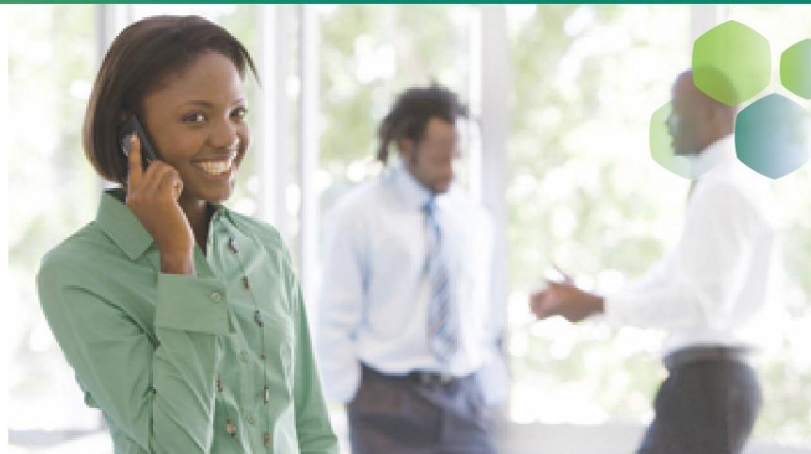


Monthly Economic Brief

March 2018



Highlights

Negotiations for Zimbabwe's re-admission into the Commonwealth are ongoing.

List of individuals and firms accused of externalization published.

February 2018 tax revenues exceeded monthly target by 5.1%.

2018 tobacco marketing season opens; with seasonal volume target of 200 million kilograms.

ZSE market capitalization retreated 1.3% to close March 2018 at \$8.716 billion.

Road to international re-engagement...

Foreign Affairs Minister Lieutenant-General Sibusiso Moyo (Retired) told Parliament that negotiations for Zimbabwe to re-join the Commonwealth are ongoing, with consultations at an advanced stage. He reiterated that the new administration is not facing any impediments regarding its efforts to be re-admitted into the Commonwealth.

Meanwhile, the United States Foreign Office reportedly proposed prescriptive reforms, including but not limited to electoral reforms, as a precondition for re-engagement with Zimbabwe. The UN and SADC pledged to support government's commitment to hold credible elections.

Naming and shaming...

Government published a list of corporates and individuals accused of 'externalising' funds and failing to comply with government's December 2017 call for externalised funds to be repatriated by the 16th of March 2018. The list has an estimated total of US\$827 million and has raised market widespread speculation on the likely fate of alleged offenders.

Improved tax collection momentum continues...

Gross national tax revenues for February 2018 closed at \$339.1 million, 5.1% above target and 32% above collections in the same month last year. Net collections closed at \$316.8 million. Company tax for February 2018 closed at \$27.4 million, against a target of \$12.4 million for the month and \$23 million collected in February last year. The Zimbabwe Revenue Authority attributed strong collections to intensified risk-based audits and follow-up efforts.

A correspondingly aggressive thrust towards containing national expenditure to compliment the commendable revenue collections remains essential for rebalancing national accounts.

300MW added to the national electricity grid

President Mnangagwa commissioned the \$533 million Kariba South hydro-power project, adding 300MW to the national grid. The project is expected to half the national electricity import demand from the current 600MW. Zimbabwe's national power demand is currently estimated around 1600MW.

Primary output review...

National gold deliveries to Fidelity closed February 2018 at \$2.01 tons, 23% down from the previous month's total of 2.6 tons. February deliveries were partly weighed down by rain-related output disruptions. This notwithstanding, cumulative gold output in the first two months of 2018 reached 4.61 tons; a 49.2% increase from the corresponding period last year.

The 2018 tobacco marketing season opened on the 22nd of March 2018, with government projecting seasonal outturn to close the year at 200 million tons. The seasonal volume target is 5.8% higher than last year's closing volume of 189 million kgs, on the basis of increased area planted and yield per hectare. Tobacco cash flows are expected to improve foreign currency generation, with the Reserve Bank of Zimbabwe maintaining a 12.5% export incentive.

