

Monthly Economic Update January 2022

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1. Economic Performance

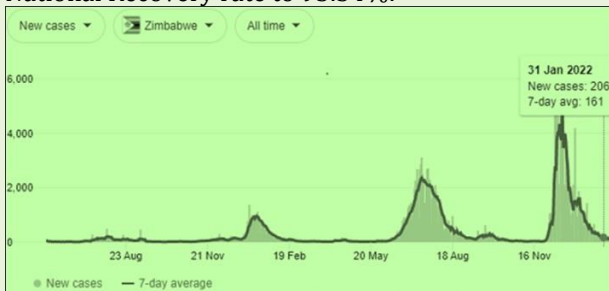
a) Domestic Economy

According to the Government of Zimbabwe, in 2022 the Zimbabwean economy is expected to continue growing, albeit at a slower rate of 5.5% from 7.8% recorded in 2021. The growth rate is supported by stable macroeconomic environment and the anticipated good agricultural season. The following table shows Zimbabwe economic growth estimates and forecasts for the period 2021 to 2023:

Zimbabwe Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	5.1	4.3	4.2
IMF	5.1	3.1	3.0
MOF	7.8	5.5	5.2

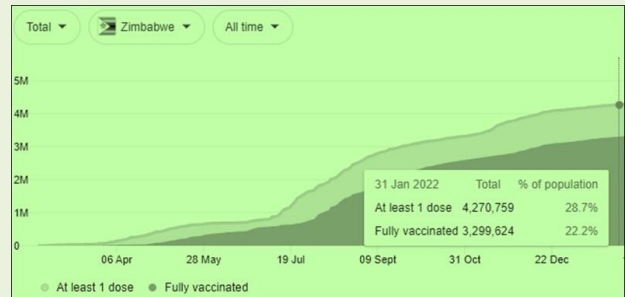
b) Health Issues

According to the Ministry of Health and Child Care, Zimbabwe cumulatively recorded 229,666 confirmed cases, 219,414 recoveries and 5,338 deaths as at 31 January 2022. This brought the National Recovery rate to 95.54%.



The graph shows the daily trend of recorded COVID-19 cases between 27 May 2020 and 31 January 2022.

In order to mitigate the COVID-19 pandemic, a vaccination program was instituted by the Government of Zimbabwe, and as at 31 January 2022, a total of 4,270,759 people (28.70% of the population) had received the first dose of the vaccine while 3,299,624 people (22.2% of the population) had been fully vaccinated. The graph below shows the progress as at 31 January 2022:

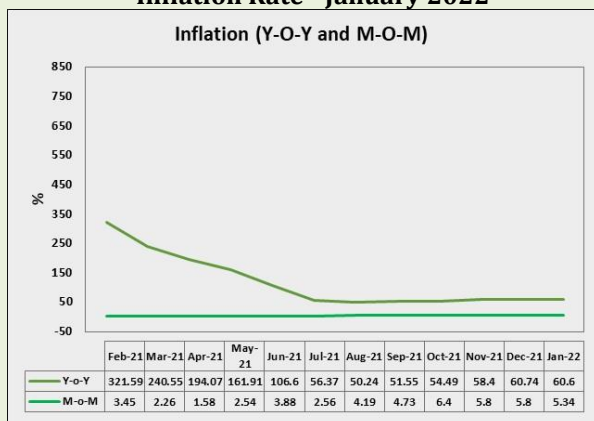


2. Inflation

During the review period, annual inflation improved slightly by 0.14 percentage points, from 60.74% in December 2021 to 60.60% in January 2022. The year on year and month on month inflation trend for the period February 2021 to January 2022 is shown in the following graph:

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Inflation Rate - January 2022



Month on month inflation improved from 5.80% recorded in December 2021 to 5.34% in January 2022. Going forward to February 2022, we expect Zimbabwe’s annual inflation rate to close at 60.20%.

