Group Economics &Corporate Strategy
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Monthly Economic Update

February 2021

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1. Economic Performance

a) Domestic Economy

The Government of Zimbabwe expects a faster recovery in economic performance in 2021 on account of a strong balance of payments position and good agriculture season, the down-side risks cannot be overlooked. The COVID-19 pandemic and its adverse impact on the economy remains a cause for concern regardless of the rolling out of vaccines which is in progress.

Notwithstanding theCOVID-19 related challenges, the Reserve Bank of Zimbabwe (RBZ) remains optimistic that the expected economic growth of 7.4% in 2021 is achievable. The Bank also projects annual inflation to close the year at below 10%. The high level of optimism is anchored on the expected significant growth of agricultural output in 2021, as a result of the good rainy season, fiscal sustainability and the focus on price and financial system stability.

The table below summarises the economic growth forecasts (%) for Zimbabwe:

Zimbabwe Economic Growth Forecasts			
Year	**2020**	**2021**	**2022**
World Bank	-10	2.9	-
IMF	-10.4	3.2	-
MOF	-4.1	7.4	5.4

- *The Government's growth forecast remains rather over-optimistic, particularly given the fact the economy was under COVID-19 induced lockdown restrictions for the first 2 months of the year - we expect the authorities to review growth projections downwards in due course.*

b) COVID-19

According to the Ministry of Health and Child Care, Zimbabwe cumulatively recorded 36,089 confirmed cases, including 32,666 recoveries and 1,463deaths as at 28 February 2021.The diagram

(inset) shows the daily trend of recorded COVID-19 cases from 27 May 2020 to 28 February 2021. The trend of new recorded daily cases has contracted by 97.2% to 31 cases per day from 14 January 2021 when 1,112 new cases were recorded.

Meanwhile, at the lapse of the second 2 week extension of the lockdown restrictions, on 1 March 2021the Government of Zimbabwe relaxed the

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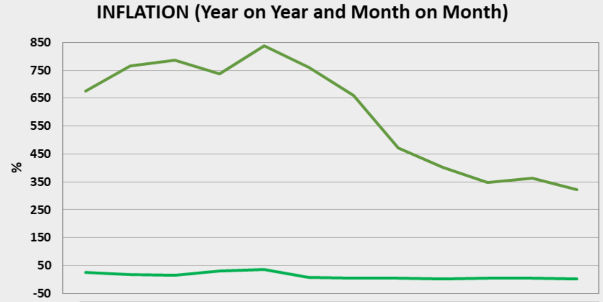
restrictions in a bid to strike a balance between saving lives and saving the economy, as new infections continued to decline. Zimbabwe received a donation of 200,000 doses of the Sinopharm vaccine from China, with further doses expected going forward. The phased vaccination roll-out program prioritises the country's frontline health care workers, followed by the vulnerable, and finally the rest of the population. The country is aiming to inoculate at least 10 million of its approximately 15million citizens.

Going forward, given that the Government has loosened the lockdown restriction to allow for inter-city travel and also resumption of operations by informal and small businesses, among others, the country might experience increased infections in the near term as physical contact increase – most people tend to get rather complacent as the number of cases declines. However, the coming in of the vaccination program might help in reducing the extent of the spread. On the economic front, the opening of business is positive as this would help in sustaining the lives of many whose source of income was affected, especially those deemed non-essential.

2. Inflation

Zimbabwe's annual consumer price inflation eased to 321.6% in February 2021 from 362.3% in January 2021, reaching its lowest level since January 2020 when it was 676.39%. Inflation has maintained a downward trend since August 2020, following the introduction of a foreign exchange auction trading system which brought stability to the foreign exchange market.

INFLATION (Year on Year and Month on Month)



	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
YoY	676.39	765.57	785.55	737.26	837.53	761.02	659.4	471.25	401.66	348.59	362.63	321.59
MoM	26.59	17.64	15.13	31.66	35.53	8.44	3.83	4.37	3.15	4.22	5.43	3.45

On a monthly basis, consumer prices rose by 3.45%, following a 5.43% rise in the previous month.

In the outlook, the central bank has forecast annual inflation will end the year below 10%, on the back of sustained economic stability coupled with strict management policies. However, we forecst inflation to be 244.63% in March 2021 and to close the year in the region of 40% to 50%, ceteris paribus*.*

3. Financial Sector

During the year ended 31 December 2020 all banking institutions were profitable, with aggregate banking sector profits for the period recorded at ZW$34.2 billion, an increase from ZW$6.4billion reported for the corresponding period in 2019. The growth in income is largely attributable to non-interest income which constituted 79.5% of total income.

In the meantime, the Government of Zimbabwe has approved the Insuarance and Pension Commision (IPEC) (Amendment) Bill, 2020, which is expected to facilitate wholesale reforms to the sector for the benefit and protection of policy-holders and pension fund members when passed into law. Through provison of the Bill, the Commision will conduct investgations where it sees fit for the purpose of preventing contraventions of the law in the insurance sector.

a) Architecture

The operational banking institutions and other non-banks under the supervision of the Reserve Bank of Zimbabwe as at 31 December 2020 are shown in the table -the financial services sector comprised 19 Banking institutions and 219 Other Institutions.

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank (POSB)	1
Total Banking Institutions	**19**
Other Operational Institutions under the supervision of the Reserve Bank	
Credit-only-MFI's	209
Deposit-taking MFI's	8
Development Financial Instituions (SMEDCO &IDBZ)	2
Total Other Instutions	**219**

In addition,2 licensed deposit-taking microfinance institutions are yet to commence operations as they are putting in place the necessary infrastructure for commencement of business.

