



Malawi Monthly Economic Report and An Overview of the Middle East Conflict – Macro-Fiscal and Socio-Economic Impact on Malawi by the United Nations

March 2026

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Inflation and Monetary Policy

The year-on-year headline inflation rate eased to 24.1% in February 2026 from 24.9% in January 2026, driven by the decline in food inflation. 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. The Economist Intelligence Unit (EIU) expects inflation to stay elevated, averaging around 26.0% during the year. Oxford Economics projects a higher average of 34.8%, citing fuel price increases associated with currency depreciation. The World Bank projects 22.0%. In comparison, the State of the Nation Address (SONA) projects inflation to decline to less than 21.0% in 2026.

In March 2026, the Monetary Policy Committee (MPC) reduced the policy rate to 24% from 26%.

Foreign Exchange Market and Reserves Position

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,750.37/USD as of 31 March 2026 from MK1750.45/USD as of 28 February 2026.

Stock Market

The stock market was marginally bullish in March 2026, with the Malawi All Share Index (MASI) increasing by 0.11% to 575,320.68 points from 574,679.80 points in February 2026.

Fiscal Policy and Government Securities

In March 2026, Parliament passed the MK10.98 trillion 2026/27 National Budget following scrutiny and approval of allocations across ministries, departments, and agencies. The approval followed a vote-by-vote process in the Committee of Supply. The Minister of Finance and Economic Planning and Decentralization also tabled a series of subsidiary legislations, which include measures to strengthen tax administration, such as amendments to customs and excise regulations and the introduction of VAT electronic invoicing.

In March 2026, a total of MK572.58 billion was awarded from MK964.63 billion in applications for Treasury Bills and Treasury Notes, representing an overall acceptance rate of 59.36%.

Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price in February 2026 fell by 16% to MK1,111/kg (MK55,550 for a 50kg bag), from MK977/kg (MK48,850 for a 50kg bag) in January 2026.

Global oil prices increase, with the OPEC reference basket increasing by 71.4% to USD116.36/barrel in March 2026 from USD67.90/barrel in February 2026. In Malawi, fuel pump prices increased by an average of 35% to MK6,672 per litre from MK4,964 for Petrol and MK6,687 per litre from MK4,945 for diesel, effective 1 April 2026.

An Overview of the Middle East Conflict – Macro-Fiscal and Socio-Economic Impact on Malawi

According to the United Nations (UN), the Middle East conflict has created a severe external shock for Malawi, arriving at a time when the country has minimal capacity to absorb disruptions. Malawi entered this period with high inflation, critically low foreign exchange reserves (below one month of import cover), unsustainable public debt (over 90% of GDP), and total dependence on imported fuel and fertilizer, conditions that leave the economy acutely vulnerable to global commodity and supply-chain instability.

The shock reaches Malawi through four interconnected transmission channels: rising global fuel prices, LNG-driven energy price increases, major shipping disruptions caused by rerouting away from the Red Sea, and fertilizer supply interruptions. These channels reinforce each other, driving higher domestic prices, increasing import costs, weakening the currency, and amplifying inflation.

The UN assesses the impacts under two scenarios. In the short term (1 month), inflation could rise to about 32% to 36%, GDP growth could fall to about 1.8% to 2.0%, and reserves could shrink to 0.5 to 0.7 months of import cover, creating immediate pressures on fuel supply and fiscal stability. Under a medium-term shock (12 months), inflation may reach 35 to 45%, food insecurity could rise to 30% to 40% of the population, forex reserves could fall below 0.5 months, and economic growth could stagnate at 0.5% to 1.0%. Fertilizer shortages could severely reduce the 2026/27 harvest, compounding food insecurity.

The population's most affected include smallholder farmers, urban low-income households, women and children, manufacturing and

transport firms, and health facilities. Rising costs of fuel imports, fertilizer procurement, and exchange-rate depreciation further squeeze fiscal space, limiting resources available for essential social services.

The UN outlines a set of policy priorities. Immediate actions include updating fiscal assumptions, enforcing the automatic fuel pricing mechanism, prioritizing foreign exchange for essential imports, and strengthening social protection. Short to medium-term measures focus on rebuilding strategic fuel reserves, securing timely fertilizer procurement, improving the Farm Input Subsidy Programme (FISP) targeting, accelerating debt restructuring, and diversifying fuel routes. Longer-term structural actions emphasize developing fertilizer blending capacity, diversifying the export base, expanding renewable energy, and deepening regional cooperation to strengthen supply-chain resilience.

Malawi Economic Growth Outlook

Real GDP growth projections for 2026 indicate modest recovery, ranging from 2.0% to 3.8% (average 2.6%). Oxford Economics expect 2.2% growth, the EIU project 2.0%, while the World Bank forecasts 2.3%. The Malawi government projects growth to 3.8%.

Opportunities

PressCane Limited plans to roll out a USD10 million bio-fertilizer production plant in April 2026, producing 10,000 metric tonnes (MT) of fertilizer annually using ethanol waste, creating an important opportunity for Malawi to strengthen domestic fertilizer production and reduce reliance on imports.

Risks

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

The ongoing Middle East conflict poses a risk to Malawi by driving up fuel and fertiliser prices, disrupting shipping routes, and intensifying inflationary and fiscal pressures.



Inflation and Monetary Policy

The year-on-year headline inflation rate eased to 24.1% in February 2026 from 24.9% in January 2026, driven by the decline in food inflation.

The Monetary Policy Committee reduced the policy rate to 24.0% from 26.0%.

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

The year-on-year headline inflation rate eased to 24.1% in February 2026 from 24.9% in January 2026, driven by the decline in food inflation. The food inflation rate declined to 20.8% in February 2026 from 22.1% in January 2026, and the non-food inflation rate increased to 30.0% in February 2026 from 29.8% in January 2026.

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 be less than 21% in 2026. The Economist Intelligence Unit (EIU) expects the inflation rate to average 26.0%, as the RBM will continue to engage in deficit financing, combined with rising food and fuel prices. The World Bank's projection is at 22%, citing currency weakness and structural constraints.

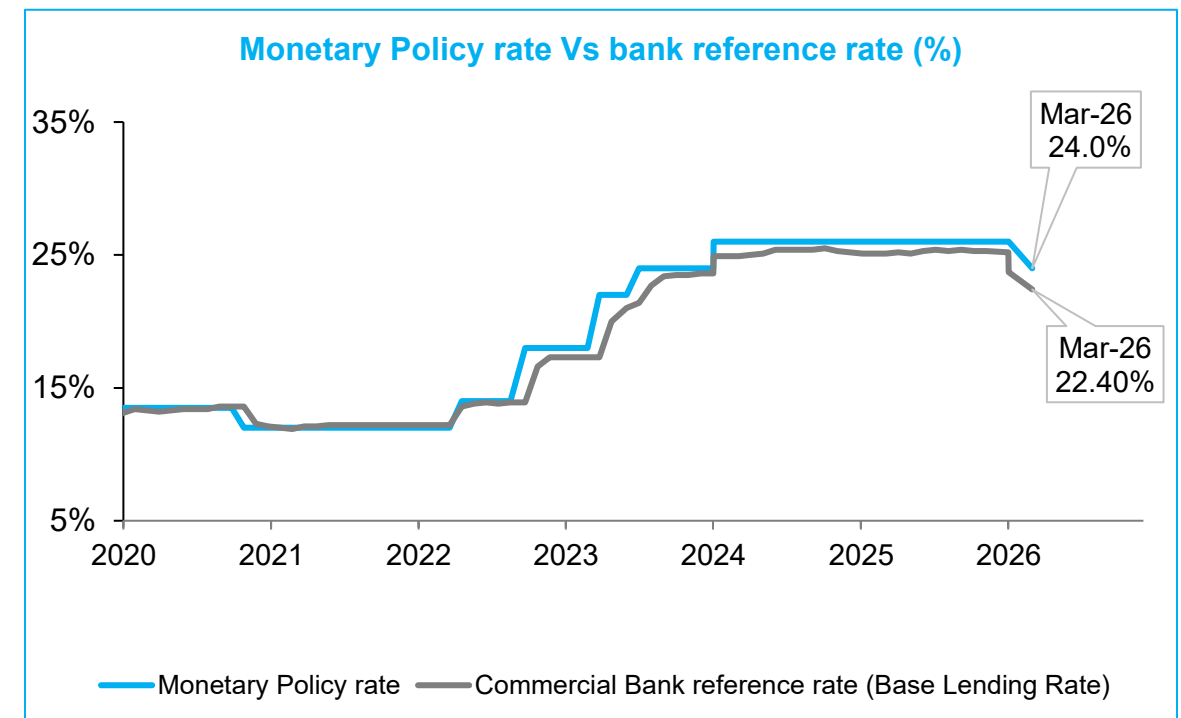
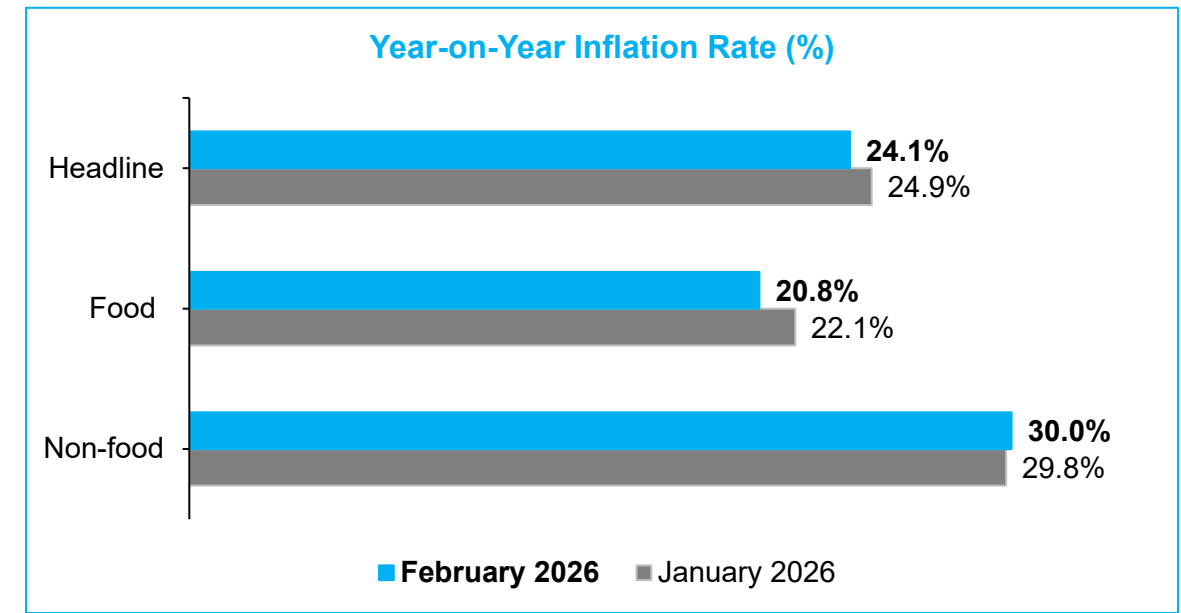
The 2026-27 budget statement projects inflation to 15% by the end of the 2026-27 financial year.

