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MONTHLY ECONOMIC REPORT

MARCH 2022

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LIST OF ACRONYMS

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

EXECUTIVE SUMMARY
Economic Outlook — Malawi

In the month of March 2022, using the RBM middle rates, the Malawi Kwacha remained unchanged against the US Dollar, closing at K816.40/US$1. The Kwacha appreciated against the British Pound but depreciated against the South African Rand and the Euro (Source: RBM).

The Monetary Policy Committee (MPC), at its first meeting of 2022, decided to maintain the Policy rate at 12.00%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign currency denominated deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. In arriving at this decision, the Committee noted that, although inflation pressures are mounting, the sources were considered transitory and likely to dissipate after the lean period. At the same time, there is need for policy support to entrench the recovery of the domestic economy from the COVID-19-induced slowdown (Source: RBM).

Based on various institutions' projections, the economy of Malawi is expected to grow by an estimated average of 3.15% in 2022. The government's 2022 projection of GDP growth is higher than other institutions at 4.10%, while the EIU has forecast 2.80%, IMF at 2.70% and the WBG at 3.00%. The governments' projection was derived by taking into account economic recovery measures being implemented by Government as contained in the Socio-Economic Recovery Plan (SERP) and the normalization of global supply chains. Growth across the broader spectrum of the economy including mining and quarrying, manufacturing, transportation, construction, and wholesale and retail trade sectors will further prop up GDP growth prospects in 2022 as the economy becomes more resilient to COVID-19 following implementation of economic recovery measures. However, the government's 2022 projections did not take into account the spill-over effects of the war in Ukraine which have caused other institutions to revise growth downwards (Source: EIU, WBG, Malawi Government).

Key Economic Risks – Malawi

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

ECONOMIC OVERVIEW

Inflation (Source: NSO)

The headline inflation rate for March 2022 increased to 14.10% from 13.00% recorded in February 2022. This was due to an increase in both food and non-food as can be seen in the table below:

	Mar-22	Feb-22	Mar-21	%Change (1 Month)	%Change (12 Months)
Headline inflation	14.10%	13.00%	9.40%	↑ 1.10%	↑ 3.60%
Food	17.10%	15.30%	11.70%	↑ 1.80%	↑ 3.60%
Non-food	10.50%	10.10%	6.90%	↑ 0.40%	↑ 3.20%

Government Securities (Source: RBM)

During March 2022, the all-type Treasury bill yield increased to 12.57% from 12.54% recorded in February 2022.

Tenor	Mar-22	Feb-22	Mar-21	Change 1 Month	Change 12 Months
91 days	9.71%	9.62%	9.95%	↑ 0.09%	↓ -0.24%
182 days	13.00%	13.00%	12.80%	⇒ 0.00%	↑ 0.20%
364days	15.00%	15.00%	13.80%	⇒ 0.00%	↑ 1.20%
All Type	12.57%	12.54%	12.18%	↑ 0.03%	↑ 0.39%

Total Treasury bill applications for March 2022 stood at K78.66 billion and K77.74 billion was allotted representing a 1.10% rejection rate. The 364 days paper accounted for the highest subscription rate at 89.20%, followed by the 182 days paper at 8.51%, and the 91 days paper at 2.28%.

During the month of March 2022, the government conducted Treasury notes auctions for 2-year, 3-year, 5-year and 7-year tenors. The tenors were at an average yield of 16.95%, 19.49%, 20.99% and 22.12% respectively. There were total applications of K307.74 billion but K303.48 billion was alloted, resulting in a 0.30% rejection rate.

Total maturities for government securities for the month amounted to K126.00 billion resulting in a net withdrawal of K254.23 billion.

Foreign Currency Market (Source: RBM)

During the month of March 2022, the Malawi Kwacha remained unchanged against the US Dollar and appreciated against the British Pound and the Euro. Meanwhile the Kwacha depreciated against the South African Rand. See table below:

CURRENCY	Mar-22	Feb-22	Mar-21	% Movement 1 month	% Movement 12 months
MK/USD	816.40	816.40	784.10	⇒ 0.00%	↓ -4.12%
MK/GBP	1,071.04	1,090.96	1,077.67	↑ 1.83%	↑ 0.62%
MK/ZAR	56.27	53.31	52.58	↓ -5.55%	↓ -7.00%
MK/EUR	911.18	911.59	919.20	↑ 0.04%	↑ 0.87%

The official forex reserves decreased to US$374.48 million (1.50 months' worth of import cover) in March 2022 from US$385.40 million (1.54 months of import cover) in February 2022. Private sector reserves decreased to US$391.49 million (1.57 months of import cover) in March 2022 from US$407.22 million (1.63 months of import cover) in February 2022.

As of 31 March 2022, total forex reserves stood at US$765.97 million (3.07 months of import cover) a significant decrease from US$792.62 million (3.17 months of import cover) registered at the end of February 2022.

	Mar-22 (US$ million)	Feb-22 (US$ million)	Mar-21 (US$ million)	% 1 month change	% 12 months change
Official Reserves	374.48	385.40	410.16	↓ -2.83%	↓ -8.70%
Private Sector	391.49	407.22	342.58	↓ -3.86%	↑ 14.28%
Total	765.97	792.62	752.74	↓ -3.36%	↑ 1.76%
Import Cover (Months)					
Gross Official	1.5	1.54	1.96	↓ -2.60%	↓ -23.47%
Private Sector	1.57	1.63	1.64	↓ -3.68%	↓ -4.27%
Total	3.07	3.17	3.60	↓ -3.15%	↓ -14.72%

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

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

Liquidity levels (excess reserves after central bank operations) for the month of March 2022 increased to a daily average of K59.47 billion from K38.77 billion recorded in February 2022. Access to the Lombard facility (discount window borrowing) during the month of March 2022 averaged K28.56 billion per day at an average rate of 12.20% while that of February 2022 averaged K16.57 billion per day at an average rate of 12.20%.

During the month of March 2022, overnight borrowing between banks decreased to a daily average of K12.86 billion from K16.48 billion recorded in February 2022. This was at an average rate of 11.70% (February 2022: 11.70%).

The reference rate for the month of March 2022 remained unchanged at 12.20% as recorded in February 2022.

Stock Market (Source: MSE)

The stock market was bullish in the frist quarter of 2022 as reflected in the upward movement of the Malawi All Share Index (MASI) from 45,367.68 points registered in January 2022 to 45,921.23 points registered in March 2022, giving a return on index of 1.22% compared to 0.53% registered in the first quarter of 2021.

The price gains were registered by seven counters. Share price gains by NBM (+17.02%), Airtel (+5.00%), Illovo (+1.81%), NITL (+0.02%), FMBCH (+0.013%), SUNBIRD (+0.011%) and Standard Bank (+0.006%) were enough to offset share price losses in TNM (-24.08%), OMU (-15.00%), FDH Bank (-1.58%), ICON (-1.55%) and NBS (-0.48%), resulting in a upward movement of the MASI.

The Domestic Share Index inched upwards by 1.41% to close at 37,061.72 , while the Foreign Share Index inched downwards by -0.91% to close at 4,223.15 points. Market capitalization increased in both Kwacha and United States terms from K2.46 trillion (US$3.02 billion) and in January 2022 to MK2.49 trillion (US$3.05 billion) in March 2022.

In the first quarter of 2022, the market transacted a total of 112.06 million shares at a total consideration of K4.42 billion (US$5.42 million) in 848 trades. In the previous corresponding period of 2021, the market transacted a total of K32.22 million shares at a total consideration of K1.19 billion (US$1.52 million) in 587 trades.

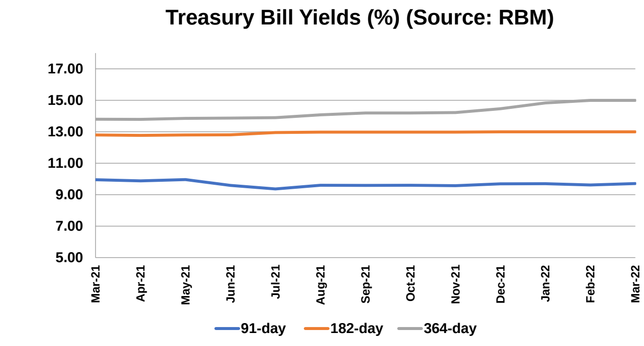
The average dividend yield on the MASI decreased in March 2022 to 3.17% from 3.25% in February 2022.

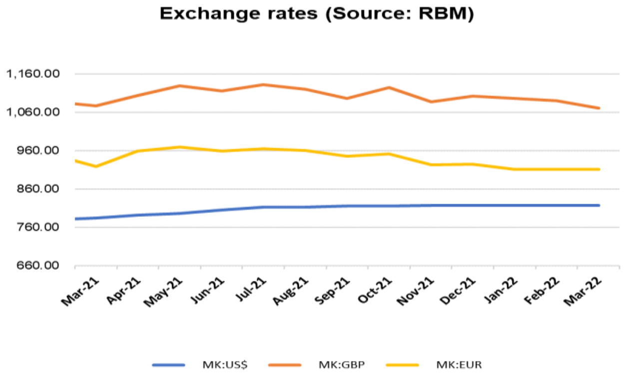
Counter	Mar-22	Feb-21	Mar-21	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	42.00	42.00	27.95	0.00%	50.27%
BHL	11.01	11.01	11.00	0.00%	0.09%
FMBCH	80.01	79.96	21.12	0.06%	278.84%
FDHB	15.56	15.18	16.49	2.50%	-5.64%
ICON	12.69	12.85	12.18	-1.25%	4.19%
ILLOVO	305.42	297.03	80.46	2.82%	279.59%
MPICO	20.70	20.70	20.89	0.00%	-0.91%
NBM	948.01	900.00	650.05	5.33%	45.84%
NBS	22.79	22.82	23.00	-0.13%	-0.91%
NICO	55.00	55.00	51.93	0.00%	5.91%
NITL	95.00	95.00	94.94	0.00%	0.06%
OMU	1,785.00	1,785.00	2,190.00	0.00%	-18.49%
PCL	1,900.00	1,900.00	1,199.94	0.00%	58.34%
STANDARD	1,400.09	1,400.07	1,200.12	0.001%	16.66%
SUNBIRD	90.02	90.02	90.00	0.00%	0.02%
TNM	17.40	17.99	16.39	-3.28%	6.16%
MASI	45,921.23	45,472.09	32,562.96	0.99%	41.02%
DSI	37,584.34	37,186.63	27,701.72	1.07%	35.68%
FSI	4,184.71	4,182.23	1,614.33	0.06%	159.22%

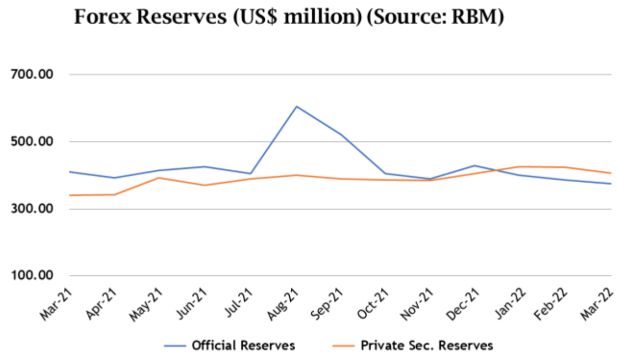
Below is a presentation of the published 2021 and 2020 end year financials for the respective companies.

