



Monthly Economic Update

January 2021

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1. Economic Performance

a) Domestic Economy

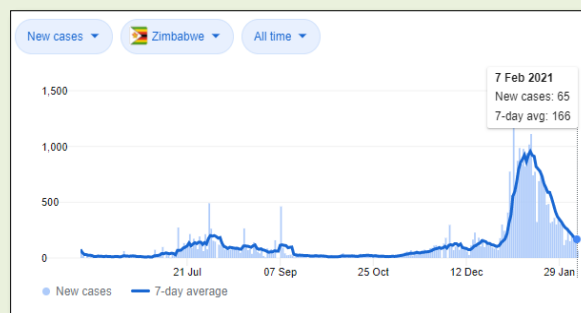
Zimbabwe, like all other economies across the globe, is experiencing economic and social turbulence induced by the outbreak of the COVID-19 pandemic. The effects of the prolonged COVID-19 induced disruptions to global production and trade have proved to be far more damaging than initially anticipated, and have worsened the global economic outlook, with adverse effects on domestic economic performance. Consequently, the projections made by the Finance Minister in the 2021 National Budget will be difficult to achieve in 2021 due to fresh headwinds stemming out of COVID-19 induced lockdowns. The Government of Zimbabwe through the Ministry of Finance and Economic Development had projected a 7.4% GDP growth in 2021 from a 4.1% contraction in 2020. The World Bank expects the Zimbabwe economy to grow by 2.9% in 2021 following an estimated 10% slump in 2020. The table below shows Zimbabwe's growth forecasts.

| 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 |

b) COVID-19

According to the Ministry of Health and Child Care,

Zimbabwe cumulatively recorded 33,273 confirmed cases, including 25,361 recoveries and 1,193 deaths as at 30 January 2021. The diagram below shows the daily trend of recorded COVID-19 cases from 27 May 2020 to 29 January 2021. The trend of recorded daily cases reached its apex on 14 January 2021 when 1,112 new cases were recorded.



As part of measures to curb the spread of the Corona Virus, the Zimbabwean Government instituted level 4 lockdown restrictions from 5 January 2021, to be reviewed after the lapse of 30 days. Subsequently, the lockdown was extended to 15 February 2021.

It is widely anticipated that, with the number of new cases progressively going down each day, and progress being made towards acquisition of a vaccine, the Government will most likely ease the lockdown restrictions somewhat when the 2 week

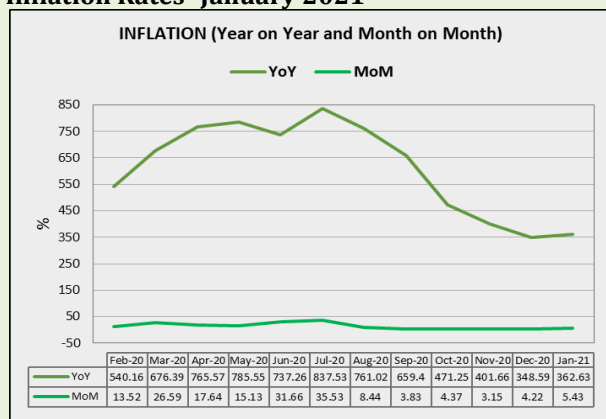


extension ends in mid-February 2021. Government will remain under pressure to strike a balance between “saving lives” and “saving the economy”.

2. Inflation

Zimbabwe's annual consumer price inflation rose by 14.04 percentage points from 348.59% in December 2020 to 362.3% in January 2021, breaking a run of 5 consecutive months of slowdown. Prior to January 2021, inflation had maintained a downward trend since August 2020, following the introduction of a foreign exchange auction trading system on 23 June 2020 which brought stability to the foreign exchange market. The diagram below depicts a pictorial presentation of Zimbabwe inflation trend from February 2020 to January 2021.

Inflation Rates -January 2021



On a monthly basis, consumer prices inched up 5.43% in January 2021, the biggest increase in 5 months. The January 2021 figures mark the first time the country has produced inflation data during the same month for which the data pertains to. This follows the adoption of computerization by the national statistical office (ZIMSTAT).

3. Financial Sector

Zimbabwe's banking and financial services sector continues to contend with significant operational and structural challenges, which have been compounded by the COVID-19 pandemic and deepening recession. In the banking sector, poor asset quality and the dominance of foreign

denomination loans combined with the depreciation of the Zimbabwean Dollar is weighing on performance. The insurance sector meanwhile is struggling with hyperinflation which is distorting premium growth and elevating claims. Similarly, the asset management sector is faced with weak investor confidence amidst financial market volatility.

a) Architecture

As at 30 September 2020, there were 19 banking institutions and 216 other institutions under the supervision of the Reserve Bank of Zimbabwe as shown in the table below:

| Type of Institution | Number |
|---|------------|
| Commercial Banks | 13 |
| Building Societies | 5 |
| Savings Bank | 1 |
| Total Banking Institutions | 19 |
| Other Institutions Under the Supervision of the Reserve Bank | |
| Credit-only-MFIs | 209 |
| Deposit Taking MFIs | 5 |
| Development Financial Institutions | 2 |
| Total | 216 |

Overall, the financial sector has remained sound.

b) Money supply

Reserve money for the week ending 29 January 2021 increased by ZW\$3.33 billion to ZW\$21.93 billion, compared to its position as at 22 January 2021. This shows an increase of 17.90% from 22 January 2020 and 16.90% from 31 December 2020 figure of ZW\$18.76 billion. The increase in reserve money largely reflected an increase of ZW\$2.86 billion in banks' liquidity at the Reserve Bank (RTGS balances), coupled with increases of ZW\$424.93 million and ZW\$37.70 million in currency issued and required reserves, respectively. The rise in market liquidity was largely attributable to maturity of savings bonds held by banking institutions, which released liquidity into the market.

