

Monthly Economic Brief

June 2018



Highlights

ZIDERA Amendment Act proposals approved by U.S Senate Foreign Relations Committee

Gold and tobacco performance significantly ahead of prior year numbers

The World Bank revised Zimbabwe's 2018 GDP growth forecast up from 1.8% to 2.7%.

Cost of living for an urban family of six declined 0.34% to \$589.58 in May 2018

Year on year inflation remained unchanged at 2.71% from prior month in May 2018

ZSE market capitalization retreated 3.65% to close June 2018 at \$10.527billion

Long road to full re-integration...

The United States Senate (Foreign Relations Committee) approved the ZIDERA Amendment Bill 2018 as proposed by Senators Jeff Flake and Chris Coons. The Bill sets forth steps Zimbabwe needs to take to have sanctions lifted. The steps include the implementation of political and economic reforms such as ensuring free, fair and credible elections, a genuine commitment to address human rights abuses as well as compensation of displaced farmers.

International Monetary Fund (IMF) representative, Christian Beddies reportedly said it is important for Zimbabwe to conduct credible elections to prove that it is ready for international engagement. Mr. Beddies reiterated that to benefit from a 'Fund program'; Zimbabwe must clear outstanding external arrears, obtain bilateral financing assurances and subscribe to a comprehensive and coherent macro-economic stabilization program. Overall, full re-engagement seems considerably more complicated.

Gearing for elections...

The nomination court sat on the 14th of June 2018 as political parties submitted nomination papers of those contesting in the upcoming elections. A record 23 candidates successfully filed nomination papers to contest for the Presidency. The previous record was 5 (registered in the 2002 elections). The Zimbabwe Electoral Commission (ZEC) also availed the final voters' registration to political parties in preparation for the impending elections.

The MDC-T expressed dissatisfaction with the final voters' roll availed to contesting parties - citing missing information such as photographs. Coalition for opposition parties MDC-Alliance held a peaceful demonstration in an attempt to push the ZEC to implement reforms ahead of elections. Independent analysts however noted that the constitution does not allow for electoral laws to be amended after election dates have been proclaimed.

Real output and domestic reforms to drive growth

Cumulative gold output between January and May 2018 reached 13.6 tonnes, representing growth of 94% from the corresponding period last year. Small scale miners are contributing approximately 65% of national output. Seasonal tobacco deliveries as at day 68 (29 June 2018) reached 219 million kilograms worth \$638 million. Seasonal volume and value to date represent growth of 31% and 30%, respectively, from the same period last season. Last season closed with total output of 195 million kilograms.

The World Bank revised Zimbabwe's 2018 GDP growth forecast upwards from 1.8% to 2.7%. Growth forecasts for 2019 and 2020 were also revised up by 0.2% to 3.8% and 4%, respectively. The World Bank asserts that political transitions in 'fragile countries like Zimbabwe' will allow for a pickup in economic activity - as the opportunity for reforms boosts public and investor sentiment. Independent growth forecasts for 2018 seem to be converging towards the government's 4.5% forecast.

Inflation pressures softening...

The cost of living as measured by the Consumer Council of Zimbabwe's urban monthly basket for six people closed May 2018 at \$589.58, down 0.34% from the prior month. Year on year consumer inflation for May 2018 was 2.71%, unchanged from the prior month. May 2018 monthly inflation was 0.03%, down from 0.08% in the previous month.

Dollar closed firmer against most currencies

The sustained threat of a trade 'war' between China and the United States weighed on many (emerging market) currencies - in line with compromised commodity export earnings. Resultantly, the US\$ closed 9.9% firmer against the South African Rand (ZAR) to close the month ended 30 June 2018 at ZAR13.8 per US\$. Against the Euro, the US\$ firmed 0.4% to close the month under review at US\$1.16 per Euro.

Commodities weighed down by strong dollar

United States Dollar strength presents headwinds for international commodity prices - by making US\$ denominated assets pricier in alternative currency terms. The following table summarises international commodity price movements.

Commodity	Price	Jun'18	YTD
Nickel (usd/ton)	14,710.00	-1.08%	21.67%
Crude Oil (usd/barrel)	78.95	1.63%	18.76%
Gold (usd/oz)	1,250.61	-4.17%	-3.54%
Platinum (usd/oz)	851.92	-6.82%	-8.37%
Coffee (usd/lb)	114.95	-5.12%	-7.89%
Maize (usd/ton)	140.94	-9.71%	2.14%
Wheat	493.25	-5.33%	15.65%
Sugar (usc/lb)	12.09	-4.43%	-19.18%
Cotton lint (usc/lb)	83.59	-8.30%	6.36%

Crude oil prices bucked the general soft trend, firming 1.6% during the month ended 30 June 2018. Global supply concerns presented support for oil prices after the United States imposed a complete suspension of Iranian oil imports by 4 November 2018 as part of United States sanctions against Iran.

Money market interest rates on sticky uptrend

Money market interest rates remained sticky upwards, as regulatory pressure for higher deposit interest rates outweighed weak borrower appetite. Activity was mostly in the very short end of the market, with the average interest quote on the 90 days horizon closing at 3.09%, up from 3.01% in the prior month.

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Equities reversed earlier gains

Profit taking dominated the local bourse as the industrial index retreated 5.18% during the month ended 30 June 2018 - reducing year to date gains to 2.93% as shown in the table below.

Sector/Index	Value	Jun'18	YTD
Commodities	1010.99	-11.86%	2.12%
Consumer	525.67	-2.84%	6.06%
Financial	177.42	-11.41%	-5.28%
Listed Property	143.41	5.86%	-28.36%
Manufacturing	195.50	0.64%	0.02%
Industrial	342.79	-5.18%	2.93%
Mining	161.28	6.43%	13.26%
Top Ten	103.31	-7.10%	3.31%
All Share	102.1	-5.72%	2.10%
Market Cap (\$ bln)	10,527	-3.65%	4.02%

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

Top 3 Performers	Price USc	Jun'18	YTD
UNIFREIGHT	2.52	44.00%	77.46%
EDGARS	6.50	25.00%	61.69%
FIDELITY	12.00	20.12%	9.09%

Bottom Performers	Price USc	Jun'18	YTD
STARAFRICA	1.30	-33.67%	-35.00%
SEEDCO	202.03	-26.53%	1.02%
PPC	120.00	-20.00%	15.38%

ZSE total value of trades firmed 21.1% to \$73 million in June 2018. The daily average value of trades during the month under review also firmed 21.1% to \$3.5 million. Foreign investor participation declined from 28.4% to 25.4% though foreign investors remained net buyers on the local bourse.

Foreign net portfolio inflows closed the month under review at \$31.2 million, down from \$13.7 million in the prior month. Cumulatively, net portfolio inflows reached \$56.4 million, compared to net outflows of \$31.1 million over the corresponding period last year.

Economic Outlook

The immediate near-term outlook presents no *Elysium*. Full international re-integration seems more complicated than earlier anticipated, compromising the country's access to foreign capital. We anticipate near-term growth to remain sub-par though positive and primary output driven. Overall, we still ascribe caution on the near-term outlook.