



# Malawi Monthly Economic Report and an Overview of the 2026 African Economic Outlook by the AfDB

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May 2026

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## Inflation and Monetary Policy

The year-on-year headline inflation rate rose to 24.3% in April 2026 from 23.8% in March 2026, driven by the increase in non-food inflation.

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. The African Development Bank (AfDB) projects a slightly lower average of 24.6%. Oxford Economics projects a higher average of 40.8%, citing fuel price increases and currency depreciation driven by a dearth of forex reserves, unsustainable public debt, import dependence, trade imbalances, and reduced external funding. The World Bank projects 21.9%, driven by high food prices and money creation linked to pre-election deficits. 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 against the USD as it traded at MK1,749.46/USD as of 29 May 2026 from MK1,749.68/USD as of 30 April 2026..

## Stock Market

The stock market was bearish in May 2026, with the Malawi All Share Index (MASI) decreasing by 2.08% to 513,462.78 points from 524,387.05 points in April 2026. This brought the MASI year-to-date return to negative 14.15% in May 2026. In May 2025, the year-to-date return was 64.58%. The share price losses in FMBCH, FDHB and NBM primarily drove this downward movement in the index.

## Fiscal Policy, Regulatory Developments and Government Securities

In May 2026, the Government of Malawi revised the minimum wages for various categories of workers effective 1 June 2026, with wage increases ranging from 15% to 25%.

The Minister of Finance, Economic Planning and Decentralisation stated that the Malawi Government is seeking a “win-win” Extended Credit Facility (ECF) deal with the International Monetary Fund (IMF) when negotiations begin in June 2026.

On 29 May 2026, the President of the Republic of Malawi restructured

## Fiscal Policy, Regulatory Developments and Government Securities (continued)

the Government by separating the former Ministry of Energy and Mining into two standalone ministries, namely the Ministry of Energy and the Ministry of Mining

In May 2026, a total of MK290.24 billion was awarded from MK376.21 billion in applications for Treasury Bills, representing an overall rejection rate of 22.85%.

As of 31 May 2026, the 91-, 182-, and 364-day TB yields were 12.00%, 15.00%, and 16.50%, respectively. There were no auctions for Treasury Notes (TN). The RBM held Open Market Operation Repurchase Agreements (OMO Repo) auctions for all tenors of OMO Repos in the month of May 2026. No liquidity was withdrawn from the market.

## Commodity Market

According to the International Food Policy Research Institute (IFPRI), the retail maize price in April 2026 fell by 16.57% to MK868.50/kg (MK43,425 for a 50kg bag), from MK1,041/kg (MK52,050 for a 50kg bag) in March 2026.

As of 31 May 2026, USD83.01 million was realised from the sale of 39.71 million kilograms (kgs) of tobacco at an average price of USD2.09/kg. During the same period in the previous year, USD178.41 million was realised from the sale of 72.74 million kgs at an average price of USD2.45/kg, representing a 45.41% decrease in earnings compared to the corresponding period last year.

In Malawi, fuel pump prices were adjusted, with petrol prices declining to MK6,209 per litre from MK6,672, representing a 6.94% decrease, while diesel prices have been maintained at MK6,687 per litre effective 8 May 2026. Global oil prices decreased, with the OPEC reference basket decreasing by 5.5% to USD102.77 in May 2026 from USD108.79/barrel in April 2026.

## An Overview of the 2026 African Economic Outlook by the AfDB

According to the AfDB, Africa’s economic growth accelerated to 4.4% in 2025 from 3.5% in 2024, supported by improved agricultural output, supportive macroeconomic policies, and high commodity prices. The report highlights the need for African countries to mobilise capital at scale through stronger domestic resource mobilisation, improved

public financial management, deeper financial systems, and greater regional financial integration to support growth.

For Malawi, the AfDB reports that real GDP growth increased to 2.7% in 2025 from 1.8% in 2024, while inflation declined to 28.5% from 32.2% and the fiscal deficit narrowed to 9.9% of GDP. However, debt remains high at about 91% of GDP, foreign exchange reserves remain below one month of import cover, and development financing gaps persist. The AfDB projects Malawi’s growth to slow to 2.3% in 2026 before recovering to 3.3% in 2027, supported by improvements in agriculture, services, and mining, while emphasizing the need for fiscal consolidation, stronger financial systems, improved Domestic Revenue Mobilization (DRM), and enhanced public investment management.

## Malawi Economic Growth Outlook

Real GDP growth projections for 2026 range from 0.5% to 3.8% (average 2.18%). Oxford Economics expects 0.5% growth, citing the combined impacts of the oil price shock and currency depreciation. The EIU projects 2.0%, while the World Bank and the AfDB forecast growth of 2.3%. The Malawi government projects growth at 3.8%.

## Opportunities

Sunbird Tourism plc unveiled 60 new rooms at its flagship lakeside property Sunbird Livingstonia Beach, increasing the resort’s capacity to 110 rooms and raising its combined inventory with Sunbird Waterfront to 156 rooms. The expansion is expected to contribute to the growth of Malawi’s tourism sector.

Agricultural Development and Marketing Corporation (ADMARC) has earmarked MK60 billion to purchase 65,000 metric tonnes of maize during the 2026/27 marketing season at the government-approved price of MK900/Kg, with the initiative expected to support national food security and provide a market for farmers’ produce.

## Risks

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.

The possibility of El Niño weather phenomenon developing in mid-2026 presents risks to temperature and rainfall patterns, with potential adverse implications for agricultural production and food security.



Inflation and Monetary Policy

The year-on-year headline inflation rate rose to 24.3% in April 2026 from 23.8% in March 2026, driven by the increase in non-food inflation.

The commercial bank reference rate for May 2026 was 20.60%, down from 20.80% in April 2026.

The Monetary Policy Committee maintained the policy rate at 24.0%. The Liquidity Reserve Requirement (LRR) ratio for local currency deposits was increased to 12% from 10%, while the LRR for foreign currency deposits was maintained at 3.75%.

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

The year-on-year headline inflation rate rose to 24.3% in April 2026 from 23.8% in March 2026, driven by the increase in non-food inflation. The food inflation rate declined to 19.1% in April 2026 from 20.0% in March 2026, and the non-food inflation rate increased to 33.2% in April 2026 from 30.7% in March 2026.

The 2026 inflation projections for Malawi vary across institutions. Oxford Economics forecasts inflation to average 40.8%, citing fuel price increases and pass-through effects of the depreciating currency, driven by a dearth of forex reserves, unsustainable public debt, import dependence, trade imbalances, and reduced external funding. 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%, driven by the RBM's continued deficit financing and rising food and fuel prices. The African Development Bank (AfDB) projects inflation to average 24.6% in 2026. The World Bank's projection is 21.9%, 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)**

