



## THE 2025 ECONOMICS ASSOCIATION OF MALAWI ANNUAL ECONOMIC CONFERENCE COMMUNIQUE

### **PREAMBLE**

The Economics Association of Malawi (ECAMA) gathered economists, policymakers, the private sector, academia, the youth and development partners at the 2025 Annual Economic Conference (AEC) from 30<sup>th</sup> to 31<sup>st</sup> October 2025 under the theme **“Beyond the Crises: Reshaping the Economy”**. This Conference recognised Malawi’s deepening macroeconomic challenges, including low production and growth, high inflation, unsustainable debt accumulation, and foreign exchange shortages. It deliberated the need to move beyond reactive cycles to proactive, forward-looking crisis management strategies. Further, it discussed opportunities for reform and the urgent need for collaborative efforts to champion prudent economic management to position Malawi on a path of resilience and sustainable economic transformation and aligning short-term recovery with the Malawi 2063 (MW2063).

This Communique outlines the key issues observed and discussed during the Conference and presents a set of actionable recommendations for key stakeholders.

### **OVERVIEW OF MALAWI’S ECONOMIC CONTEXT IN THE PAST 5 YEARS**

Malawi faces systemic challenges that threaten economic stability and growth. That is: Real Gross Domestic Product (GDP) growth has been stagnant, averaging 2% over the past five years against an implied average annual growth rate 6.4% target required for the country to meet the 2030 milestones set in the Malawi 2063; inflation surged to levels over 28% in the past two years; public debt has been at unsustainable levels reaching of over 86% of GDP; there has been persistent foreign exchange shortages for several years now; and there have also been policy inconsistencies that tend to undermine the economy’s ability to build resilience. Recent global shocks, such as aid withdrawals, trade wars, pandemics and climate volatility have also intensified the economy’s vulnerabilities.

## **KEY OBSERVATIONS**

### *1. Malawi's Structural and Productive Weaknesses*

Malawi's economy remains heavily constrained by low levels of production and limited value addition, leading to an overreliance on imports and a dependence on a few primary commodities, which in turn create a volatile, low-export base. This situation continues to put pressure on the country's current account balance which has been unsustainably negative for many years. Added to these challenges are weather-related shocks that disrupt agricultural output and exacerbate food insecurity. On the contrary, neighbouring countries that faced similar climatic challenges seem to have achieved economic stability, and in 2025, some of them even recorded surpluses in agricultural production. This highlights inefficiencies in Malawi's production systems and weak adaptation strategies that, in other countries, have made them relatively more resilient to such shocks.

### *2. Macroeconomic Instability*

Malawi continues to face low growth rates, elevated inflation, a wide margin between the official exchange rate and parallel market rate, and high nominal interest rates, which have eroded economic stability and led to prolonged economic stagnation. Fiscal dominance remains a threat to monetary policy effectiveness, as deficit monetisation (which finances consumption) continues to exert upward pressure on money supply growth, inflation, and interest rates.

### *3. Fiscal Pressures and Rising Public Debt*

The fiscal position remains weak with domestic revenues heavily outpaced by mandatory expenditures such as wages, pension and debt amortisation. These consume nearly half of domestic revenue, leaving limited space for development investments. Public debt has surged almost 5-fold between 2019 and 2025, driven in part by significant expansion of domestic borrowing. This has led to crowding out, thereby denying the private sector access to credit and financial resources that could have been used for productive investments. Further, there are persistent weaknesses in public finance management (PFM) including procurement inefficiencies and fiscal indiscipline.

### *4. External Sector Fragility and Foreign Exchange Shortages*

Malawi's external sector remains extremely fragile, characterised by weak export performance and high import levels. Foreign exchange shortages are exacerbated by limited export diversification, low value addition, illegal externalisation of foreign exchange, limited import-substituting production and wide exchange rate spread. These trends have contributed to low import cover and heightened exchange rate pressure.

## *5. Financial Sector Constraints*

Malawi's financial systems are narrow and insufficiently supportive of the private sector growth needs. Banks and pension funds are heavily invested in Government securities due to limited alternative instruments. The development finance ecosystem remains weak with insufficient capitalisation of development finance institutions (DFIs) and limited long-term financing options for key growth sectors such as agriculture and manufacturing. High interest rates have also affected access to finance mainly for the Small and Medium Enterprises (SMEs).

