



# Monthly Economic Brief

March 2023

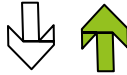


## HIGHLIGHTS



### Elections

Increasingly palpable election atmosphere



### 140% Bank rate

Tight monetary policy to anchor inflation and exchange rate expectations



### Blended CPI

Weighted multi-currency consumer prices increased by 0.13% in Mar' 23



### 35.10%

ZSE bolstered positive returns

### Election momentum hits the home stretch...

The Zimbabwe Electoral Commission (ZEC) reportedly submitted a ZWL\$130 billion election budget. The proposed budget is 71% above the ZWL\$76 billion requirement presented in the 2023 national budget. The ZEC also rolled out a mobile voter registration campaign that added 450,000 new registrants during the month ended 31 March 2023. Registration can be done at any time at designated ZEC centres, but the intensive mobile process by ZEC was meant to enhance accessibility.

### Public spending boost for aggregate demand

Government awarded a 100% increment on the ZWL\$ component of public salaries. In addition, US\$ denominated Covid-19 allowances were increased from US\$200 to US\$250. The adjustments are effective 1 February 2023 for the security sector and 1 April 2023 for the rest of the public service.

The salary increment is positive for household disposable incomes and aggregate demand. Resultantly, it presents some support for GDP growth, mostly through increased private consumption. On the flipside, increased local currency money supply could result in inflation and exchange rate pressures, associated with increased demand for consumer goods and foreign exchange. Consequently, monetary policy is likely to remain arguably tight to counter the expansionary fiscal stance.

### Monetary policy - staying the course...

The Monetary Policy Committee (MPC) resolved to maintain minimum statutory reserves at 10% for call deposits and 5% for time deposits. The MPC also maintained minimum deposit rates at 30% and 50% for demand and time deposits, respectively. The

hawkish stance is envisioned to anchor inflation and exchange rate expectations, with the MPC signalling to stay the course.

In a slightly more accommodative move, the MPC revised the Bank policy rate from 150% to 140%; ostensibly in response to tight market liquidity yet arguably maintaining the tight stance. Further, the MPC enhanced exchange rate market liberalization by increasing (and standardising) foreign currency trading margins for banks from 5% to 10%. The MPC also announced plans to introduce gold-backed digital products (digital tokenisation of gold coin). Digitalization of gold coin could enhance the divisibility of gold coin, while enhancing the security and tradability of the same. Overall, monetary policy maintains a 'work-in-progress' feel.

### Gold output trailed behind target

Gold deliveries to the sole authorised gold buyer (Fidelity) reached 6.1 tons for the quarter ended 31 March 2023, down 20.8% from 7.7 tons in the corresponding period last year. Consequently, the monthly average must increase from 2.1 tons in Q1 2023 to 3.3 tons for the remainder of the year to match last year's record outturn of 36 tons. The 2023 full-year output target is set at around 40 tons. Small-scale and artisanal miners contributed 60% to the national outturn in Q1 2023.

### Monthly inflation was materially unchanged

According to the ZIMSTAT, average consumer prices increased by 0.13% in March 2023. In the prior month, prices had decreased by 1.61%, implying that the average basket closed March 2023 cheaper than it was in January 2023. The ZIMSTAT employs a weighted index of ZWL\$ and US\$ prices in line with the prevailing

multi-currency regime, with currency use weights computed at national level. Compared to the same time last year, ZIMSTAT estimates an increase of 87.6% in average prices.

Meanwhile, the Poverty Datum Line (PDL) rose by 0.73% to ZWL\$29,778 per individual in March 2023. The PDL increased 206.73% year on year, up from ZWL\$9,708 in the corresponding month last year. The PDL expressed in ZWL\$ is strongly correlated with ZWL\$ consumer inflation.

## It's a slippery slope for the ZWL\$

The ZWL\$ depreciated 3.4% on the official auction platform against the United States dollar (US\$), closing the month under review at ZWL\$928.59. It was at ZWL\$142.42 in March 2022 and opened the year 2023 at ZWL\$671.45 per US\$.

