



# *Monthly Economic Update*

## *July 2021*

### Table of Contents

1. Economic Performance .....	1
2. Inflation .....	2
3. Financial Sector .....	2
4. Various Sectors of the Economy .....	6
5. Regional Economies .....	8
6. International Economies .....	9
7. Commodities Markets .....	11

## 1. Economic Performance

### a) Domestic Economy

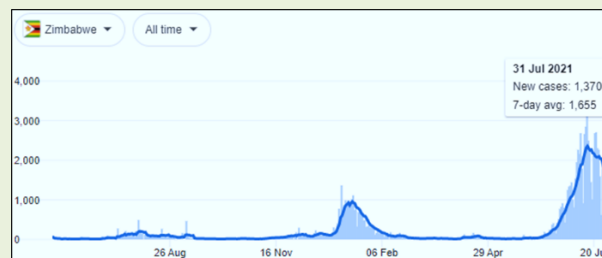
Regardless of the debilitating effects of COVID-19, significant progress continues to be recorded in a number of sectors, with agriculture projected to achieve a record 34% growth in 2021, according to the 2021 Mid-term fiscal policy review. The Government of Zimbabwe reviewed the country's economic growth for the year 2021 upwards from 7.4% to 7.8% on account of multiple gains recorded this year. In the outlook, Government is projecting a growth forecast of 5.4% in 2022.

Meanwhile, the IMF forecasts that the Zimbabwean economy will grow by 6% in 2021, having reviewed their growth projection upwards from 3.1%. This growth is anticipated to be underpinned by the bumper crop harvest realised after good rains during the 2020/21 agriculture season, as well as increased power output. The table below shows Zimbabwe economic growth estimates and forecasts for the period 2020 to 2022:

Zimbabwe Economic Growth Forecasts			
Year	2020	2021	2022
World Bank	-10.0	3.9	5.1
IMF	-8.0	6.0	4.0
MOF	-4.1	7.8	5.4
AfDB	-10.0	5.6	-

### b) Health Issues

July 2021 marked Zimbabwe's worst month for COVID-19 infections and deaths, basically doubling in terms of new cases and deaths since the first case was recorded in March 2020. The period under review was the centre of the third wave, with the average infections reaching 2,355 on 15 July 2021. According to the Ministry of Health and Child Care, Zimbabwe cumulatively recorded 107,490 infections, 74,560 recoveries and 3,490 deaths as at 31 July 2021. The diagram below shows the daily trend of recorded COVID-19 cases from 27 May 2020 to 31 July 2021.

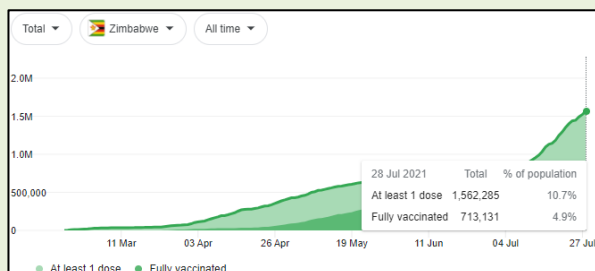


Meanwhile, the period under review was the best month for vaccinations, with 1,081,070 jabs recorded, representing 44.79% of the total of 2,413,509 doses given since the national vaccination programme started in February 2021. The Government started a vaccination program on 24 February 2021 and as at 31 July 2021, about 1,645,599 people (11.2% of population) had received the first dose of the vaccine, with at least 767,910 people (5.2% of population) have been

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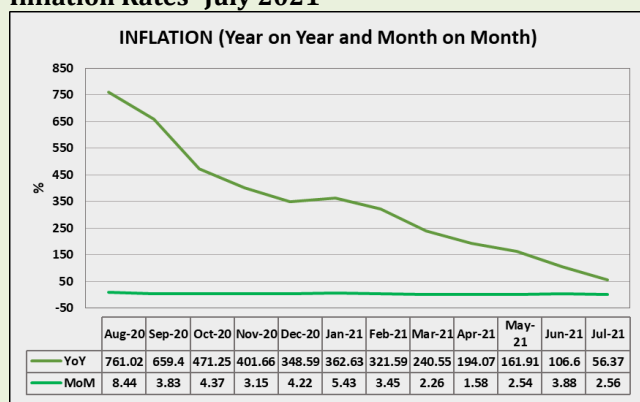
fully vaccinated. The diagram below shows the daily vaccination trend from the first day of the program to 31 July 2021:



## 2. Inflation

Zimbabwe's annual inflation profile continued to improve. During the period under review, year on year inflation improved by 50.23 percentage points from 106.60% in June 2021 to 56.37% in July 2021. Month on month inflation rate in July 2021 was 2.56%, losing 1.32 percentage points on the June 2021 rate of 3.88%. The following diagram shows Zimbabwe's inflation trend from August 2020 to July 2021:

### Inflation Rates - July 2021



Going forward to August 2021, we expect Zimbabwe's annual inflation rate to improve by approximately 7.80 percentage points to around 48.5%.

## 3. Financial Sector

During the review period, the RBZ and local banks, through the Bankers Association of Zimbabwe (BAZ) reached an agreement as regards interest

rates payable on different types of deposits. This follows from the promulgation of SI 65A of 2020, and is intended to incentivise the public to make longer term savings. The interest rates payable on the various types of deposits, with effect from 1 July 2021, are as given in the following table:

	ZW\$	USD
Savings Accounts	Minimum of 5% per annum	Minimum of 1% per annum
Fixed Term Deposits	Minimum of 10% per annum	Minimum of 2.5% per annum

Meanwhile, according to the Mid term Monetary Policy statement, the 5% statutory reserve requirement for demand and call deposits and the 2.5% reserve requirement for time deposits will be maintained in the second half of 2021. This differential reserve requirement system remains necessary as an incentive structure for banks to promote savings in the economy.