In the intervening time, the value of open market operation bills that the Reserve Bank of Zimbabwe is using to mop up liquidity from the banking sector stood at ZW\$4 billion as at 15 January 2021, as the central bank continues to keep an eye on the level of money supply in the economy. Open market operations (OMO) in various forms are the main mechanism through which central banks provide or



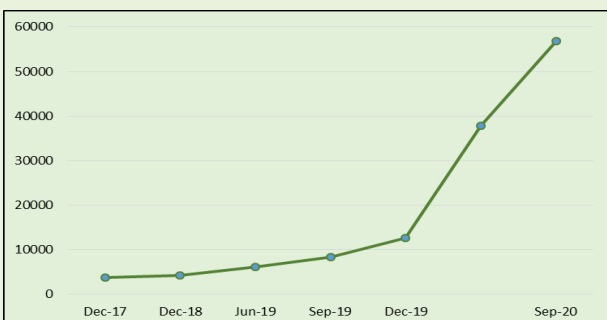
withdraw liquidity to/from the money market and signal the stance of monetary policy. Higher levels of money supply growth of more than 100% for the past few years have been blamed for destabilising both exchange rate and price stability in the economy.

c) Credit Developments

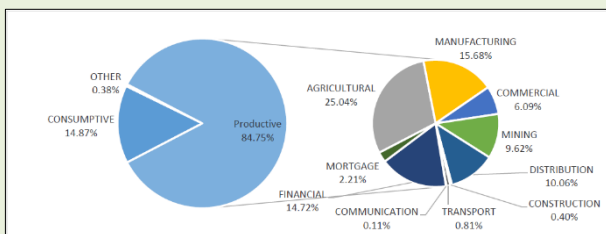
Total banking sector loans and advances increased by 50.28%, from ZW\$37.77 billion as at 30 June 2020 to ZW\$56.76 billion as at 30 September 2020, largely attributed to the translation of foreign currency denominated loans.

Banking sector financial intermediation remained low, as reflected by the loans to deposits ratio of 36.75% as at 30 September 2020, largely as a result of cautious lending approach adopted by some banking institutions.

The trend in banking sector loans and advances from 31 December 2017 to 30 September 2020 is shown in the figure below:



Banking sector lending remained largely skewed to the productive sectors of the economy, constituting 84.75% of total banking sector loans as at 30 September 2020, as shown in the figure below.

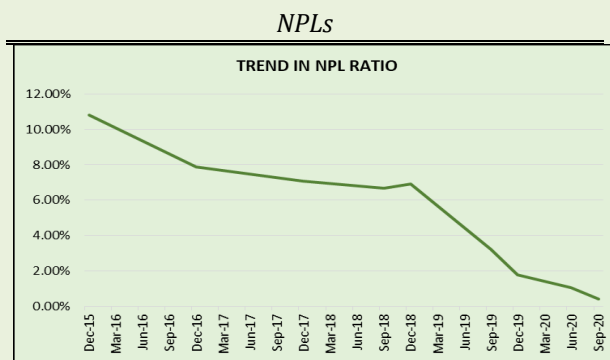


d) Non-Performing Loans (NPLs)

The quality of the banking sector loan portfolio continued to improve, as reflected by the shift in the non-performing loans (NPLs) to total loans ratio, from 1.03% as at 30 June 2020, to 0.41% as at 30 September 2020. The improvement in the NPLs ratio was mainly due to an increase in total banking sector loans and advances during the period from ZW\$37.77 to ZW\$56.76 billion, coupled with a decline in the stock of non-performing loans from ZWL\$390.87 million in June 2020 to ZW\$275.59 million in September 2020.

At the onset of the pandemic, heightened credit risk was envisaged emanating from anticipated disruptions in production and economic activity and the resultant impact on the cash-flows and income of some consumers and businesses. However, strengthened credit risk management practices by banks largely mitigated potential delinquencies.

The trend below shows the level of non-performing loans to total loans ratio (NPLs ratio) from December 2015 to September 2020.



e) Interest Rates

Lending rates charged by commercial banks for individuals increased by 3.83 percentage points from 22.08% as at 16 October 2020 to 25.91% as at 13 November 2020. Weighted commercial banks' interest rates for commercial clients also rose, from 24.84% as at 16 October 2020 to 26.94% as at 13 November 2020. Savings deposit rate however remained stagnant at 5.19%. Considering that year-on-year inflation remained above 300%, the real rate of interest has been negative for the past few years. 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 | | Savings | 1-Month | 3-Months |
| | Individual Clients | Corporate Clients | | | |
| 16-Oct-20 | 22.08 | 24.84 | 5.19 | 7.71 | 8.37 |
| 23-Oct-20 | 26.04 | 26.68 | 5.19 | 8.28 | 8.69 |
| 30-Oct-20 | 26.04 | 26.68 | 5.19 | 8.28 | 8.69 |
| 6-Nov-20 | 25.91 | 26.94 | 5.19 | 8.57 | 8.71 |
| 13-Nov-20 | 25.91 | 26.94 | 5.19 | 8.57 | 8.71 |
| Average | 25.20 | 26.42 | 5.19 | 8.28 | 8.63 |

