



Weekly Economic Highlights

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Week Ending
18th August 2023

1. OVERVIEW

This report provides an analysis of the developments in the money and capital markets for the week ending 18th August 2023. The report also covers developments in the tobacco, mineral commodities, and stock markets during the week. The last section of the report presents a review of the policy rate, exchange rate premium and inflation.

The Zimbabwe Stock Exchange (ZSE) and Victoria Falls Stock Exchange (VEFX) traded in a positive trajectory during the week under analysis. The value of transactions processed through the National Payment System (NPS) were lower during the week under review compared to the previous week, largely reflecting declines in RTGS and POS transactions.

The deposit rates for the domestic currency deposits mostly remained largely unchanged except for 1 month and 3 months maximum deposit rates which increased marginally.

The volume and value of tobacco sales increased during the week under review. The the golden leaf was sold at a lower price during the same week of analysis.

2. INTEREST RATES

Local Currency (ZWL) Deposit Rates

During the week ending 18th August 2023, minimum and maximum deposit rates for all classes of deposits were unchanged save for maximum ZWL deposit rates for deposits of 1 month and 3 month tenor which registered an increases on the back of tight liquidity conditions in the economy.

Table 1: Average Deposit Rates (per annum)

Date	Savings deposits (%)		1- Month deposit rates (%)		3- Month deposit rates (%)		6- Month deposit rates (%)		12- Month deposit rates (%)	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
28-Jul-23	34.29	33.29	59.00	69.33	59.22	67.89	59.17	68.64	57.53	68.79
04-Aug-23	34.29	36.00	59.00	69.33	57.67	69.44	59.17	68.64	59.53	68.79
11-Aug-23	34.29	35.60	59.00	69.33	57.67	69.44	59.17	68.64	59.33	68.79
18-Aug-23	34.29	35.60	59.00	70.11	57.67	70.35	59.17	68.64	59.33	68.79

Source: Reserve Bank of Zimbabwe, 2023

Local Currency Lending Rates

The minimum ZWL lending rates for individual clients registered an increase while those for corporate clients registered a decline during the week under analysis. Minimum and maximum ZWL lending rates for individuals and corporates were higher during the same week. The ZWL lending rates are shown in Table 2.

Table 2: Lending Rates (per annum)

Date	Minimum (%)		Maximum (%)	
	Individual Clients		Corporate Clients	
21-July-23	77.80	104.12	94.60	167.29
28-Jul-23	77.82	103.56	94.80	166.24
04-Aug-23	77.59	102.81	94.41	166.02
11-Aug-23	77.70	102.85	94.39	166.34
18-Aug-23	77.83	102.86	93.46	165.81

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Deposit Rates

During the week under review, minimum and maximum FCA deposit rates for all classes of deposits remained largely unchanged. Maximum deposit rates for deposits of 1 month and 3 month tenor increased as banks took measures to attract long term deposits amid demand for foreign currency by clients. Average foreign currency deposits rates are shown in Table 3.

Table 3: Average Foreign Currency Deposit Rates (per annum)

Date	Savings deposits (%)		1- Month deposit rates (%)		3- Month deposit rates (%)		6-Month deposit rates (%)		12- Month deposit rates (%)	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
28-July-23	1.27	1.86	3.15	4.50	3.36	5.00	3.35	5.27	3.43	5.50
04-Aug-23	1.27	1.81	3.15	4.50	3.33	5.00	3.35	5.27	3.86	5.04
11-Aug-23	1.27	1.81	3.15	4.50	3.33	5.00	3.35	5.27	3.86	5.04
18-Aug-23	1.27	1.81	3.15	4.62	3.33	5.00	3.35	5.27	3.43	5.50

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Lending Rates

Minimum foreign currency lending rates (FCA) for individuals fell by 0.01 percentage points while minimum foreign currency lending rates for corporate clients increased by 0.01 percentage points during the week under review. Maximum lending rates for both individual and corporate clients were higher during the week under review. The increase in FCA lending rates may increase borrowing costs for the productive sectors.

