2024 QUARTER 1

ECONOMIC AND BUSINESS REVIEW

IN THIS ISSUE

ECONOMIC GROWTH PROSPECTS

Commentary

Economic performance in the first quarter (Q1) of 2024 has been a mix positives and negatives. Introduction of new maize in the market eased maize prices resulting in the declining of food inflation and the overall inflation in turn. The economy has also experienced stability in the energy sector as evidenced by improvement in electricity supply and availability of fuel.

On the other hand, forex scarcity still persist and the Kwacha continues to lose value against major trading currencies. Despite a better performance in the first 2 months of the quarter (January and February) the quarter ends with the Kwacha on a weaker position compared to the previous quarter. Interest rates continue its upward trajectory following the increase of the Policy rate by 200 basis points to 26.0 percent

1. Real sector developments:

This section provides an analysis of Real GDP, Inflation as well as Domestic Production.

i. Real Economic Activity

Malawi's economic growth, first quarter estimates, is projected to pick up to 3.6 percent in 2024 as assumed in the 2024/2025 National Budget, from 1.5 percent in 2023. The growth, is premised on an increase in public investment and recovery in mining and quarrying, manufacturing, information and communication, financial and insurance activities, and education sectors.

This projected growth will be supported by an improvement in the supply of fuel. In 2023, economic growth was hugely affected by scarcity of fuel. However, the situation has improved following the Extended Credit Facility (ECF) by the International Monetary Fund (IMF).

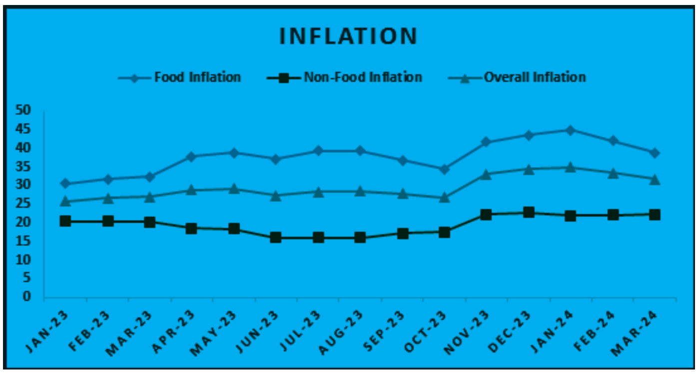
Current Economic Risks

The domestic economy is currently facing several significant risks that limit the country's potential for growth in 2024. Some of them are as follows;

- Following the 44 percent devaluation in November 2023, there was optimism amongst the private sector on forex pricing and availability in the official market. Businesses were optimistic that the ECF will induce the inflow of FDI. However, forex scarcity still persists and continues to impede private sector productivity through inhibiting the importation of much needed raw materials and machinery. On pricing, the Kwacha is still overvalued and continues to lose value against major trading currencies as evidenced in the results of Foreign Exchange Auctions throughout the quarter.
- As a result of a series of economic shocks the country has been going through, the macroeconomic environment remains volatile as evidenced by rising public debt, higher inflation and rising interest rates. The imbalance has created an environment which is not conducive for private sector participation. The economic outlook for the year shows that the situation will improve but it will be gradual.
- Despite the improvement in the supply of energy (electricity and fuel), energy prices increase has also affected economic activity in the quarter. Electricity and fuel prices were adjusted upwards following the 44 percent devaluation in the previous quarter.
- The events in the Middle East (Israel and Iran) have raised political temperatures and catalyzed a new and dangerous phase of brinkmanship, with potentially grave consequences for the global political economy. The tension will likely put multiple critical shipping routes under siege which might trigger a global recession.

ii. Inflation Rate

Figure 1: trends of inflation rates



Source: NSO

Inflation has taken a downward trajectory in the quarter in discussion, from 35 percent in January 2024 to 33.5 percent in February 2024 and closing the quarter at 31.8 percent in March 2024. The decline in the overall inflation can be attributed to a moderation in food inflation. Food inflation slowed down from 44.9 percent in January 2024 to 44 percent in February 2024 and to 38.8 percent in March. The declining food inflation is the result of the injection of new maize and other agriculture produce into the market following the 2023/34 agricultural season. Maize prices has dropped by an average of 12 percent in February from K880 per Kilogram in January 2024 to K771 per Kilogram in February 2024. The prices dropped further by 2 percent in March 2024 to K759 per Kilogram. Food inflation will continue to take a downward trajectory in the following months as more maize enters the market.

