

MONTHLY ECONOMIC BRIEF

November 2020



Highlights

- **Minister of Finance projects 2021 GDP growth of 7.41% after 2 years of contraction**
- **Year to date gold deliveries to October 2020 down 27% compared to same period in 2019**
- **9,950 confirmed COVID-19 cases and 276 deaths recorded locally.**
- **Consumer inflation closed October 2020 at 471.25%.**
- **The Victoria Falls Stock Exchange records a maiden trade**
- **ZSE market capitalization advanced 7.92% to ZWL\$201.352 bn in November 2020.**

Building resilience and sustainable recovery...

The Ministry of Finance released a ZWL\$421bn budget anticipating growth of 7.4% in 2021 from a projected contraction of 4.1% in 2020. The growth will be driven by the agricultural, mining, electricity, water and manufacturing sectors premised on a good rainfall season, recovery from COVID-19, and stable exchange rate and prices. Average annual Inflation is estimated to be under 135% in 2021 with an optimistic target of less than 1% for average monthly inflation.

The 2021 budget estimates a deficit of ZWL\$30.8bn (-1.3% of GDP) due to revenue collections of ZWL\$390.8bn against total expenditure of ZWL\$421.6bn. Treasury introduced a new levy of between 10%-20% on cannabis exports and presumptive tax on SMEs and the informal sector. Of interest, is the US\$30 per month tax per unit on small informal enterprises in partitioned office spaces collectible by landlords.

Buttressing the multi-currency regime and dollarization of the economy the Ministry of Finance has benchmarked several taxes to the USD including excise duty on alcohol and cigarettes as well as toll fees. Overall, the budget confirms the limited fiscal space under stagflation conditions.

Government purse remain under pressure....

Civil servants were awarded a 41% salary increase during the month hard on the heels of

another 40% increase in October 2020. Government employees have seen the real value of their wages being eroded by inflation over the last two years resulting in strikes mainly by health workers and teachers.

The latest increment will see the lowest paid civil servant earning ZWL\$14,258 or US\$164 per month converted at the auction rate while the basic pay for a teacher will be ZWL\$18,237 or US\$187 per month. In October 2018 the lowest paid civil servant was earning US\$441. The National Joint Negotiating Council in the month agreed that government should commit to restore the lost value over time. Considering the gap between current and targeted salaries, value restoration will likely increase government expenditure and escalate deficit monetization risks.

Gold deliveries lose glitter

Total year to date gold deliveries up to 31 October 2020 were down 27% to 18 tonnes compared to the same period in 2019. The decline in output was due to Covid-19 induced production outages and payment delays by Fidelity Printers which mainly affected artisanal miners who historically accounted for over 60% of total gold throughput. Additionally, the gold sector has reportedly been affected by smuggling which according to statistics from the Coalition of Debt and Development, the country is estimated to have lost between 30 to 34 tonnes of gold so far in 2020 due to smuggling mainly into South Africa. The country is targeting to produce 28 tonnes of gold this year and it is highly likely that the target will not be achieved. Gold is one of the countries key foreign currency earners accounting for at least 30% of exports.

Second wave of COVID-19 imminent

As of the 29th of November 2020, Zimbabwe had 9,950 confirmed cases of COVID-19 and 276 deaths. The average number of daily cases jumped to 50 in November 2020, from 17 in the prior month. Although the Government hinted that tighter lockdown requirements may be necessary, lockdown measures remained unchanged with borders are set to reopen for human traffic on the 1st of December 2020. If cases continue to rise tighter lockdown restrictions could be necessary particularly given that a vaccine is unlikely to be available locally in the near term.



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Consumer prices up by 4.37% in October 2020

Average consumer prices increased by 4.37% in October 2020, up from 3.83% in the prior month driven by a 50% electricity tariff increase implemented on 1st of November 2020. On a year on year basis, consumer prices increased by 471.25% in October 2020, down from 659.43% in September 2020. The blended inflation rate, which looks at both US\$ and ZWL\$ consumer price movements was at 1.43% for the month-on-month numbers in October 2020, up from -0.5% in September 2020. The year on year blended inflation rate closed October 2020 at 249.63%, from 376.3% in the prior month.

The US\$ falls against major currencies

The United States Dollar (US\$) traded weaker against major currencies in November 2020, due to the US presidential election uncertainty. The South African Rand (ZAR) continued to strengthen, on the back of improved economic activity and investor confidence

The US\$ lost 2.17% against the Euro and 7.02% against the ZAR. The USD/ZAR exchange rate closed the month at ZAR15.23 per US\$. The ZWL depreciated marginally by 0.57% to close at ZWL\$81.82 per US\$.

Commodities advance on improved confidence

Commodity prices except for gold and wheat ended the month bullish as shown in the table below.

Commodity	Price	Nov'20	YTD'20
Crude Oil (usd/bbl)	47.68	26.14%	-28.58%
Gold (usd/oz)	1,771.77	-5.27%	16.35%
Platinum (usd/oz)	975.39	14.16%	0.62%
Nickel (usd/ton)	16,373.00	6.37%	15.14%
Coffee (usc/lb)	122.95	17.54%	-6.82%
Maize (usd/ton)	169.09	8.60%	11.05%
Wheat (usd/ton)	593.75	-1.66%	6.60%
Sugar (usc/lb)	14.63	3.39%	8.21%
Cotton (usc/lb)	72.94	5.15%	4.72%

Crude oil prices reversed the downward trend to experience gains due to increased global demand, however crude oil remains under pressure due to resurgence in COVID-19 cases.

Gold prices continued to decline as investors shifted towards equities.

Local equities bullish...

The ZSE gained ZWL\$14,781bn in value in month as appetite for stocks improved on account of inspiring earnings reports and trading updates. Major indices were in the positive.

Sector/Index	Value	Nov'20	YTD'20
ZSE All Share	1,595.59	8.04%	593.5%
ZSE Top 10	1,001.22	6.82%	394.0%
ZSE Industrial	5,278.38	8.78%	588.9%
ZSE Market Cap (ZWL billions)	201.532	7.92%	576.5%

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

Top 3	Price ZWLc	Nov'20	YTD'20
Masimba	600.00	135.12%	3224.10%
Nampak	125.00	67.22%	73.61%
Hippo	2,201.58	57.90%	1029.02%

Bottom 3	Price ZWLc	Nov'20	YTD'20
NMBZ	210.04	-29.99%	412.29%
Riozim	772.60	-20.76%	229.33%
Fidelity	120.08	-17.19%	1213.79%

Monthly value of trades gained 315.83% to ZWL\$4.104bn during November 2020. Daily trade values averaged ZWL\$195.440mn, up 335.63%, Foreign investors registered a net monthly sell-off of ZWL\$90.17mn. Foreign trades made up 13% of trades during the month, down from 21.7% in October 2020.

The newly launched Victoria Falls Stock Exchange (VFEX) recorded its first trade worth US\$180, after 1,000 shares of the solely listed stock Seedco International changed hands.

Economic Outlook

The 2021 fiscal policy exudes an optimistic outlook especially on inflation and the exchange rate. However, significant downside risks remain, emanating from COVID-19, limited funding options, and exogenous factors (climate and prices) likely to sustain inflationary pressures in the outlook

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