

MONTHLY ECONOMIC BRIEF

October 2020



Highlights

- **Treasury predicts economic growth of 7.4% for 2021.**
- **Opposition MDC-T leader Thokozani Khupe sworn into parliament.**
- **Monetary Policy Committee maintained the overnight rate at 35% p.a.**
- **8,349 confirmed COVID-19 cases and 242 deaths recorded locally.**
- **Consumer inflation closed September 2020 at 659.43%.**
- **ZSE market capitalization retreated 9.49% to ZWL\$186.750 bn in October 2020.**

2021 budget strategy launched as TSP ends

Zimbabwe's two-year Transitional Stabilisation Program (TSP) was implemented with the goal of stabilising the economy. The program comes to an end in December 2020 and is due to be replaced by the first of two five-year National Development Strategies (NDS1). NDS1 is growth inclined and is expected to set the tone towards achieving the government's goal of an upper middle-income economy by 2030 (Vision 2030). The NDS1 is the blueprint underpinning national budgets for the next five years starting from 2021.

With the Ministry of Finance 2021 GDP growth projections of 7.4% and the growth thrust from NDS1, there will likely be an expansionary budget in 2021 relative to previous budgets under TSP. The 2021 growth forecasts entail a recovery from a projected contraction of 4.5% in 2020. The economy however remains fragile, with risks from Covid-19 and its impact on global economic recovery, unpredictable weather conditions and continued isolation from the mainstream international capital markets.

Parliament appoints Leader of the Opposition

MDC-T interim leader, Dr. Thokozani Khupe, was sworn in as a proportional representative Member of Parliament, along with other party members. They replaced members from rival factions of the opposition MDC-Alliance, following recalls directed by Dr. Khupe's party, after a Supreme Court ruling nullifying Mr. Nelson Chamisa's legitimacy as the leader of MDC-T. Proponents of

the appointment of a leader of the opposition envisioned improved political stability and international re-engagement, while those against mostly cite alleged infiltration of the opposition by the ruling party - fueling further political polarization. Further to the changes in the political landscape, the government suspended by-elections indefinitely due to COVID-19, a decision which was challenged by group of aspiring candidates through the courts. The candidates argue that the suspension is in breach of the electoral act and the constitution. However, Justice, Legal and Parliamentary Affairs Minister Ziyambi Ziyambi said the suspension was lawful.

COVID-19 cases slowdown

As of the 31st of October 2020, Zimbabwe had 8,349 confirmed cases of COVID-19 and 242 deaths. The average number of daily cases slowed in October 2020 to 17, down from 42 per day in the prior month. Lockdown restrictions have eased with land borders expected to reopen on the 2nd of December 2020. This notwithstanding, a flare up in new COVID-19 cases across the world sustains the risk of a reversal to tighter restrictions.

Monetary Policy Committee maintains a tight lid on liquidity

The latest meeting of the Monetary Policy Committee (MPC) held on the 2nd of October 2020 focused on sustaining recent levels of price and exchange rate stability, primarily through maintaining a tight monetary policy stance. To achieve this the Central Bank's overnight rate will be maintained at 35% p.a. while the medium-term lending rate for the productive sector was unchanged at 25% p.a.

SADC commemorates Zim-Anti-sanctions day

On the 25th of October the government along with SADC held an anti-sanctions day to protest sanctions imposed on Zimbabwe. SADC, the African Union and China expressed support for the removal of sanctions and stated that sanctions have stifled economic growth. The UK, US and the EU emphasized that the Sanctions are targeted and cannot be blamed for the current economic situation present in the country.

Trading begins on the Victoria Falls Exchange

The Victoria Falls Stock Exchange (VFEX) was launched on 23 October 2020 and began trading



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on 26 October 2020 with Seedco International as the only listed counter. The VFEX will trade solely in foreign currency and is part of the Victoria Falls Special Economic Zone.

Consumer prices increased by 3.83% in Sept'20

Average consumer prices increased by 3.83% in September 2020, down from 8.44% in the prior month. Compared to September 2019, consumer prices increased by 659.43%. The blended inflation rate, which looks at both US\$ and ZWL\$ consumer price movements was at -0.5% in September 2020, down from 1.4% in August '20. On a year on year basis, the blended inflation rate closed September 2020 at 376.3%, from 420.9% in the prior month.

The US\$ falls against most currencies

The United States Dollar (US\$) turned bearish during October 2020, in part due to increased uncertainty ahead of the US Presidential elections. The South African Rand (ZAR) strengthened during the month, with support from relaxing COVID-19 induced lockdown restrictions and the associated recovery in economic output.

The US\$ lost 0.03% against the Euro and 3.62% against the ZAR, compared to prior month. The USD/ZAR exchange rate closed the month at R16.38 per US\$ and the Euro/USD exchange rate closed the same period at US\$1.17 per Euro. The ZWL depreciated marginally by 0.28% to close at ZWL\$81.35 per US\$.

Commodities struggle for direction

International commodity prices traded mixed during the month under review as shown in the table below.

Commodity	Price	Oct'20	YTD'20
Crude Oil (usd/bbl)	37.80	-6.60%	-43.38%
Gold (usd/oz)	1,870.36	-0.74%	22.82%
Platinum (usd/oz)	854.37	-2.48%	-11.87%
Nickel (usd/ton)	15,393.00	6.38%	8.25%
Coffee (usc/lb)	104.60	-5.04%	-20.73%
Maize (usd/ton)	155.70	8.88%	2.26%
Wheat (usd/ton)	603.75	8.30%	8.39%
Sugar (usc/lb)	14.15	6.39%	4.66%
Cotton (usc/lb)	69.37	5.71%	-0.40%

Crude oil prices extended their year to date decline, weighed down by depressed global industrial output and economic activity. Relatively low oil prices support a stable global inflation outlook.

Local equities retreat...

Equities lost ZWL\$19,577 bn in value during October 2020 as the market continued to fall in October. This was a result of tight liquidity in the market with all major indices in the negative.

Sector/Index	Value	Oct'20	YTD'20
ZSE All Share	1,476.87	-9.85%	541.9%
ZSE Top 10	937.28	-14.25%	362.4%
ZSE Industrial	4,852.49	-9.90%	533.2%
ZSE Market Cap (ZWL billions)	186.750	-9.49%	526.9%

The following tables highlight the ZSE top and bottom performing stocks in October 2020.

Top 3	Price ZWLc	Oct'20	YTD'20
Fidelity Life	145.00	51.04%	1486.43%
Mash	50.50	43.81%	669.74%
Masimba	255.19	34.31%	1313.8%

Bottom 3	Price ZWLc	Oct'20	YTD'20
Dawn	70.00	-30.00%	858.90%
Nampak	74.75	-25.29%	3.82%
CBZ	3,995.28	-24.48%	5631.29%

Monthly value of trades fell 78.73% to ZWL\$987.02mn during October 2020. Daily trade values averaged ZWL\$44.864mn, down 78.73%. Foreign investors registered a net monthly sell-off of ZWL\$267mn mn. Foreign trades made up 21.7% of trades during the month, down from 41.1% in September.

Economic Outlook

Global uncertainty remains high with a resurgence in global COVID-19 cases and the looming US presidential election which could dictate global economic prospects for the next four years. The uncertainty in the global economy is expected to weigh down the performance of the country's economy in the outlook.

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