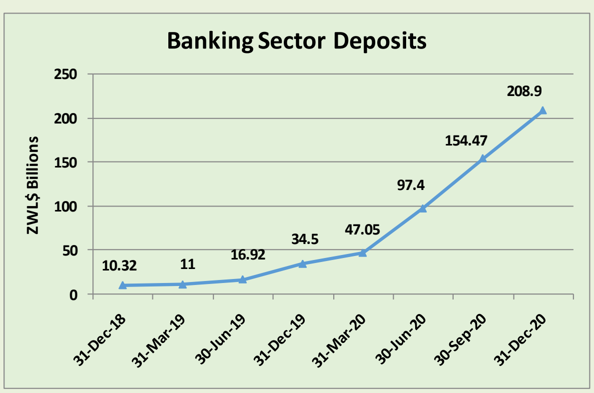
b) Money supply

Reserve money increased by ZW$1.004billion, to ZW$19.91billion as at 19th February 2021. This largely reflected increases of ZW$819.40 million and ZW$225.74 million in banks' liquidity at the Reserve Bank (RTGS balances) and currency issued, respectively. The reserve money balance is reported to have scaled up to a new peak level in the week ended 26thFebruary 2021, after growing by 11% on the prior week's figure, to close the month at ZW$22.38 billion

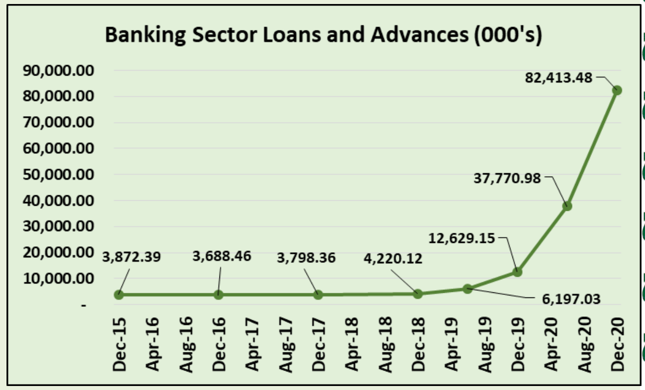
The increase in reserve money was largely attributable to payment of salaries, wages and other expenditures by Government, which saw the Government deposit at the RBZ declining by ZW$5.12 billion, thus, injecting liquidity into the market. This was, however, significantly offset by net OMO savings bonds issuances amounting to ZW$4.89 billion, which had the opposite effect of withdrawing liquidity from the market.

c) Credit Developments

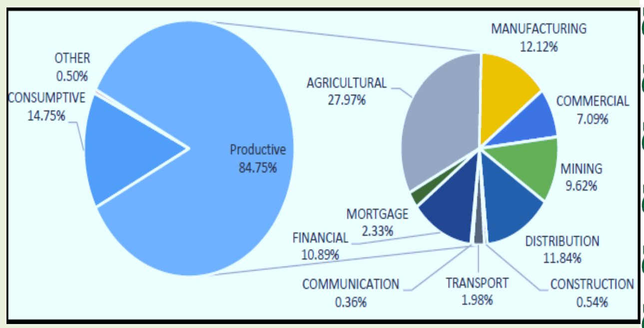
Total banking sector deposits increased by 114.5%, from ZW$97.40 billion reported as at 30 June 2020, to ZW$208.9 billion as at 31 December 2020. The deposits were made up of ZW$125.3 billion (60%) in foreign currency and ZW$83.5 billion (40%) in local currency. The increase in total deposits was mainly attributable to revaluation of foreign currency denominated deposits.



Total banking sector loans and advances increased by 118%, from ZW$37.8 billion as at 30 June 2020 to ZW$82.4 billion as at 31 December 2020, largely attributed to the translation of foreign currency denominated loans. The graph below shows the trend in the total banking sector loans and advances from December 2015 to December 2020.



Loans to productive sectors of the economy constituted 84.8% of total banking sector loans as at 31 December 2020, as shown in the pictorial presentation below.



Performance of the Micro Finance Sector

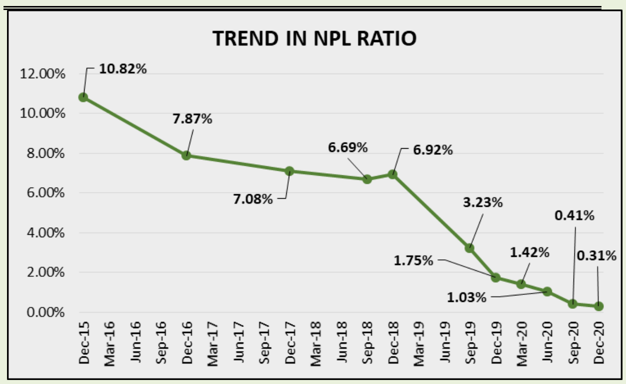
During the year ended 31 December 2020, the performance of the microfinance sector was subdued due to the disruptive effects of the COVID-19 pandemic. A total of 31 microfinance institutions ceased operations during the course of 2020 citing viability challenges arising from constrained funding and low business volumes compounded by the COVID-19 pandemic. During the period under review, the ''hightouch'' business model adopted by a number of microfinance institutions, which entails physical visits and meetings with clients, was not feasible during the COVID-19 pandemic with respect to disbursement of loans and collections of repayments.

The Deposit-Taking Microfinance Institutions (DTMFIs) remained generally stable and resilient. The sub-sector reported improvements in key financial stability. All the six (6) operating DTMFIs were compliant with the minimum regulatory capital requirement of ZW$5 million. The DTMFI sub-sector recorded a 138.9% growth in total loans from ZW$134.3 million to ZW$320.9 million during the half year ended 31 December 2020. Credit risk as measured by Portfolio at Risk (PaR) ratio (>30 days) improved from 17.0% to 6.5% during the same period. The improvement was due to relaxation of COVID-19 induced restrictions which enabled clients to resume operations as well as enhanced collection efforts by DTMFIs.

d) Non-Performing Loans (NPLs)

Banking sector loan portfolio quality continued to improve as reflected by a decline in the non-performing loans (NPLs) to total loans ratio from 1.0% as at 30 June 2020 to 0.3% as at 31 December 2020, partly reflecting the more than proportionate growth in total loans. The diagram below shows the trend in the level of non-performing loans to total loans ratio (NPLs ratio) from December 2015 to December 2020.