Monetary Policy (Source: RBM)

At its first meeting of 2026, held on 4 and 5 March 2026, the Monetary Policy Committee (MPC) decided to reduce the Policy Rate by 200 basis points to 24.0% from 26.0%. The MPC maintained the Lombard Rate at 20 basis points above the Policy Rate, and the Liquidity Reserve Requirement ratios at 10% for local currency deposits and 3.75% for foreign currency deposits. The next MPC meeting is scheduled for 29 and 30 April 2026. The decision will be announced on 30 April 2026.

The annual growth of broad money (M2) decelerated to 42.9% in the fourth quarter of 2025 from 51.0% in the third quarter of 2025 and 45.1% in the final quarter of 2024. The deceleration in money supply growth was mainly due to a lower year-on-year increase in net credit to the public sector (net claims on the Central Government and claims on public nonfinancial institutions). In terms of specific components of broad money, the deceleration in broad money growth was attributed to lower year-on-year increases in demand deposits and currency outside bank MK715.7 billion and MK487.9 billion in the fourth quarter of 2025, compared to increases of MK1.0 trillion and MK616.7 billion in the third quarter of 2025, respectively.

The commercial bank reference rate for March 2026 was 22.4%, representing a 5% decrease from the 23.7% in February 2026.





Foreign Exchange and Reserves Position

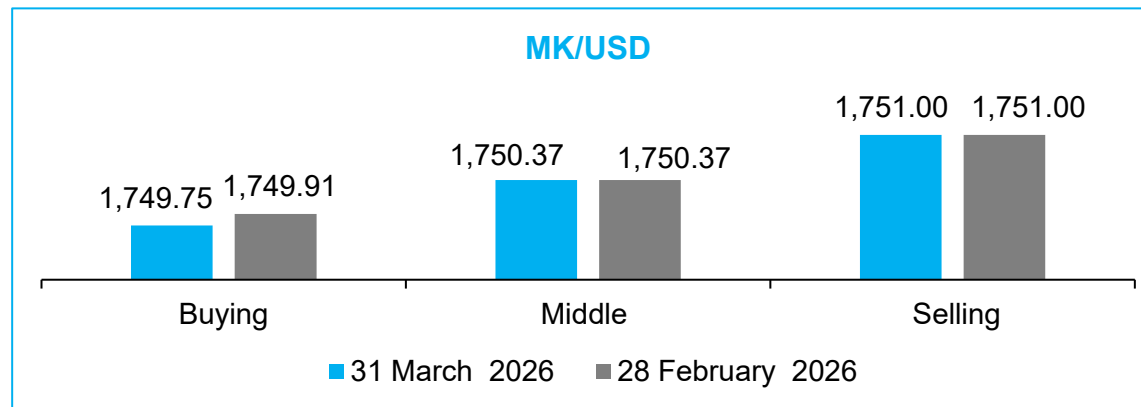
In December 2025, the country's total foreign exchange reserves increased to USD608.9 million from USD530.0 million in November 2025.

Foreign Exchange (Source: RBM)

Based on the closing middle rates, the Malawi Kwacha was stable as it traded at MK1,751.37/USD as of 31 March 2026 from MK1750.45/USD as of 28 February 2026. During the same period last year, the Malawi Kwacha traded at MK1,750.25/USD as of March 2025, from MK1,749.65/USD as of February 2025.

According to the UN, the exchange rate remains significantly overvalued, with a parallel market premium above 140%, discouraging exports and reducing foreign currency inflows. Foreign reserves remain critically low (below one month of imports).

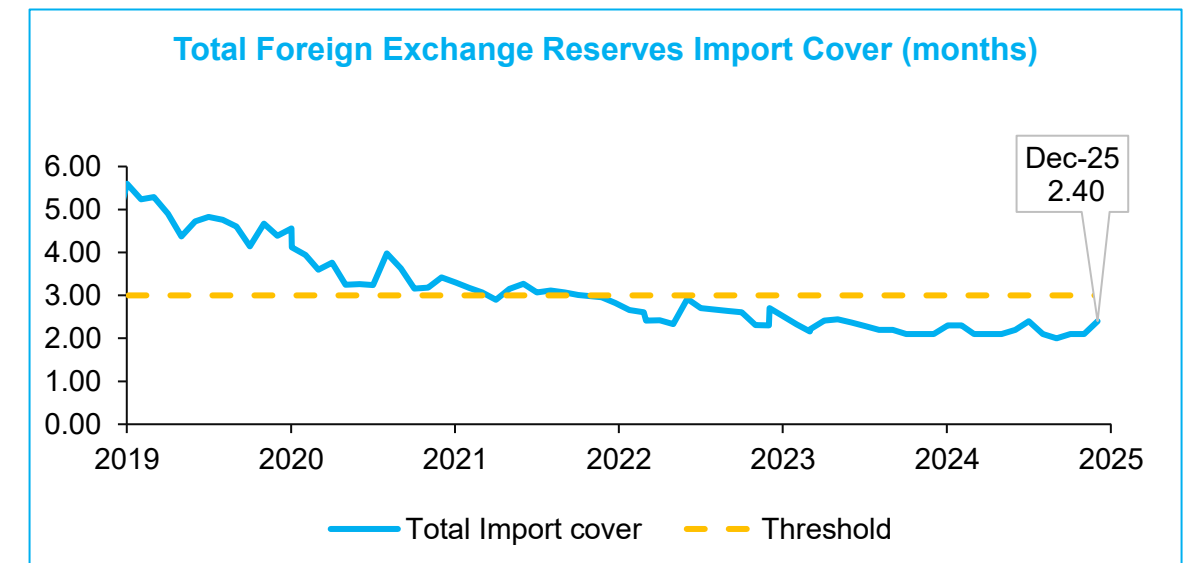
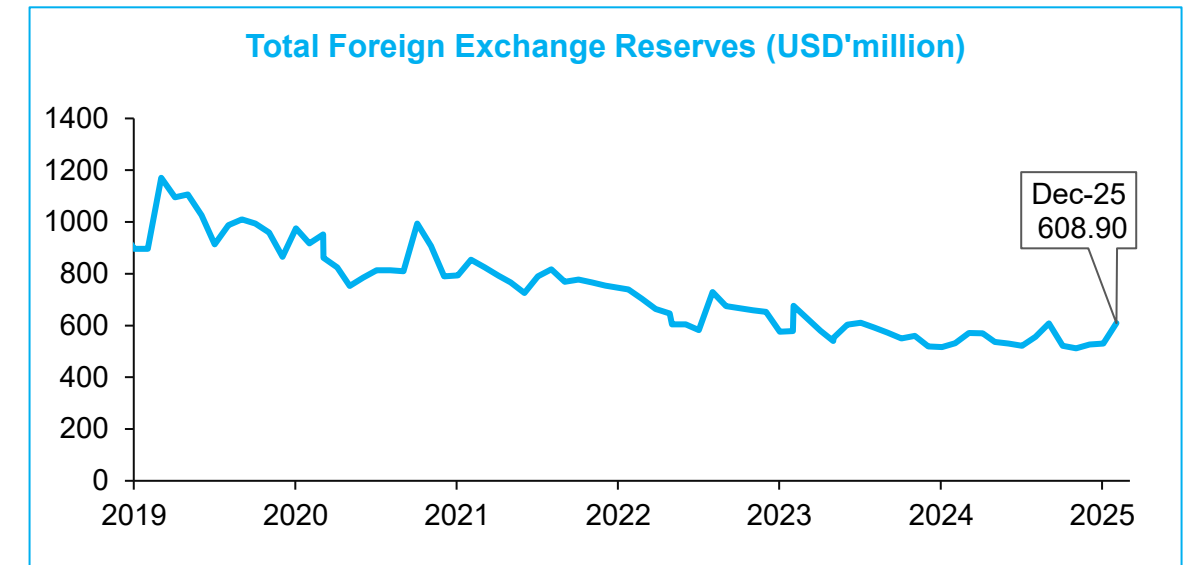
The World Bank has flagged critically low reserves and a widening spread between the official and parallel exchange rates, a distortion that discourages formal trade and rewards the black market.

