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MONTHLY ECONOMIC REPORT

OCTOBER 2022

Investment Management | Corporate Finance | Investor Services

Contents

LIST OF ACRONYMS

ADF: African Development Fund
AfDB: African Development Bank
BOE: Bank of England
BHL: Blantyre Hotels Plc
BWB: Blantyre Water Board
CPI: Consumer Price Index
DSI: Domestic Share Index
ECB: European Central Bank
ECF: Extended Credit Facility
EIU: Economist Intelligence Unit
ESCOM: Electricity Supply Corporation of Malawi
EU: European Union
EUR: Euro
FEWS NET: Famine Early Warning Systems Network
FAO-GIEWS: Food and Agricultural Organization Global Information and Early Warning System
FISP: Farm Input Subsidy Program
FMBCH: FMB Capital Holdings Plc
FOB: Free On Board
FSI: Foreign Share Index
GBP: British Pound
GDP: Gross Domestic Product
GFS: Government Finance Statistics
IDA: International Development Association
IFAD: International Fund for Agricultural Development
IFPRI: International Food Policy Research Institute
IMF: International Monetary Fund
MASI: Malawi All Share Index
MASL: Meters Above Sea Level
MB/D: Million barrels per day
MERA: Malawi Energy Regulatory Authority
MITC: Malawi Investment and Trade Center
MK: Malawi Kwacha
MPC: Monetary Policy Committee
MSE: Malawi Stock Exchange
MT: Metric Tonnes
MRA: Malawi Revenue Authority
MVAC: Mobile Vulnerability Assessment Committee
MW: Mega Watts
NBM: National Bank of Malawi Plc
NBS: NBS Bank Plc
NGOs: Non-Governmental Organisations
NICO: NICO Holdings Plc
NITL: National Investment Trust Plc
NSO: National Statistical Office
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
RCF: Rapid Credit Facility

EXECUTIVE SUMMARY

Economic Outlook — Malawi

During the month of October 2022, using the RBM middle rates, the Malawi Kwacha appreciated against the South African Rand by 1.36%, but depreciated against the Euro and the British Pound by 1.33% and 4.22% respectively. 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. Although Malawi has introduced several initiatives to improve the export base through its National Export Strategy (NES II) and the MIP-1 Pillars, the successful implementation of these plans depends on the availability of funding, transparency, business environment and the impacts of external shocks. Secondly, the implementation of the strategies may take longer than five years to achieve.

The Monetary Policy Committee (MPC), at its meeting held on 25th and 26th October 2022, decided to raise the Policy rate by 400 basis points to 18.0%. Meanwhile, the Committee decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign currency denominated deposits at 3.75%. This decision was deemed necessary to restore price stability, which is essential for reviving and sustaining high economic growth.

The year-on-year inflation rate for October 2022 stands at 26.7%, up from 25.9% in the previous month. Food and Non-Food Inflation rates are at 34.5% and 18.6%, respectively (September 2022: 33.7% and 18.3% respectively).

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 October 2022 increased to 26.70% from 25.90% recorded in September 2022. This was due to an increase in both food and non-food as can be seen in the table below:

	Oct-22	Sep-22	Oct-21	%Change (1 Months)	%Change (12 Months)
Headline inflation	26.70%	25.90%	9.80%	-0.80%	-16.90%
Food	34.50%	33.70%	11.80%	-0.80%	-22.70%
Non-food	18.60%	18.30%	7.80%	-0.30%	-10.80%

Government Securities (Source: RBM)

During October 2022, the all-type Treasury bill yield increased to 15.08% from 15.06% recorded in September 2022.

Tenor	Oct-22	Sep-22	Oct-21	Change 1 Month	Change 12 Months
91 days	11.00%	11.00%	9.60%	0.00%	1.40%
182 days	15.48%	15.49%	12.98%	-0.01%	2.50%
364 days	18.75%	18.68%	14.20%	0.07%	4.55%
All Type	15.08%	15.06%	12.26%	0.02%	2.82%

Total Treasury bill applications for October 2022 stood at K27.64 billion and K25.95 billion was allotted, representing a 6.09% rejection rate. The 364 days paper accounted for the highest subscription rate at 91.49%, followed by the 182 days paper at 7.39%, and the 91 days paper at 1.13%.

During the month of October 2022, the government held Treasury notes auctions of 2-year, 5-year 7-year and 10-year tenors. The tenors were at an average yield of 21.50%, 25.00%, 26.50%, and 27.50% respectively. There were total applications of K161.30 billion and K161.30 billion was alloted, resulting in a nil rejection rate.

Total maturities for government securities for the month amounted to K97.01 billion resulting in a net withdrawal of K90.24 billion.

Foreign Currency Market (Source: RBM)

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

CURRENCY	Oct-22	Sep-21	Oct-21	% Movement 1 month	% Movement 12 months
MK/USD	1,026.43	1,026.43	815.50	0.00%	-25.87%
MK/GBP	1,224.69	1,175.11	1,124.41	-4.22%	-8.92%
MK/ZAR	58.04	58.84	53.83	1.36%	-7.83%
MK/EUR	1,050.67	1,036.93	951.60	-1.33%	-10.41%

The official forex reserves for October 2022 decreased to US$326.06 million (1.30 months' worth of import cover) from US$357.18 million (1.43 months of import cover) in September 2022.

Private sector reserves increased to US$427.67 million (1.71 months of import cover) in October 2022 from US$408.84 million (1.64 months of import cover) in September 2022.

As at 30 October 2022, total forex reserves stood at US$753.70 million (2.47 months of import cover) a decrease from US$766.02 million (3.07 months of import cover) registered at the end of September 2022.

	Oct-22 (US$ million)	Sep-22 (US$ million)	Oct-21 (US$ million)	% 1 month change	% 12 months change
Official Reserves	326.06	357.18	405.66	-8.71%	-19.62%
Private Sector	427.67	408.84	384.75	4.61%	11.16%
Total	753.73	766.02	790.41	-1.60%	-4.64%
Import Cover (Months)					
Gross Official	1.30	1.43	1.62	-9.09%	-19.75%
Private Sector	1.71	1.64	1.54	4.27%	11.04%
Total	3.01	3.07	3.16	-1.95%	-4.75%

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

Liquidity levels (excess reserves after Central Bank Operations) in October 2022 decreased to a daily average of K7.40 billion from K21.64 billion in September 2022. Access to the Lombard facility (discount window borrowing) during the month under review averaged K31.52 billion a day. This was at an average rate of 14.42% and an average of K27.10 billion was accessed on the Lombard Facility during the month of September 2022 at an average rate of 14.20%.

