Bridgepath Capital
Invest to Achieve

Malawi Monthly Economic Report and a brief on the IMF Regional Economic Outlook for Sub-Saharan Africa

October 2025

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Inflation and Monetary Policy

In September 2025, the year-on-year headline inflation rate rose to 28.7% from 28.2% in August 2025, driven by a rise in non-food inflation that offset a decrease in food inflation. The food inflation rate decreased to 33.0% in September 2025 from 33.7% in August 2025, and the non-food inflation rate increased to 21.7% in September 2025 from 19.5% in August 2025. The latest inflation forecasts vary across institutions, with the International Monetary Fund (IMF) projecting 28.2% in 2025 and 24.1% in 2026, Oxford Economics estimating 28.8% and 32.5%, and the Economist Intelligence Unit projecting 27.6% and 23.9% over the same period.

In its fourth meeting of 2025 on 28 and 29 October 2025, the Monetary Policy Committee (MPC) decided to maintain the Policy Rate at 26.0%. The Lombard Rate remains 20 basis points above the policy rate, while the Liquidity Reserve Requirement (LRR) stays at 10.0% for domestic deposits and 3.75% for foreign currency deposits.

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 October 2025 from MK1,750.37/USD as of 30 September 2025.

In August 2025, the country's total foreign exchange reserves decreased by 14.1% to USD521.9 million from USD607.7 million in July 2025. The import cover decreased to 2.1 months in August 2025 from 2.4 months in July 2025.

Stock Market

The stock market was bullish in October 2025, with the Malawi All Share Index (MASI) rising by 4.04% to 602,600.89 points from 579,212.79 points in September 2025. This brought the MASI year-to-date return to 250.27% in October 2025.

Fiscal Policy and Government Securities

The government awarded MK551.55 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in October 2025, a 47% increase from the MK374.93 billion awarded in September 2025.

China has announced it will write off two debts owed by Malawi, totalling USD20 million, in addition to a USD206 million debt restructuring package granted last year.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price remained stable at MK1,361/Kg (MK68,050 for a 50kg bag) in September 2025, marginally up from MK1,360/Kg (MK68,000 per 50kg bag) in August 2025.

As of 31 October 2025, USD539.50 million had been generated from the sale of 218.96 million kilograms (kgs) of tobacco. This represents an improvement from the USD396.94 million earned from 133.38 million kgs sold in the 2024 season.

The average OPEC reference basket price decreased by 5.2% month-on-month to USD66.72/barrel in October 2025 from USD70.39/barrel in September 2025.

A Brief on the IMF Regional Economic Outlook for Sub-Saharan Africa

The IMF's Regional Economic Outlook for Sub-Saharan Africa (October 2025) underscores the region's resilience amid global uncertainty. Despite multiple shocks from tight global financing, trade disruptions, and declining aid, the region continues to hold steady. Economic growth is projected at 4.1% in 2025, with modest improvement expected in 2026.

Forecasts have increased marginally since April, reflecting continued progress toward macroeconomic stabilization and reform efforts. The region has demonstrated remarkable resilience to a series of major shocks over the past several years. However, economic performance remains markedly weaker in resource-intensive countries and in several conflict-affected states. In these economies, gains in income per capita remain modest—around 1% a year on average, and less in the poorest countries.

The IMF notes that fiscal fragility remains a major concern, particularly for lower-income countries. Public debt levels are high, and rising interest payments are crowding out development spending. With limited access to external financing, many governments have shifted toward domestic borrowing.

The IMF highlights that Sub-Saharan Africa must balance stability and development amid rising debt, inflation, and limited financing. With smart reforms and political commitment, progress is possible—even in tough conditions.

Malawi Economic Growth Outlook

Real GDP growth forecasts for Malawi in 2025 range from 1.6% to 2.8% (median 2.4%). AfDB forecasts 3.0% growth, Oxford Economics projects 2.4% growth, while the RBM forecasts 2.8%. The IMF forecasts a 2.4% growth. The World Bank and EIU are the most conservative at 1.9% and 1.6%, respectively. Most institutions have attributed the subdued growth in 2025 to the negative impacts of the USAID funding withdrawal.

Real GDP growth projections for 2026 indicate modest recovery, ranging from 2.3% to 3.8% (median 3.0%). Oxford Economics projects 3.5% growth, expecting a slight boost in exports in 2026. 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, driven by investments in the agriculture, mining, tourism and manufacturing sectors, under the ATMM strategy. The World Bank projects a 2.6% growth rate, highlighting that further fiscal slippages could dampen growth. Meanwhile, the IMF and African Development Bank (AfDB) forecast growth at 2.7% and 3.8%, respectively.

Opportunities

Mkango Resources Limited has entered into a Project Development Funding Agreement with the U.S. International Development Finance Corporation (DFC) to secure USD4.6 million in reimbursable funding as part of the DFC's Project Development strategy for the Songwe Hill rare earth project in Malawi. The financing, to be equally matched by Mkango Resources' contributions over the next 18 months, will support front-end engineering design and value engineering studies and accelerate mine construction. The funding follows the European Union's recent recognition of Songwe Hill as a priority project under its Critical Raw Materials.

Risks

According to the EIU, Malawi's fiscal pressures will remain acute in FY2025/26, with high spending needs driven by food insecurity, elevated living costs, and heavy debt obligations. Interest payments on domestic and external debt are projected at MK2.2 trillion, while the wage bill rises to MK1.5 trillion – together consuming 46% of total expenditure and 80% of expected revenue. This leaves little room for development projects.

In September 2025, the year-on-year headline inflation rate rose to 28.7% from 28.2% in August 2025, driven by the rise in non-food inflation.

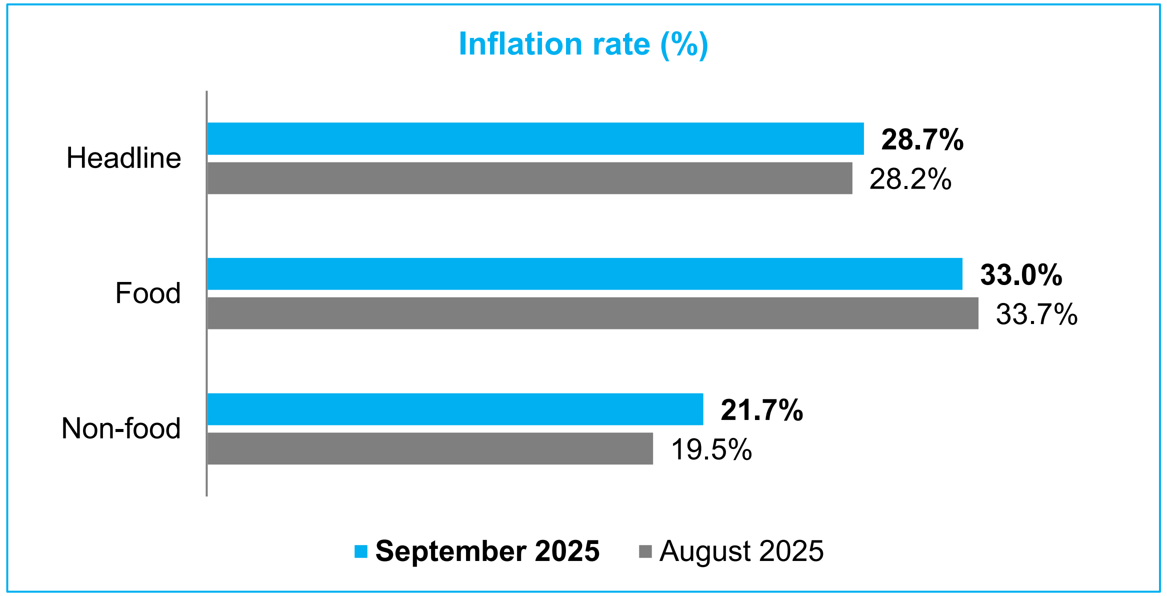
In its fourth meeting of 2025, the Monetary Policy Committee (MPC) decided to maintain the Policy Rate at 26.0%.

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

The year-on-year headline inflation rate rose to 28.7% in September 2025 from 28.2% in August 2025, driven by a rise in non-food inflation that offset a decrease in food inflation. The food inflation rate decreased to 33.0% in September 2025 from 33.7% in August 2025, and the non-food inflation rate increased to 21.7% in September 2025 from 19.5% in August 2025.

The 2025 inflation projections for Malawi range from 27.6% to 29.5%. Oxford Economics forecasts inflation at 28.8%, while the IMF projects a slightly lower rate of 28.2%. In comparison, the MPC has revised its forecast to 28.9%. The Economist Intelligence Unit (EIU) forecasts the inflation rate at 27.6%, and the World Bank's (WB) projection is the highest at 29.5%. Most institutions have cited higher fuel prices and continued high money supply growth for the 2025 inflation outlook.

For 2026, the IMF forecasts an annual average inflation rate of 24.1%, while the World Bank projects a higher rate of 25.6% driven by high rates of money supply growth and import bans that constrain supply. Oxford Economics anticipates the steepest increase at 32.5%, citing potential currency devaluation in 2026 that could fuel inflation. The EIU projects it at 23.9%, owing to anticipated smaller budget deficits and increased external support, which should stabilize the economy, hence bringing inflation down.



