

Malawi Monthly Economic Report and an Overview of the IMF Country Report

August 2025



Table of Contents

	Page
1. Executive Summary and Outlook	3
2. Economic Overview	4
I. Inflation and Monetary Policy	4
II. Foreign Exchange Market and Reserves Position	5
III. Stock Market	6
IV. Corporate Announcements from Publicly Listed Companies	7
VI. Fiscal Policy and Government Securities	8
3. Market Developments	9
I. Commodities Market Developments	9
II. Other Market Developments	10
4. An Overview of the IMF Country Report	11
5. Appendices	14
6. Disclaimer	19
7. Contact Information	20

Inflation and Monetary Policy

In July 2025, the headline inflation rose to 27.3% from 27.1% in June 2025, driven by the rise in food inflation, which outweighed the decline in non-food inflation. The food inflation rate increased to 32.4% from 31.6% in June 2025, while the non-food inflation rate decreased to 19.3% from 20.1% in June 2025. The latest inflation forecasts vary across institutions, with the IMF projecting 27.7% in 2025 and 21.7% in 2026, Oxford Economics estimating 28.8% and 31.2%, and the World Bank projecting 34.7% and 27.8% over the same period.

The annual growth rate of money supply (M2) accelerated to 49.1% in July 2025 from 45.8% in June 2025 and was higher than the 43.8% recorded in July 2024.

Foreign Exchange Market and Reserves Position

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,749.95/USD as of 31 August 2025 from MK1,750.58/USD as of 31 July 2025. The MPC expects exchange rate pressures to persist in 2025.

In June 2025, the country's total foreign exchange reserves increased by 6.7% to USD555.9 million from USD521.0 million in May 2025. The import cover increased to 2.2 months in June 2025 from 2.1 months in May 2025.

The Reserve Bank of Malawi (RBM) announced the commencement of the Foreign Exchange (Repatriation of Export Proceeds) Directive, 2025, effective 1 August 2025. Under this directive, exporters must repatriate export proceeds within 120 days of export. The RBM also issued a public notice warning against the rising cases of illegal foreign currency transactions in the country. The Bank reminds the public that only authorized dealers are permitted to buy or sell foreign currency and that informal market dealings and online foreign exchange platforms, including those targeting the diaspora, are illegal.

Stock Market

The stock market was bullish in August 2025, with the Malawi All Share Index (MASI) rising by 38.58% to 535,303.19 points from 386,281.85 points in July 2025, bringing the MASI's year-to-date return to 211.15%. The value of shares traded increased by 106% to MK59.5 billion in August 2025 from MK28.8 billion in July 2025.

Fiscal Policy and Government Securities

The government raised MK511.58 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in August 2025, representing an 8% decrease from the MK557.57 billion raised in July 2025.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price increased by 13% to MK1,169/kg in July 2025 from MK1,034/kg in June 2025.

As of 31 August 2025, the cumulative value of tobacco sold was USD517.07 million, higher than the USD396.78 million sold during the same period in the previous year.

Malawi Economic Growth Outlook

Real GDP growth forecasts for Malawi in 2025 range from 1.6% to 3.2%, with a median estimate of 2.4%, reflecting a downward revision by major institutions amid adverse weather, funding cuts, and persistent foreign exchange shortages. Oxford Economics projects 2.4% growth, supported by a relatively strong harvest and the reopening of the Kayelekera uranium mine, which is expected to partially offset the impact of the withdrawal of IMF and USAID funding. The Economist Intelligence Unit (EIU) offers the lowest forecast at 1.6%, pointing to drought-related declines in agriculture and erratic power supply. The Reserve Bank of Malawi (RBM) forecasts a 3.2% growth rate due to poor weather at the start of the farming season. The World Bank projects a 2.0% growth rate, citing a weaker-than-expected agricultural season, aid suspensions, and difficulties for the private sector in importing critical inputs. Meanwhile, the IMF and African Development Bank (AfDB) forecast growth at 2.4% and 3.0%, respectively.

Opportunities

In the view of Oxford Economics, when fully implemented, the African Continental Free Trade Area initiative will unify African economies into a single market for goods and services, opening new channels for trade and creating opportunities for Malawi to foster stronger trade relations with neighboring countries.

Malawi and South Sudan have agreed to revive a USD295 million annual agricultural commodity export deal, and South Sudan issued a

commitment letter outlining demand for maize flour, rice, beans, groundnuts, cooking oil, and other crops. The Malawi Investment and Trade Centre (MITC) is urging farmers, cooperatives, and traders to prepare, promising transparent supply calls and strict quality assurance measures backed by the Malawi Bureau of Standards and independent labs.

Risks

According to the IMF, in the medium term, downside risks include lower-than-expected grants and food production, additional trade tensions, and delayed reforms, which could deepen macroeconomic instability. Difficulties in securing sufficient external financing could put further pressure on fiscal and external sustainability, potentially leading to the decumulation of reserves and/or compression of imports.

An Overview of the IMF Country Report

The IMF's 2025 Article IV Consultation highlights Malawi's significant macroeconomic challenges, marked by weak growth, high inflation, unsustainable debt, and critically low foreign exchange reserves. GDP growth decreased to 1.8% in 2024, inflation averaged 32.2%, and public debt reached 88% of GDP, with interest payments projected to absorb over 40% of revenues by 2026. According to the IMF, the exchange rate remains overvalued, and debt restructuring with commercial creditors has stalled, leaving Malawi in debt distress. Risks are tilted to the downside, including weak food production, reduced donor inflows, and rising social pressures ahead of the 2025 elections.

The IMF calls for urgent reforms to restore stability, recommending revenue-focused fiscal consolidation, tighter monetary policy to curb inflation, and adoption of a unified, market-clearing exchange rate. Rebuilding foreign exchange reserves, addressing distortions such as frozen fuel prices, and improving state-owned enterprise (SOE) oversight are also emphasized. Governance and structural reforms – strengthening the rule of law, anti-corruption, Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT), and central bank independence – are viewed as critical to restoring credibility, unlocking investment, and supporting inclusive growth.



Economic Overview

Inflation and Monetary Policy

In July 2025, headline inflation rose to 27.3% from 27.1% in June 2025, driven by the rise in food inflation, which outweighed the decline in non-food inflation.

The commercial bank reference rate for September 2025, effective 3 September 2025, is 25.3%.

Inflation (Source: NSO, IMF, RBM, WB, EIU, Oxford Economics, AfDB)

Headline inflation rose to 27.3% in July 2025 from 27.1% in June 2025, driven by the rise in food inflation, which outweighed the decline in non-food inflation. The food inflation rate increased to 32.4% in July 2025 from 31.6% in June 2025, while the non-food inflation rate decreased to 19.3% in July 2025 from 20.1% in June 2025.

The 2025 inflation projections for Malawi vary across institutions, although most expect some easing of inflation. Oxford Economics forecasts inflation to average 28.8%, citing lower imported inflation and improved agricultural output compared to 2024. The International Monetary Fund (IMF) projects a slightly lower rate of 27.7%, while the Reserve Bank of Malawi (RBM) has revised its forecast to 28.5% due to key downside risks, including widening fiscal imbalances, external sector fragility, and elevated food prices. The Economist Intelligence Unit (EIU) forecasts the inflation rate at 28.1%, attributing inflationary pressure to currency weakness and continued government borrowing. The World Bank's (WB) projection is highest at 34.7%, citing a weaker agricultural recovery, new import bans that constrain supply, and continued high money supply growth. The African Development Bank (AfDB) is the most optimistic, projecting a decline to 23.8%.

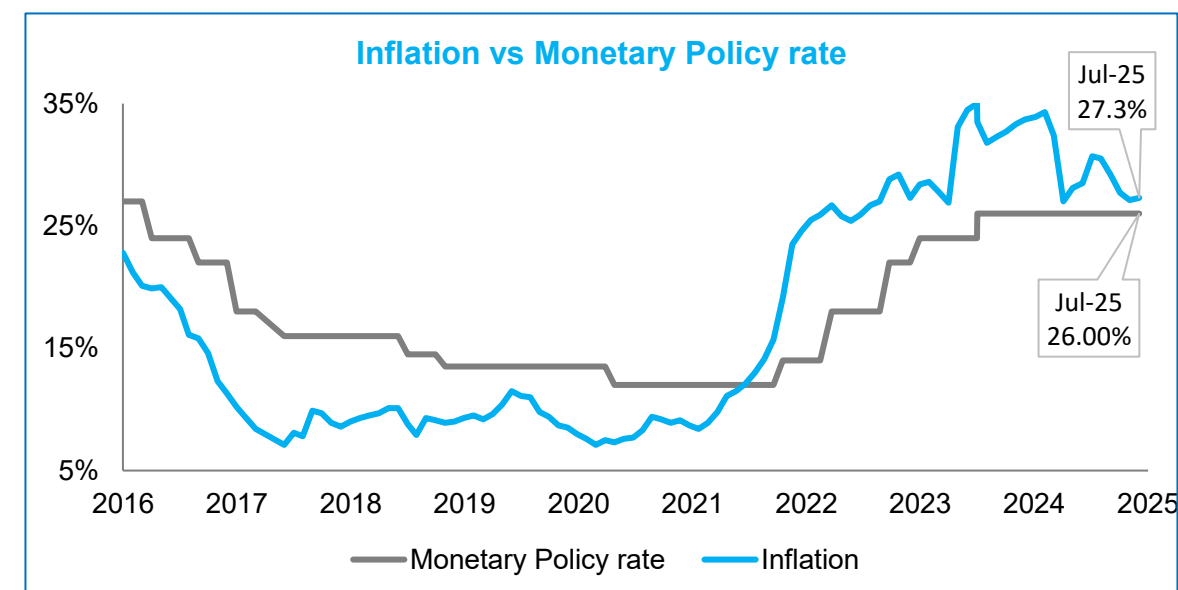
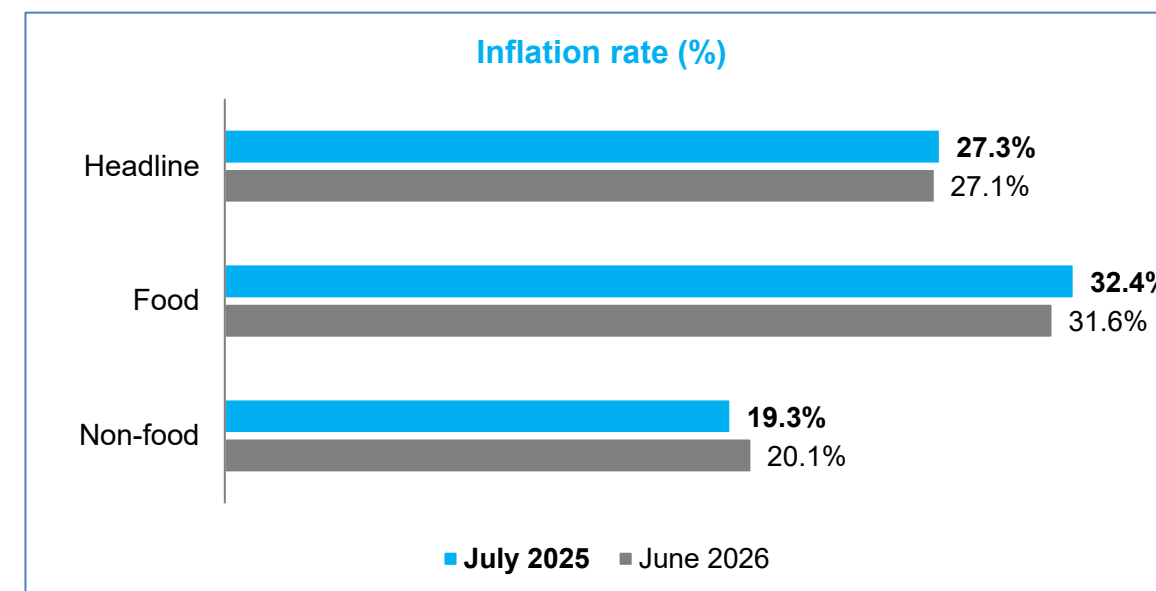
Monetary Policy (Source: RBM, Oxford Economics, NBM)

