



## **Malawi Financial Market Update**

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Week ending 12 December 2025



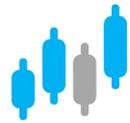
### Market Developments

#### What happened this week

*Government plans to cut the policy rate from 26% to 12% by 2028 to stimulate private-sector investment.*

*World Bank warns Malawi's mining revenue will remain limited without major reforms and improved investor conditions.*

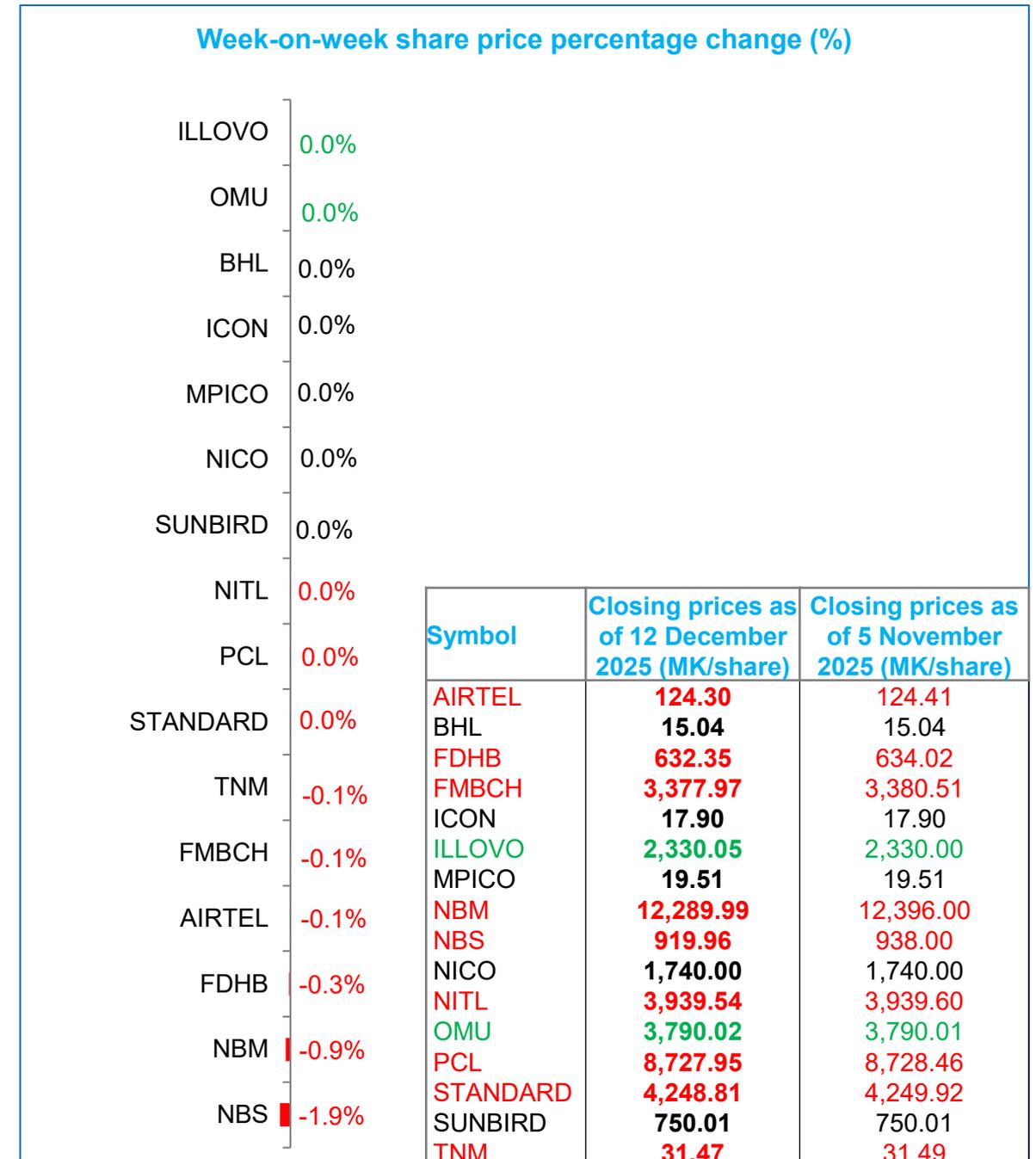
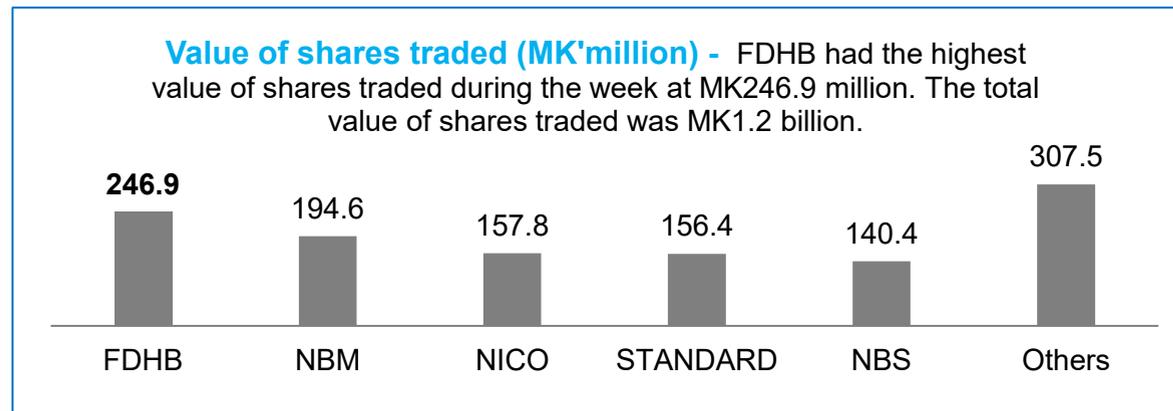
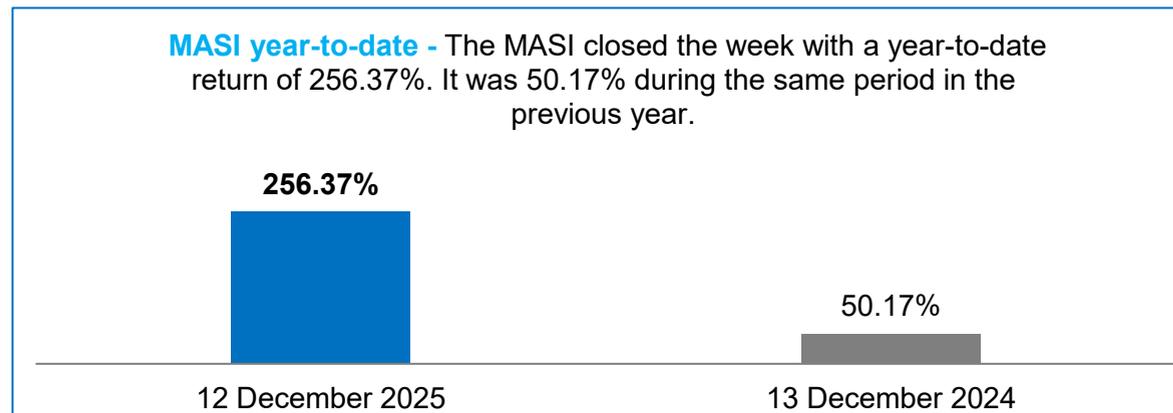
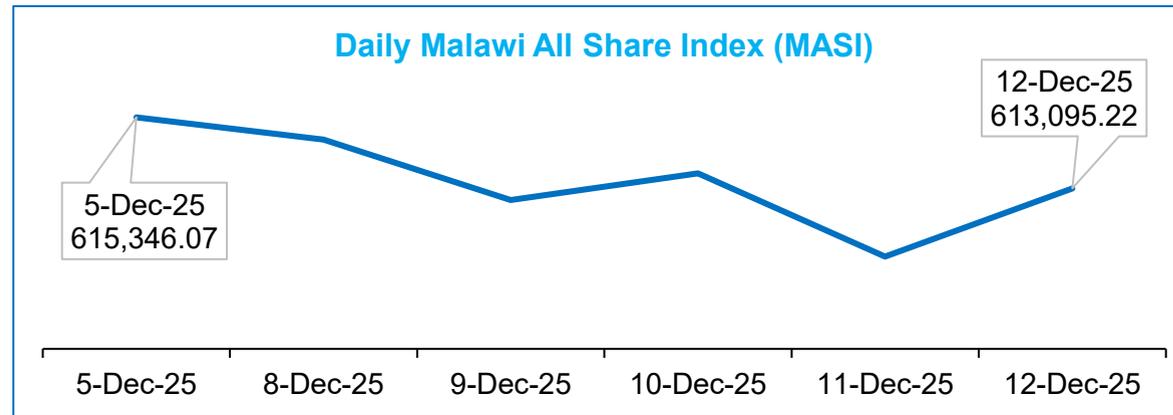
1. The Government plans to reduce the policy rate from 26% to 12% by 2028 to lower borrowing costs and stimulate private-sector investment. Authorities say they are committed to taming inflation and achieving a single-digit medium-term target. The plan includes closer alignment of interbank and policy rates, periodic reviews of key monetary tools, and expanded credit-guarantee schemes to boost financing for productive sectors. Other stakeholders say the high policy rate continues to constrain credit access compared with regional peers, with current lending rates ranging from 30% to 35% in Malawi. *(The Daily Times, 9 December 2025)*
2. Malawi's fiscal position is under renewed scrutiny after a World Bank review cited rising public spending, growing debt, and persistent foreign exchange distortions as major risks. Over 80% of domestic revenue is absorbed by rigid expenditure, with high interest payments limiting investments in growth enhancing sectors. Hidden liabilities from fuel subsidies, RBM forex operations, and weak state-owned enterprises are deepening vulnerabilities. With spending rising above 30% of GDP, fiscal discipline remains weak. The World Bank urges difficult reforms and estimates Malawi could save 2.6% to 12% of GDP and raise up to 6.5% through tax and procurement reforms. *(The Nation, 10 December 2025)*
