NICO Asset Managers

Invest Today for Tomorrow

MONTHLY ECONOMIC REPORT

SEPTEMBER 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
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
SMP:	Staff-Monitored Program
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
ZMK:	Zambian Kwacha
RCF:	Rapid Credit Facility

EXECUTIVE SUMMARY

Economic Outlook — Malawi

Malawi's real GDP growth for 2023 is estimated to rebound to 1.9%, from an estimated 1.1% in 2022, according to the RBM. 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 has had a contractionary effect on the agriculture, real estate and wholesale and retail trade sectors.

Downside risks to Malawi's medium-term growth outlook include erratic weather patterns, such as the expected El Niño event in late 2023 and early 2024, and delays to debt restructuring.

According to the RBM, Malawi's headline inflation is now projected to average 29.5% higher 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. Malawi's protracted foreign-currency shortage is limiting imports of food, fuel, and raw materials, creating a supply-side shock to inflation, which can be expected to outweigh monetary tightening efforts.

Malawi currently runs a heavily managed currency regime, although a partial shift towards a market-led exchange rate is expected in the medium term, assuming that an IMF program is agreed in 2024. The RBM allocates foreign currency through monthly auctions, and the latest was held on 27 September 2023. However, the Kwacha is expected to remain overvalued in 2023, owing to foreign-currency shortages, as a result of declining foreign currency reserves and limited letters of credit from international banks, which have been crucial in providing short-term liquidity support.

The International Monetary Fund (IMF) team has reached a staff-level agreement on the Second (and last) Review of Malawi's Staff Monitored Program with Executive Board Involvement (PMB); macroeconomic and financial policies and reforms to be supported by an Extended Credit Facility (ECF) arrangement. Access under the arrangement could be up to SDR 131.86 million (about US$174.00 million, representing 95.0% of Malawi's IMF quota) over a period of four years. The Staff-Monitored Program (SMP) and the subsequent ECF are expected to improve public financial management in Fiscal years 2023/24-2027/28 (April-March), largely by enhancing the efficiency of government spending and attracting grant inflows.

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 September 2023 stood at 27.80%, a decrease from 28.60% realised in August 2023. The decrease in inflation is on account of a decrease in food inflation.

	Sep-23	Aug-23	Sep-22	% Change (1 Months)	% Change (12 Months)
Headline inflation	27.80%	28.60%	25.90%	-0.80%	-1.90%
Food	36.80%	39.40%	33.70%	-2.60%	-3.10%
Non-food	17.20%	16.10%	18.30%	1.10%	1.10%

Government Securities (Source: RBM)

The average yield for all type Treasury bill decreased to an average of 18.90% in September 2023 from an average of 18.95% in August 2023.

Tenor	Sep-23	Aug-23	Sep-22	Change 1 Month	Change 12 Months
91 days	14.70%	14.70%	11.00%	0.00%	3.70%
182 days	18.00%	18.16%	15.49%	-0.16%	2.51%
364 days	24.00%	24.00%	18.68%	0.00%	5.32%
All Type	18.90%	18.95%	15.06%	-0.05%	3.84%

Total Treasury bill applications for the month of September 2023 stood at K34.95 billion and K28.29 billion was allotted, representing a 19.06% rejection rate. The 182 days paper accounted for the highest subscription rate at 93.30%, then the 364 days paper was 6.36% and the 91 days paper was 0.34%.

During the month of September 2023, the government conducted several treasury note auctions. They included a 2-year, 3-year, 5-year, 7-year and 10-year treasury note. The auctions raised a total of K87.77 billion from K87.77 billion applications, resulting in a nil rejection rate. The weighted average yields were 26.67%, 28.00%, 30.00%, 31.66%, and 33.00% respectively. Total maturities for the month stood at K100.08 billion resulting in a net withdrawal of K15.98 billion.

Foreign Currency Market (Source: RBM)

During the month of September 2023, the Malawi Kwacha appreciated against the British Pound and the Euro, but depreciated against the US Dollar, and the South African Rand as per the following table:

CURRENCY	Sep-23	Aug-23	Sep-22	% Movement 1 month	% Movement 12 months
MK/USD	1,115.78	1,084.60	1,026.43	-2.88%	-8.70%
MK/GBP	1,405.20	1,420.55	1,224.48	1.08%	-14.76%
MK/ZAR	60.80	59.73	60.78	-1.80%	-0.04%
MK/EUR	1,216.14	1,219.47	1,063.00	0.27%	-14.41%

Note: Rates used are Middle Exchange Rates (Source: RBM)

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

Liquidity levels (excess reserves after Central Bank Operations) in September 2023 increased to a daily average of K48.08 billion from K26.15 billion in August 2023. Access to the Lombard facility (discount window borrowing) during the month under review averaged K78.87 billion a day at an average rate of 24.20%, and an average of K135.67 billion was accessed on the Lombard Facility during the month of August 2023 at an average rate of 24.20%.

In September 2023, the overnight borrowing between banks decreased to a daily average of K31.82 billion. This was at an average rate of 22.79% and an average of K32.65 billion per day was accessed at an average rate of 22.52%.

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 118,426.19 points registered in August 2023 to 119,077.99 points registered in September 2023, giving a month-on-month return on index of negative 0.55%. The price losses registered by MPICO(-27.04%), NBS Bank(-17.40%), ICON(-5.06%), FDH Bank(-4.96%), NICO (-1.84%), PCL (-0.32%), TNM(-0.23%), and Airtel(-0.02%) were enough to offset share price gains registered by FMBCH (+0.13%), Standard (+0.05%), Sunbird (+0.04%), NITL (+0.01%) and Illovo (+0.002%) resulting into an upward movement of the Malawi All Share Index. The Foreign Share Index inched upwards by 3.73% to 20,692.42 points while the Domestic Share Index inched downwards by 1.29% to 89,173.86 points respectively.

The market transacted a total of 54.5 million shares at a total consideration of K10.34 billion (US$9.27 million) in 1,440 trades in the month of September

2023. In the previous month of August 2023, the market transacted a total of 64.97 million shares at a total consideration of K7.83 billion (US$7.22 million) in 947 trades.

The year-on-year return for the MASI, DSI and FSI increased to 117.74%, 101.02%, and 301.43% respectively. The dividend yield for September 2023 decreased to 2.30%% from 3.65% in September 2022.

	Sep-23	Aug-23	Sep-22	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	100.45	100.47	51.17	-0.02%	96.31%
BHL	10.06	10.06	10.99	0.00%	-8.46%
FMBCH	415.03	300.01	100.05	38.34%	314.82%
FDHB	72.21	75.98	14.99	-4.96%	381.72%
ICON	18.00	18.96	11.97	-5.06%	50.38%
ILLOVO	1,121.44	1,121.42	500.01	0.00%	124.28%
MPICO	15.00	20.56	20.67	-27.04%	-27.43%
NBM	2,101.12	2,101.00	1,160.04	0.01%	81.12%
NBS	108.99	131.95	22.66	-17.40%	380.98%
NICO	160.00	163.00	50.96	-1.84%	213.97%
NITL	401.05	401.03	112.00	0.00%	258.08%
OMU	1,050.00	1,050.00	1,600.00	0.00%	-34.38%
PCL	2,500.00	2,508.00	2,181.41	-0.32%	14.60%
STANDARD	2,700.01	2,500.04	1,840.10	8.00%	46.73%
SUNBIRD	191.03	191.00	80.02	0.02%	138.73%
TNM	29.88	29.95	12.01	-0.23%	148.79%
MASI	118,426.19	119,077.99	54,389.92	-0.55%	117.74%
DSI	89,173.86	90,336.93	44,360.30	-1.29%	101.02%
FSI	20,692.42	19,947.76	5,154.73	3.73%	301.43%

Below is a presentation of the published 2023 and 2022 half year financials for the respective companies.

