



# Monthly Economic Update October 2021

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## 1. Economic Performance

### a) Domestic Economy

The Zimbabwean economy is on a growth trajectory with GDP projected to grow by 7.8% in 2021, attributed to favourable rainfall season, higher international mineral commodity prices and stable macroeconomic environment. The country is also witnessing strong performance in the external sector driven by exports and remittances. However, the International Monetary Fund (IMF) has revised downwards the country's 2021 growth forecast, from 6% to 5.1%, citing the sluggish pace at which the global economy is recovering. The new projection, though lower, is comparable to that of the African Development Bank (AfDB), but still conservative when compared to Zimbabwe's forecast of 7.8%. It is important to note that all the forecasts point to growth for the Zimbabwean economy.

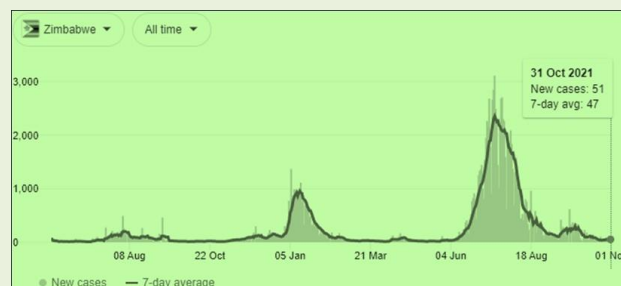
The following table shows Zimbabwe economic growth estimates and forecasts for the period 2020 to 2022:

Zimbabwe Economic Growth Forecasts			
Year	2020	2021	2022
World Bank	-10.0	3.9	5.1
IMF	-8.0	5.1	3.1
MOF	-4.1	7.8	5.4
AfDB	-10.0	5.6	-

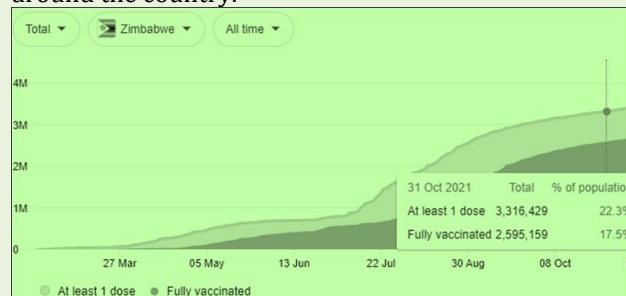
### b) Health Issues

According to the Ministry of Health and Child Care,

Zimbabwe cumulatively recorded 132,977 infections, 127,700 total recoveries and 4,678 deaths as at 31 October 2021. The following diagram shows the daily trend of recorded COVID-19 cases between 27 May 2020 and 31 October 2021.



Meanwhile, the vaccination program which commenced in February 2021 in a bid to mitigate COVID-19 continues to progress at various centres around the country.



As at 31 October 2021, a total of 3,316,429 people (22.30% of the population) had received the first dose of the vaccine while 2,595,159 people

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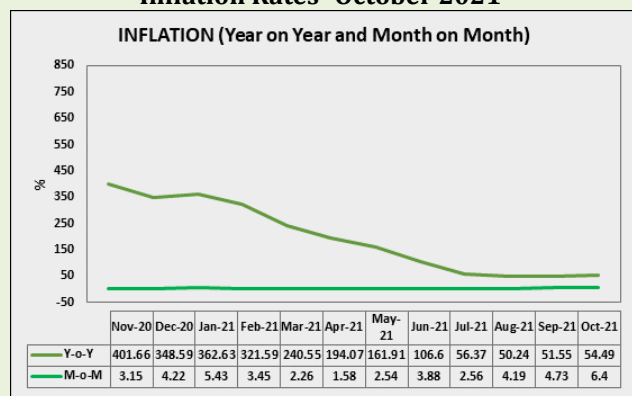
(17.50% of the population) had been fully vaccinated.

