



Malawi Monthly Economic Report and A Brief on the World Bank Malawi Economic Monitor Report

February 2026

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Inflation and Monetary Policy

The year-on-year headline inflation rate eased to 24.9% in January 2026 from 26.0% in December 2025, driven by the decline in food inflation. The food inflation rate declined to 22.1% in January 2026 from 26.5% in December 2025, and the non-food inflation rate increased to 29.8% in January 2026 from 25.2% in December 2025.

The 2026-27 budget statement projects inflation to 15% by the end of the 2026-27 financial year.

The latest inflation forecasts for 2026 vary across institutions, ranging from 15.8% to 34.8%. The Economist Intelligence Unit (EIU) expects inflation to stay elevated, averaging around 29.0% during the year. Oxford Economics projects a higher average of 34.8%, citing fuel price increases associated with currency depreciation. The World Bank projects 22%. In comparison, the State of the Nation Address (SONA) projects inflation to decline to less than 21.0% in 2026.

Foreign Exchange Market and Reserves Position

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,750.23/USD as of 27 February 2026 from MK1,749.55/USD as of 30 January 2026.

Stock Market

The stock market was bearish in February 2026, with the Malawi All Share Index (MASI) declining by 2.42% to 574,679.80 points from 588,918.94 points in January 2026.

NBS Bank plc announced a third interim dividend of MK24.16 billion, representing MK8.3 per share.

Fiscal Policy and Government Borrowing

On 27 February 2026, the Minister of Finance presented the 2025/2026 budget policy statement in Parliament. For the 2025/2026 financial year, total revenue and grants are estimated at MK8.13 trillion, equivalent to 25.8% of GDP. Total expenditure is estimated at MK10.98 trillion, accounting for 34.8% of GDP. This results in an overall fiscal deficit of MK2.85 trillion, or 9.0% of GDP.

In February 2026, a total of MK314.96 billion was raised from MK1.18 trillion in total Treasury Bills and Treasury Notes auction applications, representing a 324% increase from the MK74.31 billion raised in January 2026.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price in January 2026 fell by 16% to MK978/kg (MK48,900 for a 50kg bag), from MK1,161/kg (MK58,050 for a 50kg bag) in December 2025.

An Overview of Accelerating Investment: Challenges and Policies by the World Bank

The February 2026 Malawi Economic Monitor, titled Getting Reforms Right, analyzes the country's economic challenges under the newly elected administration. It reports subdued GDP growth of 1.9% in 2025, driven by modest agricultural recovery but constrained by foreign exchange shortages, high inflation averaging 28.4%, persistent fiscal deficits at 9.3% of GDP, and a widening current account deficit nearing 20% of GDP. Official reserves remain critically low, below one month of import cover, while the banking sector performs strongly but is vulnerable due to heavy government debt exposure. The report highlights early reforms like expenditure controls and fuel price adjustments but warns of fragility from overvalued exchange rates, policy inconsistencies, and climate risks, projecting growth at 2.3% in 2026 and 2.7% in 2027—insufficient for meaningful per capita gains without deeper stabilization.

The special topic, Reversing Malawi's Export Decline, diagnoses a decade-long drop in exports as a share of GDP, with tobacco dominating 61% of goods exports in 2024 and the trade deficit expanding due to low diversification, few exporters, high churn, and policy barriers like non-tariff measures and foreign exchange surrender requirements.

Using customs data, it identifies five stylised facts underscoring structural weaknesses, highlights the unintended consequences of import barriers, with Nigeria cited as an example, and spotlights promising agro-processing chains like groundnuts and soybeans. Recommendations focus on three areas of policy interventions:

reducing trade costs through facilitation and digitalization, addressing inconsistencies via exchange rate unification, and easing supply constraints with infrastructure investments to boost exports, jobs, and resilience aligned with Malawi 2063.

Malawi Economic Growth Outlook

Real GDP growth projections for 2026 indicate modest recovery, ranging from 2.4% to 3.8% (median 3.0%). Oxford Economics project 2.2% growth, while the World Bank forecasts 2.3%. The Malawi government projects growth to 3.8%.

Opportunities

Sovereign Metals Limited signed a non-binding off-take Memorandum of Understanding (MoU) with Traxys North America for marketing of its graphite concentrate from its Kasiya Rutile and Graphite Project in Lilongwe. The MOU targets initial volumes of about 40,000 metric tonnes (MT) per annum for years one to five (rising to up to 80,000 MT per annum thereafter).

The governments of Malawi and Tanzania have signed a Simplified Trade Regime (STR) agreement. This agreement allows small-scale cross-border traders to import or export goods valued up to USD 2,000 (approximately MK 3.5 million) duty-free.

Lotus Resources Limited has successfully raised approximately USD53 million by issuing 35.4 million new shares at AUD2.15 per share to fund the operational ramp-up of the Kayelekera uranium mine. The capital was raised to complete critical infrastructure, including a sulphuric acid plant and connection to the national electricity grid, to ensure the mine meets its production target of 200,000 pounds per month.

Risks

According to the 2026-27 national budget statement, Interest payments and on domestic and external debt are projected at MK2.79 trillion, while the wage bill rises to MK1.92 trillion and other statutory expenses, together consuming 69% of total expenditure and 78.9% of expected revenue. This leaves little room for development projects.



Inflation and Monetary Policy

The year-on-year headline inflation rate eased to 24.9% in January 2026 from 26.0% in December 2025, driven by the decline in food inflation.

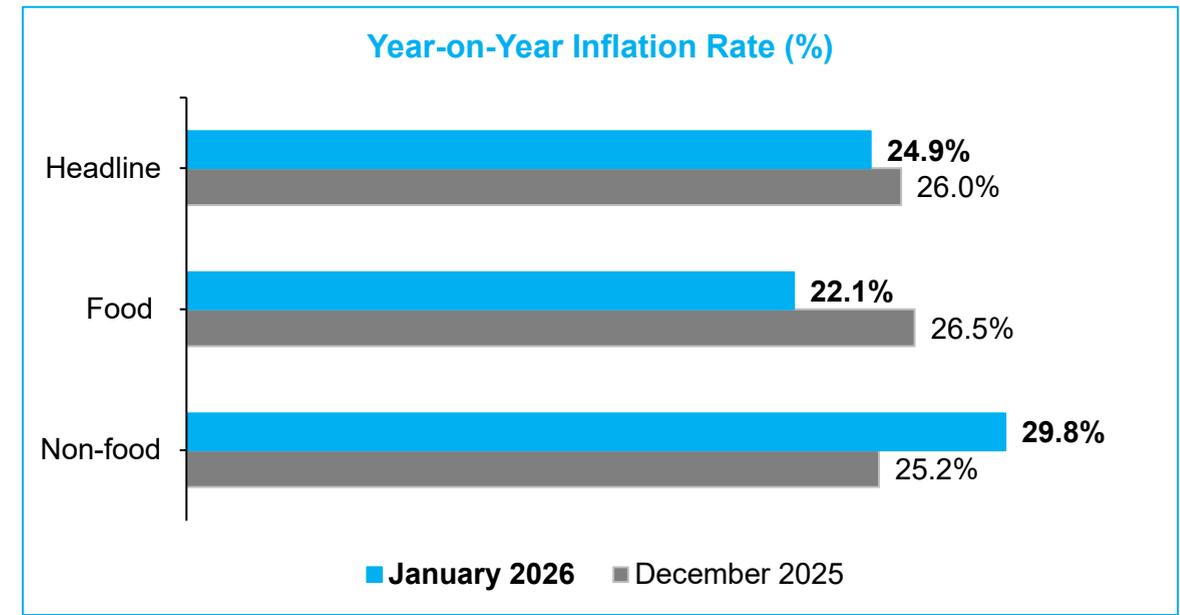
The commercial bank reference rate for February 2026 was 24.70% from 25.20% in January 2026.

Inflation (Source: NSO, WB, EIU, Oxford Economics, GoM)

The year-on-year headline inflation rate eased to 24.9% in January 2026 from 26.0% in December 2025, driven by the decline in food inflation. The food inflation rate declined to 22.1% in January 2026 from 26.5% in December 2025, and the non-food inflation rate increased to 29.8% in January 2026 from 25.2% in December 2025.

