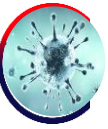


...Finance Minister presents
2021 Pre Budget Strategy
Paper "BSP"; projects
rebound in economic
growth...

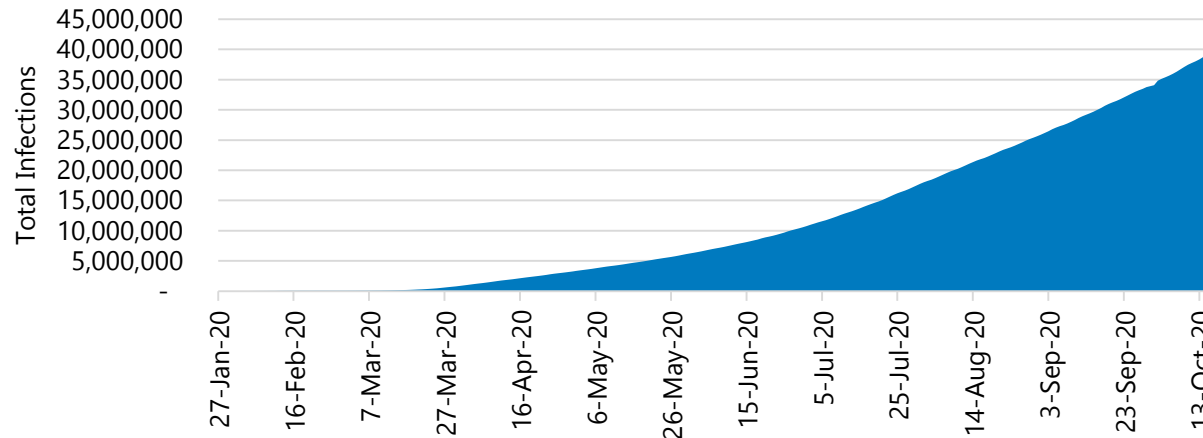
THE CBZ ECONOMIC BRIEF

Week Ending 16 October 2020

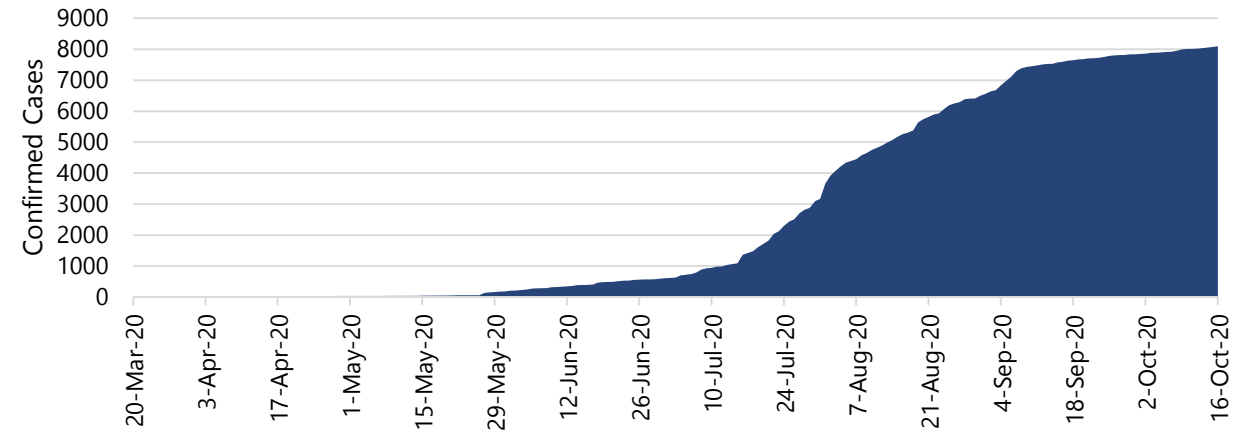


COVID-19 | Global Status as at 16 October 2020

Graph 1: Cumulative Global Cases as at 16 October 2020



Graph 2: Zimbabwe Cumulative Covid-19 Cases as at 16 October 2020



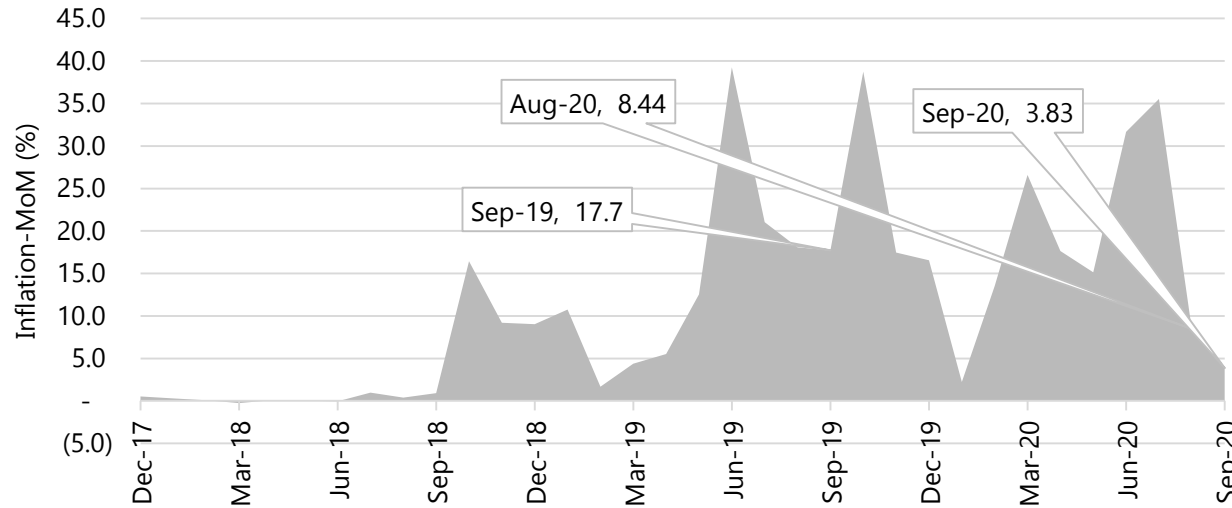
Sources: Johns Hopkins University & Ministry of Health & Child Care (Zimbabwe)