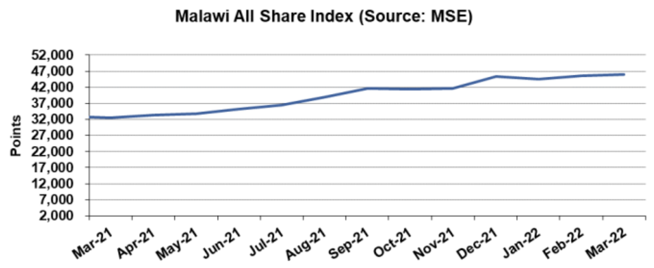
Published Financials for 2021 and 2020						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period	**Aug-21**	**Aug-20**	**% Change**	**Aug-21**	**Aug-20**	**% Change**
ILLOVO	20.47	2.74	647.08%	10.00	2.00	400.00%
Period	**Sep-21**	**Sep-20**	**% Change**	**Sep-21**	**Sep-20**	**% Change**
BHL	(299.42)	181.62	-264.86%	0.00	0.00	N/A
Period	**Dec-21**	**Dec-20**	**% Change**	**Dec-21**	**Dec-20**	**% Change**
STANDARD	24.77	23.74	4.34%	49.86	23.43	112.80%
NBM	34.21	22.45	52.38%	49.26	27.84	76.94%
NITL	4.67	1.48	215.54%	2.85	1.30	119.23%
SUNBIRD	0.75	(1.18)	163.47%	0.00	0.00	N/A
NBS BANK	7.69	7.05	9.08%	1.35	1.15	17.39%
	Net Profit/(Loss) (US$' million)			**Total Dividend (Per Share) (US$)**		
FMBCH	13.10	14.30	-8.39%	0.08	0.00	100.00%
	Net Profit/(Loss) (ZAR' million)			**Total Dividend (Per Share) (ZAR)**		
OMU	6.66	(5.10)	230.67%	0.51	0.35	45.71%
TRADING STATEMENT						
PCL	Expects its full year ending 31st December 2021 profit after tax to be approximately 50% higher than the previous corresponding period					
AIRTEL	Expects its full year ending 31st December 2021 profit after tax to be approximately 35% higher than the previous corresponding period					
TNM	Expects its full year ending 31st December 2021 profit after tax to be approximately 20% higher than the previous corresponding period					
MPICO	Expects its full year ending 31st December 2021 profit after tax to be approximately 40% higher than the previous corresponding period					
ILLOVO	Expects its half year ending 28 February 2022 profit after tax to be approximately 45% higher than the previous corresponding period					

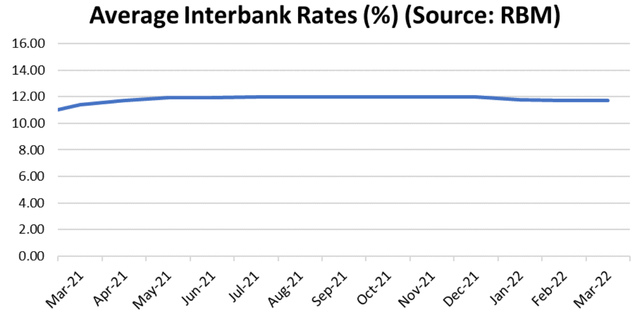
Trend Graphs

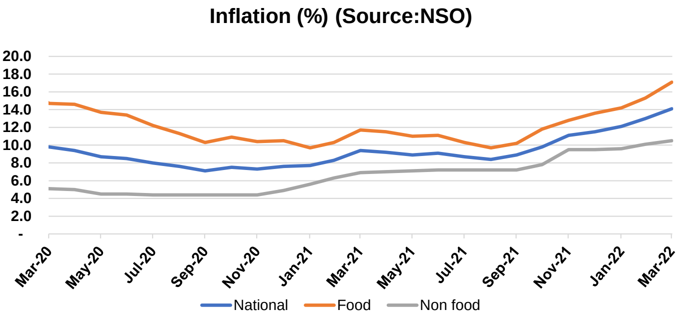












OTHER MARKET DEVELOPMENTS

Tobbacco Market Update (Source: Tobacco Commission)

The start of the tobacco selling season has come earlier than previous seasons, with sales being conducted three days a week although some designated days the market have remained closed. According to the tobacco farmers, they are not ready to take their tobacco to the market as most of it is yet be cured.

The cumulative average price of all the tobacco types went down by 11% in the current season compared to the prices that prevailed over the same period in 2021. After 3 weeks since the opening of the tobacco season, the average price peaked at US$1.49/kg in 2022 compared to US$1.66/kg recorded over the same period in 2021. A total volume of 0.60 million kilograms of all tobacco types valued at US$0.96 million have been sold by the end of 3 weeks in 2022 compared to 14.96 million kilograms sold at a total consideration of US$24.80 million during the same period in 2021.

Rainfall Season & Food Security Update (Source: FEWSNET)

Despite an unprecedented dry start to the 2021/22 agricultural season, parts of central and most of northern Malawi are expected to be in minimal (IPC Phase 1) acute food insecurity outcomes. In most of southern Malawi, and parts of central, stressed (IPC Phase 2), outcomes are expected due to back-to-back tropical storms. In Nsanje and Chikwawa districts in southern Malawi, crisis (IPC Phase 3) outcomes are likely to persist, given the effects of the tropical storms on top of underlying vulnerabilities and poor 2021 harvest. With the upcoming harvest, outcomes are expected to improve slightly. However, the benefits of the harvest will be brief as multiple climatic shocks and unfavorable macroeconomic conditions will limit crop production and increase food prices. By September 2022, poor and very poor households are expected to deplete own stocks and increase their reliance on markets earlier than usual. Simultaneously, prices are expected to increase above seasonal trends through September 2022, reducing financial access to food for poor households. As a result, stressed (IPC Phase 2) and crisis (IPC Phase 3) are expected to persist through September 2022.

From 11 to 13 March 20222, southern Malawi was impacted by Tropical Storm Gombe, the third major climatic shock to affect households in southern Malawi this agricultural season. On top of drought conditions earlier in the season and Tropical Storm Ana in late January 2022, the recent heavy rains and localized flooding resulted in further displacement, cropland damage, and livelihood disruption. Initial reports indicate that approximately 41,000 households were affected, including 22,000 households displaced. Further, the heaviest impacted districts include Blantyre, Chikwawa, Nsanje, Chiradzulu, Machinga, Manghost, and Zoma, which are still recovering from the recent impacts of tropical Storm Ana. As a result, in southern Malawi, the upcoming harvest is expected to be 35% below average, an additional 10% lower than the initial estimation from the February 2022 Food Security Outlook.

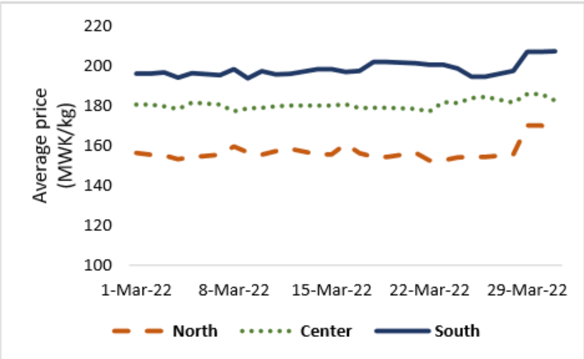
** Refer to Appendix 11 for more details on Food Insecurity Phase Descriptions*

Maize Market Update (Source: IFPRI)

During March 2022, maize retail prices averaged at K185.00/kg. This is 2.00% lower than February 2022 prices and 2.00% higher than March 2021 prices. However, mixed trends within the month were observed. As harvest season for 2021/22 cropping season is approaching, prices are expected to further decrease. Overall, prices were trending above 2021 averages for the first time in the 2021/22 consumption season; however, prices were still between 5.00% and 22.00% below the five-year average. FEWS NET still assumes prices will seasonally decline with the onset of the harvest in April and May 2022.

During the month of March 2022, maize retail prices varied widely starting from as a low as K135/kg in Mzuzu and as high as K230/kg in Bangula. 15 out of 26 markets monitored by IFPRI registered a maximum of equal to or greater than K200/kg.

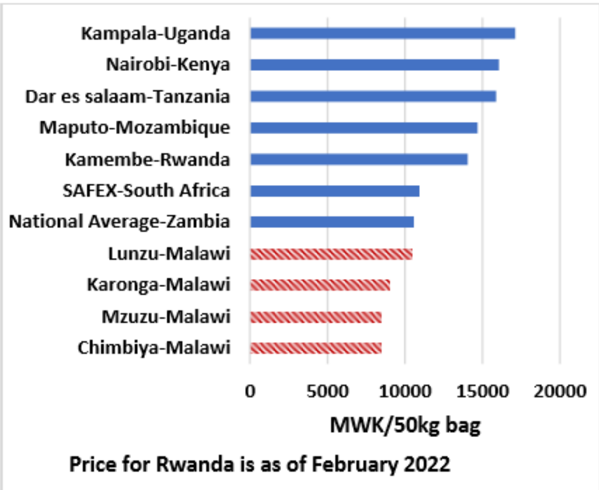
Figure 2. Daily average maize retail prices by region during March 2022



No ADMARC purchases were reported in any of the markets monitored by IFPRI. ADMARC sales were reported in 9 out of the 26 markets monitored by IFPRI. ADMARC is still selling maize at K205.00/kg, 8.00% higher than average retail price in January 2022.