Going forward, the rate of new infections is expected to continue to be low, and the Government of Zimbabwe is expected to constantly review lockdown restrictions accordingly, with a view to increasingly open up the economy. However, there remains downside risk of a 4<sup>th</sup> wave of the pandemic being experienced, and the Government should remain alive to this.

## 2. Inflation

During the period under review, year on year inflation rose by 2.94 percentage points from 51.55% in September 2021 to 54.49% in October 2021 as shown in the diagram below:

**Inflation Rates -October 2021**



Month on month inflation in October 2021 was 6.4%, gaining 1.67 percentage points from the September 2021. Going forward to November 2021, we expect Zimbabwe's annual inflation rate to close at 55.3%.

## 3. Financial Sector

### a) Money supply

According to data provided by the Reserve Bank of Zimbabwe Weekly Reports, reserve money fell by 13.9%, from ZW\$28.28 billion as at 1 October 2021, to ZW\$24.36 billion as at 29 October 2021. The decline in reserve money largely reflected a 16.7% decrease in banking sector deposits (from ZW\$23.47 billion to ZW\$19.54 billion) at the RBZ, with currency issued remaining unchanged at ZW\$4.81 billion between 1 October and 29 October 2021. Banks' liquidity (RTGS balances) at the

Central Bank declined by 29.6%, from ZW\$14.21 billion to ZW\$10 billion. Partially offsetting the decrease was a 3% increase in required reserves.

On 28 October 2021, the Reserve Bank of Zimbabwe through its Monetary Policy Committee (MPC) tightened the reserve money by reducing the quarterly growth in reserve money targets from 20% to 10% for Q4 2021 and the first two quarters of 2022 in a bid to reduce money supply in the economy and fight inflation pressures.

### b) Interest Rates

According to the latest Weekly Economic Highlights reports by the RBZ, as at 29 October 2021, minimum weighted lending rates charged by commercial banks to individual clients increased slightly by 0.22 percentage points from 58.46% as at 1 October 2021, to 58.68% as at 29 October 2021. Minimum weighted lending rates for corporate clients decreased by 5.12 percentage points from 63.66% on 1 October 2021 to 58.54% as at 29 October 2021. Savings deposit rates increased from 5.06% as at 1 October 2021 to 5.29% as at 29 October 2021. The following table shows weighted lending rates and deposit rates for the period 1 October 2021 to 29 October 2021:

**Weighted lending Rates and Deposit Rates**

Week Ending	Weighted Lending Rates (%)		Deposit Rates (%)		
	Commercial Banks		Savings	1-Month	3-Months
	Individual Clients	Corporate Clients			
1-Oct-21	58.46	63.66	5.06	12.83	14.03
8-Oct-21	57.39	65.06	4.79	13.31	14.29
15-Oct-21	57.39	65.06	4.79	13.31	14.29
22-Oct-21	58.68	58.54	5.29	13.00	14.03
29-Oct-21	58.68	58.54	5.29	13	14.03
<b>Average</b>	<b>58.12</b>	<b>62.17</b>	<b>5.04</b>	<b>13.09</b>	<b>14.13</b>

Meanwhile, the following monetary policies were announced by the Government through the Reserve Bank of Zimbabwe on 28 October 2021:

- ✓ Increase the Bank policy rate from 40% to 60% and the Medium Term Bank Accommodation (MBA) Facility interest rate from 30% to 40%.
- ✓ Increase minimum deposit rates for ZW\$ savings and time deposits from 5% and 10% per annum to 7.5% and 20%, respectively.

