



# Monthly Economic Update

## September 2021

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## 1. Economic Performance

### a) Domestic Economy

The Zimbabwean economy is now projected at 5.1% according to the IMF. In its October 2021 World Economic Outlook report, the IMF lowered Zimbabwe’s growth forecast from 6% to 5.1% for 2021. The same institution projects that the economy will register a 3.1% growth in 2022. The IMF projections are however below the Government’s expectations of achieving 7.8% growth in 2021. Zimbabwe’s outlook is hinged on the anticipated positive developments in the agriculture, mining, energy and manufacturing sector.

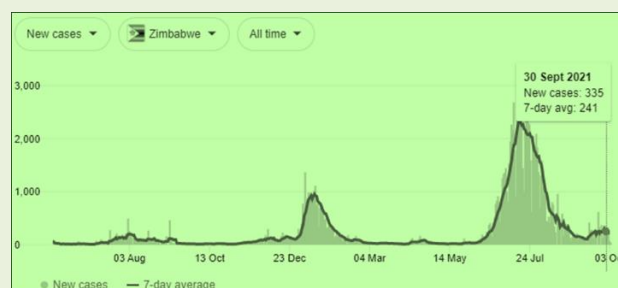
Meanwhile, Rwanda and Zimbabwe have taken a major step towards transforming their economic ties following the signing of five Memoranda of Understanding in key sectors of the economy. These are in Information, Communication Technology & e-Government, Agriculture & Livestock Development, Tourism & Business Events, Environment & Climate Change and another between the Confederation of Zimbabwe Industries (CZI) and the Rwanda Private Sector Federation.

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 130,820 infections, 123,016 total recoveries and 4,623 deaths as at 30 September 2021. The diagram below shows the daily trend of recorded COVID-19 cases between 27 May 2020 and 30 September 2020.

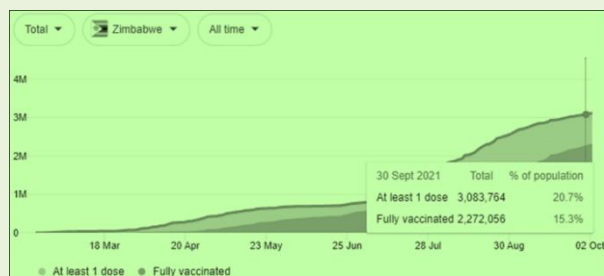


In the interim, the vaccination program which commenced in February 2021 is progressing well in various centres around the country. As at 30 September 2021, about 3,083,764 people (20.70%

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of population) had received the first dose of the vaccine while at least 2,272,056 people (15.30% of population) had been fully vaccinated. The diagram below shows the daily vaccination trend from the first day of the program to 30 September 2021:

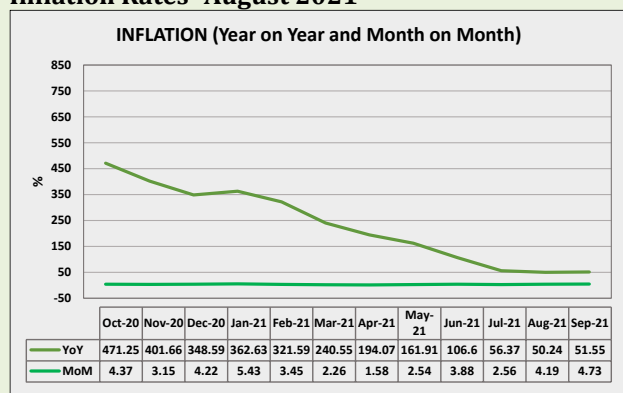


As the rate of infections dropped, coupled with an increase in the number of the vaccinated population, the Government of Zimbabwe continues to review the lockdown restrictions accordingly, and the economy is progressively opening up.

## 2. Inflation

During the period under review, year on year inflation rose by 1.31 percentage points from 50.24% in August 2021 to 51.55% in September 2021.

### Inflation Rates - August 2021



The month on month inflation rate in September 2021 was 4.73%, gaining 0.54 percentage points from the August 2021. Going forward to October 2021, we expect Zimbabwe's annual inflation rate to improve by approximately 3.17 percentage points to around 48.38%.

