Highlights

- **Geopolitical risks and post COVID-19 factors still impeding Global growth.**
- **Africa expected to average 4.0% GDP growth in the outlook.**
- **Poor growth in China expected to have a downside impact on base metal prices.**
- **Policy fluidity persists as Zimbabwe issued 249 Statutory Instruments in 2023.**
- **ZSE and VFEX end the year in negative real returns territory.**
- **Real asset investment bias recommended for 2024.**

Global Economic Developments

Global growth is still below pre-pandemic growth averages with 2024 and 2025 forecasted to recede further from the Global average. Pre-pandemic, Global growth averaged 3.8% but is forecast to slow to 2.9% in 2024 and 2.4% in 2025 (**Fig 1.**), well below the global average of yester-year and highlighting the opportunity cost of GDP growth lost thus far. Reasons for the slow down are both political and natural in nature. Rising Geopolitical risks through the Russia-Ukraine conflict and more recently the middle east conflict for example have resulted in geo-economic fragmentation and less efficient trade routes underpinning high inflation and unnecessary premiums on shipping costs. On the other hand, the post macro-economic tightening frameworks post COVID-19 have resulted in higher bank policy rates, significantly more debt distress and less fiscal space to handle shocks as monetary authorities try to reign in inflation. The impacts on agriculture had previously underpinned world food prices growth although now, increased diversification of production is likely to see lower soft commodity prices in the outlook.

China's real estate slump has significantly slowed the Asia Pacific regions' prospects of a stronger GDP growth recovery and contagion could result in sluggish growth for commodity dependent economies. Africa is particularly exposed given accelerated real debt growth arising from a firming USD and accumulated debt burden. This firming USD is expected to result in capital outflows as investors chase attractive USD yield curves in America arising from continued upward revisions in the federal funds rate.

African Growth Prospects

The GDP growth average for Africa at 4.0% in the outlook is only super-ceded by the Asian Region's 4.6%. Although Africa's growth seems healthy at 4.0%, it is widely varied across the continent as factors such as Political instability; Debt distress; Currency devaluations; High inflation; and Power deficits are impeding GDP growth for select countries on the continent. This is in sharp contrast to factors such as Agro-Industrialisation; Retail and Tourism sector growth; and Energy investment underpinning growth in others. Southern Africa is expected to only grow by 1.6% in 2024 whereas

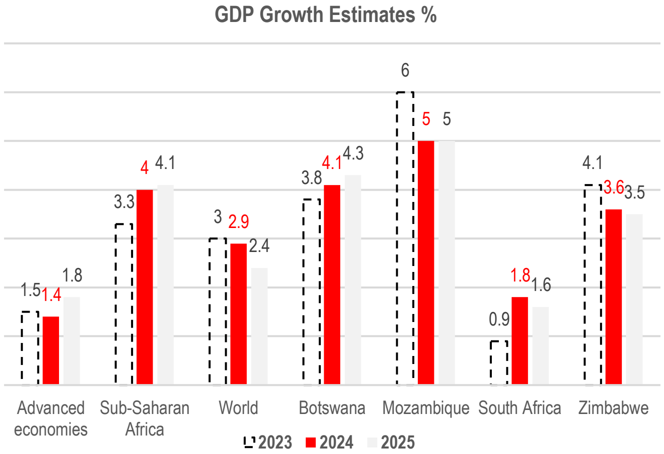


Fig 1. Source: IMF Data Mapper January 2024, WEO prologue January 2024

Inflation

	2022	2023	2024
Global Inflation	8.7%	6.9%	5.8%

Table 1. Source: IMF October 2023 WEO

East, North, and Western Africa are expected to grow by 5.1%, 4.0% and 2.8% respectively. The political instability on the African Continent has resulted in significant geo-economic fragmentation as trade pacts are dissolved and new sanctions imposed which significantly reduces trade and potential GDP growth. Another emerging risk is arising as about 75% of advanced economies recorded a growth in their unemployment rates in 2023 signalling lower Global demand and this may slow the demand for exports that Africa benefits from in the outlook.

Local Economy

Zimbabwe's economy is expected to grow by 3.5% according to both the Government of Zimbabwe and IMF. This is despite serious headwinds in the outlook related to a poor Agricultural season as rainfall patterns are unlikely to boost agricultural output and a power deficit that is expected to persist in 2024. The policy environment has remained fluid and this will negatively impact businesses as unwarranted economic shocks will impede potential production. Zimbabwe issued 249 Statutory Instruments in 2023 and the recent 2024 National Budget tax measures hampered a smooth start for industry in 2024. Notwithstanding these hurdles however, First Mutual Wealth (FMW) expects that the gains in the Mining, Tourism, Utilities and ICT sectors will offset these bottlenecks and result in a net positive GDP growth outturn for 2024.

