Economic review

Second quarter 2026

Banking innovations that help your business **grow**

INVESTMENT BANK

Important disclaimer:

Contents

Economic review Second quarter 2026

1. Executive summary

1.1 The second quarter of 2026 (Q2 2026) reflected mixed economic performance. Inflation and market interest rates eased, the Kwacha remained broadly stable against the United States Dollar (USD), but growth prospects remained modest, foreign exchange shortages remained prevalent, and the stock market's performance was relatively weak.

1.2 Monetary policy remained cautious. The Policy rate was maintained at 24.0% and the Lombard rate at 24.2%, while the Liquidity Reserve Requirement ratio for local currency deposits was raised to 12.0% from 10.0% to address excess liquidity in the banking system.

1.3 Banking-system liquidity tightened, with daily excess reserves averaging K219.32 billion in Q2 2026, down from K522.50 billion in Q1 2026, mainly due to increased Treasury securities issuance and the higher Liquidity Reserve Requirement ratio.

1.4 Interbank activity moderated, with average daily traded volume falling to K70.66 billion from K75.72 billion in Q1 2026. The interbank borrowing rate also declined to 12.51% from 19.89%, reflecting lower Government securities yields and the earlier Policy rate reduction.

1.5 Government raised K938.82 billion through Treasury securities during the quarter, marginally lower than K962.21 billion raised in Q1 2026. Treasury Bill yields declined, with the all-type average Treasury Bill yield falling to 14.54% in Q2 2026 from 17.61% in Q1 2026, supporting lower market interest rates and reducing Government's borrowing cost.

1.6 The Kwacha remained broadly stable against the United States Dollar (USD), closing at K1,749.93 per USD from K1,750.37 per USD at the end of March 2026. Foreign exchange reserves improved modestly to USD596.50 million, equivalent to 2.40 months of imports, as of May 2026, but foreign exchange shortages remained a key constraint.

1.7 Inflation eased, with headline inflation averaging 22.9% in Q2 2026 from 24.3% in Q1 2026 and 28.0% in Q2 2025, mainly due to lower food inflation. However, non-food inflation rose, and inflation is expected to remain relatively elevated despite projected moderation in 2026.

1.8 Growth prospects remained modest. Government projects real GDP growth of 2.8% in 2026, while the IMF, World Bank and EIU project lower growth of 2.2%, 2.3% and 2.5%, respectively, reflecting risks from foreign exchange shortages, inflationary pressures, fiscal challenges, electricity supply constraints and weather-related shocks.

1.9 The Malawi Stock Exchange weakened further, with the Malawi All Share Index registering a negative return of 8.92% in Q2 2026, while share volume and value traded fell by 46.97% and 59.09%, respectively, compared to Q2 2025.

1.10 Overall, the quarter showed gradual stabilisation in inflation, interest rates and exchange-rate conditions, but the recovery remained fragile due to persistent structural and macroeconomic constraints.

2. Interbank market

2.1 Liquidity conditions in the banking system decreased in Q2 2026 compared to the levels registered in Q1 2026 but increased when compared to the levels registered in Q2 2025. The banks' daily excess liquidity reserves held with RBM averaged K219.32 billion in Q2 2026 compared to an average of K522.50 billion in Q1 2026 and K69.01 billion in Q2 2025. The decrease in liquidity during Q2 2026 relative to Q1 2026 resulted from an increased issuance of Treasury securities in Q2 2026 compared to the previous quarter, as well as an increase in the Liquidity Reserve Requirement (LRR) ratio from 10.0% to 12.0% on 30th April 2026.

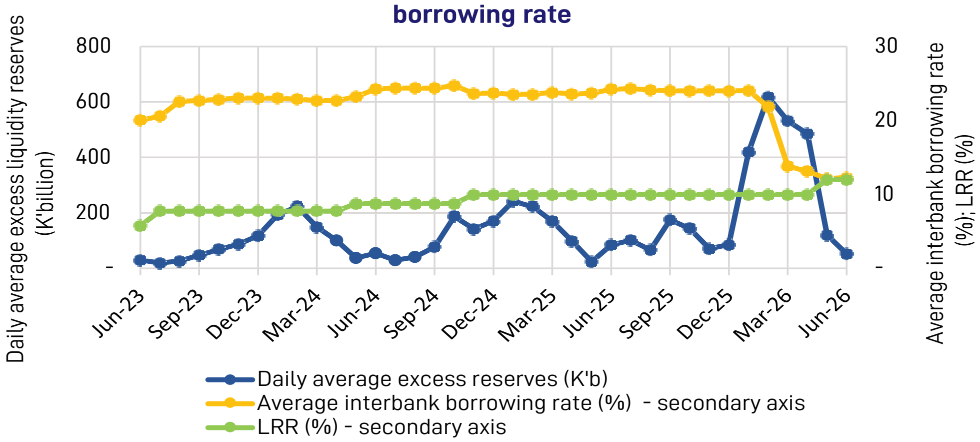
2.2 The volume traded among banks on the interbank market decreased in nominal terms to an average of K70.66 billion per day in Q2 2026 from a daily average of K75.72 billion per day in Q1 2026 and K79.82 billion per day in Q2 2025.

