

Monthly Economic Update March 2022

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1. Economic Performance

a) Domestic Economy

According to the Ministry of Finance and Economic Development, the economy is expected to register 5.5% economic growth rate in 2022 and expected to grow by 5.2% in 2023. However, the economy is faced with significant challenges regarding food security - a sub-optimal agricultural output is expected because of a dry spell which has caused moisture stress in crops, and resultantly the country is unlikely to meet its agricultural targets this season. The situation has been exacerbated by the growing business anxiety over the Russia-Ukraine conflict, which has resulted in a surge in oil and wheat prices.

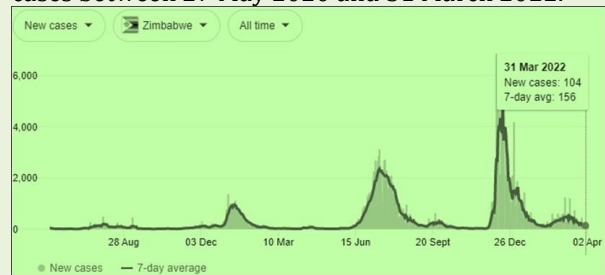
The following table shows Zimbabwe economic growth estimates and forecasts for the period 2021 to 2023:

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

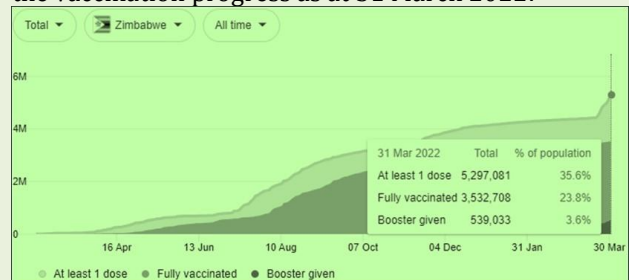
According to the Ministry of Health and Child Care, Zimbabwe cumulatively recorded 246,286 confirmed cases, 238,276 recoveries and 5,444 deaths as at 31 March 2022. This brought the National Recovery rate to 96.75%. The following

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



As COVID-19 cases dropped in Zimbabwe, the Government has relaxed restrictions for incoming travellers as the polymerase chain reaction (PCR) tests is no longer mandatory for vaccinated travellers at the country's ports of entry.

Meanwhile, the vaccination program is moving well even though at a reduced pace, and as at March 2022, a total of 5,297,081 people (35.60% of the population) had received the first dose of the vaccine while 3,532,708 people (23.80% of the population) had been fully vaccinated and 539,033 have received the booster. The graph below shows the vaccination progress as at 31 March 2022:

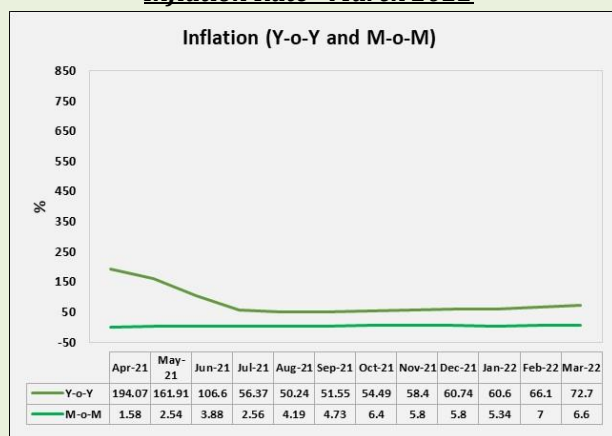


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2. Inflation

In March 2022, annual inflation worsened by 6.60 percentage points, from 66.10% in February 2022 to 72.7% in March 2022. Upward pressure mainly emanated from transportation (84.2% in March 2022 vs 66.6% in February 2022) and food (75.1% in March 2022 vs 69.3% in February 2022), as rising fuel and bread prices have activated a wave of price hikes of basic commodities around the country. The year on year and month on month inflation trend for the period April 2021 to March 2022 is shown in the following graph:

Inflation Rate - March 2022



Month on month inflation improved by 0.40 percentage points, from 7% in February 2022 to 6.6% recorded in March 2022.