In October 2022, the overnight borrowing between banks increased to a daily average of K22.46 billion.

This was at an average rate of 12.63% and an average of K18.81 billion per day was accessed in September 2022 at an average rate of 12.50%.

The reference rate for October 2022 remained constant at 13.90%.

Stock Market (Source: MSE)

The stock market has been mildly bullish in the month of October 2022, with the Malawi All Share Index (MASI) increasing by 1.21% to close at 55,046.26 points from 54,389.92 points in September 2022.

The volume of shares traded in October 2022 decreased to 68.42 million from 157.19 million traded in the corresponding month in September 2022. The traded value on the shares in October 2022 increased to K5.68 billion (US$5.54 million) from K4.55 billion (US$4.44 million) registered in the corresponding month in September 2022.

The year on year return for the MASI, DSI and FSI increased by 32.77%, 29.75% and 49.40% respectively. The dividend yield for October 2022 increased to 3.61% from 3.05% in October 2021.

Counter	Oct-22	Sep-22	Oct-21	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	51.26	51.18	38.31	0.16%	33.80%
BHL	10.99	10.99	11.00	0.00%	-0.09%
FMBCH	100.07	100.05	64.40	0.02%	55.39%
FDHB	14.86	14.99	16.05	-0.87%	-7.41%
ICON	11.97	11.97	12.95	0.00%	-7.57%
ILLOVO	500.10	500.10	265.00	0.00%	88.72%
MPICO	20.67	20.67	21.00	0.00%	-1.57%
NBM	1230.00	1160.04	701.02	6.03%	75.46%
NBS	22.62	22.66	22.98	-0.18%	-1.57%
NICO	50.96	50.96	55.00	0.00%	-7.35%
NITL	125.00	112.00	94.99	11.61%	31.59%
OMU	1,156.00	1,600.00	2,100.00	-27.75%	-44.95%
PCL	2,181.38	2,181.41	1,494.95	-0.001%	45.92%
STANDARD	1,841.04	1,840.10	1,250.00	0.05%	47.28%
SUNBIRD	92.03	80.02	90.00	15.01%	2.26%
TNM	12.01	12.01	23.16	0.00%	-48.14%
MASI	55,046.26	54,389.92	41,458.37	1.21%	32.77%
DSI	44,986.52	44,360.30	34,188.36	1.41%	31.58%
FSI	5,100.84	5,154.73	3,450.25	-1.05%	47.84%

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 (End-Year)	**Aug-22**	**Aug-21**	**% Change**	**Aug-22**	**Aug-21**	**% Change**
ILLOVO	20.47	2.74	647.08%	18.00	2.00	800.00%
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%

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 increasingly 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, only 38.0% of funding required for the 2022 Humanitarian Response Plan has been secured, according to the 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.

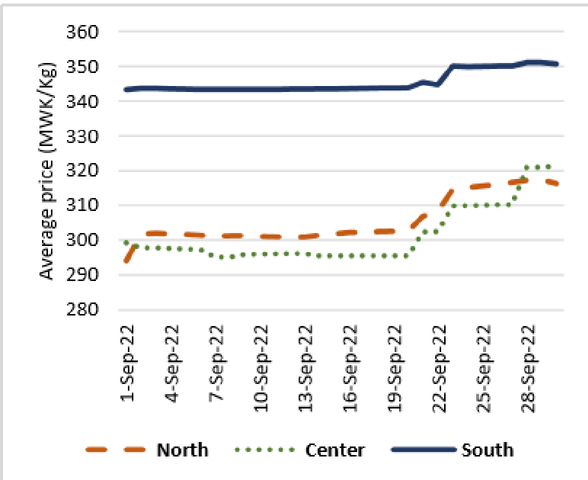
Monthly Maize Update (Source: IFPRI)

After a short period of stability in August 2022, retail prices of maize were on the rise in September 2022 to around K 334.0/kg on average, 3.0% higher than at the end of July 2022. Across the markets, Chitipa recorded the highest price increase (29.0%). On the other hand, some markets (Mzuzu, Mwanza, and Bangula) recorded price declines of as much as 18.0%. Within the month, weekly average maize retail prices were highest in Chitipa and Mpondabwino (K 386.0/kg) and lowest in Mzimba (K 273.0/kg).

Maize continues to sell the highest in the South. However, prices picked a dramatic increasing trend in all the regions in the last week of September 2022. Prices in the North were also unusually higher than in the Center during the month.

As of the end of September 2022, prices averaged K 345.0/kg in the South, K 302.0/kg in the Center, and K 306.0/kg in the North.

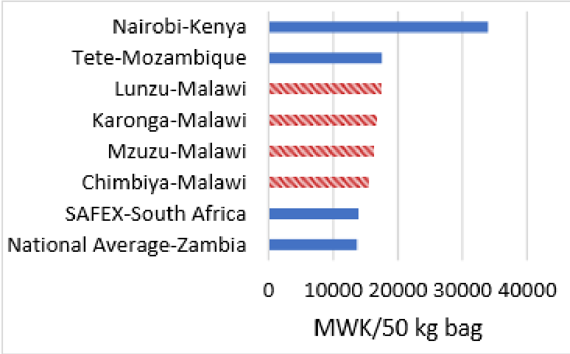
Figure 2. Average daily maize retail prices by region



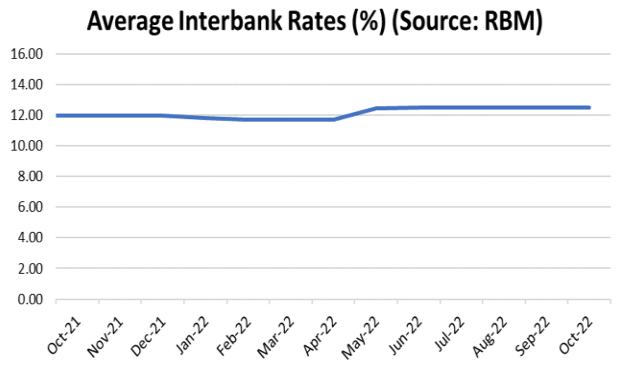
No ADMARC purchases or sales were reported in any of the markets monitored by IFPRI.

