MID-YEAR REPORT

2023

NICO
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Contents

LIST OF ACRONYMS

ADF: African Development Fund
AfDB: African Development Bank
BOE: Bank of England
BHL: Blantyre Hotels Plc
BWB: Blantyre Water Board
CHIRPS: Climate Hazards Group InfraRed Precipitation with Station
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: Food and Agricultural Organization
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
LICs: Low Income Countries
MASI: Malawi All Share Index
MASL: Meters Above Sea Level
MB/D: Million barrels per day
MDAs: Ministries, Departments, and Agencies
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
NBM: National Bank of Malawi Plc
NBS: NBS Bank Plc
NGLs: Natural Gas Liquids
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
SONA: State of the Nation Address
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 Program
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	RCF:	Rapid Credit Facility
ZMK:	Zambian Kwacha		

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. However, RBM's real GDP projection is more conservative than other institutions like the World Bank and EIU that forecast growth at 1.4% and 0.7% respectively.

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 K1,573.23/US$1. Malawi currently runs a managed currency regime, and a shift towards a market-led exchange rate in the medium term is expected, assuming that an IMF program is agreed in 2024. The Malawian Kwacha will likely remain overvalued in 2023, owing to foreign-currency shortages and the widening inflation differential.

According to the RBM, inflationary pressures have strengthened, resulting in a more elevated inflation trajectory than anticipated during previous MPC meetings in 2023. Upside pressures have emerged from both supply and demand-side factors. Regarding supply factors, pressures are evident in the rising food inflation during the harvest period in the second quarter of 2023, contrary to seasonal trends. Further, the cancellation of the UN-backed Black Sea Port Grain Deal by Russia is another source of upside risk, as this is expected to trigger imported food inflationary pressures. Among the demand factors, pressures are likely to emanate from elevated public sector financing requirements as well as exchange rate developments. All these developments are driving market expectations and contributing to rising inflation. The above factors have significantly shifted the inflation path upwards. Headline inflation is now projected to average higher at 29.5% in 2023 than 24.5% earlier in the year, compared to an average of 20.9% in 2022.

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, considering slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a continued interest rate hikes by central banks around the world in the face of soaring inflation has significant spillover effects on the countries growth prospects. 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 and demand and supply imbalances of foreign exchange due to the 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 for the first half of 2023 averaged 27.48% an increase from an average of 16.25% recorded in the corresponding period in 2022. Average food inflation for the first half of 2023 was 34.75% an increase from an average of 20.47% recorded in the corresponding period in 2022. The non-food inflation increased to an average of 19.00% in the first half of 2023 from an average of 12.03% recorded in the corresponding period in 2022.

The headline inflation rate for June 2023 increased to 27.30% from 25.40% recorded in December 2023. This was due to a decrease in both food inflation as per the following table:

	Jun-23	Dec-23	Jun-22	%Change (6 Months)	%Change (12 Months)
Headline inflation	27.30%	25.40%	23.50%	1.90%	-3.80%
Food	37.20%	31.30%	31.20%	5.90%	-6.00%
Non-food	16.00%	18.60%	16.60%	-2.60%	0.60%

Government Securities (Source: RBM)

Treasury bill yields on the 182 days and 364 days tenors increased as at June 2023 compared to that recorded in December 2022. The average yield for all type Treasury bill increased to an average of 17.83% in June 2023 from an average of 16.67% in December 2022.

Tenor	Jun-23	Dec-23	Jun-22	Change 1 Month	Change 12 Months
91 days	13.00%	13.00%	9.75%	0.00%	3.25%
182 days	18.00%	17.50%	15.00%	0.50%	3.00%
364 days	22.49%	19.50%	17.74%	2.99%	4.75%
All Type	17.83%	16.67%	14.16%	1.16%	3.67%

Total Treasury bill applications for the month of June 2023 stood at K54.01 billion and K52.79 billion was allotted, representing a 2.26% rejection rate. The 364 days paper accounted for the highest subscription rate at 50.09%, then the 182 days paper was 49.76% and the 91 days paper was 0.15%.

During the first half of 2023, the government conducted several treasury note auctions. They included a 2-year, 3-year, 5-year, 7-year and 10-year treasury notes as presented below:

2023			
TENORS (Years)	Applied (K'bn)	Allotted (K'bn)	Average Yield
2	133.24	122.40	23.48%
3	134.86	116.63	24.58%
5	91.83	86.56	26.87%
7	81.97	66.35	28.17%
10	66.78	66.03	29.40%
Total	508.68	457.97	

Foreign Currency Market (Source: RBM)

During the first half of 2023, the Malawi Kwacha appreciated against the South African and the Euro but depreciated against the US Dollar and the British Pound. Refer to the table below:

CURRENCY	Jun-23	Dec-22	Jun-22	% Movement 1 month	% Movement 12 months
MK/USD	1,053.44	1,026.43	1,026.43	-2.63%	-2.63%
MK/GBP	1,367.48	1,273.64	1,247.94	-7.37%	-9.58%
MK/ZAR	57.82	62.35	63.23	7.28%	8.56%
MK/EUR	1,117.92	1,125.74	1,073.86	0.69%	-4.10%

Forex Reserves (Source: RBM)

The official forex reserves for June 2023 increased to US$321.53 million (1.29 months' worth of import cover) from US$304.65 million (1.22 months of import cover) in December 2022.

Private sector reserves increased to US$407.47 million (1.63 months of import cover) in June 2023 from US$399.20 million (1.60 months of import cover) in December 2022.

As of 30 June 2023, total forex reserves stood at US$729.00 million (2.92 months of import cover), a decrease from US$703.85 million (2.82 months of import cover) registered at the end of December 2022.