NPLs



Going forward, credit granting institutions need to continue to scrutinise would be borrowers in order to guard against the resurfacing of NPLs.

e) Interest Rates

Weighted average lending rates charged by commercial banks for individuals increased by 0.54 percentage points from 32.11% as at 31December 2020 to 32.65% as at 29 January 2021. Weighted commercial bank interest rates for corporate clients dropped by 4.14 percentage points, from26.91% as at 31 December 2020 to 22.77% as at29 January 2021. Savings deposit rate also dropped by 0.22 percentage points from 4.69% at 31 December 2020 to 4.47% as at 29 January 2021. The table below shows weighted lending rates and deposit rates.

Weighted lending Rates and Deposit Rates

Weighted Lending Rates (%)			Deposit Rates (%)		
Week Ending	Commercial Banks				
	Individual Clients	Corporate Clients	Savings	1-Month	3-Months
31-Dec-20	32.11	26.91	4.69	9.55	9.46
8-Jan-21	32.11	26.91	4.69	9.55	9.46
15-Jan-21	32.04	25.92	4.69	9.55	9.46
22-Jan-21	32.04	25.92	4.69	9.55	9.46
29-Jan-21	32.65	22.77	4.47	10.27	11.15
Average	**32.19**	**25.69**	**4.65**	**9.69**	**9.80**

Considering the fact that year on-year inflation was recorded at 321.59% in February 2020, real interest rates continued to be negative, thus making lending business less lucrative. However, banks continue to lend largely because of lack of other better investment alternatives. Some banks now favour lending in foreign currency in order to circumvent risks of value loss associated with the local currency. To enhance the viability of banking lending business, there is need to promote lending in the USD currency which is quiet stable in value.

Foreign Currency Market

During the month of February 2021, the USD gained against 10 out of the 17 currencies in our basket. The USD gained the most against the Argentine Peso (2.55%), followed by the Brazilian Real (1.87%), Japanese Yen (1.60%), Indian Rupee (1.10%), South African Rand (0.90%), Swiss Franc (0.90%), Norwegian Krone (0.69%), Zimbabwe Dollar (0.26%), Chinese Yuan Renminbi (0.15%) and Hong Kong Dollar (0.05%). However, the US Dollar lost value against 7 currencies in our basket, losing the most against the British Pound by (0.19%).The following table shows the February 2021 Exchange Rate Analysis.

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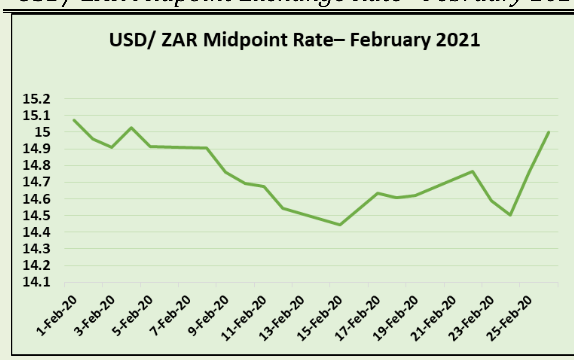
Exchange Rate Analysis

Exchange Rate Analysis			
Currency/US$	**1-Feb-21**	**28-Feb-21**	**Change (%)**
Argentine Peso	87.5976	89.8292	2.55%
Austrialian Dollar	1.3114	1.2960	-1.18%
Botswana Pula	10.9712	10.8645	-0.97%
Brazilian Real	5.4730	5.5754	1.87%
British Pound	0.7313	0.7170	-1.96%
Canadian Dollar	1.2826	1.2698	-0.99%
Chinese Yuan Renminbi	6.4674	6.4773	0.15%
Euro	0.8283	0.8266	-0.20%
HongKong Dollar	7.7525	7.7561	0.05%
Indian Rupee	73.1816	73.9831	1.10%
Japanese Yen	104.9644	106.6398	1.60%
Norwegian Krone	8.5912	8.6509	0.69%
Russian Ruble	76.0878	74.6586	-1.88%
South African Rand	15.0334	15.1691	0.90%
Swedish Krona	8.4260	8.4210	-0.06%
Swiss Franc	1118.0623	1128.1020	0.90%
Zimbabwean Dollar	82.6756	82.8868	0.26%
Source:X-Rates © ZB Financial Holdings			

The following graph shows the trend of the USD/ZAR exchange rate from 1 February 2021 to 28 February 2021.

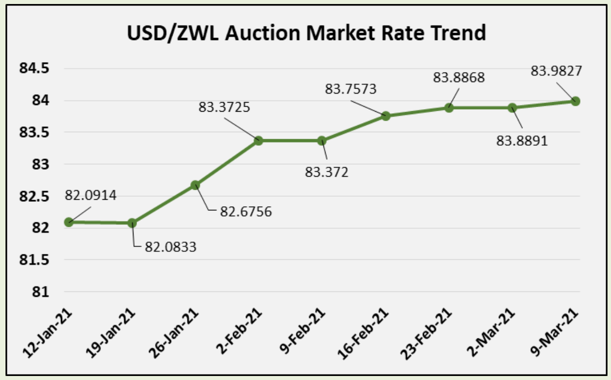
USD/ ZAR Midpoint Exchange Rate– February 2021



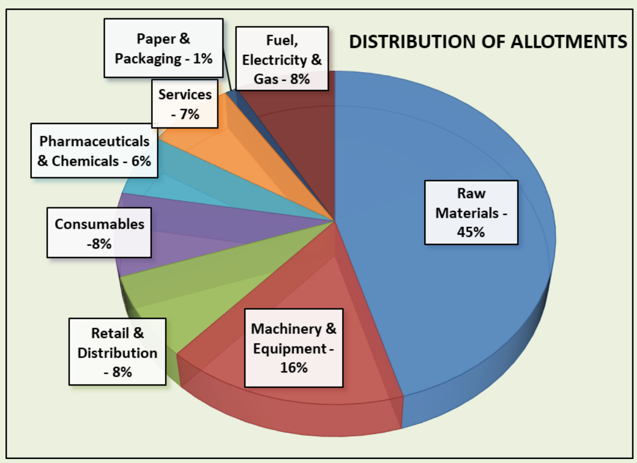
The South African Rand dropped by 4.15% between1 February 2021 and 15 February 2021. From 15 February the South African Rand gained 3.84% against the USD to close at 14.9993. All in all, the South African Rand dropped by 0.47% during the month under review, with an average rate of 14.7456.

