



Monthly Economic Brief

February 2023

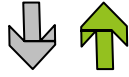


HIGHLIGHTS



Elections

Elections most likely in late August 2023



US\$14 bn

Government is pursuing an intensive arrears and debt treatment plan



Blended CPI

Weighted multi-currency consumer prices declined in Feb '23



25.1%

ZSE bolsters positive returns

Election dates shaping up...

President Mnangagwa published a proclamation (Proclamation 1 of 2023) on 20 February 2023. The proclamation sets out the final constituency delimitation report. The delimitation report is a key pre-condition for the impending 2023 general elections. According to the proclamation, the President had received the final report on 17 February 2023.

Constitutionally, the President had 14 days to publish the proclamation from the date of receiving the final report. The constitution also sets a minimum period of six months between the proclamation date and election date. Accordingly, the implication is that elections will not be held earlier than 20 August 2023. Another section of the constitution stipulates that elections should be held before the expiration of the tenure of the current electoral term, suggesting they should be before 27 August 2023.

External Debt Restructuring...

Treasury resumed an intensive debt resolution drive, engaging former Mozambican President Joaquim Chissano and African Development Bank (AfDB) President Dr Akinwumi Adesina to lead the process. The two visited Zimbabwe and attended a "Structure Dialogue Platform Meeting" on the matter.

The arrears clearance and debt resolution agenda signals Zimbabwe's desire to re-engage the mainstream international capital markets. The re-engagement process requires both political (Chissano) and economic (Adesina) efforts. AfDB continues to show commitment to assist Zimbabwe; could be partly due to Zimbabwe's shareholding in the bank. Zimbabwe's external debt was estimated at US\$14.04 bn as of September 2022.

Benchmark interest rate revised 'down'.

The Reserve Bank of Zimbabwe (RBZ) reduced its benchmark policy rate from 200% to 150%. The reduction was arguably academic considering current inflation trends. Resultantly, monetary policy remains hawkish with authorities signalling a commitment to tight monetary policy. The concomitant risks include restricted market liquidity and a continued skew towards transactional dollarization. Overall, monetary policy maintains a sense of work-in-progress, despite relative inflation and exchange rate stability.

Statutory Instrument 27 of 2023, as issued on 3 March 2023 requires inflation to be calculated in line with the weighted use of Zimbabwean dollars and United States dollars. Resultantly, the Zimbabwe National Statistical Agency (ZIMSTAT) has adopted 'blended' inflation as official and ceased publishing ZWL\$ inflation. Blended inflation sounds conceptually upright in the context of a multi-currency regime, though weights applied will be considerably difficult to align at micro level. The concomitant risk is a proliferation of unorthodox estimates as unblended rates are still necessary for pure single-currency benchmarking and for custom blending.

Blended deflation for February 2023

According to the ZIMSTAT, average consumer prices based on a weighted basket of ZWL\$ and US\$ prices decreased by 1.6% in February 2023. In the prior month, prices had increased by 0.73%. On a year to date and year on year basis, the same blended inflation was -0.89% and 92.34%, respectively in February 2023. The Poverty Datum Line (PDL) increased by 0.2% in February 2023 to ZWL\$29,563 per person. On a year on year basis, the PDL was up 223.3% from ZWL\$9,144 in the same month last year. The PDL has a very strong correlation with consumer inflation.

It's a slippery slope for the ZWL\$

The ZWL\$ depreciated 10% against the United States dollar (US\$) during the month ended 28 February 2023. From the beginning of the year, the ZWL\$ closed the month under review 25% softer at ZWL\$892.63 per US\$. Compared to the same period last year, the ZWL\$ has shed 86% from ZWL\$124.02 per US\$.

US\$ appreciation is not a major surprise given the US Federal Reserve's aggressive tightening stance to counter inflation. The US policy rate was increased from near zero at the beginning of 2022 to 4% by the end of 2022. Further pressure on the ZWL\$ stems from inherent domestic structural constraints.

Bearish commodity markets

Commodity markets closed the month under review bearish across the board. A firm US\$ weighed on demand for the US\$-denominated international commodities market. The table below summarises commodity prices for the month under review.

Commodity	Feb'23	M-o-M	YTD
Crude Oil (USD/bbl)	84.12	-0.37%	0.95%
Gold (USD/oz)	1,828.32	-4.93%	0.50%
Platinum (USD/oz)	956.85	-4.49%	-9.96%
Nickel (USD/ton)	24,595.01	-16.71%	-17.88%
Palladium (USD/oz)	1,417.96	-12.17%	-20.41%
Maize (USD/ton)	248.47	-7.38%	-7.18%
Wheat (USD/ton)	707.36	-4.91%	-8.48%
Sugar (USc/lb)	20.75	-7.08%	-0.59%
Cotton (USc/lb)	84.19	-2.52%	0.51%

Soft commodities were sufficiently supplied during the month to 28 February 2023. Base metal prices were depressed by a slower than earlier anticipated demand uplift from China's reopening economy. Gold and oil defended positive year to date gains capturing inherent global inflation concerns.

Market Performance

Domestic equities on the ZWL\$ denominated ZSE rallied with the All-Share index firming 25% during the month under review, extending year to date gains to 46% as shown below.

Sector	Feb'23	M-o-M	YTD
ZSE All Share	28,548	25%	46%
ZSE Top 10	16,983	23%	38%
ZSE Medium Cap	62,970	31%	72%
ZSE Market Cap (ZWL\$ trn)	2.58	5%	26%

The tables below highlight the ZSE top and bottom three performing stocks in the month of February 2023.

Top 3	Feb'23	M-o-M	YTD
Bridgefort Capital Limited	2,600	225%	-
African Sun Limited	9,801	206%	298%
Nampak Zimbabwe Limited	2,105	74%	134%

Bottom 3	Feb'23	M-o-M	YTD
Zimbabwe Newspapers	272	-11%	51%
National Tyre Services	19,969	-8%	168%
Mashonaland Holdings	179	-5%	-15%

ZSE total turnover increased by 110% to ZWL\$24.41 million during the month. Foreign trades accounted for 18.55% of total turnover on the ZSE in February 2023. Foreign investors remained net sellers on the ZSE, with net sales of ZWL\$1.5 billion, though down 47% from ZWL\$2.85 billion in the prior month.

The US\$-denominated VFEX All Share Index retreated 3.5% in February 2023, partly offsetting gains of 12.2% in the prior month. Performance of the VFEX is summarised below;

VFEX	Feb'23	M-o-M	YTD
All Share Index	107	-3.5%	8.3%
Market Cap (US\$ bln)	1.1	71%	90%

VFEX turnover decreased by 4% to US\$614,000, compared to US\$640,000 realised in January 2023. Overall, VFEX market capitalization closed at US\$1.1 billion, up 71% from the prior month. New listings on the VFEX in February 2023 include Axia Corporation Limited and Innscor Africa Limited.

Economic Outlook

An increasingly fragile political environment and the associated threat of business inhibiting policy weighs on the pre-election outlook. This notwithstanding, the overall environment still exhibits a noteworthy sense of endurance. Resultantly, the baseline view suggests a fragile stability, with muted but real downside risks.

Near-term downside risks are dwarfed by the economy's medium to long term upside potential. Policy intent to stay the course on a tight monetary policy as well as international re-engagement efforts are encouraging, though their sustainability remains arguably compromised ahead of general elections. Green shoots over the near-term outlook are primarily hinged on primary output sectors such as agriculture and mining, as well as infrastructure and social services.

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