Table 4: Lending Rates (per annum)

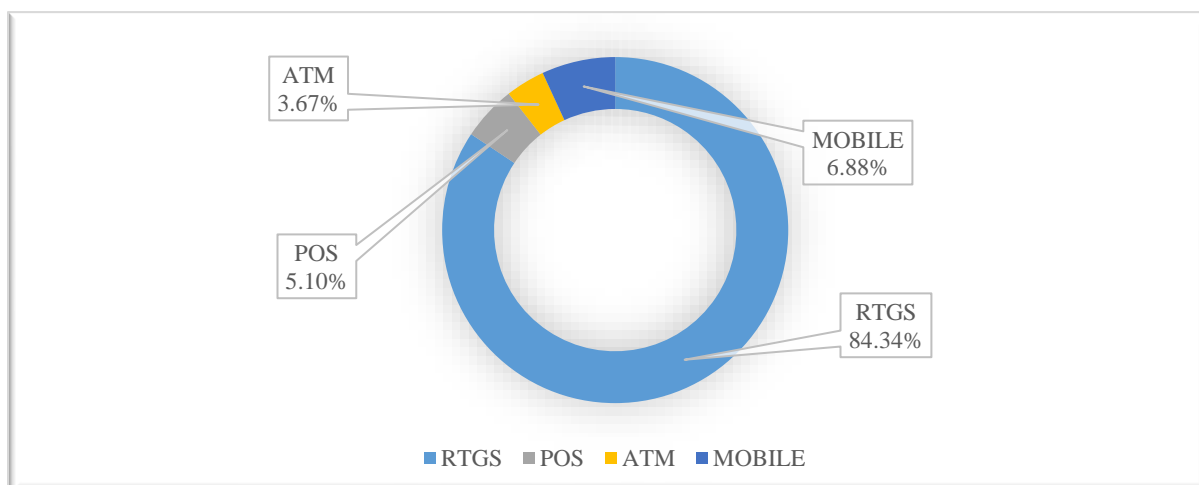
Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
14-July-23	11.35	13.07	7.99	14.36
21-July-23	11.33	13.06	7.97	14.35
28-Jul-23	11.32	13.09	7.97	14.19
04-Aug-23	11.32	13.09	7.98	14.61
11-Aug-23	11.30	13.14	8.02	14.33
18-Aug-23	11.29	13.15	8.03	14.38

Source: Reserve Bank of Zimbabwe, 2023

3. CLEARING AND SETTLEMENT ACTIVITY

During the week under analysis, aggregate transactions processed in value terms through National Payment Systems (NPS) platforms was ZW\$3.7 trillion, representing a decrease of 24.55% from ZW\$4.9 trillion in the previous week. The Real Time Gross Settlement (RTGS) system constituted 84.34% of the total value of transactions processed through the NPS. In value terms, NPS transactions were distributed as shown in Figure 1.

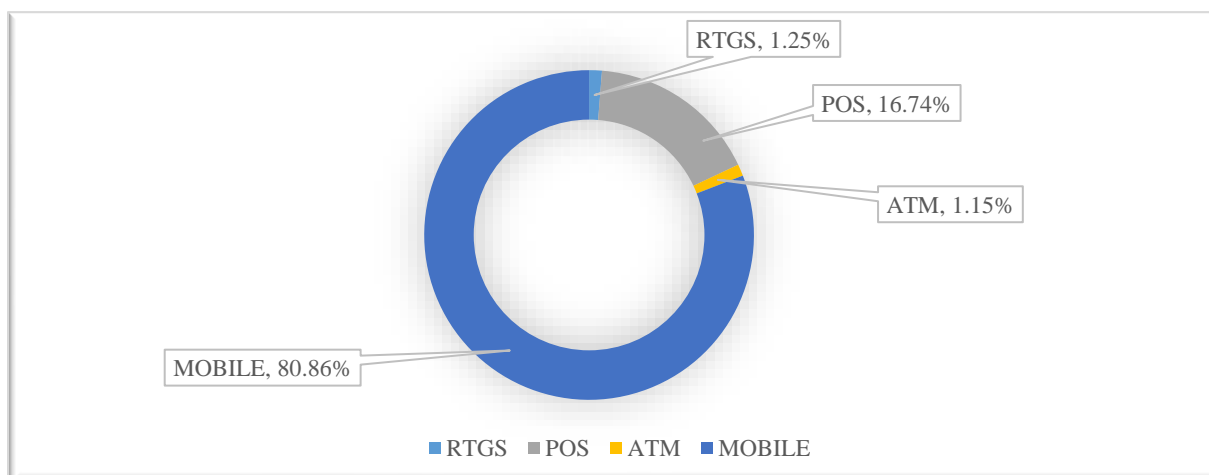
Figure 1: Composition of NPS Transactions in Value Terms