As of the end of March 2022, retail prices of maize in the Malawian markets were lower than in selected regional markets in eastern Africa and on SAFEX (the main grain futures market in South Africa) as well Zambia's national average of March 2022.

Figure 3. Retail maize prices in selected markets in eastern and southern Africa (as of March 2022)



Malawi unveils US$663.00 million Tourism investment Masterplan (Source: MITC)

Malawi has developed a comprehensive tourism investment masterplan worth US$663.0 million aimed at guiding investments in tourism and other related sectors. The investment masterplan provides a clear and concise 20-year tourism investment strategy to direct product development and diversification, infrastructure development, manpower development and equitable tourism investment across the country's tourist regions. It also highlights the national priority projects for implementation by Government as well as the private sector.

President Dr Lazarus Chakwera has called on investors both local and foreign to take advantage of the investment opportunities presented in the masterplan. The president said increased investments in tourism sector has the potential to drive economic growth in the country. He said the plan is a perfect tool in achieving some of the objectives set out in the country's development agenda- Malawi 2063 Vision.

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

The International Monetary Fund (IMF) in its March 2022 World Economic Outlook (WEO) has projected that growth in SSA will average 3.80% in 2022. According to the report, food prices in Sub-Saharan Africa are the most important channel of transmission, although in slightly different ways. Wheat is a less important part of the diet, but food in general is a larger share of consumption. Higher food prices are expected to hurt consumers purchasing power – particularly among low-income households – and weigh on domestic demand. Social and political turmoil, most notably in West Africa, also weigh on the outlook. The increase in oil prices has however lifted growth prospects for the region's oil exporters, such as Nigeria.

Zambia

Zambia was the first country to default in the pandemic era, in November 2020, as it buckled under debt of more than 120% of GDP. The debt hit US$31.74 billion at the end of 2021, according to official Zambian data. Zambia reached a staff level agreement with the IMF on a US$1.4 billion, three-year credit facility and a debt restructuring program in December 2021, however the debt restructuring process has stalled as it awaits the formation of a creditor committee. On 21 April 2022, China committed to joining Zambia's creditor committee and work expeditiously for debt resolution. China also committed to the Common Framework debt restructuring process, launched by the Group of 20 (G20) leading economies in 2020 in response to the coronavirus pandemic. According to the IMF, this showed a productive outcome and good progress towards debt restructuring for Zambia.

Zimbabwe

The Reserve Bank of Zimbabwe (RBZ) has lifted its key interest rate to a record high, to halt a decline in its currency and rein in surging inflation amid food and fuel price pressures that have been exacerbated by the war in Ukraine. The Monetary Policy Committee (MPC) hiked the rate to 80.00% from 60.00%, the highest level since the MPC set the rate at 70.00% in September 2019. Since the previous hike, the Zimbabwean Dollar has lost nearly two-thirds of its value against the US Dollar and annual inflation quickened to 72.70% in March 2022, compared with 54.00% in October 2021. The local currency officially trades at ZW$142.42/US$, and changes hands on the parallel market at ZW$260.00/US$. The depreciation is in part due to monetary tightening in developed markets such as the US and the growing use of the greenback to pay for most transactions amid a lack of confidence in the local currency (Source: Bloomberg).

Tanzania

Annual headline inflation rate for the month of March 2022 has decreased to 3.60% from 3.70% recorded in February 2022. In 2022, growth is projected at 5.20%. Much of the growth is expected to be driven by on-going public investment in infrastructure, transport due to logistics for intra-regional trade, mining and quarrying activities, manufacturing, agriculture, and private sector investment. During the fourth quarter of 2021 nominal GDP increased to TZS 43.40 trillion from TZS 40.40 trillion in the corresponding period in 2020. Further, the second quarter GDP in real terms increased to TZS 36.90 trillion in 2021 from TZS 35.20 trillion in 2020 equivalent to a growth rate of 4.90%.

Uganda

The headline inflation rate for Uganda for March 2022 increased to 3.70% from 3.20% in February 2022. Possible risks to inflation projection remain higher global commodity and energy prices due to worsening of the Russia and Ukraine conflict, tightening of interest rates which could weaken the Shilling exchange rate, and uncertainties in financial markets due to sanctions on Russia. Uganda's growth is expected to be between 3.50% and 4.00% in 2022. Growth recovery is strong due to the full reopening of the economy, but the pace of growth is expected to weaken as global supply disruptions could worsen and commodity prices increase.

South Africa

The annual consumer price inflation for South Africa was 5.90% in March 2022, up from 5.70% in February 2022. The main contributors were food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. As a result of higher global food prices, local food price inflation has been revised up and is now expected to be 6.10% in 2022 (up from 4.80%), and 5.10% in 2023 (up from 4.60%). The Bank's forecast of headline inflation for this year has been revised higher to 5.80% (from 4.90%), primarily due to the higher food and fuel prices. While food prices will stay high, fuel price inflation should ease in 2023, helping headline inflation to fall to 4.60%, despite rising core inflation. The South African economy is expected to grow by 2.00% in 2022, revised up from 1.70% at the time of the January 2022 meeting. This is due to a combination of factors, including stronger growth in 2021 and higher commodity export prices. Growth in output in the first quarter of 2022 is likely to be significantly stronger than expected at the time of the January 2022 meeting.

GLOBAL DEVELOPMENTS

Economic Growth

Global economic prospects have worsened significantly since the last World Economic Outlook (WEO) forecast in January 2022. At the time, the global recovery was projected the to strengthen from the second quarter of 2022 after a short-lived impact of the Omicron variant. Since then, the outlook has deteriorated, largely because of Russia's invasion of Ukraine, causing a tragic humanitarian crisis in Eastern Europe and the sanctions aimed at pressuring Russia to end hostilities. This crisis unfolds while the global economy was on a mending path but had not yet fully recovered from the COVID-19 pandemic, with a significant divergence between the economic recoveries of advanced economies and emerging market and developing ones.

In addition to the war, frequent and wider-ranging lockdowns in China, including in key manufacturing hubs have also slowed activity there and could cause new bottlenecks in global supply chains. Higher, broader, and more persistent price pressures also led to a tightening of monetary policy in many countries. Overall risks to economic prospects have risen sharply and policy trade-offs have become ever more challenging. Beyond the immediate humanitarian impacts, the war will severely set back the global recovery, slowing growth and increasing inflation even further. This report projects global growth at 3.60% in 2022 and 2023, 0.8 and 0.2 percentage points lower than in the January forecast, respectively. The downgrade largely reflects the war's direct impacts on Russia and Ukraine and global spillovers. Both Russia and Ukraine are projected to experience large GDP contractions in 2022.

The economic effects of the war are spreading far and wide like seismic waves that emanate from the epicenter of an earthquake mainly through commodity markets, trade, and financial linkages. Because Russia is a major supplier of oil, gas, and metals, and, together with Ukraine, of wheat and corn, the current and anticipated decline in the supply of these commodities has already driven their prices up sharply. Europe, The Caucasus and Central Asia, Middle East and North Africa, and Sub-Saharan Africa are most affected. The food and fuel price increases will hurt lower-income households globally.

Global Oil

Given the extremely high uncertainty surrounding global macroeconomic performance, the 2022 forecast for global oil demand growth remains under assessment at 4.20 mb/d (million barrels a day), with OECD forecast at 1.90 mb/d and non-OECD at 2.30 mb/d. However, this forecast is subject to change in the coming weeks, when there is more clarity on the far-reaching impact of the geopolitical turmoil.

The forecast for non-OPEC supply for 2022 remains at 3.00 mb/d, year-on-year. This forecast is under assessment and will be reviewed and adjusted in the coming weeks, if deemed necessary. The main drivers of liquids supply growth are expected to be the US and Russia, followed by Canada, Brazil, Kazakhstan, Guyana and Norway. OPEC Natural Gas Liquids are forecast to grow by 0.10 mb/d both in 2021 and 2022 to average 5.10 mb/d and 5.30 mb/d, respectively. In February 2022, OPEC crude oil production increased by 0.44 mb/d month-on-month, to average 28.47 mb/d, according to available secondary sources.

Crude oil spot prices increased strongly in February 2022 compared to the previous month, supported by strong physical crude market fundamentals, dissipating fears about COVID-19, and an escalating geopolitical conflict in Eastern Europe that raised concerns about a near-term oil supply disruption resulting in a rally in oil futures markets. The OPEC Reference Basket (ORB) rose by US$8.81, or 10.30%, to settle at US$94.22/b. The rise of spot prices was largely driven by worries about a significant supply disruption amid escalating geopolitical tensions in Eastern Europe and by strong physical crude oil market fundamentals.

Currency Movements

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

According to Goldman Sachs's analysts, currency markets have not escaped the steep losses and wild swings seen across other asset classes in recent weeks, and strategists are changing their game plans considering Russia's invasion of Ukraine. Despite the sharp fall in EUR/US$, models suggest the currency should be trading somewhat lower at around 1.07-1.08 given the moves in other market variables. Although Goldman Sachs analysts noted that estimates should be approached with caution, the models suggested that the Euro is relatively strong against the US Dollar and British Pound.

Currencies are in for a bumpy ride with already heightened volatility expected to increase over the next three months in the wake of Russia's invasion of Ukraine, according to a Reuters poll of analysts who forecast more pain for the battered Ruble (Russian currency). That trend is expected to continue in the near term. Since Russia invaded Ukraine on 24 February 2022, money has been siphoned away from riskier assets into safer havens, including the US Dollar, the Japanese Yen, and the Swiss Franc, as well as currencies linked to commodity markets. While the Yen and Swiss Franc were expected to be in demand in the short-term, they were forecast to weaken marginally against the US Dollar over the 12-month horizon as neither currency carries an interest rate edge.

