



RESERVE BANK OF MALAWI

STATEMENT OF THE 2ND MONETARY POLICY COMMITTEE MEETING FOR 2015

The Monetary Policy Committee (MPC) met on 29 April 2015 to review recent global and domestic economic developments, and decided to maintain the Policy Rate at 25 percent and Liquidity Reserve Requirement (LRR) at 15.5 percent.

The global economy is expected to grow by 3.5 percent in 2015 and further pick up to 3.8 percent in 2016. Crude oil prices fell by 3.8 percent and averaged US\$52.8 per barrel in March 2015. Prospects for global inflation remain favourable in 2015.

On the domestic front, real GDP growth is estimated at 5.4 percent in 2015 from the previous projection of 5.8 percent. The downward revision has been necessitated by a contraction in agriculture due to late on-set of rains, floods and early cessation of the rains. The final impact of the drought on GDP is yet to be ascertained.

In the meantime, the Committee observed that inflation continued the downward path to 18.2 percent in March 2015 from 24.2 percent in December 2014, in line with Reserve Bank of Malawi projections. Barring the supply shocks alluded to above, inflation is expected to trend downwards to around 15.0 percent by June 2015 on account of the stability of the Kwacha and favourable international oil prices. However, the Committee noted that the downward trend could be reversed depending on timeliness of the financing options available to Government to deal with the impact of the drought.

Monetary policy remained tight in the first quarter of 2015 as money supply growth decelerated to 15.0 percent in February 2015 from a high of 34.0 percent in February 2014.

Fiscal performance up to third quarter of the 2014/15 fiscal year was unsatisfactory as domestic borrowing requirements exceeded expectations as contained in the budget. Further pressures on the fiscal budget may arise from unanticipated demands related to the impact of the floods and the drought.

Gross official reserves were US\$673.48 million (3.53 months of imports) at end March 2015 compared with US\$478.4 million (2.50 months of imports) in March 2014. This largely contributed to the stability of the Kwacha against major currencies.

The banking system remained fairly liquid in March 2015 before tightening in April. As a result interbank market rates have since picked up to above 10 percent from a low of 5 percent. The level of non-performing loans in the banking system remained virtually unchanged.

Members Present

Mr Charles S.R. Chuka, Governor; (**Chairman**)

Dr Naomi Ngwira, Deputy Governor, Economics

Dr Grant P. Kabango, Deputy Governor, Supervision

Ms Meg Kajiyani, Deputy Governor, Operations

Mr Chiwemi Chihana, Partner, Ernst and Young, ICAM Representative

In Attendance

Director, Research and Statistics (**Secretary**)

Director, Banking and Currency Management

Director, Governor's Office

Director, Exchange Control

Chief Examiner, Banks

Principal Economist, Financial Stability

Principal Economist, Research and Policy Analysis

Principal Economist, National Accounts and the External Sector

Manager, Governor's Office

Manager, Market Development

Apologies

Mr Godfrey Kalinga, Private Consultant

Dr Ronald Mangani, Secretary to Treasury

Charles S R Chuka

CHAIRMAN