THE WAVERLEY SERIES

MALAWI

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

office@lordwaverley.com • www.lordwaverley.com

MALAWI — AT A GLANCE

Capital	Lilongwe
Population	≈ 24.75 million
Real GDP growth	Rose from 1.8% in 2024 to 2.7% in 2025; the IMF projects 2.2% for 2026
Inflation	Eased to a March 2026 print of 23.8%, the lowest since July 2022, though full-year 2026 estimates range from roughly 24-29% depending on the source, all remaining far above the central bank's 5% target
Policy rate	Held at 26% through 2024 and 2025, and expected to remain there through 2026
Currency	Malawian kwacha, unchanged at 1,716 per US dollar since March 2024
Fiscal deficit	Narrowed to 9.9% of GDP in 2025 from 10.6% in 2024, financed mainly through domestic bank borrowing
Public debt	Approximately 91% of GDP, classified as in debt distress
Reserves	Official reserves critically low at under one month of import cover; total economy-wide reserves slightly above two months
Poverty	Nearly half the population cannot afford a basic consumption basket; poverty is projected to remain at 76.6% in 2026
Governing framework	President Peter Mutharika, declared president-elect on 24 September 2025 after winning 56.8% of the vote against incumbent Lazarus Chakwera's 33% in the 16 September 2025 general election; the government began fiscal and debt reforms from October 2025

Malawi enters this reporting period under President Peter Mutharika, who won a decisive electoral victory in September 2025, a result Chatham House described as a clear lesson about the political cost of governing through deepening economic crisis. That crisis remains severe: public debt is classified as in distress at roughly 91% of GDP, official foreign exchange reserves sit critically below one month of import cover, inflation remains far above target even after recent improvement, and nearly half the population cannot afford a basic consumption basket. Since taking office, the Mutharika government has begun long-overdue reforms to restore spending discipline and reprofile domestic debt, even as Malawi's own business community publicly debates whether the country can move beyond aid dependency to compete for genuine global investment.

1. INVESTMENT & FDI

Malawi's own business leaders are publicly challenging the country to move beyond aid dependency, even as reserve and fiscal constraints continue limiting the investment case.

In a widely circulated 17 September 2026 essay, UK-Malawi Chamber of Commerce CEO Hannington Gondwe directly engaged with the United Kingdom's shift from 'donor to investor' in its development policy, posing a pointed challenge to his own country: 'the world will not invest in us simply because we need investment,' while citing UNCTAD figures showing global FDI reached roughly $1.6 trillion in 2025 as context for the scale of competition Malawi faces. Since October 2025, the government has been implementing long-overdue reforms to restore spending discipline, increase revenues, reprofile domestic debt, and strengthen policy frameworks; the World Bank acknowledges genuine progress while cautioning that high recurrent expenditures, heavy borrowing, and a weak investment climate remain largely unaddressed.

- **A notable instance of Malawian business leadership setting investment terms:** Gondwe's direct, public essay challenging Malawi to compete for genuine investment, rather than simply responding to external assessments, represents a meaningful shift in how the country's own business community is framing the national investment debate.
- **A genuine, if partial, reform start:** the World Bank's acknowledgment of progress on spending discipline and debt reprofiling since October 2025 represents real, if still early-stage, movement on Malawi's most fundamental fiscal challenges.
- **A direct UK policy signal with specific relevance to Malawi:** the UK's explicit move from donor to investor, given the historic depth of the aid relationship, represents a concrete, current external development this year that Malawi's own business community has already begun actively responding to.
- **The World Bank's own conditionality for progress:** the Bank's explicit statement that sustained, credible policy implementation is essential to unlock productivity growth, attract FDI, and enable genuine private-sector-led development frames the reform program's credibility as the central variable investors should track.

2. TRADE & BUSINESS

A severely undiversified export base and critically low reserves leave Malawi acutely exposed to external shocks, even as a new regional trade forum points toward diversification efforts.

