ANNUAL ECONOMIC REPORT

2020

NICO
Asset Managers

Investment Management | Corporate Finance | Investor Services

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Contents

LIST OF ACRONYMS

ADF:	African Development Fund
AfDB:	African Development Bank
BOE:	Bank of England
BHL:	Blantyre Hotels Plc
BWB:	Blantyre Water Board
CPI:	Consumer Price Index
DSI:	Domestic Share Index
ECB:	European Central Bank
ECF:	Extended Credit Facility
EIU:	Economist Intelligence Unit
ESCOM:	Electricity Supply Corporation of Malawi
EU:	European Union
EUR:	Euro
FEWS NET:	Famine Early Warning Systems Network
FAO-GIEWS:	Food and Agricultural Organization Global Information and Early Warning System
FISP:	Farm Input Subsidy Program
FMBCH:	FMB Capital Holdings Plc
FOB:	Free On Board
FSI:	Foreign Share Index
GBP:	British Pound
GDP:	Gross Domestic Product
GFS:	Government Finance Statistics
IDA:	International Development Association
IFAD:	International Fund for Agricultural Development
IFPRI:	International Food Policy Research Institute
IMF:	International Monetary Fund
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
MK:	Malawi Kwacha
MPC:	Monetary Policy Committee
MSE:	Malawi Stock Exchange
MT:	Metric Tonnes
MRA:	Malawi Revenue Authority
MVAC:	Mobile Vulnerability Assessment Committee
MW:	Mega Watts
NBM:	National Bank of Malawi Plc
NBS:	NBS Bank Plc
NGOs:	Non-Governmental Organisations
NICO:	NICO Holdings Plc
NITL:	National Investment Trust Plc
NSO:	National Statistical Office
OECD:	Organisation for Economic Co-operation and Development
OMO:	Open Market Operations
OPEC:	Organization of the Petroleum Exporting Countries
PCL:	Press Corporation Plc
RBM:	Reserve Bank of Malawi
RBZ:	Reserve Bank of Zimbabwe
Rmb:	Chinese Renminbi
RTGS:	Real Time Gross Settlement
SARB:	South Africa Reserve Bank
SDF:	Southern Dark Fired Tobacco
SSA:	Sub Sahara Africa
Sunbird:	Sunbird Tourism Plc
TB:	Treasury Bills
TCC:	Tobacco Commission
TICAD:	Tokyo International Conference on African Development
TNM:	Telekom Networks Malawi Plc
WEO:	World Economic Outlook
WFP:	World Food Programme
WTO:	World Trade Organisation
TSH:	Tanzania Shillings
UBOS:	Ugandan Bureau of Statistics
UGX:	Ugandan Shillings
UK:	United Kingdom
UNOCHA:	United Nations Office for the Coordination of Humanitarian Affairs
USA:	United States of America
US$:	United States Dollar
ZAR:	South African Rand
ZimVAC:	Zimbabwe Vulnerability Assessment Committee
ZMK:	Zambian Kwacha

EXECUTIVE SUMMARY

Economic Outlook — Malawi

The Malawi Kwacha depreciated against the United States Dollar in 2020 compared to 2019 by 4.33%. The downward trend was mainly attributed to a decline in foreign exchange supply which has in turn put pressure on the country's foreign exchange reserves. Malawi has faced reduced trading activity due to the COVID-19 pandemic resulting to a widened trade deficit of MK1.13 trillion. The spill over effects of the COVID-19 pandemic have led to lower than expected export earnings amidst the growing demand for COVID-19 related imports and seasonal agriculture materials. Furthermore, the country imported high volumes of fertilizer and seeds under the MK158.3 billion Affordable Input Program causing a trend of growing import bills. The negative balance of payment caused by such developments has led the Reserve Bank of Malawi to intervene in the foreign exchange market, so long as sufficient reserves are available, and support commercial banks until things improve.

Headline inflation decreased to 7.30% recorded in November 2020 from 7.50% recorded in October 2020. This was mainly attributed to a decline in food prices. In 2019 during the same period headline inflation rate was recorded at 10.40%, which means that prices of goods and services rose at a slower pace in 2020. However, inflation is expected to rise in the upcoming months owing to increase in maize prices following seasonal trends but remaining above the five-year average levels.

In December 2020, the Ministry of Finance released the Budget Performance Report for the first quarter (July to September 2020) of 2020/21 fiscal year. The report indicated that overall revenue collection for the period under review amounted to MK277.20 billion against a target of MK304.1 billion, representing a performance of 91% of the target. Total expenditure amounted to MK403.90 billion against a target of MK494.60 billion, representing a performance of 87.11% of the target (Source: Ministry of Finance).

Regarding the 2020/21 fiscal year budget, the World Bank projects that fiscal deficit will further widen by 12.4% of GDP. Expenditure is expected to increase substantially, largely due to the Affordable Inputs Program (AIP) for the agricultural sector which is expanding input subsidies to all farming households (Source: World Bank).

Malawi's economic outlook faces considerable downside risks: the impact of the COVID-19 pandemic, weather shocks and fiscal slippages. Despite the easing up of COVID-19 restrictions that have led to a pickup in economic activity, there has been a significant increase in COVID-19 cases in recent months. Restrictions and measures to contain the spread of the COVID-19 outbreak are yet to be set, however this may have another impact on the economic outlook of Malawi.

Key Economic Risks – Malawi

1. Insufficient power supply-will lead to lower productivity and dampen economic growth
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 as import values exceed export values.
4. High population growth rates- may reduce the country's ability to allocate resources to more productive activities.
5. Prolonged political impasse arising from May 2019 elections- may lead to reduced business activity and erode investor confidence which may negatively impact economic growth.

Economic Highlights For 2020 — Malawi

The average headline inflation from January 2020 to November 2020 decreased to 8.70% in comparison to an average inflation of 9.38% recorded during the same in 2019. This decrease was due to decreases in both food and non-food inflation for the period (Source: NSO).

The all-type Treasury bill yield for the year 2020 increased to 10.63% from 9.66% recorded in 2019 (Source: RBM).

Liquidity levels for the year 2020 increased to a daily average of K16.35 billion from K15.00 billion recorded in 2019. Access to the Lombard facility (discount window borrowing) during 2020 averaged K24.46 billion per day at an average rate of 13.56% while that of 2019 averaged K11.15 billion per day at an average rate of 13.90% (Source: RBM).

The Malawi Kwacha depreciated against all major currencies, which include the United States Dollar, British Pound, South African Rand and the Euro. As at 31 December 2020, the United States Dollar was trading at MK770.84/US$ from MK738.87/US$ as at 31 December 2019 representing a 4.33% annual depreciation (Source: RBM).

As at 30 December 2020, total forex reserves stood at US$952.23 million (4.56 months of import cover) a decrease from US$1,170.62 billion (5.60 months of import cover) registered at the end of December 2019 (Source: RBM).

The stock market was bullish in 2020 with the MASI increasing by 7.08% to settle at 32,392.84 points from 30,252.20 points in 2019. This was a higher return compared to the 4.38% realized in 2019 (Source: MSE).

The Malawi Energy Regulatory Authority (MERA) adjusted the fuel prices twice during the year 2020. In all its price reviews throughout the year up to May 2020, the MERA board decided to hedge the increases in the landing costs of the fuel. After an eight-month hiatus on fuel price movements, the MERA board revised upwards pump prices of petrol, diesel and paraffin in December 2020(Source: MERA).

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In September 2020, the Ministry of Economic Planning and Development and Public Sector Reforms released results indicating that 15% of Malawi's total projected population, (2,617,986 out of 17,677,952 people) would not be able to meet their annual food requirement during the 2020/21 consumption period. The results showed that out of the total affected population, the rural population was highly affected as compared to that of the urban population and this had translated to an 8% increase as compared to figures recorded in 2019 (Source: MVAC).

During the month of December 2020, the average retail maize price increased by 6% (November 2020: 3% decrease) at MWK 199/kg, which is 28% lower than in December 2019 (Source: IFPRI).

The Monetary Policy Committee (MPC) met four times in 2020. There were a number of changes that happened within the year including the Policy Rate, the Lombard rate and the Liquidity Requirement Ratios. The monetary policy closed at 12.50% in 2020, Liquidity Reserve Requirement (LRR) on domestic and foreign currency deposits both closed to 3.75% and the Lombard Rate closed at 0.2% above the Policy Rate (that is 12.70%). The (Source: RBM).

The 2020 tobacco marketing season officially opened on 20 April 2020 and officially closed on 28 August 2020. Tobacco volume sales decreased by 31.30% to 113.8 million kilograms in 2020 from 165.6 million kilograms recorded in 2019 (Source: AHL).

The World Bank in its December 2020 edition of MEM stated that Malawi suffers from inadequate access to and reliability of energy, water and other infrastructure services, which are costly for growth, health outcomes, and poverty reduction. The report further projected growth of Malawi at 1.0% in 2020, down from earlier projections of 4.8% owing to services and industry sectors that have been particularly hit hard by the COVID-19 pandemic (Source: World Bank).

1. ECONOMIC OVERVIEW

Inflation (Source: NSO)

The average headline inflation from January 2020 to November 2020 decreased to 8.70% in comparison to an average inflation of 9.38% recorded during the same in 2019.This decrease was due to decreases in both food and non-food inflation as can be seen in the table below:

	2019	2020	% Change
Headline inflation	9.38%	8.70%	-0.68%
Food	14.30%	13.40%	-0.90%
Non-food	5.35%	4.70%	-0.65%

Government Securities (Source: RBM)

The all-type Treasury bill yield for the year 2020 increased to 10.63% from 9.66% recorded in 2019 (Source: RBM).

Tenor	2019	2020	Change
91 days	8.74%	8.23%	-0.51%
182 days	9.64%	11.02%	1.38%
364days	10.60%	12.64%	2.04%
All Type	9.66%	10.63%	0.97%

Total applications for Treasury bills for 2020 decreased by 57.81% to K424.16 billion (2019: K1,005.33 billion) while total allotments decreased by 37.10% to K232.78 billion (2019: K370.06 billion). The decrease was due to a shift in government policy from issuing short term to medium term to long term papers. The 364 days paper accounted for the highest subscription rate at 73.25%, followed by the 182 days paper at 20.74% and the 91 days paper at 6.01%. On average, the yields for all the papers except the 91 days tenor increased during the year 2020 compared to the average yields recorded in 2019.

In 2020, the government conducted Treasury notes auctions for 3-year, 5-year, 7-year and 10-year tenors. Total applications for 2020 increased to K700.98 billion from K645.12 billion in 2019 while total allotments increased to K583.88 billion from K293.48 billion in 2019, resulting in a 15.93% rejection rate compared to 54.51% recorded in 2019

Total maturities for government securities for the month amounted to K521.56 billion resulting in a net withdrawal of K295.10 billion.

Below is a summary of the treasury notes for the year 2020.

Tenor	Applied (K'bn)	Allotted (K'bn)	Average Yield
2 Years	82.08	73.05	15.35%
3 Years	199.24	176.74	15.73%
5 Years	200.66	162.66	19.14%
7 Years	183.80	147.28	17.56%
10Years	35.20	24.15	22.21%
TOTAL	**665.78**	**559.73**	

Foreign Currency Market (Source: RBM)

The Malawi Kwacha depreciated against all major currencies, which include the United States Dollar, British Pound, South African Rand and the Euro as shown below:

CURRENCY	2019	2020	% Change
MK/US Dollar	738.87	770.84	-4.33%
MK/GBP	969.19	1,050.57	-8.40%
MK/ZAR	52.43	52.83	-0.75%
MK/EUR	825.65	947.90	-14.81%

The official forex reserves in December 2020 decreased to US$574.26 million (2.75 months' worth of import cover) from US$846.55 million (4.05 months' worth of import cover) recorded in December 2019. The private sector reserves increased to US$377.97 million (1.81 months of import cover) as at end of December 2020 from US$324.07 million (1.55 months of import cover) recorded in December 2019.

As at 30 December 2020, total forex reserves stood at US$952.23 million (4.56 months of import cover) a decrease from US$1,170.62 billion (5.60 months of import cover) registered at the end of December 2019.

	Dec-19 (US$ million)	Dec-20 (US$ million)	% Change
Official Reserves	846.55	574.26	-32.16%
Private Sector	324.07	377.97	16.63%
Total	1,170.62	952.23	-18.66%
Import Cover (Months)			
Gross Official	4.05	2.75	-32.10%
Private Sector	1.55	1.81	16.77%
Total	5.60	4.56	-18.57%

Interbank Markets and Interest Rates (Source: RBM)

Liquidity levels for the year 2020 increased to a daily average of K16.35 billion from K15.00 billion recorded in 2019. Access to the Lombard facility (discount window borrowing) during 2020 averaged

K24.46 billion per day at an average rate of 13.56% while that of 2019 averaged K11.15 billion per day at an average rate of 13.90% (Source: RBM).

During the year 2020, overnight borrowing between banks increased to a daily average of K9.72 billion from K8.41 billion recorded in 2019. This was at an average rate of 13.27% (2019: 10.38%).

The reference rate for the month of December 2020 was 12.10% compared to 12.50% recorded in December 2019. The decrease was likely a result of a significant decrease of the monetary policy rate for the month of November 2020 (Source: RBM).

Monetary Policy Update (Source: RBM)

The Monetary Policy Committee (MPC) met four times in 2020. There were several changes that happened within the year to the Policy Rate, the Lombard rate and the Liquidity Requirement Ratios.

The MPC maintained the monetary policy rate at 13.50% since the start of the year 2020. However, a decision was made to reduce it to 12.50% at its fourth meeting held on 5 and 6 November 2020. Considering the favorable inflation outlook, this decision was aimed to support economic recovery from the impact of the COVID-19 pandemic and the creation of job opportunities.

On the other hand, at its second meeting held on 1 April 2020, the MPC decided to cut the Liquidity Reserve Requirement (LRR) on domestic currency deposits by 125 basis points to 3.75%. The committee also reduced the Lombard Rate to 0.2% from 0.4%, above the Policy Rate. The MPC maintained these reductions on the Liquidity Reserve Requirement and the Lombard rate for the rest of the year.

Stock Market (Source: MSE)

The stock market was bullish in 2020 with the MASI increasing by 7.08% to settle at 32,392.84 points from 30,252.20 points in 2019. This was a higher return compared to the 4.38% realized in 2019.

