



Monthly Economic Brief

January 2024

HIGHLIGHTS



Solid Outlook

Zimbabwe's 2024 GDP growth expected to remain positive and close around 3.5%.



81% Debt/GDP

Adverse weather and associated power generation constraints threaten output.



Blended Prices

Average consumer prices increased by 6.6% in January 2024.



Local Equities

The ZSE All Share Index advanced 157.43% during the month to 31 January 2024.

Positive consensus on Zim growth outlook

The International Monetary Fund (IMF) revised its 2024 global growth forecast upwards. This notwithstanding, the IMF warned that global growth and trade would likely remain softer against historical averages, weighed down by geopolitical tensions. Overall, the IMF was satisfied with the global outlook, citing steadily declining inflation and growth averting a recession.

The World Bank marginally revised Zimbabwe's 2024 growth forecast up from 3.4% to 3.5%. Resultantly, the World Bank's projection is now in sync with the IMF and government forecasts at 3.5%. In the context of prevailing El-Nino induced weather shocks, the positive consensus outlook suggests notable resilience. Mitigation factors against a recession include higher mining output on less rain-associated downtime. Gold output increased by 25% in January 2024, compared to January 2023.

Debt treatment plan at risk...

Zimbabwe's total public and publicly guaranteed debt stock closed 2023 around US\$18 billion, of which US\$13 billion was external debt and US\$5 billion was domestic debt. Total debt translated to just over 80% of GDP. Of the US\$13 billion external debt, 76% was arrears, interest arrears and penalties.

The United States reportedly pulled out of Zimbabwe's debt treatment programme and negotiations scheduled for February 2024. Arrears treatment is envisioned to unlock new funding for Zimbabwe. The United States' stance compromises the agenda, considering it holds veto power on IMF board decisions (16.5% voting rights), with major decisions requiring an 85% supermajority vote.

Remittances firmed 13% in 2023

Diaspora remittances to Zimbabwe closed 2023 at US\$1.87 billion, up 13% from US\$1.66 billion in the prior year. Capturing the seasonality of inflows and the assertion that remittances are mostly for services and consumption; US\$407 million (22% of total) was received in the last two months of 2023. Anticipated drought and soft international commodity prices suggest Diaspora remittances could significantly cover the foreign currency deficit in 2024.

Corruption perceptions sticky downwards

According to Transparency International's Corruption Perception Index (CPI) for 2024, Zimbabwe scored 24 out of 100. The closer to 100 the score is, the more a country is perceived to have a stronger rule of law, political stability, and well-functioning democratic institutions. In the prior year, Zimbabwe had a score of 23, signalling a marginal improvement. Against 180 other countries, Zimbabwe ranked 149, with Transparency International reportedly imploring Zimbabwe to strengthen the independence of its judiciary.

PDL increased by 41.9% in January 2024

Consumer prices, as measured by the ZIMSTAT weighted inflation basket, increased by 6.6% in January 2024, up from 4.7% in the preceding month. On a 12-month basis, the ZIMSTAT estimates that weighted inflation closed January 2024 at 34.8%, up from 26.5% in December 2023. Upward pressure on the weighted inflation consumer basket is partly attributable to pass-through effects from a raft of tax reforms that came into effect in January 2024, as well as rapid local currency depreciation during the month under review. The ZWL\$ denominated poverty datum line (PDL) per individual



gained a noteworthy 41.87% to ZWL\$198,981.37 in January 2024, compared to 21.86% in the preceding month. The PDL movement is a sound proxy for pure ZWL\$ inflation. On a year-on-year basis, the PDL was up 574.52% in January 2024, against a closing position of ZWL\$29,499.89 as of 31 January 2023.

Dollar on the front foot...

The United States Dollar (US\$) closed the month ended 31 January 2024 firmer against most trading currencies. The US\$ index (DXY) firmed 1.9% to close at 103.27. Market expectations for an interest rate cut by the United States Federal Reserve Bank have shifted, with more bets towards delayed rate cuts. By not reducing interest rates (the price of money), the Federal Reserve Bank effectively presented support for the US\$ against alternative currencies.