## 3. Financial Sector

### a) Money supply

According to the Reserve Bank of Zimbabwe Weekly Report as at 10 September 2021, the Reserve money rose by ZW\$341.71 million to ZW\$27.96 billion. The rise in reserve money largely reflected increases of ZW\$314.90 million and ZW\$26.81 million in required reserves and currency issued, respectively.

### b) Interest Rates

According to the latest Weekly Economic Highlights reports by RBZ as at 20 August 2021, minimum weighted lending rates charged by commercial banks to individual clients increased by 3.82 percentage points from 36.55% as at 16 July 2021, to 40.37% as at 20 August 2021. Minimum weighted lending rates for corporate clients increased from 22.07% on 16 July 2021 to 39.67% as at 20 August 2021. Savings deposit rates increased from 4.41% as at 16 July 2021 to 7.56% as at 20 August 2021. Bearing in mind that year-on-year inflation for September 2021 stood at 51.55% which remained much higher than interest 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 16 July 2021 to 20 August 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			
16-Jul-21	36.55	22.07	4.41	14.16	12.67
30-Jul-21	36.56	21.66	4.61	14.16	12.67
6-Aug-21	36.56	21.66	4.61	14.16	12.67
13-Aug-21	40.37	39.67	7.56	12.16	13.72
20-Aug-21	40.37	39.67	7.56	12.16	13.72
<b>Average</b>	<b>38.08</b>	<b>28.95</b>	<b>5.75</b>	<b>13.36</b>	<b>13.09</b>

### a) Foreign Currency Market

During September 2021, the USD appreciated against 16 of the 18 currencies in our basket and depreciated against 2 currencies as shown in the following table:



### Exchange Rate Analysis

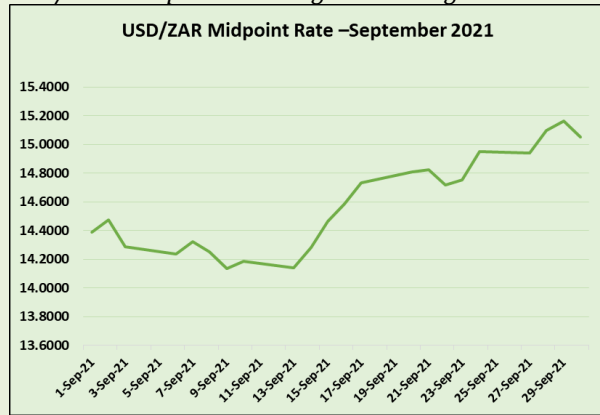
Exchange Rate Analysis			
Currency/US\$	1-Sep-21	30-Sep-21	Change (%)
Argentine Peso	97.7693	98.7364	0.99%
Australian Dollar	1.3571	1.3834	1.94%
Botswana Pula	11.2196	11.3118	0.82%
Brazilian Real	5.1810	5.4482	5.16%
British Pound	0.7251	0.7425	2.40%
Canadian Dollar	1.2616	1.2673	0.45%
Chinese Yuan Renminbi	6.4594	6.4466	-0.20%
Euro	0.8438	0.8638	2.37%
HongKong Dollar	7.7759	7.7851	0.12%
Indian Rupee	72.9743	74.1876	1.66%
Japanese Yen	110.0285	111.5148	1.35%
Norwegian Krone	8.6839	8.7445	0.70%
Russian Ruble	72.9218	72.6983	-0.31%
South African Rand	14.3897	15.0495	4.59%
Swedish Krona	8.6019	8.7593	1.83%
Swiss Franc	0.9144	0.9340	2.14%
South Korean Won	1156.2975	1183.9985	2.40%
Zimbabwean Dollar	86.0551	87.6653	1.87%

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

The USD gained the most against the Brazilian Real (5.16%), followed by the South African Rand (4.59%), British Pound (2.40%) and South Korean Won (2.40%). The USD depreciated against the Russian Ruble (0.31%) and the Chinese Yuan Renminbi (0.20%).

Meanwhile, the South African Rand depreciated by (4.59%) in September 2021. The following graph shows the trend of the USD/ZAR exchange rate for the month of September 2021.

