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# MONTHLY ECONOMIC REPORT

**MAY 2023**

Investment Management | Corporate Finance | Investor Services

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## LIST OF ACRONYMS

ADF:	African Development Fund	MRA:	Malawi Revenue Authority
AfDB:	African Development Bank	NBM:	National Bank of Malawi Plc
BOE:	Bank of England	NBS:	NBS Bank Plc
BHL:	Blantyre Hotels Plc	NGLs:	Natural Gas Liquids
BWB:	Blantyre Water Board	NGOs:	Non-Governmental Organisations
CHIRPS:	Climate Hazards Group InfraRed Precipitation with Station	NICO:	NICO Holdings Plc
CPI:	Consumer Price Index	NITL:	National Investment Trust Plc
DSI:	Domestic Share Index	NSO:	National Statistical Office
ECB:	European Central Bank	OCHA:	Office for the Coordination of Humanitarian Affairs
ECF:	Extended Credit Facility	OECD:	Organisation for Economic Co-operation and Development
EIU:	Economist Intelligence Unit	OMO:	Open Market Operations
ESCOM:	Electricity Supply Corporation of Malawi	OPEC:	Organization of the Petroleum Exporting Countries
EU:	European Union	PCL:	Press Corporation Plc
EUR:	Euro	RBM:	Reserve Bank of Malawi
FEWS NET:	Famine Early Warning Systems Network	RBZ:	Reserve Bank of Zimbabwe
FAO:	Food and Agricultural Organization	Rmb:	Chinese Renminbi
FAO-GIEWS:	Food and Agricultural Organization Global Information and Early Warning System	RTGS:	Real Time Gross Settlement
FISP:	Farm Input Subsidy Program	SARB:	South Africa Reserve Bank
FMBCH:	FMB Capital Holdings Plc	SDF:	Southern Dark Fired Tobacco
FOB:	Free On Board	SONA:	State of the Nation Address
FSI:	Foreign Share Index	SSA:	Sub Sahara Africa
GBP:	British Pound	Sunbird:	Sunbird Tourism Plc
GDP:	Gross Domestic Product	TAMA:	Tobacco Association of Malawi
GFS:	Government Finance Statistics	TB:	Treasury Bills
IDA:	International Development Association	TCC:	Tobacco Commission
IFAD:	International Fund for Agricultural Development	TICAD:	Tokyo International Conference on African Development
IFPRI:	International Food Policy Research Institute	TNM:	Telekom Networks Malawi Plc
IMF:	International Monetary Fund	WEO:	World Economic Outlook
LICs:	Low Income Countries	WFP:	World Food Program
MASI:	Malawi All Share Index	WTO:	World Trade Organisation
MASL:	Meters Above Sea Level	TSH:	Tanzania Shillings
MB/D:	Million barrels per day	UBOS:	Ugandan Bureau of Statistics
MDAs:	Ministries, Departments, and Agencies	UGX:	Ugandan Shillings
MERA:	Malawi Energy Regulatory Authority	UK:	United Kingdom
MITC:	Malawi Investment and Trade Center	UNOCHA:	United Nations Office for the Coordination of Humanitarian Affairs
MK:	Malawi Kwacha	USA:	United States of America
MPC:	Monetary Policy Committee	US\$:	United States Dollar
MSE:	Malawi Stock Exchange	ZAR:	South African Rand
MT:	Metric Tonnes	ZimVAC:	Zimbabwe Vulnerability Assessment Committee
		ZMK:	Zambian Kwacha
		RCF:	Rapid Credit Facility

## **EXECUTIVE SUMMARY**

### **Economic Outlook — Malawi**

Malawi's real GDP growth for 2023 is estimated to rebound to 1.9%, from an estimated 1.18% in 2022. The growth prospects are anchored on expected rebounds in the Manufacturing, Utilities, Wholesale and Retail trade. This notwithstanding, the growth is a downward revision from the 2.7% projection made in November 2022. The revision is attributed to the impact of Cyclone Freddy, which is expected to have a contractionary effect on the agriculture, real estate and wholesale and retail trade sectors.

Malawi's main foreign exchange earner is the agricultural sector, where tobacco remains the largest foreign exchange earner in the country. According to the first-round crop estimates conducted by the Tobacco Commission, tobacco production is projected to increase by 51.4%. Better output returns suggest a cushion from further depreciation of the Kwacha. Alternative crops such as edible nuts and lentils are also expected to cushion the Kwacha during the year, as the demand for these products has increased globally, especially from Asian markets. Capacity building and market intelligence will be key to the success of alternative crops. Foreign exchange income from the tobacco selling

season is expected to become clearer towards the end of the second quarter of 2023.

According to the Reserve Bank of Malawi's Monetary Policy Committee (MPC), headline inflation is projected to average higher at 24.5% in 2023 compared to 18.2% projected during the first MPC meeting of 2023 and compared to 20.9% realized for 2022. The projection for 2024 is at 20.5% predicated upon increased agricultural output and the success of an ECF program in 2024.

Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing, a poor business environment that erodes investor confidence, acute foreign exchange shortages and high inflation. Further, in 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. Lastly, despite the slowdown in the number of infections and hospitalizations around the world, new COVID-19 variants continue to pose a risk to the global economy.

### **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. Climate change – Changes in weather patterns and extreme weather conditions, impacting infrastructure development, livelihoods, and agricultural production.
4. High government debt levels - Create a future obligation for the government to repay the debt plus interest.
5. High population growth rates - May reduce the country's ability to allocate resources to more productive activities.
6. 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.

## ECONOMIC OVERVIEW

### Inflation (Source: NSO)

The headline inflation rate for May 2023 increased to 29.20% from 28.80% recorded in April 2023. was due to an increase in food inflation as can be seen in the table below:

	May-23	Apr-23	May-22	%Change (1 Months)	%Change (12 Months)
Headline inflation	29.20%	28.80%	19.10%	↑ 0.40%	↓ -10.10%
Food	38.80%	37.90%	25.50%	↑ 0.90%	↓ -13.30%
Non-food	18.40%	18.50%	13.20%	↓ -0.10%	↓ -5.20%

### Government Securities (Source: RBM)

During May 2023, the all-type Treasury bill yield increased to 17.66% from 16.25% recorded in April 2023.

Tenor	May-23	Apr-23	May-22	Change 1 Month	Change 12 Months
91 days	13.00%	13.00%	9.75%	→ 0.00%	↑ 3.25%
182 days	17.50%		14.10%	↑ 17.50%	↑ 3.40%
364 days	22.49%	19.50%	16.38%	↑ 2.99%	↑ 6.11%
All Type	17.66%	16.25%	13.41%	↑ 1.41%	↑ 4.25%

Total Treasury bill applications for May 2023 stood at K22.84 billion and K14.21 billion was allotted, representing a 37.78% rejection rate. The 182 days paper accounted for the highest subscription rate at 63.06%, then the 364 days paper was 36.67% and the 91 days paper was 0.28%.

During the month of May 2023, the government held Treasury notes auctions of 2-year, 3-year, 5-year, and 7-year tenors. The tenor were at an average yield of 24.75%, 26.00%, 28.00%, 29.50%, and 31.19%. There were total applications of K20.15 billion and K20.15 billion was allotted, resulting in a 13.74% rejection rate.

Total maturities for government securities for the month amounted to K113.29 billion resulting in a net injection of K78.93 billion.

### Foreign Currency Market (Source: RBM)

During the month of May 2023, the Malawi Kwacha appreciated against all major currencies. The Kwacha remained unchanged against US Dollar. See the table below:

CURRENCY	May-23	Apr-23	May-22	% Movement 1 month	% Movement 12 months
MK/USD	1,026.43	1,026.43	1,021.66	→ 0.00%	↓ -0.47%
MK/GBP	1,309.91	1,318.15	1,286.47	↑ 0.63%	↓ -1.82%
MK/ZAR	53.50	57.56	65.82	↑ 7.05%	↑ 18.72%
MK/EUR	1,130.49	1,163.80	1,096.85	↑ 2.86%	↓ -3.07%

### Forex Reserves (Source: RBM)

The official forex reserves for May 2023 decreased to US\$194.82 million (0.78 months' worth of import cover) from US\$200.08 million (0.80 months of import cover) in April 2023.

Private sector reserves decreased to US\$386.90 million (1.55 months of import cover) in May 2023 from US\$403.93 million (1.62 months of import cover) in April 2023.

As of 31 May 2023, total forex reserves stood at US\$581.72 million (2.33 months of import cover), a decrease from US\$604.01 million (2.42 months of import cover) registered at the end of April 2023.

