



TRADE DIGEST

MALAWI'S MERCHANDISE TRADE
PERFORMANCE: JAN-JUNE 2025

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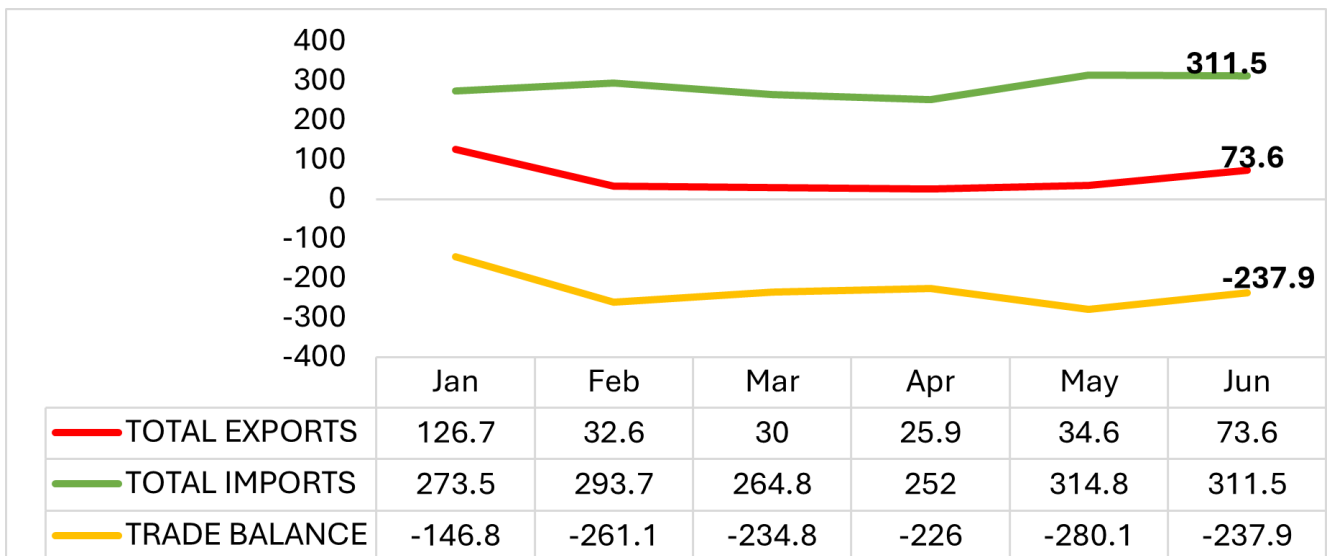
■ INTRODUCTION

This Trade digest reviews Malawi’s international merchandise trade performance for the first half of 2025 (January to June), highlighting key trends in exports, imports, and the trade balance. It presents both month-on-month and year-on-year comparisons to assess structural dynamics in the country’s trade flows. Particular attention is given to the composition of imports and exports in June 2025, which offers a snapshot of Malawi’s continued dependence on fuel imports and tobacco exports. The trade digest concludes with targeted policy implications aimed at promoting export diversification, value addition, and long-term trade resilience.

■ 2. MONTH-ON-MONTH COMPARATIVE ANALYSIS


Malawi’s external trade performance fluctuated notably over the first half of 2025, with exports showing sharp month-to-month variations while imports remained consistently high, further widening the trade deficit.

Chart 1: Merchandise Trade Performance, January–June 2025 (US\$ Million)



Source: : National Statistical Office of Malawi/EDF Research

Malawi’s merchandise trade performance between January and June 2025 reveals a persistent and widening trade imbalance, reflecting the country’s structural challenges in achieving export-led growth. Over the past six months, merchandise exports declined significantly after a strong start in January, when exports reached US\$126.7 million. From February to April, exports dropped sharply, reaching a low of US\$25.9 million in April.



This decline highlights weak export competitiveness, limited diversification, and continued reliance on unprocessed primary commodities, which are vulnerable to global price fluctuations. Although there was some recovery in May (US\$34.6 million) and a notable rebound in June (US\$73.6 million), export earnings remained well below import levels.