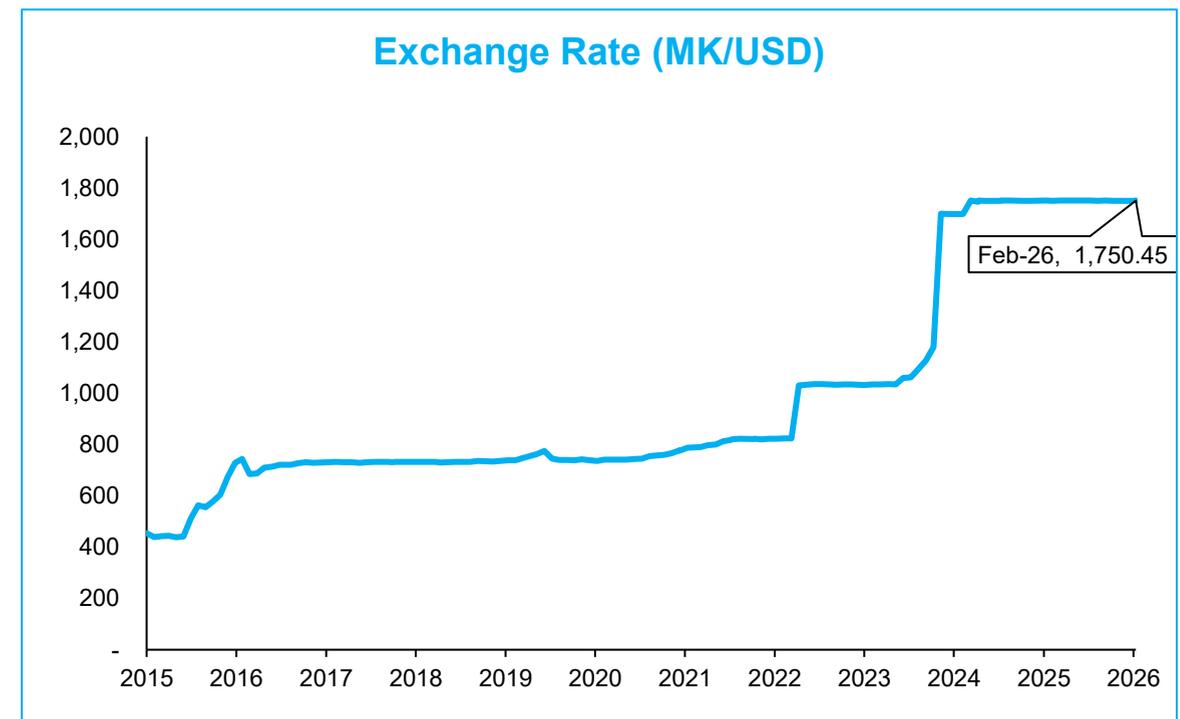
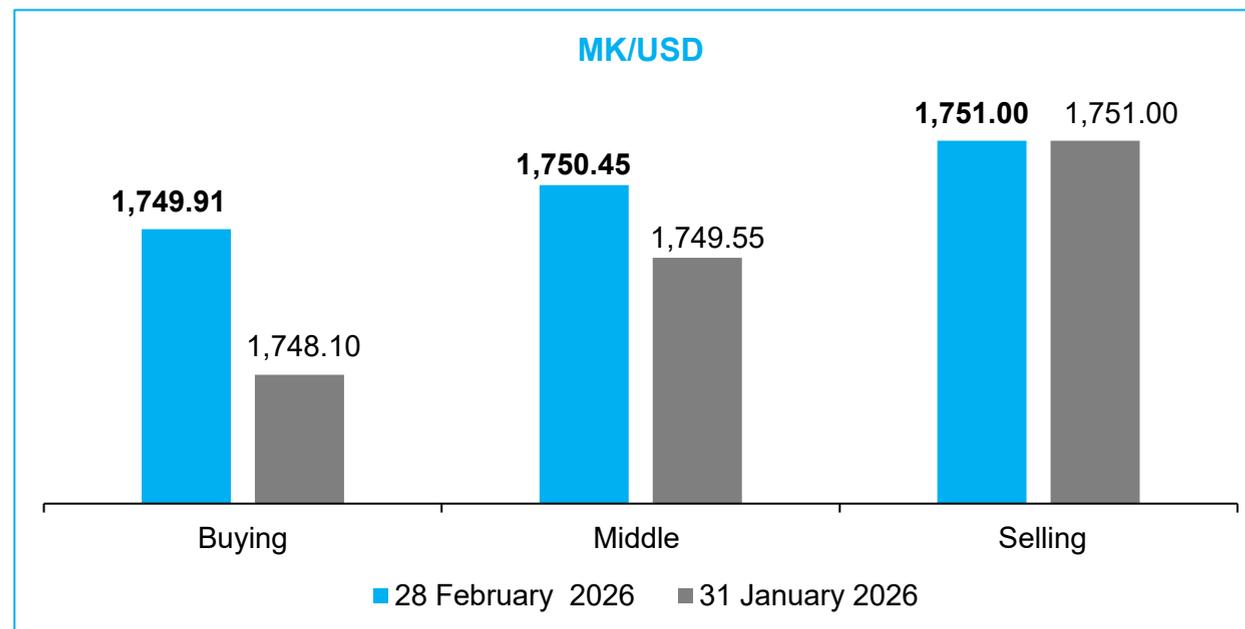
The 2026 inflation projections for Malawi vary across institutions. Oxford Economics forecasts inflation to average 34.8%, citing fuel price increases and pass-through effects of the depreciating currency. In comparison, the State of the Nation Address (SONA) projected inflation to less than 21% in 2026. The Economist Intelligence Unit (EIU) forecasts the inflation rate at an average of 29.0%, despite an expected dip in food and energy prices. The World Bank's (WB) projection is at 22%, citing currency weakness and structural constraints.

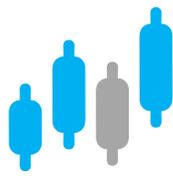
The 2026-27 budget statement projects inflation to 15% by the end of the 2026-27 financial year.



Foreign Exchange Position (Source: RBM)

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,750.45/USD as of 28 February 2026 from MK1,749.55/USD as of 30 January 2026.





Stock Market

The stock market was bearish in February 2026, with the Malawi All Share Index (MASI) declining by 2.42% to 574,679.80 points from 588,918.94 points in January 2026. This brought the MASI year-to-date return to -3.91% in February 2026. In February 2025, the year-to-date return was 64.92%.

The total value of shares traded on the Malawi Stock Exchange in February 2026 was MK27.88 billion, with STANDARD leading in value of shares traded at MK5.3 billion.

NBS Bank Plc announced a third interim dividend of MK24.16 billion, representing a dividend of MK8.30 per share

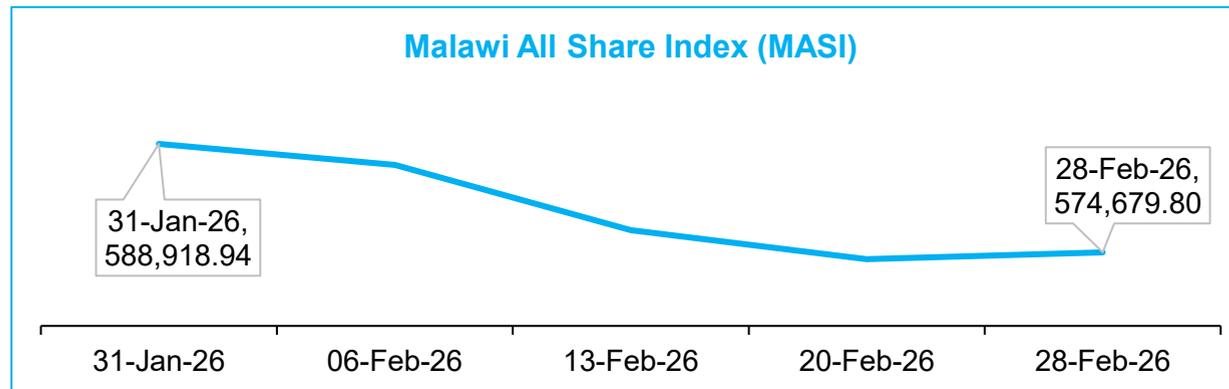
The government reversed the Capital Gains Tax on the disposal of listed shares and replaced it with a 2% withholding tax on gross proceeds.

Stock Market Performance (Source: MSE)