RBZ Foreign Currency Auction Market

Since the Auction market resumed on 12 January2021, the USD has gained 2.30% against the Zimbabwean Dollar, from 82.0914 as at 12 January 2021 to 83.9827 as at 9 March 2021. The graph below shows the trend of USD against ZWL from 12 January 2021 to 9 March 2021.



Since the resumption of activity on the Foreign Exchange Auction market on 12 January 2021, US$318.17 million was cumulatively allocated to various sectors of the economy. Of that US$318.17 million, 45% was allocated towards raw materials, 16% was allocated to Machinery and Equipment, 8% towards Retail and Distribution, 8% towards consumables, 6% towards pharmaceuticals, and 7% towards services, 8% towards fuel, electricity & gas and 1% towards paper and packaging as shown in the pictorial presentation below.



Going forward, we expect the Central Bank to continue conserving and supporting the foreign exchange auction system which remains significant in fostering stability on inflation and in the financial system. The RBZ is expected to continue filtering the foreign exchange auction system taking into account market essentials as well as diligently monitoring the *utilisation of funds from the foreign exchange auction system and the economy at large. However the parallel or alternative market rate which is now hovering around 125 against the 83.98 from auction market is a major concern. This signifies that the auction foreign exchange market is failing to fully meet the requirements of many in the economy. In the near term, the local currency is expected to weaken, albeit, in view of pressure coming from the parallel market and general increased demand for foreign currency in the country while inflation remains high.*

f) Equities Market & Corporate Briefs

In the face of weakening economic fundamentals in Zimbabwe, the Zimbabwe Stock Exchange (ZSE) has proved to be a safe haven for investors with the ZSE All Share Index surging 1,046% in 2020. This has been carried over into 2021 as the local bourse sustained a rallying momentum in February 2021 along with global shares. In fact, the ZSE All Share Index edged 11.43% to close at an all-time-high of 4012.47 points. In 2021 so far, the market is up by over 55%.

Zimbabwe Stock Exchange Performance Indicators

DATE	TURNOVER VALUE	TURNOVER VOLUME	INDUSTRIAL INDEX	MINING INDEX	MARKET CAP (RTGS) (Mln)
Feb-20	2,178,214,285.71	6,412,857.14	1,564.98	481.81	60,475.00
Mar-20	1,890,645,161.29	7,666,774.19	1,512.46	720.47	63,143.00
Aug-20	78,066,496.09	7,807,216.00	4,442.22	3,240.12	171,495.08
Sep-20	13,364,733.00	239,931,583.95	5,385.73	4,128.52	206,502.49
Oct-20	33,976,470.53	8,050,142.00	4,852.49	3,792.35	179,689.96
Nov-20	2,456,467,845.80	111,245,705.00	5,278.38	3,322.22	193,270.75
Jan-21	29,895,500.00	483,877,611.10	12,054.64	4,356.70	434,856.23
Feb-21	191,497,720.00	19,620,142.00	13,830.51	6,683.44	478,152.21

On a year-on-year basis, the mining index rose by 1,287% to reach 6,683.44 points on 28 February 2021 as compared to 481.81 points on 29 February 2020.The industrial index also rose by 784% from February 2020 to close at 13,830.51 points as at the last trading day of February 2021. Turnover for the period closed at ZW$191.5 million on 28 February 2021 compared to ZW$2.18 billion on in February 2020, representing a 91% decrease.

Going forward, the equities market is expected to continue on a bullish note especially given the high inflation prevailing in the economy.

News Highlights in the Financial Sector

- According to the Reserve Bank of Zimbabwe, 31 Micro Finance Institutions closed down in 2020due to destructive corona virus pandemic.
- FBC Bank has launched a money transfer service that allows account holders to send funds to cell numbers across all mobile networks in Zimbabwe as part of the institution's financial inclusion and digital transformation thrust.
- NMB Bank has launched a virtual branch on their digital platforms, enabling customers to carry out all cash transactions online, including paperless multi-currency cash deposits and withdrawals, DStv and ZIMRA cash payments. The enhanced NMBConnect platform, also allows anyone to instantly open a full KYC current account or NMBLite account through a self-service portal. The bank also introduced an automated loan application on their platforms with loan proceeds credited into the beneficiary account without the need to visit the bank.
- NMB Bank has opened a money transfer centre that will allow for quick and focused service when one is collecting money from abroad.
- Insurance service provider Moovah, introduced a new vehicle insurance product that allows motorists to pay premiums based on their driving behaviour. Motorist driving behaviour will be through a GPS-enabled device that records vehicle movement information, tracks distance travelled and generates reports about the health or driving patterns of the policyholder.
- CBZ Bank has closed its Nembudziya Branch.
- Listed seed manufacturing giant, SeedCo International Limited (SCIT) has finally acquired 78% stake in its local unit SeedCo Limited (SCL) enabling the company to implement its exit from the ZSE.

