

### ECONOMIC UPDATE: WEEK ENDING 17 JULY 2020

- **Economic Update:** The Finance and Economic Development Minister project GDP contraction of minus 4.5% in 2020 (initial forecast -3%) and growth of 7.4% is expected in 2021 and 5% growth thereafter. This is more optimistic than the Economist Intelligence Unit (EIU) projections of GDP contraction of minus 15.5% from of -10.5% previous forecast in April and a further 4.9% fall in GDP in 2021. Real GDP will rebound gradually, with growth averaging 4.5% a year in 2022-2024 according to EIU.
- **2020 Mid-Term Budget & Economic Review Highlights:**
  - Agriculture is expected to record a negative growth of 0.2% from 5% originally anticipated,
  - The mining sector growth is estimated at -4.1% in 2020
  - Manufacturing Sector is expected to contract by 10.8% in 2020 against 1.9% originally projected.
  - Tourism sector growth to contract by -7.4% in 2020.
  - Trade Balance improved by 16% from a deficit of US\$403m. Merchandise exports (5 months of 2020) declined by 2% to US\$1.53bn from US\$1.56bn with Imports declining by 4% compared to the same period in 2019. Current Account Balance is projected to remain in surplus in 2020 at US\$1.2bn.
  - Cumulative revenue collections for the period January to June 2020 are estimated at ZWL\$34.2bn, against a target of ZWL\$32.1bn. Positive variance of ZWL\$2.14bn or 6.7% of projected revenues.
  - Inflation is expected to gradually decline in the second half of 2020, from the peak of 785.5% in May 2020, to 300% in December 2020, responding to current monetary and fiscal policy interventions.
- **Agriculture:**
  - Zimbabwe's poultry sector recorded a 13% drop in output after producing an average of 16.95 m in day-old chicks in the first quarter of this year against 19.41 m recorded last year.
  - Zimbabwe's milk production declined by 1% to 19.2 m litres in the first quarter compared to 19.4 m litres collected last year litres in the first quarter of this year, with the increasing headwinds posing a serious threat to the sector's viability.
- **Unki Production Update:** PGM (Platinum Group Metals) production for the 2nd quarter to June 2020 declined by 40% to 31 300 ounces. Platinum decreased by 40% to 13 900 ounces and palladium production went down by 42% to 12 100 ounces. According to the group, total PGM production was 665 100 ounces which is 41% below prior period Q2 2019. Platinum production improved 41% to 307 500 ounces and palladium production declined by 34% to 228 500 ounces. Total PGM production from own managed mines decreased 40% to 379 400 ounces with platinum production falling by 43% to 166 100 ounces. Palladium production went down 30% to 158 600 ounces.

### CAPITAL MARKETS: WEEK ENDING 17 JULY 2020

**ZSE:** The ZSE remain closed and discussions amongst stakeholders are continuing with strong suggesting of fungible stocks (Old Mutual Limited, PPC and Seedco International) moving to a soon to be established USD Victoria Falls Stock Exchange as a way of addressing the alleged market distortion attributed to fungible stocks

### COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

- **Economic Update:** Foreign currency shortages, limited investment, company shutdowns, soaring inflation and lockdown measures to stem the spread of coronavirus continue to weigh down the economy.
- **Mid-term Budget Review:** Contractionary reviews on estimations on sector and GDP growth are in line with global expectations amid the COVID-19 pandemic. Most economies are in survival mode including Zimbabwe.
- The Midterm review is indicating an expansionary fiscal policy, mainly represented by new tax measures. FMW expect this trend (expansionary fiscal policy) to be maintained in the 2021 budget given the need to spur economic activity amid the crisis.
- **Agriculture –** Lockdown restrictions affected producers' ability to access inputs and the pressure on disposable income will have direct impact on uptake further pointing to low production numbers. Commercial agriculture has been spared the hard lockdown measures allowing freer movement of products.
- **Unki -** Due to production challenges experienced in Zimbabwe and South Africa caused by Covid-19 induced lockdowns a loss of 521 600 PGM ounces in the quarter was realized. The mine is now operating at 100% normal level.
- **ZSE:** The continued closure of the ZSE negatively affect investor sentiment and confidence. Resolutions that allow for the resumption of trading are required urgently to restore confidence. Perceived government interference will; affect the ability of successfully launching initiatives like VFSE which might fail to attract the capital intended. the interests of the shareholders and also help in curbing the effects of exchange rate movements caused by the OMIR.

### CAPITAL MARKETS: WEEK ENDING 17 JULY 2020

Fund	Unit Price	Unit Price	Unit Price	Weekly return (%)	YTD return (%)
	(ZWL\$)	(ZWL\$)	(ZWL\$)		
	31-Dec-19	10-Jul-20	16-Jul-20		
First Mutual Wealth Equity Fund	9.6891	57.934263	57.879694	-0.09%	497.37%
First Mutual Wealth Balanced Fund	5.1936	33.54608	33.528247	-0.05%	545.57%