### a) Architecture

Operational banking institutions and other non-banks under the supervision of the Reserve Bank of Zimbabwe (RBZ) are shown in the table below. The financial services sector comprises 19 Banks and 235 other Institutions.

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank (POSB)	1
<b>Total Banking Institutions</b>	<b>19</b>
<b>Other Operational Institutions under the supervision of the Reserve Bank</b>	
Credit-only-MFI's	225
Deposit-taking MFI's	8
Development Financial Institutions (SMEDCO & IDBZ)	2
<b>Total Other Institutions</b>	<b>235</b>

### b) Money supply

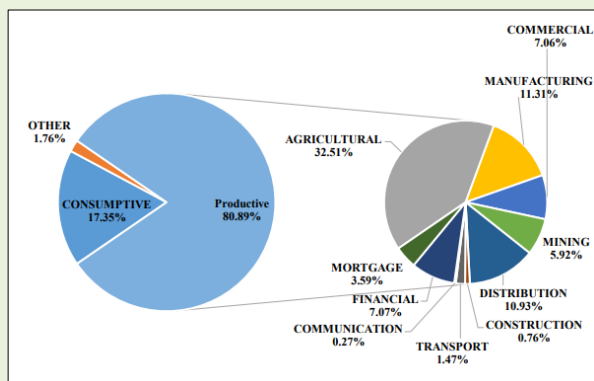
During the review period, reserve money increased by 6%, from ZW\$23.53 billion as at 2 July 2021 to ZW\$24.94 billion as at 30 July 2021. The rise in reserve money largely reflected a 15% increase in currency issued (from ZW\$3.92 billion to ZW\$4.51 billion), coupled with 8.1% increase in statutory reserves (from ZW\$7.27 billion to ZW\$7.86 billion), as well as 4.2% increase in bank deposits (from ZW\$19.61 billion to ZW\$20.43 billion) and 1.9% increase in banks' liquidity (RTGS balances) at the Reserve Bank (from ZW\$12.34 billion to ZW\$12.57



billion). Going forward, the Reserve Bank of Zimbabwe through its Mid-term Monetary Policy, has stipulated the quarterly growth rate of reserve money from July 2021 to December 2021 at 20%. This is necessary to anchor inflation expectations at sustainable levels through controlling money supply and to allow for the necessary accommodation for the growth of the economy.

### c) Credit Developments

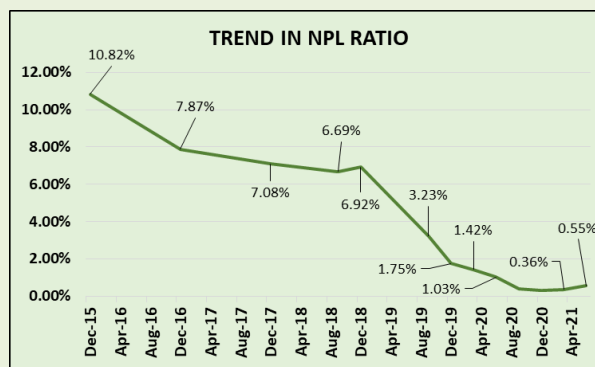
The banking sector stayed adequately capitalized, with total core capital of ZW\$57.54 billion as at 30 June 2021, an increase of 8.09% from ZW\$53.18 billion as at 31 December 2020. As at 30 June 2021, the banking sector average capital adequacy and tier one ratios of 35.32% and 25.05% respectively, were above the regulatory minima of 12% and 8%, respectively. Total banking sector loans and advances increased by 73.27% from ZW\$82.41 billion as at 31 December 2020 to ZW\$142.79 billion as at 30 June 2021. The banking sector continued to support the productive sectors of the economy, as reflected by the ratio of loans to productive sectors to total loans 80.89% as at 30 June 2021, and as further shown in the following diagram:



### d) Non-Performing Loans (NPLs)

According to the Mid-term Monetary Policy Statement, the performance of loan portfolios of banking institutions was satisfactory as reflected by the average non-performing loans (NPLs) to total loans ratio which remained low at 0.55% as at 31 June 2021. This is far below the international benchmark of 5%, reflecting sound credit risk management systems and internal controls. The

diagram below shows the trend in NPLs from December 2015 to June 2021:



### e) Interest Rates

Minimum weighted lending rates charged by commercial banks to individual clients increased by 0.30 percentage points from 36.25% as at 25 June 2021, to 36.55% as at 23 July 2021. Minimum weighted lending rates for corporate clients decreased from 22.46% as at 25 June 2021 to 22.07% as at 23 July 2021. Savings deposit rates increased from 4.24% as at 25 June 2021 to 4.41% as at 23 July 2021. Considering that year-on-year inflation remained much higher than lending rates, real interest rates remained in the negative during the period under review. The following table shows weighted lending rates and deposit rates for the period 25 June 2021 to 23 July 2021.