3. Financial Sector

a) Money supply

Reserve money decreased by 1.83%, from ZW\$27.81 billion recorded on 22 February 2022 to ZW\$27.30 billion as at 25 March 2022.

Going forward, in a bid to control inflation in the economy and foster stability, the Monetary Policy Committee (MPC) put in place the following policy measures:

- ✓ Further reduce the quarterly reserve money growth target from 7.5% to 5% for the quarter ending June 2022;
- ✓ Reviewing upwards the Bank Policy Rate from 60% to 80% per annum;

- ✓ Upward review of the Medium-Term Bank Accommodation Facility Interest Rate from 40% to 50% per annum;
- ✓ Upward review of the minimum deposit rates for ZW\$ savings and time deposits from 10% and 20% per annum to 12.5% and 25%, respectively;
- ✓ Liberalising the foreign exchange market by allowing banks to conduct foreign exchange transactions of up to US\$1,000 with individuals who have free funds on a willing-buyer willing-seller basis; and
- ✓ Ensuring that commercial imports are processed through normal banking channels in line with international best practice.

A detailed analysis of the MPC resolutions above was done separately.

b) Interest Rates

The following table shows weighted lending rates and deposit rates for the period 18 February 2022 to 18 March 2022:

Weighted lending Rates and Deposit Rates

Week Ending	Weighted Lending Rates (%)		Deposit Rates (%)		
	Commercial Banks		Savings	1-Month	3-Months
	Individual Clients	Corporate Clients			
18-Feb-22	57.26	63.92	5.91	15.61	16.95
25-Feb-22	57.28	64.02	6.29	16.03	16.84
4-Mar-22	57.28	64.02	6.29	16.03	16.84
11-Mar-22	56.23	63.90	5.85	15.06	16.42
18-Mar-22	56.23	63.9	5.85	15.06	16.42
Average	56.86	63.95	6.04	15.56	16.69

c) Foreign Currency Market

During the period under review, when using the monthly average exchange rate analysis, the USD appreciated against 13 of the 18 currencies in our basket and depreciated against 5 currencies. The USD gained the most against the Russian Ruble (38.87%) followed by the Zimbabwean Dollar (11.14%) and the Swedish Krona (3.00%). On the other hand, the USD on average depreciated most against the Brazilian Real (4.19%), the South African Rand (1.67%) and Australian Dollar (2.75%).

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Exchange Rate Analysis

Exchange Rate Analysis: Monthly Average			
US\$/Currency	Feb-22	Mar-22	Change (%)
Russian Ruble	78.6235	109.1861	38.87%
Zimbabwean Dollar	119.6468	132.9774	11.14%
Swedish Krona	9.2871	9.5655	3.00%
Euro	0.8812	0.9076	2.99%
Japanese Yen	115.2608	118.5767	2.88%
Argentine Peso	106.3643	109.3967	2.85%
British Pound	0.7384	0.7594	2.84%
South Korean Won	1198.0960	1220.8566	1.90%
Indian Rupee	74.9669	76.2180	1.67%
Swiss Franc	0.9225	0.9296	0.76%
HongKong Dollar	7.7994	7.8230	0.30%
Botswana Pula	11.5526	11.5752	0.20%
Chinese Yuan Renminbi	6.3436	6.3454	0.03%
Norwegian Krone	8.8589	8.8352	-0.27%
Canadian Dollar	1.2714	1.2661	-0.42%
South African Rand	15.2178	14.9644	-1.67%
Australian Dollar	1.3947	1.3563	-2.75%
Brazilian Real	5.1956	4.9777	-4.19%

Source: X-rates.com © ZB Financial Holdings

However when analysing the exchange rates based on the opening period and closing period exchange rates, the USD appreciated against 10 out of 18 currencies in our basket. It gained most against the Zimbabwean Dollar (11.72%), followed by the Japanese Yen (5.66%) and the Argentine Peso (3.33%).

