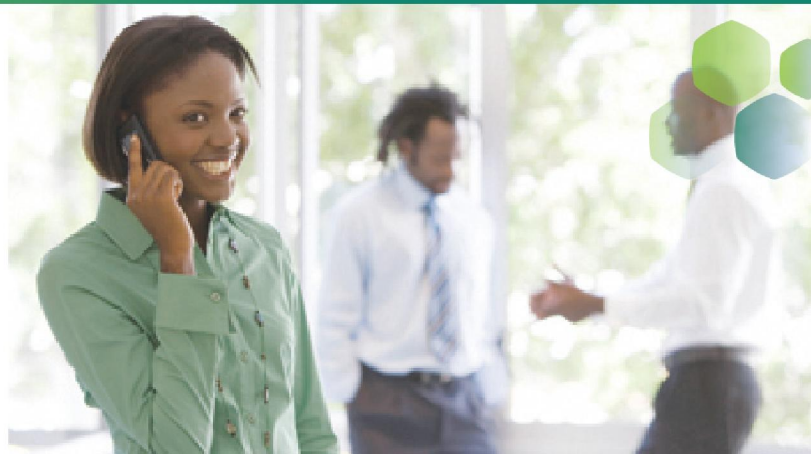


Monthly Economic Brief

April 2017



Highlights

The IMF revised Zimbabwe's 2017 GDP growth forecasts up from -2.5% to 2%.

Q1'2017 national tax collections outperformed target by 1.68% at \$826.63 million.

Government secured US\$1.1 billion to clear external debt arrears in line with LIMA plan.

ZSE market capitalization firmed 8.75% in April 2017, closing the month at US\$4.305 billion.

Opposition to 'work together'

MDC-T leader Morgan Tsvangirai signed Memoranda of Understanding (MoUs) with fellow opposition leaders Joice Mujuru and Welshman Ncube. The MoUs are a commitment to field a single candidate in the impending 2018 Presidential elections. Mr Tsvangirai pledged to sign similar agreements with other parties towards a 'grand coalition' to challenge ZANU-PF. Intensifying election preparations are likely to divert attention from economic policy reforms.

Weak, but positive outlook...

The IMF revised Zimbabwe's 2017 GDP growth forecast from -2.5% to 2%, ostensibly citing a firm commodity outturn. The relatively bullish 2017 growth projection is dented by a projected -1.5% contraction in 2018, supposedly attributable to election disruptions. The IMF forecasts inflation to close 2017 at 5%, before hitting a post-dollarization high of 8% in 2018. The inflationary outlook might be attributable to an increasingly fragile monetary policy framework.

Overall, the IMF's growth forecasts point to an outlook less dire than previously feared. This notwithstanding; impending elections and monetary policy vulnerability could trigger outcomes much more grim than the baseline in the foreseeable future.

Squeezing a rock...

National net tax revenue collections closed Q1'2017 at \$826.63 million, 1.68% above target. Compared to the same period last year; collections increased by 14%. All things normal, higher collections would suggest improved economic activity - taking tax collections as a proxy of economic output. The tax debt from outstanding VAT and corporate taxes stood at \$1.857 billion as at 31 March 2017.

Above target tax collections are commendable – assuming reasonable targets. The tax debt aptly summarises the prevailing business environment. Crudely extrapolating collections at the current rate – we could close the year around \$3.3 billion; considerably below a budgeted \$3.8 billion.

Fighting fire with fire?

Minister of Finance Hon. Chinamasa announced that Zimbabwe has secured US\$1.1 billion to settle arrears owed to the World Bank. This follows the country's repayment of US\$110 million to the IMF in October 2016. Arrears clearance to the international creditors is part of government's international re-engagement efforts as agreed with international financial institutions in October 2015 in Lima, Peru.

Arrears clearance is envisioned to unlock new funding, subject to a comprehensive economic recovery plan and a raft of political, economic, institutional and structural reforms. Details of the US\$1.1 billion bailout are sketchy but independent sources suggest the funds were sourced from global commodities firm Trafigura, as a short term loan at non-concessionary interest rates.

Inflation is back...

Inflation pressures persisted, closing March 2017 at 0.21%, having turned positive for the first time in 29 months in February 2017. Supply side constraints from import restrictions and compromised local output sustain an excess demand outlook fuelling inflation and inflation expectations.