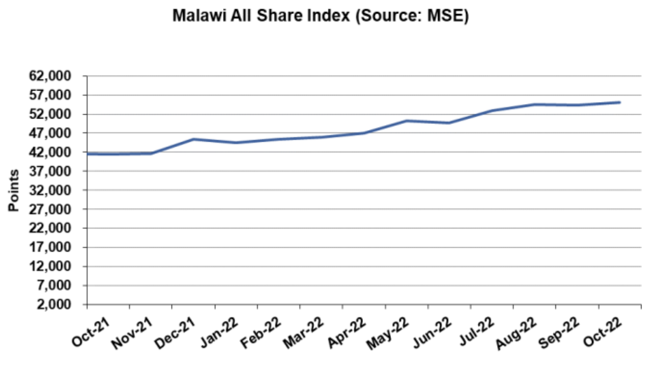
As of the end of September 2022, retail prices of maize in Malawian markets were lower than in selected regional markets in eastern Africa and Mozambique. However, prices in Malawian markets were higher than on SAFEX Zambia's national average for the month of September 2022.

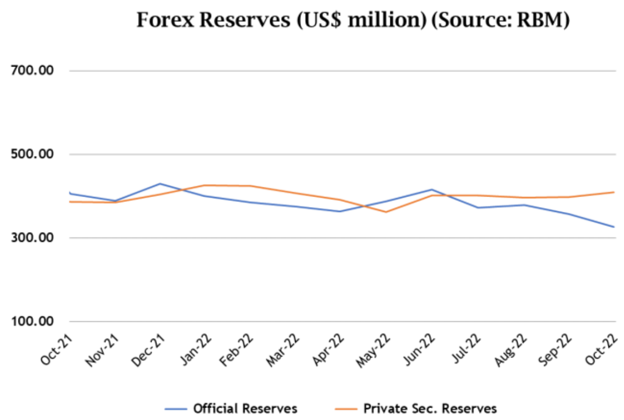
Figure 3. Regional comparison (September 2022)

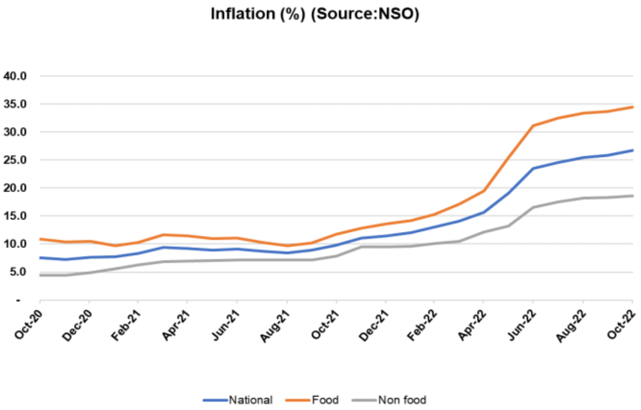


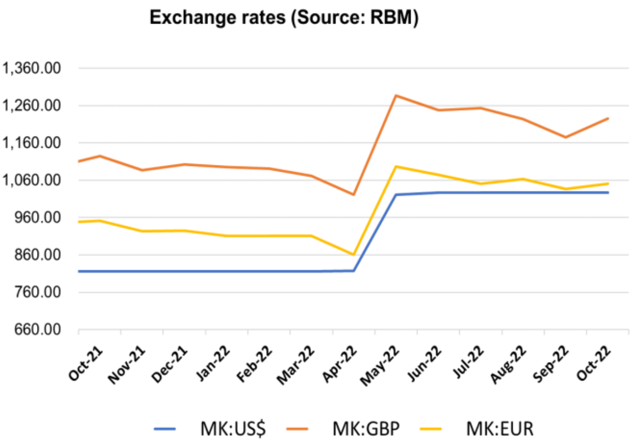
TREND GRAPHS

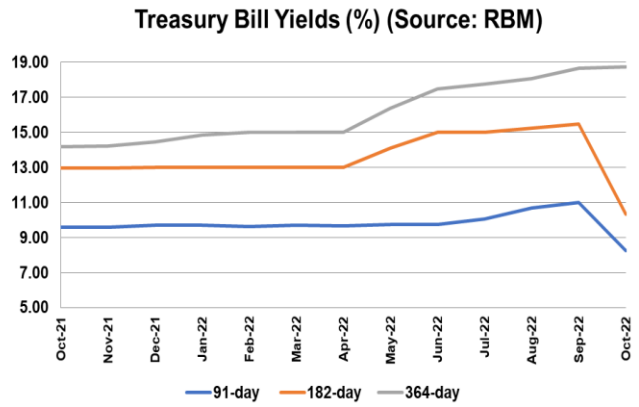












GLOBAL DEVELOPMENTS

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 world oil demand growth forecast for 2022 is revised down by 0.1 mb/d (million barrels per day) to now stand at 2.5 mb/d. Oil demand in the OECD is estimated to increase by around 1.3 mb/d, while the non-OECD is seen growing by about 1.3 mb/d. The second quarter of this year was revised slightly higher amid better-than-anticipated oil demand in the main OECD consuming countries. However, oil demand in the third and fourth quarter is revised lower due to the zero-COVID-19 policy in China, ongoing geopolitical uncertainties, and weaker economic activities. For 2023, the global oil demand growth forecast is revised down by 0.1 mb/d from the previous assessment to stand at 2.2 mb/d.

Non-OPEC liquids supply is forecast to grow by 1.9 mb/d in 2022, following a slight downward revision of 30.0 tb/d (trillion barrels per day) compared with the previous assessment. An upward revision to Latin America and Russia liquids production was more than offset by downward revisions to Other Eurasia, OECD Europe, and Other Asia. The main drivers of liquids supply growth for 2022 are expected to be the US, Canada, Guyana, China, and Brazil, while Norway and Thailand are set to contribute the largest declines. For 2023, the forecast for non-OPEC liquids supply growth remains broadly unchanged at 1.5 mb/d. The main drivers are expected to be the US, Norway, Brazil, Canada, Kazakhstan, and Guyana, whereas oil production is forecast to decline primarily in Russia and Mexico.

The OPEC Reference Basket (ORB) value declined in October 2022, falling by US$1.70 month on month, or 1.8%, to stand at US$93.62/b, despite a rise in ORB component-related crude benchmarks. This was on the back of a sharp decline in Official Selling Price (OSPs) and weaker crude differentials of some grades. The decline was seen mainly in medium sour grades and Dubai-related components amid softer market fundamentals in the East of Suez market. Compared with the previous year, the ORB was up by US$34.80, or 50.9%, from US$68.33/b in 2021, to an average of US$103.13/b so far this year.