#### Weighted Lending Rates and Deposit Rates

Week Ending	Weighted Lending Rates (%)		Deposit Rates (%)		
	Individual Clients	Corporate Clients	Savings	1-Month	3-Months
25-Jun-21	36.25	22.46	4.24	10.77	11.72
2-Jul-21	36.11	21.91	4.24	10.77	11.83
9-Jul-21	36.11	21.91	4.24	10.77	11.83
16-Jul-21	36.55	22.07	4.41	14.16	12.67
23-Jul-21	36.55	22.07	4.41	14.16	12.67
<b>Average</b>	<b>36.31</b>	<b>22.08</b>	<b>4.31</b>	<b>12.13</b>	<b>12.14</b>

Meanwhile, the Reserve Bank of Zimbabwe through the Mid-term Monetary Policy Review maintained the bank's overnight accommodation at 40% and the medium-term lending rate for productive sector at 30%. This was done in order to control money supply and curb speculative activities. Going forward, the RBZ shall continue to review the



policy rates in response to the downward inflation trajectory.

**f) Foreign Currency Market**

During the period under review, the USD appreciated against 11 out of the 18 currencies in our basket, as shown in the following table.

*Exchange Rate Analysis*

Exchange Rate Analysis			
Currency/US\$	1-Jul-21	31-Jul-21	Change (%)
Argentine Peso	95.7584	96.6882	0.97%
Australian Dollar	1.3385	1.3604	1.64%
Botswana Pula	10.8314	11.1266	2.73%
Brazilian Real	5.0352	5.1405	2.09%
British Pound	0.7258	0.7188	-0.96%
Canadian Dollar	1.2405	1.2466	0.49%
Chinese Yuan Renminbi	6.4688	6.4611	-0.12%
Euro	0.8434	0.8428	-0.07%
HongKong Dollar	7.7656	7.7726	0.09%
Indian Rupee	74.5727	74.3501	-0.30%
Japanese Yen	111.5488	109.7132	-1.65%
Norwegian Krone	8.6187	8.8256	2.40%
Russian Ruble	73.3577	73.0785	-0.38%
South African Rand	14.4410	14.5888	1.02%
Swedish Krona	8.5756	8.5917	0.19%
Swiss Franc	0.9253	0.9060	-2.08%
South Korean Won	1134.4723	1152.0274	1.55%
Zimbabwean Dollar	85.4234	85.6402	0.25%

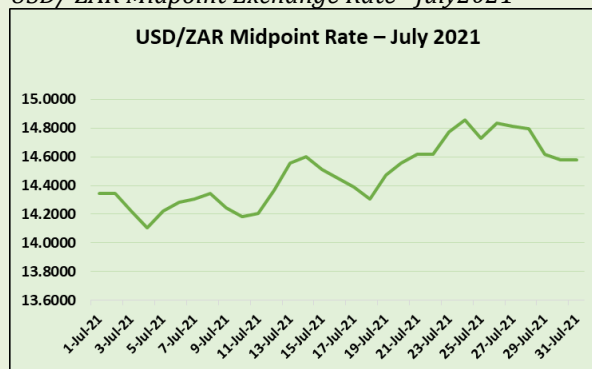
Source: x-rates.com; RBZ © ZB Financial Holdings

The USD gained the most against the Botswana Pula (+2.73%), followed by Norwegian Krone (+2.40%) and Brazilian Real (+2.09%). However, the USD was outperformed by 7 out of 18 currencies in our basket. The USD depreciated most against the Swiss Franc (-2.08%), followed by the Japanese Yen (-1.65%) and the British Pound (-0.96%).

Meanwhile, the South African Rand depreciated by 1.60% between 1 July 2021 and 31 July 2021 with an average rate of 14.4789. This was driven by the move by the South African Government to maintain interest rates unchanged, which resulted in capital flight with some investors searching for better earnings abroad.

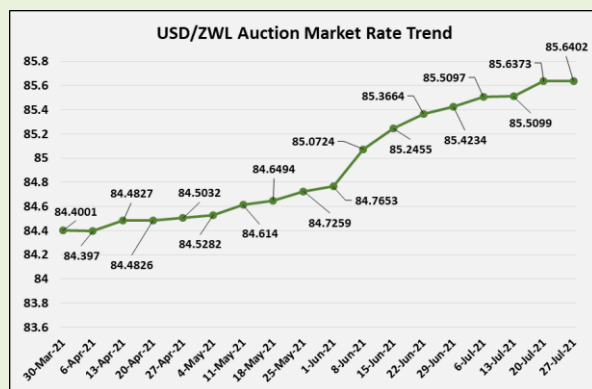
The following graph shows the trend of the USD/ZAR exchange rate from 01 July 2021 to 31 July 2021

USD/ ZAR Midpoint Exchange Rate– July2021



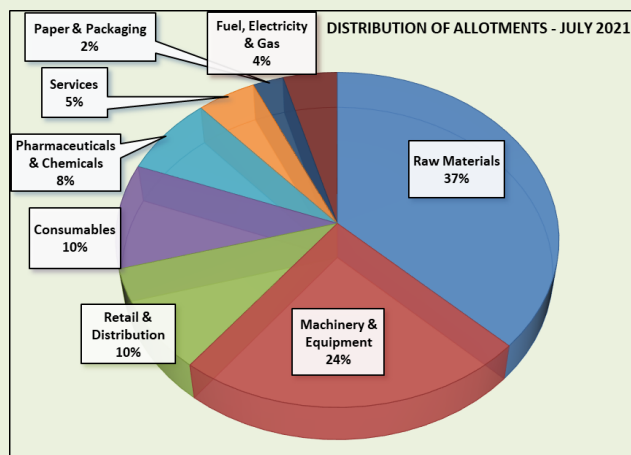
**RBZ Forex Auction Market**

During the period under review, the ZWL depreciated by 0.25% against the USD, from US\$1/ZW\$85.4234 as at 1 July 2021 to US\$1/ZW\$85.6402 as at 31 July 2021, with an average rate of US\$1/ZW\$85.5441. The table below shows the trend of USD/ZWL from the beginning of 30 March 2021 to 31 July 2021:



During the review period, the Foreign Exchange Auction market allocated US\$180.63 million cumulatively to various sectors of the economy. Of that US\$180.63 million, 37% was allocated towards raw materials, 24% was allocated to Machinery and Equipment, 10% towards Retail and Distribution, 10% towards consumables, 8% towards pharmaceuticals, 5% towards services, 4% towards fuel, electricity & gas and 2% towards paper and packaging. The following diagram shows the distribution of the US\$180.63 million which was allocated during the month of July 2021.

