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MONTHLY ECONOMIC REPORT

SEPTEMBER 2022

Investment Management | Corporate Finance | Investor Services

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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
OCHA: Office for the Coordination of Humanitarian Affairs
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
TAMA: Tobacco Association of Malawi
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

During the month of September 2022, using the RBM middle rates, the Malawi Kwacha appreciated against British Pound by 4.03%, the South African Rand by 3.20%, and the Euro by 2.52%. The Kwacha was unchanged against the US Dollar and closed the month at K1026.43/US$1.

Owing to a chronic current-account deficit, the Kwacha regularly comes under pressure which has been exacerbated by high global commodity prices. Secondly, lower than expected agricultural production as a result of the tropical cyclones that hit Malawi at the beginning of the year coupled with a rising import bill has worsened the current account deficit. The impact of demand and supply imbalances of foreign currency has resulted in the shortage of key imports such as fuel and fertilizer.

The year-on-year inflation rate for September 2022 stands at 25.90%, a slight increase from the previous month which stood at 25.50%. Despite rising commodity prices, crude oil prices fell for the third consecutive month in September 2022 to US$95.32/b, the lowest monthly value since February 2022. As a result of continued declines in oil prices, on 15th September, the Malawi Energy Regulatory Authority (MERA) adjusted downwards the retail price of petrol by 10.3% to K1,746.0 (or US$1.69) despite that of diesel being maintained at the August 2022 position.

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

Key Economic Risks – Malawi

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

ECONOMIC OVERVIEW

Inflation (Source: NSO)

The headline inflation rate for September 2022 increased to 25.90% from 25.50% recorded in August 2022. This was due to an increase in both food and non-food as can be seen in the table below:

	Sep-22	Aug-22	Sep-21	%Change (1 Months)	%Change (12 Months)
Headline inflation	25.90%	25.50%	8.90%	0.40%	16.60%
Food	33.70%	33.40%	10.20%	0.30%	23.20%
Non-food	18.30%	18.20%	7.20%	0.10%	11.00%

Government Securities (Source: RBM)

During September 2022, the all-type Treasury bill yield increased to 15.06% from 14.66% recorded in August 2022.

Tenor	Sep-22	Aug-22	Sep-21	Change 1 Month	Change 12 Months
91 days	11.00%	10.67%	9.59%	0.33%	1.41%
182 days	15.49%	15.24%	12.98%	0.25%	2.51%
364 days	18.68%	18.06%	14.20%	0.62%	4.48%
All Type	15.06%	14.66%	12.26%	0.40%	2.80%

Total Treasury bill applications for September 2022 stood at K68.84 billion and K59.80 billion was allotted, representing a 13.13% rejection rate. The 364 days paper accounted for the highest subscription rate at 51.56%, followed by the 182 days paper at 47.19%, and the 91 days paper at 1.25%.

During the month of September 2022, the government held Treasury notes auctions of 2-year, 3-year, 5-year 7-year and 10-year tenors. The tenors were at an average yield of 21.21%, 23.10%, 25.00%, 26.58% and 27.50% respectively. There were total applications of K166.25 billion but K166.23 billion was alloted, resulting in a 0.01% rejection rate.

Total maturities for government securities for the month amounted to K63.97 billion resulting in a net withdrawal of K162.06 billion.

Foreign Currency Market (Source: RBM)

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

CURRENCY	Sep-22	Aug-21	Sep-21	% Movement 1 month	% Movement 12 months
MK/USD	1,026.43	1,026.43	815.50	0.00%	-25.87%
MK/GBP	1,175.11	1,224.48	1,096.27	4.03%	-7.19%
MK/ZAR	58.84	60.78	53.89	3.20%	-9.18%
MK/EUR	1,036.93	1,063.78	945.81	2.52%	-9.63%

The official forex reserves for September 2022 decreased to US$357.18 million (1.43 months' worth of import cover) from US$378.89 million (1.52 months of import cover) in August 2022.

Private sector reserves increased to US$408.84 million (1.64 months of import cover) in September 2022 from US$398.43 million (1.59 months of import cover) in August 2022.

As at 30 September 2022, total forex reserves stood at US$766.02 million (3.07 months of import cover) a decrease from US$777.32 million (3.11 months of import cover) registered at the end of August 2022.

	Sep-22 (US$ million)	Aug-22 (US$ million)	Sep-21 (US$ million)	% 1 month change	% 12 months change
Official Reserves	357.18	378.89	521.87	-5.73%	-31.56%
Private Sector	408.84	398.43	386.05	2.61%	5.90%
Total	766.02	777.32	907.92	-1.45%	-15.63%
Import Cover (Months)					
Gross Official	1.43	1.52	2.09	-5.92%	-31.58%
Private Sector	1.64	1.59	1.54	3.14%	6.49%
Total	3.07	3.11	3.63	-1.29%	-15.43%

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

Liquidity levels (excess reserves after Central Bank Operations) in September 2022 increased to a daily average of K21.64 billion from K12.13 billion in August 2022. Access to the Lombard facility (discount window borrowing) during the month under review averaged K27.10 billion a day. This was at an average rate of 14.20% and an average of K19.27 billion was accessed on the Lombard Facility during the month of August 2022 at an average rate of 14.20%.

In September 2022, the overnight borrowing between banks increased to a daily average of K18.81 billion. This was at an average rate of 12.50% and an average of K15.10 billion per day was accessed in August 2022 at an average rate of 12.50%.

The reference rate for September 2022 increased to 13.90% from 13.80% recorded in August 2022.

Stock Market (Source: MSE)

The stock market has been mildly bearish in the month of September 2022, with the Malawi All Share Index (MASI) decreasing by -0.12% to close at 54,389.92 points from 54,454.45 points in August 2022.

The volume of shares traded in September 2022 increased to 560.11 million from 189.42 million traded in the corresponding month in September 2021. The traded value on the shares in September 2022 increased to K14.70 billion (US$14.33 million) from K8.30 billion (US$7.23 million) registered in the corresponding month in September 2021.

The year on year return for the MASI, DSI and FSI increased by 30.90%, 29.46% and 49.21% respectively. The dividend yield for September 2022 increased to 3.65% from 3.04% in September 2021.

Counter	Sep-22	Aug-22	Sep-21	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	51.18	51.14	39.99	0.08%	27.98%
BHL	10.99	11.00	11.00	-0.09%	-0.09%
FMBCH	100.05	108.00	64.49	-7.36%	55.14%
FDHB	14.99	14.00	15.87	7.07%	-5.55%
ICON	11.97	11.98	12.11	-0.08%	-1.16%
ILLOVO	500.01	500.00	265.00	0.00%	88.68%
MPICO	20.67	20.68	21.00	-0.05%	-1.57%
NBM	1160.04	1151.06	676.00	0.78%	71.60%
NBS	22.66	22.72	25.07	-0.26%	-9.61%
NICO	50.96	46.73	55.00	9.05%	-7.35%
NITL	112.00	112.00	80.71	0.00%	38.77%
OMU	1,600.00	1,600.00	2,100.00	0.00%	-23.81%
PCL	2,181.41	2,181.44	1,494.98	0.00%	45.92%
STANDARD	1,840.10	1,840.06	1,250.00	0.00%	47.21%
SUNBIRD	80.02	80.02	90.01	0.00%	-11.10%
TNM	12.01	12.06	23.22	-0.41%	-48.28%
MASI	54,389.92	54,454.45	41,550.15	-0.12%	30.90%
DSI	44,360.30	44,109.31	34,266.54	0.57%	29.46%
FSI	5,154.73	5,548.61	3,454.70	-7.10%	49.21%