Currency Movements

The European Central Bank (ECB) hiked interest rates in October 2022. Expectations of the hike leading up to the ECB meeting allowed the Euro to briefly regain parity against the US Dollar. However, after ECB President Christine Lagarde's policy announcement she warned that the Eurozone is likely headed for a deep recession, which saw the euro pare its gains. The ECB is likely to continue further hikes as the ECB responds to all-time high inflation (which recently hit 10.7%), which typically benefits a currency. However, a higher cost of borrowing combined with continuing rising prices means that the Euro is likely to remain under pressure in the short term as European consumers face a worsening spending squeeze. Countries in the bloc have stockpiled energy reserves ahead of winter in response to the weaponization of supply by Russia. This strategy is contingent on a relatively mild winter, the potential for a cold snap could lead to rationing of energy supplies which could cripple economic output. More pain to the Eurozone economic downturn would apply further downward pressure for the shared currency. Manufacturing, inflation, and GDP data should continue to paint a picture of an economy slipping into recession. The Euro could range between 0.8550-0.8930 against the Pound, and 0.95-1.01 against the US Dollar

After the extreme volatility seen in September off the back of the Government's budget plans, politics continued to dominate headlines in October. The ascent of the Chancellor of the Exchequer Rishi Sunak to lead the Conservatives was well received by markets and saw the Pound recoup all the losses caused by Truss' seemingly ill-advised plan to grow the economy via tax cuts. The Bank of England (BOE) lowered its inflation expectations with a peak of around 11.0% expected by the end of 2022, however it now expects a recession that could last up to two years and unemployment to double. A lot will hinge on the detail of the fiscal package due to be delivered by the new Chancellor on November 17. Given the bleak forecast the Pound is likely to remain under pressure, especially against the US Dollar and is likely to trade sideways at best versus the Euro given the Eurozone is experiencing the same problems as the UK. The Pound could range between 1.08-1.16 against the US Dollar and between 1.12-1.17 against the Euro.

After 20-year highs seen in late September 2022, due to safe-haven demand, the US Dollar index (DXY) saw a correction in October, dropping 0.53% to end the month at 111.53. The New Zealand Dollar, British Pound, Canadian Dollar, and Euro had the highest recovery against the Dollar, 3.82%, 2.68%, 1.5% and 0.82%, respectively. On November 2, the US Federal Reserve's (the Fed) rate decision was delivered with somewhat mixed messaging, with a more conservative-than-expected statement and a hawkish press conference led by Fed Chairman Jay Powell. The hawkish tone prevailed, with Powell confirming interest rates would go higher and stay higher for longer to help contain soaring inflation, which will likely support the US Dollar until the Feds December meeting, when speculation for a downshift in pace could build again. The DXY could range between 109-113 in November 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 shock, 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 October 2022 compared to October 2022. The 3 months US Libor decreased to close at 3.748% in October 2022 from 3.755% in September 2022, while the US Libor for 6 months increased to 4.273% in October 2022 from 4.232% in September 2022. The US Treasury yield (10-year) increased to close at 4.100% in October 2022 from 3.830% recorded in September 2022.

	Oct-22	Sep-22	Oct-21	Change 1 month	Change 12 months
US Fed Rate	3.250%	3.250%	0.250%	0.000%	3.00%
US Libor (3 months)	3.748%	3.755%	0.132%	-0.007%	3.62%
US Libor (6 months)	4.273%	4.232%	0.201%	0.041%	4.07%
US Treasury yield (10 years)	4.100%	3.830%	1.550%	0.270%	2.55%
BOE Rate	2.500%	2.250%	0.100%	0.250%	2.40%
ECB Rate	1.250%	1.250%	0.000%	0.000%	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 October 2022 decreased to 9.70% from 9.90% recorded in September 2022. The Zambian Kwacha closed at ZK16.17/US$ in October 2022 compared to ZK15.77/US$ recorded in September 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 October 2022, the headline inflation for Zimbabwe decreased to 268.8% compared to 280.4% recorded in September 2022. The local currency closed at ZWL$632.14/US$ compared to ZWL$621.53/US$ recorded in September 2022. The 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 October 2022 has increased to 4.9% from 4.8% recorded in September 2022. During the month of October 2022, the Tanzanian Shilling further depreciated against the US Dollar and closed at TSh2,308.26/US$ compared to TSh2,307.94/US$ recorded in September 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 October 2022 increased to 10.70% from 10.00% in September 2022. The Ugandan Shilling appreciated against the US Dollar in October 2022 and closed at UGX3,805.22/US$ compared to UGX3,856.30/US$ recorded in September 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 7.80% in October 2022 compared to 7.50% in September 2022. The South African Rand closed at ZAR18.31/US$ in October 2022 against ZAR17.89/US$ in September 2022. The IMF has projected that economic growth will average 2.1% in 2022 and 1.1% in 2023.

OUTLOOK FOR OCTOBER 2022 AND BEYOND – MALAWI

Exchange Rates

During the month of October 2022, using the RBM middle rates, the Malawi Kwacha appreciated against the South African Rand by 1.36%, but depreciated against the Euro and the British Pound by 1.33% and 4.22% respectively. 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. Although Malawi has introduced several initiatives to improve the export base through its National Export Strategy (NES II) and the MIP-1 Pillars, the successful implementation of these plans depends on the availability of funding, transparency, business environment and the impacts of external shocks. Secondly, the implementation of the strategies may take longer than five years to achieve.

In the short term, the IMF Executive Board has approved a US$88.37 billion Rapid Credit facility (RCF) through the Food Shock Window, which is expected to cushion Malawi's urgent balance of payment needs. The IMF disbursed the funding on the basis that Malawi is facing a challenging economic and humanitarian situation, with foreign exchange shortages and an exchange rate misalignment leading to a sharp decline in imports including fuel, fertilizer, medicine, and food.

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 October 2022 stands at 26.7%, up from 25.9% in the previous month. Food and Non-Food Inflation rates are at 34.5% and 18.6%, respectively (September 2022: 33.7% and 18.3% respectively).

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

Merchandise trade closed September 2022 with a narrower deficit estimated at US$110.2 million (K114.6 billion) than a deficit of US$129.4 million (K134.5 billion) recorded in August 2022 and compared to a deficit of US$132.7 million (K109.4 billion) for September 2021. The outturn was a result of a larger decrease in imports of US$61.8 million than the decline in exports of US$42.6 million. Specifically, exports declined to US$127.4 million (K131.6 billion) in September 2022 from US$169.9 million (K175.7 billion) registered in August 2022 and compared to US$114.5 million (K93.8 billion) for September 2021. This development followed decreases in all major exports, sugar, coffee and tea exports and pulses and oil seeds except for tobacco.

During the same period, imports declined to US$237.6 million (K246.2 billion) from US$299.4 million (K310.2 billion) in August 2022 and compared to US$247.2 million (K203.2 billion) for September 2021. The fall in imports was explained by decreases in all major imports including fuel, fertilizer, pharmaceuticals, and vehicles.