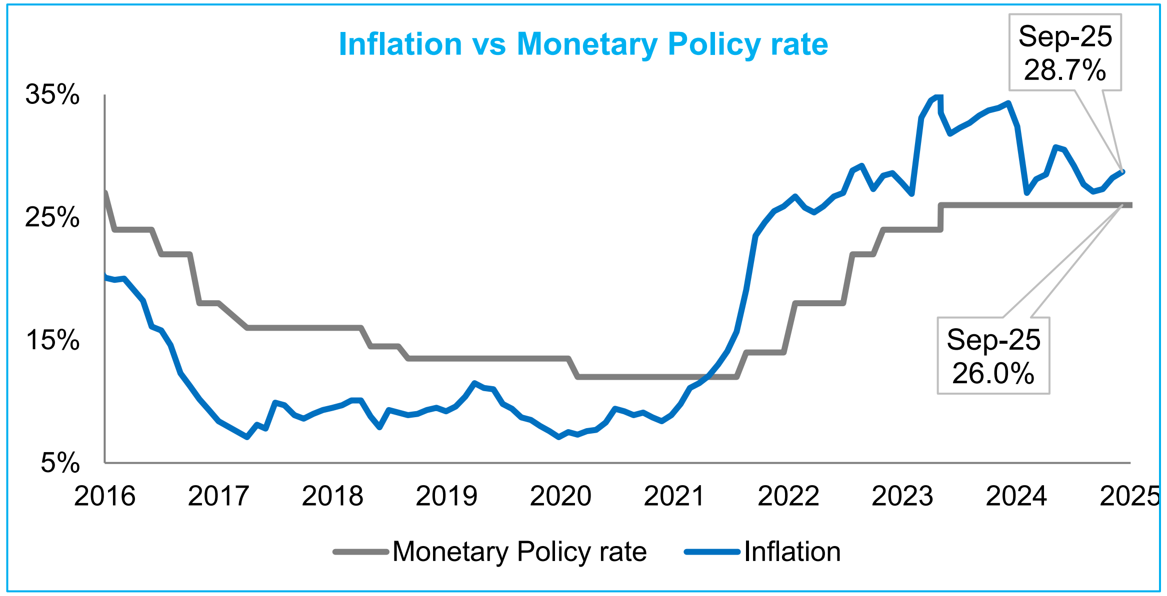
Monetary Policy (Source: RBM, Oxford Economics, NBM)

In its fourth meeting of 2025 on 28 and 29 October 2025, the MPC decided to maintain the Policy Rate at 26.0%. The Lombard Rate remains 20 basis points above the policy rate, while the Liquidity Reserve Requirement (LRR) stays at 10.0% for domestic deposits and 3.75% for foreign currency deposits. The MPC observed a slight rise in inflation to 28.1% from 28.0% in the second quarter of 2025. The next MPC meeting is scheduled for 28 and 29 January 2026. The decision will be announced on 29 January 2026.

The Reserve Bank of Malawi held an auction for Open Market Operation Repurchase Agreements (OMO Repos) on 24 October 2025, in which MK185.0 billion was withdrawn from the market.

The annual growth rate of money supply (M2) reached 52.1% in August 2025, from 49.1% in July 2025 and was higher than the 43.4% recorded in August 2024. M2 comprises currency in circulation, demand deposits, savings accounts, term 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 November 2025 is 25.3%, a decrease from the 25.4% in October 2025. The rate is effective from 5 November 2025.



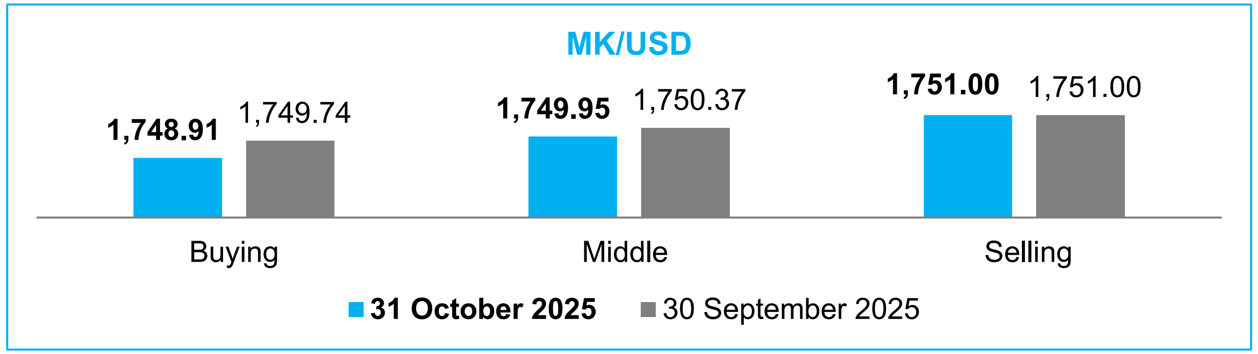
Foreign Exchange and Reserves Position

In August 2025, the country's total foreign exchange reserves decreased to USD521.9 million from USD607.7 million in July 2025.

Foreign Exchange (Source: RBM)

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,749.95/USD as of 31 October 2025 from MK1,750.37/USD as of 30 September 2025. During the same period last year, the Malawi Kwacha traded at MK1,749.95/USD as of October 2024, from MK1,750.37/USD as of September 2024.

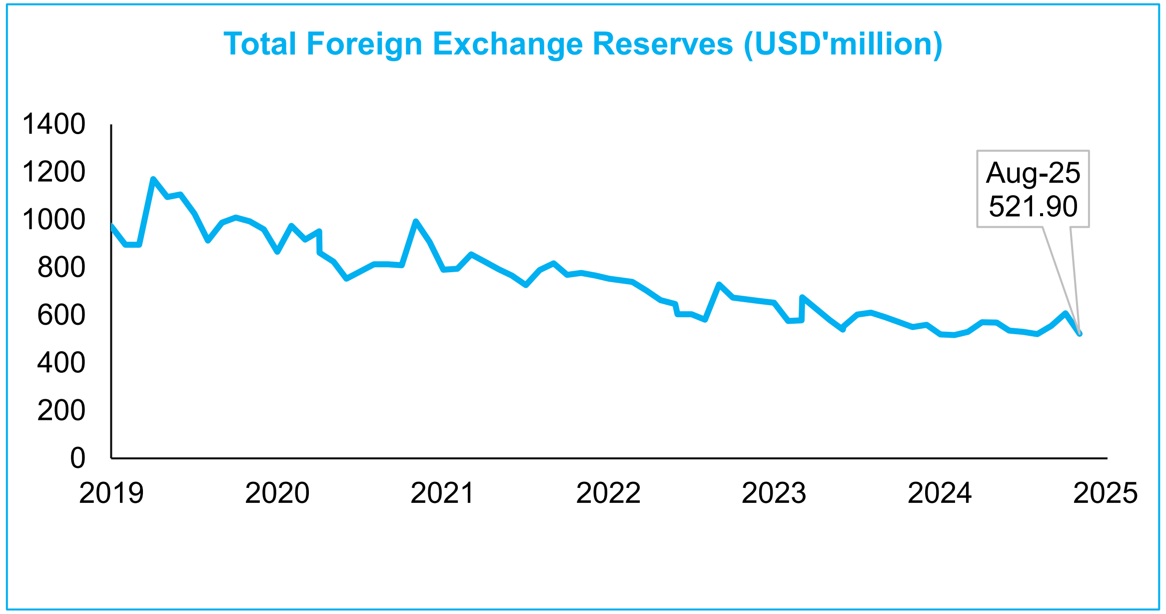
The Reserve Bank of Malawi (RBM) has reassured the public that there are no plans to devalue the kwacha, citing growing goodwill from development partners and an observed increase in foreign exchange inflows, which the RBM projects to continue into the foreseeable future. The RBM Governor emphasized that the RBM will focus on supporting the private sector to boost exports and domestic forex generation. He also warned commercial banks against forex market malpractices and that any abuse in the forex market through derivatives such as forwards and options will not be tolerated, stressing that the RBM will penalize any offenders to maintain stability.