	May-23 (US\$ million)	Apr-23 (US\$ million)	May-22 (US\$ million)	% 1 month change	% 12 months change
Official Reserves	194.82	200.08	388.22	↓ -2.63%	↓ -49.82%
Private Sector	386.90	403.93	401.13	↓ -4.22%	↓ -3.55%
Total	581.72	604.01	789.35	↓ -3.69%	↓ -26.30%
<b>Import Cover (Months)</b>					
Gross Official	0.78	0.8	1.55	↓ -2.50%	↓ -49.68%
Private Sector	1.55	1.62	1.60	↓ -4.32%	↓ -3.13%
Total	2.33	2.42	3.15	↓ -3.72%	↓ -26.03%

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

Liquidity levels (excess reserves after Central Bank Operations) in May 2023 decreased to a daily average of K36.31 billion from K53.02 billion in April 2023. Access to the Lombard facility (discount window borrowing) during the month under review averaged K98.21 billion a day. This was at an average rate of 22.20% and an average of K91.59 billion was accessed on the Lombard Facility during the month of April 2023 at an average rate of 19.64%.

In May 2023, the overnight borrowing between banks decreased to a daily average of K22.15 billion. This was at an average rate of 19.04% and an average of K32.01 billion per day was accessed in April 2023 at an average rate of 16.36%.

The reference rate for May increased to 20.00% from 17.30% recorded in April 2023.

### Stock Market (Source: MSE)

The stock market has been bullish in the month of May 2023, with the Malawi All Share Index (MASI) increasing by 18.94% to close at 102,837.75 points from 86,462.61 points in April 2023.

The price gains were registered by thirteen counters. Share price gains by FDH Bank (+65.84%), TNM (+58.64%), Sunbird (+50.40%), NITL (+32.00%), Illovo (+31.93%), FMBCH (+27.01%), Airtel (+24.94%), NBS Bank (+10.95%), OMU (+10.00%), NICO (+9.72%), Standard (+2.22%), MPICO (+0.05%) and NBM (+0.01%) were enough to offset share price losses by BHL (-8.76%), and PCL (-0.001%), resulting into an upward movement of the Malawi All Share Index.

The volume of shares traded in May 2023 increased to 119.47 million from 19.49 million traded in the corresponding month in April 2023. The traded value on the shares in May 2023 decreased to K11.32 billion (US\$11.03 million) from K1.52 billion (US\$1.48 million) registered in the corresponding month in April 2023.

The year-on-year return for the MASI, DSI and FSI increased to 119.11%, 123.60%, and 81.75% respectively. The dividend yield for May 2023 decreased to 2.74% from 3.86% in May 2022.

	May-23	Apr-23	May-22	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	100.05	80.08	48.50	↑ 24.94%	↑ 106.29%
BHL	10.00	10.96	11.01	↓ -8.76%	↓ -9.17%
FMBCH	207.02	163.00	143.00	↑ 27.01%	↑ 44.77%
FDHB	64.51	38.90	14.50	↑ 65.84%	↑ 344.90%
ICON	11.26	11.26	12.00	→ 0.00%	↓ -6.17%
ILLOVO	1,121.42	850.03	305.52	↑ 31.93%	↑ 267.05%
MPICO	20.58	20.57	20.70	↑ 0.05%	↓ -0.58%
NBM	2,000.29	2,000.09	1,000.11	→ 0.01%	↑ 100.01%
NBS	88.76	80.00	22.77	↑ 10.95%	↑ 289.81%
NICO	164.58	150.00	46.75	↑ 9.72%	↑ 252.04%
NITL	330.00	250.00	110.02	↑ 32.00%	↑ 199.95%
OMU	1,127.51	1,025.01	1,785.00	↑ 10.00%	↓ -36.83%
PCL	2,181.27	2,181.29	1,900.00	↓ -0.0009%	↑ 14.80%
STANDARD	2,300.01	2,250.04	1,600.02	↑ 2.22%	↑ 43.75%
SUNBIRD	180.50	120.01	80.00	↑ 50.40%	↑ 125.63%
TNM	28.46	17.94	14.00	↑ 58.64%	↑ 103.29%
MASI	102,837.75	86,462.61	50,300.44	↑ 18.94%	↑ 104.45%
DSI	83,365.40	70,512.35	39,037.30	↑ 18.23%	↑ 113.55%
FSI	10,396.15	8,202.52	7,305.55	↑ 26.74%	↑ 42.30%

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

Published End 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	26.63	20.47	↑ 30.09%	21.00	18.00	↑ 16.67%
Period	Dec-22	Dec-21	% Change	Dec-22	Dec-21	% Change
STANDARD	39.20	24.77	↑ 58.26%	85.32	37.07	↑ 130.16%
NBM	45.94	34.21	↑ 34.29%	70.67	49.26	↑ 43.46%
NICO	37.57	18.30	↑ 105.30%	6.00	3.25	↑ 84.62%
NITL	6.99	4.67	↑ 49.68%	3.15	2.85	↑ 10.53%
FDH BANK	22.93	11.66	↑ 96.71%	2.19	1.48	↑ 47.97%
NBS BANK	18.91	7.69	↑ 145.90%	3.30	1.35	↑ 144.44%
SUNBIRD	0.75	(1.20)	↑ 62.45%	0.00	0.00	N/A
ICON	16.70	8.72	↑ 91.51%	0.25	0.24	↑ 4.17%
MPICO	8.10	6.40	↑ 26.56%	0.36	0.31	↑ 16.13%
Airtel	36.93	32.34	↑ 14.20%	2.50	2.95	↓ -15.25%
TNM	(1.76)	9.69	↓ -118.16%	0.00	0.43	→ 0.00%
	Net Profit/(Loss) (ZAR' billion)			Total Dividend (Per Share) (ZAR)		
OMU	7.33	6.66	↑ 10.06%	0.76	0.76	→ 0.00%
	Net Profit/(Loss) (US\$' million)			Total Dividend (Per Share) (US\$)		
FMBCH	61.20	40.45	↑ 51.30%	0.49	0.18	↑ 100.00%
TRADING STATEMENT						
BHL	Expects its year ending 31 December 2022 loss after tax to be at least 20% lower than the previous corresponding period					

## OTHER MARKET DEVELOPMENTS

### **2023 Tobacco Season (Source: TC, AHL, FEWSNET)**

According to the Tobacco Commission, Malawi produced around 126 million kilograms of tobacco in 2023, which represents a 12% increase compared to the 85 million kilograms produced in 2022. Additionally, favorable prices have motivated tobacco-producing farmers to sell most of the harvest, and the amount sold by mid-May was already nearly three times higher than the same time last year. As reported by the World Bank, tobacco typically accounts for 60% of Malawi's exports, 13% of GDP, and 23% of the total tax base. While income from tobacco sales is primarily earned by middle and better-off households, the boost in income is expected to support both an increase in tobacco-related labor demand and labor demand for planting during the winter agricultural season, which will in turn lead to an increase in income among very poor and poor households who rely on this income source. Overall, this is expected to significantly improve poor households' ability to purchase sufficient food, especially in central and northern districts (Source: FEWSNET).

The cumulative average price of all the tobacco types went up by 10.80% in the current season compared to the prices that prevailed over the same period in 2022. After 8 weeks since the opening of the tobacco season, the average price peaked at US\$2.26/kg in 2023 compared to US\$2.04/kg recorded over the same period in 2022. A total volume of 61.4 million kilograms of all tobacco types valued at US\$138.7 million have been sold by the end of 8 weeks in 2023 compared to 15.9 million kilograms sold at a total consideration of US\$32.5 million during the same period in 2022.

### **Malawi Acute Food Insecurity (Source: FEWSNET)**

Southern Malawi is expected to face Stressed (IPC Phase 2) and Crisis (IPC Phase 3) food security outcomes due to the impacts of Tropical Cyclone Freddy, as most households have limited food and income from own-produced crops as well as below-average access to off-farm income-earning opportunities. While most of the camps for internally displaced people have been closed, many affected households are still without proper shelter and

residing in temporary shelters within their villages. On the other hand, Minimal (IPC Phase 1) and Stressed (IPC Phase 2) outcomes are expected in central and northern Malawi until September 2023 due to the availability of food and income from the main harvest and tobacco sales season, which both begin in April 2023.

Reports from the Department of Disaster Management Affairs and inter-agency post-disaster assessment indicated Tropical Cyclone Freddy's impacts have placed many children, pregnant women, and lactating mothers at risk of malnutrition in southern Malawi. The cyclone's effects on the crop harvest losses has reduced household food consumption, disrupted proper child-feeding practices, and made it difficult for children to access adequate nutrition services. Broader access to health services has also been hampered, causing challenges in the treatment of illness amid an increase in cholera cases. The concurrence of reduced food intake, increased disease incidence, and disrupted services will likely contribute to rising acute malnutrition rates.