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Meanwhile, in its Mid Term Monetary Policy Review for 2021, the Reserve Bank of Zimbabwe put in place the following measures to deal with the residual foreign exchange auction allotment backlog:

- Utilisation of the existing letters of credit facilities for the importation of strategic commodities and capital goods in order to lessen the demand on the Foreign Exchange Auction System,
- Supporting banks to promote financial intermediation to leverage on the current long foreign exchange position of around US\$1.7 billion in the banking system and working closely with the Government to ensure that some of the foreign exchange balances in the Exchequer Account are utilised to expunge the backlog.

### g) Equities Market & Corporate Briefs

The ZSE was bullish during the period under review with most indicators trending northwards. In fact, the main performance indicator, ZSE Market Capitalisation, added 7.87% from ZW\$712 billion in June 2021 to ZW\$768 billion in July 2021.

Year on year analysis could not be possible due to the fact that trading on the Bourse was suspended on 28 June 2020 following a directive from the Government of Zimbabwe. Trading only resumed with effect from 3 August 2020.

### Zimbabwe Stock Exchange Performance Indicators

DATE	TURNOVER VALUE	TURNOVER VOLUME	INDUSTRIAL INDEX	MINING INDEX	MARKET CAP (RTGS) (Mln)
Jul-20					
Aug-20	78,066,496.09	7,807,216.00	4,442.22	3,240.12	171,495.08
Sep-20	239,931,583.95	13,364,733.00	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
Dec-20	2,734,500,000.00	316,737,200.00	8,782.18	4,134.09	317,879.30
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

In other developments, the Zimbabwe Stock Exchange (ZSE) cancelled First Securities Private Limited licence from the bourse after the brokerage firm failed to accomplish membership obligations.

In addition, Seed Co Limited, the local associate of regional seed manufacturer Seed Co International, resumed trading on the Zimbabwe Stock Exchange (ZSE). The shift back to the ZSE comes after the group shelved plans to merge Seed Co Limited with Seed Co International, which currently trades on the United States dollar denominated Victoria Falls Stock Exchange (VFEX). Seed Co cancelled the merger plans after the Reserve Bank of Zimbabwe (RBZ) could not approve the transaction. The development means that SCIL and SCL will continue to operate as two separate companies, listed on the VFEX and ZSE, respectively.

### News Highlights in the Financial Sector

- BancEasy a microfinance unit of BancABC launched a digital loan scheme which is open to Civil Servants as part of the bank's digital transformation agenda which commenced in 2020.
- AFC Land and Agriculture Development Bank in collaboration with Agricultural Marketing Authority (AMA) is to raise ZW\$20 billion through agro bills. The money will be used to support farmers in the 2021/22 summer season with funding for seed, fertilisers, chemicals, mechanisation, irrigation, electricity, labour, combine harvesting services and transport amongst others.
- CBZ Bank has upgraded its two digital



banking platforms, CBZ Touch and CBZ Pay, as the bank seeks to enhance customer experience and security when transacting.

- Cassava Smartech Zimbabwe's medical or health insurance division (Maisha Health Fund) launched a new service that will allow anyone to register for medical aid via USSD by dialling \*147#.
- Government has promulgated Statutory Instrument (SI) 184 of 2021 that will operationalise the much-awaited agriculture commodities exchange, the Zimbabwe Mercantile Exchange (ZMX).

## 4. Various Sectors of the Economy

### a) Manufacturing sector

According to the Mid-term fiscal policy review, the manufacturing sector's growth rate for 2021 has been reviewed upwards by 0.5 percentage points, from an initial 6.5% to 7%. Growth in the sector is largely expected to be supported by continued macroeconomic stability, favourable 2020/2021 agriculture season, localisation of value chains and improved electricity supply. The following table shows projected growth rates of the manufacturing sector and the volume of manufactured inputs which are anticipated by the end of 2021.

Manufacturing	2019	2020	2021 Initial	2021 Revised
<b>Growth Rate</b>	<b>-8.7</b>	<b>-3.2</b>	<b>6.5</b>	<b>7.0</b>
Foodstuffs	109.4	100.6	100.0	110.8
Drinks, Tobacco and Beverages	76.6	71.2	76.0	75.8
Textiles and Ginning	90.6	91.5	93.0	93.9
Clothing and Footwear	26.8	27.0	28.0	28.4
Wood and Furniture	214.4	208.0	210.0	211.1
Paper, Printing and Publishing	90.1	72.1	81.0	75.0
Chemical and Petroleum Products	76.3	83.9	88.0	92.5
Non-metallic mineral products	130.2	134.1	110.0	143.4
Metals and Metal products	59.7	58.5	55.0	62.5
Transport, Equipment	56.6	57.3	52.0	58.0
Other manufactured goods	95.2	95.5	87.0	95.8
<b>Manufacturing Index</b>	<b>87.4</b>	<b>84.7</b>	<b>84.2</b>	<b>90.6</b>

Meanwhile, according to the Confederation of Zimbabwe Industries (CZI), average capacity utilisation is forecast to rise to 61% in 2021 from 47% recorded in 2020. CZI projected capacity utilisation for non-metallic mineral products to rise to 95% from 85%, paper, printing and packaging 74% to 75% and wood and furniture 48% to 52%. CZI also forecast growth in chemical and chemical

products to reach 43% from 38%, metal and metal products to rise from 48% to 56%, drinks, tobacco and beverages 49% to 55% and foodstuffs 54% to 60%. The growth in the country's capacity utilisation is expected to be spearheaded by an increase in the demand of locally produced goods which is backed by the closure of borders.

