



ECONOMIC POLICY AND RESEARCH DEPARTMENT

MARKET INTELLIGENCE REPORT GLOBAL AND DOMESTIC PRICE DEVELOPMENTS FOR FEBRUARY 2022

1. OVERVIEW

- Global economies continued to show diverse performance in key macroeconomic variables during February 2022. Specifically, among the selected advanced and emerging market economies, the United States of America (USA), the United Kingdom (UK), India and the Euro area experienced rising inflation, whereas China's inflation was unchanged. Likewise, in the Sub-Saharan African (SSA) region, inflation developments were mixed. Meanwhile, currencies of some countries in both groups depreciated during the month under review, while others experienced appreciations.
- International oil prices sustained the upward trend which was triggered by the Russia-Ukraine war beginning from January 2022. Following this development, most countries reacted by raising their retail fuel pump prices during the month under review.
- A number of commodities have also seen their prices picking up following the above-mentioned geopolitical tension. Notable among them are prices of crude vegetable oil, wheat and fertilizers, which may lead to heightened upside risks to world inflation in the short- to medium-term.
- On the domestic front, inflation pressures heightened in February 2022 while the kwacha registered a marginal appreciation.

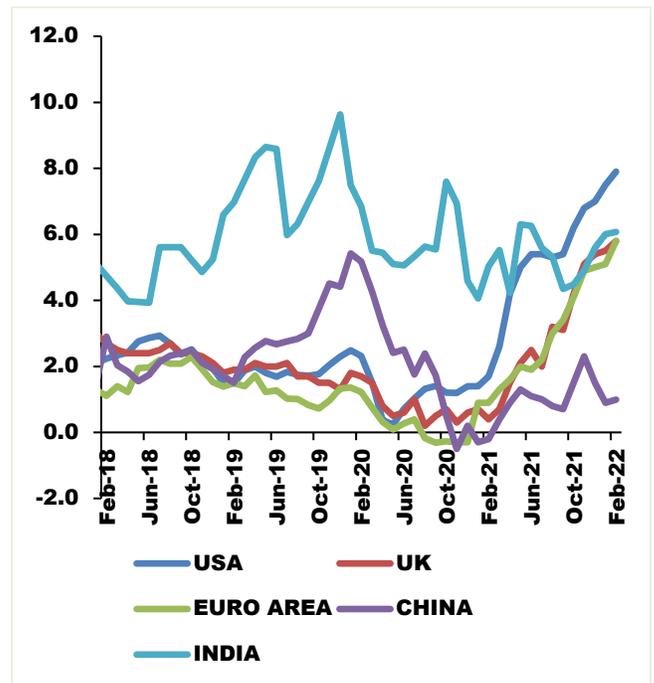
2. DEVELOPMENTS IN SELECTED ADVANCED AND EMERGING MARKET ECONOMIES¹

2.1. Inflation Developments

- Most of the selected advanced and emerging market economies recorded higher inflation in the reviewed month compared to January 2022 (see Chart 1).

- Inflation for the USA economy rose to 7.9 percent in February 2022, from 7.5 percent in the previous month. At the February level, the USA inflation was the highest since January 1982. High energy prices continued to be the main source of inflation pressures, following the surge in gasoline prices of 38 percent during the month under review. During the same period, labour shortages and supply chain disruptions persisted, thereby contributing to heightened inflation pressures.

Chart 1: Inflation Rates in Selected Advanced and Emerging Market Economies²



- The Indian economy also experienced rising inflation for the fifth consecutive month to 6.1 percent in

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

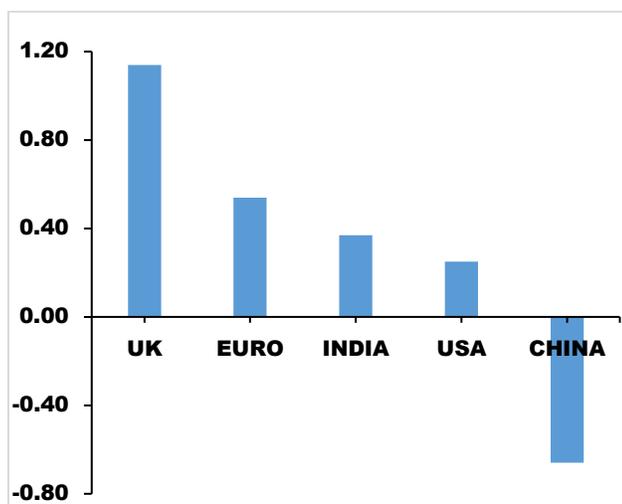
February 2022. The upturn in February was a result of increases in prices of food, clothing and footwear, fuel and light, and housing.

