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Asset Managers

Invest Today
for Tomorrow

MONTHLY ECONOMIC REPORT

OCTOBER 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, a high inflationary environment, high borrowing costs and delays to debt restructuring.

According to the RBM, the 2023 headline inflation is projected at 28.2%, 1.3 percentage points lower than the 29.5% forecast during the previous MPC round,higher than the average of 20.9% recorded in 2022. Food inflation is now projected to moderate to 36.2% from an earlier forecast of 37.2%, nevertheless higher than an outturn of 26.8% in 2022. Similarly, non-food inflation is forecast to average 18.1% from a forecast of 20.4% made in July 2023, and compared to 15.1% for 2022.

Malawi's wide current-account deficit, high public debt and a large positive inflation differential with trading partners will continue to undermine the value of the Kwacha. However, the gradual shift towards a market-led exchange rate has begun through the biweekly exchange rate auctions held by the RBM with ADBs. 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 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 inflation rates – high costs of living are expected to reduce the standard of living, and measures used to curb inflation will result in higher borrowing costs, impacting production and growth.
6. High population growth rates - May reduce the country's ability to allocate resources to more productive activities.
7. 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 October 2023 stood at 26.90%, a decrease from 27.80% realised in September 2023. The decrease in inflation is on account of a decrease in food inflation despite the increase in non-food inflation.

	Oct-23	Sep-23	Oct-22	% Change (1 Months)	% Change (12 Months)
Headline inflation	26.90%	27.80%	26.70%	-0.90%	-0.20%
Food	34.50%	36.80%	34.50%	-2.30%	0.00%
Non-food	17.60%	17.20%	18.60%	0.40%	1.00%

Government Securities (Source: RBM)

The average yield for all type Treasury bill remained unchanged at 18.90% same as that recorded in September 2023.

Tenor	Oct-23	Sep-23	Oct-22	Change 1 Month	Change 12 Months
91 days	14.70%	14.70%	11.00%	0.00%	3.70%
182 days	18.00%	18.00%	15.48%	0.00%	2.52%
364 days	24.00%	24.00%	18.75%	0.00%	5.25%
All Type	18.90%	18.90%	15.08%	0.00%	3.82%

Total Treasury bill applications for the month of October 2023 stood at K25.72 billion and K25.79 billion was allotted, represenbting a 0.27% rejection rate. The 364 days paper accounted for the highest subscription rate at 61.56%, then the 182 days paper was 34.60% and the 91 days paper was 3.85%.

During the month of October 2023, the government conducted several treasury note auctions. They included a 2-year, 3-year, 5-year, 7-year and 10-year treasury notes. The auctions raised a total of K156.34 billion from K156.34 billion applications, resulting in a nil rejection rate. The weighted average yields were 26.75%, 28.00%, 30.00%, 32.00%, and 33.00% respectively. Total maturities for the month stood at K116.44 billion resulting in a net withdrawal of K84.78 billion.

Foreign Currency Market (Source: RBM)

During the month of October 2023, the Malawi Kwacha depreciated against all the major currencies as per the following table:

CURRENCY	Oct-23	Sep-23	Oct-22	% Movement 1 month	% Movement 12 months
MK/USD	1,168.78	1,115.78	1,026.43	-4.75%	-13.87%
MK/GBP	1,461.71	1,405.20	1,224.69	-4.02%	-19.35%
MK/ZAR	63.63	60.80	58.04	-4.65%	-9.63%
MK/EUR	1,275.35	1,216.14	1,050.67	-4.87%	-21.38%

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 October 2023 increased to a daily average of K66.16 billion from K48.08 billion in September 2023. Access to the Lombard facility (discount window borrowing) during the month under review averaged K74.37 billion a day at an average rate of 24.20%, and an average of K78.87 billion was accessed on the Lombard Facility during the month of September 2023 at an average rate of 24.20%.

In October 2023, the overnight borrowing between banks decreased to a daily average of K25.43 billion. This was at an average rate of 22.90% and an average of K31.82 billion per day was accessed at an average rate of 22.77%.

Stock Market (Source: MSE)

The market registered a negative return on index as reflected in the downward movement of the Malawi All Share Index (MASI) from 118,426.19 points registered in September 2023 to 113,969.91 points registered in October 2023, giving a month-on-month return on index of negative 3.76%. The price gains registered by OMU(+14,29%), Standard (+11.11%), NITL(+2.23%), PCL(+0.28%), SUNBIRD(+0.02%) and NBM(+0.002%) were enough to offset price losses registered by FMBCH(-27.72%), FDH Bank(-5.36%), NICO(-2.53%), NBS Bank(-1.00%), AIRTEL(-0.66%), TNM(-0.57%), ICON (-0.28%), and ILLOVO(-0.001%), resulting into an downward movement of the Malawi All Share Index. The Domestic Share Index

inched upwards by 0.54% to 86,656.70 points while the Foreign Share Index inched downwards by -27.45% to 15,011.81 points respectively.

The market transacted a total of 14.98 million shares at a total consideration of K3.92 billion (US$3.35

million) in 894 trades in the month of October 2023. In the previous month of September 2023, the market transacted a total of 54.50 million shares at a total consideration of K10.34 billion (US$9.27 million) in 1,113 trades.

