

---

## THE CBZ ECONOMIC BRIEF

**Week Ending 21 August 2020**

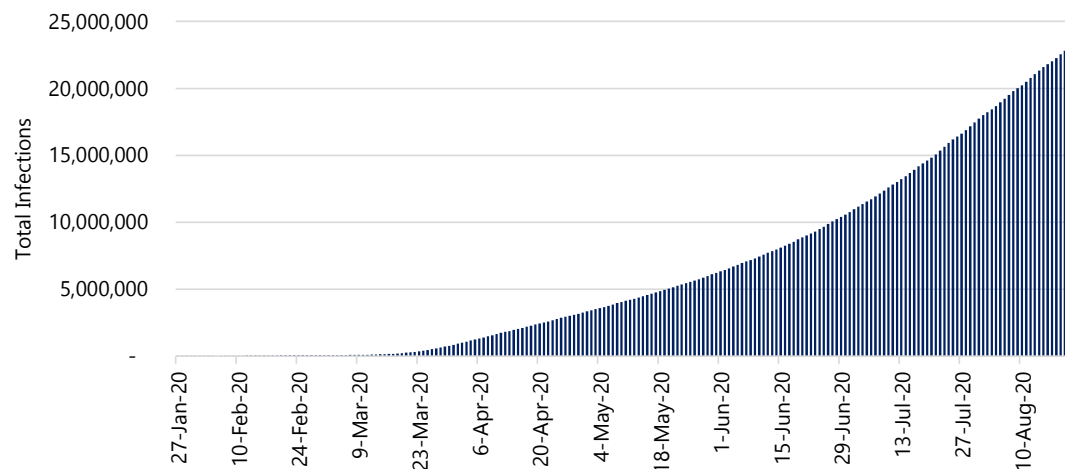
---



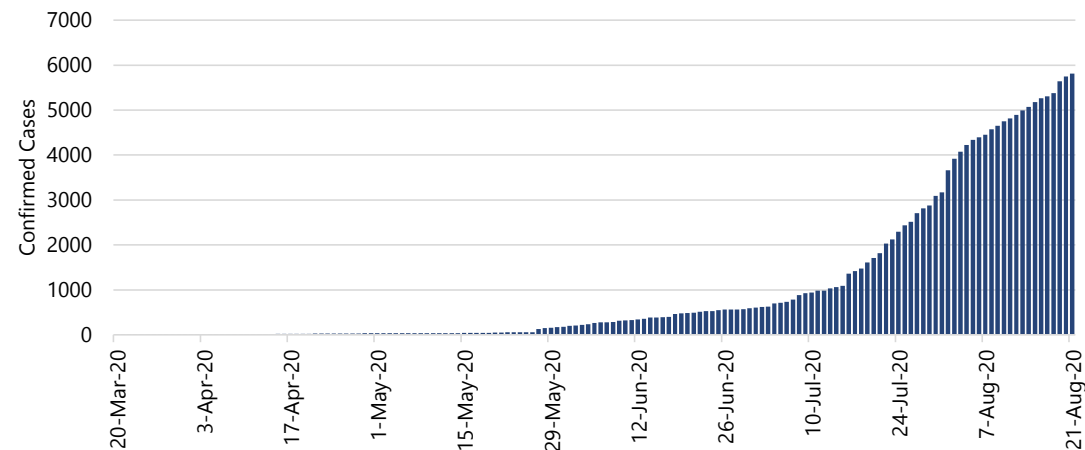


# COVID-19 | Status as at 21 August 2020

Graph 1: Cumulative Global Cases as at 21 August 2020



Graph 2: Zimbabwe Cumulative Cases as at 21 August 2020



## Notable Trends in Cases for the Week

- Cumulative global cases rose to 23.1m, after 1.8m more cases were recorded, during the week to 21 Aug 2020 – **Graph 1**. The largest weekly infections were recorded in India (448k), the U.S (321k) and Brazil (256k). The U.S remained the most infected country in the world, followed by Brazil, India, Russia and South Africa.
- In Africa, confirmed cases rose to 1.2m, after more than 71k new cases were recorded during the week to 21 Aug 2020. South Africa remained the most infected African country, accounting for about 51% of continental cases, distantly followed by Egypt and Nigeria at 8% and 4%, respectively.
- In Zimbabwe, cumulative cases rose to 5,815, after 743 new cases were recorded during the week under review - **Graph 2**. Local cases (720) accounted for the bulk of the new cases. Harare Metropolitan province recorded the largest weekly cases of 368, followed by Masvingo and Manicaland at 69 cases apiece. Resultantly, Harare remained the most infected province at 2,315 cases.
- Cumulative global recoveries reached 15.7m, after more than 1.6m new recoveries were recorded. In Zimbabwe, total recoveries increased to 4,587 after 2,589 more people recovered. Notwithstanding the surge in new infections, the ratio of active cases to total cases declined to 29% from 30%. Zimbabwe's ratio fell from 58% to 19%.
- Meanwhile, the Bank of Namibia "BoN" lowered its repurchase rate by 25 basis points "bps" to 3.75%, citing subdued economic activity and low inflation. Likewise, the Bank of Zambia cut its policy rate by 125bps to 8.0%, whilst the Bank of Mozambique maintained its monetary policy rate at 10.25%.
- According to the IHS Markit, the flash composite PMI index in the US rose to 54.7 in Aug 2020 from 50.3 in July 2020. The IHS Markit/CIPS UK Services PMI jumped to 60.1 from 56.5 over the same period, boosted by the largest increase in new business volumes amid easing of lockdown measures. A PMI reading of 50 and above represents growth, while a reading below 50 shows contraction.
- South African mobile operator, Cell C announced that it expects to close around 128 stores across the country, more than half of its retail footprint, with 546 jobs on the line, as it seeks to cut costs and restructure its operations.

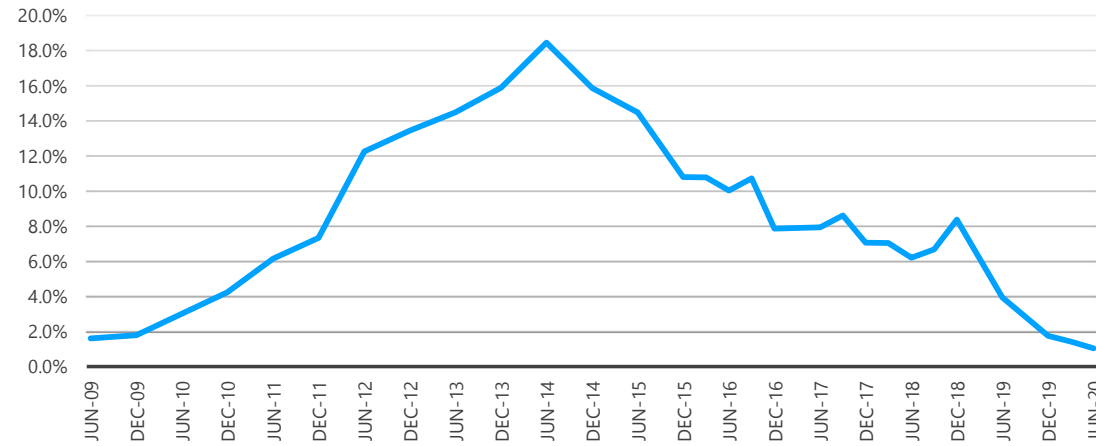


During the week under review, the Reserve Bank of Zimbabwe “RBZ” announced the 2020 Mid-Term Monetary Policy Review “MPS” running under the theme “fostering price stability”. **Table 1** below outlines the major highlights, some of which would need to be operationalized through the usual Exchange Control Guidelines.