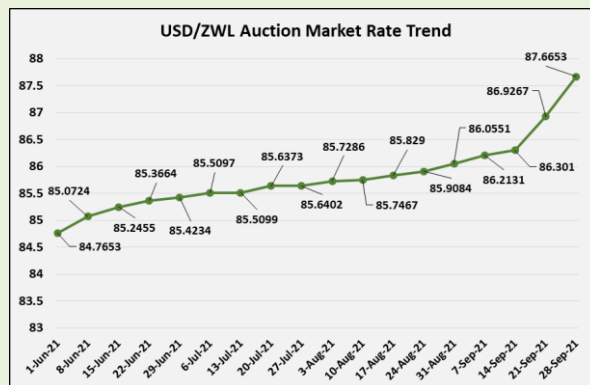
### USD/ ZAR Midpoint Exchange Rate- August 2021



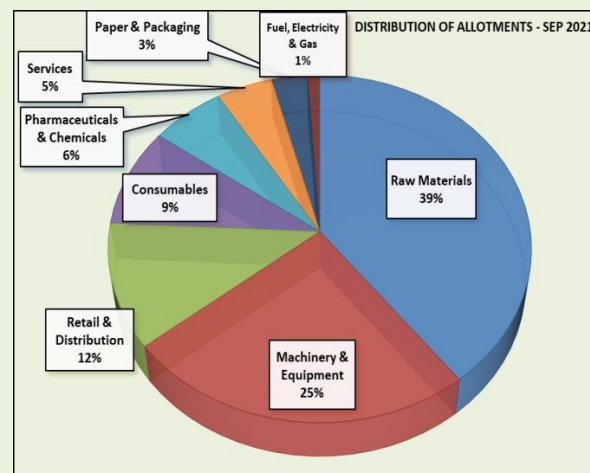
### RBZ Forex Auction Market

From the beginning of Q2 2021 to 30 September 2021, the ZWL depreciated by 3.42% against the

USD, from ZW\$84.7653/ US\$1 as at 1 June 2021 to ZW\$87.6653/US\$1 as at 30 September 2021. The table below shows the trend of ZWL/USD from 1 June 2021 to 30 September 2021:



During the month of September 2021, the Foreign Exchange Auction Market allocations were US\$158.90m. Of that amount, the greater amount (39.54%) was allocated towards raw materials. The other allocations are shown in the pie chart below:



### Equities Market & Corporate Briefs

The ZSE performance continued on a northward trajectory with the market capitalisation reaching ZW\$975 billion, equivalent to 372.28% year on year growth. The table below shows monthly trend of the Zimbabwe Stock Exchange key performance indicators from September 2020 to September 2021.

### Zimbabwe Stock Exchange Performance Indicators

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

over more than two years will see Steelmakers initially producing 60,000 tonnes of steel by the middle of 2022 under the first phase before further expansion that will push output to 200 000 tonnes a year.

#### b) Mining

According to the Minerals Marketing Corporation of Zimbabwe (MMCZ) export revenues from the country's resources, excluding gold could reach US\$3.2 billion in 2021, after surpassing 2021 targets in only 8 months. Revenues from the sector, excluding gold, hit US\$2.4 billion at the end of August 2021, against a US\$1.5 billion annual target.

#### News Highlights in the Financial Sector

- The Zimbabwe Stock Exchange (ZSE) has lifted suspension in the trading of CFI Holdings' securities after the company regularised its corporate governance shortcomings as required under the listing requirements.
- Steward Bank is focusing on leveraging its digital platforms in enhancing financial inclusion to meet the funding needs of informal traders and small to medium enterprises (SMEs).

#### News Highlights in the Mining sector

- Zimbabwe's gold output in the first 9 months of 2021 rose by 29% to 18.89 tonnes from 14.65 tonnes reported in the prior comparative period.
- Local coal miners are seeking an upward review of the price of coal used for power production citing high operational costs arising from the wide disparity between the official and black market foreign currency exchange rates. The price of coal is fixed at US\$30 per tonne paid in local currency at the prevailing official exchange rate.

## 4. Various Sectors of the Economy

### a) Manufacturing sector

According to the Confederation of Zimbabwean Industries, (CZI) second quarter business and economic intelligence report, capacity utilisation in Zimbabwe's manufacturing industry is projected to increase to 58% in Q3 2021 from 54% in Q2 2021. This is an indication that the industry is recovering especially following improved output in the agricultural sector.