The Reserve Bank of Zimbabwe (RBZ) announced that it was maintaining the bank policy and medium-term lending rates at 35% and 25% respectively. The bank policy rate currently stands at 35%, after it was more than doubled from 15% in October 2019. The policy rate or overnight accommodation rate had earlier been increased from 15% to 50% in June 2019 and then 70% in October 2019, before being subsequently revised downwards to 35%.

f) Foreign Currency Market

During the month of January 2021, the USD gained against 11 out of 16 currencies in our basket. The USD gained most against the Brazilian Real (+4.08%), followed by South African Rand (+2.93%), South Korean Won (+2.53%), Botswana Pula (+2.18%), Russian Ruble (+2.1%), Japanese Yen (+1.38%), Swedish Krone (+1.27%), Zimbabwean Dollar (+1.09%), Canadian Dollar (+0.70%), Euro (+0.24%) and Hong Kong Dollar (+0.05%). However, the USD was outperformed by the British Pound (-1.68%), Chinese Yuan Renminbi (-1.23%), Norwegian Krone (-0.24%), Indian Rupee (-0.17%), and the Australian Dollar (-0.04%). The following table shows the January 2021 Exchange rate analysis.

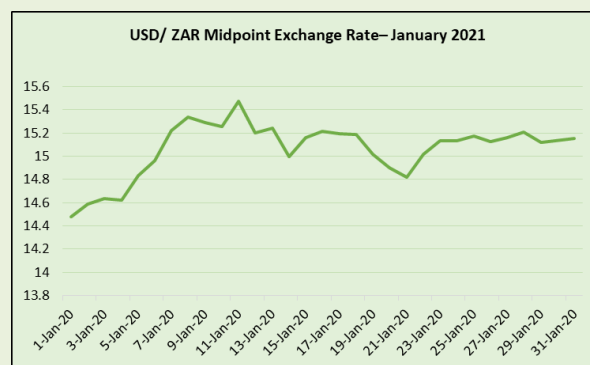
Exchange Rate Analysis

| Exchange Rate Analysis | | | |
|------------------------|-----------|-----------|------------|
| Argentine Peso | 1-Jan-21 | 31-Jan-21 | Change (%) |
| Australian Dollar | 1.3036 | 1.3032 | -0.04% |
| Botswana Pula | 10.7905 | 11.0255 | 2.18% |
| Brazilian Real | 5.1940 | 5.4061 | 4.08% |
| British Pound | 0.7411 | 0.7286 | -1.68% |
| Canadian Dollar | 1.2723 | 1.2812 | 0.70% |
| Chinese Yuan Renminbi | 6.5306 | 6.4504 | -1.23% |
| Euro | 0.8230 | 0.8250 | 0.24% |
| HongKong Dollar | 7.7495 | 7.7534 | 0.05% |
| Indian Rupee | 73.0590 | 72.9378 | -0.17% |
| Japanese Yen | 103.2155 | 104.6395 | 1.38% |
| Norwegian Krone | 8.5679 | 8.5470 | -0.24% |
| Russian Ruble | 74.0008 | 75.5560 | 2.10% |
| South African Rand | 14.7066 | 15.1375 | 2.93% |
| Swedish Krona | 8.2303 | 8.3349 | 1.27% |
| South Korean Won | 1087.4260 | 1114.9646 | 2.53% |
| Zimbabwean Dollar | 81.7866 | 82.6756 | 1.09% |

Source: X-Rates © ZB Financial Holdings

The graph that follows shows the trend of the USD/ZAR exchange rate from 01 January 2021 to 31 January 2021.

USD/ ZAR Midpoint Exchange Rate- January 2021



The South African Rand dropped by 4.99% between 01 January 2021 and 12 January 2021 with an average rate of 14.9929. From 12 January 2021, the rate oscillated around 15.1129 to close at 15.1544 on 31 January 2021.

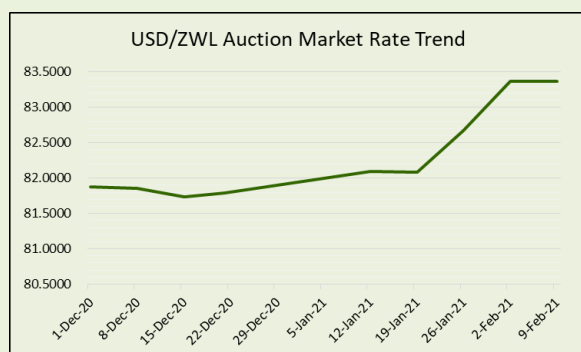
RBZ Forex Auction Market

Since the Auction market resumed on 12 January 2021 after a 2020 festive season break, the USD has gained 1.56% against the Zimbabwean Dollar, from 82.0914 as at 12 January 2021 to 83.3720 as at 09 February 2021. The graph below shows the trend of USD against ZWL from 01 December to 09

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February 2021.