### News Highlights in the Manufacturing Sector

- Indian company, Mount Meru Millers Zimbabwe has opened a US\$15 million cooking oil refinery plant in Seke, Mashonaland East Province. As at 31 July 2021, about 200 locals had already been employed at the plant while the number is expected to increase to more than 2,000 when it starts operating at full throttle.
- Lafarge Cement Zimbabwe is expanding its dry mortars range of products under the new Tector brand. The product range includes tile adhesive, plastering mortar and skim coat.
- Lafarge Zimbabwe's DMO business has finalised the installation of a new fully automated DMO plant which now provides the required production capacity of over 100,000 tonnes per annum to meet growing demand whilst allowing the business to offer international quality building solutions and products.

### b) Mining

According to the Mid-term Fiscal policy review, the Government has disbursed a total of ZW\$561 million towards mining activities. This shows that Treasury has allocated 40% of the allocated amount. Overall, the Government's main policy thrust is aimed at finalising the mining legislative agenda; advancing the US\$12 billion mining industry fund; capitalisation of the mining industry fund; finalisation of the mining cadastre system; promotion of exploration; investment mobilisation; instituting mining fiscal regime; sealing of mineral leakages; promotion of accountability and transparency in the mining sector. Despite the lined up programs and support mechanisms put in place by Government, the sector



continues to face a number of challenges that include power cuts, water woes and shortage of foreign currency to import equipment and other inputs which are required in the extraction of minerals. This might be the reason for the downward review of the sector’s growth projection from the initial 11% to the current 2%. However, the sector remains lucrative for business throughout its entire value chain given that it generates foreign currency.

The economy has witnessed a remarkable surge in gold deliveries to Fidelity Printers and Refiners (FPR) in the months of June and July 2021. In June 2021 gold deliveries to FPR were 2,924.3 kg compared to 1,409.6 kg delivered in June 2020. Similarly, gold deliveries for July 2021 stood at 2,824.6kg compared to July 2020 deliveries of 1,406.4kg. Small scale gold producers contributed 52.8% of the total gold deliveries to FPR during the first 7 months of 2021 which compares favourably with the 55.8% delivered for the same period in 2020. The table below shows gold deliveries to Fidelity Gold Refiners from January 2021 to July 2021:

	Year	Primary Producers/kg	Small Scale Producers/kg	Total/kg
Jan	2021	642.11	355.52	997.63
	2020	734.24	1,813.63	2,547.87
Feb	2021	609.84	560.83	1,170.67
	2020	706.74	696.40	1,403.14
Mar	2021	1,139.42	670.07	1,809.49
	2020	709.04	1,061.66	1,770.70
Apr	2021	752.32	632.26	1,384.58
	2020	735.38	728.92	1,464.30
May	2021	884.20	783.81	1,668.01
	2020	806.28	1,209.62	2,015.90
Jun	2021	1,125.60	1,798.70	2,924.30
	2020	870.00	539.58	1,409.58
Jul	2021	941.11	1,950.31	2,891.42
	2020	747.96	658.41	1,406.37
TOTAL	2021	6,094.59	6,854.69	12,949.28
	2020	5,309.63	6,708.22	12,017.85

#### News Highlights in the Mining sector

- Zimbabwe is set to witness a boom in coal production in the next three years, with output expected to reach more than 23 million tonnes by 2023, up from 15 million tonnes last year.

- From January 2021 to June 2021, production of platinum group metals (PGM) rose by 23% to 98,900 ounces from 80,300 ounces recorded during the same period in 2020. Platinum production rose 24% to 44,100 ounces while palladium was 22% above prior year period to 38,700 ounces.

#### c) Agriculture

Growth of the agriculture sector in 2021 has been revised upwards on the back of higher than expected performance of almost all crops particularly maize, groundnuts, and sorghum. The sector is, therefore, now estimated to grow by 34% in 2021, from the original projection of 11% which was initially put forward during the presentation of 2021 National Budget.

The 34% growth projection is expected to be spearheaded by maize output which is estimated to record 2.7 million tonnes in 2021, about 193.1% up from 0.9 million tonnes produced in the 2019/20 farming season. Meanwhile, as at 26 July 2021, grain deliveries by farmers to GMB depots stood at 637,000 tonnes valued at ZW\$20.9 billion, of which 567,000 tonnes was for maize, 58,000 tonnes traditional grains, 11,000 tonnes soya beans and 661 tonnes wheat.

#### News Highlights in the Agriculture Sector

- As at 23 July 2021, about 196.3 million kg of tobacco worth US\$544.6 million had been sold at the auction floors. The delivery is 13% higher than the 172.3 million kg delivered during the same period in 2020.
- According to the Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement’s the 2021/22 summer cropping season is targeting 100,000 hectares of maize to produce 300,000 tonnes. Farmers will be funded to grow 40,000 hectares of maize under irrigation and 60,000 hectares under summer dry



land. Soya bean farmers will be supported to grow 10,000 hectares under irrigation and the same hectareage under dry land to produce 40,000 tonnes.