Inflation target for the year 2024 remains at 27.1 percent. However such estimation tends to be unlikely given the current economic condition. Despite imposing tightening monetary policy, the fiscal side remains out of hand as social spending continues to grow. Recently government has disbursed K 6 billion as part social cash transfer to urban people. Despite being a life line to the poor, the intervention is inflationary. Inflationary fiscal interventions coupled with lower than anticipated agriculture output will likely will keep inflation higher than the 27.1 percent annual target and the 6 percent medium term target. On the global scale, geopolitical tensions in Middle East and Ukraine is putting pressure on oil supply and prices. This will likely increase in imported inflation for Malawi as the global inflation rises due to the rise in prices of petroleum products.

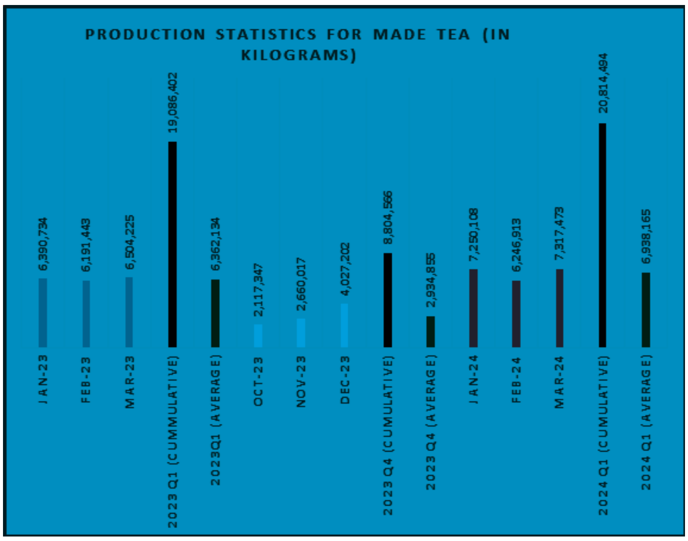
ii. Domestic Production

This part of the analysis covers developments in tea and maize production.

A. Tea Production

In the quarter under review, total tea production amounted to 20,814,494 KGs of which 7,250,108 KGs, 6,246,913 KGs, and 7,317,473 KGs were produced in January, February and March 2024 respectively. Comparing to identical quarter in the previous year, the production has increased by 0.1 percent from 19,086,402 KGs to 20,814,494 KGs.

Figure 2: Tea Production Statistics



Source: Tea Association of Malawi

B. Maize Prices

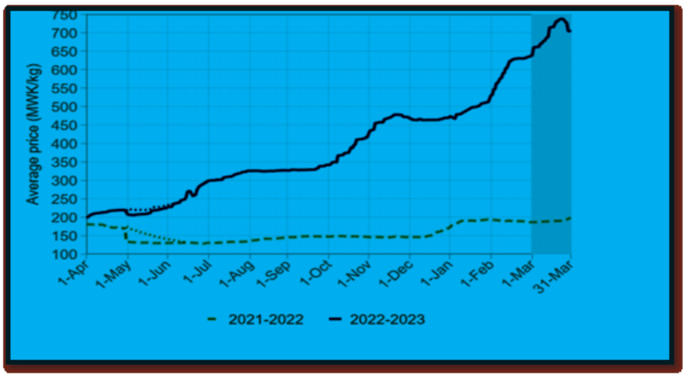
The first quarter is characterized by declining maize prices due to the injection of new maize in the market. This usually starts to happen towards the end of February as it is the start of the harvest season. However, in the month of January maize prices are usually high as supply of maize is usually at its lowest.

These trend has also been observed in the quarter in discussion. In January, retail prices of maize increased by 8 percent in the first half of January before declining in the second half of the month to a level 3 percent higher than at the end of December, according to The International Food Policy Research Institute (IFPRI). The final week of January 2024 thus saw a weekly average price of maize rose to K887/kg, only 3 percent above the final week of December 2023. This is 73 percent higher in nominal terms than in the last week of January 2023, when maize was retailing on average at K512/kg. The Southern region recorded the highest monthly average retail price of K991/kg, with Luchenza market in Thyolo recording the highest weekly average retail price in the third week of January (K1,088/kg) and Mwanza experiencing the highest increase (17 percent) in the region The monthly average retail price in the Central Region was slightly lower at K911/kg. The region also experienced a sustained price decline in the second half of January, with Chimbiya market in Dedza recording the largest decline in maize prices (5 percent). In the North, the monthly average retail price stood at K710/kg, with Chitipa recording the lowest weekly average price of K623/kg in the final week of January, reflecting the region's overall lowest prices as compared to the rest. However, the price decline in most northern markets was more modest than in the rest of the country, so that prices in the region did not quite drop to the level at the end of December 2023.