Notable Trends in Cases for the Week

- Cumulative cases rose above 39m, after more than 2.4m new cases were recorded during the week to 16 October 2020 – **Graph 1**. The largest weekly cases were recorded in India (453k), U.S (393k), Brazil (144k), France (142k) and U.K (113k). The U.S remained the most infected country in the world, ahead of India, Brazil, Russia and Spain. Meanwhile, France declared a public health state of emergency on Wednesday, 14 October 2020, and placed Paris and other eight cities under night curfews, following a spike in covid-19 hospitalisations.
- In Africa, confirmed cases increased by 4.3% to 1.63m, after an additional 67k new cases were recorded during the week. Morocco recorded the largest weekly cases of 20.8k, followed by South Africa (11.9k), Libya (6.5k) and Ethiopia (5.2k). Consequently, South Africa remained the most infected country in Africa, with cumulative cases of 700k.
- In Zimbabwe, cumulative cases increased to 8,099, after 105 new cases were recorded during the week - **Graph 2**. Bulawayo province recorded the largest weekly cases of 49, followed by Midlands (13), Harare (12), Manicaland (11) and Mash West (10). A record total of 1,199 recoveries were recorded during the period under review, bringing the cumulative recoveries to 7,673. Resultantly, the ratio of active cases to total cases declined significantly, from 16% recorded during the previous week, to 2% as at Friday 16 October 2020.
- Meanwhile, according to U.S Office of Management and Budget “OMB”, the U.S federal budget deficit for the 2020 fiscal year that ended on 30 September, stood at US\$3.1 trillion, more than triple last year’s deficit of US\$984 billion, and double the previous record of US\$1.4 trillion recorded in 2009. The deficit represented about 15.2% of U.S GDP, and is the country’s highest level since 1945. The worsening of the budget deficit was due to the impact of coronavirus pandemic that reduced government revenues and increased spending. In fact, revenues fell by 1.2% to US\$3.4t, while spending surged 47.3% to US\$6.6t.
- The International Monetary Fund “IMF” revised upwards its 2020 global growth projection from the initial forecast of a 5.2% contraction to a contraction of 4.4%. The global financier cited better than anticipated Q2 2020 GDP outturns, particularly in advanced economies, as well as indications of a stronger recovery in Q3 2020. The Sub-Saharan Africa “SSA” and Zimbabwean economies are expected to contract by 3% and 10.4% in 2020, before recovering by 3.1% and 4.2%, respectively, in 2021.
- In Zimbabwe, the Reserve Bank of Zimbabwe “RBZ” kept its policy rate for overnight accommodation and the medium-term lending rate for productive sectors unchanged at 35% and 25%, respectively. Additional funding of ZW\$2.5b was also approved under the bank’s medium-term lending facility, to support the productive sectors as well as promote economic recovery.



Graph 3: M/M Inflation Rate Trends



Graph 4: M/M Inflation Trends By CPI Categories

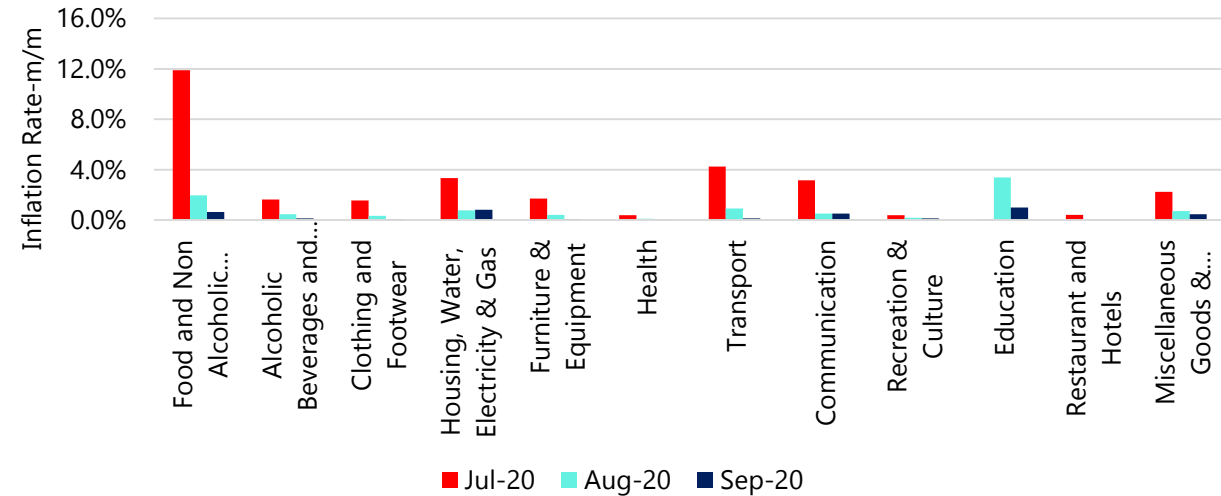


Table 1: Comparative Regional Inflation Rates

	M/M Inflation Rate (%)			Y/Y Inflation Rate (%)		
	July-2020	August-2020	September-2020	July-2020	August-2020	September-2020
South Africa	1.3	0.2	n/a	3.2	3.1	n/a
Kenya	0.1	0.2	0.2	4.4	4.4	4.2
Botswana	0.2	0.2	0.8	0.9	1.0	1.8
Tanzania	(0.2)	-0.5	-0.3	3.3	3.3	3.1
Zambia	0.3	0.5	1.4	15.8	15.5	15.7
Zimbabwe	35.5	8.4	3.8	837.5	761.0	659.4
Uganda	0.2	0.3	0.6	4.7	4.6	4.5

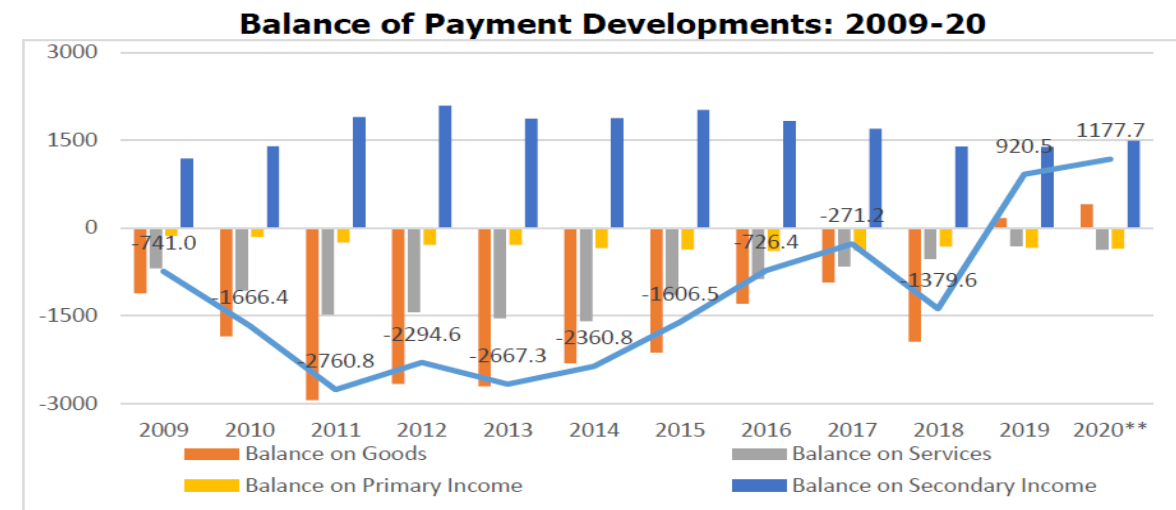
Source: Various

- According to the ZimStat, the headline month-on-month “m/m” inflation rate fell to 3.8% in September 2020, from 8.4% recorded in August 2020 - **Graph 3**. This reflected declines in both the food and non-food inflation rate.
- In fact, most subcategories recorded declines, whilst the communication and housing, water, electricity & gas categories were nearly flat at 0.5% and 0.8%, respectively - **Graph 4**.
- The annual inflation rate also receded to 659% in September 2020, from 761% in August 2020.
- Meanwhile, **Table 1** outlines comparative inflation rates for selected regional and trading partner countries.
- Going forward, the inflation outturn will depend on the policy options to be pursued by the fiscal and monetary authorities, especially the extent to which they will seek to achieve a balance between stability and growth. A pro-stability approach, may, in the best case, result in m/m inflation rates remaining in the single digit levels, whilst a pro-growth approach will result in a resurgence of inflationary pressures in the short term. A middle of the ground approach will continue to see wild fluctuations in inflation outturns.