	Jun-23 (US$ million)	Dec-22 (US$ million)	Jun-22 (US$ million)	% 1 month change	% 12 months change
Official Reserves	321.53	304.65	415.73	5.54%	-22.66%
Private Sector	407.47	399.20	401.60	2.07%	1.46%
Total	729.00	703.85	817.33	3.57%	-10.81%
Import Cover (Months)					
Gross Official	1.29	1.22	1.66	5.74%	-22.29%
Private Sector	1.63	1.60	1.61	1.87%	1.24%
Total	2.92	2.82	3.27	3.55%	-10.70%

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

Liquidity levels (excess reserves after Central Bank Operations) in June 2023 decreased to a daily average of K32.34 billion from K47.60 billion in December 2022. Access to the Lombard facility (discount window borrowing) during the month under review averaged K95.56 billion a day. This was at an average rate of 22.20% and an average of K58.06 billion was accessed on the Lombard Facility during the month of December 2022 at an average rate of 18.20%.

In June 2023, the overnight borrowing between banks increased to a daily average of K27.89 billion. This was at an average rate of 19.98% and an average of K15.03 billion per day was accessed in December 2022 at an average rate of 15.00%.

Stock Market (Source: MSE)

The stock market has been bullish in the first half of 2023, with the Malawi All Share Index (MASI) increasing by 75.15% to close at 108,656.97 points from 62,036.05 points in December 2022.

The price gains were registered by twelve counters. Share price gains by NBS Bank (+287.94%), FDH Bank (+268.16%), NITL (+180.02%), NICO (+171.73%), FMBCH (+121.35%), TNM (+114.07%), Illovo (+107.67%), Sunbird (+96.09%), Airtel (+76.66%), ICON (+58.91%), NBM (+32.73%), and Standard Bank (+17.49%) were enough to offset share price losses by BHL (-8.30%), and OMU (-2.540%), MPICO (-0.29%), and PCL (-0.005%) resulting into an upward movement of the Malawi All Share Index.

The volume of shares traded in June 2023 increased to 129.46 million compared to 166.08 million traded in the corresponding month in June 2022. The traded value of the shares in June 2023 increased to K14.07 billion (US$10.96 million) from K11.98 billion (US$14.26 million) registered in the corresponding month in June 2022.

The year-on-year return for the MASI, DSI and FSI increased to 119.08%, 123.19%, and 87.76% respectively. The dividend yield for June 2023 decreased to 2.51% from 3.97% in June 2022.

	Jun-23	Dec-22	Jun-22	Change (6 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	100.06	56.64	48.67	76.66%	105.59%
BHL	10.06	10.97	11.01	-8.30%	-8.63%
FMBCH	245.39	110.86	127.98	121.35%	91.74%
FDHB	63.95	17.37	13.99	268.16%	357.11%
ICON	18.99	11.95	12.00	58.91%	58.25%
ILLOVO	1,121.41	540.00	305.53	107.67%	267.04%
MPICO	20.58	20.64	20.70	-0.29%	-0.58%
NBM	2,046.71	1,542.05	1,000.25	32.73%	104.62%
NBS	131.90	34.00	22.77	287.94%	479.27%
NICO	163.04	60.00	46.75	171.73%	248.75%
NITL	350.00	124.99	110.03	180.02%	218.10%
OMU	960.00	985.00	1,600.00	-2.54%	-40.00%
PCL	2,181.26	2,181.37	1,900.00	-0.005%	14.80%
STANDARD	2,350.01	2,000.16	1,600.03	17.49%	46.87%
SUNBIRD	180.52	92.06	80.01	96.09%	125.62%
TNM	29.97	14.00	14.00	114.07%	114.07%
MASI	108,656.97	62,036.05	49,596.14	75.15%	119.08%
DSI	87,071.03	50,804.03	39,011.21	71.39%	123.19%
FSI	12,276.49	5,614.30	6,538.52	118.66%	87.76%

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
NICO	Expects its half year ending 31 June 2023 performance to be expected to be between MWK27.0 billion and MWK30.5 billion compared to MWK11.8 billion reported for the half year ended 30 June 2022.
NITL	Expects its half year ending 31 June 2023 profit after tax to is to be at least MK11.5 billion as compared to MK1.5 billion reported for the half year ended 30 June 2022.
TNM	Expects its half year ending 31 June 2023 profit after tax to be at least 150% higher than the previous corresponding period
FMBCH	Expects its half year ending 31 June 2023 profit after tax to be at least 40% higher than the previous corresponding period
SUNBIRD	Expects its half year ending 31 June 2023 profit after tax to be at least 280% higher than the previous corresponding period
FDH Bank	Expects its half year ending 31 June 2023 profit after tax to be at least 65% higher than the previous corresponding period
Standard Bank	Expects its half year ending 31 June 2023 profit after tax to be at least 50% higher than the previous corresponding period
NBM	Expects its half year ending 31 June 2023 profit after tax to be at least 40% higher than the previous corresponding period
Airtel	Expects its half year ending 31 June 2023 profit after tax to be between 100% and 120% more than the profit in the previous corresponding period

OTHER MARKET DEVELOPMENTS

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

According to the Tobacco Commission, the 3rd round tobacco estimates survey results conducted from 19 to 23 June 2023 showed that 2023's production is at 109,972,700 kgs. This represents a 29% increase from last year's production, which was 85 million kgs. At the beginning of the current selling season, production was estimated at 126 million kilograms.

Despite the 2023 production being lower than the trade demand (170 million kgs), the prices have been good, and the rejection rate has been a record low throughout, averaging 1%.

After a very successful tobacco selling season, the 2023 tobacco selling season is expected to close on 4 August 2023 after 17 weeks of sales. The various floors in the country will be closed on different dates. The closure has been decided as volumes show that most of the tobacco produced this year has been sold. In 2022, the tobacco selling season lasted 20 weeks.

The cumulative average price of all the tobacco types went up by 11.40% in the current season compared to the prices that prevailed over the same period in 2022. After 15 weeks since the opening of the tobacco season, the average price peaked at US$2.35/kg in 2023 compared to US$2.11/kg recorded over the same period in 2022. A total volume of 117.9 million kilograms of all tobacco types valued at US$277.3 million have been sold by the end of 15 weeks in 2023 compared to 73.1 million kilograms sold at a total consideration of US$154.3 million during the same period in 2022.