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

Published Half Year Financials for 2022 and 2021						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period	**Feb-22**	**Feb-21**	**% Change**	**Feb-22**	**Feb-21**	**% Change**
ILLOVO	9.23	6.12	50.82%	5.56	4.00	39.00%
Period	**Jun-22**	**Jun-21**	**% Change**	**Jun-22**	**Jun-21**	**% Change**
STANDARD	15.84	11.58	36.79%	21.31	28.55	-25.36%
NBM	34.21	22.45	52.38%	49.26	27.84	76.94%
NICO	11.82	7.03	68.24%	1.00	0.75	33.33%
NITL	1.46	1.23	18.85%	0.80	0.60	33.33%
FDH BANK	8.71	4.55	91.36%	0.74	0.33	124.24%
TNM	(1.34)	4.51	-129.71%	0.00	0.18	-100.00%
NBS BANK	5.09	4.40	15.68%	0.85	0.60	41.67%
SUNBIRD	0.40	(0.48)	184.07%	0.00	0.00	0.00%
PCL	15.98	12.87	24.16%	7.00	6.00	0.00%
ICON	4.50	3.10	45.16%	0.12	0.12	0.00%
MPICO	3.16	2.84	11.27%	0.00	0.12	-100.00%
Airtel	8.90	11.35	-21.55%	0.00	0.00	0.00%
BHL	(0.48)	(0.60)	-19.18%	0.00	0.00	0.00%
	Net Profit/(Loss) (ZAR' billion)			**Total Dividend (Per Share) (ZAR)**		
OMU	5.22	2.98	75.00%	0.25	0.25	0.00%
	Net Profit/(Loss) (US$' million)			**Total Dividend (Per Share) (US$)**		
FMBCH	25.20	13.10	92.37%	0.15	0.08	100.00%
TRADING STATEMENT						
ILLOVO	Expects its year ending 31 August 2022 profit after tax to be at least 25% more than the previous corresponding period					

OTHER MARKET DEVELOPMENTS

Food Security Update (Source: FEWSNET)

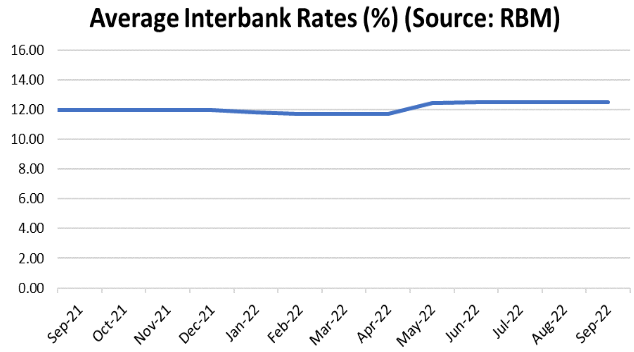
Despite being in the post-harvest period, multiple shocks and existing vulnerabilities are driving Crisis (IPC Phase 3) outcomes in southern Malawi, particularly for poor households with limited income, reduced coping capacity, and marginal household food stocks. The population in need (i.e., Crisis (IPC Phase 3) or worse) is expected to increase after October, including in the Central and Northern regions, as an increasing proportion of poor households deplete household food stocks and face severely limited financial access to food due to high prices.

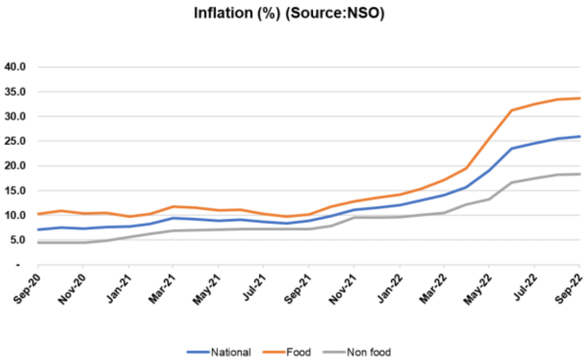
Widespread deterioration to Crisis (IPC Phase 3) outcomes is expected across Malawi's Southern Region from October to January, which overlaps with the lean season. Households in Crisis (IPC Phase 3) likely have limited to no household food stocks and face significant barriers to purchasing food in the markets due to high prices. Households are likely increasing their use of consumption and livelihood-based coping strategies, including reducing the number of meals consumed per day, engaging in atypical labor migration, or selling household assets to purchase food.

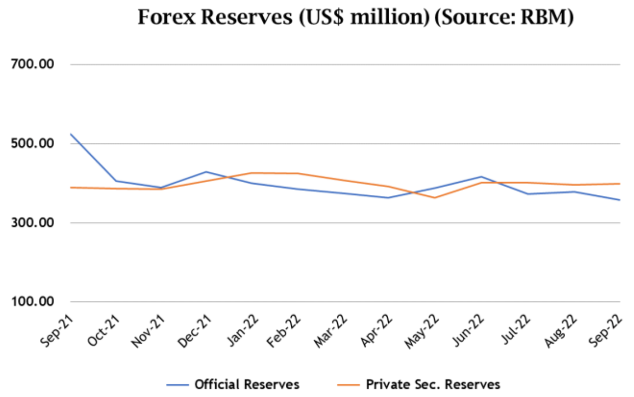
Recent forecasts from FEWS NET science partners and regional and national meteorological agencies indicate diverging rainfall patterns based on regional climate patterns. In northern Malawi, a delayed start to the 2022/23 rainfall season is expected, with below-average rainfall throughout the season. In southern Malawi, timely onset with average to above average precipitation throughout the season is expected. Further, isolated extreme weather events are possible, including the likelihood of above-average cyclone strikes in southern Africa, increasing the risk of flooding in southern Malawi. Overall, the current forecast indicates a positive start to Malawi's 2022/23 agricultural season, with an increased risk of weather shocks. In contrast, below-average performance in northern Malawi will limit crop expectations.

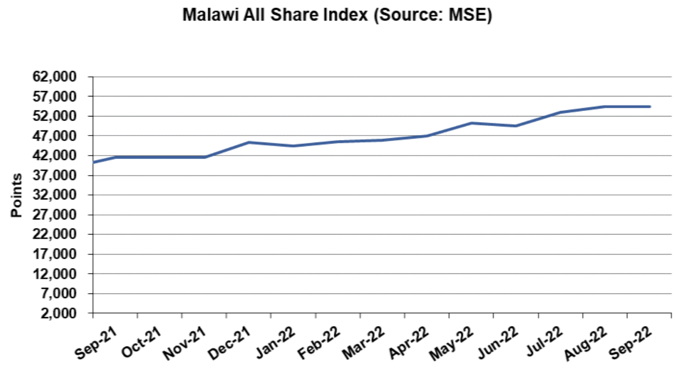
As of September 2022, only 38.0% of funding required for the 2022 Humanitarian Response Plan has been secured, according to the Office of the Coordination of Human Affairs (OCHA) Financial Tracking Service. As a result, humanitarian actors have not yet mobilized enough resources to fully mitigate the impacts of back-to-back tropical storms, significant price increases, and the below-average harvest, particularly in southern Malawi.

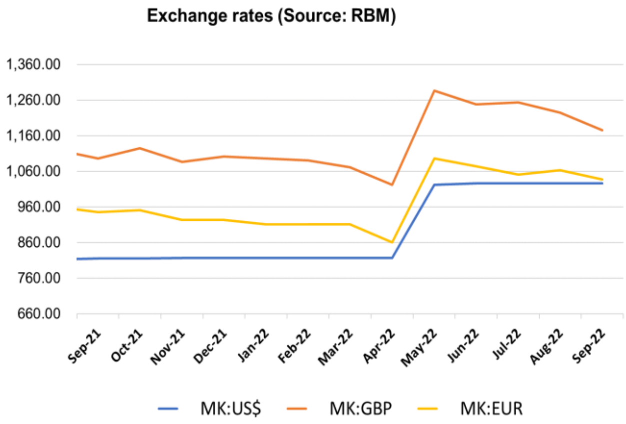
TREND GRAPHS

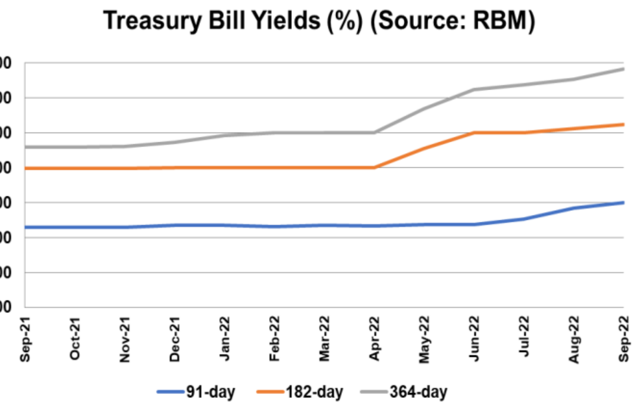












GLOBAL DEVELOPMENTS

Economic Growth

According to the latest World Economic Outlook (WEO) released by the IMF, the global economy is experiencing several turbulent challenges. Inflation is currently higher than seen in several decades, tightening financial conditions in most regions. Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions.

Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and down to 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies. About a third of the world economy faces two consecutive quarters of negative growth.

Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

Risks to the global economic outlook remain to the downside. Monetary policy could miscalculate the right stance to reduce inflation. Policy paths in the largest economies could continue to diverge, leading to further US Dollar appreciation and cross-border tensions. More energy and food price shocks might cause inflation to persist for longer. Global tightening in financing conditions could trigger widespread emerging market debt distress. Halting gas supplies by Russia could depress output in Europe. A resurgence of COVID-19 or new global health scares might further stunt growth. A worsening of China's property sector crisis could spill over to the domestic banking sector and weigh heavily on the country's growth, with negative cross-border effects. And geopolitical fragmentation could impede trade and capital flows, further hindering climate policy cooperation. Warding off these risks starts with monetary policy staying the course to restore price stability. Front-loaded and aggressive monetary tightening is critical to avoid inflation de-anchoring as a result of households and businesses basing their wage and price expectations on their recent inflation experience.

Addressing growing government debt distress caused by lower growth and higher borrowing costs requires a meaningful improvement in debt resolution frameworks. With tightening financial conditions, macroprudential policies should remain on guard against systemic risks. Intensifying structural reforms to improve productivity and economic capacity would ease supply constraints and in doing so support monetary policy in fighting inflation. Policies to fast-track the green energy transition will yield long-term payoffs for energy security and the costs of ongoing climate change. Lastly, successful multilateral cooperation will prevent fragmentation that could reverse the gains in economic well-being from 30 years of economic integration.

Global Oil

The Organization of the Petroleum Exporting Countries (OPEC) has revised down global oil demand growth in 2022 to 0.5 mb/d (million barrels per day) to reflect the recent macroeconomic trends and oil demand developments in various regions. These developments include the extension of China's zero-COVID-19 restrictions in some regions, economic challenges in the Organization of Economic Co-operation and Development (OECD) Europe, and inflationary pressures in other key economies, weighed on oil demand, especially in the second half of 2022. With this, global oil demand for 2022 is now expected to grow by about 2.6 mb/d and world oil demand growth has been revised down to stand at about 2.3 mb/d in 2023.

Non-OPEC liquids supply growth in 2022 is forecast at 1.9 mb/d. Upward revisions in Latin America were more than offset by downward revisions to Other Eurasia, OECD Europe and Other Asian countries.

The main drivers of liquids supply growth for 2022 are expected to be the US, Canada, China, Guyana and Brazil, while production is expected to decline mainly in Norway and Thailand. For 2023, the non-OPEC liquids production growth forecast is adjusted down to 1.5 mb/d. The main drivers for 2023 growth are expected to be the US, Norway, Brazil, Canada, Kazakhstan and Guyana, with oil production declines mainly seen coming from Russia and Mexico. Uncertainty about the geopolitical situation remains high, and there is potential for further US shale liquid production.

In September 2022, crude oil spot prices were under pressure from softer demand in the market with major benchmarks dropping to their lowest monthly average prices since January 2022, amid continuing selloffs in futures and equity markets alongside persistent market volatility. The OPEC Reference Basket (ORB) fell by US$6.58, or 6.5%, to settle at US$95.32/b, its lowest monthly value since February 2022. On a yearly average, the ORB rose year-on-year by US$37.33, or 55.9%, in 2022 to US$104.16/b.

Currency Movements

In September 2022, the European Central Bank (ECB) announced an aggressive 0.75% rate hike to continue to contain rising inflation. This caused a short-term rally, with the Euro able to break above parity and nearly touch 1.02 against the US Dollar, however the gains were short-lived. Shortly after the policy decision, European energy woes went from bad to worse, with a leak detected in the Nordstream 1 pipeline into the Baltic Sea. This forced wholesale gas prices higher and the Euro lower, nearly dropping below 0.96, a new 20-year low against the US Dollar. The ECB MPC meeting has been set for October 27, and a similarly aggressive rate hike is expected. However, this is unlikely to have much bearing on the Euro direction in the current environment, with the US Dollar demand rising due to the perception of it being a safe haven asset and a higher-yielding currency. As the US Federal Reserve remains on course to continue hiking rates, the outlook for the Euro as the continent heads into winter is highly uncertain. The Euro could range between 0.8550-0.8850 against the Pound, and 0.9400-1.01 against the US Dollar in October 2022.

The August inflation reading saw a slight cooling to 9.9% from 10.1% but this was not enough to convince investors of an improving outlook for the UK economy. The Bank of England’s rate hike of 0.50% on 22 September was soon forgotten as the next day the Chancellor of the Exchequer Kwasi Kwarteng revealed the Government’s plans to try to boost growth in the UK. Kwarteng’s emergency mini budget included a swathe of tax cuts, a reversal of the national insurance rise and a pledge to keep corporation tax at current levels. Given the budget would require a huge amount of borrowing, and the UK economy already under threat, the package escalated concerns for the UK’s public finances. As a result, the GBP/USD dropped from around 1.13 to an all-time low of 1.0331. In response, the Bank of England (BOE) stepped in to try to calm markets by buying longer-dated bonds in an effort to lower Government borrowing costs. The markets were later restored as Prime Minister Truss and Kwarteng consulted with the Budget of Office Responsibility and abandoned the top rate tax cut, which prompted a recovery in the Pound back above 1.11. The Pound is expected to range between 1.08-1.15 against the US Dollar in October 2022.

The US Dollar remained strong in September 2022, with demand driven by the consistent narrative from the US Federal Reserve (the Fed) around tackling stubborn inflation, and instability in the global economy. The Fed remains concerned around rising food and energy prices, despite core inflation showing some moderation. In the final week of September, nervous investors rushed to the safe haven of the US Dollar as confidence in global economic growth swiftly deteriorated. The US Dollar Index (DXY), which measures the value of the US Dollar relative to a basket of major currencies, hit 20-year highs of 114 for three consecutive days. The US economy, despite some mixed data, appears better positioned to withstand the painful combination of high inflation and rising interest rates without slipping into stagflation. Though unlikely in the current environment, any data that sows doubt in the resilience of the US economy could cause markets to speculate on a sooner-than-expected pivot on monetary policy from the Fed and a weaker dollar. Any signs of a correction in inflation on October 13 could also have a similar impact. The DXY is expected to range between 110-115 in October 2022.

Global trade

According to the World trade Organization (WTO), trade growth is expected to lose momentum in the second half of 2022 and remain subdued in 2023, as the global economy sustains multiple shocks, such as ripple effects from the war in Ukraine. Global merchandise trade volume is estimated to grow 3.5% in 2022, however, volume will slow to 1.0% in 2023, a sharp decline from the 3.4% previously estimated.

Demand for imports is expected to weaken as growth slows in major economies for different reasons. In Europe, high energy prices resulting from the Russian invasion of Ukraine will squeeze household spending and raise manufacturing costs. In the United States, monetary policy tightening will affect spending in areas where interest rates count, such as housing, motor vehicles and fixed investments. China also continues to struggle with COVID-19 outbreaks and production disruptions coupled with weak external demand. Meanwhile, developing countries could face food insecurity and debt distress as import bills for fuels, food and fertilizers rise. Many currencies have also fallen against the dollar in recent months, another factor that is making food and fuel more expensive.

Ngozi Okonjo-Iweala, the WTO Director-General, stated that policymakers face unenviable choices as they try to find an optimal balance among tackling inflation, maintaining full employment, and advancing important goals such as transitioning to clean energy.

Further, the WTO has cautioned against imposing trade restrictions which would ultimately result in slower growth and lower living standards. While trade restrictions may be a tempting response to the supply vulnerabilities that have been exposed by the shocks of the past two years, a retrenchment of global supply chains would only deepen inflationary pressures, leading to slower economic growth and reduced living standards over time. Iweala reiterated the need for a more diversified and a less concentrated base for producing goods and services. In addition to boosting economic growth, this would contribute to supply resilience and long-term price stability by mitigating exposure to extreme weather events and other localized disruptions. WTO said the Middle East will have the strongest export growth of any region in 2022 at 14.6%, followed by Africa, North America, Asia, Europe, and South America. The region also had the fastest trade volume growth on the import side at 11.1%.