Exchange Rate Analysis			
US\$/Currency	01-Mar-22	31-Mar-22	Change (%)
Zimbabwean Dollar	127.4864	142.4237	11.72%
Japanese Yen	114.8937	121.3919	5.66%
Argentine Peso	107.3961	110.9718	3.33%
British Pound	0.7509	0.7603	1.26%
South Korean Won	1204.7661	1214.1980	0.78%
Chinese Yuan Renminbi	6.3129	6.3411	0.45%
Swiss Franc	0.9192	0.9211	0.21%
HongKong Dollar	7.8171	7.8325	0.20%
Euro	0.9007	0.9013	0.06%
Indian Rupee	75.8586	75.9005	0.06%
Botswana Pula	11.5586	11.4352	-1.07%
Norwegian Krone	8.8867	8.7604	-1.42%
Canadian Dollar	1.2709	1.2483	-1.78%
Swedish Krona	9.6448	9.3480	-3.08%
Australian Dollar	1.3800	1.3338	-3.35%
South African Rand	15.4287	14.6200	-5.24%
Brazilian Real	5.1605	4.7283	-8.37%
Russian Ruble	116.3138	82.2285	-29.30%

Source: X-rates.com © ZB Financial Holdings

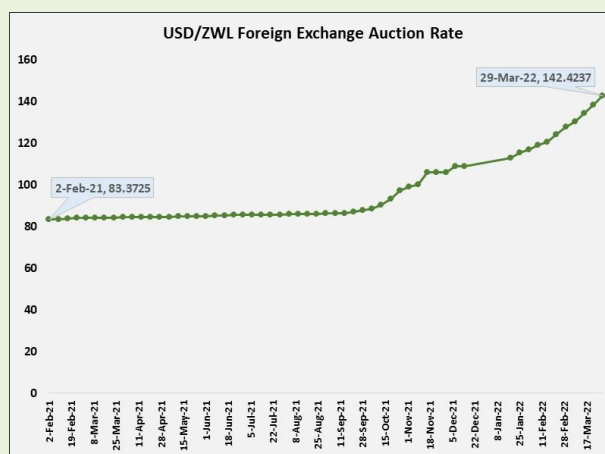
On the other hand, the USD depreciated against 8 currencies in our basket. It depreciated most against the Russian Ruble (29.30%), followed by the Brazilian Real (8.37%) and the South African Rand (5.24%).

Meanwhile, on average the South African Rand appreciated by (1.67%) in March 2022 against the USD. This was backed by the increase of interest rates in South Africa, which attracted the inflow of capital into South Africa. The diagram below shows the trend of the South African Rand against the USD during the period under review.

USD/ZAR Exchange Rate – March 2022



d) RBZ Forex Auction Market

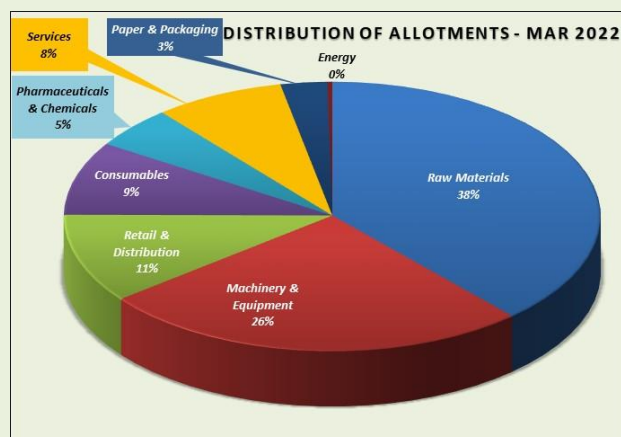


From January 2022 to March 2022, the ZWL depreciated by 31% against the USD from ZW\$108.666 on 1 January 2022 to 142.4237 on 31 March 2022. The table above shows the trend of the

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USD/ZWL exchange rate from 2 February 2021 to 31 March 2022

During the period under review, the Foreign Exchange Auction Market allocated US\$184.12 million cumulatively. Of the March 2022 foreign currency allocations, 38% was allocated to raw materials and 26% to machinery & equipment as shown in the following diagram:



e) Equities Market & Corporate Briefs

- The Government of Zimbabwe is planning to bring back Old Mutual Zimbabwe and PPC stocks on the Zimbabwe Stock Exchange, a move which will pave way for the securities to be traded.