2021 National Budget Proposed Priorities	Targets
Inclusive Growth and Macro-stability.	<ul style="list-style-type: none"> Capital development expenditures to constitute 4.5% of GDP annually. Contain employment costs to below 50% of total expenditure. Budget deficits to be kept under 2% of GDP, underpinned by enhanced tax collection systems. Currency and price stability. Devolution and job creation.
Developing and Supporting Productive Value Chains.	<ul style="list-style-type: none"> Agriculture sector to grow by 11%, riding on favourable weather forecasts, timely financing, mechanisation and better capacitation of farmers through extension services and training. Promotion of alternative technologies and traditional grains. Manufacturing sub-sector to grow by 6.4%, supported by domesticating value chains and proving venture capital fund for the sector
Optimising Value in our Natural Resources.	<ul style="list-style-type: none"> Mining sector to grow by 11%, driven by growths in gold, PGMs and diamond. Increased investments in exploration, extraction, value addition and beneficiation across all minerals. Support for the tourism sector under the country's US\$5b tourism economy by 2025.
Infrastructure, ICT s and Digital Economy.	<ul style="list-style-type: none"> To complete various unfinished infrastructure projects, while drawing on-board new ones in line with capacity of the budget.
Human Capital Development and Well-being.	<ul style="list-style-type: none"> Increased access to quality health. Establishment of innovation hubs, incubators and common equipment centres.
Effective Institution Building & Governance; and Peace.	<ul style="list-style-type: none"> Alignment of laws to the constitution. Property Rights.
Engagement and Re-engagement.	<ul style="list-style-type: none"> Arrears clearance- currently estimated at about US\$6b. Diaspora engagement to promote their contribution towards national development through remittances, skills, resources and networks.

	2018	2019	2020	2021	2022	2023
GDP by Industry Growth Rates	5.5	-6	-4.5	7.4	5.5	5.2
Agriculture and forestry	18.3	-17.8	-0.2	11.3	8.9	7.6
Mining and quarrying	8.7	-12.4	-4.7	11.0	7.4	8.8
Manufacturing	1.3	-8.7	-10.8	6.4	6.5	8.0
Electricity and water	22.5	-19.2	-7.9	18.8	14.4	5.9
Construction	2	-13.9	-11.4	7.2	5.0	4.0
Distribution, Hotels and restaurants	4.5	-8.2	-7.5	5.7	5.6	5.1
Transportation and communication	2.6	12.9	3.2	7.1	4.5	4.4
Financial, banking and insurance activities	6.5	-6.1	-7.1	7.2	3.8	5.3
Public Administration	-5	1.5	-0.5	2.5	2.0	2.0
Education and training	-4.7	0.9	-7.2	12.7	4	3.2
Human health and social work activities	0.3	2.7	7.8	2.0	2.4	2.4
Households-related services	2.2	-2.6	-2.1	4.3	3.1	2.5

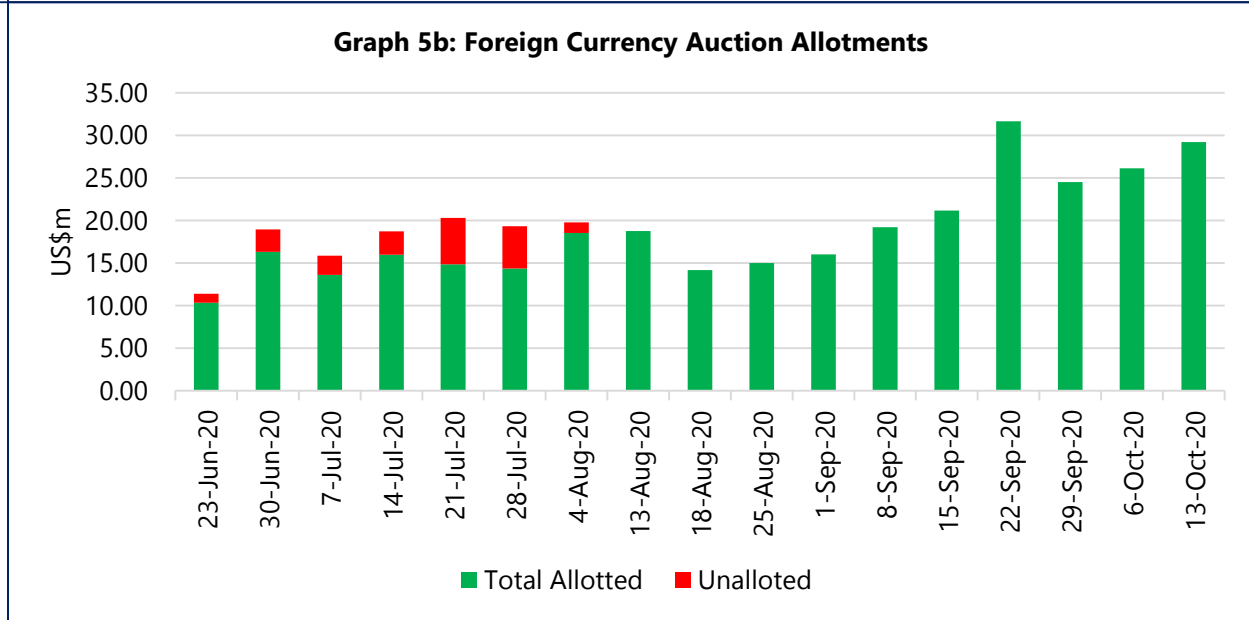
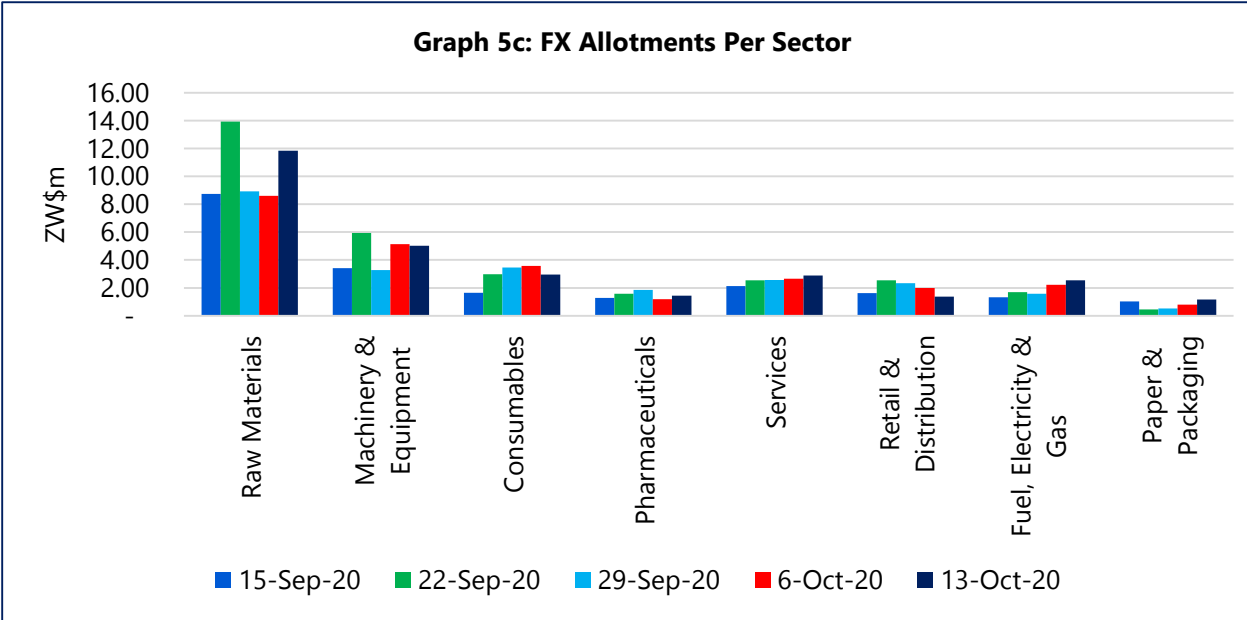
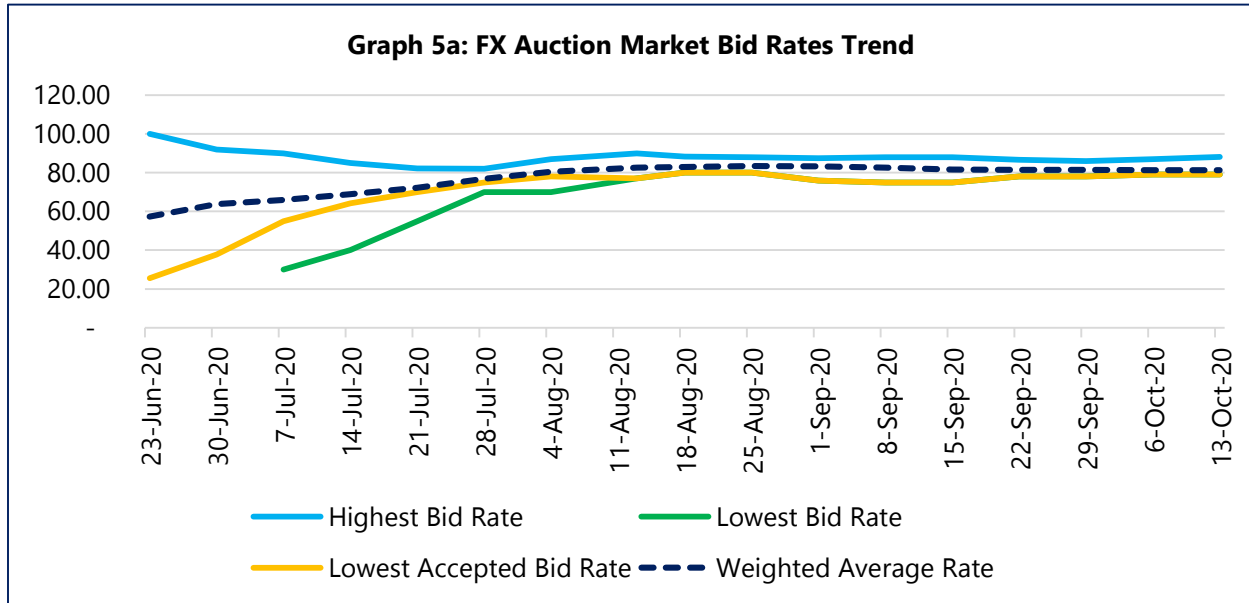