Dollar largely weaker against most currencies

The two largest global economies by GDP; the United States and China threatened huge trade tariffs against each other, sparking fears of a trade war. Resultantly, the United States dollar showed weakness against most major currencies. A late rebound was supported by receding fears of a trade war amid reports of possible negotiations.

The dollar retreated 0.8% against the Euro, closing the month under review at US\$1.24, from an opening position of US\$1.23 per Euro. The South Africa Rand (ZAR) was weighed down by domestic policy fragility, amid uncertainties regards land reform proposals. The ZAR eased 0.6% against the United States Dollar, closing the month ended 29 March 2018 at ZAR11.71 per dollar, from an opening of ZAR11.64.

Commodities predominantly negative

With the exception of crude oil, commodity prices, closed the month under review softer as highlighted in the following table.

Commodity	Price	Mar'18	YTD
Nickel (usd/ton)	12,920.00	-5.54%	6.87%
Crude Oil (usd/barrel)	69.32	3.31%	4.27%
Gold (usd/oz)	1,323.00	-1.10%	2.04%
Platinum (usd/oz)	935.61	-6.50%	0.64%
Coffee (usd/lb)	117.85	-3.36%	-5.57%
Maize (usd/ton)	147.83	-0.33%	7.13%
Wheat	448.50	-4.63%	5.16%
Sugar (usc/lb)	12.23	-9.21%	-18.25%
Cotton lint (usc/lb)	81.05	-1.07%	3.13%

The United States and China are among the world's largest commodity producers and consumers. Market concerns around the threat of a trade war between the two super powers curbed trade flows in global commodity markets. Resultantly, global commodity demand was curbed by the risk of associated trade barriers, weighing down commodity prices.

Brent crude oil prices rose on the back of continuing global supply cuts by the organisation for petroleum exporting countries (OPEC) in an attempt to manage oversupply and provide market support for the commodity.

Money market interest rates remain static

Money market activity remained depressed in light of weak demand for deposits and associated limited on-lending activity. The average 90 days interest rate quote remained static at 2.24%.

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Bearish ZSE trajectory persists

Weakness on the ZSE persisted for the 3rd consecutive month in 2018, with the ZSE All Share Index retreating 1.19% during the month ended 29 March 2018 as highlighted in the table below:

Sector/Index	Value	Mar'18	YTD
Commodities	915.86	-1.33%	-7.49%
Consumer	422.31	-1.63%	-14.80%
Financial	170.47	1.00%	-8.99%
Listed Property	157.66	-4.16%	-21.24%
Manufacturing	182.11	-0.08%	-6.83%
Industrial	291.00	-1.21%	-12.62%
Mining	125.09	0.14%	-12.16%
Top Ten	85.71	-1.56%	-14.29%
All Share	86.98	-1.19%	-13.02%
Market Cap (\$ bln)	8.716	-1.31%	-13.87%

The following tables highlight the ZSE top and bottom three performing stocks for March 2018.

Top 3 Performers	Price USc	Mar'18	YTD
CAFCA	60.00	71.43%	100.00%
FIDELITY	9.60	20.00%	-12.73%
AXIA	20.00	11.11%	11.11%

Bottom Performers	Price USc	Mar'18	YTD
BAT	2,000.00	-16.67%	-43.98%
WILLDALE	0.50	-16.67%	-31.51%
ZHL	2.50	-16.39%	-3.47%

ZSE total value of trades declined 61% to \$40.7million in March 2018. The average daily value of trades eased 44% to \$1.9 million over the prior month. For the 3rd consecutive month in 2018, foreign investors were net buyers at \$10.5 million. Total net inflows registered in 2018 extended to \$21.6 million. Foreign investors accounted for 51% and 41% of total ZSE trades in March 2018 and on a year to date basis respectively.

Economic Outlook

Impending elections are likely to dominate the near-term outlook, clouding policy reform momentum and actual foreign direct investment. This notwithstanding, primary output from the agriculture and mining sectors is likely to sustain growth.

The overall policy direction to date has been encouraging and is expected to remain positive, though arguably slow in the pre-election outlook. Overall, we remain cautiously optimistic of the macro-economic outlook.