




Quarterly
economic
review

2026
First quarter



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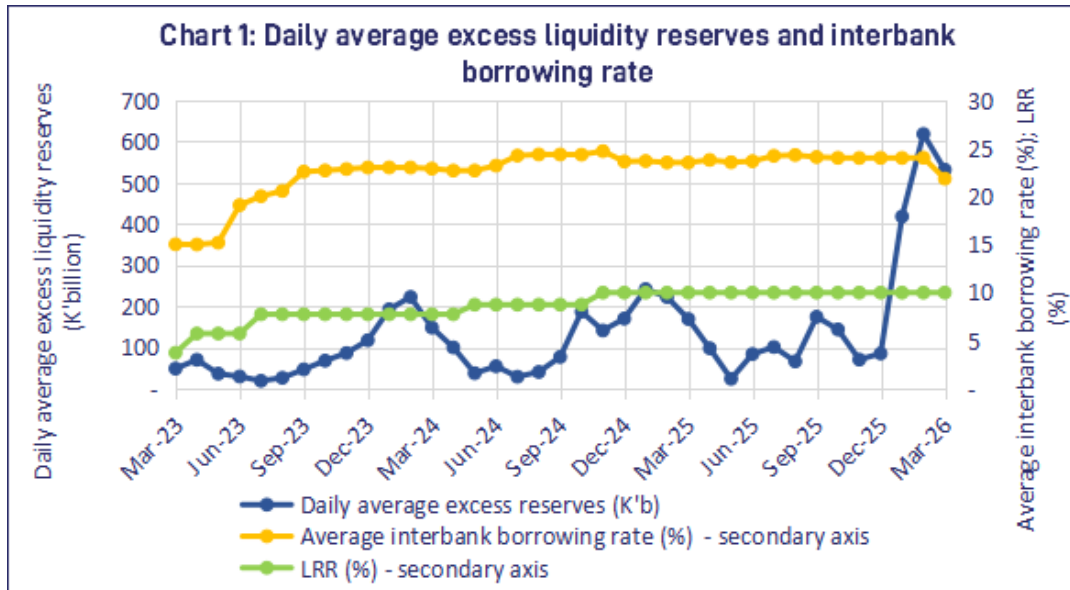
Economic review - first quarter 2026

1. Executive summary

- 1.1 The Monetary Policy Committee cut the Policy rate in March 2026 by 200 basis points to 24.0% from 26.0%.
- 1.2 Market interest rates and yields on Government securities declined in Q1 2026 as Government aimed to reduce interest payments on public debt and following a reduction in the Policy rate.
- 1.3 The level of liquidity on the interbank market increased in the first quarter of 2026 (Q1 2026) compared to the fourth quarter of 2025 (Q4 2025) and the first quarter of 2025 (Q1 2025).
- 1.4 The Kwacha was relatively stable against the United States Dollar (USD) during the quarter but depreciated in average terms 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 K1,750.37 per USD, from K1,749.00 per USD as of 31st December 2025.
- 1.5 Foreign exchange shortages remained prevalent during the quarter.
- 1.6 Inflation pressures subsided in Q1 2026, with the headline inflation rate decreasing to an average of 24.3% in Q1 2026 from 27.7% in Q4 2025 and 29.9% in Q1 2025, mainly on account of a decrease in food inflation rate. The headline inflation rate closed at 23.8% in March 2026 from 26.0% in December 2025 and 30.5% in March 2025. The Reserve Bank of Malawi (RBM) projects a decline in overall inflation rate in 2026 to an average of 24.8% in 2026 from 28.4% in 2025.
- 1.7 The Government projects an increase in annual real GDP growth rate from 2.7% in 2025 to 3.8% in 2026 and 4.9% in 2027, supported by expected improved performance in sectors such as agriculture, tourism, mining, and manufacturing. The International Monetary Fund (IMF), the World Bank and the Economist Intelligence Unit (EIU) project growth rates of 2.2%, 2.3% and 2.0%, respectively, for 2026.
- 1.8 The 2026/2027 National Budget is estimated at K10.98 trillion against estimated revenue of K8.13 trillion. Fiscal deficit is estimated to amount to K2.85 trillion (26% of total budget) and will be financed by net foreign borrowing of K190.35 billion and net domestic borrowing of K2.66 trillion.
- 1.9 The stock market registered a negative return of -3.80% on the Malawi All Share Index (MASI) in Q1 2026, compared to a positive return of 69.52% registered in the corresponding period in 2025.