Source: Reserve Bank of Zimbabwe, 2023

The volume of transactions processed through the NPS declined by 10.27% to close at 9.78 million driven by decreases in Mobile, RTGS, POS and ATM transactions volumes. NPS transaction volumes were distributed as follows: Mobile, 80.86%; POS, 16.74%; ATM, 1.15%; and RTGS, 1.25%, as shown in Figure 2.

Figure 2: Composition of NPS Transactions in Volume Terms



Source: Reserve Bank of Zimbabwe, 2023

Table 5: National Payment Systems Activity

PAYMENT STREAM	WEEK ENDING 11 August 2023	WEEK ENDING 18 August 2023	% CHANGE FROM LAST WEEK	PROPORTION %
Values in ZW\$ Millions				
RTGS	4,302,197.55	3,123,293.74	-27.40%	84.34%
POS	235,696.24	188,993.59	-19.81%	5.10%
ATM	135,750.06	135,924.88	0.13%	3.67%
MOBILE	234,397.26	254,918.61	8.75%	6.88%
TOTAL	4,908,041.11	3,703,130.82	-24.55%	100%
Volumes				
RTGS	183,016	122,361	-33.16%	1.25%
POS	2,017,432	1,636,795	-18.87%	16.74%
ATM	134,862	112,791	-16.37%	1.15%
MOBILE	8,562,838	7,907,018	-7.66%	80.86%
TOTAL	10,898,193	9,778,965	-10.27%	100%

Source: Reserve Bank of Zimbabwe, 2023

4. TOBACCO SALES

As at the 109th day of the tobacco selling season, a cumulative total of 295.64 million kilograms of tobacco had been sold, compared to a cumulative total of 205.98 million kilograms sold during the same period in 2022. The turnover realized from the sales amounted to US\$895.45 million, a 42.03% increase, compared to US\$630.47 million realized during the same period in 2022.

Table 6: Weekly Cumulative Tobacco Sales: Day 109th (18th August 2023)

	2022	2023	Variance (%)
Cumulative Quantity Sold (million kgs)	205,979,249	295,635,420	43,53
Average Price (US\$/kg)	3.06	3.03	-1.04
Cumulative value (US\$ million)	630,471,612	895,451,649	42,03

Source: Tobacco Industry and Marketing Board (TIMB), 2023

The golden leaf continued to be sold at a lower average price of US\$3.03/kg, during the week under review, down from US\$3.06/kg realized during the same period in 2022.

5. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

During the week ending 18th August 2023, international commodity prices for gold, platinum, copper, nickel, and crude oil retreated, whilst palladium price increased. Table 7 shows developments in prices for selected commodities, during the week under review.

Table 7: Metals and Crude Oil Prices: Week ending 18th August 2023

	Gold	Platinum	Palladium	Copper	Nickel	Crude Oil
2023	US\$/ounce	US\$/ounce	US\$/ounce	US\$/tonne	US\$/tonne	US\$/barrel
Weekly Average (7 - 11 Aug)	1,925.58	910.80	1,244.40	8,411.73	20,751.40	86.38
14-Aug	1,908.63	909.00	1,292.00	8,200.18	19,768.00	84.89
15-Aug	1,903.98	894.00	1,254.00	8,201.00	20,000.00	84.86
16-Aug	1,905.50	891.00	1,230.00	8,190.50	20,025.00	83.66
17-Aug	1,895.15	900.50	1,223.00	8,262.00	20,405.00	84.20
18-Aug	1,892.73	902.00	1,227.00	8,270.00	20,175.00	85.44
Weekly Average (14 - 18 Aug)	1,901.20	899.30	1,245.20	8,224.74	20,074.60	84.61
Weekly Change (%)	-1.27	-1.26	0.06	-2.22	-3.26	-2.05

Source: BBC, KITCO and Bloomberg 2023

Gold

Gold prices decreased by 1.27% to US\$1,901.20 per ounce from US\$1,925.58 per ounce recorded in the previous week. Prices receded after optimistic U.S. economic data reinforced expectations that the Federal Reserve would continue raising interest rates.

