

Malawi Financial Market Update

Week ending 28 February 2025





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Market developments

What Happened This Week

The 2025/2026 Budget has been pegged at MK8.05 trillion, with K6.04 trillion allocated to recurrent expenditures and MK2.01 trillion allocated to development expenditure.

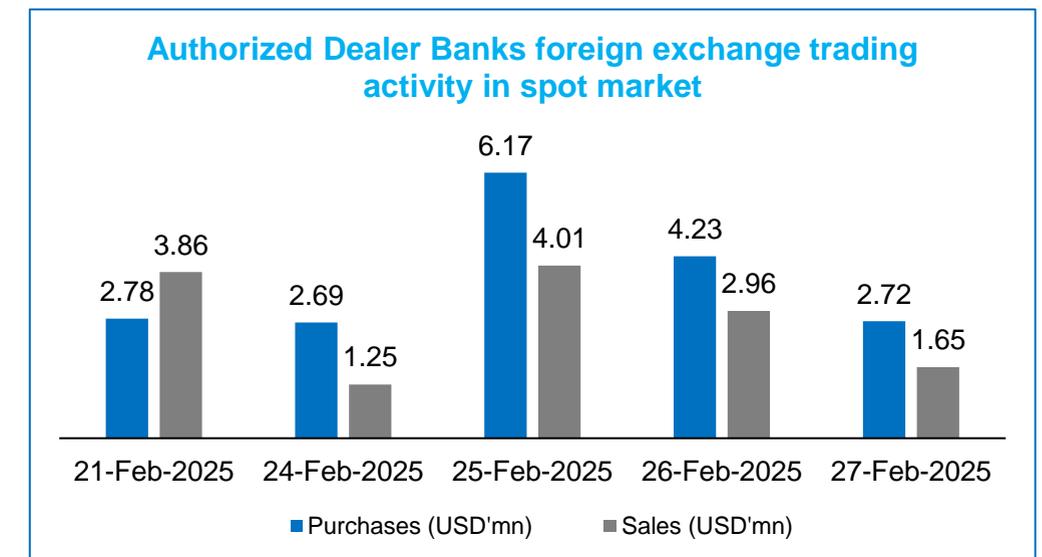
The deadline for the Malawi-Mozambique Power Interconnection Project extends to October 2025 from June 2025, with Malawi planning to tap 50MW into the national grid in the first 5 years.

Civil servants get a 20% salary increase with effect from 1 April 2025.

1. The prevailing economic conditions, particularly foreign currency shortages, continue to place significant strain on the private sector. Companies are struggling to import essential inputs, while the high parallel market exchange rate is driving up production costs. This, in turn, is forcing companies to consider raising retail prices to remain viable. In one recent closure, a business cited severe forex shortages and declining consumer disposable income, as the primary reasons for its shutdown. The company had been incurring significant losses at an unsustainable rate, ultimately making operations unfeasible. (*The Nation, 24 February 2025*)
2. The trade deficit narrowed by 20.5% in January 2025 to USD146.8 million from USD184.7 million in January 2024. Total exports reached USD126.7 million, marking a 221.6% increase from USD39.4 million in January 2024. Meanwhile, imports rose by 22.0%, to USD273.5 million in January 2025 from USD224.2 million in January 2024. The export-to-import ratio stood at 0.46, meaning exports were equivalent to 46% of total imports for the month (*National Statistics Office, 25 February 2025*)
3. Press Corporation plc (PCL) issued a cautionary statement, informing the general public and shareholders of its engagement in exclusive negotiations for the potential sale of its entire shareholding interest in Malawi Telecommunications Limited (MTL), which is 52.7% of the total issued share capital of MTL. (*The Nation, 25 February 2025*)
4. The United Kingdom (UK) Prime Minister Keir Starmer says the UK aid budget will be reduced to 0.3% of Gross Domestic Product (GDP) in 2027 from the current 0.5%. This will go to fund the investment in defense, which will rise to 2.5% of GDP in 2027 from the current 2.3%. (*BBC, 26 February 2025*)
5. The deadline for the Malawi-Mozambique Power Interconnection Project has been extended to October 2025 from June 2025. According to the project coordinator and the Electricity Supply Corporation of Malawi (ESCOM) Chief Operations Officer, the delays were caused by post-election conflicts in Mozambique, which temporarily halted construction work. Additionally, Malawi has revised its initial plan to draw 120 megawatts (MW) from the project, opting instead to tap only 50MW into the national grid for the first five years. This decision was based on cost considerations, as importing 120MW would have required approximately USD10 million (about MK17.4 billion) per month, whereas the revised 50MW plan is expected to cost around USD4.5 million (approximately MK7.8 billion) per month. (*The Nation, 26 February 2024*)