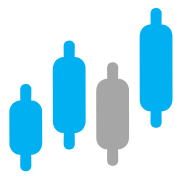


Foreign Exchange Reserves Position (Source: RBM)

In December 2025, the country's total foreign exchange reserves increased by 14.9% to USD608.9 million from USD530.0 million in November 2025. The import cover increased to 2.4 months in December 2025 from 2.1 months in November 2025. In December 2024, the total foreign exchange reserves were at USD530.9 million, translating to 2.1 months of import cover.

	December 2025	November 2025	Month-on-month change (%)
Total Reserves (USD'millions)	608,9	530.0	14.9%
Total Import Cover (Months)	2.4	2.1	14.3%





Stock Market

The stock market was marginally bullish in March 2026, with the Malawi All Share Index (MASI) increasing by 0.11% to 575,320.68 points from 574,679.80 points in February 2026. This brought the MASI year-to-date return to -3.80% in March 2026. In March 2025, the year-to-date return was 69.52%. SUNBIRD recorded the highest share price gain in March 2026, rising by 15.0% to close the month at MK2,248.03, having opened at MK1,955.01. ILLOVO also recorded significant gains in share price during the month. NBM had the highest share price loss in March 2026, falling by 1.8% to MK11,289.89 from MK11,498.89 in March 2026. There were also share price losses for NICO, STANDARD, AIRTEL, FMBCH, TNM, and NBS recorded during the period under review.

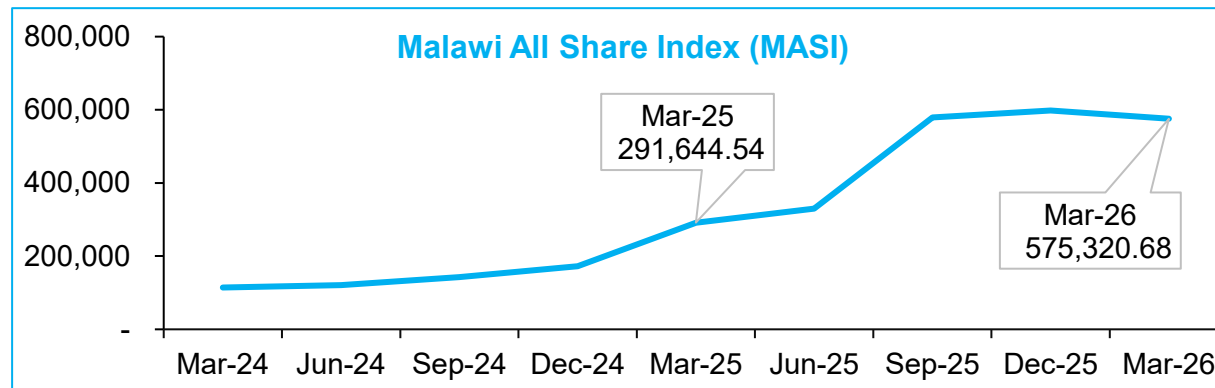
The total value of shares traded on the Malawi Stock Exchange in March 2026 was MK9.34 billion, with NBS leading in value of shares traded at MK3.0 billion.

Stock Market Performance (Source: MSE)

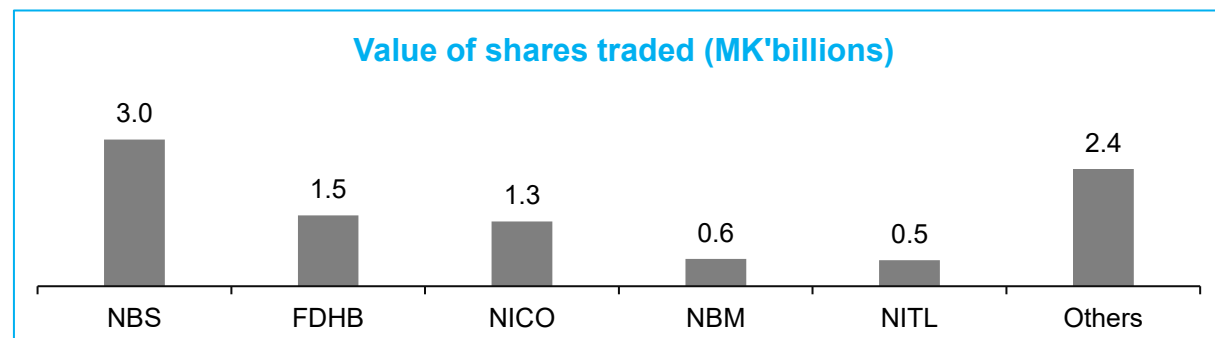
The stock market was bullish in March 2026, with the Malawi All Share Index (MASI) increasing by 0.11% to 575,320.68 points from 574,679.80 points in February 2026. This brought the MASI year-to-date return to negative 3.80% in March 2026. In March 2025, the year-to-date return was 69.52%.

SUNBIRD recorded the highest share price gain in March 2026, rising by 15.0% to close the month at MK2,248.03, having opened at MK1,955.01. ILLOVO also recorded significant gains in share price during the month.

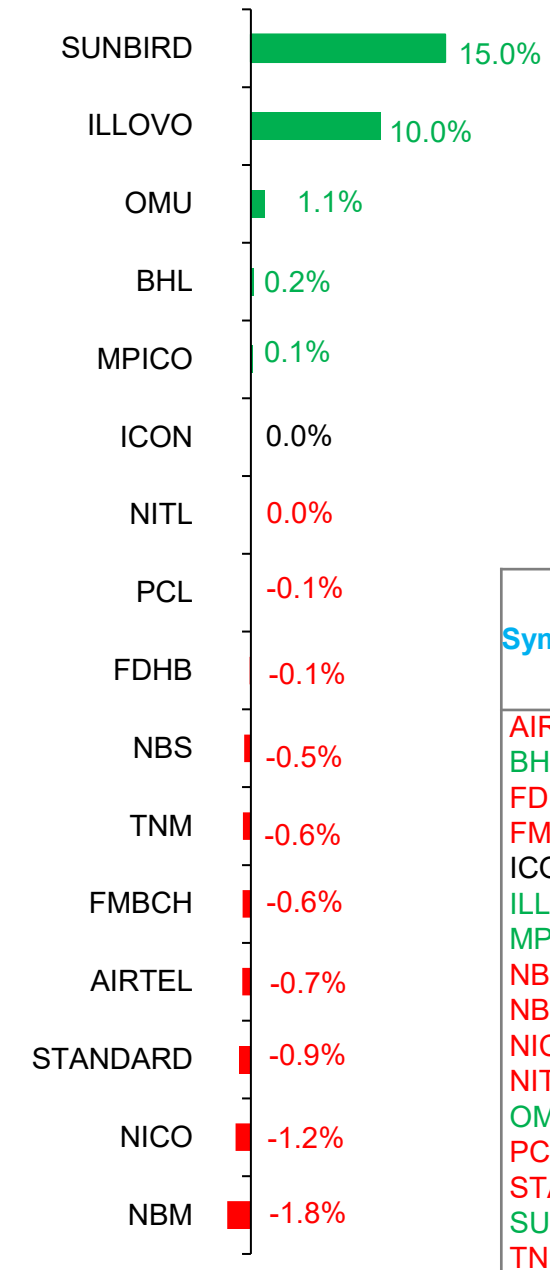
NBM had the highest share price loss in March 2026, falling by 1.8% to MK11,289.89 from MK11,498.89 in March 2026. There were also share price losses for NICO, STANDARD, AIRTEL, FMBCH, TNM, and NBS recorded during the period under review.



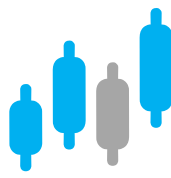
The number of trades on the MSE declined by 10% to 3,259 in March 2026 from 3,621 in February 2026. The value of shares traded declined by 67% to MK9.34 billion in March 2026, from MK27.88 billion in February 2026. NBS had the highest value of shares traded at MK3.0 billion in March 2026.



Month-on-month share price change



Symbol	Closing prices (MK/share)	
	31 March 2026	28 February 2026
AIRTEL	113.06	113.81
BHL	15.04	15.01
FDHB	592.99	593.59
FMBCH	2,726.23	2,743.90
ICON	15.97	15.97
ILLOVO	2,948.50	2,680.23
MPICO	19.49	19.47
NBM	11,289.89	11,498.89
NBS	853.51	857.87
NICO	1,670.94	1,690.97
NITL	3,933.79	3,934.22
OMU	4,650.02	4,600.06
PCL	7,820.00	7,824.00
STANDARD	4,199.98	4,238.44
SUNBIRD	2,248.03	1,955.01
TNM	30.80	30.99



Economic Overview (Continued)

Stock Market (Source: MSE)

Corporate Announcements

ICON issued its initial trading statement while BHL and Sunbird plc issued revised trading statements in March 2026.

ICON Properties Plc (ICON) did not issue a trading statement prior to the end of the 2025 reporting period due to its initial projection of performance being below the 20% threshold.