The Monetary Policy Committee (MPC) held its third meeting of 2025 on 30 and 31 July. The Committee decided to maintain the Policy Rate at 26.0%, the Lombard rate at 20 basis points above the policy rate, and the Liquidity Reserve Requirement (LRR) at 10.0% for local currency deposits and 3.75% for foreign currency deposits.

The IMF's view is that with elevated inflation expected to continue through 2025, the policy rate should be raised to a real positive level until inflation credibly eases, with the raising of the liquidity reserve requirement, as a second-best option. It recommends that the RBM should prioritize open market operations (OMO) at a fixed rate with full allotment to mop up excess liquidity and offset its purchases of government securities in the secondary market.

The annual growth rate of money supply (M2) accelerated for the fourth consecutive month in July 2025, reaching 49.1% from 45.8% in June 2025, and was higher than the 43.8% recorded in July 2024. M2 comprises currency in circulation, demand deposits, savings accounts, term deposits, foreign currency deposits, and money market accounts. This acceleration in money supply growth is expansionary, boosting short-term liquidity. However, it is likely to fuel inflation, weaken the currency, and undermine macroeconomic stability if not matched by economic output growth.

The commercial bank reference rate for September 2025 is 25.3%, a decrease from the 25.4% in August 2025. The rate is effective from 3 September 2025.





Economic Overview (Continued)

Foreign Exchange Market and Reserves Position

In June 2025, the country's total foreign exchange reserves increased to USD555.9 million from USD521.0 million in May 2025.

The Reserve Bank of Malawi (RBM) announced the commencement of the Foreign Exchange (Repatriation of Export Proceeds) Directive, 2025, requiring exporters to repatriate export proceeds within 120 days.

Foreign Exchange Market (Source: RBM, IMF)

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,749.95/USD as of 31 August 2025 from MK1,750.58/USD as of 31 July 2025. During the same period last year, the Malawi Kwacha traded at MK1,750.31/USD as of August 2024, from MK1,749.95/USD as of July 2024. The MPC expects exchange rate pressures to persist in 2025.

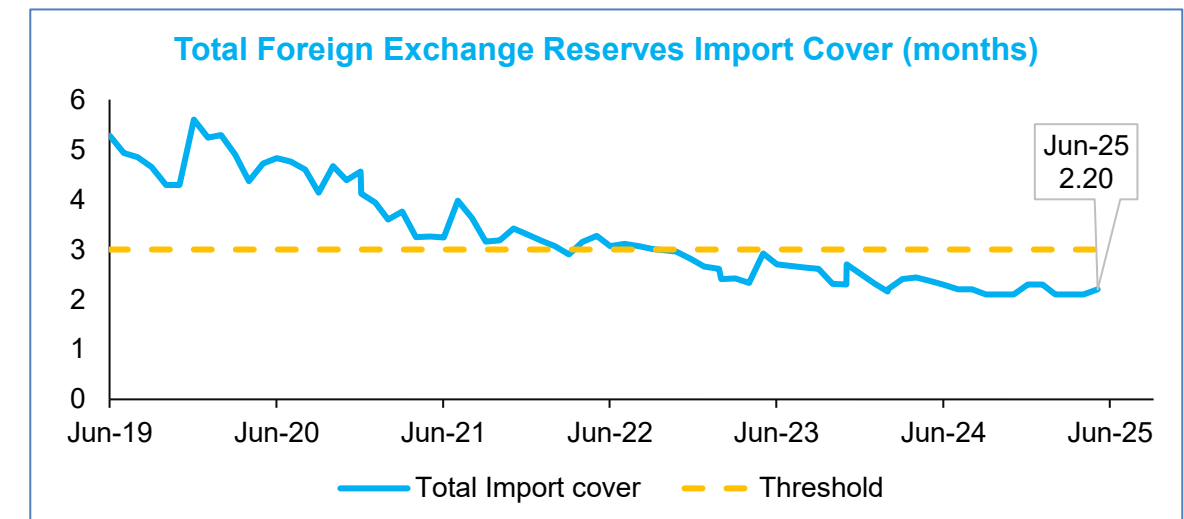
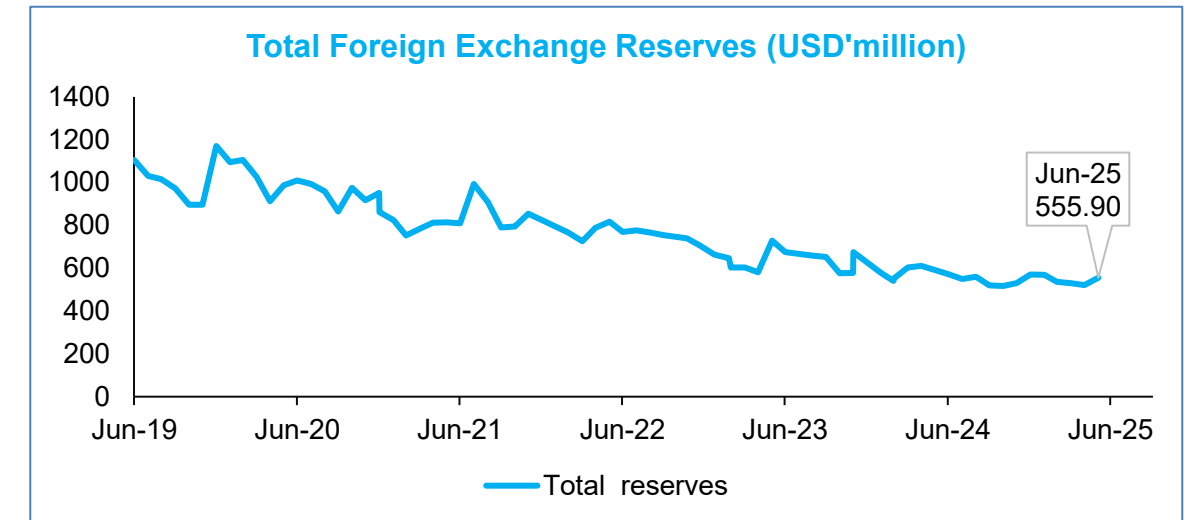
According to the IMF, Malawi's official exchange rate is overvalued, which is creating distortions across the real economy. This has also substantially erased the benefits of the 44% devaluation in November 2023. This dynamic, coupled with elevated money growth and foreign exchange (FX) scarcity, has led to increased activity in the parallel FX market and a growing spread to the official rate, peaking at over 150% earlier this year. The IMF maintains that exchange rate unification is a short-term reform priority to avoid a high inflation, low growth trap, and needs to be considered as part of a broader macro stabilization package.

Foreign Exchange Reserves Position (Source: RBM)

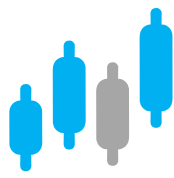
In June 2025, the country's total foreign exchange reserves increased by 6.7% to USD555.9 million from USD521.0 million in May 2025. The import cover increased to 2.2 months in June 2025 from 2.1 months in May 2025. In June 2024, the total foreign exchange reserves were at USD584.7 million, translating to 2.3 months of import cover.

The Reserve Bank of Malawi (RBM) announced the commencement of the Foreign Exchange (Repatriation of Export Proceeds) Directive, 2025, effective 1 August 2025. Under this directive, exporters must repatriate export proceeds in their registered name to Malawi within 120 days of export. Exporters unable to meet this deadline must apply for an extension through their authorized dealer bank, providing valid reasons and the requested period. Failure to comply attracts a penalty of 150% of the value of the unrepatriated goods or services, possible deregistration, and, if penalties remain unpaid, a fine of MK200 million and up to seven years imprisonment. The RBM further warns that exporters with unreconciled proceeds beyond 120 days must reconcile them within 15 days of this notice or face legal action.