Source: RBZ



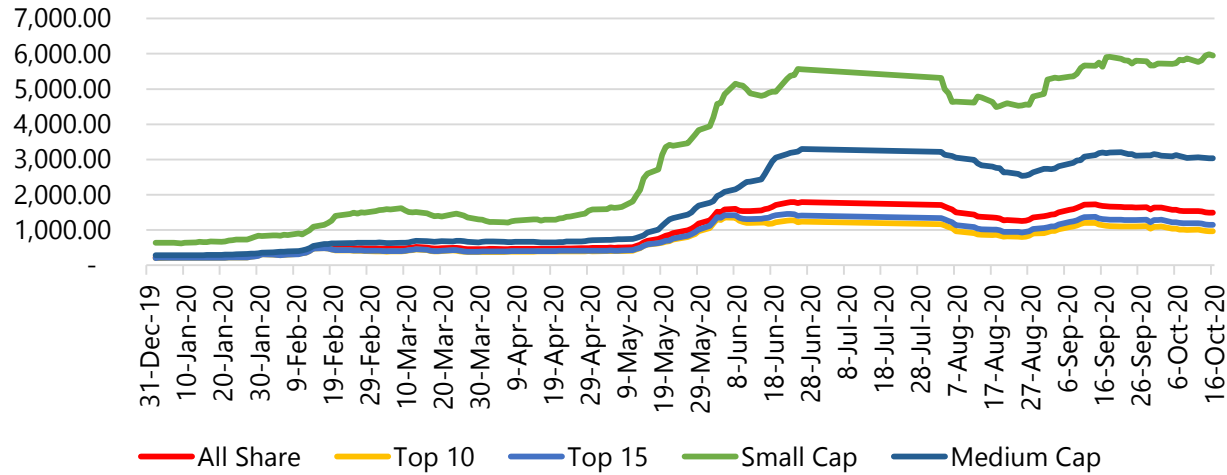
Foreign Currency Market Developments

- The ZW\$ traded relatively unchanged at ZW\$81.35/ USD during the last auction held on 13 October 2020 - **Graph 5a.**
- The highest rate increased from 87.0 to 88.1 on the main auction, while the lowest accepted bid rate was flat at 79.0.
- A total of US\$29.2m was allotted, an increase of 12% from the previous week's allotment of US\$26.1m – **Graph 5b.**
- The largest weekly allotments were for raw materials, which received US\$11.9m, followed by machinery & equipment (US\$5.0m), consumables (US\$3.0m), services (US\$2.9m) and fuel, electricity & gas (US\$2.5m)- **Graph 5c.**
- Meanwhile, the Reserve Bank of Zimbabwe is expected to issue higher ZW\$ denominated bank notes, as part of the central bank's long-term plans to increase the amount of cash in circulation.