Published Financials

The following companies listed on the MSE have released their audited financial results for the year ended 31 December 2025. All figures are in MK'billion unless otherwise specified.

Counter	Profit/(loss) for the year ended 31 December 2025	Profit/(loss) for the year ended 31 December 2024	Change
AIRTEL	51.2	42.7	20%
FDHB	147.8	74.1	100%
FMBCH (USD'000)	152,295	103,518	47%
ILLOVO	77.2	22.6	241%
NBM	198.0	101.7	95%
NBS	150.4	73.0	106%
NICO	323.5	134.4	141%
NITL	202.1	29.8	579%
STANDARD	121.7	86.4	41%

* ILLOVO's financial results are for the period ending 31 August 2025.

Published Trading Statement

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

Counter	31 December 2025	31 December 2024	Trading Statement profit/loss expectation
BHL	5.3 – 5.5	(1.4)	488% - 499%
ICON	30.5 - 34.2	24.4	25% - 40%
ILLOVO*	56.6 – 61.8	26.3	115% - 135%
MPICO	18.5 – 20.3	12.2	51% - 66%
PCL	245.3 – 269.3	126.4	94% - 113%
SUNBIRD	13.0 – 15.1	10.6	23% - 43%
TNM	20.9 – 22.9	10.1	108% - 128%

* ILLOVO's trading statement is for the six-month period ending 28 February 2026

Dividend Announcements

Counter	Dividend type	Proposed/ Declared	Dividend per share (MK)	Last day to register	Payment date
ILLOVO	Final	Declared	1.00	27-Mar-26	02-Apr-26
NBM	2 nd Interim	Declared	50.30	19-Mar-26	02-Apr-26
NBS	Final	Proposed	4.70	13-Mar-26	24-Mar-26
NICO	3 rd Interim	Proposed	20.00	10-Apr-26	20-Apr-26
NITL	2 nd Interim	Declared	6.00	10-Apr-26	17-Apr-26
OMU	Final	Proposed	57.24	01-Apr-26	13-Apr-26
STANDARD	Interim	Declared	14.23	10-Apr-26	17-Apr-26

Cautionary Statement

Further to the Cautionary Statement dated 9 January 2026, Press Corporation plc (PCL) wishes to advise its shareholders and the general public that the processes to comply with conditions precedent under the definitive agreement with the Malawi Government, for the disposal of PCL's entire shareholding interest in Malawi Telecommunications Limited, are still ongoing. The outcome of this transaction may affect the share price of PCL. Shareholders are, therefore, advised to exercise caution and consult their professional advisors before dealing in their shares in PCL until a full announcement is made on the outcome of the transaction.



Fiscal Policy and Government Securities

Parliament has approved the MK10.98 trillion 2026/27 National Budget following detailed scrutiny and debate.

The government awarded MK572.58 billion through Treasury Bill (TB) and Treasury Note (TN) auctions in March 2026 from MK964.63 billion applications.

In March 2026, 364-day TB and 2-year TN yields dropped to 17.00% from 17.90% and 18.00% from 20.65%, respectively.

There were auctions held for the 3-,5-,7-, and 10-year TNs in March 2026.

Fiscal Policy (Source: GoM; Published Media)

In March 2026, Parliament passed the MK10.98 trillion 2026/27 National Budget following scrutiny and approval of allocations across ministries, departments, and agencies. The approval followed a vote-by-vote process in the Committee of Supply. The Minister of Finance and Economic Planning and Decentralization also tabled a series of subsidiary legislations, which include measures to strengthen tax administration, such as amendments to customs and excise regulations and the introduction of Value Added Tax (VAT) electronic invoicing.

In March 2026, the Malawi Government reported to be at an advanced stage of restructuring domestic debt owed to domestic creditors, with preparations underway for engagement between the Ministry of Finance and commercial banks. Treasury indicated that a profiling exercise has been completed by a debt advisor, and consultations with banks are ongoing. The upward revision in total public debt has slowed down decision-making, with the debt revised upward to between MK22 trillion and MK24 trillion from earlier estimates of MK18 trillion and MK20 trillion.

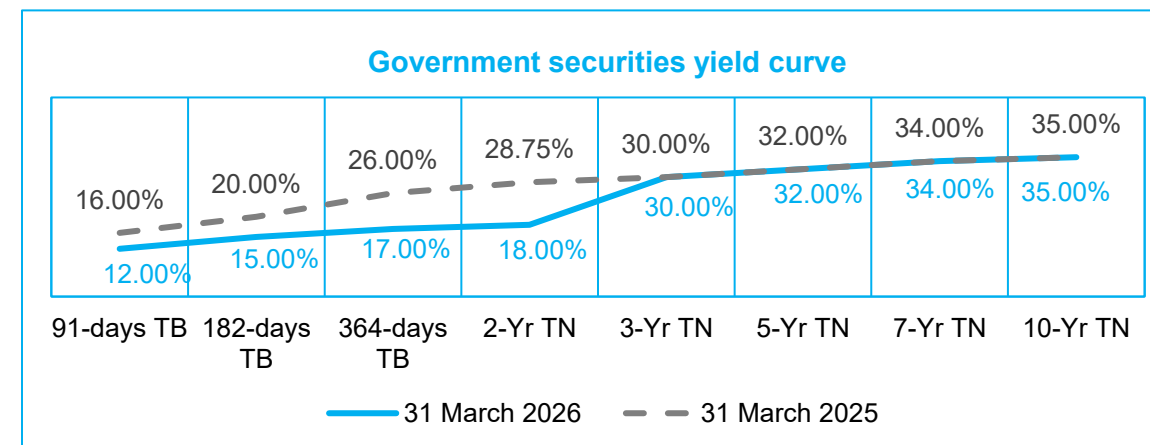
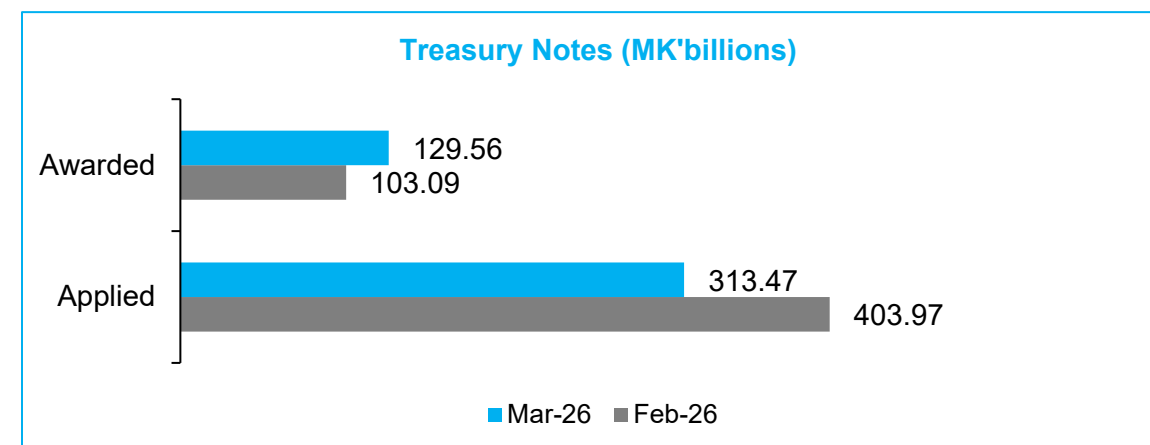
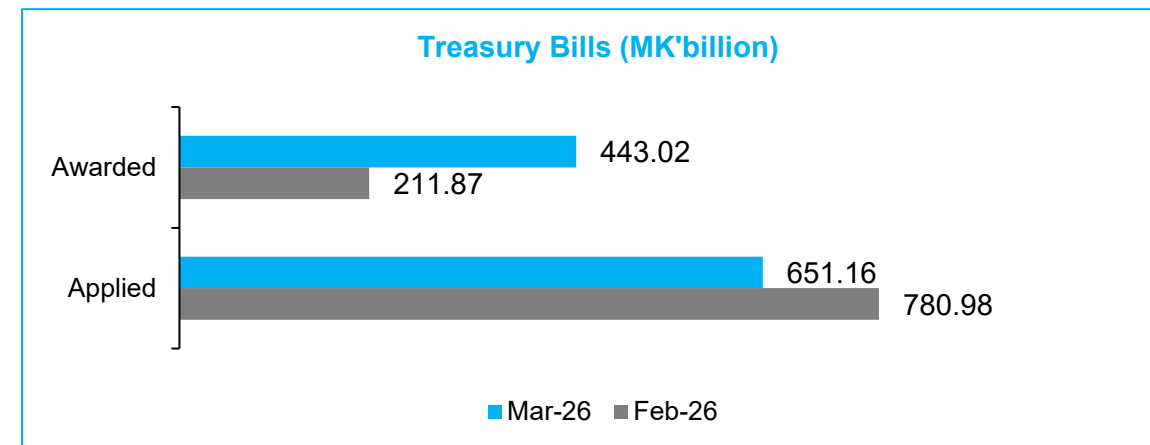
Government Securities (Source: RBM)

In March 2026, a total of MK572.58 billion was awarded from MK964.63 billion in applications for Treasury Bills and Treasury Notes, representing an overall acceptance rate of 59.36%. The treasury bill auctions applied were MK651.16 billion, and the treasury notes auctions applied were MK313.47 billion. The treasury bills awarded were MK443.02 billion, representing a 109% increase from MK211.87 billion in February 2026. The treasury notes awarded were MK129.56 billion from MK103 billion in February 2026, representing a 25.79% increase. In March 2026, the TB auctions had a 31.96% rejection rate, while the TN auctions had a 58.67% rejection rate.