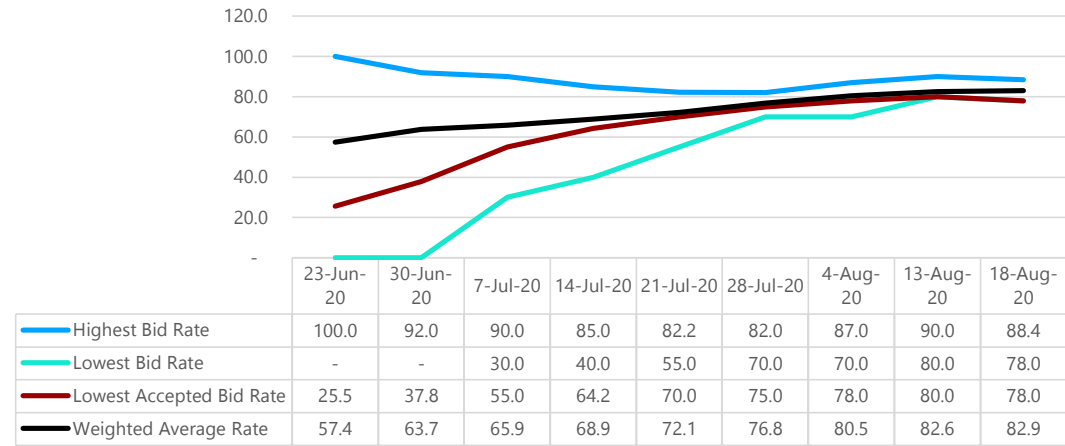
| FOCUS AREA   | POLICY MEASURES  |
|--|--|
| <b>Foreign Currency Management</b>                                     | <ul style="list-style-type: none"> <li>Standardisation of the export retention threshold at 70% for all exporters, with immediate effect.</li> <li>Increase in the liquidation period for unused funds from 30 days to 60 days.</li> </ul>   |
| <b>Supporting the Auction from Domestic Foreign Currency Resources</b> | <ul style="list-style-type: none"> <li>With immediate effect and going forward, 20% of the foreign currency receipts of providers of goods and services shall be liquidated at the point of depositing in the Domestic FCA. This excludes existing FCA balances and recipients of free funds – individuals, NGOs, embassies, tobacco and cotton producers and domestic FCAs for fuel companies.</li> </ul>   |
| <b>Foreign Currency Trading by Bureau de Change</b>                    | <ul style="list-style-type: none"> <li>Increased the foreign currency trading spread from 3.5% to 5.0%.</li> <li>Bureau de Change to sell 80% of their foreign currency holdings to the auction market every Monday, at their reserve price.</li> </ul>  |
| <b>Bank Policy Rate</b>  | <ul style="list-style-type: none"> <li>Maintained the Bank Policy Rate at 35%.</li> <li>Pegged the Medium-Term Bank Accommodation Facility rate at 25%.</li> </ul>   |
| <b>Banking Institutions Capitalisation Plans</b>                       | <ul style="list-style-type: none"> <li>Deadline for compliance with the USD indexed minimum capital requirements extended to 31 December 2021.</li> <li>Banking institutions required to submit capitalisation plans by 31 December 2020 and 30 June 2021.</li> </ul>  |
| <b>Measures to address deficiencies in mobile banking.</b>             | <ul style="list-style-type: none"> <li>Transactions by individuals pegged at ZW\$5000/ day.</li> <li>Merchants shall not make payments from their wallets, but instead shall liquidate their holdings to their bank accounts.</li> <li>Agents’ mobile money wallets abolished with immediate effect. Agents holding value in suspended and frozen accounts to liquidate funds to their bank accounts.</li> <li>Bulk payment wallets to be approved by regulatory authorities for limited use.</li> </ul> |
| <b>Interoperability</b>  | <ul style="list-style-type: none"> <li>Connectivity by all players expected to be completed by 30 September 2020.</li> </ul>   |
| <b>Business Continuity Plans</b>                                       | <ul style="list-style-type: none"> <li>Banks required to submit updated Business Continuity Plans, credit reports on the performance of their top twenty borrowers as well as updated cyber-risk management policies by 30 October 2020.</li> </ul>  |