- The tobacco sector is set to create a Tobacco Production Localisation Revolving Fund with an initial injection of US\$60 million to support growers during the forthcoming farming season. The seed money is set to fund the production of 60 million kg of tobacco in the 2021/22 season.
- Seed Co Zimbabwe has completed setting up its new US\$12 million artificial seed drying plant at Stapleford, Mt Hampden, which will enhance early seed availability for sale post-harvest.
- The poultry sector is expected to grow by 5% to 156,078 tonnes in 2021, supported by improved availability of stock feeds following an increase in production of maize and soya beans.
- In 2021, winter wheat output is projected at 280,000 tonnes, 32% up from the 212,000 tonnes produced in 2020, on account of increased hectareage with 66,000 hectares of winter wheat having planted during the winter season.

## 5. Regional Economies

Sub-Saharan Africa output is expected to expand by 2.8% in 2021, and 3.3% in 2022, according to the World Bank, June 2021 Report. However, the recovery is projected to remain fragile, given the legacies of the COVID-19 pandemic and the slow pace of vaccinations in the region. In comparison, the IMF forecasts growth for the region at 3.4% in 2021, from an estimated contraction of 1.9% in 2020. Growth is expected from all the key economies with Angola growth expected at 1.6%, Ghana at 4.9%, Kenya at 5.1%, Nigeria at 2.0%, South Africa at 3.7% and Zambia at 2.0%. Growth in the region is expected to be fired by improvements in exports and commodity prices in the international markets, along with a recovery in

both private consumption and investment.

### a) South Africa

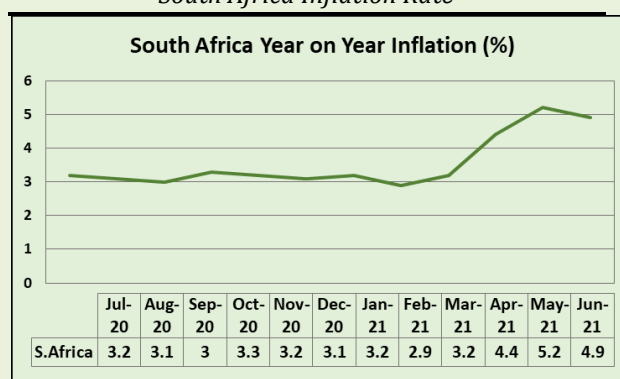
The Central Bank of South Africa expects a 4.2% GDP growth in 2021 for the country, up from the 3.8% it had previously estimated. The stronger growth forecast for 2021 reflects better sectorial growth performances and more robust terms of trade. However, the World Bank in its June 2021 Report forecaste that South Africa will grow by 3.5% in 2021 and 2.1% in 2022, following a sharp recession in 2020 with the recovery benefiting from a gradual relaxation of COVID-19 restrictions and stronger metal prices.

The table below shows economic growth forecasts, inflation forecasts and unemployment rate forecasts for the South African economy:

	2020	2021	2022
GDP	-8	3.5	2.2
Inflation	3.3	3.9	4.3
Unemployment rate	29.2	32.8	32.6

Meanwhile, annual inflation rate in South Africa improved to 4.9% in June 2021, from 5.2% in May 2021. The inflation rate is slightly below the market expectation rate of 4.8%. The graph below shows South Africa inflation trend from July 2020 to June 2021:

South Africa Inflation Rate



### b) Botswana

Botswana economic growth is projected to rebound to 5.6% in 2021 according to the World Bank's June 2021 Report. The growth is expected

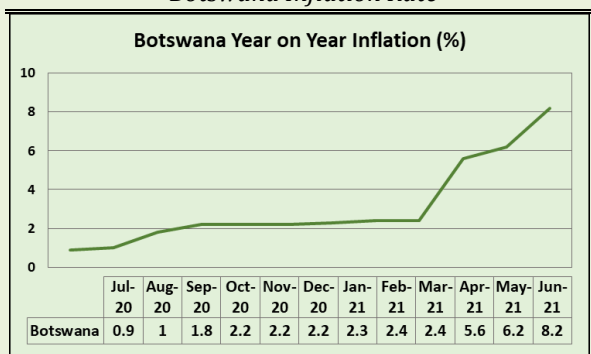




to be fuelled by stronger metals and minerals prices on the world market, particularly for diamonds and nickel which rekindle activities after a precipitous collapse in the country's mining sector in 2020 due to a plethora of challenges, with COVID-19 being the chief factor.

In terms of inflation, Botswana's annual inflation rate accelerated to 8.2% in June 2021 from 6.2% in May 2021, reaching its highest level since February 2012. On a monthly basis, consumer prices grew by 0.6% in June 2021, after a 0.5% rise in May 2021. Below is a graph which shows Botswana inflation trend from July 2020 to June 2021:

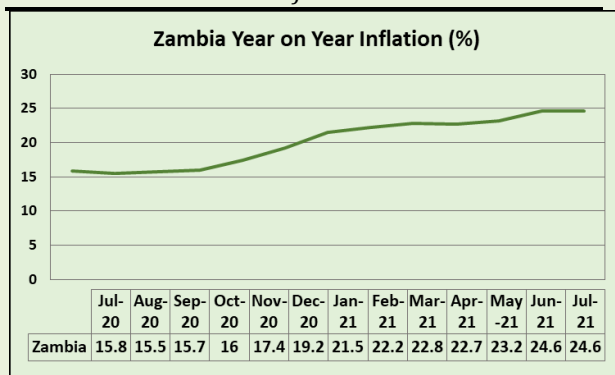
*Botswana Inflation Rate*



**c) Zambia**

Zambia is targeting to reduce its fiscal deficit to 9.3% of gross domestic product (GDP) in 2021 from the 11.7% projected in 2020. Latest statistics indicate that total expenditure in Q1 2021 stood at K22 billion and this was 23% below the projected K28.6 billion, according to the country's Ministry of Finance. The statistics indicate that the country is in line with its projected year-end fiscal deficit.