Government Securities Yield Curve

As of 31 March 2026, the 91- and 182-day TB yields remained unchanged from February 2026 at 12.00% and 15.00%, respectively, while the 364-day TB yield dropped to 17.00% in March 2026 from 17.90% in February 2026. The monthly average TB yield dropped to 14.84% in March 2026 from 17.55% in February 2026.

The 2-year TN yield dropped to 18.00% from 20.65%, while the 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 March dropped to 29.97% from 30.33% in February 2026.





Commodities Market Developments

The cost of maize varied across regions. The Southern Region had the highest price at MK1,178/kg, while the lowest price was recorded in the Northern Region at MK928/kg.

Fuel pump prices increased by 35% on average, to MK6,672/litre from MK4,965/litre for petrol and MK6,687/litre from MK4,945 for diesel, effective 1 April 2026.

Local Maize Price Developments (Source: IFPRI, RBM)

In February 2026, maize prices increased to MK1,111/kg in the final week of February 2026 (equivalent to MK55,550 for a 50kg bag) from MK977/kg in the last week of January 2026 (equivalent to MK48,850 for a 50kg bag). The February 2026 price is 35.33% lower than February 2025, when maize sold for MK1,718/kg (MK85,900 for a 50kg bag).

The net increase in maize prices from the end of January 2026 was smallest in the Northern Region and largest in the Southern Region, further widening existing regional disparities. At the end of February 2026, maize retailed on average for K928/kg in the Northern Region, K1,111/kg in the Central Region, and K1,173/kg in the Southern Region.

According to the Reserve Bank of Malawi, Malawi's maize production is projected to increase to 3.3 million metric tonnes (MT) in 2026 from 2.9 million MT in 2025, representing a 13% rise. The increase is attributed to favourable weather conditions and government agricultural support programmes. However, the projected output remains about 200,000 MT below the national requirement of 3.5 million MT. Authorities expect carry-over stocks and imports to help stabilise supply and moderate food price pressures.

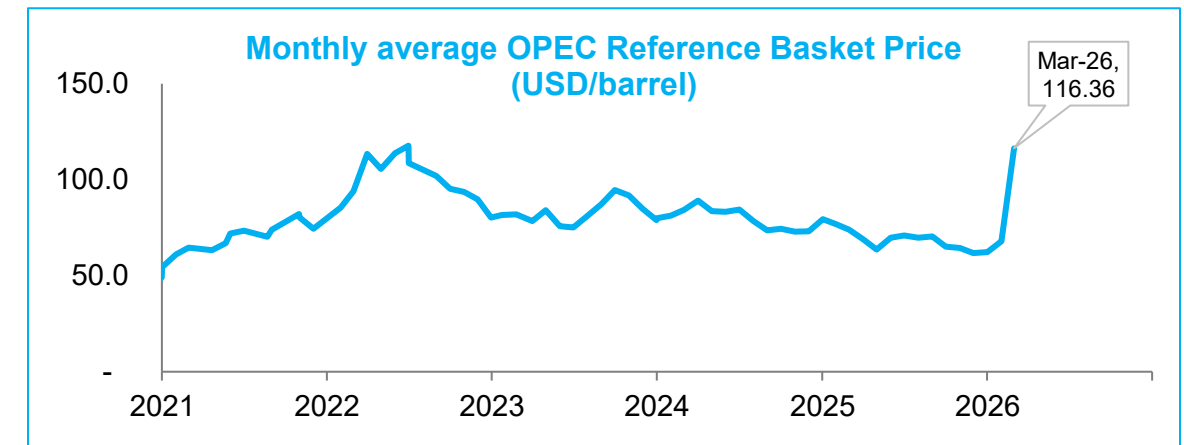
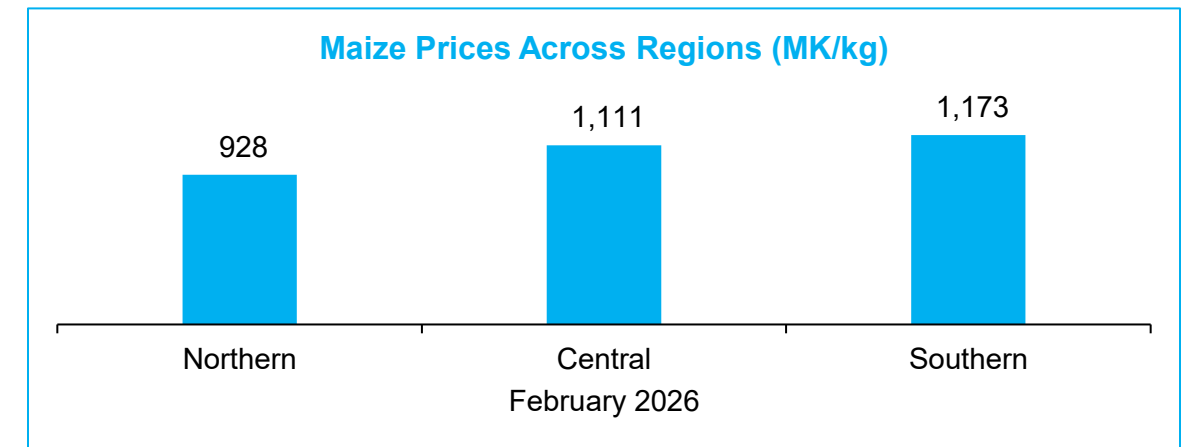
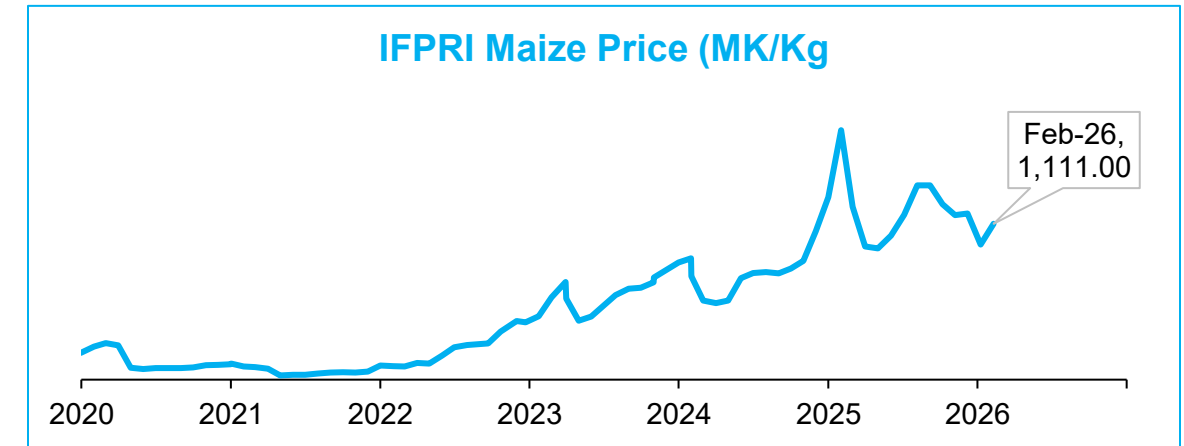
Oil Price Developments (Source: OPEC)

The average Organisation of Petroleum Exporting Countries (OPEC) reference basket price increased by USD48.46, representing a 71.4% month-on-month increase, to USD116.36/barrel in March 2026 from USD67.90/barrel in February 2026. Year-on-year, the price increased by 57.2% from USD74.00/barrel in March 2025. The global oil demand growth forecast for 2026 remains at a healthy 1.4 mb/d, year-on-year.

The Malawi Energy Regulatory Authority (MERA) increased fuel pump prices effective 1 April 2026, with petrol rising by 34.38% to MK6,672 per litre from MK4,964, and diesel increasing by 35.23% to MK6,687 per litre from MK4,945.

Local Mining Industry Developments (Source: Published Media)

In March 2026, Lotus Resources Limited reported that the Kayelekera Uranium Mine operated at over 80% plant capacity in February 2026, as the project moves toward steady-state production. The processing plant achieved about 65% of the targeted steady-state milling rate, indicating the operation is still in the ramp-up phase. The company expects steady-state uranium production in the second quarter of 2026. Commissioning of a sulphuric acid plant is also underway to support processing operations.





Other Market Developments

In March 2026, the RBM announced the introduction of new MK50 and MK20 coins, set to enter circulation on 24 April 2026.

In March 2026, the Malawi Government reported to be at an advanced stage of restructuring domestic debt owed to domestic creditors.

Local Mining Industry Developments (continued)

Mkango Resources projected to commence the construction of the Songwe Hill Rare Earth Mine in 2027 with a total estimated investment of USD400 million. Songwe Hill has an expected mine life of 18 years, producing a 55% mixed rare earth carbonate, yielding 1,953 tonnes per annum. The company is currently in the Front-End Engineering and Design phase, with completion expected within nine months. The project is expected to support foreign exchange generation, employment creation, and industrial development.

Currency Developments (Source: RBM, Published media)

In March 2026, the RBM announced the introduction of new MK50 and MK20 coins, set to enter circulation on 24 April 2026. The decision is aimed at reducing currency management costs to replace low-denomination bank notes. The RBM stated that it spent about MK44 billion in 2025 printing replacement notes due to wear and tear. The low-value bank notes have a lifespan of about one year, while coins are expected to last up to 10 years. The move is also influenced by continued high reliance on hard cash, with about 93% of income earners operating in the informal sector.