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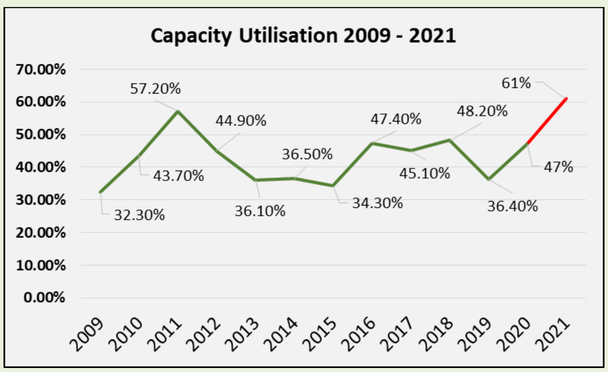
4. Various Sectors of the Economy

a) Manufacturing sector

Zimbabwe's manufacturing sector employs between 80,000 and 100,000 people and contributes about 9% to 11% of exports and 12% to 14% of the country's GDP. The sectors' capacity utilisation rose by 11 percentage points to 47% in 2020 from 36.4% in 2019. Meanwhile, capacity utilisation in 2021 is expected to increase to 61% on the back of an anticipated 2020/21 bumper harvest, COVID-19 vaccination programme, availability & accessibility of foreign currency and improvements in the supply of electricity, among other factors. The diagram below shows the trend of capacity utilisation of Zimbabwe from 2009 to 2020 and 2021 forecasted capacity utilisation.



News Highlights in the Manufacturing Sector

- The Government is proceeding with a two-pronged approach of engaging local investors for ZISCO's subsidiaries while looking for external investors for the total resuscitation of the company.
- The Zimbabwean Government is determined to revive the once vibrant motor industry as part of its efforts to promote the consumption of local products. Quest Motors can produce in excess of 10,000 vehicles and can employ at least 3,500 workers per day in three eight hour shifts when demand is high.

b) Mining

According to the Mining Development Ministry, the mining sector is on track to meet the target of generating US$12 billion annual revenue by 2023.

In the platinum mining sector, existing entities namely Zimplats, Unki and Mimosa are expanding their operations while new projects are at various stages of development. Great Dyke Investments has opened two box cuts at its site in Darwendale and is set to be operational by 2023, while Bravura which has operations near Zimplats has completed its drilling and expects to open its first box cut by mid-2021.

In the coal and hydrocarbons sector, there were various thermal power projects reportedly at various stages of development with the sector likely to beat its expected contribution of US$1 billion to the overall US$12 billion mining sector target.

As for the chrome, nickel and steel sector; chrome production had declined although companies in the ferro-chrome sector had increased or maintained production. Afrochine Smelting installed two more smelters at its plant in Selous while ZIMASCO has maintained its production capacity. Jinan Corporation is also reportedly expanding its smelting capacity.

In the diamond sector, Zimbabwe Consolidated Diamond Company (ZCDC) is looking to produce 3 million carats in 2021, while Murowa Diamonds is investing US$450 million in expanding its operations. Another Diamond miner, Alrosa is developing its site in Malipati and Tsholotsho.

Meanwhile, under the US$12 billion mining roadmap, gold is expected to contribute US$4 billion, platinum US$3 billion, while chrome, iron, steel, diamonds and coal are expected to contribute US$1 billion. Lithium is expected to contribute US$500 million while other minerals will contribute US$1.5 billion.

News Highlights in the Mining sector

- Government has moved to remove a clause in the Finance (No 2) Act, 2020 that has been construed by investors and stakeholders in the mining sector as a re-introduction of the 51/49 shareholding structure in favour of indigenous entities.

- Zimbabwe's diamond sector is poised to "shine brighter" on the back of private capital coming on board to augment State operations.
- Foreign entities can now fully own mines in Zimbabwe including diamond and platinum mines following Zimbabwe's withdrawal of the indigenisation amendment during the period under review.
- Nickel surpassed gold and tobacco, clinching the top spot in the country's 2020 forex earnings. The metal raked in US$985million, a 22.4% input to Zimbabwe's 2020 forex receipts, according to ZIMSTAT.

Going forward, the mining sector is expected to register a high growth rate in year 2021 (Ministry of Finance and Economic Development forecast 11% growth of the sector in 2021). The anticipated improvement in the sector's performance is expected to increase the demand of working capital and asset financing by miners in the outlook period.

c) Agriculture

The Government of Zimbabwe through the Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement has drawn a road map for the agriculture and food systems transformation up to 2025. The Strategy was designed to achieve the following:

- 100% food security by 2022.
- 100% increase in household income by 2024.
- 40% increase in value addition and beneficiation by year 2024.
- Increase employment by 1 million jobs by 2030.
- 60% export increase by 2024
- 80% import substitution by 2024

Meanwhile, the maize hectarage has increased during the 2020/21 farming season across all divides. In fact, the targets for Pfumvudza scheme and for the overall maize hectarage for 2020/21 farming season which were set at 216,000ha and 1,500,000ha were both surpassed with actual figures being 222,375ha and 1,821,030ha as at 26 February 2021, respectively. The table below shows the analysis of area planted for a specific crop against the targeted hectarage.

Crop	Target (HA)	Area Planted 2019/20 (HA)	Area Planted 2020/21 (HA)	% Change
Maize	1,500,000	1,549,324	1,821,030	17.5%
Sorghum	333,355	305,865	322,274	5.4%
Millet	250,000	166,429	160,144	-3.8%
Soyabean	120,000	33,599	79,359	136.2%
Sunflower	50,000	24,595	15,843	-35.6%
Cotton	400,000	304,703	382,157	25.4%
Tobacco	150,000	100,426	107,558	7.1%
Sesame	13,050	11,534	10,279	-10.9%

News Highlights in the Agriculture Sector

- Tobacco famers struggled to recapitalise after the 2020 marketing season and blamed the Government's requirement to convert 40% of their foreign currency earnings into the local currency as the major contributor.
- Government has squashed the expectations of the tobacco farmers who were crying for more than 60% of their income to be in USD by finalising that only 60% of the earnings will be in USD and the remaining 40% will be liquidated to the domestic currency at the prevailing foreign exchange market rate. The arrangement is now uniform across all exporters.
- Fish farmers are agonising over shortages of fish feed, a development which is slowing growth of a sector that has been attracting more players of late.