Based on reports from World Food Program, 344,000 individuals have received two-month rations in four of the worst cyclone-affected districts, including Chikwawa, Mulanje, Nsanje, and Phalombe, as of 25 May 2023. This figure represents nearly 15% of the total population in these areas, and WFP plans to reach a total of 715,000 people (30% of the population) in the coming month. While this level of assistance is likely preventing food consumption gaps among the direct beneficiaries, the scale of assistance is below the population in need in these areas and will be quickly depleted, considering household-level crop losses in these districts ranged from 30-90 percent and alternative food and income sources are limited. Without a greater scale-up in assistance that is sustained through September 2023, Crisis (IPC Phase 3) outcomes are expected to persist.

### **World Bank Approves US\$265.0 million for Agricultural Commercialization (Source: World Bank)**

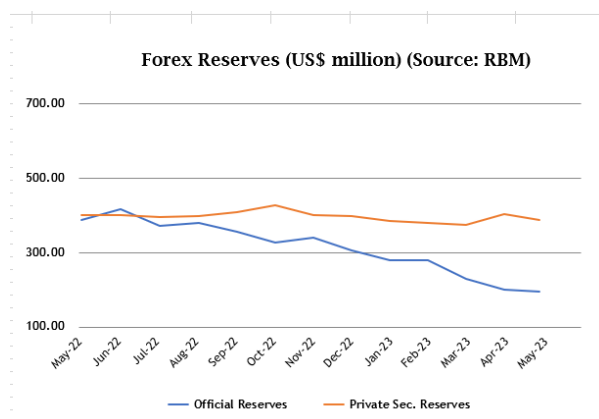
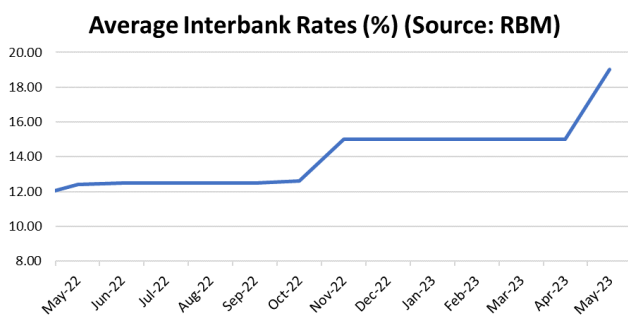
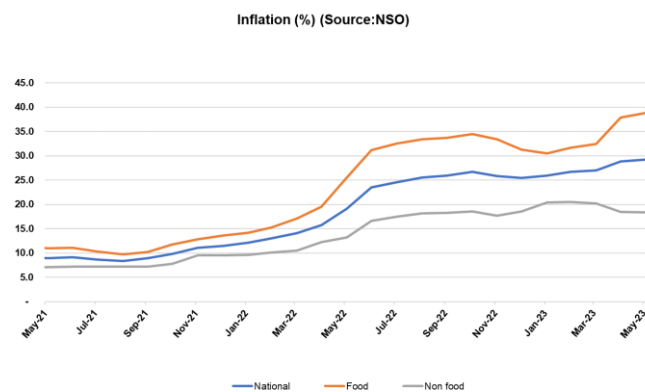
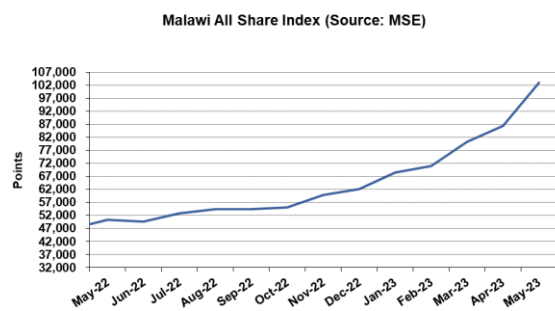
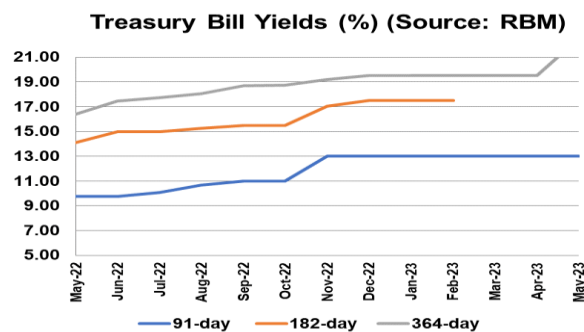
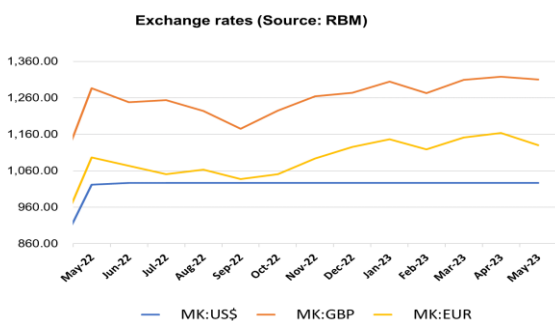
The World Bank has approved US\$265.0 million to scale up agriculture commercialization and improve the Food Systems Resilience Program (FSRP) for eastern and southern African countries it finances that include Malawi, Comoros, Kenya, Somalia,

Madagascar and Tanzania. The program will scale up many of the successful interventions and approaches of Malawi's Agricultural Commercialization Project (AGCOM) as a means of enhancing national and regional food systems as well as support to the authorities to implement resilience enhancing policy reforms.

The FSRP for eastern and southern Africa has already committed close to US\$1.7 billion in the first three phases of its program are being joined by the African Union Commission (AUC) with more countries expected to join.

In a statement released by the World Bank Country Manager for Malawi, Hugh Riddell, stated that AGCOM is delivering on MW2063 development blueprint's core goal of agricultural transformation, saying Malawi has an opportunity to scale this intervention nationally and collaborate and learn how to tackle food systems resilience with other participating countries in the region.

## TREND GRAPH



## GLOBAL DEVELOPMENTS

### Economic Growth

According to the latest Global Economic Prospectus released by the World Bank, the global economy is set to slow substantially in 2023, to 2.1% from 3.1% in 2022, amid continued monetary policy tightening to rein in high inflation, before a tepid recovery in 2024, to 2.4%. Tight global financial conditions and subdued external demand are expected to weigh on growth across emerging markets and developing economies (EMDEs). Projections for many countries have been revised down over the forecast horizon, with upgrades primarily due to stronger-than-expected data at the beginning of 2023 more than offset by downgrades thereafter.

Inflation has been persistent but is projected to decline gradually as demand weakens and commodity prices moderate, provided longer-term inflation expectations remain anchored. Global growth could be weaker than anticipated in the event of more widespread banking sector stress, or if more persistent inflation pressures prompt tighter-than-expected monetary policy.

Weak growth prospects and heightened risks in the near term compound a long-term slowdown in potential growth, which has been exacerbated by the overlapping shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of global financial conditions. This difficult context highlights a multitude of policy challenges. Recent bank failures call for a renewed focus on global financial regulatory reform. Global cooperation is also necessary to accelerate the clean energy transition, mitigate climate change, and provide debt relief for the rising number of countries experiencing debt distress. At the national level, it is imperative to implement credible policies to contain inflation and ensure macroeconomic and financial stability, as well as undertake reforms to set the foundations for a robust, sustainable, and inclusive development path.

### Global Oil

In 2023, the forecast for world oil demand growth remains broadly unchanged at 2.3 million barrels per day (mb/d), with the OECD projected to grow by almost 0.1 mb/d and the non-OECD expected to grow

by about 2.3 mb/d. Within the regions, slight downward adjustments in the first quarter of 2023 for the OECD were offset by upward revisions to the non-OECD.

For 2023, the forecast for non-OPEC liquids production growth also remained unchanged from last month's assessment, at 1.4 mb/d, year-on-year. The main drivers of liquids supply growth are expected to be the US, Brazil, Norway, Canada, Kazakhstan, and Guyana, while declines are expected primarily in Russia. Uncertainties remain, primarily related to the potential of US shale oil output and unplanned field maintenance in 2023. OPEC NGLs and non-conventional liquids are estimated to have grown by 0.1 mb/d in 2022, to average 5.39 mb/d, and are forecast to grow by 50 tb/d to average 5.44 mb/d in 2023.

OPEC-13 crude oil production in April decreased by 191 tb/d m-o-m to average 28.60 mb/d, according to available secondary sources. However, OPEC+ group of 23 oil-exporting countries meets regularly to decide how much crude oil to sell on the world market. Saudi Arabia's voluntary cut of 1.0 million b/d a day will come into effect in July 2023. It follows a cut of 1.16 million b/d in April, which was voluntarily undertaken by eight members of OPEC+, and a group-wide cut of 2.0 million b/d in October 2022. It is thought that Saudi Arabia, which is currently chairing OPEC+, needs to have the price of Brent crude rising to US\$80.0 a barrel or more to cover its government spending and import bill. OPEC nations produce about 30.0% of the world's crude oil. Saudi Arabia is the biggest single oil supplier within the group, producing more than 10.0 million b/d.