The year-on-year return for the MASI, DSI and FSI increased to 107.04%, 99.29%, and 194.30% respectively. The dividend yield for October 2023 decreased to 2.39%% from 3.61% in October 2022.

	Oct-23	Sep-23	Oct-22	Change (1 months)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	99.79	100.45	51.26	-0.66%	94.67%
BHL	10.06	10.06	10.99	0.00%	-8.46%
FMBCH	300.00	415.03	100.07	-27.72%	199.79%
FDHB	68.34	72.21	14.86	-5.36%	359.89%
ICON	17.95	18.00	11.97	-0.28%	49.96%
ILLOVO	1,121.43	1,121.44	500.10	-0.001%	124.24%
MPICO	15.00	15.00	20.67	0.00%	-27.43%
NBM	2,101.17	2,101.12	1,230.00	0.002%	70.83%
NBS	107.90	108.99	20.67	-1.00%	422.01%
NICO	155.95	160.00	50.96	-2.53%	206.02%
NITL	410.00	401.05	125.00	2.232%	228.00%
OMU	1,200.00	1,050.00	1,156.00	14.29%	3.81%
PCL	2,507.00	2,500.00	2,181.38	0.28%	14.93%
STANDARD	3,000.04	2,700.01	1,840.04	11.11%	63.04%
SUNBIRD	191.06	191.03	92.03	0.02%	107.61%
TNM	29.71	29.88	12.01	-0.57%	147.38%
MASI	113,969.91	118,426.19	55,046.26	-3.76%	107.04%
DSI	89,656.70	89,173.86	44,988.52	0.54%	99.29%
FSI	15,011.81	20,692.42	5,100.84	-27.45%	194.30%

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%
SUNBIRD	1.60	0.40	300.00%	2.00	0.50	300.00%
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						
ILLOVO	Expects its year ending 31 August 2023 profit after tax to be between 100% and 120% higher than the previous corresponding period					

OTHER MARKET DEVELOPMENTS

Malawi Acute Food Insecurity (Source: FEWSNETS

Crisis (IPC Phase 3) outcomes are present in much of southern Malawi and are expected to persist through March 2024. Poor households in these areas are facing difficulty meeting their basic food needs following the widespread destruction of crops and a related sharp increase in staple food prices as a result of Tropical Cyclone Freddy. The early half of the projection period coincides with the peak of labor demand; however, agricultural labor opportunities are likely to be lower than normal due to forecasted below-average October 2023 to March 2024 rainfall. Many poor households will also enter the 2023–2024 season with limited agricultural inputs. Urgent humanitarian food assistance is needed to prevent the persistence of already ongoing acute food insecurity across southern Malawi.

Of highest concern are some very poor households in the southern districts of Chikwawa, Nsanje, Phalombe, Balaka, and parts of Mwanza, Neno, Zomba, and Blantyre, where Cyclone Freddy drove significant crop losses and labor opportunities are sparse due to reduced areas of cultivated land. Available information suggests that many are selling a high number of livestock to cope, which erodes their livelihoods and future coping capacities. Among these worst-affected populations, Emergency (IPC Phase 4) outcomes are expected during the peak of the lean season around December 2023 to February 2024.

Global, regional, and national rainfall models forecast the persistence of the already ongoing strong El Niño through early 2024. FEWS NET science partners at USGS, UCSB, and NOAA indicate the 2023/24 rainy season will be below-average in southern Malawi, while average to above-average rainfall is expected in central and northern Malawi. The El Niño event is also likely to cause a delayed onset of rains, reducing agricultural income-earning opportunities for poor households who rely on this source during the lean season to purchase food. Overall, the 2024 maize harvest is expected to be 20 to 30 below average due to the combined impacts of the previous cyclone, the forecasted below average and delayed rains, and limited access to agricultural inputs.

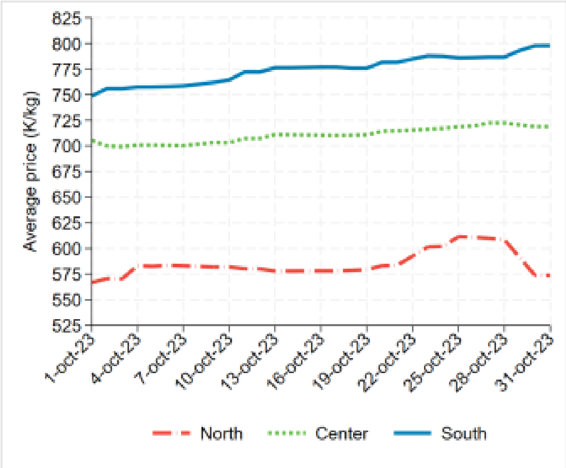
Farming households with access to irrigable land in Malawi typically harvest their crops between September and November 2023, with irrigated production providing almost 20% of the annual national maize production. However, recent impacts of Tropical Cyclone Freddy, particularly in southern Malawi, suggest lower-than-normal irrigated production is highly likely. Community interviews conducted during a FEWS NET food security assessment indicated that total irrigated production was expected to decrease by over half in southern Malawi. This reduction in irrigated production will likely keep maize prices elevated because there won't be a significant addition of irrigated stocks to boost supplies.