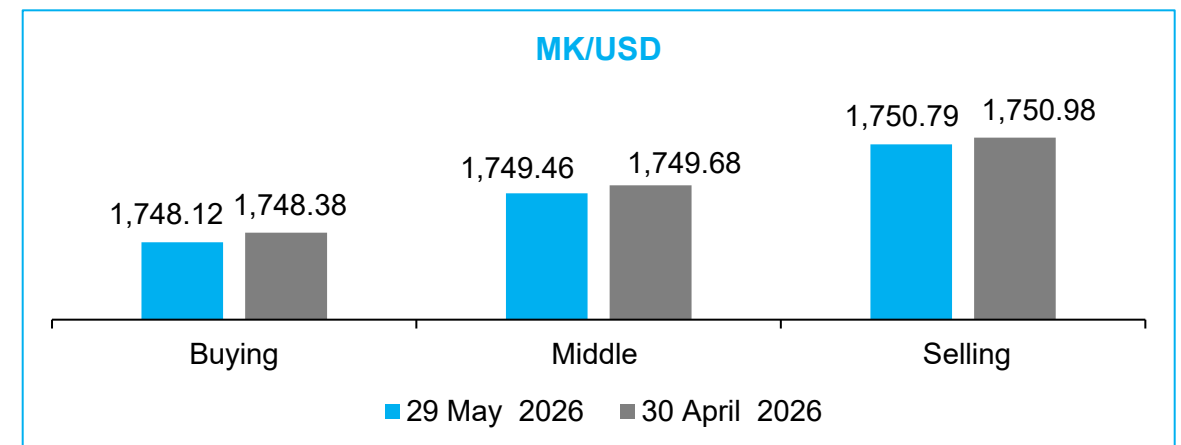
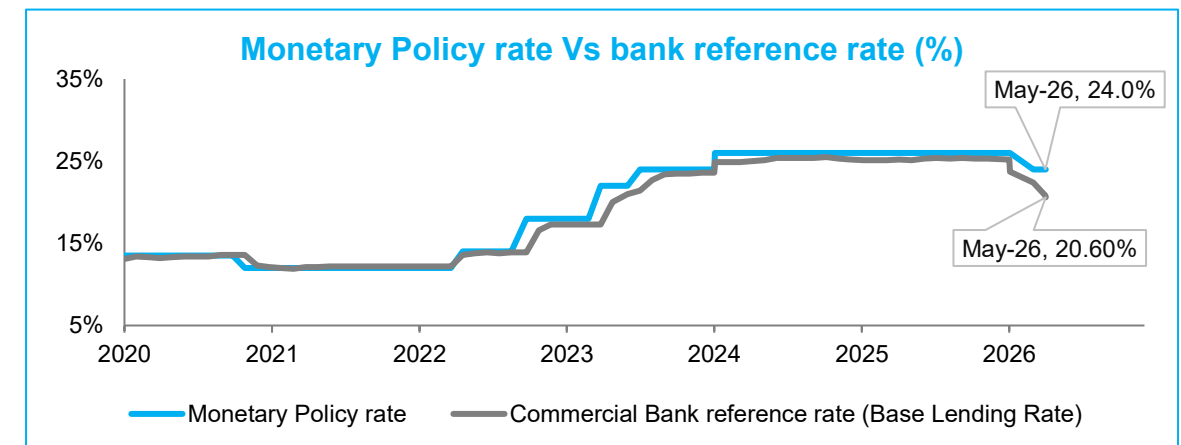
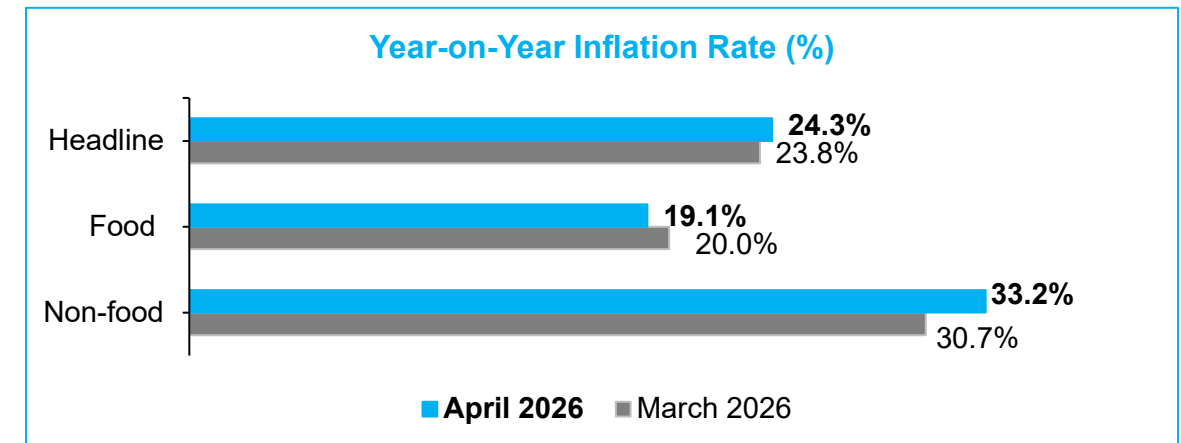
At its second meeting of 2026, held on 29 and 30 April 2026, the Monetary Policy Committee (MPC) decided to maintain the Policy Rate at 24.0%. The MPC maintained the Lombard Rate at 20 basis points above the Policy Rate. The Liquidity Reserve Requirement (LRR) ratio for local-currency deposits was increased to 12% from 10%, while the LRR for foreign-currency deposits was maintained at 3.75%. The next MPC meeting is scheduled for 29 and 30 July 2026. The decision will be announced on 30 July 2026.

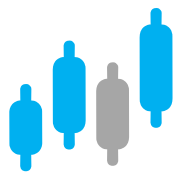
The commercial bank reference rate for May 2026 was 20.60%, representing a 0.97% decrease from 20.80% in April 2026.

**Foreign Exchange (Source: RBM)**

Based on the closing middle rates, the Malawi Kwacha was stable, trading at MK1,749.46/USD as of 29 May 2026, from MK1,749.68/USD as of 30 April 2026. During the same period last year, the Malawi Kwacha traded at MK1,750.67/USD, from MK1,750.51/USD as of April 2025.

According to the United Nations (UN), the exchange rate remains significantly overvalued, with a parallel market premium exceeding 140%, which discourages exports and reduces foreign currency inflows. Foreign reserves remain critically low.





## Stock Market

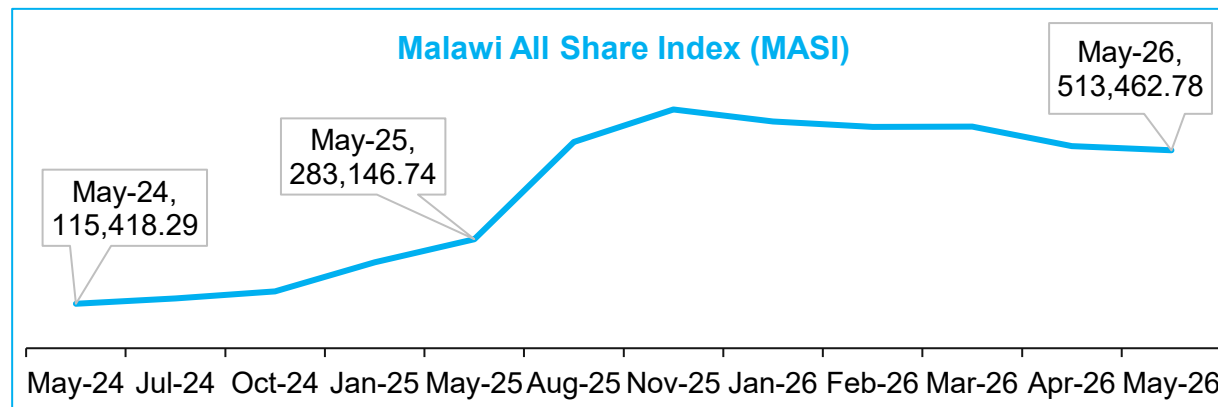
The total value of shares traded on the Malawi Stock Exchange in April 2026 was MK8.12 billion, with FDHB leading in value at MK1.4 billion.

### Stock Market Performance (Source: MSE)

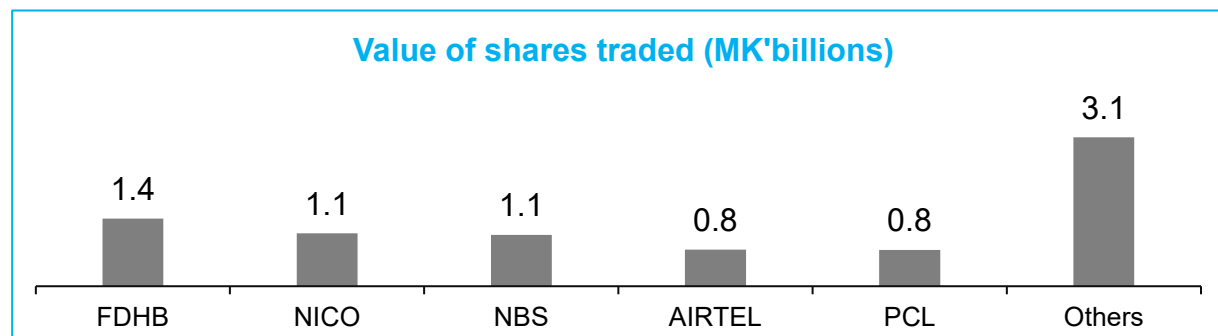
The stock market was bearish in May 2026, with the Malawi All Share Index (MASI) decreasing by 2.08% to 513,462.78 points from 524,387.05 points in May 2026. This brought the MASI year-to-date return to negative 14.15% in May 2026. In May 2025, the year-to-date return was 64.58%.

SUNBIRD recorded the highest share price gain in May 2026, rising by 37.9% to close the month at MK3,100.06, having opened at MK2,248.06.

