



2025 QUARTER ONE

**ECONOMIC AND
BUSINESS REVIEW**

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ECONOMIC GROWTH PROSPECTS

Commentary

The 2025 Q1 report highlights current developments and economic performance as Malawi continues its journey toward economic recovery and the pursuit of resilience following a series of recent economic shocks.

However, macroeconomic challenges continue to affect business performance, as evidenced by elevated inflation, high financing costs, foreign exchange scarcity, and a weak

domestic currency. Agricultural productivity, the backbone of the economy has shown signs of improvement compared to the previous year but remains below the country's needs and potential. This situation calls for sustained efforts by the government to achieve macroeconomic stability, and for the private sector to embrace innovation in order to boost economic productivity and capitalize on existing opportunities.

1. Real Sector Developments:

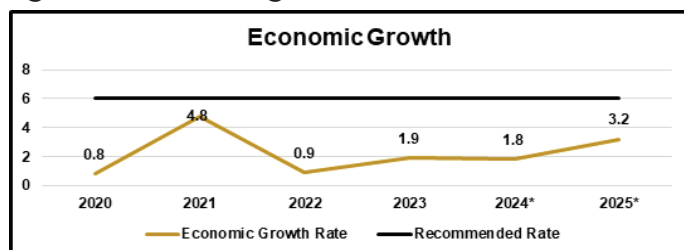
This section provides an analysis of Real GDP, Inflation as well as Domestic Production.

i. Real Economic Activity

The Ministry of Finance and Economic Planning projects a real economic growth rate of 3.2 percent for 2025, up from the 1.8 percent growth rate in 2024. This growth is primarily based on improved agricultural output and strong contributions from increased investments in the Agriculture, Tourism, and Mining (ATM) sectors, as well as in growth-enabling sectors such as energy and infrastructure.

The ATM sectors have received increased allocations in the 2025/26 National Budget. The agricultural sector has been allocated MK 693.9 billion, with a key focus on irrigation projects and mega farm initiatives. The mining sector is expected to receive MK 14.2 billion, up from MK 5.5 billion in the previous financial year. This allocation aims to strengthen the sector and maximize its potential. The allocation for the tourism sector has also been increased to MK 13.9 billion from MK 4.8 billion, with a focus on tourism promotion and wildlife conservation. With these budgetary allocations, the ATM sectors are expected to significantly contribute to overall economic growth.

Figure 1: Annual GDP growth rate



Source: The Ministry of Finance and Economic Affairs

Current Economic Risks

However, this optimistic outlook is not without its challenges, as several potential risks could impact economic performance in 2025.

- The 2024/25 second round crop estimates shows an

improved projected output for the season compared to the previous season (see table 1). Despite the annual increase, the output is still lower than the 5-year average signifying that productivity is still below potential. For instance, the projection shows a 9.2 percent annual production increase for maize, to total projection of 2.69 million (MT). however, the output projection for maize, falls short of 3.5 million (MT) national requirement. Therefore, total productivity will hinge on the implementation of the proposed irrigation projects.

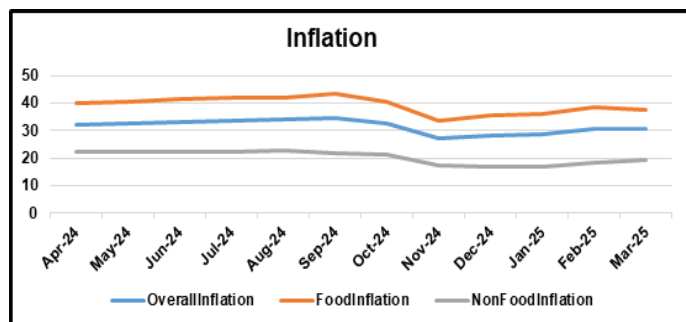
- As Malawi approaches its general election, the risk for political instability remains significant. Should disruptions occur, there is a substantial probability of economic activities being adversely affected.
- Inflation in 2025 is expected to remain elevated due to increase in government spending as we approach the election cycle. The overall 2025/26 fiscal deficit is estimated at K2.47 trillion (9.5% of GDP) of which K2.33 trillion will be financed domestically.
- The ongoing trade wars will likely have massive impact on the global economy. The recently proposed reciprocal tariffs by the USA will likely affects Malawian exports including tobacco and tea.
- The ongoing forex shortage will likely remain an impediment in 2025, especially with the newly gazette Supplementary Exchange Control Regulations of 2025.