3. Financial Sector

a) Money supply

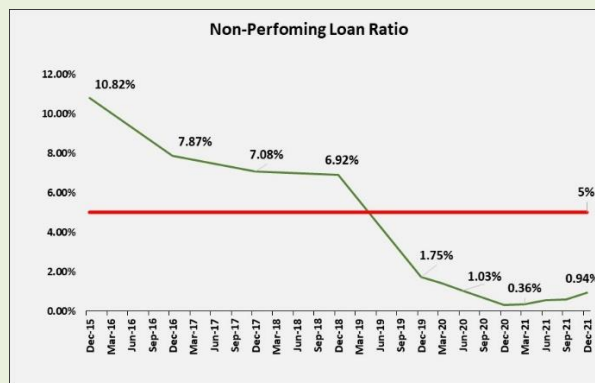
In a bid to contain money supply growth, reduce pressure on the exchange rate and control inflation in the economy, the Reserve Bank of Zimbabwe reduced quarter on quarter reserve money growth target from 22.5% during the first two quarters of 2021 to 20% in the third quarter, and further down to 10% in the fourth quarter of 2021.

Going forward, the Bank reviewed downwards the quarter on quarter reserve money growth target from 10% to 7.5% for the first and second quarters of 2022.

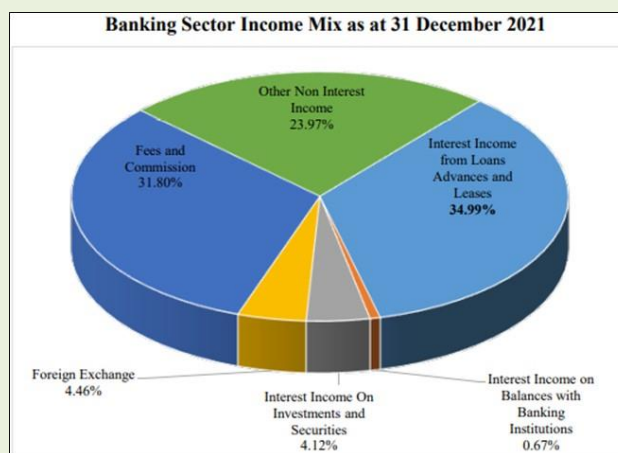
b) Credit Developments

According to the February 2022 Monetary Policy, the banking sector continued to support the productive sectors of the economy as evidenced by loans to the productive sector constituting 76.29% of total loans as at 31 December 2021.

Meanwhile, the banking sector asset quality remains satisfactory, with an average non-performing loans (NPLs) to total loans ratio of 0.94% as at 31 December 2021, against the generally acceptable international threshold of 5%. The following graph shows the trend in the level of non-performing loans to total loans ratio (NPLs ratio) from December 2015 to December 2021.



Meanwhile, Banking Sector Income mix was dominated by interest income from loans and advances as shown in the diagram below:



c) Interest Rates

In order to avoid further build-up on inflationary pass-through effects currently emanating from exchange rate indexation and the elevated global inflation pressures, the Reserve Bank of Zimbabwe through the Monetary Policy maintained the policy rate and the Medium Term Accommodation (MBA) at 60% and 40%, respectively. Going forward, the Bank, through the Monetary Policy Committee (MPC), will continue monitoring monetary and financial conditions and their implications on interest rate policy for possible future adjustments.

The following table shows weighted lending rates and deposit rates for the period 12 December 2021 to 21 January 2022:

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Weighted lending Rates and Deposit Rates

Week Ending	Weighted Lending Rates (%)		Deposit Rates (%)		
	Commercial Banks		Savings	1-Month	3-Months
	Individual Clients	Corporate Clients			
24-Dec-21	58.6	63.89	5.26	14.33	15.05
31-Dec-21	58.65	64.00	4.97	14.33	15.05
7-Jan-22	58.65	64.00	4.97	14.33	15.05
14-Jan-22	55.49	63.94	5.31	15.50	15.89
21-Jan-22	55.49	63.94	5.31	15.5	15.89
Average	57.38	63.95	5.16	14.80	15.39

d) Foreign Currency Market

During the period under review, when using the monthly average exchange rate analysis, the USD appreciated against 6 of the 18 currencies in our basket and depreciated against 12 currencies. The USD gained the most against the Russian Ruble (3.61%), followed by the Zimbabwean Dollar (2.89%) and the Argentine Peso (2.03%). On the other hand, the USD on average depreciated most against the South African Rand (2.60%), Brazilian Real (2.18%) and the British Pound (1.79%).