The Reserve Bank of Malawi (RBM) issued a public notice warning against the rising cases of illegal foreign currency transactions in the country. The Bank reminds the public that, under the Foreign Exchange Act No. 18 of 2025, only authorized dealers are permitted to buy or sell foreign currency. It is an offence for unauthorized persons to engage in buying, selling, borrowing, lending, or transferring foreign currency, as well as aiding or abetting such activities or falsely presenting themselves as authorized dealers. The Bank emphasizes that informal market dealings and online foreign exchange platforms, including those targeting the diaspora, are illegal. The public is urged to comply with the law and report suspicious activities to relevant authorities, as violations will attract sanctions under the Act.



	June 2025	May 2025	Month-on-month change (%)
Total Reserves (USD'millions)	555.9	521.0	6.7%
Total import cover (months)	2.2	2.1	4.8%



Stock Market

The stock market was bullish in August 2025, with the Malawi All Share Index (MASI) rising by 38.58% to 535,303.19 points from 386,281.85 points in July 2025. This brought the MASI year-to-date return to 211.15% in August 2025. In August 2024, the year-to-date return was 27.33%.

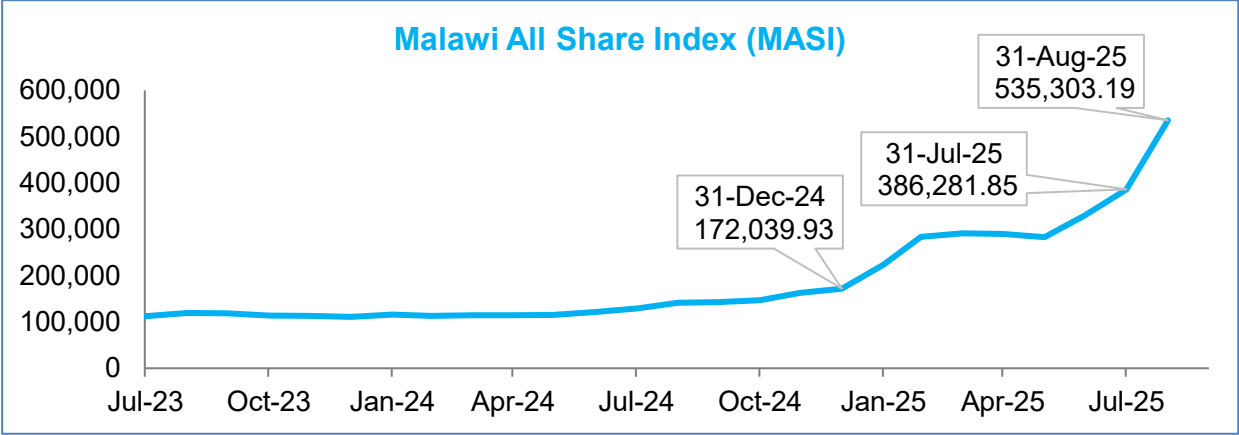
The total value of shares traded on the Malawi Stock Exchange in August 2025 was MK59.5 billion, with STANDARD leading in value of shares traded at MK21.7 billion.

Stock Market Performance (Source: MSE)

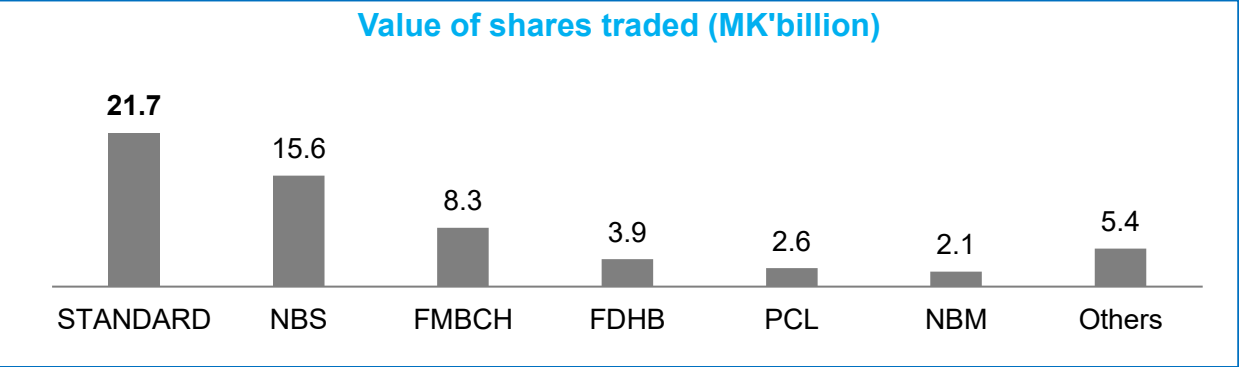
The stock market was bullish in August 2025, with the Malawi All Share Index (MASI) rising by 38.58% to 535,303.19 points from 386,281.85 points in July 2025. This brought the MASI year-to-date return to 211.15% in August 2025. In August 2024, the year-to-date return was 27.33%.

STANDARD recorded the highest share price gain in August 2025, rising by 120.9% to close the month at MK6,499.09, having opened at MK2,942.74. NICO, NBS, PCL, NITL, FDHB, FMBCH, NBM, AIRTEL, and BHL also recorded significant share price gains in the month.

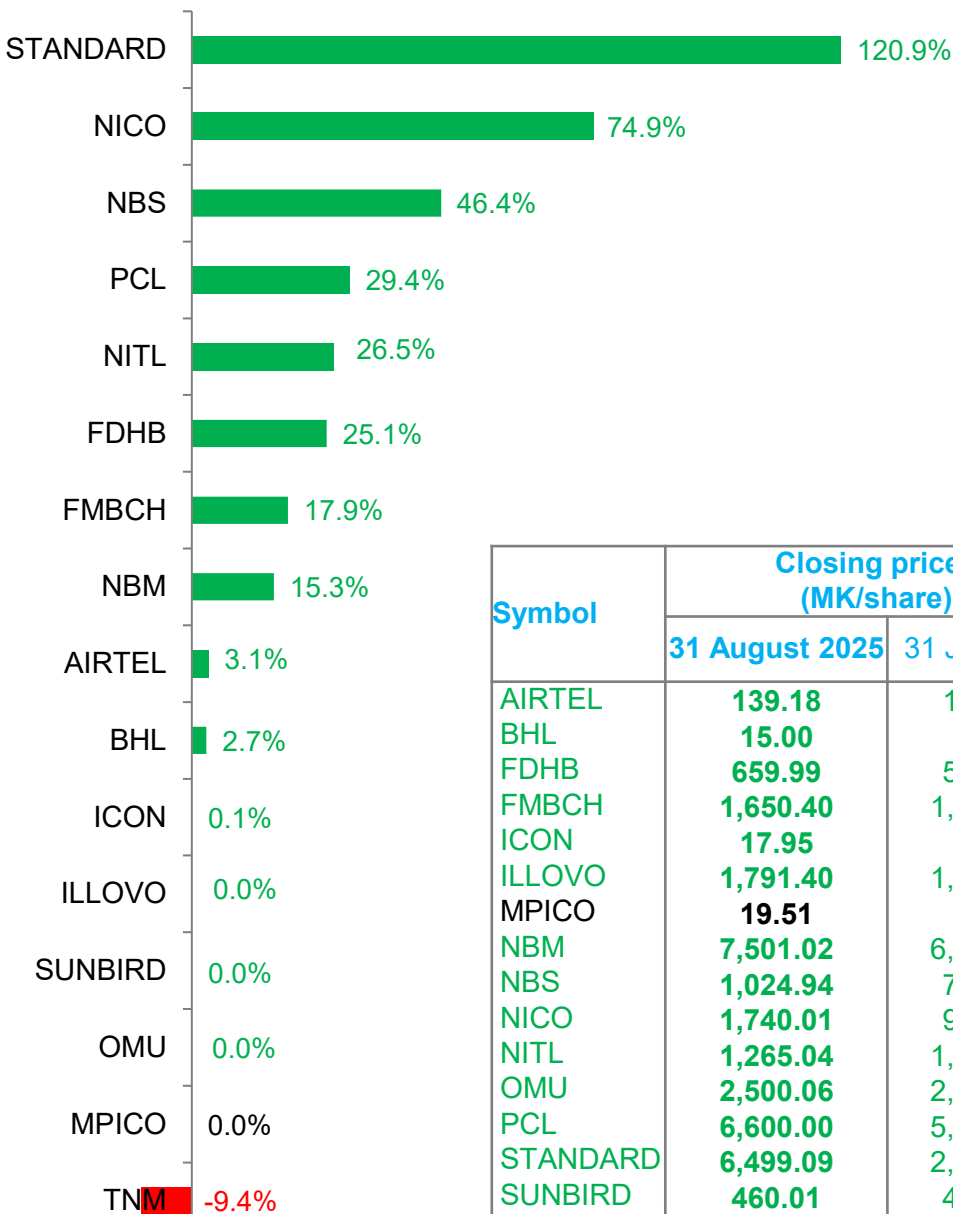
There was a share price loss for TNM during the period under review.



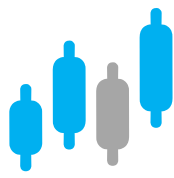
The number of trades on the MSE decreased by 3% to 4,345 in August 2025 from 4,501 in July 2025. The value of shares traded increased by 106% to MK59.5 billion in August 2025, from MK28.8 billion in July 2025. STANDARD had the highest value of shares traded at MK21.7 billion in August 2025.