2.3 Funds accessed through the Lombard Facility of the RBM amounted to K2.02 trillion in Q2 2026, increasing from a total of K149.00 billion in Q1 2026 and decreasing from a total of K4.35 trillion in Q2 2025, in line with the decreased liquidity in the banking system during the quarter.

2.4 The interbank borrowing rate decreased to an average of 12.51% in Q2 2026 from an average of 19.89% in Q1 2026 and 23.81% in Q2 2025 reflecting a decrease in yields of Government securities and a lower Policy rate during the quarter compared to the previous quarter. The Lombard rate decreased to 24.2% in Q2 2026 from 26.2% in Q1 2026 (26.20% in Q2 2025), following a reduction in the Policy rate from 26.0% to 24.0% on 5th March 2026.

2.5 Chart 1 shows the decrease in liquidity levels in Q2 2026 compared to the previous quarter. The chart also shows the decrease in the interbank borrowing rate during the quarter.

Chart 1: Daily average excess liquidity reserves and interbank borrowing rate



(Data source: Reserve Bank of Malawi)

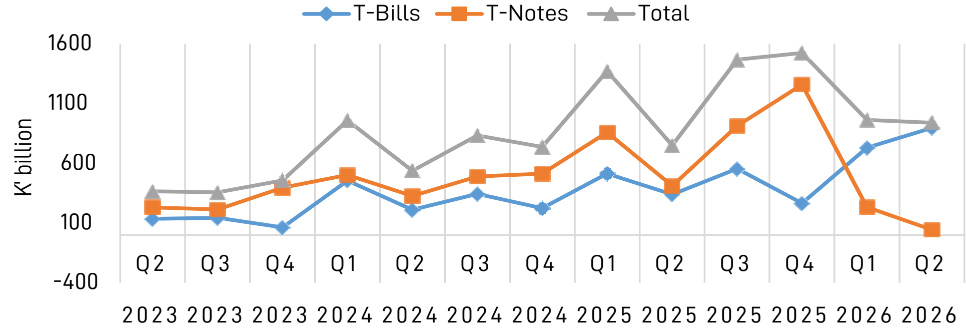
3. Government securities

3.1 The Government raised K894.38 billion in auctions of Treasury Bills (TB) during Q2 2026, representing an increase of 22.59% from K729.57 billion raised in Q1 2026, and an increase of 164.12% when compared to K338.62 billion that was raised in Q2 2025. Rejection rate was 32.70% during the quarter.

3.2 K44.44 billion was raised in auctions of a 2-year Treasury Note (TN) in Q2 2026, representing a nominal decrease of 80.90% when compared to K232.65 billion raised from the auction of a 2-year Treasury Note in Q1 2026, and a decrease of 89.17% from K410.56 billion that was raised from Treasury Notes and bonds in Q2 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 by 2.43% to K938.82 billion in Q2 2026 when compared to K962.21 billion that was raised in Q1 2026 and increased by 25.31% when compared to K749.18 billion that was raised in Q1 2025, as shown in Chart 2:

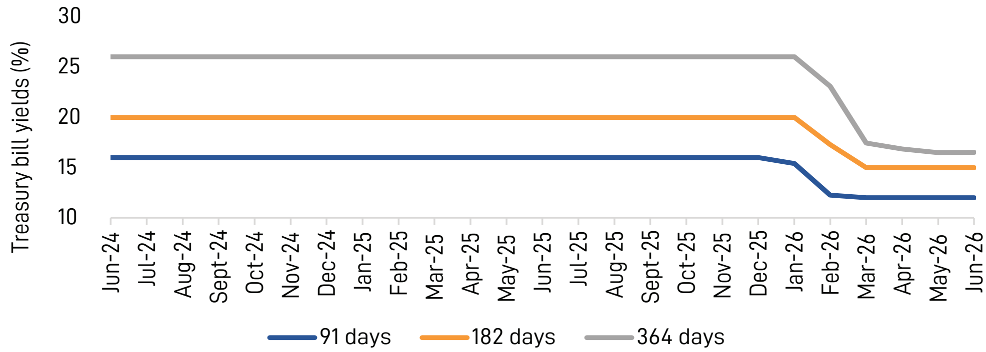
Chart 2: Comparative analysis of amounts raised in treasury securities