Published Half Year Financials for 2023 and 2022						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period (Half-Year)	**Feb-23**	**Feb-22**	**% Change**	**Feb-23**	**Feb-22**	**% Change**
ILLOVO	33.73	9.22	265.89%	10.80	5.50	96.36%
Period	**Jun-23**	**Jun-22**	**% Change**	**Jun-23**	**Jun-22**	**% Change**
AIRTEL	18.99	8.90	113.36%	0.00	0.00	N/A
ICON	6.40	4.50	42.22%	0.13	0.12	8.33%
MPICO	5.08	3.16	60.76%	0.00	0.00	N/A
STANDARD	26.90	15.84	69.88%	0.00	21.31	-100.00%
NBM	35.48	22.12	60.40%	23.50	17.14	37.11%
NICO	32.40	12.70	155.12%	2.00	1.00	100.00%
NITL	16.49	1.46	1027.14%	1.50	0.80	87.50%
FDH BANK	15.01	8.71	72.44%	1.31	0.74	77.03%
TNM	0.78	(1.34)	158.21%	0.00	0.00	N/A
NBS BANK	12.16	5.09	138.90%	1.20	0.85	41.18%
PCL	34.29	15.98	114.58%	9.00	7.00	28.57%
	Net Profit/(Loss) (US$' million)			**Total Dividend (Per Share) (US$)**		
FMBCH	42.03	25.24	66.50%	0.21	0.15	100.00%
TRADING STATEMENT						
SUNBIRD	Expects its year ending 30 June 2023 profit after tax to be approximately 280% higher than the previous corresponding period					

OTHER MARKET DEVELOPMENTS

Malawi Acute Food Insecurity (Source: FEWSNETS

As Malawi enters the lean season in October 2023, districts in southern Malawi affected by Tropical Cyclone Freddy, including Chikwawa, Nsanje, Phalombe, Balaka, and parts of Mwanza, Neno, Zomba, and Blantyre districts, are anticipated to face Crisis (IPC Phase 3) food insecurity outcomes that are likely to persist through early 2024. Lakeshore areas in Salima, Nkhotakota, and Karonga districts in central and northern Malawi are expected to face Stressed (IPC Phase 2) food insecurity outcomes, along with the areas of central Karonga livelihood zone that experienced severe dry spells and heavy flooding early in the planting season. However, most areas in central and northern Malawi will likely continue experiencing Minimal (IPC Phase 1) outcomes.

The lean season is expected to start atypically early in October 2023, as food stocks are below average and poor households have already started to rely on markets to access food amid high food prices. Additionally, humanitarian assistance has been insufficient and inconsistent to prevent food consumption gaps. While maize is available on the market, household access is limited due to high prices and below-average household incomes. FEWS NET's rapid market and food security assessment in September 2023 confirmed most very poor households have started to adopt negative coping mechanisms. These include consuming maize bran, reducing the number of meals, and withdrawing children from school in order to work. Additionally, some households have resorted to consuming a wild tuber called Nyika, wild seeds, and unripe mangoes.

Maize grain prices across the country have continued to rise, even during the harvest period for winter production in certain areas. Between July and August 2023, the monitored markets observed an average increase of 15% in maize grain prices, with the highest reported increase at the Lilongwe market, where prices were approximately 30% higher than last month. All monitored markets showed an average increase of about 120% compared to the previous year and around 250% compared to the five-year average. Furthermore, prices for alternative foods have also significantly increased. Rice prices, on average, increased by about 5% over the previous month, 45% over the previous year, and around 115% above the five-year average. Similarly, bean prices rose by nearly 5 percent over the last month, 25% over the last year, and 80% over the five-year average. Rising prices for both maize and alternative food staples are limiting access to these essential food items, particularly for poor and very poor households.

A strong El Niño event is expected in late 2023 and early 2024, which is expected to result in a delayed onset of the main rainy season and below-normal rainfall in southern Malawi. This, in turn, is anticipated to negatively impact crop performance and lead to a below-normal agricultural production season. Moreover, most districts in southern Malawi have not fully recovered from the impact of the cyclone, and households continue to have limited access to essential agricultural inputs and farming equipment. Since affected households have not had sufficient time and assistance to recover from their previous losses, there is an urgent need for timely intervention by the government and other partners to prevent the worsening food security outcomes in these areas.

September Maize Market (Source: IFPRI)

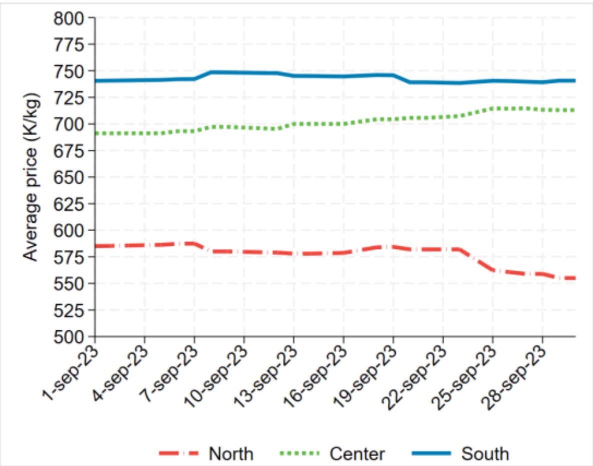
Weekly average maize retail prices rose by 1% from K689/kg in the final week of August 2023 to K695/kg in the last week of September 2023.

As per usual pattern, the Southern region reported the highest maize retail prices averaging at K743/kg, with the highest weekly retail prices also documented in Southern region markets, specifically in Chiringa (Phalombe district) and Mpondabwino (Zomba district), where maize reached K800/kg. In the Central region, the monthly average maize price stood at K703/kg, and it exhibited a steady upward trend. Notably, Mitundu market in Lilongwe rural experienced the highest increase in weekly average prices of 8% between the final weeks of August and

September 2023.

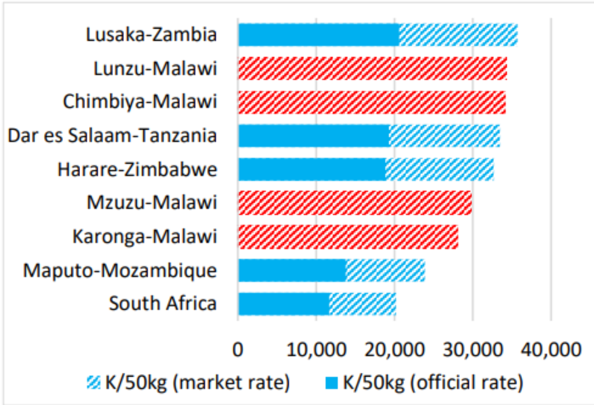
The Northern region had the lowest average monthly price of K577/kg. Towards the end of September 2023, the region experienced a decline in prices. Unsurprisingly, the lowest price (K543/kg) and highest decline in prices was observed in Chitipa market (5%) within the region, where traders reported switching to Tanzania to procure maize as it has become cheaper than the local market.