Month-on-month share price percentage change (%)



Symbol	Closing prices (MK/share)	
	31 August 2025	31 July 2025
AIRTEL	139.18	135.05
BHL	15.00	14.60
FDHB	659.99	527.42
FMBCH	1,650.40	1,399.98
ICON	17.95	17.94
ILLOVO	1,791.40	1,791.23
MPICO	19.51	19.51
NBM	7,501.02	6,505.62
NBS	1,024.94	700.00
NICO	1,740.01	995.00
NITL	1,265.04	1,000.01
OMU	2,500.06	2,500.05
PCL	6,600.00	5,100.01
STANDARD	6,499.09	2,942.74
SUNBIRD	460.01	460.00
TNM	35.79	39.50



Economic Overview (Continued)

Corporate Announcements from Publicly Listed Companies

Illovo Sugar Malawi Plc shareholders approved the company's proposal to get a USD45 million shareholder loan from Sucoma Holdings Limited, with an option for an additional USD15 million.

Press Corporation Plc (PCL) has entered into a definitive agreement with the Government of Malawi (GoM) for the disposal of PCL's entire stake in Malawi Telecommunications Limited (MTL).

Published Financials (Source: MSE)

The following companies listed on the MSE have released their unaudited financial results for the six months ended 30 June 2025.

Counter	Profit/(loss) for the six months ended 30 June 2025 (MK'bn)	Profit/(loss) for the six months ended 30 June 2024 (MK'bn)	Change
FDHB	60.3	27.9	116%
FMBCH (USD'mn)	72.9	46.8	56%
SUNBIRD	5.5	4.8	15%
NBM	84.1	42.1	100%
NBS	73.2	32.6	124%
NICO	124.9	49.3	153%
STANDARD	48.1	42.4	13%
TNM	8.0	2.3	253%

Published Trading Statements (Source: MSE)

In compliance with the listing requirements of the Malawi Stock Exchange (MSE), a listed company is required to publish a trading statement as soon as there is a reasonable degree of certainty that the financial results for the period to be reported upon will differ by at least 20% from the financial results for the previous corresponding period. Below are the latest trading statement data.

Counter	30 June 2025 (MK'bn)	30 June 2024 (MK'bn)	Trading Statement Profit/Loss Expectation
BHL	3.4 - 3.5	-0.8	529% - 549%
ICON	11.0 - 13.0	9.7	18% - 33%
ILLOVO*	74.6 - 79.2	22.6	230% - 250%
MPICO	7.2 - 8.0	5.7	26% - 40%
NITL	84.0 - 84.5	4.3	1,846% - 1,858%
PCL	89.3 - 96.0	45.3	97% - 112%

* - For the full year ending 31 August 2025

Dividend Announcements (Source: MSE)

Below are the latest updates on dividend announcements by publicly listed companies

Counter	Dividend Type	Proposed/ Declared	Dividend Per Share (MK)	Last Day to Register	Payment Date
FMBCH	2nd Interim	Declared	0.30 cents	3-Oct-25	17-Oct-25
ICON	Final	Declared	0.15	12-Sep-25	26-Sep-25
ILLOVO	2nd Interim	Declared	7.00	19-Sep-25	26-Sep-25
NBM	Interim	Declared	35.64	12-Sep-25	2-Oct-25
NBS	Interim	Declared	4.70	5-Sep-25	15-Sep-25
NICO	Interim	Declared	6.00	19-Sep-25	22-Sep-25
PCL	Interim	Declared	20.79	12-Sep-25	26-Sep-25
SUNBIRD	Interim	Declared	2.80	10-Oct-25	30-Oct-25
TNM	Interim	Declared	0.20	12-Sep-25	26-Sep-25

Other Announcements (Source: MSE, Published Media)

- Illovo Sugar Malawi Plc shareholders approved the company's proposal to get a USD45 million shareholder loan from Sucoma Holdings Limited, with an option for an additional USD15 million.
- Press Corporation Plc (PCL) has entered into a definitive agreement with the Government of Malawi (GoM) for the disposal of PCL's entire 52.7% stake in Malawi Telecommunications Limited (MTL). The deal is worth about 0.76% of PCL's market capitalization of MK793.7 billion on the Malawi Stock Exchange as of 29 August 2025. The transaction is expected to be fully completed within the 2025 financial year. Upon completion, management and control in MTL will be transferred to the GoM.



Economic Overview (Continued)

Fiscal Policy and Government Securities

The IMF reported that the overall fiscal deficit was 10.1% of GDP in FY2024/25, primarily due to lower-than-expected revenues, election-related spending, and a rapidly rising interest bill, which is projected to exceed 8% of GDP in FY2025/26.

The government awarded MK511.58 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in August 2025, an 8% decrease from the MK557.57 billion awarded in July 2025.

Fiscal Policy (Source: IMF, Oxford Economics)

The IMF reported that the overall fiscal deficit was 10.1% of GDP in FY2024/25. This deficit was primarily due to lower-than-expected revenues, election-related spending, and a rapidly rising interest bill, which is projected to exceed 8% of GDP in FY2025/26. In their assessment, the IMF emphasized that fiscal consolidation, focusing on domestic revenue generation, is crucial for reducing inflationary pressures and improving debt sustainability. They recommended reforms in tax policy and revenue administration to widen the tax base. On the expenditure side, it would be essential to manage the interest and wage bills while reallocating spending toward infrastructure, human capital investment, and social protection. The IMF also encouraged enhancements in public financial management to improve expenditure control and budget execution, along with strengthening state-owned enterprises (SOEs). They advocated for the completion of external debt restructuring and stated that a credible medium-term fiscal framework would support fiscal sustainability.

According to Oxford Economics, the closure of the US Agency for International Development (USAID) in July and the termination of an IMF loan programme with Malawi in May have exposed the risks of being overly reliant on external funding sources. Foreign aid from USAID and concessional loans from the IMF have been crucial for the provision of public services in Malawi, as well as a means of easing pressure on the fiscal budget. However, the country's dependence on these sources of funding has come at the cost of self-sufficiency, making it vulnerable to adverse developments on the global stage. However, Oxford Economics highlights that over the long term, there are plenty of opportunities for Malawi to capitalize on if it succeeds in learning how to fend for itself in an increasingly fractured global economy.

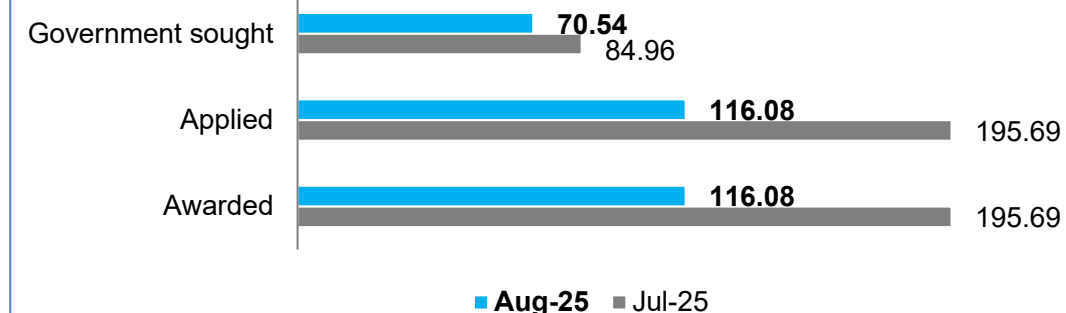
Government Securities (Source: RBM)

The government sought to borrow MK186.78 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in August 2025. This is 29% lower than the MK263.63 billion sought in July 2025. Overall, participants applied for MK511.58 billion, which was all awarded, representing an 8% decrease from the MK557.57 billion awarded in July 2025. The graphs on the right show the breakdown between TBs and TNs in August 2025 compared to July 2025. In August 2025, all the TB and TN auctions had a nil rejection rate.

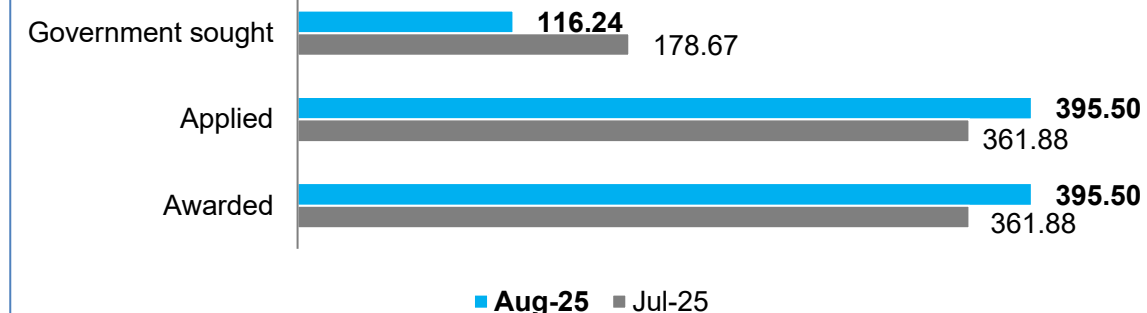
Government Securities Yield Curve

As of 31 August 2025, the 91, 182, and 364-day TB yields remained at 16.00%, 20.00%, and 26.00%, respectively. The average TB yield was 20.67%, unchanged from 20.67% as of 31 August 2024. Similarly, the 2, 3, 5, 7, and 10-year TN yields remained at 28.75%, 30.00%, 32.00%, 34.00%, and 35.00%, respectively. The average TN yield was 31.95%, unchanged from the average yield of 31.95% as of 31 August 2024.