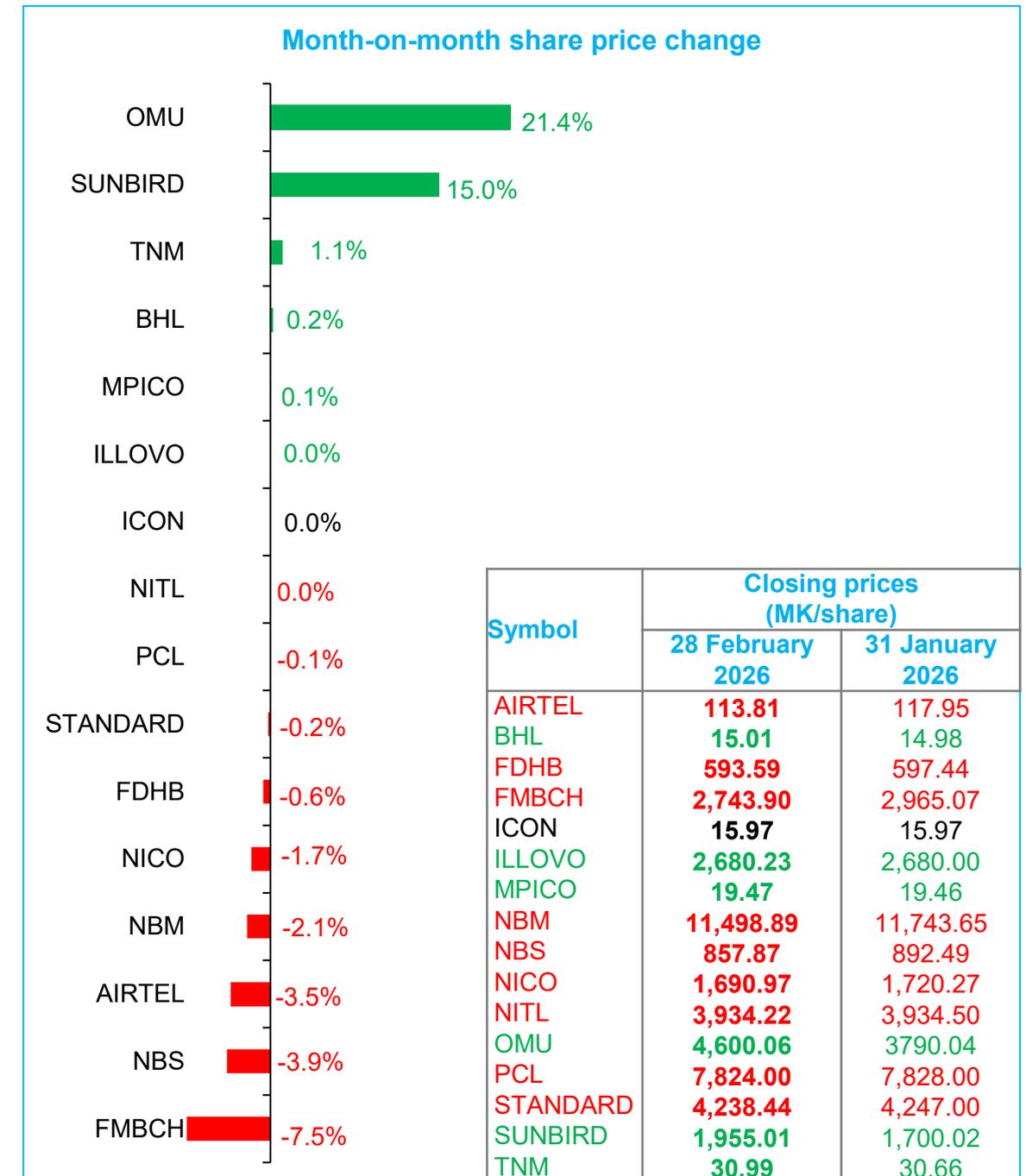
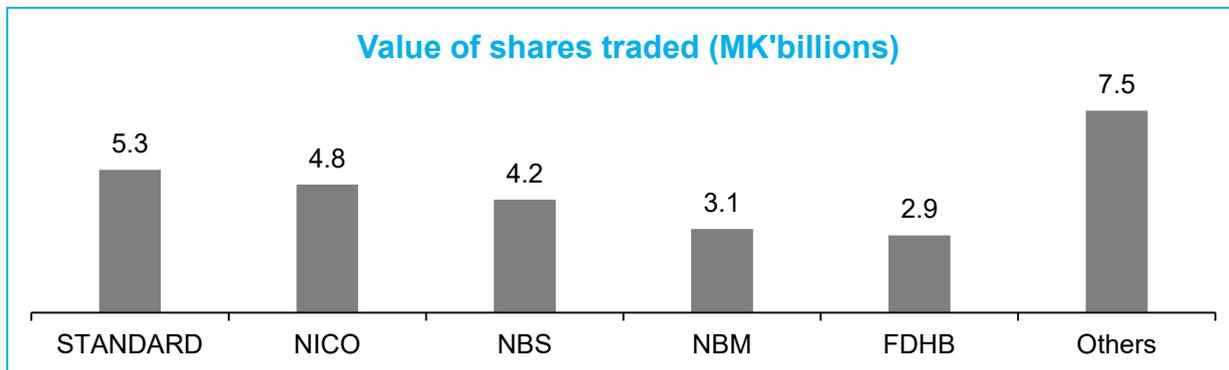
The stock market was bearish in February 2026, with the Malawi All Share Index (MASI) declining by 2.42% to 574,679.80 points from 588,918.94 points in January 2026. This brought the MASI year-to-date return to -3.91% in February 2026. In February 2025, the year-to-date return was 64.92%.

OMU recorded the highest share price gain in February 2026, rising by 21.4% to close the month at MK4,600.06, having opened at MK3,790.04. SUNBIRD and TNM also recorded significant share price gains in the month.

FMBCH had the highest share price loss in February 2026, falling by 7.5% to MK2,743.90 from MK2,965.07 in January 2026. There were also significant share price losses for NBS, AIRTEL, NBM, and NICO recorded during the period under review.



The number of trades on the MSE declined by 14% to 3,621 in February 2026 from 4,225 in January 2026. The value of shares traded rose by 233% to MK27.88 billion in February 2026, from MK8.37 billion in January 2026. STANDARD had the highest value of shares traded at MK5.3 billion in February 2026.





The government awarded MK314.96 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in February 2026 from MK1.18 trillion application, a 324% increase from the MK74.31 billion awarded in January 2026.

In February 2026, the 91, 182, and 364-day TB yields dropped to 12.00% from 15.00%, 15.00% from 20.00%, and 17.90% from 26.00%, respectively.

Fiscal Policy (Source: GoM; Published Media)

The Minister of Finance, Economic Planning, and Decentralisation presented the 2026/27 Budget Policy Statement to Parliament on 27 February 2026, under the theme: "Driving Economic Recovery and Sustainable Growth through Impactful Reforms and Fiscal Consolidation." Total expenditure is projected at MK10.98 trillion, which represents 34.8% of GDP, an increase from 27.8% in the previous fiscal year. Recurrent expenditure is expected to be MK7.58 trillion, accounting for 69.1% of total expenditure, while development expenditure is estimated at MK3.40 trillion, making up 30.9% of total expenditure. The budget is based on a projected fiscalised GDP growth rate of 4.1%, with end-period inflation projected at 15%, and nominal GDP estimated to be MK31.50 trillion. The policy rate is projected at 18%. Total revenue and grants are anticipated to reach MK8.13 trillion, or 25.8% of GDP, reflecting a significant increase of 48.8% from MK5.46 trillion in 2025/26. Domestic revenue is projected to be MK6.45 trillion, which is 20.5% of GDP.

The Office of the President and Cabinet (OPC) has also issued a directive limiting all Ministers and Deputy Ministers to a maximum of one local trip per month, effective on 11 February 2026. This austerity measure aims to reduce government expenditure on travel allowances and fuel consumption. Furthermore, the OPC has stated that any essential travel exceeding this quota will require prior approval from the President if space allows.

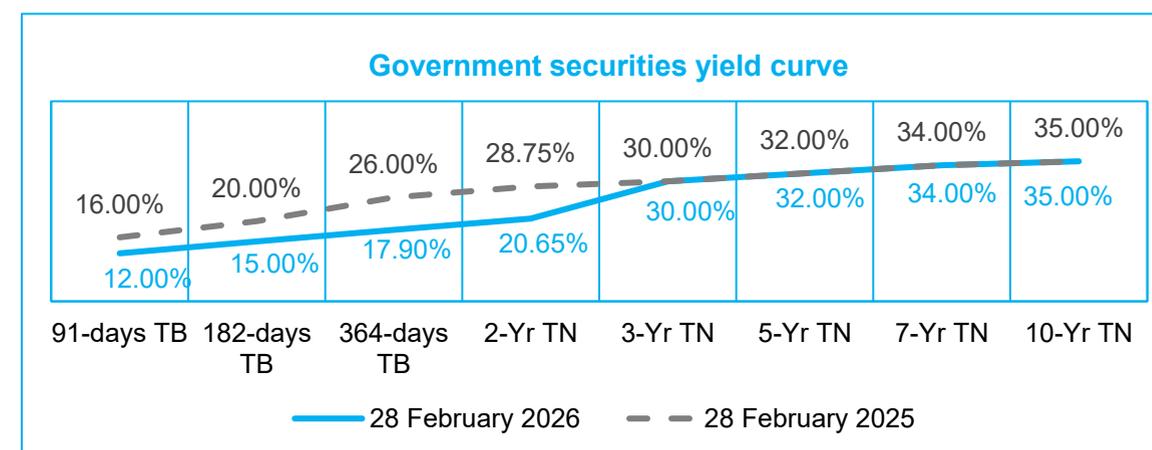
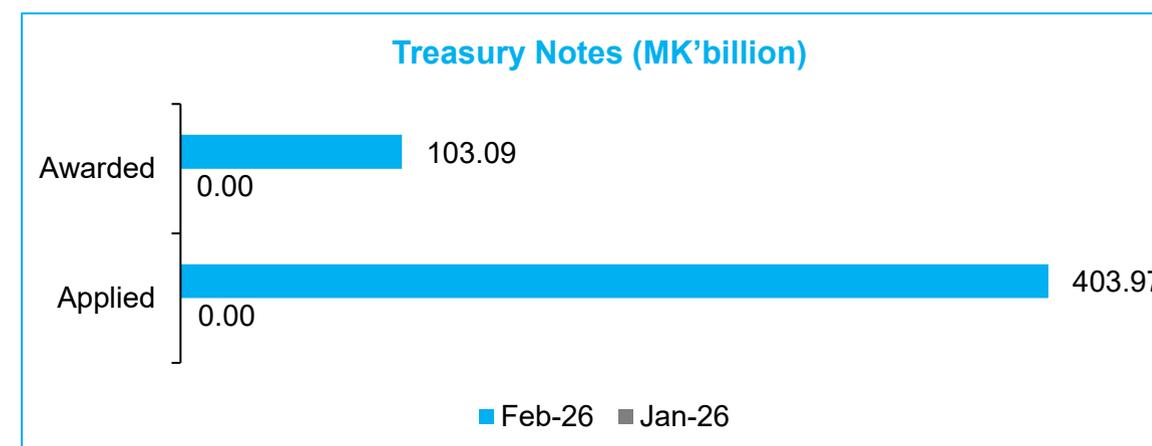
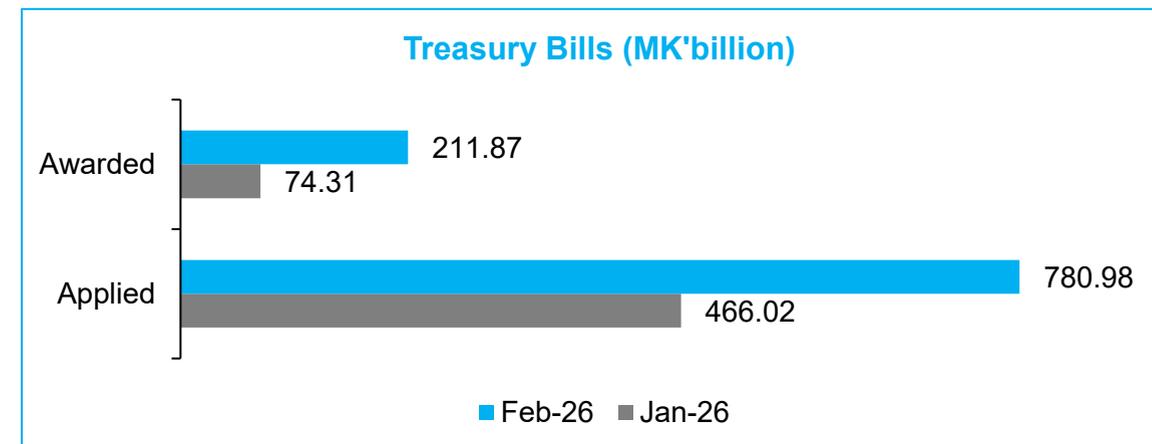
Government Securities (Source: RBM)

