

Euro Area – Activity still within the growth territory...

According to the IHS Markit Composite PMI (purchasing managers' index), the PMI dropped from 58.8 in January 2018 to 57.5 in February 2018 against market expectations of 58.5. Across sectors, output growth slowed for both manufacturing (PMI at 58.5 vs 59.6 in Jan 2018) and services (PMI at 56.7 vs 58 in Jan 2018). A PMI reading above 50 reflects growth/expansion, whilst that below 50 indicates contraction. However, the February 2018 reading was regarded as one of the most expansionary - or furthest above 50 - in more than 11 years pointing to robust growth in businesses. Going forward, a stronger euro currency presents downside pressure on the bloc's industrial activity.

Africa – South Africa seeks to lower budget deficit...

During the week under review, South Africa's Finance Minister published a "tough but hopeful" 2018/19 national budget. **Table 1** below outlines the key indicators where a 1.5% growth is expected (1.0% in 2017).

Table 1: Economic assumption and revenue estimates

	2017e	2018f	2019f	2020f
Real GDP (%)	1.00	1.50	1.80	2.10
Current Account (% of GDP)	(2.20)	(2.30)	(2.70)	(3.20)
Inflation (%)	5.30	5.30	5.40	5.50
Revenue (US\$bln)	117.70	129.63	139.97	151.03
% of GDP	28.80	29.70	29.90	29.90
Expenditure (US\$bln)	135.48	145.32	156.78	168.86
% of GDP	33.20	33.30	33.40	33.40
Budget Balance (US\$bln)	(17.77)	(15.70)	(16.81)	(17.83)
% of GDP	6.70	6.90	7.30	7.80

Source: National Treasury Budget Review

On the revenue front, Value Added Tax "VAT" was increased (15% from 14%) as well as taxes on luxury goods, fuel, alcohol and tobacco. The VAT increase, unchanged since 1993, though unpopular is expected to generate additional US\$2billion of revenue thereby aiding public finance management. In the short-term, the risk of an immediate sovereign credit downgrade and resultant impact on borrowing costs might have been averted due to the national budget statement together with the change in leadership.

Zimbabwe – Property sector under pressure...

The property sector remained under pressure as outlined by Mashonaland Holding's trading update for the four months to January 2018. In fact, revenues fell by 3% to US\$1.58 million compared to the same period in the prior year. The decline was attributed to downward rent reviews and increased voids. Voids rose from 27.6% in September 2017 to 29.3% in January 2018 (28.7% in January 2017). Property expenses rose by 10% in line with the gradual increase in voids. Going forward, the adverse effects of low effective demand, rising voids and defaults, are expected to remain key constraints for the sector. Nonetheless, increased activity on the residential space provides pockets of opportunities supported by the prevailing national housing backlog (+1 million). In fact, provisional figures indicating that the banking sector funded a total of 5 700 housing units, valued at \$172.1 million, in 2017, up from 1 531 units valued at US\$75.0 million in 2016, supports this view.

...Euro area activity slows down in February 2018...

....SA Treasury department raises VAT for the first time since 1993....

...property sector under pressure...

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the All share index registered a marginal decline of 0.6% to end the week at 88.29. Meanwhile, weekly turnover also decreased by 67.4% to US\$8.82 million due to reduced participation from both local and offshore investors. Elsewhere, mixed trades were registered within global and regional stock markets. U.S. markets rallied as investors grew confident that the Jerome Powell-led Federal Reserve will not rush to raise interest rates as the economy picks up steam. **Table 2** below outlines the local as well as major regional and global equities markets' performance as at 23 February 2018.

...All share index down for the 8th week in a row...

