

MONTHLY ECONOMIC BRIEF

January 2021



Highlights

- **External trade deficit deteriorated by 7.06% in 2020.**
- **The UK imposed targeted sanctions on Zimbabwean officials.**
- **Tough lockdown restrictions imposed as Covid-19 second wave wreaks havoc**
- **Consumer inflation rises to 362.63% in January 2021.**
- **ZSE market capitalization advanced 36.51% to ZWL\$432.130 bn in January 2021.**

External trade deficit worsens in 2020...

Zimbabwe's trade deficit surged by 7.06% to US\$86.9mn in 2020, compared to a deficit of US\$548.2 mn in 2019, against a background of Covid-19 induced global economic slowdown and international trade disruptions. Imports increased at a faster rate than exports at 3.42% to end the year at US\$4.98bn, while exports grew by 2.96% to close 2020 at US\$4.4bn. Major contributors to imports were diesel, petrol, and electricity accounting for 13.8% of total imports. Fuels remain the key contributors notwithstanding the record low international crude oil prices in 2020. Commodities such as Gold, tobacco and nickel dominated exports with a combined contribution of 59.4%. The country failed to capitalize on the firm international gold prices as output contracted from 27.6 tonnes in 2019 to 19 tonnes in 2020.

There is need for Government to continue implementing policies to increase exports and scale down imports, to enhance industry and the country's competitiveness. The Africa Continental Free Trade Area (AfCFTA) operationalized in January 2021, presents opportunities to enhance exports in the African market with an estimated population of 1.3 billion people. Onshore challenges such as corruption and smuggling in the mining sector need to be tamed, while for the agricultural sector, production must be increased through adopting smart agricultural techniques, investment in irrigation, and resolution of the land security issues among other key challenges.

UK and Zimbabwe rift continues.....

The United Kingdom (UK) is imposing sanctions, including travel bans and asset freezes, against

four Zimbabwean officials on alleged human rights abuses. The four officials are Owen Ncube, Minister for State Security, Isaac Moyo, Director General of the Central Intelligence Organisation, Godwin Matanga, Commissioner General of the Zimbabwe Republic Police and Anselem Sanyatwe, former Brigadier General and Commander of the Presidential Guard.

These are the first post Brexit restrictive measures imposed on Zimbabweans by the UK. These sanctions, compromises Zimbabwe's hopes of readmission into the Commonwealth and heightens the country's overall risk ratings.

Vaccines the answer to COVID-19....

As of the 03rd of February 2021, the country had a cumulative 33,964 cases of COVID-19, up from 14,084 at the start of January 2021 as the second wave and new variants of Covid-19 wreaked havoc. The average daily cases surged to 641 compared to 124 cases in December 2020. However, towards month end, the average daily cases significantly slowed to 240. The number of COVID-19 related deaths rose to 1,269 compared to 369 at the beginning of 2021. Four government ministers succumbed to the virus during the month.

Government earlier in the month, imposed a 30-day, level 4 lockdown to contain the spread of virus. The lockdown has since been extended to the 15th of February 2021. Lockdown measures have been implemented globally to curtail the virus pending the rollout of vaccines. The cost of such measures was evident in 2020, where the pre Covid-19 global economic growth projection was cut from a growth of 3.3% to a post Covid-19 contraction of 4.9%.

Vaccination is believed to be the most effective and sustainable way of dealing with viral infections including Covid-19. To date, several vaccines with various efficacy levels have been developed and some countries have already started vaccinating their population. In Zimbabwe, plans to procure and roll out vaccines are underway, and Treasury has reported to have set aside US\$100 mn to purchase vaccines enough to inoculate 10 mn people and achieve the recommended herd immunity of at least 60%. However, the roll out program is likely to be protracted given the huge global vaccine supply gap and government delays in concluding the vaccines procurement plan. In the absence of vaccines, the country is likely to rely on lockdowns



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to contain the virus with dire consequences to economic output.