2. Interbank market

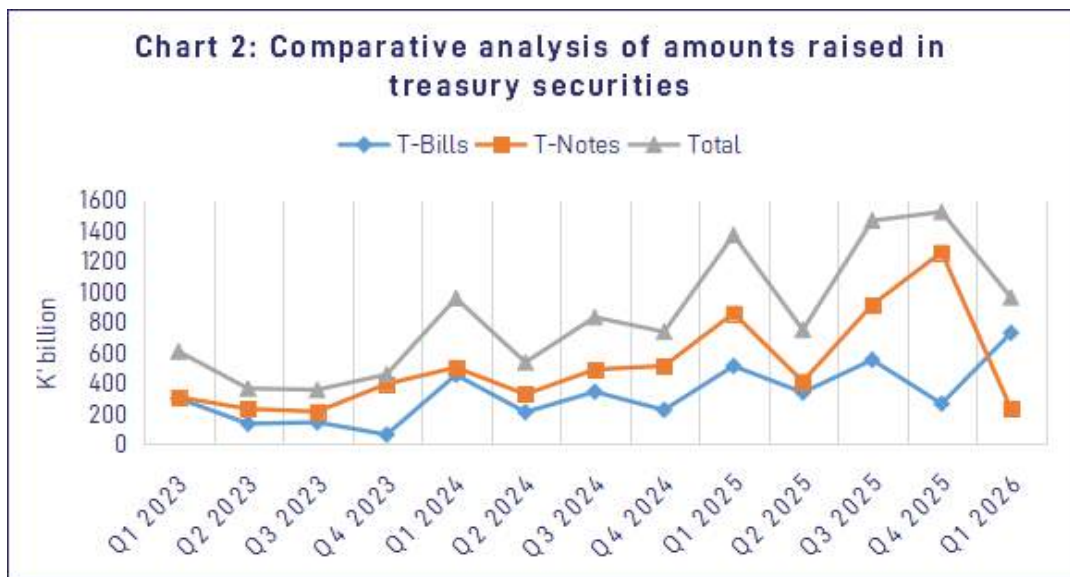
- 2.1 Liquidity conditions in the banking system increased in Q1 2026 compared to the levels registered in Q4 2025 and Q1 2025. The banks' daily excess liquidity reserves held with RBM averaged K522.50 billion in Q1 2026 compared to an average of K100.22 billion in Q4 2025 and K211.32 billion in Q1 2025. The increased liquidity during the quarter resulted from the Government scaling down issuance of Treasury securities in January and February 2026.
- 2.2 The volume traded among banks on the interbank market decreased in nominal terms to an average of K75.72 billion per day in Q1 2026 from a daily average of K123.37 billion per day in Q4 2025 and K116.53 billion per day in Q1 2025.
- 2.3 Funds accessed through the Lombard Facility of the RBM amounted to K149.00 billion in Q1 2026, decreasing from a total of K2.65 trillion in Q4 2025 and K3.52 trillion in Q1 2025, in line with the increased liquidity in the banking system.
- 2.4 The interbank borrowing rate decreased to an average of 19.89% in Q1 2026 from an average of 24.00% in Q4 2025 (23.61% in Q1 2025) as yields of Government securities and the Policy rate declined, coupled with higher liquidity levels in the banking system. The Lombard rate was at 26.2% in January and February 2026 but decreased to 24.20% in March 2026 (26.20% in Q4 2025 and Q1 2025), following a reduction in the Policy rate from 26.0% to 24.0% on 5th March 2026.
- 2.5 Chart 1 shows the increase in liquidity levels in Q1 2026 compared to the previous quarter. The chart also shows that the interbank borrowing rate decreased during the quarter.



(Data source: Reserve Bank of Malawi)

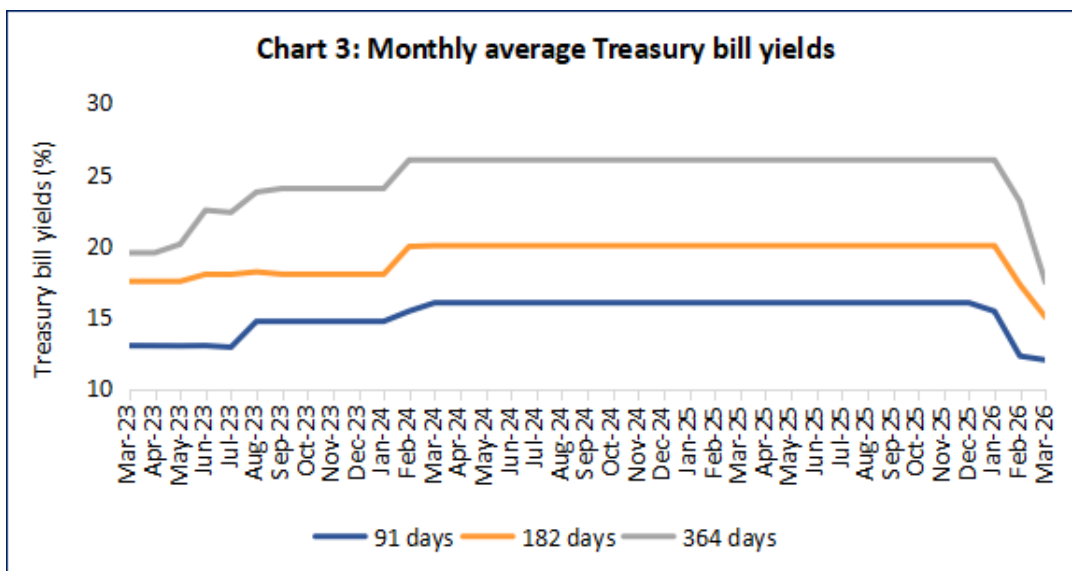
3. Government securities

- 3.1 The Government raised K729.57 billion in auctions of Treasury Bills (TB) during Q1 2026, representing an increase of 175.66% from K264.66 billion raised in Q4 2025, and an increase of 42.40% when compared to K512.33 billion that was raised in Q1 2025. Rejection rate was 61.56% during the quarter.
- 3.2 K232.65 billion was raised in auctions of a 2-year Treasury Note (TN) in Q1 2026, representing a nominal decrease of 81.52% when compared to K1.26 trillion raised from auctions of Treasury Notes and Bonds in Q4 2025, and a decrease of 72.91% from K858.67 billion that was raised in Q1 2025.
- 3.3 Overall, the total amount raised by Government in the domestic market through issuance of Treasury securities (Treasury Bills, Treasury Notes and Development Bonds combined) decreased to K962.21 billion in Q1 2026 from K1.52 trillion in Q4 2025 (representing a decrease of 36.84%), and K1.37 trillion in Q1 2025 (representing a decrease of 29.82%) as shown in Chart 2:

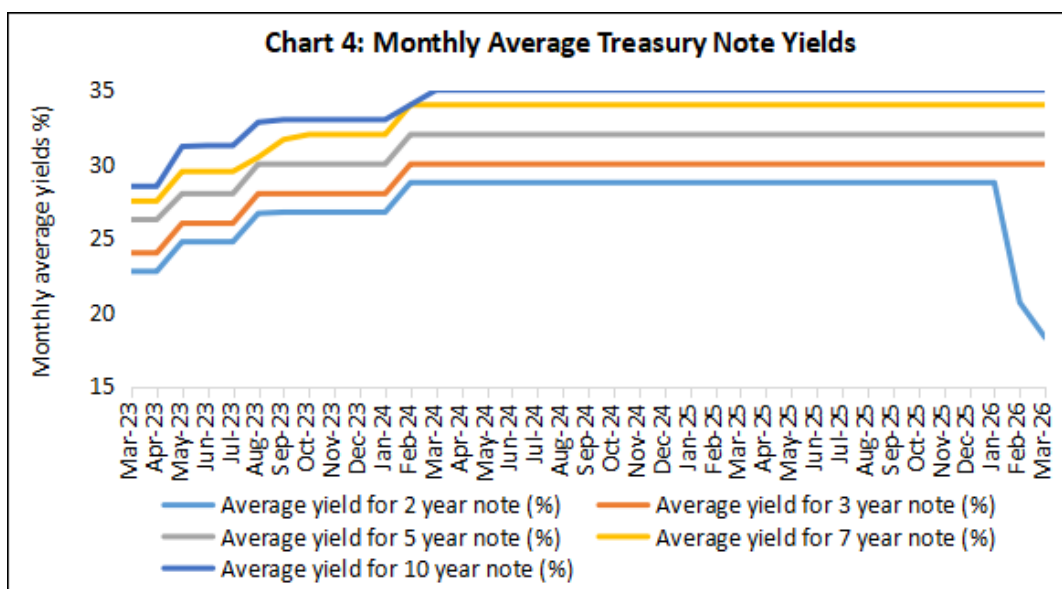


(Data source: Reserve Bank of Malawi)

3.4 Yields to maturity (ytm) on Government securities decreased during the quarter, with 91-day, 182-day and 364-day Treasury Bill yields averaging 13.22%, 17.42% and 22.17%, respectively, giving an all-type average Treasury Bill yield of 17.61%. This is compared to the average of 16.00%, 20.00% and 26.00%, for the 91-day, 182-day and 364-day Treasury Bill yields, respectively, and 20.67% for the all-type average Treasury Bill yield registered in Q4 2025 and Q1 2025. Charts 3 and 4 and Table 1 below show the decrease in Treasury Bill yields during the quarter.



(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 2026 average yield	22.56%	30.00%	32.00%	34.00%	35.00%
Q4 2025 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q3 2025 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q2 2025 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
Q1 2025 average yield	28.75%	30.00%	32.00%	34.00%	35.00%
2025 annual average yield	28.75%	30.00%	32.00%	34.00%	35.00%
2024 annual average yield	28.58%	29.83%	31.83%	33.83%	34.75%
2023 annual average yield	24.90%	26.17%	28.23%	29.72%	30.91%
%pt. increase: Q1 2026 vs Q4 2025	-6.19	0	0	0	0
%pt. increase: Q1 2026 vs Q1 2025	-6.19	0	0	0	0

(Data source: Reserve Bank of Malawi)

- 3.5 Looking ahead, the yields on Treasury securities are expected to continue declining, especially on the longer range of the yield curve as the Government aims to reduce interest payments.

4. Foreign exchange market

- 4.1 The Kwacha was broadly stable against the USD in Q1 2026.
- 4.2 The Malawi Kwacha to USD telegraphic transfer (TT) exchange rate closed the quarter at K1,750.37 per USD, increasing marginally from K1,749.00 per USD as at the end of Q4 2025, representing a marginal depreciation of 0.08% of the Kwacha.
- 4.3 However, during the same period, the Kwacha appreciated against the GBP, EUR and ZAR by 1.60%, 1.87% and 2.97%, respectively, as shown in Table 2a below.
- 4.4 In terms of TT quarterly averages, as Table 2b indicates, in Q1 2026 the Kwacha depreciated against USD, GBP, EUR and ZAR by 0.01%, 1.51%, 0.62% and 4.82%, respectively, compared to averages for Q4 2025.