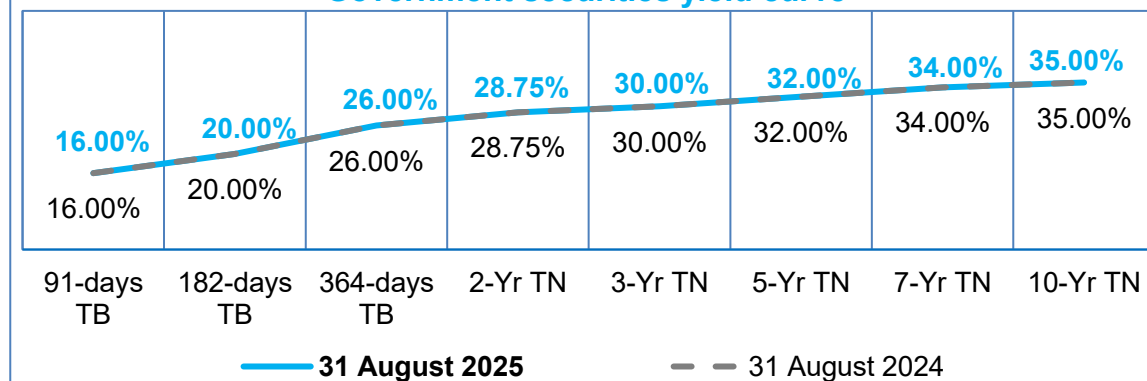
Treasury Bills (MK'billion)



Treasury Notes (MK'billion)



Government securities yield curve





Commodities Market Developments

Lindian Resources Limited received firm commitments for an AUD91.5 million institutional placement and, with its strategic partnership with Iluka Resources, approved the final investment decision for stage 1 of the Kangankunde Rare Earths Project.

Local Maize Price Developments (Source: IFPRI)

In July 2025, maize prices rose by 13% to MK1,169/kg (MK58,450 for a 50kg bag), from MK1,034/kg (MK51,700 for a 50kg bag) in June 2025. The July 2025 price has risen above the government-set minimum farmgate price of MK1,050/kg, and it is 48% higher than in July 2024, when maize sold for MK792/kg (MK39,600 for a 50kg bag).

Global Oil Price Developments (Source: OPEC)

The average OPEC reference basket price decreased by 1.7% month-on-month to USD69.73/barrel in August 2025 from USD70.97/barrel in July 2025 and declined by 11% year-on-year from USD78.41/barrel in August 2024. The global oil demand growth forecast for 2025 remains at 1.3 mb/d, year-on-year.

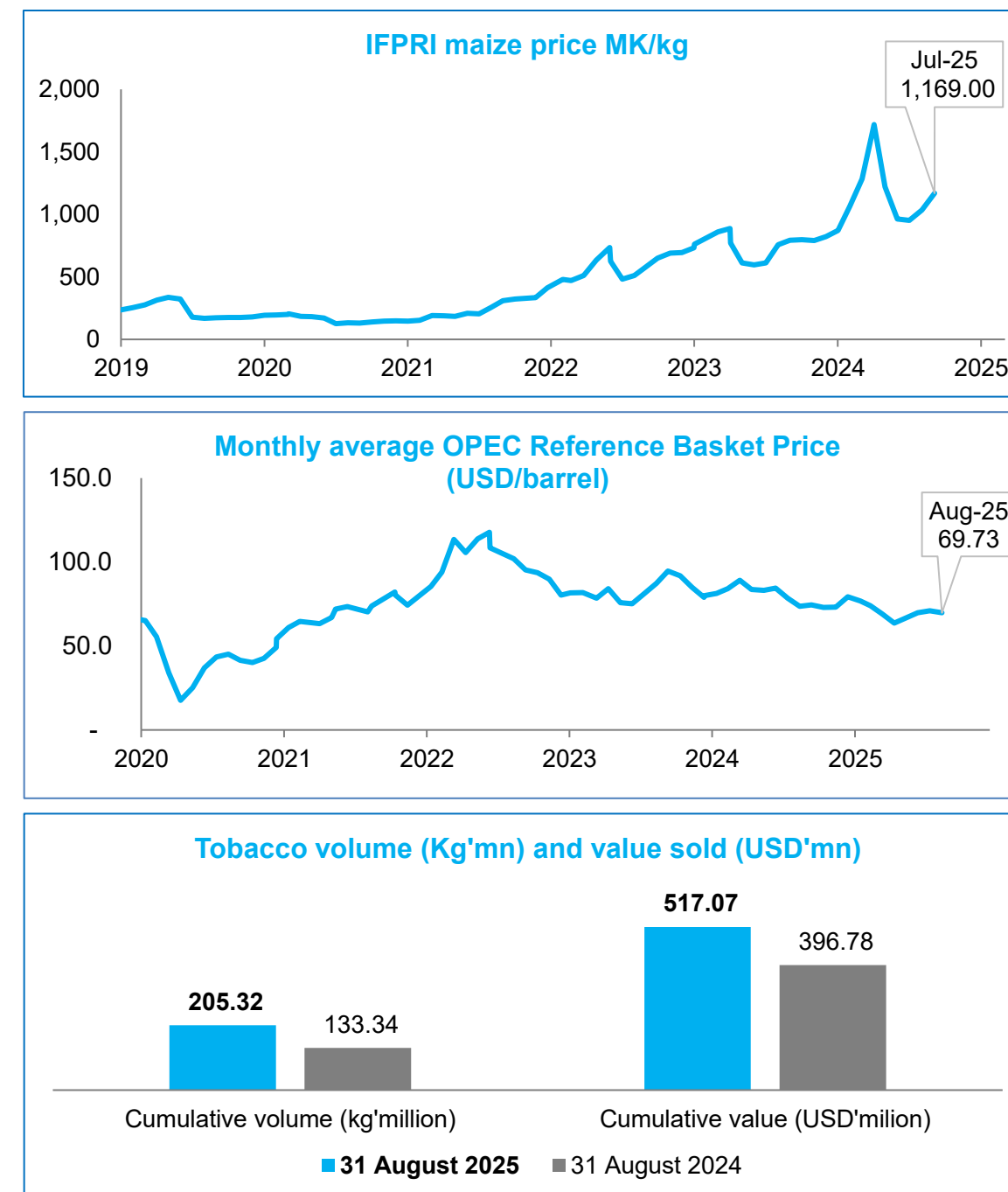
Tobacco Auction Developments (Source: AHL)

As of 31 August 2025, the cumulative value of tobacco sold was USD517.07 million, generated from a cumulative 205.32 million kilograms (kgs), which have been sold at an average price of USD2.52/kg. In contrast, as of 31 August 2024, the cumulative value of tobacco sold stood at USD396.78 million, generated from a cumulative 133.34 million kgs sold at an average price of USD2.98/kg.

Local Mining Industry Developments (Source: Published Media)

Lindian Resources Limited received firm commitments for an AUD91.5 million, two-tranche institutional placement. Following this and its strategic partnership with Iluka Resources, the company's board has approved the Final Investment Decision for Stage 1 of the Kangankunde Rare Earths Project. Stage 1, now fully funded, will involve an open-pit mine and processing plant capable of producing 15,300 tonnes per year of premium monazite concentrate, with first production targeted for Q4 2026. Funds will also support increasing Lindian's ownership of Kangankunde to 100% and advancing engineering for a Stage 2 expansion that could lift capacity to 50,000 tonnes annually. Lindian's partnership with Iluka includes a USD20 million loan and a 15-year offtake agreement, providing revenue certainty.

Sovereign Metals has reported exceptional first-year rehabilitation results at its Kasiya Rutile-Graphite Project, achieving maize yields of 5.2 tonnes per hectare versus the regional average of 1 tonne per hectare, proving post-mining land can be more productive than pre-mining conditions. These results will feed into the Definitive Feasibility Study, strengthening Kasiya's ESG credentials, de-risking closure plans, and setting a model for progressive rehabilitation. By leasing land from local farmers and prioritising community labour, Sovereign has also established a scalable partnership framework that will return restored farmland to communities after mining, reinforcing its long-term social license.





Other Market Developments

The financing agreement between Malawi and the International Development Association (IDA) for the 358.5 megawatts (MW) Mpatamanga Hydropower Storage project has officially taken effect.

The Bankers Association of Malawi (BAM) and the Reserve Bank of Malawi (RBM) have announced plans to phase out cheque usage by December 2025.

Energy and Mining Developments

The financing agreement between Malawi and the International Development Association (IDA) for the 358.5 megawatts (MW) Mpatamanga Hydropower Storage project has officially taken effect. The agreement follows the World Bank's approval of a USD350 million grant from IDA in May 2025. Once completed, the facility is expected to add 1,544 gigawatt-hours of clean energy annually, powering over one million new households. Located on the Shire River, the project is viewed as a game-changer for Malawi's energy security and economic growth, with officials emphasizing its role in poverty reduction, attracting investment, and fostering long-term development.

The President of the Republic of Malawi presided over the official inauguration of the commissioning and restart of the Kayelekera Uranium Mine under Lotus Resources after being on care and maintenance since 2014. Lotus Managing Director confirmed commissioning progress is on track to achieve steady-state production of 200,000 pounds (lbs) per month, expected by early 2026.

The reopening of Kayelekera Uranium Mine in Karonga is fueling demand for air transport in Malawi's Northern Region, increasing the need for the swift completion of renovations at Mzuzu and Karonga airports. The Deputy Transport Minister said rehabilitation of Mzuzu Airport is nearly complete and has Civil Aviation Authority certification, with Malawi Airlines set to conduct final checks before a test flight. While some have raised concerns over renovation quality, the government intends to build a larger airport after feasibility studies. Lotus officials say restored air links will not only support mining but also spur tourism and investment in the region.

Trade and Economic Partnerships

Malawi and South Sudan have agreed to revive a USD295 million annual agricultural commodity export deal. A joint task force has been established, with South Sudan issuing a commitment letter outlining demand for maize flour, rice, beans, groundnuts, cooking oil, and other crops. The agreement builds on a 2021 Memorandum of Understanding (MoU) valid through 2026 and set to renew automatically. The Malawi Investment and Trade Centre (MITC) is urging farmers, cooperatives, and traders to prepare, promising transparent supply calls and strict quality assurance measures backed by the Malawi Bureau of Standards and independent labs.

The United States government has imposed a 15% tariff on imports from Malawi, aimed at boosting American manufacturing and protecting domestic jobs. This rate is a reduction from the previously announced 17% tariff. Malawi, an African Growth and Opportunity Act (AGOA) beneficiary, has historically enjoyed duty-free access to the US market; however, AGOA is due to expire in September 2025.