The market registered seven gainers during the year, ICON (16.86% increase), MPICO (7.53% increase), NBM (23.81% increase), NBS (60.00% increase), NICO (7.24% increase), NITL (18.69%) and Standard (43.34%). There were seven losers registered on the market, BHL (0.08% decrease), FMBCH (70.61% decrease), Illovo (47.40% decrease), Sunbird (11.02% decrease) OMU (12.00% decrease), PCL (6.47% decrease) and TNM (22.81% decrease).

As at 31 December 2020, the Domestic Share Index (DSI) increased by 17.61% to 27,755.46 points from 23,599.75 points recorded on 31 December 2019. The Foreign Share Index (FSI) decreased by 66.11% to 1,363.88 points as at 31 December 2020 from 4,204.86 recorded as at 31 December 2019.

The volume of shares traded in 2020 increased by 18.03% to 1.65 billion from 1.39 billion traded in 2019. The traded value on the shares in 2020 decreased by 11.40% to MK41.09 billion from MK46.37 billion in 2019.

Airtel Malawi Plc conducted an initial public offering (IPO) where investors are invited to buy shares in the company. A total of 1.65 billion shares were offered at a price of K12.69 per share and an option of over-allotment of 550 million shares, with the aim of raising MK27.92 billion before expenses. The offer ran from 27 December 2019 to 31 January 2020. According to a press release by the company, MK27.92 billion was raised. The company was listed on the Malawi Stock Exchange on 24 February 2020, and as at December 2020, the share price increased by 119.78% to K27.89.

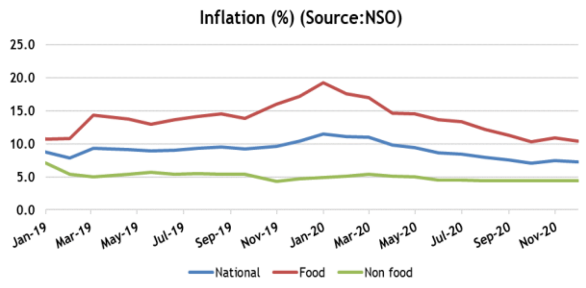
During the year 2020 the FDH Bank Plc conducted an initial public offering (IPO) where they invited investors to buy shares in the company. A total of 1.38 billion shares were offered at a price of MK10.00 per share with the aim of raising MK13.80 billion. The offer ran from 29 June 2020 to 17 July 2020. According to a press release by the company, MK13.80 billion and an oversubscription of MK0.33 billion was raised. The company was listed on the Malawi Stock Exchange on 3 August 2020, and there was share price gain of 44.50% (MK14.45) by the end of the year 2020.

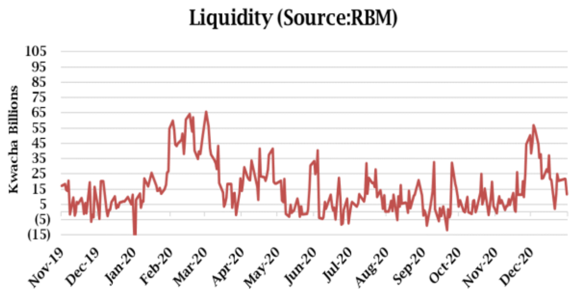
Counter	Dec-20	Dec-19	% Change
	MK/Share	MK/Share	%
AIRTEL	27.98	N/A	N/A
BHL	12.94	12.95	-0.08%
FMBCH	22.04	75.00	-70.61%
FDHB	14.45	N/A	N/A
ICON	12.27	10.50	16.86%
ILLOVO	80.48	153.00	-47.40%
MPICO	21.00	19.53	7.53%
NBM	650.00	525.00	23.81%
NBS	21.60	13.50	60.00%
NICO	52.00	48.49	7.24%
NITL	94.95	80.00	18.69%
OMU	2,199.98	2,499.99	-12.00%
PCL	1,309.47	1,400.00	-6.47%
STANDARD	1046.39	730.00	43.34%
SUNBIRD	105.00	118.00	-11.02%
TNM	20.07	26.00	-22.81%
MASI	32,392.84	30,252.20	7.08%
DSI	27,755.46	23,599.75	17.61%
FSI	1,363.88	4,024.86	-66.11%

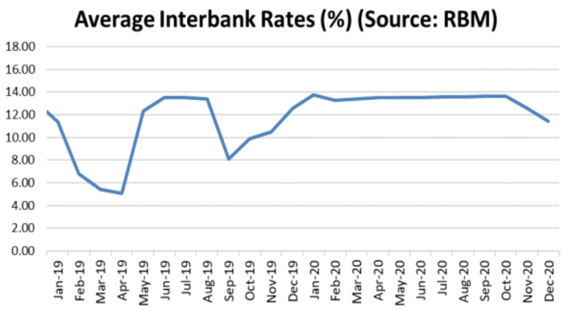
Below is a presentation of the published 2020 and 2019 half year financials for the respective companies.

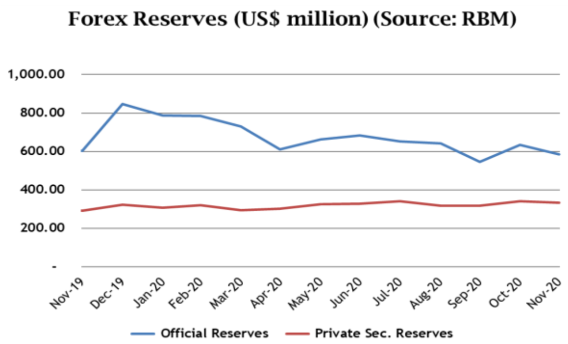
Published Half Year Financials for 2020 and 2019						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period	**Aug-20**	**Aug-19**	**% Change**	**Aug-20**	**Aug-19**	**% Change**
ILLOVO	2.74	10.08	-72.84%	2.00	0.50	300.00%
Period	**Jun-20**	**Jun-19**	**% Change**	**Jun-20**	**Jun-19**	**% Change**
AIRTEL	11.42	2.02	465.35%	0.00	0.00	0.00%
ICON	2.11	2.52	-16.27%	0.11	0.10	10.00%
NBS BANK	2.84	1.41	102.42%	0.45	0.00	100.00%
STANDARD	12.63	8.09	56.12%	10.65	8.95	18.99%
NBM	9.07	9.13	-0.61%	5.35	5.35	0.00%
NITL	0.35	0.67	-48.48%	0.50	0.50	0.00%
SUNBIRD	(1.34)	1.20	-211.61%	0.00	0.50	-100.00%
TNM	4.97	6.71	-25.93%	0.18	0.00	100.00%
NICO	7.64	7.29	4.80%	0.67	0.60	11.67%
PCL	12.69	11.17	13.66%	6.00	6.00	0.00%
MPICO	2.51	3.58	-30.01%	0.00	0.10	-100.00%
FDH	3.22	3.35	-3.88%	0.00	0.00	0.00%
	Net Profit/(Loss) (US$' million)			Total Dividend (Per Share) (US$)		
FMBCH	14.29	5.08	181.30%	0.00	0.00	0.00%
TRADING STATEMENT						
BHL	Expects its half year ending 30 September 2020 profit after tax to be at least 200% lower than the previous corresponding period					
NBS BANK	Expects its annual year ending 31 December 2020 profit after tax to be at least 25% higher than the previous corresponding period					
SUNBIRD	Expects its annual year ending 31 December 2020 profit after tax to be at least 150% lower than the previous corresponding period					
AIRTEL	Expects its annual year ending 31 December 2020 profit after tax to be at least 40% higher than the previous corresponding period					
TNM	Expects its annual year ending 31 December 2020 profit after tax to be at least 25% higher than the previous corresponding period					
FMBCH	Expects its annual year ending 31 December 2020 profit after tax to be at least 200% higher than the previous corresponding period					
NITL	Expects its annual year ending 31 December 2020 profit after tax to be at least 40% lower than the previous corresponding period					

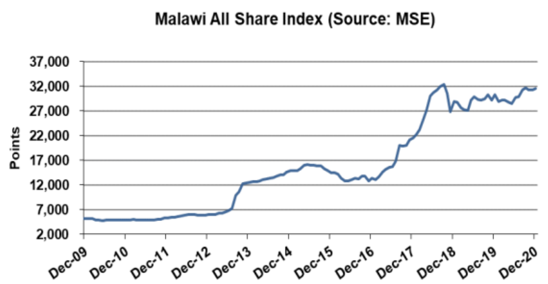
Trend Graphs

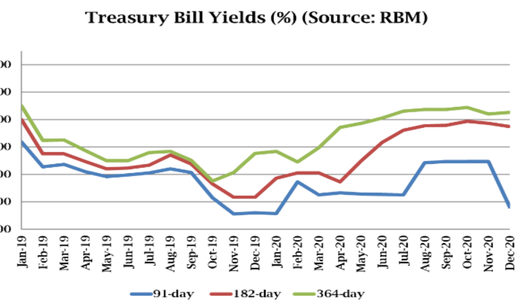


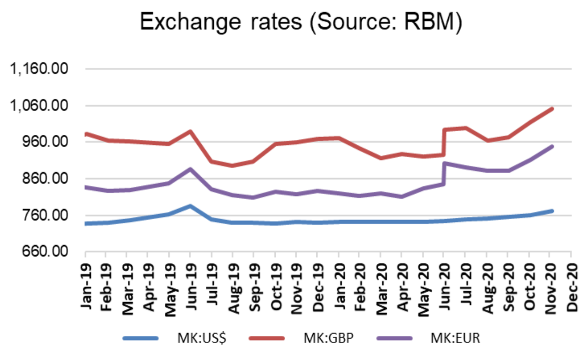


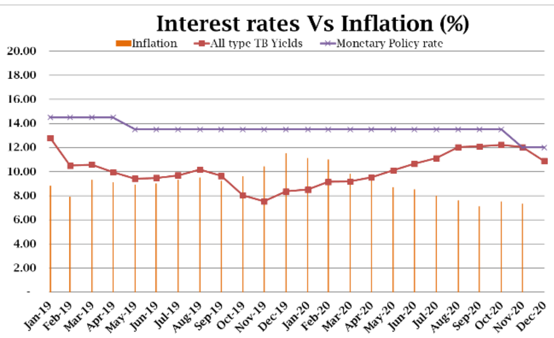








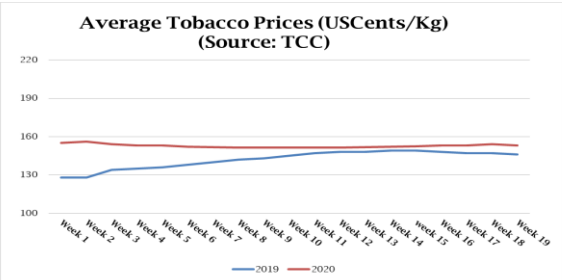




2. OTHER MARKET DEVELOPMENTS

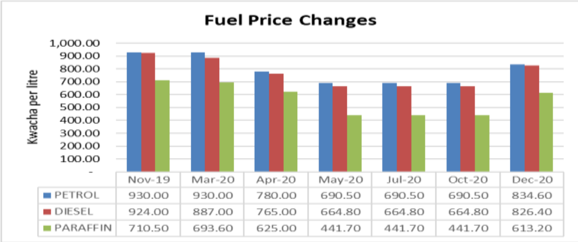
2020 Tobacco Season End (Source: AHL)

The 2020 tobacco marketing season officially opened on 20 April 2020 and officially closed on 28 August 2020. Tobacco volume sales decreased by 31.30% to 113.8 million kilograms in 2020 from 165.6 million kilograms recorded in 2019. Cumulatively, tobacco fetched an all-type average price of US$1.53 per kilogram in 2020. This was 7% higher than US$1.43 per kilogram fetched in 2019. Total realization from the 2020 tobacco sales amounted to US$174.50 million, a 26.40% drop from US$237.00 million realized in 2019.



Fuel Price Adjustments for 2020 (Source: MERA)

The Malawi Energy Regulatory Authority (MERA) adjusted the fuel prices twice during the year 2020. In all its price reviews throughout the year up to May 2020, the MERA board decided to hedge the increases in the landing costs of the fuel resulting from the effect of the movement of the Free On Board (FOB) prices and exchange rate of the Malawi Kwacha to the United States Dollar as well as changes in local factors by the Price Stabilization Fund (PSF). After an eight-month hiatus on fuel price movements, the MERA board revised upwards pump prices of petrol, diesel and paraffin. The graph below indicates fuel price movements since the start of the year 2020:



	Nov-19	Mar-20	Apr-20	May-20	Jul-20	Oct-20	Dec-20
PETROL	930.00	930.00	780.00	690.50	690.50	690.50	834.60
DIESEL	924.00	887.00	765.00	664.80	664.80	664.80	826.40
PARAFFIN	710.50	693.60	625.00	441.70	441.70	441.70	613.20

Results of the 2020 Food Security Vulnerability Assessment and Analysis (Source: MVAC)

In September 2020, the Ministry of Economic Planning and Development and Public Sector Reforms released results indicating that 15% of Malawi's total projected population, (2,617,986 out of 17,677,952 people) would not be able to meet their annual food requirement during the 2020/21 consumption period. The results showed that out of the total affected population, the rural population was highly affected as compared to that of the urban population and this had translated to an 8% increase as compared to figures recorded in 2019.

The urban affected population had caused the increase in the overall vulnerable population in the 2020/2021 consumption season. This increase resulted from weather-related hazards that affected crop production and the impact of the COVID-19 pandemic on income levels which left the urban poor jobless and stagnant in their businesses.

Food Crisis Outcomes Expected to Persist Given Delay in Assistance Program (Source: FewsNet)

Minimal food security outcomes are expected to persist across most of the country throughout December 2020 to January 2021. In the presence of humanitarian assistance, stressed food security outcomes are anticipated in some districts of the southern and central regions of Malawi. Outcomes in these areas are projected to improve with the harvest in April 2021. Meanwhile, food security outcomes are expected to improve in urban areas by January 2021 as economic recovery improves access to income, though some low-income households will likely register stressed or crisis food outcomes in the subsequent months given the anticipated impacts of a second wave of the coronavirus.

