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MONTHLY ECONOMIC REPORT

MAY 2024

Investment Management | Corporate Finance | Investor Services

Contents

LIST OF ACRONYMS

ADF:	African Development Fund
ADB:	Authorized Dealer Bank
AfDB:	African Development Bank
AIP:	Affordable Inputs Program
BAM:	Bankers Association of Malawi
BOE:	Bank of England
BHL:	Blantyre Hotels Plc
BWB:	Blantyre Water Board
CIS:	Commonwealth of Independent States
CPI:	Consumer Price Index
DOC:	Declaration of Cooperation
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
FMBCH:	FMB Capital Holdings Plc
FOMC:	Federal Open Market Committee
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
LRR:	Liquidity Reserve Ratio
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
K:	Malawi Kwacha
MPC:	Monetary Policy Committee
MSE:	Malawi Stock Exchange
MT:	Metric Tons
MRA:	Malawi Revenue Authority
NBM:	National Bank of Malawi Plc
NBS:	NBS Bank Plc
NGLs:	Natural Gas Liquids
NGOs:	Non-Governmental Organizations
NICO:	NICO Holdings Plc
NITL:	National Investment Trust Plc
NSO:	National Statistical Office
OCHA:	Office for the Coordination of Humanitarian Affairs
OECD:	Organization for Economic Co-operation and Development
OMO:	Open Market Operations
OPEC:	Organization of the Petroleum Exporting Countries
PAT:	Profit After Tax
PCL:	Press Corporation Plc
RBM:	Reserve Bank of Malawi
RBZ:	Reserve Bank of Zimbabwe
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
TC:	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 Organization
TSH:	Tanzania Shillings
TT:	Telegraphic Transfer
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
ZK:	Zambian Kwacha
RCF:	Rapid Credit Facility

EXECUTIVE SUMMARY

Economic Outlook — Malawi

Various institutions have revised their projections for the Malawian economy and based on these revised projections the economy is estimated to grow by an estimated average of 1.90% in 2024. Assuming progress with debt restructuring and the enactment of reforms under the ECF arrangement, which will play a major role in bringing in donor funding and supporting investor confidence, economic growth will pick up gradually, owing to an easing of shortages of foreign exchange and related external pressures.

During the second Monetary Policy Committee (MPC) meeting held 2nd and 3rd May 2024, the MPC noted that inflation remains high and significantly above the Reserve Bank of Malawi’s medium-term inflation objective of 5.0%. The Committee, therefore, resolved to maintain the Policy rate at 26.0%. The Committee also decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio for foreign currency deposits at 3.75%. The Committee, however, raised the LRR ratio for domestic currency deposits by 100 basis points to 8.75%.

Malawi's medium-term inflation target range is set at 3-7%, but inflation will remain well above that target in the period 2024-29. According to the RBM, inflation is forecast to average 30.0% in 2024. The RBMs forecast is premised on softening food inflation and a moderating exchange rate fluctuation.

The 2023/24 tobacco sales season has commenced across all auction floors in Kasungu, Lilongwe, Limbe, and Mzuzu. Earnings of all types of tobacco have consistently been higher through the duration of the 2024 selling season compared to 2023.

Similar to the previous season, average daily maize prices bottomed out in mid-May. Specifically, the weekly average price of maize decreased from K596/kg in the final week of April to K592/kg in the second week of May, before rising again to K613/kg in the final week of the month, still well below the government's minimum farmgate price of K650/kg.

Key Economic Risks – Malawi

1. Geopolitical tensions – 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. Pandemics, Epidemics and Infectious Diseases – negatively affects human capital, business operations and results in 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 inched upwards for May 2024 and stood at 32.7%, from 32.3% realised in April 2024. The increase was on account of rising food prices.

	May-24	Apr-24	May-23	% Change (1 Months)	% Change (12 Months)
Headline inflation	32.70%	32.30%	29.20%	0.40%	-3.50%
Food	40.70%	39.90%	38.80%	0.80%	-1.90%
Non-food	22.10%	22.40%	18.40%	-0.30%	-3.70%

Government Securities (Source: RBM)

In May 2024, the average yield for all type Treasury bill was 20.67%, unchanged from April 2024.

Tenor	May-24	Apr-24	May-23	Change 1 Month	Change 12 Months
91 days	16.00%	16.00%	13.00%	0.00%	3.00%
182 days	20.00%	20.00%	17.50%	0.00%	2.50%
364 days	26.00%	26.00%	22.49%	0.00%	3.51%
All Type	20.67%	20.67%	17.66%	0.00%	3.00%

Total Treasury Bill applications for the month of May 2024 stood at K26.16 billion and the entire amont wasfully alloted.The 364 days paper accounted for the highest subscription rate at 96.17%, followed by the 91 days paper at 3.61% and the 182 days paper at 0.21%.

During the month of May 2024, the government conducted several Treasury Note Auctions. They included the 2-year, 3-year, 5-year,7-year and 10-year treasury notes. The auctions raised a total of K119.61 billion from K119.63 billion applications, resulting in a 0.02% rejection rate. The weighted average yields were 28.75%, 30.00%, 32.00%, 34.00% and 35.00% respectively. Total maturities for the month stood at K64.76 billion resulting in a net withdrawal of K81.01 billion from the banking system.

Foreign Currency Market (Source: RBM)

During the month of May 2024, the Malawi Kwacha depreciated against the British Pound and the Euro but appreciated against the South African Rand. The Kwacha maintained its value against the US Dollar. See the table below:

CURRENCY	May-24	Apr-24	May-23	% Movement 1 month	% Movement 12 months
MK/USD	1,733.87	1,733.87	1,026.43	0.00%	-68.92%
MK/GBP	2,270.39	2,238.60	1,309.91	-1.42%	-73.32%
MK/ZAR	95.04	95.62	53.30	0.61%	-78.31%
MK/EUR	1,931.43	1,910.75	1,130.49	-1.08%	-70.85%

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 May 2024 decreased to a daily average of K38.90 billion from K99.57 billion in April 2024. Access to the Lombard facility (discount window borrowing) during the month under review averaged K79.14 billion, at an average rate of 26.20% compared to K14.77 billion during the month of April 2024 at an average rate of 26.20%.

In May 2024, the overnight borrowing between banks increased to a daily average of K38.90 billion at an average rate of 23.34%, compared to an average of K33.43 billion per day at an average rate of 22.55% in April 2024.

The reference rate in May 2024 stood at 25.00%, an increase from 24.90% in April 2024.

Foreign Exchange Reserves (Source: RBM).

For the month of May, total forex reserves stood at US$610.18 million (2.44 months of import cover); an increase from US$603.07 million (2.41 months of import cover) registered at the end of April 2024 (May 2023: US$581.73 million), representing 2.33 months of import cover).

	May-24 (US$ million)	Apr-24 (US$ million)	May-23 (US$ million)	% 1 month change	% 12 months change
Total	610.18	603.07	581.73	1.18%	4.89%
Import Cover (Months)					
Total	2.44	2.41	2.33	1.24%	4.72%

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 114,228.31 points registered in April 2024 to 115,418.29 points registered in May

2024, giving a month-on-month return on index of 1.04% (1.04% in US$ terms). The price gains registered by TNM (23.97%), FDH Bank (14.35%), MPICO (2.25%), Airtel (0.31%), BHL (0.08%), National Bank (0.0021%) and Standard Bank (0.0018%) were enough to offset share price losses registered by NBS Bank (-10.86%), ICON (-0.06%), NICO (-0.05%), FMBCH (-0.01%), NITL (-0.0049%), PCL (-0.0008%) and ILLOVO (-0.0007%) resulting in an upward movement of the Malawi All Share Index. The Domestic Share Index inched upwards by 1.22% to 87,814.00 points whilst the Foreign Share index fell by –0.0078% to 19,011.00 points.

Equity market capitalization increased, in both Malawi Kwacha and US Dollar terms, from MK6.17 trillion (US$3.56 billion) to MK6.24 trillion (US$3.60 billion).

The market transacted a total of 79.84 million shares at a total consideration of K9.05 billion (US$5.22 million) in 1,046 trades in the month of May 2024. In the previous month of April 2024, the market transacted a total of 80.48 million shares at a total consideration of K8.99 billion (US$5.19 million) in 1,055 trades. This reflects a –0.79% decrease in terms of share volume traded but a 0.67% (0.67% in US Dollar terms) increase in share value traded.