Zimbabwe Stock Exchange Performance Indicators

DATE	TURNOVER VALUE	TURNOVER VOLUME	INDUSTRIAL INDEX	MINING INDEX	MARKET CAP (RTGS) (Mln)
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
Feb-22	95,074,707.33	1,295,205.00	49,561.26	9,470.19	1,721,967.60
Mar-22	824,291,924.45	9,199,921.00	52,432.53	10,015.94	1,821,910.18

News Highlights in the Financial Sector

- The National Building Society (NBS) partnered National Social Security Authority (NSSA) to bankroll a property mortgage programme.

- The Reserve Bank of Zimbabwe approved Ngoro Microfinance Bank Limited to conduct deposit-taking microfinance business.
- African Development Bank Group approved US\$7.5 million trade finance guarantee facility for the CABS.
- The Zimbabwe Cross-Border Traders' Association collaborated with FBC Bank to issue the prepaid MasterCard to its members.
- Rwandan financial investment hub, the Kigali International Financial Centre (KIFC) is eyeing Zimbabwe's financial sector to take advantage of the investment opportunities in the east African country. KIFC is a financial centre that is looking to transform Rwanda into an international financial destination for investors seeking opportunities across the African continent.
- First Capital Bank Limited (FCB) launched a 6-month retail banking campaign. This comes in the wake of their launch of the #BelieveInTheBigBank thematic promotion.

4. Various Sectors of the Economy

a) Energy sector

Zimbabwe is experiencing recurrent load-shedding particularly during peak hours and needs extra generation capacity to meet current needs so as to ensure a sound economic growth rate. Meanwhile, the Government is implementing capacity building through public and private sector models to ensure social-economic development. According to the Ministry of Energy and Power Development, a target of producing more than 2,000MW of renewable energy by 2030 has been set, while US\$10 million has been secured to finance clean energy.

News Highlights in the Energy Sector

- Shangani Energy Exploration (SEE), the company exploring coal bed methane in the Matabeleland North Province, will start a pilot gas production for power generation in 2024. SEE, a collaboration between Sinosteel of China and ZIMASCO, expects to spend approximately US\$800 million to develop

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gas wells and building a 400MW power station.

- Independent Power Producer (IPP) Kibo Energy is taking over a solar project in Victoria Falls. The project, which was previously developed by Broomfield International, involves the construction of a 100MW-peak solar photovoltaic power plant in several phases.
- Old Mutual Zimbabwe committed to continue investing in solar energy projects to bridge the power supply gap in the energy sector. The Group and its partner SolGas, have commissioned US\$7.3 million for a 5MW solar plant at Cross Mabale in Hwange district.

b) Mining

Zimbabwe is targeting US\$12 billion of mining industry revenue by 2023 as it moves towards the 2030 target of attaining an upper middle income status. With that in mind, Zimbabwe Consolidated Diamond Company (ZCDC) intends to contribute US\$1 billion. ZCDC will recommence diamond auctions in April 2022, after 8 months interruption as a result of the COVID-19, and anticipates buyers from Dubai, Israel, India and South Africa.

News Highlights in the Mining sector

- Platinum yield in Zimbabwe recorded 6% growth to 475,000 ounces in 2021 although overall output is forecast to lower in 2022.
- The RBZ has indefinitely suspended plans to dispose of its controlling stake in the country's sole gold buyer, Fidelity Printers and Refinery, to new investors. The RBZ proposed to bring in new local shareholders into the gold-buying and marketing business after completion of a planned unbundling of Fidelity Printers and Refiners (FPR).
- Revenue at Caledonia Mining Corporation rose by 21% to US\$121 million during the year ended 31 December 2021 after it reported its biggest gold output.

- South African firm, Tharisa Capital, plans to invest US\$250 million to complete phase 1 of the Karo project in Zimbabwe after taking full control of the platinum mine. The Group has exercised its option and increased its stake in Karo Mining to 66.3% from 26.8%.
- Premier African Minerals Limited, which owns a lithium and tantalum operation in Matabeleland South Province, has completed an agreement with investors to raise £12 million (US\$15.7 million) to finance a Definitive Feasibility Study (DFS) for the project.

c) Agriculture

Zimbabwe is expected to experience a poor 2022 harvest due to erratic rains and a prolonged dry spell experienced during the 2021/22 farming season. The situation was also worsened by scarcity of the ammonium nitrate (AN) fertiliser as the primary supplier Russia has limited its production due to the Ukraine invasion. Going forward, the Government of Zimbabwe through the Ministry of Lands, Agriculture, Fisheries, Water, Climate and Rural Development is eyeing increased investment in irrigation infrastructure as part of measures to cushion the agriculture sector from erratic rainfall patterns.