#### News Highlights in the Manufacturing Sector

- Zimbabwe's fast-growing beverages maker, Varun Beverages plans to expand its operations in the country despite commissioning a US\$12 million water bottling plant at its Harare operation.
- Steelmakers set to start building a steel mill in Masvingo capable of smelting 200,000 tonnes a year. The investment, to be spread

### c) Agriculture

The government has begun setting up provincial farm mechanisation hubs to provide tillage, harvesting and logistics support to farmers during the 2021/2022 summer cropping season. The Agricultural Finance Company Holding's (AFC) leasing arm will deploy its fleet of 200 tractors and 40 combine harvesters to nine hubs that are being set up to boost the ongoing farm mechanisation programme ahead of commencement of the cropping season. The fleet will be augmented progressively to include 500 tractors and 200 combine harvesters through enlisting local agricultural equipment manufacturing and distribution companies.



### News Highlights in the Agriculture Sector

- The Grain Marketing Board has started receiving wheat from farmers, with the parastatal having already taken in more than 23,700 tonnes of the cereal.
- Zimbabwe's milk production has dropped by 4% amid government efforts to ramp up pasture and silage for dairy cattle.

## 5. Regional Economies

Sub-Saharan Africa is set to emerge from the 2020 recession sparked by the COVID-19 pandemic with growth expected to expand by 3.3% in 2021. This is 1% higher than the April 2021 forecast according to the latest edition of Africa's Pulse. This rebound is currently fuelled by elevated commodity prices, a relaxation of stringent pandemic measures, and recovery in global trade, but remains vulnerable given the low rates of vaccination on the continent, protracted economic damage, and a slow pace of recovery.

The analysis shows that current speeds of economic recovery in the region are varied, with the three largest economies, Angola, Nigeria, and South Africa, expected to grow by 0.4%, 2.4%, 4.6% respectively. Excluding South Africa and Nigeria, the rest of SSA is rebounding faster at a growth rate of 3.6% in 2021, with non-resource-rich countries like Côte d'Ivoire and Kenya expected to recover strongly at 6.2 and 5.0%, respectively.

### a) South Africa

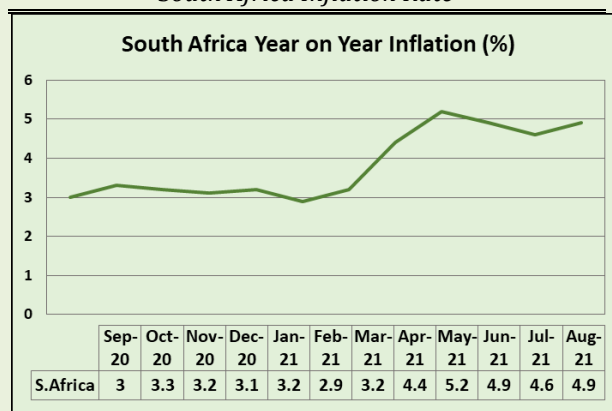
The IMF has upwardly revised South Africa's growth outlook from 4% to 5%. South Africa's economic recovery particularly has been helped by the commodities boom. The South African Reserve Bank, in its September 2021 Monetary Policy Committee meeting, also upwardly revised the nation's growth outlook from 4.2% to 5.3%.

	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 for South Africa

increased by 0.3 percentage points from 4.6% in July 2021 to 4.9% in August 2021. The following graph shows South Africa's inflation trend from September 2020 to August 2021:

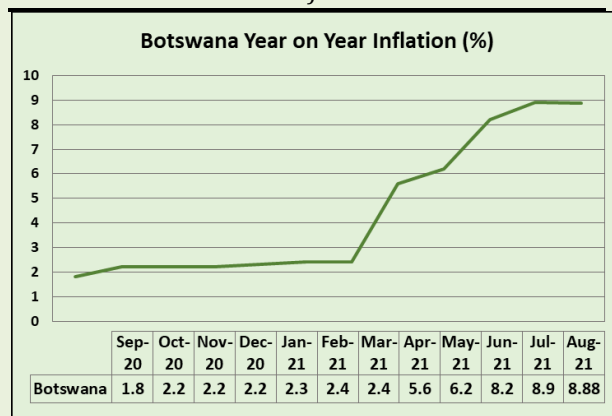
South Africa Inflation Rate



### b) Botswana

Botswana government estimates that the economy will grow at a rate of 4.3% in 2022, according to a budget strategy document published during the period under review. This comes as the country emerges from the pandemic and reaps benefit of higher commodity prices. However, despite the higher GDP projection, Botswana expects its budget deficit to widen to 4% of GDP in 2022 from 3.7% in 2021 due deficit financing which will 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 to 8.88% in August 2021,



