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MONTHLY ECONOMIC REPORT

JULY 2023

Investment Management | Corporate Finance | Investor Services

Contents

LIST OF ACRONYMS

ADF: African Development Fund
AfDB: African Development Bank
BOE: Bank of England
BHL: Blantyre Hotels Plc
BWB: Blantyre Water Board
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 1.10% 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. 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.

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 (TT sell: K1,063.8600:US$1 at end-July) and the bureau market exchange rate (Cash sell: K1,560.90:US$1 at end-July) has widened, against a backdrop of shrinking foreign-exchange reserves prompting the RBM to devalue the Kwacha through foreign exchange auctions.

The Monetary Policy Committee (MPC), at its Third meeting of 2023, resolved to raise the Policy rate by 200bps to 24.0% from 22.0%. The Committee also decided to increase the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 200bps to 7.75% from 5.75%. Meanwhile, the LRR ratio on foreign currency deposits and the Lombard rate were maintained at 3.75% and 20bps above the Policy rate, respectively. In arriving at these decisions, the MPC noted that price pressures had intensified and posed the risk of sustaining inflation above the medium-term target for longer.

Enhanced price pressures have shifted the inflation trajectory upwards. Headline inflation is now projected to average higher at 29.5% than the MPC's previous projection of 24.5% during the previous MPC meetings. Food and non-food inflation are projected to average at 37.2% and 20.4% respectively in 2023.

Risks to the inflation outlook 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.

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.

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 July 2023 stood at 28.40%, an increase from 27.30% realised in June. The increase in inflation is solely attributed to non food inflation.

	Jul-23	Jun-23	Jul-22	%Change (1 Months)	%Change (12 Months)
Headline inflation	28.40%	27.30%	24.60%	1.10%	-3.80%
Food	39.30%	37.20%	32.50%	2.10%	-6.80%
Non-food	16.00%	16.00%	17.50%	0.00%	1.50%

Government Securities (Source: RBM)

The average yield for all type Treasury bill decreased to an average of 17.75% in July 2023 from an average of 17.83% in June.

Tenor	Jul-23	Jun-23	Jul-22	Change 1 Month	Change 12 Months
91 days	12.99%	13.00%	10.07%	-0.01%	2.92%
182 days	17.99%	18.00%	15.00%	-0.01%	2.99%
364 days	22.28%	22.49%	17.74%	-0.21%	4.54%
All Type	17.75%	17.83%	14.27%	-0.08%	3.48%

Total Treasury bill applications for the month of July 2023 stood at K43.10 billion and K43.10 billion was allotted, representing a nil rejection rate. The 182 days paper accounted for the highest subscription rate at 88.64%, then the 364 days paper was 6.83% and the 91 days paper was 4.53%.

During the month of July, the government conducted several treasury note auctions. They included a 2-year, 3-year, 5-year and 7-year treasury note. The auctions raised a total of K52.31 billion from K52.58 billion applications, resulting in a 0.51% rejection rate. The weighted average yields were 24.75%, 26.00%, 28.00% and 29.50% respectively. Total maturities for the month stood at K134.88 billion resulting in a net injection of K39.47 billion.

Foreign Currency Market (Source: RBM)

During the month of July, the Malawi Kwacha depreciated against the South African Rand, Euro and British Pound. The Kwacha remained unchanged against the US Dollar. Refer to the table below:

CURRENCY	Jul-23	Jun-23	Jul-22	% Movement 1 month	% Movement 12 months
MK/USD	1,053.44	1,053.44	1,026.43	0.00%	-2.63%
MK/GBP	1,395.58	1,367.48	1,253.69	-2.05%	-11.32%
MK/ZAR	61.76	57.82	62.49	-6.81%	1.18%
MK/EUR	1,195.28	1,117.92	1,050.97	-6.92%	-13.73%

Forex Reserves (Source: RBM)

The official forex reserves for July 2023 decreased to US$267.91 million (1.07 months' worth of import cover) from US$321.53 million (1.29 months of import cover) in June 2023.

Private sector reserves decreased slightly to US$406.63 million (1.63 months of import cover) in July 2023 from US$407.47 million (1.63 months of import cover) in June 2023.

As of 31 July 2023, total forex reserves stood at US$674.54 million (2.70 months of import cover), a decrease from US$729.00 million (2.92 months of import cover registered at the end of June 2023.

	Jul-23 (US$ million)	Jun-23 (US$ million)	Jul-22 (US$ million)	% 1 month change	% 12 months change
Official Reserves	267.91	321.53	378.89	-16.68%	-29.29%
Private Sector	406.63	407.47	393.43	-0.21%	3.36%
Total	674.54	729.00	772.32	-7.47%	-12.66%
Import Cover (Months)					
Gross Official	1.07	1.29	1.49	-17.05%	-28.19%
Private Sector	1.63	1.63	1.58	0.00%	3.16%
Total	2.70	2.92	3.07	-7.53%	-12.05%

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

Liquidity levels (excess reserves after Central Bank Operations) in July 2023 decreased to a daily average of K16.87 billion from K32.34 billion in June 2023. Access to the Lombard facility (discount window borrowing) during the month under review averaged K135.83 billion a day at an average rate of 22.30%, and an average of K95.56 billion was accessed on the Lombard Facility during the month of June at an average rate of 22.20%.

In July 2023, the overnight borrowing between banks increased to a daily average of K17.89 billion. This was at an average rate of 20.46% and an average of K27.89 billion per day was accessed at an average rate of 19.98%.

Stock Market (Source: MSE)

The market registered a positive return on index as reflected in the upward movement of the Malawi All Share Index (MASI) from 108,656.97 points registered in June 2023 to 112,497.02 points registered in July 2023, giving a month-on-month return on index of 3.53% (3.53% in US$ terms). The price gains registered by FMBCH (22.26%), PCL(14.98%), NITL(14.57%), Sunbird(5.26%), FDHB(3.53%), Standard Bank (2.17%), NBM (0.16%), NBS Bank (0.08%), TNM (0.07%) and Airtel(0.01%) were enough to offset share price losses registered by ICON (-0.11%), MPICO (-0.10%) and NICO (-0.02%) resulting into an upward movement of the Malawi All Share Index. The Domestic and the Foreign Share Indices inched upwards by 1.49% to 88,368.95 points and by 22.04% to 14,982.64 points respectively.

The market transacted a total of 37.47 million shares at a total consideration of K5.62 billion (US$5.33 million) in 947 trades in the month of July 2023. In the previous month of June 2023, the market transacted a total of 93,42 million shares at a total consideration of K12.12 billion (US$11.64 million) in 1,409 trades.