News Highlights in the Agriculture Sector

- Government has issued ZW\$1.75 billion to cotton farmers who were owed a combined ZW\$2.5 billion.
- According to the livestock assessment report, Zimbabwe's milk production rose by 3.8% in 2021 to 79,605,552 litres from 76,695,157 litres recorded in 2020. Meanwhile, Zimbabwe is projected to record 19% growth in milk production to 95 million litres in 2022 on the back of 5% duty on dairy imports to finance the dairy recovery programme.
- 2,000 joint farming ventures covering up to 200,000 hectares have been approved by Government to boost agriculture.

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d) Manufacturing

According to the Zimbabwe National Statistics Agency (ZIMSTAT), Zimbabwe's manufacturing sector capacity utilisation increased to 66% in Q4 2021, indicating high level of confidence on economic rebound across the industry. This represents 1 percentage point increase from the Q3 2021 value of 65%. The increase was triggered mainly by a positive agricultural output experienced during the 2020/21 farming season and support from the RBZ foreign exchange auction. Tobacco and beverages industry recorded top capacity utilization value of 79%. Foodstuffs sector recorded 2% growth, textiles and ginning sector 7% growth, clothing and footwear 1% growth, metals and metal products 1% growth.

News and highlights in the Manufacturing Sector

- Varun Beverages Zimbabwe intends to make Zimbabwe the production hub for markets in the Southern African region.
- Defunct steel giant, Zisco Steel, is expected to be up and running by end of Q1 2023, according to the Government.

5. Regional Economies

In 2022, the Sub Saharan Africa is projected to grow by 3.6 % and 3.8 % in 2023. However, the Russia-Ukraine war has diluted prospects of economic stability in the Sub Saharan Africa, as massive economic sanctions have been imposed on Russia, a key economic stakeholder of the region and the world.

a) South Africa

The South African Reserve Bank (SARB) lifted its benchmark interest rate in large part to counter inflationary pressures stemming from Russia's war with Ukraine. The Monetary Policy Committee stipulated a key rate of 5.06% by end of 2022, compared to its January 2022 forecast of 4.91%. The repurchase rate is now at 6.68% by the end of 2024, up from 6.55%.

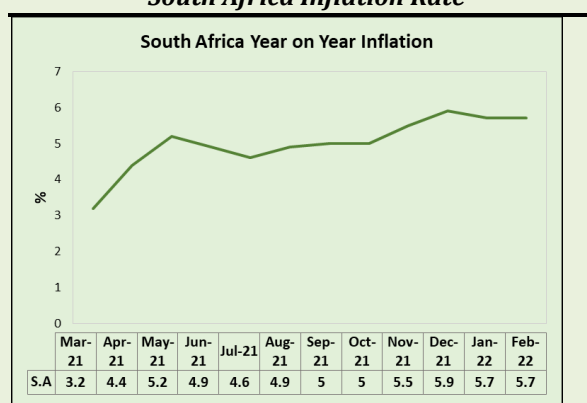
Meanwhile, according to the Statistics South Africa (Stats SA), South Africa's unemployment rate rose to 35.3% in Q4 2021 from 34.9% in Q3 2021. The

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 remained constant in February 2022, from the January 2022 figure of 5.7%. The following graph shows South Africa's inflation trend from March 2021 to February 2022:

South Africa Inflation Rate



b) Botswana

According to the Botswana Ministry of Finance, the country's economic growth for 2022 is forecast at 4.3%.