Counter	May-24	Apr-24	May-23	Change (3 month)	Change (12 months)
	MK/Share	MK/Share	MK/Share	%	%
AIRTEL	51.21	51.05	100.05	0.31%	-48.82%
BHL	13.05	13.04	10.00	0.08%	30.50%
FMBCH	379.97	380.00	207.02	-0.01%	83.54%
FDHB	74.52	65.17	64.79	14.35%	15.02%
ICON	16.79	16.80	11.26	-0.06%	49.11%
ILLOVO	1,355.14	1,355.15	1,121.42	0.00%	20.84%
MPICO	15.00	14.67	20.58	2.25%	-27.11%
NBM	2,400.19	2,400.14	2,000.29	0.00%	19.99%
NBS	90.79	101.85	88.76	-10.86%	2.29%
NICO	199.40	199.50	164.58	-0.05%	21.16%
NITL	411.47	411.49	330.00	0.00%	24.69%
OMU	1,500.03	1,500.03	1,127.51	0.00%	33.04%
PCL	2,506.98	2,507.00	2,181.27	0.00%	14.93%
STANDARD	3,950.33	3,950.26	2,300.01	0.00%	71.75%
SUNBIRD	224.00	224.00	180.50	0.00%	24.10%
TNM	15.00	12.10	28.46	23.97%	-47.29%
MASI	115,418.29	114,228.31	102,837.75	1.04%	12.23%
DSI	87,814.00	86,753.99	83,365.40	1.22%	5.34%
FSI	19,011.00	19,012.49	10,396.15	-0.01%	82.87%

Below is a presentation of the latest published financials for the respective companies:

Published End Year Financials for 2023 and 2022						
	Net Profit/(Loss) (MK'Billion)			Total Dividend (Per Share) (Kwacha)		
Period (Half-Year)	**Feb-24**	**Feb-23**	**% Change**	**Feb-24**	**Feb-23**	**% Change**
ILLOVO	22.39	33.73	-33.62%	0.00	10.80	-100.00%
Period	**Dec-23**	**Dec-22**	**% Change**	**Dec-23**	**Dec-22**	**% Change**
STANDARD	52.52	39.20	33.98%	108.34	85.23	27.11%
NBM	71.96	45.94	56.64%	102.80	70.67	45.46%
NITL	21.50	6.99	207.58%	5.00	2.35	112.77%
FDH BANK	35.65	22.93	55.45%	3.22	2.19	47.03%
NBS BANK	29.38	18.91	55.40%	4.54	3.30	37.58%
SUNBIRD	5.25	3.05	72.13%	7.70	2.00	285.00%
AIRTEL	1.41	36.93	-96.18%	0.98	2.50	-60.92%
TNM	(4.76)	-1.76	170.45%	0.00	0.00	0.00%
PCL	75.05	36.34	106.52%	37.00	36.00	2.78%
NICO	59.08	37.01	59.65%	10.00	6.00	66.67%
ICON	19.16	16.71	14.69%	0.27	0.25	8.00%
BHL	(0.79)	(0.45)	77.25%	0.00	0.00	0.00%
MPICO	7.07	8.14	-13.11%	0.38	0.36	5.56%
	Net Profit/(Loss) (ZAR' billion)			**Total Dividend (Per Share) (ZAR)**		
OMU	7.63	5.65	35.07%	0.81	0.76	6.58%
	Net Profit/(Loss) (US Dollars' million)			**Total Dividend (Per Share) (USD)**		
FMBCH	78.74	61.20	28.67%	0.64	0.49	30.61%
TRADING STATEMENT						
SUNBIRD	Sunbird Tourism Plc accordingly advises that its PAT for the half year ending 30th June 2024 is expected to be within the range of K4.6 billion and K4.9 billion, representing an increase of between 190% and 210%					

OTHER MARKET DEVELOPMENTS

Tobacco Sales (Source: TC & AHL Sales Ltd).

At the close of business on 31 May 2024, a total of 64.7 million kgs of all types of tobacco had been sold, depicting a 28.6% increase in volume sold after 7 weeks of sales in 2024. This is compared to 50.3 million kgs sold in the corresponding period in 2023. By week 7, the seasonal average price stood at US$2.81/kg, representing 26.0% increase in 2024, compared to US$2.13/kg recorded during same period in 2023. As of 31 May 2024, earnings from the market stood at US$182.0 million, representing a 62.0% increase in sales revenue, from US$112.1 million earned during the corresponding period in 2023. The current market trend is that there is increased dominance of high-quality bolded leaf styles on the market resulting in the rise of the seasonal average price.

According to second round crop estimates from the Tobacco Commission (TC), tobacco production is expected to increase by 17.0% to 140.0 million kgs in 2024. The estimates are still below the demand which was at 170.0 million kgs in the 2023 season.

Risks to the industry include breaches of forced labour and child labour laws, smuggling to neighbouring countries, poor weather conditions, rising demand for substitutes such as e-cigarettes, and increasing popularity of global anti-smoking campaigns.

Malawi Key Message Update May 2024: Crisis (IPC Phase 3) in the south due to lack of income-earning opportunities (Source: FEWSNET).

Crisis (IPC Phase 3) is anticipated during the current outlook period in the southern districts of Malawi and some central districts that experienced the worst impacts of the prolonged El Niño–induced dry spells. However, several central Malawi districts are likely to face Stressed (IPC Phase 2) and Minimal (IPC Phase 1) outcomes due to increased income from sales of staple and cash crops.

In northern Malawi, most households are expected to experience Minimal (IPC Phase 1) food security outcomes, supported by the average to above average production of both food and cash crops. In southern Malawi, the impacts of El Niño resulted in significantly below-average income-earning opportunities and crop production, compounded by reductions in irrigated production. FEWS NET field assessments at the end of April confirmed that most households have started to apply crisis coping strategies due to significantly reduced income-earning opportunities from crop sales, labor, and petty trading, which normally provide poor and very poor households with incomes when they do not have enough food from their own production.

FEWS NET's field assessments showed that 15.0% to 40.0% of households have no food from their own production in the immediate post-harvest period, further exacerbating acute food insecurity.

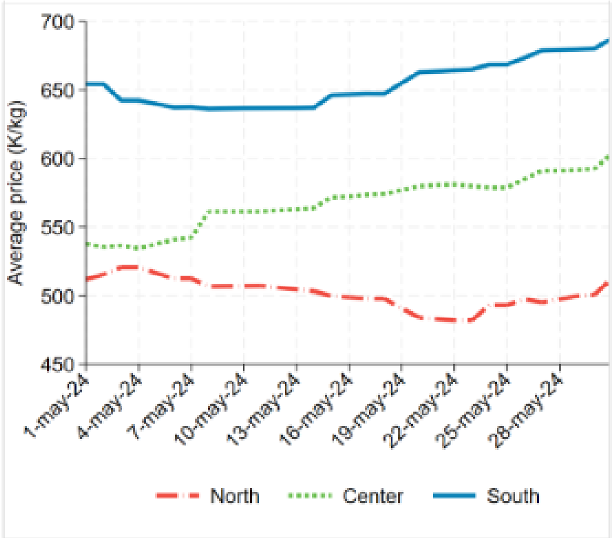
Refer to Appendix 9 for more details on Food Insecurity Phase Descriptions.

Food Prices (Source: IFPRI & FEWS NET).

Similar to the previous season, average daily maize prices bottomed out in mid-May. Specifically, the weekly average price of maize decreased from K596/kg in the final week of April to K592/kg in the second week of May, before rising again to K613/kg in the final week of the month, still well below the government's minimum farmgate price of K650/kg.

Retail prices surpassed the minimum farmgate price only in the Southern region. However, even there, farmgate prices must have been lower than the retail prices IFPRI observes. In the South, the monthly average price reached K654/kg. Chikwawa market in the South recorded the highest weekly average price of K714/kg in the final week of May. The Northern region had the lowest monthly average price of K502/kg (23.0% lower than the Southern region), with Karonga recording the lowest weekly average of K409/kg.

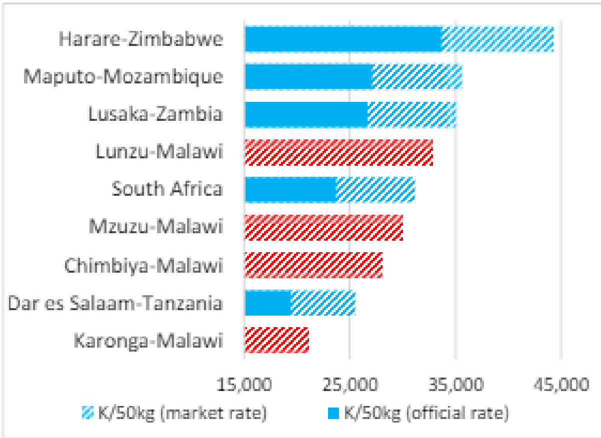
Figure 1: Average daily maize retail prices per region



In May, no ADMARC sales were reported in any of the 26 markets monitored by IFPRI. However, ADMARC made purchases in 7 Southern region markets, namely, Balaka, Mangochi, Liwonde in Machinga, Chiringa in Phalombe, Mwanza, Luchenza in Thyolo, and Nsanje.

Maize in Malawi was cheaper at the market exchange rate (K2300.0/US$1) than in Zimbabwe, Mozambique and Zambia, countries whose harvests were at least as poor as Malawi's this year. Most maize is traded at the market exchange rate. Tanzania, which realized a good harvest this year, saw lower maize prices than Malawi at both the market and official (K1751.0/US$1) exchange rates.