The year-on-year return for the MASI, DSI and FSI increased to 112.70%, 106.87%, and 170.03% respectively. The dividend yield for June 2023 decreased to 2.42% from 3.75% in July 2022.

	Jul-23	Jun-23	Jul-22	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	100.07	100.06	51.04	0.01%	96.06%
BHL	10.06	10.06	11.00	0.00%	-8.55%
FMBCH	300.01	245.39	108.00	22.26%	177.79%
FDHB	66.21	63.95	14.00	3.53%	372.93%
ICON	18.97	18.99	12.00	-0.11%	58.08%
ILLOVO	1,121.41	1121.41	400.00	0.00%	180.35%
MPICO	20.56	20.58	20.69	-0.10%	-0.63%
NBM	2,050.00	2,046.71	1,130.00	0.16%	81.42%
NBS	132.00	131.90	22.74	0.08%	480.47%
NICO	163.01	163.04	46.73	-0.02%	248.83%
NITL	401.00	350.00	110.05	14.57%	264.38%
OMU	960.00	960.00	1,600.00	0.00%	-40.00%
PCL	2,508.00	2,181.26	2,181.44	14.98%	14.97%
STANDARD	2,401.05	2,350.01	1,840.04	2.17%	30.49%
SUNBIRD	190.01	180.52	80.02	5.26%	137.45%
TNM	29.99	29.97	11.91	0.07%	151.81%
MASI	112,497.02	108,656.97	52,889.87	3.53%	112.70%
DSI	88,368.95	87,071.03	42,717.13	1.49%	106.87%
FSI	14,982.64	12,276.49	5,548.61	22.04%	170.03%

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

Malawi Acute Food Insecurity (Source: FEWSNET)

Most of southern Malawi is expected to face Crisis (IPC Phase 3) and Stressed (IPC Phase 2) outcomes through to January 2024, driven by below-normal agricultural production, rising food prices, and loss of assets caused by Tropical Cyclone Freddy.

In contrast, most households in central and northern Malawi are expected to have Minimal (IPC Phase 1) outcomes, supported by above-average food and income derived from favorable cereal and cash crop harvests, including tobacco sales. A key exception in the north is parts of Karonga District, which is expected to transition from Stressed (IPC Phase 2) to Crisis (IPC Phase 3) after October due to the effects of dry spells and flooding on the main 2023 harvest. In this area, household food and income will be insufficient during the lean season.

Current levels of humanitarian food assistance are low to negligible and insufficient to meet the needs of the acutely food insecure population. The joint program by the government and WFP to provide humanitarian aid in the cyclone-affected districts ended in June 2023. At this time, there is no official confirmation from the government or humanitarian partners regarding humanitarian assistance delivery targets during the lean season.

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 K97.0/kg and K283.0/kg. However, from June 2023 to March 2024, prices are projected to range between K486.0/kg and K870.0/kg. In deficit areas of Malawi, particularly in southern Malawi, prices are likely to exceed K1,000.0/kg. These high prices are expected to 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.

July Maize Market (Source: IFPRI)

During the month of July 2023, maize retail prices continued to rise. Traders attribute this price surge to multiple factors, including fuel scarcity, which led to higher transport costs, impacting overall prices. The weekly average maize prices rose by 27.0% from K512.0/kg in the last week of June to K650.0/kg in the last week of July, the steepest monthly increase this year. Compared to the same period last year, maize prices are currently 104.0% higher. Despite the government's directives on clearance on importation of maize, this increase may be due to the fact that while most traders remained unaware of this development, those who were aware, still incurred additional expenses involved in crossing the border with maize from Zambia and Mozambique.

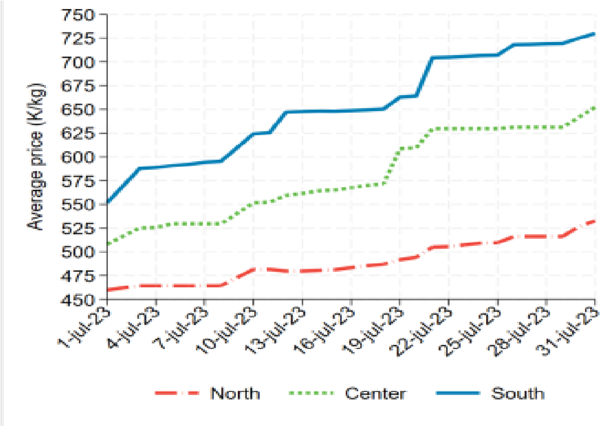
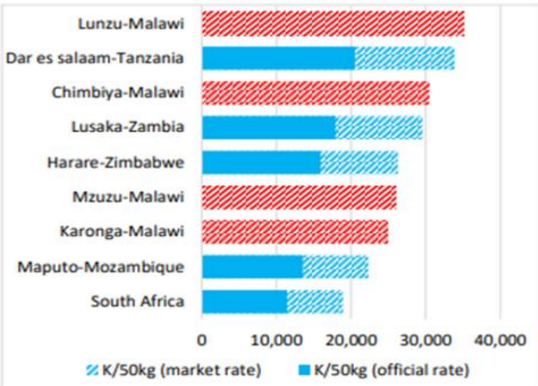


Table 1: Average daily maize price per region

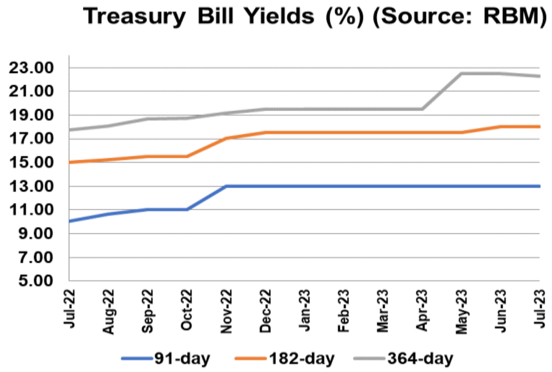
Retail prices of maize in selected markets in Malawi remained the highest in the region. At current market rates, Mozambique has consistently offered the lowest prices compared to Malawi's neighboring countries, making it the preferred option for most traders in the southern region to source their maize. Moreover, due to the higher maize prices in the central region of Malawi compared to Zambia, some Zambian maize traders residing near the border have also favored Malawi as their selling market of choice.