Graph 6: ZSE Indices



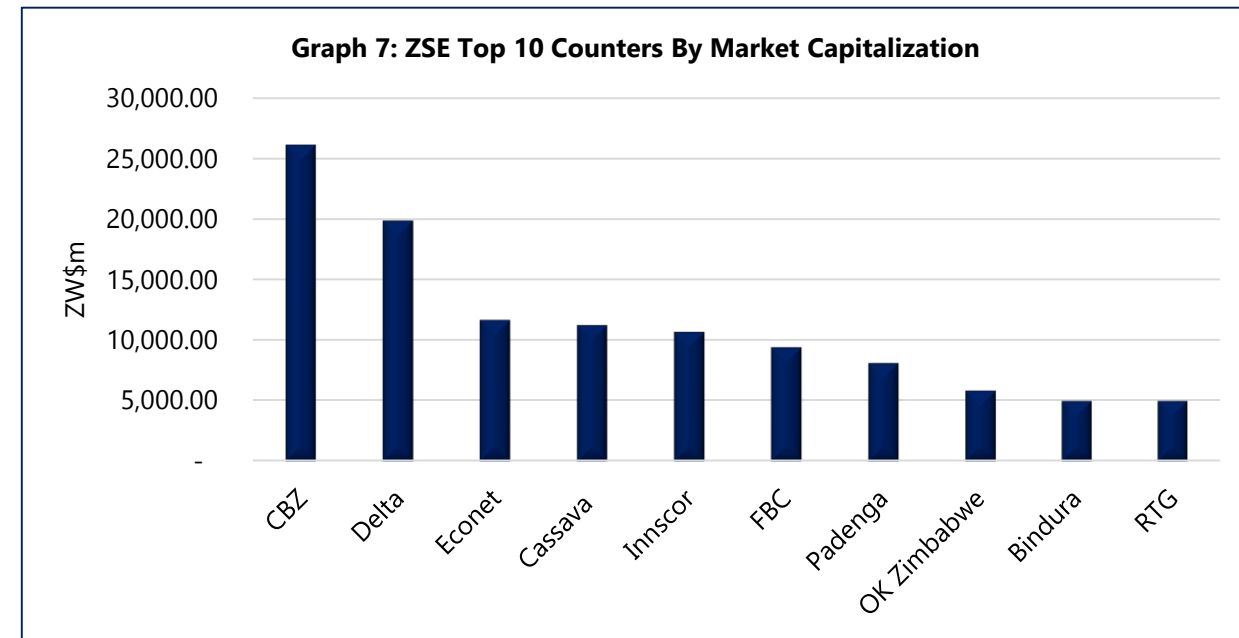
Equities Market Developments

- On the ZSE, all but the Small Cap Index recorded weekly declines, led by the Top 10 and Top 15 indices that declined by 3.9% and 3.5%, respectively. The benchmark All Share Index lost 2.7% to end the week at 1,493.49 amidst selling pressure across the board. However, it managed to record a YTD gain of 549% – **Graph 6**.
- Tourism and hospitality concern, RTG recorded the largest weekly decline of 11.9%, followed by brick manufacturer Willdale (-10.9%) and property concern Dawn Properties (-9.3%) - amidst heavy sell off ahead of the scheduled EGM on 19 October 2020. Notable weekly gainers were recorded for Fidelity (+19.8%), Turnall (+12.3%), Nampak (+10.5%), FCB (+5.3%) and African Sun (+4.7%)- **Table 3**.
- CBZH remained the largest counter on the ZSE, with a market capitalization of ZW\$26.1b. Delta (ZW\$19.8b), Econet (ZW\$11.6b) and Cassava (ZW\$11.2b) completed the top 5 most capitalized counters as at 16 October 2020 - **Graph 7**.

Table 3: ZSE Movers and Shakers

Movers	9-Oct-20	16-Oct-20	Weekly change (%)
Fidelity	96.00	115.00	19.8%
Turnall	52.00	58.41	12.3%
Nampak	95.01	105.00	10.5%
FCB	50.31	53.00	5.3%
African Sun	150.00	157.00	4.7%
Shakers	2-Oct-20	9-Oct-20	Weekly change (%)
RTG	227.00	200.00	-11.9%
Willdale	22.45	20.00	-10.9%
Dawn Properties	75.00	68.00	-9.3%
SeedCo	1,844.71	1,702.17	-7.7%
FML	430.00	400.04	-7.0%

Graph 7: ZSE Top 10 Counters By Market Capitalization



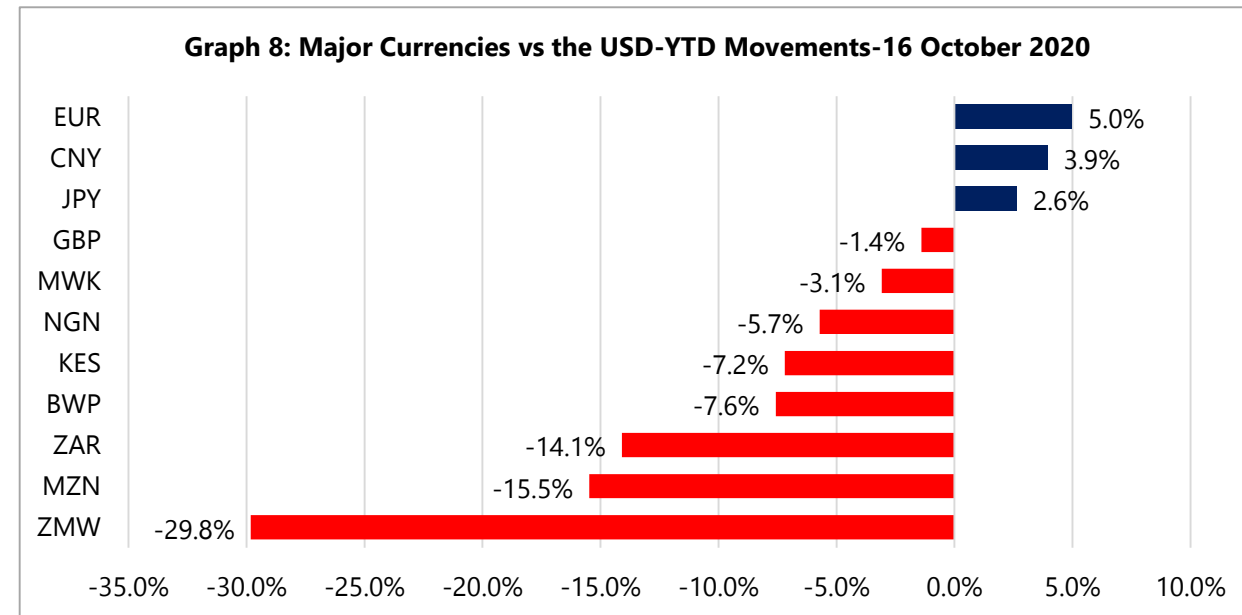


- On the global equities markets, with the exception of Nigeria and the U.S, most of the regional and international stock markets under our watch recorded weekly losses – **Table 4**.
- The US stock market recorded a 3rd straight week of gains, as better-than expected U.S sales data for September and positive developments on Pfizer’s covid-19 vaccine added a dose of investor confidence. The DJIA and the S&P 500 recorded weekly gains of 0.1% and 0.2%, respectively.
- In Europe, stocks declined for the week, dragged by the rising covid-19 cases in the Euro Zone, Brexit-related uncertainty and the dissipating prospects of a U.S stimulus before the November, 03 2020 election. U.K’s FTSE 100 lost 1.6% for week.

- Mixed trades were recorded in Asia, with Japan’s Nikkei 225 declining by 0.9% for the week, while China’s Shanghai Composite Index recorded a weekly gain of 2.0%. In Africa, most stock markets retreated southwards, led by Botswana (-1.1%) and Ghana (-1.0%).
- Meanwhile, on the global currencies market, the U.S dollar firmed by 0.7% against a basket of currencies.
- Resultantly, the U.S dollar registered YTD gains against other major currencies, except the Euro, Japanese Yen and the Chinese Yuan – **Graph 8**.

