

Loita says Tobacco Forex still low - *Daily Times, Malawi – 13th May 2005.*

INFLOWS of US dollars at the tobacco auction floors are not significant enough to halt Kwacha's depreciation against major trading currencies, Loita Investment Bank (LIB) has said.

The bank says in its Treasury Market report a month since tobacco markets opened, sales of the leaf- which account for the bulk of Malawi's total foreign exchange income had not yet made a dent on foreign currency denominated accounts [FCDAs] held by commercial banks. "The impact of the sales has not been felt much by banks. The Kwacha continues to devalue and there is still scarcity of foreign exchange in the market," says Loita.

It says the market was still experiencing heavy speculation with some importers fearing that the local unit might take a further dip to K120/dollar from its current daily average of K115/dollar. The bank says however that it was optimistic that the situation would improve with time since large volumes of the leaf are on average, attracting fairly good prices.

Loita estimates that the Kwacha fell by five percent in March this year when it swayed off balance and lost its 18-month stability against the greenback. The year-long stability was due to intervention measures by the Reserve Bank of Malawi. The investment bank says between March to date the Kwacha depreciated by one- percent to the British Pound and Euro. But it notes that during the same period, the South African Rand hit its lowest point in 18 months, this as a result of a 2.75 percent hike in US interest rates by Federal Reserves Chairman Alan Greenspan's committee.

The weakening in value of the Rand to the Dollar seems to have had a significant bearing on the Kwacha, which is now trading at K 18/rand levels as compared to average quotes of K20/rand around March.

In a sales update released this week, Tobacco Control Commission {TCC} says higher volumes of the leaf have been sold this year but the price has fallen. TCC says that between April 15-21 about 13.4 million kilos of the leaf were sold compared to 3.3 million kilos during the same period last year. The average price has however, plummeted from US\$1.09/kg last season to US\$ 1.04/kg this year, says TCC.

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