FMW is of the view that absent of policy and macro-stability, Zimbabwe will not achieve its optimum growth targets in the medium to long term. Man made issues related to policy uncertainty, and the imposition of official exchange rates that are far outside market clearing rates will only serve to slow the potential growth of the country. It is encouraging however to note that the level of dialogue and consensus between policymakers and economic stakeholders has continued to improve and should result in a better policy environment in the outlook.

Inflation Developments

Industry has generally adopted the use of the Total Consumption Poverty Line (TCPL) in tracking ZWL inflation given the weaknesses identified from the use of the blended rate of inflation. FMW believes that whilst the TCPL is a more relevant measure for ZWL inflation, it does suffer from not being able to capture certain basket goods that are now bought exclusively in USD. Fuel is an example of such a product whose ZWL equivalent value is more aggressive in its upward movement given its peg to the exchange rate. Thus, for the TCPL, this has the effect of undervaluing the actual inflation measure. Nonetheless, according to the latest TCPL numbers, annual inflation closed the year at 380% whilst month on month inflation for the moth of December was significantly up at 21.9% compared to 9.5% in November 2023 (**Fig 2.**). Q4 2023 inflation was 46.9% compared to 4.7% in Q3 2024. The aggressive inflation numbers in Q4 2023 were a result of the significant loss of value of the ZWL in Q4 2023 where it is estimated that the ZWL lost over 36% of its value in December 2023 alone. For 2023, inflation performance was most adverse in Q2 2023 and Q4 2023 and in both cases the growth was tied to significant liquidity injections into the economy either from contractor payments, farmer invoice settlements and maturing Government debt obligations.

Officially, USD expenditure on average now accounts for 80% of total spend and this would qualify Zimbabwe as being once again dollarized. Unofficially, some media reports state that the expenditure habits for economic players in Zimbabwe is now more than 90%. According to the October 2023 Monthly Economic Brief as issued by the Reserve Bank of Zimbabwe, 79.2% of total money supply is in foreign currency, further cementing the affirmation of Zimbabwe being largely dollarized. These statistics indicate significant hurdles in reversing the dollarisation trend that is continuing to develop.

Macro Developments

The Ministry of Finance, Economic Development and Investment Promotion issued the 2024 National Budget on 30 November 2023. In summary, the Tax revenue target for 2024 is ZWL53.8 trillion against an Expenditure target of ZWL58.2 trillion with a planned deficit of ZWL4.3 trillion and forecast borrowings of ZWL9.2 trillion in 2024. By our own estimate, the Budget introduced 11 inflationary measures, 8 new tax heads and 7 tax relief measures. However these tax relief measures were mostly directed towards niche sections of the economy. By and large the budget for 2024 is expected to be inflationary and given the growth in the tax revenue target, we can expect high ZWL inflation and or significant depreciation of the ZWL for 2024.

The Ministry of Finance, Economic Development & Investment Promotion estimates that only the Agricultural sector will experience negative GDP growth for 2024 due to El Nino impacts.