October Maize Market (Source: IFPRI)

Retail maize prices experienced a 5% increase in October 2023, rising from K692 in the final week of September 2023 to K732 in the final week of October 2023. This increase in price, occurring at the onset of the lean season, represents a notably more lenient change compared to the same period in the previous season (when prices increased by 23%, but from a much higher base).

Consistent with the typical trend, the Southern region recorded the highest monthly average maize retail price of K775/kg, with the peak weekly retail price (K883/kg) noted in Luchenza in Thyolo. The Central region maintained relatively stable prices, with the monthly average settling at K710/kg. Two markets in the Central region even recorded a modest price decline: Mitundu in Lilongwe (4%) and Mchinji (1%). This can be attributed to local availability of maize as farmers are releasing previously withheld stock to use in purchasing farm inputs and labor as they prepare for the upcoming farming season.

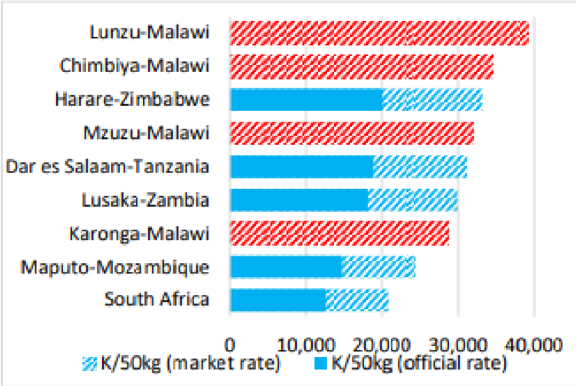
Figure 2. Average daily maize retail prices by region



The Northern region documented the lowest monthly average retail maize price at K585/kg, with the lowest weekly average price recorded in Chitupa at K505/kg during the third week of October 2023. Towards the end of the month the region experienced a decline in prices thanks to maize inflows from Zambia and Tanzania.

Markets in southern and central Malawi as well as in Mzuzu recorded higher retail prices of maize than neighboring countries at both the official (K1,180) and the market (K1,950) exchange rate, attracting imports of maize.

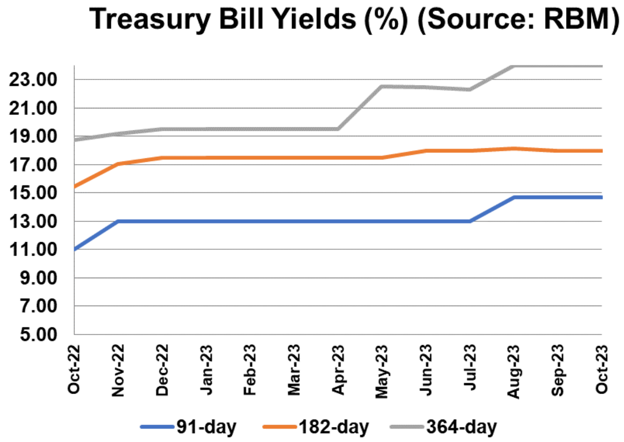
Figure 4. Regional comparison (October 2023)

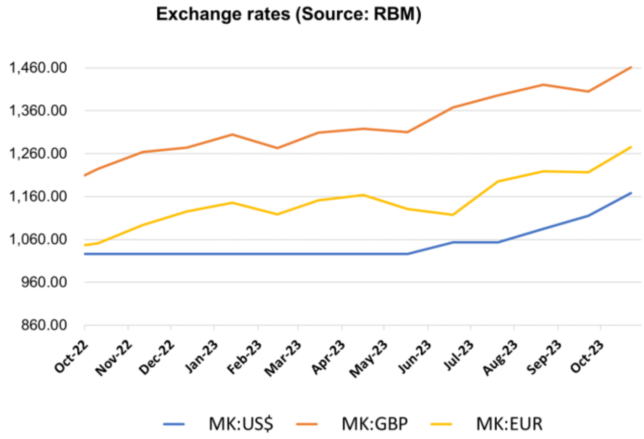


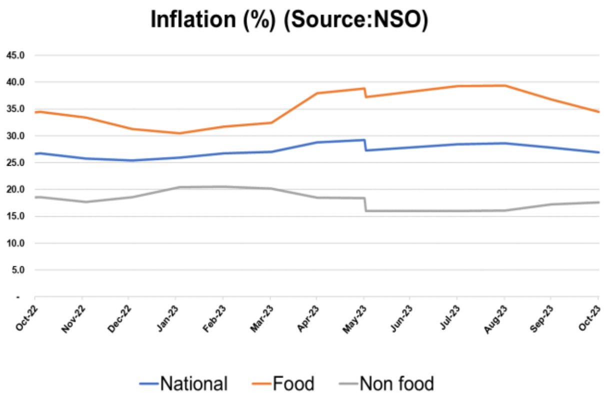
Note: Weekly average price for the week ending on 28th October

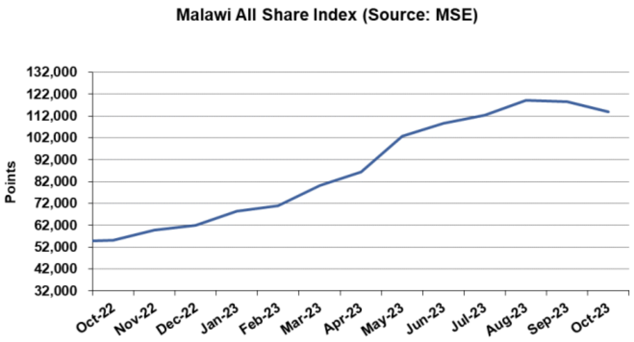
ADMARC sales were reported in half of the 26 markets monitored by IFPRI, 1 in each of the Central and Northern regions and 11 in the Southern region. No ADMARC purchases were reported in any of these markets.