Health, Industry, and Innovation

Kamuzu University of Health Sciences (KUHeS) announced the establishment of a new holding company as part of its initiative to set up a medical drug manufacturing plant. This plant aims to enhance Malawi's self-reliance in medicine supply. The university will maintain full ownership to promote financial independence. The Vice Chancellor reported that 150 hectares of land have been secured for this project, and the World Bank has allocated USD608,000 for feasibility studies. The planned facility will include a quality control laboratory and will focus on producing medicines and vaccines, with the goal of manufacturing up to 95% of medical products locally. This initiative aims to reduce import costs and ensure that all products meet international quality standards.

The Bankers Association of Malawi (BAM) and the Reserve Bank of Malawi (RBM) have announced plans to phase out cheque usage by December 2025, citing declining use, high operational costs, fraud risks, and inefficiencies compared to modern payment systems. With cheques now accounting for only about 2% of the value of all retail payments, their discontinuation will cut costs, enhance security, promote digital payment adoption, support financial inclusion, reduce environmental impact, and align with Malawi's digital economy agenda. During the transition, banks will run awareness campaigns, assist customers in adopting digital platforms, and improve service delivery. The responsible authorities are amending the laws that govern cheque payments, and the final date for discontinuation will be announced once this process is complete.

The Malawi Bureau of Standards (MBS) is digitizing its systems to reduce costs, accelerate product certification, and boost Malawi's international trade. The upgrade includes a centralized Standards Information Management System, improved technical infrastructure, and integration with the upcoming Malawi National Single Window to streamline import/export processes, enhance quality assurance, track laboratory samples in real time, and strengthen compliance.

Climate and Sustainability

The Ministry of Natural Resources and Climate Change announced the Cabinet's official approval of Malawi's Carbon Market Framework, establishing the country as a credible, transparent, and structured participant in global carbon markets under the Paris Agreement. As a climate-vulnerable yet resource-rich nation, Malawi is committed to leveraging carbon markets as a tool for attracting climate finance, catalyzing green investment, and supporting sustainable development across key sectors. The Ministry invites project developers, carbon credit buyers, investors, and local firms to engage with the government and participate in the emerging carbon market ecosystem. With the adoption of this framework, Malawi joins the ranks of African countries taking bold, coordinated action to structure and govern access to their carbon assets in line with international best practices.

An Overview of the IMF Country Report

August 2025





According to the IMF, Malawi's real GDP growth has averaged only 4.4% over thirty years (1995-2024)

Per the IMF, a fixed official rate since April 2024 has largely erased the benefits from the 2023 devaluation and caused a 26% real appreciation.

Introduction

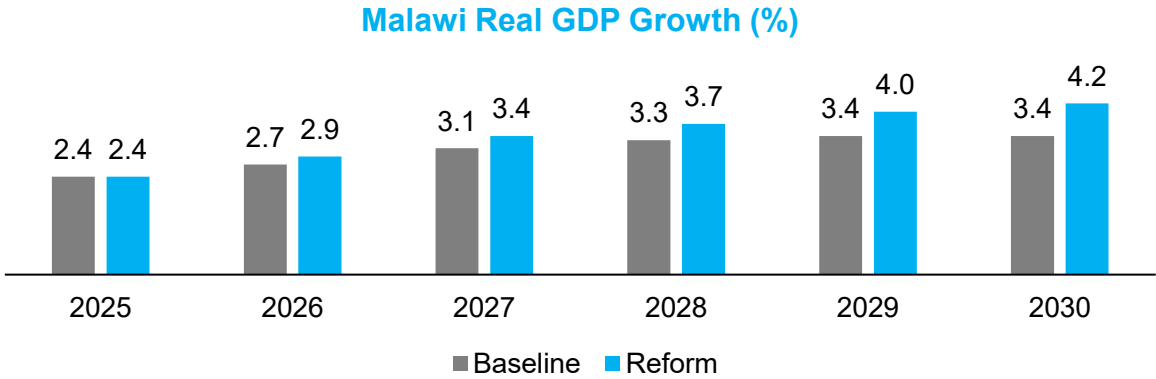
The Malawi Country Report by the International Monetary Fund (IMF) details the findings and recommendations of the 2025 Article IV consultation with Malawi. It highlights the country's significant macroeconomic challenges, including external shocks, structurally low growth, persistent inflation, unsustainable fiscal and debt dynamics, and declining Official Development Assistance (ODA). The IMF stresses that Malawi is at a critical juncture, emphasizing the need for decisive and urgent policy action amid significant downside risk, in order to restore macroeconomic stability and foster inclusive growth.

Context and Outlook

Growth Performance

According to the IMF, Malawi's real GDP growth has averaged only 4.4% over thirty years (1995-2024). Real GDP growth declined to 1.8% in 2024 from 1.9% in 2023 as a drought impacted agricultural production, foreign exchange (FX) and fuel shortages slowed down economic activity, and increasing fiscal financing needs further crowded out the private sector.

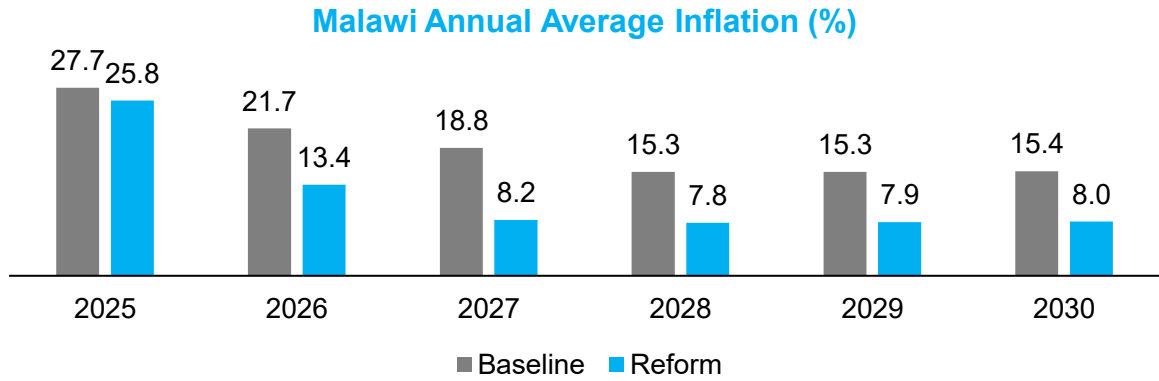
Under the IMF's baseline scenario, in which policies remain largely unchanged through the tobacco harvest and elections, with limited fiscal, monetary, and exchange rate adjustments starting in late 2025, the IMF projects real GDP growth to increase to 2.4% in 2025 and reach 3.4% in 2030. Under the IMF's reform scenario, in which fiscal and monetary policy are tightened from Q3 2025, tax reforms are implemented, public sector wage growth is kept in line with inflation, and the exchange rate is unified, with some flexibility within limits allowed, real GDP growth is projected to increase to 2.4% in 2025 and reaches 4.2% 2030. Economic activity is restrained by policy tightening early in the period, but growth could be higher with deeper structural reforms.



Inflation Dynamics

As detailed in the report, headline inflation reached a decade-high of 35.0% in January 2024 and has remained persistently elevated, with the annual average inflation rate of 32.2% in 2024, from to 28.8% in 2023. This inflationary trend is attributed to persistent foreign exchange shortages, below market-demand domestic food production, the depreciation of the parallel market exchange rate, and the increase in money supply.

The IMF expects Inflation to remain high and settle at about 15% over the medium term, on account of higher money growth and continued exchange rate pressures, as the primary deficits persist. Under the reform scenario, the IMF projects inflation to drop more rapidly to about 8% by 2030.



Foreign Exchange Rate and Reserves

The IMF states that Malawi's exchange rate is overvalued due to a fixed official rate since April 2024, largely erasing the benefits from the 2023 devaluation, and causing a 26% real appreciation. This has created a large gap between official and parallel market rates, with a premium of over 150% in early 2025. This overvaluation creates significant economic distortions, disincentivizes exports, subsidizes imports, encourages informality, and exacerbates foreign exchange scarcity. The IMF emphasizes that a unified market-clearing exchange rate is integral to achieving macroeconomic stability.

According to the IMF, gross official reserves dropped to an estimated 0.4 months of imports at end-2024 and are projected at 0.3 months of cover in 2025. The IMF assesses Malawi's external position to be substantially weaker than the level implied by fundamentals. The current account deficit expanded from 17% of GDP in 2023 to almost 22% of GDP in 2024, in the context of an overvalued exchange rate and critically low external buffers, with higher goods imports offsetting a strong rebound in tobacco exports.



According to the IMF, risks to Malawi's outlook are on the downside, including lower-than-expected grants and food production, additional trade tensions, and delayed reforms.

Fiscal and Debt Position

The IMF describes the fiscal and debt dynamics as unsustainable. Overall fiscal deficit stood at 10.1% of GDP in FY2024/25 due to lower-than-projected revenues, election-related spending, and an increasing interest bill. Total public debt reached 88% of GDP by the end of 2024, with the interest bill on public debt estimated to be approaching 7% of GDP. The interest bill is projected to rise to 8% of GDP in FY2025/26 and is anticipated to exceed 40% of total government revenue by 2026, squeezing domestically financed investment and pro-poor spending.

According to the Debt Sustainability Analysis by the IMF and the International Development Association (IDA), both external and overall debt are assessed as "in distress", exacerbated by a shift towards more costly domestic borrowing and limited progress in restructuring USD669 million in arrears with external commercial creditors - the African Export-Import Bank (Afreximbank) and the Trade and Development Bank (TDB).

Banking and Financial Sector

The IMF noted that the banking sector remains liquid and profitable, with aggregate capital adequacy at 22.1% and the liquid assets to deposits and short-term liabilities ratio at 54.5% as of end-April 2025. However, profitability is largely driven by holdings of government securities, which accounted for 45% of bank assets in April 2025. This deepens the sovereign-bank nexus and crowds out private lending. The IMF states that lowering government financing needs will help crowd in the private sector and support export-oriented investment.