In contrast, merchandise imports remained consistently high throughout the period, ranging from US\$252 million in April to a peak of US\$314.8 million in May. This reflects Malawi's heavy reliance on imported goods, including fuel, fertiliser, pharmaceuticals, machinery, and other essential industrial inputs.

As a result, the trade balance remained negative in all six months. The trade deficit was least pronounced in January at US\$146.8 million, due to stronger exports; however, it widened sharply in subsequent months, reaching a peak deficit of US\$280.1 million in May. Even with improved exports in June, the trade deficit remained high at US\$237.9 million.

The merchandise trade performance from January to June 2025 carries significant implications for Malawi's economic stability and long-term development. The persistently high trade deficits, driven by weak export earnings and substantial import dependence, highlight the country's deep-rooted structural vulnerabilities. With imports consistently outpacing exports each month, Malawi continues to lose more foreign exchange than it earns, placing additional strain on already depleted reserves, which have dropped to US\$521 million in May 2025. This dynamic is intensifying ongoing foreign exchange shortages, fuelling inflationary pressures, and weakening the stability of the kwacha, thereby increasing the cost of imports and exacerbating the cost-of-living crisis.

The underperformance of exports reflects a narrow production base, limited industrialisation, and minimal value addition across key sectors. While the export rebound observed in June is a welcome development, it remains insufficient to offset the cumulative shortfalls experienced in preceding months. This leaves the economy highly exposed to external shocks such as global commodity price fluctuations, currency volatility, and disruptions in international supply chains. For a landlocked and import-dependent country like Malawi, such imbalances threaten macroeconomic stability, erode investor confidence, and constrain the ability to finance critical development priorities.

To place the economy on a more sustainable growth trajectory, Malawi must urgently scale up its export capacity. This entails improving productivity, strengthening agro-processing and light manufacturing, enhancing trade infrastructure and logistics, and widening access to trade finance. Without a coherent and deliberate strategy to grow and diversify exports, Malawi risks remaining trapped in a cycle of trade deficits and foreign exchange crises, thereby undermining its potential to create jobs, reduce poverty, and achieve its long-term development ambitions under Vision 2063.

3. YEAR-ON-YEAR COMPARATIVE ANALYSIS

A comparison of trade data from January to June in 2024 and 2025 reveals shifting patterns in Malawi’s export and import performance, with notable disparities and a continued deterioration in the overall trade balance.