Global trade

The United Nations Conference on Trade and Development (UNCTAD) trade report indicates that trade growth will slow during the first quarter of 2022. Positive growth is expected for both trade in goods and services, albeit only marginally, keeping trade values at levels similar to the last three months of 2021. However, trade growth in 2022 is likely to be lower than expected, given the macroeconomic trends. On trade flows, the report projects the trend of regionalization to increase because of various trade agreements and regional initiatives, as well as increasing reliance of geographically closer suppliers. Moreover, trade patterns in 2022 are expected to reflect the increasing global demand for products that are environmentally sustainable.

Russia's invasion of Ukraine has challenged EIU's expectations for trade growth in 2022. Shocks to the sourcing of key materials and higher global transportation costs will depress regional trade growth further than EUI's current expectations. Beyond the war, elevated sea freight rates and international port congestion remain major sources of trade disruption facing the region. The EIU does not expect these logistics obstacles to dissipate until late 2022/2023. The war will also complicate future regional economic integration. In particular, the conflict will complicate China's attempts to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Further, the Ukraine war has led the World Trade Organization (WTO) to cut its global trade growth forecast for 2022. The previous 4.70% growth forecast has been cut to 2.50% due to the impact of the war in Ukraine and related sanctions. The cut is also linked to continuing global supply chain problems that started because of the pandemic. Dr Okonjo-Iweala, the director general of the WTO, stated that although Russia and Ukraine only make up about 2.50% of global merchandise exports, they are very significant in certain sectors like food production. She added that poorer countries would particularly feel the impact of the shortages, and the supply constraints on food. Supplies of many food products including wheat, corn and sunflower oil have been affected following the Ukraine conflict (Source: WTO).

Interest Rate Movements

The Bank of England raised interest rates for the third consecutive time in March 2022, but struck a more dovish tone as the Russia-Ukraine conflict is expected to keep inflation higher for longer. The Bank's Monetary Policy Committee voted in favor of a further 0.25 percentage point hike to its main Bank Rate, taking it to 0.75%. U.K. inflation was already running at a 30-year high prior to Russia's invasion of Ukraine, which sent energy prices surging and will exert more upward pressure on the central bank's inflation projections. At its last meeting in February, the MPC for the first time since 2004 upped its forecast for inflation to a 7.25% peak in April, against a backdrop of strong growth and a robust labor market in the U.K. The Bank said at the time that any further tightening of monetary policy would depend on the medium-term prospects for inflation, which were then propelled upward by the conflict in Ukraine and subsequent threats to energy supply.

US Libor rates increased between March 2022 and February 2022. The 3 months US Libor increased to close at 0.962% in March 2022 from 0.504% in February 2022. The US Libor for 6 months also increased to 1.400% March 2022 from 0.829% in February 2022. The US Treasury yield (10-year) also increased to close at 2.320% in March 2022 from 1.840% recorded in February 2022.

The Federal Reserve (the Fed) raised its benchmark interest rate by 0.25% to 0.50% in the March 2022 Fed meeting to curb rising inflation, which is currently running at a 40-year high of 7.50% and according to Bloomberg economists is expected to reach 8.50%. Additional hikes are likely later in 2022 as some Bloomberg analysts project inflation may reach 10.00% in 2022, due to the economic impacts of the war in Ukraine on the global economy.

Federal Reserve officials signaled they could raise rates by a half-percentage point at their meeting in April 2022, and begin reducing their US$9.00 trillion asset portfolio by US$95.00 billion a month starting May 2022, as part of their most aggressive effort in more than two decades to curb price pressures. Minutes from the Fed's March 2022 meeting, released recently, showed that many officials last month were prepared to raise rates by a half-point but opted for a smaller, quarter-point increase because of concern over the fallout from Russia's invasion of Ukraine (Source: The Fed & WSJ).

	Mar-22	Feb-22	Mar-21	Change 1 month	Change 12 months
US Fed Rate	0.500%	0.250%	0.250%	100.000%	0.25%
US Libor (3 months)	0.962%	0.504%	0.202%	0.458%	0.76%
US Libor (6 months)	1.400%	0.829%	0.207%	0.571%	1.19%
US Treasury yield (10yrs)	2.320%	1.840%	1.476%	0.480%	0.84%
BOE Rate	0.750%	0.500%	0.100%	0.250%	0.65%
ECB Rate	0.000%	0.000%	0.000%	0.000%	0.000%

OUTLOOK FOR MARCH 2022 AND BEYOND – MALAWI

Exchange Rates

In the month of March 2022, using the RBM middle rates, the Malawi Kwacha remained unchanged against the US Dollar, closing at K816.40/US$1. The Kwacha appreciated against the British Pound but depreciated against the South African Rand and the Euro (Source: RBM).

Owing to a chronic current-account deficit, the Kwacha regularly comes under pressure which has been exacerbated by high global commodity prices. The EIU anticipates a continued depreciation of the Kwacha, from an average of K804.20/US$1 in 2021 to K837.70/US$1 in 2022. Further depreciation is expected in 2023-26, averaging 2.80% a year, and the exchange rate in 2026 is expected to average K937.4/US$1 as the foreign exchange shortage continues to bite. A low stock of reserves and the high probability of a sudden end to foreign-currency inflows remain the major downside risks to exchange-rate stability over the forecast period, as the authorities will not be able to support the Kwacha if these risks materialize. Export earnings from the agricultural sector were expected to boost reserves, however, foreign exchange inflows are likely to negatively impact Malawi's macroeconomic conditions in the 2022/23 consumption season due to reduced production and lower tobacco sales. Tobacco sales and exports, Malawi's number one forex earner, comprises about 70.00% of total foreign exchange and contributes to approximately 30.00% of the country's GDP. According to a statement released by the Tobacco Commission (TC) in March, tobacco production will be 20.00% below last year's production and 26.00% below the five-year average. With ongoing disruptions to global supply chains, increasing commodity and oil prices, a reduction in foreign exchange inflows will likely add further inflationary pressure in Malawi, impacting household financial access to food.

POSSIBLE IMPACT: *Lower foreign exchange inflows are expected to increase pressure on the Kwacha as foreign reserves decline, resulting in further depreciation of the Kwacha.*

Inflation

The headline inflation rate (year-on-year) for March 2022 is 14.10% compared to 13.00% in February 2022 (March 2021: 9.40%). This was attributed to an increase in both food and non-food inflation. The rates closed at 17.10% and 10.50% from 15.30% and 10.10% respectively (Source: NSO).

According to the Reserve Bank of Malawi (RBM), inflationary pressures are likely to rise throughout 2022, mainly due to seasonal increase in prices of domestically produced food items, imported inflation, and the impact of Cyclone Ana. Reflecting these pressures, the inflation path has shifted upwards compared to MPC forecasts made in November 2021.

Oil prices continue to rise due to fears of possible supply shortages following the invasion of Ukraine by Russia. Economies have resorted to stock building in fear of supply disruptions from the war. Malawi Energy Regulatory Authority (MERA) assessed the combined effect of the movement of the Free on Board (FOB) prices, the exchange rate of the Malawi Kwacha against the US Dollar, and changes in local factors that determine the maximum pump prices on the landed cost of petroleum products. Therefore, the MERA Board resolved to adjust upwards pump prices of petrol by 20.00% to K1,380.00, diesel by 31.25% to K1,470.0, and kerosene by 14.47% to K956.00. Prices of agricultural commodities (wheat, maize, barley, and rapeseed) are also expected to soar as the prices of agricultural inputs, mainly fertilizer are expected to reach record highs due to supply reductions resulting from economic sanctions placed on Russia. Disruptions to trade routes are also expected to increase transportation costs, exacerbating the supply chain disruptions resulting from the impact of the COVID-19 pandemic. As a result, the upside risks to inflation remains high, globally, and locally.

The food component of Malawi's consumer price index (CPI) is expected to increase inflationary pressure. This, coupled with the CPI rebasing to December 2021 (from 2010 previously) and the subsequent change in weights (that now include urban and rural baskets alike), will also keep year-on-year inflation elevated. The EIU has therefore revised up the average inflation outlook for 2022, to 11.00% (from 10.50% previously). Possible further tropical storms, higher global oil prices in 2022, exchange-rate depreciation and pent-up domestic demand will keep end of-year inflation at above 10.00%. In 2023 average inflation is forecast to stand at 9.80%, which is expected to fall to 9.00% in 2024, in line with lower global oil prices and a rise in agricultural output that will contain pressures on the cost of food.

POSSIBLE IMPACT: *Inflation rate is likely to remain on an upward trajectory due to a rally in global commodity prices and the adverse impacts of weather shocks on food prices in the country. Rising prices will have a negative impact especially on lower income households' access to food and basic necessities.*

External Sector

The current-account deficit has historically been large, averaging 16.50% of GDP in the past decade and is expected to remain so between 2022-2026. This mainly reflects a wide merchandise trade deficit, owing to an exceptionally large import bill of fuel, food and fertilizer and capital goods between 2022-23, which will lessen in subsequent years, compared with a small export base dominated by tobacco, demand for which is in structural decline. Nonetheless, export earnings are forecast to increase in 2024-26, albeit at a slower pace than before, owing to a gradual recovery in external demand. Increased export volumes of agricultural products (mainly sugar, tobacco and tea) are expected to keep export earnings on an upward trajectory. However, the trade deficit will remain wide as a share of GDP, particularly in the early years of the forecast period as global energy prices stay high, owing largely to the effects of the Russian-Ukrainian conflict.

The services account deficit is expected remain wide in 2022, owing to fears about further COVID-19 infections, and is expected to narrow from 2023 as services receipts from tourism recover. The deficit will narrow gradually in 2023-26. The deficit on the primary income balance, which reflects profit repatriation by the mining sector, is expected to widen gradually throughout 2022-26 as the mining sector recovers.

The secondary income surplus will narrow throughout 2022-26 as aid inflows (which surged in 2020-21 owing to pandemic-related support) steadily decline. The ongoing case of alleged misrepresentation of Malawi's national accounts to the IMF presents significant threats to aid inflows, as this could reveal dishonesty on the part of the local authorities.