Table 1: 2024/25 2nd Round Crop Estimate

Crop	2024/25 2 nd Round Crop Estimate (Million Metric Tonnes)			
	2024/25 2 nd round	2023/24 3 rd round	% change against 3 rd round	Change against five year average
Maize	2,962,620	2,712,578	9.2%	-20.3%
Rice	144,066	126,981	13.5%	5.9%
Groundnuts	351,141	277,591	26.5%	-19.0%
Soya beans	196,811	180,380	9.1%	-35.1%
pulses	952,301	868,578	9.6%	

Source: Ministry of Agriculture

ii. **Inflation Rate**
Figure 2: Trends of inflation rates



Source: NSO

According to the National Statistical Office (NSO), inflation remained elevated in the quarter under review. In January, inflation rose slightly to 28.5 percent from 28.1 percent in December. Thereafter, it inched further upwards to 30.7 percent in February before easing slightly to 30.5 percent in March, following the onset of the harvest season. During the period, food inflation followed the same trend as overall inflation, rising to 36 percent in January and 38.5 percent in February before easing marginally to 37.7 percent in March. These figures are consistent with seasonal trends, where inflation typically eases in the first quarter due to the inflow of new maize into the market.

On the other hand, non-food inflation followed an upward trend, with monthly rates of 16.9 percent, 18.5 percent, and 19.2 percent in January, February, and March respectively. The rise in non-food inflation can be attributed to the increase in electricity tariffs, among other factors. The second tranche (16 percent) of the four-year base tariff adjustment was implemented by the Electricity Supply Corporation of Malawi (ESCOM), effective 1 February 2025.

The current inflation outlook for 2025 remains at an average of 24 percent. However, the outlook faces several risks, including lower-than-anticipated agricultural output from the 2024/25 farming season. Additionally, the 2025/26 national budget has a deficit of K2.47 trillion, equivalent to 9.5 percent of GDP. This will be financed domestically and, as such, is likely to put upward pressure on prices through the money supply channel.

The high and persistent inflation in Malawi, especially in food and energy, combined with a large budget deficit and economic uncertainty, poses significant challenges to businesses. These include rising costs, reduced consumer demand, and limited access to affordable finance. Strategic planning, cost control, and adaptability will be critical for businesses to navigate this economic climate.

iii. **Domestic Production**

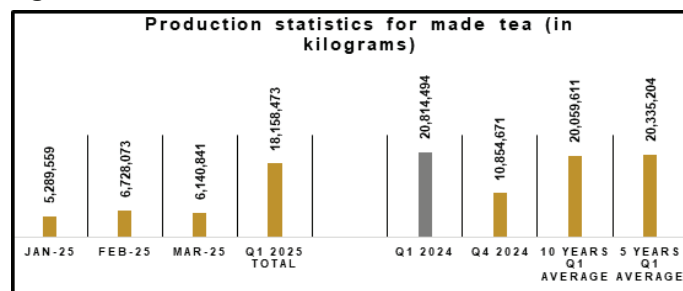
This part of the analysis covers developments in tea, tobacco and maize production.

A. Tea Production

In the quarter under review, total tea production was recorded at 18,158,473 KGs, of which 5,289,559 KGs, 6,728,073 KGs, and 6,140,841 KGs were produced in January, February, and March 2025, respectively. In line with seasonal trends, this total output represents a 67.3 percent increase from the 10,854,671 KGs recorded in the previous quarter (Q4 2024).

On the other hand, production declined by 12.8 percent compared to the corresponding quarter of the previous year (Q1 2024), when 20,814,494 KGs were recorded. Nevertheless, productivity remained higher than both the 10-year and 5-year quarterly (Q1) averages.