The 2020/21 rainy season started 1-3 weeks late across most of Malawi. Despite this and despite erratic rains (20 November 2020 to 10 December 2020) which delayed planting in some areas, most areas across the country have now planted main crops. According to the latest forecasts, average cumulative rainfall is now expected for the season through March 2021.

2020/21 National Budget Statement and Q1 Budget Performance (Source: The Ministry of Finance)

The Minister of Finance presented the 2020/2021 financial budget to parliament on 11 September 2020. The 2020/21 Budget was prepared in line with MGDS III which provides the overarching guidance in policy formulation. He outlined major assumptions anchoring the budget which included an estimated economic growth of 1.9% in 2020 and 4.5% in 2021, an average inflation rate of 10.5% during the fiscal year, and a policy rate of 13.50%.

Total revenue and grants were projected at K1.44 trillion, representing 20.10% of GDP. Total expenditure was projected at K2.19 trillion which is 30.60% of GDP. The expected overall deficit for the 2020/21 fiscal year was estimated at K754.8 billion, which represents a significant increase of about 384.16% from the 2019/20 preliminary actual budget deficit outturn of K155.9 billion.

In December 2020, the Ministry of Finance released the Budget Performance Report for the first quarter (July to September 2020) of 2020/21 fiscal year. The report indicated that overall revenue collection for the period under review amounted to MK277.20 billion against a target of MK304.1 billion, representing a performance of 91% of the target. Total expenditure amounted to MK403.90 billion against a target of MK494.60 billion, representing a performance of 87.11% of the target (Source: Ministry of Finance).

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Statement at the End of an IMF Staff Visits to Malawi (Source: IMF)

The International Monetary Fund (IMF) released a statement at the end of the IMF staff visit to Malawi from 10 to 23 March 2020. The mission of the visit was to conduct the 2020 Article IV Consultation and hold discussions on the fourth review of the three-year arrangement for Malawi under the Extended Credit Facility (ECF). The statement reported that Malawi's economic outlook for 2020 was subject to substantial uncertainty due to the evolution of the COVID-19 pandemic. Prospects for the remainder of the year 2020 were dependent on the extent of transmission to Malawi of COVID-19 and the magnitude of associated global and regional economic spill overs. The report also noted that expenditures had appropriately been increased to cover the cost of the presidential elections and to finance urgent health care preparations consistent with the government's COVID-19 contingency plan developed with support from the WHO and other development partners.

The report further projected that economic growth of Malawi could rise further to 6-7% over medium-term, backed by greater access to finance, crop diversification and an improved business climate. Inflation was projected to ease to 9.3% by end of 2020 before gradually easing to 5.0% over the medium term.

IMF COVID-19 Emergency Support to Malawi totals US$193 Million (Source: IMF)

In May 2020, the International Monetary Fund (IMF) approved a disbursement of US$91 million under the Rapid Credit Facility (RCF) to help Malawi meet urgent balance of payment (BOP) needs stemming from the COVID-19 pandemic. The IMF also advised the government of Malawi to safeguard medium-term debt sustainability by boosting domestic revenue mobilization and enhancing public financial management.

In October 2020, the IMF Executive Board approved the second disbursement under the

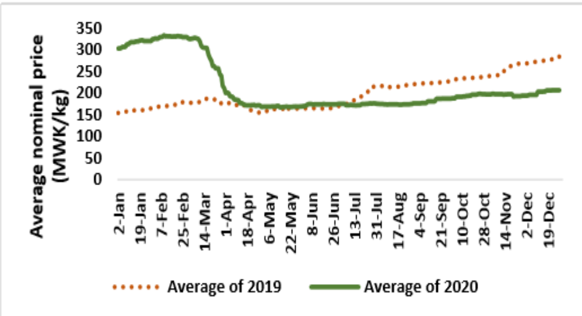
Rapid Credit Facility (RCF), bringing total IMF COVID-19 emergency support to Malawi to US$193 million (October 2020: $101.96 million). The second RCF was aimed to help close immediate additional external and fiscal financing gaps and catalyze other concessional financing.

Monthly Maize Market Update (Source: IFPRI)

During the month of December 2020, the average retail maize price increased by 6% (November 2020: 3% decrease) at MWK 199/kg, which is 28% lower than the price recorded in December 2019. Prices rose in 16 markets and remained constant in 10 markets. The largest price increases were recorded in northern markets: Chitipa (33%) followed by Karonga (31%) and Rumphi (21%) markets. Most markets in the central and southern regions of Malawi remained stable throughout the month. By the end of December 2020, 19 out of 26 markets monitored reported prices equal or above MKW 200/kg.

In the month of December 2020, ADMARC had no purchases or sales in any of the 26 markets monitored by IFPRI.

Figure 2. Price trends 2019–2020



Malawi Economic Monitor (MEM): From Crisis Response to a Strong Recovery (Source: World Bank)

In its July 2020 edition of the MEM, the World Bank pointed out that the global COVID-19 pandemic has interrupted Malawi's trajectory for a third straight year of faster growth and tackling its impacts will present a considerable challenge. The full extent of the pandemic's negative impact is uncertain as the crisis is still unfolding, but a host of external and internal factors are dampening the Malawi economy. Domestic factors are also contributing to the crisis through increased risk aversion and social distancing policies. However, the second consecutive bumper harvest, combined with Malawi's relatively small services and industry sectors, is alleviating some of the negative impact on growth.

The report stated that GDP growth in 2020 is expected to slow sharply to 1.00%, though projections are highly uncertain and evolving as the COVID-19 crisis unfolds. The poverty impact will be particularly acute in urban areas where the sizeable informal services sector is expected to be heavily affected. The fiscal deficit was budgeted to increase prior to the COVID-19 pandemic and could further widen above 10% of GDP due to the pandemic. The new administration's provisional budget for July 2020 to October 2020 expands farm inputs while lowering taxes for lower wage earners. External concessional and grant support is needed to maintain debt sustainability and prevent an even greater domestic debt burden at high cost.

The report pointed out key areas of policy priorities that the government should focus on. These areas
included; balancing containment measures with supporting the economy; implementing additional measures to address the evolving challenge of the COVID-19 pandemic, while carefully considering the trade-off between social distancing policies to reduce the spread of the coronavirus and losses to livelihood; protecting lives; protecting livelihoods and protecting the future.

Malawi Economic Monitor: Improving Service Delivery in Energy and Water (Source: World Bank)

The World Bank in its December 2020 edition of MEM stated that Malawi suffers from inadequate access to and reliability of energy, water and other infrastructure services, which are costly for growth, health outcomes, and poverty reduction. Malawi underinvests in energy and water supply due to a range of issues, including a lack of fiscal space and inefficiency of State-Owned Enterprises (SOEs). The report also stated that the government can take several steps to

improve infrastructure investments and service delivery in energy and water. Recommendation for the energy and water sectors are organized along two pillars: upgrade the Public Investment Management (PIM) framework and integrate it with the PPP program; ensure that SOEs are more efficient and creditworthy, thereby increasing investments in existing and new infrastructure and minimizing their fiscal drain.

Considering that Malawi's economy has been heavily affected by the COVID-19 pandemic, the report projected growth at 1.0% in 2020, down from earlier projections of 4.8%. Services and industry sectors have been particularly hit hard, leading to a heavier impact in urban areas. Poverty reduction in Malawi has stagnated in the last 15 years and is expected to worse with the pandemic.

The current account deficit is projected to expand to 19.6% of GDP in 2020, up from 17.8% in 2019. Headline inflation decelerated over the year 2020 but is facing seasonal pressure on maize prices. Malawi's fiscal situation deteriorated further in the fiscal year 2019/20 and the 2020/21 fiscal year budget is expansionary, further widening the fiscal deficit to a projected 12.4% in GDP.

The reported projected Malawi's economic growth to rebound in 2021 to 3.3%, however growth will be needed to reduce poverty levels over the medium term. The COVID-19 crisis poses considerable challenges to the new government. In the short term, the government has limited fiscal space to act. In the medium term, the new government has an opportunity to implement measures to boost economic recovery and build resilience. The report pointed out key areas of policy priorities that the government should focus on: strengthen the foundation for macro stability and growth, support diversification, in agriculture and non-agriculture sectors, to increase income and resilience, and strengthen systems to support the vulnerable and increase resilience.

Affordable Inputs Program (AIP) (Source: Malawi Nation Newspaper)

In the month of October 2020, the Affordable Inputs Program was launched, and expected to provide 4.3 million households with a 50kg bag of fertilizer at MK4, 495.50 only. The program however, faced supply challenges owing to inadequate capacity of contracted firms and logistical inefficiencies in the supply chain. Interviews with officials knowledgeable about the issue stated that reasons why firms were failing to meet their contractual obligation ranged from delays to secure financing from banks to insufficient fertilizer on the market due to high volume quantity demanded by the AIP. The AIP supply challenges raised fears that delayed delivery of fertilizer would mean that most people failing to access it in time and therefore resulting in lower productivity levels and reduced harvest in 2021. This would likely lessen harvest income and threaten food security. Impacts of the program are yet to be reviewed as households have bought the cheaper fertilizer and begun to plant maize for the upcoming harvest season in March to April 2021.

Aid in Flows to Malawi in 2020 (Source: International Countries)

Total aid in flows from World Bank to Malawi amounted to US$600 in 2020. In May 2020, The Board of Executive Directors approved US$100 million grant for the Malawi Governance to Enable Service Delivery Project with the objective of strengthening Local Authorities' institutional performance, responsiveness to citizens, and management of resources for public service delivery. In the following month, the World Bank approved a total of US$157 million for the Malawi Watershed Services Improvement Project (MWASIP), composed of a US$78.50 million credit and US$78.50 million grant from the International Development Association (IDA). In October 2020, the World Bank allocated a US$343 million grant to the government of

Malawi for the implementation of projects in three ministries. The funds would be used for implementing three projects in ministries of Local Government, Forestry and Natural resources as well as that of Finance. The projects are important to country's economy as young people will get employment opportunities, and particularly at this time given the impact that the COVID-19 pandemic is having on lives and live hoods of all Malawians.

In July 2020, Malawi received US$45.01 million from the African Development Bank to finance the government's response to the health, social and economic impacts of the COVID-19 pandemic. The package comprised of a loan of US$24.48 million, and a grant of US$20.59 million as direct budget support, and complements an earlier sum of US$8.9 million to six countries in the region, including Malawi, under the Bank's COVID-19 response grants to the Southern African Development Community (SADC) countries selected. The budget support intervention was expected to help boost the Malawi National COVID-19 Preparedness and Response Plan that has been developed with multi-stakeholders including government, development partners and non-government organizations. The Bank's support aimed to protect lives; strengthen public health systems; protect livelihoods through enhanced social protection systems; foster economic resilience and protect jobs.

In October 2020, the government of Norway also allocated MK4.2 billion to the World Food Program (WFP) to support a COVID-19 social cash transfer program in rural areas in Malawi. The funds were expected to help 55 000 households for up to four months to enable them to cover their basic food requirements, easing Malawi government's burden to support an estimated 2.6 million during the rainy season from November 2020 to March 2021. Malawi also saw an increase in aids flows in form of specific project-based grants and loans such as the K3.97 billion grant agreement between Malawi and Norwegian governments aimed at promoting sustainable food systems in Malawi. The United Kingdom (UK) planned to provide income relief of almost K14,000 per month to help families, believed to have been affected by a drop in remittances from South Africa due to the COVID-19 pandemic, access food, rent, school fees and meet immediate needs.

Rebasing of GDP from 2010 to 2017 (Source: Malawi Government)

The National Statistical Office rebased the economy's GDP from 2010 to 2017 base year. This was necessary to correspond with the evolution of prices in the economy, and to improve quality and coverage of National Accounts. Malawi's nominal GDP for 2017 was revised upwards by 38.4 % to US$8.8 billion from US$6.35 billion. This revision attributed predominately to improved coverage from the Census of Economic Activities which was implemented for the first time in the history of economic surveys in Malawi. Following the GDP rebasing, the structure of the economy of Malawi appears more diversified.

3. REGIONAL MARKET DEVELOPMENTS

Sub-Saharan Africa (SSA)

The overall economic activity in Sub-Saharan Africa has been revised to contract by 3.0% in 2020 before recovering by 3.1% in 2021. This is due to some key downside risks, particularly regarding the continued surge of the COVID-19 pandemic, the resilience of the region's hard-pressed health systems, and the outlook for external financing.

Countries in the region have cautiously reopened their economies amid the high economic and social costs. In this context, policymakers are aiming to rekindle their economies despite fewer resources at their disposal. Significant financial gaps are prevailing as countries struggle to maintain macroeconomic stability while also meeting the basic needs of their population. This has caused countries to face some difficult choices and be forced to address unsustainable debt burdens.

Capital outflows from emerging and frontier market economies, have been triggered by tighter global financial conditions that continue to persist. This has resulted in sharp widening of the interest rate spreads. Furthermore, remittance inflows are expected to drop by about 20% leading to a pressing concern, given that remittances have surpassed Foreign Direct Investment (FDI) and official development inflows in recent years (Source: IMF).

Zambia

The year on year inflation rate for December 2020 slightly increased to 19.20% from 17.40% recorded in November 2020. The increase in the annual rate of inflation was mainly attributed to the price increase in food items. The year on year food inflation rate for December 2020 was recorded at 20.20% compared to 16.80% recorded in November 2020. The year on year non-food inflation rate for December 2020 was recorded at 18.10% compared to 18.20% recorded in November 2020 (Source: Zambia Statistics Agency).

The Monetary Policy Committee (MPC) at its meeting on 16 to 17 November 2020, decided to maintain the policy rate at 8.0%. Inflation is projected to remain above the upper bound of the 6-8% target over the period up to 2021. The decision to maintain the policy rate allows monetary policy measures to take full effect. The committee also noted that financial stability remains fragile despite signs of marginal improvement in economic activity in the third quarter of 2020 following the partial relaxation of COVID-19 restrictions. Although growth is expected to recover in 2021, limited fiscal space, as well as uncertainty surrounding the persistence of the COVID-19 pandemic and access to external financing remain key downside risks to growth prospects. In this regard successfully navigating the debt restructuring process to restore debt sustainability and implementing fiscal and other structural reforms are critical to return to fiscal fitness and macroeconomic stability.

