



ECONOMIC POLICY AND RESEARCH DEPARTMENT

MARKET INTELLIGENCE REPORT FOR APRIL 2023

1 OVERVIEW

- Cross-country trends in key macroeconomic indicators continued to depict mixed performance during April 2023. On account of declining commodity prices, which was mostly sustained by suppressed aggregate demand as well as currency appreciation, inflation for most of the selected countries continued on a downward path during the month under review. However, the recent decision by OPEC+ countries to reduce fuel production could erode some of the gains realized from the decrease in global commodity prices observed since the second half of 2022.
- On the domestic front, inflation strengthened further during April 2023, while the Malawi kwacha exchange rate slightly depreciated against the United States (US) dollar during the same period.

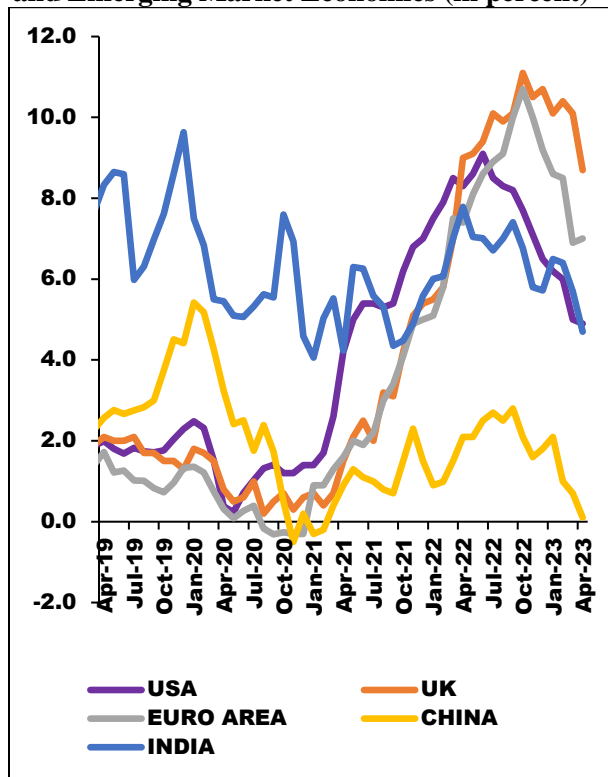
2 DEVELOPMENTS IN SELECTED ADVANCED AND EMERGING MARKET ECONOMIES¹

2.1 INFLATION DEVELOPMENTS

- Inflation performance for most of the sampled advanced and emerging market economies remained generally favourable, as majority of these countries experienced a deceleration during the month under review (see Chart 1). This development largely reflected the impact of tight monetary and financial conditions which has suppressed global aggregate demand.
- In particular, inflation for the USA economy declined to 4.9 percent during April 2023 from 5.0 percent in the preceding month. The outturn was attributed to easing costs of items under energy, food and shelter components.

- Similarly, China's inflation fell to 0.1 percent in April 2023 from the preceding month's position of 0.7 percent, on account of both food and non-food inflation. Food inflation dropped to a 13-month low of 0.4 percent due to reduced costs of pork and fresh vegetables. Meanwhile, the moderation in non-food inflation was explained by subdued pressures on prices of transport and housing.

Chart 1: Inflation Rates in Selected Advanced and Emerging Market Economies (in percent)²



- The UK economy had its April 2023 inflation declined to 8.7 percent, from 10.1 percent recorded in March 2023. This represented the lowest reading

