FIRST MUTUAL WEALTH
THIRD QUARTER 2020 ECONOMIC & INVESTMENT MARKETS OVERVIEW

Global Economic Developments

The COVID-19 pandemic has had a significant downward impact on GDP growth estimates for 2020. Whilst there is no empirically sound method of accounting for the numeric losses to GDP, it is agreed that the impact has been severe as 2020 is expected to see the global economy lose US$3.8trillion from the GDP recorded in 2019. Advanced economies are expected to suffer the biggest loss as this economic grouping will likely see a 5.8% decline in GDP growth for 2020 with emerging and developing nations expected to retreat by 3.3%. The main reason for the shrinkage in GDP from the pandemic arises from the policy responses implemented to try to contain the virus but more importantly the changes in consumer expenditure patterns which has had major downside impacts on economic activities that require some form of human interaction. In that respect the tourism sector has really suffered from the bans in travel. According to a report from the World Tourism Council, in a baseline scenario analysis, global tourism is expected to see a 53% decline in international tourism arrivals and suffer a 37% decline for domestic markets in 2020.

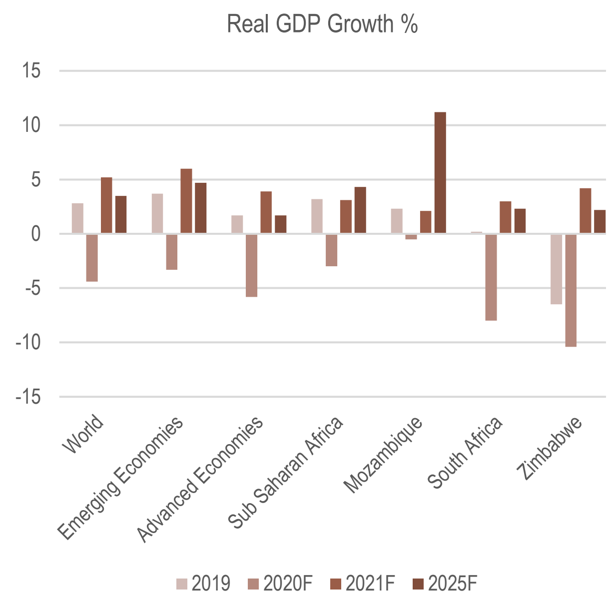
The policy response from advanced nations has been an increase in stimulus packages to try to ensure that their economies do not completely collapse owing to the pandemics' effects. Relatively speaking, Japan is noted as the country with one of the most aggressive stimulus packages at 21.1% of GDP followed by Canada (16.4%), Australia (14.3%) and the United States (13.2%). It is now agreed that the recovery from the pandemic is likely to be more prolonged as at the time of writing of this report, several countries in the developed world were at the precipice of entering secondary complete lockdown periods as the resurgence of the virus had begun to threaten national health systems. Notably this includes the UK, France and Spain.

Sub-Saharan Africa

According to reports from the African Development Bank, COVID-19 supplement, Africa could lose US$145bln in GDP due to issues related to the COVID-19 pandemic. Countries which heavily rely on international financial flows, oil exports and non-precious commodity exports are likely to experience heightened negative downside impacts due to the effects of the pandemic. Agricultural raw material prices have remained relatively stable when compared to energy related commodities and base metal mineral prices. Recovery of the global economy is now expected to be more elongated hence heavily indebted countries could suffer if they do not find substitutes to international support that they would have otherwise received from the more developed countries.

Below is a summary of the GDP growth estimates for 2020 for some of the world's key economic regions.

Real GDP Growth (%)	2019	2020 F	2021 F	2025 F
World	2.8	-4.4	5.2	3.5
Emerging Economies	3.7	-3.3	6	4.7
Advanced Economies	1.7	-5.8	3.9	1.7
Sub Saharan Africa	3.2	-3	3.1	4.3
Mozambique	2.3	-0.5	2.1	11.2
South Africa	0.2	-8	3	2.3
Zimbabwe	-6.5	-10.4	4.2	2.2



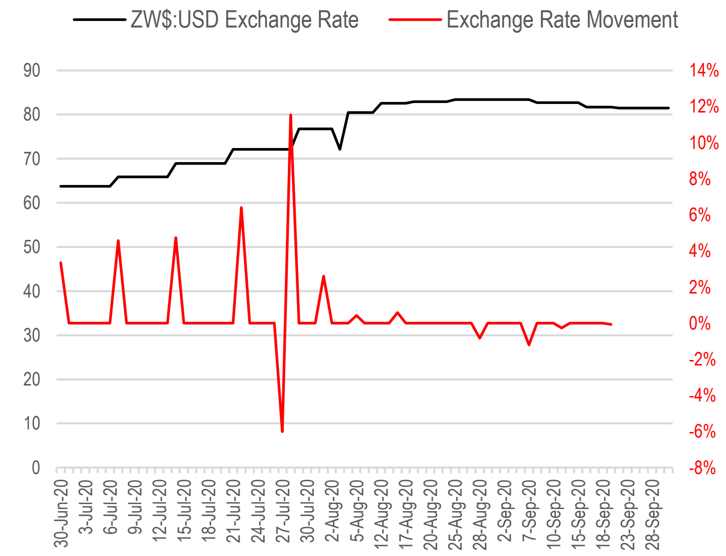
Source WEO Oct 2020

Local Economy

Zimbabwe's experience with the COVID-19 pandemic rather pales in comparison when one considers the infection, death and recovery rates being experienced in advanced economies. That being said, there is no excuse for complacency as the pandemic tends to grow exponentially if left unchecked. As at 30 September 2020, Zimbabwe had recorded 7,883 cases; 6,303 recoveries; 1,352 active cases and recorded 223 deaths from the novel COVID- 19 pandemic. When the first case was recorded and subsequent lock down effected in the latter part of Q1 2020, Zimbabwe was already in the throes of significant macro-economic instability brought on by foreign currency mis-allocation problems, heavy debt burdens, product supply bottlenecks, shrinking aggregate demand, high inflation and policy inconsistency amongst other economic challenges. The pandemic seemed to have forced both the private and public sector to buckle down and look towards local solutions to improve the performance of the local economy.