Interest Rate Movements

US Libor rates increased during the month of September 2022 compared to August 2022. The 3 months US Libor increased to close at 3.755% in September 2022 from 3.100% in August 2022, while the US Libor for 6 months increased to 4.232% in September 2022 from 3.661% in August 2022. The US Treasury yield (10-year) increased to close at 3.830% in September 2022 from 3.150% recorded in August 2022.

	Sep-22	Aug-22	Sep-21	Change 1 month	Change 12 months
US Fed Rate	3.250%	2.500%	0.250%	30.000%	3.00%
US Libor (3 months)	3.755%	3.100%	0.130%	0.655%	3.62%
US Libor (6 months)	4.232%	3.661%	0.159%	0.571%	4.07%
US Treasury yield (10 years)	3.830%	3.150%	1.480%	0.680%	2.35%
BOE Rate	2.250%	1.750%	0.100%	0.500%	2.15%
ECB Rate	1.250%	0.000%	0.000%	1.250%	1.250%

(Source: US Federal Reserve, Wall Street Journal)

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

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

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

Zambia

Zambia's headline inflation for the month of September 2022 increased to 9.90% from 9.80% recorded in August 2022. The Zambian Kwacha closed at ZK15.77/US$ in September 2022 compared to ZK15.88/US$ recorded in August 2022. According to the IMF October 2022 Regional Economic Outlook, economic growth in 2022 is projected to average 2.9% and 4.00% in 2023.

Zimbabwe

In September 2022, the headline inflation for Zimbabwe decreased to 280.4% compared to 285% recorded in August 2022. The local currency closed at ZWL$621.53/US$ compared to ZWL$564.83/US$ recorded in August 2022. The International Monetary Fund (IMF) has projected that economic growth will average 3.0% in 2022 and 2.8% in 2023.

Tanzania

Annual headline inflation rate for the month of September 2022 has increased to 4.80% from 4.60% recorded in August 2022. During the month of September 2022, the Tanzanian Shilling further depreciated against the US Dollar and closed at TZS2,307.94/US$ compared to TZS2,305.11/US$ recorded in August 2022. In 2022, economic growth is projected at 4.5% and 5.2% in 2023. This is according to the IMF's October Regional Economic Report.

Uganda

The headline inflation rate for Uganda for September 2022 increased to 10.00% from 9.00% in August 2022. The Ugandan Shilling depreciated against the US Dollar in September 2022 and closed at UGX3,856.30/US$ compared to UGX3,810.74/US$ recorded in August 2022. The IMF, in its' October Regional Economic Outlook report, has projected that economy of Uganda will grow by 4.4% in 2022 and 5.9% in 2023.

South Africa

The annual consumer price inflation for South Africa was 7.50% in September 2022 compared to 7.60% in August 2022. The South African Rand closed at ZAR17.89/US$ in September 2022 against ZAR17.03/US$ in August 2022. The International Monetary Fund (IMF) has projected that economic growth will average 2.1% in 2022 and 1.1% in 2023.

OUTLOOK FOR SEPTEMBER 2022 AND BEYOND – MALAWI

Exchange Rates

During the month of September 2022, using the RBM middle rates, the Malawi Kwacha appreciated against British Pound by 4.03%, the South African Rand by 3.20%, and the Euro by 2.52%. The Kwacha was unchanged against the US Dollar and closed the month at K1026.43/US$1.

Owing to a chronic current-account deficit, the Kwacha regularly comes under pressure which has been exacerbated by high global commodity prices. Secondly, lower than expected agricultural production as a result of the tropical cyclones that hit Malawi at the beginning of the year coupled with a rising import bill has worsened the current account deficit. The impact of demand and supply imbalances of foreign currency has resulted in the shortage of key imports such as fuel and fertilizer.

The value of the Kwacha is expected to continuously be undermined by a large current-account deficit in 2022, with high volatility expected in 2023 owing to the probable transition to a less interventionist exchange-rate regime. According to the Economist Intelligence Unit (EIU), the Kwacha remains overvalued owing to a less than sufficient devaluation in May 2022. The Kwacha traded at about K817/US$1 before the devaluation, and remained weak in August, at about K1,026.41/US$1 and the parallel-market exchange rate premium widened to nearly 40.0%. The EIU expects the exchange rate to reach K1,224.4/US$1 at end-2022, with the average exchange rate standing at K992/US$1 for 2022.

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

Inflation

The year-on-year inflation rate for September 2022 stands at 25.90%, a slight increase from the previous month which stood at 25.50%. Food and Non-Food Inflation rates are at 33.70% and 18.30%, respectively (August 2022: 33.40% and 18.20% respectively).

Despite rising commodity prices, crude oil prices fell for the third consecutive month in September 2022 to US$95.32/b, the lowest monthly value since February 2022. As a result of continued declines in oil prices, on 15th September, the Malawi Energy Regulatory Authority (MERA) adjusted downwards the retail price of petrol by 10.3% to K1,746.0 (or US$1.69) despite that of diesel being maintained at the August 2022 position. Price decreases were also observed in prices of other key commodities, such as urea and di-ammonium phosphate (DAP) fertilizers, crude palm oil and maize. In contrast, wheat and soybean oil registered marginal increases during the same period.

The continued price declines observed in some key commodities on the global markets has offered some relief regarding the trajectory of inflation in the short-term for some economies. However, global inflation remains high, as the effects of the commodity price decreases is yet to pass-through to domestic prices in most countries and commodity prices in 2022 continue to trade significantly higher than in 2021.

In Malawi the price of food continues to soar. Annually, the average price of maize, a staple food commodity in Malawi, has increased by 231.4%. Currently food represents 53.7% of the inflation basket.

According to the EIU, a combination of global and domestic shocks renders monetary policy ineffective in reining in Malawi's inflation, keeping inflationary pressure elevated. For this reason, the EIU have raised their forecast for full-year inflation in 2022, to 22.0%. The government’s forecast is slightly above the EIU’s projection at 23.2%. Global food and fuel price pressures are expected to retreat somewhat in 2023, but the expected rise in electricity tariffs, and the recent increase in domestic maize prices will keep inflation high at 17.6% in 2023. Weather-related shocks are constantly buffeting Malawi's agriculture sector and remains a prominent risk to the inflation forecast.

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

External Sector

The EIU forecasts that the trade deficit will surge to 25.9% in 2022 from 12.2% in 2021, before gradually narrowing over the forecast period, to 10.2% of GDP in 2026. The fundamental driver of the large current-account deficit in 2022 will be an atypically high import bill, attributed to food and fuel. Imports should be lower in subsequent years as global prices for both generally retreat from multi-year highs and as devaluation takes effect, suppressing imports. Exports are dominated by tobacco, production of which has been heavily affected by weather shocks, causing a 13.0% decline in expected tobacco export revenue in 2022. A deficit will continue to be recorded on the services account, but a gradual recovery in tourism will support services exports and substantially rein in the services deficit. The large deficit on the primary income account is expected to widen throughout 2022-26 as the mining sector recovers and profits are repatriated by foreign companies investing in the sector. In 2022 the surplus on the secondary income account is expected to fall back to pre-pandemic levels.

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

At the Monetary Policy Committee's (MPC) latest committee meeting held in July 2022, RBM maintained its benchmark policy rate at 14.0%, adjusted from 12.0% at the April 2022 meeting. The authorities highlighted the need to allow the previous rate hike to transmit through the economy. Malawi's year-on-year inflation climbed to 25.5% in August 2022 and is likely to continue trending upwards over the year owing to pandemic-related supply-chain disruptions and the impact on global commodity prices of the Russia-Ukraine war. Inflation is expected to remain well above the RBM's target range (3-7%) throughout the forecast period, and the policy rate is expected to rise further, to 15.0% by 2023. Real short-term interest rates, which are negative in 2022, are expected to turn positive in 2023 in line with monetary policy tightening. The next MPC meeting will be held between 27 – 28 October 2022, where the committee will decide whether to maintain or adjust rates based on the inflation trajectory.