Figure 3: Tea Production statistics



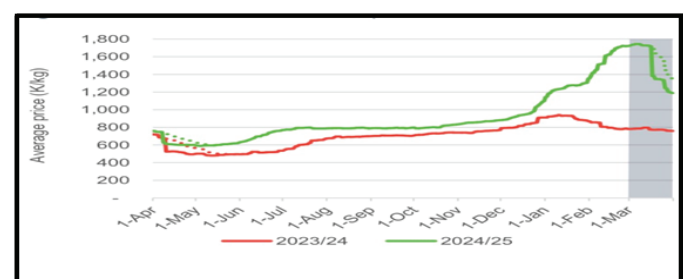
Source: Tea Association of Malawi

B. Maize Production

According to the International Food Policy Research Institute (IFPRI), maize prices took an upward trajectory in the period under review. In the month of January, maize retail prices experienced a notable surge, averaging K1,283/kg in the final week of the month—an increase of 21% from K1,063/kg in the last week of December. This is 45 percent higher in nominal terms than the last week of January 2024, when maize averaged K887/kg. Unlike the typical February decline observed in the past two years, where prices fell by 12 percent in 2024 and 1 percent in 2023, maize retail prices continued their sharp rise this February, increasing by 32% from an average of K1,718/kg in the last week of February. After four months of exponential rise, retail prices of maize peaked on 5 and 6 March, reaching a record-beating national average of K1,743/kg. As the harvest of new maize began, increased supply and reduced demand led to a decline in maize prices in the rest of the month of March. As such, a 25 percent price reduction was observed between the last week of February and the last week of March. However, the decline is exaggerated by high moisture content in fresh maize. The decline in prices adjusted for moisture was only 12 percent over the same period of time. During the quarter, maize prices were lowest in the Northern region, where informal imports from Tanzania enter the country, and increased southward due to transport and other related costs.

The sharp maize price fluctuations in Q1 2025 demonstrate the fragility of Malawi's food system and the need for proactive, coordinated interventions. By leveraging regional trade, improving agricultural infrastructure, and strengthening market systems, Malawi can better manage food price volatility and protect both its economy and its people.

Figure 4: Long-run trends in average maize retail prices



Source: IFPRI.

Section 2: Finance Sector Developments

This section looks at developments in monetary policy, Stock Markets and credit to private sector

i. Monetary Policy

The policy rate remains unchanged in the quarter under review. In February 2025, the policy rate was maintained

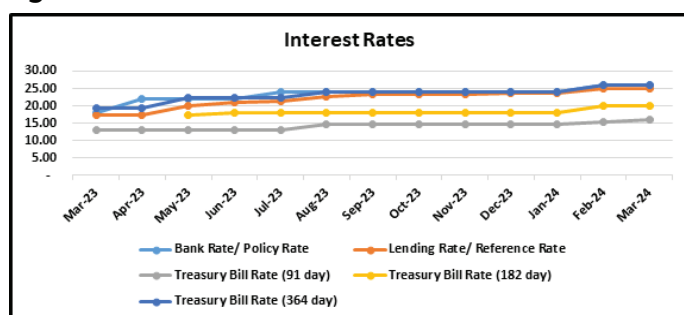
at 26 percent, marking the eleventh consecutive month since its increase in March 2024. The Lombard rate was also maintained at 26.2, while the Liquidity Reserve Requirement (LRR) ratios also stayed unchanged at 10.0 percent for local currency deposits and 3.75 percent for foreign currency deposits. This decision was informed by the food and non-food inflation trends observed in the last quarter of 2024, as well as the inflation projections for 2025.

Given the inflation driven by supply-side factors, the Monetary Policy Committee (MPC) concluded that monetary policy should be supplemented with initiatives aimed at enhancing economic productivity and strengthening foreign exchange reserves.

The Committee noted the persisting pressure, attributed to robust supply-side influences. However, they anticipate a decline in these prices by the end of the first half of 2025, thanks to food relief response initiatives during the lean season and the upcoming crop harvest. Consequently, the MPC reiterated the need for monetary policy to be complemented by strategies that foster economic productivity and support the bolstering of foreign exchange reserves.