Exchange Rate Analysis

Exchange Rate Analysis: Monthly Average			
US\$/Currency	Dec-21	Jan-22	Change (%)
Russian Ruble	73.9299	76.5955	3.61%
Zimbabwean Dollar	108.0147	111.1406	2.89%
Argentine Peso	101.9126	103.9864	2.03%
South Korean Won	1184.5568	1195.9532	0.96%
Japanese Yen	113.9184	114.8173	0.79%
Swedish Krona	9.0887	9.1472	0.64%
HongKong Dollar	7.7991	7.7918	-0.09%
Euro	0.8847	0.8834	-0.15%
Swiss Franc	0.9206	0.9189	-0.18%
Chinese Yuan Renminbi	6.3692	6.3550	-0.22%
Australian Dollar	1.3963	1.3926	-0.27%
Botswana Pula	11.7299	11.6160	-0.97%
Indian Rupee	75.3635	74.4144	-1.26%
Canadian Dollar	1.2796	1.2618	-1.39%
Norwegian Krone	8.9673	8.8416	-1.40%
British Pound	0.7510	0.7376	-1.79%
Brazilian Real	5.6534	5.5303	-2.18%
South African Rand	15.8862	15.4731	-2.60%

Source: X-rates.com; RBZ © ZB Financial Holdings

However when analysing the exchange rates based on the opening period and closing period exchange rates, the USD appreciated against 14 out of 18 currencies in our basket. It appreciated most against

the Zimbabwean dollar (6.22%), followed by the Swedish Krona (3.29%) and the Russian Ruble (3.23%). The USD depreciated by a single pip against the HongKong Dollar. On the other hand, the USD depreciated against 3 currencies. It depreciated most against the Brazilian Real (5.10%), followed by the South African Rand (3.42%) and the Botswana Pula (0.43%) as shown in the table below:

Exchange Rate Analysis			
Currency/US\$	1-Jan-22	31-Jan-22	Change (%)
Zimbabwean Dollar	108.6660	115.4223	6.22%
Swedish Krona	9.0376	9.3353	3.29%
Russian Ruble	75.0224	77.4448	3.23%
Australian Dollar	1.3759	1.4162	2.92%
Argentine Peso	102.6817	105.0133	2.27%
Swiss Franc	0.9118	0.9305	2.05%
Euro	0.8790	0.8922	1.50%
South Korean Won	1190.4491	1207.1641	1.40%
Norwegian Krone	8.8109	8.9088	1.11%
British Pound	0.7388	0.7443	0.75%
Canadian Dollar	1.2656	1.2696	0.32%
Indian Rupee	74.4997	74.6166	0.16%
Japanese Yen	115.1209	115.2662	0.13%
Chinese Yuan Renminbi	6.3551	6.3607	0.09%
HongKong Dollar	7.7973	7.7972	0.00%
Botswana Pula	11.7334	11.6833	-0.43%
South African Rand	15.9480	15.4018	-3.42%
Brazilian Real	5.5714	5.2875	-5.10%

Source: X-rates.com; RBZ © ZB Financial Holdings

Meanwhile, on average the South African Rand appreciated by (2.60%) against the USD in January 2022. This was mainly due to low repo rates which were prevailing in South Africa.