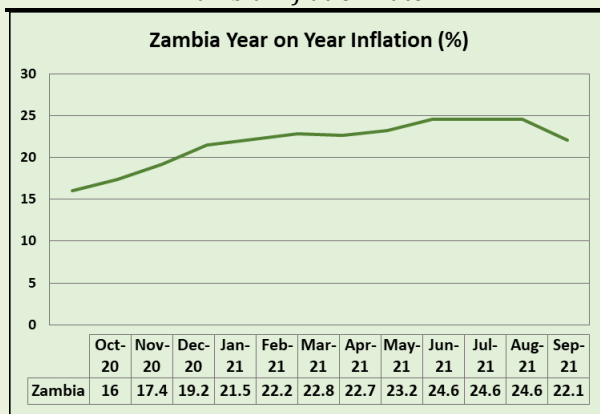
from 8.9% in July 2021.

### c) Zambia

The election of Hakainde Hichilema to the Presidency has increased confidence that the President-elect will embark on reforms for fiscal consolidation and public finance transparency. The Zambian Kwacha appreciated by 19% against the US dollar and sovereign bond yields retracted by 620 basis points. Zambia will engage in talks with the International Monetary Fund (IMF) to secure a deal that entails a commitment to fiscal discipline.

Meanwhile, annual inflation rate in Zambia improved by 2.5 percentage points from 24.6% in August 2021 to 22.1 in September 2021. The following graph shows Zambia's inflation trend from October 2020 to September 2021:

Zambia Inflation Rate



## 6. International Economies

According to the International Monetary Fund, October 2021 World Economic Outlook, the global growth projection for 2021 has been revised down marginally to 5.9% and is unchanged for 2022 at 4.9%. The outlook for the low-income developing country group has darkened considerably due to worsening pandemic dynamics. Partially offsetting these changes, projections for some commodity exporters have been upgraded on the back of rising commodity prices. Pandemic-related disruptions to contact-intensive sectors have caused the labour market recovery to significantly lag the output recovery in most countries.

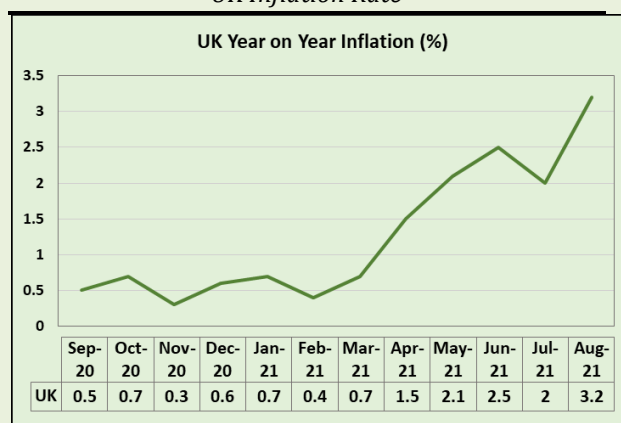
### a) United Kingdom

The UK's economic recovery from the COVID-19 pandemic has so far proven rapid but incomplete, and remains distorted by sectorial and regional imbalances. Over the winter, expectations are that, a combination of lingering public health concerns, income losses and supply impairments to all drive a further fading of growth momentum. A sustained and complete recovery remains far from secure. 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 the UK jumped to 3.2% in August of 2021, the highest since March 2012, from 2% in July and above market forecasts of 2.9%. The graph below shows UK inflation trend from September 2020 to August 2021:

UK Inflation Rate



### b) United States of America

The US economy continues to strengthen, albeit at a slower rate because of the Delta variant of COVID-19. The US economy added just 194,000 jobs in September, far fewer than expected and the second month of disappointing growth, as the Delta variant and a tight labour market appeared to be holding back hiring.