Zimbabwe Total Consumption Poverty Line

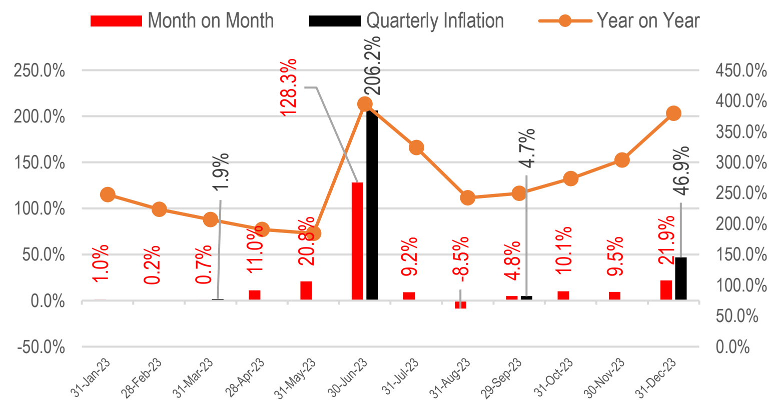


Fig. 2. Source: ZIMSTATS December 2023

Fig 4. compares the Government of Zimbabwe's GDP sector growth forecasts with inhouse FMW research estimates. Whilst the Government of Zimbabwe anticipates only the Agriculture sector (-4.9%) to record negative GDP growth for 2024, FMW is of the opinion that the manufacturing sector will shrink by 2.7% and the Financial services sector (-0.2%) to remain more or less flat. Despite the Tourism (+13.9%) and Construction (+8.0%) sectors showing aggressive growth, they still account for small segments of the overall economy (**Fig 3.**). FMW believes that power outages and less competitiveness will work against the Manufacturing sector (-2.7%) whilst the formal Wholesale and Retail trade (0.5%) will suffer due to an adverse exchange rate environment. Overall, FMW expects GDP growth of 3% for 2024 versus the Government of Zimbabwe's 3.5%.

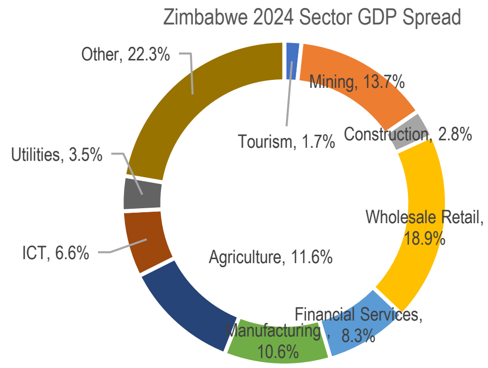


Fig 3. Source 2024 Zimbabwe National Budget

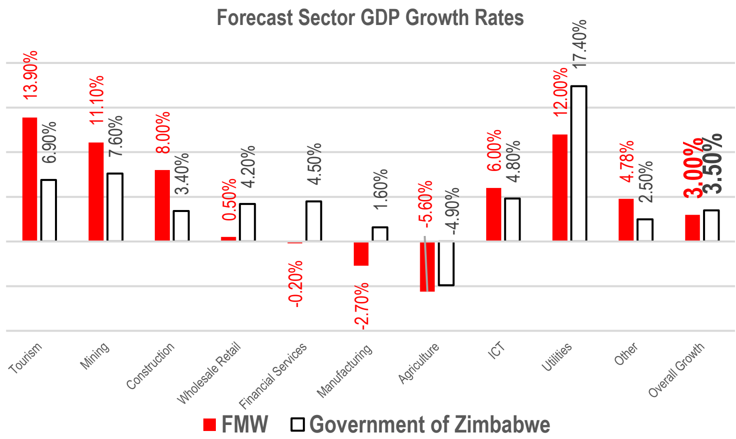


Fig 4. Source: FMW Research and 2024 National Budget Speech

Investment Markets

Listed Equity Markets

The Zimbabwe Stock Exchange's (ZSE) performance in the final quarter of 2023 was positive as the ZSE All Share Index gained 66%. The strengthening of the market was most pronounced in the month of November (+21.8%) and October (+24.0%) with a softer rebound in December (+10.2%) as the market responded to easing liquidity conditions. There were no migrations from the ZSE to the VFEX during the quarter however we do note that the REVITUS REIT was listed on the ZSE in the final month of the year. We are doubtful of anymore ZSE to VFEX migrations in the outlook given that the additional export retention benefit for VFEX listed companies being rescinded by the Government. Payments to farmers, contractors and the settlement of other debt obligations by the Government tends to result in an expansion of the ZWL:USD exchange rate by a bigger factor than the actual liquidity injection warrants. Issues to do with a confidence deficit in the local currency will make this aspect of liquidity management particularly difficult for the Government of Zimbabwe in the outlook. Nonetheless easing liquidity conditions allowed the market to recover somewhat in the final quarter of the year. From a fundamental standpoint, we believe that a stable currency will allow for a more rapid recovery in the performance of listed companies in the medium term. As it stands, we are doubtful of the ability of the Government of Zimbabwe to reverse the impacts of dollarisation on the country which may translate into less competitiveness for local companies. The table below summarises the performance of the market during the fourth quarter of the year (**Table 3.**) as well as the sector market capitalisation weightings of the ZSE (**Fig 4.**).