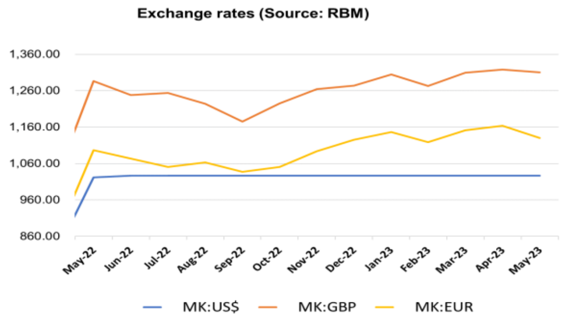
Malawi Acute Food Insecurity (Source: FEWSNET)

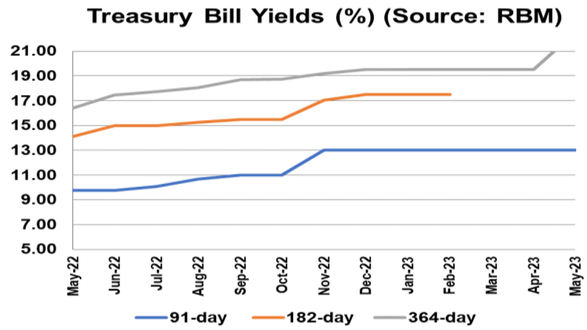
Crisis (IPC Phase 3) outcomes are expected to persist across most southern Malawi districts through January 2024, driven by agricultural production shortfalls during the 2022/23 season, high food and non-food commodity prices, and disruption of livelihoods by impacts of Tropical Cyclone Freddy. Parts of Karonga district in northern Malawi, as well as Salima and Nkhotakota districts in central Malawi, are likely to face Stressed (IPC Phase 2) outcomes due to below-average production as a result of dry spells, flooding in Karonga, and rainstorms related to Cyclone Freddy in Salima and Nkhotakota. On the other hand, most districts in central and northern Malawi are expected to have increased access to food and likely face Minimal/None (IPC Phase 1) food security outcomes through January 2024.

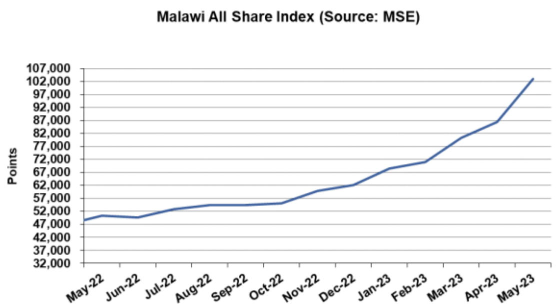
Based on FEWS NET price projections, the prices of maize in Malawi are expected to increase in the coming months. Over the past five years, maize prices at the Mitundu market, which serves as a reference for the national market, have ranged between K97 and K283 per kilogram. However, from June 2023 to March 2024, prices are projected to range between K486 and K870 per kilogram. In deficit areas of Malawi, particularly in southern Malawi, prices are likely to exceed K1,000 per kilogram. These high prices significantly reduce food access for poor households, making it more difficult for households to cope with the reduction in food and income caused by below-average crop production in southern districts.

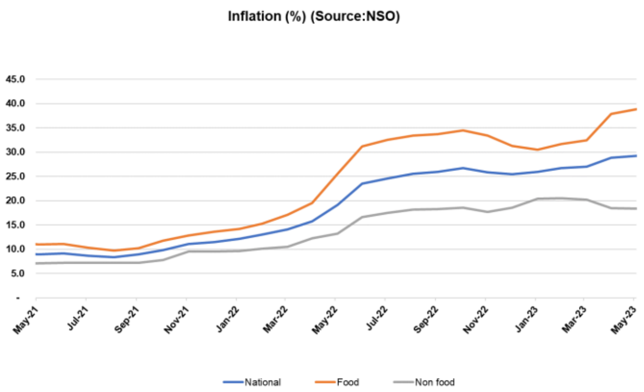
According to forecasts from international and national agencies, the upcoming rainy season in Malawi for 2023/24 is expected to be influenced by El Niño. In the past, El Niño conditions have been linked to a delayed start of the rainfall season, below-normal precipitation, and dry spells. While the intensity of this El Niño is not yet clear, extreme El Niño years have particularly had a severe impact on agricultural production, significantly reducing crop production and increasing the number of acutely food-insecure households. The historical pattern suggests the likelihood of below-average harvests and increased acute food insecurity in the upcoming rainy season, and the number of households facing Crisis (IPC Phase 3) outcomes in late 2023 and early 2024 is expected to be atypically high, particularly in districts of southern Malawi.

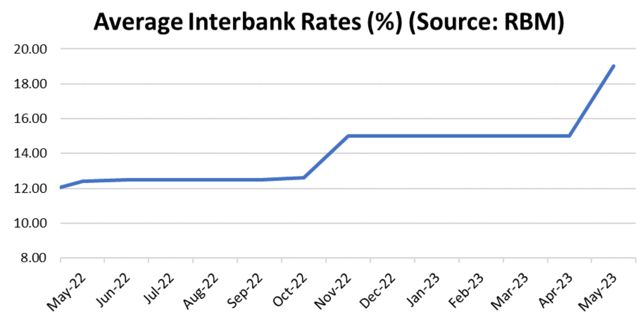
TREND GRAPH

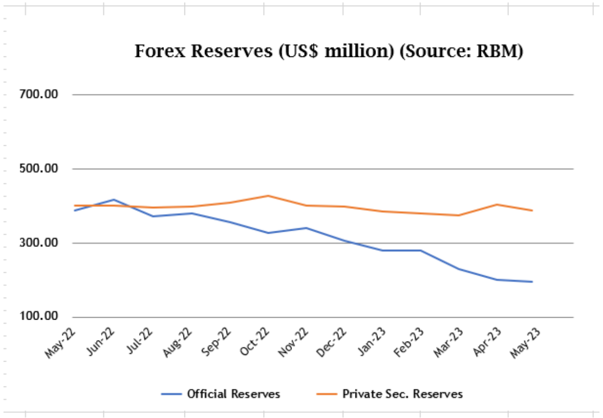

Exchange rates (Source: RBM)
1,360.00
1,260.00
1,160.00
1,060.00
960.00
860.00
May-22 Jun-22 Jul-22 Aug-22 Sep-22 Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23
MK:US$
MK:GBP
MK:EUR