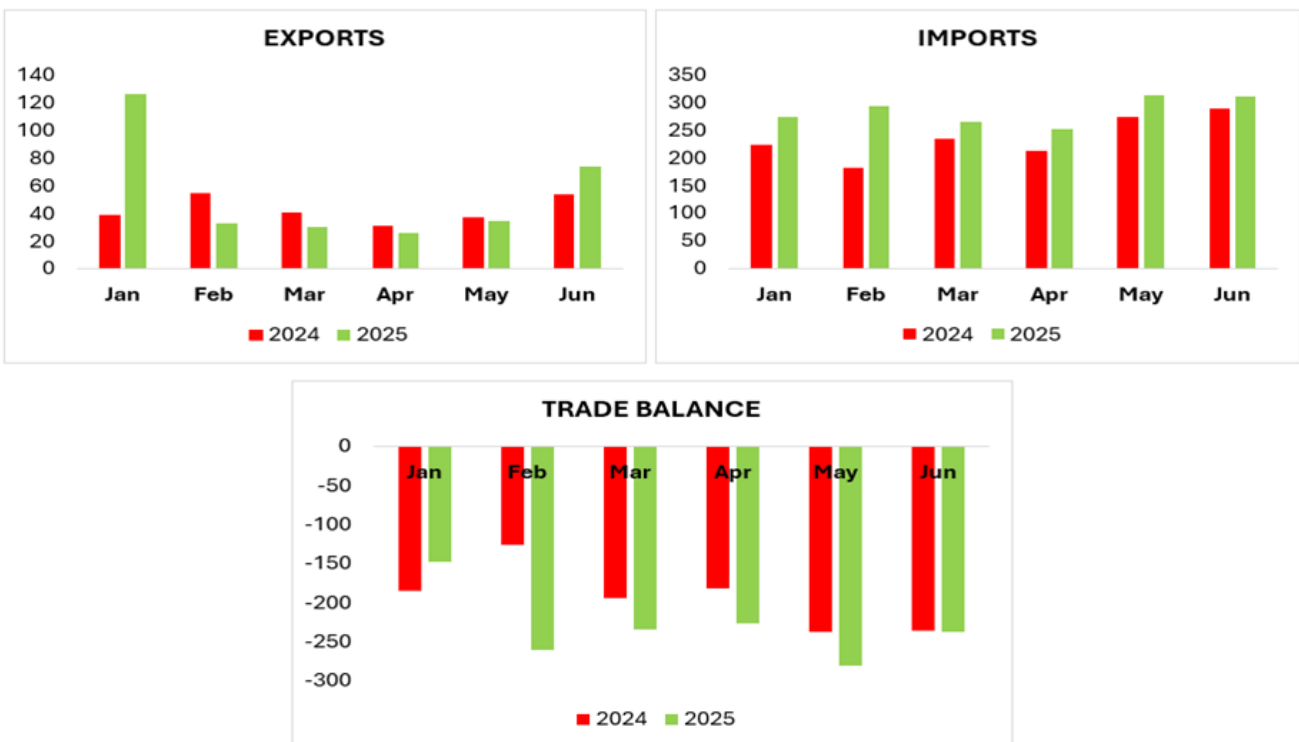
3.1. Exports: 2024 vs 2025

Malawi’s merchandise exports between January and June 2025 demonstrated a mixed performance when compared to the same period in 2024. The most notable improvement occurred in January 2025, when exports surged to US\$126.7 million, up from US\$39.4 million in January 2024 (Chart 2).

This represents an extraordinary increase of over 220 percent, possibly driven by stronger commodity prices. However, this momentum did not carry through the following months. In February 2025, exports fell to US\$32.6 million, representing a 40 percent decline from the US\$55.1 million recorded in February 2024. This downward trend continued into March, April, and May, where exports consistently underperformed relative to the same months in the previous year.

The marginal recovery observed in June, where exports grew from US\$53.6 million to US\$73.6 million, offered some relief, marking a 37 per cent increase year-on-year. In general, while January and June provided strong performance, the export trend in 2025 was volatile and revealed continued weaknesses in sustaining and scaling export growth across multiple months.

Chart 2: Exports, Imports, and Trade Balance: Jan–Jun Trends for 2024 and 2025



Source: : National Statistical Office of Malawi/EDF Research



3.2. Imports: 2024 vs 2025

On the imports front, Malawi experienced a steady rise across all six months of 2025 compared to the same period in 2024. Imports in January increased from US\$224.2 million to US\$273.5 million, representing a 22 percent year-on-year rise (Chart 2). February saw an even steeper increase, jumping from US\$181.6 million to US\$293.7 million, equivalent to a 62 percent growth.

This surge may be attributed to heightened demand for fuel, fertiliser, industrial machinery, or essential goods early in the year. Import growth remained elevated in subsequent months as well, with April, May, and June all registering increases above 8 percent compared to their 2024 levels. The lowest import growth was recorded in June, rising from US\$289.3 million to US\$311.5 million.

These figures reaffirm Malawi's structural dependence on imported goods to sustain both consumption and production. The consistent rise in imports, without a matching export increase, further deepens Malawi's external vulnerabilities and foreign exchange constraints.

3.3. Trade Balance: 2024 vs 2025

The trade balance remained in deficit throughout January to June in both years, but the year-on-year comparison shows a deterioration in four out of the six months. In January 2025, the trade deficit narrowed slightly from US\$184.7 million to US\$146.8 million. This improvement was driven by a surge in exports, which partially offset the increase in imports.