## *6. Private Sector Challenges and Limitations of the Business Environment*

Malawi's private sector operates in an environment characterised by policy unpredictability, high borrowing costs, weak infrastructure, limited access to energy, and slow regulatory processes. The high cost of doing business and weak enforcement of existing laws, including slow resolution of commercial disputes, discourage investment and limit job creation and growth. There is also insufficient structured engagement between the Government and the private sector on economic policy formulation and implementation that supports private sector growth.

## *7. Governance, Institutional Capacity, and Implementation Gaps*

Malawi's institutions lack adequate coordination, monitoring, evaluation and enforcement capacity. Implementation gaps remain a significant obstacle to achieving MW2063's outcomes. History has proven that Malawi does not learn from past crises, lacks economic foresight and does not make good use of early-warning systems.

# **RECOMMENDATIONS**

## *1. Strengthening Production and Structural Transformation*

To address fundamental economic challenges, the Government must:

- a. Prioritise increased productivity in agriculture.
- b. Support climate-smart agriculture, irrigation expansion and mechanisation to enhance resilience.
- c. Focus investments on value chains with high export potential and structured markets.
- d. Promote agro-processing, light manufacturing, mining and tourism through targeted incentives and public-private partnerships.

## *2. Restoring Macroeconomic Stability*

To create a stable environment for growth, there is a need to:

- a. Strengthen coordination between fiscal and monetary authorities.
- b. Manage inflation through disciplined expenditure control and improved monetary policy transmission.
- c. Enhance communication from the Reserve Bank of Malawi to anchor expectations and maintain confidence.

### *3. Improving Fiscal Discipline and Debt Sustainability*

To strengthen fiscal discipline and manage debt effectively, the following actions are recommended:

- a. Reduce recurrent expenditure through strict expenditure controls and eliminate non-essential spending through improved and transparent procurement processes and rationalisation of subsidies. Adopt innovative spending approaches to avoid wastage. This will also help to contain fiscal deficits and curb excessive borrowing.
- b. Improve tax digitisation as one of the ways to expand the revenue base.
- c. Prioritise development expenditure, especially infrastructure development, through concessional borrowing instead of commercial loans.
- d. Accelerate the full implementation of the Domestic Resource Mobilisation Strategy.
- e. Pursue a comprehensive debt restructuring plan that balances the interests of both domestic and external creditors with the nation's economic growth and development aspirations.

### *4. Strengthening the Financial Sector*

To unlock credit for the private sector and broaden financial markets, Malawi needs to:

- a. Diversify financial instruments and expand long-term financing options.
- b. Redesigning the operational model of Development Finance Institutions (DFIs) to support key growth sectors.
- c. Encourage sustainable investment of pension and insurance funds in productive sectors, within prudent limits.
- d. Strengthen foreign exchange management to curb illegal externalisation of forex.
- e. Provide more diversified financial products to strengthen savings, investment and domestic resource mobilisation.

### *5. Enhancing Private Sector Growth and Competitiveness*

Discussions called for:

- a. Regulatory reforms that reduce the cost and time required to do business.
- b. Consistent and predictable policies with structured private sector consultation.
- c. Improved energy reliability, digital connectivity and reliable transport infrastructure.

- d. Establishment of an SME credit guarantee facility to ease access to finance.
- e. Faster settlement of Government arrears to ease private sector liquidity constraints.

#### *6. Strengthening Governance and Institutional Capacity*

To ensure that institutions are strengthened, the following were recommended:

- a. Enhance the capacity and efficiency of the judiciary, especially the Commercial Court, to accelerate dispute resolution.
- b. Strengthen enforcement of economic and commercial laws.
- c. Fast-track the ECAMA Bill to professionalise the economics practice in Malawi and strengthen policy quality.
- d. Establish an economic intelligence and early-warning system to anticipate shocks and guide decision-making.
- e. Ensure transparency, accountability, and anti-corruption reforms are implemented consistently.

## **CONCLUSION**

The Conference resolutions reflect a shared belief that Malawi must now move decisively from reactive crisis management to long-term economic transformation. Achieving this requires strong political will, coordinated efforts by stakeholders, policy consistency, discipline in PFM, strategic investments in productive sectors and an enabling environment for private sector-led growth.

ECAMA will continue to engage the Government, private sector and all partners to ensure that Malawi's economic policies and reforms are evidence-based and align with national aspirations and Malawi's long-term development goals.