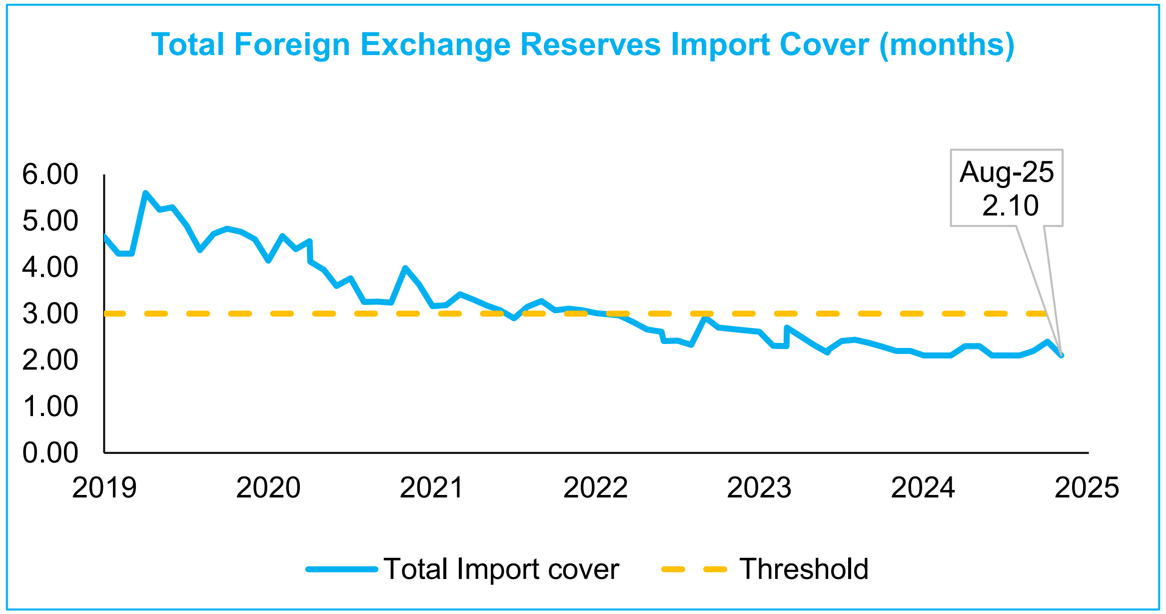


Foreign Exchange Reserves Position (Source: RBM)

In August 2025, the country's total foreign exchange reserves decreased by 14.1% to USD521.9 million from USD607.7 million in July 2025. The import cover decreased to 2.1 months in August 2025 from 2.4 months in July 2025. In August 2024, the total foreign exchange reserves were at USD549.9 million, translating to 2.2 months of import cover.

	July 2025	July 2025	Month-on-month change (%)
Total Reserves (USD'millions)	521.9	607.7	-14.1%
Total Import Cover (Months)	2.1	2.4	-12.5%





Stock Market

The stock market was bullish in October 2025, with the Malawi All Share Index (MASI) rising by 4.04% to 602,600.89 points from 579,212.79 points in September 2025. This brought the MASI year-to-date return to 250.27% in October 2025.

The total value of shares traded on the Malawi Stock Exchange in October 2025 was MK27.6 billion, with FMBCH leading in value of shares traded at MK6.7 billion.

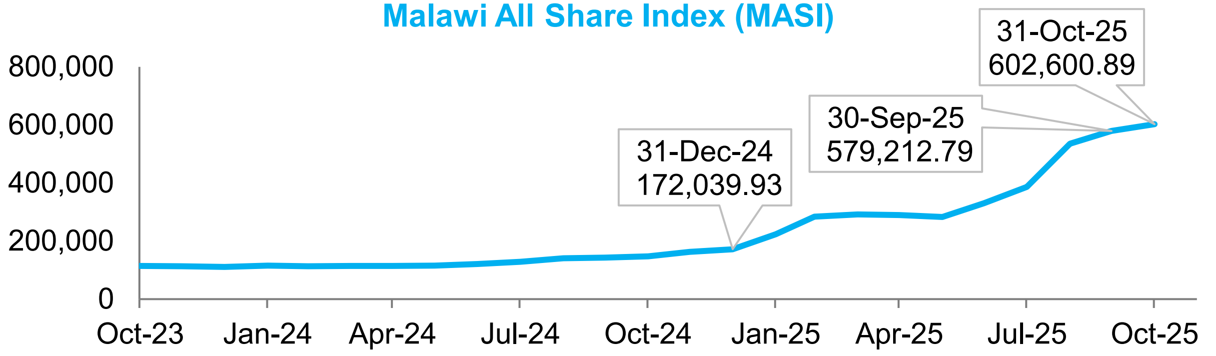
Stock Market Performance (Source: MSE)

The stock market was bullish in October 2025, with the Malawi All Share Index (MASI) rising by 4.04% to 602,600.89 points from 579,212.79 points in September 2025. This brought the MASI year-to-date return to 250.27% in October 2025. In October 2024, the year-to-date return was 32.69%.

FMBCH recorded the highest share price gain in October 2025, rising by 32.3% to close the month at MK2,511.01, having opened at MK1,898.08. ILLOVO, SUNBIRD, PCL, OMU, NBM, and NITL also recorded significant share price gains in the month.

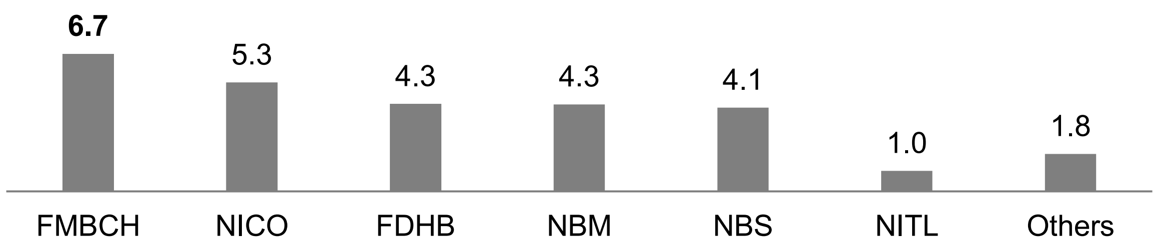
STANDARD recorded the highest share price loss in October 2025, falling by 19.6% to close the month at MK5,199.95, from MK6,468.90 in September 2025. There was also a share price loss for AIRTEL and a marginal share price loss for TNM during the period under review.

Malawi All Share Index (MASI)

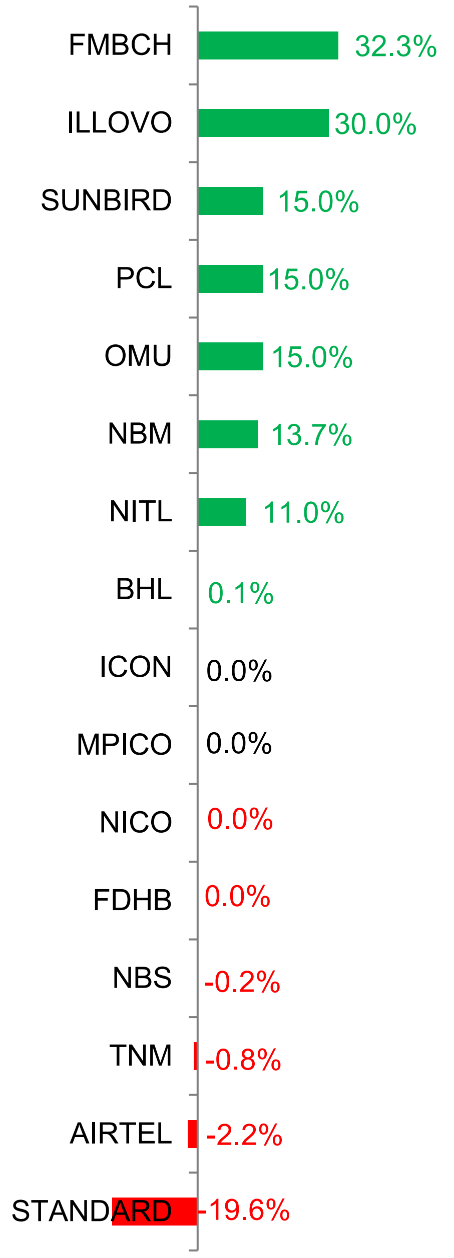


The number of trades on the MSE increased by 5% to 5,462 in October 2025 from 5,210 in September 2025. The value of shares traded increased by 10% to MK27.6 billion in October 2025, from MK25.0 billion in September 2025. FMBCH had the highest value of shares traded at MK6.7 billion in October 2025.

Value of shares traded (MK'billion)



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



Symbol	Closing prices (MK/share)	
	31 October 2025	30 September 2025
AIRTEL	**134.94**	137.95
BHL	**15.03**	15.02
FDHB	**637.59**	637.89
FMBCH	**2,511.01**	1,898.08
ICON	**17.95**	17.95
ILLOVO	**2,330.00**	1,792.02
MPICO	**19.55**	19.55
NBM	**12,399.95**	10,904.73
NBS	**1,022.88**	1,024.50
NICO	**1,739.79**	1,739.85
NITL	**3,940.00**	3,551.02
OMU	**2,875.00**	2,500.06
PCL	**8,728.59**	7,590.00
STANDARD	**5,199.95**	6,468.90
SUNBIRD	**575.10**	500.04
TNM	**31.73**	32.00

The government awarded MK551.55 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in October 2025, a 47% increase from the MK374.93 billion awarded in September 2025.

Fiscal Policy (Source: Published Media, EIU)

China has announced it will write off two debts owed by Malawi, totalling USD20 million, in addition to a USD206 million debt restructuring package granted last year to ease the country's financial pressures. The Chinese Ambassador said the support comes as Malawi faces multiple challenges, including food insecurity, fertilizer shortages, fuel and foreign exchange constraints and limited medical supplies. She noted that China has already provided emergency food aid and offered preferential fertilizer prices to help stabilize food security. The debt relief and related interventions are expected to offer Malawi short-term relief while creating opportunities for long-term economic recovery.