In February 2026, a total of MK314.96 billion was raised from MK1.18 trillion in applications for Treasury Bills and Treasury Notes, representing an overall acceptance rate of 27.00%. The treasury bill auctions applied were MK780.98 billion, and the treasury notes auctions applied were MK403.97 billion. The treasury bills awarded was MK211.87 billion, representing 185% increase from MK74.31 billion in January 2026. The treasury notes awarded were MK103.09 billion. In February 2026, the TB auctions had a 72.87% rejection rate, while the TN auctions had a 74.00% rejection rate.

Liquidity increased 56% to MK620.12 billion as at 28 February 2026 from MK397.98 billion as at 31 January 2026.

Government Securities Yield Curve

As of 27 February 2026, the 91, 182, and 364-day TB yields dropped to 12.00% from 15.00%, 15.00% from 20.00%, and 17.90% from 26.00%, respectively. The average TB yield dropped to 17.55% in February 2026 from 20.35% in January 2026. The 2-year TN yield dropped to 20.65% from 28.75%, while 3,5,7, and 10-year TNs had no auctions and remained at 30.00%, 32.00%, 34.00%, and 35.00%, respectively. The average TN yield in February dropped to 30.33% from 31.95% in January 2026.





Commodities Market Developments

The cost of maize varied across regions. The Southern Region had the highest price at MK1,022/kg, while the lowest price was recorded in the Northern Region at MK923/kg.

Local Maize Price Developments (Source: IFPRI)

In January 2026, maize prices declined to MK978/kg in the final week of January 2026 (equivalent to MK48,900 for a 50kg bag) from MK1,161/kg in the last week of December 2025 (equivalent to MK58,050 for a 50kg bag).

Across the regions, the Southern Region continued to record the highest maize prices, averaging MK1,022/kg in the last week of January 2026, followed by the Central Region at MK950/kg, while the Northern Region maintained the lowest prices at MK923/kg.

Local Mining Industry Developments (Source: Published Media, SONA)

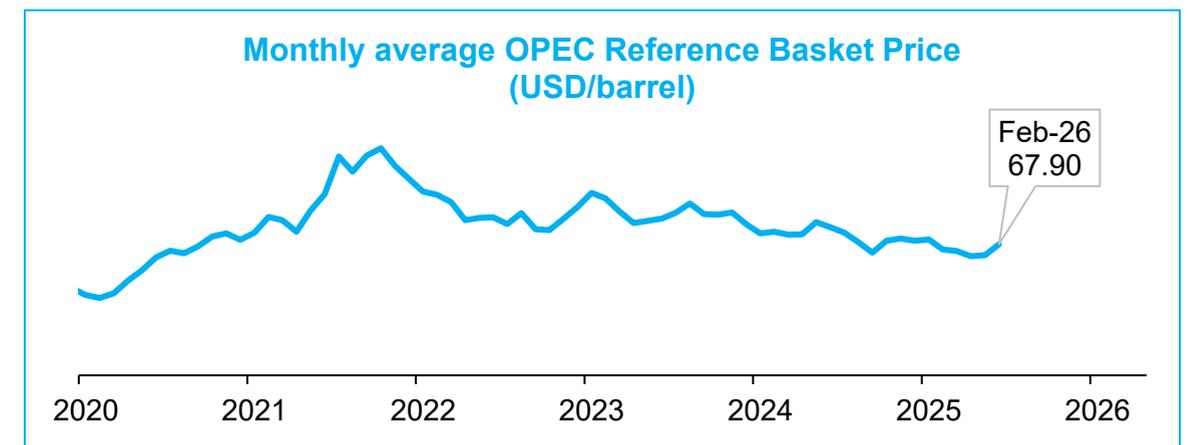
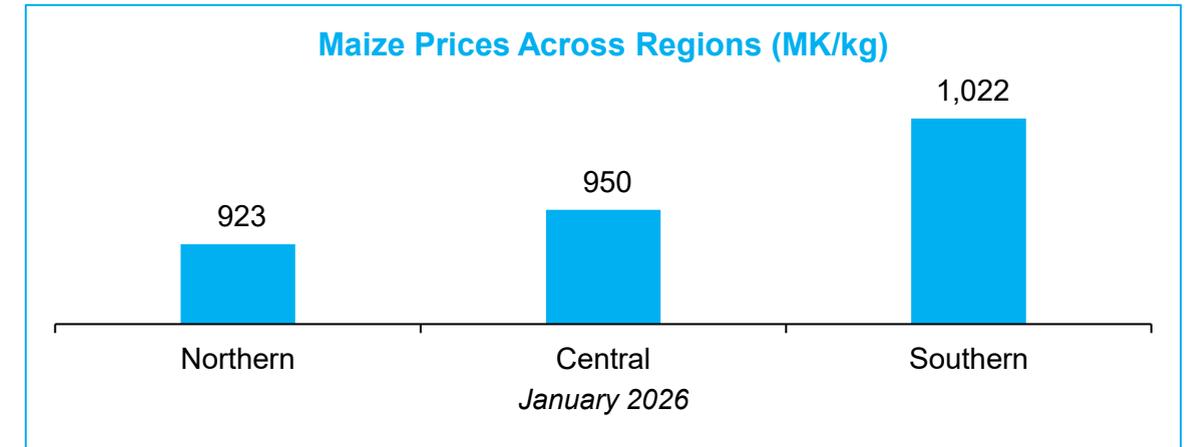
On 13 February 2026, the government announced the suspension of the issuance of all types of mining licenses; initiated an audit of the license registry; and banned the export of raw minerals pending review of the legal and regulatory framework. Additionally, the government announced the establishment of a Sovereign Wealth Fund to ensure proceeds from mining benefit Malawians.

In February 2026, Sovereign Metals Limited signed a non-binding off-take Memorandum of Understanding (MOU) with Traxys North America for marketing of its graphite concentrate from its Kasiya Rutile and Graphite Project in Lilongwe. The MOU targets initial volumes of about 40,000 metric tonnes (MT) per annum for one to five years (rising to up to 80,000 MT per annum thereafter) Traxys will receive an indicative 6% commission for its services.

Lotus Resources Limited has successfully raised approximately USD53 million by issuing 35.4 million new shares at AUD2.15 each to fund the operational ramp-up of the Kayelekera uranium mine. The capital was raised to complete critical infrastructure, including a sulphuric acid plant and connection to the national electricity grid, to ensure the mine meets its production target of 200,000 pounds per month. The funding secures the company's liquidity as it targets its first uranium export in the second quarter of 2026.

Global Oil Price Developments (Source: OPEC)

The average OPEC reference basket price increased by 9.0% month-on-month to USD67.90/barrel in February 2026 from USD62.31/barrel in January 2026. Year-on-year, the price declined by 11.6% from USD76.81/barrel in February 2025.





Other Market Developments

The President issued Executive Order No. 1, prohibiting public health personnel from soliciting, demanding, or accepting payments from patients for services.

The government of Malawi and the People's Republic of China have signed a grant agreement worth USD 43 million (approximately MK 75.29 billion) to upgrade the M1 road to a dual carriageway from Kanengo to the junction at Kamuzu International Airport in Lilongwe.

Policy and Regulatory Developments

On 16 February 2026, the President of Malawi issued Executive Order No. 1, prohibiting public health personnel from soliciting, demanding, or accepting payments from patients for services. Additionally, it restricts them from owning, operating, or holding shares in private health clinics or pharmacies. Noncompliance will result in dismissal and potential legal action.