Consumer prices up by 5.43% in January 2021

Average consumer prices increased by 5.43% in January 2021, compared to 4.22% in the prior month. On a year on year basis, consumer prices increased by 362.63% in January 2021, up from 348.58% in December 2020. The blended inflation rate, which looks at both US\$ and ZWL\$ consumer price movements was up by 2.76% in January 2021 compared to 2.75% in December 2020. The year on year blended inflation rate closed January 2021 at 191.52%, from 188.91% in the prior month. Inflation follows a 1.1% currency depreciation and general increases in prices of most basic commodities.

The US\$ strengthens against major currencies

The United States Dollar (US\$) strengthened against major currencies in January 2021, due to the conclusion of the US presidential election and swearing in of Joe Biden as President. The South African Rand (ZAR), however, weakened due to the rise in COVID-19 cases and the tight lockdown restrictions during the month.

The US\$ gained 1.4% against the Euro and 3.90% against the ZAR. The USD/ZAR exchange rate closed the month at ZAR15.21 per US\$. The ZWL depreciated by 1.09% to close at ZWL\$82.68 per US\$.

Commodity prices mixed...

Commodity prices ended the month mixed as shown in the table below:

Commodity	Price	Jan'21	YTD'21
Crude Oil (USD/bbl)	56.19	9.64%	9.64%
Gold (USD/oz)	1,872.12	-1.36%	-1.36%
Platinum (USD/oz)	1,111.38	3.28%	3.28%
Nickel (USD/ton)	17,662.00	5.29%	5.29%
Coffee (USc/lb)	122.65	-2.97%	-2.97%
Maize (USD/ton)	213.67	13.01%	13.01%
Wheat (USD/ton)	654.00	2.43%	2.43%
Sugar (USc/lb)	15.60	2.43%	2.43%
Cotton (USc/lb)	80.46	3.50%	3.50%

Crude oil prices continued to gain during the month due to tight supply from OPEC and some increase in demand. Gold prices were down

during the month due low demand as well as a stronger US dollar following the conclusion of the US presidential election.

Local equities bullish...

The ZSE gained ZWL\$115.575 bn in value in the month as a result of increased liquidity in the market and positive corporate earnings reports. All major indices were positive.

Sector/Index	Value	Jan'21	YTD'21
ZSE All Share	3,600.82	36.58%	36.58%
ZSE Top 10	2,238.20	33.91%	33.91%
ZSE Medium Cap	7,853.90	43.03%	43.03%
ZSE Market Cap (ZWL billions)	432.130	36.51%	36.51%

The tables below highlight the ZSE top and bottom performing stocks in January 2021.

Top 3	Price ZWLc	Jan'21	YTD'21
TSL	4,599.20	219.39%	219.39%
Unifreight	55.40	197.85%	197.85%
FIRST MUTUAL	660.00	144.44%	144.44%

Bottom 3	Price ZWLc	Jan'21	YTD'21
Dawn	49.00	-31.94%	-31.94%
CAFCA	6,456.98	-28.18%	-28.18%
RTG	150.63	-21.44%	-21.44%

Monthly value of trades increased by 28.45% to ZWL\$3.513 bn in January 2021. Daily trade values averaged ZWL\$175.694 mn, up by 34.87% from prior month. Foreign investors registered a net monthly sell-off of ZWL\$495.4 mn, while foreign trades accounted for 9.4% of total trades during the month, down from 12.4% in December 2020.

There were no trades on the Victoria Falls Stock Exchange (VFEX) during the month, while Seedco International remains the only listed counter on the bourse.

Economic Outlook

Covid-19 is expected to continue dominating global themes in 2021 as countries gradually roll out vaccination programs. In the case of Zimbabwe, the likely delay in vaccination is expected to see restrictive measures sustaining for most of the year. The risks of sub-optimal economic growth in the outlook remain high.

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