6. The Minister of Finance and Economic Affairs has signed a USD45 million (approximately MK78 billion) additional grant to support the Malawi Food Systems Resilience Programme (Agcom II). An extra USD16 million from the Global Umbrella Trust Fund will be provided over the project period, raising the total funding for Agcom II to USD326 million. The Minister said the funds will enhance agricultural value, create off-farm jobs, support land reform, improve agricultural policies and strengthen food systems' resilience. (*The Nation, 27 February 2025*)
7. Negotiations between the Government Negotiating Team (GNT) and Civil Servants Trade Union (CSTU) on 27 February 2025 concluded in a 20% salary increase for civil servants from 1 April 2025. The CSTU secretary general revealed that transport and special allowances have been increased by 50%, while the leave grant has been agreed to rise within the range of 10% - 40%. (*The Nation, 28 February 2025*)
8. The 2025/2026 fiscal year (FY) budget has been pegged at MK8.05 trillion, with K6.04 trillion allocated to recurrent expenditures and MK2.01 trillion allocated to development expenditure. (*Malawi Government, 28 February 2025*)

Foreign exchange trading activity (Source: RBM)



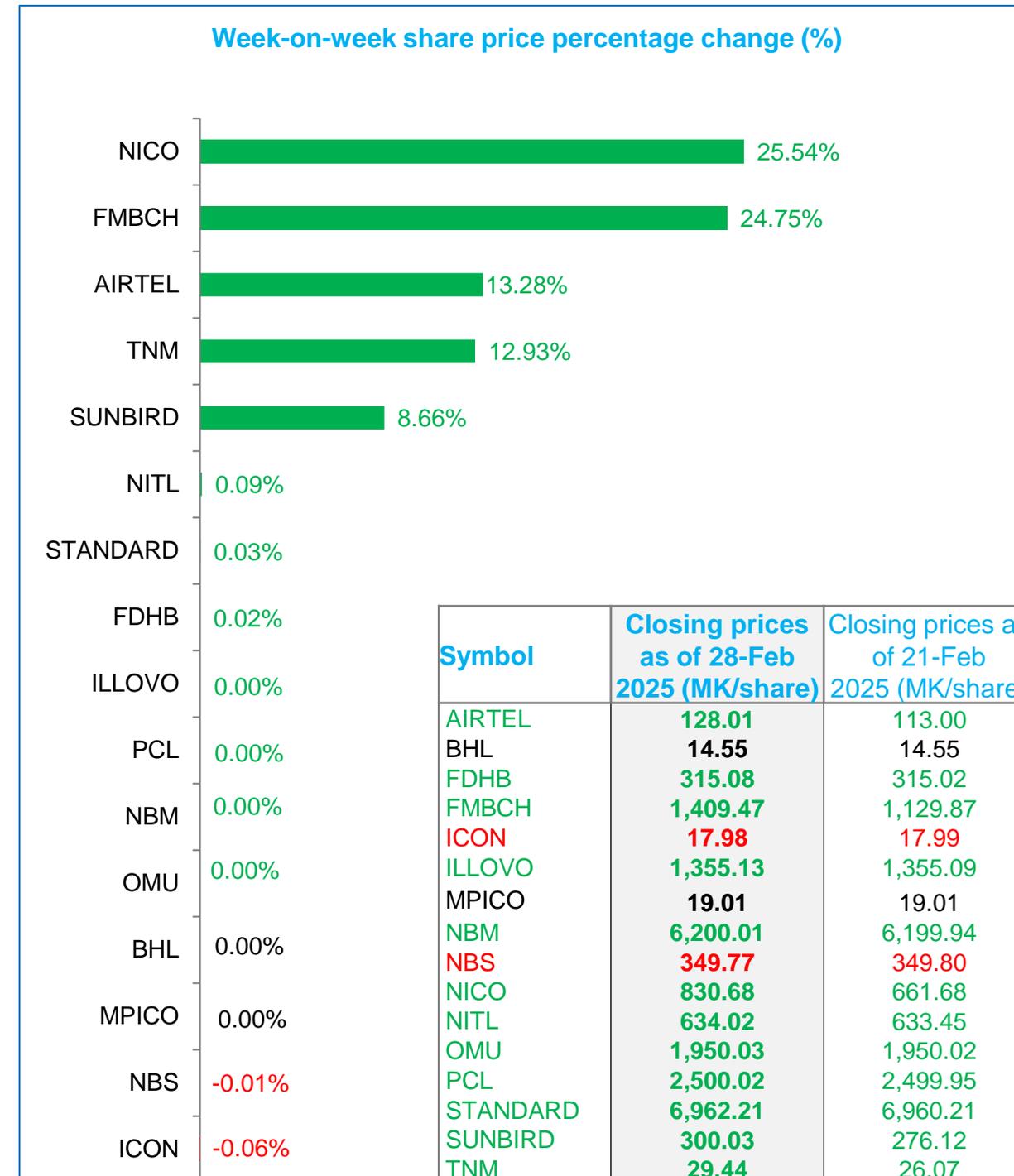
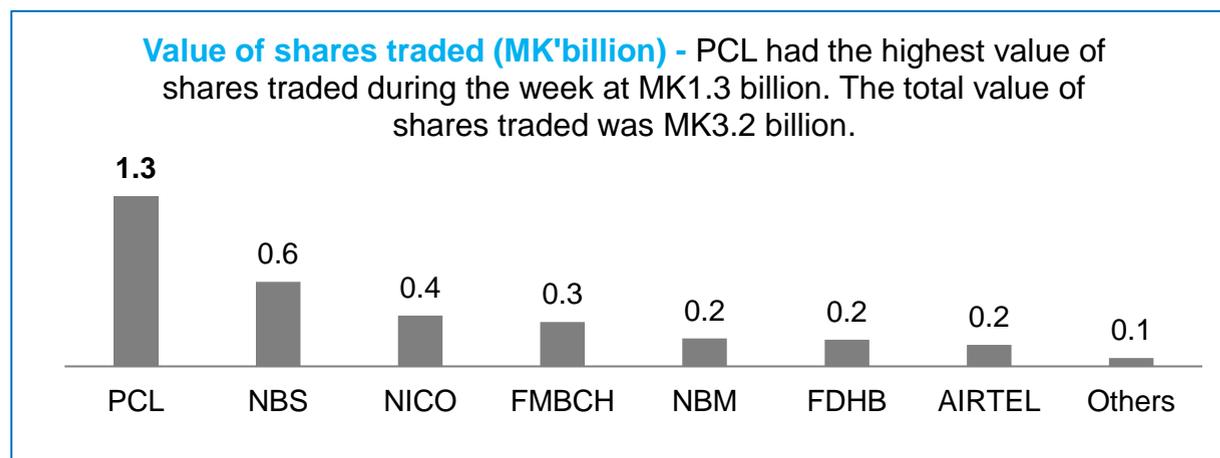
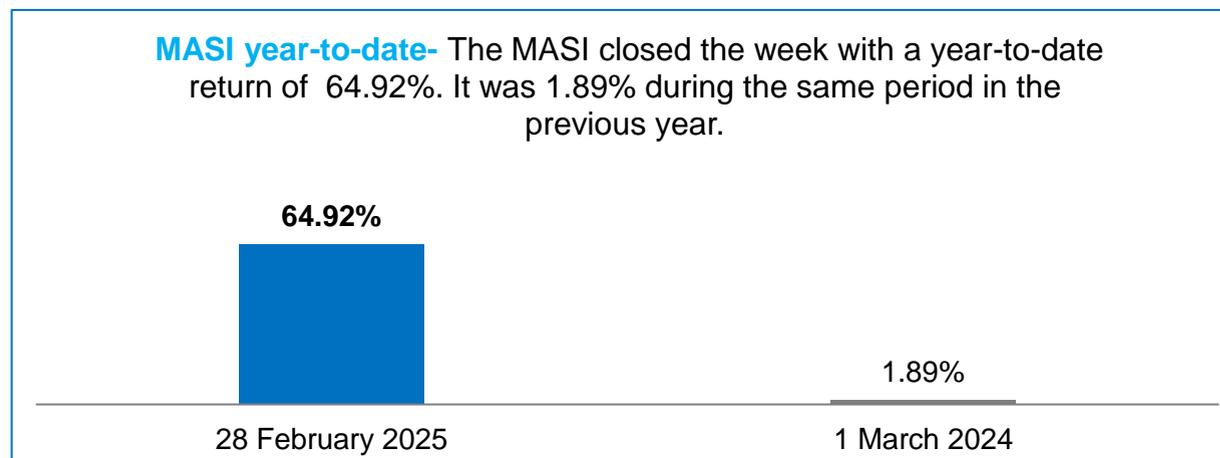
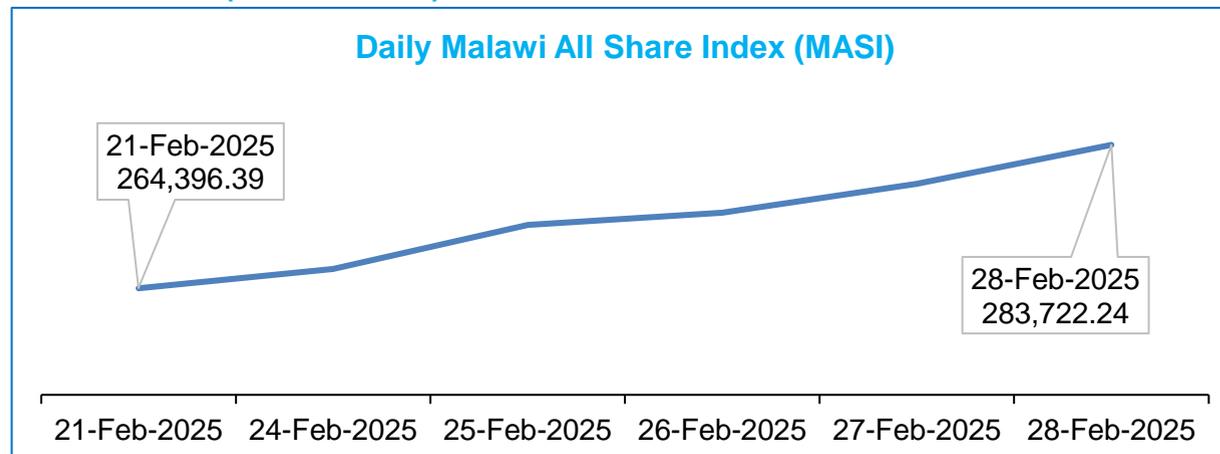


