

# Malawi Financial Market Update

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Week ending 16 May 2025





### Market Developments

#### What happened this week

*The World Bank recently approved a USD350 million grant for Malawi's 358.5MW Mpatamanga Hydropower Storage Project.*

*The International Monetary Fund cites weak fiscal discipline, low revenue mobilization, external debt restructuring delays, and foreign reserve challenges as reasons for Malawi's ECF suspension.*

*The headline inflation rate dropped to 29.2% in April 2025 from 30.5% in March 2025. Food inflation eased while non-food inflation rose.*

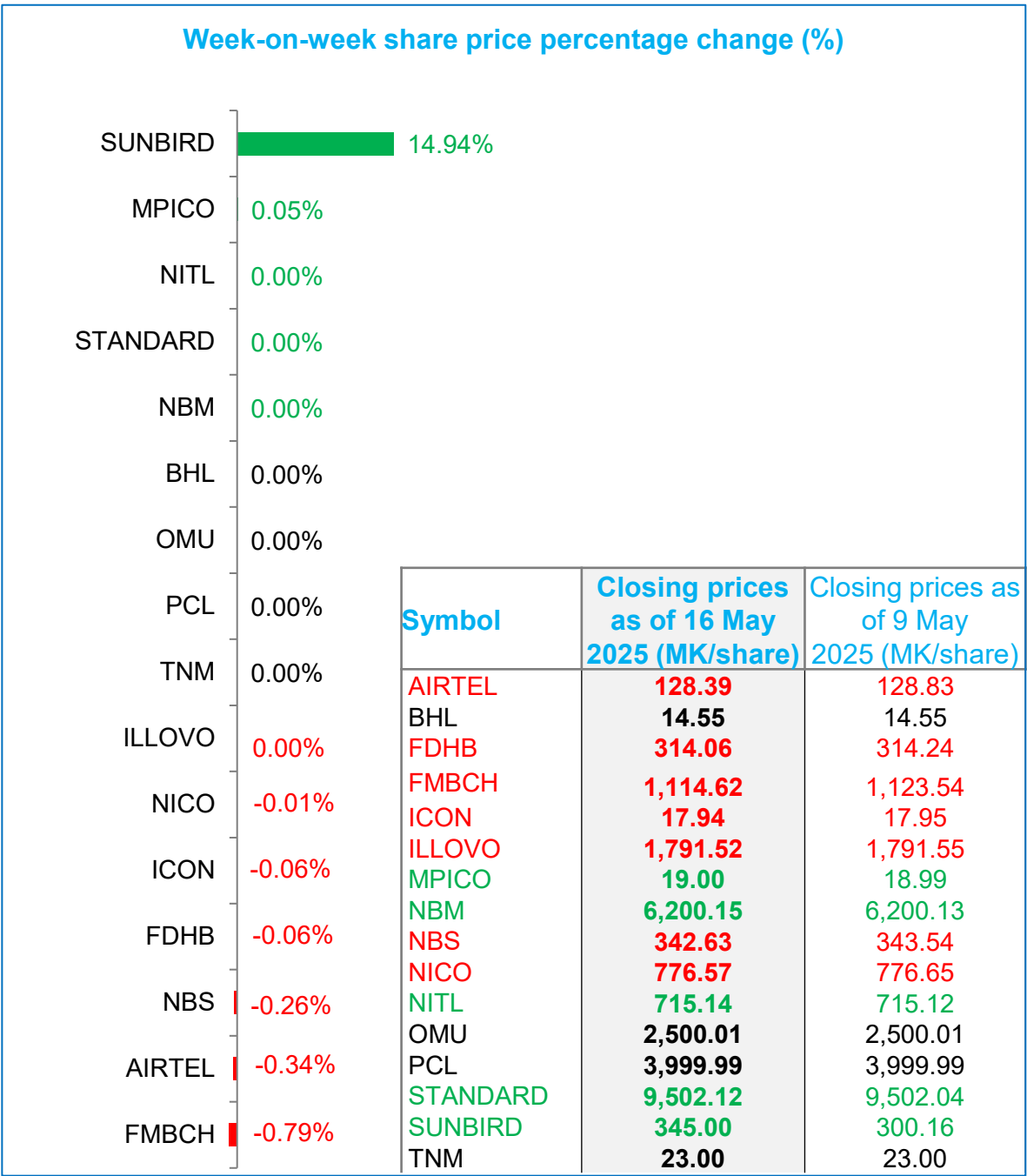
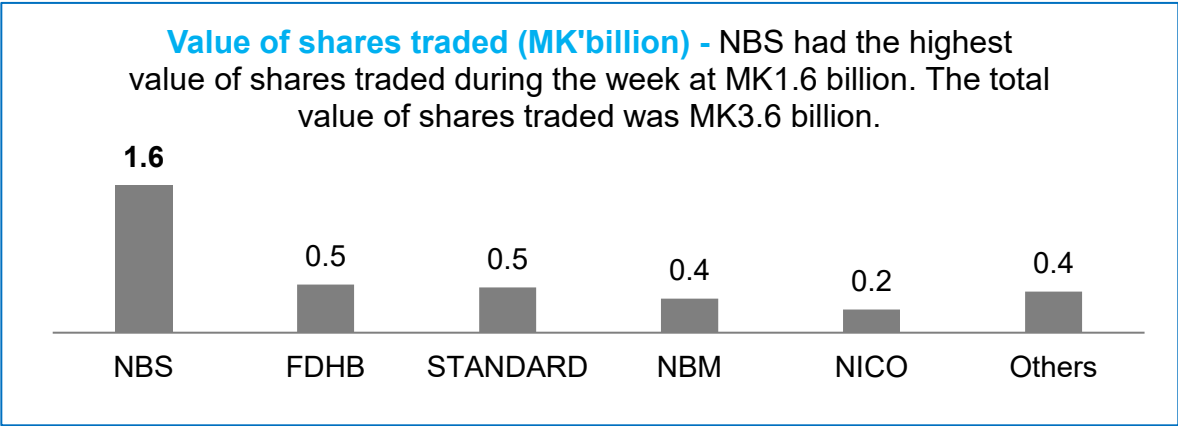
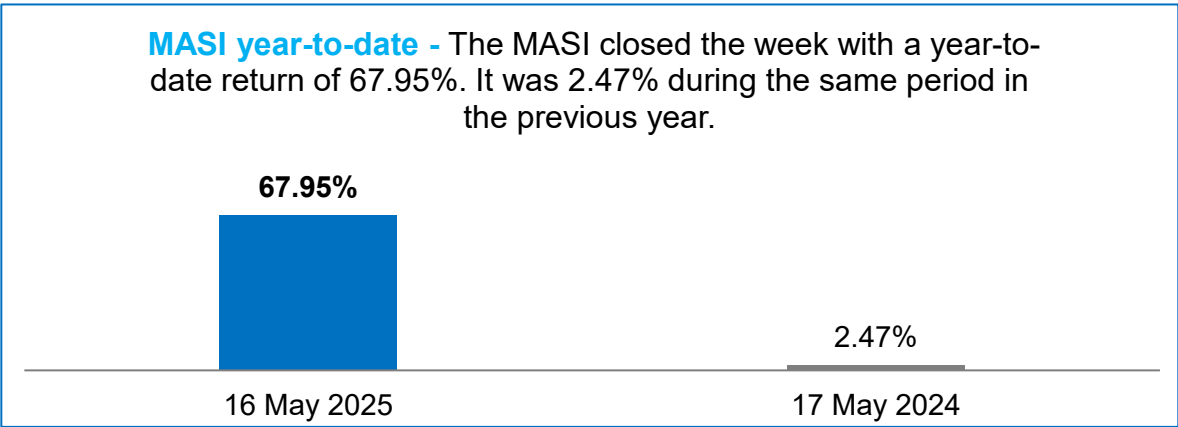
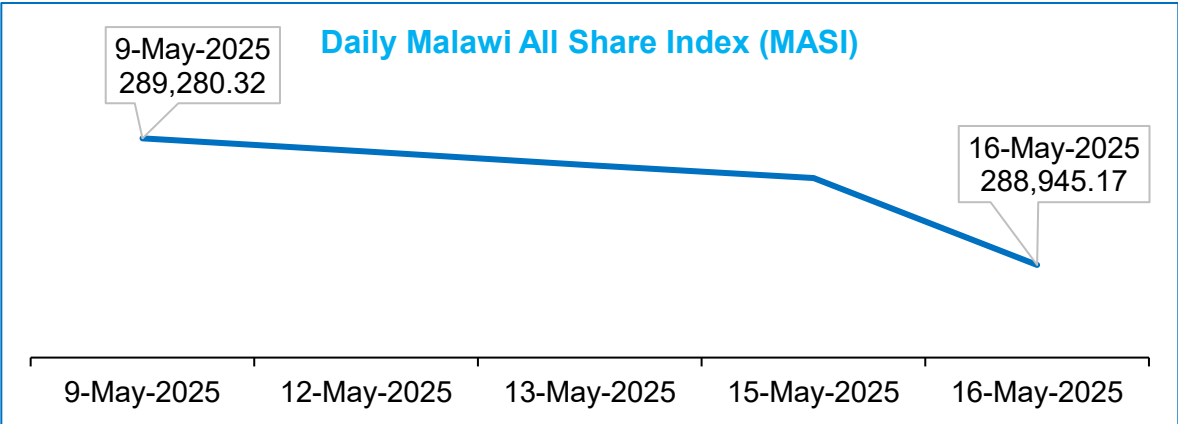
1. The World Bank has approved a USD350 million grant for Malawi's 358.5 megawatt (MW) Mpatamanga Hydropower Storage Project, aimed at transforming the country's energy sector. Once complete, the project will deliver 1,544 gigawatt-hours (GWh) of clean energy annually—enough to power over a million households and drive economic growth. Structured as a public-private partnership with Electricité de France (EDF) and SN Malawi BV, it represents Malawi's largest-ever foreign direct investment. The project will enhance energy access, strengthen grid reliability, and support key sectors including mining, agri-business, and tourism. (*World Bank Group, 15 May 2025*)
2. In April 2025, the year-on-year inflation rate declined to 29.2% from 30.5% in March 2025. Food inflation dropped to 35.8% from 37.7%, while non-food inflation slightly rose to 19.4% from 19.2%. The national month-to-month inflation rate was -2.9%, with food at -4.9% and non-food at 0.7%. (*National Statistical Office, 15 May 2025*)