Currency developments

Since the introduction of the Reserve Bank of Zimbabwe's (RBZ's) foreign currency auction system on 23 June 2020, the local currency officially devalued significantly whilst the informal currency exchange rate market stabilized as local currency supply for informal transactions shifted towards the official auction market. The stability of the informal market exchange rate has generally been maintained since June 2020 whilst stability of the official exchange rate was realized in the beginning of August 2020 to date. The official ZW:US$ exchange rate opened at ZW$25:US$1 on 23 June 2020 when the auction commenced and the ZW$ has since depreciated by 69.3% as at the end of the third quarter of 2020. The line graph below depicts the ZW$:US$ exchange rate since the auction was launched.



Source: RBZ Website

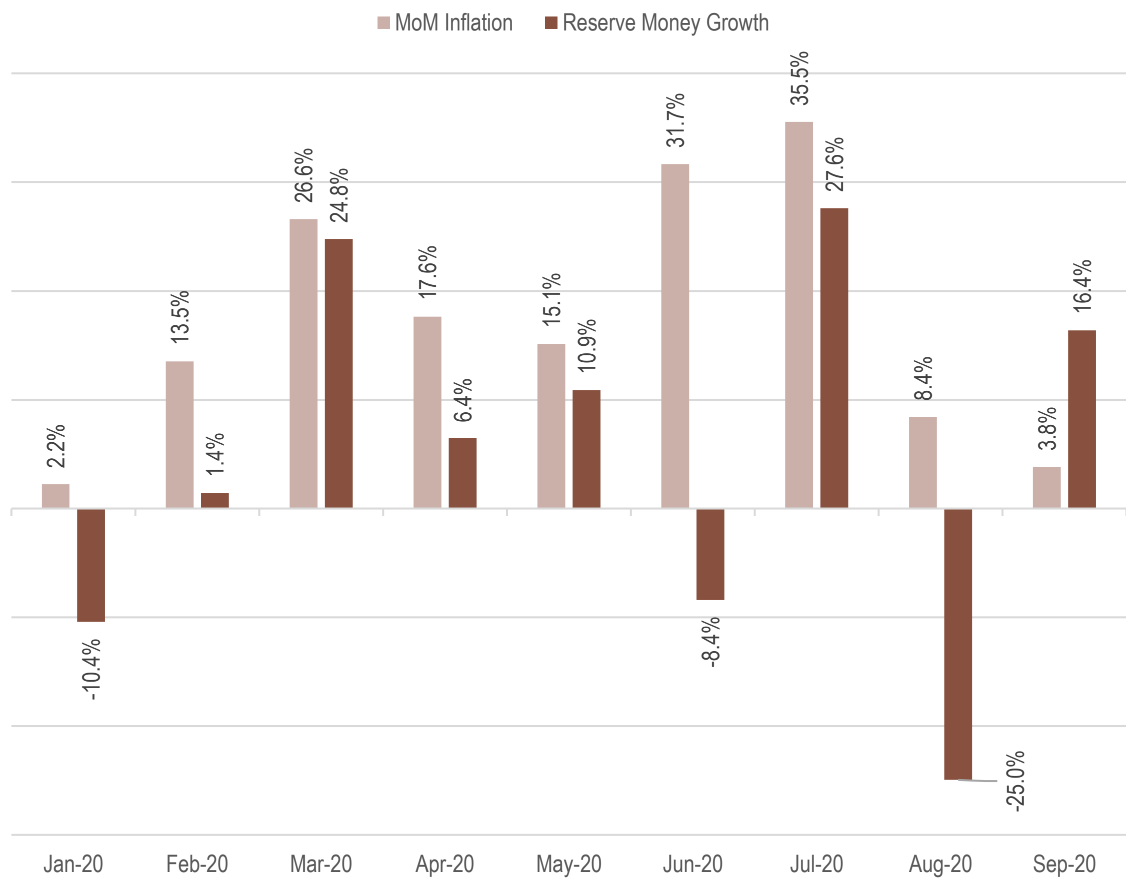
During the quarter, the ZW$:US$ exchange rate currency volatility has been within an 18% exchange rate band. Most of the ZW$ currency depreciation happened in the first month of the third quarter where the ZW$ depreciated by 16.9% against the US$ before recording its weakest value against the US$ after the 26 August 2020 RBZ auction (ZW$83.3994:US$1). Since then the ZW$ had since strengthened to ZW$81.4439 (30 Sept 2020) against the greenback. We believe that should more exporters freely participate in the currency auction market, its sustainability should carry over from the short to medium term.

We do take note that the design of the RBZ auction system was not to be the source of foreign currency for qualifying auction participants but rather a mechanism by which economic agents could determine an exchange rate between the US$ and the ZW$. As it stands the auction market remains a somewhat restricted exchange rate market with unconfirmed reports indicating the informal market rate is trading at levels closer to ZW$100:US$1. The restrictions to the market come from large and small buyers on the auction having to meet minimum set bids before participating on the auction. That is, US$50,000 as a minimum bid for large buyers and US$2,500 for SMEs who have been similarly allowed to participate on this auction. The foreign currency accessed through this platform has to meet priority allocations as determined by the RBZ and the current priority for the auction are productive sector inputs (raw materials) and other essential goods and services that are not readily available locally. The auctions, which are held weekly every Tuesday have averaged US$20 million to US$32 million per- auction in the last four auctions. This represents circa 25% of the average monthly export receipts of the country. It is in our opinion that continued stability of this auction and consistent supply of foreign currency on this platform would go a long way in promoting macro-economic stability.

