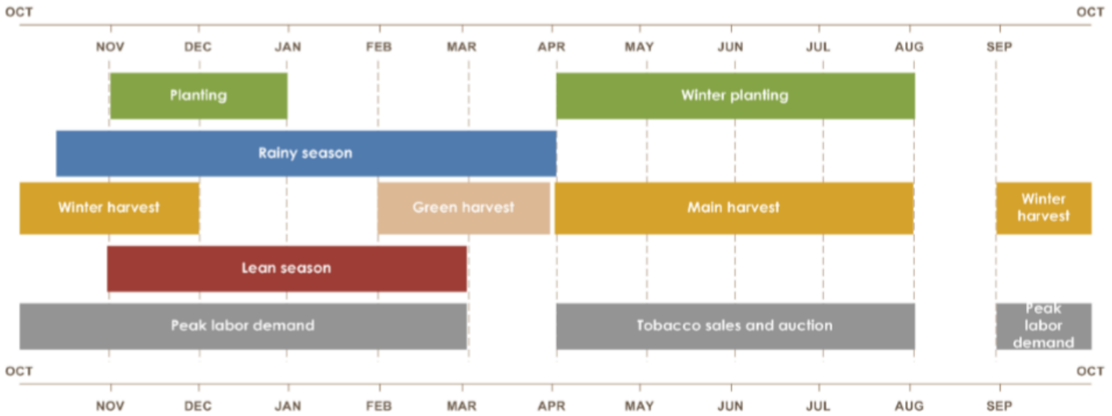
%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	2.7	3.1	3.6	3.7	4.0	4.2
Private consumption	1.5	2.0	2.8	3.0	3.1	3.3
Government consumption	2.0	2.3	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	5.0	5.5	5.9	6.1	6.3
Exports of goods & services	4.1	4.3	4.7	4.9	5.2	5.7
Imports of goods & services	3.0	3.3	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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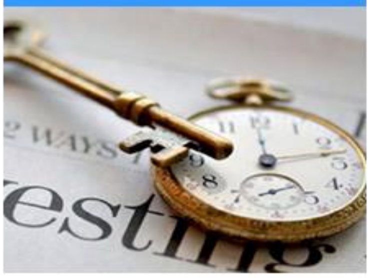
- Company set up

Investor Services



- Transfer Secretarial Services
- Economic Research
- Company Secretarial Services

Registered by the Registrar of Financial Institutions (Reserve Bank of Malawi)

RBM Portfolio/Investment Manager Licence No: PM001/19
RBM Transfer Secretarial License No: TS001/21

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