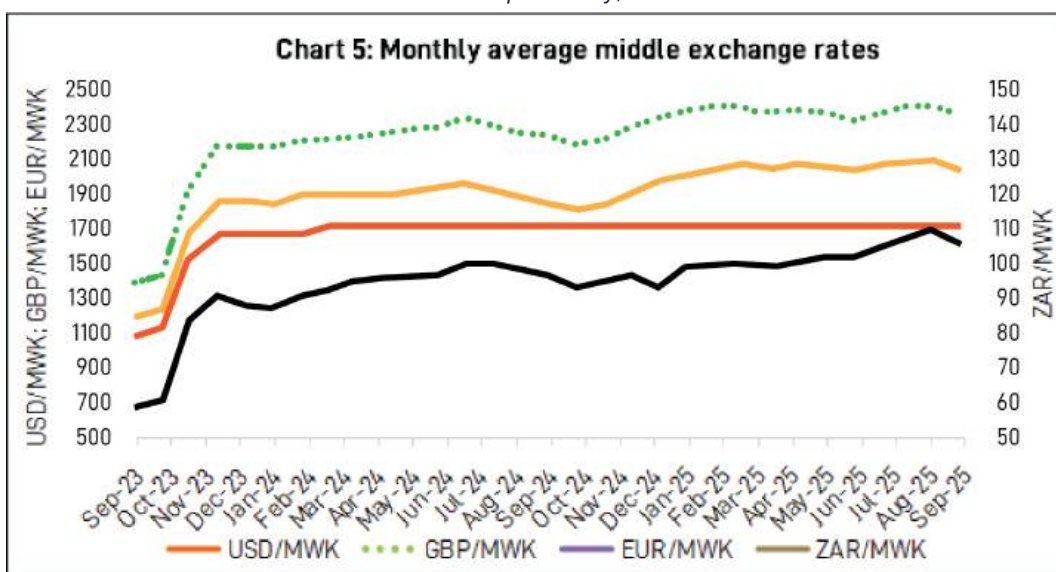
Table 2a: End period TT Middle exchange rates

Currency	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25	Mar 2026 - Dec 2025 Change	Mar 2026 - Dec 2025 Change
USDMWK	1750.37	1749.00	1750.37	1750.48	1750.25	↓ 0.08%	↓ 0.01%
GDPMWK	2377.41	2416.04	2423.25	2473.04	2329.61	↑ -1.60%	↓ 2.05%
EURMWK	2068.11	2107.54	2103.32	2112.11	1945.35	↑ -1.87%	↓ 6.31%
ZARMWK	104.56	107.87	103.37	101.31	98.15	↑ -2.97%	↓ 6.63%

Currency	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25	Mar 2026 - Dec 2025 Change	Mar 2026 - Dec 2025 Change
USDMWK	1750.81	1750.01	1750.39	1750.53	1749.25	↓ 0.01%	↓ 0.01%
GDPMWK	2427.98	2391.84	2427.25	2405.82	2269.74	↓ 1.51%	↓ 6.97%
EURMWK	2109.45	2096.54	2104.31	2047.13	1896.15	↓ 0.62%	↓ 11.25%
ZARMWK	109.80	104.75	101.76	98.71	97.00	↓ 4.82%	↓ 13.21%

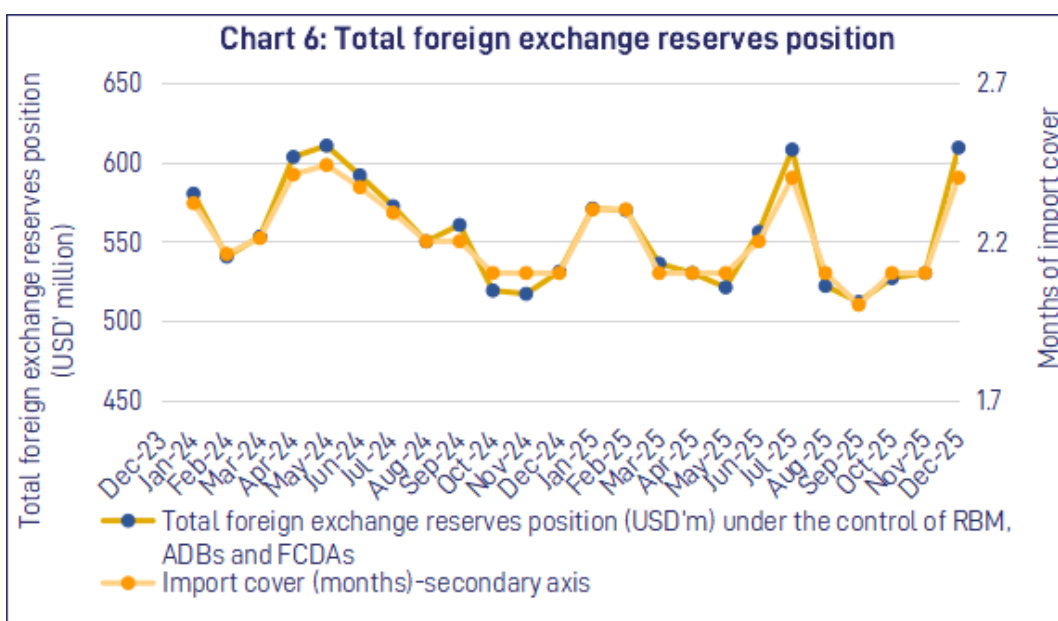
(Data source: Reserve Bank of Malawi)

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



(Data source: Reserve Bank of Malawi)

4.5 Foreign exchange shortages remained prevalent during Q1 2026. Total (official and private sector) foreign exchange reserves stood at USD608.90m (2.40 months of imports) at the end of December 2025.



(Data source: Reserve Bank of Malawi)

- 4.6 Looking forward, a moderate improvement in forex reserves is expected in the short to medium term as the tobacco selling season opens on 20th April 2026. This year's tobacco production is estimated at 197 million kilograms against buyer demand of 170 million kilograms.
- 4.7 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.
- 4.8 The EIU expects the USD/MWK exchange rate to remain broadly stable in 2026 but gradually increase to an average of K1,853 per USD in 2027 and K2,792 per USD in 2030.