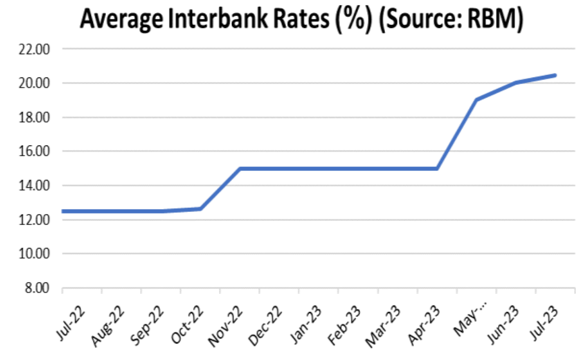
Table 2: Regional maize prices

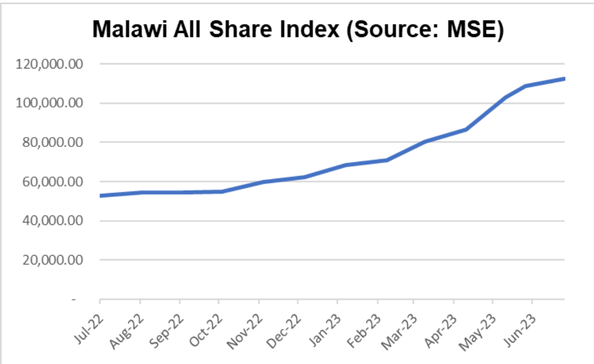


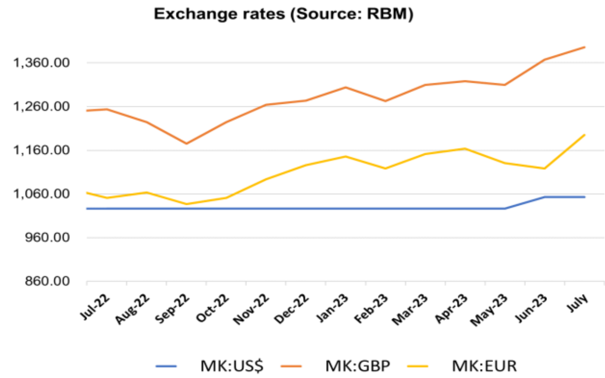
Note: Weekly average price for the week ending on 28th July

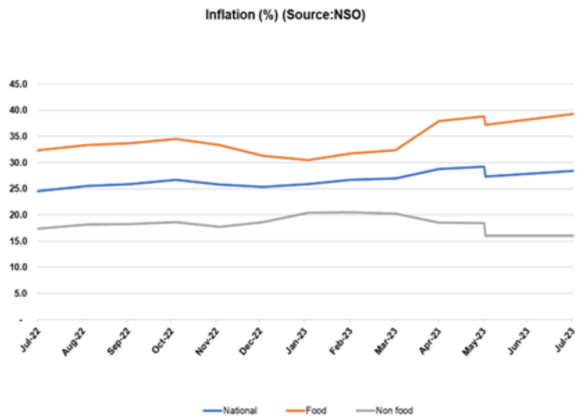
TREND GRAPH


Treasury Bill Yields (%) (Source: RBM)
91-day
182-day
364-day


Average Interbank Rates (%) (Source: RBM)


Malawi All Share Index (Source: MSE)


Exchange rates (Source: RBM)
MK:US$
MK:GBP
MK:EUR


Inflation (%) (Source:NSO)
National
Food
Non food

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 in 2023 is expected to grow by 2.4 mb/d, unchanged from June's assessment. Upward revisions to the first quarter based on actual data received for OECD America and OECD Europe were completely offset by downward revisions to the second quarter of 2023, mainly in Europe and Other Asia. In the OECD region, oil demand in 2023 is anticipated to rise by 74.0 tb/d, to an average of 46.0 mb/d, while in the non-OECD region, total oil demand is anticipated to rise by nearly 2.4 mb/d, to average 56.0 mb/d. For 2024, world oil demand is forecast to grow by a healthy 2.2 mb/d, unchanged from the previous assessment.

Non-OPEC liquids supply is expected to expand by 1.5 mb/d in 2023, a slight upward revision from the previous assessment. The main drivers of liquids supply growth for 2023 are expected to be the US, Brazil, Norway, Kazakhstan, Guyana and China, while the largest decline is expected from Russia. There remain uncertainties associated with US shale oil output potential and unplanned maintenance in 2023. For 2024, non-OPEC liquids production is projected to grow by 1.4 mb/d, unchanged from the previous assessment. OPEC Natural Gas Liquids (NGLs) and non-conventional liquids are forecast to grow by 46.0 tb/d in 2023 to an average of 5.4 mb/d and by another 65 tb/d to an average of 5.5 mb/d in 2024. In July, OPEC-13 crude oil production decreased by 836.0 tb/d m-o-m to an average of 27.31 mb/d.

The OPEC Reference Basket (ORB) value averaged higher month-on-month in July. This came amid firm gains in related crude benchmarks and higher official selling prices (OSP) of all medium and heavy components exported to Asia, Europe, and the US markets. In July, the ORB increased by US$5.87, or 7.8%, to settle at US$81.06/b. Crude oil futures prices bounced back in July from low levels recorded in June, as selling pressure in futures markets ceased and market sentiment turned optimistic about improving global oil market fundamentals in the second half of 2023. Moreover, the expectations that central banks were approaching the end of their monetary tightening cycles, the sharp decline of the US dollar in the first half of July and expectations of economic stimulus in China added to the positive sentiment in financial markets.

Currency Movements

Inflation continues to decline but is still expected to remain too high for too long. The Governing Council is determined to ensure that inflation returns to its

2.0% medium term target in a timely manner. It therefore decided at its meeting on 27 July 2023 to raise the three key ECB interest rates by 25 basis points.

The Euro continued to appreciate, both against the US Dollar and in trade-weighted terms. The Euro appreciated by 2.2% against the US Dollar amid improving risk sentiment. The nominal effective exchange rate of the Euro, as measured against the currencies of 41 of the Euro area's most important trading partners, also appreciated by 1.6% during the review period. This occurred amid a broad-based appreciation against other major currencies, including the Japanese Yen (by 1.6%) and the Chinese Renminbi (by 2.1%). The EUR/USD is expected to reach 1.15 by the end of the third quarter of 2023.

The GBPUSD currency pair trended upwards for July. The pair started near US$1.270/£1 before trading up to a monthly high of US$1.314/£1. During the month in review, the Bank of England (BoE) hiked interest rates by 25 bps to bring the base rate to 5.25%. Economists still forecast another 25bps hike in September and November, bringing a peak rate of 5.75% to the market. However, expectations of a November hike have moved slightly lower.