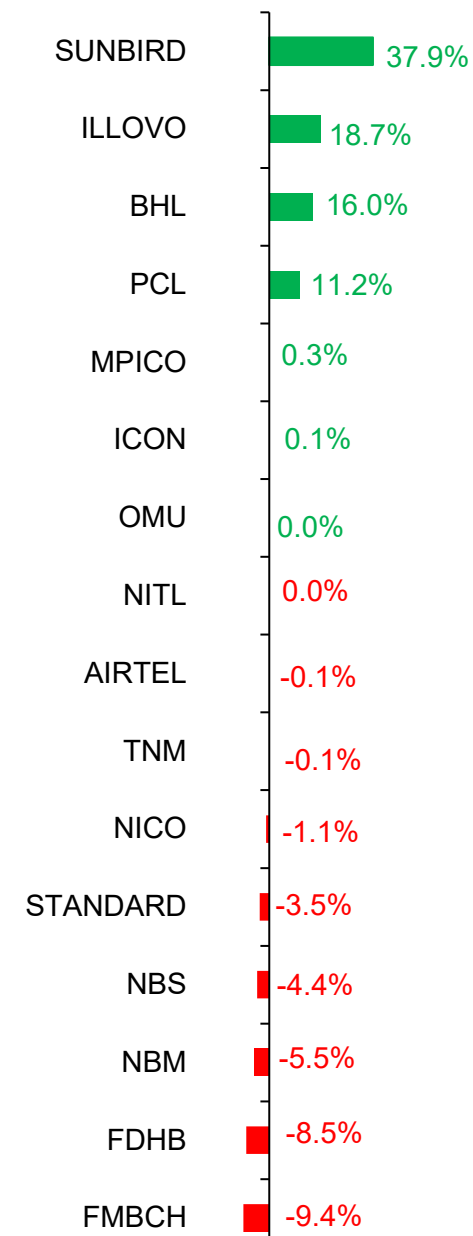
FMBCH had the highest share price loss in May 2026, falling by 9.4% to MK1,648.83 from MK2,248.06 in April 2026. There were also share price losses for FDHB, NBM, NBS, STANDARD and NICO recorded during the period under review.



The number of trades on the MSE increased marginally by 2.16% to 3,318 in May 2026 from 3,248 in April 2026. The value of shares traded declined marginally by 1.22% to MK8.12 billion in May 2026, from MK8.22 billion in April 2026. FDHB had the highest value of shares traded at MK1.4 billion in May 2026.



### Month-on-month share price change



Symbol	Closing prices (MK/share)	
	29 May 2026	30 April 2026
AIRTEL	112.22	112.37
BHL	17.50	15.09
FDHB	534.53	583.90
FMBCH	1,648.83	1,820.00
ICON	16.01	15.99
ILLOVO	3,500.02	2,948.66
MPICO	19.55	19.50
NBM	10,394.57	10,999.57
NBS	730.56	764.27
NICO	1,627.36	1,645.81
NITL	3,930.18	3,930.82
OMU	5,300.02	5,300.00
PCL	8,700.00	7,820.00
STANDARD	3,999.91	4,143.47
SUNBIRD	3,100.06	2,248.06
TNM	29.80	29.84



*The Government of Malawi revised the minimum wages for various categories of workers effective 1 June 2026, with wage increases ranging from 15% to 25%.*

*In May 2026, treasury bill auction applications reached MK376.21 billion, down from MK683.86 billion in April 2026.*

*Total treasury bills awarded were MK335.30 billion in May 2026.*

*There were no treasury note auctions held in May 2026.*

### Fiscal Policy and Regulatory Developments (Source: GoM; Published Media)

In May 2026, the Government of Malawi revised the minimum wages for various categories of workers, effective 1 June 2026. Domestic workers' minimum monthly wage increased to MK83,720 from MK72,800, representing a 15% increase. The minimum wage for commercial workers increased by 25% to MK157,500 from MK126,000, while the minimum wage for workers in micro and small enterprises also increased by 25%, rising to MK131,250 from MK105,000. Meanwhile, the minimum wage for shop workers was set at MK187,500 per month.

Employers with an annual turnover of MK500 million or more were required to pay a minimum monthly wage of MK200,000, up from MK150,000. Truck drivers on international routes operating vehicles of 30 tonnes and above saw their minimum monthly wage increase to MK410,375 from MK328,300, while local drivers' minimum wage rose to MK293,125 from MK234,500. Drivers of vehicles below 30 tonnes also received an increase, with their minimum monthly wage rising to MK175,875 from MK140,700.

The Registrar General's Department transformed into a statutory corporation operating as Companies, Registrations and Intellectual Property Centre (CRIPC), formulated on 1 April 2026 following amendments to the Business Registration Act. The agency is mandated to administer business registration, intellectual property and civil registry services to enhance efficiency and service delivery.

On 29 May 2026, the President of the Republic of Malawi restructured the government by separating the former Ministry of Energy and Mining into two standalone ministries, namely the Ministry of Energy and the Ministry of Mining.

### Government Securities (Source: RBM)

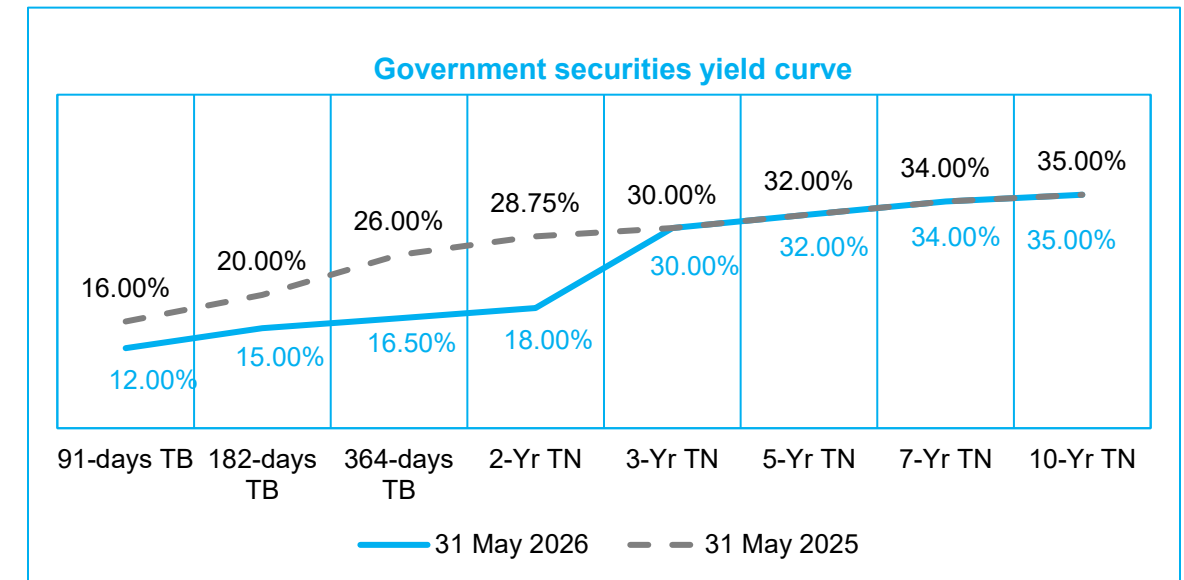
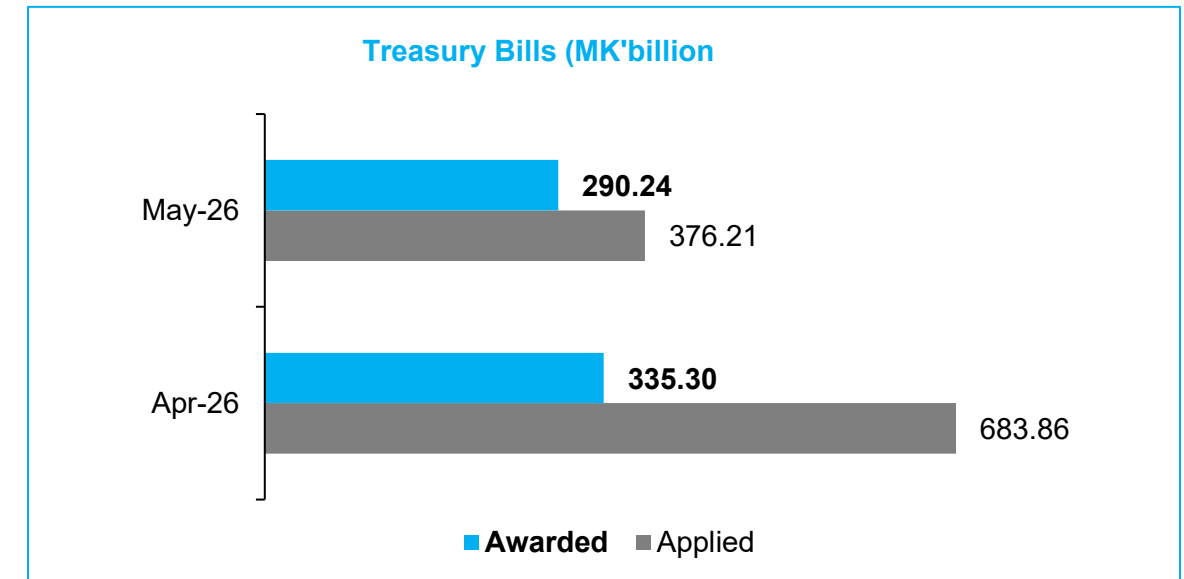
In May 2026, a total of MK290.24 billion was awarded from MK376.21 billion in applications for Treasury Bills, representing an overall rejection rate of 22.85%. There were no auctions for Treasury Notes.