5. Inflation

- 5.1 Inflation declined during the quarter under review. The year-on-year overall inflation rate averaged 24.3% during Q1 2026, representing a decrease of 3.4 percentage points from an average of 27.7% in Q4 2025 and a decrease of 5.6 percentage points when compared to an average of 29.9% during Q1 2025. The decrease in overall inflation in Q1 2026 relative to Q4 2025 was on account of a decrease in the average year-on-year food inflation rate to 21.0% during Q1 2026 from an average of 29.7% in Q4 2025 (37.4% in Q1 2025), while the average year-on-year non-food inflation rate increased to 30.2% in Q1 2026 from an average of 24.4% in Q4 2025 (18.2% in Q1 2025).
- 5.2 At the end of the quarter, the year-on-year overall inflation rate stood at 23.8% in March 2026, compared to 26.0% in December 2025 and 30.5% in March 2025.
- 5.3 Chart 7 depicts the trend of inflation rates in the past three years.



(Data source: National Statistical Office)

- 5.4 Looking ahead, in the short term, an upward pressure on inflation is expected to emanate from the recent upward adjustment in fuel prices. However, this could be partly offset by an expected decrease in food prices as the harvest period commences.
- 5.5 In the medium to long term, Inflation is generally expected to decline in 2026 relative to 2025, with the RBM projecting an annual average headline inflation rate of 24.8% in 2026 from 28.4% in 2025, and the IMF, World Bank and EIU projecting 24.4%, 22.0% and 25.7%, respectively.

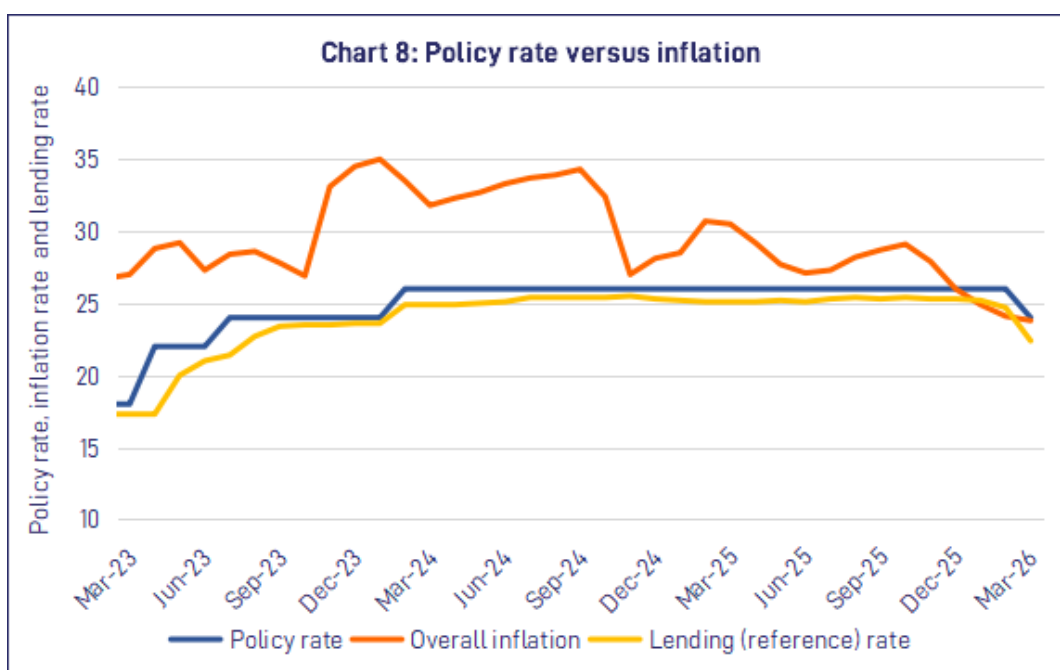
- 5.6 Key risks to the inflation outlook include fiscal challenges and volatile international oil prices and supply chain disruptions caused by geopolitical tensions which could adversely affect the domestic economy.

Table 3: Projected annual average inflation rates							
	2024	2025	2026f	2027f	2028f	2029f	2030f
RBM	32.2%	28.4%	24.8%				
IMF		28.4%	24.4%	22.0%			
EIU	32.2%	28.4%	25.7%	24.1%	26.2%	25.4%	24.3%
World Bank			22.0%				

Sources:
RBM: First Monetary Policy Statement of 2026, March 2026
IMF: World Economic Outlook - April 2026
EIU: One-click report: Malawi - March 2026
World Bank: Malawi Economic Monitor, February 2026

6. Monetary policy

- 6.1 The Monetary Policy Committee (MPC) held its first meeting of 2026 on 4th and 5th March 2026. During the meeting, the MPC decided to reduce the Policy rate by 200 basis points to 24.0% from 26.0%, stating that this is a cautious and measured adjustment reflecting the improving inflation outlook.
- 6.2 The Lombard rate was maintained at 20 basis points above the policy rate. Effectively, it was reduced to 24.2% from 26.2%.
- 6.3 The Liquidity Reserve Requirement Ratio (LRR) was maintained at 10.0% for local currency deposits and 3.75% for foreign currency deposits.
- 6.4 Chart 8 depicts the trend of the Policy rate in relation to inflation rate over the past 2 years.



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

- 6.5 The Market Reference Rate (MRR) declined in Q1 2026 as the Policy rate and other market interest rates declined during the period. The MRR averaged 24.1% during the quarter, compared to an average of 25.3% in Q4 2025 and 25.1% in Q1 2025.
- 6.6 Market interest rates are likely to continue decreasing in the short-term following the reduction in the Policy rate and as yields on Government securities continue to fall, with Government aiming to reduce interest payments on domestic debt.
- 6.7 The next MPC meeting is scheduled for 29th and 30th April 2026. The decision will be announced on 30th April 2026.
- 6.8 The 2026/2027 National budget assumes a fiscal year end Policy rate of 18% if inflation continues to decline.