Platinum

During the week under analysis, platinum prices declined by 1.26%, from a weekly average of US\$910.80 per ounce in the week ending 11 August 2023 to a weekly average of US\$899.30 per ounce. This was due to weak industrial demand and gloomy investment prospects as investors rekindled their appetite for riskier assets.

Palladium

Palladium prices traded positively on account of picking demand from the electronics industry. The prices increased by 0.06%, from a weekly average of US\$1,244.40 per ounce in the previous week to US\$1,245.20 per ounce during the week under review.

Copper

Copper prices retreated during the week under review following disappointing economic data from China, the world's top consumer of industrial metals and fears of further U.S. interest rate hikes. Prices fell by 2.22%, from an average of US\$8,411.73 per tonne in the prior week to US\$8,224.74 per tonne, during the week under review.

Nickel

During the week under analysis, nickel prices slumped by 3.26% to close at US\$20,074.60 per tonne, from US\$20,751.40 per tonne reported in the previous week. Prices retreated as the market grew wary of further cooling of the Chinese economy, undercutting demand in the construction sector.

Brent Crude Oil

Brent crude oil prices declined by 2.05%, from US\$86.38 per barrel in the prior week to US\$84.61 per barrel during the week under review. Prices fell as hopes for an increase in Chinese demand faded despite reduced supply from OPEC+ members.

Exchange Rate Developments

Interbank Market

The Zimbabwe dollar (ZW\$) depreciated by 0.33% on the interbank market, from an average of ZW\$4,554.55 per US\$1 in the previous week to ZW\$4,569.46 per US\$1 during the week under review, as shown in Table 8.

Table 8: Selected Exchange Rates (ZWL\$ per unit of foreign currency)

2023	USD	ZAR	GBP	BWP	EURO
Weekly Average (7- 11 August)	4,554.5471	245.7091	5,798.7335	338.4493	5,003.8725
16-Aug	4,557.1128	240.9639	5,789.8473	334.0895	4,974.1063
17-Aug	4,577.5024	240.9639	5,822.3689	336.5349	4,973.7000
18-Aug	4,573.7730	240.9639	5,827.4726	335.8002	4,976.0506
Weekly Average (14- 18 August)	4,569.4627	240.9639	5,813.2296	335.4749	4,974.6189
<i>Appr (-)/Depr (+) (%) of the ZWL</i>	0.3	-1.9	0.2	-0.9	-0.6