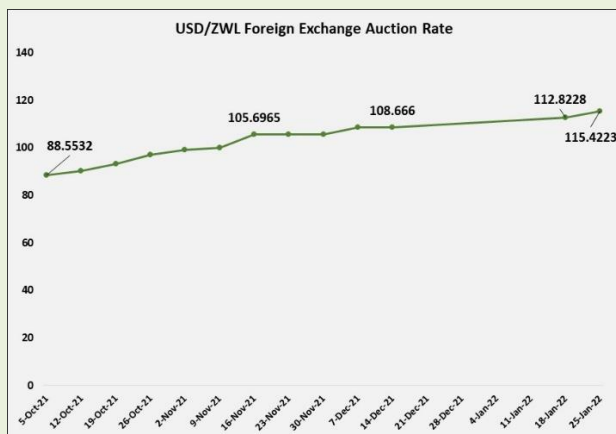
USD/ZAR Exchange Rate – January 2022



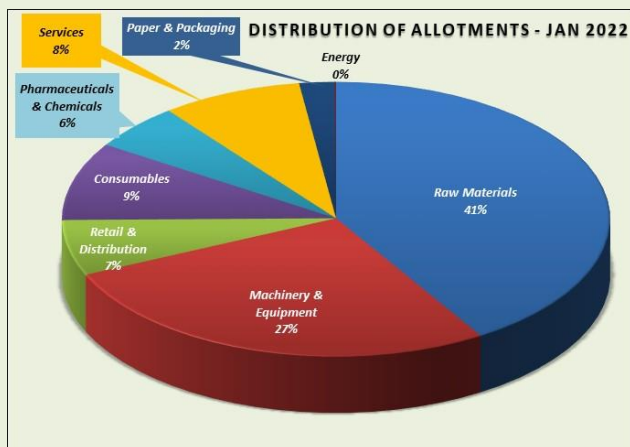
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e) RBZ Forex Auction Market

From December 2021 to January 2022, on average, the ZWL has depreciated by 2.89% against the USD to an average exchange rate of 111.1406. The table below shows the trend of the USD/ZWL exchange rate from 5 October 2021 to 25 January 2022:



During the period under review, the Foreign Exchange Auction Market allocated US\$69.64 million cumulatively. Of the January 2022 allocation, 41.19% was allocated to raw materials, 27.06% to Machinery & Equipment as shown in the following diagram:



f) Equities Market & Corporate Briefs

- First Mutual Holdings Limited (FMHL) will de-list from the Zimbabwe Stock Exchange (ZSE) once CBZ Holdings completes acquisition of majority shareholding in the company.

- Tanganda Tea Company re-listed on the ZSE, marking its return to a platform it left in 2008, when the company de-listed following its merger with Kingdom Bank and Meikles Limited. Meanwhile, the company is considering listing on the foreign currency-indexed Victoria Falls Stock Exchange (VFEX).
- The ZSE issued a trading suspension on shares of engineering firm, ZECO Holdings, after the company entered into a significant transaction, whose effect was to change its sphere of activity without either ZSE or Shareholders' approval.
- TSL Limited is set to assume full control in Agricor (Private) Limited, a firm with interests in the agricultural sector, after getting the requisite approvals to tie up the deal.

Zimbabwe Stock Exchange Performance Indicators

DATE	TURNOVER VALUE	TURNOVER VOLUME	INDUSTRIAL INDEX	MINING INDEX	MARKET CAP (RTGS) (Mln)
Jan-21	483,877,611.10	29,895,500.00	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
Mar-21	125,521,777.75	7,374,561.00	14,740.05	5,315.39	503,573.85
Apr-21	392,685,859.85	19,716,022.00	15,260.59	5,061.28	515,359.38
May-21	118,534,255.00	5,320,938.00	17,805.83	6,820.54	603,857.57
Jun-21	206,779,818.27	13,358,488.00	20,391.51	6,211.49	712,343.99
Jul-21	135,693,027.01	7,996,175.00	22,452.92	6,621.17	768,428.16
Aug-21	67,729,206.25	2,631,113.00	22,143.27	6,102.68	749,280.68
Sep-21	318,905,814.65	8,240,223.00	28,361.54	6,014.51	975,263.47
Oct-21	219,963,365.78	5,001,856.00	37,508.67	6,652.04	1,293,543.00
Nov-21	160,988,787.44	37,058,783.00	35,367.45	7,193.11	506,531.55
Dec-21	231,152,323.00	16,309,211.00	35,762.09	7,819.37	1,227,272.43
Jan-22	174,445,629.90	2,366,359.00	39,930.84	8,014.88	1,375,001.39

News Highlights in the Financial Sector

- Nedbank Zimbabwe has met the minimum capital requirement of US\$30 million set by the Reserve Bank of Zimbabwe (RBZ) after raising additional funds through a rights issue.
- First Capital Bank (FCB) Zimbabwe Limited, formerly Barclays Bank of Zimbabwe, has witnessed growth in its short lifespan and managed to pay a dividend “for the first time in many years”.
- The Reserve Bank maintained minimum deposit rates for savings and time deposits at

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10% and 20%, respectively, to preserve value for local currency deposits.

- The cash withdrawal limit for the banking public was increased by 150% from ZW\$2,000 to ZW\$5,000 per week.

