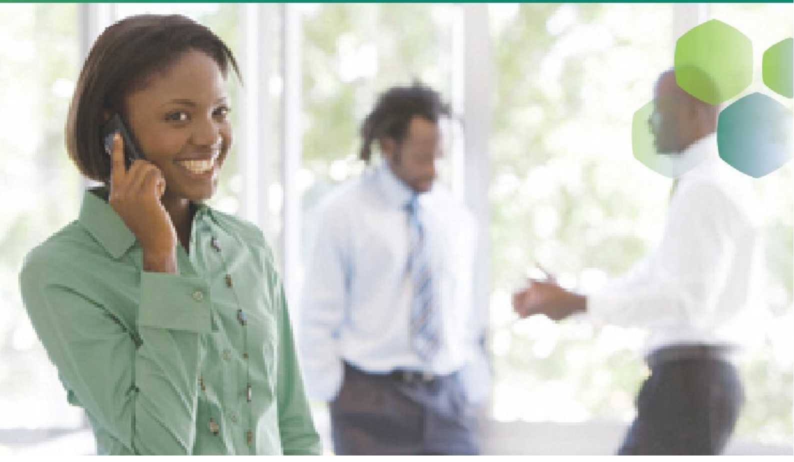
Monthly Economic Brief

November 2017



Highlights

Mr Robert Mugabe resigns, Former VP Emmerson Mnangagwa sworn in as the new President.

The international community pledges support for the Zimbabwean community.

October 2017 inflation closed at 2.23%, up from 0.78% in the previous month.

ZSE market capitalization eased 28.7% to close November 2017 at $11.520 billion.

New Cabinet, same issues…

Mr. Robert Mugabe resigned as President of Zimbabwe on 21 November 2017, ending his 37 year reign. His resignation followed military intervention, civil protest and a Parliamentary motion to impeach him. Events between an unprecedented media announcement by the military on a potential national security threat from ZANU PF infighting on 13th of November and the President's eventual resignation on the 21st of November were very fluid, yet commendably non-violent.

Former Vice President Mnangagwa was elected by the ruling party to complete Mr. Mugabe's term. He was swiftly sworn into office on 24 November 2017. Subsequent to his appointment, President Emmerson Mnangagwa on 30 November 2017 appointed a 22-member Cabinet, a reduction from 33 members. Deputy Ministers were reduced from 28 to only 6 while Provincial ministers were maintained at 10. There is a generalised optimism about the future.

The international community which include Britain and China has shown support to the Zimbabwean community and the mass populace is seemingly optimistic about the future prospects of the country China has pledged to broaden its cooperation with Zimbabwe's new administration to quicken economic recovery. This was said by China's Assistant Foreign Affairs Minister Chen Xiadong. Chen also delivered a special invitation from Chinese President Xi Jinping to President Mnangagwa to visit the Asian country at a convenient time in the future.

International Monetary Fund (IMF) spokesperson Gerry Rice said the IMF has pledged its commitment to support government in designing policies that can restore growth for the country. The Fund however highlighted that financial support to Zimbabwe will only be considered upon settlement of the country's arrears to other international financial institutions: World Bank and African Development, where the country owes approximately $1.8 billion in arrears.

Widening fiscal imbalances…

A November 2017 pre-budget paper by former Minister of Finance Hon. Chombo projects 2017 full year revenues to close at $3.9 billion; 5.4% above initially projected target. Government expenditure was projected to close the year at $5.6 billion, translating to a budget deficit of $1.7 billion. The budget deficit is mostly being financed through Treasury Bills and the Reserve Bank of Zimbabwe overdraft facility. In the absence of budgetary support, the likelihood of continued domestic borrowing and deficit monetisation, sustains monetary policy imbalances.

Rising money supply… and inflation

Broad money supply increased by 41% on a year on year basis to $7.5 billion in September 2017. Money supply growth is mostly attributed to authorities' monetising fiscal obligations to close chronic budget deficits. Net government domestic debt as of September 2017 closed at $5.6 billion.