Figure 2: Regional comparisons



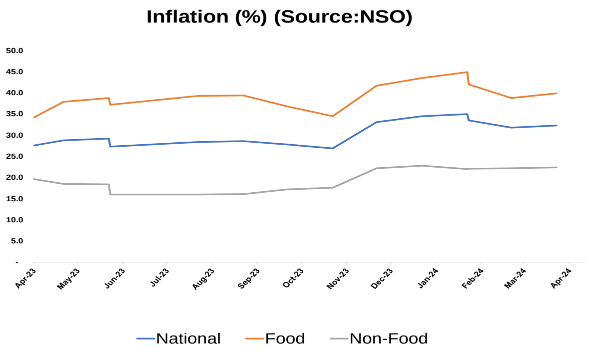
Note: Weekly average price for the week ending on 28th May

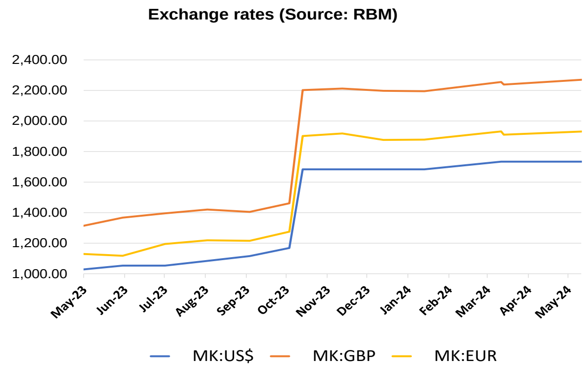
Prices of other alternative food crops such as beans and milled rice have either decreased or remained stable compared to the previous month but are trending at double the previous year's prices. The national average price for beans is K2,907/kg, while milled rice is selling at an average of K2,006/kg, which is 3.0% higher than the previous month and double the five-year average.

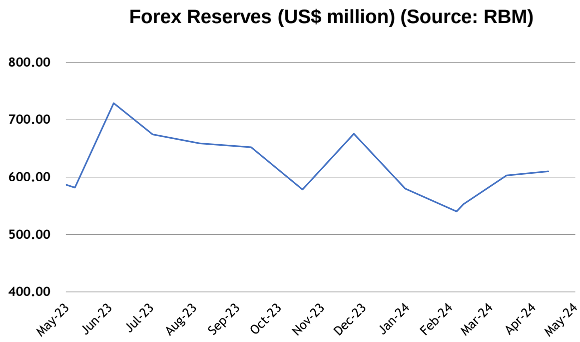
Tea Prices and Production (Source: RBM).

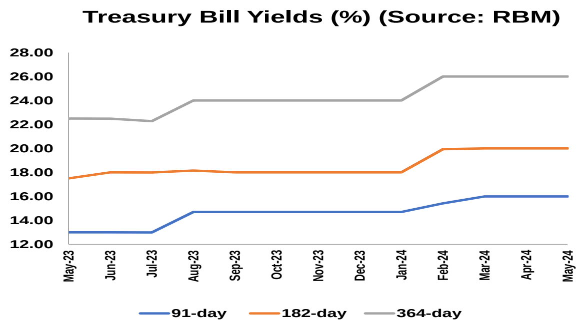
Total tea production declined to 6.0 million kgs in April 2024, from 7.3 million kgs produced in March 2024 (April 2023: 5.9 million kgs). Similarly, the volume of tea sold substantially decreased to 450.4 thousand kgs in April 2024, from 876.8 thousand kgs in the preceding month. The average price of tea rose to US$1.4/kg in the review month from US$1.3/kg in March 2024. Nevertheless, the value of tea sales significantly dropped to US$0.6 million from US$1.1 million recorded in March 2024 on account of lower volumes sold.

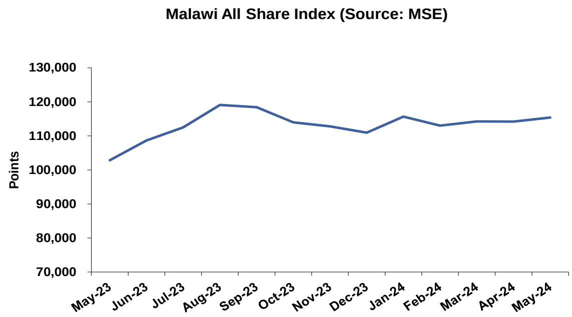
TREND GRAPHS

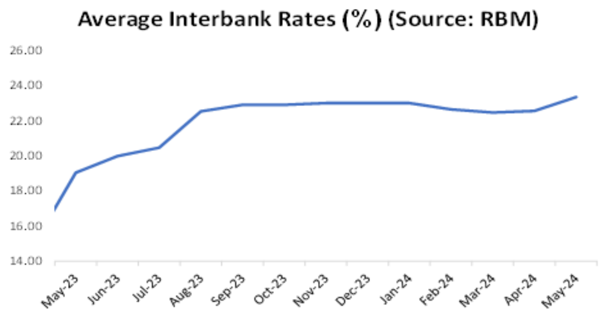












GLOBAL DEVELOPMENTS

Economic Growth

According to the IMF April 2024 Global Outlook report, the global economy remains remarkably resilient, with growth holding steady as inflation returns to target. The journey has been eventful, starting with supply-chain disruptions in the aftermath of the pandemic, a Russian-initiated war on Ukraine that triggered a global energy and food crisis, and a considerable surge in inflation, followed by a globally synchronized monetary policy tightening. Yet, despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops. Moreover, the inflation surge despite its severity and the associated cost-of-living crisis did not trigger uncontrolled wage-price spirals. Instead, almost as quickly as global inflation went up, it has been coming down.

According to the IMF's latest projections, growth for 2024 and 2025 will hold steady around 3.2% with median headline inflation declining from 2.8% at the end of 2024 to 2.4% at the end of 2025. Most indicators point to a soft landing. Markets reacted exuberantly to the prospect of central banks exiting from tight monetary policy. Financial conditions eased, equity valuations soared, capital flows to most emerging market economies excluding China have been buoyant, and some low-income countries and frontier economies regained market access.

Resilient growth and faster disinflation point toward favorable supply developments, including the fading of earlier energy price shocks, the striking rebound in labor supply supported by strong immigration flows in many advanced economies. Decisive monetary policy actions, as well as improved monetary policy frameworks, especially in emerging market economies, have helped anchor inflation expectations.

Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labor markets are still tight, raise interest rate expectations and reduce asset prices. A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure.

In China, without a comprehensive response to the troubled property sector, growth could falter, hurting trading partners. Amid high government debt in many economies, a disruptive turn to tax hikes and spending cuts could weaken activity, erode confidence, and sap support for reform and spending to reduce risks from climate change.

Geoeconomic fragmentation could intensify, with higher barriers to the flow of goods, capital, and people implying a supply-side slowdown. On the upside, looser fiscal policy than necessary and assumed in projections could raise economic activity in the short term, although risking more costly policy adjustment later on.

Inflation could fall faster than expected amid further gains in labor force participation, allowing central banks to bring easing plans forward. Artificial intelligence and stronger structural reforms than anticipated could spur productivity. As the global economy approaches a soft landing, the near-term priority for central banks is to ensure that inflation touches down smoothly, by neither easing policies prematurely nor delaying too long.

Global Oil

The global oil demand growth forecast for 2024 remained unchanged from April's estimates at 2.2 million barrels per day (b/d). There were some minor downward adjustments for the first quarter of 2024 due to actual data from the Organization for Economic Co-operation and Development (OECD), more specifically Europe and Asia Pacific. This was offset by a better-than-expected performance in the non-OECD market. Accordingly, OECD oil demand is now expected to grow by 0.2 mb/d while the non-OECD forecast remains at 2.0 mb/d. In 2025, global oil demand is expected to see robust growth of 1.8 mb/d, year-on year.

The non-Declaration of Cooperation (DoC) liquids supply (i.e., liquids supply from countries not participating in the DoC) is expected to grow by 1.2 mb/d in 2024, unchanged from April's assessment.

The main drivers for growth are expected to be the US, Canada, Brazil and Norway. In 2025, non-DoC liquids supply growth is expected at 1.1 mb/d. The growth is expected to be mainly driven by the US, Brazil, Canada and Norway.

Separately, DoC natural gas liquids (NGLs) and non-conventional liquids are forecast to grow by about 0.1 mb/d to average 8.3 mb/d this year, followed by an increase of 20 trillion b/d to average 8.3 million b/d in 2025.

In May, the OPEC Reference Basket (ORB) value averaged US$5.53, or 6.2%, lower, m-o-m, to stand at US$83.59/b, with all ORB component values falling alongside their respective crude oil benchmarks. This largely offset higher official crude selling prices and mixed movement in crude differentials. On a yearly average, the ORB was up US$3.48, or 4.3%, from US$80.17/b in 2023, to an average of US$83.65/b in 2024.