4. Various Sectors of the Economy

a) Manufacturing sector

The manufacturing sector performance is estimated to have increased in 2021 following volume recoveries across most subsectors that include foodstuffs, chemical and petroleum products, drinks & beverages, tobacco and non-metallic mineral products, supported by the stable economic environment, the auction system that provided the much needed forex, declining inflation as well as localisation of value chains. As a result, locally produced goods now constitute above 80% of retail sales in the country.

News Highlights in the Manufacturing Sector

- The cost of ammonia has more than doubled on the international market due to high natural gas prices after supplying countries imposed some restrictions on exports driving local fertiliser.
- Willdale expects sales volumes to rebound towards the end of the Q2 2022 when construction activities resume after the rainy season. Willdale manufactures and markets a range of clay brick products for the Zimbabwe building and construction sector.

b) Mining

Zimbabwe is estimated to have raked in US\$6 billion from mineral exports in 2021. According to the RBZ 2022 Monetary Policy Statement, gold deliveries to Fidelity Gold Refiners rose from 19,052.65kgs delivered in 2020 to 29,629.61kgs delivered in 2021. This represents an increase of 55.51% or 10 576.96kgs. The increase was mainly spearheaded by 5% gold incentive given to those who deliver at least 20kg to Fidelity and an incremental of 2 percentage points for each ton delivered to FGR.

News Highlights in the Mining sector

- Heavy rainfall being experienced across the country could force some artisanal miners to halt operations, with gold production likely to be the most affected.
- Mining operations have been adversely affected by persistent heavy rains in and around the Hwange region leading to a decline in coal production.
- Gold output at How Mine rose by 59% in 2021 on the back of a capital injection and improved mining standards.

c) Agriculture

Agriculture is a significant contributor to Zimbabwe's economy, employing almost two-thirds of the country's working population and contributing about 8% to GDP. However, there are currently no insurance products in the country specifically designed to protect small-holder farmers. To respond to this, the International Finance Corporation (IFC) and Insurance & Pensions Commission (IPEC), Zimbabwe's insurance regulator, formed a partnership meant to create a market for agricultural insurance products for small-holder farmers in Zimbabwe. Insured risks include weather related crop damage and other shocks.

News Highlights in the Agriculture Sector

- The export retention threshold for tobacco merchants was raised to 80% on the portion of the incremental value addition repatriated into the country and to 100% of proceeds from local sales of tobacco through inter-merchant sales.
- The Tobacco Industry and Marketing Board (TIMB) licensed 33 buyers and 31 contractors as farmers intensify curing of tobacco ahead of the opening of the 2022 marketing season.
- Nestle, through its Nespresso AAA programme, intends to recruit more farmers in Honde Valley to produce coffee

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as global prices firm due to disruptions in major coffee supplying nations.

5. Regional Economies

According to the World Bank Global Economic Prospects Report - January 2022, growth in the Sub-Saharan African region reached an estimated 3.5% 2021, supported by a rebound in commodity prices and a gradual easing of social restrictions. Going forward, growth in Sub Saharan Africa is projected to firm to 3.6 % in 2022 and 3.8 % in 2023. The near-term recovery is expected to persist supported by elevated commodity prices as activity continues to rebound in the region’s main trading partners (China, the Euro area, and the United States).

Projected growth in the region in 2022-23 is, however, still nearly a full percentage point below its 2000-19 average, partly reflecting the lingering adverse effects of COVID-19, while the pace of vaccinations is also expected to remain slow in many Sub-Saharan African countries. In addition, the speed of recovery is to be constrained by elevated policy uncertainty in many countries, a high incidence of social unrest and conflict, rising poverty and food insecurity, and delays to investments in infrastructure and mining, as well as a slow implementation of structural reforms.