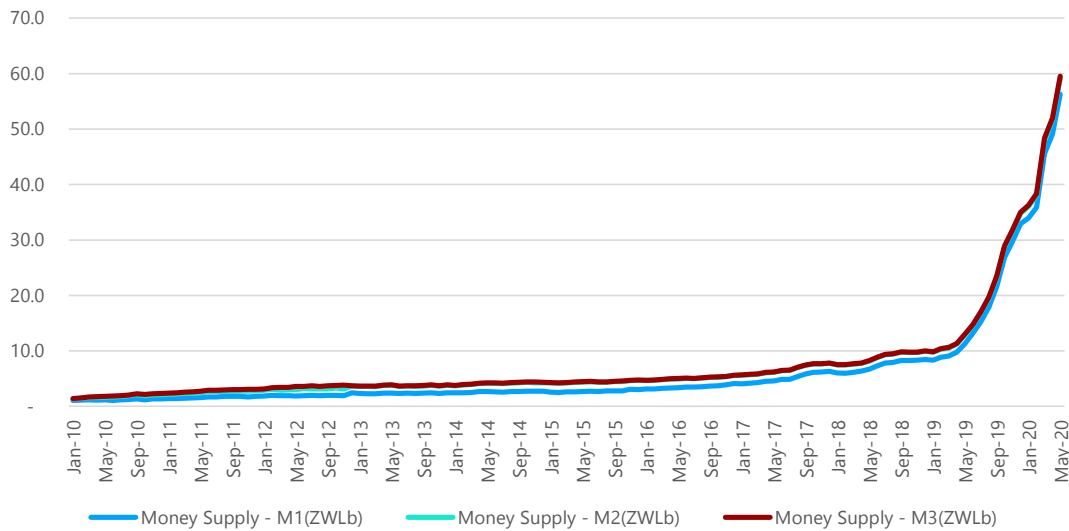
NPLs RATIO



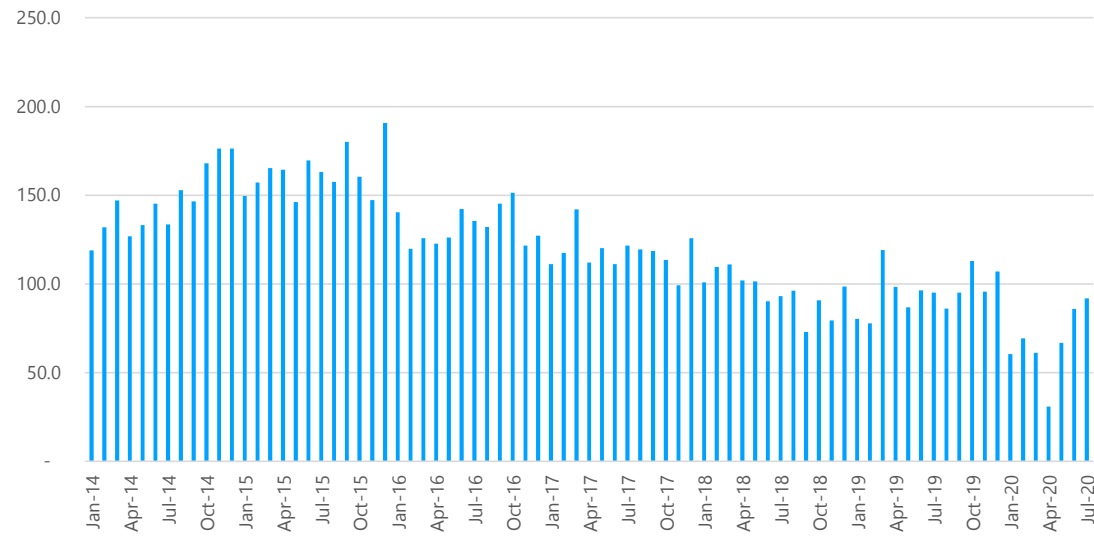
Auction Exchange Rates - ZW\$/ USD



Money Supply - ZW\$b



Remittances - USDm

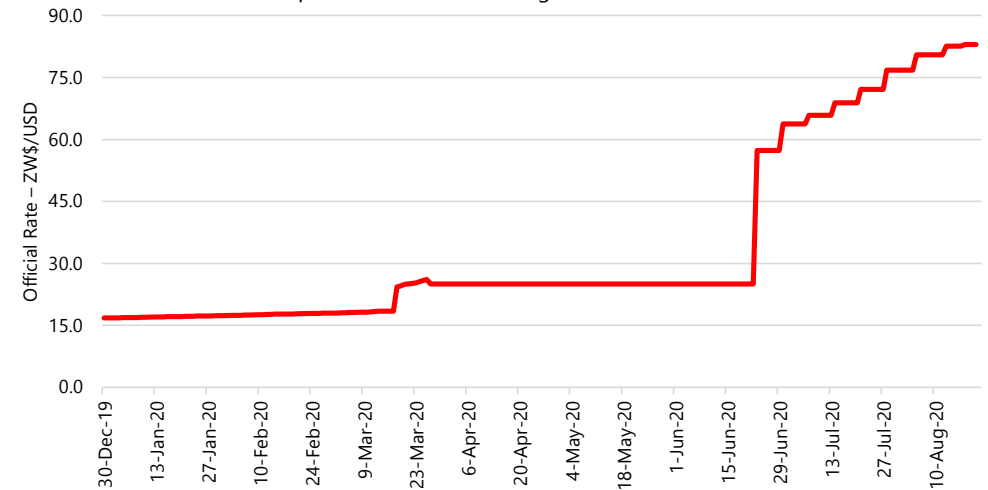




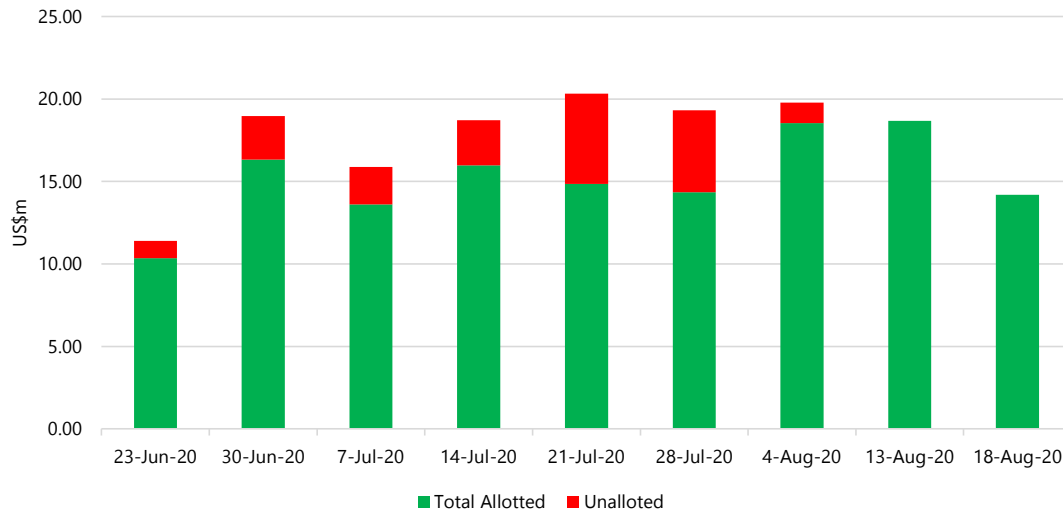
### Foreign Currency Market Developments

- The ZW\$ marginally depreciated by 0.4% from ZW\$82.56/ USD, to a weighted average rate of ZW\$82.92/ USD on the official foreign currency market, following a combined (Main and SMEs) foreign exchange auction held on 18 August 2020 - **Graph 5a**.
- The highest bid rate fell from 90 to 88 on the main auction, and from 90 to 85 on the SMEs auction. The lowest accepted bid rate increased from 77 to 80, on the main auction. On the contrary, the accepted lowest bid on the SMEs auction fell from 80 to 78.
- A total of US\$14.2m was allotted on 18 August 2020. The largest weekly allotments were for raw materials (US\$5.4m), machinery & equipment (US\$2.9m), consumables (US\$2.0m) and pharmaceuticals & chemicals (US\$1.3m) – Graph 5b.
- On the international currency markets, the U.S dollar maintained YTD gains against other major currencies, except the Euro, Japanese Yen, Chinese Yuan and Pound sterling – **Graph 6**.