Index	30-Dec-22	Index Value Q3 2023	Q4 2023	QTD Return	YTD Return
ZSE All Share	19,493.85	126,642.42	210,833.92	+66%	+982%
ZSE Top 10	12,311.13	56,560.21	90,085.91	+59%	+632%
Medium Cap	36,642.44	498,045.42	920,516.25	+85%	+2,412%
Small Cap	452,056.95	2,955,646.81	5,483,703.77	+86%	+1,113%
ZSE Top 15	13,436.28	76,687.01	121,916.39	+59%	+807%
Value Traded (ZWLbn)	44.09	168.85	197.90	+17%	

Table 3. Source: FMW (First Mutual Wealth) Research Database

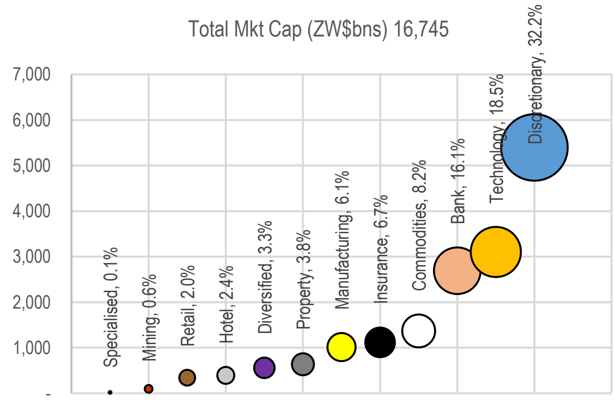


Fig 5. FMW Research Database

On a return attribution basis, the ZSE medium-cap index contributed the most towards the ZSE All Share index return as it added 2,412% during 2024. It was followed by the ZSE small cap Index with a return of 1,113%. Although the major index constituents had positive nominal returns of 807% and 632% for the ZSE Top 15 and ZSE Top 10 indices respectively, they fell short of the alternative ZWL:USD exchange rate movement which was estimated at 1,159% for 2023. Ultimately the ZSE All-Share Index advanced by 982% for 2023 and in nominal terms, fell short of the movement in the alternative exchange rate but was ahead of ZWL Inflation of 380% for the year and the interbank market exchange rate movement of 794.8% for the year. Post year end, the market has recovered somewhat in real terms, however, we note that the continued exchange rate volatility threatens the positive real returns that the market achieves from time to time. Stability in the exchange rate will likely see a more sustainable and less volatile ZSE equities market performance.

ZSE Top 5 and Bottom 5 Performers

Share	Q4 2023 Value Traded (ZW$)	Share Price (ZW$)	Market Weight Change	Market Cap (ZW$bn)	QTD	YTD
Top Five Performers						
FMHL	324,538,990	1046.86	+2.99%	757.3	+379.81%	+3,989.28%
WILLDALE	19,832,860	42.21	+0.28%	75.0	+322.10%	+2,244.98%
CBZH	3,143,043,975	3175.00	+5.82%	1,657.4	+294.38%	+2,251.85%
NMB	1,743,892,985	680.00	+0.80%	274.8	+215.45%	+1,705.31%
ZIMPAPERS	9,536,690	34.00	+0.05%	19.6	+168.77%	+1,309.09%
Bottom Five Performers						
EDGARS	1,440,935,145	90.0000	-2.04%	54.4	-12.28%	+847.37%
UNIFREIGHT	12,592,410	250.00	-0.93%	26.6	-3.10%	+384.03%
CFI	41,054,470	2185.00	-6.79%	233.4	-0.68%	+430.73%
PROPLASTICS	3,203,312,575	608.00	-0.55%	153.2	-0.33%	+1,742.42%
BRIDGEFORT B	-	33.6500	-1.47%	0.0452	+0.00%	+29.42%

Table 4. Source: ZSE, FMW Research Data Base

Victoria Falls Stock Exchange All Share Index (USD Exchange)