Figure 2. Average daily maize retail prices by region



Markets in Southern and Central Malawi had the highest maize retail prices in the region using the official exchange rate of K1,125/USD, and the second highest after Lusaka using the market rate of K1,950/USD. In contrast, Mozambique and South Africa had the lowest prices at either exchange rate.

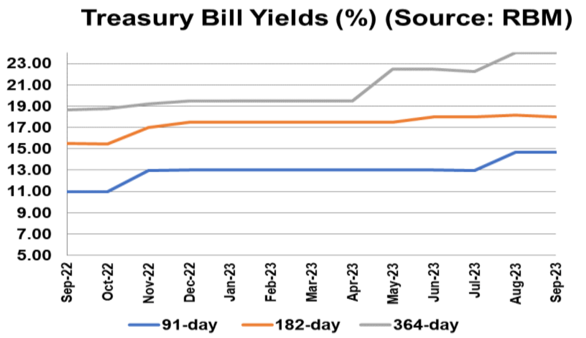
Figure 4. Regional comparison (August 2023)

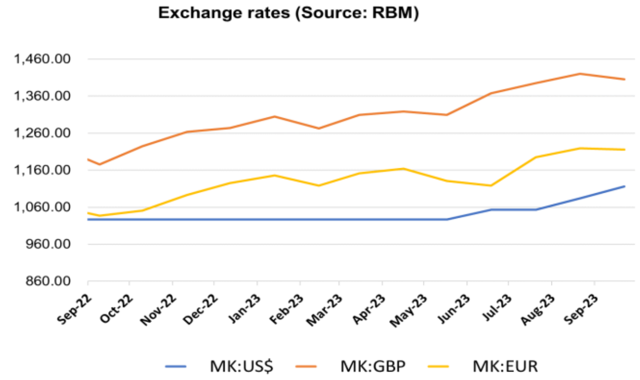


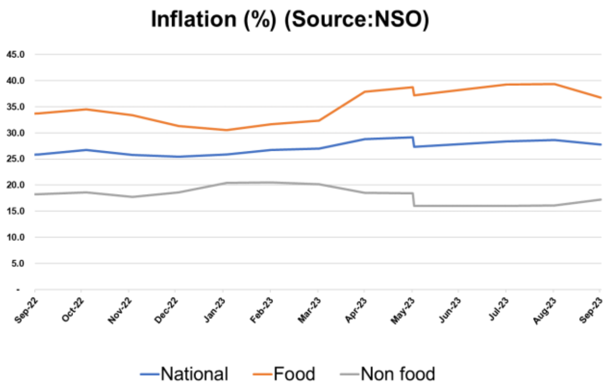
Note: Weekly average price for the week ending on 28th September

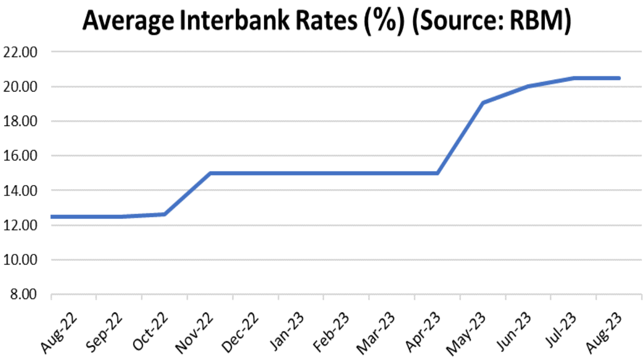
ADMARC sales were reported in half of the 26 markets monitored by IFPRI, 1 in each of the Central and Northern regions and 11 in the Southern region. No ADMARC purchases were reported in any of these markets.

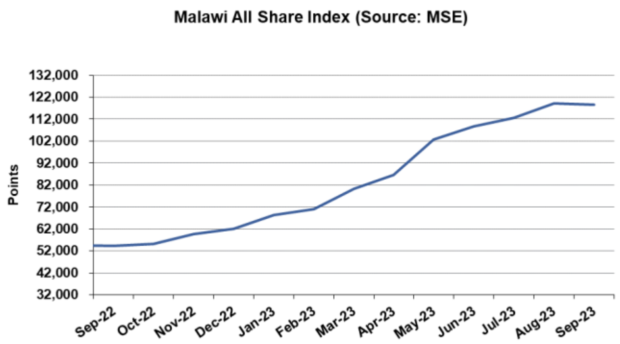
TREND GRAPH


Treasury Bill Yields (%) (Source: RBM)
23.00
21.00
19.00
17.00
15.00
13.00
11.00
9.00
7.00
5.00
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
91-day
182-day
364-day


Exchange rates (Source: RBM)
1,460.00
1,360.00
1,260.00
1,160.00
1,060.00
960.00
860.00
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
MK:US$
MK:GBP
MK:EUR


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


Average Interbank Rates (%) (Source: RBM)
22.00
20.00
18.00
16.00
14.00
12.00
10.00
8.00
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23


Malawi All Share Index (Source: MSE)
Points
132,000
122,000
112,000
102,000
92,000
82,000
72,000
62,000
52,000
42,000
32,000
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23

GLOBAL DEVELOPMENTS

Economic Growth

According to the International Monetary Fund (IMF) World Economic Outlook (WEO) October 2023 Update, the global economy continues to recover slowly from the blows of the pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. In retrospect, the resilience has been remarkable. Despite the disruption in energy and food markets caused by the war, and the unprecedented tightening of global monetary conditions to combat decades-high inflation, the global economy has slowed, but not stalled. Yet growth remains slow and uneven, with growing global divergences.

Global activity bottomed out at the end of 2022, while inflation, both headline and underlying (core) is gradually being brought under control. But a full recovery toward pre-pandemic trends appears increasingly out of reach, especially in emerging market and developing economies. According to the IMF's latest projections, global growth will slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, a 0.1 percentage point downgrade for 2024 from the July projections. This remains well below the historical average.

Headline inflation continues to decelerate, from 9.2% in 2022, on a year-over-year basis, to 5.9% in 2023 and 4.8% in 2024. As a result, projections are increasingly consistent with a "soft landing" scenario, bringing inflation down without a major downturn in activity, especially in the United States, where the forecast increase in unemployment is very modest, from 3.6 to 3.9% by 2025. But important divergences are appearing. The slowdown is more pronounced in advanced economies than in emerging market and developing ones. Within advanced economies, the US surprised on the upside, with resilient consumption and investment, while Euro area activity was revised downward. Many emerging market economies proved quite resilient and surprised on the upside, with the notable exception of China, facing growing headwinds from its real estate crisis and weakening confidence.