The OPEC Reference Basket (ORB) was higher on average month-on-month in April. This was amid firm gains in related crude benchmarks and higher official selling prices (OSP) of all medium and heavy components exported to Asia and Europe markets. In April, the ORB increased by US\$5.68, or 7.2%, to settle at US\$84.13/b.

### Currency Movements

The Euro lost ground by the end of May, struggling under the weight of poor economic data and the European Central Bank (ECB) nearing the end of its tightening cycle. EUR/USD trended higher through

April, with general USD weakness paired with Euro and Sterling strength. The wider Eurozone preliminary GDP figures saw an expansion of 0.1% vs. 0.2% expected. The downward trajectory put pressure on the Euro, causing EUR/USD to push down below US\$1.1000/€1.

The most recent 25bps hike means the ECB has hiked at every meeting since July 2022, by a total of 375 bps, from negative rates. Many analysts believe that the ECB is entering the final stages of its hiking cycle but European Central Bank President, Christine Lagarde, has left the door open for further hikes. The EUR/USD ranged between US\$1.0683/€1 and US\$1.1074/€1 in May 2023.

The British Pound had a disappointing May thanks to drawn out US debt ceiling negotiations and domestic rate hikes. Attentions are on the June 14th GDP reading to gauge future pressure. Like most major currencies, the Pound slipped against the US Dollar throughout May as investors sought safe haven assets, as negotiations to raise the US debt ceiling ran to the 11th hour.

On the domestic front, the Bank of England (BoE) raised interest rates by 0.25% to 4.50%, their highest level since October 2008. It appears more hikes could be on the cards as the Bank's latest economic projections show inflation could remain higher for longer. The same report did upgrade the growth outlook for the year, predicting the UK will narrowly avoid a recession but warned of headwinds caused by stubbornly high inflation, especially for those having to re-mortgage. The next BoE rate decision is scheduled for 22 June 2023 and most experts are expecting another hike. The GBP/USD ranged US\$1.210/£1 and US\$1.260/£1. GBPEUR ranged between €0.864/£1 and €0.883/£1.

The US Dollar was up through May 2023, bolstered by better-than-expected jobs data, more gradual hikes and the US debt ceiling negotiations coming to an end. Eyes are on June updates to gauge USD strength into December. The US economy continues to be very resilient. Better than expected Non-farm Payrolls keep showing a tight labour market in the US, helping to build expectations of more rate increases. The next rate decision is expected at the June Federal Open Market Committee (FOMC)

meeting. The US Dollar Index (DXY) ranged between 102 and 106.

## **Global Trade**

Global goods trade growth slowed in the first half of 2023 in tandem with weakening global industrial production. Services trade, by contrast, continued to strengthen following the easing of pandemic-induced mobility restrictions. According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals are expected to approach 95.0% of 2019 levels in 2023, an increase from 63.0% in 2022.

Pressures on global supply chains have abated as goods demand has weakened and global shipping conditions have improved. The global supply chain pressures index and suppliers' delivery times reached their lowest levels in almost four years in the first half of 2023 and are expected to remain low.

During the pandemic, trade growth was supported by a shift in the composition of demand toward tradable goods and away from services, which are less trade intensive. The gradual rotation of demand back to its pre-pandemic composition is now slowing trade growth as is the fact that the recovery in China is expected to be predominantly driven by services, which will limit positive spillovers to its trading partners through demand for goods and commodities.

The growing number of restrictive trade measures reflects a rising degree of geopolitical tensions and attempts by some major economies to follow more inward-looking policies. In the longer term, this is expected to reshape global supply chains and increase trade costs. Together, these factors are expected to further reduce the responsiveness of global trade to changes in output responsiveness that had already declined in the 2010s relative to previous decades.

Against this backdrop, global trade growth is forecast to slow from 6.0% in 2022 to 1.7% in 2023. As global consumption returns to its pre-pandemic mix between goods and services, trade is expected to recover to 2.8% in 2024, only slightly stronger than GDP growth. The trade outlook is subject to various downside risks, including weaker-than-expected global demand, tighter global financial conditions, worsening trade tensions between major economies,

mounting geopolitical uncertainty, and a further rise in protectionist measures.

### Interest Rate Movements

The 3 months US Libor increased to close at 5.517% in May 2023 from 5.299% in April 2023, while the US Libor for 6 months increased to 5.645% in May 2023 from 5.387% in April 2023. The US Treasury yield

(10-year) decreased to close at 3.640% in May 2023 from 3.422% recorded in April 2023.

	May-23	Apr-23	May-22	Change 1 month	Change 12 months
US Fed Rate	5.250%	5.000%	1.000%	↑ 0.250%	↑ 4.25%
US Libor (3 months)	5.517%	5.299%	1.611%	↑ 0.218%	↑ 3.91%
US Libor (6 months)	5.646%	5.387%	2.106%	↑ 0.259%	↑ 3.54%
US Treasury yield (10 years)	3.640%	3.422%	2.850%	↑ 0.218%	↑ 0.79%
BOE Rate	4.500%	4.250%	1.000%	↑ 0.250%	↑ 3.50%
ECB Rate	3.750%	3.500%	0.000%	↑ 0.250%	↑ 3.750%

(Source: US Federal Reserve, Wall Street Journal)

## REGIONAL MARKET DEVELOPMENT

### Sub-Saharan Africa (SSA)

In 2023, the economic recovery has been interrupted. Growth in Sub-Saharan Africa is projected decline to 3.6% in 2023 according to the IMF's Regional Economic Outlook. Amid a global slowdown, activity is expected to decelerate for a second year in a row. Still, this headline figure masks significant variation across the region. Many countries will register a small pickup in growth this year, especially non-resource-intensive economies, but the regional average will be weighed down by sluggish growth in some key economies, such as South Africa.

The outlook has been attributed to a funding squeeze which has hit the region hard. Persistent global inflation and tighter monetary policies have led to higher borrowing costs for sub-Saharan African countries and have placed greater pressure on exchange rates. The funding squeeze aggravates a protracted trend that has been years in the making. The interest burden on public debt is rising, because of a greater reliance on expensive market-based funding combined with a long-term decline in aid budgets. The lack of financing affects a region that is already struggling with elevated macroeconomic imbalances.

Public debt and inflation are at levels not seen in decades, with double-digit inflation present in half of countries—eroding household purchasing power, striking at the most vulnerable, and adding to social pressures.

Looking forward, the squeeze will also impact the region's longer-term outlook. A shortage of funding may force countries to reduce resources for critical development sectors like health, education, and infrastructure, weakening the region's growth potential.

### Zambia

Zambia's headline inflation for the month of May 2023 increased to 9.90% from 10.20% recorded in April 2023. The Zambian Kwacha closed at ZK19.52/US\$ in May 2023 compared to ZK17.73/US\$ recorded in April 2023. According to the IMF, economic growth is projected to average 4.0% in 2023.

### Zimbabwe

In May 2023, the headline inflation for Zimbabwe increased to 86.5% compared to 75.2% recorded in April 2023. The local currency closed at ZWL\$2,577.06/US\$ compared to ZWL1,047.44/US\$ recorded in April 2023. The IMF has projected that economic growth will average 2.5% in 2023.

### Uganda

The headline inflation rate for Uganda for May 2023 decreased to 6.20% from 8.00% in April 2023. The Ugandan Shilling depreciated against the US Dollar in May 2023 and closed at UGX3,7356.00/US\$ compared to UGX3,735.25/US\$ recorded in April 2023. The IMF has projected that economy of Uganda will grow by 5.7% in 2023.

### Tanzania

The headline inflation rate for Tanzania for May 2023 decreased to 4.00% from 4.30% in April 2023. The Tanzanian Shilling depreciated against the US Dollar in May 2023 and closed at TSh2,883.94/US\$ compared to TSh2,880.03/US\$ recorded in April 2023. The IMF has projected that economy of Tanzania will grow by 5.2% in 2023.

## OUTLOOK FOR APRIL 2023 AND BEYOND – MALAWI

### Exchange Rates

In the foreign exchange market, the Malawi Kwacha TT exchange rate to a US Dollar remained unchanged during the month of May. However, the disparity between the TT exchange rate remains large during the month in review with the Bureau cash rate closing at K1561.25/US\$1.