However, in February, the situation reversed dramatically. The deficit widened significantly to US\$261.1 million from US\$126.5 million in February 2024, marking one of the largest year-on-year deteriorations during the period. March, April, and May followed the same pattern, with worsening trade gaps each month compared to the prior year, driven primarily by a combination of declining exports and rising import bills.

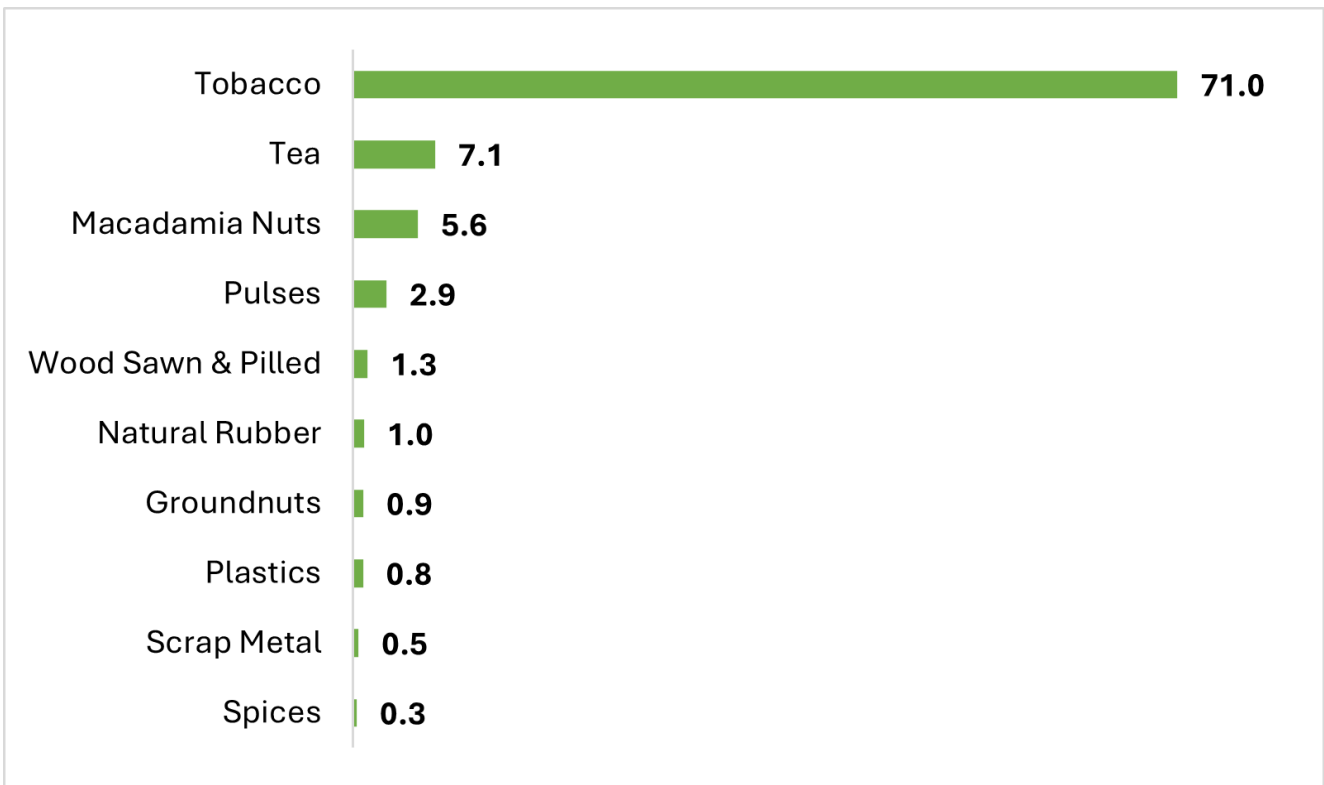
In June, the trade deficit remained relatively stable, increasing only marginally from US\$235.7 million in 2024 to US\$237.9 million in 2025. Despite the improved export figure in June, it was not sufficient to significantly narrow the gap.