Currency Movements

In May, the Euro fell against most major currencies. On May 29, disappointing results from treasury auctions led to an increase in US yields and US Dollar strength. This caused the Euro to experience its biggest drop against the US Dollar since April 30. The European Central Bank (ECB) rate cut had no negative impact on the common currency.

The currency was supported by good economic data. The Eurozone's Consumer Confidence Index remained steady at 14.7 in April 2024. The European Union's (EU) Gross Domestic Product (GDP) increased by 0.3% in the first quarter, exceeding expectations.

Markets expect the ECB to start cutting interest rates from June 2024, while the US Federal Reserve (the Fed) is expected to maintain its tight stance until the inflation target is maintained for a longer period of time. The US presidential election risks are also likely to limit the Euro's strength in the year's second half of 2024. The EUR/USD exchange rate is expected to range between 1.06 – 1.14 in 2024.

The primary factor behind the British Pound's strength in May was the diminishing expectation of a rate cut by the Bank of England (BOE). On May 22, the Pound rose to US$1.28 after the Office for National Statistics (ONS) reported a slower-than-expected decline in the Consumer Price Index (CPI) data. Headline inflation declined to 2.0%, reaching the BOE's target. The main driver behind this fall was the 12.3% reduction in the UK's energy price cap. However, a sticky Services inflation suggests that the Bank of England is expected to delay the rate cut in its August meeting.

The Bank of England will likely consider this encouraging decline in price inflation within the service sector, which may prompt them to reduce interest rates to bolster economic growth. The GBP/USD exchange rate is expected to range between 1.25 and 1.29 in 2024. However, the UK is heading for a general election on July 4th and according to Reuters polls, the market may react positively to a labor majority or remain the status quo if the conservative party maintains its majority.

In May, the US Dollar remained stable despite slowing job growth, softer inflation, and revised GDP data. The US Dollar experienced a slight decline but remained relatively stable overall in the month of May. The cooling labor market and slower wage growth contributed to a slight weakening of the US Dollar. Further, the CPI data released in May indicated a slowdown in inflation and retail sales, signaling a cooling domestic demand. This has strengthened market expectations for a Fed interest rate cut towards the end of the year. The data suggests that the US economy is gradually moving toward a more stable inflation environment, which could provide relief to consumers and support economic growth. The US Dollar (DXY) index is expected to range between 102.50-107.50 in 2024.

Global Trade

International bodies such as the OECD, IMF, and World Trade Organization (WTO) are forecasting a sharp rebound in global trade in 2024 and 2025 after a slowdown in 2023 driven by inflation, surging interest rates, and sluggish demand. The OECD, for instance, projects the global trade in goods and services to rise 2.3% this year and 3.3% in 2025, compared to 1% in 2023. Per the WTO, trade flows within blocs of geopolitically aligned countries have been growing 4% faster than trade between those blocks since Russia's full-scale invasion of Ukraine in February 2022. The demand for environmental goods, especially electric cars, is set to play a crucial role in driving trade growth. However, the logistical challenges such as shipping disruptions in the Red Sea, Black Sea, and Panama Canal cast shadows over the optimistic outlook, threatening to raise costs and disrupt supply chains.

After years of shocks, including the COVID-19 pandemic and Russia's nvasion of Ukraine, countries are reevaluating their trading partners based on economic and national security concerns.

Global rifts are growing along geopolitical lines, and trade blocs resulting in a decline in global economic integration through protectionist measures, some analysts deem a retreat in globalization. For example, President Biden has increased tariffs under Section 301 of the Trade Act of 1974 on US$18.0 billion of imports from China, in what they deem as a move to protect American workers and businesses. However, despite this, exports from China rose by 7.6% in May from a year ago in US Dollar terms, beating expectations for 6.0% growth. China's exports have held up despite trade tensions with the US and have helped support overall economic growth. The strong exports caused China's trade surplus to widen to US$82.6 billion, up from April's US$72.4 billion.

Foreign direct investment flows are also being re-directed along geopolitical lines and some countries are reevaluating their heavy reliance on the dollar in their international transactions and reserve holdings. Given the recent history of events, policymakers are increasingly focused on building economic resilience. But if the trend continues, we could see a broad retreat from global rules of engagement and, with it, a significant reversal of the gains from economic integration.

Interest Rate Movements

The US Treasury yield (10-Year) increased to close at 4.51% in May 2024 from 4.69% recorded in April 2024.

	May-24	Apr-24	May-23	Change 1 month	Change 12 months
US Fed Rate	5.500%	5.500%	5.250%	0.000%	0.25%
US Treasury yield (10 years)	4.510%	4.690%	3.640%	-0.180%	0.87%
BOE Rate	5.000%	5.000%	4.500%	0.000%	0.50%
ECB Rate	4.500%	4.500%	3.500%	0.000%	1.00%

(Source: US Federal Reserve, Refinitiv)

REGIONAL MARKET DEVELOPMENT

Sub-Saharan Africa (SSA)

According to the World Bank biannual Africa's Pulse report, economic growth is set to rise for the next two years in Sub-Saharan Africa, but not enough to make a significant dent in poverty on the continent. The region's economy is set to expand 3.7% this year and 4.1% in 2025 as falling inflation boosts private consumption, up from 2.4% in 2023.

Many countries in Sub-Saharan Africa were hit hard by the shocks of COVID-19 and Russia's war in Ukraine, which pushed up inflation at the same time as rising global interest rates made borrowing prohibitively expensive. Drought and conflict have also affected swathes of the region. Per capita GDP growth of 1.0% is associated with poverty reduction of only 1.0% in the region, compared to 2.5% in the rest of the world. South Africa's growth rate is forecast to double in 2024, but just to 1.2%, while Angola's is set to pick up to 2.8% from 0.8% last year, driven mainly by the non-oil sector amid falling oil production. The East African Community region, in contrast, is expected to grow by 5.3% this year, due to strong growth in Kenya, Rwanda, Uganda and the Democratic Republic of Congo. West Africa's biggest economy, Nigeria, is forecast to grow by 3.3% this year, which is below its long-term average but up from 2.9% last year, due to a pick-up in services and trade sectors.

Africa’s largest economy by nominal GDP, South Africa, had their general elections in May. The ruling party, the ANC, did not get the required 50.0% for the first time since 1994, and thus they have entered into an alliance with the biggest opposition party, the Democratic Alliance (DA). A close eye has to be put on South Africa as their real gross domestic product contracted by 0.1% in the first quarter of 2024 - which was worse than economists expected due to effects of declines in construction, mining and manufacturing, while the agriculture sector saw a major jump.

Public debt in Sub-Saharan Africa is expected to decline from 61.0%of GDP in 2023 to 58.5% of GDP in 2024 and 56.8% in 2025. However, the risk of debt distress remains high. More than half of the African governments are grappling with external liquidity problems, facing unsustainable debt burdens, or are actively seeking to restructure or reprofile their debts. Public debt service obligations have surged as governments in the region are exposed to market financing and non–Paris Club government loans.

Risks to the growth forecast are tilted to the downside. They include a rise in political instability and violence, such as the intensification of the conflict in the Middle East, disruptions to global or local trade and production, increased frequency, and intensity of adverse weather events, a sharper-than-expected global economic slowdown, and higher risk of government defaults, especially if debt restructuring attempts by highly indebted countries prove unsuccessful.

Zambia

Zambia’s headline inflation for the month of May 2024 increased to 14.70% from 13.80% recorded in April 2024. The Zambian Kwacha closed at ZK25.91/US$1 in May 2024 compared to ZK26.76/US$1 recorded in April 2024. According to the IMF, economic growth is projected to grow by 2.3% in 2024.

Zimbabwe

Zimbabwe’s headline inflation for the month of May 2024 decreased to 52.50% compared to 57.50% recorded in April 2024.The ZiG (Zimbabwe Gold) closed the month at ZiG13.65/US$1. The IMF has projected that the economy will grow by 3.2% in 2024.

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.*

The Zimbabwe Gold (ZiG) has been the official currency of Zimbabwe since 8 April 2024, backed by US$575 million worth of hard assets: foreign currencies, gold, and other precious metals.

Uganda

The headline inflation rate for Uganda for May 2024 increased to 3.6% from 3.2% in April 2024. The Ugandan Shilling depreciated against the US Dollar in May 2024 closing at UGX3,820.71/US$1 compared to UGX3,819.75/US$1 recorded in April 2024. The IMF has projected that economy of Uganda will grow by 5.6% in 2024.

Tanzania

Tanzania's headline inflation rate for May 2024 stagnated at 3.10%, unchanged from April 2024. The Tanzanian Shilling depreciated against the US Dollar and closed at TSh2,613.79/US$1 compared to TSh2,585.46/US$1 recorded in April 2024. The IMF has projected that economy of Tanzania will grow by 5.4% in 2024.

