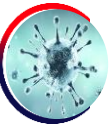




...Reserve Bank of Zimbabwe "RBZ" introduced a second Foreign Exchange Auction System for SMEs...

THE CBZ ECONOMIC BRIEF

Week Ending 07 August 2020



COVID-19 | Global Status as at 07 August 2020

Graph 1: Cumulative Global Cases as at 07 August 2020

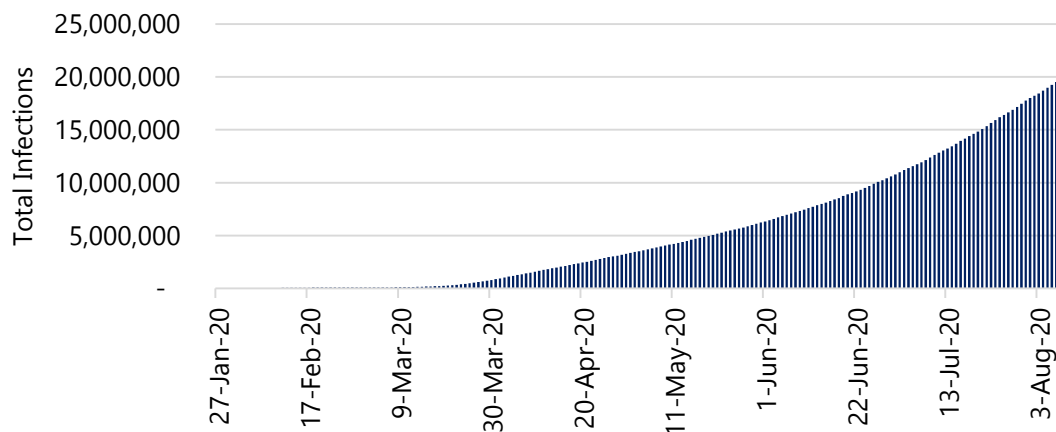
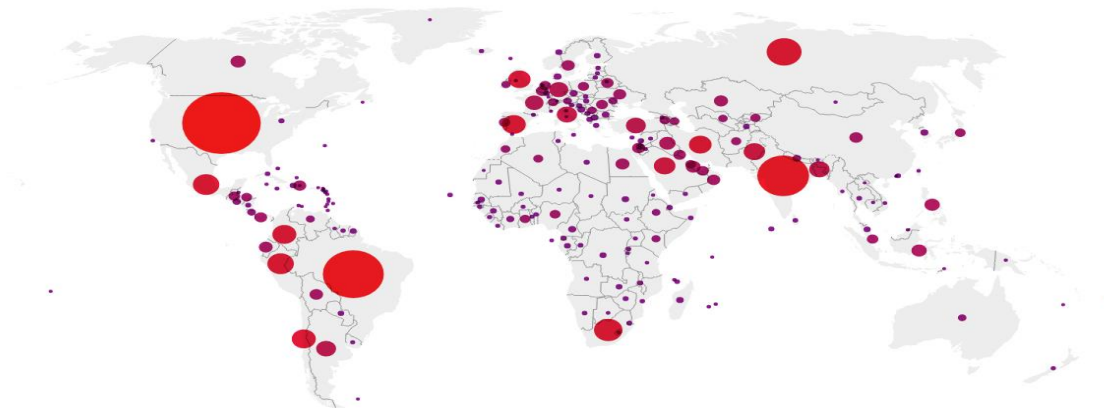


Chart 1: Most Confirmed Cases



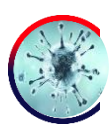
Map: Created by CBZ Holdings Limited • Created with Datawrapper

Notable Trends in Cases for the Week

- The global cumulative coronavirus cases rose to 19.5m, after an additional 1.8m cases were recorded during the week to 07 August 2020– **Graph 1**.
- The largest weekly infections were recorded in India (390k)-which became the 3rd country to surpass 2m cases, the U.S (390k), Brazil (300k) and South Africa (52k).
- As shown in **Chart 1-top right**-the U.S remained the most infected country in the world, followed by Brazil, India, Russia and South Africa.
- In Africa, confirmed covid-19 cases surpassed 1m cases, after more than 93k new cases were recorded during the week to 07 August 2020. South Africa remained the most infected country in Africa, accounting for about 53% of all recorded cases.
- Meanwhile, cumulative global recoveries reached 12.5m, after more than 1.4m new recoveries were recorded during the week to 07 August 2020.
- Notwithstanding the surge in new infections, the ratio of active cases to total cases marginally declined to 32% as at 07 August 2020, from 33% recorded the previous week.

Major Market Developments

- The Bank of England “BoE” kept its main lending rate steady at 0.1%. The Bank also maintained its existing level of asset purchases at £745b, amid slower economic recovery expectations due to coronavirus pandemic. However, it revised upwards its 2020 growth forecast from a 14% decline, to a 9.5% decline.
- According to the General Administration of Customs office, China’s dollar-denominated exports rose 7.2% in July 2020, compared to the same period last year. The growth was driven by increased demand for medical goods and automobiles. Dollar-denominated imports, on the other hand, fell by 1.4%, during the same period. Resultantly, the country recorded a trade surplus of US\$62.3b in July 2020.
- The Euro Zone business activity returned to growth in July 2020, for the first time in four months. The Composite Purchasing Managers’ Index “PMI” from IHS Markit, climbed to 54.9 in July 2020, from 48.5 recorded in June 2020. PMI reading of 50 and above represent growth, while reading below 50 show contraction.
- Meanwhile, Senegal re-introduced restrictive measures, following a surge in new cases. The measures included the ban on gatherings at beaches, sports grounds, public spaces and theatres. The government also prohibited all demonstrations on the public highway.