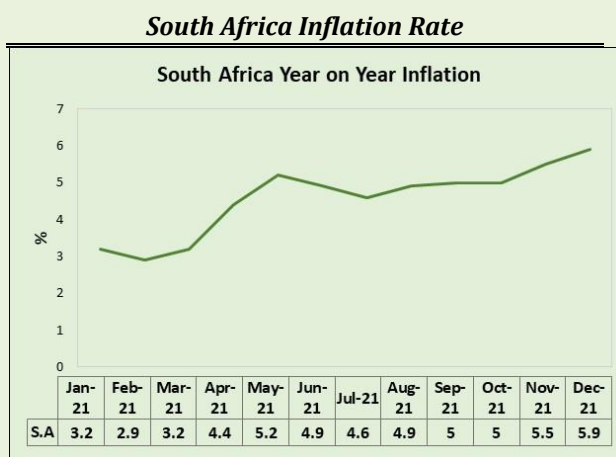
a) South Africa

The World Bank in its January 2022 Report estimated South Africa’s economic growth at 4.6% in 2021, which is more than a full percentage point above June 2021 projections. The growth estimate is supported by a strong rebound in mining, manufacturing, and services sectors. The recovery slowed in the second half of 2021 owing to severe COVID-19 outbreaks, power outages, and a rise in social unrest.

Growth in South Africa is forecast to revert to its pre-pandemic trend, with the economy projected to grow by 2.1% in 2022 and 1.5% in 2023. The following table shows economic growth forecasts for South Africa:

S.A Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	4.6	2.1	1.5
IMF	5.0	2.2	1.3

Meanwhile, the annual inflation rate for South Africa increased by 0.4 percentage points to 5.9% in December 2021 from 5.5% recorded in November 2021. The following graph shows South Africa’s inflation trend from January 2021 to December 2021:



b) Botswana

According to the Botswana Ministry of Finance, the country’s economic growth for 2021 is estimated 9.7%, and forecast at 4.3% in 2022. Meanwhile, Botswana’s 2021-22 budget deficit has widened to 5.1% of GDP as the country uses funds to finance its recovery from the COVID-19 pandemic. Going forward, the country’s deficit is expected to fall to P6.98 billion or 3.2% of GDP in 2022-23. The following table shows Botswana’s economic growth forecasts:

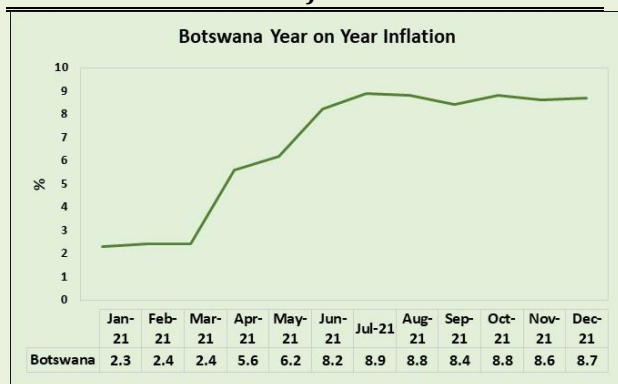
Botswana Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	8.5	5.9	4.4
IMF	9.2	4.7	4.0

In terms of inflation, Botswana’s annual inflation rate slightly increased by 0.1 percentage points to

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8.7% in December 2021 from 8.6% in November 2021. The below graph shows Botswana inflation trend from January 2021 to December 2021.

Botswana Inflation Rate



c) Zambia

According to the 2022-2024 Medium Term Budget Plan released by the Zambian Ministry of Finance, the Zambian Government has projected a modest 3.5 percent rise in its Gross Domestic Product (GDP) for 2022, a small rise from the 3.3% estimated to have been attained in 2021. The 3.3 % projected growth in 2021 was due to favourable performance in the agriculture, energy, construction, and Information and Communication Technology (ICT) sectors. Going forward to 2024, the country’s GDP is expected to rise to 4.4% following strategic interventions in the agriculture, tourism, mining, manufacturing, energy, and transport sectors. The following table shows Zambia’s economic growth forecasts:

ZAMBIA Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	2.2	2.9	4.5
IMF	1.0	1.1	1.5

In terms of inflation, the annual inflation rate in Zambia improved by 1.3 percentage points from 16.4% recorded in December 2021 to 15.1% in January 2022. The following graph shows Zambia’s inflation trend from February 2021 to January 2022:

Zambia Inflation Rate



6. International Economies

According to the International Monetary Fund World Economic Outlook Report January 2022, the Global Economy enters 2022 in a weaker position than previously expected. As the Omicron COVID-19 variant spreads, countries re-imposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated. Global growth is expected to moderate from 5.9% in 2021 to 4.4 % in 2022, that is half a percentage point lower for 2022 than in the October 2021 World Economic Outlook. In 2023, global growth is expected to slow to 3.8%. Although this is 0.2 percentage points higher than in the previous forecast, the upgrade largely reflects a mechanical pick-up after current drags on growth dissipate in the second half of 2022.