In the outlook, with the better yields expected for the 2020/21 farming season due to fair rainfall and support scheme, the country is poised for increased growth in production value chains. Manufacturing *sector will stand to benefit more from a boost in the agriculture production. We expect that players in the food value addition business are going to experience an increase in business activity on the back of an increase in the supply of raw materials in line with the "Buy Zimbabwe" initiative implement by the Government.*

5. Regional Economies

In 2021, Sub-Saharan Africa (SSA) is likely to see a technical recovery, with year-on-year growth rebounding from a weak base. While the public health impact of the pandemic was not as severe as initially feared, the economic ramifications will be long-lasting. Per capita incomes, for instance, have fallen and the development gains of at least a decade have been reversed in some economies.

On a positive note, the boost provided by the vaccine to global risk sentiment and commodity prices will be good for SSA. Oil producers such as Nigeria and Angola should benefit from higher oil prices in 2021. However, their output levels will be constrained by OPEC quotas.

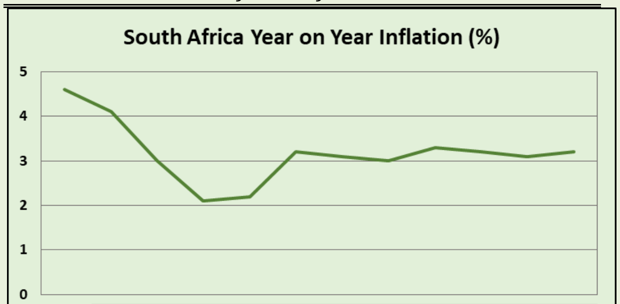
Other growth-positive developments are underway but will likely take longer to manifest. The African Continental Free Trade Agreement (AfCFTA), aimed at promoting intraregional trade via the dismantling of 90% of internal tariff barriers, took effect on 1 January 2021. Given that member countries have five years to achieve tariff reduction targets, immediate growth gains are unlikely. There are currently few trade complementarities between regional economies and infrastructure is an additional hurdle. Overall, progress in boosting intra-regional trade is likely to be gradual, with eventual gains in the medium term.

a) South Africa

The World Bank predicts South Africa's growth will rebound to 3.3% in 2021, 0.7 percentage points below previous forecasts, before softening to a near potential pace of 1.7% in 2022. The IMF expects a modest rebound of 3% in real GDP in 2021 for South Africa following last year's 8% contraction. However, the pace of recovery has been hampered by renewed lockdown measures which have seen the country seemingly quash a second wave of COVID-19 cases.

With regards to inflation, the annual inflation rate in South Africa ticked up to 3.2% in January 2021 from 3.1% in December 2020 in line with market expectations, but still close to the lower band of the South African Reserve Bank's target range of 3-6%. Main upward pressure came from costs of education (6.4%, the same pace as in December 2020); health (4.5%, the same pace as in December 2020) and restaurants & hotels (0.3% vs. -0.4%). On a monthly basis, consumer prices went up 0.3%, following a 0.2% rise in the prior month and slightly below market consensus of a 0.4% increase.

South Africa Inflation Rate



	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
S.Africa	4.6	4.1	3	2.1	2.2	3.2	3.1	3	3.3	3.2	3.1	3.2

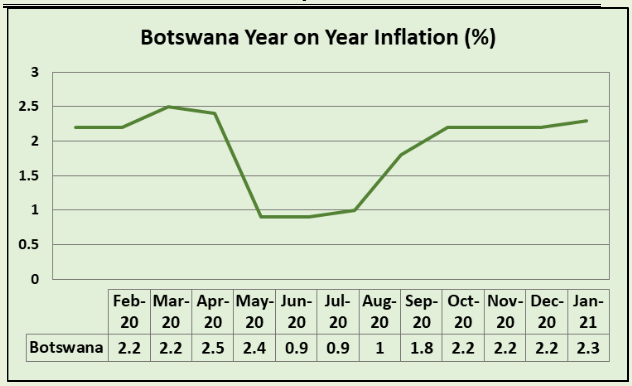
Going forward, South African inflation is expected to remain under check and falling within the targeted range in the next 6 months.

b) Botswana

The Botswana economy is projected to grow by 8.8% in 2021. The improvement is premised on supportive financing conditions associated with accommodative monetary policy and a sound financial environment. On the business side, Botswana is seeking opportunities to integrate into South Africa auto value chain. Moreover, to provide an incentive to the productive sectors, the Government of Botswana, through its Ministry of Finance, is working on reducing the manufacturer's corporate tax from 22% to 15%. At the moment, Botswana has eased COVID-19 restrictions, despite a rising death toll, so as to revive the economy.

On the inflation front, Botswana's annual inflation ticked up to 2.3% in January 2021 from 2.2% in the previous month. On a monthly basis, consumer prices were up 0.5%, after increasing by 0.1% in the previous month. The table below shows Botswana's inflation trend.

Botswana Inflation Rate



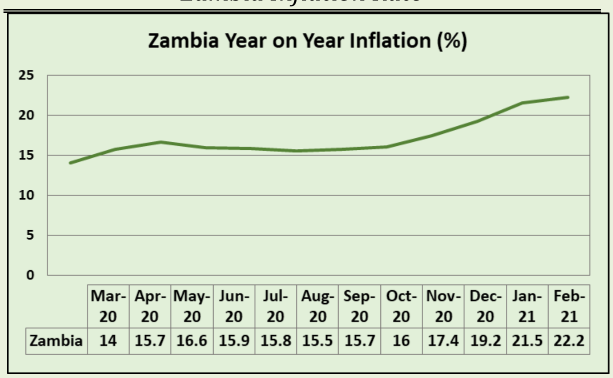
	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Botswana	2.2	2.2	2.5	2.4	0.9	0.9	1	1.8	2.2	2.2	2.2	2.3

In the outlook, fundamentals remain positive for Botswana's economy to attain its economic growth goals.

c) Zambia

Zambia has been gearing up for talks with the IMF after becoming the first African nation to default on debt since the COVID-19 pandemic started. The level of debt has now blown out to around US$12 billion (€9.97 billion), half of which comes from private creditors.

