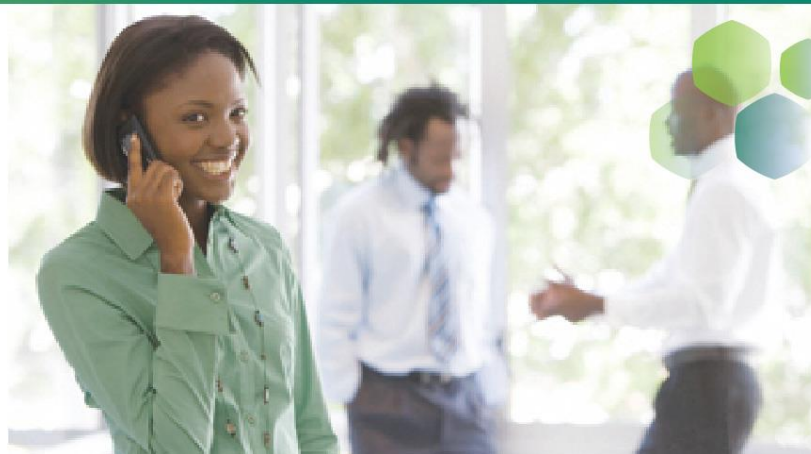


# Monthly Economic Brief

## April 2018



### Highlights

**The IMF projects Zimbabwe's GDP growth rate for 2018 at 4.2%.**

**Q1'2018 tax revenue collections exceeded target by 2.8% at \$1.058 billion.**

**Government approved State owned enterprise reforms.**

**Zimbabwe's Commonwealth re-engagement is gathering momentum.**

**March 2018 inflation was 2.68%, down from 2.98% in the previous month.**

**ZSE market capitalization recovered 14.68% to close April 2018 at \$9.996 billion.**

#### Bullish growth expectations...

The International Monetary Fund (IMF) revised Zimbabwe's 2018 GDP growth forecasts up, from 0.8% to 2.4%. The revision could be attributed to solid mining and agriculture outturn expectations. The IMF projects 2019 growth at 4.2% - supporting the general uptrend. Inflation is projected to close 2018 at 7.9%, ostensibly in line with sustained foreign currency shortages. The IMF's 2018 inflation forecast represents a softer stance from an earlier forecast of 10%. Tamed adverse inflation expectations could be partly attributed to the new administration's macro-economic policy reform agenda.

Speaking at a recent briefing on Africa; IMF African Department Director Abebe Aemro Selassie said it is important for Zimbabwe to clear its outstanding external debt arrears. He noted that understanding the country's debt as well as it being sustainable will be crucial if the body is to offer any financial assistance to the country. Zimbabwe's outstanding external debt closed 2017 at US\$11.3 billion.

#### Cost containment to aid improving revenues

Net tax revenue collections for the first quarter of 2018 closed at \$1.058 million, 2.8% above target and 28% above collections in the corresponding period of 2017. The tax debt conspicuously increased by 7.2% to \$4.2 billion in Q1'2018. The increasing tax debt captures inherent challenges to economic activity. The Zimbabwe Revenue Authority partly attributed the improved tax performance to enhanced collection measures, augmented by increased automation of transactions.

The 2018 national budget projects revenues of \$5.533 billion, with tax collections contributing \$4.3 billion. Meanwhile, as part of ongoing efforts to contain public spending and improve operational efficiencies; government adopted reforms to State owned enterprises. The reforms are expected to result in the dissolution, liquidation, absorption or mergers of State owned entities. Reforms to the national airline, (Air Zimbabwe) were deferred - citing 'ongoing investigations'.

#### Re-engagement efforts progressing...

British Foreign Minister Boris Johnson asserted that Zimbabwe's impending elections would be 'a bellwether for the direction of a new Zimbabwe'. He reportedly said Britain would strongly support Zimbabwe's re-entry to the Commonwealth. He was speaking on the side-lines of the Commonwealth summit where Zimbabwean authorities are participating as observers (with a view towards full re-integration into the bloc by year-end).

#### Inflationary pressures easing

Year on year consumer inflation for March 2018 was 2.68%, down from 2.98% in the preceding month. Food inflation to March 2018 was 4.5%, against non-food inflation of 1.8%. Average prices declined in March 2018 as monthly inflation closed at -0.25%, from 0.08% in the previous month. Year to date inflation for March 2018 closed at 0.12%, compared to 0.88% in March 2017.

## Dollar closed firmer against most currencies

The United States Dollar was bullish during the month ended 30 April 2018. Dollar strength was primarily premised on market expectations of the United States Federal Reserve increasing interest rates in its May 2018 meeting. An interest rate hike normally increases the demand for dollar. Resultantly, the dollar closed the month under review at a 4 month peak against most trading currencies.