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 meeting held on 25th and 26th October 2022, decided to raise the Policy rate by 400 basis points to 18.0%. Meanwhile, the Committee decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign currency denominated deposits at 3.75%. This decision was deemed necessary to restore price stability, which is essential for reviving and sustaining high economic growth.

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. Further adjustments to the policy rate may be considered by the MPC if the inflation continues to deviate further from the target.

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

Central government budgetary operations for September 2022 closed with a deficit equivalent to 0.6% of GDP, a deterioration from a deficit of 0.4% of GDP recorded in the preceding month. The September 2022 outturn, however, represents an improvement from a deficit of 0.7% of GDP reported in September 2021. Total revenues amounted to K168.8 billion, but were inadequate to satisfy the demand for expenditures, which totaled K236.5 billion during the month.

Revenues collected in September 2022 were lower at K168.8 billion than K182.6 billion for the previous month. At the September level, the revenues were, however, 34.1% (K43.0 billion) higher than what was collected during September 2021. Both domestic collections and grants contributed to this underperformance. Domestic revenues dropped by 6.0% (K9.4 billion) to K148.6 billion in September 2022. The decrease was on account of tax revenues, which declined by 18.7% (K28.1 billion) during the period, despite a K18.7 billion increase, recorded under non-tax revenues. At the same time, grants received, at K20.2 billion were 17.9% (K4.4 billion) lower than receipts for the August 2022.

In September 2022, the central government spent K236.5 billion towards public goods and services and this represented a monthly increase of 4.0 (K9.0 billion). Of the total rise, K3.3 billion was spent towards recurrent expenditures while development expenses edged up by K5.8 billion. Recurrent expenditures increased to K210.9 billion and this was largely driven by high interest payments.

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 25.0% in May 2022. Since then, inflation has surged to 25.5% in August 2022, from 11.5% 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.

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.

At the end of 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 Malawi works towards an upper credit tranche (UCT) program having attained Executive Board approval for a RCF under the Food Shock Window. Unlocking IMF financing would unlock further funding from donors and other financiers which may include renewed budgetary support. Unlocking financing would help ease balance of payments imbalances and at the same time pour in investment funding which may result in higher economic growth and improvements in the standard of living.

From 2023 the contribution of the mining sector to GDP is expected to 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 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)

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
MK : US$	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	1,026.43
MK : GBP	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	1,224.69
MK : ZAR	53.83	50.38	51.35	52.49	53.31	56.27	51.45	65.82	61.31	62.49	60.78	58.84	58.04
MK : EUR	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	1,050.67
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	405.66	389.26	429.17	399.98	385.40	374.48	363.27	388.22	415.73	372.99	378.89	357.18	326.06
Private Sector Reserves (US$'mn)	384.75	404.81	425.52	424.49	407.22	391.49	362.84	401.13	401.60	396.02	398.43	408.84	427.67
Total Reserves (US$'mn)	790.41	794.41	854.69	824.47	792.62	765.97	726.11	789.35	817.33	769.01	777.32	766.02	753.73
Total Import Cover (months)	3.16	3.18	3.42	3.30	3..17	3.07	2.90	3.15	3.27	3.07	3.11	3.07	2.47
Inflation (NSO)													
Headline Inflation	9.80	11.10	11.50	12.10	13.00	14.10	15.70	19.10	23.50	24.60	25.50	25.90	26.70
Food	11.80	12.80	13.60	14.20	15.30	17.10	19.50	25.50	31.20	32.50	33.40	33.70	34.50
Non Food	7.80	9.50	9.50	9.60	10.10	10.50	12.20	13.20	16.60	17.50	18.20	18.30	18.60
Interbank Rates (Source: RBM)													
Monetary Policy Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	18.00%
Average Interbank Rate	11.98%	11.98%	11.98%	11.79%	11.70%	11.70%	12.96%	12.42%	12.48%	12.50%	12.50%	12.50%	12.50%
Average Base Lending Rates	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	13.50%	13.50%	13.80%	13.90%	13.80%	13.90%	16.60%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.60%	9.60%	9.69%	9.70%	9.70%	9.71%	9.65%	9.75%	9.75%	10.07%	10.67%	11.00%	8.25%
182 day Treasury Bill yield	12.80%	12.80%	13.00%	13.00%	13.00%	13.00%	13.00%	14.10%	15.00%	15.00%	15.24%	15.49%	10.32%
364 day Treasury Bill yield	14.20%	14.22%	14.47%	14.84%	15.00%	15.00%	15.00%	16.38%	17.04%	17.74%	18.06%	18.68%	18.75%
Stock Market Indices (Point) (Source: MSE)													
MASI	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	55,046.26
DSI	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	44,360.30
FSI	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	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	1,999.00	1,999.00	1,946.00	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	1,121.12	1,920.00	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	900.38	1,261.00	1,261.00	1,261.00	1,261.00