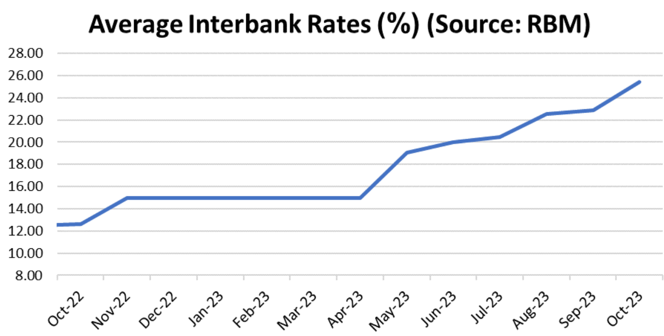
TREND GRAPH


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
Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-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
Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-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
-
Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23
National
Food
Non food


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
Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23


Average Interbank Rates (%) (Source: RBM)
28.00
26.00
24.00
22.00
20.00
18.00
16.00
14.00
12.00
10.00
8.00
Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-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

The world oil demand growth forecast for 2023 is revised up marginally from 2.4 mb/d to 2.5 mb/d. Revisions to data for the OECD countries throughout the first three quarters largely offset each other. In the non-OECD, the upward revisions to China's oil demand in both 3Q23 and 4Q23 outpaced the downward revisions in the non-OECD region in 3Q23. In 2023, OECD oil demand is expected to rise by around 0.1 mb/d, while non-OECD oil demand is expected to increase by 2.4 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 expand by about 0.3 mb/d in 2024, with OECD Americas contributing the largest increase. The non-OECD is set to drive next year's growth, increasing by about 2.0 mb/d, with China, the Middle East, Other Asia and India contributing the most.

Non-OPEC liquids supply growth forecast is revised up to 1.8 mb/d in 2023. Main drivers of liquids supply growth for 2023 include the US, Brazil, Kazakhstan, Norway, Guyana, Mexico and China. For 2024, non-OPEC liquids production is expected to grow by 1.4 mb/d, broadly unchanged from the previous month's assessment. Main drivers for liquids supply growth next year are set to be the US, Canada, Guyana, Brazil, Norway, and Kazakhstan. OPEC NGLs and non-conventional liquids are forecast to grow by around 50 tb/d in 2023 to average 5.4 mb/d and by another 65 tb/d to average 5.5 mb/d in 2024.

In October 2023, the OPEC Reference Basket (ORB) value fell by US$2.82, or 3.0%, m-o-m to average US$91.78/b. OPEC-13 crude oil production in October 2023 increased by 80 tb/d m-o-m to average 27.90 mb/d, according to available secondary sources.

Currency Movements

The US Dollar had a strong October due to positive economic data and Federal Reserve expectations. In October 2023, the US Dollar was more robust than

G10 currencies, except the Swiss Franc. The US Dollar mainly increased because of robust economic data. Unsurprisingly, the sound economic news drove the US equity market lower and the US Dollar higher because of the expectation of a hawkish Federal Reserve (Fed). However, the Fed maintained its rates at 5.25%-5.50%. In November 2023, USD could trend downwards due to an uptick in unemployment data and the Fed holding interest rates.

The Euro traded in a narrow band throughout October due to gloomy economic data and recession concerns. The European Central Bank (ECB) is holding rates in November, signalling a possible end to its tightening cycle. October saw a series of poor data releases from the Eurozone, which would normally have sent the shared currency lower but were offset by US Dollar weakness. The Euro has been hindered by the Eurozone economy slipping into recession.

The Bank of England opted to hold interest rates at 5.25% which could support the Pound's value unless economic health declines. With the UK economy showing signs of flatlining, attention is firmly on the data. Throughout October 2023, the GBP/USD currency pair traded in a narrow range, with it dipping as low as US$1.2035 on 4 October 2023 and remaining between US$1.21 and US$1.23 for most of the month.

At the November 2 policy decision, the Bank of England (BoE) held interest rates at 5.25%, their highest level in over 15 years. Those households remortgaging and hoping for a cut in rates early 2024 may be left disappointed as BoE Governor and other members of the Monetary Policy Committee seem to favour an extended period at 5.25% before any cuts are considered. This extended period of elevated rates may help support the Pound's value unless there is a considerable downturn in UK economic health.

Global Trade

The World Trade Organization (WTO) now expects world merchandise trade volume growth of 0.8% in 2023 – down from 1.7% in the April 2023 forecast – accompanied by real GDP growth of 2.6% at market exchange rates. Trade growth should then pick up to 3.3% in 2024 – nearly unchanged from the previous 3.2% estimate in April – with stable GDP growth of 2.5%. Trade is expected to grow more slowly than GDP this year but faster in 2024; such swings are not unusual given the relatively large share of business-cycle sensitive investment and durable goods in trade compared to GDP.