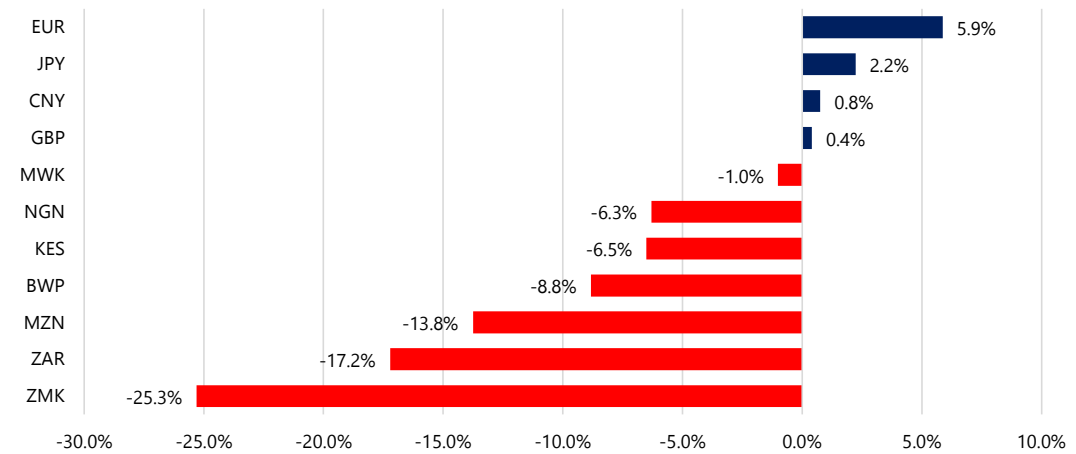
Graph 5a: ZW\$/USD Exchange Rate Movements



Graph 5b: Foreign Currency Auction Allotments



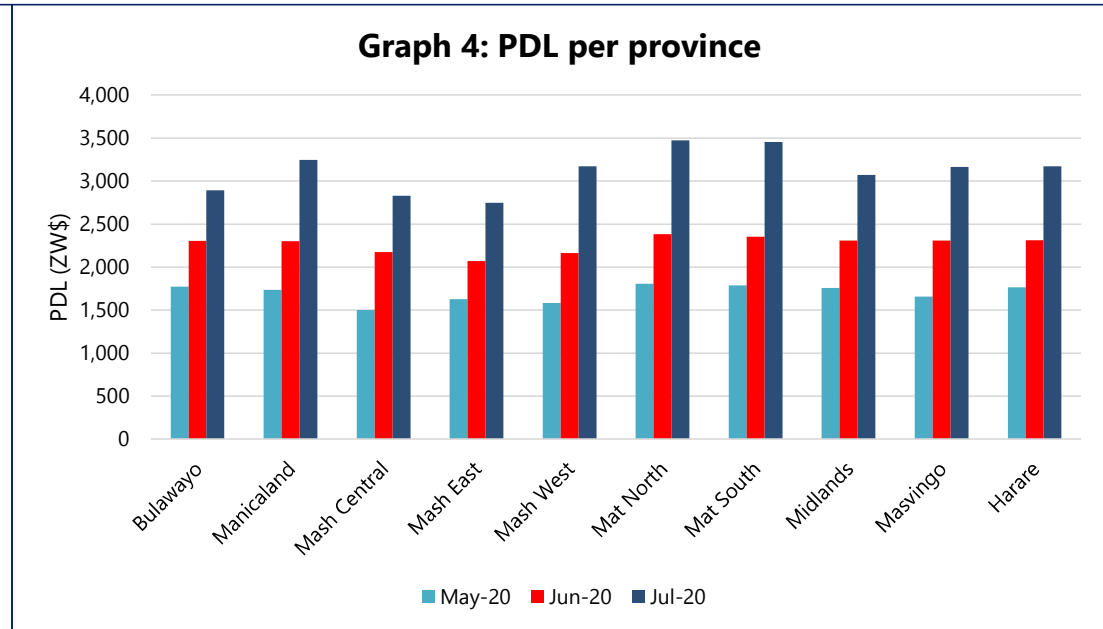
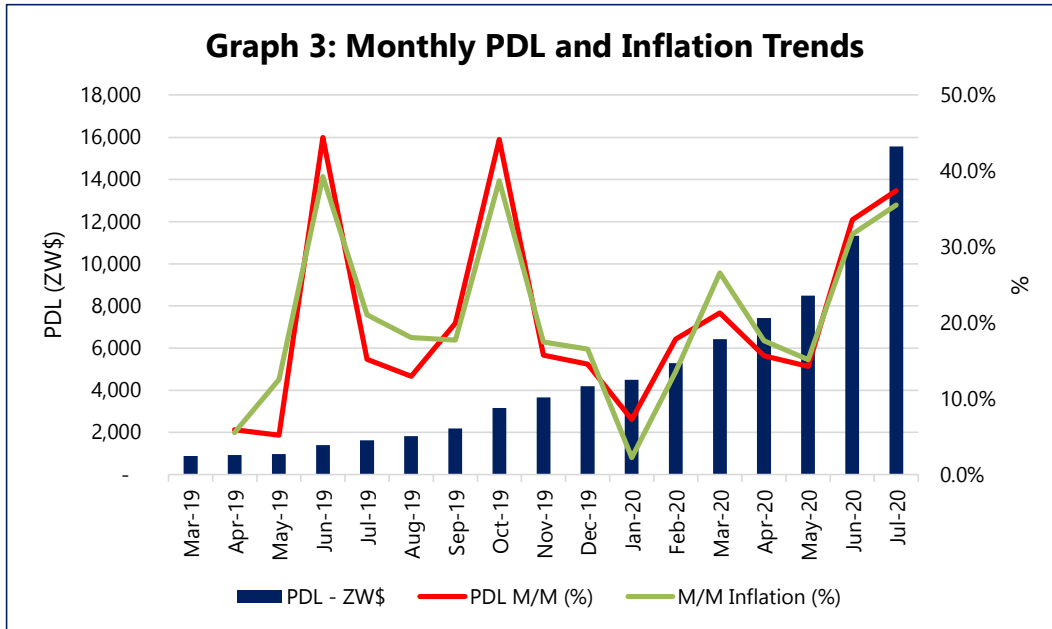
Graph 6: Major Currencies vs the USD - Ytd as at 21 August 2020



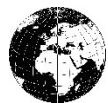


### Poverty Datum Line

- 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 37% to ZWL\$ 15,573 in July 2020, from the ZWL\$11,334 recorded in June 2020 - **Graph 3**.
- The upward adjustment in prices of basic commodities, including fuel and bread, and the general weakness of the ZW\$ against the US dollar, remained the major cost drivers.



- Meanwhile, Mat South (47%), Mash West (47%), Mat North (46%) and Manicaland (41%), recorded the largest increases in cost of living – **Graph 4**. However, Mat North remained the most expensive province in Zimbabwe.