South Africa

The headline inflation rate for South Africa for May 2024 was unchanged at 5.20% from April 2024. The South African Rand slightly depreciated against the US Dollar and closed at ZAR18.85/US$1 in May 2024, compared to ZAR18.71/US$1 recorded in April 2024. The IMF has projected that the economy will grow by 0.9% in 2024

OUTLOOK FOR JUNE 2024 AND BEYOND – MALAWI

Exchange Rates

Greater flexibility in the exchange rate is a core component of the ECF. After the exchange rate re-alignment of 44.0% in November 2023,the RBM maintained a rate of K1,683.37:US$1 until mid-February. The RBM has since allowed the kwacha to depreciate slightly at its periodic foreign-exchange auctions, to K1,733.86:US$1 at end-May.

However, the Kwacha is still heavily managed and overvalued, and the central bank has not yet moved to a market-led exchange rate in line with IMF guidance. However, it has little ability to support the currency, given very low foreign-exchange reserves, estimated at less than a month of import cover at end 2023. Given persistent hard-currency shortages, the spread between the official exchange rate and the parallel-market rate (which stood at about K2,300:US$1 at the end of May) is wide. A gradual depreciation is expected in 2024, and the EIU estimates a year end rate of K1,879:US$1, reaching K2,616.9:US$1 by end-2028, in line with IMF guidance and also reflecting the paucity of foreign-exchange reserves. By 2028 the Kwacha is expected to be trading close to its fair value, reflecting achievement of the policy goal of exchange-rate flexibility, coupled with lower inflation.

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

Malawi's medium-term inflation target range is set at 3-7%, but inflation will remain well above that target in 2024-29

According to the EIU, Inflation is expected to rise from an average of 28.8% in 2023 to 33.2% in 2024, 3.2 percentage points above the RBM's baseline forecast. This is due to ongoing deficit monetization keeping money supply growth high, expected currency weakness as the central bank shifts to a flexible exchange rate, and still-high global commodity prices with the ongoing drought pushing up domestic food prices.

The RBMs forecast is premised on softening food inflation and a moderating exchange rate fluctuation. The underlying assumptions are that real GDP growth for 2024 is projected at 2.0%; food price pressures are expected to moderate during the second quarter of 2024 but could pick up during third quarter of 2024; domestic fuel pump prices are expected to increase in the second half of 2024; utility tariffs assumed to increase in second half of 2024; fiscal pressures to persist in 2024; and the money supply growth to remain strong.

The RBM is expected to continue to engage in deficit financing until more substantial financial support materializes. This, combined with ongoing currency weakness, will keep inflation elevated in 2025-26, at an average of 25.2%. In 2027-28, with greater external support, there will likely be less recourse to non-market finance, helping to stabilize the economy and bring down inflation. Rising external financial support will also improve foreign-currency availability, which should also facilitate critical imports (particularly of food, fuel and raw materials), helping to contain inflation.

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 will continue to record a structural deficit. The deficit will be funded largely by grant aid inflows and concessional loans, which will rise following progress under the ECF. Increased output of cash crops (principally tobacco, sugar, tea and cotton) is expected to support export revenue between 2024 and 2029. This coupled up with the potential success of Mega Farms and agricultural commercialization programs. The resumption of uranium mining at the Kayelekera mine in late 2025 will boost export revenue from 2026. Other significant mining revenues are only expected beyond 2028. However, Malawi's import requirement, principally for fuel, food and manufactured goods, will remain heavy. The deficit in the primary income account will remain large but will narrow slightly over the forecast period as debt restructuring eases the debt-repayment schedule.

POSSIBLE IMPACT: *A widening current account deficit will continue to exert further downward pressure on the Kwacha versus currencies of Malawi's trading partners. Malawi will need to improve its competitiveness and diversify its export base to improve its trade position.*

Monetary Policy

During the second Monetary Policy Committee (MPC) meeting held 2nd and 3rd May 2024, the MPC noted that inflation remains high and significantly above the Reserve Bank of Malawi's medium-term inflation objective of 5.0 percent. The Committee, therefore, resolved to maintain the Policy rate at 26.0%. The Committee also decided to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio for foreign currency deposits at 3.75%. The Committee, however, raised the LRR ratio for domestic currency deposits by 100 basis points to 8.75%.

Under guidance from the IMF, the RBM has committed to proactively address inflationary pressures, chiefly by containing money-supply growth and maintaining a positive real interest rate, although this will take time to come to fruition. The RBM has raised its main policy rate by a cumulative 1,400 bps since it began its tightening cycle in May 2022, following a 200-basis-point increase in the main policy rate in February 2023, to 26.0%.

As deficit monetization continues this year (amid still-low external financial support and a large budget deficit, thereby keeping money-supply growth elevated, expected currency weakness (as the RBM shifts to a flexible exchange rate) and still-high global commodity prices, inflation is expected to continue rising in 2024.

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

The fiscal side of Malawi's ECF hinges on a course of deep austerity, combined with more modest gains in revenue. Some progress will be made on this; the backdrop of drought, increasing poverty and low economic growth will keep budget deficits wider than programmed, but should also make the Fund tolerant of slippages. Spending requirements are expected to stay high, in the context of elevated living costs, widespread food insecurity and reconstruction of infrastructure damaged by flooding and Cyclone Freddy in March 2023.

With soaring inflation decimating real wages, the government has increased public sector wages, pushing the wage bill beyond the 6.0% of GDP that was envisaged in the initial 2024 budget allocation. Progress in trimming the wage bill is expected after the 2025 election and as inflation moderates later in the forecast period. The IMF aims to trim social spending from 1.5% of GDP to 0.7% of GDP by 2025, but widespread drought and persistent food insecurity will make the scope of such cuts unfeasible as spending on social cash transfers increases.

Debt servicing will remain a major component of spending. Interest rates are forecast to remain high in the medium term, this will keep debt-servicing costs elevated until inflation is tamed and monetary policy loosening ensues. The EIU forecasts that revenue will gradually rise as a share of GDP over the forecast period, driven by increasing grants. Humanitarian assistance in response to the widespread drought will support the budget in 2024, and progress under the ECF will catalyze external grants from other multilateral and bilateral partners into the longer term. The World Bank resumed budgetary support in May 2023, when US$80.0 million in aid was announced, after a three-year freeze in aid.

From 2025 rising revenue will cause the fiscal deficit to narrow, to 6.8% of GDP in 2028. In later years there will be more foreign funds to support the budget, and as the fiscal deficit shrinks there will be less recourse to non-market finance, helping to bring down inflation and stabilize the economy. Public debt is expected to fall from 74.4% of GDP at the end of fiscal year 2023/24 to 67.6% of GDP at end-2028/29.

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

Various institutions have revised their projections for the Malawian economy and based on these revised projections the economy is estimated to grow by an estimated average of 1.90% in 2024. See table below:

Real GDP Growth Projections				
	2021	2022	2023	2024
EIU	2.70%	0.70%	1.60%	1.30%
IMF	2.20%	0.90%	1.70%	2.00%
WORLD BANK	2.80%	0.90%	1.40%	2.00%
GOVERNMENT	3.90%	1.19%	1.50%	2.30%
Average Real GDP	**2.90%**	**0.92%**	**1.55%**	**1.90%**

(Source: EIU, IMF, WBG, MoF)

The EIU, World Bank, IMF, and government have all revised their growth projections downwards on account of persistent shortages of hard currency and lower than expected outcomes in the Agricultural sector. Despite this, the World Bank, IMF and government still forecast higher growth than 2023, citing a good winter harvest. On the other hand, the EIU forecasts that the agricultural sector will contract by negative 1.0% in 2024. According to the government, the dry spells and flooding across the country affected 44.3% of the national crop area.

Assuming progress with debt restructuring and the enactment of reforms under the ECF arrangement, which will play a major role in bringing in donor funding and supporting investor confidence, economic growth will pick up gradually, owing to easing of shortages of foreign exchange and related external pressures. As external pressures ease, the expectation is that economic activity will likely pick up to 3.4% in 2028, averaging 2.9% in the 2025-2028 forecast window.

The expected stabilization of electricity supply as new power plants come online will support the manufacturing and services sectors, as well as rile up investment in the mining sector. Assuming improved weather conditions from 2025, the EIU expects brisker activity in agriculture to support output growth, owing to lower fertilizer prices and improved efficiency in the government's input allocation scheme. Increased tobacco output, combined with the expected resumption of uranium mining at the decommissioned Kayelekera mine in late 2025, will support an improvement in export earnings.

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
Geopolitical Tensions	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
Climate 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. Resilient building structures 3. Sound road infrastructure 4. Early warning systems 5. Robust disaster management strategies 6. Diversification of export base to mitigate impact from damage to crops.
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
Infectious Diseases/Pandemics/ epidemics	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).	1. Diversify into other sectors such as mining and cotton etc. 2. Engage in aggressive tourism marketing and investment.