Malawi's imports are more than triple its exports, reflecting a weak and undiversified export base combined with high trade costs and rising import demand; official reserves remain critically low at under one month of import cover, with total economy-wide reserves only slightly above two months. The current account deficit has nonetheless narrowed from 21.7% of GDP in 2024 to 19.0% in 2025, supported by improved tobacco production, higher mining and tourism earnings, and reduced food imports, with further narrowing to a projected 17.5% expected in 2026. On 7 September 2026, Malawi's Minister for Industry, Trade and Tourism, Simon Itaye, urged deeper commercial cooperation with Tanzania at a joint Business and Investment Forum in Dar es Salaam, calling for the two countries to move beyond longstanding diplomatic ties toward practical trade partnership.

- **A severe, structural external imbalance:** imports running at more than three times the value of exports represents an acute vulnerability that leaves Malawi highly exposed to any disruption in donor support, remittances, or export commodity prices.
- **Critically low reserve buffers:** with official reserves under one month of import cover, Malawi has minimal capacity to absorb external shocks without immediate recourse to donor or emergency financing.
- **Genuine, if modest, current account improvement:** the narrowing deficit, driven by specific gains in tobacco, mining and tourism, demonstrates that targeted sectoral improvements can move the needle even within a severely constrained overall external position.
- **A concrete regional diversification push:** the Tanzania-Malawi forum's explicit focus on practical commercial cooperation, rather than diplomatic relations alone, represents a specific, near-term effort to diversify Malawi's regional trade relationships.

3. MAJOR ECONOMIC DEVELOPMENTS

A decisive democratic transition has installed a new government facing severe, compounding structural economic challenges inherited from a deepening crisis.

Peter Mutharika was declared president-elect on 24 September 2025 after winning the 16 September general election with 56.8% of the vote against incumbent Lazarus Chakwera's 33%, a margin Chatham House described as a decisive victory and a lesson about incumbency costs when economic crisis deepens. The new government inherited structural constraints including drought, donor fatigue, thin foreign exchange buffers, and weak export diversification. Analysts have identified three key near-term tests: inflation, where the March 2026 print of 23.8% marks an improvement but forecasts of up to 29% for the full year suggest the gain may not hold without further policy change; fuel, where clearing queues requires foreign exchange that depends on donor support or export earnings, neither immediately scalable; and food security, described as the oldest and most sensitive political issue in Malawi, requiring the government to manage drought's aftermath while avoiding social unrest. Public debt stands at approximately 91% of GDP and is classified as in distress, while nearly half the population cannot afford a basic consumption basket, with poverty projected to remain at 76.6% in 2026.

- **A decisive, unambiguous electoral outcome:** the 56.8% to 33% margin leaves little room for dispute about the result, and independent analysis frames it explicitly as a direct verdict on the previous government's handling of the economic crisis.
- **Three specific, near-term governance tests identified by analysts:** inflation, fuel availability, and food security together represent concrete, trackable benchmarks against which the new government's early performance can be measured, rather than abstract policy aspirations.
- **A formal debt-distress classification:** public debt at approximately 91% of GDP, formally classified as in distress, represents one of the more severe sovereign debt positions among the markets this series covers, directly constraining the government's fiscal flexibility.
- **Extreme, persistent poverty:** with poverty projected to remain above 76% in 2026 and nearly half the population unable to afford a basic consumption basket, Malawi's social conditions represent among the most severe in this series, directly shaping the political stakes of the government's economic management.

4. MAJOR PROJECTS & INFRASTRUCTURE

The services sector remained Malawi's primary growth driver in 2025, followed by agriculture and manufacturing, while improved tobacco production and higher mining and tourism earnings specifically supported the narrowing current account deficit described in Section 2. No major new infrastructure project announcements beyond these sectoral drivers were identified for this specific period.

5. CONFERENCES, FORUMS & EXHIBITIONS

A regional business forum with Tanzania and a bilateral UK stakeholder event both featured this month, reflecting continued, if modest, investment-promotion activity.

- **Tanzania-Malawi Business and Investment Forum:** held 7 September 2026 at the Sabasaba grounds in Dar es Salaam, bringing together government officials and business stakeholders from both countries to discuss trade, investment and economic partnership opportunities.