# ZIMBABWE | FINANCIAL MARKETS-EQUITIES MARKETS

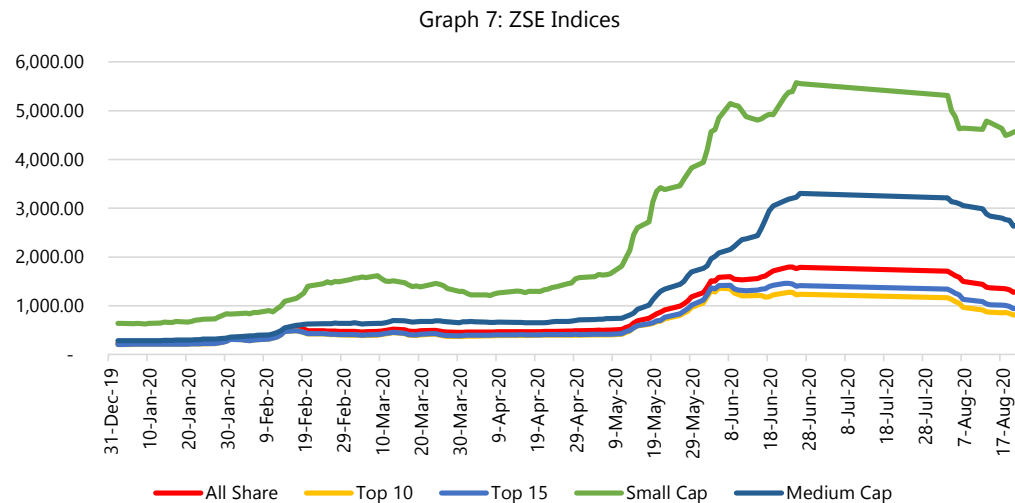


## Equities Market Developments

On the Zimbabwe Stock Exchange, all indices recorded losses during the week under review. The medium cap index recorded the largest loss of 7.2% followed by Top-15 (-6.9%), Top-10 (-5.5%) and Small Cap (-3.4%)—

### Graph 7.

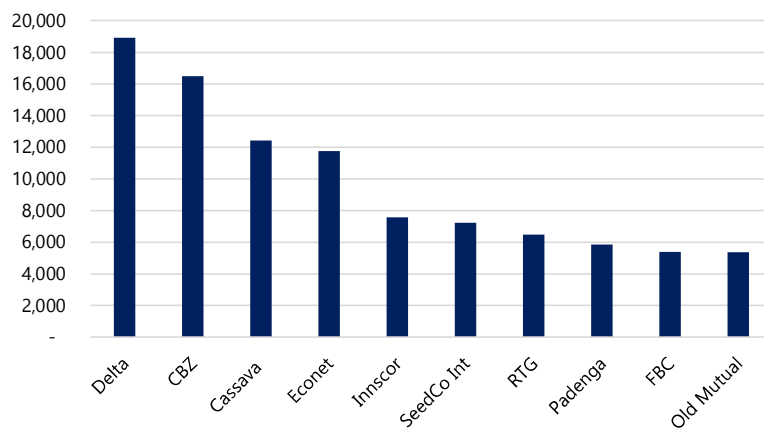
- The All Share Index declined, for the 3<sup>rd</sup> week in a row, by 6.1% dragged by losses in selected heavyweights. However, the benchmark index posted a year-to-date "YTD" gain of 459%.
- Tyre retailer, NTS, recorded the largest weekly gain of 73%, followed by Willdale (26%), Padenga (20%), and Fidelity (17%). On the other hand, major weekly losses were recorded for Edgars (42%), Simbisa (31%), Axia (24%) and FBC (24%) - **Table 2.**
- Delta remained the largest counter on the ZSE, with a market capitalization of ZW\$18.9b, followed by CBZ (ZW\$16.5b), Cassava (ZW\$12.4b), Econet (ZW\$11.8b) and Innscor (ZW\$7.7b)- **Graph 8.**
- Meanwhile, on a YTD basis, the ZSE outperformed most of the major global and regional stock markets under our watch as at 21 August 2020 - **Graph 9.**



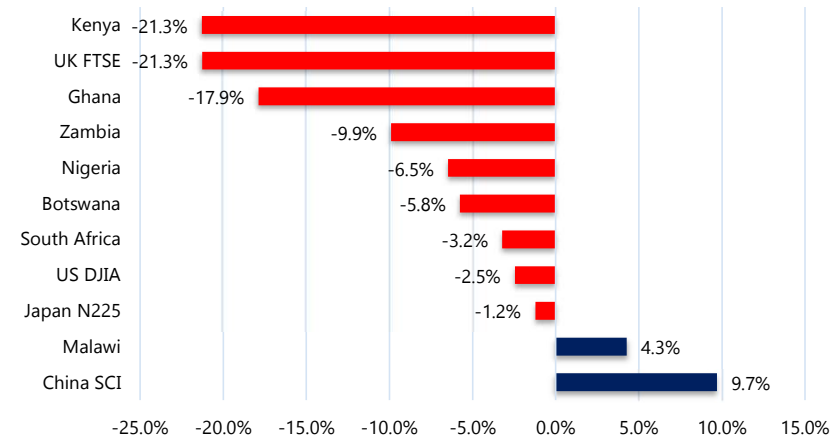
## Table: ZSE Movers and Shakers

| Movers        | 14-Aug  | 21-Aug  | Change (%) |
|---------------|---------|---------|------------|
| NTS           | 3.7     | 6.4     | 73%        |
| Willdale      | 19.1    | 24.0    | 26%        |
| Padenga       | 900.4   | 1,081.8 | 20%        |
| Fidelity Life | 28.0    | 32.7    | 17%        |
| CBZ           | 2,055.2 | 2,400.0 | 17%        |
| Shakers       | 14-Aug  | 21-Aug  | Change (%) |
| Edgars        | 86.0    | 50.0    | -42%       |
| Simbisa       | 649.9   | 450.5   | -31%       |
| Axia          | 425.3   | 323.2   | -24%       |
| FBC           | 1,050.0 | 800.6   | -24%       |
| NMB           | 390.0   | 305.0   | -22%       |