Malawi's main foreign exchange earner is the agricultural industry, where tobacco remains the largest foreign exchange earner in the country. According to the first-round crop estimates conducted by the Tobacco Commission, tobacco production is projected to increase by 51.4%. Better output returns suggest a cushion from further depreciation of the Kwacha. Alternative crops such as edible nuts and lentils are also expected to cushion the Kwacha during the year, as the demand for these products has increased globally, especially from Asian markets. Capacity building and market intelligence will be key to the success of alternative crops. Foreign exchange income from the tobacco selling season is expected to become clearer towards the end of the second quarter of 2023.

However, rain fed agriculture being the main source of foreign exchange earnings means the country is susceptible to risks pertaining to weather shocks caused by climate change. Therefore, there is a need for a more robust strategy on export diversification.

According to the EIU, the currency is expected to remain overvalued going by the real effective exchange rate (REER), with the transition to a market-led exchange rate in 2024 likely to induce volatility. Furthermore, the lack of monetary stability and high inflation in Malawi relative to its trading partners will cause the Kwacha to continue to depreciate against the US Dollar from 2024.

**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

According to the RBM, the onset of the food crop harvesting period in the second quarter of 2023 is expected to result in a slowdown in food inflation during that period. However, considering the relatively lower food crop size because of damage caused by cyclone Freddy, the lean period would set in earlier than normal. Further, the RBM noted that optimism that the declining commodity prices would translate into a non-food disinflation was no longer realistic in the face of heightened demand-side inflationary pressures arising from fiscal risks and second-round effects of the cyclone, in addition to exchange rate pressures.

The foregoing changed the earlier prospects of disinflation in 2023 from the last MPC meeting held in February 2023. Instead, headline inflation is projected to average higher at 24.5% in 2023 compared to 18.2% projected during the first MPC meeting of 2023 and compared to 20.9% realized for 2022. The projection for 2024 is at 20.5% predicated upon increased agricultural output and the success of an ECF program in 2024.

The downside risks from domestic factors remain heightened due to lagged effects of fiscal slippages and exchange rate depreciation, in addition to elevated prices of domestically produced food commodities on account of the delayed effects of high costs of inputs and expected increase in electricity and water tariffs over the year.

**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

Preliminary statistics from the National Statistics Office (NSO) indicates that the trade deficit widened to US\$283.5 million during the first quarter of 2023, from a deficit of US\$15.7 million in the fourth quarter of 2022 (Quarter 1, 2022: US\$388.2 million).

As markets for the country's major exports reopen in the second quarter of 2022, it is expected that the trade deficit would narrow during this period on account of improved inflows from exports following the opening of the tobacco selling season.

According to the RBM, in the ensuing period, the outlook for prices of major imports and exports is diverse. On the imports side, prices of fertilizers are projected to decline while crude oil prices could rise due to rebound in demand in China as well as reduced production from OPEC countries. Regarding export prices, tea prices are projected to improve whilst sugar prices are expected to remain relatively the same. In view of the foregoing, the outlook for the country's terms of trade is uncertain, as it will depend on which of the sub-components is stronger than the other.

**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

During the Second 2023 meeting of the Monetary Policy Committee (MPC) held in April 2023, the Committee decided to raise the Policy rate by 400 basis points to 22.0%, from 18.0%. The MPC also increased the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 200 basis points to 5.75%, from 3.75%. However, the LRR ratio on foreign currency deposits and the Lombard rate were maintained at 3.75% and 20 basis points above the Policy rate, respectively.

The Committee reached at these decisions upon observing that the inflation outlook had worsened compared to what was envisaged during the previous MPC meeting, mainly due to unforeseen domestic shocks that have strengthened both supply-side and

demand-side inflationary pressures. In particular, the MPC noted that the occurrence of cyclone Freddy which hit most parts of Southern Malawi and experiences of drought in some parts of Northern Malawi have elevated pressures for the food inflation outlook. However, despite the cyclone Freddy being a supply shock, its impact has the potential effect of amplifying aggregate demand following the need to recover the goods and rehabilitate properties damaged by the cyclone.

The Committee further noted that the sustained persistence of high food inflation following the recent adverse climatic supply shocks has the consequence of inducing second-round demand-driven upside pressures on non-food inflation, requiring tightening of monetary policy stance.

**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

Government operations implemented during the 2022/23 fiscal year (FY) resulted in an estimated deficit of K752.1 billion, as expenditures at K2.84 trillion were higher than the collected revenues which amounted to K2.08 trillion. The FY2022/23 deficit outturn was, however, less than the budgeted deficit of K842.11 billion, but higher than a deficit of K445.71 billion incurred during FY2021/22. The high annualized fiscal deficit during FY2022/23 was partly a consequence of materialization of several risks which were unanticipated during the design of the FY2022/23 fiscal budget. For instance, the realignment of the official exchange rate to market fundamentals through a devaluation of 25.0% effected in May 2022, as well as upward adjustments in interest rates during 2022 led to high interest payments on both foreign and domestic government debt. At the same time, the soaring commodity prices, which were triggered by the Russia-Ukraine war, raised the costs of government's generic goods and services during the period.

**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 natural disasters. 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%	0.90%
GOVERNMENT	5.10%	0.90%	3.90%	1.10%
<b>Average Real GDP</b>	<b>4.40%</b>	<b>0.38%</b>	<b>2.90%</b>	<b>1.18%</b>

(Source: EIU, IMF, WBG, MoF)

On the domestic front, real GDP growth for 2023 is estimated to rebound to 1.9%, from an estimated 1.18% in 2022. The growth prospects are anchored on expected rebounds in the Manufacturing, Utilities, Wholesale and Retail trade. This notwithstanding, the growth is a downward revision from the 2.7% projection made in November 2022. The revision is attributed to the impact of Cyclone Freddy, which is expected to have a contractionary effect on the agriculture, real estate and wholesale and retail trade sectors.

In the long term, agriculture is expected to record remarkable gains in 2024 as fertilizer prices normalize and foreign-currency shortages lessen, increasing economic growth to 3.0%. Commercialization of agriculture, together with expenditure rationalization and the prioritization of capital expenditure under IMF guidance may result in real GDP averaging 4.0% in 2025-27 forecast

window.

Other sectors that are expected to show gains in 2023 are the mining and construction sectors at 7.8% and 7.9% respectively. This is on account of the scaling up of the mining industry and the rise in the number of infrastructure development projects lined up in the government's development agenda. However, the scarcity of foreign currency and high exchange rates may dampen the outlook for construction, as the sector relies heavily on imported materials.

Major challenges to growth persist, including weather shocks that affect the country's rain-fed agriculture sector, limited concessional financing, a poor business environment that erodes investor confidence, acute foreign exchange shortages and high inflation. Further, in 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. Lastly, despite the slowdown in the number of infections and hospitalizations around the world, new COVID-19 variants continue to pose a risk to the global economy.

**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	<ol style="list-style-type: none"> <li>1. Disruptions to supply chains</li> <li>2. Rising global commodity prices</li> <li>3. Imported inflation</li> <li>4. Reduced fiscal space</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversifying supply chains</li> <li>2. Increasing strategic reserves of volatile commodities</li> <li>3. Robust monetary policy framework</li> <li>4. Stringent fiscal consolidation framework</li> </ol>
Climate Change/ Natural Disasters	<ol style="list-style-type: none"> <li>1. Disruptions to the agricultural sector</li> <li>2. Damage to key infrastructure</li> <li>3. Unbudgeted government expenditure</li> <li>5. Loss of human capital</li> </ol>	<ol style="list-style-type: none"> <li>1. Improved city planning</li> <li>2. More resilient building structures</li> <li>3. Sound road infrastructures</li> <li>4. Early warning systems</li> <li>5. More robust disaster management strategies</li> <li>6. Diversification of export base to mitigate impact from damage to crops.</li> <li>5.</li> </ol>
Coronavirus Pandemic	<ol style="list-style-type: none"> <li>1. Unbudgeted government expenditure putting pressure on fiscal discipline.</li> <li>2. Increases in commodity and service prices e.g. transportation.</li> <li>3. Loss of human capital as result of death and illness.</li> <li>4. Disruptions in supply chains.</li> <li>6. Rising income inequality.</li> <li>7. Rising unemployment especially in tourism sector.</li> </ol>	<ol style="list-style-type: none"> <li>1. Sensitising people on the dangers of the virus and practice social distancing and wearing masks.</li> <li>2. Increased uptake of vaccinations.</li> </ol>
Increase in government debt	<ol style="list-style-type: none"> <li>1. Creates a future obligation for government which may keep the budget deficit large.</li> <li>2. Crowds out the private sector, reducing the expansion of the private sector as funds are not available.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce government expenditure by tightening fiscal policy.</li> <li>2. Increase government revenue base to finance debt.</li> <li>3. Ensure tax compliance</li> </ol>
Global tobacco lobby (anti-smoking)	<ol style="list-style-type: none"> <li>1. Decline in demand for Malawi tobacco and services from supporting industries resulting in lower commodity prices.</li> <li>2. Reduction in export earnings (tobacco accounts for 60% of Malawi's export earnings).</li> <li>3. Reduced employment opportunities in the tobacco and supporting industry.</li> <li>4. Lower income for farmers- small holder and commercial.</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversify into other sectors such as mining and cotton etc.</li> <li>2. Engage in aggressive tourism marketing and investment.</li> </ol>
Insufficient power supply	<ol style="list-style-type: none"> <li>1. Commercial productivity remains small scale</li> </ol>	<ol style="list-style-type: none"> <li>1. Encourage use of energy saver</li> </ol>