	3. Reduced employment opportunities in the tobacco and supporting industry. 4. Lower income for farmers- small holder and commercial.	
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	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)

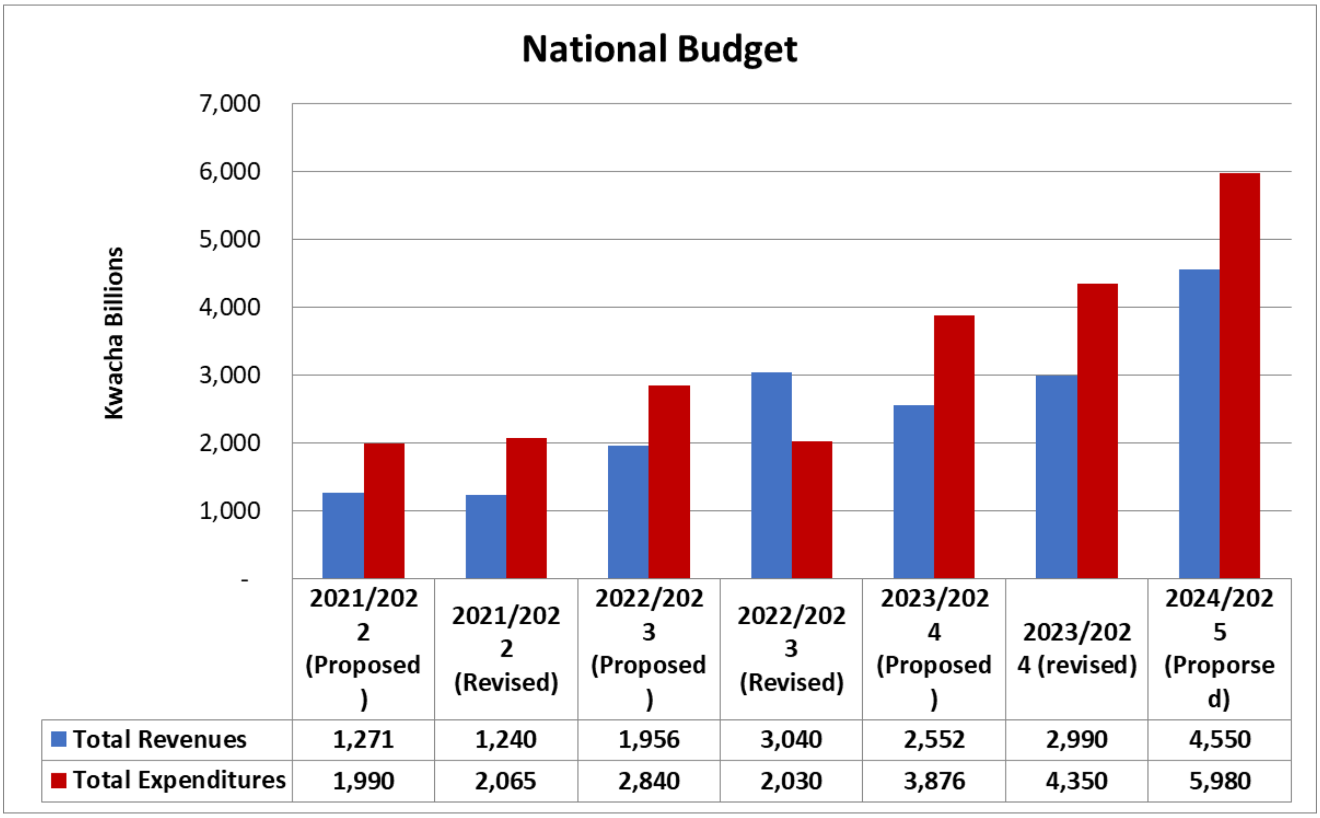
	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Exchange Rates													
MK : US$	1,026.43	1,053.44	1,053.44	1,084.60	1,115.78	1,168.78	1,683.37	1,683.37	1,683.37	1,683.37	1,733.87	1,733.87	1,733.87
MK : GBP	1,309.91	1,367.48	1,395.58	1,420.55	1,405.20	1,461.71	2,201.32	2,212.41	2,197.50	2,213.50	2,277.32	2,238.60	2,270.39
MK : ZAR	53.50	57.82	61.76	59.73	60.80	63.63	92.66	93.54	92.14	90.06	95.23	96.62	95.04
MK : EUR	1,130.49	1,117.92	1,195.92	1,219.47	1,216.14	1,275.35	1,901.53	1,918.18	1,875.87	1,878.30	1,951.24	1,910.75	1,931.43
Forex reserves (Source: RBM)													
Gross Official Reserves (US$'mn)	194.82	321.53	267.91	239.56	242.68	179.33	165.20	242.58	178.06	143.60	143.60	N/A	N/A
Private Sector Reserves (US$'mn)	386.90	407.47	406.63	419.35	409.46	39,688.00	413.20	433.01	401.88	396.72	396.72	N/a	N/A
Total Reserves (US$'mn)	581.72	729.00	674.54	658.91	652.14	576.21	578.40	675.59	579.94	540.32	540.32	603.07	610.18
Total Import Cover (months)	2.33	2.92	2.70	2.64	2.61	2.31	2.31	2.70	2.32	2.16	2.16	2.41	2.44
Inflation (NSO)													
Headline Inflation	29.20	27.30	28.40	28.60	26.90	27.80	33.10	34.50	35.00	33.50	31.80	32.30	32.70
Food	38.80	37.20	39.30	39.40	34.50	36.80	41.70	43.50	44.90	42.00	38.80	29.90	40.70
Non Food	18.40	16.00	16.00	16.10	17.60	17.20	22.20	22.80	22.80	22.10	22.20	22.40	22.10
Interbank Rates (Source: RBM)													
Monetary Policy Rate	22.00%	22.00%	24.00%	24.00%	24.00%	24.00%	24.20%	24.20%	24.20%	24.20%	26.20%	26.00%	26.00%
Average Interbank Rate	19.04%	19.98%	20.46%	22.52%	22.77%	22.90%	23.00%	23.00%	23.00%	22.64%	22.46%	22.55%	23.40%
Average Base Lending Rates	20.00%	21.00%	21.40%	22.70%	23.40%	23.50%	23.50%	23.60%	23.60%	24.90%	24.90%	24.90%	25.00%
Treasury Bill Yields (Source: RBM)													
91 day Treasury Bill Yield	13.00%	13.00%	12.99%	14.70%	14.70%	14.70%	14.70%	14.70%	14.70%	15.41%	16.00%	16.00%	16.00%
182 day Treasury Bill yield	17.50%	18.00%	17.99%	18.16%	18.00%	18.00%	18.00%	18.00%	18.00%	19.94%	20.00%	20.00%	20.00%
364 day Treasury Bill yield	22.49%	22.49%	22.28%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	26.00%	26.00%	26.00%	26.00%
Stock Market Indices (Point) (Source: MSE)													
MASI	102,837.75	108,656.97	112,497.02	119,077.99	118,426.19	113,969.91	########	########	########	########	########	########	########
DSI	83,365.40	87,071.03	88,368.95	90,336.93	89,173.86	89,656.70	88577..93	86,359.68	86383..46	84,454.87	86,761.71	86,753.99	87,814.00
FSI	10,396.15	12,276.59	14.982.62	19,947.76	20,692.42	15,011.81	15,048.88	15,792.06	21,124.59	20,597.92	19,012.48	1,902.49	19,011.00
Fuel Prices per Litre (Source: MERA)													
Petrol	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	1,746.00	2,530.00	2,530.00	2,530.00	2,530.00	2,530.00	2,530.00	2,530.00
Diesel	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	1,920.00	2,734.00	2,734.00	2,734.00	2,734.00	2,734.00	2,734.00	2,734.00
Paraffin	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,261.00	1,910.00	1,910.00	1,910.00	1,910.00	1,910.00	1,910.00	1,910.00