Global Oil

World oil demand growth forecast in 2023 remains unchanged at 2.4 mb/d. Upward revisions made are all based on actual data received for China, US and Organization for Economic Cooperation and Development (OECD) Europe, while Other Asia is revised downwards. In the OECD region, oil demand in 2023 is expected to rise by 0.1 mb/d, while in the non-OECD region, oil demand is expected to rise by about 2.3 mb/d. For 2024, world oil demand is expected to grow by a healthy 2.2 mb/d, unchanged from the previous month's assessment. The OECD is expected to grow by about 0.3 mb/d, with OECD Americas contributing the largest increase. The non-OECD is set to drive growth, increasing by about 2.0 mb/d, with China, India, Middle East and Other Asia contributing the most.

Non-OPEC liquids supply growth forecast is revised up slightly to 1.6 mb/d in 2023. Main drivers of liquids supply growth for 2023 include the US, Brazil, Norway, Kazakhstan, Guyana and China. For 2024, non-OPEC liquids production is expected to grow by 1.4 mb/d, unchanged from July's assessment. Main drivers for liquids supply growth in 2024 are set to be the US, Canada, Guyana, Brazil, Norway and Kazakhstan. The largest declines are anticipated in Mexico and Malaysia. OPEC Natural Gas Liquids (NGLs) and non-conventional liquids are forecast to grow by around 50.0 tb/d in 2023 to average 5.44 mb/d and by another 65.0 tb/d to average 5.51 mb/d in 2024. OPEC-13 crude oil production in August increased by 113.0 tb/d m-o-m to an average 27.45 mb/d, according to available secondary sources.

In August, the OPEC Reference Basket (ORB) value increased, rising by US$6.27, or 7.7%, m-o-m to average US$87.33/b, due to the rise in all ORB component-related crude benchmarks and higher official selling prices and crude differentials of all crude qualities.

Currency Movements

October could see the Euro dip below US$1.05. The EUR/USD pair's recent descent continued in September as investors began to shun the Euro as economic data is painting a picture of an economy beginning to stall. The pair started September around US$1.09 however it dropped below US$1.05 by the end of the month. The European Central Bank (ECB) surprised markets by raising interest rates to 4.5% on 14 September 2023. Looking ahead, the October interest rate decision should see the ECB hold rates but commentary on future moves will be the main area of interest. Should ECB Chief, Christine Lagarde cut a downbeat tone then EUR/USD could head towards parity. In October, the Euro expected to range between parity and US$1.0730/€1 and €0.8530/£1 and €0.8750/£1.

September was a miserable month for the British Pound. A fall in GBP/USD, which began in mid-July, gathered pace as summer ended. Starting September trading around US$1.27, the GBP/USD ended. The latest Consumer Price Index figures released in September missed the target, dropping to 6.7% year on year from the previous months reading of 6.8%. Most analysts had expected it to nudge higher to 7.0% and it was this easing of price pressures which likely was the reason that the Bank of England (BoE) unexpectedly decided to hold interest rates at 5.25% instead of the predicted 25bp hike.

The BoE is expected to hold rates at current levels until 2024, where rate cuts are expected to commence. The US Dollar is continuing to benefit from the ongoing resilience of the US economy as well as economic concerns over China and the Eurozone seeing its safety sought. Should the deterioration of the numbers continue, further sterling losses against the USD are likely. However, given the economic concerns in the Eurozone GBP/EUR could tread water throughout the month. The GBP/USD is expected to range between US$1.183/£1 US$1.200/£1 and GBP/EUR £1.143/€1 and £1.173/€1 in October 2023.

In September, more jobs in the US led to a stronger US Dollar, beating other major currencies. But the Federal Reserve (the Fed) hints at uncertainty due to tighter financial conditions, possibly delaying rate increases. Employment data was still a big surprise in the US with more hirings than expected, so the US dollar has considerably increased. The only currency outperforming the US Dollar was the New Zealand dollar, beating the US Dollar by 0.4%. However, Fed officials are giving hints that this US Dollar strength may be faltering. Mary Daly, President of the Federal Reserve of San Francisco, said that financial conditions have tightened considerably, despite US treasury bond rates still being high and increasing. Statements from the Fed say corporate debt refinancing could significantly drag down the economy and the move in Treasury yields was certainly going to feed into decisions about whether another rate rise is necessary in 2023. The DXY (US Dollar Index) could trade between 103 and 107 for October 2023.

Global Trade

- According to the World Economic Forum World Trade Agenda report, Russia is expected to return to the Black Sea grain deal only if it receives a deal supporting its own exports of food and fertilizer. Russia withdrew from the agreement in July 2023. The deal allowed Ukraine to export over 32.0 million MT of corn, wheat, and other grains.

- Rising sea levels could stop some of the world's biggest ports from being able to function by 2050, according to the Global Maritime Trends 2050 report. The report states that of the world's 3,800 ports, a third are in a tropical band vulnerable to the most powerful effects of climate change. Further, changing weather patterns are already impacting port operations. A severe drought in Panama is leading to 50% rises in waiting times for ships entering the Panama Canal, creating large backlogs of vessels. The Panama Canal Authority expects to restrict transit and ship size for at least another 10 months to try and preserve water until the rainy season.

- Global goods trade rose in the second quarter of 2023 following two quarters of decline, according to the World Trade Organization's (WTO) Goods Trade Barometer. Strong vehicle sales pushed the barometer up to 99.1, from 95.6 in May 2023. But it is still short of its 100 baseline, indicating that goods trade is slightly below trends.

- The US published the text of its Indo-Pacific Economic Framework for Prosperity (IPEF) Supply Chain Agreement. The deal – which aims to make supply chains more resilient, efficient, transparent, diversified, secure, and inclusive, includes India, Japan, South Korea, Australia, Fiji, New Zealand, Indonesia, Brunei, Malaysia, Singapore, the Philippines, Thailand, and Vietnam.

- Japan may take China to the World Trade Organization (WTO) after Beijing banned all seafood imports from Tokyo. China imposed the restrictions after Japan released treated radioactive water from the Fukushima Daiichi nuclear plant.
- According to the Financial Times, a race to buy shipping and logistics facilities in Asia is intensifying, as companies look to expand their supply chains beyond China.

Interest Rate Movements

The 3 months US Libor decreased to close at 5.657% in September 2023 from 5.663% in August 2023, while the US Libor for 6 months increased to 5.896% in September 2023 from 5.882% in August 2023. The US Treasury yield (10-Year) increased to close at 4.590% in September 2023 from 4.090% recorded in August 2023.

	Sep-23	Aug-23	Sep-22	Change 1 month	Change 12 months
US Fed Rate	5.500%	5.500%	3.250%	0.000%	2.25%
US Libor (3 months)	5.657%	5.663%	3.755%	-0.006%	1.90%
US Libor (6 months)	5.896%	5.882%	4.232%	0.014%	1.66%
US Treasury yield (10 years)	4.590%	4.090%	3.830%	0.500%	0.76%
BOE Rate	5.000%	5.000%	2.250%	0.000%	2.75%
ECB Rate	4.000%	4.000%	1.250%	0.000%	2.750%

(Source: US Federal Reserve, Wall Street Journal)

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

The year 2023 has been a difficult year for activity in sub-Saharan African economies, according to the IMF's October World Economic Outlook (WEO). The inflationary shock following Russia's war in Ukraine has prompted higher interest rates worldwide, which has meant slowing international demand, elevated spreads, and ongoing exchange rate pressures. As a result, growth in 2023 is expected to fall for the second year in a row to 3.3% from 4.0% in 2022.