With a more hawkish ECB and the UK facing a potential recession, analysts foresee EURGBP climbing upwards over the coming months, unless data provides further guidance. According to economists at Scotiabank, GBPUSD may reach the US$1.40/£1 level by the end of 2024. They cite the Pounds recovery of more than three quarters of its devastating drop in 2022 from the infamous budget, as a reason. They believe that GBP will be supported moving forward. The GBPUSD could trade between US$1.2535/£1 and US$1.3045/£1 for August.

The Federal Reserve (Fed) hiked rates by 25 bps in July, with many believing it will be the final hike from the central bank. However, Barclays economists foresee one final 25bps hike at its September meeting. Following the Fed's hike, Federal Reserve Chair, Jerome Powell, stated that he no longer expects a US recession. The Feds hike caused a drop in the US dollar's value and an increase in commodity currency values. This was mainly due to the Feds softer tone and their expected soft landing of the US economy.

The DXY index fell after the Federal Open Market Committee (FOMC) decision but fully recouped the loss by the weekend. Overall, the DXY lost out in July. The Dollar Index started the month around 103 and fell to a monthly low of below 100 at 99.57. The DXY is expected to trade between 99.2 and 104.9 for August.

Global Trade

Following two consecutive quarters of decline, global trade in goods and services rebounded in the first quarter of 2023, increasing by about 2.0% relative to the fourth quarter of 2022. Compared to quarter 4 2022, global trade in goods increased by 1.9% in quarter one 2023, driven by a revival of economic activity in China, and by an increase in the trade of road vehicles and pharmaceuticals. On the other hand, easing energy prices contribute to low global trade growth.

Global trade in services has remained resilient throughout 2022 and increased about 2.8% in quarter one 2023. Part of this growth reflects the continuing rebound in tourism and travel following the COVID-19 pandemic. The current projection for quarter two 2023 indicates a slowdown in global trade growth. Global economic forecasts have recently been revised downwards, and factors such as persistent inflation and, financial vulnerabilities, along with the ongoing war in Ukraine and geopolitical tensions, pose challenges to global trade. Overall, the outlook for global trade in the second half of 2023 is pessimistic, as negative factors dominate the positive.

Increasing demand for services global commercial services are expected to continue growing in the second half of 2023, primarily driven by a rise in demand for information and communication technology (ICT) services and by the rebound in travel and tourism sectors; Patterns of international trade are anticipated to become more closely tied to the transition towards a greener global economy. Shipping costs remain low and global shipping capacity remains strong. The Shanghai containerized freight rate index has returned to pre-pandemic levels and is expected to remain low throughout 2023.

On the other hand, geopolitical factors such as the war in Ukraine and geopolitical tensions remain the biggest factors impacting international trade thorough 2023, weakening global economy, potential rise in trade restrictive measures, slowing industrial output. China exports for May 2023 were also below expectations, signaling weak global demand for goods. Many economies are expected to maintain relatively high interest rates as a result of ongoing inflationary pressures. Concerning debt sustainability, economies with underlying vulnerabilities could see further increases in borrowing costs. 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 5.647% in July 2023 from 5.545% in June 2023, while the US Libor for 6 months increased to 5.809% in July 2023 from 5.627% in June 2023. The US Treasury yield (10-year) increased to close at 3.970% in July 2023 from 3.810% recorded in June 2023.

	Jul-23	Jun-23	Jul-22	Change 1 month	Change 12 months
US Fed Rate	5.500%	5.250%	2.500%	4.762%	3.00%
US Libor (3 months)	5.647%	5.545%	2.788%	0.102%	2.86%
US Libor (6 months)	5.809%	5.627%	3.330%	0.182%	2.48%
US Treasury yield (10 years)	3.970%	3.810%	2.670%	0.160%	1.30%
BOE Rate	5.000%	5.000%	1.250%	0.000%	3.75%
ECB Rate	4.250%	4.000%	0.000%	0.250%	4.250%

(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. 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 July 2023 increased to 10.30% from 9.80% recorded in June 2023. The Zambian Kwacha closed at ZMW18.84/US$1 in July 2023 compared to ZMW17.59/US$1 recorded in June 2023. According to the IMF, economic growth is projected to average 4.0% in 2023.

Zimbabwe

In July 2023, the headline inflation for Zimbabwe decreased to 101.30% compared to 175.8% recorded in June 2023. The Zimbabwean Dollar closed at ZWL4,516.80/US$1 compared to ZWL5,739.80/US$1 recorded in June 2023. The IMF has projected that economic growth will average 2.5% in 2023.

Uganda

The headline inflation rate for Uganda for July 2023 decreased to 3.90% from 4.90% in June 2023. The Ugandan Shilling appreciated against the US Dollar in July 2023 and closed at UGX3,618.38/US$1 compared to UGX3,667.13/US$1 recorded in June 2023. The IMF has projected that economy of Uganda will grow by 5.7% in 2023.

Tanzania

The headline inflation rate for Tanzania for July 2023 decreased to 3.30% from 3.60% in June 2023. The Tanzanian Shilling appreciated against the US Dollar in July 2023 and closed at TSh2,383.14/US$1 compared to TSh2,327.52/US$1 recorded in June 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 July 2023 and closed at ZAR17.87/US$ compared to ZAR18.92/US$ recorded in June 2023. The IMF has projected that the economy will grow by 0.1% in 2023.

OUTLOOK FOR JULY 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 (K1,063.8600:US$1 at end-July) and the bureau market exchange rate (K1,560.90:US$1 at end-July) has widened, against a backdrop of shrinking foreign-exchange reserves prompting the RBM to devalue the Kwacha through foreign exchange auctions.

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

Upside pressures have emerged from both supply and demand-side factors. On the supply factors, this development has been evident in rising food inflation during the harvest period in the second quarter of 2023, which is contrary to seasonal trends, showing that supply-side inflationary pressures have intensified. 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, in addition to similar reaction of prices of domestically produced cereals and their substitutes. 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 developments have shifted upwards the trajectory for the inflation outlook. Headline inflation is now projected to average higher at 29.5% than the MPC's previous projection of 24.5% during the previous MPC meetings. Food and non-food inflation are projected to average at 37.2% and 20.4% respectively in 2023.

Risks to the inflation outlook 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

The Monetary Policy Committee (MPC), at its Third meeting of 2023, resolved to raise the Policy rate by 200bps to 24.0% from 22.0%. The Committee also decided to increase the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits by 200bps to 7.75% from 5.75%. Meanwhile, the LRR ratio on foreign currency deposits and the Lombard rate were maintained at 3.75% and 20bps above the Policy rate, respectively. In arriving at these decisions, the MPC noted that price pressures had intensified and posed the risk of sustaining inflation above the medium-term target for longer.