■ 4. ANALYSIS OF MALAWI'S EXPORTS IN JUNE 2025


Malawi's export profile in June 2025 remained heavily concentrated, with tobacco alone accounting for 71.0% of total export earnings (Chart 3). This dominance reflects the country's continued reliance on a single commodity, which exposes the economy to heightened risk. As global demand for tobacco declines due to shifting health policies and regulatory pressures, Malawi remains vulnerable to external shocks, market restrictions, and price volatility.

Beyond tobacco, the export base is relatively shallow. Tea (7.1%) and macadamia nuts (5.6%) were the next largest contributors, offering some signs of agricultural diversification. However, their limited scale and underdeveloped value chains prevent them from serving as effective buffers during downturns in tobacco revenues. Other export items, including pulses, wood, rubber, and groundnuts, consist mainly of unprocessed or semi-processed raw materials. These are typically exported with minimal value addition, resulting in lower foreign exchange earnings and fewer domestic linkages.

Chart 3: Composition of Malawi's Major Exports – June 2025 (% of Total Exports)



Source: : National Statistical Office of Malawi/EDF Research



Interestingly, non-traditional exports such as plastics, scrap metal, and spices also made the top ten list, albeit with marginal shares. Their presence may signal emerging opportunities in light manufacturing and niche sectors, but their contribution to overall export performance remains minimal. Without strategic policy support, these categories are unlikely to drive structural transformation.

In sum, the June 2025 export structure reveals continued fragility: high dependence on a single commodity, limited diversification, and weak progress in value addition. This configuration restricts Malawi's ability to generate inclusive growth, absorb external shocks, and meet its long-term development goals.

4.1. Policy Implications

To shift toward a more resilient and competitive export sector, Malawi must adopt a dual-track strategy focused on both diversification and value addition.

Diversification efforts should prioritise expanding the export base beyond tobacco, with particular attention to high-potential products such as macadamia, tea, pulses, horticultural crops, and non-traditional exports like spices or light-manufactured goods. This requires not only scaling up production but also investing in branding, certification, and targeted export promotion.

Simultaneously, Malawi must enhance value addition through investment in agro-processing infrastructure, cold storage, and packaging facilities, as well as stronger support for Small and Medium Enterprises (SMEs) and export-oriented clusters. Improving access to trade finance, modernising logistics and transport systems, and easing regulatory bottlenecks are also critical steps to make Malawian exports more competitive in regional and global markets.

Finally, institutional coordination between the Ministry of Trade and Industry, the Ministry of Agriculture, and the Ministry of Finance is essential to implement a coherent export development strategy. Without deliberate interventions to broaden the export base and capture more value domestically, Malawi risks remaining locked in a vulnerable and low-growth trade model.