Treasury Bill Yields (%) (Source: RBM)
21.00
19.00
17.00
15.00
13.00
11.00
9.00
7.00
5.00
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
91-day
182-day
364-day


Malawi All Share Index (Source: MSE)
Points
107,000
102,000
97,000
92,000
87,000
82,000
77,000
72,000
67,000
62,000
57,000
52,000
47,000
42,000
37,000
32,000
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


Inflation (%) (Source:NSO)
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
-
May-21 Jul-21 Sep-21 Nov-21 Jan-22 Mar-22 May-22 Jul-22 Sep-22 Nov-22 Jan-23 Mar-23 May-23
National
Food
Non food


Average Interbank Rates (%) (Source: RBM)
20.00
18.00
16.00
14.00
12.00
10.00
8.00
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


Forex Reserves (US$ million) (Source: RBM)
700.00
500.00
300.00
100.00
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
Official Reserves
Private Sec. Reserves

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

World oil demand is expected to grow by 2.4 mb/d in 2023, following an upward revision of about 0.1 mb/d from last month's assessment, mainly due to higher demand seen in China in the second quarter of 2023. OECD Americas is revised up slightly to account for a better-than-expected performance in the US. In the non-OECD, demand was also revised upward to account for bullish oil demand seen in China and a slight improvement in Latin America over the same period. For 2024, world oil demand is forecast to grow by a healthy 2.2 mb/d, reaching about 104.25 mb/d.

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 forecast to grow by 50.0 tb/d in 2023 to an average of 5.44 mb/d and by another 65.0 tb/d to an average of 5.51 mb/d in 2024.OPEC-13 crude oil production in June increased by 91 tb/d m-o-m to an average 28.19 mb/d, according to available secondary sources.

The OPEC Reference Basket (ORB) price fell in June by 63¢ m-o-m, or 0.8%, to stand at US$75.19/b, amid a decline in ORB component-related crude benchmarks, and mixed movement in crude differentials and official selling prices. The decline was seen mainly in sweet grades and Brent-related components, amid the high availability of light sweet crude in the Atlantic Basin.

Currency Movements

Economic woes continue to plague the Eurozone and with continued rate hike from the ECB, the euro could continue its disappointing trading range. The Eurozone saw inflation fall further than expected last month, with CPI data released on June 20th showing a drop from 6.1% to 5.5% year-on-year. Despite this, markets still expect European Central Bank (ECB) President, Christine Lagarde, to press ahead with more rate hikes, to get price rises down to their 2% target.

Despite this, EUR/USD did briefly break above US$1.10 on June 22nd as markets expected further rate hikes from the ECB. The German Purchasing Managers' Index (PMI) reading saw the pair drop back under US$1.09. Looking ahead, the main focus will be the July 27th ECB interest rate decision, where many are predicting another 25bp hike. However, with inflation on a downward trajectory and Germany in a technical recession, the commentary from ECB President, Christine Lagarde, will be closely monitored to see if the ECB is considering putting a halt to its tightening cycle after its September meeting. The EUR/USD is expected to range between 1.0745 – 1.1100 and the EUR/GBP: 0.8510 – 0.8715 in July.

Poor CPI data shows that inflation is heavily entrenched in the UK economy, leading experts to predict further hikes in BoE's July and August interest rate statements. The Pound remained elevated throughout June as above-target inflation saw the Bank of England (BoE) make a surprise 50bp hike, taking interest rates to 5.0% for the first time in nearly 15 years. The Bank's hand was forced by CPI holding at 8.7% year-on-year, despite a forecast drop to 8.4% when it was released on June 21st. This has added support to the pound and led the GBP/USD to top US$1.28 and GBP/EUR above €1.17 in the middle of the month. However, there are concerns about the long-term impact this could have on the economy as more and more people come off low-rate mortgages and are forced to refinance at rates not seen since before the Global Financial Crisis of 2008. Despite the economy performing far better than expected just a few months ago, many are predicting the UK could slip into recession in the second half of the year.

Looking ahead, July's key release will be the CPI reading due on July 19th. BoE Governor, Andrew Bailey, and UK consumers will be hoping to see a fall in both the overall and core readings. However, an interest rate rise is still likely in August because whatever the data shows, it will still be way above the Bank's 2% target.

The GBP/USD is expected to range between in July 1.2425 – 1.2900 and the GBP/EUR: 1.1475 – 1.1750

Despite positive data, the US is still laboring under the weight of inflation and Fed Chair, Jerome Powell, says at least 2 rate hikes will be needed this year. Overall, the US Dollar Index (DXY) lost out in June, falling from near 104.5 to a low of around 102. However, it rebounded to around 103 after a two-day downtrend.

Following employment data, eyes will be on the US CPI, which is currently forecasting an increase of 0.2%. Depending on how the data comes out for employment and CPI expectations, the Fed's decision could be swayed either way. The DXY is expected to trade between 100.28 and 103.34 for July.

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 5.545% in June 2023 from 4.420% in December 2022, while the US Libor for 6 months increased to 5.627% in June 2023 from 4.690% in December 2022. The US Treasury yield (10-year) decreased to close at 3.810% in June 2023 from 3.880% recorded in December 2022.

	Jun-23	Dec-22	Jun-22	Change 6 month	Change 12 months
US Fed Rate	5.250%	4.500%	2.500%	16.667%	2.75%
US Libor (3 months)	5.545%	4.420%	1.626%	1.125%	3.92%
US Libor (6 months)	5.627%	4.690%	2.935%	0.937%	2.69%
US Treasury yield (10 years)	3.810%	3.880%	2.980%	-0.070%	0.83%
BOE Rate	5.000%	3.500%	1.250%	1.500%	3.75%
ECB Rate	4.000%	2.750%	0.000%	1.250%	4.000%

(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 to 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 June 2023 increased to 9.80% from 9.90% recorded in May 2023. The Zambian Kwacha closed at ZMW17.56/US$ in June 2023 compared to ZMW19.52/US$ recorded in May 2023. According to the IMF, economic growth is projected to average 4.0% in 2023.