### c) Foreign Currency Market

During October 2021, the USD appreciated against 7 of the 18 currencies in our basket and depreciated against 11 currencies as shown in the following table:

#### Exchange Rate Analysis

Exchange Rate Analysis			
Currency/US\$	1-Oct-21	31-Oct-21	Change (%)
Argentine Peso	98.7754	99.7199	0.96%
Australian Dollar	1.3756	1.3308	-3.26%
Botswana Pula	11.3082	11.2743	-0.30%
Brazilian Real	5.3684	5.6267	4.81%
British Pound	0.7371	0.7303	-0.91%
Canadian Dollar	1.2662	1.2396	-2.10%
Chinese Yuan Renminbi	6.4475	6.4045	-0.67%
Euro	0.8623	0.8656	0.38%
HongKong Dollar	7.7851	7.7790	-0.08%
Indian Rupee	74.1808	74.9978	1.10%
Japanese Yen	110.9686	114.0432	2.77%
Norwegian Krone	8.6281	8.4529	-2.03%
Russian Ruble	72.7009	70.9330	-2.43%
South African Rand	14.8735	15.2501	2.53%
Swedish Krona	8.7531	8.5936	-1.82%
Swiss Franc	0.9299	0.9164	-1.45%
South Korean Won	1181.0096	1175.1750	-0.49%
Zimbabwean Dollar	87.6653	97.1361	10.80%

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

The USD gained the most against the Zimbabwean Dollar (10.80%), followed by the Brazilian Real (4.81%) and the Japanese Yen (2.77%). The USD depreciated most against the Australian Dollar (3.26%), followed by Russian Ruble (2.43%) and the Canadian Dollar (2.10%).

### USD/ZAR Midpoint Exchange Rate- October 2021



Meanwhile, the South African Rand depreciated by

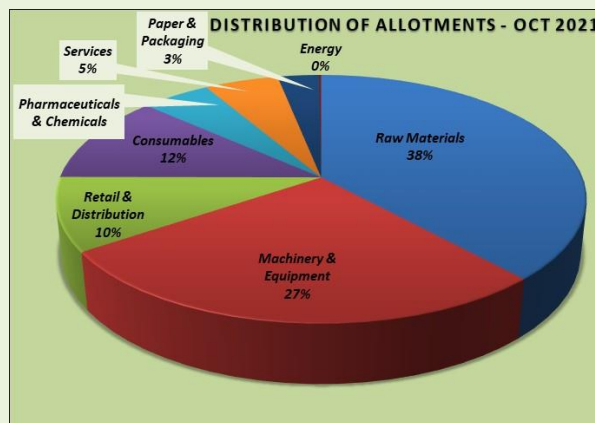
(2.53%) against the USD in October 2021.

### d) RBZ Forex Auction Market

From the beginning of Q2 2021 to 31 October 2021, the ZWL depreciated by 14.59% against the USD, from US\$1 /ZWL\$84.7653 as at 1 June 2021 to US\$1 /ZWL\$97.1361 as at 31 October 2021. The table below shows the trend of ZWL/USD from 1 June 2021 to 31 October 2021:



During the review period, the Central Bank amended the Foreign Currency Auction bidding rules, by bringing a new provision that bidders should now submit their bids through banks 4 working days before the auction date as a way to give the apex bank ample time to sift through requests. Banks are also now required to submit bids received from their clients to the apex bank within 3 working days, and any bids not supplied within that timeframe will be disqualified.



During the period under review, the Foreign Exchange Auction Market allocated US\$171.33 million cumulatively. Of that amount, the greater amount (38.17%) was allocated towards raw



materials.

**e) Equities Market & Corporate Briefs**

- Tanganda Tea Company Limited is set to list on the Zimbabwe Stock Exchange (ZSE) in December 2021 following a demerger from the parent company, Meikles Limited.
- Caledonia Mining Corporation, the parent company for Blanket Mine, will start trading on the Victoria Falls Stock Exchange (VFEX) on 1 December 2021, becoming the third listing on the USD denominated bourse.
- Meanwhile, the Zimbabwe Stock Exchange has lifted suspension in the trading of CFI Holdings securities after the company regularised its corporate governance issues as required under the listing requirements.

- and Zimswitch payment cards to enhance international payment systems.
- Standard Bank Group unveiled a US\$21.6 million loan facility for sprucing up of the Beitbridge Border Post and its environs.