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

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
TANZANIA													
Exchange rate													
US$	2,319.21	2,327.52	2,383.14	2,443.82	2,481.76	2,480.94	2,514.30	2,510.00	2,529.80	2,555.89	2,569.66	2,585.46	2,613.79
GBP	2,883.94	2,939.54	3,068.66	3,102.31	3,103.24	3,012.85	3,164.22	3,197.49	3,205.76	3,231.41	3242.654	3,242.66	3,325.79
ZAR	126.63	124.42	135.48	131.87	129.36	132.29	132.82	137.15	133.89	133.17	135.74	137.66	140.38
EUR	2,490.02	2,543.98	2,625.87	2,666.70	2,615.53	2,631.78	2,729.07	2,774.93	2742.3032	2,767.77	2,779.60	2,772.91	2,830.73
Inflation %	4.00	3.60	3.30	3.30	3.30	3.20	3.20	3.00	3.00	3.00	3.00	3.10	3.10
UGANDA													
Exchange rate													
US$	3,768.00	3,662.13	3,608.38	3,719.04	3,756.21	3,774.04	3,814.18	3,780.35	3,819.04	3,944.75	3,893.54	3,819.75	3,820.71
GBP	4,669.68	4,624.90	4,649.61	4,728.02	4,593.84	4,583.57	4,822.43	4,815.80	4,838.34	4,996.81	4,917.54	4,788.82	4,860.33
EUR	4,028.62	3,980.37	3,973.19	4,059.70	3,975.57	3,998.97	4,159.24	4,179.38	4,128.00	4,274.14	4,213.59	4,086.75	4,133.24
Inflation %	6.20	4.90	3.90	3.50	2.70	2.40	2.60	2.60	2.80	3.40	3.30	3.20	3.60
Central Bank Rate %	10.00	10.00	10.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	10.25	10.25	10.25
ZAMBIA													
Exchange rate													
US$	19.52	17.59	18.84	20.20	21.01	22.07	23.73	25.74	27.15	23.49	24.93	26.76	26.22
GBP	24.15	22.31	24.20	25.57	25.77	26.85	29.97	32.79	34.44	29.69	31.54	33.49	33.40
ZAR	0.99	0.93	1.06	1.08	1.12	1.18	1.26	1.41	1.45	1.22	1.31	1.42	1.40
Inflation %	9.90	9.80	10.30	10.80	12.00	12.60	12.90	13.10	13.20	13.50	13.70	13.80	14.70
Central Bank Rate %	9.50	9.50	9.50	9.50	10.00	10.00	10.00	11.00	11.00	12.50	12.50	12.50	13.50
MOZAMBIQUE													
US$	63.88	63.88	63.89	63.89	63.89	63.89	63.89	63.90	64.53	63.90	63.90	64.53	64.54
ZAR	3.48	3.41	3.52	3.41	3.35	3.41	3.42	3.44	3.44	3.31	3.37	3.41	3.45
EUR	69.80	69.24	70.63	69.47	67.59	67.89	69.91	69.95	81.85	69.18	69.10	69.05	70.24
Inflation%	8.23	6.81	5.67	4.93	4.63	4.75	5.36	5.30	4.19	4.00	3.03	3.26	3.07

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

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



	2021/2022 (Proposed)	2021/2022 (Revised)	2022/2023 (Proposed)	2022/2023 (Revised)	2023/2024 (Proposed)	2023/2024 (revised)	2024/2025 (Proporsed)
Total Revenues	1,271	1,240	1,956	3,040	2,552	2,990	4,550
Total Expenditures	1,990	2,065	2,840	2,030	3,876	4,350	5,980

Appendix 4: Economic Indicators (Source: RBM)

	2018	2019	2020	2021	2022	2023	2023 Mar	2024 Mar
Real Sector [1]								
Population (million)	17.9	18.5	19.1	18.9	19.4	19.9	19.9	20.3
GDP at current market prices	7234.9	8239.6	8821.3	9975.5	11795.7	14594.0	14,594.0	17,949.9
Real GDP growth (percent)	4.4	5.7	0.8	4.6	0.9	1.5	1.5	3.2
GDP per capita (K'000)	404.2	445.3	461.9	527.8	604.9	733.4	733.4	884.2
GDP per capita (US$)	551.9	597.4	616.2	654.9	637.4	631.6	631.6	699.5
Consumer Price Index (CPI)	104.7	114.5	124.4	136	147.1	144.0	137.7	181.5
Year-on-year inflation rate (percent)	9.2	9.4	8.6	9.3	21	28.8	29.0	31.8
Fiscal Sector								
Total Revenue	1079.1	1208.5	1302	1141.5	1928.8	2,928.9	227.2	254.3
Domestic Revenues	988.6	1058.5	1096	989.7	1682.2	2,225.2	124.5	176.7
Grants	90.5	145	206.1	151.8	246.6	703.6	102.6	77.5
Total expenditure	1316.7	1446.2	1804.4	1655.5	273.9	3,331.1	232.1	323.3
Recurrent	1119.9	1241.9	1557	969.2	2345.0	2,741.2	198.3	239.3
Development	196.9	204.3	247.4	670.8	393.9	590.0	33.8	84.0
Deficit/GDP ratio (after grants)	-4.5	-2.9	-5.7	-5.3	-6.8	-2.8	0.0	-0.5
Monetary Sector								
Net Foreign Assets	152.5	163.3	-345.6	-405.9	-635.6	-1389.0	- 783.7	--1660.6
Net Domestic Credit	1397.5	1601.7	2012.5	2691	3562.2	4501.4	3857.3	5662.1
Government	744.1	700.5	976.9	1608.8	2214.4	2762.1	2537.2	3809.6
Statutory bodies	130.8	216.8	213.4	205.3	273.5	476.3	260.2	512.7
Private (gross)	493.2	595	692.8	821.9	1020	1,202.2	1002.7	1269.0
Money Supply (M2)	1198.3	1320.5	1541.4	2004.4	2784.5	3679.2	2721.1	4022.7
M2 Growth Rate (annual percent)	11.5	10.2	16.7	30	38.9	32.2	31.6	47.8
Reserve Money	289.8	303.4	342.1	449.4	573.4	831.1	561.7	852.5
Banks Deposits	59.6	26	57.3	89.3	100.6	270.1	161.0	314.9
External Sector								
Overall Balance	0.6	63.7	-193.1	-125.9	-294.9	92.2	..	..
Current Account	-1,255.6	-984.9	-1,228.2	-1,545.4	-1,984.1	-2,404.5	..	..
Exports (fob)	814.5	975.4	838.3	809.0	874.4	1,136.3	57.8	70.4
Imports (cif)	2,141.6	2,421.2	2,285.7	2,625.8	2867.2	3,668.6	242.1	404.1
Trade balance	-1,327.1	-1,445.9	-1,447.5	-1,816.8	-1,992.8	-2,532.2	-184.2	-333.7
Capital account balance	632.6	533.7	553.0	598.5	723.4	1,129.2	..	..
Gross foreign exchange reserves	660.1	700.7	626.1	593.6	715.2	1141.6	610.2	934.2
Official	548.2	605.5	437.2	346.5	302.1	406.3	222.2	237.5
Commercial banks	111.9	95.2	188.9	247.1	413.0	735.2	388.0	696.7
Import cover (Official reserves in months)	3.6	2.9	4.0	1.7	1.2	1.0	0.9	0.5
Current account balance/GDP (percent)	-17.4	-12.0	-13.9	-15.5	-16.8	-16.5	..	..
Debt/GDP (percent)	62.7	44.7	53.4	60.1	68.0	81.3	..	..
Debt Service/Exports (percent)	6.3	6.8	13.0	10.6	13.5	14.6	..	..
MK/US Dollar (eop)	733.69	738.87	773.11	819.44	1034.67	1698.79	1033.80	1750.34
MK/US Dollar (pd avg)	732.33	742.23	749.53	805.90	949.04	1161.09	1034.87	1714.95

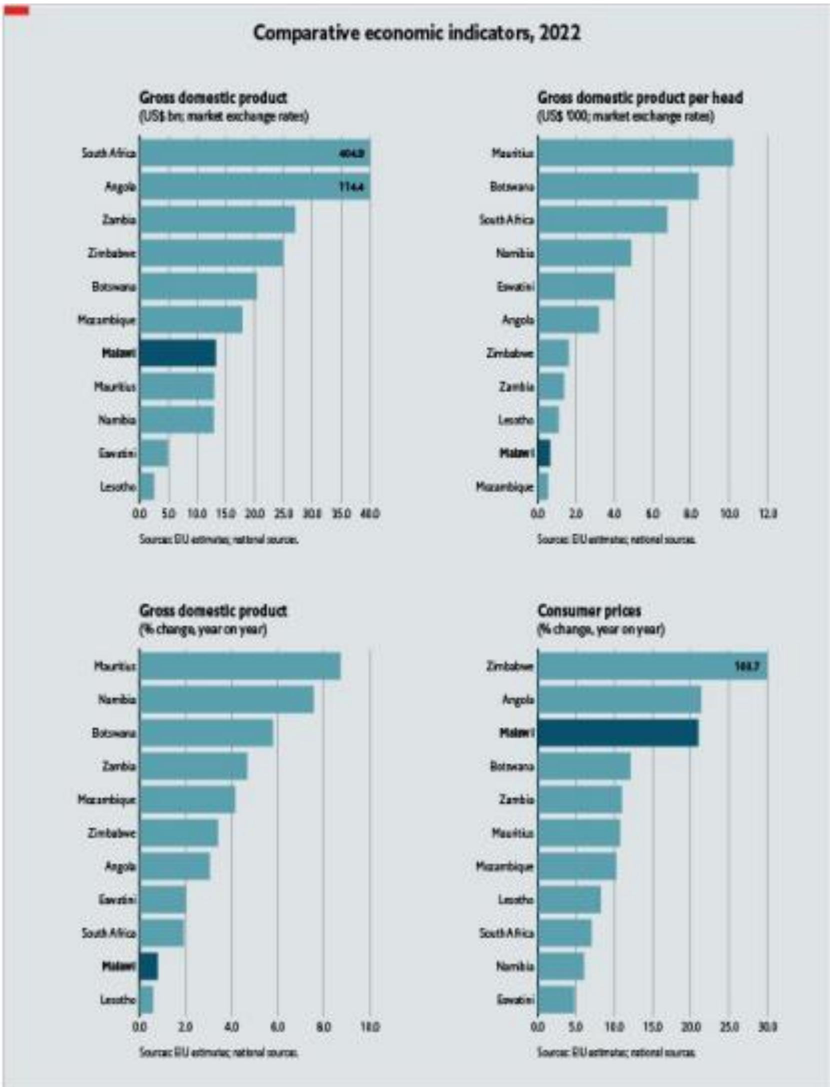
Appendix 5: Interest Rate Structure (Source: RBM)

