



Monthly Economic Brief

November 2023

HIGHLIGHTS



2024 Budget

2024 budget presents some aggressive tax reforms.



External trade

The trade deficit narrowed by US\$25 million over the month.



Blended Prices

Average weighted prices increased by 4.54% in November 2023.



Local Equities

The ZSE All Share Index advanced 22% during the month to 30 November 2023.

New tax reforms....

Finance Minister Hon. Prof. Mthuli Ncube presented the 2024 national budget on 30 November 2023. Highlights include tax proposals such as: a 1% wealth tax on houses worth US\$100,000 and above, a US\$0.02 levy per gram of sugar in beverages as well as an upward review of fuel levies by US\$0.03 and US\$0.05 per litre of diesel and petrol, respectively. Tax relief measures in the budget include increased bonus and income tax-free thresholds. National revenue is projected to increase by 154% to ZWL\$53.9 trillion in 2024, against expenditure growth of 158% (to ZWL\$58.2 trillion). The budget projects a deficit of ZWL\$4.3 trillion (1.5% of GDP in 2024).

The proposed tax reforms will likely be passed on to final consumers, resulting in cost-push inflation pressures in the short-term outlook. On the other hand, the budget's heavy reliance on taxes (95% of revenue), could discourage unorthodox funding methods, containing the risk of inflation due to money creation.

Gold deliveries behind plan

Gold deliveries dipped 60% in November 2023 to 1.5 tonnes. The decrease resulted in the lowest monthly delivery for the year and reflects a 61% decline from the comparable period in 2022. Cumulative gold deliveries to November 2023 reached 27.7 tonnes, with small-scale miners contributing 62% of the total deliveries. The cumulative deliveries are 16.9% lower than the 33.29 tonnes achieved in the comparable period last year. The government revised the 2023 target output down from 40 tonnes at the beginning of the year to 33 tonnes.

To reach the 2023 full year target, the country requires the delivery of 5.3 tonnes in December 2023, against the current monthly average of 2.5 tonnes since January 2023. The notable decline in November 2023 was partly due to a slowdown in deliveries by small-scale miners. Starting 1 November 2023, all exporters are subjected to a 75% retention rate, implying that 25% of their earnings are settled in local currency. There are concerns the new payment framework might be working against gold deliveries.

Remittances anchor foreign currency inflows

Zimbabwe's trade deficit closed October 2023 at US\$70 million, down from US\$95 million in the previous month. Exports and imports gained 23% and 17% to US\$832 million and US\$902 million, respectively. As was the case in the prior month; tobacco, gold, and base metals dominated exports while fuel and machinery dominated imports. The persistent trade deficit implies continued pressure on the balance of payments, threatening foreign currency net inflows in the absence of alternative sources. Diaspora remittances are likely to continue playing a big role in the national balance of foreign currency flows.

Blended consumer prices up 4.5%

Year-on-year weighted inflation for November 2023 was 21.62%, up from 17.82% in the prior month. Monthly inflation closed at 4.5%, up from 2.5% in the previous month. Major inflation drivers in November 2023 were food and energy. Energy inflation pressure was mostly driven by an upward review on electricity tariffs. Inflation risks remain tilted up, fuelled by cost-push inflation pressures and seasonal spending patterns, exacerbated by enhanced household buying power from bonuses.

The US\$ closed mostly weaker

Generalized concerns around the United States budget deficit as well as a likelihood of continued low interest rate policies, weighed down the United States Dollar (US\$). As a result, the US\$ closed the month under review softer against most trading currencies. The US\$ depreciated 3.1% against the Euro to close the month ended 30 November 2023 at US\$1.09 per Euro.

The South African Rand (ZAR) bucked the general trend and weakened against the US\$. ZAR depreciation was mostly due to a fragile outlook for South Africa's macro-economic framework. The ZAR depreciated 0.72% against the US\$ to close at ZAR18.88. The Zimbabwean Dollar (ZWL\$) shed 1.6% against the US\$ in November 2023, closing at ZWL\$5,791.08. On a year-to-date basis, the ZWL\$ depreciated 88.4% to November 2023, from an opening position of ZWL\$796.52 per US\$ at the beginning of the of the year.

Commodities traded mixed...

International commodity prices closed the month under review mixed as highlighted below.

Commodity	Nov'23	M-o-M	YTD
Crude Oil (USD/bbl)	83.84	-4.56%	0.89%
Gold (USD/oz)	2,037.20	2.00%	12.03%
Platinum (USD/oz)	938.79	-0.08%	-11.60%
Nickel (USD/ton)	16,655.00	-8.36%	-44.39%
Palladium (USD/oz)	1,019.38	-9.86%	-42.73%
Maize (USD/ton)	187.98	-0.10%	-29.68%
Wheat (USD/ton)	584.00	4.52%	-24.40%
Sugar (USc/lb)	26.57	-1.04%	31.60%
Cotton (USc/lb)	79.57	-3.76%	-4.82%

Oil prices closed softer due to supply chain disruptions and weakening demand amidst the drive to reduce reliance on fossil fuels. All else constant, the dip in oil prices is expected to translate into a *de facto* price cut for oil and petroleum-product importers - mitigating inflation pressures. On the flip side, oil exporting countries face compromised export revenues.

Gold prices went up driven by heightened geo-political tensions. Global monetary policy concerns also incentivised safe-haven demand for the precious metal, maintaining the inverse relationship between gold prices and the US\$. The prices of staple crops, such as wheat, increased due to supply constraints resulting from adverse weather conditions in key producing regions.

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Market Performance

The local bourse closed the month to 30 November 2023 firmer, with the benchmark ZSE All Share index gaining 21.76% as highlighted below. The uptrend could partly be attributable to currency movement during the period under review.

Sector	Nov'23	M-o-M	YTD
ZSE All Share	191,272	21.76%	881.19%
ZSE Top 10	82,144	16.90%	567.24%
ZSE Medium Cap	826,195	32.62%	2154.7%
ZSE Market Cap (ZWL\$ trn)	14.75	21.59%	624.28%

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

Top 3	Nov'23	M-o-M	YTD
TSL Limited	110,000	112.40%	2399.7%
First Mutual Holdings Limited	100,000	70.94%	3806.3%
NMBZ Holdings Limited	49,548	64.01%	1215.4%

Bottom 3	Nov'23	M-o-M	YTD
CFI Holdings	190,000	-13.64%	361.50%
Ecocash Holdings	12,000	-13.01%	199.39%
BAT	1,300,000	-12.60%	364.43%

The ZSE's total turnover increased by 77.5% to ZWL\$56.4 billion during the month. Overall, the ZSE performance was positive, with relatively suppressed gains due to prevailing tight ZWL\$ liquidity.

The US\$-denominated VFEX All Share Index recovered 1.85% in November 2023, reducing year-to-date losses to 30.45%. VFEX liquidity was concentrated in a few counters. The performance of the VFEX is summarised below;

VFEX	Nov'23	M-o-M	YTD
All Share Index	68.90	1.85%	-30.45%
Market Cap (US\$ bln)	1.24	-1.05%	120%

Economic Outlook

The recent budget proposals seem inflationary in the immediate short-term outlook, yet the medium to long-term impact of disciplined execution of the proposals (maintaining a narrow deficit) is likely to contain inflationary pressures. As a result, the authorities' ability to maintain course on the tight fiscal and monetary policy stance will be a key driver for overall macro-economic balance. A generally inflationary outlook to year-end threatens real investment returns while presenting support for local non-monetary assets, particularly on safe haven demand.