



INVESTMENT BANK

First
Quarter
economic
review

Q1
2022



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2025 First quarter economic review

1. Executive summary

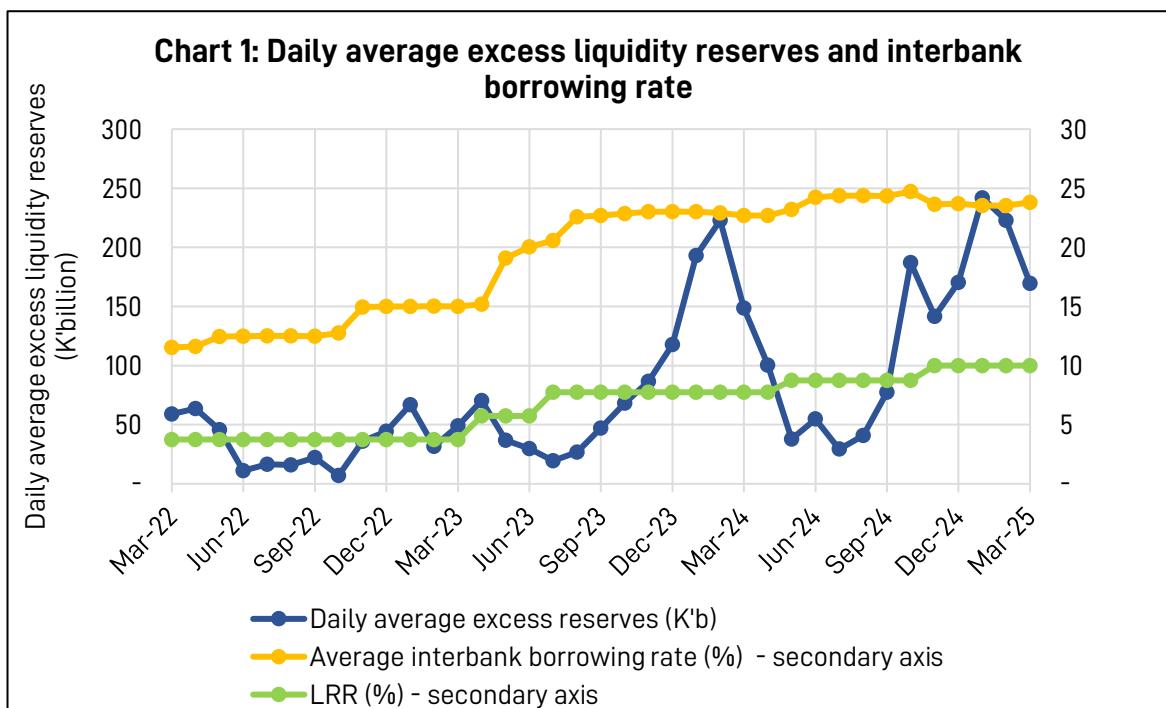
- 1.1. The Monetary Policy Committee maintained the Policy rate at 26.0%, the Lombard rate at 20 basis points above the Policy rate (26.2%), Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits at 10.0% and the LRR on foreign currency deposits at 3.75%, during their first meeting of 2025.
- 1.2. Market interest rates and yields on government securities were broadly stable in Q1 2025 in line with the stable Policy rate.
- 1.3. The level of liquidity on the interbank market increased in the first quarter of 2025 (Q1 2025) compared to the fourth quarter of 2024 (Q4 2024) and the first quarter of 2024 (Q1 2024).
- 1.4. The Kwacha was relatively stable against the United States Dollar (USD) during the quarter but depreciated against the British Pound (GBP), Euro (EUR) and the South African Rand (ZAR). The Kwacha to USD Telegraphic Transfer (TT) exchange rate closed the quarter at K1,750.25 per USD, from K1,749.93 per USD as of 31st December 2024.
- 1.5. Foreign exchange shortages remained prevalent during the quarter. Total forex reserves stood at USD569.50m (2.30 months of imports) at the end of February 2025.
- 1.6. Inflation pressure remained elevated in Q1 2025, with the headline inflation rate increasing to an average of 29.9% in Q1 2025 from 29.5% in Q4 2024, mainly on account of a rise in food inflation rate. The headline inflation rate closed at 30.5% in March 2025 from 28.1% in December 2024. The Reserve Bank of Malawi (RBM) projects a decline in overall inflation rate in 2025 to 22.0% at the end of the year.
- 1.7. The government projects an increase in annual real GDP growth rate from 1.8% in 2024 to 3.2% in 2025 and 4.2% in 2026, supported by improvements in key sectors such as agriculture, mining, tourism and construction. The Economist Intelligence Unit (EIU) projects a growth rate of 1.6% for 2025.
- 1.8. The 2025/2026 National Budget is estimated at K8.05 trillion against estimated revenue of K5.58 trillion. Fiscal deficit is estimated to amount to K2.47 trillion (30.7% of total budget) and will be financed by net foreign borrowing of K145.78 billion and net domestic borrowing of K2.33 trillion.
- 1.9. The stock market registered a positive return of 69.52% on the Malawi All Share Index (MASI) in Q1 2025, higher than the return of 2.96% registered in the corresponding period in 2024.

2. Interbank market

- 2.1. Liquidity conditions in the banking system increased in Q1 2025 compared to the levels registered in Q4 2024 and Q1 2024. The banks' daily excess liquidity reserves held with RBM averaged K211.32 billion in Q1 2025 compared to an average of K166.32 billion in Q4 2024 and K188.15 billion in Q1 2024.
- 2.2. The volume traded among banks on the interbank market increased in nominal terms to an average of K116.53 billion per day in Q1 2025 from a daily average of K68.65 billion per day in Q4 2024 and K30.55 billion per day in Q1 2024. Funds accessed through the

Lombard Facility of the RBM increased to an average of K71.11 billion per day in Q1 2025 from K17.14 billion per day in Q4 2024 and K40.33 billion per day in Q1 2024.