Inflation developments

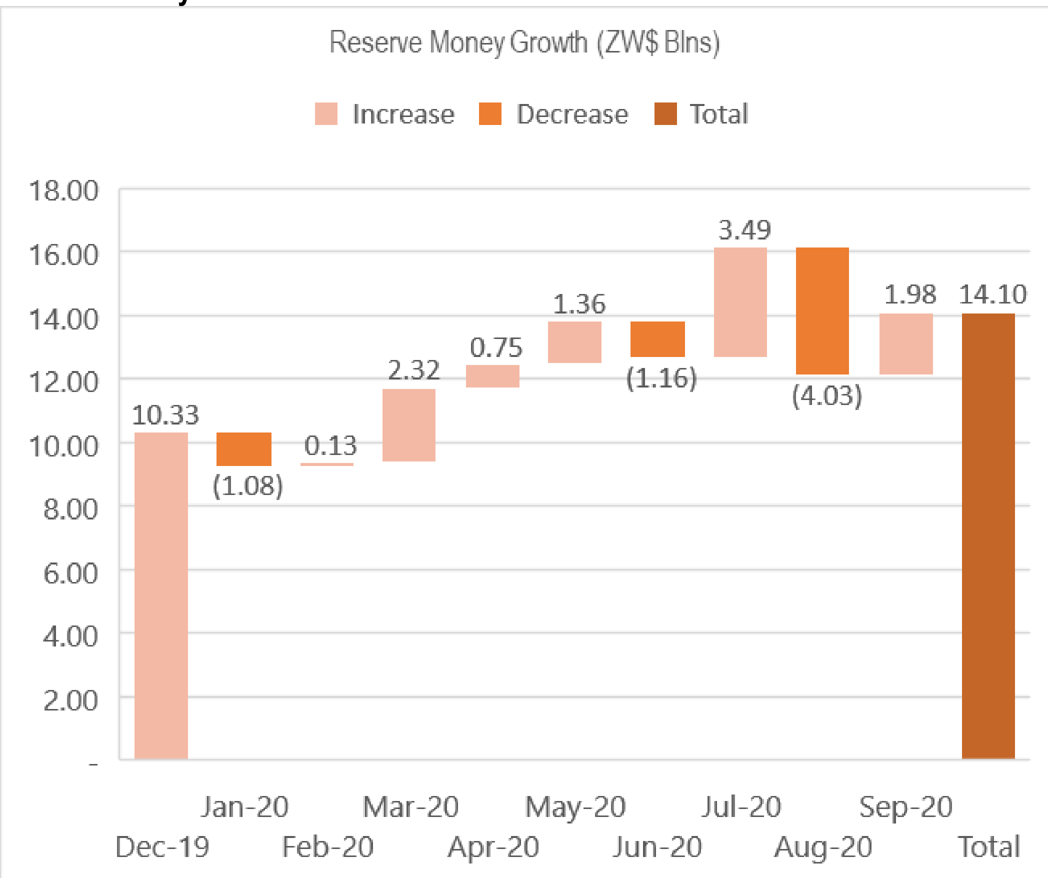
The Government of Zimbabwe's efforts to stabilize the currency and limit inflationary pressures that were arising from exchange rate determined inflation push factors has started to make a positive impact on slowing down inflation. In the current year, YoY inflation came off from a high 785.5% in May 2020 to 659.4% as at September 2020. Month on month inflation has made a more drastic slow down having declined from an average monthly rate of 21.5% in the second quarter of 2020 to 15.9% in Q3 2020 with the latest month on month inflation figure for September 2020 being recorded as 3.8%.

Money supply and currency depreciation had become the overarching push factors for aggressive inflation growth in Zimbabwe since currency reforms began nearly two years ago. Independent quarters reckon that the reason why the local currency depreciated so aggressively was due to the absence of adequate import cover, foreign currency reserves and local export competitiveness which meant that spikes in foreign currency demand could not be sterilized and hence the subsequent rapid depreciation of the local currency. Added to that, significant subsidy programs that were still running put upward pressure on money supply growth. The current trend wherein money supply growth is being kept within a targeted framework and an improvement in the current account has seen a marked shrinkage in inflationary pressures. As depicted below, since the beginning of the third quarter, money supply growth has been significantly curtailed and an improving current account and trade balance has seen a rapid slowdown in inflation.



