



Monthly Economic Brief

June 2023



HIGHLIGHTS



2023 elections

11 Candidates join the 2023 presidential race.



Monetary Policy

The Central Bank tightened its policy stance by increasing interest rates.



Consumer Prices

Consumer prices increased by 75.46% in June 2023.



58.43%

The ZSE all-share index gained 58.43% in June 2023, driving year-to-date gains to 779.30%.

Zimbabwe gears up for general elections...

The Zimbabwe Electoral Commission (ZEC) revealed that only 11 candidates will participate in the 23rd of August 2023 presidential elections. This is down from the 23 candidates who contested in the 2018 elections, partly due to the high presidential candidate fees pegged at US\$20,000, up from US\$1,000. However, the presence of multiple contenders vying for the highest office reflects the diverse political landscape.

Parliamentary elections will also be held on the 23rd of August 2023. This notwithstanding, through the second amendment bill of 2021, ZEC implored political parties to submit nominations for the women and youth quotas. This amendment, implemented to foster a more inclusive and representative political landscape, introduced a 30% women's quota and allotted 10 seats for the youth.

The number of court challenges associated with the nomination process has heightened political tensions ahead of the polls, however, a few cases of political violence have been reported thus far. There is need for a collaborative effort between the political parties and government to build trust and promote a peaceful and credible electoral process. Generally, we anticipate a fragile political and business operating environment as we draw closer to the election day.

Benchmark policy rate rises again...

The Reserve Bank of Zimbabwe intervened in the market this month by raising interest rates, taking the benchmark bank policy rate to 150% from 140% and the medium-term bank accommodation rate to 75% from 70%. Rising inflation pressure and currency weakness were the major drivers of the policy

decision as it was anticipated that a high interest rate environment will likely dampen inflation and support the authority's price stability goals. Moreover, the local currency depreciated 55% on the official exchange during the period under review.

Can the US\$400m Afreximbank facility stabilise the local currency?

Zimbabwe recently secured a US\$400 million facility from the African Export-Import Bank (Afreximbank) to boost its economy and facilitate essential developmental projects. The financial package is expected to play a crucial role in supporting the country's efforts to address the prevailing economic challenges and promote sustainable growth.

Authorities cited the need for foreign currency resources to augment the measures that the government has put in place to stabilise and grow the economy. The Afreximbank facility offers a lifeline aimed at addressing pressing issues such as infrastructure development, trade finance, and foreign currency shortages.

Overall, the Afreximbank facility is a positive development for the country. However, the US\$400 million alone, is seemingly insufficient to sustain the stability of the local currency and support long-term growth prospects. The authorities need to continue implementing measures to build foreign reserves, improve market confidence, and reduce external debt levels for sustained stability and growth.

Consumer prices up 75.46% in June...

Average consumer prices increased by 75.46% in June 2023, compared to 15.74% in the prior month. Since the beginning of the year and from June 2022, prices have increased by 105.13%

and 175.75%, respectively. The June price increase marks the highest recorded month-on-month inflation rate since the introduction of the blended/weighted inflation in July 2019. The direction of inflation also exhibits a continued deviation from the downward trend observed since the beginning of 2023.

The Total Consumption Poverty Line (TCPL) per person per month closed June 2023 at ZWL\$91,172. The TCPL was up 128.34% and 211.03% on a monthly and on a year-to-date basis, respectively. This partly explains the increasing demand for higher wages. Risks of price escalations emanating from wage and exchange rate pass-through effects sustain high inflation expectations in the near term.

US\$ closed weaker against most currencies

The US dollar experienced a significant weakening against major currencies. Several factors contributed to this downward trend including the Federal Reserve's decision to maintain an accommodative monetary policy stance. With interest rates remaining low and ample liquidity in financial markets, investors sought higher yields in other currencies, leading to a decrease in demand for the US dollar.

Commodity prices plunge.

Commodity markets experienced some weakness with major resource segments losing ground. The gold price was about 2.4% lower compared to the previous month, closing June 2023 at US\$1,916/oz.

Commodity	Jun'23	M-o-M	YTD
Crude Oil (USD/bbl)	74.88	2.87%	-9.89%
Gold (USD/oz)	1,916.00	-2.44%	5.36%
Platinum (USD/oz)	905.82	-9.70%	-14.71%
Nickel (USD/ton)	19,740.00	-6.95%	-34.09%
Maize (USD/ton)	210.22	-8.28%	-21.35%
Wheat (USD/ton)	670	16.62%	-13.27%
Sugar (USc/lb)	22.68	-10.21%	12.33%
Cotton (USc/lb)	80.22	0.64%	-4.04%

ZSE listed equities gains momentum...

The All Share Index closed the month up 58.43%. In addition, the Top 10 and Medium Cap Index rose 41.19% and 54.48%, respectively.

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Sector	June'23	M-o-M	YTD
ZSE All Share	171,408	58.43%	779.30%
ZSE Top 10	93,034	41.19%	655.69%
ZSE Medium Cap	118,830	54.48%	784.40%
ZSE Market Cap (ZWL\$ trn)	13.9	56.48%	584.03%

The tables below highlight the ZSE top and bottom-performing stocks for June 2023.

Top 3	Jun'23	M-o-M	YTD
FBC Holdings Limited	139,995	550.99%	2157.9%
Cafca Limited	176,570	304.02%	782.41%
Zimre Holdings Limited	9,957.00	282.96%	2376.9%

Bottom 3 stock performance;

Bottom 3	Jun'23	M-o-M	YTD
Econet Zimbabwe	88,142.61	3.57%	815.52%
Meikdes Limited	130,000	10.83%	1060.7%
National Tyre Services	1,850.00	14.91%	81.37%

ZSE's total turnover increased by 14.34% to ZWL\$ 82.15 billion during the month. Overall, the ZSE performance was positive with suppressed gains due to the relatively tight ZWL\$ liquidity.

The US\$-denominated VFEX All Share Index retreated 7.04% in June 2023. VFEX liquidity was concentrated in a few counters. The performance of the VFEX is summarised below;

VFEX	Jun'23	M-o-M	YTD
All Share Index	76.17	-7.04%	-21.23%
Market Cap (US\$ bln)	1.28	-7.04%	127.06%

VFEX turnover increased 45% to US\$2.9 million, compared to US\$2 million realised in May 2023. Overall, VFEX market capitalization closed at US\$1.3 billion, down 7% from the prior month and 127% on a year-to-date basis.

Value preservation strategies continue to be the dominant driver for investing on both the VFEX and ZSE given the heightened currency and inflation risks.

Economic Outlook

Zimbabwe's economic outlook remains uncertain due to pending elections, rising inflation and currency depreciation. While the recently secured Afreximbank facility offers a lifeline, sustained economic recovery will require a combination of political stability, comprehensive reforms, and measures to attract foreign investment. Only through proactive and effective policies can the country overcome its economic challenges and achieve sustainable growth.