The RBM held Open Market Operation Repurchase Agreements (OMO Repo) auctions for all tenors of OMO Repos in the month of May 2026. No liquidity was withdrawn from the market.

### Government Securities Yield Curve (Source: RBM)

As of 31 May 2026, the 91-, 182- and 364-day TB yields remained unchanged from April 2026 at 12.00%, 15.00% and 16.50% respectively. The monthly average TB yield dropped to 14.48% in May 2026 from 14.61% in April 2026.

The treasury note yields remained unchanged in May 2026, averaging 29.97%.





## Commodities Market Developments

*The Southern Region experienced lower prices of both old and new maize than the rest of the country from the end of April 2026 and maize was traded well below the government-mandated minimum farm gate price of MK900/kg*

*As of 31 May 2026, 39.71 million kgs of tobacco have been sold at an average price of USD 2.09/kg, with the cumulative national value of USD 83.01 million representing a 45.41% decrease from USD178.41 million sold during the same period in the previous year.*

### Local Maize Price Developments (Source: IFPRI, RBM)

In April 2026, maize prices decreased to MK868.50/kg in the final week of April 2026 (equivalent to MK43,425 for a 50kg bag) from MK1,041.00/kg in the last week of March 2026 (equivalent to MK52,050 for a 50kg bag). The April 2026 price is 9.91% lower than April 2025, when maize sold for MK964.00/kg (MK48,200 for a 50kg bag).

The Southern Region experienced lower prices of both old and new maize than the rest of the country from the end of April 2026 and maize was traded well below the government-mandated minimum farm gate price of MK900/kg.

### Tobacco Auction Developments (Source: AHL)

Figures from the Auction Holdings Limited (AHL) tobacco sales report show that as of 31 May 2026, 39.71 million kgs of tobacco were sold at an average price of USD2.09/kg in the 2026 selling season. The cumulative national value of tobacco sold stood at USD83.01 million, representing a 45.41% decrease from USD178.41 million sold during the same period in the previous year. During the same period in the previous year, 72.74 million kgs were sold at an average price of USD2.45/kg.

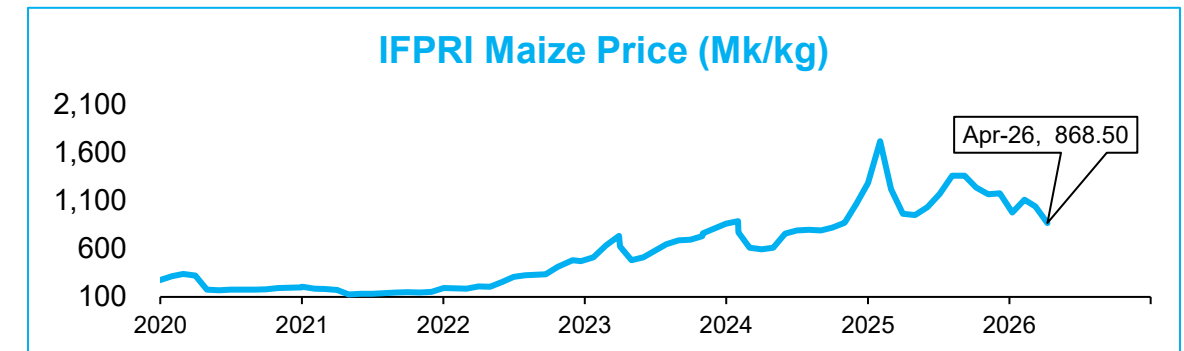
### Oil Price Developments (Source: OPEC)

The average Organisation of Petroleum Exporting Countries (OPEC) reference basket price decreased by USD6.02, representing a 5.5% month-on-month decrease, to USD102.77/barrel in May 2026 from USD108.79/barrel in April 2026. Year-on-year, the price increased by 61.5% from USD63.62/barrel in May 2025.

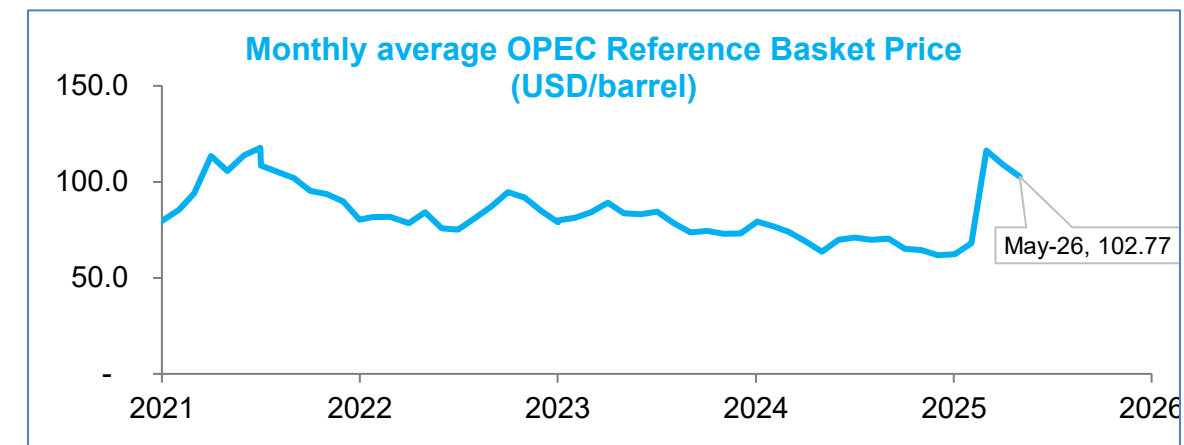
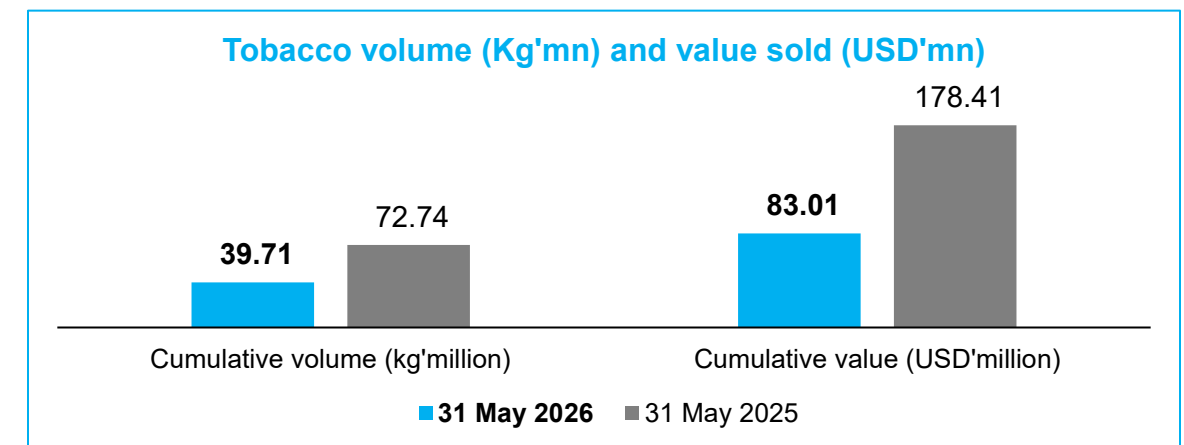
Effective 8 May 2026, the Malawi Energy Regulatory Authority (MERA) reduced petrol prices to MK6,209 per litre from MK6,672, representing a 6.94% decrease, while diesel prices have been maintained at MK6,687 per litre,

### Local Mining Industry Developments (Source: Published Media)

In May 2026, Lotus Resource Limited reported that Kayelekera Uranium Mine received a boost after France-based uranium converter Orano Chimie-Enrichissement (Orano CE) accepted its uranium. The Lotus Resources Limited Managing Director reported that the acceptance marks a major milestone towards planned exports in the second quarter of 2026, subject to final product preparation, testing, permits, and shipping arrangements. The Managing Director further stated that the company is working to secure accreditation with ConverDyn and Cameco, to ensure delivery flexibility.