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

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

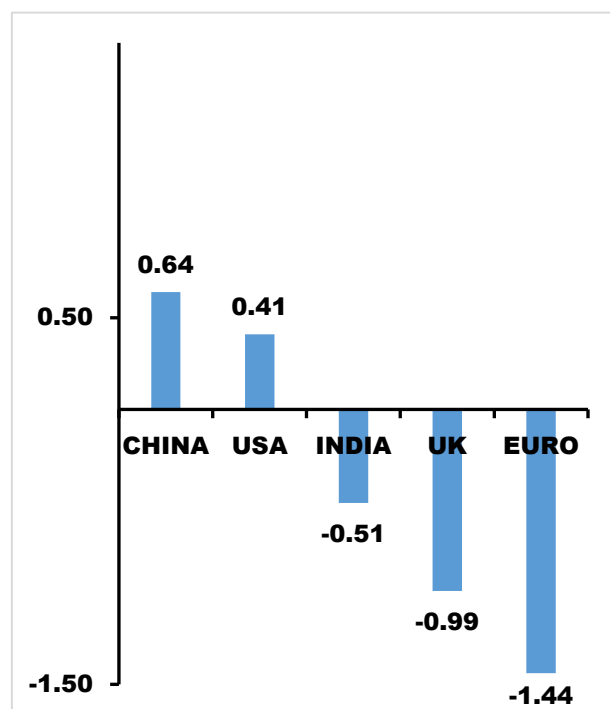
since March 2022. The outturn was anchored by a sharp slowdown in electricity and gas prices.

- In India, inflation for April 2023 was reported at 4.7 percent compared to 5.7 percent for March 2023. The downturn was largely attributed to reduced costs of vegetables, meat, and fats and oils.
- Meanwhile, inflation for the Euro Area increased marginally to 7.0 percent in April 2023 from the preceding month's position of 6.9 percent. This followed increases in costs of energy and services.

2.2 EXCHANGE RATE DEVELOPMENTS

- During April 2023, currencies of all the selected advanced and emerging market economies group saw their currencies appreciating against the US dollar except for the Chinese yuan, which depreciated (See Chart 2).³

Chart 2: Monthly Exchange Rate Changes in Selected Advanced and Emerging Market Economies (in percent)⁴



- Specifically, the euro recorded a gain of 1.4 percent while the British pound and the Indian rupee strengthened by 1.0 percent and 0.5 percent against the US dollar, respectively. The loss in value of the US dollar against the foregoing currencies followed

a portfolio shift away from US dollar-denominated assets, as prospects of interest rate cuts by the US Federal Reserve to stimulate economic activity triggered the fear of low or no interest gains.

- The US dollar further depreciated by 0.4 percent against the IMF's SDR during April 2023, following another depreciation of a similar magnitude in the preceding month
- On the other hand, the Chinese yuan lost 0.6 percent to the US dollar during the month under review. This reflected the consequence of investors' uncertainty surrounding the economy's quicker recovery in the post COVID-19 restrictions.
- Annually, the British pound, the Chinese yuan and the Indian rupee depreciated by 0.1 percent, 4.7 percent and 7.0 percent, respectively, against the US dollar in April 2023. The euro, on the other hand, recorded an annual appreciation of 4.7 percent.
- Against the IMF's SDR, the US dollar also recorded an annual depreciation of 0.8 percent during the same period.

2.3 FUEL PRICE DEVELOPMENTS

- After OPEC+ countries announced production cuts on 2nd April 2023, global crude oil prices increased to an average of US\$84.1 per barrel in the month from US\$78.5 per barrel in March 2023. At the April 2023 level, the average Brent crude oil price was lower than US\$105.8 per barrel for April 2022. However, there were mixed reactions to this development among countries.
- In particular, the UK's retail pump price for petrol declined to GBP1.46 (or US\$1.81) per litre in April 2023, from GBP1.47 (or US\$1.82) per litre in the previous month. During the same period, the retail price for diesel dropped to GBP1.61 (or US\$2.01) per litre, from GBP1.66 (or US\$2.05) per litre.
- In the USA, the April 2023 retail pump price for petrol rose to US\$0.98 per litre from US\$0.94 per litre in the preceding month. In contrast, the price of diesel slightly declined to US\$1.08 per litre from March 2023's position of US\$1.11 per litre.
- Meanwhile, the Indian Authorities maintained retail pump prices for both petrol and diesel in April 2023,

³ Unlike all countries whose exchange rates have been expressed in terms of the US dollar, the US exchange rate was expressed in terms of the IMF Special Drawing Rights.