- In the UK, inflation soared to 6.2 percent in February 2022 from 5.5 percent in the preceding month, the highest since March 1992. The sources of pressures were mainly rising costs of transport, furniture and household equipment, clothing and footwear, housing and utilities as well as food items.
- The Euro area also had its February 2022 inflation risen to 5.9 percent from 5.1 percent in the previous month. Pressures emanated from sustained increase in energy prices which was exacerbated by high costs of food, alcohol and tobacco, services, and non-energy industrial goods.
- In China, the February 2022 inflation remained unchanged at the preceding month's position of 0.9 percent. At that level, the rate of inflation was also consistent with the market's inflation forecast.

2.2. Exchange Rate Developments

- Except for the Chinese yuan, currencies of all the selected countries under this grouping experienced depreciations during February 2022 (see Chart 2).³

Chart 2: Monthly Exchange Rate Changes in Selected Advanced and Emerging Market Economies⁴



- The British pound (GBP), for example, weakened by 1.1 percent against the US dollar, as investors switched

to safe haven currencies, such as the yen and US dollar, following Russia's invasion of Ukraine.

- On account of the Russia-Ukraine geopolitical tension, the euro also depreciated by 0.5 percent against the US dollar during the month under review.
- Meanwhile, the Indian rupee lost 0.4 percent against the US dollar in February 2022, following the rise in crude oil prices and increased demand for the US dollar in the Indian foreign exchange market. However, the US dollar depreciated by 0.3 percent against the International Monetary Fund's (IMF)'s Special Drawing Rights (SDR) during the same period.
- The Chinese yuan was the only currency under this grouping which registered an appreciation against the US dollar during the month under review. In particular, the yuan appreciated by 0.7 percent in February 2022, as it was considered as one of the safe haven currencies amidst the ongoing Russia-Ukraine war.
- The annual exchange rate changes indicated that the US dollar strengthened by 3.2 percent against the IMF's SDR, while the Chinese yuan registered an appreciation of 2.3 percent against the US dollar. Meanwhile, the euro, the Indian rupee and the GBP lost 7.7 percent, 3.3 percent and 4.7 percent against the US dollar during the 12-months to February 2022, respectively.

2.3. Fuel Price Developments

- Global Brent crude oil price continued to rise and stood at US\$103.1 per barrel in February 2022, from US\$86.5 per barrel in the previous month. The rise was due to supply disruptions emanating from the economic sanctions imposed on Russia, which is one the major suppliers of crude oil. These developments triggered similar trends in retail fuel pump prices for most of the sampled economies, albeit with varying magnitudes, except for a few countries where the retail fuel pump prices were unchanged.
- In India, for example, petrol pump prices marginally increased to INR95.45 (US\$1.28) per litre in February 2022 from INR95.41 (US\$1.27) per litre in the previous month. However, diesel prices remained

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 Right.

⁴ This chart has been derived using data sourced from websites of central banks and statistical bureaus for the selected countries, Depreciation (+ve), Appreciation (-ve)

unchanged at INR86.71 (US\$1.16) per litre, as in January.

- Retail fuel pump prices also increased in the USA to US\$0.95 per litre for petrol and US\$1.07 per litre for diesel in the reviewed month, from US\$0.90 per litre and US\$0.98 per litre in January 2022, respectively.
- In the UK, the price of petrol stood at GBP1.48 (US\$ 2.01) per litre in February 2022, up from GBP1.45 (US\$1.98) per litre in the preceding month. During the same period, diesel price increased to GBP1.52 (US\$2.02) per litre from GBP1.49 (US\$2.01) per litre in January 2022.

3 OTHER GLOBAL COMMODITY PRICE DEVELOPMENTS

3.1. Crude Vegetable Oil Prices

- Just like crude oil, prices of several commodities have also skyrocketed on the international in recent months due to the impact of the Russia-Ukraine war. Among the crude vegetable oils⁵, coconut oil prices rose by 6.5 percent to US\$2,148.0 per metric tonne during the review month from US\$2,16.0 per metric tonne in January 2022.
- Similarly, palm oil prices soared by 13.2 percent to US\$1,522.0 per metric tonne in February 2022 from the preceding month's position of US\$1,345.0 per metric tonne, while that of soybean oil increased by 8.6 percent to US\$1,596.0 per metric tonne from US\$1,470.0 per metric tonne during the same period.
- The above developments have influenced local retailers for cooking oil to raise prices for this commodity, thereby contributing to inflation.