Source: Zimbabwe Statistical Office, October 2020

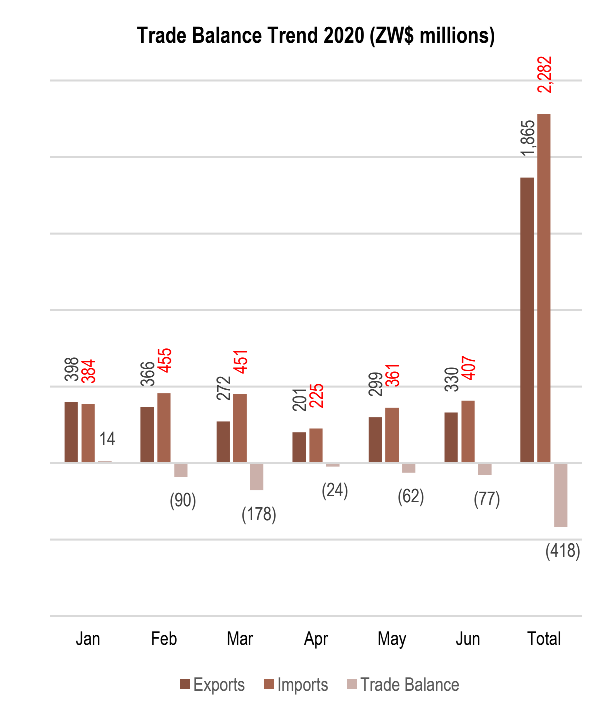
Reserve Money Growth

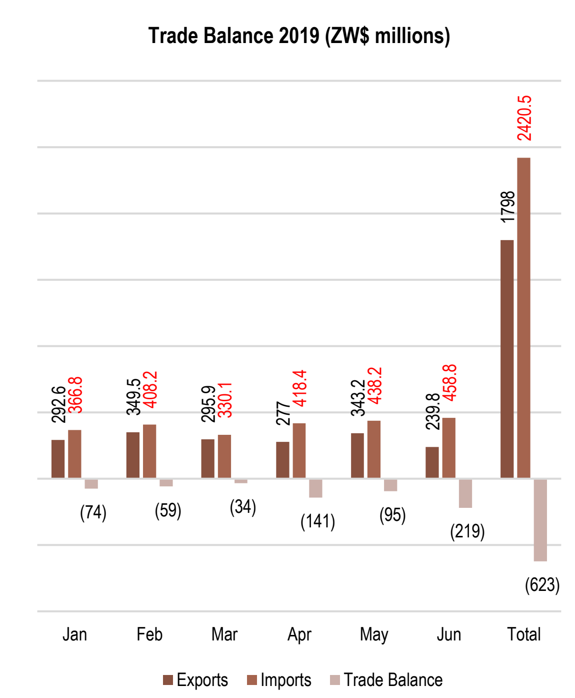


Source RBZ Website Oct 2020

Macro-economy

It is anticipated that Zimbabwe will incur its second consecutive GDP decline by the close of 2020 with a forecast GDP decline of 10.4% for 2020 having shrunk by 6.5% in 2019. Cumulatively therefore, Zimbabwe's economy is expected to have shrunk by 16.2% in the last two years. The marked shrinkage in 2019 was attributed to poor agricultural sector performance and power outages underpinned by an acute drought whilst rapid policy reforms on the currency front resulted in exchange rate instability and supply side bottlenecks. In 2020, the continued decline in GDP can be attributed to the negative impacts of the COVID-19 pandemic as well as supply side bottlenecks for the first half of the year owing to rapid currency depreciation and an ultimate loss in aggregate demand arising from lower disposable incomes. The stability brought on by the RBZ currency auction since August 2020 and increased local manufacturing sector competitiveness has seen some macro-economic gains notwithstanding the headwinds presented by the COVID-19 pandemic.