3. The Government of Malawi and the International Monetary Fund (IMF) have agreed to suspend the Extended Credit Facility (ECF) program following discussions during the Spring Meetings in Washington, D.C. According to the Government of Malawi, the ECF which was approved in November 2023 with a total commitment of USD175 million, was disrupted by external shocks that affected revenue and production. The IMF cited weak fiscal discipline, low revenue collection, delays in external debt restructuring, and difficulties rebuilding foreign reserves as key challenges. (*Ministry of Finance and Economic Affairs & IMF, 14 May 2025*)
4. The Reserve Bank of Malawi (RBM) has called for urgent fiscal responsibility from the government to counter rising economic risks, including high food prices, adverse external sector developments, and mounting fiscal pressures. The Monetary Policy Committee noted that inflation in the first quarter of 2025 rose to 29.9% from 29.2% in the previous quarter, driven by food inflation. The central bank revised its 2025 inflation forecast upward to 27% from 26.5%, warning that unchecked borrowing could worsen the country's economic woes. (*The Nation, 14 May 2025*)
5. The US and China have agreed to a deal to cut import tariffs they imposed on each other by 115% for 90 days. The US had raised tariffs on Chinese imports to 145% in April, prompting China to retaliate by imposing 125% tariffs on US imports. US tariffs on Chinese imports will be cut to 30%, while Chinese tariffs on US imports will be reduced to 10%. (*The Nation, 12 May 2025*)
6. The World Bank states that the demand for critical minerals is set to surge 500% by 2050. The mining sector contributes just 0.7% to Malawi's GDP. With extraction expected to start later this year, authorities project the sector to account for over 10% of GDP and USD40 billion in exports by 2040. The shift towards renewable energy has led to a surge in demand for minerals such as graphite, uranium, and rare earth elements, all of which