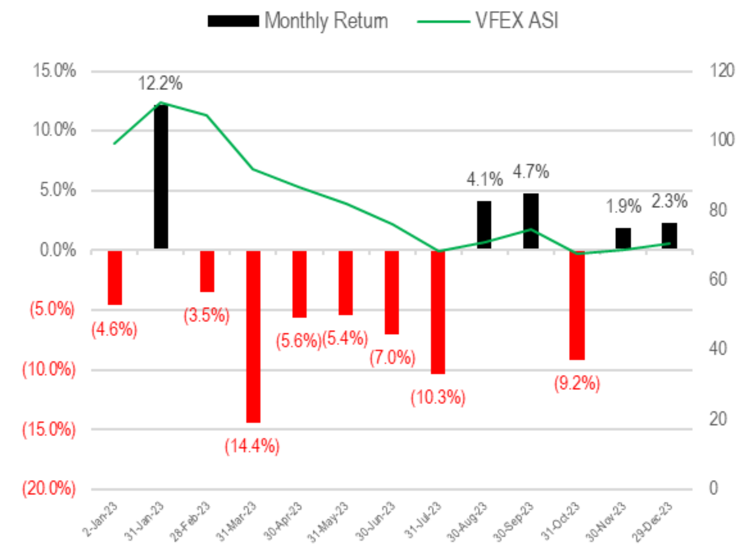


Fig 6 Source: VFEX January 2024

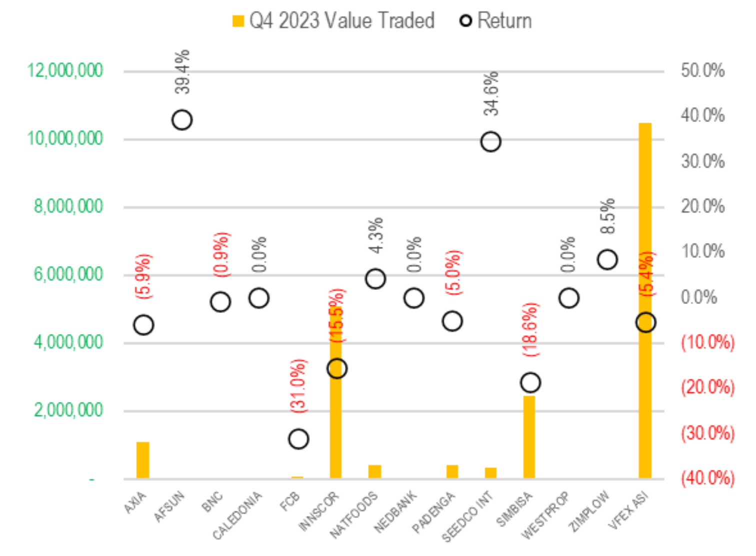


Fig 7 Source: VFEX Sept 2023

The Victoria Falls Stock Exchange (VFEX) closed the year with 13 listed equity securities as depicted in **Fig. 7** above with the USD 3-year KARO Fixed Income Bond being the only fixed income security listed on the VFEX to date. There were no new listings on the VFEX during Q4 2023. The VFEX All Share index returned -5.4% during Q4 2023 in real terms (**Fig. 6**) and on a YTD basis the VFEX was down 28.9%. The negative returns have been underpinned by net selling pressure from foreign investors. Despite this selling pressure tapering off for the balance of the year, as depicted by the market gains of 1.9% and 2.3% in November and December respectively, the gains were not high enough to offset the monthly losses incurred for the majority of 2024. The value traded increased by 69% in Q4 2024 to USD11.0m from Q3 2023 and is up 238% YOY from Q4 2022. SIMBISA and INNSCOR dominated trades in the final quarter of the year as they accounted for 68% of all the value traded on the VFEX in Q4 2023. We anticipate continued improved liquidity conditions in the outlook as USD dividend payments filter through and pension contributions in USD grow.

Property Market

The extension of the USD trading environment is expected to sustain property demand in the immediate term, however, concerns are that with a poorer performing economy in the medium-term, the sector may start experiencing a slow-down. The absence of long-term financing from the banking sector is expected to dampen potential growth in the sector as the mortgage finance industry is largely non-existent. Currency uncertainty has limited the banking sector's appetite to finance 10,15 or 20 year mortgages as was the norm historically or as is the case in other developed markets today. Most mortgage debt options in Zimbabwe are poorly structured for retail clients as they require 20% to 50% of the property value as a deposit and full settlement of the loan within 6 to 24 months. The resultant payment terms attached to such financing options are quite exorbitant and therefore largely exclude retail clients from the property development sector. The result is a property sector dominated by pensions funds, corporates, the diaspora and high net worth individuals. Notwithstanding the above, Government expects the construction sector to grow by 3.4% in 2024, we are of the belief that the construction sector will grow by 8% as demand for assets in this sector grows given its hedging mechanism against inflation and secondly due to the growth in infrastructure spending in both the private and public sector. Demand seems strongest in retail, warehousing and other specialised property developments. There is however need for adequate infrastructure support from councils to allow for lower development costs and better yield returns for the new properties that are coming up. The masterplan demands by the Government of Zimbabwe on local councils to supply adequate supporting infrastructure would go a long way in lowering development costs and sustaining the growth of this sector.