a) United Kingdom

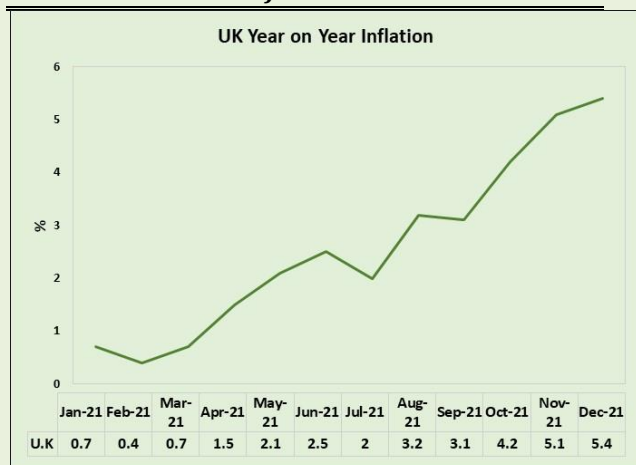
According to the Office for National Statistics, the British economy grew by 7.5% in 2021, from its historic 9.4% fall in 2020 when pandemic restrictions stifled activity. The Bank of England forecasts the UK economy to grow by 3.75% in 2022 instead of the 5% it previously projected citing effects of inflation.

In the meantime, the annual inflation rate in UK rose by 0.3 percentage points to 5.4% in December 2021. Main upward pressure emanated from the cost of food & non-alcoholic beverages, restaurants &

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hotels, furniture & household goods and clothing & footwear. The diagram below shows UK annual inflation trend from January 2021 to December 2021:

UK Inflation Rate



b) United States of America

According to the World Bank January 2022 Report, activity in the United States grew at a softer than expected pace in the second half of 2021, with material slow-downs in private consumption and manufacturing production. The United States output is estimated to have expanded by 5.6% in 2021.

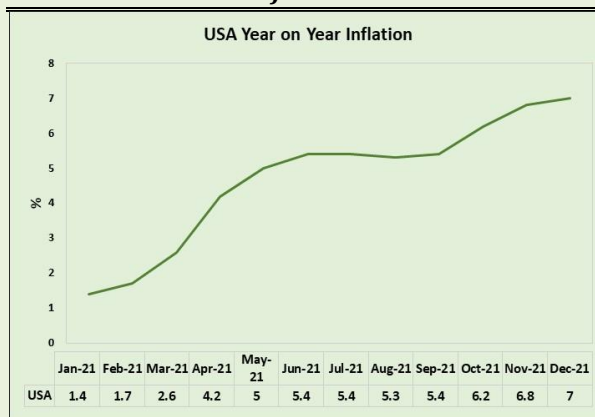
Going forward, growth is expected to slow to 3.7% in 2022 and 2.6% in 2023 as excess savings are spent, support from fiscal and monetary policy wanes, and supply bottlenecks gradually dissipate. Output is projected to regain its pre-pandemic trend by the end of 2022. The possibility of additional fiscal support, such as more expansive social safety nets, poses an upside risk to the outlook. On the downside, tenacious inflation and an even faster tightening of monetary policy could lead to weaker than expected growth. The table below shows the U.S growth forecasts up to 2023.

U.S.A Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	5.6	3.7	2.6
IMF	4.3	3.5	2.3

The annual inflation rate in the U.S. worsened by 0.2 percentage points to 7% in December 2021. The

following graph shows the U.S.A annual inflation trend from January 2021 to December 2021:

USA Inflation Rate



c) China

According to the World Bank – January 2022 Report, China is estimated to have reached 8% growth in 2021 and is forecast to moderate to 5.1 % in 2022, amid lingering effects of the pandemic and tighter regulations on certain sectors of the economy.