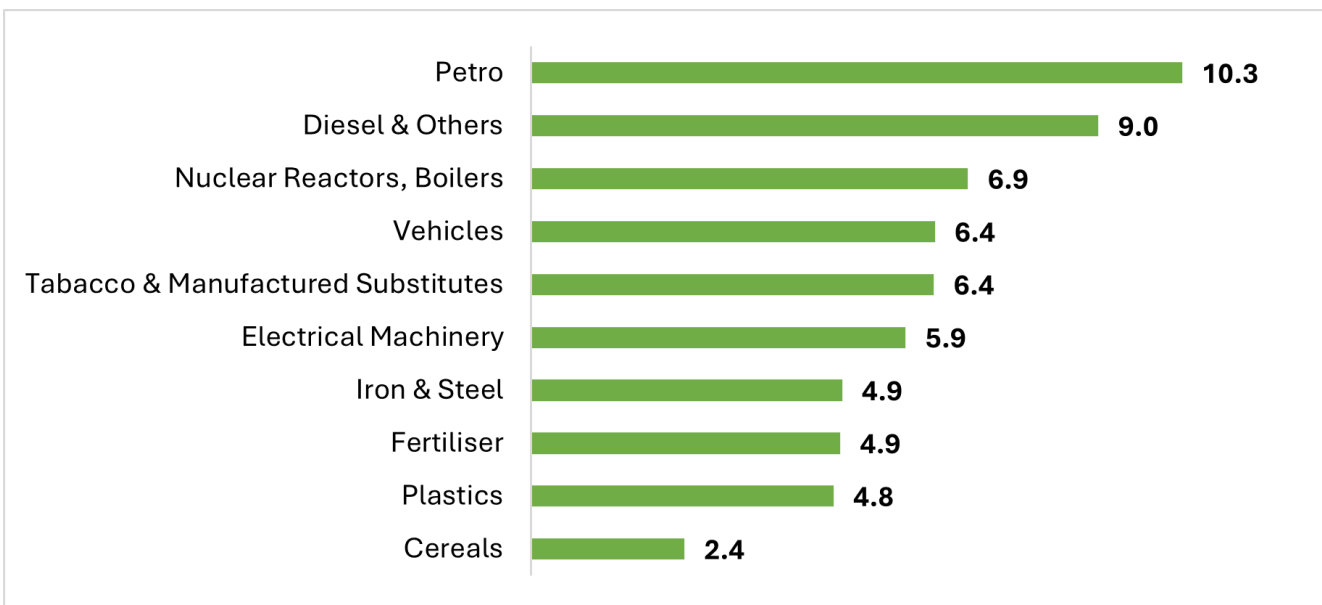
5. ANALYSIS OF MALAWI'S IMPORTS IN JUNE 2025

Malawi's import structure for June 2025 reveals a high concentration of essential goods, reflecting structural dependencies that continue to shape the country's trade dynamics. At the top of the list are petroleum products (10.3%) and diesel and related fuels (9.0%), which together account for nearly one-fifth of total imports (Chart 4).

This level of dependence on imported fuel leaves the economy highly exposed to global oil price fluctuations. In the absence of domestic refining capacity or viable alternatives, international price shocks are quickly transmitted to the local economy, contributing to inflation, fuel shortages, and further strain on Malawi's limited foreign exchange reserves.



Chart 4: Composition of Malawi's Major Imports – June 2025 (% of Total Imports)



Source: : National Statistical Office of Malawi/EDF Research

Beyond energy, a considerable portion of imports comprised capital and intermediate goods. These include nuclear reactors and boilers (6.9%), vehicles (6.4%), electrical machinery (5.9%), and iron and steel (4.9%). On the one hand, these imports may signal investments in industrialisation and infrastructure. On the other hand, their development impact remains limited unless they are linked to sectors that generate exports, employment, or import substitution. Without strong domestic value chains, these goods may instead reflect rising consumption rather than productive transformation.

Fertiliser also featured prominently, accounting for 4.9% of total imports. This reflects Malawi's dependence on external sources to sustain food production, again, exposing the country to volatile international input



prices. Given agriculture's centrality to livelihoods and food security, such dependence remains a structural vulnerability.

Processed consumer goods such as plastics and cereals also appeared in the top ten. These are products that could, at least partially, be produced locally. Their continued importation highlights missed opportunities for domestic manufacturing and agro-processing.

Further, the appearance of processed tobacco and substitutes is striking, given that tobacco is one of Malawi's top exports. The re-importation of tobacco products points to a significant gap in domestic value addition, suggesting that raw tobacco is exported while finished products are brought back into the country, resulting in lost value and limited job creation.

5.1. Policy Implications

Malawi's June 2025 import profile calls for urgent and targeted policy responses to reduce structural vulnerabilities and shift the country toward a more resilient and productive economy.

First, the country must accelerate efforts to diversify its energy mix. Increased investment in renewable sources such as solar, hydro, and biofuels would reduce reliance on imported fuels and insulate the economy from global oil price shocks. Regional cooperation on fuel procurement could also help stabilise supply and manage costs.

Second, to reduce dependence on imported agricultural inputs, Malawi should prioritise local fertiliser blending and encourage organic alternatives. Public-private partnerships can play a key role in scaling domestic capacity and reducing exposure to international supply chain disruptions.