The stock market was bullish, with the Malawi All Share Index (MASI) closing the week ending 28 February 2025 at 283,722.24 points from 264,396.39 points on 21 February 2025.

This was primarily driven by NICO, FMBCH, AIRTEL, TNM, and SUNBIRD.

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Stock market (Source: MSE)





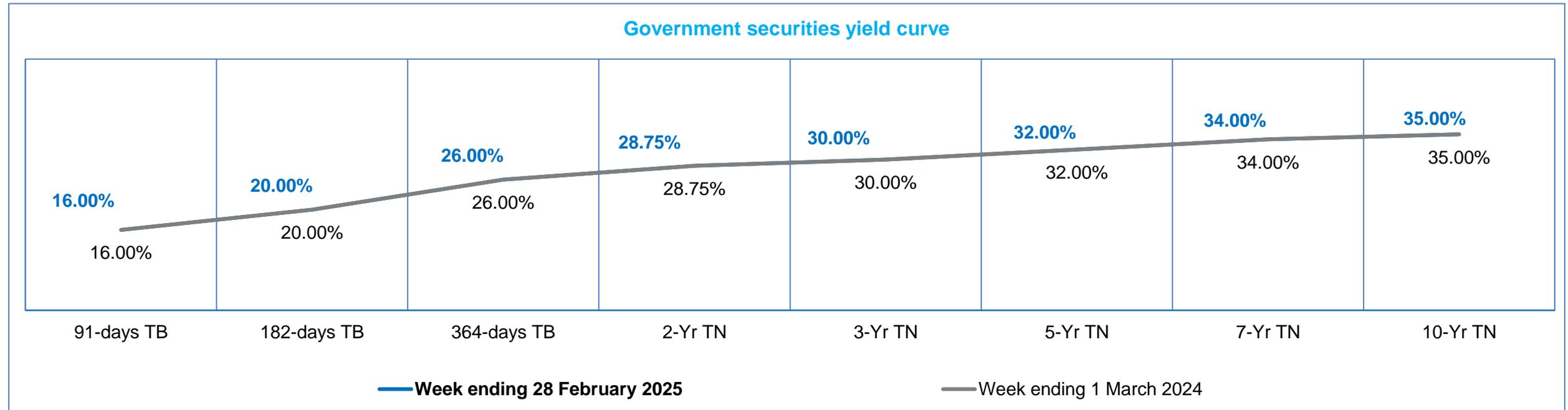
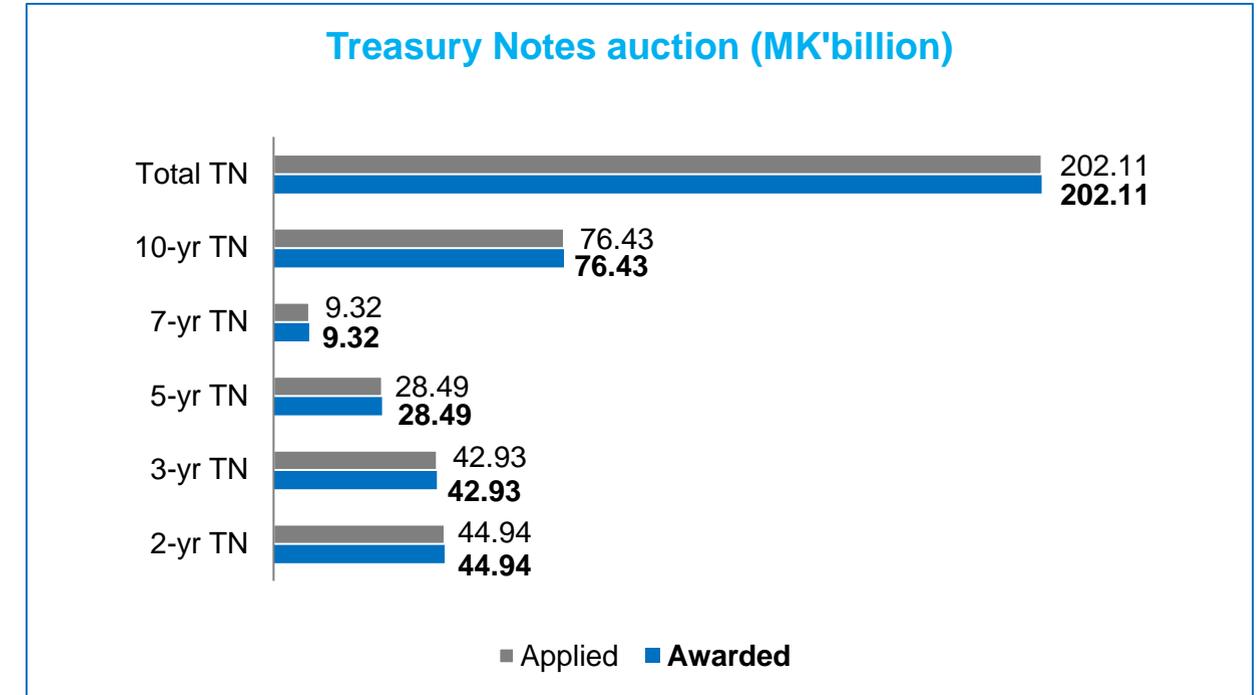
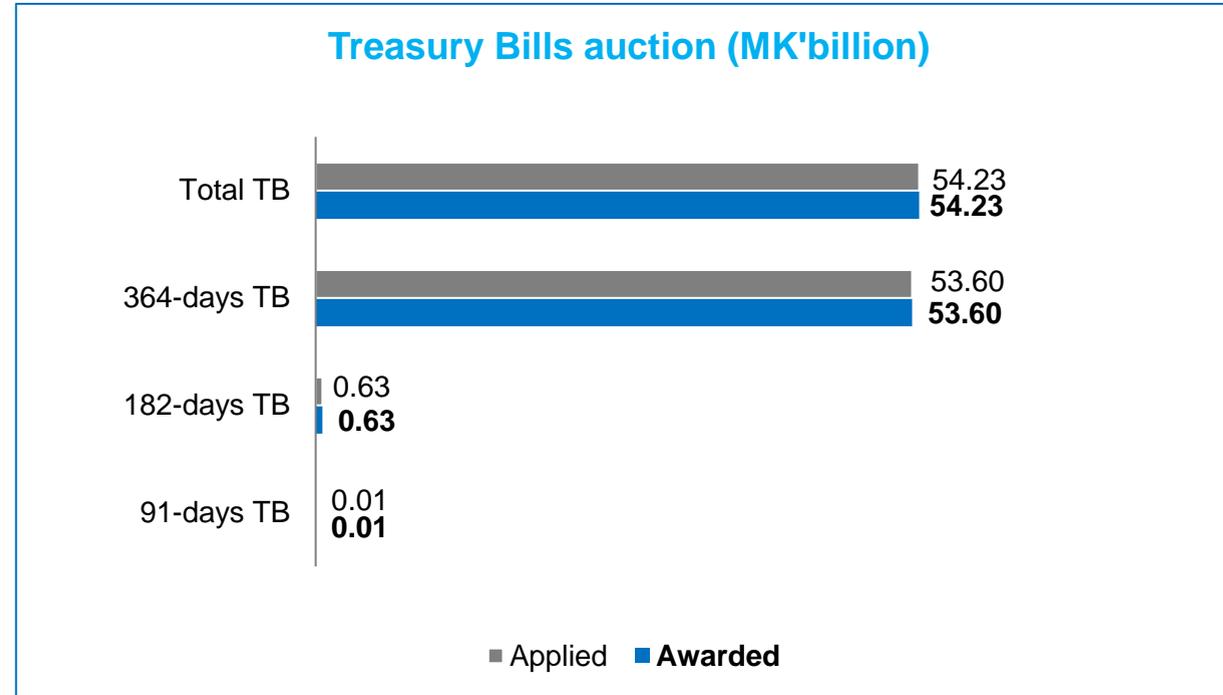
Government securities (Source: RBM)

The Reserve Bank of Malawi held auctions for all tenors of Treasury Bills (TBs) and Treasury Notes (TNs) during the period under review.