- Maize price (Mk/kg) for April was calculated using the average of the new maize price and the old maize price.





### Other Market Developments

*In May 2026, the Minister of Finance, Economic Planning and Decentralisation stated that the Malawi Government is seeking a “win-win” Extended Credit Facility (ECF) deal with the International Monetary Fund (IMF) when negotiations begin in June 2026.*

*The Vice President of the International Fund for Agricultural Development (IFAD) announced a USD30.9 million (about MK54.1 billion) grant package for Malawi to support agricultural productivity, rural livelihoods and bolster economic resilience.*

#### Foreign exchange reserves

In May 2026, the Reserve Bank of Malawi (RBM) stated that strategic gold purchases and expansion of the mining sector stand to ease the country’s worsening foreign exchange shortages amid mounting pressure on the kwacha and shrinking import cover. The RBM Deputy Governor reported that forex shortages reflect structural imbalances between imports and exports, adding that Malawi’s annual fuel import bill now exceeds USD700 million while tobacco earnings remain below USD400 million. RBM data show that total foreign exchange reserves declined to USD571.6 million in March 2026 from USD625.7 million in February 2026, representing 2.1 months of import cover.

#### Foreign Aid (Source: Published Media)

In May 2026, the Minister of Finance, Economic Planning and Decentralisation stated that the Malawi Government is seeking a “win-win” Extended Credit Facility (ECF) deal with the International Monetary Fund (IMF) when negotiations begin in June 2026. The IMF mission is expected to hold engagements with Malawi Government officials from 9-18 June 2026 following the collapse of the four-year USD175 million ECF programme approved on 14 November 2023 and terminated in May 2025. The Minister further stated that discussions would focus on macroeconomic stabilisation, fiscal policy and structural reforms to support sustainable and inclusive growth.

The Vice President of the International Fund for Agricultural Development (IFAD) announced a USD30.9 million (about MK54.1 billion) grant package for Malawi to support agricultural productivity, rural livelihoods and bolster economic resilience. The Vice President also stated that USD28.7 million of the package is additional financing under IFAD 13 to cushion cost overruns on infrastructure interventions under the Transforming Agriculture through Diversification and Entrepreneurship (Trade) programme, while USD2.2 million will support implementation of the Farm Inputs Subsidy Programme (FISP) as part of a crisis response mechanism to lessen the impact of global economic shocks.

#### Tourism (Source: Published Media)

In May 2026, Malawi and Zambia intensified efforts to deepen tourism cooperation through joint destination marketing, cross-border tourism products and regional tourism promotion. Officials from both countries held bilateral discussions in Durban, on the sidelines of Africa’s Travel Indaba 2026, where they agreed to establish a Joint Technical Committee to coordinate tourism cooperation initiatives. The proposed collaboration will focus on destination marketing, tourism investment, transport connectivity and development of cross-border tourism products.

#### Tourism (continued)

Sunbird Tourism plc unveiled 60 new rooms at its flagship lakeside property Sunbird Livingstonia Beach, increasing the resort’s capacity to 110 rooms and raising its combined inventory with Sunbird Waterfront to 156 rooms. The hotel chain stated that the MK10 billion expansion is part of its strategy to reposition its lakeside portfolio and sharpen its appeal to leisure and corporate travellers.

#### Agriculture and Agribusiness Developments (Source: Published Media)

In May 2026, the Minister of Agriculture, Irrigation and Water Development reported that the President of Malawi ordered early preparedness measures to protect Malawians from the potential impact of the El Niño weather phenomenon next season. The Minister further stated that the Ministry was directed by the President to make sure it prepares very well so that no single person suffers or dies from hunger in this country. The Director of the Department of Climate Change and Meteorological Services indicated that forecasts show chances of below-normal rainfall, with possible warmer temperatures from June. The Department of Disaster Management Affairs (DoDMA) stated that it is collaborating with various stakeholders to prepare for possible humanitarian responses.

The Cotton Council of Malawi opened this year’s cotton marketing season on 25 May 2026 with output estimated at 22,894 metric tonnes (MT), in line with the regulator’s vision of achieving 50,000MT production next season. The Ministry of Agriculture, Irrigation and Water Development Deputy Director for Crop Development responsible for field crops urged buyers to observe the government-set minimum farm-gate price of MK1,500/kg. The President of the Cotton Farmers Association stated that some farmers faced rising input costs and technical challenges that delayed payments last season. The cotton market will run for 90 days in 50 designated outlets nationwide.

Wait Holdings, a Malawian-owned fertiliser blending firm, commenced operations in Blantyre with a production capacity of up to 30,000MT per month, under its MlimiFert brand. The Managing Director of Wait Holdings stated that the project was established to reduce Malawi’s dependence on imported fertilisers and meet demand for crop- and soil-specific nutrient solutions. Further to that, the Managing Director also reported that the company is committing USD5 million towards expanding blending capacity and distribution, with regional outlets in Lilongwe and Mzuzu expected to open this year. An agriculture policy expert described the development as important for Malawi’s agro-based economy, while the Civil Society Agriculture Network chairperson stated that local fertiliser initiatives are critical amid foreign exchange shortages. The Fertiliser Association of Malawi estimates national annual fertiliser demand at 450,000MT to 475,000MT.

# An Overview of the 2026 African Economic Outlook by the AfDB

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May 2026





*The AfDB reports that In 2025, economic growth improved in Africa, despite heightened trade and geopolitical tensions.*

*According to the AfDB, Africa is one of the fastest-growing regions globally, with an average real GDP growth of 3.8% over the past two decades.*

*The AfDB states that Africa's central development challenge is to mobilize capital at scale to support accelerated and resilient growth.*

## Introduction

The African Economic Outlook, published by the African Development Bank (AfDB) in May 2026, underscores an urgent shift from fragmented policy responses toward coordinated strategies that unlock the continent's fiscal, financial, natural, and human resources. The report also sets out priorities to strengthen financial architecture through deeper capital markets, improved regulation, and greater regional integration, including integrated capital markets and payment systems that support a more cohesive Pan- African financial ecosystem.

## Africa's Economic Performance and Outlook

The AfDB reports that In 2025, economic growth improved in Africa, despite heightened trade and geopolitical tensions. Average real gross domestic product (GDP) growth accelerated to an estimated 4.4% in 2025, up from 3.5% in 2024, making Africa one of the world's best-performing regions alongside Asia and ahead of Europe and Latin America and the Caribbean. Growth was driven by improved agricultural output, supportive macroeconomic policies, and high commodity prices. A weaker US dollar helped mitigate the negative growth effects of aid reductions and trade policy tensions on African economies.

### The growth outlook in 2026-27 across Africa's regions and economic groupings:

- Central Africa: economic growth is projected to improve to 3.8% in 2026 and 4.1% in 2027 from an estimated 3.6% in 2025 due to sustained higher commodity prices, especially oil, with higher growth rates expected in three of the region's seven countries
- East Africa: economic growth is projected to decline to 5.9% from an estimated 6.6% in 2025 in 2026, reflecting the impact of supply chain disruptions, due primarily to geopolitical tensions in the Middle East. Growth is projected to recover to 6.4% in 2027
- North Africa: estimated at 4.4% in 2025, economic growth is projected to slow to 4.0% in 2026. Growth is projected to be 4.2% in 2027, premised on easing supply chain disruptions.
- West Africa: estimated at 4.8% in 2025, economic growth is projected to remain marginally unchanged at 4.7% in 2026 and slow to 4.5% in 2027, attributable to robust agricultural output, deepening agro-processing value chains, and sustained public investments in energy, logistics, and transportation infrastructure.
- Southern Africa: growth in 2025 was estimated at 2.3%, driven by strong mining activity and the recovery of agricultural output. In 2026, growth is projected to decline to 2.1% due to current supply chain shocks and attendant disruptions of domestic economic activity associated with the Middle East conflict. Growth is expected to recover to 2.7% in 2027

## Short-term policy recommendations to African governments

The AfDB recommends the following short-term policies;

- Strengthen strategic monetary policy and foreign exchange policy management to mitigate the impact of multiple shocks.
- Implement prudent fiscal policies to mitigate the effects of rising energy and food prices, lower business costs, and alleviate pressures on poor and vulnerable households.
- Use oil and gas windfall revenue to cushion against shocks.
- Strengthen the capacity to attract and retain external financial flows.
- Improve domestic resource mobilization to expand fiscal space and reduce vulnerability to external shocks.
- Strengthen the domestic fiscal social contract to improve voluntary tax compliance.
- Deploy proactive crisis response measures.
- Strengthen Africa's sovereignty in global governance.
- Coordinate policies. Countries should ensure seamless interagency coordination of both monetary and fiscal policy measures with implementation actions across relevant ministries and government agencies, including finance, agriculture, energy, and trade.

