

Malawi Financial Market Update

Week ending 14 March 2025





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Market developments

What Happened This Week

U.S cuts USAID funding by 83%, and Malawi will lose USD230.4 million equivalent to MK400 billion in critical health, education and development aid.

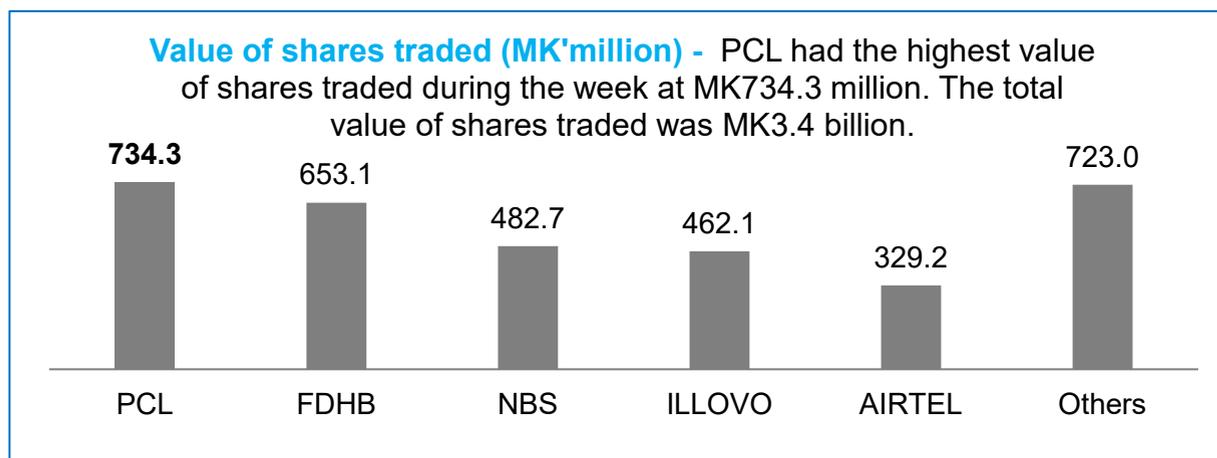
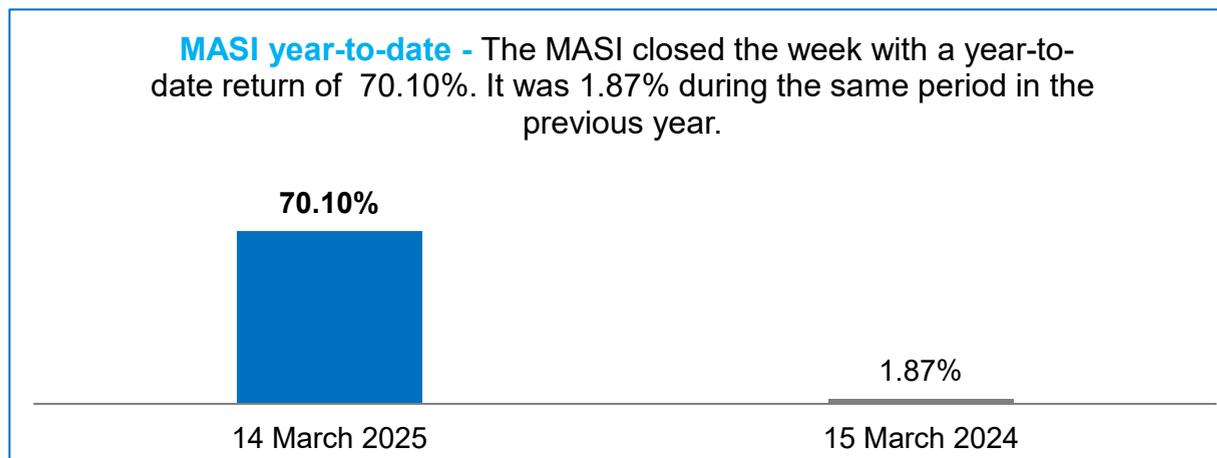
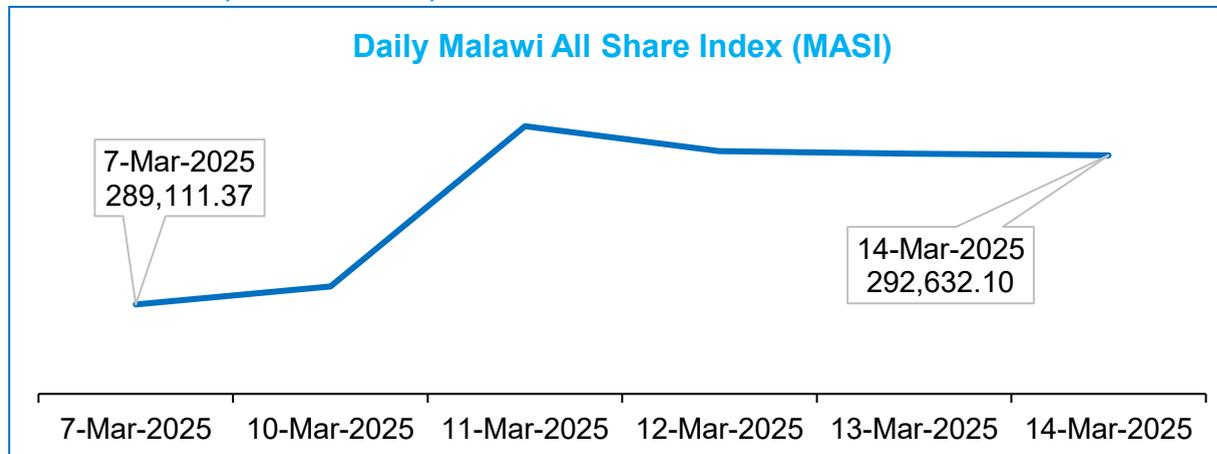
1. The U.S. Secretary of State announced the cancellation of 83% of USAID contracts, totaling 5,200 programs worth billions. The remainder will be managed by the State Department, with the Department of Government Efficiency backing the move. Malawi is amongst the hardest-hit nations losing USD230.4 million (about MK400 billion) in aid, affecting programs in programs in HIV and AIDs, maternal health, education, governance, and economic development. In 2023, USAID disbursed USD43.8 billion globally with USD350 million allocated to Malawi, equating to 12% of the country's 2024/2025 National Budget and represents just over a third of the country's export earnings. The funding cuts are expected to bring economic strain, forcing Malawians to brace for tougher times. (*The Nation, 13 March 2025*)
2. Malawi's fuel imports increased by 12% in 2024, according to the latest Malawi Government Economic Report compiled by the Ministry of Finance. The surge in demand for petroleum products was driven by economic activities, with petrol and diesel imports rising and declining by 6% and 5%, respectively. On the other hand, paraffin importation and demand decreased by 26% in 2024 compared to the previous year. (*The Daily Times, 11 March 2025*)
3. FDH Bank Plc released an update on its 2 January 2025 cautionary statement, highlighting that negotiations for acquiring a controlling stake in a bank within the African region are still underway. The bank warns that the outcome of these negotiations may impact its share price on the Malawi Stock Exchange. Shareholders are advised to exercise caution and consult professional advisors when dealing in FDH Bank Plc shares until the negotiation results are finalized. (*FDH Bank Plc, 11 March 2025*)
4. Unlike the typical February decline observed in the past two years, where prices fell by 12% in 2024 and 1% in 2023, maize retail prices continued their sharp rise in February 2025, increasing by 32% to MK1,718/kg from K1,304/kg in January 2025. A poor 2024 harvest has led to a limited domestic maize supply, forcing the country to rely heavily on imports, primarily from Tanzania. Import dependence, coupled with ongoing foreign currency shortages, has created significant price pressures. The sharp decline in the Malawi Kwacha's value on the unofficial exchange market significantly contributed to the increase in the price of maize. (*IFPRI Malawi, 11 March 2025*)
