



Monthly Economic Brief

December 2023



HIGHLIGHTS



National Stats

The IMF is collaborating with ZIMSTAT to recalibrate national statistics.



Power Constraints

Adverse weather and associated power generation constraints threaten output.



Blended Prices

Consumer prices increased by 2% per month on average in 2023.



Local Equities

The ZSE All Share Index advanced 10.23% during the month to 31 December 2023.

Focus on national statistics

The Zimbabwe Statistics Agency (ZIMSTAT) estimated that the economy grew by 1.3% in Q3 2023, 0.6% lower than in the prior quarter. The deceleration was primarily attributed to a slowdown in the construction sector, following a temporary spike in cement prices. Growth was registered in the electricity (generation) and manufacturing sectors. ZIMSTAT estimated the size of the economy at US\$58.3 billion, with the wholesale and retail sector contributing 18.3%. Other sector contributions were mining (14%), agriculture (11%), manufacturing (9%) and finance (9%).

The International Monetary Fund (IMF) raised concern over some methods employed by ZIMSTAT to determine national statistics, particularly a planned rebasing of aggregate output (GDP). The IMF is working with ZIMSTAT to enhance national statistics.

Dim outlook for hydro power generation

Economic prospects into 2024 took a dent after the Zambezi River Authority (ZRA) reduced the 2024 water allocation for Kariba electricity generation from 40 billion cubic meters (BCM) in 2022/23 to 16 BCM for 2024. The allocation will be shared equally between Zimbabwe and Zambia. Kariba currently generates 725 MW, translating to about half of Zimbabwe's total electricity generation. The ZRA cited adverse rainfall forecasts, pointing to a high risk of below normal rains. The lowest allocation on record was 11 BCM in 1995. Alternative power generation is likely to play a significant role against compromised traditional sources. The full impact of compromised electricity supply on aggregate output remains unquantified, yet significant beyond contestation.

Mobile penetration reached 97.5%

The Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) estimates that active mobile subscriptions closed Q3 2023 at 14.8 million, up 6% from the prior month. The mobile subscriptions translate to a mobile penetration rate of 97.5%, compared to 91.9% in the prior quarter. Active internet/data subscriptions gained 7.5% to 10.6 million, pushing internet penetration up 4.9% to 70.1%. The POTRAZ is confident that recent tariff reviews will improve cost to revenue ratios for operators, incentivising investment in the sector.

New Central Bank Governor

Dr John Mangudya's ten-year term as Governor of the Reserve Bank of Zimbabwe (RBZ) ends on 30 April 2024. Consequently, he was appointed to head the Mutapa Investment Fund (Zimbabwe's sovereign wealth fund). Dr Mangudya will be succeeded by Dr John Mushayavanhu, who has more than 30 years of experience in the local banking industry. He is broadly expected to continue on a stabilization-inclined agenda, amid limited manoeuvrability from; arguably compromised financial sector confidence and strategic isolation from mainstream international funds.

Consumer prices increased by 26.5% in 2023

Consumer prices as measured by the ZIMSTAT weighted inflation basket increased by 4.7% in December 2023. For the full year 2023, consumer prices gained 2% per month on average, translating to a full-year inflation estimate of 26.5%. ZIMSTAT employs a geometric mean (starting August 2023) of US\$ and ZWL\$ prices to compute

weighted indices. The poverty datum line (PDL) per individual closed December 2023 at ZWL\$140,253. The PDL movement is a sound proxy for pure ZWL\$ inflation. It increased by 21.9% in December 2023. On a full year basis, it closed 2023 up 380.0%, from 264.8% in the prior year.

US\$ on the backfoot.... broadly

The United States Dollar (US\$) closed the month ended 31 December 2023 softer against most trading currencies. The US\$ index (DXY) shed 2.1% to close at 101.38. DXY weakness was in part driven by market expectations that the U.S Federal Reserve might start easing interest rates as early as March 2024. Rate cut expectations are premised on relatively softer inflation pressures. Lower interest rates would make the US\$ less costly.