The Committee observed that the increase in interest rates by global central banks to curb inflation continued to weigh on economic activity. The MPC further noted that the sustained declining trend in global commodities prices has helped to ease inflation in most countries. Meanwhile, with central banks still determined to fight inflation through continued tight monetary policy, global headline inflation could decline to an average of 6.8% in 2023 from 8.7%.

According to the EIU, inflation is expected to begin to moderate from 2024 and 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.

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 an estimated 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 WBG and EIU that forecast growth at 1.4% and 0.7% respectively. The IMF's projection is the highest at 2.4% which has not yet been adjusted to reflect the impacts of cyclone Freddy. The WBG and IMF 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 in 2024 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)

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-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	1,053.44	1,053.44
MK : GBP	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	1,395.58
MK : ZAR	62.49	60.78	58.84	58.04	62.30	62.35	60.71	57.32	59.20	57.56	53.50	57.82	61.76
MK : EUR	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	1,195.92
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	372.99	378.89	357.18	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	321.53	267.91
Private Sector Reserves	396.02	398.43	408.84	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	407.47	406.63
Total Reserves (US$'mn)	769.01	777.32	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	729.00	674.54
Total Import Cover (months)	3.07	3.11	3.07	2.47	2.96	2.82	2.66	2.63	2.41	2.42	2.33	2.92	2.70
Inflation (NSO)													
Headline Inflation	24.60	25.50	25.90	26.70	25.80	25.40	25.90	26.70	27.00	28.80	29.20	27.30	28.40
Food	32.50	33.40	33.70	34.50	33.40	31.40	33.40	31.70	32.40	37.90	38.80	37.20	39.30
Non Food	17.50	18.20	18.30	18.60	17.70	18.60	17.70	20.50	20.20	18.50	18.40	16.00	16.00
Interbank Rates (Source: RBM)													
Monetary Policy Rate	14.00%	14.00%	14.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%
Average Interbank Rate	12.50%	12.50%	12.50%	12.63%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%	19.98%	20.46%
Average Base Lending Rates	13.90%	13.80%	13.90%	13.90%	16.60%	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	21.40%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	10.07%	10.67%	11.00%	11.00%	12.99%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.99%
182 day Treasury Bill yield	15.00%	15.24%	15.49%	15.48%	16.92%	17.50%	17.50%	17.50%			17.50%	18.00%	17.99%
364 day Treasury Bill yield	17.74%	18.06%	18.68%	18.75%	19.15%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.49%	22.28%
Stock Market Indices (Point) (Source: MSE)													
MASI	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	112,497.02
DSI	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	88,368.95
FSI	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	14.982.62
Fuel Prices per Litre (Source: MERA)													
Petrol	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	1,746.00
Diesel	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	1,920.00
Paraffin	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	1,261.00

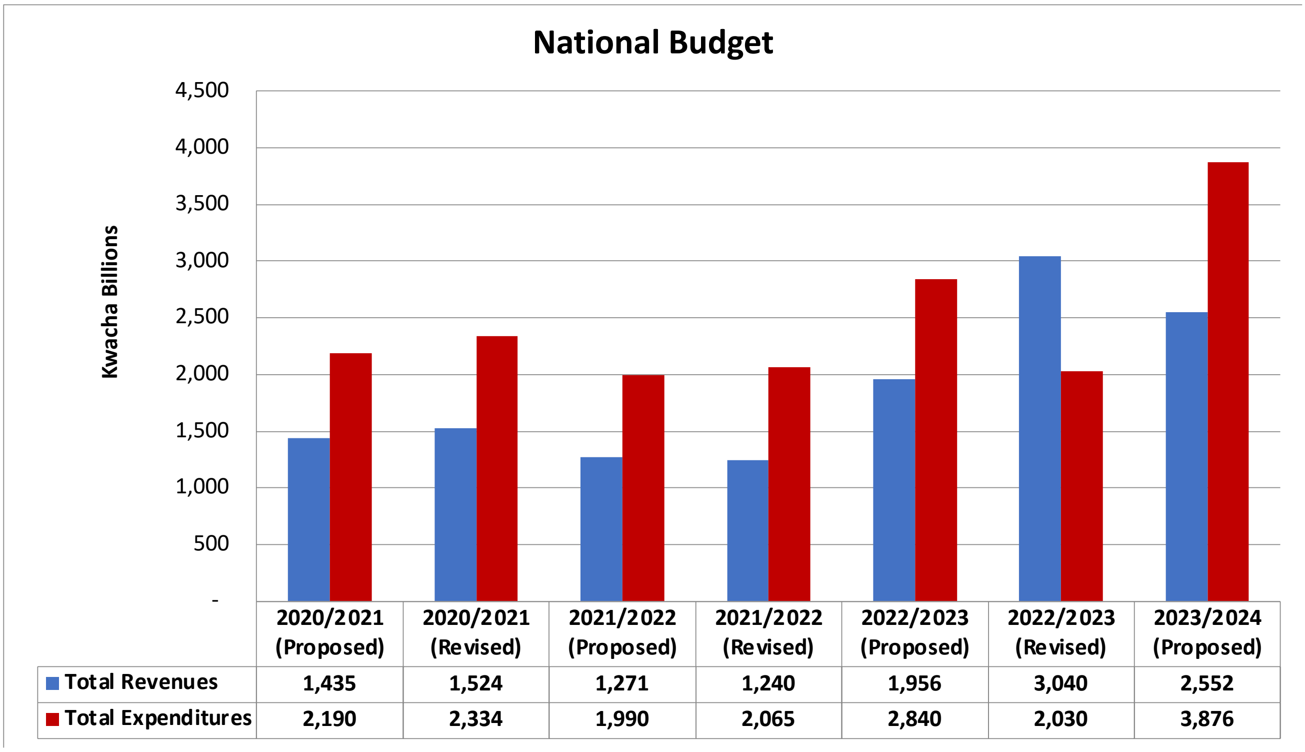
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	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
TANZANIA													
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
UGANDA													
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
ZAMBIA													
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
MOZAMBIQUE													
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)
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					
	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Revenues	**149.4**	**157.8**	**182.6**	**168.8**	**194.7**	**144.4**	**199.0**	**226.0**	**165.9**	**227.2**	**185.8**	**184.9**	**203.9**
Domestic Revenues	131.6	134.3	158.0	148.6	173.3	121.6	174.2	196.7	132.7	124.5	156.9	152.6	173.2
Tax Revenue	112.5	130.4	150.5	122.4	153.9	114.6	122.6	162.7	118.6	119.6	154.1	145.7	154.3
Non -Tax revenue	19.1	3.9	7.5	26.1	19.4	7.0	51.6	34.0	14.1	4.9	2.8	6.9	18.9
Departmental receipts	7.9	3.3	6.8	5.6	3.1	4.6	3.5	7.1	5.0	4.6	2.4	5.8	7.1
Other Receipts	11.8	0.6	0.6	20.5	16.3	2.4	48.1	26.9	9.1	0.3	0.4	1.1	11.7
Grants	17.8	23.5	24.6	20.2	21.4	22.8	24.8	29.3	33.2	102.6	28.9	32.4	30.7
Total Expenditures	**223.4**	**211.1**	**227.4**	**236.5**	**208.5**	**248.8**	**271.9**	**226.2**	**228.7**	**232.1**	**281.0**	**285.7**	**255.4**
Recurrent Expenditure	197.3	172.5	207.6	210.9	186.1	216.3	232.6	188.6	190.6	198.3	210.6	258.6	209.1
Interest Payments	56.7	25.4	43.4	50.9	63.8	83.5	55.3	41.5	46.8	66.4	45.9	70.4	75.7
Domestic	52.2	24.9	39.5	48.4	60.6	82.2	52.2	40.7	43.7	62.9	44.0	69.1	73.1
Foreign	4.5	0.5	3.9	2.5	3.2	1.3	3.1	0.79	3.1	3.5	1.9	1.2	2.6
Development	26.2	38.6	19.8	25.6	22.4	32.5	39.4	37.6	38.1	33.8	70.4	27.1	46.2
Deficit (-) /Surplus	**-74.0**	**-53.4**	**-44.9**	**-67.7**	**-13.8**	**-104.4**	**-72.9**	**-0.20**	**-62.8**	**-4.9**	**-95.2**	**-100.8**	**-51.5**
Financing (net)	127.6	52.8	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	…
Foreign	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	127.6	52.8	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	
													…
Banking System	84.7	45.3	-11.5	76.1	116.3	-4.5	112.9	14.1	144.1	89.6	53.9	90.7	
Non-Bank Sector	42.9	7.5	112.1	69.8	10.5	-57.9	86.1	35.7	46.2	44.4	-24.9	13.4	….
Errors and Omissions	53.6	-0.6	55.7	78.2	113.0	166.9	126.0	49.6	127.6	129.0	-66.1	3.3	