## Mobilizing capital at scale for accelerated and resilient growth in Africa

According to the AfDB, Africa is one of the fastest-growing regions globally, with an average real GDP growth of 3.8% over the past two decades, an expanding youthful workforce, accelerating digital adoption in banking and finance, improving macroeconomic management, and implementing the African Continental Free Trade Agreement (AfCFTA). Sustained progress in domestic revenue mobilization, financial sector development, and public financial management is strengthening economic resilience. But persistent fragility, compounded by conflicts and climate shocks, continues to moderate growth

Africa's central development challenge is to mobilize capital at scale to support accelerated and resilient growth. Although growth has been relatively resilient, it remains below the 7–10% threshold historically associated with structural transformation, large-scale job creation, and rapid poverty reduction. The priority, therefore, is to translate Africa's demographic dynamism, integration momentum, and expanding economic space into sustained growth. Achieving this requires a comprehensive financing strategy that mobilizes capital at scale from domestic, regional, and strategic external sources.



*According to the AfDB, Africa's ability to mobilize capital for development is, however, constrained by a shallow, underdeveloped, and bank-based financial system.*

*The AfDB reports that Africa's financial system remains highly fragmented and geographically concentrated, with financial activity and market depth clustered in a small number of large economies.*

However, scale alone will not deliver transformation. Africa's binding constraint lies not only in the quantity of investment, but also in the quality of its execution. Public investment inefficiency, estimated at 41% (using updated 2023 data), means that a significant share of spending fails to translate into productive capital. Absorptive capacity constraints further complicate rapid scaling. Once public investment approaches roughly 7–10% of GDP, cost pressures and implementation bottlenecks tend to intensify, particularly in low efficiency environments.

To mobilize fiscal resources at scale and improve their use, the AfDB recommends the following policy measures:

- Ensure proper sequencing of fiscal reforms. Sequencing matters for credibility and results, as fiscal reforms typically involve policy and political trade-offs, administrative capacity constraints, and time lags between policy adoption and revenue realization.
- Strengthen the fiscal social contract between governments and citizens. A central element of sustaining revenue performance is strengthening the fiscal social contract between governments and citizens.
- Garner international cooperation and partner support to complement reforms to expand domestic revenue mobilization. Globalization, digitalization, and the growing mobility of capital have heightened cross-border tax challenges, including base erosion and profit shifting, aggressive tax planning, and transfer pricing.
- Strengthen Public Financial Management (PFM) to effectively mobilize, retain, and productively deploy domestic capital. Effective PFM systems will help ensure that mobilized resources translate into productive capital and improve service delivery. Improving project selection, procurement, maintenance, multiyear fiscal planning, and oversight are critical.
- Enhance accountability and improve the effectiveness of public finance. Governments need to sustain improvements in budget credibility and execution through increased public participation, timely publication of fiscal reports, and stronger supreme audit and parliamentary oversight.
- Efficiency reform is not only a governance priority but a critical financing strategy. By improving the conversion of spending into productive assets, countries can achieve higher growth returns within existing resource envelopes.
- Make formalization progressive and economically attractive through incentives to encourage business registration. Governments should prioritize reducing the cost and complexity of formalization by simplifying tax regimes and streamlining business registration procedures.

## **Strengthening and consolidating Africa's financial systems and agency in the changing world**

According to the AfDB, Africa's ability to mobilize capital for development is constrained by a shallow, underdeveloped, and bank-based financial system. Strengthening and consolidating Africa's financial systems presents important and sustainable pathways to mobilize development financing for the continent.

Greater regional financial integration is essential to unlock efficient cross-border capital flows. Africa's financial system remains highly fragmented and geographically concentrated, with financial activity and market depth clustered in a small number of large economies. Fragmented markets restrict efficient cross-border financing flows, reduce overall system coherence, and weaken intermediation capacity. Divergent supervisory standards, legal inconsistencies, and uneven institutional capacity limit cross-border participation and infrastructure development. These barriers elevate compliance and transaction costs and undermine investor confidence. Strengthening cross-border financial infrastructure, promoting interoperability among payment and settlement systems, and supporting regional capital market linkages will foster a more connected ecosystem. A coordinated approach to market development can gradually transform isolated national systems into a functional regional network of integrated institutions capable of supporting broader economic participation.

Unlocking the untapped domestic capital including large pools of assets under management in sovereign wealth funds, public pension funds, and central banks can enhance the role of the financial sector in financing development. Africa holds substantial domestic financial assets, including USD2.5 trillion in commercial banking assets, more than USD1.2 trillion in equity market capitalization, USD320 billion in insurance assets, and more than USD1 trillion in assets under management in state owned entities. These domestic resources present scope to expand capital for development through the introduction and better intermediation of financial instruments such as private equity, infrastructure funds, and de-risking projects for investors. Achieving this requires a better structured financial system that will unify fragmented markets, increase cross-border investments, and use digital financial platforms.

Leveraging financing platforms such as climate finance and Islamic finance offers new pathways to expanding the reach and development impact of Africa's financial system. Climate finance instruments in Africa are nascent but emerging as promising innovative mechanisms to finance resilient infrastructure. Leveraging innovative climate financing instruments and related asset classes can contribute to the deepening of domestic financial markets and mobilize capital for climate-resilient infrastructure projects.



*According to the AfDB, Malawi's real GDP growth is projected to slow to 2.3% in 2026 before recovering to 3.3% in 2027.*

*The AfDB reports that Malawi faces severe development financing gaps following reductions in donor aid, compounded by climate-induced food insecurity, macro-fiscal instability, and debt distress.*

## **Strengthening and consolidating Africa's financial systems and agency in the changing world (continued)**

Leveraging innovative climate financing instruments and related asset classes can contribute to the deepening of domestic financial markets and mobilize capital for climate-resilient infrastructure projects.

### **Malawi Country Note**

#### **Recent macroeconomic developments**

According to the AfDB, Malawi's real GDP growth rose from 1.8% in 2024 to 2.7% in 2025. On the supply side growth was driven by the services sector, followed by agriculture and manufacturing, while spending side growth was driven by final consumption, capital spending, and exports. A tight monetary policy stance has been maintained, with the policy rate at 26% in both 2024 and 2025. Inflation dropped from 32.2% in 2024 to 28.5% in 2025, as food prices moderated. The exchange rate has been unchanged at MK1,716/USD since March 2024.

The fiscal deficit narrowed to 9.9% of GDP in 2025 from 10.6% in 2024 following rationalization of public spending, with the deficit financed mainly through borrowing from domestic banks. Public debt is about 91% of GDP and classified as in distress. The current account deficit narrowed from 21.7% of GDP in 2024 to 19.0% in 2025, as imports were constrained by foreign currency shortages. Foreign exchange reserves have remained below one month of import cover.

#### **Social developments**

The AfDB reports that Malawi's broadly defined unemployment rate stands at 20%, with youth unemployment at 23–26%. About 51.5% of the population lived below the poverty line in 2018. The government and development partners support social protection. Malawi has a Human Development Index (HDI) value of 0.48 and ranks 174 of 189

#### **Outlook and risks**

According to the AfDB, Malawi's real GDP growth is projected to slow to 2.3% in 2026 before recovering to 3.3% in 2027, supported by improved agriculture, services, and mining performance. Tight monetary policy is likely to persist as inflationary pressures remain, with non-food inflation rising while food inflation moderates. Reduced monetary financing of fiscal deficits will slow money supply growth. Securing an IMF-supported program will require fiscal consolidation to ensure medium-term debt sustainability. Improved tobacco production, higher mining and tourism earnings, and reduced food imports are expected to narrow the current account deficit to 17.5% of GDP in 2026 and 15.3% in 2027.

Key downside risks include climate shocks, the Middle East conflict, failure to secure financial guarantees for reforms, and unsuccessful domestic debt reprofiling, which could delay exchange rate adjustment. Risk mitigation measures include stronger fiscal discipline and policies to contain inflationary pressures while supporting gradual economic recovery and restoring macroeconomic stability.

#### **Mobilizing development financing at scale in a fragmented world**

According to the AfDB, Malawi faces severe development financing gaps following reductions in donor aid, compounded by climate-induced food insecurity, macro-fiscal instability, and debt distress. The domestic capital market remains underdeveloped, while attracting foreign direct investment is challenging. However, initiatives such as the European Commission and Kulima Access to Finance project supporting women and youth have mobilized over USD165 million in blended finance.