3. The World Bank warns that Malawi's mining sector will not deliver transformational revenue without major reforms. Under realistic conditions, government revenue from the Kayelekera uranium mine and the Kasiya rutile project could reach just over USD 200 million annually by the early 2030s which is equivalent to roughly 2% of Malawi's current GDP. An optimistic scenario which includes high-risk mining projects would raise mining revenue to about 5% of GDP. Weak infrastructure, poor licensing transparency, and limited negotiation capacity continue to deter investors, delaying meaningful fiscal gains for 5 to 10 years. *(The Daily Times, 11 December 2025)*
4. The World Bank has ordered all district councils to refund more than USD700,000 (about MK1.2 billion) after a review found undocumented administrative expenses under the Social Support for Resilient Livelihoods Project. Sixteen councils have partially repaid their debts, and the balances will be settled by the Treasury. The Treasury will be reimbursed through deductions from council allocations. Civil society groups say the issue exposes weak financial controls and governance failures. The World Bank will continue supporting social support programmes but expects stronger compliance measures. *(The Daily Times, 9 December 2025)*
5. Malawi's proposed domestic debt restructuring is dividing opinion. Government argues the MK21.6 trillion debt burden, which consumes almost 50% of domestic revenue, is unsustainable and requires shared sacrifice. Supporters of the restructuring argue that banks have long profited from high-interest earnings. However, the Bankers Association of Malawi warns that it could destabilise the financial sector, which includes pension and insurance funds which invest in government securities. They call for a gradual approach with stronger fiscal discipline and spending cuts. The government is currently navigating to secure debt restructuring deals. *(The Daily Times, 11 December 2025)*