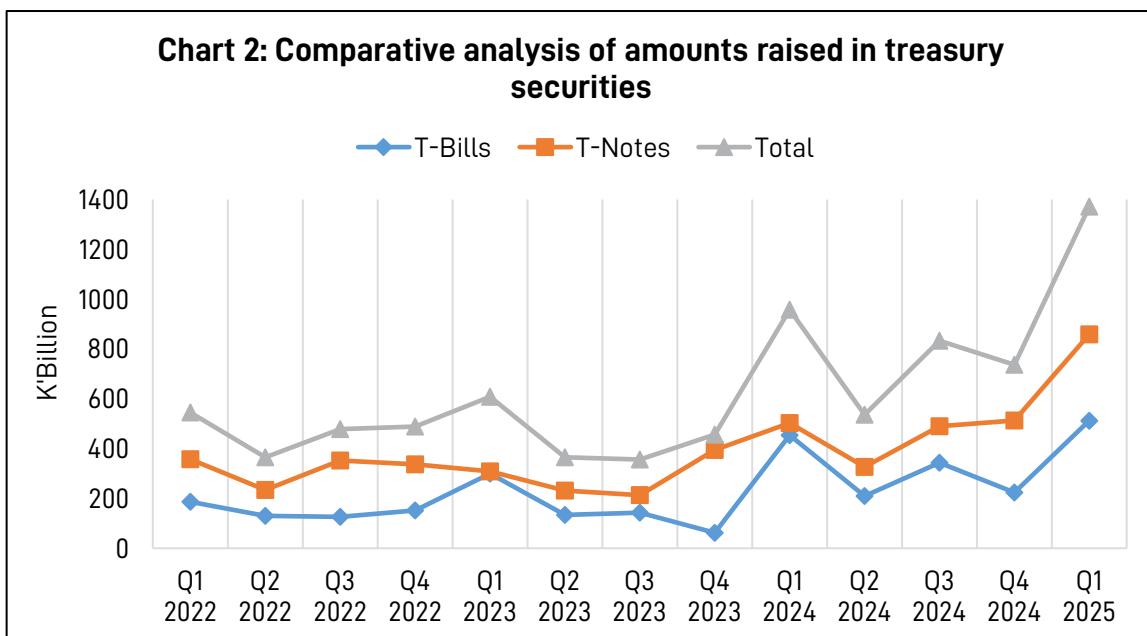
- 2.3. The interbank borrowing rate decreased to an average of 23.61% in Q1 2025 from an average of 24.01% in Q4 2024 (22.86% in Q1 2024) on account of higher liquidity levels. The Lombard rate was stable at 26.20% in Q1 2025 and Q4 2024 (24.87% in Q1 2024). The stability in the Lombard rate followed a stable Policy rate at 26.00% during the quarter.
- 2.4. Chart 1 shows the increase in liquidity levels in Q1 2025 compared to the previous quarter. The chart also shows that the interbank borrowing rate was largely stable during the quarter.



(Data source: Reserve Bank of Malawi)

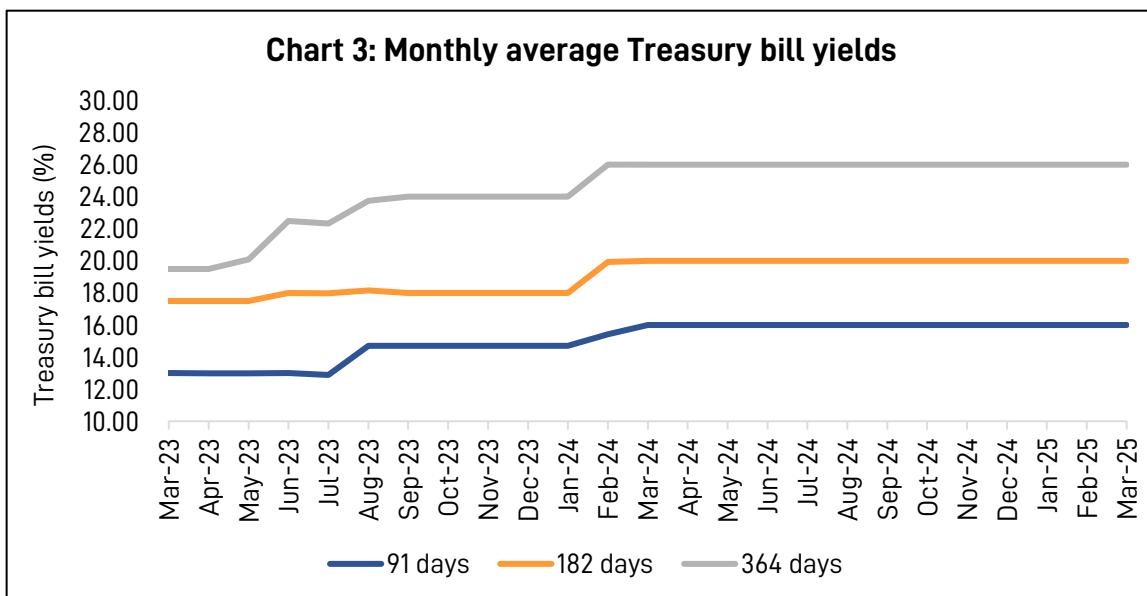
3. Government Securities

- 3.1. The government raised K512.33 billion in auctions of Treasury Bills (TB) during Q1 2025, representing an increase of 129.04% from K223.68 billion raised in Q4 2024, and an increase of 12.73% when compared to K454.46 billion that was raised in Q1 2024. Rejection rate was at 0.01% during the quarter.
- 3.2. K858.67 billion was raised in auctions of Treasury Notes (TNs) and Development Bonds (IDBs) in Q1 2025, representing a nominal increase of 67.46% when compared to K512.77 billion raised in Q4 2024, and an increase of 70.77% from K502.83 billion that was raised in Q1 2024.
- 3.3. Overall, the total amount raised by government in the domestic market through issuance of Treasury securities (TBs, TNs and IDBs combined) increased to K1.371 trillion in Q1 2025 from K736.45 billion in Q4 2024 (representing an increase of 86.16%), and K957.29 billion in Q1 2024 (representing an increase of 43.22%) as shown in Chart 2:

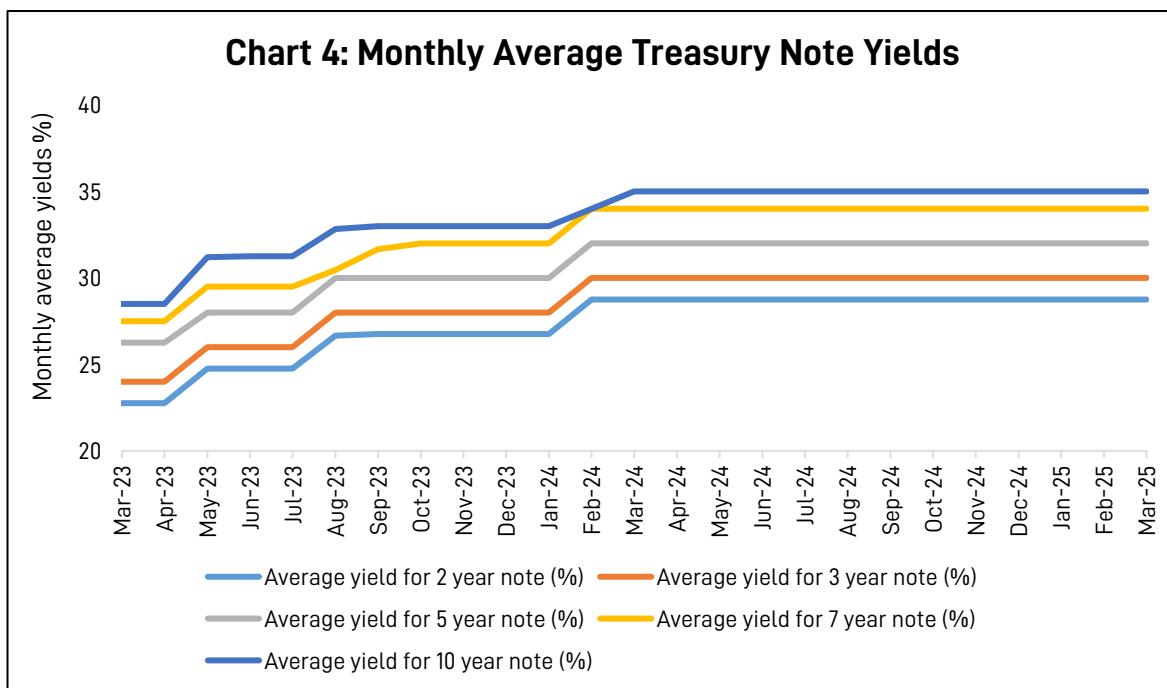


(Data source: Reserve Bank of Malawi)

3.4. Yields to maturity (ytm) of government securities remained stable during the quarter, with the 91-day, 182-day and 364-day TB yields at 16.00%, 20.00% and 26.00%, respectively, giving an all-type average TB yield of 20.67%. Yields of Treasury Bills, Treasury Notes and Development Bonds have been stable since March 2024, as shown in Charts 3 and 4 and Table 1 below. The stability reflects a stable Policy rate.



(Data source: Reserve Bank of Malawi)



(Data source: Reserve Bank of Malawi)

Table 1: Quarterly average yields of Treasury Notes

Description	2 years	3 years	5 years	7 years	10 years
Q1 2025 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q4 2024 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q3 2024 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q2 2024 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q1 2024 average yield	28.08%	29.33%	31.33%	33.33%	34.00%
2024 average yield	28.58% 2	9.83%	31.83% 3	3.83%	34.75%
2023 average yield	24.90% 2	6.17%	28.23% 2	9.72%	30.91%
2022 average yield	19.60% 2	1.65%	23.80% 2	4.39%	25.69%
%pt. increase: Q1 2025 vs Q4 2024	0	0	0	0	0
%pt. increase: Q1 2025 vs Q1 2024	0.67	0.67	0.67	0.67	1.00

(Data source: Reserve Bank of Malawi)

3.5. Looking ahead, government securities' yields to maturity (ytm) are expected to remain elevated in the short to medium term on account of persistent inflation pressures, still tight monetary policy and heightened fiscal pressures. The yields are expected to remain stable within current levels in Q2 2025 as no major Policy rate changes are expected during the quarter.

4. Foreign exchange market

- The Kwacha was broadly stable against the USD but depreciated against other major trading currencies during Q1 2025.
- The Malawi Kwacha to USD telegraphic transfer (TT) exchange rate closed the quarter at K1,750.25 per USD, increasing marginally from K1,749.93 per USD as at the end of Q4 2024, representing a marginal depreciation of 0.02% of the Kwacha.
- During the same period, the Kwacha depreciated against the GBP, EUR and ZAR by 3.53%, 4.04% and 2.36%, respectively, as shown in Table 2a below.
- In terms of TT quarterly averages, as Table 2b indicates, in Q1 2025 the Kwacha appreciated against USD, GBP, EUR and ZAR by 0.01%, 1.66%, 1.38% and 3.48%, respectively, compared to averages for Q4 2024.
- The RBM continued to hold monthly, at times fortnightly, foreign exchange auctions with Authorised Dealer Banks during the quarter aimed at facilitating the discovery of prevailing market clearing exchange rates for the Kwacha against major currencies. During all the auctions held within Q1 2025, the USD/MWK selling exchange rate was maintained at K1,751 per USD.