Since the resumption of activity on the Foreign Exchange Auction market, US\$170.14 million was cumulatively allocated to various sectors of the economy (for the period from 12 January 2021 to 9 February 2021). Of that US\$170.14 million, 45.28% was allocated towards raw materials, 15.07% was allocated to Machinery and Equipment, 8.65% towards Retail and Distribution, 7.66% towards consumables, 5.96% towards pharmaceuticals, and 7.16% towards services, 8.82% towards fuel, electricity & gas and 1.39% towards paper and packaging.

g) Equities Market & Corporate Briefs

The Zimbabwe Stock Exchange (ZSE) market capitalisation closed the year up 968%, at ZW\$317.9 billion up from ZW\$29 billion at the close in 2019. In US dollar terms, the market, which was valued at US\$1.77 billion using official exchange rate of 16.77 at the end of 2019, closed the year up 115.5% to US\$3.88 billion using the end of December official exchange rate of \$81.78. The upward trend is expected to continue as the other investment classes are not expected to offer much in terms of return. We expect monetary assets such as credit, bonds and bank deposits in local dollars will remain unattractive in 2021.

Meanwhile, the Victoria Falls Stock Exchange (VFEX), which was launched on the 23rd of October 2020 as part of Government’s efforts to transform the resort city into an off-shore financial services centre, is eyeing more listings in 2021 and introduction of new exciting financial products beyond shares. As part of efforts to instil confidence, VFEX is working with shareholders to raise a guarantee fund and is also engaging banks

to enable people to buy shares from the financial institutions. Since VEFX was launched in October 2020, Seed Co International is the only counter listed on the Victoria Falls Stock Exchange.

Zimbabwe Stock Exchange Performance Indicators

| DATE | TURNOVER VALUE | TURNOVER VOLUME | INDUSTRIAL INDEX | MINING INDEX | MARKET CAP (RTGS) (Million) |
|--------|------------------|-----------------|------------------|--------------|-----------------------------|
| Jan-20 | 16,270,000.00 | 37,420,000.00 | 1,112.27 | 344.92 | 43,430.00 |
| 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 |

On a year-on-year basis, the mining index rose by 1,163.10% to reach 4,356.70 points on 31 January 2021 as compared to 344.92 points on 31 January 2020. The industrial index also rose by 983.79% from January 2020 to close at 12,054.64 as at the last trading day of January 2021. Turnover for the period closed at ZW\$29.9 million on 29 January 2021 compared to ZW\$16.27 million in January 2020, representing a 83.75% increase.

News Highlights in the Financial Sector

- Zimbabwean banks have closed about 17% of their branches as an escalation in the number of corona virus infections spurs lenders to shut their doors for the time being and accelerate a digitization drive.
- The restructuring and remodelling of Agricultural Bank of Zimbabwe (Agribank) to a land bank is expected to be complete by end of March 2021.
- MyBucks Group has entered into an agreement with Xtenda Finance Limited, a Zambia microfinance entity founded by former BancABC Group Executives for the sale of 45% of its Zambian subsidiary for US\$2.7 million.
- Stanbic Bank has launched a virtual assistant/a chatbot, aptly named "Stan", set to shorten the response time for customer queries as part of the bank's digitisation drive.
- Stanbic Bank zero-rated some of their platforms taking on the customer's internet

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data cost as part of the digitisation strategy aimed at encouraging the uptake of digital banking strategies for convenience and adoption on 1st world banking technologies and practices.

29 January 2021 following the integration into a new factory in December 2020.

4. Various Sectors of the Economy

a) Manufacturing sector

Capacity utilisation in the manufacturing sector closed the year 2020 just above 35%, with key constraints emanating from high inflation levels which compressed consumer demand and business incomes, high cost of production, lack of capital and investment to reindustrialise, obsolete machinery and loss of part of the market to smuggled imports. The contribution of industry to GDP has fallen below 11% due to the decline in agricultural productivity and continuous lockdown measures stipulated by the Government through the Ministry of Health and Child Care so as to fight the COVID-19 pandemic.

News Highlights in the Manufacturing Sector

- Expected improvement in availability of power supply and foreign currency are expected to propel production and capacity utilisation in the manufacturing sector from current 61% to about 80% in 2021.
- Varun Beverages Zimbabwe Private Limited (VBZPL) has commissioned a new production line to ramp up production of its Aquaclear bottled mineral water.
- Lafarge Cement Zimbabwe (Lafarge) is targeting to double its processing capacity in 2021 as it moves forward with plans to install a vertical mill.
- Lafarge will also commission its dry mortar mix plant in the first quarter of 2021 which is expected to increase capacity to deliver dry mortar products by 500%.
- Proplastics production capacity utilisation has improved from 56% to over 75% as at

b) Mining

The mining sector remains Zimbabwe's key export earner. Mining exports grew from US\$2.1 billion to US\$2.4 billion in the first 9 months of 2020 compared to the same period in 2019.

In 2021, the mining industry is projected to rebound by 11% driven by planned expansion programmes aimed at increasing production by miners as moves towards the attainment of US\$12 billion industry by 2023. The programmes include increased exploration, expansion of existing mining projects, resuscitation of closed mines, opening of new mines and mineral beneficiation and value addition.