In the month of February, average daily maize prices continued to decline, with all 26 IFPRI monitored markets experiencing a decrease for the first time in 2024. Weekly average maize prices dropped from K880/kg in the final week of January to K771/kg in the final week of February, representing a 12 percent decline. The largest decline in prices, amounting to 24 percent, was observed in Mwanza market. All three regions experienced declining prices in the month of February. The Southern region reported the highest monthly average retail price of K870/kg, marking a 12 percent decrease from January's price of K991/kg. Additionally, the highest weekly average price was recorded in a market within the Southern region, Mpondabwino market in Zomba, where maize was sold at K1005/kg in the first week of February. The Central region reported the highest decline in monthly average retail maize prices in February. Average daily maize retail prices by region. Location of markets region decreased by 16 percent, dropping from K911/kg in January to K769/kg in February. This decline coincided with the start of garden (dimba) maize harvesting by some farmers in the region, leading to increased availability of maize to traders. The Northern region reported the lowest monthly average price of maize at K643/kg, down from K710/kg in January, making it the region with the lowest prices compared to others. Additionally, Chitipa market, located within the Northern region, recorded the lowest weekly average price of K574/kg in the third week of February, further highlighting the region's overall lower prices compared to other.

The overall weekly average maize price declined by 2 percent from K771/kg in the final week of February to K759/kg in the final week of March. The majority of IFPRI monitored markets (18 out of 26) experienced a weekly average price decline in the same period. Notably, Luchenza market in Thyolo reported the steepest decline, with prices falling by 9 percent. Despite having the largest decline (5 percent) in monthly average prices compared to the other regions, the Southern region recorded the highest price of K825/kg in March, down from K870/kg in February. Additionally, the highest weekly average price was recorded in a market within the Southern region, Chikwawa, where maize was sold at K943/kg in the first week of March. The Central region saw a 3 percent decrease in monthly average prices, dropping from K769/kg in February to K750/kg in March. Different from the Southern and the Central regions, the Northern region experienced a slight rise in daily average prices. Rumphi market in the region reported the highest increase, of 19 percent, in weekly average prices between the last week of February and the last week of March. Regardless, the region still of maize, relative to other regions, at K641/kg reported the lowest monthly average price

Figure 3: Long-run trends in average maize retail prices



Source: IFPRI

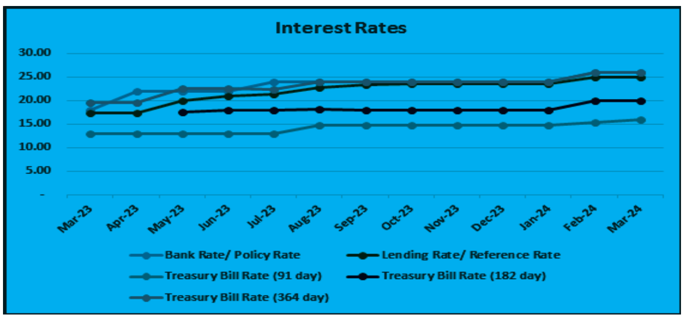
Section 2: Finance Sector Developments

This section looks at developments in Interest Rates and Stock Markets.

i. Interest rates

Interest rate continues its upward trajectory in the quarter. The Monetary Policy Committee (MPC) met on 31st January and 1st February 2024. Based on the Committee's assessment of the macroeconomic situation and its outlook, the MPC decided to increase the Policy rate by 200 basis points to 26.0 percent. Meanwhile, the Committee resolved to maintain the Lombard rate at 20 basis points above the Policy rate and the Liquidity Reserve Requirement (LRR) ratio at 7.75 percent for domestic currency deposits and 3.75 percent for foreign currency deposits, respectively. In arriving at this decision, the MPC observed that inflationary pressures have intensified, such that inflation is projected to persist before it starts to decline. The decision is therefore intended to counter inflationary pressures and restore price stability.