are abundant in Malawi. As such, transparent and enforceable land rights are essential to regulating mining transparency and upholding the rights of landholders. Laws such as the Environment Management Act (2017), Land Act (2022) and the Mines and Minerals Act (2023) have been implemented to promote this. (*The Nation, 10 May 2025*).
7. Tobacco stakeholders are meeting in Lilongwe to address persistently low tobacco prices, which farmers say are below production costs. Current prices range from USD0.90/kg (MK1,575/kg) to USD3.30/kg (MK5,778/kg), prompting calls for Tobacco Commission intervention. The discussions remain unresolved as pricing complexities involve many players. Experts warn that continued low prices could hurt foreign reserves, destabilize the Malawi Kwacha, and increase tobacco smuggling. The Tobacco Commission and police recently intercepted 7,900 kg (79 bales) of tobacco for cross-border smuggling, highlighting farmers' growing frustration. Recommendations include strengthening farmer cooperatives and establishing transparent price-setting mechanisms. (*The Daily Times, 15 May 2025*)
8. As of 14 May 2025, a cumulative 42.1 million kilograms (kgs) of tobacco have been sold at an average price of USD2.39/kg. The cumulative amount raised so far is USD100.6 million. At this time last year, a cumulative 34.3 million kgs of tobacco had been sold at an average price of USD2.71/kg, and a cumulative USD93.2 million had been raised. (*Auction Holdings Limited, 14 May 2025*)
9. Further to the cautionary announcement dated 14 April 2025, Standard Bank Plc has announced that the proposed share split is still under consideration. The split will not affect shareholders' ownership percentages but is intended to enhance the liquidity and marketability of the shares. The transaction is subject to both regulatory and shareholder approvals. (*Standard Bank Plc, 15 May 2025*)