(Data source: Reserve Bank of Malawi)

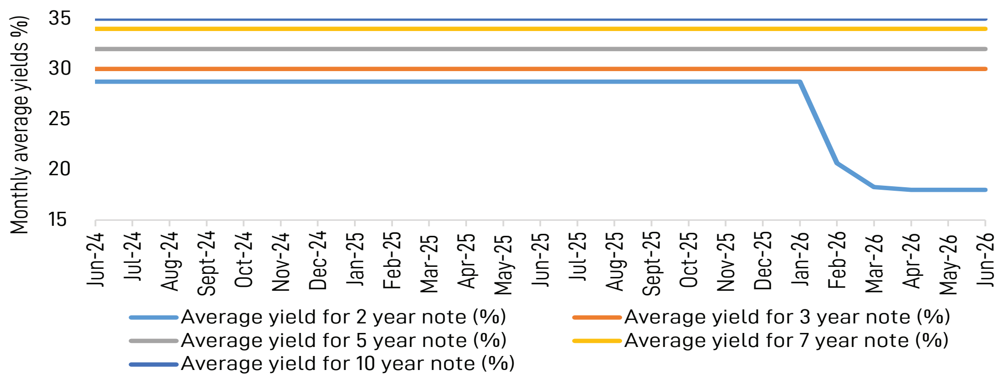
3.4 Yields to maturity on Government securities decreased during the quarter, with 91-day, 182-day and 364-day Treasury Bill yields averaging 12.00%, 15.00% and 16.61%, respectively, giving an all-type average Treasury Bill yield of 14.54%. This is compared to the average of 13.23%, 17.42% and 22.17%, for the 91-day, 182-day and 364-day Treasury Bill yields, respectively, and 17.61% for the all-type average Treasury Bill yield registered in Q1 2026 and Q2 2025. Charts 3 and 4 and Table 1 below show the decrease in Treasury Bill yields during the quarter.

Chart 3: Monthly average Treasury Bill yields



(Data source: Reserve Bank of Malawi)

Chart 4: Monthly Average Treasury Note Yields



(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**
Q2 2026 average yield	18.00%	30.00%	32.00%	34.00%	35.00%
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%
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: Q2 2026 vs Q1 2026	-4.56	0	0	0	0
%pt. increase: Q2 2026 vs Q2 2025	-10.75	0	0	0	0

(Data source: Reserve Bank of Malawi)

3.5 Looking ahead, the yields for Treasury Bills and the 2-year Treasury Note are expected to remain relatively stable in the short to medium term. The yields for longer-dated Treasury Notes are expected to decrease when the Government resumes their issuance.

4. Foreign exchange market

4.1 The Kwacha was broadly stable against the USD in Q2 2026.

4.2 The Malawi Kwacha to USD telegraphic transfer (TT) exchange rate closed the quarter at K1,749.93 per USD, decreasing marginally from K1,750.37 per USD as at the end of Q2 2026, representing a marginal appreciation of 0.03% of the Kwacha.

4.3 During the same period, the Kwacha also appreciated against the EUR by 0.65% but depreciated against the GBP and ZAR by 0.23% and 4.22%, respectively, as shown in Table 2a below.

4.4 In terms of TT quarterly averages, as Table 2b indicates, in Q2 2026 the Kwacha marginally depreciated against USD by 0.01% but appreciated against GBP, EUR and ZAR by 0.54%, 0.66% and 0.77%, respectively, compared to averages for Q1 2026.