Inflationary pressures persisted, with year on year inflation reaching 2.2% in October 2017, up from 0.8% in the previous month. Year to date inflation for

October 2017 closed at 2.2%, with the IMF projecting it to close the year at 7%, up from -0.9% in 2016. The IMF predicts inflation to close 2018 at 10%.

US$ on the back foot

The United States Dollar (US$) closed the month ended 30 November 2017 softer against most major trading currencies. The US$ retreated 2.98% against the South African Rand (ZAR), from an opening position of ZAR14.08 to close at ZAR13.66 per US$. Against the Euro, the US$ shed 0.85% during the month under review, closing at US$1.19 per Euro, from an opening of US$1.18 per US$.

Commodities struggled for direction

International commodity prices were generally on an upward during the month ended 30 November 2017, as highlighted in the following table.

Commodity	Price	Nov'17	YTD
Nickel (usd/ton)	11,300.00	-1.74%	12.61%
Crude Oil (usd/barrel)	64.19	5.89%	12.28%
Gold (usd/oz)	1,281.38	0.38%	10.49%
Platinum (usd/oz)	944.66	2.53%	4.19%
Coffee (usd/lb)	132.00	4.85%	-2.55%
Maize (usd/ton)	138.77	1.15%	1.00%
Wheat	431.75	1.41%	6.54%
Sugar (usc/lb)	15.12	3.28%	-22.42%
Cotton lint (usc/lb)	73.35	6.47%	3.28%

The Organisation of Petroleum Exporting Countries' (OPEC's) oil output fell by 300,000 barrels per day in November, giving the bloc its lowest production rate since May 2017. This is partly attributable to enhanced compliance to an output reduction deal effected in October 2017. All but three OPEC nations pumped oil at a rate lower than their assigned quotas in hopes of further propping up the oil price level.

Money market rates remained sticky

The average 90 days money market interest quote remained unchanged at 2.37% in November 2017. Most money market deals remained confined to the short end of the market in light of generalised monetary policy uncertainty and weak borrower appetite for deposits.

ZSE struggling for direction

In light of overall environment fragility, daily losses on the local bourse averaged about 8% between 16 November and 23 November 2017.

Following the significant losses registered during the military intervention days, the ZSE industrial index closed the month ended 30 November 27.8% weaker as highlighted in the following table.

Sector	Value	Nov'17	YTD
Commodities	1036.56	-20.76%	191.51%
Consumer	578.67	-30.59%	175.59%
Financial	203.32	-33.35%	113.33%
Listed Property	208.90	-2.78%	75.60%
Manufacturing	202.08	-6.92%	238.70%
Industrial	**376.69**	**-27.82%**	**160.63%**
Mining	**126.86**	**-4.25%**	**116.82%**
Market Cap ($ bln)	**11,520**	**-28.67%**	**173.36%**

The following tables highlight the ZSE top and bottom three performing stocks for November 2017.

Top 3 Performers	Price USc	Nov'17	YTD
LAFARGE	137.98	53.31%	253.79%
GB	0.80	33.33%	900.00%
TSL	46.00	23.49%	169.01%

Bottom Performers	Price USc	Nov'17	YTD
PPC	142.58	-58.79%	159.24%
OLD MUTUAL	600.30	-57.98%	71.90%
MEIKLES	23.00	-52.56%	76.92%

The total value of trades on the ZSE firmed 22.9% to peak at $207.5 million. The average daily value of trades also gained 22.9% during the month under review, closing at $9.4 million.

Foreign investor participation on the ZSE eased from 39.4% to 23.7% in November 2017. The net foreign portfolio flow position remained negative during the month ended 30 November 2017, with net outflows of $26.7 million. On a year to date basis; net outflows reached $113.7 million, compared to $65.9 million in the same period last year.

Economic Outlook

Whilst the Presidents inauguration speech was inspiring, the composition of the new cabinet was met with some scepticism as the market has expressed sentiments that the preferred cabinet would have been a combination of technocrats, more new faces and more women for gender balance to boost public and investor confidence. Overall, the medium to long term outlook will be determined by the new administration's ability to implement policy reforms. We remain cautiously optimistic of the medium to long term outlook.