Third, industrial and capital goods must be strategically aligned with sectors that drive growth and exports. Policymakers should ensure that imported machinery and equipment support agro-processing, manufacturing, mining, and infrastructure, rather than non-productive consumption. This will require stronger coordination between trade and industrial policy.

Fourth, to address the persistent importation of goods that can be produced domestically, such as plastics and cereals, the government should expand support for local manufacturing. This includes access to concessional finance, SME development programmes, and industrial park infrastructure. A "Produce Malawi" campaign could further stimulate demand for locally made products.

In addition, the importation of processed tobacco reinforces the need for domestic value addition. Establishing or expanding tobacco processing capacity would help capture more value within the country, reduce import bills, and boost export earnings through finished products.



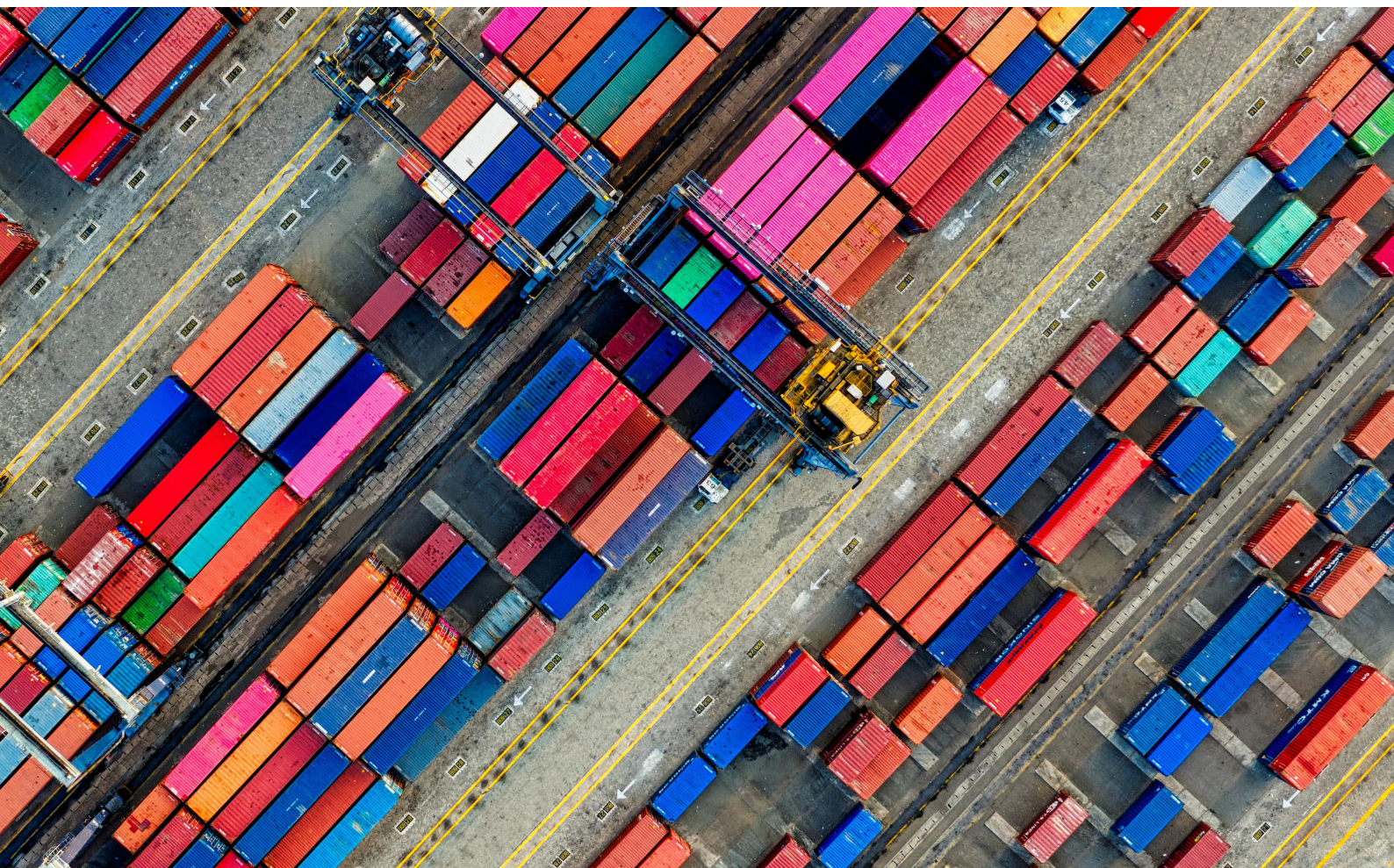
Lastly, Malawi's broader dependence on essential imports underscores the importance of effective foreign exchange management. The Reserve Bank of Malawi and the Ministry of Trade should consider adopting import prioritisation frameworks, ensuring that scarce forex is allocated to critical sectors, while gradually reducing reliance on non-essential imports.

