



Monthly Economic Brief

July 2023

HIGHLIGHTS



Patriotic Bill

New law prescribes penalties for wilfully threatening national interests.



2023 Elections

Considerable calmness with less than a month to general elections.



Blended Prices

Average consumer prices declined by 15.25% in July 2023.



Local Equities

ZSE listed stocks shed ZWL\$4.7 trillion to ZWL\$9.2 trillion in July 2023.

'Bad for business... threat to reengagement'

President Mnangagwa signed the Criminal Law (Codification and Reform) Act, also known as the Patriotic Bill, into law. It sets out penalties for citizens who 'wilfully damage the sovereignty and national interest' of Zimbabwe. It also sets penalties for social ills such as rape, drugs, and abuse of authority by public employees. Despite the law covering several areas, the sovereignty part attracted significant attention, with some foreign and civic groups alleging possible infringement of constitutional rights.

The United States Embassy in Zimbabwe reportedly warned that the law undercuts Zimbabwe's international reengagement efforts and is bad for business. The United Kingdom Embassy reportedly warned that the law has serious implications on Zimbabwe's efforts at international reengagement.

National debt closed 2022 at US\$18 billion

Zimbabwe's total public and publicly guaranteed debt increased by US\$900 million to US\$18 billion in 2022, up from US\$17.1 billion in 2021. The increase was mainly due to penalties and arrears on existing debt. Total external debt comprises US\$5.9 billion as bilateral debt, US\$2.7 billion as multilateral debt and US\$4.2 billion as debt contracted by the RBZ. Arrears amount to 78% (US\$6.68 billion) of the US\$8.59 billion in bilateral and multilateral external debt.

Public spending boost for aggregate demand

Government awarded a US\$50 increment on public employees' salaries. The local currency component was pegged at US\$150 at

the prevailing interbank rate. The review follows an earlier increment of US\$50 plus 100% on the US\$ and local currency components, respectively, that was implemented in March 2023.

The salary increment is positive for household disposable incomes, spending power and aggregate demand. Resultantly, it presents some support for GDP growth. On the flipside, the expansionary fiscal policy direction threatens the sustainability of the tight monetary policy stance that the Central Bank is currently pursuing.

Record tobacco outturn in 2023

The 2023 tobacco auction marketing season officially closed on 31 July 2023. Contract floors will however remain open, allowing mop-up deliveries. As of the end of July 2023, seasonal tobacco deliveries were around 294 million kilograms, the highest ever seasonal tobacco outturn in Zimbabwe. Compared to the same time last year, seasonal deliveries had increased by approximately 45%. Resultantly, seasonal value earned increased from US\$614 million last season to US\$887 million this year, despite average prices remaining materially unchanged at around US\$3.03 per kilogram.

Consumer prices fell by 15.25% in July 2023

According to the Zimbabwe Statistical Agency (ZIMSTAT), average consumer prices based on a weighted basket of ZWL\$ and US\$ prices decreased by 15.25% in July 2023. In the prior month, prices had increased by 74.46%. On a year to date and year on year basis, the same 'blended' inflation closed July 2023 at 73.84% and 101.30%, respectively. The Poverty Datum Line (PDL) increased by 9.19% in

July 2023 to ZWL\$99,545.99 per person. On a year-on-year basis, the PDL increased by 323.97% from ZWL\$23,479.44 in July 2022. The PDL has a very strong correlation with ZWL\$ consumer inflation; hence, it provides a general feel of pure ZWL\$ inflation.

ZWL\$ on the front foot...

For the first time since December 2020; the ZWL\$ registered a monthly appreciation against the US\$ in July 2023. The ZWL\$ closed the month under review at ZWL\$4,516.80, 27% firmer against the US\$, from an opening position of ZWL\$5,739.80. On a year to date and year on year basis, the ZWL\$ closed 85% and 90% softer, from ZWL\$684.33 and ZWL\$443.88 per US\$, respectively, in December 2022 and July 2022.

ZWL\$ appreciation is in line with some arguably aggressive policy measures aimed at inflation and exchange rate stabilization. The effectiveness of the tight monetary policy stance is beyond contestation, yet its efficiency remains uncertain. Possible adverse side effects centre around tight market liquidity weighing down aggregate economic activity.

Commodity markets closed bullish

International commodity prices were predominantly positive. The table below summarises commodity prices for the month under review.

Commodity	Jul'23	M-o-M	YTD
Crude Oil (USD/bbl)	85.57	14.28%	2.97%
Gold (USD/oz)	1,970.61	2.85%	8.36%
Platinum (USD/oz)	957.31	5.68%	-9.86%
Nickel (USD/ton)	21,625.00	9.55%	-27.80%
Palladium (USD/oz)	1,278.22	2.25%	-28.19%
Maize (USD/ton)	201.86	-3.98%	-24.48%
Wheat (USD/ton)	665.50	-0.67%	-13.85%
Sugar (USc/lb)	24.11	5.79%	22.39%
Cotton (USc/lb)	84.72	5.41%	1.20%

Global supply chain disruptions supported commodity prices. Geopolitical tensions in some oil-producing regions propped up oil prices. Maize and wheat prices went against the general uptrend, in part due to a supply glut in major producers.

Market Performance

Domestic equities on the ZWL\$ denominated ZSE closed softer as

The ZSE All-Share index retreated 33% during the month under review, reducing year to date gains to 489% as shown below.

Sector	Jul'23	M-o-M	YTD
ZSE All Share	114,746	-33%	489%
ZSE Top 10	51,844	-44%	321%
ZSE Medium Cap	438,949	1%	1098%
ZSE Market Cap (ZWL\$ trn)	9.2	-34%	338%

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

Top 3	Jul'23	M-o-M	YTD
Nampak Zimbabwe Ltd	13,000	117%	1343%
Masimba Holdings Ltd	94,595	70%	1083%
Fidelity Life Assurance Ltd	11,325	56%	372%

Bottom 3	Jul'23	M-o-M	YTD
CBZ Holdings Limited	90,620	-57%	571%
OK Zimbabwe Limited	12,000	-54%	271%
Meikles Limited	64,748	-50%	478%

ZSE total turnover decreased by 50% to ZWL\$40.8 million during the month to 31 July 2023. Foreign investors bought and sold stocks worth ZWL\$979 million and ZWL\$11.191 billion during the month under review. Consequently, foreign investors remained net sellers. Foreign trades accounted for 14.9% of total market activity.

The US\$-denominated VFEX All Share Index retreated 10% in July 2023, extending year to date losses to 31% as shown below.

VFEX	Jul'23	M-o-M	YTD
All Share Index	68	-10%	-31%
Market Cap (US\$ bln)	1.2	-7%	-39%

ZIMFLOW is set to become the 13th entity listed on the VFEX after its shareholders approved its proposed migration from the ZSE to the VFEX. ZIMFLOW has diversified manufacturing and distribution operations in mining and agriculture.

Economic Outlook

The likelihood of a peaceful general election, with muted disruption to business, remains considerably tangible. Post-election policy risks predominantly hinge on monetary policy, particularly the local currency's trajectory as well as its role, shape and form in the context of the prevailing multi-currency basket. Outstanding external debt obligations pose another threat to the economy's access to mainstream foreign capital over the foreseeable outlook. Overall, the political economy inherently points to 'more of the same'.

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