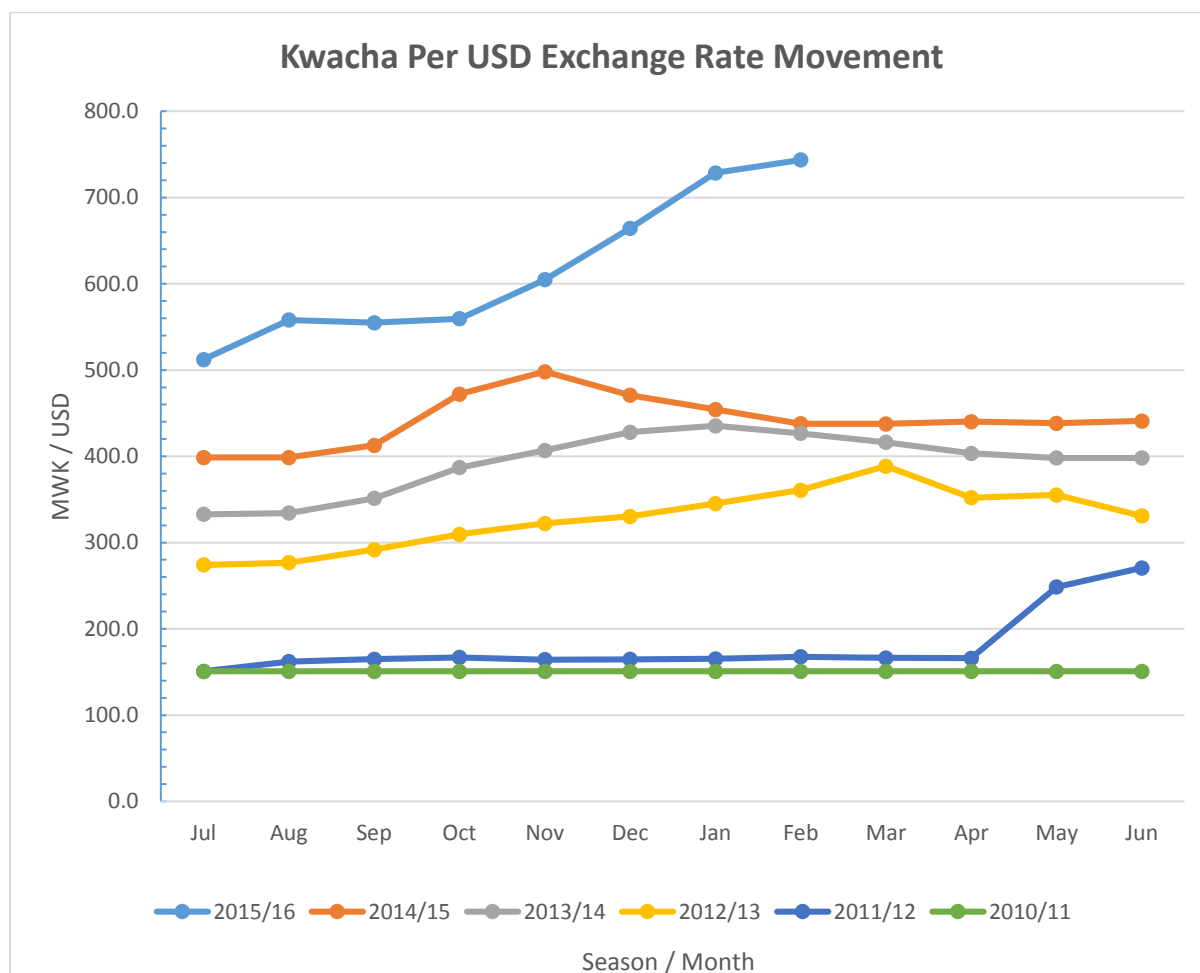


## **IMPACT OF KWACHA EXCHANGE RATE MOVEMENT ON EXPORTERS**



Source: Reserve Bank of Malawi

### Notes:

During the fixed exchange rate era up to 2010/11, there were no exchange rate gains for exporters, tobacco farmers inclusive. However, since April 2012 the exchange rate has generally been depreciating thereby providing exchange rate gains to exporters including tobacco farmers. Mostly tobacco farmers purchase inputs during the September – October period each year. Although there have been some appreciation before the marketing season that is normally seasonal, such appreciations do not take the exchange rate to below October levels, with an exception of the 2014/15 season. It therefore follows that farmers have been gaining from exchange rate movements.

### Lessons:

1. The current exchange rate system is the best for exporters including tobacco farmers because it makes them competitive on the international markets.
2. Exporters including tobacco farmers enjoy exchange rate gains from the system
3. Early planning and early purchase of inputs maximises exchange rate gains for tobacco farmers.

**RESERVE BANK OF MALAWI**

11 March 2016