The Economics Association of Malawi (ECAMA) has cautioned the government against repeated debt write-offs between State-Owned Enterprises, citing the MK97 billion cancellation of Electricity Supply Corporation of Malawi (ESCOM) debt to Electricity Generating Company (EGENCO). ECAMA's president stated the cancellations, which reset Egenco's balance sheet despite ongoing revenue generation, act as implicit subsidies that weaken fiscal transparency, distort pricing signals, and erode Egenco's capacity to finance its target generation expansion to 2,434.5MW by 2040 from 551MW.

The government introduced adjustments to taxes and levies, including VAT on foreign digital services, replacing the capital gains tax on listed shares with 2% withholding tax, a carbon tax increase, and an import surcharge on selected goods.

Agriculture and Agribusiness

The Government of Malawi has transported 51,000MT of maize imported from Zambia out of a contracted 200,000MT, which is aimed to address the national food deficit. The National Food Reserve Agency expects the remainder by 31 March 2026, while transporters project completion by April. The maize is to support over four million people facing severe food insecurity during the lean season from October 2025 to March 2026

The National Food Reserve Agency (NFRA) announced that it will resume maize purchases nationwide effective 10 February 2026 at a revised price of MK840/kg, equivalent to MK42,000 per 50kg bag. Purchases were conducted on a first-come, first-served basis with a minimum sale quantity of 20 bags of 50kg (one metric tonne), at all NFRA depots except in Lilongwe where Chilambula ADMARC Depot will be used.

Trade and Investment Partnerships

The Governments of Malawi and Tanzania signed a Simplified Trade Regime (STR) agreement. This agreement allows small-scale cross-border traders to import or export goods valued up to USD 2,000 (approximately MK 3.5 million) duty-free. The aim is to reduce administrative barriers, formalize informal trade, and support women and youth who rely on cross-border trading. Malawi already has STR agreements with Mozambique, Zambia, and Zimbabwe.

The commissioning of the Mozambique-Malawi (MOMA) Power Interconnector project has been delayed to mid-March 2026, revised from the earlier target of February. This delay is due to ongoing final works, despite the arrival of the last equipment consignment.

The Government of Malawi and the People's Republic of China signed a grant agreement worth USD 43 million (approximately MK 75.29 billion). This funding will be used to upgrade the M1 road to a dual carriageway from Kanengo to the junction at Kamuzu International Airport in Lilongwe. It will also support the digitalization of government systems. This initiative aligns with the Belt and Road Initiative and the Forum on China-Africa Cooperation. Notes from the feasibility study were reported to be exchanged as part of ongoing bilateral cooperation, which includes previously completed major infrastructure projects.

A Brief on the World Bank Malawi Economic Monitor Report

February 2026





The World Bank estimates Malawi's real GDP to have grown by 1.9% in 2025, from 1.7% recorded in 2024.

Population growth remains at approximately 2.6%, the fourth consecutive year of declining GDP per capita.

Introduction

The Malawi Economic Monitor (MEM), February 2026 edition, titled Getting Reforms Right, provides an in-depth analysis of Malawi's current economic landscape under the new administration that took office following the September 2025 elections. The report highlights key macroeconomic trends, policy developments, and deep structural challenges. The MEM focuses on the country's persistent low growth, elevated inflation, large and widening fiscal and external imbalances, and a decade-long decline in exports. It presents a clear, time-bound roadmap of priority actions structured around four policy objectives, namely restoring macroeconomic stability, enabling a dynamic private sector, improving service delivery and building resilience, and strengthening critical infrastructure. Additionally, it features a special topic on Malawi's export decline and provides recommendations to diversify and expand exports as a catalyst for sustainable and inclusive economic transformation.

1. Economic Development

1.1 Global and Regional Context

Global growth has outperformed expectations in 2025 despite shifts in international trade, heightened policy uncertainty, and geopolitical tensions. In 2025, global growth is estimated at 2.6% on average. Global inflation declined gradually in 2025 to around 4.2%. Regional growth in Southern Africa remains uneven. Inflation is softening in most neighbouring countries, while Malawi's remains the highest, highlighting the country's unique vulnerability to domestic policy distortions and supply-side shocks.

1.2 Recent Economic Developments

The World Bank estimates Malawi's real GDP to have grown by 1.9% in 2025, from 1.7% recorded in 2024. With population growth at approximately 2.6%, this marks the fourth consecutive year of declining GDP per capita. The slight uptick in growth reflected a partial recovery in agriculture following the severe 2024 El Niño-induced drought. Overall output remained constrained by below-average rainfall, shortages of key inputs (especially fertiliser), persistent fuel and power disruptions, and acute foreign-exchange shortages that continued to hamper industrial and services activity.

Agriculture, which still employs the majority of the workforce and absorbs more than 10% of the national budget, delivered only a modest rebound. Maize yields averaged 2.1 metric tons per hectare (MT/ha), below the national target of over 4 MT/ha, despite heavy fertiliser subsidies under the Affordable Inputs Programme. The World Bank notes that the subsidies have had little measurable impact on maize production, with most households still unable to produce enough food for their own needs.

1.2 Recent Economic Developments (Continued)

Delayed input distribution, limited adoption of improved technologies, weather volatility, and inefficiencies in subsidy administration have kept harvests unstable and food insecurity elevated. Maize prices in 2025 were significantly higher than in previous years and closely tracked import parity prices, adding to cost-of-living pressures for urban and rural households alike.

Private-sector performance remained mixed and generally weak. Real sales growth averaged 3.0% (below regional comparators), while only 6.0% of firms export directly. Most firms operated at below 50% capacity utilization. The top binding constraints identified by firms were corruption, high tax rates, and limited access to finance. Additional constraints were policy inconsistency, high borrowing costs, and chronic foreign-exchange shortages driven by the overvalued official exchange rate and large parallel-market premium (at times exceeding 140%). These factors have incentivized informality, smuggling, and depressed productivity, limiting business expansion and the economy's overall growth potential.

Fiscal imbalances continued to deteriorate sharply. Since 2022, fiscal deficits have averaged 10.9% of GDP, among the highest in Sub-Saharan Africa, driven by rigid recurrent expenditures (public wages and interest payments) and pre-election overspending. Expenditures have significantly outpaced revenues, with nearly half of all domestic revenue now consumed by interest payments alone. This has crowded out essential social and development spending while pushing public debt to unsustainable levels. Heavy reliance on high-cost domestic borrowing through Treasury notes has diverted bank credit away from the private sector and exposed the budget to rising interest-rate risks.

The current account deficit widened further, with imports exceeding exports by more than 250%. The overvalued official exchange rate and persistent parallel-market premium discourage formal exports while implicitly subsidizing imports. Official reserves remained critically low (below one month of import cover) despite mandatory surrender requirements on export proceeds, leaving the economy exposed to external shocks and limiting access to essential imports like fuel, medicines, and production inputs.

Inflation moderated slightly in recent months but stayed elevated and the highest in the region, averaging 28.4% in 2025. Key drivers include rising food prices, rapid money-supply growth to finance large fiscal deficits, currency depreciation, and supply-side disruptions from power outages and forex shortages. The policy rate has remained at 26% for over two years; the real policy rate turned positive only in early 2026 as inflation eased marginally.



The banking sector has maintained strong profitability (return on assets at 7.7% and return on equity at 60.9%—among the highest in the region)

Real GDP growth is estimated at 1.9% in 2025 and projected to rise modestly to 2.3% in 2026. Growth is expected to reach 2.7% in 2027

Headline inflation averaged 28.4% in 2025 and is projected to ease to 22% in 2026

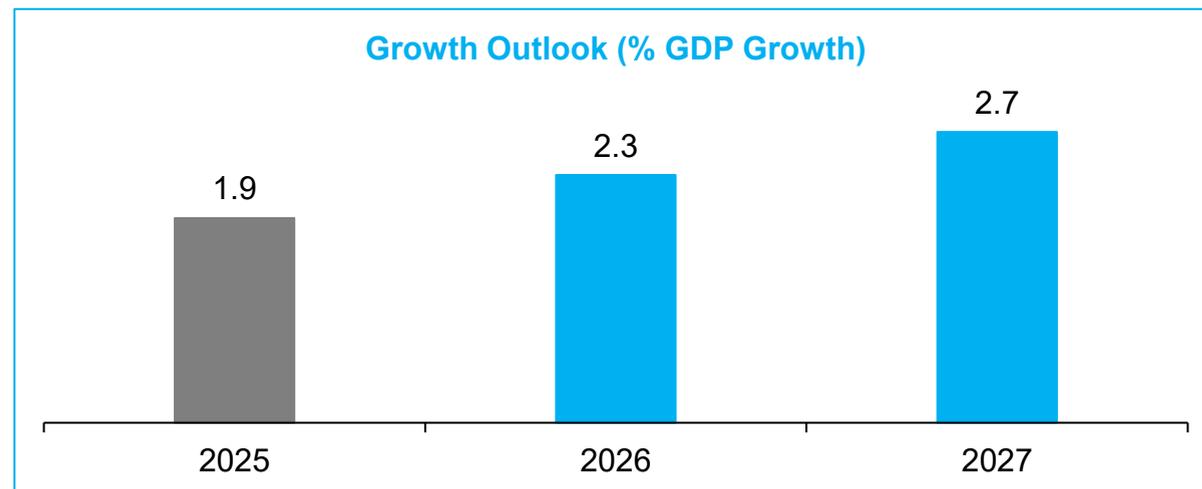
1.2 Recent Economic Developments (continued)

The banking sector has maintained strong profitability (return on assets at 7.7% and return on equity at 60.9%—among the highest in the region), with improving asset quality (non-performing loans at 4.6%) and solid liquidity. However, heavy exposure to government securities continues to crowd out private-sector lending, creating concentration risks and vulnerability to sovereign stress. While credit to manufacturing saw modest growth, overall access to affordable finance for businesses remains severely limited.