*Zambia Inflation Rate*



Meanwhile, annual inflation Rate in Zambia remained unchanged at 24.60% in July from 24.60% in June of 2021.

**6. International Economies**

The global economy is set to expand by 5.6% in 2021 according to the World Bank June 2021 Report. This recovery is uneven and largely reflects sharp rebounds in some major economies, most notably the United States and China. In many emerging markets and developing economies (EMDEs), elevated COVID-19 caseloads, obstacles to vaccination, and a partial withdrawal of macroeconomic support are offsetting some of the benefits of strengthening external demand and elevated commodity prices. By 2022, global output will remain about 2% below pre-pandemic projections, and per capita income losses incurred in 2020 will not be fully unwound in about two-thirds of EMDEs. Meanwhile, the IMF expects the world economy to grow by 6% in 2021 and to advance by another 4.4% in 2022.

**a) United Kingdom**

The International Monetary Fund (IMF) has sharply revised its growth forecast for UK's economy in 2021 upwards. According to the IMF, the UK economy is forecast to grow by 7.0% in 2021. This is 1.7 percentage points higher than the April 2021 forecast and the biggest upgrade for a major economy. Going forward to 2022, the UK's economy is forecast to grow by 4.8%. The following table shows a summary of the UK's macroeconomic variables forecasts up to 2022.

	2020	2021	2022
GDP	-9.9	4.6	5.6
Inflation	0.9	1.6	1.9
Unemployment rate	4.5	5.6	5.8

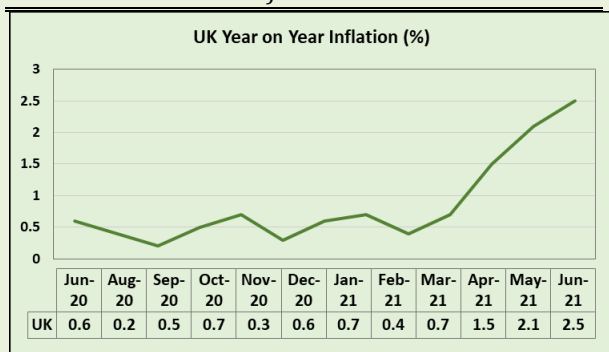
In terms of inflation, UK's annual inflation rate increased to 2.5% in June 2021 from 2.1% in May 2021, above the market forecasts of 2.2%. It is the highest inflation rate since August 2018. Main upward pressure on inflation emanated from transport prices, prices for second hand cars,

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clothing & footwear and motor fuel. The graph below shows United Kingdom's inflation trend from June 2020 to June 2021:

UK Inflation Rate



### b) United States of America

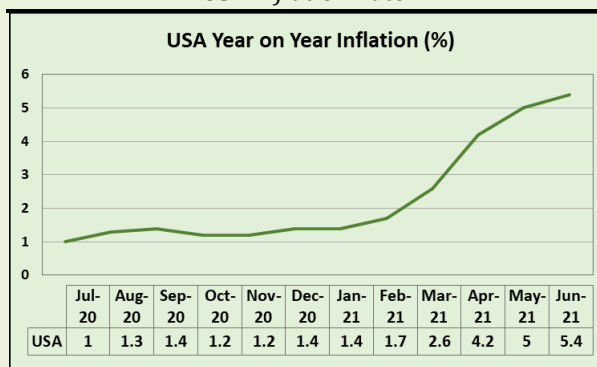
The U.S. economy is recovering more quickly from the pandemic shock, supported by greater amounts of fiscal relief. Surging personal income boosted consumption, which is expected to firm as households reduce their savings rate from historically high levels. According to the World Bank, U.S. growth is projected to reach 6.8% in 2021, its fastest pace since 1984, reflecting additional large-scale fiscal relief and the ongoing easing of pandemic restrictions. It is then expected to soften to a still-strong 4.2% in 2022 as the fiscal impulse begins to fade. The table below shows economic growth forecasts, inflation rate forecasts and the unemployment rate forecasts for the US economy up to 2022.

	2020	2021	2022
GDP	-3.5	5.9	4.3
Inflation	1.3	2.4	2.0
Unemployment rate	8.1	5.2	3.7

In the meantime, annual inflation rate in the US accelerated to 5.4% in June 2021 from 5% in May 2021, hitting a fresh high since August 2008, and well above forecasts of 4.9%. Meanwhile, high commodity prices, supply constraints and higher wages as companies grapple with a labour shortage continue to weigh on the CPI. The graph below shows the U.S. inflation trend from July 2020 to June 2021:

June 2021:

USA Inflation Rate



### c) China

China's economy continues to recover from the COVID-19 pandemic but growth is uneven. According to the National Bureau of Statistics, China's GDP grew by 7.9% in Q2 2021, compared to the same period the previous year. Overall, China's GDP increased by 12.7% through Q1 2021, putting the country on track to meet its growth target of over 6% growth. In 2020, China's economy grew by 2.3%, making it one of the few major economies to register positive growth amid the pandemic.