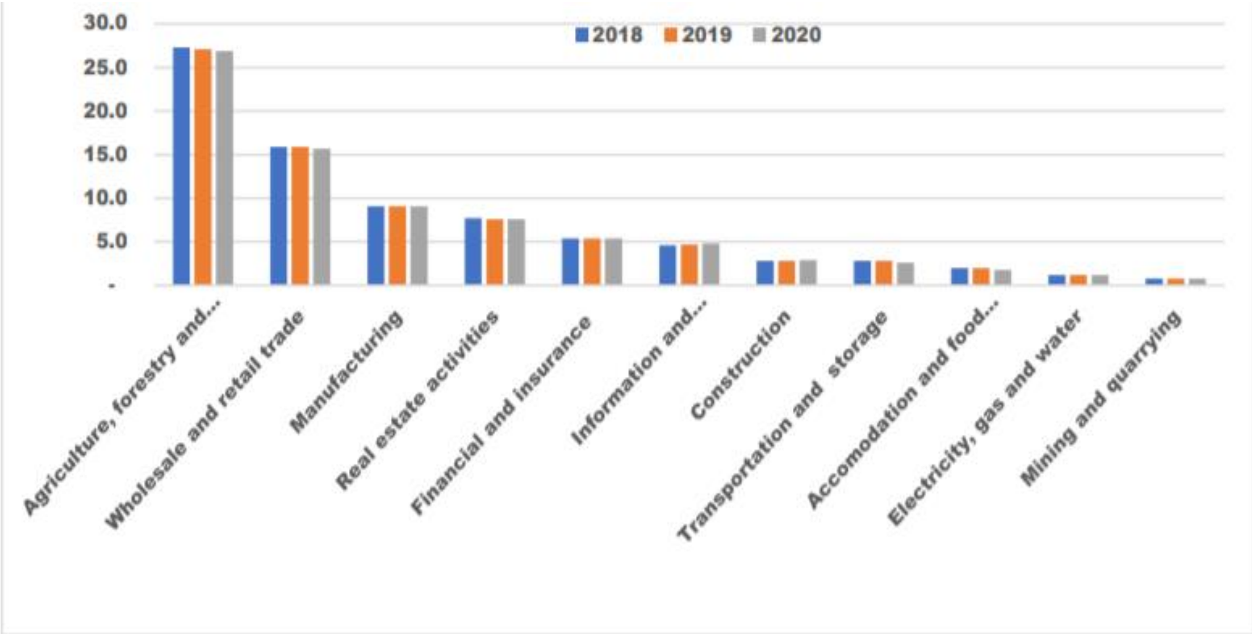
Source: Reserve Bank of Malawi

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

	2015	2016	2017	2018	2019	2020	2021	2022	2022 Jun	2023 Jun
Real Sector[5]										
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)[6]	192.0	233.7	260.7	104.7	114.5	124.4	136.0	147.1	109.3	139.1
Year-on-year inflation rate (percent)	21.9	21.7	11.5	9.2	9.4	8.6	9.3	21.0	23.5	27.3
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	149.4	203.9
Domestic Revenues	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	1,682.2	131.6	173.2
Grants	47.1	67.0	87.9	90.5	145.0	206.1	151.8	246.6	17.8	30.7
Total expenditure	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1655.5	2,739.0	223.4	255.4
Recurrent	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	2,345,0	197.3	209.1
Development	95.5	131.8	163.0	196.9	204.3	247.4	670.8	393.9	26.2	46.2
Deficit/GDP ratio (after grants)	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-6.8	-0.6	-0.4
Monetary Sector										
Net Foreign Assets	355.9	348.2	463.8	152.5	163.3	-345.6	-405.9	-635.6	-489.0	-792.5
Net Domestic Credit	730.4	1007.8	1238.8	1397.5	1601.7	2012.5	2691.0	3562.2	3061.5	4063.0
Government	266.7	513.9	708.6	744.1	700.5	976.9	1608.8	2214.4	1824.2	2637.2
Statutory bodies	5.2	9.5	8.6	130.8	216.8	213.4	205.3	273.5	253.6	259.7
Private (gross)	422.5	455.3	488.4	493.2	595.0	692.8	821.9	1020.0	927.1	1106.9
Money Supply (M2)	788.8	923.3	1077.3	1198.3	1320.5	1541.4	2004.4	2784.5	2372.3	3225.7
M2 Growth Rate (annual percent)	23.7	15.2	19.7	11.5	10.2	16.7	30.0	38.9	36.0	36.0
Reserve Money	207.1	250.2	279.6	289.8	303.4	342.1	449.4	573.4	537.5	690.0
Banks Deposits	66.0	60.3	78.2	59.6	26.0	57.3	89.3	100.6	87.1	122.4
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	77.7	63.6
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	109.0	232.0
Trade balance	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,447.5	-1,669.9	-535.8	-31.3	-168.5
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	541.8	756.1
Official	445.3	438.6	549.9	548.2	605.5	437.2	346.5	302.1	126.8	324.6
Commercial banks	103.9	148.1	189.5	111.9	95.2	188.9	247.1	413.0	415.0	431.4
Import cover (Official reserves in months)	3.2	2.8	3.6	3.6	2.9	4.0	1.7	1.2	0.5	1.2
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	1033.36	1058.82
MK/US Dollar (pd avg)	499.607	713.85	726.65	732.33	742.23	749.53	805.90	949.04	1029.42	1043.61