- **UK-Malawi Chamber of Commerce Stakeholder Engagement event:** held in Lilongwe on 20 August 2026, bringing together Chamber CEO Hannington Gondwe and UK High Commissioner Leigh Stubblefield to discuss the evolving bilateral investment relationship.

6. BUSINESS & INVESTMENT EVENTS

Malawi's own business community is publicly and directly challenging the country's investment competitiveness this month.

- **A direct public challenge from Malawian business leadership:** Hannington Gondwe's widely circulated essay directly engaging with the UK's development-policy shift represents a notable instance of Malawian business leadership setting the terms of the investment debate rather than solely responding to external assessments.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A shifting UK development approach and continued IMF engagement define Malawi's most consequential current international economic relationships.

- **United Kingdom:** the UK's explicit shift from 'donor to investor,' emphasising investment, trade, expertise and locally led development, represents a notable, direct signal to Malawi given the historic depth of the aid relationship between the two countries.
- **IMF:** the most recent Article IV consultation was completed in August 2025, with outstanding purchases and loans of SDR 276.65 million as of March 2026, reflecting continued substantial financial engagement.
- **Tanzania:** the new Business and Investment Forum represents a concrete, near-term regional trade-diversification effort distinct from Malawi's historic diplomatic relationship with its neighbour.
- **World Bank:** continued engagement supporting poverty reduction and growth promotion, working directly with government, development partners and civil society, remains central to Malawi's broader development financing architecture.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A weak investment climate and constrained credit conditions continue limiting private-sector dynamism, even as reform efforts and business-community advocacy point toward change.

The World Bank directly cites Malawi's weak investment climate, alongside high recurrent government expenditures and heavy borrowing, as persistent constraints on private-sector development. The 26% policy rate maintained throughout 2024 and 2025, and expected to continue through 2026, directly constrains private-sector credit access and investment appetite across the economy.

- **A specifically identified investment-climate weakness:** the World Bank's direct characterisation of Malawi's investment climate as weak represents a sourced, institutional assessment that should inform investor expectations about the ease of establishing and operating a business in the current environment.
- **A high-interest-rate environment constraining private credit:** the sustained 26% policy rate makes private-sector borrowing genuinely expensive, directly limiting the scale of privately financed investment and expansion activity achievable under current monetary conditions.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Tobacco, mining, and tourism earnings growth, alongside new regional trade partnerships, define Malawi's most concretely identified near-term economic opportunities.

- **Tobacco production improvement:** continued gains in Malawi's traditional leading export crop remain a significant, near-term earnings opportunity supporting the broader current account improvement.
- **Mining and tourism earnings growth:** specifically cited as supporting the narrowing current account deficit, these sectors represent identified areas of relative outperformance within Malawi's broader export base.
- **Tanzania-Malawi trade and investment partnership:** the newly emphasised commercial cooperation agenda offers a concrete, near-term regional partnership opportunity distinct from Malawi's historic diplomatic relationships.

SUMMARY ASSESSMENT

Malawi enters this reporting period under President Peter Mutharika, who won a decisive electoral victory in September 2025, a result Chatham House described as a clear lesson about the political cost of governing through deepening economic crisis. That crisis remains severe and multidimensional: public debt is classified as in distress at roughly 91% of GDP, official foreign exchange reserves sit critically below one month of import cover, inflation remains far above target even after recent improvement, and nearly half the population cannot afford a basic consumption basket, with poverty projected to remain above 76% in 2026.

Since taking office, the government has begun long-overdue reforms to restore spending discipline and reprofile domestic debt, progress the World Bank acknowledges even as it cautions that high recurrent expenditures, heavy borrowing, and a weak investment climate remain largely unaddressed. Malawi's own business community is now publicly challenging the country to move beyond aid dependency, a debate crystallised this month by the UK's own shift from 'donor to investor' in its development policy.

Investors should treat Malawi as a market where near-term macroeconomic distress is genuine and severe, with any investment case resting substantially on the credibility and durability of the reform programme the new government has only recently begun.