Zambia Inflation Rate



	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Zambia	14	15.7	16.6	15.9	15.8	15.5	15.7	16	17.4	19.2	21.5	22.2

Meanwhile, the Zambian Monetary Policy Committee (MPC) lifted its benchmark interest rate from 8% to 8.5% during the month under review. The MPC's decision was a delicate act of balancing between the need to fight inflation and to prop up the economy and came after two days of complex deliberations. Zambia became the second country in the world to increase its benchmark interest rate this year as it seeks to bring down "spiralling" inflation that is at a five-year high.

In terms of inflation, the annual inflation rate in Zambia soared for the sixth straight month to 22.2% in February of 2021, reaching its highest level since March 2016. On a monthly basis, consumer prices were up 2.5%, slowing from a 3.7% rise in the previous month.

In the short to medium term, Zambia's inflation is expected to remain on the upside.

6. International Economies

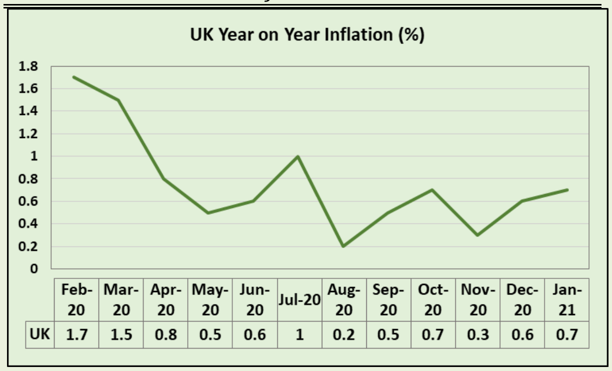
Most of the emerging economies that are projected to grow by 6% in 2021 will likely face more difficult scenarios due to the on-going spread of the pandemic. Apart from the huge pressure on healthcare systems and public finance, this situation will cause greater reliance on foreign financial support and a stagnant tourism industry. This will be the case in India and Indonesia whose economies fell sharply in 2020 and whose expected recovery in 2021 will not return their GDPs to pre-crisis levels. Latin American economies will likely face a similar landscape. On that same note, the Esade Economic and Financial Report produced in conjunction with Banco Sabadell forecasts global growth of around 5.2% in 2021, the same average growth expected in the euro zone. Growth of 3.1% is forecasted in the USA and 8.2% in China. Developed countries are expected to grow less, by 3.9%, and may not recover the production levels lost over the last year until 2022.

a) United Kingdom

The United Kingdom's corona virus-ravaged economy shrank by 9.9% in 2020, the biggest annual fall in output since modern records began, but it avoided heading back towards recession at the end of last year. The Bank of England forecasts the economy will shrink by 4% in the first three months of 2021 due to a new lockdown and Brexit disruption, and take until early 2022 before it regains its pre-COVID size, assuming vaccination continues smoothly.

Meanwhile, the inflation rate in the UK edged up to 0.7% in January 2021 from 0.6% in December 2020, slightly above market forecasts of 0.6%, as the country was under a corona virus lockdown. On a monthly basis, consumer prices fell by 0.2%, less than forecasts of a 0.4% drop.

UK Inflation Rate

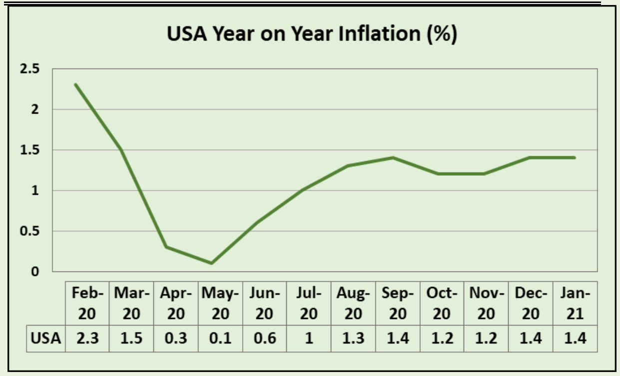


b) United States of America

The U.S.A. economy contracted by 3.5% in 2020, latest government estimates showed. In the outlook, the IMF projects the U.S.A. economy could grow by 5.1% in 2021, contrary to the US Congressional Budget Office (CBO) which forecasted that the economy will grow by 4.6% in 2021. Real GDP will average 2.3% for 2024 and 2025 and 1.7% for the 2026 to 2031 period according to the CBO forecasts.

In the meantime, the annual inflation rate in the USA was steady at 1.4% in January 2021, the same as in December 2020, and slightly below market forecasts of 1.5%. On a monthly basis, consumer prices went up by 0.3%, in line with forecasts and following a downwardly revised 0.2% rise in December 2020 driven by a 7.4% rise in gasoline costs. The indexes for electricity and natural gas declined, but the energy index rose by 3.5%. The food prices rose slightly by 0.1% as an advance in the index for food away from home more than offset a decline in the index for food at home. The inflation trend of USA is presented in the following graph:

USA Inflation Rate

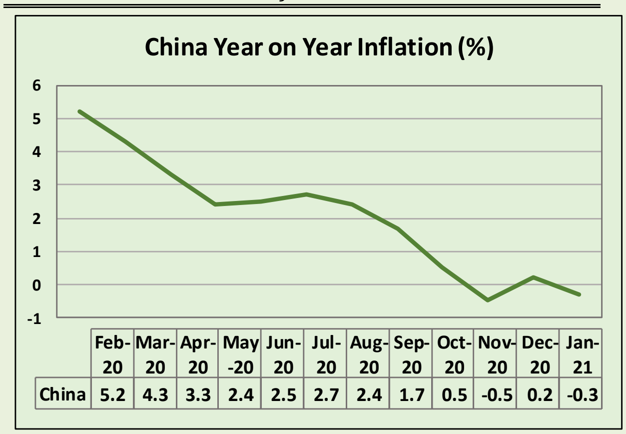


c) China

China was the only major economy to grow in 2020, despite the challenges posed by the COVID-19 pandemic. Official data showed the Chinese economy expanded by 2.3% last year. In 2021, the nation is expected to grow faster than before the pandemic, at a rate of 8.2%, thanks to successful economic policies and excellent export performance which enabled its economy to return to normalcy. China's economy could double in size by 2035 and surpass the USA along the way.