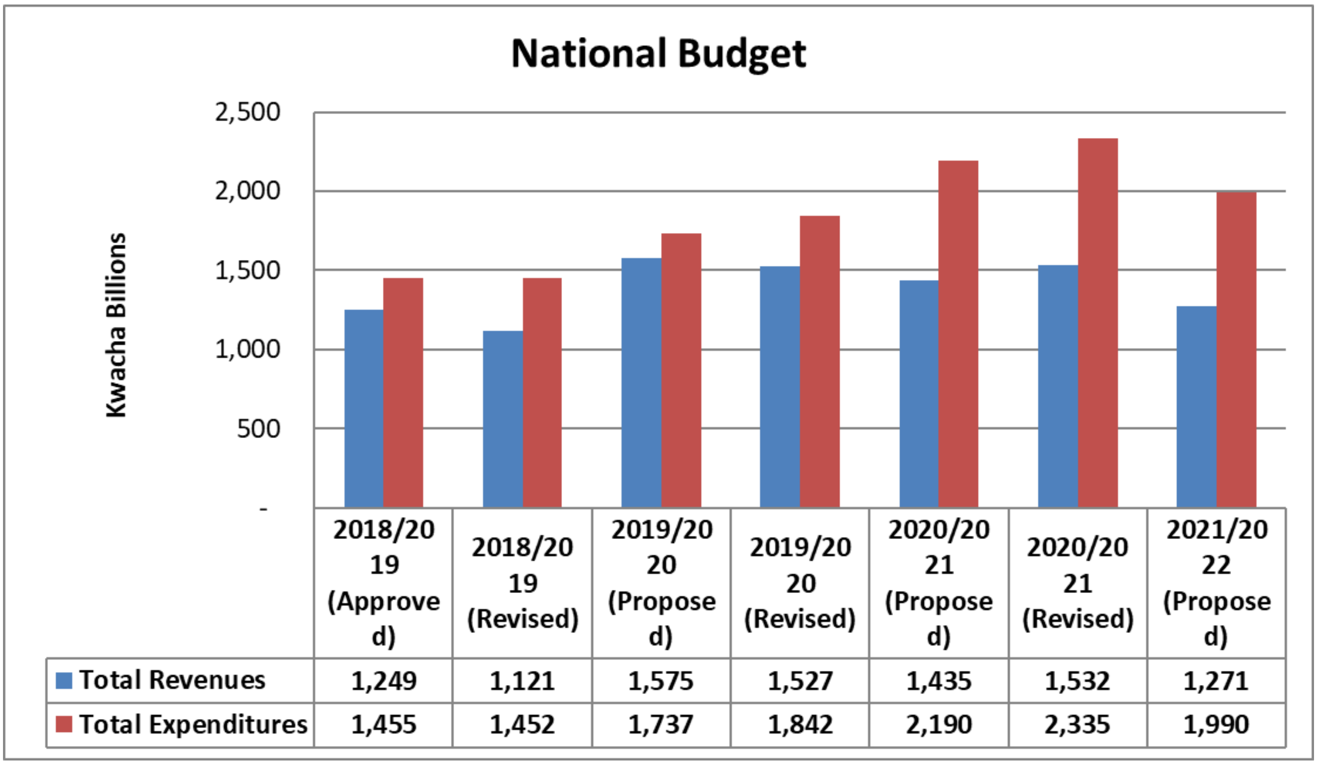
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
TANZANIA													
Exchange rate													
US$	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	2,308.26
GBP	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	2,524.66
ZAR	152.37	141.25	144.63	147.00	159.43	158.91	144.49	144.49	142.88	137.93	137.21	128.45	128.45
EUR	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	2,244.24
Inflation %	4.00	4.10	4.20	4.00	4.20	3.60	3.80	4.00	4.40	4.50	4.60	4.80	4.90
UGANDA													
Exchange rate													
US$	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	3805.22
GBP	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	4406.74
EUR	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	3804.46
Inflation %	1.90	2.60	2.90	2.70	3.20	3.70	4.90	6.30	6.80	7.90	9.00	10.00	10.70
Central Bank Rate %	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	7.50	8.50	9.00	9.00	10.00
ZAMBIA													
Exchange rate													
US$	17.26	17.83	16.69	18.05	17.76	18.07	17.03	17.28	16.96	16.37	15.88	15.77	16.17
GBP	23.74	23.78	29.12	24.22	23.81	23.71	21.37	21.71	20.58	19.76	18.50	17.45	18.62
ZAR	1.13	1.12	1.04	1.16	1.15	1.24	1.08	1.10	1.03	0.99	0.93	0.88	0.88
Inflation %	20.07	19.30	16.40	15.10	14.20	13.10	11.50	10.20	9.70	9.90	9.80	9.90	9.70
Central Bank Rate %	8.50	9.00	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	63.87	63.87	63.87	63.87	63.87
ZAR	4.05	4.06	4.20	4.22	4.33	4.00	4.05	4.00	3.88	3.94	3.59	3.54	3.75
EUR	71.95	72.12	72.28	72.56	70.18	67.39	68.38	67.27	65.36	65.79	62.32	62.96	66.21
Inflation%	6.42	6.80	6.70	7.80	6.84	6.70	7.90	9.31	10.81	11.77	12.10	12.01	11.83

(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								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Total Revenues	**125.8**	**130.8**	**117.3**	**130.3**	**144.1**	**159.9**	**167.4**	**140.7**	**128.7**	**149.4**	**157.8**	**182.6**	**168.8**
Domestic Revenues	114.9	121.6	103.0	119.8	129.5	112.4	157.1	130.9	119.4	131.6	134.3	158.0	148.6
Tax Revenue	109.1	116.5	99.3	104.1	116.3	100.4	105.9	123.6	107.8	112.5	130.4	150.5	122.4
Non -Tax revenue	5.8	5.1	3.7	5.1	13.1	12.0	51.3	7.3	11.6	19.1	3.9	7.5	26.1
Departmental receipts	3.8	4.5	2.7	10.5	12.3	3.0	14.6	5.6	7.4	7.9	3.3	6.8	5.6
Other Receipts	2.0	0.7	1.0	-5.4	0.8	9.0	36.7	1.7	4.2	11.8	0.6	0.6	20.5
Grants	10.9	9.1	14.3	10.5	14.6	47.5	10.2	9.8	9.3	17.8	23.5	24.6	20.2
Total Expenditures	**192.5**	**210.2**	**189.4**	**227.0**	**142.0**	**276.2**	**208.6**	**267.8**	**220.4**	**223.4**	**211.1**	**227.4**	**236.5**
Recurrent Expenditure	163.1	194.6	145.3	206.6	123.7	210.8	170.1	227.3	193.6	197.3	172.5	207.6	210.9
Interest Payments	25.7	27.5	42.9	51.1	25.3	26.7	26.8	37.8	58.8	56.7	25.4	43.4	50.9
Domestic	22.0	26.7	42.0	49.8	24.0	25.6	25.6	35.3	57.4	52.2	24.9	39.5	48.4
Foreign	3.7	0.8	0.9	1.3	1.3	1.0	1.3	2.4	1.4	4.5	0.5	3.9	2.5
Development	29.5	15.6	44.2	20.4	18.4	65.3	38.5	40.5	26.8	26.2	38.6	19.8	25.6
Deficit/Surplus	**-66.7**	**-79.5**	**-72.1**	**-96.7**	**2.1**	**-116.2**	**-41.2**	**-127.0**	**-91.2**	**-74.0**	**-53.4**	**-44.9**	**-67.7**
Financing (net)	66.9	88.3	56.3	96.7	-2.1	116.2	41.2	127.0	-9.7	127.6	52.8	100.6	76.8
Foreign	0.0	0.0	0.0	0.0	0.0	-2.1	-2.2	-3.3	0.0	0.0	0.0	0.0	-10.9
Domestic	66.9	88.3	56.3	96.7	-2.1	118.3	43.4	130.3	-9.7	127.6	52.8	100.6	87.6
Banking System	58.7	181.7	49.8	89.4	-2.3	106.7	68.4	79.6	-25.1	84.7	45.3	-11.5	43.3
Non-Bank Sector	11.2	-100.4	6.5	19.3	19.5	15.8	49.8	30.4	15.4	42.9	7.5	112.1	44.4
Errors and Omissions	3.2	8.8	-15.8	12	19.3	6.3	77	-17.1	0.0	0.0	0.0	0.0	9.1