Figure 4: Trends of interest rates



Source: Reserve Bank of Malawi

The raising of the policy rate had effected other interest rates. During the quarter under review, the yields on the 91 day Treasury bill and the 364 day Treasury bill inched upwards by 1.3 percent from 14.7 percent in January to 16.0 percent March and by 2.0 percent from 24.0 percent in January to 26.0 percent in March respectively.

ii. Stock market developments

According to Malawi Stock Exchange report, the market registered a positive return on index of 2.96 percent in Q1 2024 lower than the corresponding period in 2023 of 29.44 percent in US$ terms. It also, registered an increase in total value traded despite registering a decrease in total volume of shares. There was neither any listing nor a trade on the debt market during Q1 2024.

The market transacted a total of 53,935,741 shares at a total consideration of MK8, 912,062,489.17 (US$5,258,326.00) in 2,516 trades. In the corresponding period in 2023, the market transacted a total of 118,816,338 shares at a total consideration of MK6, 853,106,604.91 (US$6,676,611.71) in 1,545 trades. This reflects a 54.61 percent decrease in terms of share volume and a 30.04 percent (-21.24 percent decrease in US Dollar terms) increase in share value. Daily average share trades exhibited similar trends where the market registered an average daily volume of 884,192 shares in Q1 2024 compared to 1,916,393 shares traded in the corresponding Q1 2023 reflecting a decrease of –53.86 percent. The average daily turnover for Q1 2024 was MK146, 099,385.07 (US$86,202.07) compared with MK110, 533,977.50 (US$107,687.29) for the corresponding Q1 2023, reflecting an increase of 32.18 percent (-19.95 percent in US Dollar terms).

The price gains registered on NICO (32.76 percent), FMBCH (20.63 percent), NBM (14.22 percent), ILLOVO (7.15 percent), SUNBIRD (2.07 percent), NITL (0.37 percent), BHL (0.31 percent) STANDARD (0.01 percent) and OMU (0.001 percent) were enough to offset share price losses on TNM (-35.78 percent), AIRTEL (-16.53 percent), FDHB (-7.04 percent), ICON (-5.60 percent), NBS (-4.35 percent) and MPICO (-2.13 percent) resulting into an upward movement of the Malawi All Share Index. The Domestic and Foreign Share Indices inched upwards by 0.47 percent to 86,761.71 points and by 20.39 percent to 19,012.48 points respectively. Market capitalization, increased in both Kwacha and US Dollar terms from K6.00 trillion (US$3.561 billion) in January 2024 to K6.18 trillion (US$3.563 billion) in March 2024.

The turnover velocity as measured by the ratio of Total Value of Trades to Market Capitalization, an indicator of the liquidity of assets traded on the market, in the quarter under review was recorded at 0.58 percent, lower than 0.63 percent registered in Q1 2023. The ratio of Total Value of Trades to Gross Domestic Product recorded a liquidity level of 0.20 percent in the review period while during the corresponding period of 2023 liquidity was at 0.23 percent. Market capitalization as a percentage of GDP was at 34.42 percent in Q1 2024 and at 36.08 percent in Q1 2023.

Top 5 capital gainers on the Malawi Stock Exchange (Q1 2024)

COUNTER NAME	% GAIN
NICO Holdings plc	32.76
FMB Capital Holdings plc	20.63

NBM plc	14.22
Illovo Sugar Malawi plc	7.15
Sunbird Tourism plc	2.07

Source: Malawi Stock Exchange

Table1: Companies with capital losses (Q1 2024)

COUNTER NAME	% Loss
Telekom Networks Malawi plc	-35.78
Airtel Malawi plc	-16.53
FDH Bank plc	-7.04
ICON Properties plc	-5.6
NBS Bank plc	-4.35

Source: Malawi Stock Exchange

Section 3: External Sector Developments

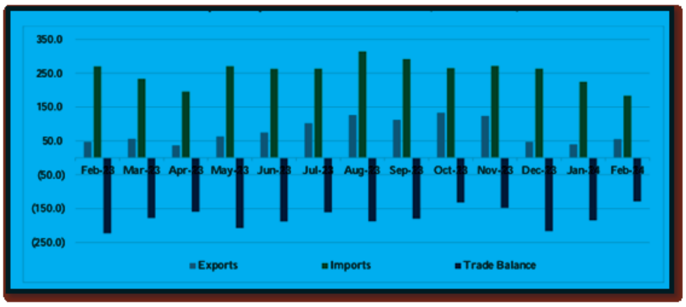
This section provides an analysis of developments in the merchandise trade, foreign exchange market, gross official reserves, global fuel prices and global commodity prices.

i. Merchandise Trade

According to the Reserve Bank of Malawi, the merchandise trade balance recorded a deficit of US$128.5 million in February 2024, compared to a deficit of US$184.8 million in January 2024, and a deficit of US$223.0 million in February 2023. The narrower trade deficit was on account of a 39.6 percent growth in exports coupled with an 18.1 percent drop in imports. Total exports of goods amounted to US$55.2 million in February 2024 from US$39.5 million in the preceding month, and compared to US$47.2 million reported in the corresponding month of 2023. The outturn in exports was partly explained by increases in the sales of tobacco, tea and soybean, which rose to US$20.5 million, US$5.9 million and US$3.9 million, from US$19.4 million, US$5.3 million and US$0.7 million in the preceding month.