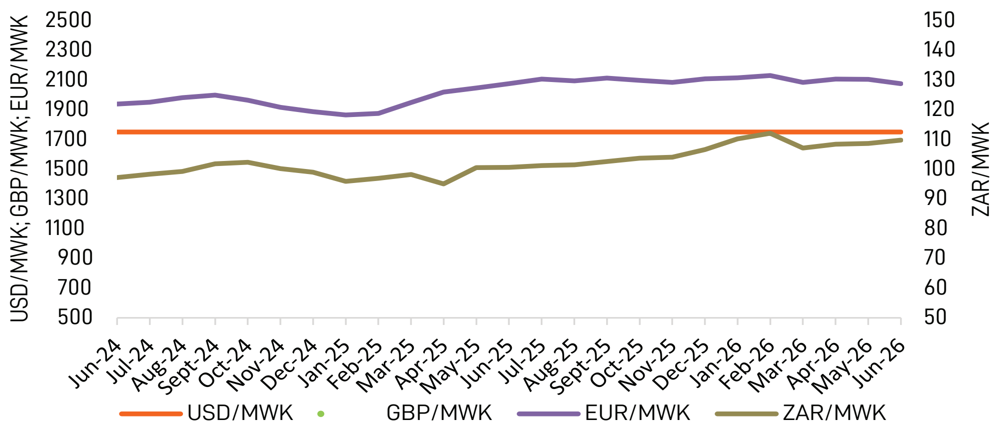
Table 2a: End period TT middle exchange rates							
Currency	**Jun-26**	**Mar-26**	**Dec-25**	**Sep-25**	**Jun-25**	**Jun 2026 - Mar 2026 Change**	**Jun 2026 - Jun 2025 Change**
USD/ MWK	1749.93	1750.37	1749.00	1750.37	1750.48	↓ -0.03%	↓ -0.03%
GBP/ MWK	2382.83	2377.41	2416.04	2423.25	2473.04	↑ 0.23%	↓ -3.65%
EUR/ MWK	2054.62	2068.11	2107.54	2103.32	2112.11	↓ -0.65%	↓ -2.72%
ZAR/ MWK	109.07	104.66	107.87	103.37	101.31	↑ 4.22%	↑ 7.66%

Table 2b: Average TT middle exchange rates							
Currency	**Q2 2026**	**Q1 2026**	**Q4 2025**	**Q3 2025**	**Q2 2025**	**Q2 2026 - Q1 2026 Change**	**Q2 2026 - Q2 2025 Change**
USD/MWK	1750.35	1750.18	1750.01	1750.39	1750.53	↑ 0.01%	↓ -0.01%
GBP/ MWK	2414.81	2427.98	2391.84	2427.25	2405.82	↓ -0.54%	↑ 0.37%
EUR/ MWK	2095.60	2109.45	2096.54	2104.31	2047.13	↓ -0.66%	↑ 2.37%
ZAR/ MWK	108.95	109.80	104.75	101.76	98.71	↓ -0.77%	↑ 10.38%

(Data source: Reserve Bank of Malawi)

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

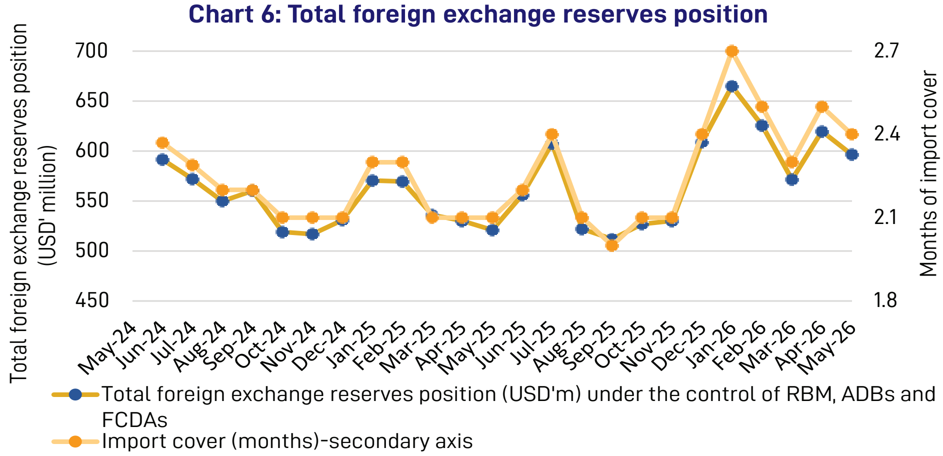
Chart 5: Monthly average middle exchange rates



(Data source: Reserve Bank of Malawi)

4.5 The country continues to face foreign exchange shortages, with total (official and private sector) foreign exchange reserves observed at USD596.50 million (2.40 months of imports) at the end of May 2026, increasing from USD571.60m (2.30 months of imports) at the end of March 2026 and USD521.00m (2.10 months of imports) as of May 2025.

