



## ECONOMIC POLICY AND RESEARCH DEPARTMENT

### MARKET INTELLIGENCE REPORT

#### GLOBAL AND DOMESTIC PRICE DEVELOPMENTS FOR OCTOBER 2022

## 1 OVERVIEW

- The global economy continues to face deep challenges, largely dictated by the protracted effects of the Russia-Ukraine war as well as the lockdowns in China. This report presents the economic effects of these and other developments on individual economies.

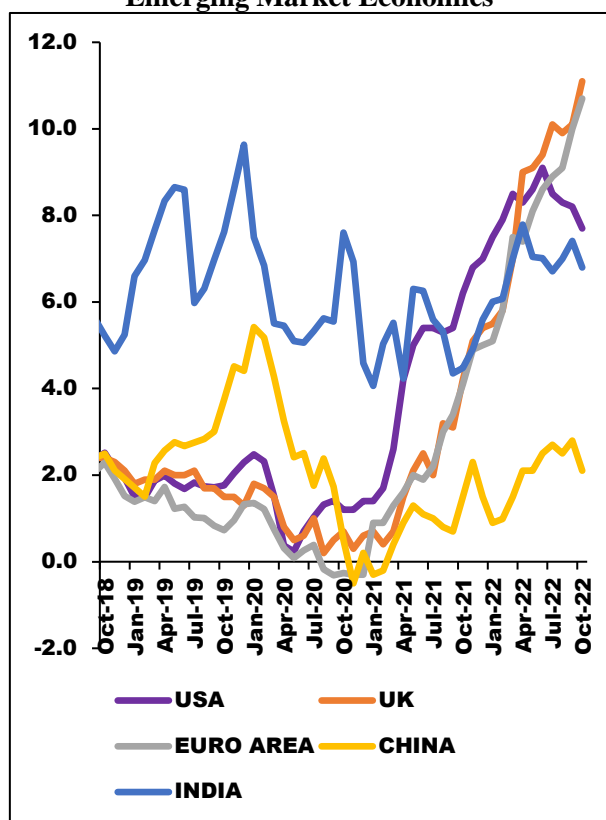
## 2 DEVELOPMENTS IN SELECTED ADVANCED AND EMERGING MARKET ECONOMIES<sup>1</sup>

### 2.1 INFLATION DEVELOPMENTS

- Cross-country performance in inflation continues to vary among the selected advanced and emerging market economies during the month under review (see Chart 1).
- In the USA, for example, inflation declined for the fourth consecutive month to 7.7 percent in October 2022, from 8.2 percent in September 2022. The October 2022 outcome was the lowest since January 2022, and was below the forecast of 8.0 percent. The decline was attributed to reduced costs of energy, including electricity. This was complemented by easing pressures on prices of food, as well as used cars and trucks.
- The Chinese economy also recorded a lower inflation of 2.1 percent in October 2022 than 2.8 percent for September 2022. The decrease was reflected in both food and non-food inflation.
- In India, inflation stood at 6.8 percent in October 2022, down from 7.4 percent in the previous month. The decline was mainly on account of a strong basal effect, and partly due to moderation in food price

pressures. The October 2022 outcome was, however, marginally higher than the market expected inflation of 6.7 percent, and remains above the central bank's target of 2-6 percent.

**Chart 1: Inflation rates in Selected Advanced and Emerging Market Economies<sup>2</sup>**



- Meanwhile, the UK inflation soared to 11.1 percent in October 2022 from 10.1 percent recorded in September 2022. The upsurge was driven by rising costs of gas and electricity. At the October outcome, UK inflation was 0.4 percentage points above the

<sup>1</sup> These countries were selected due to their significant contribution in the composition of Malawi's merchandise trade

<sup>2</sup> This chart has been derived using data sourced from websites of central banks and statistical bureaus for the selected countries