1.3 Medium-Term Economic Outlook

The World Bank notes that Malawi entered the post-election period with a mandate for reform, but the macroeconomic environment remains fragile. The new administration has taken early steps to strengthen expenditure controls, increase revenue collection, bolster debt sustainability, and restore policy discipline, such as reinstating the automatic fuel-price adjustment mechanism to prevent payment arrears to oil marketing companies. However, structural challenges persist, including depleted fiscal buffers, persistent current account deficits, low official reserves, and an overvalued exchange rate that undermines export competitiveness while subsidizing imports.

Real GDP growth is estimated at 1.9% in 2025 and projected to rise modestly to 2.3% in 2026, driven by partial agricultural recovery assuming a better rainy season. Growth is expected to reach 2.7% in 2027, marking the first time in five years that it exceeds population growth. This trajectory remains insufficient to improve household incomes meaningfully, as foreign exchange constraints limit access to essential inputs, hinder job creation, and constrain overall economic performance.



1.3 Medium-Term Economic Outlook (continued)

Inflation and exchange rate pressures continue. Headline inflation averaged 28.4% in 2025 and is projected to ease to 22% in 2026. It will stay elevated due to supply-side disruptions and high money growth. Fiscal and external imbalances are exacerbating macro-fiscal risks: the 2025 fiscal deficit was 9.3% of GDP, driven by overruns in wages, interest payments, election spending, and domestically financed projects, and is expected to widen to double digits by the end of the 2025/26 financial year. Meeting electoral commitments poses risks of slippage, leaving the economy vulnerable to shocks.

The strong electoral mandate provides momentum for reform, building on Malawi's history of reversing macro-fiscal crises through determined action. Timely reforms, combined with protections for the vulnerable, are critical to foster inclusive growth and poverty reduction. Effective budget execution could enhance macro-financial stability and create space for pro-poor investments. Delays risk increased fiscal pressures, eroded investor confidence, service disruptions, and product shortages.

The outlook balances risks and opportunities. Downside risks include fiscal slippage from commitments and spending pressures, global trade uncertainty, weaker demand, unresolved external imbalances causing fuel and input shortages, and climate shocks disrupting agriculture. Upside potentials involve favourable weather, accelerated mining investments, removal of restrictive trade measures, faster debt restructuring with external commercial creditors, and successful domestic debt reprofiling.

According to the World Bank, urgent reforms are required across four policy objectives:

Policy Objective	Description
1. Restoring macroeconomic stability	Re-anchor inflation expectations to aid recovery and ease cost-of-living pressures. Strengthen fiscal discipline by eliminating inefficient tax exemptions and modernizing the tax system; achieve debt sustainability through external restructuring, domestic interest cost reduction via reprofiling, and public sector efficiency gains; resolve the foreign exchange crisis by unifying exchange rates, communicating the regime clearly, and tightening fiscal and monetary policies while scaling up social protection.



The tobacco exports share decreased marginally from 69% in 2009 to 61% in 2024.

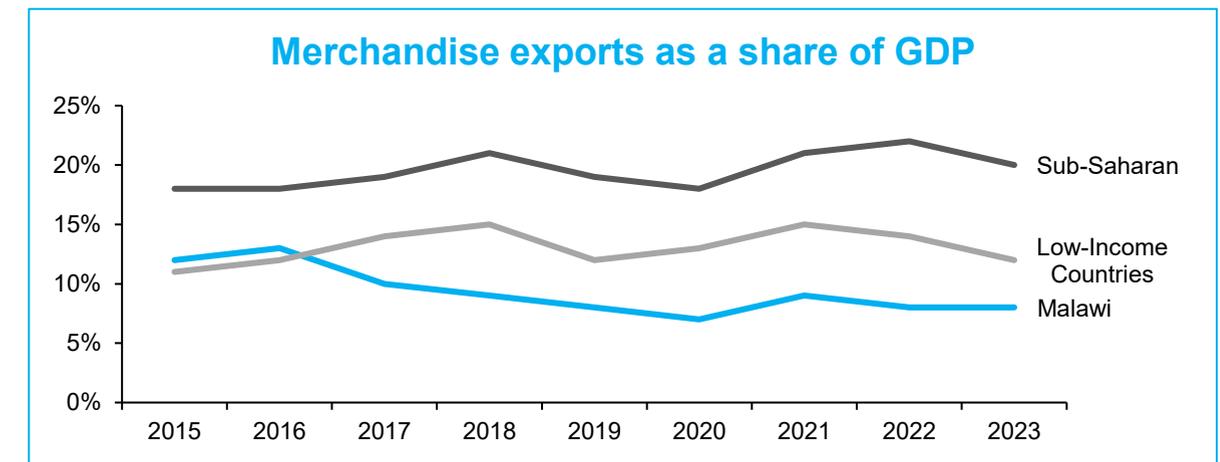
Goods exports fell 31% in value from 2014 to 2023

The top 5% of exporters account for 82.6% of export value.

Policy Objective	Description
2. Enabling a dynamic private sector	Drive private sector-led growth by increasing formal export incentives, enhancing trade facilitation and digital systems to boost competitiveness, advancing land reforms and predictable agricultural policies for food security and rural development, and unlocking mining potential by capping state equity and upgrading geological data platforms.
3. Improving service delivery and building resilience	Bolster social protection and local services through fiscal decentralization. Develop a unified cash transfer reform plan, adjust benefits annually, secure sustainable financing, and improve targeting; enhance transfer transparency to local governments for accountable frontline services.
4. Strengthening critical infrastructure for growth	Prioritize reliable power supply and road-sector efficiency. Secure financing for new power projects, enable regional market access, ring-fence fuel levies for maintenance; accelerate major energy initiatives, resolve bottlenecks, and promote private transport investments.

2. Reversing Malawi's Export Decline

The World Bank emphasizes that exporting is critical for Malawi's development, as it generates foreign exchange, creates jobs, and enhances economic resilience. However, exports have declined steadily as a share of GDP over the past decade, reverting to early-2000s levels, while imports have risen, widening the trade deficit to unsustainable proportions. Tobacco exports continue to dominate goods exports at approximately 61% in 2024. Foreign direct investment lags behind regional peers. This decline forms a vicious cycle: restrictive policies and foreign exchange shortages erode competitiveness, limit foreign exchange earnings, deepen reserve shortages and parallel-market premiums, elevate import costs, fuel inflation and fiscal deficits, and deter formal investment—ultimately constraining job creation, diversification, and progress toward Malawi 2063.



Understanding Malawi's decade-long export decline in five stylized facts

Using disaggregated customs data from the Malawi Revenue Authority, the World Bank identifies five key facts illustrating the decline's structural and policy drivers.

Fact 1: Aggregate export performance has weakened. Goods exports fell 31% in value from 2014 to 2023; services export growth offered a partial offset, but aggregate exports remained below 2014 levels. The trade deficit expanded from 6% to 19% of GDP between 2003 and 2023. Malawi underperforms peers, particularly in manufactured exports (8.5% of goods exports versus 21% low-income country average).

Fact 2: Exports have become less diversified. The tobacco exports share decreased marginally from 69% in 2009 to 61% in 2024; non-tobacco exports dropped 49% in value. The number of exported products declined from 1,070 in 2010 to 643 in 2024; the number of markets declined from 126 in 2009 to 104 in 2024. Nearly 600 products exported in 2009 ceased entirely, with high exit rates and poor growth among survivors.

Fact 3: Malawi's Exporters: Too few exporters, exporting too little to too few destinations. The number of exporters stood at 3.2 per 100,000 people, compared to 28 per 100,000 in the rest of Africa between 2022 and 2024. These exporters are smaller, export fewer products (averaging 3.7 products per exporter compared to 5.4 products elsewhere), and serve fewer markets. The top 5% of exporters account for 82.6% of export value.



Groundnuts, macadamia, and soybeans exhibit potential through private-sector leadership (e.g., tobacco firms diversifying), patient capital, public-private partnerships, and quality emphasis.

Fact 4: Exporters face low survival rates and high churn (but global value chain firms are the exception). The number of exporters decreased by 47% from their peak in 2009 by 2024, primarily due to declines in manufacturing and primary products. The entry and exit rates for businesses have been high, ranging from 53% to 57% recently. The one-year survival rate for new entrants is between 16% and 25%, lower than the African average of 38%. Firms that participate in global value chains tend to be larger, more diversified, and more stable. These global value chain firms now outnumber non-global value chain firms and demonstrate higher survival rates due to their integration into the global market.

Fact 5: African markets account for a relatively high and growing share of Malawian exports (35% to 39%). More than twice as many firms export to Africa than to the rest of the world (2.3 times). As a landlocked economy, Malawi relies heavily on neighboring countries for transit routes, with exports concentrated in Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) free trade areas (only 3% to other African countries in 2024), underscoring substantial untapped potential under the African Continental Free Trade Area (AfCFTA) but revealing persistent domestic constraints affecting all destinations. Exports to Africa are more diversified (greater food and manufactures, less tobacco) and resilient in value, though exporter numbers have declined.