⁴ This chart has been derived using data sourced from websites of central banks and statistical bureaus for the selected countries

where they have been since May 2022. In particular, petrol was selling at INR96.76 (or US\$1.18) per litre while diesel was priced at INR89.66 (or US\$1.10) per litre.

2.4 OTHER GLOBAL COMMODITY PRICE DEVELOPMENTS⁵

2.4.1 CRUDE VEGETABLE OIL PRICES

- Developments in global crude vegetable oil prices were also miscellaneous during the month under review. Specifically, palm oil was sold at an average of US\$1,005 per metric tonne compared to US\$972 per metric tonne for March 2023. This followed a drop in Malaysian palm oil inventories, which slid to their lowest level in 11 months amid high demand. However, at the April 2023 position, the price of palm oil was lower than the April 2022 average price of US\$1,683 per metric tonne.
- In contrast, the average price for soybean oil dropped by 7.5 percent to US\$1,030 per metric tonne in April 2023 from US\$1,113 per metric tonne in the preceding month, broadly weighed by a potentially record high soybean crop in Brazil. The April 2023 price was also 47.1 percent lower than US\$1,948.0 per metric tonne for April 2022.

2.4.2 WHEAT PRICES

- Wheat prices soared to US\$378.2 per metric tonne in April 2023 from US\$369.9 per metric tonne in the preceding month and compared to US\$495 per metric tonne for April 2022. This reflected uncertainty over the deal to guarantee a trade corridor from Ukrainian Black Sea ports following sentiments from Moscow that it would not extend the UN-backed grain deal.

2.4.3 FERTILIZER PRICES

- In the market for fertilizers, there was mixed performance among the different types of this commodity. Notably, urea prices marginally declined to an average of US\$313.4 per metric tonne in April 2023 from US\$313.5 per metric tonne in the preceding month and compared to US\$925 per metric tonne for April 2022. The outturn was a result of falling natural gas prices – a key ingredient in the manufacturing of urea fertilizers. The increased availability of natural gas in Europe amid

moderate winter enabled manufacturers to expand production and farmers to restock reserves.

- In contrast, the price of Di-ammonium phosphate (DAP), at US\$637 per metric tonne, was 5.1 percent higher than US\$606 per metric tonne for March 2023, but was 33.2 percentage points lower than US\$954 per metric tonne for April 2022. The increase observed during March-April 2023 was partly a consequence of sustained restrictions on exportation of DAP and phosphate – a key ingredient in the manufacturing of DAP – out of China.

2.4.4 MAIZE PRICES

- As a result of high costs of inputs and unfavorable weather conditions in some parts of the world, maize prices increased to US\$291.1 per metric tonne in April 2023, from US\$282.5 per metric tonne during March 2023.

3 DEVELOPMENTS IN SELECTED SUB-SAHARA AFRICAN ECONOMIES

3.1 INFLATION DEVELOPMENTS

- In the SSA region, inflation for Zambia increased for the third consecutive month to 10.2 percent in April 2023 from 9.9 percent in the previous month. Pressures arose from both food and non-food prices.
- Similarly, inflation in Nigeria accelerated for the fifth month to 22.2 percent in April 2023, reaching a nearly 18-year high. The upsurge was driven by rising costs of food through increases in prices of oil, fat, bread, cereals, fish, potatoes, yam, fruits, meat, vegetable and spirits.
- On the contrary, Kenya's inflation dropped to a ten-month low of 7.9 percent in April 2023, from 9.2 percent in the prior month. The slowdown was mainly attributed to a softer rise in prices of food and non-alcoholic beverages following easing costs of some items including spinach and onions. This development was complemented by reduced costs of transportation services.
- Similarly, inflation in Tanzania decelerated to 4.3 percent in April 2023, from 4.7 percent in the previous month, the lowest reading since May 2022. The downturn was on account of a decrease in costs

⁵ All commodity prices in this report are sourced from World Bank's Pink Sheet.

of items under food and non-alcoholic beverages, transport, housing and utilities categories.