**4. Various Sectors of the Economy**

**a) Manufacturing sector**

The manufacturing sector has seen growth in volumes across most product segments in the first 9 months to September 2021. Initially, the sector had been forecast to grow by 7% in 2021, but the Ministry of Finance and Economic Development has revised the growth forecast to 6.2% citing power cuts, shortages of raw materials and the COVID-19 pandemic among other drawbacks.

Going forward, the domestic industry's manufacturing capacity utilisation is expected to close the year 2021 at 61%.

**Zimbabwe Stock Exchange Performance Indicators**

DATE	TURNOVER VALUE	TURNOVER VOLUME	INDUSTRIAL INDEX	MINING INDEX	MARKET CAP (RTGS) (Min)
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
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

**News Highlights in the Manufacturing Sector**

- National Foods purchased a new state of the art flour mill and it is expecting to broaden its market share in the flour industry from 2023 going forward.
- Dairibord Holdings invested US\$3.5 million towards building additional capacity in its ice-cream and UHT (ultra high temperature) plants as the Group seeks to improve the product portfolio and margin performance.
- The Government is working with local private companies in setting up electric vehicle (EV) production plants in Zimbabwe, as provided in the National Development Strategy 1 (NDS 1 2021-2025), which is expected to lay the foundation for propelling the country towards Vision 2030.
- Sable Chemicals has commenced to drawdown US\$11 million which it secured from the Afreximbank and has started the retooling exercise.

**News Highlights in the Financial Sector**

- Stanbic Bank established a Diaspora Home Loans facility through which Zimbabweans living abroad can acquire completed houses, construct new properties, and undertake property improvements and equity release.
- Steward Bank, launched StewardRemit which is a US Dollar domestic remittance service designed to move money across the country instantaneously. The new funds transfer service is open for both Steward Bank account holders and non-account holders.
- BancABC launched co-branded Mastercard

**b) Mining**

The mining industry is projected to grow by 11% in 2021. On the back of the country's mining strategy,

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investment opportunities exist in increased exploration, expansion of existing mining projects, and resuscitation of closed mines, opening of new mines, mineral beneficiation, and value addition. Investment opportunities are therefore abundant in the mining value chain.

#### **News Highlights in the Mining sector**

- Government reduced the diamond royalty rate in 2019 to 10% from 15% after the companies complained over huge extraction costs. However, Diamond mining companies in Zimbabwe are calling for a further reduction in royalties.
- Zimplats is planning a US\$1.4 billion investment which will result in establishment of a new mine, local refining of platinum metals before export, a sulphuric acid plant and a 110MW solar power station.
- Zimplats has spent a total of US\$1.5 million on exploration projects during the 3<sup>rd</sup> quarter ended 30 September 2021. However, this was 3% below the same quarter in the prior year due to lower productivity.
- Zhi Jui Mining Resource (Pvt) Ltd, a Chinese Investor, is setting up a processing plant in Mhangura which closed down 21 years ago. The plant set up is now over 50% complete. Zhi Jui Mining Resource will be treating copper dumps from the former mining giant.
- Caledonia Mining Corporation (Caledonia) is looking to raise as much as US\$5 million through its secondary listing on the Victoria Falls Stock Exchange (VFEX), which is scheduled for 1 December 2021.

#### **c) Agriculture**

According to the Ministry of Finance and Economic Development during a pre-budget seminar in held in Victoria Falls, growth of the agricultural sector in 2021 has been revised upwards to 36.2%, from 34%, on account of higher-than-anticipated

performance of tobacco, wheat and livestock, particularly beef, poultry, pork, sheep and goats. A total of 210,000 tonnes of tobacco are expected to be delivered in 2021 up from 184,000 tonnes delivered during the prior year, with wheat expected at 276,000 tonnes from a previous harvest of 212,000 tonnes in 2020. Beef and poultry are expected to close at 67,800 tonnes and 163,500 tonnes, respectively.