COVID-19 | Zimbabwe & Its Major Trading Partners

Graph 2: Zimbabwe Cumulative Covid-19 Cases as at 07 August 2020

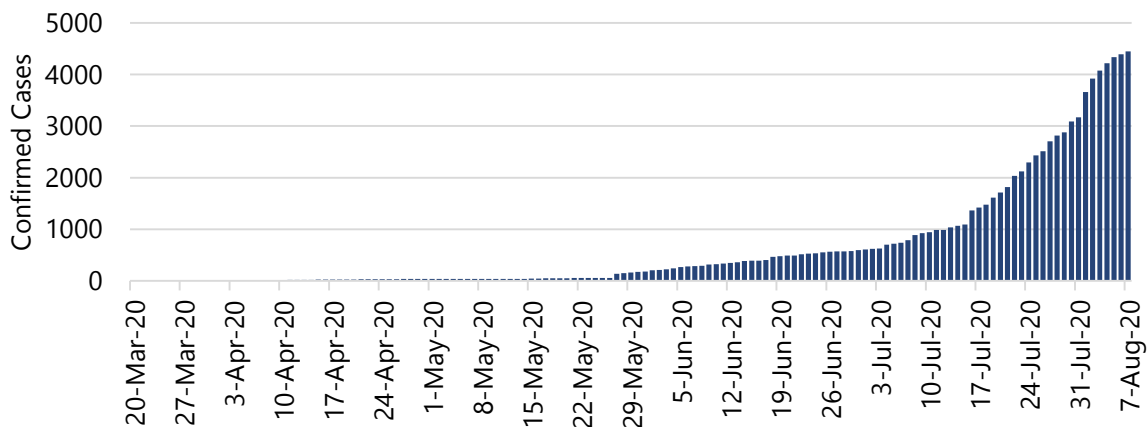
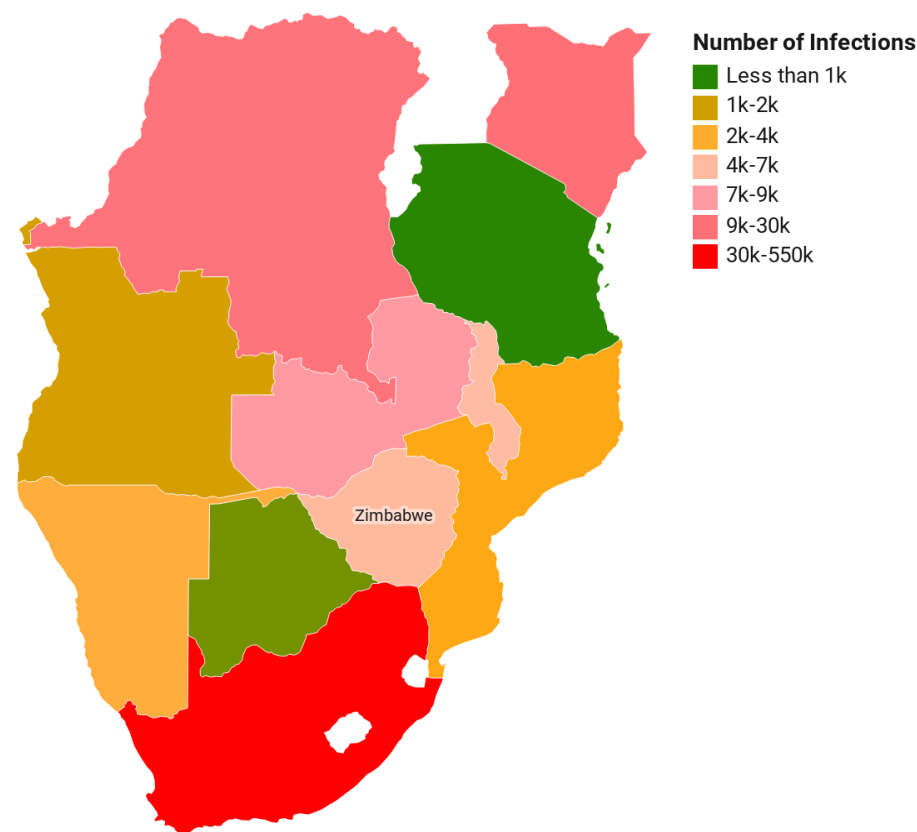


Chart 2: Zimbabwe's Major Trading Partners



Highlights

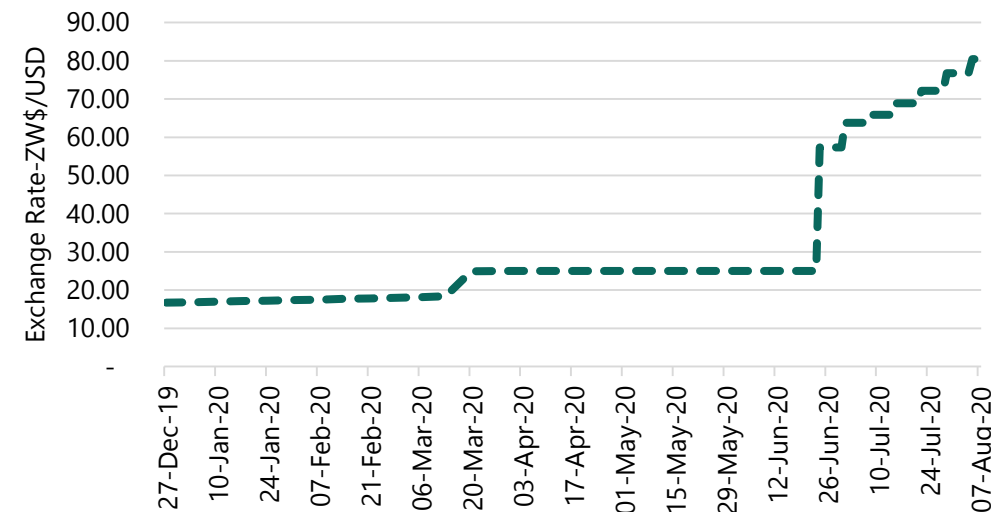
- Zimbabwe’s cumulative covid-19 cases rose to 4,451, after 1,282 new cases were recorded during the week to 07 August 2020.- **Graph 2.** Local cases accounted for the bulk of the new cases.
- Harare Metropolitan province recorded the largest weekly cases of 624, followed by Bulawayo (246) and Manicaland (106). Resultantly, Harare remained the most infected province with 1,699, followed by Bulawayo (1,093), Mat South (481) and Midlands (390), respectively.
- The country’s total recoveries increased to 1,345, after 341 more people recovered during the week to 07 August 2020. Nevertheless, the ratio of active cases to total cases marginally increased to 67%, from 66% recorded during the previous week, reflecting the increase in new cases.
- Meanwhile, in addition to South Africa, Kenya (4.5k) and Zambia (1.5k) were among Zimbabwe’s major trading partners that recorded the largest weekly new cases. Mauritius, Botswana and Tanzania did not record any new cases.
- In Botswana, the government suspended the sale of alcohol, with effect from 05 August 2020. All liquor stores will remain closed and liquor will not be sold or consumed in public places, until further notice.