According to the EIU, Malawi's spending requirements will stay high, owing to elevated living costs and widespread food insecurity. The government committed to enhanced domestic revenue mobilisation and debt restructuring in its budget for the fiscal year 2025/26 (April-March). However, EIU expects domestic revenue mobilization to remain weak as the country's economic malaise continues.

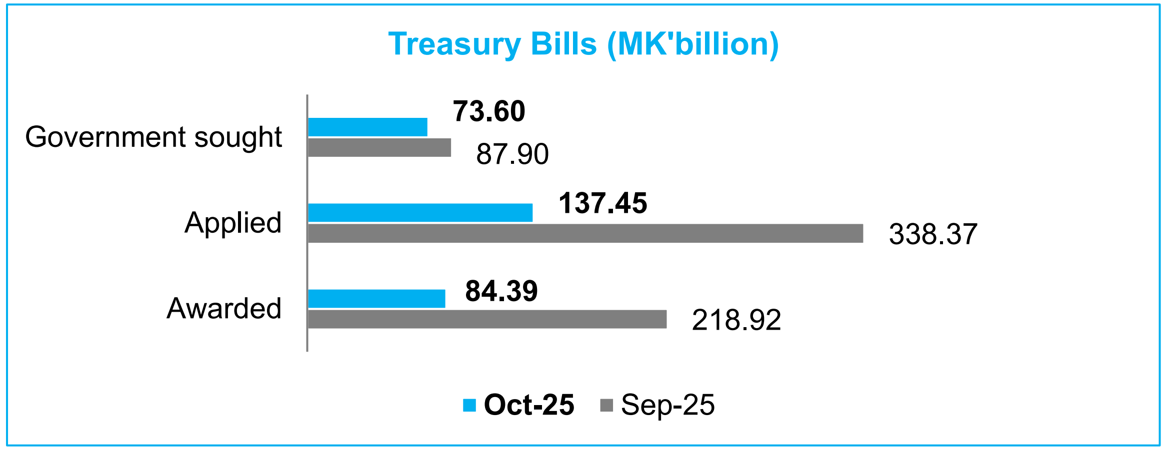
Additionally, the EIU argues that even with expected debt restructuring (likely in early 2026) providing some fiscal relief, debt servicing will remain a major component of spending. Payments to domestic creditors constitute about 95% of current interest payments and, as domestic debt is mainly short-term (with about 28% due within one year and the average maturity at 2.5 years), high interest rates will keep debt-servicing costs elevated in the medium term. Spending is expected to rise as a proportion of GDP in 2025/26, then trend down from 2026/27 as the government pursues fiscal consolidation following the 2025 elections.

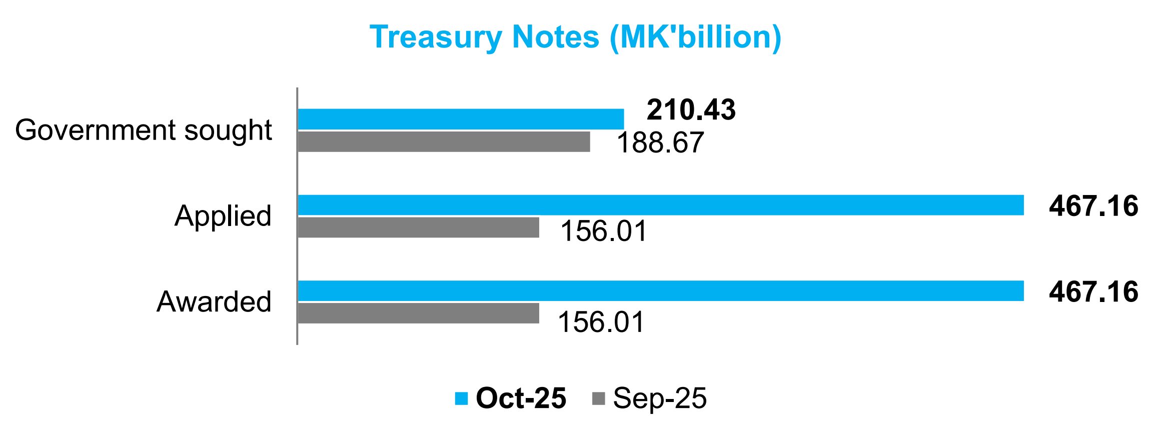
Government Securities (Source: RBM)

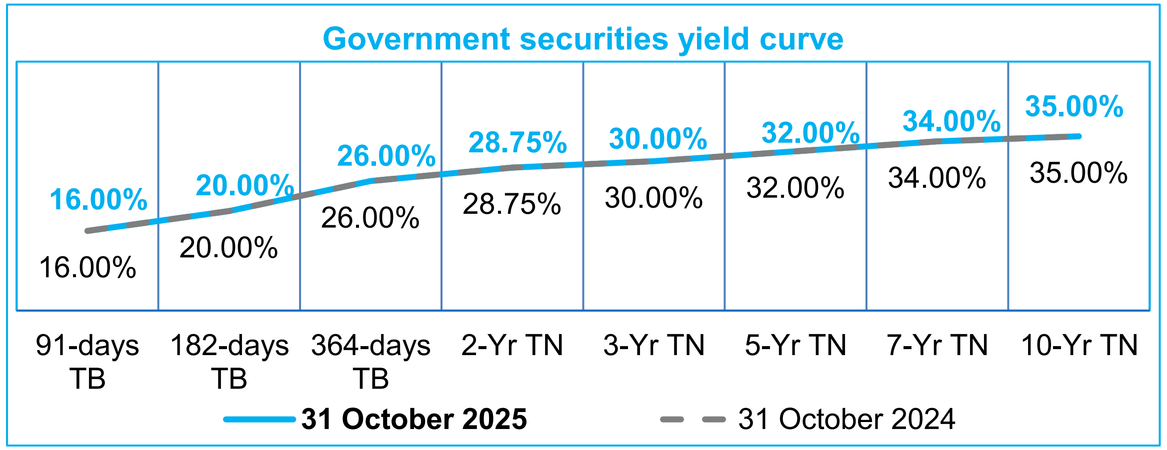
The government sought to borrow MK284.03 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in October 2025. This is 3% higher than the MK276.57 billion sought in September 2025. Overall, participants applied for MK604.61 billion, of which MK551.55 billion was awarded, representing a 47% increase from the MK374.93 billion awarded in September 2025. The graphs on the right show the breakdown between TBs and TNs in October 2025 compared to September 2025. In October 2025, the TB auctions had a 39% rejection rate, while the TN auctions had a nil rejection rate.

Government Securities Yield Curve

As of 31 October 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 October 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 October 2024.



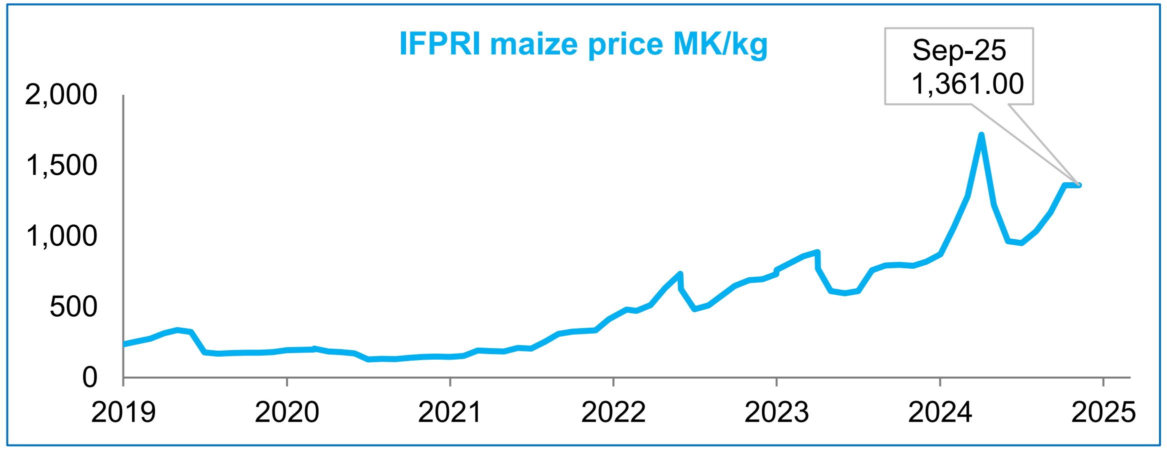




As of 31 October 2025, USD539.50 million had been generated from the sale of 218.96 million kilograms (kgs) of tobacco.