Source: Reserve Bank of Malawi

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

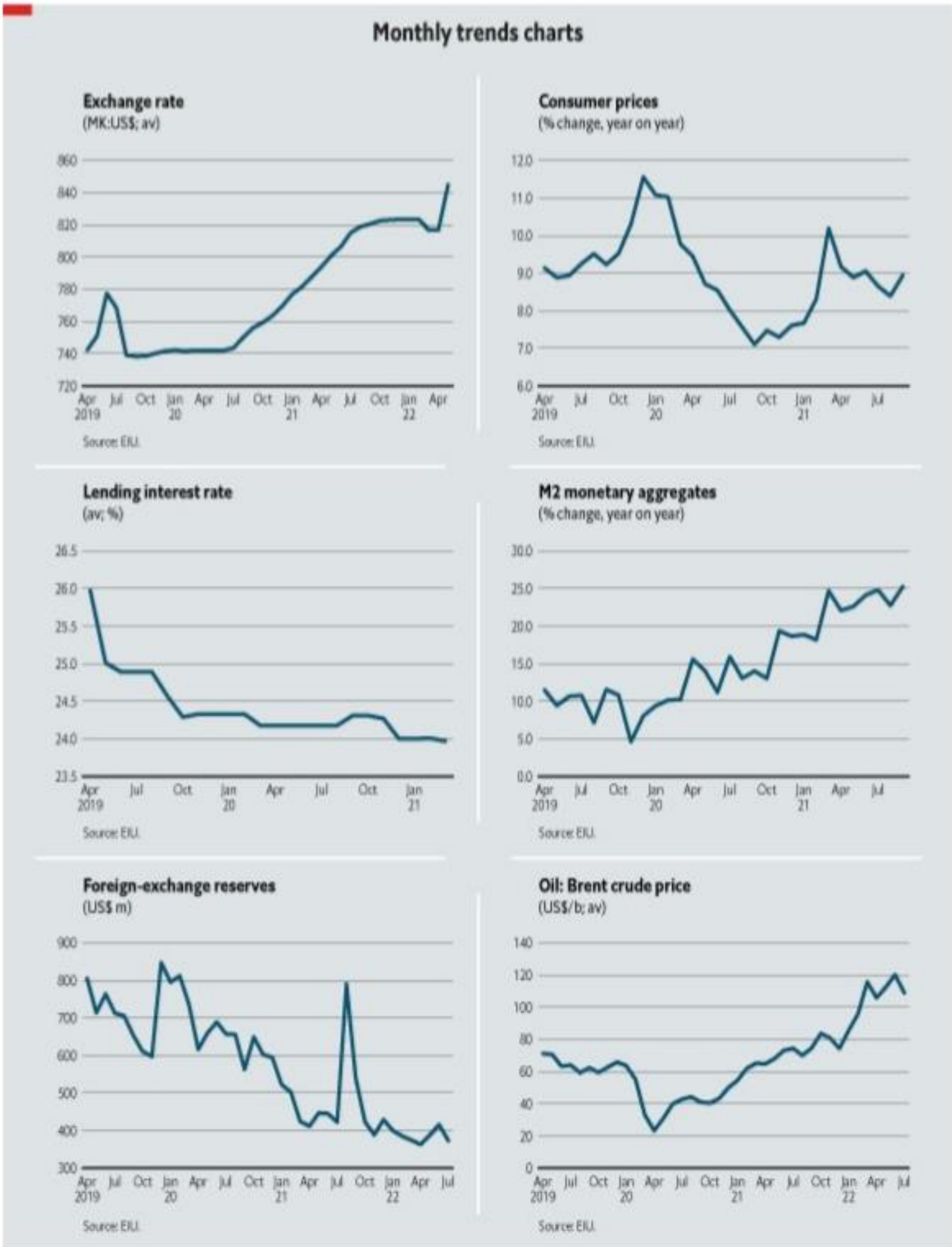
Table 8: Selected Economic Indicators (in MK' billion, unless otherwise stated)

	2014	2015	2016	2017	2018	2019	2020	2021	2021 Sep	2022 Sep
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	4,631.9	5,266.3	8,098.5	8,816.2	9,861.2	9,943.9	12,004.8
Real GDP growth (percent)	6.2	3.3	2.7	5.1	4.0	5.1	0.9	3.9	4.2	1.7
GDP per capita (K'000)	160.4	197.1	226.9	266.6	293.7	437.8	461.6	505.7	509.95	603.26
GDP per capita (US$)	378.0	394.5	318.1	365.1	401.0	592.2	615.8	628.7	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	134.0	114.6
Year-on-year inflation rate (percent)	23.8	21.9	21.7	11.5	9.2	9.4	8.6	9.3	8.9	25.9
Fiscal Sector										
Total Revenue	535.9	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0	1,141.5	125.8	168.8
Domestic Revenues	483.0	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	114.9	148.6
Grants	52.9	47.1	67.0	87.9	90.5	145.0	206.1	151.8	10.9	20.2
Total expenditure	593.1	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1655.5	192.5	236.5
Recurrent	534.4	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	163.1	210.9
Development	58.7	95.5	131.8	163.0	196.9	204.3	247.4	670.8	29.5	25.6
Deficit/GDP ratio (after grants)	-2.6	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-0.7	-0.6
Monetary Sector										
Net Foreign Assets	241.6	339.5	355.8	455.7	250.5	331.9	-182.9	-405.9	-413.4	-536.9
Net Domestic Credit	458.2	604.4	755.0	937.8	1,300.7	1,433.1	1,849.7	2691.0	2374.1	3239.1
Government	153.4	209.0	337.5	519.9	744.1	700.5	976.9	1608.8	1189.9	1978.5
Statutory bodies	4.3	5.1	9.2	8.1	34.1	48.2	50.6	205.3	214.6	206.5
Private (gross)	300.5	390.3	408.3	409.8	493.2	595.0	692.8	821.9	806.0	985.9
Money Supply (M2)	629.8	778.8	897.3	1,074.4	1,198.3	1,320.4	1,541.4	2004.4	1817.3	2477.5
M2 Growth Rate (annual percent)	20.7	23.7	15.2	19.7	11.5	10.2	16.7	30.0	24.8	36.3
Reserve Money	212.3	206.0	240.6	278.9	289.8	303.4	342.1	449.4	419.4	542.2
Banks Deposits	92.4	66.0	56.2	78.2	59.6	26.0	57.3	89.3	69.4	86.9
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	93.8	131.6
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	203.2	246.2
Trade balance	-570.4	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,542.2	-109.4	-114.6
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	700.7	626.1	593.6	731.6	791.9
Official	276.6	445.3	438.6	549.9	548.2	605.5	437.2	346.5	420.4	369.2
Commercial banks	113.0	103.9	148.1	189.5	111.9	95.2	188.9	247.1	311.2	422.7
Import cover (Official reserves in months)	3.0	3.2	2.8	3.6	3.6	2.9	4.0	1.7	2.0	1.4
Current account balance/GDP (percent)	-19.7	-17.1	-19.1	-23.5	-17.3	-15.1	-12.1	..	..	..
Debt/GDP (percent)	49.7	52.8	66.7	61.3	62.7	45.0	53.8	60.1	..	..
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	822.17	1033.79
MK/US Dollar (pd avg)	369.181	499.607	713.85	726.65	732.33	742.23	749.53	805.90	820.54	1034.71