According to the United Nations COMTRADE database on international trade, Russia has been importing from Malawi since 2012. In 2020, Russia imported the highest number of commodities since it started worth US$64.10 million. The database also indicated that Ukraine has been exporting to Malawi since 2013. In 2020, Ukraine's exports to Malawi were US$71.89 thousand, however lower than US$924.01 thousand in 2019 and US$5.56 million in 2013. The conflict between Russia and Ukraine raises concerns regarding Malawi's trade relationship with the two countries. Trade disruptions caused by the war may lead to an adverse impact on the high earning sectors in Malawi, such as tobacco and tea.

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

Monetary Policy

The Monetary Policy Committee (MPC), at its first meeting of 2022, decided to maintain the Policy rate at 12.00%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign currency denominated deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate. In arriving at this decision, the Committee noted that, although inflation pressures are mounting, the sources were considered transitory and likely to dissipate after the lean period. At the same time, there is need for policy support to entrench the recovery of the domestic economy from the COVID-19-induced slowdown.

The EIU expects that the MPC will vote to raise the policy rate at its end-April meeting. Given that inflation, which is expected to average above 11.00% in 2022 remains above the RBM's target (5%±2 percentage points) and the Kwacha has been depreciating steadily, there is little scope for further easing, even if domestic demand remains weak. Consequently, the EIU expect the RBM to begin to gradually raise the policy rate in April 2022, in a bid to bring down inflation towards target. (Source: EIU).

POSSIBLE IMPACT: *RBM is expected to raise the policy rate to slow down the pace of inflation. However rising interest rates may result in the slowdown of the economy due to the rising costs of borrowing which may hinder investments in the real economy.*

Fiscal Policy

The coronavirus pandemic continues to have a large effect on Malawi's fiscal balance. Revenue underperformance, owing to slow economic growth and the expenditure on vaccine supplies, remain heavy weights on Malawi's fiscal position. Total revenue in fiscal year (FY) 2021/22 (July-June) will remain subdued, owing to a sluggish recovery in Malawi's key sectors, including agriculture and tourism. The government is aiming to collect about US$1.60 billion in revenue and grants compared with the officially expected outturn of some US$1.90 billion in 2020/21. This reflects a shrinking of the tax base and declining international support.

In light of limited fiscal revenue, which is expected to persist until 2023/24 FY, the probability of another Fund program will be necessary to meet the state's financing requirements as the IMF pressurizes the government into expenditure cuts. As agriculture and tourism recover in fiscal years 2024/25-2025/26, the tax base is expected to expand, resulting in a modest recovery in government revenue and improvement in tax collection, as well as budgetary support that is likely to follow from an IMF program. Expenditure will remain elevated, at more than 30.00% of GDP in fiscal years 2021/22-2025/26, in view of the government's poverty reduction mandate and large public-sector wage bill.

The EIU forecasts that the fiscal deficit as a share of GDP will be 10.90% in 2021/22 FY (down from 12.60% in 2020/21), significantly higher than the government's projection of 7.00%, owing to economic growth forecast differentials. The forecast factors in the impact of weather shocks on agriculture, which will necessitate significant spending on food subsidies. The budget deficit will narrow to 8.50% of GDP in the 2022/23 FY, reflecting a reduction in recurrent expenditure, notably on subsidies.

The deficit will be financed through foreign borrowing amounting to K230.07 billion and domestic borrowing amounting to K653.98 billion. Total revenues and grants for the 2022/2023 fiscal year are estimated at K1.956 trillion representing 17.20% of GDP, while total expenditure is projected at K2.840 trillion, representing 24.90% of GDP. Of the total expenditure, recurrent expenses are estimated at K2.019 trillion, and development expenditure is programmed at K820.67 billion. The large increase in development financing is largely in line with Government recovery plan under the Social Economic Recovery Plan (SERP) which outlines the need for frontloading of project implementation. The budget has been developed using the Ministries' projections of real GDP growth rates of 4.10% in 2022 and 4.00% in 2023; average inflation rate of 9.10% during the 2022/2023 FY; a policy rate of 12.00%; and tax refunds at 3.00% of total tax collection.

POSSIBLE IMPACT: *The Government has projected a declining fiscal deficit, however risks to these projections include greater than expected expenditures to rehabilitate infrastructure damage and social spending on families affected by cyclone Ana.*

Economic Growth

Real GDP Growth Projections

	2019	2020	2021	2022
EIU	4.10%	-1.00%	2.70%	2.80%
IMF	4.00%	0.60%	2.20%	2.70%
WORLD BANK	4.40%	1.00%	2.40%	3.00%
GOVERNMENT	5.10%	0.90%	3.90%	4.10%
Average Real GDP	**4.40%**	**0.38%**	**2.80%**	**3.15%**

Based on various institutions' projections, the economy is expected to grow by an estimated average of 3.15% in 2022. The government's 2022 projection of GDP growth is higher than other institutions at 4.10%, while the EIU has forecast 2.80%, IMF at 2.70% and the WBG at 3.00%. The governments' projection was derived by taking into account economic recovery measures being implemented by Government as contained in the Socio-Economic Recovery Plan (SERP) and the normalization of global supply chains. Growth across the broader spectrum of the economy including mining and quarrying, manufacturing, transportation, construction, and wholesale and retail trade sectors will further prop up GDP growth prospects in 2022 as the economy becomes more resilient to COVID-19 following implementation of economic recovery measures. However, the government's 2022 projections did not take into account the spill-over effects of the war in Ukraine which have caused other institutions to revise growth downwards.

According to the EIU, Malawi's economy is expected to record modest growth in 2022-26, although significant challenges persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing and a poor business environment that erodes investor confidence. In view of the lingering effects of the coronavirus pandemic, The EIU estimates that real GDP grew by only 2.70% in 2021 and will expand by only 2.80% in 2022, owing largely to the negative impact of tropical storm Ana and Gombe on Malawi's agriculture sector earlier in the year, especially on smallholder farmers.

POSSIBLE IMPACT: *The COVID-19 pandemic restrictions continue to ease around the globe. However, the conflict between Ukraine and Russia poses possible threats to the growth of the economy as does adverse weather conditions due to Malawi's heavy dependence on agricultural produce.*

ECONOMIC RISKS

ECONOMIC RISK	IMPACT ON ECONOMY	MITIGATING MEASURES
Russia-Ukraine Conflict Spill-Over Effects	1. Supply-chain disruptions which are leading to higher commodity prices 2. Imported inflation due to higher energy and oil prices 3. Increase of interest rates 4. Higher food prices	1. Tightening of the monetary policy
Coronavirus Pandemic	1. Unbudgeted government expenditure putting fiscal pressure on the government's budget. 2. Increases in commodity and service prices e.g. transportation. 3. Loss of human capital as result of death and illness. 4. Disruptions in supply chains. 5. Rising income inequality. Rising unemployment especially in tourism sector.	1. Sensitising people on the dangers of the virus and practice social distancing and wearing masks.
Increase in government debt	1. Creates a future obligation for government which may keep the budget deficit large. 2. Crowds out the private sector, reducing the expansion of the private sector as funds are not available.	1. Tighten fiscal policy by reducing government expenditure. 2. Increase government revenue base to finance debt. 3. Ensure tax compliance
Global tobacco lobby (anti-smoking)	1. Decline in demand for Malawi tobacco and services from supporting industries resulting in lower commodity prices. 2. Reduction in export earnings (tobacco accounts for 60% of Malawi's export earnings). 3. Reduced employment opportunities in the tobacco and supporting industry. 4. Lower income for farmers- small holder and commercial.	1. Diversify into other sectors such as mining and cotton etc. 2. Engage in aggressive tourism marketing and investment.
Insufficient power supply	1. Commercial productivity remains small scale as large-scale enterprises are difficult to implement with limited power supply. 2. Low industrial productivity in the manufacturing sector resulting in low economic productivity and dampening economic growth. 3. Deferment of development by investors due to lack of infrastructure	1. Encourage use of energy saver bulbs. 2. Rehabilitate and develop new power plants. 3. Public-Private Partnerships to enhance energy production through alternative power sources. 4. The entrance of Independent Power Producers (IPPs) may help boost power generation.

High population growth rates	1. Reduced per capita income. 2. Over-crowding on public resources. Resources which could have been allocated to more productive activities are used to take care of the growing population.	1. Civic education to raise awareness on the need to have less children. 2. Civic education on family planning methods
Uncertainty in the external environment	1. Dampening export demand for major export commodities i.e., tobacco, tea, cotton and sugar. 2. Declining investor interest in Malawi resulting in fewer investments, hence less foreign currency coming into the country. 3. Declining remittances from abroad, hence contributing to lower forex levels. 4. Reduced access to foreign capital, hence financing not available or difficulties in accessing letters of credit. 5. Impaired growth and Balance of Payments (BOP) due to declining exports and low foreign investments. 6. Decline in tourism levels leading to lower forex revenues.	1. Diversification of export base of products. 2. Diversify away from agricultural production, focus more on value added goods, manufacturing, and service sector products.
Agriculture	7. Adverse weather shocks exacerbated by climate change 8. Pest infestation, damaging crops 9. Animal diseases infiltrating Malawi's livestock	3. Improved seed quality, diversification, and availability of safe pesticides. 4. Ensure sustainable farming practices. 5. Increased Climate change awareness on a Global scale.