In terms of inflation, the consumer prices in China unexpectedly dropped by 0.3% year-on-year in January 2021, after a 0.2% gain a month earlier and compared with market consensus of a flat reading. On a monthly basis, consumer prices rose by 1% in January 2021, shifting from a 0.4% fall in December 2020, due to adverse weather and rising demand ahead of the Lunar New Year holiday.

China Inflation Rate



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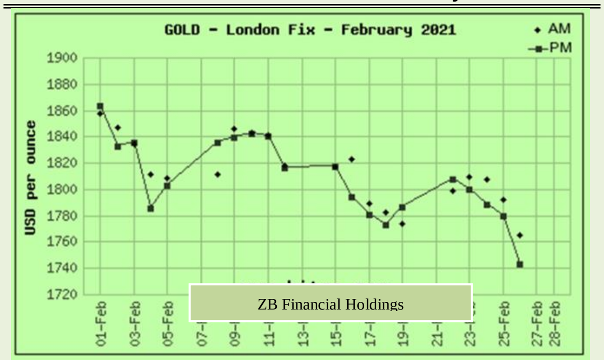
7. Commodities Markets

Commodity	Opening Price (US$)	Closing Price (US$)	% Change
Gold	1,857.80	1,765.10	-4.99%
Platinum	1116	1209	8.33%
Silver	29.59	26.69	-9.80%
Oil	53.55	62.5	16.71%

a) Gold

Gold price decreased by 4.99% during the month under review from US$1,857.80/0z to US$1,765.10/Oz, with an average price of US$1,811.45/Oz.

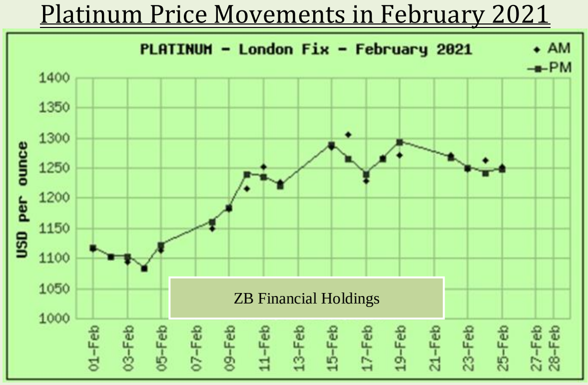
Gold Price Movements in February 2021



b) Platinum

Platinum prices increased in February 2021 from a general stability in January 2021. During the month under review, Platinum prices averaged US$1,162.45/Oz and increased by 8.33% from the first day of trade to close at US$1,209.00/Oz. The graph below shows the platinum price trend for February 2021.

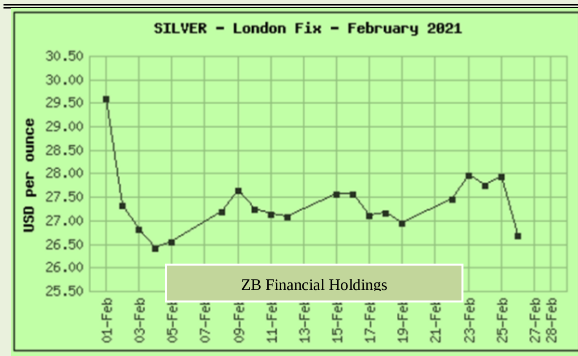
Platinum Price Movements in February 2021



c) Silver

During the first four days of trade in February 2021, the price of Silver dropped sharply by about 10.77% to US$26.40/Oz on the 4th day of February 2021. From 04February to 25February, the price of Silver fluctuated at an average of US$27.16/Oz only to fall on the last day of trade by 4.44% to close the month of February 2021 at US$26.69/Oz.

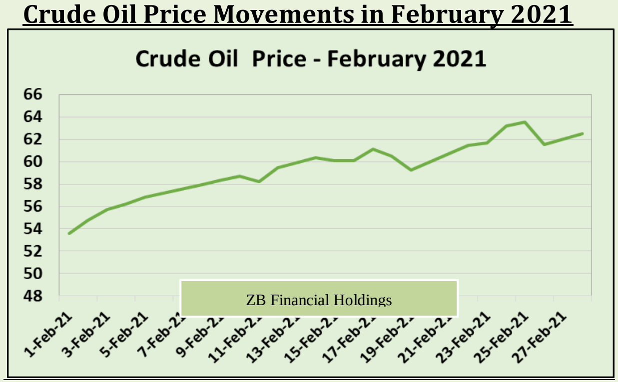
Silver Price Movements in February 2021



d) Crude Oil

International oil price increased by 16.71% from US$53.55/barrel on 1February2021 to US$62.5/barrel on 28February 2021.

Crude Oil Price Movements in February 2021



In the outlook, commodity prices will largely be determined by the strengthening/ weakening of the USD on the international market, supply of the commodities by major producers and demand from net importers of commodities anchored on improved economic growth. Generally, commodity prices are expected to be on the upside in the short to medium term, largely due to supply constrains emanating from COVID-19 induced bottlenecks.