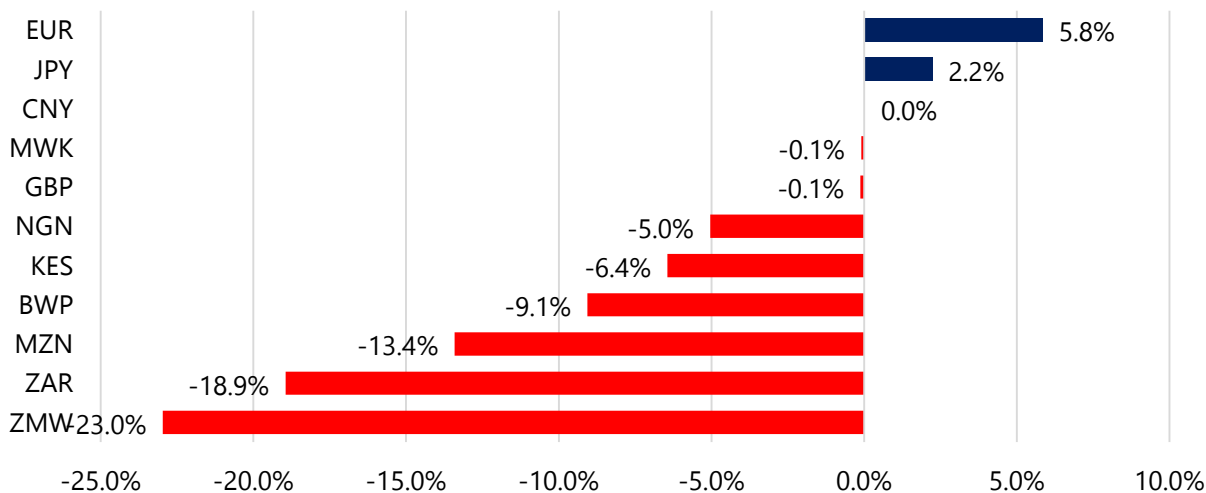
Foreign Currency Market Developments

- The ZW\$ further depreciated by 4.6% from ZW\$76.76/ USD, to a weighted average rate of ZW\$80.47/ USD on the official foreign currency market, following another foreign exchange auction held by RBZ on Tuesday, 04 August 2020 - **Graph 3**.
- The highest bid rate increased from 82.2 to 87.0, whilst the lowest accepted bid rate increased from 75 to 78. A total of US\$18.5m was allotted out of the US\$19.8m submitted bids. Raw materials (US\$7.6m), machinery & equipment (US\$4.5m), pharmaceuticals & chemicals (US\$1.7m), and retail & distribution (US\$1.4m), received the largest weekly allotments.
- Meanwhile, RBZ introduced a second foreign exchange auction system for Small and Medium Enterprises “SMEs”, with effect from Thursday, 06 August 2020. The operating conditions for the SMEs foreign exchange auction are similar to the main auction, except that each bidder is allowed to submit a minimum bid of US\$2.5k and maximum bid of US\$20k
- At the first SME foreign exchange auction held on Thursday, 06 August 2020, all qualifying bids, amounting to US\$460k, were allotted in full. The highest bid rate was 85, whilst the lowest accepted bid rate stood at 75. Going forward, the SMEs foreign exchange auction will be run concurrently with the main auction on Tuesdays.
- On the international currency markets, the U.S dollar maintained YTD gains against other major currencies, except the Euro, Japanese Yen and Malawian Kwacha– **Graph 5**.

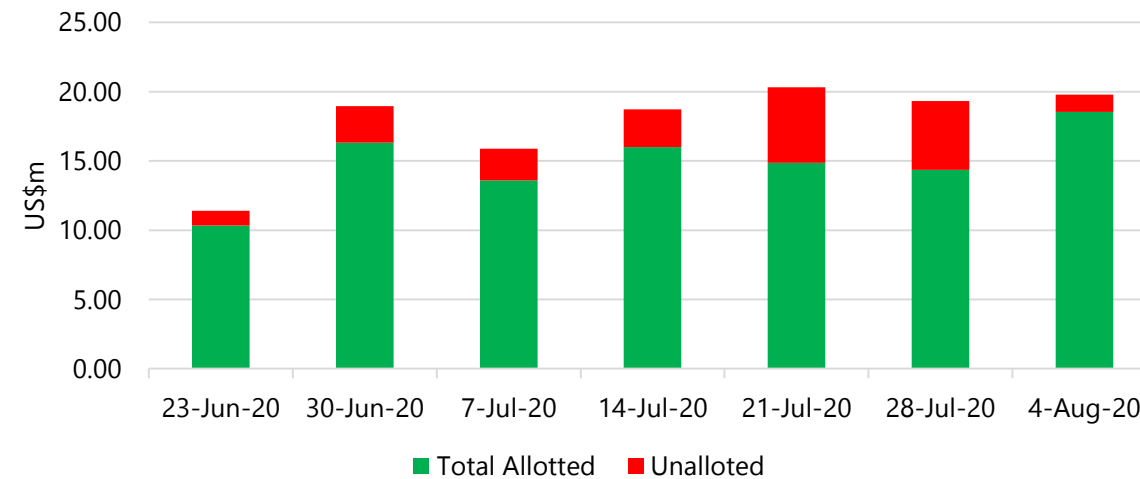
Graph 3: Exchange Rate Movements



Graph 5: Major Currencies vs the USD- YTD Movements-07 August 2020



Graph 4: Foreign Currency Auction Allotments





Fuel Price Review

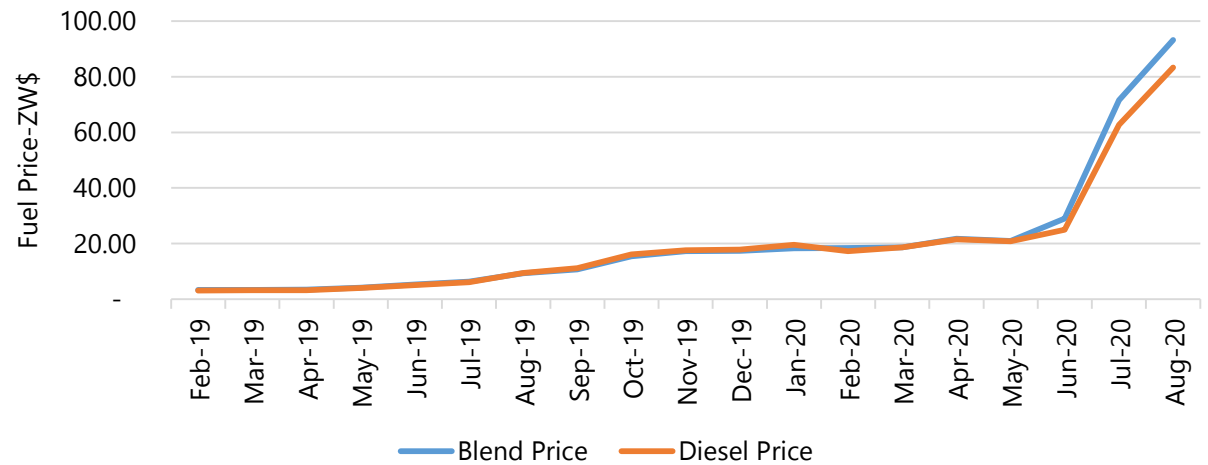
- The Zimbabwe Energy Regulatory Authority "ZERA", announced new prices for diesel and blend, effective 05 August 2020. The price of diesel increased by 33% to ZW\$83.36/litre, whilst blend price rose by 30%, to ZW\$93.15/litre -**Graph 6**.
- The fuel price adjustment was generally in line with the ZW\$/USD exchange rate movement, which depreciated by about 29%, since the last price review done on 24 June 2020.
- However, the US\$ prices for diesel and petrol remained unchanged at US\$1.09/litre and US\$1.28/litre, respectively.