- Uganda's inflation also eased for the sixth consecutive month to 8 percent in April 2023, from 9 percent in the preceding month. The outcome was supported by reduced costs of energy and utilities during the period.
- In Mozambique, inflation dropped to a one-year low of 9.6 percent in April 2023, from 10.8 percent in March 2023. The outturn was mainly a result of reduced costs of food, transportation and other non-food items.
- The Rwandan economy recorded a drop in inflation to a seven-month low of 28.4 percent in April 2023, down from 31 percent in the prior month. Prices moderated for items under the food, non-alcoholic beverages, furnishings and household equipment, clothing, footwear and transportation categories.
- Namibia's inflation descended to a ten-month low of 6.1 percent in April 2023, down from 7.2 percent in the preceding month. This was a result of easing costs of transportation, food, non-alcoholic beverages, restaurants, hotels, housing and utilities.
- Similarly, inflation in Ghana fell for the fourth consecutive month to 41.2 percent in April 2023, down from 45 percent in the prior month. Food inflation declined to 48.7 percent from 50.8 percent during the period and was complemented by a drop in non-food inflation to 35.4 percent from 40.6 percent during the same period.
- Angola's inflation for April 2023 marginally eased to 10.6 percent, from 10.8 percent in March 2023. Fuel and food subsidies along with a strong harvest contributed the most to the observed downward trend.
- Inflation in Botswana declined to 7.9 percent in April 2023, from 9.9 percent in the previous month, the lowest reading since May 2021. The descent followed a slowdown in food inflation to 16.6 percent from a 14-year high of 17.8 percent in March 2023. The outturn was also on account of moderation of prices for transportation, housing, utilities and education.

3.2 EXCHANGE RATE DEVELOPMENTS

- As shown in Chart 4, exchange rate developments for the SSA region were diverse during April 2023. For instance, the Zambian kwacha and the Ugandan shilling strengthened against the US dollar during the month by 17.2 percent and 0.9 percent, respectively. This performance was triggered by the

optimism on successful debt restructuring negotiations with the IMF. High copper prices on the London metal exchange further boosted the strength of the Zambian kwacha. Meanwhile, the Ugandan shilling gained following subdued demand for the US dollar currency during the month.

- In contrast, the Kenyan shilling, South African rand, Rwandan franc, Ghanaian cedi and the Nigerian naira depreciated by 2.9 percent, 1.8 percent, 1.3 percent, 1.0 percent and 0.1 percent against the US dollar during the month under review, respectively.
- Meanwhile, the Tanzanian shilling, Angolan kwanza and the Botswana pula depreciated by 0.5 percent each against the US dollar during April 2023.
- Low foreign exchange reserves and political instability contributed to the depreciation of the Kenyan shilling during the month under review. The Ghanaian cedi's depreciation against the US dollar was driven by increased demand for hard currency due to high costs of imports, inflation, capital flight, and weak investor sentiment amidst concerns of debt crisis.
- The South African rand weakened on account of extended load shedding programme, which is limiting business activity, in addition to a hawkish monetary policy in the United States which induced portfolio outflows away from South Africa.
- Meanwhile, the Mozambican metical/US dollar exchange rate remained unchanged for the thirteenth consecutive month.
- On an annual basis, except for the Mozambican metical, which remained stable, all currencies of the selected SSA countries depreciated against the US dollar during the month under review. The Ghanaian cedi, Angolan kwanza, Kenyan shilling, South African rand, Nigerian naira, Rwandan franc, Botswana pula, Ugandan shilling, Zambian kwacha and the Tanzanian shilling weakened against the US dollar by 58.4 percent, 25.8 percent, 17.6 percent, 14.7 percent, 10.9 percent, 9.4 percent, 8.9 percent, 5.4 percent, 3.6 percent and 1.1 percent, respectively.

3.3 FUEL PRICE DEVELOPMENTS

- Despite the rise in Brent crude oil prices on the international markets, country developments in fuel pump retail prices were miscellaneous during the month under review. Notably, the Energy and Petroleum Regulatory Authority (EPRA) of Kenya

raised the retail pump price for petrol to Ks179.30 (or US\$ 1.35) per litre in April 2023 from Ks177.30 (or US\$1.33) per litre in the preceding month. Meanwhile, the retail pump price for diesel was retained at the March 2023 position of Ks162.0 (or US\$1.20) per litre.