Conversely, imports of merchandise fell to US$183.7 million in the review month from US$224.3 million recorded in January 2024, and compared to US$270.3 million registered in a similar month of 2023. The development was largely due to decreases in purchases of fuel, fertilizer and printed books, which declined to US$25.8 million, US$13.4 million and US$0.5 million, from US$47.4 million, US$29.7 million and US$14.9 million in January 2024, respectively. However, imports of pharmaceuticals, cereals and vehicles grew to US$9.2 million, US$4.0 million and US$12.3 million, from US$5.0 million, US$1.7 million and US$11.2 million in the preceding month, respectively.

Figure 5: Merchandise Trade Balance

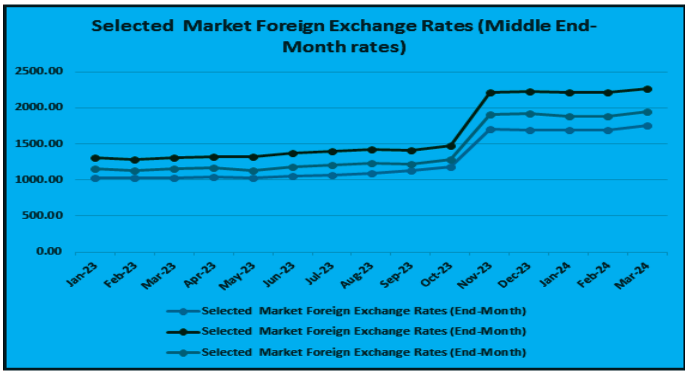


Source: Reserve Bank of Malawi

ii.Malawi Kwacha Exchange Rate

The Kwacha continues to lose value against major trading currencies. In the quarter in discussion, it has devalued despite a strong start in January. Against the US Dollar, the Kwacha appreciated by 0.01 percent in January and depreciated by 0.04 percent and 3.1 percent in February and March respectively. The one US Dollar was fetching K 1697.80 at the end of January, K 1698.50 at the end of February and K1750.38 at the end of March. Against the Pound, the Kwacha appreciated slightly in the months of January and February by 0.1 percent and 0.2 percent respectively. However the appreciation was overshowed by a 2.3 percent depreciation in March. Again the Euro, the Kwacha also appreciated in the months of January and February by 1.5 percent and 0.1 percent respectively. The strong start has however been undone by a 3.3 depreciation.

Figure 6: Average exchange rate against US Dollar, Pound and Euro

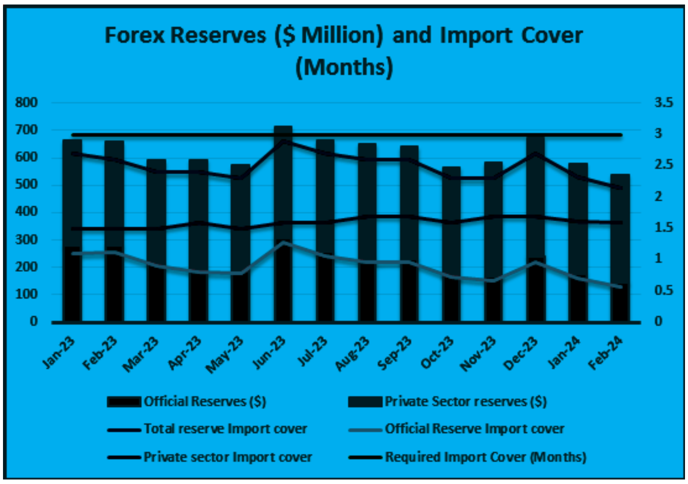


Source: Reserve Bank of Malawi

i. Gross Official Reserves

In the quarter under review, the country continued to experience shortage of foreign exchange. The economy's overall foreign exchange reserves declined to US$531.0 million (2.1 months of imports) at the end February 2024, from US$576.7 million (2.3 months of imports) reported at the end of January 2024, and compared to US$646.7 million (2.6 months of imports) as at the end of February 2023.