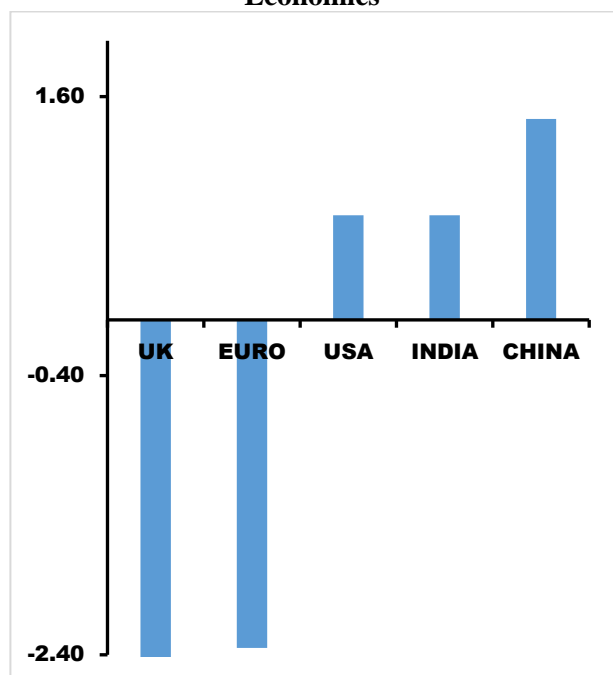
market's forecast of 10.7 percent. The October inflation is also a record high since October 1981.

- Inflation in the Eurozone accelerated to a double-digit of 10.6 percent in October, from 9.9 percent in September 2022. The loss in value of the euro currency as well as rising energy prices were the main drivers of the observed inflation pressures. These pressures were reinforced by high costs of food, alcohol, tobacco, non-energy industrial goods and services experienced during the same period.

## 2.2 EXCHANGE RATE DEVELOPMENTS

- In the foreign exchange market, currencies of the selected advanced and emerging market economies continued to depict mixed performances during the month under review as shown in Chart 2.
- The British pound and the euro experienced appreciations of 5.9 percent and 3.3 percent against the US dollar, respectively. The appreciation of the pound followed increased capital inflows induced by the UK Government's decision to cut tax rates. Meanwhile, the strengthening of the euro was a result of the ECB's decision to raise their key interest rates by 75 basis points.

**Chart 2: Monthly Exchange Rates changes in Selected Advanced and Emerging Market Economies<sup>3</sup>**



<sup>3</sup> This chart has been derived using data sourced from websites of central banks and statistical bureaus for the selected countries

- Conversely, the Chinese yuan and the Indian rupee depreciated by 1.4 percent and 0.8 percent, respectively, against the US dollar during October 2022. The Chinese yuan dropped sharply, hitting the weakest level since late 2007. The depreciation was on account of elevated fears that the authorities would implement wider COVID-19 restrictions. On the other hand, the depreciation of the Indian rupee was fueled by global factors, including the strengthening of the US dollar.
- The US dollar also weakened against the IMF Special Drawing Rights (SDR) by 0.8 percent during October 2022. This was attributed to the ease in USA inflation, which has prompted investors to go for riskier currencies, as there are expectations that the Federal Reserve Bank could ease off its interest rate hikes which were adopted to bring down inflation.
- On an annual basis, all the currencies in the selected advanced and emerging economies depreciated against the US dollar during the 12-months period to October 2022. The British pound experienced the largest depreciation of 17.9 percent followed by the euro at 16.4 percent, the Chinese yuan at 12.9 percent and the Indian rupee at 9.8 percent.

## 2.3 FUEL PRICE DEVELOPMENTS

- Brent crude oil prices reversed the declining trend observed in recent months by increasing to US\$93.1 per barrel in October 2022, from US\$90.1 per barrel in the previous month and compared to US\$83.65 per barrel for October 2021. The upsurge is a consequence of the decision by OPEC+ members to cut production by 2 million barrels per day. Following this development, retail fuel prices of some countries reacted accordingly.
- Notably, retail fuel pump prices were adjusted upwards in the USA to US\$1.04 per litre for petrol in October 2022, from US\$1.01 per litre in the preceding month. Similarly, the retail price for diesel, of US\$1.4 per litre in October 2022, was higher than US\$1.3 per litre for September 2022.
- In the UK, retail pump prices were reduced for petrol but increased for diesel. In particular, petrol traded at GBP1.64 (or US\$1.9) per litre in October 2022 from GBP1.65 (or US\$1.8) per litre in the preceding month. In contrast, diesel prices were increased to GBP1.9 (or US\$2.2) per litre from

GBP1.8 (or US\$1.99) per litre during the same period.

- In India, the October 2022 retail fuel pump prices remained unchanged at INR96.76 (US\$1.18) per litre for petrol and INR89.66 (US\$1.09) per litre for diesel, since the last adjustment effected in May 2022 when the Indian government announced a cut in excise duty on petrol by Rs8 per litre and Rs6 per litre on diesel.