Table 2a: End period TT middle exchange rates

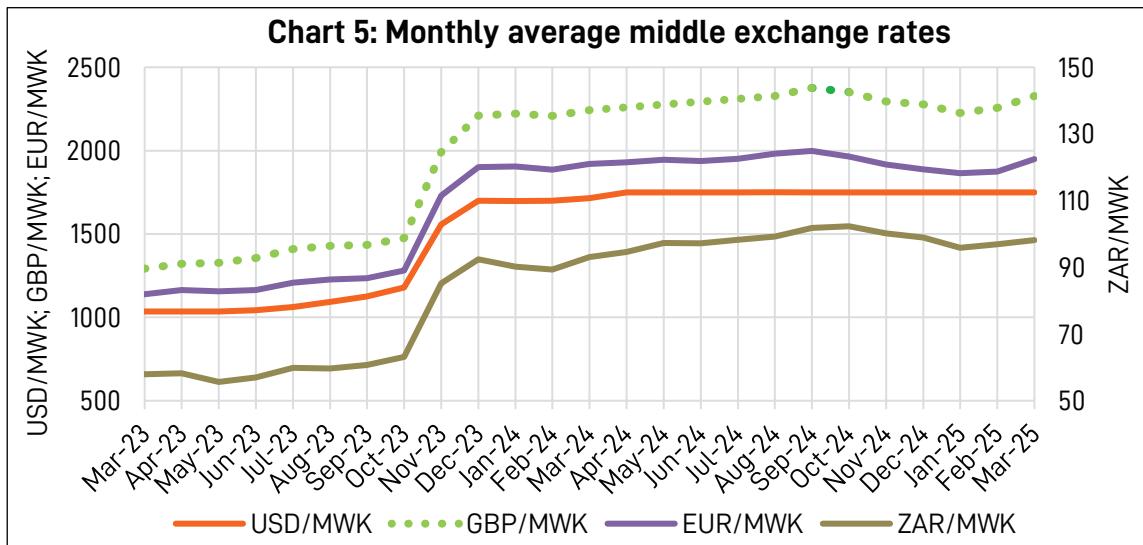
Currency	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24	Mar 2025 - Dec 2024 Change	Mar 2025 - Mar 2024 Change
USD/MWK	1750.25	1749.93	1750.37	1749.51	1750.38	0.02%	-0.01%
GBP/MWK	2329.61	2250.25	2411.29	2274.74	2268.77	3.53%	2.68%
EUR/MWK	1945.35	1869.77	2003.14	1922.54	1949.34	4.04%	-0.20%
ZAR/MWK	98.15	95.89	105.69	96.89	94.64	2.36%	3.71%

Table 2b: Average TT middle exchange rates

Currency	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q1 2025 - Q4 2024 Change	Q1 2025 - Q1 2025 Change
USD/MWK	1749.95	1750.11	1750.05	1749.38	1703.82	-0.01%	2.71%
GBP/MWK	2269.74	2307.98	2338.81	2271.17	2224.47	-1.66%	2.03%
EUR/MWK	1896.15	1922.60	1977.01	1937.54	1903.73	-1.38%	-0.40%
ZAR/MWK	97.00	100.50	99.78	96.35	90.86	-3.48%	6.75%

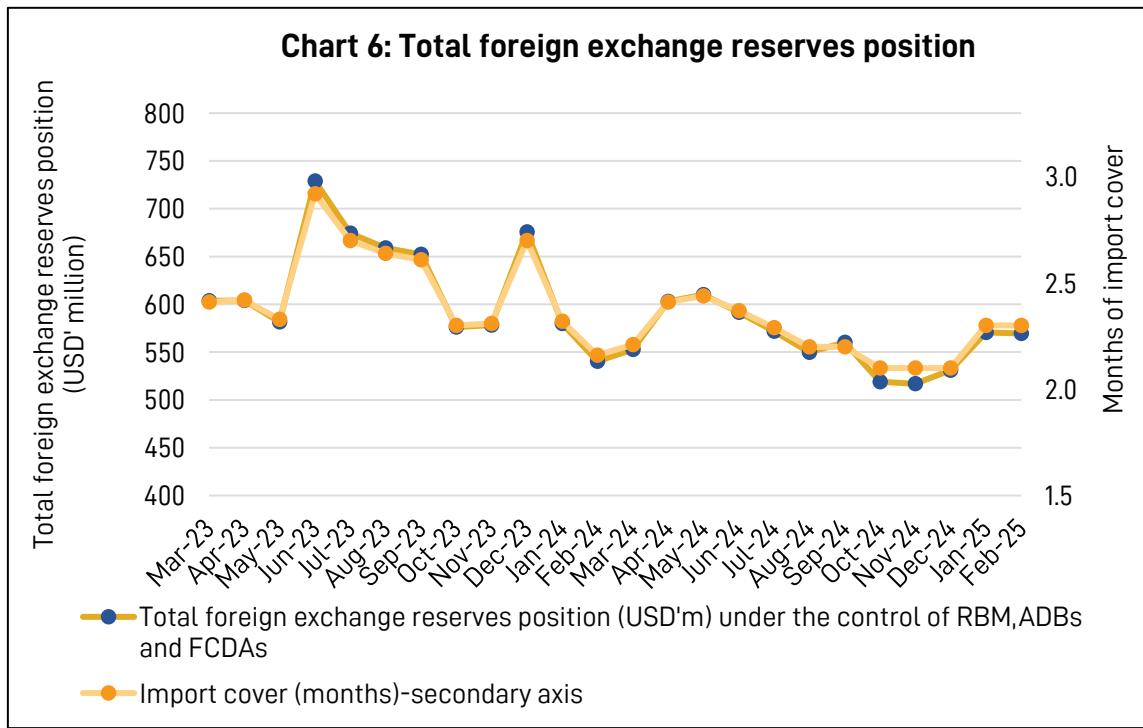
(Data source: Reserve Bank of Malawi)

(Downward and upward arrows represent depreciation and appreciation of the Kwacha, respectively)



(Data source: Reserve Bank of Malawi)

4.6. Foreign exchange shortages remained prevalent during the quarter. Total (official and private sector) foreign exchange reserves stood at USD569.50m (2.30 months of imports) at the end of February 2025, a slight increase from USD530.90m (2.10 months of imports) at the end of December 2024.