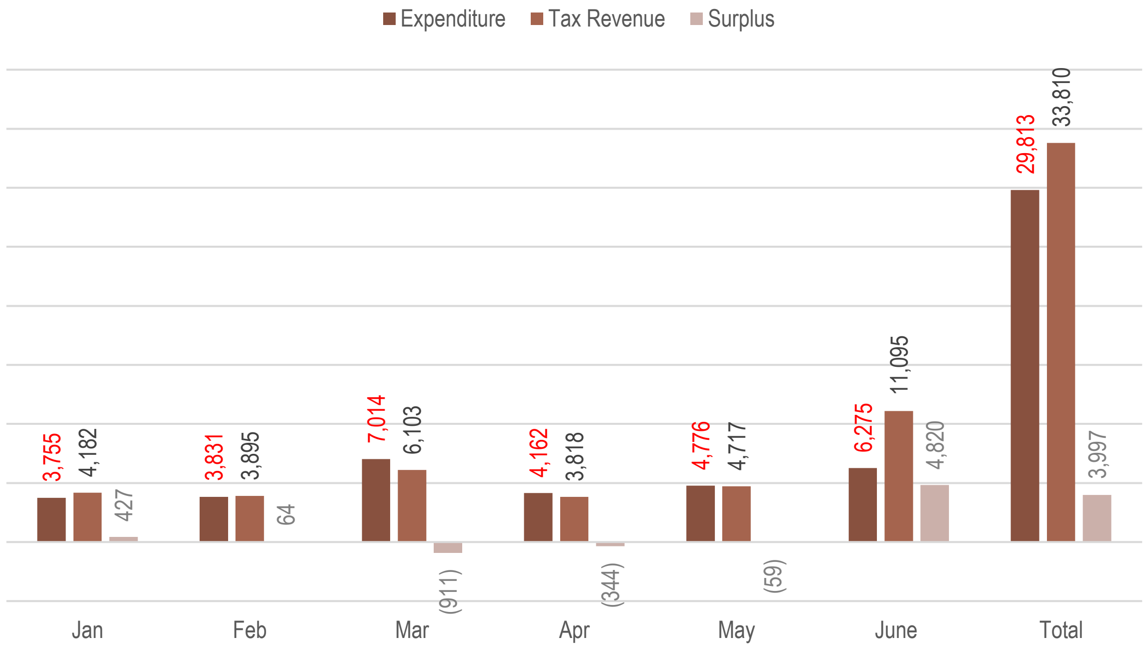
Source: RBZ monthly reviews

Zimbabwe's cumulative trade balance performance in the first half of the year, although not positive, is significantly better when compared to the same position last year. Comparatively speaking, trade exports have grown by 3.7% to US$1.865bln whilst trade imports have shrunk by 5.7% to US$2.282bln. This has seen the trade balance deficit improve to US$0.42bln compared to US$0.62bln in 2019 as highlighted in the bar charts above. The improvement is arising from lower import demand given the depreciation of the ZW$ on the one hand and increased import substitution on the other hand. Increased capacitation of the local productive sector should see a continued improvement in this trend. A trade surplus remains desirable for Zimbabwe as it improves currency stability from increased foreign currency net inflows into the country. Surprisingly though in May and June 2020, nickel accounted for 36% of trade exports overtaking gold which accounted for 23.6%. The resurgence in nickel demand from China coupled with the recovery in prices aids in explaining this trend. However, for gold, uncompetitive market prices being paid to small scale gold miners may have contributed towards less official gold deliveries making it through to official channels during the third quarter and the first half of the year. On the imports side, diesel and petrol continue to account for the single largest consumer of foreign currency accounting for 15.6% of total imports followed by medical supplies owing to the impact of COVID1-19 at 7.1%.

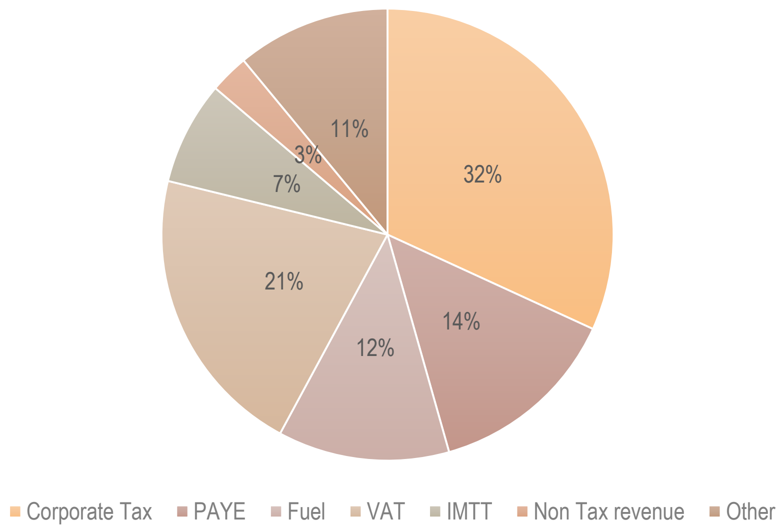
The Zimbabwe tobacco auction season closed the 2019/20 season with a 29% drop in sales to 185 million kgs on official auction floors. The 29% drop was at a huge variance to the Tobacco Industry's estimate of 233 million kgs as the board believes that there was aggressive side marketing of the crop this year. Farmers may have been prompted to side market as payment modalities on the auction floors were not conducive and secondly, owing to travel restrictions, it is believed that a number of farmers may have side marketed their tobacco to merchants they had not registered with.

Fiscal Update

The Government of Zimbabwe last made a public treasury bill offer to the market on 03 July 2020 wherein it was seeking to raise ZW$500mln. The issue was undersubscribed and most bids were rejected owing to the high interest rate bids of 50%. Only ZW$70mln of the offer was allotted for 274 days with an interest rate of 19.14%. The Government of Zimbabwe has been making concerted efforts to balance its budget and to not rely on the RBZ overdraft facility for unbudgeted expenditures. This discipline coupled with tax revenue from the 2% Intermediate Money Transfer Tax and less than inflationary revision of civil servant wages is expected to sustain the creation of greater fiscal space for capital formation and other social service expenditures. The downside however has been ongoing strikes and increasing civil servant pressures to adjust salaries in line with inflationary developments which, unless dealt with effectively, can have negative impacts on government mandated services such as health, education and security. The table below highlights the performance of the Government tax collection and expenditure patterns during the first half of the year.



Source: MoF Consolidated Revenue Performance Publication September 2020



Source: Ministry of Finance Website Oct 2020

The most significant source of tax revenue was corporate tax followed by value added tax (VAT) then individual income tax (PAYE) and taxes on fuel. What is encouraging has been the contribution of VAT from local sales as opposed to VAT from imports wherein the VAT contributions from local sales accounted for 62% of sales. This compares favorably from a sustainability standpoint wherein local as opposed to imports dominate official trading economic activity. The surge in tax revenue collections for the month of June 2020 is in line with the growth in cumulative inflation during the period as well as money supply growth which affected the nominal price for most goods and services.

GDP Outlook

We however maintain that a strict adherence to expenditure patterns that are in line with tax revenue collections and limited borrowings will go a long way in establishing macro-economic stability and the crowding in of private sector funding in driving sustainable GDP growth. Internally we believe that the Zimbabwean economy could achieve GDP growth of 5% in 2021 underpinned by global mineral commodity price resurgence, a more fruitful agricultural season and a recovery of aggregate demand as disposable incomes recover on the back of currency and inflation stability.

05 October 2020 marked the two-year anniversary for the Transitional Stabilization Program (TSP) wherein the target for the policy was to achieve macro-economic stability as a foundation for more rapid GDP growth for the 2021-25 period. The plan was however met with significant headwinds in the form of Cyclone Idai in 2019 and a drought for the 2020 agricultural season that was worsened by the negative impacts of COVID-19 and currency instability which had general negative supply shocks in the economy. So, in that respect the TSP failed to achieve its quantitative targets. The table below highlights some of the headline targets during the two-year period from 2018 to 2020.