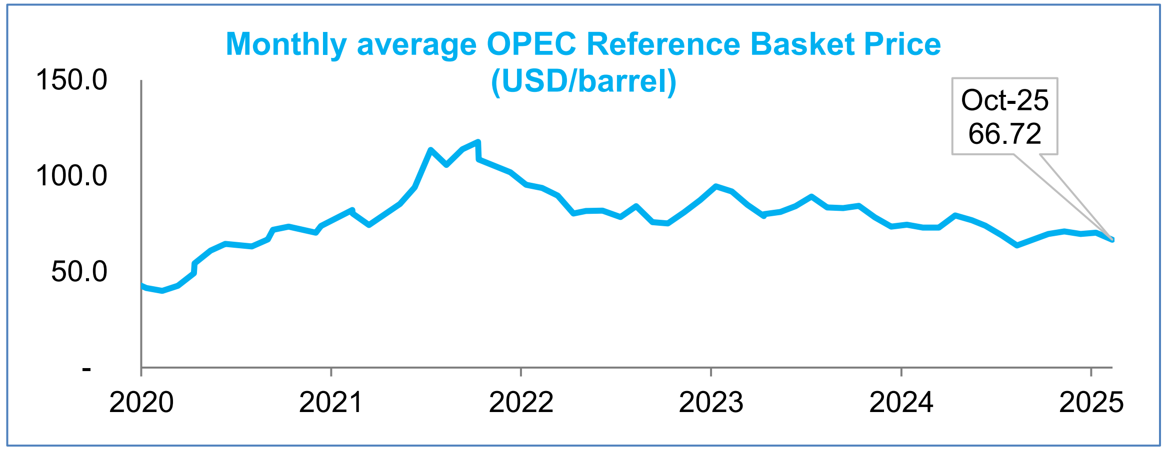
Local Maize Price Developments (Source: IFPRI)

In September 2025, maize prices remained stable at MK1,361/Kg, up from MK1,360/Kg in August 2025. According to IFPRI, a slowdown in economic activity around the general elections and the associated stabilization of the kwacha with respect to neighbouring country currencies likely contributed to the easing of prices. The September 2025 price is 72% higher than in September 2024, when maize sold for MK790/kg (MK39,500 for a 50kg bag).



Global Oil Price Developments (Source: OPEC)

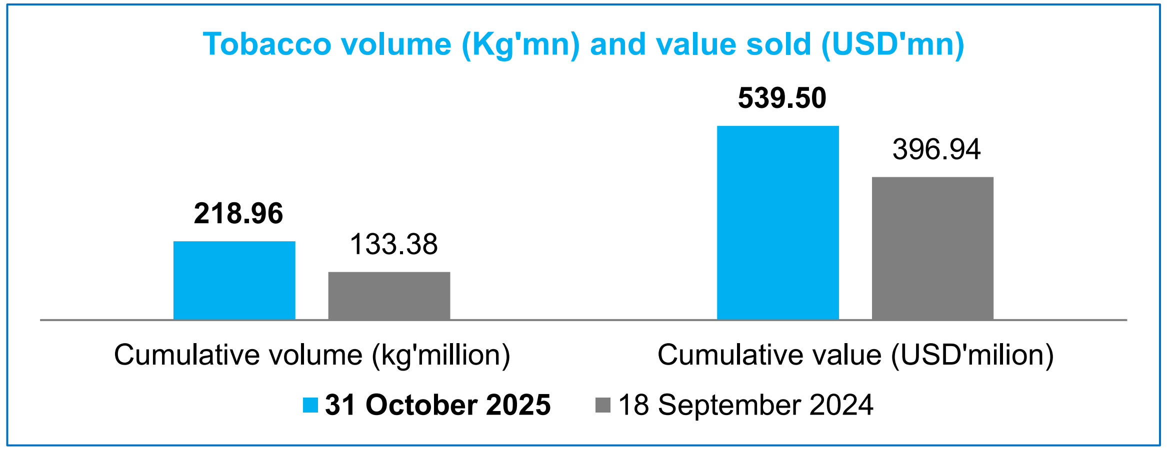
The average OPEC reference basket price decreased by 5.2% month-on-month to USD66.72/barrel in October 2025 from USD70.39/barrel in September 2025 and declined by 10.4% year-on-year from USD74.45/barrel in October 2024. The global oil demand growth forecast for 2025 remains at 1.3 mb/d, year-on-year.



Tobacco Auction Developments (Source: AHL, Various Published Media)

As of 31 October 2025, the cumulative value of tobacco sold was USD539.50 million, generated from a cumulative 218.96 million kilograms (kgs), which have been sold at an average price of USD2.46/kg. In contrast, at the end of the 2024 season on 18 September 2024, the cumulative value of tobacco sold stood at USD396.94 million, generated from a cumulative 133.38 million kgs sold at an average price of USD2.98/kg.

According to a media report, over four million kilograms of tobacco worth approximately MK17.2 billion remain unsold at Mzuzu Floors, despite an extended marketing season. Farmers report low daily sales, poor prices (often below USD2/kg) and contract breaches by buyers, leaving them unable to repay loans or cover basic needs. The Tobacco Commission and Tama Farmers Trust acknowledge the oversupply and are engaging stakeholders to address the issue.



Local Mining Industry Developments (Source: Published Media)

Lotus Resources Limited expects to begin earning foreign exchange from uranium exports at the Kayelekera Mine in early 2026, following its first production in the third quarter of 2025. Exports from the mine will be shipped through Tanzania's Dar es Salaam Port to converters in France, the United States, and Canada. The company chose the Dar es Salaam route for its proximity and cost efficiency over Beira and Walvis Bay.

The Institute of Chartered Accountants in Malawi (ICAM) has reaffirmed that Malawi does not yet meet the full criteria of a hyperinflationary economy under IAS 29, despite cumulative three-year inflation rising to 120.61% as of 31 August 2025, above the 100% threshold.

Policy and Regulatory Developments

The Ministry of Industrialization, Business, Trade and Tourism announced that the Micro, Small and Medium Enterprises (MSMEs) Act of 2024 will take effect in April 2026. The law establishes the Small and Medium Enterprises Development Corporation (SMEDCO) to regulate the sector, introduce registration and accreditation systems, and provide incentives for enterprise growth, training, and innovation. The act also includes measures for support, regulation, and penalties for non-compliance. Implementation will involve nationwide stakeholder feedback to ensure the Act drives job creation, economic growth, and self-reliance.

The Institute of Chartered Accountants in Malawi (ICAM) has reaffirmed that Malawi does not yet meet the full criteria of a hyperinflationary economy under IAS 29, despite cumulative three-year inflation rising to 120.61% as of 31 August 2025, above the 100% threshold. According to ICAM, while the quantitative threshold is breached, qualitative indicators are still absent. The December 2024 directive remains in force, with ICAM continuing to monitor developments ahead of year-end.

Trade and Investment Partnerships

Mkango Resources Limited has entered into a Project Development Funding Agreement with the U.S. International Development Finance Corporation (DFC) to secure USD4.6 million in reimbursable funding as part of the DFC's Project Development strategy for the Songwe Hill rare earth project in Malawi. The financing, to be equally matched by Mkango Resources' contributions over the next 18 months, will support front-end engineering design and value engineering studies and accelerate mine construction. Repayment to the DFC is required only if Mkango Resources secures full project financing within ten years. The funding follows the European Union's recent recognition of Songwe Hill as a priority project under its Critical Raw Materials.

The Common Market for Eastern and Southern Africa (COMESA) has launched its first interoperable cross-border payment system linking Malawi and Zambia. The Digital Retail Payments Platform (DRPP) allows traders and consumers to make instant, low-cost transactions in their local currencies, without relying on scarce foreign exchange. Supervised by the Reserve Bank of Malawi and the Bank of Zambia, the pilot phases early adopters include TNM Mpamba, FDH Bank, and Finca Malawi. The COMESA chairperson urged member states to invest in digital infrastructure to boost regional trade, noting that for Malawi, the system could help preserve foreign reserves and strengthen the kwacha's regional value.

Maize Developments

The President of the Republic of Malawi has declared a State of Disaster in 11 of Malawi's 28 districts due to severe food insecurity caused by prolonged dry spells, high commodity prices, and macroeconomic challenges. A recent report by the Malawi Vulnerability Assessment Committee (MVAC) revealed that approximately four million people — 22% of the population — will face food shortages during the 2025/26 consumption period. In response, the government has developed a Lean Season Food Insecurity Response Plan, which includes distributing free maize and cash through the Social Cash Transfer Programme starting 1 November 2025. The worst-hit districts include Neno, Thyolo, and Mulanje, with food insecurity rates ranging from 20% to 35%. Authorities are also promoting irrigation farming and considering drought-resistant seed varieties to mitigate future crises, with total humanitarian needs estimated at 200,000 metric tonnes of maize worth MK387.20 billion.

Malawi and Zambia have signed an agreement for Malawi to purchase 200,000 metric tonnes (MT) of maize to strengthen local stocks and ease shortages of the staple grain. Malawi will be allowed to pay in instalments, and shipments will start once the first payment is made. Zambia offered the maize at a favourable price as a gesture of solidarity between the two neighbouring countries. It invited Malawi to consider purchasing more, noting that Zambia still has 500,000 MT available.

The World Bank has granted Malawi USD45 million (about MK78.7 billion) in emergency funding to import 200,000 metric tonnes of maize from Zambia, which is being offered at about USD355 per tonne (about MK621,600 per tonne), the equivalent of MK621/kg and below the current local prices of around MK1,300/kg. The Malawi Finance Minister announced the grant after attending the World Bank Annual Meetings, noting that the funds are immediately available. Additional pledges of USD3 million each from China and the International Fund for Agricultural Development (IFAD) will support rice and other food purchases for vulnerable households.