Zimbabwe

In June 2023, the headline inflation for Zimbabwe decreased to 74.5% compared to 86.5% recorded in May 2023. The local currency closed at ZWL$5,739.80/US$ compared to ZWL2,577.06/US$ recorded in May 2023. The IMF has projected that economic growth will average 2.5% in 2023.

Uganda

The headline inflation rate for Uganda for June 2023 decreased to 4.90% from 6.20% in May 2023. The Ugandan Shilling appreciated against the US Dollar in May 2023 and closed at UGX3,667.13/US$ compared to UGX3,768.00/US$ recorded in May 2023. The IMF has projected that economy of Uganda will grow by 5.7% in 2023.

Tanzania

The headline inflation rate for Tanzania for June 2023 decreased to 3.60% from 4.00% in May 2023. The Tanzanian Shilling appreciated against the US Dollar in June 2023 and closed at TSh2,327.52/US$ compared to TSh2,883.94/US$ recorded in May 2023. The IMF has projected that economy of Tanzania will grow by 5.2% in 2023.

South Africa

The headline inflation rate for South Africa for June 2023 decreased to 5.40% from 6.30% in May 2023. The South African Rand appreciated against the US Dollar in June 2023 and closed at ZAR18.92/US$ compared to ZAR19.03/US$ recorded in May 2023. The IMF has projected that economy of Tanzania will grow by 0.1% in 2023.

OUTLOOK FOR JUNE 2023 AND BEYOND – MALAWI

Exchange Rates

Malawi currently runs a managed currency regime, and a shift towards a market-led exchange rate in the medium term is expected, assuming that an IMF program is agreed in 2024. The Malawian Kwacha will likely remain overvalued in 2023, owing to foreign-currency shortages and the widening inflation differential. The spread between the formal exchange rate (K1,061:US$1 at end-June) and the informal market exchange rate (K1,600:US$1 at end-June) has widened, against a backdrop of shrinking foreign-exchange reserves prompting the RBM to devalue the Kwacha.

According to the EIU, A devaluation of 20.0% is expected in the second half of the year in order to shore up foreign reserves. However, the EIU's forecast of K1,245/US$1 at end 2023 is a conservative one, given the potential unintended effects that sizeable devaluations have had in the past in propelling higher inflation by inducing panic-buying. In 2024-27 the Kwacha will likely gravitate towards its fair value (as the spread between the formal and informal market exchange rate narrows) as the authorities liberalize the exchange rate, in line with IMF guidance.

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, inflationary pressures have strengthened, resulting in a more elevated inflation trajectory than anticipated during previous MPC meetings in 2023. Upside pressures have emerged from both supply and demand-side factors. Regarding supply factors, pressures are evident in the rising food inflation during the harvest period in the second quarter of 2023, contrary to seasonal trends. Further, the cancellation of the UN-backed Black Sea Port Grain Deal by Russia is another source of upside risk, as this is expected to trigger imported food inflationary pressures. Among the demand factors, pressures are likely to emanate from elevated public sector financing requirements as well as exchange rate developments. All these developments are driving market expectations and contributing to rising inflation. The above factors have significantly shifted the inflation path upwards. Headline inflation is now projected to average higher at 29.5% in 2023 than 24.5% earlier in the year, compared to an average of 20.9% in 2022.

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

Malawi's current account is structurally in deficit, and in 2022 this was aggravated by a commodity price shock, owing to the Russian invasion of Europe. However, the medium-term outlook is for some improvement in Malawi's terms of trade, leading to the current-account deficit narrowing considerably.

Malawi's exports are driven largely by receipts of tobacco and tourism. A high import bill for food since Cyclone Freddy will sustain a wider current account deficit while reducing foreign-exchange reserves. However, a recovery is expected in the agricultural sector from weather shocks and high prices for fertilizer to boost tobacco and tea exports from 2024, raising export revenue. In addition, uranium mining, which has been held back in previous years by limited investment, will commence in late 2024.

Malawi's import bill is dominated by purchases of food, fertilizer and fuel, prices for which rose sharply in the first quarter of 2023. According to the EIU, in 2024-27 the import bill will likely decrease, owing to falling global commodity prices. The rebound in the agricultural sector will help to contain the import bill as local food supplies improve, causing the current-account deficit to narrow to levels well below those that were recorded before the coronavirus pandemic.

A deficit will continue to be recorded on the services account, but a gradual recovery in tourism from weak global demand will support services exports from 2024, reducing the services shortfall substantially.

The deficit on the primary income account will remain large but narrow slightly throughout 2023-27 as the mining sector recovers, and possible debt restructuring in late 2023 will reduce repayments. In 2023-27 the secondary income account will record a surplus slightly below the pre-pandemic level. A slight decrease in the current-account deficit to 20.0% of GDP in 2023 is expected, compared with an estimated deficit of 24.9% of GDP in 2022. Debt restructuring, rising exports and falling commodity prices in 2023-27 will cause the current-account deficit to narrow steadily, to 7.3% of GDP in 2027. The shortfall will be financed mainly by aid and grants.

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. Despite a slight decline in inflation in June 2023, the MPC is expected to continue to increase interest rates throughout 2023 in order to tame inflation. According to the EIU, as inflation begins to moderate from 2024, the RBM will have the scope for monetary loosening to support growth. The rate is expected to be cut to an estimated 22.0% at end-2024 and 12.0% at end-2027 as inflation continues to fall. Inflation is however expected to remain above the 3-7% target window throughout the forecast window.