	2023										2024		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Policy Rate	18.0	22.0	22.0	22.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	26.0	26.0
Reference Rate*	17.3	17.3	20.0	21.0	21.4	22.7	23.4	23.5	23.5	23.6	23.6	24.9	24.9
3-mon Fixed Rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Savings Rate	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Interbank Rate													
Minimum	15.0	15.0	18.3	19.4	20.4	21.9	22.8	22.8	23.0	23.0	23.0	22.0	21.9
Maximum	15.0	18.3	19.5	20.4	21.5	22.8	22.8	23.0	23.0	23.0	23.0	23.4	24.0
Average	15.0	15.3	19.1	20.0	20.5	22.6	22.8	22.8	23.0	23.0	23.0	22.6	22.6
All Type Treasury Bill Yield	16.3	16.3	17.7	17.8	17.7	19.0	18.9	18.9	18.9	18.9	18.9	20.5	20.7
91 Days	13.0	13.0	13.0	13.0	12.9	14.7	14.7	14.7	14.7	14.7	14.7	15.4	16.0
182 Days	0.0	0.0	17.5	18.0	18.0	18.2	18.0	18.0	18.0	18.0	18.0	19.9	20.0
364 Days	19.5	19.5	22.5	22.5	22.3	24.0	24.0	24.0	24.0	24.0	24.0	26.0	26.0
Mortgage (min)	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6

Source: Reserve Bank of Malawi

**From September 2019, the base rate was replaced with the Reference Rate. The Reference Rate is a weighted average of Lombard Rate, Interbank Rate (IBR), All-type Treasury Bill Rate and Savings Deposit Rate*

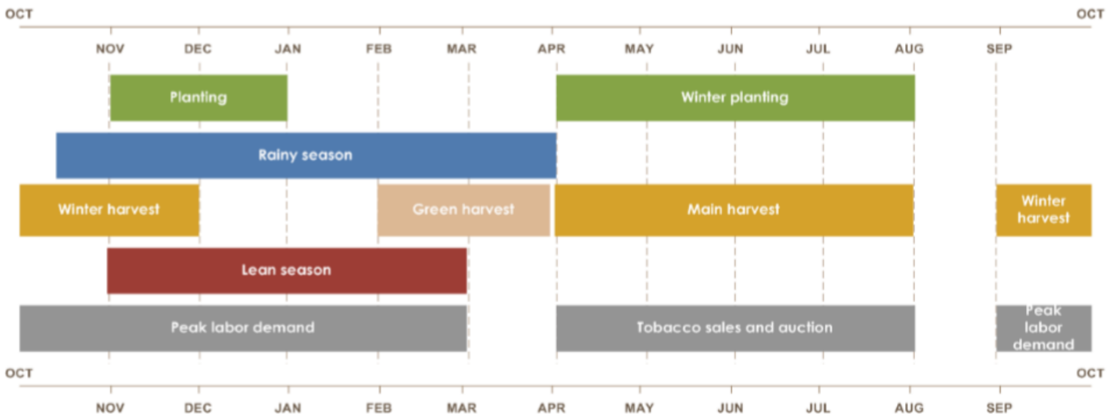
Appendix 6: Comparable Indicators (Source: EIU)



Appendix 7: Global Projections (Source: World Bank)

	2021	2022	2023e	2024f	2025f	2023e	2024f	2025f
World	**6.2**	**3.0**	**2.6**	**2.4**	**2.7**	**0.5**	**0.0**	**-0.3**
Advanced economies	**5.5**	**2.5**	**1.5**	**1.2**	**1.6**	**0.8**	**0.0**	**-0.6**
United States	5.8	1.9	2.5	1.6	1.7	1.4	0.8	-0.6
Euro area	5.9	3.4	0.4	0.7	1.6	0.0	-0.6	-0.7
Japan	2.6	1.0	1.8	0.9	0.8	1.0	0.2	0.2
Emerging market and developing economies	**7.0**	**3.7**	**4.0**	**3.9**	**4.0**	**0.0**	**0.0**	**0.0**
East Asia and Pacific	7.5	3.4	5.1	4.5	4.4	-0.4	-0.1	-0.1
China	8.4	3.0	5.2	4.5	4.3	-0.4	-0.1	-0.1
Indonesia	3.7	5.3	5.0	4.9	4.9	0.1	0.0	-0.1
Thailand	1.5	2.6	2.5	3.2	3.1	-1.4	-0.4	-0.3
Europe and Central Asia	7.1	1.2	2.7	2.4	2.7	1.3	-0.3	0.0
Russian Federation	5.6	-2.1	2.6	1.3	0.9	2.8	0.1	0.1
Türkiye	11.4	5.5	4.2	3.1	3.9	1.0	-1.2	-0.2
Poland	6.9	5.1	0.5	2.6	3.4	-0.2	0.0	0.2
Latin America and the Caribbean	7.2	3.9	2.2	2.3	2.5	0.7	0.3	-0.1
Brazil	5.0	2.9	3.1	1.5	2.2	1.9	0.1	-0.2
Mexico	5.8	3.9	3.6	2.6	2.1	1.1	0.7	0.1
Argentina	10.7	5.0	-2.5	2.7	3.2	-0.5	0.4	1.2
Middle East and North Africa	3.8	5.8	1.9	3.5	3.5	-0.3	0.2	0.5
Saudi Arabia	3.9	8.7	-0.5	4.1	4.2	-2.7	0.8	1.7
Iran, Islamic Rep. [2]	4.7	3.8	4.2	3.7	3.2	2.0	1.7	1.3
Egypt, Arab Rep. [2]	3.3	6.6	3.8	3.5	3.9	-0.2	-0.5	-0.8
South Asia	8.3	5.9	5.7	5.6	5.9	-0.2	0.5	-0.5
India [2]	9.1	7.2	6.3	6.4	6.5	0.0	0.0	0.0
Bangladesh [2]	6.9	7.1	6.0	5.6	5.8	0.8	-0.6	-0.6
Pakistan [2]	5.8	6.2	-0.2	1.7	2.4	-0.6	-0.3	-0.6
Sub-Saharan Africa	4.4	3.7	2.9	3.8	4.1	-0.3	-0.1	0.1
Nigeria	3.6	3.3	2.9	3.3	3.7	0.1	0.3	0.6
South Africa	4.7	1.9	0.7	1.3	1.5	0.4	-0.2	-0.1
Angola	1.2	3.0	0.5	2.8	3.1	-2.1	-0.5	0.0
Memorandum items:								
Real GDP [1]								
High-income countries	5.5	2.8	1.5	1.3	1.8	0.7	0.0	-0.5
Middle-income countries	7.2	3.4	4.3	4.0	4.0	0.1	0.0	-0.1
Low-income countries	4.2	4.8	3.5	5.5	5.6	-1.7	-0.5	-0.4
EMDEs excluding China	6.0	4.2	3.2	3.5	3.8	0.3	0.1	0.0
Commodity-exporting EMDEs	5.2	3.2	2.5	2.9	3.1	0.6	0.1	0.2
Commodity-importing EMDEs	7.9	3.9	4.8	4.4	4.4	-0.2	0.0	-0.1
Commodity-importing EMDEs excluding China	7.2	5.3	4.2	4.2	4.5	0.0	0.0	-0.3
EM7	7.8	3.3	4.9	4.1	4.1	0.2	0.0	-0.1
World (PPP weights) [3]	6.4	3.3	3.0	2.9	3.1	0.3	0.0	-0.3
World trade volume [4]	**11.1**	**5.6**	**0.2**	**2.3**	**3.1**	**-1.5**	**-0.5**	**0.1**

Appendix 8: Seasonal calendar for a typical year (Source: Fews NET)



Source: *FEWS NET*

Appendix 9: Food Insecurity Phase Descriptions (Source: Fews NET)

IPC Acute Food Insecurity Phase Descriptions (Area)

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

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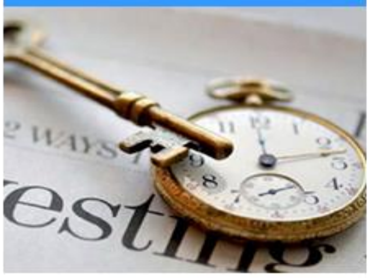

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