News Highlights in the Mining sector

- Government has set aside an agreement requiring ZESA Holdings to pay half of coal supplies in foreign currency.
- In the gold sub-sector, Dallaglio Investments (Pvt) Limited began a gold expansion drive at 2 of its gold mining assets namely Pickstone Peerless Mine and Eureka Gold Mine.
- Pickstone Peerless is expected to increase its gold production from 65kg per month to 100kg per month.
- Eureka gold mine, which is currently under reconstruction, is expected to produce 2 tonnes per annum of the yellow metal.
- Kuvimba Mining House, a diversified mining firm owned by the Government and foreign investors, intends to acquire Globe and Phoenix Gold Mine in Kwekwe.
- Diversified mining firm Premier African Minerals is working towards resuscitating operations of the Zulu Lithium as a result of improvement in Zimbabwe's risk profile as well as an increase in global lithium prices.
- Zimbabwean mining companies earned USD\$114 million in diamond exports



during the 11 months to November 2020. According to ZIMSTAT, diamond earnings for 2020 were 1.72% lower than the US\$116 million recorded in 2019.

- Nickel was the largest Zimbabwe foreign currency earner during the first 11 months of 2020 as its exports grew by US\$282 million to US\$1.38 billion.
- Global Nickel prices increased from an average of US\$13,000 to US\$17,000 per tonne in 2020.
- Anglo American Platinum Limited's local unit, Unki Mine's production increased by 7% to 55,800 ounces during the 4th quarter of 2020 compared to the same period in 2019.
- Zimbabwe's gold output reached 19.05 tonnes in 2020 against an annual target of 28 tonnes as the sector faced a myriad of operational challenges during 2020.
- New investments in the mining projects which are expected to improve the overall output in 2021 and beyond include:
 - Lithium mining at Arcadia Mine by Zimbabwe Lithium Company (ZLC)
 - Darwendale Platinum mining by Great Dyke Investments (GDI)
 - A diamond venture for Diamond mining in Chiadzwa between Vast Resources and Zimbabwe Mining Development Corporation (ZMDC).

c) Agriculture

The Agriculture sector is key to Zimbabwe's economic stability in terms of food security, forward integration with the manufacturing sector for the provision of raw materials, sustaining employment for communal farmers and foreign currency earnings (mainly tobacco and horticulture exports). The sector however contributed less than 9% to GDP in 2020. Due to persistent droughts and viability challenges, maize production was 908,000 metric tonnes in 2020 against national demand of 2.1 million metric tonnes for domestic and

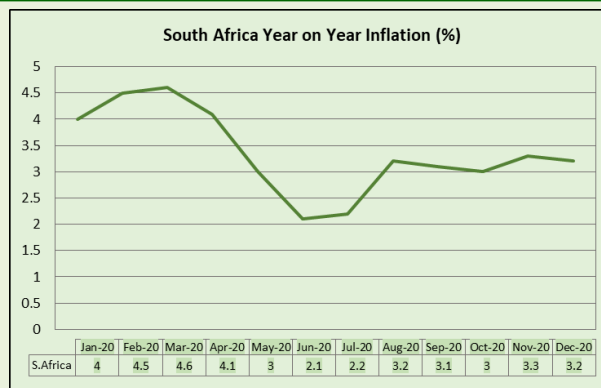
industrial consumption. Wheat production in 2020 was about 220,000 metric tonnes against national demand of 450,000 metric tonnes. The yield for 2020/21 farming season promises to be better due to normal rainfall received and increased plant hectareage.

News Highlights in the Agriculture Sector

- Wheat prices on the international market have increased by 8.43% from US\$415 to US\$450 per tonne, a move that is likely to impact on the price of bread in the country.
- Zimbabwe's wheat deliveries to the Grain Marketing Board (GMB) depots across the country soared by 160% to 157,000 metric tonnes in 2020 from 60,359 metric tonnes delivered in prior year due to improved power supply.
- 55,000 tonnes of top dressing fertiliser have been imported, while resources have also been set aside to ensure accelerated imports of fertiliser to avert local shortages and ensure summer crops are not affected by nitrogen deficiency.
- Farmers have planted 1.4 million hectares of maize for the 2020/21 agriculture season, representing a 137% rise in the area planted compared to the same period last year.
- Zimbabwe's tobacco output is expected to rise by 8% to 200 million kilogrammes during the 2020/2021 marketing season, riding on good rains.
- Farmers have put 185,557 hectares under the Cotton Presidential Inputs Scheme 2020/21 summer cropping season, representing a 28% increase from the 144,696 hectares planted during the same period last year.
- A shortage of stock feeds has hit the poultry sub-sector, with poultry farmers going from one supplier to another in search of the major input for their business.



- Government has partnered Maka Resources (Pvt) Limited, a local irrigation equipment manufacturing company and other stakeholders to revamp the Nyamuseve irrigation scheme in Guruve, which is expected to cover 200 hectares of land in line with the target for each district.
- Local garlic farmers have been urged to increase exports riding on the growth of the global market which has expanded to US\$2.48 billion in the past two decades, from US\$500 million, according to ZimTrade.
- ZimTrade has started working with the Nyanga Paprika Exporters Association to resuscitate production of the multi-million dollar crop (Paprika) in the Nyamaropa and surrounding areas.



The annual inflation rate in South Africa slowed down to 3.2% in December 2020 from 3.3% in November 2020, and in line with market expectations, moving closer to the lower band of the South African Reserve Bank's target range of 3%-6%. It was the lowest inflation rate since September 2020. On a monthly basis, consumer prices increased by 0.2 percent, after being flat in November 2020 and matching market consensus.

