

MONTHLY ECONOMIC BRIEF

November 2019



Highlights

- Treasury projects budget deficits of 4% and 1.5% of GDP in 2019 and 2020, respectively.
- Government forecasts GDP growth to rebound from -6.5% to 3% in 2020.
- Import restrictions on food lifted to uphold the right to food - by all means possible.
- Poverty Datum Line per person closed Oct'19 at ZWL\$631.90.
- Implied inflation reached 440% in Oct'19.
- ZSE total market capitalization shed 0.1% to ZWL\$31.5 bn in November 2019.

Local politics in fragile balance...

South African International Relations Minister Naledi Pandor noted that political divisions in Zimbabwe make external assistance difficult. Further, she reiterated that it is Zimbabweans that should lead their reform process. On sanctions, she noted that while South Africa is against sanctions on Zimbabwe - 'the political dynamics are inextricably linked to the economic solutions, and thus should be addressed simultaneously.'

Gearing for productivity, growth and jobs

Minister of Finance Mthuli Ncube presented the 2020 national budget themed 'Gearing for higher productivity, growth and job creation.' In line with the theme; tax reforms included protectionist duties, lower corporate tax, softer PAYE and credits for youth employment. From a ZWL\$0.8 bn surplus in the 9 months to Sept'19; Treasury expects a ZWL\$5.2 bn deficit (4% of GDP) from ZWL\$26.2 bn spending by Dec'19; improving to ZWL\$5 bn (1.5% of GDP) in 2020.

Treasury forecasts support the notion of a recession being inevitable in 2019. This notwithstanding, Treasury projects a rebound from -6.5% to 3% next year. The recovery is premised on the assumption of no (or less) adverse externalities - particularly extreme weather events such as the drought and cyclone that affected the 2019 outturn. Overall, the budget suggests that there is no silver-bullet

approach to sustainable economic recovery.

New notes... same issues

The Reserve Bank of Zimbabwe introduced 'new' ZWL\$2 and ZWL\$5 notes, as well as ZWL\$2 coin to run alongside existing Bond notes. The new notes have uncomfortably familiar features - conspicuously similar to Bond notes. Issuance of the notes is notably cautioned; ostensibly managing base money growth and its effect on inflation. The full intuition behind the 'new notes' remains arguably hazy - because cash shortages have persisted, while inflation and exchange rates have to date also seemed insensitive.'

Twitching and twerking...

Government gave approximately 450 junior doctors (that it had earlier dismissed for engaging in illegal job action) 48 hours expiring on 30 November 2019 to unconditionally return to work. The junior government doctors started their strike action on 3 September 2019 citing incapacitation and have since been joined by senior doctors and council nurses.

Government lifted import license requirements on the entire range of food products 'in order to ensure adequate food supply'. Consequently, anyone with free funds can now import food without the need for a permit. Further, contrary to earlier reports; there will be no questions asked on the source of funds. "The intention is to ensure that by all means possible, citizens' right to access food is protected".

Poverty datum for five at ZWL\$3 159.52

The poverty datum line for five urban dwellers closed October 2019 at ZWL\$3159.52 (ZWL\$631.90 per person); up 44.2% from the prior month. The International Labour Organization recommends that the PDL must be used as a reference point for minimum wages.

Consumer inflation over the same period was 38.8%. Implied year on year inflation (using the pre-ZWL\$ CPI base) reached 440% - against earlier expectations that base effects starting Oct'19 would help contain year on year inflation - since the CPI base first shot up in Oct'18.





Going forward; inflation pressures are likely to persist, in-part due to seasonal consumption pressures, likely ZWL\$ depreciation (and associated exchange rate pass-through on prices) as well as generalized expectations of inflation - driving inflation.

The ZWL\$ maintained its path... South

Mixed macro-economic and geo-political themes played havoc on the currencies market. The United States Dollar (US\$) traded in a narrow range and closed the month to 30 November 2019 down 0.39% against the South African Rand (ZAR) at ZAR14.74 per US\$. The US\$ firmed 1% against the Euro over the same period, closing at US\$1.10 per Euro.

The Zimbabwean Dollar (ZWL\$) extended losses against the US\$, retreating 3.6% to ZWL\$16.26 per US\$ during the month under review. The ZWL\$ has officially shed 93.8% since parity with the US\$ was lifted in February 2019.

Commodities mostly bullish...

Commodity price movements were mostly positive in November 2019 as shown below.

Commodity	Price	Nov'19	YTD'19
Nickel (usd/ton)	14 060.00	-16.76%	21.84%
Crude Oil (usd/bbl)	63.42	5.07%	17.92%
Gold (usd/oz)	1 456.27	-3.42%	13.46%
Platinum (usd/oz)	899.19	-3.94%	12.89%
Coffee (usc/lb)	117.25	16.09%	16.78%
Maize (usd/ton)	146.94	-3.93%	-0.67%
Wheat (usd/ton)	526.75	3.90%	3.69%
Sugar (usc/lb)	12.90	4.79%	5.31%
Cotton lint (usc/lb)	65.69	0.88%	-9.52%

Nickel prices registered their highest monthly decline since September 2011, reducing earlier gains – primarily driven by global glut concerns as Indonesia softened its raw nickel export ban.

Softer production and an associated net supply deficit in Latin America is partly responsible for the noteworthy jump in coffee prices. Honduras was particularly hard hit by a five-year drought.

Local equities extended gains...

The benchmark ZSE industrial index firmed 0.2% in November 2019, extending year to date gains to 64.5% as highlighted below.

Sector/Index	Value	Nov'19	YTD'19
Commodities	3146.35	1.8%	85.0%
Consumer	1327.54	-0.8%	52.4%
Financial	1457.42	-2.4%	57.6%
Listed Property	533.56	25.9%	150.3%
Manufacturing	733.00	-0.9%	131.2%
Industrial	801.38	0.2%	64.5%
Mining	344.42	30.0%	51.3%
Top 10	216.29	-2.5%	49.1%
All Share	240.81	0.6%	64.7%
Market Cap (ZWL bn)	31.538	-0.1%	61.5%

The following tables highlight ZSE top and bottom three performers for November 2019.

Top 3	Price ZWLc	Nov'19	YTD'19
MEDTECH	1.52	100.00%	7500.00%
FML	16.00	100.00%	127.92%
ZIMRE	6.80	91.01%	169.84%

Bottom 3	Price ZWLc	Nov'19	YTD'19
WILLDALE	2.88	-39.75%	231.03%
ART	8.00	-37.69%	-9.09%
POWERSPEED	29.00	-30.95%	107.14%

ZSE total and average daily trades declined by 39.1% in November 2019 to ZWL\$131.8 mn and ZWL\$6.3 mn, respectively. Locals dominated trades, accounting for 85.8% of total trades. ZSE net foreign portfolio inflows retreated 82% in the month ended 30 November 2019 to US\$1 mn.

Economic Outlook

The political economy suggests a fragile balance; with risks tilted to the downside. The absence of foreign budgetary support fuels an inherent risk of unconventional, yet familiar, survivalist tendencies. Policy relapse therefore anchors macro risks over the foreseeable outlook. A broadly inflationary outlook is anchored on likely depreciation and associated pass-through effects.

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