7. Economic growth

- 7.1 According to the International Monetary Fund (IMF) April 2026 World Economic Outlook, the global outlook has abruptly darkened following the outbreak of war in the Middle East at the end of February 2026.
- 7.2 Over the past year, headwinds from higher trade barriers and elevated uncertainty have been offset by tailwinds from technology-related investment; accommodative financial conditions, including a weaker US dollar; and fiscal and monetary policy support. The Middle East conflict presents a significant counterforce to these tailwinds through its impact on commodity markets, inflation expectations, and financial conditions.
- 7.3 In view of the Middle East conflict, if the war turns out to be short-lived, the IMF expects global growth to be 3.1% in 2026 and 3.2% in 2027, slower than its recent pace of about 3.4% in 2024–25, and to settle at about that rate in the medium term, slower than its historical (2000–19) average of 3.7%.
- 7.4 Advanced economies are expected to grow by 1.8% in 2026 and 1.7% in 2027, from 1.9% in 2025. Emerging markets and developing economies are expected to grow by 3.9% in 2026 and 4.2% in 2027, from 4.4% in 2025. Sub-Saharan Africa is projected to grow by 4.3% in 2026 and 4.4% in 2027 from 4.5% in 2025.
- 7.5 For Malawi, the RBM expects real GDP to grow by 3.8% in 2026 from 2.7% in 2025. Growth is expected to emanate from improved performance in sectors such as agriculture, tourism, mining, and manufacturing. For 2027, the Government projects a growth rate of 4.9%.
- 7.6 The IMF projects a growth rate of 2.2%, the World Bank projects a growth rate of 2.3% and the EIU projects a growth rate of 2.0% in 2026 for Malawi.
- 7.7 Major constraints to Malawi's growth outlook include persistent foreign-exchange shortages, elevated inflationary pressures, fiscal challenges and spillover effects of geopolitical tensions.

Table 4a: Malawi Government projections

	2024	2025	2026f	2027f
Real GDP growth	1.7	2.7	3.8	4.9

Source: Monetary Policy Statement, March 2026, & 2026/2027 National Budget

Table 4b: IMF projections

	2023	2024	2025	2026f	2027f
Real GDP growth	1.9	1.7	2.1	2.2	2.4

Source: IMF World Economic Outlook - April 2026

Table 4c: World Bank Projections

	2025e	2026f	2027f
GDP at constant market prices (% change)	1.9	2.3	2.7

Source: Malawi Economic Monitor - February 2026

Table 4d: Projections by the Economist Intelligence Unit

	2025e	2026f	2027f	2028f	2029f	2030f
Real GDP growth	1.6	2.0	1.8	2.6	2.9	2.9
Agriculture	1.3	1.6	1.6	2.3	2.8	3.3
Industry	2.0	2.2	2.7	2.9	2.9	3.0
Services	1.6	2.6	2.9	3.0	3.2	2.7

Source: Malawi Country Report - March 2026

8. 2026/2027 National Budget

- 8.1 The 2026/27 National Budget which runs for a 12-month period from 1st April 2026 to 31st March 2027, was passed by Parliament on 24th March 2025.
- 8.2 **Total revenue and grants** is estimated at K8.13 trillion, representing 74% of total budget, 25.8% of GDP and an increase of 48.8% from the 2025-26 revised figure of K5.46 trillion.
- 8.2.1 **Domestic revenue** is estimated at K6.45 trillion, representing 20.5% of GDP and an increase of 44.1% from the 2025-26 Mid-Year revised figure of K4.48 trillion. This is on account of revenue enhancement measures.
- 8.2.2 **Grants from International Organizations and Foreign Governments** is estimated at K1.67 trillion representing an increase of 70.1% from the 2025-26 mid-year revised figure of K983.0 billion.
- 8.3 **Total expenditure** is estimated at K10.98 trillion, which is 34.8% of GDP representing an increase of 27.8% from the 2025-26 mid-year revised figure of K8.59 trillion.
- 8.3.1 **Recurrent expenditure:** K7.58 trillion representing 69.1% of total budget.
- 8.3.2 **Development expenditure:** K3.40 trillion representing 30.9% of total budget.
- 8.3.3 **Public debt interest:** K2.79 trillion, representing an increase of 22.9% from the 2025-26 mid-year revised figure of K2.27 trillion, largely due to past committed debt.
- 8.4 **Expected deficit** is estimated at K2.85 trillion, representing 26% of total budget. The expected deficit to GDP ratio is expected to improve to 9.0% from 11.9% in 2025-26 budget.
- 8.5 Below is a summary of the 2026/2027 budget relative to estimated end-of-year outturn for the 2025/2026 fiscal year:

Table 5: 2026/27 National budget framework - in million Kwacha

Category	2025/26 Likely out- turn	2026/27 Proposed estimates	Variance	Percentage of total budget
Total Revenue and Grants	5,528,142	8,126,029	47%	74%
Domestic Revenue	4,545,140	6,453,957	42%	59%
Tax Revenue	4,391,574	6,203,436	41%	
Other Revenue	153,566	250,521	63%	
Grants	983,002	1,672,072	70%	15%
From Foreign Governments	109,024	182,986	68%	