Malawi Financial Market Update: Week ending 16 May 2025

Stock market (Source: MSE)

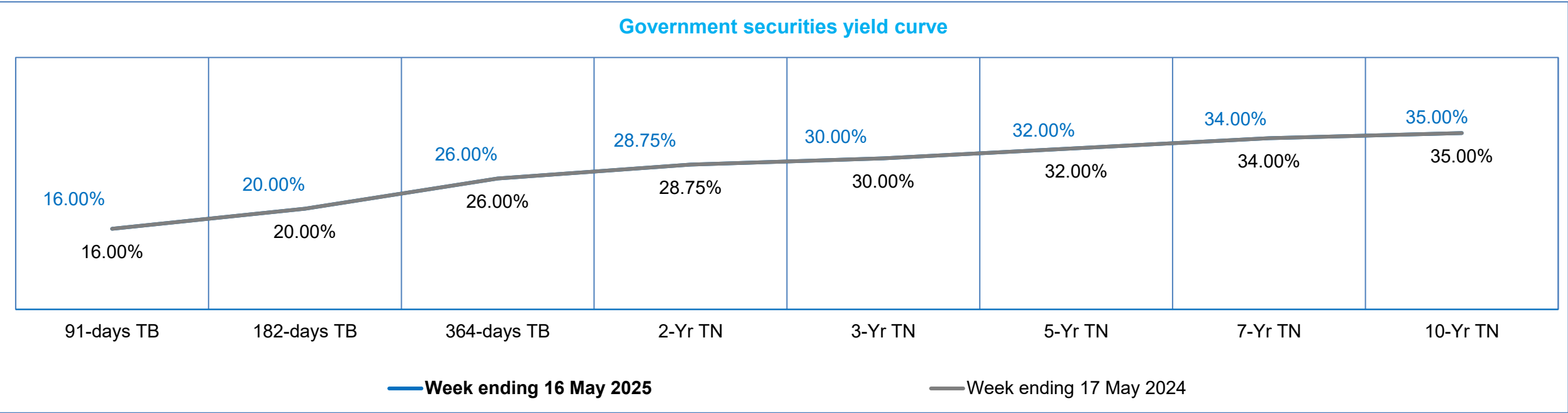
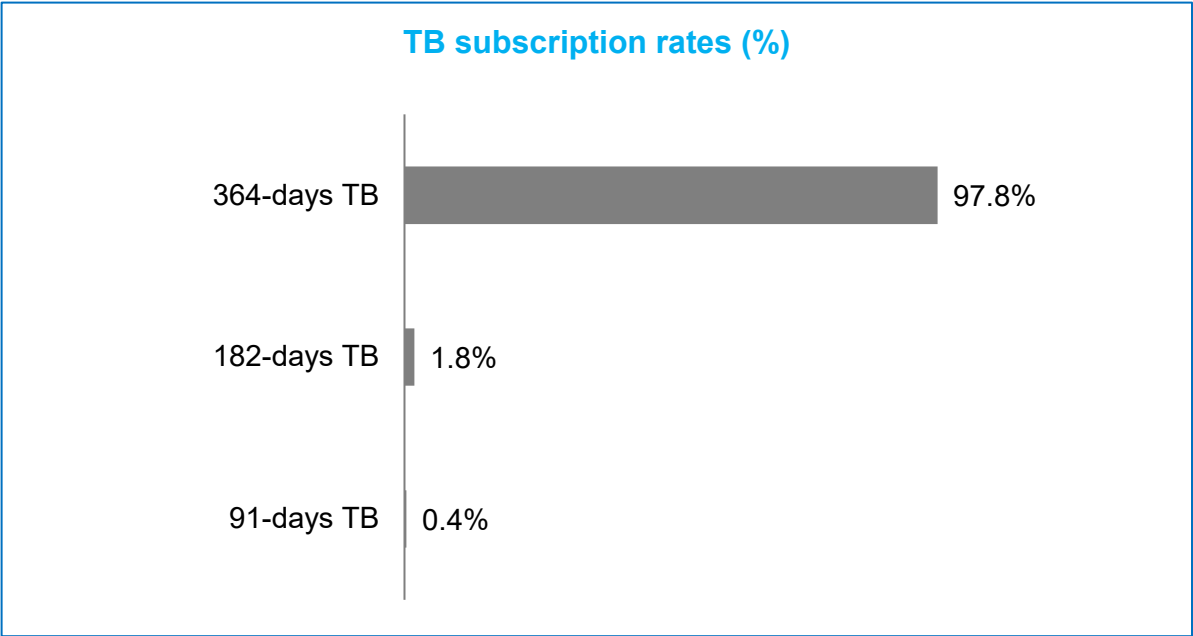
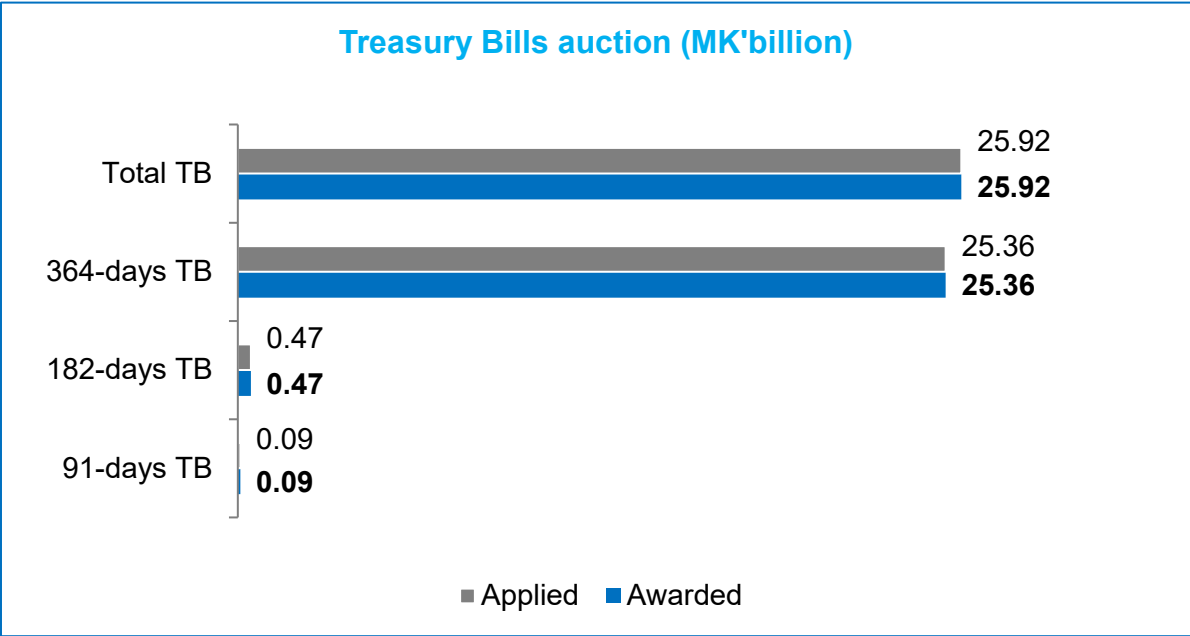
The stock market was bearish, with the Malawi All Share Index (MASI) closing the week ending 16 May 2025 at 288,945.17 points from 289,280.32 points on 9 May 2025.