Education

The President of Malawi has announced that beginning in January 2026, primary and secondary education will be free. This policy promotes equal access to education and empowers young Malawians regardless of their economic background, promoting equity and long-term economic growth by expanding access to education.

A brief on the International Monetary Fund Regional Economic Outlook for Sub-Saharan Africa

October 2025

Regional growth in Sub-Saharan Africa is projected at 4.1% in 2025, with a modest pick up in 2026 to 4.4%.

Persistent inflation and external pressures remain key risks. Stronger fiscal discipline, improved governance, and effective policy responses are vital to support recovery and build resilience.

Introduction

The IMF's *Regional Economic Outlook for Sub-Saharan Africa (October 2025)* underscores the region's resilience amid global uncertainty. Despite multiple shocks from tight global financing, trade disruptions, and declining aid, the region continues to hold steady. Economic growth is projected at 4.1% in 2025, with modest improvement expected in 2026.

However, the IMF cautions that progress remains uneven and fragile. Non-resource-intensive and reform-oriented economies are outperforming, while resource-dependent and fragile states continue to lag. The IMF stresses that macroeconomic discipline, fiscal prudence, and domestic revenue mobilization will be crucial to preserve this momentum.

Growth trends

According to the IMF, regional growth is projected at 4.1% in 2025, the same as in 2024, with a modest pickup in 2026 to 4.4%. Forecasts have increased marginally since April, reflecting continued progress toward macroeconomic stabilization and reform efforts, including in Ethiopia and Nigeria. The region has demonstrated remarkable resilience to a series of major shocks over the past several years. However, economic performance remains markedly weaker in resource-intensive countries and in several conflict-affected states. In these economies, gains in income per capita remain modest—around 1% a year on average, and less in the poorest countries.

Challenges in the External Environment

Strain on the global growth prospects: Global growth prospects are showing signs of strain, with global GDP projected to slow by 0.2 percentage points in 2025–26 to 3.1% in 2026 from 3.3% in 2024. Although the outlook has slightly improved since April 2025, the world economy continues to face weak demand and uneven recovery. Oil prices are expected to decline further, weighing on fuel-exporting economies. Prices of other key commodities, including cocoa and gold, remain well above pre-pandemic levels.

External borrowing conditions remain tight: External borrowing conditions have become more favourable since April 2025, though they remain tight overall. This is supported by a weaker US dollar, stable global interest rates, and easing by emerging market central banks. Portfolio inflows have resumed, and sovereign spreads have narrowed, but yields remain high and market volatility continues to limit access. Rollover risks are elevated, and there's uneven financing conditions as countries with stronger fundamentals are benefiting more from the improved sentiment.

Deterioration of the global trade policy and the aid landscape: Tariffs on exports to the U.S. have risen, though less than expected, and preferential access under the African Growth and Opportunity Act (AGOA) ended in September. Foreign aid is also dropping sharply, with bilateral support projected to fall by 16–28% in 2025 and further cuts likely ahead.

Fragile economies' exposure to trade pressures: Fragile economies like Lesotho face high trade exposure, but most countries see minimal short-term impact. The bigger risk is slower global growth and falling commodity prices.

Risk from reduced aid flows: In countries such as Niger, potential cuts could surpass 10% of government revenues. Health, education, and humanitarian assistance programs are particularly vulnerable. Governments have sought to reallocate budgetary resources to cushion these losses, but have limited fiscal space.

Uncertainty about future external developments remains high: Risks remain skewed to the downside, driven by the possibility of rising geopolitical tensions and abrupt financial tightening.

Compounding Macroeconomic Vulnerabilities Over time

Sub-Saharan Africa's resilience reflects years of stabilization efforts and stronger monetary and fiscal frameworks, supported recently by favourable external conditions. However, this resilience is fragile. Elevated global uncertainty and repeated shocks—especially in countries with weak institutions—compound over time, threatening growth and stability.

The IMF notes that fiscal fragility remains a major concern, particularly for lower-income countries. Public debt levels are high, and rising interest payments are crowding out development spending. With limited access to external financing, many governments have shifted toward domestic borrowing. Yet, domestic financial markets are underdeveloped and have high transaction costs and lending spreads, which raise financing costs for both governments and firms and constrain the capacity to absorb debt, particularly longer-term instruments. The shift to domestic financing creates new risks and crowds out private investment. This shift has intensified the bank-sovereign nexus, where rising sovereign debt threatens banking sector stability, credit availability, and exchange rate pressures, all of which would in turn exacerbate fiscal challenges.

Median inflation has eased from over 6% at the end of 2023 to around 4%, driven by lower global food and energy prices alongside tight monetary policies. Inflation is projected to remain in double digits through at least the end of 2025 in about one-fifth of the region. External buffers also remain under pressure and, in many cases, need to be rebuilt.

The IMF notes that Sub-Saharan Africa must balance stability and development amid rising debt, inflation, and limited financing. Stronger tax systems, better debt management, and public trust are key. With smart reforms and political commitment, progress is possible, even in tough conditions.

Compounding Macroeconomic Vulnerabilities Over time (continued)

The IMF highlights that overlapping fiscal, monetary, and external vulnerabilities in low-income countries complicate policy responses. Countries facing high inflation and debt burdens struggle to balance fiscal and monetary goals. To safeguard stability, the region must strengthen central bank independence to anchor inflation expectations, adopt realistic fiscal strategies, and improve spending efficiency. Reform ownership and political economy management are critical to navigating these complex challenges.

Fiscal Policy

Domestic Revenue Mobilization: Overcoming implementation challenges

The IMF states that key constraints to raising revenues from initially low levels include limited technical capacity and broader governance challenges, such as perceptions of corruption. Sustaining higher revenue performance over time requires strengthening transparency and enhancing voice and accountability. A two-pronged approach tackling both tax administration and tax policy is needed.

Improving the quality of tax administration leads to material revenue gains. Sustained, comprehensive reform episodes have raised revenues by 2-3%. Reform priorities include insulating tax administration from political interference; building comprehensive taxpayer registers; moving to e-filing/e-payment as the default; extending digitalization to support e-invoicing and real-time reporting; adopting risk-based compliance management with empowered Large Taxpayer Offices; and using third-party, customs, and cross-border data to target non-compliance.

According to the IMF, the region should rationalize costly and opaque tax expenditures, including tax exemptions, deductions, credits, preferential rates, and deferrals, which can undermine accountability and trust in institutions. Countries should streamline Value Added Tax (VAT) rates and improve refund systems. Excise tax can be expanded for health and environmental goals. Property taxation remains underused; therefore, countries can scale up property taxes.

Success in tax reform depends on securing broad-based buy-in through transparent communication, inclusive consultations, and outreach that frames reforms in relatable terms—such as linking taxes to visible public services. Trust in tax authorities to manage resources efficiently encourages willingness to pay. Conducting impact assessments and preparing transition plans are also vital. Distributional analysis is key to protecting vulnerable groups, as Uganda’s revision of its mobile money tax showed. Together, these elements create a foundation for durable and equitable tax reform.

Debt Management: Reducing costs and supporting growth

The IMF has urged countries in the region to improve transparency and trust by publishing comprehensive debt statistics in line with international standards, ensuring effective communication with investors and centralizing approval and registration of public borrowing.

The IMF has also urged governments to upgrade financial data systems and treasury management, enforce commitment controls to prevent arrears, account for risks related to state-owned enterprises, including contingent liabilities and quasi-fiscal activities, regularly publish medium-term debt management strategies and fiscal-risk statements, and strengthen internal and external audit functions as well as parliamentary oversight.

Bank-sovereign nexus risks can be mitigated by improving the prudential treatment of sovereign exposures, stress-testing banks for sovereign risk, establishing credible recapitalization frameworks, and removing barriers to a deepening of local-currency government bond markets and an expansion of the investor base beyond domestic banks.

Innovative Financing Mechanisms

Debt management reforms can also support innovative financing mechanisms. Blended finance, which is the combination of concessional finance, such as grants, with commercial capital to reduce risk for private investment in sectors including green energy, digital infrastructure, and health.

Similarly, debt for development swaps, where appropriate, can boost investment in support of social development. Scaling up these flows requires credible policy and regulatory frameworks, data and debt transparency, improved public financial management and, for debt swaps, less costly and more streamlined processes.

Conclusion

The IMF notes that Sub-Saharan Africa must balance stability and development amid rising debt, inflation, and limited financing. Stronger tax systems, better debt management, and public trust are key. With smart reforms and political commitment, progress is possible—even in tough conditions.