5. Malawi's mining sector is drawing interest from global firms due to its deposits of rare earth elements, graphite, and uranium. According to the World Bank, Malawi could generate up to USD30 billion from mineral exports between 2026 and 2040, with annual revenues expected to hit USD3 billion by 2034. The Malawian government is encouraging foreign investment to boost economic development and promote sustainable mining practices. Exploration and development projects by international companies are already in progress. (*African Mining Market Website, 13 March 2025*)
6. The Secretary to the Treasury has stated that the country's GDP, currently estimated at K25 trillion, is significantly under-reported and could be three times higher. He attributed this to the widespread informality in the economy, with numerous unrecorded business activities not reflected in GDP calculations. Emphasizing the benefits of a more formalized economy, he noted that it would boost revenue collection and improve public service delivery. He indicated that the government is actively engaging with its partners to strengthen initiatives that integrate informal businesses into the formal sector. (*The Daily Times, 13 March 2025*)
7. Deputy Minister of Transport is set to meet stakeholders to fast-track Mzuzu Airport runway certification. The government has secured additional funding from the Japan International Cooperation Agency to supplement the initial MK1.4 billion for further rehabilitation. The project aims to boost tourism and economic activity in Northern Malawi. (*The Nation, 14 March 2025*)
8. Lindian Resources has initiated a MK2.2 billion, five-kilometer access road project to its Kangankunde Rare Earth Mine in Balaka District. The road is to be constructed by Mota Engil over 18 weeks. The road will facilitate the transportation of critical materials and personnel to the site. The Kangankunde rare earth deposit has an estimated value of USD1 billion during its initial mine life and has one of the world's largest rare earth deposits. The Minister of Mining highlighted the project's role in advancing investment, job creation, and economic growth. (*The Nation, 14 March 2025*)