APPENDIX

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

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
MK : US$	784.10	792.08	796.89	805.59	812.51	812.51	815.50	815.50	816.40	816.40	816.40	816.40	816.40
MK : GBP	1,077.67	1,104.32	1,128.49	1,115.50	1,132.48	1,120.69	1,096.27	1,124.41	1,087.28	1,102.14	1,095.94	1,090.96	1,071.04
MK : ZAR	52.58	55.33	57.80	56.46	55.58	55.70	53.89	53.83	50.38	51.35	52.49	53.31	56.27
MK : EUR	919.20	959.37	970.08	958.90	964.77	961.04	945.81	951.60	923.59	924.25	911.51	911.59	911.18
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	410.16	392.01	414.40	424.99	404.18	604.50	521.87	405.66	389.26	429.17	399.98	385.40	374.48
Private Sector Reserves (US$'mn)	342.58	392.61	369.64	388.78	405.79	389.47	386.05	384.75	404.81	425.52	424.49	407.22	391.49
Total Reserves (US$'mn)	752.74	784.62	784.05	813.77	809.97	993.97	907.92	790.41	794.41	854.69	824.47	792.62	765.97
Total Import Cover (months)	3.60	3.76	3.14	3.26	3.24	3.98	3.63	3.16	3.18	3.42	3.30	3..17	3.07
Inflation (NSO)													
Headline Inflation	9.40	9.40	8.90	9.10	8.70	8.40	8.90	9.80	11.10	11.50	12.10	13.00	14.10
Food	11.70	11.70	11.00	11.10	10.30	9.70	10.20	11.80	12.80	13.60	14.20	15.30	17.10
Non Food	6.90	6.90	7.10	7.20	7.20	7.20	7.20	7.80	9.50	9.50	9.60	10.10	10.50
Interbank Rates (Source: RBM)													
Monetary Policy Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Average Interbank Rate	11.38%	11.72%	11.92%	11.94%	11.97%	11.96%	11.98%	11.98%	11.98%	11.98%	11.79%	11.70%	11.70%
Average Base Lending Rates	12.10%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.95%	9.88%	9.96%	9.59%	9.37%	9.60%	9.34%	9.60%	9.60%	9.69%	9.70%	9.70%	9.71%
182 day Treasury Bill yield	12.80%	12.77%	12.80%	12.81%	12.95%	12.98%	12.98%	12.80%	12.80%	13.00%	13.00%	13.00%	13.00%
364 day Treasury Bill yield	13.77%	13.79%	13.85%	13.81%	13.90%	14.07%	14.20%	14.20%	14.22%	14.47%	14.84%	15.00%	15.00%
Stock Market Indices (Point) (Source: MSE)													
MASI	32,562.96	33,380.63	22,676.89	35,144.56	36,496.03	38,945.62	41,550.15	41,458.37	41,565.98	45,367.68	44,501.63	45,472.09	45,921.23
DSI	27,710.72	28,257.89	28,376.03	28,739.26	29,749.56	31,929.22	34,266.54	34,188.36	34,284.11	34,284.11	36,322.34	37,186.63	37,584.34
FSI	1,614.33	1,844.72	2.030.51	3,234.45	3,479.97	3,479.97	3,454.70	3,450.25	3,450.24	3,450.24	4,183.22	4,182.23	4,184.71
Fuel Prices per Litre (Source: MERA)													
Petrol	834.60	834.60	834.60	834.60	834.60	834.60	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00
Diesel	826.40	826.40	826.40	826.40	826.40	826.40	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00
Paraffin	613.20	613.20	613.20	613.20	613.20	613.20	833.20	833.20	833.20	833.20	833.20	833.20	833.20

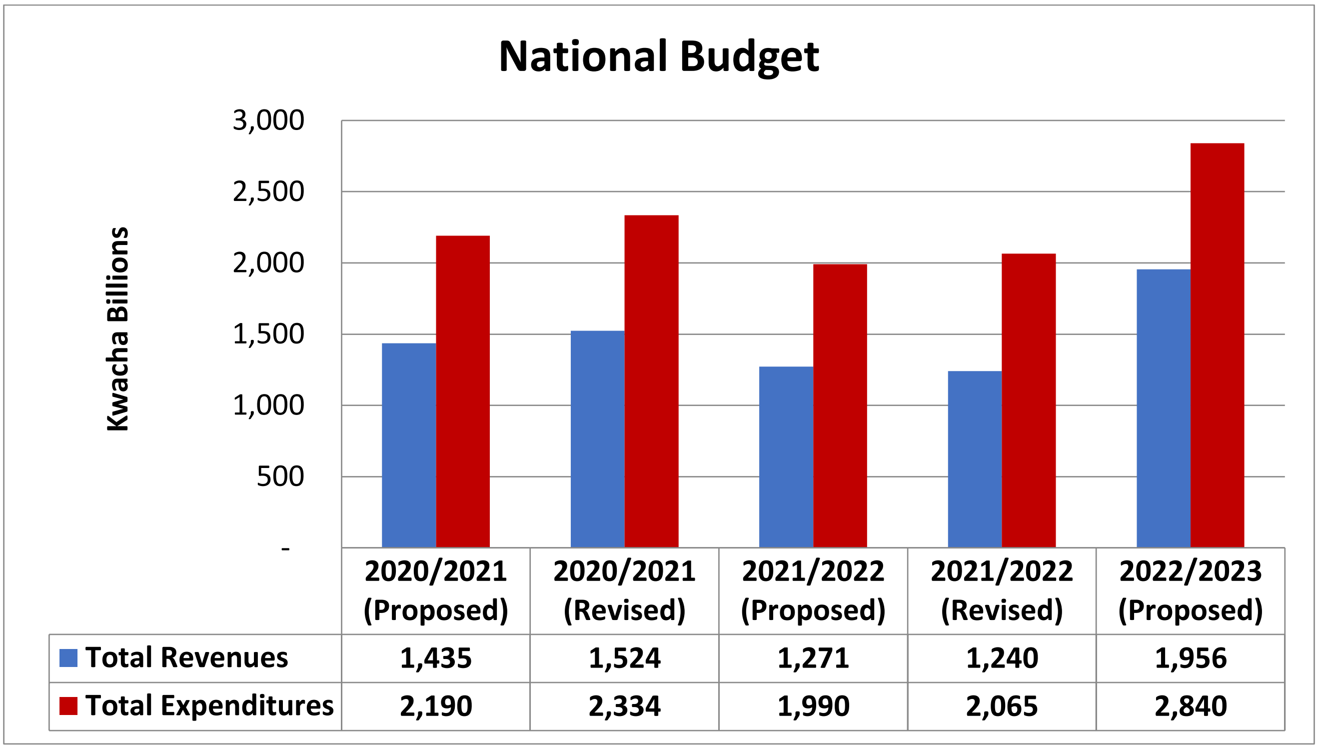
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia, and Mozambique

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
TANZANIA													
Exchange rate													
US$	2,298.52	2,318.48	2,298.59	2,298.93	2,299.23	2,299.49	2,297.27	2,296.90	2,294.20	2,297.81	2,298.11	2,298.53	2,298.51
GBP	3,159.90	3,197.30	3,254.70	3,179.43	3,209.15	3,164.56	3,092.82	3,098.00	3,061.03	3,104.45	3,074.52	3,254.96	3,023.93
ZAR	153.84	160.83	166.21	160.10	157.74	157.15	152.13	152.37	141.25	144.63	147.00	159.43	158.91
EUR	2,698.01	2,811.64	2,791.87	2,732.97	2,730.57	2,713.40	2,674.71	2,668.37	2,294.96	2,606.29	2,558.94	2,807.20	2,557.56
Inflation %	3.20	3.30	3.30	3.60	3.80	3.80	4.00	4.00	4.10	4.20	4.00	4.20	3.60
UGANDA													
Exchange rate													
US$	3,662.30	3,543.28	3,543.28	3,554.07	3,555.04	3,535.04	3,539.09	3,555.52	3,569.09	3549.3	3509.96	3538.96	3590.48
GBP	5,043.80	4,975.68	4,975.68	4,934.84	4,931.39	4,848.50	4,790.97	4,906.97	4,759.42	4786.65	4700.00	4697.94	4716.25
EUR	4,308.08	4,286.50	4.286.50	4,246.59	4,194.74	4,154.96	4,131.55	4,152.67	4,039.72	4028.26	3913.44	3931.74	3984.99
Inflation %	4.10	2.10	2.10	2.00	2.10	1.90	2.20	1.90	2.60	2.90	2.70	3.20	3.70
Central Bank Rate %	7.00	7.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
ZAMBIA													
Exchange rate													
US$	22.09	22.45	22.45	22.64	19.21	15.94	16.78	17.26	17.83	16.69	18.05	17.76	18.07
GBP	30.40	30.91	31.91	31.31	26.79	21.93	22.60	23.74	23.78	29.12	24.22	23.81	23.71
ZAR	1.50	1.55	1.64	1.59	1.32	1.09	1.11	1.13	1.12	1.04	1.16	1.15	1.24
Inflation %	22.80	22.70	23.20	24.60	24.60	24.40	24.10	20.07	19.30	16.40	15.10	14.20	13.10
Central Bank Rate %	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00
Mozambique													
US$	55.61	59.18	62.99	63.47	63.63	63.83	63.83	63.83	63.83	63.83	63.83	63.83	63.83
ZAR	3.90	4.22	4.57	4.44	4.36	4.29	4.41	4.05	4.06	4.20	4.22	4.33	4.00
EUR	67.10	72.10	76.29	75.26	75.51	74.72	74.30	71.95	72.12	72.28	72.56	70.18	67.39
Inflation%	5.76	5.19	5.49	5.52	5.48	5.61	6.04	6.42	6.80	6.70	7.80	6.84	6.70