(Data source: Reserve Bank of Malawi)

4.7. Looking forward, a moderate improvement in forex reserves is expected in the short to medium term following the opening of the tobacco marketing season on 9th April 2025. This year, tobacco production is projected at 174.4m kg (up from 133m kg in 2024) against a projected demand of 213m kg.

4.8. However, generally exchange rate depreciation pressures are expected to remain prevalent during the year as the imbalance between demand and supply of forex remains high. The possible shutdown or scaling down of USAID funding which is expected to significantly affect the NGO sector, as well as the import tariffs introduced by the US government, could add some unfavourable pressure on the forex market.

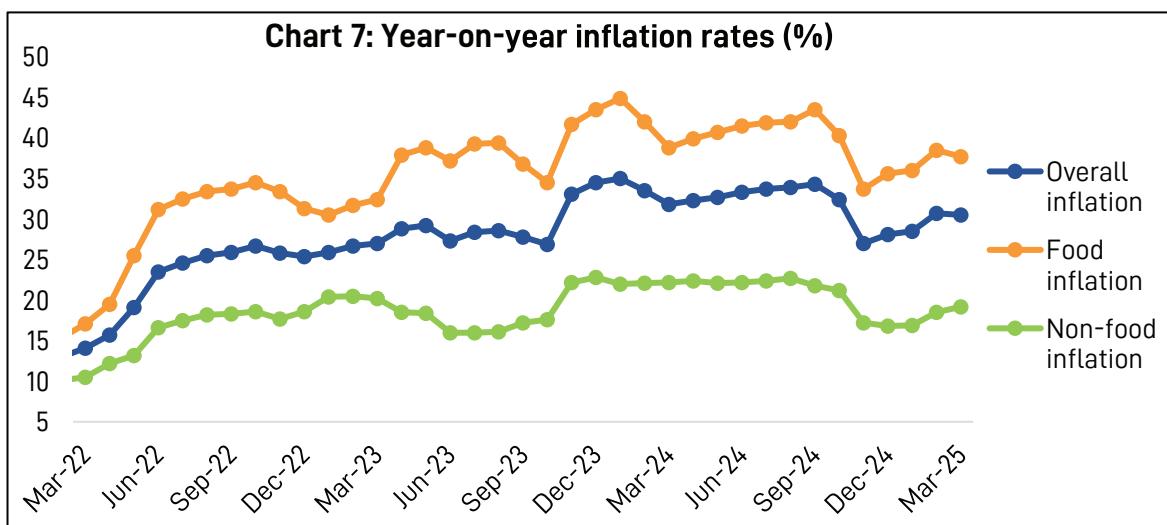
4.9. The EIU expects a moderate depreciation in 2025 to an exchange rate of K1,780 per USD at year-end.

5. Inflation

5.1. Inflation pressures remained high during the quarter under review. The year-on-year overall inflation rate averaged 29.9% during Q1 2025, representing an increase of 0.7 percentage points from an average of 29.2% in Q4 2024 and a decrease of 3.5 percentage points when compared to an average of 33.4% during Q1 2024. The increase in overall inflation in Q1 2025 relative to Q4 2024 was on account of an increase in the average year-on-year food inflation rate to 37.4% during Q1 2025 from an average of 36.5% in Q4 2024 (41.9% in Q1 2024), while the average year-on-year non-food inflation rate slightly decreased to 18.2% in Q1 2025 from an average of 18.4% in Q4 2024 (22.1% in Q1 2024).

5.2. As at the end of the quarter, the year-on-year overall inflation rate stood at 30.5% in March 2024, compared to 28.1% in December 2024 and 31.8% in March 2024.

5.3. Chart 7 depicts the trend of inflation rate in the past three years.



(Data source: National Statistical Office)

5.4. Inflation pressures are expected to slow down in the short term due to improved food availability following the harvest that started in March 2025.

5.5. The RBM expects inflation rate to decline to 22% by the end of 2025 due to favourable base effects and a supportive monetary policy. The EIU, World Bank and International Monetary Fund (IMF) project an annual average of 28.0%, 27.3% and 24.2%, respectively, in 2025. Key risk to this outlook is growth in domestic money supply and an expected rise in global inflation due to escalation of trade tensions and high levels of policy uncertainty.