The region is expected to rebound in 2023, with growth increasing to 4.0%, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries. Macroeconomic imbalances are also improving, inflation is falling for most of the region, and public finances are gradually being put on a more sustainable footing. But the rebound is not guaranteed. A slowdown in reform efforts, a rise in political instability within the region, or external downside risks could undermine growth.

Moreover, four clouds are on the horizon which require determined policy action in the face of difficult tradeoffs; firstly, inflation which is still too high is in double digits in 14 countries and it remains above target in most countries with explicit targets. Secondly, the region continues to face significant exchange rate pressures. Thirdly, debt vulnerabilities are elevated as borrowing rates are still high, and rolling over debt is a challenge. Finally, while the recovery is underway, economic divergences within the region are widening—in particular, per capita incomes in resource intensive economies remain subdued.

Zambia

Zambia's headline inflation for the month of September 2023 increased to 12.00% from 10.80% recorded in August 2023. The Zambian Kwacha closed at ZMW21.01/US$1 in September 2023 compared to ZMW 20.20/US$1 recorded in August 2023. According to the IMF, economic growth is projected to average 3.6% in 2023.

Zimbabwe

In September 2023, the headline inflation for Zimbabwe decreased to 18.36% compared to 77.20% recorded in August 2023. The Zimbabwean Dollar closed at ZWL5,161.63/US$1 compared to ZWL4,608.11/US$1 recorded in August 2023. The IMF has projected that economic growth will average 4.1% in 2023.

Note: Zimbabwe Statistics Office (ZIMSTAT) has adopted the geometric aggregation method in computing the weighted Consumer Price Index beginning September 2023. The migration to geometric aggregation has resulted in a decline of weighted inflation rates.

Uganda

The headline inflation rate for Uganda for September 2023 decreased to 2.70% from 3.50% in August 2023. The Ugandan Shilling depreciated against the US Dollar in August 2023 and closed at UGX3,756.21/US$1 compared to UGX3,719.04/US$1 recorded in August 2023. The IMF has projected that economy of Uganda will grow by 4.6% in 2023.

Tanzania

The headline inflation rate for Tanzania for September 2023 remained unchanged at 3.30% same as that recorded in August 2023. The Tanzanian Shilling appreciated against the US Dollar and closed at TSh2,4484.38/US$1 compared to TSh2,443.82 /US$1 recorded in August 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 September 2023 increased to 5.40% from 4.80% in August 2023. The South African Rand depreciated against the US Dollar and closed at ZAR18.78/US$ compared to ZAR18.69/US$ recorded in August 2023. The IMF has projected that the economy will grow by 0.9% in 2023.

OUTLOOK FOR SEPTEMBER 2023 AND BEYOND – MALAWI

Exchange Rates

Malawi currently runs a heavily managed currency regime, although a partial shift towards a market-led exchange rate is expected in the medium term, assuming that an IMF program is agreed in 2024. The RBM allocates foreign currency through monthly auctions, and the latest was held on 27 September 2023. However, the Kwacha is expected to remain overvalued in 2023, owing to foreign-currency shortages, as a result of declining foreign currency reserves and limited letters of credit from international banks, which have been crucial in providing short-term liquidity support.

The spread between the formal exchange rate (TT sell: K1,126.63/US$1 at end-September) and the informal market exchange rate (K1,900/US$1) has widened, as a result of shrinking foreign exchange reserves. The EIU expects illiquidity to compel the RBM to devalue the currency in the coming months, even before a shift towards flexibility. The EIU therefore projects that the currency will end 2023 at K1,245.1/US$1, weakening from K1,028.1/US$1 at end-2022.

Further devaluations are expected to increase business costs by making imports of raw materials and capital goods more expensive, in addition to making businesses' external obligations unbearable to settlers. The prospects of further devaluations remain in 2023, given that improvements in the foreign-currency situation are only expected from 2024 when Malawi secures an IMF funding program.

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, 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.

Furthermore, the government approved a 50% increase in water prices in June, which is expected to keep inflation high in 2023. Falling but still-high inflation in 2024, of 22.8% on average, will reflect the ongoing second-round pass-through effects of these inflationary forces. According to the EIU, in 2025-27 headline inflation is expected to moderate, underpinned by declining commodity prices. Furthermore, lower input costs and increased fiscal discipline, which will reduce deficit financing through money-printing, will keep inflation contained.

However, given the expectation of an IMF program from 2024, the currency regime is expected to pivot towards a flexible exchange rate. Although monetary policy will be on a more orthodox footing as a result of the program, expected currency depreciation will keep inflation high, at an average of 11.6% in 2025-27.

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 Ukraine. 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 which are expected to decline in 2023 as agriculture comes under pressure from erratic weather patterns and high fertilizer prices. The agriculture sector is expected to recover in 2024-27 as fertilizer prices moderate, boosting tobacco and tea exports output and revenue. In addition, the Kayelekera uranium mine, owned jointly by Lotus Resources and the government, which has been held back in previous years by limited investment, will commence operations in late 2024, given that a definitive feasibility study was completed in 2022 and showed evidence of uranium deposits. The commencement of operations will likely support export revenue from 2025.

Malawi's import bill is dominated by purchases of food, fertilizer and fuel, prices for which rose sharply in the first quarter of 2023. In 2024-27 the import bill will 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.

According to the EIU, the current-account deficit is expected to narrow to 19.4% of GDP in 2023, from 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 7.1% 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.

Malawi's medium-term inflation target range is set at 3-7%, but inflation will remain well above that target in 2023-27. The RBM has raised the policy rate by a cumulative 600 bps so far this year, to 24.0%, the highest pace of monetary tightening in 2023 in Africa, after Zimbabwe. The policy rate is expected to increase to 26.0% by end-2023 as inflation rises, owing to high prices for water, food, and fuel. Monetary Policy is also expected to remain tight in the medium term as inflation remains well above target.

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

Fiscal Policy

Fiscal policy in Malawi is aiming to restore debt sustainability in the short term in order to be eligible for an ECF program. The Staff-Monitored Program (SMP) and the subsequent ECF will improve public financial management in Fiscal years 2023/24-2027/28 (April-March), largely by enhancing the efficiency of government spending and attracting grant inflows.

Malawi's government expenditure will be high in 2023/24, 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.