	<p>as large-scale enterprises are difficult to implement with limited power supply.</p> <ol style="list-style-type: none"> <li>Low industrial productivity in the manufacturing sector resulting in low economic productivity and dampening economic growth.</li> <li>Deferment of development by investors due to lack of infrastructure</li> </ol>	<p>bulbs.</p> <ol style="list-style-type: none"> <li>Rehabilitate and develop new power plants.</li> <li>Public-Private Partnerships to enhance energy production through alternative power sources.</li> <li>The entrance of Independent Power Producers (IPPs) may help boost power generation.</li> </ol>
High population growth rates	<ol style="list-style-type: none"> <li>Reduced per capita income.</li> <li>Over-crowding on public resources. Resources which could have been allocated to more productive activities are used to take care of the growing population.</li> </ol>	<ol style="list-style-type: none"> <li>Civic education to raise awareness of family planning methods.</li> </ol>
<p>Uncertainty in the external environment</p> <p>Uncertainty in the external environment</p>	<ol style="list-style-type: none"> <li>Dampening export demand for major export commodities i.e. tobacco, tea, cotton and sugar.</li> <li>Declining investor interest in Malawi resulting in fewer investments, hence less foreign currency coming into the country.</li> <li>Declining remittances from abroad, hence contributing to lower forex levels.</li> <li>Reduced access to foreign capital, hence financing not available or difficulties in accessing letters of credit.</li> <li>Impaired growth and Balance of Payments (BOP) due to declining exports and low foreign investments.</li> <li>Decline in tourism levels leading to lower forex revenues.</li> </ol>	<ol style="list-style-type: none"> <li>Diversification of export base of products.</li> <li>Diversify away from agricultural production, focus more on value added goods, manufacturing and service sector products where the country has a comparative advantage.</li> </ol>

## APPENDIX

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

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
MK : US\$	1,021.66	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43	1,026.43
MK : GBP	1,286.47	1,232.13	1,253.69	1,224.48	1,175.11	1,224.69	1,264.02	1,273.64	1,304.51	1,272.69	1,309.43	1,318.15	1,309.91
MK : ZAR	65.82	61.31	62.49	60.78	58.84	58.04	62.30	62.35	60.71	57.32	59.20	57.56	53.50
MK : EUR	1,096.85	1,042.24	1,050.97	1,063.78	1,036.93	1,050.67	1,093.60	1,125.74	1,146.04	1,118.76	1,151.64	1,163.80	1,130.49
<b>Forex reserves (Source: RBM)</b>													
Gross Official Reserves (US\$m)	388.22	415.73	372.99	378.89	357.18	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82
Private Sector Reserves (US\$m)	401.13	401.60	396.02	398.43	408.84	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90
Total Reserves (US\$m)	789.35	817.33	769.01	777.32	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72
Total Import Cover (months)	3.15	3.27	3.07	3.11	3.07	2.47	2.96	2.82	2.66	2.63	2.41	2.42	2.33
<b>Inflation (NSO)</b>													
Headline Inflation	19.10	23.50	24.60	25.50	25.90	26.70	25.80	25.40	25.90	26.70	27.00	28.80	29.20
Food	25.50	31.20	32.50	33.40	33.70	34.50	33.40	31.40	33.40	31.70	32.40	37.90	38.80
Non Food	13.20	16.60	17.50	18.20	18.30	18.60	17.70	18.60	17.70	20.50	20.20	18.50	18.40
<b>Interbank Rates (Source: RBM)</b>													
Monetary Policy Rate	14.00%	14.00%	14.00%	14.00%	14.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%
Average Interbank Rate	12.42%	12.48%	12.50%	12.50%	12.50%	12.63%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%
Average Base Lending Rates	13.50%	13.80%	13.90%	13.80%	13.90%	13.90%	16.60%	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%
<b>Treasury Bill Yields (Source: RBM)</b>													
91 day Treasury Bill Yield	9.75%	9.75%	10.07%	10.67%	11.00%	11.00%	12.99%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
182 day Treasury Bill yield	14.10%	15.00%	15.00%	15.24%	15.49%	15.48%	16.92%	17.50%	17.50%	17.50%			17.50%
364 day Treasury Bill yield	16.38%	17.04%	17.74%	18.06%	18.68%	18.75%	19.15%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%
<b>Stock Market Indices (Point) (Source: MSE)</b>													
MASI	50,300.44	49,596.14	52,889.87	54,454.45	54,389.92	55,046.26	59,795.69	62,036.05	68,451.77	71,069.31	80,298.12	86,462.61	102,837.75
DSI	39,037.30	39,011.21	42,717.13	44,109.31	44,360.30	44,360.30	48,811.22	50,804.03	54,351.80	56,674.50	64,886.76	70,512.35	83,365.40
FSI	7,305.55	6,538.52	5,548.61	5,548.61	5,154.73	5,154.73	5,613.43	5,614.30	8,374.09	8,382.28	8,381.79	8,202.52	10,396.15
<b>Fuel Prices per Litre (Source: MERA)</b>													
Petrol	1,150.00	1,999.00	1,999.00	1,946.00	1,946.00	1,946.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00
Diesel	1,120.00	1,121.12	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00
Paraffin	833.20	900.38	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00