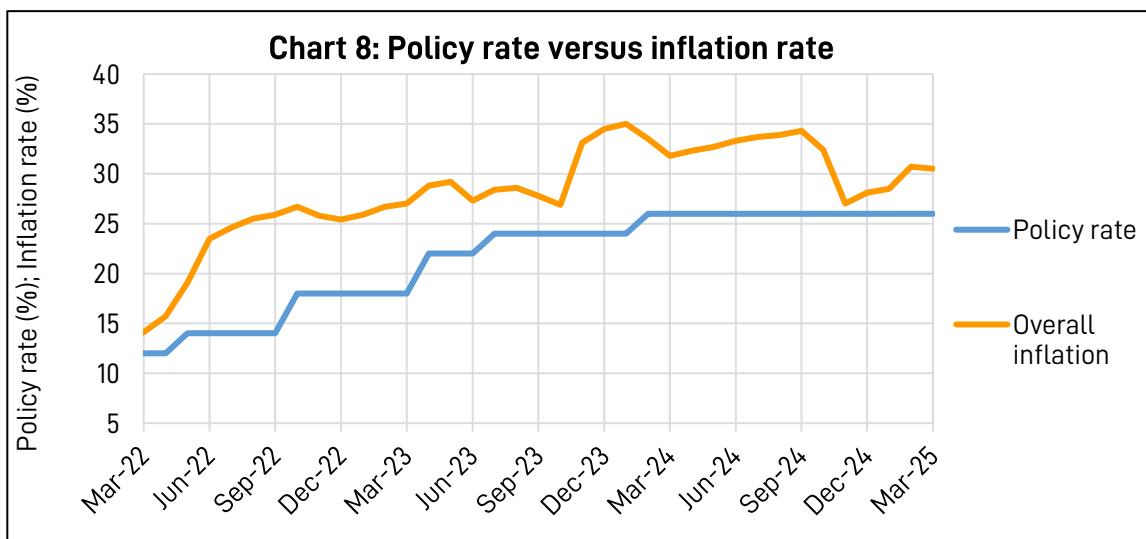
Table 3: Projected annual average inflation rates							
	2023	2024	2025f	2026f	2027f	2028f	2029f
Government	28.8%	32.2%					
Economist Intelligence Unit			28.0%	23.9%	17.4%	13.9%	11.2%
World Bank	28.7%	33.6%	27.3%				
International Monetary Fund	28.8%	32.2%	24.2%	11.5%	8.2% 5.5%	5.5%	5.4%

Sources:

Government: National Statistical Office
Economist Intelligence Unit (EIU): Malawi Country Report, March 2025
World Bank: Malawi Economic Monitor, January 2025
International Monetary Fund (IMF): World Economic Outlook, April 2025

6. Monetary policy

1. The Monetary Policy Committee (MPC) held its first meeting of 2025 on 29th and 30th January during which they resolved to maintain the Policy rate at 26.0% and the Lombard rate at 20 basis points above the Policy rate (26.2%).
2. The Committee also retained the Liquidity Reserve Requirement (LRR) ratio at 10.0% for local currency deposits and 3.75% for foreign currency deposits.
3. The MPC noted that inflation slowed down in the fourth quarter of 2024 and is projected to further decline in 2025 to an end-year rate of 22.0%. This is expected to create policy space for possible reduction in interest rates.
4. In the statement, the MPC indicated that RBM is working on measures to incentivise productivity, foreign exchange generation and seal loopholes in foreign exchange management. The RBM will also enhance its engagement with stakeholders to collaboratively implement financial sector reforms and introduce incentives for the real sector.
5. Chart 8 depicts the trend of the Policy rate in relation to inflation rate over the past 2 years. The Policy rate has been below inflation rate since January 2022.



(Data source: Reserve Bank of Malawi, National Statistical Office)

- 6.6. The Market Reference Rate (MRR) was relatively stable in Q1 2025 as the Policy rate remained stable during the period. The MRR averaged 25.1% during the quarter, compared to an average of 25.4% in Q4 2024 and 24.5% in Q1 2024.
- 6.7. Market interest rates are expected to remain stable in the short to medium term in line with expected continued stability in the Policy rate in light of persistent inflation pressures. The next MPC meeting is scheduled for 6th and 7th May 2025. While the RBM expects the projected decline in inflation to create room for interest rate cuts in 2025, the EIU expects the Policy rate to be maintained at 26% throughout 2025 and to start declining from 2026.

7. Economic growth

- 7.1. The IMF projects a decline in global growth from 3.3% in 2024 to 2.8% in 2025 and 3.0% in 2026. The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity.
- 7.2. Government projects a domestic growth rate of 3.2% for 2025 and 4.2% for 2026, up from 1.8% in 2024. The recovery is largely hinged on expected improvements across key sectors, including the agriculture, mining, tourism and construction sectors. Key risks to the outlook are prolonged domestic foreign exchange shortages and a possible slowdown in global economic activity due to escalating tensions.
- 7.3. The EIU, World Bank and IMF project growth rates of 1.6%, 4.2% and 3.5%, respectively, for 2025.

Table 4a: Annual percentage growth rates

Industry	2023	2024e	2025f	2026f
Agriculture, Forestry and Fishing	0.5	-0.2	0.3	5.0
Mining and Quarrying	3.1	4.8	5.6	8.5
Manufacturing	0.1	0.3	3.9	4.7
Utilities	7.4	4.7	5.4	7.0
Construction	5.3	5.5	6.2	4.1
Wholesale and Retail trade	-2.4	-1.6	4.7	5.8
Transport and storage	2.5	2.8	6.1	6.7
Accommodation and food services	5.3	5.9	8.6	5.6
Information and communication	3.0	3.4	6.2	4.0
Financial and Insurance activities	3.1	4.4	5.5	4.3
Real estate activities	1.5	2.1	4.8	6.8
Professional and support services	1.3	4.0	7.8	6.7
Public administration and defense	3.3	4.1	4.4	4.1
Education	3.0	4.6	5.0	5.1
Human health and social work activities	2.5	3.7	4.1	4.2
Other services	4.5	4.2	6.5	4.3
GDP in 2017 constant prices	1.9	1.8	3.2	4.2

Source: Government Annual Economic Report 2025 - March 2025

	2023	2024e	2025f	2026f	2027f	2028f	2029f
Real GDP growth	1.6	1.3	1.6	2.3	2.5	2.8	3.0
Agriculture	1.0	-1.0	1.3	1.6	1.6	2.3	2.0
Industry	1.4	2.2	2.0	2.2	2.7	2.9	2.9
Services	2.0	2.2	1.6	2.6	2.9	3.0	3.5