Appendices

Appendix 1: Historical Monthly Economic Indicators

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	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Exchange rates (middle rates)													
MK/USD	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	1,750.37	**1,749.95**
MK/GBP	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	2,423.25	**2,371.39**
MK/EUR	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	2,103.32	**2,078.57**
MK/ZAR	101.15	99.29	95.89	97.11	97.04	98.15	96.28	100.76	101.58	99.70	101.77	103.60	**103.58**
Foreign Exchange Reserves													
Total reserves (USD'mn)	519.0	516.9	530.9	570.6	569.5	536.0	530.0	521.0	555.9	607.7	521.9	N/A	**N/A**
Total Reserves Import cover (months)	2.1	2.1	2.1	2.3	2.3	2.1	2.1	2.1	2.2	2.4	2.1	N/A	**N/A**
Inflation													
Headline	32.40%	27.00%	28.10%	28.50%	30.7%	30.5%	29.2%	27.7%	27.1%	27.3%	28.2%	28.7%	**N/A**
Food	40.30%	33.70%	35.60%	36.00%	38.5%	37.7%	35.8%	32.7%	31.6%	32.4%	33.7%	33.0%	**N/A**
Non-food	21.20%	17.20%	16.80%	16.90%	18.5%	19.2%	19.4%	20.0%	20.1%	19.3%	19.5%	21.7%	**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	24.20%	23.29%	23.20%	23.19%	23.20%	23.20%	23.18%	23.38%	23.92%	23.98%	23.99%	23.98%	**23.98%**
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%	25.50%	25.30%	25.20%	25.10%	25.10%	25.10%	25.10%	25.10%	25.30%	25.40%	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	32.69%	47.08%	55.06%	29.90%	64.92%	69.52%	68.39%	64.58%	91.77%	124.53%	211.15%	236.67%	**250.27%**
DSI	33.57%	47.71%	52.11%	32.35%	50.42%	56.52%	62.53%	62.41%	89.34%	120.03%	214.05%	236.40%	**233.38%**
FSI	26.51%	42.71%	75.65%	15.08%	152.62%	148.16%	103.82%	77.74%	106.49%	150.94%	195.28%	239.14%	**348.11%**

Appendix 2: Selected stock market statistics as of 31 October 2025

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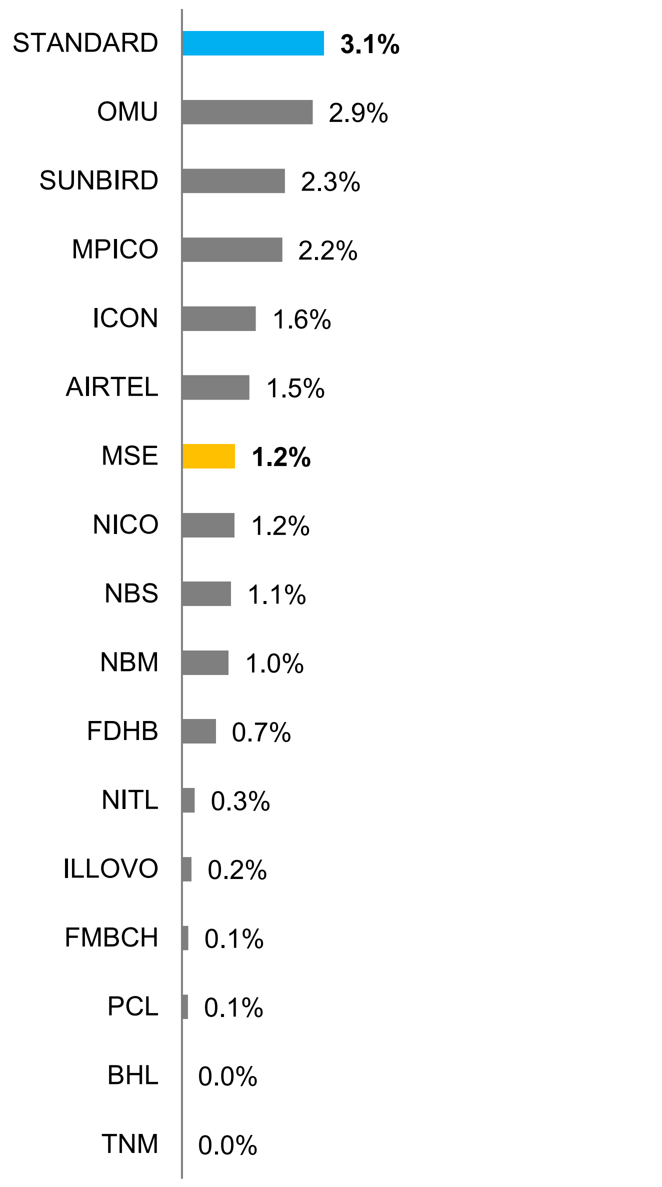
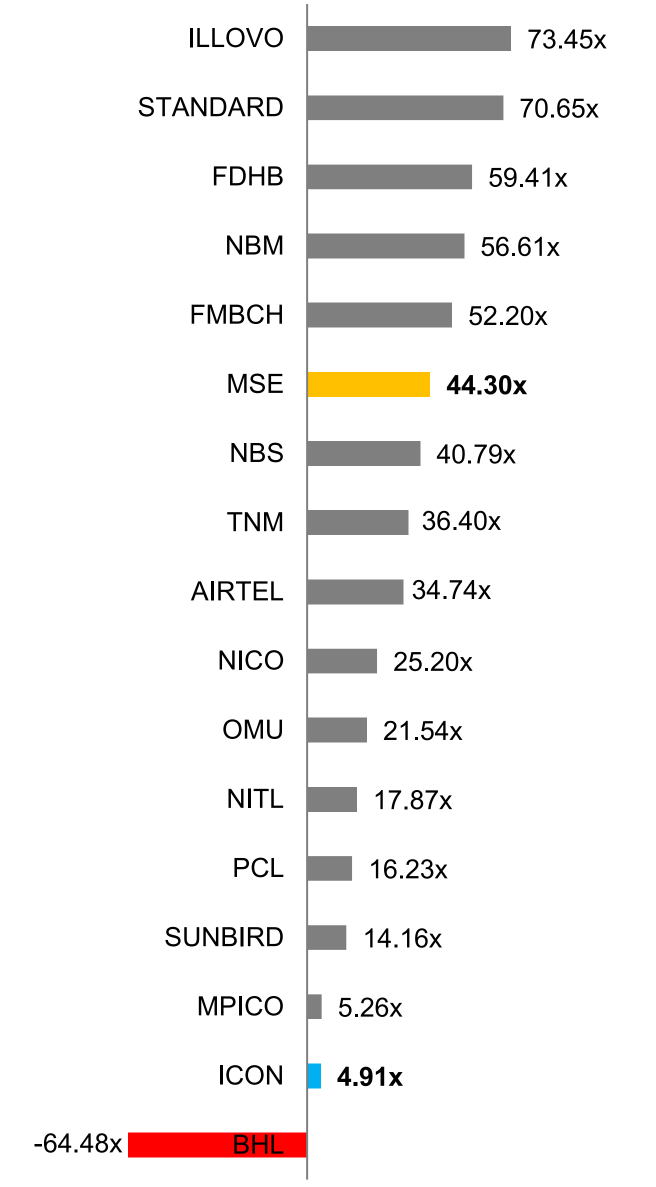
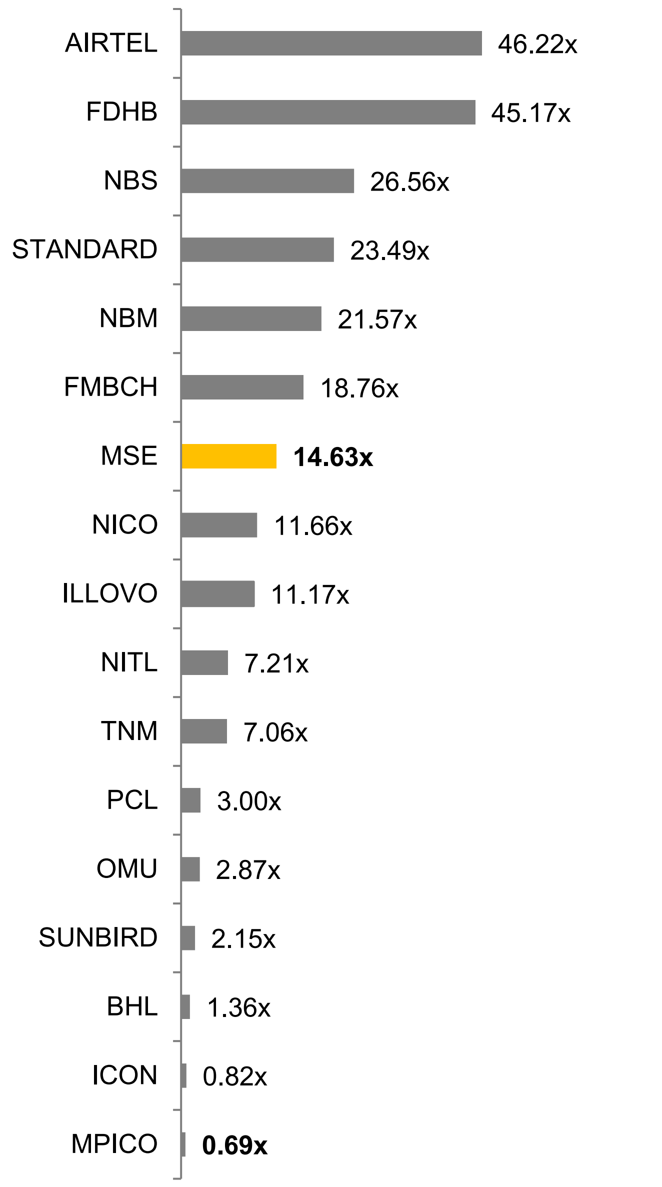
Dividend Yield (%) - the weighted average dividend yield on the MSE was 1.2% in October 2025. The counter with the highest dividend yield was STANDARD at 3.1%.