The unchanged policy rate of 26 percent, sustained for eleven consecutive months, signals a tight monetary policy stance aimed at containing inflation. For businesses in Malawi, this means that the cost of borrowing remains high, limiting access to affordable credit for investment and expansion. The Monetary Policy Committee's (MPC) decision reflects concerns about inflation driven primarily by supply-side factors such as food shortages and energy costs. Since these are not easily addressed through interest rate adjustments alone, the MPC has called for complementary measures to enhance economic productivity and build foreign exchange reserves. For businesses, this creates a dual message: while monetary conditions remain restrictive, there may be opportunities in sectors aligned with productivity-enhancing initiatives, such as agriculture, manufacturing, and export-oriented industries.

Figure 5: Trends of interest rates



Source: Reserve Bank of Malawi

ii. Stock Market Developments

In 2025 quarter 1, the market exhibited strong performance with most companies registering gains. Evidently, the price gains registered by majority of the companies were enough to offset losses by others resulting into an upward movement of the Malawi All Share Index (MASI). The MASI moved from 172,039.93 points to 291,644.54 points, giving a return on index of 69.52%, (69.52% in US\$ terms) compared to 2.96%, (-0.04% in US\$ terms) registered in Q1 of 2024. The Domestic and Foreign Share Indices inched upwards by 56.52% and by 148.16% respectively. On the other hand, Market capitalization, increased in both Kwacha and US Dollar terms from K9.38 trillion (US\$5.41 billion) to K15.89 trillion (US\$9.16 billion).

The market transacted a total of 103.34 million shares at a total consideration of MK39.51 billion (US\$22.79 million) in 8,903 trades. In the corresponding period in 2024, the market transacted a total of 53.94 million shares at a total consideration of MK8.91 billion (US\$5.26 million) in 2,516 trades. This reflects a 91.60% increase in terms of share volume and a 343.34% (333.33% in US Dollar terms) increase in share value. Daily average share trades exhibited similar trends where the market registered an average daily volume of 1.69 million shares in compared to 884.19 thousand shares traded in the corresponding Q1 2024 reflecting an increase of 91.60%. The average daily turnover for Q1 2025 was MK647.72 million (US\$373.54 thousand) compared with MK146.10 million (US\$86.20 thousand) for the corresponding Q1 2024, reflecting an increase of 343.34% (333.33% in US Dollar terms).

The turnover velocity, an indicator of the liquidity of assets traded on the market, in the quarter under review was recorded at 0.99%, higher than 0.58% registered in Q1 2024. The ratio of Total Value of Trades to Gross Domestic Product recorded a liquidity level of 0.80% in the review period while during the corresponding period of 2024 liquidity was at 0.20%. Market capitalization as a percentage of GDP was at 80.01% in Q1 2025 and at 34.42% in Q1 2024.

The Q1 2025 MSE performance is a positive signal for Malawi's financial markets and broader economy. It reflects growing investor trust, improved corporate earnings, and better market depth. Businesses should use this period to access cheaper capital, while investors should approach with both enthusiasm and due diligence to benefit from the market's strong momentum. This is a key moment to strengthen Malawi's capital markets as a tool for long-term economic transformation.

Table 2: Companies performance (Q1 2025)

NO	Company Name	Gain (%)
1	FMB Capital Holdings plc	149.46
2	FDH Bank plc	112.64
3	NBS Bank plc	99.9
4	NICO Holdings plc	85.4
5	NBM Bank plc	79.08
6	NITL	44.31
7	Airtel Malawi	42.49
8	Illovo	32.22
9	Sunbird	25.02
10	Standard	22.47
11	PCL	15.1
12	Mpico	2.54
13	Old Mutual Limited	0
14	Blantyre Hotel plc	0
15	ICON Properties plc	-0.55
16	Telekom Networks Malawi plc	-0.24

Source: Malawi Stock Exchange

Section 3: External Sector Developments

This section provides an analysis of developments in the merchandise trade, foreign exchange market, gross official

reserves, global fuel prices and global commodity prices.