Table 2: Local, Regional and Global Stock Market Performance

Domestic	16-Feb-18	23-Feb-18	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	88.86	88.29	-0.6%	-1.3%	-11.7%
Industrial Index	297.16	295.24	-0.6%	-1.3%	-11.3%
Mining Index	128.18	128.4	0.2%	0.0%	-9.8%
Top 10 Index	87.78	87.47	-0.4%	-1.6%	-12.5%
Mkt cap - US\$mln	8.46	8.41	-0.6%	-1.3%	-12.2%
Turnover - US\$mln	27.10	8.82	-67.4%	64.4%	
African					
Botswana	8,714.05	8,692.31	-0.2%	-0.1%	-1.9%
Ghana	3,338.89	3,336.63	-0.1%	2.8%	29.3%
Kenya	180.25	180.78	0.3%	0.2%	5.6%
Malawi	22,731.98	23,062.14	1.5%	1.0%	6.8%
South Africa	59,122.34	58,715.46	-0.7%	5.8%	-1.3%
Nigeria	42,638.83	42,570.89	-0.2%	-1.1%	11.3%
Zambia	5,570.61	5,582.63	0.2%	-0.3%	4.8%
Mauritius	2,287.60	2,287.64	0.0%	1.4%	3.8%
Global					
U.S. - Dow	25,219.38	25,309.99	0.4%	4.3%	2.4%
U.S. - S&P500	2,732.22	2,747.30	0.6%	4.3%	2.8%
U.K. - FTSE 100	7,294.70	7,244.41	-0.7%	2.9%	-5.8%
Japan - NIKKEI 225	22,149.21	22,161.62	0.1%	3.6%	-2.7%
China - Shanghai Index	3,199.16	3,327.09	4.0%	1.3%	0.6%

Source: Various

2. Commodities

Mixed trades were also recorded among major commodities. On the upside, oil prices advanced by 3.8% to US\$67.3/b supported by expectations of further production cuts by OPEC countries. On the other hand, gold prices fell by 1.8% to US\$1,328/oz as the metal lost its safe-haven appeal - **Table 3** below.

Table 3: Commodities Price Performance

Commodities	09-Feb-18	16-Feb-18	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,352.10	1,327.95	-1.8%	2.9%	2.9%
Platinum - US\$/oz	1,017.00	1,001.00	-1.6%	4.4%	7.3%
Copper - US\$/t	7,159.00	7,032.00	-1.8%	4.7%	-1.7%
Nickel - US\$/t	14,030.00	13,575.00	-3.2%	7.7%	10.7%
Oil - US\$/b	64.84	67.31	3.8%	3.3%	0.7%
Agricultural					
Wheat - US\$/t	167.92	165.81	-1.3%	1.7%	5.7%
Soybeans - US\$/t	386.35	393.61	1.9%	3.3%	-1.1%
Sugar - US\$/pound	13.38	13.68	2.2%	-2.1%	-8.8%
Cotton - US\$/pound	75.72	81.45	7.6%	-1.3%	3.4%

Source: Various

...oil prices driven by production cuts from OPEC countries...

3. Currencies

Rising treasury yields and minutes from the Fed’s January rate-setting meeting supported a recovery for the US dollar. Therefore, the dollar index advanced by 1.0% to end the week at 89.97. Elsewhere, the South African rand strengthened by 0.4% to ZAR11.56 following the budget statement and anticipated announcement of new cabinet. **Table 4** below outlines currencies performance as at 16 February 2018.

Table 4: Currencies Performance

Currencies	16-Feb-18	23-Feb-18	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	11.6117	11.5598	-0.4%	-3.9%	-6.4%
USD/BWP	9.3057	9.3481	0.5%	-2.3%	-3.5%
USD/ZMK	9.7895	9.7649	-0.3%	0.8%	-1.9%
USD/NGN	357.4600	357.8430	0.1%	-0.2%	0.4%
USD/GBP	0.7105	0.7160	0.8%	-1.4%	-3.4%
USD/EUR	0.8013	0.8127	1.4%	-1.8%	-2.6%
USD/JPY	106.09	106.815	0.7%	-2.5%	-5.2%
USD/CNY	6.3428	6.3362	-0.1%	0.6%	-2.7%
Dollar Index - DXY	89.06	89.97	1.0%	-1.4%	-2.3%

Source: Oanda

Week Ahead

Date	Event	Period	Forecast	Previous
Local				
27-Feb-18	Art AGM, 2pm, 202 Seke Rd, Graniteside			
27-Feb-18	Ariston AGM, 4PM, Royal Harare Golf Club			
Regional and International				
27-Feb-18	Euro Consumer Confidence	Feb-18	0.10	1.30
28-Feb-18	South Africa Money Supply - YoY	Jan-18	6.40%	6.41%
28-Feb-18	Angola Interest Rate Decision			18%
01-Mar-18	South Africa PMI			49.90
01-Mar-18	UK Manufacturing PMI	Feb-18	55.10	55.30

Source: Various

...US dollar recovers lost ground...

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