Chart 6: Total foreign exchange reserves position



(Data source: Reserve Bank of Malawi)

4.6 The tobacco selling season was opened on 20th April 2026. This year's tobacco production is estimated at 197 million kilograms against buyer demand of 170 million kilograms. The estimated overproduction has resulted in lower average prices on the market this year compared to the previous year. As at the end of Week 11, on 3rd July 2026, a total of 89.44 million kgs of tobacco had been sold at an average price of USD2.06/kg, resulting in realized value of USD184.40 million. This represents a decrease of 20.86% in sales volume, 34.99% in sales value and 17.93% in average price when compared to the same period during the 2025 season.

Table 2c: Cumulative tobacco sales statistics as at Week 11

Date	Week 11 2026 (3 July 2026)	% Δ	Week 11 2025 (20 June 2025)
Volume (million kg)	89.44	⬇ -20.86%	113.01
Value (USD' million)	184.40	⬇ -34.99%	283.65
Average price (USD/Kg)	2.06	⬇ -17.93%	2.51

Data source: AHL

4.7 Looking ahead, a moderate improvement in the level of forex reserves is expected in the short term as sales on the tobacco market continue. However, the expected lower foreign exchange earnings from tobacco sales this year compared to the previous year, coupled with reduced inflows from development partners, could keep the imbalance between demand and supply of forex high and the exchange rate elevated.

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.

Table 2d: Economist Intelligence Unit (EIU) exchange rate projections

Year	2024	2025	2026	2027	2028	2029	2030
USD/MWK annual average	1734	1734	1734	1853	2127	2514	2792
USD/MWK end-period	1734	1734	1734	2007	2324	2690	2966

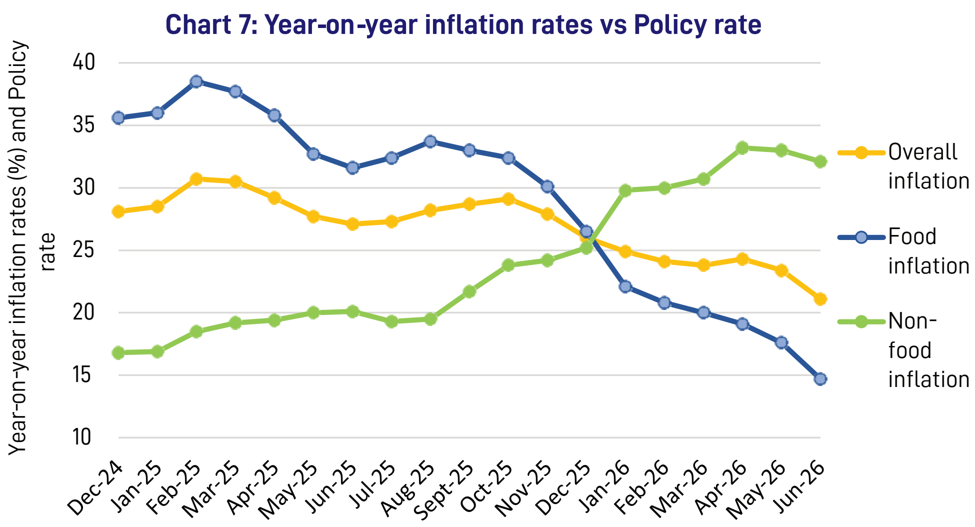
Data source: EIU One-click report: Malawi - June 2026

5. Inflation

5.1 Inflation declined during the quarter under review. The year-on-year overall inflation rate averaged 22.9% during Q2 2026, representing a decrease of 1.3 percentage points from an average of 24.3% in Q1 2026 and a decrease of 5.1 percentage points when compared to an average of 28.0% during Q2 2025. The decrease in overall inflation in Q2 2026 relative to Q1 2026 was on account of a decrease in the average year-on-year food inflation rate to 17.1% during Q2 2026 from an average of 21.0% in Q1 2026 (33.4% in Q2 2025), while the average year-on-year non-food inflation rate increased to 32.8% in Q2 2026 from an average of 30.2% in Q1 2026 (19.8% in Q2 2025).

5.2 At the end of the quarter, the year-on-year overall inflation rate stood at 21.1% in June 2026, compared to 23.8% in March 2026 and 27.1% in June 2025.

5.3 Chart 7 depicts the trend of inflation rates in the past year.



(Data source: National Statistical Office)

5.4 Looking ahead, the RBM expects inflation to be on a gradually moderating trajectory in 2026, with headline inflation expected to moderate to an annual average of 22.0% in 2026 from an average of 28.4% in 2025, mainly on account of an expected decline in food inflation. The IMF, World Bank and EIU project 24.4%, 22.0% and 23.7%, respectively.

5.5 Key risks to the inflation outlook include potential further increases in global energy and commodity prices and additional adjustments in administered utility tariffs, as well as prospects of unfavourable weather conditions which could affect food prices.