The table below shows China's economic growth forecasts, inflation rate forecasts and the unemployment rate forecasts up to 2022:

	2020	2021	2022
GDP	2.3	8.8	5.4
Inflation	2.5	1.3	2.0
Unemployment rate	4.2	3.8	3.6

China's annual inflation rate unexpectedly fell to 1.1% in June 2021 from May's eight-month high and market expectations of 1.3%. Month on month inflation also unexpectedly dropped by 0.4% in June 2021, the fourth straight month of decrease after a 0.2% drop in May 2021. The graph overleaf shows China's inflation trend from July 2020 to June 2021:



*China Inflation Rate*

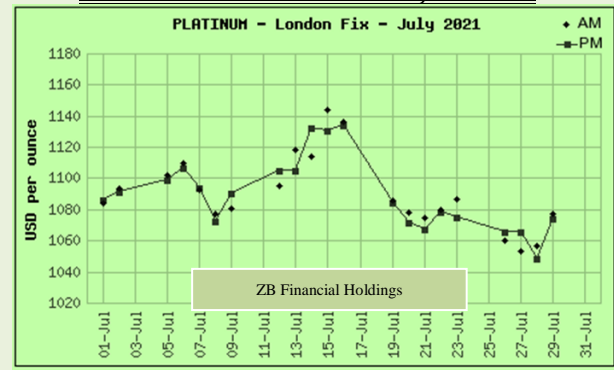


addition, easing US treasury yields also boosted the yellow metal's safe-haven appeal.

**b) Platinum**

During the period under review, the price of Platinum fluctuated in a downward trend. Platinum prices averaged US\$1,087.05/Oz and decreased by 3.87% from the first day of trade to close at US\$1,044.00/oz on 31 July 2021. The graph below shows the platinum price trend for July 2021.

Platinum Price Movements in June 2021



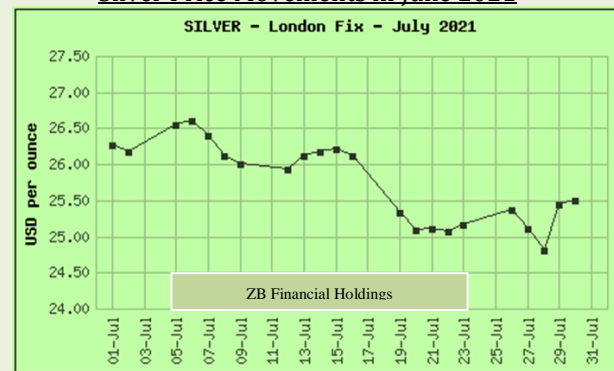
**7. Commodities Markets**

Commodity	Opening Price (US\$)	Closing Price (US\$)	% Change
Gold	1,781.50	1,825.80	2.49%
Platinum	1,086.00	1,044.00	-3.87%
Silver	26.26	25.49	-2.93%
Oil	75.02	73.91	-1.48%

**c) Silver**

During the period under review, the price of Silver decreased by 2.48% to US\$25.49/oz as at 31 July 2021 with an average price of US\$25.75/Oz. The graph below shows the trend of Silver price from 01 July 2021 to 31 July 2021:

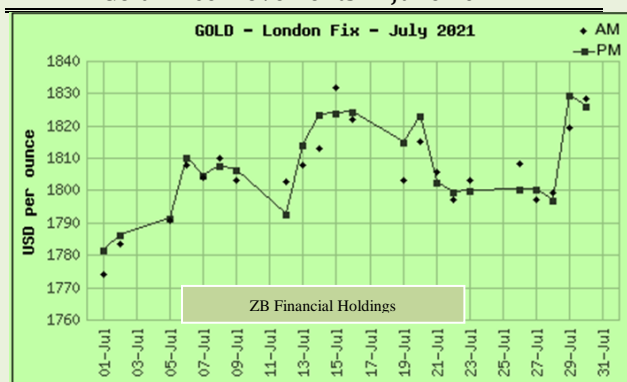
Silver Price Movements in June 2021



**a) Gold**

Gold price increased by 2.49% from US\$1,781.50/oz as at 1 July 2021 to US\$1,825.80/oz on 31 July 2021, with an average price of US\$1807.09/oz.

Gold Price Movements in June 2021



**d) Crude Oil**

Brent Crude oil prices remained under pressure, on concerns that the renewed spread of the COVID-19

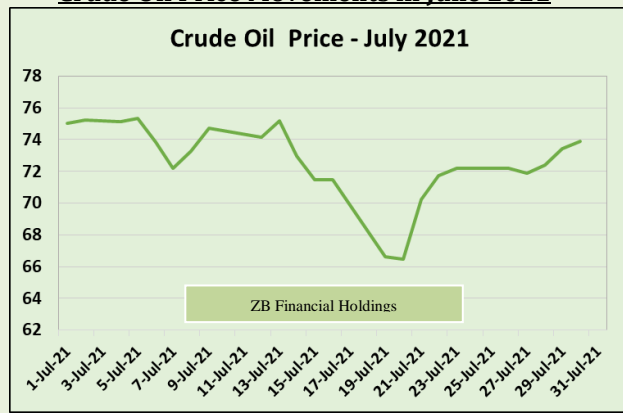
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Delta variant cases would hurt demand as economies re-impose travel restrictions. In addition, prices were also weighed down by reports that showed a surprise rise in U.S. crude oil inventories.

Meanwhile, international oil price decreased by 1.48% from US\$75.02/barrel on 1 July 2021 to US\$73.91/barrel on 31 July 2021, with an average price of US\$72.65/barrel. Below is a graph that shows the crude oil price trend during the period under review.

### Crude Oil Price Movements in June 2021



**END**