3.2. Wheat Prices

- As Russia is one of the major wheat-producing countries, the current war has caused global supply disruptions which have resulted in price increases for this commodity. Specifically, wheat prices averaged US\$390.5 per metric tonne in February 2022, up from US\$374.20 per metric tonne in the previous month.
- Reflecting this development, a number of countries have seen prices of wheat products such as bread, rising in the recent period, which may exert food price pressures in the near-term.

3.3. Fertilizer Prices

- The Russia-Ukraine conflict has also created global supply shortages for fertilizers due to shipping challenges which have led to an increase in its global prices, as both countries are among the main global producers of this commodity. The rise in gas prices following this war has also resulted in curtailing of production particularly in Europe, given that gas is a key input for fertilizer production. Not surprisingly, the global economy is currently experiencing price shocks in most of the types of fertilizers. For example, the price for potassium chloride edged up by 77.3 percent to US\$391.8 per metric tonne in February 2022 from \$221 per metric tonne for January 2022. During the same period, Diammonium Phosphate (DAP) was sold at US\$747.1 per metric tonne, rising from \$699.4 per metric tonne in January 2022.
- Urea was the only main type of fertilizer which recorded a monthly price decrease of 12.1 percent to \$744.2 per metric tonne during the month under review compared to \$846.4 per metric tonne for January 2022. However, beyond February 2022 urea prices are projected to increase.
- Unless the current trend in fertilizer prices reverses, the crop size for the 2022/23 agricultural season could be adversely affected, thereby inducing supply-driven inflationary pressures.

4 DEVELOPMENTS IN SELECTED SUB-SAHARA AFRICAN ECONOMIES

4.1 Inflation Developments

- In February 2022, inflation performance in the SSA region was diverse. Specifically, inflation picked up in Rwanda, Uganda, Ghana and Nigeria but moderated in Zambia, Kenya, Angola, Mozambique and Namibia.
- Inflation for Rwanda quickened to 4.2 percent in February 2022 from 1.3 percent in the preceding month. The upsurge was on account of rising prices of items under education, furnishings, and housing and utilities, as well as a rebound in food and non-alcoholic beverages.
- Ghana's inflation accelerated to 15.7 percent in February 2022 from 13.9 percent in the previous month, the highest since October 2016. The rise was

⁵ Crude vegetable oil is an essential ingredient for cooking oil

largely underpinned by increases in prices of food and non-alcoholic beverages, energy and utilities.

- The Ugandan economy also saw its inflation picking up to 3.2 percent in February from 2.7 percent in January 2022. The sources of pressures were largely rising prices of furnishings, education, personal care, social protection and miscellaneous goods and, food and non-alcoholic beverages.
- Nigeria's inflation recorded a marginal increase to 15.7 percent in February 2022, from 15.6 percent in the preceding month. The upturn was due to rising costs of transportation and food, as well as the pass-through of the depreciation of the Nigeria naira.
- Meanwhile, the February 2022 inflation for Botswana was unchanged from the preceding month's position of 10.6 percent. Inflation pressures remained heightened due to rising costs of transport, alcoholic beverages and tobacco, housing and utilities, as well as food and non-alcoholic beverages.
- Similarly, the South African economy's inflation for February was unchanged from 5.7 percent for January 2022. The ease in prices of transport, health, and communication sustained this outturn.
- However, the Mozambican economy registered a lower inflation of 6.8 percent in February 2022 than 7.8 percent reported in the previous month. The decrease was supported by restrained pressures on prices of food and non-alcoholic beverages as well as items under the restaurants and hotels category.
- Inflation for Zambia also declined for a seventh consecutive month to 14.2 percent in February 2022, from 15.1 percent in the previous month. The development was on account of lower food prices as well as basal effects following high inflation recorded in 2021.
- In Angola, inflation moderated to 27.3 in February from 27.7 percent in January 2022, a turnaround from an 11-month persistent increase. The downturn was attributed to the moderation in prices of alcoholic beverages and tobacco, food and non-alcoholic beverages, health, clothing and footwear, and furnishings.
- The Namibian economy also recorded a slight decrease in its inflation for February to 4.5 percent from 4.6 percent in January 2022. The decline was supported by

easing pressures on prices of transport, furnishings, food and non-alcoholic beverages, tobacco and alcoholic beverages, clothing and footwear, and communication.

- Inflation for the Kenyan economy was lower at 5.1 percent in February 2022, than 5.4 percent for January. The slowdown was mainly on account of a decline in prices of food and non-alcoholic beverages and housing and utilities following a 15 percent reduction in electricity tariffs.
- Tanzania's inflation declined for the second consecutive month to 3.7 percent in February 2022, from 4 percent in January 2022. This development largely reflected the easing pressures on prices of food and non-alcoholic beverages, transport, and restaurants and hotels.