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

Fiscal Policy

Malawi is expected to continue to run a large fiscal deficit throughout the forecast period, although the need for IMF financing will encourage the government to stick to a fiscal consolidation path. Firming GDP growth will also support revenue flows over 2022-26. The EIU expects that the fiscal deficit will be equivalent to 10.0% of GDP in fiscal year 2021/22 (July-June), then narrow gradually to 5.7% of GDP in 2025/26.

From 2022/23 a recovery in agriculture and tourism will build, allowing the tax base to expand and improving revenue collection. Government expenditure will begin the forecast period at a relatively high 30.9% of GDP in 2021/22. However, an IMF program would require the government to reduce subsidies to restore fiscal sustainability. State enterprises such as ADMARC have already started to charge cost-reflective prices, and ESCOM is planning to increase tariffs to avoid bailouts from the central government. These measures are expected to ease fiscal pressure from 2022/23 onwards. The forecast also assumes that expenditure will decline as a proportion of GDP in the early years of an IMF program, before building once again in 2025 in the run-up to the presidential election.

Budget deficits will largely be financed by domestic debt. Following external and fiscal deficits over many years, financed by increased commercial borrowing, the IMF has postponed a planned mission to Malawi to allow further discussions on the treatment of its debt. Malawi needs IMF funding to help alleviate foreign exchange shortages. The paucity of foreign currency forced the central bank to devalue the Kwacha by 25.00% in May 2022. Since then, inflation has surged to 25.50% in August 2022, from 11.50% at the start of the year. Despite this, the IMF's policies bar it from bailing out countries with unsustainable debt, unless they have taken steps to restore it to viable levels. Malawi's total external debt stood at US$3.64 billion at the end of March 2022. Its foreign loans include US$254.0 million from the Export-Import Bank of China, US$1.57 billion from the World Bank and the IMF, and US$460.7 million from the African Export-Import Bank (Afrexim). The IMF projects Malawi's debt to GDP ratio to increase to 74.5% in 2023, indicating that Malawi's external debt and public debt are both at high risk of debt distress.

The primary deficit and non-interest current account deficit continue to be the main drivers of public and external debt, respectively. Interest expense is expected to increase significantly in FY2022/23 to more than 4.60% of GDP, more than the Government spends on any individual sector. Domestic interest rates remain high and are still increasing, which could push payments beyond their projected levels.

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

Economic Growth

Real GDP Growth Projections				
	2019	2020	2021	2022
EIU	4.10%	-1.00%	2.70%	1.80%
IMF	4.00%	0.60%	2.20%	0.90%
WORLD BANK	4.40%	1.00%	2.80%	2.10%
GOVERNMENT	5.10%	0.90%	3.90%	1.70%
Average Real GDP	**4.40%**	**0.38%**	**2.90%**	**1.63%**

(Source: EIU, IMF, WBG, MoF)

Based on various institutions' projections, the economy is expected to grow by an estimated average of 1.63% in 2022. The government's 2022 projection of GDP growth has been revised down to 1.70% from 4.10% which was projected earlier. The IMF revised its forecast downward to 0.90% from 2.70% and the WBG to 2.10%. The EIU has applied a second downward revision to the growth forecast to 1.8%. Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing and a poor business environment that erodes investor confidence. In the light of slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a large rise in local interest rates in the face of soaring inflation will slow growth in 2022.

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

Later in 2022 construction work is expected to begin on the 300.0 MW Kamwamba power plant project, although completion and commissioning of the plant would be unlikely before 2025. Nevertheless, if it gets the go-ahead, work on the project will contribute to higher economic growth in 2023, which is forecast at 3.0%. In the medium term, tourism is expected to recover from the pandemic related shocks and the commercialization of agriculture ramps up, which will provide major productivity gains. Investor confidence in Malawi is expected to improve as soon as Malawi receives an IMF program. From 2023 the contribution of the mining sector to GDP will steadily increase, although it will be faced with constraints from high operating costs, limited electricity supply and fluctuations in global demand.

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

ECONOMIC RISKS

ECONOMIC RISK	IMPACT ON ECONOMY	MITIGATING MEASURES
Russia – Ukraine Conflict	1. Disruptions to supply chains 2. Rising global commodity prices 3. Imported inflation 4. Reduced fiscal space	1. Diversifying supply chains 2. Increasing strategic reserves of volatile commodities 3. Robust monetary policy framework 4. Stringent fiscal consolidation framework
Coronavirus Pandemic	1. Unbudgeted government expenditure putting pressure on fiscal discipline. 2. Increases in commodity and service prices e.g. transportation. 3. Loss of human capital as result of death and illness. 4. Disruptions in supply chains. 5. Rising income inequality. 6. Rising unemployment especially in tourism sector.	1. Sensitising people on the dangers of the virus and practice social distancing and wearing masks. 2. Increased uptake of vaccinations.
Increase in government debt	1. Creates a future obligation for government which may keep the budget deficit large. 2. Crowds out the private sector, reducing the expansion of the private sector as funds are not available.	1. Reduce government expenditure by tightening fiscal policy. 2. Increase government revenue base to finance debt. 3. Ensure tax compliance
Global tobacco lobby (anti-smoking)	1. Decline in demand for Malawi tobacco and services from supporting industries resulting in lower commodity prices. 2. Reduction in export earnings (tobacco accounts for 60% of Malawi's export earnings). 3. Reduced employment opportunities in the tobacco and supporting industry. 4. Lower income for farmers- small holder and commercial.	1. Diversify into other sectors such as mining and cotton etc. 2. Engage in aggressive tourism marketing and investment.
Insufficient power supply	1. Commercial productivity remains small scale as large-scale enterprises are difficult to implement with limited power supply. 2. Low industrial productivity in the 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 of family planning methods.
Uncertainty in the external environment Uncertainty in the external environment	1. Dampening export demand for major export commodities i.e. tobacco, tea, cotton and sugar. 2. Declining investor interest in Malawi resulting in fewer investments, hence less foreign currency coming into the country. 3. Declining remittances from abroad, hence contributing to lower forex levels. 4. Reduced access to foreign capital, hence financing not available or difficulties in accessing letters of credit. 5. Impaired growth and Balance of Payments (BOP) due to declining exports and low foreign investments. 6. Decline in tourism levels leading to lower forex revenues.	1. Diversification of export base of products. 2. Diversify away from agricultural production, focus more on value added goods, manufacturing and service sector products where the country has a comparative advantage.