Restructuring negotiations with two commercial creditors on US$1.2 billion of external debt began in 2022, and the process has been protracted. The government is on schedule with its obligations to the African Export-Import Bank (Afrexim Bank), which holds the majority of the debt that is under discussion but has accrued arrears as part of an agreement with the Trade and Development Bank (TDB). The immediate cause of the debt distress is financing and liquidity constraints. Foreign reserves are estimated at one month of imports, well below the prudential threshold (3 months). Reserves represent an estimated 10.8% of gross financing needs. More fundamentally, debt distress is the culmination of large fiscal and current-account deficits. Malawi is attempting to build policy credibility under a staff-monitored program (SMP) with the IMF as a precursor to a funded program. Malawi's previous program in 2018-20, went off-track owing to misreporting of foreign reserves. Only half of the approved amount was disbursed. A debt-restructuring deal will also be needed before a funded program becomes possible, and the SMP has already failed on criteria related to reserve accretion and fiscal rigor. The EIU estimates the budget deficit to be 14.0% of GDP and public debt to be 78.6% of GDP. The estimate current-account deficit is estimated to be 20.8% of GDP over the last 12 months, pointing to continued challenges in rebuilding foreign reserves. Fiscal pressures are also arising in relation to the recapitalization of the central bank, which is running a net liabilities position.

Assuming that Malawi secures a funded IMF program in 2024/25, grants will lead to the revenue/GDP ratio rising, supported by an increase in advance income tax from 3.0% to 10.0%, a rise in the rate of other taxes and the simplification of the tax regime for small businesses and improved tax collection capacity, although persistent loopholes and weak enforcement will limit growth in government revenue. The debt profile forecast depends on successful debt restructuring.

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%	1.40%
WORLD BANK	1.00%	2.80%	0.90%	1.40%
GOVERNMENT	0.90%	3.90%	1.19%	1.90%
Average Real GDP	**0.38%**	**2.90%**	**0.92%**	**1.35%**

(Source: EIU, IMF, WBG, MoF)

According to the RBM, real GDP growth for 2023 is estimated to rebound to 1.9%, from an estimated 1.1% 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, IMF both at 1.4% and the EIU at 0.7%. The forecast is based on a dampened outlook based off the impacts of cyclone Freddy, combined with the impacts of foreign exchange supply shortages.

Real GDP growth in 2023 will be undermined by weather shocks, huge funding gaps and a severe monetary tightening shock. Consumer spending will be hit hard by high inflation and elevated borrowing costs this year, and manufacturing will be hampered by a shortage of foreign currency required to import raw materials, depressing real GDP growth.

In 2024-27 improved funding brought about by a three-year ECF, alongside gradual monetary policy loosening, will support modestly higher real GDP growth. Some brisk activity is expected in the agriculture sector to support output growth, owing to lower fertilizer prices and improved efficiency in the government's input allocation scheme. Higher government expenditure will be constrained by fiscal rectitude as a result of ECF, and this informs the forecast of modest real GDP expansion, averaging 2.8% per year between 2024 and 2027. The commercialization of agriculture, the privatization of state entities and self-sufficiency in electricity generation (which would lead to higher forecast real GDP growth) will take place only in the long term.

Downside risks to Malawi's medium-term growth outlook include erratic weather patterns, such as the expected El Niño event in late 2023 and early 2024, and delays to debt restructuring.

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)

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-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	1,053.44	1,053.44	1,084.60	1,115.78
MK : GBP	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	1,420.55	1,405.20
MK : ZAR	58.84	58.04	62.30	62.35	60.71	57.32	59.20	57.56	53.50	57.82	61.76	59.73	60.80
MK : EUR	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	1,219.47	1,216.14
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	357.18	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	
Private Sector Reserves (US$'mn)	408.84	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	
Total Reserves (US$'mn)	766.02	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	
Total Import Cover (months)	3.07	2.47	2.96	2.82	2.66	2.63	2.41	2.42	2.33	2.92	2.70	2.64	
Inflation (NSO)													
Headline Inflation	25.90	26.70	25.80	25.40	25.90	26.70	27.00	28.80	29.20	27.30	28.40	28.60	27.80
Food	33.70	34.50	33.40	31.40	33.40	31.70	32.40	37.90	38.80	37.20	39.30	39.40	36.80
Non Food	18.30	18.60	17.70	18.60	17.70	20.50	20.20	18.50	18.40	16.00	16.00	16.10	17.20
Interbank Rates (Source: RBM)													
Monetary Policy Rate	14.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%
Average Interbank Rate	12.50%	12.63%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%	19.98%	20.46%	22.52%	22.79%
Average Base Lending Rates	13.90%	13.90%	16.60%	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	21.40%	22.70%	23.40%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	11.00%	11.00%	12.99%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.99%	14.70%	14.70%
182 day Treasury Bill yield	15.49%	15.48%	16.92%	17.50%	17.50%	17.50%			17.50%	18.00%	17.99%	18.16%	18.00%
364 day Treasury Bill yield	18.68%	18.75%	19.15%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.49%	22.28%	24.00%	24.00%
Stock Market Indices (Point) (Source: MSE)													
MASI	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	119,077.99	118,426.19
DSI	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	90,336.93	89,173.86
FSI	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	19,947.76	20,692.42
Fuel Prices per Litre (Source: MERA)													
Petrol	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	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