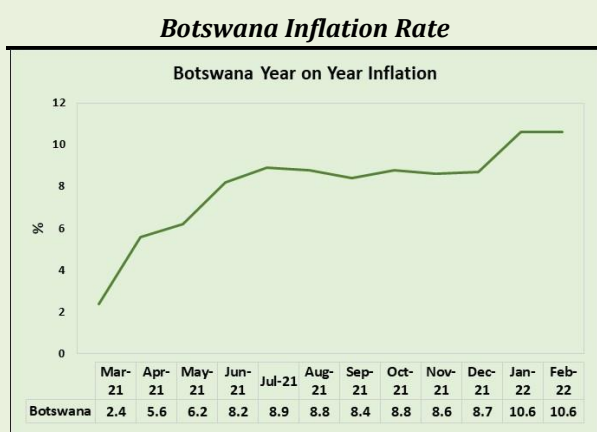
The Government of Botswana plans to connect a total of 500 villages to the Internet under SmartBots project which will cost the Government approximately US\$12.7 million. In the framework of that project, villages with a lower than 5,000 population will be connected through the User-Activated Soft Fork (UASF). For that purpose, the government will provide subsidies to mobile operators. As for villages with a population of 5,000 or more, they will be upgraded to 4G and beyond through regulatory interventions by the Botswana Communications Regulatory Authority (BOCRA). Botswana relies on diamonds to generate 90% of its exports. Prices have surged over recent months, driven by increased demand among U.S. consumers, who buy about half the world's

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diamond jewellery. 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 for February 2022 remained stagnant at 10.60% from January 2022. The below graph shows Botswana inflation trend from March 2021 to February 2022:



c) Zambia

According to the World Bank, Zambia is projected to grow by 2.2% in 2022, buttressed by the recovery in mining, tourism, and manufacturing sectors. The recovery in international demand and copper prices are positive developments, while a reduction in COVID-19 cases will boost activity both in manufacturing and tourism.

Going forward, Zambia is in the process of restructuring its external debt with creditors and the International Monetary Fund (IMF), after years of over-borrowing drove its debt burden above 120% of GDP. 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 1.1 percentage points from 14.20% recorded in February 2022 to 13.1% in March 2022. The following graph shows Zambia’s inflation trend from April 2021 to March 2022:



6. International Economies

The World Bank cut its growth forecast for East Asia and the Pacific for 2022 to reflect the economic impact of Russia’s invasion of Ukraine, warning the region could lose further momentum if conditions worsen.

According to the World Bank, countries in Asia may have to deal with 3 major economic shocks in 2022 which are the war in Ukraine, a sharp slowdown in China, and rate hikes from the US Federal Reserve. The Bank cut its 2022 growth forecast for East Asia and the Pacific (EAP) region to 5% from 5.4%, and warned that growth could slump to 4% if conditions weaken further. Higher US rates are likely to trigger capital outflows from developing economies and put pressure on their currencies, thus inducing financial tightening and negatively affecting growth prospects.

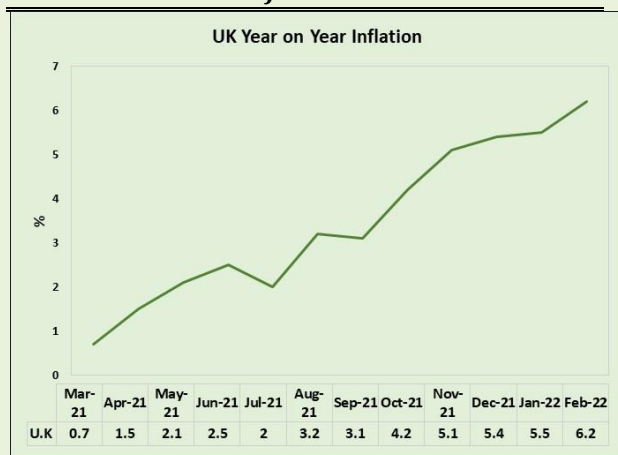
a) United Kingdom

According to the Office for National Statistics, Britain’s economic growth slowed in February 2022 amid declines in the production of cars, computers and chemicals. The output of productive industries, including manufacturing, mining and power generation, dropped 0.6% and construction fell by 0.1%. Those declines largely offset an increase in

service industries, driven by an 8.6% jump in accommodation and food services.

Meanwhile, annual inflation rate in the UK increased to 6.2% in February of 2022 from 5.5% in January and above market forecasts of 5.9%. The diagram below shows UK annual inflation trend from March 2021 to February 2022:

UK Inflation Rate



b) United States of America

According to the Commerce Department, U.S.A gross domestic product increased by 6.9% at annualised rate. This was revised slightly down from the 7.0% pace estimated in February 2022.

