



Monthly Economic Brief

May 2023

HIGHLIGHTS



Growth Outlook

African economies exhibit resilient growth



Election date proclaimed

The election date has been set for the 23th of August 2023



Consumer Prices

Consumer prices increased by 15.74% in May '23



161.39%

The ZSE all-share index added 161.39% in May 2023, driving year to date gains to 455.02%.

Positive 2023 growth momentum for Africa...

The African Development Bank (AfDB) projected that Africa's GDP growth will rebound to 4% in 2023 from 3.8% in 2022. The AfDB anticipates that 2023 growth will be bolstered by expected improvements in global economic conditions due to a downward revision of global interest rates. Despite the resilience to growth, some African countries face risks of debt distress amid US\$ appreciation.

In particular, the AfDB focused on the need for mobilising private sector financing to promote climate and green growth in Africa. Consequently, the regional development bank suggests the need for increased investment in research and development and the adoption of sound environmental policy frameworks. The outlook provides a roadmap for African countries to attract sufficient investment to achieve green growth and build resilient economies.

Local currency depreciation fuels inflation...

The local currency depreciated 59.4% on the official market, registering the largest monthly loss of value in 2023. Official exchange rate in May was ZWL\$2,577.06 per US\$ from ZWL\$1,047.44 per US\$ in the prior month, bringing year-to-date and annual depreciation to 73% and 88% respectively.

In view of the currency depreciation, prices of basic commodities as measured by the blended/weighted CPI index went up 15.7% in May from 2.4% in April 2023. On a year to date and year-on-year basis, prices increased by 17.6% and 86.5% respectively. The downward trend in annual inflation since November 2022 was reversed in May due to the adverse currency developments.

Renewed inflation expectations complemented by money supply growth are expected to flare up local inflationary pressures and weigh down on the value of the local currency. Monetary authorities' 2023 (end period) inflation target range of 10% - 30% is seemingly under threat.

The long-awaited election...

On 31st of May 2023, the President announced that elections will be held on the 23rd August 2023. Subsequently, the President delineated the 2nd of October 2023 for run-offs. This proclamation came before the Electoral Amendment Bill has been passed by Parliament. The Electoral Amendment Bill seeks to align the electoral system to democratic practices.

On the other hand, the Zimbabwe Electoral Commission (ZEC) conducted inspection of the voter's roll between the 27th and the 1st of June. On average, ZEC anticipates around 6 million people to vote ahead of the 2023 harmonised elections.

As campaigning for the upcoming elections gains momentum, political temperatures are expected to continue rising ahead of the presidential elections. Campaign spending is anticipated to spur economic growth. However, increased spending will likely drive up prices in the short run.

Gold production declines due to floods...

Zimbabwe's gold deliveries to Fidelity Gold Refinery fell by 10% to 7.7 tonnes in the first quarter of this year compared to 8.2 tonnes produced in the same period in 2022. The decline was mainly due to excessive rains and flooded mine shafts which hindered production. Artisanal miners, estimated to have contributed 68%

of the 2022 gold deliveries, saw their contribution declining to 48% in the first 3 months of 2023. They were the most affected by the heavy rains. The yellow metal's export earnings also declined by 24% to US\$346 million in the first quarter of 2023.

US\$ closed stronger against most currencies

The greenback maintained its strength against the Euro, trading at 0.93 Euro per USD from 0.90 Euro per USD in April. Similarly, the US\$ closed strong against the Australian Dollar at 1.54 AUD per USD from 1.51 AUD per USD in the prior month. However, there was a slight weakening of the USD against the Canadian Dollar, trading at 1.35 CAD per USD from 1.36 CAD per USD in April. Despite occasional fluctuations in the foreign exchange markets, the US dollar continues to be viewed as a safe haven currency for investors seeking stability and security in uncertain times. As a result, many countries continue to hold significant amounts of US dollars in their foreign currency reserves, which further reinforces the currency's value and stability. Overall, the value of the US dollar against major currencies is expected to remain relatively strong, providing stability and confidence to global markets and investors.

Commodity prices plunge.

Global oil price movements were adversely affected by an output increase in the OPEC group. Oil prices are likely to remain volatile as they continue to respond to the changing market conditions and external factors.

Commodity	May'23	M-o-M	YTD
Crude Oil (USD/bbl)	72.79	-8.49%	-12.81%
Gold (USD/oz)	1,963.83	-1.32%	7.99%
Platinum (USD/oz)	1,003.12	-6.97%	-5.55%
Nickel (USD/ton)	21,215.00	-10.71%	-3.50%
Maize (USD/ton)	229.21	-0.47%	-14.25%
Wheat (USD/ton)	574.50	-9.35%	-25.63%
Sugar (USc/lb)	25.26	-4.14%	25.11%
Cotton (USc/lb)	79.71	-135%	-4.65%

With governments continuing to inject huge amounts of money into their respective economies, demand for gold as a safe-haven asset is expected to boost prices.

ZSE listed equities on the front foot

Listed equities on the ZWL\$ denominated the ZSE and closed in the positive. The All-Share index was up 161.39% during the month under review, extending year to date gains to 455.02%. On the ZSE money supply growth filtered through to portfolio investments. Additionally, positive financial results from listed companies complemented by US\$ dividend payouts on the ZSE supported much of the growth on the local exchange.

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Sector	May'23	M-o-M	YTD
ZSE All Share	108,195	161.39%	455.02%
ZSE Top 10	65,894	177.28%	435.24%
ZSE Medium Cap	200,948	119.98%	448.41%
ZSE Market Cap (ZWL\$ trn)	8.9	156.69%	337.15%

Overall, the market performance on the ZSE was positive, with support across all major indices. The tables below highlight the ZSE top and bottom performing stocks for May 2023.

Top 3	May'23	M-o-M	YTD
Seedco Limited	97,000	385.00%	618.52%
CBZ Holdings Limited	80,450	310.46%	2389.2%
OK Zimbabwe Limited	20,118	245.94%	357.19%

Bottom 3	May'23	M-o-M	YTD
National Tyre Services	1,610	15.00%	57.84%
Cafca Limited	50,255	15.08%	151.15%
Bridgford Capital	1,155	15.50%	-55.58%

ZSE total turnover increased by 108.01% to ZWL\$34.87 billion during the month. Foreign investors remained net sellers on the ZSE, with net sales of ZWL\$3.9 billion, down 44.6% from ZWL\$7.2 billion in the prior month.

The US\$-denominated VFEX All Share Index retreated 5.4% in May 2023. VFEX was down due to lack of liquidity and increased use of the US\$ as a store of value, the US\$ was looked at as an investment rather than as a medium of exchange. Performance of the VFEX is summarised below;

VFEX	May'23	M-o-M	YTD
All Share Index	81.93	-5.41%	-17.30%
Market Cap (US\$ bln)	1.38	30.59%	144.25%

VFEX turnover increased 28% to US\$2 million, compared to US\$1.6 million realised in April 2023. Overall, VFEX market capitalization closed at US\$1.4 billion, up 30.59% from the prior month and 144.25% on a year-to-date basis on firming activity.

Economic Outlook

The positive growth in the near-term macro-economic outlook is adversely impacted by the currency depreciation. Compounding the risks to the stability is the possibility of increased political activity arising from the election date proclamation.

A tight monetary policy stance is expected amid increased inflation pressures. However, the efficacy of monetary policy prescriptions in a highly dollarized economy is greatly compromised. The local currency is expected to remain under pressure on the back of growth in money supply.