4.2 Exchange Rate Developments

- Regarding exchange rates, currencies of some of the selected SSA countries strengthened against the US dollar in February 2022 while others experienced depreciations (See Chart 4).
- For instance, the Zambian kwacha gained 1.4 percent against the US dollar in February 2022, following subdued demand for foreign exchange amidst declining fuel imports.
- The Angolan kwanza strengthened by 4.4 percent against the US dollar during the month under review. The development was largely on account of favourable terms of trade following the uptick in international oil prices.
- In contrast, the Nigerian naira depreciated by 0.2 percent against the US dollar. The outturn was due to an increase in imports against declining crude oil exports.
- Similarly, the Kenyan shilling lost 0.5 percent in value against the US dollar, representing the combined effect of weak inflows and high imports.
- The South African rand weakened by 0.8 percent against the US dollar in February 2022, owing to rising costs of imports.
- The rest of the currencies: the Botswana pula, Rwandan Franc, Ugandan shilling, Mozambican

metical and Tanzanian shilling recorded depreciations of 1.9 percent, 0.6 percent, 1.5 percent, 1.95 percent, and 0.9 percent against the US dollar in February 2022, respectively.

4.3 Fuel Price Developments

- An assessment of a selected number of countries among the SSA countries revealed that most countries adjusted their retail fuel pump prices during February 2022 except for Botswana, Zimbabwe, Mozambique and Kenya.
- Specifically, in Botswana, the February 2022 retail fuel pump prices remained firm at BWP14.25 (US\$1.24) per litre for petrol and BWP14.19 (US\$1.235) per litre for diesel, as in January 2022.
- Similarly, Kenya’s retail fuel pump prices for February 2022 were maintained at Ks129.72 (US\$1.15) per litre for petrol and Ks110.60 (US\$0.98) per litre for diesel, as in the previous month.
- In Mozambique, retail fuel pump prices remained at the January 2022 level of MZN69.94 (US\$1.07) per litre for petrol and MZN61.71 (US\$0.95) per litre for diesel during the month under review.
- However, in Zambia, retail fuel pump prices were increased to ZK21.96 (US\$1.22) per litre in February 2022 for petrol from ZK21.16 (US\$1.18) in the preceding month, while that of diesel rose to ZK21.54 (US\$1.20) per litre from ZK20.15 (US\$1.12) during the same period.
- In Rwanda, the Utilities Regulatory Authority also raised retail fuel pump prices for petrol to FRw1,256 (US\$1.25) and diesel to FRw1,201 (US\$1.20) per litre in February 2022, from respective levels of FRw1,225 (US\$1.22) per litre and FRw1,140 (US\$1.14) per litre in January 2022.
- The Zimbabwe Energy Regulatory Authority also adjusted the February 2022 fuel pump prices to ZWD169.9 (US\$1.37) per litre for petrol and ZWD168.71 (US\$1.36) per litre for diesel, from ZWD149.55 (US\$1.38) per litre for petrol and ZWD152.87 (US\$1.41) per litre for diesel in February 2022, from the preceding month’s positions of ZWD169.9 per litre for petrol and ZWD1 as in January 2022.
- Similarly, the National Energy Regulator of South Africa (NERSA) increased the price of petrol to R19.89 (US\$1.33) in February from R19.36 (US\$1.29) in January 2022, while that of diesel was adjusted to

R18.04 (US\$1.20) during the same month, up from R17.25 (US\$1.15) in January 2022.

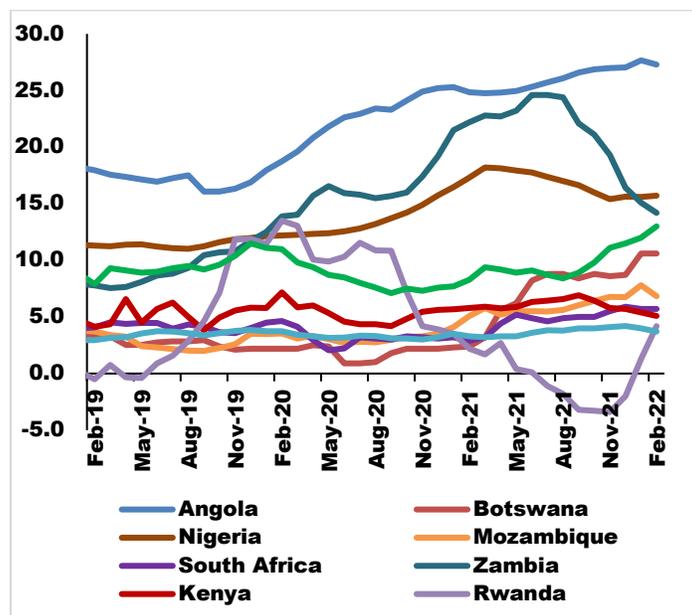
- Meanwhile, the February 2022 retail fuel pump prices declined in Tanzania to Ts2,539 (US\$1.11) per litre for petrol and Ts2,397 (US\$1.05) per litre for diesel in February 2022, from Ts2,569.00 (US\$1.12) per litre for petrol and Ts2,451.00 (US\$1.06) per litre for diesel in January 2022.