For Tourism related property, FMW is of the belief that the growth in number of airlines frequenting Zimbabwe; increased global Travel and Tourism; as well as increased investment in Resort and Tourism facilities is expected to result in a strong Tourism Property sector performance in the outlook. The Reserve Bank of Zimbabwe indicated that Tourist Arrivals in Q3 2023 grew by 41.9% to 494,878 arrivals from Q3 2022. Added to that, statistics from the Zimbabwe Tourism Authority indicate that Zimbabwe will be close to its historic average arrival of 1.6m tourists annually versus the 2022 number of just above 1 million. Yields and rates of return in this sector have attracted significant investments in the sector from not only traditional hotel businesses but through home and lodge resorts that are supported by technological innovations in the form of Tourism location apps and Property websites that are increasingly matching property owners to property users.

Money Market

The Monetary Policy Committee bank policy rate was revised downwards to 130% from 150% in October 2023 despite inflationary pressures rising during Q4 2023. Q3 2023 inflation was 4.7% whereas Q4 2023 inflation was higher at 46.9%. The lower bank policy and medium-term accommodation rates resulted in bank lending rates softening for the ZWL in Q4 2023. The volatile nature of ZWL inflation resulted in mixed opportunities for ZWL money market players in 2023 as they managed to earn positive real returns in Q1 2023 and Q3 2023, however significant negative returns were realised in Q2 2023 and Q4 2023. Average ZWL money market interest rates for 2023 were between 70% to 90% however the annual ZWL inflation rate closed the year at 380% according to the TCPL. The dollarisation of the economy however saw USD borrowing needs crowding out ZWL money market demand as the US dollar was an increasingly more viable working capital funding currency. USD interest rates were coming off through the course of the year and represented a more attractive source of funding as a result. The table below (**Table5.**) shows the interest rate trends in 2023.

Maximum Money Market Quotes

ZWL Interest rates: -	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Tier 1 Banks (90 days)	50%	50%	70%	50%
Tier 2 Banks (90 days)	70%	75%	75%	70%
Treasury Bills (1 Year)	24.20%	72%	72%	78%
USD Interest Rates				
Tier 1 (90 Days)	4.50%	3.50%	4.50%	3.50%
Tier 2 (90 Days)	10.00%	10.00%	10.00%	8.00%

Table 5. Source: FMW Research Database.
*Interest rate quotes are on the highest interest rate quotes within each segment. *Tiers for banks based on credit worthiness rankings where Tier 1 banks are the most credit worthy*

Anchoring inflation expectations through inflation linked debt instruments from the Treasury would go a long way in signalling strong low inflation management intent on the part of the Government. The market remains starved of such instruments and as such confidence for longer dated ZWL lending remains severely suppressed. Even for the Government of Zimbabwe USD Treasury instruments, a secondary market exists where such instruments are being traded at discounts to their face values. These signals indicate that the market still has doubts on the ability of the Government to settle USD TB obligations on the one hand and a mistrust of the stability of the ZWL in the outlook.

Commodities

Global Commodity prices generally traded in the red for 2023, however, in the outlook for 2024, a recovery of commodities prices is expected especially for precious metals as Global Geo-political Tensions have continued unabated. Geopolitical tensions negatively affect supply chains and result in certain supply chain bottlenecks. An example would be the diversion of shipping routes from the Suez Canal arising from the Palestine and Israel conflict in Gaza. This results in supply delays and uncertainties putting unnecessary price premiums on freighted goods. For soft commodities, significant harvests in 2023, cheaper fertiliser and stockpiling by food producer countries saw a major climb down of most cereal and food related commodities in 2023. For 2024 weaker consumer demand arising from stubborn inflation and a high cost of living crisis may see a further weakening of global food prices.

Table 6 below summarizes the price movements for commodities in Q4 2023.

Soft Commodities	30-Dec-22	30-Sep-23	31-Dec-23	Q4 2023 Change	YTD Change
Maize (t)	268.89	187.39	185.52	(1.0)%	(31.0)%
Wheat (t)	334.37	249.37	245.85	(1.4)%	(26.5)%
Sugar (kg)	0.44	0.51	0.58	13.7%	31.8%
Coffee (kg)	3.84	3.50	3.21	(8.3)%	(16.4)%
Cotton (kg)	1.83	1.76	1.87	6.3%	2.2%
Hard Commodities	**30-Dec-22**	**30-Sep-23**	**31-Dec-23**	**Q4 2023 Change**	**YTD Change**
Gold (ounce)	1,826.20	1,866.10	2,071.80	11.0%	13.4%
Nickel (t)	30,400	18,694	16,603	(11.2)%	(45.4)%
Copper (t)	8,372	8,270.50	8,559	3.5%	2.2%
Silver (ounce)	24.04	23.20	24.40	5.2%	1.5%
Platinum (ounce)	1,083	907.10	982.40	8.3%	(9.3)%
Crude (drum)	80.26	90.79	72.3	(20.4)%	(9.9)%
Coal (t)	228	123.30	117.60	(4.6)%	(48.5)%