The Zimbabwe Dollar (ZWL\$) was not spared from depreciation against the US\$. During the month under review, the ZWL\$ depreciated by 39.3% (66.3% movement) against the US\$ to close at ZWL\$10,152.39 per US\$. Minister of Finance Hon. Mthuli Ncube reportedly said the government will pursue both fiscal and monetary measures to support the local currency. President Mnangagwa hinted at the looming introduction of a 'structured currency.'

Commodity prices closed mixed...

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

Commodity	Dec'23	M-o-M Jan' 2024	M-o-M Prior Month
Crude Oil (USD/bbl)	81.93	5.28%	-10.02%
Gold (USD/oz)	2,052.63	-0.43%	1.29%
Platinum (USD/oz)	933.34	-6.87%	-1.18%
Nickel (USD/ton)	16,100.00	-0.92%	-4.88%
Palladium (USD/oz)	990.15	-10.95%	7.08%
Maize (USD/ton)	447.50	-5.34%	-2.94%
Wheat (USD/ton)	597.00	-5.09%	1.21%
Sugar (USc/lb)	23.95	11.86%	-4.42%
Cotton (USc/lb)	84.88	4.34%	1.24%

Commodity prices struggled for direction compared to the prior month's direction, with January 2024 reversing prior month developments in most cases. A relatively weak global economic outlook weighed on base mineral and soft commodity prices. Oil prices partially reversed December 2023 losses amid rising fears of geo-political induced trade restrictions and associated supply constraints.

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Market Performance

Local listed equities were bullish during the month to 31 January 2024. The ZSE-listed equities closed 157.43% firmer as proxied by the ZSE all-share index. The ZSE ETF index was up 11.16% over the same period, while the US\$-denominated VFEX all-share index closed 2.52% firmer, as highlighted below.

Sector	Jan'24	M-o-M	YTD' 24
ZSE All Share Index	542,743.66	157.43%	157.43%
ZSE ETF Index	3,761.41	11.16%	11.16%
ZSE Market Cap (ZWL\$ trn)	43.459	158.49%	158.49%
VFEX All Share Index	102.52	2.52%	2.52%
VFEX Market Cap (US\$ bln)	1.238	2.19%	2.19%

ZSE returns are in part attributable to improved market liquidity. A slowdown in migrations from ZSE to VFEX also supported VFEX returns on reduced exchange rate induced distortions to valuations. The tables below highlight the top and bottom three performing stocks for January 2024 on the ZSE.

ZSE Top 3	Jan'24	M-o-M	Y-o-Y
Meikles Limited	675,000	441.31%	5790.05%
Masimba Holdings Limited	297,481	267.26%	37051.17%
BAT Zimbabwe	4,681,565	257.37%	1584.26%

ZSE Bottom 3	Jan'24	M-o-M	Y-o-Y
Zimre Holdings Limited	17,473	-5.27%	2370.17%
Bridgefot Class B	3,300	-1.93%	26.92%
Zeco Holdings Limited	4	0.00%	20.85%

The number of trades on the ZSE closed January 2024 at 4,053, up a noteworthy 65.9% from the prior month. Compared to the same time last year, the number of trades was down 6.7%. Foreign investors were net sellers on the ZSE for a third straight month in January 2024, registering net sales of ZWL\$5.3 billion, up 240% from the prior month's ZWL\$1.6 billion.

Economic Outlook

Aggregate economic output will likely remain 'resilient' and avoid a contraction. This is despite significant downside risks around adverse weather-related shocks and fragile global conditions. On the flip side, monetary policy maintains an incessant vulnerability over the foreseeable outlook. Monetary policy reforms are expected to focus on rebuilding market confidence and reviewing the foreign currency pricing mechanism towards a more market-driven framework. Investment market performance will likely trend along inflation and exchange rate expectations - maintaining the current uptrend.