Table 3: Projected annual average inflation rates

	2025	2026f	2027f	2028f	2029f	2030f
Reserve Bank of Malawi (RBM)	28.4%	22.0%				
International Monetary Fund (IMF)	28.4%	24.4%	22.0%			
Economist Intelligence Unit (EIU)	28.4%	23.7%	24.1%	26.2%	25.4%	24.3%
World Bank		22.0%				
BMI	28.4%	23.0%	15.0%	9.0%	7.5%	7.0%
Average	28.4%	23.0%	20.4%	17.6%	16.5%	15.7%

Sources:

RBM: Second Monetary Policy Statement of 2026, April 2026
IMF: World Economic Outlook - April 2026
EIU: One-click report: Malawi - June 2026
World Bank: Malawi Economic Monitor, February 2026
BMI: Malawi Country Risk Report - May 2026

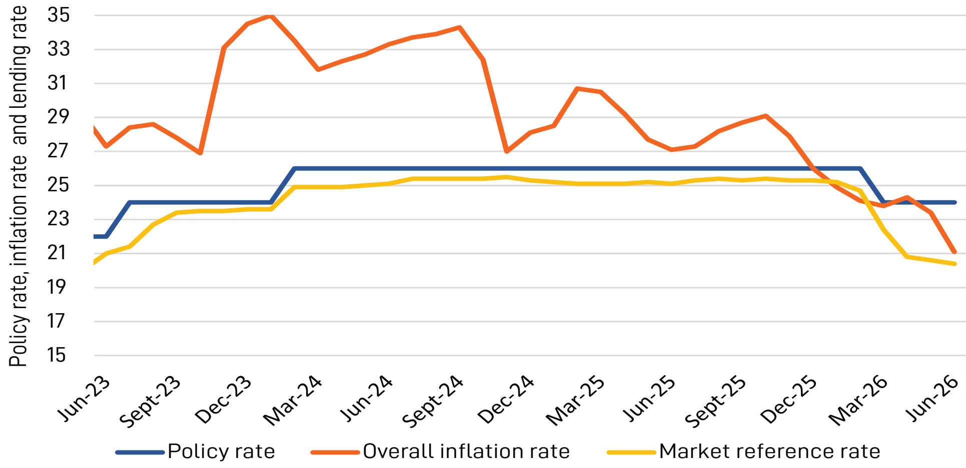
6. Monetary policy

6.1 The Monetary Policy Committee (MPC) held its second meeting of 2026 on 29th and 30th April 2026 during which they decided to maintain the Policy rate at 24.0% and the Lombard rate at 20 basis points above the Policy rate (24.2%).

6.2 The Liquidity Reserve Requirement Ratio (LRR) for local currency deposits was raised to 12.0% from 10.0% to address excess liquidity in the banking system, while the LRR for foreign currency deposits was maintained at 3.75%.

6.3 Chart 8 depicts the trend of the Policy rate in relation to inflation rate over the past 2 years.

Chart 8: Policy rate versus inflation



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

6.4 The Market Reference Rate (MRR) declined in Q2 2026 as the Policy rate and other market interest rates declined during the period. The MRR averaged 20.6% during the quarter, compared to an average of 24.1% in Q1 2026 and 25.1% in Q2 2025 and stood at 20.4% as of June 2026.

6.5 Market interest rates are expected to be relatively stable in the short to medium term in line with a stable Policy rate and easing inflation.

6.6 The next MPC meeting is scheduled for 29th to 30th July 2026. The decision will be announced on 30th July 2026.

7. Economic growth

7.1 According to the April 2026 World Economic Outlook (WEO) update by the IMF, global growth is projected to moderate to 3.1% in 2026, before edging up to 3.2% in 2027, from an estimated 3.4% in 2025. The anticipated slowdown reflects the net impact of conflict-related supply shocks, particularly higher energy and food prices, which are expected to weigh on activity through increased production costs, reduced real incomes, and tighter financial conditions.

7.2 Advanced economies are expected to grow by 1.8% in 2026 and 1.7% in 2027, from 1.9% in 2025.

7.3 Emerging markets and developing economies are projected to grow by 3.9% in 2026 and 4.2% in 2027, from 4.4% in 2025.

7.4 Sub-Saharan Africa is expected 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 2.8% in 2026 from 2.5% in 2025, supported by expected improvements in agriculture, construction, mining and manufacturing sectors, and the Government's implementation of measures aimed at restoring macroeconomic stability and stimulating growth.