From International Organisations	873,978	1,489,086	70%	
Expenditure	8,430,928	10,978,491	30%	100%
Recurrent Expenses	6,667,511	7,581,180	14%	69%
Compensation of Employees	1,691,247	1,994,845	18%	
Wages and Salaries	1,634,681	1,922,845	18%	
Government Contributory Pension	56,566	72,000	27%	
Public Debt Interest	2,328,070	2,792,674	20%	25%
Foreign interest	61,176	64,467	5%	
Domestic interest	2,266,895	2,728,207	20%	
Use of Goods and Services	1,449,556	1,502,910	4%	
Grants	545,203	867,841	59%	
Social Benefits	607,697	414,463	-32%	
Fertilizer Input Subsidy Program	241,070	111,450	-54%	
Pensions and Gratuities	362,213	296,013	-18%	
Social Cash Transfer - Government	4,415	7,000	59%	
Other Statutory expenditures	45,736	8,446	-82%	
Development Expenditure	1,763,418	3,397,312	93%	31%
Foreign financed projects (Part I)	1,256,026	2,033,900	62%	
Domestic financed projects (Part II)	507,391	1,363,412	169%	
Net Lending/ Net Borrowing	-2,902,786	-2,852,462	-2%	-26%
Total Financing	2,902,786	2,852,462	-2%	26%
Foreign Financing (net)	189,190	190,351	1%	2%
Domestic Borrowing (Net)	2,713,597	2,662,112	-2%	24%

- 8.6 Key sector allocations of the budget include the following:
- 8.6.1 Education and Skills Development: K1.28 trillion (11.7% of total budget)
 - 8.6.2 Health: K1.02 trillion (9.2% of total budget)
 - 8.6.3 Agriculture: K931.1 billion
 - 8.6.4 Tourism and Manufacturing: K51.2 billion
 - 8.6.5 Energy and Mining: K352 billion
 - 8.6.6 Transport and ICT Infrastructure: K664.4 billion

9. Stock market performance

- 9.1 The Malawi Stock Exchange registered a negative return on the Malawi All Share Index of -3.80% (-3.80% in USD terms) in Q1 2026, compared to a return of 69.52% (69.52% in USD terms) registered in the corresponding period in 2025.
- 9.2 The Domestic Share Index (DSI) registered a negative return of -0.43% and the Foreign Share Index (FSI) registered a negative return of -14.21% during the quarter.

- 9.3 Only three companies registered capital gains: Sunbird (129.98%), Illovo (26.54%) and Old Mutual (OMU) (22.69%). The rest registered capital losses.
- 9.4 The market registered an increase of 15.37% in total value traded despite registering a decrease of -12.49% in total volume of shares traded when compared to the corresponding period in 2025. The market transacted a total of 90.43 million shares at a total consideration of K45.58 billion (USD26.29 million) in 11,105 trades in Q1 2026. In the corresponding period in 2025, the market transacted a total of 103.34 million shares at a total consideration of K39.51 billion (USD22.79 million) in 8,903.
- 9.5 There was neither any listing nor a trade on the debt market during Q1 2026.
- 9.6 Table 6 shows performance of individual companies in Q1 2026 and Chart 9 shows a graphical analysis of the Malawi All Share Index (MASI) in Q1 2026 relative to Q1 2025 and Q1 2024.

Table 6: Share trading summary							
Company	31-Mar-26	31-Dec-25	31-Mar-25	31 Mar 2026 - 31 Dec 2025 (quarterly) price change (%)	31 Mar 2026 - 31 Mar 2025 (year-on-year) price change (%)	P/E ratio as at 31 Mar 2026	P/BV ratio as at 31 Mar 2026
Market indices							
MASI	575,320.68	598,062.80	291,644.54	↓ -3.80%	↑ 97.27%		
DSI	403,989.25	405,749.03	205,607.20	↓ -0.43%	↑ 96.49%		
FSI	135,842.57	158,350.47	68,836.03	↓ -14.21%	↑ 97.34%		
Gainers							
SUNBIRD	2,248.03	977.50	300.14	↑ 129.98%	↑ 684.99%	55.35	8.41
ILLOVO	2,948.50	2,330.12	1,791.64	↑ 26.54%	↑ 64.57%	27.24	9.77
OMU	4,650.02	3,790.04	1,950.03	↑ 22.69%	↑ 138.46%	26.51	3.43
Losers							
BHL	15.04	15.05	14.55	↓ -0.07%	↑ 3.37%	(64.53)	1.36
MPICO	19.49	19.51	19.00	↓ -0.10%	↑ 2.58%	5.24	0.69
NITL	3,933.79	3,938.51	634.98	↓ -0.12%	↑ 519.51%	17.85	7.20
ICON	15.97	16.00	17.95	↓ -0.19%	↓ -11.03%	4.37	0.73
STANDARD	4,199.98	4,248.41	7,941.08	↓ -1.14%	↓ -47.11%	40.49	14.13
FDHB	592.99	599.89	315.19	↓ -1.15%	↑ 88.14%	55.25	42.01
TNM	30.80	31.46	24.93	↓ -2.10%	↑ 23.55%	35.33	6.85
NICO	1,670.94	1,736.51	776.87	↓ -3.78%	↑ 115.09%	24.20	11.20
NBM	11,289.89	11,995.63	6,200.10	↓ -5.88%	↑ 82.09%	25.99	12.92
AIRTEL	113.06	120.77	128.24	↓ -6.38%	↓ -11.84%	29.11	38.72
NBS	853.51	913.76	347.97	↓ -6.59%	↑ 145.28%	16.51	11.23
PCL	7,820.00	8,728.43	2,875.01	↓ -10.41%	↑ 172.00%	14.54	2.69
FMBCH	2,726.23	3,197.86	1,384.50	↓ -14.75%	↑ 96.91%	34.25	13.33