Graph 8: Top-10 stocks by Market Capitalization - ZW\$m



Graph 9: Major Equities - Ytd as at 21 August 2020

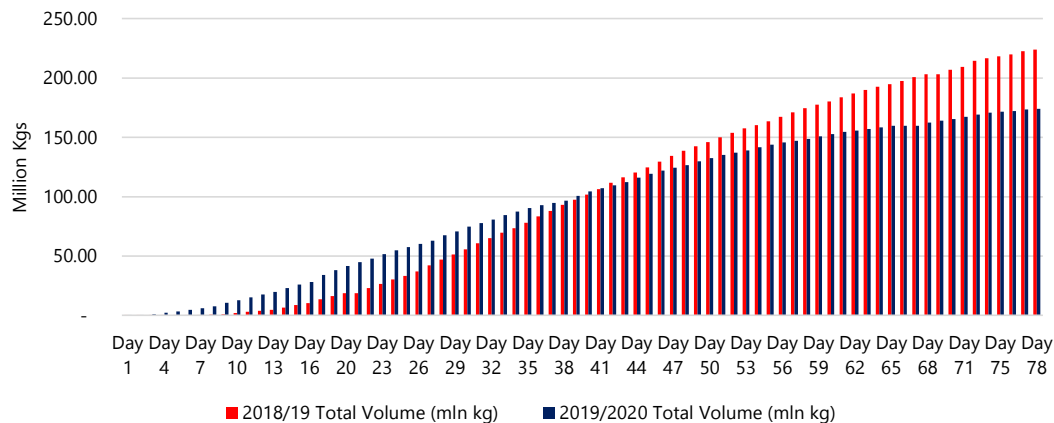




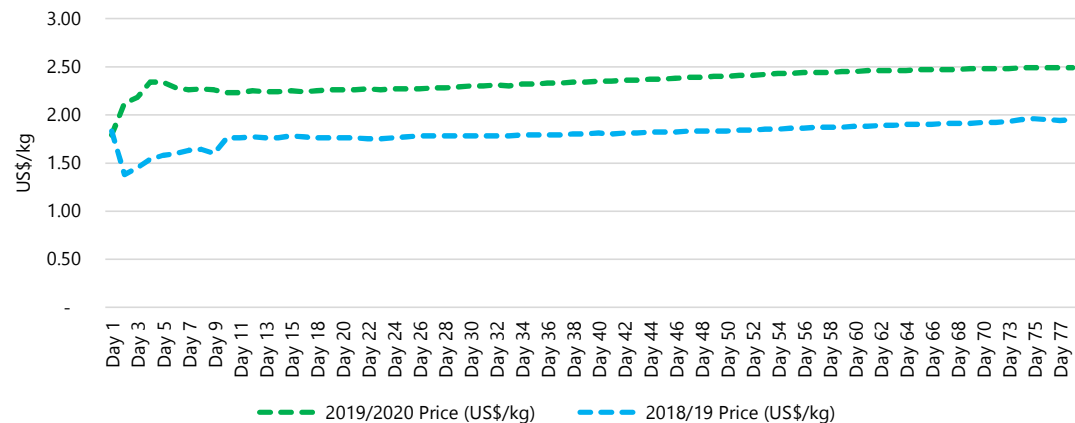
# ZIMBABWE | AGRICULTURE



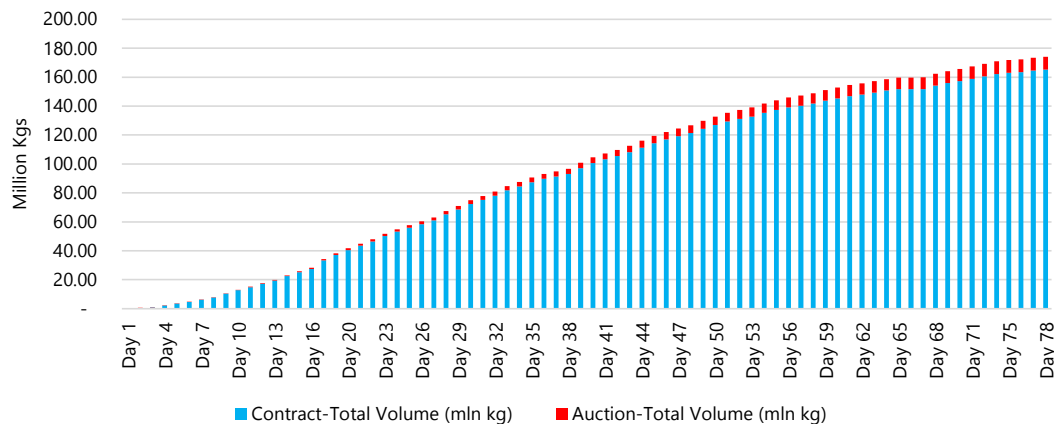
Graph 8a: Cumulative Tobacco Sales-Total Volumes (2018 v 2019)



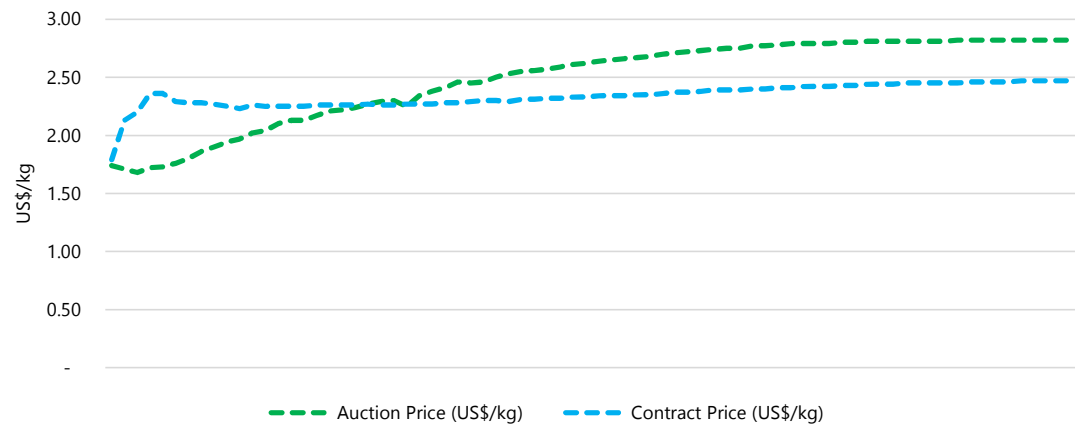
Graph 8b: Tobacco Daily Sales Statistics- Average Prices (2018 v 2019)