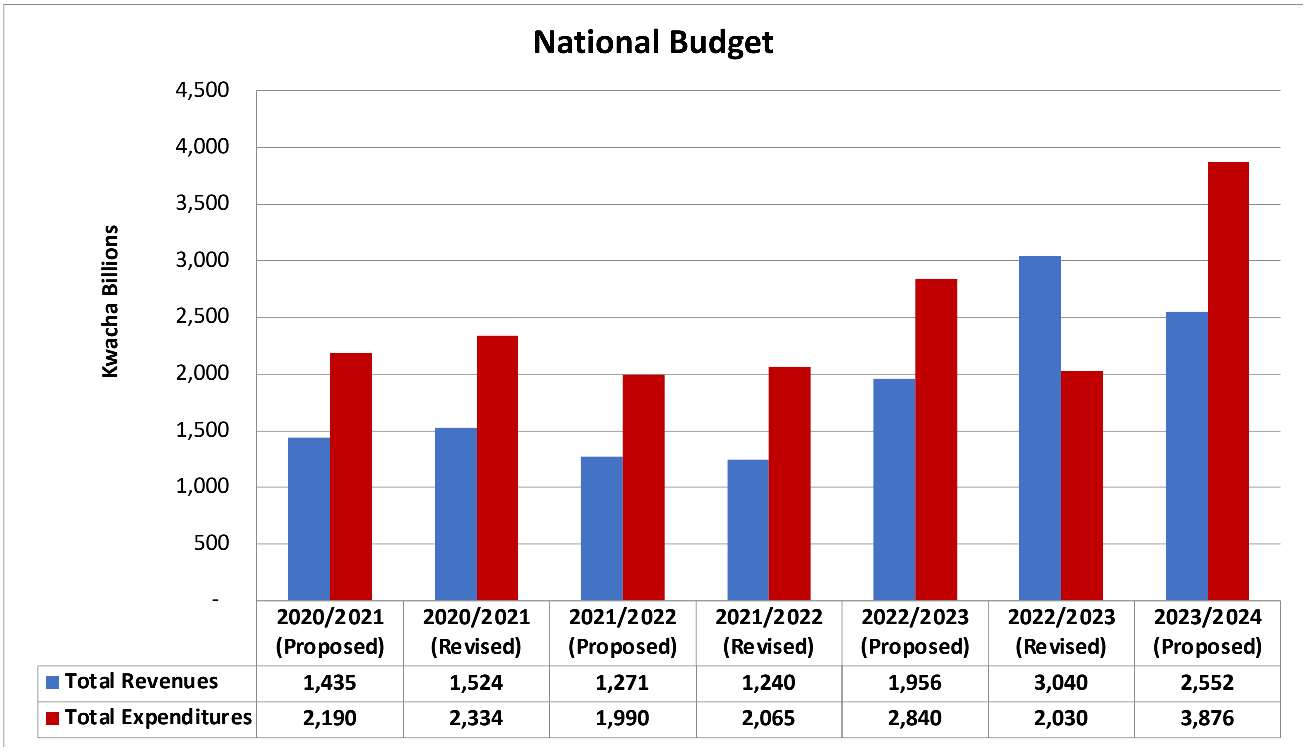
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
TANZANIA													
Exchange rate													
US$	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	2,383.14	2,443.82	2,481.76
GBP	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	3,068.66	3,102.31	3,103.24
ZAR	128.45	128.45	136.03	135.18	133.33	125.52	128.30	126.63	126.63	124.42	135.48	131.87	129.36
EUR	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	2,625.87	2,666.70	2,615.53
Inflation %	4.80	4.90	4.90	4.80	4.90	4.80	4.70	4.30	4.00	3.60	3.30	3.30	3.30
UGANDA													
Exchange rate													
US$	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	3,608.38	3,719.04	3,756.21
GBP	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	4,649.61	4,728.02	4,593.84
EUR	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	3,973.19	4,059.70	3,975.57
Inflation %	10.00	10.70	10.60	10.20	10.40	9.20	9.00	8.00	6.20	4.90	3.90	3.50	2.70
Central Bank Rate %	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.50	9.50
ZAMBIA													
Exchange rate													
US$	15.77	16.17	17.06	18.07	19.03	19.85	21.31	17.73	19.52	17.59	18.84	20.20	21.01
GBP	17.45	18.62	20.47	21.75	23.43	24.02	26.39	22.08	24.15	22.31	24.20	25.57	25.77
ZAR	0.88	0.88	1.01	1.07	1.09	1.08	1.20	0.97	0.99	0.93	1.06	1.08	1.12
Inflation %	9.90	9.70	9.80	9.90	9.40	9.60	9.90	10.20	9.90	9.80	10.30	10.80	12.00
Central Bank Rate %	9.00	9.00	9.00	9.00	9.25	9.25	9.25	9.50	9.50	9.50	9.50	9.50	10.00
MOZAMBIQUE													
US$	63.87	63.87	N/A	63.83	63.89	63.88	63.88	63.88	63.88	63.88	63.89	63.89	63.89
ZAR	3.54	3.75	N/A	4.10	3.51	3.46	3.47	3.53	3.48	3.41	3.52	3.41	3.35
EUR	62.96	66.21	N/A	71.20	67.77	68.19	70.15	70.46	69.80	69.24	70.63	69.47	67.59
Inflation%	12.01	11.83	11.25	10.91	9.78	10.30	10.82	9.61	8.23	6.81	5.67	4.93	4.63

(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							
	Aug	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**
Total Revenues	**182.6**	**168.8**	**194.7**	**144.4**	**199.0**	**226.0**	**165.9**	**227.2**	**185.8**	**184.9**	**203.9**	**246.7**	**217.7**
Domestic Revenues	158.0	148.6	173.3	121.6	174.2	196.7	132.7	124.5	156.9	152.6	173.2	209.6	174.8
Tax Revenue	150.5	122.4	153.9	114.6	122.6	162.7	118.6	119.6	154.1	145.7	154.3	203.3	160.9
Non -Tax revenue	7.5	26.1	19.4	7.0	51.6	34.0	14.1	4.9	2.8	6.9	18.9	6.3	13.9
Departmental Receipts	6.8	5.6	3.1	4.6	3.5	7.1	5.0	4.6	2.4	5.8	7.1	5.5	5.6
Other Receipts	0.6	20.5	16.3	2.4	48.1	26.9	9.1	0.3	0.4	1.1	11.7	0.9	0.4
Grants	24.6	20.2	21.4	22.8	24.8	29.3	33.2	102.6	28.9	32.4	30.7	37.1	43.0
Total Expenditures	**227.4**	**236.5**	**208.5**	**248.8**	**271.9**	**226.2**	**228.7**	**232.1**	**281.0**	**285.7**	**255.4**	**226.0**	**314.9**
Recurrent Expenditure	207.6	210.9	186.1	216.3	232.6	188.6	190.6	198.3	210.6	258.6	209.1	189.6	252.3
Interest Payments	43.4	50.9	63.8	83.5	55.3	41.5	46.8	66.4	45.9	70.4	75.7	50.2	74.4
Domestic	39.5	48.4	60.6	82.2	52.2	40.7	43.7	62.9	44.0	69.1	73.1	49.4	64.4
Foreign	3.9	2.5	3.2	1.3	3.1	0.79	3.1	3.5	1.9	1.2	2.6	0.8	10.1
Development	19.8	25.6	22.4	32.5	39.4	37.6	38.1	33.8	70.4	27.1	46.2	36.4	62.6
Deficit (-) /Surplus	**-44.9**	**-67.7**	**-13.8**	**-104.4**	**-72.9**	**-0.20**	**-62.8**	**-4.9**	**-95.2**	**-100.8**	**-51.5**	**20.7**	**-97.1**
Financing (net)	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	-51.4	70.1	100.0
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	0.0
Domestic	100.6	145.9	126.8	-62.5	198.9	49.8	190.3	134.0	29.1	104.1	-51.4	70.1	100.0
Banking System	-11.5	76.1	116.3	-4.5	112.9	14.1	144.1	89.6	53.9	90.7	-76.4	86.6	80.3
Non-Bank Sector	112.1	69.8	10.5	-57.9	86.1	35.7	46.2	44.4	-24.9	13.4	25.0	-16.5	19.7
Errors and Omissions	55.7	78.2	113.0	166.9	126.0	49.6	127.6	129.0	-66.1	3.3	-0.1	90.7	2.9