The Central Bank projected economic growth for 2020 to contract by 4.2% due to observed better performance in mining production which may moderate the severity of the contraction. The Economist Intelligent Unit (EIU) however estimates a contraction of 2.3% and 0.5% in 2020 and 2021 respectively, following the county's sovereign default on Eurobond debt in November 2020 (Source: Bank of Zambia, EIU).

Zambia has entered a period of rapid policy change following the sovereign default on its US$3bn debt to Eurobond holders in November 2020. As Zambia is now in default, the country has lost access to international credit. The EIU expects the stand-off to continue beyond the upcoming elections in August 2021. However, the Unit ultimately believes that the government of Zambia will conclude an interim debt-restructuring arrangement during 2022 to address commercial investors' concerns that any debt suspension granted would be used to meet payments to bilateral creditors (Source: Reuters).

Zambia's trade surplus increased by 10.10% from K6.50 billion in October 2020 to K7.16 million in November 2020. The surplus means the country exported more than it imported in nominal terms. Both imports and exports recorded increased, though the increase in imports outweighed that of exports resulting into a reduction in the surplus.

Exports increased by 7.0% from K15.34 billion in October 2020 to K16.41 billion in November 2020. This increase was mainly attributed to the 79.3% and

1.8% increase in export earnings from the Raw materials and Intermediate goods respectively. Imports decreased by 4.50% from K8.84 billion in October 2020 to K9.26 billion in November 2020. This decline in imports was mainly attributed to the 29.10% and 20.00% fall in the imports of Consumer goods category and Raw materials respectively (Source: Zambia Statistics Agency).

Zimbabwe

In October 2020, the Zimbabwe Vulnerability Assessment Committee (ZimVAC) release a 2020 rural livelihoods assessment report. The report showed that many households in the rural areas were negatively affected by the COVID-19 pandemic resulting in the reduction of incomes, food sources and failure to access basic commodities. The negative impact has caused food insecurity levels to remain high above 50%, with more households facing food access challenges. Cereal insecurity prevalence is projected to be 56.2% (5,454,270 million people) during the peak hunger period of 2020/21, following the effects of the poor rainfall season, COVID-19 pandemic and macro-economic fundamentals. Forty-three districts are projected to have more than 50% of their households having inadequate means to meet their food needs without resorting to severe livelihoods and consumption coping strategies. In light of the projected prevalence, there is need for urgent food distribution or cash-based transfers to food insecure households in order to avoid a worsening situation (Source: ZimVAC).

The economy of Zimbabwe is expected to recover with Gross Domestic Product (GDP) growth of 4.6% in 2020 and 5.6% in 2021 if corrective measures are taken, especially to restore macroeconomic stability. Recovery in the agriculture, mining, and tourism sectors will be backed by increased public and private investments. The regeneration of civil society and engagement with political actors in a positive social contract will accelerate reforms. Vast natural resources, fairly good public infrastructure, and a skilled labor force are expected to give Zimbabwe an opportunity to join supply chains in Africa and increase trade in the African Continental Free Trade Area (Source: AfDB).

In March 2020, the Zimbabwean Government, through the Central Bank, suspended the managed floating exchange rate system to provide for greater certainty in the pricing of goods and services in the economy. In its place, the Bank adopted a fixed exchange rate system at the current interbank level. This measure was expected to be reviewed when markets stabilise from the effects of the COVID-19 pandemic.

Further, the Monetary Policy Committee (MPC) of the Bank at its meeting of 24 March 2020, resolved to respond to the needs of the economy in the wake of the COVID-19 pandemic through increasing the Medium Term Bank Accommodation Facility for supporting productive sector activities by an additional ZW$1 billion to ZW$2.5 billion. The additional amount was expected to finance the 2020 winter wheat planting programme. The MPC also reduced the Statutory Reserve Ratio from 5% to 4.5% in order to free some funds to the banks to enhance their lending activities.

Thirdly it also reduced the Bank's Policy rate from 35% to 25% with the expectation that banks will also follow suit and adjust their lending rates to meet the requirements of their customers that were being adversely affected by the pandemic and lastly it has implemented an issuance of the Open Market Operations (OMO) Corporate Bills to enhance the monetary targeting framework that is necessary to support the exchange rate and to stabilise prices in the economy.

The Bank also agreed with the banking sector to suspend increases in charges related to the provision of all electronic payments during these trying times. Similarly, the Bank is also engaging the mobile network providers to ensure that their mobile banking charges are reduced in order to promote electronic banking which is in line with social distancing (Source: Reserve Bank of Zimbabwe).

Tanzania

Annual headline inflation rate for November 2020 has decreased to 3.0% from 3.1% recorded in October 2020. Food and non-alcoholic beverages inflation rate for the month of November 2020 decreased to 2.8% from 3.4% recorded in October 2020. Annual inflation rate for food consumed at home and away from home for the month of November 2020 has slightly decreased to 3.7% from 4.4% recorded in October 2020. The annual Inflation rate which excludes food and energy for the month of November 2020 slightly increased to 2.5% from 2.4% recorded in October 2020 (Source: Tanzania National Bureau of Statistics).

The International Monetary Fund (IMF) released a statement at the end of the IMF staff visit to Tanzania from 20 February 2020 to 4 March 2020. The statement reported that supported by prudent monetary and fiscal policies, Tanzania's economic conditions remain stable, with economic growth estimated at about 6%, inflation at under 5%, an adequate level of foreign reserves, and manageable public debt. However, the IMF staff in their statement pointed out that a robust and decisive set of policies would be critical to increased private sector investment, job creation, and support high economic growth and resilience against risks. Further discussions centered on measures to mobilize domestic revenue, resolve government arrears on VAT refunds and expenditures, increase spending in education and health while improving the efficiency of such spending as well as that of public investment projects, remove barriers and regulations affecting the business climate, and build skills in the labor force.

In June 2020, the Executive Board of the International Monetary Fund (IMF) approved a grant under the IMF's Catastrophe Containment and Relief Trust (CCRT) to cover Tanzania's debt service falling from November 2020 to October 2020, the equivalent of US$14.3 million. Additional relief covering the period from October 2020 to April 2022 will continuously be granted subject to the availability of resources in the CCRT, potentially bringing total relief on debt service to the equivalent of about US$25.7 million. The debt service relief is expected to help free up resources for public sector health needs and other emergency spending, as well as mitigate the balance of payments shock resulting from the COVID-19 pandemic. The Fund further encouraged the government of Tanzania to ensure close cooperation with multilateral organizations and donors and ensure sufficient budget allocations on health and other priority spending (Source: IMF).

Uganda

The annual headline inflation for the year ending December 2020 is recorded at 3.60% compared to the 3.70% recorded during the year ending November 2020. The decrease in annual headline inflation is mainly attributed to the annual energy fuel and utilities (EFU) inflation, which decreased to minus 4.60% for the year ending December 2020 compared to minus 1.40% registered for the year ending November 2020. In addition, firewood inflation decreased to minus 14.60% for the year ending December 2020 compared to the 3.30% recorded for the year ending November 2020 (Source: Uganda Bureau of Statistics).

The Bank of Uganda, at the Monetary Policy Committee (MPC) meeting of December 2020 has maintained the Central Bank Rate (CBR) at 7%. High frequency indicators of economic activity in the third quarter to October 2020 indicate an annual growth rate of 3.3% in contrast to the sharp contraction of 6% in the second quarter to June 2020. However, the recovery is proceeding at an uneven pace. Social distancing measures continue to weigh heavily on certain activities of services sector, particularly in hospitality and tourism, while other sectors are still affected by the lagged effects of the economic downturn. Economic activity is expected to take longer to recover and resource utilization to return to normal given the sharp contraction experienced in the second quarter to June 2020. Economic growth is therefore projected to remain below its potential until fiscal year 2023/24.

The downside risks to the economic growth projection have eased as a result of signs of rebound in both foreign and domestic demand. Nevertheless, the rising COVID-19 cases in Uganda and many other countries, present considerable downside risks. On the upside, while it could take some time to fully implement worldwide, the recent news on COVID-19 vaccine development is reassuring and presents positive prospects (Source: Bank of Uganda).

The International Monetary Fund (IMF) released a statement at the end of the IMF staff visit to Uganda from 20 to 24 January 2020. The issued statement reported that the economy of Uganda continues to perform well, with growth expected to reach 6% in the 2019/20 fiscal year, a minor slowdown from the earlier projection of 6.3%. However, the uncertainties related to the start of oil production continue to weigh on the economic outlook.

The report also noted that the execution of the 2020/21 fiscal year budget continues to be challenging among revenue and financing shortfalls, delays in the implementation of externally financed projects and large expenditure pressures, which have resulted in a supplementary budget and increased borrowing needs. Regarding the preparation of the 2020/21 budget, the staff encouraged the authorities to focus the implementation of the new Domestic Revenue Mobilization strategy and prioritize spending.

On 6 May 2020, the Executive Board of the International Monetary Fund (IMF) approved a disbursement of about US$491.5 million for Uganda under the Rapid Credit Facility (RCF). The disbursement was expected to help finance the health, social protection and macroeconomic stabilization measures, meet the urgent balance-of-payments and fiscal needs arising from the COVID-19 pandemic and catalyse additional support from the international community.

The Ugandan economy was severely hit by the COVID-19 pandemic leading the authorities to increased health spending, strengthened social protection to the most vulnerable, and enhanced their support to the private sector. The Bank of Uganda reduced interest rates and provided liquidity to safeguard financial stability, while maintaining exchange rate flexibility (Source: IMF).

The World Bank in its December 2020 edition of Uganda Economic Update reported that Uganda's real GDP grew at 2.9% in the 2020 fiscal year compared to 6.8% recorded in the 2019. This was mainly attributed to the effects of the COVID-19 pandemic and is expected to grow at a similar level in the 2021 fiscal year, but downside risks are high.

As a result of these impacts, the COVID-19 pandemic is threatening to reverse some of the gains made on structural transformation and the declining poverty trend of the past decade. The COVID-related demand shock, together with tax and spending measures to manage the crisis, reduced revenues, and increased current spending, led to a significant widening of the fiscal deficit. Despite the increasing fiscal deficits and expansion of public debt to close to 50% of GDP in 2021, Uganda remains at low risk of debt distress, but with heightened vulnerabilities. The medium-term outlook for Uganda has worsened considerably due to the impact of the COVID-19 pandemic, and risks are tilted heavily to the downside. To support the most vulnerable and promote a resilient recovery, policy actions in three key areas are needed: preserve and strengthen human capital; support and revive small businesses and jobs; prudent and transparent fiscal management (Source: World Bank).

Mozambique

The International Monetary Fund (IMF) Deputy Managing Director visited Mozambique between 8 to 11 February 2020. At the end of the visit the Director noted that the country's economy is recovering from the effects of Tropical Cyclones Idai and Kenneth in 2019. The Fund Director suggested that economic policies should remain prudent and reforms should continue, for economic growth to accelerate further and become more inclusive. These would include actions to strengthen governance and transparency, address climate vulnerabilities and achieve the sustainable development goals.

Furthermore, the Fund noted that the liquefied natural gas (LNG) sector under development has sizable potential and given the appropriate policies and safeguards, could lift millions of people out of poverty. It will also help reduce green-house gases, although zero-emission fuels will ultimately be needed in the fight against climate change. The Director assured the country that IMF stands ready to further strengthen its collaboration with the Mozambican authorities and help advance the country's reform agenda.

In addition, the mission offered the opportunity to tour a drought recovery and resilience project in a rural area, financed by the African Development Bank, and to visit a shelter for the vulnerable elderly in the capital city.

In April 2020 the IMF approved a disbursement under the Rapid Credit Facility (RCF) of US$309 million to help Mozambique meet urgent balance of payment and fiscal needs stemming from the COVID-19 pandemic. The pandemic is expected to have a significant impact on Mozambique's economy, interrupting a nascent recovery following two powerful tropical cyclones that struck in 2019. To mitigate the impact of the pandemic and preserve macroeconomic stability, the government has taken several steps to increase health spending, strengthen social protection to the most vulnerable, and support micro, small, and medium-sized businesses (Source: IMF).

South Africa

The annual consumer price inflation (CPI) rate for November 2020 decreased to 3.20% from 3.30% recorded in October 2020. The main contributors to the increase were food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services (Source: Statistics South Africa).

The Reserve Bank of South Africa's headline inflation forecast averages 3.2% in 2020 and is projected at 3.9% in 2021 and 4.4% in 2022. The forecast for core inflation is projected at 3.3% in 2020, at 3.4% in 2021, and remains stable at 4.0% in 2022.

Since the September 2020 meeting of the Monetary Policy Committee (MPC) It has also become clear that Covid-19 infections will occur in waves of higher and lower intensity, caused in large part by pandemic fatigue and lapses in safety protocols. Fresh spread of the virus and re-imposed lockdowns will extend the time needed for economies to get back to pre-pandemic activity levels. Despite the welcome development in November 2020 of successful vaccine trials, global distribution of vaccines is likely to be slow, resulting in a modest pace of global economic growth into 2021. Against this backdrop, the MPC decided to keep rates unchanged at 3.5% per annum. The Committee expects that the slow recovery will keep inflation below the midpoint of the target range for 2020 and 2021. Unless risks outlined earlier materialise, inflation is expected to be well contained remaining below but close to the midpoint in 2021and 2022.

Locally, further easing of lockdown restrictions has supported economic growth, with high frequency indicators continuing to show a pickup in economic activity during August and September 2020. The growth rate for 2020 is now expected to contract by 8.0% compared to the contraction of 8.2% projected in September 2020. For 2021 and 2022 GDP is expected to grow by 3.5% and 2.4% respectively. South Africa's terms of trade remain robust while commodity export prices are high and oil prices remain generally low. Getting back to pre-pandemic output levels, however, will take time (Bank of South Africa).

On 27 July 2020, the Executive Board of the IMF approved US$4.3 billion in emergency financial assistance under the Rapid Financing Instrument to support the authorities' efforts in addressing the challenging health situation and severe economic impact of the COVID-19 pandemic. Once the pandemic is behind, there is a pressing need to ensure debt sustainability and implement structural reforms to support the recovery and achieve sustainable and inclusive growth (Source: IMF).

Other Countries

Benin

The Executive Board of the International Monetary Fund (IMF) approved US$177.96 to Benin under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) to address the urgent fiscal and balance of payment needs emerging from efforts to tackle the persistent impact of the COVID-19 pandemic.