Metric	TSP Target average 2018- 2020	Actual Outturn (Average 2018-2020)
GDP Growth	8.3%	-4.5%
Annual Inflation	4.5%	384%
Exports (US$ Blns)	5.7	5.1*
Imports (US$ Blns)	8.4	5.6*
Trade Balance (US$ Blns)	-2.7	-0.5

Source: IMF & Ministry of Finance Data Mapper, World Bank, *average for 2018 & 2019

Going forward the 2021 outlook for GDP growth looks more promising as growth is expected to be underpinned by the mining, agricultural and utility sectors. For the mining sector, Zimbabwe's export dependent commodities are expected to firm in 2021 given developments in the global market of generally firmer gold, chrome and palladium prices. Secondly better rains tend to auger well for Zimbabwe's agricultural sector output and the 2021 season is expected to receive normal to above normal rainfall. In addition, the private sector has taken a more active role in the financing of cereal and other raw material input crops in the agricultural sector which is expected to improve local manufacturing sector product supply and reduce import demands. Downside risks however remain from the cost of inputs their availability in the market and exchange rate fluctuations having a dampening effect for agricultural sector financing programs. The increased activity by the Government of Zimbabwe in energy, road and agricultural irrigation capacity building programs is expected to buttress this sector's growth in 2021. We have noted at least 7 major power projects that are expected to add 5,500MW in the next five years with dam construction and irrigation expansion initiatives being pursued for Tokwe Mukosi, Binga, Kanyemba and Batoka City. Downside risks for these developments being implementation risk. It must be mentioned that the current fiscal space that the government has opened up is more sustainable than the situation between 2009 to 2013 wherein 86% to 90% of the Government of Zimbabwe's recurrent expenditure was being utilized to service salaries and allowances.

Investment Markets

Zimbabwe Stock Exchange

The Zimbabwe Stock Exchange was re-opened during the quarter after being suspended from 26 June 2020 to 3 August 2020. The month-long suspension of the market brought a halt to the significant rally that the market was enjoying as the Government sought to bring an end to suspected illicit financial flows on the local bourse that were suspected to being used to fund liquidity for informal currency market trades. The resumption of trades on the ZSE saw the market weakening initially in the month of August 2020 before recording gains in the month of September 2020.

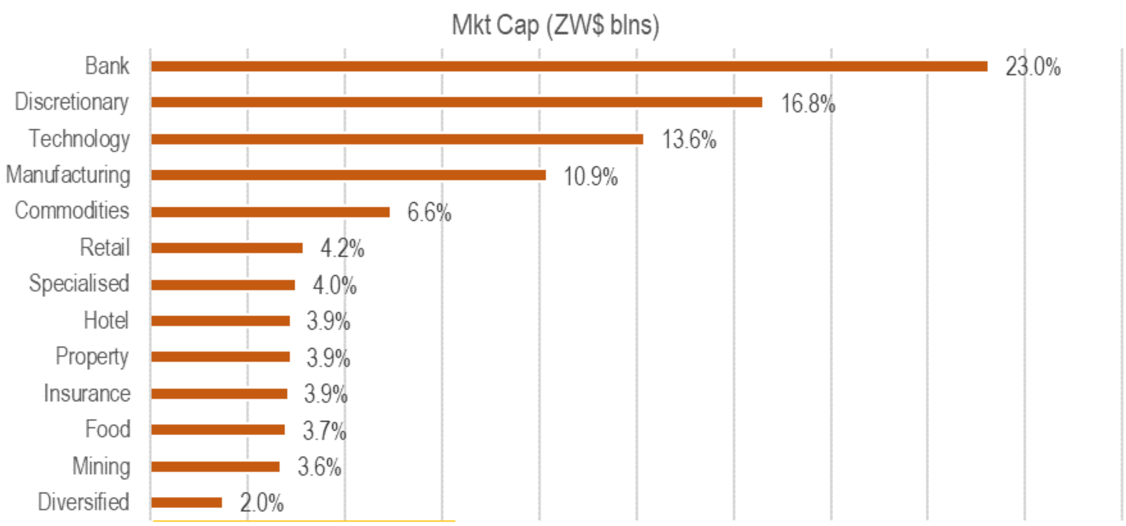
ZSE Highlights

Index	31-Dec-19	Index Value Q2 2020	Q3 2020	Quarter Change	YTD Return
ZSE All Share	230.08	1,788.75	1,638.17	-8.4%	612.0%
ZSE Top 10	202.68	1,232.79	1,093.10	-11.3%	439.3%
Medium Cap	287.79	3,302.89	3,156.59	-4.4%	996.8%
Small Cap	632.83	5,558.15	5,664.14	1.9%	795.0%
ZSE Top 15	204.98	1,412.84	1,279.48	-9.4%	524.2%
Value Traded (blns)	1.09	2.74	5.67	107.2%	

Source: FMW Research Database

The medium cap index showed the most aggressive returns on a YTD basis whilst the Small Cap index was the only index that recorded gains during the quarter. We maintain that the ZSE is expected to reprice going forward as the value of companies on the ZSE are trading at discounts to their Net Asset Values.

ZSE Sector Market Weight Summary



Total 187.24

Source: FMW Research Database

The Banking sector accounted for the biggest weight on the ZSE largely due to the returns experienced by CBZH. The price recovery for CBZH may have been prompted by the lifting of their cautionary on possible penalties for Ant-Money Laundering breaches and reconstitution of the board.

During the quarter the ZSE traded a total of ZW$5.7bln worth of shares representing a growth in the value of trades of 107.2% from the previous quarter notwithstanding the suspension of the local bourse for a month. The growth in the value of trades in the third quarter was buoyed by a single trade of ZW$3.4bln worth of BINDURA NICKEL CORPORATION shares on the 22nd of September 2020. We expect sideways trading of the local bourse in the immediate term as local currency liquidity remains focused on the RBZ auction market and working capital requirements by firms as they return to better operating levels as lockdown measures continue to be eased.
Below is a summary of the market's top and bottom performers during the period the quarter and for the year.