The dollar closed the month ended 30 April 2018 a noteworthy 6% firmer against the South African Rand (ZAR) at ZAR12.415 per dollar. The ZAR reversed earlier gains against the dollar, with its year to date movement against the dollar closing 0.67% weaker. Against the Euro, the dollar firmed 2.07% at US\$1.21 per Euro, reducing its year to date decline to 1.19%.

## Commodities predominantly positive

International commodity prices closed predominantly firmer, despite a strong dollar making commodities pricier in alternative currency terms. The following table summarises commodity price movements during the month under review.

| Commodity              | Price     | Apr'18 | YTD     |
|------------------------|-----------|--------|---------|
| Nickel (usd/ton)       | 13,945.00 | 7.93%  | 15.34%  |
| Crude Oil (usd/barrel) | 73.87     | 6.56%  | 11.12%  |
| Gold (usd/oz)          | 1,317.31  | -0.43% | 1.60%   |
| Platinum (usd/oz)      | 907.23    | -3.03% | -2.42%  |
| Coffee (usd/lb)        | 121.18    | 2.83%  | -2.90%  |
| Maize (usd/ton)        | 155.35    | 5.09%  | 12.59%  |
| Wheat                  | 497.31    | 10.88% | 16.60%  |
| Sugar (usc/lb)         | 12.49     | 2.16%  | -16.49% |
| Cotton lint (usc/lb)   | 82.37     | 1.63%  | 4.81%   |

Gold and platinum prices went against the general uptrend in commodity prices, shedding 0.43% and 3.03%, respectively, during the month under review. Gold prices were re-rating from an earlier peak that had been driven by heightened geo-political tensions incentivising safe-haven demand for the precious metal. Firm global stocks, exacerbated by firm stocks of recycled material weighed on platinum prices.

## Money market interest rates remain static

A generally weak lending environment sustained depressed demand for deposits from banks. Consequently, money market interest rate quotes remained depressed, with activity mostly confined to the short end of the market. The average quote on the 90 days investment horizon closed at 2.49%.

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## Equities on the rebound

The benchmark ZSE industrial index registered significant gains of 13.63%, coming off a relatively low base, to reverse earlier losses. The following table highlights ZSE market movements during the month under review.

| Sector/Index               | Value         | Apr'18        | YTD            |
|----------------------------|---------------|---------------|----------------|
| Commodities                | 931.46        | 1.70%         | -5.91%         |
| Consumer                   | 507.18        | 20.10%        | 2.33%          |
| Financial                  | 175.55        | 2.98%         | -6.28%         |
| Listed Property            | 148.78        | -5.64%        | -25.68%        |
| Manufacturing              | 184.08        | 1.08%         | -5.82%         |
| <b>Industrial</b>          | <b>330.66</b> | <b>13.63%</b> | <b>-0.71%</b>  |
| <b>Mining</b>              | <b>124.44</b> | <b>-0.52%</b> | <b>-12.61%</b> |
| <b>Top Ten</b>             | <b>98.71</b>  | <b>13.49%</b> | <b>-1.29%</b>  |
| <b>All Share</b>           | <b>100.82</b> | <b>17.63%</b> | <b>0.82%</b>   |
| <b>Market Cap (\$ bln)</b> | <b>9.996</b>  | <b>14.68%</b> | <b>-1.23%</b>  |

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

| Top 3 Performers | Price USc | Apr'18 | YTD    |
|------------------|-----------|--------|--------|
| ECONET           | 89.75     | 33.96% | -2.62% |
| SIMBISA          | 46.00     | 29.58% | -2.13% |
| DELTA            | 202.00    | 27.24% | 26.25% |

| Bottom Performers | Price USc | Apr'18  | YTD     |
|-------------------|-----------|---------|---------|
| STARAFRICA        | 1.70      | -10.53% | -15.00% |
| FML               | 4.35      | -9.37%  | -28.69% |
| MASH              | 2.45      | -9.26%  | -29.19% |

ZSE total value of trades firmed 17.9% to \$48 million in April 2018. The daily average value of trades during the month under review firmed 30.4% to \$2.5 million. Foreign investor participation declined from 51% to 21.2%. Foreign investors remained net buyers on the local bourse, registering net portfolio inflows of \$8.1 million. Cumulatively, net portfolio inflows reached \$29.6 million, compared to net outflows of \$24.3 million over the corresponding period last year.

## Economic Outlook

Macro-economic recovery prospects remain solid, underpinned by structural macro-economic reforms and international re-engagement efforts. Tamed inflation expectations also support prospects of macro-economic stability and recovery, despite inherent monetary policy fragility. Impending elections pose the single largest risk to the outlook, particularly in the context of the economy's ability to harness international capital.