Table 6. Source: Bloomberg & LME (London Metal Exchange)

Investment Market Outlook

Equities: Medium to Long Term Strong Buy

- An inflationary budget coupled with hardening costs and thinning margins arising from dollarisation is expected to largely dampen the performance of local listed companies. These impacts will largely depress companies that do not have access to the dollarized informal cash market.
- Nonetheless, the low base from which the ZSE is coming from will allow for some headroom recovery in the Q1 2024 outlook as investors will be attracted by relatively high dividend yields and excess money supply propping up the ZSE's recovery. The extent of the recovery will more likely be influenced by the extent of liquidity conditions.
- Limited ZSE to VFEX migrations are expected, however new listings on the VFEX are likely to arise in the form of new investment products and entities seeking capital.
- We expect a more stable recovery on the VFEX when compared to the ZSE as companies on the VFEX are similarly trading at discounts to their intrinsic values on the VFEX but with the USD as the trading currency, less volatility is expected. With USD contributions increasing as well as more investors looking for USD investment vehicles, the VFEX is expected to garner more liquidity and gradually recover.

Alternative Investments: Long Term Buy

- This asset class has been able to avoid value distortions arising from short term policy changes and offer sustained real asset value preservation and growth. The asset class however remains illiquid and long term in nature. Caution therefore is necessary when investing in this asset class as illiquid conditions in the long term make it unsuitable for risk averse and short-term investors.
- We expect the depth of assets in the alternative investment asset class to continue which should attract long term capital and improve the liquidity and benefits of this asset class in the outlook.

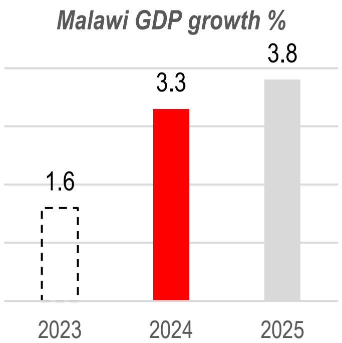
Money Market: ZWL S/T Sell USD S/T Buy

- The high risk of exchange rate losses and inflation eroding the ZWL's value makes the ZWL money market unattractive. Abrupt policy rate adjustments makes the incidence of NPLs more likely as well. We suspect that demand for ZWL borrowing for working capital commitments will decline in the outlook. Under the current macro environment, we expect decreased appetite for this asset class unless the interest rate gap between inflation and the bank policy rate is narrowed.
- We expect shrinking up-takers of ZWL as the demand for USD placements crowds out opportunities for ZWL investments.

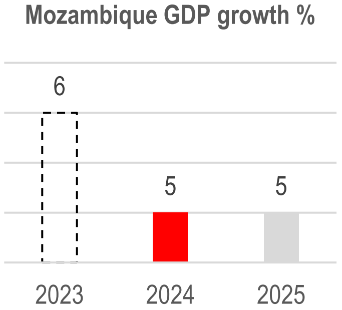
Property: Maintain

- We expect an increased prominence of hard currency rentals and shorter lease agreement arrangements to persist for local currency denominated rentals as inflation uncertainty remains.
- Property developments are likely to be skewed in favour of storage, warehouse, retail, port or transport hubs, Tourism and Residential developments whilst CBD (Central Business District) office space is likely to have lower relative activity in the immediate term.
- We similarly expect innovations in the form of Real Estate Investment Trusts listing on local public bourses to enhance the pricing and liquidity of property developments.