6. The Ministry of Finance plans to review user fees and charges to ensure they reflect the actual cost of providing public services, as part of efforts to strengthen non-tax revenue amid a tight fiscal space and a projected MK3.1 trillion deficit this financial year. The review will cover departmental receipts, road traffic fees, passport fees, land application fees, and court user fees. Domestic revenue for 2025/26 is projected at MK4.4 trillion, mostly from taxes, with MK106 billion from other revenues. Economists note that the introduction of new tax and non-tax measures, including the recent VAT increase and mobile money levies was inevitable. They argue that cost-reflective fees are economically sound but must consider social impact, especially as government faces limited fiscal room and rising obligations. *(The Nation, 10 December 2025)*
7. Malawi will begin importing 50MW of electricity from Mozambique in February 2026, with government set to pay USD5 million monthly for the power. The Minister of Natural Resources, Energy and Mining says the Malawi–Mozambique interconnector project is nearly complete, with ESCOM reporting 99% progress on the Malawi side and 98% on the Mozambican side. The 218km line will link Malawi to Mozambique's Matambo substation. This marks the fourth revised deadline after missing earlier targets in 2023, 2024 and 2025. *(The Daily Times, 9 December 2025)*
8. Tobacco output could decline by 26.4% in the 2025–26 season after the Tobacco Commission issued 55,319 licenses, down from 74,104 last year. The licenses represent a production capacity of 237 million kgs, which is less than last year's licensed output of 321.4 million kgs. The drop in issued licenses follows last season's 15% price decline to USD2.52/kg in 2025 from USD2.98/kg in 2024, which pushed out non-regular tobacco growers. Officials say this year's figures better reflect genuine farmers volumes. Tobacco remains Malawi's largest forex earner, contributing over 50% of total goods exports. *(The Daily Times, 12 December 2025)*