S.A's junk credit rating weighed on the ZAR

The dollar was predominantly softer against alternative trading currencies during the month ended 30 April 2017, following U.S President Trump's assessment that the dollar is 'too strong.' The dollar shed 1.5% against the Euro in line with reactive speculative sell-off, closing the month under review at US\$1.09 per Euro.

Against the South African Rand (ZAR), the dollar firmed 2.3% to close at ZAR13.28 per dollar, as domestic vulnerabilities in South Africa's macro-economic policy space outweighed forces weighing down the dollar. Dollar appreciation was supported by S&P credit rating agency's downgrading of South Africa's credit rating to junk status.

Investor jitters spurred gold rally...

Commodity prices closed month under review mixed as highlighted in the table below.

Commodity	Price	Apr'17	YTD
Nickel (usd/ton)	9,170.00	-7.65%	-8.62%
Crude Oil (usd/barrel)	51.73	-1.67%	-9.52%
Gold (usd/oz)	1,267.58	2.05%	9.30%
Platinum (usd/oz)	952.90	0.79%	5.10%
Coffee (usd/lb)	129.60	-6.70%	-4.32%
Maize (usd/ton)	144.78	2.58%	5.37%
Sugar (usc/lb)	431.25	2.13%	6.42%
Cotton lint (usc/lb)	15.69	-6.27%	-19.50%

Oil prices extended losses as fears of global oversupply conditions sustained bearish price outlook. Rising output in the United States, Canada and Libya outweighed reports of declining production in Russia and an Organisation of Petroleum Exporting Countries cap on output. The low oil price outlook is likely to contain global inflation expectations.

Gold extended its rally, reaching a five-month peak, supported by safe haven attractiveness in line with inflated geopolitical tensions. Investor nervousness was triggered by an escalation in hostilities between the United States and North Korea.

ZSE bond trading re-introduced

The Zimbabwe Stock Exchange successfully re-introduced fixed income instrument trading. The first listing was the first tranche (\$5.4 million) of GetBucks Financial Service's \$30 million medium term note. The \$5.4 million instrument was fully subscribed in the form of promissory notes that were converted to three year paper attracting a yield of 11%.

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Local equities in the right direction...

ZSE stocks reduced earlier losses, registering noteworthy gains as highlighted below.

Sector	Value	Apr'17	YTD
Commodities	395.23	6.30%	11.15%
Consumer	214.34	10.09%	2.08%
Financial	102.41	4.86%	7.46%
Listed Property	110.56	0.97%	-7.06%
Manufacturing	75.01	10.69%	25.73%
Industrial	143.20	3.05%	-0.92%
Mining	66.33	13.27%	13.37%
Market Cap (\$ bln)	4.305	8.75%	2.15%

The following tables highlight ZSE top and bottom 3 performing stocks for April 2017.

Top 3 Performers	Price USc	Apr'17	YTD
WILLDALE	0.35	40.00%	40.00%
MASIMBA	2.40	26.32%	41.18%
RIOZIM	50.00	25.00%	66.67%

Bottom 3 Performers	Price USc	Apr'17	YTD
ZIMRE	1.40	-15.15%	-15.15%
STARAFRICA	1.00	-10.71%	-15.97%
LAFARGE	44.75	-6.77%	14.74%

Market capitalisation breached the \$4 billion mark for the first time in 2017, closing April 2017 at \$4.3 billion. The total and daily average value of ZSE trades declined by 54% and 38% to \$11.206 million and \$0.659 million, respectively, during the month under review.

Foreign investors remained net sellers on the local bourse for a 19th consecutive month. Foreign investors closed net sellers with net outflows of \$6.8 million having registered the lowest purchases since August 2016 at \$1.359 million. Foreign investor participation eased from 58% to 42% in April 2017.

Economic Outlook

The macro-economic policy framework has registered some momentum in the 'right direction.' This notwithstanding, accompanying non-economic reforms will be necessary for sustainable economic recovery.

Impending elections and the search for popularity threaten the reform agenda. The elections therefore pose a major environment milestone. Between now and then, we expect continued muddling-through and a sub-par growth outlook.