## **2.4 OTHER GLOBAL COMMODITY PRICE DEVELOPMENTS<sup>4</sup>**

### **2.4.1 CRUDE VEGETABLE OIL PRICES**

- There was a mixed outturn in global crude vegetable oil prices during October 2022. Specifically, palm oil prices dropped to US\$889 per metric tonne from US\$909 per metric tonne recorded in September 2022, and compared to US\$1,310.3 for October 2021. The decrease reflected largely increased supply of this commodity in Southeast Asia amid low demand, particularly from China.
- On the other hand, soybean oil prices edged up to US\$1575.9 per metric tonne in October 2022, from US\$1,548.3 per metric tonne in the previous month and compared to US\$1,483.5 per metric tonne for October 2021. The upturn was triggered by strong demand for biodiesel in Argentina and Asia as well as high uncertainty about supply of sunflower oil from Ukraine. The latter has, effectively, induced demand for alternative vegetable oils, including soybean.

### **2.4.2 WHEAT PRICES**

- Wheat prices rose for the third consecutive month to October 2022 and stood at US\$437.95 per metric tonne from US\$419.14 per metric tonne in September 2022, and compared to US\$354.67 per metric tonne for October 2021. The persistent increase follows Russia's withdrawal from the Black Sea grain export deal amid low wheat output in the USA.

### **2.4.3 FERTILIZER PRICES**

- Pressures on prices of fertilizers eased somewhat during the month under review, reflecting the impact of weak demand from Brazil and the USA,

as farmers cut back on fertilizer field applications. Despite this development, the 2022 prices remain generally high compared to those of 2021.

- In particular, DAP prices dropped to US\$725 per metric tonne from US\$752 per metric tonne in September 2022 and compared to US\$672.9 per metric tonne for October 2021.
- Similarly, the price of urea at US\$636.3 per metric tonne in October 2022 was lower than US\$678.0 per metric tonne recorded in September 2022 but higher than US\$695.0 per metric tonne for October 2021.

## **3 DEVELOPMENTS IN SELECTED SUB-SAHARA AFRICAN ECONOMIES**

### **3.1 INFLATION DEVELOPMENTS**

- In tandem with experiences in the rest of the world regions, inflation remains a challenge in most of the SSA region economies.
- In Kenya, inflation edged up to 9.6 percent in October 2022 from 9.2 percent in September 2022. Pressures strengthened due to high costs of food and non-alcoholic beverages, transportation, housing and utilities.
- Similarly, inflation accelerated for the ninth consecutive month in Rwanda to 31 percent in October 2022, from 23.9 percent in the previous month. This was the highest level since January 1997. The increase was also attributed to high costs of food and non-alcoholic beverages, furnishings, and household equipment.
- The Ghanaian economy also continues to grapple with elevated inflation pressures, as evidenced by the uptick experienced in October to 40.4 percent from 37.2 percent in September 2022, the highest since July 2001. The drivers remain both food and non-food commodity prices.
- Likewise, the Nigerian economy had its October 2022 inflation accelerating for the ninth consecutive month to 21.1 percent from 20.8 percent in September 2022. The outturn represented the combined effect of rising energy prices and depreciation of the naira, which raised the costs of imported commodities.
- Inflation in Uganda also marginally rose to 10.7 percent in October from 10.0 percent in September

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<sup>4</sup> All commodity prices in this report are sourced from World Bank's Pink Sheet.

2022. Food prices, especially maize flour price, was the main driver of the October outturn.

- Tanzania's inflation slightly increased for the seventh month to 4.9 percent in October 2022, from 4.8 percent in the preceding month. Pressures emanated from soaring prices of food, non-alcoholic beverages, transport, furnishings and household equipment.
- In contrast, Zambia's inflation eased to a four-month low of 9.7 percent in October of 2022 from 9.9 percent in the previous month. This followed moderation of price pressures for non-food products, which more than offset the upside pressures from food commodities.
- In Angola, inflation eased for the ninth month to 16.7 percent in October 2022 from 18.2 percent in September 2022. Favourable terms of trade emanating from high global oil prices helped to keep imported inflation in check.
- Inflation for Botswana dropped for the second straight month to 13.1 percent in October 2022 from 13.8 percent in the preceding month. The moderation was a result of declines in prices for transportation, miscellaneous goods and services, and alcoholic beverages despite countering forces from food prices.
- The Mozambican economy also experienced a decrease in inflation for the second consecutive month to 11.8 percent in October from 12.0 percent in September 2022. Both food and non-food inflation contributed to this outturn.
- South Africa's inflation ticked up to 7.6 percent in October 2022, from 7.5 percent in September 2022. Pressure arose from prices of transport, food and non-alcoholic beverages, as well as from prices of miscellaneous goods and services.
- In Namibia, inflation remained at 7.1 percent in October 2022, as in September 2022 position. Transport, food and non-alcoholic beverages costs contributed to the favourable outturn, but were offset by pressures from high costs of alcoholic beverages and tobacco, and housing and utilities.