The Federal Reserve raised its policy interest rate by 0.25 percentage points, from 0.25% to 0.5% which is the first hike in more than 3 years.

In U.S.A jobs growth continued at a brisk clip in March 2022, with the unemployment rate falling to 3.6% and wages re-accelerating, positioning the Federal Reserve to raise interest rates. The Labor Department's closely watched employment report's survey of establishments showed that non-farm payrolls increased by 431,000 jobs last month.

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

Meanwhile, the annual inflation rate in the U.S.A accelerated to 7.9% in February 2022, from 7.5% recorded in January 2022. The following graph shows the U.S.A annual inflation trend from March 2021 to February 2022:

USA Inflation Rate



c) China

The Chinese economy is forecast to grow by 5.1% in 2022, amid persistent negative effects of the pandemic and tighter regulations on certain sectors of the economy.

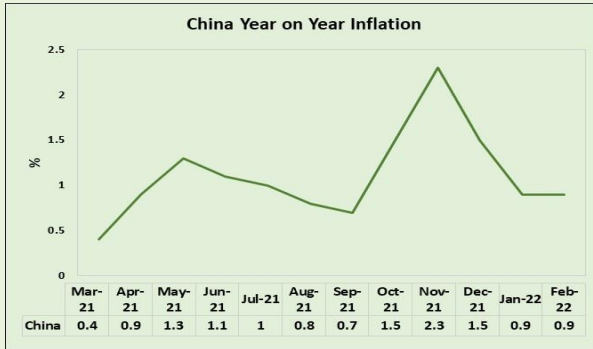
Meanwhile, despite supply chain disruptions and electricity shortages, manufacturing activity in China has been generally solid and export growth has accelerated. The following table shows China's economic growth forecasts up to 2023:

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 stood at 0.9% in February 2022, unchanged from the January 2022 rate, and in line with market forecasts. The graph overleaf shows China's inflation trend from March 2021 to February 2022:

China Inflation Rate

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7. Commodities Markets

Commodity	February 2022 Price (US\$)	March 2022 Price (US\$)	Percentage Change
Gold	1,856.30	1,947.83	4.93%
Platinum	1,049.40	1,043.26	-0.59%
Silver	23.47	25.24	7.54%
Oil	91.91	108.26	17.79%

a) Gold

The average gold price for March 2022 rose by 4.93% from the previous month's average price of US\$1,856.30/oz. This is due to a more aggressive outlook from Federal Reserve policy-makers, although continuous updates regarding the geopolitical tension continue to keep market participants on the edge. The diagram below shows the trend of gold prices in March 2022:

Gold Price Movements in March 2022



b) Platinum

The average platinum price slightly contracted by 0.59% from US\$1,049.40/oz in February 2022 to US\$1,043.26/oz in March 2022. The diagram below shows the trend of Platinum price in March 2022:

Platinum Price Movements in March 2022

c) Silver

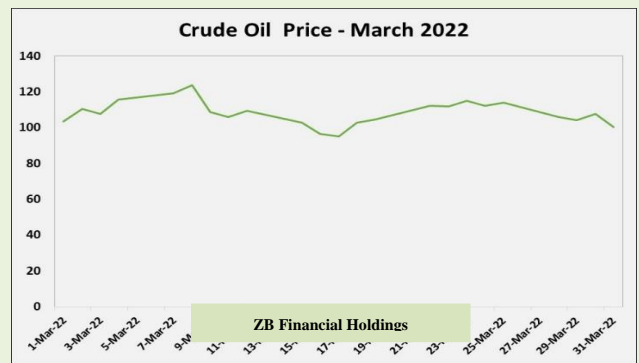
From February 2022 to March 2022, the average price of silver slightly accelerated by 7.54% to US\$25.24/oz.

Silver Price Movements - March 2022



d) Crude Oil

From February 2022, the average crude oil prices increased by 17.79% to US\$108.26/barrel in March 2022. This is due to the Russian invasion of Ukraine and subsequent sanctions which imposed on Russia, the combined effects of which caused supply disruptions in Russia, a key oil supplier.



END

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