APPENDIX

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

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
MK : US$	815.50	815.50	816.40	816.40	816.40	816.40	816.40	816.64	1,021.66	1,026.43	1,026.43	1,026.43	1,026.43
MK : GBP	1,096.27	1,124.41	1,087.28	1,102.14	1,095.94	1,090.96	1,071.04	1,021.70	1,286.47	1,232.13	1,253.69	1,224.48	1,175.11
MK : ZAR	53.89	53.83	50.38	51.35	52.49	53.31	56.27	51.45	65.82	61.31	62.49	60.78	58.84
MK : EUR	945.81	951.60	923.59	924.25	911.51	911.59	911.18	860.17	1,096.85	1,042.24	1,050.97	1,063.78	1,036.93
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	521.87	405.66	389.26	429.17	399.98	385.40	374.48	363.27	388.22	415.73	372.99	378.89	357.18
Private Sector Reserves (US$'mn)	386.05	384.75	404.81	425.52	424.49	407.22	391.49	362.84	401.13	401.60	396.02	398.43	408.84
Total Reserves (US$'mn)	907.92	790.41	794.41	854.69	824.47	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02
Total Import Cover (months)	3.63	3.16	3.18	3.42	3.30	3..17	3.07	2.90	3.15	3.27	3.07	3.11	3.07
Inflation (NSO)													
Headline Inflation	8.90	9.80	11.10	11.50	12.10	13.00	14.10	15.70	19.10	23.50	24.60	25.50	25.90
Food	10.20	11.80	12.80	13.60	14.20	15.30	17.10	19.50	25.50	31.20	32.50	33.40	33.70
Non Food	7.20	7.80	9.50	9.50	9.60	10.10	10.50	12.20	13.20	16.60	17.50	18.20	18.30
Interbank Rates (Source: RBM)													
Monetary Policy Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Average Interbank Rate	11.98%	11.98%	11.98%	11.98%	11.79%	11.70%	11.70%	12.96%	12.42%	12.48%	12.50%	12.50%	12.50%
Average Base Lending Rates	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	13.50%	13.50%	13.80%	13.90%	13.80%	13.90%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.34%	9.60%	9.60%	9.69%	9.70%	9.70%	9.71%	9.65%	9.75%	9.75%	10.07%	10.67%	11.00%
182 day Treasury Bill yield	12.98%	12.80%	12.80%	13.00%	13.00%	13.00%	13.00%	13.00%	14.10%	15.00%	15.00%	15.24%	15.49%
364 day Treasury Bill yield	14.20%	14.20%	14.22%	14.47%	14.84%	15.00%	15.00%	15.00%	16.38%	17.04%	17.74%	18.06%	18.68%
Stock Market Indices (Point) (Source: MSE)													
MASI	41,550.15	41,458.37	41,565.98	45,367.68	44,501.63	45,472.09	45,921.23	46,934.16	50,300.44	49,596.14	52,889.87	54,454.45	54,389.92
DSI	34,266.54	34,188.36	34,284.11	34,284.11	36,322.34	37,186.63	37,584.34	37,283.40	39,037.30	39,011.21	42,717.13	44,109.31	44,360.30
FSI	3,454.70	3,450.25	3,450.24	3,450.24	4,183.22	4,182.23	4,184.71	5,720.11	7,305.55	6,538.52	5,548.61	5,548.61	5,154.73
Fuel Prices per Litre (Source: MERA)													
Petrol	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00	1,999.00	1,999.00	1,946.00	1,946.00
Diesel	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,120.00	1,121.12	1,920.00	1,920.00	1,920.00
Paraffin	833.20	833.20	833.20	833.20	833.20	833.20	833.20	833.20	833.20	900.38	1,261.00	1,261.00	1,261.00

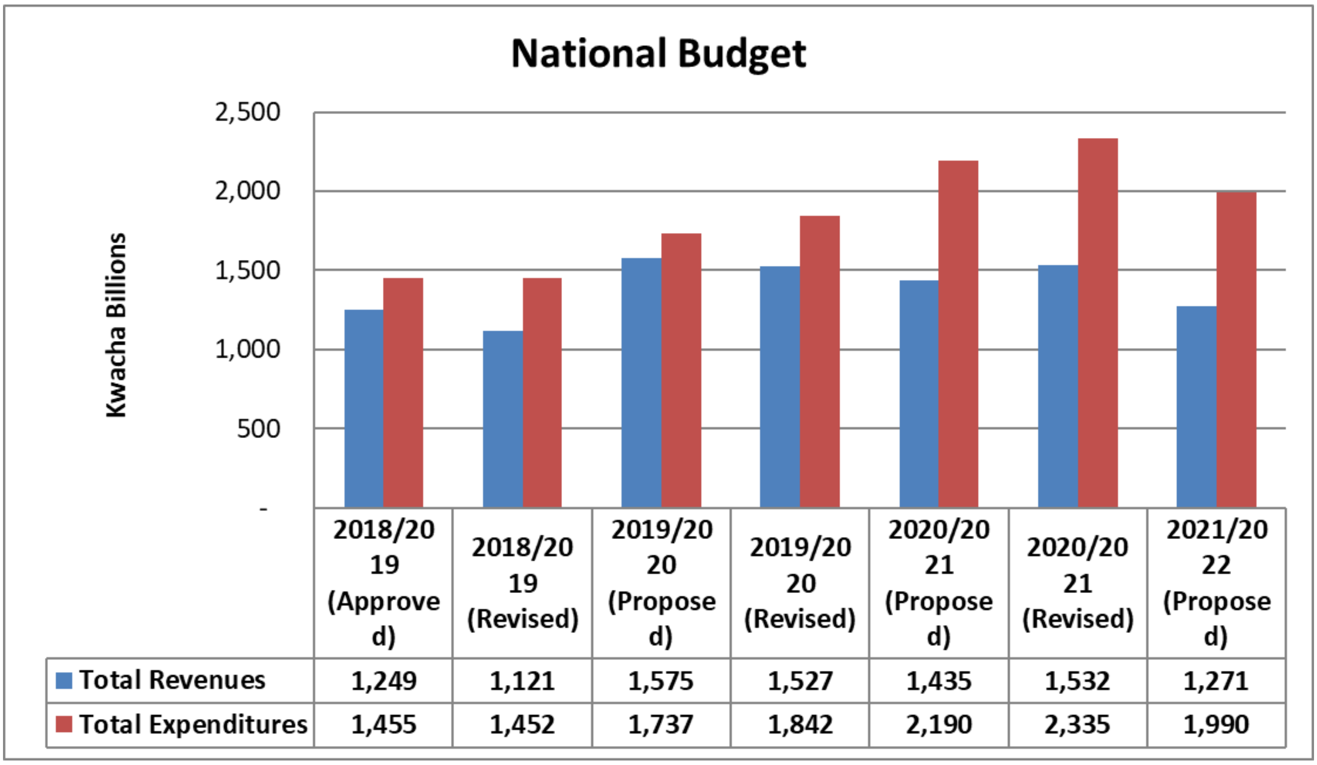
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
TANZANIA													
Exchange rate													
US$	2,297.27	2,296.90	2,294.20	2,297.81	2,298.11	2,298.53	2,298.51	2,298.85	2,300.70	2,304.20	2,304.47	2,305.11	2,307.94
GBP	3,092.82	3,098.00	3,061.03	3,104.45	3,074.52	3,254.96	3,023.93	2,865.98	2,907.40	2,817.34	2,796.93	2,700.67	2,524.66
ZAR	152.13	152.37	141.25	144.63	147.00	159.43	158.91	144.49	144.49	142.88	137.93	137.21	128.45
EUR	2,674.71	2,668.37	2,294.96	2,606.29	2,558.94	2,807.20	2,807.20	2,414.72	2,475.10	2,434.15	2,340.19	2,313.18	2,244.24
Inflation %	4.00	4.00	4.10	4.20	4.00	4.20	3.60	3.80	4.00	4.40	4.50	4.60	4.80
UGANDA													
Exchange rate													
US$	3,539.09	3,555.52	3,569.09	3549.3	3509.96	3538.96	3590.48	3561.43	3739.96	3759.35	3868.26	3810.74	3856.3
GBP	4,790.97	4,906.97	4,759.42	4786.65	4700.00	4697.94	4716.25	4452.90	4583.28	4586.81	4653.83	4493.80	4143.44
EUR	4,131.55	4,152.67	4,039.72	4028.26	3913.44	3931.74	3984.99	3744.93	3940.94	3953.47	3915.24	3816.46	3713.34
Inflation %	2.20	1.90	2.60	2.90	2.70	3.20	3.70	4.90	6.30	6.80	7.90	9.00	10.00
Central Bank Rate %	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	7.50	8.50	9.00	9.00
ZAMBIA													
Exchange rate													
US$	16.78	17.26	17.83	16.69	18.05	17.76	18.07	17.03	17.28	16.96	16.37	15.88	15.77
GBP	22.60	23.74	23.78	29.12	24.22	23.81	23.71	21.37	21.71	20.58	19.76	18.50	17.45
ZAR	1.11	1.13	1.12	1.04	1.16	1.15	1.24	1.08	1.10	1.03	0.99	0.93	0.88
Inflation %	24.10	20.07	19.30	16.40	15.10	14.20	13.10	11.50	10.20	9.70	9.90	9.80	9.90
Central Bank Rate %	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Mozambique													
US$	63.83	63.83	63.83	63.83	63.83	63.83	63.83	63.83	63.83	63.87	63.87	63.87	63.87
ZAR	4.41	4.05	4.06	4.20	4.22	4.33	4.00	4.05	4.00	3.88	3.94	3.59	3.54
EUR	74.30	71.95	72.12	72.28	72.56	70.18	67.39	68.38	67.27	65.36	65.79	62.32	62.96
Inflation%	6.04	6.42	6.80	6.70	7.80	6.84	6.70	7.90	9.31	10.81	11.77	12.10	12.01