Figure 7: Trends of Forex Reserves



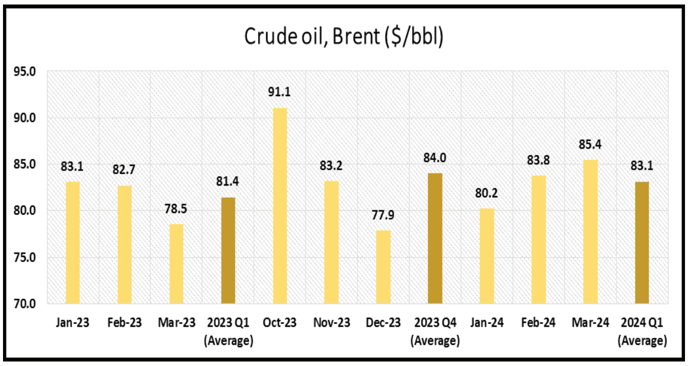
Source: Reserve Bank of Malawi

iv. Global Fuel Prices

The Global oil prices have an upward trajectory in 2024 Q1. The prices of crude oil on the global market rose from 77.9 ($/bbl) at the end of the previous quarter, 2023 Q4, in December 2023 to 85.4 ($/bbl) in March 2024 at the end of the quarter in discussion. The 2024 Q1 quarterly average stands at 83.1 and is lower than the 84($/bbl) quarterly average in the previous quarter. However, comparing with the identical quarter in 2023 (2023 Q1) the prices have increased from 81.4 ($/bbl).

The recent spate of Ukrainian attacks against Russian refineries risks disrupting global middle distillate markets in the coming months and this will likely to cause prices to be continue rising.

Figure 8: Brent Crude oil average prices (US$/bb/)



Source: World Bank

UPCOMING BUSINESS EVENTS

The following are the business events that MCCCI is facilitating in the third quarter of 2024, respectively:

	For Registration Please Contact Linda Pete on 0888 361 132 or email: lpete@mccci.org

NEWS SECTION

Q1 2024 BUSINESS NEWS (Source: National News)

- **MCCCI tips government on investment, taxes:** Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has urged government to direct investment to the manufacturing sector and revise some taxes to protect key and emerging firms. In its reaction to the 2024/25 National Budget Statement presented by Minister of Finance and Economic Affairs Simplex Chithyola Banda in Parliament in Lilongwe on 23rd April, 2024, MCCCI commended the government for creating measures to boost productivity in anchor economies. But the private sector lobby group has cautioned that restrictive tax measures and limited investment in the manufacturing sector could undermine the budget's goal of stimulating recovery through increased productivity.

To address the low credit extended to the private sector with Reserve Bank of Malawi (RBM) data showing it has dropped to 12.4 percent as a share of total credit, the chamber urged the government to come up with a special purpose vehicle or an industrial development fund to provide capital targeting investments in the manufacturing sector. Reads the statement in part: "This will help to combat the unavailability of finance which is affecting investment and enhance development of the manufacturing sector which is one sector that has so much potential for value addition."

According to the December 2023 RBM Monthly Economic Review, private sector credit to the manufacturing sector has slumped from 12.9 percent, representing a decline of 0.5 percentage point. MCCCI has further urged the government to apply differential rates to local fruit wines by, among other measures, revising the existing tax rate from the current 95 percent to 10 percent to support this emerging industry and domestic small-scale fruit suppliers "who derive their livelihood from this market". "The importation of wines should be monitored and the excise rate on imported wines should remain at 95 percent," reads the report. The recommendations by MCCCI are in stark contrast with the measures Chithyola Banda announced in the budget statement.

The minister announced the reduction in excise tax on clear beer made from sorghum and maize from 40 percent to 20 percent to promote the use of locally sourced raw materials for production as well as promote the welfare of local farmers. The reduced investment in the private sector has sparked concerns over the country's capacity to use value addition and manufacturing to drive the country's transition to a middle-income country by 2030 as envisioned in the Malawi 2063 (MW2063), the country's long-term development strategy.

- **Government tipped on local, foreign investment:** In interview, National Planning Commission director general Thomas Chataghalala Munthali, whose organisation is the key implementer of the MW2063, urged the government to engage the private sector to address the "bottlenecks they experience to bring in new investment and scaling up existing investment".