Policy and Regulatory Developments

The President of Malawi directed government ministries, departments, and agencies to develop an action plan to safeguard Malawi's fuel supply amid disruptions in the Middle East. The directive tasks the Ministry of Finance, the Ministry of Energy and Mining, the National Oil Company of Malawi, the Malawi Energy Regulatory Authority, the Reserve Bank of Malawi, and the Office of the President and Cabinet to coordinate measures aimed at maintaining fuel security. The directive follows disruptions around the Strait of Hormuz, which handles about 25% of global crude oil trade, and the rise in global oil prices to about USD114/barrel (about MK199,614) from around USD70/barrel previously.

Agriculture and Agribusiness Developments

The Ministry of Agriculture reported progress in the implementation of the 2025/26 Farm Inputs Subsidy Programme (FISP), which had a beneficiary coverage increased to 1.1 million households from 530,000 households. The government was tasked to procure 110,000 MT of fertiliser intended for the beneficiaries. As of 13 March 2026, a total of 925,428 beneficiaries, comprising 577,261 female-headed households and 348,161 male-headed households, redeemed 1,850,855 bags of fertilizer, which is 91,118.65 MT, representing an 84% success rate. Regional performance ranged between 83% and 86%.

Agriculture and Agribusiness Developments (continued)

PressCane Limited plans to roll out a USD10 million (about MK17.5 billion) bio fertilizer production plant in April 2026, once commissioning is completed. The facility will produce 10,000 MT of fertilizer annually using ethanol waste. The project experienced delays due to foreign exchange shortages, which affected the importation of final equipment. Malawi requires about 450,000 MT of fertiliser annually, most of which is imported.

According to the National Statistical Office (NSO) 2025 National Census of Agriculture, Malawi's agriculture sector remains dominated by smallholder and subsistence farming. The census covered 29,648 smallholder households and 136 estates. The agricultural sector is dominated by agricultural households that are predominantly involved in subsistence farming, with only 1.6% farmers involved primarily in commercial farming. Irrigation remains limited, with implementation at 2.2% of cultivated land, while mechanisation is low, with 97.4% of households relying on hand hoes. Input use is moderate, with 52.6% of households using only improved maize seed and 69.0% of households applying inorganic fertiliser.

The Alliance for a Green Revolution in Africa Food Security Monitor projects a post-harvest decline in maize prices driven by an above-average 2026 harvest and higher imports, with Malawi's prices falling to USD 558/MT in February 2026 from USD738/MT in January 2026 and to USD 254/MT using parallel exchange rates, making it the lowest in the region compared with Zambia (MK1,577/kg), Mozambique (MK1,423.24/kg), and Zimbabwe (MK3,885/kg). However, it warns that geopolitical tensions may raise fertiliser costs in Malawi, where input prices remain elevated. The price of NPK rose by 5.18% month-on-month to MK3,748.97/kg (MK187,448.5 per 50kg) and by 49.06% year-on-year, while the price of urea fell by 1.56% month-on-month to MK3,432.22/kg (MK171,611 per 50kg) but still increased by 52.02% year-on-year, continuing to strain farmer profitability and commercial maize production amid annual fertiliser demand of about 500,000MT.

Education

In March 2026, the European Union invested EUR55 million (about MK110 billion) in Malawi under the Zantchito project to establish Centres of Vocational Excellence, aimed at addressing skills gaps in the labour market. The centres will focus on sectors such as agricultural mechanisation, tourism, renewable energy, and maritime transport. The initiative is designed to align technical and vocational training with industry needs while supporting employment and entrepreneurship.

An Overview of the Middle East Conflict – Macro-Fiscal and Socio-Economic Impact on Malawi by the United Nations

March 2026





According to the UN, Malawi is at a critical juncture, facing high inflation, constrained fiscal policy, and unsustainable debt outlook, and foreign exchange shortages.

Introduction

According to the United Nations, Malawi enters the current Middle East conflict crisis from a position of acute fragility. Malawi is at a critical juncture, facing high inflation, constrained fiscal policy, and unsustainable debt outlook, and foreign exchange shortages. Foreign reserves remain critically low, constraining the country's ability to withstand global commodity price shocks.

Against this background, the escalation of the Middle East conflict, marked by Strait of Hormuz disruptions, oil price surges, Liquefied Natural Gas (LNG) supply shocks, and Red Sea/Cape of Good Hope shipping rerouting, delivers a compounding external shock to an economy that has almost no buffer capacity.

The UN policy brief examines how the shock is transmitted to Malawi and evaluates the macro-fiscal impacts under two scenarios: a short-term disruption (one month) and a medium-term disruption (up to twelve months). It also highlights the population groups most at risk and proposes key policy actions to address these vulnerabilities.

Malawi's Pre-Crisis Vulnerabilities

To understand the severity of the conflict's impacts, there is a need to assess Malawi's current macroeconomic environment.

A. Economic Growth

Real Gross Domestic Product (GDP) expanded by 1.9% in 2025, only marginally higher than the 1.7% recorded in 2024, and still well below the 2.6% population growth rate. As a result, GDP per capita continued to fall for the fourth consecutive year. According to the UN, Malawi's economy remains in a prolonged and severe crisis, characterized by elevated inflation, deteriorating living standards, and widespread food insecurity. Average economic growth has slowed sharply to 2.2% since 2020 from 4.1% between 2011 and 2019.

B. Inflation

The UN highlighted that average inflation eased to 28.5% in 2025, down from 32.3% in 2024, but remained high due to persistent pressures from elevated food prices, exchange rate volatility, and monetary expansion linked to large fiscal deficits. Inflation began to moderate after October 2025, falling from 29.1% to 24.9% by February 2026, largely due to a sharp decrease in food inflation driven by improved maize supplies. At the same time, fuel costs surged: in January 2026, petrol prices increased by about 42% to MK4,965/litre from MK3,499/litre, while diesel rose by about 41% to MK4,945/litre from MK3,500/litre, following the energy regulator's move to prevent shortages.

C. Exchange Rate and Reserves

Malawi's current account deficit is close to 20% of GDP, driven by an import bill that is more than two-and-a-half times the value of its exports. The exchange rate remains substantially overvalued, reflected in a parallel market premium exceeding 140%, which undermines export competitiveness and discourages foreign currency inflows. Foreign exchange reserves are critically low, standing at less than one month of import cover. Despite these pressures, the official exchange rate has stayed relatively stable at around MK1,730.00/USD. The World Bank has warned that the combination of depleted reserves and a widening gap between the official and parallel rates is distorting the market, suppressing formal trade, and incentivizing black-market activity.

D. Fiscal Position

According to the UN, fiscal deficit has averaged 10.9% of GDP since 2022, largely financed by expensive domestic borrowing. The UN also highlighted that public debt now exceeds 90% of GDP, with interest payments consuming nearly half of domestic revenue.

E. Fuel and Fertiliser: Import Dependence

Malawi imports 100% of its fuel and has limited strategic fuel reserves since July 2024. The country is also fully dependent on imported fertilizer, with an annual requirement of 400,000 metric tonnes.

F. Trade and Supply Routes

According to the UN, petroleum industry officials report that roughly 70% of Malawi's fuel imports pass through Mozambican ports. As a landlocked nation, Malawi relies entirely on maritime supply chains via Beira, Nacala, and Dar es Salaam, making the country highly vulnerable to any disruptions in Indian Ocean or Red Sea shipping routes. Transport costs are already exceptionally high, accounting for over 30% of the total import bill, and continue to pose a major barrier to trade competitiveness and broader economic development.

Transmission Channels of the Shock

According to the UN, the conflict affects Malawi through four mutually reinforcing channels:

Channel 1: Fuel Price Shock

Disruptions in the Strait of Hormuz have pushed global crude prices upward. Since Malawi imports all petroleum products, global increases are passed almost fully into domestic pump prices. This raises transport, manufacturing, and food distribution costs, intensifying inflationary pressure.



The groups most impacted by the conflict are smallholder farmers, urban low-income households, women and children, the government, and the health sector.

Transmission Channels of the Shock (continued)

Channel 2: LNG and Global Energy Shock

While Malawi does not import LNG, global shortages raise global energy prices, increasing production costs of LNG substitutes, electricity, fertilizers, and manufactured goods. These costs are ultimately imported by Malawi because its input base is external.

Channel 3: Shipping and Logistics Disruptions

Rerouting global shipping around the Cape of Good Hope adds 10 to 14 days to transit times, raising insurance and freight charges for all goods entering Malawi through Beira, Nacala, and Dar es Salaam ports. This affects imported goods such as medicines, fuel, food, and industrial inputs. Port congestion raises storage fees, thereby compounding import costs.

Channel 4: Fertilizer Supply Shock

When global fertilizer prices rise, the cost of importing fertilizer surges, putting additional pressure on Malawi's already limited foreign reserves. Because the Middle East supplies key nitrogen-based and phosphate fertilizers, any disruption in Gulf production or shipping raises global prices and threatens Malawi's Affordable Inputs Programme (AIP) and smallholder productivity. Since all fertilizer is imported, AIP costs rise sharply when international prices increase or the kwacha depreciates, straining the national budget and reducing fiscal space.

Scenario Analysis

This section evaluates how the duration of the Middle East-related shock could affect Malawi's macroeconomic stability and household welfare.