#### **News Highlights in the Agriculture Sector**

- Delta Corporation has set aside US\$3.913 million for the 2021/2022 farming season under the firm's out-grower schemes.
- An artificial insemination station has been set up in Chegutu as part of a set of measures to raise pork production by almost 40% to 25,000 tonnes a year by 2025 through increasing pig production among smallholder farmers.
- Wheat deliveries to the Grain Marketing Board have reached 162,234 tonnes, with rains now affecting the movement of the cereal from farms to depots. The bulk of the wheat being delivered is of the premium grade.
- At Mkwasine Estates in Chiredzi, over 9,000 hectares of sugar cane at various stages of growth is at risk of wilting because of lack of irrigation water supplies.

## **5. Regional Economies**

Global financial institutions are revising upwards their outlook on Africa's economic growth, signalling that the continent is recovering from the impact of COVID-19 and becoming more resilient, despite slower vaccine rollout. The International Monetary Fund (IMF) and World Bank's latest economic outlook reports show that Africa is set to emerge from the 2020 recession sparked by the COVID-19 pandemic. The World Bank, in its latest edition of Africa's Pulse, forecast the regional economy to expand by 3.3% in 2021 which is a full percentage point rise compared to its April 2021 forecast. This rebound is currently fuelled by elevated commodity prices, a relaxation of



stringent pandemic measures, and recovery in global trade. The IMF shares similar sentiments in its regional economic outlook for Sub-Saharan Africa that the region is set to grow by 3.7% in 2021 and at an even higher pace (3.8%) in 2022.

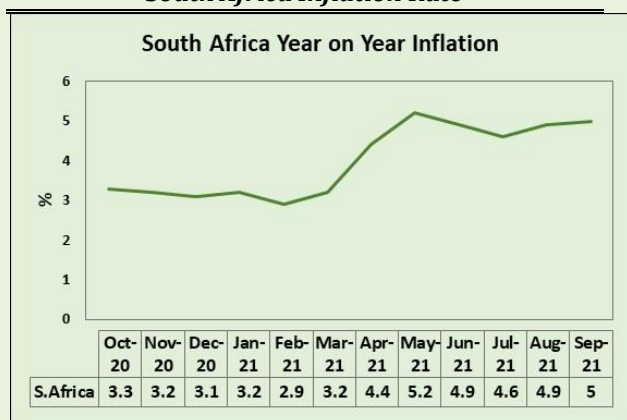
**a) South Africa**

The IMF has reviewed upwards South Africa’s 2021 economic growth outlook from 4% to 5% and forecast a 2.2% growth rate in 2022. South Africa’s economic recovery particularly has been helped by the commodities boom. Statistics South Africa adjusted the country’s gross domestic product (GDP) figures earlier in 2021, the economy would, therefore, have been between R360 billion and R450 billion larger, after adjustment for inflation.

	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, the annual inflation rate for South Africa increased by 0.1 percentage points from 4.9% in August 2021 to 5.0% in September 2021. The following graph shows South Africa’s inflation trend from October 2020 to September 2021:

**South Africa Inflation Rate**

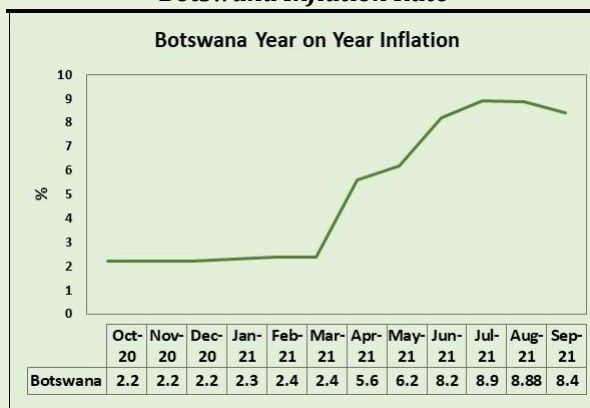


**b) Botswana**

Work is due to begin on Botswana’s second privately-owned coal mine (Maatla Resources) in Q1 2022. In 2022, the Botswana government estimates that the economy will grow at a rate of

4.3%, according to the country’s budget strategy document. Despite the higher GDP projection, Botswana expects its budget deficit to widen to 4% of GDP in 2022 from 3.7% in 2021 - deficit financing is forecast to push public debt to 26.8% of the GDP in 2022 from 22.4% in 2021.