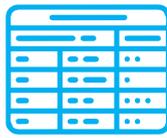
The total amount raised from the TB auctions was MK54.23 billion, primarily driven by the 364-days TB.

The total amount raised from the TN auctions was MK202.11 billion, primarily driven by the 10-year Treasury Note.

The average TB and TN yields were maintained at 20.67% and 31.95%, respectively, during the period under review.



TB: Treasury Bill
TN: Treasury Note



Appendix 1: Historical Economic Indicators

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	28-Feb-25
Exchange Rates (middle rates)														
MK/USD	1,697.80	1,698.50	1,750.38	1,745.70	1,750.76	1,749.51	1,749.95	1,750.31	1,750.37	1,749.95	1,750.11	1,749.93	1,750.35	1,734.01*
MK/GBP	2,221.35	2,217.83	2,268.77	2,256.81	2,285.22	2,274.74	2,311.11	2,368.68	2,411.29	2,338.28	2,290.94	2,250.25	2,233.84	2,246.47*
MK/EUR	1,888.43	1,887.38	1,949.34	1,922.25	1,951.14	1,922.54	1,947.33	1,994.06	2,003.14	1,953.49	1,904.40	1,861.87	1,866.83	1,854.62*
MK/ZAR	92.94	90.38	94.64	95.40	95.89	96.89	97.91	101.09	105.69	101.15	99.29	95.82	97.11	96.63*
Foreign Exchange Reserves														
Total Reserves (USD'mn)	576.70	540.32	552.94	603.07	610.18	591.51	572.02	549.85	560.3	519.0	516.9	530.9	N/A	N/A
Inflation														
Headline	35.0%	33.5%	31.8%	32.3%	32.7%	33.3%	33.7%	33.9%	34.3%	32.4%	27.0%	28.1%	28.5%	N/A
Food	44.9%	42.0%	38.8%	39.9%	40.7%	41.5%	41.9%	42.0%	43.5%	40.3%	33.7%	35.6%	36.0%	N/A
Non-food	22.0%	22.1%	22.2%	22.4%	22.1%	22.2%	22.4%	22.7%	21.8%	21.2%	17.2%	16.8%	16.9%	N/A
Interest Rates														
Monetary Policy Rate	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
Average Interbank Rate (Overnight)	23.00%	22.63%	22.22%	22.54%	23.39%	24.17%	24.20%	24.37%	24.20%	24.20%	23.23%	23.22%	23.19%	23.18%
Lombard Rate	24.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%	26.20%
Commercial Bank Reference Rate	23.60%	24.90%	24.90%	24.90%	25.00%	25.10%	25.40%	25.40%	25.40%	25.40%	25.50%	25.30%	25.20%	25.10%
Government Securities Yields														
91-days Treasury Bill	14.70%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
182-days Treasury Bill	18.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
364-days Treasury Bill	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
2-year Treasury Note	26.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%	28.75%
3-year Treasury Note	28.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
5-year Treasury Note	30.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%
7-year Treasury Note	32.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%
10-year Treasury Note	33.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Year-to-date Return														
MASI	4.25%	1.88%	2.96%	2.95%	4.03%	9.15%	16.26%	27.33%	28.60%	32.69%	47.08%	55.06%	29.90%	64.92%
DSI	0.03%	-2.21%	0.47%	0.46%	1.68%	7.63%	14.76%	27.45%	28.90%	33.57%	47.71%	52.11%	32.35%	50.42%
FSI	33.77%	30.43%	20.39%	20.39%	20.38%	19.75%	26.76%	26.48%	26.54%	26.51%	42.71%	75.65%	15.08%	152.62%

*: Reserve Bank of Malawi opening exchange rates (middle) as of 28 February 2025

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