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

Fiscal Policy

Malawi is aiming to restore debt sustainability in the short term to be eligible for an IMF ECF program. The Staff Monitored Program (SMP) and the subsequent ECF will improve public financial management in fiscal years 2023/24-2026/27, largely by enhancing the efficiency of government spending and attracting grant inflows.

Malawi's government expenditure will likely be high in 2023-27, owing to perennially elevated social safety nets (notably subsidies and cash transfers) which provide a cushion against high living costs and food insecurity. High spending on social transfers and the reconstruction of infrastructure occasioned by

Cyclone Freddy will lead to policy slippages on the SMP, keeping the public expenditure/GDP ratio elevated in 2023/24-2026/27.

Malawi depends on aid for budgetary support, given its narrow revenue base. Grants comprised an estimated 15.8% of total revenue in 2022/23. In lieu of a formal IMF program needed to galvanize donor support, there will be an attempt to diversify sources of funds through greater domestic revenue collection.

However according to the EIU, in 2023/24 fiscal revenue may be undermined by underperformance in the agriculture sector, owing to erratic weather patterns and a recent wave of bankruptcies among private companies, because of a difficult operating environment, exacerbated by shortages of foreign currency, fuel and electricity, as well as endemic corruption and bureaucratic obstacles.

If Malawi secures a funded IMF program in 2024/25, grants will raise the revenue/GDP ratio, supported by other measures, such as an upward revision of government license and user fees and fines, reforms to excise tax, the simplification of the tax regime for small businesses and improved tax collection capacity. The EIU therefore forecasts a fiscal deficit of 10.2% of GDP in the 2023/24 fiscal year. The shortfall will narrow markedly in subsequent years, reaching 4.3% of GDP in 2026/27 as spending is rationalized and donor confidence improves.

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				
	2020	2021	2022	2023
EIU	-1.00%	2.70%	0.70%	0.70%
IMF	0.60%	2.20%	0.90%	2.40%
WORLD BANK	1.00%	2.80%	0.90%	1.40%
GOVERNMENT	0.90%	3.90%	1.90%	1.90%
Average Real GDP	**0.38%**	**2.90%**	**1.10%**	**1.60%**

(Source: EIU, IMF, WBG, MoF)

According to the RBM, real GDP growth for 2023 is estimated to rebound to 1.9%, from realized 1.10% 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.

However, RBM's real GDP projection is less conservative than other institutions like the World Bank and EIU that forecast growth at 1.4% and 0.7% respectively. Both institutions based their forecast on a dampened outlook based off the impacts of cyclone Freddy, combined with the impacts of foreign exchange supply shortages. The World Bank in its Malawi Economic Monitor released in June 2023, estimated the damage attributed to cyclone Freddy at more than US$500.0 million. Further, downward revisions from the authorities may be expected to better illustrate the impact of the cyclone, foreign exchange shortages as well as interest rate hikes on the economy's growth prospects for 2023.

In the medium-term outlook, agriculture is expected to record remarkable gains from 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 the 2025-27 forecast window. However, because Malawi is so heavily reliant on the agricultural sector, changes in weather patterns pose a significant risk to this outlook. Recent cyclones and El Niño patterns have highlighted the importance of climate change mitigation, sustainable farming practices, and the need to diversify the Malawian economy.

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. Notable mining projects include Rutile, Niobium and Graphite, that are expected to bring in huge capital flows. The Kayelekera Uranium mine is also expected to be recommissioned following the price recovery of Uranium on the global market. On the construction front, 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, considering slowing global growth, the shock to commodity prices posed by the Russia-Ukraine war and a continued interest rate hikes by central banks around the world in the face of soaring inflation has significant spillover effects on the countries growth prospects. 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	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
Cilmate Change/ Natural Disasters	1. Disruptions to the agricultural sector 2. Damage to key infrastructure 3. Unbudgeted government expenditure 5. Loss of human capital	1. Improved city planning 2. More resilient building structures 3. Sound road infrastructures 4. Early warning systems 5. More robust disaster management strategies 6. Diversification of export base to mitigate impact from damage to crops. 5.
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. 6. Rising income inequality. 7. 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	1. Encourage use of energy saver

	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	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. 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)

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Exchange Rates													
MK : US$	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	1,053.44
MK : GBP	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	1,367.48
MK : ZAR	61.31	62.49	60.78	58.84	58.04	62.30	62.35	60.71	57.32	59.20	57.56	53.50	57.82
MK : EUR	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	1,117.92
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	415.73	372.99	378.89	357.18	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	321.53
Private Sector Reserves	401.60	396.02	398.43	408.84	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	407.47
Total Reserves (US$'mn)	817.33	769.01	777.32	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	729.00
Total Import Cover (months)	3.27	3.07	3.11	3.07	2.47	2.96	2.82	2.66	2.63	2.41	2.42	2.33	2.92
Inflation (NSO)													
Headline Inflation	23.50	24.60	25.50	25.90	26.70	25.80	25.40	25.90	26.70	27.00	28.80	29.20	27.30
Food	31.20	32.50	33.40	33.70	34.50	33.40	31.40	33.40	31.70	32.40	37.90	38.80	37.20
Non Food	16.60	17.50	18.20	18.30	18.60	17.70	18.60	17.70	20.50	20.20	18.50	18.40	16.00
Interbank Rates (Source: RBM)													
Monetary Policy Rate	14.00%	14.00%	14.00%	14.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%
Average Interbank Rate	12.48%	12.50%	12.50%	12.50%	12.63%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%	19.98%
Average Base Lending Rates	13.80%	13.90%	13.80%	13.90%	13.90%	16.60%	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	9.75%	10.07%	10.67%	11.00%	11.00%	12.99%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
182 day Treasury Bill yield	15.00%	15.00%	15.24%	15.49%	15.48%	16.92%	17.50%	17.50%	17.50%			17.50%	18.00%
364 day Treasury Bill yield	17.04%	17.74%	18.06%	18.68%	18.75%	19.15%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.49%
Stock Market Indices (Point) (Source: MSE)													
MASI	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	108,656.97
DSI	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	87,071.03
FSI	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	12,276.59
Fuel Prices per Litre (Source: MERA)													
Petrol	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	1,746.00
Diesel	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	1,920.00
Paraffin	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	1,261.00