ZSE Top Performers

COUNTER	Prices at 26-Jun-20	Prices at 30-Sep-20	Q3'2020	COUNTER	Prices at 31-Dec-19	Prices at 30-Sep-20	YTD
NTS	0.0372	0.191	413%	CBZH	0.70	52.90	7,489%
FIDELITY	0.1945	0.96	394%	CAFCA	1.78	61.00	3,327%
CBZH	29.9652	52.901	77%	BNC	0.16	4.10	2,434%
ZIMPLOW	3.05	4.2	38%	FBCH	0.65	15.44	2,266%
ZBFH	11.3586	15.6025	37%	DZL	0.43	9.49	2,120%
TSL	4.1	5.4	32%	ZBFH	0.72	15.60	2,067%
POWERSPEED	1.45	1.9	31%	ZIMRE	0.15	2.60	1,633%
UNIFREIGHT	0.108	0.1295	20%	ART	0.13	2.25	1,631%
FMHL	3.7	4.3	16%	RTG	0.15	2.27	1,466%
MASIMBA	1.6799	1.9	13%	FMHL	0.31	4.30	1,285%

Source: ZSE, FMW Research Data Base

ZSE Bottom Performers

COUNTER	Prices at 26-Jun-20	Prices at 30-Sep-20	Q3'2020	COUNTER	Prices at 31-Dec-19	Prices at 30-Sep-20	YTD
CASSAVA	8.4517	4.3495	-49%	ZECO	0.00020	0.00020	0%
TURNALL	1	0.52	-48%	GETBUCKS	0.12	0.13	4%
FCB	1.1692	0.6311	-46%	NAMPAK	0.72	1.00	39%
ECONET	8.5844	4.9422	-42%	UNIFREIGHT	0.09	0.13	44%
MASH	0.72	0.4175	-42%	CASSAVA	1.40	4.35	210%
NAMPAK	1.49	1.0005	-33%	ECONET	1.47	4.94	236%
DELTA	24.8703	16.8755	-32%	LAFARGE	1.80	6.24	247%
MEDTECH	0.1177	0.08	-32%	HIPPO	4.00	14.06	252%
NMB	4.1575	3	-28%	BAT	47.75	224.90	371%
ZPI	0.95	0.7	-26%	TURNALL	0.11	0.52	373%

Source: ZSE, FMW Research Data Base

Property Market

The correlation between economic activity and the use of property meant that this sector suffered in terms of rental yields as the economy is still yet to fully recover from COVID-19 lockdown measures and a cumulative slump in GDP growth of -16.2% in the last two years. In the outlook we expect changes in the demand pattern for properties. This will arise from the experiences of working from home and changes in consumer consumption behavior such as online shopping versus traditional retail walk in client space. Another segment of the property market that is likely to change will be office space demand visa vis the demand for residential property demand or alternatively an increase in shared office space demand. The exact impact of the consumer pattern changes is difficult to forecast currently given that the effects of COVID-19 are still prevalent. What has been established is that the recovery from COVID-19 impacts to normal economic activity could be as far out as 2022.

Money Market

The interest rate earned on money market investments has remained sub-inflationary generally throughout the quarter. The last Treasury Bill issuance in which the Government of Zimbabwe was seeking to raise ZW$500 million was undersubscribed as only ZW$70 million of the full amount was allotted with an interest rate of 19.14%. The Monetary Policy Committee did not revise the main policy rate of 35% and maintained productive sector borrowing at 25%. Notwithstanding these high floors for borrowing, interest rates in the market remained sub-optimal when compared to annual inflation rates. The table below summarizes the interest rates for plain money market placements during the quarter.

	< 90 Days	90 Days < X < 180 Da	180 Days < 365 days
Banks	9.73%	10.12%	10.58%
Treasury Instruments	Nil	Nil	19.14%

Source: FMW research database

We do not expect plain money market placement rates will see much improvement for the balance of the year. We do expect the opportunity cost of money market placements to decline in sympathy with the slow-down in inflation. In the absence of better yields and or some form of currency inflation indexing, the money market sector is unlikely to attract a large pool of investment funding.

Commodities

Changes in consumer behavior spending patterns and the policy response by Governments in Advanced and Emerging economies to deal with the impacts of the COVID-19 pandemic have had a profound impact on the behavior of commodity prices during the course of the year. Gold and other precious commodity prices have seen a resurgence that is now expected to continue well into 2021 whilst energy prices have plummeted owing to the sharp drop in demand for transport and travel services as border shut downs and international travel has been severely curtailed. The table below shows the general price movement for commodity prices during the quarter and the YTD respective price movements. We anticipate that precious commodity prices will remain firm in the outlook as excess liquidity from quantitative easing finds a home in save haven commodities like gold. Energy prices are expected to stabilize in the short-term and only recover in tandem with increases in global travel and economic activity as global regions get a better grasp on operating their economies amidst the COVID-19 pandemic. Soft commodity prices have generally traded sideways notwithstanding the effects of the Pandemic as demand for food agriculture-based commodities remained in line with inelastic demand patterns particularly for cereal crops.