**Botswana Inflation Rate**



In terms of inflation, Botswana’s annual inflation rate slightly improved by 0.48 percentage points to 8.4% in September 2021, from 8.88% in August 2021.

**c) Zambia**

UK and Zambia signed a new landmark partnership to drive sustainable economic growth and build on the momentum created by the historic COP26 climate summit. The Compact sets targets for delivering billions of Pounds worth of new investment, doubling trade volumes between the 2 countries, and channelling over £100 million of new financial resources to small and medium sized enterprises. It will strengthen coordination between the entire UK business community and the Zambian Government, as well as opening up financing opportunities for Zambian businesses.

Meanwhile, the annual inflation rate in Zambia declined by 1 percentage point from 22.1% in September 2021 to 21.1% in October 2021.

The following graph shows Zambia’s inflation trend from November 2020 to October 2021:

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### Zambia Inflation Rate



upward pressure came from cost of housing and utilities (6.8% and 1.9%), namely electricity (18.8%), gas (28.1%) and liquid fuels (69.1%), reflecting a global surge in energy and gas prices, and following the increase in the cap on energy prices, which changed on 1 October 2021. The graph below shows UK inflation trend from November 2020 to October 2021:

### UK Inflation Rate



## 6. International Economies

Compared to the July 2021 forecast, the International Monetary Fund has reviewed downwards the global economy's growth projection to 5.9% and unchanged growth forecast for 2022 at 4.9%. The pandemic outbreaks and weather disruptions have resulted in shortages of key inputs and dragged manufacturing activity lower in several countries.

### a) United Kingdom

Britain's recovery from its third COVID-19 lockdown slowed sharply over the summer as the economy's growth was affected by rising infection rates, and global supply shortages.

According to the Office for National Statistics, Britain's output expanded by 1.3% in Q3 2021, leaving it still more than 2.1% below its pre-crisis level in Q4 2019. 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

Meanwhile, annual inflation rate in UK jumped to 4.2% in October 2021, the highest since December 2011 and above market forecasts of 3.9%. Main

### b) United States of America

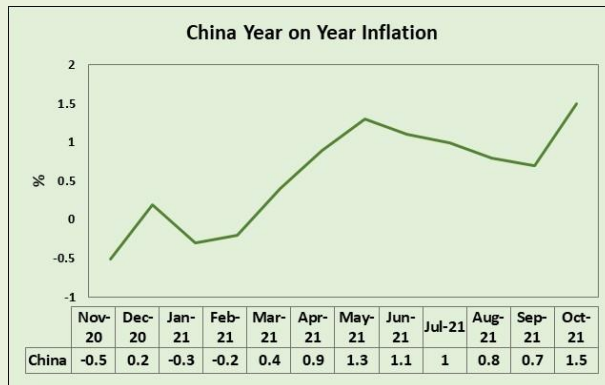
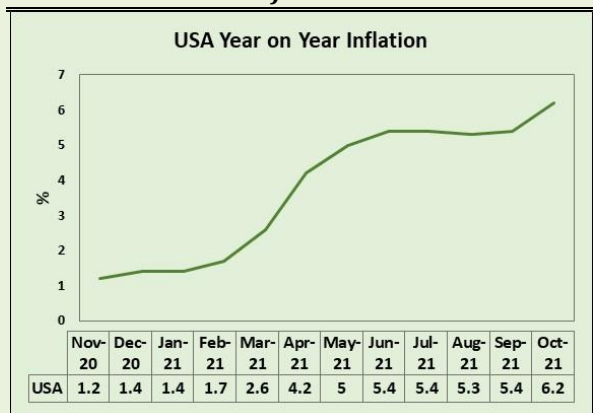
U.S.A retail sales surged in October 2021, as Americans started their holiday shopping. Sales soared by 16.3% year-on-year in October 2021. The broad increase in sales was led by motor vehicles, with receipts at auto dealerships advancing 1.8% after gaining 1.2% in September 2021. The rise reflects an increase in unit sales as well as higher prices.