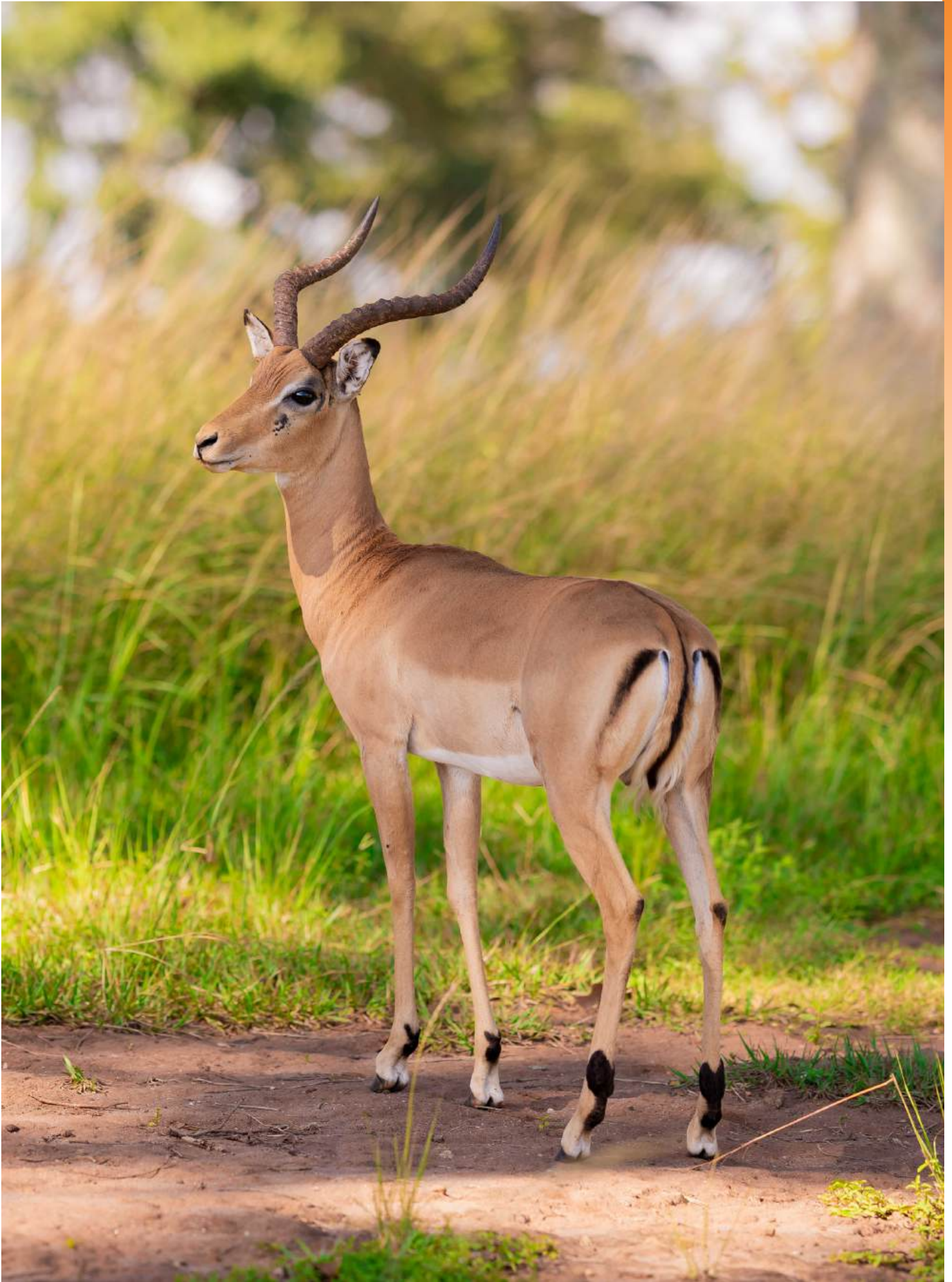
(Data source: Malawi Stock Exchange)

Chart 9: Malawi All Share Index

(Chart source: Malawi Stock Exchange)

10. Conclusions

- 10.1 Inflation pressures subsided in Q1 2026 and could generally continue to subside in the short term due to expected improvement in food availability in Q2 2026 following the harvest.
- 10.2 Market interest rates declined in Q1 2026 as yields on Treasury securities decreased with Government aiming to reduce interest rate payments on public debt. The Policy rate was reduced by 200 basis points on account of declining inflation. It is expected that the interest rates will continue to decline in the short term as yields on Treasury securities continue to fall, especially at the longer end of the yield curve. A key risk to the outlook is the impact of the ongoing conflicts in the Middle East.
- 10.3 The Kwacha was 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 20th April 2026.
- 10.4 The overall performance of the Malawi Stock Exchange (MSE) declined in Q1 2026 relative to the corresponding period in 2025. The stock market registered a negative return on the Malawi All Share Index of -3.8% during the quarter.
- 10.5 The Government expects an increase in real GDP growth rate to 3.8% in 2026 and 4.9% in 2027 from 2.7% in 2024, supported by expected improvements in the key sectors such as agriculture, tourism, mining, and manufacturing. The Internal Monetary Fund (IMF), World Bank and Economist Intelligence Unit (EIU), however, expect lower growth rates of 2.2%, 2.3% and 2.0%, respectively, in 2026.





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