- In South Africa, the retail pump price for petrol was maintained at the previous month's position of R22.65 (or US\$1.31), while that of diesel waned to R20.88 (or US\$1.21) per litre, from the price of R21.62 during the same period.
- Meanwhile, in Tanzania, the retail price for petrol was reduced to Ts2,840 (or US\$1.21) per litre in April 2023, from Ts3,026 (or US\$1.30) per litre in March 2023. Diesel price was also adjusted downwards to Ts2,905 (or US\$ 1.24) per litre, from the preceding month's position of Ts3,189 (or US\$1.37) per litre.
- Similarly, the Energy Regulation Body (ERB) of Zambia adjusted retail pump prices downwards to ZK27.59 (or US\$1.34) per litre in April 2023 from ZK28.52 (or US\$1.56) per litre in March 2023 for petrol, and ZK24.64 (US\$1.37) per litre from ZK29.25 (or US\$1.39) per litre for diesel during the same month.
- In April 2023, the Rwanda Utilities Regulatory Authority also revised downwards the retail pump prices for both petrol and diesel. Specifically, the retail pump price for petrol declined to FRw1,528 (or US\$1.38) per litre from FRw1,544 (or US\$1.41) in the previous month, while that of diesel dropped to FRw1,518 (or US\$1.37) per litre from FRw1,562 (or US\$1.43) per litre in March 2023.
- Meanwhile, the Botswana Energy Regulatory Authority (BERA) maintained the March 2023 retail pump prices for both petrol and diesel in April 2023, at BWP20.12 (or US\$1.23) per litre for petrol and BWP20.85 per litre for diesel.

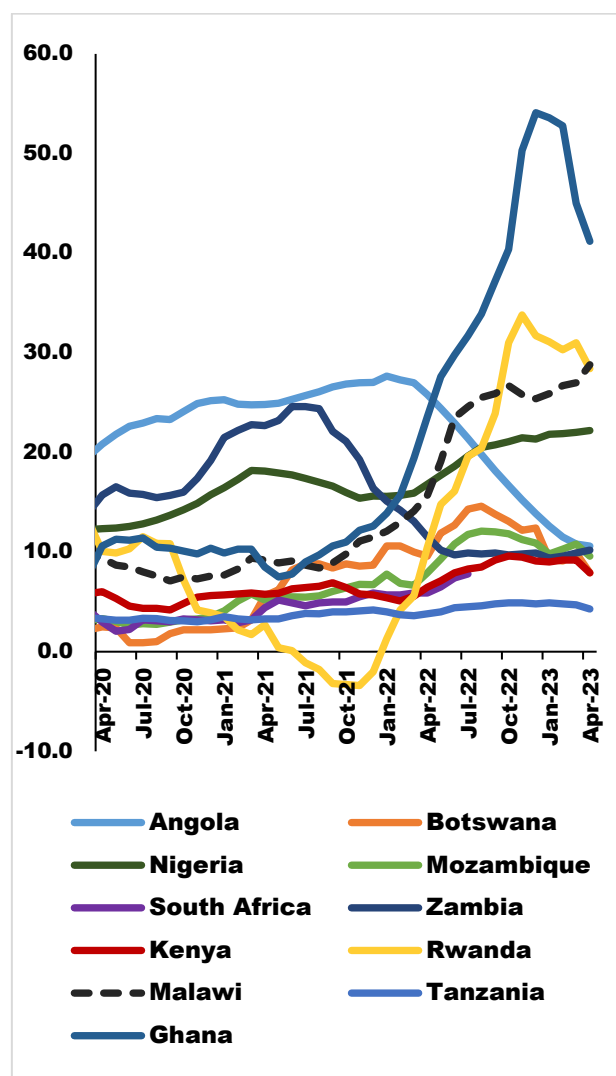
4 DOMESTIC DEVELOPMENTS

4.1 INFLATION DEVELOPMENTS

- On the domestic front, headline inflation stood at 28.8 percent in April 2023, up from 27.0 percent for March 2023. The outturn was explained by food inflation, which accelerated to 37.9 percent from 32.4 percent in March 2023. The increase in food inflation was mostly due to unfavourable basal effects.
- On the contrary, non-food inflation declined to 18.5 percent from 20.2 percent in March 2023. The

moderation was on the back of stability in retail pump prices, utility prices and transportation costs.