Source: Reserve Bank of Zimbabwe, 2023

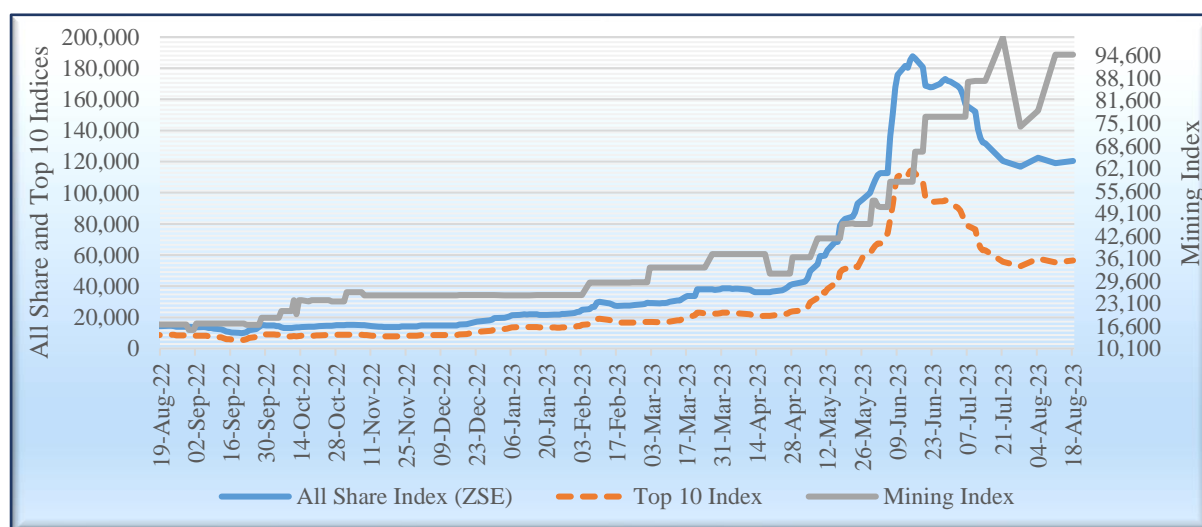
6. EQUITY MARKETS

During the week ending 18th August 2023, the Zimbabwe Stock Exchange (ZSE) and the Victoria Falls Stock Exchange (VFEX) traded in a positive trajectory. Concomitantly, the ZSE and VFEX All Share indices gained 1.34% and 0.93% to close the week at 120 504.79 points and 71.26 points, respectively.

Zimbabwe Stock Exchange (ZSE) Developments

The Top 10 and Top 15 indices gained 2.16% and 1.47% to 56 507.49 points and 77 070.41 points, compared to previous week’s positions of 55 314.05 points and 77 070.41 points, respectively. The resource index, however, remained unchanged at 94 942.74 points, during the week under analysis. Figure 3 shows developments on the ZSE’s All Share, Top 10 and Mining indices from 19th August 2022 to 18th August 2023.

Figure 3: ZSE All Share, Top 10 and Mining Indices



Source: Zimbabwe Stock Exchange, 2023

The increase in the mainstream index was attributed to share price gains in Dairiboard Holdings Limited (22.22%), Nampak Zimbabwe Limited (14.75%), Turnall Holdings Limited (11.67%), Ok Zimbabwe Limited (10.83%) and Delta Corporation Limited (9.01%).

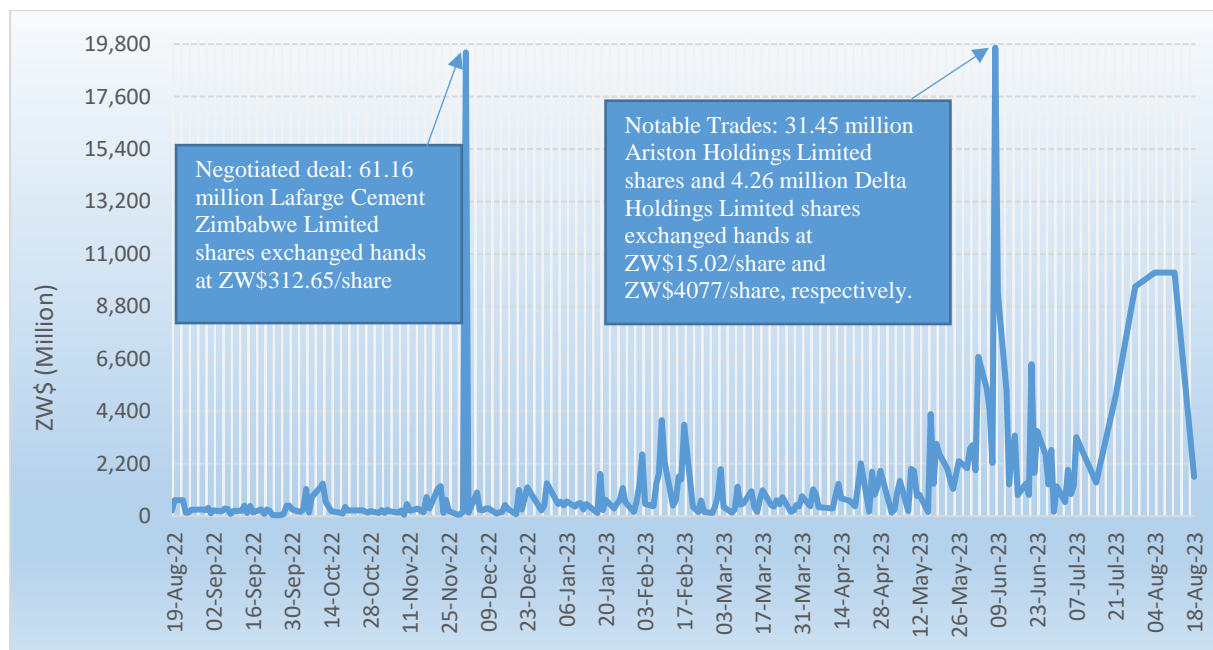
Partially offsetting the aforementioned increase were losses in the share prices of CBZ Holdings Limited (15.00%), Masimba Holdings Limited (13.42%), Afdis Distillers Limited (11.11%), Edgars Store Limited (7.65%) and Econet Wireless Zimbabwe Limited (7.05%). The resource index, however, remained unchanged at 94 942.74 points, during the week under analysis.