Agricultural Commodities

Agricultural Commodities	19-Dec	30-Jun-20	30-Sep-20	Quarter Change	YTD Change
Maize (t)	152.75	135.43	149.60	10.47%	-2.06%
Wheat (t)	205.40	180.78	210.54	16.46%	2.50%
Sugar (kg)	0.29	0.26	0.31	16.67%	6.43%
Coffee (kg)	2.78	2.27	2.40	5.83%	-13.49%
Cotton (kg)	1.52	1.41	1.46	3.12%	-4.27%

Source: Macrotrends

Mining Commodities

Mining Commodities	19-Dec	30-Jun-20	30-Sep-20	Quarter Change	YTD Change
Gold (ounce)	1,521.90	1,781.70	1,890.80	6.12%	24.24%
Nickel (t)	13,990.00	12,790.00	14,385.00	12.47%	2.82%
Copper (t)	6,155.50	6,038.00	6,610.00	9.47%	7.38%
Silver (ounce)	18.06	17.81	23.42	31.47%	29.65%
Platinum (ounce)	971.40	851.20	909.20	6.81%	-6.40%
Crude (drum)	63.05	39.27	40.22	2.42%	-36.21%

Source: LME

Investment Market Outlook

We expect the fundamental performance of ZSE listed companies to rely heavily on the macro-economic stability brought on by the RBZ foreign currency auction market and its impact on slowing down inflation. Aggregate demand heavily depends on the ability of the Zimbabwean Government to maintain this stability into the medium and long term. Such stability can enable companies to improve output, gain economies of scale and reward employees better. This can be compounded by better civil servant salaries which would improve the multiplier effect on general aggregate demand which can translate to sales volume recovery for listed companies. We do remain cautiously optimistic regards the current macro-economic stability as we believe it is still susceptible to shocks hence the ZSE remains an attractive asset class due to its ability to hedge inflation risk and offer relative liquidity for invested funds. Regarding the money market, we expect sub-inflationary interest rates to prevail for the balance of the year but with the real potential of the money market asset class potentially earning real returns as early as 2021 should current trends in inflation slowing down continue. As banking sector liquidity remains minimal, we expect an improvement in money market placement interest rates as increased working capital demands translate into better interest rate offers. This sector remains a high-risk sector as positive inflation volatility risk remains high. In that respect we have seen increased money market activity leaning towards high yield paper and inflation and currency exchange rate linked bonds and we expect the trend to continue.

The property sector is expected to generally experience yield depression in the short to medium term with any recovery depending on how economic activity responds to the current policy environment. The current yields in real terms remains particularly low when compared to regional peers as yields of 2%-4% are most prevalent against regional property yield rates of between 6% – 12% on average. Locally the low yields are a function of rentals that have generally lagged inflation and the revaluation of property values which have remained aggressive notwithstanding the subdued rental performance of the sector.

Regional Market Brief

Malawi

	2018	2019	2020f	2021f
Real GDP growth (%)	3.2	4.5	0.6	2.5
Inflation (%)	9.2	9.4	9.3	9.5
Current account balance (%age GDP)	-20.5	-17.1	-19.2	-19.3

Source: World Economic Outlook October 2020

According to the IMF, Malawi's GDP growth is expected to remain positive in 2020 albeit growth will be much slowed at 0.6% compared to 4.5% in 2019 due to the effects of the COVID-19 pandemic. Recovery in 2021 is largely dependent on a recovery in Tourism, Agriculture, improved Foreign Direct Investment (FDI) flows and exports. Malawi will look to FDI inflows to plug its current account deficit which is expected to widen to 19.3% of GDP in 2021.

Mozambique

	2018	2019	2020f	2021f
Real GDP growth (%)	3.4	2.3	-0.5	2.1
Inflation (%)	3.9	2.8	3.6	5.6
Current account balance (%age GDP)	-29.6	-20.4	-60.0	-68.9

Source: World Economic Outlook October 2020

According to the IMF, Mozambique's current account balance deficit is expected to expand to 60% of GDP in 2020 and further to 68.9% of GDP in 2021. Growth in the current account balance will be underpinned by the severe impacts of COVID-19 on the economy which remains largely informalized. With an estimated 80% of the economically active workforce basing their operations in the informal sector, a large constituent of the economy remains highly vulnerable to COVID-19's downward impact on economic activity. GDP output is now expected to contract by only 0.5% versus the initially projected 2.0% decline in 2020 as social support programs being financed by the Government and the World Bank are expected to result in a less pronounced decline in economic activity for the balance of the year.

Botswana

	2018	2019	2020f	2021f
Real GDP growth (%)	4.5	3	-9.6	8.7
Inflation (%)	3.2	2.8	1.6	3
Current account balance (%age GDP)	0.6	-7.6	-2.5	-3.1

Source: World Economic Outlook October 2020

Real GDP in 2020 is projected to contract by 9.6% in 2020 arising from a slump in the demand for diamonds and earnings losses from the tourism sector for Botswana. The current account is projected to deteriorate less severely in 2020 but remain in deficit from 2019 through 2021 as the recovery in export earnings is expected to be more protracted as the effects of COVID-19 are unlikely to have a short-term recovery. Inflation is expected to be within the central bank's medium-term target range of 3–6% in 2020 to 2021.The revival of tourism will largely depend on the success of mitigating the pandemic and the easing of regional and global lockdowns, especially travel.

Regional Stock Market Performance Summary

	31-Dec-19	30-Jun-20	30-Sep-20	Quarter Change	YTD Change
Botswana (DCI)	7,495	7,160	6,999	-2.24%	-6.61%
South Africa (JSE ALL Share)	57,704	54,362	54,265	-0.18%	-5.96%
Malawi (MASI)	30,252	29,785	31,448	5.58%	3.95%
Mauritius (SEM ASI)	2,005	1,666	1,557	-6.55%	-22.36%

There has generally been negative return performance for equity indices as the follow-on effects of COVID -19 has been met with withdrawal requests from investment markets. With the exception of Malawi which is still forecasted to register positive GDP growth for 2020, other comparative regional markets traded weaker.

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