Building an integrated financial system for cross-border flows and affordable financing requires macroeconomic stability through fiscal consolidation, debt restructuring, and higher foreign exchange reserves. This also entails strengthening regulations, adopting interoperable digital payment systems, improving public investment management, and enhancing state-owned enterprise performance. Illicit financial flows, estimated at over USD400 million a year, driven by tax evasion, trade mis-invoicing, and corruption, require stronger international cooperation.

Deepening financial sector development, expanding access to formal services, and improving risk management are essential. Domestic revenue mobilization should focus on broadening the tax base, modernizing tax administration, improving nontax revenue, and enhancing equity and transparency in the tax system.

#### **Conclusion**

According to the AfDB, Africa's growth remains relatively resilient in 2026 despite heightened trade tensions, geopolitical uncertainty, conflicts, and climate shocks. However, mobilizing capital at scale remains critical to support accelerated and resilient growth. This requires stronger domestic resource mobilization, improved public financial management, deeper financial sector development, greater regional financial integration, and more effective use of domestic and external resources. For Malawi, addressing macroeconomic instability, strengthening financial systems, improving domestic revenue mobilization, and enhancing public investment management will be important to support economic recovery and development financing.

# Appendices

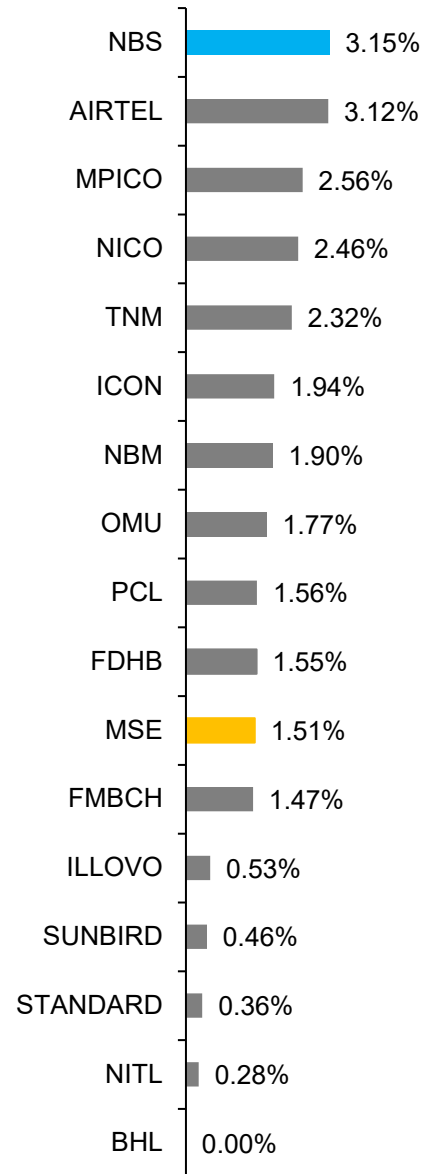
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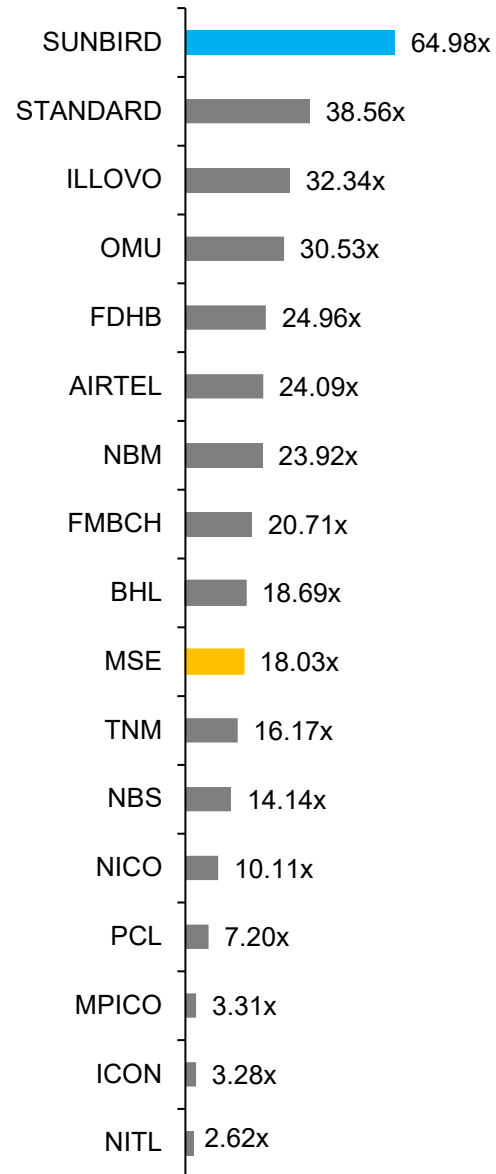
# Appendix 1: Historical Monthly Economic Indicators

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
<b>Exchange Rates (middle rates)</b>													
MK/USD	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	1,749.68	<b>1749.46</b>
MK/GBP	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	2,426.11	<b>2,421.30</b>
MK/EUR	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	2,099.68	<b>2,099.68</b>
MK/ZAR	100.76	100.57	100.34	101.77	103.60	103.58	103.68	107.63	113.67	113.20	104.66	107.04	<b>110.29</b>
<b>Foreign Exchange Reserves</b>													
Total Reserves (USD'mn)	521.0	555.9	607.7	523.9	511.8	526.8	530.0	608.9	664.90	625.70	571.60	N/A	<b>N/A</b>
<b>Inflation</b>													
Headline	27.7%	27.1%	27.3%	28.2%	28.7%	29.1%	27.9%	26.0%	24.9%	24.1%	23.8%	24.3%	<b>N/A</b>
Food	32.7%	31.6%	32.4%	33.7%	33.0%	32.4%	30.1%	26.5%	22.1%	20.8%	20.0%	19.1%	<b>N/A</b>
Non-food	20.0%	20.1%	19.3%	19.5%	21.7%	23.8%	24.2%	25.2%	29.8%	30.0%	30.7%	33.2%	<b>N/A</b>
<b>Interest Rates</b>													
Monetary Policy Rate	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	24.00%	24.00%	<b>24.00%</b>
Average Interbank Rate (Overnight)	23.82%	23.99%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	23.98%	16.50%	13.85%	12.86%	<b>12.07%</b>
Lombard Rate	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	24.20%	<b>24.20%</b>
Commercial Bank Reference Rate	25.20%	25.10%	25.30%	25.40%	25.30%	25.40%	25.30%	25.30%	25.20%	24.70%	22.40%	20.80%	<b>20.80%</b>
<b>Government Securities Yields</b>													
91-days Treasury Bill	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	15.00%	12.00%	12.00%	12.00%	<b>12.00%</b>
182-days Treasury Bill	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	15.00%	15.00%	15.00%	<b>15.00%</b>
364-days Treasury Bill	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	17.90%	17.53%	16.83%	<b>16.48%</b>
2-year Treasury Note	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	20.65%	18.87%	18.87%	<b>18.87%</b>
3-year Treasury Note	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>
5-year Treasury Note	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	<b>32.00%</b>
7-year Treasury Note	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	<b>34.00%</b>
10-year Treasury Note	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	<b>35.00%</b>
<b>Year-to-date Return</b>													
MASI	64.58%	91.77%	124.53%	211.15%	236.67%	250.27%	259.98%	247.63%	-1.53%	-3.91%	-3.80%	-12.32%	<b>-14.15%</b>
DSI	62.41%	89.34%	120.03%	214.05%	236.40%	233.38%	217.65%	208.88%	0.30%	-0.75%	-0.43%	-2.74%	<b>-3.45%</b>
FSI	77.74%	106.49%	150.94%	195.28%	239.14%	348.11%	503.79%	470.87%	-7.19%	-13.69%	-14.21%	-41.89%	<b>-47.16%</b>