Table 1: Regional Blend Prices

Country	Blend Price-US\$
Angola	0.28
Botswana	0.67
Namibia	0.70
Tanzania	0.73
South Africa	0.86
Mozambique	0.91
Malawi	0.94
Kenya	0.95
Zambia	0.97
DRC	1.00
Mauritius	1.11
Zimbabwe	1.28

❖ All prices, except for Zimbabwe, are as at 03 August 2020

Graph 6: Blend and Diesel Prices Trend



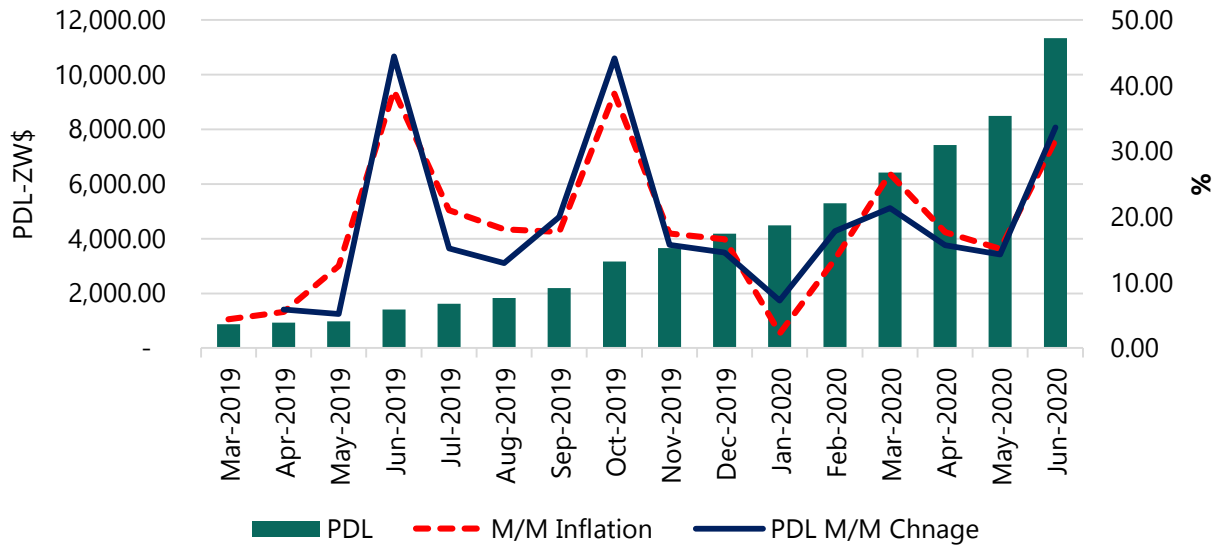
- Meanwhile, Zimbabwe had the highest pump price for blend, as at August 03, 2020, compared to other peers in the region-**Table 1**.
- Angola (US\$0.28) had the lowest price for blend per litre, followed by Botswana (US\$0.67), Namibia (US\$0.70), Tanzania (US\$0.73) and South Africa (US\$0.86).
- Going forward, the ZW\$ fuel prices in the country are expected to increase, driven, in large part, by the currency weakness. The U.S dollar prices, on the other hand, are expected to remain relatively stable in the short to medium term.
- The periodic changes in ZW\$ prices of fuel, in response to exchange changes, will make future financial planning very difficult for companies. In the process, companies will prefer to charge for their goods and services in US\$ only, which might hamper government's de-dollarisation plan



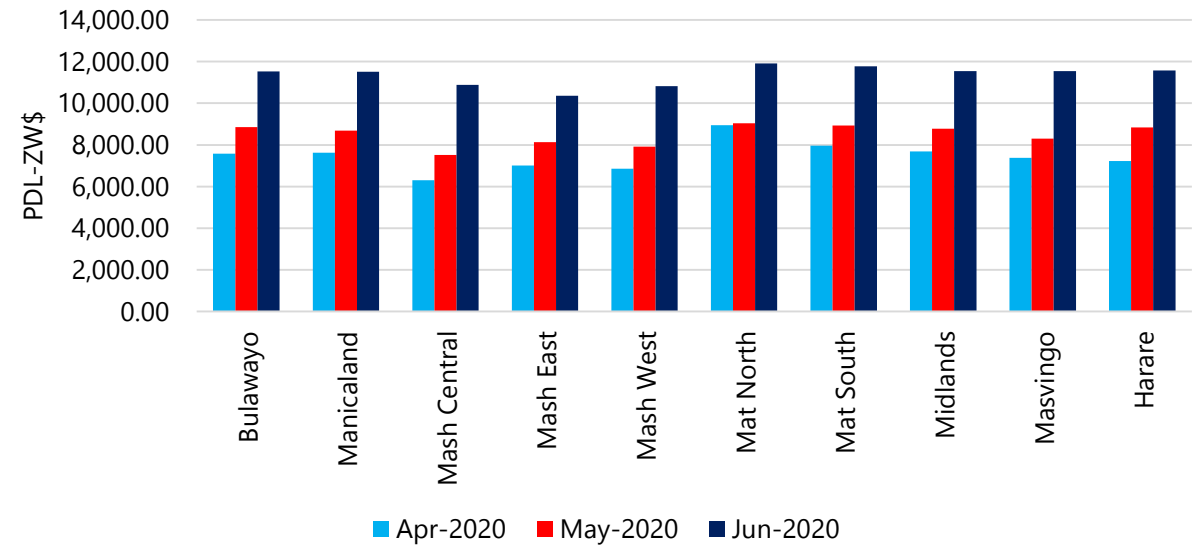
Poverty Datum Line

- According to Zimbabwe National Statistics Agency, ZimStat, the cost of living for a standard family of 5 people, as measured by the total consumption poverty line “TCPL”, increased by 34% to ZWL\$ 11,333.80 in June 2020, from the ZWL\$ 8,483.63 recorded in May 2020- **Graph 7**.
- The upward adjustment in prices of basic commodities including fuel and bread, and the general weakness of the ZW\$ against the US\$-especially in the alternative foreign currency market, were the major cost drivers during the period under review.
- In the outlook, TCPL is expected to increase, due to further depreciation of the ZW\$, following the introduction of the Foreign Exchange Auction system at the end of June 2020.

Graph 7: Monthly PDL and Inflation Trends



Graph 8: Poverty Datum Line Per Province



Source: ZimStat

- Meanwhile, Mash Central (45%), Masvingo (39%) , Mash West (37%) and Manicaland (33%), recorded the largest increase in cost of living –**Graph 8**. However, Mat North remained the most expensive province to live in Zimbabwe.



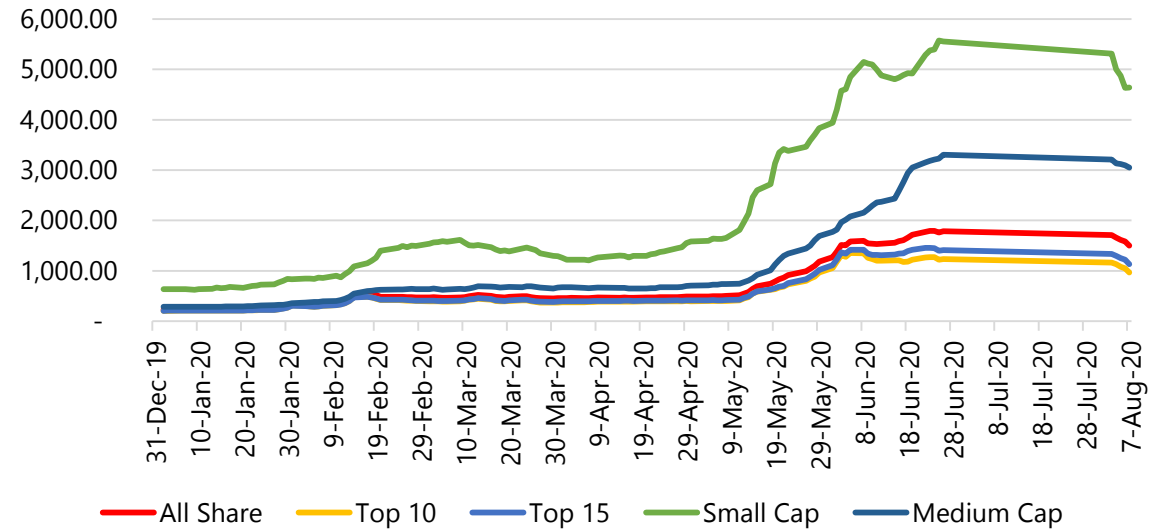
Equities Market Developments

- On the Zimbabwe Stock Exchange, trading resumed after being suspended for about 5-weeks, characterized by investor sell off across the board. The Top 10 stock index recorded the largest decline of 21.7%, followed by the Top 15 stock index (19.8%), Small Cap index (16.5%) and the Medium cap index (7.6%), respectively –