Table 4: Regional and Global Stock Market Performance

African	09-Oct-20	16-Oct-20	Weekly change(%)	Previous Week change (%)	YTD Change (%)
Botswana	6,953.68	6,877.39	-1.1%	-0.6%	-8.2%
Ghana	1,864.32	1,846.11	-1.0%	1.0%	-18.3%
Kenya	140.07	139.65	-0.3%	-0.1%	-16.6%
Malawi	31,401.87	31,339.53	-0.2%	-0.2%	3.6%
South Africa	55,182.99	55,047.26	-0.2%	1.8%	-4.8%
Nigeria	28,415.31	28,659.45	0.9%	5.3%	6.3%
Zambia	3,811.75	3,806.88	-0.1%	0.0%	-10.7%
Mauritius	1,474.66	1,474.45	0.0%	-0.6%	-32.4%
Global					
DJIA	28,586.90	28,606.31	0.1%	3.3%	-0.1%
S&P500	3,477.13	3,483.81	0.2%	3.8%	7.7%
FTSE 100	6,016.65	5,919.58	-1.6%	1.9%	-22.3%
NIKKEI 225	23,619.69	23,410.63	-0.9%	2.6%	0.9%
Shanghai Composite Index	3,272.08	3,336.36	2.0%	1.7%	8.3%



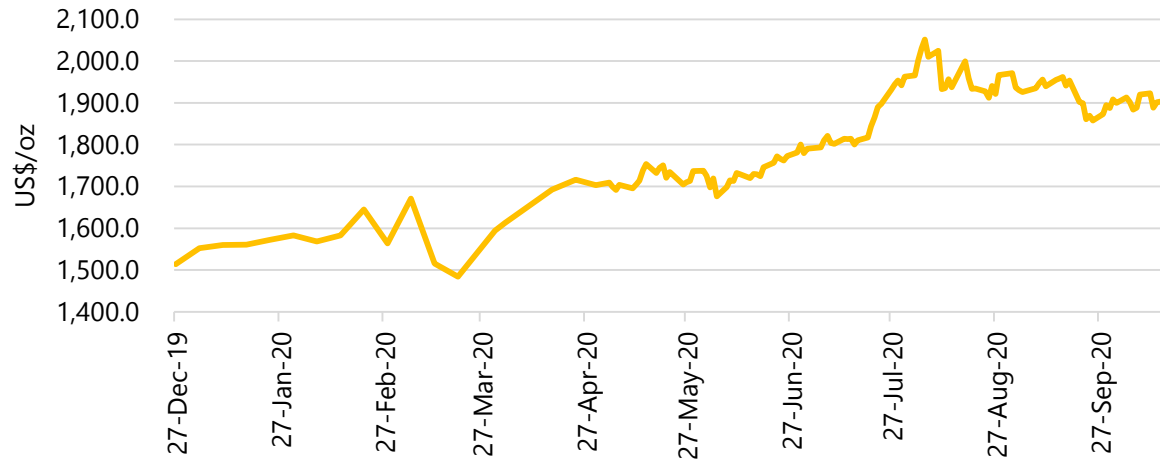


GLOBAL COMMODITY PRICE MOVEMENTS

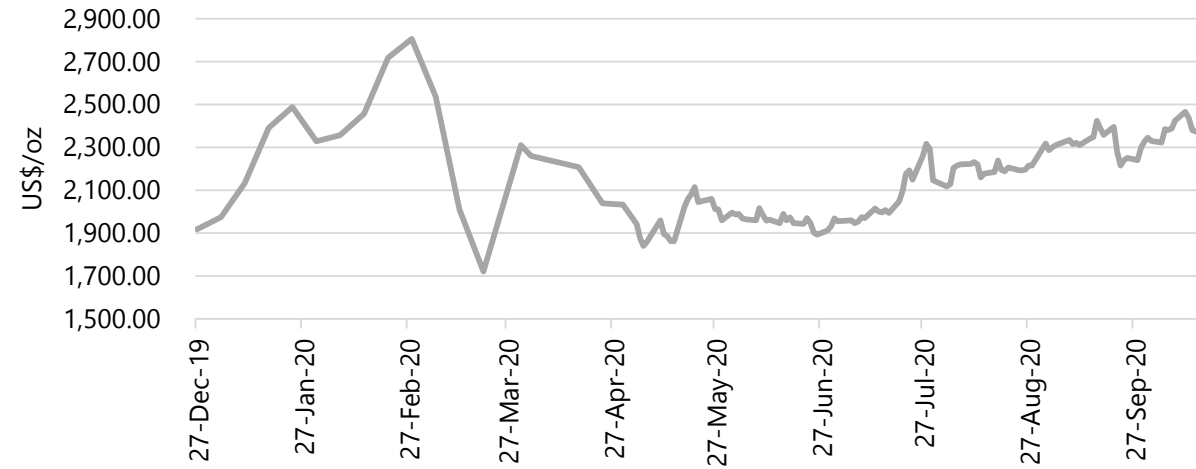
PRECIOUS METALS



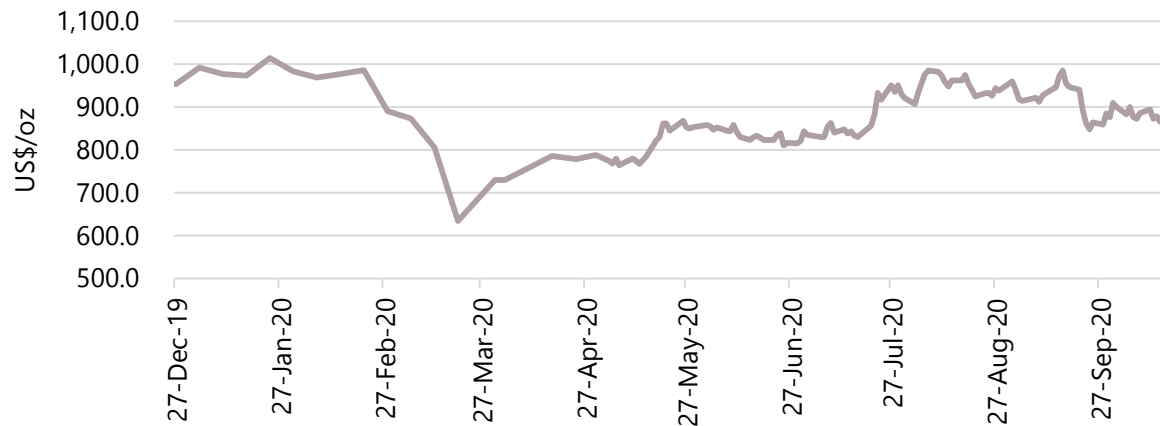
Gold prices - US\$/oz



Palladium-US\$/oz



Platinum price - US\$/oz



Source: Quandl

- Gold surrendered its 3-week gaining momentum after ending the week 1.0% lower, to trade at US\$1,900.8/ oz, dragged by the stronger U.S dollar, fluctuating expectations about the U.S stimulus and the rising coronavirus cases across the world.
- Platinum and palladium also recorded weekly declines of 2.1% apiece, to end the week trading at US\$867/oz and US\$2,372/oz, respectively.
- Meanwhile, the Zimbabwe Miners Federation “ZMF” entered into agreements with several partners, as the predominantly small-scale constituted membership organization aims to improve the mining technologies and access to fuel and finance for its members. The ultimate objective is to increase the gold output and in line with country’s ambition to build a US\$12b mining sector.