Scenario A: Short-term disruption (Up to 1 month)

Assumptions: Partial Strait of Hormuz closure; shipping rerouting via Cape of Good Hope; Brent crude at USD82 – USD90/barrel; LNG spot prices elevated; disruption resolves within 4 to 6 weeks.

Indicator	Baseline (2025/26)	Short-term shock estimate
Headline Inflation	~26 – 28%	32 – 36%
GDP Growth	~2.3%	1.8 – 2.0%
Current Account Deficit	~22% of GDP	~23.5 – 24.5% of GDP
Fx Reserves (months of imports)	~1 month	~0.5 – 0.7 months
Fiscal Deficit	~9.2% of GDP	~10.0 – 10.5% of GDP
Fuel Pump Price Pressure	Already elevated	+15 – 25% additional increase

Scenario Analysis (continued)

Scenario B: Medium-Term Scenario (Up to 12 Months)

Assumptions: Prolonged regional instability; Hormuz partially or intermittently disrupted; Brent crude sustains at USD85/barrel to USD100/barrel; shipping costs remain elevated; fertilizer supply chains disrupted for 2 to 3 planting seasons; LNG prices remain at USD15 to USD20/MMBtu.

Indicator	Baseline (2025/26)	Medium-term shock estimate
Headline Inflation	~26 – 28%	35 – 45%
GDP Growth	~2.3%	0.5 – 1.0%
Current Account Deficit	~22 of GDP	~25 – 27% of GDP
Fx Reserves (months of imports)	~1 month	<0.5 months
Fiscal Deficit	~9.2% of GDP	~12 – 14% of GDP
Food Security	>20% of population	30 – 40% of population
AIP Fertiliser Cost Overrun	Baseline	+50 – 80% cost increase

Group Most Impacted

a. Smallholder Farmers (approximately 60 – 70% of the population)

The group most affected due to heavy reliance on subsidized fertilizer under the AIP. Disruptions during the planting season would reduce their yields and income.

b. Urban Low-Income Households

These households spend a high share of income on food and transport, making them susceptible to fuel-driven inflation



According to the UN, the Middle East conflict represents a severe external shock hitting an economy with virtually no capacity to absorb additional stress.

Group Most Impacted (continued)

c. Women and Children

Women dominate informal agriculture and trade, both sensitive to input cost increases, while children face heightened malnutrition risks as food prices rise.

d. Manufacturing and Transport Enterprises

Manufacturing output declines as input costs increase and access to forex worsens. Transport firms face surging fuel prices, reducing profitability and employment.

e. Government and Social Spending

Rising fuel import costs, overruns in the AIP budget, and continued exchange rate depreciation are tightening Malawi's already limited fiscal space, reducing funds available for health, education, and social protection. With debt servicing consuming up to 43% of domestic revenues and social sectors receiving only 25% of total expenditure, any additional fiscal pressure risks further cuts to essential social services.

f. Patients and Health System Users

Malawi imports virtually all pharmaceutical inputs and medical supplies. Medicine supply chains are disrupted by higher freight costs and shipping delays, leading to stock-outs.

Policy Recommendations

The United Nations provides the following policy recommendations to address immediate economic pressures while strengthening medium- to long-term resilience.

Immediate Priorities (0-30 days)

1. Update fiscal policy assumptions to reflect heightened external risks.
2. Uphold and enforce the Automatic Fuel Pricing Mechanism (APM) to maintain transparency and avoid accumulation of hidden liabilities.
3. Establish a formal essential priority list for RBM forex allocation.
4. Expand social protection mechanisms by scaling up cash transfers.

Short-to-medium-term measures (1-6 months)

1. Prioritise strategic reserve replenishment to at least 30 days of cover as an immediate shock mitigation measure.

Policy Recommendations (continued)

2. Secure timely fertilizer procurement from an alternative regional supplier ahead of the planting season.
3. Improve fertilizer targeting within FISP to reduce fiscal leakages and enhance the programme's effectiveness.
4. Accelerate debt restructuring to restore fiscal space.
5. Diversify fuel supply routes and expand storage capacity.
6. Monetary policy: resist premature rate cuts and stand ready to reverse course if inflation re-accelerates.
7. Move towards exchange rate unification to reduce distortions and improve foreign exchange inflows.

Structural Resilience Measures (6-12+ months)

1. Invest in domestic fertiliser blending capacity.
2. Diversify export base to generate forex.
3. Expand renewable energy to reduce fuel dependence.
4. Strengthen regional trade and supply chain resilience.

Conclusion

According to the UN, the Middle East conflict represents a severe external shock hitting an economy with virtually no capacity to absorb additional stress. This highlights the urgent need to strengthen and expand social protection systems to ensure Malawi can respond swiftly to an increasingly volatile global environment and safeguard vulnerable households. In the immediate term, securing reliable supplies of fuel and fertilizer remains paramount, as disruptions to these two commodities pose the greatest risk to economic activity and national food security. Beyond the emergency response, the crisis underscores the importance of deeper structural reforms, including diversifying Malawi's export base, rebuilding foreign-exchange reserves, completing debt restructuring, and investing in domestic energy and agricultural input production.

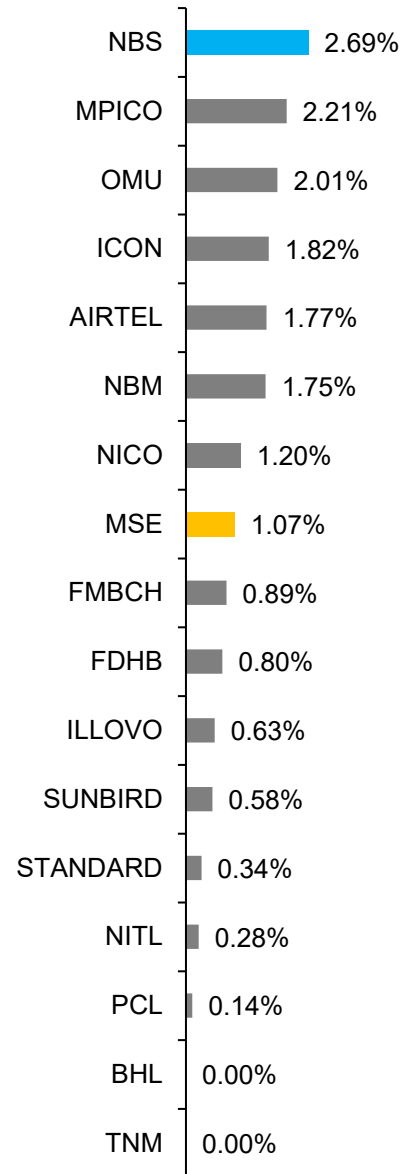
Appendices



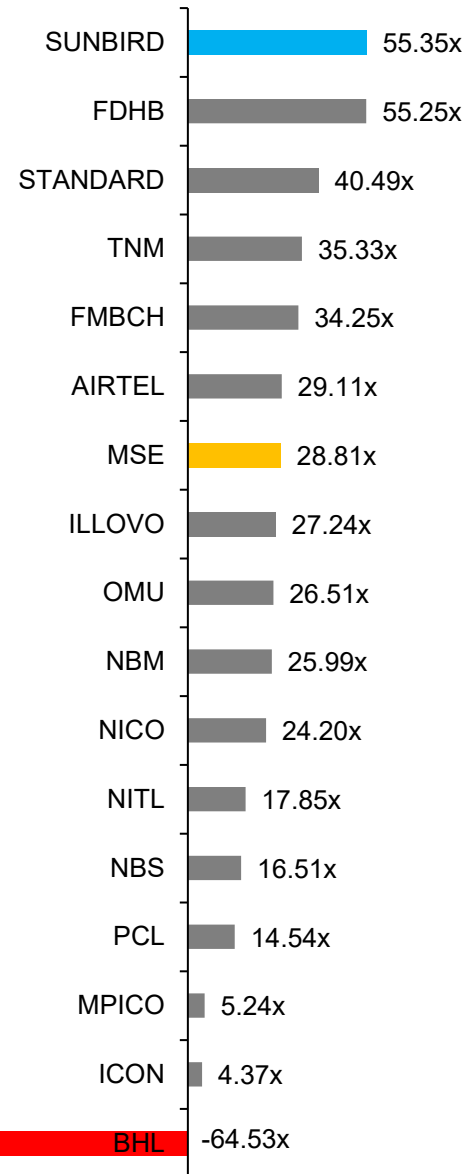
Appendix 1: Historical Monthly Economic Indicators

	Mar-25	April-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Exchange Rates (middle rates)													
MK/USD	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	1,750.37
MK/GBP	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	2,377.41
MK/EUR	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	2,068.11
MK/ZAR	98.15	96.28	100.76	100.57	100.34	101.77	103.60	103.58	103.68	107.63	113.67	113.20	104.66
Foreign Exchange Reserves													
Total Reserves (USD'mn)	536.0	530.0	521.0	555.9	607.7	523.9	511.8	526.8	530.0	608.9	N/A	N/A	N/A
Inflation													
Headline	30.5%	29.2%	27.7%	27.1%	27.3%	28.2%	28.7%	29.1%	27.9%	26.0%	24.9%	24.1%	N/A
Food	37.7%	35.8%	32.7%	31.6%	32.4%	33.7%	33.0%	32.4%	30.1%	26.5%	22.1%	20.8%	N/A
Non-food	19.2%	19.4%	20.0%	20.1%	19.3%	19.5%	21.7%	23.8%	24.2%	25.2%	29.8%	30.0%	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%	24.00%
Average Interbank Rate (Overnight)	23.19%	23.18%	23.82%	23.99%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	16.50%	13.85%
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%	25.20%	25.10%	25.30%	25.40%	25.30%	25.40%	25.30%	25.30%	25.20%	24.70%	22.40%
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%	15.00%	12.00%	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%	15.00%	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%	17.90%	17.53%
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%	20.65%	18.87%
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	69.52%	68.39%	64.58%	91.77%	124.53%	211.15%	236.67%	250.27%	259.98%	247.63%	-1.53%	-3.91%	-3.80%
DSI	56.52%	62.53%	62.41%	89.34%	120.03%	214.05%	236.40%	233.38%	217.65%	208.88%	0.30%	-0.75%	-0.43%
FSI	148.16%	103.82%	77.74%	106.49%	150.94%	195.28%	239.14%	348.11%	503.79%	470.87%	-7.19%	-13.69%	-14.21%