7.6 The IMF projects a growth rate of 2.2%, the EIU projects 2.5% and the World Bank projects a growth rate of 2.3% for 2026.

7.7 Major constraints to the growth outlook remain persistent foreign-exchange shortages, inflationary pressures, fiscal challenges, spillover effects of geopolitical tensions, intermittent electricity supply and possible unfavourable weather conditions.

Table 4a: Malawi Government projections		
	2025	2026f
Real GDP growth	2.5	2.8

Source: RBM's national accounts statistics

Table 4b: Projections by the Economist Intelligence Unit						
	2025	2026f	2027f	2028f	2029f	2030f
Real GDP growth	2.3	2.5	2.3	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 - June 2026

Table 4c: 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 4d: World Bank Projections			
	2025e	2026f	2027f
GDP at constant market prices (% change)	1.9	2.3	2.7

Source: Malawi Economic Monitor - February 2026

8. Stock market performance

8.1 The Malawi Stock Exchange registered a negative return on the Malawi All Share Index of 8.92% (-8.92% in USD terms) in Q2 2026, compared to a negative return of 3.80% (-3.80% in USD terms) in Q1 2026 and a positive return of 13.12% (13.12% in USD terms) registered in Q2 2025.

8.2 The Domestic Share Index (DSI) registered a negative return of 3.17% and the Foreign Share Index (FSI) registered a negative return of 29.53% during the quarter.

8.3 The year-to-date return on the MASI stood at -12.38% (-12.38% in USD terms) as at the end of June 2026, compared to the year-to-date return of 91.77% (91.77% in USD terms) as at the end of June 2025.

8.4 Seven companies registered share price gains during the quarter: SUNBIRD (57.92+%), PCL (21.48%), ILLOVO (18.77%), BHL (15.76%), OMU (13.98%), ICON (6.57%) and MPICO (0.41%), while nine companies registered share price losses: FMBCH (-30.46%), NBS (-13.54%), NBM (-11.46%), FDHB (-10.51%), TNM (-5.29%), NICO (-4.95%), STANDARD (-4.78%), AIRTEL (-1.57%) and NITL (-0.86%).

8.5 Market activity also weakened, with declines in both the total value traded and the volume of shares traded, despite an increase in the total number of deals executed. The market transacted a total of 128.17 million shares at a total consideration of

K54.40 billion (USD31.37 million) in 9,557 trades. In the corresponding period 2025, the market transacted a total of 241.70 million shares at a total consideration of K132.98 billion (USD76.69 million) in 8,786 trades. This reflects a -46.97% decrease in terms of share volume traded and a -59.09% (-59.09% in USD terms) decrease in share value traded.