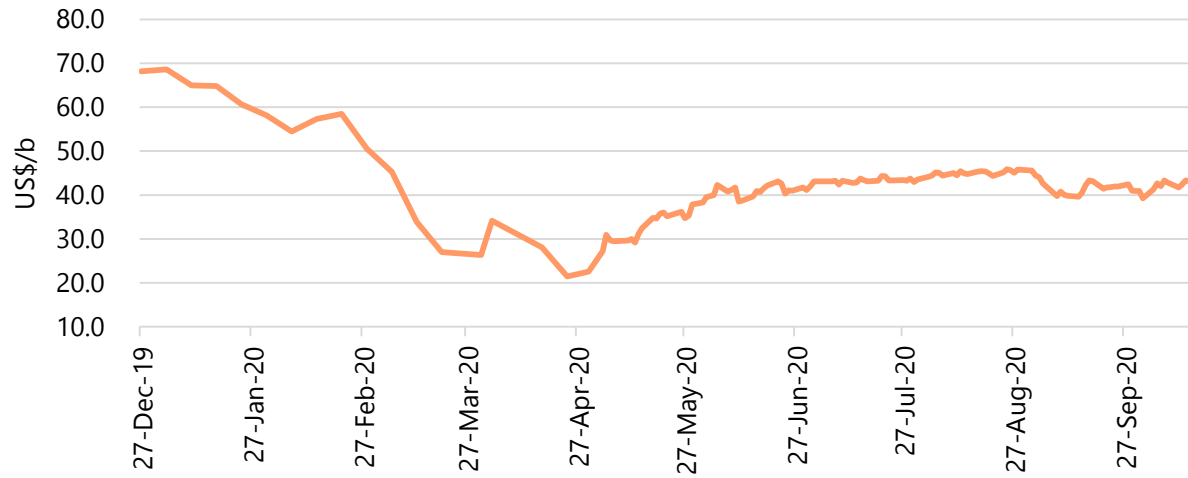


GLOBAL COMMODITY PRICE MOVEMENTS

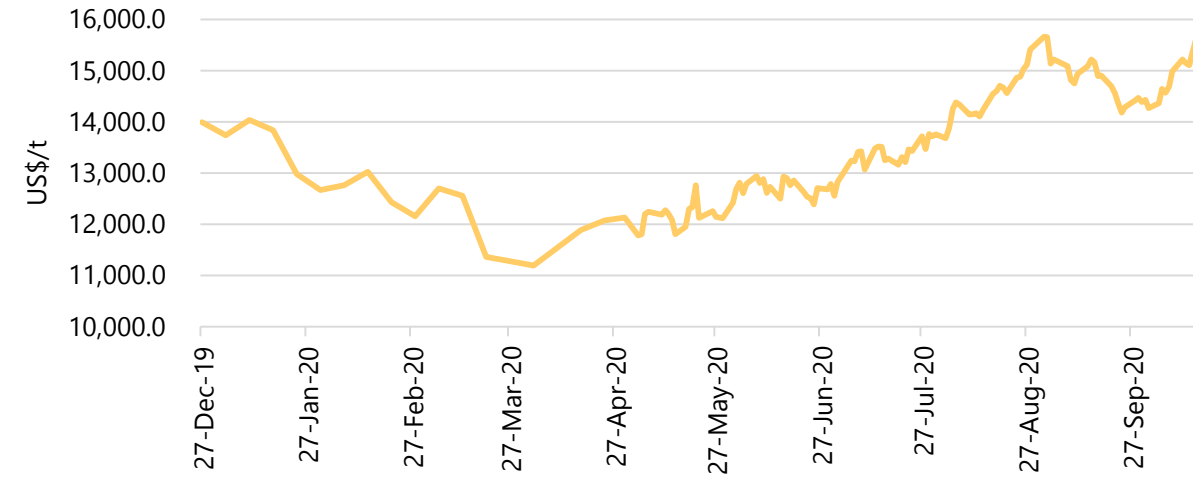
BASE & INDUSTRIAL METALS



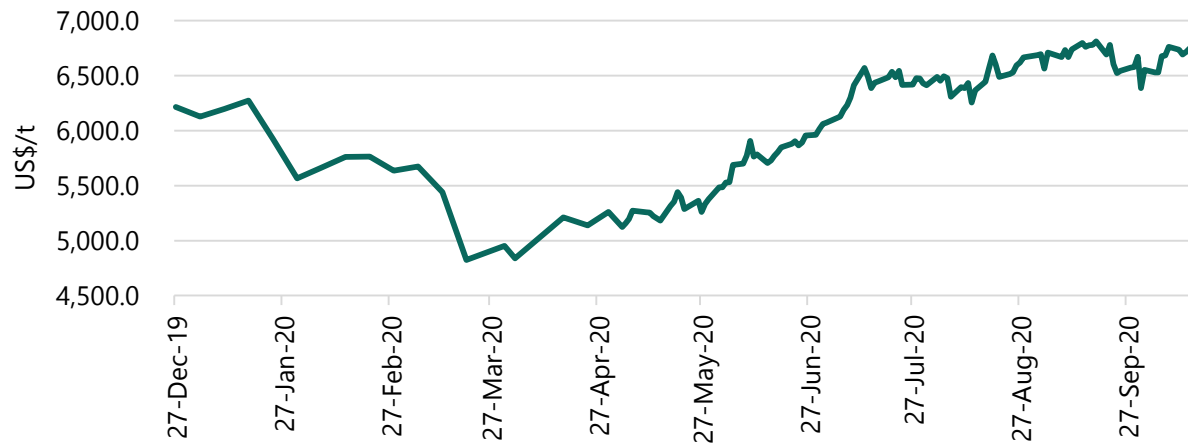
Oil prices - US\$/b



Nickel price - US\$/t



Copper - US\$/t



Source: Quandl & Bloomberg

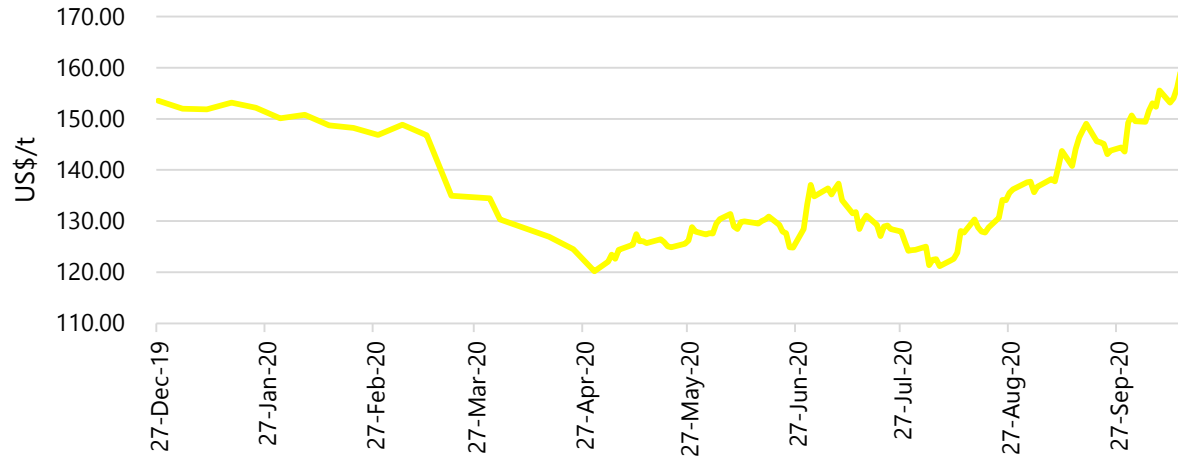
- In spite of the heightened worries about oil demand due to rising covid-19 cases in U.S and Europe, the global benchmark Brent crude oil recorded its second successive weekly gain, to close the week trading at US\$42.9/b, supported, in part, by assurances from OPEC+ that it is committed to oil production cuts.
- Elsewhere, copper slipped 0.3% for the week to trade at US\$6,740/t, as weak demand weighed on seasonal appetite for the metal, especially from China. On the other hand, nickel firmed 4.1% for the week to trade at US\$15,603/t.
- Meanwhile, according to GlobalData, a data and analytics company, nickel output is expected to drop by 7.4% to 2.9 million in 2020 due to temporary suspension of mines caused by the covid-19 pandemic and the advancement of Indonesia's export ban.



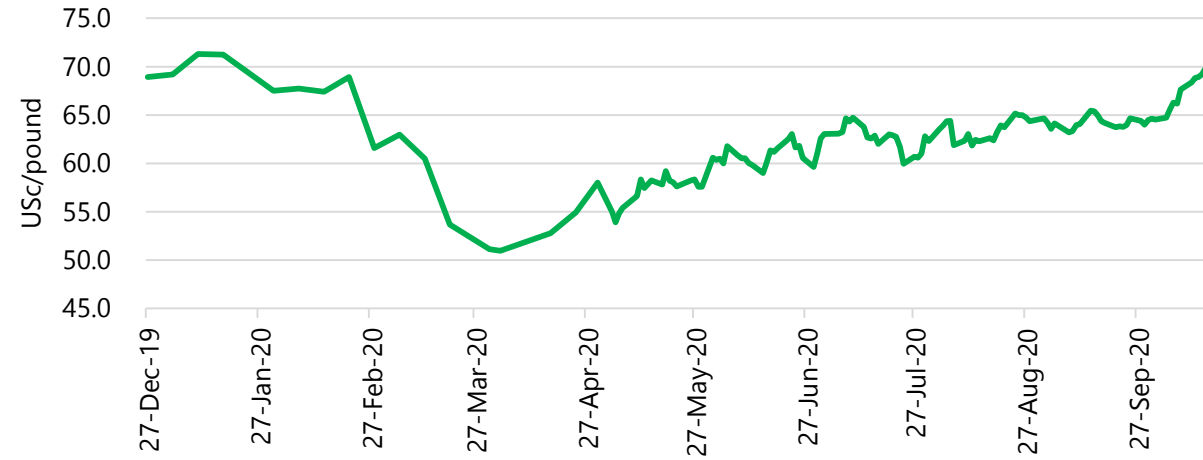
GLOBAL COMMODITY PRICE MOVEMENTS

AGRIC COMMODITIES

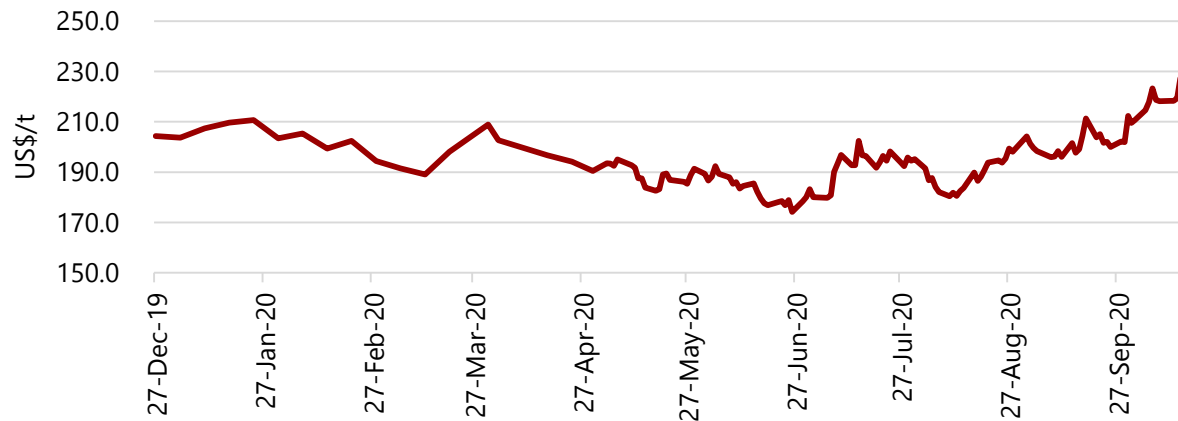
Corn - US\$/t



Cotton - USc/pound



Wheat - US\$/t



- All agricultural commodities under our watch recorded weekly gains, for the second week in succession. Wheat recorded the largest weekly gain of 5.3% to close at US\$229.7/t, while cotton and corn gained by 3.4% and 1.8%, to end the week at USc69.9/ pound and US\$158.3/t, respectively.