Policy barriers behind, at and beyond the border impede Malawi's export potential

High non-tariff barriers, such as import bans under the Control of Goods Act (notably on fruits and rice), export licensing, a mandatory 25% surrender of foreign exchange at the official rate, excessive documentation, and border inefficiencies, create trade obstacles. These factors lead to increased trade costs and promote informality and smuggling, and revenue losses due to trade gaps and misreporting. The World Bank highlights that Nigeria's import bans have triggered smuggling, price increases, and poverty, while failing to boost the local industry. These risks could similarly affect Malawi, discouraging formal investment and worsening foreign exchange shortages.

Maintaining momentum of emerging agro-processing value chains

Groundnuts, macadamia, and soybeans exhibit potential through private-sector leadership (e.g., tobacco firms diversifying), patient capital, public-private partnerships, and quality emphasis. However, recent stagnation stems from weather shocks, pests, policy uncertainty (e.g., soybean export bans), and competition from informal traders benefiting from black-market foreign exchange access. Success hinges on coordination, predictability, and long-term vision; challenges underscore the need to equalize conditions for formal players to scale these chains.

However, recent stagnation stems from weather shocks, pests, policy uncertainty (e.g., soybean export bans), and competition from informal traders benefiting from black-market foreign exchange access.

Recommendations to increase and diversify exports

The World Bank organizes recommendations into core areas of focus for policy interventions:

Reduce trade costs through improved customs procedures and regional trade facilitation: Simplify licensing regimes and reform import/export bans to align with SADC, COMESA, and AfCFTA rules. Ensure new measures follow transparent procedures under the Control of Goods Act. Enhance trade facilitation by fully implementing AfCFTA and World Trade Organization (WTO) commitments, which could boost exports by up to 34 percent when combined with tariff reductions. Scale up digitalization through completing customs and immigration systems with interconnectivity, streamlining export procedures, and integrating payment systems with the AfCFTA Pan-African Payments and Settlement System. Reduce border agencies from 13 to 6 nationwide by expanding the Mwanza pilot to eliminate duplication.

Address policy inconsistencies to facilitate export growth: Align fiscal, monetary, and foreign exchange policies to prioritize exporter imports and phase out surrender requirements that disadvantage formal traders. Unify exchange rates and develop an interbank market for greater transparency. Pause new special economic zone/export processing zone incentives pending evaluation, and strengthen competition enforcement to curb anti-competitive practices.

Reduce supply-side constraints and uncertainties: Accelerate infrastructure such as Mpatamanga hydropower and regional interconnectors to ensure reliable power and transport. Streamline export institutions and financing by integrating the Malawi Investment and Trade Centre with development finance institutions, deepen capital markets, and provide technical assistance, finance, and quality support for exporter re-entry. Prioritize foreign exchange for productive inputs while de-risking climate vulnerabilities in value chains.

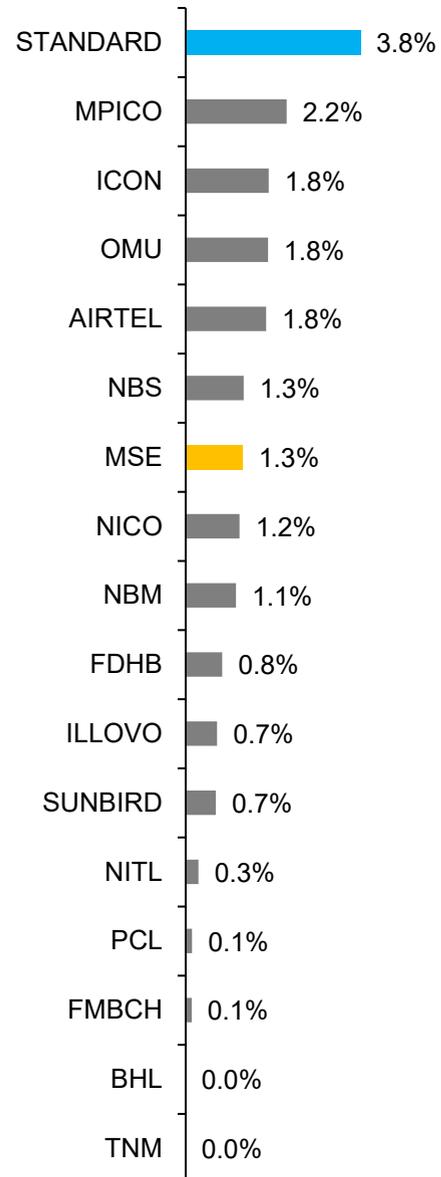
Appendices



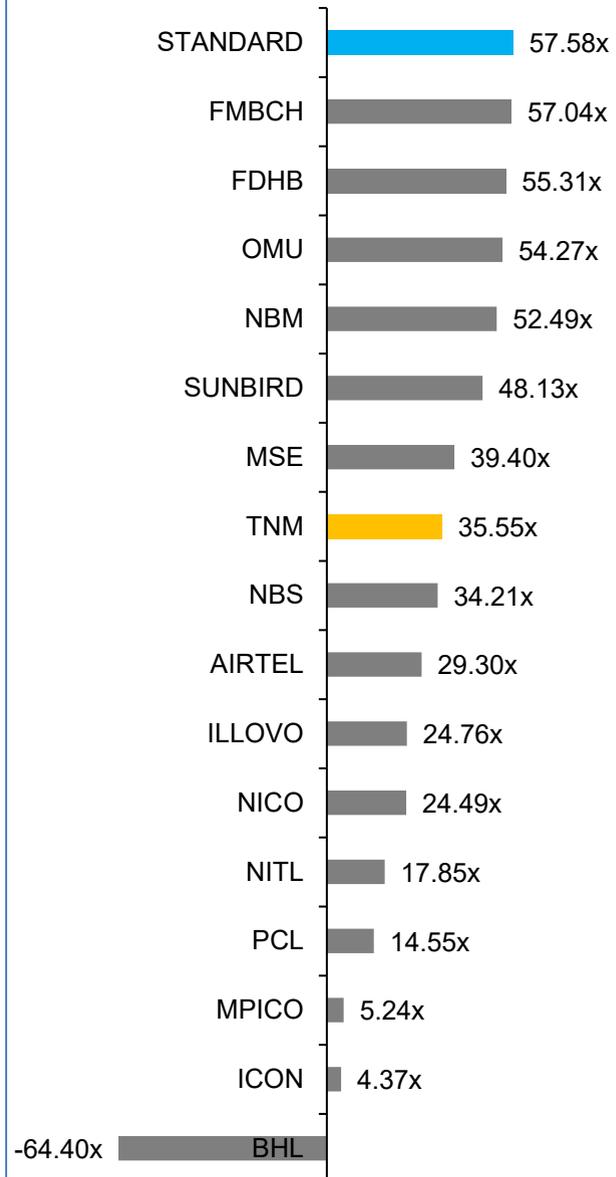
Appendix 1: Historical Monthly Economic Indicators

	Feb-25	Mar-25	April-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Exchange Rates (middle rates)													
MK/USD	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	1,750.07	1,749.00	1,749.55	1,750.45
MK/GBP	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	2,377.10	2,416.04	2,456.90	2,424.72
MK/EUR	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	2,087.24	2,107.54	2,148.87	2,127.37
MK/ZAR	97.04	98.15	96.28	100.76	100.57	100.34	101.77	103.60	103.58	103.68	107.63	113.67	113.20
Foreign Exchange Reserves													
Total Reserves (USD'mn)	569.5	536.0	530.0	521.0	555.9	607.7	523.9	511.8	526.8	530.00	N/A	N/A	N/A
Inflation													
Headline	30.7%	30.5%	29.2%	27.7%	27.1%	27.3%	28.2%	28.7%	29.1%	27.9%	26.0%	24.9%	N/A
Food	38.5%	37.7%	35.8%	32.7%	31.6%	32.4%	33.7%	33.0%	32.4%	30.1%	26.5%	22.1%	N/A
Non-food	18.5%	19.2%	19.4%	20.0%	20.1%	19.3%	19.5%	21.7%	23.8%	24.2%	25.2%	29.8%	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 (Overnight)	23.18%	23.19%	23.18%	23.82%	23.99%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	16.50%
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	25.10%	25.10%	25.10%	25.20%	25.10%	25.30%	25.40%	25.30%	25.40%	25.30%	25.30%	25.20%	24.70%
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%	15.00%	12.00%
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%	15.00%
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%	17.90%
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%	20.65%
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%
Year-to-date Return													
MASI	64.92%	69.52%	68.39%	64.58%	91.77%	124.53%	211.15%	236.67%	250.27%	259.98%	247.63%	-1.53%	-3.91%
DSI	50.42%	56.52%	62.53%	62.41%	89.34%	120.03%	214.05%	236.40%	233.38%	217.65%	208.88%	0.30%	-0.75%
FSI	152.62%	148.16%	103.82%	77.74%	106.49%	150.94%	195.28%	239.14%	348.11%	503.79%	470.87%	-7.19%	-13.69%