5. Regional Economies

The World Bank estimates that the Sub-Saharan Africa region contracted by 3.7% in 2020 due to the impact of the lockdowns on economic activity. As a result, per-capita income shrank by 6.1% in 2020, setting average living standards back by at least a decade in a quarter of Sub-Saharan Africa economies. The World Bank is projecting a rebound of the region by 2.7% in 2021. The rebound is likely to be stronger among agricultural commodity exporters.

a) South Africa

World Bank forecasted the South Africa (SA) economy to contract by 7.8% in 2020 which was in line with Treasury's estimate. By comparison, the Reserve Bank of South Africa estimates the economy to have contracted by 8% in 2020 and to rebound by 3.5% in 2021. The Global Lender projected South Africa economy to rebound by 3.3% in 2021.

South Africa Inflation Rate

a) Botswana

On 1 February 2021, Botswana's Minister of Finance & Development presented the country's 2021 Budget to Parliament. According to the Minister, the economy of Botswana is estimated to have contracted by 7.7% in 2020 and is expected to recover in 2021 at a growth rate of 8.8%. The Minister highlighted that this positive economic growth outlook will be dependent on the overall direction of the global economy recovery and successful implementation of policies, programs and projects outlined in the National Development Plan. In his Fiscal Policy Statement, the Botswana Minister of Finance made the following changes:

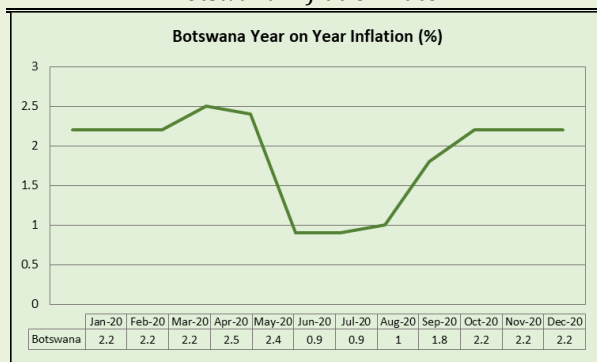
- Value Added Tax (VAT) to be increased from 12% to 14% with effect from 1 April 2021.
- Fuel levy to be increased by BWP1 per litre with effect from 1 April 2021.
- Withholding tax on local dividends to be increased from 7.5% to 10% with effect from 1 July 2021.
- The minimum taxable threshold for



individuals will be increased from annual income of BWP 36,000 to BWP 48,000 with effect from the 2021/2022 tax year, that is, from 1 July 2021.

- Taxpayers with outstanding taxes will be granted a tax amnesty for outstanding penalties and interest, provided that they settle the principal amount. The amnesty will take effect in the 2021/2022 tax year.
- A levy on sweetened beverages will be introduced at a rate of 2 thebe per gram of sugar above a content of 4g of sugar per 100 millilitres. The levy is meant to control the excessive consumption of sugar in Botswana.
- A statutory instrument will be introduced to bring into operation a levy on plastic bags. This is a levy that was introduced previously but never implemented.
- A levy on second-hand vehicles imported into Botswana will be introduced with the objective of raising revenue and addressing environmental concerns regarding pollution.
- The Government is continuing to review the fees and levies charged for its services, with 6 ministries currently reviewing their fees. It is anticipated that the revised fees for the six ministries will take effect on 1 April 2021.

Botswana Inflation Rate



Meanwhile, Botswana's annual inflation remained

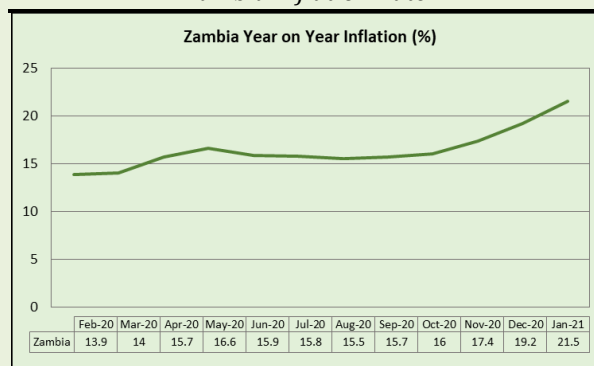
constant at 2.2% for the third consecutive month, its highest level since May 2020. On a monthly basis, consumer prices went up by 0.1%, the same pace as in the previous month.

b) Zambia

Zambia's economy is expected to contract by at least 3% in 2020, as manufacturing, retail and wholesale trade, tourism and the travel industry post negative growth rates, according to the country's Ministry of Finance. However, a rally in the price of copper globally is a major boost for Zambia in its efforts to revive the economy in 2021 as it was impacted by corona virus and drought in the past years. The sharp recovery in the price of copper has been on the back of United States policy expectations as the new administration of President Joel Biden assumes office.

For the time being, Zambia is due to begin negotiations to establish a relief program with the International Monetary Fund (IMF) and in its statement, the Finance Ministry said debt treatment under the framework would be based on the debt sustainability analysis prepared in collaboration with the IMF.

Zambia Inflation Rate



The annual inflation rate in Zambia rose for the fifth straight month to 21.5% in January 2021, reaching its highest level since April 2016. On a monthly basis, consumer prices inched up 3.7%, the most since November of 2015, after increasing 3.2% in the previous month.