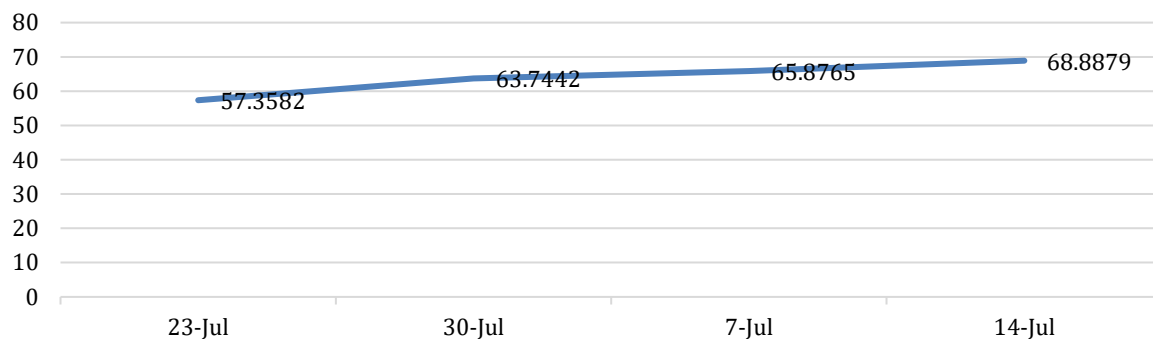
### EXCHANGE RATES: WEEK ENDING 17 JULY 2020

#### Forex 3rd auction results:

Amount Allotted	USD \$15,988,219.59
Highest Rate:	85.0000
Lowest Rate	40.0000
Lowest accepted rate	64.2000
Weighted Average Rate:	68.8879
Total bids	USD \$18,719,664.66
Number of Bids Received	289
Number of Bids Rejected	59

Source: RBZ

### Interbank



### COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

- **Unit Trust YTD returns for the week are summarized below:**
  - Equity Fund – lost 0.09% compared to 0.02% gain return recorded last week.
  - Balanced Fund – lost further 0.05% in return compared to .001% for last week.

Unit trusts returns currently have been affected by suspension of the ZSE trading since there is no movement of equity prices. However, FMWM continue to drive investors funds in markets where value is added.

- **Exchange Rates:** The local currency on the interbank rate lost 4.6% to close at \$68.8879 from the last auction rate on 7 July 2020.

Table 1: Mining Commodities

Mining Commodity Prices for week ended 17 July 2020				
	17-Jul-20	10-Jul-20	Weekly %Δ	YTD %Δ
Gold	1,808.40	1,800.30	0.45%	18.83%
Nickel	13,281.00	13,070.00	1.61%	-5.07%
Copper	6,454.50	6,322.50	2.09%	4.86%
Silver	19.32	18.67	3.48%	6.98%
Platinum	849.60	845.90	0.44%	-12.54%
Crude	40.59	40.55	0.10%	-32.43%

Table 2: Agro-commodity

Agro Commodity Prices for the week ended 17 July 2020				
	17-Jul-20	10-Jul-20	Weekly %Δ	YTD %Δ
Coffee* (lb)	1.02	0.97	5.03%	-21.31%
Maize (mt)	131.10	132.77	-1.26%	-14.18%
Cotton (lb)	0.62	0.65	-4.17%	-10.13%
Sugar (lb)	0.117	0.118	-0.26%	-9.77%
Wheat (mt)	196.49	196.21	0.14%	-4.34%

Table 3: International Forex Market

Exchange Rates for the week ended 17 July 2020				
	Cross Rates			
CCY	17-Jul-20	10-Jul-20	Weekly %Δ	YTD %Δ
USD/EUR	1.1437	1.1315	1.08%	1.87%
USD /GBP	1.2547	1.2651	-0.82%	-5.42%
INR/USD	74.9244	75.1676	-0.32%	5.09%
USD /AUD	0.6992	0.6957	0.51%	-0.52%
CAD/USD	0.7367	0.7357	0.14%	-4.50%
ZAR /USD	16.6655	16.7607	-0.57%	19.22%
JPY /USD	107.0775	106.7690	0.29%	-1.47%
CNY /USD	6.9919	7.0055	-0.19%	0.42%
BWP /USD	11.5556	11.6291	-0.63%	8.42%
KES /USD	107.4460	107.0040	0.41%	6.05%
ZMW /USD	18.2501	18.1255	0.69%	29.72%
USD/ZWL	68.8879	65.8765	4.68%	310.65%

Table 4: Money market rates

Money Market Rates for the week ended 17 July 2020		
Tenor (Days)	17-Jul-20	10-Jul-20
7	-	-
14	-	-
30	7.27%	7.27%
60	8.23%	8.23%
90	8.65%	8.65%

Table 5: Regional Equities

	17-Jul-20	10-Jul-20	Weekly %Δ	YTD %Δ
Botswana DCI	7,116.52	7,128.92	-0.17%	-5.14%
JSE All Share	55,911.80	55,417.89	0.89%	-2.05%
Nigeria All Share	24,287.66	24,306.36	-0.08%	-8.98%

Table 6: Forex Auction Results

Auction Day	Amount Allotted (USD)	Highest Rate	Lowest Rate	Lowest Accepted Rate	Average Rate	Total Bids (USD)	Received Bids	Rejected Bids
23-Jun-20	10,345,250.04	100	25.5	-	57.3582	11,407,240.20	-	-
30-Jun-20	16,321,028.61	92	37.82	-	63.7442	18,957,677.05	-	-
7-Jul-20	13,602,407.84	90	30	55	65.8765	15,872,481.93	264	92
14-Jul-20	18,988,219.59	85	40	64.2	68.8879	18,719,664.66	289	59