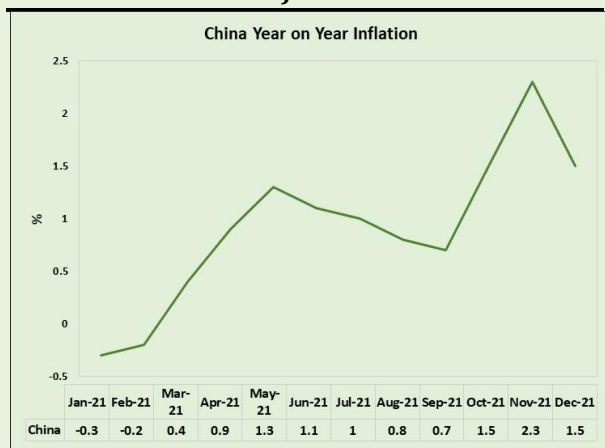
Meanwhile, despite supply disruptions and electricity shortages, manufacturing activity in China has been generally solid and export growth has accelerated. Macroeconomic policy action has helped prevent a sharper economic slowdown and mitigated financial stress. The People’s Bank of China has provided short-term liquidity injections and cut reserve requirements, and the Government has accelerated infrastructure investment and has stepped up efforts to support home-owners and credit-worthy developers. The following table shows Chinas’ economic growth forecasts up to 2023:

China Economic Growth Forecasts			
Year	2021	2022	2023
World Bank	8.0	5.1	5.3
IMF	8.0	5.6	4.9

Meanwhile, China's annual inflation rate improved by 0.8 percentage points to 1.5% in December 2021 from 2.3% in November 2021. The following graph shows China’s inflation trend from January 2021 to December 2021:

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China Inflation Rate



7. Commodities Markets

Commodity	Dec 2021 Price (US\$)	January 2022 Price (US\$)	Percentage Change
Gold	1,786.65	1,816.77	1.69%
Platinum	973.61	995.50	2.25%
Silver	22.47	23.13	2.94%
Oil	76.69	83.01	8.24%

a) Gold

The average gold price for the period under review was US\$1,816.77/oz, representing a 1.69% increase from the previous month average price of US\$1,786.65/oz. This is mainly due to a weaker US Dollar, which sustained prices, amid concerns over rising US inflation. The diagram below shows the trend of gold prices in January 2022:

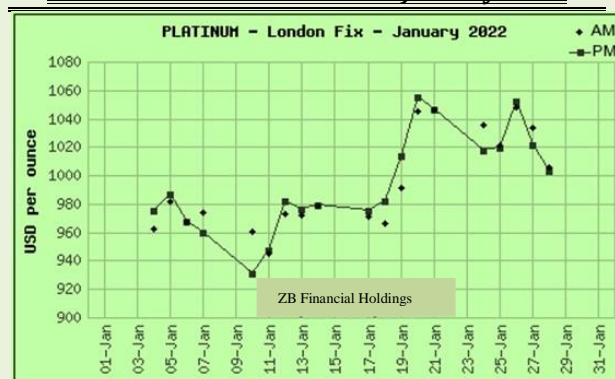
Gold Price Movements in January 2022



b) Platinum

The average platinum price increased by 2.25% from US\$973.61/oz in December 2021 to US\$995.50/oz in January 2022. This was supported by strong demand from the automotive industry and rising demand for platinum jewellery. The diagram below shows the trend of Platinum price from 4 January 2022 to 31 January 2022:

Platinum Price Movements in January 2022



c) Silver

From December 2021 to January 2022, the average price of silver increased by 2.94% to US\$23.13/oz. The following graph shows the silver price trend in January 2022:

Silver Price Movements - January 2022

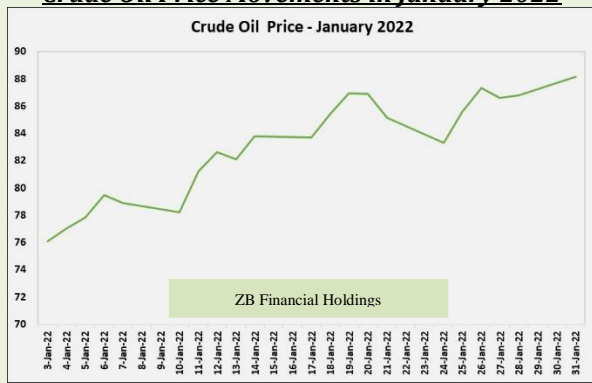


d) Crude Oil

During the period under review, the average crude oil prices increased by 8.24% to US\$83.01/barrel. The following graph shows the crude oil price trend during the period under review.

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Crude Oil Price Movements in January 2022



END

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