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)

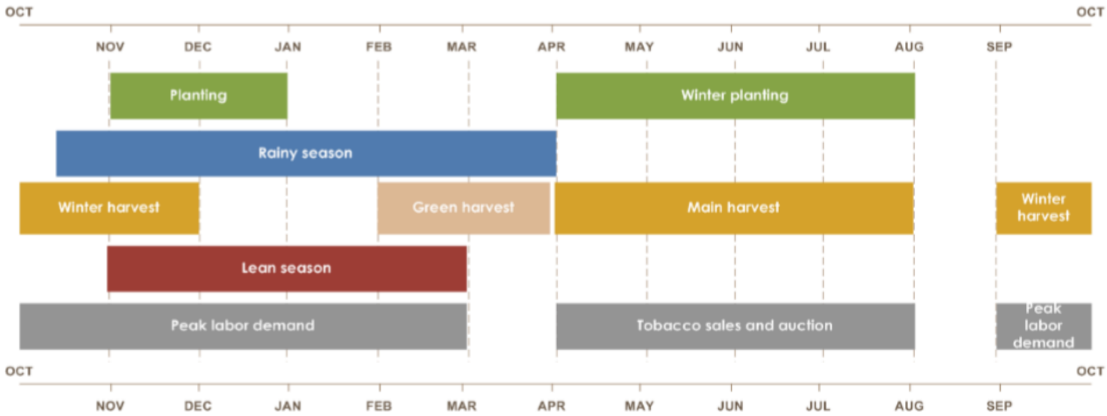
Table A2. Advanced Economies: Real GDP and Total Domestic Demand[1]

(Annual percent change)