# Malawi Financial Market Update: Week ending 12 December 2025

Stock market (Source: MSE)

The stock market was bearish, with the Malawi All Share Index (MASI) falling by 0.37%, to close the week ending 12 December 2025 at 613,095.22 points, from 615,346.07 points on 5 December 2025. This downward movement in the index was primarily driven by the share price loss in NBS.





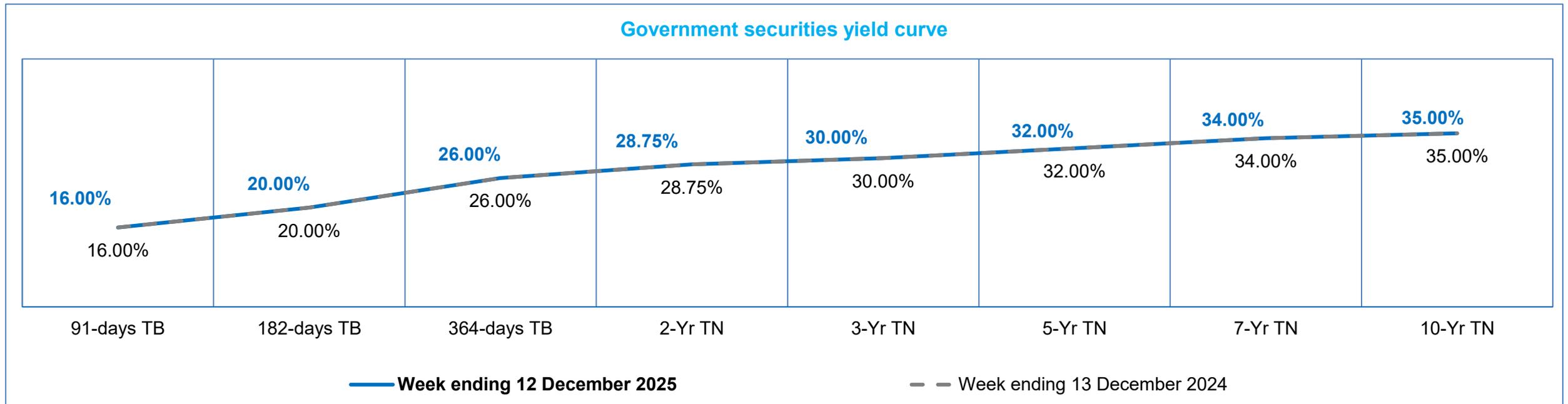
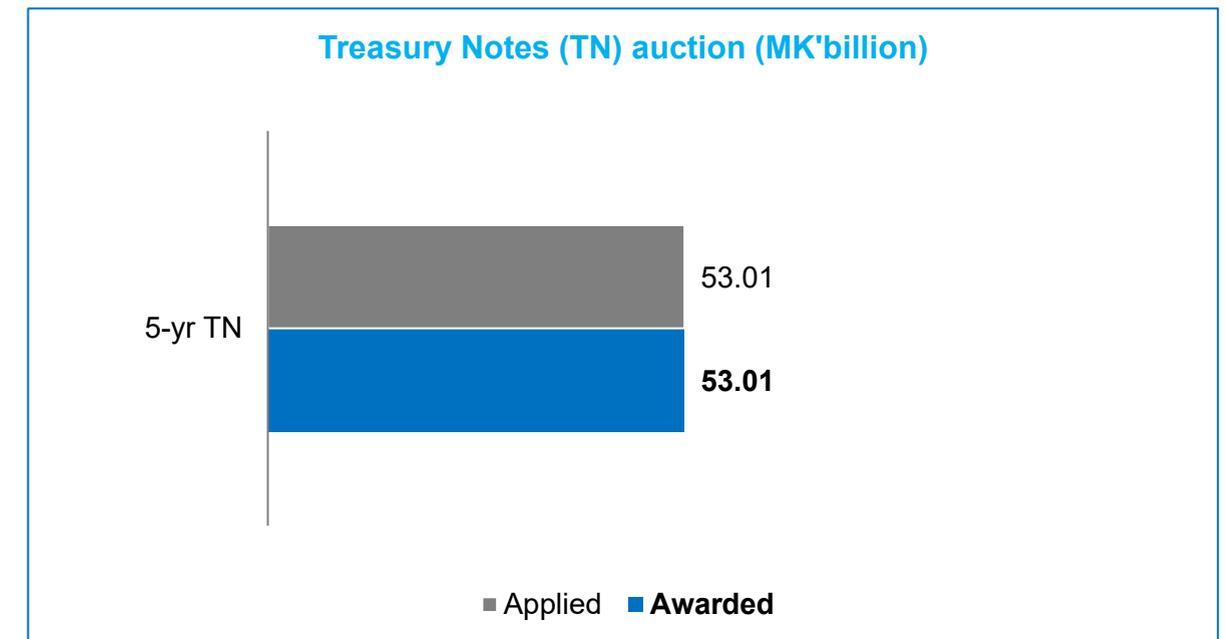
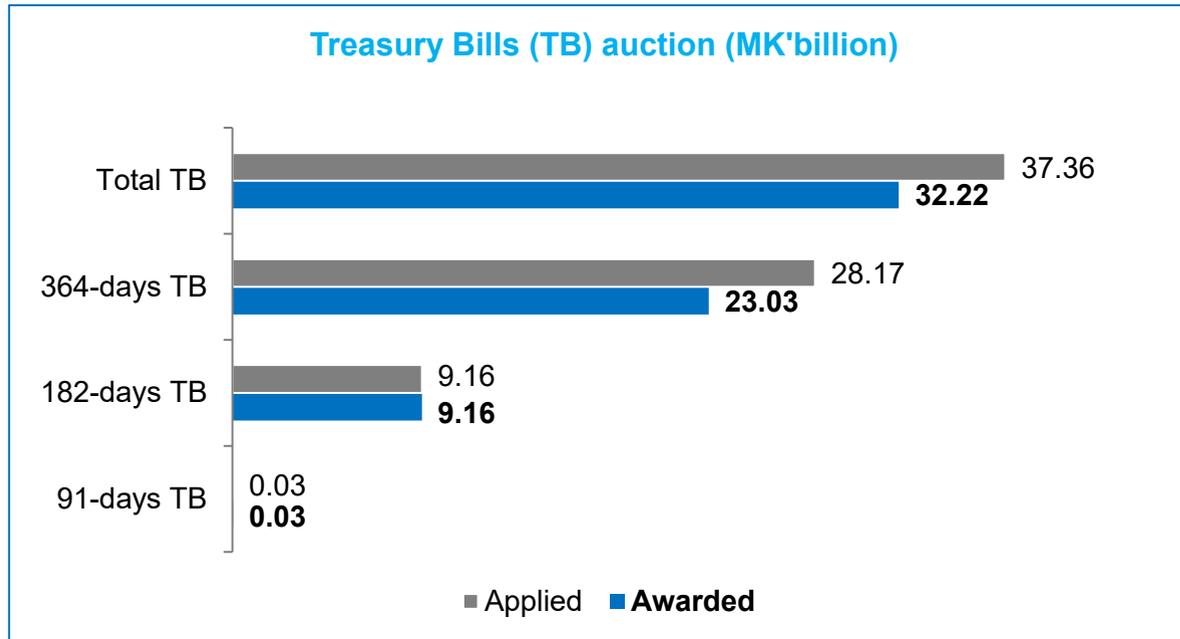
## Government Securities (Source: RBM)

The Reserve Bank of Malawi (RBM) held auctions for all tenors of Treasury Bills (TB) and a 5-year Treasury Note (TN) during the period under review. A total of MK85.23 billion was raised from the auctions.