The trade slowdown appears to be broad-based, involving a large number of countries and a wide array of goods, specifically certain categories of manufactures such as iron and steel, office and telecom equipment, textiles, and clothing. A notable exception is passenger vehicles, sales of which have surged in 2023. The exact causes of the slowdown are not clear, but inflation, high interest rates, US dollar appreciation, and geopolitical tensions are all contributing elements.

Merchandise trade volume was down 0.5% year-on-year in the first half of 2023, but a modest pickup is expected in the second half of the year. The trade slump in the fourth quarter of 2022 should also inflate year-on-year growth towards the end of the year. Recent trade developments and the overall outlook for 2023 are within the estimated confidence interval shown in the WTO's previous forecast of April 2023 which had already foreshadowed risks firmly tilted to the downside.

Risks to the forecast include a sharper than expected slowdown in China and a resurgence of inflation in advanced economies, which would require keeping interest rates higher for a longer period. On the other hand, growth could also exceed expectations if inflation comes down quickly, allowing an early exit from contractionary monetary policies. Overall, risks to the current outlook are considered to be evenly balanced between the upside and the downside, although there may be some additional growth potential due to the lower base in 2023. WTO economists do see some signs in the data of trade fragmentation linked to geopolitical tensions, but so far there is no evidence of a broader deglobalization trend that could weigh more heavily on trade.

Interest Rate Movements

The 3 months US Libor decreased to close at 5.464% in October 2023 from 5.657% in September 2023, while the US Libor for 6 months decreased to 5.555% in October 2023 from 5.896% in September 2023. The US Treasury yield (10-Year) increased to close at 4.858% in October 2023 from 4.590% recorded in September 2023.

	Oct-23	Sep-22	Oct-22	Change 6 month	Change 12 months
US Fed Rate	5.500%	5.500%	3.250%	0.000%	2.25%
US Libor (3 months)	5.464%	5.657%	3.748%	-0.193%	1.72%
US Libor (6 months)	5.555%	5.896%	4.273%	-0.341%	1.28%
US Treasury yield (10 years)	4.858%	4.590%	4.100%	0.268%	0.76%
BOE Rate	5.250%	5.000%	2.500%	0.250%	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 October 2023 increased to 12.60% from 12.00% recorded in September 2023. The Zambian Kwacha closed at ZMW22.07/US$1 in October 2023 compared to ZMW 21.01/US$1 recorded in September 2023. According to the IMF, economic growth is projected to average 3.6% in 2023.

Zimbabwe

In October 2023, the headline inflation for Zimbabwe decreased to 17.80% compared to 18.36% recorded in September 2023. The Zimbabwean Dollar closed at ZWL5,698.96/US$1 compared to ZWL5,161.63/US$1 recorded in September 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 October 2023 decreased to 2.40% from 2.70% in September 2023. The Ugandan Shilling depreciated against the US Dollar in October 2023 and closed at UGX3,774.04/US$1 compared to UGX3,756.21/US$1 recorded in September 2023. The IMF has projected that economy of Uganda will grow by 4.6% in 2023.

Tanzania

The headline inflation rate for Tanzania for October 2023 decreased to 3.20% from 3.30% recorded in September 2023. The Tanzanian Shilling depreciated against the US Dollar and closed at TSh2,480.94/US$1 compared to TSh2,448.38 /US$1 recorded in September 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 October 2023 increased to 5.90% from 5.40% in September 2023. The South African Rand depreciated against the US Dollar and closed at ZAR18.80/US$ compared to ZAR18.78/US$ recorded in September 2023. The IMF has projected that the economy will grow by 0.9% in 2023.

OUTLOOK FOR OCTOBER 2023 AND BEYOND – MALAWI

Exchange Rates

Malawi's wide current-account deficit, high public debt and a large positive inflation differential with trading partners will continue to undermine the value of the Kwacha. However, the gradual shift towards a market-led exchange rate has begun through the biweekly exchange rate auctions held by the RBM with ADBs. 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: K1,180/US$1 at end-October) and the informal market exchange rate (K1,900/US$1) remains wide, as a result of shrinking foreign exchange reserves. The EIU expects illiquidity to compel the RBM to shift towards flexibility to allow the Kwacha to reach its fair value.

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 inflows resulting from the IMF program take effect.

POSSIBLE IMPACT: *Lower foreign exchange inflows coupled with a large appetite for imports are likely to maintain downward pressure on the value of the Kwacha as foreign reserves continue to decline, resulting in further depreciation of the Kwacha. This will also induce inflationary pressures stemming from increased price of imports in domestic currency terms.*

Inflation

According to the RBM, the 2023 headline inflation is projected at 28.2%, 1.3% lower than the 29.5% forecast during the previous MPC round. This is still higher than an average of 20.9% recorded in 2022. Food inflation is now projected to moderate to 36.2% from an earlier forecast of 37.2%, nevertheless higher than an outturn of 26.8% in 2022. Similarly, non-food inflation is forecast to average 18.1% from a forecast of 20.4% made in July 2023, and compared to 15.1% for 2022.

The foregoing factors suggest a relatively lower inflation trajectory over the forecast horizon compared to the inflation outlook reported during the third MPC meeting of 2023.

However, the outlook suggests an increasing inflation path. The marginal downward shift in the inflation path is premised on announcement by Government about Lean Season Food Response Plan, which is expected to dampen price pressures on food items. Nevertheless, upside risks to inflation remain, largely arising from the depreciating currency affecting domestic prices, owing to the protracted foreign exchange supply challenges.