i. Merchandise Trade

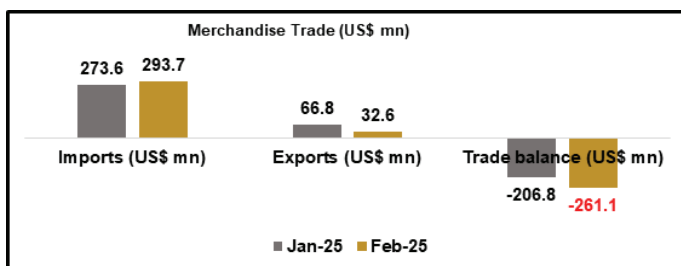
According to the Reserve bank of Malawi, Merchandise exports was recorded at US\$66.8 million in January 2025 before declining by 51.2 percent to US\$32.6 million in the month of February 2025. The outturn was largely reflective of the convergence of tobacco export earnings with seasonal patterns. In particular, tobacco sales retreated to US\$11.3 million in February 2025 from US\$45.3 million recorded in January 2025. Similarly, sales of most major export commodities were at seasonally low levels, except for tea, macadamia nuts and pulses which picked up to US\$6.2 million, US\$2.6 million and US\$1.8 million in February from US\$5.6 million, US\$2.0 million and US\$0.5 million, in January respectively.

On the other hand, Goods imports were reported at US\$273.6 million in January 2025 before inching up further by 7.3 percent to US\$293.7 million in February. The growth in imports was attributed to purchases of fuel, printed books and newspapers, nuclear reactors, boilers and machinery, and cereals. Meanwhile, imports of fertilizer, plastics and pharmaceuticals recorded significant decreases.

Evidently, the country recorded a negative trade balance in the period under review. The goods trade balance worsened to minus US\$261.1 million in February 2025 from minus US\$206.8 million in January 2025. The outturn was due to a substantial drop in exports coupled with a growth in imports. The trade deficit in the period under review was also wider compared to minus US\$184.8 million and minus US\$128.5 million recorded in the corresponding months of 2024.

To leverage the current trade imbalance and position itself for stronger economic resilience, Malawi must take a multi-pronged approach that addresses the structural drivers of its weak export performance, rising import dependency, and widening trade deficits. The sharp decline in export earnings especially from tobacco against a backdrop of growing imports highlights a fragile trade structure heavily reliant on a narrow set of commodities and seasonally driven earnings. Malawi must not only address the immediate trade deficit, but also transform the structure of its economy to ensure a sustainable, diversified, and resilient export base, while reducing its vulnerability to import shocks and seasonality.

Figure 6: Merchandise Trade Balance



Source: Reserve Bank of Malawi

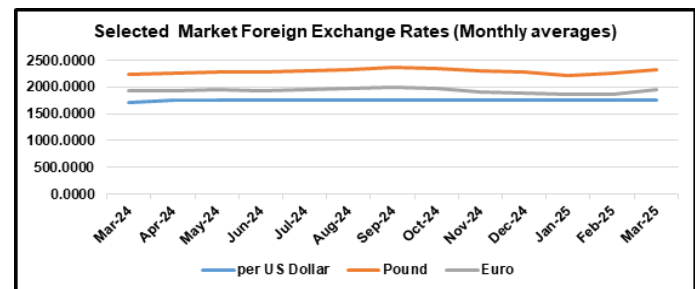
ii. Malawi Kwacha Exchange Rate

The Kwacha continues to lose value against major trading currencies. Against the US Dollar, the Kwacha appreciated by 0.03 percent to close the quarter with a monthly average of 1750.22 in the month of March. The Kwacha also depreciated against the Euro and the British Pound by 4.47 percent and 4.54 percent respectively. In the Asian region, the kwacha lost value against the Japanese Yen by 4.94 percent and the Chinese Yuan by 0.64 percent while gaining value against the Indian Rupee by 0.39 percent. The Kwacha had a mixed performance against trading partners in the region with a 2.38 percent depreciation against the South African Rand

and 0.01 percent against the Mozambiquan Metrical. On the other hand, the Kwacha recorded value gain of 2.98 percent and 5.03 percent against the Zambian Kwacha and Tanzanian Shilling respectively.