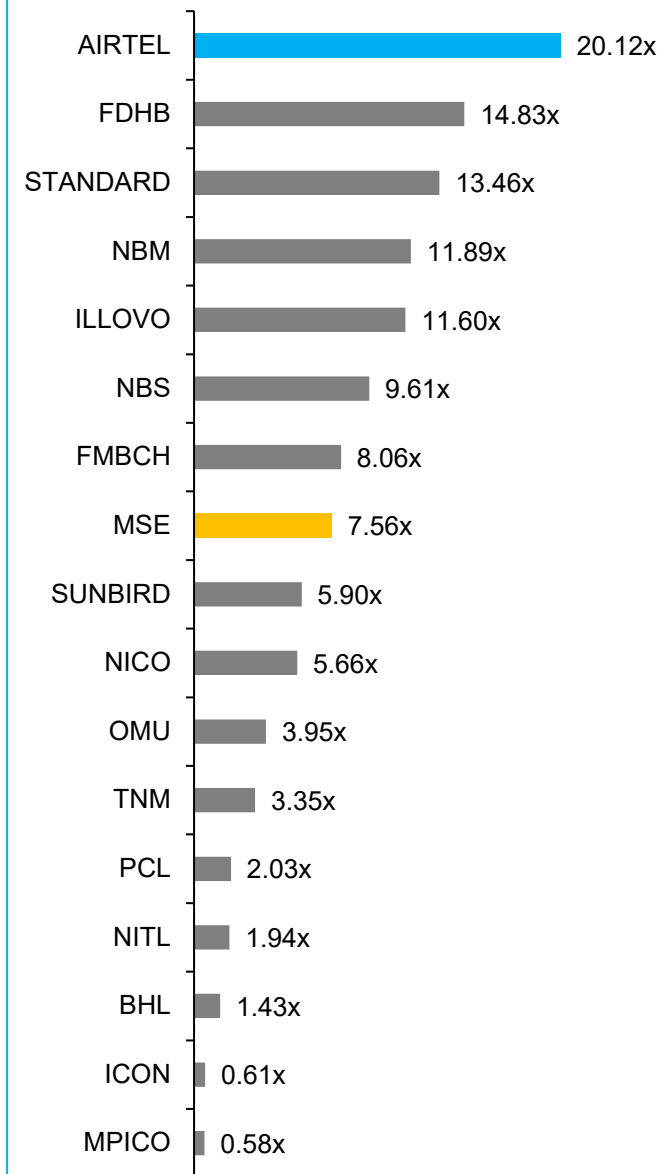
**Dividend yield (%)** - the weighted average dividend yield on the MSE was 1.51% in May 2026. The counter with the highest dividend yield was NBS at 3.15%



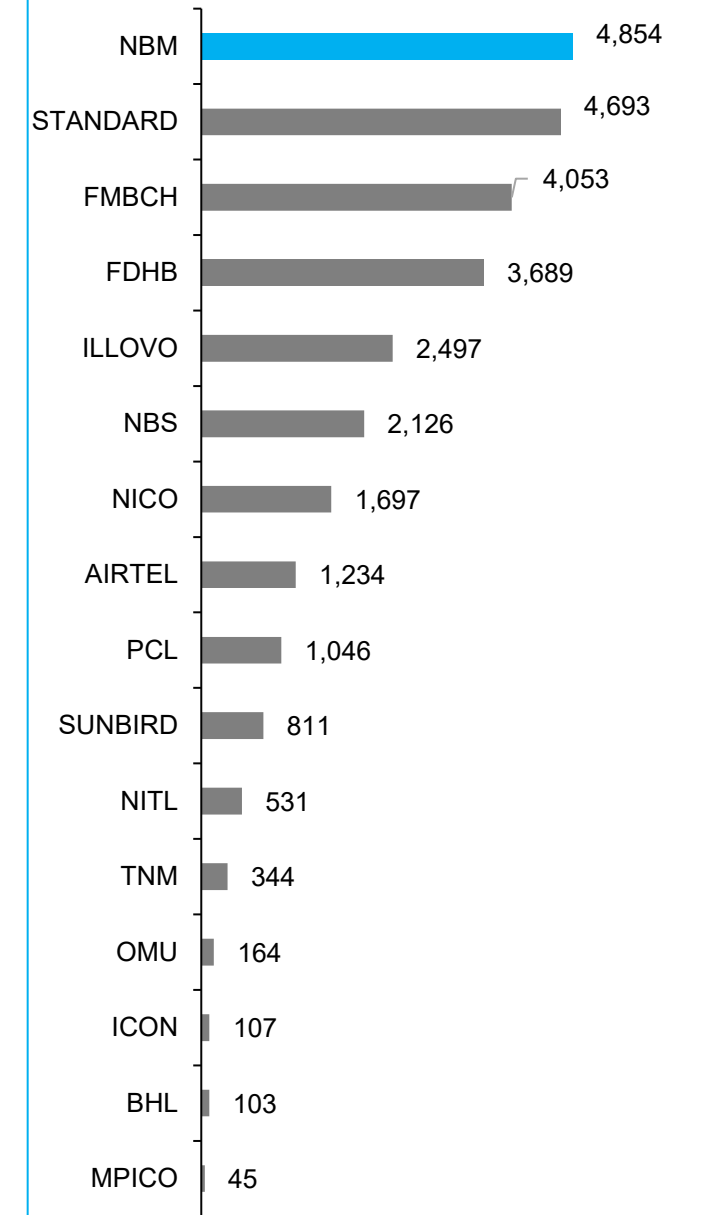
**P/E Ratio** - the weighted average price to earnings ratio on the MSE was 18.03x in May 2026. The counter with the lowest positive ratio was NITL at 2.62x.



**P/BV Ratio** - the weighted average price to book value ratio on the MSE was 7.56x in May 2026. The counter with the lowest positive ratio was MPICO at 0.58x.



**Market Capitalization (MK'billion)** - NBM had the highest market capitalization at MK4.9 trillion in May 2026.



## Appendix 3: Oxford Macroeconomic Projections (Annual Percentage Changes Unless Specified)

Indicator	2023	2024	2025	2026	2027	2028
Real GDP growth	1.9	1.8	2.0	0.5	1.8	7.3
Consumer price index (CPI) inflation	28.8	32.2	28.4	40.8	33.9	15.7
Private consumption	4.2	4.6	3.7	1.1	0.2	4.5
Government consumption	-4.4	9.3	4.4	-1.7	0.7	3.3
Fixed Investment	-15.5	-5.6	-5.3	-6.1	-6.9	4.8
Exports of goods and services	22.4	-12.2	-4.2	1.6	6.4	7.5
Imports of goods and services	1.7	7.0	5.3	1.7	-0.1	5.7
Current-account balance (% of GDP)	-15.8	-18.1	-13.5	-11.4	-8.2	-7.5
Government balance (% of GDP)	-7.8	-11.0	-13.4	-14.3	-13.0	-10.5
Government debt (% of GDP)	86.7	87.6	72.8	85.1	81.5	71.4
Exchange rate MK/USD (end-period)	1,698.0	1,734.1	1,732.4	2,444.1	2,926.8	2,980.2
Central bank policy rate (% , av)	22.0	25.8	26.0	32.0	26.1	14.7

Source: Oxford Economics, April 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

## Appendix 5: List of Acronyms and Abbreviations

AFCTA	: African Continental Free Trade Agreement	Mn	: Million
AfDB	: African Development Bank	MPC	: Monetary Policy Committee
av	: Average	MSE	: Malawi Stock Exchange
BHL	: Blantyre Hotels Plc	MT	: Metric tons
bn	: Billion	NBM	: National Bank of Malawi Plc
CPI	: Consumer Price Index	NBS	: NBS Bank Plc
DRM	: Domestic Revenue Mobilization	NICO	: NICO Holdings Plc
ECF	: Extended Credit Facility	NITL	: National Investment Trust Limited Plc
EIU	: Economist Intelligence Unit	NSO	: National Statistical Office
EUR	: Euro	OMO Repo	: Open Market Operation Repurchase Agreements
FDHB	: FDH Bank Plc	OMU	: Old Mutual Limited Plc
FISP	: Farm Input Subsidy programme	OPEC	: Organization of the Petroleum Exporting Countries
FM BCH	: FMB Capital Holdings Plc	Orano CE	: Orano Chimie-Enrichissement
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
GNT	: Government Negotiating Team	PFM	: Public Financial Management
HDI	: Human Development Index	PFM	: Public Financial Management
IFPRI	: International Food Policy Research Institute	RBM	: Reserve Bank of Malawi
IMF	: International Monetary Fund	SOE	: State Owned Enterprise
Kg	: Kilogram	SONA	: State of the Nation Address
LRR	: Liquidity Reserve Requirement	TB	: Treasury Bill
LSU	: Lotus Resources Limited	TN	: Treasury Note
MASI	: Malawi All Share Index	TNM	: Telekom Networks Malawi Plc
Mb/d	: Million barrels per day	Trade	: Transforming Agriculture through Diversification and Entrepreneurship
MEDF	: Malawi Enterprise Development Fund	UN	: United Nations
MERA	: Malawi Energy Regulatory Authority	USD	: United States Dollar
MK	: Malawi Kwacha	WB	: World Bank

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