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 will decline in 2023 as agriculture comes under pressure from erratic weather patterns and high fertilizer prices. Agriculture 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 a new investor, Lotus Resources (an Australian based mining company with 85% shareholding) 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. Lotus Resources is now seeking agreement from the government to develop mines. The commencement of operations to support export revenue are expected 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 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 slowly, and possible debt restructuring in late 2023 will reduce repayments. In 2023-27 the secondary income account will record a surplus slightly below the level pre-pandemic. 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 fourth meeting of 2023, resolved to maintain the Policy rate at 24.0% and the Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign deposits at 7.75% and 3.75%, respectively. In arriving at this decision, the MPC considered the recent moderation in inflationary pressures. The Committee was also mindful of the weak domestic growth. However, the Committee noted upside risks to the inflation outlook that included exchange rate movements, increases in crude oil prices and adverse weather conditions.

Inflationary headwinds will continue to linger, arising from fiscal slippages (which triggers money-supply growth and drives inflation) and local currency weakness because of the exchange-rate liberalization. These factors will compel the RBM to keep monetary policy tight in 2023-25 but initiate cuts to the policy rate in 2026-27 as inflation falls towards the target and to support growth. The EIU expects the policy rate to fall to 18.0% by end-2027, maintaining a positive real interest rate.

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%	1.70%
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%**	**1.43%**

(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 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. The government's forecast were made during the second quarter of 2023 and may be adjusted once the business interviews are conducted in November.

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, a high inflationary environment, high borrowing costs 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.
High Inflation	1. High cost of Living 2. Reduction in real wages 3. High Borrowing costs 4. Declining standard of living	1. Monetary Policy tightening 2. Social safety nets for poor households
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.	1. Diversify into other sectors such as mining and cotton etc. 2. Engage in aggressive tourism

	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.	marketing and investment.
Insufficient power supply	1. Commercial productivity remains small scale as large-scale enterprises are difficult to implement with limited power supply. 2. Low industrial productivity in the manufacturing sector resulting in low economic productivity and dampening economic growth. 3. Deferment of development by investors due to lack of infrastructure	1. Encourage use of energy saver bulbs. 2. Rehabilitate and develop new power plants. 3. Public-Private Partnerships to enhance energy production through alternative power sources. 4. The entrance of Independent Power Producers (IPPs) may help boost power generation.
High population growth rates	1. Reduced per capita income. 2. Over-crowding on public resources. Resources which could have been allocated to more productive activities are used to take care of the growing population.	1. Civic education to raise awareness of family planning methods.
Uncertainty in the external environment Uncertainty in the external environment	1. Dampening export demand for major export commodities i.e. tobacco, tea, cotton and sugar. 2. Declining investor interest in Malawi resulting in fewer investments, hence less foreign currency coming into the country. 3. Declining remittances from abroad, hence contributing to lower forex levels. 4. Reduced access to foreign capital, hence financing not available or difficulties in accessing letters of credit. 5. Impaired growth and Balance of Payments (BOP) due to declining exports and low foreign investments. 6. Decline in tourism levels leading to lower forex revenues.	1. Diversification of export base. 2. Diversify away from agricultural production, focus more on value added goods, manufacturing and service sector products where the country has a comparative advantage.

APPENDIX

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

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-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	1,053.44	1,053.44	1,084.60	1,115.78	1,168.78
MK : GBP	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	1,461.71
MK : ZAR	58.04	62.30	62.35	60.71	57.32	59.20	57.56	53.50	57.82	61.76	59.73	60.80	63.63
MK : EUR	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	1,275.35
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	326.06	338.87	304.65	279.22	280.66	228.49	200.08	194.82	321.53	267.91	239.56	242.68	
Private Sector Reserves (US$'mn)	427.67	400.77	399.20	384.37	378.54	375.36	403.93	386.90	407.47	406.63	419.35	409.46	
Total Reserves (US$'mn)	753.73	739.64	703.85	663.59	659.20	603.85	604.01	581.72	729.00	674.54	658.91	652.14	
Total Import Cover (months)	2.47	2.96	2.82	2.66	2.63	2.41	2.42	2.33	2.92	2.70	2.64	2.61	
Inflation (NSO)													
Headline Inflation	26.70	25.80	25.40	25.90	26.70	27.00	28.80	29.20	27.30	28.40	28.60	26.90	27.80
Food	34.50	33.40	31.40	33.40	31.70	32.40	37.90	38.80	37.20	39.30	39.40	34.50	36.80
Non Food	18.60	17.70	18.60	17.70	20.50	20.20	18.50	18.40	16.00	16.00	16.10	17.60	17.20
Interbank Rates (Source: RBM)													
Monetary Policy Rate	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	22.00%	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%
Average Interbank Rate	12.63%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	19.04%	19.98%	20.46%	22.52%	22.77%	22.90%
Average Base Lending Rates	13.90%	16.60%	16.60%	17.30%	17.30%	17.30%	17.30%	20.00%	21.00%	21.40%	22.70%	23.40%	23.50%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	11.00%	12.99%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	12.99%	14.70%	14.70%	14.70%
182 day Treasury Bill yield	15.48%	16.92%	17.50%	17.50%	17.50%			17.50%	18.00%	17.99%	18.16%	18.00%	18.00%
364 day Treasury Bill yield	18.75%	19.15%	19.50%	19.50%	19.50%	19.50%	19.50%	22.49%	22.49%	22.28%	24.00%	24.00%	24.00%
Stock Market Indices (Point) (Source: MSE)													
MASI	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	113,969.91
DSI	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	89,656.70
FSI	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	15,011.81
Fuel Prices per Litre (Source: MERA)													
Petrol	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	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