Source: Reserve Bank of Malawi

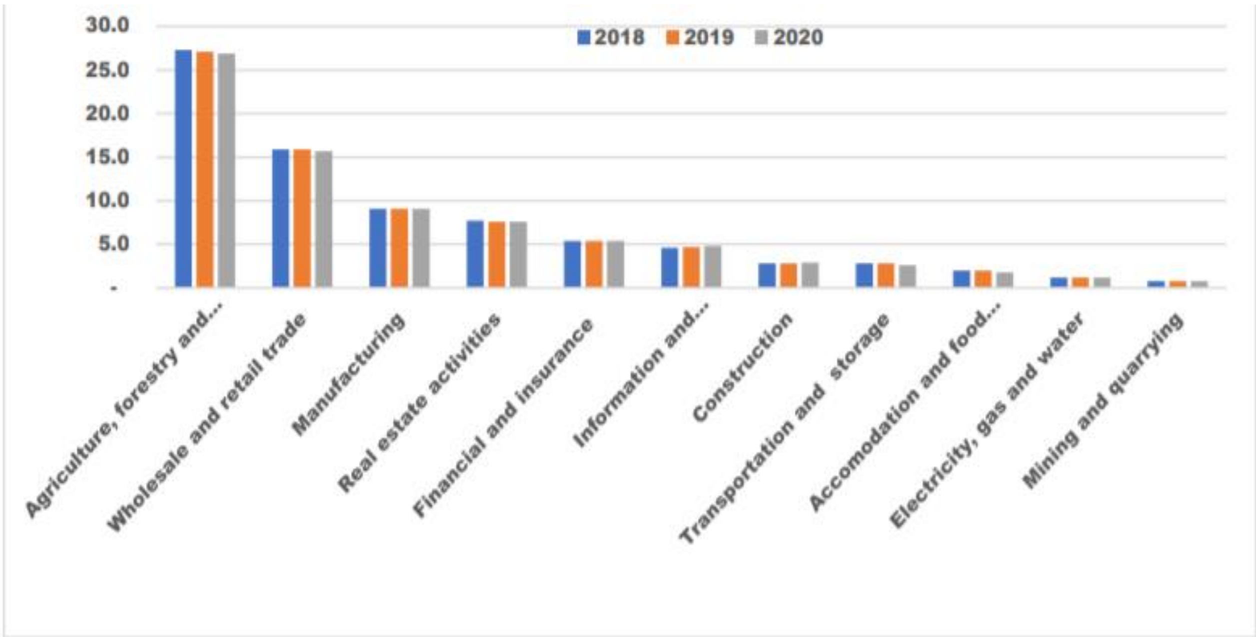
Appendix 5: Malawi selected Economic indicators (Source: RBM)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2022 Aug	2023 Aug
Real Sector[3]										
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	11,819.1	11,819.1	14,571.4
Real GDP growth (percent)	3.3	2.7	5.1	4.4	5.7	0.8	4.6	1.1	1.1	1.9
GDP per capita (K'000)	197.1	226.9	266.8	403.5	445.2	461.85	527.9	610.8	610.8	735.6
GDP per capita (US$)	394.5	318.1	365.4	550.9	597.1	616.18	655.0	643.5	643.5	710.7
Consumer Price Index (CPI) [4]	192.0	233.7	260.7	104.7	114.5	124.4	136.0	147.1	112.2	144.2
Year-on-year inflation rate (percent)	21.9	21.7	11.5	9.2	9.4	8.6	9.3	21.0	25.5	28.6
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	182.6	217.7
Domestic Revenues	614.2	742.0	858.7	988.6	1,058.5	1,096.0	989.7	1,682.2	158.0	174.8
Grants	47.1	67.0	87.9	90.5	145.0	206.1	151.8	246.6	24.6	43.0
Total expenditure	762.7	964.3	1,136.1	1,316.7	1,446.2	1,804.4	1655.5	2,739.0	227.4	314.9
Recurrent	667.2	832.5	973.1	1,119.9	1,241.9	1,557.0	969.2	2,345,0	207.6	252.3
Development	95.5	131.8	163.0	196.9	204.3	247.4	670.8	393.9	19.8	62.6
Deficit/GDP ratio (after grants)	-3.2	-4.0	-4.1	-4.5	-2.9	-5.7	-5.3	-6.8	-0.4	-0.7
Monetary Sector										
Net Foreign Assets	355.9	348.2	463.8	152.5	163.3	-345.6	-405.9	-635.6	-495.1	-880.2
Net Domestic Credit	730.4	1007.8	1238.8	1397.5	1601.7	2012.5	2691.0	3562.2	3180.7	4205.6
Government	266.7	513.9	708.6	744.1	700.5	976.9	1608.8	2214.4	1926.3	2710.4
Statutory bodies	5.2	9.5	8.6	130.8	216.8	213.4	205.3	273.5	212.6	262.0
Private (gross)	422.5	455.3	488.4	493.2	595.0	692.8	821.9	1020.0	975.5	1168.8
Money Supply (M2)	788.8	923.3	1077.3	1198.3	1320.5	1541.4	2004.4	2784.5	2469.3	3314.0
M2 Growth Rate (annual percent)	23.7	15.2	19.7	11.5	10.2	16.7	30.0	38.9	38.8	34.2
Reserve Money	207.1	250.2	279.6	289.8	303.4	342.1	449.4	573.4	541.1	809.2
Banks Deposits	66.0	60.3	78.2	59.6	26.0	57.3	89.3	100.6	81.6	244.0
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	575.4	809.0	874.4	105.1	138.0
Imports (cif)	1,134.6	1,577.6	1,864.1	2,141.6	2,421.2	2,144.5	2,625.8	2,867.2	278.1	344.1
Trade balance	-603.0	-840.1	-1,252.9	-1,327.1	-1,445.9	-1,569.1	-1,816.8	-1,993.8	-173.0	-206.1
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	785.3	713.4
Official	445.3	438.6	549.9	548.2	605.5	437.2	346.5	302.1	372.7	254.3
Commercial banks	103.9	148.1	189.5	111.9	95.2	188.9	247.1	413.0	412.5	459.1
Import cover (Official reserves in months)	3.2	2.8	3.6	3.6	2.9	4.0	1.7	1.2	1.4	0.9
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	1035.42	1094.74
MK/US dollar (pd avg)	499.607	713.85	726.65	732.33	742.23	749.53	805.90	949.04	1035.05	1093.64

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)

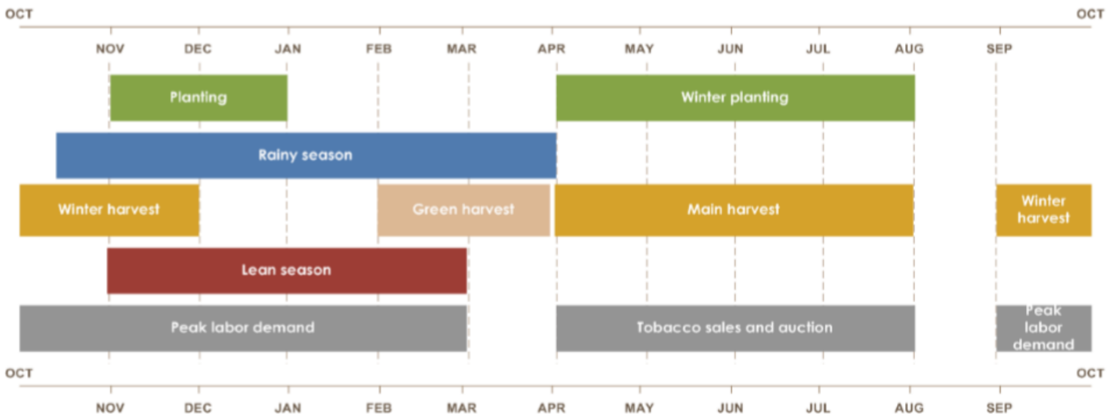
Table A2. Advanced Economies: Real GDP and Total Domestic Demand[1]

(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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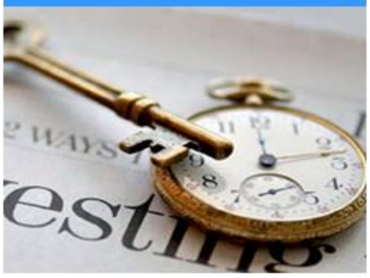

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