■ 6. EDF'S CONTINUED RELEVANCE IN EXPORT DEVELOPMENT

The Export Development Fund (EDF) is already aligned with the country's strategic trade objectives by supporting export growth, industrialisation, and value addition. However, the persistent trade challenges highlighted in this digest emphasise the need for EDF to intensify its focus on high-potential but underdeveloped sectors, strengthen support for agro-processing, and expand access to trade finance for emerging exporters. By building on its current efforts and strategically targeting these gaps, EDF can play a transformative role in repositioning Malawi's trade structure for greater resilience and long-term competitiveness.

■ 7. CONCLUSION

Malawi's trade performance in the first half of 2025 remains marked by a widening deficit, driven by weak and concentrated exports alongside persistently high import demand. The heavy reliance on tobacco and fuel underscores structural vulnerabilities that continue to strain the country's external position. Addressing these challenges will require urgent action to diversify exports, enhance value addition, and reduce import dependence to support long-term trade resilience and economic stability.



APPENDIX

DETAILS OF THE EXPORTED COMMODITIES IN JUNE 2025

Month	TEA		TOBACCO		COTTON		SUGAR	
	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs
May	5,199,573	7,589,992	2,207,522	10,747,446	179,945	324,292	1,440,946	1,092,869
June	3,591,062	5,191,520	10,737,962	52,227,119	200	235,794	4	14
Month	SOYA BEANS		PULSES		RICE		COFFEE	
	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)
May	8,002	4,399	1,623,130	1,581,178	8	6	1,063	2,635
June	-	-	3,978,066	2,117,003	300	83	812	1,588
Month	SKINS AND HIDES		LIVE TREES AND FLOWERS		GROUNDNUTS		PLASTICS AND OTHER ARTICLES THEREOF	
	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)
May	-	-	300	34	878,000	1,001,925	374,851	671,625
June	-	-	2	17	596,150	638,920	451,964	621,224
Month	MACADAMIA NUTS		SPICES		BEVERAGES, SPIRITS, VINEGAR		NATURAL RUBBER	
	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Litres	Amount (US\$)	Kgs	Amount (US\$)
May	561,582	3,293,235	16,295	164,191	18,196	26,691	277,480	550,241
June	571,216	4,118,900	37,104	223,051	54,219	100,815	362,915	700,973
Month	WOOD SAWN AND PILED		WOOVEN FABRIC		APPAREL CLOTHING: KNITTED OR CROCHETED		APPAREL CLOTHING: NOT KNITTED OR CROCHETED	
	Kgs	Amount (US\$)	Kgs	Amount (US\$)	No	Amount (US\$)	No	Amount (US\$)
May	1,997,328	864,238	-	-	220	209	548	799
June	2,034,766	921,693	-	-	-	-	2,471	1,517
Month	FISH		SCRAP METAL		WOODEN FURNITURE		OTHER EXPORTS	
	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Kgs	Amount (US\$)	Amount (US\$)	
May	6,774	16,679	1,490,094	292,903	9,537	7,837	6,319,201	
June	5,610	16,155	908,903	337,971	22,076	13,070	6,438,493	

Source: : National Statistical Office of Malawi/EDF Research



Feedback



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