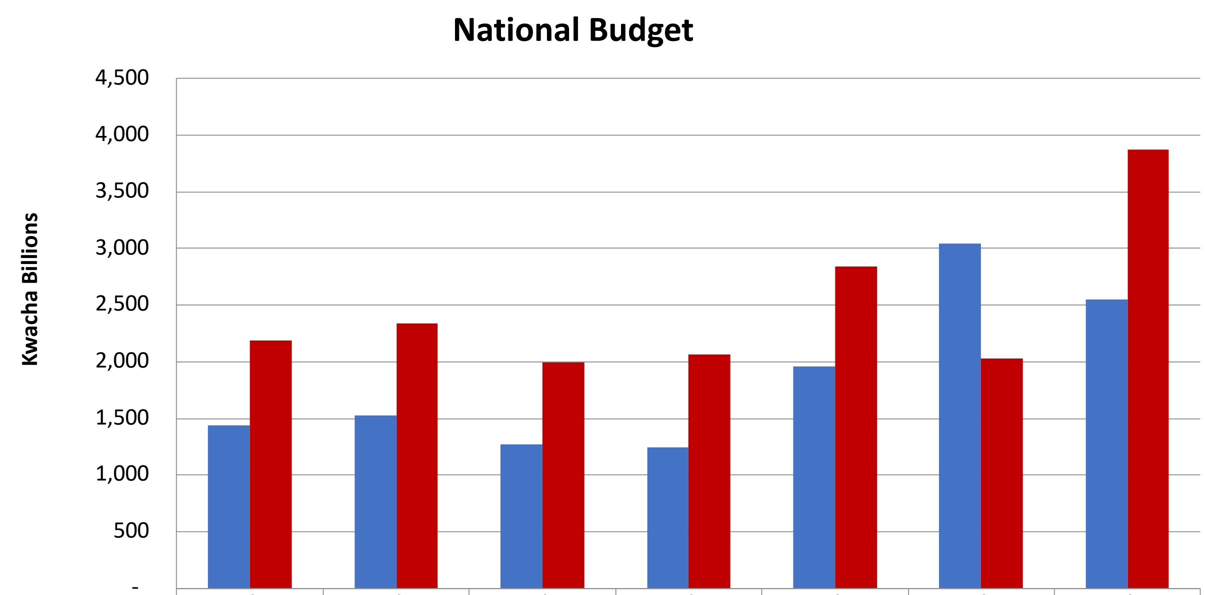
Appendix 2: Selected economic indicators for Tanzania, Uganda, Zambia and Mozambique

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
TANZANIA													
Exchange rate													
US$	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	2,480.94
GBP	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	3,012.85
ZAR	128.45	136.03	135.18	133.33	125.52	128.30	126.63	126.63	124.42	135.48	131.87	129.36	132.29
EUR	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	2,631.78
Inflation %	4.90	4.90	4.80	4.90	4.80	4.70	4.30	4.00	3.60	3.30	3.30	3.30	3.20
UGANDA													
Exchange rate													
US$	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	3,774.04
GBP	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	4,583.57
EUR	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	3,998.97
Inflation %	10.70	10.60	10.20	10.40	9.20	9.00	8.00	6.20	4.90	3.90	3.50	2.70	2.40
Central Bank Rate %	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.50	9.50	9.50
ZAMBIA													
Exchange rate													
US$	16.17	17.06	18.07	19.03	19.85	21.31	17.73	19.52	17.59	18.84	20.20	21.01	22.07
GBP	18.62	20.47	21.75	23.43	24.02	26.39	22.08	24.15	22.31	24.20	25.57	25.77	26.85
ZAR	0.88	1.01	1.07	1.09	1.08	1.20	0.97	0.99	0.93	1.06	1.08	1.12	1.18
Inflation %	9.70	9.80	9.90	9.40	9.60	9.90	10.20	9.90	9.80	10.30	10.80	12.00	12.60
Central Bank Rate %	9.00	9.00	9.00	9.25	9.25	9.25	9.50	9.50	9.50	9.50	9.50	10.00	10.00
MOZAMBIQUE													
US$	63.87	N/A	63.83	63.89	63.88	63.88	63.88	63.88	63.88	63.89	63.89	63.89	63.89
ZAR	3.75	N/A	4.10	3.51	3.46	3.47	3.53	3.48	3.41	3.52	3.41	3.35	3.41
EUR	66.21	N/A	71.20	67.77	68.19	70.15	70.46	69.80	69.24	70.63	69.47	67.59	67.89
Inflation%	11.83	11.25	10.91	9.78	10.30	10.82	9.61	8.23	6.81	5.67	4.93	4.63	4.75