	Average									Projections			Q4 over Q4[2]	Projections	
	2005–14	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2028	2022:Q4	2023:Q4	2024:Q4
Real GDP															
Advanced Economies	**1.5**	**2.3**	**1.8**	**2.5**	**2.3**	**1.7**	**–4.2**	**5.4**	**2.7**	**1.3**	**1.4**	**1.8**	**1.2**	**1.1**	**1.6**
United States	1.6	2.7	1.7	2.2	2.9	2.3	–2.8	5.9	2.1	1.6	1.1	2.1	0.9	1.0	1.3
Euro Area	0.8	2.0	1.9	2.6	1.8	1.6	–6.1	5.4	3.5	0.8	1.4	1.4	1.9	0.7	1.8
Germany	1.4	1.5	2.2	2.7	1.0	1.1	–3.7	2.6	1.8	–0.1	1.1	1.1	0.9	0.2	1.8
France	1.0	1.1	1.0	2.4	1.8	1.9	–7.9	6.8	2.6	0.7	1.3	1.4	0.5	0.8	1.4
Italy	–0.5	0.8	1.3	1.7	0.9	0.5	–9.0	7.0	3.7	0.7	0.8	0.9	1.4	0.4	1.1
Spain	0.5	3.8	3.0	3.0	2.3	2.0	–11.3	5.5	5.5	1.5	2.0	1.6	2.7	1.3	2.1
The Netherlands	1.1	2.0	2.2	2.9	2.4	2.0	–3.9	4.9	4.5	1.0	1.2	1.6	3.3	0.0	2.8
Belgium	1.4	2.0	1.3	1.6	1.8	2.2	–5.4	6.1	3.1	0.7	1.1	1.3	1.4	0.7	1.3
Ireland	1.8	24.4	2.0	9.0	8.5	5.4	6.2	13.6	12.0	5.6	4.0	3.0	13.1	5.2	3.3
Austria	1.3	1.0	2.0	2.3	2.4	1.5	–6.5	4.6	5.0	0.4	1.1	1.5	3.0	0.1	1.3
Portugal	–0.2	1.8	2.0	3.5	2.8	2.7	–8.3	5.5	6.7	1.0	1.7	1.9	3.2	0.9	2.2
Greece	–2.1	–0.2	–0.5	1.1	1.7	1.9	–9.0	8.4	5.9	2.6	1.5	1.2	5.2	1.0	2.5
Finland	0.7	0.5	2.8	3.2	1.1	1.2	–2.4	3.0	2.1	0.0	1.3	1.2	0.3	0.7	1.5
Slovak Republic	3.9	5.2	1.9	2.9	4.0	2.5	–3.4	3.0	1.7	1.3	2.7	2.7	1.2	1.8	2.7
Croatia	0.4	2.5	3.6	3.4	2.8	3.4	–8.6	13.1	6.3	1.7	2.3	2.8	4.5	3.2	1.1
Lithuania	3.0	2.0	2.5	4.3	4.0	4.6	0.0	6.0	1.9	–0.3	2.7	2.0	–0.5	1.2	3.0
Slovenia	1.3	2.2	3.2	4.8	4.5	3.5	–4.3	8.2	5.4	1.6	2.1	3.0	0.2	2.3	1.9
Luxembourg	2.5	2.3	5.0	1.3	1.2	2.3	–0.8	5.1	1.5	1.1	1.7	2.3	–2.2	4.3	1.3
Latvia	2.1	3.9	2.4	3.3	4.0	2.6	–2.2	4.1	2.0	0.4	2.9	3.4	0.5	2.0	2.9
Estonia	2.2	1.9	3.2	5.8	3.8	3.7	–0.6	8.0	–1.3	–1.2	3.2	3.2	–4.4	2.0	3.7
Cyprus	0.6	3.4	6.6	5.7	5.6	5.5	–4.4	6.6	5.6	2.5	2.8	2.9	4.5	1.7	3.4
Malta	3.6	9.6	3.4	10.9	6.2	7.0	–8.6	11.8	6.9	3.5	3.5	3.6	4.7	3.1	2.8
Japan	0.5	1.6	0.8	1.7	0.6	–0.4	–4.3	2.1	1.1	1.3	1.0	0.4	0.6	1.3	1.0
United Kingdom	1.2	2.4	2.2	2.4	1.7	1.6	–11.0	7.6	4.0	–0.3	1.0	1.5	0.4	–0.4	2.0
Korea	3.8	2.8	2.9	3.2	2.9	2.2	–0.7	4.1	2.6	1.5	2.4	2.2	1.3	3.1	1.3
Canada	1.9	0.7	1.0	3.0	2.8	1.9	–5.1	5.0	3.4	1.5	1.5	1.7	2.1	1.4	1.8
Taiwan Province of China	4.0	1.5	2.2	3.3	2.8	3.1	3.4	6.5	2.5	2.1	2.6	2.4	–0.5	1.1	2.2
Australia	2.8	2.3	2.7	2.4	2.8	1.9	–1.8	5.2	3.7	1.6	1.7	2.3	2.7	1.4	1.6
Switzerland	2.2	1.6	2.1	1.4	2.9	1.2	–2.5	4.2	2.1	0.8	1.8	1.8	0.8	1.2	1.8
Singapore	6.1	3.0	3.6	4.5	3.6	1.3	–3.9	8.9	3.6	1.5	2.1	2.5	2.1	2.1	1.9
Sweden	1.8	4.5	2.1	2.6	2.0	2.0	–2.2	5.4	2.6	–0.5	1.0	2.3	–0.1	0.0	1.3
Hong Kong SAR	3.9	2.4	2.2	3.8	2.8	–1.7	–6.5	6.4	–3.5	3.5	3.1	2.7	–4.2	6.8	1.8
Czech Republic	2.2	5.4	2.5	5.2	3.2	3.0	–5.5	3.6	2.4	–0.5	2.0	2.5	0.2	0.6	2.1
Israel	4.2	2.5	4.5	4.3	4.1	4.2	–1.9	8.6	6.4	2.9	3.1	3.6	2.7	2.1	3.4
Norway	1.4	1.9	1.2	2.5	0.8	1.1	–1.3	3.9	3.3	2.1	2.5	1.4	1.8	1.9	2.2
Denmark	0.7	2.3	3.2	2.8	2.0	1.5	–2.0	4.9	3.6	0.0	1.0	1.5	1.5	–0.8	1.5
New Zealand	2.0	3.7	3.9	3.5	3.5	3.1	–1.5	6.1	2.4	1.1	0.8	2.5	2.2	0.1	2.5
Puerto Rico	–1.1	–1.0	–1.3	–2.9	–4.4	1.7	–4.4	0.2	4.8	0.4	–1.6	–0.5	. . .	. . .	. . .
Macao SAR	10.2	–21.5	–0.7	10.0	6.5	–2.5	–54.2	19.3	–26.8	58.9	20.6	3.4	. . .	. . .	. . .
Iceland	2.1	4.4	6.3	4.2	4.9	1.8	–7.2	4.3	6.4	2.3	2.1	2.3	4.2	0.0	3.1
Andorra	–0.8	1.4	3.7	0.3	1.6	2.0	–11.2	8.9	8.7	1.3	1.5	1.5	. . .	. . .	. . .
San Marino	–2.2	2.7	2.3	0.3	1.5	2.1	–6.7	8.3	4.6	1.2	1.0	1.3	. . .	. . .	. . .
Memorandum															
Major Advanced Economies	1.2	2.1	1.5	2.2	2.1	1.6	–4.5	5.3	2.3	1.1	1.1	1.6	0.9	0.8	1.4
Real Total Domestic Demand															
Advanced Economies	**1.3**	**2.6**	**2.0**	**2.5**	**2.3**	**2.0**	**–4.1**	**5.5**	**3.1**	**0.9**	**1.3**	**1.8**	**1.0**	**1.1**	**1.6**
United States	1.4	3.4	1.8	2.3	3.1	2.3	–2.4	7.0	2.4	0.9	1.0	2.1	0.6	0.9	1.2
Euro Area	0.5	2.3	2.4	2.3	1.9	2.4	–5.8	4.2	3.7	0.7	1.2	1.4	1.1	0.8	1.6
Germany	1.1	1.4	3.1	2.6	1.6	1.7	–3.0	1.9	3.1	0.1	1.2	1.3	1.5	0.4	2.3
France	1.2	1.4	1.4	2.5	1.4	2.1	–6.7	6.6	3.3	0.3	0.3	1.4	1.3	–0.5	1.0
Italy	–0.8	1.2	1.8	1.8	1.3	–0.2	–8.4	7.2	4.3	0.7	0.9	1.0	0.3	1.8	0.5
Spain	–0.2	4.1	2.1	3.3	3.0	1.7	–9.4	5.3	2.9	1.6	1.9	1.2	0.7	2.5	1.5
Japan	0.5	1.1	0.3	1.1	0.6	0.0	–3.4	1.1	1.7	1.5	1.0	0.4	1.3	1.5	0.9
United Kingdom	1.2	2.9	3.2	2.1	1.2	1.8	–12.3	8.8	4.0	0.3	0.6	1.5	–0.3	1.6	2.0
Canada	2.7	–0.2	0.4	4.1	2.5	1.1	–6.0	6.6	4.7	–0.2	1.6	2.1	1.9	0.7	2.2
Other Advanced Economies[3]	2.8	2.6	2.9	3.6	2.7	1.6	–2.5	5.3	3.3	1.4	2.2	2.4	2.4	0.8	3.0
Memorandum															
Major Advanced Economies	1.1	2.4	1.7	2.2	2.2	1.7	–4.2	5.8	2.8	0.8	1.0	1.7	0.8	0.9	1.3

[1]In this and other tables, when countries are not listed alphabetically, they are ordered on the basis of economic size.
[2]From the fourth quarter of the preceding year.
[3]Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

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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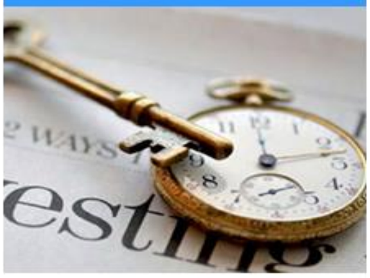

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