The United States dollar was relatively weak against most trading currencies. Dollar weakness was in part attributable to generalized concerns around the soundness of the banking sector in the United States, leading to a flight to alternative assets. Shifting geo-political dynamics and associated assertions of rising de-dollarization also weighed on the greenback. This notwithstanding, the ZWL\$ bucked the trend and depreciated against the US\$, reflecting underlying domestic vulnerabilities.

## Commodities closed mixed...

Hard commodity prices struggled for direction as the soft US\$ propped up demand while a generalized slump in global output weighed down the same demand factor. The table below summarizes commodity prices for the month under review.

Commodity	Mar'23	M-o-M	YTD
Crude Oil (USD/bbl)	79.27	-5.77%	-4.86%
Gold (USD/oz)	1,977.62	8.17%	8.71%
Platinum (USD/oz)	985.45	2.99%	-6.34%
Nickel (USD/ton)	23,175.00	-5.77%	-20.07%
Palladium (USD/oz)	1,517.72	2.17%	-14.41%
Maize (USD/ton)	248.47	1.53%	-6.18%
Wheat (USD/ton)	707.36	-4.91%	-8.48%
Sugar (US\$/lb)	20.75	-7.08%	-0.59%
Cotton (US\$/lb)	84.19	-2.52%	0.51%

The inverse relationship between gold prices and the US\$ held true as gold prices registered a firm uptick. Oil responded to a soft global industrial outlook by reversing earlier gains to close the month under review on a negative year to date position. Soft commodity prices were particularly under pressure with sugar shedding 7.1% during the month.

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## Market Performance

Domestic equities on the ZWL\$-denominated ZSE rallied, with the All-Share index firming 35.1% during the month under review to extend its year-to-date gains to 97.85%, as shown below.

Sector	Mar'23	M-o-M	YTD
ZSE All Share	38,568.48	35.10%	97.85%
ZSE Top 10	23,081.98	35.91%	87.49%
ZSE Medium Cap	75307.75	19.59%	105.52%
ZSE Market Cap (ZWL\$ trn)	3.381	31.25%	65.36%

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

Top 3	Mar'23	M-o-M	YTD
Edgars Stores Limited	2,600	100.00%	173.68%
First Capital Bank Limited	3,196	69.80%	102.91%
Mash Holdings Limited	1,500	69.16%	62.20%

Bottom 3	Mar'23	M-o-M	YTD
Bridgefort Capital Limited	920.53	-64.60%	-64.60%
African Sun Limited	8,207.02	-16.26%	233.65%
Starafrika Limited	151.84	-15.25%	-28.31%

ZSE total turnover decreased by 41.6% to ZWL\$14.3 million during the month. Foreign trades accounted for 10.3% of total turnover on the ZSE in March 2023. Foreign investors remained net sellers on the ZSE, with net sales of ZWL\$2.2 billion, up from net sales of ZWL\$1.5 billion in the prior month.

The US\$-denominated VFEX All Share Index retreated 14.44% in March 2023, reversing earlier gains and closing the year-to-date period down 7.37%, as highlighted in the table below.

VFEX	Mar'23	M-o-M	YTD
All Share Index	91.76	-14.44%	-7.37%
Market Cap (US\$ mln)	992.88	-7.85%	75.42%

VFEX market capitalization closed at US\$993 million, up 71% from the prior month. During the same month, banking entity FCB announced plans to migrate from the ZSE to the VFEX.

## Economic Outlook

Elections and monetary policy continue to dominate environment themes, with both variables currently exhibiting a fragile stability. This notwithstanding, the baseline view suggests an inherent resilience to avert an implosion, ascribing a 'more of the same' near-term outlook. Overall, downside risks around elections and monetary policy pose a muted, yet real, threat to macroeconomic stability over the foreseeable outlook.