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

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

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



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

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

Category	2021						2022						
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July
Total Revenues	**112.5**	**130.1**	**125.8**	**130.8**	**117.3**	**130.3**	**144.1**	**159.9**	**167.4**	**140.7**	**128.7**	**149.4**	**157.8**
Domestic Revenues	107.6	109.9	114.9	121.6	103.0	119.8	129.5	112.4	157.1	130.9	119.4	131.6	134.3
Tax Revenue	103.1	106.1	109.1	116.5	99.3	104.1	116.3	100.4	105.9	123.6	107.8	112.5	130.4
Non -Tax revenue	4.6	3.7	5.8	5.1	3.7	5.1	13.1	12.0	51.3	7.3	11.6	19.1	3.9
Departmental receipts	3.5	2.6	3.8	4.5	2.7	10.5	12.3	3.0	14.6	5.6	7.4	7.9	3.3
Other Receipts	1.0	1.1	2.0	0.7	1.0	-5.4	0.8	9.0	36.7	1.7	4.2	11.8	0.6
Grants	4.9	20.3	10.9	9.1	14.3	10.5	14.6	47.5	10.2	9.8	9.3	17.8	23.5
Total Expenditures	**159.3**	**139.7**	**192.5**	**210.2**	**189.4**	**227.0**	**142.0**	**276.2**	**208.6**	**267.8**	**220.4**	**223.4**	**211.1**
Recurrent Expenditure	138.3	121.2	163.1	194.6	145.3	206.6	123.7	210.8	170.1	227.3	193.6	197.3	172.5
Interest Payments	19.6	25.1	25.7	27.5	42.9	51.1	25.3	26.7	26.8	37.8	58.8	56.7	25.4
Domestic	19.5	22.9	22.0	26.7	42.0	49.8	24.0	25.6	25.6	35.3	57.4	52.2	24.9
Foreign	0.1	2.2	3.7	0.8	0.9	1.3	1.3	1.0	1.3	2.4	1.4	4.5	0.5
Development	21.0	18.5	29.5	15.6	44.2	20.4	18.4	65.3	38.5	40.5	26.8	26.2	38.6
Deficit/Surplus	**-46.8**	**-9.6**	**-66.7**	**-79.5**	**-72.1**	**-96.7**	**2.1**	**-116.2**	**-41.2**	**-127.0**	**-91.2**	**-74.0**	**-53.4**
Financing (net)	50.9	18.0	66.9	88.3	56.3	96.7	-2.1	116.2	41.2	127.0	91.2	127.6	52.8
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.1	-2.2	-3.3	-6.5	0.0	0.0
Domestic	50.9	18.0	66.9	88.3	56.3	96.7	-2.1	118.3	43.4	130.3	97.6	127.6	52.8
Banking System	63.4	10.6	58.7	181.7	49.8	89.4	-2.3	106.7	68.4	79.6	-33.8	84.7	45.3
Non-Bank Sector	-12.5	7.4	11.2	-100.4	6.5	19.3	19.5	15.8	49.8	30.4	14.3	15.4	7.5
Errors and Omissions	4.1	8.5	3.2	8.8	-15.8	12	19.3	6.3	77	-17.1	-110.7	27.5	0.0

Source: Reserve Bank of Malawi

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

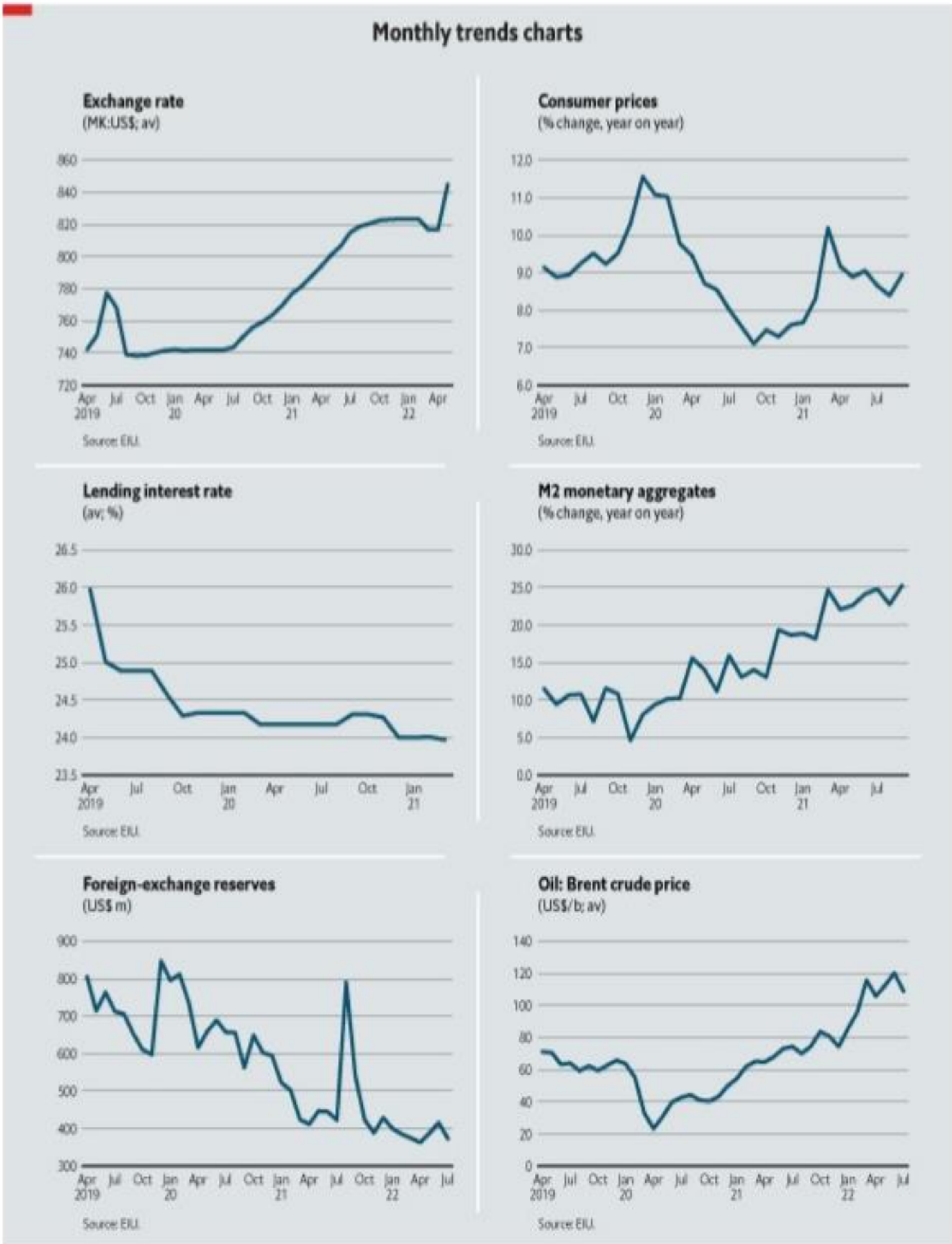
Table 8: Selected Economic Indicators (in MK' billion, unless otherwise stated)