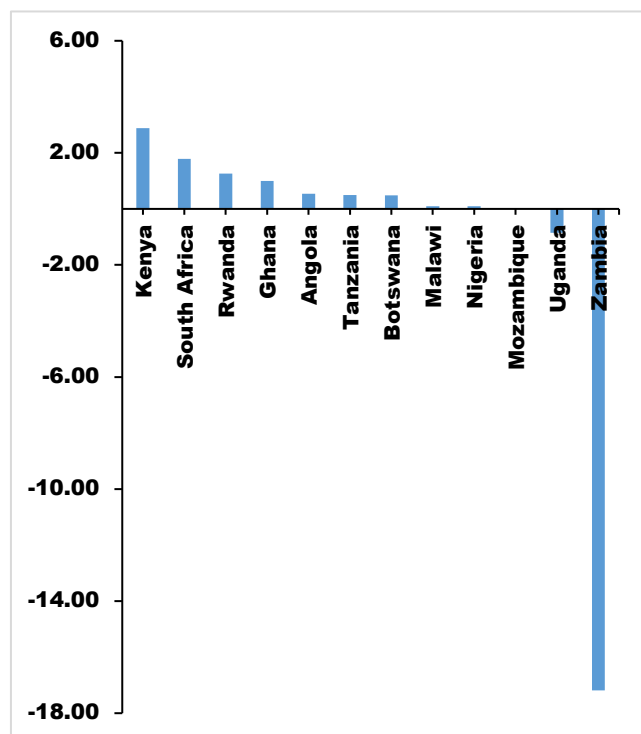
Chart 3: Inflation Rates in Selected SSA Countries (in percent)



4.2 EXCHANGE RATE DEVELOPMENTS

- In April 2023, the Malawi kwacha marginally depreciated for the third consecutive month. A review of the month-on-month trend revealed that the Malawi kwacha weakened by 0.1 percent in April 2023, closing the month at K1,034.86 per US dollar. Annually, the kwacha lost 25.6 percent against the US dollar during the 12-months to April 2023.

Chart 4: Monthly Exchange Rate Changes in Sub-Sahara African Economies (in percent)⁶



4.3 FUEL PRICE DEVELOPMENTS

- In April 2023, the Malawi Energy Regulatory Authority (MERA) maintained the retail pump prices for both petrol and diesel at K1,746 and K1,920 per litre, respectively, as in the previous month.

4.4 MAIZE PRICE DEVELOPMENTS

- According to the International Food Policy Research Institute (IFPRI)-Malawi Maize Market Report for April 2023, there was a sharp decline in maize prices during April 2023. The weekly average price for old maize decreased by 15 percent from K734 per kilogram to K626 per kilogram between the final weeks of March 2023 and April 2023. Within the same period, the average price of new maize declined by 9 percent from K533 per kilogram to K483 per kilogram.
- It is worth noting that Malawi's April 2023 retail prices of maize were higher than those of Zambia, Mozambique, and South Africa, but were lower than those of Tanzania and Zimbabwe at the market exchange rate.

5 CONCLUSION

The recent decision by OPEC+ countries to cut oil production is a setback that could delay the return of inflation to central banks' targets. Until there is strong optimism for improved inflation performance, it is important for monetary policy to remain tightened to preserve any gains from the previous anti-inflation policy measures. This is considering that low and stable inflation – that is, price stability - is a catalyst for increased production that leads to high economic growth, and is also necessary for sustained financial sector stability.

⁶ Depreciation (+); Appreciation (-)