(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%**



	2020/2021 (Proposed)	2020/2021 (Revised)	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)	2022/2023 (Revised)	2023/2024 (Proposed)
Total Revenues	1,435	1,524	1,271	1,240	1,956	3,040	2,552
Total Expenditures	2,190	2,334	1,990	2,065	2,840	2,030	3,876

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

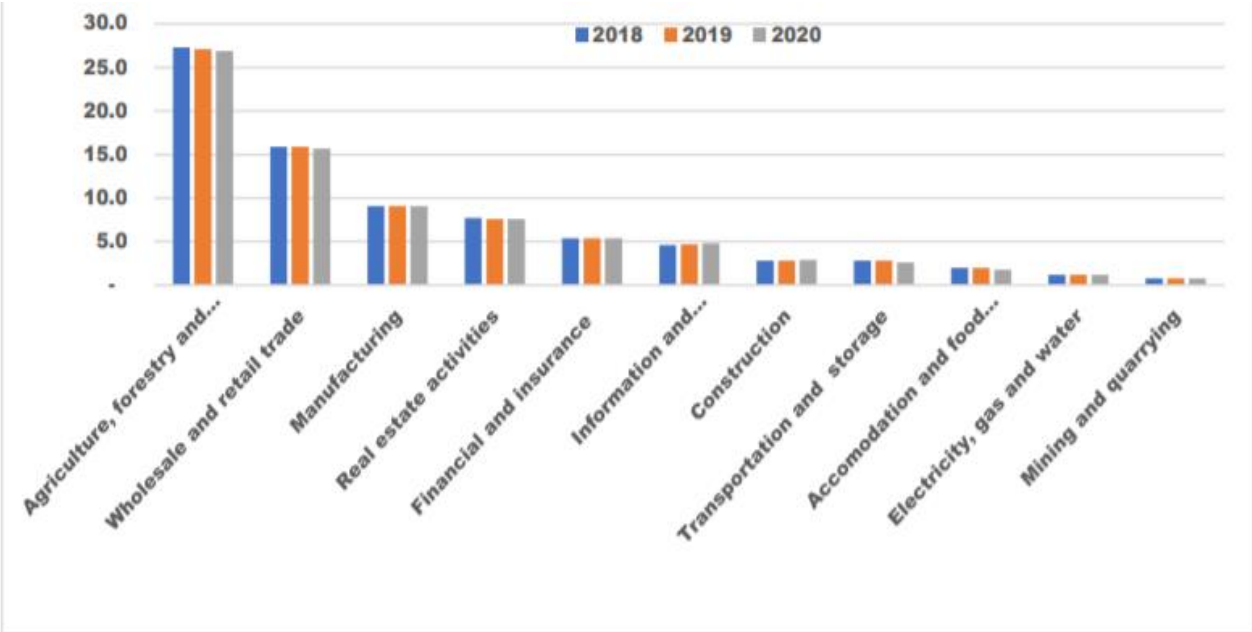
Appendix 5: Malawi selected Economic indicators (Source: RBM)

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

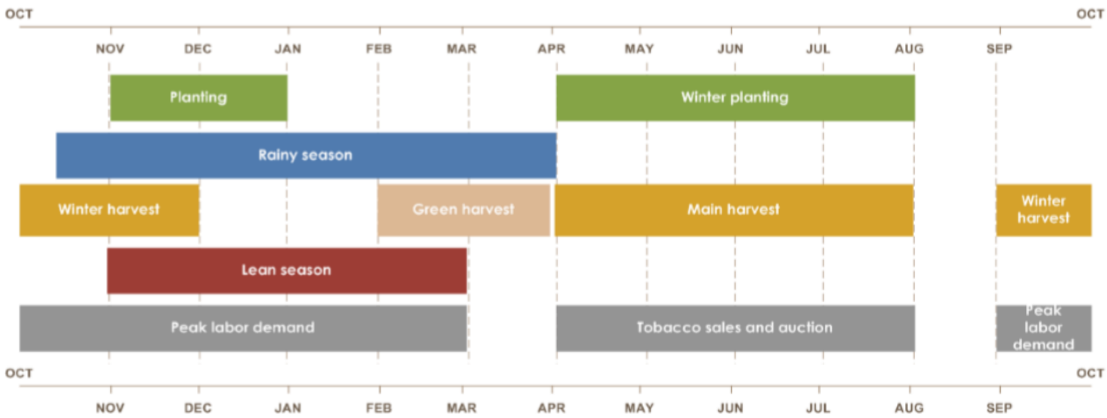
Appendix 7: Global Projections (Source: IMF)

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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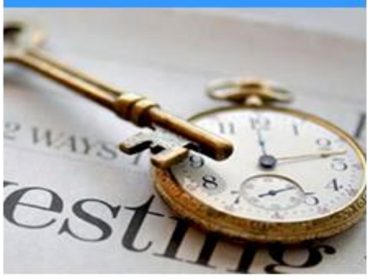

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Contact Us

Head Office
NICO Asset Managers Limited
19 Glyn Jones Road
Chibisa House
P.O Box 3173
Blantyre
Tel no: 01 832 085/086
Fax no: 01 821617
Emailinvest@nicoassetmanagers.com

Lilongwe Branch
NICO Asset Managers Limited
Corner Kenyatta Drive
NICO Centre
P.O Box 30729
Lilongwe 3
Tel no: 01 757 085/086
Fax no: 01 821 617
Website: www.nicoassetmanagers.com