This is the second IMF emergency assistance since the outbreak of the COVID-19 pandemic: on May 15, 2020, the IMF Executive Board approved an augmentation of access under the 2017-20 ECF arrangement of US$ 103.3 million. This additional financing brings the total IMF loan assistance provided to Benin to address COVID-19 pandemic to US$ 281.26 million (Source: IMF).

Morocco

On 18 December 2020, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Morocco. The Article stated that the pandemic has exerted a heavy toll on Morocco's population. Its economy has also been hit by a severe drought that affected agriculture output. The authorities' prompt response has helped contain the social and economic damage from the shocks but could not avoid a severe contraction of GDP. However, greater access to external borrowing, including the full drawing of the IMF Precautionary and Liquidity Line (PLL) arrangement, has helped maintain international reserves at adequate levels so far in 2020. A gradual economic recovery is expected to begin in 2021, assuming the impact of the drought and the health crisis wane in 2021.

The recent rise in COVID-19 cases, both in Morocco and its main trading partners, suggests that this outlook remains subject to significant downside risks (Source: IMF).

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

4. GLOBAL DEVELOPMENTS

Economic growth

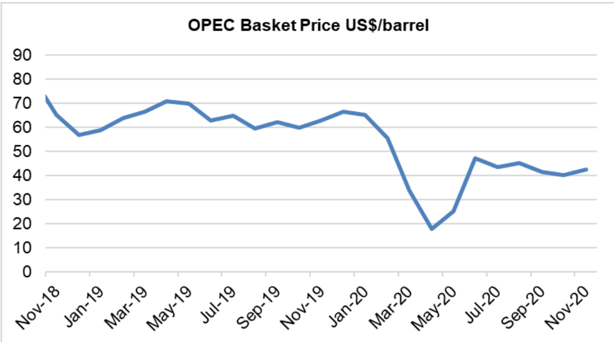
In the October 2020 World Economic Outlook (WEO) update, global growth was revised upwards to negative 4.40% in 2020, 0.50% points below the June 2020 WEO forecast, due to a more negative impact of COVID-19 in the first half of 2020 than anticipated. The revision reflected better-than expected second quarter GDP outturns, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June 2020. This was further complimented by indicators of a stronger recovery in the third quarter of 2020. Global growth rate for 2021 was projected at 5.20%, a little lower than that projected in June 2020 WEO update. This was mainly attributed to the more moderate downturn projected for 2020 and was consistent with expectations of persistent social distancing. Following the contraction in 2020 and expected recovery in 2021, the level of global GDP in 2021 was projected to be a modest 0.60% above that of 2019. The growth projections imply wide negative output gaps and elevated unemployment rates in 2020 and in 2021 across both advanced and emerging market economies (Source: IMF & Reuters).

Global Oil Developments

The Organization of the Petroleum Exporting Countries (OPEC) Reference Basket (ORB) value rose by US$2.53, or 6.3%, month-on-month in November 2020, to average US$42.62 per barrel (b). OPEC crude oil production in November 2020 increased by 0.71 mb/d, m-o-m, to average 25.11 mb/d (October 2020: 24.39 mb/d), according to secondary sources.

Global oil demand growth for 2020 is expected to decline by 9.77 million barrels / day (mb/d) compared with the previous month's assessment. Weaker-than-expected data in the Organization for Economic Co-operation and Development (OECD) in the third quarter of 2020, mainly due to lower transportation fuel demand in the US and OECD Europe, led to a downward revision of around 0.18 mb/d for the OECD group. However, this is mostly offset by an upward revision to the non-OECD, by 0.16 mb/d. Better-than-expected oil demand in China, amid a steady recovery across various economic sectors, and improving oil demand from India support this upward revision. Total oil demand is estimated to reach 89.99 mb/d in 2020. For 2021, world oil demand growth is revised lower by 0.35 mb/d, to growth of 5.90 mb/d. This is due to the uncertainty surrounding the impact of the COVID-19 pandemic and the labour market on the OECD transportation fuel outlook for the first half of 2021.

Non-OPEC oil supply growth for November 2020 is revised down by 0.08 million barrel/day (mb/d) from the previous month's assessment and is now estimated at 2.50 mb/d, for an average of 62.67 mb/d. This is mainly due to downward revisions in Brazil, the US, the UK and Norway, following lower-than-expected output in the fourth quarter of 2020, although partially offset by upward revisions to production in Russia and Canada. Non-OPEC supply for 2021 is adjusted down by 0.1 mb/d and is now forecast to grow by 0.85 mb/d to average 63.52 mb/d, mainly due to downward revisions in Russia's output. The US liquids supply forecast remains unchanged at 0.3 mb/d, while uncertainties persist. The main contributors towards supply growth are expected to be the US, Canada, Brazil and Norway.



Currency movements

After a tumultuous year, the Economist Intelligence Unit (EIU) expects emerging-market currencies to recover in 2021. The rollout of coronavirus vaccines will mitigate risk aversion and continued monetary accommodation in advanced economies will prompt foreign investors to look for higher yields in emerging countries. Asian currencies will be among the best performers, owing to their comparatively brighter economic perspectives. Conversely, currencies in

Latin America and Sub-Saharan Africa will be laggards, owing to a slow economic recovery in the former and large external financing gaps in the latter.

In the first half of 2020 the effective US Dollar exchange rate reached its highest level in almost two decades. Confirming its status as a global safe-haven currency, the strength of the US Dollar mirrored the distressed situation of the global economy. However, the American currency depreciated sharply against most major currencies in the second half of 2020, reflecting the US's struggle to handle the coronavirus pandemic, the failure to legislate a new stimulus bill and the likelihood of continued political gridlock. The EIU expects the US Dollar to remain under pressure in 2021-22 as the global economy recovers and then stabilize in 2023-25, when the Federal Reserve (Fed, the US central bank) initiates a tightening cycle.

The Euro has surged since mid-2020 after the EU announced the establishment of a new recovery fund worth €750bn (US$892.5bn). In 2021, the EIU expects the single currency to remain broadly stable against the US dollar, provided that the interest-rate differential with the US remains narrow. The Chinese Renminbi (RMB) has risen steadily against the US Dollar since mid-2020, owing to a steep economic bounce-back from the second quarter. In 2021, the EIU expects the Chinese currency to appreciate modestly against the US Dollar, owing to the sustained economic recovery and a persistent current-account surplus (Source: EIU).

Global trade

Recovering from the shocks of the coronavirus (Covid-19) pandemic will be the main pillar of trade policy across most countries in 2021. The Economist Intelligence Unit (EIU) forecasts that total global trade volumes will recover by slightly less than 7% in 2021, from an estimated contraction of more than 10% in 2020.

The EIU expects China's economic recovery to continue to provide uneven support to global trade activity in 2021. Recurring lockdowns and movement restrictions will be avoided owing to the country's continued success in domestic Covid-19 mitigation, and this will allow China to continue normalising (and expanding) export-oriented production while other economies continue to struggle with periodic disruptions.

In Asia trade flows will be aided by the region's overall success in containing the pandemic and China's swift recovery. The EIU also expects a solid trade recovery in western Europe in 2021, but this will partly reflect a low statistical base. Trade prospects in the US will improve as the administration of the president-elect restores consumer and investor confidence, which had both faltered as a result of the coronavirus pandemic and the erratic trade policy. By contrast, trade performance in Latin America and Africa is expected to remain modest amid a slow economic recovery (Source: EIU).

According to the World Trade Organization (WTO), volume of world merchandise trade for the first three quarters of 2020 is currently down by 8.2% compared with the same period in 2019. This drop is smaller than the projected decline of 9.2% for the whole year 2020 in the WTO's most recent trade forecast, but growth for the year largely depends on whether the recent resurgence of COVID-19 took a toll on trade in the fourth quarter of 2020. According to data from the European Centre for Disease Prevention and Control (ECDC), cases of COVID-19 have been spiking worldwide since September 2020, particularly in Europe which represents more than 35% of world merchandise trade. Preliminary merchandise trade values also indicate slower trade growth in October 2020 compared to September 2020 (Source: WTO).

The World Trade 2020 Report has shown that international cooperation can play a significant role in making the pursuit of digital development and technological innovation more effective, while minimizing negative spill-overs from national policies. The WTO agreements have proved to be remarkably forward-looking in providing a framework that has favoured the development of ICT-enabled economies across all levels of development. Further international cooperation at the WTO and elsewhere would enable continued innovation and reduce trade tensions, helping international markets function more predictably (Source: WTO).

Interest Rate Movements

US Libor rates decreased in 2020 as compared to 2019. The 3 months US Libor decreased closing at 0.238% from 1.560% recorded in 2019. The US Libor rate for 6 months decreased to 0.260% from 1.580% recorded in 2019.

At the beginning of March 2020, the Federal Reserve had slashed interest rates in response to the economic fallout caused by the fast-spreading coronavirus pandemic. This had an impact on the U.S. Treasury yield (10 years), causing the benchmark to drop below 1% for the first time. As of December 2020, the U.S. Treasury yield (10 years) decreased to close at 0.926% from 1.860% recorded in December 2019. All other yields, in the United States, were down across the board in 2020 as investors grabbed safe-haven treasuries amid the uncertainty. (Sources: Macrotrends & Reuters).

	Dec-20	Dec-19	% Change
US Fed Rate	0.250%	1.750%	-1.50%
US Libor (3 months)	0.238%	1.560%	-1.32%
US Libor (6 months)	0.260%	1.580%	-1.32%
US Treasury yield (10 years)	0.926%	1.860%	-0.93%
BOE Rate	0.100%	0.250%	-0.15%
ECB Rate	0.000%	0.000%	0.000%

5. OUTLOOK FOR 2020 AND BEYOND – MALAWI

Exchange Rates

The Malawi Kwacha depreciated against the United States Dollar in 2020 compared to 2019 by 4.33%. The downward trend was mainly attributed to a decline in foreign exchange supply which has in turn put pressure on the country's foreign exchange reserves. Malawi has faced reduced trading activity due to the COVID-19 pandemic resulting in a widened trade deficit of MK1.13 trillion. The spill over effects of the COVID-19 pandemic have led to lower than expected export earnings amidst the growing demand for COVID-19 related imports and seasonal agriculture materials. Malawi, being an agrarian economy with tobacco still being the top export crop, sold 112.89 million kilograms (kgs) of tobacco in 2020 compared to 165.67 million kgs sold in 2019, realizing only US$173.5 million in 2020 compared to US$236.8 million realized in 2019. Furthermore, the country imported high volumes of fertilizer and seeds under the MK158.3 billion Affordable Input Program causing a trend of growing import bills. The negative balance of payment caused by such developments has led the Reserve Bank of Malawi to intervene in the foreign exchange market, so long as sufficient reserves are available, and support commercial banks until things improve.

The EIU however, projected that the rate of depreciation to be moderated by increasing foreign investment inflows and earnings from the agricultural sector. Further aid inflows are expected to help narrow the external imbalances relative to the float of the Kwacha in the upcoming months and as the government of Malawi embarks on projects following the 2020/2021 fiscal year budget. This will improve investor confidence from 2021 and increased earnings from agricultural exports is expected to provide modest support for the Kwacha (Source: EIU)

POSSIBLE IMPACT: *The depreciation of the Kwacha in the short to medium could lead to higher import costs and relatively cheap domestic exports on the international market.*

Inflation

Headline inflation decreased to 7.30% recorded in November 2020 from 7.50% recorded in October 2020. This was mainly attributed to a decline in food prices. In 2019 during the same period headline inflation rate was recorded at 10.40%, which means that prices of goods and services rose at a slower pace in 2020. However, inflation is expected to rise in the upcoming months owing to increase in maize prices following seasonal trends but remaining above the five-year average levels. Typical seasonal price increases are expected in the coming months, driven by increasing demand as more households run out of own-produced food and demand from government institutions which might put upward pressure on prices (Source: Fewsnet).

After headline inflation declining to an estimate of 8.5% in 2020, the EIU projected that inflation will follow trends in global fuel prices and maintain an upward trajectory in 2021-23, peaking at 10.6% in 2023. In these years the uptick in inflation will reflect rising global fuel prices and a recovery in private consumption (supported by increased disposable income from rising agricultural output in those years). The EIU expects that an accommodative monetary policy stance in 2021 will build inflationary pressures and thereafter, inflation will trend downwards to 9.2% in 2025 as fuel prices drop (Source: EIU).

Despite the EIU's increase in inflation projections, the Malawi government remains optimistic on its projections for 2020 inflation. The 2020 SONA projected that the deceleration of the inflation rate of Malawi was due to the decline in food inflation. The subdued industrial demand for maize, declining domestic fuel prices, and stable exchange rates had been contributing factors to the decline of the inflation rate. However, recent increase in domestic fuel prices and depreciating exchange rates are expected to put pressure on the domestic currency (Source: EIU & Ministry of Finance).

POSSIBLE IMPACT: *High inflation rates raise the cost of investment thereby hampering private sector growth. Alternatively, lower inflation rates may lead to* *reduced interest rates which could increase private sector investments and disposable income for expenditure.*

External Sector

The external balance continues to be in deficit as imports remain above exports. As such, the market continues to experience foreign exchange supply shortages and the COVID-19 pandemic has exacerbated the situation. Reflecting this development, the kwacha recorded a mild depreciation and traded at K770.84 per US dollar as of end December 2020 from K738.87 in December 2019.

The Reserve Bank of Malawi recorded a trade deficit stood at US$1.5 billion during the first nine months of 2020, compared to a deficit of US$1.1 billion recorded in the corresponding period of 2019. Cumulatively, from January to September 2020, exports amounted to US$0.5 billion against imports of US$2.0 billion. Meanwhile, inward remittances, more particularly from South Africa, have picked up in recent months to US$52.5 million in the third quarter of 2020 from US$32.1 million in the second quarter of 2020, largely on account of easing lock down restriction measures (Source: RBM).

The EIU projected that the current-account deficit is expected to widen from an estimated 16.8% of GDP in 2020 to 17.8% of GDP in 2023 as import demand and global fuel prices pick up. Thereafter, the current-account deficit will narrow slightly to 17.4% in 2025 as oil prices decline.