Source: Malawi One-click Report - March 2025

	2022	2023e	2024	2025p
GDP at constant market prices (% change)	0.9	1.6	1.8	4.2
Agriculture	-1.0	0.6	-2.0	5.0
Industry	0.9	1.6	2.1	3.3
Services	1.8	2.1	3.3	4.2

Source: Malawi Economic Monitor - January 2025

	2023e	2024f	2025f	2026f	2027f
Real GDP growth	1.5	1.8	3.5	4.3	4.5

Source: IMF World Economic Outlook - April 2025

8. 2025/2026 National Budget

- 8.1. Total government expenditure for the 2025/2026 financial year, which runs from 1st April 2025 to 31st March 2026, is programmed at K8.05 trillion, representing 31.1% of GDP. Of the total expenditure, recurrent expenses are estimated at K6.04 trillion, representing 23.3% of GDP and 75.0% of total expenditure. Development Expenditure is estimated at K2.01 trillion, of which K1.44 trillion is for foreign financed projects and K578.60 billion is for domestic financed projects.
- 8.2. Total revenue and grants for the 2025/2026 financial year are estimated at K5.58 trillion, representing 21.5% of GDP and 69.3% of the total budget. Domestic Revenues are estimated at K4.44 trillion, representing 17.1% of GDP, of which tax revenues are estimated at K4.33 trillion and other revenues are projected at K106.02 billion. Grants are estimated at K1.14 trillion, of which K1.10 trillion will come from International Organisations and K86.36 billion from Foreign Governments.
- 8.3. The overall balance is estimated at a deficit of K2.47 trillion, which is 9.5% of GDP and 30.7% of the total budget. This deficit will be financed through domestic borrowing amounting to K2.33 trillion, representing 9.0% of GDP and K145.78 billion from foreign sources.

Table 5a: Summary of proposed 2025/2026 national budget

Category	2025/26 Proposed Estimates (K'billions)	% of Total Budget	% of GDP
Revenue and Grants	5,580	69.3%	21.5%
Domestic Revenue	4,440	55.2%	17.1%
Tax Revenue	4,330	53.8%	
Other Revenue	106	1.3%	
Grants	1,140	14.2%	
From Foreign Governments	86	1.1%	
From International Organisations	1,100	13.7%	
Expenditure	8,050	100.0%	31.1%
Recurrent Expenses	6,040	75.0%	23.3%
Wages and Salaries	1,530	19.0%	5.9%
Pensions and Gratuities	170	2.1%	
Public Debt Interest	2,170	27.0%	8.4%
Foreign Debt Interest	61	0.8%	
Domestic Debt Interest	2,110	26.2%	
Net Acquisition of Non-Financial Assets	2,010	25.0%	
Foreign financed projects (Part I)	1,440	17.9%	
Domestic financed projects (Part II)	579	7.2%	
Net Lending/ Net Borrowing	2,470	30.7%	9.5%
Total Financing	2,470	30.7%	9.5%
Foreign Financing (net)	146	1.8%	
Domestic Borrowing (net)	2,330	28.9%	9.0%

Table 5b: Key sector allocations

Sector	Allocated amount (K' billion)	Percentage of total budget
Education and Skills Development	1,300.0	16.1%
Health and Population	741.1	9.2%
Agriculture Sector and Irrigation Development	693.3	8.6%
Transport, Public Works, and ICT Infrastructure	422.3	5.2%
Lands and Housing	39.1	0.5%
Youth and Sports Development	30.9	0.4%
Environment and Climate Change Management	28.4	0.4%
Mining	14.2	0.2%
Trade and Industrial Development	14.0	0.2%
Tourism	13.9	0.2%
Other sectors	4,752.9	59.0%
Total budget	8,050.0	100%