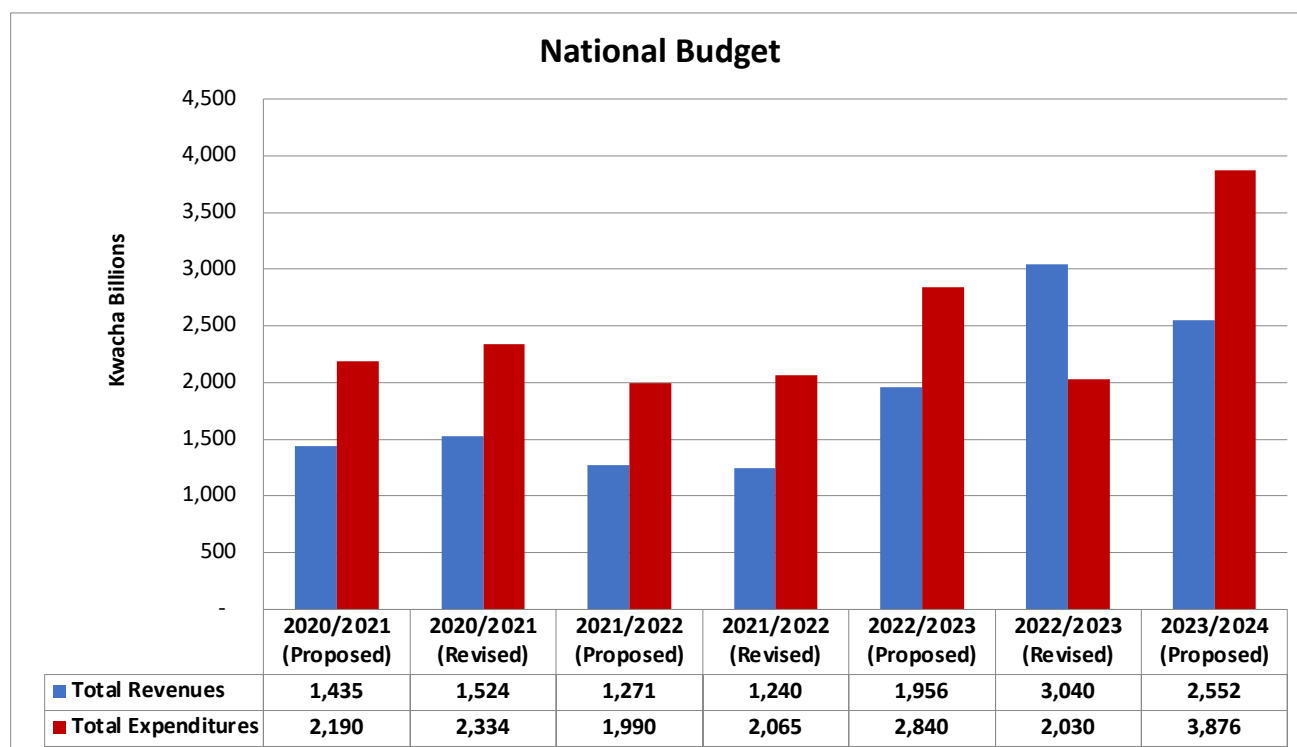
### Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
<b>TANZANIA</b>													
Exchange rate													
US\$	2,300.70	2,304.20	2,304.47	2,305.11	2,307.94	2,308.26	2,308.52	2,308.89	2,309.33	2,309.88	2,311.44	2,313.46	2,319.21
GBP	2,907.40	2,817.34	2,796.93	2,700.67	2,524.66	2,524.66	2,770.58	2,777.37	2,861.61	2,769.08	2,860.64	2,880.03	2,883.94
ZAR	144.49	142.88	137.93	137.21	128.45	128.45	136.03	135.18	133.33	125.52	128.30	126.63	126.63
EUR	2,475.10	2,434.15	2,340.19	2,313.18	2,244.24	2,244.24	2,393.25	2,457.13	2,428.02	2,516.36	2,522.48	2,547.82	2,490.02
Inflation %	4.00	4.40	4.50	4.60	4.80	4.90	4.90	4.80	4.90	4.80	4.70	4.30	4.00
<b>UGANDA</b>													
Exchange rate													
US\$	3739.96	3759.35	3868.26	3810.74	3856.3	3805.22	3,738.33	3,713.63	3,683.33	3,780.08	3,721.83	3,735.54	3,768.00
GBP	4583.28	4586.81	4653.83	4493.80	4143.44	4406.74	4,482.26	4,474.18	4,544.86	4,484.06	4,680.50	4,660.09	4,669.68
EUR	3940.94	3953.47	3915.24	3816.46	3713.34	3804.46	3,872.16	3,954.27	3,990.52	3,940.67	4,118.02	4,113.58	4,028.62
Inflation %	6.30	6.80	7.90	9.00	10.00	10.70	10.60	10.20	10.40	9.20	9.00	8.00	6.20
Central Bank Rate %	6.50	7.50	8.50	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
<b>ZAMBIA</b>													
Exchange rate													
US\$	17.28	16.96	16.37	15.88	15.77	16.17	17.06	18.07	19.03	19.85	21.31	17.73	19.52
GBP	21.71	20.58	19.76	18.50	17.45	18.62	20.47	21.75	23.43	24.02	26.39	22.08	24.15
ZAR	1.10	1.03	0.99	0.93	0.88	0.88	1.01	1.07	1.09	1.08	1.20	0.97	0.99
Inflation %	10.20	9.70	9.90	9.80	9.90	9.70	9.80	9.90	9.40	9.60	9.90	10.20	9.90
Central Bank Rate %	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.25	9.25	9.25	9.50	9.50
<b>MOZAMBIQUE</b>													
US\$	63.83	63.87	63.87	63.87	63.87	63.87	N/A	63.83	63.89	63.88	63.88	63.88	63.88
ZAR	4.00	3.88	3.94	3.59	3.54	3.75	N/A	4.10	3.51	3.46	3.47	3.53	3.48
EUR	67.27	65.36	65.79	62.32	62.96	66.21	N/A	71.20	67.77	68.19	70.15	70.46	69.80
Inflation%	9.31	10.81	11.77	12.10	12.01	11.83	11.25	10.91	9.78	10.30	10.82	9.61	8.23

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

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

K' Billion	2020/2021 (Revised)	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)	2022/2023 (Revised)	2023/2024 (Proposed)
<b>Total Revenues</b>	<b>1,524</b>	<b>1,271</b>	<b>1,240</b>	<b>1,956</b>	<b>2,030</b>	<b>2,552</b>
Domestic revenues	1,186	1,101	1,101	1,636	1,628	2,240
Grants	338	170	139	320		312
Budgetary support						
Earmarked grants						
<b>Total Expenditure</b>	<b>2,335</b>	<b>1,990</b>	<b>2,065</b>	<b>2,840</b>	<b>3,040</b>	<b>3,876</b>
Recurrent expenditure	1,719	1,419	1,525	2,019		2,980
Wages & Salaries	542	436	439	670		
Interest on debt	376	300	300	524		
Investment Expenditure	616	571	540	821		896
<b>Deficit/Surplus</b>	<b>(811)</b>	<b>(719)</b>	<b>(825)</b>	<b>(883)</b>	<b>(1,010)</b>	<b>(1,325)</b>
<b>Deficit as a % of Revenue</b>	<b>-53%</b>	<b>-57%</b>	<b>-67%</b>	<b>-45%</b>	<b>-50%</b>	<b>-52%</b>



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

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

Category	2022									2023			
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Total Revenues</b>	<b>140.7</b>	<b>128.7</b>	<b>149.4</b>	<b>157.8</b>	<b>182.6</b>	<b>168.8</b>	<b>194.7</b>	<b>144.4</b>	<b>199.0</b>	<b>226.0</b>	<b>165.9</b>	<b>227.2</b>	<b>185.8</b>
Domestic Revenues	130.9	119.4	131.6	134.3	158.0	148.6	173.3	121.6	174.2	196.7	132.7	124.5	156.9
Tax Revenue	123.6	107.8	112.5	130.4	150.5	122.4	153.9	114.6	122.6	162.7	118.6	119.6	154.1
Non -Tax revenue	7.3	11.6	19.1	3.9	7.5	26.1	19.4	7.0	51.6	34.0	14.1	4.9	2.8
Departmental receipts	5.6	7.4	7.9	3.3	6.8	5.6	3.1	4.6	3.5	7.1	5.0	4.6	2.4
Other Receipts	1.7	4.2	11.8	0.6	0.6	20.5	16.3	2.4	48.1	26.9	9.1	0.3	0.4
Grants	9.8	9.3	17.8	23.5	24.6	20.2	21.4	22.8	24.8	29.3	33.2	102.6	28.9
<b>Total Expenditures</b>	<b>267.8</b>	<b>220.4</b>	<b>223.4</b>	<b>211.1</b>	<b>227.4</b>	<b>236.5</b>	<b>208.5</b>	<b>248.8</b>	<b>271.9</b>	<b>226.2</b>	<b>228.7</b>	<b>232.1</b>	<b>281.0</b>
Recurrent Expenditure	227.3	193.6	197.3	172.5	207.6	210.9	186.1	216.3	232.6	188.6	190.6	198.3	210.6
Interest Payments	37.8	58.8	56.7	25.4	43.4	50.9	63.8	83.5	55.3	41.5	46.8	66.4	45.9
Domestic	35.3	57.4	52.2	24.9	39.5	48.4	60.6	82.2	52.2	40.7	43.7	62.9	44.0
Foreign	2.4	1.4	4.5	0.5	3.9	2.5	3.2	1.3	3.1	0.79	3.1	3.5	1.9
Development	40.5	26.8	26.2	38.6	19.8	25.6	22.4	32.5	39.4	37.6	38.1	33.8	70.4
<b>Deficit/Surplus</b>	<b>-127.0</b>	<b>-91.2</b>	<b>-74.0</b>	<b>-53.4</b>	<b>-44.9</b>	<b>-67.7</b>	<b>-13.8</b>	<b>-104.4</b>	<b>-72.9</b>	<b>-0.20</b>	<b>-62.8</b>	<b>-4.9</b>	<b>-95.2</b>
Financing (net)	127.0	-9.7	127.6	52.8	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	48.8
Foreign	-3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	130.3	-9.7	127.6	52.8	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	48.8
Banking System	79.6	-25.1	84.7	45.3	-11.5	76.1	116.3	-4.5	112.9	14.1	144.1	89.6	75.7
Non-Bank Sector	30.4	15.4	42.9	7.5	112.1	69.8	10.5	-57.9	86.1	35.7	46.2	44.4	-26.9
Errors and Omissions	0.0	-81.5	53.6	-0.6	55.7	78.2	113.0	166.9	126.0	49.6	127.6	129.0	-46.4