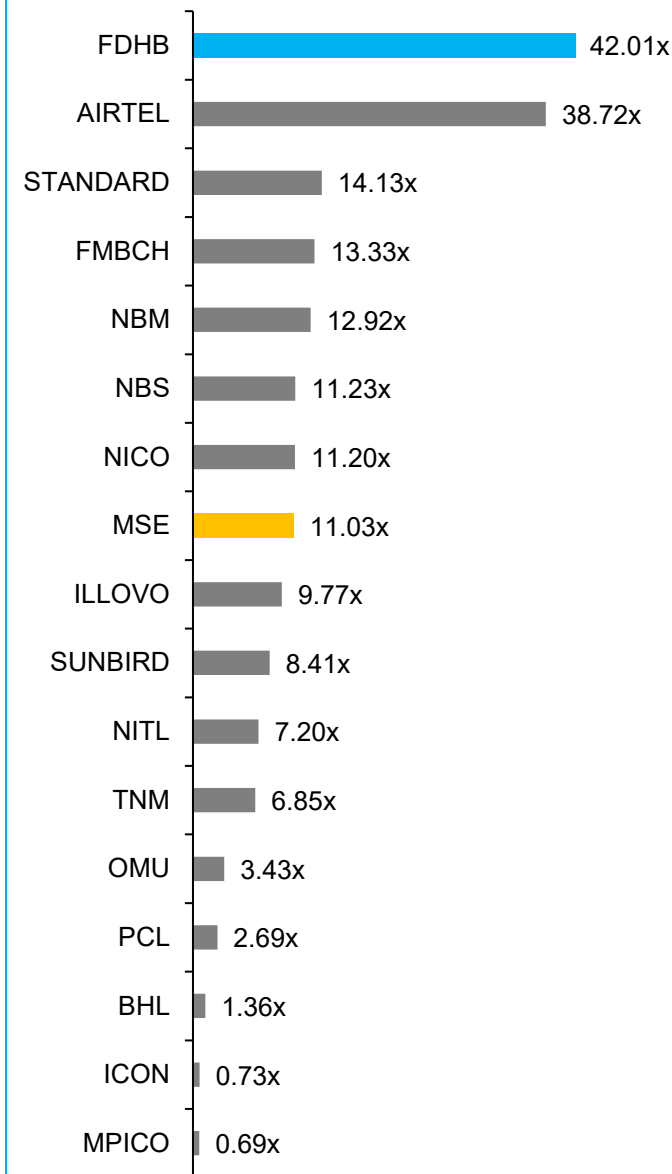
Dividend yield (%) - the weighted average dividend yield on the MSE was 1.07% in March 2026. The counter with the highest dividend yield was NBS at 2.69%



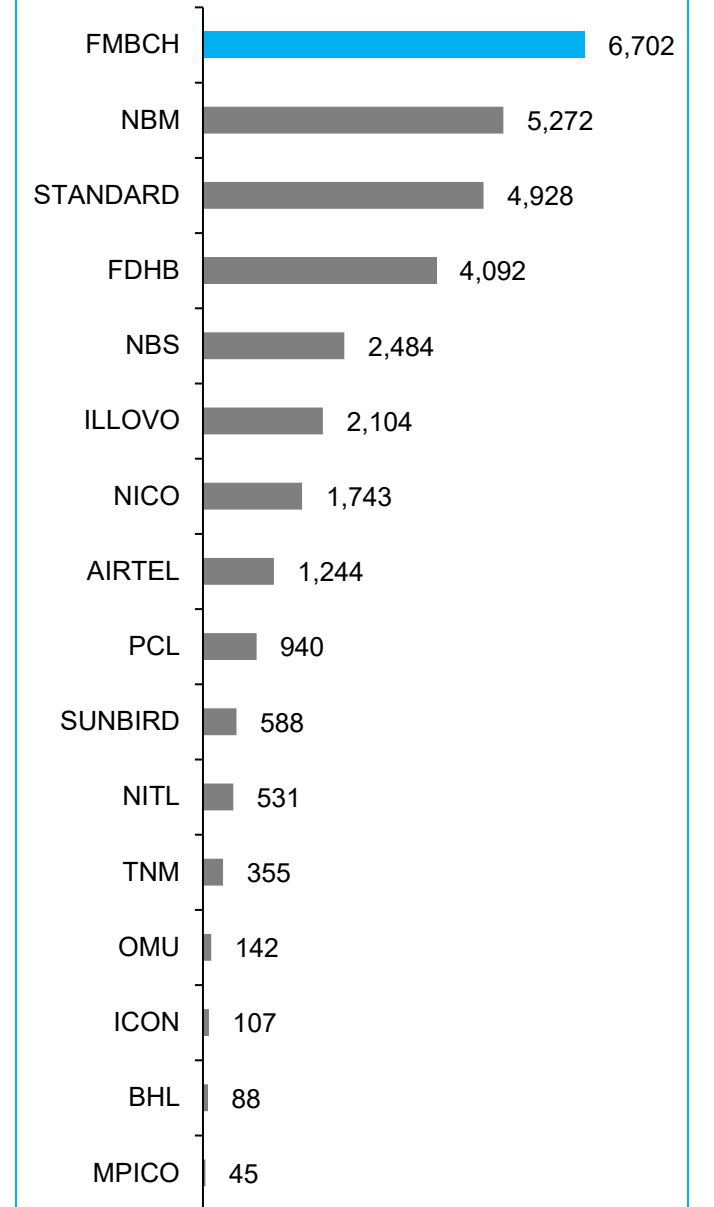
P/E Ratio - the weighted average price to earnings ratio on the MSE was 28.81x in March 2026. The counter with the lowest positive ratio was ICON at 4.37x.



P/BV Ratio - the weighted average price to book value ratio on the MSE was 11.03x in March 2026. 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 March 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	28.4	25.7	24.1	26.2	25.4	24.3
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	-11.6	-9.8	-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	-3.3	-3.4	-3.3	-3.5
Current-account balance (USD bn)	-2.1	-2.4	-2.6	-2.6	-2.6	-2.6	-2.6
Current-account balance (% of GDP)	-18.7	-17.4	-16.2	-15.1	-15.0	-14.9	-14.8
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), March 2026

AIP	: Affordable Inputs Subsidy	MK	: Malawi Kwacha
APM	: Automatic Pricing Mechanism	Mmbtu	: One million British Thermal Units
av	: Average	Mn	: Million
BHL	: Blantyre Hotels Plc	MOU	: Memorandum of Understanding
bn	: Billion	MPC	: Monetary Policy Committee
CIT	: Corporate Income Tax	MRA	: Malawi Revenue Authority
CPI	: Consumer Price Index	MSE	: Malawi Stock Exchange
DFC	: Development Finance Corporation	MT	: Metric tons
DRM	: Domestic Revenue Mobilization	NBM	: National Bank of Malawi Plc
ECAMA	: Economics Association of Malawi	NBS	: NBS Bank Plc
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	OMU	: Old Mutual Limited Plc
FISP	: Farm Input Subsidy programme	OPEC	: Organization of the Petroleum Exporting Countries
FMBCH	: FMB Capital Holdings Plc	OPC	: Office of the President and Cabinet
FY	: Fiscal year	P/BV	: Price to book value
GBP	: Great British Pound	P/E	: Price to earnings
GDP	: Gross Domestic Product	PCL	: Press Corporation Limited Plc
IFPRI	: International Food Policy Research Institute	RBM	: Reserve Bank of Malawi
IMF	: International Monetary Fund	SONA	: State of the Nation Address
Kg	: Kilogram	SOE	: State Owned Enterprise
LNG	: Liquefied Natural Gas	STR	: Simplified Trade Regime
LRR	: Liquidity Reserve Requirement	TB	: Treasury Bill
MASI	: Malawi All Share Index	TN	: Treasury Note
Mb/d	: Million barrels per day	TNM	: Telekom Networks Malawi Plc
MDA	: Mining Development Agreements	UN	: United Nations
MEM	: Malawi Economic Monitor	USD	: United States Dollar
MERA	: Malawi Energy Regulatory Authority	WB	: World Bank

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Contact Information

Head Office – Blantyre

Bridgepath Capital Limited
1st Floor (106), Development House
Corner Henderson Street Road
P.O. Box 2920
Blantyre

Lilongwe Office

Bridgepath Capital Limited
Taurus House, Off Presidential Drive
City Center
Lilongwe

Tel No: + 265 111 828 355

Email: info@bridgepathcapitalmw.com


Website: www.bridgepathcapitalmw.com

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