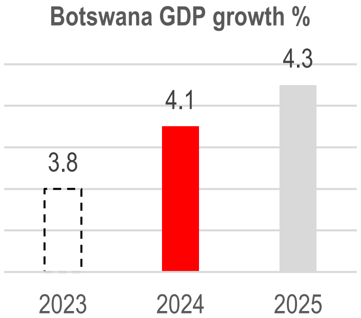
Regional Market Brief



Source: IMF WEO (World Economic Outlook) Nov 2023



Source: IMF WEO Oct 2023



Source: IMF WEO Oct 2023

Malawi Highlights

- GDP growth for Malawi was 1.6% with growth expectations for 2024 and 2025 remaining positive.
- Inflation is anticipated to start declining from 30.3% in 2023 due to lower Government expenditures and tighter foreign currency management.
- Mining, Tourism, FDI and Agriculture expected to underpin growth in the outlook.
- Uncertainty may be heightened and significantly change these forecasts post the election cycle in 2025.

Mozambique Highlights

- The GDP growth for 2023 was 6% for 2023. This was despite lingering insurgency risk concerns in the country.
- Extractives and agriculture underpinning historic and future growth, however non-extractive sectors have been in recession since June 2022.
- In the outlook, sustained improvements in the security conditions are expected to sustain strong growth via the commencement of larger Gas projects.

Botswana Highlights

- Growth was 3.8% for 2023.
- A liberalised Beef Sector, firmer diamond prices and higher copper production expected to support growth in the near term.
- Diamond prices expected to stagnate on account of developed market lower demand.
- Growth above the long-term average target of 4% expected to be sustained by a growing private sector as the Economy diversifies.

Regional Stock Market Performance Summary

	30-Dec-22	29-Sep-23	29-Dec-23	Q4 2023 Change	YTD Change
Botswana (DCI)	7,726	8,662	8,930	3.1%	15.6%
South Africa (JSE ALL Share)	73,049	72,383	76,893	6.2%	5.3%
Malawi (MASI)	62,036	118,426	110,951	(6.3)%	78.8%
Mauritius (SEM ASI)	1,891	1,965	1,872.84	(4.7)%	(1.0)%

Source: Botswana. Malawi, Mauritius & Johannesburg Stock Exchange Websites, January 2024

There was a strong rally for the JSE in the final quarter of 2023 which brought its YTD returns into the black once gain. Despite currency weaknesses, the Malawi Stock Exchange led the pack with a USD real return of 13.8% followed by Botswana with a real return of 10.4% for the year. Despite the JSE All Share Index rallying 6.2% in Q4 2023 its real return~~s~~ over the course of the year in USD terms was -2.2%. Mauritius couldn't muster positive returns for 2023 as it closed the year with a negative return of -1.0% following a -4.7% return in Q4 2023.

Outlook

Zimbabwe's poor poll credibility will make negotiations for debt forgiveness, additional lines of credit and diplomatic engagements particularly difficult with parts of the Western World. It is incumbent on the Government of Zimbabwe and policymakers to realise that the management of the economy will be that much more imperative as outside help will not be so forthcoming. The dollarisation of the economy will undoubtedly make Zimbabwe less competitive than its regional peers hence the value addition of mineral exports becomes that much more imperative in shoring up foreign currency reserves in the outlook. We expect that the negative and persistent trade deficit (November USD1.7bn), stubbornly high inflation rate (December YoY Inflation 380%) and local currency confidence deficit will further entrench the dollarisation of the economy in the outlook. It is encouraging however that the Government acknowledges that an imposition of the ZWL will likely lead to significant economic shocks and a more market-based approach will be pursued. FMW however believes that the success of de-dollarisation in the current legislative environment remains quite small. Issues of excessive money supply growth might come to haunt the ZWL economy again as the budget forecasts a growth in tax revenue collections of 150% which seems too wide notwithstanding the new tax heads and revenue enhancement measures in the budget speech. The first week of 2024 has already shown signs of tax revenue collection weaknesses as the formal economy struggled to trade given increased administrative hurdles associated with the new tax measures.

Notwithstanding these issues, Zimbabwe is still expected to register GDP growth of 3% in 2024 on the back of improved performances in the Tourism, Utilities, Construction, Mining and ICT sectors. Furthermore, investments in steel processing and lithium exports as well as firmer precious metal prices will work as strong tailwinds supporting this growth. Headwinds and or potential risks to growth are likely to arise from an overvalued ZWL:USD exchange rate; a firmer USD increasing un-competitiveness; increased debt service burdens; power shortages; and a dip in agricultural output due to the El Nino impact. All these factors have the possibility of lowering local aggregate demand and resulting in sub-optimal GDP growth. We re-emphasize that the exchange rate is such a vital cog of the GDP growth matrix and certainly requires concerted efforts to bring in long-term stability.

Author	Simbarashe Mangwendeza
Position	Fund Manager
E-mail	smangwendeza@firstmutual.co.zw