Malawi Confederation of Chambers of Commerce and Industry

Reaction to the Monetary Policy Committee Decision March 2026

1.0 Introduction

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI), representing the interests of the private sector in Malawi, welcomes the decision by the Reserve Bank of Malawi (RBM) to reduce the policy rate by 200 basis points from 26 percent to 24 percent following the Monetary Policy Committee meeting held on the 4th and 5th March 2026.

This decision reflects improving macroeconomic conditions, particularly the gradual decline in inflation. According to RBM data, headline inflation declined from 29.2 percent in the fourth quarter of 2024 to 28.1 percent in the third quarter of 2025, and further to 27.7 percent in the fourth quarter of 2025, before easing to 24.9 percent in January 2026.

The private sector views this policy shift as an important step towards easing financial conditions while maintaining a cautious approach to inflation management.

2.0 What does this mean for the private sector?

The reduction of the policy rate has the potential to ease borrowing conditions, making it easier for businesses that depend on bank financing to access working capital and invest in growth.

Studies conducted by MCCCI consistently show that high borrowing costs remain among the top five constraints to business growth. This underscores the extent to which lending rates hinder private sector expansion. The recent reduction of the policy rate to 24 percent is therefore a positive signal. It may gradually translate into lower lending rates and improve access to finance for businesses.

This policy move is particularly important as Malawi's economic growth is projected to improve from 2.7 percent in 2025 to 3.8 percent as quoted in the 2026-27 budget policy statement which will be driven by improved performance in sectors such as agriculture, tourism, mining and manufacturing. Improved access to finance will be essential for enabling businesses to take advantage of these growth opportunities.

3.0 Policy rate cut not a complete solution: What should complement policy reduction?

MCCCI would like to reiterate that the policy rate cut alone will not solve the structural challenges facing the private sector. There is need to ensure effective transmission to lending rates such as addressing continued shortage of foreign exchange. Limited access to foreign currency has disrupted production cycles, increased operating costs and constrained the ability of firms to meet both domestic and export demand.

3.1 Ensuring effective transmission to lending rates

While MCCCI welcomes the reduction in the policy rate, it is crucial that the benefits of this adjustment are effectively transmitted through the banking sector to reach businesses.

MCCCI therefore encourages financial institutions to progressively align lending rates with the policy direction set by the RBM to stimulate private sector investment and production.

3.2 Addressing foreign exchange constraints

MCCCI notes RBM's acknowledgement of continued foreign exchange constraints within the economy. Limited access to foreign exchange remains one of the most significant challenges facing businesses that depend on imported raw materials, fuel and machinery. Foreign exchange shortages have contributed to supply chain disruptions and increased production costs for many firms.

The Confederation therefore encourages authorities to prioritize foreign exchange allocation toward productive sectors, particularly manufacturing, exporters and agricultural value chains, which have the potential to generate additional foreign exchange earnings to offset the current status.

3.3 Continued management of production costs and Inflation pressures

The Confederation continues to applaud the Government for implementing measures aimed at containing and reducing inflation, which provides optimism for the private sector.

However, inflation remains relatively high at 24.9 percent as of January 2026, continuing to exert pressure on business operating costs and limiting the competitiveness of local firms at the regional level. The elevated inflation is largely driven by rising non-food inflation, particularly increases in fuel and electricity prices, which have significantly raised production and transportation costs for businesses.

Addressing these cost pressures will be important for improving the competitiveness of Malawian firms. MCCCI suggests that to mitigate these pressures, the Government should prioritize stabilizing energy prices, improving the reliability and efficiency of electricity supply and promoting alternative energy sources to reduce dependence on imported fuel. Additionally, maintaining exchange rate stability and strengthening foreign exchange availability would help lower the cost of imported inputs such as machinery, fuel, and industrial materials.

3.4 Strengthening Public–Private Dialogue

MCCCI emphasizes the importance of continued collaboration between policymakers and the private sector to ensure that macroeconomic policies support sustainable economic recovery.

Regular engagement among private sector, RBM, and other government institutions will help ensure that policy responses are aligned with the needs of businesses and the broader economy.

4.0 Conclusion

MCCCI welcomes the reduction in the policy rate from 26 percent to 24 percent, which reflects improving inflation trends and cautious optimism regarding the economic outlook.

With economic growth projected to increase to 3.8 percent in 2026, the private sector remains hopeful that continued macroeconomic stability, improved access to finance, and better foreign exchange availability will support private sector-led growth, investment, and job creation in Malawi.

The Confederation remains committed to working closely with the RBM and other stakeholders to promote a stable and conducive business environment.

MCCCI: The Voice of the Private Sector