The total amount raised from the TB auctions was MK32.22 billion.

The total amount raised from the 5-year TN auction was MK53.01 billion.

As at 12 December 2025, the average yields for Treasury Bills and Treasury Notes remained at 20.67% and 31.95%, respectively, unchanged from yields observed in the week ending 13 December 2024.



TB: Treasury Bill  
TN: Treasury Note



## Appendix 1: Historical Economic Indicators

	Dec-24	Jan-25	Feb-25	Mar-25	April-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	12-Dec-25
<b>Exchange Rates (middle rates)</b>													
MK/USD	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	1,734.01	<b>1,734.01</b>
MK/GBP	2,250.25	2,233.84	2,268.53	2,329.61	2,412.28	2,415.65	2,473.04	2,408.88	2,424.53	2,423.25	2,371.39	2,359.88	<b>2,391.85</b>
MK/EUR	1,861.87	1,866.83	1,873.26	1,945.36	2,052.11	2,045.98	2,112.10	2,082.69	2,103.70	2,103.32	2,078.57	2,068.76	<b>2,096.27</b>
MK/ZAR	95.82	97.11	97.04	98.15	96.28	100.76	100.57	100.34	101.77	103.60	103.58	104.06	<b>106.02</b>
<b>Foreign Exchange Reserves</b>													
Total Reserves (USD'mn)	530.9	570.60	569.5	536.0	530.0	521.0	555.9	607.7	523.9	511.8	526.8	N/A	<b>N/A</b>
<b>Inflation</b>													
Headline	28.1%	28.5%	30.7%	30.5%	29.2%	27.7%	27.1%	27.3%	28.2%	28.7%	29.1%	N/A	<b>N/A</b>
Food	35.6%	36.0%	38.5%	37.7%	35.8%	32.7%	31.6%	32.4%	33.7%	33.0%	32.4%	N/A	<b>N/A</b>
Non-food	16.8%	16.9%	18.5%	19.2%	19.4%	20.0%	20.1%	19.3%	19.5%	21.7%	23.8%	N/A	<b>N/A</b>
<b>Interest Rates</b>													
Monetary Policy Rate	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	<b>26.00%</b>
Average Interbank Rate (Overnight)	23.22%	23.19%	23.18%	23.19%	23.18%	23.82%	23.99%	23.98%	23.98%	23.98%	23.98%	23.98%	<b>23.98%</b>
Lombard Rate	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	<b>26.20%</b>
Commercial Bank Reference Rate	25.30%	25.20%	25.10%	25.10%	25.10%	25.20%	25.10%	25.30%	25.40%	25.30%	25.40%	25.30%	<b>25.30%</b>
<b>Government Securities Yields</b>													
91-days Treasury Bill	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	<b>16.00%</b>
182-days Treasury Bill	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	<b>20.00%</b>
364-days Treasury Bill	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	<b>26.00%</b>
2-year Treasury Note	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	<b>28.75%</b>
3-year Treasury Note	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>
5-year Treasury Note	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	<b>32.00%</b>
7-year Treasury Note	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	<b>34.00%</b>
10-year Treasury Note	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	<b>35.00%</b>
<b>Year-to-date Return</b>													
MASI	55.06%	29.90%	64.92%	69.52%	68.39%	64.58%	91.77%	124.53%	211.15%	236.67%	250.27%	259.98%	256.37%
DSI	52.11%	32.35%	50.42%	56.52%	62.53%	62.41%	89.34%	120.03%	214.05%	236.40%	233.38%	217.65%	213.59%
FSI	75.65%	15.08%	152.62%	148.16%	103.82%	77.74%	106.49%	150.94%	195.28%	239.14%	348.11%	503.79%	502.72%

The 12 December 2025 exchange rates are Middle (TT) opening exchange rates as reported by the Reserve Bank of Malawi.

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