	2014	2015	2016	2017	2018	2019	2020	2021	2021 Jul	2022 Jul
Real Sector[3]										
Population (million)	15.8	16.3	16.8	17.4	17.9	18.5	19.1	19.5	19.5	19.9
GDP at current market prices	2,534.5	3,212.7	3,812.6	6,531.2	7,234.9	8,239.6	8,821.3	9,943.9	9,943.9	12,004.8
Real GDP growth (percent)	6.2	3.3	2.7	5.1	4.4	5.7	0.8	4.2	4.2	1.7
GDP per capita (K'000)	160.4	197.1	226.9	266.8	403.5	445.2	461.85	509.95	509.95	603.26
GDP per capita (US$)	378.0	394.5	318.1	365.4	550.9	597.1	616.18	632.77	632.77	665.78
Consumer Price Index (CPI)4	157.6	192.0	233.7	260.7	104.7	114.5	124.4	136.0	130.3	110.3
Year-on-year inflation rate (percent)	23.8	21.9	21.7	11.5	9.2	9.4	8.6	9.3	8.7	24.6
Fiscal Sector										
Total Revenue	535.9	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0	1,141.5	112.5	157.8
Domestic Revenues	483.0	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	107.6	134.3
Grants	52.9	47.1	67.0	87.9	90.5	145.0	206.1	151.8	4.9	23.5
Total expenditure	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1655.5	159.3	211.1
Recurrent	534.4	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	138.3	172.5
Development	58.7	95.5	131.8	163.0	196.9	204.3	247.4	670.8	21.0	38.6
Deficit/GDP ratio (after grants)	-2.6	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-0.5	-0.4
Monetary Sector										
Net Foreign Assets	241.6	339.5	355.8	455.7	250.5	331.9	-182.9	-405.9	-492.7	-510.7
Net Domestic Credit	458.2	604.4	755.0	937.8	1,300.7	1,433.1	1,849.7	2691.0	2,425.5	3,130.7
Government	153.4	209.0	337.5	519.9	744.1	700.5	976.9	1608.8	1,271.7	1,882.6
Statutory bodies	4.3	5.1	9.2	8.1	34.1	48.2	50.6	205.3	240.1	222.3
Private (gross)	300.5	390.3	408.3	409.8	493.2	595.0	692.8	821.9	775.7	959.2
Money Supply (M2)	629.8	778.8	897.3	1,074.4	1,198.3	1,320.4	1,541.4	2004.4	1,815.6	2,441.9
M2 Growth Rate (annual percent)	20.7	23.7	15.2	19.7	11.5	10.2	16.7	30.0	23.8	34.5
Reserve Money	212.3	206.0	240.6	278.9	289.8	303.4	342.1	449.4	411.3	550.0
Banks Deposits	92.4	66.0	56.2	78.2	59.6	26.0	57.3	89.3	61.2	91.3
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	1,591.8	..	..
Exports (fob)	600.9	531.6	737.5	611.2	814.5	975.4	838.3	788.0	95.9	90.8
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	196.6	275.9
Trade balance	-570.4	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,542.2	-100.6	-185.1
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	593.6	994.0	769.0
Official	276.6	445.3	438.6	549.9	548.2	605.5	437.2	346.5	604.5	373.0
Commercial banks	113.0	103.9	148.1	189.5	111.9	95.2	188.9	247.1	389.5	396.0
Import cover (Official reserves in months)	3.1	3.2	2.9	3.6	3.6	3.9	2.7	1.7	2.4	1.5
Current account balance/GDP (percent)	-19.7	-17.1	-19.1	-23.5	-17.3	-15.1	-12.7	13.0	..	..
Debt/GDP (percent)	49.7	52.8	66.7	61.3	62.7	45.0	53.8	58.8	..	..
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	817.43	1035.03
MK/US Dollar (pd avg)	369.181	499.607	713.85	726.65	732.33	742.23	749.53	805.90	815.06	1033.93

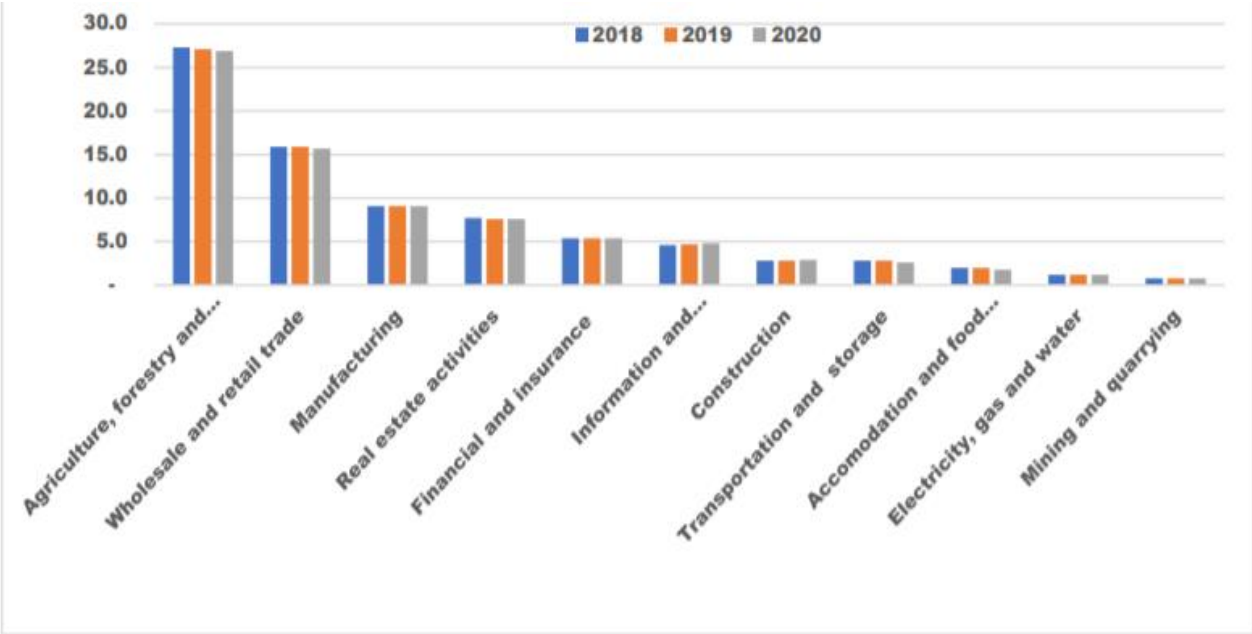
Source: National Statistical Office, Reserve Bank of Malawi and Ministry of Finance and Economic Affairs.

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

Monthly trends charts



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



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

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

Economic growth

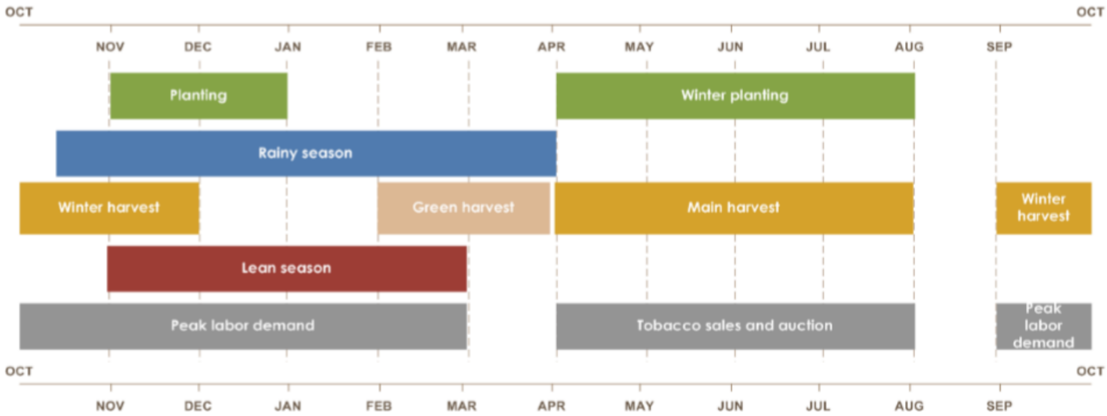
%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	5.8[c]	1.8	3.0	3.5	3.8	4.0
Private consumption	2.0	1.2	2.5	3.0	3.1	3.2
Government consumption	2.0	2.0	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	4.0	5.5	5.6	5.7	5.8
Exports of goods & services	4.8	3.6	4.4	4.8	5.1	5.5
Imports of goods & services	3.0	3.0	4.0	4.3	4.5	4.7
Domestic demand	2.3	1.6	2.9	3.3	3.5	3.5
Agriculture	2.4	1.9	2.6	3.0	3.5	3.9
Industry	3.2	1.9	2.6	2.7	3.0	3.3
Services	4.8	1.8	3.3	4.0	4.2	4.3

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

Appendix 9: Global Projections (Source: IMF)

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

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



Source: *FEWS NET*

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- Company valuation
- Mergers and Acquisitions
- Company set up

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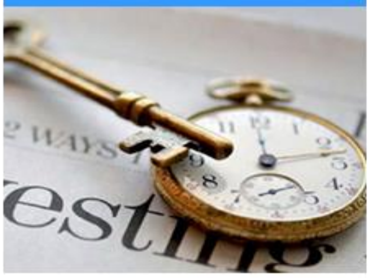

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