The ZWL\$ stayed broadly on the backfoot against the USD\$, depreciating by 1.92% to ZWL\$5,903.39 per US\$, during the month under review. On a full-year basis, the ZWL\$ retreated 88.63%, from an opening position of ZWL\$671.45 at the beginning of the year. The last ZWL\$ auction was on 12 December 2023. The associated risk centres on aggressive movements to counter market dynamics since the last auction.

Gold extended gains on geo-political tensions

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

Commodity	Dec'23	M-o-M	FY 2023
Crude Oil (USD/bbl)	75.44	-10.02%	-9.22%
Gold (USD/oz)	2,063.38	1.29%	13.47%
Platinum (USD/oz)	927.74	-1.18%	-12.64%
Nickel (USD/ton)	15,843.00	-4.88%	-47.10%
Palladium (USD/oz)	1,111.94	7.08%	-37.53%
Maize (USD/ton)	471.25	-2.94%	68.26%
Wheat (USD/ton)	628	1.21%	76.51%
Sugar (USc/lb)	21.41	-4.42%	6.04%
Cotton (USc/lb)	81.35	1.24%	-2.69%

The inverse relationship between gold and the greenback held as gold prices notched up 1.29% against a weaker US\$. As a result, gold prices closed the year up 13.47%. Support for gold prices was premised on escalating geo-political tensions in the Middle East and Ukraine, as well as strong bets of impending US interest rate cuts. Oil prices reversed earlier gains in the final month, registering their first annual decline since 2020 as depressed demand outweighed supply constraints.

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Market Performance

The local bourse closed the month to 31 December 2023 firmer, with the benchmark ZSE All Share index gaining 3.93% as highlighted below. The uptrend is partly attributable to local currency depreciation during the period under review.

Sector	Dec'23	M-o-M	FY 2023
ZSE All Share	210,834	10.23%	981.54%
ZSE Top 10	90,086	9.67%	631.74%
ZSE Medium Cap	920,516	11.42%	2412.16%
ZSE Market Cap (ZWL\$ trn)	16.813	13.90%	723.53%

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

Top 3	Dec'23	M-o-M	FY 2023
National Tyre Services	4,940	100.00%	384.31%
Starafrika	800	65.16%	277.70%
Turnall Holdings	4,000	60.00%	913.30%

Bottom 3	Dec'23	M-o-M	FY 2023
Unifreight Africa	25,000	-12.89%	384.03%
FBC Holdings	90,605	-10.29%	1361.37%
Edgars Stores	9,000	-10.00%	847.37%

The US\$-denominated VFEX All Share Index registered a second straight monthly gain in December 2023, closing 2.28% firmer. As a result, the VFEX All Share Index reduced its year-to-date decline to close the year down 28.86% as summarized below.

VFEX	Dec'23	M-o-M	FY 2023
All Share Index	70.48	2.28%	-28.86%
Market Cap (US\$ bln)	1.21	2.19%	113.39%

The ZSE registered its second Real Estate Investment Trust (REIT) listing during the month under review. The 'Revitus REIT' initial public offering was 18% subscribed, with the remaining 82% being taken up by the underwriter and promoter - National Railways of Zimbabwe Pension Fund. Five more REITS are expected to list in 2024.

Economic Outlook

Environment risks are likely to remain hinged around the political economy, monetary policy fragility and extreme weather events. Heading into 2024, we see political risks ebbing significantly on a lapse-of-time basis. A new Central Bank Governor in 2024 presents a muted risk for policy stability. Extreme weather events pose a seemingly inescapable threat to aggregate economic activity. Investment market performance is likely to trend along exchange rate and inflation expectations. The baseline assumes the uptrend will persist for local investment markets. Overall, familiar themes dominate the economic and investment outlook into 2024.