8.6 There were no trades on the 84 Debt Securities Board during the quarter.

8.7 Table 5 shows performance of individual companies in Q2 2026 relative to Q1 2026 and Q2 2025.

Table 5: Share trading summary

Company	30-Jun-26	31-Mar-26	31-Dec-25	30-Jun-25	30 Jun 2026 - 31 Mar 2026 (quarterly) price change (%)	30 Jun 2026 - 31 Dec 2025 (year-to-date) price change (%)	30 Jun 2026 - 30 Jun 2025 (year-on-year) price change (%)	P/E ratio as at 30 Jun 2026	P/BV ratio as at 30 Jun 2026
Market indices									
MASI	524,002.31	575,320.68	598,062.80	329,922.87	↓ -8.92%	↓ -12.38%	↑ 58.83%		
DSI	391,195.33	403,989.25	405,749.03	248,718.38	↓ -3.17%	↓ -3.59%	↑ 57.28%		
FSI	95,724.37	135,842.57	158,350.47	57,277.29	↓ -29.53%	↓ -39.55%	↑ 67.12%		
Gainers									
SUNBIRD	3,550.00	2,248.03	977.50	350.01	↑ 57.92%	↑ 263.17%	↑ 914.26%	74.42	6.75
PCL	9,500.00	7,820.00	8,728.43	5,100.00	↑ 21.48%	↑ 8.84%	↑ 86.27%	7.87	2.21
ILLOVO	3,501.82	2,948.50	2,330.12	1,791.29	↑ 18.77%	↑ 50.28%	↑ 95.49%	32.36	11.60
BHL	17.41	15.04	15.05	14.55	↑ 15.76%	↑ 15.68%	↑ 19.66%	18.59	1.42
OMU	5,300.01	4,650.02	3,790.04	2,500.03	↑ 13.98%	↑ 39.84%	↑ 112.00%	30.53	3.95
ICON	17.02	15.97	16.00	17.92	↑ 6.57%	↑ 6.38%	↓ -5.02%	3.48	0.65
MPICO	19.57	19.49	19.51	19.02	↑ 0.41%	↑ 0.31%	↑ 2.89%	3.31	0.58
Losers									
NITL	3,900.00	3,933.79	3,938.51	830.00	↓ -0.86%	↓ -0.98%	↑ 369.88%	2.60	1.92
AIRTEL	111.29	113.06	120.77	127.43	↓ -1.57%	↓ -7.85%	↓ -12.67%	23.89	19.95
STANDARD	3,999.38	4,199.98	4,248.41	11,777.54	↓ -4.78%	↓ -5.86%	↓ -66.04%	38.56	13.46
NICO	1,588.28	1,670.94	1,736.51	865.00	↓ -4.95%	↓ -8.54%	↑ 83.62%	9.87	5.53
TNM	29.17	30.80	31.46	29.00	↓ -5.29%	↓ -7.28%	↑ 0.59%	15.83	3.28
FDHB	530.66	592.99	599.89	350.11	↓ -10.51%	↓ -11.54%	↑ 51.57%	24.78	14.72
NBM	9,996.00	11,289.89	11,995.63	6,200.37	↓ -11.46%	↓ -16.67%	↑ 61.22%	23.01	11.44
NBS	737.96	853.51	913.76	699.91	↓ -13.54%	↓ -19.24%	↑ 5.44%	14.28	9.71
FMBCH	1,895.92	2,726.23	3,197.86	1,149.83	↓ -30.46%	↓ -40.71%	↑ 64.89%	23.82	9.27

(Data source: Malawi Stock Exchange)

9. Conclusions

9.1 Q2 2026 showed mixed but gradually stabilising economic conditions. Inflation, market interest rates and Treasury securities yields eased, while the Kwacha remained broadly stable against the United States Dollar. However, the recovery remained fragile due to persistent foreign exchange shortages, tight liquidity conditions, weak stock market performance and modest growth prospects.

9.2 Inflation continued to decline, averaging 22.9% in Q2 2026 from 24.3% in Q1 2026 and 28.0% in Q2 2025, mainly due to lower food inflation. Inflation is expected to moderate further in 2026, although risks remain from energy and commodity prices, administered utility tariffs and weather-related food-price pressures.

9.3 Monetary policy remained cautious, with the Policy rate maintained at 24.0% and the Liquidity Reserve Requirement ratio increased to 12.0%. Liquidity tightened during the quarter, although interbank borrowing rates declined in line with lower Government securities yields and the earlier Policy rate reduction.

9.4 Government domestic borrowing remained substantial at K938.82 billion, while Treasury Bill yields declined to an all-type average of 14.54%. Short- to medium-term yields are expected to remain relatively stable, with possible declines in longer-dated yields when Government resumes their issuance.

9.5 The Kwacha remained stable against the United States Dollar and reserves improved modestly to USD596.50 million, equivalent to 2.40 months of imports as of May 2026. However, foreign exchange shortages remained a key constraint, and weaker tobacco earnings could keep pressure on foreign exchange availability and the exchange rate.

9.6 Growth is expected to remain modest in 2026, with Government projecting real GDP growth of 2.8%, while the IMF, World Bank and EIU project 2.2%, 2.3% and 2.5%, respectively. The outlook remains constrained by foreign exchange shortages, inflationary pressures, fiscal challenges, intermittent electricity supply and weather-related risks.

9.7 The Malawi Stock Exchange weakened further in Q2 2026, with MASI registering a negative return of 8.92% and year-to-date return of -12.38% as at end-June 2026, reflecting subdued investor sentiment and weaker capital market activity.

9.8 Overall, the near-term outlook is for cautious stabilisation rather than a strong rebound. Sustained recovery will depend on stronger foreign exchange inflows, continued disinflation, improved fiscal conditions, reliable electricity supply and stronger performance in key productive sectors.

Blantyre

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

Tel: +265 111 821 300
Fax: +265 111 822 826
Email: info@cdh-malawi.com
Website: www.cdh-malawi.com

Lilongwe

Capital City Banking Centre
PO Box 30545, Lilongwe 3 Malawi

Phone: +265 111 776 176
Fax: +265 111 776 19
Email: info@cdh-malawi.com
Website: www.cdh-malawi.com

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

Phone: +265 111 753 464
Fax: +265 111 753 833
Email: info@cdh-malawi.com
Website: www.cdh-malawi.com