The mixed and largely depreciating performance of the Malawi Kwacha against major global and regional currencies reflects the country's persistent external sector vulnerabilities, particularly from high import demand, low export diversification, and limited foreign exchange reserves. However, rather than viewing currency depreciation solely as a threat, Malawi should leverage this period as a catalyst to stimulate local production, boost exports, diversify trade partners, and reduce vulnerability to external shocks. There is a need to support export-oriented sectors, empower SMEs and manufacturers engaged in import substitution, strengthen regional trade by leveraging exchange rate advantages, and enhance fiscal discipline and coherence in export policy.

Figure 7: Kwacha monthly average exchange rate against trading currencies



Source: Reserve Bank of Malawi

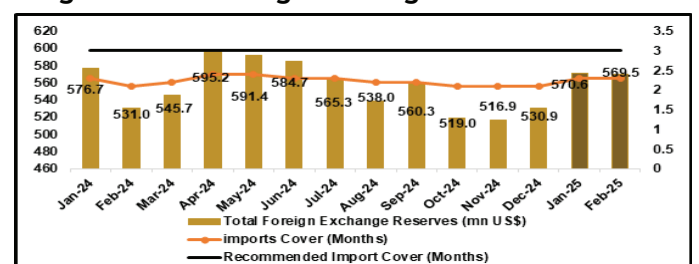
iii. Gross Official Reserves

The economy's total reserves position decreased, albeit marginally, to US\$569.5 million (2.3 months of imports) in February 2025 compared to US\$570.6 million (2.3 months of imports) in the preceding month. This was on account of a reduction in private sector foreign exchange reserve holdings which was partially counteracted by a slight improvement in gross official reserves. The outturn in the review month revealed a stronger position compared to US\$533.1 million (2.1 months of imports) recorded in the corresponding month of 2024.

The dip in reserves, especially due to a decline in private sector foreign exchange holdings, may signal tightening access to forex for businesses. Companies that import essential inputs may face longer delays in obtaining foreign currency, disrupting production timelines, especially in manufacturing, agro-processing, and retail sectors.

Furthermore, businesses involved in forward contracts, pricing goods for future delivery, or securing international suppliers may find it difficult to plan accurately in a context of constrained and fluctuating reserves. This uncertainty could lead to higher risk premiums, hoarding of forex, or even informal market activity, all of which undermine formal sector competitiveness. With forex shortages limiting import capacity, businesses can shift toward sourcing raw materials and inputs locally where possible

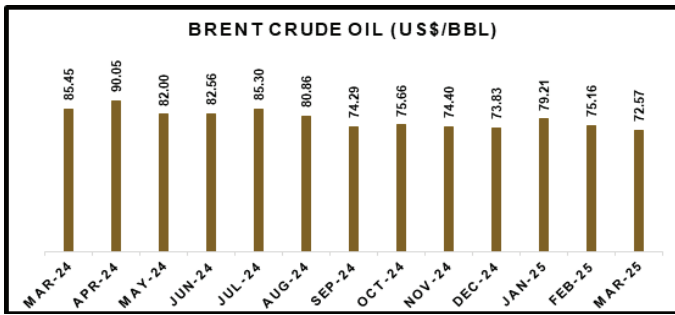
Figure 8: Total Foreign Exchange Reserves Position



Source: Reserve Bank of Malawi

iv. Global Fuel and Commodity Prices

Figure 19: Brent Crude oil average prices (US\$/bb/)



Source: World Bank

The Global Brent oil prices took a downward trajectory in 2025 Quarter 1, as evidenced by monthly average prices of 79.21 (\$/bbl) in January, 75.16 (\$/bbl) in February and 72.57(\$/bbl) (the lowest price since August 2021). Despite the declining trend, the quarterly average price of 75.65 (\$/bbl), was higher than the previous quarterly (2024Q4) average of 74.63 (\$/bbl). However, prices were lower compared to 83.14(\$/bbl) recorded in the identical quarter in 2024 (2024 Q1).

According to International Oil Agency (IOA), global oil demand growth for 2025 has been revised down as escalating trade tensions have negatively impacted the economic outlook. OPEC said world oil demand would rise by 1.30 million barrels per day in 2025 down by 150,000 barrels per day from its initial projections. Growth is expected to slow further in 2026 but risks to the forecasts remain rife given the fast-moving macro backdrop. The downgrade comes on the heels of robust oil consumption 2025 Quarter 1, up its strongest rate since 2023.