### 3.2 EXCHANGE RATE DEVELOPMENTS

- The cross-country exchange rate performance among SSA countries continued to be diverse in October 2022. In particular, the Zambian kwacha experienced a depreciation of 2.8 percent on account of increased demand for the US dollar.

Similarly, the Angolan kwanza depreciated by 11.7 percent during the month due to capital outflows and uncertainty over the global economic recovery and oil demand.

- The South African rand also weakened by 0.8 percent, reflecting the impact of continued unfavourable terms of trade and persistent capital outflows in the face of rising risk aversion.
- Similarly, the Nigerian naira lost 1.4 percent to the US dollar in October 2022. Dwindling foreign exchange reserves, on account of lower oil output and high fuel subsidies, explain the persistent naira depreciation so far in 2022.
- In Ghana, the cedi also depreciated by 34.3 percent during the month under review. Cumulatively, the cedi has lost about 55 percent against the US dollar since January 2022. Soaring inflation and limited US dollar supply due to loss of investor confidence have been blamed for the weakening cedi.
- On the contrary, the Ugandan shilling appreciated by 1.6 percent during the month under review. The decline in global commodity prices eased pressures on import bill which, coupled with tightening of the monetary policy by the Bank of Uganda, contributed to the strong shilling.
- Meanwhile, the Mozambican metical continued to be stable for the seventh consecutive month to October 2022, supported by foreign exchange market interventions undertaken by the Central Bank of Mozambique.
- On annual basis, the Angolan kwanza, Mozambican metical and Zambian kwacha appreciated by 20.2 percent, 1.0 percent and 6.5 percent in October 2022, respectively.

### 3.3 FUEL PRICE DEVELOPMENTS

- Contrary to the developments in Brent crude oil prices, a number of SSA countries reduced their retail fuel pump price during the review month.
- Notably, the Botswana Energy Regulatory Authority decreased the retail pump price of petrol to BWP18.29 (US\$1.38) per litre in October 2022 from BWP20.12 (US\$1.53) per litre in September 2022. Likewise, the price of diesel was slightly reduced to BWP20.60 (US\$1.56) per litre from BWP20.75 (US\$1.58) per litre during the same period.
- In Kenya, retail fuel prices for October 2022 were also adjusted downwards to Ks178.3 (US\$ 1.48) per

litre from Ks179.3 (US\$1.50) per litre in September 2022. The price for diesel was revised to Ks163 (US\$ 1.35) per litre, down from Ks165 (US\$1.38) per litre recorded in September 2022.

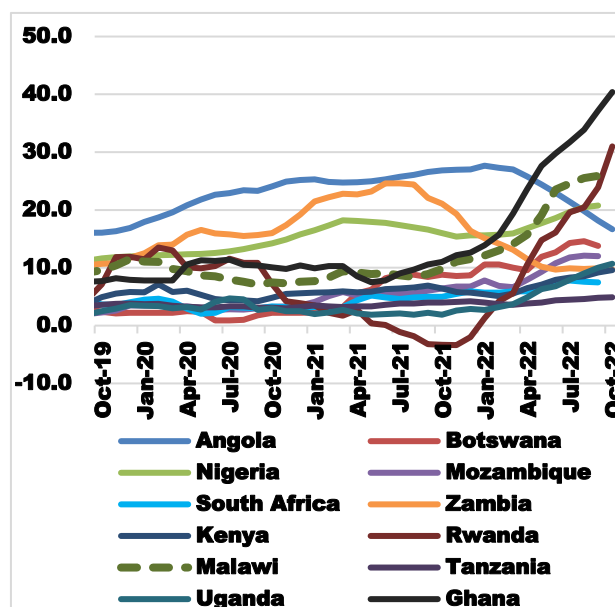
- The October 2022 retail pump prices in Tanzania were Ts2945.0 (US\$1.27) per litre for petrol from Ts3,027.00 (US\$1.30) in September 2022, and Ts3141 (US\$ 1.35) per litre for diesel, a decrease from Ts3184 (US\$ 1.37) per litre for September 2022.
- The Rwanda Utilities Regulatory Authority also revised downwards retail pump prices to FRw 1580 (US\$ 1.51) per litre in October from FRw 1609 (US\$ 1.56) in September 2022 for petrol, and to FRw 1587 (US\$1.52) per litre from FRw 1607 (US\$ 1.56) per litre in September 2022 for diesel
- South Africa's petrol retail prices fell to ZAR 22.06 (US\$1.22) per litre from the ZAR22.95 (US\$1.28) per litre in September 2022 for petrol. However, the price of diesel was increased to ZAR24.06 (US\$1.33) per litre from ZAR23.96 (US\$1.33) per litre during the same period.
- Meanwhile, the Zambia Energy Regulation Body raised its petrol retail pump price to ZK22.74 (US\$1.37) per litre in October 2022 from ZK21.54 (US\$1.4) per litre in the preceding month. Similarly, the price of diesel was increased to ZK26.16 (US\$1.47) per litre in the review month, from ZK23.12 (US\$1.62) per litre in September 2022.