6. International Economies

The year 2020 was a turbulent year for global economies due to the COVID-19 pandemic with the world recording the worst recession since the Second World War. The global economy is estimated to have contracted by 3.5% in 2020, 0.9 percentage point higher than projected in the previous forecast, reflecting stronger-than-expected momentum in the second half of 2020. Meanwhile, according to the IMF, the global economy is projected to grow by 5.5% in 2021 and 4.2% in 2022. The 2021 forecast has been revised up by 0.3 percentage points relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

Elsewhere, the World Bank projects that the global economy will expand by 4% in 2021 after shrinking 4.3% in 2020. World Bank also warned that rising COVID-19 infections and delays in vaccine distribution could limit the recovery to just 1.6% in 2021.

Emerging market and developing economies are also projected to trace diverging recovery paths. Of significance to note is China where effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated a strong recovery. Oil exporters and tourism-based economies within the group face particularly difficult prospects considering the expected slow normalization of cross-border travel and the subdued outlook for oil prices.

a) United Kingdom

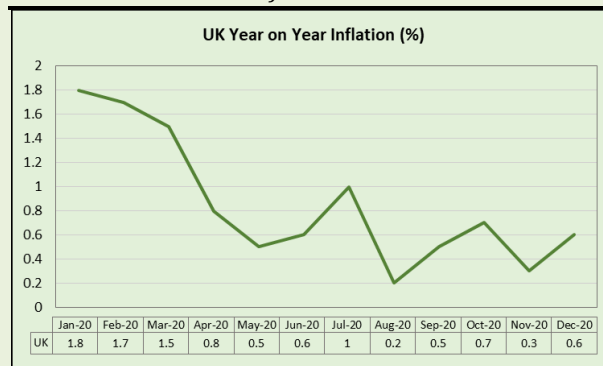
The UK economy begins 2021 on the back foot as record numbers of corona virus infections and tougher restrictions cloud the outlook for growth and limit the chances of a rapid recovery from the country's worst recession in 300 years. There had been hopes that the arrival of successful COVID-19 vaccines could prompt a rebound in activity.

The IMF has downgraded forecasts for the UK's recovery for 2021 while the expansion of the global economy, aided by accelerating vaccine rollouts, is

expected to gather pace. Illustrating the severe impact of the pandemic on the UK economy, the IMF forecasted that the UK's GDP would expand by 4.5% in 2021, down 1.4 percentage points from the 5.9% growth forecast made in October 2020.

Meanwhile, the inflation rate in the UK increased to 0.6% in December 2020 from 0.3% in November 2020, slightly above market forecasts of 0.5%, as some corona virus restrictions were eased. On a monthly basis, consumer prices were up 0.3%, above forecasts of 0.2%. Below is a graphical presentation of UK inflation trend from January 2020 to December 2020.

UK Inflation Rate



b) United States of America

The USA gross domestic product is expected to grow 3.7% in the fourth quarter of 2021 and to expand by 2.4% in 2022. Growth is likely to average 2.6% a year through 2025 according to Congressional Budget Office (CBO).

The CBO also expects the average US unemployment rate to fall to 5.7% in 2021 from 8.1% in 2020, a major improvement from July forecasts of 8.4% in 2021 and 10.6% in 2020.

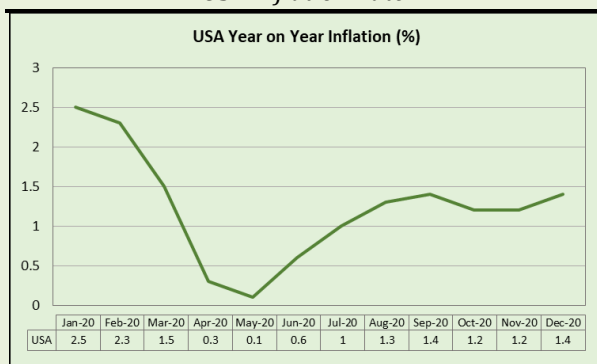
According to IMF projections, the economic growth for the US is expected at 5.1% in 2021, as compared to 4.2% for the EU, 3.1% for Japan, 4.5% for the UK, and 4.3% for all advanced economies.

Meanwhile, annual inflation rate in the US increased to 1.4% in December 2020, from 1.2% in November 2020 and slightly higher than market forecasts of 1.3%. On a monthly basis, consumer prices increased by 0.4%, higher than 0.2% in



November 2020 and in line with expectations, mainly driven by an 8.4% increase in the gasoline index, which accounted for more than 60% of the overall rise. The food index also rose in December, as both the food at home and the food away from home indexes increased 0.4%. The core index which excludes food and energy rose 0.1% on the month and 1.4% on the year. The inflation trend of USA is presented in the graph below.

USA Inflation Rate



c) China

China, despite being the pandemic's epicentre, was the first and only major economy to recover and enter 2021 with a relatively optimistic outlook. In fact, it is estimated that China's Q4 2020 growth returned to pre-pandemic levels. China's GDP grew by 2.3% in 2020, making China the only major economy in the world to avoid a contraction in 2020 as many nations struggled to contain the COVID-19 pandemic. China's 2020 GDP means it might overtake U.S. as world's number 1 economy sooner than expected. The IMF projects China's economy will grow by 8.1% in 2021 and 5.6% in 2022.

China was the largest recipient of foreign direct investment (FDI) in 2020 as the corona virus outbreak spreads across the world during the course of the year, with the Chinese economy having brought in US\$163 billion in inflows in 2020 compared to USD\$134 billion attracted by United States, according to the United Nations Conference on Trade and Development (UNCTAD).