Outlook Risks

According to the IMF, risks to Malawi's outlook are on the downside. These include lower-than-expected grants and food production, additional trade tensions, and delayed reforms deepening macroeconomic instability. Difficulties in securing sufficient external financing and hence prevention of the decumulation of reserves and/or compression of imports represent serious downside risks that could put further pressure on fiscal and external sustainability. Lower food production, which is projected to be about 15% short of domestic needs, would put additional pressure on inflation, the balance of payments (BoP), and on FX availability. Rising social tensions ahead of the elections also pose risks, though greater-than-expected mining investment and a shift in policy direction could provide upside potential.

Key Recommendations

Fiscal

The IMF recommends prioritizing fiscal policy to support macroeconomic stability and debt

reduction through a revenue-based adjustment that expands the tax base and closes tax exemptions, while improving expenditure efficiency, particularly in public investment, to drive sustainable growth. The IMF urges the implementation of effective commitment and expenditure controls while strengthening budget credibility, and enhancing procurement processes, fiscal risk analysis, disclosure, and state-owned enterprise (SOE) oversight. Building policy credibility requires adopting a Medium-Term Fiscal Framework (MTFF) and ensuring regular reporting and publication of Integrated Financial Management Information System (IFMIS)-based budget execution outturns.

Monetary and Financial

According to the IMF, to restore stability, Malawi needs to re-anchor inflation expectations and tighten monetary policy by mopping up excess liquidity, sterilizing government borrowing, and raising key interest rates to positive real levels. The IMF views stronger fiscal-monetary coordination as essential to improve policy transmission and reduce inflationary pressures from domestic financing, including discontinuing the rediscounting facility. At the same time, oversight of the financial sector should be strengthened to monitor rising risks, particularly from the growing sovereign-bank nexus.

Exchange Rate

The IMF urges Malawi to adopt a unified, market-clearing exchange rate supported by consistent macroeconomic policies and an appropriate policy and operational framework. Reserve accumulation should be prioritized to safeguard external buffers and maintain adequate Special Drawing Rights (SDR) holdings, ensuring the country avoids arrears to the IMF.

Structural and Governance

According to the IMF, improving the investment climate is critical, which calls for reducing regulatory burdens, removing distortions, and ensuring better foreign exchange availability. One such distortion flagged by the IMF was fuel pricing, noting that pump prices have been frozen since November 2023, creating arrears between the regulator, importers, and government. The IMF recommended restoring market-based pricing to improve efficiency, FX availability, and fiscal revenues, while cautioning that government-to-government fuel deals could raise governance risks.

The IMF encouraged the continuation of priority reforms from the 2024 Governance Diagnostic in the rule of law, Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT), anti-corruption, and at the central bank. The IMF highlights that the continued implementation of Safeguards Assessment reforms will bolster RBM independence and operations, while stronger data collection and reporting systems are needed to support effective policymaking.

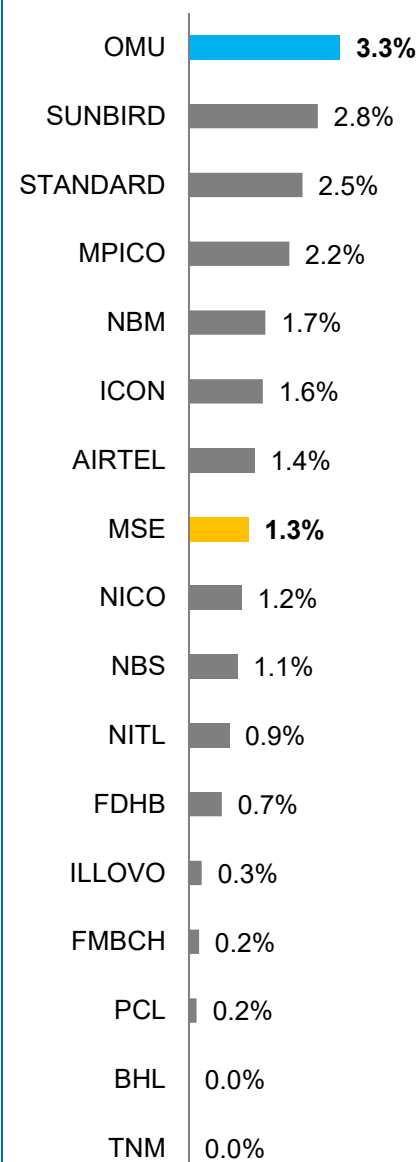
Appendices



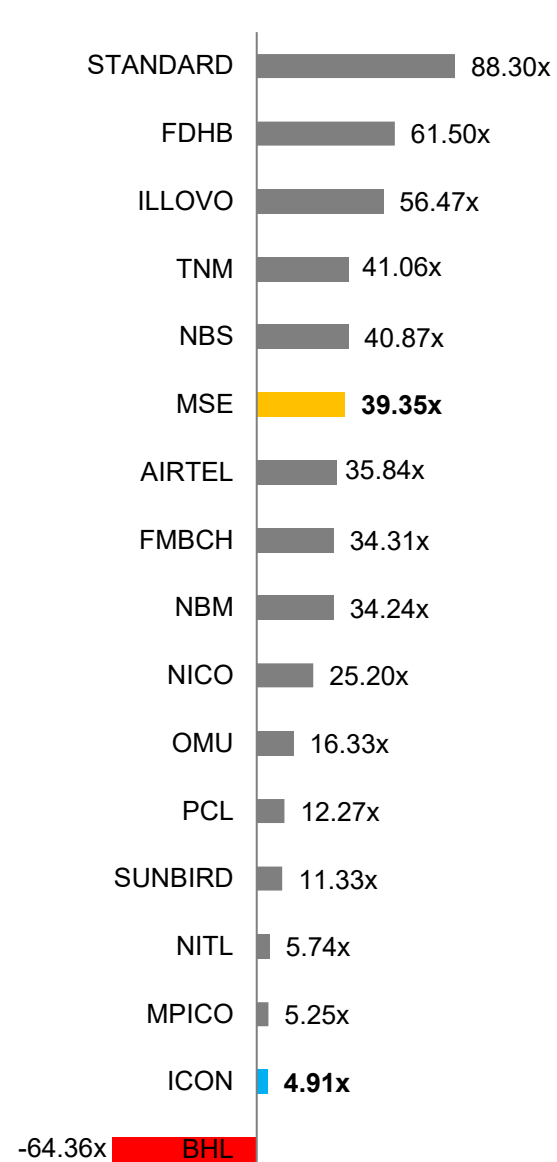
Appendix 1: Historical Monthly Economic Indicators

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Exchange rates (middle rates)													
MK/USD	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	1,750.67	1,750.48	1,750.58	1,749.95
MK/GBP	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	2,415.65	2,473.04	2,391.69	2,424.53
MK/EUR	1,994.06	2,003.14	1,953.49	1,904.40	1,869.77	1,866.83	1,873.26	1,945.35	2,052.11	2,045.98	2,112.11	2,061.68	2,103.70
MK/ZAR	101.09	105.69	101.15	99.29	95.89	97.11	97.04	98.15	96.28	100.76	101.58	99.70	101.77
Foreign Exchange Reserves													
Total reserves (USD'mn)	544.8	560.3	519.0	516.9	530.9	570.6	569.5	536.0	530.0	521.0	555.9	N/A	N/A
Total Reserves Import cover (months)	2.2	2.2	2.1	2.1	2.1	2.3	2.3	2.1	2.1	2.1	2.2	N/A	N/A
Inflation													
Headline	33.90%	34.30%	32.40%	27.00%	28.10%	28.50%	30.7%	30.5%	29.2%	27.7%	27.1%	27.3%	N/A
Food	42.00%	43.50%	40.30%	33.70%	35.60%	36.00%	38.5%	37.7%	35.8%	32.7%	31.6%	32.4%	N/A
Non-food	22.70%	21.80%	21.20%	17.20%	16.80%	16.90%	18.5%	19.2%	19.4%	20.0%	20.1%	19.3%	N/A
Interest Rates													
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%
Average Interbank Rate	24.37%	24.20%	24.20%	23.29%	23.20%	23.19%	23.20%	23.20%	23.18%	23.38%	23.92%	23.98%	23.99%
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%
Commercial Bank Reference Rate	25.40%	25.40%	25.40%	25.50%	25.30%	25.20%	25.10%	25.10%	25.10%	25.10%	25.10%	25.30%	25.40%
Government Securities Yields													
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%
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%
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%
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%
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%
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%
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%
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%
Average Treasury Bill Yields	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%	20.67%
Average Treasury Note Yields	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%	31.95%
Year-to-date Return													
MASI	27.33%	28.60%	32.69%	47.08%	55.06%	29.90%	64.92%	69.52%	68.39%	64.58%	91.77%	124.53%	211.15%
DSI	27.45%	28.90%	33.57%	47.71%	52.11%	32.35%	50.42%	56.52%	62.53%	62.41%	89.34%	120.03%	214.05%
FSI	26.48%	26.54%	26.51%	42.71%	75.65%	15.08%	152.62%	148.16%	103.82%	77.74%	106.49%	150.94%	195.28%

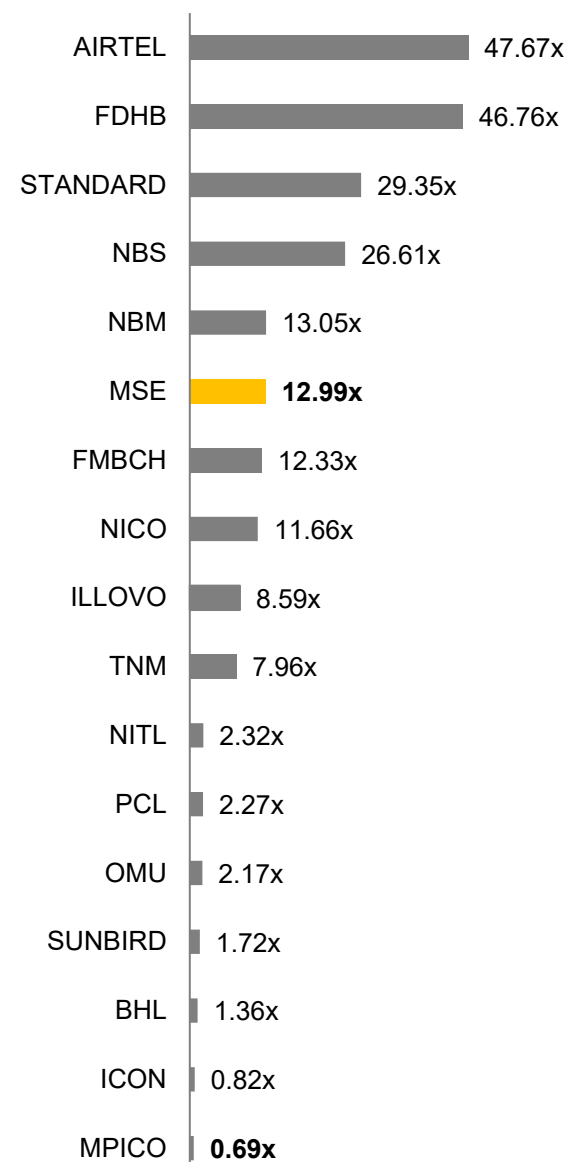
Dividend Yield (%) - the weighted average dividend yield on the MSE was 1.3% in August 2025. The counter with the highest dividend yield was OMU at 3.3%.