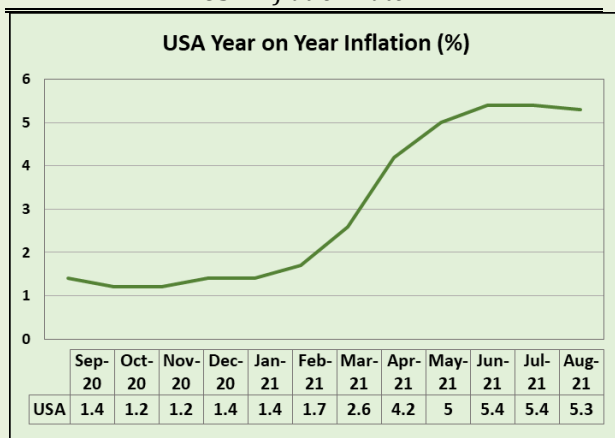


The table below shows economic growth forecasts, inflation rate forecasts and the unemployment rate forecasts for the US economy up to 2022.

	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

Meanwhile, the annual inflation rate in the US eased to 5.3% in August 2021 from a 13-year high of 5.4% reported in June and July, matching market expectations. The monthly rate eased to 0.3% from 0.5% in July, better than forecasts of 0.4%. Prices of airline fares, used cars and trucks, and motor vehicle insurance all declined over the month while increases were seen in cost of gasoline, household furnishings and operations, food, and shelter. The graph below shows the U.S. inflation trend from September 2020 to August 2021:

USA Inflation Rate



### c) China

China's economy took a knock in August 2021 from stringent virus controls and tight curbs on property, fuelling concerns about the global recovery as countries battle to get delta outbreaks under control. According to the China's National Bureau of Statistics, retail sales growth slowed to 2.5% from 2020, much lower than the 7% estimate.

Meanwhile, China is facing an electricity crisis, which has led to power rationing in some parts of the country, impacting normal economic operations

and people's livelihoods. 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

On another note, China's annual inflation rate has improved by 0.1 percentage points from 1.1% in June 2021 to 1.0% in July compared with market consensus of 0.8%. This was the lowest reading since April 2021. On a monthly basis, consumer prices rose by 0.3% in July 2021, the first gain in 5 months, after a 0.4% drop in June 2021, and compared with forecasts of a 0.2% increase. The graph below shows China's inflation trend from August 2020 to July 2021:

China Inflation Rate



## 7. Commodities Markets

Commodity	Opening Price (US\$)	Closing Price (US\$)	% Change
Gold	1,811.80	1,742.80	-3.81%
Platinum	1,012.00	963.00	-4.84%
Silver	23.92	21.53	-9.99%
Oil	68.29	75.12	10.00%

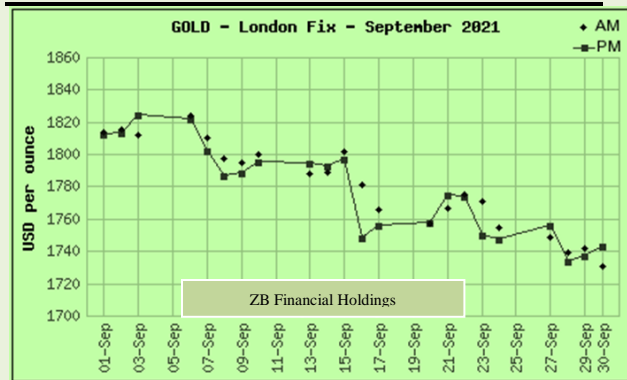
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**a) Gold**

Gold price decreased by 3.81% from US\$1,811.8/oz on 1 September 2021 to US\$1,742.8/oz on 30 September 2021. Gold price averaged US\$1,777.25/oz during the month under review.

Gold Price Movements in September 2021

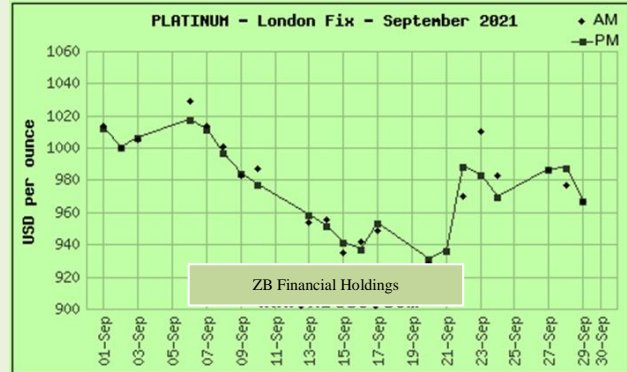


Gold prices softened, as strong US jobs employment data raised worries that the US Federal Reserve would begin cutting back COVID-19 induced economic support. This development bolstered the US dollar, thereby increasing the opportunity cost of holding non-interest-bearing assets such as gold.