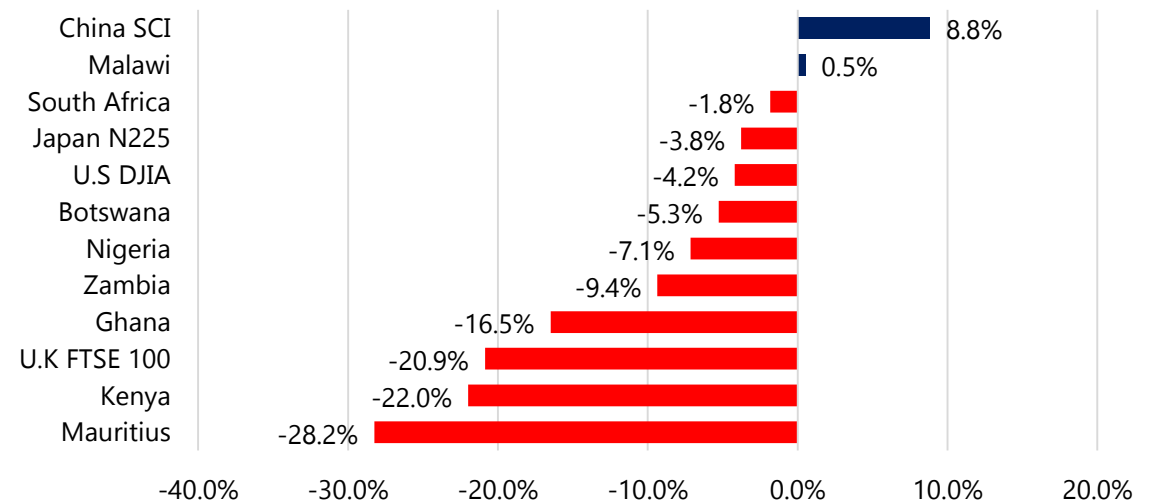
Graph 9.

- The All Share Index declined by 16.2%, however, it managed to post year-to-date “YTD” gain of 551%. Earth moving equipment distributor, Zimplot, recorded the largest weekly gain of 12.5%, followed by ZBFH (5.6%), FMP (2.0%), ZHL (1.1%) and Zimpapers (0.9%). Conversely, major weekly declines were recorded for MedTech (-45%), RioZim (-44%) and Delta (-38%).
- Delta remained the largest counter on the ZSE, with a market capitalization of ZW\$19.9b, followed by Econet (ZW\$18.3b), Cassava (ZW\$18.0b) and CBZH (ZW\$16.5b)
- On a YTD basis, the ZSE outperformed most of the major global and regional stock markets under our watch as at 07 August 2020 - **Graph 10.**
- Meanwhile, the government announced the Victoria Falls Stock Exchange “VFSEX” exchange control regulations that will guide the operations of the exchange. The regulations included the following:
 - Securities listed on the VFSEX will be traded and settled solely in United States Dollars or a convertible currency,
 - Resident Zimbabwean companies that are listed on the Zimbabwe Stock Exchange “ZSE”, may list on the VFSEX not more than 20% of its capital at any time on the ZSE, provided that any capital raised by such company on the VFSEX shall be from an offshore source,
 - Non-resident company may list on the VFSEX, provided that any capital raised by such company is from an offshore source or from free funds
 - The clearing and settlement of transactions executed on the VFSEX shall be done by VFSEX, locally or offshore in accordance with Clearing and Settlement rules approved by Securities and Exchange Commission “SEC”, in consultation with RBZ.