The table below shows the U.S growth forecasts 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

Meanwhile, the annual inflation rate in the US rose to 6.2% in October 2021 from 5.40% in September 2021. The following graph shows the U.S. inflation trend from November 2020 to October 2021:

### USA Inflation Rate



### c) China

Although China was affected by sporadic COVID-19 flare-ups, energy shortages and extreme weather in October 2021, the country's economy remained relatively resilient.

According to China's National Bureau of Statistics, the economy performed better than expected during the period under review as retail sales and industrial output beat estimates. Retail sales growth accelerated to 4.9%, above the 3.7% estimate. Growth in fixed-asset investment eased to 6.1% in the first 10 months of 2021, compared with a forecast of 6.2%. The following table 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

In the interim, China's annual inflation rate recorded a sharp increase during the period under review as it increased by 0.8 percentage points to 1.5% in October 2021 from 0.7% in September 2021. The following graph shows China's inflation trend from November 2021 to October 2021:

### China Inflation Rate

## 7. Commodities Markets

Commodity	Opening Price (US\$)	Closing Price (US\$)	% Change
Gold	1,757.05	1,769.15	0.69%
Platinum	972.00	1,009.00	3.81%
Silver	22.01	24.01	9.09%
Oil	75.9	83.19	9.60%

### a) Gold

Gold price increased slightly by 0.69% from US\$1,757.05/oz on 1 October 2021 to US\$1,769.15/oz on 31 October 2021. Gold price averaged US\$1,776.85/oz during the month under review.

### Gold Price Movements in October 2021



### b) Platinum

Platinum price rose by 3.81% from US\$972.00/oz on 1 October 2021 to US\$1,009.00/oz on 31 October 2021. The average platinum price was US\$1,017.10/oz during the period under review.

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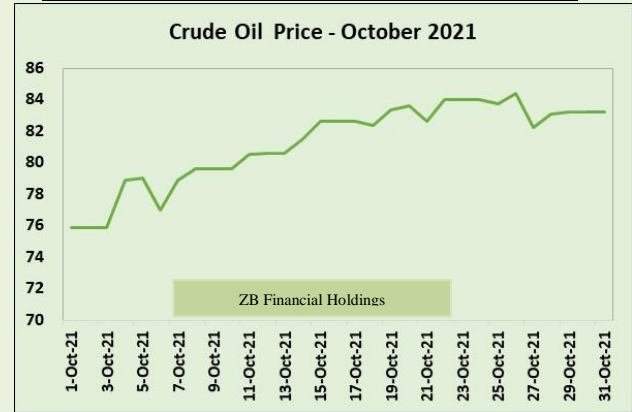
The graph below shows the platinum price trend for October 2021.

**Platinum Price Movements in October 2021**



graph shows the crude oil price trend during the period under review.

**Crude Oil Price Movements in October 2021**



**c) Silver**

In October 2021 the silver price increased by 9.09% to US\$24.01/oz as at 31 October 2021, with an average price of US\$23.30/Oz. The following graph shows the silver price trend in October 2021:

**Silver Price Movements in October 2021**



**d) Crude Oil**

During the month under review, crude oil prices generally trended upwards. The increase in the price of crude oil price is emanating from an increase in global demand for oil which is strengthening due to robust gasoline consumption and increasing international travel as more countries re-open their borders. In fact, the international oil price increased by 10% from US\$75.9/barrel on 1 October 2021 to US\$83.19/barrel on 31 October 2021, with an average price of US\$81.23/barrel. The following

**END**

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