- In Zimbabwe, the government announced that it will avail an additional ZW\$1.5b to settle outstanding payments to cotton farmers who delivered their crop during the current marketing season. Meanwhile, the government outlined plans to climate proof the cotton presidential input scheme in order to insulate the sector from the devastating effects of climate change.

Source: Quandl

Date	Event	Period	Forecast	Previous
Local				
19 October 2020	Dawn Properties, EGM (Time:1000hrs; Venue: Virtual)			
20 October 2020	RBZ Foreign Exchange Auction Market	21-27 October 2020		81.3458
22 October 2020	State of The Nation Address "SONA"			
Regional & International				
18 October 2020	China GDP (q/q)	Q3 2020		3.2%
18 October 2020	China Industrial Production (y/y)	September 2020		5.6%
19 October 2020	U.S Federal Budget Balance	September 2020	-US\$124.0b	-US\$200.0b
20 October 2020	People's Bank of China "PBoC" Interest Rate Decision	October 2020		3.85%
21 October 2020	U.K CPI (y/y)	September 2020	0.6%	0.2%
21 October 2020	U.S Crude Oil Inventories		-2.835m	-3.818m
21 October 2020	Mozambique Interest Rate Decision	October 2020		10.25%
23 October 2020	U.K Retails Sales (m/m)	September 2020	0.5%	0.8%
23 October 2020	Euro Zone Manufacturing PMI	October 2020	53.1	53.7

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