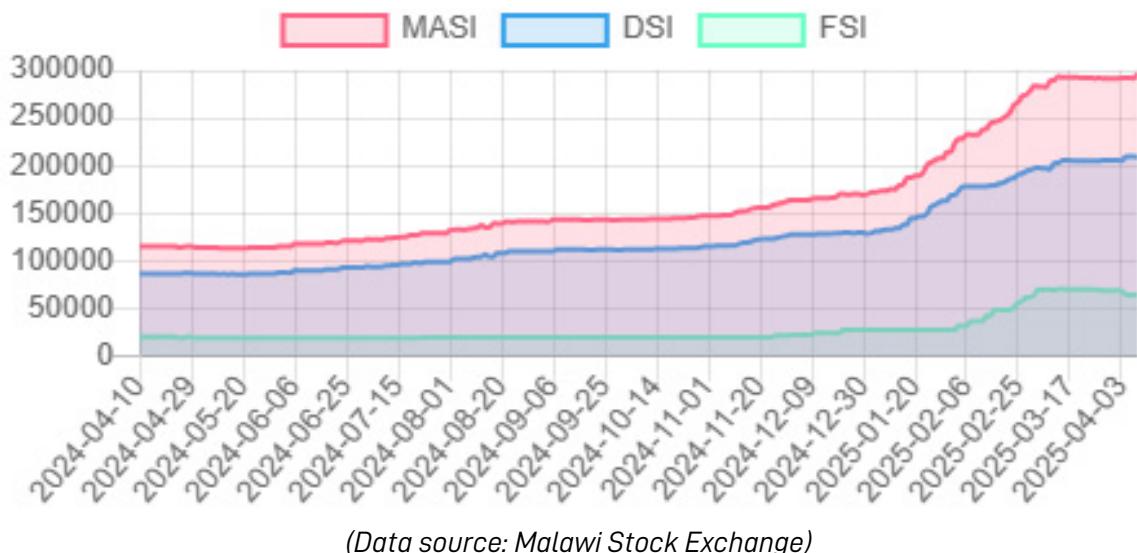
9. Stock market performance

- The Malawi Stock Exchange (MSE) registered a positive return on the Malawi All Share Index of 69.52% (69.52% in USD terms) in Q1 2025 higher than the return of 2.96% (-0.04% in USD terms) that was registered in the corresponding period in 2024
- The Domestic Share Index (DSI) registered a positive return of 56.52% and the Foreign Share Index (FSI) registered a positive return of 148.16% during the month.
- Top five gainers were FMBCH (149.46%), FDHB (112.64%), NBS (99.90%), NICO (85.40%) and NBM (79.08%). Top losers were ICON (-0.55%) and TNM (-0.24%).
- The market also registered an increase in both total volume of shares traded (91.6% year on year) and total value traded (343.34% in Kwacha terms and 333.33% in USD terms). The market transacted a total of 103.34 million shares at a total consideration of K39.51 billion (USD22.79 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 K8.91 billion (USD5.26 million) in 2,516 trades.
- Table 6 shows performance of individual companies in Q1 2025 and Chart 9 shows a graphical analysis of the Malawi All Share Index (MASI), Domestic Share Index (DSI) and Foreign Share Index (FSI) over the past year.

Table 6: Share trading summary							
Company	31-Mar-25	31-Dec-24	31-Mar-24	31 Mar 2025 - 31 Dec 2024 (quarterly) price change (%)	31 Mar 2025 - 31 Mar 2024 (year-on-year) price change (%)	P/E ratio as at 31 Mar 2025	P/BV ratio as at 31 Mar 2025
Market indices							
MASI	291,644.54	172,039.93	114,236.98	69.52%	155.30%		
DSI	205,607.20	131,362.56	86,761.71	56.52%	136.98%		
FSI	68,836.03	27,738.47	19,012.48	148.16%	262.06%		
Gainers							
FMBCH	1,384.50	555.00	380.00	149.46%	264.34%	56.45	14.71
FDHB	315.19	148.23	65.07	112.64%	384.39%	29.37	22.33
NBS	347.97	174.07	109.90	99.90%	216.62%	34.47	20.25
NICO	776.87	419.02	199.67	85.40%	289.08%	26.06	8.90
NBM	6,200.10	3,462.17	2,400.02	79.08%	158.34%	40.07	14.02
NITL	634.98	440.00	411.49	44.31%	54.31%	2.88	1.16
AIRTEL	128.24	90.00	50.08	42.49%	156.07%	(91.46)	(133.00)
ILLOVO	1,791.64	1,355.08	1,350.12	32.22%	32.70%	56.48	8.59
SUNBIRD	300.14	240.08	195.02	25.02%	53.90%	14.95	1.62
STANDARD	7,941.08	6,483.95	3,950.22	22.47%	101.03%	21.58	7.17
PCL	2,875.01	2,499.79	2,506.99	15.01%	14.68%	8.55	1.31
MPICO	19.00	18.53	14.68	2.54%	29.43%	7.98	0.76
OMU	1,950.03	1,950.01	1,500.02	0.001%	30.00%	25.84	2.32
No movement							
BHL	14.55	14.55	13.04	0.00%	11.58%	(107.89)	12.42
Losers							
TNM	24.93	24.99	12.01	-0.24%	107.58%	(52.59)	5.99
ICON	17.95	18.05	16.85	-0.55%	6.53%	6.26	0.99

(Data source: Malawi Stock Exchange)

Chart 9: Malawi Stock Exchange share price indices



(Data source: Malawi Stock Exchange)

10. Conclusions

- 10.1. Inflation pressures remained prevalent in Q1 2025 but are expected to subside in the short term due to expected improvement in food availability in Q2 2025 following the harvest.
- 10.2. Market interest rates were relatively stable in Q1 2025 as the Policy rate was unchanged during the quarter. It is expected that the interest rates will remain stable in the short term as the Policy rate remains stable and inflation pressure subsides.
- 10.3. The Kwacha was also relatively stable against the USD during the quarter, although foreign exchange shortages remained prevalent. A modest improvement in foreign exchange availability is expected in the short-term following the opening of the tobacco marketing season on 9th April 2025. However, the scaling down of aid and the introduction of import tariffs by the United States Government could add some unfavourable pressure on the forex market.
- 10.4. The overall performance of the MSE in Q1 2025 was significantly better than that of the corresponding period in 2024. The stock market registered a positive return on the Malawi All Share Index of 69.52% and an increase in total value and volume traded shares.
- 10.5. The government expects an increase in real GDP growth rate to 3.2% in 2025 and 4.2% in 2026 from 1.8% in 2023, supported by expected improvements in the key sectors such as agriculture, mining, tourism and construction. The EIU, however, expects the country's economic growth to remain subdued at 1.6% in 2025.



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➤ Our contacts

Head Office:

CDH House
5 Independence Drive
PO Box 1444,
Blantyre, Malawi

Tel: +265 (0) 111 8212300

Fax: +265 (0) 111 822 826

Email: info@cdh-malawi.com

Website: www.cdh-malawi.com

Banking Centres

Blantyre Banking Centre
5 Independence Drive
PO Box 1444
Blantyre, Malawi

Tel: +265 (0) 111 822 300
Fax: +265 (0) 111 822 826

Capital City Banking Centre

CDH Investment Bank Centre
PO Box 30545
Lilongwe 3, Malawi

Tel: +265 (0) 111 776 176 / 776 194 / 772 178
Fax: +265 (0) 111 776 188

Lilongwe Banking Centre
City Mall
Mchinji Roundabout
PO Box 30545,
Lilongwe 3, Malawi

Tel: +265 (0) 111 753 464 / 753 840
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