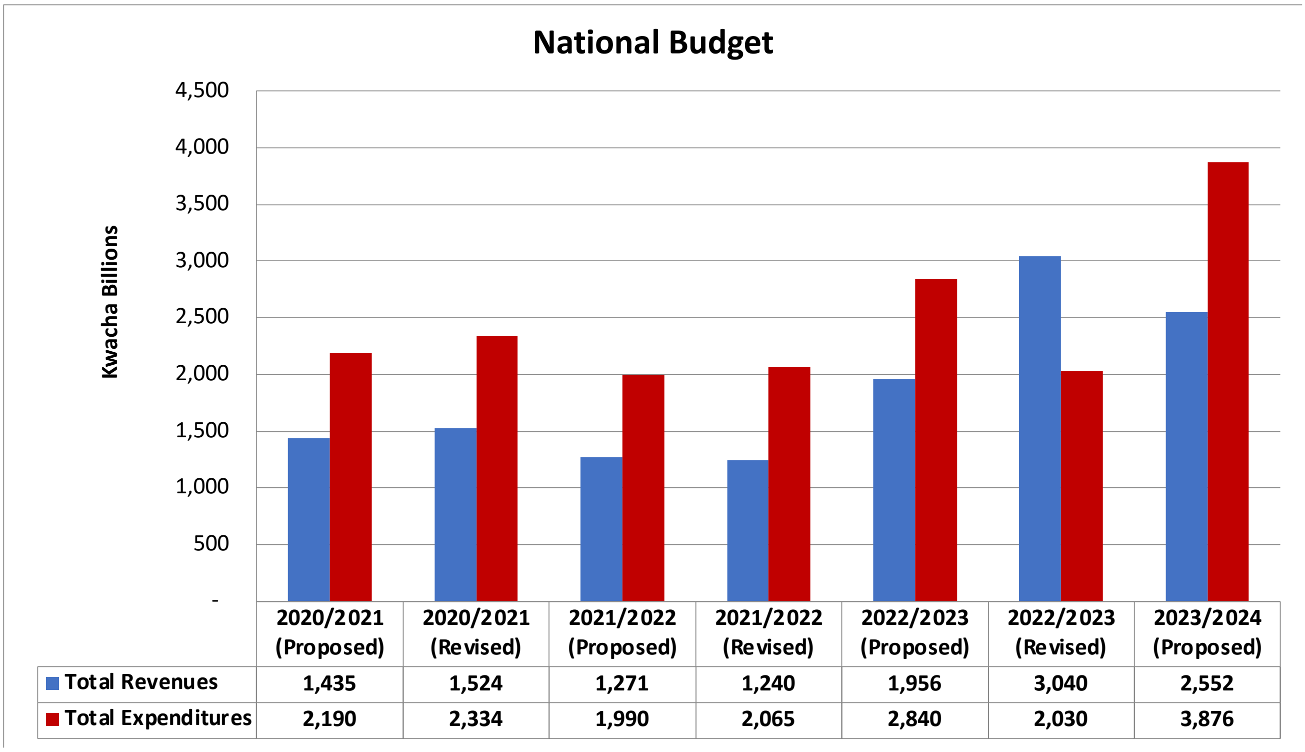
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
TANZANIA												
Exchange rate												
US$	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	2,327.52
GBP	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	2,939.54
ZAR	137.93	137.21	128.45	128.45	136.03	135.18	133.33	125.52	128.30	126.63	126.63	124.42
EUR	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	2,543.98
Inflation %	4.50	4.60	4.80	4.90	4.90	4.80	4.90	4.80	4.70	4.30	4.00	3.60
UGANDA												
Exchange rate												
US$	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	3,662.13
GBP	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	4,624.90
EUR	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	3,980.37
Inflation %	7.90	9.00	10.00	10.70	10.60	10.20	10.40	9.20	9.00	8.00	6.20	4.90
Central Bank Rate %	8.50	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
ZAMBIA												
Exchange rate												
US$	16.37	15.88	15.77	16.17	17.06	18.07	19.03	19.85	21.31	17.73	19.52	17.59
GBP	19.76	18.50	17.45	18.62	20.47	21.75	23.43	24.02	26.39	22.08	24.15	22.31
ZAR	0.99	0.93	0.88	0.88	1.01	1.07	1.09	1.08	1.20	0.97	0.99	0.93
Inflation %	9.90	9.80	9.90	9.70	9.80	9.90	9.40	9.60	9.90	10.20	9.90	9.80
Central Bank Rate %	9.00	9.00	9.00	9.00	9.00	9.00	9.25	9.25	9.25	9.50	9.50	9.50
MOZAMBIQUE												
US$	63.87	63.87	63.87	63.87	N/A	63.83	63.89	63.88	63.88	63.88	63.88	63.88
ZAR	3.94	3.59	3.54	3.75	N/A	4.10	3.51	3.46	3.47	3.53	3.48	3.41
EUR	65.79	62.32	62.96	66.21	N/A	71.20	67.77	68.19	70.15	70.46	69.80	69.24
Inflation%	11.77	12.10	12.01	11.83	11.25	10.91	9.78	10.30	10.82	9.61	8.23	6.81

(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)
Total Revenues	**1,524**	**1,271**	**1,240**	**1,956**	**2,030**	**2,552**
Domestic revenues	1,186	1,101	1,101	1,636	1,628	2,240
Grants	338	170	139	320		312
Budgetary support						
Earmarked grants						
Total Expenditure	**2,335**	**1,990**	**2,065**	**2,840**	**3,040**	**3,876**
Reccurent 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
Deficit/Surplus	**(811)**	**(719)**	**(825)**	**(883)**	**(1,010)**	**(1,325)**
Deficit as a % of Revenue	**-53%**	**-57%**	**-67%**	**-45%**	**-50%**	**-52%**