He said: “Coupled with this is the importance of catalysing investments by the State in the strategic sectors with glaring market failures to de-risk investments and attract private investments to them.” Some local economists say the government’s excessive borrowing from the commercial banks is limiting opportunities to direct financing to the private sector for investment

Malawi Investment and Trade Centre (Mitc) and the European Union (EU) have urged the Malawi Government to create a conducive environment for businesses to thrive and opportunities for the private sector to invest. The recommendation comes amid concerns that allocations to the agriculture, tourism and mining sectors in the proposed 2024/25 National Budget Minister of Finance and Economic Affairs Simplex Chithyola Banda presented in Parliament on Friday may not be enough to stimulate local economic growth.

In the budget, the minister raised the agricultural budget in nominal terms from K455.1 billion to K499.75 billion but as a percentage of total expenditure estimated at K5.98 trillion, the allocation has dropped 3.2 percentage points from 11.8 percent to 8.6 percent The allocations to the tourism sector at K4.8 billion and mining at K3.5 billion collectively account for 0.13 percent of the total budget. Commenting on the allocations on 25th February, Mitc chief executive officer Paul Kwengwere said the government has laid the groundwork for development through its allocation to the development budget, which has risen to 30 percent of total expenditures. He, however, urged the government to ensure that the funds are spent on the projects they were intended for to maintain the donor confidence. Said Kwengwere: “Overall, most times this money is withdrawn if the country does not use it for its intended purpose. “But if we cling on and make sure that the money is going to the right development areas, then the money will be utilised effectively.” In a separate interview, EU Ambassador Rune Skinnebach urged the government to undertake legislative and regulatory reforms to encourage the private sector and foreign investors to fill in the gaps left by the government. “For example, if the government wants foreign investments in the mega arms project, it should have a second look at the land laws, the Special Crops Act and the existing foreign exchange retention schemes,” he said. Local exporters previously complained that they face challenges to access foreign exchange for buying raw materials.

- **NPC head tips government on private sector:** He was reacting to Reserve Bank of Malawi (RBM) data which showed that private sector credit had dropped 2.5 percentage points from 20.4 percent in the third quarter of 2023 to 17.9 percent in the fourth quarter, a development local economic analysts said would derail the Malawi 2063

In its First Monetary Policy Report of 2024, the central bank said credit remains concentrated in four main sectors—community, social and personal services (34.7 percent), wholesale and retail trade (16.2 percent), agriculture, forestry, fishing and hunting (15.9 percent) and manufacturing (10.6 percent).

Reacting to this, Munthali said the “levels of investments across all the productive sectors remain lower than optimal”, considering that sectors like massive commercial agriculture and manufacturing require huge, cheap, long term and patient capital and a facilitatory investment environment”. In a WhatsApp response, he said: “This [investment] is largely lacking at the moment for many reasons including a harsh macroeconomic environment that includes high cost of capital, forex shortages and easy money that banks are making from borrowing money to government, personal services, wholesale and retail sectors.” Munthali, whose organisation is the key implementor of the Malawi 2063, cautioned that the profits would be unsustainable in the long-term. He, thus, urged the government to engage the private sector to address the “bottlenecks they experience to bring in new investment and scaling up existing investment”.

Speaking separately, economic statistician Alick Nyasulu said private sector investment has remained low because of the high borrowing costs and the government’s tendency to borrow from the domestic market.

- **Policy hike hits small businesses:** Small and medium enterprises have been left in the cold following Reserve Bank of Malawi (RBM)’s decision to raise the policy rate by two percentage points to 26 percent. Within a period of 10 months from April 2023, RBM has hiked the policy rate, the key driver of interest rates on loans, by 800 basis points, from 18 percent to 26 percent, as the inflation rate now at 34.5 percent continues to rise.

In an interview with Business News, Chamber for Small and Medium Enterprises Association executive secretary James Chiutsi described the move as “very retrogressive for businesses”. He said: “That’s not good news for businesses. As we have said time and again, the economy is tough. “This coming on the heels of the devaluation and foreign exchange shortage, is bad news. Sometimes we even wonder whether this is really in the interest of businesses. Chiutsi said raising interest rates will increase cost of production, making it very hard to compete on both the domestic and global market. “Our colleagues will bring goods on the market at a modest cost. We cannot do the same,” he said.