Trade balance will remain in structural deficit throughout the forecast period, owing to Malawi's dependence on fuel and capital imports. Although export earnings are forecast to increase in 2021-25, amid a gradual recovery in external demand, import spending is also projected to pick up.

The services account deficit will remain broadly flat, before declining in 2023-25, as service receipts from tourism increase. The deficit on the primary income balance reflects profit repatriation by the mining sector and is also expected to remain flat before widening slightly towards the end of the forecast period as coal mining picks up.

The forecasts, however, are contingent on normal rainfall patterns and a gradual economic recovery from the COVID-19 pandemic, and any major disruption would prompt a downward revision to agricultural exports and an upward revision to food imports, causing the deficit to widen. The deficits will be financed primarily by project-related grants and concessional borrowing (Source: EIU)

POSSIBLE IMPACT: *Lower export values may decrease the inflow of forex which could widen the trade balance if inflows are unsustainable.*

Monetary Policy

The Reserve Bank of Malawi (RBM) closed the year 2020 with the monetary policy rate at 12.00%. Considering the decline of the headline inflation since January 2020 and favorable appearances of the inflation outlook, the Monetary Policy Committee (MPC), at its fourth meeting of November 2020 decided to reduce the policy rate to 12.00% (July 2020: 13.50%). Meanwhile the MPC maintained 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. This decision is aimed at supporting economic recovery and job creation.

The reference rate for the month of December 2020 was 12.10% while that of December 2019 was at 12.50%. The decrease was as a result of a decrease in the monetary policy rate during the month of October 2020.

POSSIBLE IMPACT: *Low lending rates reduce the cost of borrowing which stimulate private sector activity, resulting in economic growth. However, it may also lead to low propensity to save as savings rates also decline.*

International Relations

Given the continuing reduced trading activity due to the COVID-19 pandemic resulting to a widened trade deficit and spill-over effects, Malawi has been experiencing a rise in grants from international donors. During 2020, Malawi has seen an increase in aid flows in the form of emergency assistance such as two disbursements under the Rapid Credit Facility (RCF) equivalent to US$193 million (May 2020:

US$91 million and October 2020: US$101.96 million) from IMF that was approved to help close immediate additional external and fiscal financing gaps and catalyze other concessional financing.

In October 2020, the government of Norway also allocated MK4.2 billion to the World Food Program (WFP) to support a COVID-19 social cash transfer program in rural areas in Malawi. Malawi also saw an increase in aids flows in form of specific project-based grants and loans such as the K3.97 billion grant agreement between Malawi and Norwegian governments, and an income relief plan from the United Kingdom (UK).

Regarding foreign affairs, the 2020 SONA affirmed Malawi's pursuit towards a vibrant engagement with neighbors and regional organizations (SADC, COMESA, AU and UN). While Malawi is expected to fully integrate in various relations worldwide, further discussions were made on the country's pursuit at a regional level. The SONA stated that Malawi's focus is to integrate within the framework of Southern African Development Community (SADC) in fields of trade and industry and in the maintenance of peace and security.

The public institutional reforms that the new government is implementing may ease the fears of donors as transparency in operations is expected to improve. This would hopefully boost further aid that will be used for development in the country.

POSSIBLE IMPACT: *External support may increase the availability of forex, leading to the continued stability in Kwacha and maintained reserve of the required three months import cover threshold.*

Fiscal Policy

The 2020/2021 fiscal year budget projected an overall deficit of MK754.8 billion. Total revenue and grants were pegged at MK1.435 trillion comprising MK1.179 trillion of domestic revenue and MK0.256 trillion for grants. Total expenditure amounted to MK2.190 trillion representing MK1.679 trillion for recurrent expenses and MK0.511 trillion account for acquisition of non-financial assets. The 2020/2021 fiscal year deficit is expected to be financed by foreign borrowing amounting to MK224.8 billion and MK530.1 billion from domestic borrowing (Source: Malawi Government).

In December 2020, the Ministry of Finance released the Budget Performance Report for the first quarter (July to September 2020) of 2020/21 fiscal year. The report indicated that overall revenue collection for the period under review amounted to MK277.20 billion against a target of MK304.1 billion, representing a performance of 91% of the target. Total expenditure amounted to MK403.90 billion against a target of MK494.60 billion, representing a performance of 87.11% of the target (Source: Ministry of Finance).

Regarding the 2020/21 fiscal year budget, the World Bank projects that fiscal deficit will further widen by 12.4% of GDP. Expenditure is expected to increase substantially, largely due to the Affordable Inputs Program (AIP) for the agricultural sector which is expanding input subsidies to all farming households. In addition, interest payments are budgeted to increase by 44% in 2020, highlighting the heavy reliance on high-cost domestic debt. The wage and pension bill to increase moderately. Moreover, tax reduction measures, including more than doubling the Pay As You Earn (PAYE) zero income threshold, could undermine revenue targets, which have already underperformed in the first quarter of 2020. The World Bank encouraged the government of Malawi to focus on fiscal consolidation in the medium term in order to reduce domestic debt to sustainable levels (Source: World Bank)

The EIU expects the government of Malawi to follow a policy of gentle consolidation over the fiscal year 2020/21 while seeking to rebalance spending in favor of capital investment. It is also expected that the fiscal deficit will widen in 2020/2021, as welfare measures to mitigate the impact of the outbreak keep spending elevated. Assuming that greater control is exercised over current spending in line with IMF recommendations, the deficit will contract gradually to 8.10% of GDP in 2023/24 (Source: EIU).

In the face of the devasting economic impact of the COVID-19 pandemic, the International Monetary Fund (IMF) and the World Bank urged bilateral creditors to suspend debt repayment by the world's poorest countries. The former governing administration of Malawi, Democratic Progressive

Party (DPP), applied to international lending partners to suspend loan repayments due to the economic challenges induced by the COVID-19 pandemic. However, the current Ministry of Finance has shelved the plan to request for debt suspension, on the basis that the economy could pay dearly if debt repayment was suspended than servicing it despite economic hiccups. Furthermore, the Ministry felt that large chunks of the loans were already repaid and what remains are minimal amounts.

The International Monetary Fund (IMF) also stated that Malawi has a strong capacity to settle its dues under Rapid Credit Facility (RCF) chunk and other facilities with other partners. However, the World Bank still saw that Malawi has no fiscal space to respond and recover from external shocks such as the COVID-19 pandemic. The World Bank's country manager for Malawi stated that Malawi relies too heavily on costly domestic commercial debt, creating new vulnerabilities. He further suggested that a fiscal anchor is urgent and will require credible budget targets.

POSSIBLE IMPACT: *A wider fiscal deficit may lead to higher government domestic borrowing which could raise interest rates and in turn increase crowding out private investment.*

Economic Growth

Various institutions have revised their projections for the Malawian economy and based on these revised projections the economy will grow by an estimated average of negative 0.28% in 2020, 3.03% in 2021 and 5.23% in 2022. See table below:

Real GDP Growth Projections				
	2019	2020	2021	2022
EIU	4.10%	-3.90%	2.10%	4.40%
IMF	4.00%	0.60%	2.20%	6.00%
WORLD BANK	4.40%	1.00%	3.30%	5.30%
GOVERNMENT	5.10%	1.20%	4.50%	
Average Real GDP	**4.40%**	**-0.28%**	**3.03%**	**5.23%**

The Economist Intelligence Unit (EIU) has significantly revised downward its projection for the Malawi's economic growth from 4.40% to negative 3.90% in 2020 and from 4.70% to 2.10% in 2021. This revision has been necessitated in anticipation of the impact that coronavirus will have on the economy. Sectors that have been hit hard include hospitality, tourism and transportation. These sectors contribute significantly to the overall economy of Malawi and the fact that they are hit hard by the virus entails that the whole economy will suffer as well (Source: EIU).

In line with the COVID-19 pandemic, the International Monetary Fund further revised downwards Malawi's economic growth for the years 2020 and 2021. Previously, the IMF had projected that the economy would grow to 1.0% and 2.5% in 2020 and 2021 respectively. However, because of the poor macroeconomic outlook occasioned by the COVID-19 pandemic the figures have been revised downwards to 0.6% and 2.2% in 2020 and 2021 respectively (Source: IMF).

Despite a robust performance in the first half of 2020 owing to a strong harvest and substantial government spending, economic activity in the second half of 2020 suffered from a further deterioration of the global economic outlook, resulting in substantially lower exports, a worsening economic impact of the COVID-19 pandemic and a longer persistence of the shock. The IMF is concerned about such a lower-than expected growth rate that could further increase poverty levels especially in the informal service sectors in urban and rural areas (Source: IMF, Malawi Nation).

The World Bank also revised downwards the economic growth rate of Malawi to 1.00% in 2020 from 2.00% projected earlier. This projection was subject to global and domestic factors emanating from the COVID-19 pandemic affecting Malawi's economy. These factors include disruption in global value chains and trade logistics; decreased in tourism; and decrease in remittances. This has further combined with social distancing policies and behavior to also reduce domestic demand. (Source: World Bank).

The Malawi Government further revised downwards its 2020 economic growth projections from 1.90% to 1.20%, reflecting adverse impact of the COVID-19 pandemic. The hard-hit sectors include tourism and accommodation; wholesale and retail trade; health services and manufacturing activities (Source: Reserve Bank of Malawi)

In the face of the devasting economic impact of the COVID-19 pandemic, the International Monetary Fund (IMF) and the World Bank urged bilateral creditors to suspend debt repayment by the world's poorest countries, including Malawi. However, the Ministry of Finance shelved the plan to request for debt suspension, on the basis that economy could pay dearly if debt repayment was suspended than servicing it despite economic hiccups.

Malawi's economic outlook faces considerable downside risks: the impact of the COVID-19 pandemic, weather shocks and fiscal slippages. Despite the easing up of COVID-19 restrictions that have led to a pickup in economic activity, there has been a significant increase in COVID-19 cases in recent months. Restrictions and measures to contain the spread of the COVID-19 outbreak are yet to be set, however this may have another impact on the economic outlook of Malawi.

POSSIBLE IMPACT: *Lower growth rates of the economy will result in lower employment rates, due to slower industrial production and gains from retail sales, companies lower hiring to save money in the face of lower demand.*

6. ECONOMIC RISKS

ECONOMIC RISK	IMPACT ON ECONOMY	MITIGATING MEASURES
Coronavirus Pandemic	1. Unbudgeted government expenditure putting pressure on fiscal discipline. 2. Increases in commodity and service prices e.g transportation. 3. Loss of human capital as result of deaths.	1. Sensitising people on the dangers of the virus and practice hygiene.
Increase in government debt	1. Creates a future obligation for government which may keep the budget deficit large. 2. Crowds out the private sector hence reducing the expansion of the private sector as funds are not available.	1. Reduce government expenditure by tightening fiscal policy. 2. Increase government revenue base to finance debt.
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.
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. Decline in tourism levels as it dampens tourists' appetite to visit the country which results in lower income and growth in the industry. 4. Deferment of development by investors.	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. 3. 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.
Incidents of alleged theft and corruption within the public sector	1. It will lead to a misuse of resources as areas of great need do not receive the right resources and thereby hampering growth. 2. Loss of aid as donors become unwilling to support, which could affect government spending and forex availability. 3. Negatively affect the ability for external	1. Tighter controls and measures with better implementation of the policies. 2. More transparency in the public sector and government.

Incidents of alleged theft and corruption within the public sector	borrowing even for the private sector due to the negative image of the country. 4. Negatively impacts the country's sovereign credit risk ratings.	
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 and 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.

7. APPENDIX

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

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
MK : US$	738.87	7.41	741.10	741.02	741.02	741.38	743.05	744.74	748.52	751.37	755.33	741.68	776.82
MK : GBP	969.19	970.20	944.52	916.16	928.53	920.44	924.12	994.33	997.92	963.63	974.45	959.02	1,070.14
MK : ZAR	52.43	50.38	47.12	41.62	41.64	43.14	44.02	46.19	45.07	44.23	49.78	50.49	56.43
MK : EUR	825.65	819.22	813.85	819.92	809.87	833.38	845.25	903.26	891.19	880.90	882.15	817.23	987.95
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	846.55	786.71	785.31	730.17	610.13	662.98	682.66	651.41	642.86	546.99	635.05	584.89	574.26
Private Sector Reserves (US$'mn)	324.07	308.40	320.80	295.55	303.27	324.96	327.01	342.01	316.74	318.47	340.22	332.52	377.97
Total Reserves (US$'mn)	1,170.62	1,095.11	1,106.11	1,025.72	913.40	987.94	1,009.67	993.42	959.60	865.46	975.27	917.41	952.23
Total Import Cover (months)	5.60	5.24	5.29	4.90	4.35	4.72	4.83	4.76	4.60	4.14	4.67	4.39	4.56
Inflation (NSO)													
Headline Inflation	11.50	11.10	11.00	9.80	9.40	8.70	8.50	8.00	7.60	7.10	7.50	7.30	N/A
Food	19.30	17.60	17.00	14.70	14.60	13.70	13.40	12.20	11.30	10.30	10.90	10.40	N/A
Non Food	4.90	5.10	5.40	5.10	5.00	4.50	4.50	4.40	4.40	4.40	4.40	4.40	N/A
Interbank Rates (Source: RBM)													
Monetary Policy Rate	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	12.00%	12.00%
Average Interbank Rate	12.58%	13.75%	13.27%	13.40%	13.51%	13.48%	13.49%	13.58%	13.59%	13.61%	13.62%	12.58%	11.41%
Average Base Lending Rates	12.50%	13.10%	13.40%	13.30%	13.20%	13.30%	13.40%	13.40%	13.60%	13.60%	13.60%	13.60%	12.30%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill yield	6.19%	6.15%	8.46%	7.50%	7.67%	7.58%	7.54%	7.50%	9.85%	9.97%	9.95%	9.95%	6.63%
182 day Treasury Bill yield		8.73%	9.11%		8.46%	10.00%	11.35%	12.22%	12.55%	12.59%	12.87%	12.73%	12.49%
364 day Treasury Bill yield	10.54%	10.67%	9.91%	10.95%	12.44%	12.73%	13.10%	13.61%	13.73%	13.75%	13.88%	13.40%	13.53%
Stock Market Indices (Point) (Source: MSE)													
MASI	30,252.20	28,976.30	29,162.28	29,176.23	28,857.39	28,501.97	29,784.70	29,851.63	31,328.10	31,743.36	31,303.78	31,232.57	32,392.84
DSI	23,599.75	22,903.36	23,506.15	24,138.22	24,097.69	23,780.75	25,117.92	25,360.04	26,732.01	27,101.51	26,787.57	26,723.84	27,755.46
FSI	4,024.86	3,529.41	3,046.35	2,290.78	1,993.51	1,993.51	1,757.76	1,535.30	1,460.99	1,460.99	1,362.39	1,362.89	1,363.88
Fuel Prices per Litre (Source: MERA)													
Petrol	930.00	930.00	930.00	930.00	780.00	690.50	690.50	690.50	690.50	690.50	690.50	690.50	834.60
Diesel	924.00	924.00	924.00	887.00	765.00	664.80	664.80	664.80	664.80	664.80	664.80	664.80	826.40
Paraffin	710.00	710.00	710.00	693.60	625.00	441.70	441.70	441.70	441.70	441.70	441.70	441.70	613.20