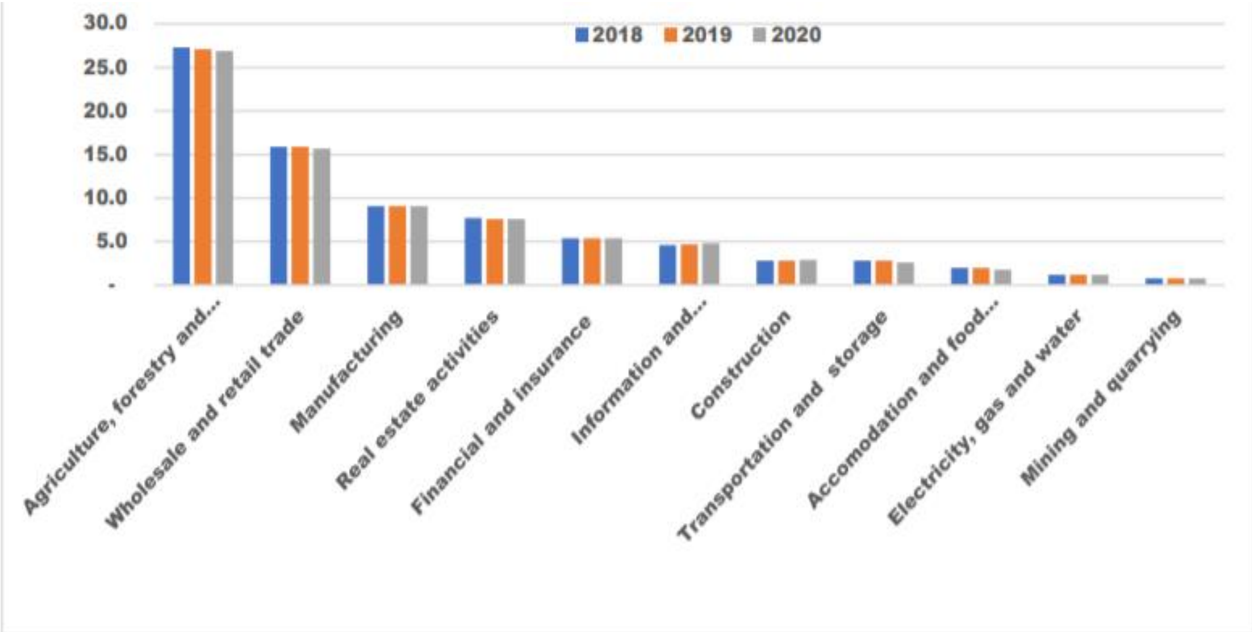
Source: National Statistical Office, Reserve Bank of Malawi and Ministry of Finance and Economic Affairs.

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

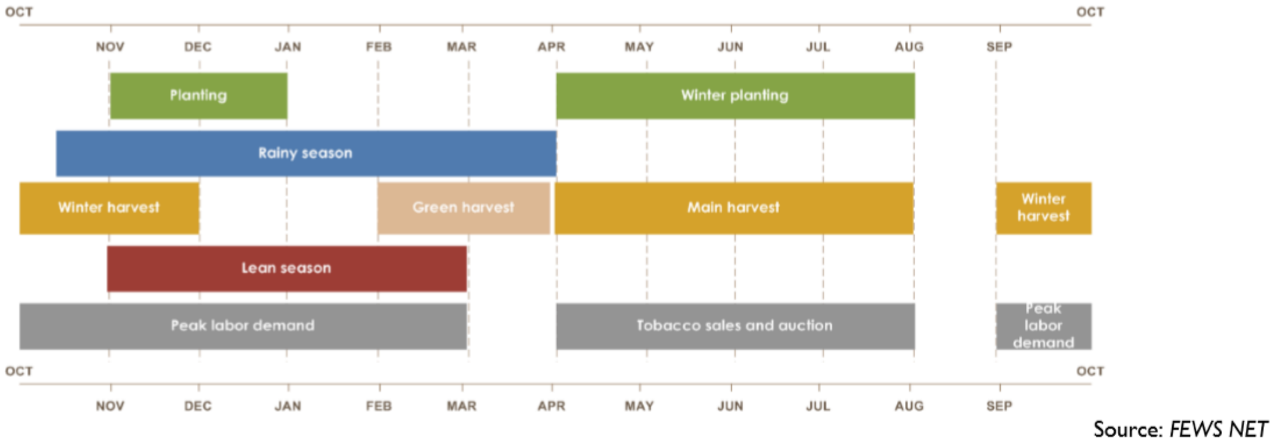
%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	5.8[c]	1.8	3.0	3.5	3.8	4.0
Private consumption	2.0	1.2	2.5	3.0	3.1	3.2
Government consumption	2.0	2.0	2.8	2.8	3.4	3.0
Gross fixed investment	5.0	4.0	5.5	5.6	5.7	5.8
Exports of goods & services	4.8	3.6	4.4	4.8	5.1	5.5
Imports of goods & services	3.0	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								
					Difference from October 2020 WEO Projections 1/		Q4 over Q4 2/		
		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)



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- Mergers and Acquisitions
- Company set up

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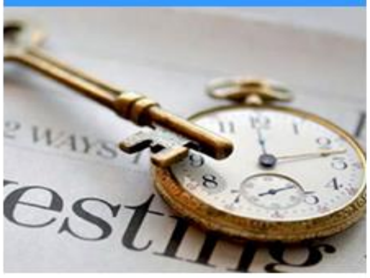

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