



Monthly Economic Brief

October 2023

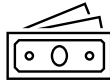


HIGHLIGHTS



IMF staff visit

Staff from the IMF engaged local stakeholders for a technical review.



SI 218 of 2023

The multi-currency regime was extended to December 2030.



Blended Prices

Average weighted consumer prices increased by 0.96% in October 2023.



Local Equities

The ZSE All Share Index advanced 24% during the month to 31 October 2023.

Towards re-engagement...

International Monetary Fund (IMF) staff held meetings with various stakeholders in Zimbabwe between the 18th and 25th of October 2023. The engagements form part of the IMF's 'regular country assessment'. Following the assessment, the IMF staff recommended reforms to strengthen the management of public debt as well as the establishment of a prudent liquidity management framework.

The IMF visit is anticipated to strengthen relations with the Fund's staff, eventually evolving into a Staff Monitored Program (SMP). An SMP involves technical (non-financial) cooperation between IMF staff and member countries. An SMP will also act as a platform to demonstrate reform.

Multi-currency regime extended to 2030

The government extended the multicurrency regime to 31 December 2030, through Statutory Instrument (SI) 218 of 2023. Previously, as stipulated under SI 118A of 2022; the multicurrency was entrenched in law until December 2025. SI 218 of 2023 presents a legal guarantee that the multi-currency will be in effect at least until December 2030. Gross savings and investments are expected to rise on enhanced confidence in the financial sector.

SI 218 of 2023 does not negate an inherent agenda to move towards a local currency regime, albeit in a more phased approach towards 2030. The level of market de/re-dollarization within the extended multi-currency regime is also likely to remain market driven. Overall, in the context of limited reserves and compromised market confidence, extension of the multi-currency regime seems most appropriate as a stabilization measure.

Monetary policy reforms

The Monetary Policy Committee (MPC) resolved to reduce the bank policy rate from 150% to 130%. It also lifted trading margins of 10% on the interbank rate and standardized foreign currency retention thresholds for all exporters at 75%. The MPC also recommended that the Intermediate Money Transfer Tax (IMTT) be lifted.

A reduced bank policy rate theoretically signals some loosening of monetary policy, though the magnitude suggests a sustained tight course. The lifting of trading margins on the official exchange rate could lift pricing distortions associated with settlement in currencies different from the listed price. The recommendation to lift IMTT will help counter consumer inflation pressures. Standardized export retention thresholds could increase local currency market liquidity as 25% per each export dollar will be converted and injected into the market as local currency.

Electricity tariff review

The Zimbabwe Energy Regulatory Authority (ZERA) approved a 19% electricity tariff increment (US\$2 on the US\$ tariff to US\$12.63 per kilowatt hour). The last review was in October 2019. The tariff hike is envisioned to improve the expansion of generation capacity, fund imports, as well as fund settlement of outstanding debts. The immediate effect however is an increase in local operating costs, that is likely to be transmitted to consumer prices and inflation.

Blended consumer prices

Weighted year on year consumer inflation closed October 2023 at 17.82%, down from 18.36% in the prior month. Monthly inflation surged from 0.96% to 2.46% in October 2023, driving year to date

inflation to 15.58%. The migration from an arithmetic to a geometric mean in the computation of weighted inflation makes the weighted inflation significantly tilted towards US\$ inflation (more than 70% weight). The Poverty Datum Line (PDL) increased by 10.1% to ZWL\$105,072 per person during the month under review. On a year-on-year basis, the PDL increased by 273.34% from ZWL\$28,144 in October 2022. PDL movements present a general ZWL\$ inflation proxy.

The Dollar firmed against most trading currencies

Firm employment figures and improved consumer confidence sustained the United States Dollars' (US\$'s) bullish run. The dollar closed the month ended 31 October 2023 broadly firmer against most currencies, on anticipation that positive economic performance in the United States would raise interest rates. The dollar ended the month under review at US\$1.05 per Euro, up 0.2%. Against the South African Rand (ZAR), the US\$ bucked the general trend and shed 0.9% to ZAR18.74 per US\$.

Commodities traded mixed...

International commodity prices closed the month to 31 October 2023 mixed as captured in the table below.

Commodity	Oct'23	M-o-M	YTD
Crude Oil (USD/bbl)	87.85	-8.03%	5.72%
Gold (USD/oz)	1,997.26	6.70%	9.83%
Platinum (USD/oz)	939.53	2.09%	-11.53%
Nickel (USD/ton)	18,175.00	-2.28%	-39.32%
Palladium (USD/oz)	1,130.83	-10.67%	-36.47%
Maize (USD/ton)	188.18	-1.85%	-29.60%
Wheat (USD/ton)	558.75	-3.91%	-27.67%
Sugar (USc/lb)	26.85	0.45%	32.99%
Cotton (USc/lb)	82.68	-6.91%	-1.10%

A firm US\$ made US\$-denominated international commodity prices steeper in alternative currency terms – depressing effective demand. Inflated geo-political tensions also weighed against risk appetite, supporting safe-haven demand for gold. Crude oil prices closed lower on the back of a weak global manufacturing outlook.

Persisting concerns about global economic activity outweighed the prospects of supply disruptions associated with geopolitical tensions between Israel and Gaza. Resultantly, oil prices declined by 8% during the month under review, maintaining a cap on global inflation projections.

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Market Performance

The local bourse sustained positive momentum, with the ZSE All-Share index closing the month with gains of 24.04%. On a year-to-date basis, the ZSE All-Share index extended gains to a noteworthy 705.81% as summarized below.

Sector	Oct'23	M-o-M	YTD
ZSE All Share	157,083	24.04%	705.81%
ZSE Top 10	70,266	24.23%	470.76%
ZSE Medium Cap	622,991	25.09%	1,600.1%
ZSE Market Cap (ZWL\$ trn)	12.1	22.67%	495.69%

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

Top 3	Oct'23	M-o-M	YTD
First Mutual Holdings	58,500	168.1%	2185.2%
CBZ Holdings	196,833	144.5%	1358.0%
Willdale Limited	2,160	116.0%	1100.0%

Bottom 3	Oct'23	M-o-M	YTD
Star Africa	499	-0.02%	135.55%
ART Holdings	4,800	3.57%	242.86%
Ecocash Holdings	13,795	2.18%	244.17%

ZSE turnover value was down 65.2% to ZWL\$ 31.7 billion during the month under review. Foreign investor participation increased from ZWL\$5.7 billion to ZWL\$779 million as foreign investors were net buyers on the local bourse.

The US\$-denominated Victoria Falls Stock Exchange (VFEX) All Share Index advanced 9.17%, extending year-to-date gains to 37.72%. The performance of the VFEX is summarised below;

VFEX	Oct'23	M-o-M	YTD
All Share Index	67.65	-9.17%	-37.72%
Market Cap (US\$ bln)	1.16	-8.98%	104.83%

Economic Outlook

Relative macro-economic stability is anticipated to persist into the new year. Recent monetary policy measures as well as SI 218 of 2023 suggest a more accommodative and phased approach to easing market liquidity as well as de-dollarization. This notwithstanding, monetary policy maintains a work-in-progress feel, sustaining a generalized uncertainty to local currency denominated assets.

Seasonal income and consumption trends pose a muted risk to consumer inflation, exacerbated by the recent electricity tariff review and a more liberalized pricing framework.