Graph 9: ZSE Indices



Graph 10: Major Equities Markets- YTD Movements 07 August 2020

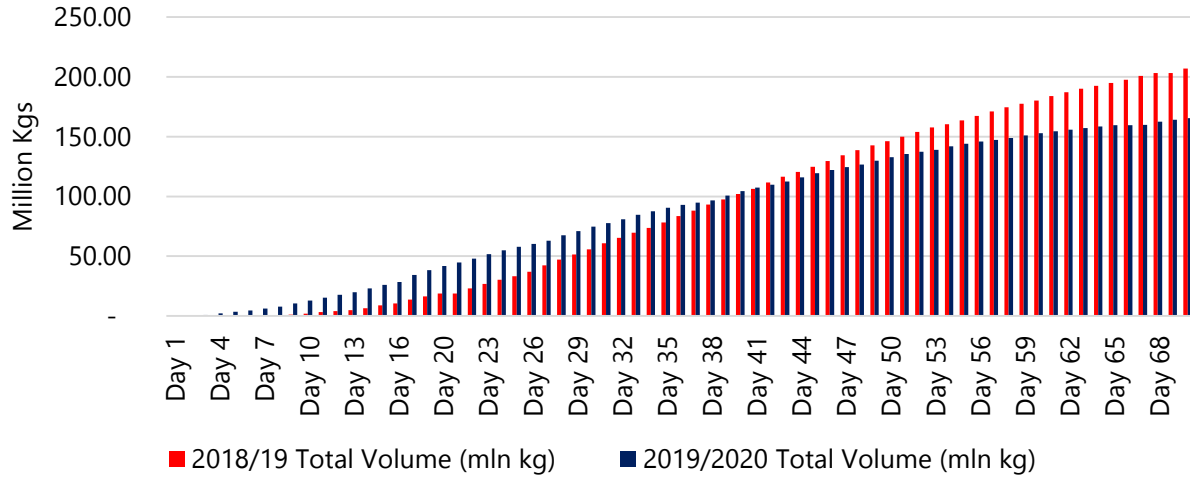




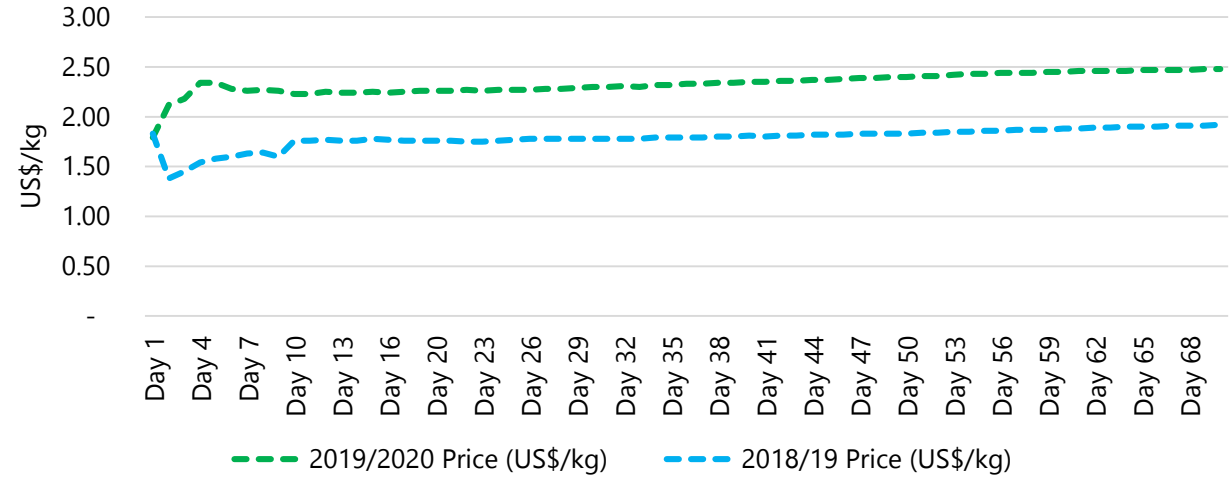
ZIMBABWE | AGRICULTURE



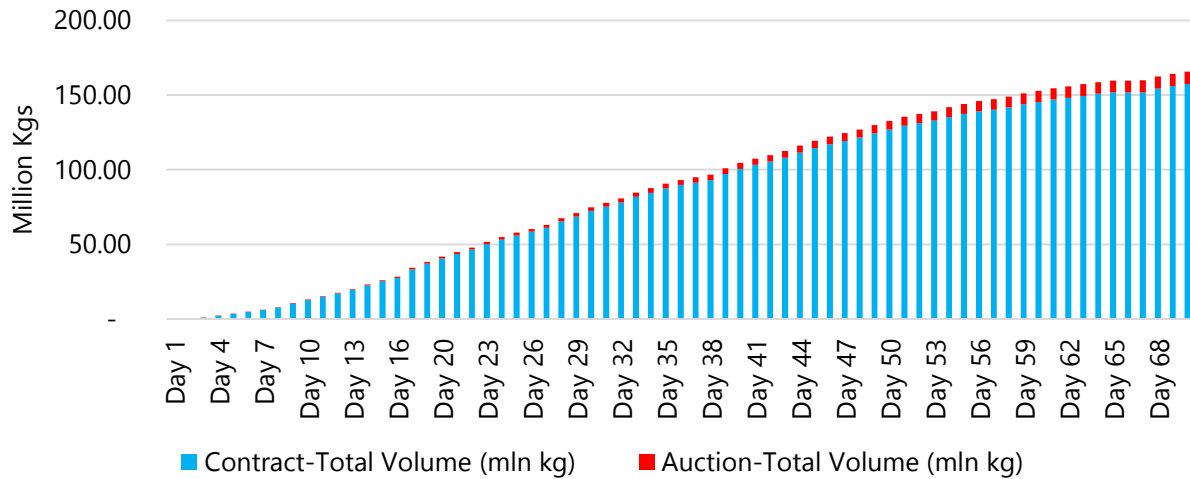
Graph 11a: Cumulative Tobacco Sales- Total Sales (2018 v 2019)



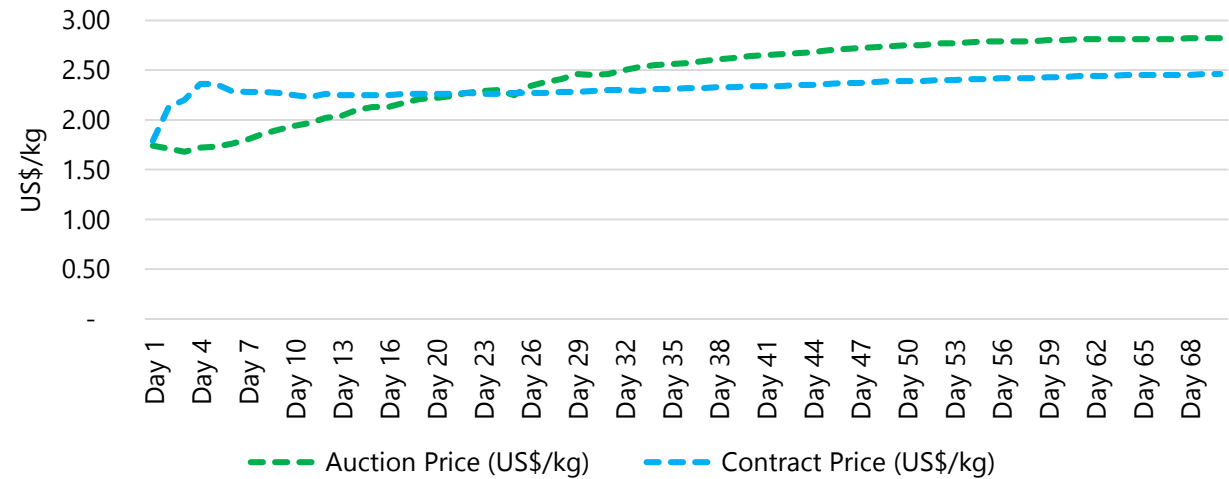
Graph 11b: Tobacco Daily Sales Statistics- Average Prices (2018 v 2019)