Graph 9a: 2019/20 Tobacco Sales Volumes- Contract Vs Auction



Graph 9b: 2019/20 Average Prices – Contract Vs Auction



Source: Tobacco Industry and Marketing Board

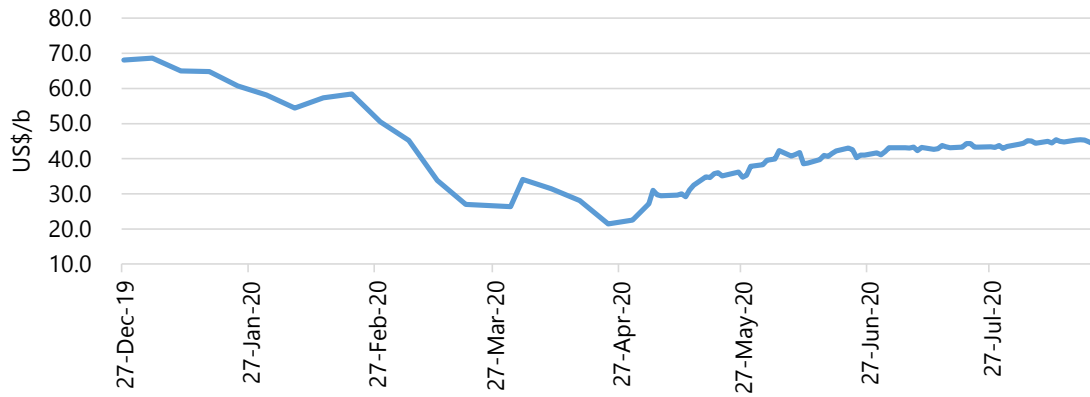




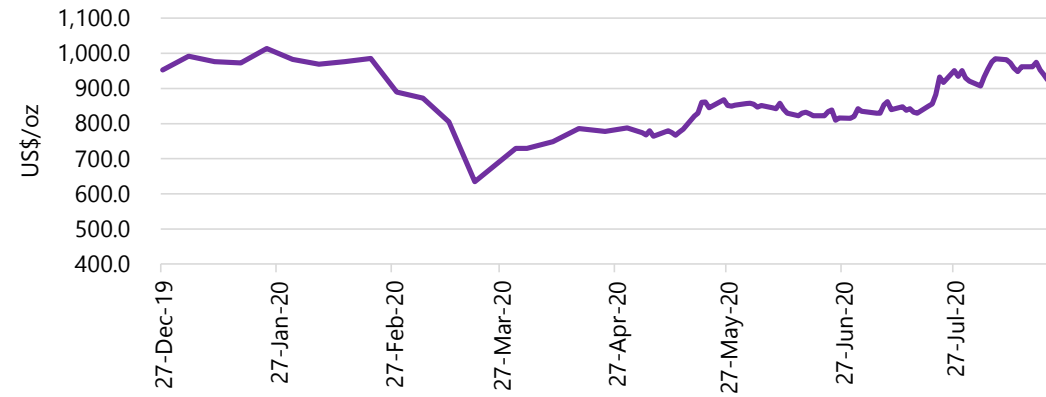
# GLOBAL COMMODITY PRICE MOVEMENTS

## MINERALS

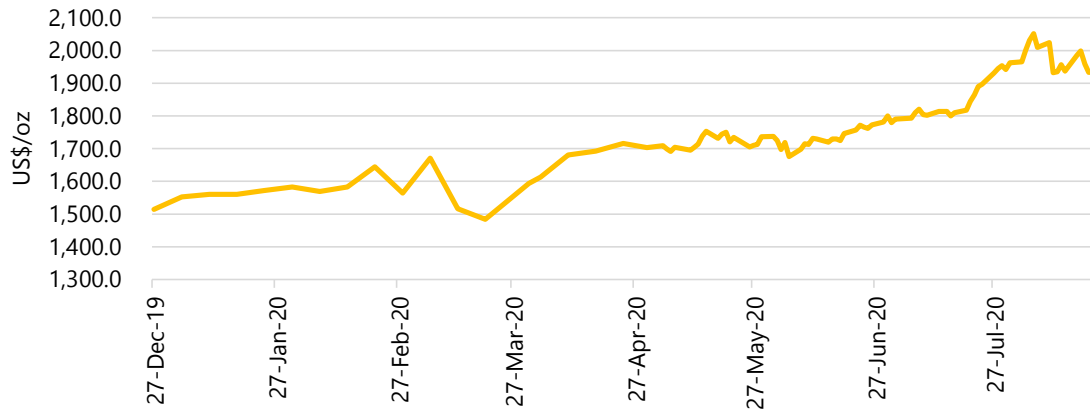
### Oil prices - US\$/b



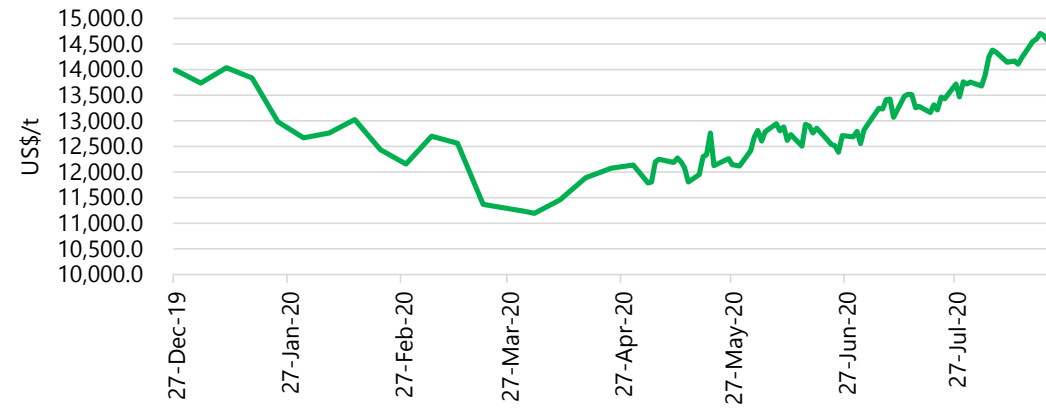
### Platinum price - US\$/oz



### Gold prices - US\$/oz



### Nickel price - US\$/t

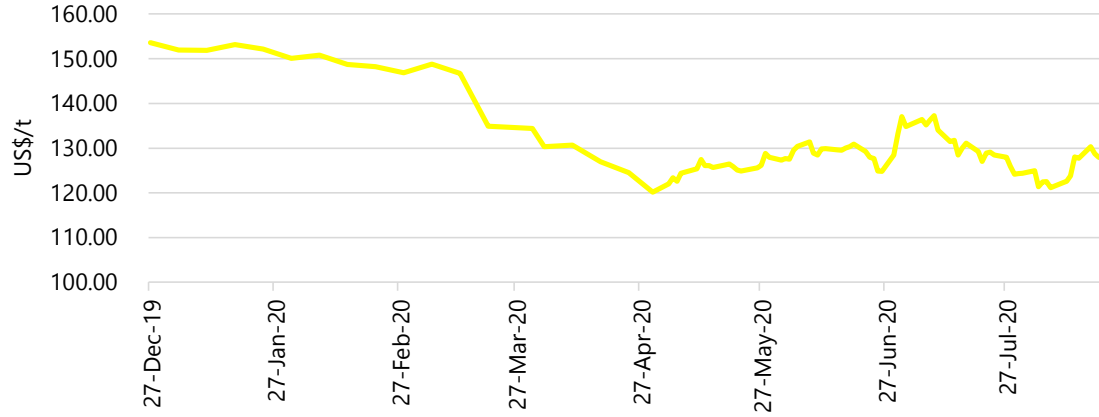


Source: Quandl

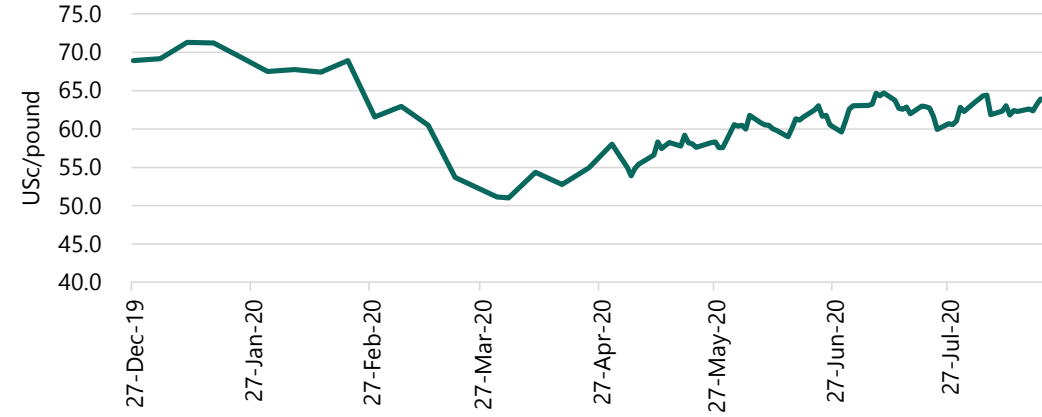


# GLOBAL COMMODITY PRICE MOVEMENTS | AGRIC COMMODITIES

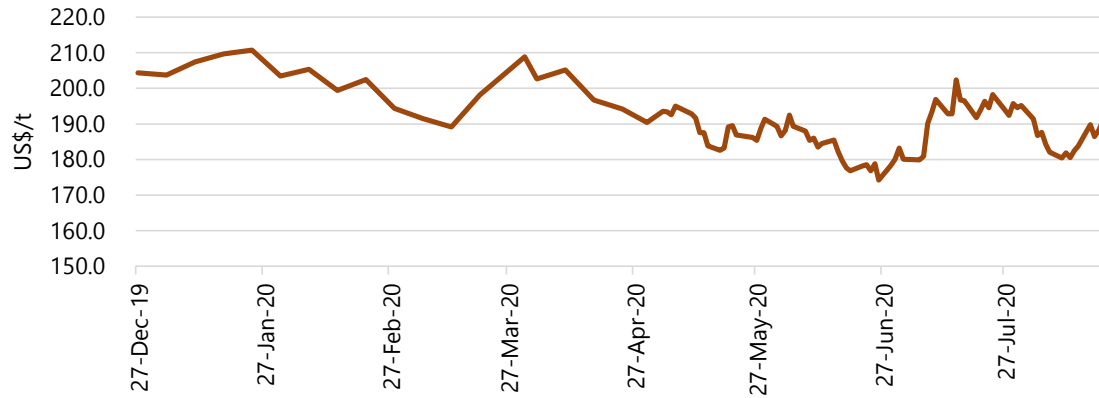
### Corn - US\$/t



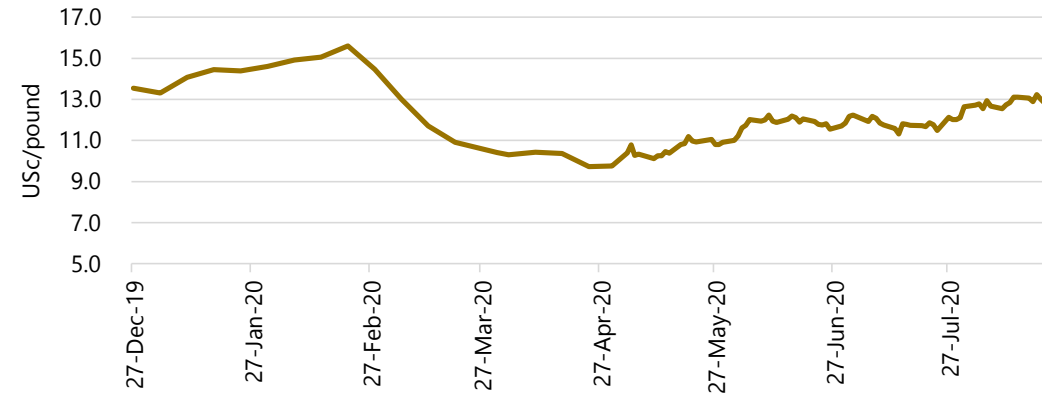
### Cotton - USc/pound



### Wheat - US\$/t



### Sugar - USc/pound



Source: Quandl

# ECONOMIC CALENDAR

LOOKING AHEAD...

| Date                                | Event   | Period              | Forecast | Previous    |
|-------------------------------------|---|---------------------|----------|-------------|
| <b>Local</b>                        |   |                     |          |             |
| 24 August 2020                      | Rainbow Tourism Group "RTG", AGM (Time:1200hrs; Venue: Virtual) |                     |          |             |
| 25 August 2020                      | RBZ Foreign Exchange Auction Market                             | 26 Aug-01 Sept 2020 |          | 82.9184     |
| 26 August 2020                      | SeedCo International, AGM (Time:0900hrs; Venue: Virtual)        |                     |          |             |
| 28 August 2020                      | RBZ Interest Rate Decision                                      |                     |          |             |
| 28 August 2020                      | SeedCo, AGM (Time:0900hrs; Venue: Virtual)                      |                     |          |             |
| <b>Regional &amp; International</b> |   |                     |          |             |
| 25 August 2020                      | U.S New Home Sales  | July 2020           | 750k     | 776k        |
| 26 August 2020                      | South Africa CPI (m/m)  | July 2020           | 1.2%     | 0.5%        |