Market Turnover

Due to the holiday shortened week, cumulative volume and value of shares traded decreased by 90.80% and 83.85% to 2.87 million shares and ZW\$1 650.75 million, compared to 31.19 million shares and ZW\$10 219.66 million recorded in the prior week, respectively.

Figure 4 shows the trend in daily market turnover for the period 19th August 2022 to 18th August 2023.

Figure 4: Market Turnover



Source: Zimbabwe Stock Exchange, 2023

Market Capitalisation

Owing to improved trading activity on the ZSE during the week under review, the market gained 0.95%, or ZW\$89.96 billion worth of capitalization to close at ZW\$9 568.62 billion, compared to ZW\$9 478.66 billion registered in the previous week. Figure 5 shows the evolution of market capitalization for the period 19th August 2022 to 18th August 2023.

Figure 5: Market Capitalization



Source: Zimbabwe Stock Exchange, 2023

Victoria Falls Stock Exchange (VFEX) Developments

The rise in the VFEX mainstream index was a result of share price increases in Axia Corporation Limited (7.69%), First Capital Bank Limited (3.41%), Innscor Africa Limited (3.25%) and Simbisa Brands Limited (2.68%). Partially offsetting the abovementioned increases were declines in the share prices of National Foods Holdings (3.66%), Zimplow Holdings Limited (0.25%) and Seed Co International VX (0.11%).

VFEX Market Turnover

The VFEX cumulative volume and value of shares traded declined by 63.31% and 74.14% to 0.64 million shares and US\$0.12 million. This compares to 1.75 million shares and US\$0.46 million, recorded in the previous week, respectively.

VFEX Market Capitalization

Reflecting the positive momentum on the VFEX during the week under analysis, the market gained 0.92% worth of capitalization to close at US\$1.22 billion, compared to US\$1.21 billion registered in the previous week. Figure 6 shows the trend in the VFEX All Share Index for the period 19th August 2022 to 18th August 2023

Figure 6: VFEX All Share Index



Source: Victoria Falls Stock Exchange (VFEX), 2023

7. BANK POLICY RATE, EXCHANGE RATE AND INFLATION STABILITY

The monetary policy stance has remained tight since the last half of 2022 following the major hike in the Reserve Bank of Zimbabwe's policy interest rate to 200% per annum in July 2022. Since then, the bank policy rate has been reviewed in line with prevailing macroeconomic conditions, especially inflation and exchange rate developments. The first review on the policy rate was in February 2023, when the policy rate was reduced to 150% per annum followed by a further downward review to 140% per annum in March 2023. The re-emergence of inflation and exchange rate pressures since mid-April led to the policy rate being raised back to 150% per annum. The economy has witnessed sustained price and exchange rate stability under the current tight monetary policy stance.