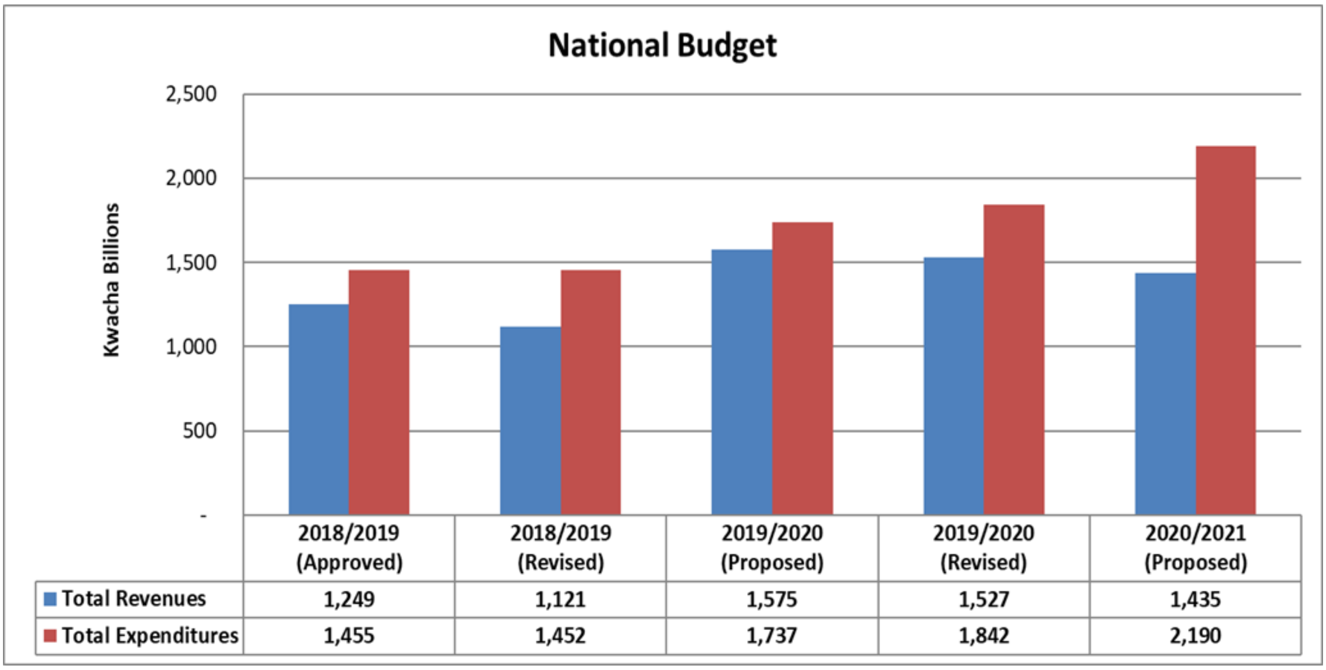
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
TANZANIA													
Exchange rate													
US$	2,287.93	2,288.57	2,289.38	2,289.90	2,291.28	2,291.90	2,296.51	2,297.84	2,297.62	2,297.63	2,297.68	2,297.67	2,298.45
GBP	3,002.91	2,996.66	2,950.67	2,843.37	2,844.74	2,833.13	2,832.29	2,980.18	3,059.51	2,956.82	2,994.45	3,067.85	3,127.74
ZAR	162.75	155.45	148.78	127.91	124.33	131.01	133.15	139.37	137.68	135.67	142.62	150.55	157.25
EUR	2,559.96	2,522.47	2,513.85	2,526.5	2,484.78	2,552.60	2,588.75	2,695.60	2,737.62	2,698.95	2,714.71	2,743.19	2,820.90
Inflation %	3.80	3.70	3.70	3.40	3.30	3.20	3.20	3.30	3.30	3.30	3.10	3.00	N/A
Bank 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	N/A
UGANDA													
Exchange rate													
US$	3,665.21	3,679.83	3,711.67	3,796.71	3,811.29	3,784.79	3,730.33	3,686.42	3,677.57	3,715.78	3,740.78	3,699.17	3,679.35
GBP	4,799.28	4,783.97	4,794.20	4,714.07	4,739.82	4,624.06	4,595.70	4,772.98	4,850.40	4,771.77	4,860.68	4,930.91	5,003.86
EUR	4,092.01	4,046.88	4,033.11	4,187.39	4,130.14	4,154.09	4,179.17	4,324.01	4,335.76	4,326.71	4,395.75	4,403.25	4,529.05
Inflation %	3.60	3.40	3.40	3.00	3.20	2.80	4.10	4.70	4.60	4.50	4.50	3.70	3.60
Central Bank Rate %	9.00	9.00	9.00	9.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
ZAMBIA													
Exchange rate													
US$	14.05	14.78	15.05	18.11	18.62	18.31	18.14	18.26	19.51	20.02	20.42	21.01	21.17
GBP	18.56	19.41	19.40	22.44	23.29	22.62	22.32	24.02	26.01	25.72	26.47	28.04	28.92
ZAR	1.00	0.99	0.97	1.01	1.03	1.05	1.04	1.08	1.16	1.19	1.25	1.38	1.44
Inflation %	11.70	12.50	13.90	14.00	15.70	16.60	15.90	15.80	15.50	15.50	16.00	17.40	19.20
Bank rate %	10.25	11.50	11.50	11.50	11.50	9.25	9.25	9.25	9.25	9.25	8.00	8.00	8.00
MOZAMBIQUE													
US$	62.07	63.89	65.21	66.73	67.78	69.70	70.32	70.82	71.57	72.57	73.44	74.65	74.94
ZAR	4.34	4.30	4.27	3.73	3.74	4.10	4.20	4.23	4.26	4.37	4.83	4.98	4.85
EUR	69.87	70.47	71.25	73.28	73.75	78.76	79.72	83.30	85.00	85.28	87.20	90.68	91.10
Inflation%	3.50	3.50	3.60	3.10	3.30	3.02	3.00	2.70	2.80	3.00	3.20	3.30	3.50

(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)
Tota Revenues	**1,249**	**1,121**	**1,575**	**1,527**	**1,435**
Domestic revenues	1,052	1,006	1,425	1,352	1,179
Grants	197	115	150	175	256
Budgetary support					
Earmarked grants					
Total Expenditure	**1,455**	**1,452**	**1,737**	**1,842**	**2,190**
Reccurent expenditure	1,120	1,160	1,299	1,371	1,679
Wages & Salaries	394	399	443	466	524
Interest on debt	183	224	244	244	376
Investment Expenditure	335	292	438	471	511
Deficit/Surplus	**(206)**	**(331)**	**(162)**	**(315)**	**(755)**
Deficit as a % of Reven	**-16%**	**-30%**	**-10%**	**-21%**	**-53%**



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

	2019			2020									
Category	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sep**	**Oct**
Total Revenues	**98.8**	**83.9**	**135.2**	**110.4**	**89.4**	**119.6**	**112.8**	**78.6**	**106.7**	**107.8**	**103.3**	**102.7**	**127.3**
Domestic Revenues	90.5	77.2	116.8	104.6	73.5	109.4	88.0	76.0	97.8	100.1	80.2	86.5	101.0
Tax Revenue	87.2	71.2	110.4	101.7	68.8	90.1	82.9	73.0	81.4	93.9	77.1	82.4	96.7
Non Tax revenue	3.3	6.0	6.3	2.9	4.7	19.2	5.1	3.1	16.4	6.1	3.0	4.1	4.3
Departmental receipts	2.4	5.4	5.7	1.8	4.4	2.4	3.0	2.8	1.3	4.0	1.3	2.2	2.4
Other Receipts	0.9	0.6	0.7	1.1	0.3	16.9	2.1	0.3	15.1	2.1	1.7	1.8	2.0
Grants	8.3	6.6	18.4	5.8	15.9	10.3	24.8	2.6	8.9	7.7	23.2	16.2	26.2
Total Expenditures	**111.7**	**109.9**	**169.1**	**125.2**	**151.3**	**154.5**	**175.7**	**133.9**	**140.1**	**143.0**	**111.2**	**125.8**	**132.5**
Recurrent Expenditure	96.9	99.5	148.4	112.3	124.6	127.5	145.7	117.3	107.9	117.2	101.3	110.4	115.9
Interest Payments	25.3	22.9	5.7	22.3	9.2	39.1	29.3	24.5	18.4	8.4	6.9	34.8	25.8
Domestic	23.3	22.1	4.7	22.1	8.0	36.3	27.4	24.0	17.8	8.1	5.8	31.5	23.5
Foreign	2.0	0.9	1.0	0.2	1.2	2.8	1.9	0.5	0.6	0.3	1.2	3.2	2.2
Development	14.7	10.3	20.7	12.9	26.7	27.0	30.0	16.6	32.2	25.8	9.9	15.5	16.6
Deficit/Surplus	**-12.9**	**-26.0**	**-33.9**	**-14.7**	**-61.9**	**-34.8**	**-62.9**	**-55.3**	**-33.4**	**-35.3**	**-7.9**	**-23.1**	**-5.2**
Financing (net)	-1.7	43.3	11.4	11.0	56.8	60.0	62.0	58.6	55.8	44.8	52.9	82.9	-37.2
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	-1.7	43.3	11.4	11.0	56.8	60.0	62.0	58.6	55.8	44.8	52.9	82.9	-37,2
Banking System	15.5	13.3	-107.8	41.6	53.7	13.1	62.2	76.9	72.6	-30.0	21.8	80.0	-70.3
Non-Bank Sector	-17.2	30.0	119.3	-30.6	3.0	46.9	-0.2	-18.3	-16.7	74.8	31.1	2.9	33.1
Errors and Omissions	-14.6	17.3	-22.5	-2.8	-2.9	25.1	-0.9	3.3	22.5	9.2	45.0	59.7	-42.2