Graph 12a: 2019/20 Sales Volume- Contract Vs Auction



Graph 12b: 2019/20 Average Prices- Contract Vs Auction

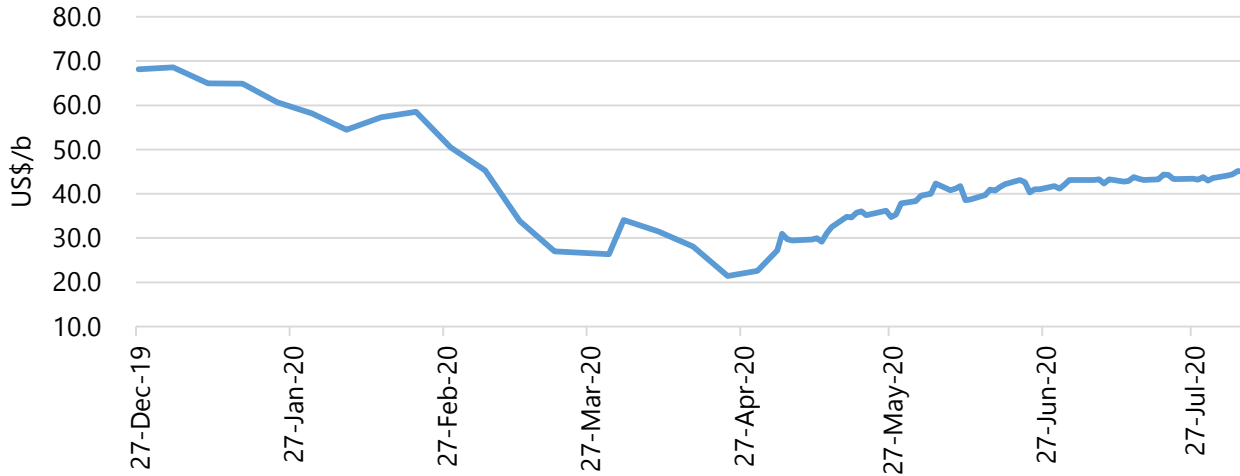




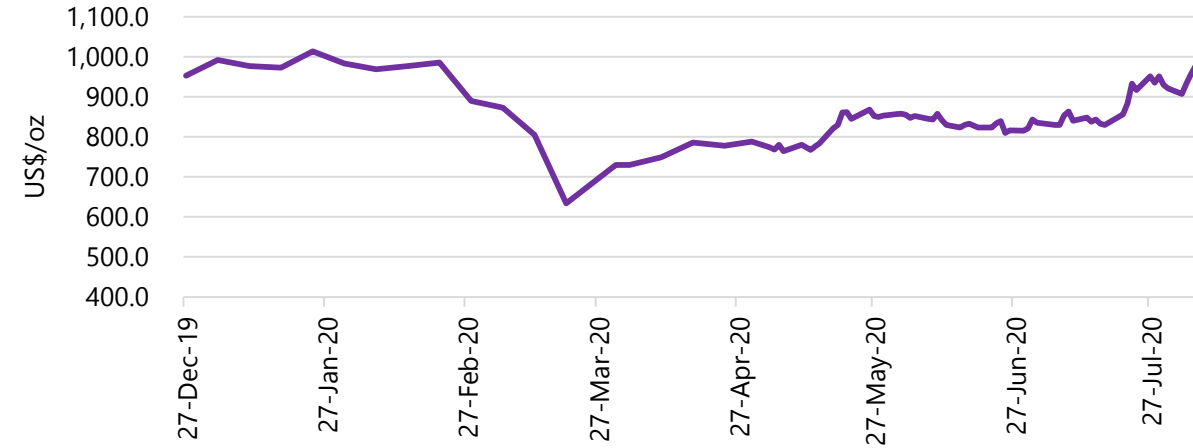
GLOBAL COMMODITY PRICE MOVEMENTS

MINERALS

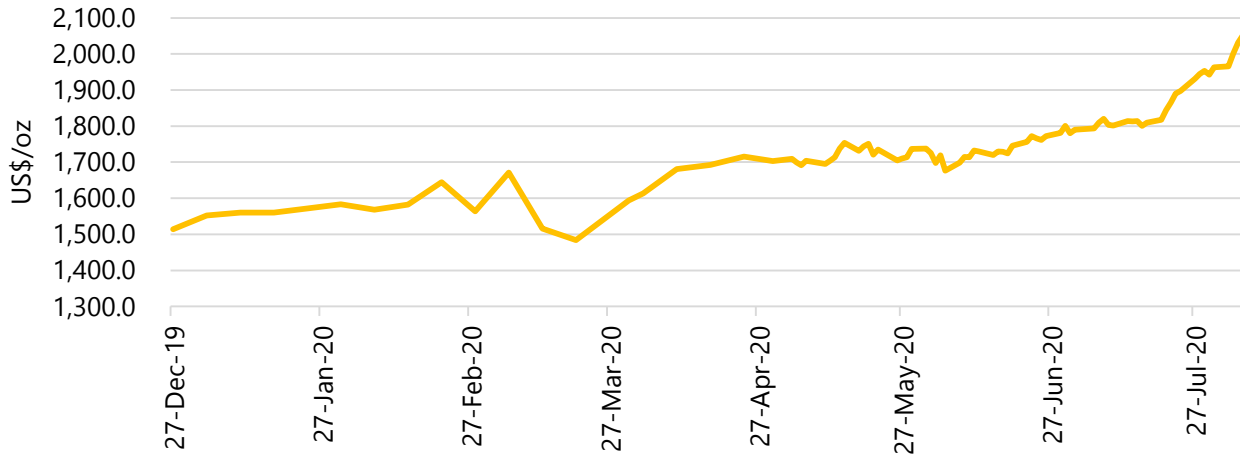
Oil prices - US\$/b



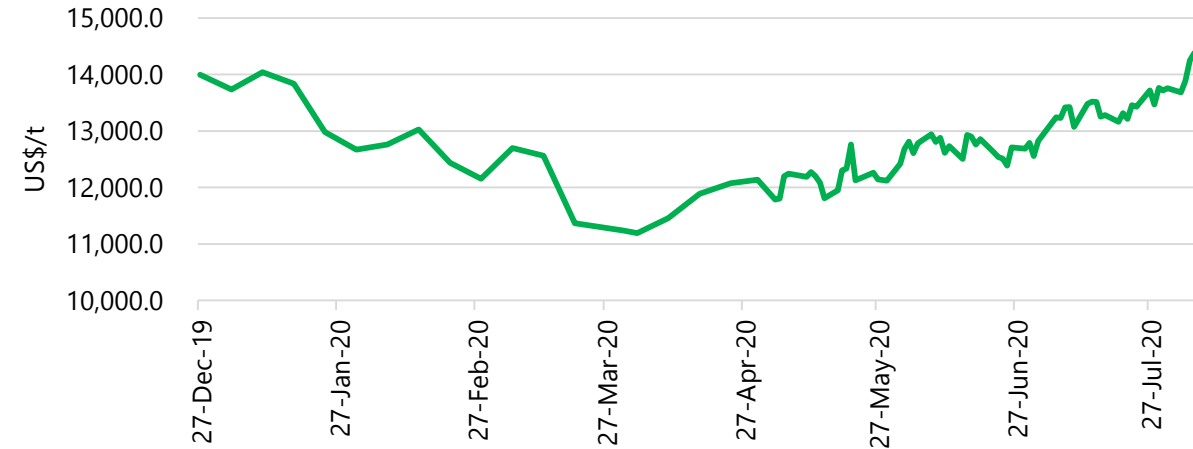
Platinum price - US\$/oz



Gold prices - US\$/oz



Nickel price - US\$/t



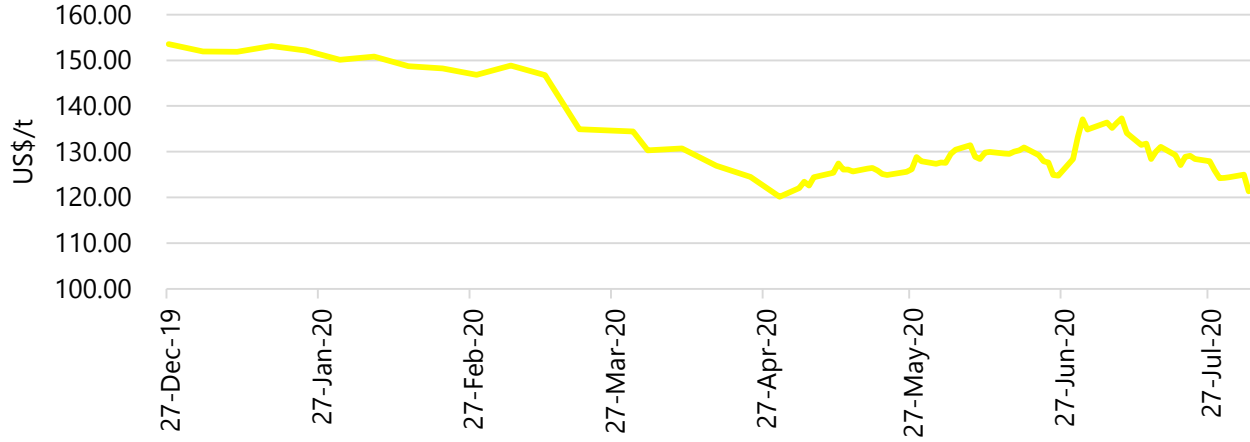
Source: Quandl



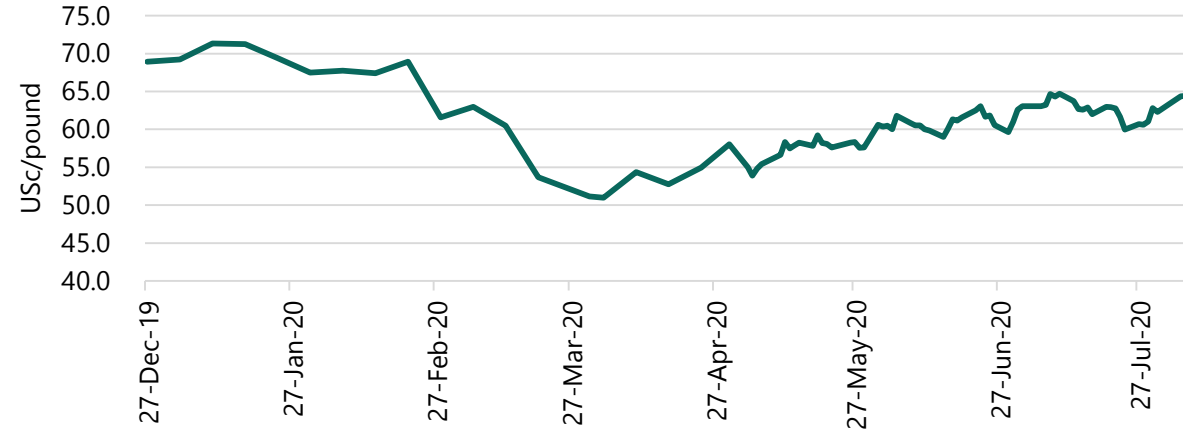
GLOBAL COMMODITY PRICE MOVEMENTS

AGRIC COMMODITIES

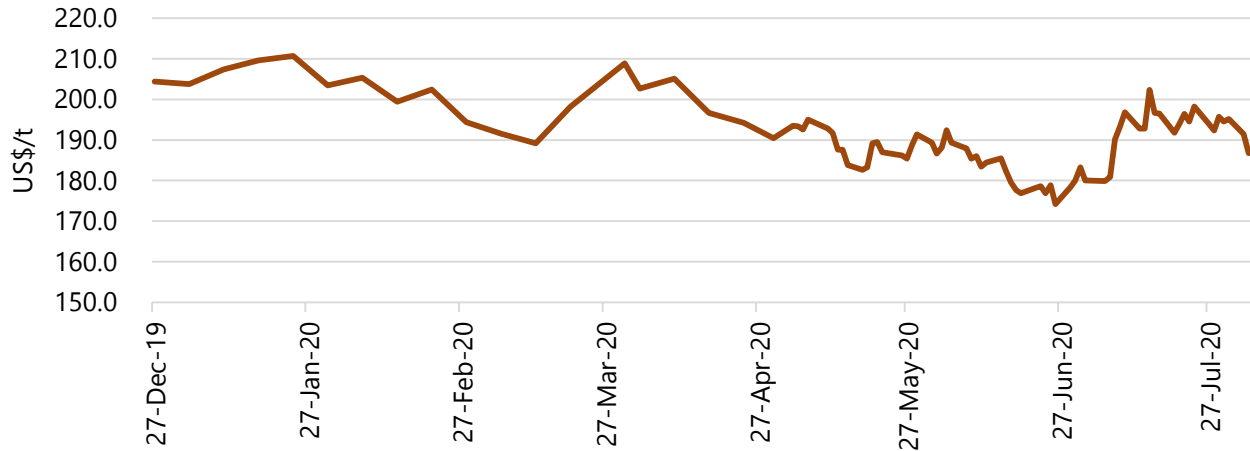
Corn - US\$/t



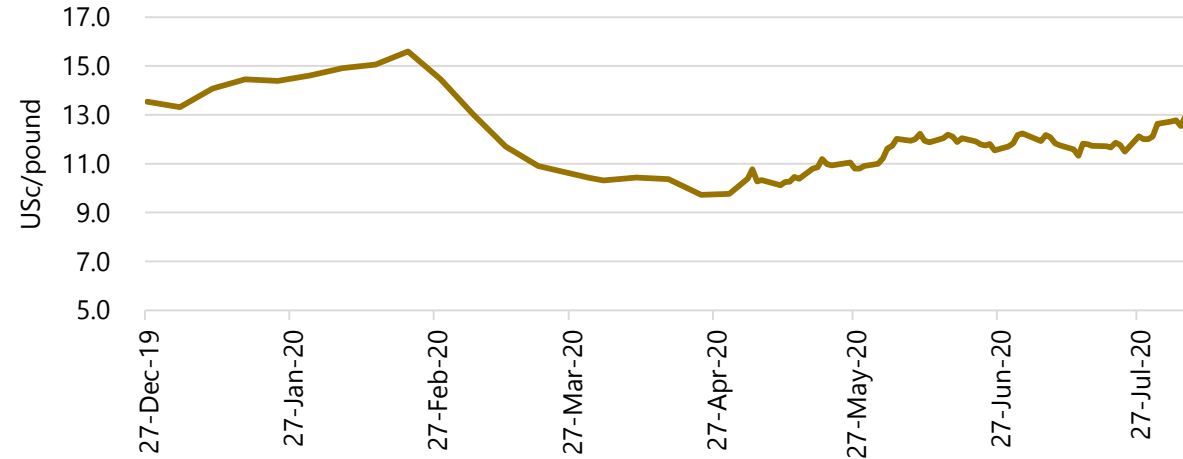
Cotton - USc/pound



Wheat - US\$/t



Sugar - USc/pound



Source: Quandl

Date	Event	Period	Forecast	Previous
Local				
10 August 2020	National Heroes Day (Public Holiday)			
11 August 2020	Defence Forces' Day (Public Holiday)			
12 August 2020	Old Mutual Zimbabwe, AGM (Time:1500hrs; Venue: Virtual)			
12 August 2020	RBZ Foreign Exchange Auction Market	13-18 August 2020		80.4663
14 August 2020	CBZ Holdings, AGM (Time:1800hrs; Venue: Virtual)			
Regional & International				
09 August 2020	China CPI (y/y)	July 2020	2.6%	2.5%
11 August 2020	U.K Unemployment Rate	June 2020	4.2%	3.9%
12 August 2020	U.K GDP (y/y)	Q2 2020	-2.1%	-1.7%
12 August 2020	U.S Federal Budget Balance	July 2020	-US\$863.0b	-US\$864.0b
13 August 2020	China Industrial Production	July 2020	4.7%	4.8%
13 August 2020	Egypt Interest Rate Decision	July 2020		9.25%
13 August 2020	South Africa Gold Production	June 2020		-20.3%
14 August 2020	U.S Retail Sales (m/m)	July 2020	1.7%	7.5%

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