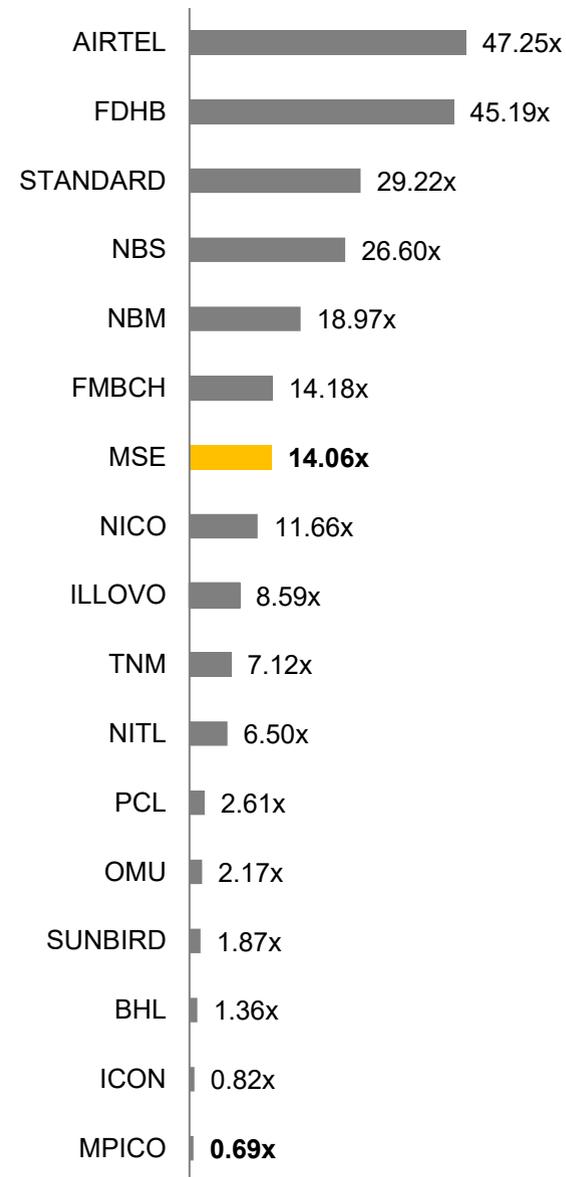
Dividend yield (%) - the weighted average dividend yield on the MSE was 1.3% in February 2026. The counter with the highest dividend yield was STANDARD at 3.8%



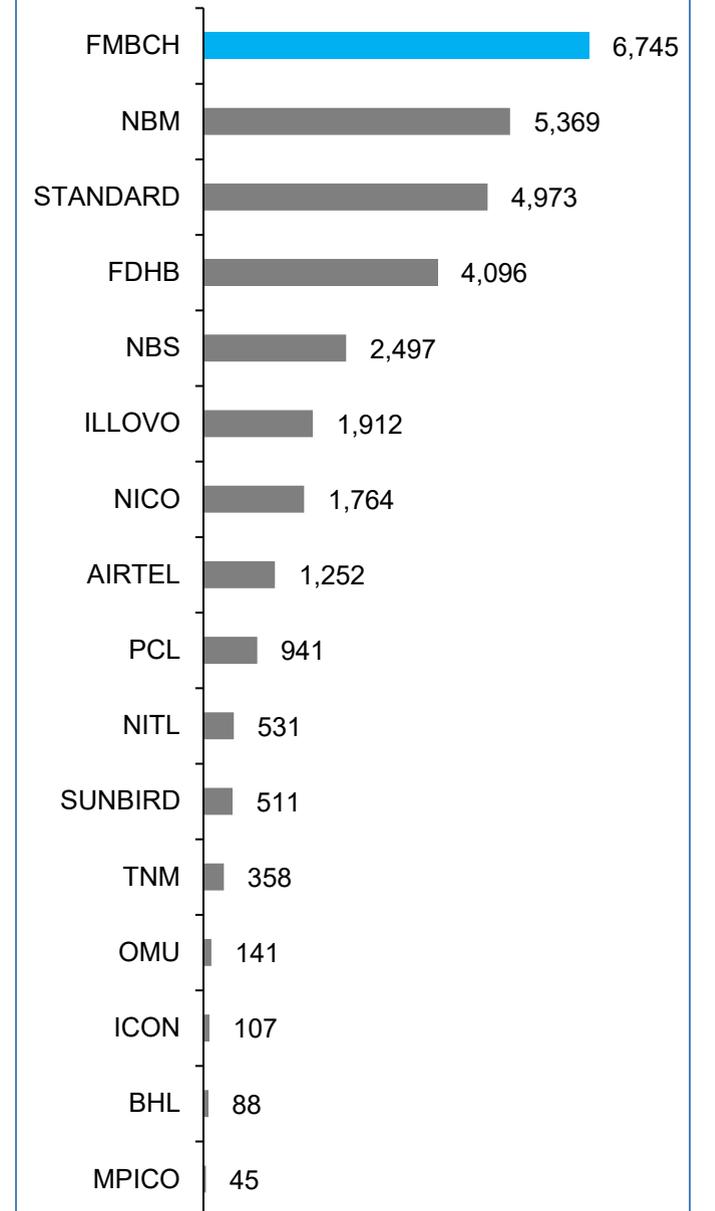
P/E Ratio - the weighted average price to earnings ratio on the MSE was 39.40x in February 2026. The counter with the lowest positive ratio was BHL at -64.40x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 14.06x in September 2025. The counter with the lowest positive ratio was MPICO at 0.69x.



Market Capitalization (MK'billion) - FMBCH had the highest market capitalization at MK6.7 trillion in January 2026.



Indicator	2024	2025	2026	2027	2028	2029	2030
Real GDP growth (%)	1.3	1.6	2.0	1.8	2.6	2.9	2.9
Industrial production incl construction (% change)	2.2	2.0	2.2	2.7	2.9	2.9	2.9
Consumer price inflation (av)	32.2	28.8	29.0	27.0	26.0	25.0	24.0
Short-term interest rate (av)	15.8	15.0	14.0	13.0	11.0	10.0	9.0
Government balance (% of GDP)	-9.1	-9.9	-9.4	-8.9	-8.4	-8.0	-7.6
Exports of goods fob (USD bn)	1.0	1.1	1.1	1.1	1.3	1.3	1.4
Imports of goods fob (USD bn)	-3.0	-3.1	-3.2	-3.2	-3.4	-3.3	-3.5
Current-account balance (USD bn)	-2.1	-2.4	-2.4	-2.6	-2.6	-2.5	-2.6
Current-account balance (% of GDP)	-19.3	-17.9	-15.7	-15.3	-15.2	-15.1	-15.0
Exchange rate MK/USD (av)	1,734	1,734	1,734	1,853	2,127	2,514	2,792
Exchange rate MK/USD (end-period)	1,734	1,734	1,734	2,007	2,324	2,690	2,213

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

Appendix 4: List of Acronyms and Abbreviations

AfcFTA	: Africa Free Continental Trade Area	MK	: Malawi Kwacha
AfDB	: African Development Bank	MMRA	: Malawi Mining Regulatory Authority
APM	: Automatic Pricing Mechanism	Mn	: Million
av	: Average	MOMA	: Mozambique-Malawi
BEPS	: Base Erosion and Profit Shifting	MOU	: Memorandum of Understanding
BHL	: Blantyre Hotels Plc	MPC	: Monetary Policy Committee
bn	: Billion	MRA	: Malawi Revenue Authority
CIT	: Corporate Income Tax	MSE	: Malawi Stock Exchange
CPI	: Consumer Price Index	Mt	: Metric tons
DFC	: Development Finance Corporation	Mt/ha	: Metric tones per hecter
DRM	: Domestic Revenue Mobilization	NBM	: National Bank of Malawi Plc
ECAMA	: Economics Association of Malawi	NBS	: NBS Bank Plc
EGENCO	: Electricity Generation Company	NFRA	: National Food Reserve Agency
EIS	: Electronic Invoicing System	NICO	: NICO Holdings Plc
EIU	: Economist Intelligence Unit	NITL	: National Investment Trust Limited Plc
ESCOM	: Electricity Supply Corporation of Malawi	NSO	: National Statistical Office
EUR	: Euro	OECD	: Organisation for Economic Co-operation and Development
FDHB	: FDH Bank Plc	OMO	: Open Market Operation
FISP	: Farm Input Subsidy programme	OMU	: Old Mutual Limited Plc
FMBCH	: FMB Capital Holdings Plc	OPEC	: Organization of the Petroleum Exporting Countries
FY	: Fiscal year	OPC	: Office of the President and Cabinet
GBP	: Great British Pound	P/BV	: Price to book value
GDP	: Gross Domestic Product	P/E	: Price to earnings
GSD	: Geological Survey Department	PCL	: Press Corporation Limited Plc
HESLGB	: Higher Education Students' Loans and Grants Board	RBM	: Reserve Bank of Malawi
IFAD	: International Fund for Agricultural Development	SADC	: Southern African Development Community
IFPRI	: International Food Policy Research Institute	SONA	: State of the Nation Address
IMF	: International Monetary Fund	SOE	: State Owned Enterprise
Kg	: Kilogram	STR	: Simplified Trade Regime
LRR	: Liquidity Reserve Requirement	TB	: Treasury Bill
MAMICO	: Malawi Mining Investment Company	TN	: Treasury Note
MANEB	: Malawi national Examination Board	TNM	: Telekom Networks Malawi Plc
MASI	: Malawi All Share Index	USD	: United States Dollar
MAT	: Minimum Altenate Tax	WB	: World Bank
Mb/d	: Million barrels per day		
MDA	: Mining Development Agreements		
MEM	: Malawi Economic Monitor		
MERA	: Malawi Energy Regulatory Authority		

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