## 4 DOMESTIC DEVELOPMENTS

### 4.1 INFLATION DEVELOPMENTS

- Domestically, headline inflation rose to 26.7 percent in October 2022, from 25.9 percent in the preceding month. The sources of pressures were both food and non-food price pressures.
- Food inflation accelerated to 34.5 percent in October, from the preceding month's position of 33.7 percent. Similarly, non-food inflation edged up to 18.6 percent from 18.3 percent during the same period.
- Looking at Chart 3, it is evident that the inflation objective of central banks has been overtaken by persistent upside risks.

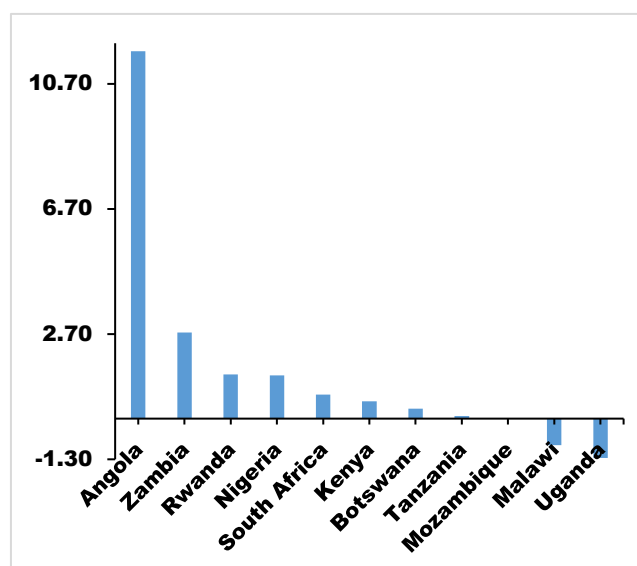
**Chart 3: Inflation Rates in Selected SSA Countries**



### 4.2 EXCHANGE RATE DEVELOPMENTS

- Meanwhile, the domestic currency slightly appreciated by 0.9 percent against the US dollar in October 2022. However, on an annual basis, a depreciation of 23.6 percent was experienced against the US dollar.

**Chart 4: Monthly Exchange Rates Changes in Sub-Saharan African Economies<sup>5</sup>**



<sup>5</sup> Depreciation (+); Appreciation (-)

### **4.3 FUEL PRICE DEVELOPMENTS**

- In October 2022, the Malawi Energy Regulatory Authority maintained retail fuel pump prices, which were announced on 15<sup>th</sup> September 2022. Therefore, the retail pump price for petrol closed the review month at K1,746 (US\$1.72) per litre while diesel was selling at K1,920 (US\$1.89) per litre.

### **4.4 MAIZE PRICE DEVELOPMENTS**

- The International Food Policy Research Institute-Malawi Maize Market October 2022 Report indicates that the average price of maize increased by 23.0 percent to MWK412 per kg in October 2022.
- Annually, the average price of maize increased by 231.4 percent during the period to October 2022.
- Maize prices were the highest in the Southern Region, with Liwonde recording the highest price at MK470 per kg, while Mzimba recorded the lowest price at MWK325 per kg during the same period.

## **5 CONCLUSION**

Global central banks are all currently facing challenges in fulfilling their price stability mandate. The impact is more severe in developing economies, particularly, in the SSA region. With food comprising a significant share in household total expenditure, a prolonged cost-of-living squeeze on account of persistent high inflation is a setback to efforts on human capital development. It is for this reason that central banks across the globe have been recalibrating their monetary policy through tightening in order to restore low and stable inflation, which is conducive for welfare enhancement. Locally, the RBM's Monetary Policy Committee revised upwards the Policy rate during its meetings held from 25<sup>th</sup> to 26<sup>th</sup> October 2022. The RBM continues to monitor the developments and will take required action where necessary.