Speaking separately, South Africa-based Don Consultancy Group chief economist Chifipa Mhango said the hike is a cause of concern for the business environment in Malawi.This, he said, is despite that the motivation to valid under the current monetary policy framework. hike the policy rate isSaid Mhango: “What is clearly being depicted is that despite the aggressive monetary policy approach by RBM in hiking the policy rate to contain inflation, this is not being achieved, as the inflation rate surges further in the Malawi economy “This raises questions around whether such an inflation targeting policy is effective in the Malawi economy where Government is the largest borrower and in a forex market which is managed through devaluation to suppress demand.”

Oh his part, former Monetary Policy Committee (MPC) member Frederick Changaya observed that with economic players already chocking from the negative impacts of the kwacha devaluation, the worst RBM could have done was to hold the policy rate. He said: “We can engineer the macro – economic outcomes we want to see in the next few quarters by being innovative." Not using the outdated models which have given you same outcomes for decades and left Malawi in the bottom three economies of the world."

However, Malawi Confederation of Chambers of Commerce and Industry president Lekani Katandula described the policy rate hike as a "good decision that feels painful in the short-term but very helpful in the long-term" "No one looks forward to expensive financing costs but we all benefit from lower inflation, and the current inflation trajectory left the central bank with no choice but to increase the interest rate to help fight inflation. "We can only hope that the fiscal side will complement this effort through lower deficits and indeed that the weather will be good enough for us to improve on our national agricultural production."

In a statement of the First MPC of 2023, RBM Governor Wilson Banda said the MPC arrived at the decision after observing that inflationary pressure has intensified such that inflation is projected to persist before it starts to decline. However, the committee resolved to maintain the Lombard rate at 20 basis points above the policy rate and the Liquidity Reserve Requirement ratio at 7.75 percent for domestic currency deposits and 3.75 percent for foreign currency deposits.

- **India extends pigeon peas export window:** The Indian Government has extended Malawi's pigeon peas export quota for the 2024/25 marketing season, a development that presents an opportunity for farmers and the country to boost foreign exchange earnings.

Ministry of Trade and Industry spokesperson Mayeso Msokera said this means that pigeon peas farmers will have continued access to the Indian market beyond the end of a similar waiver of export quota extended to Malawi in the 2023/24 farming season.

The extension follows the removal of the waiver of a 50 000 metric tonnes (MT) export quota imposed on Malawi by the Indian Government in 2022. Msokera said the move by the Indian Government is a welcome development in the country's trade relations with the Asian country. "The ministry wishes to urge farmers, producer organisations and traders to take advantage of the unlimited market of pigeon peas offered by India by producing and exporting more of the commodity," he said. The move is in line with Malawi Government's wider diversification plan, which involves the intensification of legumes growing to supplement foreign exchange from tobacco, which is the country's number one forex earner, but its earnings have been dwindling over the past five years. However, despite the existence of the waiver, Malawian producers and exporters have been failing to utilise the readily available market, putting to question the country's readiness for such a huge market for pigeon peas.

Ministry of Trade and Industry data shows that in 2022, for instance, Malawi exported 69 151MT of pigeon peas with a significant portion of the exports going to United Arab Emirates, the country's top export market for the crop. Out of this, India only imported 20 000MT, due to the import restriction imposed by the Indian government in New Delhi. Speaking in an interview yesterday, one of the country's exporters Leston Mulli of MBL Holdings Limited, said Malawi is failing to reap from such deals because of reduced production levels, quality of produce and prices. He said: "We are not competitive because our landlocked nature already puts us at a disadvantage. "Again, we have seen that every time the commodity has not done well on the market, farmers abandon pigeon peas farming which also impacts output." Mulli said to maximise potential out of the deals such as the India one, there is need for collaboration among players to boost production and also producing well graded pigeon peas for the export market.

Agriculture policy development commentator Tamani Nkhono Mvula observed that the biggest challenge Malawi faces is low production due to scarcity of land in areas where pigeon peas are grown as they also compete with other cash crops. He said: "If we are to better utilise this, we need to start producing more and promote pigeon peas at the same level we are promoting other legumes and also organise our value chain. Nandolo Farmers Association of Malawi chairperson Susan Chimbayo said low access to finance and the absence of structured markets affects production. She said pigeon peas production has remained under small-scale farmers and on small pieces of land with minimal commercial orientation.

Since India introduced the trade policy on import of pigeon peas in 2017, Malawi lost 64 percent in export earnings. Indian High Commission data shows that Malawi exports to the Asian country fell from $39.32 million (about K67 billion) in 2016/17 to $9.05 million (about K15 billion) in 2020/21.