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

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

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



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

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

Category	2021											2022	
	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Total Revenues	**100.0**	**130.8**	**149.5**	**89.7**	**158.0**	**112.5**	**130.1**	**125.8**	**130.8**	**117.3**	**130.3**	**144.1**	**159.9**
Domestic Revenues	79.2	114.4	137.6	87.4	138.6	107.6	109.9	114.9	121.6	103.0	119.8	129.5	112.4
Tax Revenue	74.4	93.4	104.3	82.3	129.7	103.1	106.1	109.1	116.5	99.3	104.1	116.3	100.4
Non-Tax revenue	4.8	21.0	33.3	5.1	8.9	4.6	3.7	5.8	5.1	3.7	5.1	13.2	12.0
Departmental receipts	3.1	2.9	1.8	4.2	3.9	3.5	2.6	3.8	4.5	2.7	10.5	12.3	3.0
Other Receipts	1.6	18.1	31.5	0.8	5.0	1.0	1.1	2.0	0.7	1.0		0.9	9.0
Grants	20.8	16.3	11.9	2.4	19.4	4.9	20.3	10.9	9.1	14.3	10.5	14.6	47.5
Total Expenditures	**143.7**	**218.8**	**130.4**	**150.1**	**186.4**	**159.3**	**139.7**	**192.5**	**210.2**	**189.4**	**227.0**	**142.0**	**276.2**
Recurrent Expenditure	125.4	200.7	117.5	141.8	158.1	138.3	121.2	163.1	194.6	145.3	206.6	123.7	210.8
Interest Payments	16.3	48.0	28.2	52.6	34.8	19.6	25.1	25.7	27.5	42.9	51.1	25.3	26.7
Domestic	14.5	45.0	26.5	51.6	33.4	19.5	22.9	22.0	26.7	42.0	49.8	24.0	25.6
Foreign	1.7	3.0	1.7	1.0	1.5	0.1	2.2	3.7	0.8	0.9	1.3	1.3	1.0
Development	18.3	18.1	12.9	8.3	28.3	21.0	18.5	29.5	15.6	44.2	20.4	18.4	65.3
Deficit/Surplus	**-43.7**	**-88.1**	**19.1**	**-60.4**	**-28.4**	**-46.8**	**-9.6**	**-66.7**	**-79.5**	**-72.1**	**-96.7**	**2.1**	**-116.2**
Financing (net)	34,7	144.7	-38.3	22.4	44.0	50.9	18.0	66.9	88.3	56.3	96.7	-2.1	116.2
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.8	-4.8	-2.1
Domestic	34.5	144.7	-38.3	22.4	44.0	50.9	18.0	66.9	88.3	56.3	96.7	-2.1	118.3
Banking System	15.6	126.5	-32.7	8.1	0.7	63.4	10.6	58.7	181.7	49.8			
Non-Bank Sector	18.9	18.2	-5.6	14.3	43.3	-12.5	7.4	11.2	-100.4	6.5			
Errors and Omissions	-9.2	56.7	-19.2	31.9	15.5	4.1	8.5	3.2	8.8	-15.8			

Source: Reserve Bank of Malawi

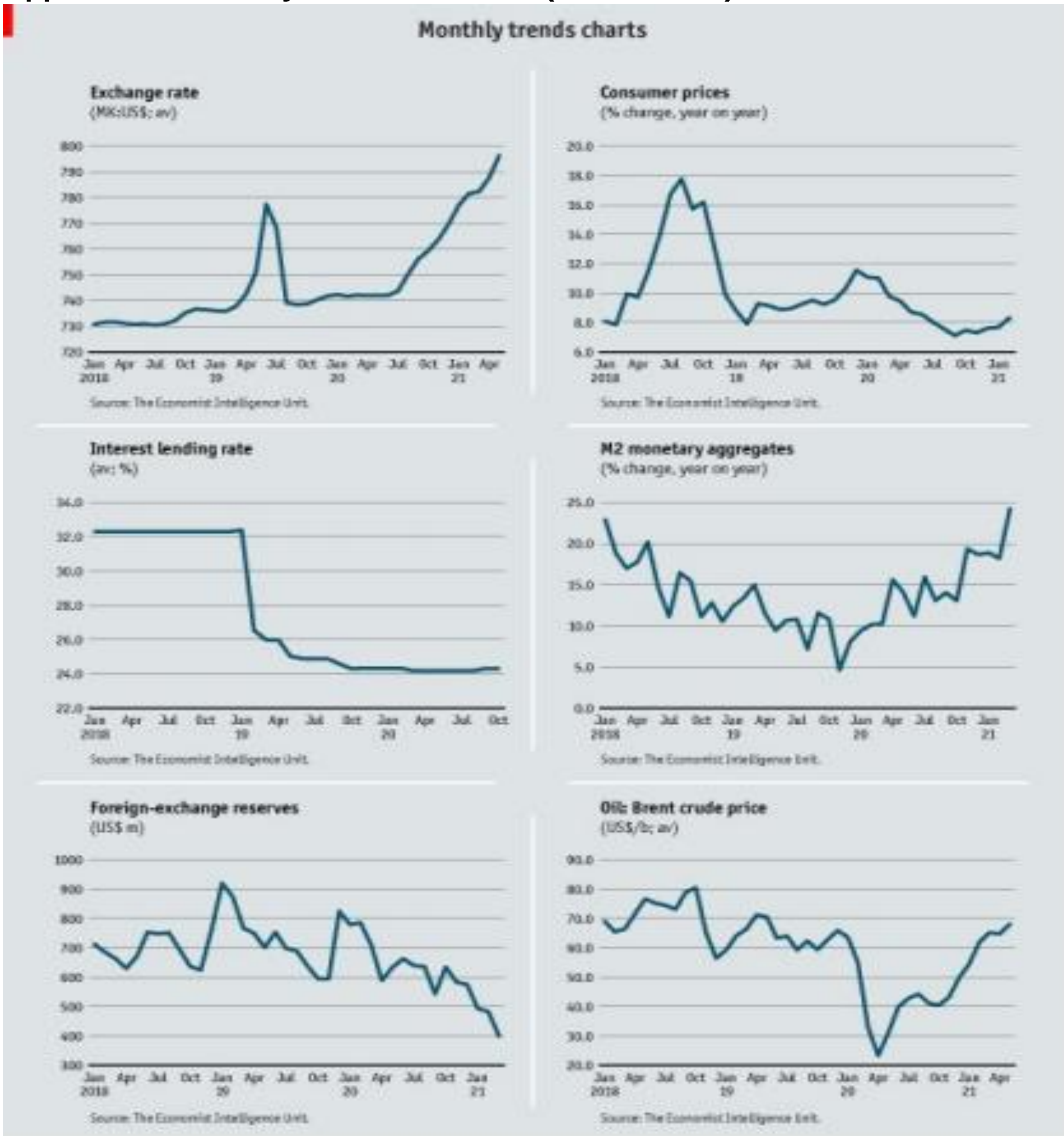
Appendix 5: Malawi selected Economic indicators (Source: RBM)

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

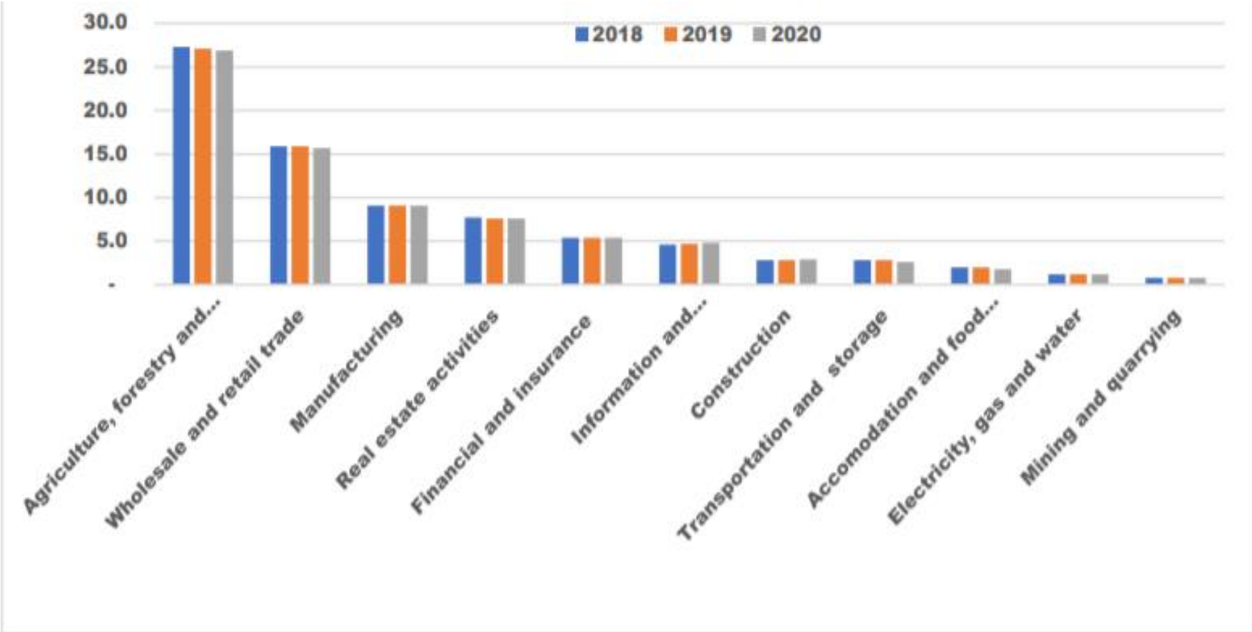
	2014	2015	2016	2017	2018	2019	2020	2021	2021 Feb	2022 Feb
Real Sector[6]										
Population (million)	15.8	16.3	16.8	17.4	17.6	18.0	18.4	18.9	18.9	19.4
GDP at current market prices	2,534.5	3,213.3	3,812.6	6,531.2	7,235.9	8,219.9	8,769.1	9,861.2	9,861.2	11,172.2
Real GDP growth (percent)	6.2	3.3	2.7	5.1	4.4	5.0	0.8	3.9	3.9	4.1
GDP per capita (K'000)	160.4	197.1	226.9	375.4	411.1	456.7	476.6	521.8	521.8	575.9
GDP per capita (US$)	378.0	394.5	316.1	514.0	561.4	612.5	635.8	647.4	671.5	699.5
Consumer Price Index (CPI)7	157.6	192.0	233.7	260.7	104.7	114.5	124.4	136.0	138.5	106.4
Year-on-year inflation rate (percent)	23.8	21.9	21.7	11.5	9.2	9.4	8.6	9.3	8.3	13.0
Fiscal Sector										
Total Revenue	535.9	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0		96.1	160.0
Domestic Revenues	483.0	614.2	742.0	858.7	988.6	1,058.5	1,096.0		87.5	112.4
Grants	52.9	47.1	67.0	87.9	90.5	145.0	206.1		8.6	47.5
Total expenditure	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4		177.9	276.2
Recurrent	534.4	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0		140.0	210.8
Development	58.7	95.5	131.8	163.0	196.9	204.3	247.4		38.0	65.3
Deficit/GDP ratio (after grants)	-2.6	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7		-0.7	-1.0
Monetary Sector										
Net Foreign Assets	241.6	339.5	355.8	455.7	250.5	331.9	-182.9	-410.4	...	...
Net Domestic Credit	458.2	604.4	755.0	937.8	1,300.7	1,433.1	1,849.7	2,701.4	...	...
Government	153.4	209.0	337.5	519.9	744.1	700.5	976.9	1,608.8	...	...
Statutory bodies	4.3	5.1	9.2	8.1	34.1	48.2	50.6	205.3	...	...
Private (gross)	300.5	390.3	408.3	409.8	493.2	595.0	692.8	821.9	...	...
Money Supply (M2)	629.8	778.8	897.3	1,074.4	1,198.3	1,320.4	1,541.4	2,004.4	...	...
M2 Growth Rate (annual percent)	20.7	23.7	15.2	19.7	11.5	10.2	16.7	30.0	...	...
Reserve Money	212.3	206.0	240.6	278.9	289.8	303.4	342.1	449.4	...	...
Banks Deposits	92.4	66.0	56.2	78.2	59.6	26.0	57.3	89.3	...	...
External Sector										
Overall Balance	76.3	45.1	-45.0	1.9	-2.8	54.5.4	-191.7	202.5	...	...
Current Account	-482.1	-550.1	-727.6	-1,088.9	-814.5	-945.0	-1058.0	1,282.8	...	...
Exports (fob)	600.9	531.6	737.5	611.2	814.5	975.4	838.3	788.0	49.5	59.9
Imports (cif)	1171.4	1,134.6	1,577.6	1,864.1	2,141.6	2,421.2	2,285.7	2,330.2	158.6	175.8
Trade balance	-570.4	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,542.2	-109.1	-115.9
Capital account balance	194.1	114.0	525.1	761.8	629.1	693.8	613.0	730,.2	...	...
Gross foreign exchange reserves	389.6	549.2	586.7	739.4	660.1	700.6	731.3	...	537.7	...
Official	276.6	445.3	438.6	549.9	548.2	605.5	437.2	...	374.8	...
Commercial banks	113.0	103.9	148.1	189.5	111.9	95.2	188.9	...	162.9	...
Import cover (Official reserves in months)	3.1	3.2	2.9	3.6	3.6	3.9	2.7	...	2.3	...
Current account balance/GDP (percent)	-19.7	-17.1	-19.1	-23.5	-17.3	-15.1	-12.1	...	...	...
Debt/GDP (percent)										
Debt Service/Exports (percent)	3.4	3.8	4.1	6.0	6.2	6.8	12.9	...	...	...
MK/US Dollar (eop)	435.229	664.365	725.01	730.46	733.69	738.87	773.11	819.44	787.03	822.10
MK/US Dollar (pd avg)	369.181	499.607	713.85	726.65	732.33	742.23	749.53	805.90	781.52	823.44