Government Securities (Source: RBM)

The Reserve Bank of Malawi held an auction for all tenors of Treasury Bills (TBs) during the period under review. The total amount raised from the TBs auction was MK25.92 billion, primarily driven by the 364-days TB. The average yields on Treasury Bills and notes remained at 20.67% and 31.95%, respectively.



TB: Treasury Bill  
TN: Treasury Note





## Appendix 1: Historical Economic Indicators

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	April-25	16-May-25
<b>Exchange Rates (middle rates)</b>														
MK/USD	1,745.70	1,750.76	1,749.51	1,749.95	1,750.31	1,750.37	1,749.95	1,750.11	1,749.93	1,750.35	1,749.65	1,750.25	1,750.51	<b>1,734.01*</b>
MK/GBP	2,256.81	2,285.22	2,274.74	2,311.11	2,368.68	2,411.29	2,338.28	2,290.94	2,250.25	2,233.84	2,268.53	2,329.61	2,412.28	<b>2,380.42*</b>
MK/EUR	1,922.25	1,951.14	1,922.54	1,947.33	1,994.06	2,003.14	1,953.49	1,904.40	1,861.87	1,866.83	1,873.26	1,945.36	2,052.11	<b>2,003.04*</b>
MK/ZAR	95.40	95.89	96.89	97.91	101.09	105.69	101.15	99.29	95.82	97.11	97.04	98.15	96.28	<b>99.13*</b>
<b>Foreign Exchange Reserves</b>														
Total Reserves (USD'mn)	603.07	610.18	591.51	572.02	549.85	560.3	519.0	516.9	530.9	570.60	569.5	N/A	N/A	<b>N/A</b>
<b>Inflation</b>														
Headline	32.3%	32.7%	33.3%	33.7%	33.9%	34.3%	32.4%	27.0%	28.1%	28.5%	30.7%	30.5%	29.2%	<b>N/A</b>
Food	39.9%	40.7%	41.5%	41.9%	42.0%	43.5%	40.3%	33.7%	35.6%	36.0%	38.5%	37.7%	35.8%	<b>N/A</b>
Non-food	22.4%	22.1%	22.2%	22.4%	22.7%	21.8%	21.2%	17.2%	16.8%	16.9%	18.5%	19.2%	19.4%	<b>N/A</b>
<b>Interest Rates</b>														
Monetary Policy Rate	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	<b>26.00%</b>
Average Interbank Rate (Overnight)	22.54%	23.39%	24.17%	24.20%	24.37%	24.20%	24.20%	23.23%	23.22%	23.19%	23.18%	23.19%	23.18%	<b>23.20%</b>
Lombard Rate	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	<b>26.20%</b>
Commercial Bank Reference Rate	24.90%	25.00%	25.10%	25.40%	25.40%	25.40%	25.40%	25.50%	25.30%	25.20%	25.10%	25.10%	25.10%	<b>25.20%</b>
<b>Government Securities Yields</b>														
91-days Treasury Bill	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	<b>16.00%</b>
182-days Treasury Bill	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	<b>20.00%</b>
364-days Treasury Bill	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	<b>26.00%</b>
2-year Treasury Note	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	<b>28.75%</b>
3-year Treasury Note	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>
5-year Treasury Note	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	<b>32.00%</b>
7-year Treasury Note	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	<b>34.00%</b>
10-year Treasury Note	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	<b>35.00%</b>
<b>Year-to-date Return</b>														
MASI	2.95%	4.03%	9.15%	16.26%	27.33%	28.60%	32.69%	47.08%	55.06%	29.90%	64.92%	69.52%	68.39%	<b>67.95%</b>
DSI	0.46%	1.68%	7.63%	14.76%	27.45%	28.90%	33.57%	47.71%	52.11%	32.35%	50.42%	56.52%	62.53%	<b>62.62%</b>
FSI	20.39%	20.38%	19.75%	26.76%	26.48%	26.54%	26.51%	42.71%	75.65%	15.08%	152.62%	148.16%	103.82%	<b>100.20%</b>

\*: Reserve Bank of Malawi opening exchange rates (middle) as of 16 May 2025

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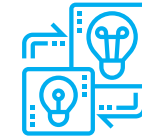
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