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Stock market (Source: MSE)

The stock market was bullish, with the Malawi All Share Index (MASI) closing the week ending 14 March 2025 at 292,632.10 points from 289,111.37 points on 7 March 2025. ILLOVO primarily drove this.





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Government securities (Source: RBM)

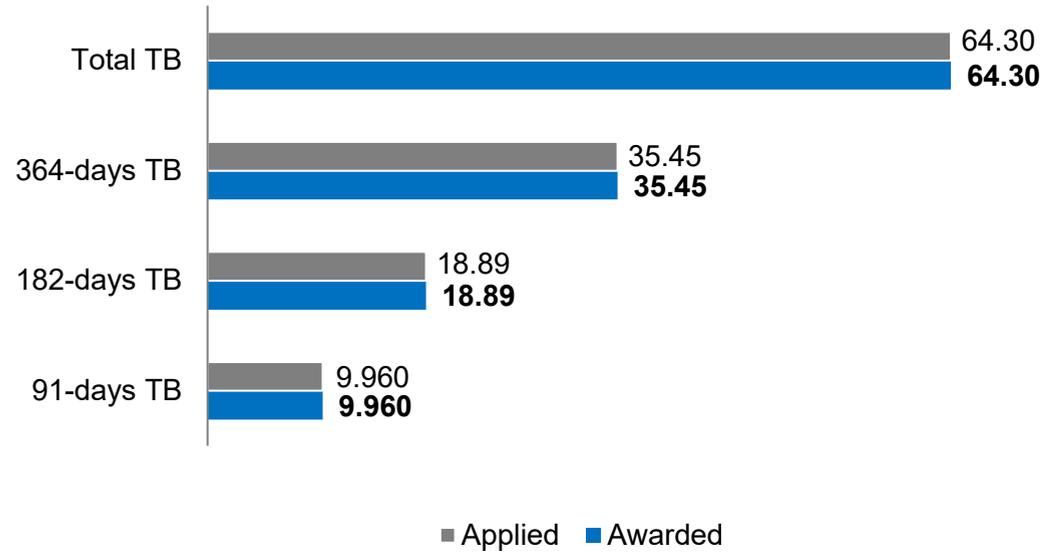
The Reserve Bank of Malawi held auctions for all tenors of Treasury Bills (TBs) and Treasury Notes (TNs) during the period under review.

The total amount raised from the TB auctions was MK64.30 billion, primarily driven by the 364-days TB.