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

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



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



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

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

Economic growth

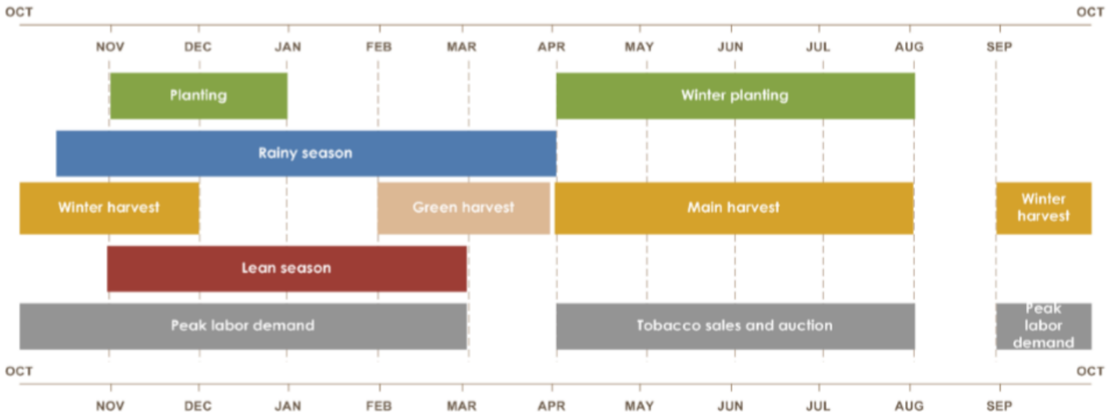
%	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
GDP	-1.0	2.3	4.0	4.5	4.9	5.2
Private consumption	-1.5	1.5	3.0	4.0	4.3	4.8
Government consumption	2.0	2.0	3.0	4.0	2.0	3.0
Gross fixed investment	-5.0	5.0	5.0	8.0	8.0	7.0
Exports of goods & services	-12.0	3.6	5.0	5.2	6.5	7.2
Imports of goods & services	-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						Q4 over Q4 2/		
					Difference from October 2020 WEO Projections 1/				
		Estimate	Projections				Estimate	Projections	
	2019	2020	2021	2022	2021	2022	2020	2021	2022
World Output	**2.8**	**–3.5**	**5.5**	**4.2**	**0.3**	**0.0**	**–1.4**	**4.2**	**3.7**
Advanced Economies	**1.6**	**–4.9**	**4.3**	**3.1**	**0.4**	**0.2**	**–3.9**	**4.6**	**1.9**
United States	2.2	–3.4	5.1	2.5	2.0	–0.4	–2.1	4.0	2.0
Euro Area	1.3	–7.2	4.2	3.6	–1.0	0.5	–6.8	5.8	2.0
Germany	0.6	–5.4	3.5	3.1	–0.7	0.0	–5.3	5.2	1.7
France	1.5	–9.0	5.5	4.1	–0.5	1.2	–8.2	7.4	2.0
Italy	0.3	–9.2	3.0	3.6	–2.2	1.0	–8.3	4.2	2.3
Spain	2.0	–11.1	5.9	4.7	–1.3	0.2	–9.8	7.1	2.0
Japan	0.3	–5.1	3.1	2.4	0.8	0.7	–2.3	2.7	1.6
United Kingdom	1.4	–10.0	4.5	5.0	–1.4	1.8	–8.3	6.0	1.9
Canada	1.9	–5.5	3.6	4.1	–1.6	0.7	–4.0	3.7	2.7
Other Advanced Economies 3/	1.8	–2.5	3.6	3.1	0.0	0.0	–2.2	4.5	1.9
Emerging Market and Developing Economies	**3.6**	**–2.4**	**6.3**	**5.0**	**0.3**	**–0.1**	**0.9**	**3.7**	**5.4**
Emerging and Developing Asia	5.4	–1.1	8.3	5.9	0.3	–0.4	3.2	3.8	6.4
China	6.0	2.3	8.1	5.6	–0.1	–0.2	6.2	4.2	6.0
India 4/	4.2	–8.0	11.5	6.8	2.7	–1.2	0.6	1.7	7.8
ASEAN-5 5/	4.9	–3.7	5.2	6.0	–1.0	0.3	–3.2	5.2	6.1
Emerging and Developing Europe	2.2	–2.8	4.0	3.9	0.1	0.5	–2.7	4.8	3.0
Russia	1.3	–3.6	3.0	3.9	0.2	1.6	–4.6	5.3	2.6
Latin America and the Caribbean	0.2	–7.4	4.1	2.9	0.5	0.2	–4.8	2.3	2.8
Brazil	1.4	–4.5	3.6	2.6	0.8	0.3	–1.9	1.6	2.6
Mexico	–0.1	–8.5	4.3	2.5	0.8	0.2	–5.4	2.2	2.4
Middle East and Central Asia	1.4	–3.2	3.0	4.2	0.0	0.2	...	...	...
Saudi Arabia	0.3	–3.9	2.6	4.0	–0.5	0.6	–3.1	3.5	4.0
Sub-Saharan Africa	3.2	–2.6	3.2	3.9	0.1	–0.1	...	...	...
Nigeria	2.2	–3.2	1.5	2.5	–0.2	0.0	...	...	...
South Africa	0.2	–7.5	2.8	1.4	–0.2	–0.1	–6.2	2.8	0.6
Memorandum									
Low-Income Developing Countries	5.3	–0.8	5.1	5.5	0.2	0.0	...	...	...
World Growth Based on Market Exchange Rates	2.4	–3.8	5.1	3.8	0.3	0.0	–2.0	4.3	3.1
World Trade Volume (goods and services) 6/	**1.0**	**–9.6**	**8.1**	**6.3**	**–0.2**	**0.9**	...	...	...
Advanced Economies	1.4	–10.1	7.5	6.1	0.4	1.0	...	...	...
Emerging Market and Developing Economies	0.3	–8.9	9.2	6.7	–1.0	0.8	...	...	...
Commodity Prices (US dollars)									
Oil 7/	–10.2	–32.7	21.2	–2.4	9.2	–5.4	–27.6	13.5	–2.2
Nonfuel (average based on world commodity import weights)	0.8	6.7	12.8	–1.5	7.7	–2.0	15.4	2.0	–0.1
Consumer Prices									
Advanced Economies 8/	1.4	0.7	1.3	1.5	–0.3	–0.1	0.5	1.5	1.6
Emerging Market and Developing Economies 9/	5.1	5.0	4.2	4.2	–0.5	–0.1	3.2	3.8	3.7
London Interbank Offered Rate (percent)									
On US Dollar Deposits (six month)	2.3	0.7	0.3	0.4	–0.1	–0.1	...	...	...
On Euro Deposits (three month)	–0.4	–0.4	–0.5	–0.6	0.0	–0.1	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	–0.1	–0.1	–0.1	–0.1	...	...	...

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



Source: *FEWS NET*

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

IPC Acute Food Insecurity Phase Descriptions (Area)

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

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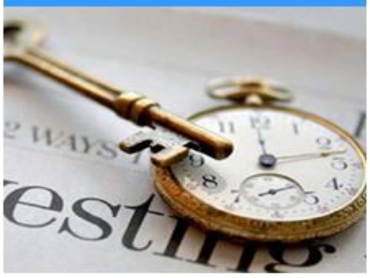

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