5 DOMESTIC DEVELOPMENTS

4.1 Inflation Developments

- Headline inflation increased to 13.0 percent in February 2022, from 12.1 percent in the previous month. The increase was attributed to both food and non-food inflation. In particular, food inflation rose to 15.3 percent from 14.2 percent in January 2022, largely on account of seasonal factors. Similarly, non-food inflation increased to 10.1 percent from the preceding month’s position of 9.6 percent due to sustained increases in costs of imported commodities.
- As shown in Chart 3, Malawi and most of its counterparts in the SSA region continue to experience heightened inflation pressures, emanating mostly from exogenous global factors. This notwithstanding, the February 2022 level of headline inflation for Malawi was lower than that of Angola, Zambia, Ghana and Nigeria but was higher than that of Botswana, Mozambique, Kenya, Rwanda, and South Africa.

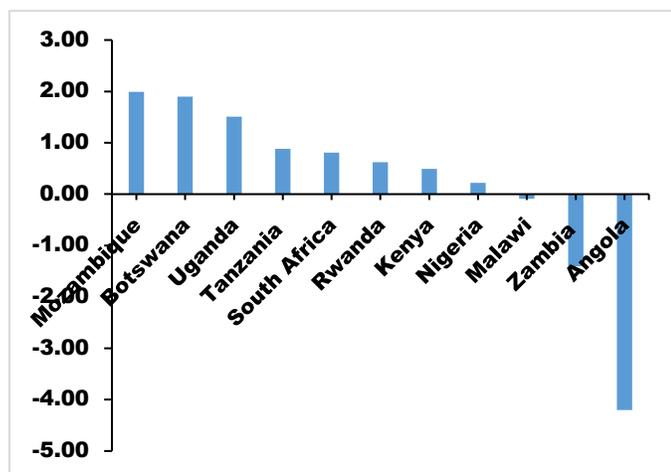
Chart 3: Inflation Rates in Selected SSA Countries



4.2 Exchange Rate Developments

- The Malawi kwacha strengthened, albeit marginally, in February 2022 by 0.3 percent against the US dollar and closed the month at K822.0984 per dollar (Chart 4).

Chart 4: Monthly Percentage changes in Local Currency per US Dollar in February 2022⁶



4.3 Fuel Price Developments

- Meanwhile, domestic retail fuel pump prices remained unchanged in February 2022, since the last adjustment effected in October 2021 of K1,150.00 (US\$1.40) per litre for petrol and K1,120.00 (US\$1.36) per litre for diesel.

6 CONCLUSION

- Generally, the materialization of an unanticipated risk of Russia-Ukraine war has jeopardized prospects of a quick return to low inflation across all global economies. Unless there are interventions to reverse the soaring prices for energy, fertilizers, wheat and other related commodity prices, heightened inflation pressures could persist in 2022. To the net-importing countries including Malawi, the deteriorating terms of trade emanating from these exogenous global shocks could exert further depreciation pressures to the local currency, thereby fueling inflation.
- Meanwhile, as advanced economies begin to respond to these pressures by tightening their monetary policy stance, the asset portfolio shift towards financial assets of these economies could also exert additional pressures to exchange rates of developing and emerging economies, making it more challenging to

contain inflation. Under these circumstances, accommodative monetary policy may not yield the desired results of supporting economic recovery, given that rising inflation coupled with a weakened currency implies that the cost of production also increases. Not surprisingly, central banks in the SSA region have also begun to recalibrate their monetary policy stance much earlier-than-anticipated to avoid perpetuating macroeconomic instability.

- Locally, the decision on whether or not to recalibrate the stance of monetary policy shall be firmed up and communicated on the last day of the Second 2022 Monetary Policy Committee meeting, on 29th April 2022.

⁶ Depreciation (+); Appreciation (-)