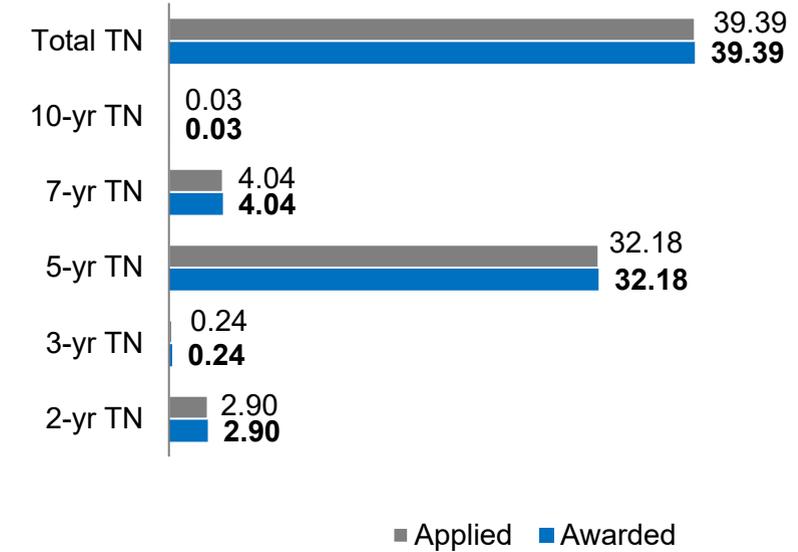
The total amount raised from the TN auctions was MK39.39 billion, primarily driven by the 5-year TN.

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

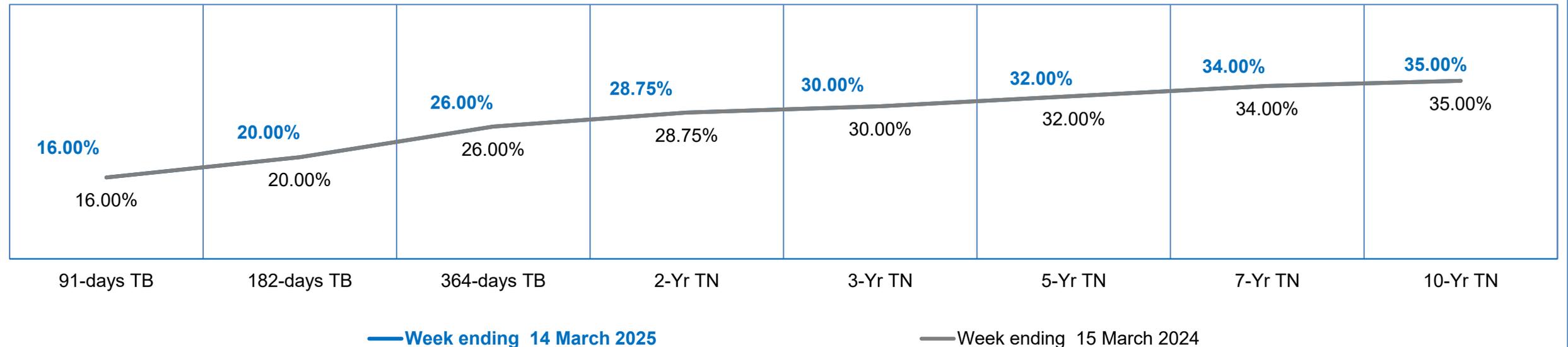
Treasury Bills auction (MK'billion)

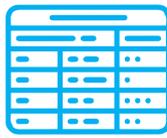


Treasury Notes auction (MK'billion)



Government securities yield curve





Appendix 1: Historical Economic Indicators

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	14-Mar-25
Exchange Rates (middle rates)														
MK/USD	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	1,749.65	1,734.01*
MK/GBP	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	2,268.53	2,308.80*
MK/EUR	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	1,873.26	1,936.59*
MK/ZAR	90.38	94.64	95.40	95.89	96.89	97.91	101.09	105.69	101.15	99.29	95.82	97.11	97.04	97.78*
Foreign Exchange Reserves														
Total Reserves (USD'mn)	540.32	552.94	603.07	610.18	591.51	572.02	549.85	560.3	519.0	516.9	530.9	570.60	N/A	N/A
Inflation														
Headline	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	N/A
Food	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	N/A
Non-food	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	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%	26.00%	26.00%
Average Interbank Rate (Overnight)	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%	23.20%
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%	26.20%
Commercial Bank Reference Rate	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%	25.10%
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%	16.00%	16.00%	16.00%	16.00%
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%	20.00%	20.00%	20.00%
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%	26.00%	26.00%	26.00%
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%	28.75%	28.75%	28.75%
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%	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%	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%	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%	35.00%
Year-to-date Return														
MASI	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%	70.10%
DSI	-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%	56.36%
FSI	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%	153.17%

*: Reserve Bank of Malawi opening exchange rates (middle) as of 14 March 2025

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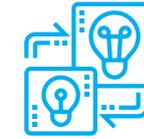
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