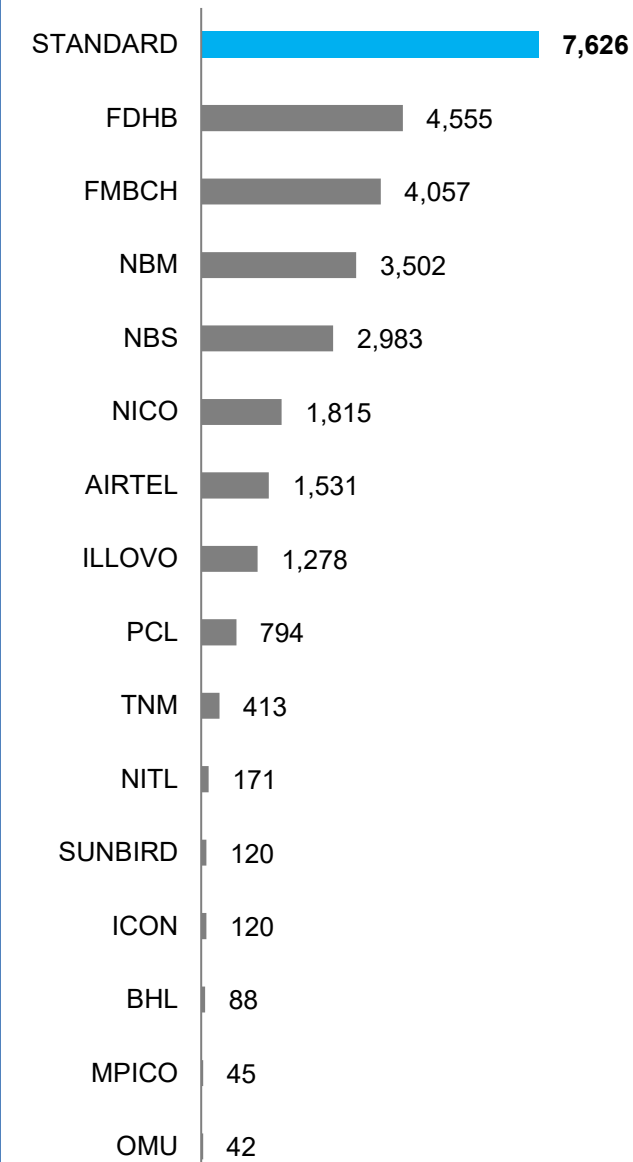
P/E Ratio - the weighted average price to earnings ratio on the MSE was 39.35x in August 2025. The counter with the lowest positive ratio was ICON at 4.91x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 12.99x in August 2025. The counter with the lowest positive ratio was MPICO at 0.69x.



Market Capitalization (MK'billion) - STANDARD had the highest market capitalization at MK7.6 trillion in August 2025.



Appendix 3: IMF Macroeconomic Projections under Baseline and Reform Scenarios

	2025		2026		2027		2028		2029		2030	
	Reform	Baseline	Reform	Baseline	Reform	Baseline	Reform	Baseline	Reform	Baseline	Reform	Baseline
Real Sector (% change)												
Real GDP Growth	2.4	2.4	2.9	2.7	3.4	3.1	3.7	3.3	4.0	3.4	4.2	3.4
Inflation - Annual Average	25.8	27.7	13.4	21.7	8.2	18.8	7.8	15.3	7.9	15.3	8.0	15.4
Central Government (% of GDP on a fiscal year basis)												
Revenue	19.2	19.1	19.3	18.6	20.3	17.8	22.3	19.0	22.0	19.0	21.4	18.4
Domestic revenue excl. RBM dividend	14.4	14.4	14.9	14.6	15.9	14.6	16.9	14.6	16.9	14.6	16.9	14.6
Expenditure and net lending	29.2	29.2	31.8	29.2	32.3	30.9	31.6	30.9	28.8	29.7	27.2	29.1
Interest	6.6	6.6	8.1	8.2	10.2	10.6	9.7	11.3	8.1	11.1	7.8	11.4
Overall balance	-10.0	-10.1	-12.5	-10.7	-12.0	-13.1	-9.3	-11.9	-6.8	-10.7	-5.8	-10.7
Primary balance	-3.4	-3.5	-4.4	-2.4	-1.8	-2.5	0.5	-0.6	1.4	0.4	1.9	0.7
Domestic Primary Balance, excluding RBM dividends and recapitalization costs	-2.9	-2.9	-1.7	-1.5	0.2	-0.9	1.3	-0.7	1.6	-0.5	1.6	-0.5
Money and Credit (% Change)												
Broad money	45.0	36.7	47.0	50.1	32.4	42.8	18.8	32.5	15.6	29.6	12.2	26.2
Credit to the private sector	19.9	19.9	23.9	23.9	18.1	17.0	14.8	8.2	12.6	8.2	11.2	8.2
Balance of Payments (% of GDP)												
Current account	-18.0	-17.3	-17.3	-15.1	-17.0	-13.9	-15.7	-12.5	-14.2	-11.1	-13.4	-10.2
Gross official reserves	178.0	118.0	362.0	164.0	544.0	272.0	725.0	370.0	851.0	440.0	924.0	558.0
(months of imports)	0.5	0.3	1.0	0.4	1.5	0.7	2.0	0.9	2.3	1.0	2.5	1.3
Net international reserves (USD'mn)	-1,967.0	-2,027.0	-1,818.0	-2,016.0	-1,626.0	-1,898.0	-1,389.0	-1,744.0	-1,174.0	-1,585.0	-906.0	-1,272.0
Debt Stock and Service (% of GDP)												
External debt	40.2	31.6	38.7	29.1	38.1	25.8	36.1	22.7	33.7	19.6	31.2	16.9
Total public debt	90.4	80.2	93.4	80.6	97.6	81.4	97.4	82.2	96.3	82.8	93.8	80.3

Source: IMF Country Report (Malawi), August 2025

Appendix 4: List of Acronyms and Abbreviations

AfDB	: African Development Bank	MBS	: Malawi Bureau of Standards
AGOA	: African Growth and Opportunity Act	MITC	: Malawi Investment and Trade Centre
AHL	: Auctions Holding Limited	MK	: Malawi Kwacha
AUD	: Australian Dollar	Mn	: Million
av	: Average	MoU	: Memorandum of Understanding
BAM	: Bankers Association of Malawi	MPC	: Monetary Policy Committee
BHL	: Blantyre Hotels Plc	MSE	: Malawi Stock Exchange
bn	: Billion	Mt	: Metric tons
BoP	: Balance of Payments	MTFF	: Medium-Term Fiscal Framework
CEO	: Chief executive officer	MTL	: Malawi Telecommunications Limited
CPI	: Consumer Price Index	MW	: Megawatt
DSA	: Debt sustainability analysis	NBM	: National Bank of Malawi Plc
ECF	: Extended Credit Facility	NBS	: NBS Bank Plc
EDF	: Export Development Fund	NICO	: NICO Holdings Plc
EIU	: Economist Intelligence Unit	NITL	: National Investment Trust Limited Plc
EU	: European Union	NSO	: National Statistical Office
EUR	: Euro	ODA	: Official Development Assistance
FDHB	: FDH Bank Plc	OMO	: Open Market Operations
FDI	: Foreign direct investment	OMU	: Old Mutual Limited Plc
FMBCH	: FMB Capital Holdings Plc	OPEC	: Organization of the Petroleum Exporting Countries
FX	: Foreign Exchange	P/BV	: Price to book value
FY	: Fiscal year	P/E	: Price to earnings
GBP	: Great British Pound	PCL	: Press Corporation Limited Plc
GDP	: Gross Domestic Product	RBM	: Reserve Bank of Malawi
GoM	: Government of Malawi	SDR	: Special Drawing Rights
IDA	: International Development Association	SOE	: State Owned Enterprise
IFPRI	: International Food Policy Research Institute	TB	: Treasury Bill
IMF	: International Monetary Fund	TBA	: To be announced
IRR	: Internal rate of return	TDB	: Trade and Development Bank
Kg	: Kilogram	TN	: Treasury Note
KUHeS	: Kamuzu University of Health Sciences	TNM	: Telekom Networks Malawi Plc
lbs	: Pounds	UK	: United Kingdom
LRR	: Liquidity Reserve Requirement	USAID	: United States Agency for International Development
MASI	: Malawi All Share Index	USD	: United States Dollar
Mb/d	: Million barrels per day	WB	: World Bank

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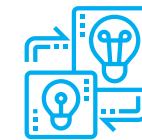
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