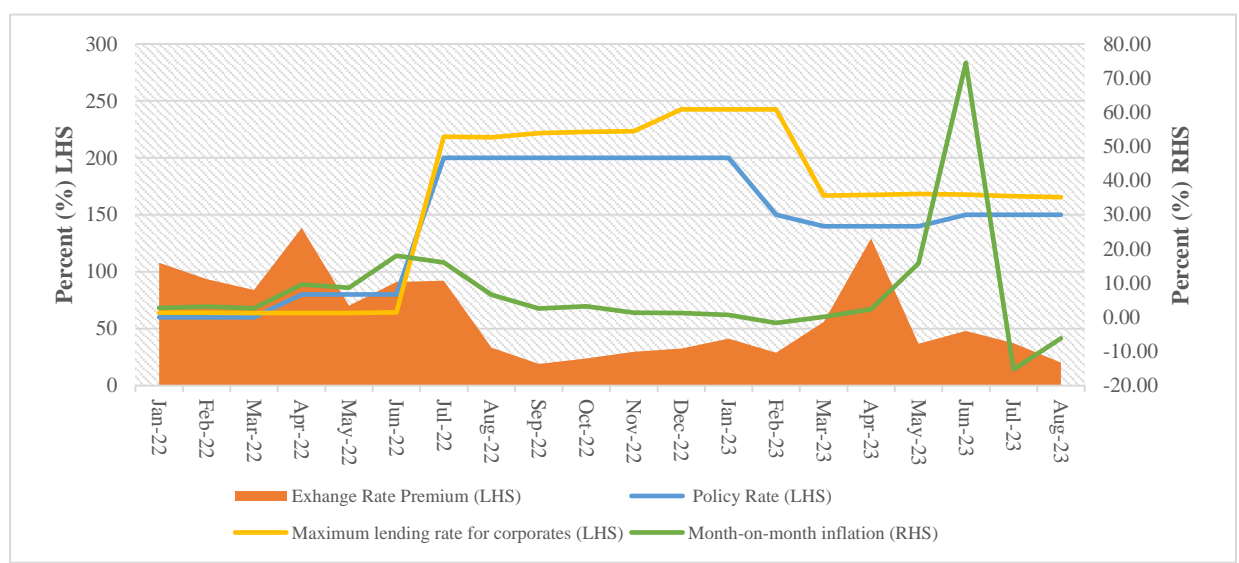
To ensure that the current tight monetary policy conditions do not hurt the productive sectors and negate the performance of the productive sectors, the Bank has been maintaining a relatively

low interest rate profile on the Medium-Term Bank Accommodation interest rates, which is the window through which the productive sectors, including the Micro Small to Medium Enterprises access concessionary credit. The window, together with the foreign currency auction system has managed to keep production and industry capacity utilization elevated even in an environment of tight monetary conditions. The interest rate on the accommodation facility is currently at 75% per annum.

The transmission from the Bank policy rate to the key lending rates by banks is an important market-based mechanism to control speculative borrowing and excessive expansion of credit that may exert pressure on the exchange rate and inflation in the economy. The policy rate plays a pivotal role in influencing borrowing, saving and investment decisions by corporates and individuals as well as influencing lending decisions by financial institutions which in turn influences aggregate demand conditions in the economy. An increase in interest rates also curtails speculative behavior and foreign currency demand and brings inflation under control. As such, the Bank seeks to align the policy rate to current and expected inflation pressures.

The cross plot of interest rates and the parallel exchange rate premium below clearly shows the strong relationship between the policy interest rate and the bank lending rates. The figure also shows the strong relationship between the changes in the money market interest rates and the parallel exchange rate premium and monthly inflation. The relationships are critical for effective transmission of the Bank interest rate policy to the wider economy, which is channelled through changes in credit and composition and structure of domestic expenditure.

Figure 7: The Policy Rate, Bank Lending Rates and the Parallel Exchange Rate Premium



The increase in the Bank policy rate from 80% to 200% per annum in July 2022 resulted in the banks increasing the retail minimum lending rates for corporate clients from 48% to 165% per annum and the maximum rates from 80% to 220% per annum in the same month. The lending rates to individual clients were also hiked significantly in the same month. Consequently, the growth in broad money supply slowed down from about 15% per month in June 2022 to less than 10% in July 2022 as the increase in the policy rate restrained growth in bank reserves. The domestic monetary conditions have remained tight through to the second half of 2023. This has kept speculative borrowing subdued and the economy has seen the policy pay-offs that have been realized through falling parallel exchange rate premium and inflation since 2022.