| 27 August 2020                      | Euro Zone M3 Money Supply (y/y)                                 | July 2020           | 9.3%     | 9.2%        |
| 27 August 2020                      | U.S GDP (q/q)   | Q2 2020             | -32.5%   | -32.9%      |
| 28 August 2020                      | U.S Goods Trade Balance   | July 2020           |          | -US\$70.99b |
| 28 August 2020                      | Euro Zone Business Confidence                                   | August 2020         | -15.0    | -15.0       |

## Partners for Success

---



## Contact Details

3<sup>rd</sup> Floor, Sapphire House,

Cnr Speke/Angwa St,

P O Box 3313,

Tel: +263 4 759 110-6

Website: [www.cbz.co.zw](http://www.cbz.co.zw)

Email: [economics@cbz.co.zw](mailto:economics@cbz.co.zw)

## Analysts

Andrew Chirewo

Group Economist

[achirewo@cbz.co.zw](mailto:achirewo@cbz.co.zw)

Victor Makanda

Analyst

[vmakanda@cbz.co.zw](mailto:vmakanda@cbz.co.zw)

Johane Virima

Analyst

[jvirima@cbz.co.zw](mailto:jvirima@cbz.co.zw)

---

## Disclaimer

CBZ Holdings Limited has prepared this report on behalf of itself and its clients for informative purposes only. Whilst the facts and opinions expressed in this report are based on sources that are believed to be reliable, and every care has been taken in preparing the report, no warranty (implicit or explicit) is made by CBZ Holdings Limited, its employees, directors, associates and affiliates regarding the accuracy, reliability, currency or completeness of the information in this report nor its usefulness for any purpose. CBZ Holdings Limited, its employees, directors, associates and affiliates accept no responsibility or liability, whatsoever, for any loss, damage, cost or expense, howsoever, incurred or arising by reason of any person using or relying on information or opinions expressed in this report. The opinions and estimates expressed in this report are based on the information available as at the date of publication and such opinions and estimates are given in good faith, but without legal responsibility, and may be changed after publication at any time without notice. The information contained in this report does not constitute legal advice or personal recommendation and each recipient may undertake his or her own independent investigation of the issues discussed in this report.