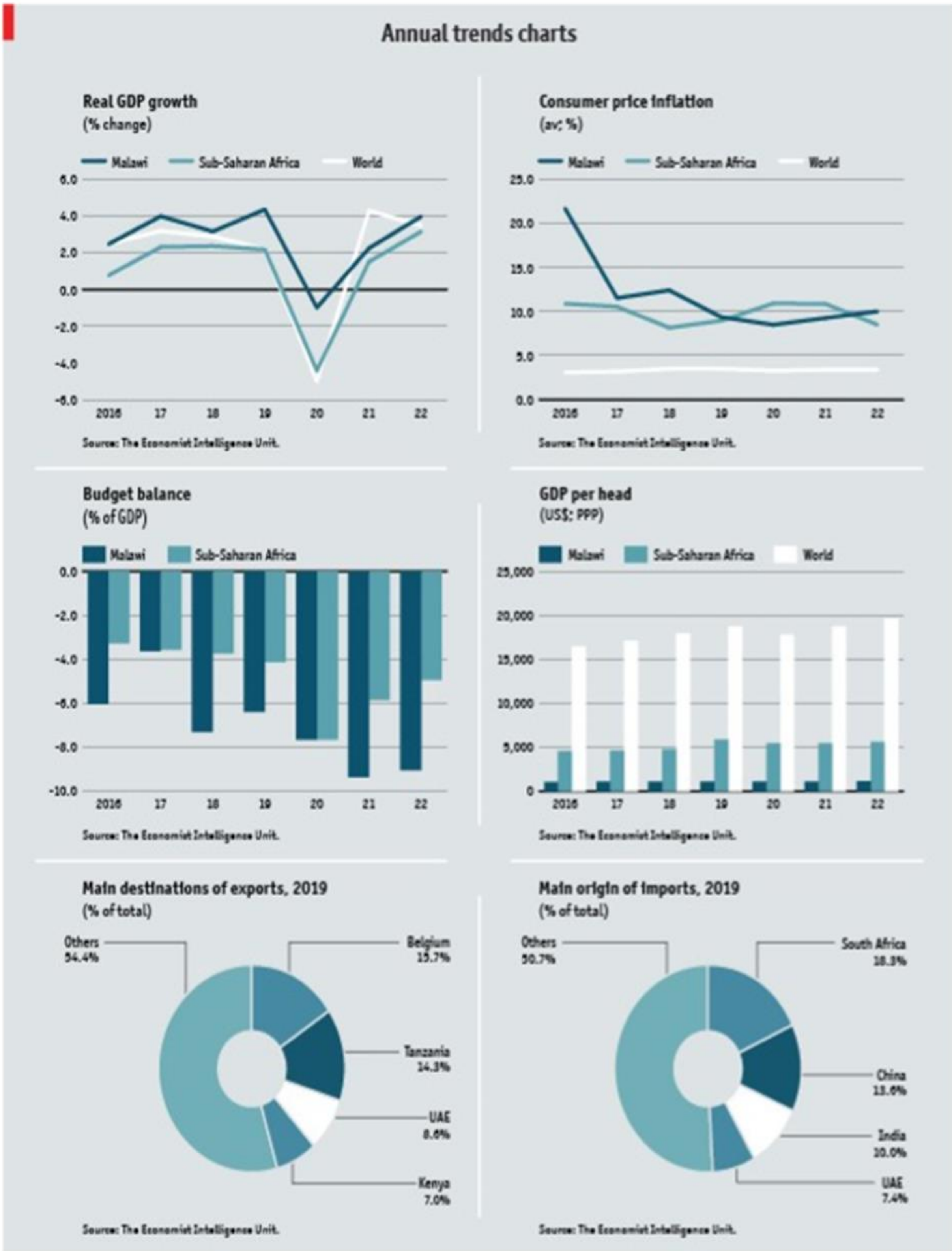
Source: Reserve Bank of Malawi

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

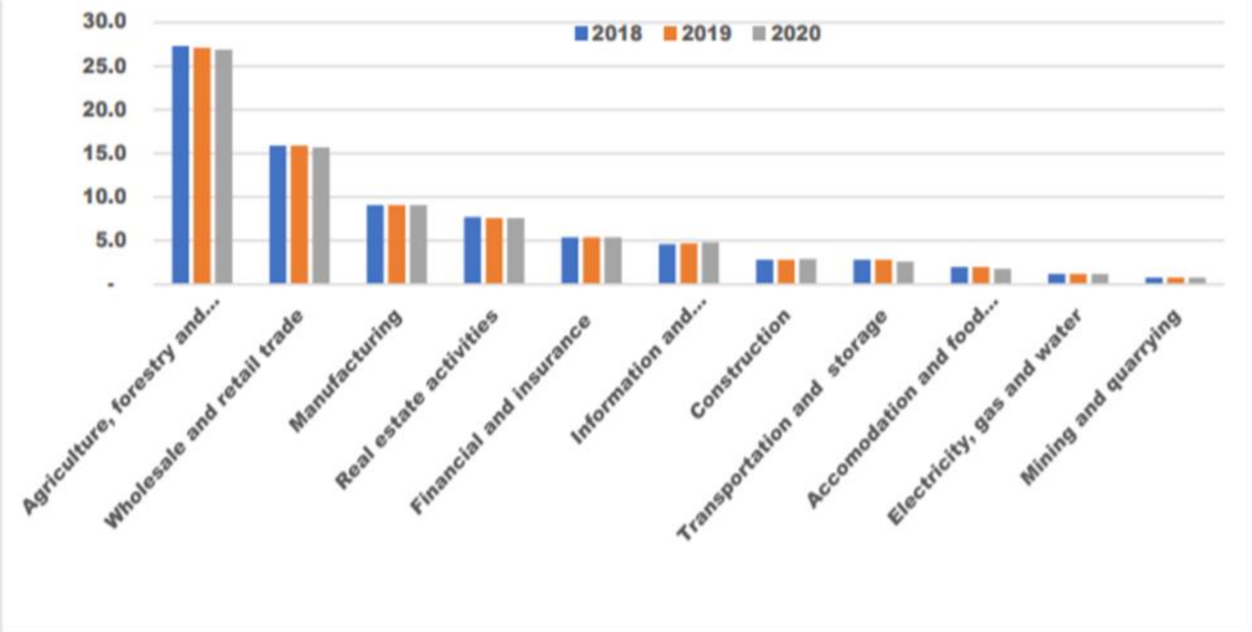
	2013	2014	2015	2016	2017	2018	2019	2019 Oct	2020 Oct
Real Sector									
Population (million)	15.3	15.8	16.3	16.8	17.4	17.9	17.9	18.5	19.1
GDP at current market prices	1,924.1	2,534.5	3,212.7	3,812.6	4,631.9	5,266.3	5,266.3	6,045.4	6,936.8
Real GDP growth (percent)	6.3	6.2	3.3	2.7	5.1	4.0	4.0	5.1	1.2
GDP per capita (K'000)	133.6	160.4	197.1	226.9	266.6	293.7	293.7	322.6	363.2
GDP per capita (US$)	361.9	378.0	394.5	318.1	365.1	401.0	401.0	440.5	487.7
Consumer Price Index (CPI)[3]	127.3	157.6	192.0	233.7	260.7	104.7	105.1	117.3	126.1
Year-on-year inflation rate (percent)	27.3	23.8	21.9	21.7	11.5	9.2	9.5	9.6	7.5
Fiscal Sector									
Total Revenue	476.4	535.9	661.3	810.0	946.6	1,079.1	1,208.5	98.8	127.3
Domestic Revenues	373.0	483.0	614.2	742.0	858.7	988.6	1,058.5	90.5	101.0
Grants	103.4	52.9	47.1	67.0	87.9	90.5	145.0	8.3	26.2
Total expenditure	539.3	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	11.7	132.5
Recurrent	459.9	534.4	667.2	832.5	973.1	1,119.9	1,241.9	97.0	115.9
Development	79.4	58.7	95.5	131.8	163.0	196.9	204.3	14.7	16.6
Deficit/GDP ratio (after grants)	-3.4	-2.6	-3.2	-4.0	-4.1	-4.5	4.0	-12.9	-5.2
Monetary Sector									
Net Foreign Assets	134.2	241.6	339.5	355.8	455.7	372.6	330.1	236.2	194.9
Net Domestic Credit	452.4	458.2	604.4	755.0	937.8	1,098.1	1,027.2	1,314.3	1,632.0
Government	184.1	153.4	209.0	337.5	519.9	606.8	546.3	722.1	948.4
Statutory bodies	17.8	4.3	5.1	9.2	8.1	34.5	33.6	60.4	61.7
Private (gross)	250.4	300.5	390.3	408.3	409.8	456.7	447.3	531.9	622.0
Money Supply (M2)	522.0	629.8	778.8	897.3	1,074.4	1,196.5	1,140.6	1,252.2	1,415.6
M2 Growth Rate (annual percent)	35.1	20.7	23.7	15.2	19.7	11.4	15.5	10.8	13.1
Reserve Money	156.9	212.3	206.0	240.6	278.9	289.4	298.5	309.0	300.9
Banks Deposits	61.6	92.4	66.0	56.2	78.2	59.6	81.2	73.2	50.5
External Sector									
Overall Balance	68.6	76.3	-1.1	-45.0	1.9	2.2	2.4	..	..
Current Account	-449.1	-482.1	-550.1	-727.6	-1,088.9	-1,185.0	-1,267.2	..	..
Exports (fob)	435.6	600.9	531.6	737.5	611.2	639.4	742.8	109.5	67.8
Imports (cif)	1035.5	1171.4	1,134.6	1,577.6	1,864.1	1,967.2	2,152.4	182.9	217.0
Trade balance	-599.9	-570.4	-603.0	-840.1	-1,252.9	-1,327.9	-1,409.6	-73.4	-149.2
Capital account balance	222.7	194.1	583.3	525.1	761.8	990.7	1,091.9	..	..
Gross foreign exchange reserves	279.8	389.6	549.2	586.7	739.4	660.1	700.6	499.7	625.1
Official	174.4	276.6	445.3	438.6	549.9	548.2	605.5	437.9	474.4
Commercial banks	105.4	113.0	103.9	148.1	189.5	111.9	95.2	61.8	150.7
Import cover (Official reserves in months)	2.1	3.1	3.2	2.9	3.6	3.6	3.9	2.8	3.0
Current account balance/GDP (percent)	-27.6	-19.7	-17.1	-19.1	-23.5	-22.5	-21.2	..	..
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	9.4	10.9	..	..
MK/US Dollar (eop)	435.229	435.229	664.365	725.01	730.46	733.69	738.87	737.96	759.47
MK/US Dollar (pd avg)	369.181	369.181	499.607	713.85	726.65	732.33	742.23	738.60	759.37

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

Appendix 6: GDP of 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

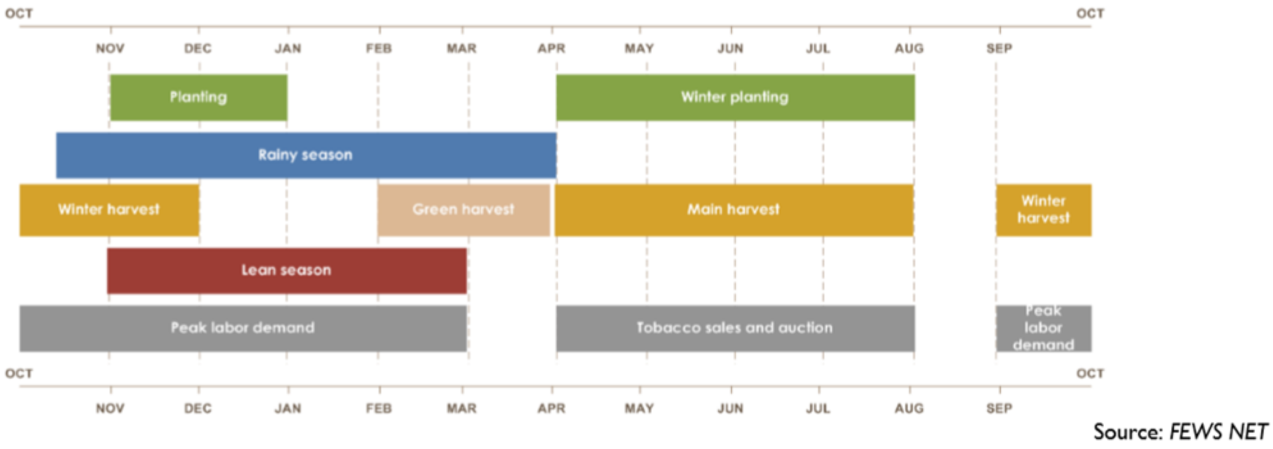
%	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
GDP	-1.0	2.3	4.0	4.5	4.9	5.2
Private consumption	-1.5	1.5	3.0	4.0	4.3	4.8
Government consumption	2.0	2.0	3.0	4.0	2.0	3.0
Gross fixed investment	-5.0	5.0	5.0	8.0	8.0	7.0
Exports of goods & services	-12.0	3.6	5.0	5.2	6.5	7.2
Imports of goods & services	-5.0	3.0	4.0	5.0	5.8	6.5
Domestic demand	-1.6	2.0	3.2	4.5	4.5	4.9
Agriculture	3.0	3.0	3.1	4.0	4.5	5.0
Industry	-1.6	2.1	5.4	5.2	5.8	5.6
Services	-3.0	2.0	4.1	4.5	4.9	5.2

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts.

Appendix 9: Global Projections (Source: IMF)

	Year over Year					
			Projections		Difference from April 2020 WEO Projections 1/	
	2018	2019	2020	2021	2020	2021
World Output	**3.6**	**2.9**	**–4.9**	**5.4**	**–1.9**	**–0.4**
Advanced Economies	**2.2**	**1.7**	**–8.0**	**4.8**	**–1.9**	**0.3**
United States	2.9	2.3	–8.0	4.5	–2.1	–0.2
Euro Area	1.9	1.3	–10.2	6.0	–2.7	1.3
Germany	1.5	0.6	–7.8	5.4	–0.8	0.2
France	1.8	1.5	–12.5	7.3	–5.3	2.8
Italy	0.8	0.3	–12.8	6.3	–3.7	1.5
Spain	2.4	2.0	–12.8	6.3	–4.8	2.0
Japan	0.3	0.7	–5.8	2.4	–0.6	–0.6
United Kingdom	1.3	1.4	–10.2	6.3	–3.7	2.3
Canada	2.0	1.7	–8.4	4.9	–2.2	0.7
Other Advanced Economies 3/	2.7	1.7	–4.8	4.2	–0.2	–0.3
Emerging Market and Developing Economies	**4.5**	**3.7**	**–3.0**	**5.9**	**–2.0**	**–0.7**
Emerging and Developing Asia	6.3	5.5	–0.8	7.4	–1.8	–1.1
China	6.7	6.1	1.0	8.2	–0.2	–1.0
India 4/	6.1	4.2	–4.5	6.0	–6.4	–1.4
ASEAN-5 5/	5.3	4.9	–2.0	6.2	–1.4	–1.6
Emerging and Developing Europe	3.2	2.1	–5.8	4.3	–0.6	0.1
Russia	2.5	1.3	–6.6	4.1	–1.1	0.6
Latin America and the Caribbean	1.1	0.1	–9.4	3.7	–4.2	0.3
Brazil	1.3	1.1	–9.1	3.6	–3.8	0.7
Mexico	2.2	–0.3	–10.5	3.3	–3.9	0.3
Middle East and Central Asia	1.8	1.0	–4.7	3.3	–1.9	–0.7
Saudi Arabia	2.4	0.3	–6.8	3.1	–4.5	0.2
Sub-Saharan Africa	3.2	3.1	–3.2	3.4	–1.6	–0.7
Nigeria	1.9	2.2	–5.4	2.6	–2.0	0.2
South Africa	0.8	0.2	–8.0	3.5	–2.2	–0.5
Memorandum						
Low-Income Developing Countries	5.1	5.2	–1.0	5.2	–1.4	–0.4
World Growth Based on Market Exchange Rates	3.1	2.4	–6.1	5.3	–1.9	–0.1
World Trade Volume (goods and services) 6/	**3.8**	**0.9**	**–11.9**	**8.0**	**–0.9**	**–0.4**
Advanced Economies	3.4	1.5	–13.4	7.2	–1.3	–0.2
Emerging Market and Developing Economies	4.5	0.1	–9.4	9.4	–0.5	–0.7
Commodity Prices (U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0
Oil 7/	29.4	–10.2	–41.1	3.8	0.9	–2.5
Nonfuel (average based on world commodity import weights)	1.3	0.8	0.2	0.8	1.3	1.4
Consumer Prices	0.0	0.0	0.0	0.0	0.0	0.0
Advanced Economies 8/	2.0	1.4	0.3	1.1	–0.2	–0.4
Emerging Market and Developing Economies 9/	4.8	5.1	4.4	4.5	–0.2	0.0
London Interbank Offered Rate (percent)	0.0	0.0	0.0	0.0	0.0	0.0
On U.S. Dollar Deposits (six month)	2.5	2.3	0.9	0.6	0.2	0.0
On Euro Deposits (three month)	–0.3	–0.4	–0.4	–0.4	0.0	0.0
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	–0.1	0.1	0.0

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



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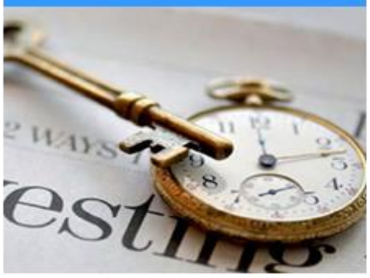
- Feasibility studies
- Company valuation
- Mergers and Acquisitions
- Company set up

Investor Services



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