Source: Reserve Bank of Malawi

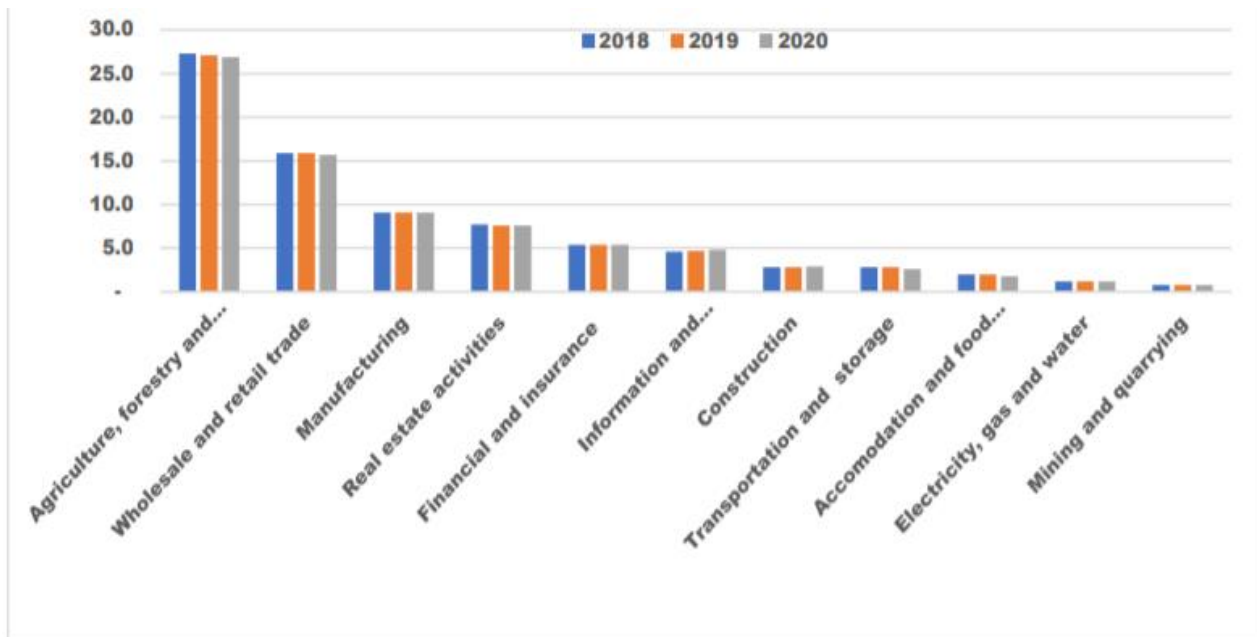
## Appendix 5: Malawi selected Economic indicators (Source: RBM)

Table 9: Selected Economic Indicators (in MK' billion, unless otherwise stated)

	2015	2016	2017	2018	2019	2020	2021	2022	2022 Apr	2023 Apr
<b>Real Sector<sup>4</sup></b>										
Population (million)	16.3	16.8	17.4	17.9	18.5	19.1	18.9	19.4	19.4	19.8
GDP at current market prices	3,212.7	3,812.6	6,531.2	7,234.9	8,239.6	8,821.3	9,975.5	11,849.6	11,849.6	14,662.4
Real GDP growth (percent)	3.3	2.7	5.1	4.4	5.7	0.8	4.6	1.2	1.2	1.9
GDP per capita (K'000)	197.1	226.9	266.8	403.5	445.2	461.85	527.9	612.3	612.3	740.2
GDP per capita (US\$)	394.5	318.1	365.4	550.9	597.1	616.18	655.0	645.2	645.2	714.3
Consumer Price Index (CPI) <sup>5</sup>	192.0	233.7	260.7	104.7	114.5	124.4	136.0	147.1	104.4	134.5
Year-on-year inflation rate (percent)	21.9	21.7	11.5	9.2	9.4	8.6	9.3	21.0	15.7	28.8
<b>Fiscal Sector</b>										
Total Revenue	661.3	810.0	946.6	1,079.1	1,208.5	1,302.0	1,141.5	1,928.8	140.7	185.8
Domestic Revenues	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	1,682.2	130.9	156.9
Grants	47.1	67.0	87.9	90.5	145.0	206.1	151.8	246.6	9.8	28.9
Total expenditure	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1,655.5	2,739.0	267.8	281.0
Recurrent	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	2,345.0	227.3	210.6
Development	95.5	131.8	163.0	196.9	204.3	247.4	670.8	393.9	40.5	70.4
Deficit/GDP ratio (after grants)	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-6.8	-1.1	-0.6
<b>Monetary Sector</b>										
Net Foreign Assets	355.9	348.2	463.8	152.5	163.3	-345.6	-405.9	-635.6	-486.2	-821.3
Net Domestic Credit	730.4	1007.8	1238.8	1397.5	1601.7	2012.5	2691.0	3562.2	2924.9	3924.4
Government	266.7	513.9	708.6	744.1	700.5	976.9	1608.8	2214.4	1850.3	2627.0
Statutory bodies	5.2	9.5	8.6	130.8	216.8	213.4	205.3	273.5	195.9	238.3
Private (gross)	422.5	455.3	488.4	493.2	595.0	692.8	821.9	1020.0	819.3	1002.8
Money Supply (M2)	788.8	923.3	1077.3	1198.3	1320.5	1541.4	2004.4	2784.5	2091.9	2842.8
M2 Growth Rate (annual percent)	23.7	15.2	19.7	11.5	10.2	16.7	30.0	38.9	26.8	35.9
Reserve Money	207.1	250.2	279.6	289.8	303.4	342.1	449.4	573.4	461.5	571.2
Banks Deposits	66.0	60.3	78.2	59.6	26.0	57.3	89.3	100.6	114.2	142.0
<b>External Sector</b>										
Overall Balance	45.1	-47.3	107.5	0.6	63.7	-193.1	-125.9	-323.1	..	..
Current Account	-527.7	-722.0	-1152.0	-1,255.6	-984.9	-1,134.6	-1,437.2	-333.0	..	..
Exports (fob )	531.6	737.5	611.2	814.5	975.4	838.3	808.7	908.2	38.0	34.1
Imports (cif)	1,134.6	1,577.6	1,864.1	2,141.6	2,421.2	2,285.7	2,478.7	1,444.0	171.2	68.9
Trade balance	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,669.9	-535.8	-133.2	-34.8
Capital account balance	114.0	605.8	694.7	632.6	533.7	553.0	598.4	731.3	..	..
Gross foreign exchange reserves	549.2	586.7	739.4	660.1	700.7	626.1	593.6	715.2	585.8	615.2
Official	445.3	438.6	549.9	548.2	605.5	437.2	346.5	302.1	287.0	197.1
Commercial banks	103.9	148.1	189.5	111.9	95.2	188.9	247.1	413.0	298.9	418.0
Import cover (Official reserves in months)	3.2	2.8	3.6	3.6	2.9	4.0	1.7	1.2	1.4	0.8
Current account balance/GDP (percent)	-16.4	-18.9	-17.6	-17.4	-12.0	-12.9	-14.4	-2.8	..	..
Debt/GDP (percent)	52.4	63.9	58.8	58.2	38.5	43.7	60.1	66.7	..	..
Debt Service/Exports (percent)	3.8	4.1	6.0	6.2	6.8	12.9	10.6	13.0	..	..
MK/US Dollar (cop)	664.365	725.01	730.46	733.69	738.87	773.11	819.44	1034.67	823.67	1034.86
MK/US Dollar (pd avg)	499.607	713.85	726.65	732.33	742.23	749.53	805.90	949.04	823.89	1035.05

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

## Appendix 6: 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 7: Global Projections (Source: IMF)

	Year over Year						Q4 over Q4 2/		
	Estimate		Projections		Difference from October 2020		Estimate		Projections
	2019	2020	2021	2022	WEO Projections 1/		2020	2021	2022
<b>World Output</b>	<b>2.8</b>	<b>-3.5</b>	<b>5.5</b>	<b>4.2</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.4</b>	<b>4.2</b>	<b>3.7</b>
<b>Advanced Economies</b>	<b>1.6</b>	<b>-4.9</b>	<b>4.3</b>	<b>3.1</b>	<b>0.4</b>	<b>0.2</b>	<b>-3.9</b>	<b>4.6</b>	<b>1.9</b>
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	-8.0	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
<b>Emerging Market and Developing Economies</b>	<b>3.6</b>	<b>-2.4</b>	<b>6.3</b>	<b>5.0</b>	<b>0.3</b>	<b>-0.1</b>	<b>0.9</b>	<b>3.7</b>	<b>5.4</b>
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
<i>Memorandum</i>									
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
<b>World Trade Volume (goods and services) 6/</b>	<b>1.0</b>	<b>-9.6</b>	<b>8.1</b>	<b>6.3</b>	<b>-0.2</b>	<b>0.9</b>	...	...	...
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	...	...	...
<b>Commodity Prices (US dollars)</b>									
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
<b>Consumer Prices</b>									
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
<b>London Interbank Offered Rate (percent)</b>									
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 8: Seasonal calendar for a typical year (Source: FEWS NET)



Source: FEWS NET

## Appendix 9: Food Insecurity Phase Descriptions (Source: FEWS NET)

### IPC Acute Food Insecurity Phase Descriptions (Area)

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

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