In terms of inflation, the consumer price index in China was recorded at 0.2% year-on-year in December 2020, after a 0.5% fall a month earlier,

compared with a market consensus of a 0.1% gain. On a monthly basis, consumer prices increased by 0.7%, the most since February 2020, after a 0.6% fall in November 2020.

China Inflation Rate



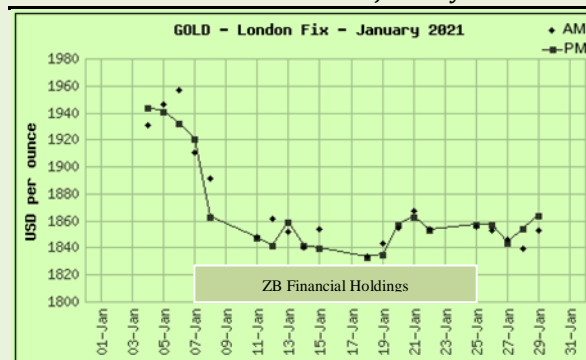
7. Commodities Markets

| Commodity | Opening Price (US\$) | Closing Price (US\$) | % Change |
|-----------|----------------------|----------------------|----------|
| Gold | 1,943.20 | 1,863.80 | -4.09% |
| Platinum | 1118 | 1110 | -0.72% |
| Silver | 27.27 | 27.42 | 0.55% |
| Oil | 47.47 | 52.16 | 9.88% |

a) Gold

Gold price decreased by 4.09% during the month under review from US\$1,943.20/Oz to US\$1,863.8/Oz, with an average price of US\$1866.99/Oz. This fall in price largely emanated from a surge in US Treasury yields, rebound in dollar and the rally in global equities.

Gold Price Movements in January 2021



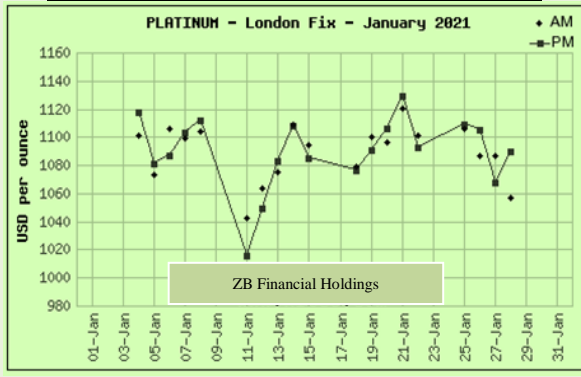
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b) Platinum

Platinum prices were generally unstable in January 2021. During the month under review, prices averaged US\$1,090.95/Oz and dropped by 0.72% from the first day of trade to close at US\$1,110.00/Oz. The graph below shows the platinum price trend for January 2021.

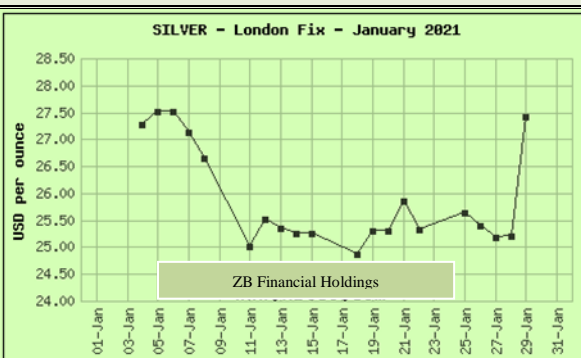
Platinum Price Movements in January 2021



c) Silver

During the first 2 weeks of trade, the price of Silver dropped by about 8.25% to US\$25.02/Oz on the 11th day of January 2021. From 11 January to 28 January, the price of Silver fluctuated at an average of US\$25.32/Oz only to rise on the last day of trade by 8.77% to close the month of January 2021 at US\$27.42/Oz.

Silver Price Movements in January 2021

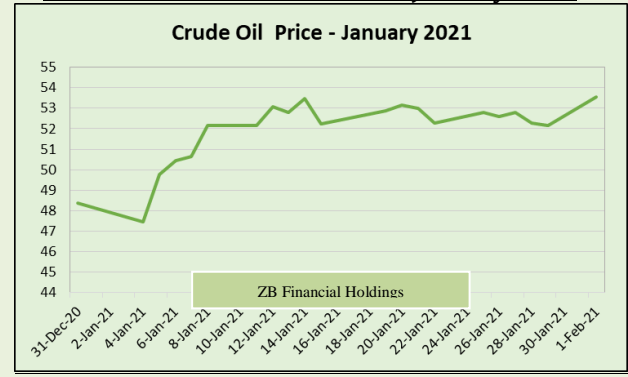


d) Crude Oil

International oil price increased from US\$47.47/barrel on 04 January 2021 to US\$52.16/barrel on 29 January 2021. The price

increase was attributed to supply shocks emanating from the agreement between the Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC oil-producing countries to maintain last year's production cuts to prevent the market from becoming oversupplied. Saudi Arabia had suggested rolling back the January 2021 output rise but later unexpectedly volunteered to cut its production by 1 million barrels per day to 8.1 million barrels per day in February 2021 and March 2021. Below is a graphical presentation of the crude oil price trend during the period under review.

Crude Oil Price Movements in January 2021



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