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**
Total Revenues	**140.7**	**128.7**	**149.4**	**157.8**	**182.6**	**168.8**	**194.7**	**144.4**	**199.0**	**226.0**	**165.9**	**227.2**	**185.8**
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
Total Expenditures	**267.8**	**220.4**	**223.4**	**211.1**	**227.4**	**236.5**	**208.5**	**248.8**	**271.9**	**226.2**	**228.7**	**232.1**	**281.0**
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
Deficit/Surplus	**-127.0**	**-91.2**	**-74.0**	**-53.4**	**-44.9**	**-67.7**	**-13.8**	**-104.4**	**-72.9**	**-0.20**	**-62.8**	**-4.9**	**-95.2**
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

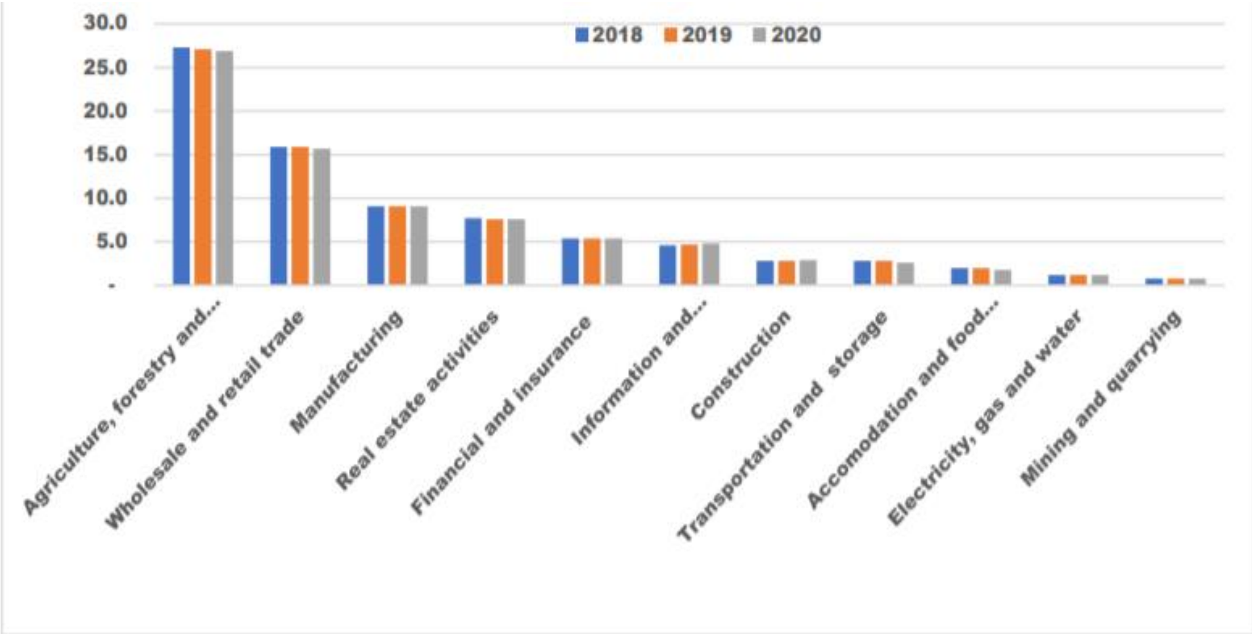
Appendix 5: Malawi selected Economic indicators (Source: RBM)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2022 Apr	2023 Apr
Real Sector[4]										
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)[5]	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
Fiscal Sector										
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	1655.5	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
Monetary Sector										
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
External Sector										
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 (eop)	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)

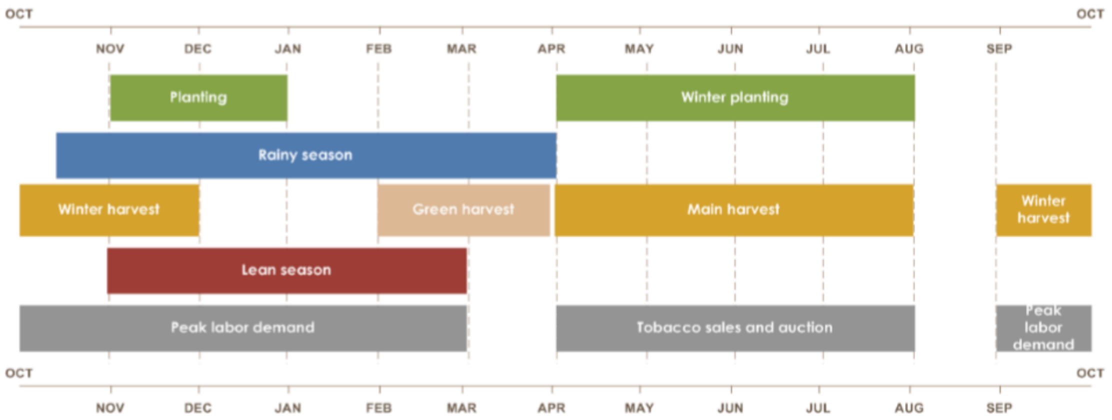


Source: National Statistical Office, Reserve Bank, Ministry of Finance and Ministry of Economic Planning and Development

Appendix 7: Global Projections (Source: IMF)

	Year over Year								
					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 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)

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

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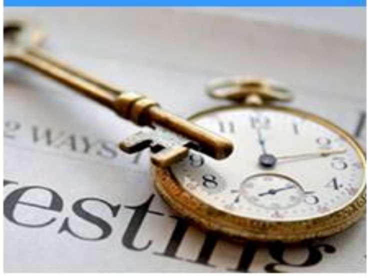
- Institutional Fund management
- Trust fund management
- NICO Nominees - Fixed Deposit
- NICO Nominees - Invest Plus

Corporate Finance

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

Investor Services



- Transfer Secretarial Services
- Economic Research
- Company Secretarial Services

Registered by the Registrar of Financial Institutions (Reserve Bank of Malawi)

RBM Portfolio/Investment Manager Licence No: PM001/19
RBM Transfer Secretarial License No: TS001/21

Contact Us

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