The parallel exchange rate premium which had widened to more than 80% in June 2022 has been on the decline due to the prevailing tight monetary conditions. The premium immediately fell after the hike in the Bank policy rate to 200% per annum in July 2023, reaching about 20% by September 2022 before regaining momentum to reach about 120% in April 2023 following the transitory turbulences on the economy that came with some temporary shocks on the demand and supply of foreign currency in the economy. The upward revision in the Bank policy rate to 150% per annum in April 2023, however, reversed the upward surge in the parallel exchange rate premium, which has since fallen to within 20%. The current mix of policies, which includes a more liberalized foreign currency market, foreign currency supply measures, increased fiscal austerity, liquidity mopping, the introduction of the gold and gold backed tokens and the high interest rates have seen the parallel and official exchange rates moving towards convergence with the parallel exchange rate premium or gap falling to within the 20% benchmark.

The decline in the parallel exchange rate premium in the current tight monetary environment has been mirrored in a concomitant decline in inflation. Annual inflation declined from a high of 106.3% in August 2022 when the Bank embarked on the current tight monetary policy stance to the current rate of 77.2% as of August 2023. Similarly, monthly inflation declined from 18% to a negative rate of 6.2% in August 2023.

The Bank policy has proved to be an effective instrument of monetary policy. Its combination with the right mix of fiscal and other macro-policies has yielded sustained stability in the economy. Going ahead, the Bank will continue to be guided by current and expected inflation developments to align both the policy rate and the medium-term bank accommodation rate with other key macroeconomic fundamentals and developments in the economy.

RESERVE BANK OF ZIMBABWE

APPENDIX 1: FOREIGN EXCHANGE AUCTION RESULTS FOR MAINFX¹ AND WHOLESALFX²

	WHOLESALFX			
	01-August-23	03- Aug-23	08-Aug-23	16-Aug-23
Total Bids (US\$ dollars)	17,076,095.00	13,823,820.00	17,518,500.00	18,854,776.00
Amount Allotted (US\$ dollars)	15,969,095.56	12,498,820.00	17,518,500.00	18,854,776.00
Highest Rate	4,570.00	4,573.00	4,584.45	4,600.00
Lowest Bid Rate	4,515.00	4,535.00	4,550.00	4,559.00
Lowest Bid Rate Allotted	4,515.00	4,535.00	4,550.00	4,559.00
Weighted Average Rate	4,542.37	4,556.16	4,559.74	4,577.50
Number of Bids Received	15	13	16	13
Number of Bids Rejected	0	0	0	0

Source: Reserve Bank of Zimbabwe, 2023

¹ Main Foreign Currency Auction. The Auction is normally conducted every Tuesday every week.

² Wholesale Foreign Currency Auction (Wholesale FX). The RBZ MPC resolutions dated 6 June 2023 resolved that with effect from 7 June 2023, the Bank shall sell foreign currency at the market-determined exchange rate through banks to support and strengthen the foreign exchange interbank market, and banks shall in turn sell the foreign currency to their customers.

APPENDIX 2: SUMMARY OF FOREIGN CURRENCY AUCTION ALLOTMENTS BY PURPOSE

Purpose	MAINFX			
	25-July-23	01-Aug-23	08-Aug-23	16-Aug-23
Raw Materials	179,672.32	128,132.37	308,170.98	113,729.24
Machinery and Equipment	96,841.77	232,872.55	287,094.68	345,440.82
Consumables (Incl. Spares, Tyres, Packaging)	18,497.02	-	2,120.64	-
Pharmaceuticals and Chemicals	46,093.30	-	-	-
Services (Loans, Dividends and Disinvestments)	210,545.60	69,961.27	232,795.36	58,000.00
Retail and Distribution	50,000.00	49,618.06	54,648.06	30,000.00
Fuel, Electricity and Gas	-	-	-	-
Paper and Packaging	-	17,308.81	-	22,269.22
TOTAL	601,650.01	497,893.08	884,829.72	569,439.28

Source: Reserve Bank of Zimbabwe, 2023