**b) Platinum**

Platinum price dropped by 4.84% from US\$1,012.00/oz on 1 September 2021 to US\$963.00/oz on 30 September 2021. The average platinum price was US\$975.18/oz in September 2021. The graph below shows the platinum price trend for September 2021.

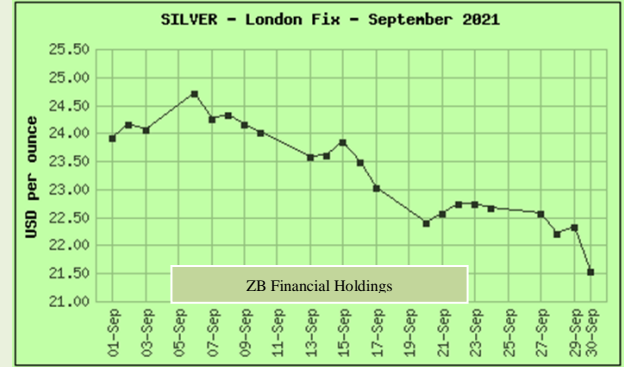
Platinum Price Movements in September 2021



**c) Silver**

In September 2021 silver price decreased by 9.99% to US\$22.53/oz as at on 30 September 2021, with an average price of US\$23.31/Oz. The following graph shows the trend of Silver price in September 2021:

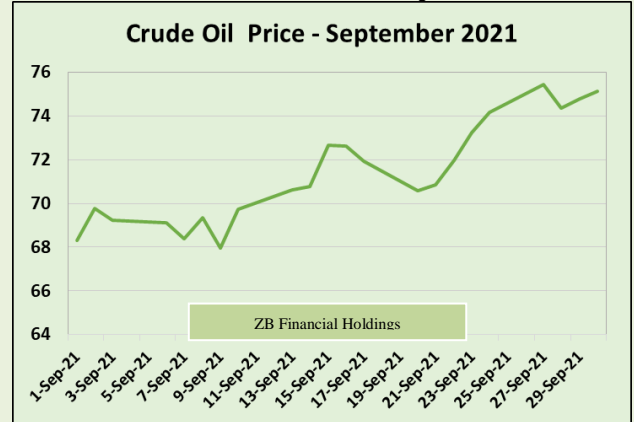
Silver Price Movements in September 2021



**d) Crude Oil**

During the month under review, crude oil prices generally trended upwards. Oil prices slumped at the start of the corona virus pandemic, but demand has started to rise as economies around the world have started to reopen. In fact, the international oil price increased by 10% from US\$68.29/barrel on 1 September 2021 to US\$75.12/barrel on 30 September 2021, with an average price of US\$71.41/barrel. Below is a graph that shows the crude oil price trend during the period under review.

Crude Oil Price Movements in September 2021



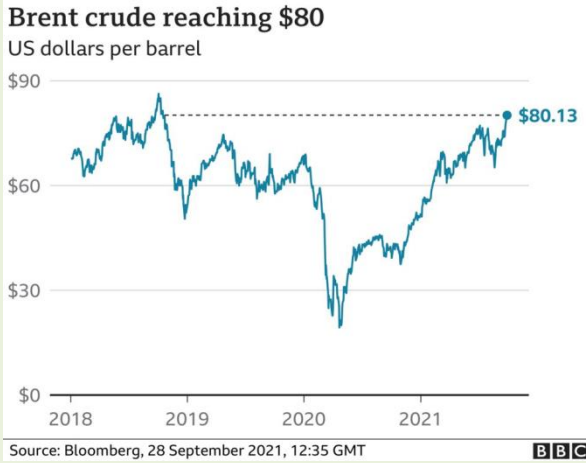
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**Long term trend: Brent crude oil hit a three year high end of September 2021.**

Brent crude, the international benchmark, rose to as much as \$80.69 on 28 September 2021, the most since October 2018. Prices have been rising for seven consecutive days on the back of the energy crisis in Europe.



**END**