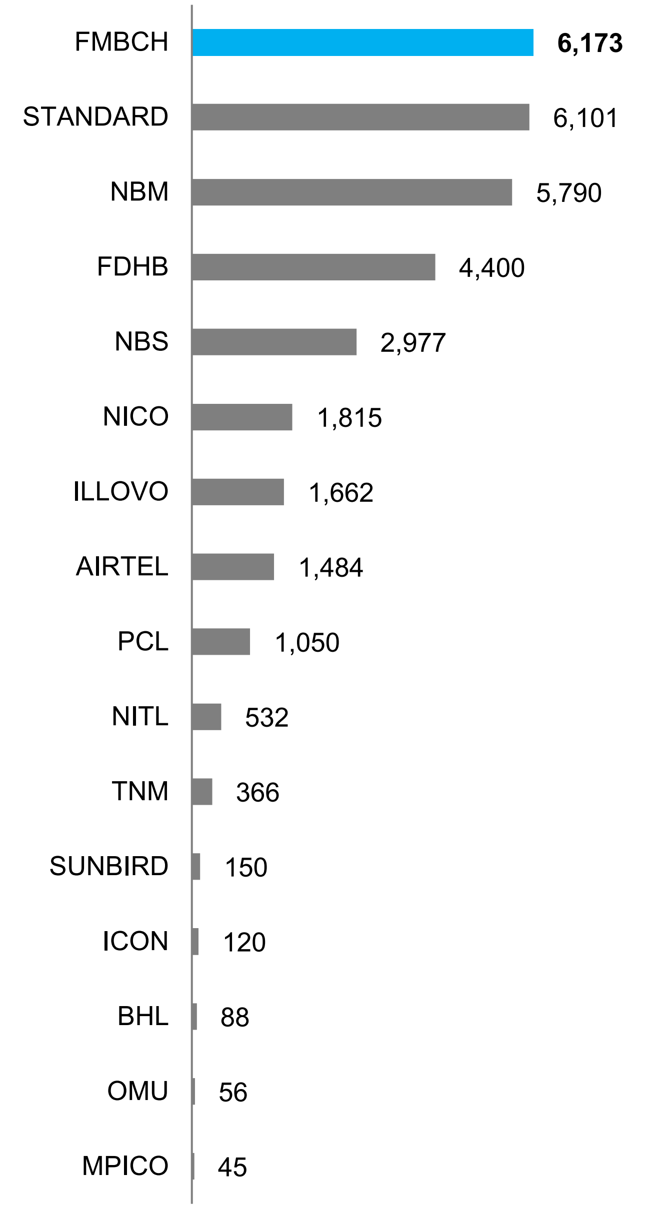
P/E Ratio - the weighted average price to earnings ratio on the MSE was 44.30x in October 2025. The counter with the lowest positive ratio was ICON at 4.91x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 14.63x in October 2025. The counter with the lowest positive ratio was MPICO at 0.69x.



Market Capitalization (MK'billion) - FMBCH had the highest market capitalization at MK6.2 trillion in October 2025.



Appendix 3: Oxford Economics Macroeconomic Projections

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(Annual percentage changes unless specified) Indicator	2023	2024	2025	2026	2027	2028
Real GDP growth	1.9	1.8	2.4	3.5	3.4	5.6
CPI inflation	28.8	32.2	28.8	32.5	20.9	5.0
Exports of goods (USD bn)	1.0	1.0	1.1	1.2	1.4	1.5
Exports of services (USD bn)	0.5	0.5	0.5	0.6	0.7	0.7
Imports of goods (USD bn)	3.0	3.0	3.0	2.9	3.0	3.3
Imports of services (USD bn)	1.00	0.9	0.8	0.8	0.8	0.9
Exports of goods	-0.3	0.0	8.9	11.5	11.8	9.6
Imports of goods	4.5	0.8	-0.1	-4.0	4.1	9.9
Current account (USD bn)	-2.1	-2.1	-2.1	-1.8	-1.6	-1.7
Current account balance (% of GDP)	-16.7	-18.7	-13.2	-11.5	-9.6	-9.3
Exchange rate per USD (year average)	1,161.1	1,734.3	1,734.0	2,408.1	2,787.3	2,857.0
External debt total (USD bn)	3.6	4.5	5.5	5.8	6.1	6.6
Government balance (% of GDP)	-8.3	-8.3	-10.7	-10.1	-9.0	-8.2
Government debt (% of GDP)	91.0	76.7	73.3	83.4	79.8	72.4
Population (million)	21.1	21.7	22.2	22.8	23.4	24
Nominal GDP (USD bn)	12.6	11.4	15.9	15.7	17.1	18.3
GDP per capita (USD current prices)	597.4	525	715.9	688.3	730.6	762.9

Source: Oxford Economics Country Economic Forecast (Malawi), October 2025

Appendix 4: EIU Macroeconomic Projections

Indicator	2023	2024	2025	2026	2027	2028	2029
Real GDP growth (%)	1.6	1.3	1.6	2.3	2.5	2.8	3.0
Industrial production incl construction (% change)	1.4	2.2	2.0	2.2	2.7	2.9	2.9
Consumer price inflation (av)	28.8	32.2	27.6	23.9	17.4	13.9	11.2
Short-term interest rate (av)	13.7	15.8	15.0	14.0	12.0	10.0	8.0
Government balance (% of GDP)	-4.5	-9.1	-9.6	-7.3	-6.5	-5.8	-5.2
Exports of goods fob (USD bn)	1.1	1.0	1.1	1.2	1.2	1.3	1.4
Imports of goods fob (USD bn)	-3.0	-2.7	-2.6	-2.7	-2.9	-3.0	-3.2
Current-account balance (USD bn)	-2.3	-1.9	-1.7	-1.7	-1.6	-1.7	-1.7
Current-account balance (% of GDP)	-17.9	-17.0	-11.8	-11.2	-10.5	-10.3	-10.0
Exchange rate MK/USD (av)	1,161	1,734	1,736	2,142	2,470	2,754	3,162
Exchange rate MK/USD (end-period)	1,698	1,734	1,750	2,438	2,497	2,986	3,250

Source: EIU Five-Year Forecast (Malawi), September 2025

Appendix 5: List of Acronyms and Abbreviations

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AfDB	: African Development Bank
AGOA	: African Growth and Opportunity Act
AHL	: Auctions Holding Limited
av	: Average
BHL	: Blantyre Hotels Plc
bn	: Billion
COMESA	: Common Market for Eastern and Southern Africa
CPI	: Consumer Price Index
DFC	: Development Finance Corporation
DRPP	: Digital Retail Payments Platform
EIU	: Economist Intelligence Unit
EUR	: Euro
FDHB	: FDH Bank Plc
FMBCH	: FMB Capital Holdings Plc
FY	: Fiscal year
GBP	: Great British Pound
GDP	: Gross Domestic Product
ICAM	: Institute of Chartered Accountants in Malawi
IFAD	: International Fund for Agricultural Development
IFPRI	: International Food Policy Research Institute
IMF	: International Monetary Fund
Kg	: Kilogram
LRR	: Liquidity Reserve Requirement
MASI	: Malawi All Share Index
Mb/d	: Million barrels per day
MITC	: Malawi Investment and Trade Centre
MK	: Malawi Kwacha
Mn	: Million
MPC	: Monetary Policy Committee
MSE	: Malawi Stock Exchange
MSME	: Micro, Small and Medium Enterprises
Mt	: Metric tons
MVAC	: Malawi Vulnerability Assessment Committee
NBM	: National Bank of Malawi Plc
NBS	: NBS Bank Plc
NICO	: NICO Holdings Plc
NITL	: National Investment Trust Limited Plc
NSO	: National Statistical Office
OMO	: Open Market Operation
OMU	: Old Mutual Limited Plc
OPEC	: Organization of the Petroleum Exporting Countries
P/BV	: Price to book value
P/E	: Price to earnings
PCL	: Press Corporation Limited Plc
RBM	: Reserve Bank of Malawi
SMEDCO	: Small and Medium Enterprises Development Corporation
TB	: Treasury Bill
TN	: Treasury Note
TNM	: Telekom Networks Malawi Plc
USD	: United States Dollar
VAT	: Value Added Tax
WB	: World Bank

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tnm	Fairness Opinion on the MK30 billion issue for cash	Independent expert	2025
MyBucks Banking Corporation	Sell-side advisor on the disposal of the bank to an investor consortium	Lead advisor	2021 - 2022
Press Corporation Plc	Valuation of Unlisted Equity Investments	Valuation expert	2022 - 2024

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